Alaska Retirement Management Board

Agenda
December 1-2, 2011

Thursday, December 1, 2011			
I.	9:00 am	Call to Order	
II.		Roll Call	
III.		Public Meeting Notice	
IV.		Approval of Agenda	
V.		Public/Member Participation, Communications, and Appearances (Three Minute Limit)	
VI.		Approval of Minutes: September 21-23, 2011	September 21-23, 2011 ARMB Board Meeting Minutes (draft)
VII.		Election of Officers	
VIII.	9:15	Sustainability/Unfunded Liability 1. Legal Analysis: Statutory Responsibility of ARMB *Rob Johnson, ARMB Legal Counsel* 2. Historical Perspective: November 2010 Meeting/Materials [Nov 18-19 Minutes; PERS/TRS History; Sept 19 Teal Memo; Sept 22 Governor Parnell Presentation] *Gary Bader, Chief Investment Officer*	Board Statutes 37.10.210 Trustees-37.10.071 Historical Perspective Presentation Minutes Nov 18-19, 2010 PERS-TRS History Teal Memo 091911 David Teal E-Mail. 092112 Extract-Governor Parnell
	10:15-10:25	*BREAK*	
		3. Scenarios - Outlined in Spreadsheet *Mike Barnhill, Deputy Commissioner, DOA*	ARMB PERS TRS Funding Scenarios Scenarios 1-36
		Discussion to Continue Friday, December 2	
	12:05-1:15	LUNCH - 12:00 - 1:15 pm	
IX.	1:15-1:45	Reports 1. Chair Report 2. Committee Reports A. Audit Committee, *Martin Pihl, Chair* B. Real Assets Committee, *Kris Erchinger, Chair* C. Salary Review Committee, *Martin Pihl, Chair* 3. Retirement & Benefits Division Report A. Membership Statistics (informational) B. Buck consulting Invoices (informational) *Jim Puckett, Director, Division of Retirement & Benefits* 4. Treasury Division Report *Angela Rodell, Deputy Commissioner, Dept of Revenue* 5. CIO Report, *Gary Bader, Chief Investment Officer*	DRB Report CIO Report
	1:45-2:05	6. Fund Financial Presentation and Cash Flow Update *Pamela Leary, Comptroller, Department of Revenue* *Teresa Kesey, CFO, DRB, Department of Administration*	Fund Financials 093011
	2:10-2:30	7. KPMG - Audit Report *Michael Hayhurst and Corinne Fiedler*	KPMG-2011 ARMB Board Presentation
	2:35-3:05	8. Private Equity Evaluation *Gary Robertson, Callan Associates, Inc.*	Callan-Private Equity

		Zachary Hanna, State Investment Officer	
	3:05-3:15	*BREAK*	
	3:15-4:15	9. Performance Measurement – 3rd Quarter *Michael O'Leary, Callan Associates, Inc*	CallanQ3-11 IMS Revised Callan-DefComp093011 Callan-SBS 093011 Callan-PerfMeasurement0930
	4:20-4:40	10. Investment Actions A. Victory Capital Management B. Equity Guidelines-International Small Cap C, IAC Contract D. Real Asset Committee Charter E. LaSalle - Budget Variance *Gary Bader, Chief Investment Officer*	Investment Actions
	4:45	11. IFS Actions B/1/b #11 Internally Managed Portfolio Guidelines *Gary Bader, Chief Investment Officer*	Action-IFS Rec - Intl Fixed Income B 1 b
	5:00	12. Information Item: T Rowe Price Guidelines *Gary Bader, Chief Investment Officer*	Information - T Rowe Investment Guidelines
		RECESS	
	9:00	*Friday, December 2, 2011* *Call to Order*	
X.	9:00	Sustainability/Unfunded Liability (continued) 1. Unfunded Liability: Real or Soft *Mike Barnhill, Deputy Commissioner, DOA* 2. Legislative Intent: SB 125 and SB 141 *Rob Johnson, ARMB Legal Counsel* 3. Investment Earnings Over Time *Gary Bader, Chief Investment Office*	PERS TRS Annualized Returns 6-30-11
	10:30-10:40	*BREAK - 10 Minutes*	
		4. Options *Mike Barnhill, Deputy Commissioner, DOA*	Options
		5. Resolutions A. Actuary Payments - Res. 2011-21 B. Board Action - Resolutions *Mike Barnhill, Deputy Commissioner, DOA*	Res 2011-22 Actuary Res 2011-23 Unfunded Liability Pihl Resolution 1 Pihl Resolution 2 short
XI.		Unfinished Business 1. Calendar/Action Items, *Judy Hall, Liaison Officer* 2. Disclosure Report, *Judy Hall, Liaison Officer* 3. Legal Report, *Rob Johnson, Legal Counsel*	2012 Meeting Schedule Action List 120211 Disclosures111811
XII. XIII XIV. XV. XVI.		Action Items - New Business Other Matters to Properly Come Before the Board Public/Member Comments Investment Advisory Council Comments Trustee Comments	

XVII.		Future Agenda Items	
XVIII.		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
Fairbanks Princess Hotel
Jade Room
4477 Pikes Landing Road
Fairbanks, Alaska

MINUTES OF
September 21, 22 & 23, 2011

Wednesday, September 21, 2011

CALL TO ORDER

CHAIR SCHUBERT called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:30 a.m.

ROLL CALL

All nine ARMB trustees were present.

Board Members Present
Gail Schubert, *Chair*
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Commissioner Becky Hultberg
Commissioner Bryan Butcher
Martin Pihl
Tom Richards
Mike Williams

Board Members Absent - none.

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

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

Department of Administration Staff Present
Mike Barnhill, Deputy Commissioner
Jim Puckett, Director, Division of Retirement & Benefits
Teresa Kesey, Chief Financial Officer, Division of Retirement & Benefits

Consultants, Invited Participants, and Others Present
Michael O'Leary, Callan Associates, Inc.
Paul Erlendson, Callan Associates, Inc.
David Slishinsky, Buck Consultants, Inc.
Micolyn Magee, The Townsend Group
Eric Wolfe, Prisma Capital Partners
Helenmarie Rodgers, Prisma Capital Partners
William Turchyn, Mariner Investment Group
Ellen Rachlin, Mariner Investment Group
David Smith, Global Asset Management
Kathryn Cicoletti, Global Asset Management
Donald Frank, Victory Capital Management, Inc.
Gary Miller, Victory Capital Management, Inc.
T.J. Duncan, Frontier Capital Management Co. LLC
Leigh Anne Yoo, Frontier Capital Management Co. LLC
David Teal, SOA Legislative Finance Division
John Alcantra, NEA Alaska
John Boucher, SOA Office of Management & Budget
Charles Gallagher, RPEA
Lydia Garcia, NEA Alaska
Ron Johnson, RPEA
Rhonda Michael, Court System
Tammi Weaver, University of Alaska Foundation

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

MR. BADER stated that the executive session scheduled for Friday was no longer needed.

The agenda was approved as amended, on a motion made by MS. HARBO and seconded by MR. TRIVETTE.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHARLIE GALLAGER, chair of the Retired Public Employees Alaska - Northern Region, welcomed everyone to Fairbanks. He thanked the Division of Retirement & Benefits and Director Jim Puckett for working very cooperatively with RPEA and inviting RPEA to the quarterly meetings with the healthcare provider. He thanked Commissioner Hultberg for graciously responding to RPEA President Bob Doll's letter regarding some U.S. Senate legislation to help defray the high drug costs. He also thanked the Alaska Retirement Management Board, noting the *Juneau Empire* article last week [that reported a good investment return for the retirement funds in fiscal year 2011].

MR. GALLAGHER cited a letter to the editor two years ago that addressed the unfunded liability, as well as a letter from Charlie Cole that said it was time to deal with this issue. The RPEA membership has taken it as their flagship issue, and he wrote about it in the last Northern Region RPEA newspaper. He said he was pleased to see a discussion of the unfunded liability as the first item on the Board's agenda.

RON JOHNSON, retired University of Fairbanks faculty member and a RPEA member, stated that the unfunded liability is a major concern of his. He said the State is putting in $600-$700 million a year to help pay down the unfunded liability, and he understood the current plan was to put in over a billion dollars starting ten or so years from now. There is currently $12 billion or so in the State budget reserves; ten years from now there might be zero. He preferred to see more front-end funding for the retirement unfunded liability. Tied in is the idea that many people are pushing to put new hires back on a defined benefit plan instead of a defined contribution plan — that might be nice for the new hires, if there was a solvent defined benefit plan. He felt it would be doing the new people a disservice to put them on defined benefits, if the unfunded liability were not funded. In that case, he would rather be in a defined contribution plan. His daughter in the University of Colorado system is on defined benefits, and she would prefer to be on defined contributions because she has little faith that the State of Colorado will be able to pay her retirement in 20 or 30 years. In closing, he thanked the Board for paying attention to the unfunded liability problem, and said he hoped the State could do more forward funding of it than is in the current plan.

LYDIA GARCIA, Executive Director for NEA-Alaska, said the ARMB's stewardship of $20 billion on behalf of tens of thousands of Alaskan retirees and public employees is appreciated, although it may not well be understood by many Alaskans. She talked about Senate Bill 121 (and House Bill 236) that would provide a choice between the existing 401K-type defined contribution plan and the defined benefit retirement system for Alaska's public employees. She provided a copy of slides presented at the Alaska Senate State Affairs Hearing on SB 121 on September 15 *[on file at the ARMB office]* on a plan to provide retirement options at no additional cost to the employer. The Administration is working with its actuary, Buck Consultants, to produce a fiscal note in time for the next hearing in Fairbanks, October 13. She said West Virginia and Nebraska had defined contribution plans, and they switched back to defined benefit pension systems. If these two states can return, the Alaska Public Pension Coalition believes that Alaska can also return and offer a secure and reasonable retirement for its employees. NEA-Alaska is willing to work with this Administration, the Legislature, the Alaska Retirement Management Board, and all interested Alaskans to make certain that employees choose a career in Alaska. She encouraged the Board to look at the data during the discussions on the pending legislation and to keep an open mind to the return of a defined benefit retirement system.

GOVERNOR'S STATEMENT ON RETIREMENT SYSTEM UNFUNDED LIABILITY

CHAIR SCHUBERT welcomed Governor Sean Parnell to the meeting. COMMISSIONER HULTBERG introduced the Governor, for whom she and Commissioner Butcher work, saying that the Governor has taken an active interest in the work of the ARMB. She thanked the Governor for joining the Board as it talked about some very difficult issues.

GOVERNOR PARNELL stated that he valued the work the ARMB does, and that it is important to the State to maintain its pension obligation. Indeed, it is the constitutional prerogative and duty to do so. He said his intent was not to get into the legislation — defined benefit versus defined contribution — but rather to speak to the Board's way forward. The Administration is in the midst of crafting the fiscal year 2013 budget that he is required to submit on December 15. Looking at that, everyone is aware that the unfunded liability that faces the State is a daunting prospect and one that he wanted to address today.

The combined unfunded liability of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) trust funds exceeds $11 billion. GOVERNOR PARNELL said he understood that the management of that obligation was the subject of the Board's conversations for the remainder of the day. To put the $11 billion into context, if that bill came due tomorrow, the obligation of each and every Alaskan to the pension trust funds on a per capita basis would be more than $15,000 each. So for a family of four, the family debt owed to the pension trust funds would be over $60,000. That brings it home to individual Alaskans, who may not right now be aware of the unfunded liability. It is a staggering obligation created by a former defined benefit plan, but he thought it was a manageable one.

GOVERNOR PARNELL said that, fortunately, the general fund is a revenue backstop to help manage the State's unfunded pension liability. A healthy pension trust fund is good for the general fund, and a health general fund is critical for pension trust funds: the two are inextricably linked. He asked, as the Board considered its obligation to the pension trust funds, that it recognize the necessity of insuring a health general fund, as well.

GOVERNOR PARNELL noted an important distinction between Alaska's system and many other pension systems with large unfunded liabilities: Alaska's is a closed system, so the obligation is not just to the overall health of the trust funds but to insure that the State has the means to pay all retiree benefits when they come due.

In that context, he gave an update on the Administration's work on the issue. Staff at the Office of Management and Budget (OMB), Legislative Finance, and the Department of Administration have been evaluating a number of approaches to address the unfunded liability. Some of the earlier assumptions may no longer be valid, and he has asked them to think about things differently. Some of the approaches he has asked them to address include:

- A new amortization method (a level dollar payment method)
- An appropriation to the trust funds
- An appropriation to a retirement reserve account
- A set-aside of funds to the trust accounts without an appropriation
- A retiree cash out program
- Or some combination of the above.

GOVERNOR PARNELL stated that undoubtedly other options would emerge. The Administration has not reached a consensus or come to a conclusion about a single approach, and all parties continue to work diligently together on recommendations. They need the ARMB to be an integral part of that process. They want the Board's help in having a panel of options available when the Legislature convenes in January, and to work on winnowing those options down during the session. The ideal solution is one in which the SB 125 general fund contributions are paid when due, while not depleting the State's general fund reserves during extremely uncertain economic times.

In closing, GOVERNOR PARNELL said he asked several things of the Board. First, to please keep an open mind; it is not a small or simple problem, and to solve it will require collaboration, coordination, and compromise. It is unwise at this point to close minds to the full range of potential options. Second, that the Board not take action today that would restrict flexibility in addressing the issue. The economic times are too uncertain to lock the State into a particular method in this moment. Structural economic changes appear to be occurring in the nation that people are just now beginning to see play out. For example, some of the long-held assumptions about stock market performance, and allocation of assets in the nation's stock market and beyond to global markets, are being challenged. This Board ought to be engaged in that discussion, as well.

GOVERNOR PARNELL suggested that the Board adopt the recommendation of the actuary and maintain the current path with respect to amortization. Not so that that is the path that is set for years to come, but so that amidst these uncertain times, which are far different that experienced in his lifetime, the flexibility that is needed to be nimble and to move with these times is maintained. He asked that the Board continue to work with his Administration and the Legislature, through the process he outlined earlier, to come up with an approach that everyone can support to both insure the health of the pension system and the health of the general fund. He needed the Board's good thinking and some new thinking about how to address these issues. He thanked the Board for their time and for allowing him to share his thoughts, and said he was happy to engage with them on these topics.

CHAIR SCHUBERT thanked the Governor for his comments and for taking the time to come talk to the trustees. She added that she thought he was the first governor to ever appear before the ARMB and its predecessor, the Alaska State Pension Investment Board.

GOVERNOR PARNELL thanked the Chair for the recognition and said he wished it did not have to be so. He said that it points to where the federal government is struggling with Social Security and Medicare, in terms of the sustainability of the federal budget, among some other key factors. The unfunded pension liability and how the State addresses it are critical to maintaining the financial health of the state. He said he recognized that as one of the greatest challenges, and wanted to continue working on that challenge. This was the appropriate board for that kind of thinking, planning, and work to be done, and he was pleased to be with the Board as part of the solution.

Responding to MR. PIHL, GOVERNOR PARNELL said he did not want his list of approaches to limit the thinking, that it was really a time to be thinking outside the box about how things could work. His concerns were that most Americans have little confidence in the nation's stock market or the economy for the near to mid-term. So there is great hesitancy to place a large amount of cash into that market, betting on the long-term health and sustainability of the market. It has been said that this is not the market of your daddy, meaning that it is not a market necessarily that you can dollar-cost average across time and expect the kinds of returns we have been getting in the last fifty years, because there may indeed be some structural changes occurring in the global financial markets and global economy. He said those were some of the concerns that under-laid his request to the Board, that it help him maintain flexibility but also use sound financial judgment in the discussion.

MR. PIHL said the Board had discussed items 1, 2 and 3 on the list, and he was glad they had been brought to the Governor. GOVERNOR PARNELL responded that he hoped the Board would come up with 7, 8, 9 and 10, too.

MR. TRIVETTE said the other issue not talked about is that every day that goes by the actuary is calculating more money that is added to the unfunded liability because the money is not there to be invested. In this fiscal year alone, with $11 billion-plus in total unfunded liability, the actuary has embedded in their calculation another $880 million added to that liability. So even though the retirement funds earned over 21% in the past fiscal year, and the ARMB's performance tends to be in the top twenty-fifth percentile of all public pension funds, it can only do so much in a given year. He said he appreciated the offer for trustees to meet with the Administration's people, that the Board has not been part of the conversation in the last three or four months. It would have been nice if the Board had been invited in earlier along. One problem is that the Board gets information but not enough time to look at it before meeting to discuss issues. He said if there was not a proposal before him today, he would not try to act on it. The actuarial methodology was switched in 2006, and the ARMB got very little notice of that — and he thought maybe the Board had made a mistake. A major change since that time was SB 125 that could impact the way that trustees look at the whole issue now. So the earlier the Board is part of the Administration's discussions, the more likely it is to feel comfortable with those discussions. He said it meant a tremendous amount to him as a trustee that the Governor was at this meeting, and he looked forward to working with him.

GOVERNOR PARNELL stated that he had two months before he had to propose next year's spending level and budget plan, and he appreciated the Board's willingness to work together on the issue.

CHAIR SCHUBERT thanked the Governor for his appearance.

SUSTAINABILITY/UNFUNDED LIABILITY REVIEW

Options to Address Sustainability/Unfunded Liability Issues

Department of Administration Deputy Commissioner MIKE BARNHILL said that since the last meeting they had been talking about how to best frame further discussions within the Administration — with the Legislature, with the ARMB, and with any other interested stakeholders — on how to approach addressing the unfunded pension liability. His goal at this meeting was to get a better sense of the objectives of the various trustees in addressing the unfunded liability to help in crafting a proposal or a series of proposals that could be put before the Legislature in January 2012. Then, through discussions with the 60 stakeholders in the Legislature come up with a solution made up of pieces of what the ARMB, the Governor, the Legislature, and also the public, were interested in.

MR. BARNHILL had a series of slides to illustrate his presentation *[on file at the ARMB office]*. He said he had presented a version of the slides to the Alaska Healthcare Commission a few weeks ago, as part of an effort to grow awareness across the state about the long-term fiscal situation and that everyone has an important role to play in that. He shared some data about the state's finances with the Board. The operating and capital budget (less permanent fund dividends) has essentially doubled from $4 billion to $8 billion in the ten years 2000-2010, or increased from about $6,600 per person to $11,000 on a per capita basis. There are no state income taxes or state sales tax, but there are still currently sufficient resources to sustain fairly aggressive growth in government spending. It has created a dynamic where the various stakeholders in the state have developed a culture of seeking to maximize their fair share of those resources. They have been very good at it, and it has driven the budget to grow at the rate that it has. Given the long-term revenue structure, 7.5% growth for the capital and operating budget is not sustainable. It greatly exceeds the rate of inflation. There are serious long-term fiscal issues in the state, and people need to work together on how to bend that growth rate down to something that is sustainable. It will be difficult to change the paradigm to something that is driven more by what is in the best public interest of the State of Alaska.

MR. BARNHILL stated that the capital and operating budget continuing to grow at 7.5% annually will result in a $16 billion budget by FY2020, or spending of $20,000 per person per year. If that rate of growth had to be sustained by taxes, he suspected the uniform answer would be that that level of government expenditures is not tolerable. Luckily, the state has the resources presently to sustain the current level of government. However, the state does not have the resources to sustain the level of growth that would lead to a $16 billion budget by FY2020. Everybody in the state of Alaska is a stakeholder in some fashion and has a role in this.

MR. BARNHILL explained how the 9% annual growth in healthcare costs in the state is not sustainable either, and how the Department of Administration is taking steps for preventative care in the active state employee population so that by the time people retire they are healthier and taking better care of themselves. It will take years to see the impact of these steps, but other entities have commenced wellness programs and have had good success.

MS. HARBO mentioned that the ARMB Health Care Cost Containment Committee proposed this type of program for retirees in the 2004-2005 timeframe and tried to get the state to address issues such as disease management and some wellness services.

MR. BARNHILL said the Department of Administration had to make a judgment call about where to start what is a long-term effort, and the logical place to start was in trying to change the culture of the active population. If there is some success, the department will definitely work on expanding it to other populations, including state retirees and the political subdivision population.

COMMISSIONER HULTBERG stated that the department had conversations about the retiree population all the way through, and expects to be able to offer some enhanced services at an unspecified future point. Successful wellness programs work because they have the ability to hit certain levels that incentivize certain behavior and control costs. The state does not have the ability to do that in the retiree plan right now because of the diminishment clause. Just layering wellness services on top of a health plan that is very rich only drives the costs up; people who do not really need the services tend to consume them, and the people who do need the services do not consume them. The state has to find a way to add wellness services into the retiree health plan without driving the costs of the system up.

MR. TRIVETTE said that retiree organizations were actively engaged and had an excellent working relationship with the Division of Retirement and Benefits and the people who were running the third party administration up until 2005. They were talking about incentives, and they achieved savings for the state by getting everybody at the table. That [relationship] does not exist today, and he hoped they could move forward and do that at some point.

MR. BARNHILL next listed the state revenues, noting that oil production has essentially been down year over year since 1989, with no sustained uptick. He showed a slide of projected revenues and expenses, pointing out that at some point in the next ten years, if the revenue situation does not change, the expenses will grow to the point where the incoming revenue will not be enough to pay them. No one wants that to happen, and everyone hopes that Commissioners Sullivan and Butcher and Governor Parnell are successful in their initiative to fill the oil pipeline. The big picture is that Alaska right now has a revenue problem and an expense problem.

The next slide showed a projection by Buck Consultants of the PERS and TRS benefit payments to be paid out annually until approximately year 2080, or when the last person in the defined benefit systems dies. MR. BARNHILL said the projection is a hard liability, or what the systems will have to pay in order to make good on the promises that the State of Alaska and member employers have made to the members of the systems. The unfunded liability is sometimes referred to as a soft liability because there is some measure of flexibility in how it is addressed. The retirement systems are paying about $1.0 billion in benefit payments a year right now; that is projected to increase to over $3.0 billion a year by 2026 and remain at that level through to the year 2047, after which the benefit payment amount will begin to tail off.

MR. BARNHILL stated that in a perfect world a retirement system is self-sustaining from member/employer contributions and investment returns, and does not need any external source of income to support the promises made. An unfunded liability can occur from actuarial negligence and bad calculations, investment loss, experience changes (people live longer or retire earlier), or new liabilities.

MR. BARNHILL said that in the wake of the 2009 Great Recession the state assistance amounts that the general fund is being called upon to pay under Senate Bill 125 are going up fairly steeply. On the table currently is a $610 million proposal from the general fund for FY13. Projections show that the rising assistance amounts will be competing with other stakeholders in the general fund budget, such as education. He said everyone has to understand the larger picture on which this discussion sits and the need for a balanced solution. The state needs a healthy general fund and healthy state saving account to ensure that all the obligations are met, even in the lean times.

MR. BARNHILL reported that a new dynamic is creeping up on other states. Taxpayers are beginning to push back and are balking at paying higher taxes in order to pay benefits to current retirees. So benefits have been cut to existing retirees in four states: Colorado, South Dakota, Minnesota and New Jersey. In most of those cases, the form of the cut has been to reduce the cost-of-living adjustment. Not surprisingly, there is litigation in each of those states as to whether that is permissible under the states' contract or diminishment clauses.

MR. BARNHILL said that one of the basic approaches to having a balanced solution is recognizing that everyone is in this together and there are a lot of stakeholders. It was his opinion that if the retirement system attempts to grab too many resources it could potentially create a backlash. The irony is that the point of grabbing those resources is to increase the funding levels and make the retirement system healthier, but if too many toes are stepped on in doing that, it could create a dynamic where folks say to follow what Colorado and New Jersey have done. He did not think people needed or wanted that in Alaska.

MR. BADER asked if there was any anecdotal evidence that the national healthcare legislation that was passed would either help the retirement plans or make them worse. MR. BARNHILL said his understanding is that in the short term the legislation has made costs go up in the active health plan because of the requirement to extend coverage to children up to age 26. He added that there is amorphous hope that over time the national healthcare legislation will help and costs will come down. The ARM Board recently adopted assumptions that show some bending of the cost curve over a long period of time. The ultimate hope is that being fairly proactive with the populations on the demand side, and addressing things directly with the provider community on the supply side, that it will help promote bending down the healthcare cost curve.

COMMISSIONER HULTBERG said she personally believed that the national healthcare legislation did not do much to structurally reform the way that healthcare is delivered. Unless there is structural reform, the system likely will not see significant diminishment of the healthcare cost escalation. That is one of the reasons that the state, as a large consumer of healthcare resources, is engaging directly with the provider community in the state to be a positive influence in delivery system reform.

A brief discussion ensued on the Department of Revenue Oil and Tax Division's presentation to the Senate Finance Committee in January of projected reserve balances going from the current $12 billion to $27 billion in 2020. John Boucher of the Office of Management and Budget, who helped author the 10-year plan referred to, joined the conversation to explain that it was one of multiple scenarios that were presented for projecting state expenditures. He said the administration has been actively trying to bend the curve of expenditures, but Medicare costs and the cost for the retirement system are two of the state's biggest challenges. By making no changes in the amount that is committed to the SB 125 state assistance payment, it represents about 9% of the forecast general revenue for fiscal year 2013 — and that is quickly escalating within the next four years to 14%-15%. He remarked that some would say that the department's production forecast is optimistic. It is a growing concern of how to manage this along with the other needs of the state.

MS. HARBO asked if the administration had considered the impact of dollars leaving the state from the 30% member turnover rate in the PERS defined contribution (DCR) plan to almost 40% turnover in the TRS DCR plan, as well as the impact of the cost of training people for two or three years and then having them leave the state. She added that fewer retirees will be staying in the state, and those retiree dollars currently help create about 7,000 jobs for younger Alaskans.

MR. BARNHILL replied that he was not talking about folks leaving state employment or departing the state, because it was not a lever in deciding how to address the unfunded liability. It was a legitimate concern in terms of the State of Alaska's economy as a whole and where pension dollars are ultimately being spent. However, the administration is talking about separation rates and tracks several types of employee movement on an annual basis. The longer-term data shows that the rate of separation from state employment ranges from 11% up to 16%; the rate starting in FY06-FY07 was 15%, and as of FY11 the rate of separation was 12%.

MR. BARNHILL continued with his presentation, stating that, in his opinion, the Board has discharged its fiduciary duty to address the unfunded liability by having a plan to amortize the liability over a 25-year period. The amortization methodology in place to do that is level percentage of pay. A variety of concerns have been raised within the context of past board discussions, within the Legislature, and within the Office of Management and Budget, about whether the status quo is optimal and if a change should be made.

MR. BARNHILL listed the stakeholder groups in the discussion and their interests: members of the retirement systems, the employers, the gatekeepers of the general fund (OMB and the Legislature), the public, future Alaskans, and the Alaska Retirement Management Board. He said the objectives of the discussion are to keep all the promises made so that all benefits get paid when they come due, and to make sure that all stakeholders are protected by keeping the larger public interest in mind.

MR. BARNHILL next described the levers available, and noted that ultimately it may be a combination of those:

- Interest rates are the most powerful lever that the Board has, and it needs to be exercised responsibly. The Board recently reduced the investment return assumption from 8.25% to 8.0%, which followed what other pension funds around the country have done.
- Accelerating the cash flow into the retirement systems. An appropriation of various sizes is one way to do that, and there are pros and cons. One concern is that the timing could go awry when making big appropriations out of one of the state's savings accounts into the retirement trust funds. A related concern is running the risk of energizing other stakeholders who may have designs on the savings accounts for equally legitimate purposes. Making an appropriation likely will be on the table when the Legislature convenes in January 2012.

MR. BOUCHER mentioned that pension obligation bonds were under serious consideration at one time to provide a large deposit into the retirement trusts. Fortuitously, the market changed before the state pulled the trigger on a potential multi-billion dollar issuance of a bond. The state would have been locked into the bond payment for quite a period of time without having the investment returns that would have been hoped for. That lesson cannot be forgotten going forward.

- Change in the approach for amortizing the unfunded liability. Currently, the level percentage of pay methodology is a more back-loaded approach. The ARMB has discussed a more front-loaded approach, which is the level dollar methodology. However, any deferral of financing an obligation will mean paying more in the long run because of the accrued interest. The primary negative for changing the methodology goes to the issue of competing stakeholders with respect to general funds. Something to bear in mind is that under SB 125 the general fund is the entity that would be making the payments under a pay-more-now scenario. But there are 220 employers in the system, and their burden in addressing the unfunded liability issue would be reduced if it were a pay-more-now scenario. The Great Recession added billions in unfunded liability that falls, unfortunately, on the general fund under SB 125. Something to talk about is whether paying more now is really the responsibility of the general fund, or would it be appropriate to call upon the other members of the system to share in that burden.
- Appropriate money into a reserve account, or put an earmark on a particular account for retirement without moving the money. The retirement fund would have first claim on the money if it needed it, otherwise the money could be used for other purposes over time. It would enhance budgeting flexibility in lean years or if there were a fiscal emergency for some reason. The primary down side is no guarantee, and the funds could not be booked in the valuation to reduce the unfunded liability in any way.

MR. BOUCHER stated that one option would be to use the earnings of a savings account as a portion of the SB 125 annual appropriation, which would mitigate the need to use the general fund on an ongoing basis.

- Incentives to affect a change in retirement behavior in order to reduce the unfunded liability in some measureable way. A couple of ideas are: (1) give retirees an option to cash out a percentage of the discounted value of their retirement benefits and terminate their participation in the system; or (2) give employees a cash bonus or enhanced retirement benefits to stay employed longer and defer their retirement.

MR. BARNHILL said he wanted to hear comments and ideas from trustees to get a better idea of what the administration can take forward to help craft a proposal that can be put before the Board, the Legislature, and the Governor as a solution.

MR. TRIVETTE requested that Mr. Barnhill provide the trustees with a copy of his slides.

Near the noon hour, trustees asked to hear the Buck Consultants presentation before taking a lunch break.

MR. PIHL, Chair of the Study Group addressing long-range unfunded liability issues and related actuarial assumptions, stated that the all level dollar approach for the first five years would have developed $623 million for PERS and $351 million for TRS, for a total of $974 million of additional contributions. For the fiscal year 2013 the number under the level dollar approach would be $200 million additional contribution. His second point was the savings of $541 million and $894 million if the system went to level dollar over the remaining years until 2032. Referring to the table for PERS and TRS versus the contributions (in the meeting packet), he pointed out that the green part of the graph was defined contribution plan contributions going to the individual employee accounts, and those dollars were not in the tables that address the unfunded liability of the defined benefit systems. Those were powerful numbers that, for him, led to a quick conclusion on what the Board ought to recommend.

BUCK CONSULTANTS PRESENTATION OF LEVEL DOLLAR AMORTIZATION STUDY

DAVID SLISHINSKY of Buck Consultants, the State's actuary, said Buck completed an actuarial study of the level dollar amortization method for PERS and TRS in July 2011, and the Board was provided with copies. He said the first part was a retrospective study to see the impact on the retirement systems if the amortization method for paying off the unfunded liability had been level dollar from the 2006 valuation through the 2010 valuation, instead of the level percentage of pay method that was used.

MR. SLISHINSKY said the level dollar amortization method pays more on the front end and less on the back end, so the amount of dollars over time is less than by paying a smaller amount at the beginning and a larger amount at the end of that amortization period. Using the level dollar method for PERS, the difference of total employer/state contribution rates that would have been paid over the four years 2006-2010 ranged from a 7.82% increase in the percentage of pay in 2006 to a 5.96%

percentage of pay increase in 2010. Buck also made adjustments to the assets over those years to allow for there being more money going into the retirement system from the increased contributions, resulting in a lower unfunded liability.

MR. SLISHINSKY said that for TRS, since the amortizations are much larger, the same retrospective analysis resulted in anywhere from a 9.74% increase in the percentage of pay to a 12.5% increase.

MR. SLISHINSKY explained that Buck then made the change with current valuations and went forward on a level dollar amortization basis for a prospective view beyond fiscal year 2010. It is an open group model because Buck includes the salaries for defined contribution plan (DCR) members that come in that replace the defined benefit plan (DB) members that terminate or retire.

He showed the following series of charts:

- The PERS projected DB and DCR payroll from 2011-2041 on a level dollar basis
- The projected cash flow
- The market value of fund balances and the actuarial value
- Projected employer and state contribution rates as a percentage of pay (the state assistance contribution increases in the early part of the amortization period, but the rate drops as the base pay number grows)
- Employer and state contribution dollar amounts
- The projected funded ratios.

MS. ERCHINGER recalled that the Study Group attempted to look at what the level dollar amortization would look like over time, but they were also layering over that idea what was politically feasible for the Legislature to be able to fund. One number discussed, in the November 2010 conversation with Legislative Finance and the Governor's Office, was $450 million. She said the Board's responsibility is to accept a contribution rate that is actuarially valid. She asked to what extent, within the framework of Buck's actuarial study of the level dollar amortization, there was wiggle room to overlay some arbitrary feasible contribution from the state and not necessarily have the significant upfront cost requirements.

MR. SLISHINSKY replied that her question was looking back at developing some funding methodology for the state assistance that was more level so that the first five years did not grow as rapidly as Buck's projection of expected contribution amounts showed under the level dollar amortization method.

MS. ERCHINGER asked if tweaking the model in this way was still appropriate from an actuarial standpoint, because it would be a blend of art and science.

MR. SLISHINSKY stated that with the new Governmental Accounting Standards Board (GASB) exposure drafts and discussions about delinking accounting from funding, there has been a de facto practice that the actuarial requirement cannot be any less than a 30-year level percentage of pay amortization, and on a rolling basis. The actuarial profession has always worked with plan sponsors and boards to develop a funding policy that meets their objectives — provide the benefits security to members by accumulating the appropriate assets to pay those benefits over some time period and over a methodology that achieves those goals. That would be in play in Alaska's situation.

MR. SLISHINSKY answered several questions from trustees and staff about how to interpret the information presented in the charts. He said Buck could produce a projection that showed what the state assistance would need to be each year on a level dollar basis in order to fully fund the unfunded liability by 2030.

COMMISSIONER HULTBERG remarked that in looking at level dollar versus level percentage of pay, the level dollar method is front-loading the cost more, but it is the state assistance that picks up that. It is a transfer of obligation from the employer (which includes the state) to direct state financial assistance. MR. SLISHINSKY agreed, saying there is a difference in both the state assistance piece and the employer piece, depending on how the gains and losses are amortized at the end of the amortization period. The employer piece goes down because at the end of the amortization period the total employer contribution is no longer 22% of pay, so their savings is at the end.

MR. BARNHILL observed that there is an element of state general fund subsidization for the funding under the level dollar approach that is absent for the level percentage of pay amortization.

MR. SLISHINSKY confirmed for MR. PIHL that the 20% investment return for FY11 reduced the total 30-year contribution required from $23 billion to about $19.5 billion.

CHAIR SCHUBERT recessed the meeting for a lunch break at 12:47 p.m., and opened the floor for a discussion of the morning's presentations when everyone reconvened at 1:56 p.m.

Discussion on the Options

MR. PIHL stated that Buck provided trustees with some additional analyses over the lunch hour, and he asked Mr. Slishinsky to go over those numbers *[exhibits on file at the ARMB office]*.

For about 45 minutes the Board discussed the Governor's list of options that could be used in whole or in part to address how to fund the unfunded liability, as well as a couple of other proposals. There were differing opinions on whether to make a recommendation at this meeting or take more time to consider everything and not limit the discussion going forward. In the end, they decided to take action on the FY13 contribution rates but schedule a work session or joint meeting with the administration to review all the information available and to develop a well-thought-out recommendation.

One question was whether the Board had the authority to change the amortization method from level percentage of pay to level dollar. MR. BARNHILL said the ARMB had the authority to set the assumptions, and to the extent that amortization methodology was an assumption, he believed it was within the Board's power to change the methodology. However, there may have been some assumptions underlying SB 125 that informed the selection of the amortization methodology.

DAVID TEAL of the Legislative Finance Division stated that what is sometimes referred to as the "22% deal," whereby employers now have a contribution rate that is capped at 22%, was discussed in the Legislature and was hand-in-hand with the amortization method. If the amortization method were to change, increasing the costs in the short term, the Legislature's possible reaction could be to say that the change raises the contribution rate by 6% (according to Buck), and to change the law to increase the cap from 22% to 28% so that the employers would pick it up. On the other hand, the Legislature might say that it was not the direction they expected to go, because municipalities are their constituencies as well.

MR. PIHL advocated for staying the course for fiscal year 2013, as the Governor requested, but recommending that the administration and the Legislature make a $200 million earmark to the trust accounts without an appropriation ($200 million being the difference between level dollar and level percent of pay for FY13), with the investment earnings going to the retirement system, in realization that funding now will reduce the total ultimate cost. He said that step was good for all, it addressed the monstrous problem, and it headed things in the right direction. It would take legislation and the budget process to get there.

MR. BARNHILL said Mr. Pihl stating his goal was helpful to him as he began to compile a proposal that would reflect that and other views.

MS. ERCHINGER said she appreciated that a lot of very smart people were working to come up with some solutions. The Board has very limited options for what it can accomplish: it can set rates, and beyond that can ask for additional appropriations — which the Governor will or will not add to his budget, and which the Legislature will or will not fund. She said Mr. Pihl's proposal was fair and met the ARMB's mandate to the participants of the retirement system to say that the Board clearly recognized that the current path was not reasonably expected to fund the retirement system based on the state's current revenue picture going forward. That is why the Board needs to do something differently. But she was willing to stay the course with the [amortization] methodology at least for this year.

MS. ERCHINGER said the Board changed the earnings assumption and inflation assumption in the past year, and has worked hard to move incrementally toward its mandate to fund the retirement system. Staying with the level percentage of pay amortization methodology is the Board's problem, so it has to do something different. She did not like either of the proposals discussed so far, that being [strictly a choice between] the level percentage of pay method or the level dollar amortization. The two-day Study Group meeting [November 2010] with Buck Consultants providing scenarios was immensely helpful because people were able to model what they thought the state budget could support and what employers could afford. She hoped the Board could continue discussions on how to change the methodology to be more in line with what the Governor could recommend and the Legislature could approve.

Regarding whether the municipalities end up paying higher than the 22% contribution rate, MS. ERCHINGER commented that it was nothing the Board would be able to take action on. It was not discussed as another potential option for how to solve the funding problem going forward, but it ought to be on the table in the discussions.

MR. TEAL said they did not come to the meeting to propose options and have the Board take any action, because the trustees have not had the opportunity to review and think about the options. Administration representatives came to present some new and promising models and to discuss the options that were not on the table before. One model that Buck developed was that state assistance would go away if there were an immediate $2.0 billion infusion of cash into a reserve account or into the retirement trust fund. The 22% employer contribution rate would remain in effect. He said there were various options that the ARMB, the Office of Budget and Management, Legislative Finance, and the Legislature have to go through and understand in light of their diverse goals and objectives, to see if they could come up with a set of shared goals and a plan that everybody could accept.

COMMISSIONER BUTCHER said the Governor had encouraged the Board to be creative and to think outside the box, because the unfunded liability was a large problem. He said he personally had not had the opportunity to look at everything the Board could possibly be weighing in order to suggest anything in isolation about what to urge people to do. A lot of education has to take place first.

MR. RICHARDS mentioned that the state has $38 billion in the permanent fund and $12 billion in the constitutional budget reserve, something he liked to keep in mind as part of the picture. He hoped that representatives from the ARMB trustees would be at the administration meetings, because the trustees had a huge vested interest in the employees and retired members. Other interested parties include the public and future Alaskans, but sometimes the public will say it cannot afford the best. However, having a goal of wanting the best police, firemen, state workers and teachers is important. He supported Mr. Pihl's idea of setting aside some money, but more along the lines of Mr. Teal's mention of $2.0 billion because it provides some cover for the Legislature in that they can tell the public that they have set aside $2.0 billion for the future. The interest could be earmarked toward the unfunded liability and would go a long way toward paying it down.

CHAIR SCHUBERT stated that she viewed taking action on the FY13 contribution rates as separate from the Board recommending one or more options to address the unfunded liability. She said the Governor had said he did not want the Board to take any action at this meeting that might restrict the State's ability to address the issue. She wanted additional time to consider the options.

MS. ERCHINGER said that while the Board has been looking for a solution during the two years she has been a trustee, and the Board has taken small steps toward getting somewhere, it has not made a marked change in direction to make the statement that it definitely knows that the path it is heading down is not the right path. Something markedly different has to be done.

MS. ERCHINGER stated that the Board was now in the position of having to set fiscal year 2013 contribution rates and being very pressed for time, having received a few days ago all the information being discussed at this meeting that apparently was available two months ago. She imagined that the trustees would be much more comfortable with continuing with the status quo if they had been part of the ongoing discussions and knew that everyone was working collaboratively toward a solution.

MR. BARNHILL replied that some of the information was in the April meeting packet, and the latest amortization methodology analysis from Buck had the FY11 earnings results worked into it, and that were not available until recently.

PERS FY 2013 CONTRIBUTION RATES - RESOLUTION 2011-09

For purposes of discussion, MS. HARBO moved that the Alaska Retirement Management Board set fiscal year 2013 PERS actuarially determined contribution rates attributable to employers consistent with its fiduciary duty, as set out in Resolution 2011-09. MR. PIHL seconded.

The motion passed unanimously on a roll call vote, with all trustees present.

TRS FY 2013 CONTRIBUTION RATES - RESOLUTION 2011-12

For purposes of discussion, MS. HARBO moved that the Alaska Retirement Management Board set fiscal year 2013 TRS actuarially determined contribution rates attributable to employers consistent with its fiduciary duty, as set out in Resolution 2011-12. MR. PIHL seconded.

The motion passed unanimously on a roll call vote, with all trustees present.

NGNMRS ACTUARIAL VALUATION REPORT

MR. TRIVETTE moved that the Alaska Retirement Management Board accept the actuarial valuation report prepared by Buck Consultants for the National Guard and Naval Militia Retirement System as of June 30, 2010, in order to set the actuarially determined contribution amount [for fiscal year 2013]. MS. HARBO seconded.

The roll was called, and the motion carried unanimously, 9-0.

NGNMRS FY 2013 CONTRIBUTION AMOUNT - Resolution 2011-19

Motion by MS. HARBO, seconded by MR. WILLIAMS, that the Alaska Retirement Management Board set the fiscal year 2013 National Guard and Naval Militia Retirement System annual actuarially determined contribution amount consistent with its fiduciary duty, as set out in Resolution 2011-19.

The motion passed unanimously, on a roll call vote.

JUDICIAL RETIREMENT SYSTEM FY 2013 CONTRIBUTION RATE

It was noted that the consulting actuary for the Division of Retirement & Benefits had completed the actuarial valuation of the Alaska Judicial Retirement System (JRS) as of June 30, 2010. The information for the JRS FY 2013 employer contribution rate was included in the packet.

CHAIR SCHUBERT said she would work with staff to schedule a joint meeting or work session with the administration representatives before the legislature convened in January.

RECESS FOR THE DAY

CHAIR SCHUBERT recessed the meeting at 2:52 p.m.

Thursday, September 22, 2011

CALL TO ORDER

CHAIR SCHUBERT called the meeting back to order at 9:00 a.m.

MR. BARNHILL corrected a misquote in the media from yesterday's discussion about the retirement systems' unfunded liability.

APPROVAL OF MINUTES - JUNE 16-17, 2011

MS. HARBO moved to approve the minutes of the June 16-17, 2011 meeting. MR. TRIVETTE seconded. The motion passed unanimously.

REPORTS

1. Chair Report

CHAIR SCHUBERT congratulated chief investment officer Gary Bader for the outstanding investment returns [in fiscal year 2012], which Mr. Pihl had pointed out yesterday saved the retirement systems an actuarially calculated $3.5 billion.

2. Committee Reports

2(a). Audit Committee

Committee Chair MARTIN PIHL reported that the Committee met with the independent auditor, KPMG, and heard that the audit had proceeded as planned, with the full cooperation of Treasury Division staff. KPMG said they were applying their financial risk management expertise to the alternative investment and real estate investment valuations this year. KPMG also indicated one-hundred percent response on the 50 confirmation requests sent out to ARMB investment managers.

The final audit report is due on October 19. The Committee also receives a monthly report on compliance activity, and there have been no significant findings. The Committee asked for an update on employer audits at its next meeting, as well as information on termination studies that have been done.

2(b). Budget Committee

Committee Chair GAIL SCHUBERT reported that the Committee met on September 9 and reviewed the FY13 budget request. They made one change to request changes in Treasury Division personnel salaries. She indicated that the budget was on the agenda for a broader discussion later.

3. Retirement & Benefits Division Report

3(a). Membership Statistics

DRB director JIM PUCKETT referred to the statistics included in the meeting packet. He said that from January to a couple of weeks ago the division had processed 1,600 retirements, 500 of those in July alone. The workload for retirements has gone up about 33% over the previous year.

MR. TRIVETTE mentioned that a few trustees had submitted suggestions on what they would like to see in the membership statistic reports, and he asked when the division intended to be doing those. MR. PUCKETT said he would speak with staff and get back to him on that.

3(b). Buck Consulting Invoices

MR. PUCKETT mentioned the additional invoices from the Study Group workshop held in November 2010.

MR. BARNHILL stated that a lot of brainstorming is going on about how to address the unfunded liability, and he wanted clear standards for approving payment for actuarial work from the retirement trust funds. He said it was time to decide how non-routine actuary work should be paid for, and he had asked Mr. Poag at the Department of Law and Rob Johnson, the Board's outside counsel, to work on a resolution for the Board's consideration at the next meeting. He said he was also consulting with the lawyers about whether actuary work for SB 121 should be paid from trust fund money because the bill creates a new defined benefit tier, rather than roll back defined contribution plan members into the existing defined benefit plan.

MR. PIHL requested information for which he saw Buck invoices: (1) the 60-year projections; (2) breakdown of the FY13 contribution rates between normal cost and unfunded liability contribution; and (3) breakdown of the FY13 contribution rates between the defined benefit plan and defined contribution plan.

Remarking that actuary services were very expensive, MS. ERCHINGER raised the question of whether some of the non-routine analysis could be done more economically in-house by staff with actuarial experience. She added that the Board and others would probably ask to see more data if it were not so expensive to get the work done.

MR. BARNHILL responded that they have wondered the same thing because the demand for information is high when the state is actively thinking about actuarial issues. However, once the dust settles in a couple of years, people might consult with the actuary only once a year on a non-routine question.

4. Treasury Division Report

COMMISSIONER BUTCHER said he hired Angela Rodell as the new Revenue Department deputy commissioner for the Treasury Division, and she will be attending future board meetings.

4(a). Proposed FY13 ARMB Budget

COMMISSIONER BUTCHER said FY13 was mostly a status-quo budget, with the exception of approximately $220,000 for salary increases. He recommended that the Board approve the budget, understanding that it would next go to the Governor's Office of Management and Budget and then on to the Legislature.

<u>MS. HARBO moved that the Board adopt the FY13 proposed budget as presented, with the understanding that salary increases will be included during review by OMB and the Legislature</u>. <u>MR. TRIVETTE seconded</u>. The motion passed unanimously, with all trustees present.

5. CIO Report

Chief Investment Officer GARY BADER thanked the chair and trustees for their kind words regarding FY12 investment returns, and he recognized the investment staff members who helped make those results possible. He noted that the meeting agenda reflected some minor changes in response to trustee suggestions that they would like more educational and informational presentations and more opportunities set out on the agenda for questions and comments.

MR. BADER referred to the written report in the packet, which contained the details of several fund transfers and rebalancings that staff transacted since the June board meeting to keep as close to the board's strategic allocation targets as they reasonably can. He said the rebalancing process is fairly complicated because there are 14 defined benefit funds. Some funds receive large contributions every month and are rich in cash, and staff changes ownership of assets among the different pools when buying assets or raising cash, thus saving on the transaction costs.

MR. BADER reported that Townsend Group, the ARMB's real estate consultant, had entered into an agreement with Aligned Asset Managers to purchase a large part of the ownership of Townsend. Townsend has assured staff that the people servicing the ARMB's account will remain and there will be no interruption of services. He asked the Board to approve the contract assignment request that Townsend had requested *[description in the packet]*.

<u>MS. HARBO moved and MR. TRIVETTE seconded</u>. The motion carried without objection.

MR. BADER advised the Board that staff would be transferring $33.5 million to Crestline Investors on September 28. This action follows Crestline's presentation at the April meeting on their strategies to perhaps increase volatility in the absolute return portfolio and hopefully see a commensurate increase in returns.

MR. BADER stated that he and Judy Hall met with the Investment Advisory Council members and Michael O'Leary on September 1 to review all the ARMB investment managers. Staff expected to give a report on that manager review at the December board meeting.

MR. BADER said he received notification from RCM that its parent company, Allianz, was dividing into two entities; one will be a PIMCO entity and the other Allianz Global Investors. The same people at RCM will still service the ARMB's account. He did not view the ownership change at the very top of the organization as a significant enough change to warrant placing RCM on the watch list.

6. Fund Financial Report With Cash Flow Update

State Comptroller PAMELA LEARY presented the financial report for the retirement systems as of July 31, 2011. The ending invested assets were just over $20 billion, an increase from the ending balance of $19.8 billion at June 30. There were investment losses during the month, but those were offset by net contributions. The net contributions increase was due primarily to $479 million of state contributions to the PERS, TRS and Judicial systems.

PERS ended July with $11.7 billion, TRS had $5 billion, Judicial had $132 million, and the National Guard/Naval Militia had $32 million. The Supplemental Annuity Plan balance was $2.5 billion, and the Deferred Compensation Plan had $590 million.

MS. LEARY reviewed the details of the PERS trust fund, noting that it was well within the target asset allocations but with fixed income a little bit on the low side and private equity a little on the high side. She briefly went over the same information for the Teachers' Retirement System. She also covered the health care trust funds for both PERS and TRS.

Chief Financial Officer TERESA KESEY presented the Division of Retirement and Benefits three-page supplement to the Treasury report and briefly reviewed details of the net contributions and withdrawals for July, the first month of fiscal year 2012. She pointed out the state assistance amounts that were posted to the funds during July. There was also $8.5 million deposited to the PERS health care trust and $3.3 million deposited to the TRS health care trust from Medicare Part D retiree drug subsidy payments.

Addressing MS. LEARY, MR. TRIVETTE said he would like to see a column showing investment returns on the Schedule of Investment Income and Changes in Invested Assets.

7. Cash Overlay Program Update

As background, MR. BADER reviewed the rationale for the ARMB implementing a cash overlay program in July of 2006. Internal staff is responsible for equitizing a portion of the uninvested cash that typically resides in domestic equity manager accounts, using futures and/or forwards in an effort to earn the return spread between equities and cash. Staff uses State Street Global Advisors as the overlay manager. Since July 2006, the cash overlay program has earned $12.3 million. If it had been invested in cash, staff estimates that it would have earned $6.6 million. So $5.7 million has been the incremental return from putting the cash overlay program into place.

MS. ERCHINGER said she appreciated the information and the extra effort staff was taking to communicate with the Board. It demonstrated that Mr. Bader and his staff have respect for the work the Board has to do and are building trust and a stronger relationship by sharing information that they are not required to share but that is important for the Board to know.

8. Real Estate FY12 Investment Plan &
Real Estate Investment Guidelines, Policies and Procedures

STEVE SIKES, the state investment officer who manages real assets investments, gave a slide presentation on the fiscal year 2012 annual plan for real estate. *[A copy of the slides is on file at the ARMB office and contains much of the detail of this presentation.]* He explained that typically the Real Estate Committee (now the Real Assets Committee) would review the real estate plan first, but because of agenda constraints the committee did not have a chance to meet on the plan before the board meeting.

MR. SIKES stated that at June 30, 2011, real estate made up 9.2% of the ARMB's total assets, and the real assets allocation, of which real estate is a component, made up 15.1% of total assets. He described the role of real estate investments in the overall portfolio, how it is a stable source of income, and what the return objectives are.

MR. SIKES said that 2010 was a good year for real estate, and that continued through June 30, 2011. The broad market recovery and improving capital market conditions and financing conditions were all key to that recovery after deep losses in the 2008-2009 period. Unfortunately, it feels like the U.S. economy is entering another period of high uncertainty. There were some encouraging GDP and job growth numbers coming out of the recession, but those have gotten weaker. Consumer sentiment is low, and the housing market never really bounced back after the 2008-2009 crash. In fact, the housing market is slipping again in some locations. Real estate needs positive economic growth for last year's good results to continue. One positive force on the real estate market is the continued low interest rate environment. Investors are willing to purchase real estate at lower yields, which means a higher price, and they can find readily available financing at attractive rates for good properties that have good cash flow.

MR. SIKES stated that other than apartments and hotels, broadly speaking, the real estate sectors have not experienced strong fundamental recovery. The apartment sector has benefitted from the housing market, because people now prefer to rent. Some pockets of real estate like midtown Manhattan office have experienced good fundamental recovery; vacancy has improved, and those landlords can increase rent.

MR. RICHARDS asked if real estate led or lagged market indicators like the job creation numbers. MR. SIKES said the private real estate market as measured by the benchmark numbers definitely lags, typically three to six months. However, the REIT (real estate investment trust) securities on the public market theoretically should be pricing in information in real time.

MR. TRIVETTE remarked that it looked like Fannie Mae and Freddie Mac were still going quite strongly. He asked what was going on with them. MR. SIKES said their story was a surprise to him, given their condition. But the articles he reads say that those [government-sponsored mortgage corporations] are still actively lending and will grow, and that it is part of their mission to provide financing to the multi-family market.

Turning to the FY11 performance, MR. SIKES said the overall real estate portfolio earned 20.9% versus the ARMB blended benchmark return of 18.4%. The core, non-core and REIT subgroups of the portfolio all outperformed their benchmarks, but most of the outperformance was due to the recovery in the non-core portfolio.

The majority of the real estate assets are in the core portfolio, which had a 17.8% net return for the fiscal year. Income was a strong 6.8%, and appreciation was 11.3%. There was not much transaction activity: UBS sold one apartment property during the year, and no acquisitions occurred in the separate account portfolio.

The non-core portfolio achieved a 26.5% net return for the year, also driven by the same factors as the core portfolio but benefitting from the high use of leverage employed by those strategies. A modest amount of disposition and acquisition occurred within those funds. While FY11 was a good year for non-core, looking back over the last three years the performance is still very poor, -24.7%. A lot of improvement is needed to get above that negative number.

The REIT portfolio had a 35.5% return for the year compared to the benchmark return of 34.1%.

MR. SIKES next reviewed the real estate portfolio investment vehicles in more detail. He also explained the diversification of the portfolio by property type and geographic region. The portfolio has an overweight to the West region and an underweight to the East region. This is explained by the separate account portfolio owning some relatively large assets in the Los Angeles area, one of which is fairly far along in the sale process. The eastern underweight is due to the very large markets, like New York City and Boston, which have large properties trading for $500 million to $1.0 billion or more. That size is not conducive for the separate account portfolio to acquire. The ARMB has exposure to those markets through the core open-end funds with UBS and JP Morgan, as well as the REIT portfolio.

MR. SIKES presented the strategy themes for the FY12 real estate plan. It is mostly a stay-the-course proposal. The real estate portfolio is currently within the target allocations, so the Board does not need to make any new allocations to meet the targets that have been set. The core real estate managers have done a good job, and there are no apparent deficiencies in the structure or the management of the portfolio. Going forward, staff proposes focusing on the core real estate investments and deemphasizing new investments in the non-core real estate space. REITs have been volatile, and staff believes they are appropriately sized at approximately 11% of the portfolio. The Real Assets Committee will be meeting in the near future to discuss the relative target weights of the constituents of the real assets class, and it is possible they may adjust the real estate target.

Staff did not want to propose any changes before the committee meets.

MR. SIKES said Cornerstone Real Estate Advisers, one of the ARMB's core separate account and non-core advisors, provided their view on where the current real estate opportunity lies. For new money put out right now, Cornerstone believes a 6%-8% return is a reasonable expectation over the next five years.

MR. SIKES presented staff's forecast for the real estate allocation over the next five years. Decisions can be made today on where the portfolio might move, because real estate is an asset class where it is hard to get immediate exposure. The core portfolio currently looks nicely positioned: the target is 75% core and 25% non-core, while the actual weighting is at 70% core and 30% non-core. The REIT portfolio is 11% of the real estate portfolio, which is very close to the 90%/10% blended benchmark. The overall real estate portfolio is 9.3% of the retirement fund, which is close to the 10% target and within the bands of +/-4%. Staff expects the real estate weight to increase slightly to 10.1% as of June 30, 2012, and then start to decline in the four years following that. The main driver being forecast is the cash flows that are associated with the non-core funds. Commitments that the Board made to special strategy funds in 2004, 2005, 2006 and 2007 will be maturing and the funds will be selling those assets and returning the capital to investors. Staff has not forecast the new capital going back out in future commitments.

MR. SIKES said staff recommended that the Board not make any new investment allocations in the core portfolio because it was within its target weights. If additional capacity became available during the year, staff recommended that those be targeted to the separate account managers. With the exception of about $50 million at UBS, all the separate account managers have fully deployed their allocation. The $150 million CIO discretionary allocation that exists in the guidelines is still available if one of the managers presents a compelling investment opportunity during the year.

LaSalle and Cornerstone are both in the market executing sales in their respective portfolios, and staff recommended that those proceeds be reinvested in assets located in markets with high barriers to entry. Staff also encouraged those advisors to try to increase exposure to the Northeast region but not preclude investments in other regions.

Staff has been pleased with the investment performance of the core open-end funds UBS Trumbull Property Fund and JP Morgan Strategic Property Fund and recommended maintaining the exposure.

There have been no commitments to the non-core portfolio in the last three years. However, should a very compelling opportunity be presented, the CIO has discretionary authority within the guidelines to act upon that.

Staff recommended no additional allocation in the REIT portfolio. They anticipate some adjustments during the year if the CIO needs to use REITs to rebalance the real estate weight within the asset allocation targets.

DR. MITCHELL mentioned that during the heady days of real estate a number of the managers presented international opportunities outside the United States. The ARMB real estate portfolio is currently under 5% invested internationally. He asked what the feeling out there was regarding international real estate.

MR. SIKES said his feeling was that it was a private sector that was very challenging to execute. The domestic market has an excellent legal system and an excellent political system. The idea of introducing some of the risks that come with the international real estate on top of a private strategy, given the returns associated with international, is not very attractive. People would do it if they thought the returns were attractive. It is much more attractive to execute diversification with international stocks and bonds than it is with real estate. It is not something that staff is currently looking to add to.

CHAIR SCHUBERT thanked Mr. Sikes for the presentation, and called a scheduled break at 10:30 a.m. until 10:50 a.m.

9. Consultant Evaluation of Real Estate Plan

MICOLYN MAGEE of The Townsend Group presented the real estate portfolio and manager performance report. *[A copy of Townsend's slides for this presentation is on file at the ARMB office.]* She indicated that Townsend's view of the world was included in the written materials, but she did not intend to discuss that because Townsend did not anticipate a lot of real estate investment by the ARMB in the next year.

MS. MAGEE stated that by June 30, 2011 the ARMB had recovered 25% from the 38% loss at the bottom of the real estate market. During the market correction a lot of what took place in the marketplace was simply a flight to quality and a fear of what would happen with assets. The initial 2007-2008 drop and continuing on into 2009 was a reflection that people were very concerned about the ability to sell the asset longer term or to maintain cash flow. There was not an immediate drop in income in that market correction, so the fundamentals of the assets had actually not changed. The recovery since then has been a correction to that overreaction to a market decline. However, the recovery is also not a reflection of the change in fundamentals, and there are leases that for the next year or so will roll into lower market rental rates and will be renewed at those rates. There are also leases that rolled in 2008-2009 when rents were low that will expire on a go-forward basis and that will roll into better and improving markets. Townsend looks at the net operating income (NOI) of each individual asset in the ARMB portfolio to see if it is changing or is expected to be volatile, based on occupancy as well as rental rates. Townsend is very comfortable with the stability of the portfolio and the future returns, which is reflected in the recovery in the core sector.

MS. MAGEE said the ARMB portfolio's performance target is a 5% real return over a rolling five-year period. The portfolio is still below the target but is trending upward. If inflation is kept in check, Townsend expects the trend to continue on that path. If the Fed changes its policies and allows for inflation to occur, they believe it will be an instance where real estate will hedge inflation for the ARMB. The real estate market was not over-built but was over-bought. If prices are adjusted on a go-forward basis, the rents can be adjusted to reflect the increase in costs of operating businesses, and it should be possible to hedge inflation in this market, in very specific markets and in very specific property types.

MS. MAGEE stated that the ARMB private real estate portfolio beat both the NCREIF Property Index (NPI) and the ODCE Index over the one-quarter period and the one year. The public portfolio also performed very well for the short periods; longer term has underperformance, but Townsend expects that to improve, as it has since the in-house management changed the structure for how they manage REITs.

MS. MAGEE remarked that Townsend had not expected the ARMB to do anything for the past fiscal year. It has been a very cloudy market, with visibility good at some points and then limited at others. Townsend has not pushed clients to place capital into the market, and those clients have been willing to wait patiently for very specific opportunities. Activity has occurred where clients needed to place capital in order to maintain funding targets, or they did not have a wide enough range, or they had denominator issues.

The ARMB portfolio remains in compliance with all the ARMB real estate investment policies, procedures and guidelines.

The portfolio is well diversified. Helping in the portfolio is the high exposure to hotels over the NPI weighting, and hotels have had a disproportionate share of recovery in the most recent market, which is expected to continue. The strongest performing property type is apartments, and the ARMB is slightly underweight there. It is not a significant issue, and, with today's high pricing and competition, Townsend would not recommend chasing apartment properties at this time. The "other" property types include medical office and non-traditional types, such as those included in the Five Arrow Fund investments for equity. That will help the ARMB portfolio against the benchmark because those are strategies that are also doing well in this recovery, and they are not in the NPI benchmark.

MS. MAGEE presented details of the core portfolio performance for the June quarter and one year for both the separate accounts and commingled funds. She mentioned that the ARMB's two open-end core fund managers were the best performers over the last five years and were, in fact, the only positive performing funds over that period. So very strong manager selection within the core portfolio.

She also presented the non-core portfolio and the public portfolio (REITs), noting that in general the public portfolio has done very well. She briefly explained the alternative non-core peer indices that are more risk-reflective that Townsend now uses, along with the NPI, to evaluate the ARMB's non-core managers' performance.

Lastly, she interpreted the analysis of the non-core investments that diagrammed the relative weighting and performance of each allocation by vintage year on a since-inception basis. The ARMB has no vintage year exposure to 2006. It is likely that 2005, 2006 and 2007 will be the three worst vintage years in the last decade. Those years are a significant portion of the ARMB's allocations because they were the three best years for stock market growth, and so the real estate allocations were growing in order to keep at their funded levels. One of the most significant lessons learned is to not chase that denominator in the real estate asset class and to have ranges around real estate and to try and get a pension fund to be comfortable with not staying at the party as late as everyone did last time. It is a hard thing to use as a discipline, but these vintage years show the risk and help make the story clearer. The non-core investments the ARMB did make after the 2006 period are all niche strategies that have done well.

MR. BADER discussed with Ms. Magee the challenges of establishing a clearinghouse for people wanting to exit a large commingled fund. She said a big stumbling block for real estate is being able to reach an acceptable discount, because the NOI on an asset can still be really good but the value can be low. People are much more willing to stay in a real estate fund and hope that the assets recover than they are to stay in other asset classes.

DR. MITCHELL inquired if there was survivorship bias in the real estate indices because of real estate managers ceasing to do business. MS. MAGEE said there is, but what is different about real estate managers is that the assets remain, so somebody is managing them. One of the challenges in the indices is the survivorship bias — or more accurately selective reporting — because managers do not want to report poor performance to Townsend or have it in any kind of public information.

MR. WILSON asked how Townsend expected the workout cycle to play out. MS. MAGEE replied that it was fund by fund. Townsend did a risk analysis of funds for most of their clients to project which funds would pay out all the capital through to funds that would never recover. She thought it would be mixed across the non-core universe, depending upon the strategy, the timing of the investments, and the assumptions that were made. The ability to recover depends on leverage and the term of the fund. Townsend has focused on making sure that no additional capital goes into a fund that is never going to recover.

MS. MAGEE stated that office occupancy rates are improving, and rental rates are improving in some markets. For example, an office property in New York is doing well, but an office in San Ramone, CA is not so hot. Hotels are doing great. Apartments are doing fabulously and should continue to do so because of the demographics that support it in the U.S. There is a huge bubble of people under the 30-35 age range who have no expectation of ever owning a home, so apartment rentals in an urban area are what they want to do. It does not bode well for single family housing, which is a lot of what contributes to consumer confidence, and that contributes to the economy, and that contributes to job growth. At the end of the day, without jobs, real estate does not operate well. Pricing is a bit of an anomaly right now because it really reflects the capital flows rather than the fundamentals of the asset. This is also the reason why Townsend is not pushing clients into core real estate at this point in time, because it is probably going to have another correction.

MR. O'LEARY asked if there were significant and observable changes in the terms and conditions of the typical vehicles for non-core investments. Many people were understandably disgruntled with the nature of the governance features of the pre-meltdown vehicles.

MS. MAGEE said she is always stunned at the blame that the investment vehicle gets in a market correction. Real estate is either liquid or not, and a building has a price at which it will transact regardless of whether it is held in a separate account or a commingled fund. In this market cycle there is about a 20% dropout rate of funds that never get enough capital raised and pull themselves from the market because they cannot get enough interest. That is a significant statistical change. Because of that, Townsend is in a much better position as a consultant to pull together commingled funds called club investing, with fewer limited partners. It has been interesting in this market cycle that the anger with managers was much less than the anger with other limited partners; the controls are there but the limited partners cannot get a consensus. Townsend has seen a reduction in the commitment fees from 200 basis points down 125 on average, and as low as 80 basis points, depending on the strategy and how the vehicle was created. Hurdle rates are much higher, and incentives are paid without exception on a portfolio level, whereas before managers could push for individual properties.

10. Adoption of Real Estate FY12 Plan and Policies & Procedures

MR. TRIVETTE moved that the Board approve Resolution 2011-15 that adopts the Real Estate Annual Investment Plan for fiscal year 2012. MS. HARBO seconded.

On a roll call vote, the motion passed unanimously, 8-0. *[Commissioner Butcher was present for the real estate presentations but out of the room at the time of the vote.]*

MR. SIKES stated that staff was not recommending any material changes to the ARMB Real Estate Investment Policies, Procedures and Guidelines, and the only changes were administrative maintenance, such as dates, addresses, and contact name changes.

MS. ERCHINGER moved that the ARMB approve Resolution 2011-16 which adopts the revised Real Estate Investment Policies, Procedures and Guidelines. MR. PIHL seconded.

On a roll call vote, the motion passed unanimously, 8-0. *[Commissioner Butcher was out of the room.]*

CHAIR SCHUBERT moved ahead in the agenda to take up several items on Friday's schedule.

19. IFS Action Items

MR. BADER said the Board had engaged Independent Fiduciary Services (IFS) to conduct an independent review of the investment policies of each fund and of the performance consultant. IFS had presented its final report at the December 2010 board meeting, including a list of recommendations. ARMB staff had been systematically presenting responses to individual IFS recommendations at each meeting and had several more for the Board to consider. He briefly explained the following:

B.1.b#7 - Specify minimum credit ratings in TIPS guidelines

IFS report recommendation #7, page 48, states:

Specify minimum credit ratings for non-U.S. Treasury issued securities in the Inflation-

indexed Guidelines.

B.1.b#8 - Update language in TIPS guidelines re: Barclays
IFS report recommendation #8, page 48, states:
Update language in the Inflation-indexed Guidelines to reflect "Barclays Capital" rather than "Lehman Brothers."

MR. BADER said staff concurred with these recommendations and had edited the guidelines. Resolution 2011-17 included both changes.

<u>MR. WILLIAMS moved that the ARMB adopt Resolution 2011-17 relating to inflation-indexed fixed income guidelines</u>. <u>MS. HARBO seconded</u>.

The motion carried unanimously, 8-0 *[with Commissioner Butcher being out of the room]*.

B.1.b#9 - Use of credit default swaps in High Yield Guidelines
IFS report recommendation #9, page 49, states:
Address the use of credit default swaps (CDS) in the High Yield Guidelines, as well as permissible instruments to hedge non-US dollar exposure.

MR. BADER reported that staff discussed including credit default swaps in the guidelines with MacKay Shields. It is staff's view and the view of the investment manager that these are risky investments that they have no desire to engage in. Staff was not recommending including reference to them in the High Yield Investment Guidelines.

MR. BADER said the portion of the recommendation relating to investment to hedge non-US dollar exposure is reflected in the High Yield Investment Guidelines in Item B.2, items e and f.

B.1.b#10 - Concerning common stock securities in High Yield Guidelines
IFS report recommendation #10, page 49, states:
Modify language in High Yield Guidelines concerning the purchase of common stock securities.

MR. BADER said staff edited the High Yield Investment Guidelines to comply with the IFS recommendation. Resolution 2011-18 encompassed the information he just explained.

<u>MR. TRIVETTE moved that the ARMB approve Resolution 2011-18 relating to High Yield Fixed Income Investment Guidelines</u>. <u>MR. WILLIAMS seconded</u>.

The motion passed unanimously, 9-0.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

1. Advertize IAC Position

MR. BADER stated that Dr. Mitchell's seat on the Investment Advisory Council was coming up for renewal. It has been the Board's practice to have staff advertize the positions to see who applies, and to get a staff report on the results. He said that, without objection, this item would be on the December meeting agenda.

REPORTS (Continued)

20. Investment Actions

20(a). Cash Equitization Using Futures/ETFs

MR. BADER stated that at the February 2011 meeting staff requested, and the Board granted, approval to use futures and exchange-traded funds in the course of business, primarily to avoid market impact during transition management. At that time, staff should have included allowing equity managers to hold futures or exchange-traded funds for the purpose of keeping a high equity profile in their portfolio. He asked the Board for that approval now, through adopting Resolution 2011-20.

<u>MS. HARBO moved that the Alaska Retirement Management Board approve Resolution 2011-20, allowing the use of standardized equity index futures and ETFs to equitize cash held in the equity portfolios through the normal course of business</u>. <u>Seconded by MR. WILLIAMS</u>.

MR. O'LEARY asked if Mr. Bader was confident that he had the internal ability to monitor the exposure to futures used in individual portfolios and the procedures to prevent the investment of the cash collateral that is supporting the futures from being equitized in the internal cash equitization program. MR. BADER indicated he did, but he did not anticipate that futures would be used very often. However, he wanted them included in the guidelines because they are used in transition management quite frequently. This action was at the request of the Compliance Section, to clarify what was allowed. James McKnight in the Compliance Section would be notifying the investment section quickly if he saw the equity portfolio in a leveraged position.

CHAIR SCHUBERT said she was glad to see the ARMB moving in the direction of utilizing ETFs.

The motion passed unanimously, 9-0.

UNFINISHED BUSINESS

1. 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.

2. Meeting Schedule

MS. HALL said the 2011 meeting schedule was included in the packet. The 2012 meeting calendar was also included, and there were no additions or changes since the Board approved it.

3. Legal Report

MR. JOHNSON was not present.

CHAIR SCHUBERT recessed the meeting for lunch at 11:48 a.m. The meeting resumed at 1:19 p.m.

REPORTS (Continued)

11. Performance Measurement - Periods Ended June 30, 2011

MICHAEL O'LEARY, Executive Vice President of Callan Associates, Inc., along with Senior Vice President PAUL ERLENDSON, presented the investment performance for the Alaska retirement funds for the periods ended June 30, 2011. *[A copy of Callan's presentation slides is on file at the ARMB office.]*

MR. O'LEARY said the economic recovery continued moderately in the second quarter of the year. There was concern about the recovery slowing during the quarter and about the reappearance of inflation. Shortly after the quarter end, the GDP revisions to the first quarter took GDP growth down to 4/10ths of a percent, and a preliminary report in Q2 was 1.3%.

Consumer confidence weakened appreciably during the quarter and has subsequently weakened further. A key issue that affected investor psychology during the second quarter, and that carried over into the early part of the third quarter, was the great debate about the federal budget deficit and the debt ceiling.

MR. O'LEARY said the Treasury yield curve decreased during the second quarter, with rates at the 10-year and at the 30-year actually going down but not by a lot. At June 30, the 10-year was over 3%, and as of this morning it was about 1.75% — an amazing change. The objective of the government's Operation Twist is to try to get the longer end of the curve lower, thinking that that will be additive to economic activity.

During the second quarter risk assets actually increased in yield relative to Treasuries. That is astounding because during the quarter there was an increasing debate about the implications of the limitations on federal debt and the credit quality of the government issuers. What got downgraded actually performed the best, and that continued.

MR. O'LEARY said the government bonds of major developed nations all had their 10-year yields decline.

During the full fiscal year the broad U.S. market, as measured by the Russell 3000 Index, was up over 32%. The EAFE Index, when measured in dollar terms, was up 30%. EAFE, when measured in local currency terms, was up only 13%. It has been a while since there has been such a big difference caused by currency. Subsequent to the fiscal year end on June 30, the euro has really been trashed.

MR. O'LEARY reported on the actual asset allocation of the retirement fund relative to the target asset allocation. As of the end of the fiscal year, fixed income was at the lower end of its range and below target, but that was largely because the returns for equities had been so strong through June. There was no change in the retirement fund's pattern of ranking relative to other public plans: total equity is fairly high relative to other public funds, there is more international equity than the typical public fund, and there is a heavier commitment to real assets (with real estate being the biggest part of that). The inclusion of TIPS in the real assets category exaggerates the retirement fund's low fixed income weighting, but the fund's fixed income weighting is low compared to other public funds, even when adjusted for TIPS.

MR. O'LEARY said the final return numbers for real estate had come in, and so the final total fund return for the fiscal year was 21.18%. Looking at the attribution effects, the big underperformance relative to target during the quarter was private equity. That was largely a valuation and timing issue. Private equity still had a very attractive one-year return of 20.14%, but the public equity oriented benchmark was almost 33%, thus contributing to 118 basis points of underperformance at the total fund level. He fully expected that to be recouped in terms of relative performance. The real estate performance numbers were very attractive during the quarter, which continued the trend of almost four quarters. For the year, the retirement fund's return was essentially at the median for the public fund database. The funds that had the strongest performance during the year had equity allocations that were similar to the ARMB's but less in private markets. The funds that had weaker performance tended to have heavier fixed income allocations. The five-year annualized return was 4.32%.

MR. O'LEARY stated that total bond performance for the fiscal year was 5.42%. By size, the portfolio was dominated by the internally managed intermediate treasury portfolio, which did a bit better than its index for both the quarter and the fiscal year. The non-US fixed income manager, Mondrian, had another good year (14.87%) at essentially median result, benefitting from currency effects. MacKay Shields, which manages high yield bonds, has had a protracted and fairly consistent record of underperformance to the index. Their style is a relatively high quality junk portfolio. He said he was delighted that the ARMB has high yield as part of its fixed income, and he recognized that the Board knowingly took on a higher quality type of orientation within the high yield portfolio. He was somewhat surprised at the magnitude of the return difference associated with that.

Total domestic equity was up 33.37% for the fiscal year, which was above both the S&P 500 Index and the Russell 3000 Index. That return was helped by strong active management performance, as well as by the small cap tilt the ARMB has in the domestic equity exposure. The large cap equity pool, despite the big index fund component, had a return of 32.06%, which was better than the Russell 1000 Index, where the return was 31.93%. So active management added a little there, which was nice to see.

MR. O'LEARY said his review of the portfolio characteristics of the entire large cap equity pool lead him to conclude that there is no pronounced style bias at the pool level.

The performance of the small cap pool was 38.4% for the fiscal year, better than the Russell 2000 Index.

The convertible bond portfolio, which is part of the total domestic equity pool, had a return of 17.83% for the full year, which was below the All Convertibles Index (22.54%). Callan expects this portfolio to do worse than the equity market when the equity market is up strongly and to do better when the equity market is down. The market weakness in the third quarter will be Advent's first test, where their portfolio is expected to be down but nothing like the equity market. It will also be interesting to see how the RCM portfolio and the Analytic portfolio do during the market weakness subsequent to fiscal year end.

MR. O'LEARY said that the international equity portfolio has had above-median return when compared with other public funds over the three-, five-, and seven-year periods. That was not the case in the past fiscal year. The total international, including emerging markets, was up 28.27%, which was below both the developed market index (30.36%) and the ACWI ex-US Index (30.27%).

There is a value bias in the emerging markets pool. The emerging markets index was up 28.17% for the year, and the sum of the ARMB's emerging markets managers was up 25.78%. The pool has outperformed the index in the last three- and five-year periods.

Lazard is the ARMB's one global equity manager, and they were up 28.26% for the year but below their benchmark.

MR. O'LEARY drew trustees' attention to a list of managers that he had identified where there was either poor trailing one-year performance or disappointing longer-term results *[slide 41]*. There was also a similar summary of managers that had strong relative performance for both the one-year and five-year periods or since-inception *[slide 40]*.

He said the real assets category had a return of 14.99% for the fiscal year and 5.05% for the last quarter. Real estate returned 20.13% for the year. Total farmland was 9.91% for the year, total timber was 4.61%, TIPS returned 8.06%, and the energy funds had 8.62%. The REIT portfolio has been right at the benchmark for the past two years, after being better than benchmark this year. Actively managed REIT portfolios have management costs between 50 and 100+ basis points, while the internally managed REIT portfolio's pre-fee return and after-fee return are essentially the same.

MR. O'LEARY explained that Callan has been in discussion with staff about modifying the performance reporting to try to reduce some of the timing discrepancy between the custodian and the investment managers. With the new fiscal year Callan will be building its own composite based on manager data for the farmland and timber.

The composite of the absolute return managers produced a 5.5% return for the fiscal year, which exceeded the target index of treasury bills + 5%. It is a statement of how little treasury bills yielded.

In a relative sense, absolute return is an area that has been under scrutiny by staff and Callan to determine if the ARMB is getting what it bargained for. It is difficult to come to a conclusion because of the market meltdown in 2008 and early 2009. In the recovery environment, those hedge funds that have a heavy equity bias embedded in them or a very significant bond bias toward credit have had a hurricane at their backs until very recently. The last year or so is a very important period in which to consider the absolute return managers, as is the current quarter, where he would expect that the conservatism would make their relative performance look better. It is hard to envision a market environment in which these funds will be a useful contribution to the policy. It is not a manager problem, but the ARMB wants this approach to be additive and to provide useful diversification at the total retirement fund level.

MR. ERLENDSON reported on the participant-directed investment funds. He said the growth in the defined contribution plans would be through the younger workers that typically have more time. One of the behaviors that Callan has observed, particularly with the Alaska fund assets, is a migration away from equities into fixed income and more conservative-type strategies. Callan tracks a number of defined contribution plans, and over the last quarter and over the trailing year it has been an even keel in terms of balancing where the money is. But new flows and net transfers in the Alaska funds seem to show that many of the participants are reflecting a risk-averse kind of behavior.

He mentioned that Ms. Magee earlier stated that younger people have a different perspective about home ownership. They also have a different point of view about investing. He recommended a book called *"Lost in Transition: the Dark Side of Emerging Adulthood,"* which was reviewed in the current edition of *The Economist,* for those interested in what the 18 to 20-year-old population is like going forward.

MR. ERLENDSON said another interesting development is that the target date trusts, and balanced funds in general, are where Callan has seen a lot of net inflows, and not so much in terms of the single asset class type strategies.

Stable value has been the anchor for many defined contribution plans. One of the items in the Dodd-Frank legislation that is still under review by the regulators is whether or not to treat as swaps the wrap agreements that go around the assets in stable value funds (to provide book value accounting to smooth out market movements). Swaps are going to be highly regulated, and the defined contribution marketplace and the stable value managers in particular are being very aggressive in pushing back; including wrap agreements in the whole swap market regulation would significantly distort the incentive for people to issue the wrap contracts. They have already seen a number of insurance companies stepping back, the cost of these wrap agreements has gone up, and the terms under which they are offered are getting to be quite onerous for the fund sponsor. For example, if a plan sponsor were to decide to transfer the stable value accounts to another manager, there is typically a 12-month put, where there is one year's advance notice for a plan level change. The wrap community is saying that they are going to require that the portfolio not be liquidated until getting through the duration period, and many portfolios have durations of 2-1/2 to 3 years.

MR. ERLENDSON encouraged the ARMB to stay abreast of this, and Callan will be very helpful in that regard. The stable value marketplace is a great investment for people in defined contribution type plans, but the environment in which the managers have to operate is changing quite dramatically. Alaska's two stable value funds have done extraordinarily well over time, and Callan would hate to see that change because of some well-intentioned regulations run amok.

Reviewing the Supplemental Benefit System (SBS) active options, MR. ERLENDSON stated that Brandes international equity was at the bottom of the relative ranking for the quarter and year. He said Callan and ARMB staff have a great deal of respect for the Brandes organization, and they have seen other periods in the long past where Brandes has had similar difficulties. Brandes has a value orientation, which for a non-US equity style has been out of favor, but they did very well in 2008. Brandes has been underperforming during the market recovery, where risk-based strategies have been rewarded. Callan always cautions to look at what drives the investment approach, and Brandes has a sound investment approach and is sticking with it. It will be interesting to see what happens with Brandes' performance in the July-August period when there was trouble in the equity markets.

MR. ERLENDSON said the RCM socially responsible large cap domestic equity has a core equity style. But given that a socially responsible approach has some limiting factors in terms of sector weights and company selection, he advised downplaying the relative rankings a little bit. Callan would be working with staff to see if there might be a better benchmark for the socially responsible fund that provides greater information value.

The T. Rowe Price small cap equity trust has an extraordinary strategy that continues to do well, and it is in the top quartile of the small cap peer group.

Looking at the Alaska Balanced Fund versus the target benchmark, it tended to be at the bottom of the peer group over the last two years, but that period was when the equity markets were up over 30%. This fund is conservatively managed in terms of having a cash allocation and a bond allocation that is greater than what the universe has, and only 35% in equities. MR. ERLENDSON said he would argue that the Balanced Fund is doing its job in terms of meeting the specific objectives of capital preservation with some growth. Over five years and further back, the relative rankings are higher, and that is the period that will be influenced by the market declines in 2008. This fund continues to meet its objectives.

The Alaska Long Term Balanced Fund, which has a 60% equity allocation, placed higher in the relative rankings against a balanced group during the shorter time periods because it benefitted from the higher equity allocation. Longer term, the Long Term Balanced Fund does not rank as high as the Balanced Fund, again because the higher equity allocation resulted in more negative performance during the market meltdown period. The fund is well-structured. Callan is seeing a lot of participant movement away from equities and getting more into fixed income strategies, and an increasing commitment of capital to the target date funds and the balanced strategies, which is a confirmation of the Board's decision to offer those. Younger employees are tending to take an arms-length approach and are not quite as active as maybe their parents were with deploying their retirement assets.

MR. TRIVETTE inquired about any recent research about the change in behavior of younger employees. MR. ERLENDSON said he was at a deferred compensation conference late last year where some behavioral economists were taking a greater look at that. He said an economist from Stanford who was there was having a document peer reviewed, and he would forward that to the staff if it had come out.

MR. O'LEARY talked about the market results subsequent to the June quarter end and through 8/29/11. He also showed a graph of very long-term stock market performance to illustrate the rebounds from the market bottom that follow sharp ("waterfall") drops. He said the problem is in identifying when the waterfall reaches bottom, and the message is, we've been there before, don't slit your wrists. Another graph showed that the odds are that a market decline will be smaller if the market is not grossly overvalued at the start of the decline.

MR. RICHARDS' commented that the Dow Jones Industrial Average was down 391 points, and he asked for Mr. O'Leary's view on the news of France and Germany. MR. O'LEARY had a graph from a JP Morgan presentation, which he said he would forward to staff for distribution, that plotted the various steps that have been taken by the European Central Bank, the European Financial Stability Facility, the International Monetary Fund, and the European Monetary Union. He said the European uncertainty is a factor in the Dow's drop. The real driver is not Greece defaulting; it is the add-on effects of what it means for the banking system and if it will result in another financial crisis. The European banks have not done as much as the U.S. banks in terms of raising additional capital, and there are some big banks in Europe.

MR. ERLENDSON said this is a very uncertain time, and nobody knows what to do. Callan tracks a survey that looked at the ten worst days in the market and the ten best days over the last 20 years. What was interesting is that all the best days and four of the five worst days have occurred within the last three years. The best day in the market in the last 20 years was October 13, 2008, and the worst day in the market was two days later. It is better to stick with investment discipline than to make huge shifts — unless one knows with perfect foresight — because one could make some big mistakes.

CHAIR SCHUBERT asked Mr. O'Leary what he thought of the Federal Reserve's new efforts. MR. O'LEARY said the immediate market sell-off made a statement, not about the fundamental significance of the decision — intellectually, having a lower level of long-term interest rates may be supportive of people gaining more confidence — but this is a time when people are very anxious and concerned, and the mentality is, what is the Fed going to do next? If people are filled with uncertainty, the easiest thing to do is nothing. Consumer confidence has fallen off a cliff, and it was all around the political brouhaha on the budget debate. There is an acrimonious 13 months ahead [of the next election], and the heat in the rhetoric is unbelievable. There is a real tendency for people to want to step back and not make big expenditures. Businesses do not feel a compelling need to ramp up employment, particularly when demand growth is very slow, and they do not know how much that employment is going to cost them. The system is amazingly reliant, and greed will ultimately triumph, but the country needs a little tranquility.

CHAIR SCHUBERT recalled that a few years ago the Fed purchased all kinds of bad assets. She asked what was left for it to buy, if it were to try the same kind of thing again.

MR. O'LEARY said the lingering bad assets are largely in the mortgage market, which is where they were before. The Fed and Treasury initially were very easy in accepting assets as collateral to lend money to the banking system, almost all of which has been repaid. The PPIP (Public-Private Investment Program) types of programs have not run their course, and those were things that were definitely supported by the federal government where there is some remaining financial risk. But there was a lot of private capital that was involved, and their holdings there were bought at very low valuations. So that is not an issue. The mortgage market still has a lot of junk.

CHAIR SCHUBERT thanked Mr. O'Leary and Mr. Erlendson for their presentation.

12. Prisma Capital Partners - Educational Presentation

MR. BADER introduced HELENMARIE RODGERS and ERIC WOLFE of Prisma Capital Partners, a fairly recent addition to the ARMB's absolute return manager roster. *[A copy of Prisma's slides is on file at the ARMB office.]*

MS. RODGERS said four broad classifications capture the bulk of hedge fund strategies today: long/short equity, global macro, relative value, and event-driven. Prisma's presentation focused on event-driven, a hedge fund strategy where the manager capitalizes on special situations or events that are occurring within companies. Special situations can include a merger, an acquisition, a divestiture, companies that have distressed stock prices, or a takeover story. A hedge fund event manager's expertise in a particular space to disseminate key and critical information about a company will cause them to take some positions that will carry through on those convictions.

The difference between a hedge fund event manager and a long/only event manager is that the hedge fund also has the opportunity to go short or use derivatives or employ leverage and other subsets of those strategies that may be able to give them a little bit more flexibility in terms of how the manager generates alpha for his clients. It is an important strategy for Prisma's clients because it allows the managers to capitalize on events in corporations around the world in ways they might not otherwise have been able to do.

MS. RODGERS stated that the historical performance of the event-driven sector mirrors that of other hedge fund sectors. The idea is that there are opportunities to generate substantial returns but with a lot less volatility than what might exist in the long-only portfolios. Since January 1994, on an annualized performance basis, the Dow Jones Event-Driven Index has returned 10% with a volatility of 6%. The return is a bit higher than the S&P 500 TR Index but with a lot less volatility. A hedge fund in this space has the ability to hedge the portfolio and go short, and use derivatives and other strategies, to allow them to protect the portfolio and insulate in volatile market conditions.

MS. RODGERS said there are events in the life cycle of a corporation that can have material impact on its valuation. Hedge fund managers try to participate at each stage of the event life cycle: the pre-event, the event itself, and post event.

MR. WOLFE said that each of the three areas of the event life cycle offer very different risk/rewards and require different types of analysis, and not all event-driven managers will be experts in all three areas. So investing in a company before an event is announced tends to be the highest risk/reward because managers do not know which companies may have an event announced. The manager's job is to invest in a series of companies where they think there is a higher probability of something happening. And if something happens, the returns are quite large. During the event, it is very structured, because a manager knows at what price the event will close. The risk is about trying to understand the probability of that event actually going through and the probability of how much money the manager will lose if that event does not go through. The risk post event is trying to understand if the story the company has told through the whole process will come true. That takes deep fundamental analysis, as well as understanding some of the technicals in the market, in particular who the analysts will be who will cover this company, and will different people own the new company, etc.

MS. RODGERS said the geographic diversity of the opportunities for the event-driven sector has really increased in the last five years. This is beneficial for Prisma's clients because their event-driven managers are able to capitalize on corporate activities in the most well-developed capital markets around the world. This presents substantial opportunities for alpha with the current volatile market conditions.

MR. WOLFE addressed the themes that Prisma is currently considering, given what is happening in the market. There are some very positive things going on in the world that make event-driven an attractive investment strategy, but there are also risks to that strategy. Corporations have a lot of cash, and what they are going to do with that cash is the real question. One choice is to buy other companies. Growing their revenue is very challenging when economic growth is slow, and one way to grow earnings and to grow revenue is to buy other companies. Other things they can do are pay special dividends or sell off divisions. There are lots of different events that Prisma thinks are likely to happen as a result of the current state of the world. Another thing is a lot of regulation of corporations now — an example being financial reform regulation in Europe — and new regulations can be analyzed as to how they affect companies. Canada is an example of a resource-centric country with a relatively stable government, and that is a positive combination for events happening with the increase in commodity prices.

The big negative to the event-driven world is all the economic uncertainty. CEOs are fearful of engaging in big transactions when there is a lot of economic and political uncertainty. Those are two big themes that may hinder the event strategy going forward.

DR. JENNINGS said he thought this was an area in hedge funds where money could run into and out of fairly quickly. He asked for Prisma's assessment of how crowded this opportunity is right now, or if other folks were having money chase the arbitrage opportunities and the like.

MR. WOLFE replied that all hedge fund strategies are dependent upon how much capital is chasing what opportunity, so looking at the supply/demand dynamic for each strategy is quite important. The event-driven strategy has garnered a bit more capital because a lot of people are forecasting it to be rosy; that clearly is a negative for any particular hedge fund strategy. However, there has been sufficient volatility in a lot of the situations that returns have not been squeezed so much by that additional capital that Prisma would think it unattractive. But he agreed it was a negative factor. The categories that are most sensitive to capital flows tend to be relative value type strategies; of the four major hedge fund strategies, event-driven is the second most sensitive to capital flows.

MS. RODGERS said one of the important things in an event manager's risk management of a portfolio is looking to the activity of the underlying managers, in terms of their degree of focus on crowded trades. Prisma wants to see that there is value added for each of the underlying managers in their sector, who are specializing in subsectors and often in niches where that trade pile-on is not seen.

MR. WOLFE said he hoped a take-away from the presentation was that there are a lot of very different ways to make money in the event-driven strategy. Each manager is doing something quite unique, either regionally unique or situationally unique.

MR. WOLFE next described three event-driven examples: a merger and acquisition situation in a medical testing firm; an activist situation in a Canadian oil sands company; and a European bank that issued bonds to buy back equity to meet new banking regulations.

MR. O'LEARY asked for comment on how an event-driven manager deals with the risk of regulations that come out of the blue. MR. WOLFE said that type of risk is fairly negative for a debt-for-equity-swap trade that he described in the European bank example. He added that surprise regulation is never good for hedge fund managers. MS. RODGERS said that it is a reason for having a broadly diversified event portfolio, because there will be cyclical changes in markets and global conditions that may benefit one subsector strategy more than another. The event-driven strategy is broad and deep, and there are multiple opportunities — pre, during, and post an event — that allow the manager to move among the substrategies.

13. Mariner Investment Group - Educational Presentation

WILLIAM TURCHYN and ELLEN RACHLIN joined the meeting to talk about Mariner's absolute return investment framework, or how they think about portfolio construction for a multi-strategy portfolio of hedge funds. *[A copy of Mariner's slides is on file at the ARMB office.]*

MR. TURCHYN said the presumption for their absolute return investment framework is that they have done the due diligence and selected the universe they are going to use. The due diligence questions to ask in putting a portfolio together are: (1) Does the manager have some particular edge in the strategy which they are undertaking to execute?; (2) What are the investment themes the manager is following?; (3) Are the positions in the portfolio supportive of what those themes are?; (4) Do they have a good risk management process?; (5) Has the investment team worked together before, and how do they work together as a team?; (6) Review operations, examine documents, legal, etc.; and (7) Does the manager have a large and significant amount of their own capital and their own net worth invested in their fund(s)?

MS. RACHLIN stated that once they have a group of hedge funds that have been carefully vetted, it is important to identify a few essential characteristics. These are the draw-down potential of each fund, its hedge fund strategy or style, and the asset class or classes in which the fund invests. Mariner recommends sizing each hedge fund by what the maximum peak-to-trough loss could be (or what they call draw-down potential), allocating to strategies based upon economic outlook, and tilting toward asset classes based upon valuation.

The four major hedge fund strategies are event-driven, equity hedge, relative value, and macro, and there are substrategies within each one.

MS. RACHLIN said that Mariner believes that by focusing on draw-down potential they can add a layer of risk management to the overall structure of a portfolio of hedge funds. This is done by sizing risky hedge funds smaller than conservative ones. Each manager should be carefully vetted for their ability to achieve annual returns that make this draw-down worth it. They also want to use position-level transparency to assess the draw-down potential. It is an important part of their discipline because they want to look for concentration, hedging style, and types of illiquid or less liquid securities (ones that could be predictors of draw-down). They do not believe in looking at the track record for this because it can be very misleading.

MS. RACHLIN explained a chart of how Mariner divides their hedge fund universe into three groups by risk and then allocates about 45% into the conservative risk bucket, about 45% in moderate risk hedge funds, and then about 10% with more aggressive risk funds. For the sizing discipline, they allocate between 4-6% per fund for the conservative hedge funds, between 2-4% for moderate, and less than 2% for the more aggressive funds. The sizing discipline cuts some of the up side that aggressive funds can offer to a portfolio, but it allows room for them in a way that insulates the portfolio from some volatility and loss that they could perhaps suffer. This objective framework takes personal conviction out of hedge fund position sizing.

MS. RACHLIN stated that identifying hedge funds by their style and their underlying asset class is the easy part. The difficult part is fitting it into the economic outlook, and that involves tactical tilts. This is true for both hedge fund styles, as well as asset classes. Asset classes can develop severe asymmetric pricing patterns, either becoming too rich or too expensive. Hedge fund strategies can have a tendency to do much better during periods of economic contraction or recession, and others do much better during periods of economic recovery.

There are additional tilts that can potentially add value to the overall performance of a hedge fund portfolio, and they should also be equally considered. They include:

- Rotating within geography, industry, and currency, as there can be deeper opportunity sets in those various categories.
- Trading investment approaches, or what Mariner calls opportunistic vs. value. Opportunistic

style of investing can be macro focused, and it can be particularly helpful during periods like 2008, where the portfolio manager of a hedge fund will be very engaged in the market environment that is going on around them and will react by taking their exposures down, or just completely change to a short from a long position overall. Value investing, which is very bottom-up focused, does very well in periods of smooth economic growth; an opportunistic manager will tend to do less well during that environment.

- Focus on the liquidity underlying the various positions within each hedge fund manager. During periods of market turmoil, it can be advantageous to have more liquid securities so that it increases the flexibility with which the manager can operate. During periods that are more constructive, Mariner can relax those constraints a little bit.

MS. RACHLIN said that each of the tactical tilts gets layered on top of their draw-down or sizing discipline, and it creates a good structure for achieving the portfolio objectives.

MR. WILSON remarked that the last five to ten years have been an unusual period where bonds actually beat stock market returns. Hedge funds are very complicated. He asked for Mariner's opinion on reasonable expectations for these kinds of strategies in today's landscape, because a lot of hedge fund strategies have not beaten the bond market.

MS. RACHLIN replied that when they look back from 1994 (when Mariner started in the fund of funds business) to today, hedge funds have had cumulative returns similar to the S&P 500, or LIBOR + 5% (the ARMB's benchmark), and they outperformed what is now the Barclays Aggregate Index. Of course, it has been an exceptional period for bonds, and bonds have had banner years. Underpinning that is the interest rate market, which has been incredibly helpful to the performance of bonds. It has also been a very atypical investment period encompassing one of the worst market environments in the last hundred years. What Mariner would like to see when they think in terms of their objective for the portfolio is to look back and say they achieved better risk-adjusted returns than equities (which are expected to be a more volatile asset class), and to be viewed as an anchor tenant in a diversified portfolio. They imagine hedge funds to produce a return that is somewhat bond-like, plus 100-200 basis points more on an absolute basis. Finally, ideally they would like to see hedge funds have uncorrelated draw-down periods — and this is very difficult to achieve.

MR. WILSON asked, if the S&P 500 Index delivers a 7% return and the bond market delivers 3% over long periods of time, if Mariner expected the hedge fund portfolio to be between 3% and 7%, or over 7%. MS. RACHLIN said a return between 3% and 7%, but with less volatility than stocks.

MR. TRIVETTE said that hedge funds have always been one of the more difficult areas to understand, in terms of transparency and how to track what is really going on. He asked how Mariner convinces fund trustees that they can provide the transparency, along with the lower volatility and the fairly decent returns.

MR. BADER said the Board has adopted regulations that address transparency with the hedge funds it invests in. Staff has a rubric that is put in place when there are questions related to holdings of the hedge funds. Staff has excellent transparency, but some of the holdings at hedge funds are proprietary in nature. All the hedge fund managers for the ARMB have been informed that the ARMB has transparency as to who the limited partners are, but not transparency into the precise strategy at the moment. He said there is a balance struck that staff is prepared to share with the Board at a later time.

MS. RACHLIN added that Mariner provides extensive reporting to the Board's investment staff, and they show a lot of anecdotal evidence about what the underlying exposures are in order to be as informative as possible. Mariner also has a series of risk reports that are the direct output of the position-level transparency that they do receive.

14. Prisma Capital Partners - Portfolio Review Presentation

HELENMARIE RODGERS and ERIC WOLFE of Prisma Capital Partners returned to the presenters table to talk about the absolute return portfolio they manage for the Alaska Retirement Management Board. *[A copy of Prisma's slides on portfolio performance is on file at the ARMB office.]*

MS. RODGERS first gave a brief update on the firm. She said there has been a lot of movement into the hedge fund of funds asset class, given the market volatility, and Prisma has seen a fair amount of activity and has grown nicely. Their growth has been primarily in the public fund space, and they have won some public plan replacement slots. Prisma has built up its infrastructure across risk management, client services, portfolio management, and operations. They have hired seasoned and senior people to the investment team continually each year since inception. Prisma won the 2011 Large Fund of Hedge Funds Firm of the Year by *Institutional Investor*.

MR. WOLFE reviewed the performance of the Polar Bear Fund, the fund of one that Prisma has managed for the ARMB since January 2010. They have achieved the Board's return objective of 3-month T-bills + 5% since inception, and they have beaten the HFRI Fund of Funds Composite in 2010 and 2011. In the current environment, global macro and long/short equity have been two very successful strategies for Prisma. Macro strategies broadly have gotten the long commodity/long bonds and trading in equities correct over this time period. Long/short equity is much more of a stock-picker strategy.

MR. WOLFE explained where the portfolio was invested as of June 2011, when all the manager positions were aggregated. Looking at the net exposure, he said the top five or six categories were all corporate bonds, which netted out to not a whole lot of exposure — so there was not a lot of credit risk in the portfolio. One big net exposure was to residential mortgages (non-government), and the other big net exposure was to equities. The world has changed quite markedly since June, and Prisma at the portfolio level has been reducing risk. They twice in the last couple of months increased the allocation to people who just short stocks. Also, their managers have been becoming more defensive to protect capital, so they can take advantage of opportunities when the volatility is over.

The portfolio is about 50% exposed to the United States and has smaller exposures to Europe and

Asia. Consumer discretionary and industrials continue to be the largest two sectors in the portfolio.

From a strategy standpoint, event-driven represented 20% of the portfolio at June 30. The portfolio is invested in ten hedge fund sectors, and it is well diversified by manager. The shifts in the portfolio have not been very significant in the last year as the program was just beginning and seasoning; however, the shifts in the next few months will look more significant.

MR. O'LEARY asked how similar the Polar Bear Fund was to Prisma's other client portfolios, and what were the areas of greatest difference and why. MR. WOLFE said the overlap was probably 85%-90% in terms of hedge fund names. Prisma runs about a dozen programs like the ARMB's, and they all have fairly big overlaps, and the performance has been very close among all the strategies as a result. The biggest difference between ARMB and a lot of the other portfolios is that the Board has a preference for more liquidity than some of the other clients. The under-two-year maturity limitation is not hugely constraining currently because Prisma is not in illiquid investments because they do not believe investors are compensated to take that illiquidity risk right now. There is a potential for the portfolio to look different if Prisma starts to think that investors are compensated to take that illiquidity risk. Particularly coming out of financial crises, that illiquidity risk tends to get very attractive.

MR. O'LEARY said the things that might cause an underlying manager to seek that greater protection for them of the assets from being pulled by the client would be that they are investing in typically less liquid investments — distressed, for example. He said his sense is that there are also some fee implications, that the manager is trying to incentivize the client to the longer lockup by offering lower fees.

MR. WOLFE stated that he was referring to distressed and other less liquid strategies. Prisma will never invest in a manager that is offering their investors terms that Prisma thinks the manager cannot live up to. On the fee question, usually there is a big fee break for extending the lockup to three years. But the order of magnitude is that if headline fees are 1.5% management fee and 20% performance fee, then people will get something like a 50-basis-point discount on management fee and a 2.5% to 5% discount on performance fee for locking in their money for that period of time. Prisma determined that it is probably a bad deal for investors to extend their maturity for that period of time. They think the value of having the option to switch out of the hedge fund is very valuable. Secondly, if the hedge fund is offering very liquid shares and very illiquid shares, the illiquid shares take the business risk; and if the hedge fund manager is no longer standing, the investor is the one taking that risk for a very modest fee break. Prisma believes an investor would have to be compensated on the order of 2% or more to take that risk.

Referring to the portfolio liquidity slide, DR. JENNINGS asked what order of magnitude the fees were for investors to get out of a fund, and if that might offset Mr. Wolfe's comment.

MR. WOLFE said the highest early redemption fees are about 5% of capital. An exit fee is usually 2%-5% of capital to get out of a hedge fund, for example, after three months that wanted a one-year commitment. The fee is to compensate the fund for the disruption the exit is causing, and the fee goes to all the other investors in the fund, not to the manager. Usually when managers offer a fee discount they will not also offer an investor the ability to get out early for a penalty.

DR. JENNINGS asked if the Board could expect to see its portfolio more liquid in a year. MR. WOLFE said the portfolio was fairly well seasoned; between 82% and 88% of it could be exited on a quarter's or month's notice. Prisma expects to run the portfolio at about 80% to 90% on a quarterly or monthly basis, and about 10% on up to an annual basis.

MR. TRIVETTE noted that Prisma's assets under management had increased significantly since the ARMB invested in early 2010. He asked if Prisma could continue to produce the same results with the additional assets.

MR. WOLFE explained that they had about $5 billion under management in 2008, and today they have about $7 billion. Assets dipped down post-2008, and a lot of the subsequent increase was performance driven return rather than assets from new investors. But there have been significant new investors this year. The number of hedge fund managers on their platform has remained at 65 for the last four years, so they have not had to add a lot of hedge fund managers to handle the additional assets. The average size of the manager they are invested in has actually gone down and not up, so the characteristics of the portfolio are virtually the same as when the ARMB initially invested. They also increased staff consistently throughout the financial crisis, even when assets were declining, because there were good people to hire at that point in time.

MS. RODGERS added that a benefit is that 70% of the assets under management are in separate account customized portfolios, and it takes a while to close those large public plan mandates. That gives Prisma time to finish their due diligence on a manager or two in order to fund a mandate. It would be trickier to manage the growth if they had a high net worth client base that was funneling money in every month to a commingled vehicle.

CHAIR SCHUBERT thanked the Prisma people for their report.

15. Mariner Investment Group - Portfolio Review Presentation

WILLIAM TURCHYN and ELLEN RACHLIN rejoined the meeting to report the performance of the Arctic Bear Fund that Mariner has managed for the ARMB since November 2004. *[A copy of the Mariner slides for their report is on file at the ARMB office.]*

MR. TURCHYN gave an update on the firm and highlighted significant events over the last year: (1) Mariner became fully authorized and now regulated by the FSA in the U.K.; (2) in December 2010, Mariner formed a strategic partnership with ORIX, a large Japanese finance company, in order to gain a larger presence outside the U.S., and 100% of the proceeds from selling the 45% ownership of Mariner to ORIX was invested in Mariner and its funds; and (3) one of their managers became their own separately registered advisor (third time this has happened, and Mariner encourages it).

MR. O'LEARY asked why Mariner thought that having a broader geographic footprint was important, and why they believed their new owner would forever be a silent partner.

MR. TURCHYN said Mariner has had an office in Tokyo for nine or ten years, and it has been a very good experience. They think that a lot of growth in the investment business overall is happening outside the U.S. They think the more that they can be part of and really attract investment teams to Mariner is good diversification for their business, and there will be returns to be extracted from these parts of the world.

MR. TURCHYN said he was part of two other Mariner partnership transactions in the past, and the expectation was that the partners would not be intrusive in the business. That was not the case in both of those, and it did not seem to work well. In preparation for the latest partnership, Mariner talked a lot to the other firms that ORIX had brought on board or acquired whole or in part. At least the way that ORIX operates with the other firms they have partnerships with, and the way Mariner and ORIX have talked about operating together going forward, Mariner does not believe ORIX will be any more intrusive than they are right now. To do so, ORIX would have to purchase more of the firm.

MR. TURCHYN briefly reviewed the Mariner fund of funds team. The firm has 180 people total, and over 100 of them are investment professionals. Fifteen professionals are dedicated to risk systems and infrastructure.

MR. TURCHYN displayed a chart of the ARMB's portfolio balance history, and noted that in the first quarter of 2011 Mariner sent back $40 million to the ARMB as part of a rebalancing. Since inception, Mariner has pretty well been able to match the Hedge Fund Research Fund of Funds Index return and has been quite close to the S&P 500 Index return. Their benchmark is LIBOR + 5%, and the performance for all periods has been below that. They have been operating in the toughest capital market environment that anyone has seen in quite some time. It is not of any solace, and Mariner believes the ARMB's benchmark is very achievable going forward. Mariner runs other funds very similarly to the way they run the Arctic Bear Fund, and since 1994 they have matched that benchmark over a longer period of time.

MS. RACHLIN said the Arctic Bear portfolio has 31 managers invested in eight strategies; about 45% of the strategies are equity based, 40% fixed income based, and the balance is currency and commodity based. She reviewed the larger strategies in more detail.

MS. RACHLIN stated that Mariner believes there is a gradual recovery, despite deteriorating economic and market sentiment, limited progress on Europe's debt problems, and the U.S. budget deficit. While governments might not be in great shape at the moment, corporations are - certainly balance-sheet-wise. They now have the flexibility to engage in balance sheet transforming actions, including mergers, spinoffs, and the like. Companies are still generating positive revenue growth, although it is deteriorating. That could be a source of self-sustaining economic growth, particularly if the ample cash balances are put to work. If the economy improves, single stock price dispersion should also increase, which is very good for long/short equity investing as good companies become more distinguishable from bad companies, price-wise.

It is very possible that monetary tightening cycles still ongoing in emerging market countries may end within the next 12 months, leaving another good source of potential investments. In fixed income, there have been wider credit spreads, and Mariner thinks this could potentially be exacerbated by bank asset sales from banks undergoing funding pressures at the moment in Europe and the U.S. These asset-backed securities will encompass structured corporate bonds, residential mortgage securities, as well as commercial mortgage-backed securities. Mariner anticipates that there could be opportunities to buy paper where the cash flow is very attractive relative to price. Currently, they are seeing good long/short credit investing themes; among them, the most prevalent is playing on the strength of corporate credit versus deteriorating sovereign and financial credits.

Economic uncertainty will provide good volatility and price dispersion, which is helpful for currency and interest rate trading. Mariner views that the markets will continue to experience shortages in grain and oil markets, and these can be very rich themes for commodity managers to exploit.

MR. BADER asked why Mariner thought the oil markets were going to get tighter. MS. RACHLIN said it was a theme they thought of longer term, not immediate.

DR. MITCHELL said he understood how quantitative risk management systems worked, but he wondered how Mariner guarded against ethical risk in hedge funds. MS. RACHLIN replied that it was the most difficult and most important part of her job as the lead portfolio manager. She said the question at the end of the day is whether they trust the manager they have money with, and they have to gather a lot of evidence in order to make that very important assessment. They try to get as much behavioral history on the manager as possible, through background reports, reference checks, and speaking to people who were not offered up as reference checks. What is also quite revealing is the investment documents, and very often the contract details are where they can find out some underlying intentions that are not advantageous to limited partners. Mariner has seen where the manager may have an investment in the fund but they are allowed to take their money out in front of the limited partners; or they may have personal trading policies where they are allowed to take personal positions and sell them in front of their investors. Things like this are signs that these are managers they do not want to invest with, despite their glowing track record or how popular they are. Mariner finds these qualities in hedge funds they would not expect, and they have to walk away from them for that very reason. Bad times happen, and investors want to be treated fairly. Generally, hedge funds who have had a history of being ethical, who are generous and fair to their limited partners in terms of the obligations in the contract, are the ones who are going to do their very best efforts and treat people well during adverse times.

MR. TURCHYN said it troubles him to pick up the paper and see hedge fund managers being arrested. That kind of risk management is about spending time with the people. Whenever it is a close question, Mariner just moves on.

MS. ERCHINGER asked what the fairest benchmark was against which Mariner should compare its returns. MS. RACHLIN said it was not necessarily about what is fair; the benchmark should be whatever is relevant to the entity doing the investing. She added that Mariner just included the ARMB's benchmark plus two other relevant indices to measure hedge funds by.

CHAIR SCHUBERT thanked the people from Mariner for the presentation.

16. Global Asset Management USA - Performance Report

DAVID SMITH and KATHRYN CICOLETTI had been invited to give a presentation on the portfolio construction process and performance of the absolute return portfolio that Global Asset Management (GAM) has managed for the ARMB since January 2010. *[A copy of Global Asset Management's slides is on file at the ARMB office.]*

MR. SMITH stated that the ARMB's portfolio is heavily skewed towards the trading/macro hedge fund strategies, but also has the event-driven, relative value, and equity long/short exposures. The trading and macro sector is the only strategy that over three, five, ten, and fifteen years has consistently proven to be uncorrelated to both traditional equities and fixed income markets. So the portfolio is biased toward being non-correlated to traditional assets much more so than a typical hedge fund portfolio.

The trading/macro strategies are based upon the identification of macroeconomic events. Once an event is identified, managers can construct trades, usually by the fixed income or derivative markets, which will move in line as that macro economic development evolves. These macro themes can either be produced by individuals using their own discretion, or sometimes computers or systems can identify patterns in macro economic data and lead to the same decisions.

The objective of the portfolio is to achieve LIBOR + 500 basis points, with little or no correlation to traditional markets. GAM was able to achieve the LIBOR + 5% for 2010, but this year they have essentially flat-lined. Generally, trading strategies are slightly down on the year. The macro economic forecasts have been extraordinarily accurate by the traders; they foresaw the European sovereign debt crisis, they foresaw very flat and possibly anemic growth levels in the U.S., and they also foresaw the considerable slow-down in China. However, the fundamental analysis in 2011 has not been a particular advantage because the level of political intervention has led to an artificial controlling of asset prices so far this year. An example is the European Central Bank trying to bail out Greece or interfering with the bond auctions of Italy and Portugal earlier in the year. Clearly, the normal or equilibrium price for those assets would be far lower if it were not for the intervention of the European Central Bank. The same can be said of the Federal Reserve's activities with QE (Quantitative Easing) and QE2. Sadly, this artificial pricing regime is quite common. But eventually fundamentals come to the fore; therefore, these artificial prices are often temporary.

So GAM is disappointed that their results have been flat so far this year, but the distortions and dislocations they are seeing in markets are actually to be welcomed for the trading and macro strategies that are an alternative to the rest of the ARMB's portfolio.

MR. SMITH said they see that the structural deleveraging of the Western economies is nowhere near where it should be; it is probably a multi-year issue that still needs to be addressed.

Administrations and central banks around the world have essentially softened the blow with an enormous injection of liquidity, which for social economic reasons was probably the right thing to do, but it has just delayed the inevitable. It will probably mean a more drawn-out recession. Equivalence to what happened to Japan for nearly 20 years is somewhat extreme, but there could well be some similarities in the coming years for the developed markets of both the U.S. and Europe.

The longer-term issue as this passes will be re-flation and in particular inflation. GAM hopes that will be the problem, because the other alternative is too dire to contemplate right now. Inflation will be an interesting phenomenon for many investment managers to face, who for 30 years have had a bond market rally.

GAM sees significant divergence amongst global economic policies around the world. This is giving opportunities between currencies and fixed income markets of Asia, Europe, and the U.S. This type of volatility and dislocations, although disturbing for traditional asset investments, are in fact quite welcomed by the macro and managed futures world.

MR. TRIVETTE asked how GAM would use the opportunities created by recent volatility. MR. SMITH said one of the biggest opportunities has been the moves in the fixed income markets and the extreme moves they have seen in August and September. GAM was long that volatility, so that has been quite prosperous for them. Another example is the likely race to the bottom in terms of currency wars around the world. Everyone wants a lower currency, and the U.S. administration is particularly keen to win that battle. These extremities mean that GAM can take longer-term positions around those distortions.

DR. MITCHELL mentioned that it has taken Japan 20 years and it still is not done with their structural deleveraging. He asked if GAM foresaw that sort of time horizon for the U.S. or if this country would do it a little quicker.

MR. SMITH remarked that, as with most things, Americans usually go a lot faster. The U.S. has a habit of facing its problems head-on, and the recognition of the structural deleveraging is being identified by Mr. Bernanke and his team. As to the solution to the problem, the painful reality is what administration in the world today is prepared to give the medicine that is so unpopular to the populace. There is fear of social economic revolution, and riots have occurred throughout Europe. That has not happened in the U.S. yet, and who knows if that might be the stage before the recognition.

MR. PIHL said the performance has been quite low. He asked when GAM expected it to turn around. MR. SMITH clarified that he did not want to give the illusion that returns should be bouncing around in double digits every year with this strategy, because there is a price to pay for non-correlation to other assets. Without that correlation, there has to be another form of gain, and that is probably the vague thing called alpha. Alpha has a much lower return profile, and hence the reason that GAM continues to try to identify that ambiguous target of alpha. GAM was bang-on with the return objectives in 2010. As long as there is political intervention causing mispricings in assets, it creates a challenging environment. As economic reality dawns on the equity markets or fixed income markets or currencies, then GAM's strategies will start to come to the fore and make money. He said he would like to be able to tell the Board that it was last week or this month, but he suspected that it was closer than it was three months ago. The rest of the world is seeing corrections of 25% and 30%. Two days ago the S&P 500 Index was down 3% on the year, and it did not seem to reflect the fundamentals of the economic severity that was in place. Maybe the market correction seen in September is the development of the economic reality.

MR. O'LEARY asked what GAM could point to that their assessment is right. MR. SMITH said he has been doing this strategy for 15 years — identifying the managers, replacing the managers, and finding the next set of traders — and they have an infrastructure that continues to turn out those ideas. The markets have developed different instruments but they have not changed. The drivers of inflation, re-flation, and deflation are the same, and they come to the fore. He said he has seen two patches like this in the market before — 1994 and 1998 — that lasted from six months to nine months.

MR. SMITH showed a long-term chart of trading performance and said that returns can become lumpy. GAM flat-lines in periods and does not lose any money, and then things in the market snap back.

MR. O'LEARY asked if Mr. Smith could provide the exhibit of long-term performance to the Board because it was useful for everybody to be aware of.

CHAIR SCHUBERT thanked the GAM representatives for their report.

RECESS FOR THE DAY

The meeting recessed for the day at 4:49 p.m.

Friday, September 23, 2011

CALL TO ORDER

CHAIR SCHUBERT called the meeting back to order at 9:00 a.m. on Friday morning.

REPORTS (Continued)

17. ARMB Funds Risk Overview

MR. BADER reminded trustees that in April staff member Jie Shao made a presentation to the Board about a new financial risk management tool called truView that staff was in the process of developing. Ms. Shao has since resigned, and Joy Wilkerson was hired to continue the work where Ms. Shao left off. MR. BADER said this was an update on the development of this new tool, and he wanted trustees to understand it, because the day could come when staff would ask the Board to make decisions based upon the information. *[Slides are on file at the ARMB office.]*

MR. BADER reviewed the definition of risk, how to assess financial risk, and the purpose and structure of financial risk management. He said that most investors are more worried about the chance of losing money than they are about whether or not they will earn 7% or 8%. Value at risk (VAR) attempts to address the odds of incurring big losses. It is a method based on statistical techniques, but there are multiple ways of determining VAR.

A method called the variance-covariance approach assumes that investment returns are normally distributed, meaning they take the form of a bell-shaped curve. One problem with the variance-covariance approach is the assumption that returns, particularly negative returns, are normally distributed. But looking back over long periods of time, it is evident that huge losses tend to occur in the investment world far more than probabilities would suggest by looking at the normal distribution of those losses. These losses are frequently called "fat tails" or "black swans."

There is also a method that is called the historical method. It involves ranking past returns from worst to best and constructing a curve that fits that data. The presumption is that risk in the future will be the same as the risk in the past. That is a bold assumption as well.

MR. BADER said it takes many approaches to narrow in on what a plan wants to adopt as its value at risk. If he were to say that the VAR was $50 million at the 95% confidence level, it means that there are five chances in 100 that under normal market conditions the plan will experience a loss greater than $50 million. During the financial crisis there was a lot of discussions about banks stress testing their portfolios, etc.; they are using tools similar to VAR.

MR. BADER stated that on July 31 the retirement fund had about 29% invested in domestic equity and 23% in international equity, for about 52% total in publicly traded equities. He presented the stand-alone value at risk for each asset class the retirement fund is invested in, using the 95% confidence level. He pointed out that fixed income has a relatively small VAR in relation to the assets under management, but it should have, because the Board has adopted a policy where the largest portion of fixed income investments are in U.S. intermediate treasuries. He said the total fund VAR is $1.2 billion, while the policy benchmark VAR would be slightly less, indicating that the fund has a slight overweight to equities compared to the board's target asset allocation. He explained that the proxies for some of the asset classes have not been fully developed.

The next chart showed the asset classes ranked by risk. Cash and the fixed income pool are the least risky assets, at least under this method of calculating what risk is. The portfolio as a whole has a VAR of 7.4%, or $1.2 billion (out of a $16.7 billion fund). When the Board considers the asset allocation next time it should consider what the VAR really means, along with the standard deviation tools that Callan provides, to better understand the potential loss being talked about.

DR. JENNINGS said that a provocative way of phrasing the VAR information for the total fund would be that one month in 20 the Board should expect to lose $1.2 billion. That changes how one thinks about the asset allocation.

MR. BADER stated that when looking at how much risk each asset class contributes to the $1.2 billion total fund VAR, fixed income actually reduces the VAR and shows a positive contribution to reducing risk. It is something to keep in mind. A second point is that almost 70% of the total fund VAR is in public equities. It may suggest diversifying more broadly and going more to fixed income.

Another chart showed the dollar amount of VAR that each U.S. equity manager contributed to the total, and the size of that number was linked to the amount of assets each manager had under management. However, the VAR divided by the market value of the assets told a different story and gave an idea of how the managers line up in terms of the volatility of their assets. Of interest is that the data initially indicates that the convertible bond manager and the two equity buy write managers are contributing to a less risky portfolio.

MR. BADER offered a quote from Walter Wriston, "All of life is the management of risk, not its elimination."

MR. O'LEARY said one of the challenges of using VAR is seeing that a fund can lose a lot of money and deciding what to do with that information. It is very valuable in that a board has to know what the risk is before it can decide what level of risk it wants to take with its portfolio.

MS. ERCHINGER asked if VAR would be useful when evaluating a manager on the watch list. MR. BADER said it was an additional data point.

MR. RICHARDS asked if a manager or the Board would step in to slow or limit a loss if there was a bad stock market event. MR. BADER replied that in this approach staff is not nimble enough to step in, even if they thought they had the methodology. Depending on whether a manager had a momentum style, they might take some action. But most of the equity managers are not momentum investors, they are value investors, and the Board might expect them to find more attractive deals if stock market values declined.

Responding to Ms. Erchinger's question, DR. JENNINGS said one way to use something like VAR would be if a manager was put on the watch list for underperformance, because there might be incentives at that point for the manager to roll the dice and up the risk to try and get a higher return to get off the watch list. The time series of how a manager has been managing their risk and what the VAR looks like could be an important thing.

DR. JENNINGS also pointed out that the potential $1.2 billion loss was the best "worst outcome" in the one month in 20. Another useful thought exercise would be to look at the 99th percentile and what to do in that kind of market environment.

Responding to MR. TRIVETTE, MR. BADER said there are a lot of public funds looking at financial risk management.

18. Manager Search - Small Cap Equity

MR. BADER said that after hiring Barrow Hanley as a small cap value manager in April, the Board gave staff direction and authority to pursue a manager search for additional small cap value managers.

MR. O'LEARY referred to the investment manager search book that Callan provided to ARMB staff, saying that staff used the information to narrow the universe of candidates that Callan presented down to a shorter list. Callan's conclusion was that any of the managers in the book would be a good candidate to consider. ARMB staff conducted on-site visits and analysis and further narrowed the list to the two candidates that would be appearing before the Board today.

MR. O'LEARY spent a few minutes describing the customized process that Callan follows that takes into account the types of investment managers a client already has, what the client is looking for, how much money will be allocated, does the manager do things that the client is comfortable or uncomfortable with, and is there a preference for a particular type of approach over another approach. Callan prepares a draft candidate profile and runs it by ARMB staff to be sure it is correct. He then gives the candidate profile to Callan's senior manager researcher, and that group does quantitative screening of the entire database (in this case, small cap equity managers) based on the candidate profile. That initial step typically produces a list of 25 products. Then he and the senior manager researcher review the screening spreadsheet and identify a group that they are comfortable with, and this takes into consideration qualitative factors (have key decision-makers left, is there some organizational situation happening that causes some angst, etc.). This typically narrows the list down to between 10 and 16 products that are then profiled and compiled into an internal package that is sent to the 13 members of the Callan Manager Search Committee. The Committee then meets telephonically: their objective is to be sure that the manager research group understood what the generalist consultant has represented in the candidate profile, and that the candidates each satisfy the criteria. The Committee then advances those candidates that any one of which they are comfortable could be hired by the client and meet the objectives. They make sure to explicitly include in the search process any manager that the client has been exposed to and wished to consider at some future time.

MR. O'LEARY said the Manager Search Committee advanced seven small cap equity candidates in the search book to ARMB staff. He said the process after that point varies with each client.

MR. BADER stated that he, Mr. Sikes and Mr. Howard individually reviewed Callan's manager search book and semi-finalist list. They then got together and shared their ideas. They were mostly in agreement that two of the managers would be additive to the ARMB portfolio. They decided to visit Frontier Capital Management in Boston and Victory Capital Management in Cincinnati and review their compliance processes, their due diligence, and the investment teams, to get comfortable with the decision to bring them before the Board. Both managers have consistently displayed an ability to outperform the index during both positive and negative stock market environments. He said nobody knows for sure, but staff believes these managers have the capability of continuing to put out numbers similar to what they have in the past.

18(a). Victory Capital Management, Inc.

DONALD FRANK of Victory Capital Management, and GARY H. MILLER, chief investment officer of the firm's small cap value equity product, made a presentation supported by a series of slides *[on file at the ARMB office]*.

MR. FRANK provided background information on the firm. It manages $34 billion in assets for a diverse client base throughout the world. Victory Capital is a wholly owned subsidiary of Key Bank. Victory has grown over the years through acquisition and through organic growth to represent eight unique boutiques. Each product has its own CIO and follows its own investment strategy and process. Victory provides resources to those organizations where there are common resources that can be shared. Ultimately they want to provide the best portfolios they can for their clients.

Important to that equation is compensating their investment professionals in a very traditional fashion, such as a salary so they do not have to worry about compensation day-to-day, short-term incentive compensation that is measured versus an agreed-upon peer group, and long-term incentive compensation that is cliff-vested awards that are granted over a three-year time period. Then a very meaningful piece that provides the investment professionals an economic ownership of their business is revenue sharing. The compensation structure aligns their interests with that of their investors.

MR. MILLER stated that their small cap value strategy is the unique capability to build portfolios with down-side protection without sacrificing up-side capture. Victory has been able to deliver strong and consistent results over the cycle and has done so with less volatility, offering the best of both worlds for clients. It is a repeatable yet flexible strategy. It is built around high-quality businesses, and it is focused on the risk/reward merits of each individual investment that goes into the portfolio.

MR. MILLER described the seven-member dedicated investment team, saying the two most senior members of the team, he and Greg Connors, have served together on this strategy for 13 years. Every member on the team is involved in the investment decision process because he believes that the best investment decisions are reached by considering various points of view or different perspectives. The bar is set high so that only high-conviction ideas ever make it into the portfolio, but the team is not so big that it bogs down the process. Even though people have different sector and industry responsibilities, no one is compensated on how their sector and industries perform; they are only paid on how the whole portfolio performs because that is what matters to the clients. Lastly, because everybody is involved in the portfolio decision-making process, the depth on the team provides continuity for the clients, in the event that something was to happen to the CIO. They have a dedicated trader who is also involved in all the things that are going on in the portfolio.

MR. MILLER said they manage the portfolio based on a set of beliefs. The market really functions and fluctuates on a daily basis based on noise (emotion, macro-economic factors, and momentum). That causes individual securities to become mispriced. They think that amidst turmoil and uncertainty new opportunities emerge, and they believe that a bottom-up investment approach is the best way to exploit those opportunities. Further, better businesses win over the cycle. They believe in market leaders, competent management teams, and good stewards of capital.

And, in the end, price matters. It is not enough to just be a great business: to be a great investment, Victory wants to buy these businesses when they trade at a significant discount to the team's estimate of their fair value. This provides Victory with a wide margin of safety in the instance that the investment thesis was wrong or simply mis-timed. The investment team spends just as much time on what could go wrong as they do on what could go right. The business is just as much about avoiding big mistakes as finding winners. They strive in every investment that goes into the portfolio to have an asymmetrical risk/return profile, where the deck is stacked in their favor.

MR. MILLER said that lastly they believe that a critical component of a sound process is the sell discipline. They think that at some price even the best businesses need to be sold, which is a key differentiator for them.

MR. MILLER explained how the investment team puts their beliefs into action every day. They build the portfolio around companies with three attributes: the stock is trading at a significant level below the team's estimate of fair value; the company has strong above-average financial strength; and where they believe positive fundamental change is on the horizon to get the business back to fair value over a reasonable time frame. The last aspect is where they spend the vast majority of their time, differentiating between companies that are undervalued versus stocks that are merely statistically cheap.

MR. MILLER said they develop a bear, base, and bull case on every stock that goes into the portfolio, which really defines the risk/return profile that they are looking for. When they consistently follow this approach, it steadily stacks the deck in their favor that they are going to win. The valuation and financial strength tend to be a safety net that when they are wrong on the fundamental piece, they are wrong in small ways and the stocks may lag, but they are not working against them. When they get the fundamental piece right, the stocks outperform by a significant margin. It is one of the reasons they have been able to do well in up and down markets.

MR. MILLER also briefly reviewed highlights of the small cap value decision framework. Their universe is $100 million to $2.0 billion market cap. Idea generation can come from anywhere, but the vast majority is internally generated through their screening and scanning of the universe. They have a two-stage fundamental research process: the first step is a validation of the statistical screening process, and the second step is the deep dive to assess the business as a whole. The most compelling ideas get pitched to the team as a group, where they are challenged and debated, and a decision is made to either reject an idea, designate it to the watch list, or initiate a position. They want to be early before the fundamental turn comes, and they build the position incrementally and opportunistically. The target is a 100-stock portfolio.

MR. MILLER said selling stocks is a key success factor, and they are willing to sell great businesses regularly when the economics no longer work for the portfolio and when there is no more excess return to wring out of it. The framework for selling an individual security out of the portfolio is laid out at the time the position is put into the portfolio.

MR. FRANK added that they are incremental as they are adding a name to the portfolio, and as the thesis plays out and the stock valuation rises, ultimately the up and down sides of the risk/reward start to get less in their favor and there is more down-side risk. As that occurs, they will decrease the weights of those stocks.

MR. MILLER said that is especially crucial in the small cap asset class, where trading liquidity is a challenge. It is a constant optimization of position size relative to the risk/reward profile.

MR. MILLER described the risk management that is hard-wired into the process and that uses: (1) the team and a dedicated risk manager; (2) constant monitoring throughout the process and focusing on the asymmetrical reward/risk; and (3) technology and using a risk budget.

MR. FRANK mentioned that they are all investors in their own strategy, alongside of their clients. He said Victory is a great fit for the Alaska retirement fund, and they will do a good job.

MR. RICHARDS asked the average length of time that a stock stays in the portfolio. MR. MILLER said a little less than two years; the turnover runs in the low sixty percent on average. He added that when valuation spreads are wide, such as is occurring now or that happened in 2008, they tend to have higher turnover because there are more opportunities in the universe than there are mid cycle where evaluations become more homogenous. In 2009, the turnover was closer to 90%, and this year the turnover is running closer to 30%.

MR. RICHARDS asked if the investment team looks back once they sell a stock to see if they possibly made a miss. MR. MILLER said Victory has been successful at selling early for ten years. They always sell early because things tend to end badly, particularly in the small cap universe. The two components to determine whether it is successful or not is the return component, and how much risk they are taking on by continuing to try to get a little bit more return. They would rather move down the risk profile for a stock that might have more up side over the next 12 months than over the next three months. They sell stocks that might outperform over the next three months relative to a new stock that they put in the portfolio to replace it, but their experience has been that the sell discipline has worked.

MR. MILLER said they trade around positions as well, and they have owned some of the same names off and on over time, depending on when the risk/reward is the most attractive.

DR. MITCHELL remarked that small cap companies can be small because they are always small or because they were once large but got killed in the market. He asked if Victory distinguishes between the two types. Second, he wanted to know, if a company grows beyond the $2.0 billion maximum capitalization, if Victory automatically sold it or if they held it as it became mid cap.

MR. MILLER said their job as fundamental analysts is to differentiate between those companies that are passing through on their way to bankruptcy versus those that are just temporarily mispriced for the short term. Victory does not have a rule about market cap-based selling. They would rather focus on all the fundamentals in assessing selling stocks, rather than selling on a market cap alone. However, it would be of concern if the whole portfolio started to drift up in market capitalization.

MR. WILSON noted that the assets under management in this product have doubled over the last couple of years, about the same time that the firm's assets have decreased about 40%. He asked how that impacted the investment team's ability to manage, and what was going on in the larger firm.

MR. FRANK replied that components of the business were legacy products (custody, cash management, securities lending, and other aspects). Those businesses have continued to be maintained but have been dropped from Victory Capital's assets under management and been repositioned under the Key Bank moniker. Regarding the firm's health, all investment managers have faced challenges in the current market environment. Historically, they have grown the business more on the large cap side than the small cap side, because it is a larger percentage of the overall assets under management. They have healthy relationships with their clients, and the firm continues to grow and be profitable.

CHAIR SCHUBERT thanked the gentlemen for their presentation.

18(b). Frontier Capital Management Co. LLC

LEIGH ANNE YOO introduced THOMAS "T.J." DUNCAN, one of the two portfolio managers responsible for Frontier Capital's small cap value strategy. *[A copy of Frontier Capital's slides for this presentation is on file at the ARMB office.]*

MS. YOO presented an overview of Frontier and its products, and talked a bit about Mr. Duncan's background and responsibilities at Frontier.

MR. DUNCAN said the investment team had 11 analysts who follow specific industries, and six portfolio managers. He and Bill Teichner are the portfolio managers for the small cap value portfolio, which they started in 1999. He and Mr. Teichner, along with all six portfolio managers, started their careers at Frontier as analysts. They have a history of hiring people who are passionate about picking stocks and learning about investing, and they invest in those people and give them opportunities to grow as professionals. That is one of the main things that keeps people at Frontier for a long time. There is an exhaustive hiring process for analysts, and 11 is the highest number they have had.

MR. DUNCAN said the small cap value portfolio typically holds about 80 stocks, which they believe provides good diversification, and yet he and Mr. Teichner can know all the companies and meet with all the management teams. They get uncomfortable when any single name gets over 3% of the portfolio. They look to invest in companies that are within the market cap range of the Russell 2000 Value Index, which right now is less than $3.0 billion in market capitalization. But if they like a company that they bought at $2.8 billion, they will hold it beyond the time frame. Last year they sold two companies that got to $6.0 billion in market cap and no longer fit the criteria of a small cap portfolio.

MR. DUNCAN said all the analysts follow their industries and look for ideas that fit the investment criteria. The portfolio managers are looking first and foremost for businesses that have performed well historically but right now are trading below their historical valuations, typically on a price-to-book basis and an enterprise value-to-sales basis. They want to understand why that is the case. Typically, the investment team finds these businesses when the short term is worrisome to other investors and those investors are selling their shares. Frontier's investment process is trying to really understand what these businesses could earn in the next three or four years. A different time horizon is a big reason this portfolio is successful.

Secondly, the portfolio managers are looking for a good business that has a defensive position competitively, that has a history of earning above its cost of capital, and where the managers think the company will show those kinds of returns again in the future. Finally, their analysis for unrecognized earnings power is to see what the company could earn in the next three or four years if the strategy of the management team is successful. One of the benefits of a small cap manager is being able to actually meet with the decision-makers of these businesses and try to understand what their strategy is and compare that to their peers. Frontier wants to buy companies when they are trading at less than 10 times the portfolio manager's calculation for earnings power.

MR. DUNCAN gave a couple of examples of companies in the portfolio.

The investment team meets twice a week to formalize the investment process. He explained how they decide when to buy a stock and that their reports use a clock as a metaphor for how attractive an investment is to the analyst and potentially the portfolio managers that either own it or prospectively will own it. They want to buy companies when they are trading around six o'clock. It is the juxtaposition of very attractive valuations with the expectation that if they are successful with their strategy they will at least get their historical valuation and may actually exceed that. It is also where there is potential for margin improvement. If the portfolio manager is wrong potentially on how fast the revenues are going to grow, they may still be right on what is going on with the company's profitability, and they may still be right with the valuation. So there are three opportunities for them to be correct in their thesis.

MR. DUNCAN explained the sell discipline that happens when the businesses are successful and are starting to reflect \$3.00 to \$3.50 earnings power. He said not every investment they make is successful, and they sell as soon as they recognize that they missed something in their due diligence. He gave an example of selling a company when they recognized there were poor internal controls. They also sell a stock in the portfolio when there has been a change in the risk in a position. With 80 stocks in the portfolio, typically a position is going to be 1.25% in the portfolio. If a stock has a bigger position than that, it means the portfolio managers have a lot more confidence in that position. A stock that is lower than 1.25% of the portfolio is either a new position that is typically 0.5% to 1.0%, or they are more worried about the intermediate time frame for a company but still like the longer-term opportunity. Another occasion to sell is when a company's earnings quality is breaking down.

MR. DUNCAN reviewed the three levels of risk control:

- The firm level at Frontier - in 2000, Affiliated Managers Group acquired 70% of Frontier, and the much larger organization brings resources and best practices to the table for information technology infrastructure, mock auditing, etc. Frontier has a chief operating officer who brings rigor to the firm in the sense of regular compliance training and making sure that they are properly aligned with the clients.
- The portfolio and stock level - contact with the companies in the portfolio daily and meeting with the companies quarterly, and adjusting the weightings in these companies based on those conversations. Knowing the companies really well is the most important thing they can do to manage risk within the portfolio.

MR. DUNCAN pointed out that the small cap value portfolio tends not to look like the Russell 2000 Value Index. They are trying to find and invest in good companies that fit their profile. Their performance over time comes from stock selection.

MS. YOO said that Frontier has a history of delivering consistent returns, and they strive to outperform the Russell 2000 Value Index. Among their peer group of 222 other small cap value managers, Frontier's performance is consistently in the first or second quartile. For information ratio versus the Russell 2000 Value Index, Frontier is in the top quartile in every time period, including since inception 12-1/2 years ago.

MR. ERLENDSON noted that previously in the small cap value strategy Frontier tended to be at the smaller end of the capitalization spectrum, but in the last couple of years capitalization has been going up. He asked how Frontier manages the capitalization effect within a small cap portfolio.

MR. DUNCAN said their weighted median market cap is very similar to the index. Their weighted average market cap is larger than the index partly because the opportunities they were finding in 2008 and 2009 were companies that typically had been trading as mid cap stocks that fell into the small cap range. Frontier thought that was a terrific opportunity to find excellent businesses at very attractive prices. They have continued to own some of those, but they have also sold some of them out of the portfolio. They do tend to be opportunistic when they can find very good companies, but their objective is to be as similar to the benchmark market cap as possible.

MR. RICHARDS asked for the typical length of time a stock stays in the portfolio. MR. DUNCAN said the holding period investment horizon is two years, which is why they are looking at a three- to four-year earnings power, because they think the market tends to discount businesses about 12 to 18 months in the future. The holding period in the last three years has been a bit longer than normal, with turnover at about 40%.

DR. JENNINGS asked how the prospective $100 million mandate from the ARMB would fit into the $150 million composite in the written material. MR. DUNCAN responded that Frontier has 12 accounts within the small cap value portfolio, and some of them do not make it into the composite. MS. YOO added that Frontier won some additional mandates recently, which would bring their total assets to roughly $300 million.

MR. DUNCAN stated that the firm manages $10 billion in small and mid cap stocks. They have the deepest team they have ever had to manage $200 million in this specific product, and this robust team means they can manage significantly more assets than that.

CHAIR SCHUBERT thanked Ms. Yoo and Mr. Duncan for their presentation, and then called a brief at-ease.

18(c). Board Discussion and Manager Selection

MR. BADER reported that an issue had arisen regarding the returns reported by Victory Capital Management, and he advised the Board to defer any decision on Victory until staff could get a higher level of comfort with what was in their report at this meeting.

MR. BADER reviewed the staff report in the packet *[on file at the ARMB office]*. He said the Board had conducted a domestic small cap manager search to round out its roster of active small cap managers. The three existing small cap managers tend to be either core or growth-oriented. Barrow, Hanley, Mewhinney & Strauss made a presentation at the April meeting, and the Board hired them as a small cap value manager. However, Barrow Hanley does not have enough assets under management to balance out the ARMB's portfolio. Further, staff does not believe it is wise to have just a single manager on the small cap value side. Staff was recommending that the Board hire Frontier Capital Management, and perhaps Victory Capital as well, once staff resolved the one issue.

MS. HARBO moved that the Alaska Retirement Management Board hire Frontier Capital Management to manage a U.S. domestic small cap value portfolio with an initial funding of $100 million, subject to contract and fee negotiations. MR. WILLIAMS seconded.

MS. HARBO asked how staff monitored an overlap in holdings when there was more than one small cap value manager, or if it was a concern. MR. BADER responded that staff is aware when there are duplicate holdings, but staff does not necessarily structure the portfolio to tell one manager to back off on an investment. He added that the large cap equity portfolio also has multiple holdings that overlap because there are index funds and active managers; unless the ARMB were to go entirely with index funds, there would always be overlap.

MR. WILLIAMS inquired where staff intended to draw the money from to fund the small cap active management mandate. MR. BADER said it would be coming from a combination of places: Lord Abbett, the small cap value index fund, and Luther King. This was to try to equalize the assets under management of the small cap managers.

MR. RICHARDS mentioned that Frontier had indicated that the management fee schedule they had presented was negotiable. MR. BADER said staff views that the fees are always negotiable.

The motion carried with all ayes, 8-0. *[Commissioner Butcher was out of the room.]*

CHAIR SCHUBERT stated that the Board would take up any action on Victory Capital at the next meeting.

Items 19 and 20 on the agenda had been taken up the previous day.

21. Trustee Discussion: Meeting Format Evaluation
MR. BADER said staff had tailored the meeting agenda to reflect trustee suggestions discussed at the Board's strategic planning session. They wanted more educational content; a little less time for managers going over the history of their firms, etc.; and more time for trustee questions at the end of manager presentations.

Several trustees indicated that they liked the new format.

22. Executive Session - no longer needed.

NEW BUSINESS

1. Advertize IAC Position
MR. BADER asked for a vote to authorize staff to advertize the Investment Advisory Council seat currently occupied by Dr. Mitchell, and to encourage Dr. Mitchell to apply as well.

<u>MR. WILLIAMS moved and MS. HARBO seconded</u>. The motion passed unanimously, 8-0.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD
This agenda item was taken up the previous day.

PUBLIC/MEMBER COMMENTS

JOHN ALCANTRA of the National Education Association of Alaska said he had been attending ARMB meetings for about two years, and he was heartened to see Governor Parnell come before the Board on Wednesday morning. He said it was interesting that both Governor Parnell and his boss at NEA had the same quote about keeping an open mind on the opportunities that could present themselves. Whether it is providing a secure retirement through a defined benefit/defined contribution choice in Senate Bill 121, or looking at the issues and options to pay down the unfunded liability, either way keeping an open mind was critical. Alaska has great financial resources and many tools in the toolbox, but most importantly Alaska has this board and its staff that are powerful human resources to explore the myriad of opportunities and options that could be available. He said he appreciated all the work that everyone does.

CHAIR SCHUBERT thanked him for attending the meetings and for his comments.

INVESTMENT ADVISORY COUNCIL COMMENTS

DR. JENNINGS thanked the Board for his reappointment to the IAC.

TRUSTEE COMMENTS

MR. PIHL stated that the Salary Committee usually meets prior to, and in conjunction with, the Budget Committee. However, the Salary Committee is waiting on a salary study that Ms. Leary is getting before scheduling a meeting, with the understanding that the budget has room for the type of recommendations the committee would be seeking. He also said he hoped that the ARMB was not in some way financing the anti-Pebble Mine effort.

MS. HARBO thanked Mr. Bader and his investment team for the excellent retirement fund earnings results [in fiscal year 2011], saying that many on the team were born and raised in Alaska, and it is very important to have Alaskans on the team.

MS. ERCHINGER also thanked Mr. Bader and his team for the great earnings results, and for their work in modifying the agenda so quickly to reflect the suggestions that came from the strategic planning session. She asked for consideration of adding an action agenda item at the end of the meeting in order to summarize what specific action items the trustees would like added to the action plan. She also suggested giving the trustees better access to documents and information, perhaps through a secure connection on the ARMB website. It would be more convenient for administrative staff to get information to the trustees without having to compile it all and deliver it as part of the meeting packet.

MS. ERCHINGER mentioned that trustees received supplemental material that was compiled after the November 2010 Study Group meeting, and she encouraged everyone to look at that information closely because some of it was added and not a direct result of the Study Group. Some of the information appears to be information in line with perhaps some of the strategies that either Legislative Finance or the State administration people are looking at relative to the Governor's comments about funding additional contributions into the retirement system. She wished there had been time for trustees to review that information and talk about it, and she hoped they would be able to do that as things move forward in partnership with people representing the State and Legislature. She said she was very concerned about what appears to be a cost shifting of $7.5 billion from state funding to the employers in the $2 billion option, and an extension of the amortization period. She hoped that was something the Board could meet on in the near future.

MR. RICHARDS also commended Mr. Bader's investment group for the retirement fund performance. He said a state worker came to his office earlier in the week to demonstrate that he could access his account and keep track of his funds, and told him that he was thinking of making a move because of recent negative returns. He showed the person how to change the parameters and look at the longer-term return that was 22% in the past year, and suggested that he perhaps not reallocate his money based on the recent short-term market drop. He said he appreciated Governor Parnell coming to the meeting, and the Board did what the Governor asked, which was to take no action. Part of the request was that the Board work with the administration, and he hoped the Board did that in another work session or meeting. Just because the Board took no action does not mean there will be action taken that the Board is complicit in.

COMMISSIONER HULTBERG said she had been thinking about how that type of meeting would happen and wanted to firm up what that would look like.

MR. TRIVETTE recommended getting together as a full board between now and the December meeting, and not as a subset of the board at a work session, as happened last November. He noted also that because of time constraints four trustees did not have a chance to express their views on issues at the Wednesday session this week. He wanted that time scheduled so trustees could discuss additional material that trustees received a few days ahead of time. One of the concerns he has with the process is that staff has to wait until the last piece of information comes in, in order to put together a meeting packet. He agreed with Ms. Erchinger about putting much of the information on a secure web site where trustees could have access to it earlier. To give the citizens of Alaska its best effort, the Board needs to reform its process. Lastly, he supported an action list or some other mechanism to keep track of items that require follow-up. He mentioned a commitment at the June meeting to bring information back about the AlaskaCare contract, and he wanted to know what Standard & Poor's rated the funding status of the retirement fund at.

CHAIR SCHUBERT said she would work with staff to schedule a meeting or work session of the board.

FUTURE AGENDA ITEMS - None.

ADJOURNMENT

There being no objection and no further business to come before the board, the meeting was adjourned at 11:12 a.m. on Friday, September 23, 2011, on a motion made by Ms. Harbo and seconded by Mr. Trivette.

Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:

Corporate Secretary

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

Confidential Office Services
Karen Pearce Brown
Juneau, Alaska

Article 06. ALASKA RETIREMENT MANAGEMENT BOARD

Sec. 37.10.210. Alaska Retirement Management Board.

(a) The Alaska Retirement Management Board is established in the Department of Revenue. The board's primary mission is to serve as the trustee of the assets of the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees, and the Alaska retiree health care trusts established under AS 39.30.097 . Consistent with standards of prudence, the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts. The board may, with the approval of the commissioner of revenue and upon agreement with the responsible fiduciary, manage and invest other state funds so long as the activity does not interfere with the board's primary mission. In making investments, the board shall exercise the powers and duties of a fiduciary of a state fund under AS 37.10.071 .

(b) The Alaska Retirement Management Board consists of nine trustees, as follows:

(1) two members, consisting of the commissioner of administration and the commissioner of revenue;

(2) seven trustees appointed by the governor who meet the eligibility requirements for an Alaska permanent fund dividend and who are professionally credentialed or have recognized competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis as follows:

(A) two trustees who are members of the general public; the trustees appointed under this subparagraph may not hold another state office, position, or employment and may not be members or beneficiaries of a retirement system managed by the board;

(B) one trustee who is employed as a finance officer for a political subdivision participating in either the public employees' retirement system or the teachers' retirement system;

(C) two trustees who are members of the public employees' retirement system, selected from a list of four nominees submitted from among the public employees' retirement system bargaining units;

(D) two trustees who are members of the teachers' retirement system selected from a list of four nominees submitted from among the teachers' retirement system bargaining units;

(E) the lists of the nominees shall be submitted to the governor under (C) and (D) of this paragraph within the time period specified in regulations adopted under AS 37.10.240 (a).

(c) The trustees, other than the two commissioners, shall serve for staggered terms of four years and may be reappointed to the board.

(d) The governor may, by written notice to the trustee, remove an appointed trustee for cause. After an appointed trustee receives written notice of removal, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.

(e) A vacancy on the board of trustees shall be promptly filled. A person filling a vacancy holds office for the balance of the unexpired term of the person's predecessor. A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

(f) Five trustees constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.

(g) A trustee may not designate another person to serve on the board in the absence of the trustee.

(h) The board shall provide annual training to its members on the duties and powers of a fiduciary of a state fund and other training as necessary to keep the members of the board educated about pension management and investment.

(i) The board shall elect a trustee to serve as chair and a trustee to serve as vice-chair for one-year terms. A trustee may be reelected to serve additional terms as chair or vice-chair.

Sec. 37.10.215. Attorney general.

The attorney general is the legal counsel for the board and shall advise the board and represent it in a legal proceeding.

Sec. 37.10.220. Powers and duties of the board.

(a) The board shall

(1) hold regular and special meetings at the call of the chair or of at least five members; meetings are open to the public, and the board shall keep a full record of all its proceedings;

(2) after reviewing recommendations from the Department of Revenue, adopt investment policies for each of the funds entrusted to the board;

(3) determine the appropriate investment objectives for the defined benefit plans established under the teachers' retirement system under AS 14.25 and the public employees' retirement system under AS 39.35;

(4) assist in prescribing the policies for the proper operation of the systems and take other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210 - 37.10.390;

(5) provide a range of investment options and establish the rules by which participants can direct their investments among those options with respect to accounts established under

(A) AS 14.25.340 - 14.25.350 (teachers' retirement system defined contribution individual accounts);

(B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary Annuity Plan);

(C) AS 39.35.730 - 39.35.750 (public employees' retirement system defined contribution individual accounts); and

(D) AS 39.45.010 - 39.45.060 (public employees' deferred compensation program);

(6) establish the rate of interest that shall be annually credited to each member's individual contribution account in accordance with AS 14.25.145 and AS 39.35.100 and the rate of interest that shall be annually credited to each member's account in the health reimbursement arrangement plan under AS 39.30.300 - 39.30.495; the rate of interest shall be adopted on the basis of the probable effective rate of interest on a long-term basis, and the rate may be changed from time to time;

(7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

(8) coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system

(A) an appropriate contribution rate for normal costs; and

(B) an appropriate contribution rate for liquidating any past service liability;

(9) review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years, except for health cost assumptions, which shall be reviewed annually; the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board;

(10) contract for an independent audit of the state's actuary not less than once every four years;

(11) contract for an independent audit of the state's performance consultant not less than once every four years;

(12) obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review to the appropriate fund fiduciary;

(13) by the first day of each regular legislative session, report to the governor, the legislature, and the individual employers participating in the state's retirement systems on the financial condition of the systems in regard to

(A) the valuation of trust fund assets and liabilities;

(B) current investment policies adopted by the board;

(C) a summary of assets held in trust listed by the categories of investment;

(D) the income and expenditures for the previous fiscal year;

(E) the return projections for the next calendar year;

(F) one-year, three-year, five-year, and 10-year investment performance for each of the funds entrusted to the board; and

(G) other statistical data necessary for a proper understanding of the financial status of the systems;

(14) submit quarterly updates of the investment performance reports to the Legislative Budget and Audit Committee;

(15) develop an annual operating budget; and

(16) administer pension forfeitures required under AS 37.10.310 using the procedures of AS 44.62 (Administrative Procedure Act).

(b) The board may

(1) employ outside investment advisors to review investment policies;

(2) enter into an agreement with the fiduciary of another state fund in order to assume the management and investment of those assets;

(3) contract for other services necessary to execute the board's powers and duties;

(4) enter into confidentiality agreements that would exempt records from AS 40.25.110 and 40.25.120 if the records contain information that could affect the value of

investment by the board or that could impair the ability of the board to acquire, maintain, or dispose of investments.

(c) Expenses for the board and the operations of the board shall be paid from the retirement fund.

Sec. 37.10.230. Conflicts of interest.

(a) Trustees are subject to the provisions of AS 39.50.

(b) If a trustee acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets under the control of the board are invested, the trustee shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the board meeting next following the disclosure. The board shall adopt regulations to restrict trustees from having a substantial interest in an entity or project in which assets under the control of the board are invested.

Sec. 37.10.240. Regulations and open meetings.

(a) The board may adopt regulations to implement AS 37.10.210 - 37.10.390. Regulations adopted by the board are not subject to the Administrative Procedure Act (AS 44.62). The board shall adopt regulations required by AS 36.30.015 (f) relating to procurement. The board shall comply with the requirements of AS 44.62.310 - 44.62.312.

(b) Notwithstanding (a) of this section, a regulation adopted under AS 37.10.210 - 37.10.390 shall be published in the Alaska Administrative Register and Alaska Administrative Code for informational purposes. A regulation adopted under this section shall conform to the style and format requirements of the drafting manual for administrative regulations that is published under AS 44.62.050 .

(c) At least 30 days before the adoption, amendment, or repeal of a regulation under this chapter, the board shall provide notice of the action that is being considered. The notice must include publication in one or more newspapers of general circulation in each judicial district of the state.

(d) A regulation adopted under this chapter takes effect 30 days after adoption by the board unless a later effective date is stated in the regulation.

(e) Notwithstanding the other provisions of this section, a regulation may be adopted, amended, or repealed, effective immediately, as an emergency regulation. For an emergency regulation to be effective the board must find that the immediate adoption, amendment, or repeal of the regulation is necessary. The board shall, within 10 days after adoption of an emergency regulation, give notice of the adoption under (c) of this section. An emergency regulation adopted under this subsection may not remain in effect past the date of the next regular meeting of the board unless the board complies with the procedures set out in this section and adopts the regulation as a permanent regulation.

(f) In this section, "regulation" has the meaning given in AS 44.62.640(a).

Sec. 37.10.250. Compensation of trustees.

Trustees, other than trustees who are employees of the state, a political subdivision of the state, or a school district or regional educational attendance area in the state, receive an honorarium of $400 for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or at a public meeting as a representative of the board, including a day in which a trustee travels to or from a meeting. Trustees who are state employees are entitled to administrative leave for service as a trustee. Trustees who are employees of a political subdivision of the state or a school district or regional educational attendance area in the state are entitled to leave benefits provided by their employers comparable to those provided to state employees for service as a trustee. Trustees are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180 .

Sec. 37.10.260. Staff.

(a) The Department of Revenue shall provide staff for the board.

(b) The board may designate a trustee or an officer or employee of the Department of Revenue to be responsible for signing on behalf of the board a deed, contract, or other document that must be executed by or on behalf of the board.

Sec. 37.10.270. Investment advisory council.

(a) The board may appoint an investment advisory council composed of at least three and not more than five members. Members of the council shall possess experience and expertise in financial investments and management of investment portfolios for public, corporate, or union pension benefit funds, foundations, or endowments.

(b) Members of the council serve at the pleasure of the board for staggered terms of three years.

(c) The board shall establish the compensation of members of the council. Members of the council are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180 .

(d) The council shall

(1) review the investments made by the board;

(2) make recommendations to the board concerning the board's investment policies, investment strategy, and investment procedures;

(3) advise the board on selection of performance consultants and on the form and content of annual reports;

(4) provide other advice as requested by the board.

(e) With approval of the board, the council may contract with other state agencies to provide investment advice.

Sec. 37.10.280. Insurance.

The board shall ensure that trusteed assets and its own services are protected. The board may purchase insurance or provide for self-insurance retention in amounts recommended by the commissioner of revenue and approved by the board to cover the acts, including fiduciary acts, errors, and omissions of its board members and agents. Insurance must protect the board and the state from liability to others and from loss of trusteed assets due to the acts or omissions of the trustees.

Sec. 37.10.071. Investment powers and duties.

(a) In making investments under this section, the fiduciary of a state fund shall

(1) act as official custodian of cash and investments by securing adequate and safe custodial facilities for them;

(2) receive all items of cash and investments;

(3) collect and deposit the principal of and income from owned or acquired investments;

(4) invest and reinvest the assets in accordance with this section;

(5) receive and spend appropriations to cover the cost of the exercise of duties under this section;

(6) exercise the powers of an owner with respect to the assets;

(7) perform all acts, not prohibited by this section, whether or not expressly authorized, that the fiduciary considers necessary or proper in administering the assets;

(8) maintain accounting records in accordance with generally accepted accounting principles;

(9) engage an independent certified public accountant to conduct an annual audit of the financial condition and investment transactions;

(10) enter into and enforce contracts or agreements considered necessary, convenient, or desirable for the investment purposes of this section; and

(11) when choosing to acquire or dispose of investments, secure competitive national or international market rates or prices, or the equivalence of those rates or prices in the judgment of the fiduciary.

(b) Under this section, the fiduciary of a state fund or the fiduciary's designee may

(1) delegate investment, custodial, or depository authority on a discretionary or nondiscretionary basis to officers or employees of the state or to independent firms, banks, financial institutions, or trust companies by designation through appointments, contracts, or letters of authority;

(2) acquire or dispose of investments either directly, indirectly, or through investment pools or trusts, by competitive or negotiated agreements, contracts, or auctions, in public or private markets;

(3) concentrate or diversify investments as the fiduciary considers appropriate to increase the probable total rate of return or to decrease the overall exposure to potentially adverse market value risks;

(4) protect the market value or the rate of return of the investments by entering into forward agreements to buy or sell assets at a future date as a hedge against existing held assets or as a precommitment of future cash flows;

(5) lend assets, under an agreement and for a fee, against deposited collateral of equivalent market value;

(6) borrow assets on a short-term basis, under an agreement and for a fee, against the deposit of collateral consisting of other assets in order to accommodate temporary cash or investment needs;

(7) hold investments in bearer or registered form in the name of the state, a fund, or nominees authorized by the fiduciary;

(8) utilize consultants, advisors, custodians, investment services, and legal counsel for assistance in investment matters on either a continuing or a limited-term basis and with or without compensation;

(9) declare records to be confidential and exempt from AS 40.25.110 and 40.25.120 if the records contain information that discloses the particulars of the business or the affairs of a private enterprise, investor, borrower, advisor, consultant, counsel, or manager.

(c) In exercising investment, custodial, or depository powers or duties under this section, the fiduciary of a state fund shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the fund entrusted to the fiduciary. Among beneficiaries of a fund, the fiduciaries shall treat beneficiaries with impartiality.

(d) In exercising investment, custodial, or depository powers or duties under this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty that is assigned or delegated under this section, or under AS 14.40.255 , 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110 (c), 37.14.160, or 37.14.170. However, the fiduciary or the designee is not liable for a breach of a duty that has been delegated to another person if the delegation is prudent under the applicable standard of prudence set out in statute or if the duty is assigned by law to another person, except to the extent that the fiduciary or designee

(1) knowingly participates in, or knowingly undertakes to conceal, an act or omission of another person knowing that the act or omission is a breach of that person's duties under this chapter;

(2) by failure to comply with this section in the administration of specific responsibilities, enables another person to commit a breach of duty; or

(3) has knowledge of a breach of duty by another person, unless the fiduciary or designee makes reasonable efforts under the circumstances to remedy the breach.

(e) The state shall defend and indemnify the fiduciary or an officer or employee of the state against liability under (d) of this section to the extent that the alleged act or omission was performed in good faith and was prudent under the applicable standard of prudence.

(f) In this section, "fiduciary of a state fund" or "fiduciary" means

(1) the commissioner of revenue for investments under AS 37.10.070 ;

(2) with respect to the Alaska Retirement Management Board, for investments of the collective funds that it manages and administers,

(A) each trustee who serves on the board of trustees; and

(B) any other person who exercises control or authority with respect to management or disposition of assets for which the board is responsible or who gives investment advice to the board; or

(3) the person or body provided by law to manage the investments for investments not subject to AS 37.10.070 .

Alaska Retirement Management Board

December 1-2, 2011

Perspective – November 2010 Meeting

History of Investment Returns

- On the five-year rolling returns spreadsheet, eight of the fifteen years exceeded the 8.25% target and seven of the years fell short of target

Funding DB Plan

- Funding for the DB plan and the unfunded liability was originally to occur over the remaining service life of the DB employees though given the world right now, those rules have "gone out the window" for most pension plans
- Current GASB requirement states that funding should match GASB parameters unless there is some reason it cannot. Meaning, if there's a statutory requirement to fund the liability in another way, it is permissible

Perspective – November 2010 Meeting

Unfunded Liability

- Once the state contribution reaches $1.0 billion and oil prices decline, the state won't be able to afford either Medicaid or K-12 Education Support
- It will take $30 billion to pay off a $10 billion unfunded liability for PERS/TERS (by 2032).
  - The impact of not having the money invested and delaying the funding is extremely dramatic
  - Paying off the entire unfunded liability today would remove any flexibility by the state to use those funds for other purposes
- 22% rate was capped to keep employers from going bankrupt and they expect to end their share of unfunded liability by 2032

ARMB Responsibilites & Duties

- Trustees have an obligation to enhance, preserve and secure system funding sources and there is no road map on all considerations trustees should be taking into account
  - By engaging in these conversations, the ARMB making sure the retirement system is secure
- ARMB must maintain records on the decision-making process and specific reasoning
  - Set out detailed reasons why the ARMB is considering a certain result and that it be aimed toward preservation of the integrity of the system with greater or equal assurances to beneficiaries that the money will be there

Perspective – November 2010 Meeting

Alternative Funding Targets

- There was discussion regarding money being available for the last pension check mailed out to the last DB beneficiary in the system as well as pay-as-you-go options for the last five years of paying benefits from the DB system.
  - Mr. Teal explained how having more time for the ARMB to earn a higher-than-assumed investment return will help pay off the unfunded liability rather than from State assistance
    - i.e. the longer the pay off period, the better off the state will be; the shorter time means the State will pay the full amount of the debt
  - Mr. Teal stated it was critical to understand that the unfunded pension liability is a soft liability and the best way to extinguish the unfunded liability is to issue $12 billion worth of pension obligation bonds to pay the systems off

Alternative Funding Mechanisms/Amortizations

- Study group members were polled and agreed 8% was the right long-term rate of return for the retirement fund which was used in the interactive model to create scenarios with the various assumptions

Perspective – November 2010 Meeting

OMB – Jack Kreinheder

- Mr. Kreinheder requested that Buck Consultants run scenarios that looked at reducing the $1.4 billion projected State assistance number and keeping State required contributions to current levels with flat payments over time
- Mr. Kreinheder stated $1.4 billion was not doable and it was preferable by the OMB and Legislature to keep the assistance payments no higher than $250 million for PERS and $500 million for combined PERS/TRS in any year

Mike Barnhill – DB Plan

- DB spreadsheet containing a 30-year projection out beyond 2040 to 2075 when benefits reached zero with an emphasis on the pay later approach

Level State Assistance Payment Scenario

- The Group agreed that a level State assistance payment of $170 million for PERS was a non-starter number and elected to use $250 million as the level payment.
  - The ratio was a little less than 79% by 2040 with unfunded liability around $4 billion

Governor Parnell's Comments to the ARMB

- **A healthy general fund is critical for a pension trust fund. He asked, as the Board considers its obligation to the pension trust funds, that it also recognize the necessity of insuring a healthy general fund as well.**

- **The Governor has asked those deliberating on addressing the unfunded liability consider:**
  - A new amortization method (a level dollar payment method)
  - An appropriation to the trust funds
  - An appropriation to a retirement reserve account
  - A set-aside of funds to the trust accounts without an appropriation
  - A retiree cash out program
  - Or combinations of the above, but do not let his list limit the Board's thinking.

Governor Parnell's Comments to the ARMB

- **The Governor expressed a desire to have a panel of options available when the Legislature convenes in January**

- **The Governor suggested the Board:**
  - Keep an open mind to a full range of options
  - Take no action that would restrict flexibility in addressing the issue.
  - Adopt the recommendation of the actuary, but preserve the flexibility to move with the times

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Workshop Meeting
TRUSTEE STUDY GROUP ADDRESSING LONG-RANGE UNFUNDED LIABILITY ISSUES AND RELATED ACTUARIAL ASSUMPTIONS

Location
Goldbelt Hotel, Lobby Meeting Room
51 Egan Drive, Juneau, Alaska

MINUTES OF
November 18-19, 2010

Thursday, November 18, 2010

CALL TO ORDER

MARTIN PIHL called the meeting to order at 10:00 a.m.

ROLL CALL

All five Study Group members were present at roll call to form a quorum. Commissioner Galvin and Tom Richards were also present.

Trustee Study Group Members Present
Martin Pihl, *Chair*
Sam Trivette
Commissioner Annette Kreitzer
Gayle Harbo
Kristin Erchinger
Commissioner Patrick Galvin (first day)
Tom Richards

Consultants Present
Robert Johnson, Board legal counsel

Department of Revenue Staff Present
Deputy Commissioner Jerry Burnett
Gary M. Bader, Chief Investment Officer
Judy Hall, Board Liaison Officer

Department of Administration Staff Present
Deputy Commissioner Kevin Brooks
Patrick Shier, Director, Division of Retirement and Benefits
Teresa Kesey, Chief Financial Officer

Invited Participants and Others Present
Mike Barnhill, Alaska Department of Law
Jack Kreinheder, Office of Management & Budget
Pete Ecklund, Staff - Representative Thomas
Representative Cathy Munoz
Michelle DeLange, Buck Consultants, Inc.
David Slishinsky, Buck Consultants, Inc. *(by teleconference)*
David Teal, Legislative Finance Division

PUBLIC MEETING NOTICE
JUDY HALL confirmed that the meeting had been properly noticed.

APPROVAL OF AGENDA
The agenda was approved.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES
No one wished to speak, and there were no communications.

PART I

A. BACKGROUND: Facts, Development, How We Got to Where We Are
CHAIR PIHL said it was important as Alaska Retirement Management Board (ARMB) members to look at the [unfunded liability] issue, to analyze it, and to keep in mind the board's statutory charge and its charge as fiduciaries of the benefits. He indicated he wanted to move A-8 in Part 1 to the beginning of the agenda.

8. Summary: The Case/Problem Inherited by the Current State Administration and Board
CHAIR PIHL stated that it was important to recognize that the facts and consequences were developed under a previous Administration and is an inherited situation. Some of the decisions that were made have far-reaching consequences. He asked the commissioners and deputy not to take personally the comments and observations that might be contentious. He urged everyone to keep focused on the key issues, despite there being a lot of material beyond the key issues in the packet. The group was tasked with developing a list of recommendations and resolutions to the full ARMB before the end of the two-day session.

1. **The State of Alaska is Sponsor of PERS and TRS Pension and Retiree Health Care Benefit Plans**

1a) Obligations of Plan(s) Sponsor

CHAIR PIHL said a plan sponsor undertakes obligations, which was recognized in the legislative intent of Senate Bill 125 and Senate Bill 141.

1b) Ramifications of SB 125 and SB 141 "Fixing" Contribution Rates and Establishing State Assistance

CHAIR PIHL said the ramifications of the legislation are far-reaching for the State's role in addressing the unfunded liability.

COMMISSIONER GALVIN said that in his time on the Board he had not experienced any debate over the State's responsibility as it relates to either the full funding ultimately of the obligations or some option of curtailing the benefits at some point between now and when the obligations come due. It is an accepted responsibility of the Board and an accepted responsibility of the State to ensure that the benefits that have been promised are fully funded. The only question that everyone struggles with now is the most responsible way of going about doing that, given the other State responsibilities, to make sure the funds are there when they are needed. He said he appreciated that it had been an issue in the past -- and, because of the court cases, had to be resolved.

MR. TRIVETTE said he agreed with the commissioner, that the law was on the books, and the Board just had to figure out the best way to do it.

COMMISSIONER KREITZER said she concurred with Commissioner Galvin.

2. **Outline of PERS and TRS Pension Plan Groups (Tiers): Basic Beginning Benefits and Enhancements with Dates**

COMMISSIONER KREITZER indicated that the detailed history was included in the packet.

COMMISSIONER GALVIN said he appreciated having this history, which was not available to him when he started serving on the ARMB. He suggested that some of these materials be collected and provided to incoming Board members as part of an orientation package, so they had a picture of the history and structure of the different funds the ARMB manages.

MS. HARBO stated that in the early 1960s and 1970s the contribution rate for the TRS was 7% for the teachers, 7% for the State, and 7% for the school districts, for 21% of salaries going into retirement. She thought that was a good method for funding retirement. Sometime in the 1990s a law was passed where the State's share was funneled through the school districts. She recalled two years in the Sheffield Administration when the State did not meet its obligation to TRS; other than that, the State has met its obligations in every way. She advised that the history also reflect that teachers do not pay into Social Security, nor are they eligible to collect Social Security when they retire. However, most PERS employees get either Social Security or SBS (Supplemental Benefit System), so there is an additional 6% put in by employers for PERS employees.

MR. TRIVETTE said there was information from the early 2000s about changes made to the laws, and there was specific testimony that some of those changes were made without getting actuarial valuations done. Some of those did put obligations on the State that were unfunded because of that. He said that information was not available today, but perhaps someone could recall how to get it to supplement the record.

3. *Hammond v. Hoffbeck* Supreme Court Decision:

No reduction in benefits once hired - applies to both retiree medical as well as pension benefit, and future service as well as past service.

CHAIR PIHL said he thought that decision took away from the Administration's ability to manage costs, particularly to manage the unknown of medical costs. It had far-reaching implications on the whole development of the unfunded liability.

MR. JOHNSON related the history when the Legislature added health care coverage to retiree benefits in 1975. He said that at that time nobody knew what the prohibition against diminution of benefits meant (benefits fixed at enrollment versus when employee was vested). He also gave some background on the Supreme Court *Duncan vs. RPEA* health benefits case decision that came out in 2005. He pointed out that the Supreme Court has not specifically said to never diminish benefits; it is a question of offsetting corresponding changes, and what those corresponding changes might be is in the eyes of the beholder. It is a notice from the Supreme Court that circumstances could arise to justify a diminution that is not required to be offset by something -- maybe based on the integrity of the retirement fund or the ability of the fund to pay. The court did not set out the legal analysis on exactly what conditions those would be, but it did not foreclose that opportunity.

MR. TRIVETTE remarked that the *Hammond v. Hoffbeck* decision did not take away the Administration's ability to manage; what they have to do is sit at the table with the retirees if they want to manage things differently. The PERS Board and the TRS Board, which were gotten rid of, sat down with the Division of Retirement and Benefits (DRB) and the third-party administrator, etc. at a significant meeting in April 2005 to discuss a list of items that they thought could save money for the systems and still stay within the parameters of the court case.

4. 20-Year History of Employer and Employee Contribution Rates and Amounts of State Assistance Payments

CHAIR PIHL said he had not seen a summary like this before, and he had asked Buck Consultants to do some projections of how the fund balance would increase in the coming years if it stays on the existing course. *[Buck would be presenting that information later.]*

In an exchange with the Chair, MR. SLISHINSKY of Buck Consultants said the market value immediately recognizes the [investment] losses; in the actuarial value the losses are smoothed over five years, where 20% of the loss is recognized each year. As of 6/30/09, 20% of the loss from the 2008-2009 has been recognized, and 80% of the loss has not been recognized. The amount of the loss as of 6/30/09 that is being deferred is $2.779 billion, most of which was created for the period ending 6/30/2009. An amount of $616 million of that loss will be recognized each year over the remaining four-year period.

DAVID TEAL of the Legislative Finance Division wondered why the State was doing that. People looking at the numbers would think there is an unfunded liability of $6.3 billion, when really it is $2.77 billion more than that. He did not see the advantage of taking the [investment] losses at 20% per year.

CHAIR PIHL said it is customary actuarial practice to smooth both gains and losses over five years and remove some of the volatility. The ARMB has chosen to accept the normal actuarial practice.

Addressing Mr. Teal's last statement, COMMISSIONER GALVIN remarked that the ARMB has now experienced both the gains and a significant drop [in investment returns]. It is a legitimate question to revisit the issue of the smoothing technique in light of the public discussion that emerges from the unfunded liability issue. The management rationale is to have a number that does not rise and fall in significant amounts on an annual basis based on things that are completely out of their control. The market is projected to be a fairly volatile period over the next five years. He thought it was worth the Board revisiting the discussion at some point and recommitting to that principle, simply because it does have an impact at various times, like now, on the sense that it is being manipulated to get a particular result. The Board needs to be aware of that and make a conscious decision that it is going to stick with that principle through and through. It cannot be something to jump into and out of.

MR. TEAL commented that smoothing gives steady employer contribution rates. But, by law, PERS employers are paying 22% every year, so they do not necessarily need steady rates now. All the smoothing is doing is disguising, to some extent, the actual current condition of the systems. The unfunded liability is not $6.3 billion for PERS; it is $9.1 billion.

MR. SLISHINSKY explained that in addition to the smoothing, there is a corridor being used to keep the actuarial value within 20% of the market value. Because the market value of assets dropped so significantly, the actuarial value, in order to meet the 120% requirement, was adjusted downward to the $10.2 billion amount. When the corridor happens, the difference between the preliminary value and the actuarial value is immediately recognized. So on the down side there was about $900 million of additional losses that were recognized in the 2009 valuation. To the extent that there are any gains that occur the following year, those gains will first be recognized at 100% until that ratio goes below 120% and then would be smoothed. Buck has shown what that impact is in some of the projections.

CHAIR PIHL stated that if Buck is using $10.2 billion as the actuarial value of assets to determine the unfunded liability of $6.33 billion for PERS, it only differs from the Department of Revenue number by $1.7 billion, not $2.7 billion.

COMMISSIONER GALVIN said the difference between the actuarial asset value and the actual asset value is $1.7 billion.

PAT SHIER, director of the Division of Retirement and Benefits (DRB), said the deferred investment loss of $2.7 billion should reflect the $900 million of losses that were immediately recognized in the 2009 valuation. So the deferred investment gain/loss column should actually be about $1.7 billion.

MR. SLISHINSKY replied that the procedure that is used is to determine the amount of the difference between the expected return and the actual return on market value. That is what the base of $2.465 billion represents at the June 30, 2009 valuation, and that is used to determine how much is to be smoothed. Buck then uses that in determining the preliminary value and then tests that value against the market value to keep that within the 80% to 120% corridor. Buck then goes through the same process the following year of determining the preliminary value and then makes another adjustment if that value is outside the 80% to 120% corridor. Some systems do not use the corridor methodology to adjust the actuarial value.

MR. TEAL remarked that because of the smoothing methodology and the use of the corridor, it is difficult for the ARMB to figure out what the unfunded liability is and, therefore, how good or bad the retirement system looks. He said the actuarial value at $10.2 billion understates the unfunded liability by almost $1.0 billion because it rolled up against the 120% corridor cap. The deferred investment loss/gain truly is $2.7 billion.

When queried by CHAIR PIHL, MR. SLISHINSKY stated that the difference between the actuarial value used to determine the unfunded liability in the fair value of assets as of June 30, 2009 is $1.7 billion. To the extent of the smoothing by using the corridor, it says it was smoothing too much and there was an adjustment made to reflect an actuarial value of assets that does not deviate too much from the market value.

MR. TEAL stated that, in that case, the real unfunded liability for PERS is $6.3 billion plus $1.7 billion.

COMMISSIONER GALVIN said that given the market recovery since June 30, 2009, it is fair to say that, absent some double dip in the market, people are probably looking at the peak of the distortion caused by the smoothing techniques being used. What is not in the picture today is the smoothing of the recovery that followed right behind the market drop that will distort in the opposite direction in the next years. The commitment to the smoothing process has to be a commitment to see it through the market swings. The discussion has to be about the purpose of the smoothing technique and if it has accomplished its goal. If the purpose is to create a bias towards overfunding or a bias towards underfunding, or if the purpose is to smooth the obligations of the State and the other employers, then the question -- as Mr. Teal pointed out -- is if the value of the diminishment of the annual changes is greater than the uncertainty and confusion that it causes in the public debate. If the Board were going to drop the methodology, it would have to figure out a transitional package to make sure the change did not give another shock to the system as well.

CHAIR PIHL asked, given that the PERS employer contribution rate is 22% and the State picks up the difference, if the State was going to pick up the $1.7 billion [in deferred losses] in its assistance contribution over the next four years.

MR. SLISHINSKY replied that when these losses are recognized over the remaining four-year period, if the assets return what is expected (8.25%) for the next four years, then the $1.7 billion will be recognized such that at the end of those four years the actuarial value and the market value will be equal.

CHAIR PIHL said that meant the State assistance contribution would pick up an additional $1.7 billion for PERS and $700 million of TRS over the four years.

MS. HARBO stated that all public pension systems use various smoothing methods because they are in it for the long term, and she thought it was something the ARMB needed to be committed to. SB 141 required the ARMB to hire two actuaries, and the Board better take their advice.

MR. TEAL said his point was that the Board should know what the unfunded liability is on a market value basis; and it is not $6.3 billion for PERS but $8.0 billion. The contribution rate is simply the unfunded liability divided by payroll, and the question is whether it is $8.0 billion or $6.3 billion that is being spread out. The State would like to know that it is a fairly predictable smooth amount of money and is simply not happy with the contribution assistance curve going up the way it is. The State is looking at how to hold those rates down in the future.

COMMISSIONER GALVIN stated that because of the structure that Mr. Teal just indicated, the employer obligation is fixed, but the employers are not the constituency the ARMB is looking to serve with the smoothing. The constituency is really the Legislature and their responsibility to fund the remaining balance, because it floats up and down with the actuarial numbers. For that reason, the Board needs to take stock in what is coming from their messenger. The indication is that they are questioning the necessity on their side for the smoothing and that balance of less volatility in exchange for more confidence in the actual number given in a particular year. It is incumbent upon the Board to consider ways to open a dialogue with the Legislature over their preference on this matter. So if the Legislature chooses to inform the ARMB that they would rather have the numbers go up and down wildly as long as it is a number that they can feel is more definite in a year -- even though there are assumptions throughout the whole thing -- then it may take one area of potential criticism of the Board away from them.

CHAIR PIHL said that the agenda would later take up actions by the prior Administration and the Legislature that have delayed funding.

MR. TRIVETTE stated that it was on the record somewhere on how the retirement system went from being 102% funded to 75% funded from 2001 to 2002. Some of it was the market, but there were other major factors in there, too, such as significant changes made by the actuary at that time and unfunded liabilities caused by legislation that was passed without the funding being put in. It is part of the history that needs to be pulled in for future reference.

MS. ERCHINGER remarked that a discussion on reconsidering the position on shortening the gap goes hand in hand with this conversation, if the ARMB is really looking to reconsider who its constituency is in terms of rate setting. She thought the Board had been sent the message a couple of times that there is a lack of confidence in what it is doing. Whether it is a lack of confidence in the actuarial process itself (which she thought was probably a big part of it), or other actions the Board is taking relative to smoothing, and whether the Board shortens the gap, those are all actions the Board has control over to possibly do its part in getting the Legislature more comfortable with the numbers. She said she appreciated Commissioner Galvin making it very clear.

5. 20-Year History of Investment Returns on PERS and TRS Pension Trust Assets (Exhibit III)

Chief Investment Officer GARY BADER referred to a handout that showed the PERS return for the September 2010 quarter was 7.7%. He said he guessed that the market value of assets and the actuarial valuation of assets will have improved as one of the five years with a lower rate of return than the current year drops off.

COMMISSIONER KREITZER asked what a 30-year history of PERS returns would look like. MR. BADER said the return would be higher over 30 years (8.8% average). CHAIR PIHL added that a 20-year history shows that market volatility has changed dramatically, and the trend is downward.

Deputy Commissioner JERRY BURNETT cautioned about putting too much weight on what the market is like today and the fact that interest rates are near zero, when 30 years ago interest rates were 13%. He said the future is not going to be earning 8.25% -- the systems might earn 9% or 10% or 3% over a 10-year period.

COMMISSIONER GALVIN noted that the five-year rolling returns spreadsheet showed that eight of the 15 years exceeded the 8.25% target and seven of the years fell short of the target. So there are multiple ways of looking at what the proper number should be, and the Board just needs to come to a sense of confidence on one of them and stick with a tried-and-true methodology.

6. Previous Decisions with Respect to Addressing the Unfunded Liability

CHAIR PIHL stated that the contributions towards the unfunded liability are 7.52% on the defined benefit (DB) payroll and 12.34% on the defined contribution (DCR) payroll. The DB payroll is the shrinking one, and the DCR payroll is the growing one to replace it. He thought not collecting the 12.34% until the last half results in a delay in funding and is part of the reason for the State's assistance contribution mushrooming. These decisions were made under the previous Administration. He added that the record reflects that the Board approved certain decisions *(copy of minutes in the packet)*.

6a) Address Level Percent of Payroll vs. Equal Dollar Contributions

MR. TEAL said there are differing opinions in the Legislature, but he could give his opinion of what happened when the DB system was being closed to new entrants. He and CHAIR PIHL gave their recollections of what transpired and the reasoning behind it all.

MR. TEAL said there was talk about things that could be done to lower the State's payment to PERS and TRS later, but at the time the State had surpluses and could make high contributions. He thought that point had been reached, not because of anything that was anybody's fault. In retrospect, if the State had dumped a couple extra billion dollars into the PERS, 20% of it would have been lost [in the down market], so it was a good decision not to do it, in the same way that pension obligation bonds may not have been the best thing to do at the time people were discussing them.

MR. TEAL stated that now it is not to look so much at what happened and why but to look at the present situation and where to go from here. The State has $13 billion in reserves and could put $1.0 billion or more into PERS as an extra contribution -- is that the best thing to do with the money? Or should the State look the other way and say it does not want PERS and TRS contributions going up to the point where those requirements match K-12 [education] and Medicaid as firm fixed costs of the State. Once it gets over the $1.0 billion mark on money the State has to kick in, it is in trouble when oil prices go down, and it will not be able to afford either Medicaid or K-12. Retirement will lose on that battle, and then Alaska will be where several other states are, where one year they do not contribute.

CHAIR PIHL said that may be the decision the Legislature has to make, but the ARM Board has a statutory charge and a fiduciary responsibility for the members' benefits. He asked Mr. Teal what the Board is supposed to do.

MR. TEAL said the fiduciary responsibility is to make sure those benefits can be paid. The first hole that went from zero to $5.0 billion immediately has 20 years or less on it. The ARMB can refinance the entire debt over a 30-year period, and the actuary can run the numbers to see what contribution rates fall to. The Board is not relinquishing its fiduciary responsibilities by changing the time period.

CHAIR PIHL remarked that it is normal practice to fund a system over the service life of the employee. MR TEAL's response was about inter-generational equity.

MS. ERCHINGER said she believed in that concept as well, but we are in a different paradigm today because that did not happen. The fact that there is a huge unfunded liability means that the ARMB did not fund over the service life of the employees for the people already in the system getting the benefits, because a lot of the unfunded liability is related to people already retired. And there is a large unfunded liability associated with the people who have yet to retire.

MR. TRIVETTE ascertained from MR. SLISHINSKY that to the extent that the unfunded liability is not paid, it grows with interest, unless investment returns are better than expected and decrease the unfunded liability.

Referring to a Buck chart in Part I-E of the packet, CHAIR PIHL stated that it will take $30 billion to pay off a $10 billion unfunded liability for PERS and TRS [by the year 2032]. The impact of not having the money invested and delaying the funding is extremely dramatic.

MR. TEAL stated that if the State were to pay off the entire unfunded liability of PERS and TRS today, it would make the retirement systems whole, but it would remove any flexibility for the State to use that money for other purposes, such as removing the interest earnings that the State would make. So while the cost of paying off the unfunded liability grows from $10 billion to $30 billion over time, what if the State holds that money and simply pays what is necessary every year?

COMMISSIONER KREITZER said nobody from the Administration, the Legislature, or from the State is suggesting that the ARMB is, or ought to be, ignoring its fiduciary responsibility. Everyone has to look at what is doable and what the State can afford to do, while the ARMB trustees maintain their role as fiduciaries.

MS. ERCHINGER said there is an inherent conflict, and everyone has to agree they are looking for middle ground; the ARMB is not just solving its role but is also looking at the broader State of Alaska role and asking how the ARMB can be part of the solution. She thought that was troubling for some members on the Board and the crux of the problem. If the systems could have all the money today and could invest it, then the ARMB should be able to meet the goals of fully funding the retirement system. On the flip side, if it does not have the money to invest up front, the system is basically paying 8.25% on a tremendous amount of debt over the next 25 years -- which some on the Board think is extremely irresponsible. But the trustees are also not the people who have to make the decisions to fund other services in the government. So the Board has to open up to the people who have that role and say it recognizes the pain and ask what everyone can do to come to middle ground. Everyone sees that oil production is declining, everyone wants to see the State have a smoother landing, and everyone sees a train wreck coming in the future if people do not reach some common ground.

MR. RICHARDS said he concurred with a lot of what Ms. Erchinger had said. He added that if the ARMB makes an assumption that the Legislature is going to do something (like contribute $500 million), and the Legislature does not fund to the level that the ARMB is hoping for (because the ARMB put its position on the table in the form of a resolution), then it is stuck again.

MR. TEAL talked about the State of Alaska being the primary constituency in the retirement system and how all the other PERS employers are paying 22% and the State is picking up the rest of the actuarially calculated amount each year. He said it was done, not just to bail out retirements, but as a form of revenue sharing with the municipalities to give them stability on the rates, because a number of them would have gone broke if they had had to pay their full share.

CHAIR PIHL called a half-hour lunch break at this point.

6b) Legislation: Contributions on Defined Contribution as well as

Defined Benefit Payrolls (SB 123)

6c) Implications and Results: Impact on Investment Returns

7. The Unfunded Liability

[The agenda jumped to Part I-E, also entitled Unfunded Liability]

For All Municipal and School District PERS Staff, of the 22% Contribution Rate, How Much Contribution Will Be Made Toward the Unfunded Liability From July 1, 2006 to the End of the Defined Benefit Active Payrolls (2032)

CHAIR PIHL indicated there was an additional handout for Part I-E4 called "Expected Allocation of State of Alaska and Other Employer Contributions Beginning in 2006 to Pay Off the 2005 Unfunded Liability," prepared by Buck Consultants. At that time, the unfunded liability for PERS and TRS combined was $6.941 billion. He said the liability belonging to the State and its entities was 65% of the PERS $4.4 billion unfunded liability, leaving 35% for all other employers.

7a) Actual Payrolls Recorded for Fiscal Year Ending June 30, 2007

Provided by Division of Retirement and Benefits: PERS total payroll was $1,605,818,872, and TRS total payroll was 554,244,786.

7b) Actuarially Compute the Contribution from July 1, 2006 Through Fiscal Year 2032 This Makes Toward Retiring the Unfunded Liability

CHAIR PIHL said he had asked Buck to do this analysis to see if the other PERS employers were, in fact, going to contribute to pay off their share of the $4.4 billion unfunded liability over time. [He asked Mr. Slishinsky to also provide the before-discounted numbers of what those contributions are.] He said that in all cases the result of delayed funding mushrooms what the State will ultimately have to contribute in assistance to pay off the unfunded liability.

COMMISSIONER KREITZER said she was trying to be realistic about paying off the unfunded liability in a measured way because the State has to be able to stay in business.

MR. TEAL and CHAIR PIHL discussed that the share of who pays the unfunded liability can switch dramatically with actuarial assumptions made. MR. TEAL said the State pays the contribution rate above 22% for PERS, and the amount above 22% is affected by the amortization period that is chosen by refinancing the entire amount.

COMMISSIONER KREITZER noted that the average employee only stays with the State of Alaska for 8.9 years, and that figure has remained static since 2005. That is why she did not think a discussion about the service life of an employee fit [the amortization period?].

CHAIR PIHL stressed that employers expect they will extinguish their share of the unfunded liability by 2032, according to the deal that was struck. MR. TEAL said the deal that was struck was to cap the PERS rate at 22% to keep some employers from going bankrupt under the full burden.

Deputy Commissioner KEVIN BROOKS said the 22% rate settled on for employers split the difference between the different scenarios that were being pitched at the time, but it was never for a term certain. It was recognized that the further out, the more uncertain it was, and that as the ARC (actuarially required contribution) got closer to 22% there would be pressure by the municipalities to change the rate.

MS. ERCHINGER stated that increasing the interest earnings from the cash (that is not there now on which to earn interest) would alleviate both the State's contributions and the employers' contributions. So infusing the retirement system with more money up front -- whether through State contributions or pension obligation bonds, etc. -- would help her swallow the heartburn, to some degree, with extending the amortization period. At least the system could make up some of the lost ground through interest earnings. That is where she would like to see some middle ground on the other side.

COMMISSIONER KREITZER said part of the discussion with SB 125 and SB 123 was about education funding, revenue sharing, and PERS/TRS support. The Legislature could come back and say that if the employers want more PERS/TRS contributions, it will come out of municipal revenue sharing. It is not the ARMB's responsibility but just to be aware that that is the balance.

MR. TEAL stated that, in his opinion, interest is not the critical piece right now. Like with a mortgage, he is willing to pay the interest, recognizing that it will perhaps double what it would cost to pay off the debt now. But that is how people get a house.

MR. RICHARDS remarked that Mr. Teal's argument is exactly the argument that many people made about not going to SB 141 and getting rid of the defined benefit plan because the unfunded liability was like a mortgage and people did not have to worry about 2029 now. He said further that if interest does not mean anything, then get Buck to change the interest rate and the unfunded liability will drop by half. Realistically, that is not the case, and interest is a big thing.

People acknowledged that some of this discussion was more appropriate for Part II, Addressing Alternatives.

CHAIR PIHL indicated that the Study Group had already covered **A-8, Summary: The case/problem inherited by the current state Administration and Board, and the aggravation of the case by the 2008-2009 market.**

B. PRIMARY FIDUCIARY RESPONSIBILITIES AND DUTIES OF THE ARMB TRUSTEES

MR. JOHNSON referenced the tab in the packet labeled "Legal Review" *(which contained a lot of legal information that is on file at the ARMB office).* He talked first about the Board's responsibilities regarding contribution rates. He said the Board's primary mission is to serve as the trustee of the assets of the state's retirement systems and SBS and Deferred Compensation programs and retiree health care trusts. Consistent with standards of prudence, the Board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts.

MR. JOHNSON said Commissioner Kreitzer pointed out earlier in the context of the State that there is a sense of running a business and making sure that it is still a viable business -- and he thought that was a very reasonable thing to consider, within reason, because there is case law that talks about the integrity of the systems. Within the trustees meeting their fiduciary obligations (setting rates and going forward), they have an obligation to take steps that enhance, preserve, and secure for the beneficiaries of the systems funding sources and the like. There is no precise road map on exactly all the considerations the trustees should be taking into account. But the legislative mix between the statutory mandate both in Title 37 and subsequently in SB 125 gives a range of things for the Board to consider. The ARMB is doing that in engaging in this conversation. At the end of the day, when the Board entertains, for example, a notion of attending to the amount that the State might have to appropriate over years and so on, is not so much participating in the legislative appropriation process as it is considering that as one of the ways to go about making sure that the retirement system is secure.

MR. JOHNSON mentioned the trustees' general fiduciary responsibilities, mostly related to investing the assets.

CHAIR PIHL asked if the Board has been setting an appropriate contribution rate. MR. JOHNSON replied that on the theory that the Board has been analyzing and coming up with a conclusion, and building a good record of how it reaches is decisions, he thought it has. It is particularly critical that as a public fund the ARMB maintain a track record on its decision-making processes that includes specific reasons on why it is doing something.

CHAIR PIHL inquired if the Board would be fiduciarily responsible to extend the [amortization] period. MR. JOHNSON said the Board would have to get assistance from the actuary and financial advisors on that. CHAIR PIHL asked how that would track with the Board's responsibilities to see the money is there to meet benefits and to manage it soundly. MR. JOHNSON recommended setting out a detailed set of reasons why the Board is considering a certain result, and that those reasons be aimed toward preservation of the integrity of the system, with greater assurances [people coughing and sneezing]...greater or equal assurances to the beneficiaries that the money is going to be there. It may be that the analogy about a mortgage and the ability to buy a house is perfectly sound, if in getting to that point that best serves the ability of having a system available to pay the benefits to the beneficiaries over time, that sounds like a logical set of results to reach.

CHAIR PIHL said he did not equate getting a mortgage to buy a house to a pension system, because buying a house was making a choice. A pension fund is an obligation to employees.

COMMISSIONER KREITZER stated that people can see what is going on in pension plans all over the United States. Alaska is in probably an enviable position of deciding how to maintain cash flow and yet meet the obligations, whether it is within the working life of the employee before they retire or after. Because of the circumstances the system is in today, she did not see that it made a difference. What is paramount is to do what is necessary to fund the obligations and what has been promised to the employees. But in the footnotes of two cases cited earlier the Supreme Court did not weigh in on what happens if benefits have to be cut because the system cannot afford them. She said her bottom line was that she did not want to see the State get in that position.

MS. ERCHINGER said she asked for this conversation because she looked at the assistance the State is contributing today and what the State is going to be asked to contribute when [the additional assistance] reaches $1.4 billion a year, and when oil production is declining at the rate of 5% per year. The Board is not meeting its fiduciary obligation to fund the retirement system when it sees those circumstances off in the future and recognizes that there is no way the revenue source that it depends on to fund the system can be available. The Board is setting contribution rates today based on sound actuarial practice, but the Board knows that is not sustainable and changes have to be made. These are odd times, and she wanted to hear from Buck if there was standard actuarial practice for amortizing unfunded liabilities that are so enormous, or if the 25-year or 30-year standard amortization is what they see for a regular plan that has a small unfunded liability in excess of normal cost. The Board has a fiduciary responsibility to have this conversation.

MR. TRIVETTE said he looked back to the 2007 actuarial report, and at that point the maximum State assistance was $600 million to maybe up to slightly over $700 million for a couple of years to pay off the unfunded liability. Now, the amount is double that. One issue is the two worst recessions since the Great Depression. The State is in the best shape it has been in financially for years: $13 billion in reserves, the Permanent Fund is going great, and the retirement fund return on investment is fine relative to other public pension plans. But he could not see the State coming up with $1.4 billion a year to make the assistance payments, and the Board needed to look at options.

MR. TEAL asked if there were public pension plans that have a rolling 25-year liability to pay. MICHELLE DELANGE of Buck Consultants said there are a lot of state systems that have rolling amortization periods, and it can vary in length from 20, 25, 30 years. Before GASB changed the mandate to 30 years, one would often see 40 years. Buck has state systems they work on in the Denver office that use a rolling 30-year amortization period.

MS. DELANGE confirmed for CHAIR PIHL that these are not closed plans but open group plans.

MR. TEAL said that for financial purposes the State's DB plan is not a closed plan, and the system continues to collect money on DC employees as well as DB employees. He added that normal actuarial practice allows refinancing every single year and keeping the debt at a 25-year amortization period. The system has debt it incurred in 2005 that still is on the original 25-year schedule, so the Board could extend the amortization period by 50%. The interest costs are higher on a longer-term loan, but the payments are lower, and if the concern is making the payments, then maybe it is worth it to get a 30-year payment plan. The coupling of the debt to an employee's career span does not have a place in choosing the amortization period.

CHAIR PIHL said the big question is whether this is the responsibility of the ARMB or someone else. MR. TEAL responded that he did not want to see the Legislature take it over from the ARMB, and he did not think the Legislature lacked confidence in the ARMB or the actuaries. They believe that the numbers and the rates are right, although a little hard to understand sometimes because of moving averages and corridors, etc. that make it more complicated than people would like it to be. If the ARMB gets to the point where it does not understand things well enough to make recommendations to the Legislature on what they should do, then the Legislature is likely to just go off the reservation and fix it the way that they want to fix it. He did not want to see that, and he doubted the ARMB wanted to see that. That is why he was glad to see the ARMB having this work session. He hoped what came out of it was the ARMB being able to go to the Legislature to say that Alaska's is not a normal pension system, that it is hybrid in many ways, and that the Board has looked at it enough to believe it can make recommendations to the Legislature on how the State can avoid its fiscal problem of paying the amount of money that is going to be required if they leave things as they are.

MR. JOHNSON stated that the Board has obligations to set contribution rates and the like. Plus, there are provisions that state the ARMB has a mandatory report to the

Governor and the Legislature on the financial condition of the retirement systems and so on. Built into that is not only an avenue to make observations, but, in the overall scheme of things, making recommendations to the Legislature would be a very sensible component of what it is the Board does to perform its duties.

CHAIR PIHL asked if anyone had any ideas on what could be extended for what period of time, and actuarially what the results would be.

MR. BARNHILL stated that he had prepared a cash flow analysis of how much cash the PERS system needs in any particular year to get all the way through until the very last person in the DB system dies and the balance of the fund is zero.

MS. DELANGE said Buck had done a projection on PERS that looks at the current situation of 25 years and then changing it to an open period to look at level dollar, level percent, 25 years, 30, years, and 40 years. She thought that was on the second day agenda.

MR. TRIVETTE asked Buck what the cost of 8.25% on the $10 billion unfunded liability would amount to each year. MS. DELANGE stated that paying $884 million each year over 25 years and earning 8.25% would pay off a $10 billion unfunded. The total cost would be $22 billion.

CHAIR PIHL said the interest would cost $12.5 billion, and he thought that should be conveyed to the Legislature if the proposal is to extend the [amortization] period.

C. LEGISLATIVE INTENT (SB 125 and SB 141)
CHAIR PIHL indicated there was background material from various sources included in the meeting packet.

1. **Establishing the Defined Contribution Plan**

   1a) Alternative Way to Provide a Good Benefits Plan
   1b) To Stabilize Employer Cost, Fix, Predictable
   1c) Portability

CHAIR PIHL browsed through some of the points in a document entitled, "List of Issues Associated with Consideration of SB 125." This was followed by a series of slides outlining the process behind moving to a defined contribution plan.

COMMISSIONER KREITZER drew attention to a statement, "Goal: Find a permanent fix that is affordable to both the State and its political subdivisions," and said clearly the Legislature was acknowledging at that point in time that it had to be affordable for both of those entities - the State as an employer and the State as the entity paying greater than the 22% contribution rate.

MR. TEAL expressed his agreement with a statement on the "Major Points" page, that paying the bill is not the same as fixing the system. He indicated a further point under "Moving Forward" -- to revise actuarial methods. He added that there was a budget surplus at the time, but they knew they would have to address changing the amortization schedules, etc. in the future.

MS. ERCHINGER commented that people can argue about semantics and what the real legislative intent was in 2007, but the bottom line is that people now have 20/20 vision on what happened in the past and have the benefit of seeing the future more clearly than they saw three years ago -- and it looks way worse than it did three years ago. People are now solving somewhat of a different problem than the Legislature was solving then. Then, it was an issue of affordability for municipalities; now, it is an issue of affordability for the State, as well as an unprecedented reduction in investment earnings to the retirement plans. The history is very interesting, but the focus now should be on the solutions.

MR. TEAL stated that finding solutions requires understanding what the situation was then and what the situation is now.

MR. JOHNSON noted that to the extent of looking at the ARMB's statutory authority and the statutory framework, SB 125 did not amend provisions that apply to the ARMB's core statutes at all, such as the contribution rate calculation and fiduciary obligations. There is a provision in SB 125 that may provide some ability to give and take and make suggestions to the Legislature on how to go forward.

MR. TRIVETTE recalled that around the Board's first or second year it discussed at a board meeting what it wanted to say in the letter to the Legislature and the Governor. He said it may be time for the Board to take a little more involved approach to that again, and include some information gathered from this work group session. He doubted that they would even think about it if the information is not in a written document. The retirement fund lost money in two recessions, and even though it has earned a lot of that money back, because it was not in the fund for a year and a half or a couple of years, essentially the fund is being charged 8.25% on that money it did not have. He thought that needed to be pointed out, because the investment losses are a big part of the problem in terms of the unfunded liability going up so fast.

2. **Formation of the Alaska Retirement Management Board: The Statutory Charge to Manage the Trust Funds to be in Place to Meet Benefits**

CHAIR PIHL said this had already been covered.

3. **Plan, Commitment, Expectation that Funding of Defined Benefit Plan and Unfunded Liability Would Occur Over the Remaining Service Life of the**

Defined Benefit Employees (Part I-D Basic Principles of Pension Funding)

CHAIR PIHL stated his belief that there was a plan or commitment that funding of the DB plan and the unfunded liability would occur over the remaining service life of the DB employees.

MR. SHIER indicated that Buck provided in Part I-D the Basic Principles of Pension Plan Funding, along with GASB requirements for recording a pension liability, etc.

COMMISSIONER KREITZER said she understood that the Chair held that belief, but she thought those kinds of rules had gone out the window right now for most pension plans, whether that was ever their initial intent or not. That is not the world that everyone is looking at right now.

MS. ERCHINGER commented that the GASB pronouncement had more to do with how an entity records the liability and nothing to do with how it funds the liability.

MR. BURNETT said GASB is concerned with the State not as an employer but as a financial reporting entity reporting its liabilities, which may be considerably different than the liabilities people are concerned with for funding the retirement systems. MS. ERCHINGER said that is important to point out when people hear that GASB requires amortizing over not more than 30 years.

MR. SLISHINSKY stated that the current GASB requirement says that funding should match the GASB parameters unless there is some other reason why it does not. That really means that if there is a statutory requirement to fund the liability in another way, then you can do that. Many states do not have any particular statutory requirement for funding other than a fixed rate percentage. But GASB expects the funding and the disclosure to be the same.

CHAIR PIHL pointed out in Part I-D, slide 24, Buck's calculation of the amount of pension fund receipts that come from PERS and TRS employees' contributions, employer contributions, and from investment income and returns, for the period 1976 to 2009.

MS. HARBO talked about the economic impact of pension dollars on a community and said the ARMB has to talk to the Legislature about that aspect. It is not just putting money into a retirement system; the money is coming back into the communities when retirees spend their pensions and pay for medical costs, and statistics are that a large percentage of PERS and TRS retirees stay in the state of Alaska. The communities are not putting in as much money as they think because so much is coming from the employees and the interest income.

CHAIR PIHL said he had asked Buck to prepare a projection of the retirement fund balance based on the current course. MR. SLISHINSKY said slide 36 in Section H was the projected cash flow for PERS from 2010 to 2040 based on expected investment return, and he went on to explain it. Slide 37 showed the projected PERS fund balance based on expected investment return.

CHAIR PIHL said it looked like there was enough investment earnings coming in to offset the depletion that benefits exceed contributions and keep the fund healthy. MR. SLISHINSKY confirmed that and said that the balance of the PERS fund continues to increase until about 2030, and it levels off and then begins to decrease. The plan reaches a mature situation where at year 2039 there are very few active DB members, and everybody else is retired -- the fund will have a high benefit payout. CHAIR PIHL stated that it was a high-comfort graph to him. MR. SLISHINSKY said Buck had included the same projected cash flow and projected fund balances graphs for TRS.

4. Principles or Fundamentals of SB 125 Employer Cost Share and State Assistance Program (Exhibit IV)

CHAIR PIHL said this had already been covered.

5. Legislature Setting the Contribution Rates in SB 125 for PERS at 22% and TRS at 12.56%

5a) The Choice for Revenue Sharing and Stability for Employers

5b) Breakdown of Contribution Rates Based on Rates for Fiscal Year Ending June 30, 2007

CHAIR PIHL said these two agenda items had already been discussed.

5c) Under Provisions of SB 141 and SB 125, Are Rates Subject to Change? If So, How? Is Legislation Required?

MR. JOHNSON stated that the general rules on increasing costs to employees would be found in the *Hammond vs. Hoffbeck* restrictions on diminishing accrued benefits.

MR. TEAL pointed out that the 12.56% contribution rate for TRS employers is not a fixed cost; it is that rate or the normal cost rate, whichever is higher. The 22% contribution rate for PERS employers is a fixed cost. MR. BARNHILL added that if the PERS employers' normal cost rate plus the defined contribution cost rate exceed 22%, the employers will pay the higher rate. CHAIR PIHL stated that looking at the DC payroll, there is 12.34% in addition to normal cost in the 22%. MR. BARNHILL said that practically speaking it will never happen. MR. TEAL remarked that it is a legal possibility.

5d) Foreseeable Circumstances For Legislature to Change Employer Rates: To Increase; To Decrease

CHAIR PIHL said that was just discussed.

MR. BARNHILL stated that had the Great Recession of 2008-2009 not happened, he would have expected some lobbying in the Legislature by employers to decrease the 22% contribution rate. With the way the charts look now, he did not see a basis for it.

D. BASIC PRINCIPLES OF PENSION PLAN FUNDING

1. Normal Case That Contributions Are Made During Service Life of Employee

2. That Investment Earnings Normally Meet 50% or More of Benefit Payments

CHAIR PIHL indicated that the Group had already covered these topics.

E. UNFUNDED LIABILITY

1. Amount: Actuarial Value; Market Value

Covered earlier.

2. Have Investment Returns Reduced the Unfunded Liability Since Date of Actuarial Valuation of June 30, 2009?

MR. BADER stated that investment returns have reduced the unfunded liability since June 30, 2009, but not by much.

3. Responsibility for Liability: State or Others

3a) Based on Employer Accounts Up to and at Time of SB 141 and SB 125

3b) Impact of SB 141 and SB 125 on Liability

CHAIR PIHL indicated that these items were covered earlier.

4. For All Municipal and School District PERS Staff, of the 22% Contribution Rate, How Much Contribution Will Be Made Toward the Unfunded Liability from July 1, 2006 to the End of the Defined Benefit Active Payrolls (2032)?

CHAIR PIHL stated that this item was discussed earlier.

5. Why Does State Assistance Projection Grow from $477 Million in FY2012 to $1.2-$1.4 Billion in Years 2024 to 2029?

MR. SLISHINSKY said that investment losses that are deferred will be recognized in the unfunded liability over the smoothing period, thus increasing the annual State assistance contribution. Second, the unfunded liability is amortized as a level percentage of payroll, so there is not as much of a contribution initially being paid to amortize it off, and it actually grows a little bit to the point where it is only paying the interest on the unfunded liability. Then the unfunded liability starts being amortized. As payroll increases, that amortization drops the unfunded liability fairly rapidly. To the extent that the retirement fund earns greater than 8.25% returns, as occurred in FY2010, that will help offset some of those losses being recognized.

MR. TEAL asked if there were any alternatives to amortizing the liability as a level percentage of payroll. MR. SLISHINSKY replied that amortizing with a fixed dollar amount, which increases the initial contribution so that the payment to the amortization would actually go down as a percentage of payroll (as payroll increases). That approach has a lower interest cost over time. MR. TEAL asked if that was a normal method the ARMB could do. MR. SLISHINSKY said that typically the benefits are funded on a level percentage of pay basis, which refers to the normal cost for plans whose benefits are tied to salary. If there is a benefit that is not tied to salary, then typically the normal cost is determined as a level dollar amount as well.

MS. DELANGE stated that for Alaska the pension benefits are related to salary, and that normal cost is computed as a level percentage of pay. The health care benefits are not related to salary, and their normal cost is a level dollar over their career.

MR. TEAL said an unfunded liability is not really related to salary. MS. DELANGE responded that for the State of Alaska the entire unfunded liability is amortized over percentage of pay for both health care and pension. MR. TEAL said it is now, but it would not have to be.

CHAIR PIHL stated that the ARMB wanted level dollar and legislation changed it on them. He asked if Mr. Teal was suggesting that maybe the Board was right.

COMMISSIONER KREITZER said she did not recall any discussion about it being split out so that the unfunded liability was being considered as a percentage of pay. She wondered if the ARMB could look at the unfunded liability as amortized on a level dollar basis.

MR. TEAL said he did not even see it as an option until he read Buck's analysis.

MS. DELANGE stated that the way a fund amortizes an unfunded liability for either pension or health care could be either level dollar or level percentage of pay.

CHAIR PIHL asked if the Board could apply level dollar to the unfunded liability and the medical part and apply level percentage of pay to the pension part. MS. DELANGE said she thought they could separate those. MR. SLISHINSKY added that a pension system can amortize them over either; the unfunded liability is typically funded over either level percentage of pay or a level dollar amount. A lot of states prefer the level percentage of pay basis because they are budgeting on the basis of a contribution that is tied to salary as a percentage of pay.

MR. TEAL said he would need to see the charts to see what happens.

CHAIR PIHL asked if Buck could model the unfunded liability and health care in the level dollar method and stick with level percentage of pay on the pension benefits. MS. DELANGE said Buck could calculate the contribution rates in that manner and submit the results at a later time. She added that right now their model only allows for both to be done in the same method.

MR. TEAL said it was interesting because the State could stick to the 25-year period for the normal cost (that is tied to service life) but have the level dollar method on a rolling amortization period for just the unfunded liability. They were options worth looking at.

MR. SLISHINSKY stated that because health care is a benefit not tied to salaries, and in that situation Buck typically uses the level dollar methodology for determining the normal cost of the health care benefit. But there is some talk within actuarial circles about whether they can use increasing payroll for that. The issue is that technically the benefit does increase through the health care cost trend, and some are using a level percentage of pay basis and rationalizing it by the fact that the benefit increases for health care cost trends.

F. TRUE-UP OF CONTRIBUTIONS ON PAYROLLS

1. Consistent with SB 141, if Employers Make 22% and 12.56% Contributions on Actual Payrolls, Should the State True-Up the State Assistance Funding to the Actual Payroll Amount, Plus or Minus?

CHAIR PIHL said he envisioned the Board voting yes or no on whether to ask the State for true-up of the State assistance to the actual payroll amount. To him, a deal is a deal, and if the employers have done their part of the deal, why should not the State. He understood the State has calculated it several different ways.

MR. BARNHILL stated that in the first two years of the calculations [FY09 and FY10] the amount that the employers contributed for the defined contribution plan was not added back to the SBS 125 calculation, which the statute requires. So there was an under-collection in those two years. It is a judgment call whether the ARMB wants to ask for true-up for those calculation errors. Aside from that, the statute has no provision to require a true-up for simply under- or over-estimating the various figures that go into the SB 125 contribution amount, such as payroll.

MR. TEAL said there was no need to true-up because any error will be rolled into the next year's calculation.

MR. TRIVETTE remarked that if the ARMB does not get $20 million, for example, this year, it gets spread over a period of time, but the retirement fund has lost the interest on that. MR. BARNHILL pointed out that by not investing that money over the Great Recession the ARMB avoided losing a percentage of it [in market losses]. He added that that is not to say the ARMB could not ask for it now -- it is a simple calculation.

MR. BROOKS asked, if things went the other way and in a true-up it was found that more money was collected, if the Board would lower the State contribution rate. CHAIR PIHL said absolutely. MR. BROOKS said that currently any shortfall just rolls out and there is more toward the unfunded liability.

MR. BARNHILL clarified that he was not suggesting there was a legal basis to ask for annual true-ups based on over- or under-estimations of payroll.

MR. TEAL said there is the issue of the $185 million extra that the Legislature put in to PERS that it did not need to, so they could question the request for a true-up and say none was required. He added that the State puts its assistance money in on July 1 (the first day of the fiscal year), and the employers spread their payments out over the year, so the ARMB gets the benefit of the State's money for a longer period.

CHAIR PIHL returned to a chart in Part I-A, 4, showing the contributions to PERS and TRS trust funds. A brief discussion ensued with Mr. Brooks and Mr. Burnett about what fiscal year the State contributions were put in for. MR. TEAL stated that the first State assistance contributions were effective for fiscal year 2008. MR. SHIER said that on July 1, 2007 deposits were made of $185 million to PERS and $269 million to TRS, and they were allocated to the individual accounts throughout the course of the year as if they were paying 22%. But the rate was not statutorily fixed at 22% until the following legislative session.

MS. ERCHINGER remarked that from a trustee's standpoint the more money put into the system sooner, the better. But from the Administration's standpoint, they are not required to do a true-up, and she understood that. She said she did not know that the magnitude of the dollars being discussed was material, and that is because she has not seen the State's estimate versus what the actuals came in at. It did not seem like a big deal to compare last year's budgeted amount and last year's actual amount and to roll the difference into the calculation the next year. She asked if there was a budgeting or timing problem to doing that.

MR. SHIER said that occurs in the annual valuation when DRB reports actual payrolls 30 days after the close of the fiscal year to the actuary, and the actuary uses that to project forward based on the liabilities that accrued. It is not looking back and saying it was short or over; it is rolled into the future.

MR. BARNHILL stated that, generally speaking, the estimations of payroll have been behind actual. In his view, there was no legal requirement to true those up; they get trued up every year through the estimates that the actuary provides.

MS. HARBO remarked that it would be good to have the money in the retirement systems the year that an error [in the payroll estimate] was made.

There was a fairly lengthy exchange on the payroll estimate and contribution calculation topic.

MS. DELANGE stated that as payrolls increase the plan will collect more money, so there is a contributions gain coming into the plan. But there is an increase in liability because salaries were higher than what was projected. Those offset each other, but Buck would have to look at which one wins -- it is not a pure gain, and it is not a pure loss. And if it is DCR payroll, it does not impact the DB plan liability.

CHAIR PIHL said it was being made a lot more complicated than it really was.

MR. TEAL stated that he saw it as very complicated, and there is no way to make it real simple. MS. ERCHINGER agreed with him and said she thought it was not worth talking about further.

G. RESOLVE DIFFERENCES BETWEEN BUCK CONSULTANTS AND DAVID TEAL PROJECTIONS

CHAIR PIHL stated that the differences had been resolved. MR. TEAL added that he had not realized that Buck had already corrected the issue [with the Division of Retirement and Benefits] when he spoke about the Board-adopted contribution rate at an ARMB meeting.

MS. ERCHINGER said that to promote transparency the Board should go back and amend the contribution rates officially to reflect what, in fact, the effective rates really are for FY12. Otherwise, it looks like things were done arbitrarily without the knowledge of the Board.

MR. SHIER sought and received confirmation that Ms. Erchinger was suggesting the Board adopt new resolutions at the next Board meeting.

H. ADDRESS/REVIEW LATEST BUCK CONSULTANTS ACTUARIAL VALUATION BASED ON CURRENT ACTUARIAL ASSUMPTIONS (8.25% Earnings Assumption)

1. Review Cash Flow and Fund Balance Projections

The background information for the next item on the agenda (I below) was included in the packet.

I. REVIEW RECENT EXPERIENCE ANALYSIS PREPARED BY BUCK CONSULTANTS AND EXPERIENCE ANALYSIS REVIEW PREPARED BY GABRIEL ROEDER SMITH (GRS)

1. **Review GRS Recommendations with Buck and Reach Consensus on Recommendations for Board Adoption of Changes to Assumptions re: Decremental, Demographic, Health Care, and Earnings Assumption**

2. **Study Group Discussion/Decision on Changes to Earnings Assumption; Request Buck Consultants Preparation of Actuarial Results Including Cash Flow and Fund Balance Projections**

Referring to the scenarios that Buck modeled to show the impact of lowering the rate of return assumption or lowering the inflation assumption by various amounts, COMMISSIONER KREITZER indicated there was a handout of scenario 7 for PERS and TRS on reducing the inflation assumption to 2.75% *[on file at the ARMB office]*. She added that from everything she has been hearing inflation is predicted to be fairly low for some time. Since the ARMB consistently revisits the assumptions, the inflation assumption could be changed *[inaudible]*.

Study Group members gave their impressions on where inflation was headed in the future and talked about what was a realistic real rate of return expectation.

CHAIR PIHL asked if Buck was still recommending an inflation assumption of 3.5% and an earnings assumption of 8.25% for the retirement plans. MS. DELANGE said their recommendation for inflation was that between 3.0% and 3.5% was reasonable. Buck recommended looking at lowering the 8.25% earnings assumption piece.

MR. SLISHINSKY stated that when considering the total expenses coming out of the retirement fund, then the 8.25% earnings assumption does not have any more conservativism. There is a slight aggressiveness to it, which means that there is less than a 50% chance of achieving the 8.25% long term. Buck would recommend setting a rate that has at least a 50% chance, so reducing the earnings assumption to 8.0% would mean a slightly higher than 50% chance of achieving that return long term.

COMMISSIONER KREITZER reminded everyone that in the assumption change comparison Buck has said that there is no one right answer and that the current 8.25% earnings assumption is within a reasonable range.

CHAIR PIHL questioned whether the $2.4 billion investment loss that has yet to be recognized should have any bearing on where the earnings assumption ought to be.

MR. TEAL said he would not place too much emphasis on the recent investment losses because those have been very abnormal, and the focus should be on the long term.

MR. TRIVETTE mentioned that the Board spends a lot of time every year considering the asset allocation, and it has acknowledged that the 8.25% earnings target is a little more aggressive than almost all other funds in the country. He said he was willing to consider a reduction from 8.25% but not a whole lot. The data supports Commissioner Kreitzer's comment about a somewhat lower rate of inflation for the next while. The Board is not wedded to quarter-percent moves, so he would be fine with reducing the earnings assumption to 8.12%, which was within the range shown in the Buck analysis.

MR. RICHARDS asked if, or how, changing the earnings assumption would affect staff's investment decision-making. MR. BADER replied that what comes into play is the asset allocation that the Board passes, and staff manages to that asset allocation for the year. He added that the asset allocation sometimes comes in at a return of 8.25% and sometimes it is higher or lower. It is a product of conversations between staff, Mr. O'Leary, and the Investment Advisory Council, and it is then brought to the Board for its consideration. He recalled that the return target was more than 8.25% the previous time. Then the market rose a lot, and last year it was a bit below 8.25%. The Board is mindful of the actuarial assumption when its sets its asset allocation, but it also takes into consideration the current market environment and Callan's changing capital market assumptions.

MS. DELANGE confirmed that inflation is a component in the salary scale assumption.

Study Group members discussed their preferences among Buck's scenarios of different combinations of earnings assumptions and inflation assumptions [*in the packet*]. CHAIR PIHL said there seemed to be some agreement on scenario #5, and he asked Ms. DeLange to provide projections going forward with scenario #5 on the second day of the meeting. She said the model could project any combination of investment return and inflation the Study Group wished to look at.

J. CONCLUSION: KEY BOARD DECISIONS

1. **Earnings Assumption**
2. **Under ARMB Statutory and Fiduciary Responsibilities, Should the Board Continue to Subscribe to Policy/Goal that Funding be Based On/Over Service Life of the Employee?**

[There was no distinguishable discussion on this, but the transcriptionist assumes the topics were covered under earlier headings.]

CHAIR PIHL recessed the meeting for the day around 4:30 p.m.

Friday, November 19, 2010

PART II

The Alaska Retirement Management Board has been apprised that State of Alaska assistance to funding toward retiring the unfunded liability of the PERS and TRS systems under the current provisions of SB 141 may in future years have a severe impact on the State of Alaska budget and appropriation process. Part II of the agenda addresses alternatives.

A. ALTERNATIVE FUNDING TARGETS

1. Less than 100% at End of Defined Benefit Payrolls (Year 2032 or 2033)

CHAIR PIHL requested that Buck Consultants provide a projection of DCR contributions going to the benefit accounts (not to the unfunded liability) for both PERS and TRS.

CHAIR PIHL stated that the ARMB is not political, and it has been asked to come up with some alternative [for paying the unfunded liability], which is not the powers and duties the ARMB has been charged with.

COMMISSIONER KREITZER said that saying the ARMB is getting political because it is looking at the reality of where the State is right now because of completely unprecedented losses and to not be able to respond to that would not be an approach she would take.

MR. BURNETT stated that one of the powers and duties the ARMB was charged with was setting an appropriate contribution rate for liquidating past service liabilities. Part of the reason for having a board that is composed as this one is is to look at the big picture. It is totally appropriate for the Board to look at and suggest alternatives.

MR. JOHNSON reminded the Board of its charge under Sec. 37.10.210 and about exercising its investment powers or duties by applying the prudent investor rule...in the sole best interest of the fund entrusted to the fiduciary.

There was a discussion about money being available in the retirement fund for the last pension check mailed to the last DB beneficiary in the system, as well as a pay-as-you-go option for the last five or so years of paying benefits from the DB system.

MR. TEAL explained how having more time for the ARMB to earn a higher-than-assumed investment return in some years will help pay off some of the unfunded liability with higher returns rather than from State assistance -- i.e., the longer the pay off period, the better off the State will be, while a shorter time means the State will pay the full amount of the debt or unfunded liability. He said it was critical to understand that the unfunded pension liability is a soft liability.

Responding to the Chair, MR. TEAL stated that the best way to extinguish the unfunded liability right now is to issue $12 billion worth of pension obligation bonds to pay the systems off.

CHAIR PIHL said the bonds were an open avenue to the commissioner of Revenue all along, and the ARMB has totally supported pension obligation bonds as a tool for the owners of the liability, which are the State and the other employers. MR. TEAL said why not let the owners of the liability decide the best way to repay it then. CHAIR PIHL said to restructure the ARMB and put it back in charge of managing the funds, and the owners of the debt will manage the liabilities.

B. ALTERNATIVE FUNDING MECHANISMS/AMORTIZATIONS

1. Level Dollar Options ($450 million/year or other)

MS. SLISHINSKY used an interactive model to show the 30-year projections of the funded status for PERS using different inputs for inflation and real rates of return *[Buck's November 19 handout is on file at the ARMB office]*. He noted that the baseline scenario uses the new demographic assumptions that Buck recommended in their latest experience analysis and is based on the actuarial valuation performed in 2009. For 2010, since they know the retirement fund's investment return was 11.4% for the fiscal year, Buck input that 11.4% number, and the results will reflect a gain associated with a return that was in excess of 8.25%. He explained the different inputs he could adjust in the model so the Study Group could see what the outcomes would look like.

CHAIR PIHL suggested that the Study Group reach agreement on a revised interest rate before starting to vary the other inputs to the model, because he thought they were close to settling on an interest rate number lower than the current 8.25% near the end of day one.

A discussion ensued, with people voicing their opinions on what was an appropriate real return expectation going forward, what that meant for an expected inflation rate, how all that married with the Board's current asset allocation and return target, and Buck's and Callan's research on what other public pension funds were doing.

MR. SLISHINSKY polled the Study Group members to ascertain that they thought 8.0% was the right long-term rate of return for the retirement fund; he then used that number in the interactive model to create scenarios with the various assumptions. *[This was a lengthy discussion between Mr. Slishinsky and the meeting participants as they reviewed each of the scenarios.]* One of the alternatives they looked at was a level dollar option (using current economic assumptions), where State assistance was $450 million per year to PERS and resulted in the unfunded liability being paid off in 2031.

Buck agreed to supply the Group with the new PERS and TRS baseline graphs using the new demographic assumptions, later in the day.

The Chair called a break while Mr. Slishinsky forwarded some graphs electronically to print off for the Group members to have in hand.

CHAIR PIHL referred back to Part I and Buck's recommended changes in assumptions, where the Board did not feel they knew enough about the differences between Buck and GRS to approve the changes at the September meeting. He said the Board needed to boil it down to the two, three or four assumptions that have a significant impact.

MS. DELANGE indicated that Buck's experience analysis report contained information on the assumptions that had significant monetary impact [pages 65-68]. She said overwhelmingly on both PERS and TRS the post-termination mortality has increased the contribution rates the most; all the other assumptions had either a decrease or very small increases to the systems. Salary growth and payroll growth were assumptions of interest to the Group, and they asked several questions of Ms. DeLange and Mr. Slishinsky. They also discussed the rationale behind going to unisex rates, as Buck had recommended from the experience analysis, and the fact that GRS did not agree that the use of unisex rates was widespread. MS. ERCHINGER asked Buck to share with GRS the information that would demonstrate that unisex rates are commonly seen, so that next year GRS would have no objection to that recommendation.

CHAIR PIHL said that Jack Kreinheder from the Office of Management and Budget had asked to address the Study Group today.

MR. KREINHEDER said a major portion of the Study Group's afternoon session would be dealing with the question of affordability for the State's assistance contribution that rises to the $1.4 billion range over the next ten years or so. He agreed with the Chair that keeping the ARM Board out of politics was a worthwhile objective. OMB's perspective is that it writes the initial check for the State's assistance in the Governor's budget, and the Legislature has the final say on it. He viewed the OMB's role as financial, not political, and the question of the affordability of the projected State assistance is a financial issue rather than political. Political would be if the financial issue was ignored and the Legislature had to do something.

MR. KREINHEDER requested on behalf of OMB's budget director, Karen Rehfeld, that

Buck Consultants run some scenarios that looked at trying to reduce that $1.4 billion projected State assistance number. Ideally, she would like to look at keeping the State's required contribution to current levels and basically have a flat payment over time. There does not seem to be a silver bullet to shave down the $1.4 billion State assistance number in ten years without pushing some of those payments into the future. Nobody is suggesting short-funding the retirement system; it is just a question of when the payments are made and how the curve is structured. In FY11 the State's contribution is $357.6 million for PERS and TRS combined [up from $284 million in FY10]. The budget director has asked for a scenario of any possible combination of adjustments to the amortization period -- a rolling 25-year amortization that Ms. DeLange mentioned other plans do -- or any other reasonable factors that could keep the State at that level. He said he had told her that with a $10 billion unfunded liability he did not see how the flat funding could stay at the FY11 level and that a somewhat more realistic goal might be to run a scenario at the FY12 level in the $479 million range. OMB would like to see both those scenarios. Shaving the $1.4 billion State assistance contribution projected for ten years from now down to $1.2 billion does not solve the problem. Maybe what OMB is hoping for does not work even at the $500 million dollar level, but it is worth running the numbers to see what the number would be to have flat funding for as long as it is required to pay off the unfunded liability.

MS. ERCHINGER said it would be interesting to see what size of a one-time contribution into the system is needed today to allow the State assistance to be a flat $357 million to $479 million in the future. MR. KREINHEDER said that also would be worth looking at.

CHAIR PIHL stated that MR. BARNHILL had put a lot of thought into the funding issue and he wanted the Study Group to hear his ideas before looking at adjusting scenarios on what Mr. Kreinheder suggested.

MR. BARNHILL stressed that he was not an actuary or a politician but a lawyer who likes to play with numbers, and he was offering his research as a lay person who is interested in the subject. He handed out four pages of a spreadsheet that he said attempted to capture the entire universe of the defined benefit retirement plan from 2011 until 2075, which should be close to the end of the DB system. He explained what information from Buck he used and how he extended that 30-year projection out beyond 2040 to get to the year 2075 when benefit payments are zero on his spreadsheet.

When the Chair queried her, MS. DELANGE stated that the valuation in one valuation year is essentially a stream of benefit payments that is discounted back to the valuation date, so it is something Buck can pull out of their system (the 99-year cash flows).

MR. BARNHILL said the point of his undertaking was to calculate what amount has to be contributed on an annual basis so that all benefits are paid through 2075 and the DB system ends as close to zero dollars as possible. The approach, in perhaps a more dramatic way than the Board is willing to consider, saves the upfront contributions. He said there is an infinite spectrum of ways to pay now versus pay later, and this approach is more along the spectrum of pay later than is currently being done. However, in a reasonably principled fashion, the approach pays all the benefits during the entire system time frame and is essentially flat on its total contributions in real terms through 2036.

CHAIR PIHL ascertained from Mr. Barnhill that the payroll amounts did not include the contributions going to the individual defined contribution plan accounts.

MR. BURNETT pointed out that the Barnhill model did not account for the tremendous variability in the investment returns year to year, and if there was negative variability early on (not making the 8.25% earnings assumption), then the model would need a lot of support early on. That is why Mr. Barnhill mentioned earnings insurance from the Legislature to make the fund approach outcome happen. Conversely, the model could be very solid if there were higher investment returns (than 8.25%) in the early years.

MR. BARNHILL responded that there would have to be protracted investment losses to impact the outcome.

MR. BURNETT stated that for GASB accounting purposes the Barnhill model would show the system paying an ARC (actuarially required contribution) that is lower than what the system would get with a 30-year amortization, so it would reduce the funding ratio, and for State reporting purposes would reduce the value. It may be a practical plan, but it does not fit with generally accepted accounting practices for state government.

CHAIR PIHL asked about the State assistance payments in the contributions. MR. BARNHILL said it was close to nothing in PERS and it was reduced in TRS. MR. TEAL calculated the assistance at 6% to 8% for PERS in the early years.

MR. TEAL said that if the ARMB looks at its fiduciary responsibility as having enough money to pay the benefits when those benefits are due, and does not look at phasing it out over a 25-year life, it could in effect have a level dollar amount. He said he had not done the calculations, but he suspected that the flat contributions could be under $400 million a year for PERS and somewhere substantially less than that for TRS. The whole key is extending the period of analysis and not cutting it off, and admitting that the life of the employee has nothing to do with paying the money.

Addressing one of Mr. Burnett's concerns, MR. BARNHILL said the starting total contribution amount in 2011 could be increased by some amount; the slope up of SB 125 is going to be flattened, even if it starts with a higher amount. It is still pushing contributions back to later years in a somewhat principled fashion.

CHAIR PIHL asked how far out Mr. Barnhill was extending the amortization. MR. BARNHILL said he did not know how his approach fit into amortization because it was a layman's cash flow approach, but he thought it was not an amortization that fit within any existing models. It was making contributions on a real basis that were flat until 2036, after which contributions were declining on a real basis to zero by 2075.

There was a short discussion about some aspects of the Barnhill approach.

MR. JOHNSON asked if there was anything about GASB standards or actuarial standards that would suggest that the Barnhill approach would not work within the constraints of those rules.

MR. BURNETT said it would definitely have an impact on the State's credit rating. He added that when Revenue met with the three rating companies last week they were very concerned about how the states are handling their unfunded pension liabilities. However, the State of Alaska has offsetting things, such as putting $13 billion additional into the state reserves over the last four years. It is something the State has to be concerned with when dealing with the unfunded liability, because Alaska is currently AA+ rated, one notch off AAA.

MS. ERCHINGER commented that to the extent that the State's credit rating is impacted, it will impact any municipalities that access the Municipal Bond Bank for issuing debt, which would make the cost of issuing debt more expensive for local governments.

MR. SLISHINSKY stated that Buck works with clients to develop funding policies that they are comfortable with. There are funding principles with regard to how to go about setting up a funding policy to meet the goals and objectives a client has, and that can differ from client to client. So there is not really an actuarial requirement for funding, other than meeting the funding goals and presenting information that shows what the likely outcome is based on that funding policy.

CHAIR PIHL said he wanted to see the [Barnhill] analysis develop the dollars that the State and the "goslings" (municipalities and other employers) are paying towards the unfunded liability over the whole period of time. MR. BARNHILL said he would have to hand that off to the actuaries because it was beyond his ability to do it. CHAIR PIHL said it was a number that needs to be compared with $10 billion if funded up front today or the $30 billion it will cost following the current path.

MS. ERCHINGER stated that she wanted the auditors to weigh in on the answer to Mr. Johnson's question, because there will be an impact, and it will not just be to the State's credit rating, and there will be unintended consequences that the auditors would be better positioned to make everyone aware of. She added that Buck's preliminary views are already going to have some pretty significant impacts to the municipalities that they do not have today, from an auditing and financial reporting standpoint. She asked Buck to briefly explain that.

MR. SLISHINSKY explained that the preliminary views are proposing major changes in the way that the benefit obligation is reported. Right now, the schedules that Buck prepares that the auditors include in their reports are supplemental information. What is proposed is to determine a net pension liability that would be placed on the balance sheet of the employers responsible for paying that unfunded liability. For cost-sharing plans, the proposal is to allocate the share of the unfunded liability to all the participating employers -- the State, the municipalities, and all the other employers. The question is what ramifications result from financial statements that show a fairly large liability for pension purposes on the balance sheet.

MS. ERCHINGER said there are a number of municipalities that issue their own bonds for which this preliminary view will have a significant impact today already. But to the extent that the unfunded liability is amortized over a longer period of time, it will be something the municipalities have little to no control over and could potentially knock them out of the ability to obtain financing at all.

MR. BARNHILL stated that those issues could be addressed by increasing the starting total contribution number. He added that an SB 125 amount that hits $1.4 billion [in State assistance contribution] is an obligation that the General Fund is going to also have credit rating impacts.

MS. ERCHINGER said the questions are what is affordable, and how long is too long.

MR. BARNHILL suggested that the preliminary views are going to be more or less applicable to open plans, and what the State has is a closed plan that is going to end.

MS. ERCHINGER said spreading the liability out to 2075 will have a material impact on how the financials are viewed by people who are potentially lending municipalities money. If nobody cares about how the unfunded liability will affect the credit rating, then why not issue pension obligation bonds. There is always that argument in terms of turning a soft liability into a hard liability.

MR. TEAL stated that people are concerned about the credit rating. Barnhill's approach is an interesting twist on things, but it is not the only way to get there. He thought Buck could probably duplicate the Barnhill numbers by simply using a standard 30-year rolling amortization period. People should not be scared by the numbers into thinking that the model is going completely off the reservation with a 70-year amortization period and does not meet GASB.

The Study Group members thanked Mr. Barnhill for his perspective and the work he had put into the approach he presented.

CHAIR PIHL called a lunch break at this point. After lunch he said the Group still had to take up #2 and #3 of Section I of Part I on the agenda. He said there were also some things to take up under Section J of Part I before the meeting concluded.

Buck had a handout dated November 19, 2010, where the first page was blue colored and was a PERS 30-year projection of expected actuarial funding from the year ending 2009 to 2039, using updated demographic assumptions. CHAIR PIHL started with that 30-year projection page, and specifically the employer contribution rates on the DB payroll for the years 2012 and out, which Mr. Slishinsky provided the numbers for. MR. SLISHINSKY said the DCR rates at the bottom of the page were additional contributions coming from defined contribution payroll. He added that as the amount of the DCR payroll grows, the DCR contributions grow as a result. Responding to the Chair, he said 12.34% applies just to DCR payroll until the rate drops below 22%, and the 12.34% has been updated and has gone up slightly because the occupational death and disability and retiree medical portions have changed.

MR. SLISHINSKY showed a graph (in the handout) of the PERS projection of expected employer/State contribution in dollar amounts from 2010 to 2040.

COMMISSIONER KREITZER said the discussion from yesterday about looking at health care being paid on a level dollar was interesting to her. She asked whether Buck could model pension as a level percent of pay and [health care as level dollar] today or if they needed more time to split them out. MR. SLISHINSKY replied that it would take some additional programming and would not be available at the meeting.

CHAIR PIHL said the Study Group was asked to look at the option of State assistance being level at $450 million a year. He asked how much extra the State would be willing to kick in early, and then what level dollar amount would be plausible as the State's assistance each year. MR. BROOKS added that he had written down a level payment of $360 million and a level payment of $480 million as the two scenarios for total State assistance for PERS and TRS that Mr. Kreinheder had mentioned in the morning.

MR. KREINHEDER said those numbers were not made-up numbers; the current FY11 total PERS and TRS State assistance is roughly $357.6 million. He asked if Mr. Slishinsky knew how much of the $357.6 million was for PERS. MR. BROOKS referred to the Buck charts and said it was $191 million for TRS and $166 million for PERS.

Using the interactive model and displaying the results on the screen, MR. SLISHINSKY input $170 million for PERS and $190 million for TRS as the annual State assistance amounts. He noted that the PERS rates were at 22% for all other contributions, and as payroll increases the *rate* of the State assistance amount goes down because the *amount* is held level at $170 million per year. The funding ratio in 2040 goes down to a little less than 37% for PERS, the assets are $6.9 billion, and the accrued liability is $18.9 billion, so the unfunded is almost $12 billion.

The Group comment was that a level State assistance payment of $170 million for PERS was a non-starter number, but $250 million might work. MR. SLISHINSKY inserted $250 million for PERS into the model. With that scenario, the system's funded ratio is a little less than 79% by 2040, and the unfunded is about $4 billion. If the model continued out, it would eventually reach 100% funding.

The next request to Buck was to do a rolling 25-year amortization period on an open plan. MR. SLISHINSKY said the State assistance rate maxes out in 2016 at 13.4% and declines down after that to be eliminated by 2034. The assistance amount is as high as $329 million and declines to zero by 2034. Cash flow - there is a decline in the investment return, and the fund balance dips below $8 billion by 2040. The funded ratio dips to 44%.

MR. TEAL said that despite the 44% funded ratio at 2040, there would be enough money to pay all the benefits over time.

Regarding the Chair's earlier question about what level of State assistance is "affordable," MR. KREINHEDER stated that the model went to $329 million at the high instead of $250 million, but the long-term trend was more favorable and not staying at $250 million out through 2040. He said it was certainly something to consider as reasonable.

CHAIR PIHL pointed out that the State is paying 61% as its part of the employers' 22% contribution rate, and the remaining 39% is being paid by the goslings (municipalities and other employers). He added that when people were first addressing the unfunded liability, 78% of it was the State's liability. He thought that any program that the ARMB comes up with has to be saleable to 60 legislators, who are all representing the goslings, and he assumed they would all have a very deep interest in it so it better be pretty equitable.

MR. KREINHEDER said he agreed that a number of legislators would be concerned about both current and future obligations of the municipalities and school districts, but that will be balanced by the same legislators' concerns about the ability to cough up $1.4 billion a year in State assistance ten years from now. The $1.4 billion is just not doable. The concern about extending the obligation of the municipalities to pay the 22% rate would be outweighed by the benefits of coming up with an affordable long-term level of [*inaudible*].

MS. ERCHINGER remarked that the heartache she had with the whole discussion of pushing the payments out to 2075 is that oil production in the state is steadily declining and will have a financial impact on the future. She also had a problem with pushing the debt out through the entire life of her children, not to mention her grandchildren. She thought it was actually more affordable today, though she did not have a problem with extending it out somewhat. She did not want to have "no pain" today and just push it off onto the children and grandchildren and say the problem was solved, but that course of action was not solving it. People have to be willing to recognize that it is more affordable today, and yet they cannot push too much and shoot themselves in the foot today either.

The Study Group spent some time working with Mr. Slishinsky using Buck's interactive model to see what different combinations of a lump sum State contribution upfront and level annual assistance payments would look like.

MR. KREINHEDER said that after further reflection he wanted to comment on Mr. Teal's scenario of the status quo but changed to the rolling 25-year amortization so that the State's assistance for PERS peaked at $329 million in 2016. While $330 million does not sound so bad, when it is doubled to include TRS, the State is looking at $660 million total a year. That is 38% more than the $480 million in assistance that the State is looking at paying for FY12, which is a big increase. From an OMB perspective, and probably from a legislative perspective, trying to keep the assistance payment down to no higher than $250 million for PERS and $500 million for combined PERS/TRS in any year is preferable. Regarding how realistic a cash infusion of $500 million or $1.0 billion is, the group could ask Mr. Slishinsky to model that. He personally felt that the problem with the status quo increasing the amounts is shoe-horning that into the existing budget, and a more modest amount like $500 million...[*incomplete sentence*]. There is $1.0 billion sitting in the statutory budget reserve, which is a rainy day fund for when oil prices drop to $20 or $30 per barrel. There is also over $9 billion in the constitutional budget reserve. There is some merit to a strategy of a one-time special appropriation of $500 million to $1.0 billion, and $500 million is twice as realistic as $1.0 billion. It is take your pick what is more preferred: a $500 million cash infusion up front and $250 million flat State assistance a year over time, or $1.0 billion up front and $200 million a year over time. He said he would put the odds of trying to do a $1.0 billion special appropriation at less than 50/50, and $500 million is more realistic. Those two scenarios are worth putting on the final list for consideration.

The Study Group reviewed with Mr. Slishinsky what scenarios they wanted hard copies of before the day's end.

MR. TEAL said he did not know how willing legislators would be to take a third of the statutory budget reserve balance for an upfront cash payment into the retirement systems, knowing that that is what keeps them from seeking a super majority vote when and if oil prices fall. They like having that cushion, and they like having it as large as possible. It might be easier to talk legislators into essentially setting aside a sort of escrow account so that rather than making an actual deposit into the retirement fund the money sat there as a balance and the ARMB would invest the amount, but the State could get it back if it had to.

MR. SLISHINSKY talked about the accounting aspects of setting up a reserve fund that would have the same asset allocation as the PERS and TRS to be used for purposes of paying the State assistance contributions, but it would remain assets of the State. If GASB rules are changed and this liability goes on the State's balance sheet, then by doing this, it does not change the net assets of the State at all. There are advantages to that over a pension obligation bond because it is not paying commissions to an investment bank or paying interest on a bond. It is basically borrowing money from yourself.

MR. TEAL remarked that the State would lose the interest income to the General Fund. MR. SLISHINSKY responded that the ARMB's asset allocation has an investment return expectation of 8%, so the arbitrage between an 8% expected return and the 3%-4% that would be earned on the State's reserves is to the advantage of the State. He said that Buck could take the baseline calculation and present value of the State assistance contributions that are scheduled to end on 2032 to calculate how much that would be; it would certainly be less than the unfunded liability.

MR. TEAL said that taking the idea to the extreme would be taking the entire $10 billion value of the constitutional budget reserve and pledging and investing that, through the ARMB, and the earnings in excess of the 3%-4% interest paid on the State's reserves would stay in the pension funds. The ARMB would be making money on arbitrage. All that would require would be an appropriation by a three-quarter vote every year, which might not be palatable with the Legislature. But for the ARMB's purposes, it would fully pay off the $10 billion unfunded liability.

MS. ERCHINGER mentioned that the Alaska Permanent Fund could invest with the ARMB what it is now investing in fixed income and get a higher rate of return, and the ARMB would get a lower interest rate.

CHAIR PIHL remarked that the Group and the State representatives were now getting into state budget issues, and that was the State's call on how it wants to address the funding. He surmised that the ARMB would support the State doing one of the options, whether it was putting in a lump sum up front, etc.

MR. KREINHEDER said he would have to take the ideas back to the OMB budget director to forward to the Governor's chief of staff and discuss with the commissioners as well. However, he could not promise a response from the Administration by the Board's December 2-3 meeting.

CHAIR PIHL stressed that the ARMB was not even in a position to make the choice, because whatever solution it might choose is very apt to be overridden until it has gone through the budget process.

COMMISSIONER KREITZER said the Study Group can suggest what solution(s) it supports to address the $1.4 billion State assistance payment looming on the horizon and why it supports them so that at the December meeting the full Board can talk about it. The Board can communicate what it supports, why it supports it, and what the goals are. She agreed with the Chair that it is the Governor's and Legislature's call to make the choice of a solution.

MR. TEAL said he would like to get Buck's model to try out difference scenarios, and the alternative would be to have access to Buck to get some runs -- and he recognized that somebody has to pay for the actuary's services. COMMISSIONER KREITZER advised having that in a more public forum, such as a hearing, so legislators can request any scenarios they want to look at.

MS. ERCHINGER remarked that at some point the Board would have to put what it supports in writing because the Board has to make a commitment to a change in the actuarial methodology to support the Legislature's willingness to do anything to infuse the system, if the ultimate goal is to get rid of that $1.4 billion assistance payment in the future. It requires a partnership, so timing is important, and how it is communicated is important.

MR. JOHNSON stated that the ARMB's obligation is to set contribution rates, so it is almost as though information comes back to the Board during the normal course of when it sets the rates, based upon what the Legislature and the executive branch have proposed as a solution. The Board might well determine that the contribution rates are different or that the methodologies going forward in setting those things [*tape change*]... The Board's other role is to participate and to send information to the Legislature and so on. This dialogue is part and parcel of an ongoing work in progress.

The Study Group and MR. SLISHINSKY discussed the State assistance rate, the real contribution rate (adding in the money going to the DCR accounts), and the previous actuarial rate for FY12. The ARMB wants the contribution rate it is asked to adopt in the future to be the actuarial rate plus adding back the DCR piece that has to be added back to make sure the rate is the true rate that the State will be paying. MR. SLISHINSKY said the actuarial rate that the ARMB adopts every year is the sum of the DB employer contributions on DB pay, the DB employer contributions on DCR pay, and the State assistance (but not the DCR employer contributions), and that has been the confusion. MR. SHIER said the Study Group members had indicated the ARMB wanted to restate the FY12 contribution rate at its next meeting to clarify what it meant.

Noting that the scenarios have focused on the outcomes of a cash infusion for PERS, MR. KREINHEDER said that at some point OMB would need more precise information about what the total State contribution is for both PERS and TRS under these scenarios, as well as some alternative scenarios that include both retirement systems. He asked for some modeling with no cash infusion to see what level of flat State assistance is required for PERS out to 2040 to end up at roughly 95% funded ratio.

MR. TEAL observed that the State was always going to be paying for TRS whether it provides the State assistance or whether it gives the money to the school districts, so it is really looking at a philosophically different retirement system.

MR. SLISHINSKY indicated it would take a week to update the model to run similar scenarios for TRS that were run for PERS.

CHAIR PIHL moved on to the next item in Part II of the agenda under "B. Alternative Funding Mechanisms/Amortizations."

B. 2. Increase the Statutory Contribution Rates (from PERS 22% and TRS 12.56%)

2a) What Amount does Each 1% in Contribution Develop Per year?
MR. SHIER said that in the Part II presentation prepared by Buck was a spreadsheet that showed what a 1% increment in statutory contribution rates would do. CHAIR PIHL observed that it was not much. MR. BROOKS added that 1% of the $2.0 billion PERS payroll is $20 million. CHAIR PIHL said it would take legislation to do that anyway.

2b) Calculate Actuarial Contribution of (a) Above Amounts Contributed From Now to End of Defined Benefit Active Payrolls (2032-2033) Toward Retirement of the Unfunded Liability

2c) Who Pays Each 1% Increase Developed in (a) Above?
CHAIR PIHL stated that it gets down to which pocket the State is going to pay its portion out of, because of the State assistance making up the difference.

C. ALTERNATIVE FUNDING SOURCES

1. Pension Obligation Bonds

1a) ARMB and its predecessor, the Alaska State Pension Investment Board, have always supported this as a tool for the State to consider

MR. BURNETT reported that the State still has a $5.0 billion authorization for pension obligation bonds. Current market conditions would allow pension obligation bonds to be sold at an interest rate probably near 6%, which would be within the statutory range. Market volatility has prevented the Department of Revenue really looking at that as an option over the last couple of years. It is a very good thing not to have raised the bonds in October 2008, because, although the bonds could have gotten a decent interest rate, people would have been very unhappy politically. The pension obligation bonds board continues to exist and it will continue to look at the auctions. The current yield curve is such that there may be an opportunity now to structure a 12-year bond and probably get a 3% rate, and people might want to look at a shorter-term bond and substitute that for prefunding a portion of the long-term liability. Some other states have had bad experiences with pension obligation bonds, but it is a tool to continue to look at and model, especially if the financial markets stabilize.

2. Other Revenue Streams

MR. BARNHILL indicated that he had nothing to add to the earlier discussion about the constitutional budget reserve, etc. He added that to get a dedicated revenue stream would require an amendment to the state constitution.

CHAIR PIHL asked, if the Chukchi Sea opened up to oil and gas production and the State received a flood of money, if the Legislature could appropriate a portion of the revenues to the pension funds. MR. BARNHILL said absolutely, that it would not be a dedication but an appropriation.

CHAIR PIHL said things were not all doom and gloom, and there could be some good opportunities for the State in the future, such as a gas pipeline.

MR. TRIVETTE remarked that some people think the State is probably there now, in the sense that the constitutional budget reserve was paid back and oil prices have been at the highest levels ever. Some people would say it is time to take some money out and give the retirement systems an infusion of cash.

Saying it was far-fetched, MR. BARNHILL mentioned that if the federal government were to open up federal lands for mineral production the federal government could dedicate its revenue streams for not only pension systems in Alaska but for all states.

D. LIABILITY REDUCTION STRATEGIES

COMMISSIONER KREITZER stated that payroll growth is one of the things that drives the liability, so one option is to either reduce the number of employees or reduce or hold salaries steady.

MS. ERCHINGER pointed out that there are termination costs to reducing the number of employees, so that is really not an option.

MR. SHIER said the individuals no longer accrue further benefits, but the "goslings" are still paying on the basis of payroll. He added that any liability reduction options are unpleasant and have equal policy challenges to try to raise funds when funds are limited. But it comes down to trying to keep expenses low. The Department of Revenue is trying to do that, and they have cooperated in knocking some costs out of the recordkeeping -- but those are small incremental numbers.

UNFINISHED BUSINESS - None.

NEW BUSINESS - None.

OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE - None.

PUBLIC/MEMBER COMMENTS

MR. KREINHEDER thanked the Study Group for its open-mindedness and willingness to consider options. He thanked Mr. Slishinsky for the real-time modeling because it was a great brainstorming tool.

REPRESENTATIVE CATHY MUNOZ thanked the Study Group members for their service to the State and for allowing her to sit in and listen.

MS. HARBO thanked Chair Pihl for his work in putting the agenda together and organizing everything for this session. She expressed appreciation to Ms. Hall and the people from the Department of Administration for all the work they put in, and a special thanks to Buck Consultants, Mr. Teal, Mr. Kreinheder and Mr. Barnhill.

CHAIR PIHL spoke of the value that Commissioner Kreitzer brought to the whole Board and said the cooperation brought from the Division of Retirement and Benefits during her term has been wonderful.

FUTURE AGENDA ITEMS - None.

ADJOURNMENT

There being no further business, the meeting adjourned.

Note: An outside contractor prepared the summary minutes from staff's tape recording of the meeting. For in-depth discussion and presentation details, please refer to the recording of the meeting and written presentation reports on file at the ARMB office.

Confidential Office Services
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Part I A 2: Basic Beginning Benefits and Enhancements with Dates

March of 1945 Tier I TRS Created, repealed and reenacted in 1955

July 1, 1961 *Tier I PERS Created*

May 1980 **Hammond vs. Hoffbeck, Public Safety Employees' Association Case S-4742**

1976 amendments to PERS disability statutes diminished benefits due Peace Officers. Case established a member's constitutional right to benefits that were in effect at the time of hire with no diminishment.

July 1, 1975 *Retiree Health Plan Created*

Legislature adds health coverage to retiree benefits in Sec. 2 ch 200 SLA 1975.

July 1, 1983 *Retiree Health Deductible/Co-insurance Change*

Benefits increased to waive deductible and pay at 100% once insured receives $50,000 in benefits (removed in January of 1999). Second surgical opinions, including one-way travel reimbursed.

July 1, 1984 *Retiree Health Plan Coverage/Co-insurance/Drug Change*

Co-insurance is increased to 100% for coordination of benefits, generic drugs reimbursed at 100%, 100% co-insurance for pre-op testing & outpatient ambulatory surgery, add individual case management.

July 1, 1985 *Retiree Health Plan Deductible/Lifetime Maximum Change*

Deductible increases to $100 as of January 1, 1985, and lifetime maximum raised to $1,000,000.

July 1, 1986 *Tier II PERS Created*

February 1987 **Sheffield vs. Moffat, Alaska Public Employees Association Case S-1238**

Participants are entitled to the best set of actuarial factors in effect during employment. Decision affected early retirement factors. Protection rights are afforded to a whole complex of provisions.

July 1, 1990 Tier II TRS Created

June 1991 **Alaska Public Employees' Retirement System vs. Louis Cacioppo Case S-3687**

An on-the-job exacerbation of a pre-existing injury must be considered a disability from occupational causes. Decision extended occupational disability benefits.

December 1991 **Johnson vs. PERS Board Cases 3AN-90-05804-CI and S-4906**

The 1981 actuarial factors for joint and survivor and indebtedness cannot be used for members who entered before January 1, 1981. Decision reaffirmed Sheffield vs. Moffat and Hammond vs. Hoffbeck and further increased benefits payable to members.

July 1, 1996 Tier III PERS Created

June 1997 **Stalnaker vs. M.L.D Cases S-7289, S-7309**

Decision established that a member can be determined to have terminated employment because of a disability even though the member was terminated for cause if the reason for termination can be reasonably determined to be an effect of a disability. Decision extended occupational disability benefits to more employees.

August 1997 **Municipality of Anchorage v. Jack Gallion**

Reaffirmed constitutional right to benefits in effect at hire and employer contributions to a retirement plan cannot be used to fund another, similar plan.

July 1, 1999 Retiree Health Plan Travel/Lifetime Maximum Change

Round trip travel added and lifetime maximum raised to $2,000,000. (These, among other proposed changes, were later litigated in Duncan v. RPEA in 2003)*

HB 242, 2001 Enhanced medical benefits to existing employees

Providing full system paid medical to retired members over age 60 and all members who retired with at least 25 years of service (TRS & Police/Fire) and 30 years of service (PERS) regardless of hire date. When it passed, the bill increased our system liabilities by $23.7 million.

September 2001 **Rhines v. State of Alaska, Public Employees' Retirement Board Case S-9475**

A return to work on its own is insufficient to establish that a member is not disabled. Limited the Plan's ability to discontinue disability benefits under "recover from disability" statutes.

June, 2003 **Duncan vs. RPEA Case S-10377**

Accrued benefits applies to all retirement benefits that make up a retirement package that becomes part of the contract of employment when a public employee is hired, including health insurance benefits. Decision extended constitutional protection rights to retiree health insurance benefits. In general, changes to improve coverage included increasing the lifetime maximum payment from $1 million to $2 million, changing travel benefits from one-way to round trip, increasing from $15 per visit to 80% payment for pre-certified mental health and chemical dependency treatment, providing free mail-order service for generic or band name drugs, and reimbursing Medicare eligible retirees at 100% rather than 80% for services not covered by Medicare. The Medicare change was by far the most important and expensive change. The reductions in benefits included increasing the deductible to $150 per year, eliminating a provision that waived the annual deductible once $50,000 in claims were paid, eliminating the lifetime co-insurance of 100% once $50,000 in claims were paid, changing co-insurance from 80% of $1,950, 90% of the next $3,000, and 100% of the remainder to co-insurance of 80% of the first $4,000 and 100% of the remainder. This increased the maximum out of pocket from $690 to $800 per year. In addition if the retiree does not use the mail-order service for drugs, the cost for generic drugs increase from $0 to $4 and the cost for brand name drugs increased from $5 to $8.

October 2005 **Alaska Civil Liberties Union vs. State of Alaska Case S-10459**

Decision extended survivor benefits and medical benefits to same-sex partners.

November 2005 **PERS Board vs. Paul Morton Case 3 AN-03-11214 CI**

Court finds the statutes for recovering from disability only apply to employment with a covered employer. Members receiving disability benefits cannot be considered recovered and have disability benefits stopped if they employ with a non-covered employer or are self employed, regardless of how much income is derived from employment. Limits the Plan's ability to discontinue disability benefits under "recover from disability" statutes.

January, 2006 **McMullen vs. Bell Case S-11567**

Decision affirmed that members who were hired prior to July 1, 1977 who had negotiated agreements allowing for leave cash-in could use the amount of the cash-in for calculation of average monthly salary. Decision increased base retirement benefits for select PERS members.

July 1, 2006 Tier III PERS and Tier II TRS Created (Hybrid Defined Contribution Plans)

Court Decisions Affecting TRS Only

October 1991 **Peter Flisock vs. the State of Alaska Division of Retirement and Benefits Case S-3725**

Average base salary to include leave cash-ins for TRS members who were first hire prior to July 1, 1978. Decision increased base retirement benefits for select TRS members.

Post Retirement Pension Adjustment (PRPA)

Prior to July 1, 1987 for PERS and July 1, 1990 for TRS, the annual cost of living allowance afforded to retirees was 100% of the change in the consumer price index (CPI) for urban and clerical workers in Anchorage, up to 4%. This after-retirement increase was authorized only if the funding of the PERS or TRS retirement funds were considered healthy enough to withstand the payment.

Legislation passed in 1987 (PERS) and 1990 (TRS) created an automatic PRPA, established two tiered eligibility for retirees to receive the PRPA and reduced the percentage maximum a retiree could receive to 75% of the change in CPI. Under the automatic PRPA provisions, members must be at least age 60 or have been receiving retirement benefits for five years (PERS) or 8 years (TRS) to be eligible. Retirees who meet this criterion receive 50% of the change in CPI. Members who are age 65 or who are receiving disability benefits receive 75% of the change in CPI. The automatic PRPA is also required to be pre-funded and is part of the assumptions used by the actuary in valuing the system liabilities each year.

Current law requires the PERS or TRS to be funded at 110% before an ad hoc PRPA can be granted. The following table illustrates the effects of an unfunded payment of an ad hoc PRPA on the liabilities of the plans.

PRPA Awarding History

		Monthly Benefit Increase			
PRPA Date	**PRPA Type**	**PERS**	**TRS**	**Total**	**Resulting Actuarial Loss**
1995	Ad Hoc	Paid in '97	Paid in '97	NA	
1996	Ad Hoc	Paid in '97	Paid in '97	NA	
1997	Ad Hoc	$ 2,289,639	$2,877,374	$5,167,013	
1998	Ad Hoc	$ 171,502	$ 149,500	$ 321,002	$ 57,158,000
1999	Ad Hoc	$ 163,715	$ 147,366	$ 311,081	$ 11,765,000

PRPA Awarding History

		Monthly Benefit Increase			
PRPA Date	**PRPA Type**	**PERS**	**TRS**	**Total**	**Resulting Actuarial Loss**
2000	Ad Hoc	$ 158,034	$ 133,226	$ 291,260	$ 17,905,000
2001	Ad Hoc	$ 508,787	$ 445,192	$ 953,979	$ 17,123,000
2002	Ad Hoc	$ 585,443	$ 502,968	$1,088,411	$ 39,531,000
2003	Auto	$ 214,809	$ 160,476	$ 375,285	
2004	Auto	$ 406,324	$ 304,978	$ 711,302	
2005	Auto	$ 328,615	$ 250,206	$ 578,821	
2006	Auto	$ 429,501	$ 328,572	$ 758,073	
2007	Auto	$ 783,036	$ 369,659	$1,152,695	
2008	Auto	$ 375,092	$ 281,968	$ 657,060	
2009	Auto	$ 849,251	$ 626,681	$1,475,932	
2010	Auto	$ 116,233	$ 84,549	$ 200,782	

Alaska Division of Retirement and Benefits

Public Employees' Retirement System (PERS) Plan Comparison Chart

Feature	Tier I 1/1/1961 – 6/30/1986	Tier II Entered after 6/30/1986	Tier III Entered after 6/30/1996	Tier IV Entered after 6/30/2006
Employee Contribution (% of pay)	Pre-tax employee contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Pre-tax employee contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Pre-tax employee contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Pre-tax employee contribution: 8%
Employer Contribution (% of payroll)	22% Cost Share PERS on-behalf payment paid by the State of Alaska is 5.65%	22% Cost Share PERS on-behalf payment paid by the State of Alaska is 5.65%	22% Cost Share PERS on-behalf payment paid by the State of Alaska is 5.65%	5% DCR Plan Account 0.99% Health Plan - adjusted by annual actuarial valuation; **plus** Health Reimbursement Arrangement (HRA) - Flat dollar amount per employee based on 3% of the average annual compensation of all employees of all employers in the system. Occupational Death & Disability: 1.33% - Police/Fire; .58% All others
Vesting	Employees vest with 5 years of service.	Employees vest with 5 years of service.	Employees vest with 5 years of service in the pension plan and with 10 years of service for the medical plan.	100% vested in employee contributions immediately. Vested in employer contributions based on the following schedule: 25% after 2 years of service, 50% after 3 years, 75% after 4 years and 100% after 5 years.
Qualifications for Retirement	After vesting, normal retirement age is 55, with early retirement at age 50; • police/fire members can retire at any age after 20 years of police/fire service; • all other members can retire at any age after 30 years of membership service. Early retirement reduction will be 1/2% per month or 6% per year for every year less than the required normal retirement age.	After vesting, normal retirement age is 60, with early retirement at age 55; • police/fire members can retire at any age after 20 years of police/fire service; • all other members can retire at any age after 30 years of membership service. Early retirement reduction will be 1/2% per month or 6% per year for every year less than the required normal retirement age.	After vesting, normal retirement age is 60, with early retirement at age 55; • police/fire members can retire at any age after 20 years of police/fire service; • all other members can retire at any age after 30 years of membership service. Early retirement reduction will be 1/2% per month or 6% per year for every year less than the required normal retirement age.	None for investment account. Taxes and penalties may apply if withdrawn before age 59-1/2. See requirements for Retirement Medical Coverage.
Benefit Calculation Formula	Benefit formula: 2% for first 10 years **and all years of service prior to July 1, 1986**, 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the **high three** consecutive years' salary. Police/Fire - 2% X 10, 2.5% over 10.	Benefit formula: 2% for first 10 years, 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the **high three** consecutive years' salary. Police/Fire - 2% X 10, 2.5% over 10.	Benefit formulas did not change. However, the benefit calculation is determined on the average of the **high five** consecutive years' salary. The benefit calculation for police and fire members is the average of the **high three** consecutive years regardless of tier (effective 2002).	DCR Plan account balance plus investment earnings. May be received in several different payment options. Payout options include lump sum payments, rollovers to another qualified plan, or annuities. Annuities may be taken as a lifetime annuity, joint and survivor annuity, or for a period certain.

More detailed information may be found on the Division website, doa.alaska.gov/drb, or in the PERS Information Handbook.

Feature	Tier I 1/1/1961 – 6/30/1986	Tier II Entered after 6/30/1986	Tier III Entered after 6/30/1996	Tier IV Entered after 6/30/2006
Alaska Cost-of-living Allowance (COLA)	An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is $50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients age 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is $50 or 10% of the base benefit, whichever is greater.	An Alaska Cost-of-Living Allowance is payable to benefit recipients age 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is $50 or 10% of the base benefit, whichever is greater.	None provided.
Post Retirement Pension Adjustments (PRPA) **(Inflation Protection)**	PRPA increases granted on an ad hoc basis. If an ad hoc is not granted, Tier I employees must be age 60 or over or receiving benefits for 5 years to qualify for the automatic PRPA. The automatic PRPA passed in 1986 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees age 60 and over, and those who have received benefits for 5 years.	Automatic PRPA adjustments to disabled members, retirees age 60 and over, and those who have received benefits for 5 years.	None provided.
Retirement Medical Coverage	After vesting, medical coverage is provided to all benefit recipients and their eligible dependents. The retirement system pays the AlaskaCare retiree medical plan premium.	After vesting, medical coverage is provided to disabilitants, regardless of age, and benefit recipients age 60 and over or, • Peace officer/fire members with 25 years of police/fire service • all other members with 30 years of membership service This coverage includes eligible dependents. The retirement system pays the AlaskaCare retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage.	Same as Tier II. However, employees must accrue a **minimum of 10 years of credited service*, to have system-paid coverage at age 60.** Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage. 100% vested with 10 years of credited service. *Credited service includes all service used in the calculation of a retirement benefit.	Access to medical coverage at Medicare eligible age with 10 years of service or at any age with 25 years of service for peace officers and firefighters or with 30 years of service for all others. Must retire directly from the system. If not eligible for Medicare, must pay full premium. May use health reimbursement arrangement (HRA) account to pay premiums. Once the HRA is exhausted, member self-pays premiums. When eligible for Medicare, the percentage of premium paid by the retiree or surviving spouse is: 10-14 years of service - 30% 15-19 years - 25% 20-24 years - 20% 25-29 years - 15% 30 years or more - 10%
Disability Benefits	Nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation. Different occupational disability formula available before 7/1/76.	Nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation.	Nonoccupational disability benefits are calculated as a normal retirement. Occupational disability provides 40% of the gross monthly compensation.	Must be a total and presumably permanent disability whose cause is directly related to performance of duties of the job or an on the job injury. Benefit is 40% of salary; earns service while on occupational disability. Employer continues to make all required contributions as if the member were working, plus the member's required contributions to the DCR account, without deduction from the member's disability payment. Disability benefits cease when the member becomes eligible for normal retirement at Medicare eligible age and 10 years of service or at any age with 25 years of service for peace officers and firefighters or with 30 years of service for all others. Medical insurance is available to members receiving disability when member is eligible for a normal retirement.

Alaska Division of Retirement and Benefits

Teachers' Retirement System (TRS) Plan Comparison Chart

Feature	Tier I 7/1/1955 – 6/30/1990	Tier II Entered after 6/30/1990	Tier III Entered after 6/30/2006
Employee Contribution (% of pay)	Pre-tax employee contribution: 8.65% beginning 1/1/91	Pre-tax employee contribution: 8.65% beginning 1/1/91	Pre-tax employee contribution: 8%
Employer Contribution (% of payroll)	12.56% Cost Share TRS on-behalf payment paid by the State of Alaska is 26.97%	12.56% Cost Share TRS on-behalf payment paid by the State of Alaska is 26.97%	7% - DCR Plan account 0.99% Health Plan - adjusted by annual actuarial valuation; plus Health Reimbursement Arrangement (HRA) - Flat dollar amount per employee based on 3% of the average annual compensation of all employees of all employers in the system. Occupational Death & Disability – 0.62%
Vesting	Employees vest with 8 years of service.	Employees vest with 8 years of service.	100% vested in employee contributions immediately. Vested in employer contributions based on the following schedule: 25% after 2 years of service, 50% after 3 years, 75% after 4 years and 100% after 5 years.
Qualifications for Retirement	After vesting, normal retirement age is 55, with early retirement at age 50; teachers can retire at any age after 20 years of membership service.	After vesting, normal retirement age is 60, with early retirement at age 55; teachers can retire at any age after 20 years of membership service.	None for investment account. Taxes and penalties may apply if withdrawn before age 59 1/2. See requirements for Retirement Medical Coverage.
Benefit Calculation Formula	Benefit formula: 2% for the first 20 years and all years of service prior to July 1, 1990, 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.	Benefit formula: 2% for the first 20 years, 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.	DCR Plan account balance plus investment earnings. May be received in several different payment options. Payout options include lump sum payments, rollovers to another qualified plan, or annuities. Annuities may be taken as a lifetime annuity, joint and survivor annuity, or for a period certain.
Alaska Cost-of-living Allowance (COLA)	An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.	An Alaska Cost-of-Living Allowance is payable to benefit recipients age 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.	None provided.

More detailed information may be found on the Division website, doa.alaska.gov/drb or in the TRS Information Handbook.

Feature	Tier I 7/1/1955 – 6/30/1990	Tier II Entered after 6/30/1990	Tier III Entered after 6/30/2006
Post Retirement Pension Adjustments (PRPA) **(Inflation protection)**	PRPA increases granted on an ad hoc basis. If an ad hoc is not granted, Tier I employees must be age 60 or over or receiving benefits for 8 years to qualify for the automatic PRPA. The automatic PRPA passed in 1990 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees age 60 and over, and those who have received benefits for 8 years.	None provided.
Retirement Medical Coverage	After vesting, medical coverage is provided to all benefit recipients and their eligible dependents. The retirement system pays the AlaskaCare retiree medical plan premium.	After vesting, medical coverage is provided to disabilitants, regardless of age, and benefit recipients age 60 and over, and for retirees with at least 25 years of membership service. This coverage includes eligible dependents. The retirement system pays the AlaskaCare retiree medical plan premium. Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage.	Access to medical coverage at Medicare eligible age with 10 years of service or at any age with 30 years of service. Must retire directly from the system. If not eligible for Medicare, must pay full premium. May use health reimbursement arrangement (HRA) account to pay premiums. Once the HRA is exhausted, member self-pays premiums. When eligible for Medicare, the percentage of premium paid by the retiree or surviving spouse is: 10-14 years of service - 30% 15-19 years - 25% 20-24 years - 20% 25-29 years - 15% 30 years or more - 10%
Disability Benefits	Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.	Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.	Must be a total and presumably permanent disability whose cause is directly related to performance of duties of the job or an on the job injury. Benefit is 40% of salary; earns service while on occupational disability. Employer continues to make all required contributions as if the member were working, plus the member's required contributions to the DCR account, without deduction from the member's disability payment. Disability benefits cease when the member becomes eligible for normal retirement at Medicare eligible age and 10 years of service or at any age with 30 years of service. No medical insurance until eligible for normal retirement.

More detailed information may be found on the Division website, doa.alaska.gov/drb or in the TRS Information Handbook.

Unfunded Liability in Alaska's Retirement Systems

Where It Came From and How to Eliminate It

Teal, Legislative Finance

August 2011—revised **draft** September 2011

The purposes of this paper are to increase the understanding of Alaska's public retirement systems and to prompt discussion that will fill in the details of a plan to eliminate unfunded liability without paying hundreds of millions of dollars in annual state assistance. The paper begins with a description of Alaska's retirement systems (focusing on fiscal issues), and then presents a series of questions and answers that are intended to provide the background and options necessary to prompt discussion of how to best resolve the situation.

Alaska's two major government sector retirement systems—the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS)—have total unfunded liabilities in excess of $11 billion[1]. In simple terms, unfunded liability means that projected benefit payments are expected to exceed the level of assets required to pay those benefits. To give unfunded liability perspective and measure the health of retirement systems, actuaries use the ratio of system assets to system liabilities. A funding ratio of 100% means a system is fully funded—that is, it has no unfunded liability. The funding ratios for PERS and TRS are 62% and 54%, respectively. In short, standard measures of the health of Alaska's retirement systems show them to be woefully under-funded.

Unlike government in general, retirement systems have limited options to reduce expenditures. Because retirement benefits cannot be quickly or easily reduced, increasing assets of retirement systems is often seen as the only viable option for closing a funding gap.[2]

The standard actuarial method to increase assets is to increase employer contribution rates. Multiplying the annual contribution rate by an employer's payroll determines the amount of contributions each employer will pay, so higher rates bring in more contributions. Annual contribution rates are typically calculated in a way designed to make the system fully funded after a long period (25 years in Alaska).

As a consequence of unfunded liability, employer contribution rates in Alaska are very high and are projected to remain high for many years. The "normal" employer contribution rate—which is the rate that would be required to fund a retirement system in

[1] The $11 billion figure is based on the actuarial value of assets; using the market value of assets increases the unfunded liability to about $13.4 billion. Actuarial value is typically used to present and compare data on the soundness of retirement systems.

[2] Courts have ruled that employees have a constitutional right to accrued benefits. While benefits can be reduced—or employee contribution rates increased—for future employees, it takes several years for such changes to have a significant fiscal impact.

the absence of unfunded liability—is about 10% of payroll. For FY13, projected employer contribution rates are 35.84% and 52.67% for PERS and TRS, respectively.

Fortunately for employers, Alaska law caps PERS employer contribution rates at 22% and TRS rates at 12.56%. Unfortunately for the state treasury, Alaska pays the difference between the rate cap and the full actuarial rate. For example, for every $100,000 paid to PERS employees eligible for a pension, the employer will pay $22,000 (22%) to PERS, and the state will pay $13,840 (35.84%-22%).

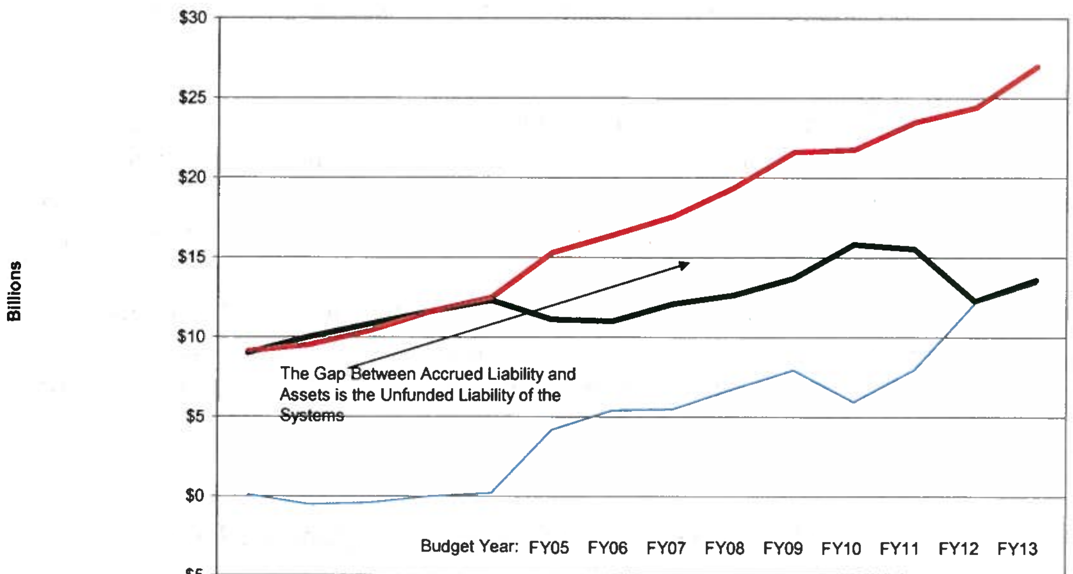
As payroll grows—both by the addition of employees and by higher salaries to individual employees—employer and state costs will increase. State assistance to retirement systems has grown from $285 million in FY10 to $358 million in FY11 to $480 million in FY12. FY13 costs are expected to be $610 million. The cost of state assistance is projected to continue to escalate—reaching a peak of $1.2 billion annually before turning downward near FY30 as the number of beneficiaries declines. If the projections are accurate, annual state assistance to retirement systems will exceed Medicaid costs and may rival the cost of K-12 education.

The consensus opinion of government budget/policy staff is that Alaska cannot afford the projected level of state assistance. Even if oil prices remain high, production declines are likely to reduce state revenue in the future. The projected level of state assistance to retirement may leave us with little flexibility to meet other budget needs. The following questions and answers are intended to provide the background and options necessary to prompt discussion of how to best resolve the situation.

Who is responsible for the poor financial condition of Alaska's retirement systems?

The short answer is "no one—the problem is attributable primarily to investment losses and to revisions of actuarial assumptions." A bit of history may help here. Until FY05, the state's actuaries claimed that Alaska's retirement systems were 100% funded. As shown in figure 1, the onset of unfunded liability was both sudden and profound. It occurred when a review of actuarial assumptions found that Mercer (former actuaries for Alaska's retirement systems) had been using outdated information to determine the condition of the retirement systems.

Figure 1. PERS/TRS Assets and Liabilities



	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Assets (Mkt Value)	9.0	10.0	10.8	11.6	12.3	11.1	11.0	12.1	12.6	13.7	15.8	15.5	12.3	13.6
Accrued Liability	9.1	9.5	10.4	11.6	12.5	15.3	16.4	17.6	19.3	21.6	21.8	23.5	24.4	27.0
Unfunded Liability	0.1	(0.5)	(0.4)	-	0.2	4.2	5.4	5.5	6.7	7.9	5.9	8.0	12.2	13.4

So Mercer is to blame?

The role of actuaries in retirement system planning is critical. Actuaries integrate assumptions regarding rates of return, inflation, mortality, and numerous other variables into a model that projects the assets and liabilities of a retirement system. The model is used to determine the contribution rates required to keep the system healthy. Mercer's actions *hid* the problem, but they are not the primary *cause* of the problem. More accurately, we would still have a large unfunded liability even if Mercer had been more attentive.

Figure 1 offers a simple explanation of the developing fiscal problem. Replacing Mercer's assumptions regarding future benefit costs caused liabilities to increase by about $2 billion in FY05, which is roughly half the unfunded liability gap that opened in that year. [3] The remaining $2 billion of the gap was due a decline in the value of assets—also caused in part by a revision of actuarial assumptions. If the condition of the retirement systems had been more accurately depicted, contribution rates in prior years

[3] The funding gap actually opened in FY02. However, there is a three-year lag between events and reaction in Alaska's retirement systems. The financial condition of the systems at the end of FY02 determined contribution rates for FY05, which is when the budding fiscal problem first received widespread attention. As an example of the time lag, note that the financial market slide of 2008 and 2009 (as indicated by the downturn in the value of assets) affected rate calculations in FY11 and FY12. In this paper, references to years refer to the year for which rates are calculated (i.e., the budget year) rather than to the actuarial valuation year.

would have been higher (and the FY05 unfunded liability reduced). Note, however, that market losses in FY08 and FY09 account for at least $5 billion of the unfunded liability gap (compared to what the gap would have been if assets had continued an upward trend).

While some argue that earnings on prior contributions (had Mercer's rate calculations called for them) would have narrowed the gap, there are a few points to consider:

- Mercer's actions caused a change in the timing of employer contributions but not necessarily a significant change in the amount of contributions—Mercer took no money from the systems.
- The impact of additional contributions (and earnings on them) would have been partially offset by additional losses in the market crash of FY08 and FY09.
- A statutory cap on rate increases prevented rates (in FY05 through FY07) from being set as high as actuarial calculations recommended.

Does the State—or the Alaska Retirement Management Board (ARMB)—bear some responsibility?

Neither the State nor the ARMB have contributed significantly to the fiscal problems of Alaska's retirement systems. In fact, Alaska's many positive actions include:

- Reflecting health care costs in the funding ratio. Although Alaska's retirement systems rank near the bottom in a nationwide list of funding adequacy, Alaska is one of the few states that include projected health care costs in benefit projections. Most other states overstate the funding adequacy of their public retirement systems by excluding health care costs.
- Holding the line on benefit increases. During periods of strong performance in financial markets, retirement systems often reach or exceed 100% funding ratios. Many states reacted to high funding ratios in the 1990s by increasing retiree benefits. Alaska did not increase benefits—we created a new, lower cost tier for PERS employees new to the system after 1996.
- Eliminating a statutory cap on annual increases in employer contribution rates soon after the cap began to limit rate increases.
- Paying the full contribution rates recommended by the state's actuaries. Several states reduced contributions as the recession strained budgets.
- Adopting realistic actuarial assumptions. It is tempting to make retirement systems appear to be healthier by modifying assumptions regarding rates of return, discount rates, inflation rates, life expectancy and many other variables that affect the calculation of funding ratios. The ARMB should be applauded for recently adopting a set of more realistic assumptions. These assumptions increased the calculated amount of unfunded liability by about $2 billion.
- Replacing defined benefit plans with defined contribution plans. The primary difference between defined benefit (DB) and defined contribution (DC) retirement plans is assignment of risk. In a DB plan, the employer offers a defined level of benefits (typically a monthly pension) and absorbs the risk that deviations from actuarial assumptions—like lower-than-expected return on investment and longer-

than-expected payout streams—may increase the cost of providing the defined benefit. In a DC plan, the employer agrees to contribute a defined amount (typically a percentage of earnings) to individual retirement accounts and the *employee* absorbs all risk that his account balance will not be sufficient to provide the expected retirement benefits. Each type of plan has advantages and disadvantages to employees and employers, but there can be no debate that unfunded liability would be higher in FY12 if the State had not adopted DC plans. In essence, DC employees bore the brunt of market losses in FY08 and FY09. If those employees had been in a DB plan, system liabilities would be higher and *employers* would be responsible for replacing market losses.

Who is responsible for paying the unfunded liability?

The short answer is "employers." But again, the answer is not as simple as one might think. Until the reforms of FY08, Alaska's public employers (as in many states) had individual contribution rates that were based on the experience of each employer. Without legislative action, the average PERS contribution rate would have been over 32% for FY08, and some municipal contributions would have been more than 100% of their payrolls. To make matters worse, there was consensus that rates would go higher before beginning a downward trend and that rates would not go below 23% before FY30. With severe fiscal pressure—even bankruptcy—on the horizon, municipalities (and the State) wanted to make PERS contribution rates stable, predictable and affordable.

The solution involved three steps:

1. Adopting a shared cost system—meaning that liabilities, assets and payrolls were pooled and every participating employer paid a single contribution rate based on the blended experience of all participating employers.
2. Setting employer contribution rates at no more than 22% of payroll.
3. Shifting costs (in excess of those covered by the 22% rate) to the State.

These actions did not reduce the total cost of PERS, they simply provided financial assistance to political subdivisions. The State (as administrator of the retirement system) has no moral or legal obligation to provide assistance to municipalities (or other employers) for PERS costs; all participating employers are responsible for paying system costs.

Then why did the State agree to pay costs over 22% of payroll?

State actions were intended primarily to rescue political subdivisions from the brink of disaster. There were several factors involved in the decision:

1. The State was in a better fiscal position than local governments to address the problem.

- At the time, high oil prices provided surplus revenue to the treasury while increasing the costs of local government. PERS assistance was a way to share revenue with political subdivisions.
- The magnitude of the problem appeared much less daunting than it does now. Actuarial projections showed the annual cost of PERS assistance would reach about $70 million per year before falling to $20 million by FY20 and to zero by FY30.

2. Actuarial models produced fund balances that were much higher than needed to pay benefits in the long term. This indicated that contribution rates were higher than necessary and that the true costs of state assistance might be lower than actuarial projections.
3. There would be opportunities to revise actuarial methods to reduce or eliminate state assistance in the future if the cost of state assistance became unaffordable.

Those original projections of state assistance trending downward from $70 million per year bear little resemblance to reality or to the revised outlook for continued escalation. Recall the discussion from page two—state assistance to retirement systems has grown from $285 million in FY10 to $358 million in FY11 to $480 million in FY12. FY13 costs are expected to be $610 million. The cost of state assistance is projected to continue to escalate—reaching a peak of $1.2 billion annually before turning downward as the number of beneficiaries declines. The original projections did not anticipate billions of dollars of investment losses or the adoption (beginning FY13) of revised actuarial assumptions that increased the unfunded liability by another $2 billion.

The revised outlook for costs of state assistance changes the entire landscape; because the State cannot afford the multi-billion cash outlay that is now projected, we must look for ways to reduce or eliminate annual state assistance.

Can the State simply stop paying annual state assistance?

Yes, under conditions outlined later in this paper.

There are two seemingly contradictory truths about retirement system funding:

1. Unfunded liability is a debt to the system.
2. Unfunded liability is a "soft liability" that can be extinguished in ways other than paying it off.

Those who take a hard line approach to retirement funding believe the debt must be paid, preferably as soon as possible because delays add interest costs to the existing debt. This approach implies contribution rates must remain at the actuarially recommended rate. Others argue that higher-than-expected earnings are just as effective as contributions when it comes to reducing the unfunded liability, and that overreaction to poor short-term investment returns is unwarranted. Several states have adopted this line of reasoning and have opted to pay less than the actuarial rate to their retirement systems.

But arguing about precisely how or when to close an unfunded liability gap misses the point. The underlying reason Alaska can stop making annual state assistance payments is that the legislature closed Alaska's defined benefit retirement plans to new employees.

Why does closing a retirement system allow us to ignore traditional rate calculations designed to pay off the unfunded liability?

In a typical defined benefit retirement plan, the actuarial objective is to maintain assets equal to accrued liability. In a typical defined benefit retirement plan, accrued liabilities increase every year. The upward trend is a function of:

1. the life history of employees—how many there are, how long they work, how much they earn, when they retire and when they die,
2. pension and health care formulas/agreements, and
3. inflation, which affects future salaries (which, in turn, affects benefits) and post retirement pension adjustments.

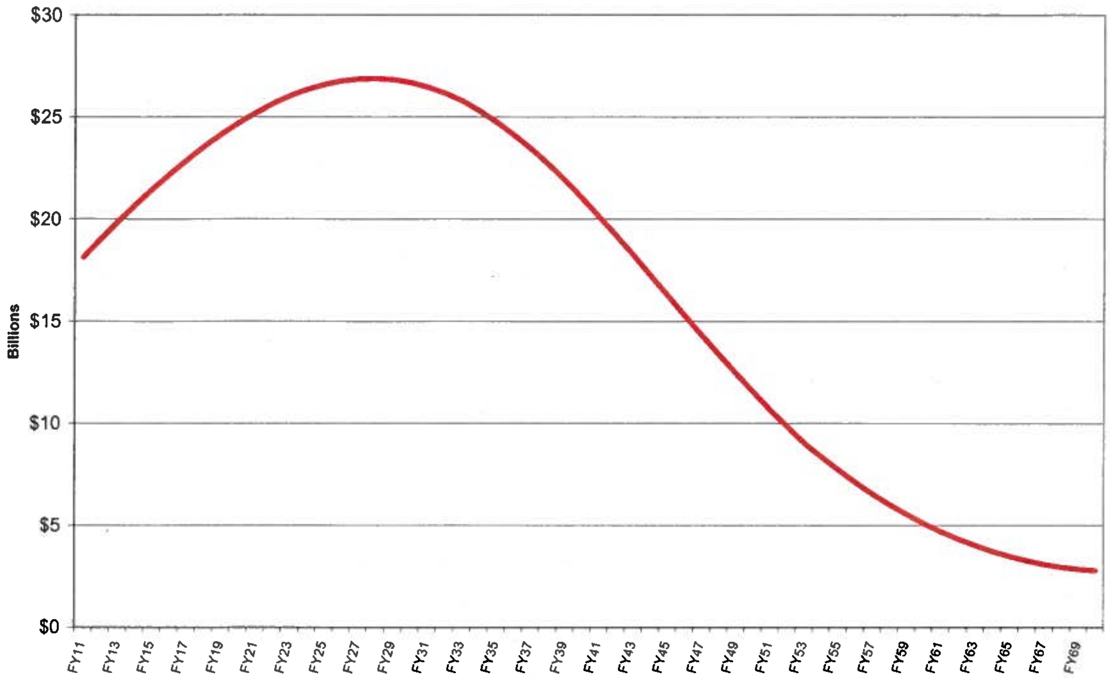
Once an employee is hired, there is little that can be done to control the accrual of benefits for that person. In attempting to match assets and liabilities, actuaries effectively take liabilities as a given; they focus on increasing assets to reach an ever-increasing level of accrued liabilities. Benefit payments (and investment losses) reduce assets, and the following items increase assets:

1. Earnings—but return on investment is typically an input of a model (and manipulating projections of asset values by using overly optimistic assumptions regarding earnings is not in anyone's best interest).
2. Employee contributions—but this rate is not typically subject to change due to constitutional provisions protecting accrued benefits.
3. Employer contributions—this is the primary variable used to generate asset growth.

The key to the ability to modify actuarial objectives is that Alaska does not have a typical retirement system. The traditional actuarial approach works well when liabilities are ever-increasing, as they are under an open system. Because Alaska closed PERS and TRS defined benefit plans to new entrants, a plotted line of liability will turn downward in the future. The lack of new entrants constrains the accrual of additional liability, and liability associated with those already in a defined benefit plan declines as retirees die.

The downturn can be seen (beginning near 2030) in figure 2, which shows projections for the accrued liability of the PERS system through 2070 (the last defined benefit plan employee is projected to retire in the early 2040s).

Figure 2. Projected PERS Liabilities
Buck Baseline Scenario



The year in which the downturn begins and the speed of the decline depend on assumptions built into the model. The exact location of the peak and the year in which liability reaches zero are not particularly important; the point is that the liability curve *will* turn downward and *will* reach zero when the last pensioner dies.

But doesn't closing a retirement plan to new entrants also mean that contributions will fade away as the number of participating employees declines?

Not in Alaska. ***Another key point is that PERS and TRS employers pay contributions based on their full payroll, not just on the payroll of employees participating in defined benefit plans.***

For employees in PERS or TRS defined benefit plans, the full amount of employer contributions goes to retirement trust accounts from which benefits are paid. This is typical of retirement plans. For participants in PERS and TRS defined contribution plans, the employer contributes the normal cost—meaning a rate that does not include repayment of unfunded liability—to each employee's individual retirement account and to the shared health care trust. The remainder of employer contributions—the difference between the full employer rate (22% for PERS and 12.56% for TRS) and the normal cost of the defined contribution plan—goes to the retirement trusts to pay defined benefits. State assistance payments also go to trust accounts and reduce unfunded liability.

In short, contributions to the retirement trust funds need not fade away as defined benefit employees are replaced with defined contribution employees.

The situation doesn't sound fair—why do the trust funds get contributions for employees who are ineligible for pensions?

First, let's be perfectly clear that defined contribution *employees* do not contribute to defined benefit trust funds. It is *employers* that contribute, and those contributions are not made on behalf of particular employees, they are simply a way of paying the bill that employers owe. Payroll is just a way of allocating costs among employers. Using the full payroll reduces contribution rates. The potential distortion caused by using full payroll to allocate costs was considered to be insignificant relative to the employment discrimination that could have resulted if employer contribution rates varied for each tier that employees were in.[4]

But benefits outlays don't start to decline for almost 20 years. If there is no more state assistance, won't PERS employer contributions be fixed at 22% longer than they would be under the current approach? Won't that mean employers pay more than they should?

There is no question that reducing state assistance will keep employer contribution rates at 22% for a longer period. As an example of the impact of stopping state assistance, a test scenario with a $2 billion deposit of state funds in FY13 extended the 22% rate by two years.

In fairness, the extension of the 22% rate does accurately portray the degree of cost shifting (from the State to employers) that could occur if annual state assistance is ended. Employer contribution rates drop from 22% to (near) zero in just two years under the baseline scenario. Under the $2 billion deposit scenario, that rate cliff would be replaced with a more gradual decline. Because there are several factors that could affect how gradual that decline might be, no sample graph is included here.

The point to keep in mind is that the State is not responsible for paying off the unfunded liability—employers are.

[4] Consider the example of a DB employee—with a retirement cost of 22%—competing for a job against a new employee for whom retirement contributions were only half as much.

If the state no longer provides annual assistance of hundreds of millions of dollars, how do we guarantee there will be enough money on hand to pay benefits when they are due?

There are no guarantees when it comes to making long-term projections involving many complicated variables. The best we can do is to have actuaries create a scenario in which there is no annual state assistance. Buck prepared such a scenario for both PERS and TRS. The models used to create the scenarios incorporate the assumptions recently adopted by the ARMB. The following discussion is limited to the PERS scenario.

A test scenario with employer rates capped at 22% and no annual state assistance indicated the PERS trust fund will be empty near 2040. But that is not an indication of failure of the concept. The purpose of the test scenario was to determine how large a one-time addition of money would be required to replace annual state assistance. As a starting point, Buck ran a scenario with a $2 billion deposit in FY13. The results in figure 3 indicate that a $2 billion deposit will be sufficient to pay benefits when due.

Figure 3. Projected PERS Assets and Liabilities with a $2 billion Deposit in FY13

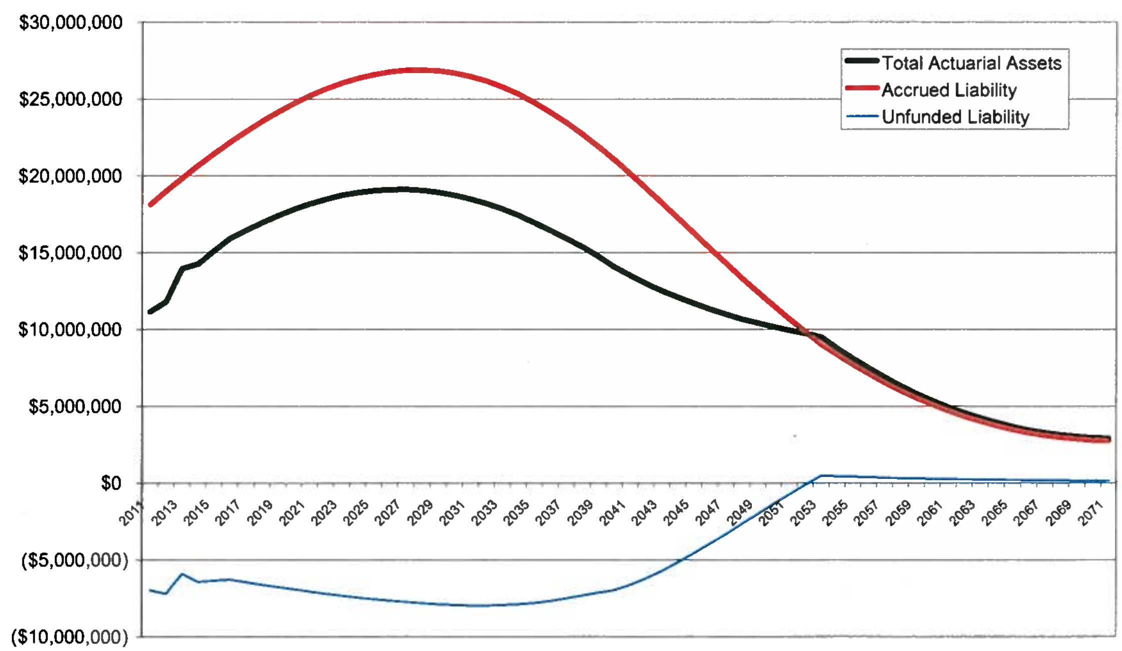


Figure 3 indicates that a $2 billion deposit in FY13 would bring the funding ratio—the ratio of assets to liabilities—to 100% in the early 2050s. Put another way, the unfunded liability would be eliminated in the early 2050s. What figure 3 does not show is that the result is achieved with no employer contributions to the trust fund after the early 2050s; annual investment returns would be sufficient to pay annual benefits.

Need Buck to run scenarios with various up-front payments and various triggers for transfer from reserves to the trust. The easiest trigger is likely the funding ratio—money would transfer from reserves to keep the ratio above an arbitrary minimum. Money cannot be transferred from the trust to reserves, nor can contributions go to the reserve account. A secondary trigger to transfer from reserves to the CBRF would allow the state to recover the deposit and would keep rates above zero. All this stuff is needed to flesh out options and needs to be done before releasing this paper.

Why is a one-time deposit better than annual payments?

A one-time deposit isn't necessarily better; it is just more expedient:

- There is no guarantee that money will be available in the future (after operating and capital budgets) to make large projected annual payments, or that the legislature will vote to use any surplus revenue to pay down the unfunded liability.
- We currently have sufficient reserves to solve the problem with a single vote.

Wouldn't a one-time deposit deplete all reserves outside the Constitutional Budget Reserve Fund, particularly if there is a similar plan for TRS?

While one could argue that the source of money is unimportant from a technical perspective, the source *is* important from a political perspective. Without going into detail, let's assume that legislative leadership wants to adopt annual budgets without obtaining the supermajority vote required to access the Constitutional Budget Reserve Fund (CBRF). If we use non-CBRF reserves for retirement systems, a future reduction in revenue could quickly exhaust the remaining non-CBRF reserves, thus forcing annual supermajority votes to get a budget through the legislature.

For those who want to avoid annual supermajority votes, the better option is to make a single transfer from the CBRF to retirement systems.

But that would mean reopening a liability to the CBRF. Wouldn't that mean a return to the days sweeping available general funds into the CBRF at the end of each year, with an annual supermajority vote required to reverse the sweep?

Any withdrawal from the CBRF must be repaid (per Article IX, Section 17(d) of the State Constitution), and available general funds must be swept into the CBRF at the end of each year until the liability is repaid. But a supermajority vote limited to reversing the sweep has not been a political problem in the past and there are ways to minimize the impact of a sweep. Those actions include transferring balances subject to the sweep—

including the statutory budget reserve fund—to a non-sweepable fund such as the Alaska Housing Capital Corporation account. Necessary transfers can be made with a simple majority vote in any appropriation bill.

Is there a chance that we can recover the money from retirement trust accounts to repay the CBRF?

Once money is deposited to the trust accounts, it can be used only to pay benefits. But there is an option that avoids this problem. Rather than depositing money in the retirement trust accounts, we could create a reserve account from which money could be transferred to the trust accounts only as needed.

What are the advantages of a reserve account versus deposits to trust accounts?

When it comes to the ability to pay benefits when due, there is no difference between having a single account or two accounts. The primary advantage of the reserve account is that the reserve balance would be recoverable. We would have the flexibility to withdraw funds during a budget crisis or, in what appears to be a likely scenario, when benefit outlays decline to the point that reserves are no longer necessary.

Determining who "owns" the "leftover" money in a trust account is problematic. It is likely that a surplus balance in the trust would go the federal government as well as to state and local government employers.[5] That is, it is more likely that the State could recover state assistance payments made to a reserve account than to a trust account.

The potential for recovery may be a critical factor in deciding where a one-time deposit should go. Modeling efforts show that the PERS trust may have "too much" money once benefit outlays begin to decline near 2040 (as evidenced by a very rapid decline in contribution rates once the system is fully funded). That problem would be exacerbated if a deposit to the trust account were followed by higher-than-projected earnings.

There are several options for setting up transfers from the reserve account to the trust account. Perhaps the simplest is to establish a statutory minimum funding ratio and make automatic transfers from reserves to the trust to maintain that ratio. For example, each year actuaries would compare assets in the trust to system liabilities, and if that ratio fell below 40%, the amount required to bring the ratio to 40% would be transferred from reserves to the trust. More sophisticated triggers could be developed as part of a legislative package, or the issue can be left for others to address in the future.

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[5] A federal claim to leftover trust funds would be based on the proportion of payroll paid with federal receipts. In response to an inquiry, the Department of Administration said that the federal government not only could, but assuredly would, expect recovery of a share of the trust when it was no longer required to pay retirement benefits.

Wouldn't the reserve account be subject to the annual sweep of available funds to the CBRF?

The reserve account would not be subject to the CBRF sweep if transfers from reserves to the trust did not require appropriation. This condition could be met with a trigger mechanism that transferred money under specified conditions, such as the funding ratio of the system.

What are the disadvantages of a reserve account versus deposits to trust accounts?

Deposits to the trust offer certainty that cannot be matched by annual state assistance payments or by a reserve account. For those seeking a guarantee of sufficient balances to pay future benefits, the flexibility offered by a reserve account will be seen as a disadvantage. Future legislatures could appropriate the reserve balance for purposes other than payment of benefits. This may appear to be a fatal flaw in the reserve account approach, but there is little practical difference between recapturing money from reserves and failing to pay state assistance.

Because reserve account balances are not dedicated to the payment of benefits, actuaries will exclude the balance from the calculation of "official" funding ratios. This will make the retirement system appear to be in poorer fiscal condition than it is, thereby potentially affecting state bond ratings. Again, this is not necessarily a fatal flaw.

- Actuaries can compute the funding ratio with and without reserves. While the former method does not conform to GASB (Government Accounting Standards Board) rules, those rules affect only the reporting of information—they are not standards of behavior.
- The approach can be explained to rating agencies, who may agree that the official numbers do not tell the complete story and conclude that establishing a defined contribution system and a reserve account are preferable (in that they put the state in a healthier fiscal position) to the significant annual state assistance payments that will be required if we do not address the problem.

What about earnings on reserve fund balances—where would they go?

The reserve fund would be invested by the ARMB and earnings would accumulate in the reserve fund, just as earnings on trust fund balances accumulate in the trust fund.

Earnings are a key component of the ability to pay benefits when due. Earnings on money transferred from the CBRF would be used to pay benefits (as necessary). Any balance not needed to pay benefits can be used to repay the liability to the CBRF or go to the general fund. Because the liability to the CBRF is limited to the amount of principal withdrawn, the transfer to a retirement reserve fund is effectively a zero-interest loan.

Can we get by with a transfer of less than $2 billion to PERS?

As noted earlier, peering 30 years into the future in not an exact science. A model scenario with no annual state assistance and $2 billion deposit in FY13 shows that:

- employer contribution rates fall below 22% by 2040 and
- the total funding ratio—the ratio of trust fund assets plus reserve fund assets to system liabilities—hovers near 70% until about 2045, and then turns upward to reach 100% by the early 2050s.[6] The current funding ratio is 62%.

These are indicators that $2 billion is more than sufficient to maintain a healthy retirement system while eliminating state assistance. But the projections are very sensitive to investment returns—for example, the FY11 return of 20% generated about $1.2 billion more than anticipated under an assumption of an 8% return. The higher-than-expected return is fiscally identical to a deposit paying off $1.2 billion in unfunded liability.

In short, a few bad years of investment returns can make a $2 billion deposit insufficient to keep the system healthy, while a few good years could make a $2 billion deposit far larger than necessary to accomplish the goal of paying benefits when due without relying on state assistance. This variability underscores the advantage of establishing a reserve account. The $2 billion figure is an arbitrary amount that allows for a little misfortune; if the deposit turns out to be more than required, surplus reserve balances can be returned to the CBRF or go to the treasury.

Why the focus on PERS—What about TRS?

PERS is far more complex than TRS. TRS is inherently simpler because the State is effectively the only employer. The cost to the State would be the same whether school district retirement costs were paid through the K-12 foundation formula or by paying state assistance directly to the trust fund.

It is important to understand that stopping PERS assistance could shift future costs from the state treasury to employers (including the state itself). Stopping TRS assistance would shift the timing of state contributions without shifting costs away from the state.

In determining whether to make a one-time deposit to TRS, there are several issues to consider:

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[6] Ideally, scenarios testing the sensitivity of results to deposit amount, rate of return and other variables would be available. We have not yet requested additional model runs.

1. If the objective is to reduce annual assistance payments, then the concept is as relevant to TRS as it is to PERS.
2. There will be a constituency that will have difficulty understanding why the legislature would address problems in only one of the two retirement systems.
3. The costs of funding the TRS system will be paid by the State, now or in the future. Other than waiting for high investment returns to fix the problem of high contribution rates—which is unlikely because employer contributions will decline as DC payroll replaces DB payroll—there is little reason not to follow the approach proposed for PERS.
4. The statutory employer rate for TRS (12.56%) provides very little headroom between normal rates (about 10.5%) and the statutory rate—meaning that employer contributions will decline significantly as the DB payroll fades away. The DC payroll under PERS will continue to generate money as the PERS DB payroll declines because the statutory (maximum) employer contribution rate of 22% is much higher than the normal rate.
5. Increasing the statutory TRS rate will not reduce state costs—it will simply move the costs from direct state assistance to state assistance through the K-12 formula (assuming that school districts are not expected to absorb the higher costs).
6. Even though TRS is roughly half the size of PERS, TRS would require a deposit of about $4 billion to put the system on sound financial footing in the absence of annual state assistance.
7. As an alternative to making a deposit sufficient to eliminate annual TRS assistance, a cap on the actuarial rate (perhaps linked to the funding ratio) could be used to reduce payments.

Can this discussion be condensed to a step-by-step plan?

Assuming the goal is to replace annual state assistance with a one-time payment that is sufficient to ensure that future benefits can be paid when due, there are too many options to permit development of a firm plan at this time. A general outline—with some of the many variables and alternatives highlighted—follows:

1. Amend Alaska statutes to accomplish the following:
    a. Establish a retirement reserve fund.
        - A single fund to address PERS? Should TRS be addressed? If so, are separate funds better than a combined fund?
        - Alternative: no reserve fund(s) required—deposit money directly to the trust fund(s).
    b. Eliminate requirements for state assistance payable when actuarial rates exceed statutory rate caps.
    c. Establish a trigger to transfer from reserves to the trust fund.
        - A more conservative trigger—meaning one that makes the system appear healthier by GASB standards—requires a larger deposit.
    d. Establish a trigger to recover money from the reserve fund.

    - Is there a desire to recapture any of the deposit? Only the original deposit? Earnings on the deposit?
2. Appropriate money from the CBRF to the reserve fund (supermajority vote required).
    - How much money?
    - Use savings other than the CBRF?
3. Transfer non-CBRF savings balances to nonsweepable accounts in order to minimize the impact of supermajority votes associated with an outstanding liability to the CBRF.

The outline is not intended to be comprehensive—its purposes is to prompt discussion that will fill in the details of a plan to eliminate unfunded liability without paying hundreds of millions of dollars in annual state assistance.

What about other options to reduce unfunded liability and/or state assistance?

When exploring options to solve a problem, it is useful to specify goals so that options can be evaluated in terms of their potential for meeting those goals. Agreeing on goals is not always an easy task—goals differ in priority from person to person, and some goals may not be shared by all parties involved in finding a solution. As a starting point, options are evaluated based on their potential for meeting the following goals:

1. Ensure that PERS can pay all benefits when due.
2. Retain the "22% deal" that makes municipal contribution rates as stable and affordable as possible.
3. Minimize annual state assistance costs.

To simplify the discussion, let's assume that goals 1 and 2 are met so that we can focus on goal 3. Options that make progress toward goal 3 fall under one of three approaches:

1. **Do nothing**

   This is a viable option. A few years of 20% investment returns—as occurred in FY11—would reduce annual assistance by reducing the unfunded liability. Even if investment returns on retirement trust funds are near the 8% projected, the State could use earnings on savings accounts or other revenue to continue to pay escalating costs of state assistance. Of course, doing so would not reduce budgetary pressure caused by a drop in revenue. In short, doing nothing works well as long as state revenue remains strong.

   The reserve account approach outlined in this paper may appear to be a variation of the "do nothing" option because it relies on earnings from a savings account to eliminate state assistance. The key difference from the "do nothing" approach is that earnings on the CBRF are not currently part of the available revenue stream. By using a "new" source of revenue to fund state assistance, a reserve account created with a transfer from the CBRF reduces potential budgetary pressure.[7] Of course, reduced earnings in the CBRF would reduce the period that reserves could be used to balance the budget.

2. Accelerate the reduction of unfunded liability

For those who accept model output as our future reality, making higher near-term contributions is the only viable method to significantly reduce annual state assistance in the future. Unfortunately, any action that increases actuarial contribution rates is contradictory to the goal of reducing annual state assistance, assuming the state continues to absorb the cost of any rate above 22%. Raising employer contribution rates, making a one-time deposit or a series of smaller deposits are simply variations of the theme. It takes additional money to reduce unfunded liability.

The reserve account approach outlined in this paper adds money to the system. As discussed, the primary advantage of a reserve account (over deposits to the PERS and/or TRS trust accounts) is that it permits the State to recover the deposits if they turn out to be too large.

A **cash-out plan** is an alternative method to reduce unfunded liability. Instead of aiming to increase assets, such a plan is intended to reduce future liabilities. Under such a plan, retirees and/or beneficiaries would be offered a choice to receive a lump-sum payment in lieu of future pension and health care benefits. Because the lump-sum would be less than the present value of benefits, the unfunded liability would be reduced whenever a person chose the lump-sum option. The reduction of unfunded liability would depend primarily on:

- The discount from actuarial value—paying 99% of the present value of benefits would save little, if any, money, while paying 50% of value could result in substantial savings (if anyone chose an option with such a steep discount).
- The number of people that chose the lump-sum option—the participation rate would likely decrease as the discount from present value increased.
- Adverse selection—which is the tendency for those who expect a long retirement period to select a pension and those who expect a short retirement period to select the lump-sum. Couples with dual retiree health benefits might also tend to select the lump-sum option for one spouse.

Buck's analysis of the plan concludes that it could reduce unfunded PERS liability by $91 million to $485 million—which translates to reductions of annual state assistance of $6 million to $30 million. The analysis comes with the caveat that results are highly dependent on assumptions.

[7] Use of general funds or money from savings accounts would not have the same effect as using "new" money from the CBRF; earnings from those sources are currently part of the available revenue stream.

Note that a cash-out plan—which addresses the liability side of the unfunded liability issue—is compatible with plans that work to increase system assets. There is little reason to focus on only one side of the issue.

3. Revise actuarial methods or assumptions in order to restate the magnitude of the problem.

Closing retirement systems to new entrants allows—but does not force—a reassessment of actuarial methods. Changing methods or assumptions in response to changes in retirement systems would be valid; changes made with the intent to hide the magnitude of a problem should be avoided. As noted in this paper, the ARMB recently adopted a set of assumptions that *increases* the calculated amount of unfunded liability.

The reserve account approach outlined in this paper does not revise actuarial methods or assumptions, other than changes associated with tracking money that is part of the system—reserve fund balances—but is outside the trust fund. Several changes in methodology—including shortening the amortization period in years when unfunded liability is paid down, refinancing outstanding unfunded liability, adopting a rolling amortization period, and redefining funding targets—that might reduce state assistance were discarded. They were discarded not because they are ineffective tools to reduce state assistance, but because retaining a common set of assumptions and methods facilitates the comparison of various options.

Hall, Judith A (DOR)

From: David Teal [David_Teal@legis.state.ak.us]
Sent: Tuesday, October 04, 2011 5:52 PM
To: Barnhill, Michael A (DOA)
Cc: Boucher, John L (GOV); Rehfeld, Karen J (GOV); Hultberg, Becky (DOA); Hall, Judith A (DOR); Stedman, Bert K (LAA)
Subject: Re: Fwd: Possible November Special Meeting-Actuarial/Unfunded Liability Issues
Attachments: David_Teal.vcf

Thanks for keeping me in the loop on this. Unfortunately, I have been asked to be on a panel (discussing retirement system issues) at NCSL's fall meeting and the dates conflict. I think an ARMB discussion along the lines Martin Pihl and others suggest is critical--so critical that I contemplated canceling the NCSL commitment--and wish I could participate.
I will try to respond to Martin Pihl's points in writing sometime in the next few weeks, but there is no good substitute for live graphs on screen and the opportunity to ask/answer questions.

After the reaction in Fairbanks, it is clear to me that the board needs to understand that the work we are doing is aimed at identifying and evaluating options, not at developing a plan and expecting the board to follow it. I think Senator Stedman is still on the "exploratory hearings" track with the hope that options will rise or fall during that process. He is not expecting a bill laying out "the plan" supported by the board/Governor; he wants everyone to:

1. start the hearing process with enough information to talk about concepts;
2. be open-minded enough to let the discussion help determine their positions on the concepts;
3. have models and other analytical tools available to ensure that the concepts, details and consequences of each option are fully understood;
4. take the time required to discard, cannibalize, modify or adopt options until consensus is reached; and
5. fix this problem, if not permanently, then for a long time.

Analytical models and the ability to run scenarios will be critical to teaching decision-makers and evaluating alternatives, and we may need Buck to do a little work on the "add money" model. To Dave S, it is enough to know that the total funding ratio is healthy--as he says, determining transfer points is trivial. I agree at the conceptual level, but details may matter sooner than we anticipated. I think Buck needs to add the ability to trigger transfers from the reserve fund at variable funding ratios. The trigger point for transfers from reserves to the trust can affect the size of deposit required to make this work. The trigger point for transfers back to the CBRF/treasury will affect rate calculations, which affect who ultimately pays what share of the unfunded liability. It should be an easy change and is an important one. I've discovered over time that models help others see what is intuitively obvious to some of us, and they are essential to highlight counter-intuitive results. I mentioned this to him in Fairbanks, but the request needs to come from you.

Barnhill, Michael A (DOA) wrote:

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
MEETING

Location of Meeting
Fairbanks Princess Hotel
Jade Room
4477 Pikes Landing Road
Fairbanks, Alaska

MINUTES OF
September 21, 22 & 23, 2011

Wednesday, September 21, 2011

CALL TO ORDER

CHAIR SCHUBERT called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:30 a.m.

ROLL CALL

All nine ARMB trustees were present.

Board Members Present
Gail Schubert, *Chair*
Sam Trivette, *Vice Chair*
Gayle Harbo, *Secretary*
Kristin Erchinger
Commissioner Becky Hultberg
Commissioner Bryan Butcher
Martin Pihl
Tom Richards
Mike Williams

Board Members Absent - none.

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

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

Department of Administration Staff Present
Mike Barnhill, Deputy Commissioner
Jim Puckett, Director, Division of Retirement & Benefits
Teresa Kesey, Chief Financial Officer, Division of Retirement & Benefits

Consultants, Invited Participants, and Others Present
Michael O'Leary, Callan Associates, Inc.
Paul Erlendson, Callan Associates, Inc.
David Slishinsky, Buck Consultants, Inc.
Micolyn Magee, The Townsend Group
Eric Wolfe, Prisma Capital Partners
Helenmarie Rodgers, Prisma Capital Partners
William Turchyn, Mariner Investment Group
Ellen Rachlin, Mariner Investment Group
David Smith, Global Asset Management
Kathryn Cicoletti, Global Asset Management
Donald Frank, Victory Capital Management, Inc.
Gary Miller, Victory Capital Management, Inc.
T.J. Duncan, Frontier Capital Management Co. LLC
Leigh Anne Yoo, Frontier Capital Management Co. LLC
David Teal, SOA Legislative Finance Division
John Alcantra, NEA Alaska
John Boucher, SOA Office of Management & Budget
Charles Gallagher, RPEA
Lydia Garcia, NEA Alaska
Ron Johnson, RPEA
Rhonda Michael, Court System
Tammi Weaver, University of Alaska Foundation

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

MR. BADER stated that the executive session scheduled for Friday was no longer needed.

The agenda was approved as amended, on a motion made by MS. HARBO and seconded by MR. TRIVETTE.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHARLIE GALLAGER, chair of the Retired Public Employees Alaska - Northern Region, welcomed everyone to Fairbanks. He thanked the Division of Retirement & Benefits and Director Jim Puckett for working very cooperatively with RPEA and inviting RPEA to the quarterly meetings with the healthcare provider. He thanked Commissioner Hultberg for graciously responding to RPEA President Bob Doll's letter regarding some U.S. Senate legislation to help defray the high drug costs. He also thanked the Alaska Retirement Management Board, noting the *Juneau Empire* article last week [that reported a good investment return for the retirement funds in fiscal year 2011].

MR. GALLAGHER cited a letter to the editor two years ago that addressed the unfunded liability, as well as a letter from Charlie Cole that said it was time to deal with this issue. The RPEA membership has taken it as their flagship issue, and he wrote about it in the last Northern Region RPEA newspaper. He said he was pleased to see a discussion of the unfunded liability as the first item on the Board's agenda.

RON JOHNSON, retired University of Fairbanks faculty member and a RPEA member, stated that the unfunded liability is a major concern of his. He said the State is putting in $600-$700 million a year to help pay down the unfunded liability, and he understood the current plan was to put in over a billion dollars starting ten or so years from now. There is currently $12 billion or so in the State budget reserves; ten years from now there might be zero. He preferred to see more front-end funding for the retirement unfunded liability. Tied in is the idea that many people are pushing to put new hires back on a defined benefit plan instead of a defined contribution plan — that might be nice for the new hires, if there was a solvent defined benefit plan. He felt it would be doing the new people a disservice to put them on defined benefits, if the unfunded liability were not funded. In that case, he would rather be in a defined contribution plan. His daughter in the University of Colorado system is on defined benefits, and she would prefer to be on defined contributions because she has little faith that the State of Colorado will be able to pay her retirement in 20 or 30 years. In closing, he thanked the Board for paying attention to the unfunded liability problem, and said he hoped the State could do more forward funding of it than is in the current plan.

LYDIA GARCIA, Executive Director for NEA-Alaska, said the ARMB's stewardship of $20 billion on behalf of tens of thousands of Alaskan retirees and public employees is appreciated, although it may not well be understood by many Alaskans. She talked about Senate Bill 121 (and House Bill 236) that would provide a choice between the existing 401K-type defined contribution plan and the defined benefit retirement system for Alaska's public employees. She provided a copy of slides presented at the Alaska Senate State Affairs Hearing on SB 121 on September 15 *[on file at the ARMB office]* on a plan to provide retirement options at no additional cost to the employer. The Administration is working with its actuary, Buck Consultants, to produce a fiscal note in time for the next hearing in Fairbanks, October 13. She said West Virginia and Nebraska had defined contribution plans, and they switched back to defined benefit pension systems. If these two states can return, the Alaska Public Pension Coalition believes that Alaska can also return and offer a secure and reasonable retirement for its employees. NEA-Alaska is willing to work with this Administration, the Legislature, the Alaska Retirement Management Board, and all interested Alaskans to make certain that employees choose a career in Alaska. She encouraged the Board to look at the data during the discussions on the pending legislation and to keep an open mind to the return of a defined benefit retirement system.

GOVERNOR'S STATEMENT ON RETIREMENT SYSTEM UNFUNDED LIABILITY

CHAIR SCHUBERT welcomed Governor Sean Parnell to the meeting. COMMISSIONER HULTBERG introduced the Governor, for whom she and Commissioner Butcher work, saying that the Governor has taken an active interest in the work of the ARMB. She thanked the Governor for joining the Board as it talked about some very difficult issues.

GOVERNOR PARNELL stated that he valued the work the ARMB does, and that it is important to the State to maintain its pension obligation. Indeed, it is the constitutional prerogative and duty to do so. He said his intent was not to get into the legislation — defined benefit versus defined contribution — but rather to speak to the Board's way forward. The Administration is in the midst of crafting the fiscal year 2013 budget that he is required to submit on December 15. Looking at that, everyone is aware that the unfunded liability that faces the State is a daunting prospect and one that he wanted to address today.

The combined unfunded liability of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) trust funds exceeds $11 billion. GOVERNOR PARNELL said he understood that the management of that obligation was the subject of the Board's conversations for the remainder of the day. To put the $11 billion into context, if that bill came due tomorrow, the obligation of each and every Alaskan to the pension trust funds on a per capita basis would be more than $15,000 each. So for a family of four, the family debt owed to the pension trust funds would be over $60,000. That brings it home to individual Alaskans, who may not right now be aware of the unfunded liability. It is a staggering obligation created by a former defined benefit plan, but he thought it was a manageable one.

GOVERNOR PARNELL said that, fortunately, the general fund is a revenue backstop to help manage the State's unfunded pension liability. A healthy pension trust fund is good for the general fund, and a health general fund is critical for pension trust funds: the two are inextricably linked. He asked, as the Board considered its obligation to the pension trust funds, that it recognize the necessity of insuring a health general fund, as well.

GOVERNOR PARNELL noted an important distinction between Alaska's system and many other pension systems with large unfunded liabilities: Alaska's is a closed system, so the obligation is not just to the overall health of the trust funds but to insure that the State has the means to pay all retiree benefits when they come due.

In that context, he gave an update on the Administration's work on the issue. Staff at the Office of Management and Budget (OMB), Legislative Finance, and the Department of Administration have been evaluating a number of approaches to address the unfunded liability. Some of the earlier assumptions may no longer be valid, and he has asked them to think about things differently. Some of the approaches he has asked them to address include:

- A new amortization method (a level dollar payment method)
- An appropriation to the trust funds
- An appropriation to a retirement reserve account
- A set-aside of funds to the trust accounts without an appropriation
- A retiree cash out program
- Or some combination of the above.

GOVERNOR PARNELL stated that undoubtedly other options would emerge. The Administration has not reached a consensus or come to a conclusion about a single approach, and all parties continue to work diligently together on recommendations. They need the ARMB to be an integral part of that process. They want the Board's help in having a panel of options available when the Legislature convenes in January, and to work on winnowing those options down during the session. The ideal solution is one in which the SB 125 general fund contributions are paid when due, while not depleting the State's general fund reserves during extremely uncertain economic times.

In closing, GOVERNOR PARNELL said he asked several things of the Board. First, to please keep an open mind; it is not a small or simple problem, and to solve it will require collaboration, coordination, and compromise. It is unwise at this point to close minds to the full range of potential options. Second, that the Board not take action today that would restrict flexibility in addressing the issue. The economic times are too uncertain to lock the State into a particular method in this moment. Structural economic changes appear to be occurring in the nation that people are just now beginning to see play out. For example, some of the long-held assumptions about stock market performance, and allocation of assets in the nation's stock market and beyond to global markets, are being challenged. This Board ought to be engaged in that discussion, as well.

GOVERNOR PARNELL suggested that the Board adopt the recommendation of the actuary and maintain the current path with respect to amortization. Not so that that is the path that is set for years to come, but so that amidst these uncertain times, which are far different that experienced in his lifetime, the flexibility that is needed to be nimble and to move with these times is maintained. He asked that the Board continue to work with his Administration and the Legislature, through the process he outlined earlier, to come up with an approach that everyone can support to both insure the health of the pension system and the health of the general fund. He needed the Board's good thinking and some new thinking about how to address these issues. He thanked the Board for their time and for allowing him to share his thoughts, and said he was happy to engage with them on these topics.

CHAIR SCHUBERT thanked the Governor for his comments and for taking the time to come talk to the trustees. She added that she thought he was the first governor to ever appear before the ARMB and its predecessor, the Alaska State Pension Investment Board.

GOVERNOR PARNELL thanked the Chair for the recognition and said he wished it did not have to be so. He said that it points to where the federal government is struggling with Social Security and Medicare, in terms of the sustainability of the federal budget, among some other key factors. The unfunded pension liability and how the State addresses it are critical to maintaining the financial health of the state. He said he recognized that as one of the greatest challenges, and wanted to continue working on that challenge. This was the appropriate board for that kind of thinking, planning, and work to be done, and he was pleased to be with the Board as part of the solution.

Responding to MR. PIHL, GOVERNOR PARNELL said he did not want his list of approaches to limit the thinking, that it was really a time to be thinking outside the box about how things could work. His concerns were that most Americans have little confidence in the nation's stock market or the economy for the near to mid-term. So there is great hesitancy to place a large amount of cash into that market, betting on the long-term health and sustainability of the market. It has been said that this is not the market of your daddy, meaning that it is not a market necessarily that you can dollar-cost average across time and expect the kinds of returns we have been getting in the last fifty years, because there may indeed be some structural changes occurring in the global financial markets and global economy. He said those were some of the concerns that under-laid his request to the Board, that it help him maintain flexibility but also use sound financial judgment in the discussion.

MR. PIHL said the Board had discussed items 1, 2 and 3 on the list, and he was glad they had been brought to the Governor. GOVERNOR PARNELL responded that he hoped the Board would come up with 7, 8, 9 and 10, too.

MR. TRIVETTE said the other issue not talked about is that every day that goes by the actuary is calculating more money that is added to the unfunded liability because the money is not there to be invested. In this fiscal year alone, with $11 billion-plus in total unfunded liability, the actuary has embedded in their calculation another $880 million added to that liability. So even though the retirement funds earned over 21% in the past fiscal year, and the ARMB's performance tends to be in the top twenty-fifth percentile of all public pension funds, it can only do so much in a given year. He said he appreciated the offer for trustees to meet with the Administration's people, that the Board has not been part of the conversation in the last three or four months. It would have been nice if the Board had been invited in earlier along. One problem is that the Board gets information but not enough time to look at it before meeting to discuss issues. He said if there was not a proposal before him today, he would not try to act on it. The actuarial methodology was switched in 2006, and the ARMB got very little notice of that — and he thought maybe the Board had made a mistake. A major change since that time was SB 125 that could impact the way that trustees look at the whole issue now. So the earlier the Board is part of the Administration's discussions, the more likely it is to feel comfortable with those discussions. He said it meant a tremendous amount to him as a trustee that the Governor was at this meeting, and he looked forward to working with him.

GOVERNOR PARNELL stated that he had two months before he had to propose next year's spending level and budget plan, and he appreciated the Board's willingness to work together on the issue.

CHAIR SCHUBERT thanked the Governor for his appearance.

SUSTAINABILITY/UNFUNDED LIABILITY REVIEW

Options to Address Sustainability/Unfunded Liability Issues

Department of Administration Deputy Commissioner MIKE BARNHILL said that since the last meeting they had been talking about how to best frame further discussions within the Administration — with the Legislature, with the ARMB, and with any other interested stakeholders — on how to approach addressing the unfunded pension liability. His goal at this meeting was to get a better sense of the objectives of the various trustees in addressing the unfunded liability to help in crafting a proposal or a series of proposals that could be put before the Legislature in January 2012. Then, through discussions with the 60 stakeholders in the Legislature come up with a solution made up of pieces of what the ARMB, the Governor, the Legislature, and also the public, were interested in.

MR. BARNHILL had a series of slides to illustrate his presentation *[on file at the ARMB office]*. He said he had presented a version of the slides to the Alaska Healthcare Commission a few weeks ago, as part of an effort to grow awareness across the state about the long-term fiscal situation and that everyone has an important role to play in that. He shared some data about the state's finances with the Board. The operating and capital budget (less permanent fund dividends) has essentially doubled from $4 billion to $8 billion in the ten years 2000-2010, or increased from about $6,600 per person to $11,000 on a per capita basis. There are no state income taxes or state sales tax, but there are still currently sufficient resources to sustain fairly aggressive growth in government spending. It has created a dynamic where the various stakeholders in the state have developed a culture of seeking to maximize their fair share of those resources. They have been very good at it, and it has driven the budget to grow at the rate that it has. Given the long-term revenue structure, 7.5% growth for the capital and operating budget is not sustainable. It greatly exceeds the rate of inflation. There are serious long-term fiscal issues in the state, and people need to work together on how to bend that growth rate down to something that is sustainable. It will be difficult to change the paradigm to something that is driven more by what is in the best public interest of the State of Alaska.

MR. BARNHILL stated that the capital and operating budget continuing to grow at 7.5% annually will result in a $16 billion budget by FY2020, or spending of $20,000 per person per year. If that rate of growth had to be sustained by taxes, he suspected the uniform answer would be that that level of government expenditures is not tolerable. Luckily, the state has the resources presently to sustain the current level of government. However, the state does not have the resources to sustain the level of growth that would lead to a $16 billion budget by FY2020. Everybody in the state of Alaska is a stakeholder in some fashion and has a role in this.

Alaska Retirement Management Board
Summary of Scenarios to Address Retirement of Unfunded Liability of Defined Benefit Retirement Plans

PERS + TRS
Assumptions: 2011 actual return (21.18%), 8% thereafter; 22% E'r rate cap; ARMB adopted assumptions
($s in $1,000s)

Description	Total Future Years: Total E'e Contr (a)	Total E'r Contr (b)	Total State Assistance (c)	Grand Total (a)+(b)+(c)=(d)	Date System is Fully Funded (e)	Muni E'r Contr (PERS b) * .39 = (i)	State E'r Contr (PERS b) * .61 = (j)	Total State Contr (c) + (j) = (k)	Scenario Requested By	Total State Assistance + Approp, FY13-FY20 (f)	Total Unrestricted Projected GF Revenue* FY13-FY20 (g)	% Burden of State Assistance on GF, FY13-FY20 (f) / (g) = (h)
Level Percent of Pay Amort.												
25 yr. amortization (A: Scenarios 1+25)	$2,355,964	$11,277,774	$16,725,169	$30,358,907	7/1/2032	$3,940,553	$6,163,429	$22,888,598	Status Quo	$5,951,628	$62,000,000	9.60%
30 yr. amortization (B: Scenarios 2+26)	$2,355,964	$14,768,545	$18,082,365	$35,206,874	7/1/2037	$5,227,516	$8,176,370	$26,258,735	Gary Bader	$4,768,888	$62,000,000	7.69%
40 yr. amortization (C: Scenarios 3+27)	$2,355,964	$24,102,975	$21,508,092	$47,967,031	7/1/2047	$8,678,002	$13,573,284	$35,081,376	Mike Barnhill	$3,566,641	$62,000,000	5.75%
$1b approp in FY13 w continued State assistance (D: Scenarios 4+28)	$2,355,964	$10,552,996	$15,212,256	$28,121,216	7/1/2030	$3,685,684	$5,764,787	$20,977,043	David Teal	$6,713,032	$62,000,000	10.83%
$2b approp in FY13 w no further State assistance (E: Scenarios 5+29)	$2,355,964	$29,768,946	$3,847,819	$35,972,729	Never	$9,966,994	$15,589,402	$19,437,221	Kris Erchinger	$3,000,000	$62,000,000	4.84%
$250mm cap on PERS State assistance (F: Scenarios 6+30)	$2,355,964	$22,069,693	$20,137,847	$44,563,504	Never	$6,964,286	$10,892,857	$31,030,704	Gayle Harbo	$4,000,000	$62,000,000	6.45%
Level Dollar Amort.									Martin Pihl			
25 yr. amortization (G: Scenarios 7+31)	$2,355,964	$10,475,730	$15,531,606	$28,363,300	7/1/2030	$3,655,550	$5,717,655	$21,249,261		$7,451,743	$62,000,000	12.02%
30 yr. amortization (H: Scenarios 8+32)	$2,355,964	$13,314,688	$15,297,572	$30,968,224	7/1/2034	$4,706,179	$7,360,947	$22,658,519		$6,501,553	$62,000,000	10.49%
40 yr. amortization (I: Scenarios 9+33)	$2,355,964	$18,844,049	$15,971,564	$37,171,577	7/1/2044	$6,691,513	$10,466,213	$26,437,777		$5,632,590	$62,000,000	9.08%
$1b approp in FY13 w continued State assistance (J: Scenarios 10+34)	$2,355,964	$9,981,811	$14,317,503	$26,655,278	7/1/2029	$3,476,569	$5,437,711	$19,755,214		$7,985,937	$62,000,000	12.88%
$2b approp in FY13 w no further State assistance (K: Scenarios 11+35)	$2,355,964	$29,362,295	$3,847,819	$35,566,078	Never	$9,808,401	$15,341,344	$19,189,163		$3,000,000	$62,000,000	4.84%
$250mm cap on PERS State assistance (L: Scenarios 12+36)	$2,355,964	$21,515,837	$20,502,553	$44,374,354	Never	$6,748,282	$10,555,005	$31,057,558		$4,000,000	$62,000,000	6.45%

PERS + TRS
Assumptions: 2011 actual return (21.18%), 8% thereafter; 24% E'r rate cap; ARMB adopted assumptions
($s in $1,000s)

Description	Total Future Years: Total E'e Contr (a)	Total E'r Contr (b)	Total State Assistance (c)	Grand Total (a)+(b)+(c)=(d)	Date System is Full Funded (e)	Muni E'r Contr (PERS b) * .39 = (i)	State E'r Contr (PERS b) * .61 = (j)	Total State Contr (c) + (j) = (k)	Kris Erchinger	Total State Assistance + Approp, FY13-FY20 (f)	Total Unrestricted Projected GF Revenue* FY13-FY20 (g)	% Burden of State Assistance on GF, FY13-FY20 (f) / (g) = (h)
Level Percent of Pay Amort.												
25 yr. amortization (M: Scenarios 13+25)	$2,355,964	$12,504,537	$15,498,406	$30,358,907	7/1/2031	$4,418,991	$6,911,754	$22,410,160		$5,551,177	$62,000,000	8.95%
30 yr. amortization (N: Scenarios 14+26)	$2,355,964	$16,343,623	$16,507,287	$35,206,874	7/1/2036	$5,841,796	$9,137,168	$25,644,455		$4,368,437	$62,000,000	7.05%
40 yr. amortization (O: Scenarios 15+27)	$2,355,964	$26,968,768	$18,642,299	$47,967,031	7/1/2046	$9,795,661	$15,321,418	$33,963,717		$3,166,190	$62,000,000	5.11%
$1b approp in FY13 w continued State assistance (P: Scenarios 16+28)	$2,355,964	$11,664,161	$14,101,091	$28,121,216	7/1/2030	$4,119,038	$6,442,598	$20,543,689		$6,312,581	$62,000,000	10.18%
$2b approp in FY13 w no further State assistance (Q: Scenarios 17+29)	$2,355,964	$24,583,875	$3,762,231	$30,702,070	7/1/2048	$7,944,817	$12,426,508	$16,188,739		$3,000,000	$62,000,000	4.84%
$250mm cap on PERS State assistance (R: Scenarios 18+30)	$2,355,964	$19,766,568	$19,242,451	$41,364,983	7/1/2038	$6,066,067	$9,487,951	$28,730,402		$4,000,000	$62,000,000	6.45%
Level Dollar Amort.												
25 yr. amortization (S: Scenarios 19+31)	$2,355,964	$11,586,895	$14,420,441	$28,363,300	7/1/2029	$4,088,904	$6,395,466	$20,815,907		$7,051,292	$62,000,000	11.37%
30 yr. amortization (T: Scenarios 20+32)	$2,355,964	$14,673,674	$13,938,586	$30,968,224	7/1/2034	$5,236,184	$8,189,928	$22,128,514		$6,101,102	$62,000,000	9.84%
40 yr. amortization (U: Scenarios 21+33)	$2,355,964	$19,986,651	$14,828,962	$37,171,577	7/1/2043	$7,137,128	$11,163,200	$25,992,162		$5,232,139	$62,000,000	8.44%
$1b approp in FY13 w continued State assistance (V: Scenarios 22+34)	$2,355,964	$11,092,976	$13,206,338	$26,655,278	7/1/2029	$3,909,924	$6,115,521	$19,321,859		$7,585,486	$62,000,000	12.23%
$2b approp in FY13 w no further State assistance (W: Scenarios	$2,355,964	$23,786,284	$3,762,231	$29,904,479	7/1/2046	$7,633,756	$11,939,978	$15,702,209		$3,000,000	$62,000,000	4.84%
$250mm cap on PERS State assistance (X: Scenarios 24+36)	$2,355,964	$19,767,614	$19,480,108	$41,603,686	7/1/2039	$6,066,475	$9,488,589	$28,968,697		$4,000,000	$62,000,000	6.45%

Alaska Retirement Management Board

Summary of Scenarios to Address Retirement of Unfunded Liability of Defined Benefit Retirement Plans

PERS

Assumptions: 2011 actual return (21.18%), 8% thereafter; 22% E'r rate cap; ARMB adopted assumptions

($s in $1,000s)

Description	Total Future Years: Total E'e Contr (a)	Total E'r Contr (b)	Total State Assistance (c)	Grand Total (a)+(b)+(c)=(d)	Date System is Fully Funded (e)	Muni E'r Contr (b) * .39 = (i)	State E'r Contr (b) * .61 = (j)	Total State Contr (c) + (j) = (k)	Scenario Requested By	Total State Assistance + Approp, FY13-FY20 (f)	Total Unrestricted Projected GF Revenue* FY13-FY20 (g)	% Burden of State Assistance on GF, FY13-FY20 (f) / (g) = (h)
Level Percent of Pay Amort.												
25 yr. amortization (1)	$1,608,799	$10,103,982	$7,656,036	$19,368,817	7/1/2031	$3,940,553	$6,163,429	$13,819,465	Status Quo	$2,963,307	$62,000,000	4.78%
30 yr. amortization (2)	$1,608,799	$13,403,886	$7,374,301	$22,386,986	7/1/2036	$5,227,516	$8,176,370	$15,550,671	Gary Bader	$2,220,125	$62,000,000	3.58%
40 yr. amortization (3)	$1,608,799	$22,251,286	$6,447,671	$30,307,756	7/1/2046	$8,678,002	$13,573,284	$20,020,955	Mike Barnhill	$1,463,155	$62,000,000	2.36%
$1b approp in FY13 w continued State assistance (4)	$1,608,799	$9,450,471	$7,005,975	$18,065,245	7/1/2030	$3,685,684	$5,764,787	$12,770,762	David Teal	$3,469,417	$62,000,000	5.60%
$2b approp in FY13 w no further State assistance (5)	$1,608,799	$25,556,396	$2,408,280	$29,573,475	7/1/2051	$9,966,994	$15,589,402	$17,997,682	Kris Erchinger	$2,000,000	$62,000,000	3.23%
$250mm cap on PERS State assistance (6)	$1,608,799	$17,857,143	$5,916,376	$25,382,318	7/1/2046	$6,964,286	$10,892,857	$16,809,233	Gayle Harbo	$2,000,000	$62,000,000	3.23%
Level Dollar Amort.									Martin Pihl			
25 yr. amortization (7)	$1,608,799	$9,373,205	$7,258,000	$18,240,004	7/1/2029	$3,655,550	$5,717,655	$12,975,655		$3,911,119	$62,000,000	6.31%
30 yr. amortization (8)	$1,608,799	$12,067,126	$6,167,872	$19,843,797	7/1/2034	$4,706,179	$7,360,947	$13,528,819		$3,314,655	$62,000,000	5.35%
40 yr. amortization (9)	$1,608,799	$17,157,726	$4,693,809	$23,460,334	7/1/2043	$6,691,513	$10,466,213	$15,160,022		$2,768,242	$62,000,000	4.46%
$1b approp in FY13 w continued State assistance (10)	$1,608,799	$8,914,280	$6,600,959	$17,124,038	7/1/2029	$3,476,569	$5,437,711	$12,038,670		$4,265,449	$62,000,000	6.88%
$2b approp in FY13 w no further State assistance (11)	$1,608,799	$25,149,745	$2,408,280	$29,166,824	7/1/2051	$9,808,401	$15,341,344	$17,749,624		$2,000,000	$62,000,000	3.23%
$250mm cap on PERS State assistance (12)	$1,608,799	$17,303,287	$6,022,702	$24,934,788	7/1/2044	$6,748,282	$10,555,005	$16,577,707		$2,000,000	$62,000,000	3.23%

PERS

Assumptions: 2011 actual return (21.18%), 8% thereafter; 24% E'r rate cap; ARMB adopted assumptions

($s in $1,000s)

Kris Erchinger

Description	Total Future Years: Total E'e Contr (a)	Total E'r Contr (b)	Total State Assistance (c)	Grand Total (a)+(b)+(c)=(d)	Date System is Full Funded (e)	Muni E'r Contr (b) * .39 = (i)	State E'r Contr (b) * .61 = (j)	Total State Contr (c) + (j) = (k)	Total State Assistance + Approp, FY13-FY20 (f)	Total Unrestricted Projected GF Revenue* FY13-FY20 (g)	% Burden of State Assistance on GF, FY13-FY20 (f) / (g) = (h)
Level Percent of Pay Amort.											
25 yr. amortization (13)	$1,608,799	$11,330,745	$6,429,273	$19,368,817	7/1/2031	$4,418,991	$6,911,754	$13,341,027	$2,562,856	$62,000,000	4.13%
30 yr. amortization (14)	$1,608,799	$14,978,964	$5,799,223	$22,386,986	7/1/2036	$5,841,796	$9,137,168	$14,936,391	$1,819,674	$62,000,000	2.93%
40 yr. amortization (15)	$1,608,799	$25,117,079	$3,581,878	$30,307,756	7/1/2046	$9,795,661	$15,321,418	$18,903,296	$1,062,704	$62,000,000	1.71%
$1b approp in FY13 w continued State assistance (16)	$1,608,799	$10,561,636	$5,894,810	$18,065,245	7/1/2030	$4,119,038	$6,442,598	$12,337,408	$3,068,966	$62,000,000	4.95%
$2b approp in FY13 w no further State assistance (17)	$1,608,799	$20,371,325	$2,322,692	$24,302,816	7/1/2048	$7,944,817	$12,426,508	$14,749,200	$2,000,000	$62,000,000	3.23%
$250mm cap on PERS State assistance (18)	$1,608,799	$15,554,018	$5,020,980	$22,183,797	7/1/2038	$6,066,067	$9,487,951	$14,508,931	$2,000,000	$62,000,000	3.23%
Level Dollar Amort.											
25 yr. amortization (19)	$1,608,799	$10,484,370	$6,146,835	$18,240,004	7/1/2029	$4,088,904	$6,395,466	$12,542,301	$3,510,668	$62,000,000	5.66%
30 yr. amortization (20)	$1,608,799	$13,426,112	$4,808,886	$19,843,797	7/1/2034	$5,236,184	$8,189,928	$12,998,814	$2,914,204	$62,000,000	4.70%
40 yr. amortization (21)	$1,608,799	$18,300,328	$3,551,207	$23,460,334	7/1/2043	$7,137,128	$11,163,200	$14,714,407	$2,367,791	$62,000,000	3.82%
$1b approp in FY13 w continued State assistance (22)	$1,608,799	$10,025,445	$5,489,794	$17,124,038	7/1/2029	$3,909,924	$6,115,521	$11,605,315	$3,864,998	$62,000,000	6.23%
$2b approp in FY13 w no further State assistance (23)	$1,608,799	$19,573,734	$2,322,692	$23,505,225	7/1/2046	$7,633,756	$11,939,978	$14,262,670	$2,000,000	$62,000,000	3.23%
$250mm cap on PERS State assistance (24)	$1,608,799	$15,555,064	$5,000,257	$22,164,120	7/1/2039	$6,066,475	$9,488,589	$14,488,846	$2,000,000	$62,000,000	3.23%

TRS
Assumptions: 2011 actual return (21.36%), 8% thereafter; ARMB adopted assumptions
($s in $1,000s)

Description	Total Future Years: Total E'e Contr (a)	Total E'r Contr (b)	Total State Assistance (c)	Grand Total (a)+(b)+(c)=(d)	Date System is Full Funded (e)	Scenario Requested By	Total State Assistance + Approp, FY13-FY20 (f)	Total Unrestricted Projected GF Revenue* FY13-FY20 (g)	% Burden of State Assistance on GF, FY13-FY20 (f) / (g) = (h)
Level Percent of Pay Amort.									
25 yr. amortization (25)	$747,165	$1,173,792	$9,069,133	$10,990,090	7/1/2032	Status Quo	$2,988,321	$62,000,000	4.82%
30 yr. amortization (26)	$747,165	$1,364,659	$10,708,064	$12,819,888	7/1/2037	Gary Bader	$2,548,763	$62,000,000	4.11%
40 yr. amortization (27)	$747,165	$1,851,689	$15,060,421	$17,659,275	7/1/2047	Mike Barnhill	$2,103,486	$62,000,000	3.39%
$500 approp in FY13 w continued State assistance (28)	$747,165	$1,102,525	$8,206,281	$10,055,971	7/1/2030	David Teal	$3,243,615	$62,000,000	5.23%
$1b approp in FY13 w no further State assistance (29)	$747,165	$4,212,550	$1,439,539	$6,399,254	Never	Kris Erchinger	$1,000,000	$62,000,000	1.61%
$250mm cap on TRS State assistance (30)	$747,165	$4,212,550	$14,221,471	$19,181,186	Never	Gayle Harbo	$2,000,000	$62,000,000	3.23%
Level Dollar Amort.						Martin Pihl			
25 yr. amortization (31)	$747,165	$1,102,525	$8,273,606	$10,123,296	7/1/2030		$3,540,624	$62,000,000	5.71%
30 yr. amortization (32)	$747,165	$1,247,562	$9,129,700	$11,124,427	7/1/2034		$3,186,898	$62,000,000	5.14%
40 yr. amortization (33)	$747,165	$1,686,323	$11,277,755	$13,711,243	7/1/2044		$2,864,348	$62,000,000	4.62%
$500 approp in FY13 w continued State assistance (34)	$747,165	$1,067,531	$7,716,544	$9,531,240	7/1/2029		$3,720,488	$62,000,000	6.00%
$1b approp in FY13 w no further State assistance (35)	$747,165	$4,212,550	$1,439,539	$6,399,254	Never		$1,000,000	$62,000,000	1.61%
$250mm cap on TRS State assistance (36)	$747,165	$4,212,550	$14,479,851	$19,439,566	Never		$2,000,000	$62,000,000	3.23%

* Spring 2011 Revenue Forecast, 4/5/11

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Retirement System Membership Activity as of September 30, 2011

ACTION:

DATE: December 1, 2011

INFORMATION: **X**

BACKGROUND:

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

STATUS:

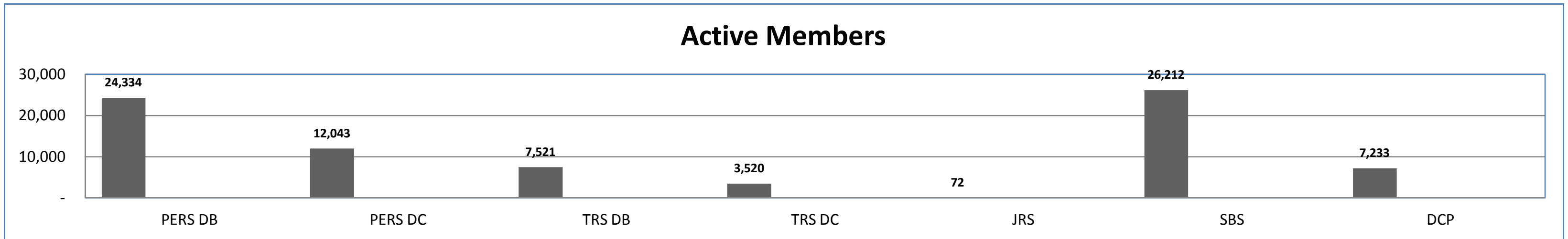
Membership information as of September 30, 2011.

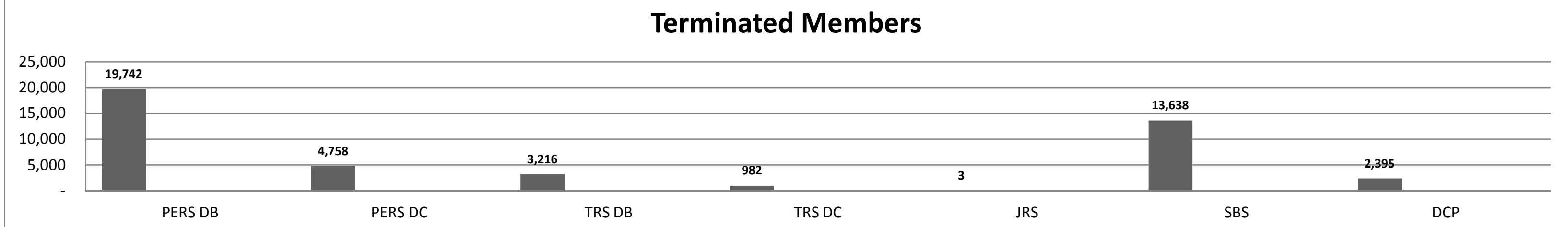
MEMBERSHIP STATISTICS AS OF SEPTEMBER 30, 2011

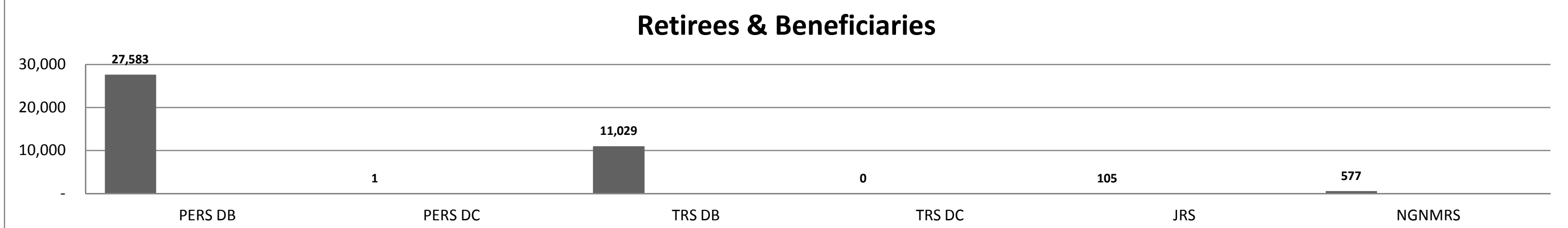
	PERS					TRS				JRS	NG	SBS	DCP
	DB			DC		DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	4,285	6,552	13,497	12,043	36,377	1,487	6,034	3,520	11,041	72	n/a	26,212	7,233
Terminated Members	2,791	5,524	11,427	4,758	24,500	573	2,643	982	4,198	3	n/a	13,638	2,395
Retirees & Beneficiaries	22,152	4,354	1,077	1	27,584	10,176	853	0	11,029	105	577	n/a	n/a
Managed Accounts	n/a	n/a	n/a	7,582	7,582	n/a	n/a	1,915	1,915	n/a	n/a	701	449
Retirements - 1st QTR	279	144	77	n/a	500	278	138	n/a	416	1	24	n/a	n/a
Withdrawals - 1st QTR	32	73	227	368	700	7	67	112	186	0	n/a	625	116
Partial Payments - 1st QTR	n/a	n/a	n/a	17	17	n/a	n/a	16	16	n/a	n/a	325	448

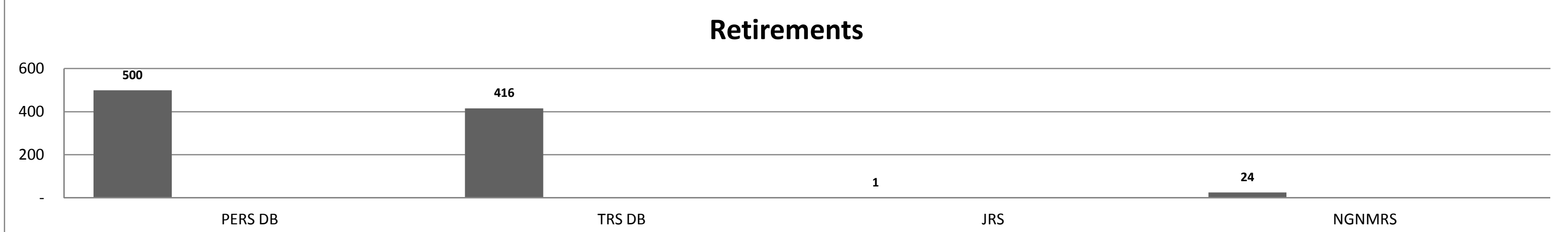
FY 2012 QUARTERLY REPORT OF MEMBERSHIP STATISTICS

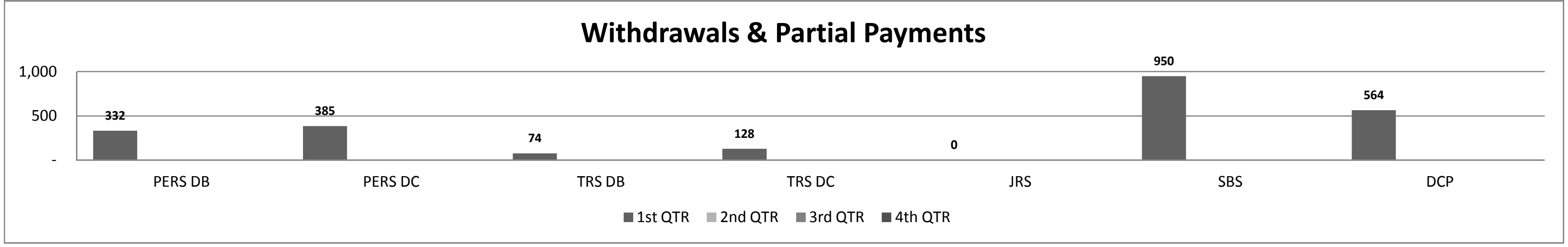
as of September 30, 2011











LEGEND

Active Members - All active members at the time of the data pull
Terminated Members - All members who have terminated without refunding their account.
Retirees & Beneficiaries - All members who have retired from the plans, including beneficiaries eligible for benefits.
Managed Accounts - Individuals who have elected to participate in the managed accounts option with Great West.
Retirements - The number of retirement applications processed.
Withdrawals - Full withdrawals from retirement account.
Partial Payments - Partial withdrawals from retirement account.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Invoices & Summary of Billings - Buck Consultants, a Xerox Company	ACTION:	
DATE:	December 1, 2011	INFORMATION:	X

BACKGROUND:

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

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

STATUS:

Attached are monthly invoices to the Division for Fiscal Year 2012 for the months of July, August and September 2011.

Attached are the summary totals for the three months ended September 30, 2011.

Buck Consultants
Billing Summary
Through the Three Months Ended September 30, 2011

	PERS	TRS	JRS	NG	EPORS	AHF	RHF	GF	TOTAL
Actuarial Valuations	$22,089	16,720	-	-	-	-	-	-	$ 38,809
ARMB Presentations	-	-	1,437	2,187	-	-	-	-	3,624
Funding Projections varying int rates and varying amort periods	2,260	1,390	-	-	-	-	-	-	3,650
SB 121 Analysis	-	-	-	-	-	-	-	8,869	8,869
Retiree Cash-out actuarial Study	8,133	6,259	-	-	-	-	-	-	14,392
Funding Projection - Reserve Fund	7,959	5,942	-	-	-	-	-	-	13,901
Discussion regarding City of Soldotna termination study	1,359	-	-	-	-	-	-	-	1,359
Salary History used for annual ER contributions to PERS	1,396	-	-	-	-	-	-	-	1,396
Consulting - Same-sex partner beneficiary hearing	698	-	-	-	-	-	-	-	698
Study - Retro application of level dollar amortization	4,234	3,465	-	-	-	-	-	-	7,699
Salaries and normal costs shown separate pension and hlthcr	2,991	2,414	-	-	-	-	-	-	5,405
Cost of eliminating termination cost studies	2,145	-	-	-	-	-	-	-	2,145
Moody's Disclosure Request	1,022	1,022	-	-	-	-	-	-	2,044
Preparation and Attendance at Sept ARMB	3,204	1,266	-	-	-	-	-	-	4,470
Audit Request	969	813	411	234	-	-	-	-	2,427
Misc emails and phone calls	3,830	1,494	-	-	-	-	-	-	5,324
TOTAL	$62,289	40,785	1,848	2,421	-	-	-	8,869	$116,212

buckconsultants A Xerox Company

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

Direct Inquiries to:
Judy Daszkiewicz - Finance Dept.
Email: Judith.Daszkiewicz@acs-inc.com
Phone: (201) 902-2842

August 10, 2011

Ms. Teresa Kesey
Chief Financial Officer
State of Alaska PERS
333 Willoughby, 6th Floor State Office Building
P.O. Box 110203
Juneau, AK 99811-0203

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Client #: 00019732
Invoice #: 2083452

Services rendered from July 1 through July 31, 2011 (see attached): ~~$31,310.00~~ 30,405

OK to process
Jh 8/17/11

State of Alaska
July 2011 Invoice for Actuarial Services

	July 2011			Fiscal Year to Date July 2011 - June 2012		
Regular Services Under Contract	Services	Expenses	Total	Services	Expenses	Total
Work in process on 2011 actuarial valuations						
- PERS	$ 1,746	0	1,746			
- TRS	1,488	0	1,488			
- JRS	0	0	0			
- NGNMRS	0	0	0			
- EPORS	0	0	0			
Subtotal	$ 3,234	$ 0	$ 3,234	$ 3,234	$ 0	$ 3,234
Non-Regular Services						
Completion of special funding projections for state assistance contributions for SB 125 based on 8.25% and 8.5% returns and 25-30 year amortization periods, submitted July 19th						
- PERS	2,260	0	2,260			
- TRS	1,390	0	1,390			
Work in process on retiree cash-out actuarial study						
- PERS	1,193	0	1,193			
- TRS	900	0	900			
Completion of the special funding projections for state assistance contributions using a state contribution to a reserve fund to fund the state assistance contributions required under SB 125 for PERS and a separate contribution to TRS, submitted July 22nd						
- PERS	4,502	0	4,502			
- TRS	3,539	0	3,539			
Completion of the actuarial study on retrospective application of level dollar amortization method of determining contribution rates from 2006-2010 and prospective 30-year projection of change to level dollar amortization requested by the ARM Board, submitted July 15th						
- PERS	4,234	0	4,234			
- TRS	3,465	0	3,465			
Consulting and discussions regarding the same-sex partner beneficiary hearing	698	0	698			
Expenses for attendance and presentation to the ARM Board on June 16th	0	349	349			
Research and discussions regarding salary history used for actual annual employer contributions to PERS	1,396	0	1,396			
Research and discussions regarding detailed calculation results for the City of Soldotna termination cost study	1,359	0	1,359			
Miscellaneous emails and phone calls	1,886	0	1,886			
Subtotal	$ 26,822	$ 349	$ 27,171	$ 26,822	$ 349	$ 27,171
Grand Total	$ 30,056	$ 349	$ 30,405	$ 30,056	$ 349	$ 30,405

Staff Member	July 2011 Hours	Fiscal Year-to-Date July 2011 - June 2012 Hours
- Aaron Jurgaitis	1.75	1.75
- Becky Soderfelt	0.00	0.00
- Chris Hulla	0.50	0.50
- Colin Wein	30.00	30.00
- David Slishinsky	21.50	21.50
- Doug Fiddler	0.00	0.00
- Karen Hancock	7.25	7.25
- Kathy Recchiuti	2.00	2.00
- Kyla Kaltenbach	20.75	20.75
- Melissa Bissett	0.00	0.00
- Michelle Pritchard	12.00	12.00
- Monica DeGraff	0.00	0.00
- Robin Simon	0.00	0.00
- Tammy Ringel	0.00	0.00
- William Detweiler	0.00	0.00
	95.75	95.75

buckconsultants A Xerox Company

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SEP 20 2011

Div of Retirment & Benefits

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

September 16, 2011

Ms. Teresa Kesey
Chief Financial Officer
State of Alaska PERS
333 Willoughby, 6th Floor State Office Building
Juneau, AK 99811-0208

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Client #: 00019732
Invoice #: 2086765

Direct Inquiries to:
Judy Daszkiewicz - Finance Dept.
Email: Judith.Daszkiewicz@acs-inc.com
Phone: (201) 902-2842

Services rendered from August 1 through August 31, 2011 (see attached): $40,661

OK to process
Teresa Kesey

State of Alaska
August 2011 Invoice for Actuarial Services

	August 2011			Fiscal Year to Date July 2011 - June 2012		
Regular Services Under Contract	**Services**	**Expenses**	**Total**	**Services**	**Expenses**	**Total**
Work in process on 2011 actuarial valuations						
- PERS	$ 7,615	$ 0	$ 7,615			
- TRS	5,744	0	5,744			
- JRS	0	0	0			
- NGNMRS	0	0	0			
- EPORS	0	0	0			
Subtotal	$ 13,359	$ 0	$ 13,359	$ 16,593	$ 0	$ 16,593
Non-Regular Services						
Completion of the retiree cash-out actuarial study, submitted August 25th						
- PERS	$ 6,437	$ 0	$ 6,437			
- TRS	4,856	0	4,856			
Additional information on the special funding projections for state assistance contributions using a state contribution to a reserve fund to fund the state assistance contributions required under SB 125 for PERS and a separate contribution to TRS, submitted August 29th						
- PERS	3,457	0	3,457			
- TRS	2,403	0	2,403			
Expenses for attendance and presentation to the ARM Board on June 16th	0	3,275	3,275			
Research and discussions regarding salaries and normal costs shown separately for pension and healthcare requested by Sen. Egan, submitted August 31st						
- PERS	2,991	0	2,991			
- TRS	2,414	0	2,414			
Miscellaneous administration, emails and phone calls	1,469	0	1,469			
Subtotal	$ 24,027	$ 3,275	$ 27,302	$ 50,849	$ 3,624	$ 54,473
Grand Total	$ 37,386	$ 3,275	$ 40,661	$ 67,442	$ 3,624	$ 71,066

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Div of Retirment & Benefits

Staff Member	August 2011 Hours	Fiscal Year-to-Date July 2011 - June 2012 Hours
- Aaron Jurgaitis	0.00	1.75
- Becky Soderfelt	0.00	0.00
- Chris Hulla	2.25	2.75
- Colin Wein	28.50	58.50
- David Slishinsky	40.00	61.50
- Doug Fiddler	0.00	0.00
- Karen Hancock	3.25	10.50
- Kathy Recchiuti	0.50	2.50
- Kyla Kaltenbach	19.25	40.00
- Melissa Bissett	0.00	0.00
- Michelle Pritchard	40.25	52.25
- Monica DeGraff	0.00	0.00
- Robin Simon	0.25	0.25
- Tammy Ringel	0.00	0.00
- William Detweiler	0.00	0.00
	134.25	230.00

RECEIVED

SEP 20 2011

Div of Retirment & Benefits

buckconsultants

A Xerox Company

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OCT 24 2011
Div. of Ret. & Benefits

October 18, 2011

REMIT BY CHECK TO:
Buck Consultants, LLC
Dept. CH 14061
Palatine, IL 60055-4061

BY WIRE TO:
Buck Consultants, LLC
The Bank of New York Mellon, NA
A B A # 043000261
D D A # 0038720

Ms. Teresa Kesey
Chief Financial Officer
State of Alaska PERS
333 Willoughby, 6th Floor State Office Building
P.O. Box 110203
Juneau, AK 99811-0203

Terms: Payable upon receipt. Interest accrues after 30 days from the invoice date at 1% per month.

Actuarial Valuation and Consulting Contract
Agency Contract Number 2006-0200-5759

Direct Inquiries to:
Judy Daszkiewicz - Finance Dept.
Email: Judith.Daszkiewicz@acs-inc.com
Phone: (201) 902-2842

Client #: 00019732
Invoice #: 2089579

Services rendered from September 1 through September 30, 2011 (see attached): **$45,146.00**

Teresa Kesey
Ok to process

State of Alaska
September 2011 Invoice for Actuarial Services

	September 2011			Fiscal Year to Date July 2011 - June 2012		
Regular Services Under Contract	**Services**	**Expenses**	**Total**	**Services**	**Expenses**	**Total**
Work in process on 2011 actuarial valuations						
- PERS	$ 10,796	0 $	10,796			
- TRS	8,145	0	8,145			
- JRS	0	0	0			
- NGNMRS	0	0	0			
Subtotal	$ 18,941 $	0 $	18,941	$ 35,534 $	0 $	35,534
Non-Regular Services						
Work in process on final DCR actuarial valuation reports as of June 30, 2010						
- PERS	$ 1,932 $	0 $	1,932			
- TRS	1,343	0	1,343			
Work in process on fiscal impact note for SB 121 based on summaries of the bill prepared by Kathy Lea						
- PERS	1,570	0	1,570			
- TRS	1,137	0	1,137			
Work in process on benefit illustrations to compare DB and DCR benefits for PERS and TRS considering proposed choice under SB 121						
- PERS	4,425	0	4,425			
- TRS	1,737	0	1,737			
Information on disclosure information for Moody's requested by Teresa Kesey, submitted September 12th						
- PERS	1,022	0	1,022			
- TRS	1,022	0	1,022			
Work in process on actuarial study to determine the cost of eliminating termination cost studies for employers who eliminate less than 20% of PERS eligible positions	2,145	0	2,145			
Preparation for and attendance at September 21st ARM Board meeting	4,470	0	4,470			
Work in process on audit information requested by KPMG						
- PERS	969	0	969			
- TRS	813	0	813			
- JRS	411	0	411			
- NGNMRS	234	0	234			
Consulting and research regarding proposed cash-out option for retirees						
- PERS	503	0	503			
- TRS	503	0	503			
Miscellaneous administration, emails and phone calls	1,969	0	1,969			
Subtotal	$ 26,205 $	0 $	26,205	$ 77,054 $	3,624 $	80,678
Grand Total	$ 45,146 $	0 $	45,146	$ 112,588 $	3,624 $	116,212

Staff Member	August 2011 Hours	Fiscal Year-to-Date July 2011 - June 2012 Hours
- Aaron Jurgaitis	1.00	2.75
- Becky Soderfelt	0.00	0.00
- Chris Hulla	1.00	3.75
- Colin Wein	38.25	96.75
- David Slishinsky	35.50	97.00
- Doug Fiddler	0.00	0.00
- Karen Hancock	1.25	11.75
- Kathy Recchiuti	0.75	3.25
- Kyla Kaltenbach	22.50	62.50
- Melissa Bissett	0.00	0.00
- Michael Mills	0.50	0.50
- Michelle Pritchard	54.00	106.25
- Monica DeGraff	0.00	0.00
- Peter Gold	2.25	2.25
- Robin Simon	0.00	0.25
- Ron Thompson	3.00	3.00
- Soon Kyu Son	10.00	10.00
- Tammy Ringel	0.00	0.00
- William Detweiler	0.00	0.00
	170.00	400.00

Chief Investment Officer Report

- Increase allocation to Crestline Advisors $33.5 million.
- Notification of resignation of Jeff Conrad, Hancock Agricultural Investment Group and appointment of Oliver Williams.
- October 5th rebalance of PERS, TRS, and DC plans.
- Transfer cash from Alaska Target Fund to SSgA Treasury Money Market Fund.
- Transfer $150 million from Fixed Income to International Equities.
- Transfer from multiple Small Cap managers to fund Frontier Small Cap Value.
- ___________
- ___________

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

September 16, 2011

Mike McElligott
Lafayette Corporate Center
2 Avenue de Lafayette
Boston, MA 02111

Dear Mike:

RE: Additional Funding Blue Glacier Fund, L.P.

This letter is your authorization to transfer **$33,500,000.00** on **Wednesday September 28, 2011** from account AY1A to account AY9F using the currently applicable absolute return ratios and then wire transfer the full amount as soon as possible using the following instructions:

The Bank of New York Mellon
1 Wall Street, New York
ABA Number: 021-000-018
Account Number: 8900562056
Account Name: Blue Glacier Fund LP
Reference Details: Alaska Retirement Management Board on behalf of the State of Alaska Retirement and Benefits Plans Trust

Please provide the Fed Confirmation number for this transaction to Scott Markowitz of Bank of New York Mellon via e-mail at Scott.Markowitz@bnymellon.com

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

GMB/scv ma

cc: Gail Schubert, ARMB Chair
Angela Rodell, Deputy Commissioner
Pam Leary, Comptroller
Bob Mitchell, Investment Officer
Zachary Hanna, Investment Officer
Scott Markowitz, Bank of New York
Travis Keith, Crestline Investors, Inc.

RECEIVED

SEP 26 2011

ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

Hancock Agricultural Investment Group®

A Manulife Asset Management Company

Oliver S. Williams IV, CFA
Director of Asset Management

99 High Street, 26th Floor
Boston, MA 02110
617-747-1645
617-210-8645 fax
owilliams@hnrg.com
www.haig.com

September 19, 2011

Gary Bader
Alaska Retirement Management Board
Department of Revenue
333 Willoughby Avenue, 11th Floor
Juneau, AK 99801-0400

Dear Gary:

I am writing to share a recent change in management at Hancock Agricultural Investment Group. Jeff Conrad, our President, will be retiring effective September 30, 2011. As you may know, Jeff has worked for the Hancock Agricultural Investment Group for the past twenty-one years and John Hancock for twenty-five years. Jeff looks forward to enjoying more time to relax and pursue personal interests.

As a result of Jeff's retirement, I have the privilege of being appointed HAIG's President effective October 1, 2011. I am in my 15th year with HAIG, most recently serving as HAIG's Director of Asset Management, a member of the HNRG Natural Resource Investment Committee and a part of HAIG's Senior Management Team. I have had the good fortune of working with Jeff and the entire HAIG team, including our property managers, to develop and manage client portfolios over the years. These experiences coupled with HAIG's strong management team and well-established investment platform positions us well to continue delivering outstanding client service and quality diversified farmland investment programs.

I look forward to working with you in this new role as we continue Jeff's legacy and commitment to improving HAIG's ability to achieve your farmland investment objectives. Please do not hesitate to contact me or any one at HAIG by e-mail or telephone if you have any questions. I can be reached at (617) 747-1645 or owilliams@hnrg.com.

Sincerely,

Ol Will IV

Oliver Williams IV

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

September 30, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following pool level transactions on October 5, 2011, to bring **PERS, TRS pension plans and DC plans** closer to target.

AY6G	
Large Cap Pool	26,081
Small Cap Pool	4,615
International Equity Pool	86,570
International Small Cap	3,826
Emerging Markets Equity	13,566
Private Equity	(10,726)
Intermediate Treasury	(28,806)
High Yield Pool	368
Emerging Markets Debt Pool	404
International Fixed Income	3,475
AK TIPS Pool	1,179
Energy Pool A	(389)
Farmland Pool A	(1,985)
REIT Pool A	776
Timber Pool A	(115)
AK Real Estate Pool	5,812
Absolute Return	785
Cash	(105,436)
	-

AYX2	
Large Cap Pool	74,056
Small Cap Pool	12,409
International Equity Pool	210,910
International Small Cap	9,460
Emerging Markets Equity	34,351
Private Equity	(20,499)
Intermediate Treasury	(59,795)
High Yield Pool	1,967
Emerging Markets Debt Pool	1,496
International Fixed Income	9,202
AK TIPS Pool	3,857
Energy Pool A	(623)
Farmland Pool A	(2,941)
REIT Pool A	1,975
Timber Pool A	290
AK Real Estate Pool	18,665
Absolute Return	5,174
Cash	(299,954)
	-

AYY3	
Large Cap Pool	51,500
Small Cap Pool	11,065
International Equity Pool	267,075
International Small Cap	11,428
Emerging Markets Equity	38,142
Private Equity	(48,844)
Intermediate Treasury	(117,874)
High Yield Pool	(1,888)
Emerging Markets Debt Pool	(215)
International Fixed Income	8,570
AK TIPS Pool	853
Energy Pool A	(2,102)
Farmland Pool A	(11,449)
REIT Pool A	2,172
Timber Pool A	(1,970)
AK Real Estate Pool	5,131
Absolute Return	(6,819)
Cash	(204,775)
	-

AY6H	
Large Cap Pool	441
Small Cap Pool	636
International Equity Pool	29,101
International Small Cap	1,177
Emerging Markets Equity	3,519
Private Equity	(8,092)
Intermediate Treasury	(17,949)
High Yield Pool	(735)
Emerging Markets Debt Pool	(277)
International Fixed Income	568
AK TIPS Pool	(393)
Energy Pool A	(387)
Farmland Pool A	(2,180)
REIT Pool A	196
Timber Pool A	(496)
AK Real Estate Pool	(1,665)
Absolute Return	(2,353)
Cash	(1,111)
	-

AYY2	
Large Cap Pool	491,215
Small Cap Pool	75,181
International Equity Pool	1,048,149
International Small Cap	48,575
Emerging Markets Equity	185,993
Private Equity	(35,715)
Intermediate Treasury	(175,458)
High Yield Pool	22,438
Emerging Markets Debt Pool	13,519
International Fixed Income	54,580
AK TIPS Pool	30,809
Energy Pool A	689
Farmland Pool A	7,682
REIT Pool A	10,762
Timber Pool A	8,182
AK Real Estate Pool	146,088
Absolute Return	64,285
Cash	(1,996,974)
	-

AY21	
Large Cap Pool	(464,910.00)
Small Cap Pool	(75,799)
International Equity	(1,221,408)
International Small Cap	(55,223)
Emerging Markets Equity Pool	(203,302)
Private Equity	99,511
Intermediate Treasury	311,029
High Yield	(15,072)
Emerging Markets Debt Pool	(10,428)
International Fixed Income	(55,850)
AK TIPS Pool	(25,716)
Energy Pool A	2,513
Farmland Pool A	10,568
REIT Pool A	(11,709)
Timber Pool A	(3,634)
AK Real Estate Pool	(123,541)
Absolute Return	(41,149)
Cash	1,884,120
	-

AY6I	
Large Cap Pool	14,097
Small Cap Pool	2,254
International Equity Pool	34,967
International Small Cap	1,590
Emerging Markets Equity	5,923
Private Equity	(2,413)
Intermediate Treasury	(8,111)
High Yield Pool	517
Emerging Markets Debt Pool	339
International Fixed Income	1,663
AK TIPS Pool	815
Energy Pool A	(46)
Farmland Pool A	(154)
REIT Pool A	341
Timber Pool A	149
AK Real Estate Pool	3,902
Absolute Return	1,441
Cash	(57,274)
	-

AYX3	
Large Cap Pool	10,297
Small Cap Pool	2,699
International Equity Pool	77,368
International Small Cap	3,253
Emerging Markets Equity	10,481
Private Equity	(16,625)
Intermediate Treasury	(38,695)
High Yield Pool	(1,021)
Emerging Markets Debt Pool	(290)
International Fixed Income	2,152
AK TIPS Pool	(187)
Energy Pool A	(751)
Farmland Pool A	(4,150)
REIT Pool A	594
Timber Pool A	(821)
AK Real Estate Pool	(508)
Absolute Return	(3,417)
Cash	(40,379)
	-

AY22	
Large Cap Pool	(202,777.00)
Small Cap Pool	(33,060)
International Equity	(532,732)
International Small Cap	(24,086)
Emerging Markets Equity Pool	(88,673)
Private Equity	43,403
Intermediate Treasury	135,659
High Yield	(6,574)
Emerging Markets Debt Pool	(4,548)
International Fixed Income	(24,360)
AK TIPS Pool	(11,217)
Energy Pool A	1,096
Farmland Pool A	4,609
REIT Pool A	(5,107)
Timber Pool A	(1,585)
AK Real Estate Pool	(53,884)
Absolute Return	(17,947)
Cash	821,783
	-

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

Revised

October 5, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following pool level transactions on October 5, 2011, to bring **PERS, TRS and JRS pension plans** and **health retirement plans** closer to target.

PERS Retirement Health	**AYW2**
Large Cap Pool	6,155,800.00
Small Cap Pool	1,272,000.00
International Equity Pool	3,347,300.00
International Small Cap	335,900.00
Emerging Markets Equity	1,381,700.00
Private Equity	2,821,800.00
Domestic Fixed Income	71,500.00
Intermediate Treasury	(15,682,600.00)
International Fixed Income	646,300.00
Emerging Markets Debt	224,300.00
High Yield Pool	707,600.00
Real Estate Pool	3,440,700.00
Energy Pool A	156,800.00
Farmland Pool A	(448,100.00)
REIT Pool A	258,900.00
Timber Pool A	341,400.00
TIPS Pool	351,100.00
Absolute Return	1,224,100.00
Cash	(6,606,500.00)
	-

PERS Pension	**AY21**
Large Cap Pool	(6,155,800.00)
Small Cap Pool	(1,272,000.00)
International Equity Pool	(3,347,300.00)
International Small Cap	(335,900.00)
Emerging Markets Equity	(1,381,700.00)
Private Equity	(2,821,800.00)
Domestic Fixed Income	(71,500.00)
Intermediate Treasury	15,682,600.00
International Fixed Income	(646,300.00)
Emerging Markets Debt	(224,300.00)
High Yield Pool	(707,600.00)
Real Estate Pool	(3,440,700.00)
Energy Pool A	(156,800.00)
Farmland Pool A	448,100.00
REIT Pool A	(258,900.00)
Timber Pool A	(341,400.00)
TIPS Pool	(351,100.00)
Absolute Return	(1,224,100.00)
Cash	6,606,500.00
	-

TRS Retirement Health	**AYW3**
Large Cap Pool	2,380,400.00
Small Cap Pool	491,900.00
International Equity Pool	1,318,100.00
International Small Cap	130,700.00
Emerging Markets Equity	536,800.00
Private Equity	1,083,700.00
Domestic Fixed Income	27,500.00
Intermediate Treasury	(6,043,800.00)
International Fixed Income	250,100.00
Emerging Markets Debt	86,500.00
High Yield Pool	272,700.00
Real Estate Pool	1,327,500.00
Energy Pool A	60,300.00
Farmland Pool A	2,287,900.00
REIT Pool A	99,900.00
Timber Pool A	131,500.00
TIPS Pool	135,800.00
Absolute Return	472,100.00
Cash	(5,049,600.00)
	-

TRS Pension	**AY22**
Large Cap Pool	(2,380,400.00)
Small Cap Pool	(491,900.00)
International Equity Pool	(1,318,100.00)
International Small Cap	(130,700.00)
Emerging Markets Equity	(536,800.00)
Private Equity	(1,083,700.00)
Domestic Fixed Income	(27,500.00)
Intermediate Treasury	6,043,800.00
International Fixed Income	(250,100.00)
Emerging Markets Debt	(86,500.00)
High Yield Pool	(272,700.00)
Real Estate Pool	(1,327,500.00)
Energy Pool A	(60,300.00)
Farmland Pool A	(2,287,900.00)
REIT Pool A	(99,900.00)
Timber Pool A	(131,500.00)
TIPS Pool	(135,800.00)
Absolute Return	(472,100.00)
Cash	5,049,600.00
	-

JRS Retirement Health	**AYW4**
Large Cap Pool	38,600.00
Small Cap Pool	7,900.00
International Equity Pool	23,600.00
International Small Cap	2,200.00
Emerging Markets Equity	9,000.00
Private Equity	16,900.00
Domestic Fixed Income	400.00
Intermediate Treasury	(96,100.00)
International Fixed Income	4,100.00
Emerging Markets Debt	1,400.00
High Yield Pool	4,300.00
Real Estate Pool	21,300.00
Energy Pool A	900.00
Farmland Pool A	(42,600.00)
REIT Pool A	1,600.00
Timber Pool A	2,100.00
TIPS Pool	2,200.00
Absolute Return	7,600.00
Cash	(5,400.00)

JRS Pension	**AY23**
Large Cap Pool	(38,600.00)
Small Cap Pool	(7,900.00)
International Equity Pool	(23,600.00)
International Small Cap	(2,200.00)
Emerging Markets Equity	(9,000.00)
Private Equity	(16,900.00)
Domestic Fixed Income	(400.00)
Intermediate Treasury	96,100.00
International Fixed Income	(4,100.00)
Emerging Markets Debt	(1,400.00)
High Yield Pool	(4,300.00)
Real Estate Pool	(21,300.00)
Energy Pool A	(900.00)
Farmland Pool A	42,600.00
REIT Pool A	(1,600.00)
Timber Pool A	(2,100.00)
TIPS Pool	(2,200.00)
Absolute Return	(7,600.00)
Cash	5,400.00

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

September 30, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following pool level transactions on October 5, 2011, to bring the **Public Employees Retirement System, Teachers Retirement System** and **Judicial Retirement System** pension plan allocations closer together.

	AY21	AY22	AY23
Domestic Equity - Lg Cap	4,176,100	-4,176,400	300
Domestic Equity - Sm Cap	899,300	-900,000	700
International Equities	2,664,400	-2,667,400	3,000
International Small Cap	252,500	-252,600	100
Emerging Markets	964,000	-964,200	200
AY77 - Dom. Fixed Inc.	44,500	-44,500	0
Intermediate Treasury	-2,892,300	2,278,600	613,700
International Fixed Income	407,000	-408,400	1,400
High Yield	452,300	-453,400	1,100
Emerging Market Debt	141,700	-142,200	500
Real Estate	1,134,700	-1,137,200	2,500
Real Estate Pool B	320,300	-321,200	900
Farmland Pool A	-1,076,800	1,122,800	-46,000
Energy Pool A	95,600	-95,800	200
Timber Pool A	211,900	-212,600	700
REIT Pool	180,100	-180,600	500
TIPS	228,500	-230,100	1,600
Total Private Equity	1,741,000	-1,748,200	7,200
Absolute Return	769,200	-770,700	1,500
AY70 - Short Term Pool	-10,714,000	11,304,100	-590,100

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

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

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

September 30, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following pool level transactions on October 5, 2011 to bring **PERS, TRS and JRS Retirement Health Plans** allocations closer to target.

	AYW2	AYW3	AYW4
Domestic Equity - Lg Cap	1,299,700	-1,317,200	17,500
Domestic Equity - Sm Cap	289,600	-293,600	4,000
International Equities	855,000	-867,000	12,000
International Small Cap	82,300	-83,400	1,100
Emerging Markets	299,900	-304,000	4,100
AY77 - Dom. Fixed Inc.	13,200	-13,400	200
Intermediate Treasury	321,300	-344,700	23,400
International Fixed Income	119,100	-121,000	1,900
High Yield	137,100	-139,200	2,100
Emerging Market Debt	42,100	-42,800	700
Real Estate	436,500	-443,000	6,500
Farmland Pool A	1,838,000	-1,889,200	51,200
Energy Pool A	28,100	-28,600	500
Timber Pool A	62,900	-63,900	1,000
REIT Pool	57,600	-58,500	900
TIPS	69,300	-70,500	1,200
Total Private Equity	524,000	-532,600	8,600
Absolute Return	228,800	-232,200	3,400
AY70 - Short Term Pool	-6,704,500	6,844,800	-140,300

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

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

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

October 4, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette
LCC 3S
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made **TODAY**, October 4, 2011. Please process the following cash transfer as early as possible:

Alaska Target Fund 2010 (QD14)	< $551 >
SSgA Treasury Money Market Fund (QD99)	$551

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Angela Rodell, Deputy Commissioner
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer
Bob Mitchell, State Investment Officer
Steve Sikes, State Investment Officer

GMB/smh

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

October 11, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette
LCC 3S
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on October 31, 2011. Please process the following cash transfer as soon as possible on that day:

U.S. Intermediate Treasury Fund (AY1A)	< $150,000,000 >
SSgA MSCI ACWI ex-US IMI (AY68)	$150,000,000

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Angela Rodell, Deputy Commissioner
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer
Bob Mitchell, State Investment Officer
Steve Sikes, State Investment Officer

GMB/smh

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

October 20, 2011

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette
LCC 3S
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Monday, November 7, 2011. Please process the following cash transfer as soon as possible on that day:

Lord Abbett Small Cap (AY4H)	< $40,000,000 >
Jennison Small Cap (AY4G)	< $30,000,000 >
SSgA Russell 2000 Growth (AY4N)	< $30,000,000 >
Frontier Small Cap Value (AY5G)	$100,000,000

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, ARMB Chair
Angela Rodell, Deputy Commissioner
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer
Bob Mitchell, State Investment Officer
Steve Sikes, State Investment Officer

GMB/smh

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of September 30, 2011

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Three Months Ending September 30, 2011

	Beginning Invested Assets	Investment Income [1]	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income [2]
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 6,264,552,684	$ (555,809,396)	$ 44,413,239	$ 5,753,156,527	-8.16%	-8.84%
Retirement Health Care Trust	5,134,162,802	(453,423,647)	83,185,560	4,763,924,715	-7.21%	-8.76%
Total Defined Benefit Plans	11,398,715,486	(1,009,233,043)	127,598,799	10,517,081,242	-7.73%	-8.80%
Defined Contribution Plans:						
Participant Directed Retirement	180,109,444	(25,041,147)	11,098,623	166,166,920	-7.74%	-13.49%
Health Reimbursement Arrangement	53,935,537	(4,291,972)	3,774,864	53,418,429	-0.96%	-7.69%
Retiree Medical Plan	12,298,211	(975,949)	580,123	11,902,385	-3.22%	-7.75%
Defined Benefit Occupational Death and Disability:						
Public Employees	5,286,780	(419,508)	220,822	5,088,094	-3.76%	-7.77%
Police and Firefighters	1,917,717	(152,872)	129,051	1,893,896	-1.24%	-7.71%
Total Defined Contribution Plans	253,547,689	(30,881,448)	15,803,483	238,469,724	-5.95%	-11.81%
Total PERS	**11,652,263,175**	**(1,040,114,491)**	**143,402,282**	**10,755,550,966**	-7.70%	-8.87%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,118,844,542	(279,338,817)	75,464,765	2,914,970,490	-6.54%	-8.85%
Retirement Health Care Trust	1,614,432,210	(143,738,053)	57,992,875	1,528,687,032	-5.31%	-8.75%
Total Defined Benefit Plans	4,733,276,752	(423,076,870)	133,457,640	4,443,657,522	-6.12%	-8.81%
Defined Contribution Plans:						
Participant Directed Retirement	81,208,363	(11,417,707)	1,800,588	71,591,244	-11.84%	-13.91%
Health Reimbursement Arrangement	17,780,154	(1,429,515)	708,192	17,058,831	-4.06%	-7.88%
Retiree Medical Plan	5,433,467	(435,041)	157,716	5,156,142	-5.10%	-7.89%
Defined Benefit Occupational Death and Disability	2,234,171	(178,802)	45,287	2,100,656	-5.98%	-7.92%
Total Defined Contribution Plans	106,656,155	(13,461,065)	2,711,783	95,906,873	-10.08%	-12.46%
Total TRS	**4,839,932,907**	**(436,537,935)**	**136,169,423**	**4,539,564,395**	-6.21%	-8.89%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	110,498,974	(9,840,980)	665,282	101,323,276	-8.30%	-8.88%
Defined Benefit Retirement Health Care Trust	20,475,723	(1,804,441)	106,841	18,778,123	-8.29%	-8.79%
Total JRS	**130,974,697**	**(11,645,421)**	**772,123**	**120,101,399**	-8.30%	-8.87%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	32,995,190	(2,168,603)	540,165	31,366,752	-4.94%	-6.52%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,552,981,709	(164,342,315)	2,016,565	2,390,655,959	-6.36%	-6.43%
Deferred Compensation Plan	596,689,747	(48,311,003)	(887,867)	547,490,877	-8.25%	-8.10%
Total All Funds	**$ 19,805,837,425**	**$ (1,703,119,768)**	**$ 282,012,691**	**$ 18,384,730,348**	**-7.18%**	**-8.54%**

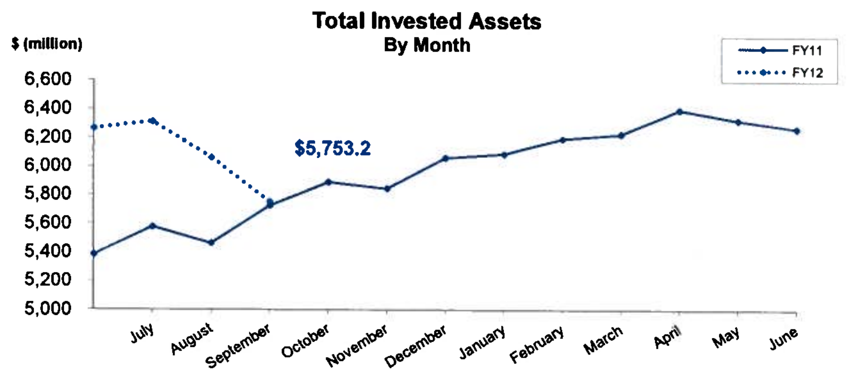
Notes:
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses
(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

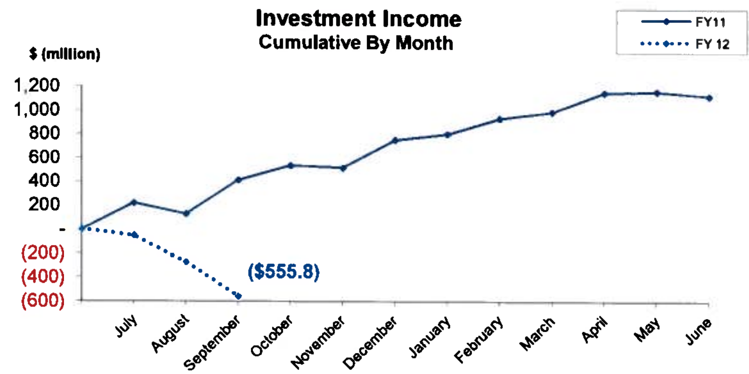
ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Month Ended September 30, 2011

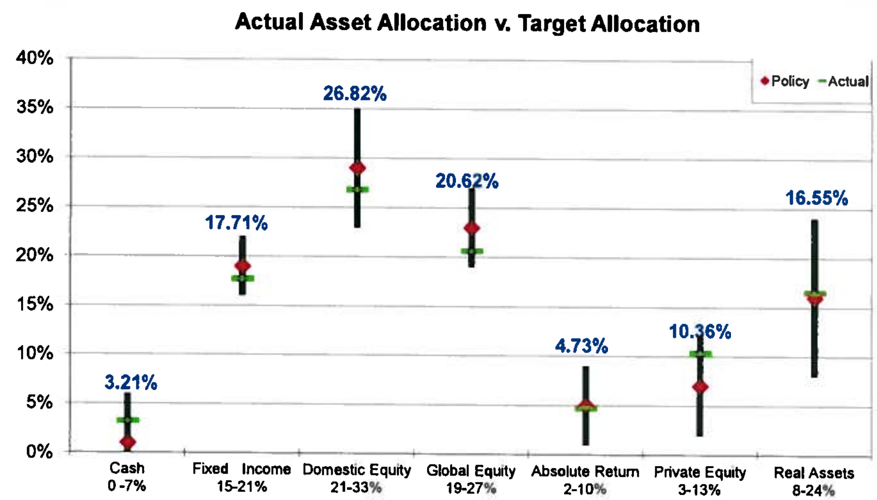
	Beginning Invested Assets	Investment Income [1]	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income [2]
Public Employees' Retirement System (PERS)						
Defined Benefit Plans:						
Retirement Trust	$ 6,060,295,261	$ (283,313,557)	$ (23,825,177)	$ 5,753,156,527	-5.34%	-4.68%
Retirement Health Care Trust	5,008,143,835	(230,180,757)	(14,038,363)	4,763,924,715	-5.13%	-4.60%
Total Defined Benefit Plans	11,068,439,096	(513,494,314)	(37,863,540)	10,517,081,242	-5.24%	-4.65%
Defined Contribution Plans:						
Participant Directed Retirement	171,776,523	(11,357,688)	5,748,085	166,166,920	-3.38%	-6.50%
Health Reimbursement Arrangement	54,247,218	(2,403,859)	1,575,070	53,418,429	-1.55%	-4.37%
Retiree Medical Plan	12,216,770	(542,886)	228,501	11,902,385	-2.64%	-4.40%
Defined Benefit Occupational Death and Disability:						
Public Employees	5,242,084	(233,266)	79,276	5,088,094	-3.03%	-4.42%
Police and Firefighters	1,930,689	(85,741)	48,948	1,893,896	-1.94%	-4.39%
Total Defined Contribution Plans	245,413,284	(14,623,440)	7,679,880	238,469,724	-2.91%	-5.87%
Total PERS	**11,313,852,380**	**(528,117,754)**	**(30,183,660)**	**10,755,550,966**	-5.19%	-4.67%
Teachers' Retirement System (TRS)						
Defined Benefit Plans:						
Retirement Trust	3,087,880,698	(144,980,187)	(27,930,021)	2,914,970,490	-5.93%	-4.72%
Retirement Health Care Trust	1,612,569,065	(74,259,469)	(9,622,564)	1,528,687,032	-5.49%	-4.62%
Total Defined Benefit Plans	4,700,449,763	(219,239,656)	(37,552,585)	4,443,657,522	-5.78%	-4.68%
Defined Contribution Plans:						
Participant Directed Retirement	75,938,638	(5,064,539)	717,145	71,591,244	-6.07%	-6.64%
Health Reimbursement Arrangement	17,633,262	(789,504)	215,073	17,058,831	-3.37%	-4.45%
Retiree Medical Plan	5,354,969	(239,699)	40,872	5,156,142	-3.86%	-4.46%
Defined Benefit Occupational Death and Disability	2,198,968	(98,429)	117	2,100,656	-4.68%	-4.48%
Total Defined Contribution Plans	101,125,837	(6,192,171)	973,207	95,906,873	-5.44%	-6.09%
Total TRS	**4,801,575,600**	**(225,431,827)**	**(36,579,378)**	**4,539,564,395**	-5.77%	-4.71%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	106,829,851	(4,996,814)	(509,761)	101,323,276	-5.43%	-4.69%
Defined Benefit Retirement Health Care Trust	19,639,339	(903,031)	41,815	18,778,123	-4.59%	-4.59%
Total JRS	**126,469,190**	**(5,899,845)**	**(467,946)**	**120,101,399**	-5.30%	-4.67%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	32,651,274	(1,177,961)	(106,561)	31,366,752	-4.10%	-3.61%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,477,934,616	(88,790,687)	1,512,030	2,390,655,959	-3.65%	-3.58%
Deferred Compensation Plan	572,300,896	(23,154,853)	(1,655,166)	547,490,877	-4.53%	-4.05%
Total All Funds	**$ 19,324,783,956**	**$ (872,572,927)**	**$ (67,480,681)**	**$ 18,384,730,348**	**-5.11%**	**-4.52%**

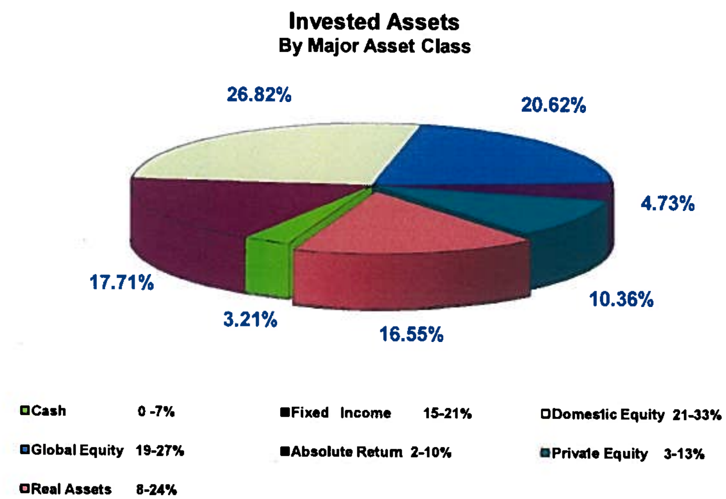
Notes:
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses
(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx

PUBLIC EMPLOYEES' RETIREMENT TRUST FUND
As of September 30, 2011

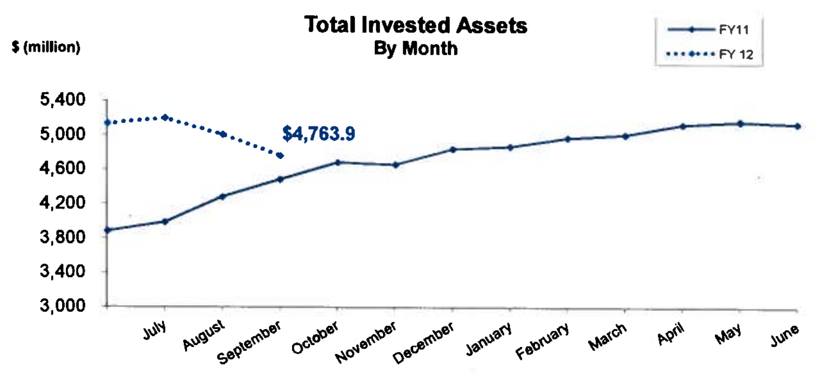


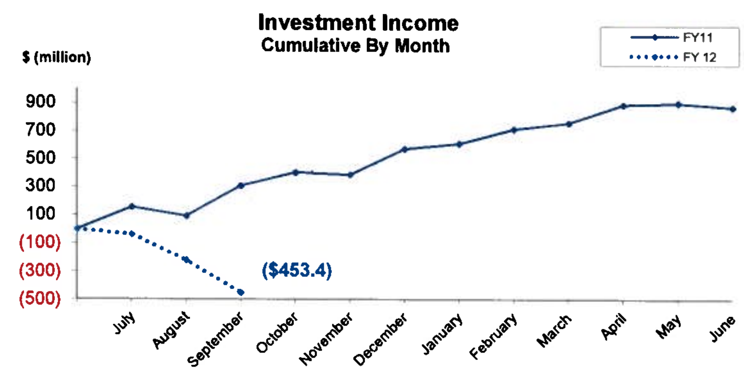


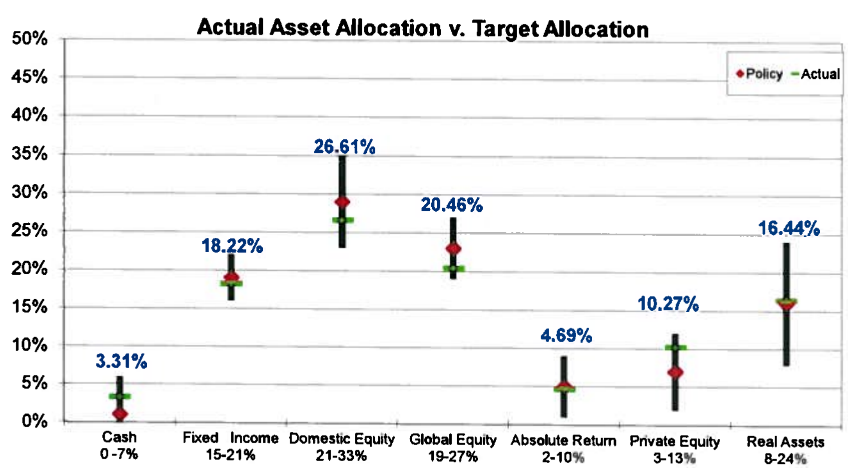


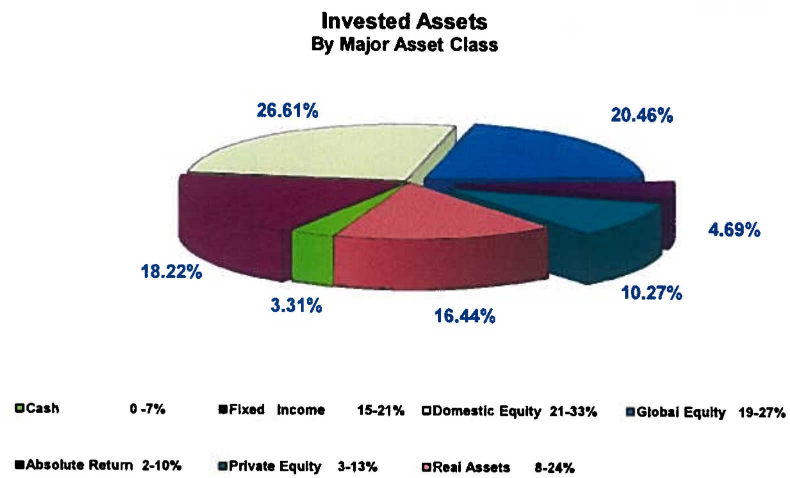


PUBLIC EMPLOYEES' RETIREE HEALTH CARE TRUST FUND
As of September 30, 2011

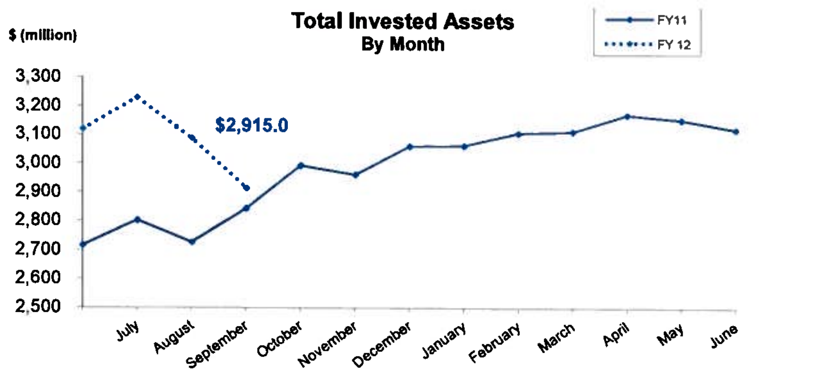


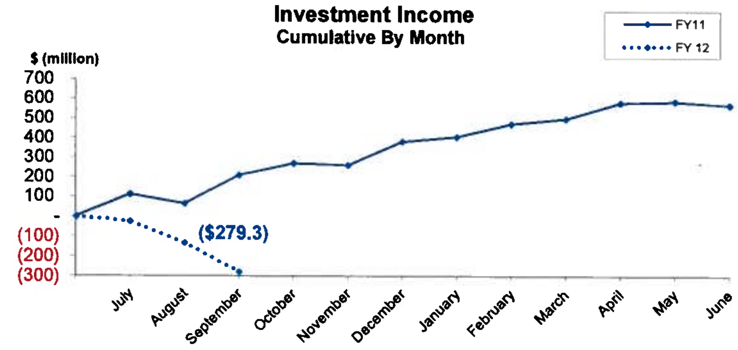


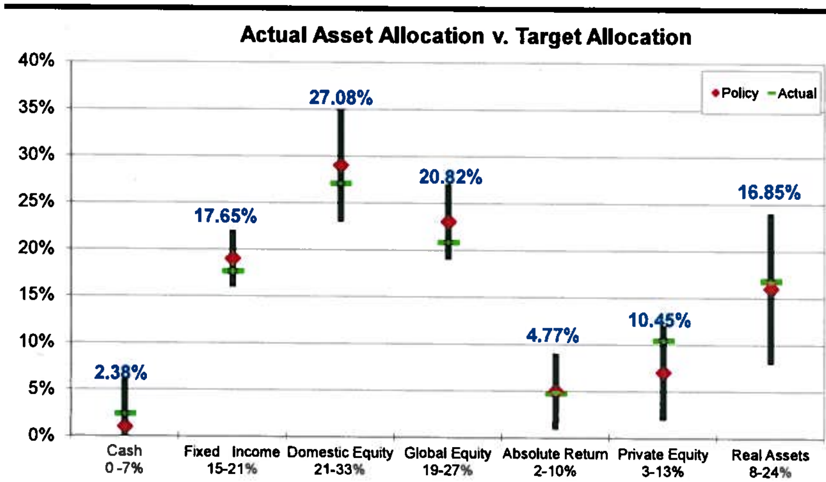


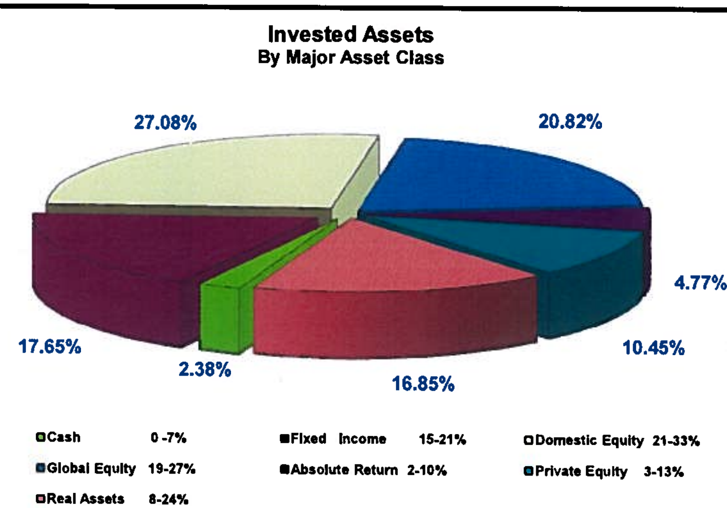


TEACHERS' RETIREMENT TRUST FUND
As of September 30, 2011

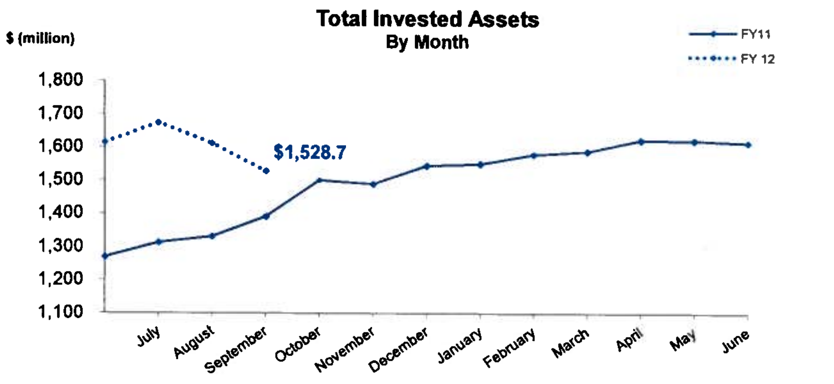


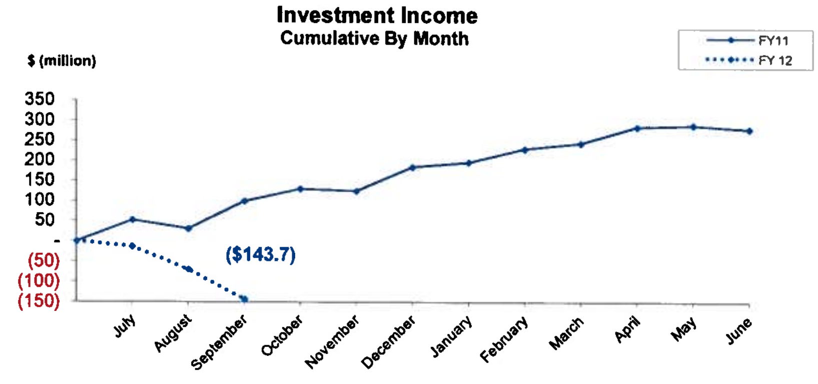


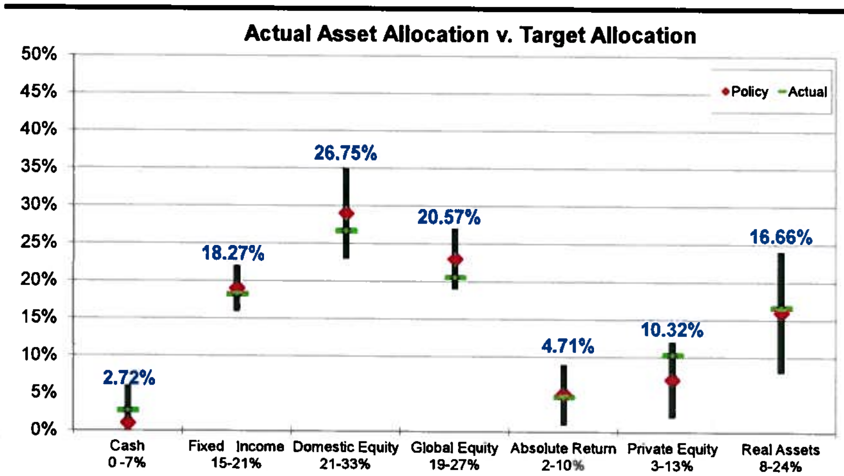


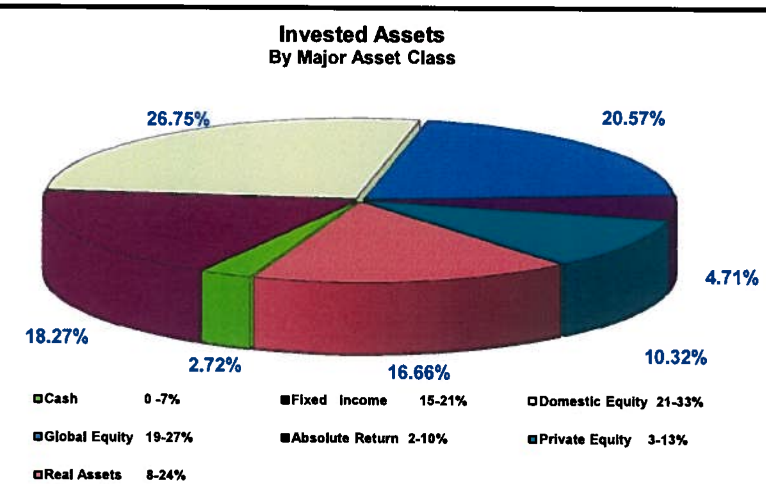


TEACHERS' RETIREE HEALTH CARE TRUST FUND
As of September 30, 2011

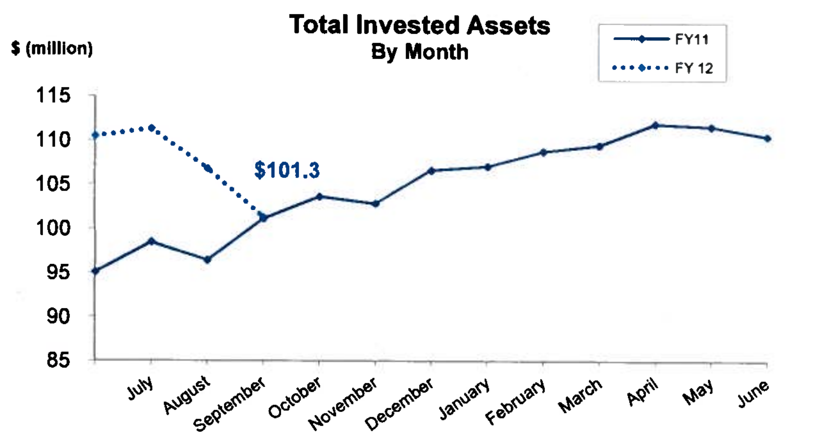


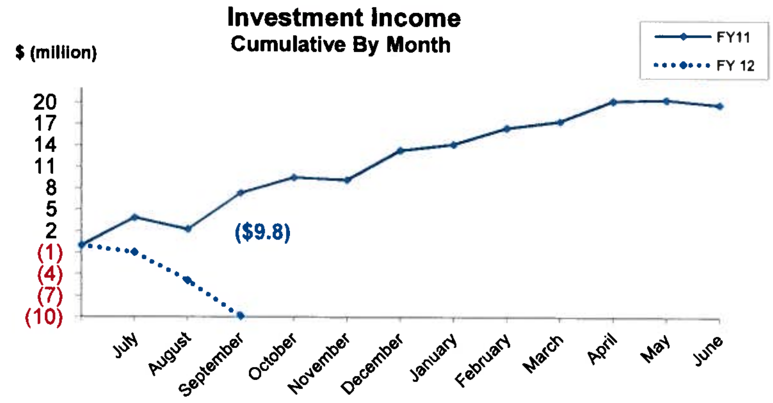


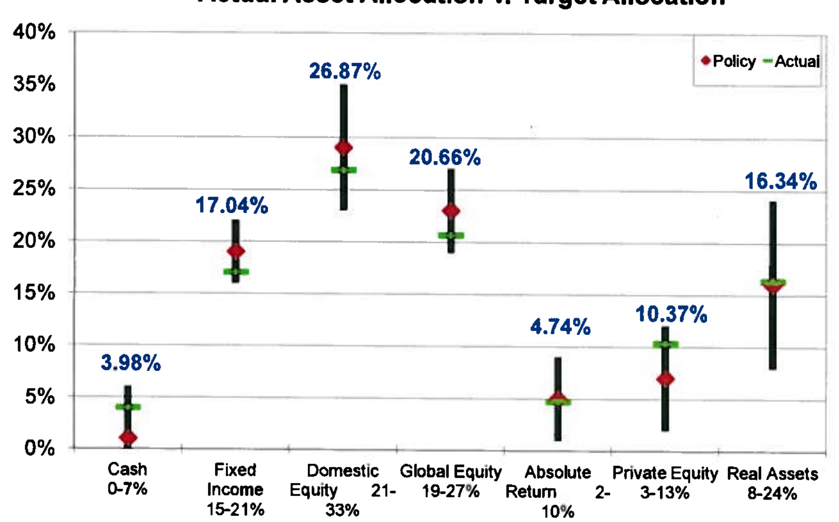


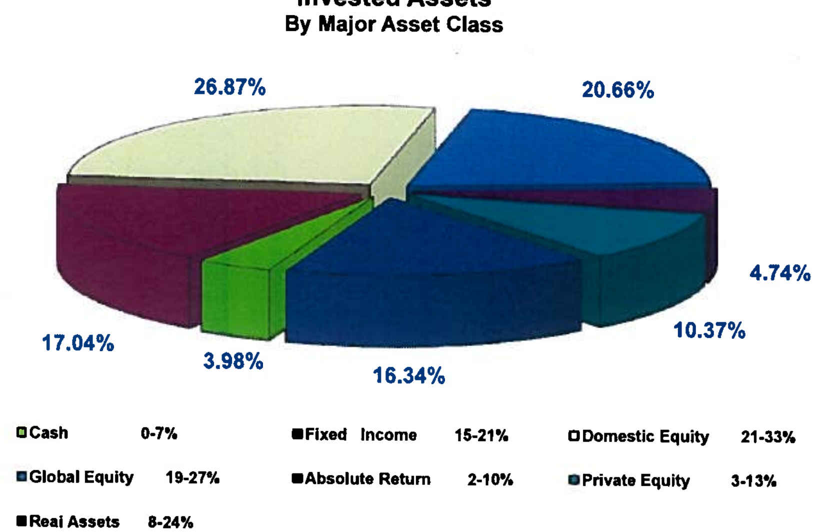


JUDICIAL RETIREMENT TRUST FUND
As of September 30, 2011

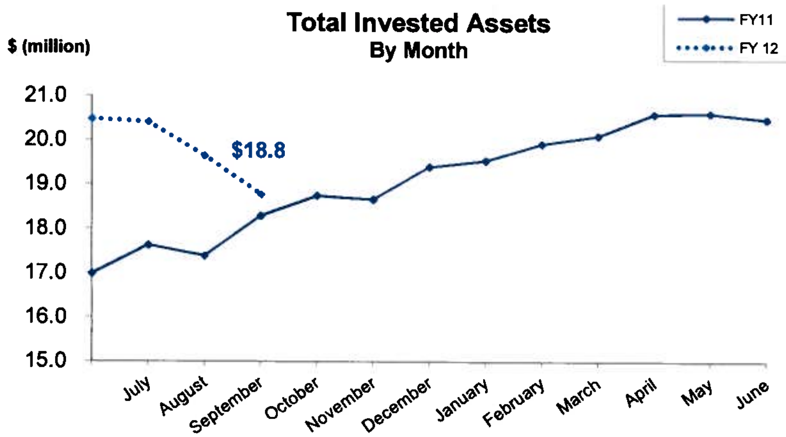


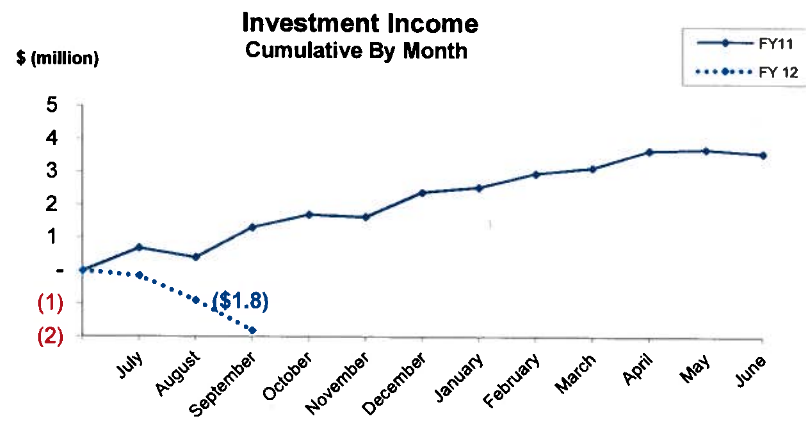


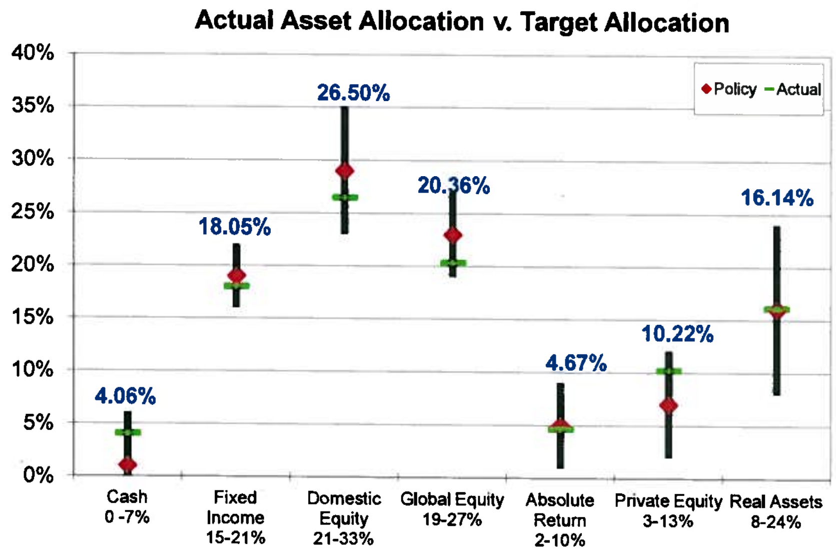


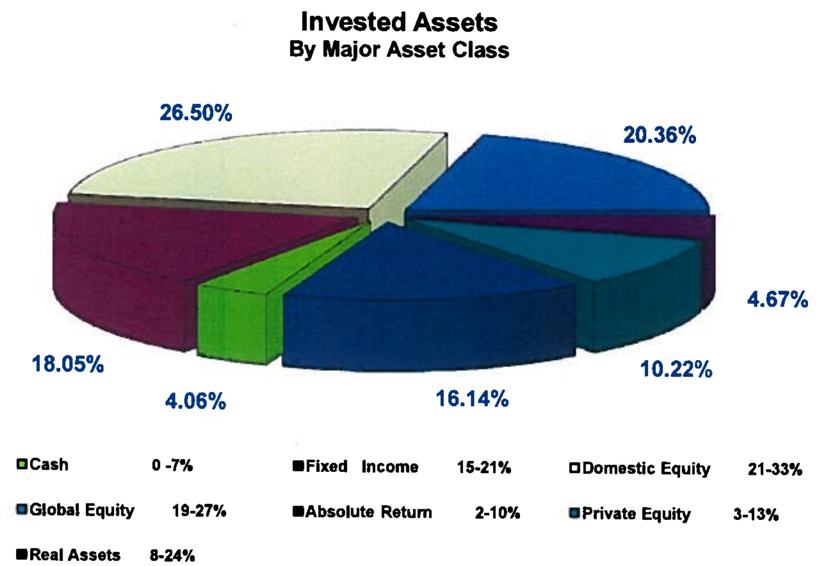


JUDICIAL RETIREE HEALTH CARE TRUST FUND
As of September 30, 2011

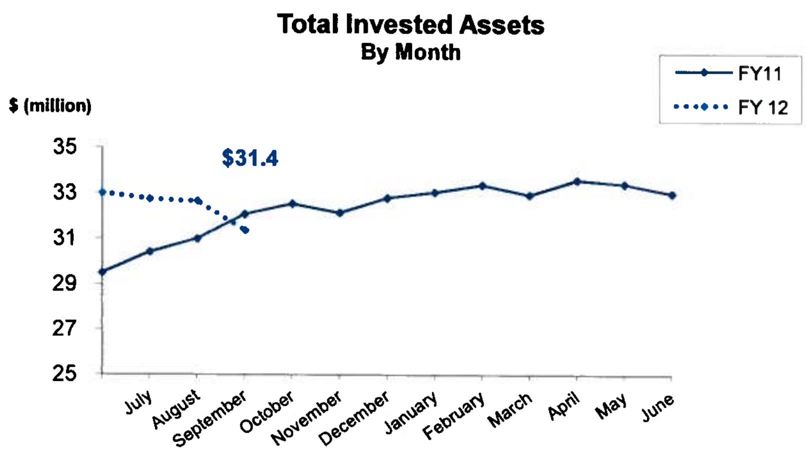


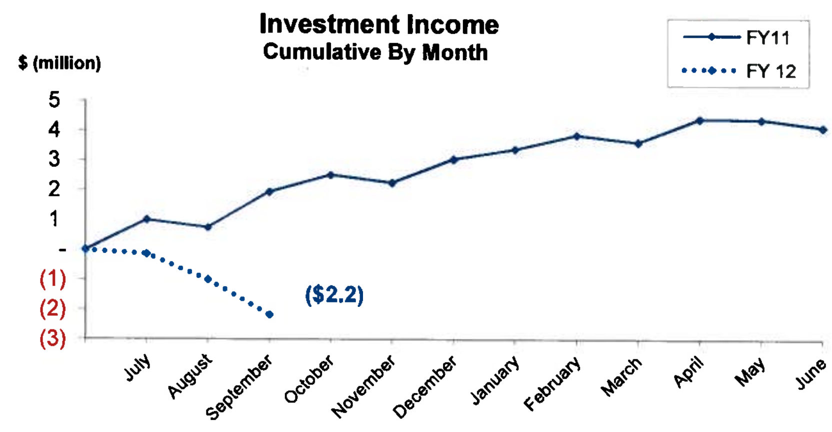


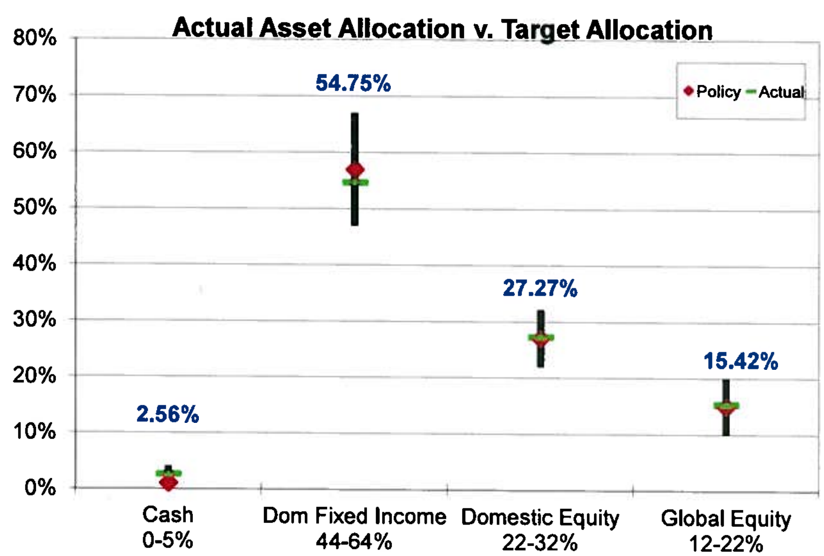


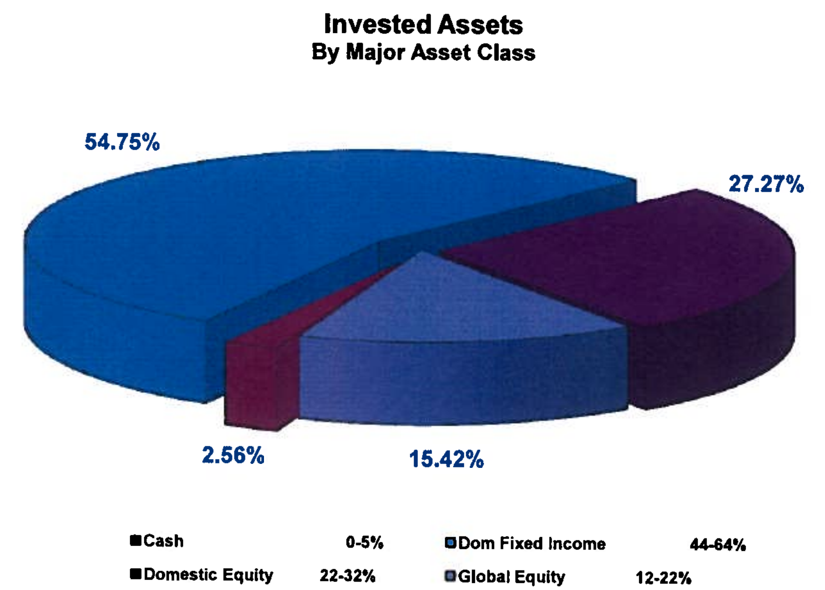


MILITARY RETIREMENT TRUST FUND
As of September 30, 2011









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 September 30, 2011

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**	$ 537,917,856	$ (20,507)	$ (73,903,278)	$ 463,994,071	-13.74%
	Total Cash	537,917,856	(20,507)	(73,903,278)	463,994,071	-13.74%
	Fixed Income					
1A	**US Treasury Fixed Income**	1,825,303,061	5,278,196	(1,215,989)	1,829,365,268	0.22%
77	**Internal Fixed Income Investment Pool**	40,666,851	52,452	(22,000,000)	18,719,303	-53.97%
	International Fixed Income Pool					
63	Mondrian Investment Partners	390,705,887	(23,136,922)	-	367,568,965	-5.92%
	High Yield Pool					
9P	MacKay Shields, LLC	399,928,766	(7,333,572)	-	392,595,194	-1.83%
	Total High Yield	399,928,766	(7,333,572)	-	392,595,194	-1.83%
	Emerging Debt Pool					
5M	Lazard Emerging Income	128,966,188	(1,297,039)	-	127,669,149	-1.01%
	Total Fixed Income (cont.)	2,785,570,753	(26,436,885)	(23,215,989)	2,735,917,879	-1.78%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended September 30, 2011

		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	52,482,187	(5,991,526)	-	46,490,661	-11.42%
4P	SSgA Russell 2000 Value	63,651,578	(6,943,875)	-	56,707,703	-10.91%
	Total Passive	116,133,765	(12,935,401)	-	103,198,364	-11.14%
	Actively Managed					
4D	Turner Investment Partners	-	-	-	-	
4E	DePrince, Race & Zollo Inc.- Micro Cap	65,493,299	(6,001,025)	-	59,492,274	-9.16%
4F	Luther King Capital Management	120,128,763	(13,077,576)	-	107,051,187	-10.89%
4G	Jennison Associates, LLC	144,388,236	(13,700,877)	-	130,687,359	-9.49%
6A	SSgA Futures Small Cap	5,197,963	(1,408,977)	-	3,788,986	-27.11%
4H	Lord Abbett & Co.	162,060,868	(17,840,636)	-	144,220,232	-11.01%
4Q	Barrow, Haney, Mewhinney & Strauss	98,824,035	(15,989,858)	-	82,834,177	-16.18%
4Z	Lord Abbett & Co.- Micro Cap	63,966,488	(5,350,276)	-	58,616,212	-8.36%
	Total Active	660,059,652	(73,369,225)	-	586,690,427	-11.12%
	Total Small Cap	776,193,417	(86,304,626)	-	689,888,791	-11.12%
	Large Cap Pool					
	Passively Managed					
4L	SSgA Russell 1000 Growth	701,708,954	(51,565,359)	-	650,143,595	-7.35%
4M	SSgA Russell 1000 Value	856,367,859	(64,488,715)	-	791,879,144	-7.53%
4R	SSgA Russell 200	343,880,068	(22,458,114)	-	321,421,954	-6.53%
	Total Passive	1,901,956,881	(138,512,188)	-	1,763,444,693	-7.28%
	Actively Managed					
47	Lazard Freres	269,289,891	(17,498,716)	(5,621,464)	246,169,711	-8.59%
48	McKinley Capital Mgmt.	311,581,649	(21,287,466)	-	290,294,183	-6.83%
4U	Barrow, Haney, Mewhinney & Strauss	130,099,871	(10,342,884)	-	119,756,987	-7.95%
4V	Quantitative Management Assoc.	126,948,885	(8,778,312)	-	118,170,573	-6.91%
4W/4X	Analytic Buy Write Account	95,183,356	(3,443,775)	-	91,739,581	-3.62%
4Y	RCM Buy Write Account	94,777,684	(5,732,572)	-	89,045,112	-6.05%
38	RCM	333,965,332	(31,014,796)	-	302,950,536	-9.29%
6B	SSgA Futures large cap	6,742,120	(1,257,941)	-	5,484,179	-18.66%
4J	Relational Investors, LLC	294,884,707	(29,541,729)	6,834,822	272,177,800	-7.70%
	Total Active	1,663,473,495	(128,898,191)	1,213,358	1,535,788,662	-7.68%
	Total Large Cap	3,565,430,376	(267,410,379)	1,213,358	3,299,233,355	-7.47%

(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 September 30, 2011

		Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
	Convertible Bond Pool					
52	Advent Capital	88,836,736	(3,570,100)	-	85,266,636	-4.02%
	Total Convertible Bond Pool	88,836,736	(3,570,100)	-	85,266,636	-4.02%
	Total Domestic Equity	4,430,460,529	(357,285,105)	1,213,358	4,074,388,782	-8.04%
	Global Equities Ex US					
	Small Cap Pool					
5B	Mondrian Investment Partners	110,812,031	(10,892,502)	-	99,919,529	-9.83%
5D	Schroder Investment Management	110,982,641	(10,377,684)	-	100,604,957	-9.35%
	Total Small Cap	221,794,672	(21,270,186)	-	200,524,486	-9.59%
	Large Cap Pool					
65	Brandes Investment Partners	746,210,852	(47,901,958)	-	698,308,894	-6.42%
58	Lazard Freres	358,137,623	(38,396,555)	5,621,464	325,362,532	-9.15%
67	Cap Guardian Trust Co	578,927,581	(61,684,797)	-	517,242,784	-10.66%
68	State Street Global Advisors	354,852,038	(38,615,065)	-	316,236,973	-10.88%
6D	SSgA Futures International	118,877	(4)	-	118,873	0.00%
69	McKinley Capital Management	325,004,395	(45,365,170)	-	279,639,225	-13.96%
	Total Large Cap	2,363,251,366	(231,963,549)	5,621,464	2,136,909,281	-9.58%
	Emerging Markets Equity Pool A [1]					
6P	Lazard Asset Management	326,715,257	(47,208,483)	-	279,506,774	-14.45%
6Q	Eaton Vance	207,820,282	(29,911,378)	-	177,908,904	-14.39%
62	The Capital Group Inc.	400,725,529	(63,772,347)	-	336,953,182	-15.91%
	Total Emerging Markets Pool A	935,261,068	(140,892,208)	-	794,368,860	-15.06%
	Total Global Equities	3,520,307,106	(394,125,943)	5,621,464	3,131,802,627	-11.04%
	Private Equity Pool					
7Z	Merit Capital Partners	5,775,847	(371,738)	-	5,404,109	-6.44%
98	Pathway Capital Management LLC	723,774,624	4,112,459	(6,187,046)	721,700,037	-0.29%
85	Abbott Capital	705,768,970	17,225,404	1,188,491	724,182,865	2.61%
8A	Blum Capital Partners-Strategic	23,589,397	-	-	23,589,397	0.00%
8P	Lexington Partners	22,858,526	894,272	3,195,226	26,948,024	17.89%
8Q	Onex Partnership III	10,664,778	-	-	10,664,778	0.00%
8W	Warburg Pincus X	23,470,419	332,915	525,000	24,328,334	3.66%
8X	Angelo, Gordon & Co.	31,410,137	-	-	31,410,137	0.00%
	Total Private Equity	1,547,312,698	22,193,312	(1,278,329)	1,568,227,681	1.35%

(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 September 30, 2011

		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.	143,139,667	(1,544,285)	-	141,595,382	-1.08%
8N	Prisma Capital Partners	149,741,975	(3,484,655)	-	146,257,320	-2.33%
9D	Mariner Investment Group, Inc.	199,414,446	(5,179,183)	-	194,235,263	-2.60%
9E	Cadogan Management LLC	608,851	5,996	-	614,847	0.98%
9F	Crestline Investors, Inc.	205,763,903	(3,587,865)	33,500,000	235,676,038	14.54%
	Total Absolute Return Investments	698,668,842	(13,789,992)	33,500,000	718,378,850	2.82%
	Real Assets					
	Farmland Pool A					
9B	UBS Agrivest, LLC	328,464,889	123	328,159	328,793,171	0.10%
9G	Hancock Agricultural Investment Group	208,517,491	-	-	208,517,491	0.00%
	Total Farmland Pool A	536,982,380	123	328,159	537,310,662	0.06%
	Farmland Water Pool					
8Y	Hancock Water PPTY	8,463,171	-	-	8,463,171	0.00%
8Z	UBS Argivest, LLC	20,536,701	(3)	(900,000)	19,636,698	-4.38%
	Total Farmland Water Pool	28,999,872	(3)	(900,000)	28,099,869	-3.10%
	Timber Pool A					
9Q	Timberland INVT Resource LLC	116,600,399	(1,002,797)	-	115,597,602	-0.86%
9S	Hancock Natural Resourse Group	74,248,750	(225,455)	(400,000)	73,623,295	-0.84%
	Total Timber Pool A	190,849,149	(1,228,251)	(400,000)	189,220,898	-0.85%
	Energy Pool A					
5A	EIG Energy Fund XV	3,791,476	(33,998)	-	3,757,478	-0.90%
9A	EIG Energy Fund XD	13,979,455	7,105	-	13,986,560	0.05%
9Z	EIG Energy Fund XIV-A	68,870,340	303,518	-	69,173,858	0.44%
	Total Energy Pool A	86,641,271	276,625	-	86,917,896	0.32%
	REIT Pool					
9H	REIT Holdings	158,325,942	(17,233,628)	-	141,092,314	-10.88%
	Treasury Inflation Proof Securities					
6N	TIPS Internally Managed Account	202,937,604	(336,137)	-	202,601,467	-0.17%

(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 September 30, 2011

		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	167,171,862	1,565,366	-	168,737,228	0.94%
7B	UBS Trumbull Property Fund	67,992,220	2,406,988	566,147	70,965,355	4.37%
	Total Core Commingled	235,164,082	3,972,354	566,147	239,702,583	1.93%
	Core Separate Accounts					
7D	Cornerstone Real Estate Advisers Inc.	161,690,678	4,559,932	(136,135)	166,114,475	2.74%
7E	LaSalle Investment Management	189,949,471	5,473,997	(575,432)	194,848,037	2.58%
7F	Sentinel Separate Account	97,814,761	4,259,090	(354,398)	101,719,453	3.99%
7G	UBS Realty	233,486,018	10,012,624	(1,218,559)	242,280,083	3.77%
	Total Core Separate	682,940,928	24,305,643	(2,284,523)	704,962,048	3.22%
	Non-Core Commingled Accounts					
7H	Coventry	21,101,323	(46,065)	-	21,055,258	-0.22%
7J	Lowe Hospitality Partners	3,553,944	130,171	-	3,684,115	3.66%
7N	ING Clarion Development Ventures II	16,282,458	(967,763)	-	15,314,695	-5.94%
7P	Silverpeak Legacy Pension Partners II, L.P. (3)	91,598,333	(325,314)	(12,235,333)	79,037,686	-13.71%
7Q	Rothschild Five Arrows Realty Securities IV	45,540,420	553,355	(542,332)	45,551,443	0.02%
7R	Tishman Speyer Real Estate Venture VI	51,086,984	12,835,709	-	63,922,693	25.13%
7X	Tishman Speyer Real Estate Venture VII	15,012,443	970,560	-	15,983,003	6.47%
7S	Rothschild Five Arrows Realty Securities V	17,797,623	301,144	(569,131)	17,529,636	-1.51%
7V	ING Clarion Development Ventures III	8,231,338	(322,968)	-	7,908,370	-3.92%
7W	Silverpeak Legacy Pension Partners III, L.P. (4)	10,708,882	239,683	-	10,948,565	2.24%
8R	BlackRock Diamond Property Fund	22,277,793	713,405	-	22,991,198	3.20%
8S	Colony Investors VIII, L.P.	28,759,007	(1,011,014)	-	27,747,993	-3.52%
8U	LaSalle Medical Office Fund II	21,282,890	452,087	297,012	22,031,989	3.52%
8V	Cornerstone Apartment Venture III	30,520,833	1,980,244	-	32,501,077	6.49%
	Total Non-Core Commingled	383,754,271	15,503,234	(13,049,784)	386,207,721	0.64%
	Total Real Estate	1,301,859,281	43,781,231	(14,768,160)	1,330,872,352	2.23%
	Total Real Assets	2,506,595,499	25,259,960	(15,740,001)	2,516,115,458	0.38%
	Totals	$ 16,026,833,283	$ (744,205,160)	$ (73,802,775)	$ 15,208,825,348	-5.10%

Notes

(1) Investment is represented by shares in (or as a percentage of) commingled equity investments which, at any given time, may be a combination of securities and cash.
(2) Investment is represented by shares in various hedge funds.
(3) Previously titled Lehman Brothers Real Estate Partners II
(4) Previously titled Lehman Brothers Real Estate Partners III

ALASKA RETIREMENT MANAGEMENT BOARD

Participant Directed Plans

Supplemental Annuity Plan
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
September 30, 2011

	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Interim Transit Account					
Treasury Division (1)					
Cash and Cash Equivalents	$ 7,922,209	$ 397	$ 223,276	$ -	$ 8,145,882
Participant Options (2)					
T. Rowe Price					
Stable Value Fund	310,945,739	762,044	(1,207,581)	(2,802,356)	307,697,846
Small-Cap Stock Fund	80,387,867	(8,566,163)	206,060	(1,540,332)	70,487,432
Alaska Balanced Fund	1,058,804,729	(29,101,119)	(1,306,085)	535,705	1,028,933,230
Long Term Balanced Fund	316,287,250	(15,813,681)	2,824,478	(832,752)	302,465,295
AK Target Date 2010 Trust	5,964,444	(259,449)	27,207	325,152	6,057,354
AK Target Date 2015 Trust	81,241,596	(4,104,628)	(53,761)	763,106	77,846,313
AK Target Date 2020 Trust	33,333,044	(1,900,150)	198,367	(380,570)	31,250,691
AK Target Date 2025 Trust	15,117,481	(964,567)	242,680	(18,351)	14,377,243
AK Target Date 2030 Trust	4,998,080	(350,068)	183,823	8,487	4,840,322
AK Target Date 2035 Trust	5,068,241	(376,542)	183,985	(53,821)	4,821,863
AK Target Date 2040 Trust	4,364,929	(344,224)	244,540	165,570	4,430,815
AK Target Date 2045 Trust	3,950,218	(304,151)	262,701	31,819	3,940,587
AK Target Date 2050 Trust	4,176,696	(320,104)	310,219	(73,970)	4,092,841
AK Target Date 2055 Trust	2,250,413	(173,457)	164,088	17,031	2,258,075
Total Investments with T. Rowe Price	1,926,890,727	(61,816,259)	2,280,721	(3,855,282)	1,863,499,907
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	38,037,346	-	(414,653)	13,321	37,636,014
S&P 500 Stock Index Fund Series A	212,539,842	(14,863,712)	(172,206)	722,670	198,226,594
Russell 3000 Index	11,218,814	(857,276)	(5,430)	385,266	10,741,374
US Real Estate Investment Trust Index	22,031,135	(2,400,458)	110,168	(1,137,415)	18,603,430
World Equity Ex-US Index	11,150,409	(1,324,835)	(14,957)	(234,773)	9,575,844
Long US Treasury Bond Index	14,980,361	1,523,874	20,995	3,421,279	19,946,509
US Treasury Inflation Protected Securities Index	18,995,770	(36,907)	(343,030)	(380,710)	18,235,123
World Government Bond Ex-US Index	5,589,489	(191,174)	(135,499)	2,147	5,264,963
Global Balanced Fund	50,391,863	(2,920,900)	(284,650)	412,160	47,598,473
Total Investments with SSGA	384,935,029	(21,071,388)	(1,239,262)	3,203,945	365,828,324
Barclays Global Advisors					
Government Bond Fund	50,949,978	522,979	(222,566)	1,043,188	52,293,579
Intermediate Bond Fund	13,395,927	35,981	12,111	(180,323)	13,263,696
Total Investments with Barclays Global Investors	64,345,905	558,960	(210,455)	862,865	65,557,275
Brandes Institutional					
International Equity Fund Fee	67,514,661	(4,291,463)	317,175	(558,251)	62,982,122
RCM					
Sustainable Opportunities Fund	26,326,085	(2,170,934)	140,575	346,723	24,642,449
Total Externally Managed Funds	2,470,012,407	(88,791,084)	1,288,754	-	2,382,510,077
Total All Funds	$ 2,477,934,616	$ (88,790,687)	$ 1,512,030	$ -	$ 2,390,655,959

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
September 30, 2011
$ (Thousands)

	kuly	August	September
Invested Assets (At Fair Value)			
Investments with Treasury Division			
Cash and cash equivalents	$ 8,592	$ 7,922	$ 8,146
Investments with T. Rowe Price			
Stable Value Fund	307,698	310,946	307,698
Small-Cap Stock Fund	90,243	80,388	70,487
Alaska Balanced Fund	1,081,747	1,058,805	1,028,933
Long Term Balanced Fund	327,767	316,287	302,465
AK Target Date 2010 Trust	6,647	5,964	6,057
AK Target Date 2015 Trust	84,469	81,242	77,846
AK Target Date 2020 Trust	34,412	33,333	31,251
AK Target Date 2025 Trust	15,871	15,118	14,377
AK Target Date 2030 Trust	5,316	4,998	4,840
AK Target Date 2035 Trust	5,199	5,068	4,822
AK Target Date 2040 Trust	4,438	4,365	4,431
AK Target Date 2045 Trust	3,971	3,950	3,941
AK Target Date 2050 Trust	4,072	4,177	4,093
AK Target Date 2055 Trust	1,942	2,250	2,258
Investments with State Street Global Advisors			
State Street Treasury Money Market Fund - Inst.	37,730	38,037	37,636
S&P 500 Stock Index Fund Series A	224,458	212,540	198,227
Russell 3000 Index	12,066	11,219	10,741
US Real Estate Investment Trust Index	24,290	22,031	18,603
World Equity Ex-US Index	12,393	11,150	9,576
Long US Treasury Bond Index	6,274	14,980	19,947
US Treasury Inflation Protected Securities Index	17,366	18,996	18,235
World Govt Bond Ex	5,622	5,590	5,265
Global Balanced Fund	51,620	50,392	47,598
Investments with Barclays Global Investors			
Government Bond Fund	50,261	50,950	52,294
Intermediate Bond Fund	11,871	13,396	13,264
Investments with Brandes Investment Partners			
International Equity Fund Fee	74,909	67,515	62,982
Investments with RCM			
Sustainable Opportunities Fund	29,348	26,326	24,643
Total Invested Assets	**$ 2,540,592**	**$ 2,477,935**	**$ 2,390,656**
Change in Invested Assets			
Beginning Assets	$ 2,552,982	$ 2,540,592	$ 2,477,935
Investment Earnings	(11,959)	(63,592)	(88,791)
Net Contributions (Withdrawals)	(431)	935	1,512
Ending Invested Assets	**$ 2,540,592**	**$ 2,477,935**	**$ 2,390,656**

Deferred Compensation Plan
Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
September 30, 2011

Participant Options	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
T. Rowe Price					
Interest Income Fund	$ 173,077,103	$ 468,918	$ (844,804)	$ (381,417)	$ 172,319,800
Small Cap Stock Fund	63,402,274	(6,863,390)	26,466	(70,863)	56,494,487
Long Term Balanced Fund	33,452,236	(1,647,052)	(391,862)	(253,484)	31,159,838
Alaska Balanced Trust	5,499,749	(153,948)	(341,213)	128,119	5,132,707
AK Target Date 2010 Trust	1,580,547	(66,551)	8,093	(7,445)	1,514,644
AK Target Date 2015 Trust	3,275,143	(168,088)	44,384	26,313	3,177,752
AK Target Date 2020 Trust	2,567,304	(148,088)	36,109	(6,705)	2,448,620
AK Target Date 2025 Trust	1,365,422	(87,888)	21,644	7,560	1,306,738
AK Target Date 2030 Trust	803,450	(55,828)	14,239	(2,216)	759,645
AK Target Date 2035 Trust	838,168	(61,737)	9,253	(19,400)	766,284
AK Target Date 2040 Trust	425,145	(32,029)	11,072	(1,052)	403,136
AK Target Date 2045 Trust	134,447	(10,535)	8,199	3,368	135,479
AK Target Date 2050 Trust	159,346	(11,938)	2,810	-	150,218
AK Target Date 2055 Trust	776,126	(57,335)	1,623	-	720,414
Total Investments with T. Rowe Price	287,356,460	(8,895,489)	(1,393,987)	(577,222)	276,489,762
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	7,218,750	-	(190,581)	145,558	7,173,727
Russell 3000 Index	4,708,106	(352,796)	18,409	(150,044)	4,223,675
US Real Estate Investment Trust Index	7,638,158	(874,710)	(1,337)	(348,605)	6,413,506
World Equity Ex-US Index	4,219,470	(494,473)	12,942	(129,902)	3,608,037
Long US Treasury Bond Index	4,660,887	441,783	(30,480)	639,019	5,711,209
US Treasury Inflation Protected Securities Index	8,588,316	(23,194)	4,588	59,396	8,629,106
World Government Bond Ex-US Index	2,285,725	(76,922)	(86,281)	2,268	2,124,790
Global Balanced Fund	36,874,927	(2,141,903)	45,398	27,693	34,806,115
Total Investments with SSGA	76,194,339	(3,522,215)	(227,342)	245,383	72,690,165
Barclays Global Investors					
S&P 500 Index Fund	112,540,204	(7,844,813)	(33,908)	596,955	105,258,438
Government/Credit Bond Fund	31,346,862	321,962	3,230	209,193	31,881,247
Intermediate Bond Fund	16,369,915	43,758	(91,416)	(17,446)	16,304,811
Total Investments with Barclays Global Investors	160,256,981	(7,479,093)	(122,094)	788,702	153,444,496
Brandes Institutional					
International Equity Fund Fee	38,769,915	(2,456,319)	64,083	(507,494)	35,870,185
RCM					
Sustainable Core Opportunities Fund	9,723,201	(801,737)	24,174	50,631	8,996,269
Total All Funds	$ 572,300,896	$ (23,154,853)	$ (1,655,166)	$ -	$ 547,490,877

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

Deferred Compensation Plan
Schedule of Invested Assets with
Schedule of Investment Income and Changes in Invested Assets
By Month Through the Month Ended
September 30, 2011
$ (Thousands)

	July	August	September
Invested Assets (at fair value)			
Investments with T. Rowe Price			
Interest Income Fund			
Cash and cash equivalents	$ 14,523	$ 13,862	$ 12,858
Synthetic Investment Contracts	158,211	159,215	159,461
Small Cap Stock Fund	71,095	63,402	56,494
Long Term Balanced Fund	34,734	33,452	31,160
Alaska Balanced Trust	5,710	5,500	5,133
AK Target Date 2010 Trust	1,186	1,581	1,515
AK Target Date 2015 Trust	3,430	3,275	3,178
AK Target Date 2020 Trust	2,547	2,567	2,449
AK Target Date 2025 Trust	1,426	1,365	1,307
AK Target Date 2030 Trust	805	804	760
AK Target Date 2035 Trust	911	838	766
AK Target Date 2040 Trust	452	425	403
AK Target Date 2045 Trust	127	135	135
AK Target Date 2050 Trust	187	159	150
AK Target Date 2055 Trust	818	776	720
State Street Global Advisors			
State Street Treasury Money Market Fund - Inst	6,909	7,219	7,174
Russell 3000 Index	4,839	4,708	4,224
US Real Estate Investment Trust Index	8,769	7,638	6,414
World Equity Ex-US Index	4,742	4,220	3,608
Long US Treasury Bond Index	2,096	4,661	5,711
US Treasury Inflation Protected Securities Index	7,863	8,588	8,629
World Government Bond Ex-US Index	2,104	2,286	2,125
Global Balanced Fund	38,066	36,875	34,806
Investments with Barclays Global Investors			
S&P 500 Index Fund	119,165	112,540	105,259
Government/Credit Bond Fund	31,263	31,347	31,881
Intermediate Bond Fund	15,848	16,370	16,305
Investments with Brandes Institutional			
International Equity Fund Fee	42,051	38,770	35,870
Investments with RCM			
Sustainable Opportunities Fund	10,481	9,723	8,996
Total Invested Assets	**$ 590,358**	**$ 572,301**	**$ 547,491**
Change in Invested Assets			
Beginning Assets	$ 596,690	$ 590,358	$ 572,301
Investment Earnings	(5,314)	(19,842)	(23,155)
Net Contributions (Withdrawals)	(1,018)	1,785	(1,655)
Ending Invested Assets	**$ 590,358**	**$ 572,301**	**$ 547,491**

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
September 30, 2011

Interim Transit Account	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Treasury Division [1]					
Cash and Cash Equivalents	$ 5,758,067	$ 633	$ 1,133,474	$ -	$ 6,892,174
Participant Options [2]					
T. Rowe Price					
Alaska Money Market	3,653,811	226	72,465	(278,921)	3,447,581
Small-Cap Stock Fund	29,192,945	(3,234,132)	482,963	393,995	26,835,771
Long Term Balanced Fund	9,535,488	(444,364)	130,465	(1,448,546)	7,773,043
Alaska Balanced Fund	368,125	(9,973)	13,036	(19,496)	351,692
AK Target Date 2010 Trust	347,667	(15,071)	21,741	-	354,337
AK Target Date 2015 Trust	1,414,525	(73,200)	100,843	(16,691)	1,425,477
AK Target Date 2020 Trust	2,503,188	(148,433)	184,533	(8,748)	2,530,540
AK Target Date 2025 Trust	3,281,835	(215,374)	240,967	(8,201)	3,299,227
AK Target Date 2030 Trust	3,349,304	(237,273)	203,462	(3,322)	3,312,171
AK Target Date 2035 Trust	3,492,082	(264,527)	242,060	(6,880)	3,462,735
AK Target Date 2040 Trust	5,496,072	(421,291)	379,602	12,211	5,466,594
AK Target Date 2045 Trust	5,501,936	(421,275)	393,208	(973)	5,472,896
AK Target Date 2050 Trust	6,274,984	(482,398)	492,993	(12,325)	6,273,254
AK Target Date 2055 Trust	1,917,824	(148,351)	180,885	(2,509)	1,947,849
Total Investments with T. Rowe Price	76,329,786	(6,115,436)	3,139,223	(1,400,406)	71,953,167
State Street Global Advisors					
Money Market	256,922	-	(8,325)	100,055	348,652
S&P 500 Stock Index Fund Series A	30,646,424	(2,164,093)	502,718	(290,605)	28,694,444
Russell 3000 Index	319,102	(25,812)	11,209	(6,585)	297,914
US Real Estate Investment Trust Index	475,365	(53,474)	10,898	(3,954)	428,835
World Equity Ex-US Index	301,532	(35,465)	9,354	(30,687)	244,734
Long US Treasury Bond Index	296,566	30,170	11,259	61,398	399,393
US Treasury Inflation Protected Sec Index	244,237	(425)	5,644	(29,902)	219,554
World Government Bond Ex-US Index	194,925	(6,529)	5,346	(22,595)	171,147
Global Balanced Fund	4,941,650	(330,233)	82,653	1,606,840	6,300,910
Total Investments with SSGA	37,676,723	(2,585,861)	630,756	1,383,965	37,105,583
Barclays					
Government Bond Fund	9,277,275	94,837	105,884	(454,233)	9,023,763
Intermediate Bond Fund	307,543	661	6,253	12,380	326,837
Total Investments with Barclays Global Investors	9,584,818	95,498	112,137	(441,853)	9,350,600
Brandes Institutional					
International Equity Fund Fee	39,486,317	(2,491,260)	665,362	19,578	37,679,997
RCM					
Sustainable Opportunities Fund	2,940,812	(261,262)	67,133	438,716	3,185,399
Total Externally Managed Funds	166,018,456	(11,358,321)	4,614,611	-	159,274,746
Total All Funds	$ 171,776,523	$ (11,357,688)	$ 5,748,085	$ -	$ 166,166,920

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
September 30, 2011
$ (Thousands)

	July	August	September
Invested Assets (At Fair Value)			
Investments with Treasury Division			
Cash and cash equivalents	$ 6,118	$ 5,758	$ 6,892
Investments with T. Rowe Price			
Alaska Money Market	3,987	3,654	3,448
Small-Cap Stock Fund	30,937	29,193	26,836
Long Term Balanced Fund	11,358	9,535	7,773
Alaska Balanced Fund	339	368	352
AK Target Date 2010 Trust	335	348	354
AK Target Date 2015 Trust	1,373	1,415	1,425
AK Target Date 2020 Trust	2,448	2,503	2,530
AK Target Date 2025 Trust	3,237	3,282	3,299
AK Target Date 2030 Trust	3,358	3,349	3,312
AK Target Date 2035 Trust	3,472	3,492	3,463
AK Target Date 2040 Trust	5,512	5,496	5,467
AK Target Date 2045 Trust	5,452	5,502	5,473
AK Target Date 2050 Trust	6,231	6,275	6,273
AK Target Date 2055 Trust	1,834	1,918	1,948
Investments with State Street Global Advisors			
Money Market	327	257	349
S&P 500 Stock Index Fund Series A	32,075	30,646	28,694
Russell 3000 Index	323	319	298
US Real Estate Investment Trust Index	456	475	429
World Equity Ex-US Index	320	302	245
Long US Treasury Bond Index	153	297	399
US Treasury Inflation Protected Sec Index	225	244	220
World Government Bond Ex-US Index	168	195	171
Global Balanced Fund	3,307	4,942	6,301
Investments with Barclays			
Government Bond Fund	9,546	9,277	9,024
Intermediate Bond Fund	244	308	327
Investments with Brandes Investment Partners			
International Equity Fund Fee	42,803	39,486	37,680
Investments with RCM			
Sustainable Opportunities Fund	2,440	2,941	3,185
Total Invested Assets	**$ 178,378**	**$ 171,777**	**$ 166,167**
Change in Invested Assets			
Beginning Assets	$ 180,109	$ 178,378	$ 171,777
Investment Earnings	(3,541)	(10,141)	(11,358)
Net Contributions (Withdrawals)	1,810	3,540	5,748
Ending Invested Assets	**$ 178,378**	**$ 171,777**	**$ 166,167**

Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
September 30, 2011

	Beginning Invested Assets	Investment Income	Net Contributions (Withdrawals)	Transfers in (out)	Ending Invested Assets
Interim Transit Account					
Treasury Division [1]					
Cash and Cash Equivalents	$ 1,954,596	$ 129	$ 161,801	$ -	$ 2,116,526
Participant Options [2]					
T. Rowe Price					
Alaska Money Market	1,474,845	89	1,401	(117,456)	1,358,879
Small-Cap Stock Fund	12,617,631	(1,384,951)	13,688	171,617	11,417,985
Long Term Balanced Fund	3,966,830	(182,551)	(8,121)	(614,510)	3,161,648
Alaska Balanced Fund	88,165	(2,484)	3,563	-	89,244
AK Target Date 2010 Trust	204,450	(8,817)	12,507	(10,000)	198,140
AK Target Date 2015 Trust	610,880	(31,059)	15,924	-	595,745
AK Target Date 2020 Trust	1,000,001	(58,363)	47,321	-	988,959
AK Target Date 2025 Trust	1,218,967	(78,937)	55,541	-	1,195,571
AK Target Date 2030 Trust	1,124,961	(78,289)	49,035	-	1,095,707
AK Target Date 2035 Trust	2,014,305	(149,355)	73,360	-	1,938,310
AK Target Date 2040 Trust	2,194,737	(162,551)	31,618	(947)	2,062,857
AK Target Date 2045 Trust	4,104,648	(304,580)	80,221	(14,154)	3,866,135
AK Target Date 2050 Trust	5,116,463	(381,142)	129,821	-	4,865,142
AK Target Date 2055 Trust	175,166	(13,109)	19,646	-	181,703
Total Investments with T. Rowe Price	35,912,049	(2,836,099)	525,525	(585,450)	33,016,025
State Street Global Advisors					
Money Market	15,423	-	57	-	15,480
S&P 500 Stock Index Fund Series A	12,753,320	(893,129)	12,147	(79,266)	11,793,072
Russell 3000 Index	137,604	(11,295)	753	13,643	140,705
US Real Estate Investment Trust Index	130,386	(14,592)	596	750	117,140
World Equity Ex-US Index	50,593	(6,057)	259	-	44,795
Long US Treasury Bond Index	20,765	2,042	(2)	-	22,805
US Treasury Inflation Protected Sec Index	112,809	(225)	559	(7,574)	105,569
World Government Bond Ex-US Index	9,533	(239)	153	(6,860)	2,587
Global Balanced Fund	2,675,560	(172,618)	7,359	678,979	3,189,280
Total Investments with SSGA	15,905,993	(1,096,113)	21,881	599,672	15,431,433
Barclays					
Government Bond Fund	4,015,484	41,089	(17,366)	(197,775)	3,841,432
Intermediate Bond Fund	70,972	188	226	-	71,386
Total Investments with Barclays Global Investors	4,086,456	41,277	(17,140)	(197,775)	3,912,818
Brandes Institutional					
International Equity Fund Fee	16,705,139	(1,055,119)	24,343	22,487	15,696,850
RCM					
Sustainable Opportunities Fund	1,374,405	(118,614)	735	161,066	1,417,592
Total Externally Managed Funds	73,984,042	(5,064,668)	555,344	-	69,474,718
Total All Funds	$ 75,938,638	$ (5,064,539)	$ 717,145	$ -	$ 71,591,244

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
September 30, 2011
$ (Thousands)

	July	August	September
Invested Assets (At Fair Value)			
Investments with Treasury Division			
Cash and cash equivalents	$ 1,992	$ 1,955	$ 2,117
Investments with T. Rowe Price			
Alaska Money Market	1,717	1,475	1,359
Small-Cap Stock Fund	13,648	12,618	11,418
Long Term Balanced Fund	4,767	3,967	3,162
Alaska Balanced Fund	88	88	89
AK Target Date 2010 Trust	216	204	198
AK Target Date 2015 Trust	639	611	596
AK Target Date 2020 Trust	1,041	1,000	989
AK Target Date 2025 Trust	1,249	1,219	1,195
AK Target Date 2030 Trust	1,201	1,125	1,096
AK Target Date 2035 Trust	2,153	2,014	1,938
AK Target Date 2040 Trust	2,318	2,195	2,063
AK Target Date 2045 Trust	4,350	4,105	3,866
AK Target Date 2050 Trust	5,457	5,116	4,865
AK Target Date 2055 Trust	198	175	182
Investments with State Street Global Advisors			
Money Market	15	15	15
S&P 500 Stock Index Fund Series A	13,583	12,753	11,793
Russell 3000 Index	145	138	141
US Real Estate Investment Trust Index	139	130	117
World Equity Ex-US Index	51	51	45
Long US Treasury Bond Index	19	21	23
US Treasury Inflation Protected Sec Index	109	113	106
World Government Bond Ex-US Index	9	10	2
Global Balanced Fund	1,918	2,676	3,189
Investments with Barclays			
Government Bond Fund	4,149	4,015	3,841
Intermediate Bond Fund	70	71	71
Investments with Brandes Investment Partners			
International Equity Fund Fee	18,584	16,705	15,697
Investments with RCM			
Sustainable Opportunities Fund	1,326	1,374	1,418
Total Invested Assets	**$ 81,151**	**$ 75,939**	**$ 71,591**
Change in Invested Assets			
Beginning Assets	$ 81,208	$ 81,151	$ 75,939
Investment Earnings	(1,643)	(4,710)	(5,065)
Net Contributions (Withdrawals)	1,586	(503)	717
Ending Invested Assets	**$ 81,151**	**$ 75,939**	**$ 71,591**

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT
(Supplement to the Treasury Division Report)

As of September 30, 2011

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 Three Months Ending September 30, 2011

		Contributions				Expenditures				
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	Net Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		62,760,535	130,911,946	4,861	193,677,342	(138,369,315)	(3,425,258)	(7,469,531)	(149,264,104)	44,413,238
Retirement Health Care Trust		46,894,014	111,697,451	9,548,420	168,139,885	(83,098,837)	-	(1,855,489)	(84,954,326)	83,185,559
Total Defined Benefit Plans		109,654,549	242,609,397	9,553,281	361,817,227	(221,468,152)	(3,425,258)	(9,325,020)	(234,218,430)	127,598,797
Defined Contribution Plans:										
Participant Directed Retirement		14,449,415	-	777,861	15,227,276	-	(3,321,417)	(807,234)	(4,128,651)	11,098,625
Health Reimbursement Arrangement	(a)	3,774,864	-	-	3,774,864	-	-	-	-	3,774,864
Retiree Medical Plan	(a)	580,123	-	-	580,123	-	-	-	-	580,123
Occupational Death and Disability:	(a)									
Public Employees		220,822	-	-	220,822	-	-	-	-	220,822
Police and Firefighters		140,892	-	-	140,892	(11,841)	-	-	(11,841)	129,051
Total Defined Contribution Plans		19,166,116	-	777,861	19,943,977	(11,841)	(3,321,417)	(807,234)	(4,140,492)	15,803,485
Total PERS		**128,820,665**	**242,609,397**	**10,331,142**	**381,761,204**	**(221,479,993)**	**(6,746,675)**	**(10,132,254)**	**(238,358,922)**	**143,402,282**
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		12,455,742	157,387,504	298	169,843,544	(90,408,546)	(894,710)	(3,075,523)	(94,378,779)	75,464,765
Retirement Health Care Trust		7,398,753	77,129,829	3,620,572	88,149,154	(29,528,313)	-	(627,966)	(30,156,279)	57,992,875
Total Defined Benefit Plans		19,854,495	234,517,333	3,620,870	257,992,698	(119,936,859)	(894,710)	(3,703,489)	(124,535,058)	133,457,640
Defined Contribution Plans:										
Participant Directed Retirement		3,866,818	-	158,372	4,025,190	-	(1,959,326)	(265,278)	(2,224,604)	1,800,586
Health Reimbursement Arrangement	(a)	708,192	-	-	708,192	-	-	-	-	708,192
Retiree Medical Plan	(a)	157,716	-	-	157,716	-	-	-	-	157,716
Occupational Death and Disability:	(a)	45,288	-	-	45,288	-	-	-	-	45,288
Total Defined Contribution Plans		4,778,014	-	158,372	4,936,386	-	(1,959,326)	(265,278)	(2,224,604)	2,711,782
Total TRS		**24,632,509**	**234,517,333**	**3,779,242**	**262,929,084**	**(119,936,859)**	**(2,854,036)**	**(3,968,767)**	**(126,759,662)**	**136,169,422**
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		974,307	2,205,898	1	3,180,206	(2,433,317)	-	(81,607)	(2,514,924)	665,282
Defined Benefit Retirement Health Care Trust		189,877	125,827	105,441	421,145	(310,234)	-	(4,068)	(314,302)	106,843
Total JRS		**1,164,184**	**2,331,725**	**105,442**	**3,601,351**	**(2,743,551)**	-	**(85,675)**	**(2,829,226)**	**772,125**
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	895,611	-	-	895,611	(298,992)	-	(56,454)	(355,446)	540,165
Other Participant Directed Plans										
Supplemental Annuity Plan		38,631,299	-	-	38,631,299	-	(35,844,937)	(769,797)	(36,614,734)	2,016,565
Deferred Compensation Plan		8,266,143	-	-	8,266,143	-	(8,894,629)	(259,381)	(9,154,010)	(887,867)
Total All Funds		**202,410,411**	**479,458,455**	**14,215,826**	**696,084,692**	**(344,459,395)**	**(54,340,277)**	**(15,272,328)**	**(414,072,000)**	**282,012,692**

(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 September 30, 2011

		Contributions				Expenditures				
		Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin-istrative	Total Expenditures	Net Contributions/ (Withdrawals)
Public Employees' Retirement System (PERS)										
Defined Benefit Plans:										
Retirement Trust		24,739,143	-	275	24,739,418	(46,999,531)	(754,657)	(810,407)	(48,564,595)	(23,825,177)
Retirement Health Care Trust		14,434,216	-	785,290	15,219,506	(28,710,139)	-	(547,730)	(29,257,869)	(14,038,363)
Total Defined Benefit Plans		39,173,359	-	785,565	39,958,924	(75,709,670)	(754,657)	(1,358,137)	(77,822,464)	(37,863,540)
Defined Contribution Plans:										
Participant Directed Retirement		5,887,683	-	777,861	6,665,544	-	(693,778)	(223,681)	(917,459)	5,748,085
Health Reimbursement Arrangement	(a)	1,575,070	-	-	1,575,070	-	-	-	-	1,575,070
Retiree Medical Plan	(a)	228,501	-	-	228,501	-	-	-	-	228,501
Occupational Death and Disability:	(a)									
Public Employees		79,276	-	-	79,276	-	-	-	-	79,276
Police and Firefighters		52,894	-	-	52,894	(3,946)	-	-	(3,946)	48,948
Total Defined Contribution Plans		7,823,424	-	777,861	8,601,285	(3,946)	(693,778)	(223,681)	(921,405)	7,679,880
Total PERS		46,996,783	-	1,563,426	48,560,209	(75,713,616)	(1,448,435)	(1,581,818)	(78,743,869)	(30,183,660)
Teachers' Retirement System (TRS)										
Defined Benefit Plans:										
Retirement Trust		3,159,003	-	-	3,159,003	(30,683,559)	(191,143)	(214,322)	(31,089,024)	(27,930,021)
Retirement Health Care Trust		2,151,417	-	207,209	2,358,626	(11,779,190)	-	(202,000)	(11,981,190)	(9,622,564)
Total Defined Benefit Plans		5,310,420	-	207,209	5,517,629	(42,462,749)	(191,143)	(416,322)	(43,070,214)	(37,552,585)
Defined Contribution Plans:										
Participant Directed Retirement		1,114,011	-	158,372	1,272,383	-	(441,454)	(113,784)	(555,238)	717,145
Health Reimbursement Arrangement	(a)	215,073	-	-	215,073	-	-	-	-	215,073
Retiree Medical Plan	(a)	40,872	-	-	40,872	-	-	-	-	40,872
Occupational Death and Disability:	(a)	117	-	-	117	-	-	-	-	117
Total Defined Contribution Plans		1,370,073	-	158,372	1,528,445	-	(441,454)	(113,784)	(555,238)	973,207
Total TRS		6,680,493	-	365,581	7,046,074	(42,462,749)	(632,597)	(530,106)	(43,625,452)	(36,579,378)
Judicial Retirement System (JRS)										
Defined Benefit Plan Retirement Trust		312,343	-	-	312,343	(816,501)	-	(5,603)	(822,104)	(509,761)
Defined Benefit Retirement Health Care Trust		60,826	-	77,998	138,824	(96,767)	-	(242)	(97,009)	41,815
Total JRS		373,169	-	77,998	451,167	(913,268)	-	(5,845)	(919,113)	(467,946)
National Guard/Naval Militia Retirement System (NGNMRS)										
Defined Benefit Plan Retirement Trust	(a)	-	-	-	-	(96,198)	-	(10,363)	(106,561)	(106,561)
Other Participant Directed Plans										
Supplemental Annuity Plan		13,033,172	-	-	13,033,172	-	(11,242,002)	(279,140)	(11,521,142)	1,512,030
Deferred Compensation Plan		1,759,138	-	-	1,759,138	-	(3,323,116)	(91,188)	(3,414,304)	(1,655,166)
Total All Funds		68,842,755	-	2,007,005	70,849,760	(119,185,831)	(16,646,150)	(2,498,460)	(138,330,441)	(67,480,681)

(a) Employer only contributions.

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State of Alaska – Department of Administration – Division of Retirement and Benefits and Department of Revenue – Treasury Division

2011 Audit Results

This presentation to the Audit Committee is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

December 1, 2011

Agenda

Responsibilities

Independent Auditors' Reports

Significant Findings From the Audit

- Areas of Interest
- Corrected and Uncorrected Misstatements
- Significant Deficiencies and Material Weaknesses in Internal Control
- Accounting Policies and Practices
- Other Matters

Responsibilities

Management is responsible for:

- Adopting sound accounting policies
- Fairly presenting the financial statements in conformity with generally accepted accounting principles
- Establishing and maintaining effective internal control
- Identifying and confirming that the Division/Department complies with laws and regulations applicable to its activities
- Making all financial records and related information available to the auditor
- Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to management's:
  - disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Division/Department's ability to record, process, summarize, and report financial data; and
  - acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud

Responsibilities (continued)

The Board is responsible for:

- Oversight of the financial reporting process and internal control

Management under the Board’s oversight is responsible for:

- Establishing and maintaining internal controls to prevent, deter, and detect fraud
- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards

Responsibilities (continued)

KPMG is responsible for:

- Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles
- Planning and performing the audit to obtain reasonable – not absolute – assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. Because of the nature of audit evidence and the characteristics of fraud, we are able to obtain reasonable, but not absolute, assurance that material misstatements will be detected.
- Evaluating:

  (a) whether the Company's controls sufficiently address identified risks of material misstatement due to fraud; and

  (b) controls intended to address the risk of management override of other controls
- Communicating to you in writing all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management all deficiencies noted during our audit that are of sufficient importance to merit management's attention
- Conducting our audit in accordance with professional standards
- Complying with the rules and regulations of the Code of Professional Conduct of the American Institute of Certified Public Accountants, and the ethical standards of relevant CPA societies and relevant state boards of accountancy
- Planning and performing our audit with an attitude of professional skepticism
- Communicating all required information, including significant matters, to management and the Audit Committee

Independent Auditors' Reports

Issued report under the responsibilities of the Board:

- State of Alaska Retirement and Benefits Plans – Invested Assets
- Public Employees' Retirement System
- Teachers' Retirement System
- Judicial Retirement System
- National Guard Naval Militia Retirement System

Other reports issued not under the responsibilities of the Board:

- Invested Assets Under the Investment Authority of the Commissioner of Revenue
- Group Health and Life Fund
- Retiree Health Fund
- Supplemental Benefit System
- Deferred Compensation Plan

Areas of Interest

Funded status and Funding progress	• Future benefit obligations are recorded based on actuarially determined amounts. Actuarial valuations involve assumptions about future employment, mortality, and healthcare cost trends. • On a rotational basis, a firm actuary is used to determine the overall reasonableness of the assumptions used. In the current year the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System and the National Guard and Naval Militia Retirement System were reviewed with no significant issues raised.
Claims payable – incurred but not recorded	• The Plans' reserve estimates are based primarily on historical development patterns adjusted for current trends that may modify past experience. • On a rotational basis, a firm actuary is used to confirm the overall reasonableness of the assumptions used. In the current year, the Group Health and Life Fund, Retiree Health Fund, Alaska Retirement Healthcare Trust were reviewed with no significant issues raised.
Investments	• Recorded at market value. Investments in limited partnerships, "real assets", limited partnerships, and absolute return funds are not actively traded and market values are based on investment manager estimates of the underlying value of investments held.

Corrected and Uncorrected Misstatements

No corrected misstatements

Financial Statements do not reflect the difference in valuation of alternative investments between year end and lag period used to record investments for the following:

- State of Alaska Retirement and Benefits Plans – Invested Assets
- Public Employees' Retirement System
- Teachers' Retirement System
- Judicial Retirement System

Significant Deficiencies and Material Weaknesses in Internal Control

Material Weaknesses

Description	Identified By	Status
None noted		

Significant Deficiencies

Description	Identified By	Status
The data utilized to determine the plan benefit obligation for the National Guard Naval Militia Retirement System is not provided on a regular basis to the Division of Retirement and Benefits and there are no established polices and procedures at the Branch locates to ensure the appropriate data is collected, maintained and provided to the Division.	Management and KPMG	Un-remediated

No other deficiencies in ICFR noted during our audit that are of sufficient importance to merit management's attention have been communicated to management.

Accounting Policies and Practices

Accounting Policies and Practices	Comments
Initial selection of/or changes in policies	Significant accounting policies used are described in footnote 2 in the notes to the of the financial statements. No new policies in FY11 required to be implemented and the application of existing policies has not changed.
Significant or unusual transactions	We noted no transactions entered into during the year that were significant and/or unusual.

Other Matters

Other Information in Documents Containing Audited Financial Statements	KPMG is not aware of any other documents which contain the audited financial statements
Significant Difficulties Encountered During the Audit	No matters to report
Disagreements with Management	No matters to report
Management's Consultation with Other Accountants	No matters to report
Significant Issues Discussed, or Subject to Correspondence, with Management	No matters to report
Alternative Accounting Treatments Discussed with Management	No matters to report
Other Findings or Issues Relevant Regarding Oversight of the Financial Reporting Process	No matters to report
Communications with the Firm's National Office	No matters to report
Quality of Accounting Policies and Disclosures	KPMG to discuss with Board of Directors

KPMG

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ARMB Private Equity Portfolio Review and Performance Analysis

December 1, 2011

Gary Robertson
Senior Vice President

Private Equity Discussion Topics

I. Private Equity Program Overview

II. Market Conditions

III. ARMB Private Equity Performance

- Portfolio and Manager Performance
- Vintage Year Benchmarking
- Strategy Diversification

IV. Corporate Governance Portfolio

V. Summary

Appendix

How Private Equity Works (Cash Flows)

ARMB Private Equity Program Overview

Timeline

- 1998 **- ARMB initiates a 3% allocation 13 years ago and hires Abbott to invest in partnerships**
- 2001 **- ARMB raises the allocation to 6%**
- 2001 **- Hires Pathway to develop a second partnerships portfolio**
  - Managers have 33 investments in common (33% of total dollar commitments)
- 2005 **- ARMB hires Blum Capital for direct Corporate Governance (two products – listed and hybrid, not "private equity")**
- 2006 **- Private equity allocation raised to 7%**
- 2007**- Initiates In-House private equity portfolio**
- 2009 **- ARMB liquidates Corporate Governance listed product**
- 2011 **- Private equity allocation raised to 8% in July**

ARMB Private Equity Program Overview

Funding – ARBM's total assets increased $3.0 billion (22%) during the 12-month period, which increased the private equity target by $210 million. The 1% target increase added an additional $162 million for a total target increase of $373 million. Total private equity NAV increased $208 million (16%), so ARMB's over funding to private equity decreased.

As of June 30, 2011

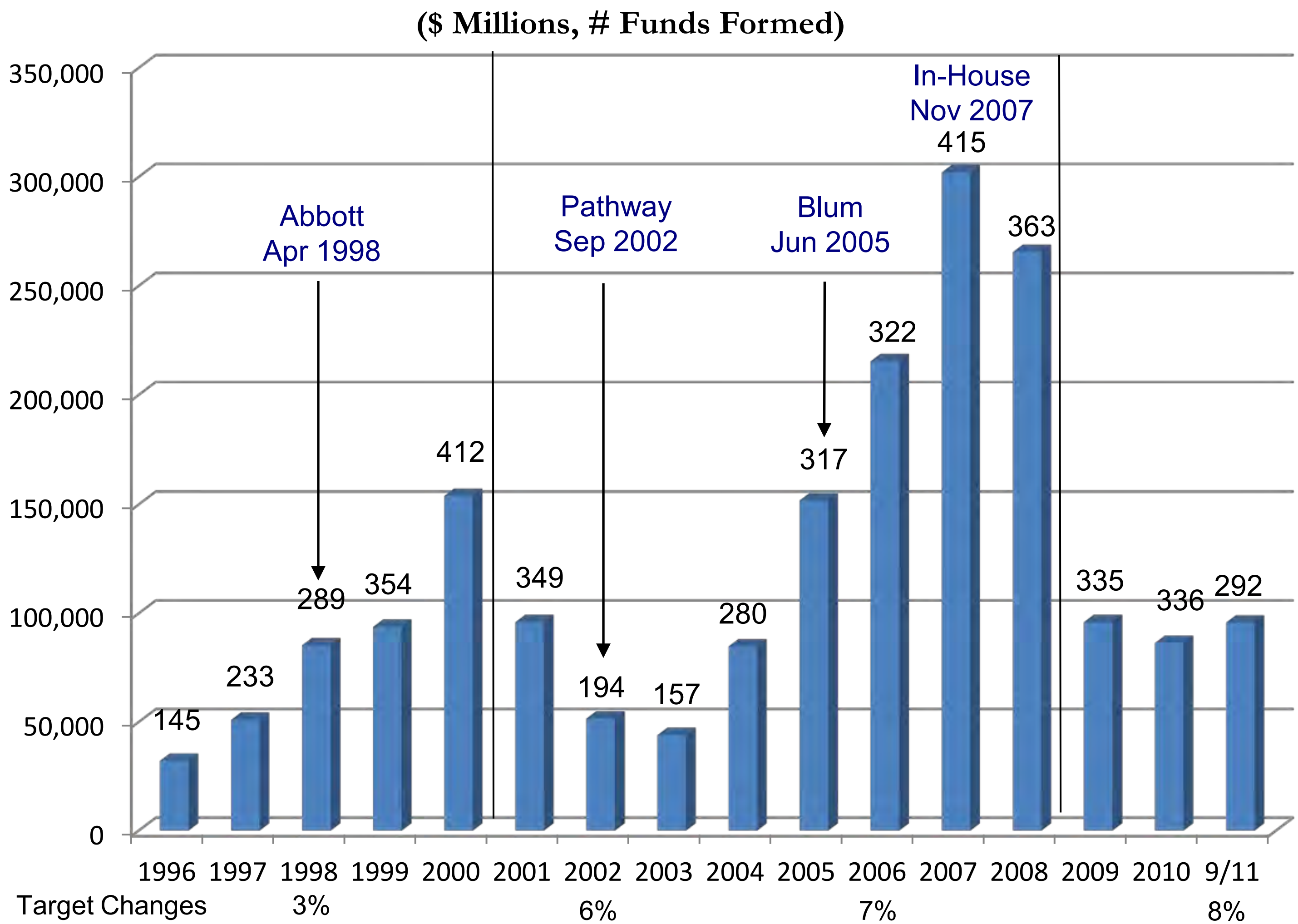
Measure	**2010**	**2011**	**%**
Total Assets	13,368,218,000	**16,361,852,972**	
PE % Target	7.0%	**8.0%**	
PE $ Target	935,775,260	**1,308,948,238**	
Abbott	644,418,000	**688,362,000**	**46%**
Pathway	577,390,000	**698,091,000**	**47%**
In-House	44,746,000	**87,336,000**	**6%**
Blum	22,569,000	**23,589,000**	**2%**
Total Private Equity	1,289,123,000	**1,497,378,000**	**100%**
% PE	9.6%	**9.2%**	
Difference from Target	353,347,740	**188,429,762**	

- Uncalled capital is less than NAV (36% and 64% respectively of the combined total "economic exposure"), so funding momentum should moderate.

Note: 1) ACM, PCM and In-House Private equity values are March 31 NAVs updated for June 30 cash flows, Blum is June 30 actual
2) The 8% 2011 target shown is effective as of July 1, 2011

Private Equity Market Conditions

Industry Commitments to Partnerships



ARMB has been through almost two market cycles

Source: *Private Equity Analyst/Buyouts Newsletter*

Private Equity Market Conditions

The Start of a New Business Cycle?

- Corporate profits recovered quickly after the Great Recession primarily due to efficiency (cost cutting), but revenue growth was slower to accelerate
- Private equity activity at all levels has accelerated moderately, including partnership commitments, company investments (capital calls), and company exits (distributions), but remains below “normalized” levels
- 2010 was the low-point in fundraising: plan sponsors’ portfolios have enjoyed a nice rebound, distributions have increased, and tenured general partners are slowly returning to market
- Private equity portfolio valuations hit bottom in the first quarter of 2009 (down 25% for large mature portfolios), but have rebounded (with eight subsequent up quarters)
- General partners have stabilized existing portfolio companies, and have begun seeking new investments, but debt availability and new company pricing have posed hurdles
- The availability of senior bank loan financing is the key to increased private equity activity (both entry and exit), and lending and private transaction activity have been recovering
- Both the M&A and IPO markets picked up, enabling more private equity exits
- Since late-July 2011, private equity liquidity has decreased significantly, due to heightened economic uncertainty and market volatility

Private Equity Market Conditions

The Start of a New Business Cycle?

- Even though economic conditions remain challenging, based on history, now should be a good time to invest in private equity for both new and existing programs
  - Historically, investments made in years when liquidity was challenging have tended to produce higher returns
- Purchase prices are equitable (not low), capital structures are conservative, general partners are re-learning investment discipline, and moderate economic growth should resume
- Companies that have survived the recession tend be strong and resilient, and should be able to capitalize on interim weakness
- Commitments made currently will be invested in companies over three to five years (through 2014 or 2016) when a recovery should be in motion.
- Even if a recovery is sluggish and drawn-out, private equity should maintain a return spread over publicly-traded equity returns over the next business cycle, benefiting total portfolios.

Private Equity Market Conditions

Private Equity Industry Returns
IRRs through March 31, 2011

Strategy	1 Year	3 Years	5 Years	10 Years	20 Years
All Venture	18.7%	0.7%	3.5%	0.3%	16.1%
Buyouts	20.7%	0.5%	6.8%	8.1%	10.7%
Mezzanine	8.7%	-0.6%	4.1%	4.4%	7.5%
All Private Equity	**19.2%**	**1.0%**	**6.3%**	**6.1%**	**11.8%**
S&P 500	**15.7%**	**2.4%**	**2.6%**	**3.3%**	**8.7%**

Source: Thomson ONE - All Regions

1. All Private Equity has provided a return premiums over each horizon period except the three-year horizon
2. The All Private Equity database had a second good year after last year's 22.7% (the previous 1Q-09 return was -26.7%)
3. Valuations and returns bottomed in 1Q-09 and each of the last eight quarters have been positive, as FAS 157 values followed public market increases and exits increased
4. Abbott's 13 year IRR of 8.6% compares well to the database return

ARMB Performance

Total Portfolio: 12-Month Changes, June 30, 2011 ($000)

Year	Committed	Paid-In	Uncalled	Distributed	NAV	DPI	RVPI	TVPI
2010	2,863,483	2,043,035	818,549	1,278,525	1,289,123	0.63	0.63	1.26
2011	3,137,245	2,285,180	850,282	1,565,519	1,497,378	0.69	0.66	1.34
Change	**273,762**	**242,145**	**31,733**	**286,994**	**208,255**	**0.06**	**0.02**	**0.08**

ACM and PCM private equity holdings are March 31 values updated for June 30 cash flows, In-House and Blum are June 30 actual

DPI = Distributions as a ratio of (divided by) Paid-In capital

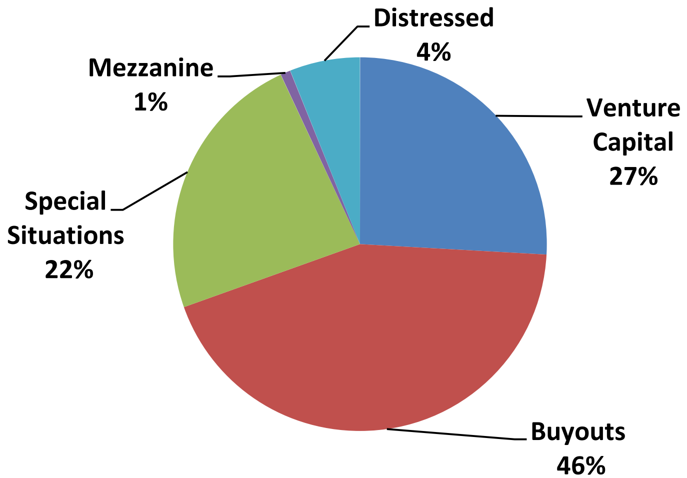
RVPI = Residual Value (Net Asset Value) as a ratio of (divided by) Paid-In Capital

TVPI = Total Value (Distributions + NAV) as a ratio of (divided by) Paid-In Capital

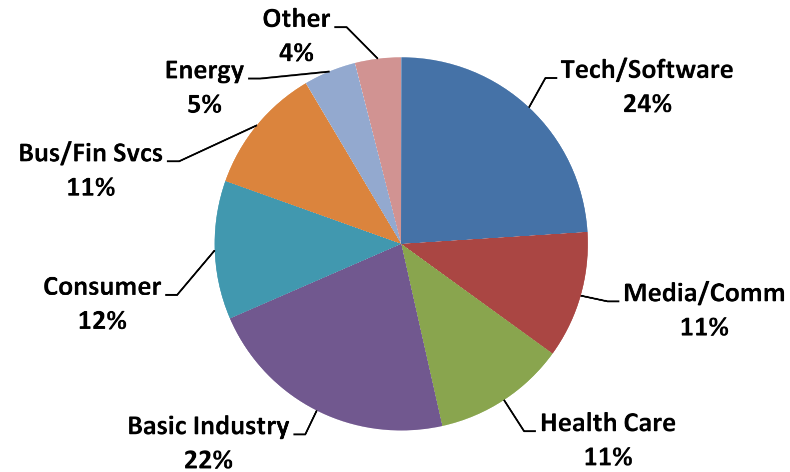
1) Total of 244 partnerships, up 17 from last year (compared to 11 in the prior review)
2) Commitments increased by 10%, versus 4% the prior year
3) Paid-in capital increased 12%, up from 9% last year
4) Uncalled capital increased 4%, a change from down 5% last year
5) The portfolio is 73% paid-in (mature) up from 71%, with Abbott 77% and Pathway 70%
6) The portfolio distributed $287 million, a 22% cash yield (distributions divided by beginning NAV), up from $144 million (13%) last year
7) Net cash flow (annual distributions minus contributions) was +$45 million or 3% of starting NAV (back to ARMB), versus -$17 million last year (funding from ARMB)
8) Unrealized appreciation was $253 million (+20%), compared to $203 million (19%) last year. NAV increased by $208 million or 16%.
9) Performance ratios all increased. The TVPI of 1.34x is second quartile versus the Thomson ONE All Region upper quartile of 1.42x and a median of 1.07x.

Portfolio Diversification June 30, 2011 ($000)

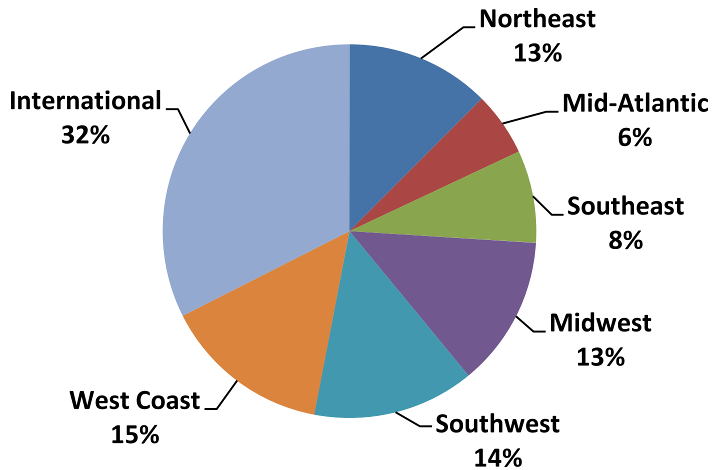
Strategy



Industry



Geography



Note: Strategy allocations based on partnership NAV and includes ACM, PCM and In-House,
Industry and Geography allocations based underlying portfolio companies and include ACM and PCM

ARMB Performance

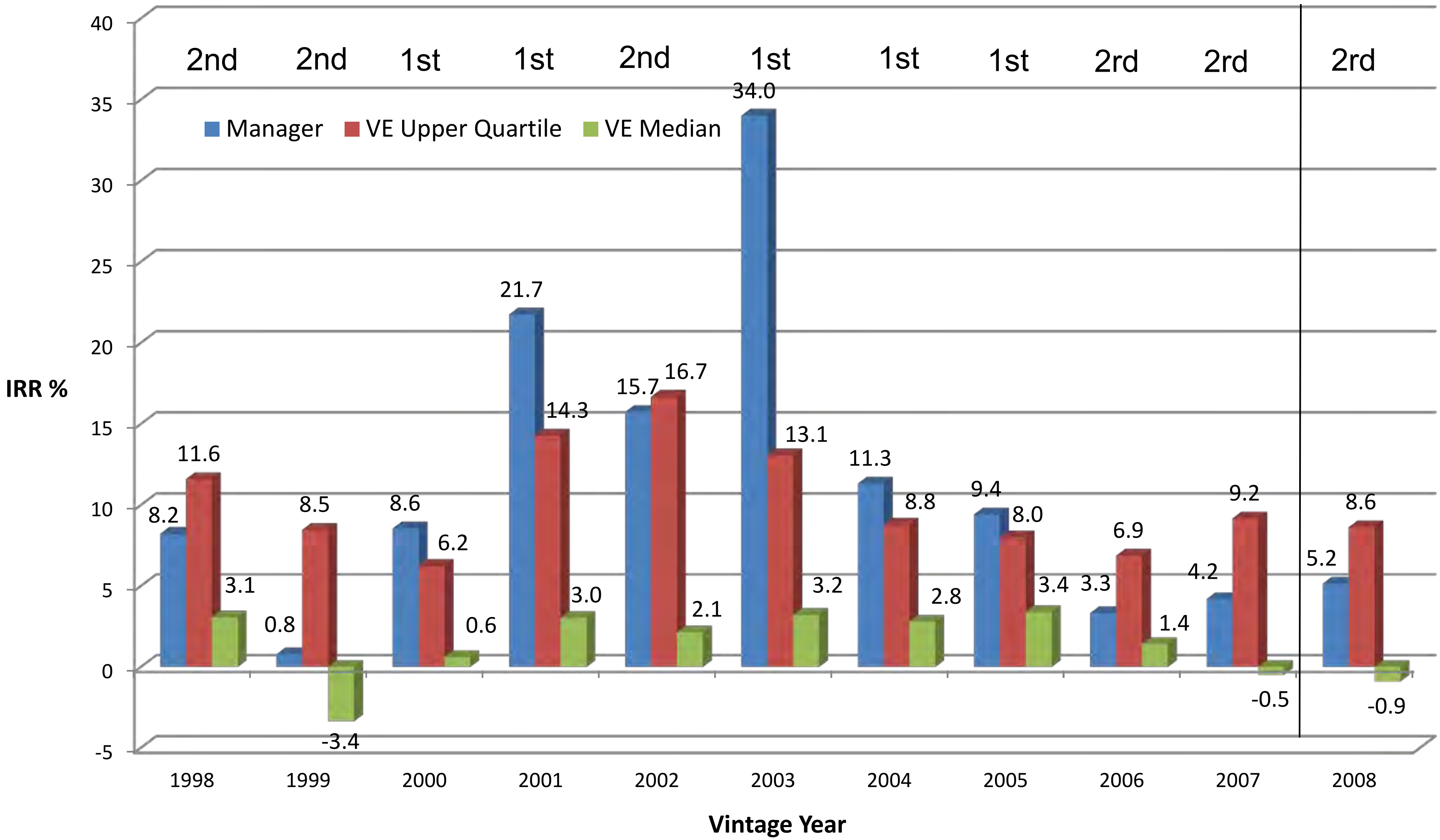
Abbott Portfolio: 12-Month Changes, June 30, 2011 ($000)

Year	Committed	Paid-In	Uncalled	Distributed	NAV	DPI	RVPI	TVPI	IRR
2010	1,496,978	1,151,024	345,954	861,924	644,418	0.75	0.56	1.31	8.0%
2011	1,615,509	1,238,144	377,365	1,014,258	688,362	0.82	0.56	1.38	8.6%
Change	**118,531**	**87,120**	**31,411**	**152,334**	**43,944**	**0.07**	**(0.00)**	**0.07**	**0.6%**

1) Initiated in 1998 (13 years), invested in 148 partnerships (+9), 46% of NAV
2) Commitments increased $119 million (8%), up from only $3.5 million last year
3) Paid-in increased 8%, up from 6% last year
4) The portfolio is 77% paid-in (mature) and DPI should turn positive in the next few years
5) Uncalled capital increased (9%) as more capital was committed than paid-in
6) The portfolio distributed $152 million (24% cash yield), up from $71 million (13%)
7) Portfolio net cash flow was a positive $65 million as more capital was distributed than paid-in, up from a positive $1.3 million in the prior year
8) Portfolio unrealized appreciation was $109 million (+17%), similar to last year's appreciation of $104 million (+19%) last year. NAV increased $44 million (+7%)
9) Abbott's IRR of 8.6% is high in the second quartile versus the Thomson ONE All Region composite since 1998, which has a top quartile of 9.7% and a median of 1.6%
10) The TVPI of 1.38x is also high in the second quartile versus a top quartile of 1.42x and a median of 1.07x

Abbott: Thomson ONE Vintage Year Peer Group Benchmark

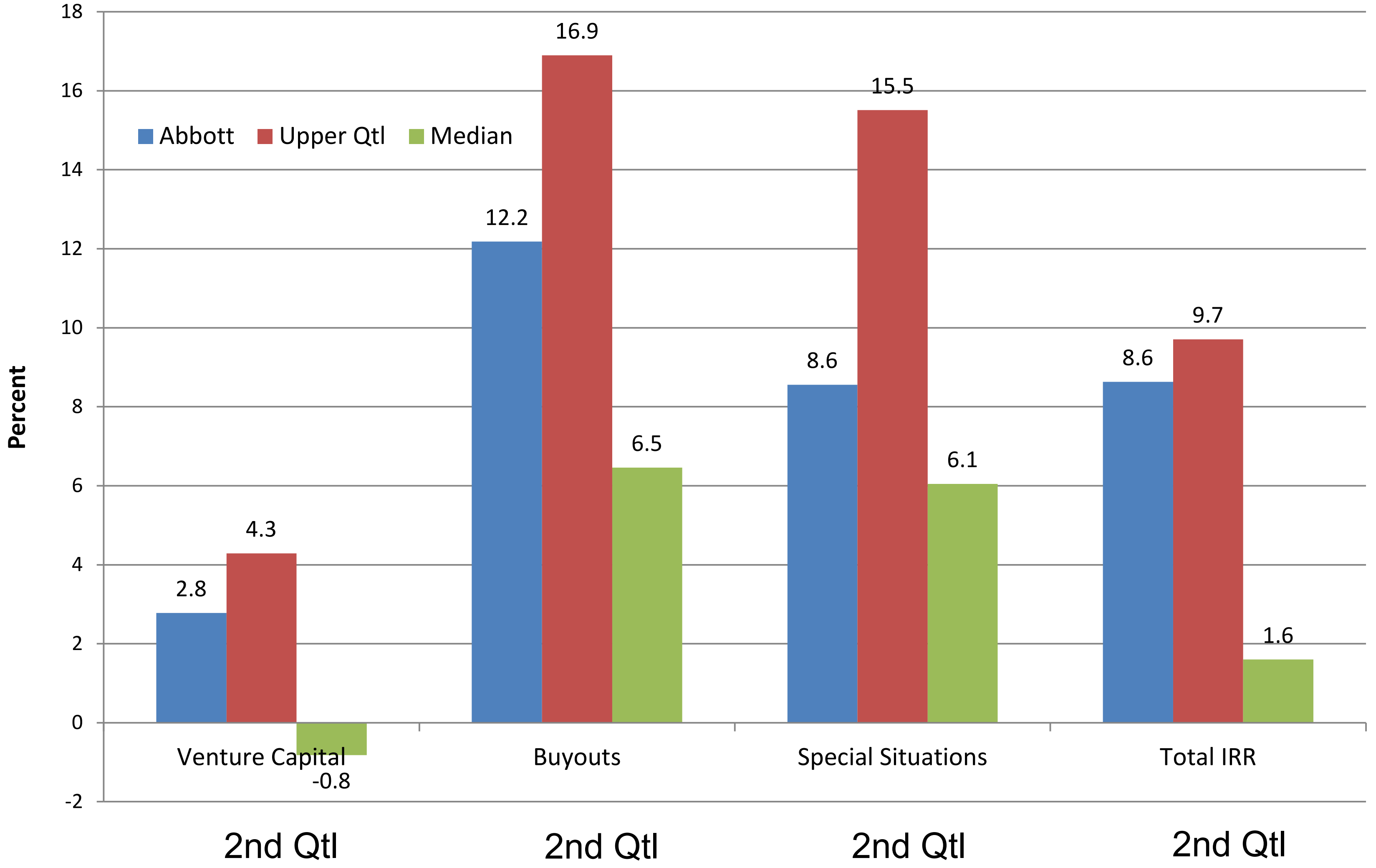
IRRs and Benchmarks as of March 31, 2011



1st Quartile: 5 years 2nd Quartile: 6 years Below Median: 0 years

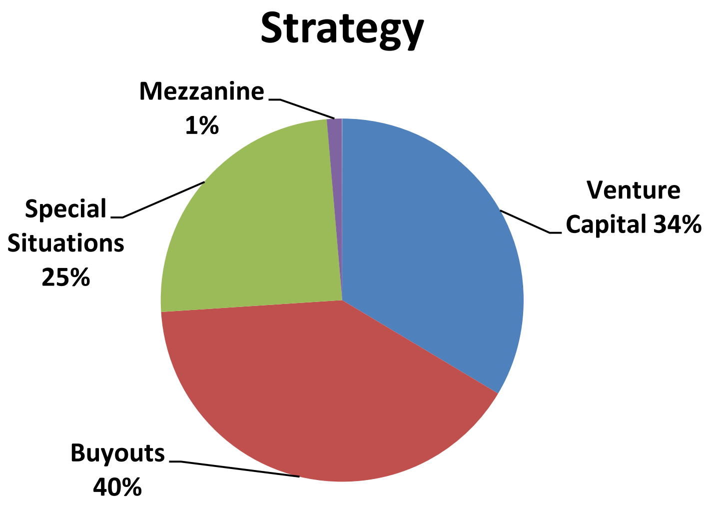
Abbott: Thomson ONE Strategy IRR Peer Group Benchmarking

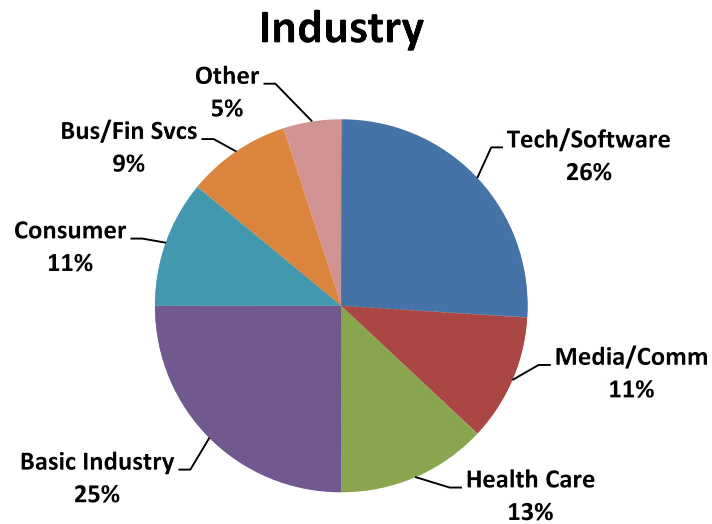
Cumulative Composite Benchmarks Inception through 3/31/2011

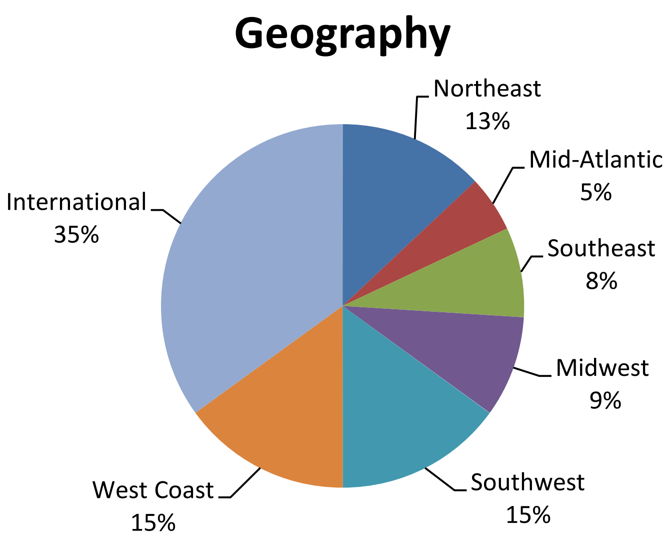


Composites: VC = 1998-2010 / BO = 1998-2009 / SS = 1998-2001, 2003-2010 / Total = 1998-2010

ACM Portfolio Diversification June 30, 2011 ($000)







Note: Strategy allocations based on partnership NAV, Industry and Geography allocations based underlying portfolio companies

ARMB Performance

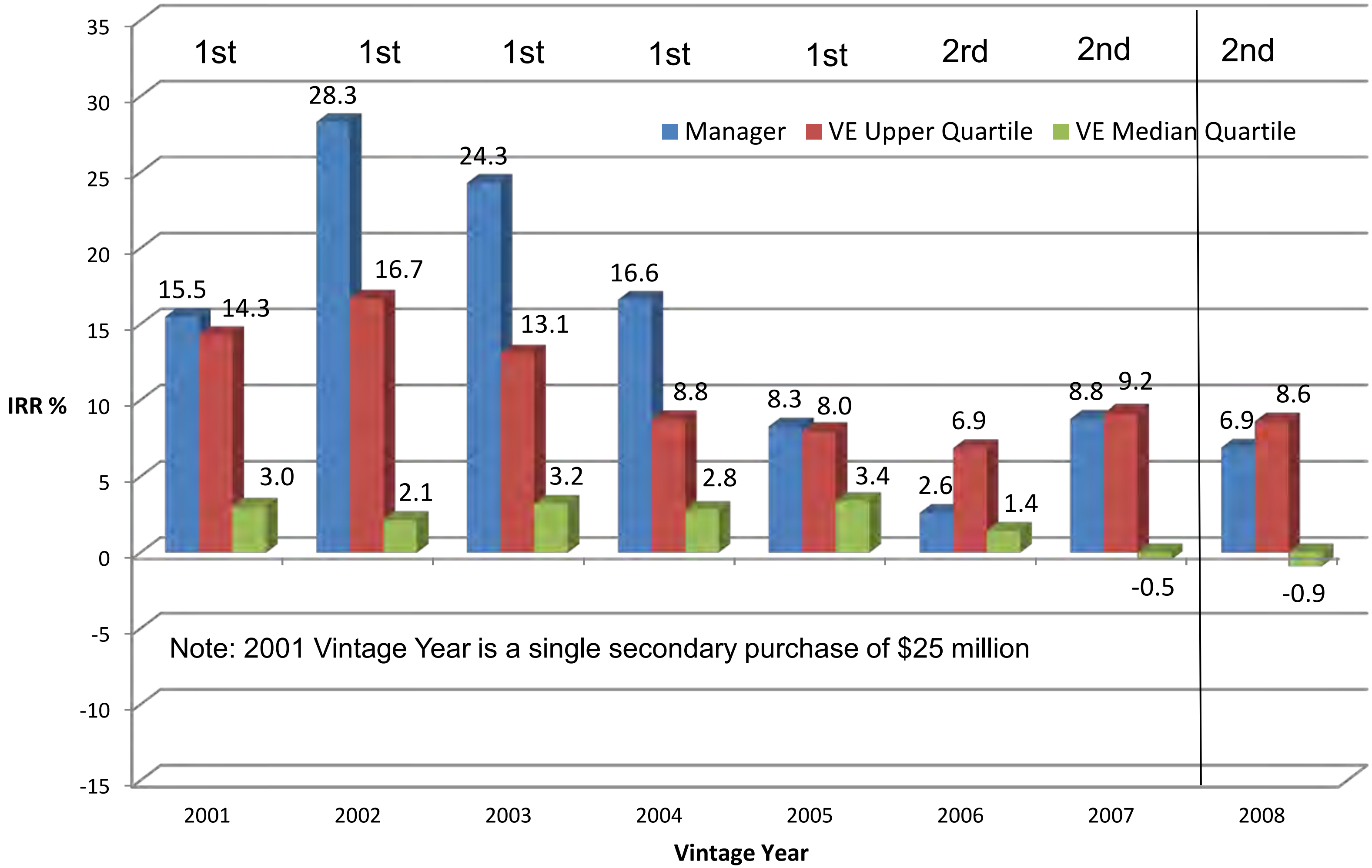
Pathway Portfolio: 12-Month Changes, June 30, 2011 ($000)

Year	Committed	Paid-In	Uncalled	Distributed	NAV	DPI	RVPI	TVPI	IRR
2010	1,111,505	751,638	359,867	357,525	577,390	0.48	0.77	1.24	10.5%
2011	1,241,736	871,109	370,627	486,267	698,091	0.56	0.80	1.36	13.4%
Change	**130,231**	**119,471**	**10,760**	**128,742**	**120,701**	**0.08**	**0.03**	**0.12**	**2.9%**

1) Initiated in mid-2002 (9 years), invested in 90 partnerships (+9), 47% of NAV
2) Commitments increased by 12%, up from 4% the previous year. Paid-in increased 16%
3) The portfolio is 70% paid-in (recently mature), up from 68% last year
4) Uncalled capital increased 3% (new commitments slightly exceeded capital calls), versus a 10% decrease last year
5) Distributions were $129 million (22% cash yield), up from $58 million (12% yield)
6) Portfolio net cash flow was +$9.3 million or 2% of initial NAV, versus -$70 million (5% of initial NAV) last year
7) Unrealized appreciation was $130 million (+23%), up from $85 million (+18%) last year, and -$125 million (-25%) in 2009.
8) NAV increased $121 million (+21) versus $85 million (+18%) last year
9) Pathway's IRR of 13.4% is first quartile versus the Thomson ONE All Region composite since 2002, which has a top quartile of 9.7% and a median of 2.0%
10) The TVPI is also first quartile versus the top quartile and median of 1.29x and 1.06x

Pathway: Thomson ONE Vintage Year Peer Group Benchmark

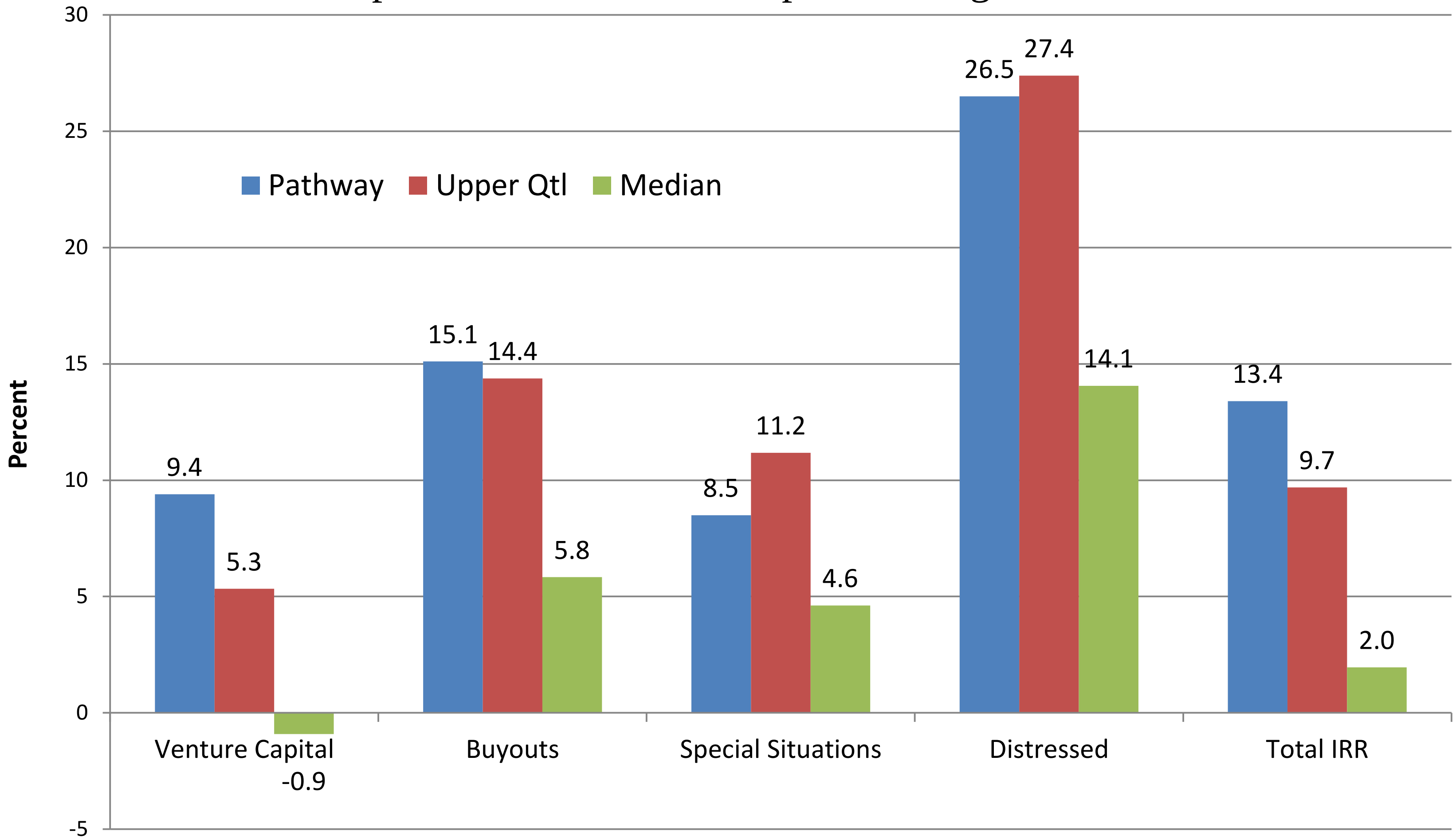
IRRs and Benchmarks as of March 31, 2011



1st Quartile: 5 years 2nd Quartile: 3 years Below Median: 0 year

Pathway: Thomson ONE Strategy IRR Peer Group Benchmarking

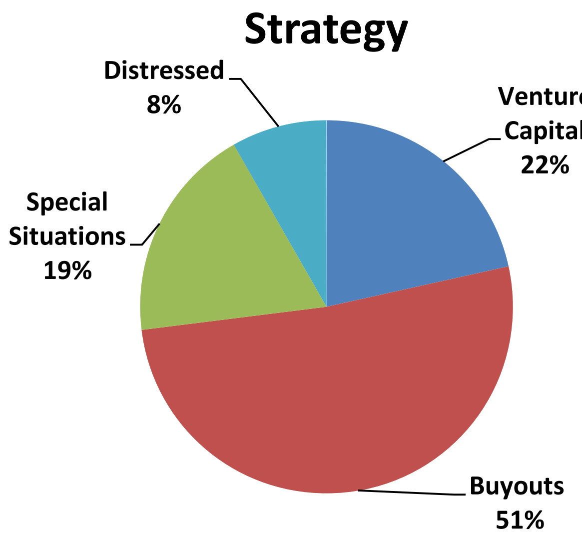
Cumulative Composite Benchmarks Inception through 3/31/2011

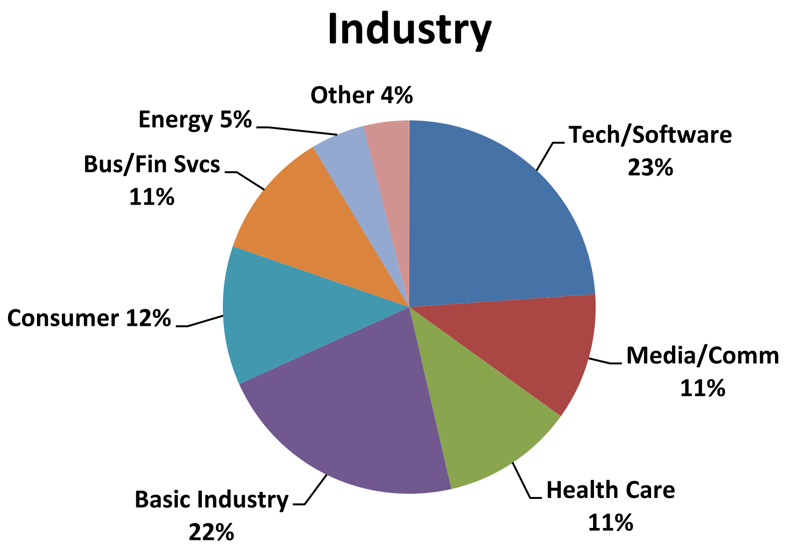


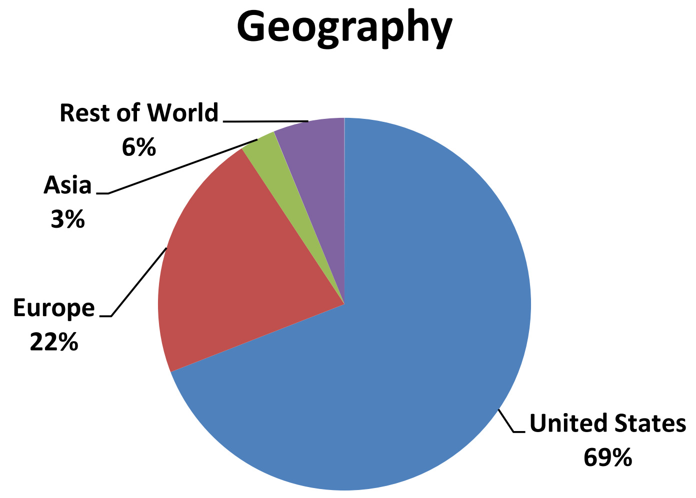
1st Qtl | 1st Qtl | 2nd Qtl | 2nd Qtl | 1st Qtl

Composites: VC = 2004-2010 / BO = 2002-2008 and 2010 / SS = 2003-2010 / Distressed = 2002, 2004-2005, 2007-2009 / Total = 2002-2010

PCM Portfolio Diversification June 30, 2011 ($000)

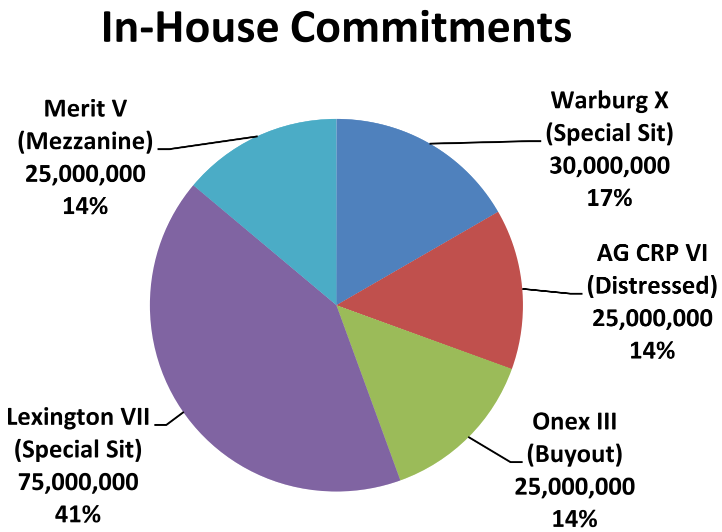


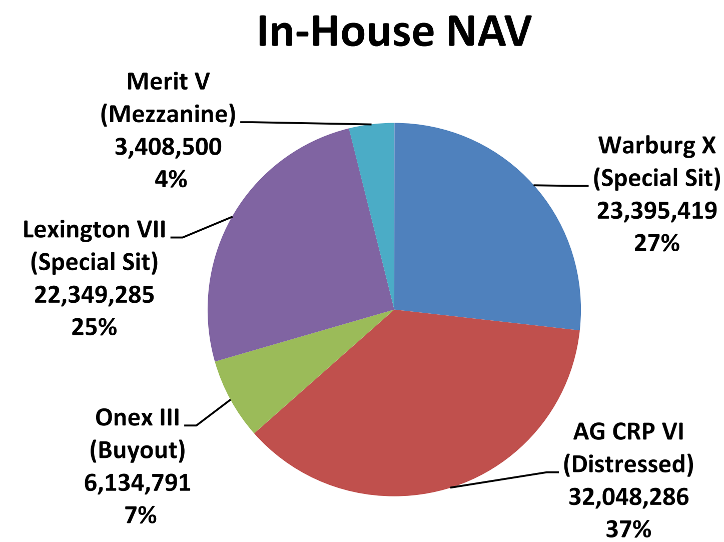




Note: Strategy allocations based on partnership NAV, Industry and Geography allocations based underlying portfolio companies

In-House Portfolio Overview June 30, 2011 ($000)





Partnership	VY	Strategy	Overlap	Committed	Paid-In	% PI
Warburg X	2007	Special Sit	Abbott	30,000,000	23,610,000	79%
AG CRP VI	2008	Distressed	None	25,000,000	25,000,000	100%
Onex III	2008	Buyout	Pathway	25,000,000	7,327,961	29%
Lexington VII	2010	Special Sit	None	75,000,000	18,534,543	25%
Merit V	2010	Mezzanine	None	25,000,000	3,551,021	14%
Total				**180,000,000**	**78,023,525**	**43%**

- The portfolio has distributed $1.8 million and has a NAV of $87 million, for a gain of $11 million
- The portfolio's TVPI is 1.14x and the IRR is 7.9%
- Fundraising market has been thin the last three years, but there has been no hurry to make investments given ARMB's overfunding. A number of tenured groups have been passed over to avoid a triple-down
- Warburg and AG were caught in the downdraft but are recovering well, and Onex has been slow to invest
- The newer investments, Lexington and Merit, should benefit from good timing

ARMB Performance

In-House Portfolio: 12-Month Changes, June 30, 2011 ($000)

Year	Committed	Paid-In	Uncalled	Distributed	NAV	DPI	RVPI	TVPI	IRR
2010	155,000	43,704	111,296	99	44,746	0.00	1.02	1.03	1.6%
2011	180,000	78,024	101,976	1,794	87,336	0.02	1.12	1.14	7.9%
Change	**25,000**	**34,320**	**(9,320)**	**1,695**	**42,590**	**0.02**	**0.10**	**0.12**	**6.3%**

1) Initiated November 2007, 6% of NAV
2) Five partnerships: VYs: 1-2007, 2-2008, 2-2010
3) Lexington received an additional $25 million commitment (+16% total commitments)
4) Diversified by strategy: Special Situation, Distressed, Buyout, Secondary, Mezzanine. Venture capital is not a priority given its general risk profile
5) Portfolio is 43% paid-in, up from 28% last year. The last three partnerships were 29%, 25% and 14% paid-in at June 30, 2011
6) Uncalled capital declined 8% as more was paid-in than was committed
7) Distributions of $1.8 million occurred during the year (4% cash yield)
8) Net cash flow was -$33 million and unrealized appreciation was $10 million (+22%). NAV increased $43 million (+95%)
9) All performance measures increased during the year, although additions of new partnerships may reintroduce a “J-curve” effect
10) The portfolio was initiated just before the bubble peaked, has weathered the downturn and has a good balance of uncalled capital to NAV given ARMB’s funded status

Corporate Governance Portfolio - Performance

Blum Strategic Partners III: 12-Month Changes, June 30, 2011 ($000)

Year	Committed	Paid-In	Uncalled	Distributed	NAV	DPI	RVPI	TVPI	IRR	TWR	S&P 500
2010	50,000	46,669	1,432	24,229	22,569	0.52	0.48	1.00	0.1%	0.4%	-0.5%
2011	50,000	47,903	314	28,452	23,589	0.59	0.49	1.09	2.1%	3.5%	4.0%
Change	**-**	**1,234**	**(1,118)**	**4,223**	**1,020**	**0.07**	**0.01**	**0.08**	**2.0%**	**3.1%**	**4.5%**

Figures are June 30 actual (not March 31 values updated for June 30 cash flows)

TWR = Time-Weighted Return (period-linked return calculation normally used for public stock portfolios)

1) Two $50 million commitments initiated in May 2005 focusing on activist investments in under-performing publicly-traded small- and mid-cap companies
2) Public-only vehicle was fully redeemed in 2009 with a $15 million loss
3) Strategic III is almost fully paid-in and is 2% of the portfolio’s NAV.
4) The portfolio distributed $4 million (19% yield) and had net cash flow of +$3 million to ARMB
5) NAV increased by $1 million, and unrealized appreciation was $4 million (19%)
6) Strategic III has 7 public positions and 2 private investments, with 97% of the value in three public companies
7) The portfolio has had challenges with Financials, Digital Media, and Education sector companies
8) Performance has reflected a concentrated, small company public stock portfolio

ARMB Summary

Observations

- **ARMBs private equity portfolio is maturing, has provided good performance, and is well-diversified**
  - Had to overcome initial timing issue and target increases
  - The portfolio will take several more years to be “fully mature” defined as being cumulatively cash positive (currently 69 cent on the dollar has been received)
  - Is high in the second quartile versus the Thomson ONE private equity database
  - Both managers are performing well relative to benchmarks and their strategies are complementary
    - Abbott provides more to hard-to-access venture capital, and mezzanine debt
    - Pathway is more buyout-oriented and does distressed debt
  - The In-House portfolio developed nicely this year with improved market liquidity
    - The new commitment pace has been slow due to market conditions and ARMB’s overfunding
  - Blum investments are not private equity, and have been challenged
  - The portfolio is composed of tenured, high-quality general partners
  - ARMB has an attractive strategy mix for a large fund, and is well-diversified by other measures

ARMB Summary

Observations

- **ARMB's private equity portfolio had a strong year**
  – The portfolio benefited from increased market liquidity for a second year
  – Commitment rate more than doubled and capital calls picked-up
  – More capital was distributed than called and valuations increased significantly
- **Looking forward**
  – Portfolio is over the 8% nominal target, but within range. Uncalled commitments are only 57% of NAV, so we expect the percentage exposure to moderate
  – After July 2011, private equity is beginning to show some signs of decreased activity due to public market volatility and global economic concerns
  – It is likely that private equity activity (including commitments, investment pace, and distributions) will continue to be somewhat muted for at least the next year
  – ARMB's underlying portfolio companies have weathered the worst of the economic downturn and the uncalled commitments can benefit from a continued period of more favorable pricing and investment structures
  – General partners are keenly focused on portfolio exits, so we expect that distributions will be as strong a practicable

Appendix

How Private Equity Works

ARMB invests in all major private corporate finance strategies ("private equity") :

- **Venture Capital**
  - Smaller technology/medical companies
- **Buyouts and Special Situations**
  - Larger company equity, traditional industries
- **Subordinated Debt (Mezzanine)**
  - Private high yield, senior to equity, junior to bank debt, equity-linked
- **Distressed Debt**
  - Larger company restructuring, restarting good businesses

How Private Equity Works

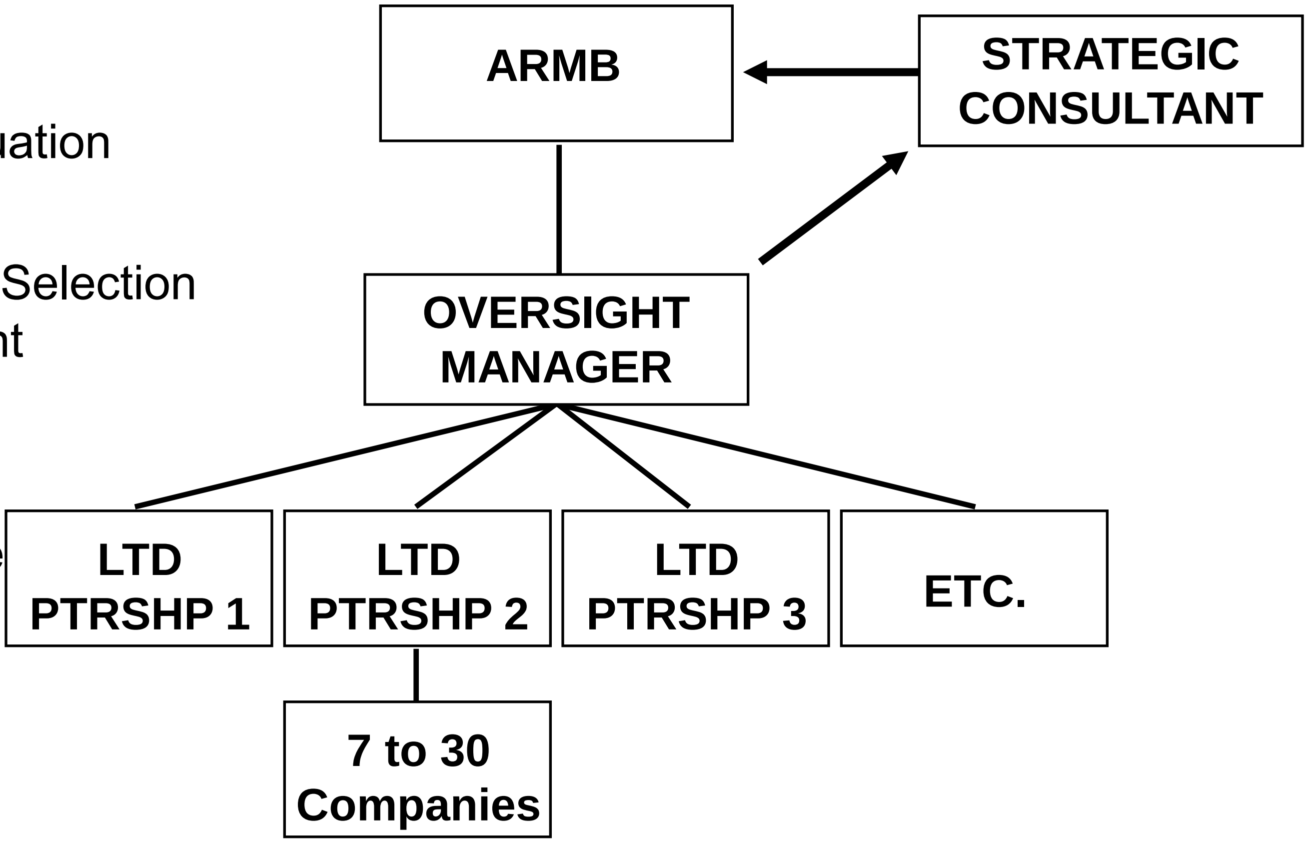
Private Equity Partnerships Program Structure

Policy
Strategic Planning
Performance Evaluation

Proactive Security Selection
Active Management
Reporting

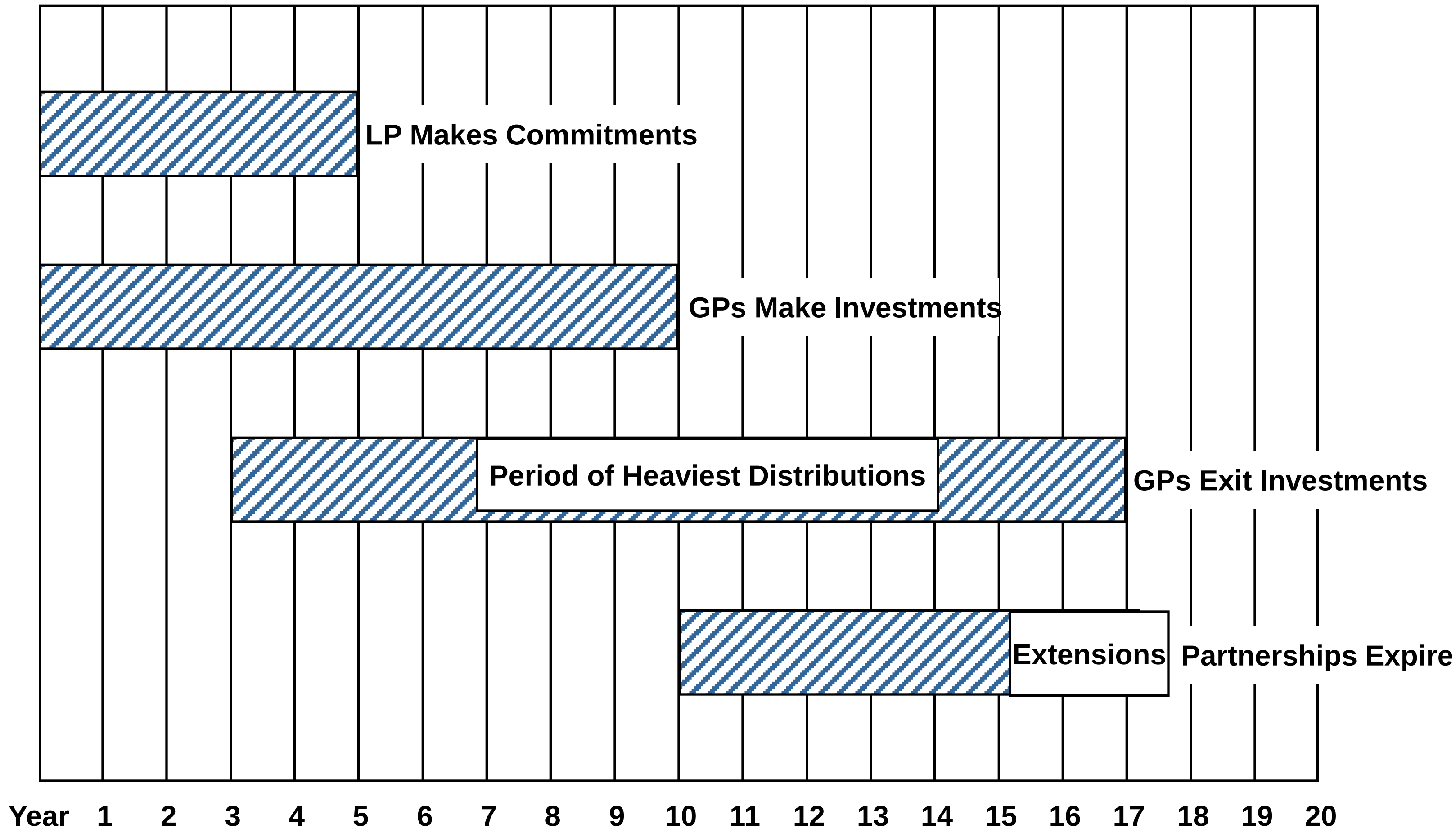
Mini-Conglomerate
(Security)

Divisions



How Private Equity Works

Time Line: Private Equity Investment Program Requires a Long-Term Horizon



Source: *Private Equity Analyst*

ARMB Board Meeting
Investment Performance
Periods Ended September 30, 2011

Michael J. O'Leary, CFA
Executive Vice President

Paul Erlendson
Senior Vice President

Preliminary Real Estate Returns are used in this report

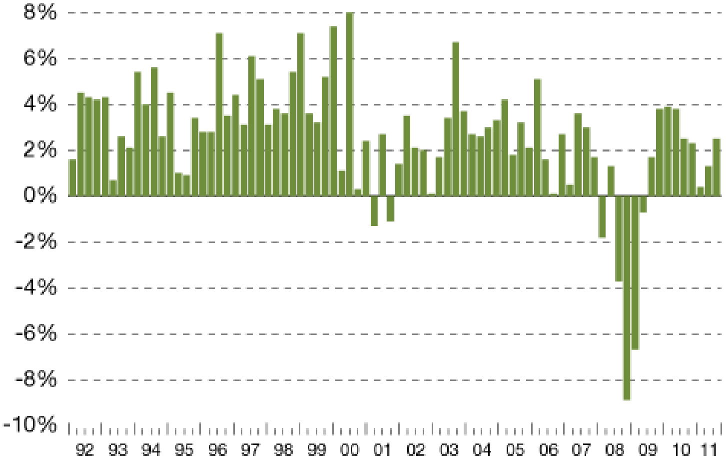
Prepared November 16, 2011

Agenda

- Market review
- DB Plan Performance - Total Plan
- DB Plans Major Asset Categories
- DC Performance Update
- Comments regarding subsequent developments

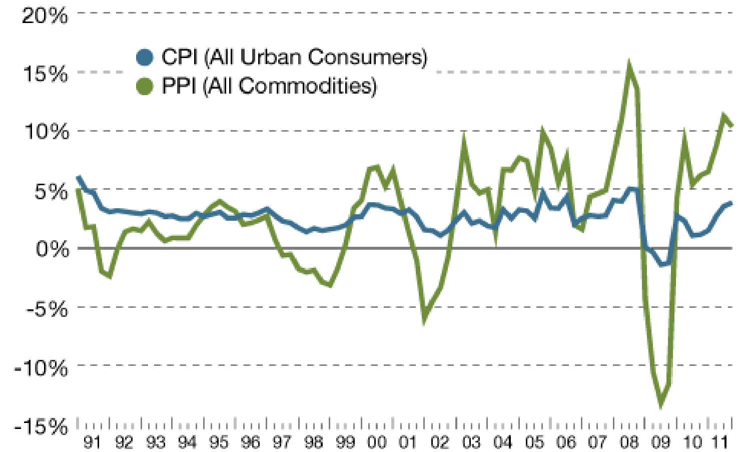
Recovery continued at slow pace

Quarterly Real GDP Growth* (20 Years)



Source: U.S. Department of Labor

Inflation Year-Over-Year



Source: Bureau of Labor Statistics

Recent Quarterly Indicators

Economic Indicators (seasonally adjusted)	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
CPI–All Urban Consumers (year-over-year)	2.7%	2.3%	1.0%	1.1%	1.5%	2.7%	3.6%	3.9%
PPI–All Commodities (year-over-year)	4.2%	9.0%	5.5%	6.3%	6.6%	8.6%	11.2%	10.3%
Employment Cost–Total Compensation Growth	1.5%	2.6%	1.8%	1.8%	2.2%	2.1%	3.2%	2.4%
Nonfarm Business–Productivity Growth	6.7%	4.6%	-1.7%	2.3%	2.9%	-0.6%	-0.7%	3.3%
GDP Growth*	3.8%	3.9%	3.8%	2.5%	2.3%	0.4%	1.3%	2.5%
Manufacturing Capacity Utilization (level %)	67.7	69.4	71.4	72.6	73.3	74.5	74.4	74.8
Consumer Sentiment Index (1966=1.000)	0.702	0.739	0.739	0.683	0.713	0.731	0.719	0.596

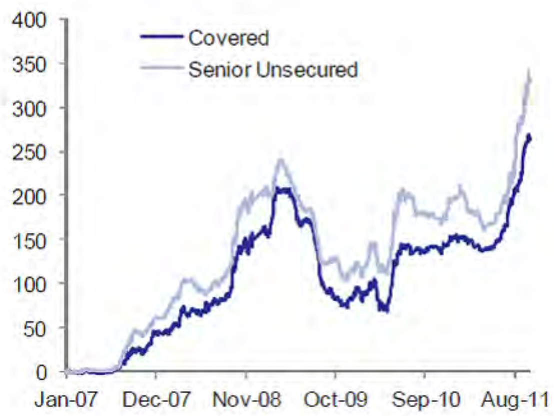
*The GDP estimates released on October 27, 2011 reflect the results of the comprehensive (or benchmark) revision of the national income and product accounts, according to the Bureau of Economic Analysis (BEA) Web site. More information on the revision is available at www.bea.gov/national/an1.htm.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Reuters/University of Michigan

Key Issues

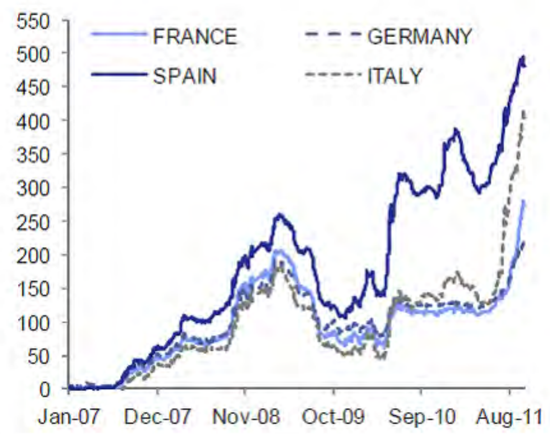
- Greece, Italy & Europe
- Slowing growth & inflation concerns in emerging economies
- Super Committee in the US
- Jobs & Consumer Sentiment
- Overestimating future growth?

Exhibit 2: Our spread indices that control for evolving rating and country compositional differences reveal banks' covered and senior unsecured bonds trading at record wides.
The plot shows the change in spread for two portfolios of covered and senior unsecured bonds having the same country, rating and maturity composition



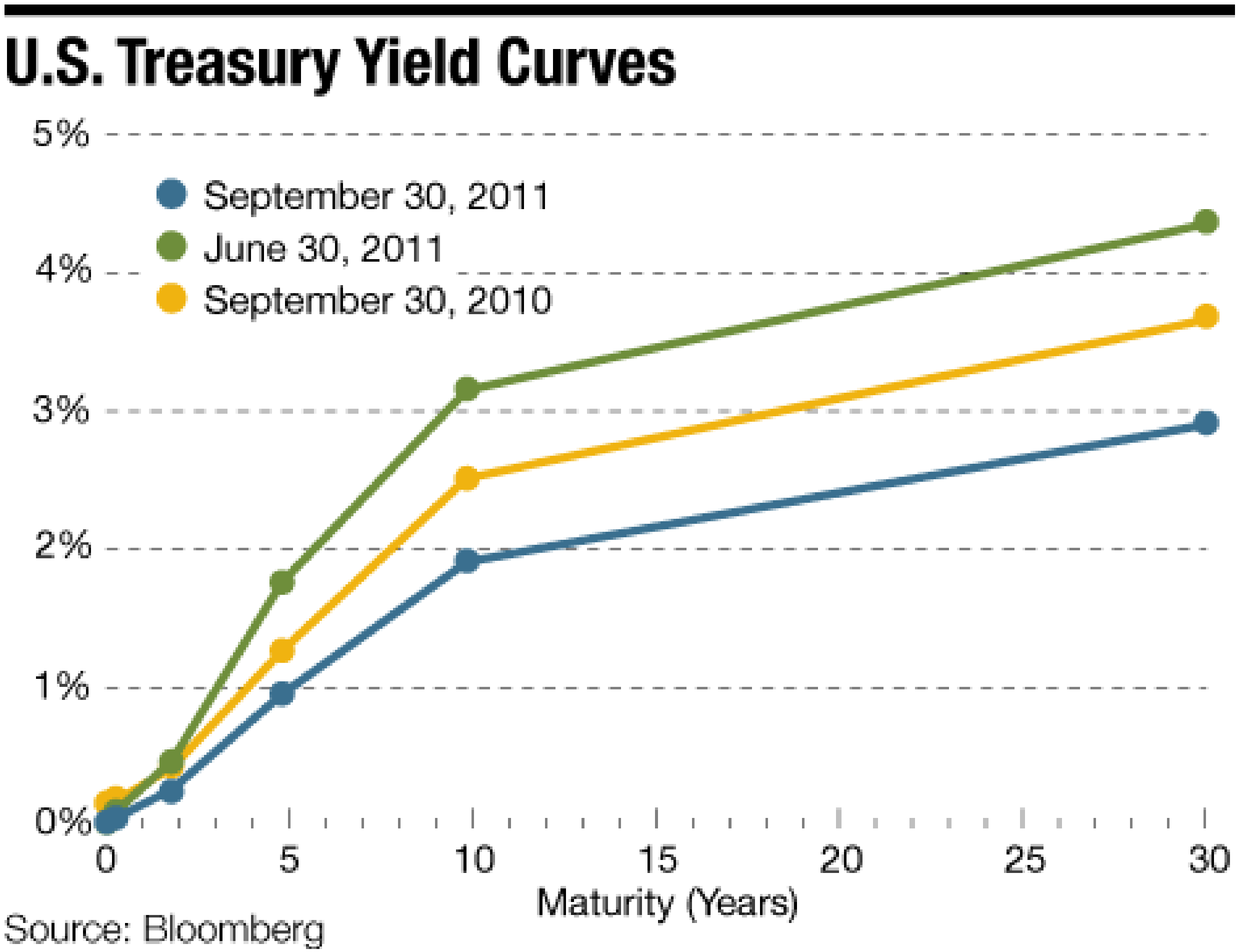
Source: Goldman Sachs Credit Strategy, iBoxx

Exhibit 3: Our adjusted country-level spreads (less vulnerable to changes in regional composition) further confirm that bank spreads are in uncharted territory.
The plot shows the change in spread for domestic bond portfolios having similar rating and maturity composition as well as the same weights of covered and senior unsecured bonds

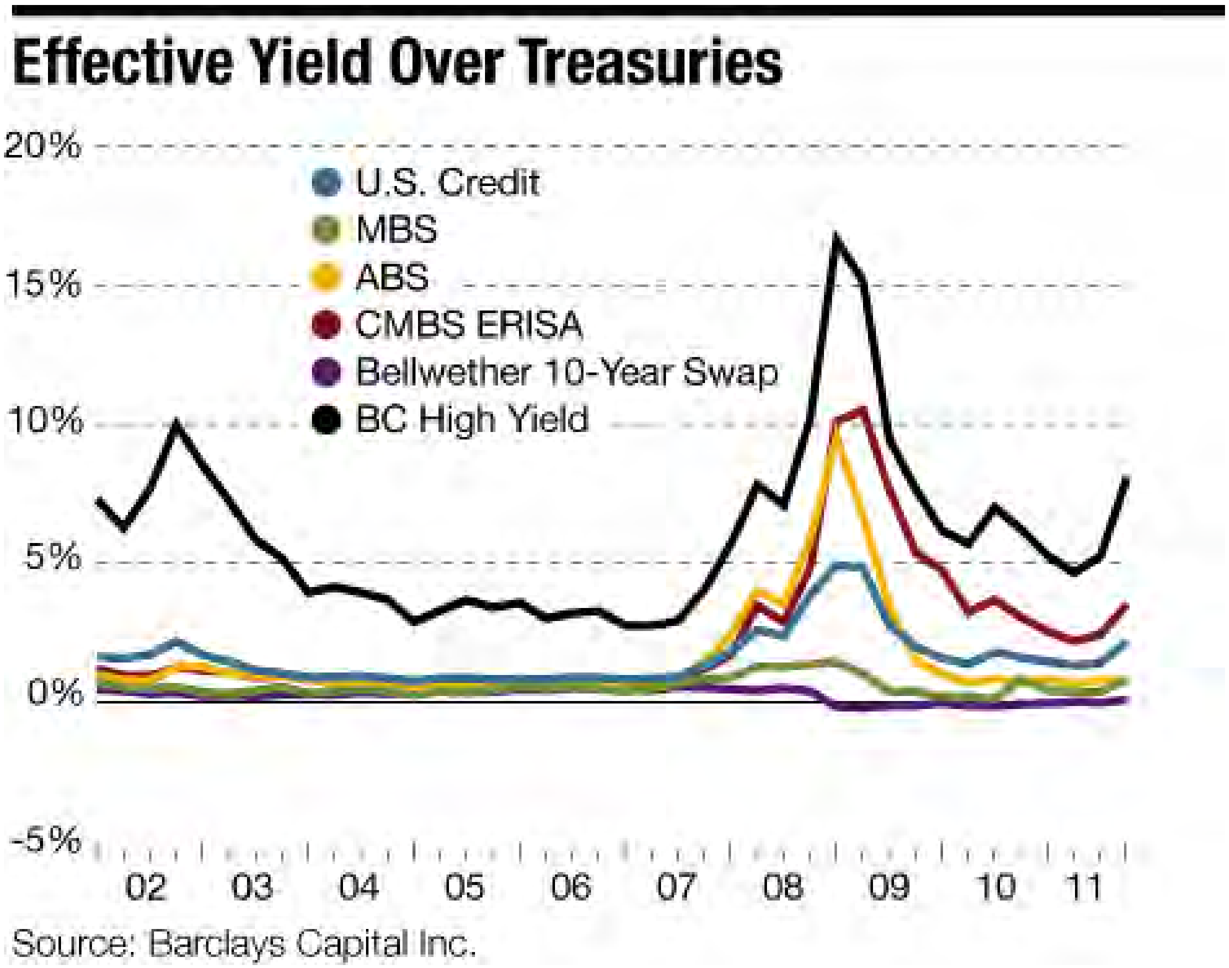


Source: Goldman Sachs Credit Strategy, iBoxx

Fixed Income – Treasury Yield Curve

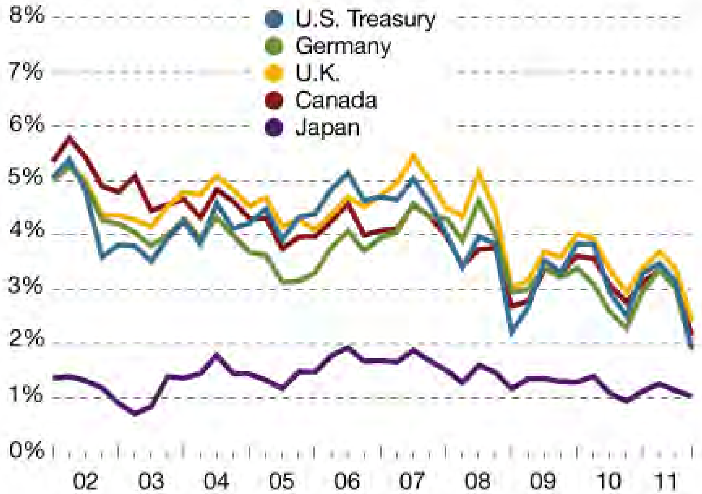


Credit spreads widened

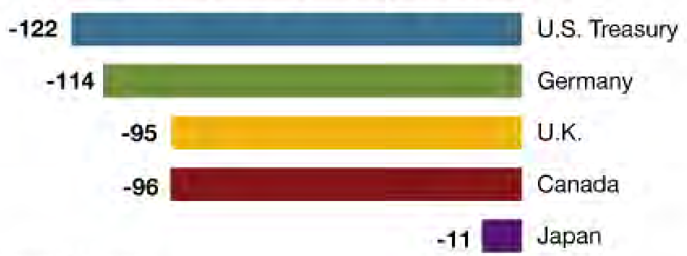


More Spread Info

10-Year Global Government Bond Yields

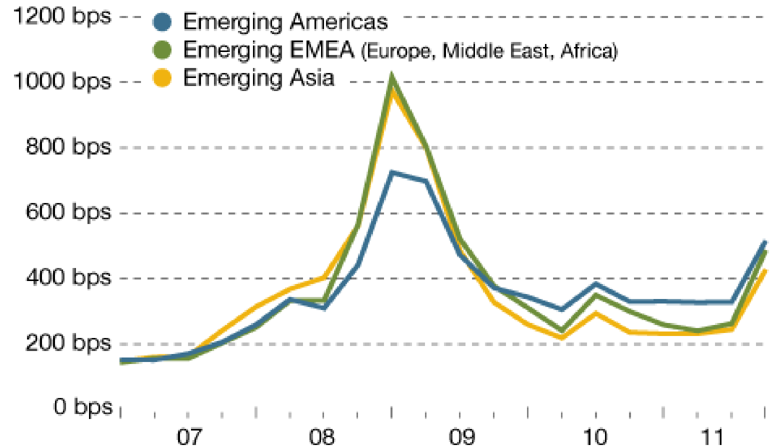


Change in 10-Year Yields from 2Q11 to 3Q11 (bps)



Source: Citigroup

Emerging Spreads by Region



Source: Barclays Capital Inc.

Asset Class Performance

Periods ending September 30, 2011

Periodic Table of Investment Returns
for Periods Ended September 30, 2011

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
BC:Aggr Bd 3.8%	BC:Aggr Bd 5.3%	BC:Aggr Bd 8.0%	BC:Aggr Bd 6.5%	MSCI:Emer Markets 16.4%
3 Month T-Bill 0.0%	Russell:3000 Index 0.5%	MSCI:Emer Markets 6.6%	MSCI:Emer Markets 5.2%	BC:Aggr Bd 5.7%
Russell:3000 Index (15.3%)	3 Month T-Bill 0.1%	Russell:3000 Index 1.5%	3 Month T-Bill 1.7%	MSCI:EAFE US$ 5.0%
MSCI:EAFE US$ (19.0%)	MSCI:EAFE US$ (9.4%)	3 Month T-Bill 0.2%	Russell:3000 Index (0.9%)	Russell:3000 Index 3.5%
MSCI:Emer Markets (22.5%)	MSCI:Emer Markets (15.9%)	MSCI:EAFE US$ (1.1%)	MSCI:EAFE US$ (3.5%)	3 Month T-Bill 2.0%

For Quarter:
- Bonds on top
- Emerging Markets worst

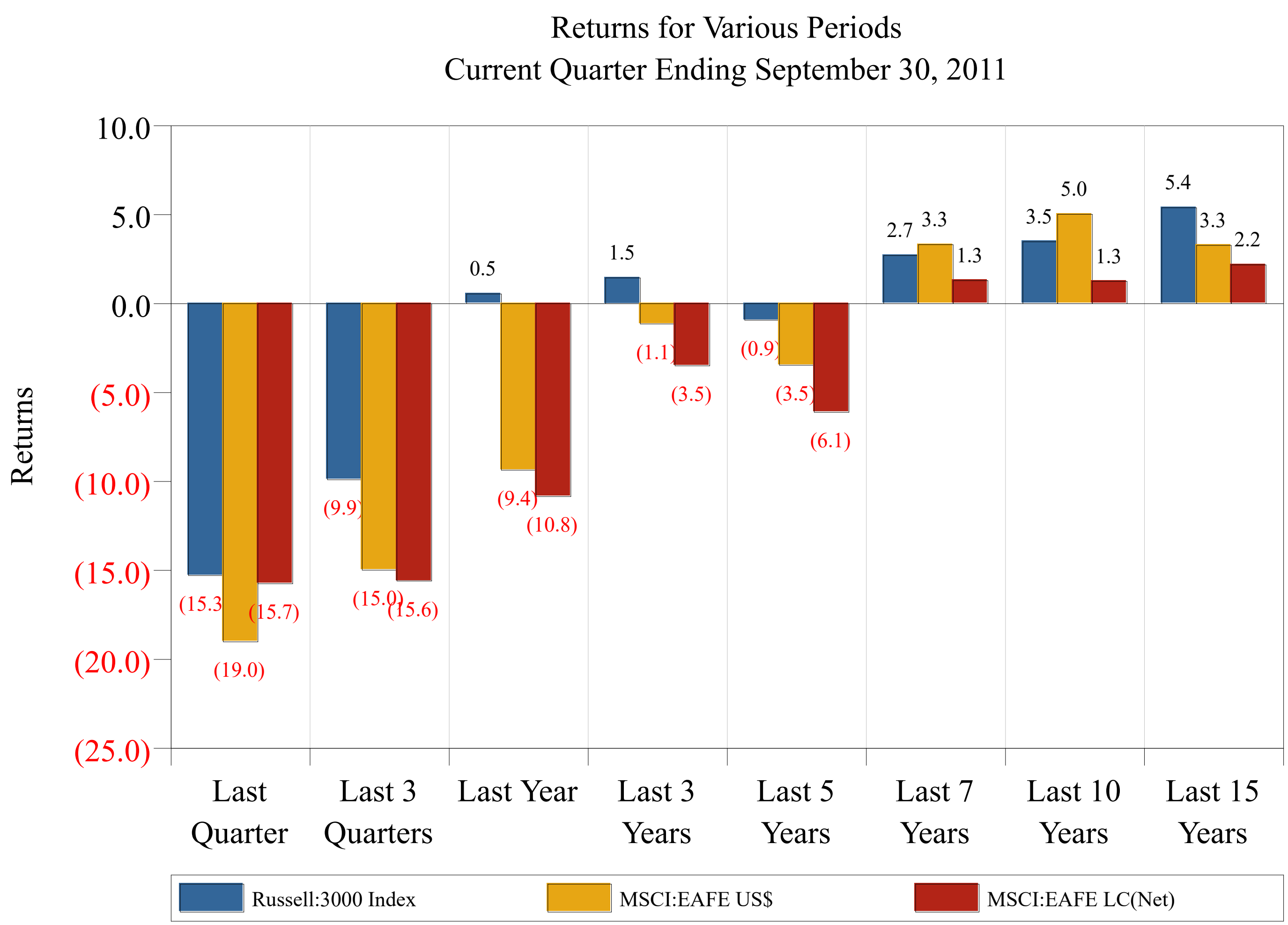
For Year:
- Bonds performed best
- US equities better than cash

Last 3 years:
- Bonds beat Equities
- Developed Intl Equities negative

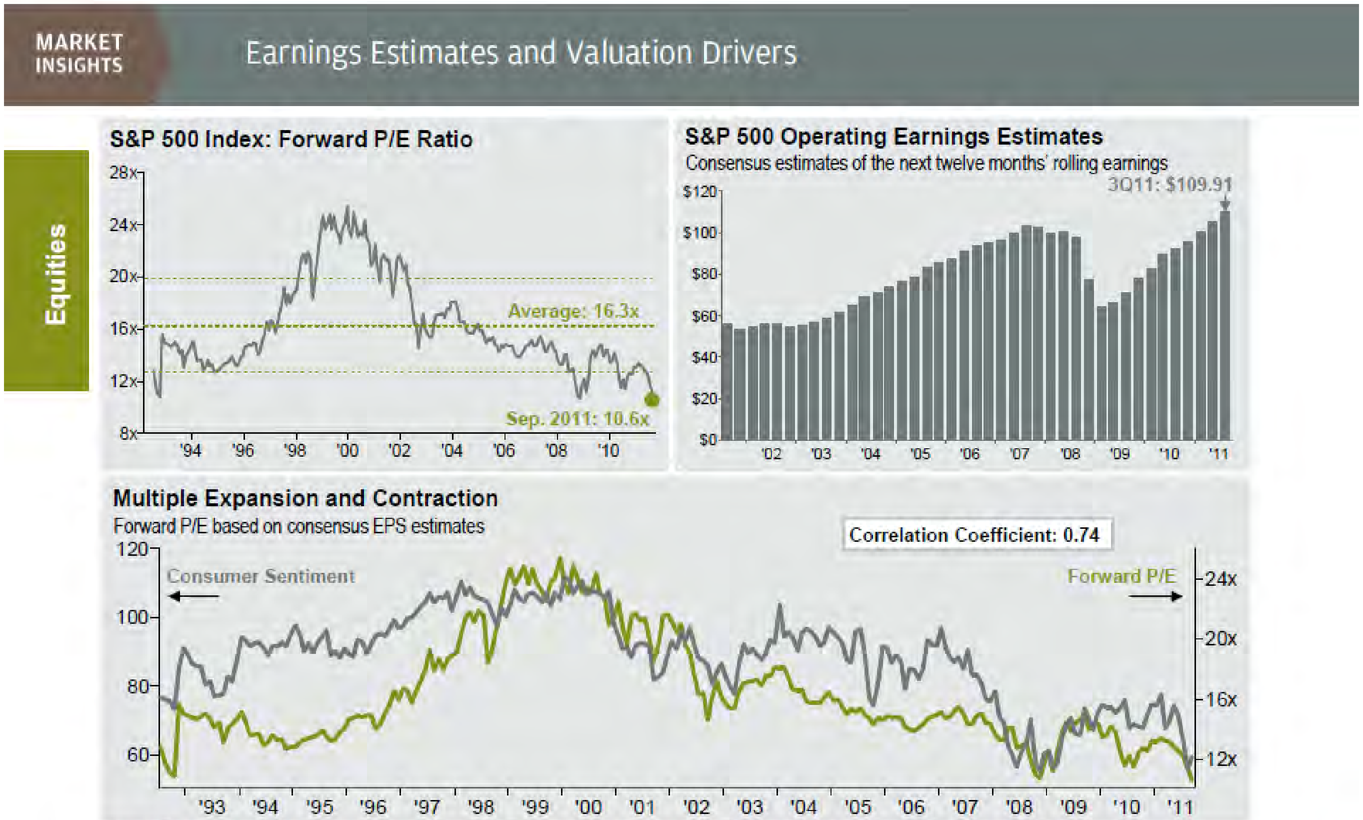
Last 5 years:
- Cash beat US & Developed Intl Equities

Last 10 years:
- Emerging Markets best

Local versus Dollar Returns



Discussed in NYC at Educational Seminar



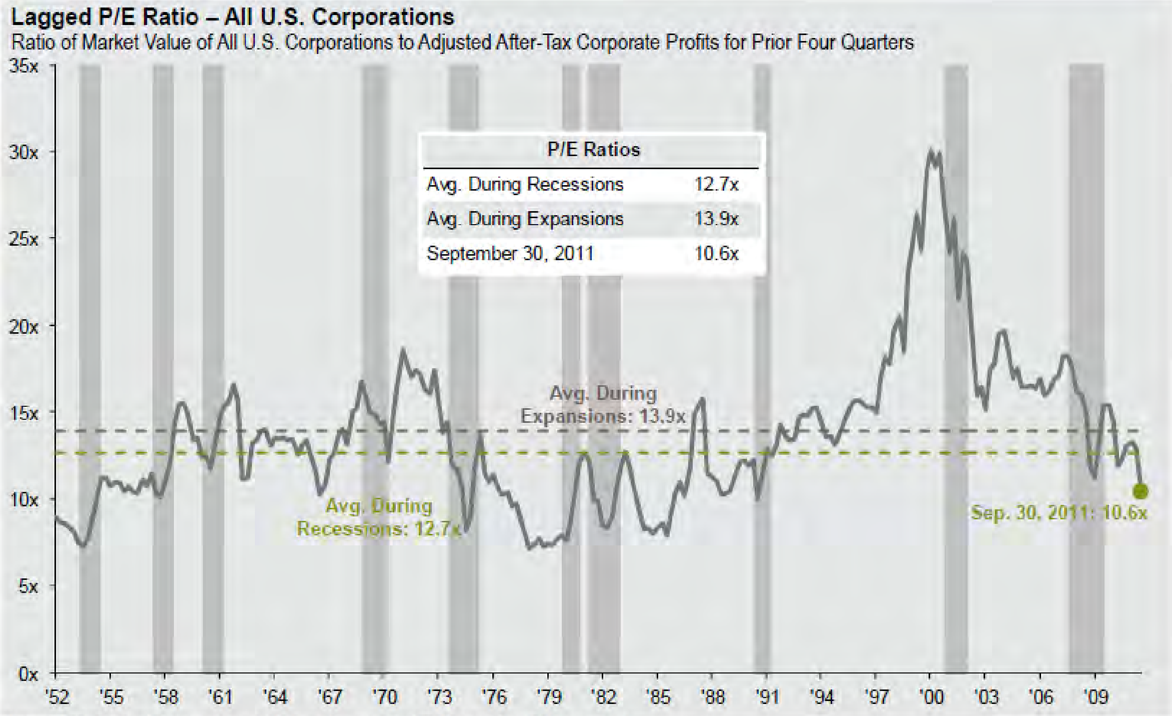
- This and the following graph reproduced from J.P. Morgan Guide to Markets Q4 2011

Unless you are forecasting sharp earnings decline stocks are comparatively inexpensive

MARKET INSIGHTS

Broad Market Lagged Price to Earnings Ratio

Equities



Source: BEA, Federal Reserve Board, Wilshire Associates, J.P. Morgan Asset Management.

Interesting Perspective

Real Estate – Continued improvement

Style Median and Index Returns* for Periods ended September 30, 2011

Private Real Estate	Quarter	3 Quarters	Year	3 Years	5 Years	10 Years
Real Estate Database (net of fees)	3.13	11.80	16.92	-6.15	-0.50	5.80
NCREIF Property**	3.30	10.98	16.10	-1.45	3.40	7.82
Public Real Estate	**Quarter**	**3 Quarters**	**Year**	**3 Years**	**5 Years**	**10 Years**
REIT Database	-14.85	-5.04	1.90	-0.37	-1.32	10.71
FTSE NAREIT Equity	-14.71	-6.01	0.98	-1.97	-2.42	9.18
Global Real Estate	**Quarter**	**3 Quarters**	**Year**	**3 Years**	**5 Years**	**10 Years**
REIT Global Database	-17.14	-11.02	-6.61	0.37	-2.77	9.04
FTSE EPRA/NAREIT Developed	-17.30	-12.28	-6.88	-0.42	-4.13	9.45

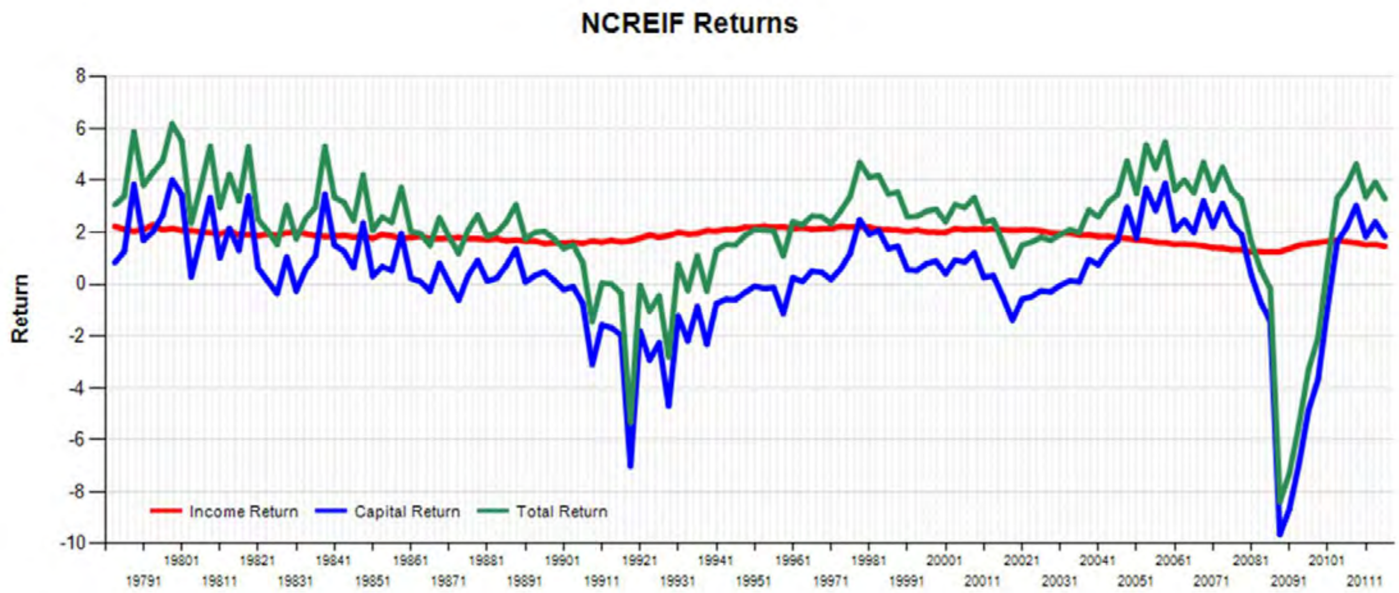
*Returns less than one year are not annualized.
**Represents data available as of publication date.
All REIT returns are reported gross in USD.
Sources: Callan Associates Inc., NAREIT, NCREIF, The FTSE Group

Overall Capitalization Rates

Sector	3Q11	2Q11	3Q10
Apartment	5.04%	5.26%	5.32%
Industrial	5.98%	6.15%	6.94%
Office	5.46%	5.76%	6.39%
Retail	6.05%	6.26%	6.66%

Rates based on unleveraged, value-weighted, appraisal capitalization data.
Source: NCREIF

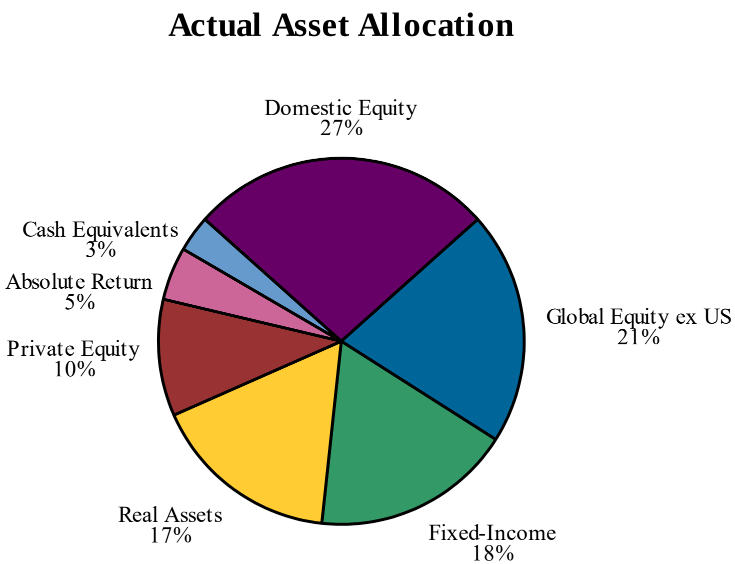
Real Estate – Continued improvement

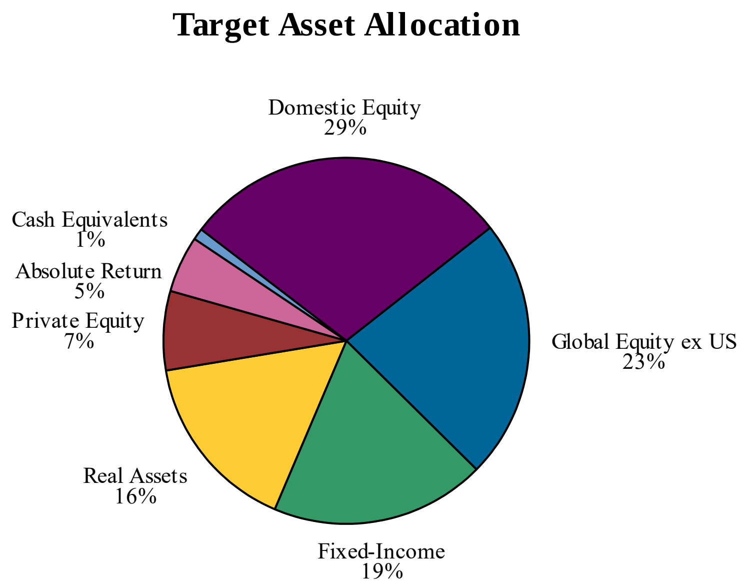


- Unlevered real estate enjoyed another positive quarterly return. NCREIF index trailing 4 quarter return = 16.1%.
- REITS began their recovery along with the stock market in early 2009, but struggled in the third quarter. Over the trailing 12 months, FTSE NAREIT Index is up 1.0%.
- Over trailing three years NCREIF Property Index has a -1.5% return which compares favorably to REITS (-2.0%) but not to domestic equity indices (Russell 3000 +1.5%).

Asset Allocation – PERS

PERS is used as illustrative throughout the presentation. The other plans exhibit similar modest and understandable variations from strategic target allocations.



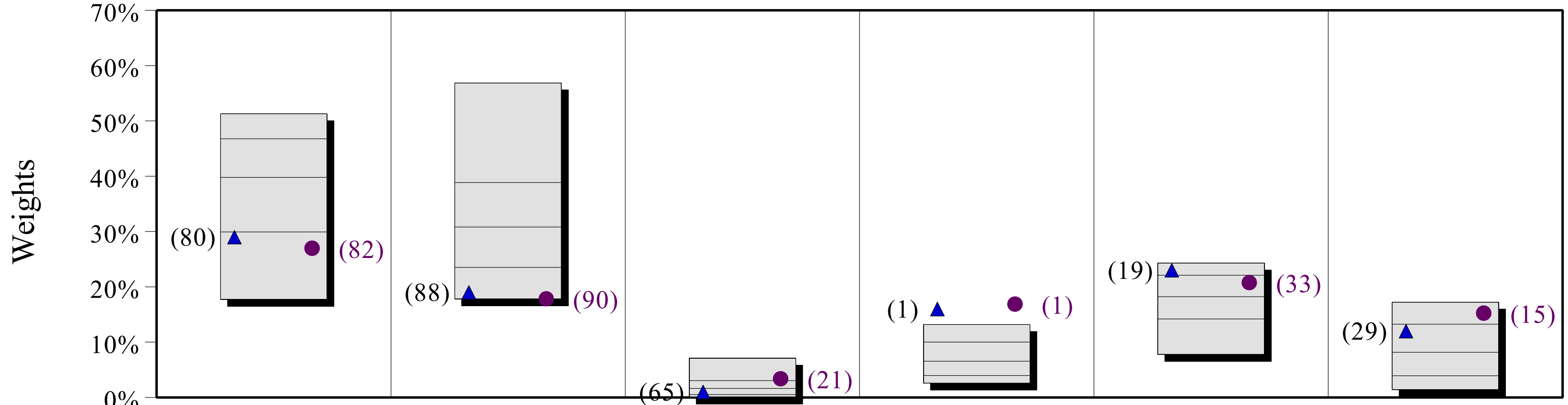


Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,543,117	26.8%	29.0%	(2.2%)	(128,230)
Global Equity ex US	1,186,325	20.6%	23.0%	(2.4%)	(139,226)
Fixed-Income	1,019,041	17.7%	19.0%	(1.3%)	(75,980)
Real Assets	962,027	16.7%	16.0%	0.7%	39,904
Private Equity	595,829	10.3%	7.0%	3.3%	192,406
Absolute Return	272,068	4.7%	5.0%	(0.3%)	(16,095)
Cash Equivalents	184,858	3.2%	1.0%	2.2%	127,225
Total	5,763,265	100.0%	100.0%		

Asset Allocation Versus Public Funds

Callan Public Fund Database

Asset Class Weights vs CAI Public Fund Sponsor Database



	Domestic Equity	Fixed-Income	Cash Equivalents	Real Assets	Global Equity ex US	Alternative
10th Percentile	51.29	56.87	7.10	13.19	24.30	17.24
25th Percentile	46.77	38.86	3.05	10.02	22.09	13.24
Median	39.79	30.83	1.64	6.55	18.21	8.17
75th Percentile	29.92	23.51	0.52	3.95	14.20	3.93
90th Percentile	17.72	17.82	0.07	2.59	7.77	1.42
Fund ●	26.78	17.68	3.21	16.69	20.58	15.06
Target ▲	29.00	19.00	1.00	16.00	23.00	12.00
% Group Invested	98.85%	98.85%	67.82%	45.98%	91.95%	47.13%

- Total fixed income is below target while real assets and alternatives are high when compared to other public funds. Policy is “growth” oriented as opposed to “income” oriented.

Note that “alternative” includes private equity and absolute return

PERS Performance
September Quarter

PERS

Relative Attribution Effects for Quarter ended September 30, 2011

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	(16.45%)	(15.28%)	(0.35%)	(0.03%)	(0.37%)
Fixed-Income	16%	19%	1.33%	2.29%	(0.16%)	(0.30%)	(0.45%)
Real Assets	15%	16%	0.66%	3.04%	(0.37%)	(0.08%)	(0.45%)
Global Equity ex US	24%	23%	(19.70%)	(19.78%)	0.02%	(0.06%)	(0.04%)
Private Equity	9%	7%	4.47%	(18.25%)	2.07%	(0.17%)	1.90%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.18%)	(0.06%)	(0.23%)
Cash Equivalents	2%	1%	0.02%	0.02%	0.00%	0.08%	0.08%
Total			**(8.84%) =**	**(9.27%) +**	**1.04% +**	**(0.61%)**	**0.43%**

- Private Equity aided performance in the quarter while Real Assets and Domestic Equity detracted.

Trailing 12 months

PERS

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.20%	0.55%	(0.07%)	(0.03%)	(0.10%)
Fixed-Income	17%	19%	3.14%	3.76%	(0.12%)	(0.16%)	(0.28%)
Real Assets	15%	16%	13.25%	12.81%	0.01%	(0.07%)	(0.06%)
Global Equity ex US	24%	23%	(11.28%)	(10.42%)	(0.24%)	(0.07%)	(0.30%)
Private Equity	9%	7%	24.50%	(3.85%)	2.43%	(0.08%)	2.35%
Absolute Return	5%	5%	2.80%	5.14%	(0.11%)	(0.05%)	(0.16%)
Cash Equiv	1%	1%	0.36%	0.14%	0.00%	0.10%	0.10%
Total			**2.52% =**	**0.96% +**	**1.91% +**	**(0.36%)**	**1.56%**

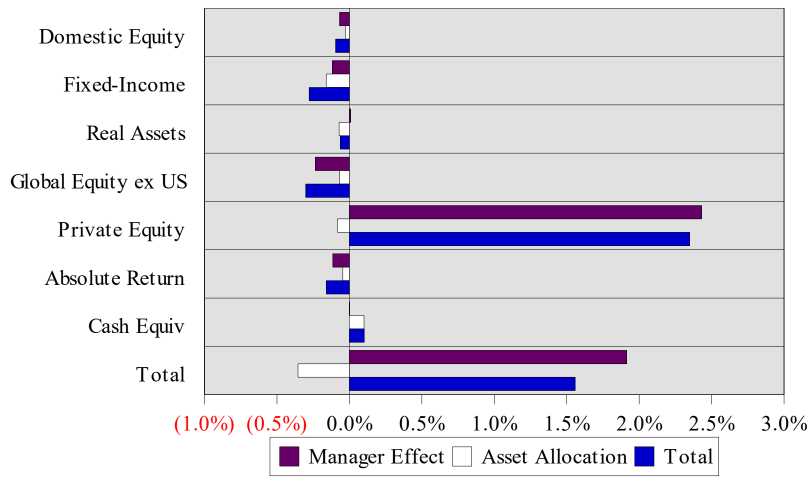
PERS Intermediate Term Performance

Five Year Annualized Relative Attribution Effects

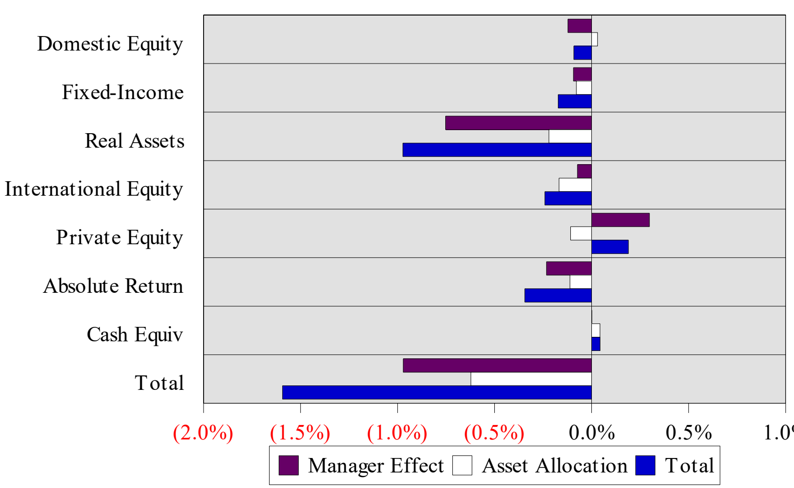
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	33%	(1.22%)	(1.20%)	0.00%	0.06%	0.06%
Fixed-Income	18%	19%	6.04%	6.49%	(0.09%)	(0.02%)	(0.11%)
High Yield	1%	1%	-	-	0.01%	(0.00%)	0.01%
Real Assets	14%	14%	1.94%	4.67%	(0.47%)	(0.08%)	(0.55%)
International Equity	20%	20%	(1.20%)	(1.82%)	0.06%	(0.03%)	0.03%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.00%)	(0.00%)
Private Equity	8%	7%	9.99%	(1.72%)	0.81%	(0.08%)	0.72%
Absolute Return	4%	5%	1.30%	6.58%	(0.22%)	(0.10%)	(0.32%)
Other	0%	1%	-	-	0.02%	(0.00%)	0.02%
Cash Equiv	0%	0%	-	-	0.00%	0.03%	0.03%
Total			**1.62% =**	**1.75% +**	**0.12% +**	**(0.25%)**	**(0.13%)**

Performance Relative To Target Attribution Analysis

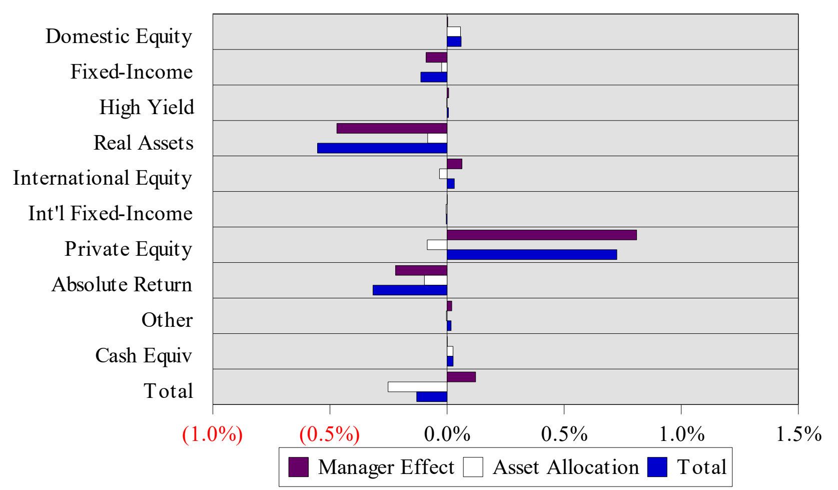
One Year Relative Attribution Effects



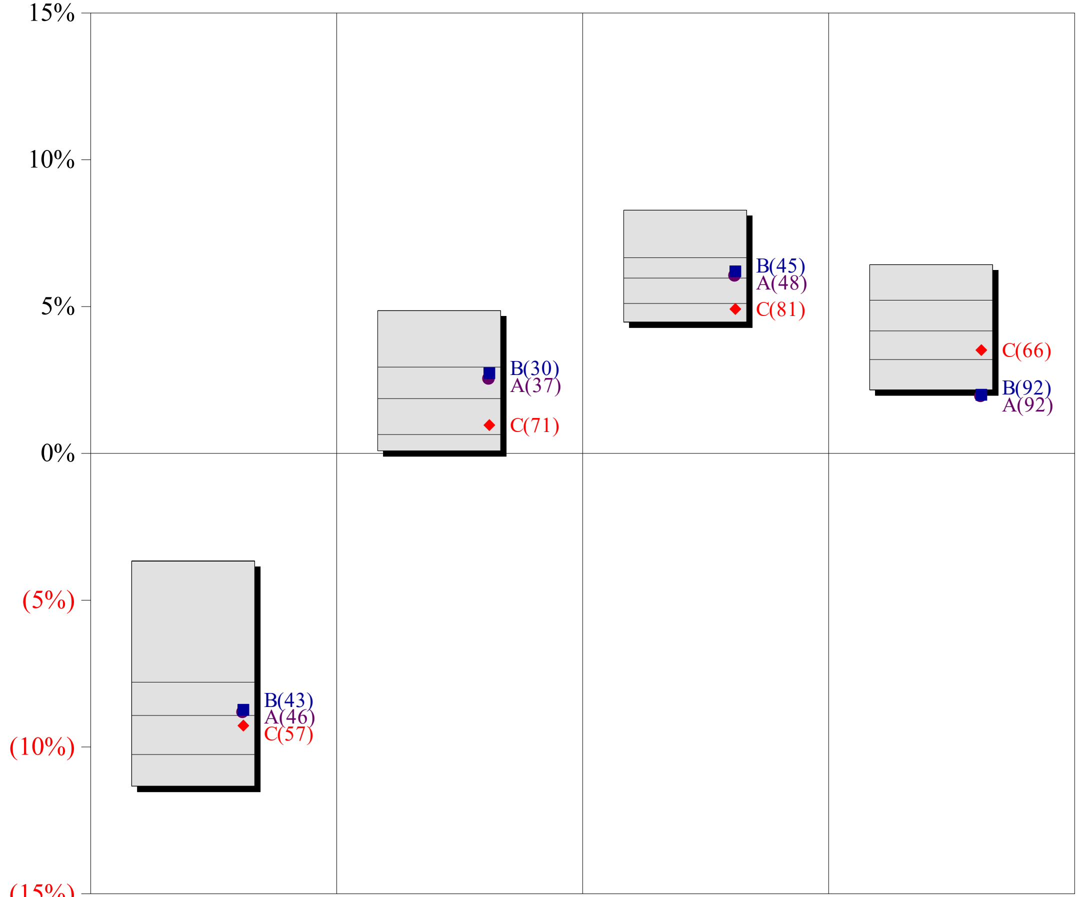
Three Year Annualized Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

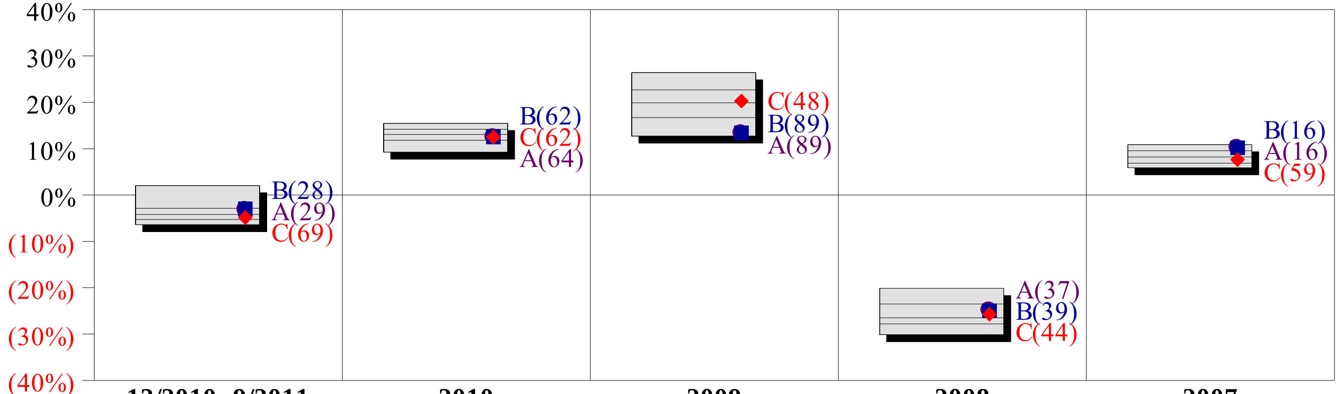


Cumulative Total Fund Returns



	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(3.67)	4.86	8.28	6.43
25th Percentile	(7.79)	2.94	6.67	5.22
Median	(8.93)	1.86	5.97	4.17
75th Percentile	(10.26)	0.64	5.10	3.20
90th Percentile	(11.34)	0.09	4.47	2.16
PERS Total Plan ● A	(8.84)	2.52	6.03	1.92
TRS Total Plan ■ B	(8.74)	2.73	6.20	2.00
Target Index ◆ C	(9.27)	0.96	4.92	3.52

Calendar Period Performance Relative to Public Fund Database

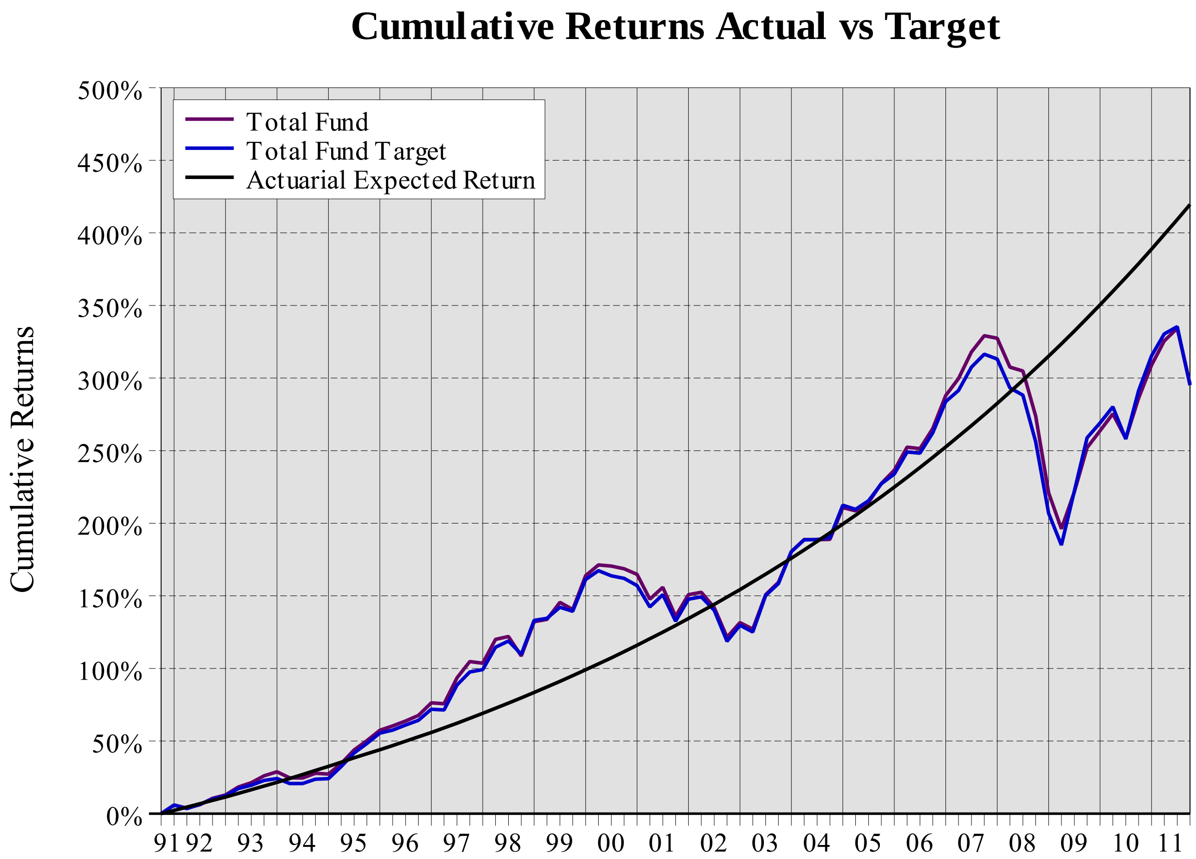


	12/2010- 9/2011	2010	2009	2008	2007
10th Percentile	2.02	15.48	26.40	(20.14)	10.87
25th Percentile	(2.87)	14.21	22.70	(23.53)	9.57
Median	(4.21)	13.06	19.91	(26.49)	8.20
75th Percentile	(5.27)	11.83	16.71	(27.81)	6.86
90th Percentile	(6.39)	9.26	12.73	(30.14)	5.88
PERS Total Plan ● A	(3.20)	12.45	13.31	(24.91)	10.17
TRS Total Plan ■ B	(3.02)	12.55	13.40	(24.98)	10.20
Target Index ◆ C	(4.88)	12.51	20.28	(25.71)	7.64

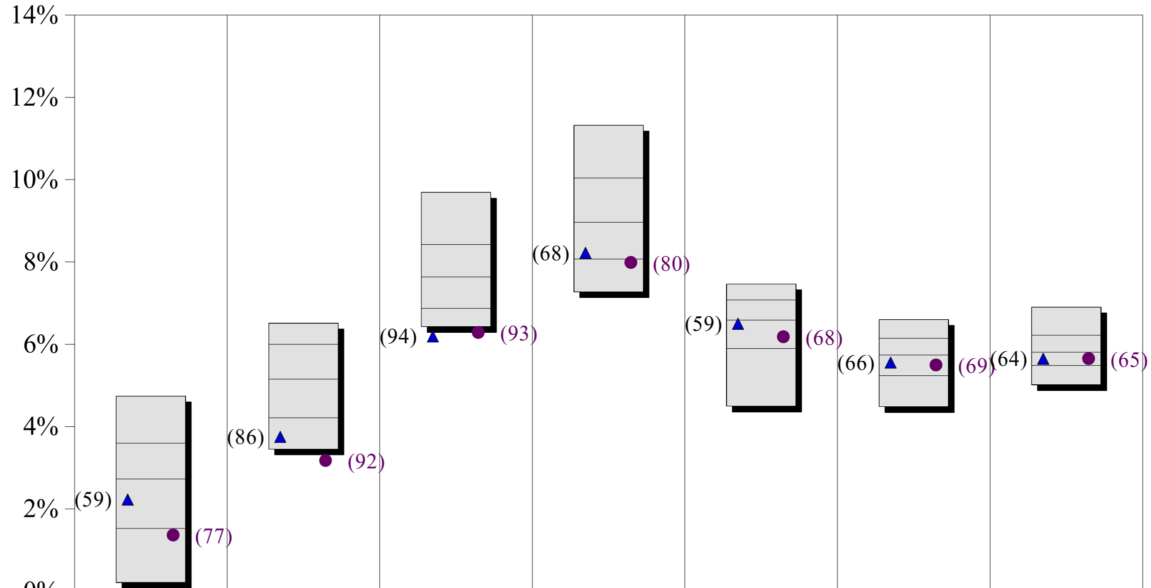
- ARMB’s performance was heavily influenced by the valuation of illiquid investments. Evaluation of real estate and private equity resulted in relatively strong 2008 & weak 2009. Size of RE & poor results through meltdown had a significant effect on relative performance.
- After detracting from total fund performance, real estate and private equity have been contributing positively both absolutely and relative to its benchmark for the last two years.

Long-term Return Relative to Target

PERS



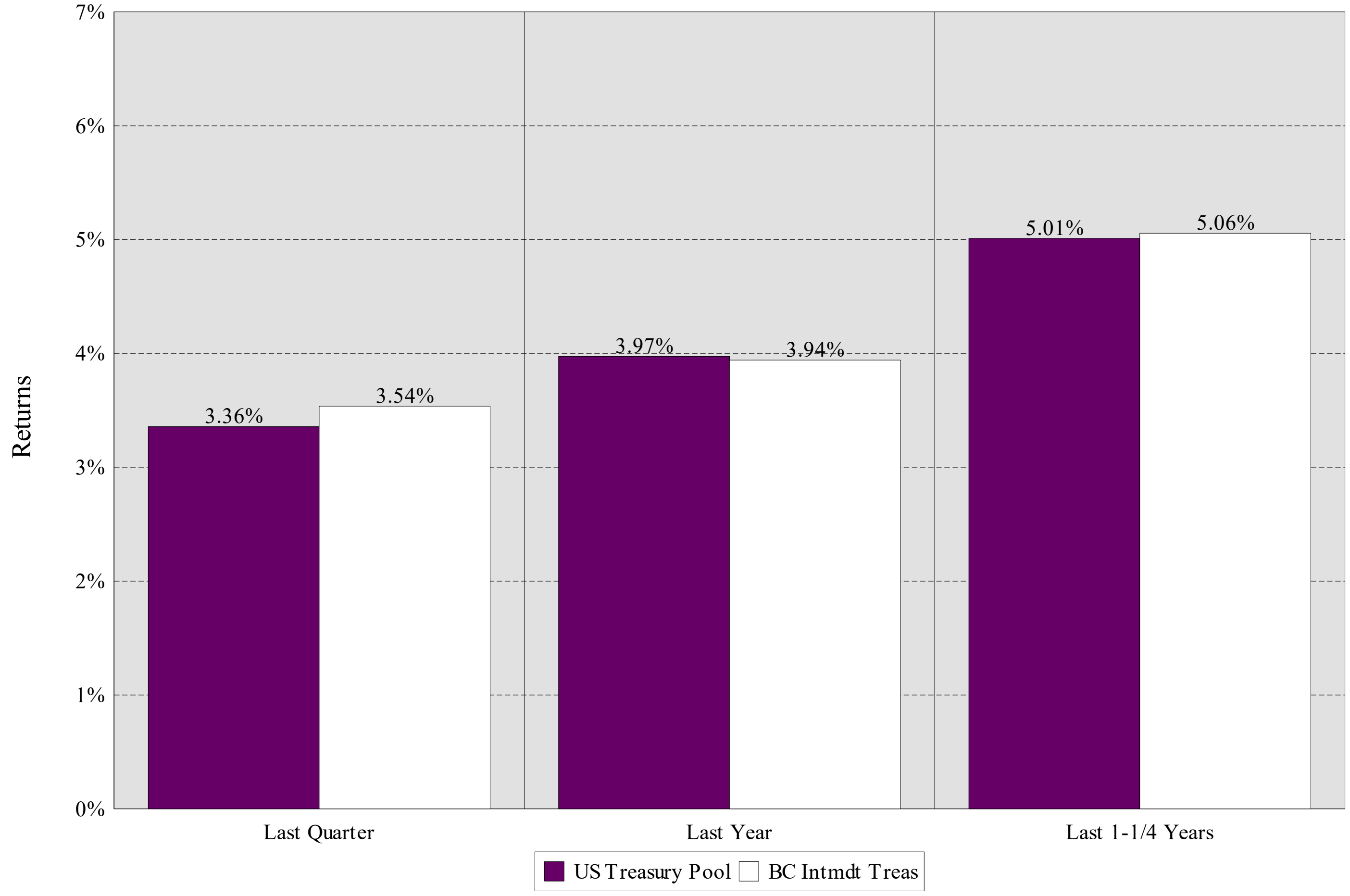
Total Bond Performance
(includes in-house & external portfolios)



	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	4.74	6.51	9.69	11.32	7.47	6.60	6.90
25th Percentile	3.60	6.00	8.42	10.04	7.08	6.14	6.22
Median	2.73	5.15	7.64	8.96	6.59	5.74	5.81
75th Percentile	1.52	4.21	6.87	8.07	5.90	5.24	5.49
90th Percentile	0.21	3.45	6.43	7.27	4.50	4.49	5.01
Total Fixed-Income Pool ●	1.34	3.15	6.27	7.96	6.16	5.48	5.63
Fixed-Income Target ▲	2.23	3.75	6.19	8.22	6.50	5.56	5.65

- Please note that the fixed income target was changed for fiscal 2011. This change reflects the shift from BC Aggregate to BC Intermediate Treasury Index for the majority of fixed assets.

In-house Portfolio – Compared to BC Intermediate Treasury Index



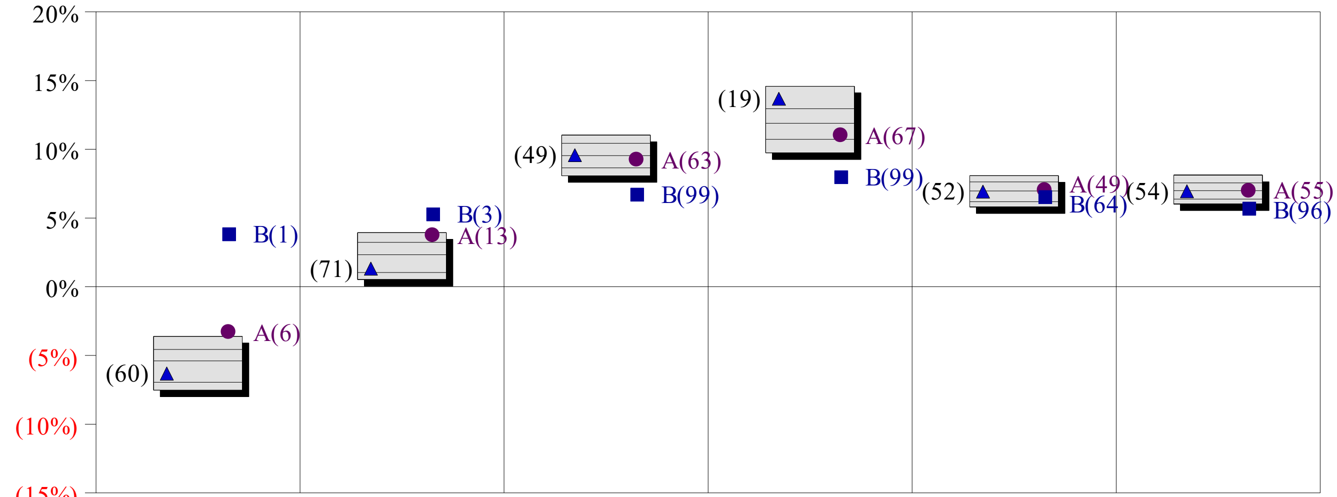
Non-US Fixed Income – Mondrian

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 14-1/2 Years
10th Percentile	1.82	6.38	11.57	9.58	7.60	10.28	7.93
25th Percentile	1.01	5.02	10.39	9.23	7.41	9.84	7.14
Median	(0.15)	4.27	9.44	8.19	6.78	8.73	6.70
75th Percentile	(1.51)	3.01	7.97	7.00	6.01	7.84	6.04
90th Percentile	(2.71)	0.16	7.45	6.73	5.66	7.27	5.64
Mondrian Investment Partners ●	(2.36)	1.46	9.11	8.92	7.14	9.89	7.27
Citi WGBI Non-US Idx ▲	0.94	4.14	8.09	7.77	6.26	7.97	6.20

High Yield Bonds – MacKay Shields

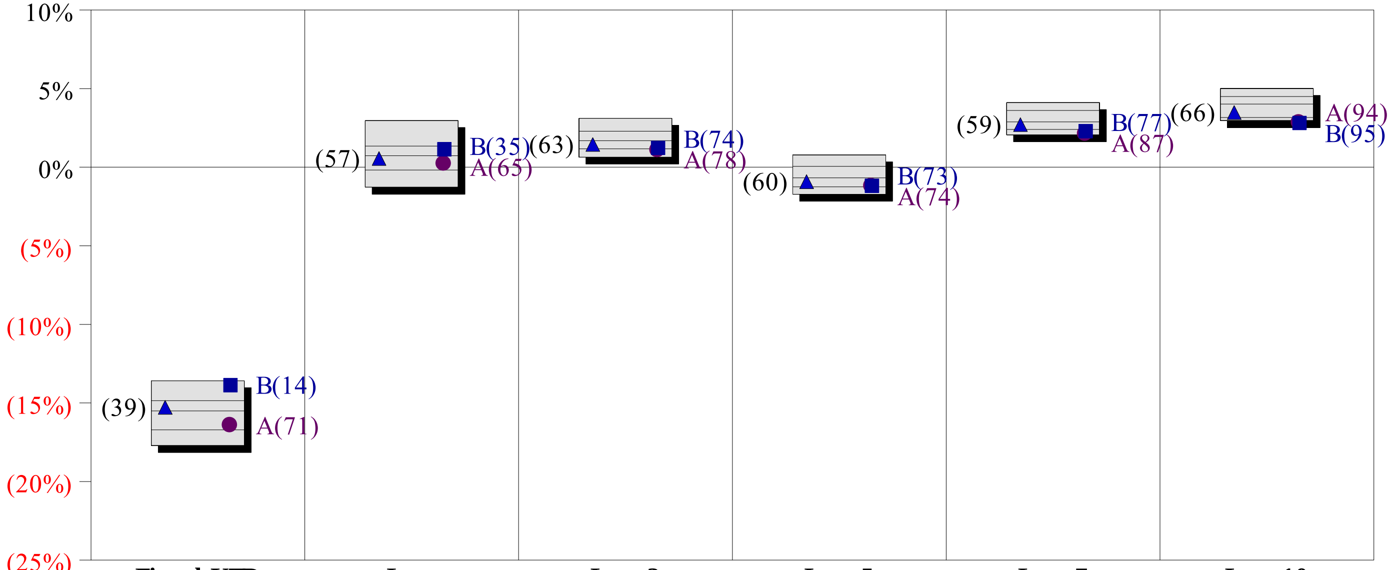
Performance vs CAI High Yield Fixed-Inc Style (Gross)



		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile		(3.61)	3.94	11.03	14.59	8.09	8.12
25th Percentile		(4.56)	3.23	10.43	12.96	7.63	7.56
Median		(5.40)	2.34	9.54	11.89	6.97	6.99
75th Percentile		(6.94)	1.04	8.65	10.73	6.19	6.38
90th Percentile		(7.52)	0.52	8.07	9.74	5.81	6.02
MacKay Shields	● A	(3.34)	3.71	9.20	10.99	6.99	6.94
BC Aggregate Index	■ B	3.82	5.26	6.70	7.97	6.53	5.68
High Yield Target	▲	(6.31)	1.32	9.58	13.68	6.92	6.95

Total Domestic Equity

Performance vs Public Fund - Domestic Equity (Gross)

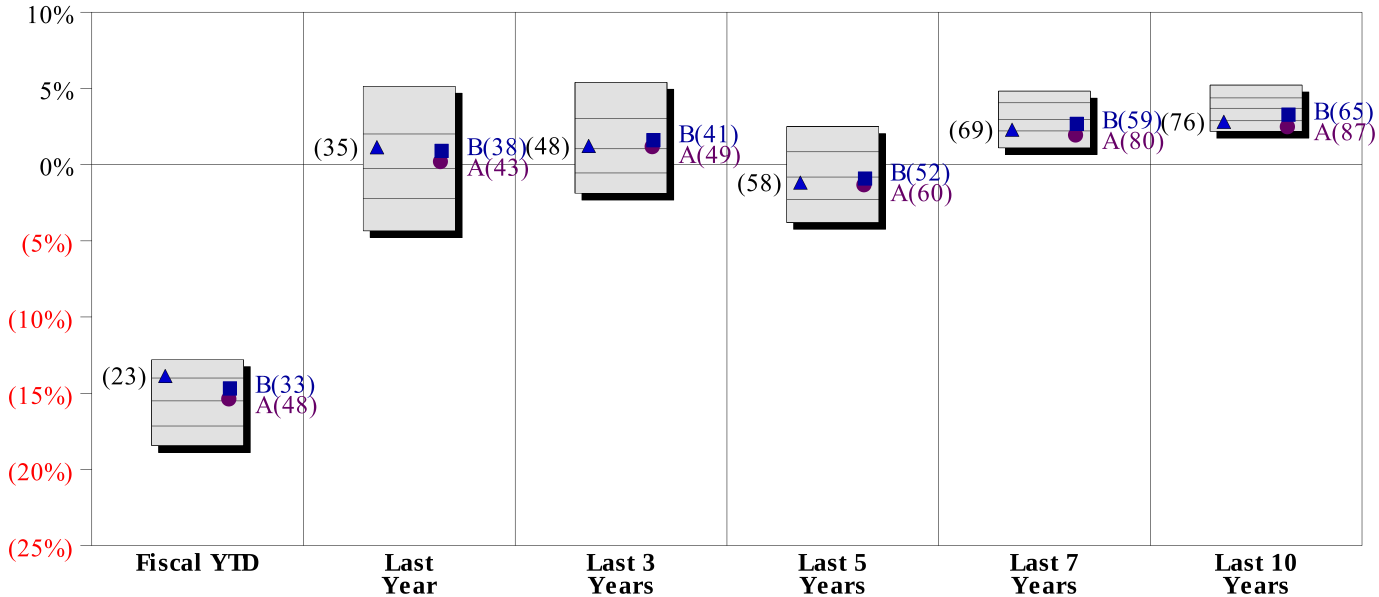


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(13.58)	2.97	3.11	0.78	4.11	5.01
25th Percentile	(14.86)	1.34	2.29	0.05	3.61	4.50
Median	(15.50)	0.73	1.69	(0.68)	2.89	4.01
75th Percentile	(16.72)	(0.18)	1.17	(1.25)	2.41	3.16
90th Percentile	(17.72)	(1.28)	0.64	(1.72)	2.06	2.96
Domestic Equity Pool ● A	(16.45)	0.20	1.05	(1.22)	2.10	2.83
Standard & Poor's 500 ■ B	(13.87)	1.14	1.23	(1.18)	2.29	2.82
Russell 3000 Index ▲	(15.28)	0.55	1.45	(0.92)	2.71	3.48

CAI

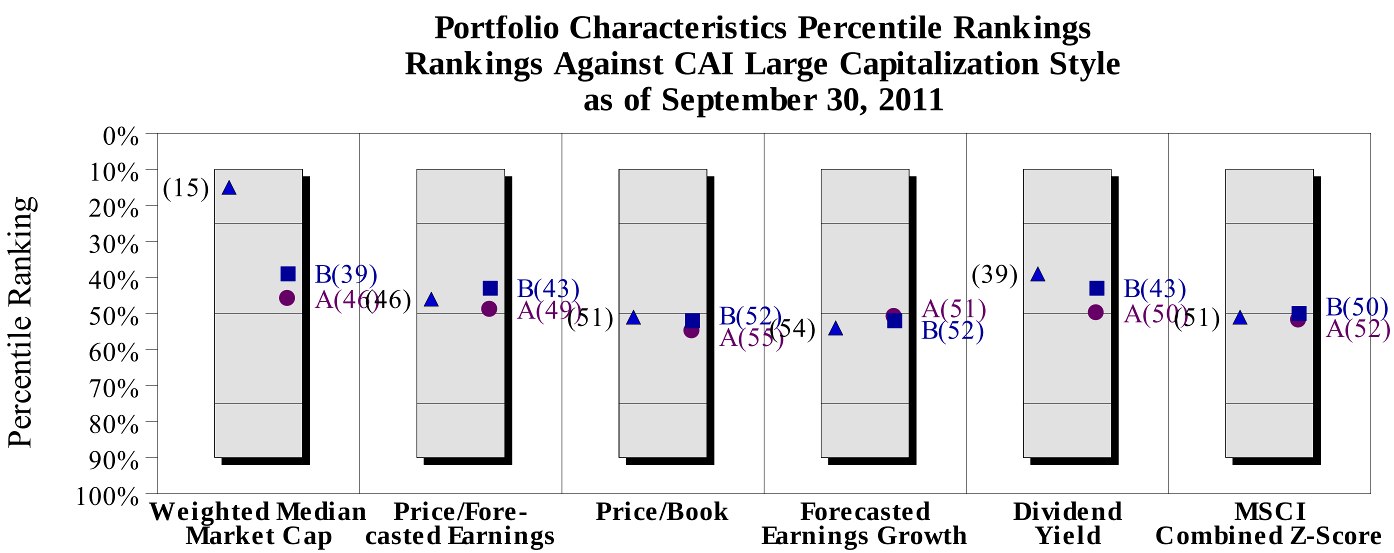
Large Cap Domestic Equity Pool

Performance vs CAI Large Capitalization Style (Gross)



	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(12.80)	5.14	5.40	2.50	4.82	5.23
25th Percentile	(14.00)	2.01	3.01	0.84	4.06	4.38
Median	(15.51)	(0.25)	1.04	(0.82)	2.96	3.71
75th Percentile	(17.16)	(2.24)	(0.55)	(2.29)	2.21	2.87
90th Percentile	(18.44)	(4.34)	(1.88)	(3.80)	1.10	2.19
Large Cap Pool ● A	(15.44)	0.14	1.12	(1.39)	1.88	2.42
Russell 1000 ■ B	(14.68)	0.91	1.61	(0.91)	2.68	3.28
S&P 500 Index ▲	(13.87)	1.14	1.23	(1.18)	2.29	2.82

Large Cap Total Equity Characteristics

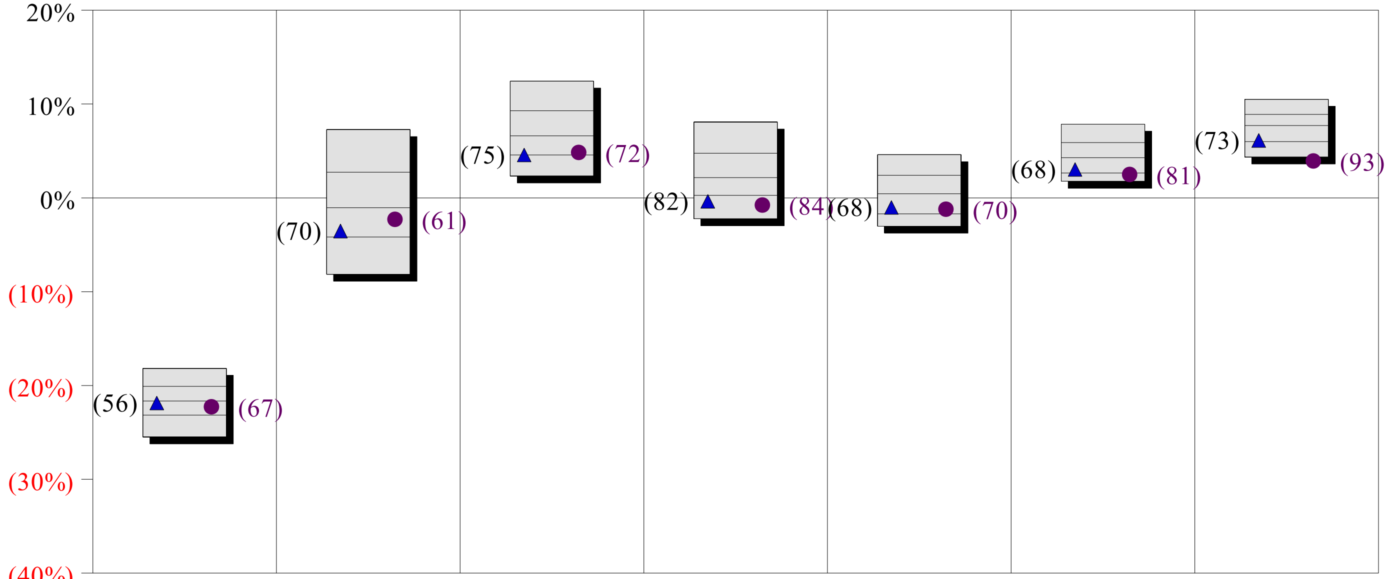


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		52.06	13.85	3.28	17.25	3.04	1.27
25th Percentile		37.75	12.04	2.74	14.46	2.65	0.80
Median		30.19	10.26	1.86	11.67	2.16	0.01
75th Percentile		22.42	9.31	1.42	9.85	1.34	(0.59)
90th Percentile		18.26	8.61	1.25	8.85	0.92	(0.80)
Large Cap Pool	● A	31.05	10.34	1.73	11.59	2.17	(0.03)
Russell 1000	■ B	32.29	10.71	1.81	11.46	2.28	(0.00)
S&P 500 Index	▲	44.81	10.52	1.82	11.31	2.38	(0.02)

- Total large cap pool does not exhibit either a value or growth bias.

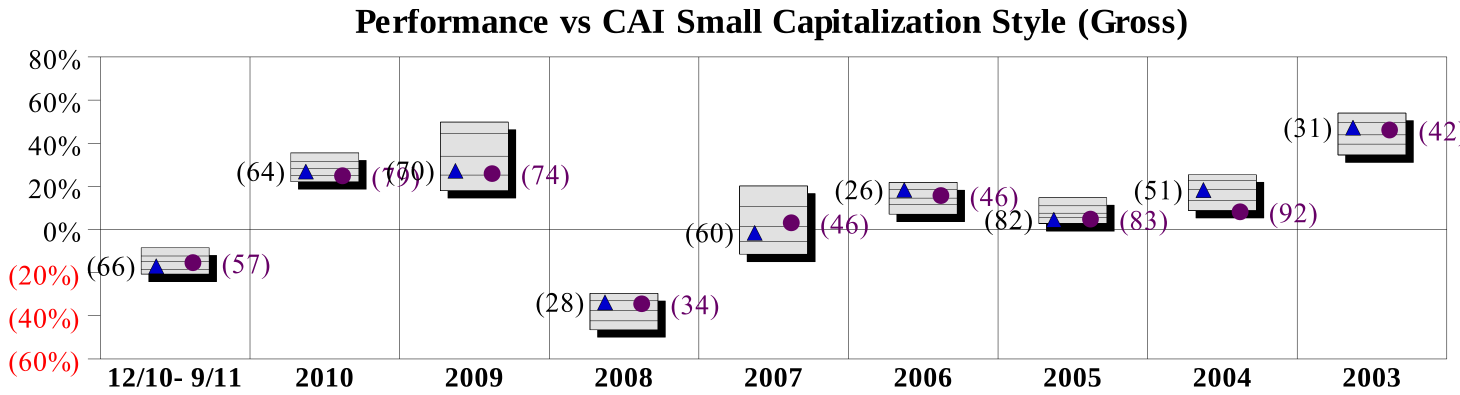
Small Cap Pool

Performance vs CAI Small Capitalization Style (Gross)



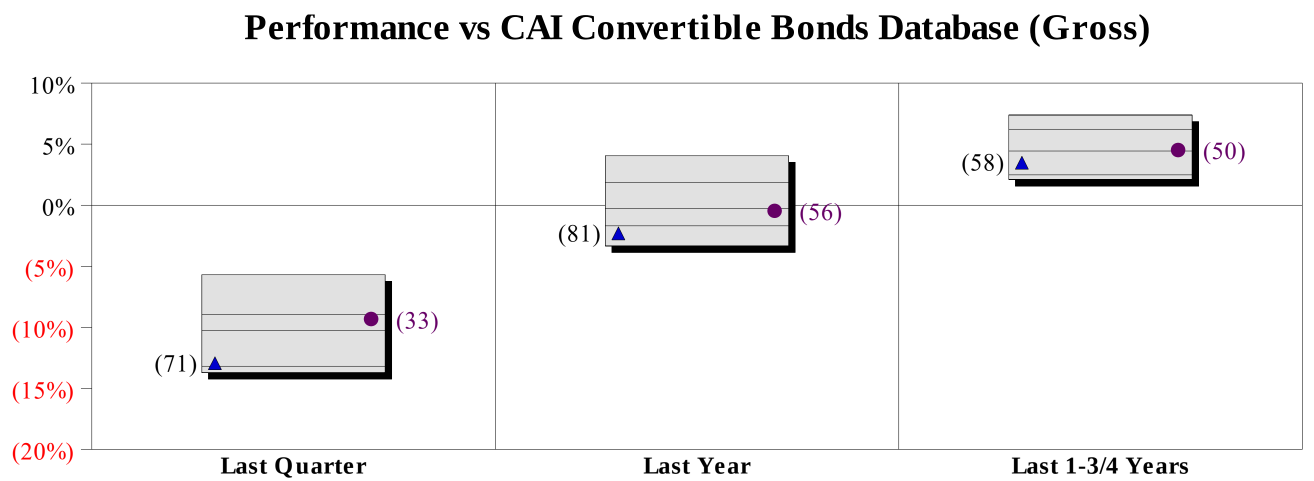
	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(18.17)	7.27	12.45	8.08	4.60	7.84	10.51
25th Percentile	(20.09)	2.73	9.29	4.75	2.42	5.90	8.90
Median	(21.64)	(1.05)	6.62	2.16	0.45	4.28	7.72
75th Percentile	(23.15)	(4.17)	4.58	0.26	(1.70)	2.65	5.99
90th Percentile	(25.48)	(8.15)	2.32	(2.23)	(3.02)	1.77	4.34
Small Cap Pool ●	(22.39)	(2.41)	4.73	(0.88)	(1.32)	2.37	3.81
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	3.03	6.12

Small Cap Performance – calendar periods



	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile	(8.47)	35.55	49.83	(29.58)	20.20	21.82	14.77	25.44	54.03
25th Percentile	(12.23)	31.53	44.57	(33.03)	10.55	18.62	10.97	22.73	49.55
Median	(14.89)	28.24	33.98	(37.57)	1.39	14.59	7.55	18.56	43.84
75th Percentile	(18.43)	24.99	25.24	(42.30)	(5.47)	11.58	5.55	13.61	39.60
90th Percentile	(20.67)	22.15	18.02	(46.48)	(11.43)	7.13	2.77	8.83	34.55
Small Cap Pool ●	(15.90)	24.35	25.40	(34.97)	2.53	15.24	4.28	7.65	45.62
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)	18.37	4.55	18.33	47.25

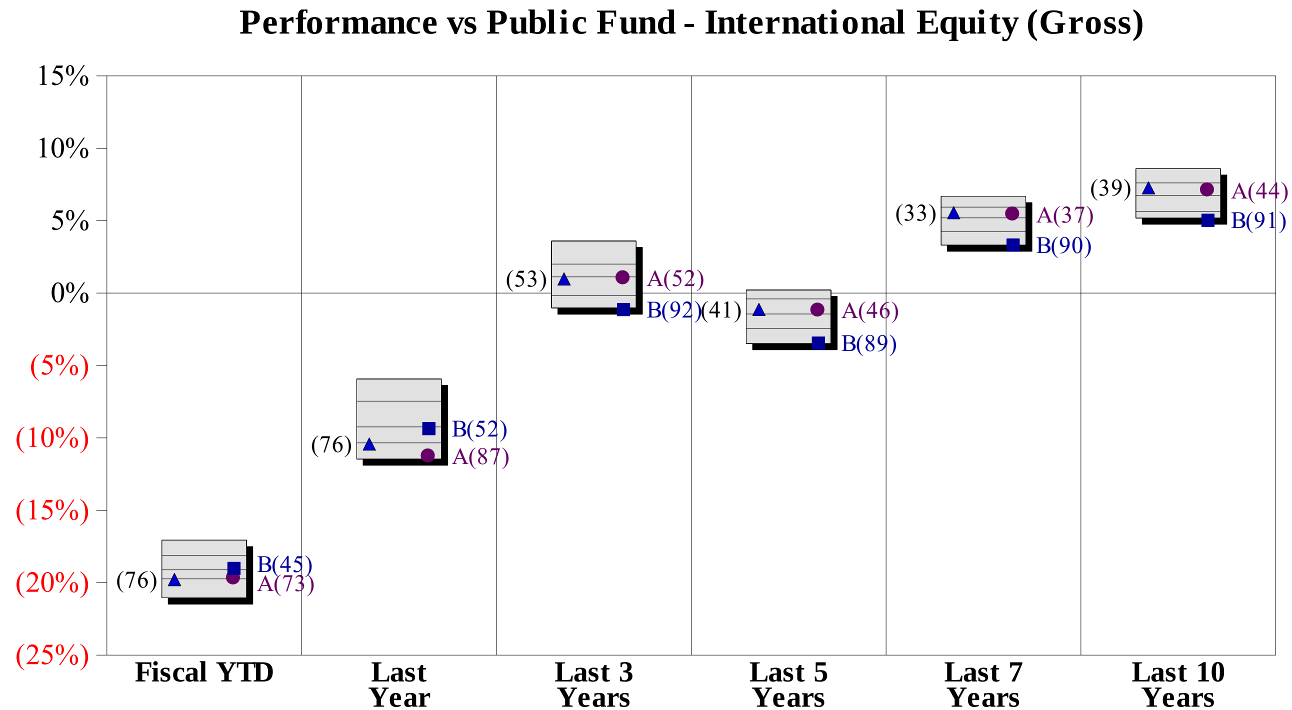
Convertible Bond Portfolio



	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(5.70)	4.06	7.39
25th Percentile	(8.95)	1.84	6.22
Median	(10.26)	(0.26)	4.43
75th Percentile	(13.19)	(1.69)	2.49
90th Percentile	(13.71)	(3.34)	2.10
Advent Capital ●	(9.41)	(0.55)	4.43
ML All Conv ▲	(12.94)	(2.31)	3.48

- Advent convertible portfolio is part of the total domestic equity pool.
- It should tend to lag rising equity markets and outpace equities in declining and/or flat market

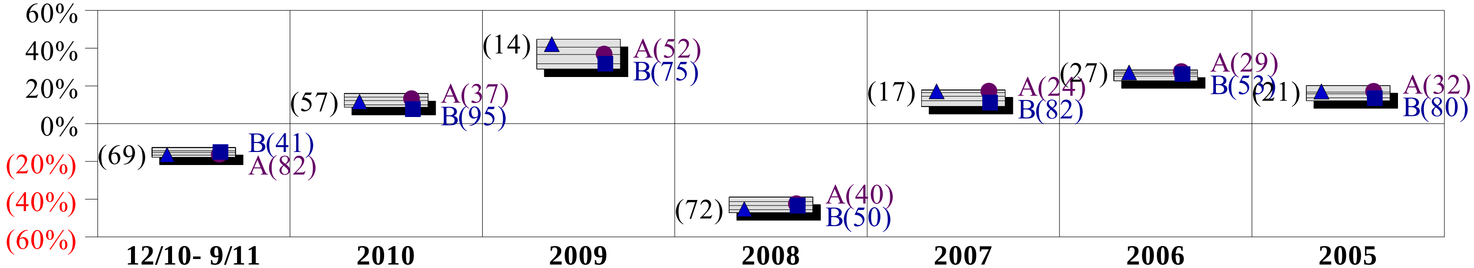
International Equity – compared to other public funds



	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(17.06)	(5.93)	3.60	0.22	6.69	8.60
25th Percentile	(18.11)	(7.46)	2.01	(0.41)	5.94	7.60
Median	(19.11)	(9.24)	1.12	(1.44)	5.19	6.74
75th Percentile	(19.74)	(10.34)	(0.17)	(2.44)	4.23	5.64
90th Percentile	(21.04)	(11.46)	(1.02)	(3.48)	3.32	5.19
Employees' Total Int'l Equity ● A	(19.70)	(11.28)	1.02	(1.20)	5.43	7.09
MSCI EAFE Index ■ B	(19.01)	(9.36)	(1.13)	(3.46)	3.32	5.03
MSCI ACWI ex-US Index ▲	(19.78)	(10.42)	0.98	(1.12)	5.56	7.27

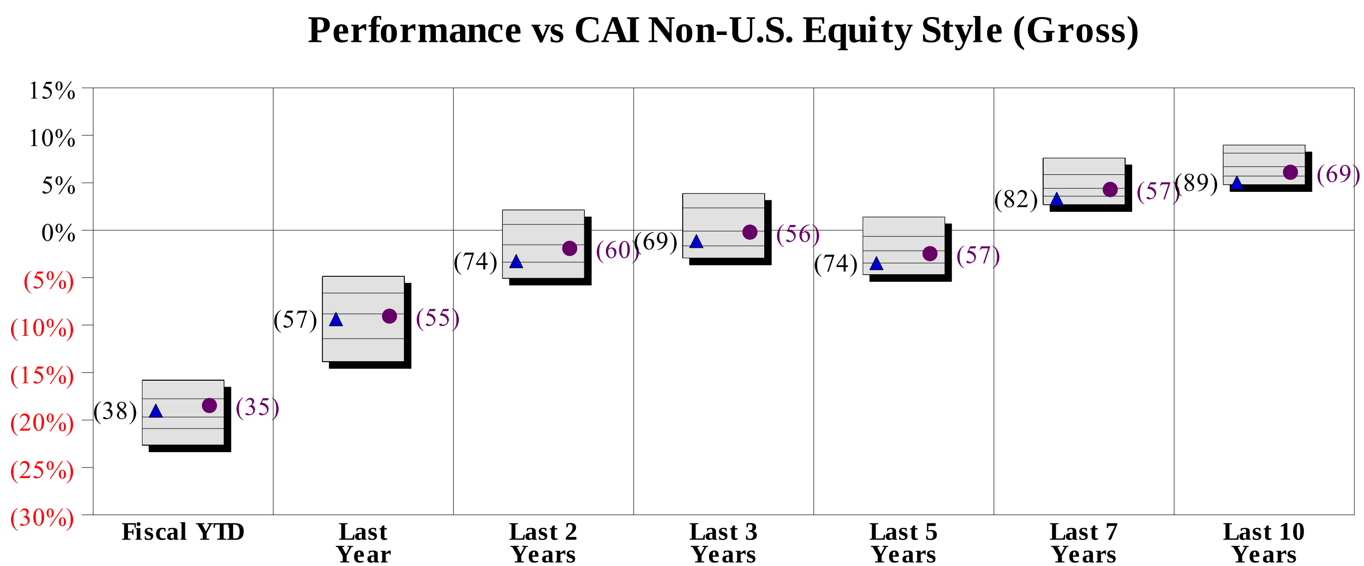
International - Calendar Periods

Performance vs Public Fund - International Equity (Gross)



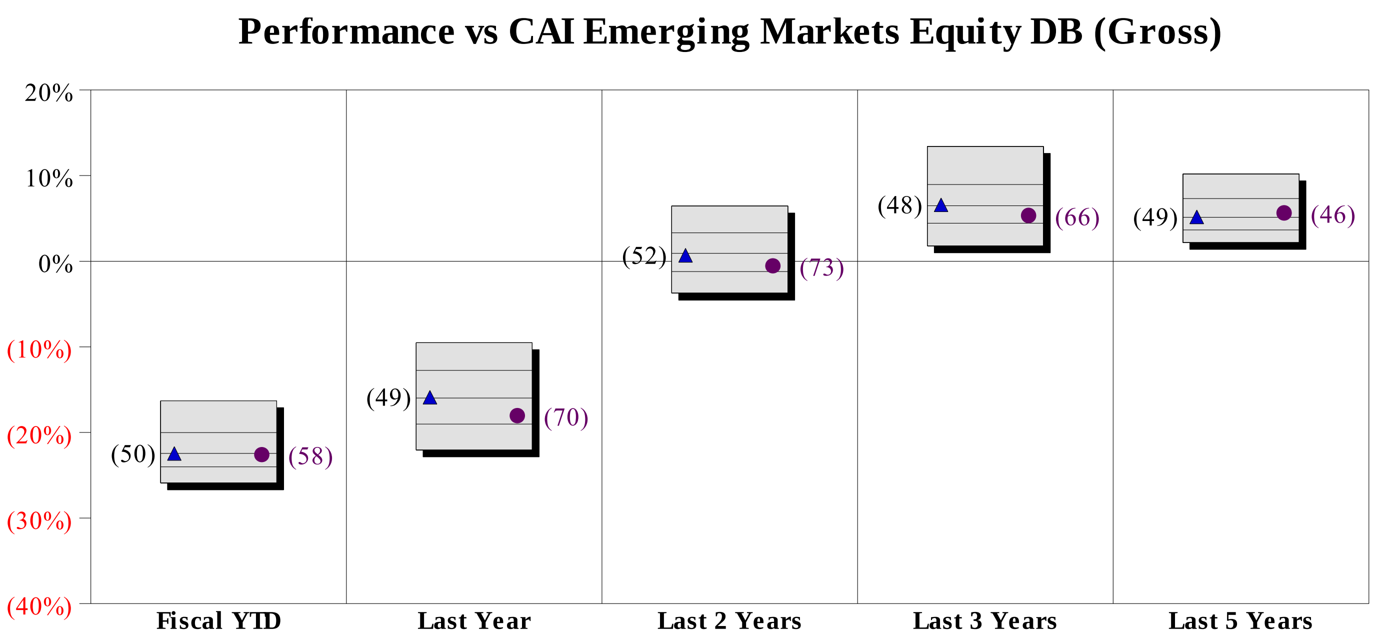
		12/10- 9/11	2010	2009	2008	2007	2006	2005
10th Percentile		(12.56)	16.00	44.73	(38.84)	17.89	28.48	20.22
25th Percentile		(14.30)	14.13	40.60	(41.28)	16.50	27.22	16.81
Median		(15.23)	12.20	36.65	(43.30)	14.59	26.44	15.89
75th Percentile		(16.67)	10.03	31.74	(45.51)	12.13	25.15	13.76
90th Percentile		(17.74)	8.68	28.92	(47.15)	9.11	22.70	12.19
Total International Equity	● A	(16.79)	12.70	36.35	(43.03)	16.61	27.06	16.53
MSCI EAFE Index	■ B	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54
MSCI ACWI ex-US Index	▲	(16.48)	11.60	42.14	(45.24)	17.12	27.16	17.11

International ex EM versus Managers



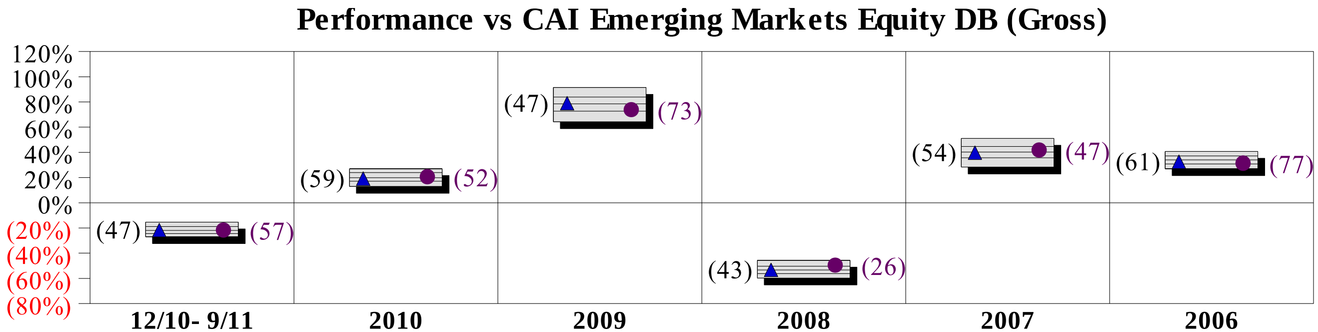
	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(15.80)	(4.86)	2.13	3.87	1.40	7.61	8.97
25th Percentile	(17.76)	(6.63)	0.61	2.36	(0.65)	5.86	8.13
Median	(19.68)	(8.82)	(1.53)	(0.09)	(2.16)	4.41	6.69
75th Percentile	(20.90)	(11.43)	(3.36)	(1.66)	(3.47)	3.58	5.71
90th Percentile	(22.64)	(13.85)	(5.07)	(2.93)	(4.68)	2.69	4.80
Int'l Equity Pool (ex Emerging. Mkt) ●	(18.59)	(9.18)	(2.04)	(0.34)	(2.58)	4.17	5.97
MSCI EAFE Index ▲	(19.01)	(9.36)	(3.25)	(1.13)	(3.46)	3.32	5.03

Emerging Markets Pool

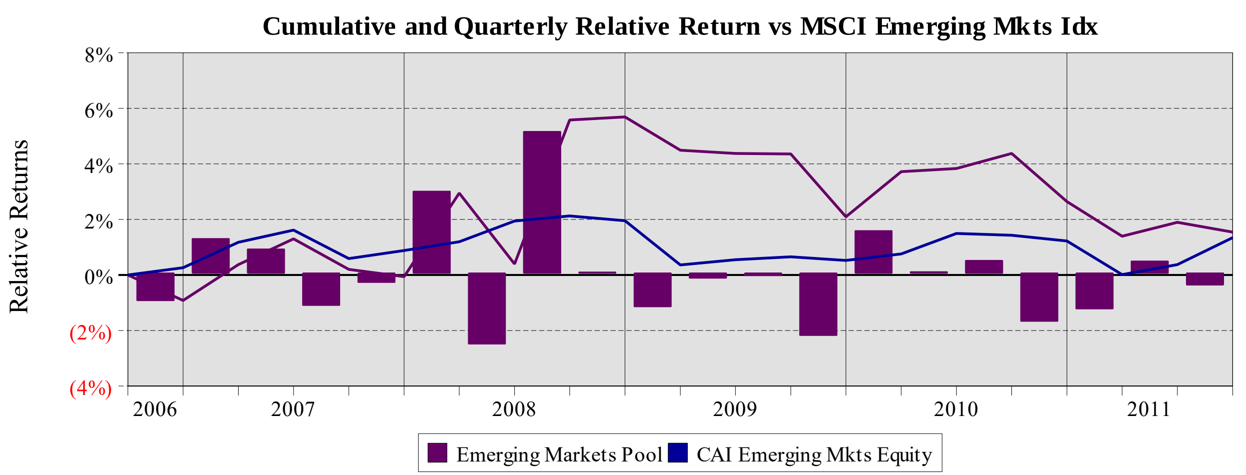


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(16.30)	(9.52)	6.45	13.42	10.20
25th Percentile	(20.01)	(12.75)	3.31	8.96	7.31
Median	(22.45)	(15.99)	0.93	6.48	5.12
75th Percentile	(24.01)	(19.04)	(1.20)	4.44	3.66
90th Percentile	(25.91)	(22.05)	(3.73)	1.79	2.17
Emerging Markets Pool ●	(22.73)	(18.17)	(0.68)	5.21	5.50
MSCI Emerging Mkts Idx ▲	(22.46)	(15.89)	0.69	6.59	5.17

Emerging Markets Pool – Calendar Periods

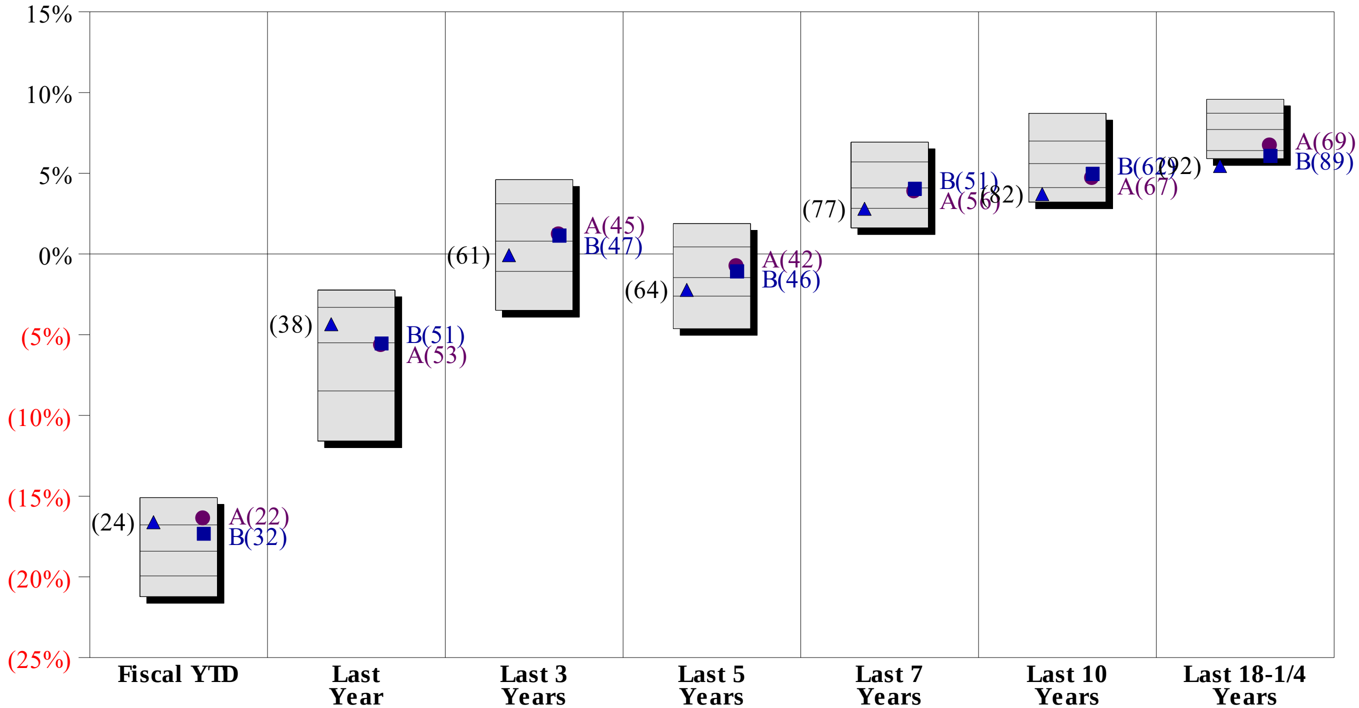


	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	(15.31)	26.95	91.46	(45.62)	51.10	40.75
25th Percentile	(18.92)	23.92	83.92	(50.30)	44.64	37.25
Median	(21.95)	19.85	78.52	(53.37)	40.26	34.00
75th Percentile	(24.44)	17.14	72.71	(56.18)	35.71	30.78
90th Percentile	(26.96)	13.00	64.25	(59.73)	28.34	26.94
Emerging Markets Pool ●	(22.50)	19.83	72.93	(50.49)	40.99	30.55
MSCI Emerging Mkts Idx ▲	(21.66)	19.20	79.02	(53.18)	39.78	32.59



Global (Lazard)

Performance vs CAI Global Equity Broad Style (Gross)



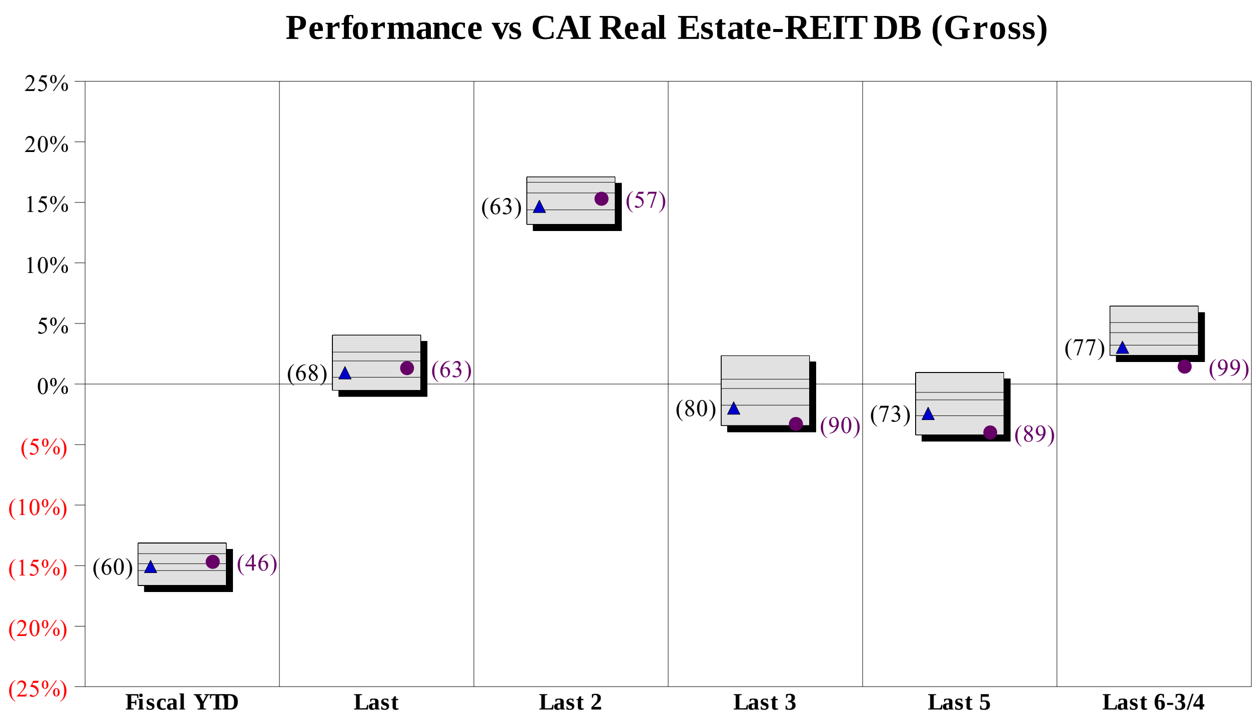
	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	(15.09)	(2.23)	4.61	1.89	6.93	8.71	9.58
25th Percentile	(16.78)	(3.30)	3.11	0.44	5.70	6.99	8.72
Median	(18.41)	(5.50)	0.79	(1.46)	4.09	5.60	7.71
75th Percentile	(19.94)	(8.49)	(1.08)	(2.61)	2.83	4.11	6.41
90th Percentile	(21.22)	(11.59)	(3.49)	(4.62)	1.62	3.21	5.90
Lazard Global ● A	(16.41)	(5.68)	1.18	(0.79)	3.84	4.67	6.69
MSCI ACWI Idx ■ B	(17.33)	(5.54)	1.14	(1.07)	4.04	4.96	6.07
MSCI World Index ▲	(16.61)	(4.35)	(0.07)	(2.23)	2.80	3.71	5.46

Real Assets Category

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Real Assets(prelim)	**0.64%**	**13.30%**	**(2.57%)**	**-**
Real Assets Target (1)	3.04%	12.81%	1.73%	5.42%
Real Estate Pool(prelim)	0.07%	16.55%	(7.50%)	(1.49%)
Real Estate Target (2)	1.46%	14.69%	(0.73%)	3.33%
Private Real Estate(prelim)	2.19%	18.78%	(7.67%)	(1.31%)
NCREIF Total Index	3.30%	16.10%	(1.45%)	3.40%
REIT Internal Portfolio	(14.77%)	1.23%	(3.39%)	(4.09%)
NAREIT Equity Index	(15.07%)	0.93%	(1.99%)	(2.43%)
Total Farmland	0.61%	9.63%	6.96%	9.43%
UBS Agrivest	0.63%	10.88%	6.53%	9.69%
Hancock Agricultural	0.58%	7.66%	7.98%	9.52%
ARMB Farmland Target (3)	2.35%	11.57%	9.09%	11.97%
Total Timber	0.59%	5.02%	-	-
Timberland Investment Resources	0.72%	4.61%	-	-
Hancock Timber	0.39%	5.15%	-	-
NCREIF Timberland Index	(0.35%)	0.26%	(0.43%)	5.82%
TIPS Internal Portfolio	4.87%	10.63%	8.39%	-
BC US TIPS Index	4.51%	9.87%	8.13%	7.10%
Total Energy Funds *	0.45%	7.49%	4.19%	11.61%
CPI + 5%	1.77%	9.38%	6.34%	7.43%

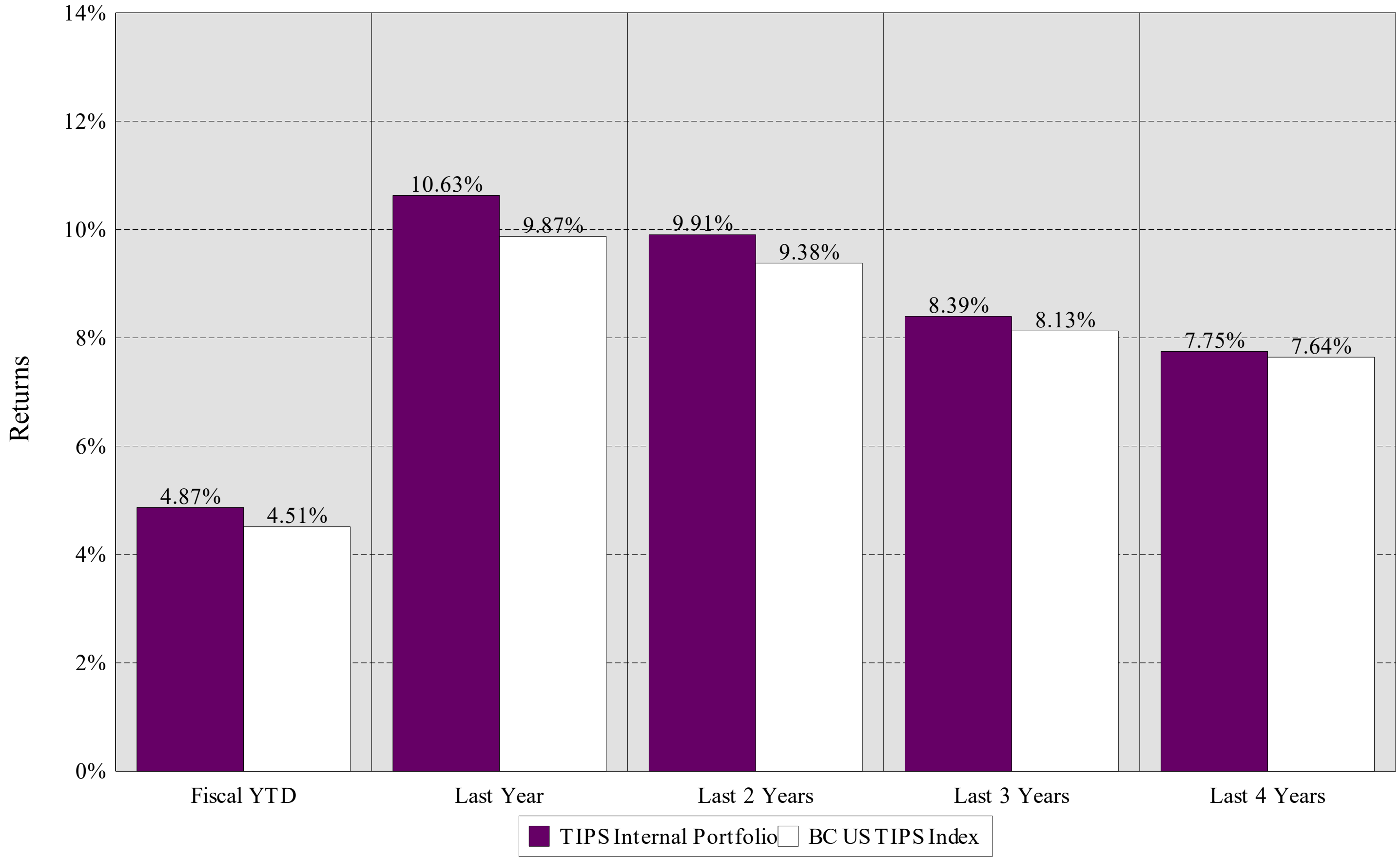
- Please note that real estate returns are provided by ARMB's real estate consultant

REIT Portfolio – good results relative to market over quarter, year and two year spans



	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(13.13)	4.04	17.11	2.33	0.95	6.43
25th Percentile	(14.02)	2.64	16.66	0.40	(0.69)	5.08
Median	(14.85)	1.90	15.77	(0.37)	(1.32)	4.24
75th Percentile	(15.41)	0.55	14.38	(1.76)	(2.62)	3.20
90th Percentile	(16.64)	(0.51)	13.17	(3.44)	(4.21)	2.37
REIT Holdings ●	(14.77)	1.23	15.21	(3.39)	(4.09)	1.35
NAREIT All Equity Index ▲	(15.07)	0.93	14.67	(1.99)	(2.43)	3.04

Internally Managed TIPS Portfolio

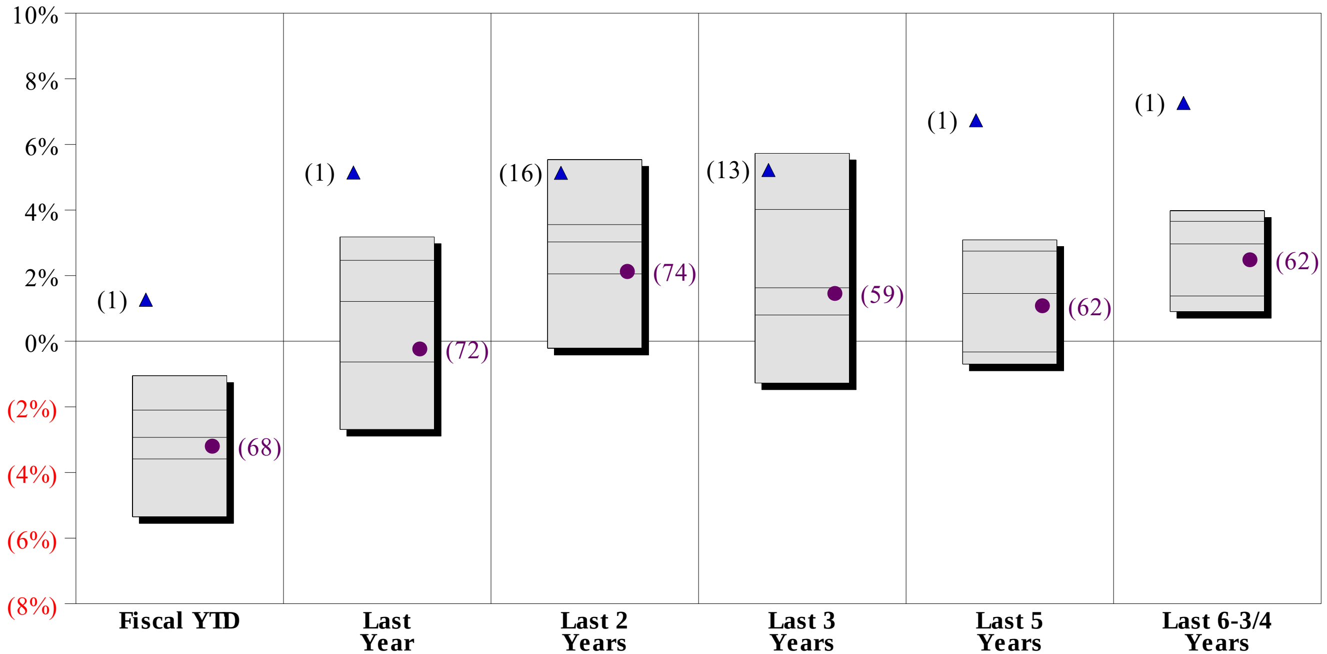


- Index+ performance at minimal cost.

Absolute Return Composite

Note – reflects September 30 values, while SS data used to calculate total fund is lagged 1-month

Performance vs Absolute Return Hedge FoFs Style (Net)



	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(1.05)	3.18	5.54	5.73	3.09	3.98
25th Percentile	(2.10)	2.47	3.56	4.02	2.75	3.65
Median	(2.93)	1.21	3.03	1.63	1.46	2.97
75th Percentile	(3.59)	(0.63)	2.05	0.80	(0.33)	1.38
90th Percentile	(5.35)	(2.69)	(0.21)	(1.27)	(0.70)	0.90
Absolute Return Composite ●	(3.23)	(0.26)	2.10	1.43	1.05	2.45
T-Bills + 5% ▲	1.27	5.14	5.14	5.22	6.74	7.26

Summary Manager Views – Managers with strong relative performance for both 1-year and 5-year (or since inception)

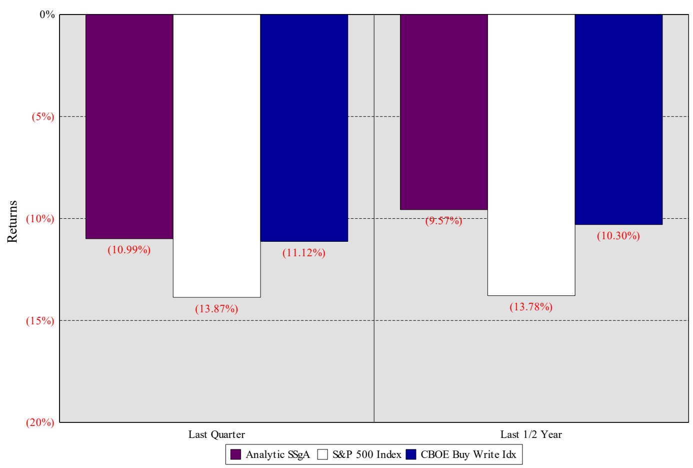
- **LC Domestic Equity**
  - Barrow Hanley and Quantitative both have strong absolute & relative performance versus Value index and peers for the year and since inception
  - McKinley – Large Cap Growth
- **SC Domestic Equity**
  - Jennison Associates
  - Lord Abbett
  - Luther King
- **High Yield**
  - Mackay Shields
- **International Equity**
  - Brandes
  - Capital Guardian
  - Schroder & Mondrian – Intl SC – too early but both good through 4 quarters

Disappointing Performance for either 1 or 5 year periods (or since inception)

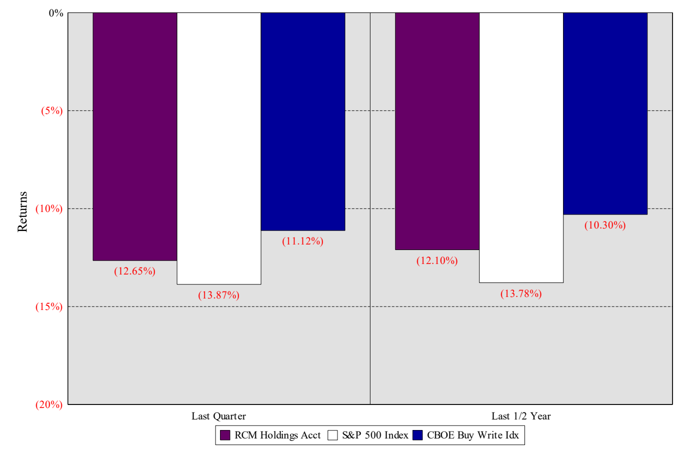
- **Domestic Equity**
  - Relational – LC Value – trails S&P for year but huge improvement over 2-year period
  - RCM – Large Cap Growth – trailing both benchmarks over last year
  - SSgA SC Value – both trailing 1-year & since inception below target
- **International Fixed**
  - Mondrian trailing over last year, but strong 5–year results
- **International Equity**
  - McKinley – trailing over both time periods
- **Emerging Markets**
  - Capital & Lazard lagged for the year but better than benchmark longer term
  - Eaton Vance – above benchmark for 1-year but trails since inception
- **Global**
  - Lazard – trailing for the last 1 year but ahead of target over last 5 years
- **Absolute Return**
  - Crestline, and Mariner – trailing over both time periods
  - GAM and Prisma – trailing 1-year return and since inception (1.5 years)

Other Equity – Convertible Bonds, Option Strategies

Analytic Buy-Write



RCM Buy Write

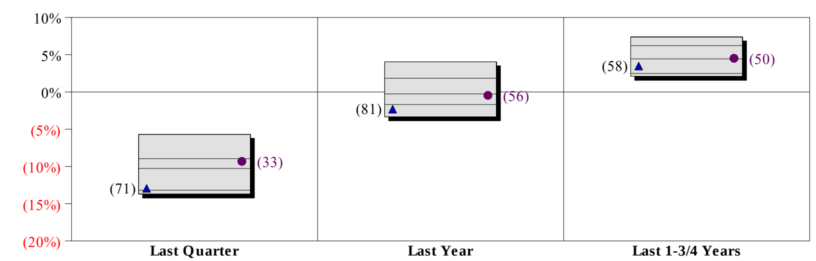


Advent – Convertible Bonds

While it is much too soon to form conclusions regarding the success, all three portfolios did better that the equity market in the weak market.

The target is to produce equity-like long term returns with lower volatility.

Performance vs CAI Convertible Bonds Database (Gross)



	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(5.70)	4.06	7.39
25th Percentile	(8.95)	1.84	6.22
Median	(10.26)	(0.26)	4.43
75th Percentile	(13.19)	(1.69)	2.49
90th Percentile	(13.71)	(3.34)	2.10
Advent Capital ●	(9.41)	(0.55)	4.43
ML All Conv ▲	(12.94)	(2.31)	3.48

Individual Account Option Performance - Balanced & Target Date Funds

Investment Manager	Market Value ($mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
Balanced & Target Date Funds											
Alaska Balanced Fund	$1,035	**-4.0** 1	**2.8** 9	**5.9** 1	**4.1** 1	**4.8** 9	**7.8** 99		**-0.0** 5	**0.7** 99	**0.3** 1
CAI Mt Fd: Dom Bal Style											
Passive Target		-3.5 1	3.1 6	6.0 1	4.1 1	4.8 9	7.4 99				0.3 1
Long Term Balanced Fund	$345	**-8.8** 18	**1.3** 38	**4.3** 24	**2.1** 20	**4.0** 17	**13.2** 85		**-0.1** 27	**0.7** 99	**0.0** 20
CAI Mt Fd: Dom Bal Style											
Passive Target		-8.4 12	1.5 31	4.3 23	2.2 18	4.1 17	12.8 89				0.0 15
Target 2010 Trust	$8	**-7.4** 41	**1.7** 19								
CAI Tgt Date 2010											
Custom Index		-7.5 43	1.7 23								
Target 2015 Trust	$83	**-9.1** 51	**1.1** 21	**5.1** 13	**3.5** 4	**5.0** 3	**10.6** 87		**0.8** 1	**0.5** 100	**0.2** 9
CAI Tgt Date 2015											
Custom Index		-9.2 53	1.2 21	4.9 16	3.2 9	4.8 5	10.7 87				0.1 10
Target 2020 Trust	$37	**-10.6** 57	**0.7** 22	**3.0** 64	**1.1** 40	**4.1** 14	**15.5** 71		**0.3** 16	**0.6** 100	**-0.0** 43
CAI Tgt Date 2020											
Custom Index		-10.6 59	0.8 21	3.0 64	1.0 46	4.1 15	15.6 71				-0.0 46
Target 2025 Trust	$20	**-11.8** 34	**0.3** 13	**2.0** 75	**-0.2** 46		**18.4** 47		**0.2** 40	**0.5** 100	**-0.1** 46
CAI Tgt Date 2025											
Custom Index		-11.9 35	0.4 9	2.0 76	-0.3 47		18.5 46				-0.1 47
Target 2030 Trust	$10	**-12.9** 39	**-0.1** 10								
CAI Tgt Date 2030											
Custom Index		-13.0 40	-0.0 10								
Target 2035 Trust	$11	**-13.9** 25	**-0.5** 6								
CAI Tgt Date 2035											
Custom Index		-14.0 29	-0.4 5								
Target 2040 Trust	$12	**-14.0** 18	**-0.6** 7								
CAI Tgt Date 2040											
Custom Index		-14.1 18	-0.6 7								
Target 2045 Trust	$13	**-14.1** 18	**-0.7** 7								
CAI Tgt Date 2040											
Custom Index		-14.1 18	-0.6 7								

Returns: above median; third quartile; fourth quartile
Risk: below median; second quartile; first quartile
Risk Quadrant:
Excess Return Ratio: above median; third quartile; fourth quartile
Tracking Error: below median; second quartile; first quartile
Sharpe Ratio: above median; third quartile; fourth quartile

Investment Manager	Market Value ($mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
Target 2050 Trust	$15	**-14.0** 13	**-0.7** 7								
CAI Tgt Date 2050											
Custom Index		-14.1 14	-0.6 7								
Target 2055 Trust	$5	**-14.0** 1	**-0.7** 1								
CAI Tgt Date 2055											
Custom Index		-14.1 1	-0.6 1								

Returns: above median; third quartile; fourth quartile
Risk: below median; second quartile; first quartile
Risk Quadrant:
Excess Return Ratio: above median; third quartile; fourth quartile
Tracking Error: below median; second quartile; first quartile
Sharpe Ratio: above median; third quartile; fourth quartile

Passive Options (Gross & Net of Fee)

Investment Manager	Market Value ($mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
Index Funds (Gross of Fee)											
State Street S&P Fund (i)	$198	**-13.9** 25	**1.1** 44	**1.3** 46	**-1.1** 69	**2.4** 76	**20.6** 53		**0.6** 9	**0.1** 100	**-0.1** 67
CAI Large Cap Core Style											
S&P 500 Index		-13.9 25	1.1 44	1.2 47	-1.2 72	2.3 77	20.7 51				-0.1 68
Russell 3000 Index (i)	$11	**-15.2** 41	**0.6** 39	**1.6** 41						**0.1** 100	
CAI Large Cap Style											
Russell 3000 Index		-15.3 45	0.5 40	1.5 45	-0.9 52	2.7 57	21.5 49				-0.1 52
World Eq Ex-US Index (i)	$10	**-20.6** 68	**-11.7** 79	**0.8** 40						**1.7** 100	
CAI Non-U.S. Equity Style											
MSCI ACWI x US (Net)		-19.9 55	-10.8 72	0.5 45	-1.6 42	5.1 38	27.0 27				-0.1 36
Long US Treasury Bond Index (i)	$20	**24.5** 4	**16.9** 5	**12.6** 89						**1.0** 95	
CAI Extended Mat FI Style											
BC Long Treas		24.7 4	17.1 4	13.0 86	10.7 28	8.9 30	16.3 4				0.5 96
US Treasry Infl Prtcd SEC (i)	$18	**4.5** 71	**9.7** 47	**8.0** 73						**0.1** 95	
CAI Real Return											
BC US TIPS Index		4.5 69	9.9 27	8.1 68	7.1 69	6.1 69	5.5 26				1.0 73
World Gov't Bond Ex-US Indx (i)	$5	**0.9** 32	**4.1** 56	**7.6** 85						**1.1** 92	
CAI Non-U.S. F-I Style											
Citi WGBI Non-US Idx		0.9 31	4.1 55	8.1 69	7.8 56	6.3 60	10.3 50				0.6 56
US Real Estate Invmnt Trust (i)	$19	**-14.4** 34	**1.7** 52	**-1.9** 80						**1.9** 100	
CAI Real Estate-REIT DB											
US Select REIT Index		-14.5 35	1.9 51	-2.2 82	-3.2 87	5.0 78	35.8 13				-0.1 81

Returns:
- above median
- third quartile
- fourth quartile

Risk:
- below median
- second quartile
- first quartile

Risk Quadrant:

Excess Return Ratio:
- above median
- third quartile
- fourth quartile

Tracking Error:
- below median
- second quartile
- first quartile

Sharpe Ratio:
- above median
- third quartile
- fourth quartile

Investment Manager	Market Value ($mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
Index Funds (Net of Fee)											
BlackRock Govt/Credit Bond Fund (i)	$52	**4.7** 6	**5.0** 37	**8.1** 60	**6.3** 46	**5.3** 48	**4.7** 46		**-1.0** 99	**0.2** 100	**1.0** 62
CAI Core Bond Mut Fds											
BC Govt/Credit Bd		4.7 6	5.1 33	8.4 51	6.5 34	5.5 42	4.7 47				1.0 59
Intermediate Bond Fund (i)	$13	**3.2** 24	**3.6** 48	**5.3** 78	**5.9** 31	**4.9** 33	**4.2** 24		**-0.2** 73	**0.1** 99	**1.0** 70
CAI Intermediate F-I Mut											
BC Gov Inter		3.2 24	3.7 40	5.4 77	5.9 25	4.9 32	4.2 27				1.0 59

Returns:
- above median
- third quartile
- fourth quartile

Risk:
- below median
- second quartile
- first quartile

Risk Quadrant:

Excess Return Ratio:
- above median
- third quartile
- fourth quartile

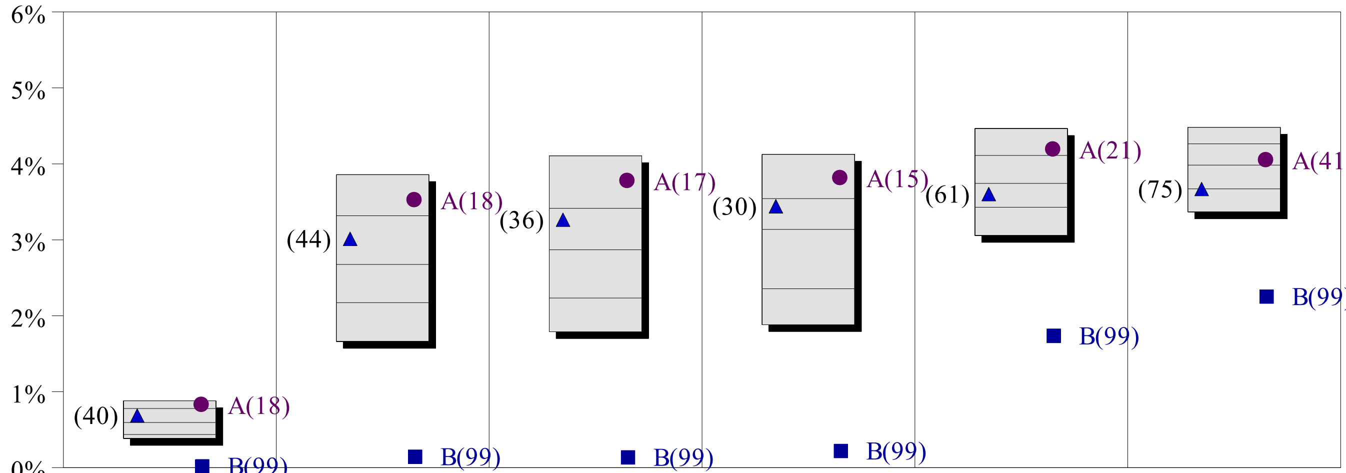
Tracking Error:
- below median
- second quartile
- first quartile

Sharpe Ratio:
- above median
- third quartile
- fourth quartile

Select Individual Option Exhibits

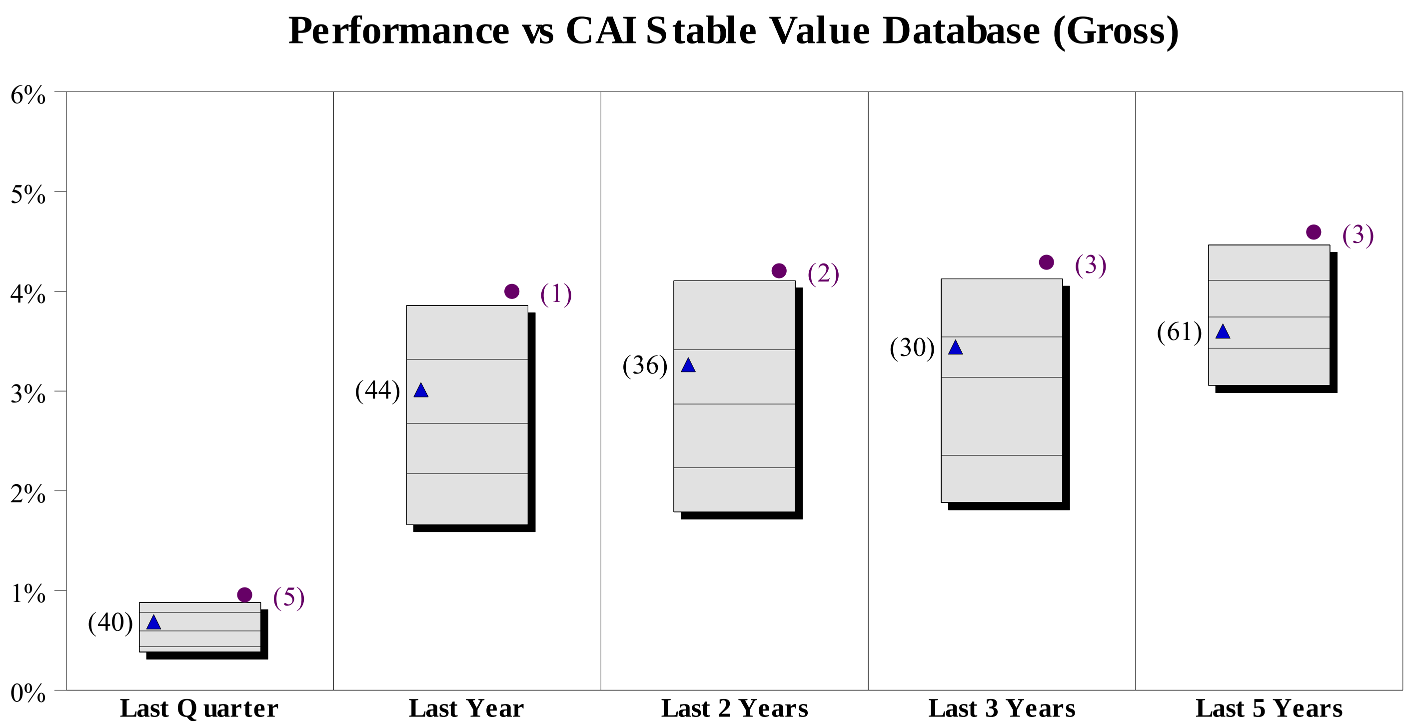
SBS Stable Value Option ($308 million)

Performance vs CAI Stable Value Database (Gross)



		Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
10th Percentile		0.88	3.86	4.11	4.13	4.47	4.48
25th Percentile		0.78	3.32	3.42	3.54	4.11	4.26
Median		0.60	2.68	2.87	3.14	3.74	3.98
75th Percentile		0.44	2.17	2.23	2.36	3.43	3.67
90th Percentile		0.38	1.66	1.79	1.88	3.06	3.37
T. Rowe Price Stable Value Fund	● A	0.82	3.52	3.77	3.81	4.18	4.04
3-month Treasury Bill	■ B	0.02	0.14	0.14	0.22	1.74	2.25
5 Yr US Treas Rolling	▲	0.69	3.01	3.27	3.44	3.60	3.67

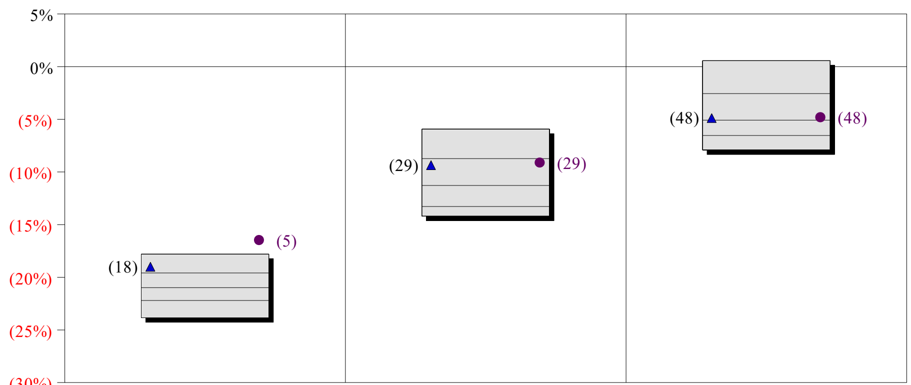
Deferred Compensation Plan – Interest Income ($172 million)



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	0.88	3.86	4.11	4.13	4.47
25th Percentile	0.78	3.32	3.42	3.54	4.11
Median	0.60	2.68	2.87	3.14	3.74
75th Percentile	0.44	2.17	2.23	2.36	3.43
90th Percentile	0.38	1.66	1.79	1.88	3.06
Interest Income Fund ●	0.94	3.98	4.19	4.27	4.58
5 Yr US Treas Rolling ▲	0.69	3.01	3.27	3.44	3.60

SBS Active Options

Performance vs CAI MF - Non-US Equity Style (Net)

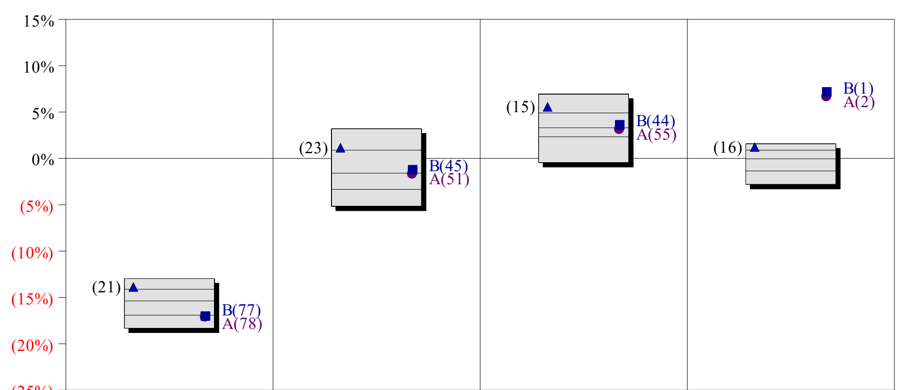


	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(17.81)	(5.93)	0.57
25th Percentile	(19.59)	(8.73)	(2.56)
Median	(20.98)	(11.28)	(5.08)
75th Percentile	(22.21)	(13.29)	(6.54)
90th Percentile	(23.84)	(14.20)	(7.91)
Brandes Int'l Fund ●	(16.53)	(9.18)	(4.87)
MSCI EAFE Index ▲	(19.01)	(9.36)	(4.88)

Brandes

International Equity

Performance vs CAI MF - Core Equity Style (Net)



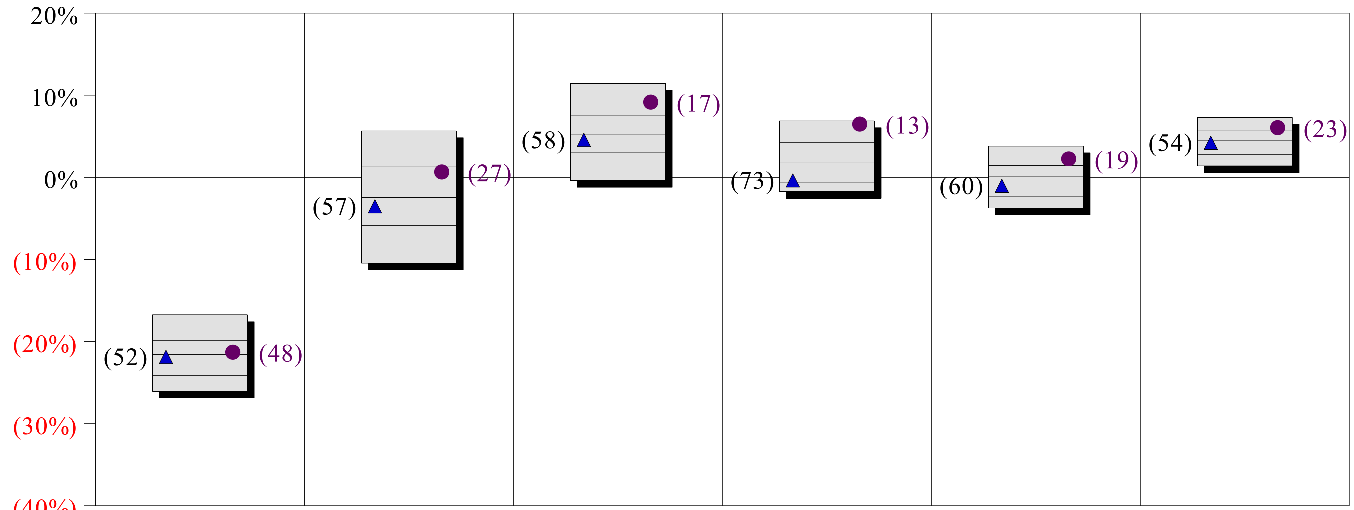
	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(12.97)	3.19	6.94	1.57
25th Percentile	(14.12)	0.88	4.90	0.89
Median	(15.38)	(1.60)	3.31	(0.04)
75th Percentile	(16.91)	(3.35)	2.34	(1.35)
90th Percentile	(18.32)	(5.17)	(0.45)	(2.81)
RCM - Net ● A	(17.13)	(1.73)	3.10	6.63
RCM - Gross ■ B	(17.01)	(1.21)	3.63	7.15
S&P 500 Index ▲	(13.87)	1.14	5.56	1.23

RCM – Socially Responsible

Large Cap Domestic Equity

T. Rowe Price Small Cap Equity

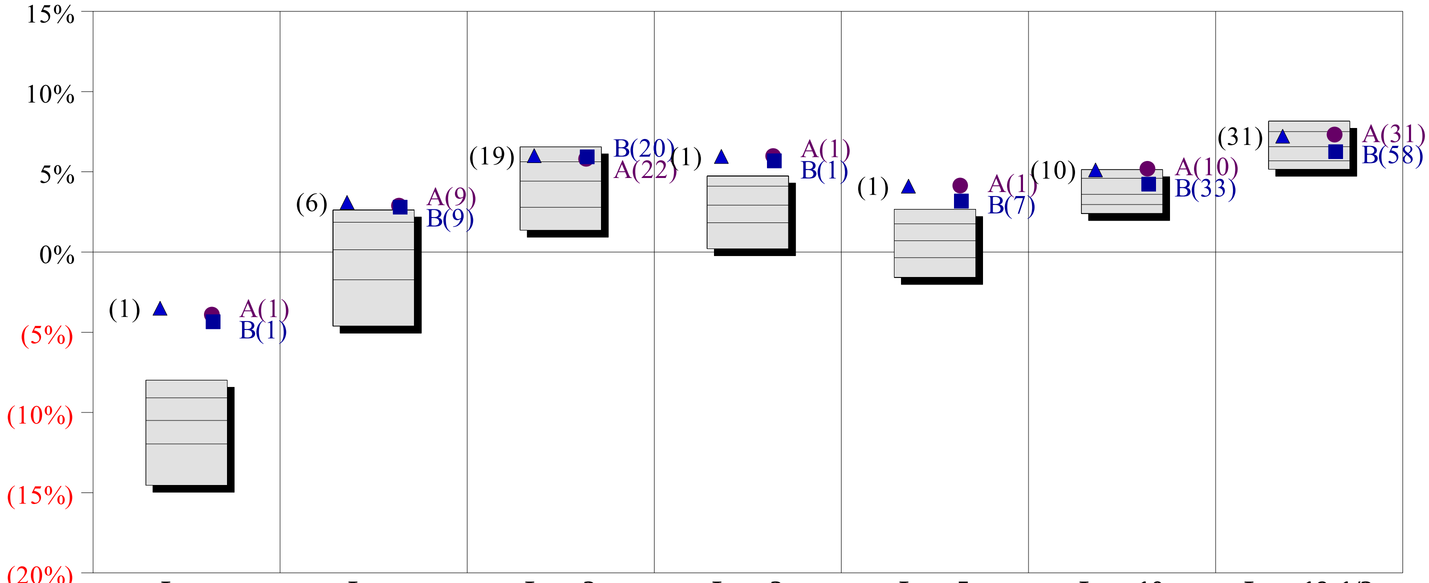
Performance vs CAI MF - Small Cap Broad Style (Net)



		Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 9-3/4 Years
10th Percentile		(16.76)	5.65	11.46	6.88	3.82	7.30
25th Percentile		(19.87)	1.27	7.59	4.24	1.45	5.76
Median		(21.59)	(2.46)	5.27	1.87	0.15	4.52
75th Percentile		(24.14)	(5.87)	2.99	(0.57)	(2.30)	2.80
90th Percentile		(26.06)	(10.44)	(0.38)	(1.73)	(3.74)	1.40
T. Rowe Price Small-Cap Stock Trust	●	(21.43)	0.54	9.04	6.35	2.11	5.92
Russell 2000 Index	▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	4.22

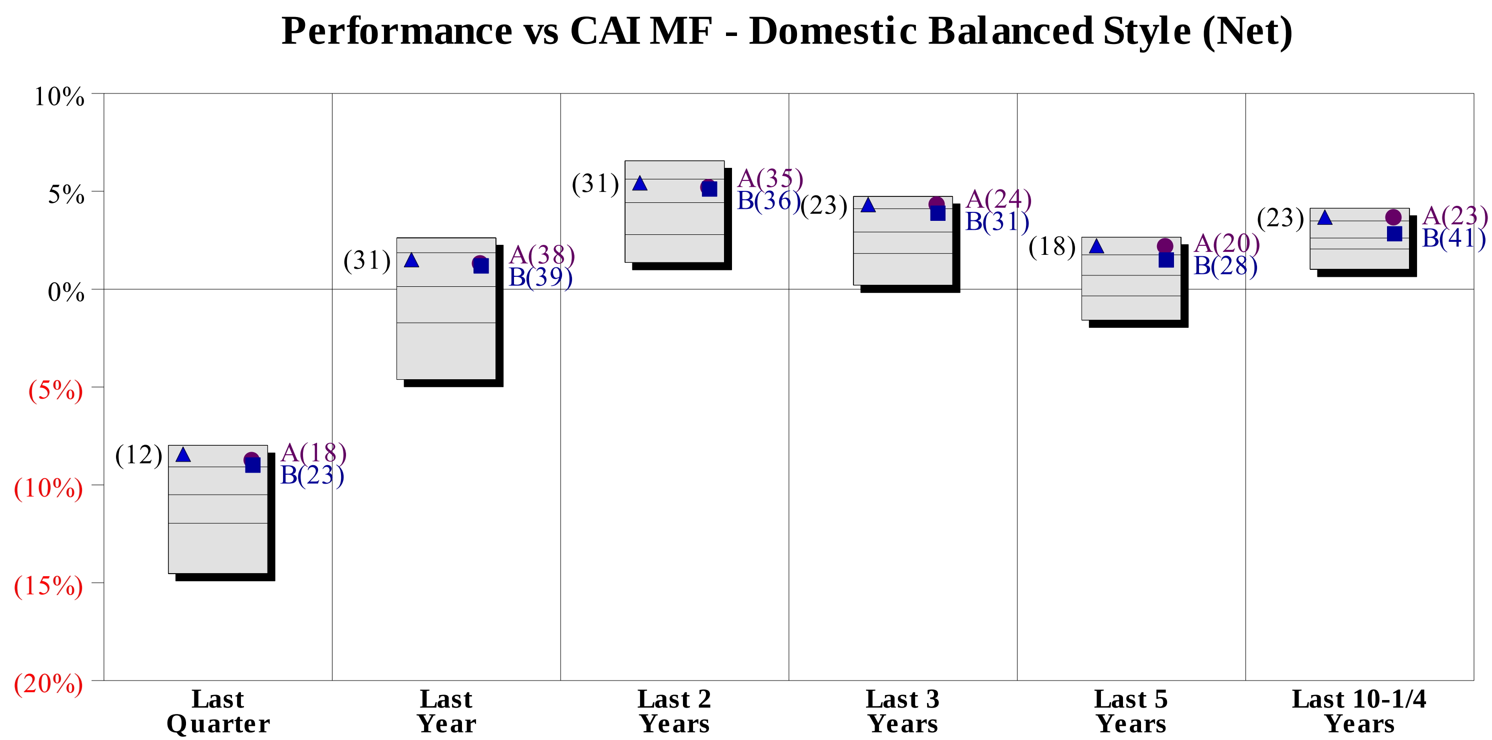
Balanced - $1.05 Billion

Performance vs CAI MF - Domestic Balanced Style (Net)



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 19-1/2 Years
10th Percentile	(7.98)	2.62	6.56	4.74	2.66	5.14	8.16
25th Percentile	(9.08)	1.86	5.63	4.11	1.76	4.60	7.50
Median	(10.50)	0.14	4.42	2.92	0.71	3.60	6.56
75th Percentile	(11.96)	(1.72)	2.79	1.83	(0.35)	2.96	5.69
90th Percentile	(14.53)	(4.62)	1.36	0.20	(1.58)	2.40	5.16
Alaska Balanced Fund ● A	(3.97)	2.83	5.74	5.93	4.08	5.13	7.25
Active Target ■ B	(4.35)	2.80	5.93	5.68	3.18	4.24	6.26
Passive Target ▲	(3.50)	3.10	6.01	5.96	4.11	5.12	7.22

Long-Term Balanced - $318 million



	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10-1/4 Years
10th Percentile	(7.98)	2.62	6.56	4.74	2.66	4.13
25th Percentile	(9.08)	1.86	5.63	4.11	1.76	3.49
Median	(10.50)	0.14	4.42	2.92	0.71	2.62
75th Percentile	(11.96)	(1.72)	2.79	1.83	(0.35)	2.05
90th Percentile	(14.53)	(4.62)	1.36	0.20	(1.58)	1.02
Long Term Balanced Fund ● A	(8.78)	1.26	5.15	4.26	2.14	3.61
Active Target ■ B	(8.99)	1.19	5.12	3.89	1.49	2.83
Passive Target ▲	(8.43)	1.51	5.44	4.33	2.22	3.68

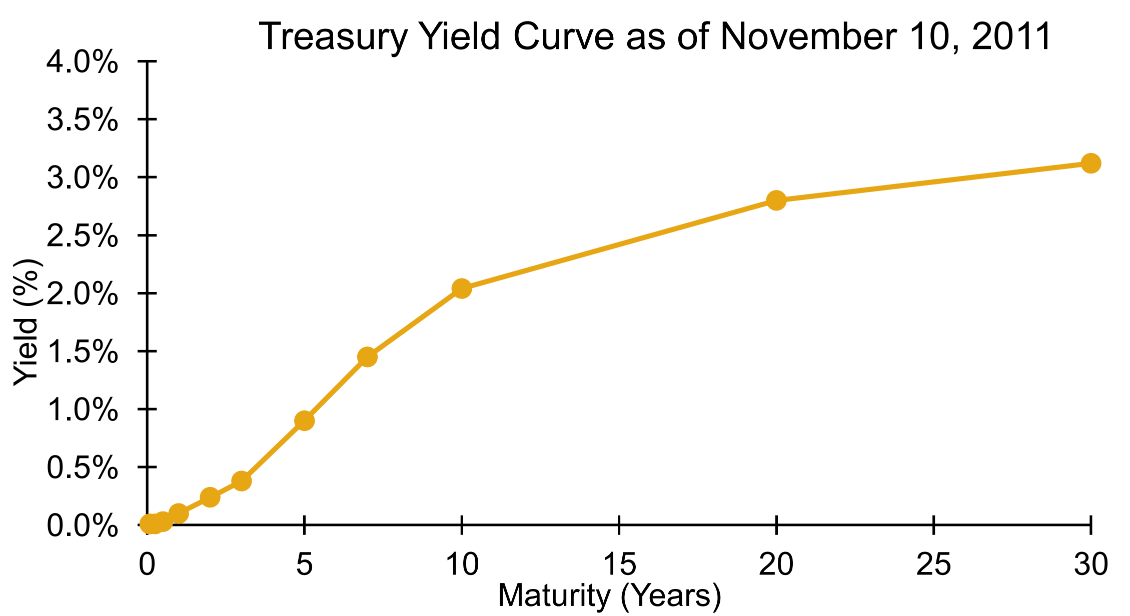
Summary

- Worst quarter for equity markets since the meltdown but ARMB changes have dampened impact modestly.
- Private markets (equity and real estate) have been major positives for ARMB. It will be interesting to see how private equity reacts (with its accustomed lag) to the Q3 weakness.
- Macro issues continue to dominant returns. Important to note huge differences in bond market returns during the quarter and recognize that sensitivity to possible European financial crisis will be with us into 2012 so significant volatility must be anticipated.
- Clear recent indications of modest improvement in domestic economic activity. But the outlook is fragile and could weaken if softness in Europe grows.
- Valuations should moderate downside risk.

Subsequent Market Results
QTD and YTD Through 11/11/11

Index	QTD	YTD
Barclays Aggregate	0.23%	6.90%
US Treasury	-0.21%	8.62%
1-3 Year Treasury	0.12%	1.48%
7-10 Year Treasury	-0.23%	13.79%
US Credit	1.11%	7.73%
High Yield	4.95%	1.41%

Index	QTD	YTD
S&P 500	12.00%	2.28%
Russell 2000	15.76%	-3.94%
MSCI EAFE	6.64%	-9.33%
MSCI Emerging Markets	10.50%	-13.43%
Dow Jones UBS Commodity Index	6.23%	-8.24%



Callan Associates Inc.
Investment Measurement Service
Quarterly Review

State of Alaska
Deferred Compensation Plan
September 30, 2011

Deferred Compensation
Plan

The Deferred Compensation Plan is comprised of several different Barclays Global Investors Funds (28.0 %), an RCM Socially Responsible Fund (1.6%), a T. Rowe Price Small Cap Fund (10.3%), a Brandes Instl International Equity Fund (6.6%), a T Rowe Price Long Term Balanced Fund and Target Date Funds (8.7%) the Interest Income Fund (31.5%) and SSgA Funds (13.3%).

BlackRock

There are currently three BlackRock Funds. They are the Large-Cap Index Fund, the Intermediate Bond Fund and the Government/Credit Bond Fund.

Capital Guardian Trust Company

In July of 2009 Capital Guardian's Global Balanced Fund was converted to the SSgA Global Balanced Fund.

RCM Sustainable Core

The RCM Sustainable Core Fund was established during fourth quarter 2008.

T. Rowe Price

On October 1 of 2001, T. Rowe Price Small Cap Equity Fund and on August 15, 2007 the Long-Term Balanced Trust were added and to the Deferred Compensation Plan. The Target Date Funds were added 4/30/09 and 7/22/09.

Brandes Instl

On October 1 of 2001, Brandes Intsl International Equity Fund was added to the Deferred Compensation Plan.

New Investment Options – State Street

On September 22 of 2008, seven new investment options were added: SSgA Treasury Money Mkt, US TIPS, Long US Treasury Bd, World Govt Bd ex US, Russell 3000, World Equity ex US and US Real Estate Inv Trust.

The Interest Income Fund

The BlackRock Intermediate Aggregate portfolio replaced the Constant Duration and Structured Payout portfolios during May 2008.
The current wrap providers are: Ixis Finl; Bank of America, Pacific Life , Rabobank State Street Bank and Trust
Third quarter of 2011 performance is shown below.

	Market Value	*Annualized Gross Crediting Rate*	*Underlying Asset Performance*
BC Intermediate Aggregate	$171.7 mil	3.754%	2.40%

Investment Fund Balances

The table below compares the fund's investment fund balances as of September 30, 2011 with that of June 30, 2011.

Asset Distribution Across Investment Funds

	September 30, 2011		June 30, 2011	
	Market Value	**Percent**	**Market Value**	**Percent**
Balanced/Target Funds				
Alaska Balanced Fund	5,132,707	0.94%	5,649,853	0.95%
Long Term Balanced Fund	31,159,838	5.69%	35,286,508	5.91%
Target 2010 Trust	1,514,644	0.28%	1,482,625	0.25%
Target 2015 Trust	3,177,752	0.58%	3,616,585	0.61%
Target 2020 Trust	2,448,620	0.45%	2,881,255	0.48%
Target 2025 Trust	1,306,738	0.24%	1,428,383	0.24%
Target 2030 Trust	759,645	0.14%	835,354	0.14%
Target 2035 Trust	766,284	0.14%	923,909	0.15%
Target 2040 Trust	403,136	0.07%	451,334	0.08%
Target 2045 Trust	135,479	0.02%	119,175	0.02%
Target 2050 Trust	150,218	0.03%	257,943	0.04%
Target 2055 Trust	720,414	0.13%	827,790	0.14%
Domestic Equity Funds				
Large Cap Equity	105,258,438	19.23%	124,462,111	20.86%
RCM Socially Responsible	8,996,269	1.64%	10,928,716	1.83%
Russell 3000 Index	4,223,675	0.77%	4,950,099	0.83%
Small Cap Equity	56,494,487	10.32%	73,887,981	12.38%
International Equity Funds				
International Equity Fd	35,870,185	6.55%	43,971,475	7.37%
World Eq Ex-US Index	3,608,037	0.66%	4,868,004	0.82%
Fixed-Income Funds				
Govt/Credit Fd	31,881,247	5.82%	30,842,619	5.17%
Intermediate Bond Fund	16,304,811	2.98%	15,904,099	2.67%
Long US Treasury Bond	5,711,209	1.04%	2,968,966	0.50%
US TIPS	8,629,106	1.58%	7,311,029	1.23%
World Gov't Bond Ex-US	2,124,790	0.39%	2,053,736	0.34%
Global Balanced Funds				
SSgA Global Balanced	34,806,115	6.36%	38,261,630	6.41%
Real Estate Funds				
US REITS	6,413,506	1.17%	8,053,409	1.35%
Short Term Funds				
Interest Income Fund	172,319,800	31.47%	167,709,168	28.11%
SSgA Inst Trsry MM	7,173,727	1.31%	6,755,991	1.13%
Total Fund	**$547,490,877**	**100.0%**	**$596,689,747**	**100.0%**

INTEREST INCOME FUND
PERIOD ENDED SEPTEMBER 30, 2011

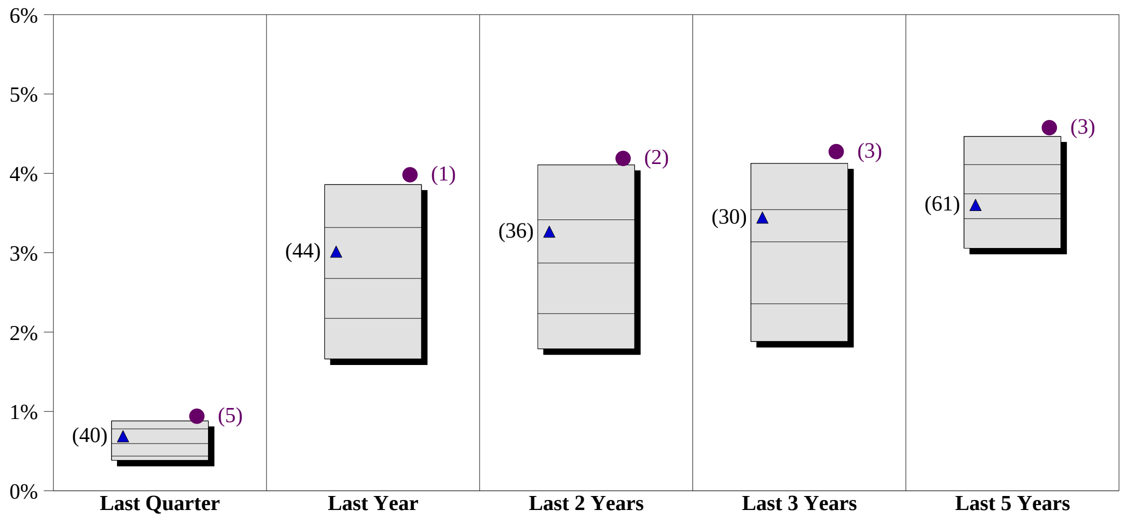
Investment Philosophy

The current wrap providers are: Ixis Finl, Bank of America, Pacific Life, Rabobank and State Street Bank and Trust. Annual fees are 20 basis points.

Quarterly Summary and Highlights

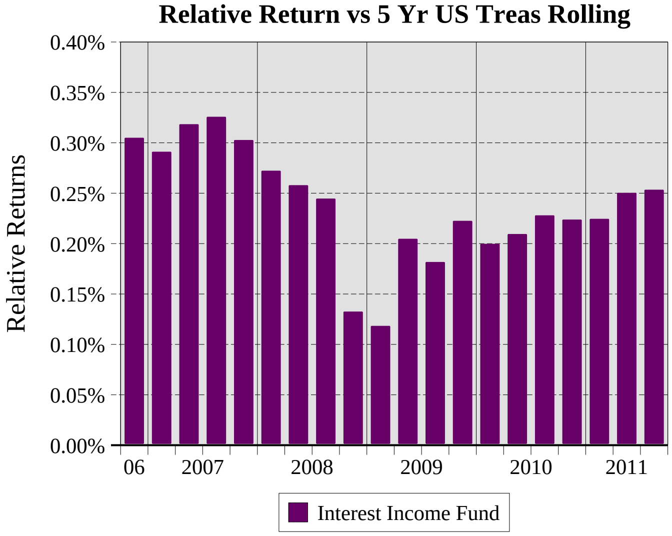
- Interest Income Fund's portfolio posted a 0.94% return for the quarter placing it in the 5 percentile of the CAI Stable Value Database group for the quarter and in the 1 percentile for the last year.
- Interest Income Fund's portfolio outperformed the 5 Yr US Treas Rolling by 0.25% for the quarter and outperformed the 5 Yr US Treas Rolling for the year by 0.97%.

Performance vs CAI Stable Value Database (Gross)

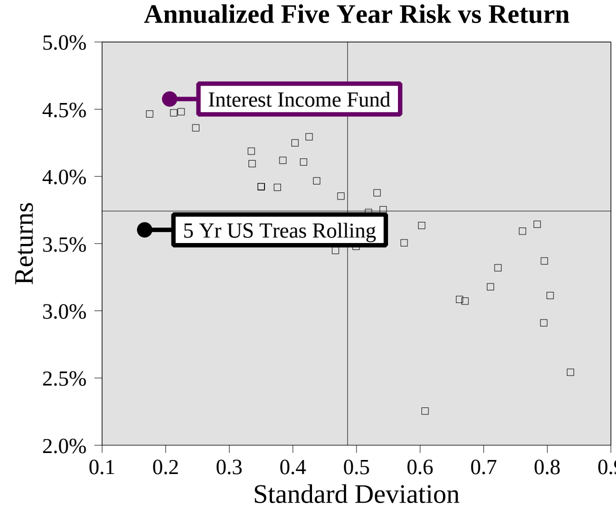


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	0.88	3.86	4.11	4.13	4.47
25th Percentile	0.78	3.32	3.42	3.54	4.11
Median	0.60	2.68	2.87	3.14	3.74
75th Percentile	0.44	2.17	2.23	2.36	3.43
90th Percentile	0.38	1.66	1.79	1.88	3.06
Interest Income Fund ●	0.94	3.98	4.19	4.27	4.58
5 Yr US Treas Rolling ▲	0.69	3.01	3.27	3.44	3.60

Relative Return vs 5 Yr US Treas Rolling



CAI Stable Value Database (Gross)
Annualized Five Year Risk vs Return

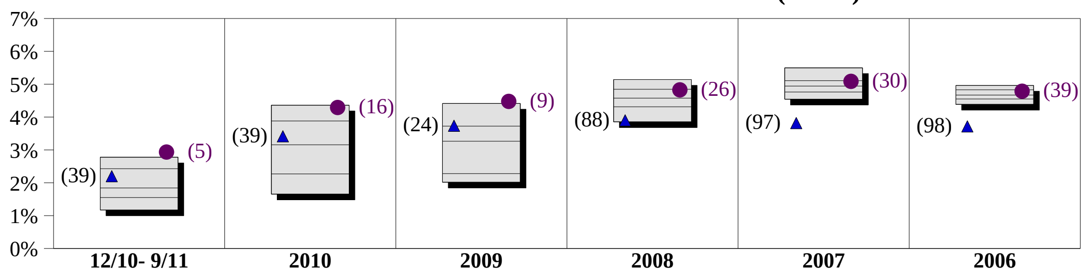


INTEREST INCOME FUND
RETURN ANALYSIS SUMMARY

Return Analysis

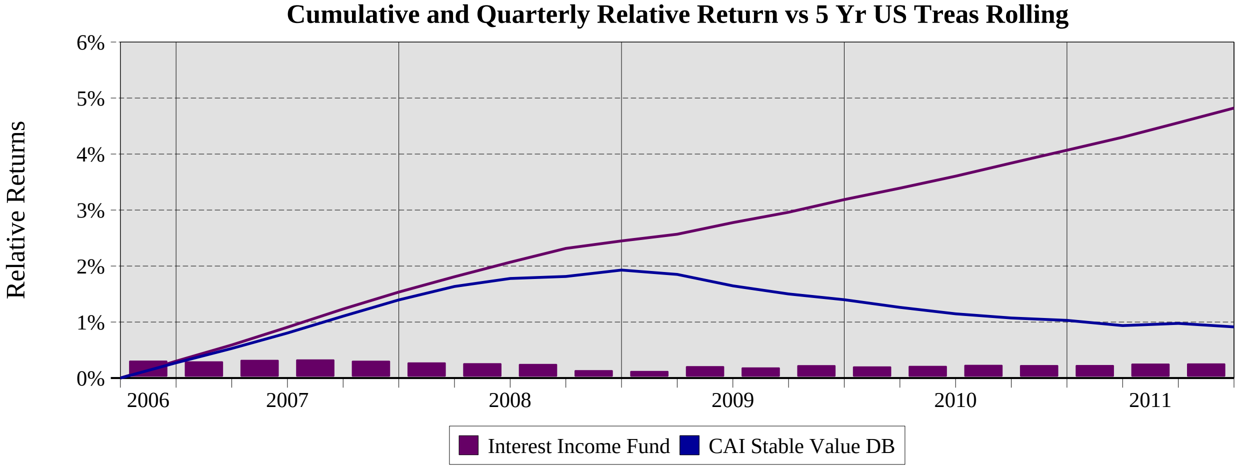
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Stable Value Database (Gross)

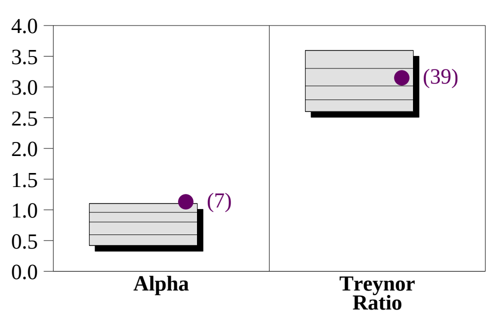


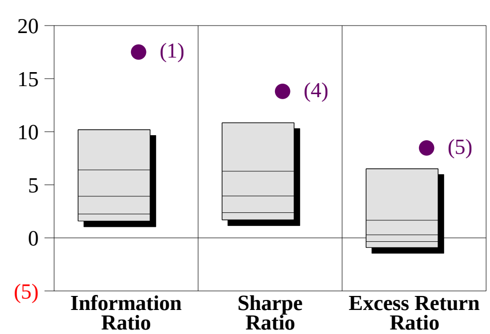
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	2.78	4.36	4.41	5.14	5.50	4.96
25th Percentile	2.43	3.88	3.72	4.85	5.11	4.83
Median	1.84	3.16	3.26	4.58	4.94	4.67
75th Percentile	1.55	2.27	2.28	4.31	4.76	4.55
90th Percentile	1.17	1.65	2.02	3.85	4.54	4.39
Interest Income Fund ●	2.94	4.29	4.48	4.83	5.09	4.79
5 Yr US Treas Rolling ▲	2.20	3.41	3.74	3.90	3.82	3.72

Cumulative and Quarterly Relative Return vs 5 Yr US Treas Rolling



Risk Adjusted Return Measures vs 5 Yr US Treas Rolling
Rankings Against CAI Stable Value Database (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	1.10	3.59
25th Percentile	0.96	3.30
Median	0.80	3.02
75th Percentile	0.59	2.79
90th Percentile	0.42	2.60
Interest Income Fund ●	1.13	3.15

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	10.19	10.84	6.51
25th Percentile	6.40	6.28	1.66
Median	3.92	3.95	0.29
75th Percentile	2.25	2.38	(0.35)
90th Percentile	1.58	1.69	(0.91)
Interest Income Fund ●	17.51	13.80	8.47

BLACKROCK INTERMEDIATE AGGREGATE
PERIOD ENDED SEPTEMBER 30, 2011

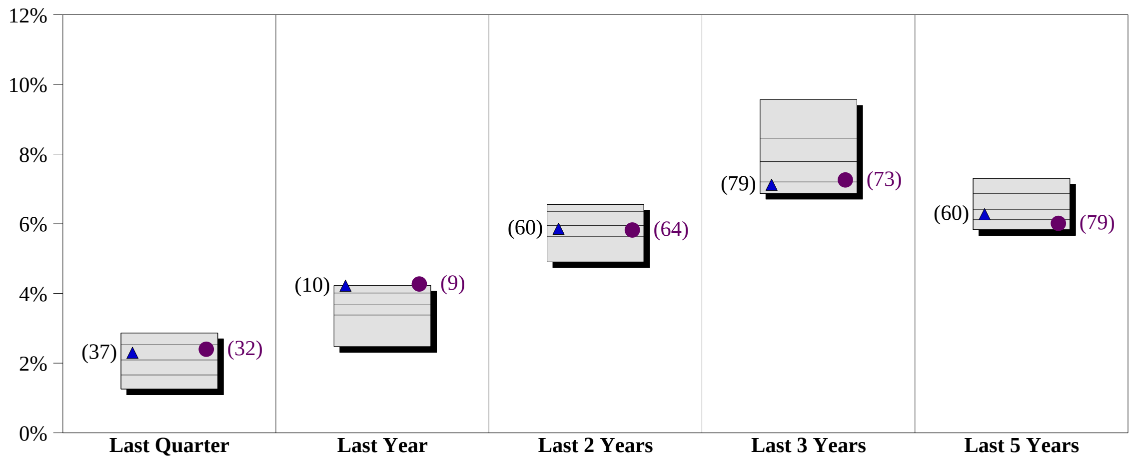
Investment Philosophy

The BlackRock Intermediate Aggregate portfolio replaced the Constant Duration and Structured Payout portfolios during May 2008. Benchmark: BC Govt/Cred 1-5 Year Index through 3/31/08; thereafter BC Intermediate Aggregate Index.

Quarterly Summary and Highlights

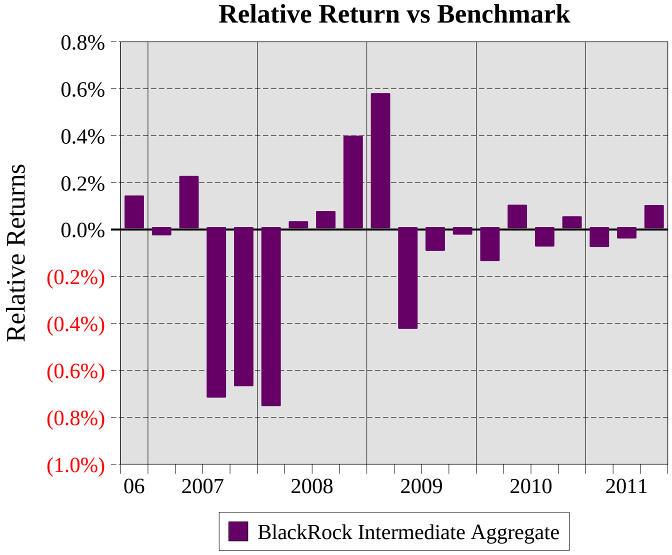
- BlackRock Intermediate Aggregate's portfolio posted a 2.40% return for the quarter placing it in the 32 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 9 percentile for the last year.
- BlackRock Intermediate Aggregate's portfolio outperformed the Benchmark by 0.10% for the quarter and outperformed the Benchmark for the year by 0.05%.

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

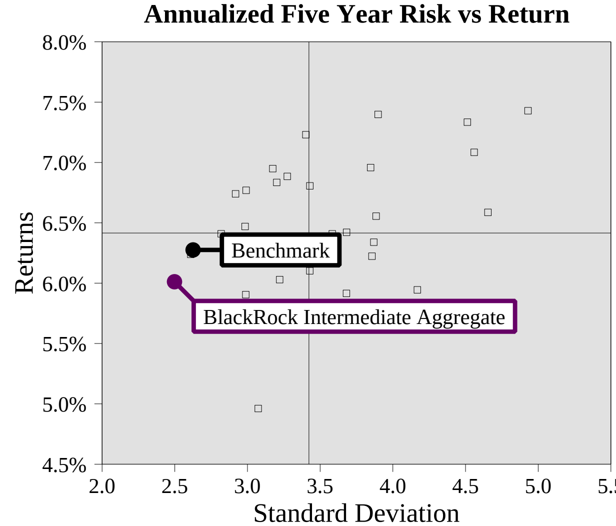


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	2.87	4.23	6.55	9.56	7.30
25th Percentile	2.53	4.01	6.36	8.46	6.87
Median	2.09	3.67	5.95	7.78	6.42
75th Percentile	1.66	3.38	5.63	7.20	6.12
90th Percentile	1.26	2.47	4.91	6.87	5.83
BlackRock Intermediate Aggregate ●	2.40	4.27	5.82	7.26	6.01
Benchmark ▲	2.30	4.22	5.86	7.12	6.28

Relative Return vs Benchmark



CAI Intermediate Fixed-Inc Style (Gross)
Annualized Five Year Risk vs Return

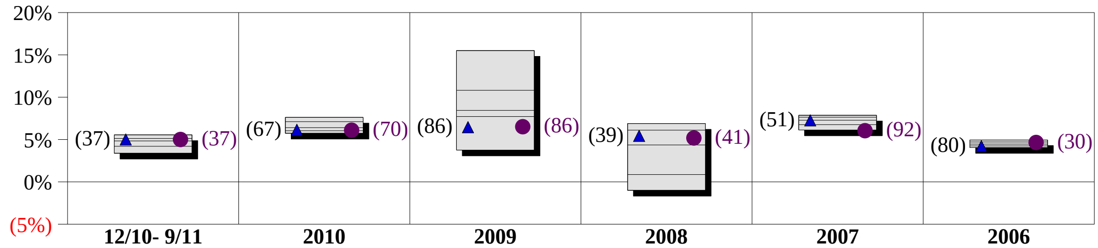


BLACKROCK AGGREGATE INTERMEDIATE
RETURN ANALYSIS SUMMARY

Return Analysis

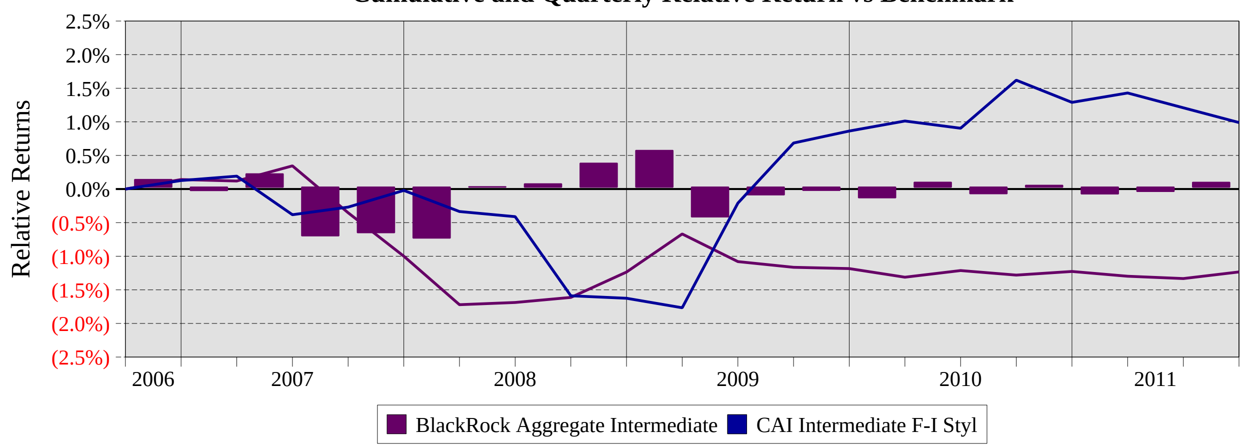
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

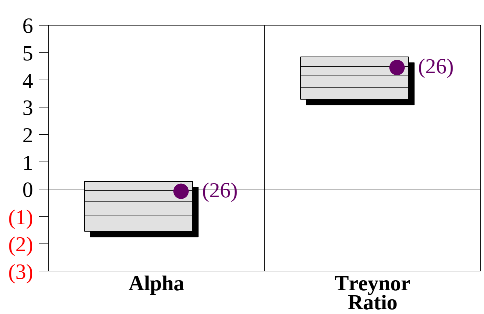


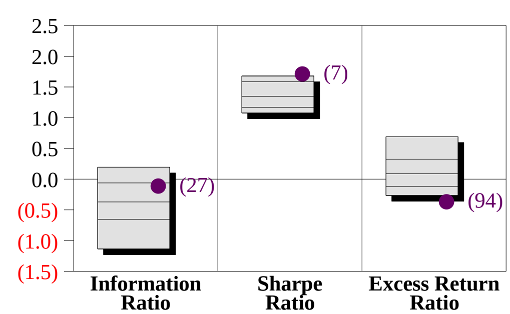
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	5.55	7.62	15.51	6.89	7.86	4.95
25th Percentile	5.12	7.11	10.82	6.11	7.64	4.72
Median	4.84	6.40	8.44	4.36	7.28	4.46
75th Percentile	4.20	6.04	7.72	0.86	6.76	4.25
90th Percentile	3.38	5.74	3.75	(1.00)	6.13	4.05
BlackRock Aggregate Intermediate ●	5.01	6.10	6.52	5.18	6.05	4.65
Benchmark ▲	5.01	6.15	6.46	5.43	7.27	4.22

Cumulative and Quarterly Relative Return vs Benchmark



Risk Adjusted Return Measures vs Benchmark
Rankings Against CAI Intermediate Fixed-Inc Style (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	0.28	4.84
25th Percentile	(0.05)	4.49
Median	(0.46)	4.15
75th Percentile	(0.95)	3.73
90th Percentile	(1.54)	3.29
BlackRock Aggregate Intermediate ●	(0.08)	4.45

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.19	1.68	0.69
25th Percentile	(0.06)	1.59	0.32
Median	(0.37)	1.35	0.09
75th Percentile	(0.65)	1.17	(0.12)
90th Percentile	(1.14)	1.08	(0.27)
BlackRock Aggregate Intermediate ●	(0.11)	1.71	(0.37)

Intermediate
Govt Bond Fund

INTERMEDIATE GOVT BOND FUND
PERIOD ENDED SEPTEMBER 30, 2011

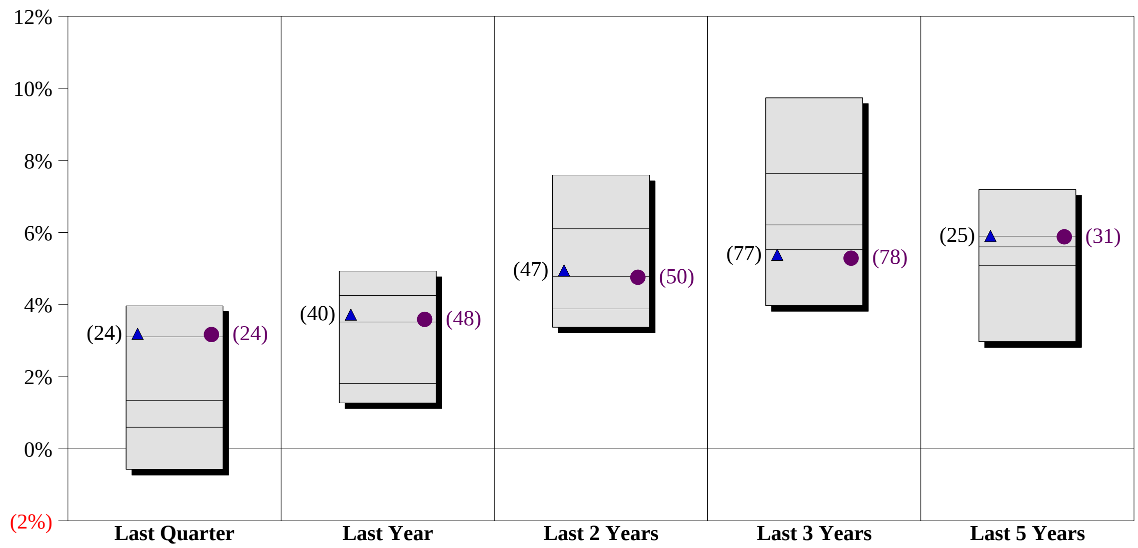
Investment Philosophy

The Intermediate Govt Bond Fund is managed by BlackRock. Annual fees are 13 basis points. Passively managed.

Quarterly Summary and Highlights

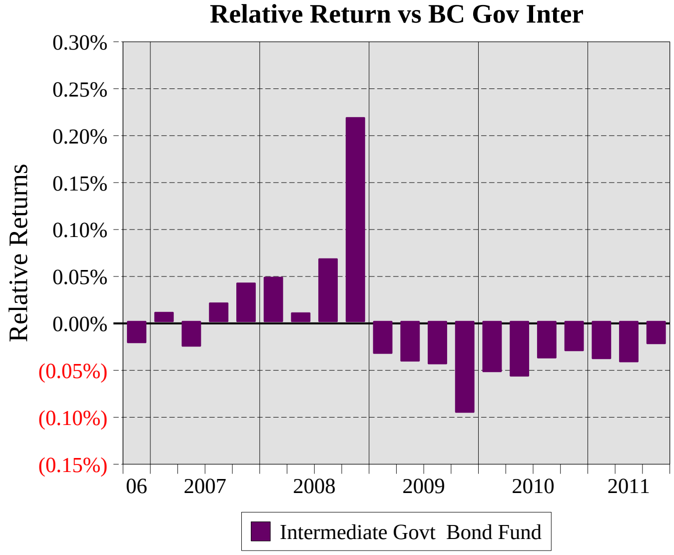
- Intermediate Govt Bond Fund's portfolio posted a 3.17% return for the quarter placing it in the 24 percentile of the CAI MF - Intermediate Style group for the quarter and in the 48 percentile for the last year.
- Intermediate Govt Bond Fund's portfolio underperformed the BC Gov Inter by 0.02% for the quarter and underperformed the BC Gov Inter for the year by 0.13%.

Performance vs CAI MF - Intermediate Style (Net)

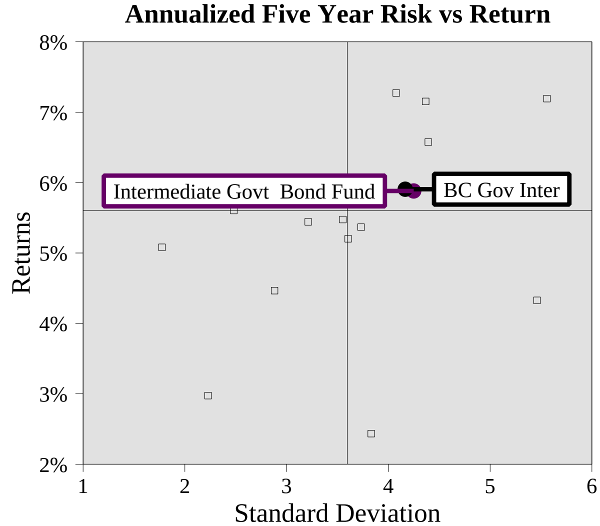


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.96	4.93	7.59	9.74	7.19
25th Percentile	3.11	4.25	6.11	7.64	5.90
Median	1.34	3.52	4.78	6.21	5.60
75th Percentile	0.60	1.81	3.88	5.53	5.08
90th Percentile	(0.57)	1.27	3.37	3.97	2.97
Intermediate Govt Bond Fund ●	3.17	3.59	4.76	5.29	5.88
BC Gov Inter ▲	3.19	3.72	4.95	5.38	5.91

Relative Return vs BC Gov Inter



CAI MF - Intermediate Style (Net)
Annualized Five Year Risk vs Return

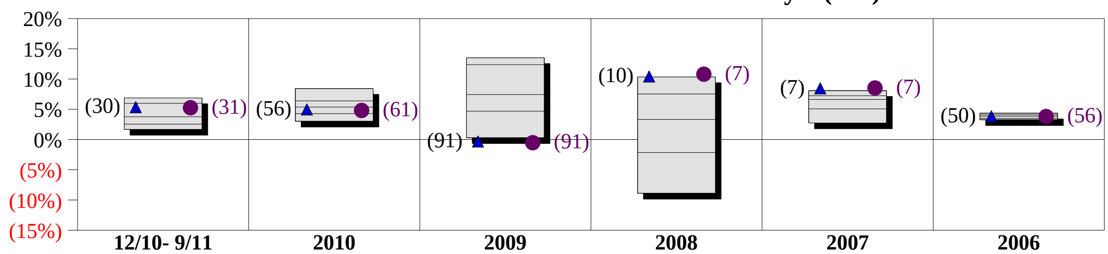


INTERMEDIATE GOVT BOND FUND
RETURN ANALYSIS SUMMARY

Return Analysis

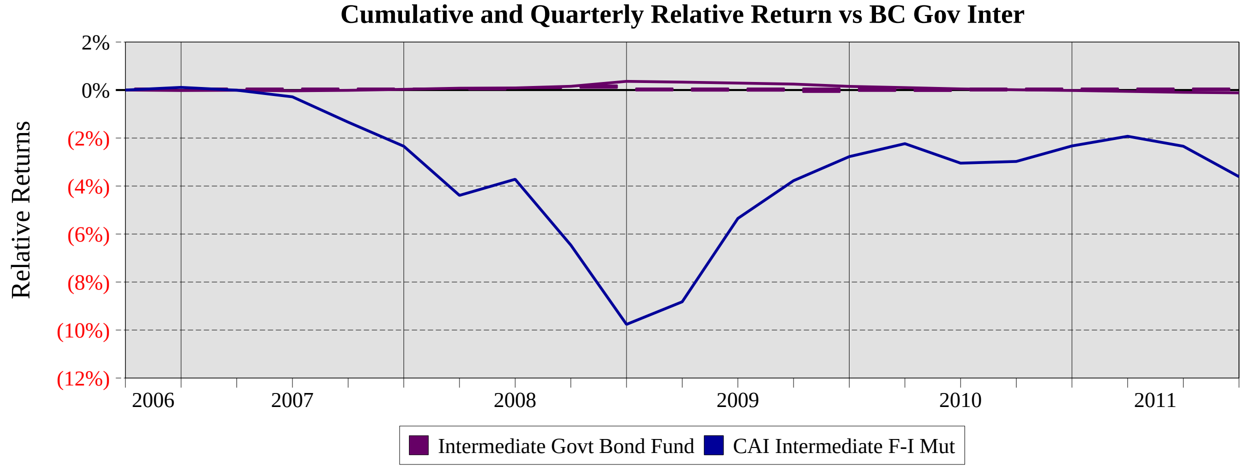
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Intermediate Style (Net)

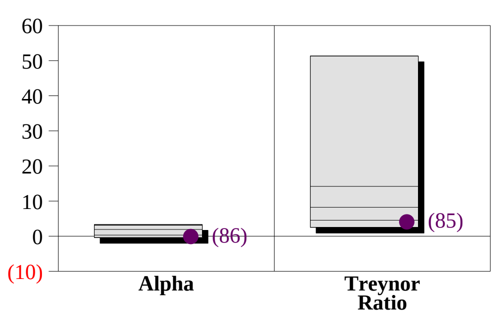


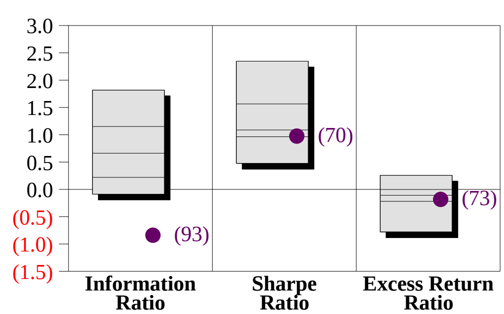
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	6.87	8.43	13.51	10.35	8.08	4.35
25th Percentile	5.98	6.39	12.38	7.53	7.25	4.09
Median	3.76	5.36	7.44	3.32	6.63	3.85
75th Percentile	2.54	4.28	4.68	(2.15)	5.07	3.49
90th Percentile	1.66	3.01	0.29	(8.89)	2.73	3.27
Intermediate Govt Bond Fund ●	5.25	4.80	(0.53)	10.80	8.52	3.79
BC Gov Inter ▲	5.36	4.98	(0.32)	10.43	8.47	3.84

Cumulative and Quarterly Relative Return vs BC Gov Inter



Risk Adjusted Return Measures vs BC Gov Inter
Rankings Against CAI MF - Intermediate Style (Net)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	3.31	51.32
25th Percentile	3.11	14.19
Median	1.92	8.23
75th Percentile	0.31	4.54
90th Percentile	(0.39)	2.52
Intermediate Govt Bond Fund ●	(0.09)	4.07

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.82	2.35	0.26
25th Percentile	1.15	1.56	(0.00)
Median	0.66	1.09	(0.11)
75th Percentile	0.22	0.96	(0.22)
90th Percentile	(0.09)	0.48	(0.78)
Intermediate Govt Bond Fund ●	(0.84)	0.98	(0.18)

GOVT/CREDIT BOND FUND
PERIOD ENDED SEPTEMBER 30, 2011

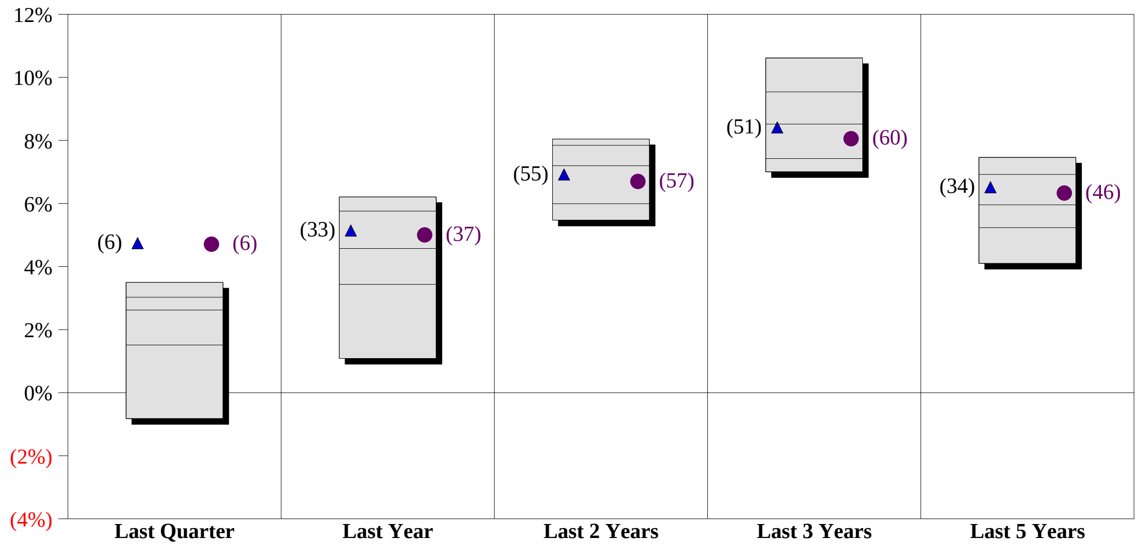
Investment Philosophy

The Govt/Credit Bond Fund is managed by BlackRock. Annual fees are 13 basis points. Passively managed.

Quarterly Summary and Highlights

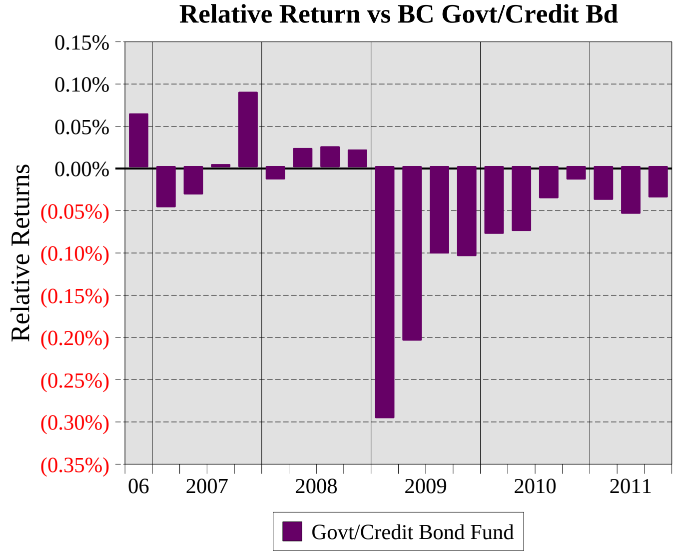
- Govt/Credit Bond Fund's portfolio posted a 4.71% return for the quarter placing it in the 6 percentile of the CAI MF - Core Bond Style group for the quarter and in the 37 percentile for the last year.
- Govt/Credit Bond Fund's portfolio underperformed the BC Govt/Credit Bd by 0.03% for the quarter and underperformed the BC Govt/Credit Bd for the year by 0.14%.

Performance vs CAI MF - Core Bond Style (Net)

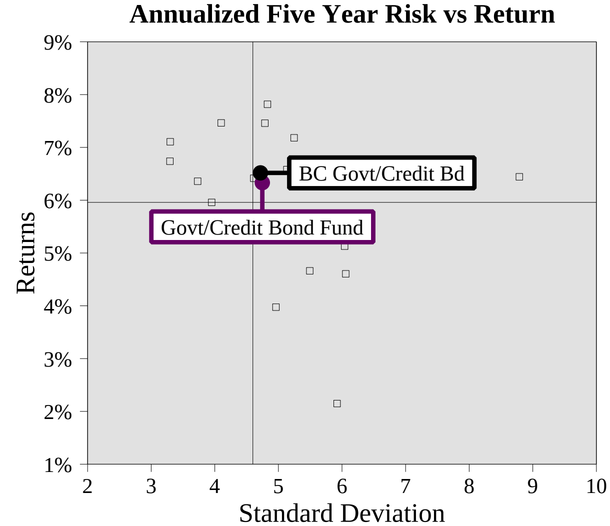


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	3.50	6.21	8.04	10.62	7.46
25th Percentile	3.03	5.76	7.85	9.54	6.92
Median	2.62	4.57	7.20	8.52	5.96
75th Percentile	1.51	3.43	5.99	7.43	5.23
90th Percentile	(0.82)	1.09	5.47	7.01	4.10
Govt/Credit Bond Fund ●	4.71	5.00	6.70	8.06	6.33
BC Govt/Credit Bd ▲	4.74	5.14	6.92	8.41	6.52

Relative Return vs BC Govt/Credit Bd



CAI MF - Core Bond Style (Net)
Annualized Five Year Risk vs Return

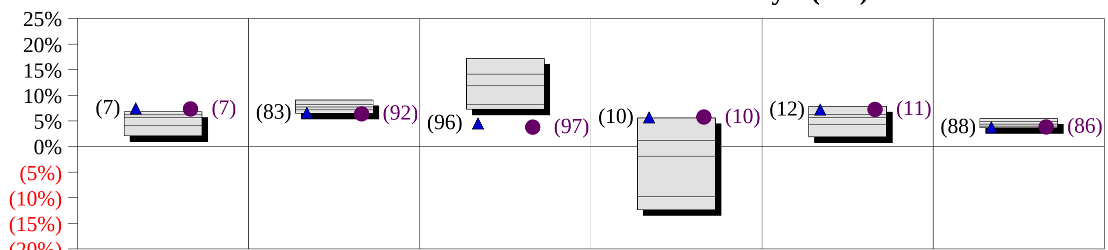


GOVT/CREDIT BOND FUND
RETURN ANALYSIS SUMMARY

Return Analysis

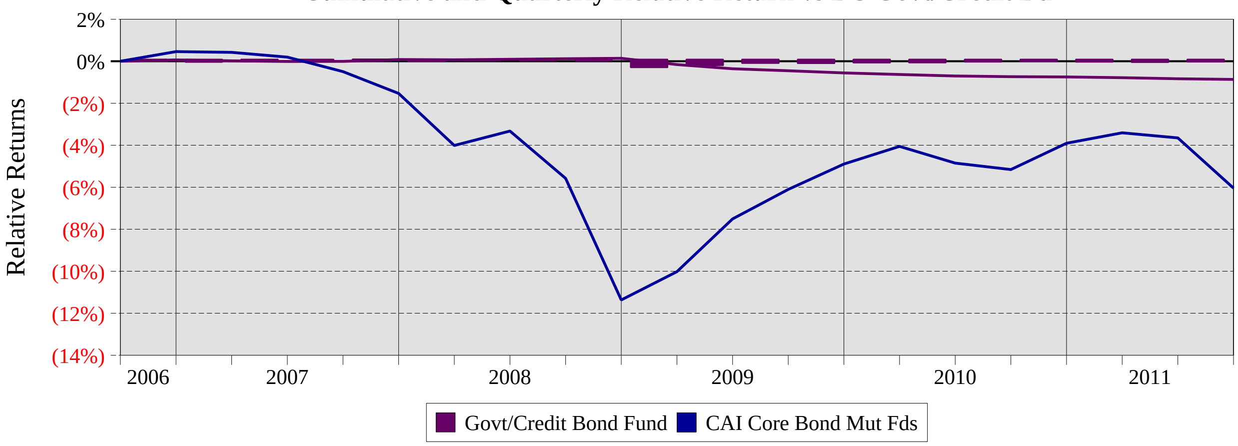
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Core Bond Style (Net)

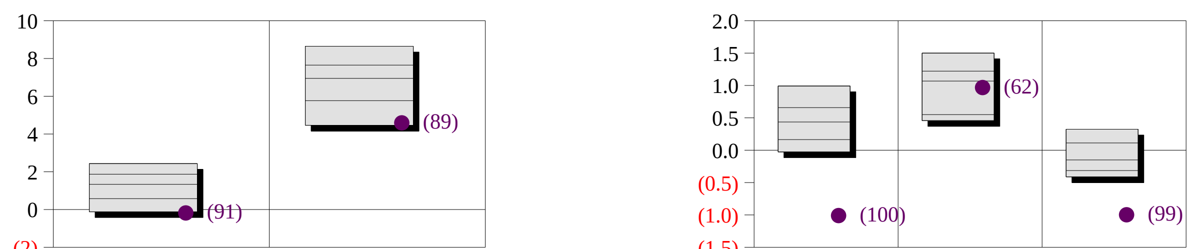


	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	6.80	9.09	17.21	5.59	7.86	5.45
25th Percentile	6.20	8.16	14.15	1.21	6.27	4.87
Median	5.64	7.73	11.98	(1.88)	5.63	4.38
75th Percentile	4.17	7.17	8.16	(9.80)	4.25	3.99
90th Percentile	2.10	6.49	7.29	(12.35)	1.90	3.67
Govt/Credit Bond Fund ●	7.34	6.39	3.79	5.77	7.24	3.82
BC Govt/Credit Bd ▲	7.47	6.59	4.52	5.70	7.23	3.78

Cumulative and Quarterly Relative Return vs BC Govt/Credit Bd



Risk Adjusted Return Measures vs BC Govt/Credit Bd
Rankings Against CAI MF - Core Bond Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	2.43	8.65
25th Percentile	1.87	7.65
Median	1.33	6.95
75th Percentile	0.58	5.77
90th Percentile	(0.12)	4.46
Govt/Credit Bond Fund ●	(0.18)	4.59

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.99	1.50	0.32
25th Percentile	0.66	1.22	0.11
Median	0.44	1.07	(0.15)
75th Percentile	0.16	0.55	(0.31)
90th Percentile	(0.03)	0.46	(0.41)
Govt/Credit Bond Fund ●	(1.01)	0.97	(1.00)

US Treasury Inflation
Protected

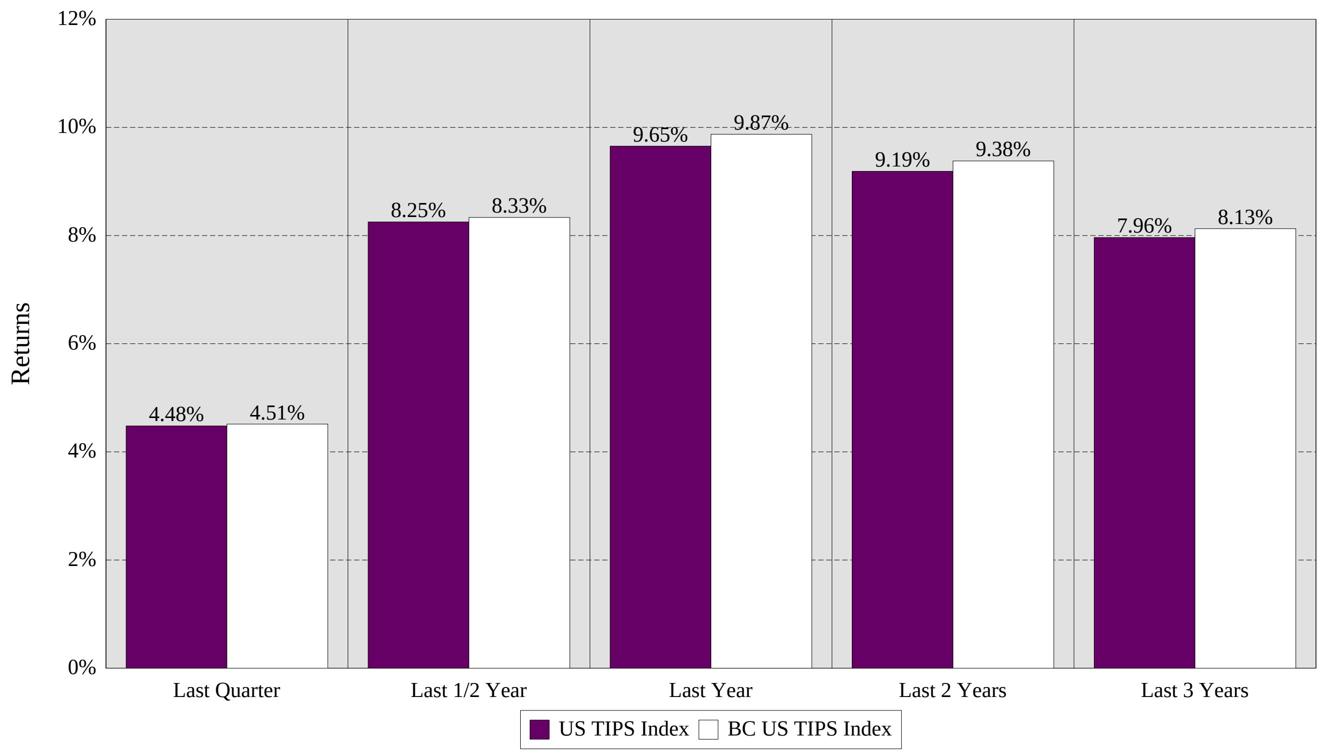
US TIPS INDEX
PERIOD ENDED SEPTEMBER 30, 2011

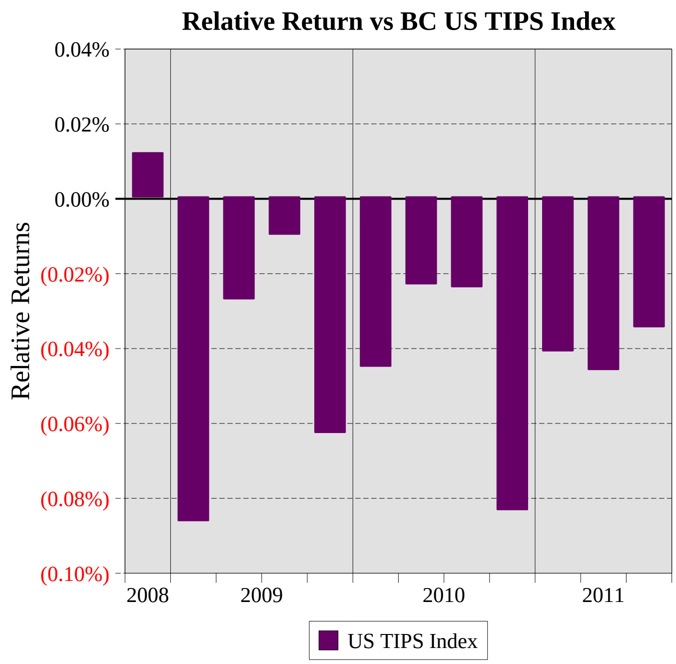
Investment Philosophy

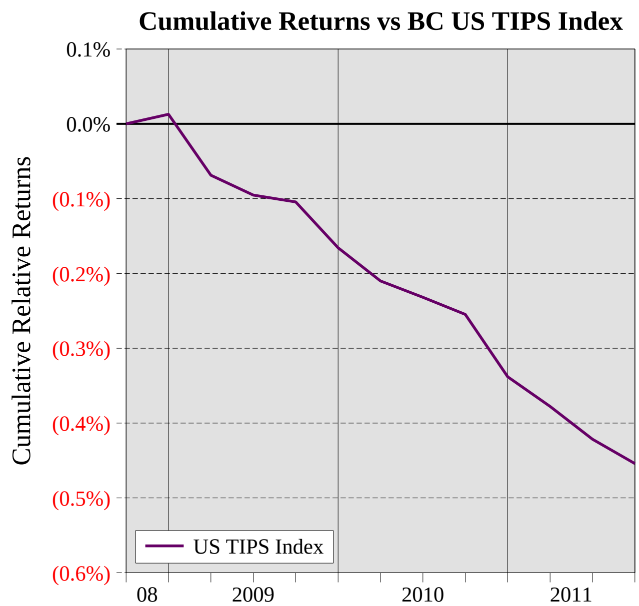
The US TIPS Fund is managed by SSgA. Annual fees are 9 basis points. Passively managed.

Quarterly Summary and Highlights

- US TIPS Index's portfolio underperformed the BC US TIPS Index by 0.03% for the quarter and underperformed the BC US TIPS Index for the year by 0.22%.







Long US Treasury
Bond Index

LONG US TREASURY INDEX
PERIOD ENDED SEPTEMBER 30, 2011

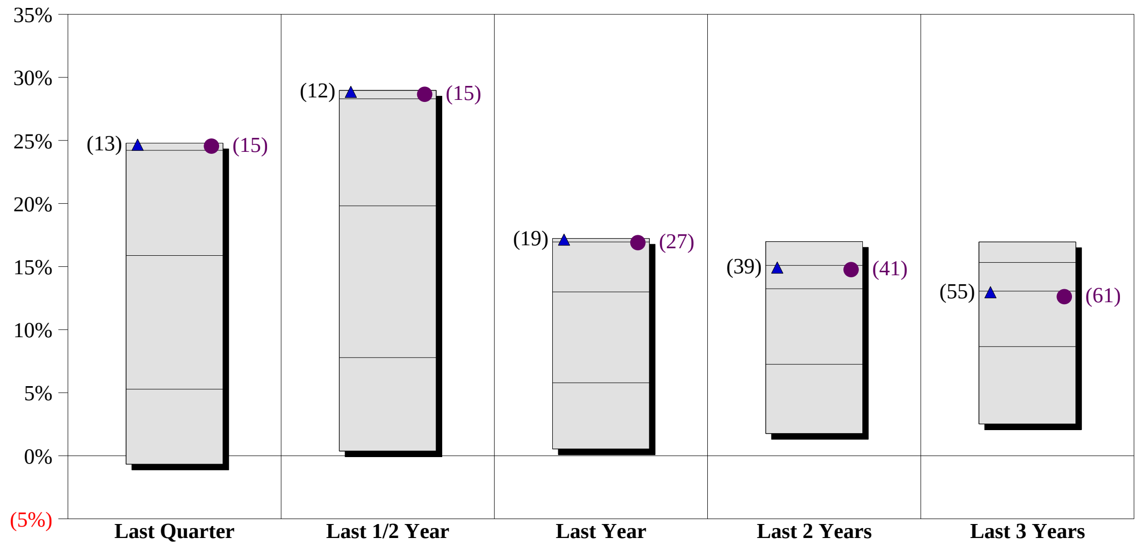
Investment Philosophy

The Long US Treasury Index is managed by SSgA. Annual fees are 7 basis points. Passively managed.

Quarterly Summary and Highlights

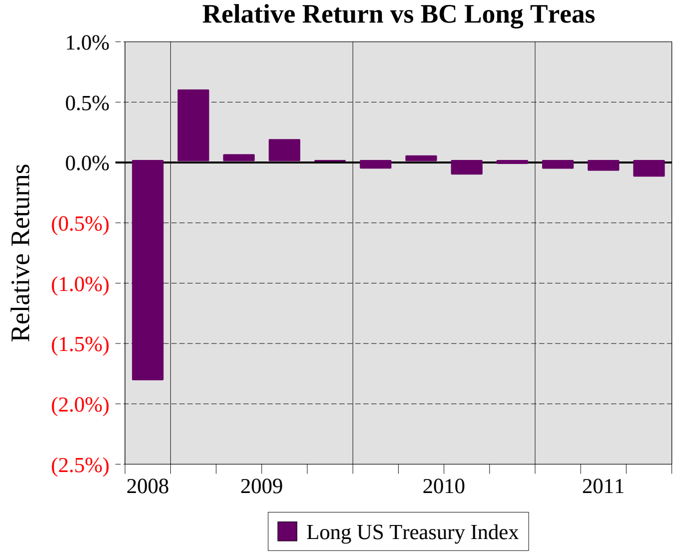
- Long US Treasury Index's portfolio posted a 24.55% return for the quarter placing it in the 15 percentile of the CAI MF - Extended Maturity group for the quarter and in the 27 percentile for the last year.
- Long US Treasury Index's portfolio underperformed the BC Long Treas by 0.11% for the quarter and underperformed the BC Long Treas for the year by 0.24%.

Performance vs CAI MF - Extended Maturity (Gross)

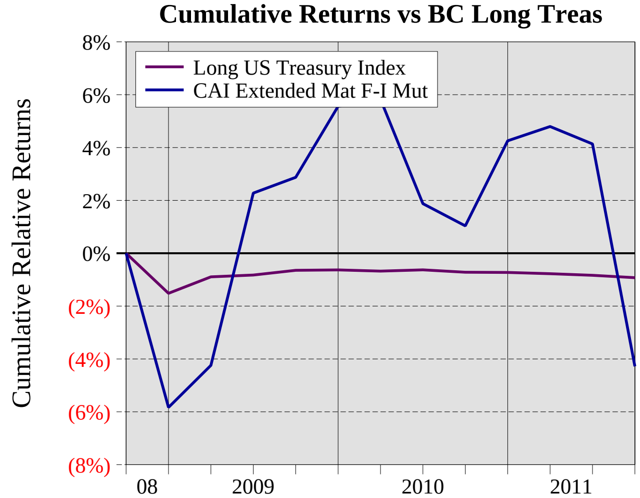


	Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
10th Percentile	24.79	28.97	17.23	16.98	16.95
25th Percentile	24.22	28.30	16.95	15.09	15.32
Median	15.88	19.82	12.99	13.24	13.05
75th Percentile	5.28	7.78	5.79	7.25	8.66
90th Percentile	(0.67)	0.37	0.54	1.76	2.52
Long US Treasury Index ●	24.55	28.66	16.90	14.76	12.62
BC Long Treas ▲	24.66	28.86	17.14	14.92	12.96

Relative Return vs BC Long Treas



Cumulative Returns vs BC Long Treas



World Govt Bond
ex-US Index

WORLD GOVT BOND EX US
PERIOD ENDED SEPTEMBER 30, 2011

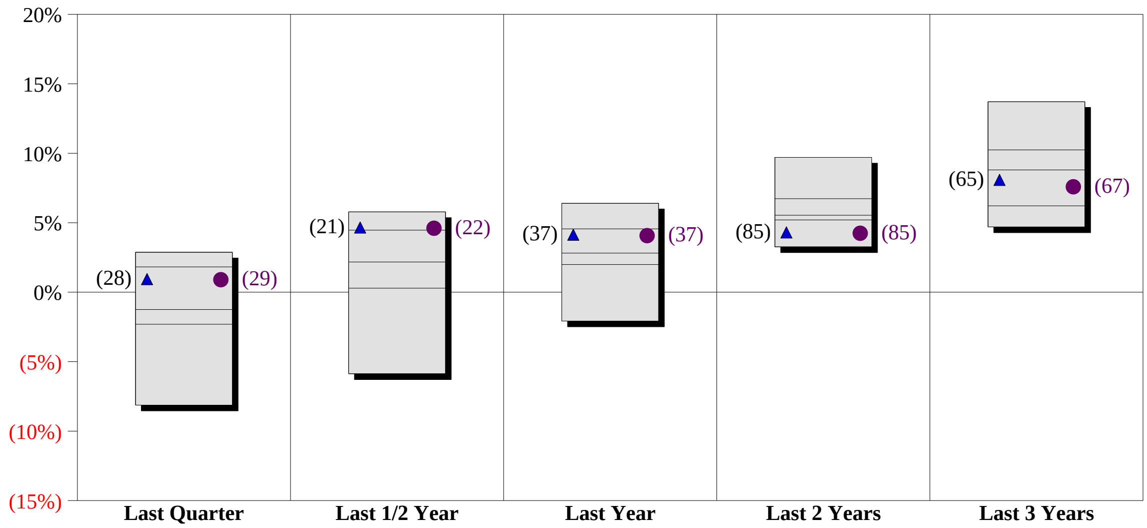
Investment Philosophy

The World Govt Bond ex US Index Fund is managed by SSgA. Annual fees are 9 basis points. Passively managed.

Quarterly Summary and Highlights

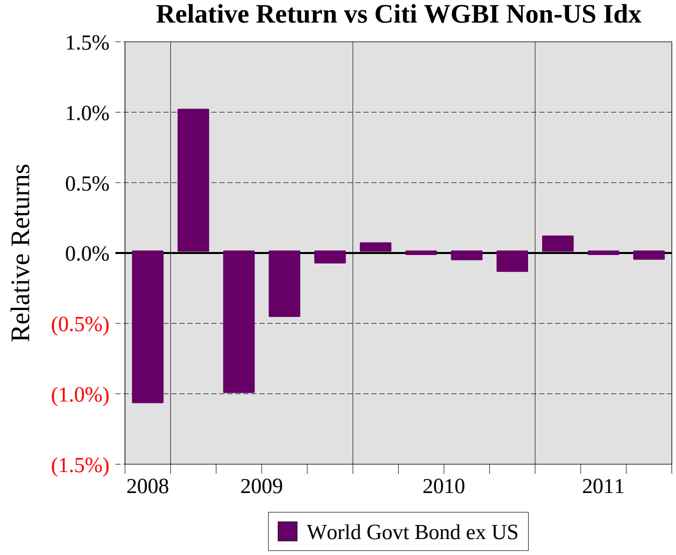
- World Govt Bond ex US's portfolio posted a 0.90% return for the quarter placing it in the 29 percentile of the CAI MF - Global Fixed Income Style group for the quarter and in the 37 percentile for the last year.
- World Govt Bond ex US's portfolio underperformed the Citi WGBI Non-US Idx by 0.04% for the quarter and underperformed the Citi WGBI Non-US Idx for the year by 0.07%.

Performance vs CAI MF - Global Fixed Income Style (Gross)

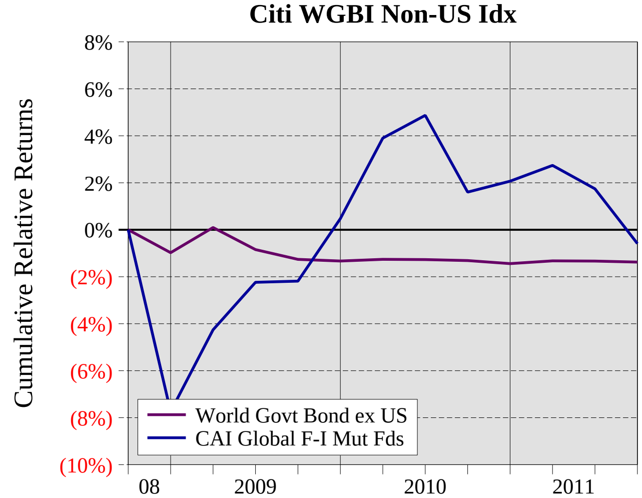


	Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
10th Percentile	2.87	5.78	6.40	9.70	13.71
25th Percentile	1.82	4.47	4.56	6.73	10.24
Median	(1.25)	2.17	2.81	5.54	8.80
75th Percentile	(2.31)	0.29	1.99	5.20	6.22
90th Percentile	(8.13)	(5.87)	(2.08)	3.27	4.70
World Govt Bond ex US ●	0.90	4.60	4.07	4.24	7.59
Citi WGBI Non-US Idx ▲	0.94	4.66	4.14	4.30	8.09

Relative Return vs Citi WGBI Non-US Idx



Cumulative Returns vs Citi WGBI Non-US Idx



S&P 500 Stock
Index Fund

S&P 500 STOCK INDEX FUND
PERIOD ENDED SEPTEMBER 30, 2011

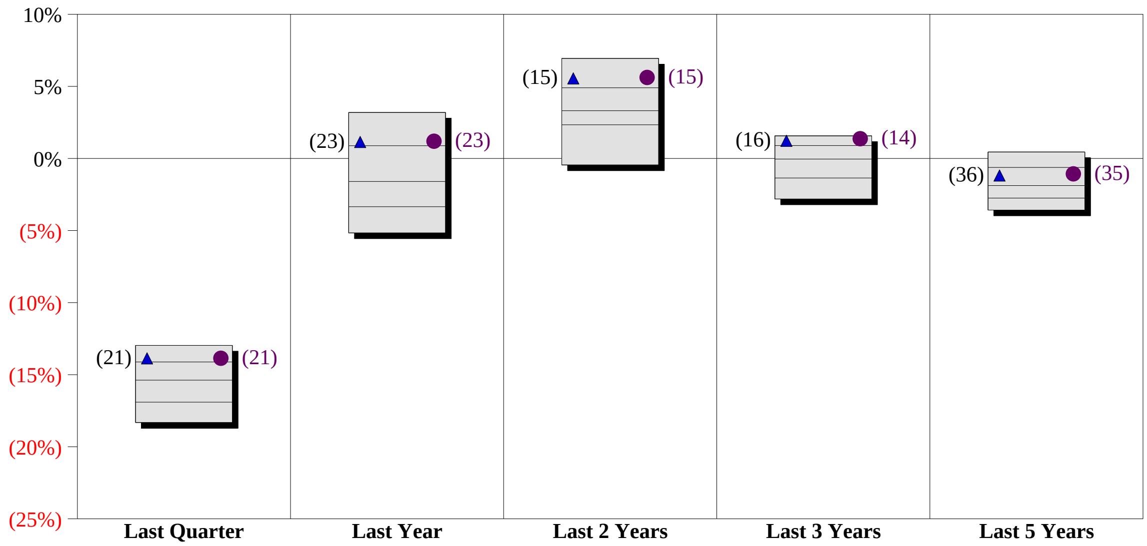
Investment Philosophy

The S&P 500 Stock Index Fund is managed by BlackRock. Annual fees are 3.5 basis points. Passively managed.

Quarterly Summary and Highlights

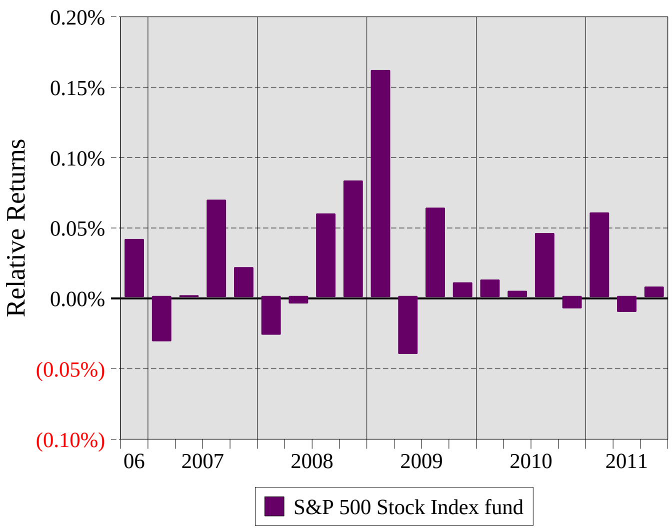
- S&P 500 Stock Index fund's portfolio posted a (13.86)% return for the quarter placing it in the 21 percentile of the CAI MF - Core Equity Style group for the quarter and in the 23 percentile for the last year.
- S&P 500 Stock Index fund's portfolio outperformed the S&P 500 Index by 0.01% for the quarter and outperformed the S&P 500 Index for the year by 0.05%.

Performance vs CAI MF - Core Equity Style (Net)

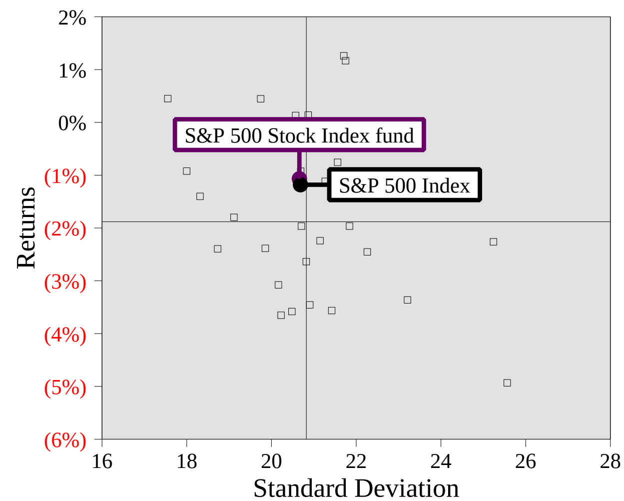


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(12.97)	3.19	6.94	1.57	0.45
25th Percentile	(14.12)	0.88	4.90	0.89	(0.62)
Median	(15.38)	(1.60)	3.31	(0.04)	(1.88)
75th Percentile	(16.91)	(3.35)	2.34	(1.35)	(2.75)
90th Percentile	(18.32)	(5.17)	(0.45)	(2.81)	(3.58)
S&P 500 Stock Index fund ●	(13.86)	1.20	5.62	1.37	(1.07)
S&P 500 Index ▲	(13.87)	1.14	5.56	1.23	(1.18)

Relative Return vs S&P 500 Index



CAI MF - Core Equity Style (Net) Annualized Five Year Risk vs Return

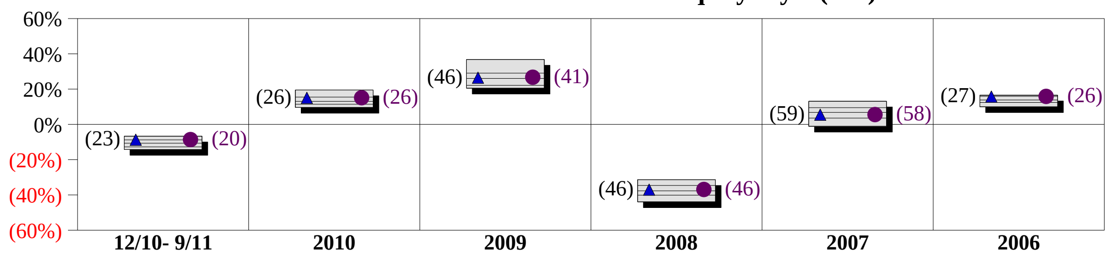


S&P 500 STOCK INDEX FUND
RETURN ANALYSIS SUMMARY

Return Analysis

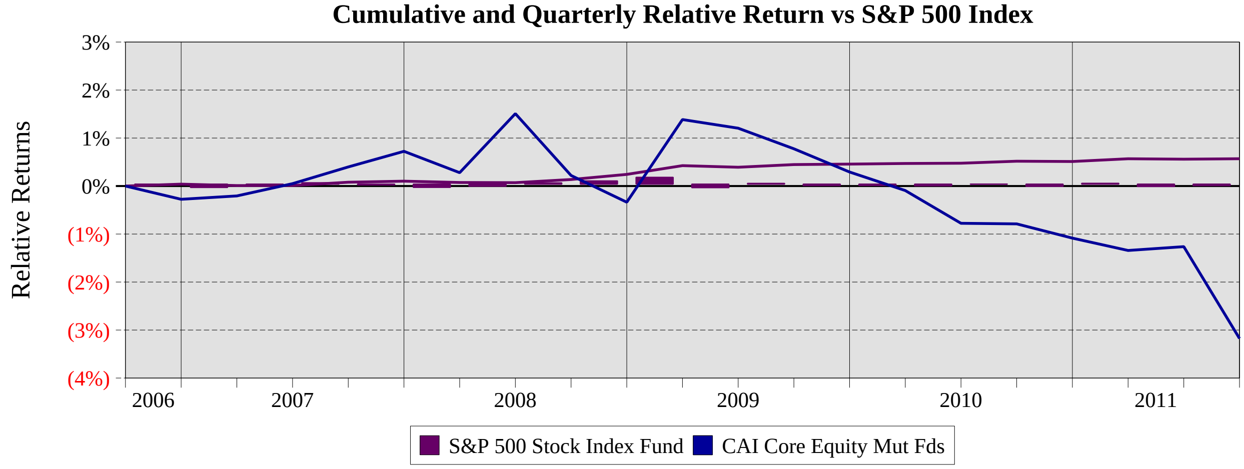
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Core Equity Style (Net)

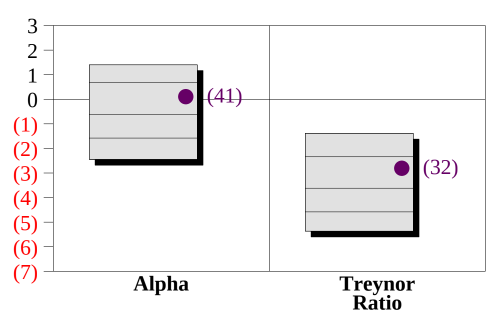


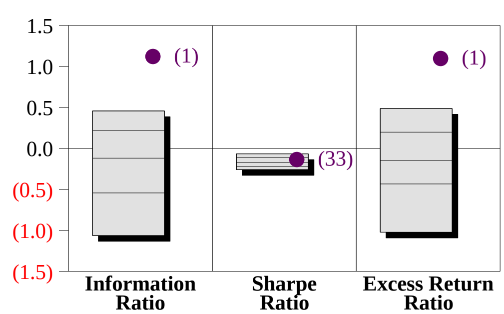
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	(6.69)	19.51	36.80	(31.36)	13.12	16.54
25th Percentile	(8.77)	15.47	29.07	(34.63)	9.48	15.95
Median	(10.68)	13.07	26.06	(37.68)	6.81	13.84
75th Percentile	(12.74)	11.43	22.15	(40.13)	3.56	12.42
90th Percentile	(14.26)	9.62	20.49	(43.92)	(1.09)	9.99
S&P 500 Stock Index Fund ●	(8.63)	15.13	26.74	(36.91)	5.56	15.88
S&P 500 Index ▲	(8.68)	15.06	26.47	(37.00)	5.49	15.79

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI MF - Core Equity Style (Net)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	1.40	(1.39)
25th Percentile	0.68	(2.34)
Median	(0.62)	(3.62)
75th Percentile	(1.58)	(4.58)
90th Percentile	(2.45)	(5.37)
S&P 500 Stock Index Fund ●	0.11	(2.81)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.46	(0.07)	0.49
25th Percentile	0.22	(0.11)	0.20
Median	(0.12)	(0.17)	(0.15)
75th Percentile	(0.54)	(0.22)	(0.43)
90th Percentile	(1.06)	(0.26)	(1.02)
S&P 500 Stock Index Fund ●	1.12	(0.14)	1.10

SMALL CAP STOCK TRUST
PERIOD ENDED SEPTEMBER 30, 2011

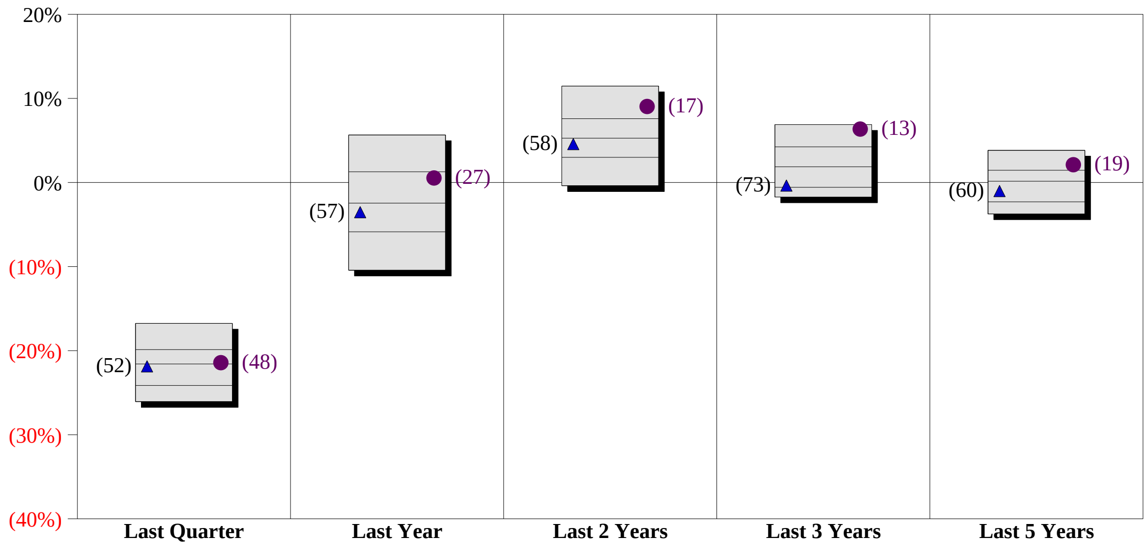
Investment Philosophy

The Small Cap Stock Trust is managed by T. Rowe Price. The annual fees are 70 basis points. Actively managed.

Quarterly Summary and Highlights

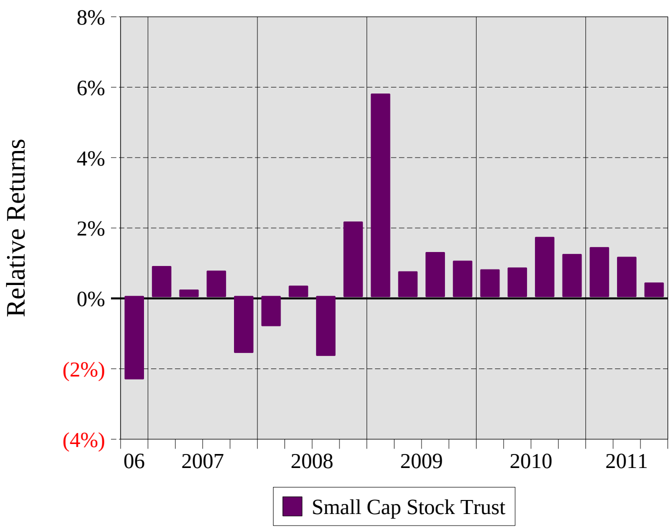
- Small Cap Stock Trust's portfolio posted a (21.43)% return for the quarter placing it in the 48 percentile of the CAI MF - Small Cap Broad Style group for the quarter and in the 27 percentile for the last year.
- Small Cap Stock Trust's portfolio outperformed the Russell 2000 Index by 0.44% for the quarter and outperformed the Russell 2000 Index for the year by 4.06%.

Performance vs CAI MF - Small Cap Broad Style (Net)

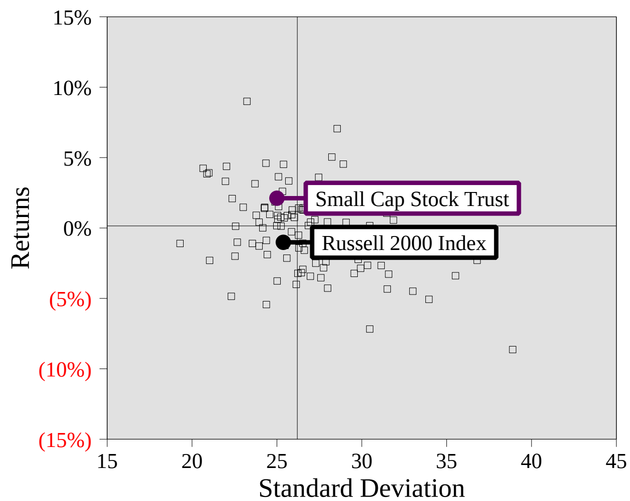


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(16.76)	5.65	11.46	6.88	3.82
25th Percentile	(19.87)	1.27	7.59	4.24	1.45
Median	(21.59)	(2.46)	5.27	1.87	0.15
75th Percentile	(24.14)	(5.87)	2.99	(0.57)	(2.30)
90th Percentile	(26.06)	(10.44)	(0.38)	(1.73)	(3.74)
Small Cap Stock Trust ●	(21.43)	0.54	9.04	6.35	2.11
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)

Relative Return vs Russell 2000 Index



CAI MF - Small Cap Broad Style (Net) Annualized Five Year Risk vs Return

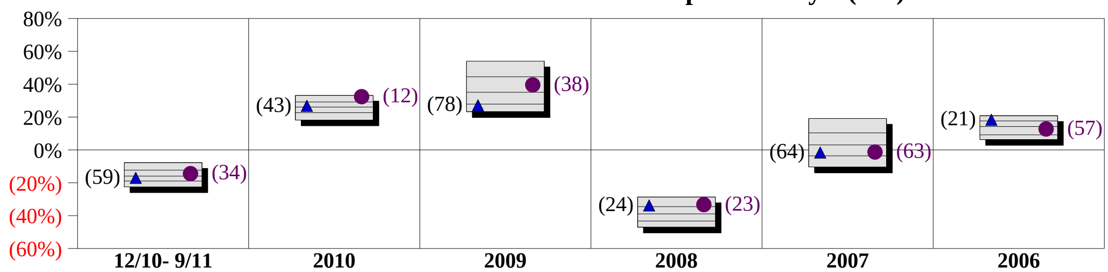


SMALL CAP STOCK TRUST
RETURN ANALYSIS SUMMARY

Return Analysis

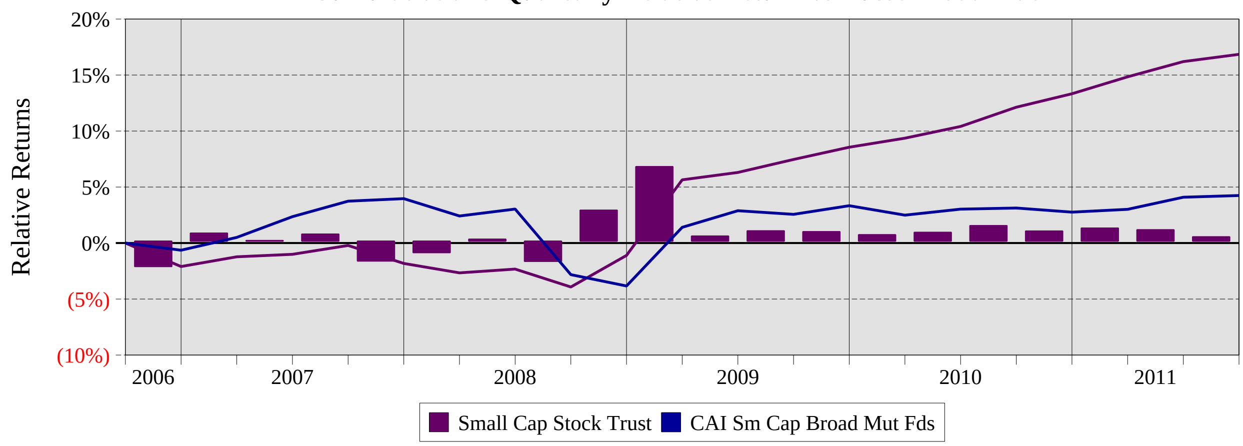
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Small Cap Broad Style (Net)

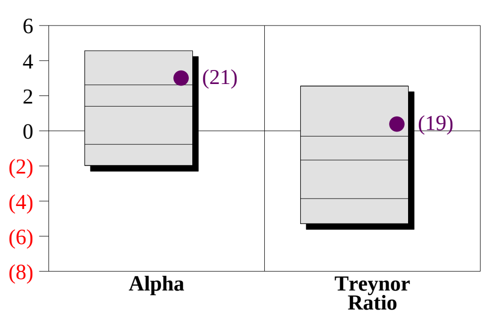


	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	(7.73)	33.15	54.04	(28.66)	19.12	20.83
25th Percentile	(12.30)	29.20	44.52	(34.53)	10.39	17.65
Median	(15.93)	26.10	35.11	(38.94)	3.07	14.23
75th Percentile	(18.94)	22.70	27.89	(43.30)	(3.60)	9.19
90th Percentile	(22.51)	18.19	23.27	(47.03)	(10.37)	6.31
Small Cap Stock Trust ●	(14.44)	32.43	39.59	(33.30)	(1.29)	12.74
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)	18.37

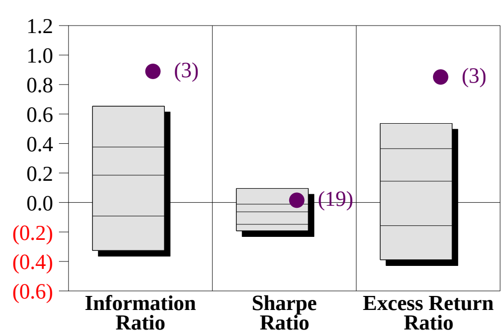
Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI MF - Small Cap Broad Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	4.56	2.55
25th Percentile	2.62	(0.30)
Median	1.40	(1.66)
75th Percentile	(0.77)	(3.86)
90th Percentile	(1.97)	(5.29)
Small Cap Stock Trust ●	3.01	0.39



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.65	0.10	0.54
25th Percentile	0.38	(0.01)	0.37
Median	0.19	(0.06)	0.14
75th Percentile	(0.09)	(0.15)	(0.16)
90th Percentile	(0.33)	(0.19)	(0.39)
Small Cap Stock Trust ●	0.89	0.02	0.85

RUSSELL 3000 INDEX FUND
PERIOD ENDED SEPTEMBER 30, 2011

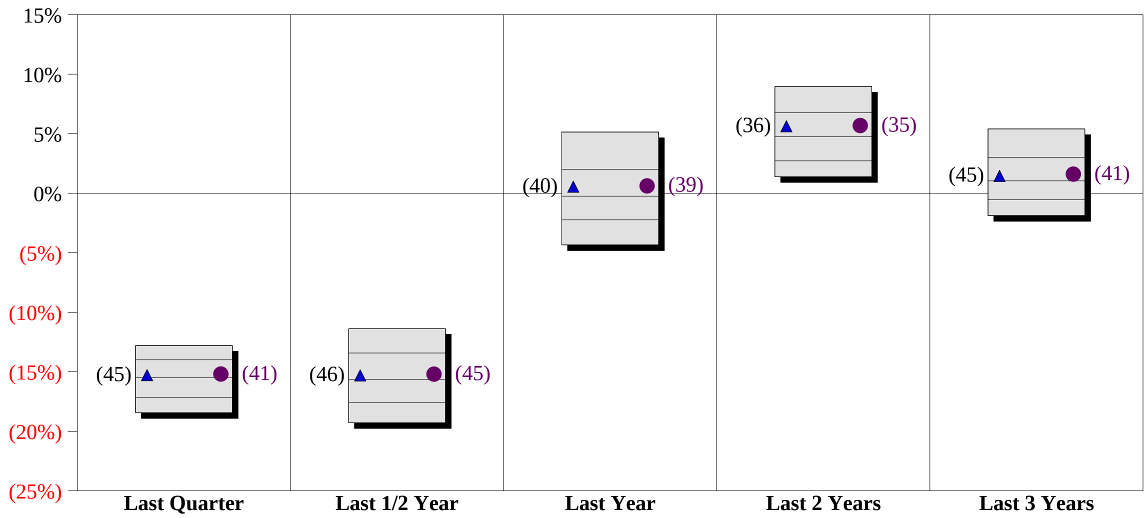
Investment Philosophy

The Russell 3000 Index Fund, managed by SSgA, seeks to replicate the returns and characteristics of the Russell 3000 Index. Annual fees are 3 basis points. Passively managed.

Quarterly Summary and Highlights

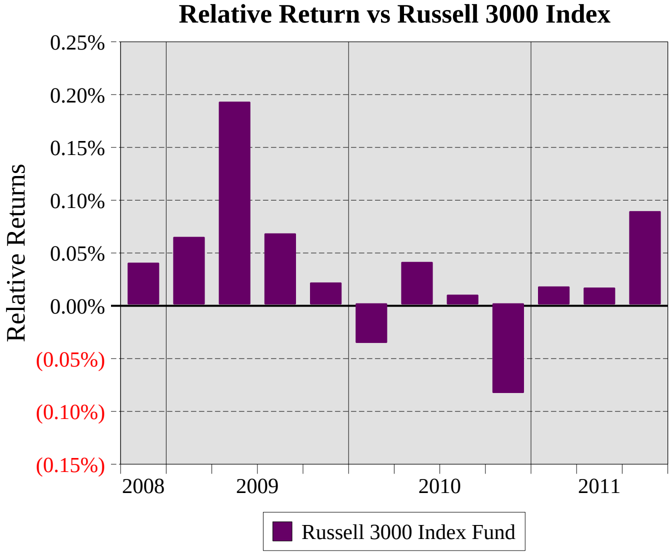
- Russell 3000 Index Fund's portfolio posted a (15.19)% return for the quarter placing it in the 41 percentile of the CAI Large Capitalization Style group for the quarter and in the 39 percentile for the last year.
- Russell 3000 Index Fund's portfolio outperformed the Russell 3000 Index by 0.09% for the quarter and outperformed the Russell 3000 Index for the year by 0.07%.

Performance vs CAI Large Capitalization Style (Gross)

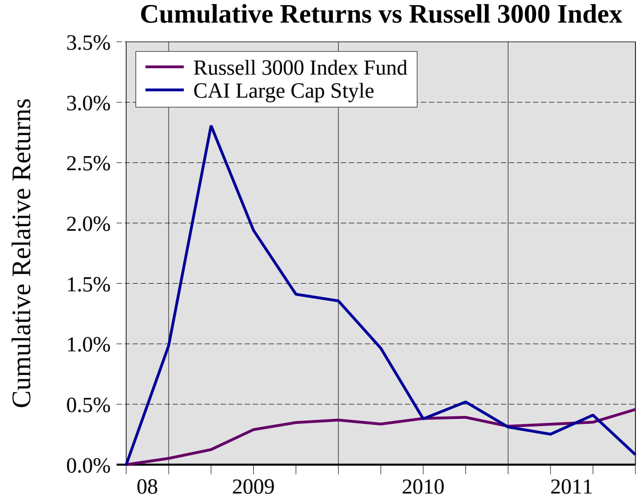


	Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(12.80)	(11.38)	5.14	8.97	5.40
25th Percentile	(14.00)	(13.43)	2.01	6.76	3.01
Median	(15.51)	(15.64)	(0.25)	4.75	1.04
75th Percentile	(17.16)	(17.59)	(2.24)	2.72	(0.55)
90th Percentile	(18.44)	(19.28)	(4.34)	1.39	(1.88)
Russell 3000 Index Fund ●	(15.19)	(15.20)	0.61	5.68	1.60
Russell 3000 Index ▲	(15.28)	(15.30)	0.55	5.63	1.45

Relative Return vs Russell 3000 Index



Cumulative Returns vs Russell 3000 Index



RCM SOCIALLY RESP(NET)
PERIOD ENDED SEPTEMBER 30, 2011

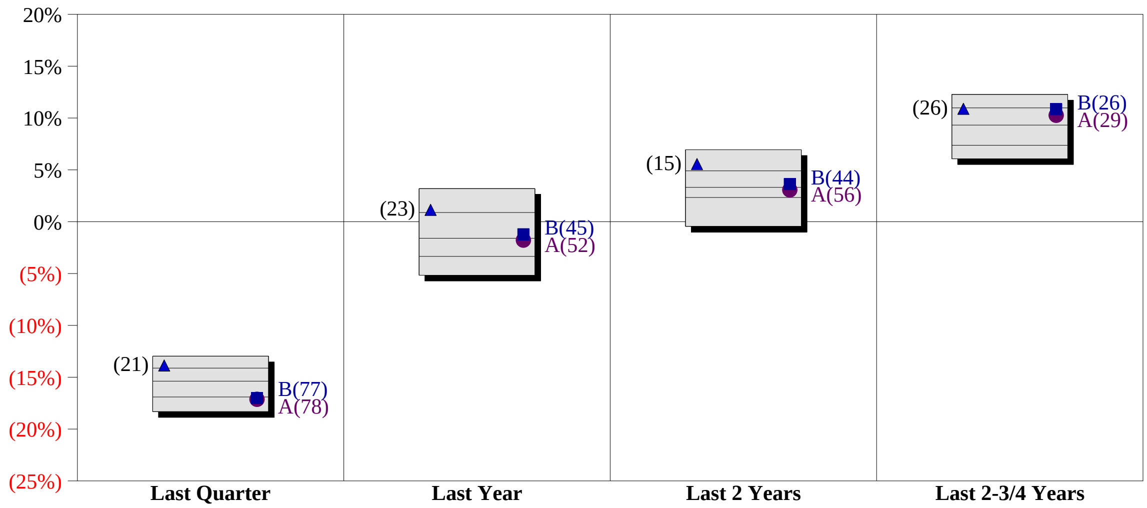
Investment Philosophy

The RCM Socially Responsible Inv. Fd is actively managed. Annual fees are 50 basis points.

Quarterly Summary and Highlights

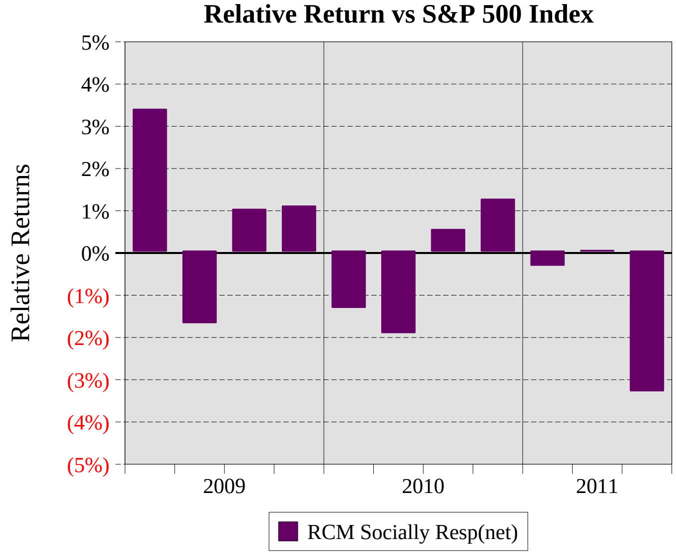
- RCM Socially Resp(net)'s portfolio posted a (17.13)% return for the quarter placing it in the 78 percentile of the CAI MF - Core Equity Style group for the quarter and in the 52 percentile for the last year.
- RCM Socially Resp(net)'s portfolio underperformed the S&P 500 Index by 3.26% for the quarter and underperformed the S&P 500 Index for the year by 2.92%.

Performance vs CAI MF - Core Equity Style (Net)

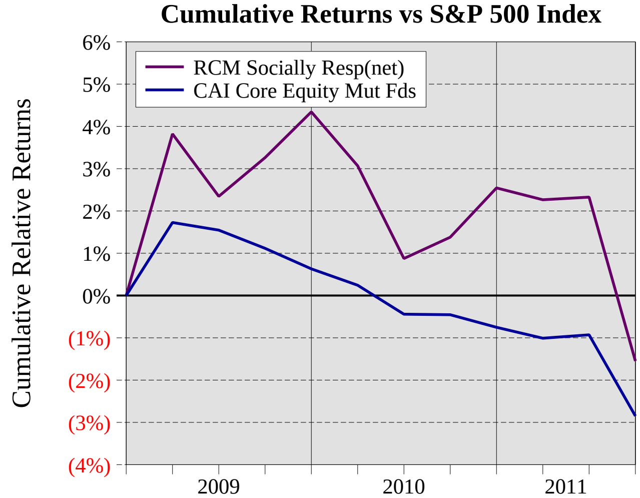


		Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile		(12.97)	3.19	6.94	12.28
25th Percentile		(14.12)	0.88	4.90	10.98
Median		(15.38)	(1.60)	3.31	9.32
75th Percentile		(16.91)	(3.35)	2.34	7.37
90th Percentile		(18.32)	(5.17)	(0.45)	6.07
RCM Socially Resp(net)	● A	(17.13)	(1.78)	3.07	10.27
RCM Socially Resp(gross)	■ B	(17.01)	(1.21)	3.63	10.85
S&P 500 Index	▲	(13.87)	1.14	5.56	10.89

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index



INTERNATIONAL EQUITY FUND
PERIOD ENDED SEPTEMBER 30, 2011

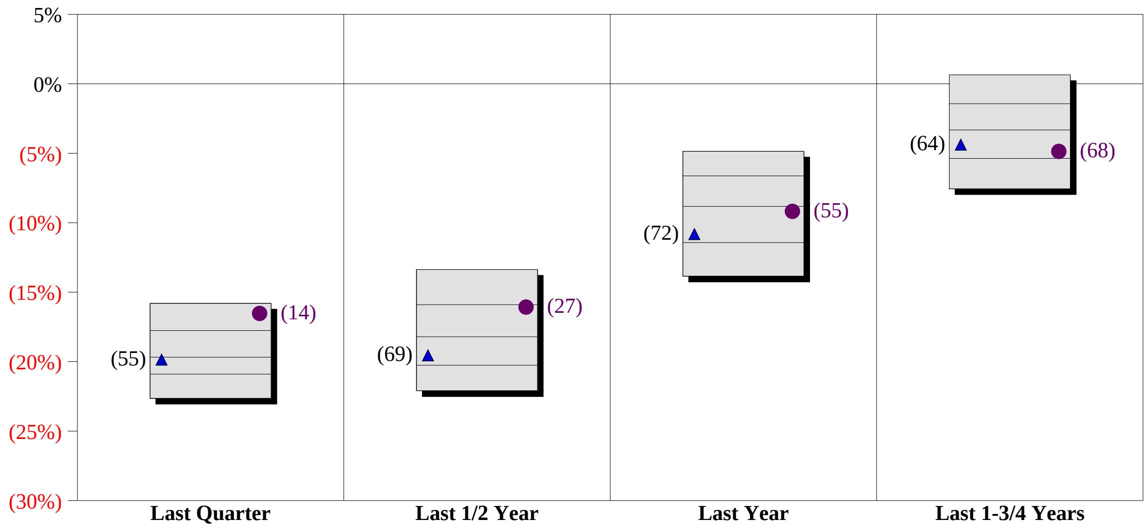
Investment Philosophy

The International Equity fund is managed by Brandes. It is actively managed. Annual fees are 50 basis points.

Quarterly Summary and Highlights

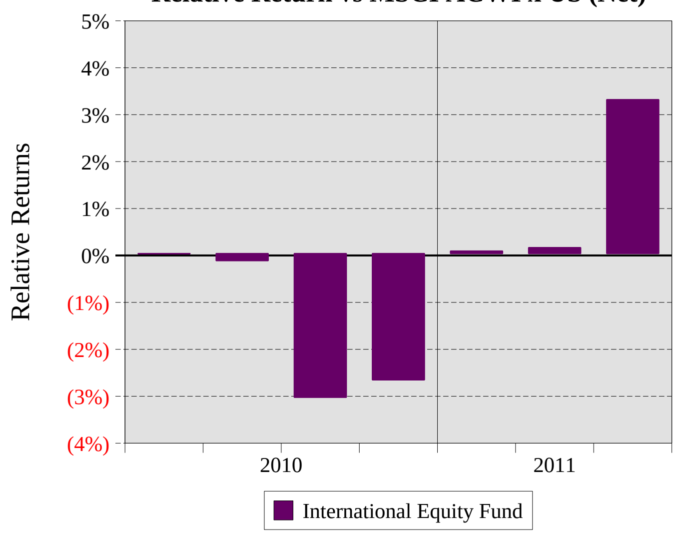
- International Equity Fund's portfolio posted a (16.53)% return for the quarter placing it in the 14 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 55 percentile for the last year.
- International Equity Fund's portfolio outperformed the MSCI ACWI x US (Net) by 3.32% for the quarter and outperformed the MSCI ACWI x US (Net) for the year by 1.63%.

Performance vs CAI Non-U.S. Equity Style (Gross)

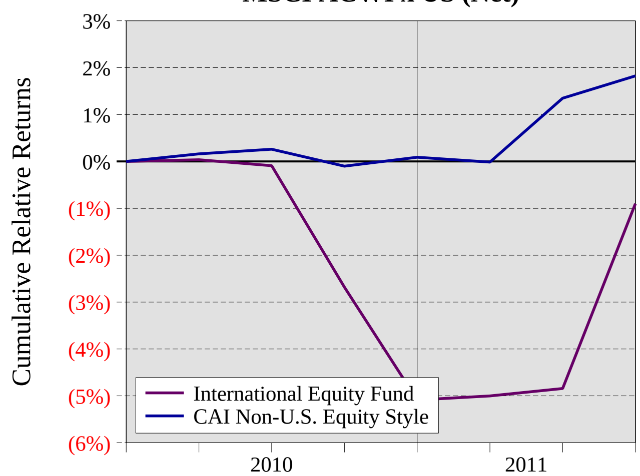


	Last Quarter	Last 1/2 Year	Last Year	Last 1-3/4 Years
10th Percentile	(15.80)	(13.37)	(4.86)	0.65
25th Percentile	(17.76)	(15.90)	(6.63)	(1.43)
Median	(19.68)	(18.21)	(8.82)	(3.32)
75th Percentile	(20.90)	(20.26)	(11.43)	(5.37)
90th Percentile	(22.64)	(22.09)	(13.85)	(7.56)
International Equity Fund ●	(16.53)	(16.07)	(9.18)	(4.87)
MSCI ACWI x US (Net) ▲	(19.85)	(19.54)	(10.81)	(4.37)

Relative Return vs MSCI ACWI x US (Net)



Cumulative Returns vs MSCI ACWI x US (Net)



World Equity
ex-US Index

WORLD EQUITY EX-US
PERIOD ENDED SEPTEMBER 30, 2011

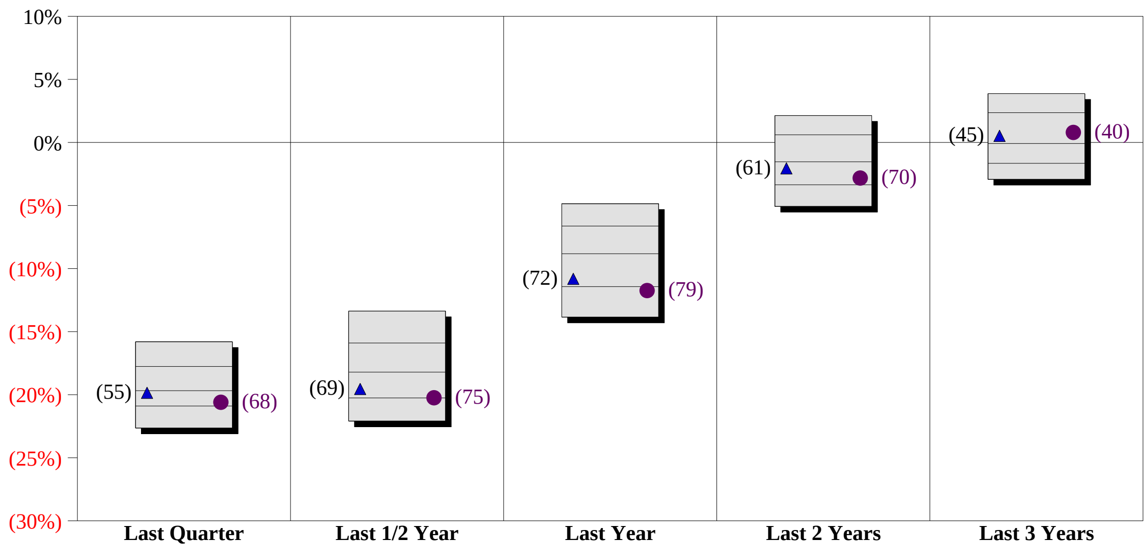
Investment Philosophy

The World Equity ex US fund is managed by SSgA. It is passively managed. Annual fees are 17 basis points.

Quarterly Summary and Highlights

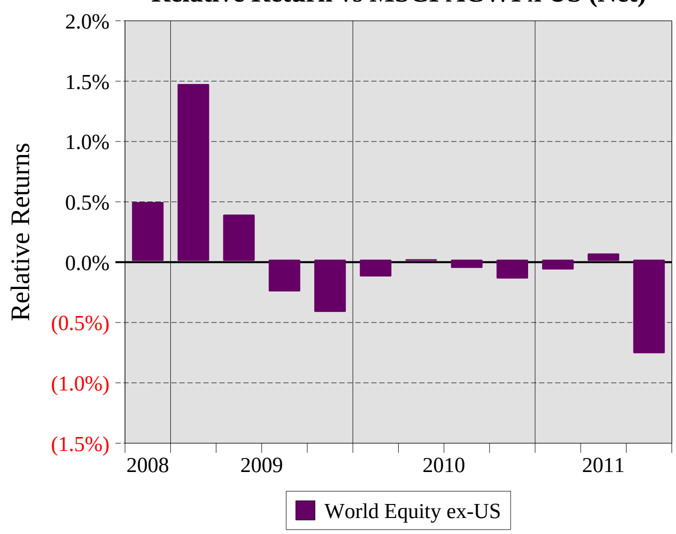
- World Equity ex-US's portfolio posted a (20.60)% return for the quarter placing it in the 68 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 79 percentile for the last year.
- World Equity ex-US's portfolio underperformed the MSCI ACWI x US (Net) by 0.75% for the quarter and underperformed the MSCI ACWI x US (Net) for the year by 0.93%.

Performance vs CAI Non-U.S. Equity Style (Gross)

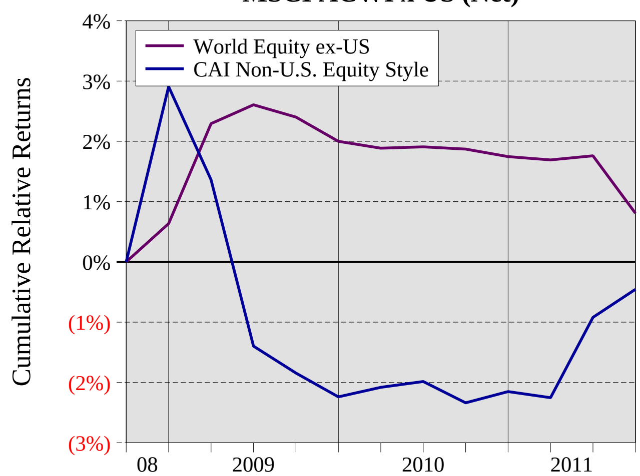


	Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(15.80)	(13.37)	(4.86)	2.13	3.87
25th Percentile	(17.76)	(15.90)	(6.63)	0.61	2.36
Median	(19.68)	(18.21)	(8.82)	(1.53)	(0.09)
75th Percentile	(20.90)	(20.26)	(11.43)	(3.36)	(1.66)
90th Percentile	(22.64)	(22.09)	(13.85)	(5.07)	(2.93)
World Equity ex-US ●	(20.60)	(20.24)	(11.74)	(2.82)	0.79
MSCI ACWI x US (Net) ▲	(19.85)	(19.54)	(10.81)	(2.06)	0.52

Relative Return vs MSCI ACWI x US (Net)



Cumulative Returns vs MSCI ACWI x US (Net)



Long Term Balanced
Trust

LONG TERM BALANCED TRUST
PERIOD ENDED SEPTEMBER 30, 2011

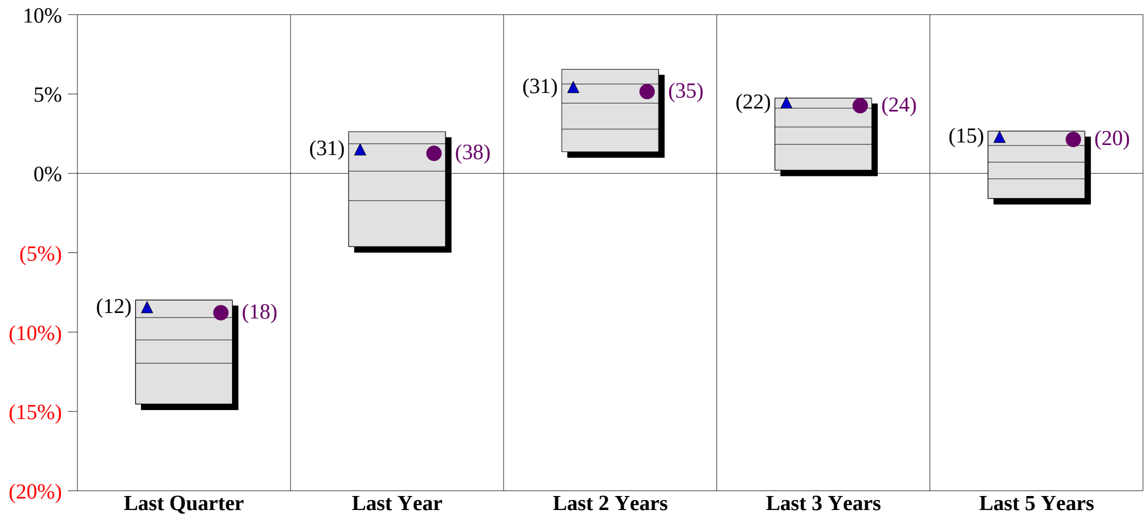
Investment Philosophy

The Long Term Balanced Trust is managed by T. Rowe Price. It is a combination of Enhanced Index (passive), Structured-Active and Actively managed portfolios. Annual fees are 13 basis points.

Quarterly Summary and Highlights

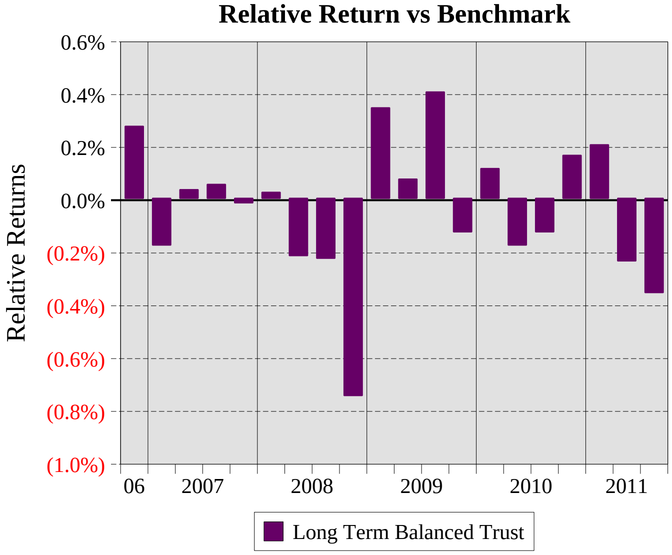
- Long Term Balanced Trust's portfolio posted a (8.78)% return for the quarter placing it in the 18 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 38 percentile for the last year.
- Long Term Balanced Trust's portfolio underperformed the Benchmark by 0.35% for the quarter and underperformed the Benchmark for the year by 0.25%.

Performance vs CAI MF - Domestic Balanced Style (Net)

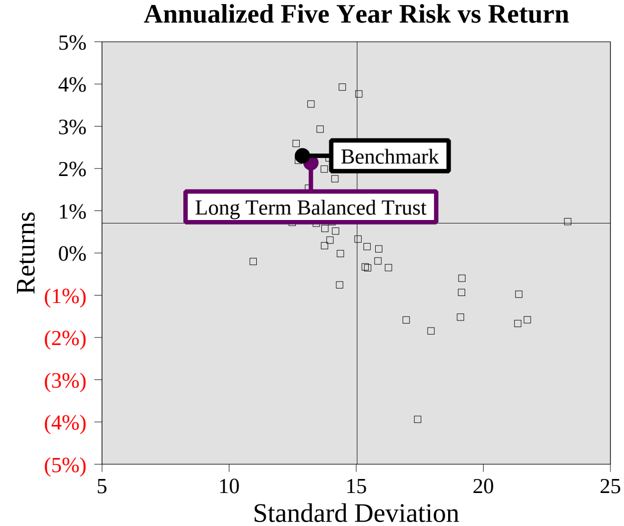


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(7.98)	2.62	6.56	4.74	2.66
25th Percentile	(9.08)	1.86	5.63	4.11	1.76
Median	(10.50)	0.14	4.42	2.92	0.71
75th Percentile	(11.96)	(1.72)	2.79	1.83	(0.35)
90th Percentile	(14.53)	(4.62)	1.36	0.20	(1.58)
Long Term Balanced Trust ●	(8.78)	1.26	5.15	4.26	2.14
Benchmark ▲	(8.43)	1.51	5.44	4.46	2.30

Relative Return vs Benchmark



CAI MF - Domestic Balanced Style (Net)
Annualized Five Year Risk vs Return

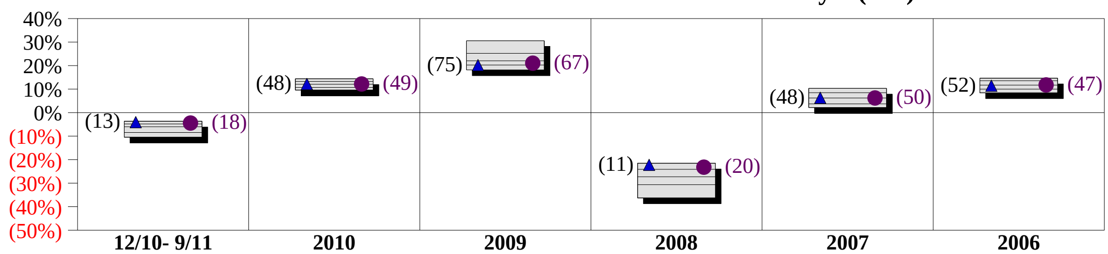


LONG TERM BALANCED TRUST
RETURN ANALYSIS SUMMARY

Return Analysis

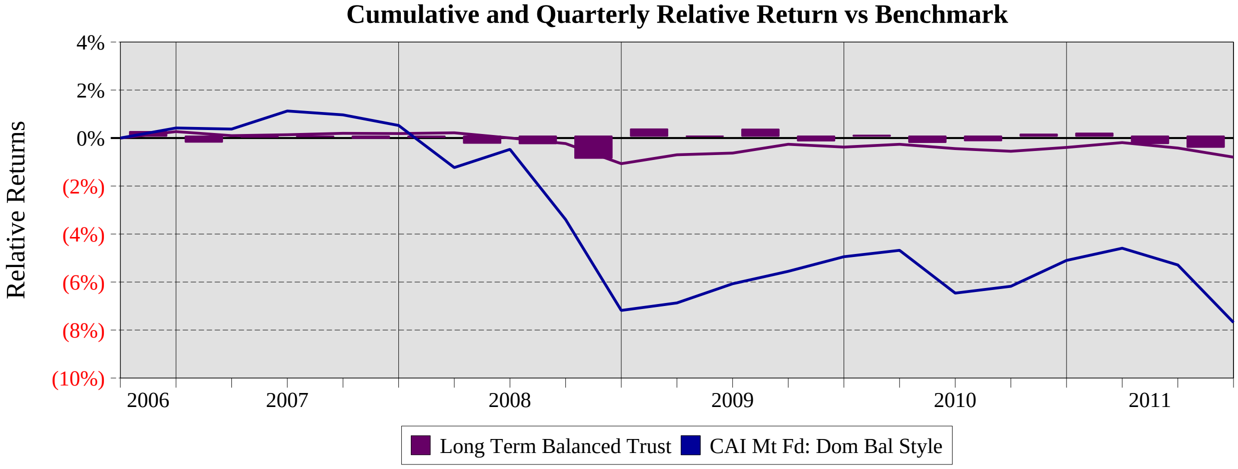
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Domestic Balanced Style (Net)

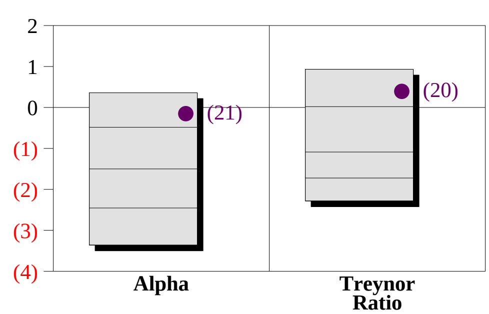


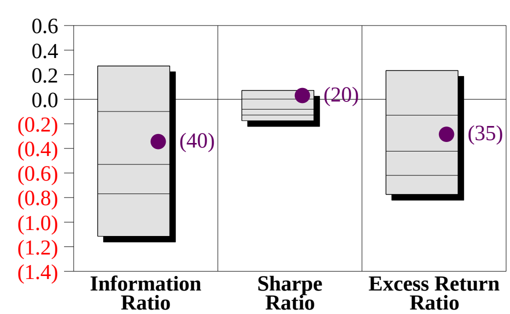
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	(3.67)	14.39	30.56	(21.52)	10.33	14.64
25th Percentile	(4.82)	13.26	25.21	(24.12)	8.48	13.58
Median	(6.00)	12.07	22.03	(27.29)	6.22	11.69
75th Percentile	(8.46)	10.70	20.24	(30.65)	3.73	9.99
90th Percentile	(10.45)	9.60	18.17	(36.29)	2.16	8.42
Long Term Balanced Trust ●	(4.43)	12.18	21.03	(23.19)	6.23	11.79
Benchmark ▲	(4.04)	12.19	20.19	(22.22)	6.32	11.45

Cumulative and Quarterly Relative Return vs Benchmark



Risk Adjusted Return Measures vs Benchmark
Rankings Against CAI MF - Domestic Balanced Style (Net)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	0.36	0.93
25th Percentile	(0.48)	0.02
Median	(1.50)	(1.09)
75th Percentile	(2.45)	(1.72)
90th Percentile	(3.36)	(2.28)
Long Term Balanced Trust ●	(0.15)	0.39

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.27	0.07	0.23
25th Percentile	(0.10)	0.00	(0.13)
Median	(0.53)	(0.08)	(0.42)
75th Percentile	(0.77)	(0.13)	(0.62)
90th Percentile	(1.12)	(0.17)	(0.77)
Long Term Balanced Trust ●	(0.34)	0.03	(0.28)

TARGET 2010
PERIOD ENDED SEPTEMBER 30, 2011

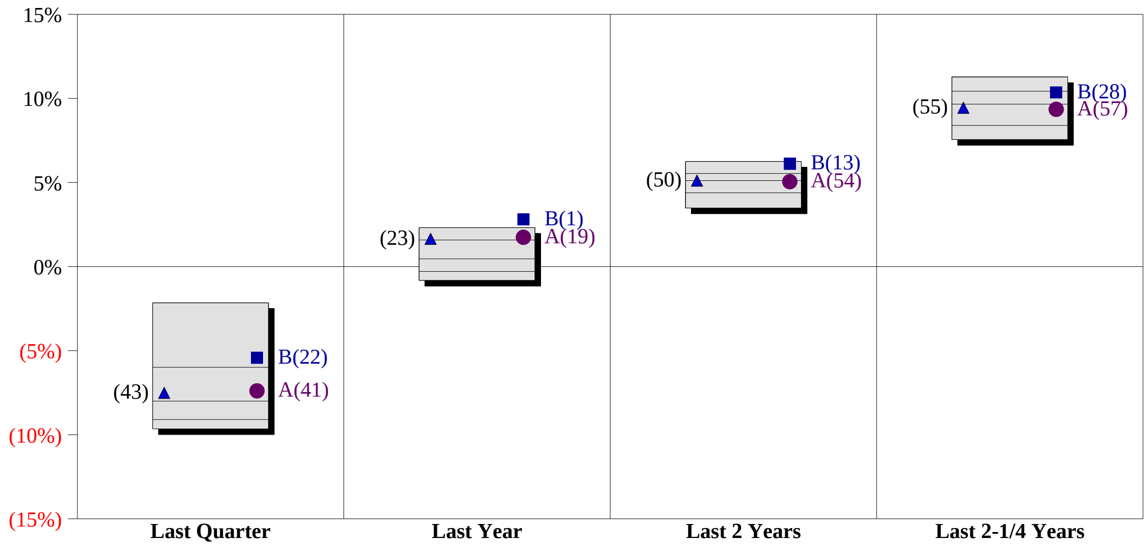
Investment Philosophy

Annual fees are 13 basis points.

Quarterly Summary and Highlights

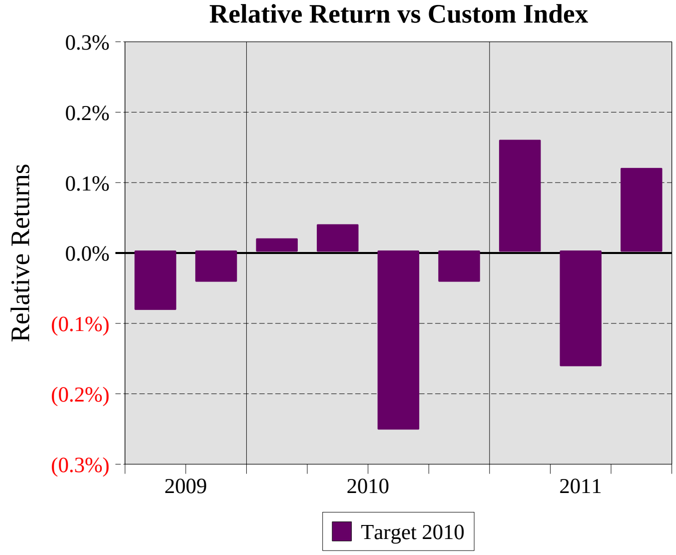
- Target 2010’s portfolio posted a (7.39)% return for the quarter placing it in the 41 percentile of the CAI Target Date 2010 group for the quarter and in the 19 percentile for the last year.
- Target 2010’s portfolio outperformed the Custom Index by 0.12% for the quarter and outperformed the Custom Index for the year by 0.09%.

Performance vs CAI Target Date 2010 (Net)

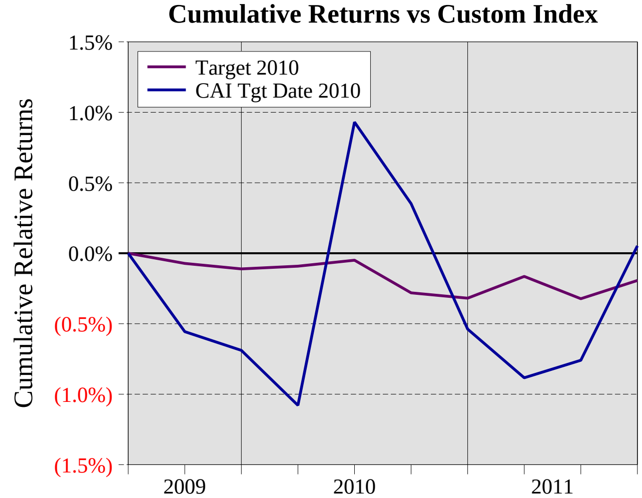


	Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile	(2.16)	2.32	6.25	11.28
25th Percentile	(5.99)	1.58	5.54	10.43
Median	(8.00)	0.46	5.11	9.66
75th Percentile	(9.10)	(0.29)	4.39	8.39
90th Percentile	(9.65)	(0.82)	3.48	7.55
Target 2010 ● A	(7.39)	1.74	5.05	9.35
CAI Tgt Dt Idx 2010 ■ B	(5.43)	2.81	6.12	10.36
Custom Index ▲	(7.51)	1.65	5.11	9.45

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



TARGET 2015 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

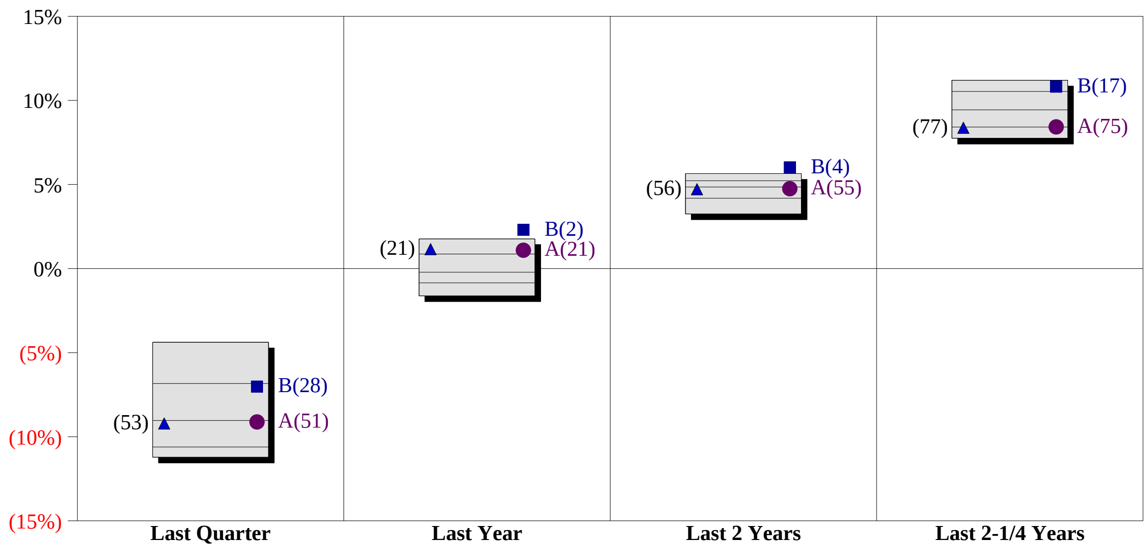
Investment Philosophy

Annual fees are 13 basis points.

Quarterly Summary and Highlights

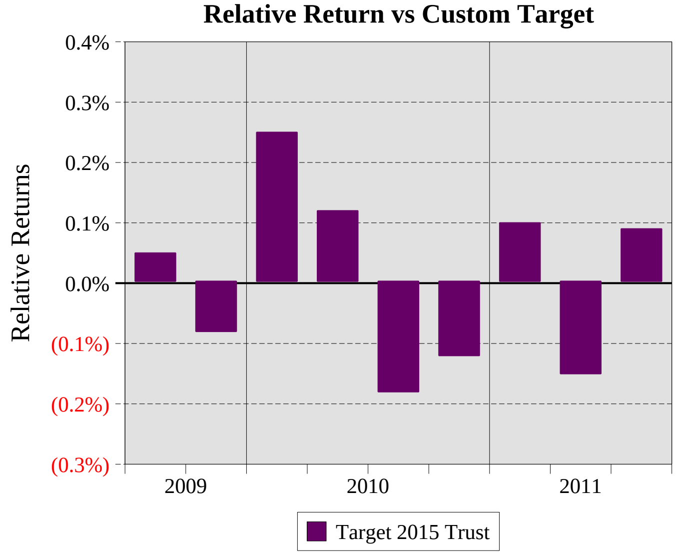
- Target 2015 Trust's portfolio posted a (9.12)% return for the quarter placing it in the 51 percentile of the CAI Target Date 2015 group for the quarter and in the 21 percentile for the last year.
- Target 2015 Trust's portfolio outperformed the Custom Target by 0.09% for the quarter and underperformed the Custom Target for the year by 0.07%.

Performance vs CAI Target Date 2015 (Net)

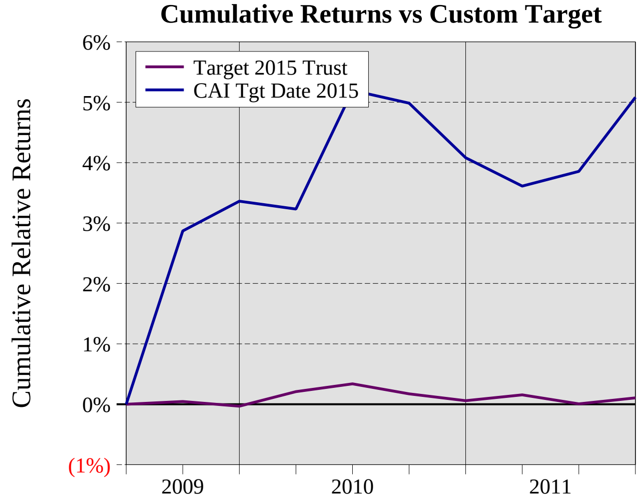


	Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile	(4.38)	1.76	5.65	11.20
25th Percentile	(6.84)	0.86	5.22	10.53
Median	(9.03)	(0.22)	4.85	9.44
75th Percentile	(10.61)	(0.85)	4.18	8.42
90th Percentile	(11.22)	(1.62)	3.25	7.75
Target 2015 Trust ● A	(9.12)	1.09	4.75	8.42
CAI Tgt Dt Idx 2015 ■ B	(7.02)	2.31	6.01	10.82
Custom Target ▲	(9.21)	1.16	4.72	8.37

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



TARGET 2020 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

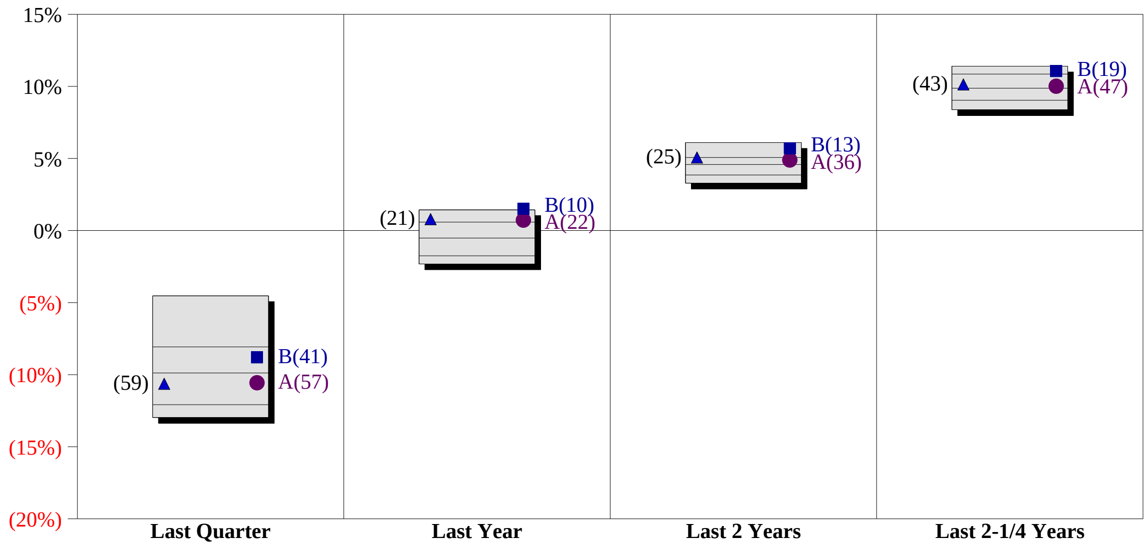
Investment Philosophy

Annual fees are 14 basis points.

Quarterly Summary and Highlights

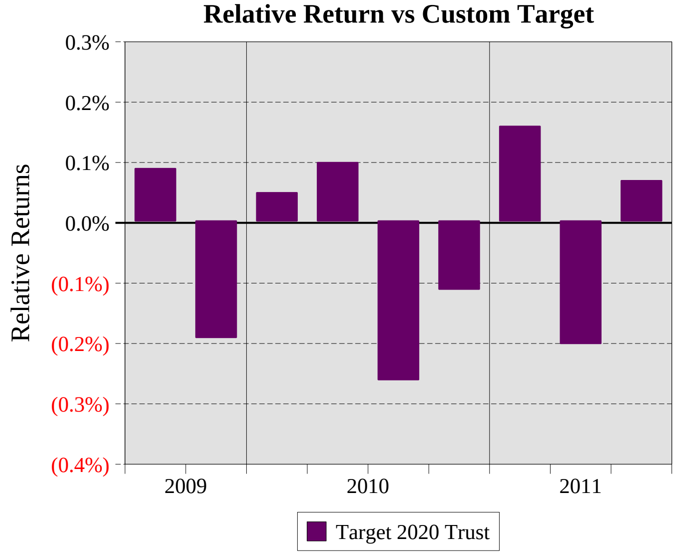
- Target 2020 Trust's portfolio posted a (10.56)% return for the quarter placing it in the 57 percentile of the CAI Target Date 2020 group for the quarter and in the 22 percentile for the last year.
- Target 2020 Trust's portfolio outperformed the Custom Target by 0.07% for the quarter and underperformed the Custom Target for the year by 0.07%.

Performance vs CAI Target Date 2020 (Net)

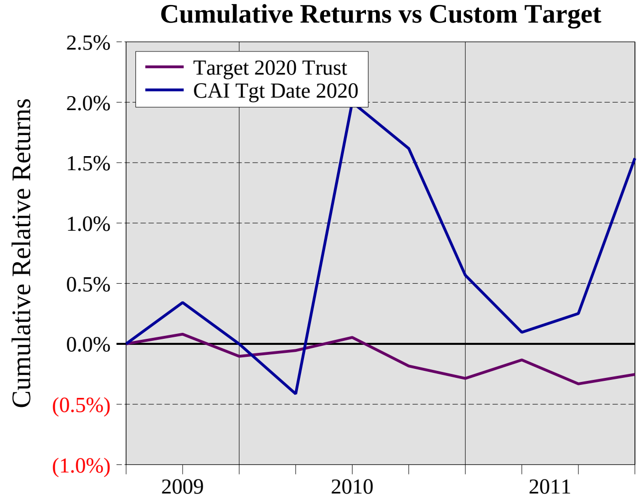


		Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile		(4.53)	1.43	6.10	11.40
25th Percentile		(8.07)	0.59	5.07	10.86
Median		(9.88)	(0.52)	4.58	9.87
75th Percentile		(12.08)	(1.75)	3.85	9.04
90th Percentile		(12.97)	(2.32)	3.29	8.38
Target 2020 Trust	● A	(10.56)	0.72	4.89	10.01
CAI Tgt Dt Idx 2020	■ B	(8.80)	1.52	5.71	11.07
Custom Target	▲	(10.63)	0.79	5.07	10.14

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



TARGET 2025 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

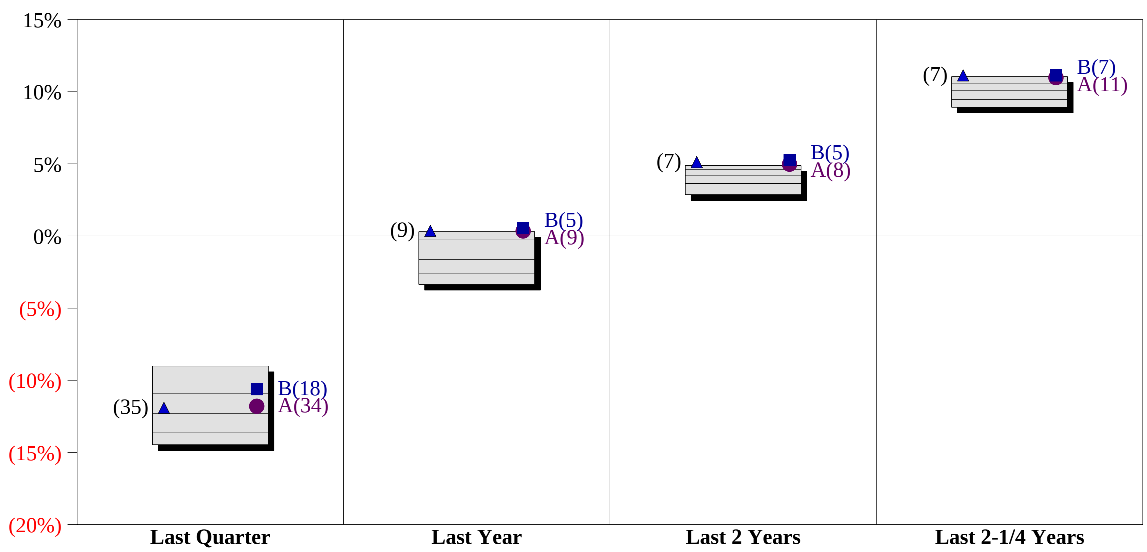
Investment Philosophy

Annual fees are 15 basis points.

Quarterly Summary and Highlights

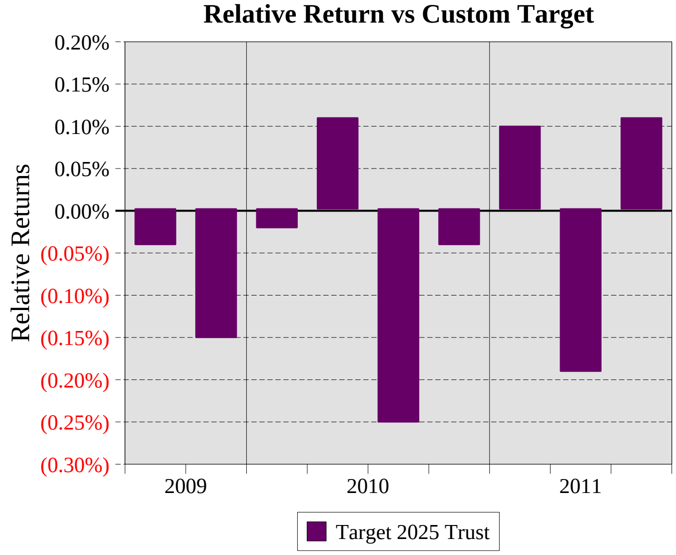
- Target 2025 Trust's portfolio posted a (11.80)% return for the quarter placing it in the 34 percentile of the CAI Target Date 2025 group for the quarter and in the 9 percentile for the last year.
- Target 2025 Trust's portfolio outperformed the Custom Target by 0.11% for the quarter and underperformed the Custom Target for the year by 0.01%.

Performance vs CAI Target Date 2025 (Net)

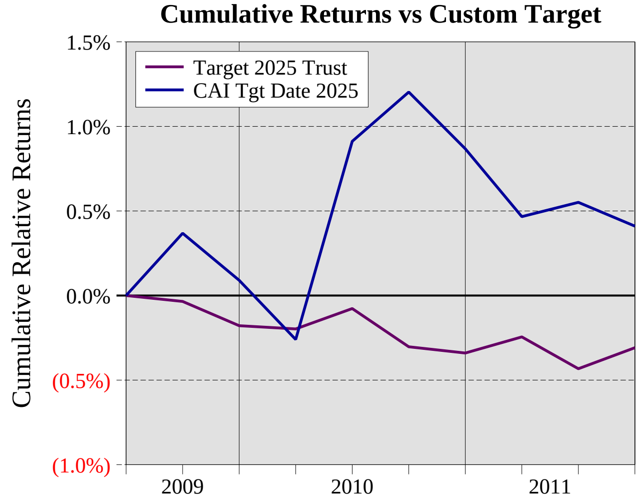


	Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile	(9.01)	0.30	4.88	11.04
25th Percentile	(10.93)	(0.21)	4.62	10.59
Median	(12.31)	(1.62)	4.17	10.07
75th Percentile	(13.65)	(2.58)	3.64	9.47
90th Percentile	(14.47)	(3.35)	2.86	8.92
Target 2025 Trust ● A	(11.80)	0.35	4.98	10.98
CAI Tgt Dt Idx 2025 ■ B	(10.62)	0.56	5.26	11.13
Custom Target ▲	(11.91)	0.35	5.12	11.13

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



TARGET 2030 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

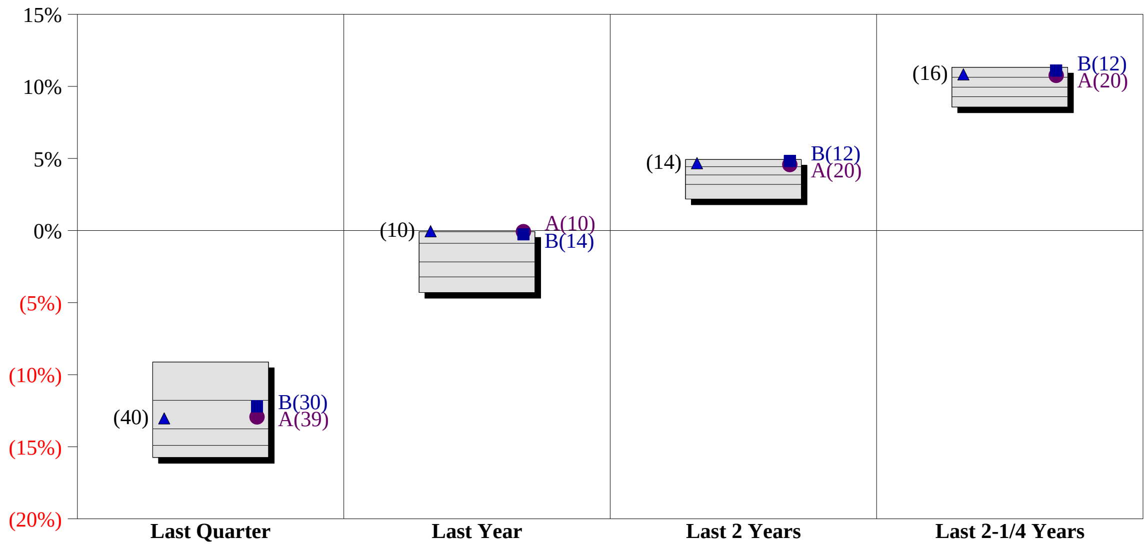
Investment Philosophy

Annual fees are 15 basis points.

Quarterly Summary and Highlights

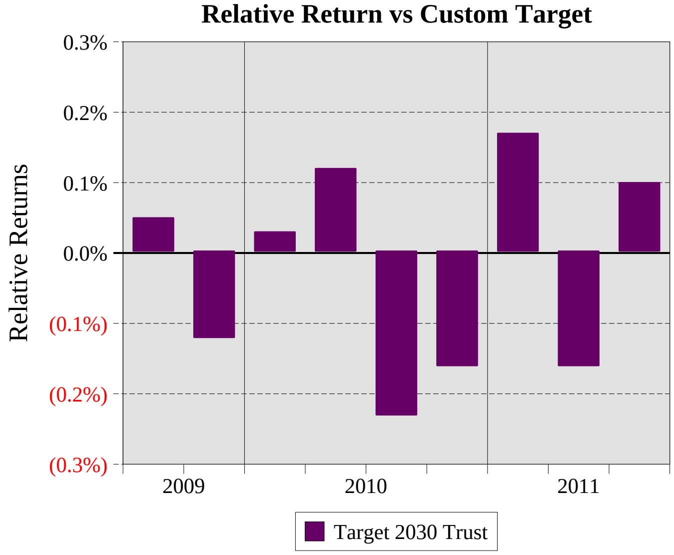
- Target 2030 Trust's portfolio posted a (12.93)% return for the quarter placing it in the 39 percentile of the CAI Target Date 2030 group for the quarter and in the 10 percentile for the last year.
- Target 2030 Trust's portfolio outperformed the Custom Target by 0.10% for the quarter and underperformed the Custom Target for the year by 0.03%.

Performance vs CAI Target Date 2030 (Net)

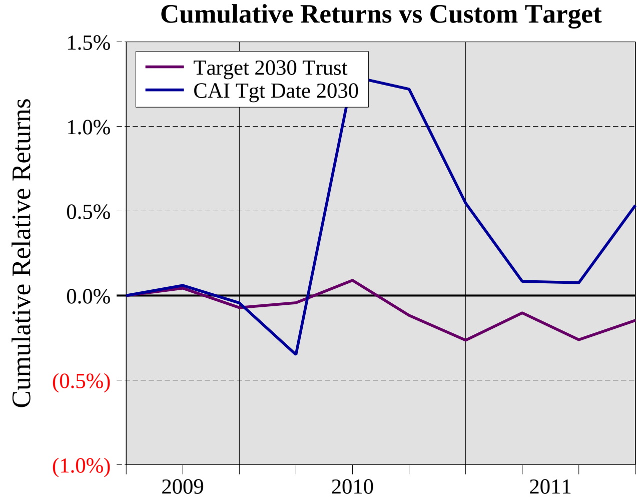


		Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile		(9.12)	(0.08)	4.93	11.32
25th Percentile		(11.78)	(0.89)	4.43	10.63
Median		(13.76)	(2.18)	3.86	9.95
75th Percentile		(14.91)	(3.22)	3.20	9.28
90th Percentile		(15.74)	(4.30)	2.18	8.57
Target 2030 Trust	● A	(12.93)	(0.08)	4.58	10.77
CAI Tgt Dt Idx 2030	■ B	(12.20)	(0.26)	4.82	11.09
Custom Target	▲	(13.03)	(0.05)	4.68	10.84

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



TARGET 2035 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

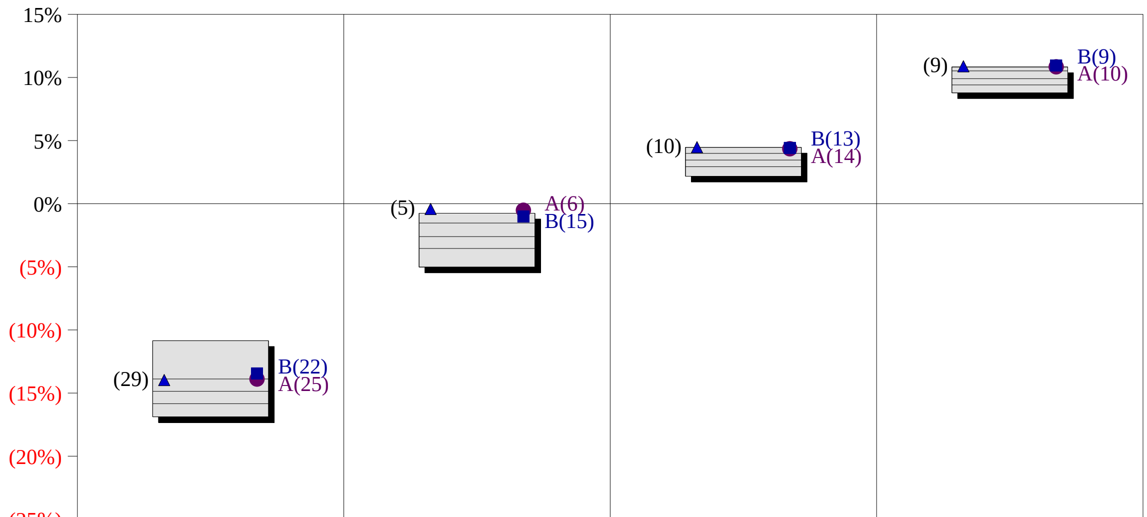
Investment Philosophy

Annual fees are 15 basis points.

Quarterly Summary and Highlights

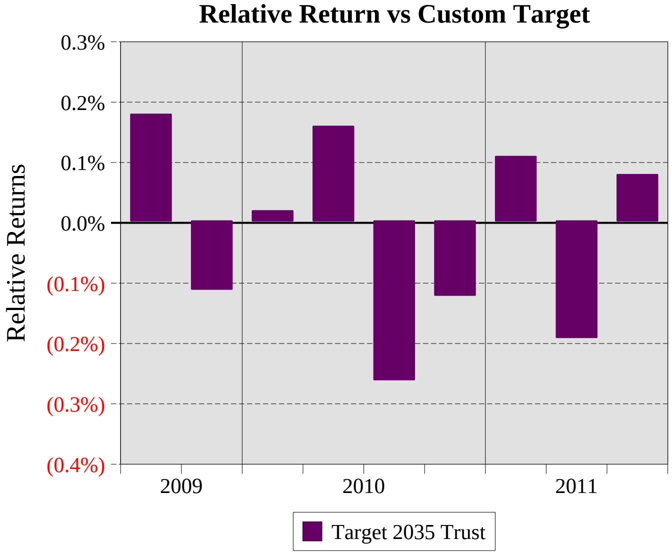
- Target 2035 Trust's portfolio posted a (13.89)% return for the quarter placing it in the 25 percentile of the CAI Target Date 2035 group for the quarter and in the 6 percentile for the last year.
- Target 2035 Trust's portfolio outperformed the Custom Target by 0.08% for the quarter and underperformed the Custom Target for the year by 0.10%.

Performance vs CAI Target Date 2035 (Net)

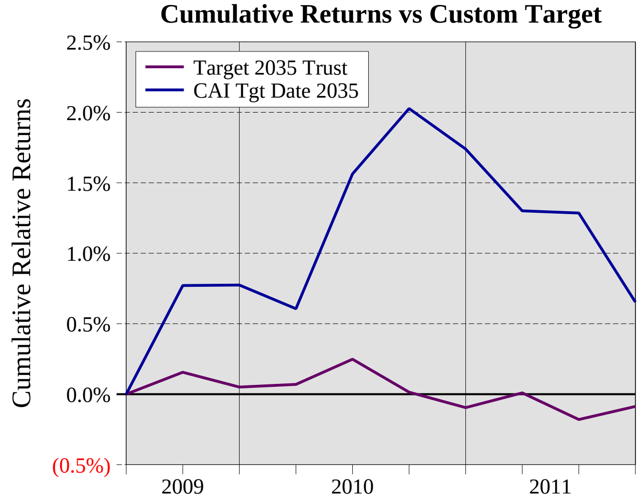


		Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile		(10.85)	(0.76)	4.46	10.83
25th Percentile		(13.88)	(1.53)	3.99	10.52
Median		(14.86)	(2.61)	3.46	9.90
75th Percentile		(15.84)	(3.55)	2.93	9.41
90th Percentile		(16.88)	(5.02)	2.17	8.78
Target 2035 Trust	● A	(13.89)	(0.52)	4.35	10.84
CAI Tgt Dt Idx 2035	■ B	(13.45)	(1.01)	4.42	10.95
Custom Target	▲	(13.97)	(0.42)	4.48	10.89

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



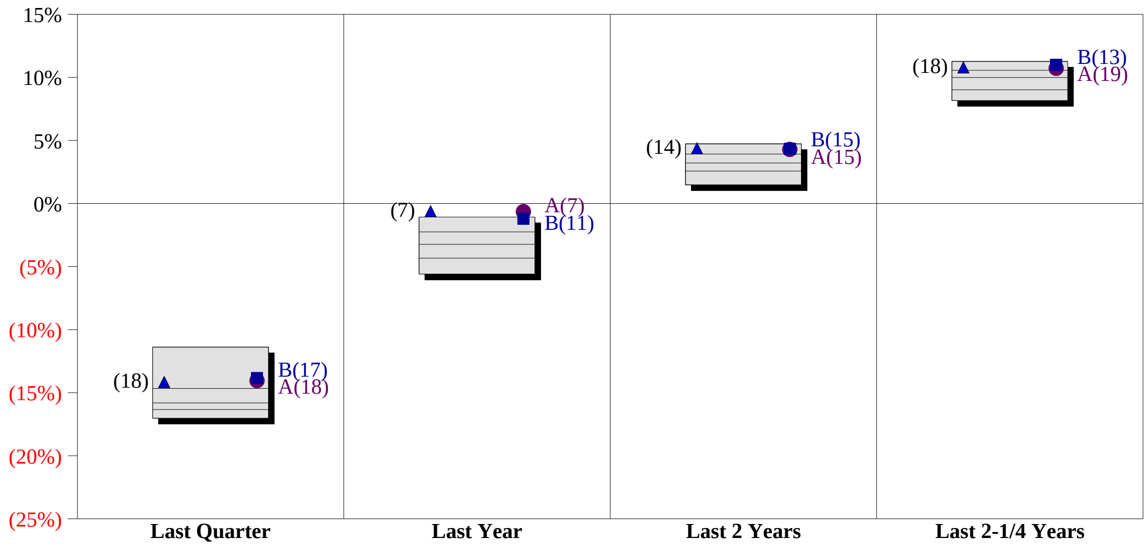
Investment Philosophy

Annual fees are 15 basis points.

Quarterly Summary and Highlights

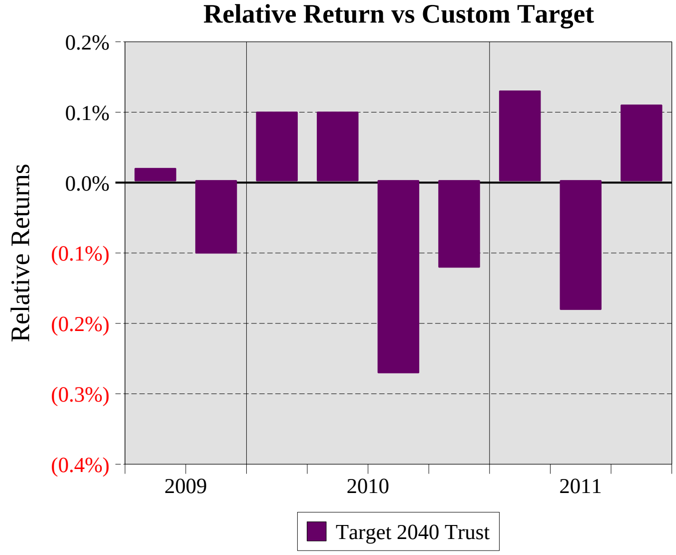
- Target 2040 Trust's portfolio posted a (14.04)% return for the quarter placing it in the 18 percentile of the CAI Target Date 2040 group for the quarter and in the 7 percentile for the last year.
- Target 2040 Trust's portfolio outperformed the Custom Target by 0.11% for the quarter and underperformed the Custom Target for the year by 0.04%.

Performance vs CAI Target Date 2040 (Net)

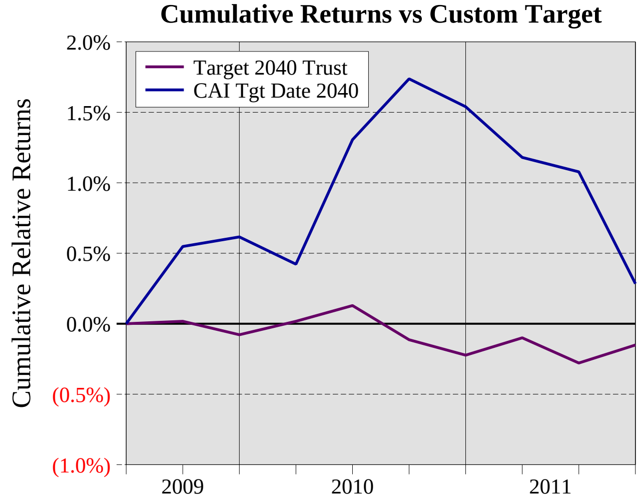


		Last Quarter	Last Year	Last 2 Years	Last 2-1/4 Years
10th Percentile		(11.38)	(1.07)	4.73	11.27
25th Percentile		(14.66)	(2.25)	3.92	10.56
Median		(15.81)	(3.24)	3.21	9.99
75th Percentile		(16.34)	(4.33)	2.58	9.02
90th Percentile		(17.03)	(5.59)	1.48	8.16
Target 2040 Trust	● A	(14.04)	(0.64)	4.29	10.72
CAI Tgt Dt Idx 2040	■ B	(13.83)	(1.19)	4.34	11.00
Custom Target	▲	(14.15)	(0.61)	4.38	10.79

Relative Return vs Custom Target



Cumulative Returns vs Custom Target

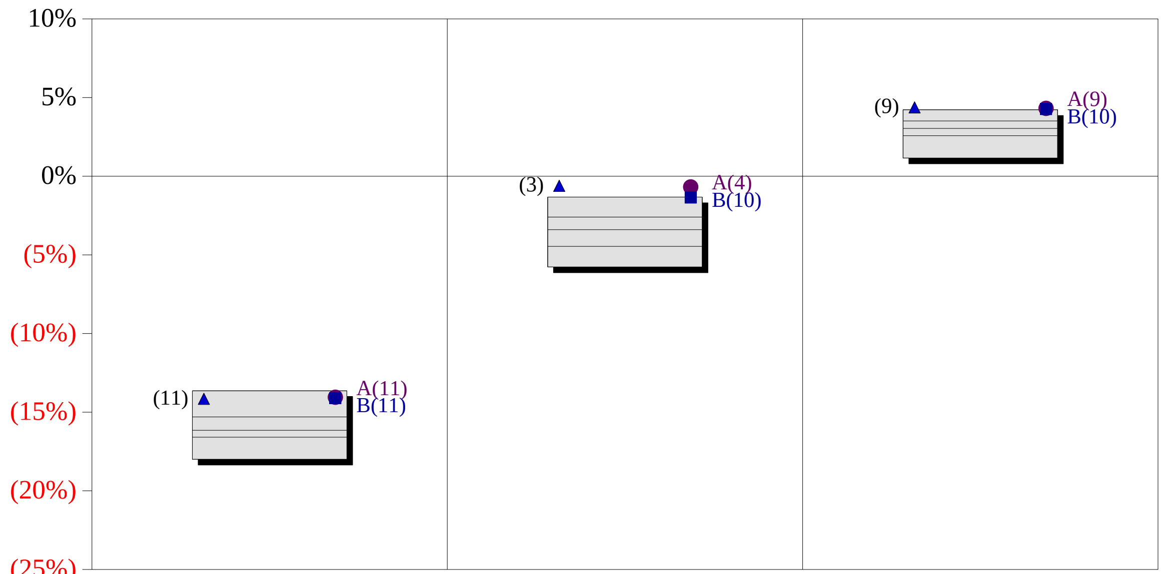


TARGET 2045 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

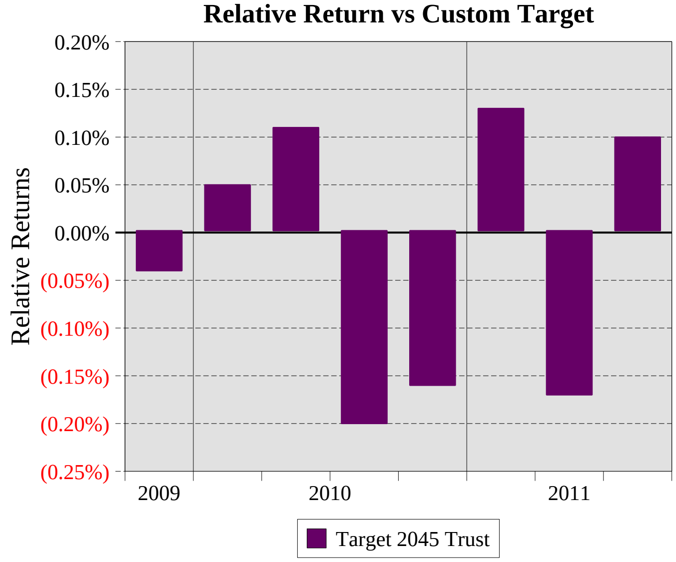
- Target 2045 Trust's portfolio posted a (14.05)% return for the quarter placing it in the 11 percentile of the CAI Target Date 2045 group for the quarter and in the 4 percentile for the last year.
- Target 2045 Trust's portfolio outperformed the Custom Target by 0.10% for the quarter and underperformed the Custom Target for the year by 0.08%.

Performance vs CAI Target Date 2045 (Net)

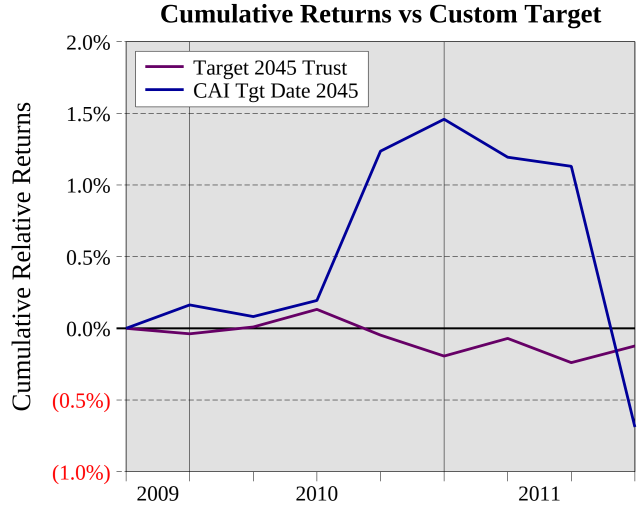


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(13.64)	(1.32)	4.23
25th Percentile	(15.30)	(2.60)	3.51
Median	(16.15)	(3.40)	3.04
75th Percentile	(16.59)	(4.46)	2.58
90th Percentile	(17.99)	(5.77)	1.16
Target 2045 Trust ● A	(14.05)	(0.68)	4.31
CAI Tgt Dt Idx 2045 ■ B	(14.10)	(1.35)	4.27
Custom Target ▲	(14.15)	(0.61)	4.38

Relative Return vs Custom Target



Cumulative Returns vs Custom Target

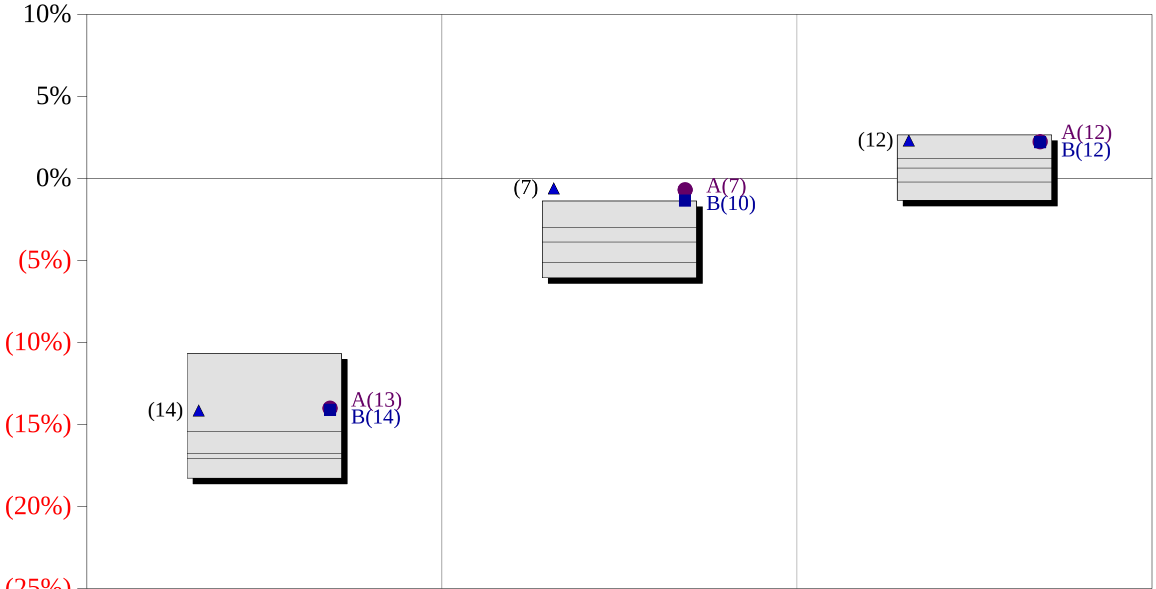


TARGET 2050
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

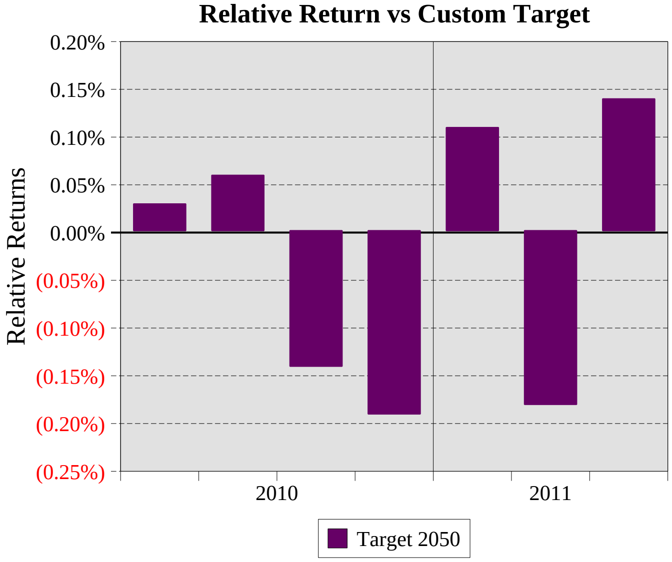
- Target 2050's portfolio posted a (14.01)% return for the quarter placing it in the 13 percentile of the CAI Target Date 2050 group for the quarter and in the 7 percentile for the last year.
- Target 2050's portfolio outperformed the Custom Target by 0.14% for the quarter and underperformed the Custom Target for the year by 0.09%.

Performance vs CAI Target Date 2050 (Net)

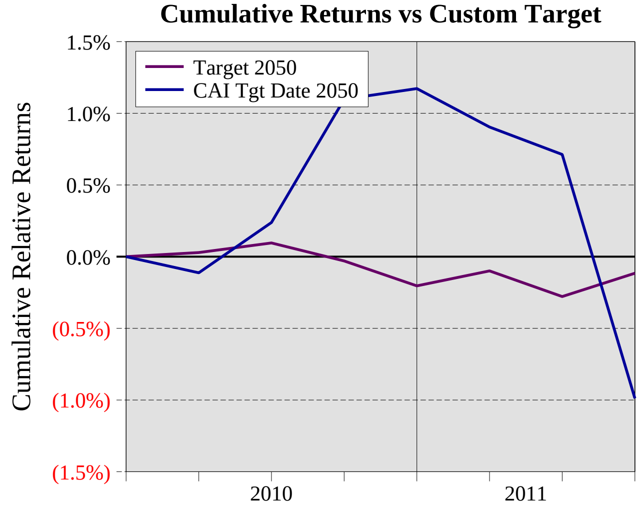


	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(10.68)	(1.37)	2.66
25th Percentile	(15.42)	(3.00)	1.22
Median	(16.76)	(3.88)	0.63
75th Percentile	(17.07)	(5.12)	(0.22)
90th Percentile	(18.27)	(6.05)	(1.33)
Target 2050 ● A	(14.01)	(0.69)	2.24
CAI Tgt Dt Idx 2045 ■ B	(14.10)	(1.35)	2.21
Custom Target ▲	(14.15)	(0.61)	2.31

Relative Return vs Custom Target



Cumulative Returns vs Custom Target

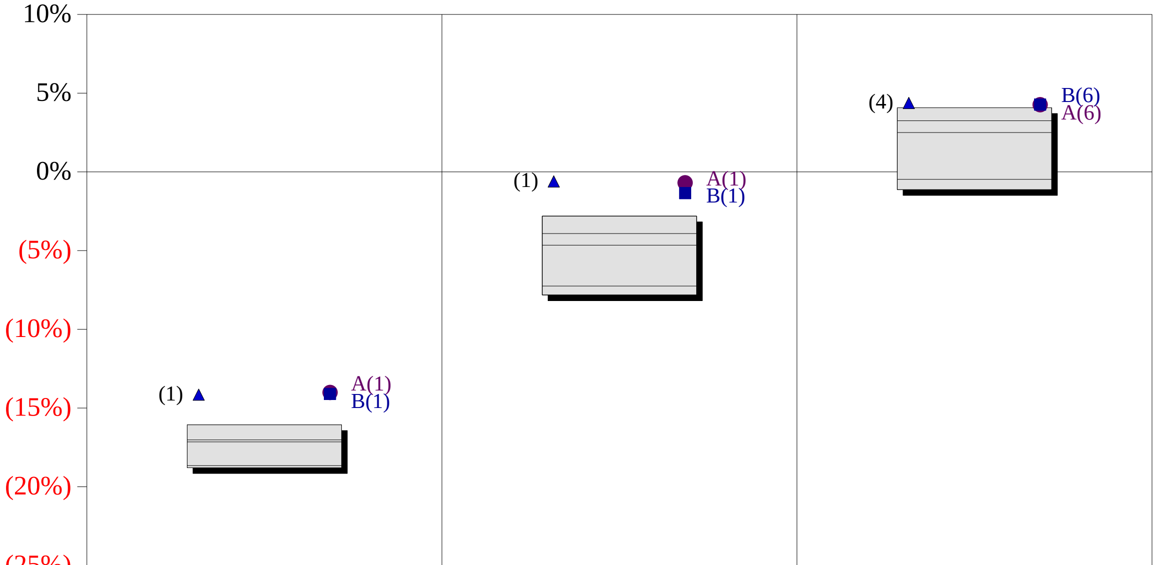


TARGET 2055 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

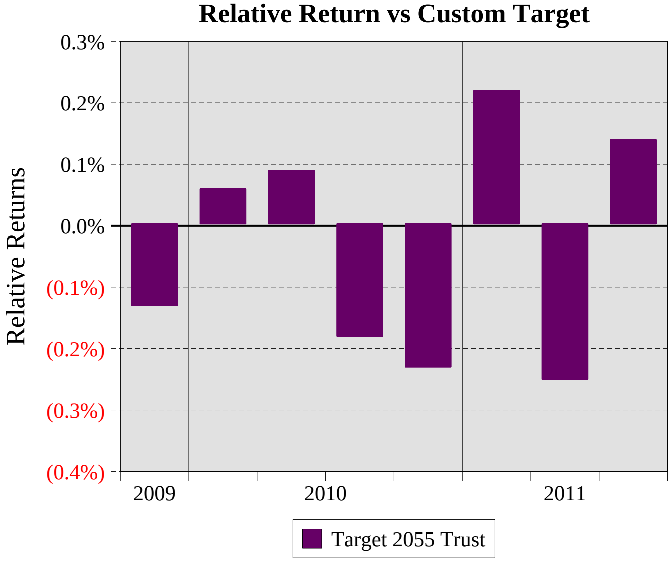
- Target 2055 Trust's portfolio posted a (14.01)% return for the quarter placing it in the 1 percentile of the CAI Target Date 2055 group for the quarter and in the 1 percentile for the last year.
- Target 2055 Trust's portfolio outperformed the Custom Target by 0.14% for the quarter and underperformed the Custom Target for the year by 0.09%.

Performance vs CAI Target Date 2055 (Net)

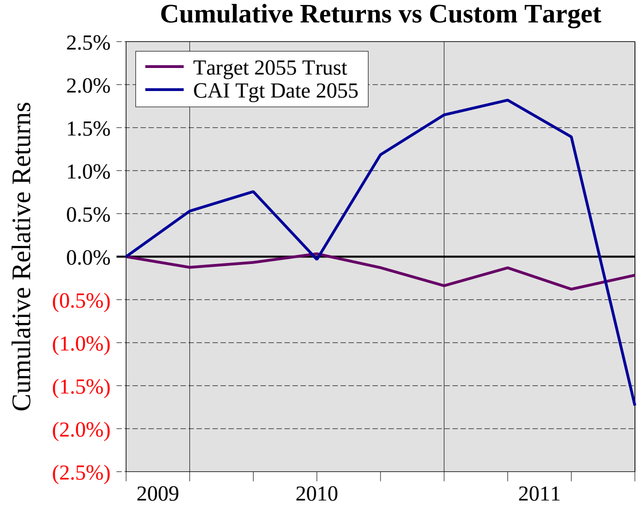


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(16.06)	(2.81)	4.07
25th Percentile	(17.02)	(3.92)	3.25
Median	(17.15)	(4.66)	2.50
75th Percentile	(18.66)	(7.25)	(0.47)
90th Percentile	(18.79)	(7.82)	(1.13)
Target 2055 Trust ● A	(14.01)	(0.69)	4.27
CAI Tgt Dt Idx 2045 ■ B	(14.10)	(1.35)	4.27
Custom Target ▲	(14.15)	(0.61)	4.38

Relative Return vs Custom Target



Cumulative Returns vs Custom Target



US Real Estate Investment
Trust Index

US REAL ESTATE INV TRUST
PERIOD ENDED SEPTEMBER 30, 2011

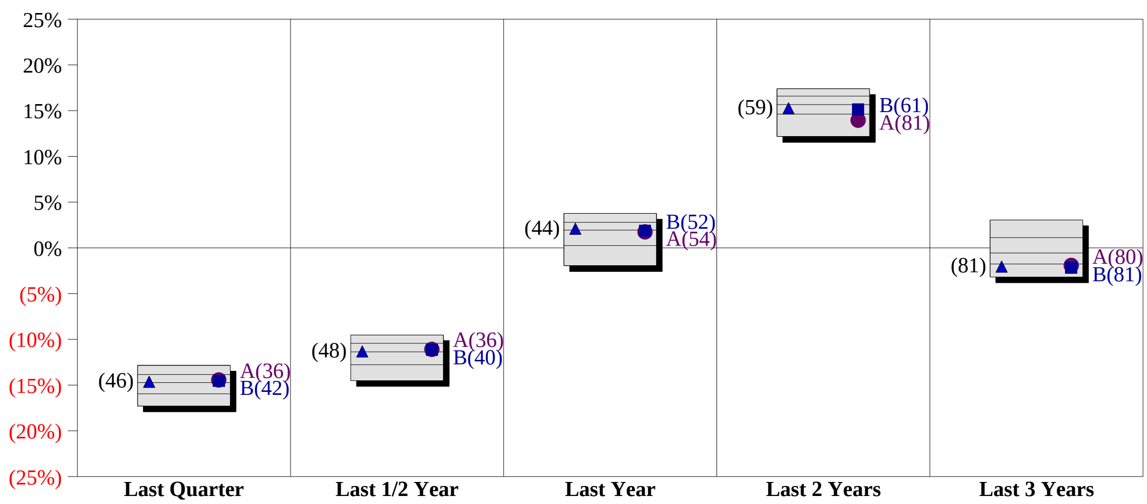
Investment Philosophy

The US Real Estate Investment Trust Index Fund is managed by SSgA. Passively managed. Annual fees are 17 basis points.

Quarterly Summary and Highlights

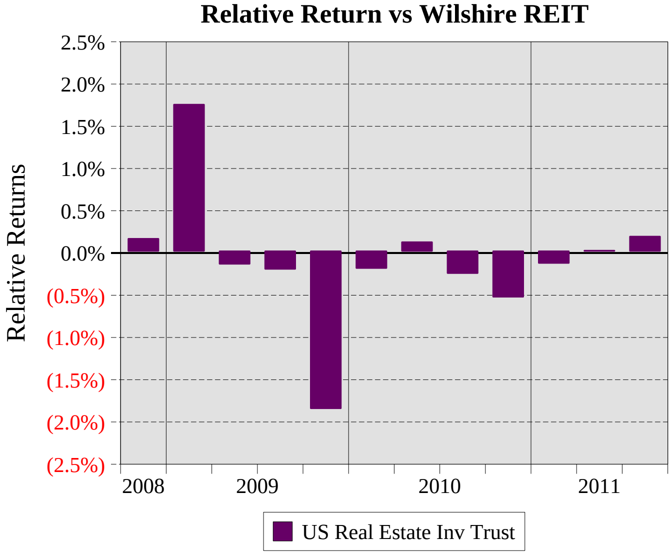
- US Real Estate Inv Trust's portfolio posted a (14.44)% return for the quarter placing it in the 36 percentile of the Real Estate Mut Fds group for the quarter and in the 54 percentile for the last year.
- US Real Estate Inv Trust's portfolio outperformed the Wilshire REIT by 0.20% for the quarter and underperformed the Wilshire REIT for the year by 0.34%.

Performance vs Real Estate Mut Fds (Gross)

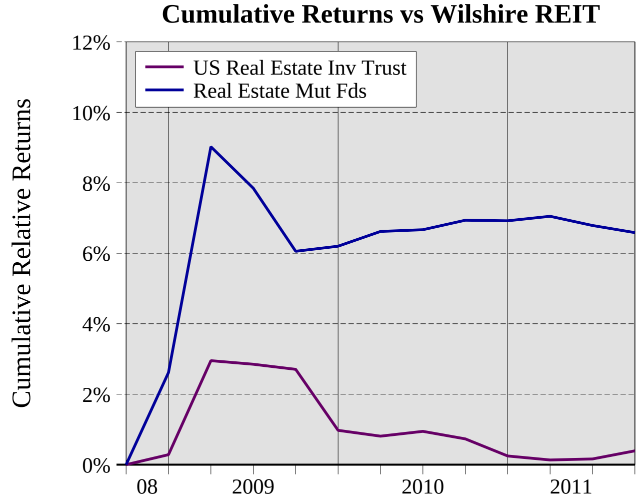


		Last Quarter	Last 1/2 Year	Last Year	Last 2 Years	Last 3 Years
10th Percentile		(12.84)	(9.53)	3.76	17.39	3.05
25th Percentile		(13.85)	(10.43)	2.79	16.59	1.12
Median		(14.73)	(11.37)	1.94	15.66	(0.56)
75th Percentile		(15.95)	(12.77)	0.25	14.62	(1.76)
90th Percentile		(17.29)	(14.51)	(1.94)	12.18	(3.19)
US Real Estate Inv Trust	● A	(14.44)	(11.09)	1.75	13.95	(1.92)
US Select REIT Index	■ B	(14.54)	(11.15)	1.87	15.14	(2.16)
Wilshire REIT	▲	(14.64)	(11.32)	2.09	15.26	(2.04)

Relative Return vs Wilshire REIT



Cumulative Returns vs Wilshire REIT



CALLAN INVESTMENTS INSTITUTE

THIRD QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Non-Core Real Estate Investment Series – Part 2: Commercial Debt Strategies
Jay Nayak

Charticle – Road Map to EBSA's Final Rule
Lori Lucas, Stephanie Meade, Jacki Hoagland

An Introduction to Absolute Return Fixed Income Strategies
Kristin Bradbury

Exchange-Traded Funds: A Look at the Shifting Landscape
Anna West

Non-Core Real Estate Investment Series – Part 1: Opportunistic Strategies
Sarah Angus

Publications

DC Observer and Callan DC Index™ – 2nd Quarter 2011

Hedge Fund Monitor – 2nd Quarter 2011

Capital Market Review – 3rd Quarter 2011

Quarterly Performance Data – 3rd Quarter 2011

Private Markets Trends – Summer 2011

Surveys

2011 Investment Management Fee Survey - coming soon!

2011 Callan Target Date Fund Survey – June 2011

2011 DC Trends Survey – January 2011

2010 Alternative Investments Survey – November 2010

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Presentation: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Upcoming Educational Programs

The 32nd National Conference
January 30 - February 1, 2012 in San Francisco
Speakers include: Robert Gates, Sheila Bair, Ian Bremmer and David Laibson
Workshops on: defined contribution, investment perceptions & myths,
and international investing.
Details will be sent to you via email and U.S. Mail in late October.

**If you have any questions regarding these programs,
please contact Ray Combs at 415.974.5060 or institute@callan.com.**

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

THIRD QUARTER 2011

EDUCATIONAL SESSIONS

"Callan College" - An Introduction to Investments

April 17-18, 2012 in San Francisco

October 23-24, 2012 in San Francisco

This one and one half day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g.,defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is $2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

THIRD QUARTER 2011

EDUCATIONAL SESSIONS

(continued)

"Callan College" – Standard Session

July 24-25, 2012 – location to be determined

This is a two day session designed for individuals with more than two years' experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management

Tuition for the Standard "Callan College" session is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized "Callan College" Session

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsors or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

Confidential – For Callan Client Use Only

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Manager Name	Educational Services	**Consulting Services**
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BMO Asset Management	Y	
BNY Mellon Asset Management	Y	Y
Boston Company Asset Management, LLC (The)	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chandler Asset Management	Y	
Channing Capital Management	Y	
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cooke & Bieler, L.P.		Y
Cramer Rosenthal McGlynn, LLC	Y	
Credo Capital Management	Y	
Crestline Investors	Y	Y
Cutwater Capital Management	Y	

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DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Fayez Sarofim & Company		Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harding Loevner, LP	Y	
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hermes Investment Management (North Amrica) Ltd.	Y	
HighMark Capital Management	Y	
Hollan Capital Management	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
Invesco	Y	Y
Investec	Y	
Institutional Capital LLC	Y	
Intercontinental Real Estate Corporation	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle Paratners, L.P.	Y	
Lombardia Capital Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	

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Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Mesa West Capital	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Opus Capital Management	Y	
O'Shaughnessy Asset Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Partners Group	Y	
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
Phillips, Hager & North Investment Management	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital Partners		Y
Private Advisors	Y	
Prudential Fixed Income	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RARE Infrastructure	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y

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Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management		Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Timberland Investment Resources, LLC	Y	
Tradewind Global Investors	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
USAA Real Estate Company	Y	
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

Callan Associates Inc.
Investment Measurement Service
Quarterly Review

State of Alaska
SBS Fund
September 30, 2011

Investment Fund Balances

The table below compares the fund's investment fund balances as of September 30, 2011 with that of June 30, 2011. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

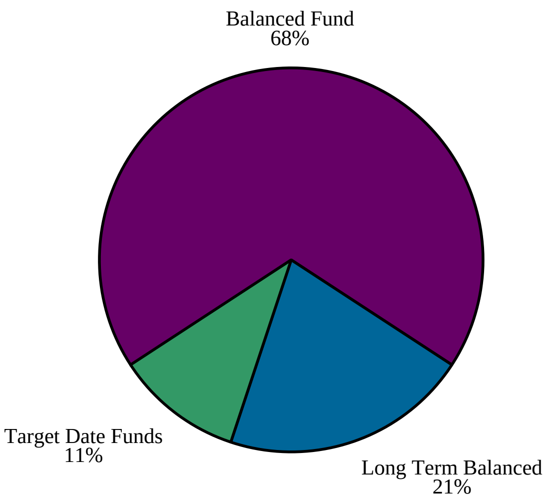
Asset Distribution Across Investment Funds

	September 30, 2011				June 30, 2011	
	Market Value	**Percent**	**Net New Inv.**	**Inv. Return**	**Market Value**	**Percent**
Balanced/Target Funds						
Alaska Balanced Fund	1,045,553,934	43.14%	(11,875,911)	(32,421,317)	1,089,851,162	40.89%
Long Term Balanced Fund	318,440,688	13.14%	2,327,742	(65,664,709)	381,777,655	14.32%
Target 2010 Trust	4,723,561	0.19%	180,555	(3,832,696)	8,375,702	0.31%
Target 2015 Trust	82,552,871	3.41%	(598,529)	(8,695,726)	91,847,126	3.45%
Target 2020 Trust	30,652,947	1.26%	(1,047,685)	(10,469,640)	42,170,272	1.58%
Target 2025 Trust	14,544,258	0.60%	501,633	(7,447,722)	21,490,347	0.81%
Target 2030 Trust	4,605,391	0.19%	429,259	(6,164,520)	10,340,652	0.39%
Target 2035 Trust	5,718,603	0.24%	379,937	(6,223,783)	11,562,449	0.43%
Target 2040 Trust	6,200,659	0.26%	779,713	(6,919,840)	12,340,786	0.46%
Target 2045 Trust	5,487,547	0.23%	650,852	(8,555,466)	13,392,161	0.50%
Target 2050 Trust	5,861,258	0.24%	737,550	(10,416,644)	15,540,352	0.58%
Target 2055 Trust	2,333,152	0.10%	410,762	(2,970,403)	4,892,793	0.18%
Domestic Equity Funds						
State Street S&P	198,226,594	8.18%	(2,562,366)	(32,017,192)	232,806,152	8.74%
RCM Socially Responsible	24,642,449	1.02%	(259,198)	(5,164,892)	30,066,538	1.13%
Russell 3000 Index	10,741,374	0.44%	365,658	(1,884,948)	12,260,664	0.46%
T. Rowe Price Small Cap	70,487,432	2.91%	(4,738,663)	(19,740,638)	94,966,733	3.56%
International Equity Funds						
Brandes Int'l Fund	62,982,122	2.60%	(2,058,469)	(12,749,162)	77,789,753	2.92%
World Eq Ex-US Index	9,575,844	0.40%	(443,638)	(2,598,140)	12,617,622	0.47%
Fixed-Income Funds						
BlackRock Govt/Credit Fd	52,293,579	2.16%	(290,985)	2,316,958	50,267,606	1.89%
Intermediate Bond Fund	13,263,696	0.55%	345,579	387,194	12,530,923	0.47%
Long US Treasury Bond	19,946,509	0.82%	8,392,633	2,476,124	9,077,752	0.34%
US TIPS	18,235,123	0.75%	1,235,593	750,098	16,249,432	0.61%
World Gov't Bond Ex-US	5,264,964	0.22%	(313,931)	43,559	5,535,336	0.21%
Global Balanced Funds						
SSgA Global Balanced	47,598,473	1.96%	(174,438)	(4,942,919)	52,715,830	1.98%
Real Estate Funds						
US REITS	18,603,430	0.77%	(2,148,477)	(3,698,557)	24,450,464	0.92%
Short Term Funds						
T. Rowe Price Stable Value	307,697,847	12.69%	10,450,684	2,364,470	294,882,693	11.06%
SSgA Inst Trsry MM	37,636,014	1.55%	2,244,616	4	35,391,394	1.33%
Total Fund	**$2,423,870,319**	**100.0%**	**$2,920,477**	**$(244,240,509)**	**$2,665,190,351**	**100.0%**

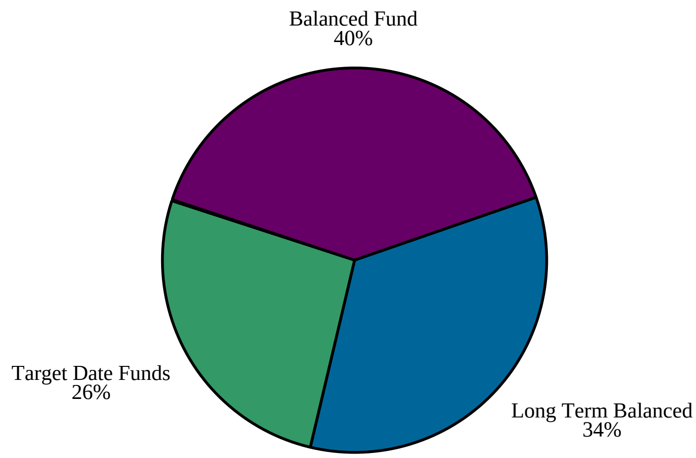
Asset Allocation

The charts below illustrate the historical asset allocation of the fund as well as the historical allocations of contributions to the fund. The pie charts on the top show the most recent allocation of both assets and newly contributed money. The middle chart displays the historical allocation of fund assets. The bottom chart illustrates the historical allocation of contributions.

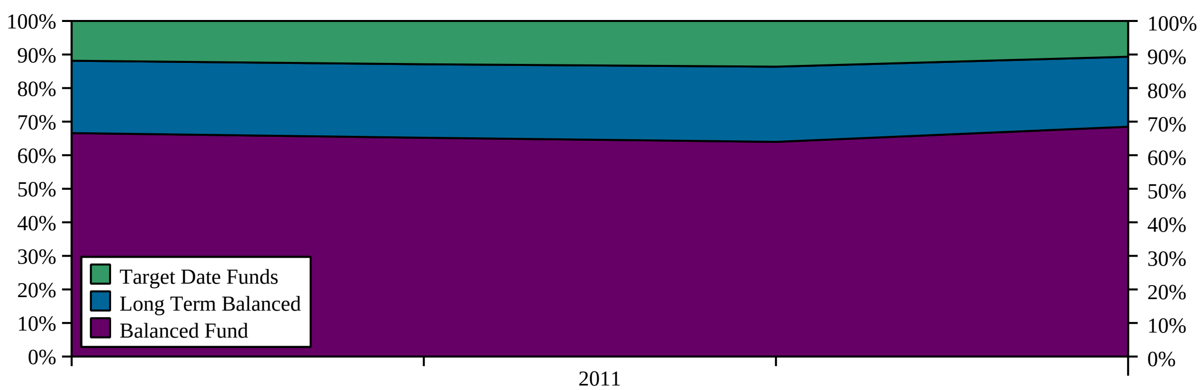
Asset Allocation



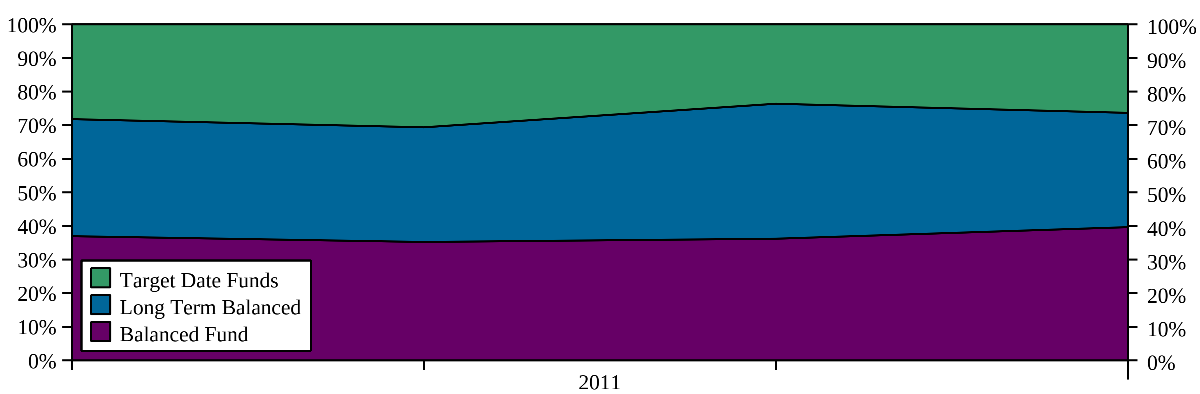
New Contributions



Historical Asset Allocation



Historical Allocation of Contributions



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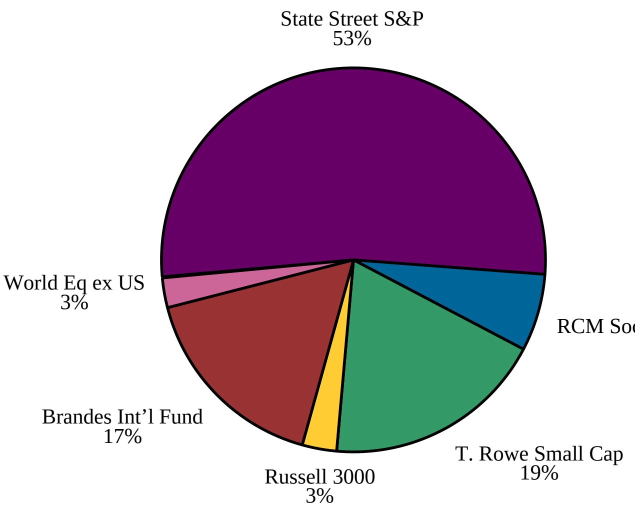
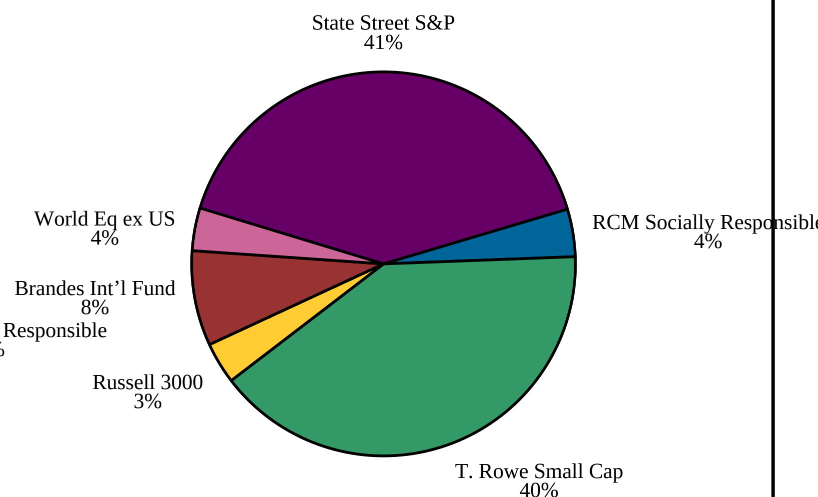
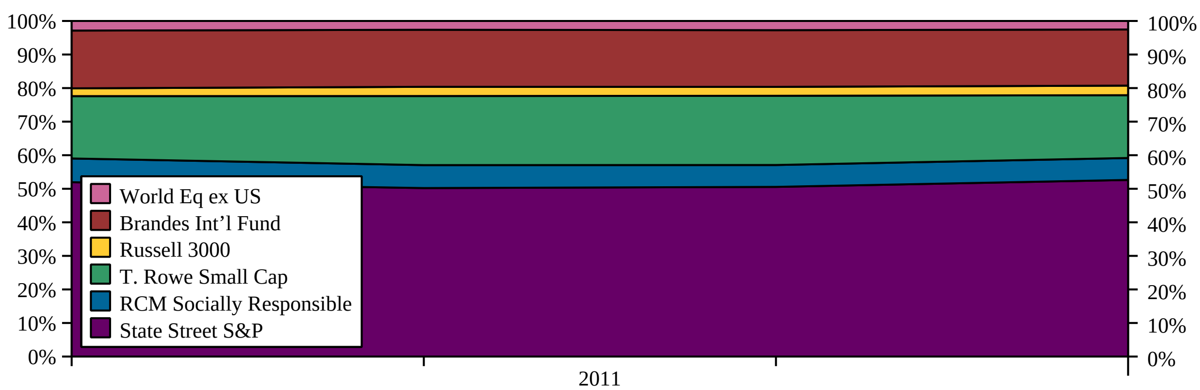


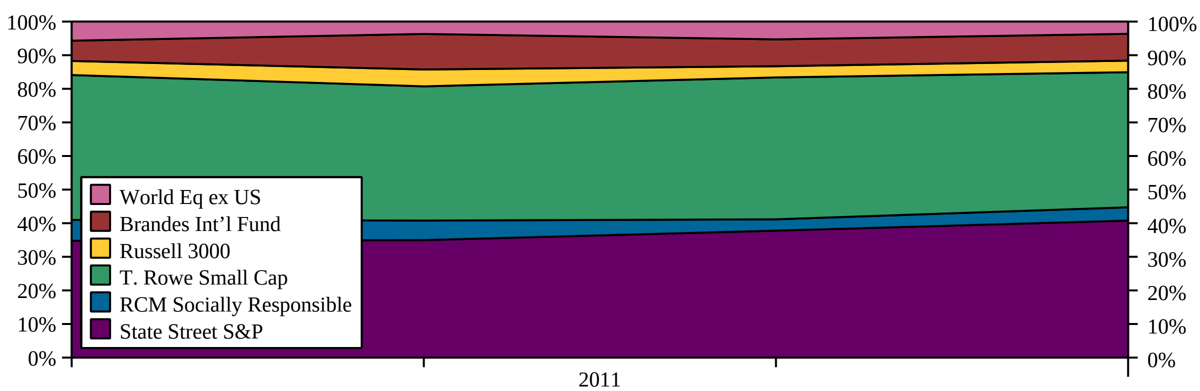
New Contributions



Historical Asset Allocation



Historical Allocation of Contributions



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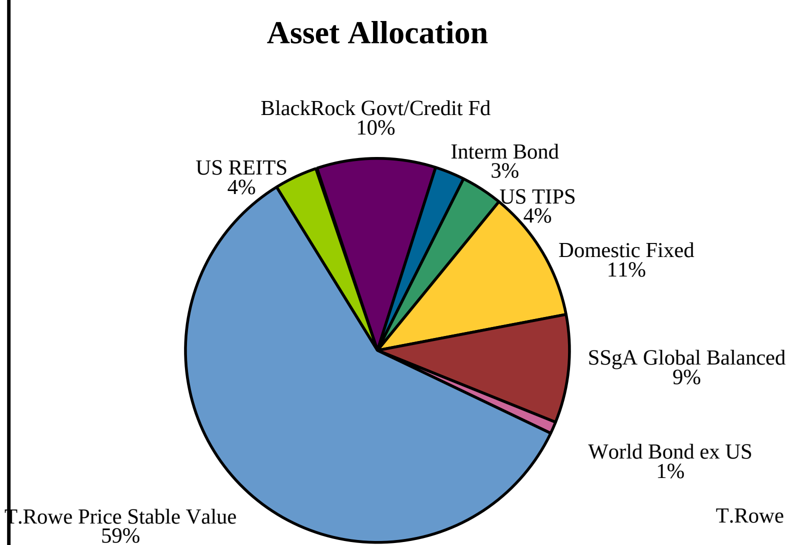

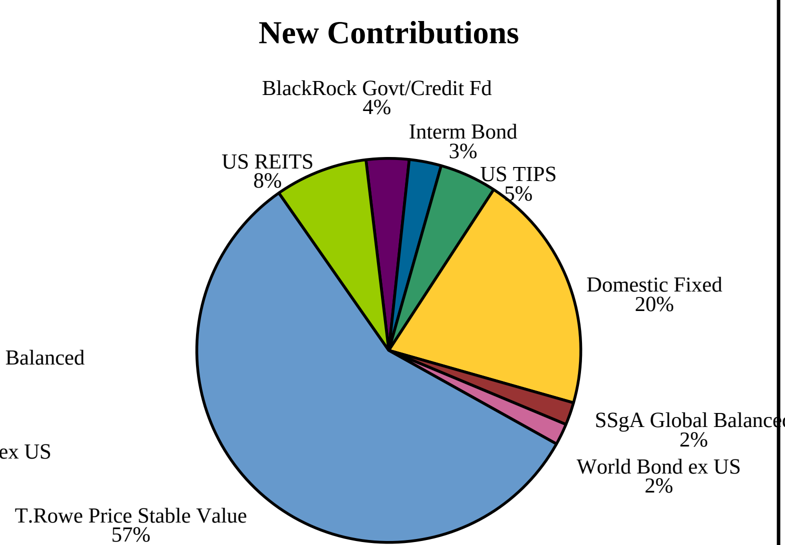

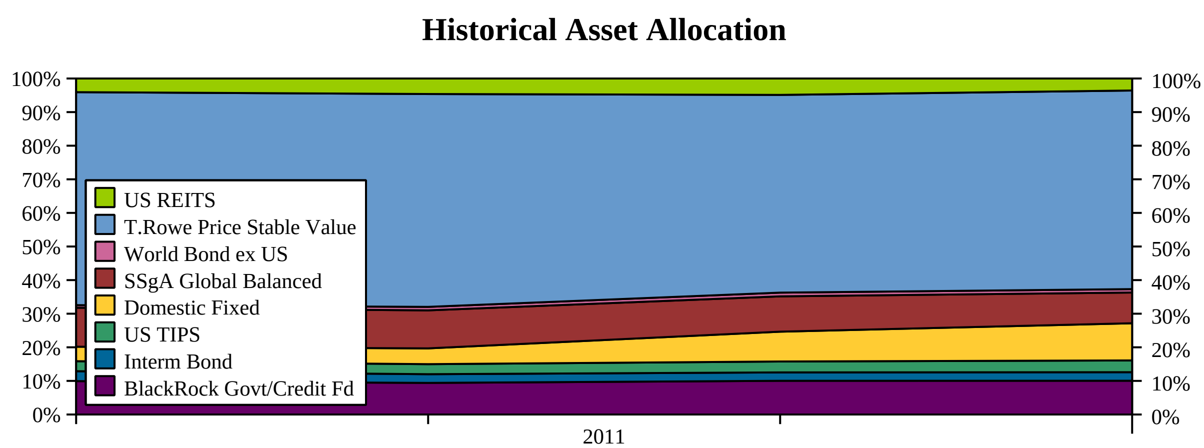

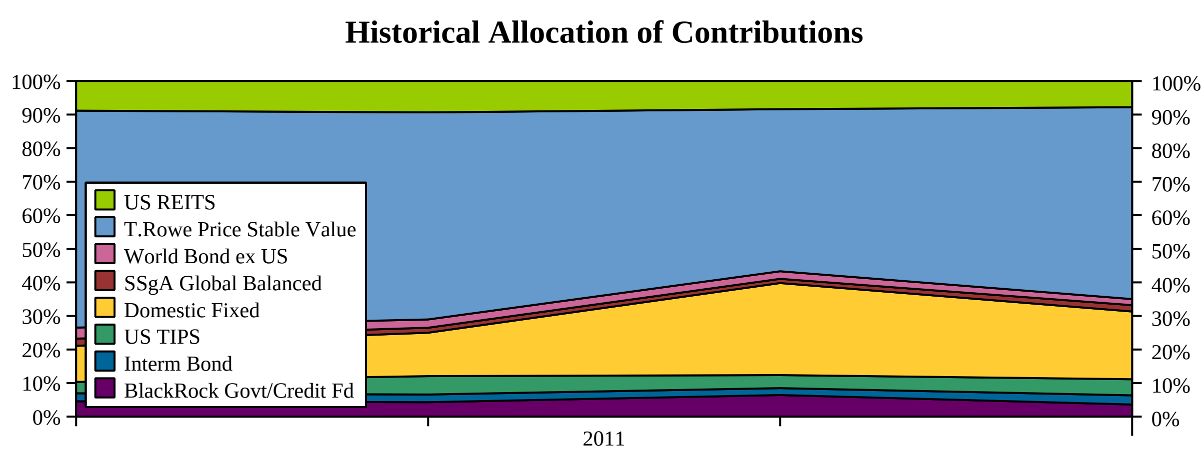

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
Alaska Balanced Fund	**(3.97%)**	**2.83%**	**5.74%**	**5.93%**	**4.08%**
Benchmark	(3.50%)	3.10%	6.01%	5.96%	4.11%
Long Term Balanced Fund	**(8.78%)**	**1.26%**	**5.15%**	**4.26%**	**2.14%**
Benchmark	(8.43%)	1.51%	5.44%	4.33%	2.22%
Target 2010 Trust	**(7.39%)**	**1.74%**	**5.05%**	-	-
Benchmark	(7.51%)	1.65%	5.11%	-	-
Target 2015 Trust	**(9.12%)**	**1.09%**	**4.75%**	**5.13%**	**3.55%**
Benchmark	(9.21%)	1.16%	4.72%	4.93%	3.25%
Target 2020 Trust	**(10.56%)**	**0.72%**	**4.89%**	**3.04%**	**1.14%**
Benchmark	(10.63%)	0.79%	5.07%	3.01%	0.99%
Target 2025 Trust	**(11.80%)**	**0.26%**	**4.94%**	**2.02%**	**(0.22%)**
Benchmark	(11.91%)	0.35%	5.12%	1.99%	(0.31%)
Target 2030 Trust	**(12.93%)**	**(0.08%)**	**4.58%**	-	-
Benchmark	(13.03%)	(0.05%)	4.68%	-	-
Target 2035 Trust	**(13.89%)**	**(0.52%)**	**4.35%**	-	-
Benchmark	(13.97%)	(0.42%)	4.48%	-	-
Target 2040 Trust	**(14.04%)**	**(0.64%)**	**4.29%**	-	-
Benchmark	(14.15%)	(0.61%)	4.38%	-	-
Target 2045 Trust	**(14.05%)**	**(0.68%)**	**4.31%**	-	-
Benchmark	(14.15%)	(0.61%)	4.38%	-	-
Target 2050 Trust	**(14.01%)**	**(0.69%)**	**4.29%**	-	-
Benchmark	(14.15%)	(0.61%)	4.38%	-	-
Target 2055 Trust	**(14.01%)**	**(0.69%)**	**4.27%**	-	-
Benchmark	(14.15%)	(0.61%)	4.38%	-	-
State Street S&P 500 Fund	**(13.87%)**	**1.14%**	**5.57%**	**1.32%**	**(1.11%)**
Standard & Poor's 500	(13.87%)	1.14%	5.56%	1.23%	(1.18%)
Russell 3000 Index Fd	**(15.19%)**	**0.61%**	**5.68%**	**1.60%**	**-**
Russell 3000 Index	(15.28%)	0.55%	5.63%	1.45%	(0.92%)
World Eq ex-US Index	**(20.60%)**	**(11.74%)**	**(2.82%)**	**0.80%**	**-**
MSCI ACWI x US (Net Div)	(19.85%)	(10.81%)	(2.06%)	0.52%	(1.57%)
Long US Treasury Bond Index	**24.55%**	**16.90%**	**14.76%**	**12.62%**	**-**
BC Long Treas	24.66%	17.14%	14.92%	12.96%	10.70%
US Treasury Infl Prtcd Sec	**4.48%**	**9.65%**	**9.19%**	**7.96%**	**-**
BC US TIPS Index	4.51%	9.87%	9.38%	8.13%	7.10%
World Gov't Bond ex-US Indx	**0.90%**	**4.07%**	**4.24%**	**7.59%**	**-**
Citi Non-US Gvt Bd Idx	0.94%	4.14%	4.30%	8.09%	7.77%
US Real Estate Invmnt Trust	**(14.44%)**	**1.75%**	**13.95%**	**(1.92%)**	**-**
Wilshire REIT	(14.64%)	2.09%	15.26%	(2.04%)	(3.10%)
US Select REIT Index	(14.54%)	1.87%	15.14%	(2.16%)	(3.17%)
SSgA Instl Trsry MM*	**0.00%**	**0.01%**	**0.01%**	**0.04%**	**-**
Citigroup 3 month T-Bills	0.01%	0.11%	0.11%	0.20%	1.62%

*Initially funded in September 2008. Prior returns represent the manager's returns for the index fund

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The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
BlackRock Govt/Credit Fund*	**4.71%**	**5.00%**	**6.70%**	**8.06%**	**6.33%**
BC Govt/Credit Bd	4.74%	5.14%	6.92%	8.41%	6.52%
Intermediate Bond Fund**	**3.17%**	**3.59%**	**4.76%**	**5.29%**	**5.88%**
BC Gov Inter	3.19%	3.72%	4.95%	5.38%	5.91%
Brandes Int'l Fund	**(16.53%)**	**(9.18%)**	**-**	**-**	**-**
MSCI EAFE Index	(19.01%)	(9.36%)	(3.25%)	(1.13%)	(3.46%)
SSgA Global Balanced	**(7.06%)**	**1.48%**	**4.97%**	**-**	**-**
Custom Benchmark***	(9.21%)	(1.03%)	3.59%	-	-
RCM Socially Responsible	**(17.13%)**	**(1.73%)**	**3.10%**	**6.63%**	**-**
S&P 500 Index	(13.87%)	1.14%	5.56%	1.23%	(1.18%)
T. Rowe Price Small-Cap Trust	**(21.43%)**	**0.54%**	**9.04%**	**6.35%**	**2.11%**
Russell 2000 Index	(21.87%)	(3.53%)	4.57%	(0.37%)	(1.02%)
T. Rowe Price Stable Value Fund	**0.82%**	**3.52%**	**3.77%**	**3.81%**	**4.18%**
3-month Treasury Bill	0.02%	0.14%	0.14%	0.22%	1.74%
5 Yr US Treas Rolling	0.69%	3.01%	3.27%	3.44%	3.60%

*Initially funded in August 2007. Prior returns represent the manager's returns for the index fund
**Initially funded in September 2008. Prior returns represent the manager's returns for the index fund
***Custom Benchmark is 60% MSCI ACWI Index, 30% BarCap US Agg Bond Index, and 10% Citigroup World Gov't Bond ex-US Idx.

Balanced Fund

Asset Allocation

	Strategic	Actual
Cash		
Money Market Portfolio	3.00%	2.99%
Fixed-Income		
Aggregate Bond	59.25%	60.22%
Equity		
US Equity	30.20%	29.33%
International Portfolio	7.55%	7.45%

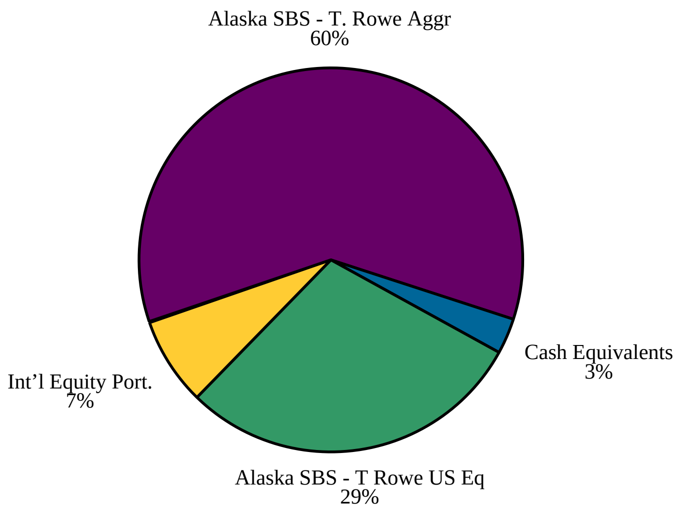
Objectives

To provide a balanced and diversified mix of stocks, bonds and money market instruments for investors with a low to average risk tolerance.

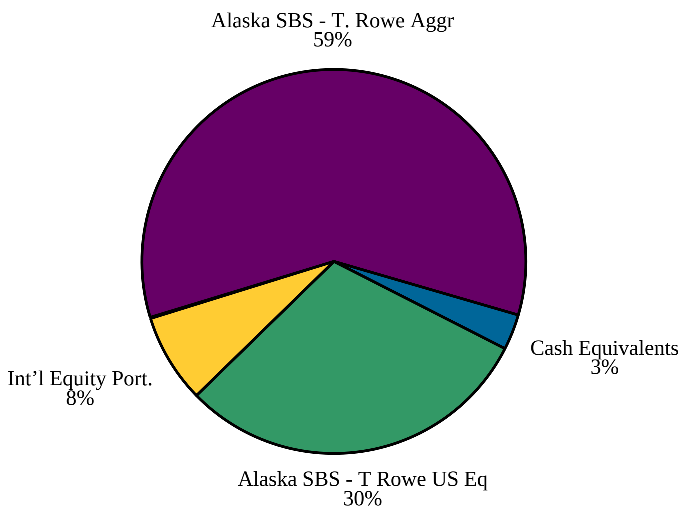
Actual vs Target Asset Allocation

The first chart below shows the Fund’s asset allocation as of September 30, 2011. The second chart shows the Fund’s target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



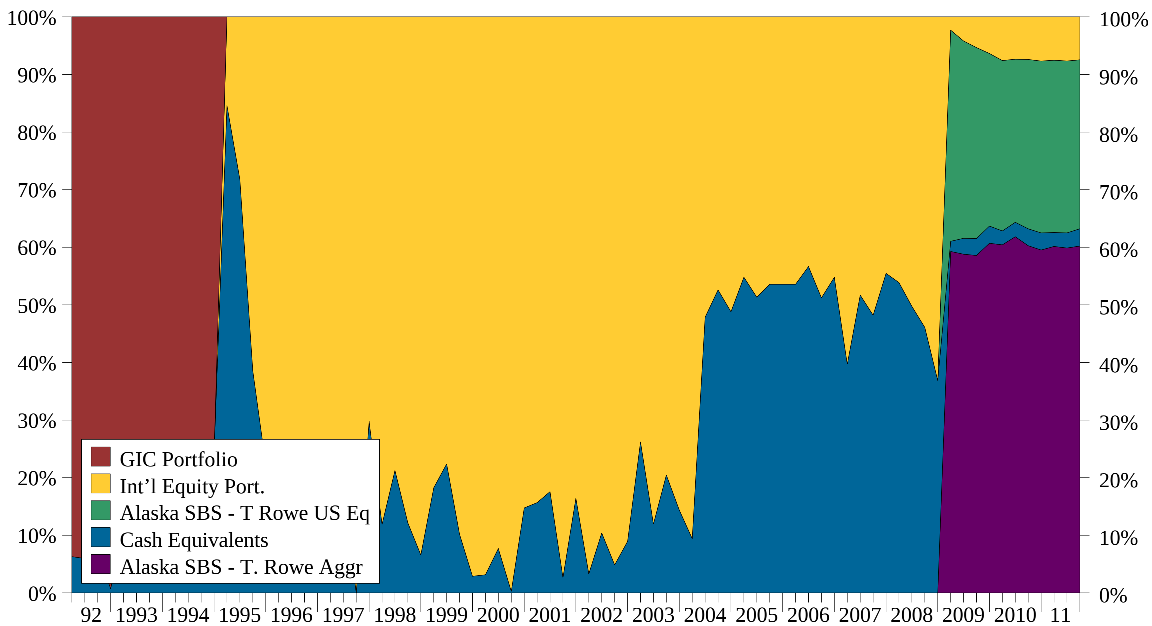
Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Alaska SBS - T. Rowe Aggr	629,657	60.2%	59.2%	1.0%	10,167
Cash Equivalents	31,313	3.0%	3.0%	0.0%	(54)
Alaska SBS - T Rowe US Eq	306,705	29.3%	30.2%	(0.9%)	(9,052)
Int’l Equity Port.	77,879	7.4%	7.5%	(0.1%)	(1,060)
Total	1,045,554	100.0%	100.0%		

* Current Quarter Target = 59.2% BC Aggregate Index, 30.2% Russell 3000 Index, 7.5% MSCI EAFE Index and 3.0% 3-month Treasury Bill.

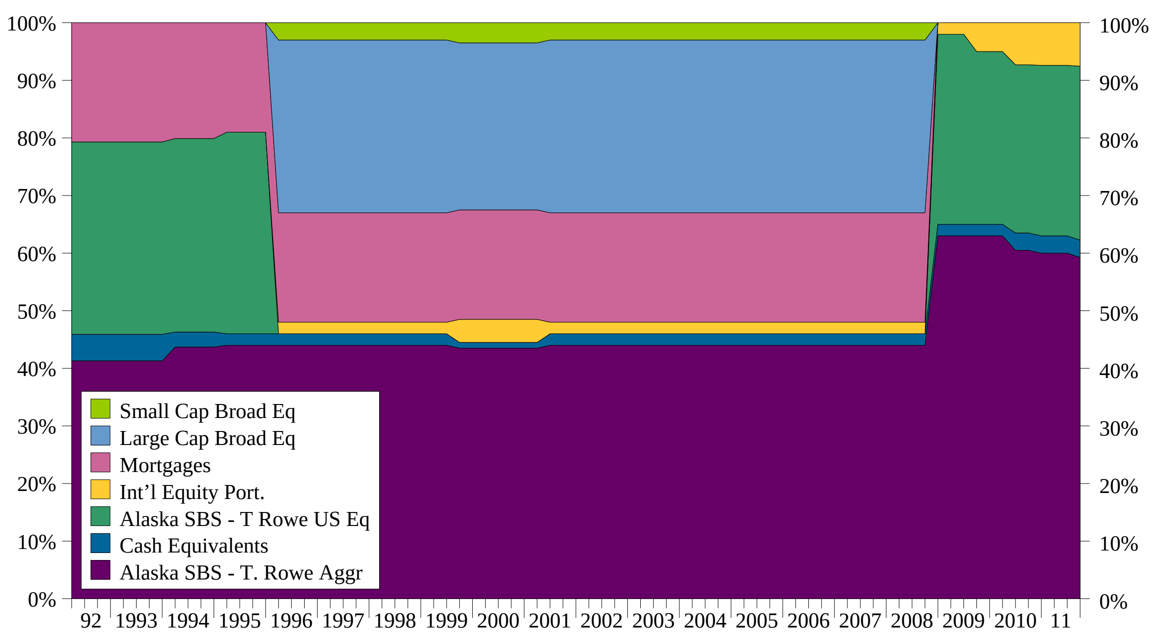
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, and the fund's historical target asset allocation.

Actual Historical Asset Allocation



Target Historical Asset Allocation



* Current Quarter Target = 59.2% BC Aggregate Index, 30.2% Russell 3000 Index, 7.5% MSCI EAFE Index and 3.0% 3-month Treasury Bill.

ALASKA BALANCED FUND
PERIOD ENDED SEPTEMBER 30, 2011

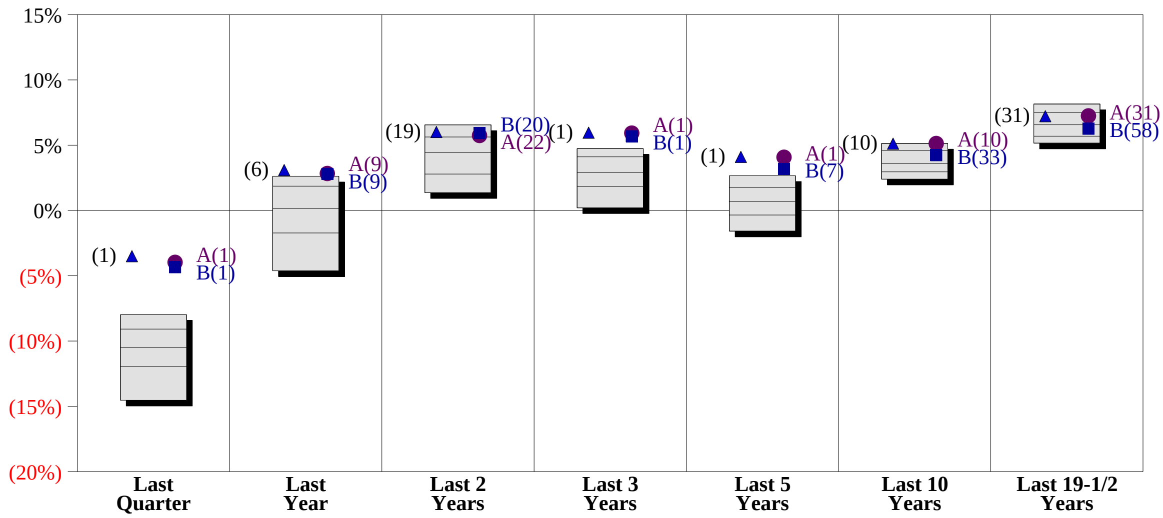
Investment Philosophy

Domestic Balanced Style mutual funds diversify their investments among common stocks, bonds, preferred stocks and money market securities within the U.S.

Quarterly Summary and Highlights

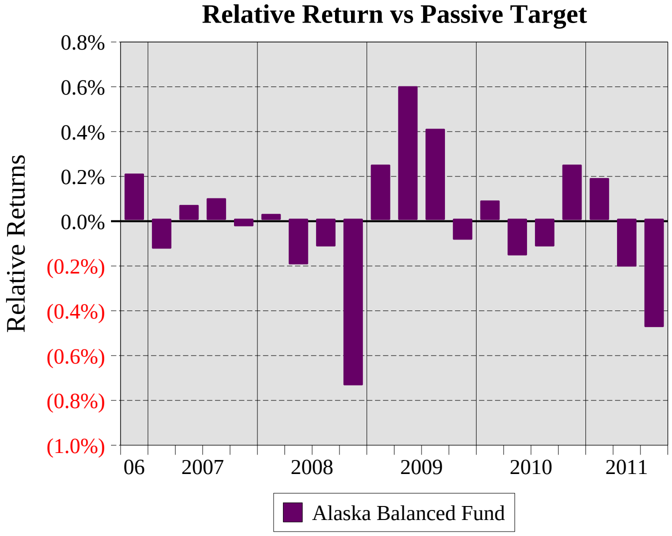
- Alaska Balanced Fund's portfolio posted a (3.97)% return for the quarter placing it in the 1 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 9 percentile for the last year.
- Alaska Balanced Fund's portfolio underperformed the Passive Target by 0.47% for the quarter and underperformed the Passive Target for the year by 0.26%.

Performance vs CAI MF - Domestic Balanced Style (Net)

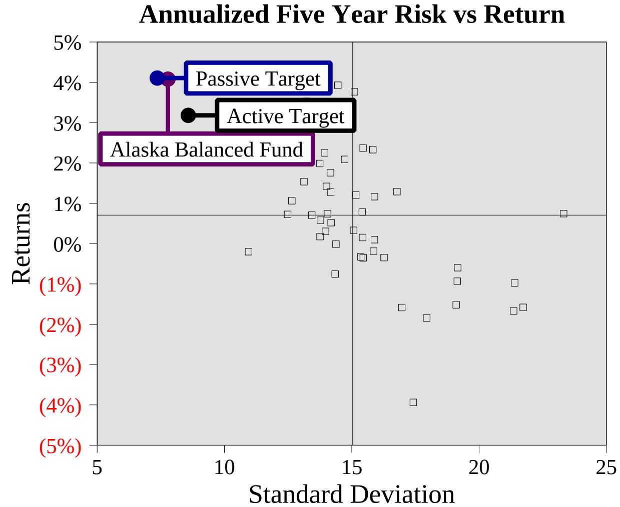


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 19-1/2 Years
10th Percentile	(7.98)	2.62	6.56	4.74	2.66	5.14	8.16
25th Percentile	(9.08)	1.86	5.63	4.11	1.76	4.60	7.50
Median	(10.50)	0.14	4.42	2.92	0.71	3.60	6.56
75th Percentile	(11.96)	(1.72)	2.79	1.83	(0.35)	2.96	5.69
90th Percentile	(14.53)	(4.62)	1.36	0.20	(1.58)	2.40	5.16
Alaska Balanced Fund ● A	(3.97)	2.83	5.74	5.93	4.08	5.13	7.25
Active Target ■ B	(4.35)	2.80	5.93	5.68	3.18	4.24	6.26
Passive Target ▲	(3.50)	3.10	6.01	5.96	4.11	5.12	7.22

Relative Return vs Passive Target



CAI MF - Domestic Balanced Style (Net) Annualized Five Year Risk vs Return

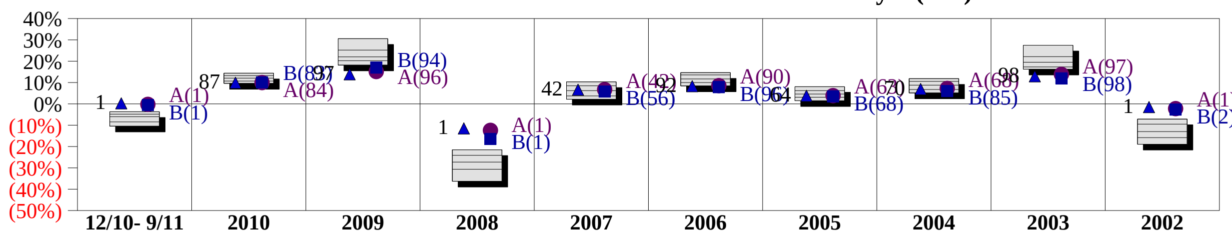


ALASKA BALANCED FUND
RETURN ANALYSIS SUMMARY

Return Analysis

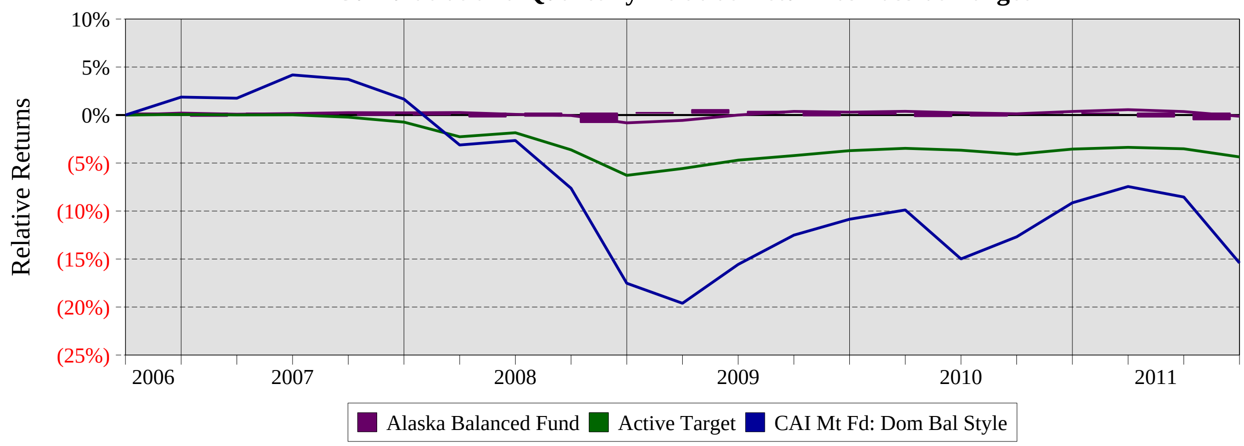
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Domestic Balanced Style (Net)

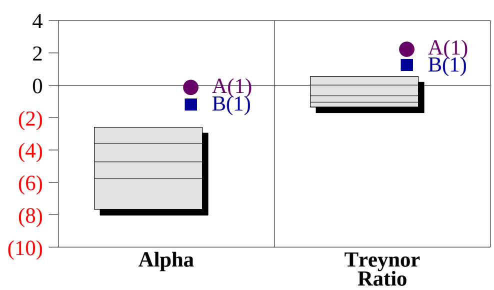


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	(3.67)	14.39	30.56	(21.52)	10.33	14.64	8.05	11.83	27.48	(7.14)
25th Percentile	(4.82)	13.26	25.21	(24.12)	8.48	13.58	6.21	10.54	22.14	(9.50)
Median	(6.00)	12.07	22.03	(27.29)	6.22	11.69	4.62	8.78	19.51	(12.98)
75th Percentile	(8.46)	10.70	20.24	(30.65)	3.73	9.99	3.12	6.73	17.33	(15.83)
90th Percentile	(10.45)	9.60	18.17	(36.29)	2.16	8.42	1.48	5.12	16.24	(18.94)
Alaska Balanced Fund ● A	(0.24)	9.98	15.16	(12.41)	6.68	8.55	3.86	7.23	13.83	(2.22)
Active Target ■ B	(0.59)	10.09	17.00	(16.43)	5.80	7.82	3.54	6.00	11.97	(2.69)
Passive Target ▲	0.26	9.90	13.88	(11.49)	6.65	8.30	3.80	6.95	12.94	(1.49)

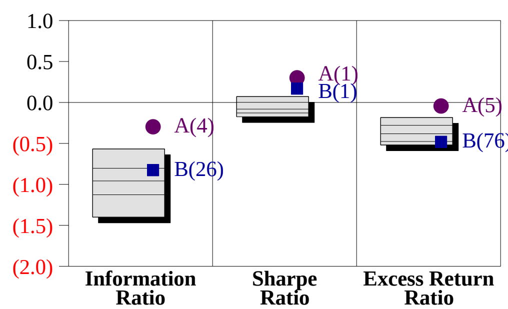
Cumulative and Quarterly Relative Return vs Passive Target



Risk Adjusted Return Measures vs Passive Target
Rankings Against CAI MF - Domestic Balanced Style (Net)
Five Years Ended September 30, 2011

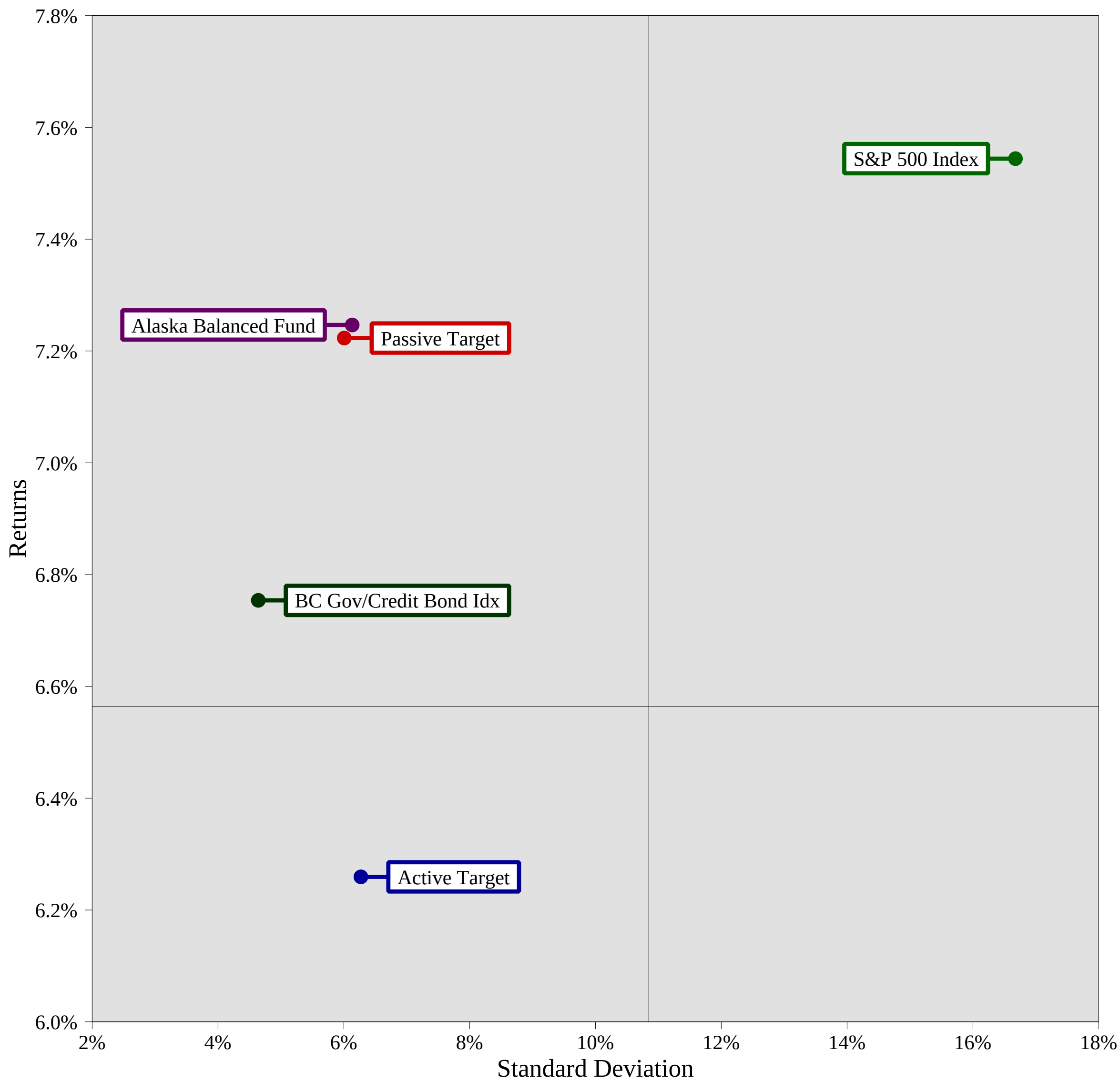


	Alpha	Treynor Ratio
10th Percentile	(2.60)	0.55
25th Percentile	(3.61)	0.01
Median	(4.73)	(0.65)
75th Percentile	(5.77)	(1.04)
90th Percentile	(7.66)	(1.35)
Alaska Balanced Fund ● A	(0.13)	2.22
Active Target ■ B	(1.19)	1.25



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	(0.57)	0.07	(0.18)
25th Percentile	(0.80)	0.00	(0.28)
Median	(0.96)	(0.08)	(0.38)
75th Percentile	(1.13)	(0.13)	(0.48)
90th Percentile	(1.40)	(0.17)	(0.52)
Alaska Balanced Fund ● A	(0.30)	0.30	(0.04)
Active Target ■ B	(0.83)	0.17	(0.48)

STATE OF ALASKA S B S - ALASKA BALANCED FUND
RISK/REWARD VS CAI MF - DOMESTIC BALANCED STYLE
NINETEEN AND ONE-HALF YEARS ENDED SEPTEMBER 30, 2011



Long Term Balanced
Fund

Long-Term Balanced Fund

Asset Allocation

	Strategic	Actual
Cash		
Money Market Portfolio	2.00%	2.05%
Fixed-Income		
Aggregate Bond	35.25%	36.20%
Equity		
US Equity	50.20%	49.24%
International Portfolio	12.55%	12.52%

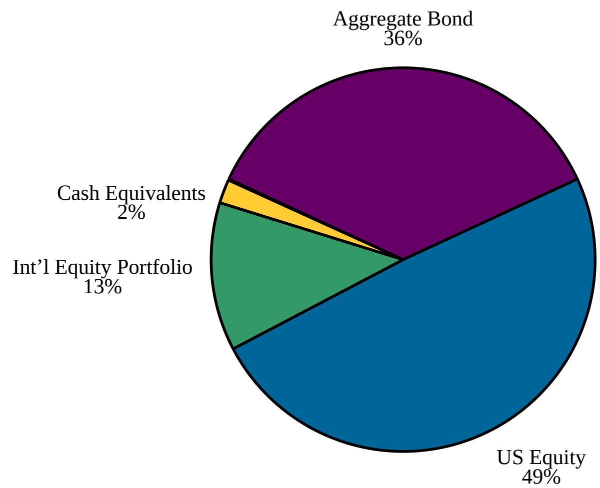
Objectives

To provide a balanced and diversified mix of stocks, bonds, and money market instruments for investors with a moderate risk tolerance.

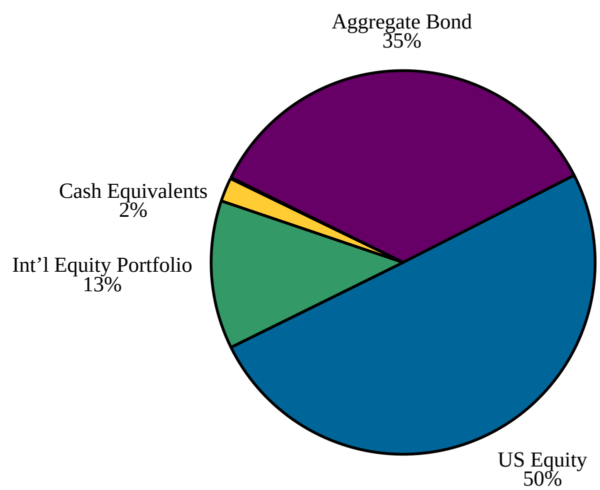
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	115,260	36.2%	35.3%	0.9%	3,010
US Equity	156,798	49.2%	50.2%	(1.0%)	(3,059)
Int'l Equity Portfolio	39,868	12.5%	12.5%	0.0%	(97)
Cash Equivalents	6,515	2.0%	2.0%	0.0%	146
Total	318,441	100.0%	100.0%		

* Current Quarter Target = 50.2% Russell 3000 Index, 35.3% BC Aggregate Index, 12.5% MSCI EAFE Index and 2.0% 3-month Treasury Bill.

LONG TERM BALANCED FUND
PERIOD ENDED SEPTEMBER 30, 2011

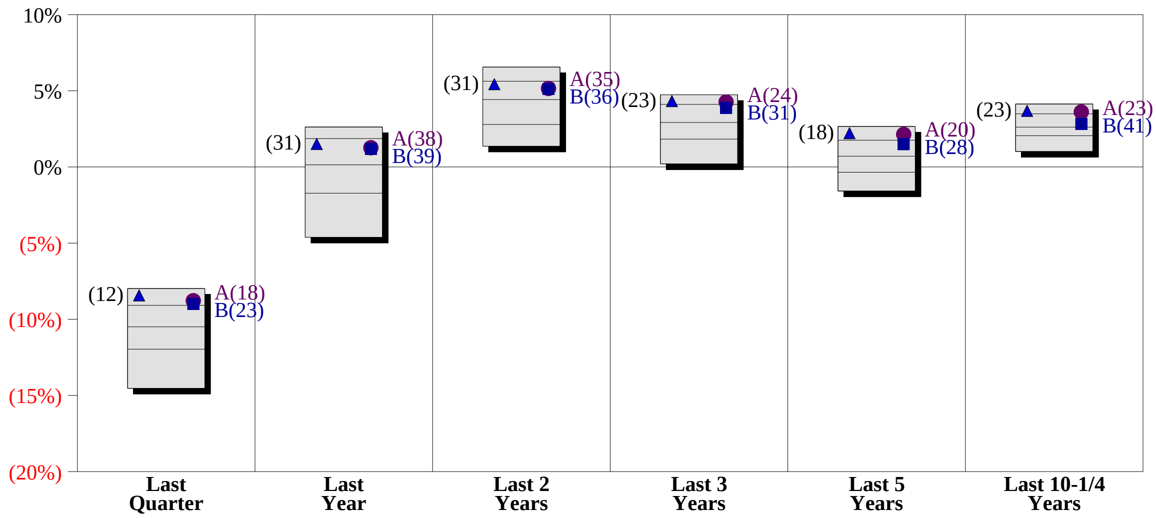
Investment Philosophy

Domestic Balanced Style mutual funds diversify their investments among common stocks, bonds, preferred stocks and money market securities within the U.S.

Quarterly Summary and Highlights

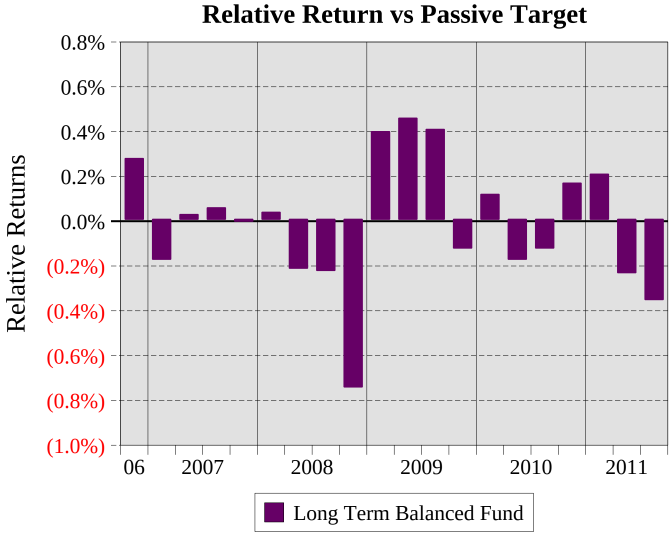
- Long Term Balanced Fund’s portfolio posted a (8.78)% return for the quarter placing it in the 18 percentile of the CAI MF - Domestic Balanced Style group for the quarter and in the 38 percentile for the last year.
- Long Term Balanced Fund’s portfolio underperformed the Passive Target by 0.35% for the quarter and underperformed the Passive Target for the year by 0.25%.

Performance vs CAI MF - Domestic Balanced Style (Net)

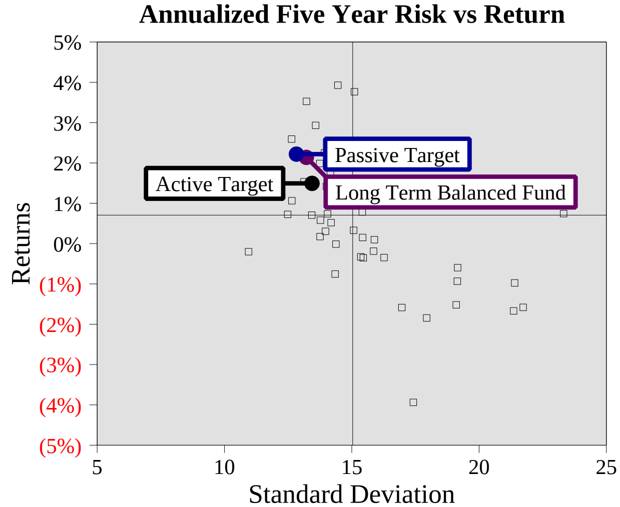


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10-1/4 Years
10th Percentile	(7.98)	2.62	6.56	4.74	2.66	4.13
25th Percentile	(9.08)	1.86	5.63	4.11	1.76	3.49
Median	(10.50)	0.14	4.42	2.92	0.71	2.62
75th Percentile	(11.96)	(1.72)	2.79	1.83	(0.35)	2.05
90th Percentile	(14.53)	(4.62)	1.36	0.20	(1.58)	1.02
Long Term Balanced Fund ● A	(8.78)	1.26	5.15	4.26	2.14	3.61
Active Target ■ B	(8.99)	1.19	5.12	3.89	1.49	2.83
Passive Target ▲	(8.43)	1.51	5.44	4.33	2.22	3.68

Relative Return vs Passive Target



CAI MF - Domestic Balanced Style (Net)
Annualized Five Year Risk vs Return

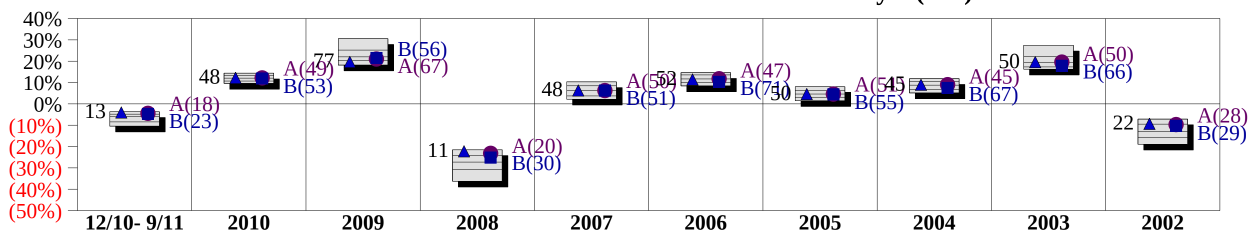


LONG TERM BALANCED FUND
RETURN ANALYSIS SUMMARY

Return Analysis

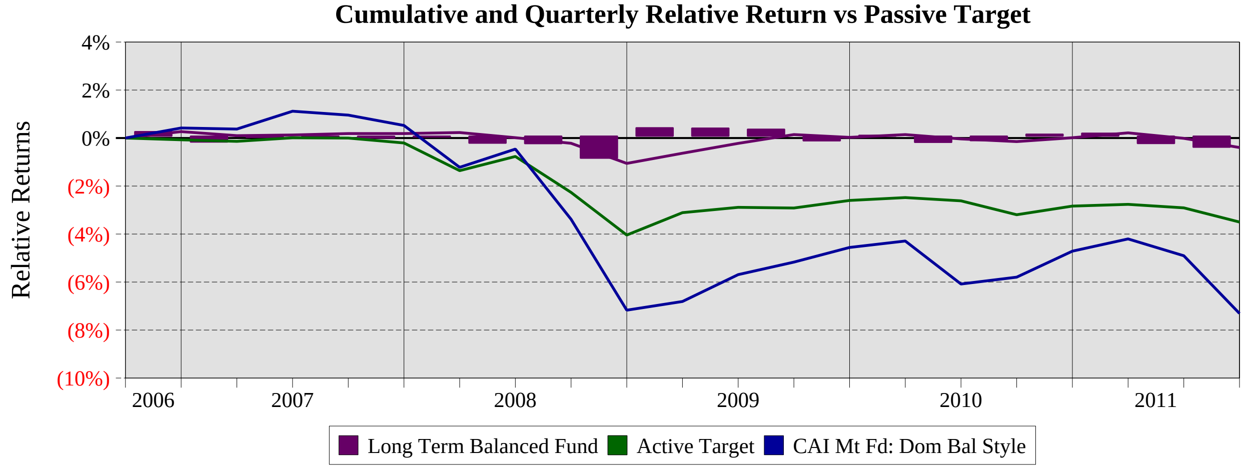
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Domestic Balanced Style (Net)

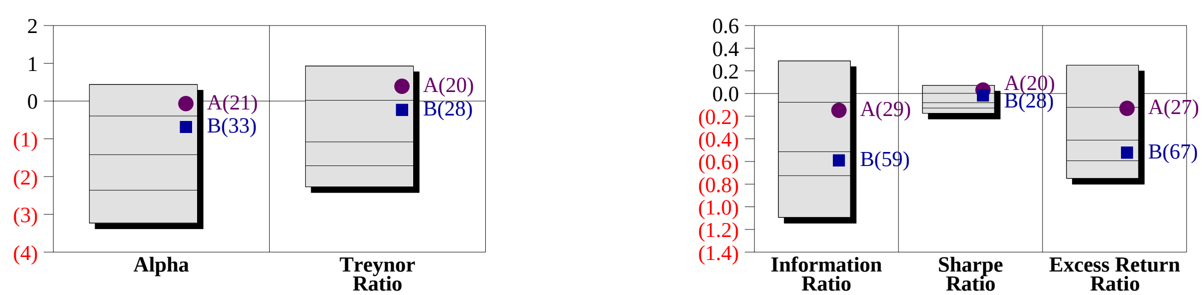


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	(3.67)	14.39	30.56	(21.52)	10.33	14.64	8.05	11.83	27.48	(7.14)
25th Percentile	(4.82)	13.26	25.21	(24.12)	8.48	13.58	6.21	10.54	22.14	(9.50)
Median	(6.00)	12.07	22.03	(27.29)	6.22	11.69	4.62	8.78	19.51	(12.98)
75th Percentile	(8.46)	10.70	20.24	(30.65)	3.73	9.99	3.12	6.73	17.33	(15.83)
90th Percentile	(10.45)	9.60	18.17	(36.29)	2.16	8.42	1.48	5.12	16.24	(18.94)
Long Term Balanced Fund ● A	(4.43)	12.18	21.03	(23.19)	6.23	11.79	4.59	9.02	19.59	(9.70)
Active Target ■ B	(4.70)	11.92	21.52	(25.22)	6.18	10.32	4.50	7.46	17.86	(10.29)
Passive Target ▲	(4.04)	12.19	19.72	(22.23)	6.32	11.45	4.61	8.97	19.60	(9.34)

Cumulative and Quarterly Relative Return vs Passive Target



Risk Adjusted Return Measures vs Passive Target
Rankings Against CAI MF - Domestic Balanced Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	0.44	0.93
25th Percentile	(0.40)	0.02
Median	(1.42)	(1.08)
75th Percentile	(2.36)	(1.71)
90th Percentile	(3.23)	(2.27)
Long Term Balanced Fund ● A	(0.07)	0.39
Active Target ■ B	(0.69)	(0.23)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.29	0.07	0.25
25th Percentile	(0.08)	0.00	(0.12)
Median	(0.51)	(0.08)	(0.41)
75th Percentile	(0.73)	(0.13)	(0.59)
90th Percentile	(1.09)	(0.17)	(0.75)
Long Term Balanced Fund ● A	(0.15)	0.03	(0.13)
Active Target ■ B	(0.59)	(0.02)	(0.52)

Target 2010 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	11.00%	11.19%
Fixed-Income		
Aggregate Bond	35.50%	36.82%
Equity		
US Equity	43.00%	41.55%
International Fund	10.50%	10.44%

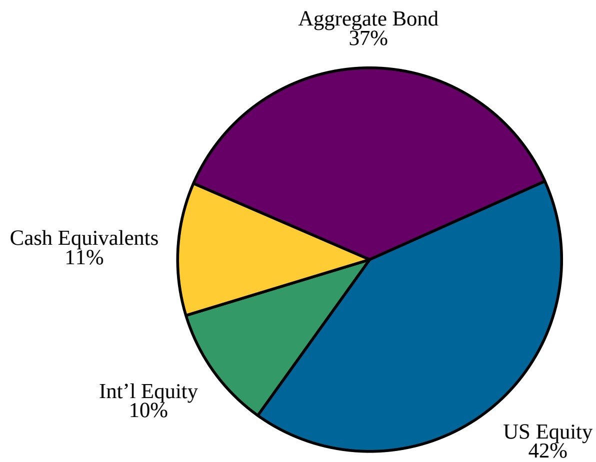
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors and/or investors with a moderate to high tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches.

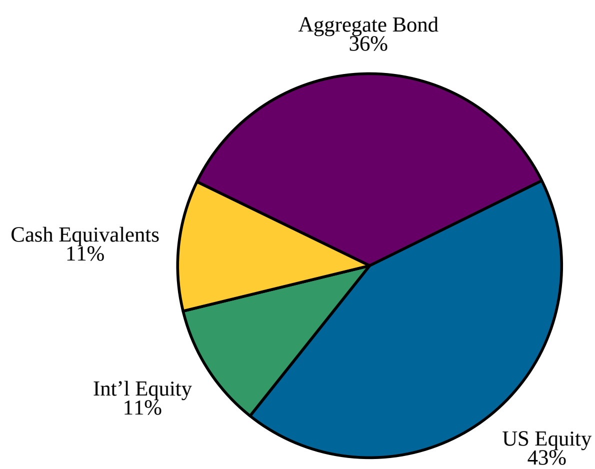
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



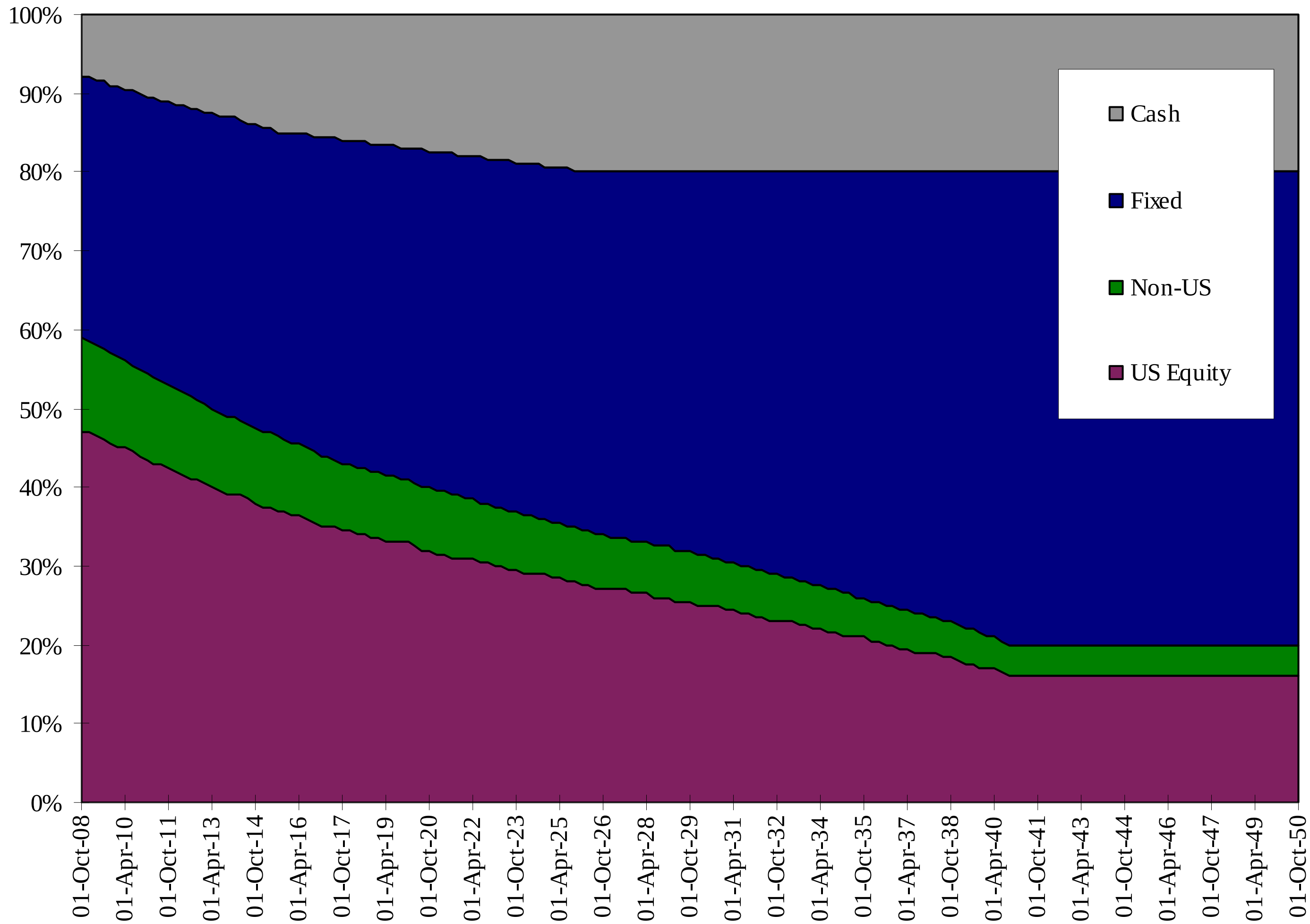
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	1,739	36.8%	35.5%	1.3%	62
US Equity	1,963	41.6%	43.0%	(1.4%)	(68)
Int'l Equity	493	10.4%	10.5%	(0.1%)	(3)
Cash Equivalents	529	11.2%	11.0%	0.2%	9
Total	4,724	100.0%	100.0%		

* Current Quarter Target = 43.0% Russell 3000 Index, 35.5% BC Aggregate Index, 11.0% 3-month Treasury Bill and 10.5% MSCI EAFE Index.

Target 2010 Trust
Schedule of Benchmark Allocation Changes

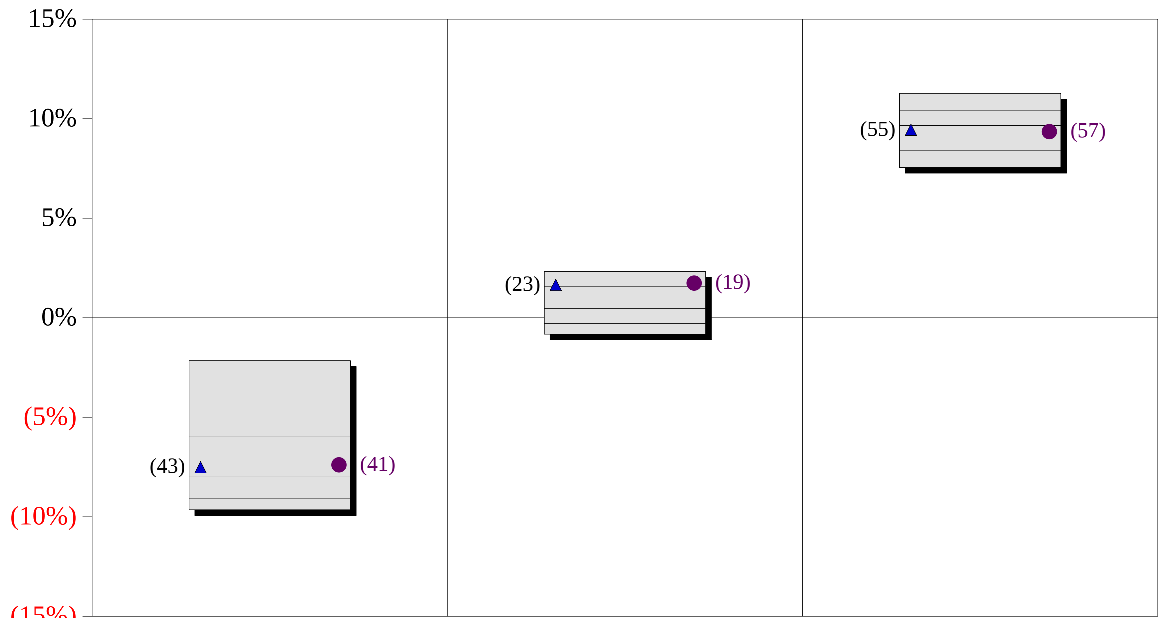


TARGET 2010 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

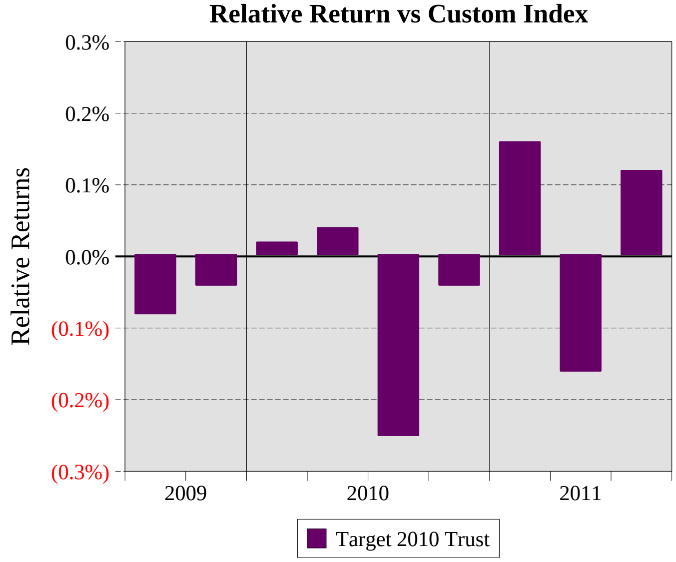
- Target 2010 Trust's portfolio posted a (7.39)% return for the quarter placing it in the 41 percentile of the CAI Target Date 2010 group for the quarter and in the 19 percentile for the last year.
- Target 2010 Trust's portfolio outperformed the Custom Index by 0.12% for the quarter and outperformed the Custom Index for the year by 0.09%.

Performance vs CAI Target Date 2010 (Net)

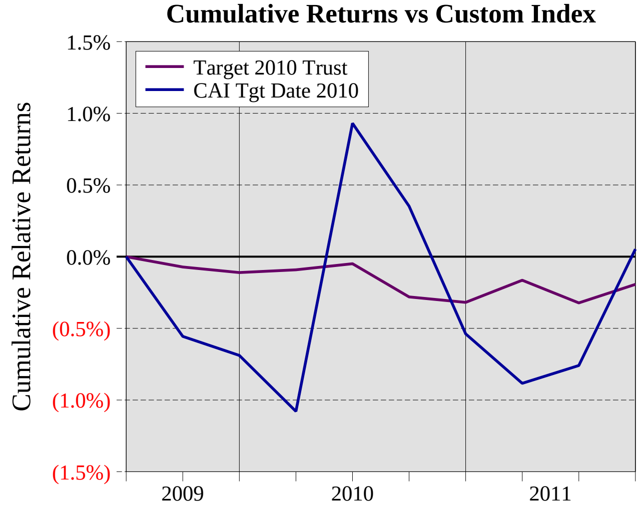


	Last Quarter	Last Year	Last 2-1/4 Years
10th Percentile	(2.16)	2.32	11.28
25th Percentile	(5.99)	1.58	10.43
Median	(8.00)	0.46	9.66
75th Percentile	(9.10)	(0.29)	8.39
90th Percentile	(9.65)	(0.82)	7.55
Target 2010 Trust ●	(7.39)	1.74	9.35
Custom Index ▲	(7.51)	1.65	9.45

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2015 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	6.50%	6.65%
Fixed-Income		
Aggregate Bond	30.50%	31.83%
Equity		
US Equity	50.50%	49.06%
International Fund	12.50%	12.46%

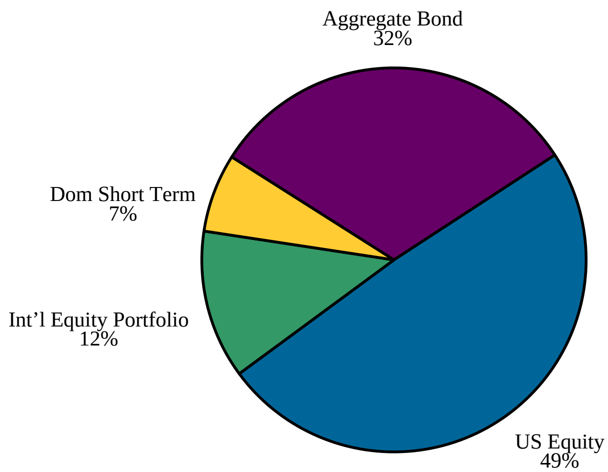
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2015 approaches.

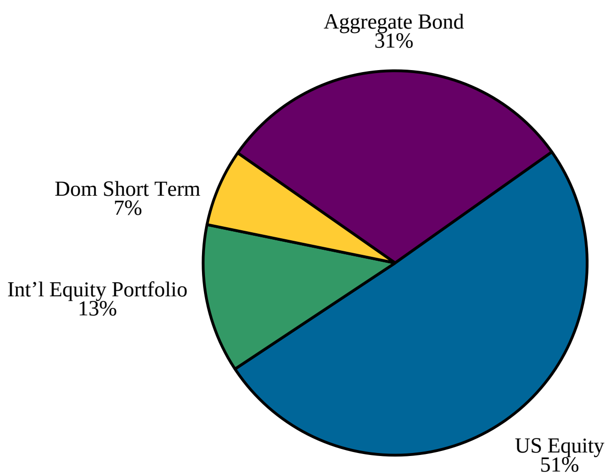
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



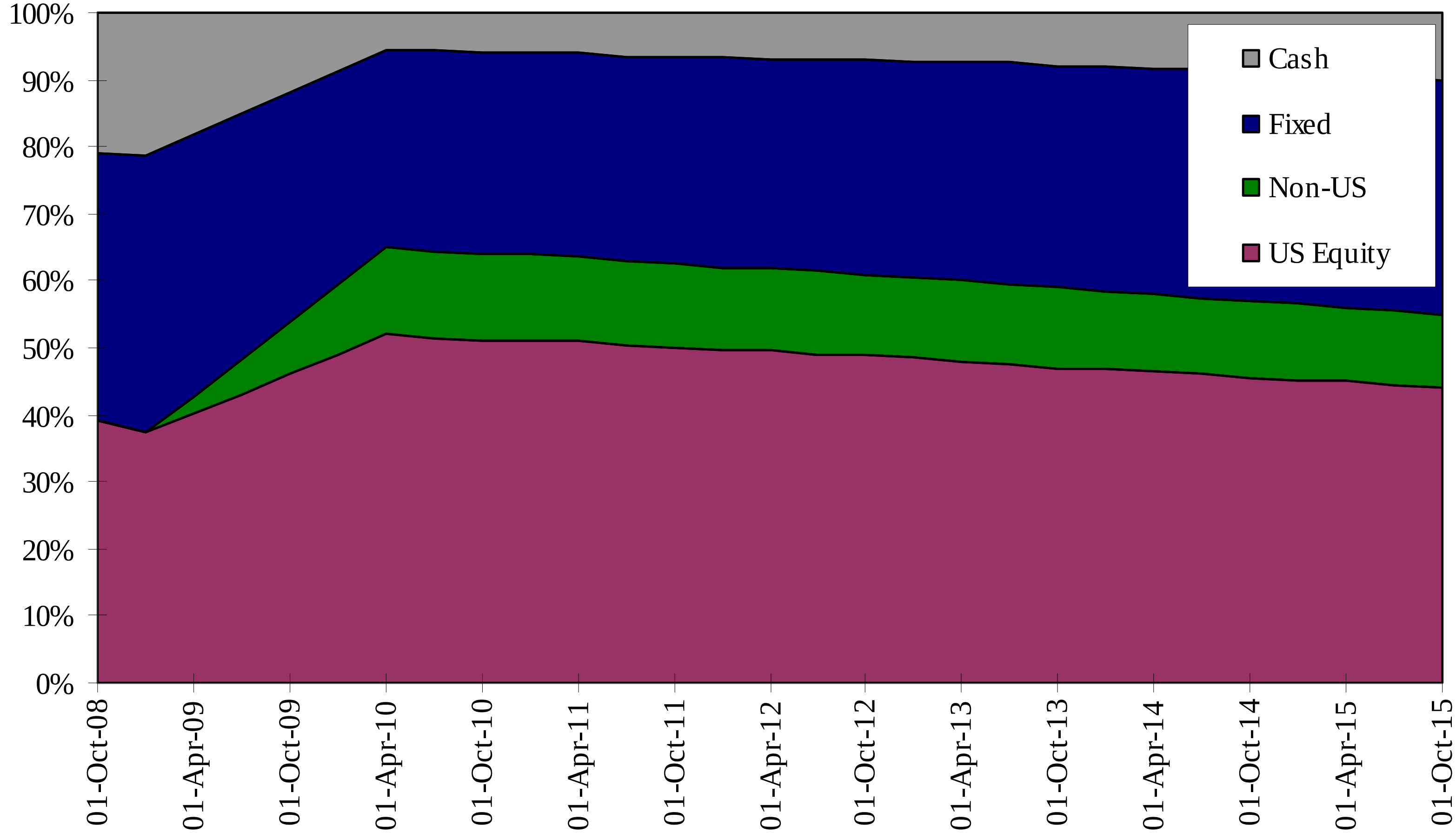
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	26,279	31.8%	30.5%	1.3%	1,100
US Equity	40,500	49.1%	50.5%	(1.4%)	(1,189)
Int'l Equity Portfolio	10,287	12.5%	12.5%	0.0%	(32)
Dom Short Term	5,487	6.6%	6.5%	0.1%	121
Total	82,553	100.0%	100.0%		

* Current Quarter Target = 50.5% Russell 3000 Index, 30.5% BC Aggregate Index, 12.5% MSCI EAFE Index and 6.5% 3-month Treasury Bill.

Target 2015 Trust
Schedule of Benchmark Allocation Changes

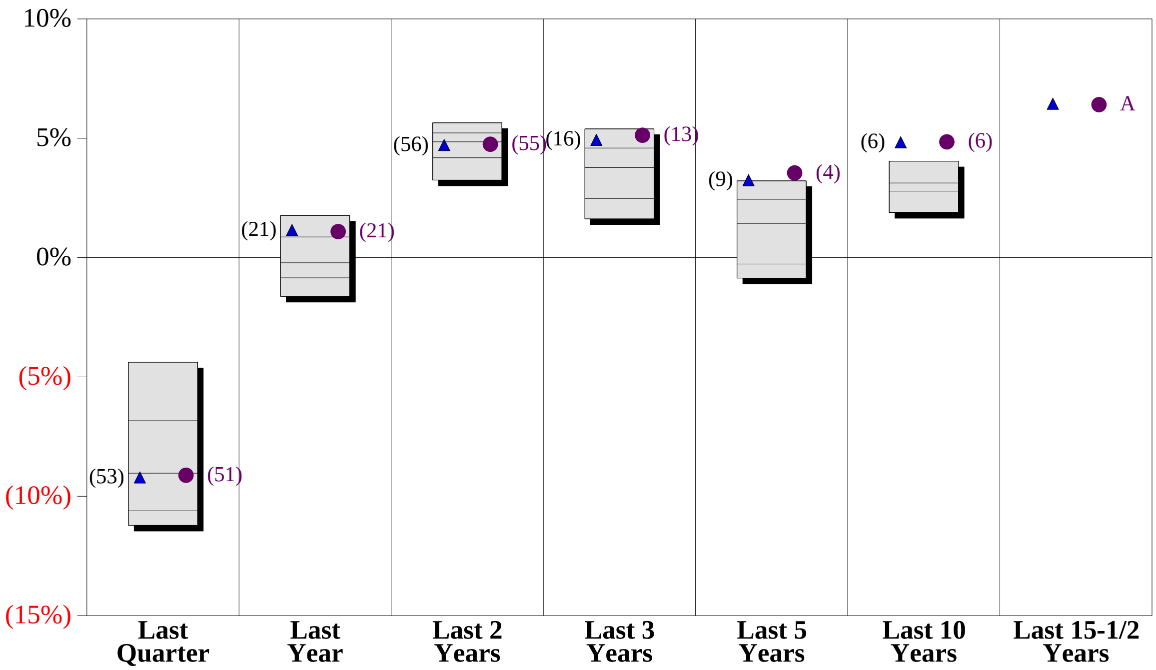


TARGET 2015 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

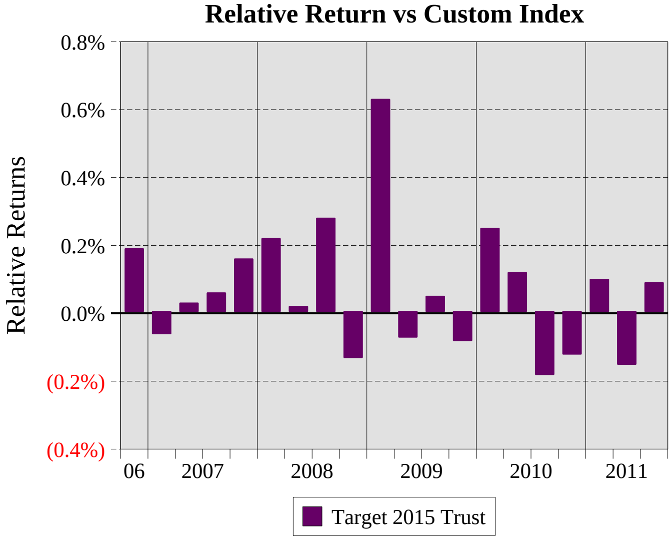
- Target 2015 Trust's portfolio posted a (9.12)% return for the quarter placing it in the 51 percentile of the CAI Target Date 2015 group for the quarter and in the 21 percentile for the last year.
- Target 2015 Trust's portfolio outperformed the Custom Index by 0.09% for the quarter and underperformed the Custom Index for the year by 0.07%.

Performance vs CAI Target Date 2015 (Net)

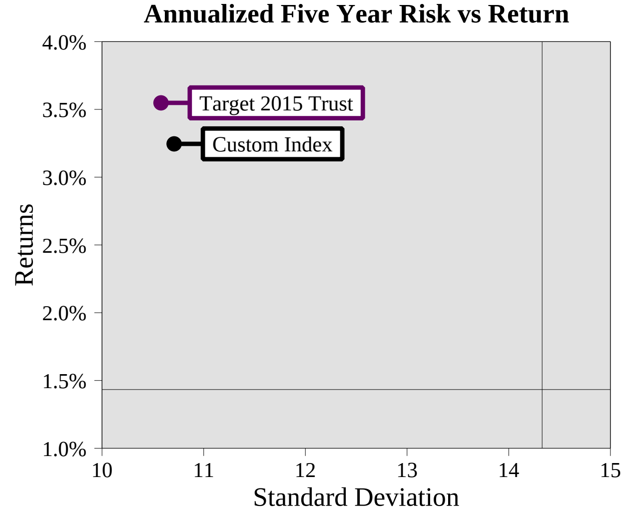


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	(4.38)	1.76	5.65	5.39	3.22	4.04	-
25th Percentile	(6.84)	0.86	5.22	4.59	2.44	3.13	-
Median	(9.03)	(0.22)	4.85	3.77	1.43	2.79	-
75th Percentile	(10.61)	(0.85)	4.18	2.48	(0.27)	1.90	-
90th Percentile	(11.22)	(1.62)	3.25	1.62	(0.86)	1.89	-
Target 2015 Trust ●	(9.12)	1.09	4.75	5.13	3.55	4.85	6.41
Custom Index ▲	(9.21)	1.16	4.72	4.93	3.25	4.83	6.45

Relative Return vs Custom Index



CAI Target Date 2015 (Net) Annualized Five Year Risk vs Return



Target 2020 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	3.00%	3.59%
Fixed-Income		
Aggregate Bond	26.00%	26.79%
Equity		
US Equity	57.00%	55.62%
International Fund	14.00%	14.00%

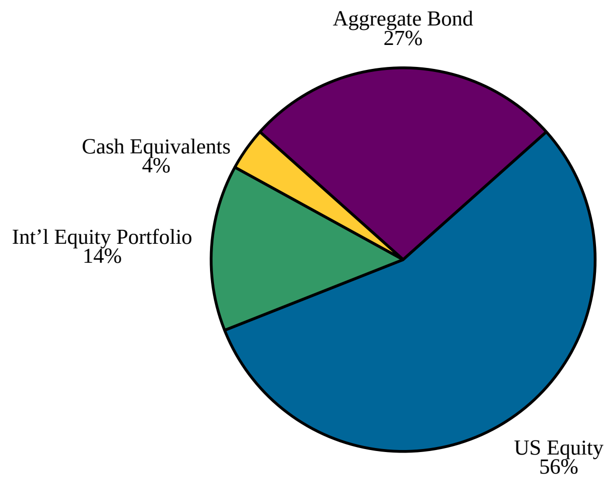
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. The fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2020 approaches.

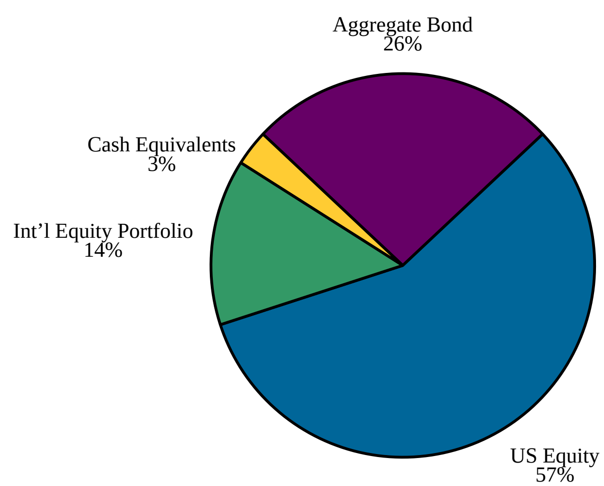
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



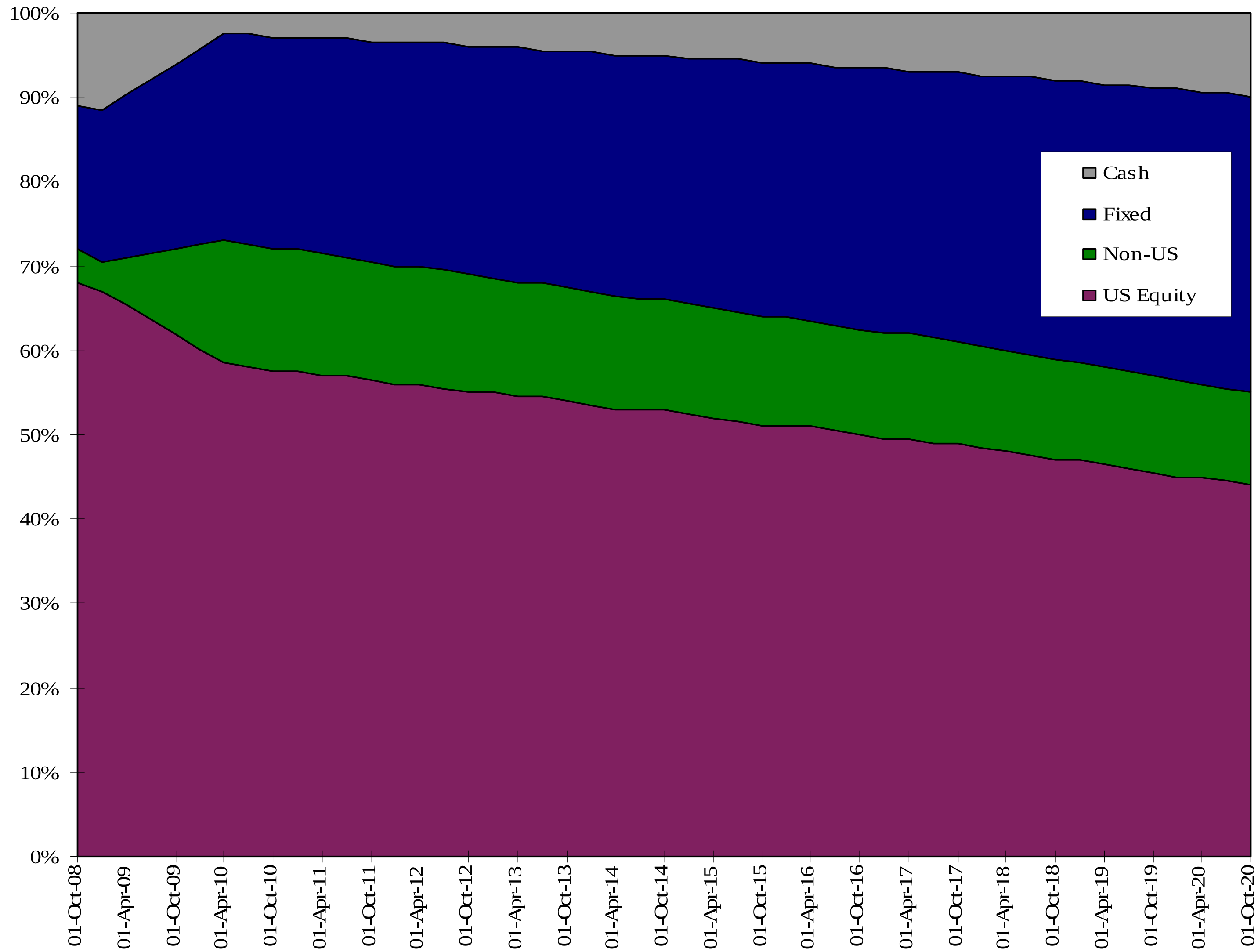
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	8,211	26.8%	26.0%	0.8%	241
US Equity	17,049	55.6%	57.0%	(1.4%)	(423)
Int'l Equity Portfolio	4,293	14.0%	14.0%	0.0%	1
Cash Equivalents	1,101	3.6%	3.0%	0.6%	181
Total	30,653	100.0%	100.0%		

* Current Quarter Target = 57.0% Russell 3000 Index, 26.0% BC Aggregate Index, 14.0% MSCI EAFE Index and 3.0% 3-month Treasury Bill.

Target 2020 Trust
Schedule of Benchmark Allocation Changes

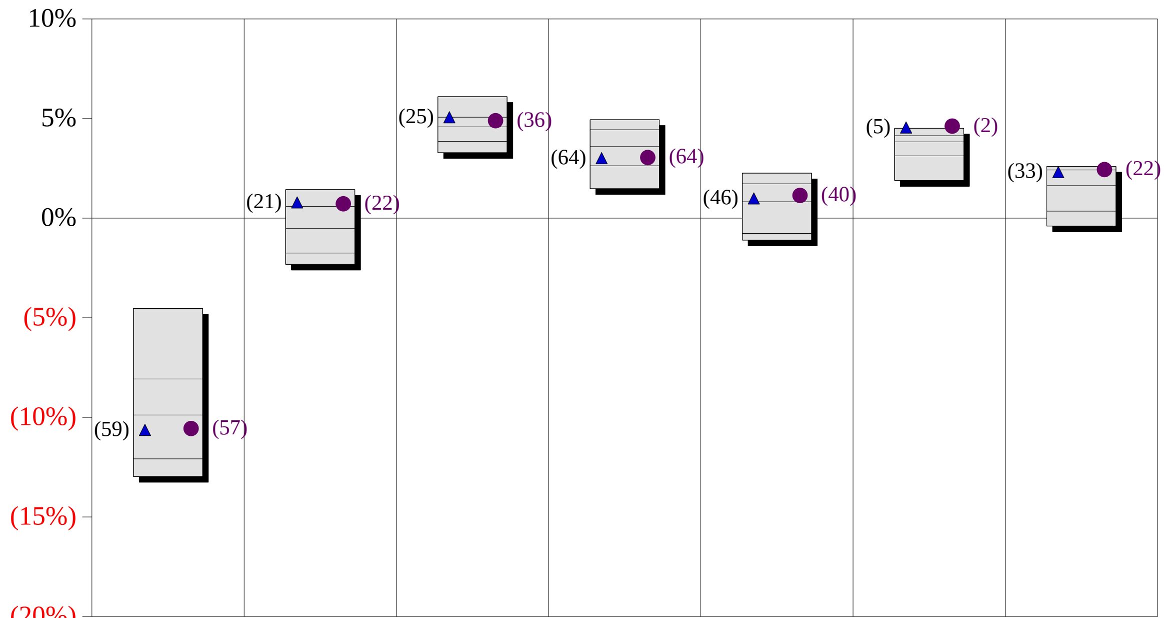


TARGET 2020 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

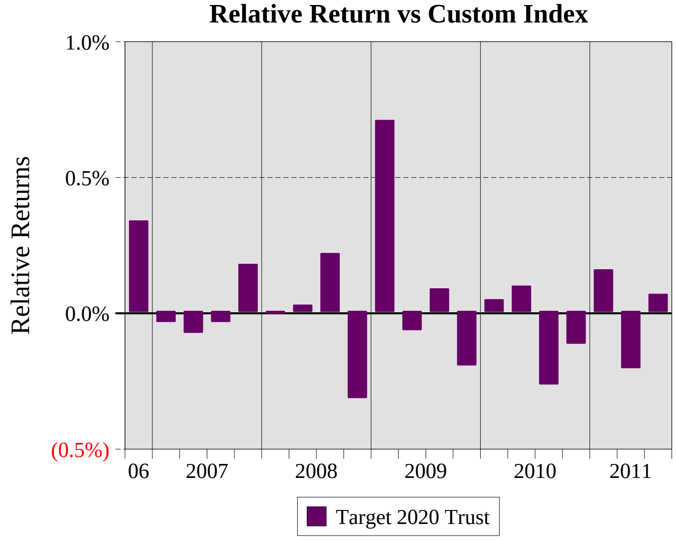
- Target 2020 Trust's portfolio posted a (10.56)% return for the quarter placing it in the 57 percentile of the CAI Target Date 2020 group for the quarter and in the 22 percentile for the last year.
- Target 2020 Trust's portfolio outperformed the Custom Index by 0.07% for the quarter and underperformed the Custom Index for the year by 0.07%.

Performance vs CAI Target Date 2020 (Net)

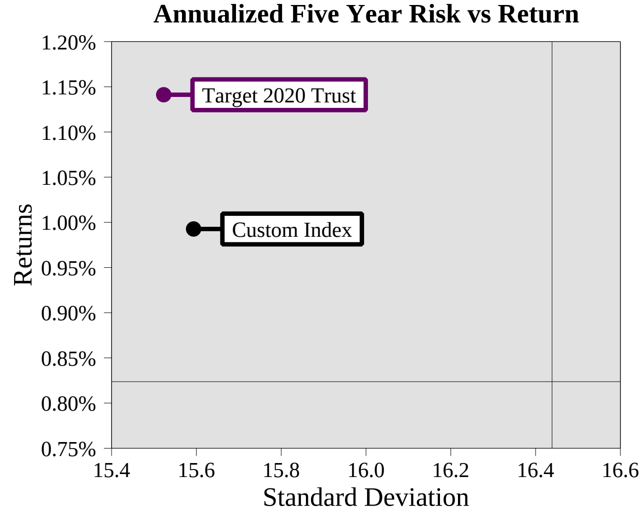


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 10-3/4 Years
10th Percentile	(4.53)	1.43	6.10	4.94	2.26	4.51	2.60
25th Percentile	(8.07)	0.59	5.07	4.44	1.73	4.14	2.42
Median	(9.88)	(0.52)	4.58	3.59	0.82	3.83	1.63
75th Percentile	(12.08)	(1.75)	3.85	2.63	(0.77)	3.13	0.35
90th Percentile	(12.97)	(2.32)	3.29	1.48	(1.10)	1.89	(0.40)
Target 2020 Trust ●	(10.56)	0.72	4.89	3.04	1.14	4.62	2.44
Custom Index ▲	(10.63)	0.79	5.07	3.01	0.99	4.55	2.31

Relative Return vs Custom Index



CAI Target Date 2020 (Net)
Annualized Five Year Risk vs Return



Target 2025 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	1.00%	1.01%
Fixed-Income		
Aggregate Bond	21.00%	21.70%
Equity		
US Equity	62.50%	61.72%
International Fund	15.50%	15.58%

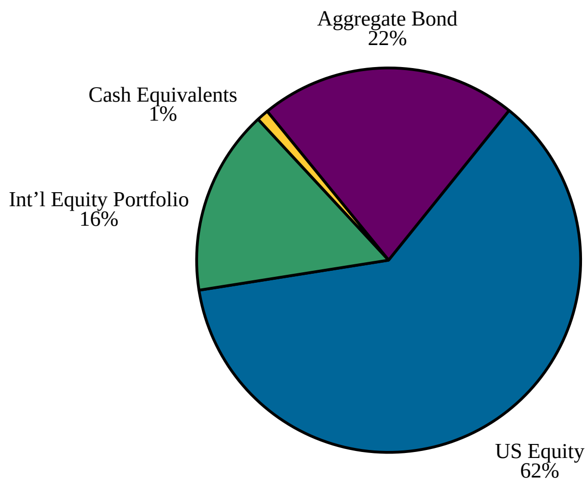
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2025 approaches.

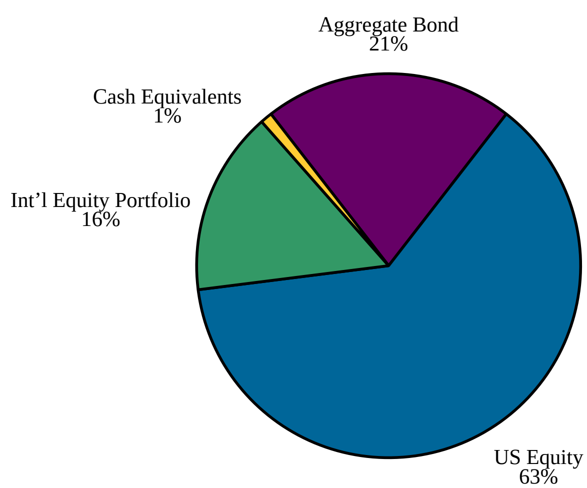
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



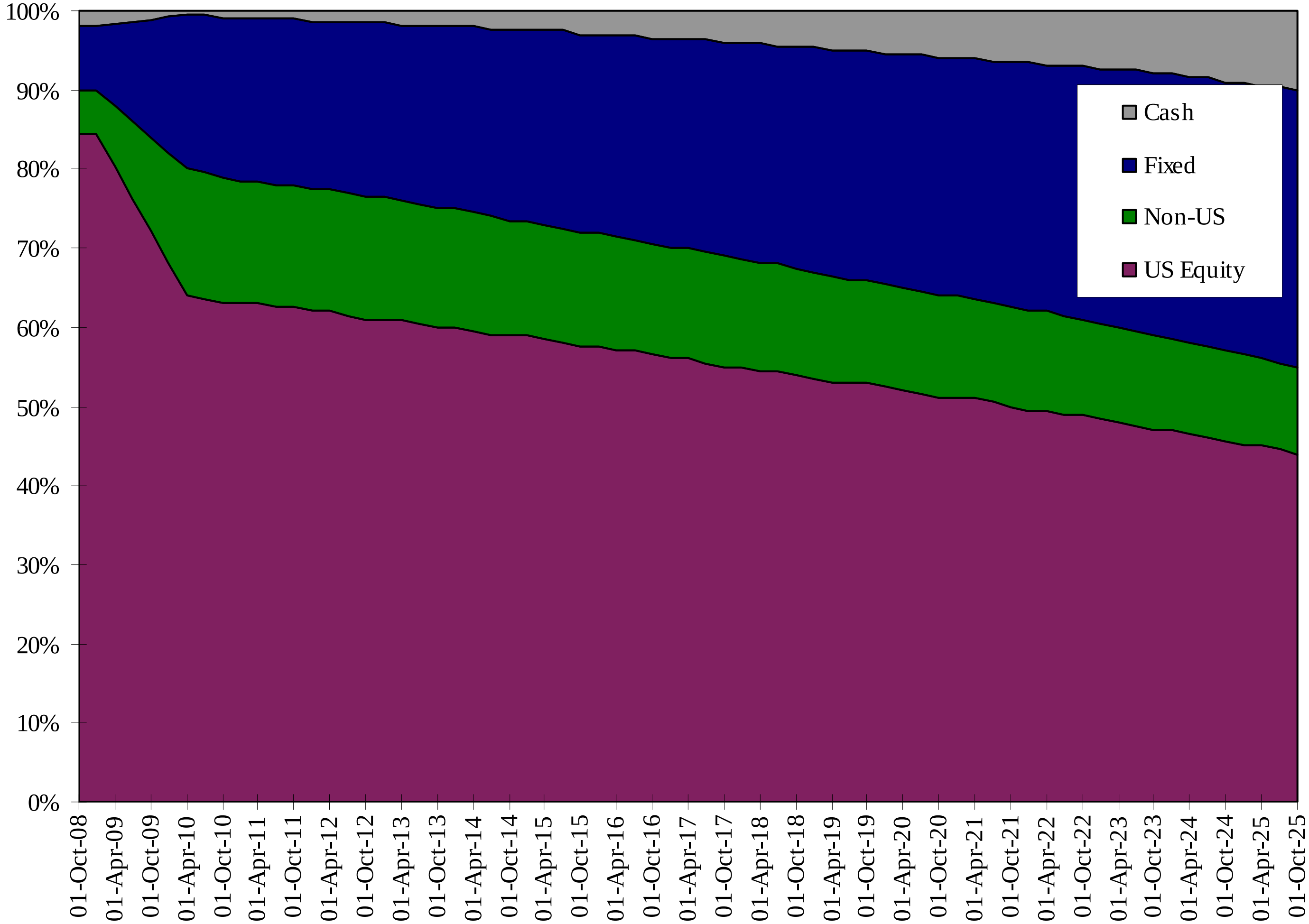
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	3,157	21.7%	21.0%	0.7%	102
US Equity	8,976	61.7%	62.5%	(0.8%)	(114)
Int'l Equity Portfolio	2,265	15.6%	15.5%	0.1%	11
Cash Equivalents	146	1.0%	1.0%	0.0%	1
Total	14,544	100.0%	100.0%		

* Current Quarter Target = 62.5% Russell 3000 Index, 21.0% BC Aggregate Index, 15.5% MSCI EAFE Index and 1.0% 3-month Treasury Bill.

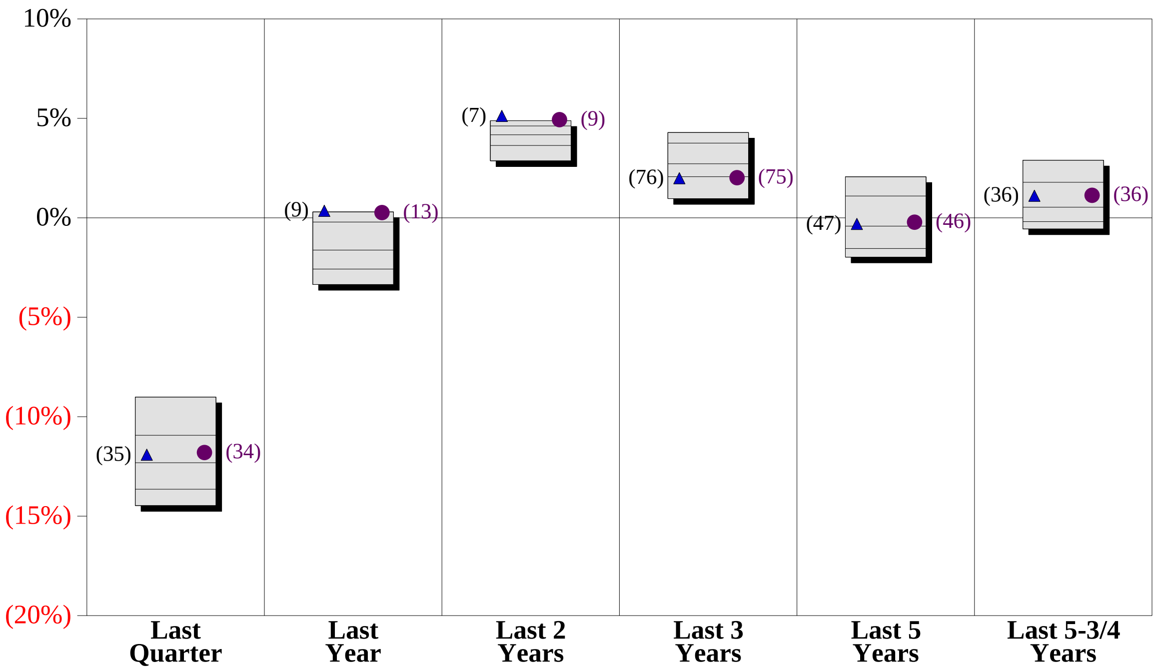
Target 2025 Trust
Schedule of Benchmark Allocation Changes



Quarterly Summary and Highlights

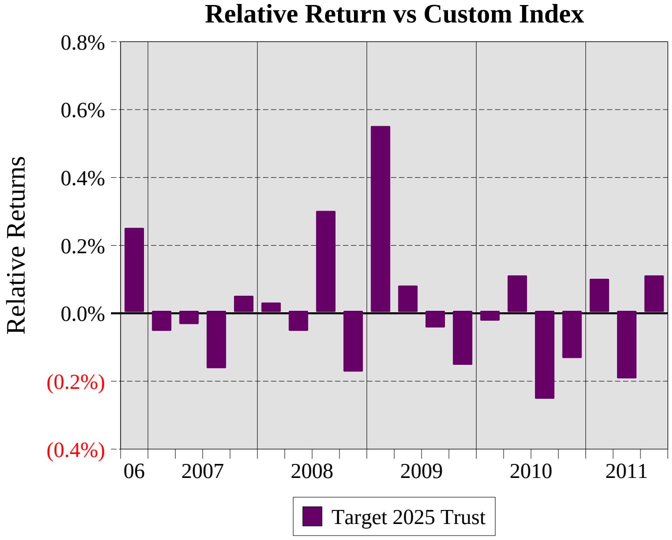
- Target 2025 Trust's portfolio posted a (11.80)% return for the quarter placing it in the 34 percentile of the CAI Target Date 2025 group for the quarter and in the 13 percentile for the last year.
- Target 2025 Trust's portfolio outperformed the Custom Index by 0.11% for the quarter and underperformed the Custom Index for the year by 0.09%.

Performance vs CAI Target Date 2025 (Net)

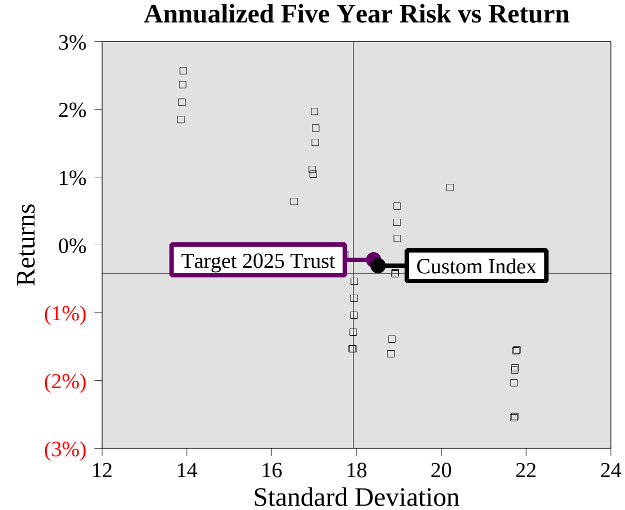


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-3/4 Years
10th Percentile	(9.01)	0.30	4.88	4.29	2.06	2.89
25th Percentile	(10.93)	(0.21)	4.62	3.76	1.10	1.79
Median	(12.31)	(1.62)	4.17	2.72	(0.42)	0.53
75th Percentile	(13.65)	(2.58)	3.64	2.07	(1.54)	(0.19)
90th Percentile	(14.47)	(3.35)	2.86	0.97	(1.98)	(0.56)
Target 2025 Trust ●	(11.80)	0.26	4.94	2.02	(0.22)	1.13
Custom Index ▲	(11.91)	0.35	5.12	1.99	(0.31)	1.11

Relative Return vs Custom Index



CAI Target Date 2025 (Net) Annualized Five Year Risk vs Return



Target 2030 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	16.00%	16.58%
Equity		
US Equity	67.00%	66.33%
International Fund	17.00%	17.10%

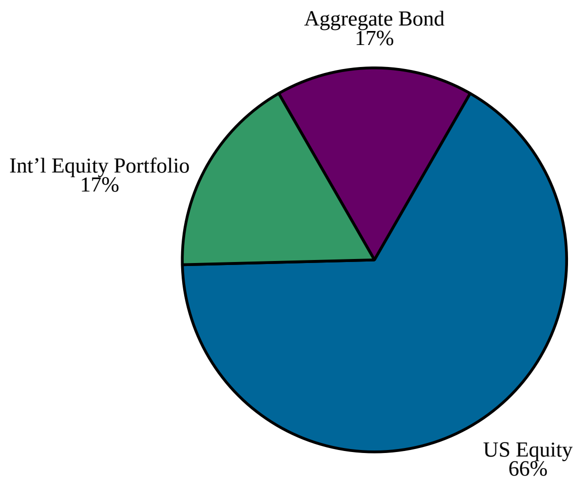
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2030 approaches.

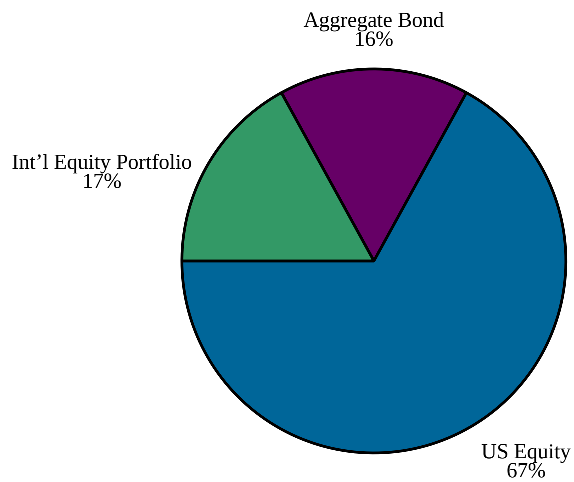
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation

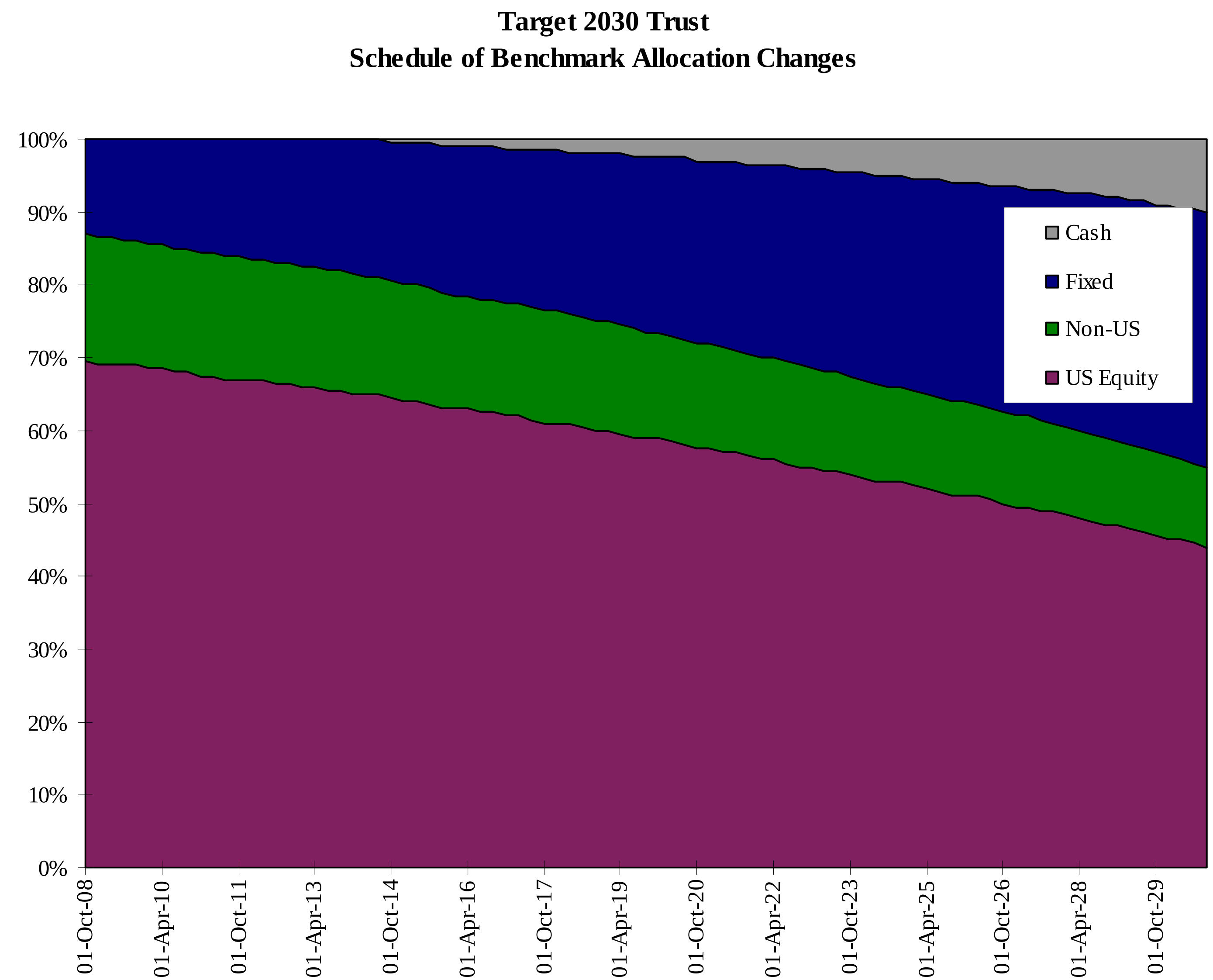


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	763	16.6%	16.0%	0.6%	26
US Equity	3,055	66.3%	67.0%	(0.7%)	(31)
Int'l Equity Portfolio	787	17.1%	17.0%	0.1%	5
Total	4,605	100.0%	100.0%		

* Current Quarter Target = 67.0% Russell 3000 Index, 17.0% MSCI EAFE Index and 16.0% BC Aggregate Index.

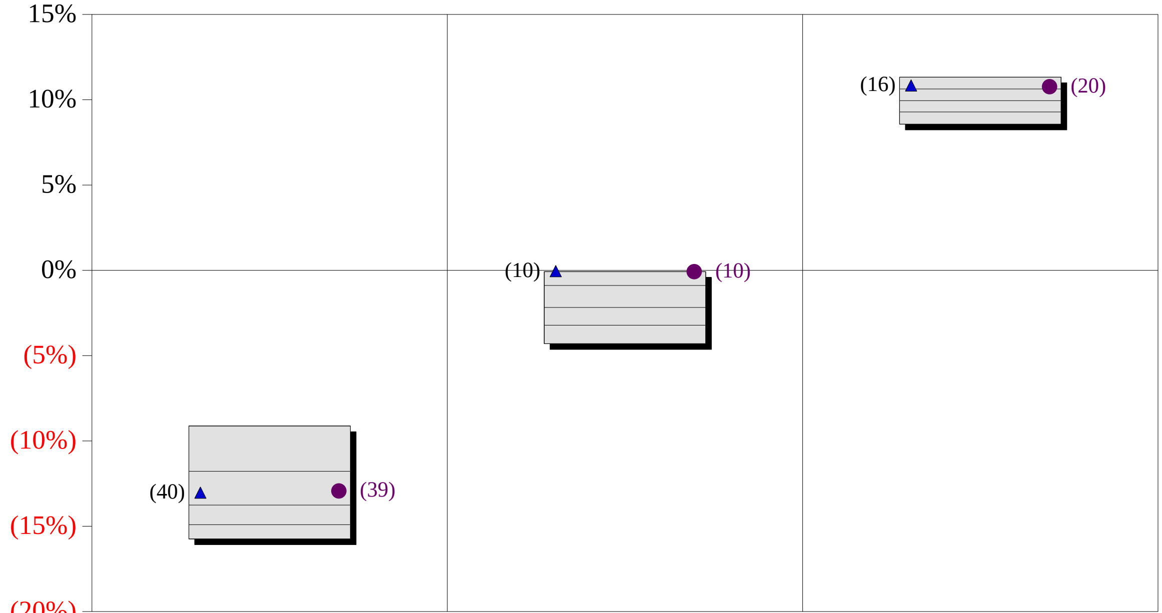

Target 2030 Trust
Schedule of Benchmark Allocation Changes
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Cash
Fixed
Non-US
US Equity
01-Oct-08
01-Apr-10
01-Oct-11
01-Apr-13
01-Oct-14
01-Apr-16
01-Oct-17
01-Apr-19
01-Oct-20
01-Apr-22
01-Oct-23
01-Apr-25
01-Oct-26
01-Apr-28
01-Oct-29

TARGET 2030 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

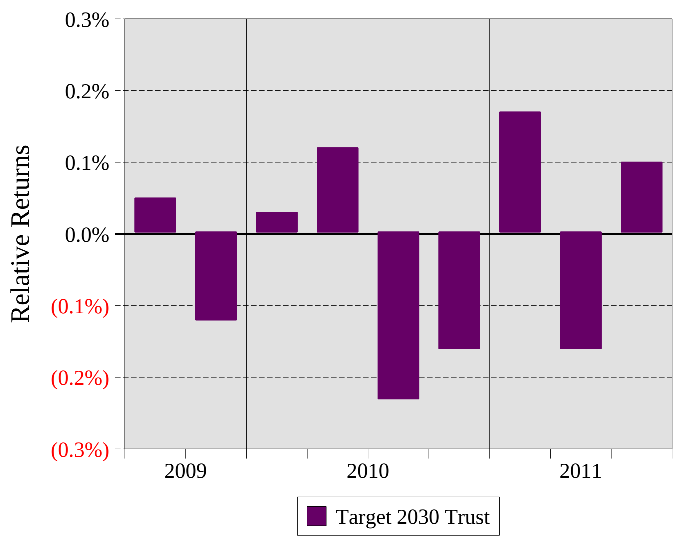
- Target 2030 Trust's portfolio posted a (12.93)% return for the quarter placing it in the 39 percentile of the CAI Target Date 2030 group for the quarter and in the 10 percentile for the last year.
- Target 2030 Trust's portfolio outperformed the Custom Index by 0.10% for the quarter and underperformed the Custom Index for the year by 0.03%.

Performance vs CAI Target Date 2030 (Net)

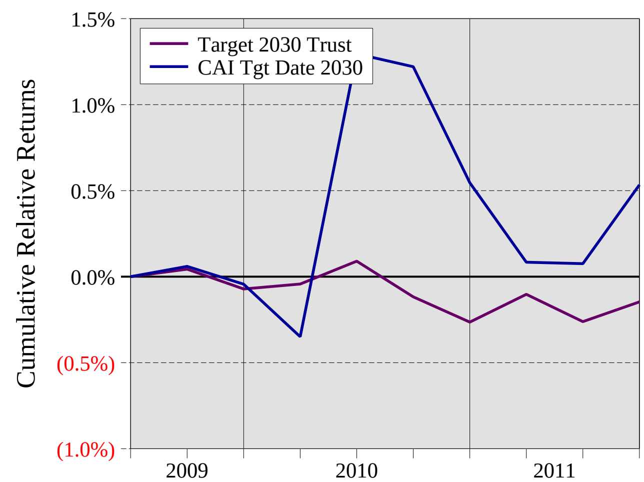


	Last Quarter	Last Year	Last 2-1/4 Years
10th Percentile	(9.12)	(0.08)	11.32
25th Percentile	(11.78)	(0.89)	10.63
Median	(13.76)	(2.18)	9.95
75th Percentile	(14.91)	(3.22)	9.28
90th Percentile	(15.74)	(4.30)	8.57
Target 2030 Trust ●	(12.93)	(0.08)	10.77
Custom Index ▲	(13.03)	(0.05)	10.84

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2035 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	11.00%	11.42%
Equity		
US Equity	71.00%	70.44%
International Fund	18.00%	18.14%

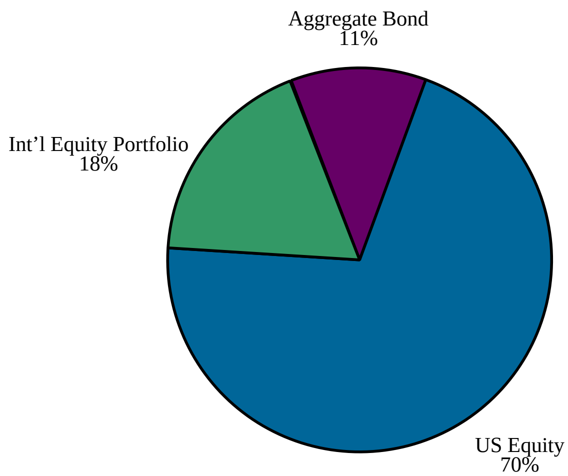
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2035 approaches.

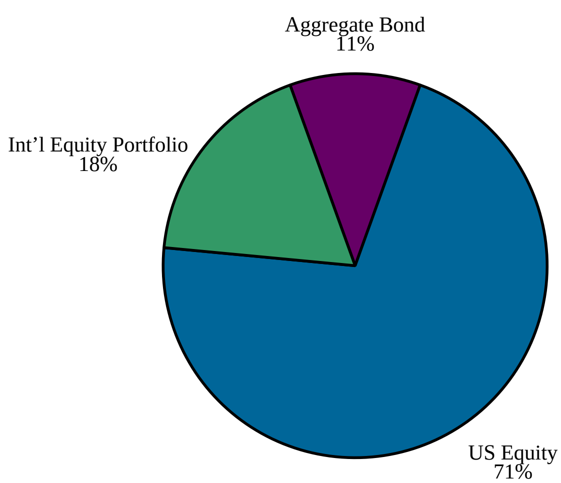
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation

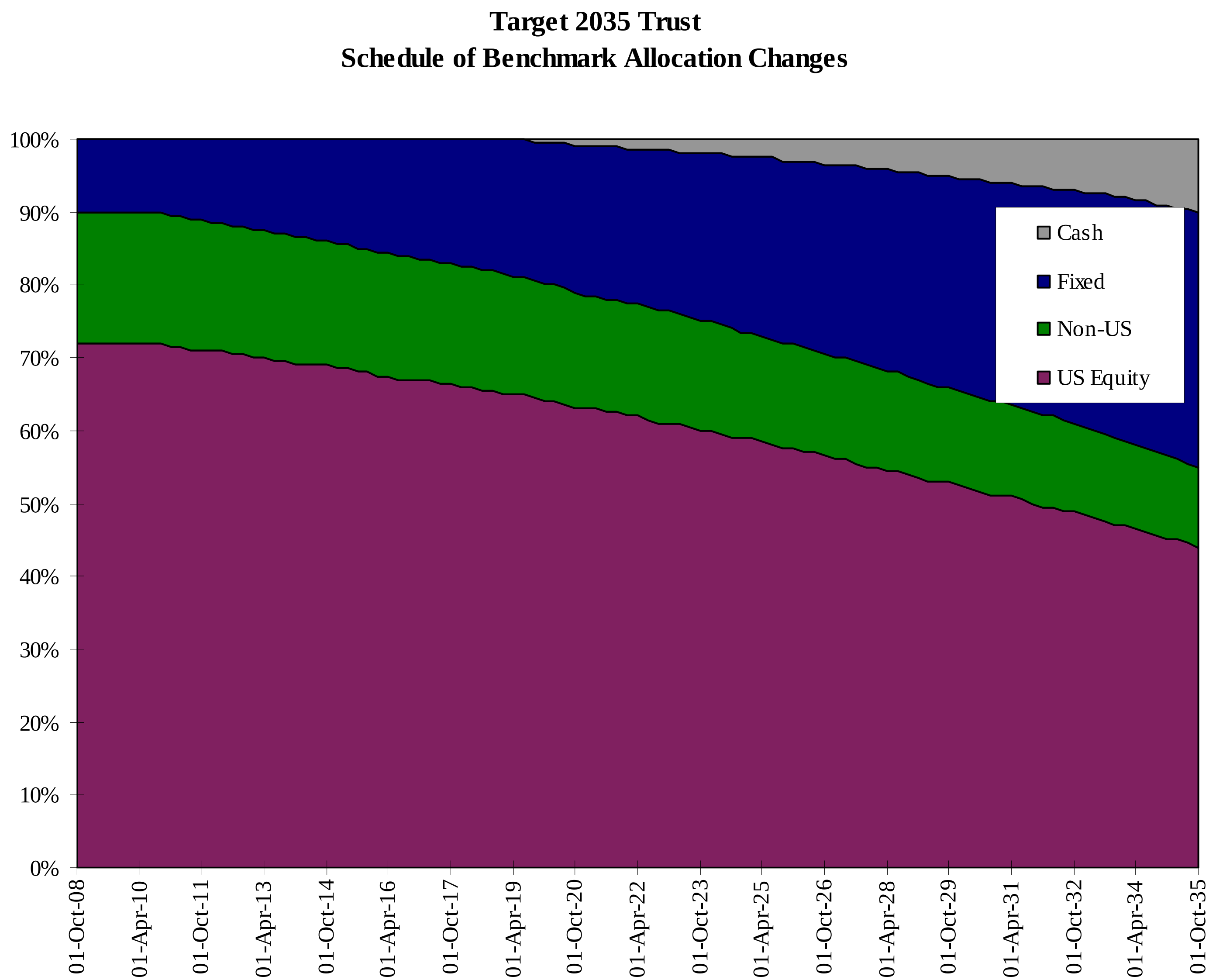


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	653	11.4%	11.0%	0.4%	24
US Equity	4,028	70.4%	71.0%	(0.6%)	(32)
Int'l Equity Portfolio	1,037	18.1%	18.0%	0.1%	8
Total	5,719	100.0%	100.0%		

* Current Quarter Target = 71.0% Russell 3000 Index, 18.0% MSCI EAFE Index and 11.0% BC Aggregate Index.

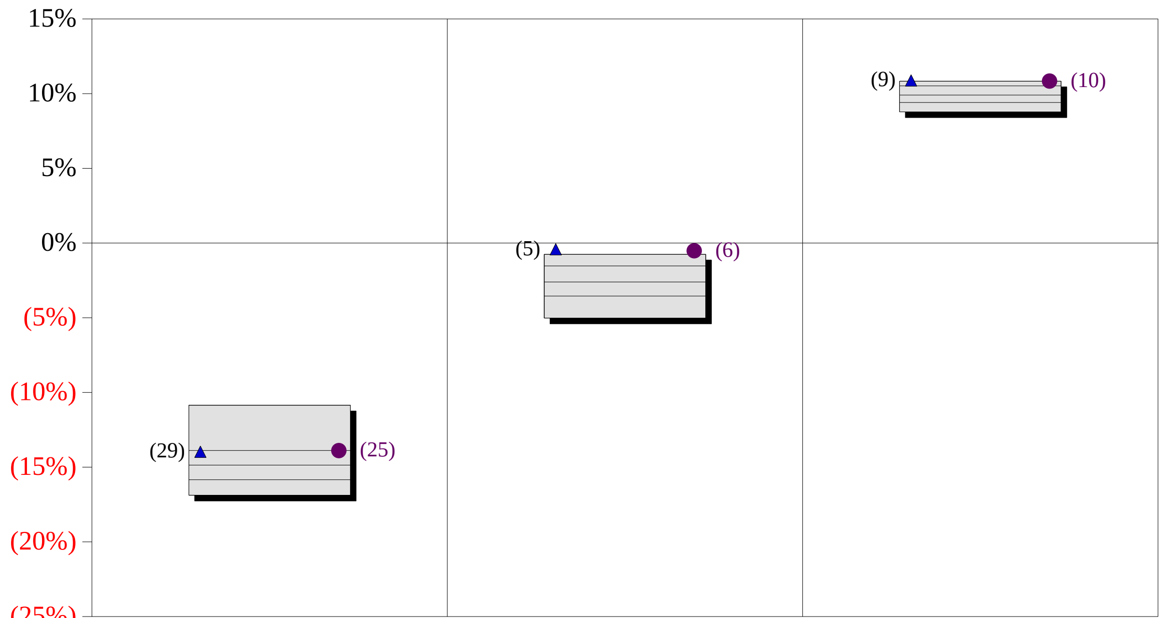

Target 2035 Trust
Schedule of Benchmark Allocation Changes
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
01-Oct-08
01-Apr-10
01-Oct-11
01-Apr-13
01-Oct-14
01-Apr-16
01-Oct-17
01-Apr-19
01-Oct-20
01-Apr-22
01-Oct-23
01-Apr-25
01-Oct-26
01-Apr-28
01-Oct-29
01-Apr-31
01-Oct-32
01-Apr-34
01-Oct-35
Cash
Fixed
Non-US
US Equity

TARGET 2035 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

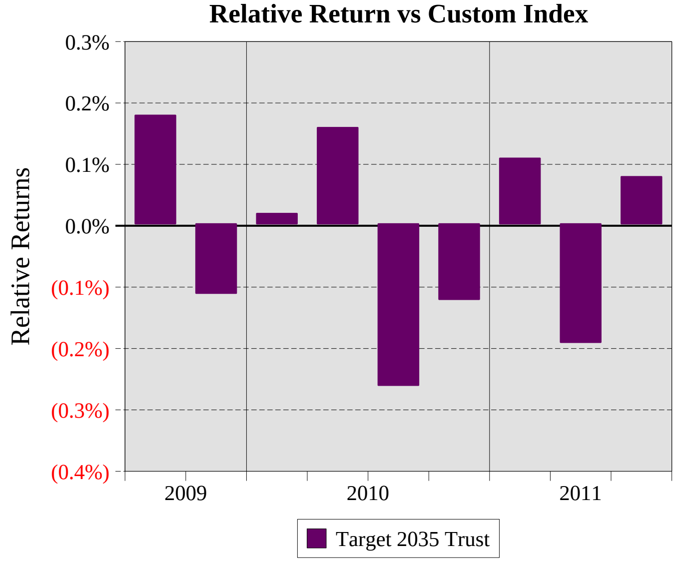
- Target 2035 Trust's portfolio posted a (13.89)% return for the quarter placing it in the 25 percentile of the CAI Target Date 2035 group for the quarter and in the 6 percentile for the last year.
- Target 2035 Trust's portfolio outperformed the Custom Index by 0.08% for the quarter and underperformed the Custom Index for the year by 0.10%.

Performance vs CAI Target Date 2035 (Net)

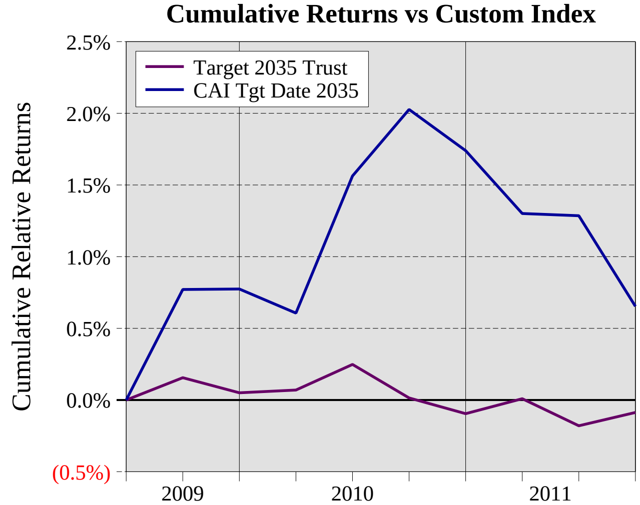


	Last Quarter	Last Year	Last 2-1/4 Years
10th Percentile	(10.85)	(0.76)	10.83
25th Percentile	(13.88)	(1.53)	10.52
Median	(14.86)	(2.61)	9.90
75th Percentile	(15.84)	(3.55)	9.41
90th Percentile	(16.88)	(5.02)	8.78
Target 2035 Trust ●	(13.89)	(0.52)	10.84
Custom Index ▲	(13.97)	(0.42)	10.89

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2040 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	10.00%	10.39%
Equity		
US Equity	72.00%	71.47%
International Fund	18.00%	18.15%

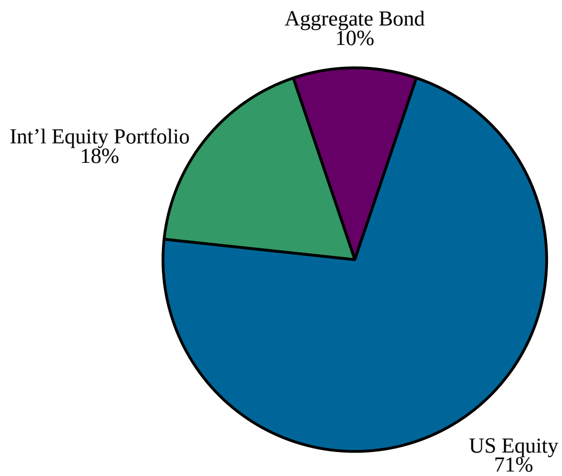
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2040 approaches.

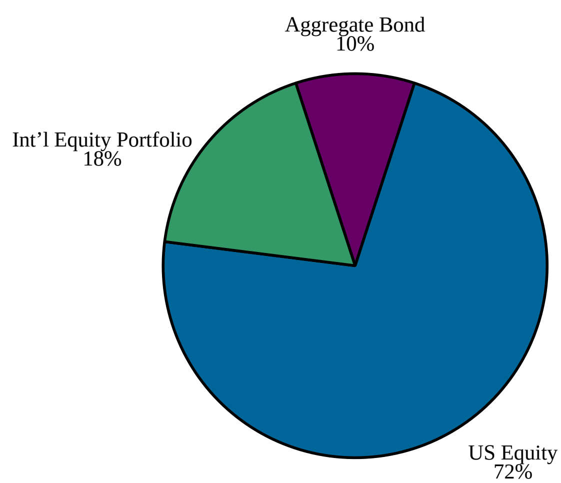
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation

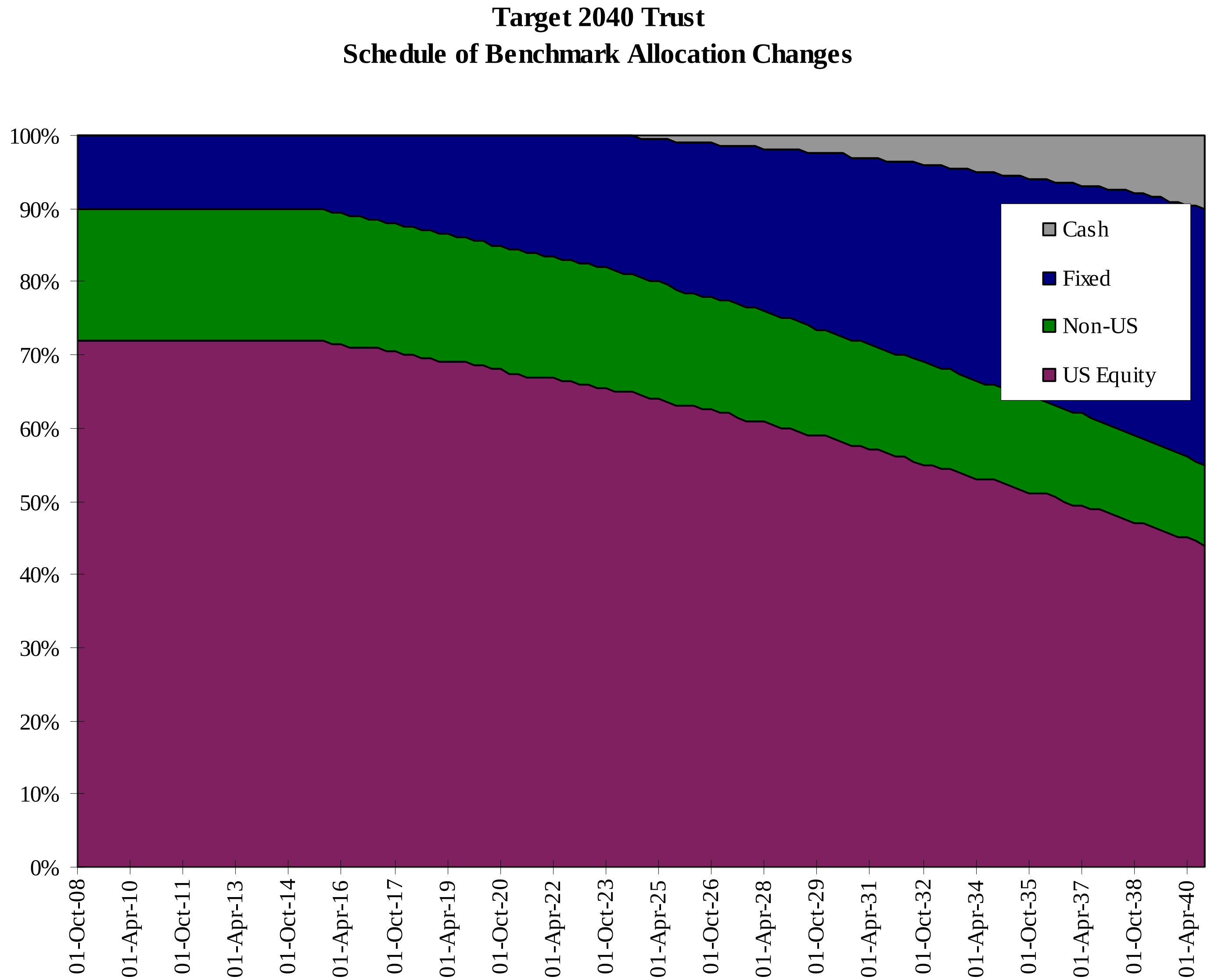


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	644	10.4%	10.0%	0.4%	24
US Equity	4,431	71.5%	72.0%	(0.5%)	(33)
Int'l Equity Portfolio	1,125	18.1%	18.0%	0.1%	9
Total	6,201	100.0%	100.0%		

* Current Quarter Target = 72.0% Russell 3000 Index, 18.0% MSCI EAFE Index and 10.0% BC Aggregate Index.

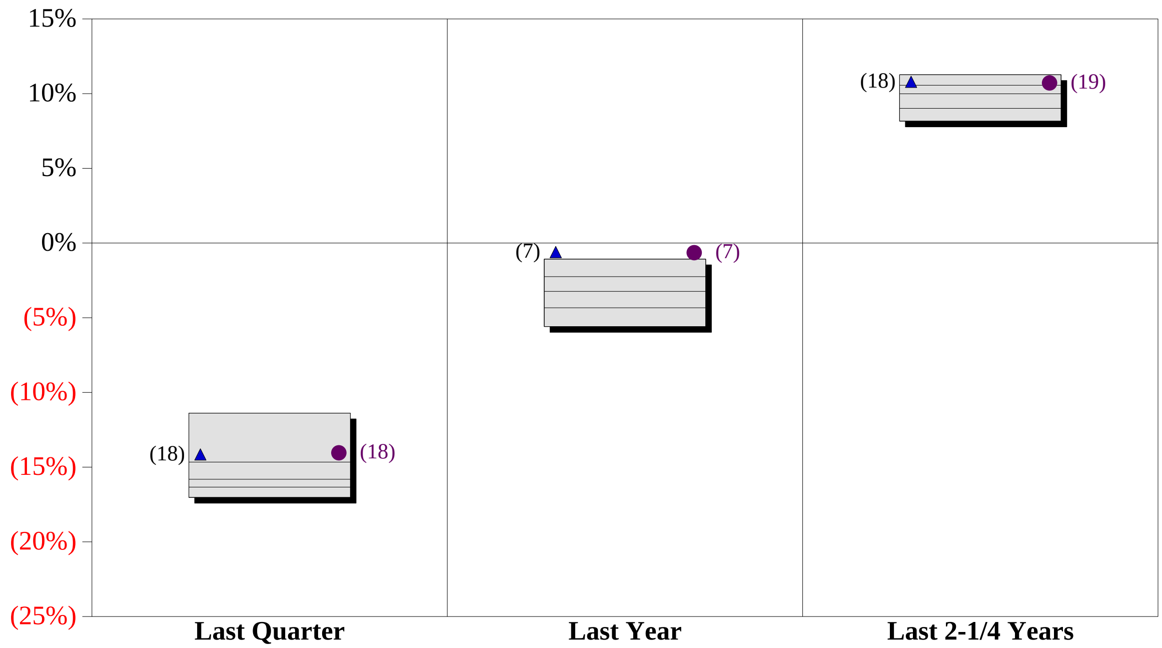

Target 2040 Trust
Schedule of Benchmark Allocation Changes
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Cash
Fixed
Non-US
US Equity
01-Oct-08
01-Apr-10
01-Oct-11
01-Apr-13
01-Oct-14
01-Apr-16
01-Oct-17
01-Apr-19
01-Oct-20
01-Apr-22
01-Oct-23
01-Apr-25
01-Oct-26
01-Apr-28
01-Oct-29
01-Apr-31
01-Oct-32
01-Apr-34
01-Oct-35
01-Apr-37
01-Oct-38
01-Apr-40

TARGET 2040 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

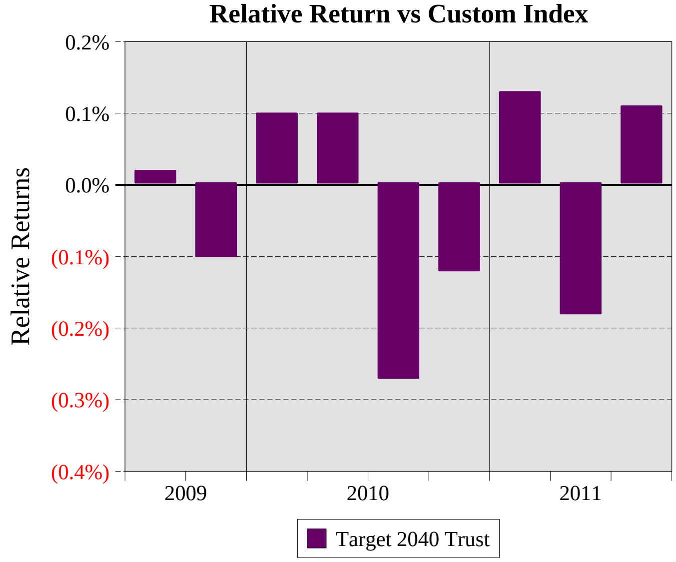
- Target 2040 Trust's portfolio posted a (14.04)% return for the quarter placing it in the 18 percentile of the CAI Target Date 2040 group for the quarter and in the 7 percentile for the last year.
- Target 2040 Trust's portfolio outperformed the Custom Index by 0.11% for the quarter and underperformed the Custom Index for the year by 0.04%.

Performance vs CAI Target Date 2040 (Net)

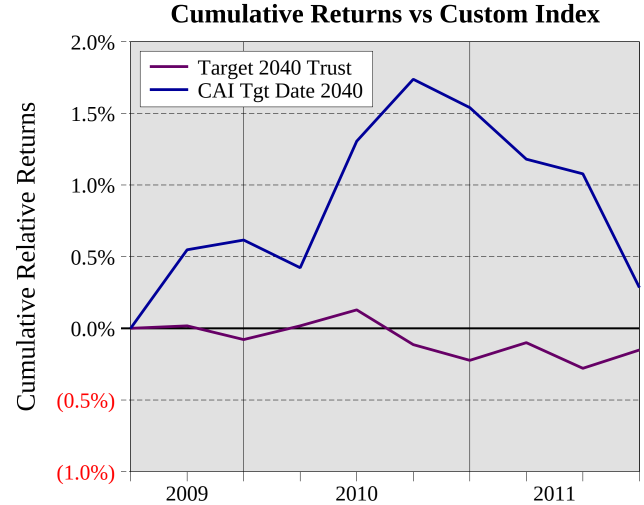


	Last Quarter	Last Year	Last 2-1/4 Years
10th Percentile	(11.38)	(1.07)	11.27
25th Percentile	(14.66)	(2.25)	10.56
Median	(15.81)	(3.24)	9.99
75th Percentile	(16.34)	(4.33)	9.02
90th Percentile	(17.03)	(5.59)	8.16
Target 2040 Trust ●	(14.04)	(0.64)	10.72
Custom Index ▲	(14.15)	(0.61)	10.79

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2045 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	10.00%	10.39%
Equity		
US Equity	72.00%	71.46%
International Fund	18.00%	18.15%

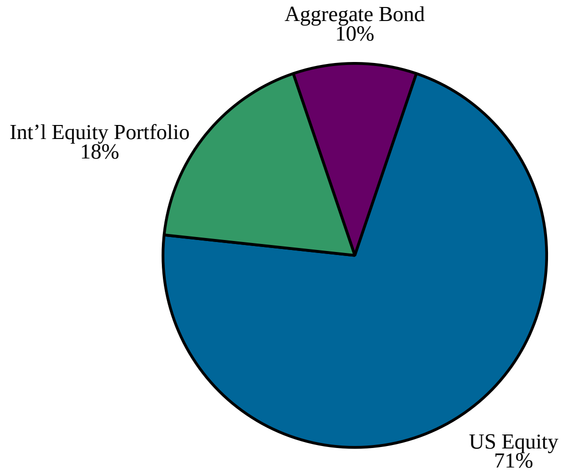
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2045 approaches.

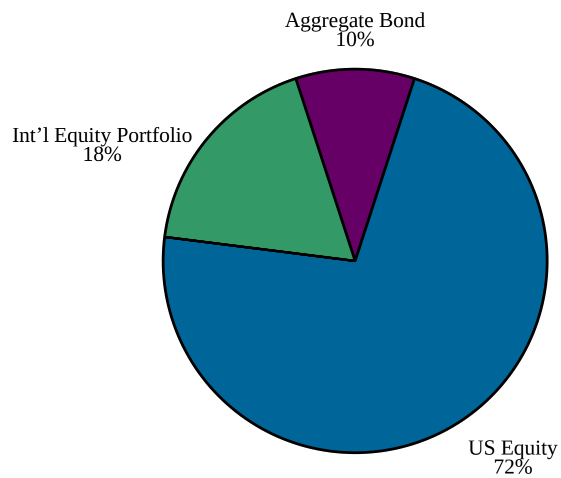
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



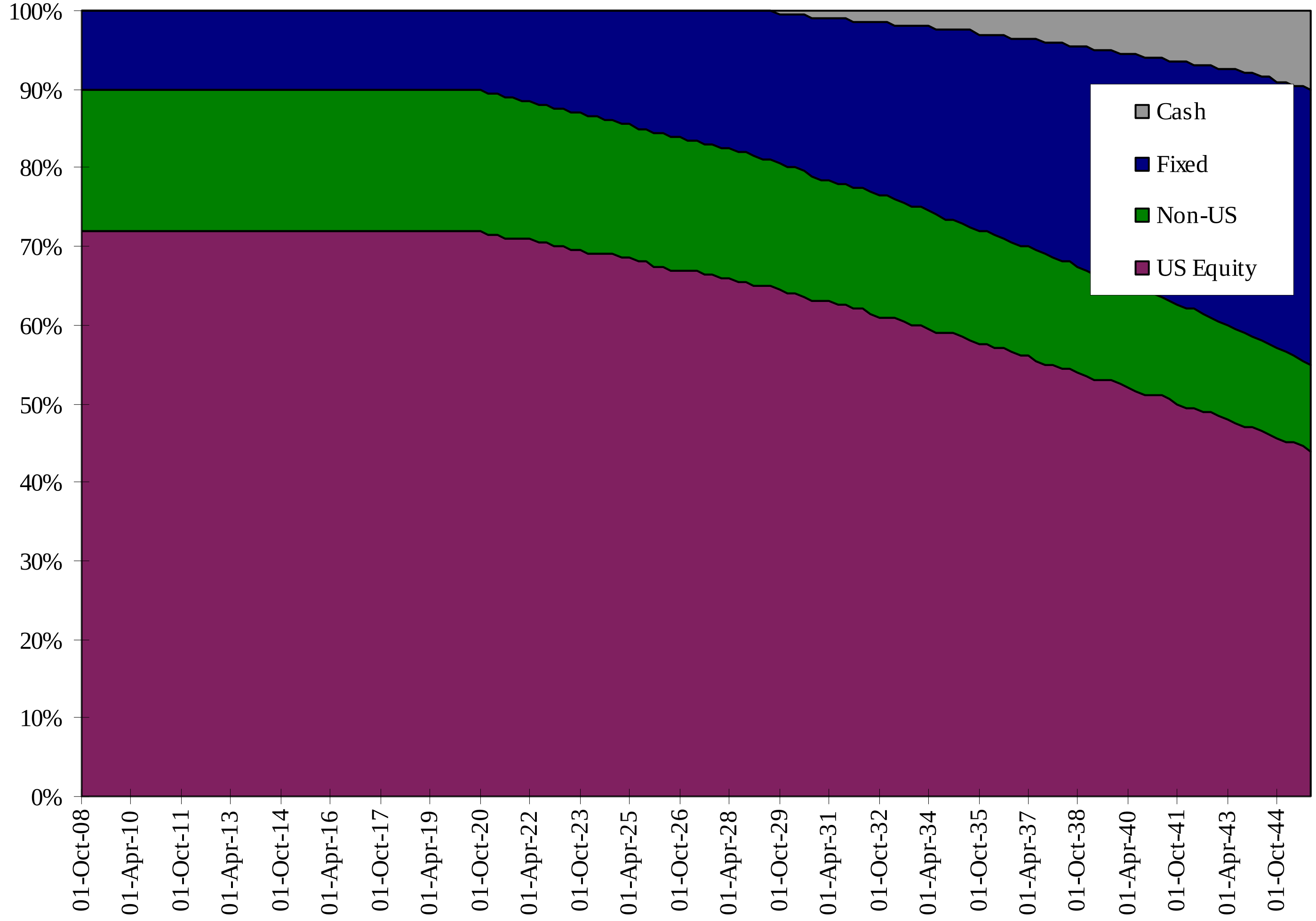
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	570	10.4%	10.0%	0.4%	21
US Equity	3,922	71.5%	72.0%	(0.5%)	(29)
Int'l Equity Portfolio	996	18.1%	18.0%	0.1%	8
Total	5,488	100.0%	100.0%		

* Current Quarter Target = 72.0% Russell 3000 Index, 18.0% MSCI EAFE Index and 10.0% BC Aggregate Index.

Target 2045 Trust
Schedule of Benchmark Allocation Changes

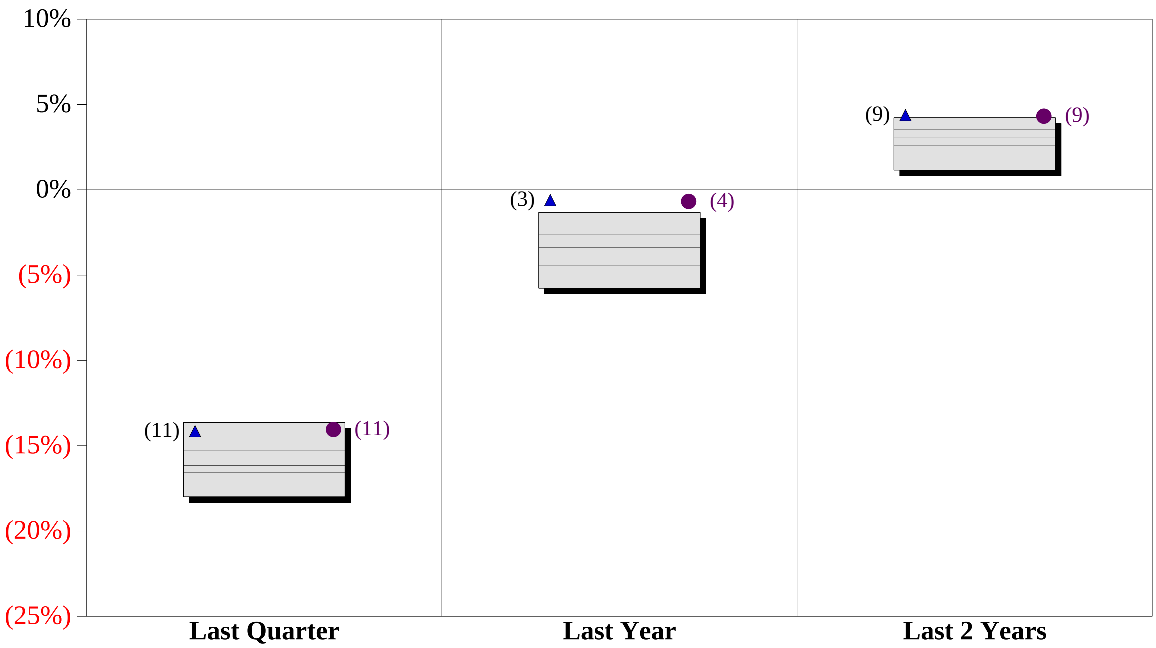


TARGET 2045 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

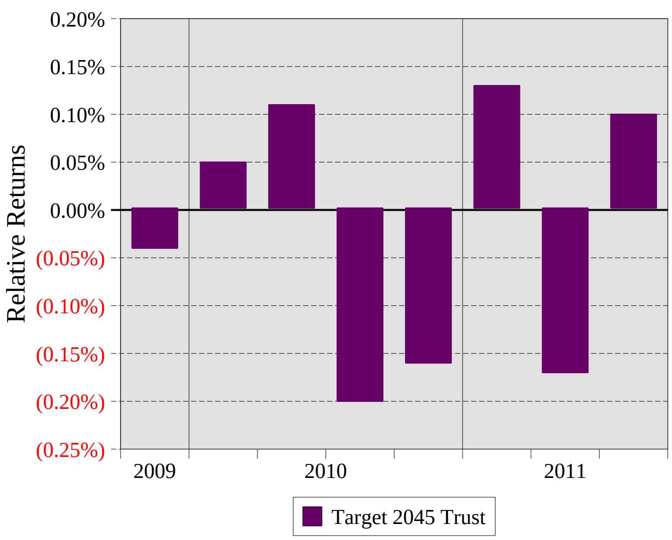
- Target 2045 Trust's portfolio posted a (14.05)% return for the quarter placing it in the 11 percentile of the CAI Target Date 2045 group for the quarter and in the 4 percentile for the last year.
- Target 2045 Trust's portfolio outperformed the Custom Index by 0.10% for the quarter and underperformed the Custom Index for the year by 0.08%.

Performance vs CAI Target Date 2045 (Net)

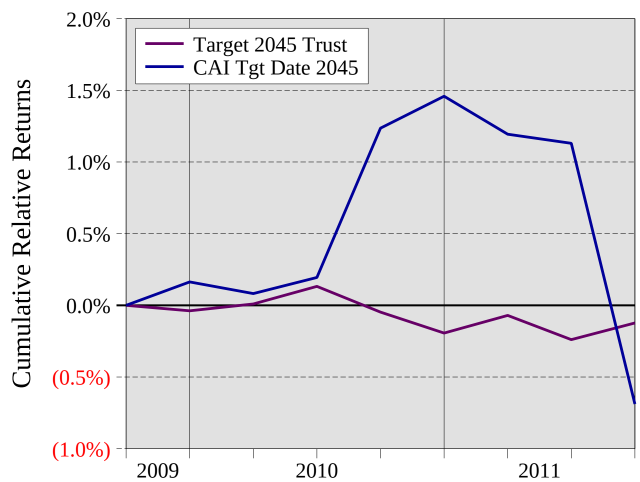


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(13.64)	(1.32)	4.23
25th Percentile	(15.30)	(2.60)	3.51
Median	(16.15)	(3.40)	3.04
75th Percentile	(16.59)	(4.46)	2.58
90th Percentile	(17.99)	(5.77)	1.16
Target 2045 Trust ●	(14.05)	(0.68)	4.31
Custom Index ▲	(14.15)	(0.61)	4.38

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2050 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	10.00%	10.39%
Equity		
US Equity	72.00%	71.46%
International Fund	18.00%	18.15%

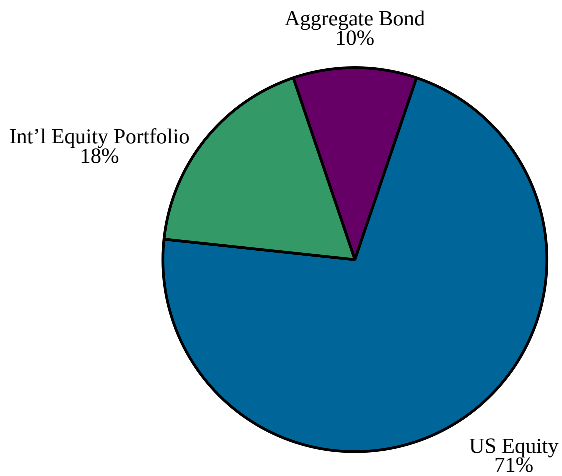
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2050 approaches.

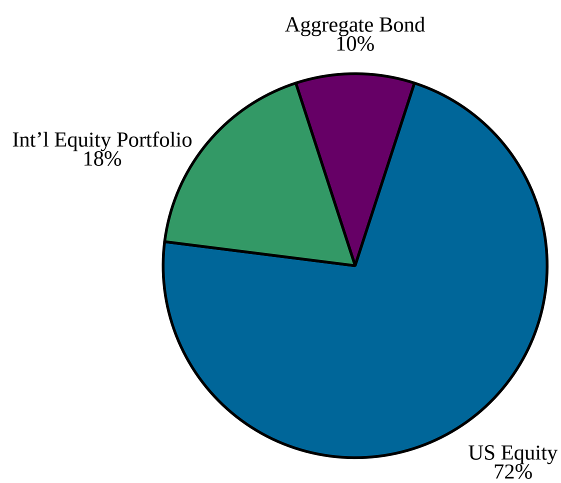
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



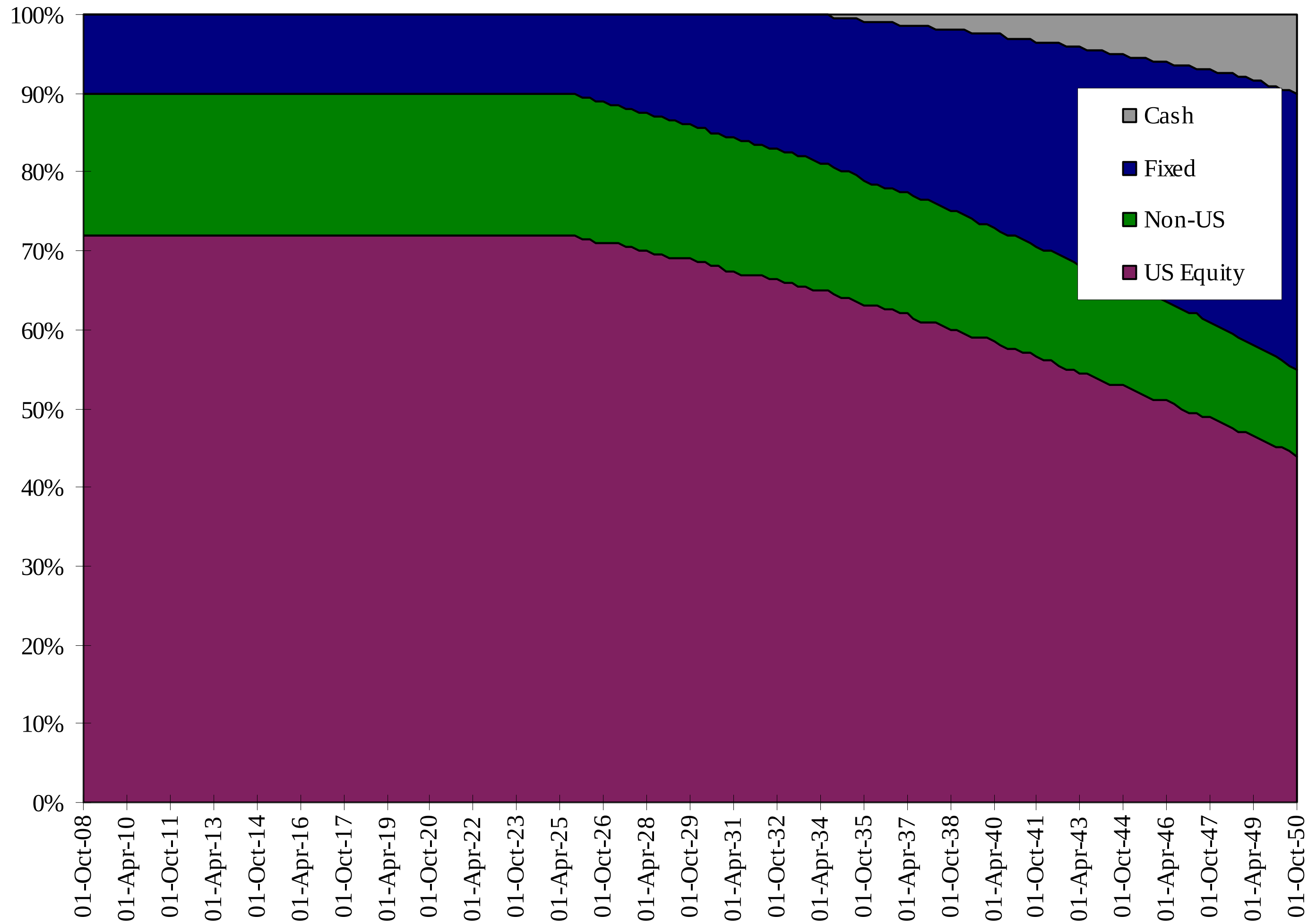
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	609	10.4%	10.0%	0.4%	23
US Equity	4,189	71.5%	72.0%	(0.5%)	(31)
Int'l Equity Portfolio	1,064	18.1%	18.0%	0.1%	9
Total	5,861	100.0%	100.0%		

* Current Quarter Target = 72.0% Russell 3000 Index, 18.0% MSCI EAFE Index and 10.0% BC Aggregate Index.

Target 2050 Trust
Schedule of Benchmark Allocation Changes

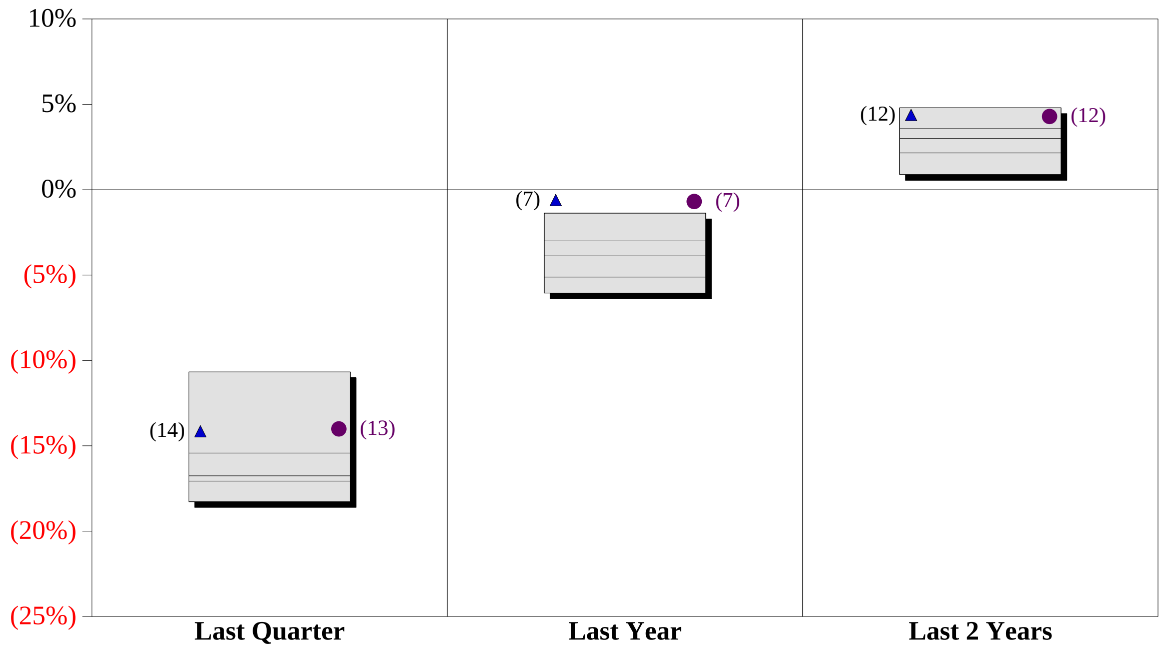


TARGET 2050 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

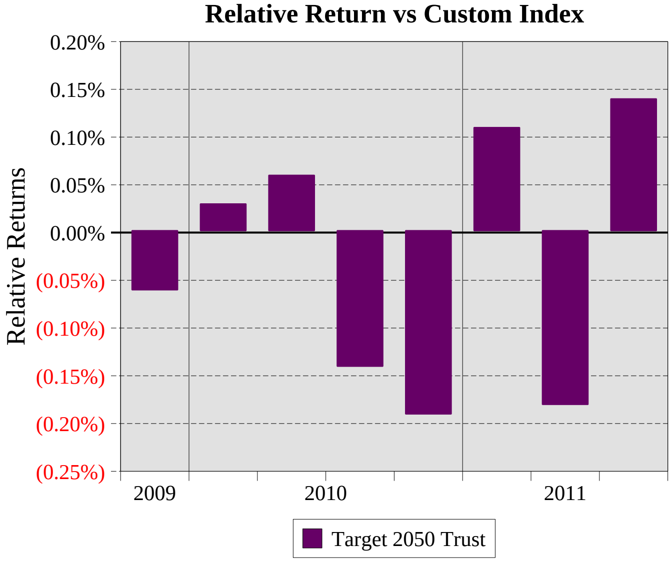
- Target 2050 Trust's portfolio posted a (14.01)% return for the quarter placing it in the 13 percentile of the CAI Target Date 2050 group for the quarter and in the 7 percentile for the last year.
- Target 2050 Trust's portfolio outperformed the Custom Index by 0.14% for the quarter and underperformed the Custom Index for the year by 0.09%.

Performance vs CAI Target Date 2050 (Net)

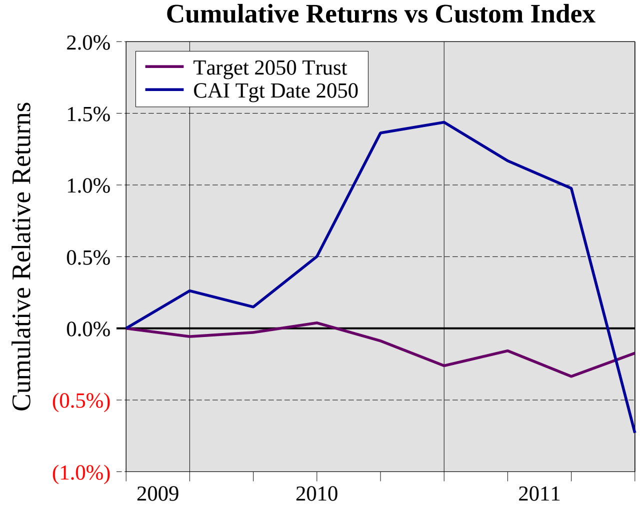


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(10.68)	(1.37)	4.80
25th Percentile	(15.42)	(3.00)	3.58
Median	(16.76)	(3.88)	3.01
75th Percentile	(17.07)	(5.12)	2.15
90th Percentile	(18.27)	(6.05)	0.89
Target 2050 Trust ●	(14.01)	(0.69)	4.29
Custom Index ▲	(14.15)	(0.61)	4.38

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



Target 2055 Trust

Target 2055 Trust

Asset Allocation

	Strategic	Actual
Cash		
Money Market Fund	0.00%	0.00%
Fixed-Income		
Aggregate Bond	10.00%	10.39%
Equity		
US Equity	72.00%	71.46%
International Fund	18.00%	18.15%

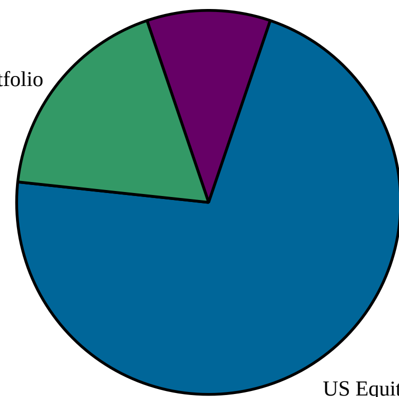
Objective

To provide a diversified mix of stocks, bonds, and cash for long-term investors with higher tolerance for risk. The trust is designed to gradually invest more conservatively, as the year 2055 approaches.

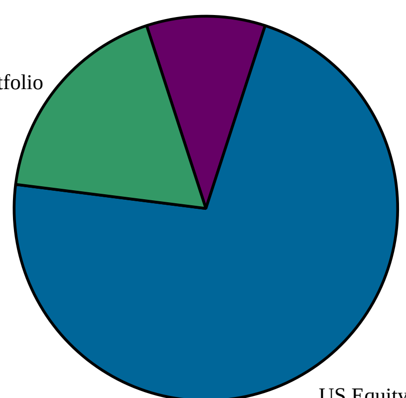
Actual vs Target Asset Allocation

The first chart below shows the Fund's asset allocation as of September 30, 2011. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



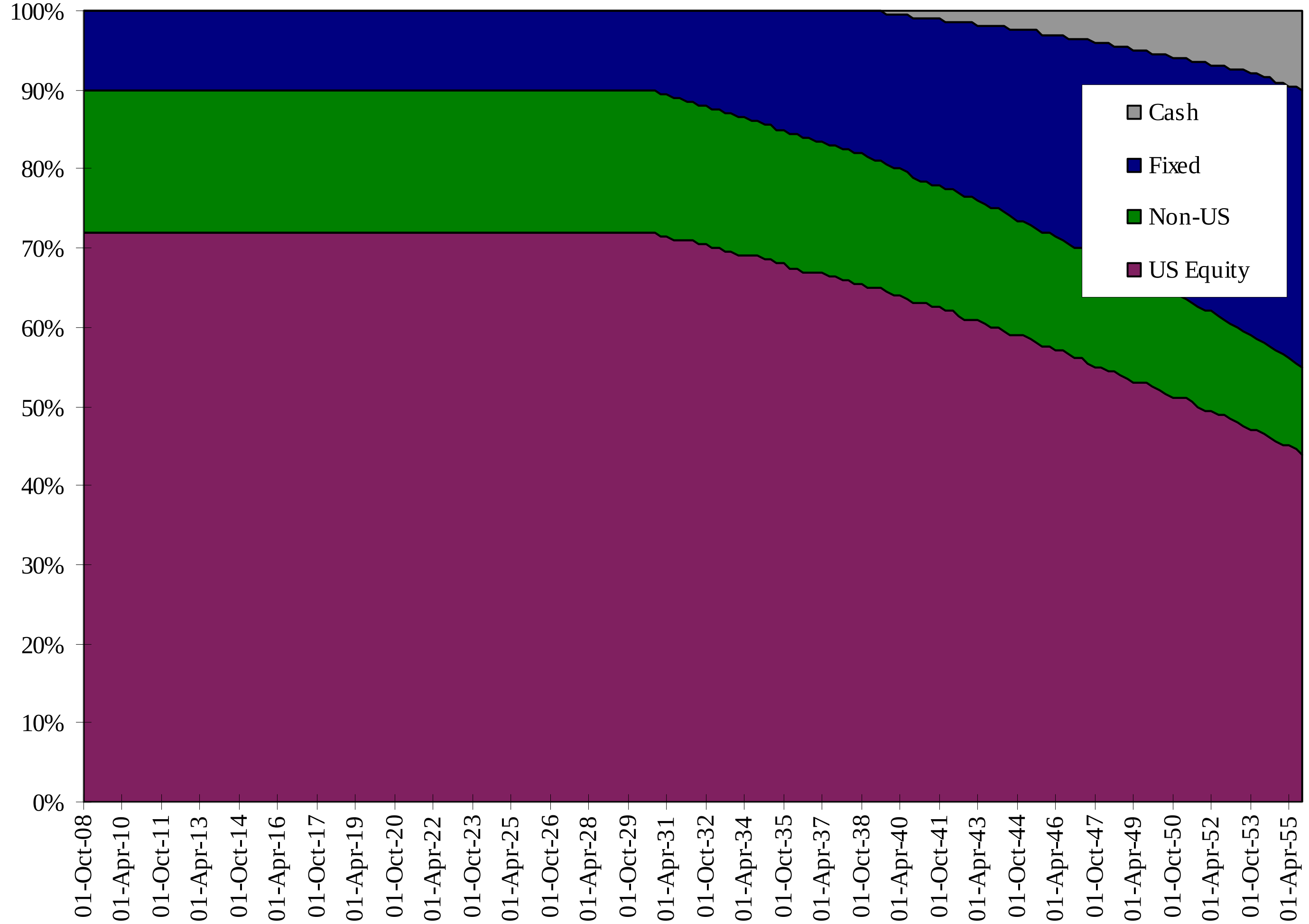
Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Aggregate Bond	243	10.4%	10.0%	0.4%	9
US Equity	1,667	71.5%	72.0%	(0.5%)	(13)
Int'l Equity Portfolio	423	18.1%	18.0%	0.1%	3
Total	2,333	100.0%	100.0%		

* Current Quarter Target = 72.0% Russell 3000 Index, 18.0% MSCI EAFE Index and 10.0% BC Aggregate Index.

Target 2055 Trust
Schedule of Benchmark Allocation Changes

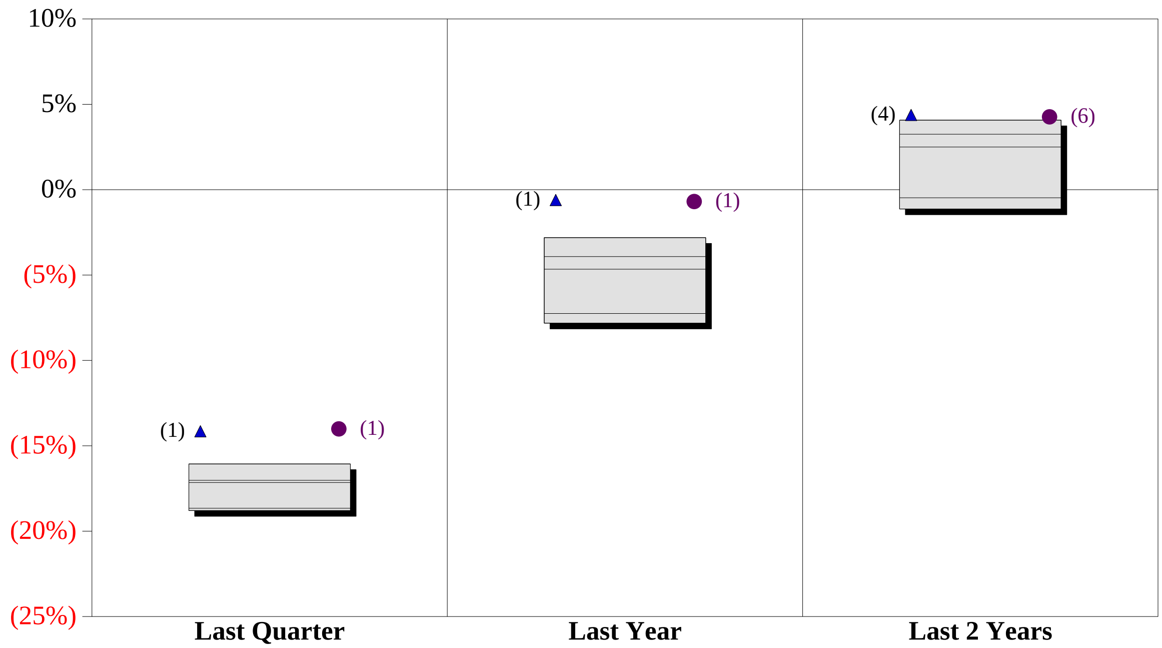


TARGET 2055 TRUST
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

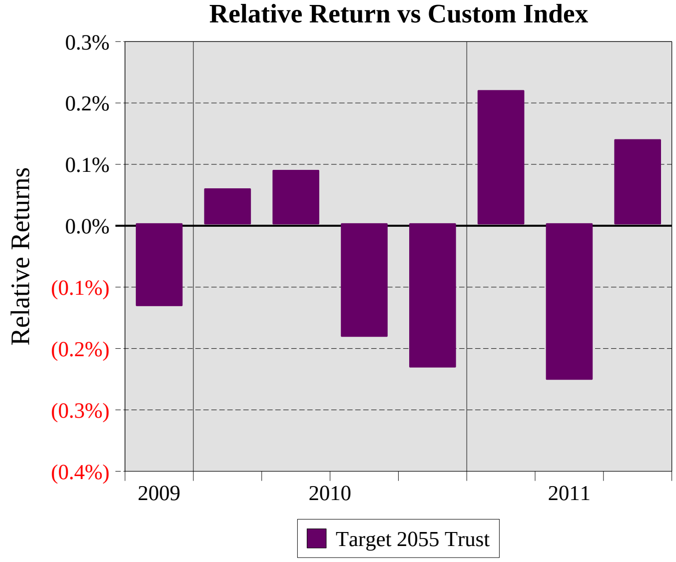
- Target 2055 Trust's portfolio posted a (14.01)% return for the quarter placing it in the 1 percentile of the CAI Target Date 2055 group for the quarter and in the 1 percentile for the last year.
- Target 2055 Trust's portfolio outperformed the Custom Index by 0.14% for the quarter and underperformed the Custom Index for the year by 0.09%.

Performance vs CAI Target Date 2055 (Net)

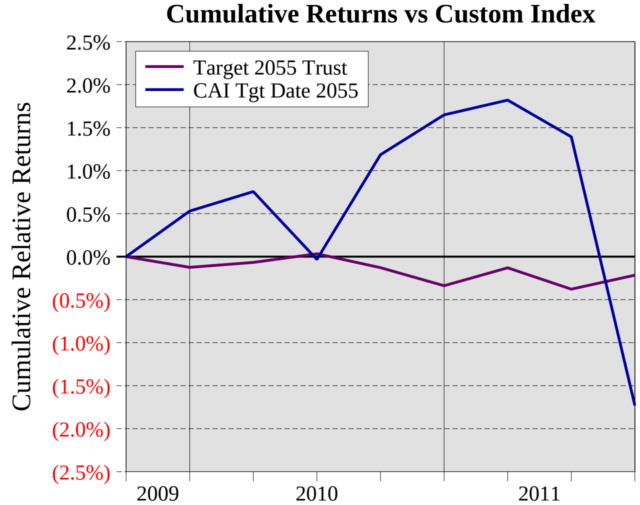


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(16.06)	(2.81)	4.07
25th Percentile	(17.02)	(3.92)	3.25
Median	(17.15)	(4.66)	2.50
75th Percentile	(18.66)	(7.25)	(0.47)
90th Percentile	(18.79)	(7.82)	(1.13)
Target 2055 Trust ●	(14.01)	(0.69)	4.27
Custom Index ▲	(14.15)	(0.61)	4.38

Relative Return vs Custom Index



Cumulative Returns vs Custom Index



T ROWE US EQUITY TRUST
PERIOD ENDED SEPTEMBER 30, 2011

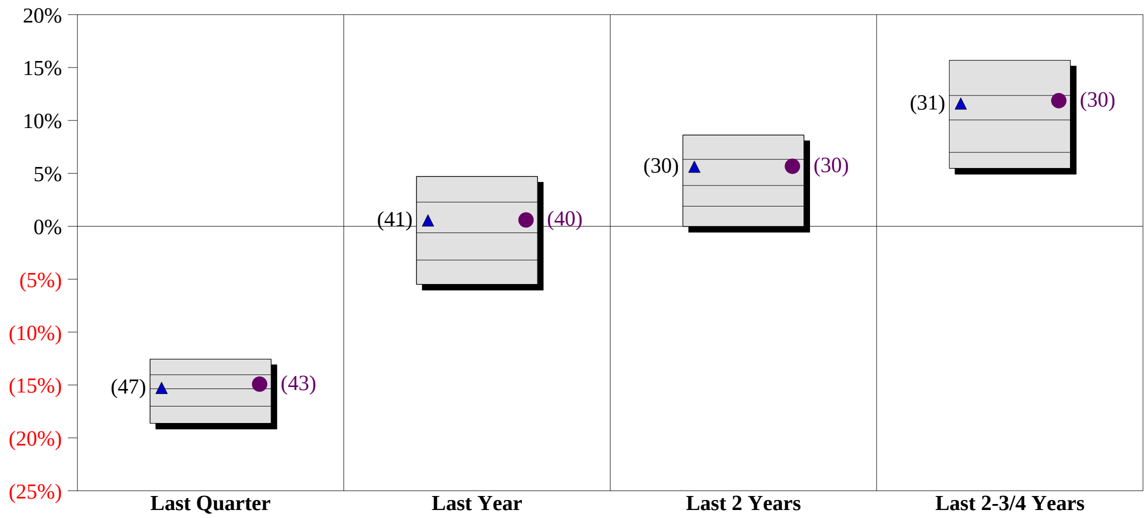
Investment Philosophy

Large Capitalization managers concentrate their holdings in large market capitalization domestic equity securities regardless of style (growth, value or core) orientation.

Quarterly Summary and Highlights

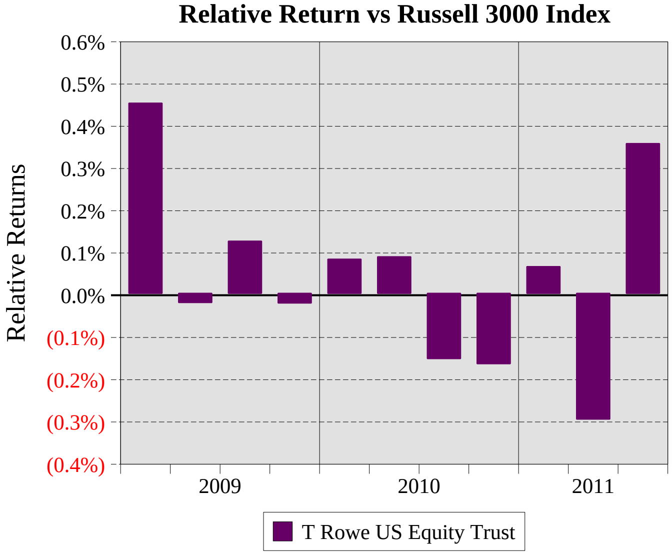
- T Rowe US Equity Trust's portfolio posted a (14.92)% return for the quarter placing it in the 43 percentile of the CAI MF - Large Cap Broad Style group for the quarter and in the 40 percentile for the last year.
- T Rowe US Equity Trust's portfolio outperformed the Russell 3000 Index by 0.36% for the quarter and outperformed the Russell 3000 Index for the year by 0.05%.

Performance vs CAI MF - Large Cap Broad Style (Net)

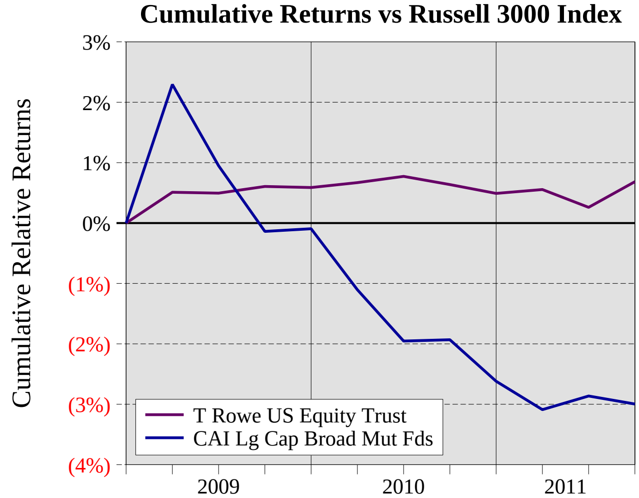


	Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile	(12.56)	4.71	8.62	15.69
25th Percentile	(14.04)	2.28	6.33	12.36
Median	(15.36)	(0.62)	3.85	10.05
75th Percentile	(17.01)	(3.19)	1.89	6.99
90th Percentile	(18.62)	(5.49)	(0.02)	5.47
T Rowe US Equity Trust ●	(14.92)	0.60	5.67	11.87
Russell 3000 Index ▲	(15.28)	0.55	5.63	11.60

Relative Return vs Russell 3000 Index



Cumulative Returns vs Russell 3000 Index



T. ROWE AGGREGATE BOND TRUST
PERIOD ENDED SEPTEMBER 30, 2011

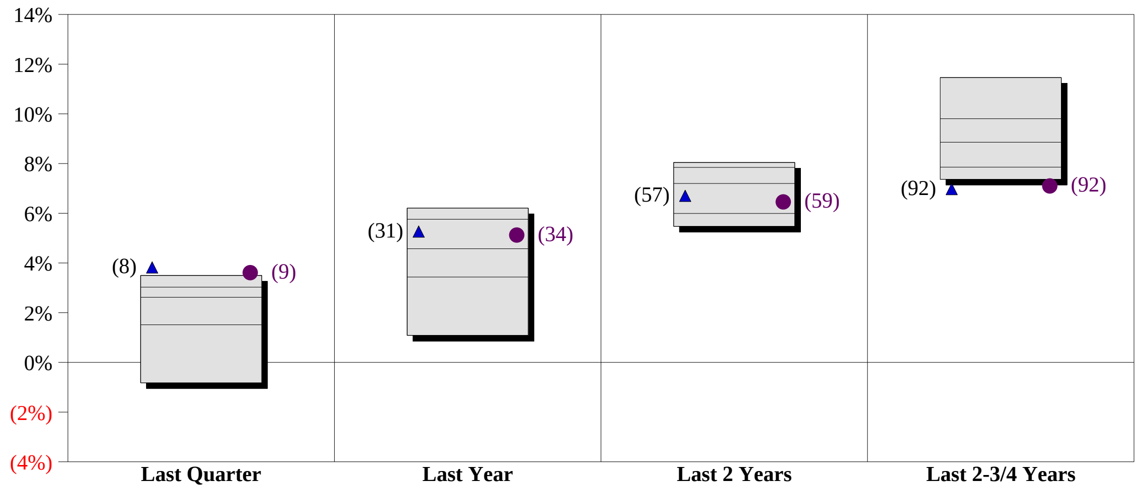
Investment Philosophy

Core Bond Style mutual funds aim to achieve value added from sector and/or issue selection. Funds are constructed to approximate the investment results of the Barclays Capital Gov/Corp Index or the BC Aggregate Index with little duration variability around the index.

Quarterly Summary and Highlights

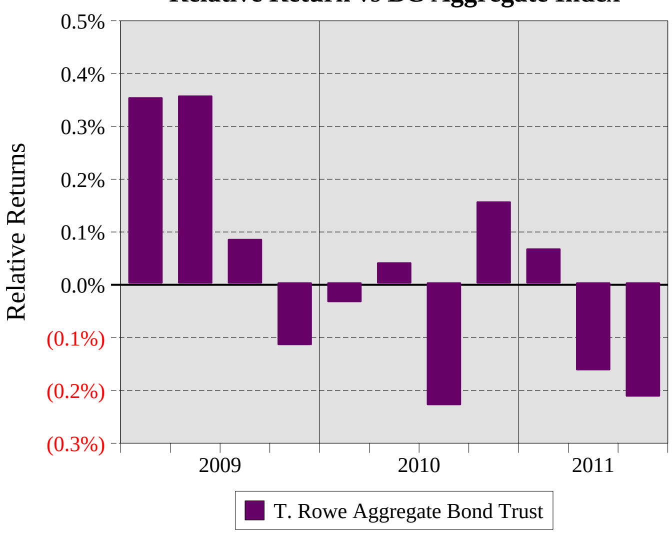
- T. Rowe Aggregate Bond Trust's portfolio posted a 3.61% return for the quarter placing it in the 9 percentile of the CAI MF - Core Bond Style group for the quarter and in the 34 percentile for the last year.
- T. Rowe Aggregate Bond Trust's portfolio underperformed the BC Aggregate Index by 0.21% for the quarter and underperformed the BC Aggregate Index for the year by 0.14%.

Performance vs CAI MF - Core Bond Style (Net)

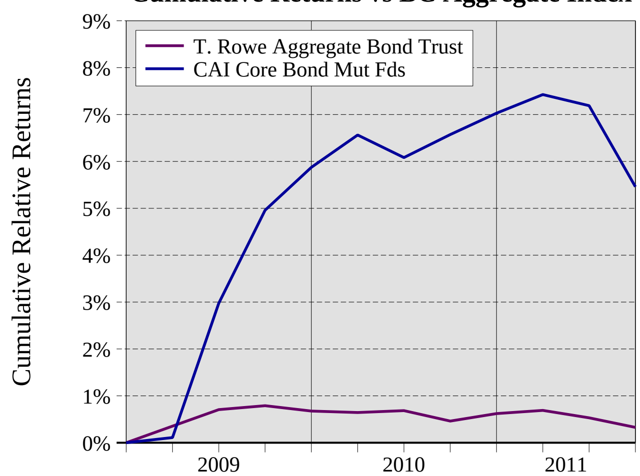


	Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile	3.50	6.21	8.04	11.46
25th Percentile	3.03	5.76	7.85	9.80
Median	2.62	4.57	7.20	8.86
75th Percentile	1.51	3.43	5.99	7.86
90th Percentile	(0.82)	1.09	5.47	7.37
T. Rowe Aggregate Bond Trust ●	3.61	5.12	6.46	7.10
BC Aggregate Index ▲	3.82	5.26	6.70	6.97

Relative Return vs BC Aggregate Index



Cumulative Returns vs BC Aggregate Index



T. ROWE PRICE INTL EQUITY
PERIOD ENDED SEPTEMBER 30, 2011

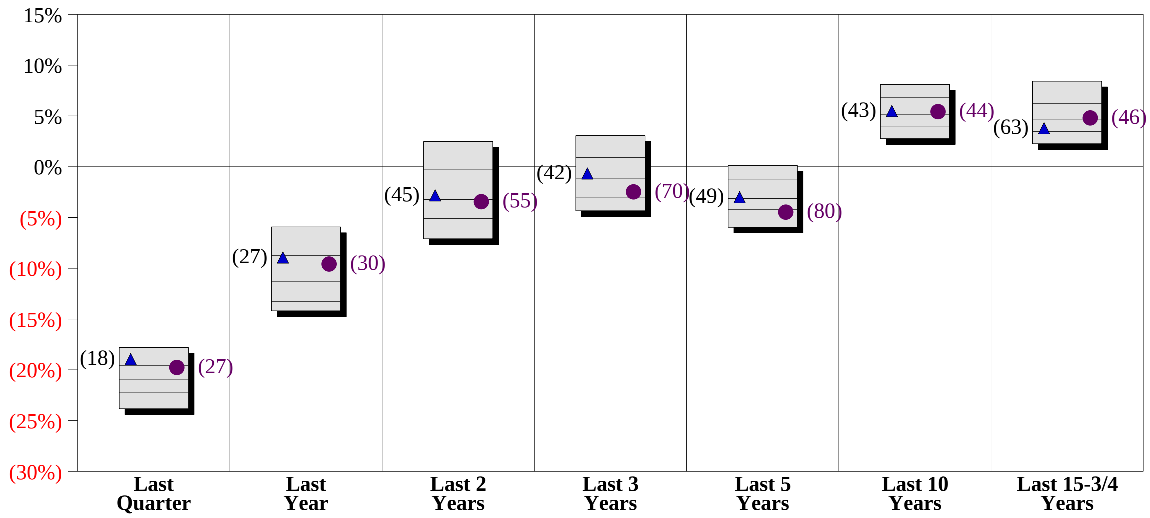
Investment Philosophy

Non-U.S. Equity Style mutual funds invest in only non-U.S. equity securities. This style group excludes regional and index funds.

Quarterly Summary and Highlights

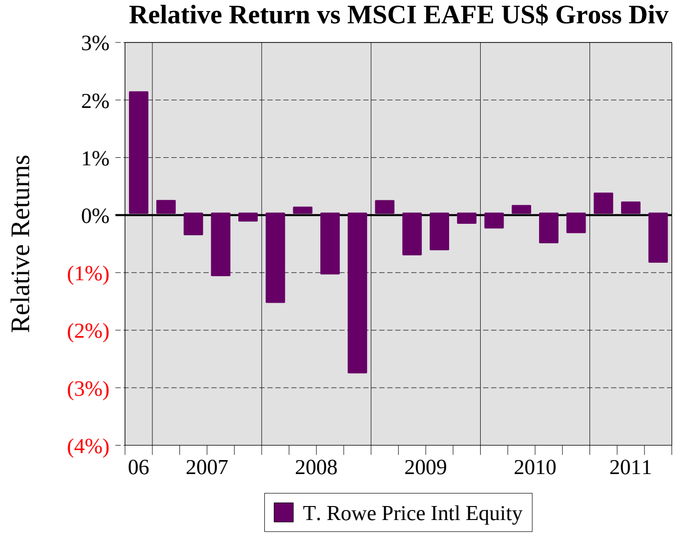
- T. Rowe Price Intl Equity's portfolio posted a (19.77)% return for the quarter placing it in the 27 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 30 percentile for the last year.
- T. Rowe Price Intl Equity's portfolio underperformed the MSCI EAFE US$ Gross Div by 0.82% for the quarter and underperformed the MSCI EAFE US$ Gross Div for the year by 0.64%.

Performance vs CAI MF - Non-US Equity Style (Net)

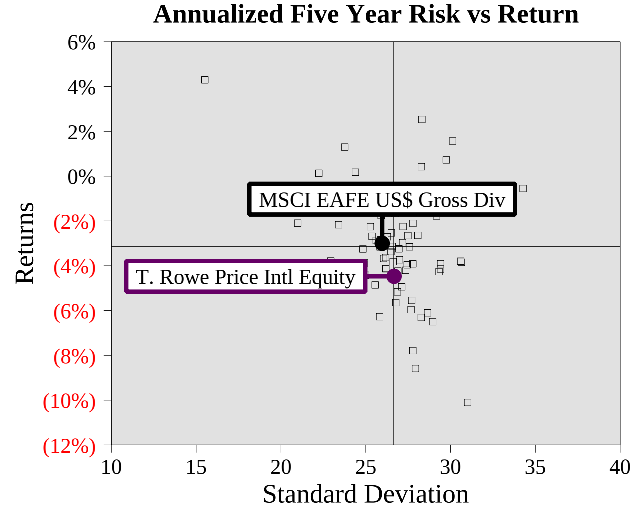


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-3/4 Years
10th Percentile	(17.81)	(5.93)	2.48	3.06	0.13	8.10	8.43
25th Percentile	(19.59)	(8.73)	(0.31)	0.90	(1.22)	6.80	6.24
Median	(20.98)	(11.28)	(3.22)	(1.13)	(3.14)	5.12	4.61
75th Percentile	(22.21)	(13.29)	(5.11)	(3.00)	(4.20)	3.92	3.46
90th Percentile	(23.84)	(14.20)	(7.10)	(4.34)	(5.96)	2.76	2.26
T. Rowe Price Intl Equity ●	(19.77)	(9.58)	(3.44)	(2.48)	(4.47)	5.43	4.81
MSCI EAFE US$ Gross Div ▲	(18.95)	(8.94)	(2.82)	(0.66)	(3.00)	5.48	3.79

Relative Return vs MSCI EAFE US$ Gross Div



CAI MF - Non-US Equity Style (Net)
Annualized Five Year Risk vs Return

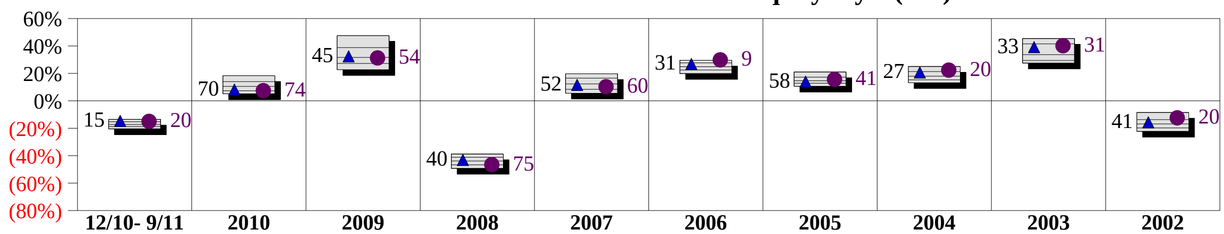


T. ROWE PRICE INTL EQUITY
RETURN ANALYSIS SUMMARY

Return Analysis

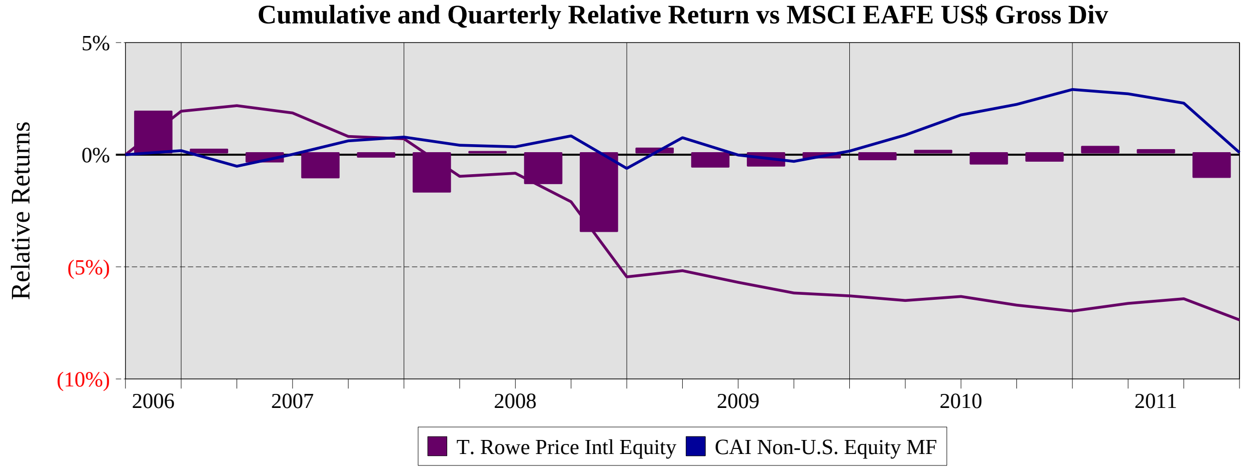
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Non-US Equity Style (Net)

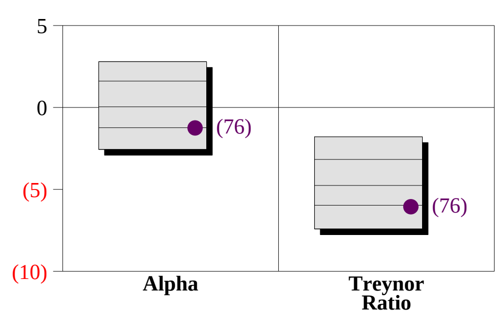


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	(13.49)	18.30	47.51	(38.79)	19.72	29.58	21.03	25.04	45.40	(8.48)
25th Percentile	(15.23)	14.01	38.81	(41.13)	16.55	27.67	17.29	21.35	41.53	(13.69)
Median	(17.27)	10.51	31.65	(43.86)	12.33	24.86	14.64	17.97	33.67	(16.84)
75th Percentile	(18.77)	7.32	27.25	(46.67)	8.39	22.47	12.84	15.29	29.44	(19.76)
90th Percentile	(20.47)	5.13	22.69	(49.29)	5.52	19.85	10.57	13.17	27.48	(22.28)
T. Rowe Price Intl Equity ●	(14.98)	7.43	31.27	(46.54)	10.29	29.88	15.60	22.40	40.19	(12.42)
MSCI EAFE US$ Gross Div ▲	(14.62)	8.21	32.46	(43.06)	11.63	26.86	14.02	20.70	39.17	(15.66)

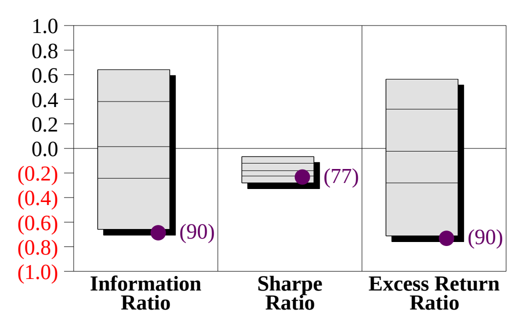
Cumulative and Quarterly Relative Return vs MSCI EAFE US$ Gross Div



Risk Adjusted Return Measures vs MSCI EAFE US$ Gross Div
Rankings Against CAI MF - Non-US Equity Style (Net)
Five Years Ended September 30, 2011

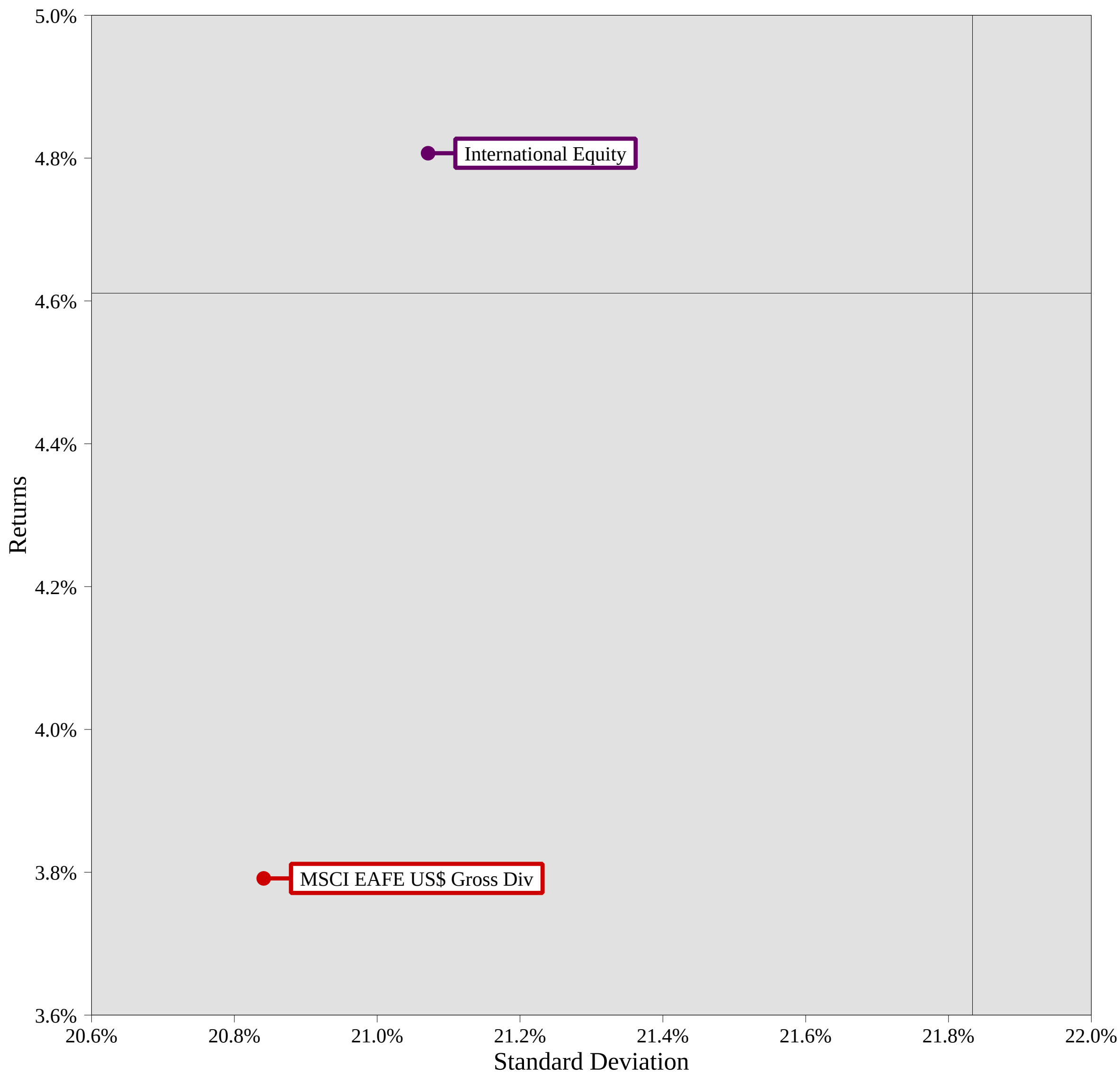


	Alpha	Treynor Ratio
10th Percentile	2.80	(1.79)
25th Percentile	1.61	(3.17)
Median	0.04	(4.76)
75th Percentile	(1.23)	(5.97)
90th Percentile	(2.56)	(7.41)
T. Rowe Price Intl Equity ●	(1.25)	(6.06)



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	(0.07)	0.56
25th Percentile	0.38	(0.12)	0.32
Median	0.01	(0.18)	(0.02)
75th Percentile	(0.24)	(0.22)	(0.28)
90th Percentile	(0.66)	(0.28)	(0.71)
T. Rowe Price Intl Equity ●	(0.69)	(0.23)	(0.73)

STATE OF ALASKA S B S - T. ROWE PRICE INTL EQUITY
RISK/REWARD VS CAI MF - NON-US EQUITY STYLE
FIFTEEN AND THREE-QUARTER YEARS ENDED SEPTEMBER 30, 2011



T. ROWE PRICE MM
PERIOD ENDED SEPTEMBER 30, 2011

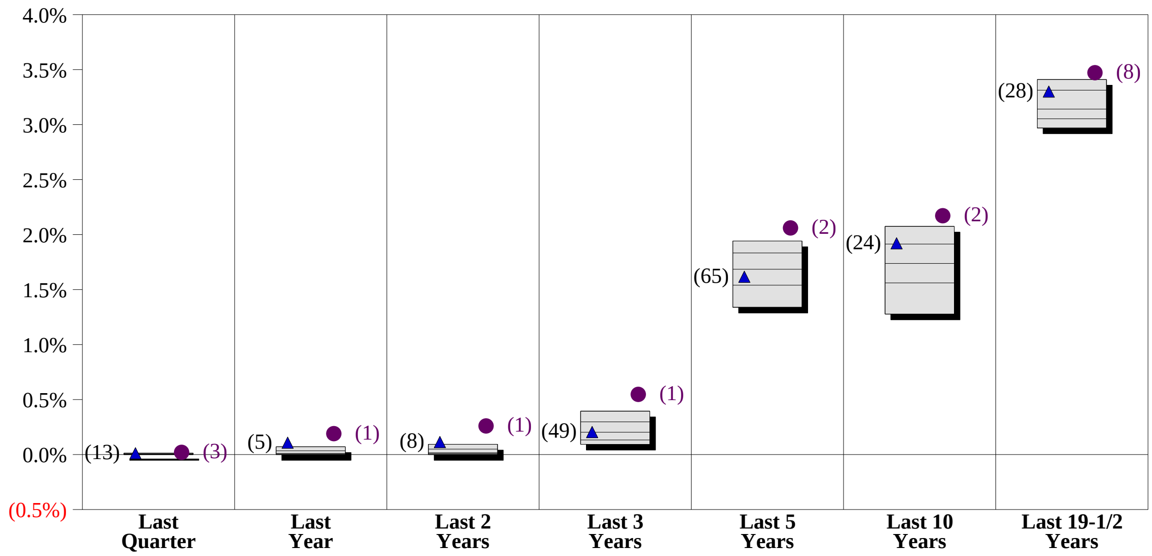
Investment Philosophy

Fund invests in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days. Intend to keep a constant NAV.

Quarterly Summary and Highlights

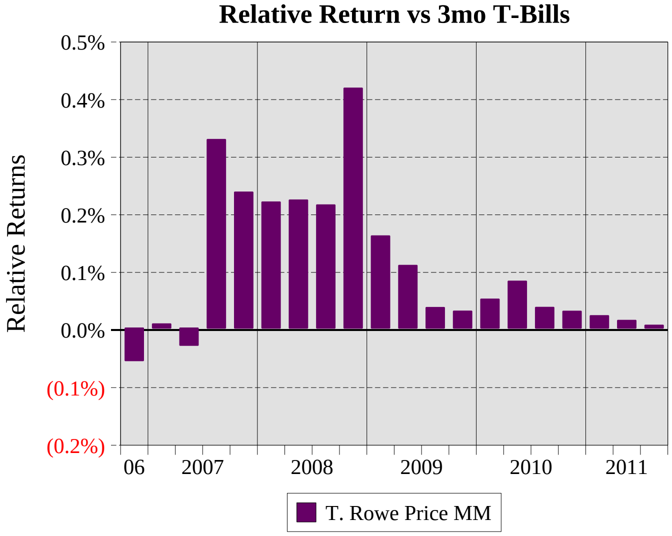
- T. Rowe Price MM's portfolio posted a 0.02% return for the quarter placing it in the 3 percentile of the Money Market Funds group for the quarter and in the 1 percentile for the last year.
- T. Rowe Price MM's portfolio outperformed the 3mo T-Bills by 0.01% for the quarter and outperformed the 3mo T-Bills for the year by 0.08%.

Performance vs Money Market Funds (Net)

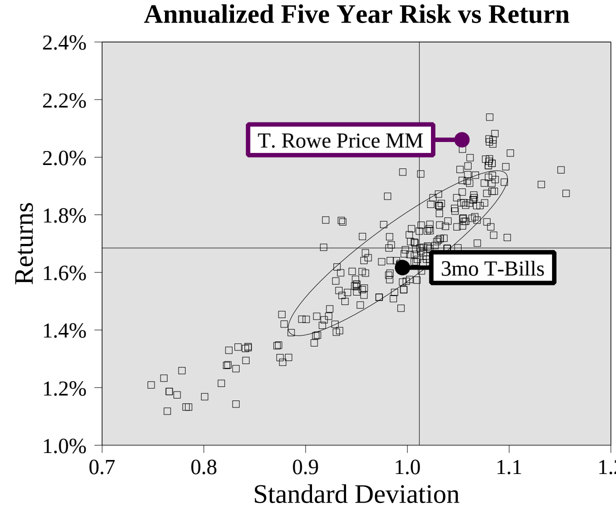


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 19-1/2 Years
10th Percentile	0.01	0.07	0.09	0.39	1.94	2.07	3.41
25th Percentile	0.01	0.03	0.05	0.30	1.83	1.91	3.31
Median	0.00	0.01	0.02	0.20	1.68	1.74	3.14
75th Percentile	0.00	0.00	0.01	0.13	1.54	1.56	3.05
90th Percentile	0.00	0.00	0.00	0.09	1.34	1.28	2.97
T. Rowe Price MM ●	0.02	0.19	0.26	0.55	2.06	2.17	3.47
3mo T-Bills ▲	0.01	0.11	0.11	0.20	1.62	1.92	3.30

Relative Return vs 3mo T-Bills



Money Market Funds (Net)
Annualized Five Year Risk vs Return

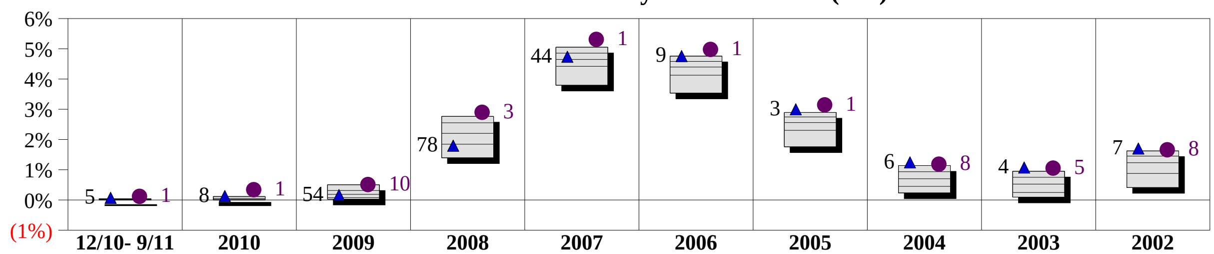


T. ROWE PRICE MM
RETURN ANALYSIS SUMMARY

Return Analysis

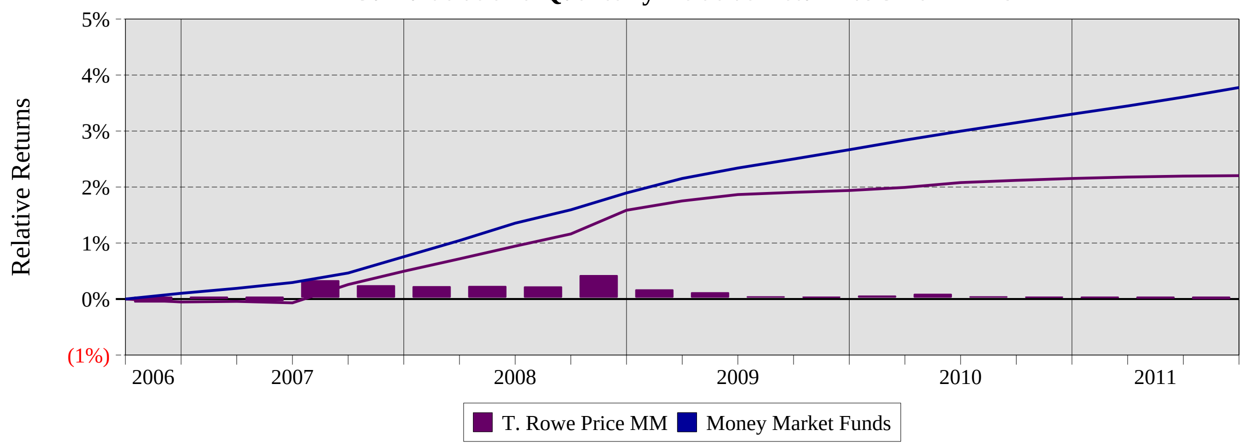
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Money Market Funds (Net)

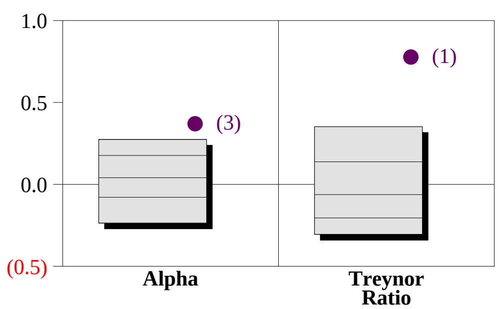


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	0.04	0.11	0.50	2.77	5.05	4.76	2.90	1.14	0.95	1.62
25th Percentile	0.02	0.05	0.31	2.55	4.86	4.58	2.75	0.93	0.75	1.45
Median	0.01	0.02	0.19	2.20	4.65	4.40	2.56	0.70	0.52	1.23
75th Percentile	0.00	0.01	0.07	1.84	4.42	4.13	2.30	0.45	0.25	0.88
90th Percentile	0.00	0.00	0.03	1.39	3.79	3.53	1.76	0.23	0.09	0.41
T. Rowe Price MM ●	0.12	0.34	0.51	2.90	5.31	4.98	3.15	1.18	1.05	1.66
3mo T-Bills ▲	0.07	0.13	0.16	1.80	4.74	4.76	3.00	1.24	1.07	1.70

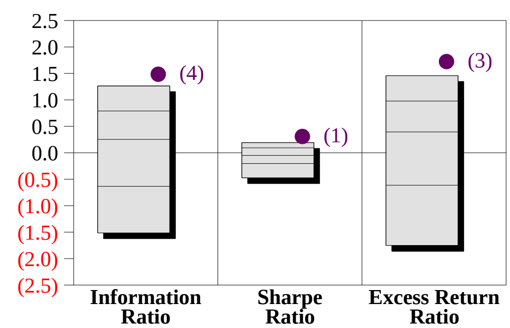
Cumulative and Quarterly Relative Return vs 3mo T-Bills



Risk Adjusted Return Measures vs 3mo T-Bills
Rankings Against Money Market Funds (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	0.27	0.35
25th Percentile	0.18	0.14
Median	0.04	(0.06)
75th Percentile	(0.08)	(0.20)
90th Percentile	(0.24)	(0.31)
T. Rowe Price MM ●	0.37	0.78



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.26	0.19	1.46
25th Percentile	0.79	0.09	0.98
Median	0.25	(0.05)	0.39
75th Percentile	(0.63)	(0.20)	(0.61)
90th Percentile	(1.51)	(0.47)	(1.75)
T. Rowe Price MM ●	1.48	0.31	1.72

STATE STREET S&P FUND
PERIOD ENDED SEPTEMBER 30, 2011

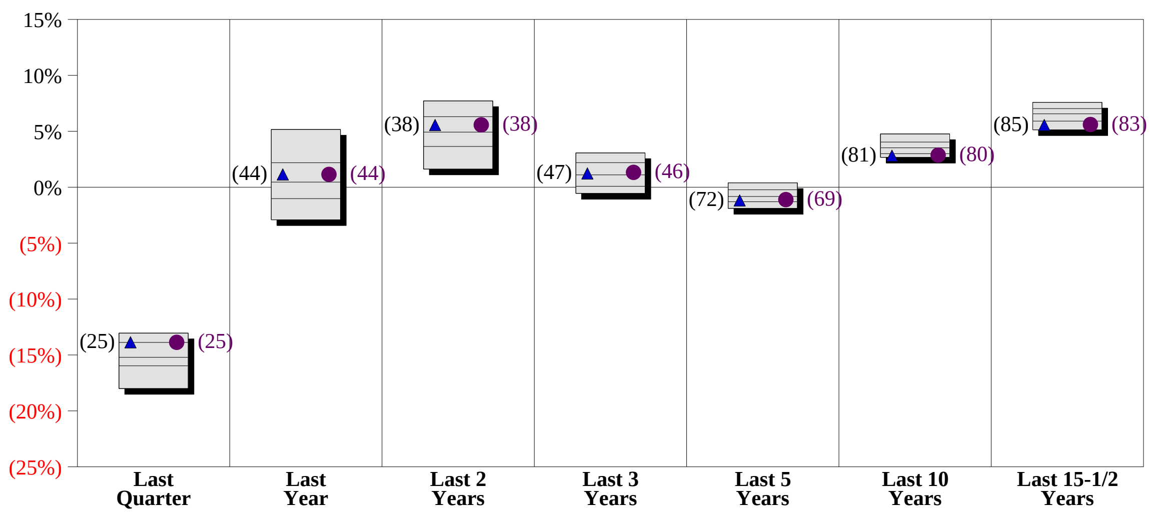
Investment Philosophy

Core Equity Style managers hold portfolios with characteristics similar to that of the broader market as represented by the Standard & Poor's 500 Index. Their objective is to add value over and above the index, typically from sector or issue selection.

Quarterly Summary and Highlights

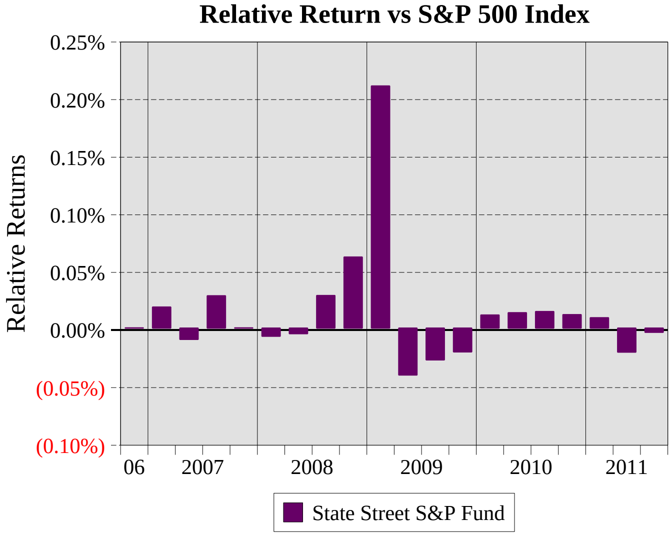
- State Street S&P Fund's portfolio posted a (13.87)% return for the quarter placing it in the 25 percentile of the CAI Large Cap Core Style group for the quarter and in the 44 percentile for the last year.
- State Street S&P Fund's portfolio underperformed the S&P 500 Index by 0.00% for the quarter and outperformed the S&P 500 Index for the year by 0.00%.

Performance vs CAI Large Cap Core Style (Gross)

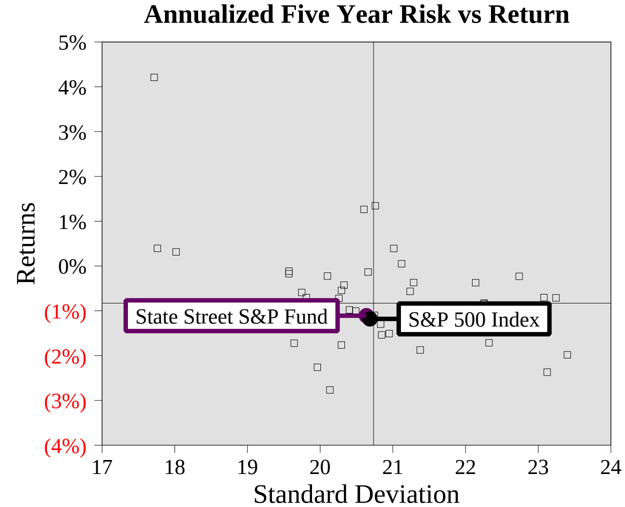


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	(13.04)	5.16	7.72	3.07	0.39	4.76	7.59
25th Percentile	(13.88)	2.19	6.31	2.19	(0.23)	4.04	7.03
Median	(15.21)	0.46	4.93	1.10	(0.83)	3.52	6.56
75th Percentile	(15.97)	(1.02)	3.64	0.08	(1.30)	3.00	5.91
90th Percentile	(18.00)	(2.91)	1.62	(0.55)	(1.90)	2.67	5.13
State Street S&P Fund ●	(13.87)	1.14	5.57	1.32	(1.11)	2.87	5.60
S&P 500 Index ▲	(13.87)	1.14	5.56	1.23	(1.18)	2.82	5.56

Relative Return vs S&P 500 Index



CAI Large Cap Core Style (Gross) Annualized Five Year Risk vs Return

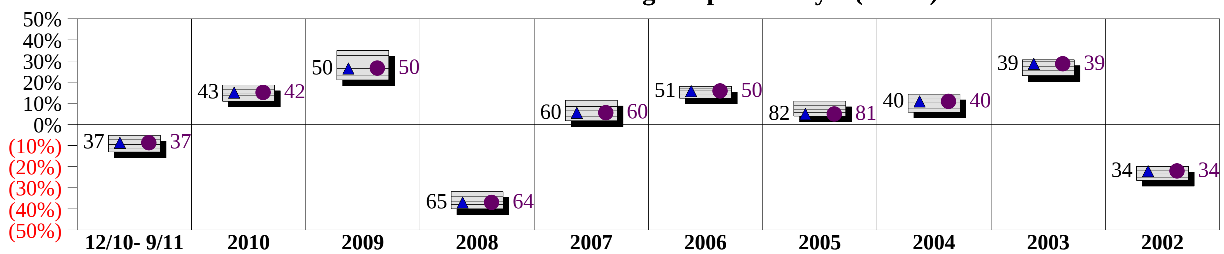


STATE STREET S&P FUND
RETURN ANALYSIS SUMMARY

Return Analysis

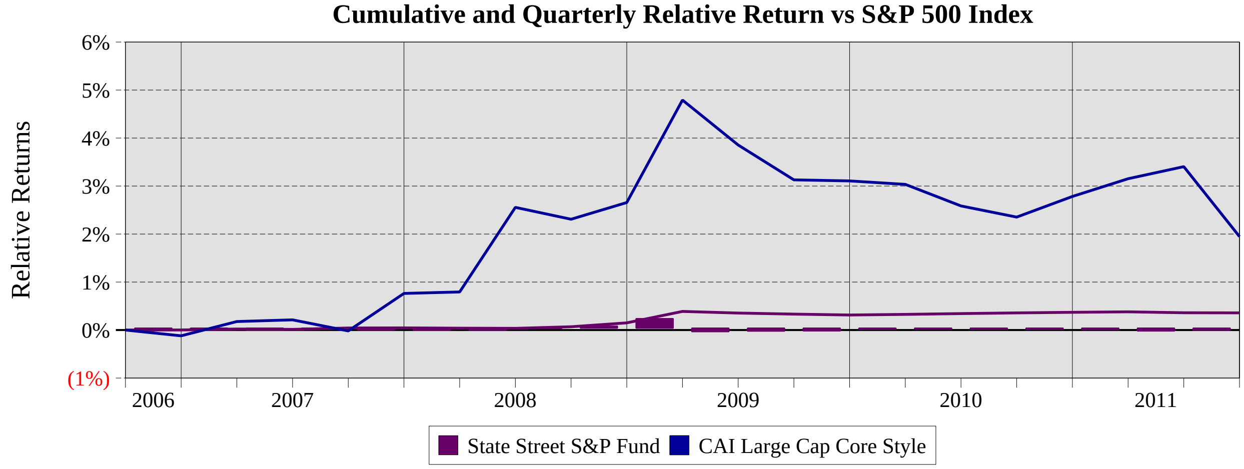
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Core Style (Gross)

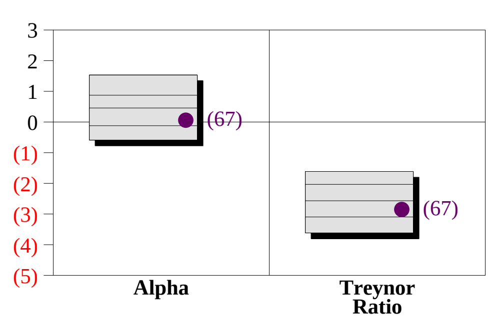


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	(5.13)	18.65	34.98	(31.85)	11.45	18.03	11.04	14.33	30.56	(19.89)
25th Percentile	(7.28)	16.40	32.58	(34.26)	8.46	17.16	8.84	12.49	29.89	(21.66)
Median	(9.51)	14.40	26.51	(36.36)	6.41	15.86	7.17	10.15	27.29	(23.49)
75th Percentile	(11.62)	13.55	22.96	(37.90)	3.87	14.39	5.68	7.70	25.39	(25.00)
90th Percentile	(13.05)	10.96	21.05	(40.00)	1.70	12.41	3.94	5.78	23.07	(26.51)
State Street S&P Fund ●	(8.69)	15.13	26.67	(36.93)	5.54	15.85	4.94	10.92	28.71	(22.04)
S&P 500 Index ▲	(8.68)	15.06	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68	(22.10)

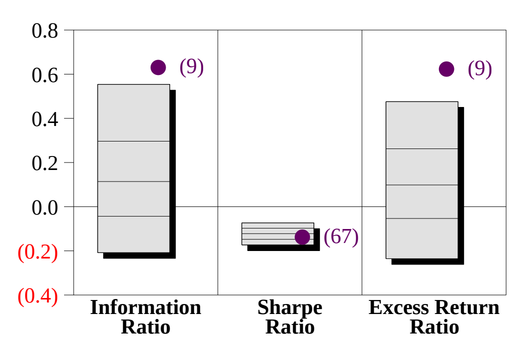
Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Core Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.53	(1.61)
25th Percentile	0.87	(2.03)
Median	0.46	(2.57)
75th Percentile	(0.12)	(3.10)
90th Percentile	(0.59)	(3.62)
State Street S&P Fund ●	0.06	(2.85)



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.55	(0.07)	0.48
25th Percentile	0.30	(0.10)	0.26
Median	0.11	(0.12)	0.10
75th Percentile	(0.04)	(0.15)	(0.05)
90th Percentile	(0.21)	(0.17)	(0.24)
State Street S&P Fund ●	0.63	(0.14)	0.62

RUSSELL 3000 INDEX FUND
PERIOD ENDED SEPTEMBER 30, 2011

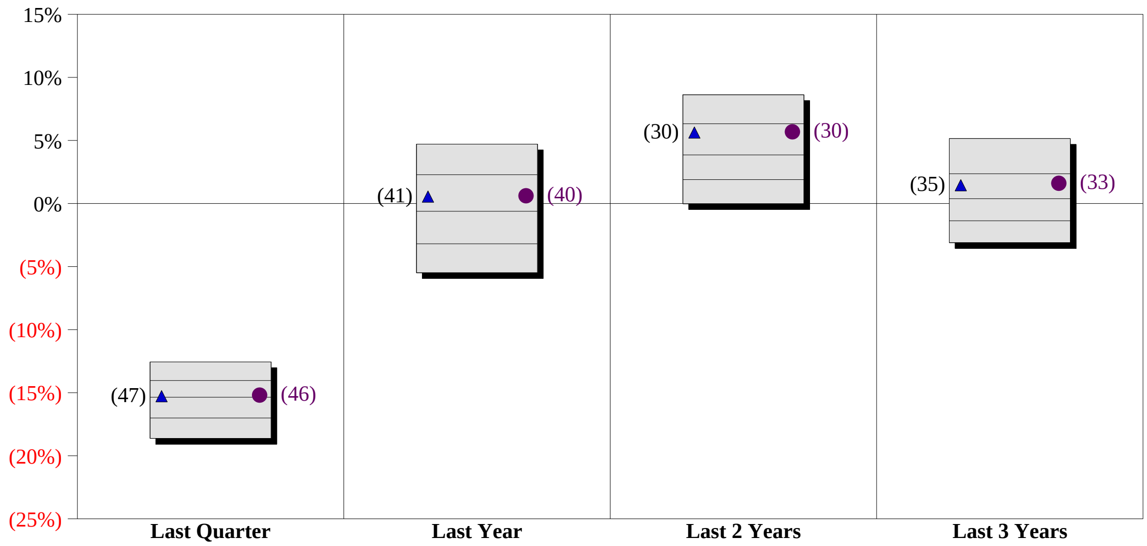
Investment Philosophy

The Russell 3000 Index Strategy seeks to replicate the returns and characteristics of the Russell 3000 Index. .

Quarterly Summary and Highlights

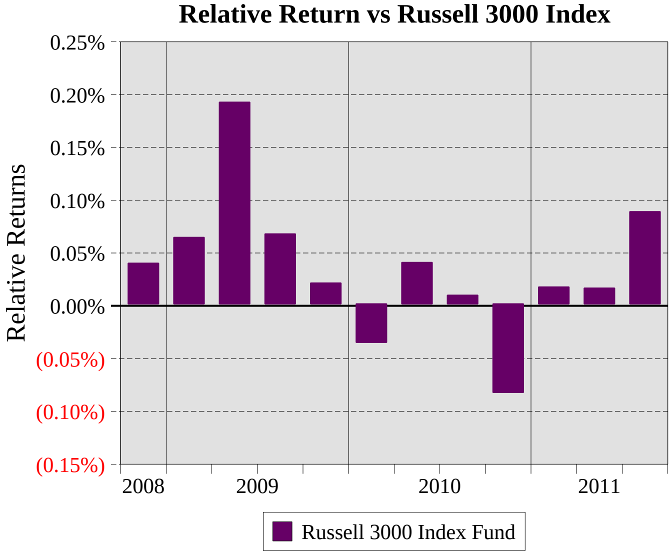
- Russell 3000 Index Fund's portfolio posted a (15.19)% return for the quarter placing it in the 46 percentile of the CAI MF - Large Cap Broad Style group for the quarter and in the 40 percentile for the last year.
- Russell 3000 Index Fund's portfolio outperformed the Russell 3000 Index by 0.09% for the quarter and outperformed the Russell 3000 Index for the year by 0.07%.

Performance vs CAI MF - Large Cap Broad Style (Net)

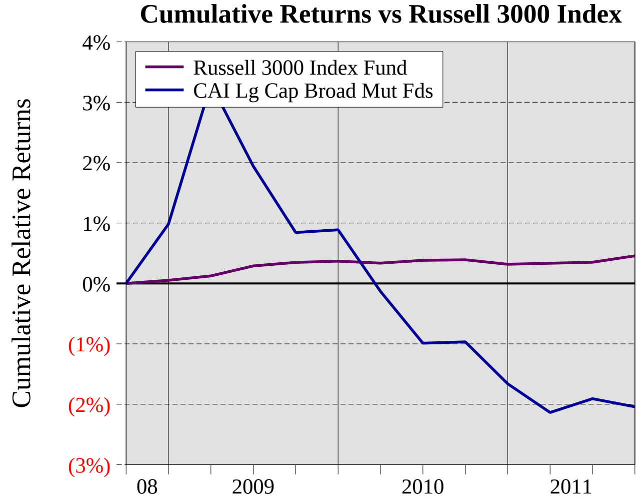


	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(12.56)	4.71	8.62	5.15
25th Percentile	(14.04)	2.28	6.33	2.36
Median	(15.36)	(0.62)	3.85	0.38
75th Percentile	(17.01)	(3.19)	1.89	(1.37)
90th Percentile	(18.62)	(5.49)	(0.02)	(3.10)
Russell 3000 Index Fund ●	(15.19)	0.61	5.68	1.60
Russell 3000 Index ▲	(15.28)	0.55	5.63	1.45

Relative Return vs Russell 3000 Index



Cumulative Returns vs Russell 3000 Index



World Equity
ex US Index Fd

WORLD EQ EX-US INDEX
PERIOD ENDED SEPTEMBER 30, 2011

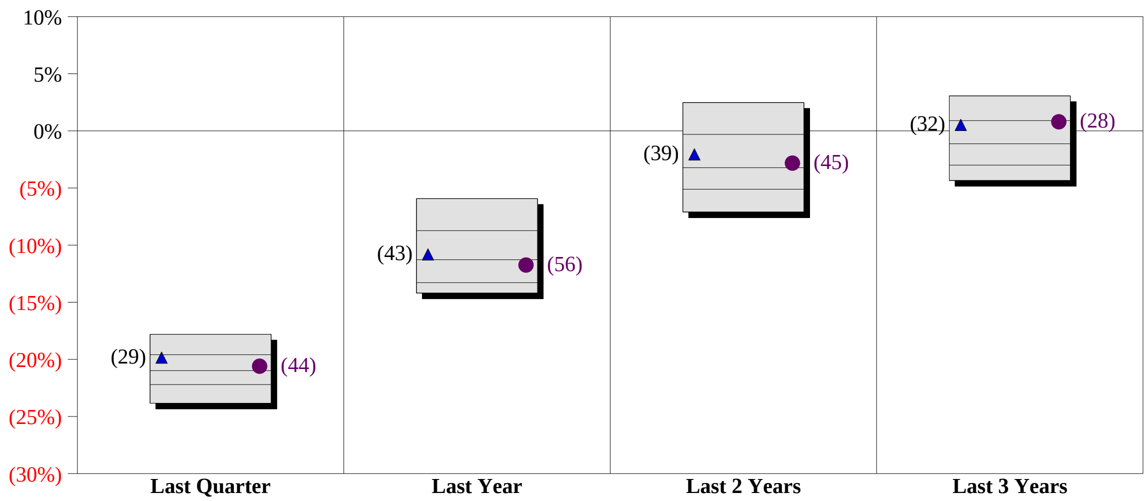
Investment Philosophy

State Street's objective is to provide the most cost-effective implementation with stringent risk control and tracking requirements.

Quarterly Summary and Highlights

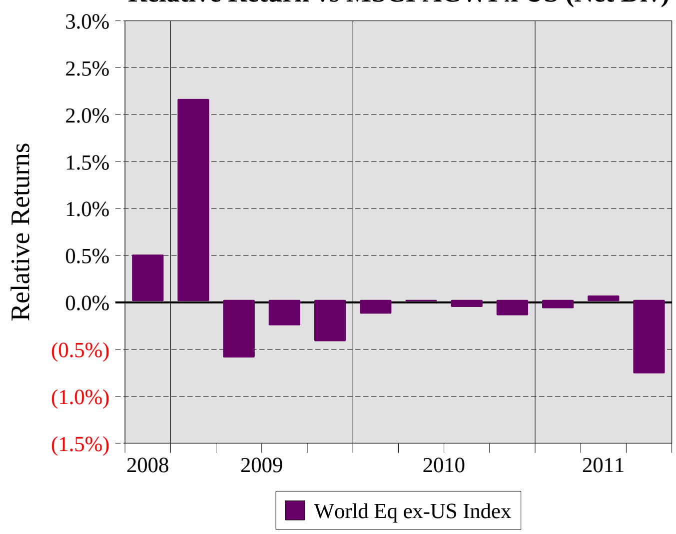
- World Eq ex-US Index's portfolio posted a (20.60)% return for the quarter placing it in the 44 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 56 percentile for the last year.
- World Eq ex-US Index's portfolio underperformed the MSCI ACWI x US (Net Div) by 0.75% for the quarter and underperformed the MSCI ACWI x US (Net Div) for the year by 0.93%.

Performance vs CAI MF - Non-US Equity Style (Net)

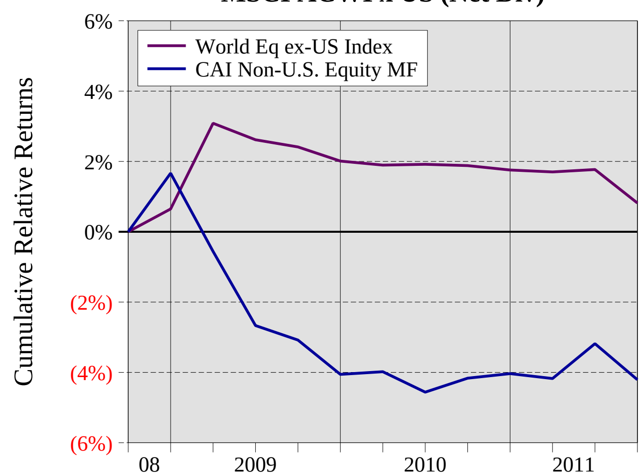


	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	(17.81)	(5.93)	2.48	3.06
25th Percentile	(19.59)	(8.73)	(0.31)	0.90
Median	(20.98)	(11.28)	(3.22)	(1.13)
75th Percentile	(22.21)	(13.29)	(5.11)	(3.00)
90th Percentile	(23.84)	(14.20)	(7.10)	(4.34)
World Eq ex-US Index ●	(20.60)	(11.74)	(2.82)	0.80
MSCI ACWI x US (Net Div) ▲	(19.85)	(10.81)	(2.06)	0.52

Relative Return vs MSCI ACWI x US (Net Div)



Cumulative Returns vs MSCI ACWI x US (Net Div)



Long US Treasury
Bond Index

LONG US TREASURY BOND INDEX
PERIOD ENDED SEPTEMBER 30, 2011

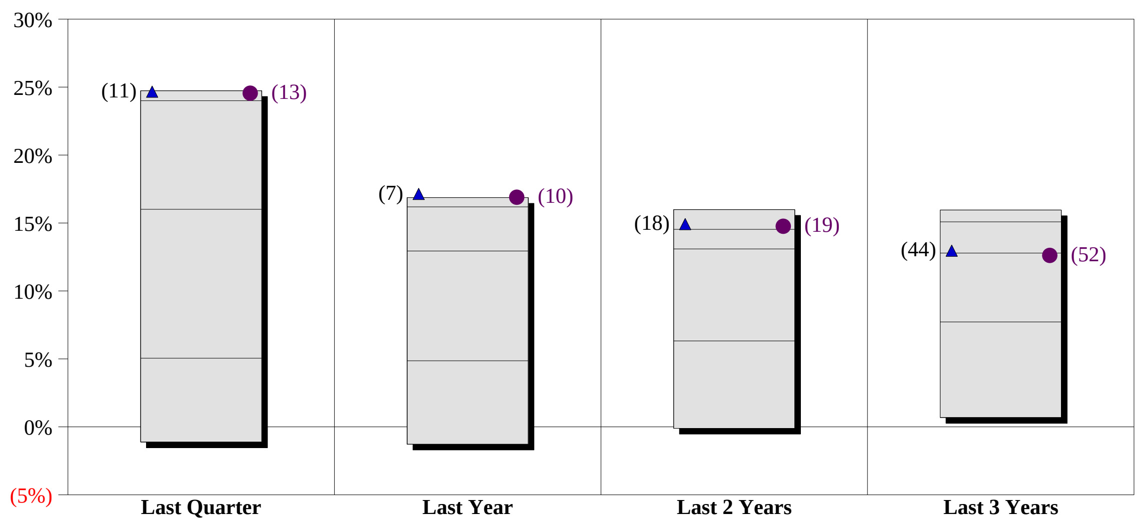
Investment Philosophy

Extended Maturity Style managers construct portfolios with average durations greater than that of the BC Gov/Corp Index. Variations in bond portfolio characteristics are made to enhance performance results

Quarterly Summary and Highlights

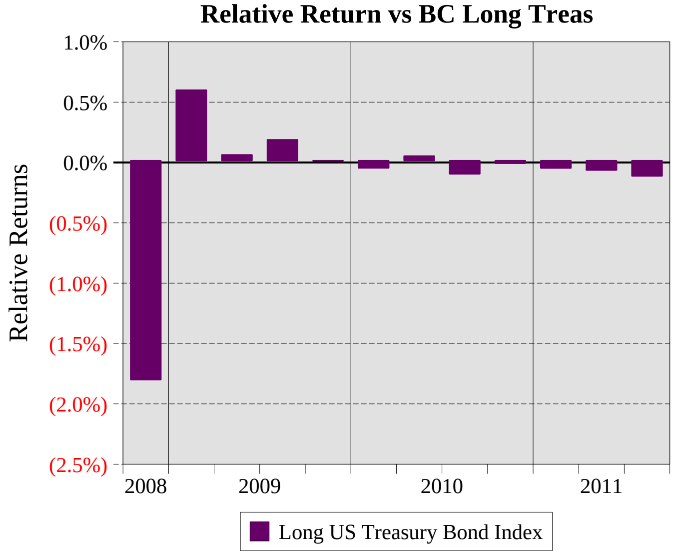
- Long US Treasury Bond Index's portfolio posted a 24.55% return for the quarter placing it in the 13 percentile of the CAI MF - Extended Maturity group for the quarter and in the 10 percentile for the last year.
- Long US Treasury Bond Index's portfolio underperformed the BC Long Treas by 0.11% for the quarter and underperformed the BC Long Treas for the year by 0.24%.

Performance vs CAI MF - Extended Maturity (Net)

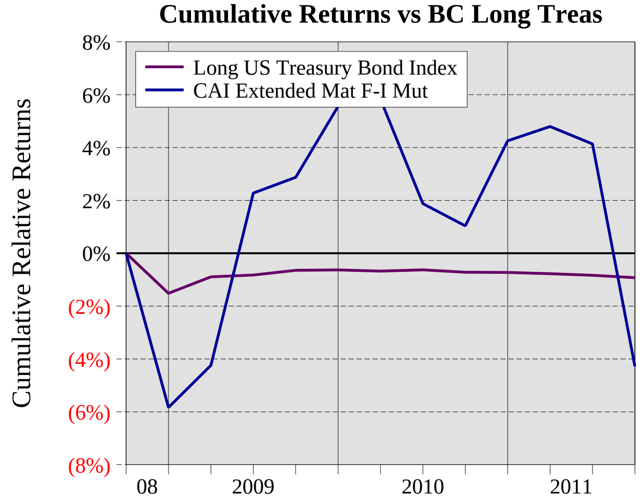


	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	24.73	16.87	15.98	15.96
25th Percentile	24.00	16.19	14.53	15.09
Median	16.01	12.94	13.09	12.79
75th Percentile	5.05	4.86	6.32	7.72
90th Percentile	(1.12)	(1.28)	(0.11)	0.69
Long US Treasury Bond Index ●	24.55	16.90	14.76	12.62
BC Long Treas ▲	24.66	17.14	14.92	12.96

Relative Return vs BC Long Treas



Cumulative Returns vs BC Long Treas



US Treasury Inflation
Protected

US TREASRY INFL PRTCD SEC INDEX
PERIOD ENDED SEPTEMBER 30, 2011

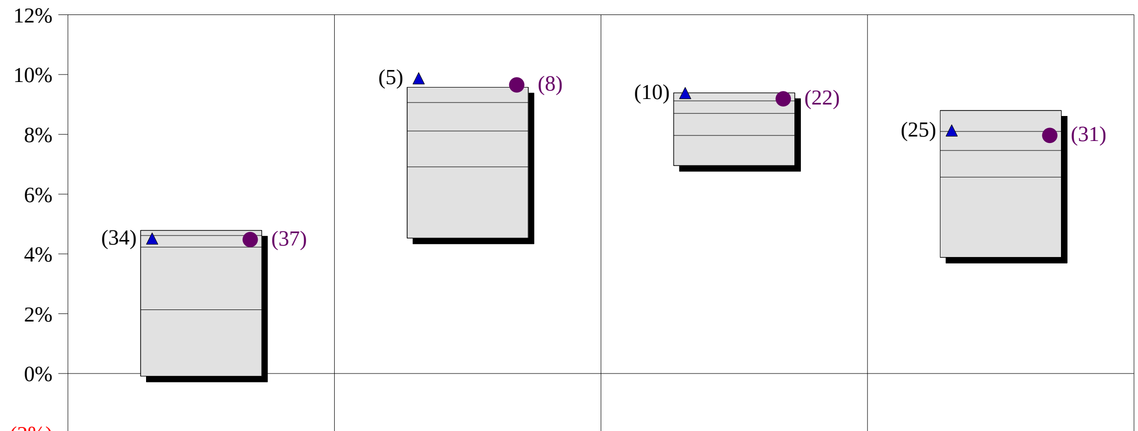
Investment Philosophy

The Passive Treasury Inflation Protected Securities Strategy seeks to match the total rate of return of the BC Inflation Notes Index by investing in a portfolio of US Treasury inflation protected securities. It is managed duration neutral to the Index at all times. Overall sector and security weightings are also matched to the Index. The strategy is one of full replication, owning a market-value weight of each security in the benchmark.

Quarterly Summary and Highlights

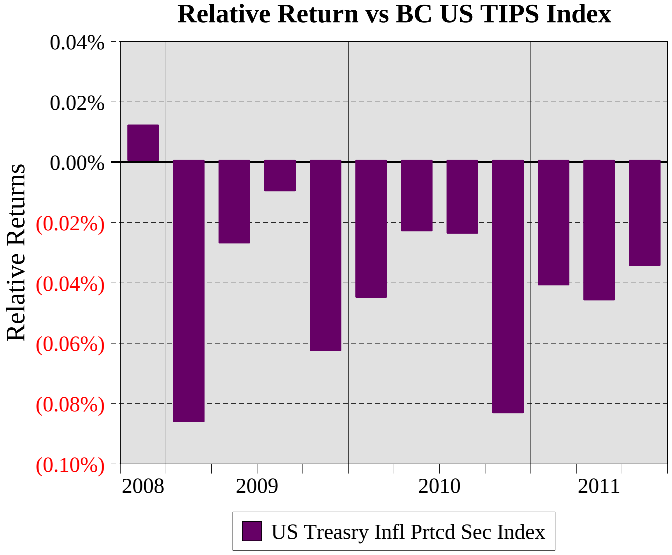
- US Treasry Infl Prtcd Sec Index's portfolio posted a 4.48% return for the quarter placing it in the 37 percentile of the Lipper: TIPS Funds group for the quarter and in the 8 percentile for the last year.
- US Treasry Infl Prtcd Sec Index's portfolio underperformed the BC US TIPS Index by 0.03% for the quarter and underperformed the BC US TIPS Index for the year by 0.22%.

Performance vs Lipper: TIPS Funds (Net)

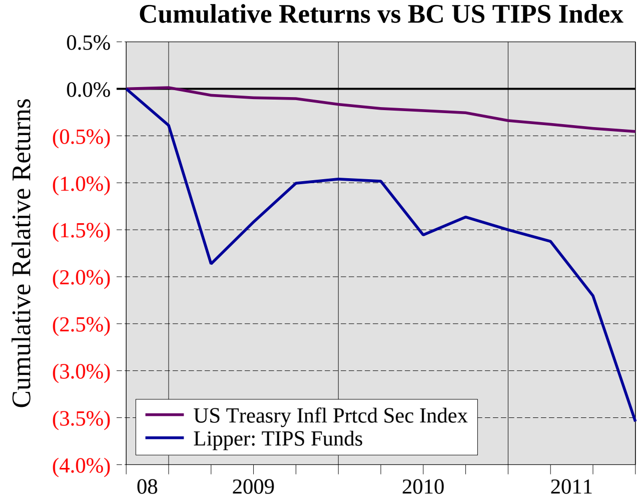


	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	4.79	9.57	9.39	8.80
25th Percentile	4.62	9.06	9.12	8.10
Median	4.23	8.11	8.70	7.46
75th Percentile	2.13	6.91	7.96	6.57
90th Percentile	(0.09)	4.53	6.95	3.88
US Treasry Infl Prtcd Sec Index ●	4.48	9.65	9.19	7.96
BC US TIPS Index ▲	4.51	9.87	9.38	8.13

Relative Return vs BC US TIPS Index



Cumulative Returns vs BC US TIPS Index



World Gov’t Bond
ex US Index

WORLD GOV'T BOND EX-US INDEX
PERIOD ENDED SEPTEMBER 30, 2011

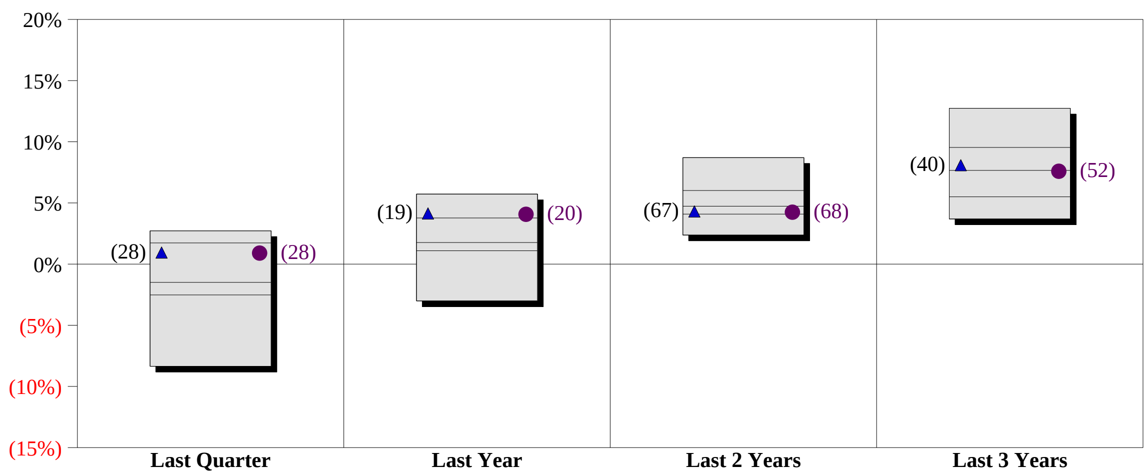
Investment Philosophy

Non-U.S. Fixed-Income Style managers generally invest their assets only in non-U.S. fixed-income securities. These funds seek to take advantage of international currency and interest rate movements, bond yields, and/or international diversification.

Quarterly Summary and Highlights

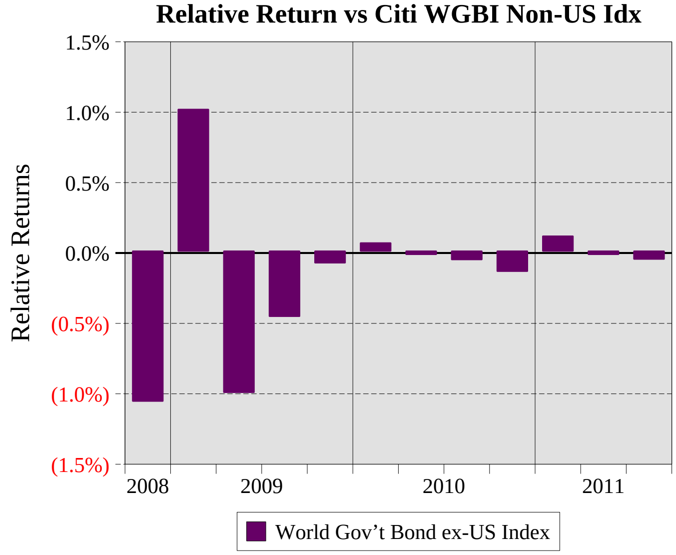
- World Gov't Bond ex-US Index's portfolio posted a 0.90% return for the quarter placing it in the 28 percentile of the CAI MF - Global Fixed Income Style group for the quarter and in the 20 percentile for the last year.
- World Gov't Bond ex-US Index's portfolio underperformed the Citi WGBI Non-US Idx by 0.04% for the quarter and underperformed the Citi WGBI Non-US Idx for the year by 0.07%.

Performance vs CAI MF - Global Fixed Income Style (Net)

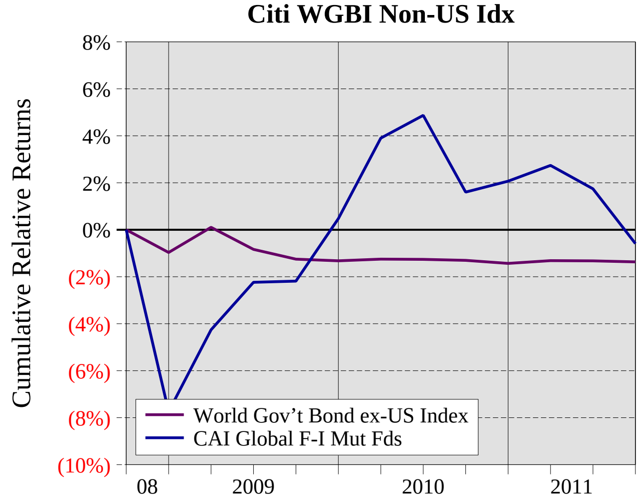


	Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile	2.72	5.72	8.70	12.74
25th Percentile	1.73	3.77	6.02	9.54
Median	(1.49)	1.76	4.73	7.66
75th Percentile	(2.52)	1.09	4.09	5.50
90th Percentile	(8.36)	(3.01)	2.37	3.69
World Gov't Bond ex-US Index ●	0.90	4.07	4.24	7.59
Citi WGBI Non-US Idx ▲	0.94	4.14	4.30	8.09

Relative Return vs Citi WGBI Non-US Idx



Cumulative Returns vs Citi WGBI Non-US Idx



US Real Estate
Investment Trust

US REAL ESTATE INVMNT TR INDEX
PERIOD ENDED SEPTEMBER 30, 2011

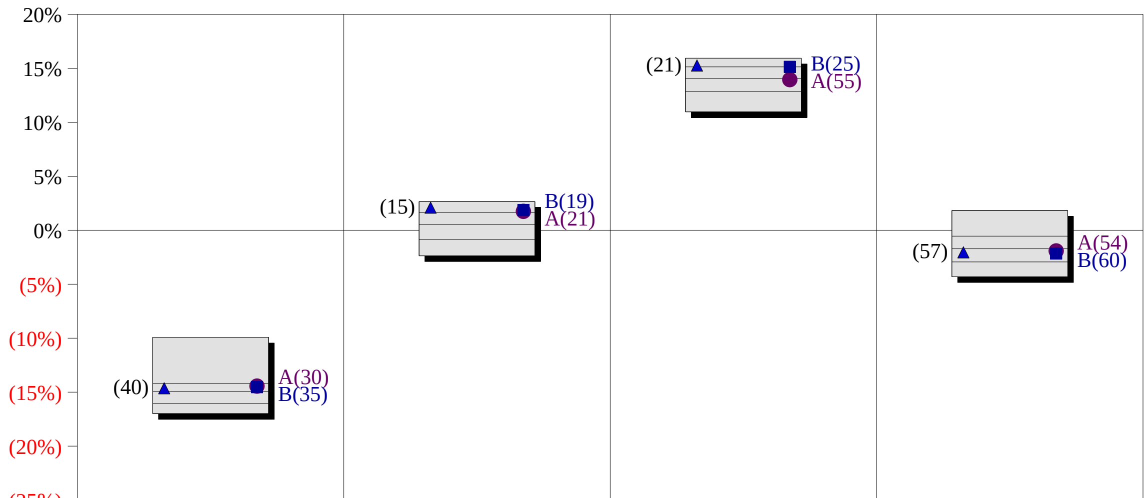
Investment Philosophy

Mutual fund database group consisting of funds that invest in Real Estate Investment Trusts (REITs).

Quarterly Summary and Highlights

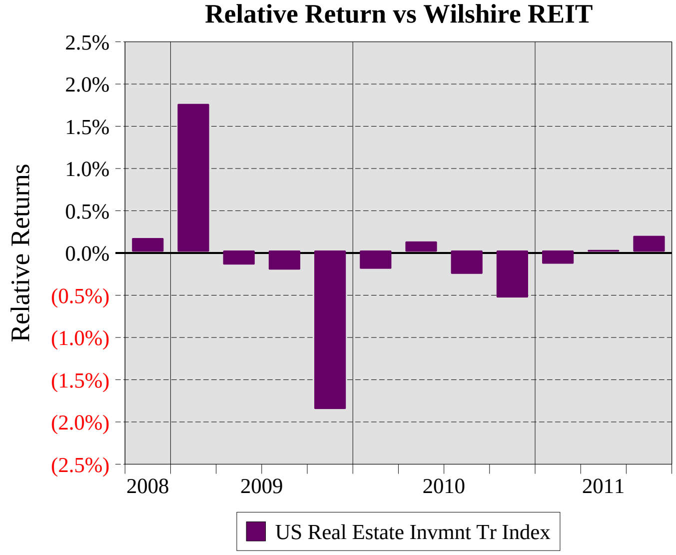
- US Real Estate Invmnt Tr Index’s portfolio posted a (14.44)% return for the quarter placing it in the 30 percentile of the MF - Real Estate group for the quarter and in the 21 percentile for the last year.
- US Real Estate Invmnt Tr Index’s portfolio outperformed the Wilshire REIT by 0.20% for the quarter and underperformed the Wilshire REIT for the year by 0.34%.

Performance vs MF - Real Estate (Net)

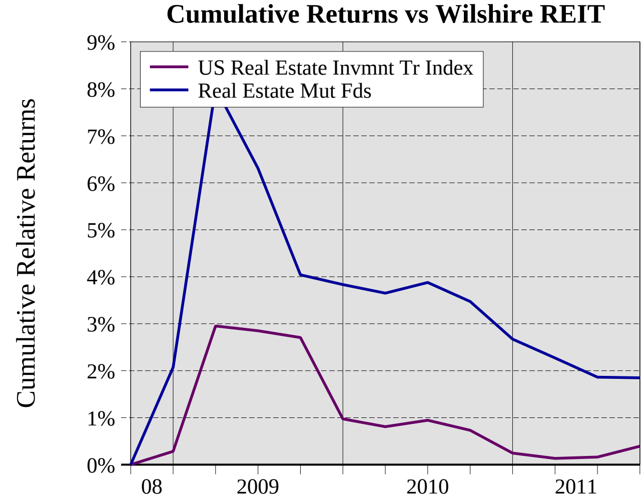


		Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile		(9.92)	2.65	15.94	1.82
25th Percentile		(14.18)	1.65	15.13	(0.55)
Median		(14.94)	0.51	14.06	(1.72)
75th Percentile		(16.03)	(0.86)	12.86	(2.93)
90th Percentile		(16.99)	(2.37)	10.97	(4.31)
US Real Estate Invmnt Tr Index	● A	(14.44)	1.75	13.95	(1.92)
US Select REIT Index	■ B	(14.54)	1.87	15.14	(2.16)
Wilshire REIT	▲	(14.64)	2.09	15.26	(2.04)

Relative Return vs Wilshire REIT



Cumulative Returns vs Wilshire REIT



SSgA Treasury
Money Market Fd

STATE STREET INST TRSRY MM
PERIOD ENDED SEPTEMBER 30, 2011

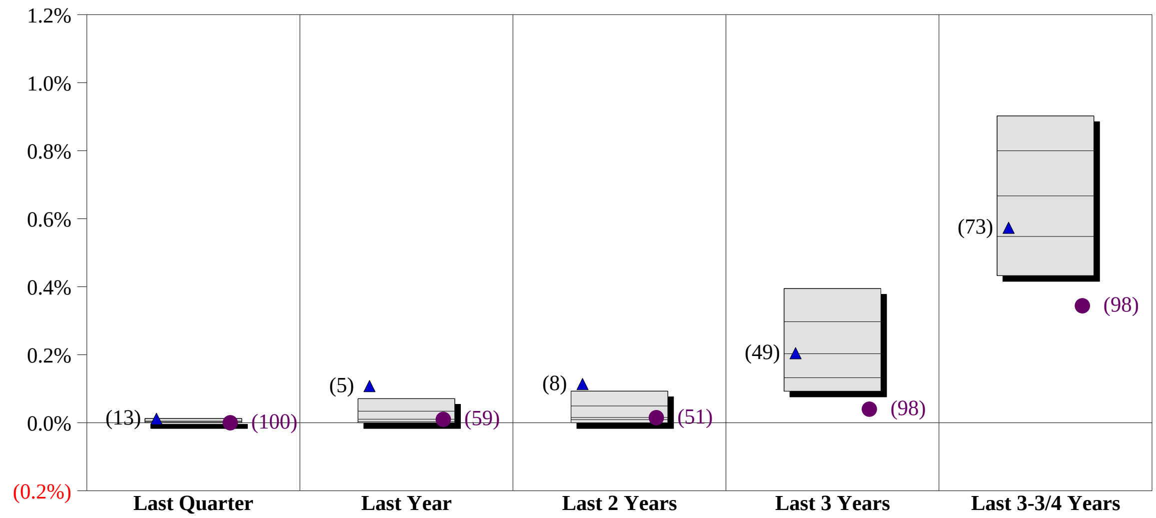
Investment Philosophy

Fund invests in high quality financial instruments rated in top two grades with dollar-weighted average maturities of less than 90 days. Intend to keep a constant NAV.

Quarterly Summary and Highlights

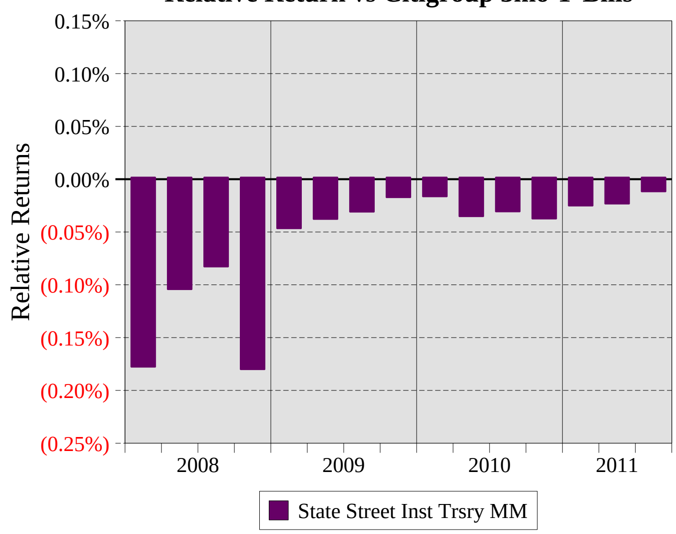
- State Street Inst Trsry MM's portfolio posted a 0.00% return for the quarter placing it in the 100 percentile of the Money Market Funds group for the quarter and in the 59 percentile for the last year.
- State Street Inst Trsry MM's portfolio underperformed the Citigroup 3mo T-Bills by 0.01% for the quarter and underperformed the Citigroup 3mo T-Bills for the year by 0.10%.

Performance vs Money Market Funds (Net)

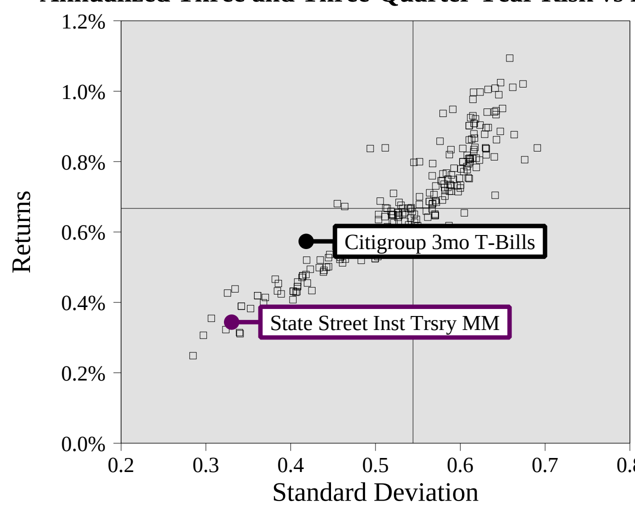


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 3-3/4 Years
10th Percentile	0.01	0.07	0.09	0.39	0.90
25th Percentile	0.01	0.03	0.05	0.30	0.80
Median	0.00	0.01	0.02	0.20	0.67
75th Percentile	0.00	0.00	0.01	0.13	0.55
90th Percentile	0.00	0.00	0.00	0.09	0.43
State Street Inst Trsry MM ●	0.00	0.01	0.01	0.04	0.34
Citigroup 3mo T-Bills ▲	0.01	0.11	0.11	0.20	0.57

Relative Return vs Citigroup 3mo T-Bills



Money Market Funds (Net)
Annualized Three and Three-Quarter Year Risk vs Return

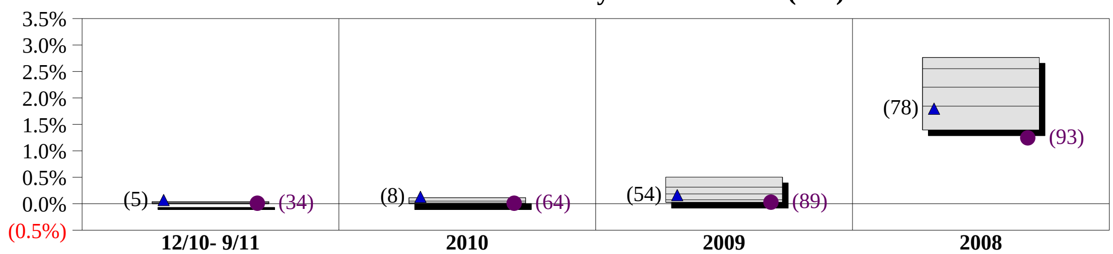


STATE STREET INST TRSRY MM
RETURN ANALYSIS SUMMARY

Return Analysis

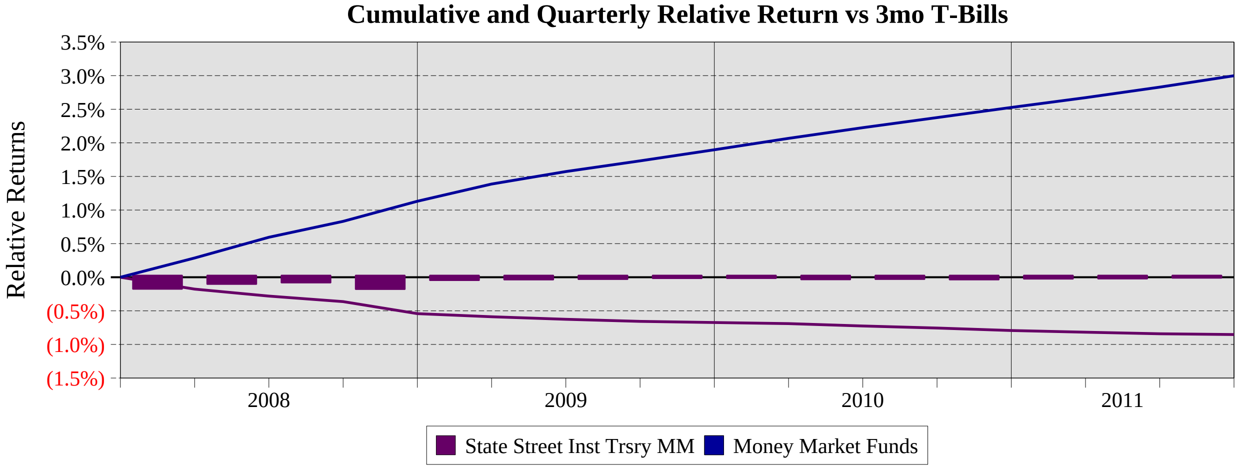
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Money Market Funds (Net)

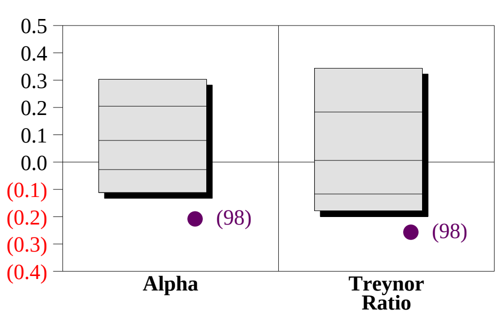


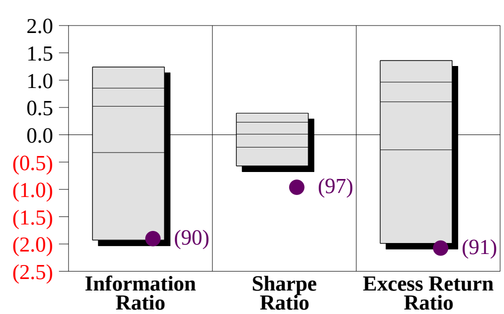
	12/10- 9/11	2010	2009	2008
10th Percentile	0.04	0.11	0.50	2.77
25th Percentile	0.02	0.05	0.31	2.55
Median	0.01	0.02	0.19	2.20
75th Percentile	0.00	0.01	0.07	1.84
90th Percentile	0.00	0.00	0.03	1.39
State Street Inst Trsry MM ●	0.01	0.01	0.03	1.25
3mo T-Bills ▲	0.07	0.13	0.16	1.80

Cumulative and Quarterly Relative Return vs 3mo T-Bills



Risk Adjusted Return Measures vs 3mo T-Bills
Rankings Against Money Market Funds (Net)
Three and Three-Quarter Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	0.30	0.34
25th Percentile	0.20	0.18
Median	0.08	0.01
75th Percentile	(0.03)	(0.12)
90th Percentile	(0.11)	(0.18)
State Street Inst Trsry MM ●	(0.21)	(0.26)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.24	0.39	1.36
25th Percentile	0.85	0.23	0.96
Median	0.52	0.01	0.60
75th Percentile	(0.33)	(0.23)	(0.28)
90th Percentile	(1.93)	(0.57)	(1.99)
State Street Inst Trsry MM ●	(1.90)	(0.96)	(2.07)

BLACKROCK GOVT/CREDIT FUND
PERIOD ENDED SEPTEMBER 30, 2011

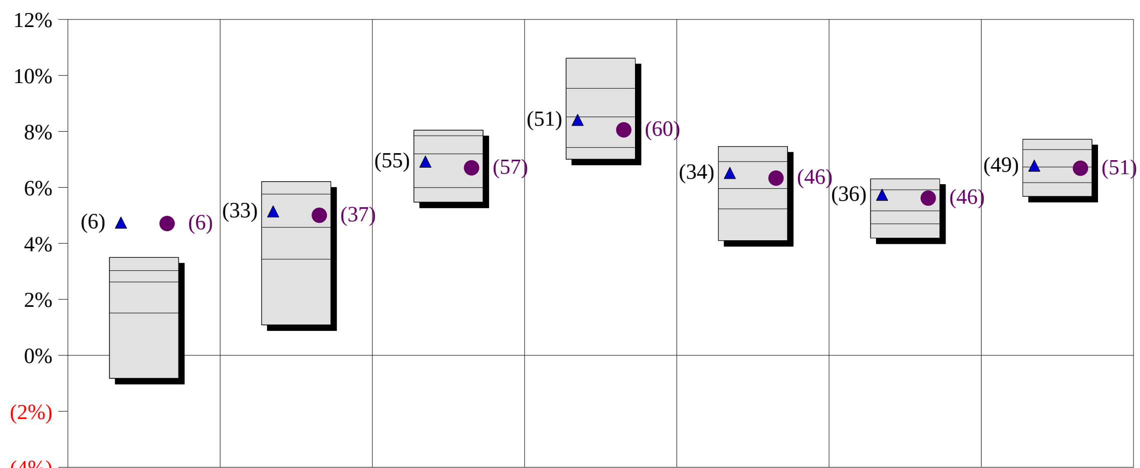
Investment Philosophy

Core Bond Style mutual funds aim to achieve value added from sector and/or issue selection. Funds are constructed to approximate the investment results of the Barclays Capital Gov/Corp Index or the BC Aggregate Index with little duration variability around the index.

Quarterly Summary and Highlights

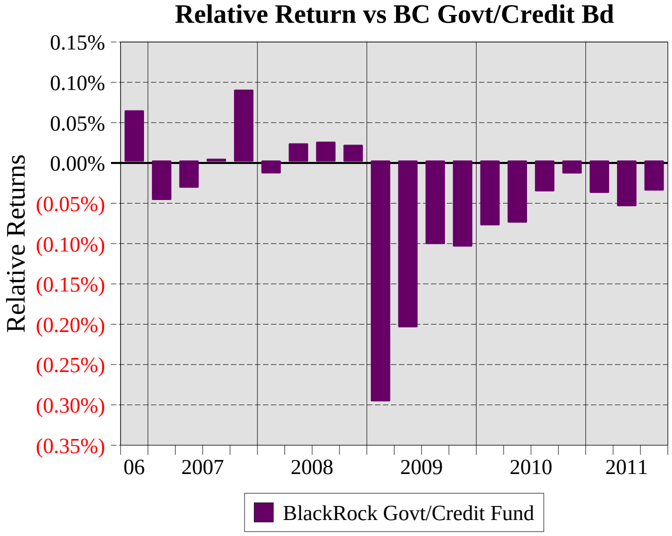
- BlackRock Govt/Credit Fund's portfolio posted a 4.71% return for the quarter placing it in the 6 percentile of the CAI MF - Core Bond Style group for the quarter and in the 37 percentile for the last year.
- BlackRock Govt/Credit Fund's portfolio underperformed the BC Govt/Credit Bd by 0.03% for the quarter and underperformed the BC Govt/Credit Bd for the year by 0.14%.

Performance vs CAI MF - Core Bond Style (Net)

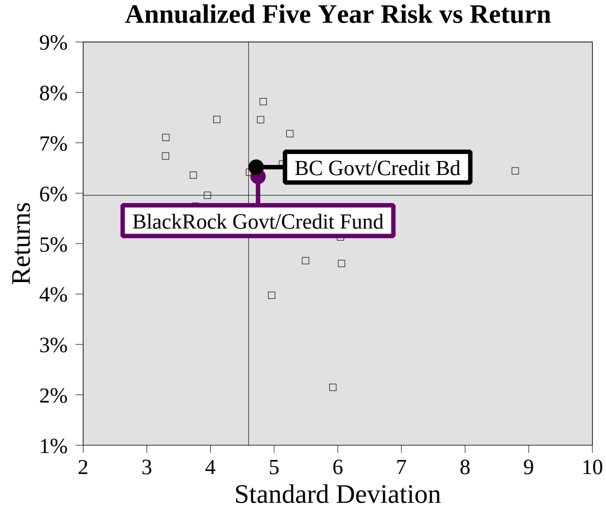


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	3.50	6.21	8.04	10.62	7.46	6.31	7.72
25th Percentile	3.03	5.76	7.85	9.54	6.92	5.91	7.35
Median	2.62	4.57	7.20	8.52	5.96	5.16	6.73
75th Percentile	1.51	3.43	5.99	7.43	5.23	4.70	6.17
90th Percentile	(0.82)	1.09	5.47	7.01	4.10	4.19	5.68
BlackRock Govt/Credit Fund ●	4.71	5.00	6.70	8.06	6.33	5.62	6.68
BC Govt/Credit Bd ▲	4.74	5.14	6.92	8.41	6.52	5.74	6.78

Relative Return vs BC Govt/Credit Bd



CAI MF - Core Bond Style (Net)
Annualized Five Year Risk vs Return

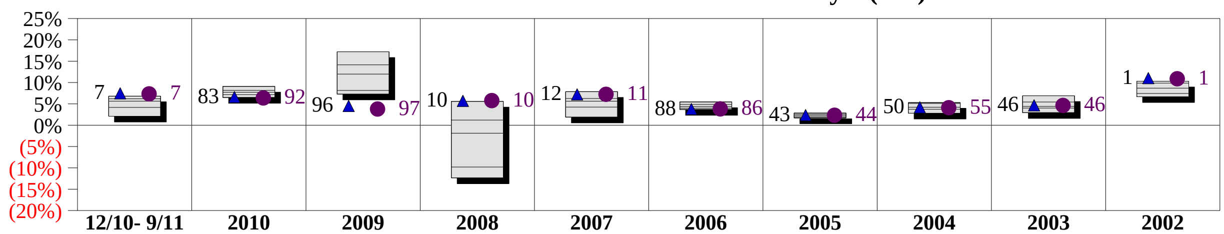


BLACKROCK GOVT/CREDIT FUND
RETURN ANALYSIS SUMMARY

Return Analysis

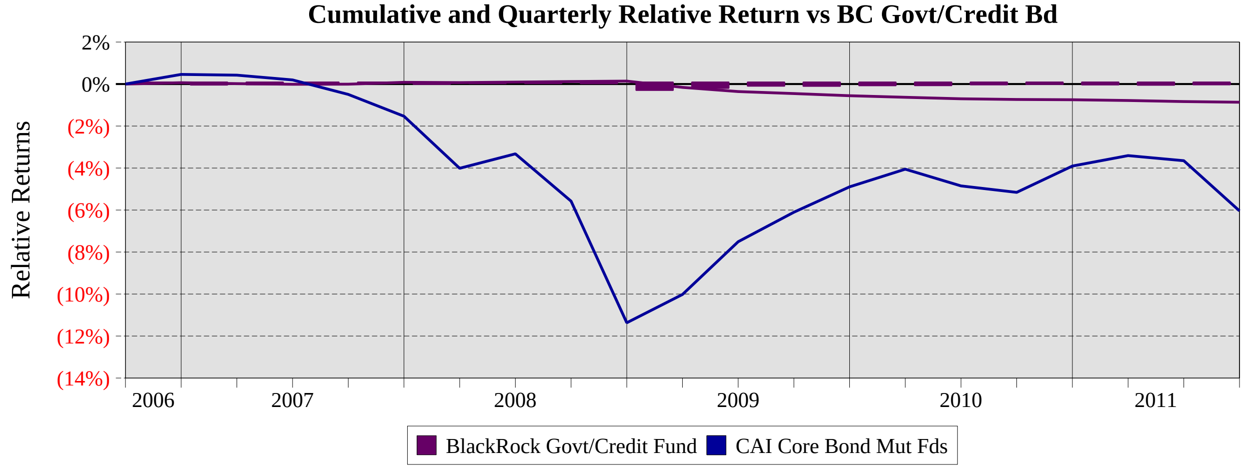
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Core Bond Style (Net)

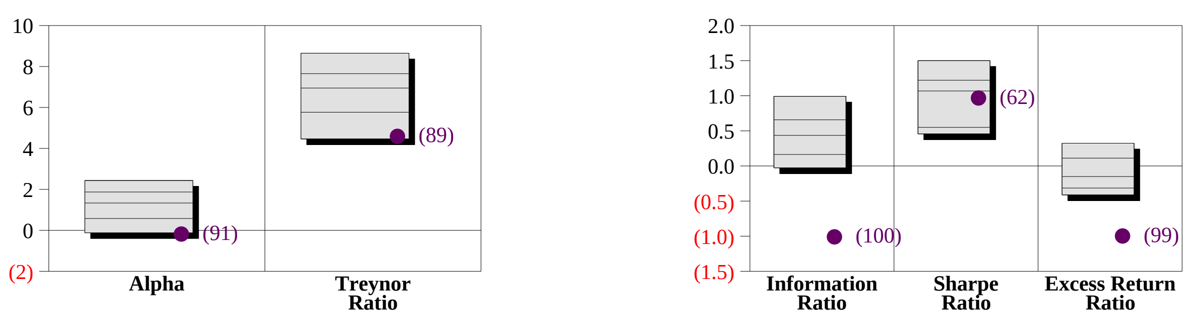


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	6.80	9.09	17.21	5.59	7.86	5.45	2.85	5.30	6.90	10.31
25th Percentile	6.20	8.16	14.15	1.21	6.27	4.87	2.57	5.11	5.44	9.87
Median	5.64	7.73	11.98	(1.88)	5.63	4.38	2.24	4.22	4.41	8.69
75th Percentile	4.17	7.17	8.16	(9.80)	4.25	3.99	1.93	3.75	4.02	7.44
90th Percentile	2.10	6.49	7.29	(12.35)	1.90	3.67	1.70	2.81	2.94	6.68
BlackRock Govt/Credit Fund ●	7.34	6.39	3.79	5.77	7.24	3.82	2.34	4.10	4.63	10.89
BC Govt/Credit Bd ▲	7.47	6.59	4.52	5.70	7.23	3.78	2.37	4.19	4.67	11.04

Cumulative and Quarterly Relative Return vs BC Govt/Credit Bd



Risk Adjusted Return Measures vs BC Govt/Credit Bd
Rankings Against CAI MF - Core Bond Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	2.43	8.65
25th Percentile	1.87	7.65
Median	1.33	6.95
75th Percentile	0.58	5.77
90th Percentile	(0.12)	4.46
BlackRock Govt/Credit Fund ●	(0.18)	4.59

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.99	1.50	0.32
25th Percentile	0.66	1.22	0.11
Median	0.44	1.07	(0.15)
75th Percentile	0.16	0.55	(0.31)
90th Percentile	(0.03)	0.46	(0.41)
BlackRock Govt/Credit Fund ●	(1.01)	0.97	(1.00)

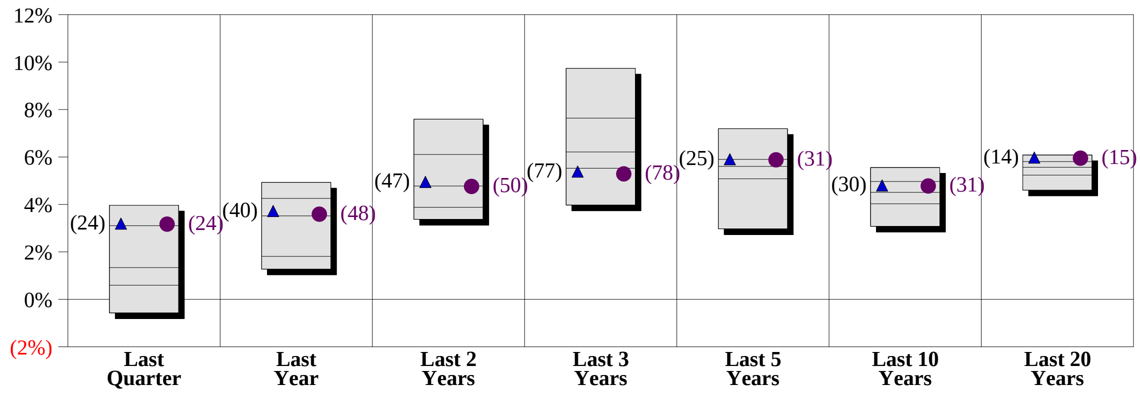
Investment Philosophy

The objective of the Intermediate Government/Credit Bond Index Fund is to track the performance of its benchmark, the Barclays Capital Intermediate Government/Credit Bond Index. The fund provides institutional investors a high quality, cost-effective, index-based solution to their bond investment needs. Our proprietary databases amass a wealth of real-time data each day, providing us with an unmatched ability to efficiently execute market transactions. Additionally, we leverage our size and trading volume to minimize or eliminate transaction costs for our clients. These competitive advantages enable us to deliver superior investment performance to our clients with efficiency and consistency that is unsurpassed.

Quarterly Summary and Highlights

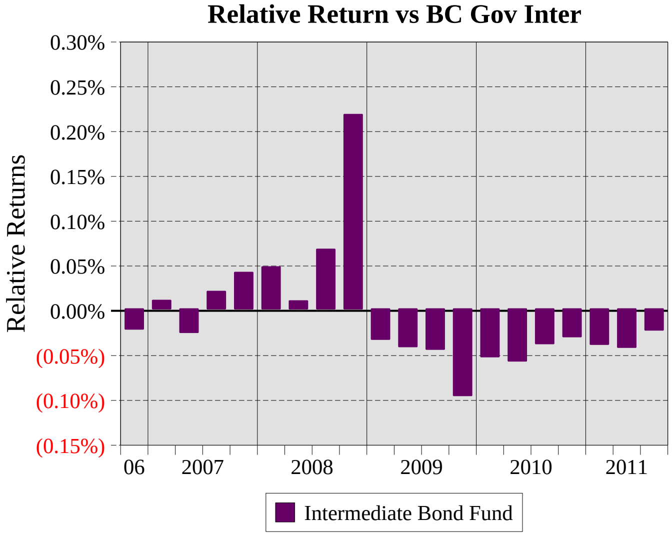
- Intermediate Bond Fund's portfolio posted a 3.17% return for the quarter placing it in the 24 percentile of the CAI MF - Intermediate Style group for the quarter and in the 48 percentile for the last year.
- Intermediate Bond Fund's portfolio underperformed the BC Gov Inter by 0.02% for the quarter and underperformed the BC Gov Inter for the year by 0.13%.

Performance vs CAI MF - Intermediate Style (Net)

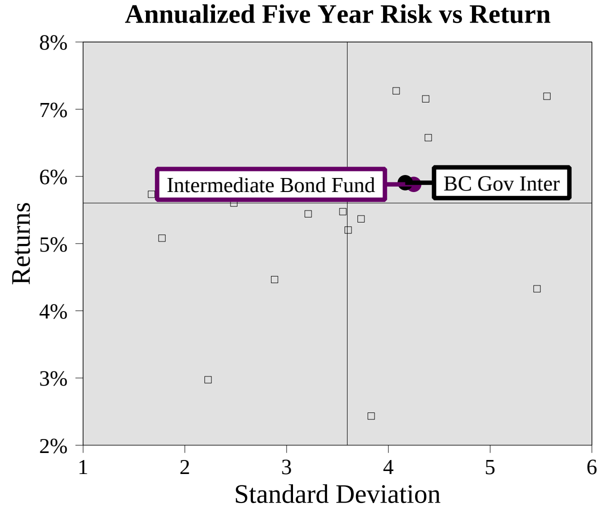


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	3.96	4.93	7.59	9.74	7.19	5.56	6.08
25th Percentile	3.11	4.25	6.11	7.64	5.90	4.97	5.81
Median	1.34	3.52	4.78	6.21	5.60	4.51	5.57
75th Percentile	0.60	1.81	3.88	5.53	5.08	4.03	5.24
90th Percentile	(0.57)	1.27	3.37	3.97	2.97	3.08	4.60
Intermediate Bond Fund ●	3.17	3.59	4.76	5.29	5.88	4.78	5.95
BC Gov Inter ▲	3.19	3.72	4.95	5.38	5.91	4.80	5.98

Relative Return vs BC Gov Inter



CAI MF - Intermediate Style (Net) Annualized Five Year Risk vs Return

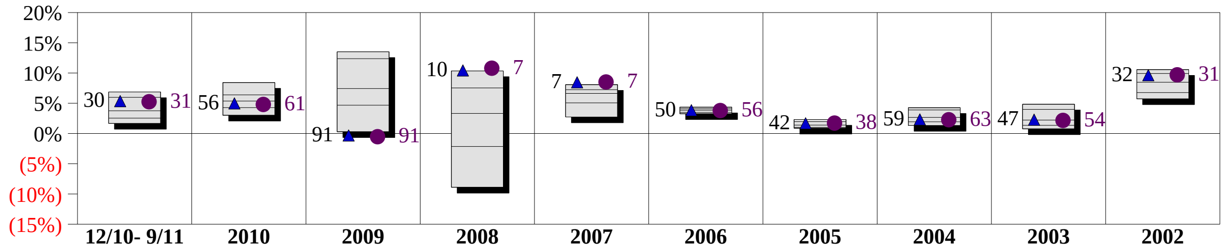


INTERMEDIATE BOND FUND
RETURN ANALYSIS SUMMARY

Return Analysis

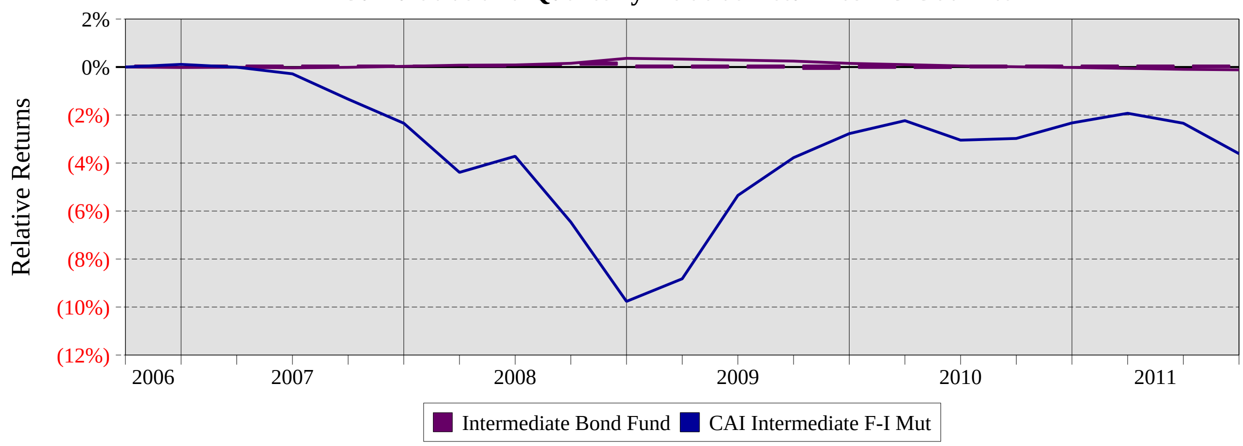
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Intermediate Style (Net)

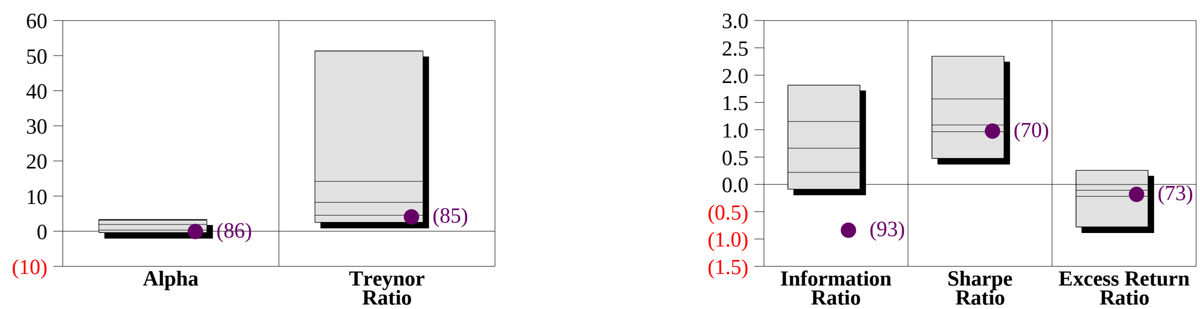


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	6.87	8.43	13.51	10.35	8.08	4.35	2.31	4.26	4.84	10.57
25th Percentile	5.98	6.39	12.38	7.53	7.25	4.09	1.97	3.89	3.98	9.92
Median	3.76	5.36	7.44	3.32	6.63	3.85	1.39	2.66	2.22	8.48
75th Percentile	2.54	4.28	4.68	(2.15)	5.07	3.49	1.01	1.94	1.35	6.77
90th Percentile	1.66	3.01	0.29	(8.89)	2.73	3.27	0.86	1.32	0.77	5.73
Intermediate Bond Fund ●	5.25	4.80	(0.53)	10.80	8.52	3.79	1.72	2.27	2.16	9.70
BC Gov Inter ▲	5.36	4.98	(0.32)	10.43	8.47	3.84	1.68	2.33	2.29	9.64

Cumulative and Quarterly Relative Return vs BC Gov Inter



Risk Adjusted Return Measures vs BC Gov Inter
Rankings Against CAI MF - Intermediate Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	3.31	51.32
25th Percentile	3.11	14.19
Median	1.92	8.23
75th Percentile	0.31	4.54
90th Percentile	(0.39)	2.52
Intermediate Bond Fund ●	(0.09)	4.07

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.82	2.35	0.26
25th Percentile	1.15	1.56	(0.00)
Median	0.66	1.09	(0.11)
75th Percentile	0.22	0.96	(0.22)
90th Percentile	(0.09)	0.48	(0.78)
Intermediate Bond Fund ●	(0.84)	0.98	(0.18)

BRANDES INT'L FUND
PERIOD ENDED SEPTEMBER 30, 2011

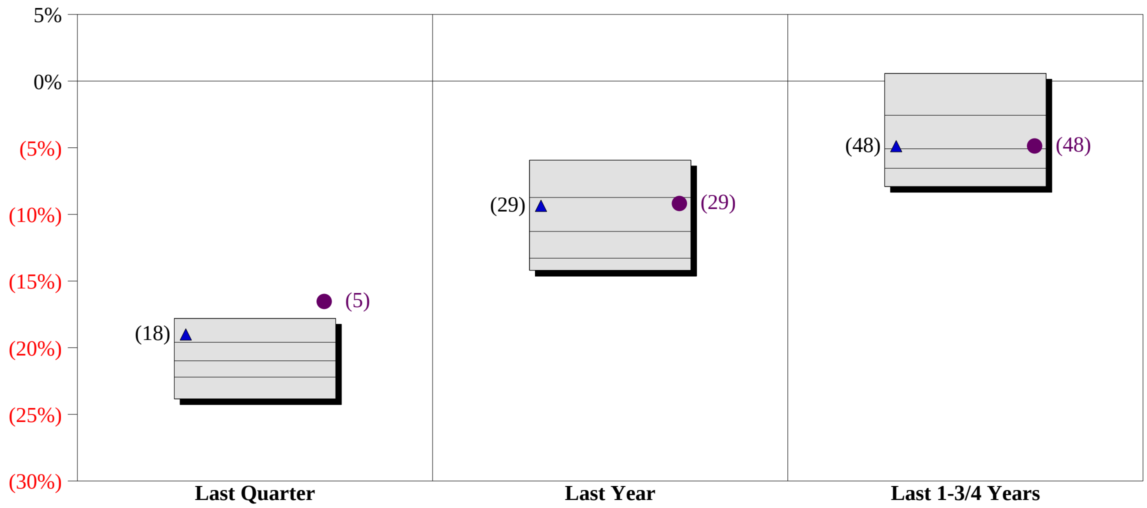
Investment Philosophy

Non-U.S. Equity Style managers invest their assets only in non-U.S. equity securities. This style group excludes regional and index funds. Brandes Inst. Int'l Equity Fund liquidated November 2009 and funded Brandes Int'l Equity Fund Fee.

Quarterly Summary and Highlights

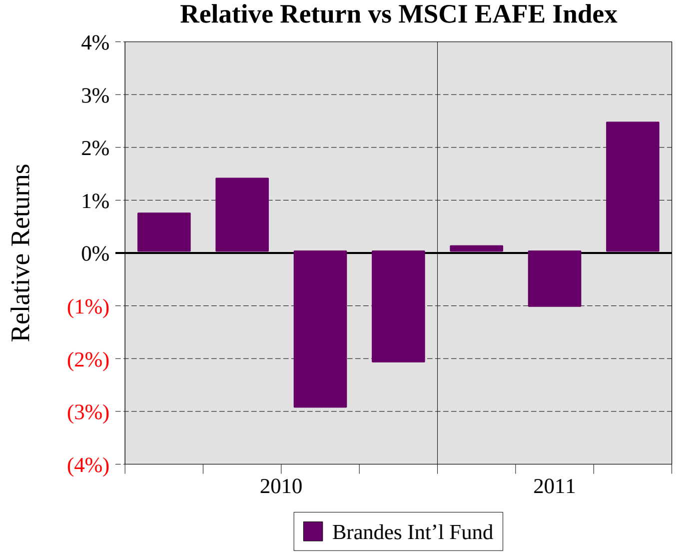
- Brandes Int'l Fund's portfolio posted a (16.53)% return for the quarter placing it in the 5 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 29 percentile for the last year.
- Brandes Int'l Fund's portfolio outperformed the MSCI EAFE Index by 2.48% for the quarter and outperformed the MSCI EAFE Index for the year by 0.17%.

Performance vs CAI MF - Non-US Equity Style (Net)

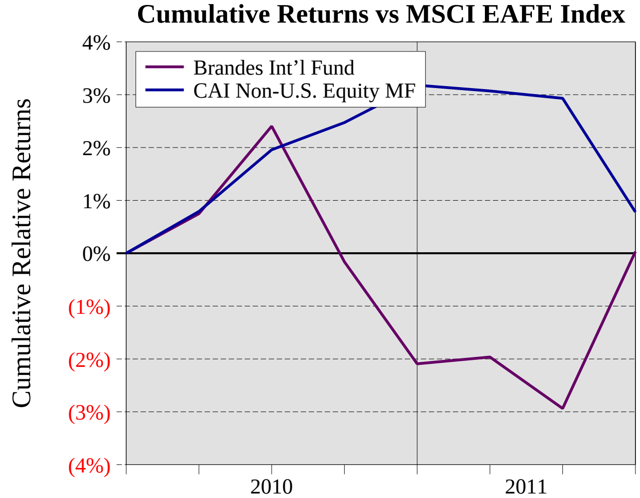


	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(17.81)	(5.93)	0.57
25th Percentile	(19.59)	(8.73)	(2.56)
Median	(20.98)	(11.28)	(5.08)
75th Percentile	(22.21)	(13.29)	(6.54)
90th Percentile	(23.84)	(14.20)	(7.91)
Brandes Int'l Fund ●	(16.53)	(9.18)	(4.87)
MSCI EAFE Index ▲	(19.01)	(9.36)	(4.88)

Relative Return vs MSCI EAFE Index



Cumulative Returns vs MSCI EAFE Index



SSGA GLOBAL BALANCED
PERIOD ENDED SEPTEMBER 30, 2011

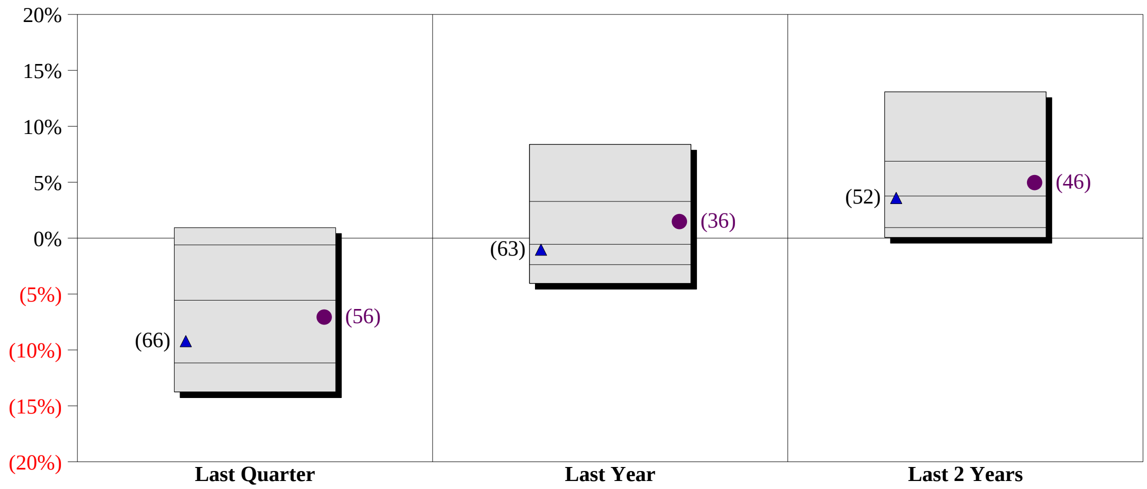
Investment Philosophy

The Global Balanced Database consists of all mutual funds that invest in international and domestic equity and fixed-income securities. Custom Benchmark is 60% MSCI ACWI Index, 30% BarCap US Agg Bond Index, and 10% Citigroup World Gov't Bond ex-US Idx.

Quarterly Summary and Highlights

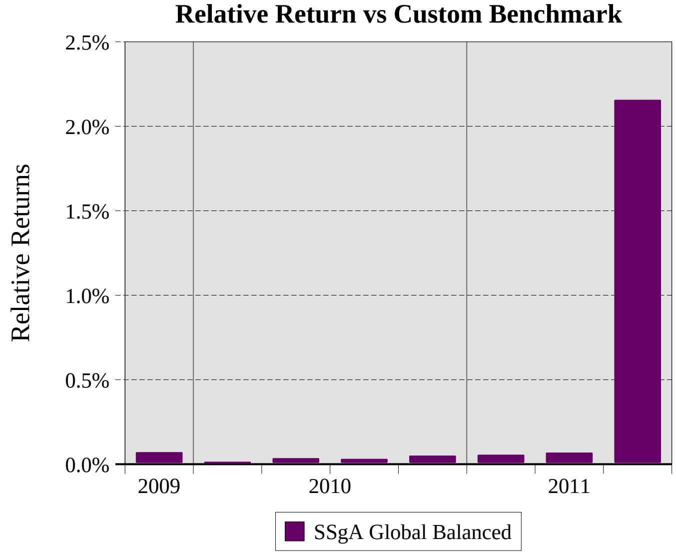
- SSgA Global Balanced's portfolio posted a (7.06)% return for the quarter placing it in the 56 percentile of the CAI Int'l/Global Balanced Database group for the quarter and in the 36 percentile for the last year.
- SSgA Global Balanced's portfolio outperformed the Custom Benchmark by 2.15% for the quarter and outperformed the Custom Benchmark for the year by 2.51%.

Performance vs CAI Int'l/Global Balanced Database (Gross)

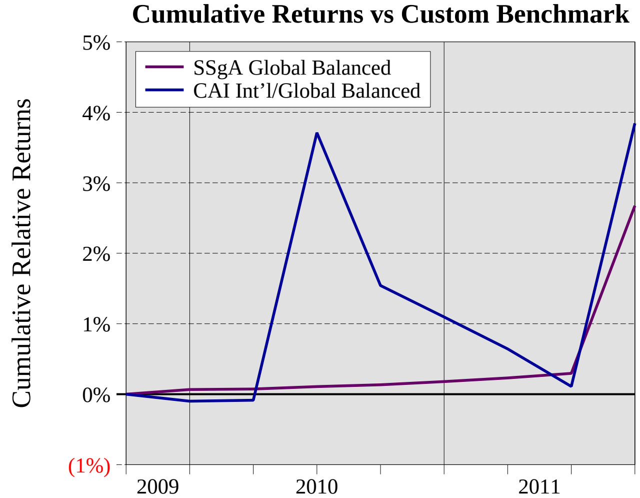


	Last Quarter	Last Year	Last 2 Years
10th Percentile	0.93	8.38	13.08
25th Percentile	(0.61)	3.28	6.87
Median	(5.55)	(0.55)	3.77
75th Percentile	(11.16)	(2.37)	0.94
90th Percentile	(13.75)	(4.05)	0.06
SSgA Global Balanced ●	(7.06)	1.48	4.97
Custom Benchmark ▲	(9.21)	(1.03)	3.59

Relative Return vs Custom Benchmark



Cumulative Returns vs Custom Benchmark



RCM Socially
Resp Inv Fund

RCM - NET
PERIOD ENDED SEPTEMBER 30, 2011

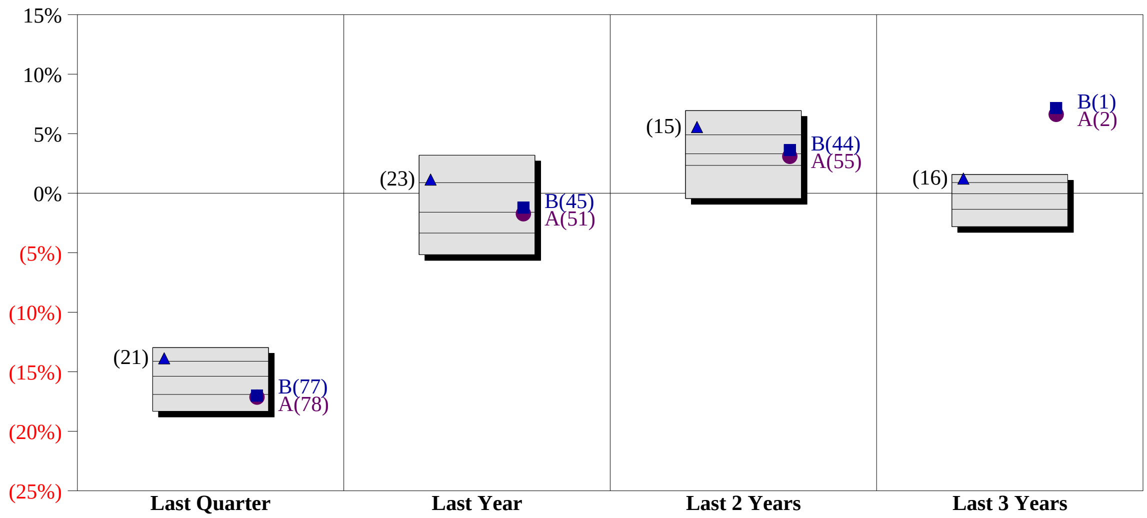
Investment Philosophy

Core Equity Style mutual funds have characteristics similar to those of the broader market as represented by the Standard & Poor's Index. Their objective is to add value over and above the index, typically from sector or issue selection.

Quarterly Summary and Highlights

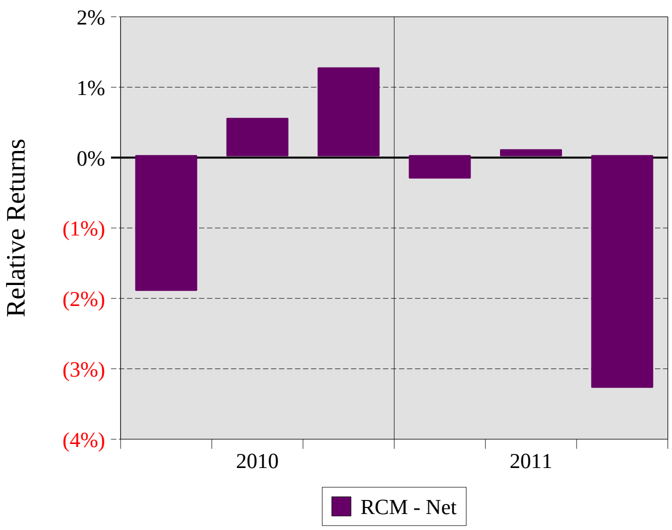
- RCM - Net's portfolio posted a (17.13)% return for the quarter placing it in the 78 percentile of the CAI MF - Core Equity Style group for the quarter and in the 51 percentile for the last year.
- RCM - Net's portfolio underperformed the S&P 500 Index by 3.26% for the quarter and underperformed the S&P 500 Index for the year by 2.87%.

Performance vs CAI MF - Core Equity Style (Net)

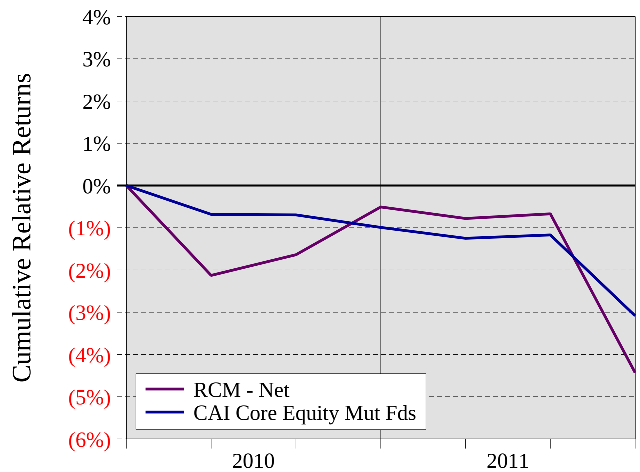


		Last Quarter	Last Year	Last 2 Years	Last 3 Years
10th Percentile		(12.97)	3.19	6.94	1.57
25th Percentile		(14.12)	0.88	4.90	0.89
Median		(15.38)	(1.60)	3.31	(0.04)
75th Percentile		(16.91)	(3.35)	2.34	(1.35)
90th Percentile		(18.32)	(5.17)	(0.45)	(2.81)
RCM - Net	● A	(17.13)	(1.73)	3.10	6.63
RCM - Gross	■ B	(17.01)	(1.21)	3.63	7.15
S&P 500 Index	▲	(13.87)	1.14	5.56	1.23

Relative Return vs S&P 500 Index



Cumulative Returns vs S&P 500 Index



T. ROWE PRICE SMALL-CAP STOCK TRUST
PERIOD ENDED SEPTEMBER 30, 2011

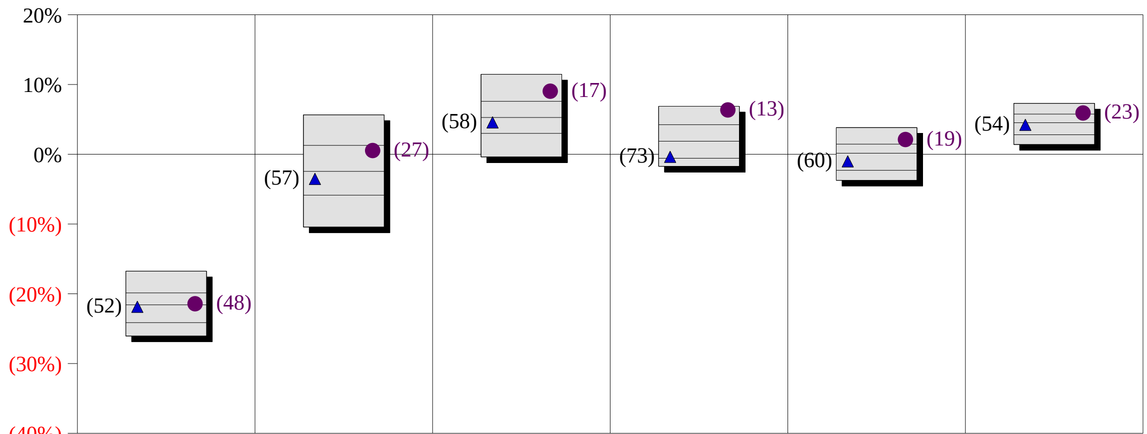
Investment Philosophy

Small Cap Style mutual funds invest in companies with relatively small capitalizations of approximately $400 million. The companies generally exhibit greater volatility than the broader market, and dividend yields below the broader market.

Quarterly Summary and Highlights

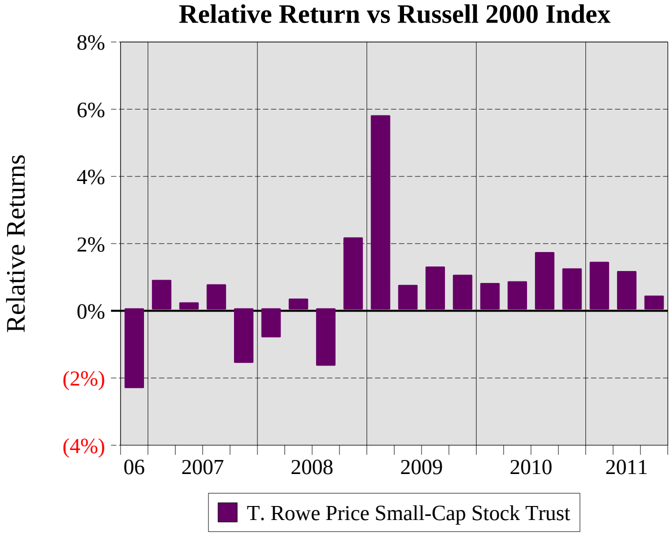
- T. Rowe Price Small-Cap Stock Trust's portfolio posted a (21.43)% return for the quarter placing it in the 48 percentile of the CAI MF - Small Cap Broad Style group for the quarter and in the 27 percentile for the last year.
- T. Rowe Price Small-Cap Stock Trust's portfolio outperformed the Russell 2000 Index by 0.44% for the quarter and outperformed the Russell 2000 Index for the year by 4.06%.

Performance vs CAI MF - Small Cap Broad Style (Net)

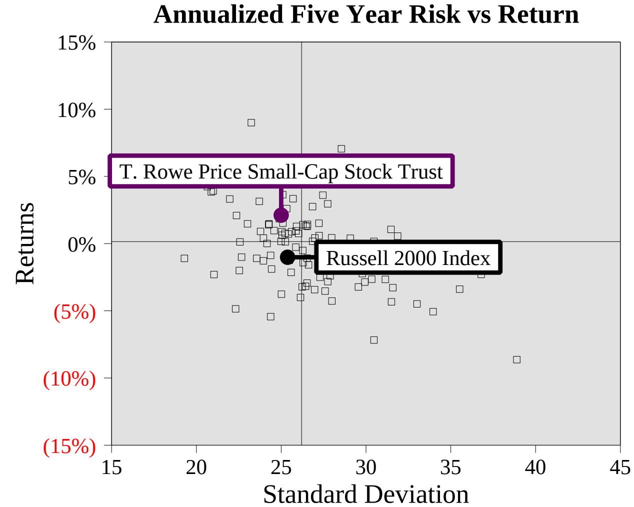


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 9-3/4 Years
10th Percentile	(16.76)	5.65	11.46	6.88	3.82	7.30
25th Percentile	(19.87)	1.27	7.59	4.24	1.45	5.76
Median	(21.59)	(2.46)	5.27	1.87	0.15	4.52
75th Percentile	(24.14)	(5.87)	2.99	(0.57)	(2.30)	2.80
90th Percentile	(26.06)	(10.44)	(0.38)	(1.73)	(3.74)	1.40
T. Rowe Price Small-Cap Stock Trust ●	(21.43)	0.54	9.04	6.35	2.11	5.92
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	4.22

Relative Return vs Russell 2000 Index



CAI MF - Small Cap Broad Style (Net) Annualized Five Year Risk vs Return

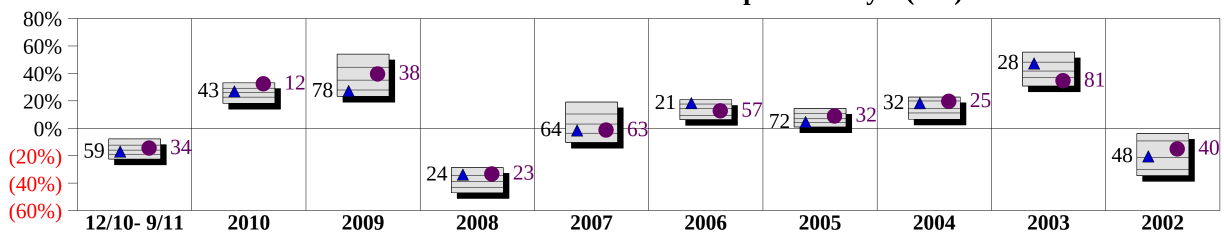


T. ROWE PRICE SMALL-CAP STOCK TRUST
RETURN ANALYSIS SUMMARY

Return Analysis

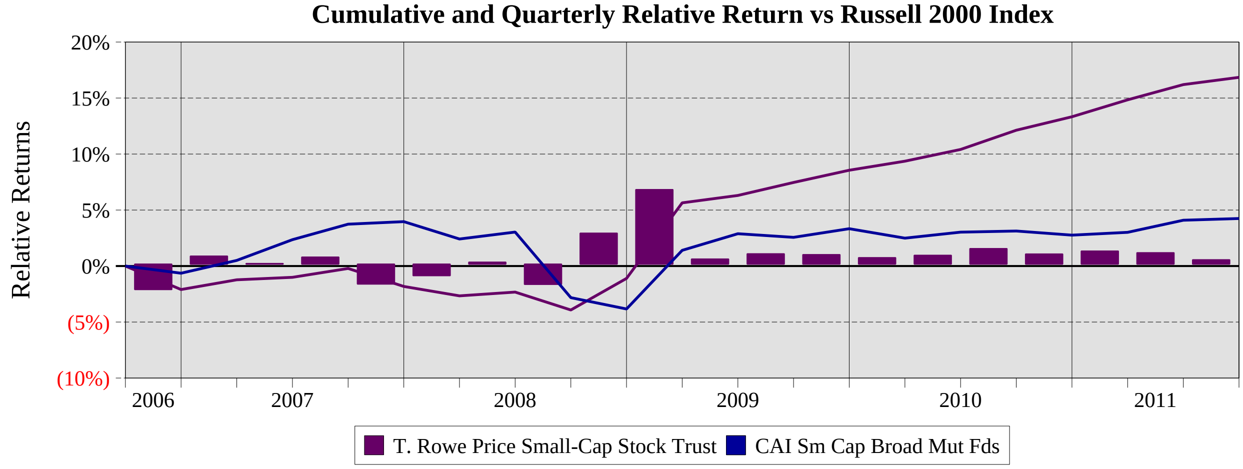
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI MF - Small Cap Broad Style (Net)

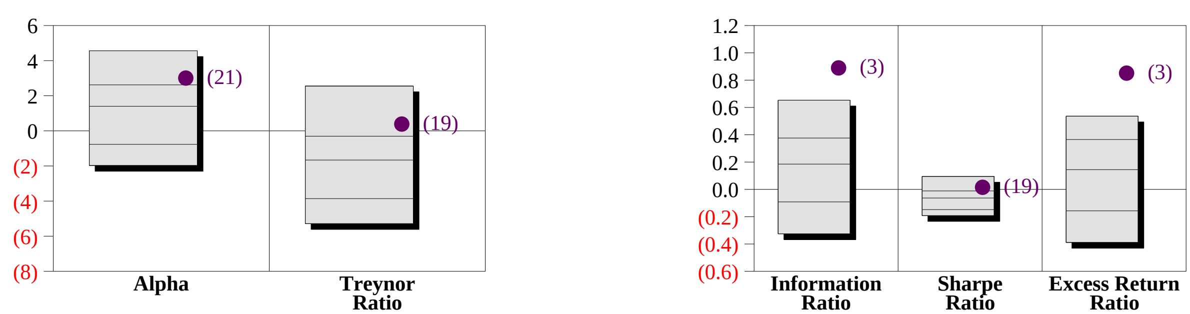


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	(7.73)	33.15	54.04	(28.66)	19.12	20.83	14.40	22.75	55.52	(3.82)
25th Percentile	(12.30)	29.20	44.52	(34.53)	10.39	17.65	10.76	19.90	48.21	(9.25)
Median	(15.93)	26.10	35.11	(38.94)	3.07	14.23	6.91	14.31	41.71	(21.40)
75th Percentile	(18.94)	22.70	27.89	(43.30)	(3.60)	9.19	4.04	11.15	37.07	(30.11)
90th Percentile	(22.51)	18.19	23.27	(47.03)	(10.37)	6.31	0.92	6.56	30.77	(34.53)
T. Rowe Price Small-Cap Stock Trust ●	(14.44)	32.43	39.59	(33.30)	(1.29)	12.74	8.94	19.67	34.72	(15.06)
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)	18.37	4.55	18.33	47.25	(20.48)

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI MF - Small Cap Broad Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	4.56	2.55
25th Percentile	2.62	(0.30)
Median	1.40	(1.66)
75th Percentile	(0.77)	(3.86)
90th Percentile	(1.97)	(5.29)
T. Rowe Price Small-Cap Stock Trust ●	3.01	0.39

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.65	0.10	0.54
25th Percentile	0.38	(0.01)	0.37
Median	0.19	(0.06)	0.14
75th Percentile	(0.09)	(0.15)	(0.16)
90th Percentile	(0.33)	(0.19)	(0.39)
T. Rowe Price Small-Cap Stock Trust ●	0.89	0.02	0.85

T. ROWE PRICE STABLE VALUE FUND
PERIOD ENDED SEPTEMBER 30, 2011

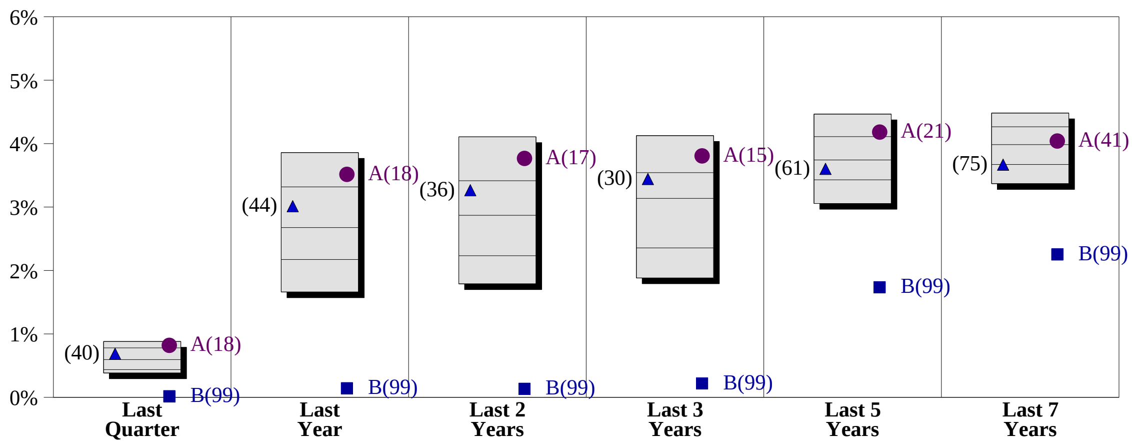
Investment Philosophy

The Stable Value database group is comprised of funds that invest primarily in Guaranteed Investment Contracts (GICs) and Synthetic Investment Contracts (SICs) to provide principal protection, stable book value and a guaranteed rate of return over a contractually specified time period. Common benchmarks for the universe include, but not limited to, the are the Ryan Labs GIC Master indices and the Hueler Stable Value Index.

Quarterly Summary and Highlights

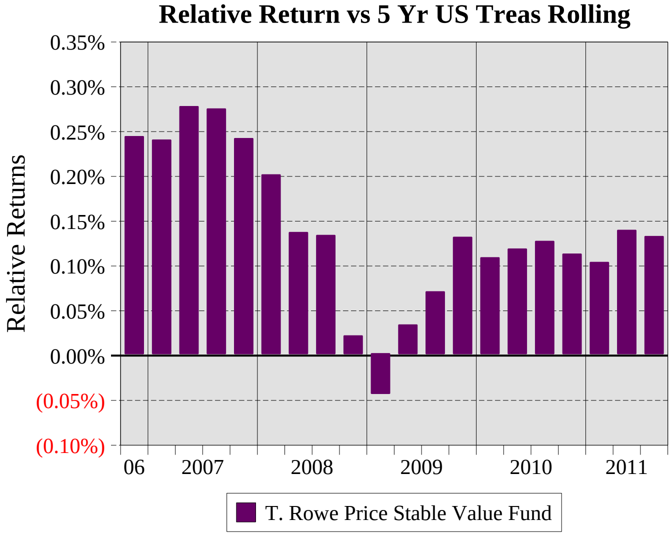
- T. Rowe Price Stable Value Fund’s portfolio posted a 0.82% return for the quarter placing it in the 18 percentile of the CAI Stable Value Database group for the quarter and in the 18 percentile for the last year.
- T. Rowe Price Stable Value Fund’s portfolio outperformed the 5 Yr US Treas Rolling by 0.13% for the quarter and outperformed the 5 Yr US Treas Rolling for the year by 0.50%.

Performance vs CAI Stable Value Database (Gross)

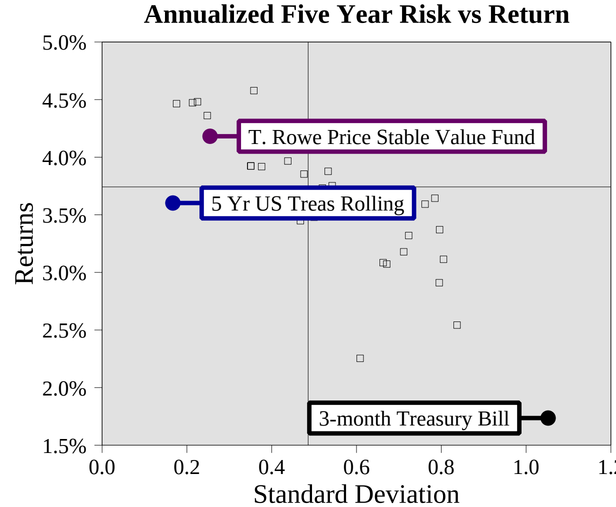


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
10th Percentile	0.88	3.86	4.11	4.13	4.47	4.48
25th Percentile	0.78	3.32	3.42	3.54	4.11	4.26
Median	0.60	2.68	2.87	3.14	3.74	3.98
75th Percentile	0.44	2.17	2.23	2.36	3.43	3.67
90th Percentile	0.38	1.66	1.79	1.88	3.06	3.37
T. Rowe Price Stable Value Fund ● A	0.82	3.52	3.77	3.81	4.18	4.04
3-month Treasury Bill ■ B	0.02	0.14	0.14	0.22	1.74	2.25
5 Yr US Treas Rolling ▲	0.69	3.01	3.27	3.44	3.60	3.67

Relative Return vs 5 Yr US Treas Rolling



CAI Stable Value Database (Gross)
Annualized Five Year Risk vs Return

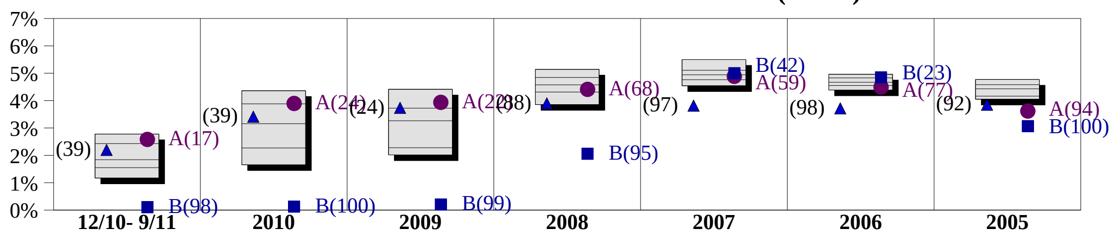


T. ROWE PRICE STABLE VALUE FUND
RETURN ANALYSIS SUMMARY

Return Analysis

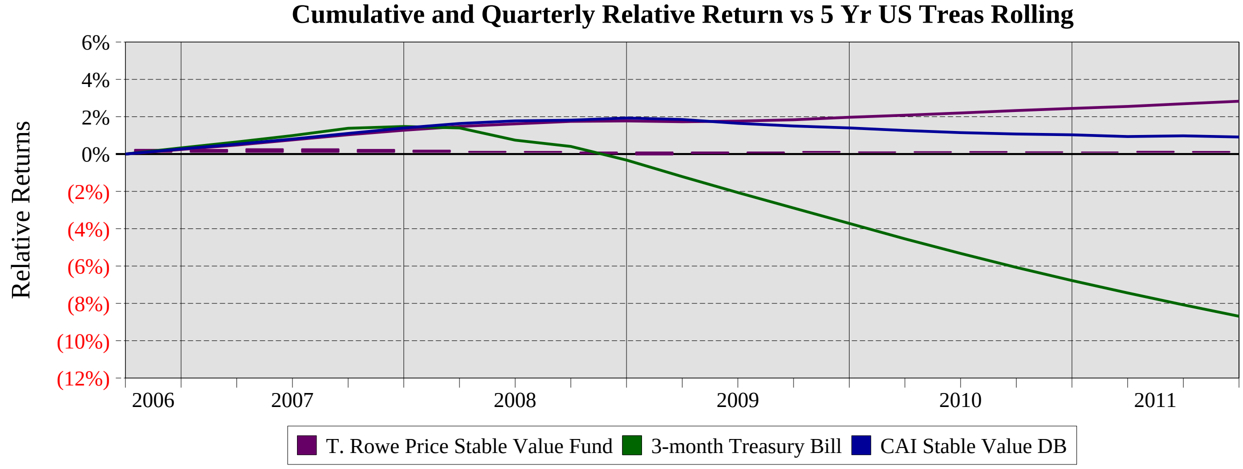
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Stable Value Database (Gross)

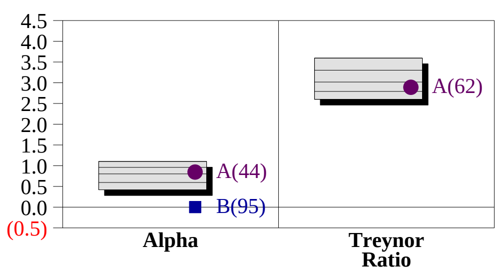


	12/10- 9/11	2010	2009	2008	2007	2006	2005
10th Percentile	2.78	4.36	4.41	5.14	5.50	4.96	4.77
25th Percentile	2.43	3.88	3.72	4.85	5.11	4.83	4.58
Median	1.84	3.16	3.26	4.58	4.94	4.67	4.43
75th Percentile	1.55	2.27	2.28	4.31	4.76	4.55	4.16
90th Percentile	1.17	1.65	2.02	3.85	4.54	4.39	4.05
T. Rowe Price Stable Value Fund ● A	2.58	3.90	3.94	4.41	4.89	4.49	3.62
3-month Treasury Bill ■ B	0.10	0.13	0.21	2.06	5.00	4.85	3.07
5 Yr US Treas Rolling ▲	2.20	3.41	3.74	3.90	3.82	3.72	3.85

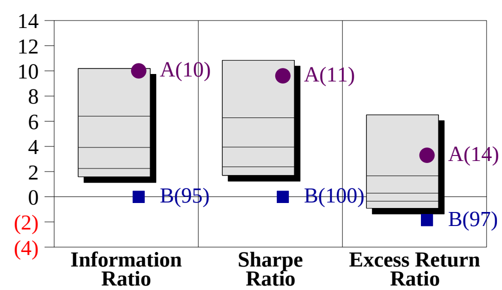
Cumulative and Quarterly Relative Return vs 5 Yr US Treas Rolling



Risk Adjusted Return Measures vs 5 Yr US Treas Rolling
Rankings Against CAI Stable Value Database (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.10	3.59
25th Percentile	0.96	3.30
Median	0.80	3.02
75th Percentile	0.59	2.79
90th Percentile	0.42	2.60
T. Rowe Price Stable Value Fund ● A	0.85	2.89
3-month Treasury Bill ■ B	0.00	-



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	10.19	10.84	6.51
25th Percentile	6.40	6.28	1.66
Median	3.92	3.95	0.29
75th Percentile	2.25	2.38	(0.35)
90th Percentile	1.58	1.69	(0.91)
T. Rowe Price Stable Value Fund ● A	10.00	9.61	3.30
3-month Treasury Bill ■ B	0.00	0.00	(1.86)

CALLAN
INVESTMENTS
INSTITUTE

THIRD QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Non-Core Real Estate Investment Series – Part 2: Commercial Debt Strategies
Jay Nayak

Charticle – Road Map to EBSA's Final Rule
Lori Lucas, Stephanie Meade, Jacki Hoagland

An Introduction to Absolute Return Fixed Income Strategies
Kristin Bradbury

Exchange-Traded Funds: A Look at the Shifting Landscape
Anna West

Non-Core Real Estate Investment Series – Part 1: Opportunistic Strategies
Sarah Angus

Publications

DC Observer and Callan DC Index™ – 2nd Quarter 2011

Hedge Fund Monitor – 2nd Quarter 2011

Capital Market Review – 3rd Quarter 2011

Quarterly Performance Data – 3rd Quarter 2011

Private Markets Trends – Summer 2011

Surveys

2011 Investment Management Fee Survey - coming soon!

2011 Callan Target Date Fund Survey – June 2011

2011 DC Trends Survey – January 2011

2010 Alternative Investments Survey – November 2010

CALLAN
INVESTMENTS
INSTITUTE

THIRD QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Presentation: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Upcoming Educational Programs

The 32nd National Conference
January 30 - February 1, 2012 in San Francisco
Speakers include: Robert Gates, Sheila Bair, Ian Bremmer and David Laibson
Workshops on: defined contribution, investment perceptions & myths,
and international investing.
Details will be sent to you via email and U.S. Mail in late October.

**If you have any questions regarding these programs,
please contact Ray Combs at 415.974.5060 or institute@callan.com.**

The Callan Investments Institute, the educational division of Callan Associates Inc., has been a leading educational forum for the pensions and investments industry since 1980. The Institute offers continuing education on key issues confronting plan sponsors and investment managers.

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

THIRD QUARTER 2011

EDUCATIONAL SESSIONS

"Callan College" - An Introduction to Investments

April 17-18, 2012 in San Francisco

October 23-24, 2012 in San Francisco

This one and one half day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g.,defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is $2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

EDUCATIONAL SESSIONS

(continued)

"Callan College" – Standard Session

July 24-25, 2012 – location to be determined

This is a two day session designed for individuals with more than two years' experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management

Tuition for the Standard "Callan College" session is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized "Callan College" Session

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsors or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 09/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	**Consulting Services**
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BMO Asset Management	Y	
BNY Mellon Asset Management	Y	Y
Boston Company Asset Management, LLC (The)	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chandler Asset Management	Y	
Channing Capital Management	Y	
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cooke & Bieler, L.P.		Y
Cramer Rosenthal McGlynn, LLC	Y	
Credo Capital Management	Y	
Crestline Investors	Y	Y
Cutwater Capital Management	Y	

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DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Fayez Sarofim & Company		Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harding Loevner, LP	Y	
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hermes Investment Management (North Amrica) Ltd.	Y	
HighMark Capital Management	Y	
Hollan Capital Management	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
Invesco	Y	Y
Investec	Y	
Institutional Capital LLC	Y	
Intercontinental Real Estate Corporation	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle Paratners, L.P.	Y	
Lombardia Capital Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	

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Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Mesa West Capital	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Opus Capital Management	Y	
O'Shaughnessy Asset Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Partners Group	Y	
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
Phillips, Hager & North Investment Management	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital Partners		Y
Private Advisors	Y	
Prudential Fixed Income	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RARE Infrastructure	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y

Confidential – For Callan Client Use Only

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Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management		Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Timberland Investment Resources, LLC	Y	
Tradewind Global Investors	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
USAA Real Estate Company	Y	
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

Callan Associates Inc.
Investment Measurement Service
Quarterly Review

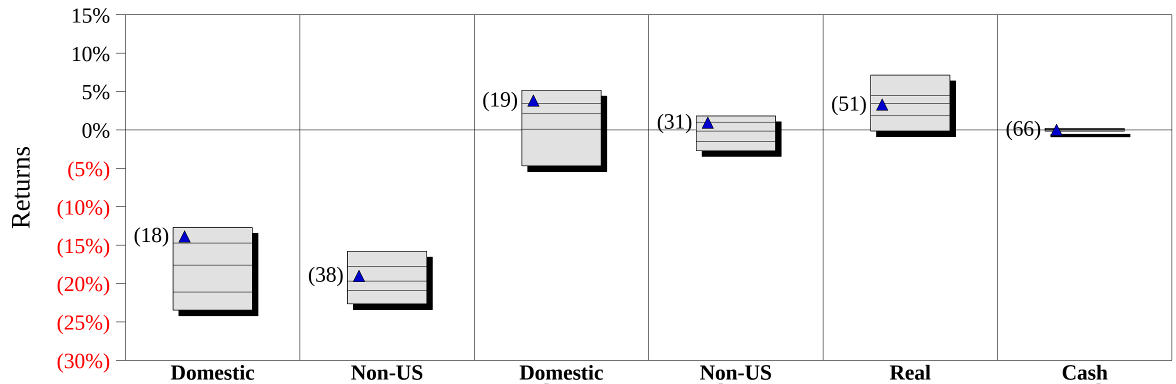
Alaska Retirement Management Board
Board Report
with Preliminary Real Estate
Revised

MARKET OVERVIEW
ACTIVE MANAGEMENT VS INDEX RETURNS

Market Overview

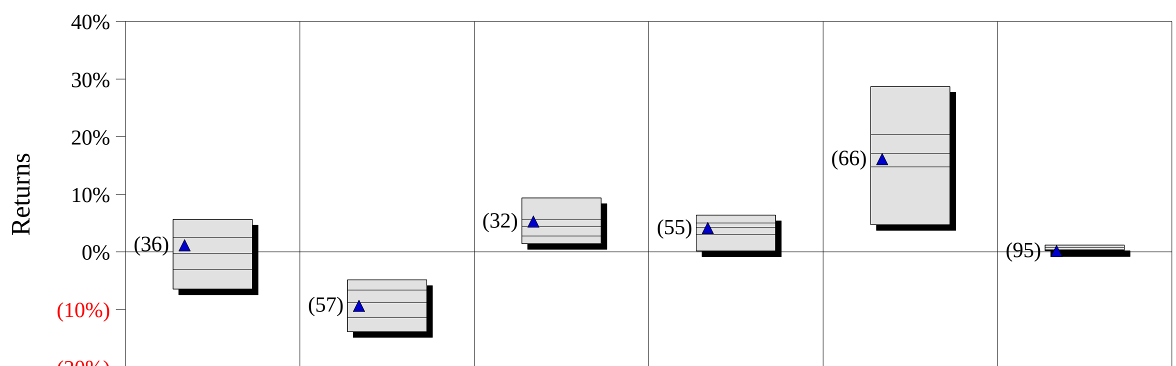
The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Separate Account Manager Returns by Asset Class
One Quarter Ended September 30, 2011



	Domestic Equity vs S&P 500	Non-US Equity vs MSCI EAFE	Domestic Fixed-Income vs BC Aggr Bd	Non-US Fixed-Income vs Citi Non-US Gov	Real Estate vs NCREIF Index	Cash Equivalents vs 3 Mon T-Bills
10th Percentile	(12.71)	(15.80)	5.16	1.82	7.14	0.20
25th Percentile	(14.73)	(17.76)	3.46	1.01	4.47	0.07
Median	(17.60)	(19.68)	2.10	(0.15)	3.45	0.05
75th Percentile	(21.11)	(20.90)	0.10	(1.51)	1.84	(0.02)
90th Percentile	(23.46)	(22.64)	(4.67)	(2.71)	(0.14)	(0.16)
Index ▲	(13.87)	(19.01)	3.82	0.94	3.30	0.02

Range of Separate Account Manager Returns by Asset Class
One Year Ended September 30, 2011



	Domestic Equity vs S&P 500	Non-US Equity vs MSCI EAFE	Domestic Fixed-Income vs BC Aggr Bd	Non-US Fixed-Income vs Citi Non-US Gov	Real Estate vs NCREIF Index	Cash Equivalents vs 3 Mon T-Bills
10th Percentile	5.64	(4.86)	9.37	6.38	28.69	1.18
25th Percentile	2.49	(6.63)	5.57	5.02	20.37	0.79
Median	(0.24)	(8.82)	4.36	4.27	17.08	0.45
75th Percentile	(3.07)	(11.43)	2.76	3.01	14.76	0.28
90th Percentile	(6.46)	(13.85)	1.43	0.16	4.72	0.19
Index ▲	1.14	(9.36)	5.26	4.14	16.10	0.14

DOMESTIC EQUITY
Active Management Overview

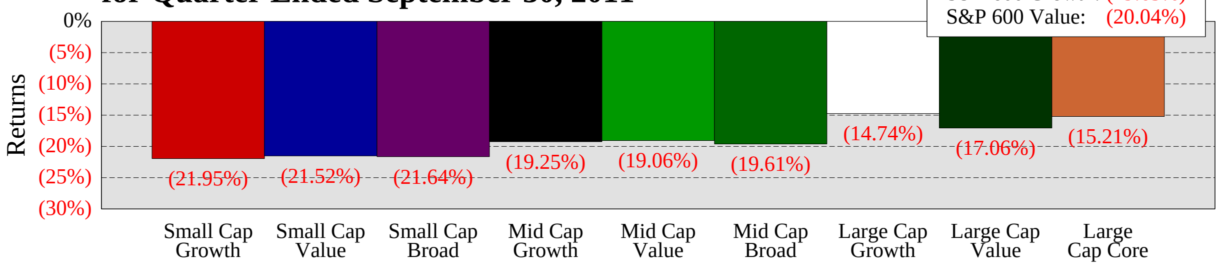
Active vs. the Index
U.S. equities continued their descent during the third quarter of 2011 with a staggering 13.87% drop in the S&P 500 index, marking the largest decline since the worst of the credit crisis back in the fourth quarter of 2008. Weak housing prices, high unemployment and stagnant wages have continued to tighten their grip on the U.S. economy, despite reports of impressive corporate profits. Making matters worse, further debt concerns in Greece and skepticism over the ability of the U.S. Congress to effectively run the government led to an additional quarter of declining interest rates in the U.S. In addition, the U.S. debt ceiling debate and the announcement of Standard & Poor's U.S. credit downgrade to AA+ in August further contributed to the lack of confidence in U.S. equities. For the third quarter of 2011, the median Large Cap Core manager underperformed the S&P 500 index by 1.34% with a return of -15.21%. The median Mid Cap Broad manager return was 27 basis points ahead of the S&P Mid Cap index with a return of -19.61%. The median Small Cap Broad manager fared even worse with a -21.64% return, failing to beat the S&P 600 return by 181 basis points.

Large Cap vs. Small Cap
During the third quarter of 2011, Large Cap funds suffered the least as capitalization and performance were positively correlated among equities. The returns for the median Large Cap fund ranged from -14.74% (Large Cap Growth) to -17.06% (Large Cap Value), a difference of 232 basis points. Median Small and Mid Cap manager returns were a little more volatile with a 289 basis point range from -21.95% (Small Cap Growth) to -19.06% (Mid Cap Value). For the year ended September 30, 2011, Large Cap funds reversed the one-year trend from prior quarters to beat Small and Mid Cap funds. The median Large Cap Core manager returned 0.46% during the one-year period, beating the median Small Cap Broad manager's return of -1.05%. This was also reflected in the indices for the one year ended September 30, 2011, with the S&P 500 return of 1.14% besting the S&P 600 return of 0.21%.

Growth vs. Value
For the third quarter of 2011, growth stocks outperformed value stocks among the Large Cap funds. This trend was reversed for Mid and Small Cap funds. The median Small Cap Growth manager returned -21.95%, which trailed the -21.52% return of the median Small Cap Value manager by 43 basis points. Returns for Growth and Value Mid Cap managers were also close with the median Growth fund declining 19.25% compared to Value's loss of 19.06%. In the Large Cap arena, the median Growth manager's return of -14.74% outperformed the median Value manager's return of -17.06% by 232 basis points. Growth funds maintained dominance over the Value funds for the year ended September 30, 2011. The biggest variance came in the Small Cap arena, with the median Small Cap Growth manager returning a positive 2.46% against a loss of 3.72% for the median Small Cap Value manager, a 618 basis point difference.

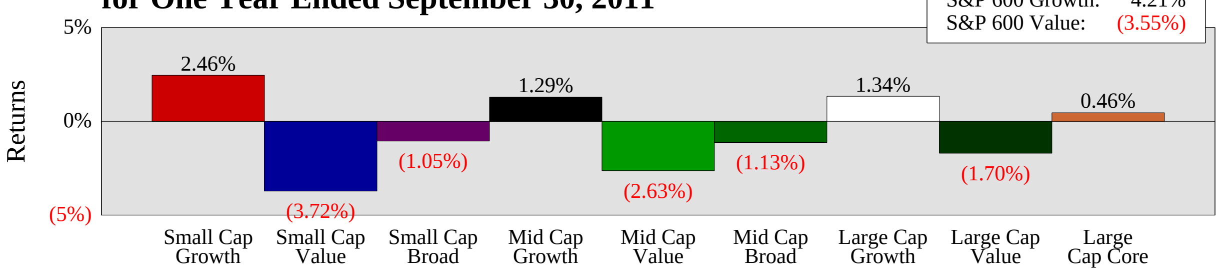
S&P 500:	(13.87%)
S&P 500 Growth:	(11.56%)
S&P 500 Value:	(16.30%)
S&P Mid Cap:	(19.88%)
S&P 600:	(19.83%)
S&P 600 Growth:	(19.63%)
S&P 600 Value:	(20.04%)

Separate Account Style Group Median Returns for Quarter Ended September 30, 2011



S&P 500:	1.14%
S&P 500 Growth:	4.85%
S&P 500 Value:	(2.66%)
S&P Mid Cap:	(1.28%)
S&P 600:	0.21%
S&P 600 Growth:	4.21%
S&P 600 Value:	(3.55%)

Separate Account Style Group Median Returns for One Year Ended September 30, 2011



DOMESTIC FIXED-INCOME
Active Management Overview

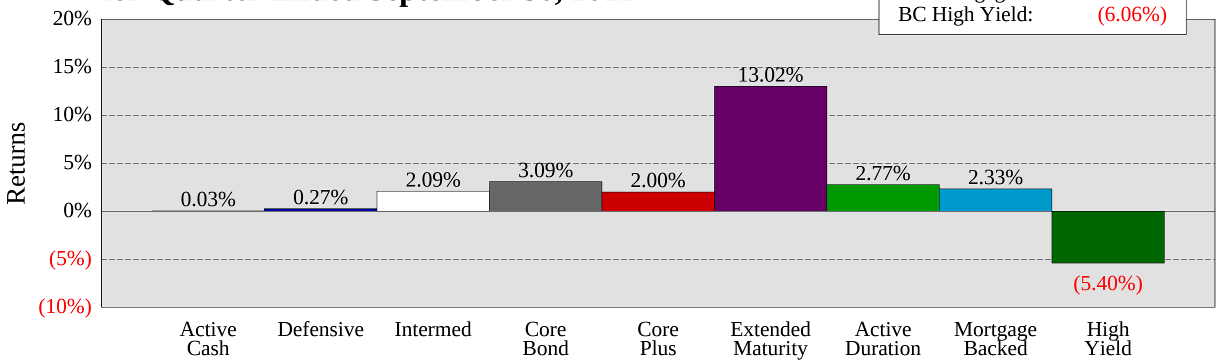
Active vs. the Index
With the U.S. Congress running the debt ceiling agreement down to the wire, the confidence of investors in U.S. debt was broken and may have been the main contributor to a downgrade in the AAA rating by the S&P, sparking fears of a possible recession. The Federal Reserve Bank indicated that it would keep the historically low interest rates in place through the middle of 2013, with the goal of maximizing employment and maintaining price stability. Core inflation has risen 2% on the year, and unemployment numbers remained near 9.1%. Extended maturity was once again the top performer of the quarter due to interest rates remaining at an all-time low. The median Core Bond Fund posted a return of 3.09%, which was outperformed by the Barclays Capital Aggregate Index by 73 basis points. For the year ended September 30, 2011, the median Core Bond fund finished with a return of 5.23%, 3 basis points behind the Barclays Capital Aggregate return of 5.26%.

Short vs. Long Duration
Extended Maturity displayed large gains during the third quarter, advancing 13.02%. The median Intermediate Fund showed a modest gain of 2.09% for the quarter. For the twelve months ended September 30, 2011, the median Extended Maturity fund gained an amazing 12.07%, 840 basis points ahead of the median Intermediate Fund's return of 3.67%.

Mortgages and High Yield
The median Mortgage-Backed Fund posted a positive return of 2.33% for the third quarter of 2011, just underperforming the Barclays Mortgage Index's return of 2.36%. For the year ended September 30, 2011, the median Mortgage-Backed Fund outperformed the Barclays Mortgage Index generating a return of 5.87%, 31 basis points higher than the index's return of 5.56%. High Yield funds were the worst performing group in the third quarter of 2011 with the median fund down 5.40%, ahead of the Barclays High Yield Index by 66 basis points. For the twelve months ended September 30, 2011, the median High Yield Fund produced a return of 2.34%, again besting the Barclays High Yield Index, which returned 1.78%.

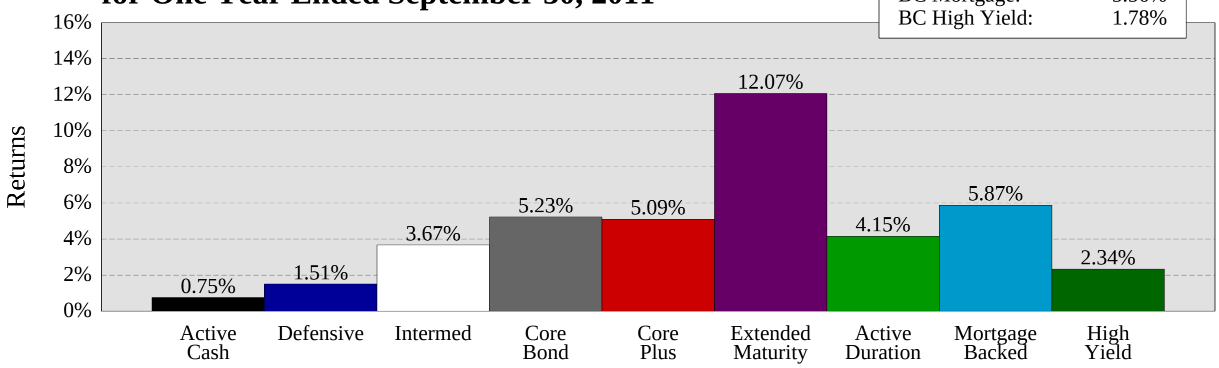
BC Universal:	2.88%
BC Aggregate:	3.82%
BC Govt/Credit:	4.74%
BC Mortgage:	2.36%
BC High Yield:	(6.06%)

Separate Account Style Group Median Returns for Quarter Ended September 30, 2011



BC Universal:	4.77%
BC Aggregate:	5.26%
BC Govt/Credit:	5.14%
BC Mortgage:	5.56%
BC High Yield:	1.78%

Separate Account Style Group Median Returns for One Year Ended September 30, 2011



INTERNATIONAL EQUITY
Active Management Overview

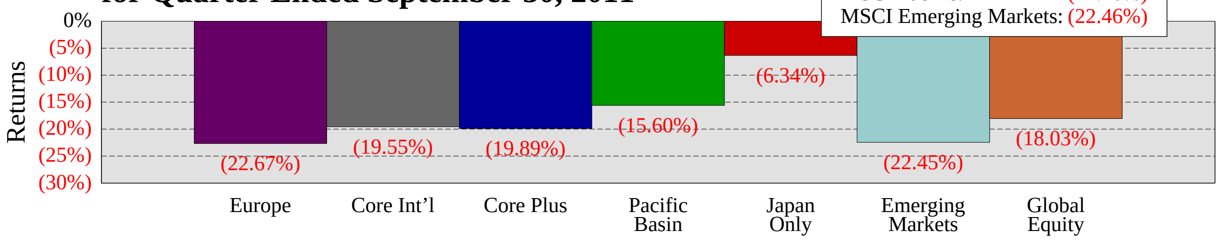
Active vs. the Index
International equity markets continued to spiral downward during the third quarter of 2011, with heightened concerns in the euro-zone, strained markets and dismal returns. Prolonged uncertainty and reluctant investors led to a volatile market. For the quarter ended September 30, 2011, Europe and Emerging Markets were the biggest losers falling 22.67% and 22.45%, respectively. The Japan Only group had the best results for the quarter with the median fund experiencing a loss of 6.34%, besting the MSCI Pacific Index by 5.36%. For the year ended September 30, 2011, Emerging Markets was the lowest performing group while the median Japan Only fund generated the only positive return with a gain of 3.61%, 7.88% better that the MSCI Pacific Index.

Europe
The combination of high public debt and decreased output amplified market tensions in Europe amid calls for austerity measures. Euro-zone leaders and policymakers continued to handle the situation in Greece as it remains on the brink of default and the country announced that there is only enough money to fund the government through mid-November. For the quarter ended September 30, 2011, the median manager experienced a loss of 22.67%, while the MSCI Europe index was down 22.61%. For the one year ended September 30, 2011, the median manager return lost 10.55% while the MSCI Europe Index was down 11.81%.

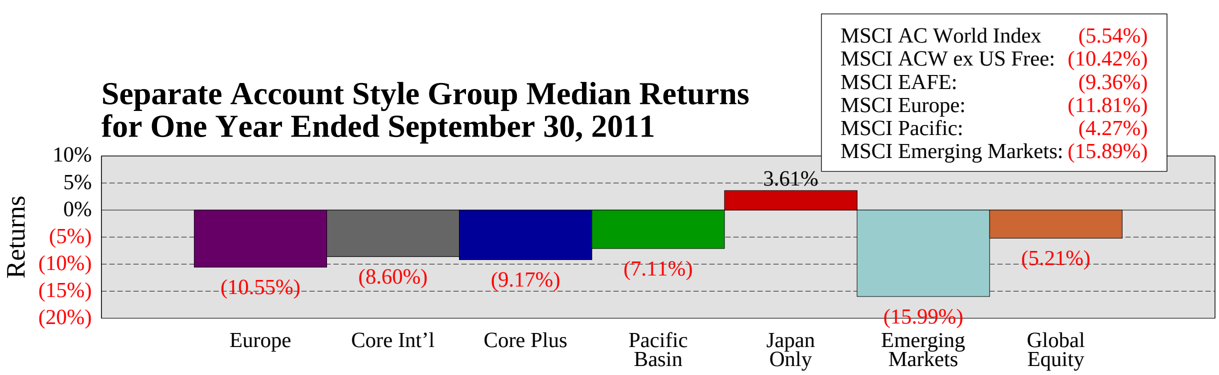
Pacific
The situation in Japan is slowly healing itself as supply constraints ease after the earthquake that hit earlier this year. In the third quarter of 2011, the median Japan Only manager experienced a loss of 6.34%, while the MSCI Pacific index slipped 11.70%. For the one year ended September 30, 2011, the median Japan Only fund yielded a positive return of 3.61%, outperforming the MSCI Pacific Index's return of -4.27%. Despite being affected by the global slowdown, New Zealand is slowing beginning to gain traction and the mining boom in Australia continued to benefit the energy sector. For the quarter ended September 30, 2011, the median Pacific Basin manager lost 15.60%, while the MSCI Pacific Index was down 11.70%. For the one year ended September 30, 2011, the median Pacific Basin manager experienced a return of -7.11%, compared to a return of -4.27% for the MSCI Pacific Index.

Emerging Markets
Emerging Markets continued to be pulled into the global slowdown due to their trading ties with developed markets. India's growth decelerated amid weak global demand due to the European debt crisis and concerns of potential contagion from Greece. Also, in response to past monetary tightening, the Chinese economy showed signs of cooling. For the quarter ended September 30, 2011, the median Emerging Markets manager experienced a loss of 22.45%, similar to the MSCI Emerging Market's loss of 22.46%. For the one year ended September 30, 2011, the median manager declined 15.99%, while the MSCI Emerging Markets Index was down 15.89%.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2011



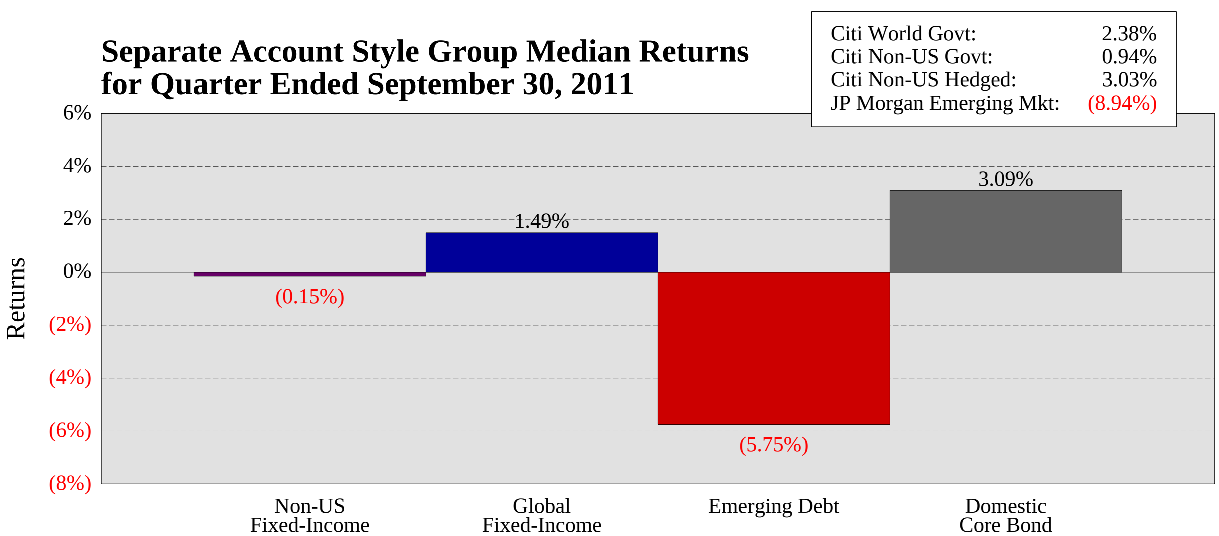
Separate Account Style Group Median Returns for One Year Ended September 30, 2011

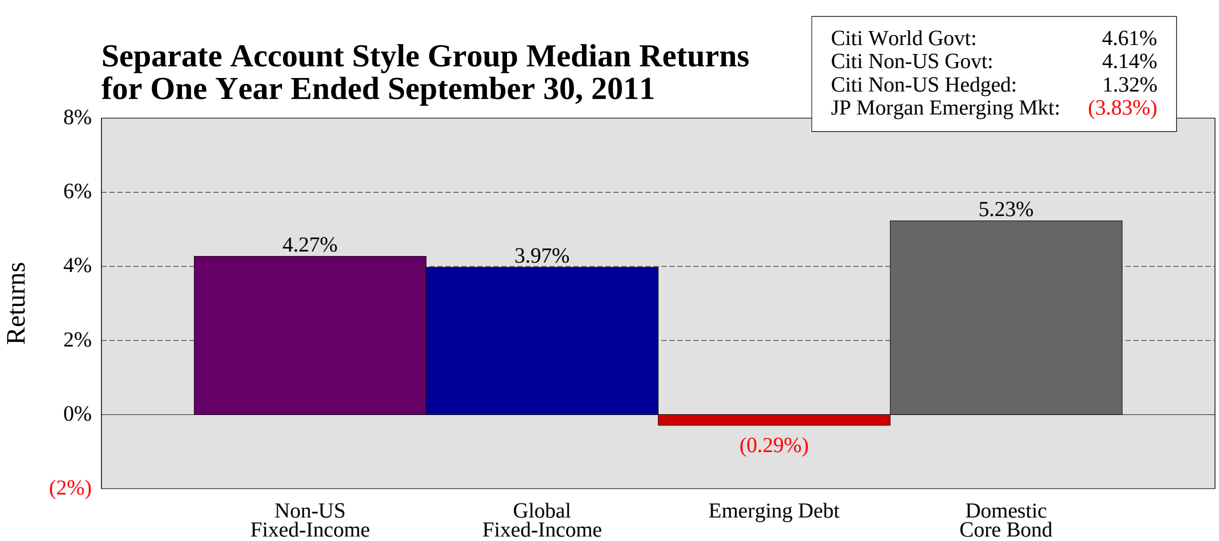


INTERNATIONAL FIXED-INCOME
Active Management Overview

Active vs. the Index
Despite the United States downgrade, treasury yields have been at generational lows. Investors flocked to U.S. Treasuries due to continued instability and partisanship over the potential default of Greece and other countries in the EU. The crisis in Europe is reaching the breaking point with Italy being downgraded from A+ to A and Spain falling from AA+ to AA-. The downgrade puts the future of the entire EU at stake and sets up a potential global recession. Asian G3 currency bonds issuance has slowed down considerably. Japan debt proceeds continue to be issued but may be a problem in the future as a majority of its debt is held domestically. For the three months ended September 30, 2011 the median Non-U.S. Fixed-Income manager posted a loss of 0.15%, trailing the benchmark by 1.09%, while the median Global Fixed-Income manager lagged its index by 0.89%. For the year ended September 30, 2011, the median Non-U.S. Fixed Income manager bested its index by 0.13%, while the median Global Fixed-Income manager lagged 0.64% behind its index.

Emerging Markets
The issuance of debt of emerging countries slowed down in the third quarter of 2011 due to the fears of the possible effects of the euro zone crisis and potential U.S. double dip. Investors fled to the dollar preferring more secure bonds in a volatile global market. Emerging markets have a seen a rise in inflation, and slowed growth in China and Brazil resulted in concern over economic policies. For the quarter ended September 30, 2011, the median Emerging Debt manager showed a loss of 5.75% but bested the JP Morgan Emerging Mkt index by 3.19%. For the year ended September 30, 2011, the median Emerging Debt manager lost 0.29% beating the index by 3.54%.

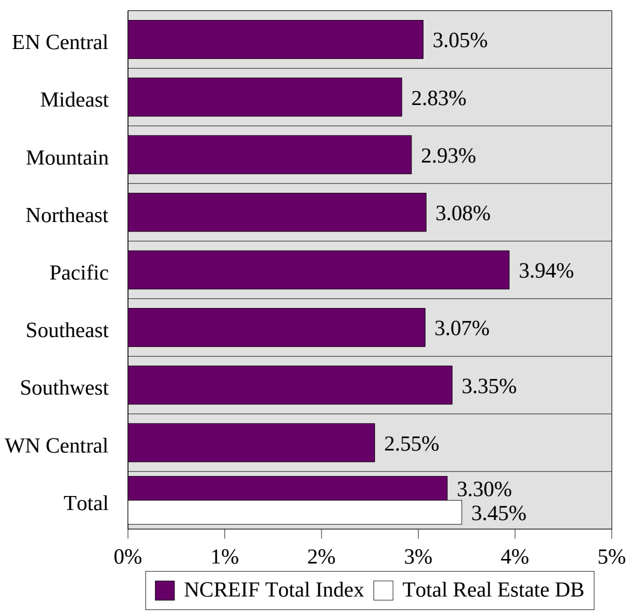




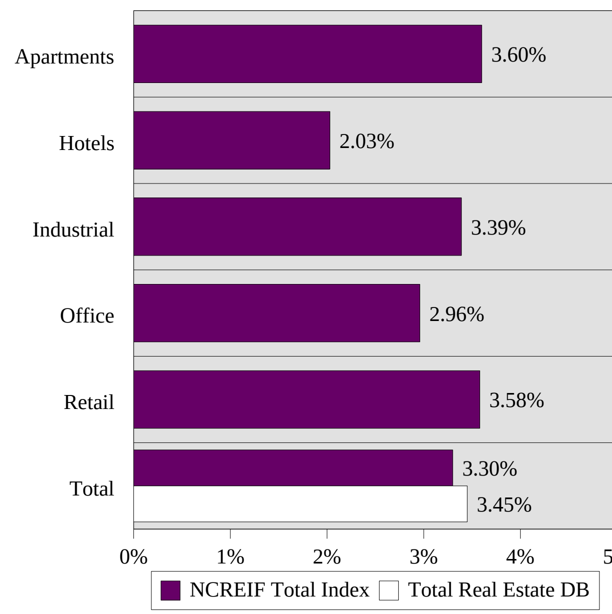
REAL ESTATE
MARKET OVERVIEW

The NCREIF Property Index (+3.30%) advanced during the third quarter of 2011, making it the seventh consecutive quarter of gains. Appreciation (+1.83%) continued to drive NCREIF returns, outpacing income (+1.46%) for the fifth quarter in a row. The Apartment sector led property sector performance (+3.60%) and is ahead 18.60% over the prior four quarters. The Retail sector followed closely behind with a 3.58% return. The Hotel sector lagged for the quarter (+2.03%), due to the economic concerns that have impacted business and leisure travel. NCREIF appraisal capitalization rates compressed to 5.55% during the third quarter while transaction capitalization rates declined by 96 basis points to 5.94%. Approximately $3.8 billion in transaction volume was recorded by NCREIF, representing 113 properties. Regionally, the West (+3.77%) led while only two basis points separated the worst performing region, the Midwest (+2.96%) from the second worst performing region, the East (+2.98%).

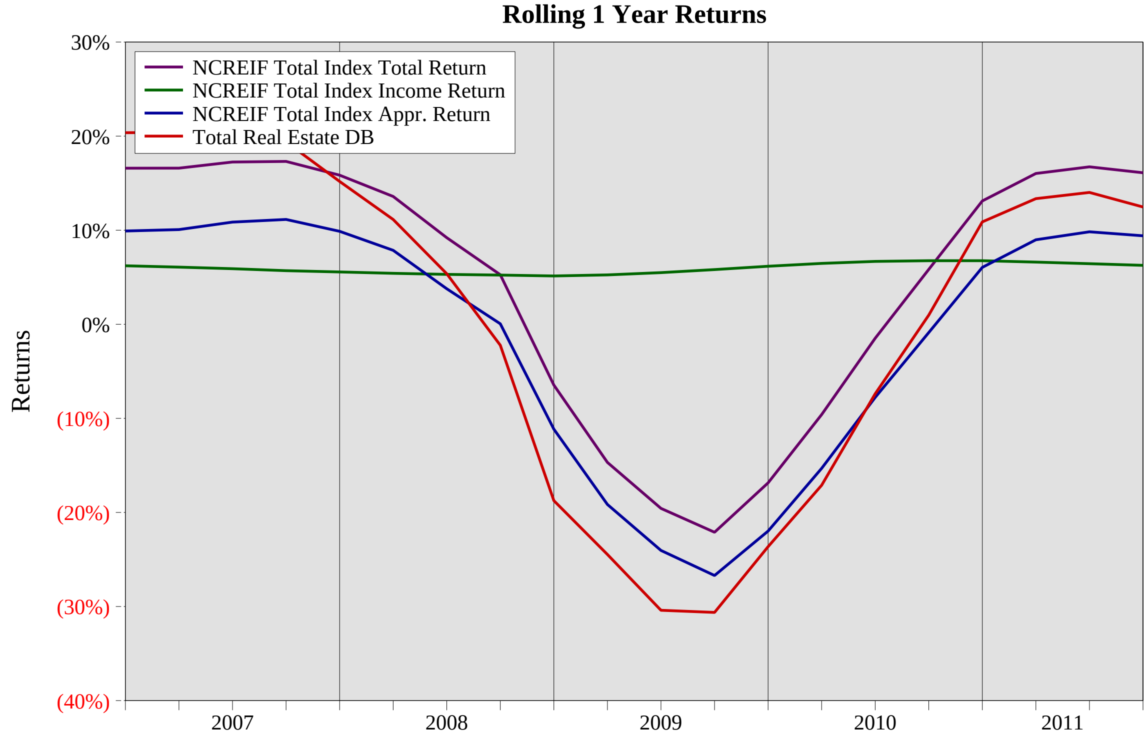
NCREIF Total Index Returns by Geographic Area
Quarter Ended September 30, 2011



NCREIF Total Index Returns by Property Type
Quarter Ended September 30, 2011



Rolling 1 Year Returns

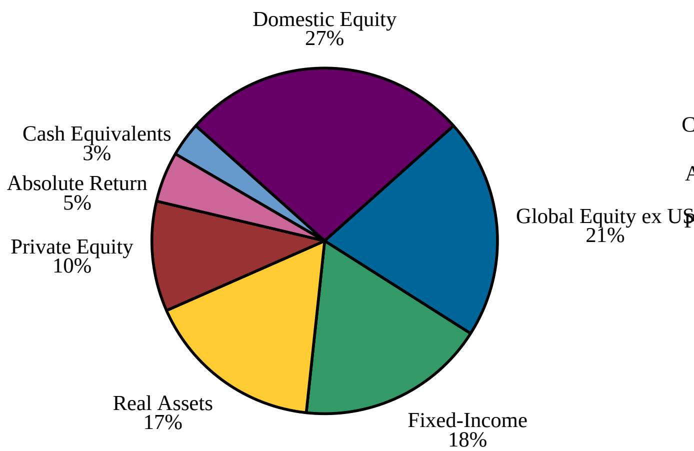


Employees' Retirement
Plan

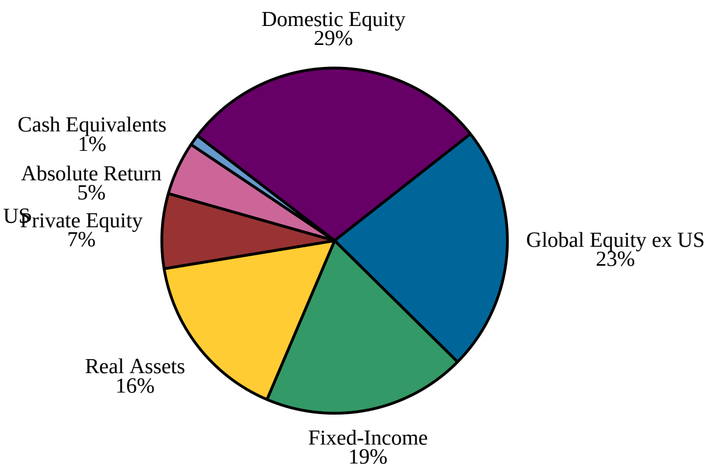
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of September 30, 2011. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

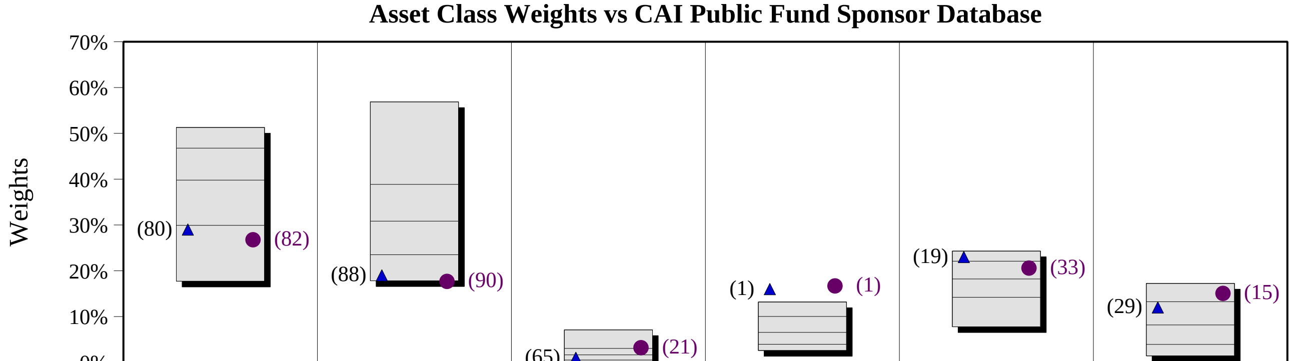


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,543,117	26.8%	29.0%	(2.2%)	(128,230)
Global Equity ex US	1,186,325	20.6%	23.0%	(2.4%)	(139,226)
Fixed-Income	1,019,041	17.7%	19.0%	(1.3%)	(75,980)
Real Assets	962,027	16.7%	16.0%	0.7%	39,904
Private Equity	595,829	10.3%	7.0%	3.3%	192,406
Absolute Return	272,068	4.7%	5.0%	(0.3%)	(16,095)
Cash Equivalents	184,858	3.2%	1.0%	2.2%	127,225
Total	5,763,265	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



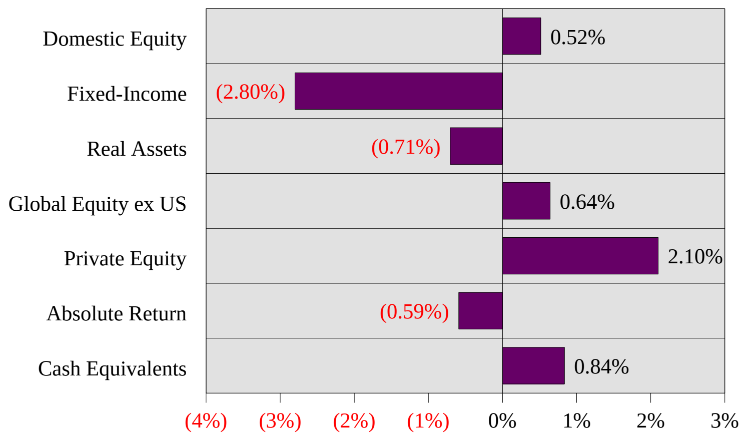
	Domestic Equity	Fixed-Income	Cash Equivalents	Real Assets	Global Equity ex US	Alternative
10th Percentile	51.29	56.87	7.10	13.19	24.30	17.24
25th Percentile	46.77	38.86	3.05	10.02	22.09	13.24
Median	39.79	30.83	1.64	6.55	18.21	8.17
75th Percentile	29.92	23.51	0.52	3.95	14.20	3.93
90th Percentile	17.72	17.82	0.07	2.59	7.77	1.42
Fund ●	26.78	17.68	3.21	16.69	20.58	15.06
Target ▲	29.00	19.00	1.00	16.00	23.00	12.00
% Group Invested	98.85%	98.85%	67.82%	45.98%	91.95%	47.13%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

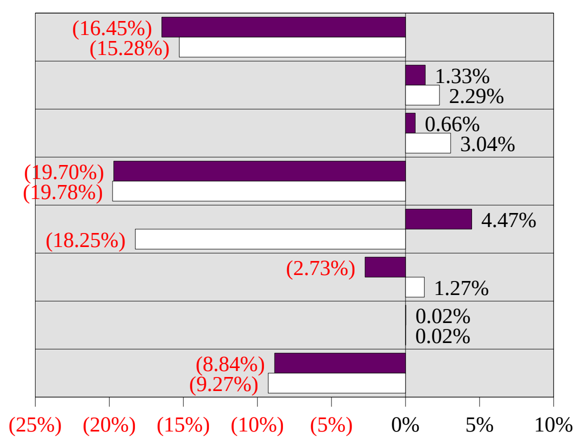
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

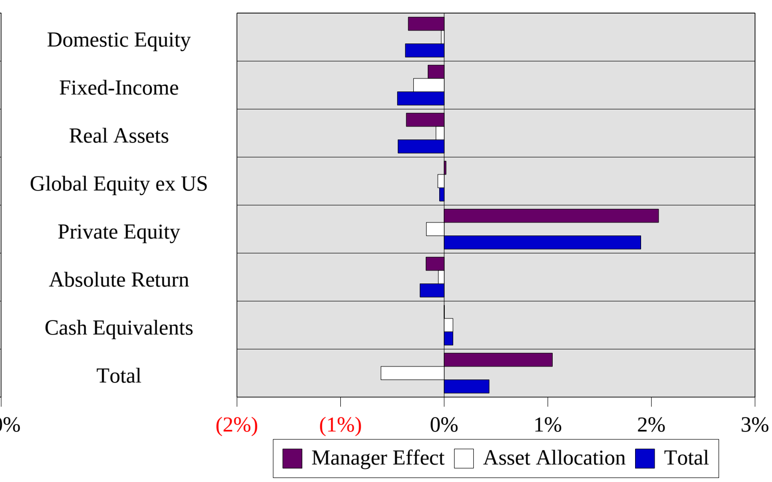
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

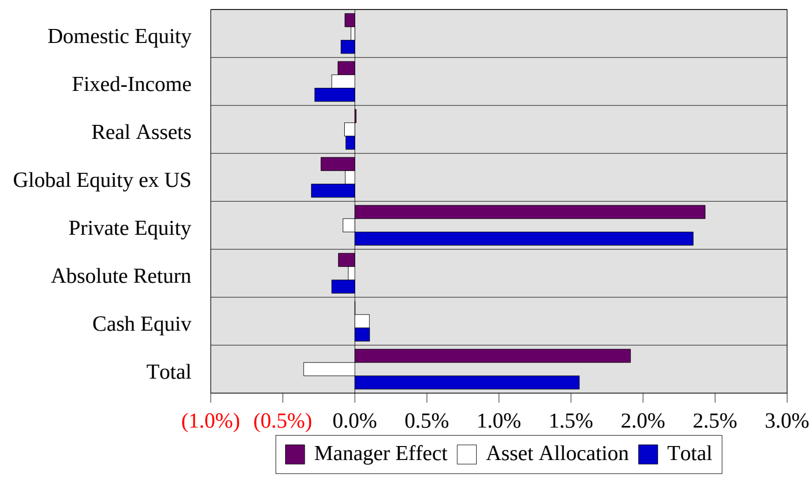
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	(16.45%)	(15.28%)	(0.35%)	(0.03%)	(0.37%)
Fixed-Income	16%	19%	1.33%	2.29%	(0.16%)	(0.30%)	(0.45%)
Real Assets	15%	16%	0.66%	3.04%	(0.37%)	(0.08%)	(0.45%)
Global Equity ex US	24%	23%	(19.70%)	(19.78%)	0.02%	(0.06%)	(0.04%)
Private Equity	9%	7%	4.47%	(18.25%)	2.07%	(0.17%)	1.90%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.18%)	(0.06%)	(0.23%)
Cash Equivalents	2%	1%	0.02%	0.02%	0.00%	0.08%	0.08%
Total			**(8.84%) =**	**(9.27%) +**	**1.04% +**	**(0.61%)**	**0.43%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

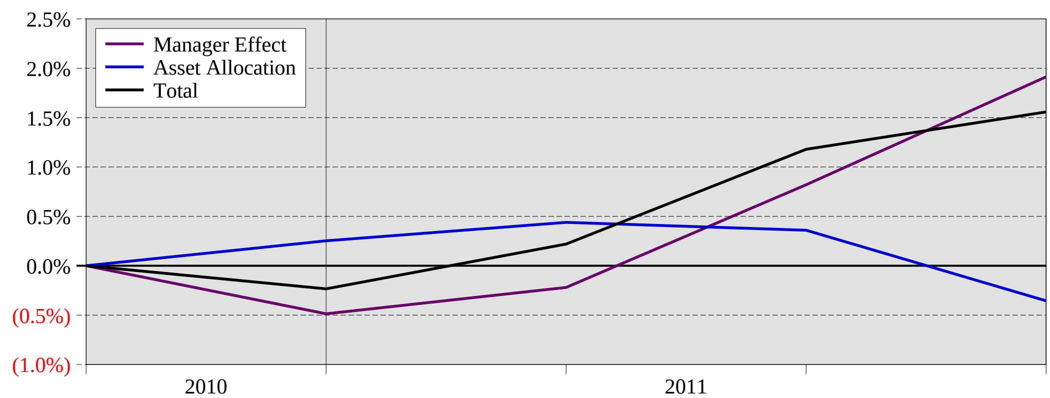
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

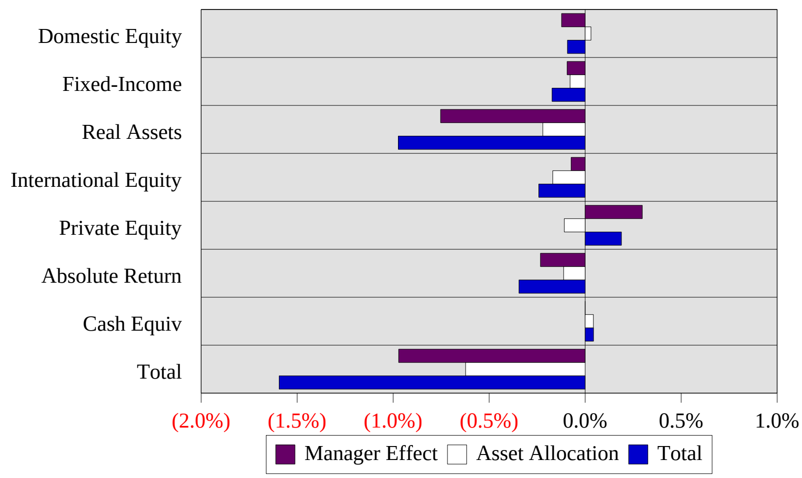
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.20%	0.55%	(0.07%)	(0.03%)	(0.10%)
Fixed-Income	17%	19%	3.14%	3.76%	(0.12%)	(0.16%)	(0.28%)
Real Assets	15%	16%	13.25%	12.81%	0.01%	(0.07%)	(0.06%)
Global Equity ex US	24%	23%	(11.28%)	(10.42%)	(0.24%)	(0.07%)	(0.30%)
Private Equity	9%	7%	24.50%	(3.85%)	2.43%	(0.08%)	2.35%
Absolute Return	5%	5%	2.80%	5.14%	(0.11%)	(0.05%)	(0.16%)
Cash Equiv	1%	1%	0.36%	0.14%	0.00%	0.10%	0.10%
Total			**2.52%** =	**0.96%** +	**1.91%** +	**(0.36%)**	**1.56%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

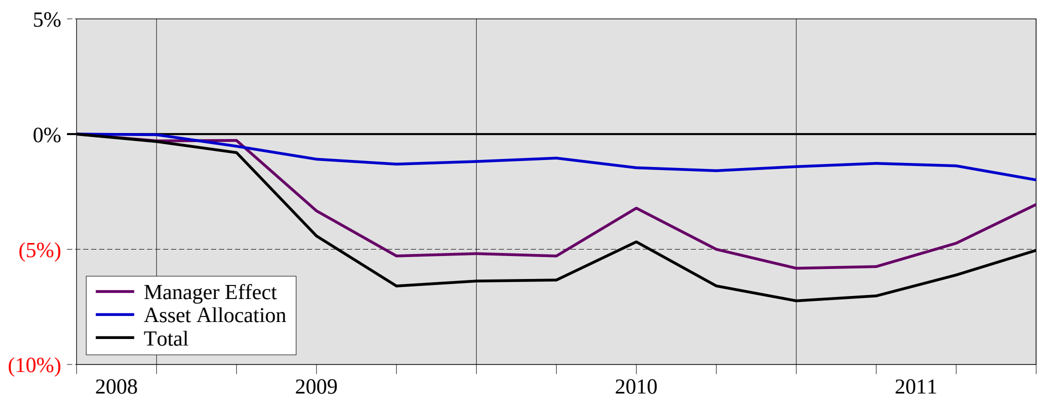
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

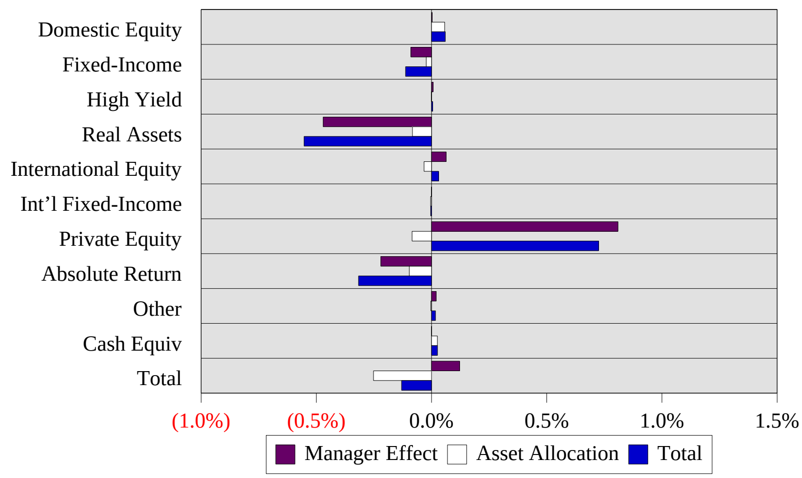
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	31%	31%	1.06%	1.45%	(0.12%)	0.03%	(0.09%)
Fixed-Income	18%	19%	7.75%	8.20%	(0.09%)	(0.08%)	(0.17%)
Real Assets	16%	16%	(2.51%)	1.73%	(0.75%)	(0.22%)	(0.97%)
International Equity	21%	22%	1.02%	0.98%	(0.07%)	(0.17%)	(0.24%)
Private Equity	9%	7%	4.91%	0.04%	0.30%	(0.11%)	0.19%
Absolute Return	5%	5%	(0.07%)	5.22%	(0.23%)	(0.11%)	(0.34%)
Cash Equiv	0%	0%	-	-	0.00%	0.04%	0.04%
Total			**1.92% =**	**3.52% +**	**(0.97%) +**	**(0.62%)**	**(1.59%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

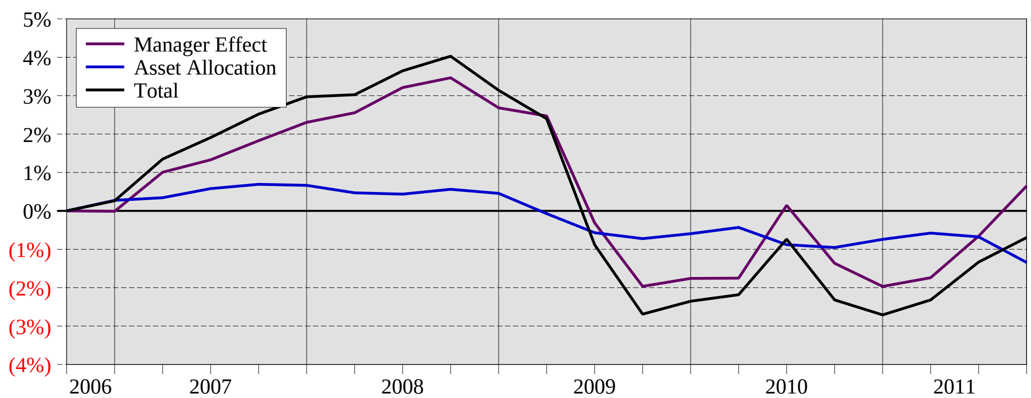
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

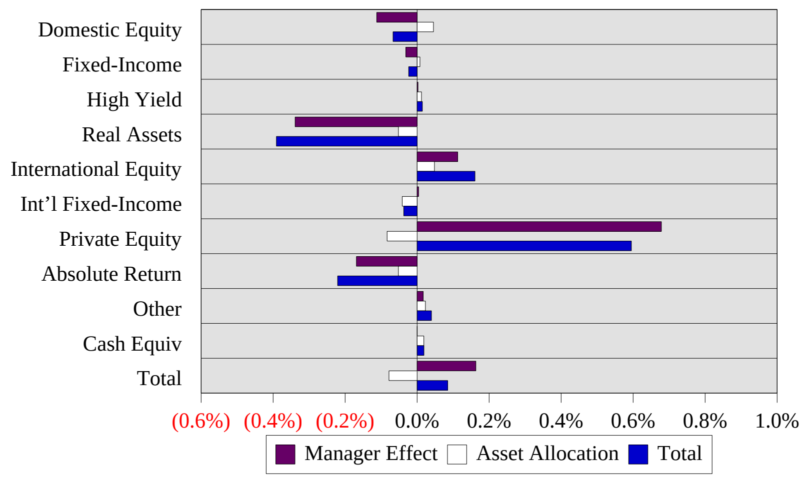
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	33%	(1.22%)	(1.20%)	0.00%	0.06%	0.06%
Fixed-Income	18%	19%	6.04%	6.49%	(0.09%)	(0.02%)	(0.11%)
High Yield	1%	1%	-	-	0.01%	(0.00%)	0.01%
Real Assets	14%	14%	1.94%	4.67%	(0.47%)	(0.08%)	(0.55%)
International Equity	20%	20%	(1.20%)	(1.82%)	0.06%	(0.03%)	0.03%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.00%)	(0.00%)
Private Equity	8%	7%	9.99%	(1.72%)	0.81%	(0.08%)	0.72%
Absolute Return	4%	5%	1.30%	6.58%	(0.22%)	(0.10%)	(0.32%)
Other	0%	1%	-	-	0.02%	(0.00%)	0.02%
Cash Equiv	0%	0%	-	-	0.00%	0.03%	0.03%
Total			**1.62% =**	**1.75% +**	**0.12% +**	**(0.25%)**	**(0.13%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

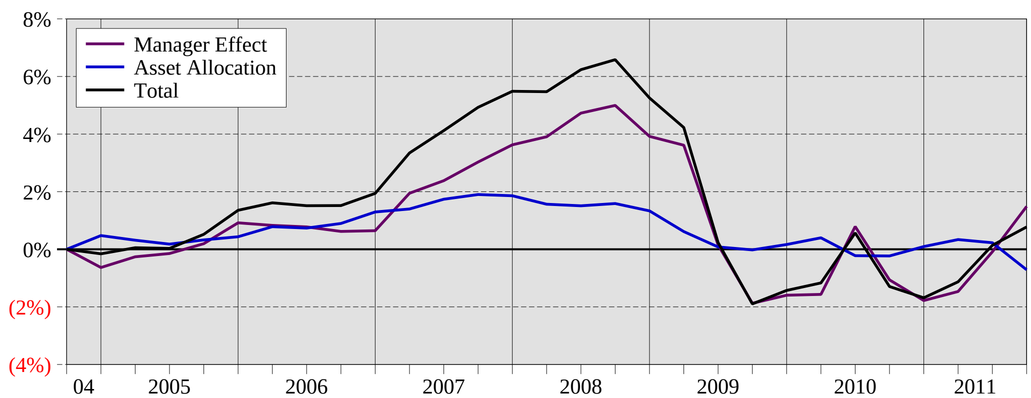
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Seven Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Seven Year Annualized Relative Attribution Effects

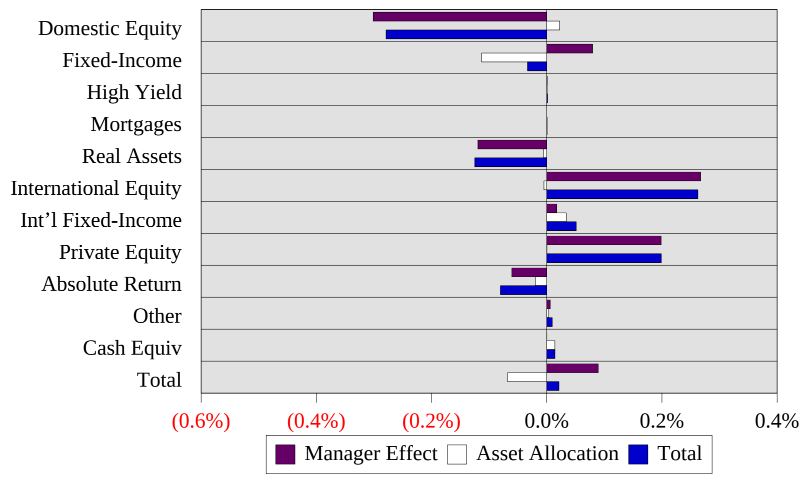
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	34%	34%	2.10%	2.39%	(0.11%)	0.05%	(0.07%)
Fixed-Income	19%	20%	5.39%	5.55%	(0.03%)	0.01%	(0.02%)
High Yield	1%	1%	-	-	0.00%	0.01%	0.01%
Real Assets	13%	12%	6.54%	8.52%	(0.34%)	(0.05%)	(0.39%)
International Equity	20%	18%	5.43%	4.59%	0.11%	0.05%	0.16%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.04%)	(0.04%)
Private Equity	7%	7%	13.54%	3.04%	0.68%	(0.08%)	0.60%
Absolute Return	4%	4%	2.86%	6.95%	(0.17%)	(0.05%)	(0.22%)
Other	0%	2%	-	-	0.02%	0.02%	0.04%
Cash Equiv	0%	0%	-	-	0.00%	0.02%	0.02%
Total			**4.60% =**	**4.52% +**	**0.16% +**	**(0.08%)**	**0.08%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

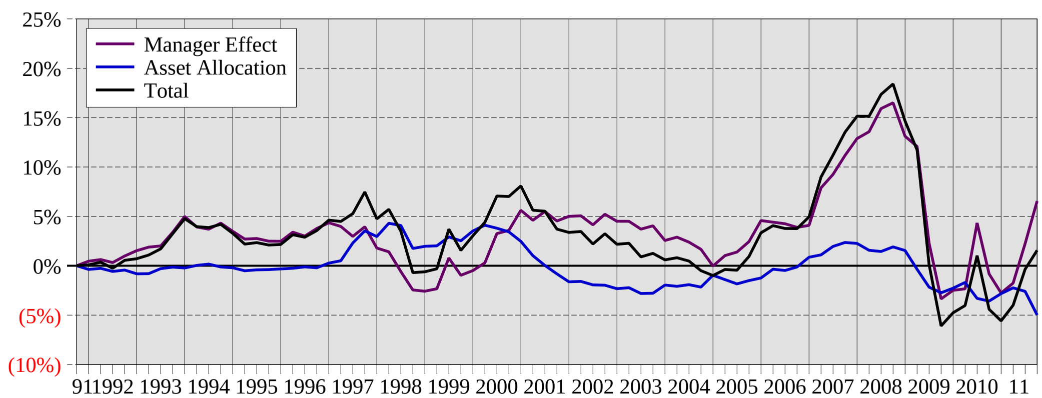
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Twenty Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Twenty Year Annualized Relative Attribution Effects

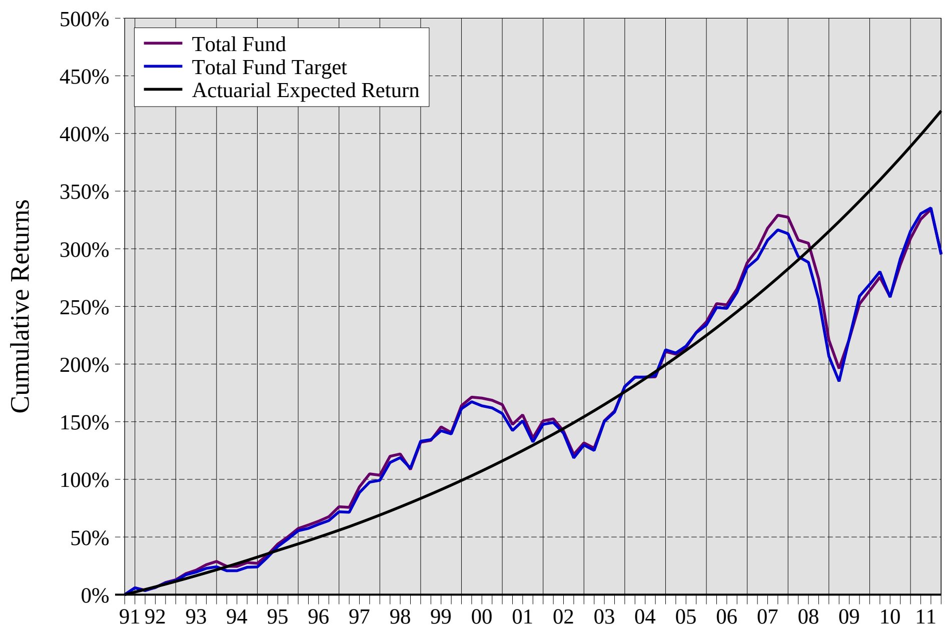
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	7.01%	7.71%	(0.30%)	0.02%	(0.28%)
Fixed-Income	32%	31%	6.86%	6.68%	0.08%	(0.11%)	(0.03%)
High Yield	0%	0%	-	-	0.00%	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	0.00%	0.00%
Real Assets	7%	8%	7.30%	7.77%	(0.12%)	(0.01%)	(0.12%)
International Equity	15%	14%	6.76%	4.93%	0.27%	(0.00%)	0.26%
Int'l Fixed-Income	2%	2%	-	-	0.02%	0.03%	0.05%
Private Equity	3%	3%	-	-	0.20%	0.00%	0.20%
Absolute Return	1%	2%	-	-	(0.06%)	(0.02%)	(0.08%)
Other	0%	1%	-	-	0.01%	0.00%	0.01%
Cash Equiv	0%	0%	-	-	0.00%	0.01%	0.01%
Total			**7.12% =**	**7.10% +**	**0.09% +**	**(0.07%)**	**0.02%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

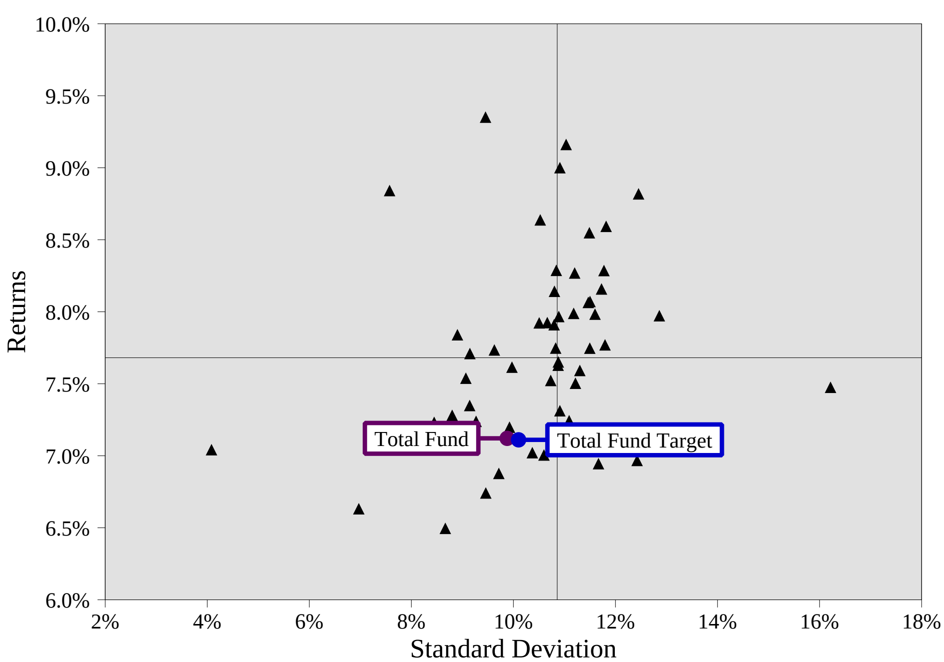
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Twenty Year Annualized Risk vs Return



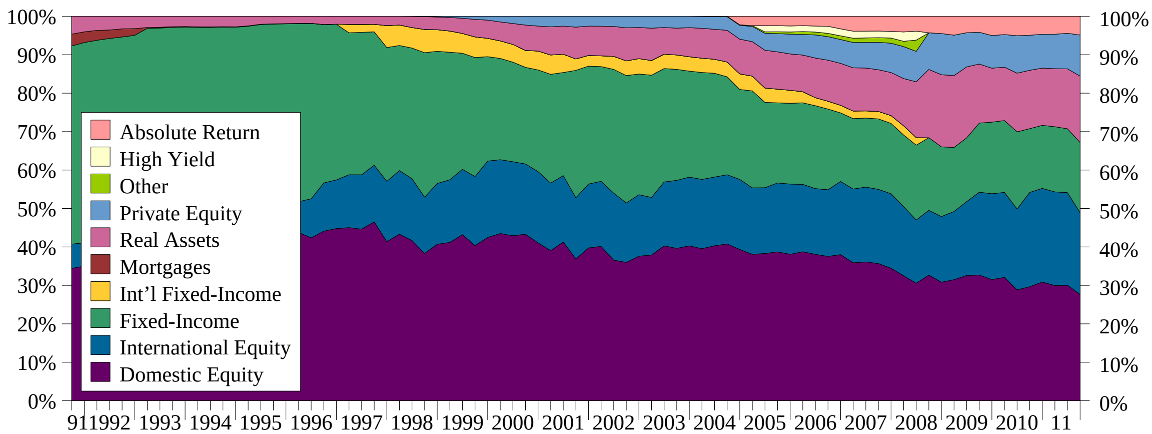
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

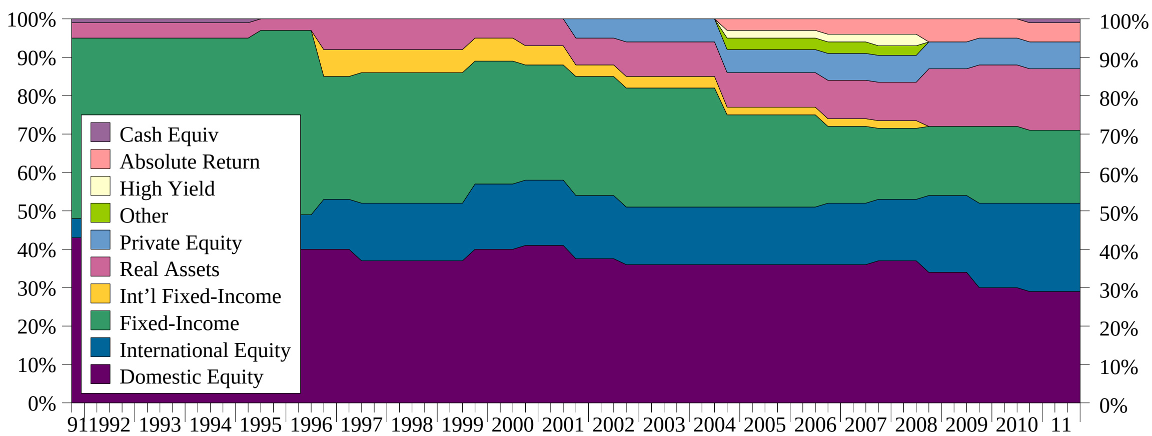
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

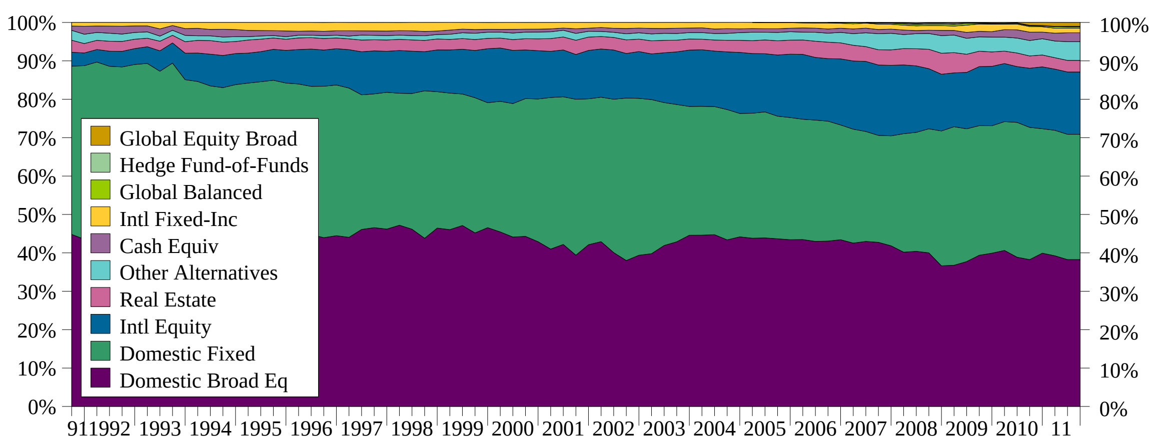
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

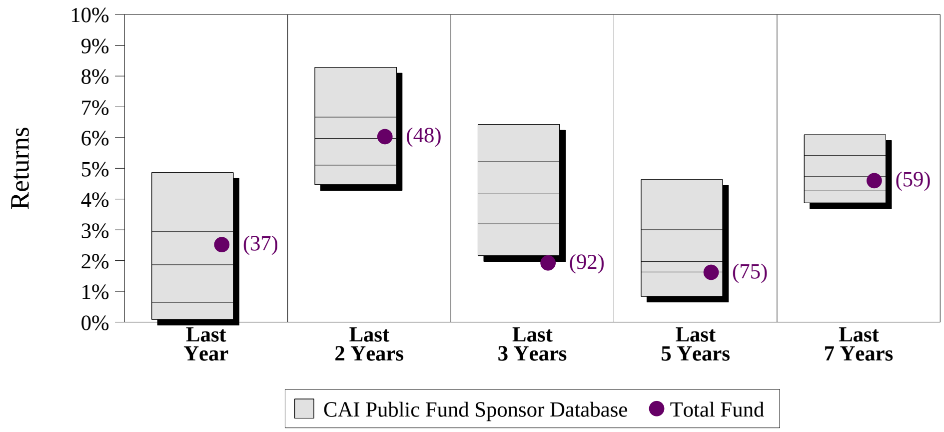


* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

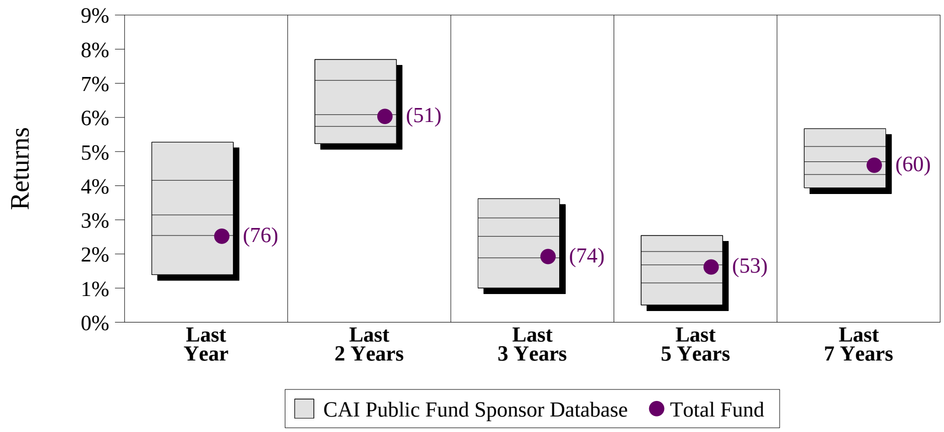
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended September 30, 2011. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

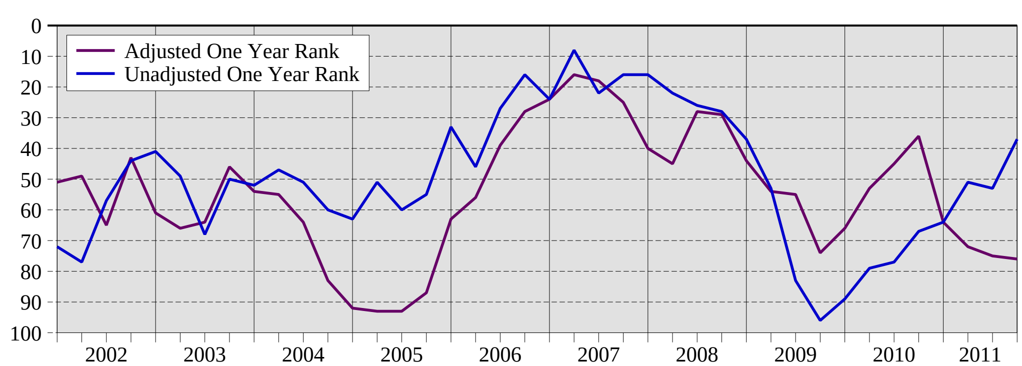
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



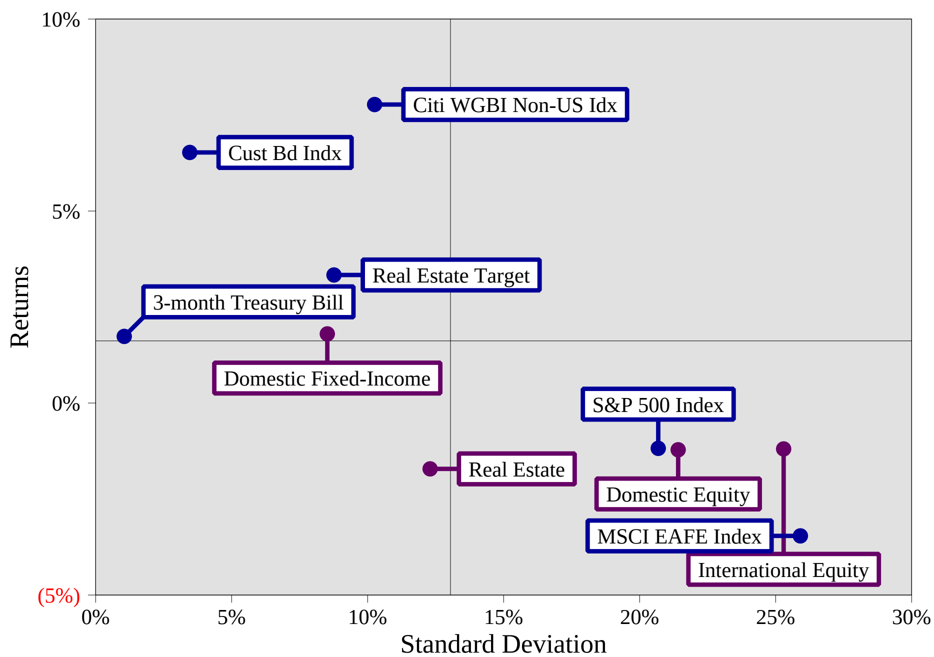
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



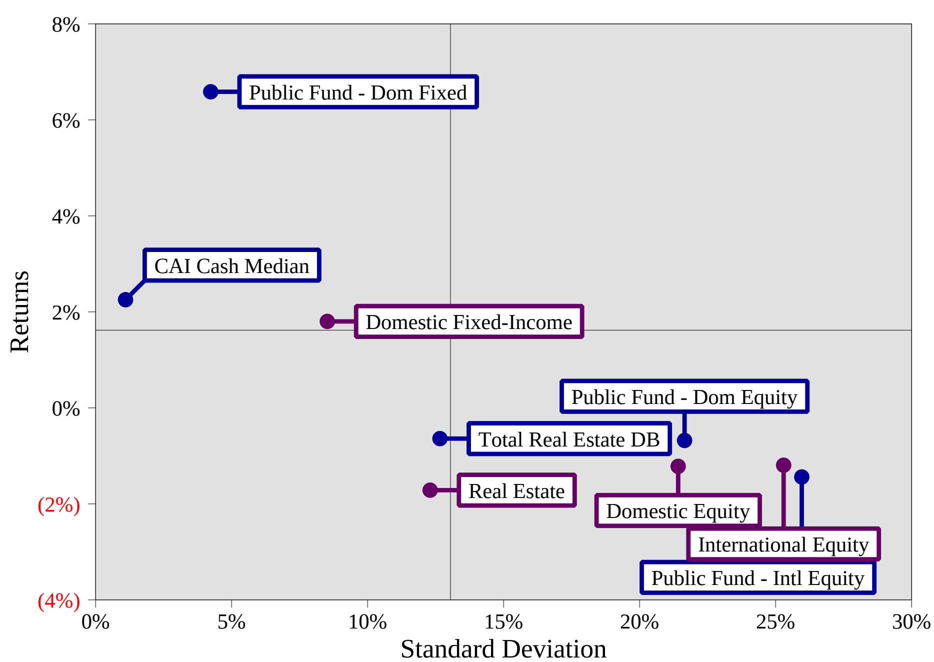
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



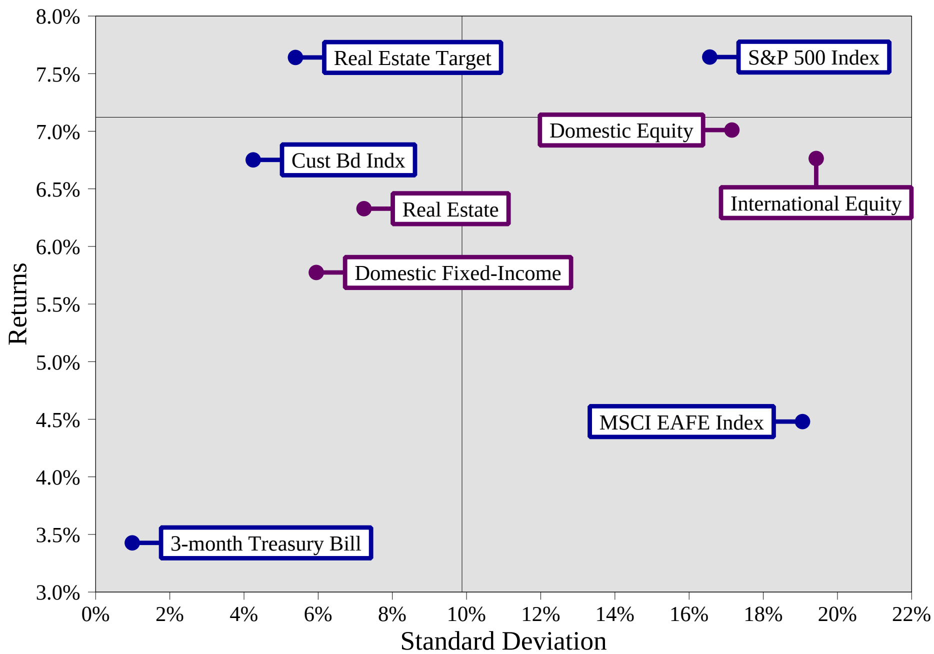
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



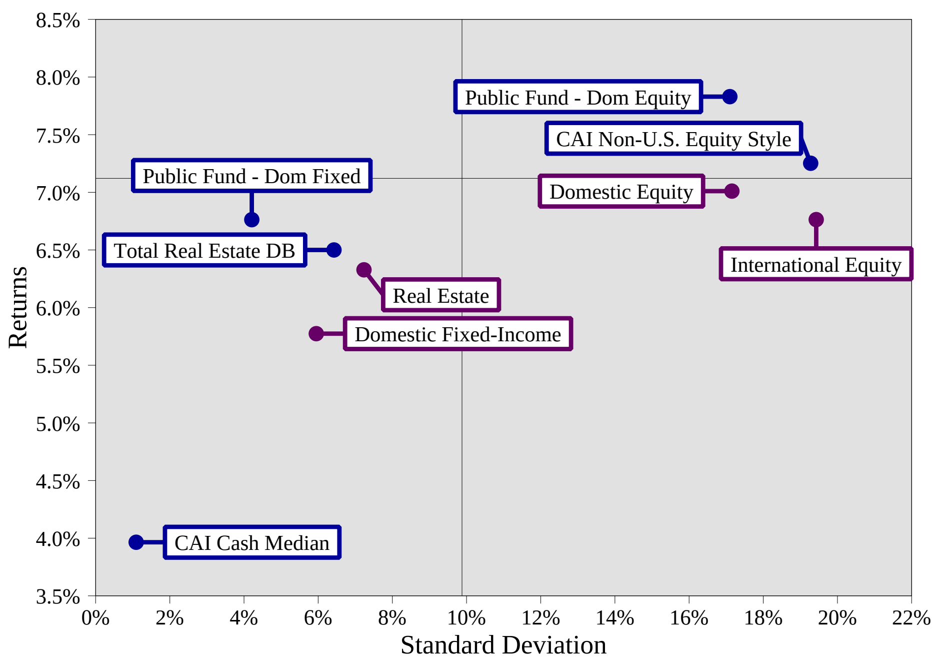
Asset Class Risk and Return

The charts below show the twenty year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Twenty Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



Twenty Year Annualized Risk vs Return
Asset Classes vs Asset Class Median

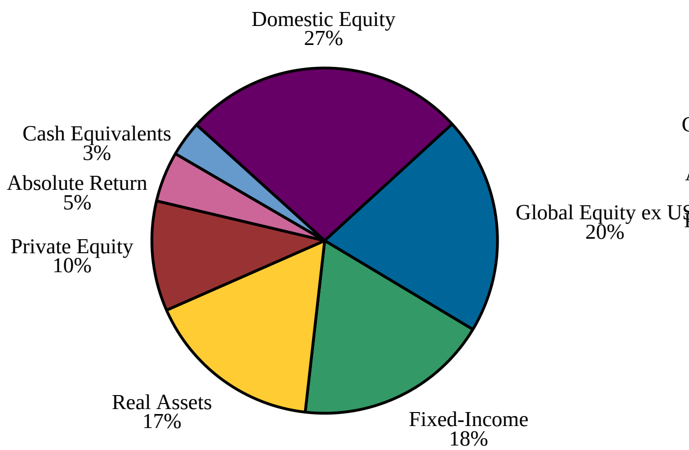


P E R S HEALTH CARE

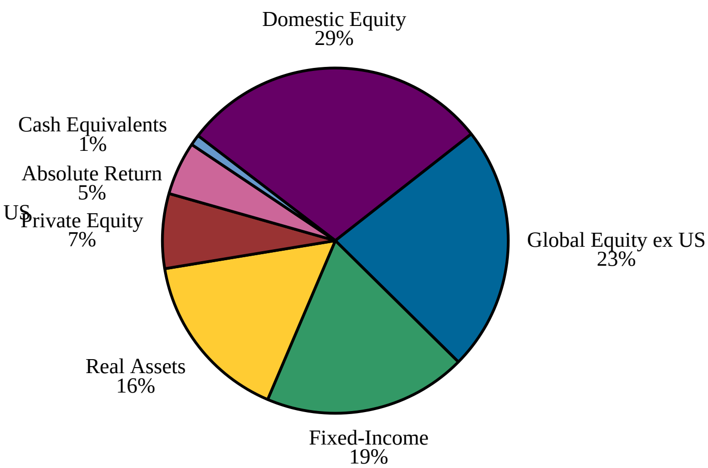
Actual vs Target Asset Allocation

The top left chart shows the Fund’s asset allocation as of September 30, 2011. The top right chart shows the Fund’s target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund’s asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

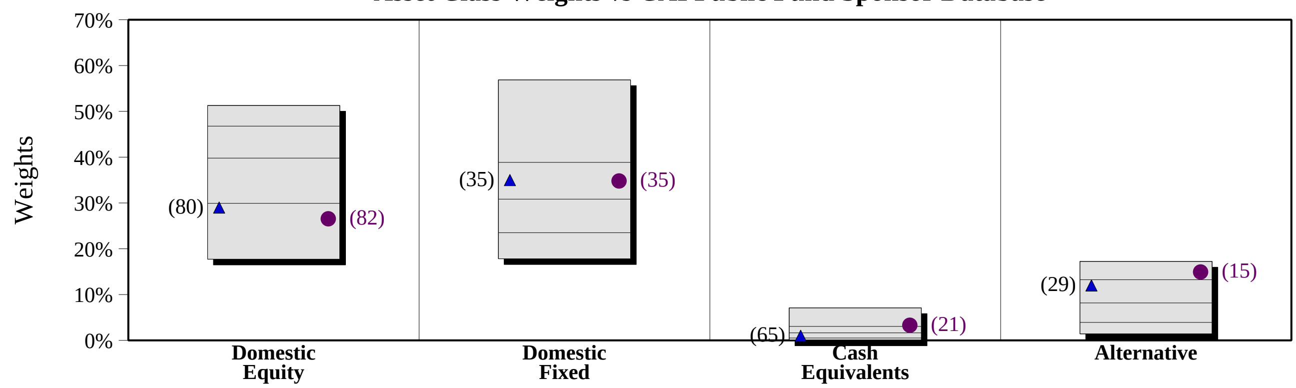


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	1,267,598	26.5%	29.0%	(2.5%)	(117,031)
Global Equity ex US	974,609	20.4%	23.0%	(2.6%)	(123,546)
Fixed-Income	867,759	18.2%	19.0%	(0.8%)	(39,412)
Real Assets	793,796	16.6%	16.0%	0.6%	29,862
Private Equity	489,455	10.3%	7.0%	3.3%	155,239
Absolute Return	223,492	4.7%	5.0%	(0.3%)	(15,237)
Cash Equivalents	157,877	3.3%	1.0%	2.3%	110,131
Total	4,774,585	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



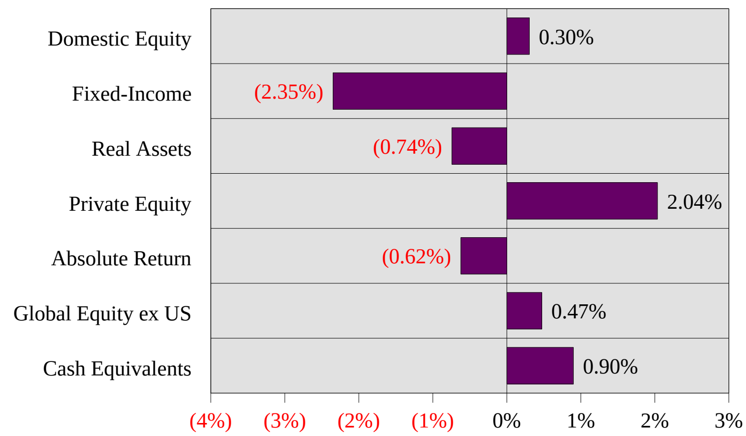
	Domestic Equity	Domestic Fixed	Cash Equivalents	Alternative
10th Percentile	51.29	56.87	7.10	17.24
25th Percentile	46.77	38.86	3.05	13.24
Median	39.79	30.83	1.64	8.17
75th Percentile	29.92	23.51	0.52	3.93
90th Percentile	17.72	17.82	0.07	1.42
Fund ●	26.55	34.80	3.31	14.93
Target ▲	29.00	35.00	1.00	12.00
% Group Invested	98.85%	98.85%	67.82%	47.13%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

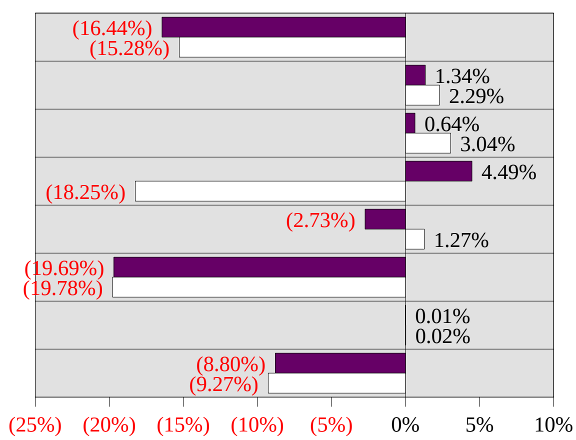
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

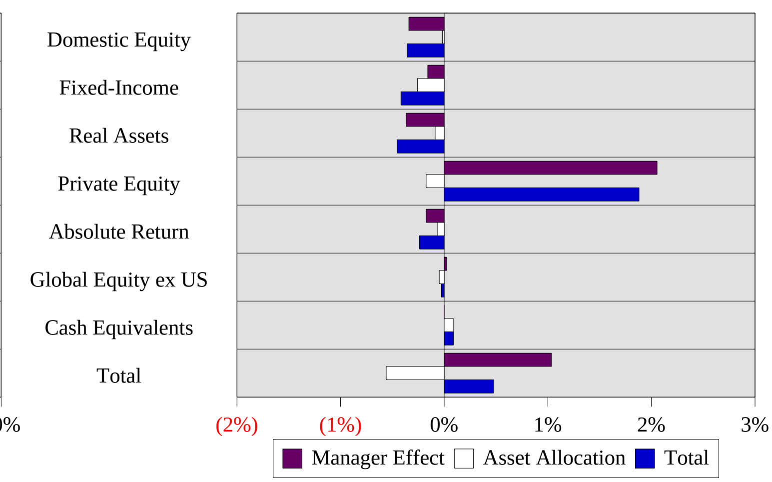
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

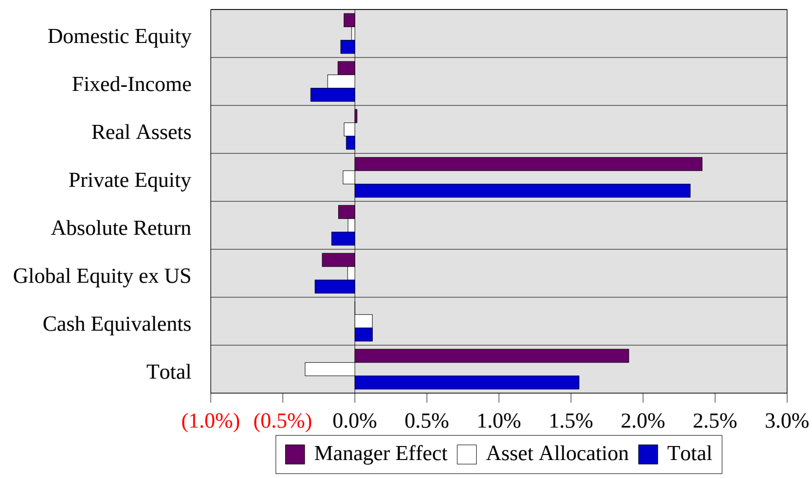
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	29%	(16.44%)	(15.28%)	(0.34%)	(0.02%)	(0.36%)
Fixed-Income	17%	19%	1.34%	2.29%	(0.16%)	(0.26%)	(0.42%)
Real Assets	15%	16%	0.64%	3.04%	(0.37%)	(0.09%)	(0.45%)
Private Equity	9%	7%	4.49%	(18.25%)	2.05%	(0.17%)	1.88%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.17%)	(0.06%)	(0.24%)
Global Equity ex US	23%	23%	(19.69%)	(19.78%)	0.02%	(0.05%)	(0.03%)
Cash Equivalents	2%	1%	0.01%	0.02%	(0.00%)	0.09%	0.09%
Total			**(8.80%)** =	**(9.27%)** +	**1.03%** +	**(0.56%)**	**0.47%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

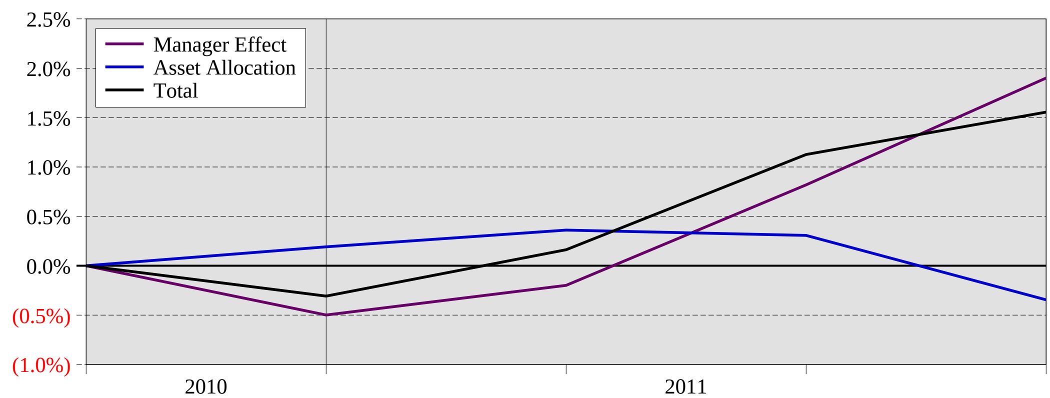
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

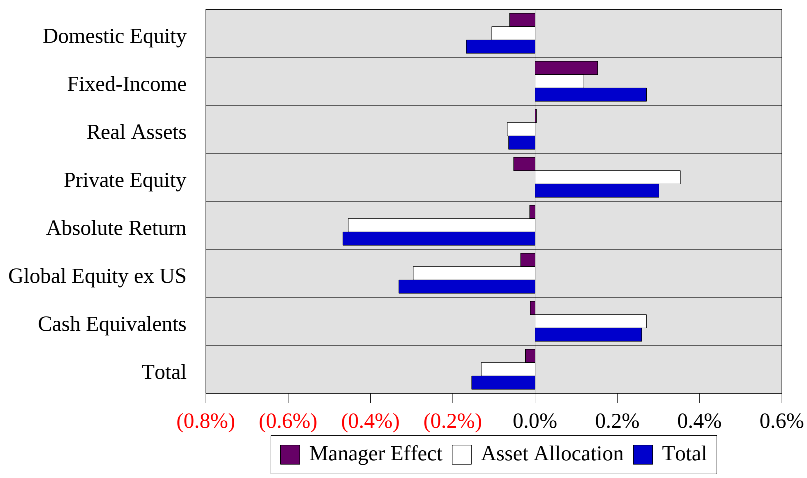
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	29%	0.17%	0.55%	(0.08%)	(0.02%)	(0.10%)
Fixed-Income	17%	19%	3.15%	3.76%	(0.12%)	(0.19%)	(0.31%)
Real Assets	15%	16%	13.31%	12.81%	0.02%	(0.07%)	(0.06%)
Private Equity	9%	7%	24.49%	(3.85%)	2.41%	(0.08%)	2.33%
Absolute Return	5%	5%	2.79%	5.14%	(0.11%)	(0.05%)	(0.16%)
Global Equity ex US	24%	23%	(11.25%)	(10.42%)	(0.23%)	(0.05%)	(0.28%)
Cash Equivalents	1%	1%	0.34%	0.14%	0.00%	0.12%	0.12%
Total			**2.52%**	**= 0.96%**	**+ 1.90%**	**+ (0.35%)**	**1.56%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

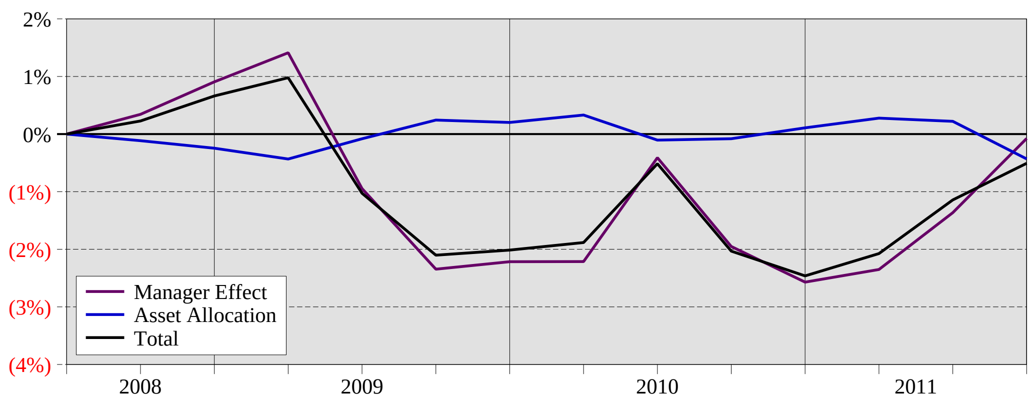
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three and One-Quarter Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three and One-Quarter Annualized Relative Attribution Effects

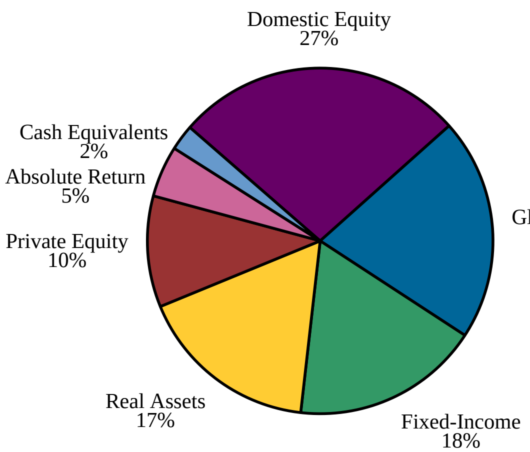
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	32%	(1.76%)	(1.47%)	(0.06%)	(0.11%)	(0.17%)
Fixed-Income	18%	20%	7.63%	6.87%	0.15%	0.12%	0.27%
Real Assets	14%	14%	2.00%	1.44%	0.00%	(0.07%)	(0.06%)
Private Equity	7%	6%	11.81%	(3.16%)	(0.05%)	0.35%	0.30%
Absolute Return	4%	6%	3.88%	5.40%	(0.01%)	(0.45%)	(0.47%)
Global Equity ex US	23%	22%	(6.56%)	(6.47%)	(0.03%)	(0.30%)	(0.33%)
Cash Equivalents	2%	1%	0.96%	0.76%	(0.01%)	0.27%	0.26%
Total			**0.54% =**	**0.69% +**	**(0.02%) +**	**(0.13%)**	**(0.15%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

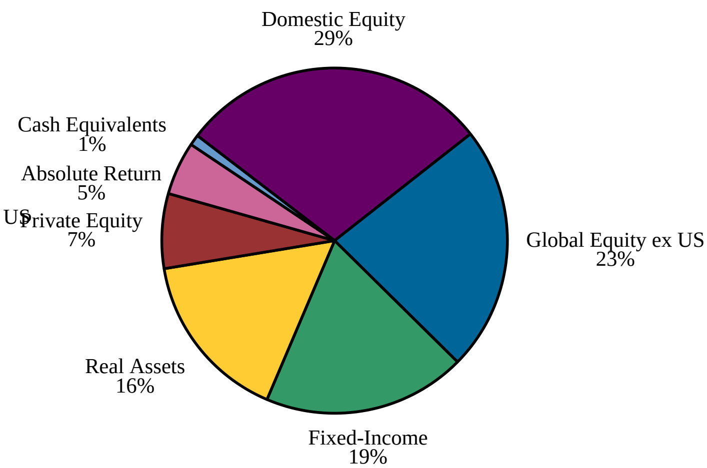
Actual vs Target Asset Allocation

The top left chart shows the Fund’s asset allocation as of September 30, 2011. The top right chart shows the Fund’s target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund’s asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

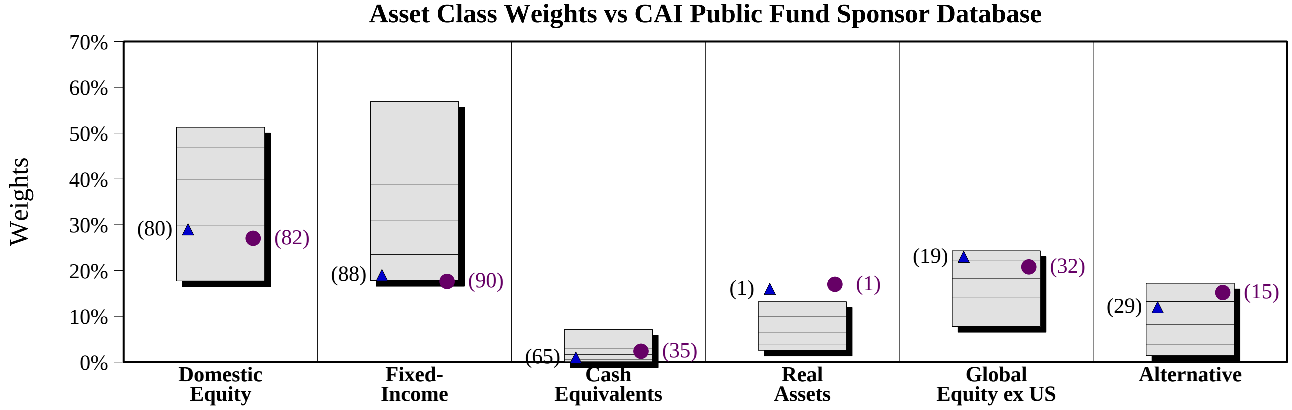


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	789,454	27.0%	29.0%	(2.0%)	(57,387)
Global Equity ex US	606,994	20.8%	23.0%	(2.2%)	(64,638)
Fixed-Income	514,438	17.6%	19.0%	(1.4%)	(40,388)
Real Assets	496,223	17.0%	16.0%	1.0%	29,001
Private Equity	304,656	10.4%	7.0%	3.4%	100,249
Absolute Return	139,096	4.8%	5.0%	(0.2%)	(6,911)
Cash Equivalents	69,279	2.4%	1.0%	1.4%	40,078
Total	2,920,139	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



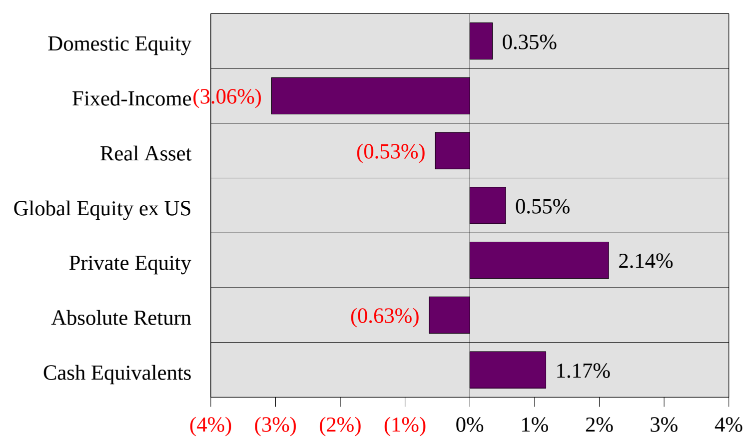
	Domestic Equity	Fixed-Income	Cash Equivalents	Real Assets	Global Equity ex US	Alternative
10th Percentile	51.29	56.87	7.10	13.19	24.30	17.24
25th Percentile	46.77	38.86	3.05	10.02	22.09	13.24
Median	39.79	30.83	1.64	6.55	18.21	8.17
75th Percentile	29.92	23.51	0.52	3.95	14.20	3.93
90th Percentile	17.72	17.82	0.07	2.59	7.77	1.42
Fund ●	27.03	17.62	2.37	16.99	20.79	15.20
Target ▲	29.00	19.00	1.00	16.00	23.00	12.00
% Group Invested	98.85%	98.85%	67.82%	45.98%	91.95%	47.13%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

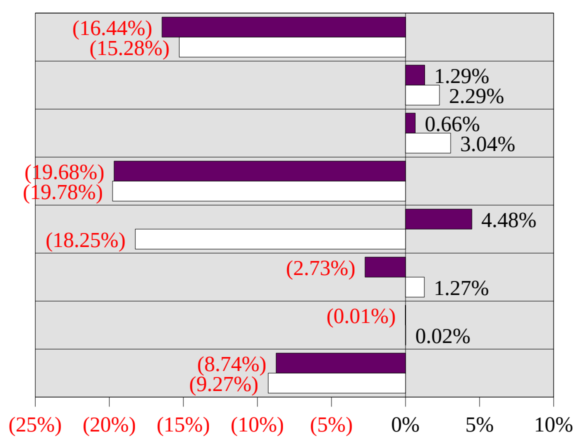
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

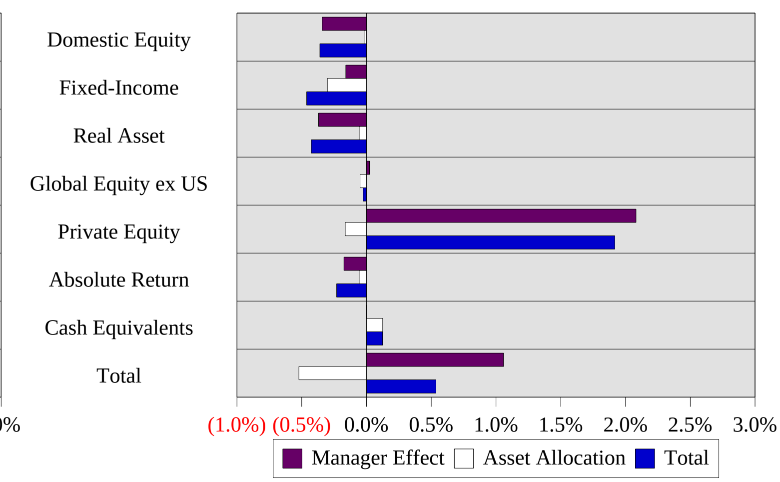
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

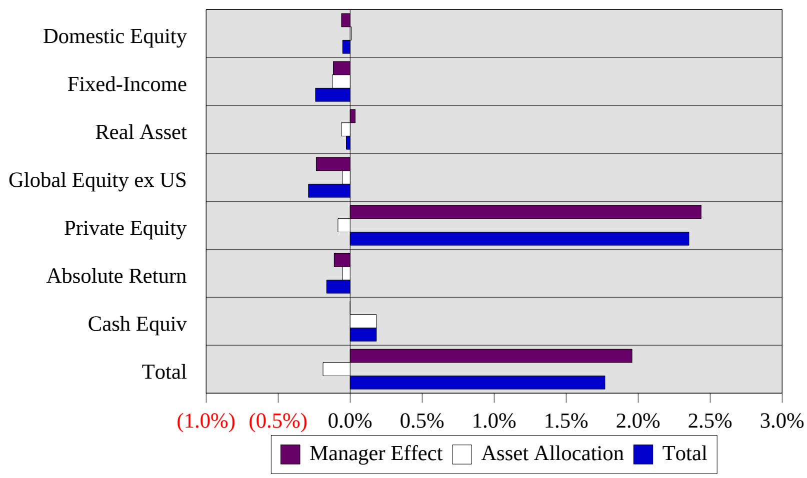
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	29%	(16.44%)	(15.28%)	(0.34%)	(0.02%)	(0.36%)
Fixed-Income	16%	19%	1.29%	2.29%	(0.16%)	(0.30%)	(0.46%)
Real Asset	15%	16%	0.66%	3.04%	(0.37%)	(0.06%)	(0.43%)
Global Equity ex US	24%	23%	(19.68%)	(19.78%)	0.02%	(0.05%)	(0.03%)
Private Equity	9%	7%	4.48%	(18.25%)	2.08%	(0.16%)	1.92%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.17%)	(0.06%)	(0.23%)
Cash Equivalents	2%	1%	(0.01%)	0.02%	(0.00%)	0.13%	0.12%
Total			**(8.74%)**	**= (9.27%)**	**+ 1.06%**	**+ (0.52%)**	**0.54%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

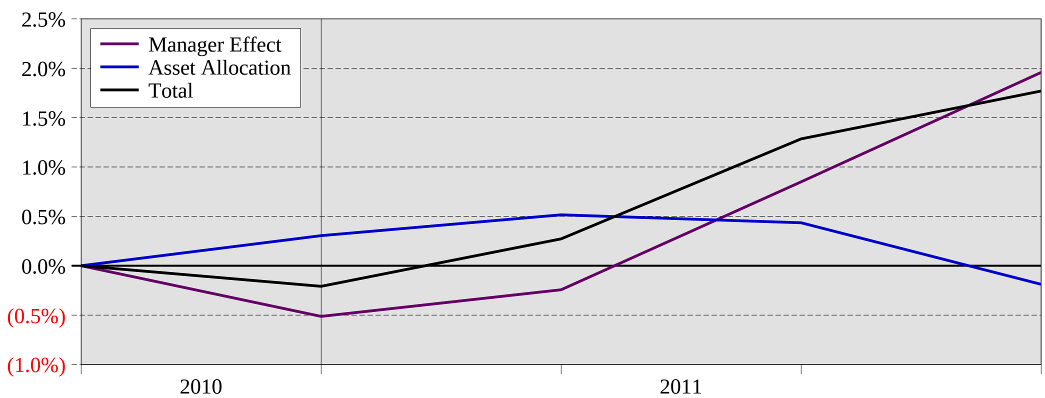
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

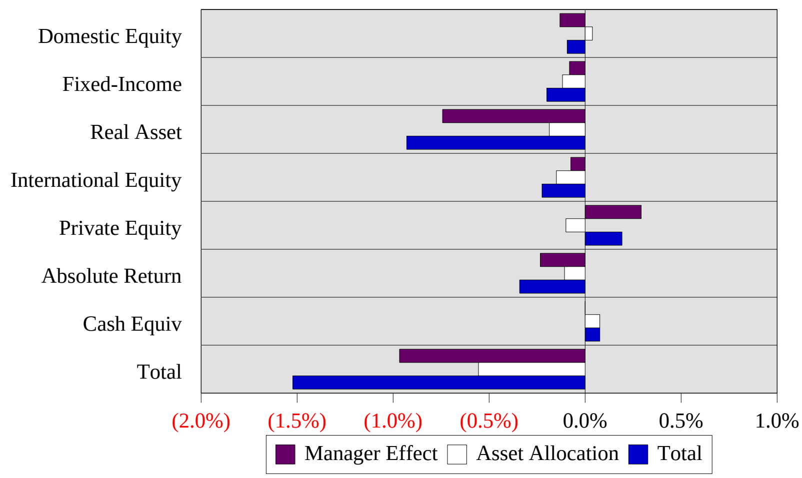
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.21%	0.55%	(0.06%)	0.01%	(0.05%)
Fixed-Income	16%	19%	3.16%	3.76%	(0.12%)	(0.12%)	(0.24%)
Real Asset	15%	16%	13.42%	12.81%	0.03%	(0.06%)	(0.03%)
Global Equity ex US	24%	23%	(11.26%)	(10.42%)	(0.24%)	(0.05%)	(0.29%)
Private Equity	9%	7%	24.49%	(3.85%)	2.44%	(0.08%)	2.35%
Absolute Return	5%	5%	2.81%	5.14%	(0.11%)	(0.05%)	(0.16%)
Cash Equiv	1%	1%	0.32%	0.14%	0.00%	0.18%	0.18%
Total			**2.73%**	**= 0.96%**	**+ 1.96%**	**+ (0.19%)**	**1.77%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

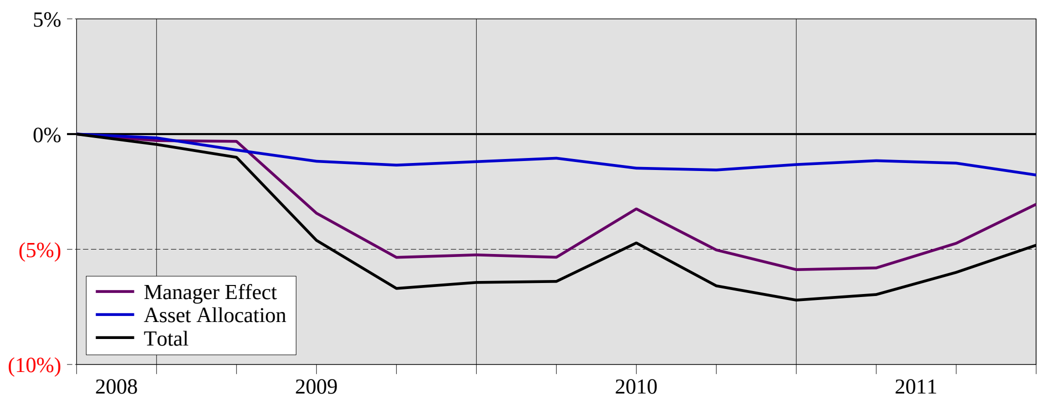
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

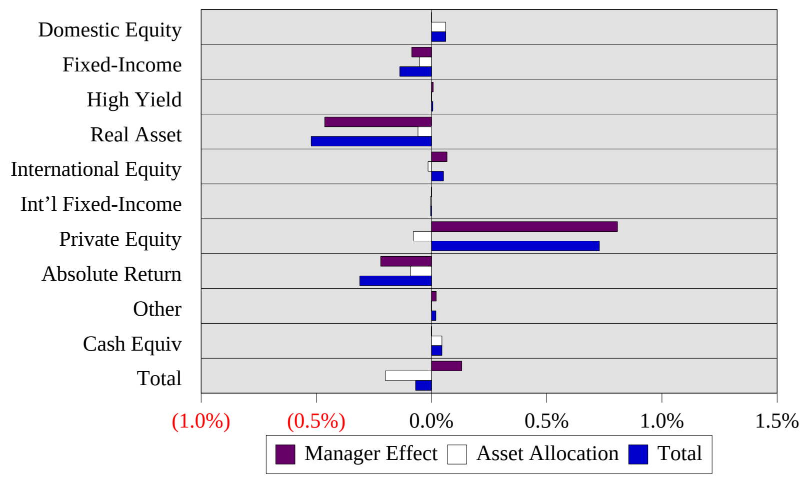
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	31%	31%	1.03%	1.45%	(0.13%)	0.04%	(0.09%)
Fixed-Income	17%	19%	7.82%	8.20%	(0.08%)	(0.12%)	(0.20%)
Real Asset	16%	16%	(2.41%)	1.73%	(0.74%)	(0.19%)	(0.93%)
International Equity	21%	22%	1.02%	0.98%	(0.07%)	(0.15%)	(0.22%)
Private Equity	9%	7%	4.91%	0.04%	0.29%	(0.10%)	0.19%
Absolute Return	5%	5%	(0.06%)	5.22%	(0.23%)	(0.11%)	(0.34%)
Cash Equiv	0%	0%	-	-	0.00%	0.08%	0.08%
Total			**2.00%** =	**3.52%** +	**(0.97%)** +	**(0.56%)**	**(1.52%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

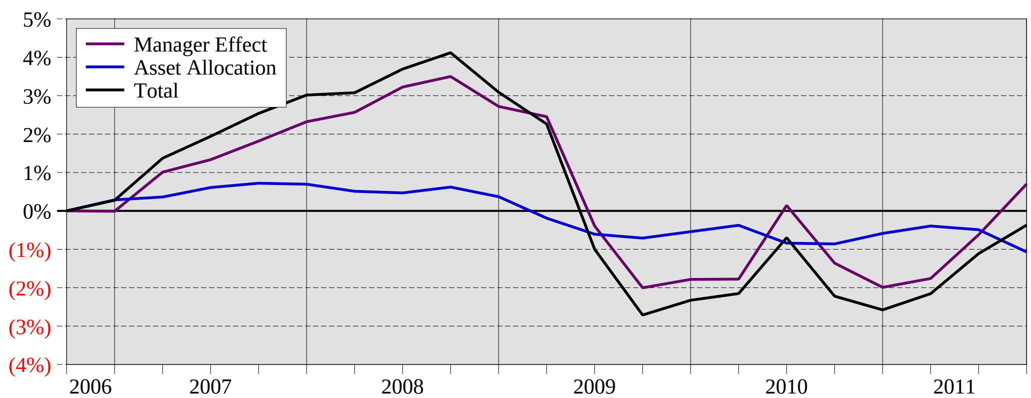
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

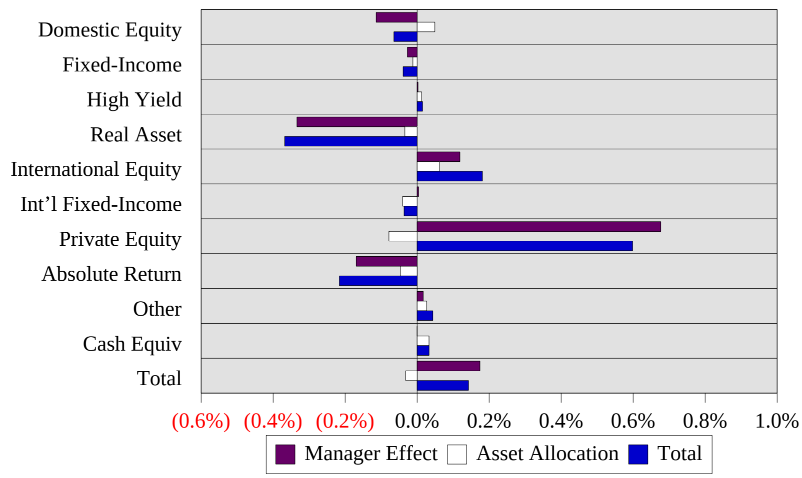
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	33%	(1.23%)	(1.20%)	0.00%	0.06%	0.06%
Fixed-Income	18%	19%	6.05%	6.49%	(0.09%)	(0.05%)	(0.14%)
High Yield	1%	1%	-	-	0.01%	(0.00%)	0.01%
Real Asset	14%	14%	2.01%	4.67%	(0.46%)	(0.06%)	(0.52%)
International Equity	20%	20%	(1.17%)	(1.82%)	0.07%	(0.02%)	0.05%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.00%)	(0.00%)
Private Equity	8%	7%	9.99%	(1.72%)	0.81%	(0.08%)	0.73%
Absolute Return	4%	5%	1.30%	6.58%	(0.22%)	(0.09%)	(0.31%)
Other	0%	1%	-	-	0.02%	(0.00%)	0.02%
Cash Equiv	0%	0%	-	-	0.00%	0.04%	0.05%
Total			**1.68%** =	**1.75%** +	**0.13%** +	**(0.20%)**	**(0.07%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

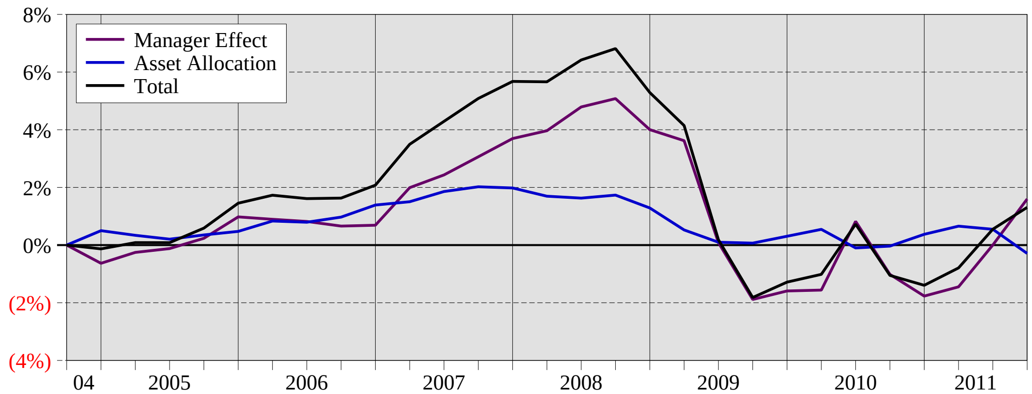
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Seven Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Seven Year Annualized Relative Attribution Effects

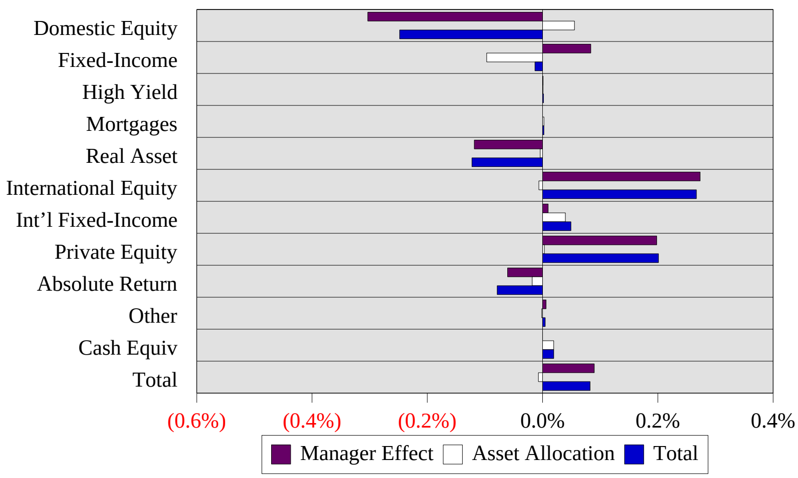
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	34%	34%	2.09%	2.39%	(0.11%)	0.05%	(0.06%)
Fixed-Income	19%	20%	5.40%	5.55%	(0.03%)	(0.01%)	(0.04%)
High Yield	1%	1%	-	-	0.00%	0.01%	0.02%
Real Asset	13%	12%	6.59%	8.52%	(0.33%)	(0.03%)	(0.37%)
International Equity	20%	18%	5.46%	4.59%	0.12%	0.06%	0.18%
Int'l Fixed-Income	1%	1%	-	-	0.00%	(0.04%)	(0.04%)
Private Equity	7%	7%	13.54%	3.04%	0.68%	(0.08%)	0.60%
Absolute Return	4%	4%	2.86%	6.95%	(0.17%)	(0.05%)	(0.22%)
Other	0%	2%	-	-	0.02%	0.03%	0.04%
Cash Equiv	0%	0%	-	-	0.00%	0.03%	0.03%
Total			**4.66% =**	**4.52% +**	**0.17% +**	**(0.03%)**	**0.14%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

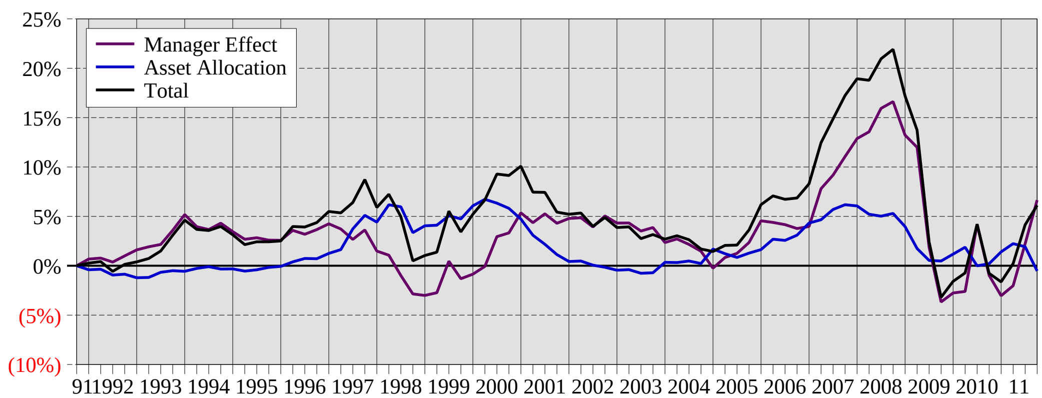
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Twenty Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Twenty Year Annualized Relative Attribution Effects

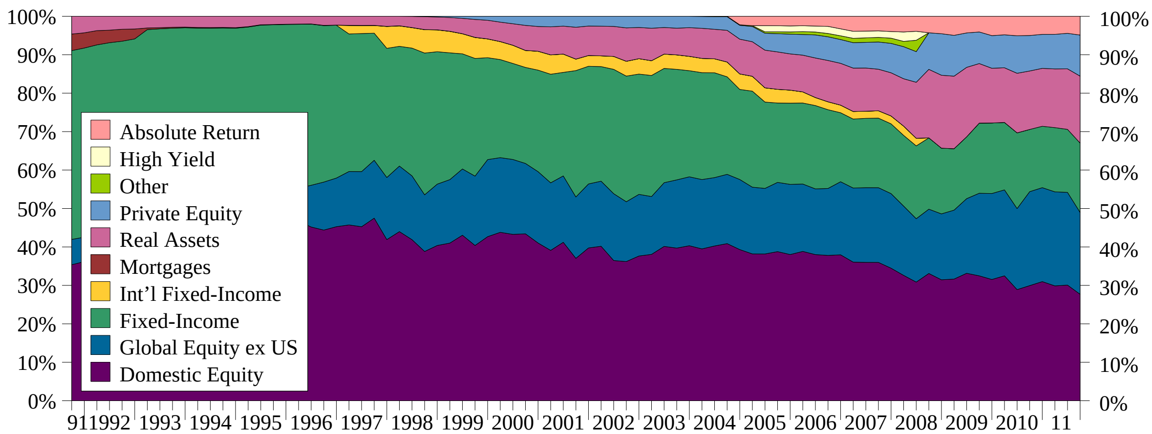
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	37%	7.00%	7.71%	(0.30%)	0.06%	(0.25%)
Fixed-Income	31%	31%	6.86%	6.68%	0.08%	(0.10%)	(0.01%)
High Yield	0%	0%	-	-	0.00%	0.00%	0.00%
Mortgages	0%	0%	-	-	0.00%	0.00%	0.00%
Real Asset	8%	8%	7.29%	7.77%	(0.12%)	(0.00%)	(0.12%)
International Equity	15%	14%	6.78%	4.93%	0.27%	(0.01%)	0.27%
Int'l Fixed-Income	2%	2%	-	-	0.01%	0.04%	0.05%
Private Equity	3%	3%	-	-	0.20%	0.00%	0.20%
Absolute Return	1%	2%	-	-	(0.06%)	(0.02%)	(0.08%)
Other	0%	1%	-	-	0.01%	(0.00%)	0.00%
Cash Equiv	0%	0%	-	-	0.00%	0.02%	0.02%
Total			**7.18% =**	**7.10% +**	**0.09% +**	**(0.01%)**	**0.08%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

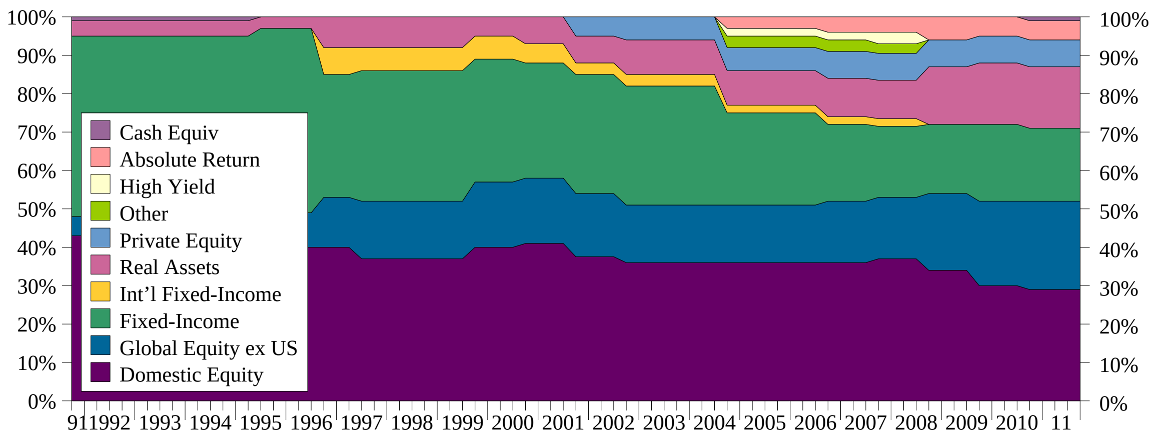
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

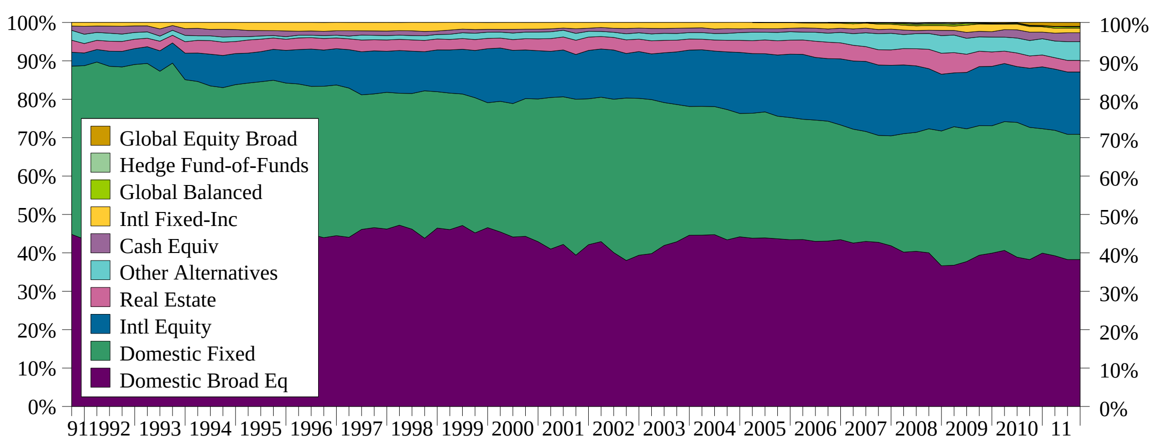
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

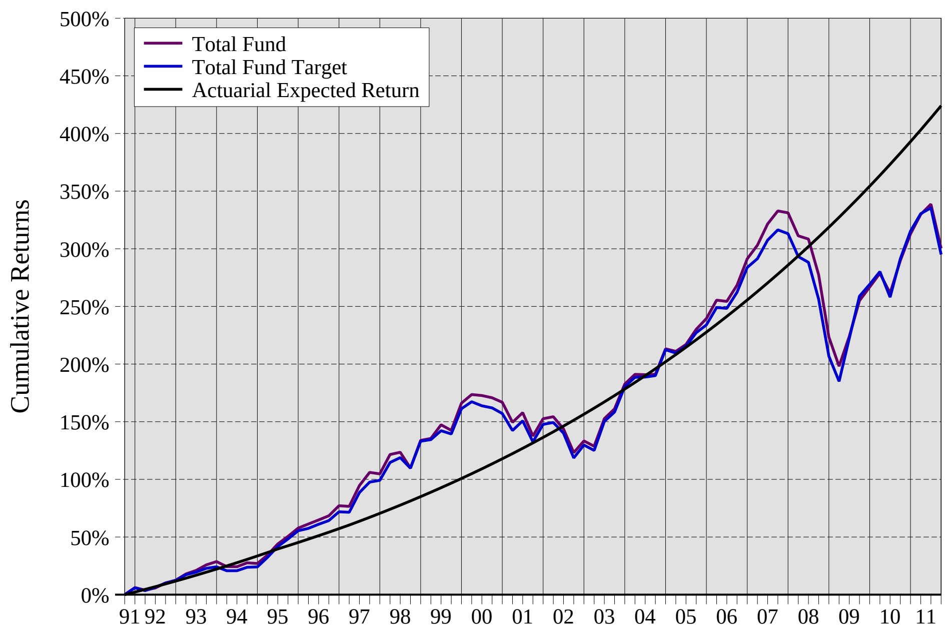


* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

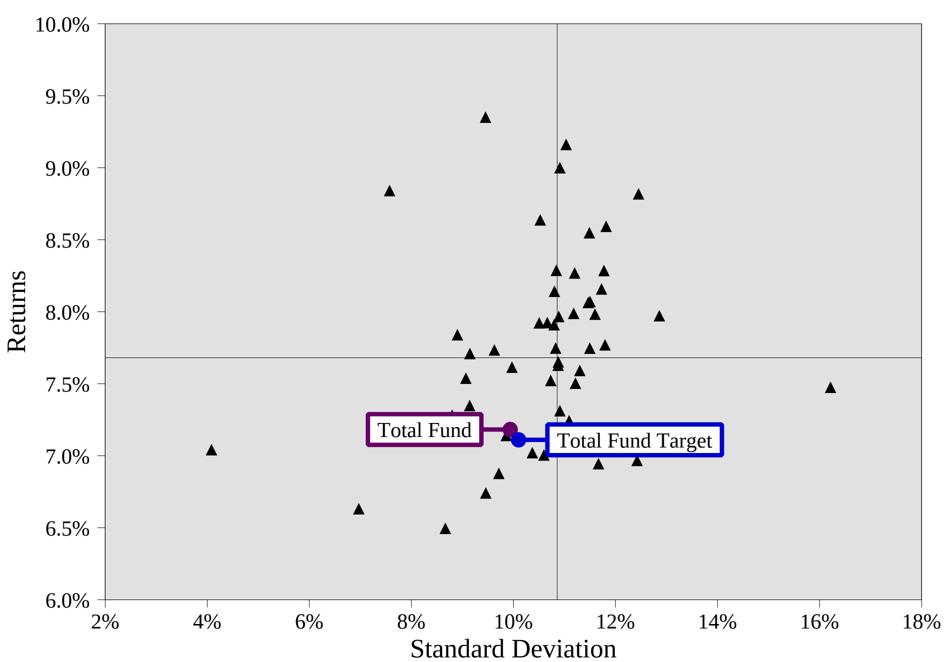
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Twenty Year Annualized Risk vs Return



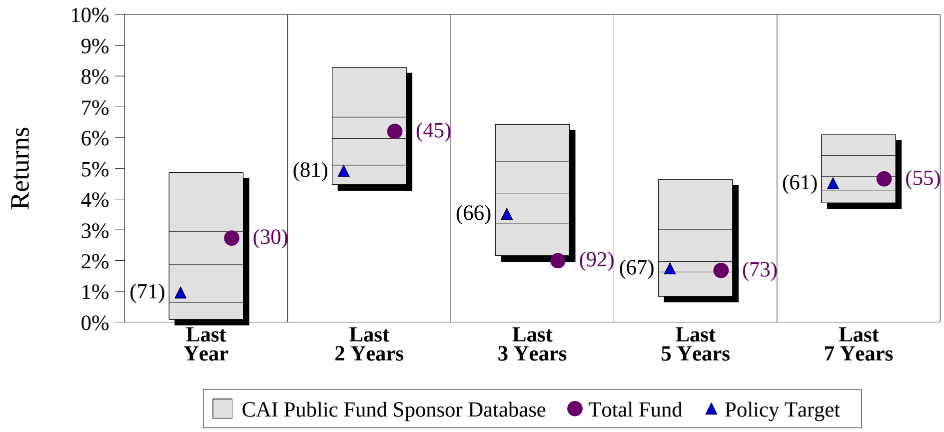
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

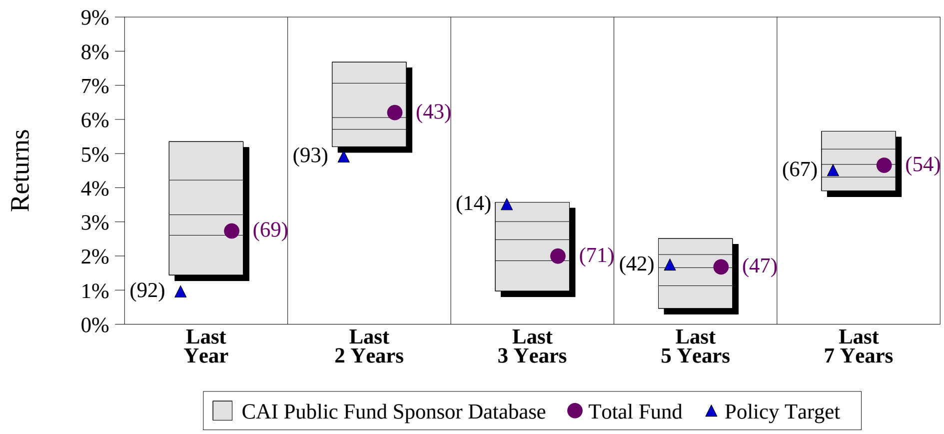
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended September 30, 2011. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

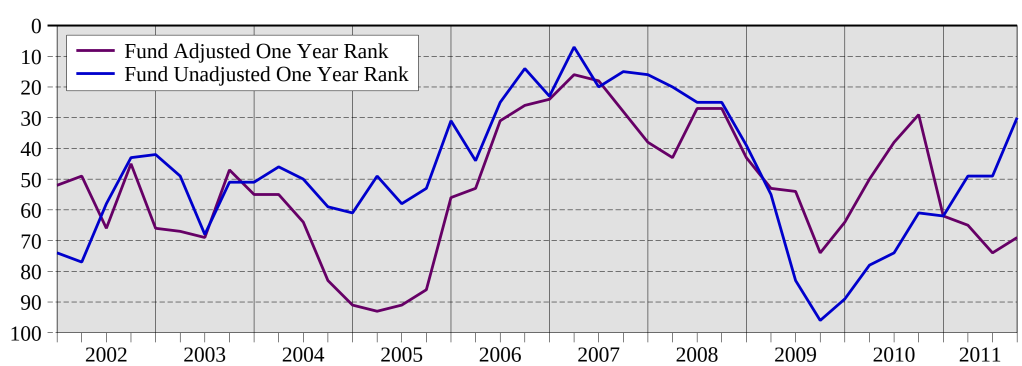
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



Rolling One Year Ranking vs CAI Public Fund Sponsor Database

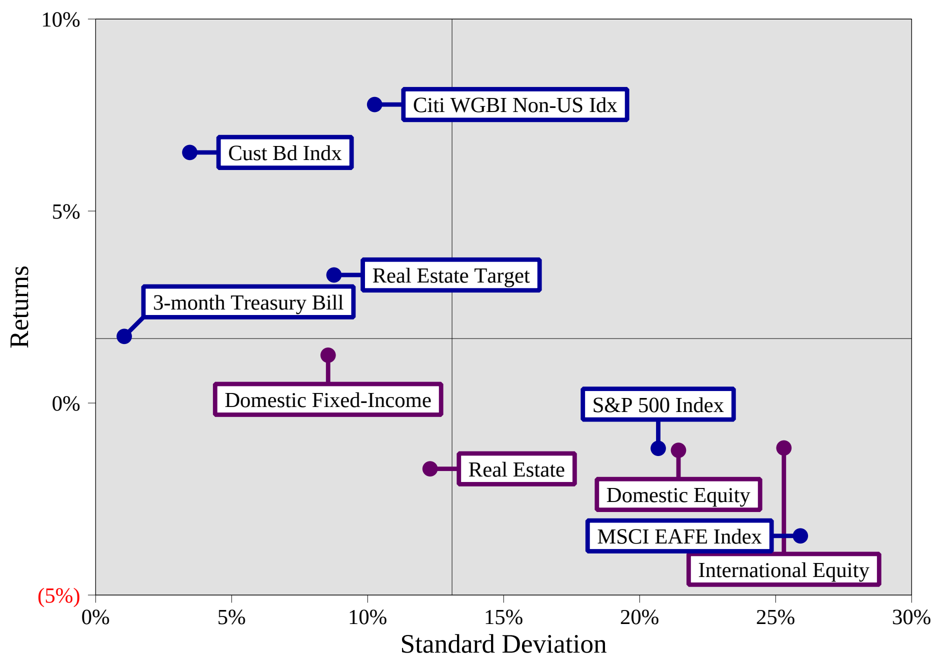


* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

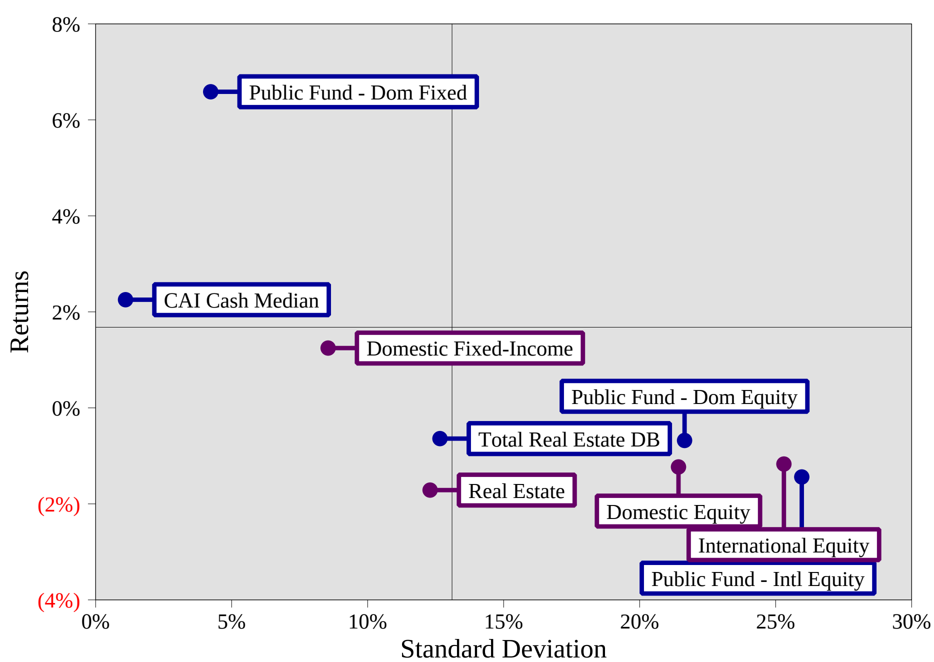
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices

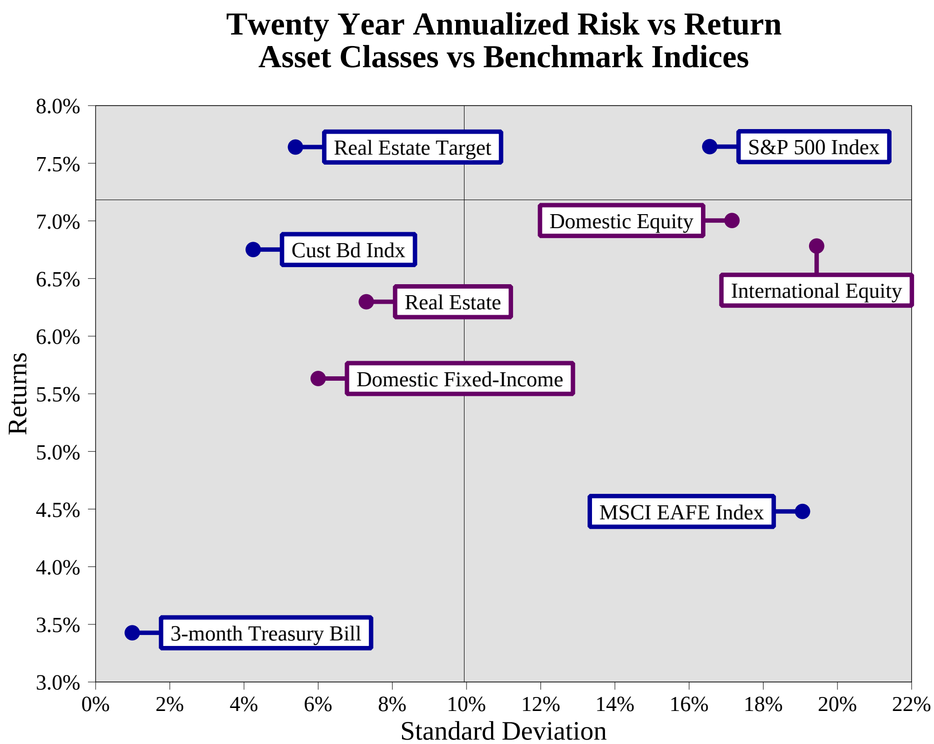


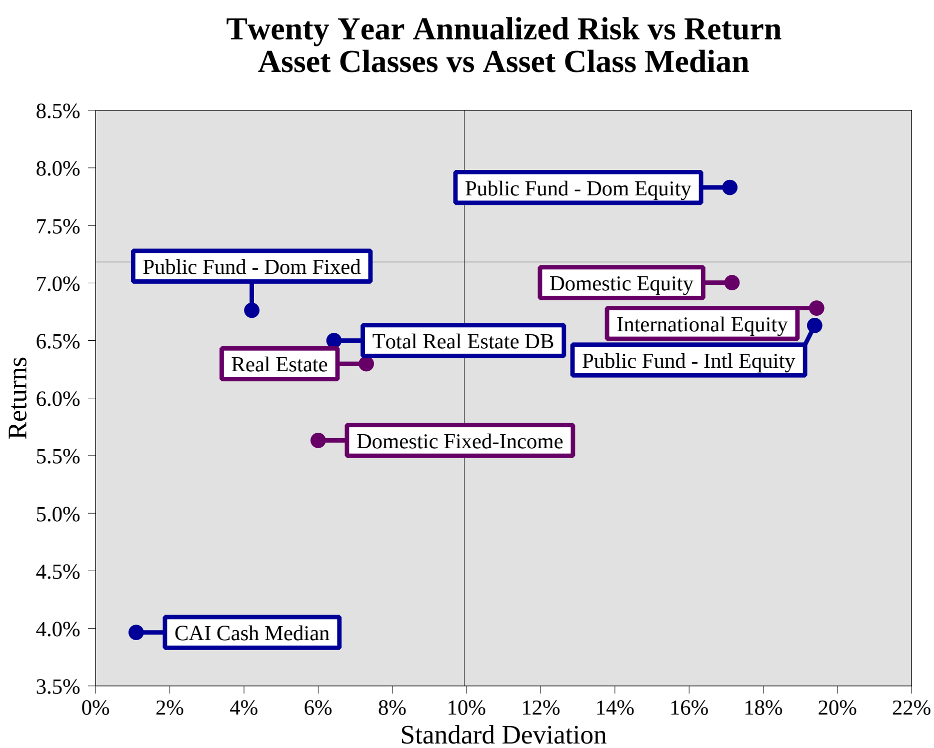
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



Asset Class Risk and Return

The charts below show the twenty year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.



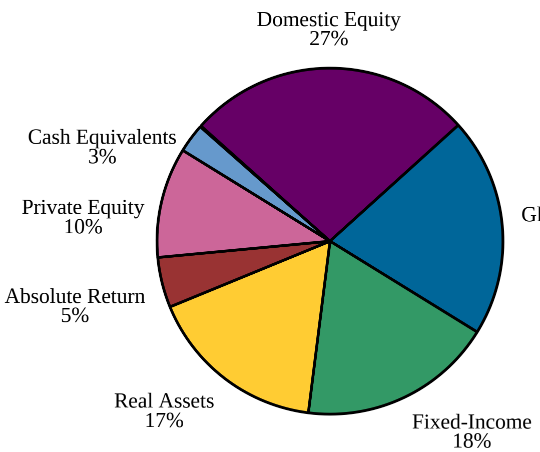


T R S HEALTH CARE

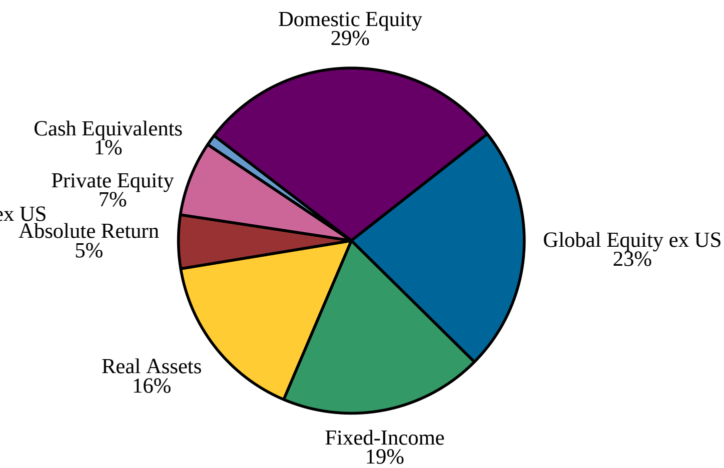
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of September 30, 2011. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

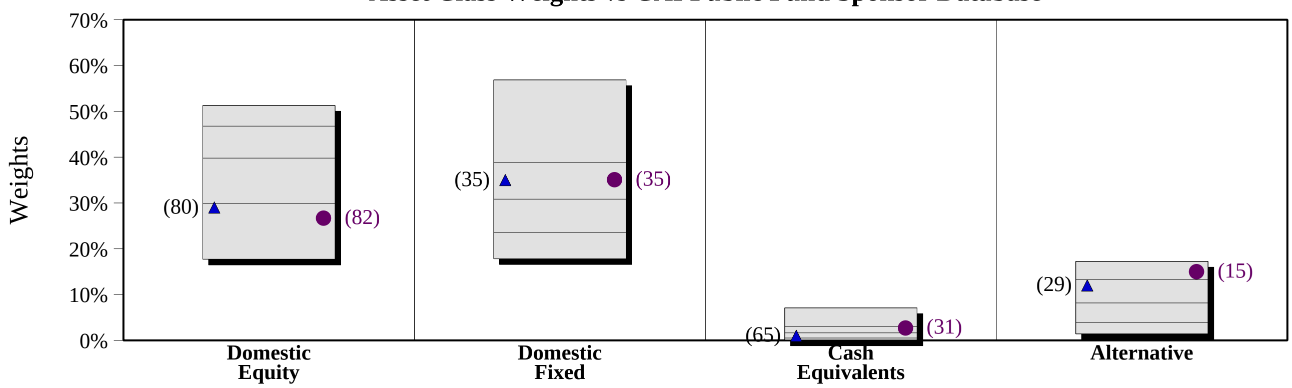


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	408,863	26.7%	29.0%	(2.3%)	(35,453)
Global Equity ex US	314,410	20.5%	23.0%	(2.5%)	(37,978)
Fixed-Income	279,342	18.2%	19.0%	(0.8%)	(11,762)
Real Assets	258,152	16.8%	16.0%	0.8%	13,012
Absolute Return	72,045	4.7%	5.0%	(0.3%)	(4,561)
Private Equity	157,799	10.3%	7.0%	3.3%	50,551
Cash Equivalents	41,514	2.7%	1.0%	1.7%	26,193
Total	1,532,124	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



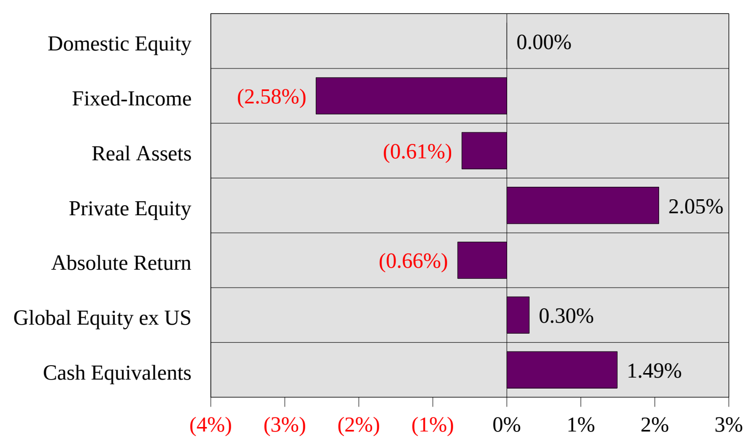
	Domestic Equity	Domestic Fixed	Cash Equivalents	Alternative
10th Percentile	51.29	56.87	7.10	17.24
25th Percentile	46.77	38.86	3.05	13.24
Median	39.79	30.83	1.64	8.17
75th Percentile	29.92	23.51	0.52	3.93
90th Percentile	17.72	17.82	0.07	1.42
Fund ●	26.69	35.08	2.71	15.00
Target ▲	29.00	35.00	1.00	12.00
% Group Invested	98.85%	98.85%	67.82%	47.13%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

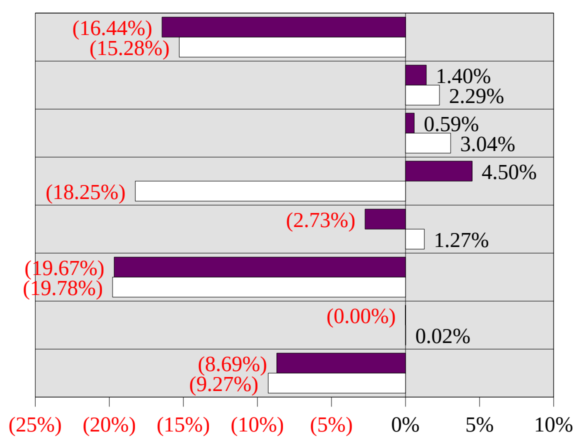
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

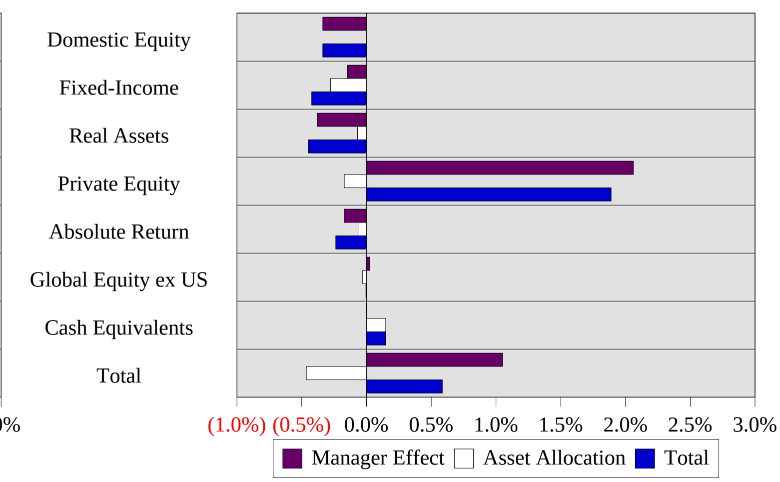
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

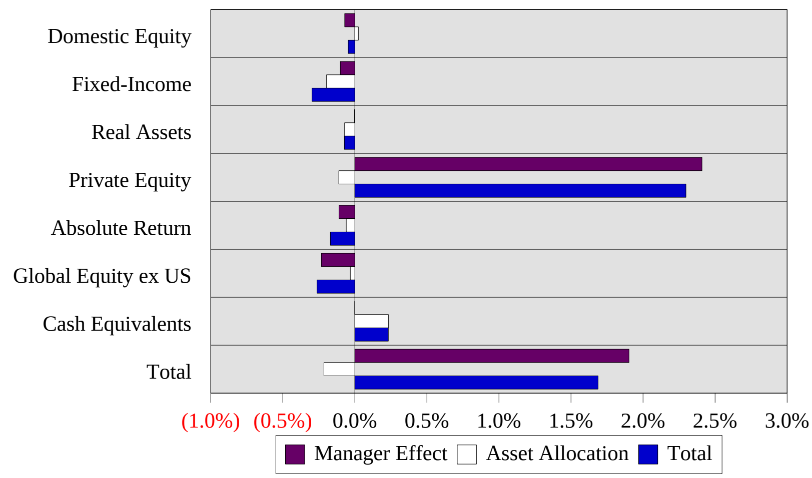
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	29%	(16.44%)	(15.28%)	(0.34%)	(0.00%)	(0.34%)
Fixed-Income	16%	19%	1.40%	2.29%	(0.15%)	(0.28%)	(0.42%)
Real Assets	15%	16%	0.59%	3.04%	(0.38%)	(0.07%)	(0.45%)
Private Equity	9%	7%	4.50%	(18.25%)	2.06%	(0.17%)	1.89%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.17%)	(0.06%)	(0.24%)
Global Equity ex US	23%	23%	(19.67%)	(19.78%)	0.02%	(0.03%)	(0.00%)
Cash Equivalents	2%	1%	(0.00%)	0.02%	(0.00%)	0.15%	0.15%
Total			**(8.69%) =**	**(9.27%) +**	**1.05% +**	**(0.46%)**	**0.59%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

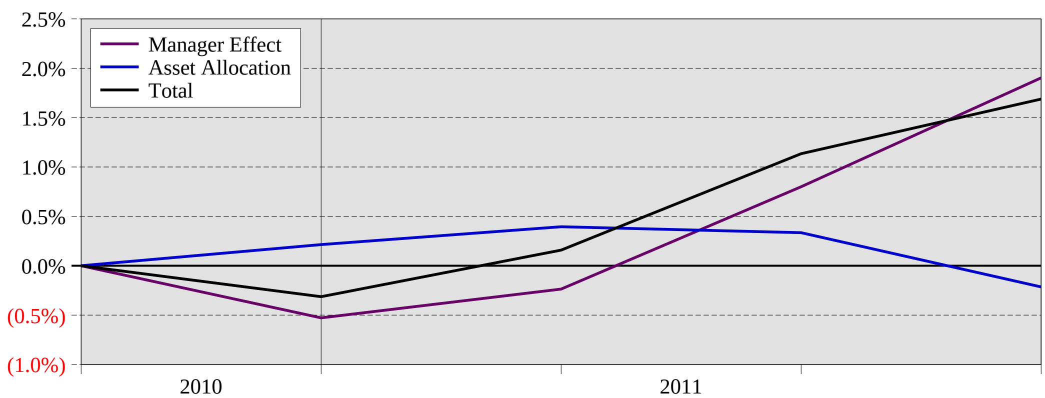
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

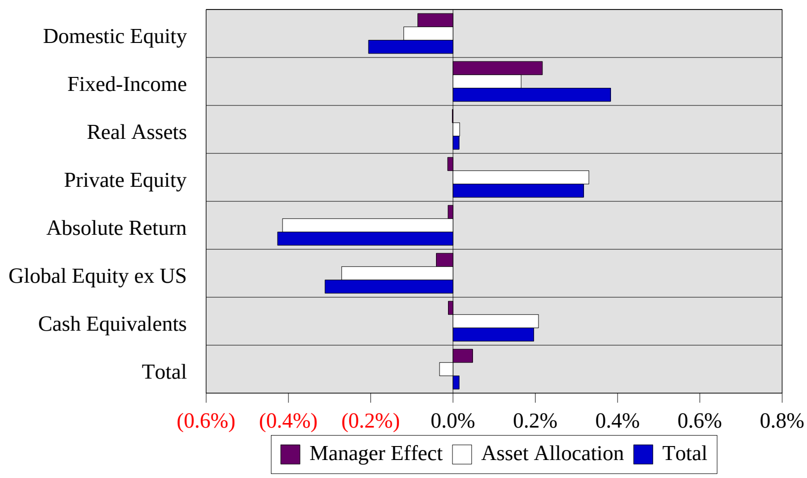
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.16%	0.55%	(0.07%)	0.02%	(0.05%)
Fixed-Income	17%	19%	3.25%	3.76%	(0.10%)	(0.20%)	(0.30%)
Real Assets	15%	16%	13.16%	12.81%	(0.00%)	(0.07%)	(0.07%)
Private Equity	9%	7%	24.48%	(3.85%)	2.41%	(0.11%)	2.30%
Absolute Return	5%	5%	2.79%	5.14%	(0.11%)	(0.06%)	(0.17%)
Global Equity ex US	24%	23%	(11.25%)	(10.42%)	(0.23%)	(0.03%)	(0.26%)
Cash Equivalents	1%	1%	0.29%	0.14%	(0.00%)	0.23%	0.23%
Total			**2.65% =**	**0.96% +**	**1.90% +**	**(0.21%)**	**1.69%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

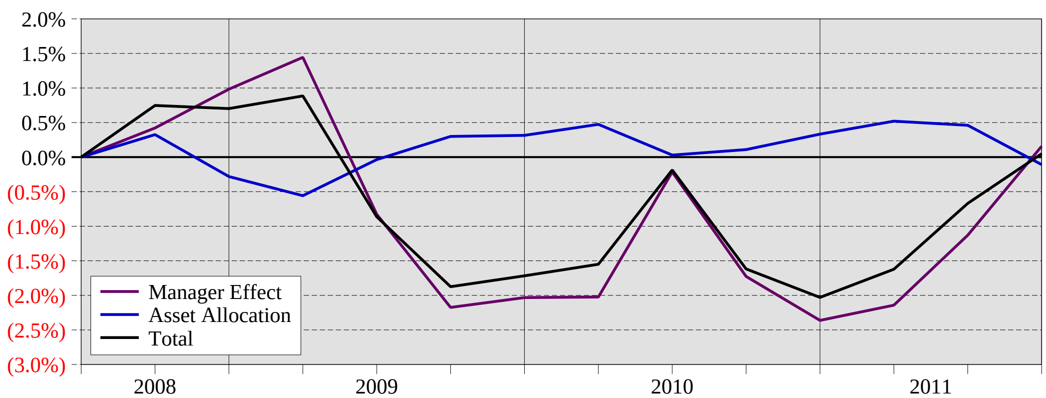
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three and One-Quarter Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three and One-Quarter Annualized Relative Attribution Effects

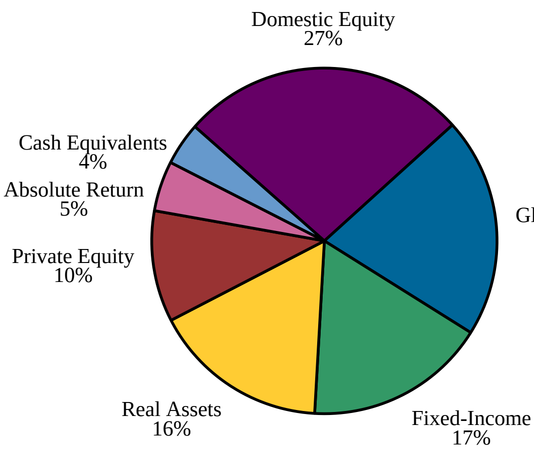
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	32%	(1.83%)	(1.47%)	(0.09%)	(0.12%)	(0.21%)
Fixed-Income	19%	20%	7.93%	6.87%	0.22%	0.17%	0.38%
Real Assets	14%	14%	1.92%	1.44%	(0.00%)	0.02%	0.01%
Private Equity	7%	6%	11.80%	(3.16%)	(0.01%)	0.33%	0.32%
Absolute Return	4%	6%	3.87%	5.40%	(0.01%)	(0.41%)	(0.43%)
Global Equity ex US	23%	22%	(6.57%)	(6.47%)	(0.04%)	(0.27%)	(0.31%)
Cash Equivalents	1%	1%	1.34%	1.33%	(0.01%)	0.21%	0.20%
Total			**0.71%** =	**0.69%** +	**0.05%** +	**(0.03%)**	**0.01%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

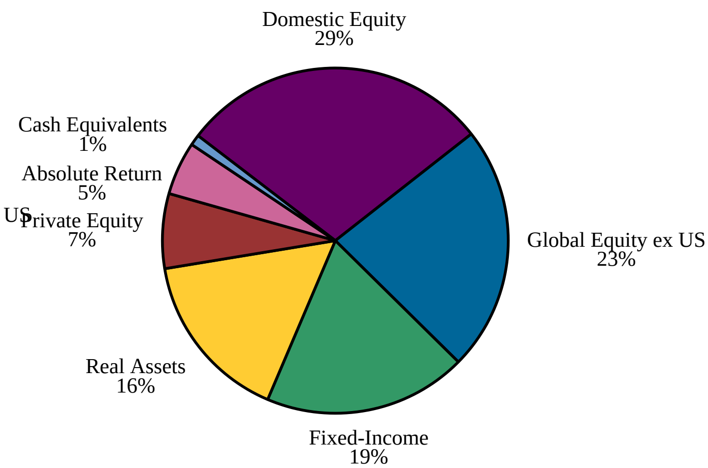
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of September 30, 2011. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

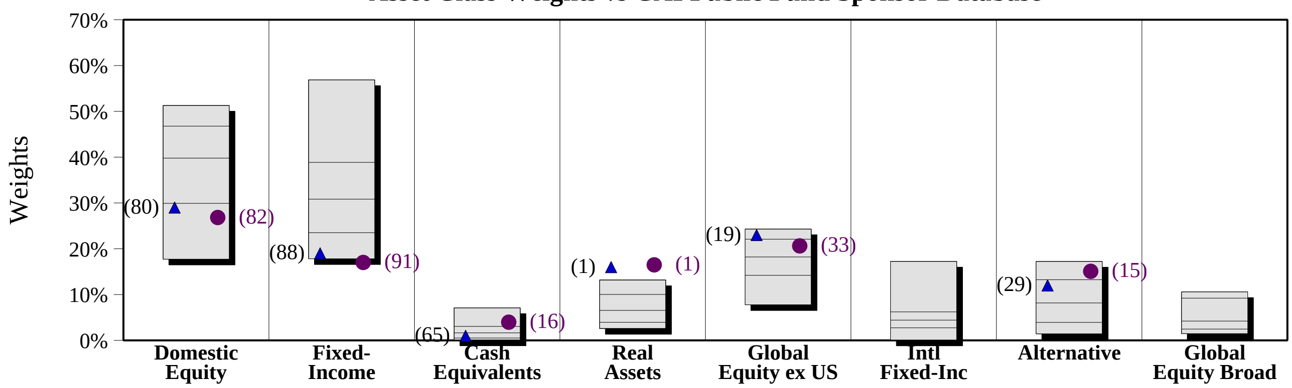


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	27,231	26.8%	29.0%	(2.2%)	(2,204)
Global Equity ex US	20,933	20.6%	23.0%	(2.4%)	(2,412)
Fixed-Income	17,266	17.0%	19.0%	(2.0%)	(2,019)
Real Assets	16,736	16.5%	16.0%	0.5%	496
Private Equity	10,506	10.4%	7.0%	3.4%	3,401
Absolute Return	4,799	4.7%	5.0%	(0.3%)	(276)
Cash Equivalents	4,030	4.0%	1.0%	3.0%	3,015
Total	101,502	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



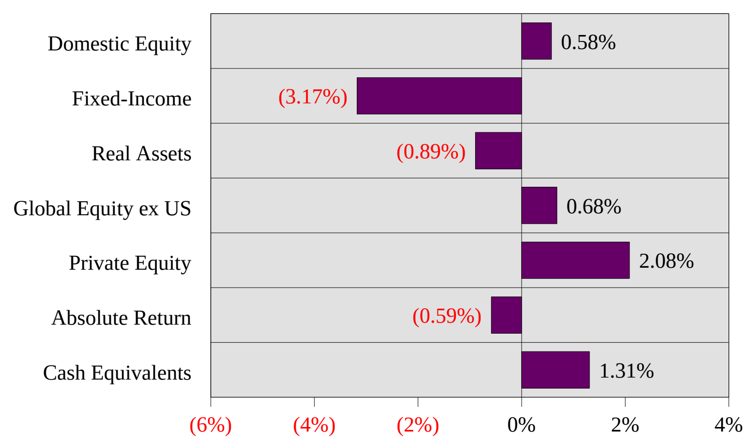
	Domestic Equity	Fixed-Income	Cash Equivalents	Real Assets	Global Equity ex US	Intl Fixed-Inc	Alternative	Global Equity Broad
10th Percentile	51.29	56.87	7.10	13.19	24.30	17.24	17.24	10.59
25th Percentile	46.77	38.86	3.05	10.02	22.09	6.22	13.24	9.22
Median	39.79	30.83	1.64	6.55	18.21	4.42	8.17	4.22
75th Percentile	29.92	23.51	0.52	3.95	14.20	2.74	3.93	2.47
90th Percentile	17.72	17.82	0.07	2.59	7.77	0.07	1.42	1.46
Fund ●	26.83	17.01	3.97	16.49	20.62	-	15.08	-
Target ▲	29.00	19.00	1.00	16.00	23.00	-	12.00	-
% Group Invested	98.85%	98.85%	67.82%	45.98%	91.95%	19.54%	47.13%	9.20%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

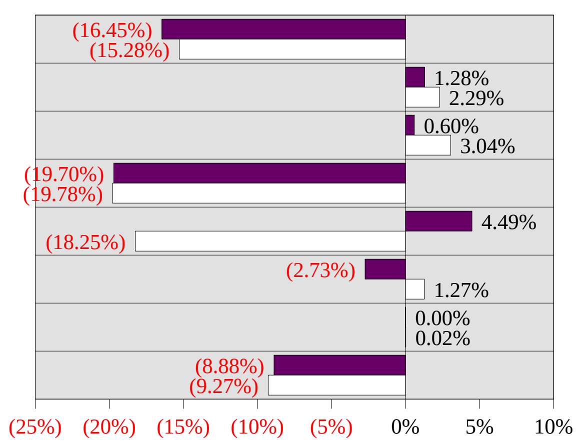
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

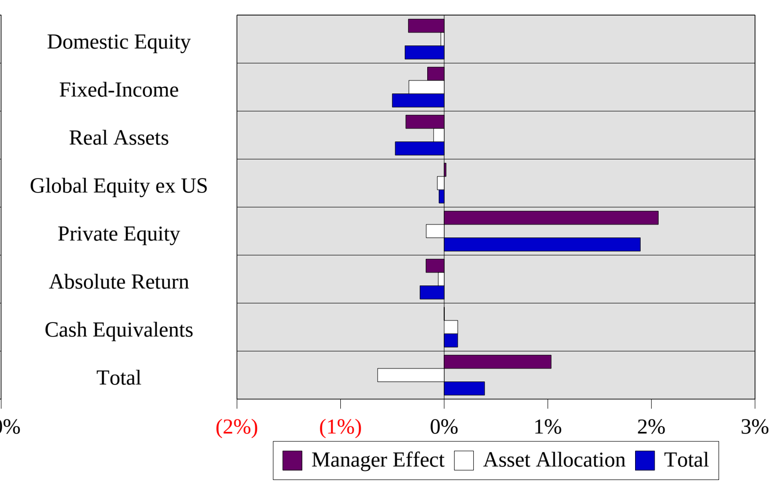
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

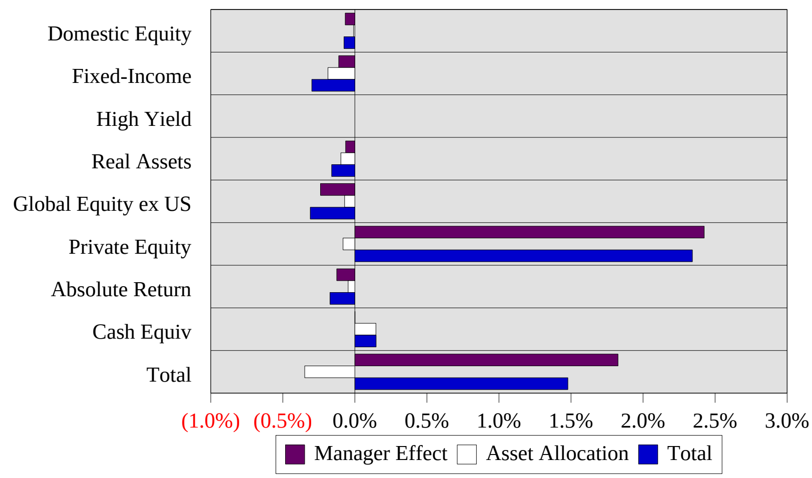
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	(16.45%)	(15.28%)	(0.35%)	(0.03%)	(0.38%)
Fixed-Income	16%	19%	1.28%	2.29%	(0.16%)	(0.34%)	(0.50%)
Real Assets	15%	16%	0.60%	3.04%	(0.37%)	(0.10%)	(0.47%)
Global Equity ex US	24%	23%	(19.70%)	(19.78%)	0.02%	(0.07%)	(0.05%)
Private Equity	9%	7%	4.49%	(18.25%)	2.07%	(0.17%)	1.89%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.18%)	(0.06%)	(0.23%)
Cash Equivalents	2%	1%	0.00%	0.02%	(0.00%)	0.13%	0.13%
Total			**(8.88%)** =	**(9.27%)** +	**1.03%** +	**(0.64%)**	**0.39%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

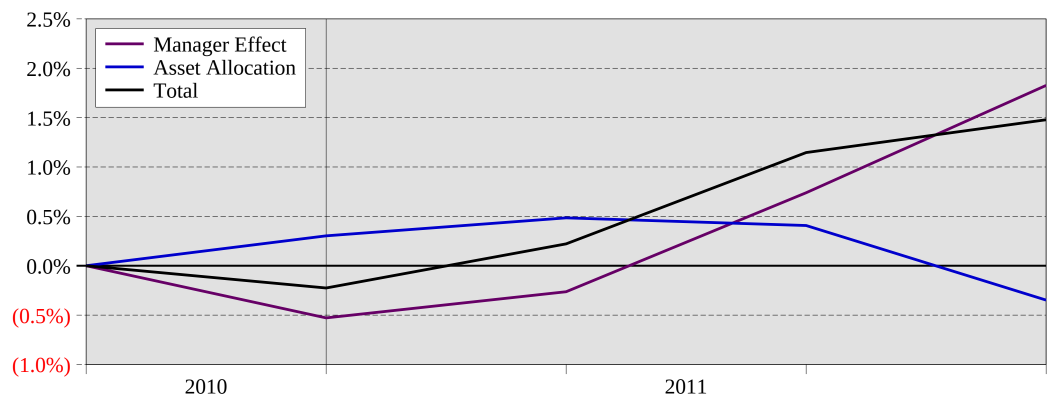
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

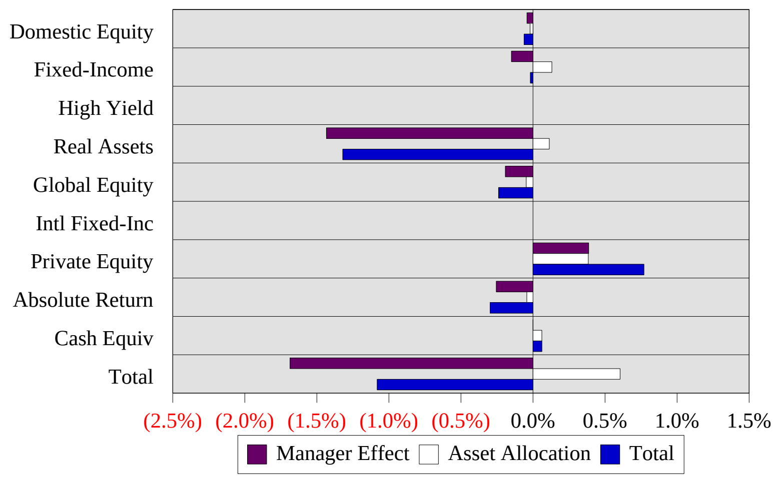
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.20%	0.55%	(0.07%)	(0.01%)	(0.08%)
Fixed-Income	17%	19%	3.16%	3.76%	(0.11%)	(0.19%)	(0.30%)
High Yield	0%	0%	-	-	0.00%	0.00%	0.00%
Real Assets	15%	16%	12.71%	12.81%	(0.06%)	(0.10%)	(0.16%)
Global Equity ex US	24%	23%	(11.29%)	(10.42%)	(0.24%)	(0.07%)	(0.31%)
Private Equity	9%	7%	24.54%	(3.85%)	2.42%	(0.08%)	2.34%
Absolute Return	5%	5%	2.54%	5.14%	(0.13%)	(0.05%)	(0.17%)
Cash Equiv	1%	1%	0.34%	0.14%	0.00%	0.15%	0.15%
Total			**2.44%** =	**0.96%** +	**1.83%** +	**(0.35%)**	**1.48%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

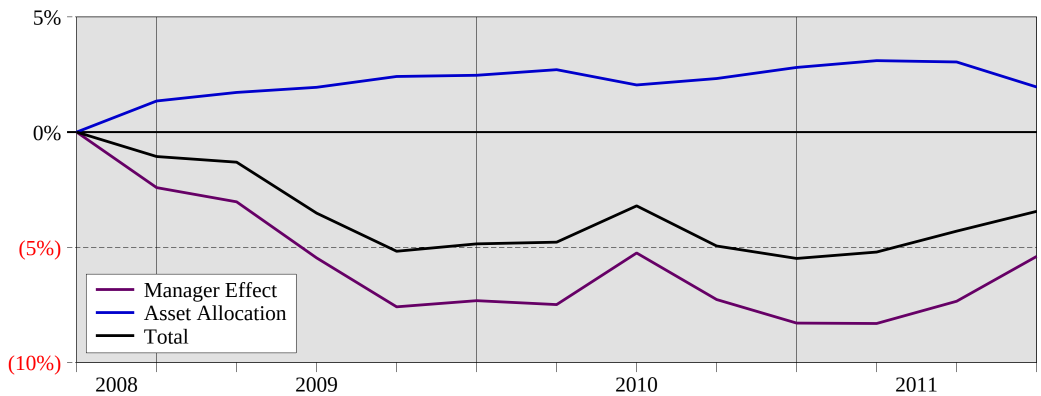
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

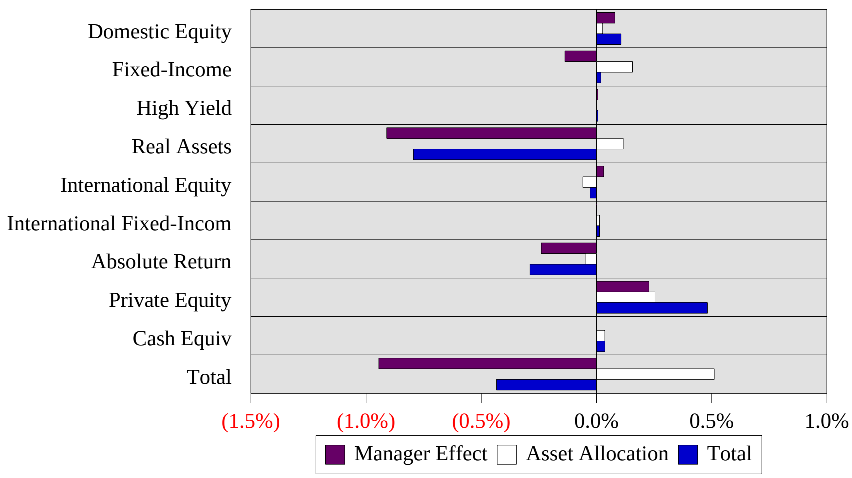
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	31%	31%	1.44%	1.45%	(0.04%)	(0.02%)	(0.06%)
Fixed-Income	18%	19%	7.69%	8.20%	(0.15%)	0.13%	(0.02%)
High Yield	0%	0%	-	-	0.00%	0.00%	0.00%
Real Assets	16%	16%	(5.90%)	1.73%	(1.43%)	0.11%	(1.32%)
Global Equity	23%	22%	0.67%	0.98%	(0.19%)	(0.05%)	(0.24%)
Intl Fixed-Inc	0%	0%	-	-	0.00%	0.00%	0.00%
Private Equity	7%	7%	12.85%	0.04%	0.39%	0.38%	0.77%
Absolute Return	5%	5%	(0.16%)	5.22%	(0.25%)	(0.04%)	(0.30%)
Cash Equiv	0%	0%	-	-	0.00%	0.06%	0.06%
Total			**2.44% =**	**3.52% +**	**(1.69%) +**	**0.60%**	**(1.08%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

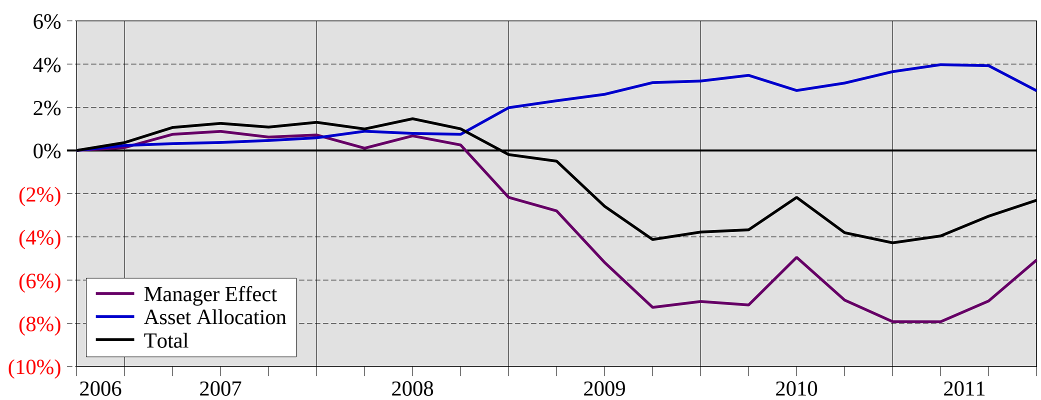
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

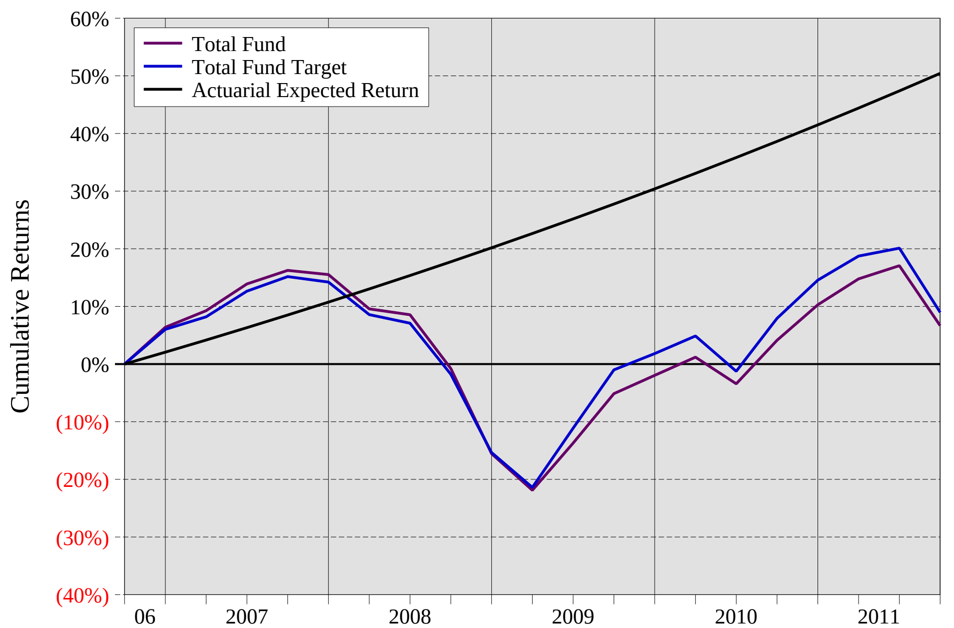
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	34%	35%	(0.97%)	(1.22%)	0.08%	0.03%	0.11%
Fixed-Income	19%	19%	6.13%	6.68%	(0.14%)	0.16%	0.02%
High Yield	1%	1%	-	-	0.01%	(0.00%)	0.01%
Real Assets	14%	14%	(0.50%)	4.67%	(0.91%)	0.12%	(0.79%)
International Equity	22%	21%	(1.40%)	(1.96%)	0.03%	(0.06%)	(0.03%)
International Fixed-Incom	1%	1%	-	-	(0.00%)	0.01%	0.01%
Absolute Return	4%	5%	1.22%	6.58%	(0.24%)	(0.05%)	(0.29%)
Private Equity	4%	5%	-	-	0.23%	0.25%	0.48%
Cash Equiv	0%	0%	-	-	0.00%	0.04%	0.04%
Total			**1.30% =**	**1.73% +**	**(0.94%) +**	**0.51%**	**(0.43%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

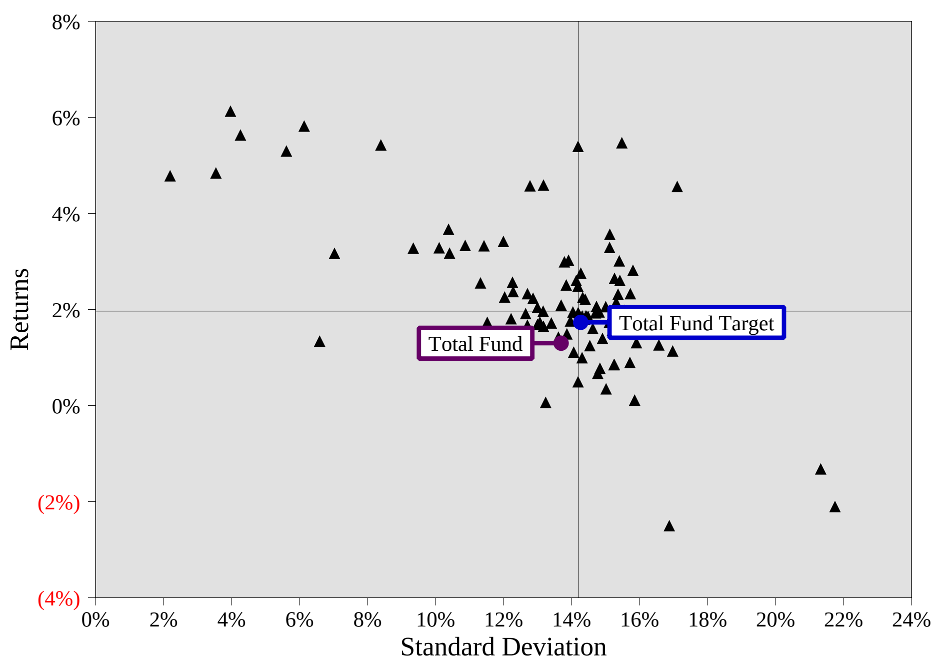
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Five Year Annualized Risk vs Return



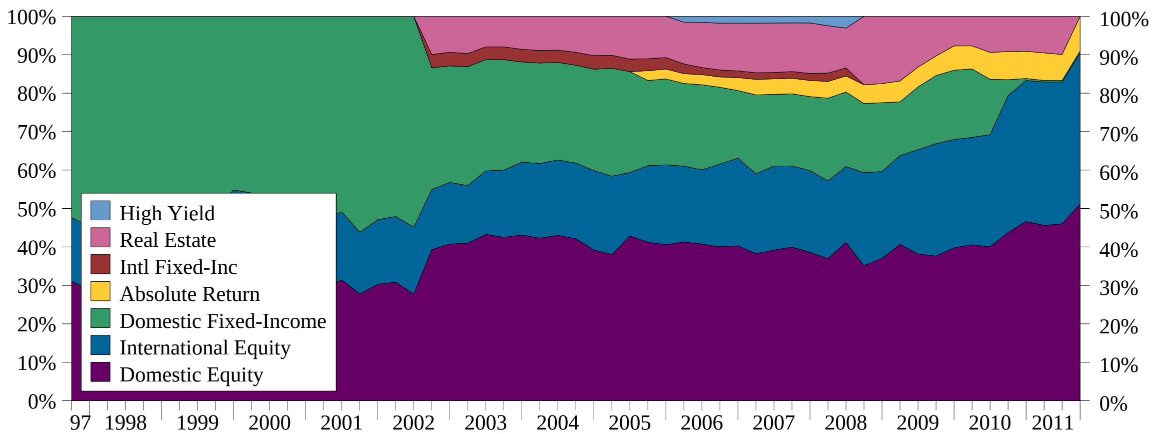
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

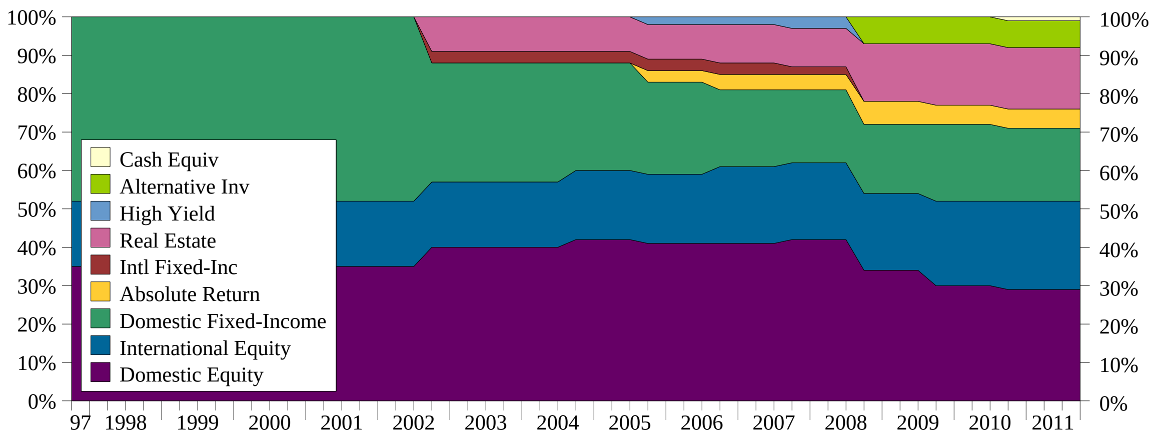
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

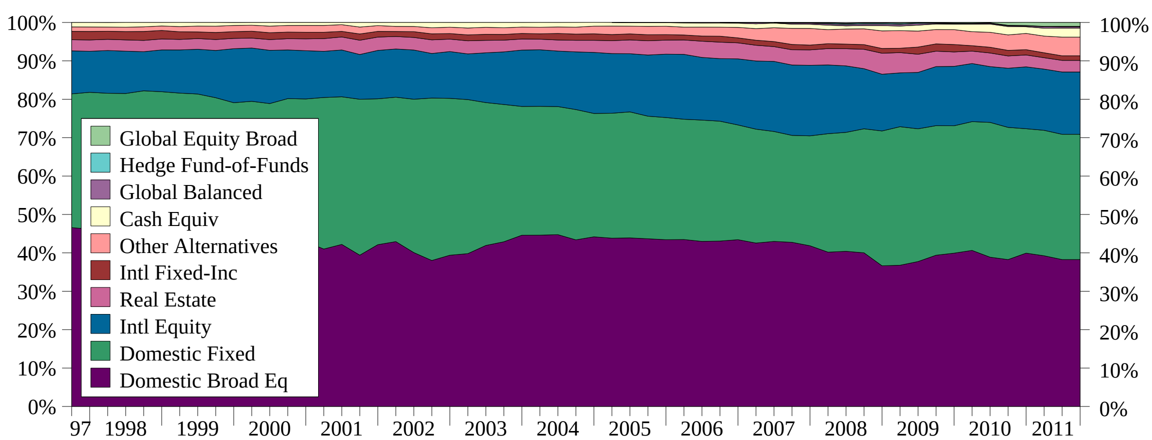
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

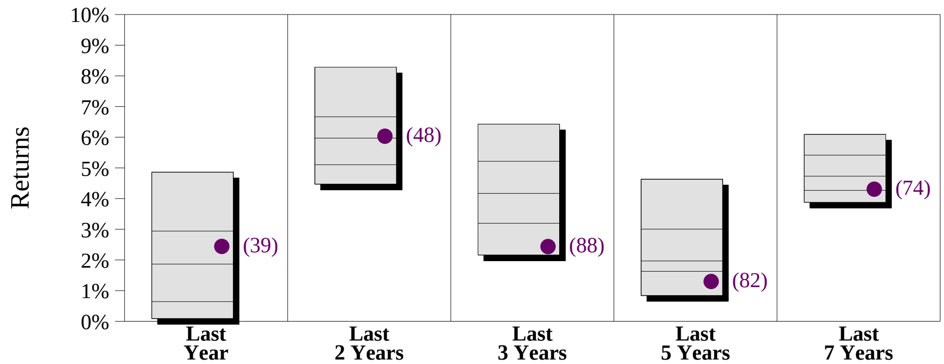


* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

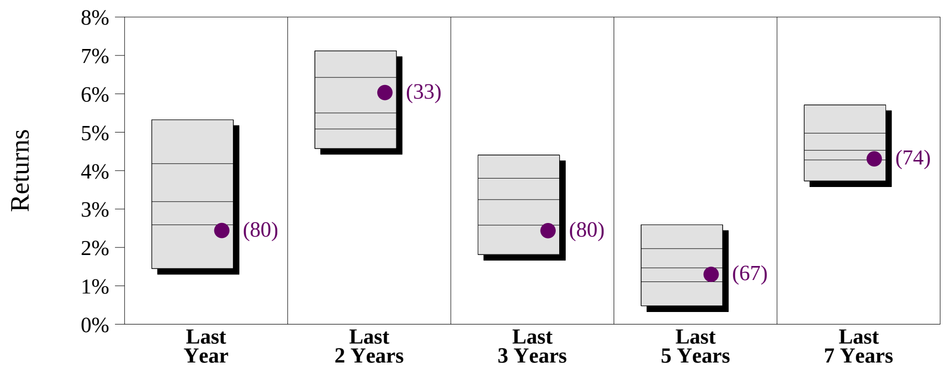
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended September 30, 2011. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

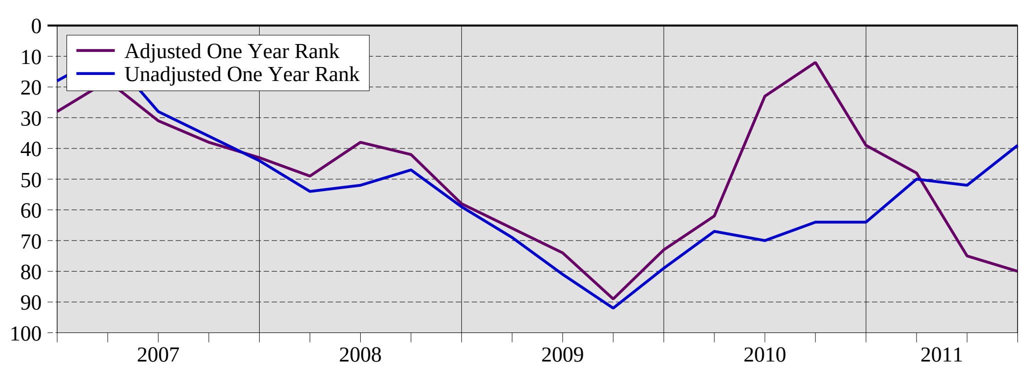
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



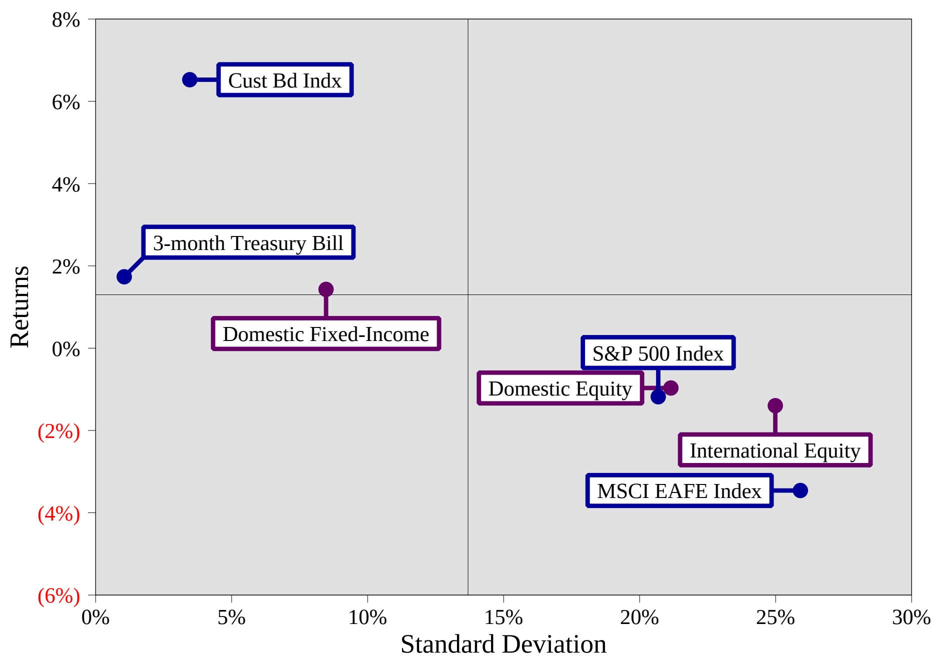
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



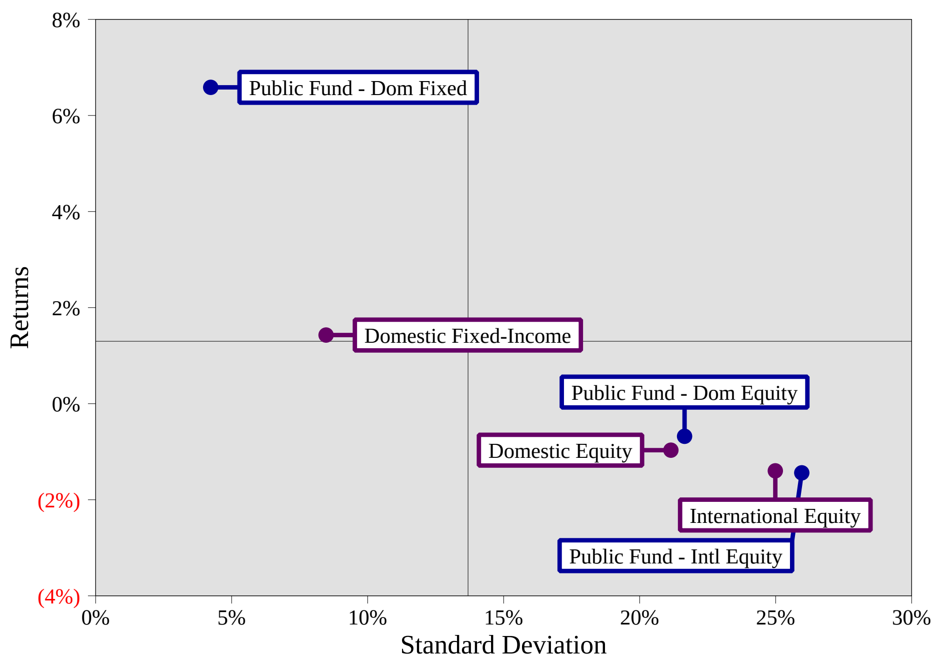
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median

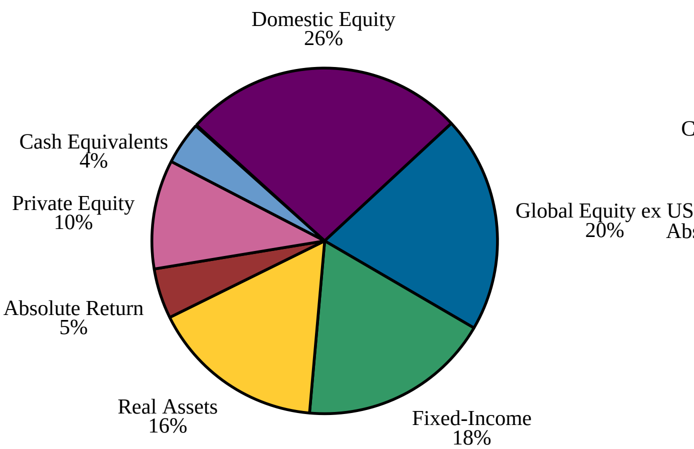


J R S HEALTH CARE

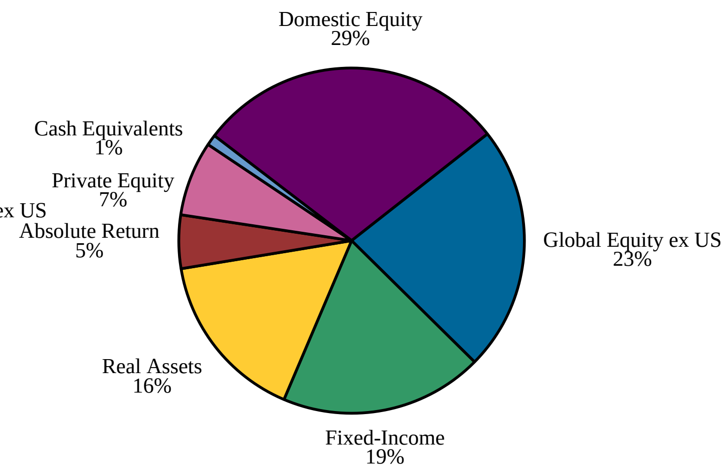
Actual vs Target Asset Allocation

The top left chart shows the Fund's asset allocation as of September 30, 2011. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

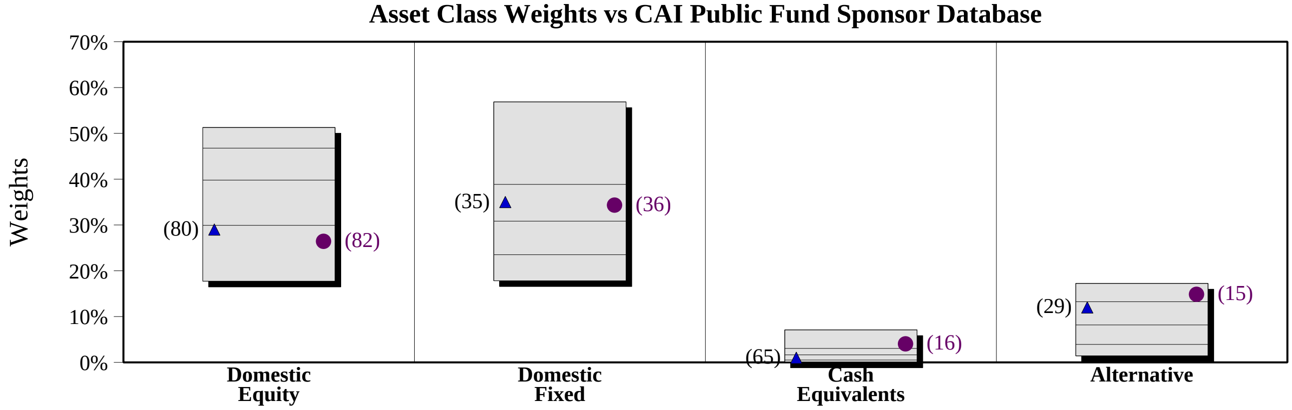


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	4,975	26.4%	29.0%	(2.6%)	(483)
Global Equity ex US	3,824	20.3%	23.0%	(2.7%)	(505)
Fixed-Income	3,390	18.0%	19.0%	(1.0%)	(186)
Real Assets	3,073	16.3%	16.0%	0.3%	61
Absolute Return	877	4.7%	5.0%	(0.3%)	(64)
Private Equity	1,920	10.2%	7.0%	3.2%	602
Cash Equivalents	762	4.0%	1.0%	3.0%	574
Total	18,820	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



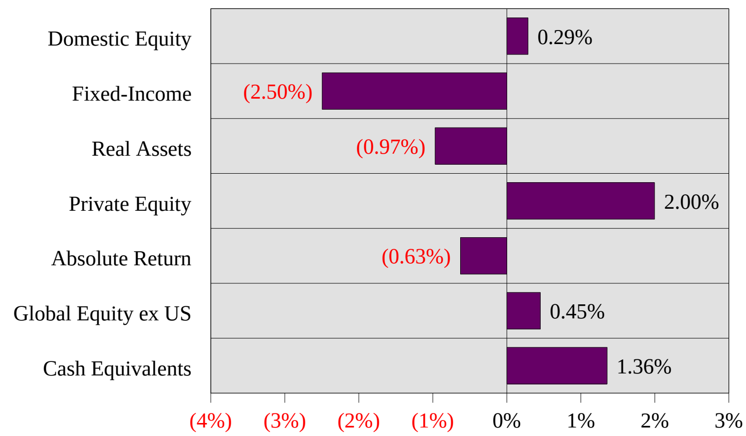
	Domestic Equity	Domestic Fixed	Cash Equivalents	Alternative
10th Percentile	51.29	56.87	7.10	17.24
25th Percentile	46.77	38.86	3.05	13.24
Median	39.79	30.83	1.64	8.17
75th Percentile	29.92	23.51	0.52	3.93
90th Percentile	17.72	17.82	0.07	1.42
Fund ●	26.43	34.34	4.05	14.86
Target ▲	29.00	35.00	1.00	12.00
% Group Invested	98.85%	98.85%	67.82%	47.13%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

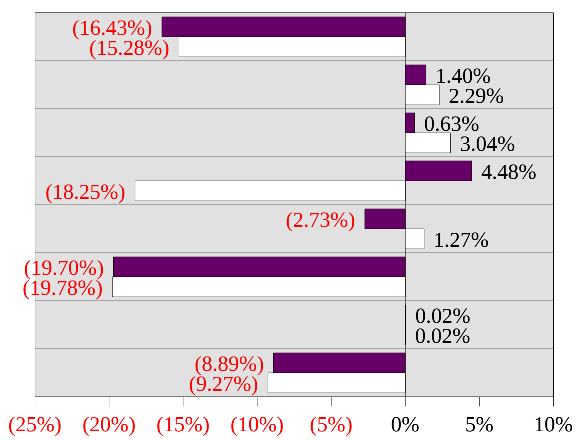
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

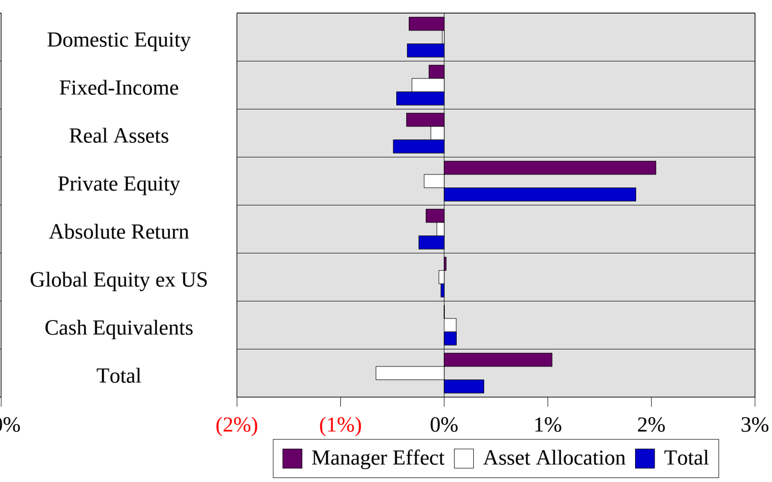
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

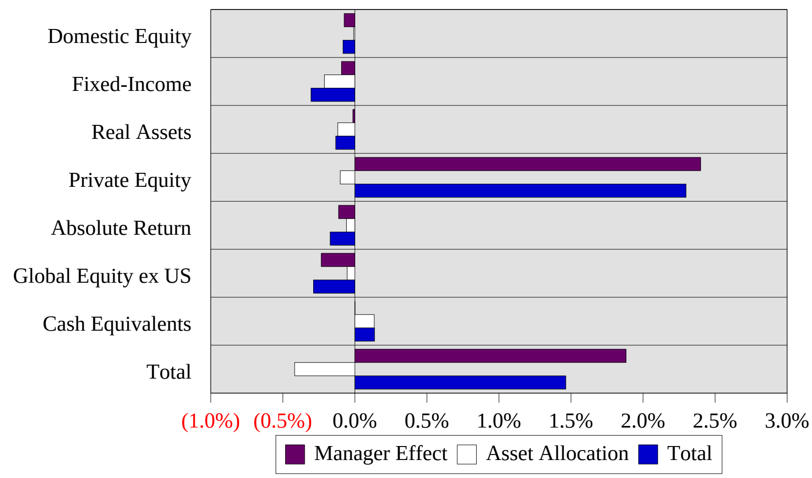
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	29%	(16.43%)	(15.28%)	(0.34%)	(0.02%)	(0.36%)
Fixed-Income	17%	19%	1.40%	2.29%	(0.15%)	(0.31%)	(0.46%)
Real Assets	15%	16%	0.63%	3.04%	(0.36%)	(0.13%)	(0.49%)
Private Equity	9%	7%	4.48%	(18.25%)	2.04%	(0.19%)	1.85%
Absolute Return	4%	5%	(2.73%)	1.27%	(0.17%)	(0.07%)	(0.25%)
Global Equity ex US	23%	23%	(19.70%)	(19.78%)	0.02%	(0.05%)	(0.03%)
Cash Equivalents	2%	1%	0.02%	0.02%	0.00%	0.12%	0.12%
Total			**(8.89%) =**	**(9.27%) +**	**1.04% +**	**(0.66%)**	**0.38%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

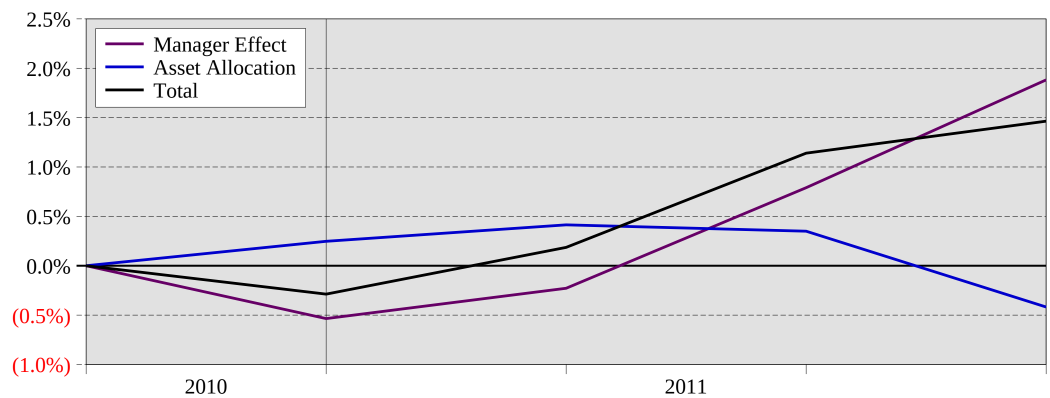
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

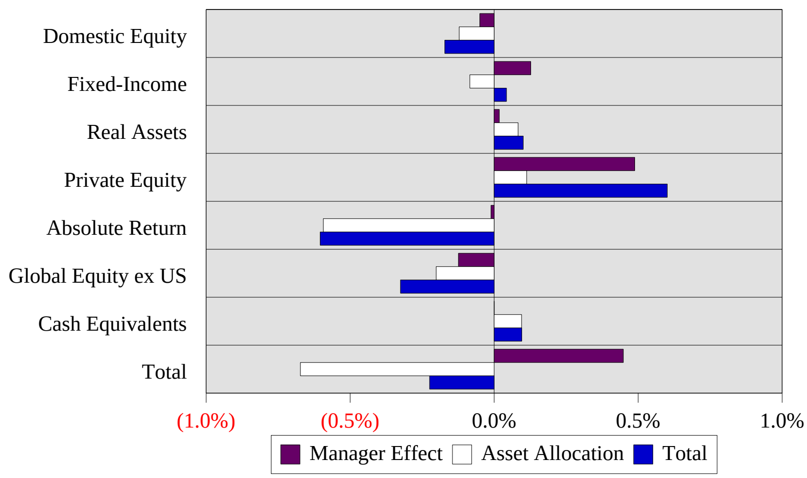
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	29%	0.17%	0.55%	(0.07%)	(0.01%)	(0.08%)
Fixed-Income	17%	19%	3.30%	3.76%	(0.09%)	(0.21%)	(0.30%)
Real Assets	15%	16%	13.07%	12.81%	(0.01%)	(0.12%)	(0.13%)
Private Equity	9%	7%	24.52%	(3.85%)	2.40%	(0.10%)	2.30%
Absolute Return	5%	5%	2.80%	5.14%	(0.11%)	(0.06%)	(0.17%)
Global Equity ex US	24%	23%	(11.27%)	(10.42%)	(0.23%)	(0.05%)	(0.29%)
Cash Equivalents	1%	1%	0.35%	0.14%	0.00%	0.13%	0.14%
Total			**2.43% =**	**0.96% +**	**1.88% +**	**(0.42%)**	**1.46%**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

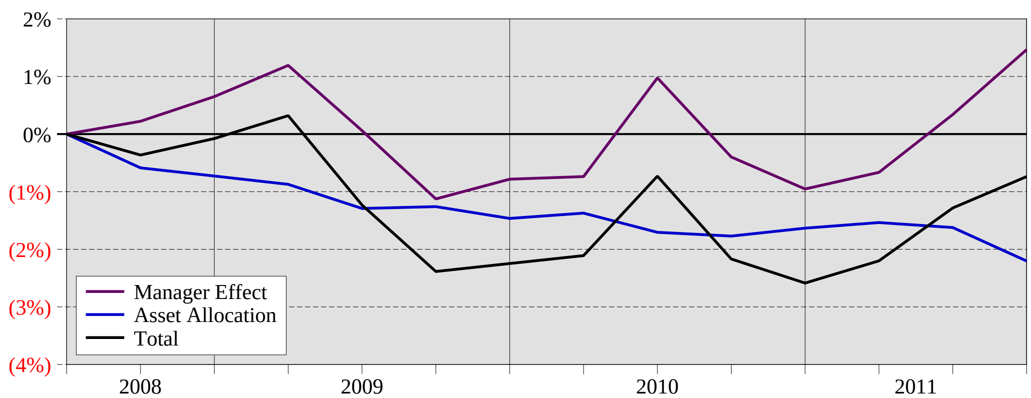
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three and One-Quarter Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three and One-Quarter Annualized Relative Attribution Effects

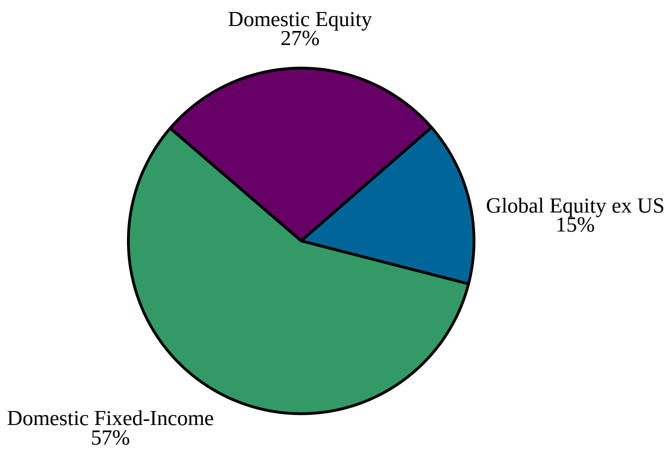
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	33%	32%	(1.71%)	(1.47%)	(0.05%)	(0.12%)	(0.17%)
Fixed-Income	19%	20%	7.52%	6.87%	0.13%	(0.08%)	0.04%
Real Assets	13%	14%	1.48%	1.44%	0.02%	0.08%	0.10%
Private Equity	6%	6%	11.78%	(3.16%)	0.49%	0.11%	0.60%
Absolute Return	4%	6%	3.88%	5.40%	(0.01%)	(0.59%)	(0.60%)
Global Equity ex US	23%	22%	(6.81%)	(6.47%)	(0.12%)	(0.20%)	(0.33%)
Cash Equivalents	2%	1%	1.08%	0.77%	0.00%	0.10%	0.10%
Total			**0.47%**	**= 0.69%**	**+ 0.45%**	**+ (0.67%)**	**(0.22%)**

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

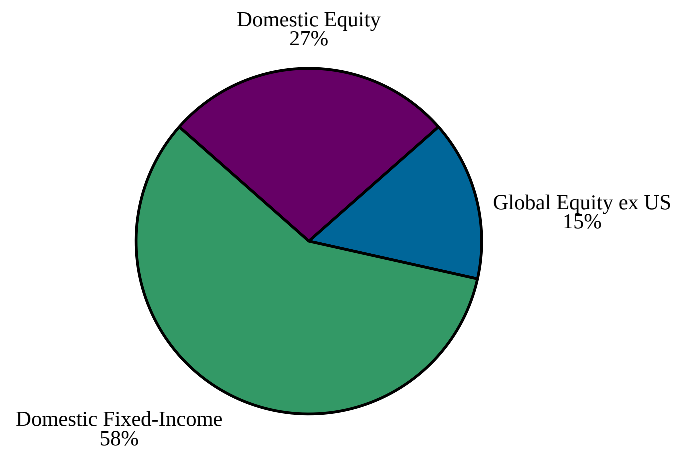
Actual vs Target Asset Allocation

The top left chart shows the Fund’s asset allocation as of September 30, 2011. The top right chart shows the Fund’s target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund’s asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.

Actual Asset Allocation

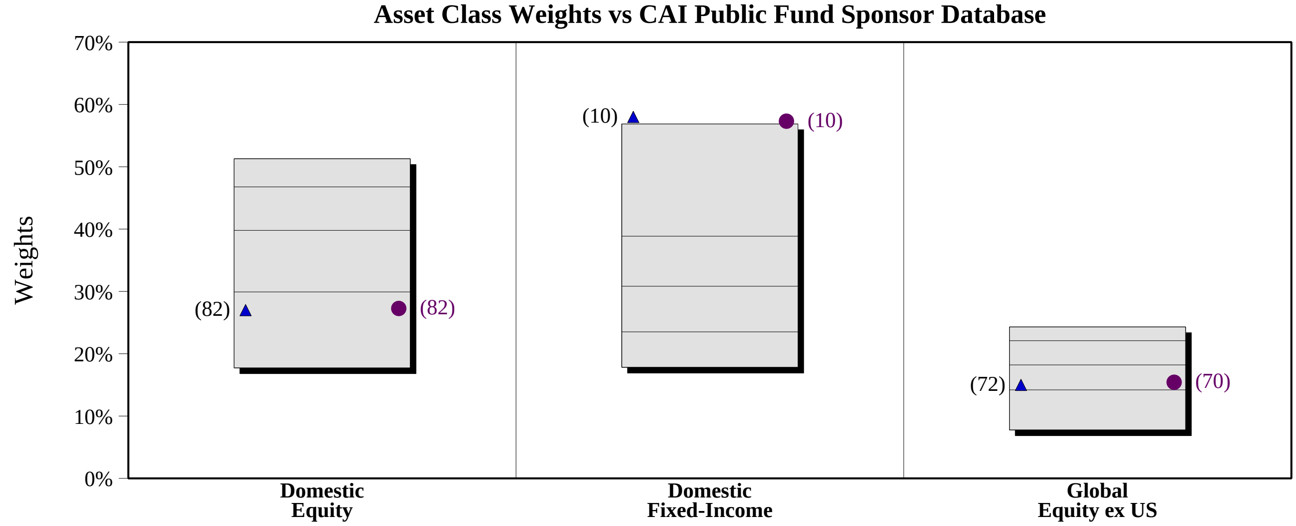


Target Asset Allocation



Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	8,552	27.3%	27.0%	0.3%	83
Global Equity ex US	4,837	15.4%	15.0%	0.4%	132
Domestic Fixed-Income	17,977	57.3%	58.0%	(0.7%)	(215)
Total	31,367	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



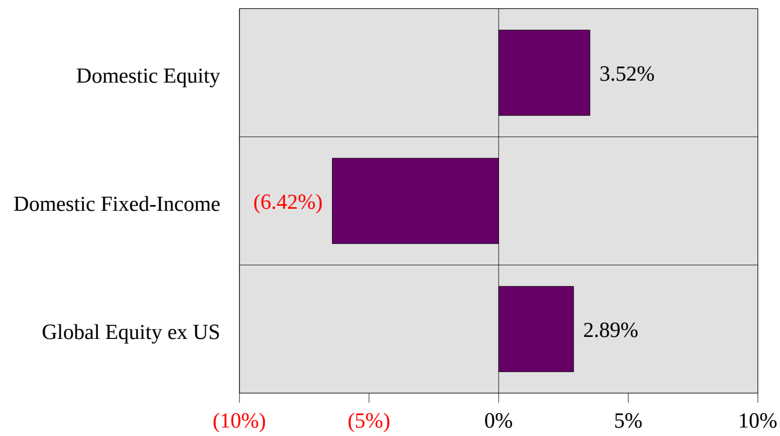
	Domestic Equity	Domestic Fixed-Income	Global Equity ex US
10th Percentile	51.29	56.87	24.30
25th Percentile	46.77	38.86	22.09
Median	39.79	30.83	18.21
75th Percentile	29.92	23.51	14.20
90th Percentile	17.72	17.82	7.77
Fund ●	27.27	57.31	15.42
Target ▲	27.00	58.00	15.00
% Group Invested	98.85%	98.85%	91.95%

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

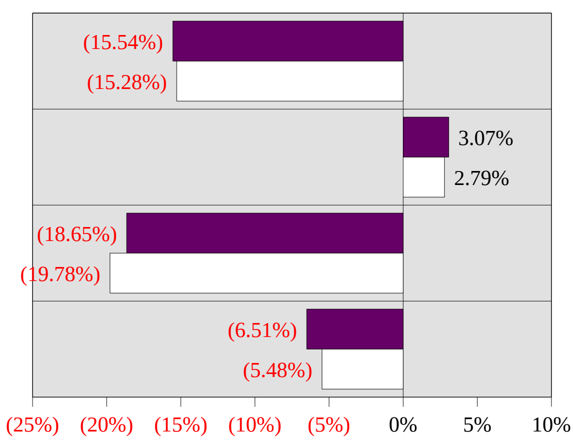
Quarterly Total Fund Relative Attribution - September 30, 2011

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

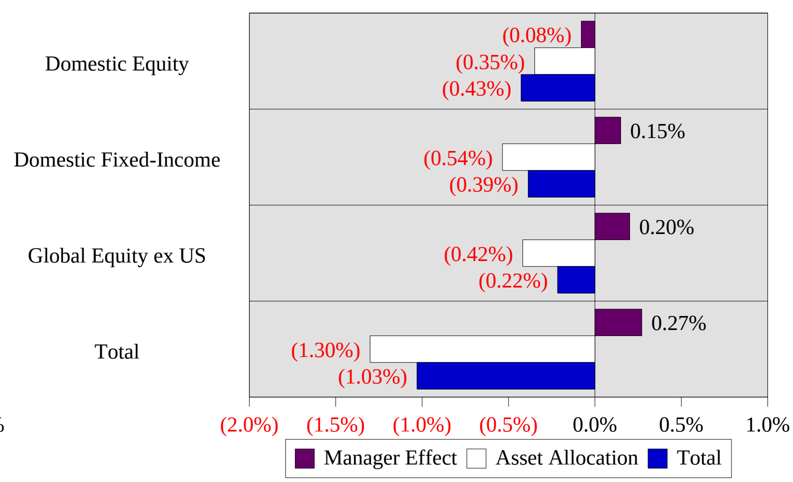
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2011

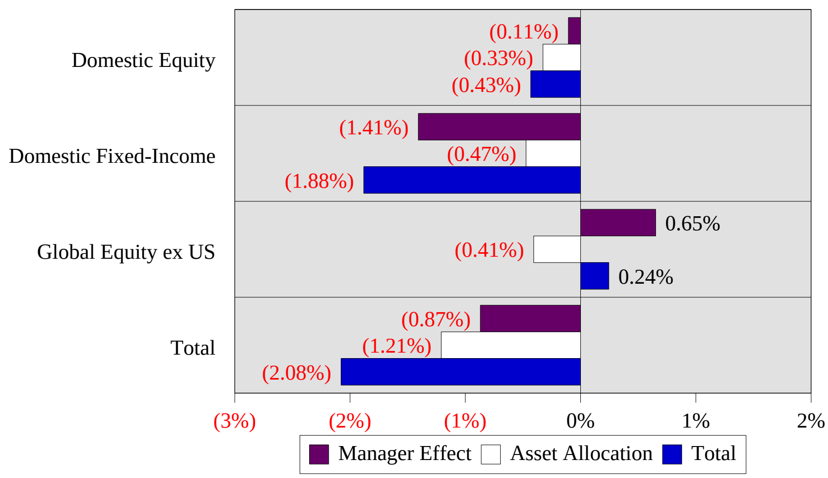
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	31%	27%	(15.54%)	(15.28%)	(0.08%)	(0.35%)	(0.43%)
Domestic Fixed-Income	52%	58%	3.07%	2.79%	0.15%	(0.54%)	(0.39%)
Global Equity ex US	18%	15%	(18.65%)	(19.78%)	0.20%	(0.42%)	(0.22%)
Total			**(6.51%)** =	**(5.48%)** +	**0.27%** +	**(1.30%)**	**(1.03%)**

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

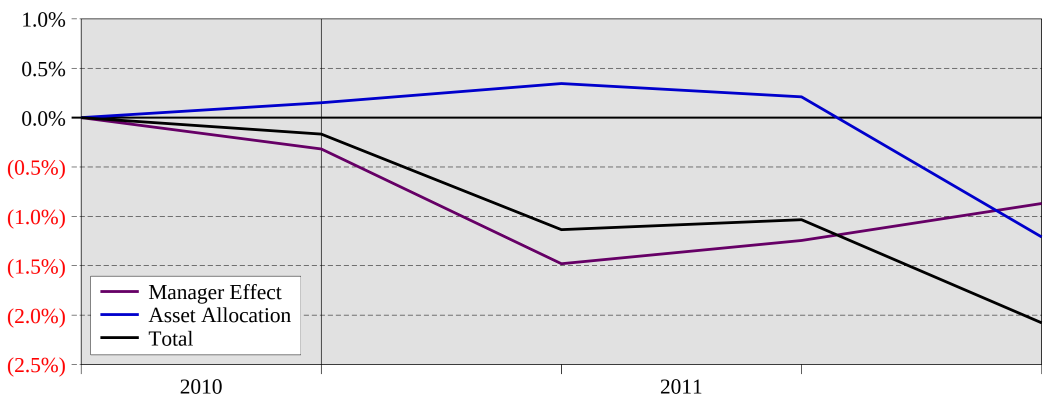
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

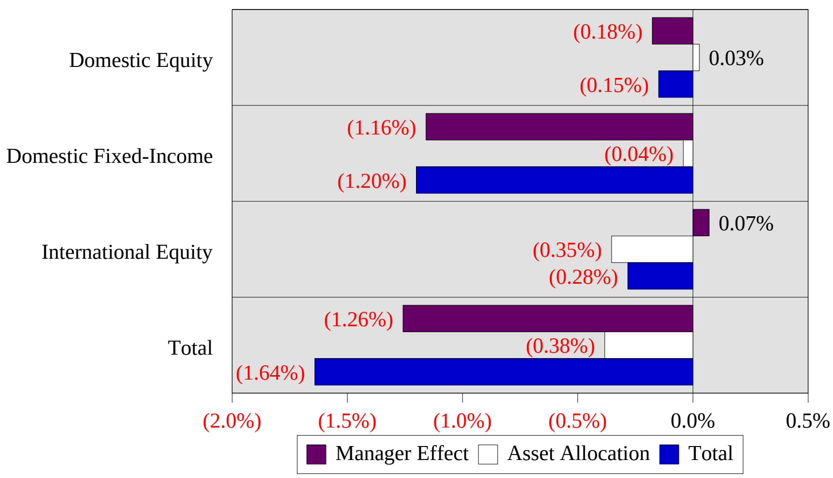
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	29%	27%	0.16%	0.55%	(0.11%)	(0.33%)	(0.43%)
Domestic Fixed-Income	53%	58%	2.09%	4.89%	(1.41%)	(0.47%)	(1.88%)
Global Equity ex US	17%	15%	(6.91%)	(10.42%)	0.65%	(0.41%)	0.24%
Total			**(0.05%) =**	**2.02% +**	**(0.87%) +**	**(1.21%)**	**(2.08%)**

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

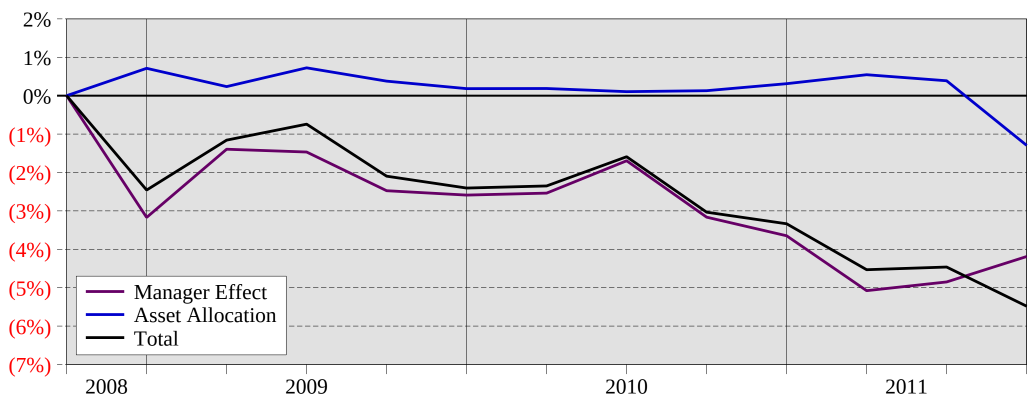
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

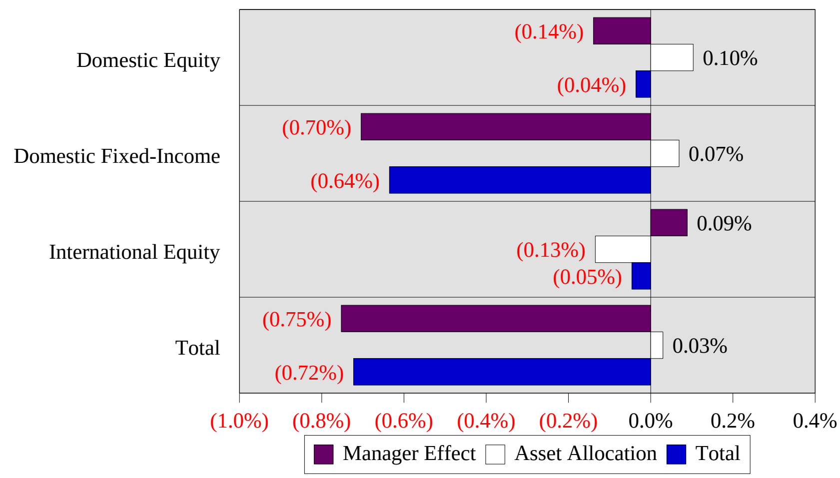
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	28%	28%	0.81%	1.09%	(0.18%)	0.03%	(0.15%)
Domestic Fixed-Income	57%	58%	6.77%	8.65%	(1.16%)	(0.04%)	(1.20%)
International Equity	15%	14%	0.98%	0.04%	0.07%	(0.35%)	(0.28%)
Total			**4.70% =**	**6.35% +**	**(1.26%) +**	**(0.38%)**	**(1.64%)**

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

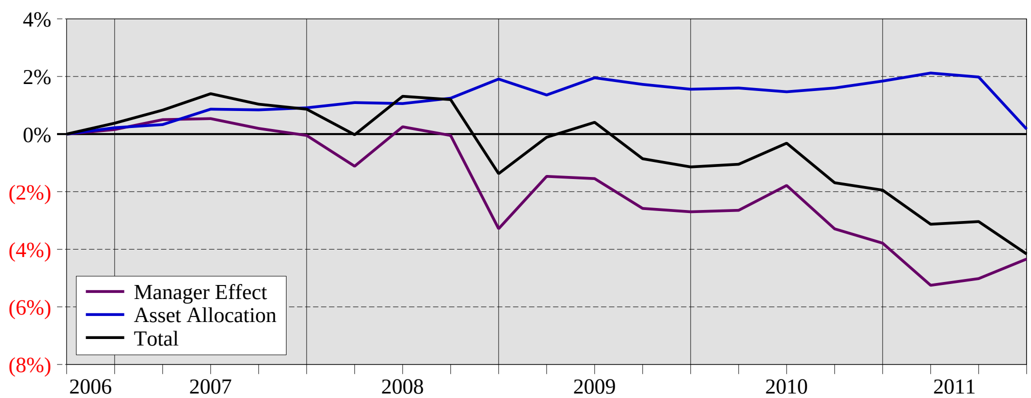
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

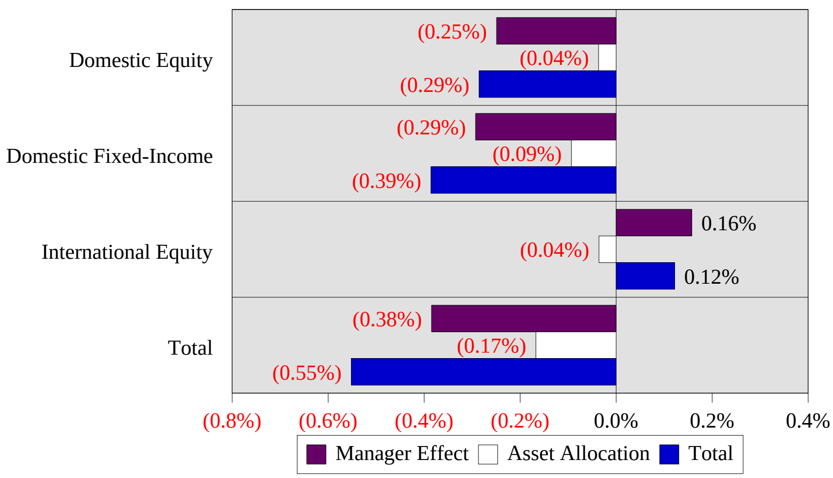
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	28%	29%	(1.37%)	(1.02%)	(0.14%)	0.10%	(0.04%)
Domestic Fixed-Income	58%	59%	5.52%	6.66%	(0.70%)	0.07%	(0.64%)
International Equity	14%	12%	(1.80%)	(2.77%)	0.09%	(0.13%)	(0.05%)
Total			**3.25% =**	**3.97% +**	**(0.75%) +**	**0.03%**	**(0.72%)**

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

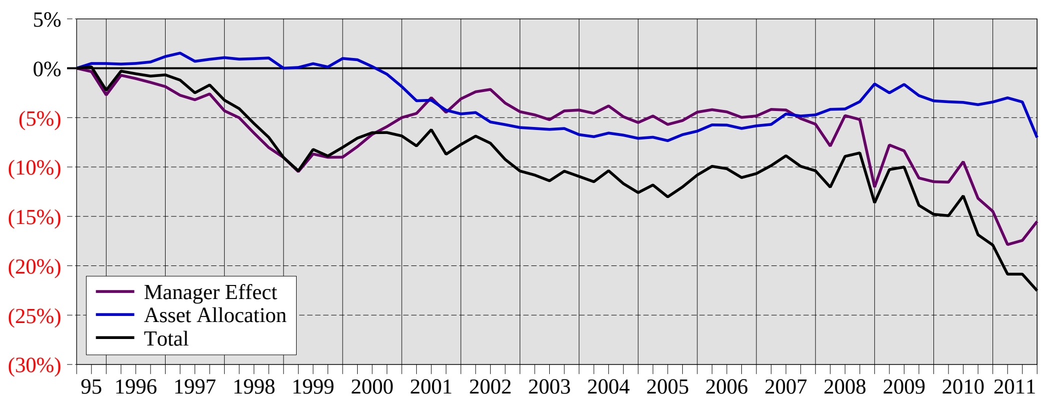
Cumulative Total Fund Relative Attribution - September 30, 2011

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Sixteen and One-Quarter Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Sixteen and One-Quarter Annualized Relative Attribution Effects

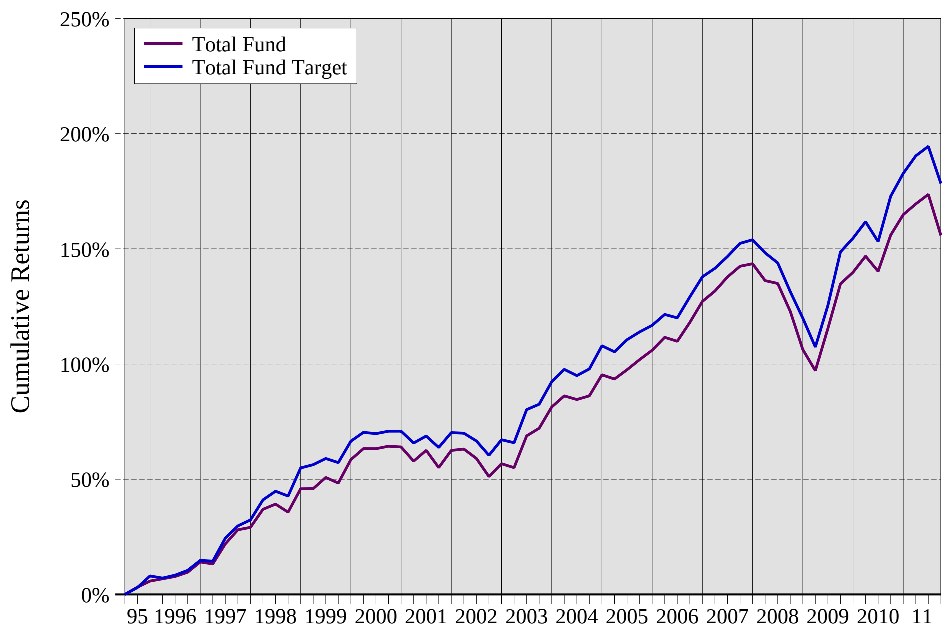
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	28%	5.72%	6.62%	(0.25%)	(0.04%)	(0.29%)
Domestic Fixed-Income	60%	62%	6.01%	6.43%	(0.29%)	(0.09%)	(0.39%)
International Equity	11%	10%	5.76%	4.03%	0.16%	(0.04%)	0.12%
Total			**5.95% =**	**6.50% +**	**(0.38%) +**	**(0.17%)**	**(0.55%)**

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

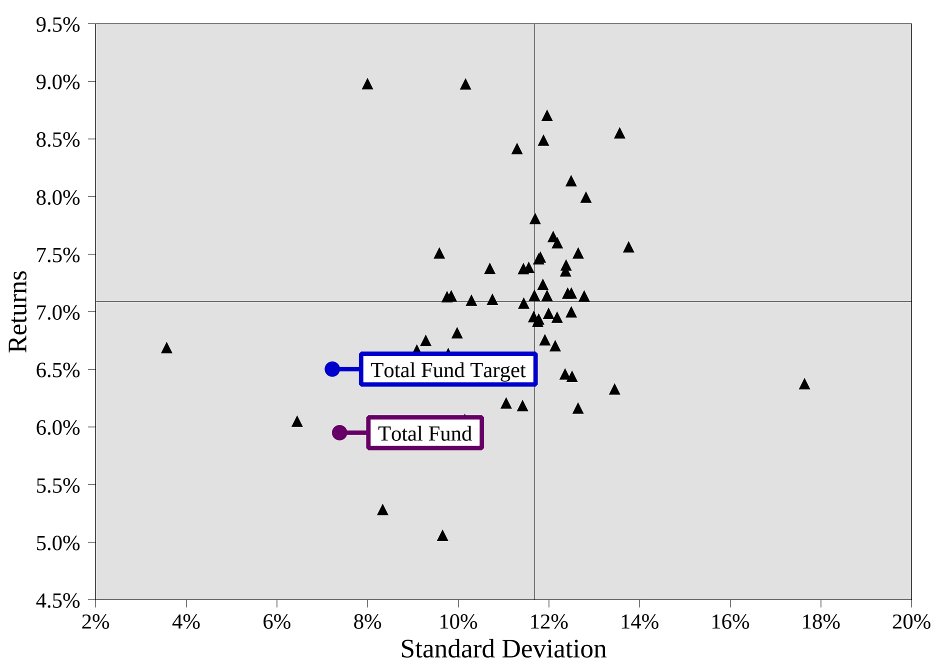
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Sixteen and One-Quarter Year Annualized Risk vs Return



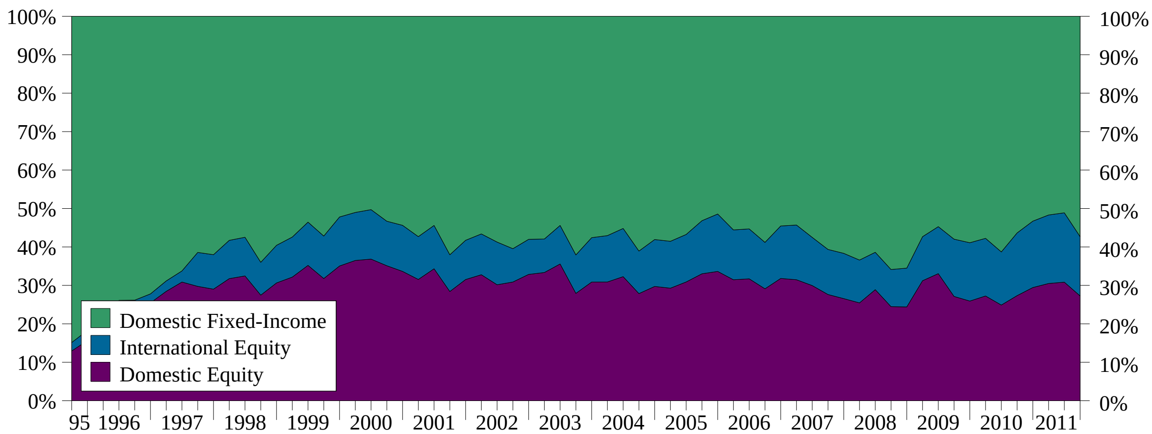
Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

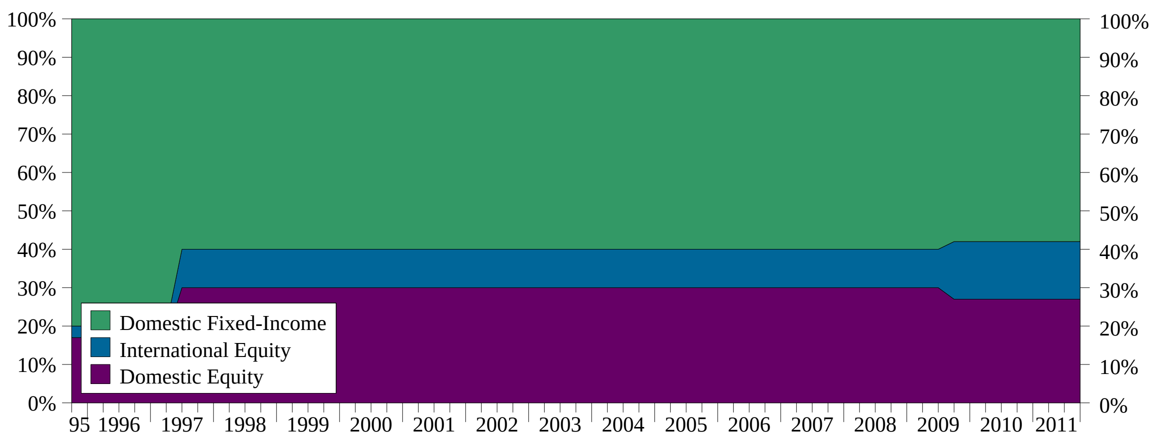
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

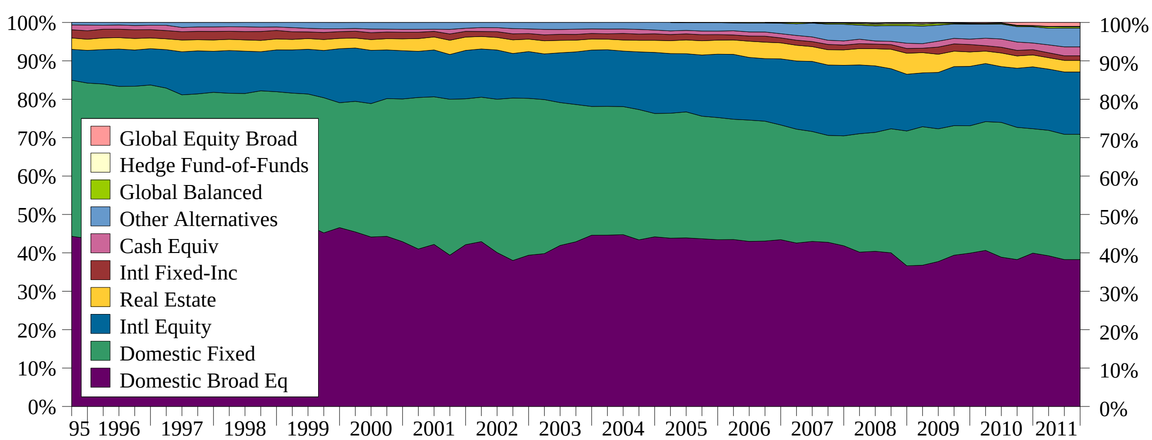
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

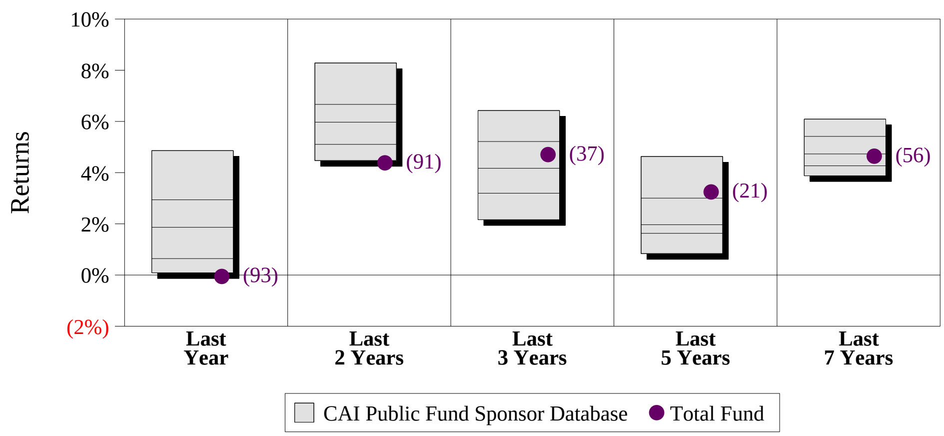


* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

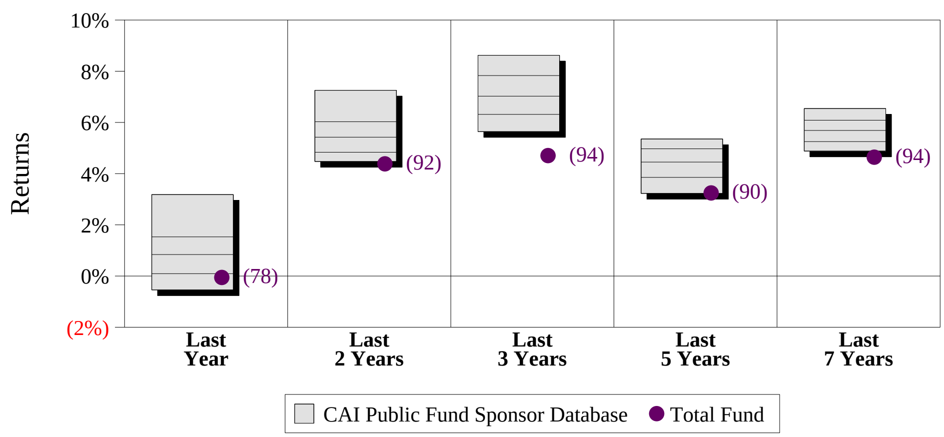
Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the CAI Public Fund Sponsor Database for periods ended September 30, 2011. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund. The final chart shows the history of the one year ranking of the Total Fund versus the CAI Public Fund Sponsor Database, both on an unadjusted and asset allocation adjusted basis.

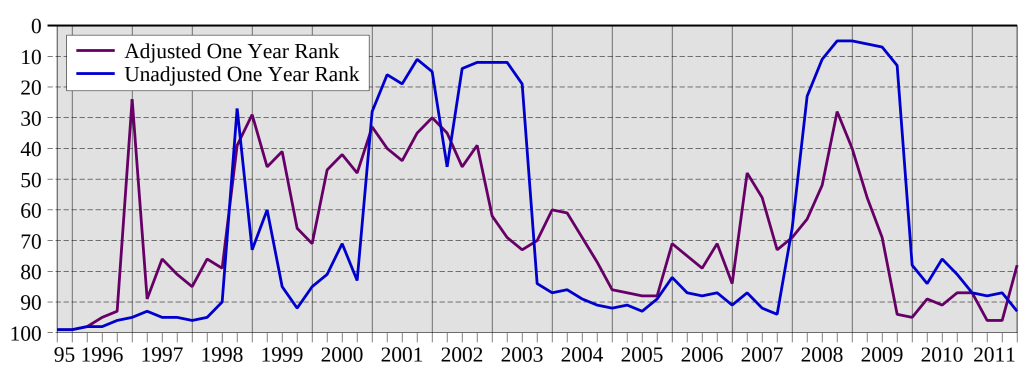
CAI Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



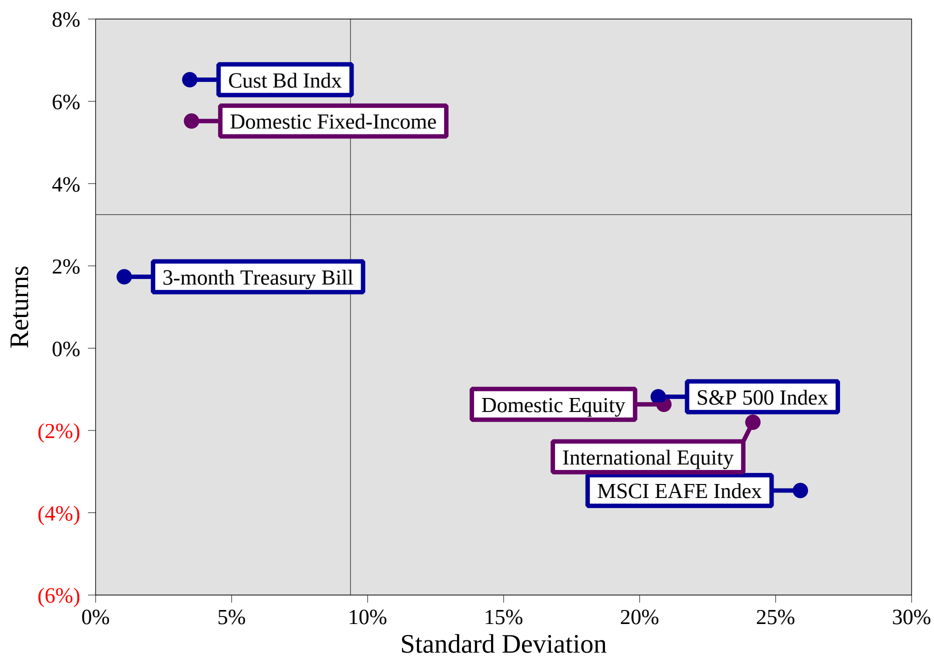
Rolling One Year Ranking vs CAI Public Fund Sponsor Database



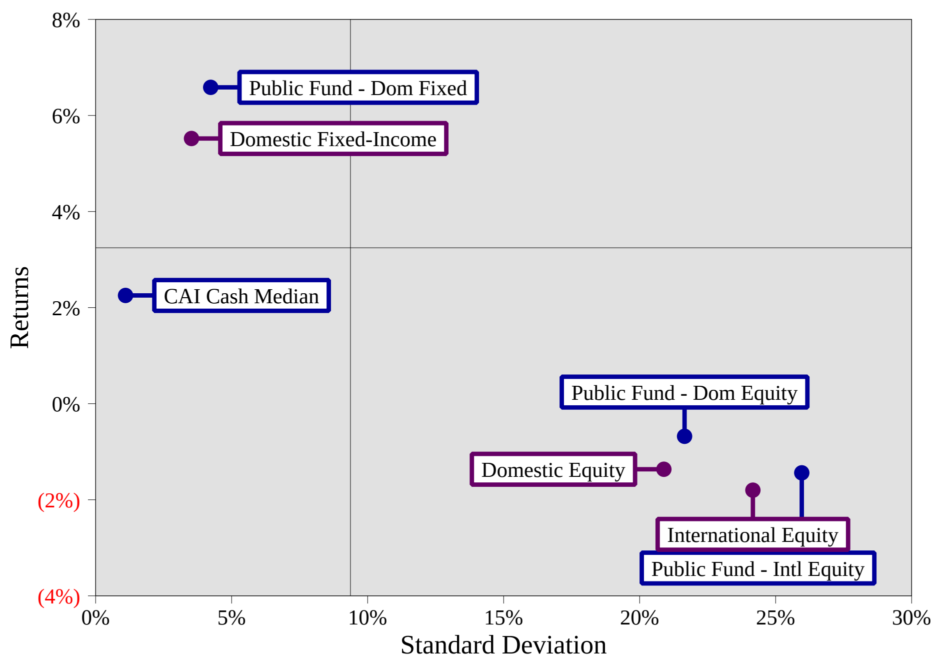
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



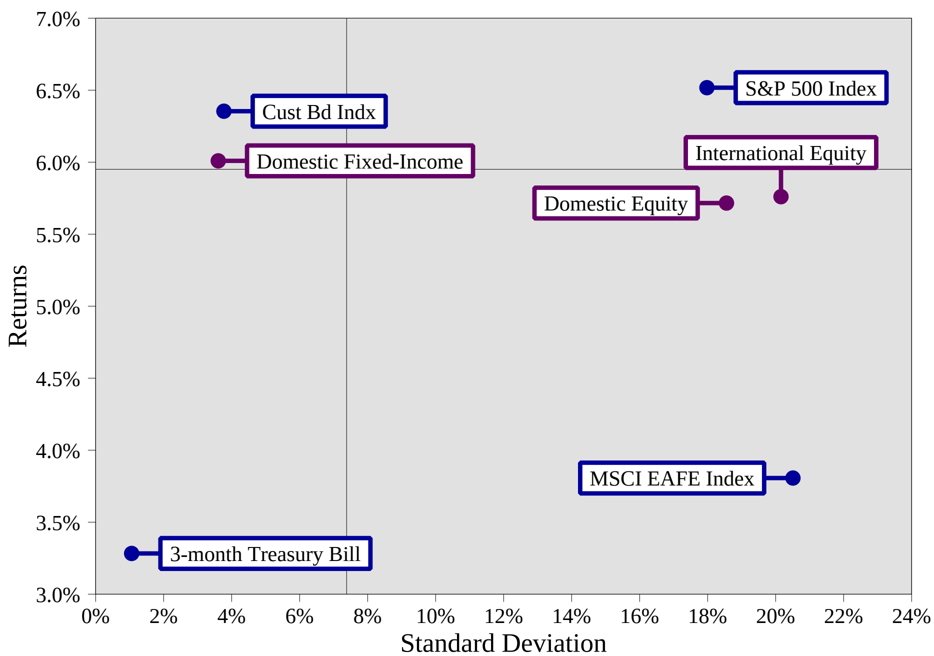
Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



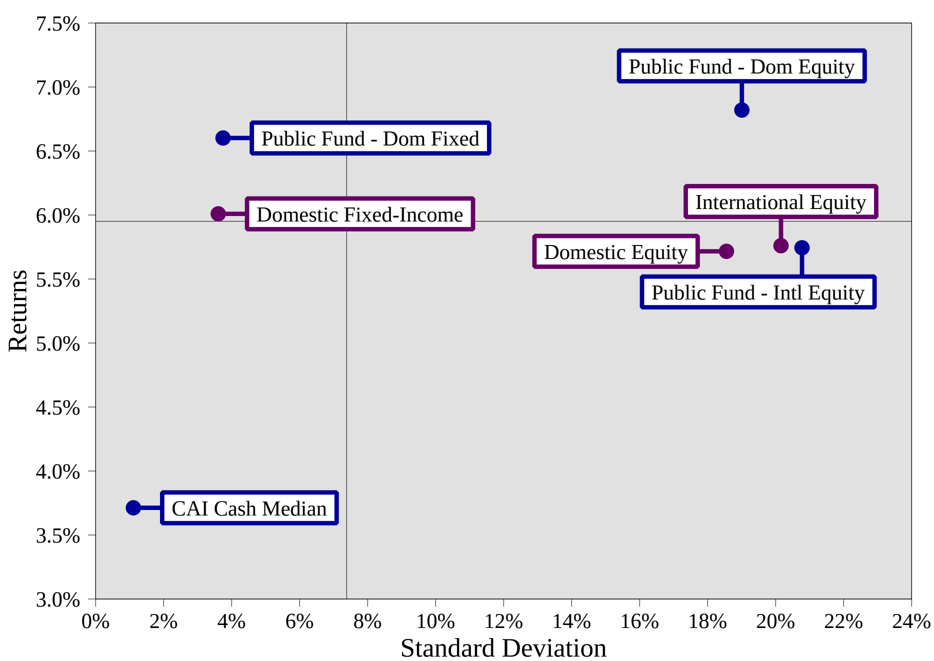
Asset Class Risk and Return

The charts below show the sixteen and one-quarter year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Sixteen and One-Quarter Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices



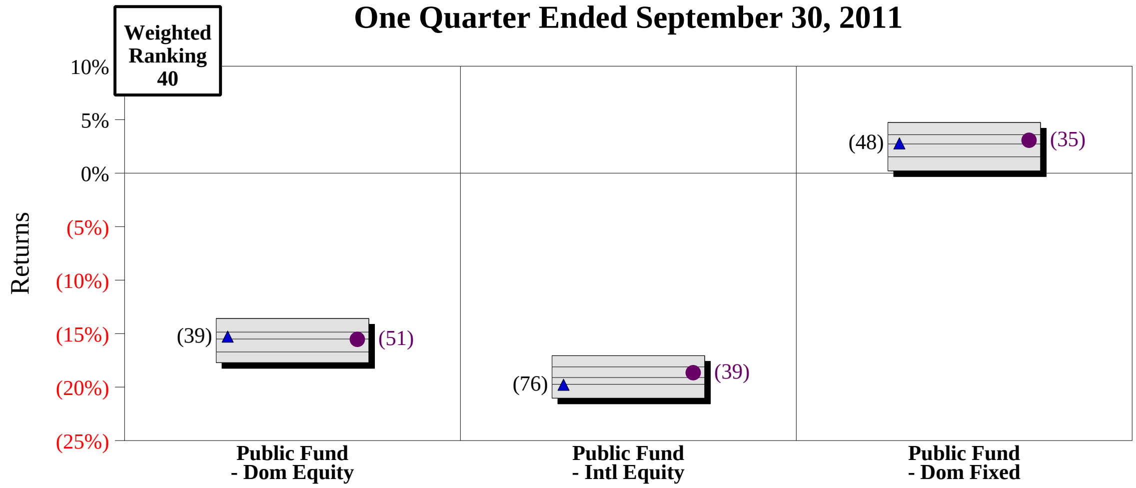
Sixteen and One-Quarter Year Annualized Risk vs Return
Asset Classes vs Asset Class Median



Asset Class Rankings

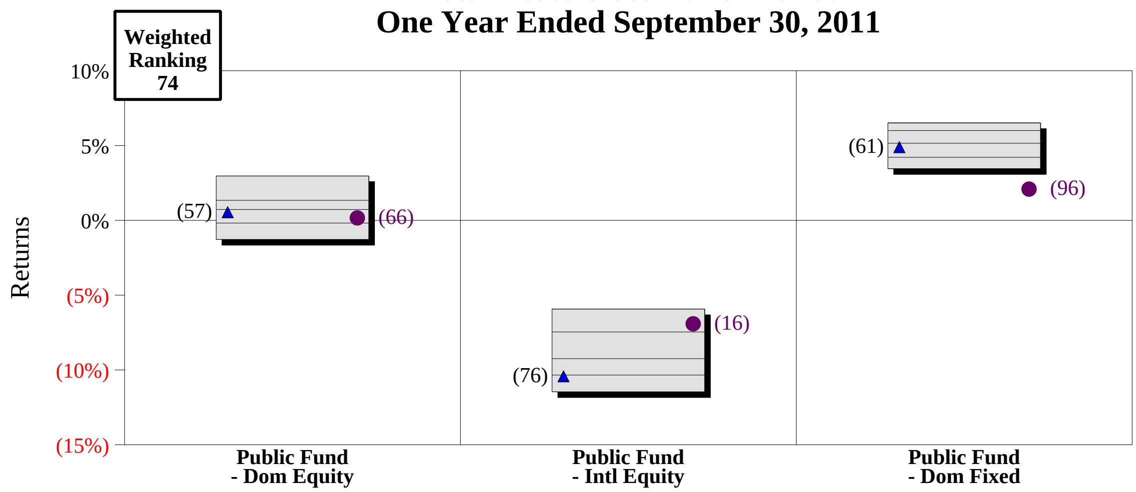
The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper left corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance
One Quarter Ended September 30, 2011



	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	(13.58)	(17.06)	4.74
25th Percentile	(14.86)	(18.11)	3.60
Median	(15.50)	(19.11)	2.73
75th Percentile	(16.72)	(19.74)	1.52
90th Percentile	(17.72)	(21.04)	0.21
Asset Class Composite ●	(15.54)	(18.65)	3.07
Composite Benchmark ▲	(15.28)	(19.78)	2.79

Total Asset Class Performance
One Year Ended September 30, 2011



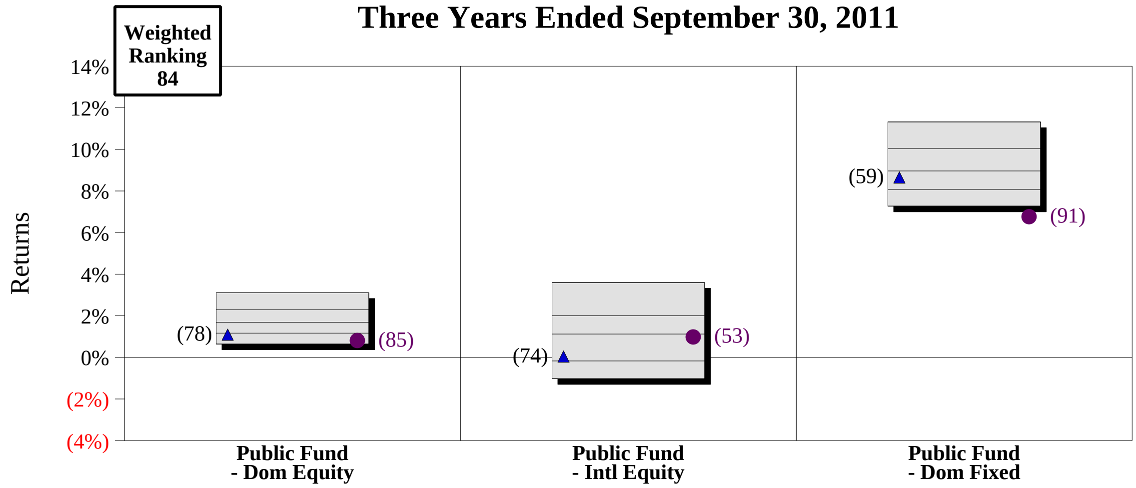
	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	2.97	(5.93)	6.51
25th Percentile	1.34	(7.46)	6.00
Median	0.73	(9.24)	5.15
75th Percentile	(0.18)	(10.34)	4.21
90th Percentile	(1.28)	(11.46)	3.45
Asset Class Composite ●	0.16	(6.91)	2.09
Composite Benchmark ▲	0.55	(10.42)	4.89

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

Asset Class Rankings

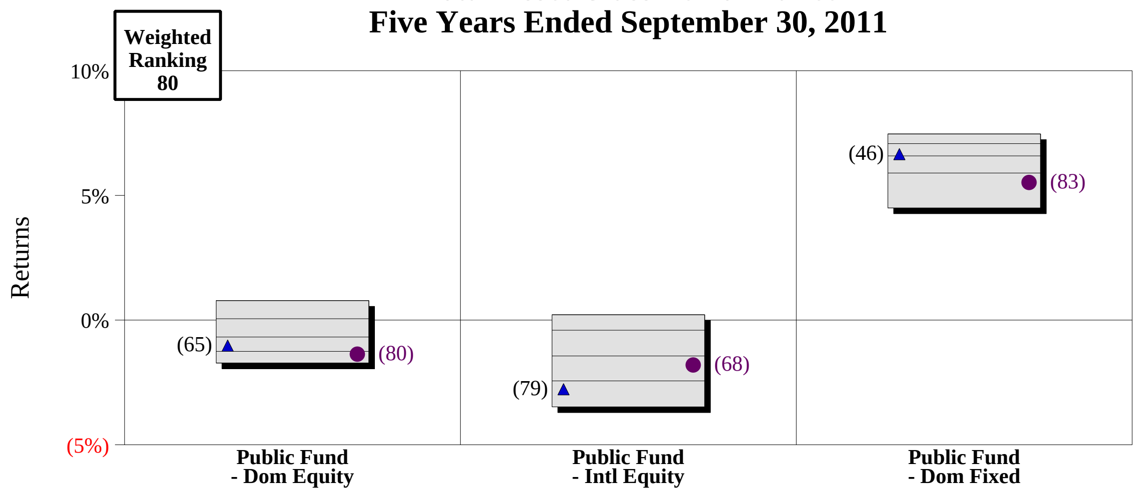
The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper left corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance
Three Years Ended September 30, 2011



	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	3.11	3.60	11.32
25th Percentile	2.29	2.01	10.04
Median	1.69	1.12	8.96
75th Percentile	1.17	(0.17)	8.07
90th Percentile	0.64	(1.02)	7.27
Asset Class Composite ●	0.81	0.98	6.77
Composite Benchmark ▲	1.09	0.04	8.65

Total Asset Class Performance
Five Years Ended September 30, 2011

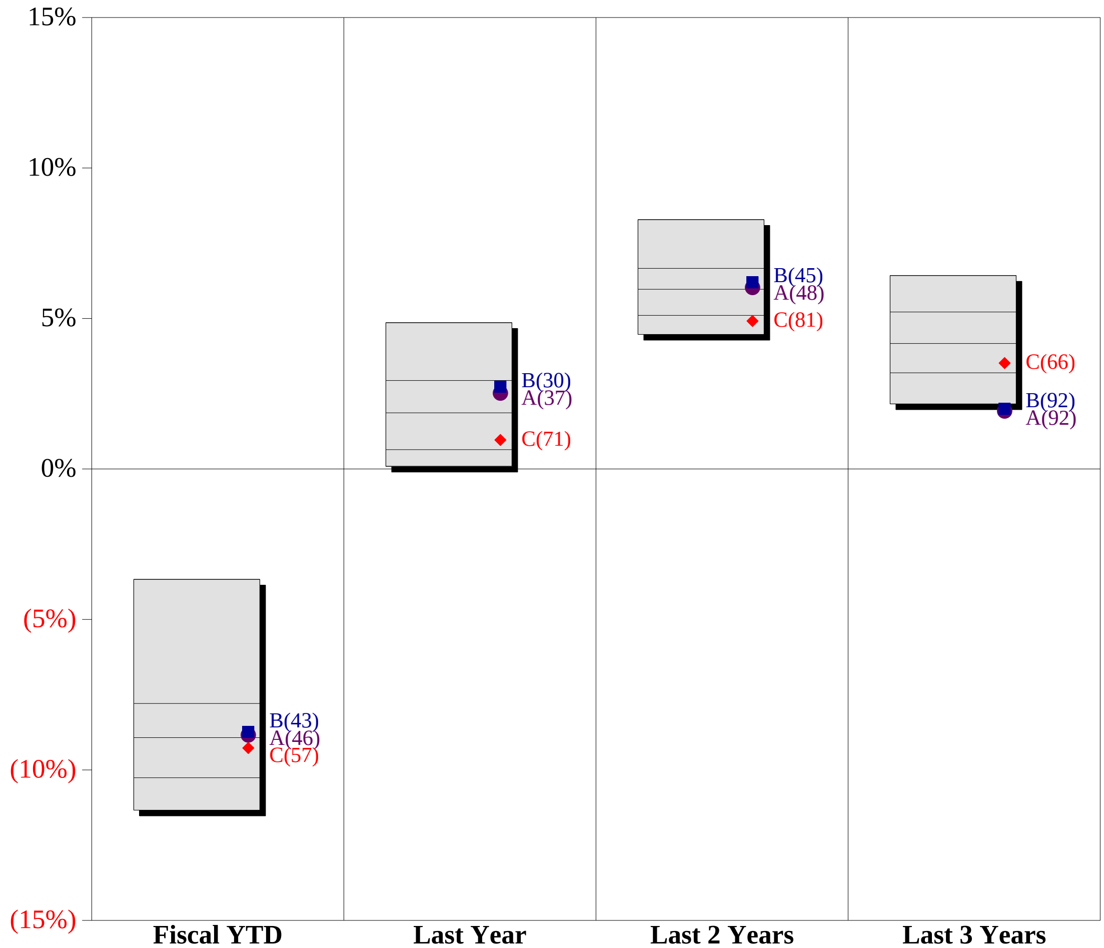


	Public Fund - Dom Equity	Public Fund - Intl Equity	Public Fund - Dom Fixed
10th Percentile	0.78	0.22	7.47
25th Percentile	0.05	(0.41)	7.08
Median	(0.68)	(1.44)	6.59
75th Percentile	(1.25)	(2.44)	5.90
90th Percentile	(1.72)	(3.48)	4.50
Asset Class Composite ●	(1.37)	(1.80)	5.52
Composite Benchmark ▲	(1.02)	(2.77)	6.66

* Current Quarter Target = 40.6% BC Aggregate Index, 27.0% Russell 3000 Index, 15.0% MSCI ACWI ex-US Index, 5.8% BC Treasury, 5.8% Citi WGBI Non-US Idx and 5.8% Hi Yld II Index.

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



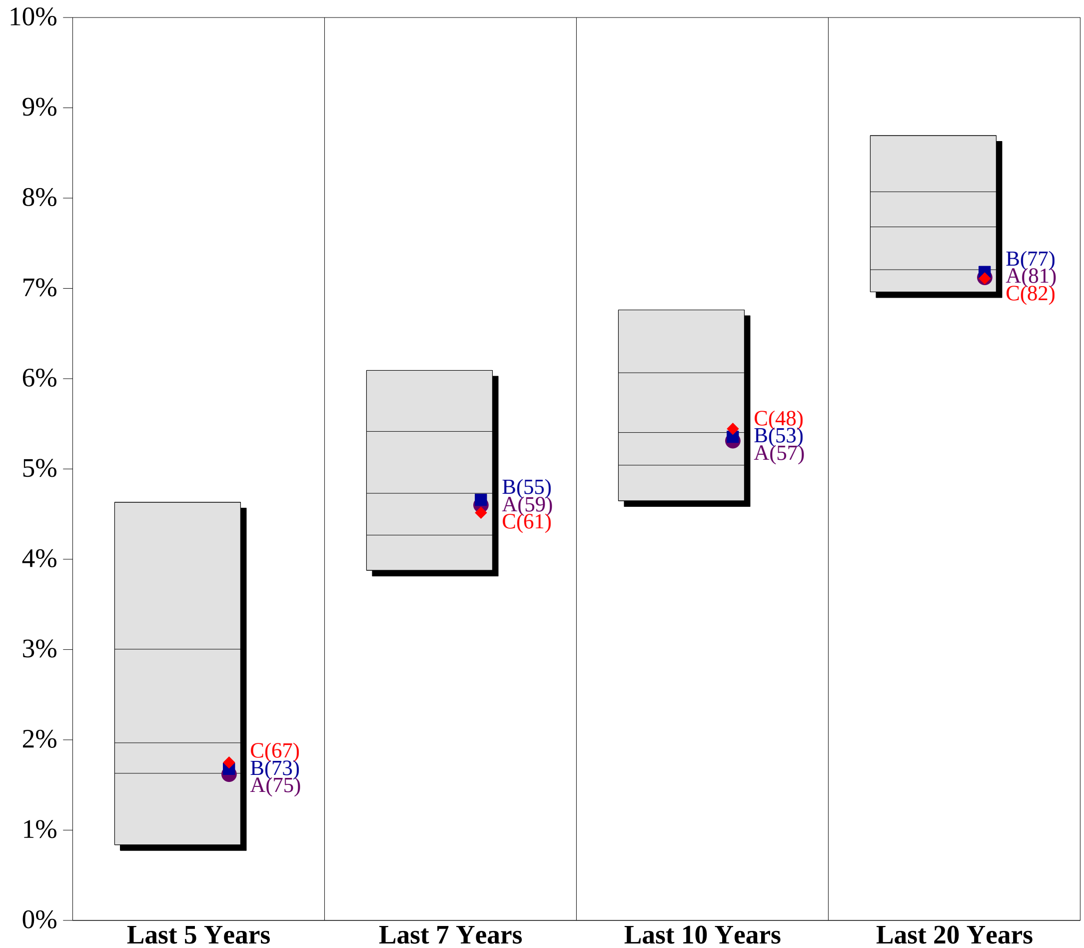
		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years
10th Percentile		(3.67)	4.86	8.28	6.43
25th Percentile		(7.79)	2.94	6.67	5.22
Median		(8.93)	1.86	5.97	4.17
75th Percentile		(10.26)	0.64	5.10	3.20
90th Percentile		(11.34)	0.09	4.47	2.16
PERS Total Plan	● A	(8.84)	2.52	6.03	1.92
TRS Total Plan	■ B	(8.74)	2.73	6.20	2.00
Target Index	◆ C	(9.27)	0.96	4.92	3.52

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% N

ALASKA RETIREMENT MANAGEMENT BOARD
PERFORMANCE VS CAI PUBLIC FUND SPONSOR DATABASE
PERIODS ENDED SEPTEMBER 30, 2011

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



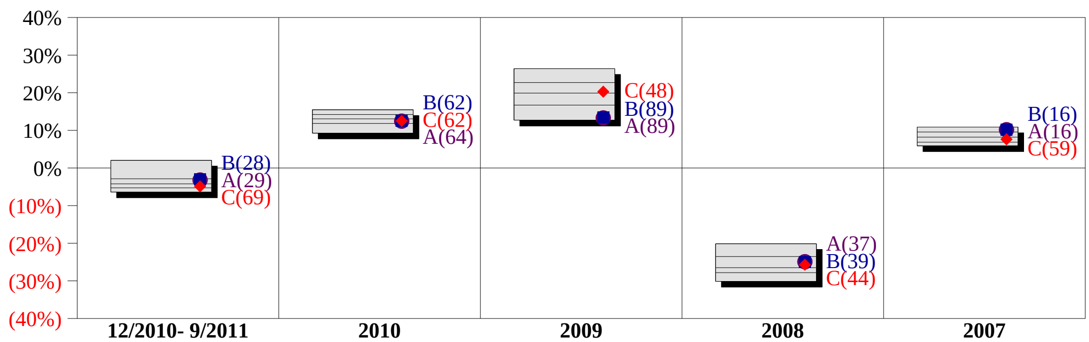
	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	4.63	6.09	6.76	8.69
25th Percentile	3.00	5.42	6.07	8.07
Median	1.97	4.73	5.40	7.68
75th Percentile	1.63	4.27	5.04	7.21
90th Percentile	0.84	3.88	4.65	6.96
PERS Total Plan ● A	1.62	4.60	5.31	7.12
TRS Total Plan ■ B	1.68	4.66	5.36	7.18
Target Index ◆ C	1.75	4.52	5.44	7.11

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% N

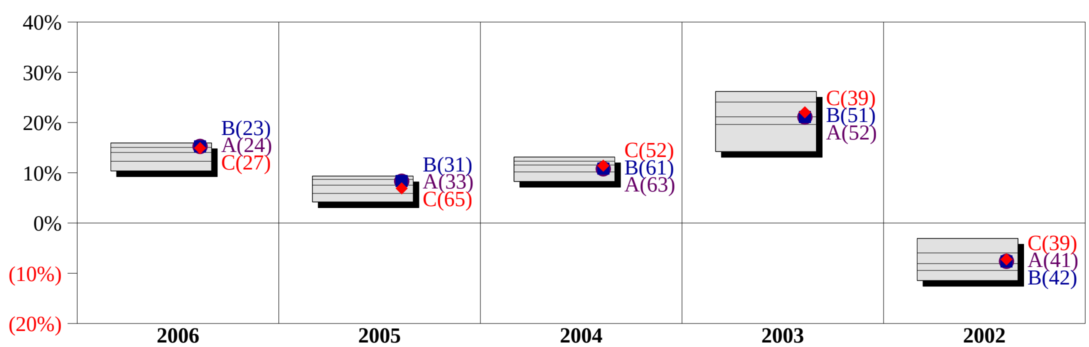
ALASKA RETIREMENT MANAGEMENT BOARD
PERFORMANCE VS CAI PUBLIC FUND SPONSOR DATABASE
RECENT PERIODS

Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Public Fund Sponsor Database. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Public Fund Sponsor Database. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



		12/2010- 9/2011	2010	2009	2008	2007
10th Percentile		2.02	15.48	26.40	(20.14)	10.87
25th Percentile		(2.87)	14.21	22.70	(23.53)	9.57
Median		(4.21)	13.06	19.91	(26.49)	8.20
75th Percentile		(5.27)	11.83	16.71	(27.81)	6.86
90th Percentile		(6.39)	9.26	12.73	(30.14)	5.88
PERS Total Plan	● A	(3.20)	12.45	13.31	(24.91)	10.17
TRS Total Plan	■ B	(3.02)	12.55	13.40	(24.98)	10.20
Target Index	◆ C	(4.88)	12.51	20.28	(25.71)	7.64



		2006	2005	2004	2003	2002
10th Percentile		15.94	9.34	13.13	26.19	(3.07)
25th Percentile		15.05	8.68	12.31	24.08	(5.96)
Median		14.04	7.54	11.55	21.14	(8.08)
75th Percentile		12.29	5.89	10.17	19.62	(9.44)
90th Percentile		10.37	4.20	8.26	14.22	(11.46)
PERS Total Plan	● A	15.24	8.31	10.79	21.11	(7.62)
TRS Total Plan	■ B	15.26	8.38	10.83	21.13	(7.62)
Target Index	◆ C	14.91	6.89	11.42	22.03	(7.24)

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% N

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2011, with the distribution as of June 30, 2011.

Asset Distribution Across Investment Managers

	September 30, 2011		June 30, 2011	
	Market Value	Percent	Market Value	Percent
Total Domestic Equity(T)	**$4,065,091,736**	**26.85%**	**$4,877,170,428**	**29.85%**
Large Cap Managers(T)	**$3,112,955,548**	**20.56%**	**$3,694,008,560**	**22.61%**
Barrow, Hanley	119,756,964	0.79%	145,849,118	0.89%
Lazard Asset Mgmt	246,169,712	1.63%	349,910,833	2.14%
McKinley Capital	290,288,079	1.92%	394,636,370	2.42%
Quantitative Mgmt Assoc	118,170,657	0.78%	139,307,765	0.85%
RCM	302,947,495	2.00%	420,306,449	2.57%
Relational Investors	272,177,800	1.80%	318,900,536	1.95%
SSgA Russell 1000 Growth	650,143,736	4.29%	612,307,578	3.75%
SSgA Russell 1000 Value	791,879,154	5.23%	944,130,045	5.78%
SSgA Russell 200	321,421,952	2.12%	368,659,867	2.26%
Other Equity	**$266,051,329**	**1.76%**	**$299,139,068**	**1.83%**
Analytic SSgA	90,741,094	0.60%	98,966,549	0.61%
Analytic Buy Write	998,487	0.01%	4,103,953	0.03%
RCM Holding Acct	89,045,112	0.59%	101,943,979	0.62%
Advent Convertible Bond	85,266,636	0.56%	94,124,587	0.58%
Small Cap Managers(T)	**$686,084,858**	**4.53%**	**$884,022,800**	**5.41%**
Jennison Associates	130,687,593	0.86%	164,975,590	1.01%
Lord, Abbett	144,220,408	0.95%	186,218,761	1.14%
Luther King	107,048,834	0.71%	134,340,292	0.82%
SSgA Russell 2000 Growth	46,490,668	0.31%	59,759,044	0.37%
SSgA Russell 2000 Value	56,694,693	0.37%	92,027,100	0.56%
Barrow Hanley Rus 2000 Val	82,834,177	0.55%	99,649,007	0.61%
DePrince Race Xollo Rus Micr Gr	59,492,274	0.39%	72,450,691	0.44%
RCM Buy Write Micro Value	58,616,212	0.39%	74,602,315	0.46%
Fixed-Income (P)	**$2,719,213,148**	**17.96%**	**$2,729,479,803**	**16.71%**
International Fixed-Income Pool(T)	**$495,238,113**	**3.27%**	**$504,851,805**	**3.09%**
Lazard Emerging Income	127,669,149	0.84%	128,388,232	0.79%
Mondrian	367,568,965	2.43%	376,463,573	2.30%
High Yield(T)	**$392,595,194**	**2.59%**	**$406,149,137**	**2.49%**
MacKay Shields	392,595,194	2.59%	406,149,137	2.49%
International Equity Pool(T)	**$2,337,314,894**	**15.44%**	**$2,940,165,783**	**18.00%**
Brandes Investment	698,308,894	4.61%	838,253,893	5.13%
Capital Guardian	517,242,784	3.42%	643,629,866	3.94%
Lazard Asset Mgmt	325,362,532	2.15%	464,326,193	2.84%
McKinley Capital	279,639,225	1.85%	355,033,008	2.17%
Mondrian Intl Sm Cap	99,919,529	0.66%	121,530,596	0.74%
SSgA Int'l	316,236,973	2.09%	392,536,274	2.40%
Schroder Investment Mgmt	100,604,957	0.66%	124,855,954	0.76%
Emerging Markets Pool(T)	**$794,368,861**	**5.25%**	**$980,228,301**	**6.00%**
Capital Guardian	336,953,182	2.23%	449,120,147	2.75%
Eaton Vance	177,908,904	1.17%	226,249,092	1.38%
Lazard Emerging	279,506,776	1.85%	304,859,062	1.87%
Real Assets (P) (prelim)	**$2,530,006,155**	**16.71%**	**$2,528,537,574**	**15.48%**
Private Equity(P)	**$1,560,163,514**	**10.30%**	**$1,492,741,930**	**9.14%**
Absolute Return(P)	**$707,578,264**	**4.67%**	**$714,883,595**	**4.38%**
Total Plans	**$15,141,801,198**	**100.0%**	**$16,337,791,605**	**100.0%**

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2011, with the distribution as of June 30, 2011.

Asset Distribution Across Investment Managers

	September 30, 2011		June 30, 2011	
	Market Value	**Percent**	**Market Value**	**Percent**
PERS	5,763,264,502	38.06%	6,278,961,897	38.43%
TRS	2,920,139,221	19.29%	3,126,076,302	19.13%
JRS	101,501,551	0.67%	110,754,172	0.68%
Military Total Plan	31,366,870	0.21%	32,995,187	0.20%
PERS Health Care	4,774,585,169	31.53%	5,149,296,399	31.52%
TRS Health Care	1,532,123,932	10.12%	1,619,171,601	9.91%
JRS Health Care	18,819,952	0.12%	20,536,047	0.13%
Total All Plans	**$15,141,801,198**	**100.0%**	**$16,337,791,605**	**100.0%**

(T) Total Pool
(P) Pension Pool

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Equity Pool	**(16.45%)**	**0.20%**	**1.05%**	**(1.22%)**
Large Cap Managers	**(15.44%)**	**0.14%**	**1.12%**	**(1.39%)**
Barrow, Hanley	(17.89%)	(0.90%)	2.26%	-
Barrow, Hanley(net)	(18.02%)	(1.40%)	1.75%	-
Lazard Asset Mgmt.	(14.74%)	(0.93%)	1.50%	(0.30%)
Lazard Asset Mgmt(net)	(14.82%)	(1.25%)	1.18%	(0.62%)
McKinley Capital	(14.19%)	3.93%	2.25%	1.35%
McKinley Capital(net)	(14.28%)	3.56%	1.87%	0.97%
Quantitative Mgmt Assoc.	(15.17%)	0.16%	0.22%	-
Quantitative Mgmt(net)	(15.27%)	(0.22%)	(0.17%)	-
RCM	(16.18%)	(1.67%)	2.49%	0.56%
RCM(net)	(16.26%)	(1.98%)	2.17%	0.25%
Relational Investors(net)	(21.64%)	(1.70%)	1.25%	(2.70%)
SSgA Russell 1000 Growth	(13.03%)	3.85%	4.86%	-
SSgA Russell 1000 Gr(net)	(13.04%)	3.81%	4.82%	-
SSgA Russell 1000 Value	(16.13%)	(1.90%)	(1.26%)	-
SSgA Russell 1000 Val(net)	(16.14%)	(1.93%)	(1.30%)	-
SSgA Russell 200	(12.81%)	1.62%	0.72%	-
SSgA Russell 200(net)	(12.82%)	1.58%	0.68%	-
Standard & Poor's 500 Index	(13.87%)	1.14%	1.23%	(1.18%)
Other Equity	**(11.06%)**	**(0.55%)**	-	-
Analytic SSgA	(10.99%)	-	-	-
RCM Holdings Acct	(12.65%)	-	-	-
Advent Convertible Bond	(9.41%)	(0.55%)	-	-
Small Cap Managers	**(22.39%)**	**(2.41%)**	**(0.88%)**	**(1.32%)**
Jennison Associates	(20.78%)	1.47%	4.35%	2.23%
Jennison Associates(net)	(20.98%)	0.71%	3.57%	1.47%
Lord, Abbett	(22.55%)	0.48%	(2.30%)	(0.13%)
Lord, Abbett(net)	(22.73%)	(0.22%)	(3.01%)	(0.82%)
Luther King	(20.32%)	8.51%	5.47%	1.22%
Luther King(net)	(20.45%)	7.97%	4.93%	0.67%
SSgA Russell 2000 Growth	(22.20%)	(0.11%)	1.36%	-
SSgA Russell 2000 Gr(net)	(22.22%)	(0.16%)	1.31%	-
SSgA Russell 2000 Value	(21.57%)	(8.73%)	(3.85%)	-
SSgA Russell 2000 Val(net)	(21.58%)	(8.77%)	(3.90%)	-
Russell 2000 Index	(21.87%)	(3.53%)	(0.37%)	(1.02%)
International Equity Pool	**(18.59%)**	**(9.18%)**	**(0.34%)**	**(2.58%)**
Brandes Investment	(16.70%)	(8.78%)	(0.83%)	(2.23%)
Brandes Investment(net)	(16.80%)	(9.19%)	(1.25%)	(2.65%)
Capital Guardian	(19.64%)	(8.95%)	(0.07%)	(2.53%)
Capital Guardian(net)	(19.74%)	(9.35%)	(0.49%)	(2.94%)
Lazard Asset Intl	(17.85%)	(9.28%)	1.39%	(0.93%)
Lazard Asset Intl(net)	(17.93%)	(9.61%)	1.07%	(1.26%)
McKinley Capital	(21.24%)	(9.79%)	(2.31%)	(4.64%)
McKinley Capital(net)	(21.37%)	(10.31%)	(2.83%)	(5.16%)
SSgA Int'l	(19.44%)	(9.85%)	-	-
SSgA Int'l(net)	(19.57%)	(10.37%)	-	-
Schroder Inv Mgmt	(19.42%)	(5.05%)	-	-
Schroder Inv Mgmt(net)	(19.62%)	(5.84%)	-	-
Mondrian Intl Sm Cap	(17.78%)	(1.79%)	-	-
Mondrian Intl Sm Cap(net)	(17.98%)	(2.57%)	-	-
MSCI EAFE Index	(19.01%)	(9.36%)	(1.13%)	(3.46%)
MSCI ACWI ex-US IMI Index	(19.87%)	(10.64%)	1.33%	(1.29%)
Emerging Markets Pool	**(22.73%)**	**(18.17%)**	**5.21%**	**5.50%**
Capital Guardian(net)	(24.97%)	(20.62%)	5.41%	5.36%
Lazard Emerging(net)	(20.62%)	(16.64%)	4.64%	-
Eaton Vance(net)	(21.37%)	(15.65%)	4.05%	-
MSCI Emerging Mkts	(22.46%)	(15.89%)	6.59%	5.17%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Total Fixed-Income Pool	**1.34%**	**3.15%**	**7.96%**	**6.16%**
US Treas Pool	3.36%	3.97%	-	-
BC Govt/Credit Bd	4.74%	5.14%	8.41%	6.52%
BC Aggregate Index	3.82%	5.26%	7.97%	6.53%
BC Intmdt Treas	3.54%	3.94%	5.35%	6.05%
International Fixed-Income Pool	**(1.90%)**	**1.68%**	**7.12%**	**7.72%**
Lazard Emerging Income	(0.56%)	2.02%	2.69%	-
Lazard Emerging Income(net)	(0.62%)	1.78%	2.44%	-
Mondrian Investment Partners	(2.36%)	1.46%	9.11%	8.92%
Mondrian Inv Partners(net)	(2.41%)	1.26%	8.90%	8.70%
Citi Non-US Gvt Bd Idx	0.94%	4.14%	8.09%	7.77%
High Yield	**(3.34%)**	**4.56%**	**10.97%**	**6.61%**
MacKay Shields	(3.34%)	3.71%	10.99%	6.99%
MacKay Shields(net)	(3.45%)	3.26%	10.54%	6.54%
High Yield Target(1)	(6.31%)	1.32%	13.68%	6.92%
Real Assets(prelim)	**0.64%**	**13.30%**	**(2.57%)**	**-**
Real Assets Target	3.04%	12.81%	1.73%	5.42%
Real Estate Pool(prelim)	0.07%	16.55%	(7.50%)	(1.49%)
Real Estate Target	1.46%	14.69%	(0.73%)	3.33%
Private Real Estate(prelim)	2.19%	18.78%	(7.67%)	(1.31%)
NCREIF Total Index	3.30%	16.10%	(1.45%)	3.40%
REIT Internal Portfolio	(14.77%)	1.23%	(3.39%)	(4.09%)
NAREIT Equity Index	(15.07%)	0.93%	(1.99%)	(2.43%)
UBS Agrivest(3)	0.63%	10.88%	6.53%	9.69%
Hancock Agricultural(3)	0.58%	7.66%	7.98%	9.52%
Timberland Investment Resources(3)	0.72%	4.61%	-	-
Hancock Timber Resource(3)	0.39%	5.15%	-	-
TIPS Internal Portfolio	4.87%	10.63%	8.39%	-
Total TCW Energy Funds(2)	0.45%	7.49%	4.19%	11.61%
CPI + 5%	1.77%	9.38%	6.34%	7.43%
Private Equity	**4.48%**	**24.49%**	**4.92%**	**10.00%**
Absolute Return	**(2.73%)**	**2.80%**	**(0.06%)**	**1.30%**
Total All Plans	**(8.69%)**	**2.68%**	**2.06%**	**1.70%**
Employees' Total Plan	(8.84%)	2.52%	1.92%	1.62%
Teachers' Total Plan	(8.74%)	2.73%	2.00%	1.68%
PERS & TRS Policy Target	(9.27%)	0.96%	3.52%	1.75%
Judicial Total Plan	(8.88%)	2.44%	2.44%	1.30%
PERS Health PLan	(8.80%)	2.52%	3.54%	-
TRS Health Plan	(8.69%)	2.65%	3.54%	-
JRS Health Plan	(8.89%)	2.43%	3.69%	-
Military Total Plan	(6.51%)	(0.05%)	4.70%	3.25%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.
(1) ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.
(2) Return data supplied by State Street.
(3) Returns supplied by manager and may vary from State Street returns due to timing variations.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Last 7 Years	Last 10 Years	Last 20 Years
Domestic Equity Pool	**2.10%**	**2.83%**	**6.95%**
Large Cap Managers	**1.88%**	**2.42%**	**7.00%**
Lazard Asset Mgmt.	3.02%	3.60%	-
Lazard Asset Mgmt(net)	2.70%	3.27%	-
McKinley Capital	3.54%	3.24%	-
McKinley Capital(net)	3.16%	2.86%	-
RCM	3.47%	2.03%	-
RCM(net)	3.16%	1.72%	-
Standard & Poor's 500 Index	2.29%	2.82%	7.64%
Small Cap Managers	**2.37%**	**3.81%**	**-**
Russell 2000 Index	3.03%	6.12%	8.05%
Fixed-Income Pool	**5.48%**	**5.63%**	**6.88%**
BC Govt/Credit	5.49%	5.74%	6.78%
BC Aggregate	5.57%	5.66%	6.71%
International Fixed-Income Pool	**6.30%**	**9.29%**	**-**
Mondrian Investment Partners	7.14%	9.89%	-
Mondrian Inv Partners(net)	6.93%	9.69%	-
Citi Non-US Gvt Bd Idx	6.26%	7.97%	7.13%
International Equity Pool	**4.17%**	**5.97%**	**6.39%**
Brandes Investment	4.78%	7.80%	-
Brandes Investment(net)	4.36%	7.37%	-
Capital Guardian	4.17%	5.68%	-
Capital Guardian(net)	3.76%	5.26%	-
Lazard Asset Intl	4.75%	5.82%	-
Lazard Asset Intl(net)	4.43%	5.49%	-
MSCI Europe Index	3.03%	4.81%	6.85%
MSCI Pacific ex-Japan	9.45%	13.00%	7.98%
MSCI EAFE Index	3.32%	5.03%	4.48%
Emerging Markets Pool	**12.70%**	**16.23%**	**-**
Capital Guardian(net)	13.27%	16.06%	-
MSCI Emerging Mkts	12.55%	16.41%	8.96%
Citigroup Non-US Govt	6.26%	7.97%	7.13%
Real Estate(prelim)	**3.96%**	**5.53%**	**5.86%**
Real Estate Target	7.53%	8.21%	7.64%
Total All Plans	**4.66%**	**5.36%**	**7.15%**
Employees' Total Plan	4.60%	5.31%	7.12%
Teachers' Total Plan	4.66%	5.36%	7.18%
PERS & TRS Policy Target	4.52%	5.44%	7.11%
Judicial Total Plan	4.31%	5.13%	6.71%
Military Total Plan	4.64%	5.13%	6.62%

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	6/2011-9/2011	FY 2011	FY 2010	FY 2009	FY 2008
Domestic Equity Pool	**(16.45%)**	**33.37%**	**15.46%**	**(26.74%)**	**(13.53%)**
Large Cap Managers	**(15.44%)**	**32.06%**	**13.80%**	**(26.29%)**	**(13.48%)**
Barrow, Hanley	(17.89%)	34.09%	17.08%	(23.43%)	(18.85%)
Barrow, Hanley(net)	(18.02%)	33.59%	16.57%	(23.95%)	(19.35%)
Lazard Asset Mgmt.	(14.74%)	28.63%	12.73%	(21.99%)	(12.77%)
Lazard Asset Mgmt(net)	(14.82%)	28.31%	12.41%	(22.31%)	(13.10%)
McKinley Capital	(14.19%)	34.72%	14.27%	(30.58%)	(1.04%)
McKinley Capital(net)	(14.28%)	34.35%	13.89%	(30.97%)	(1.40%)
Quantitative Mgmt Assoc.	(15.17%)	31.76%	16.51%	(25.93%)	(18.02%)
Quantitative Mgmt(net)	(15.27%)	31.38%	16.12%	(26.33%)	(18.40%)
RCM	(16.18%)	31.47%	9.14%	(19.81%)	(5.99%)
RCM(net)	(16.26%)	31.17%	8.82%	(20.14%)	(6.29%)
Relational Investors(net)	(21.64%)	45.87%	16.06%	(26.56%)	(27.40%)
SSgA Russell 1000 Growth	(13.03%)	34.90%	13.77%	(24.41%)	(5.79%)
SSgA Russell 1000 Gr(net)	(13.04%)	34.86%	13.73%	(24.45%)	(5.82%)
SSgA Russell 1000 Value	(16.13%)	28.79%	17.10%	(28.40%)	(18.68%)
SSgA Russell 1000 Val(net)	(16.14%)	28.76%	17.06%	(28.44%)	(18.71%)
SSgA Russell 200	(12.81%)	29.13%	11.39%	(24.90%)	(12.22%)
SSgA Russell 200(net)	(12.82%)	29.09%	11.35%	(24.93%)	(12.26%)
Standard & Poor's 500 Index	(13.87%)	30.69%	14.43%	(26.21%)	(13.12%)
Small Cap Managers	**(22.39%)**	**38.40%**	**21.11%**	**(28.98%)**	**(13.03%)**
Jennison Associates	(20.78%)	43.32%	26.29%	(26.43%)	(11.12%)
Jennison Associates(net)	(20.98%)	42.56%	25.52%	(27.21%)	(11.84%)
Lord, Abbett	(22.55%)	36.42%	15.11%	(29.62%)	(4.37%)
Lord, Abbett(net)	(22.73%)	35.72%	14.41%	(30.33%)	(5.05%)
Luther King	(20.32%)	56.00%	20.95%	(26.31%)	(16.44%)
Luther King(net)	(20.45%)	55.46%	20.40%	(26.85%)	(16.97%)
SSgA Russell 2000 Growth	(22.20%)	44.80%	13.88%	(24.23%)	-
SSgA Russell 2000 Gr(net)	(22.22%)	44.75%	13.83%	(24.28%)	-
SSgA Russell 2000 Value	(21.57%)	27.65%	23.98%	(24.43%)	(21.79%)
SSgA Russell 2000 Val(net)	(21.58%)	27.61%	23.94%	(24.48%)	(21.84%)
Russell 2000 Index	(21.87%)	37.41%	21.48%	(25.01%)	(16.19%)
International Equity Pool	**(18.59%)**	**28.51%**	**8.51%**	**(30.37%)**	**(9.36%)**
Brandes Investment	(16.70%)	24.74%	6.05%	(23.76%)	(13.07%)
Brandes Investment(net)	(16.80%)	24.33%	5.64%	(24.19%)	(13.50%)
Capital Guardian	(19.64%)	30.29%	10.44%	(31.73%)	(7.66%)
Capital Guardian(net)	(19.74%)	29.88%	10.03%	(32.16%)	(8.07%)
Lazard Asset Intl	(17.85%)	28.62%	8.84%	(23.86%)	(8.53%)
Lazard Asset Intl(net)	(17.93%)	28.29%	8.51%	(24.19%)	(8.85%)
McKinley Capital	(21.24%)	33.50%	9.26%	(42.91%)	(5.35%)
McKinley Capital(net)	(21.37%)	32.98%	8.73%	(43.45%)	(5.85%)
MSCI Europe Index	(22.61%)	36.02%	5.70%	(34.53%)	(11.34%)
MSCI Pacific ex-Japan	(19.74%)	35.57%	18.43%	(27.66%)	(1.83%)
MSCI EAFE Index	(19.01%)	30.36%	5.92%	(31.35%)	(10.61%)
Emerging Markets Pool	**(22.73%)**	**25.78%**	**22.84%**	**(24.96%)**	**3.96%**
Capital Guardian(net)	(24.97%)	24.29%	22.83%	(23.08%)	3.78%
Lazard Emerging(net)	(20.62%)	26.84%	25.16%	(27.63%)	-
Eaton Vance(net)	(21.37%)	27.32%	23.02%	(29.47%)	-
MSCI Emerging Mkts	(22.46%)	28.17%	23.48%	(27.82%)	4.89%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	6/2011-9/2011	FY 2011	FY 2010	FY 2009	FY 2008
Total Fixed-Income Pool	**1.34%**	**5.42%**	**11.63%**	**3.65%**	**6.55%**
US Treas Pool	3.36%	2.85%	-	-	-
BC Govt/Credit Bd	4.74%	3.68%	9.65%	5.26%	7.24%
BC Aggregate Index	3.82%	3.90%	9.50%	6.05%	7.12%
BC Intmdt Treas	3.54%	2.73%	5.84%	6.12%	9.76%
International Fixed-Income Pool	**(1.90%)**	**11.91%**	**6.30%**	**3.33%**	**18.97%**
Lazard Emerging Income	(0.56%)	5.41%	7.38%	-	-
Lazard Emerging Income(net)	(0.62%)	5.17%	7.14%	-	-
Mondrian Investment Partners	(2.36%)	14.87%	5.76%	7.43%	18.97%
Mondrian Inv Partners(net)	(2.41%)	14.67%	5.53%	7.21%	18.76%
Citi Non-US Gvt Bd Idx	0.94%	13.95%	1.52%	3.53%	18.72%
High Yield	**(3.34%)**	**14.28%**	**19.67%**	**(2.40%)**	**(1.00%)**
MacKay Shields	(3.34%)	12.31%	21.65%	(1.72%)	0.56%
MacKay Shields(net)	(3.45%)	11.86%	21.20%	(2.17%)	0.11%
High Yield Target(1)	(6.31%)	15.40%	27.53%	(3.53%)	(2.11%)
Real Assets(prelim)	**0.64%**	**14.99%**	**(0.09%)**	**(21.62%)**	-
Real Assets Target	3.04%	12.66%	1.17%	(10.82%)	12.24%
Real Estate Pool(prelim)	0.07%	20.92%	(3.80%)	(34.26%)	5.11%
Real Estate Target	1.46%	18.41%	3.65%	(21.13%)	6.82%
Private Real Estate(prelim)	2.19%	20.13%	(5.40%)	(34.68%)	6.28%
NCREIF Total Index	3.30%	16.73%	(1.48%)	(19.57%)	9.20%
REIT Internal Portfolio	(14.77%)	35.50%	52.24%	(46.49%)	(15.72%)
NAREIT Equity Index	(15.07%)	34.09%	53.90%	(43.29%)	(13.64%)
UBS Agrivest(3)	0.63%	10.99%	4.01%	4.90%	17.04%
Hancock Agricultural(3)	0.58%	8.23%	8.50%	7.99%	13.58%
Timberland Investment Resources(3)	0.72%	3.26%	(3.01%)	-	-
Hancock Timber Resource(3)	0.39%	6.90%	(2.72%)	-	-
TIPS Internal Portfolio	4.87%	8.06%	7.18%	1.22%	-
Total TCW Energy Funds(2)	0.45%	8.62%	12.74%	(3.77%)	33.66%
CPI + 5%	1.77%	9.06%	6.36%	3.02%	10.55%
Private Equity	**4.48%**	**20.15%**	**18.87%**	**(23.67%)**	**13.19%**
Absolute Return	**(2.73%)**	**5.98%**	**6.60%**	**(12.49%)**	**1.52%**
Total All Plans	**(8.69%)**	**21.16%**	**11.62%**	**(20.49%)**	**(3.13%)**
Employees' Total Plan	(8.84%)	21.18%	11.39%	(20.53%)	(3.13%)
Teachers' Total Plan	(8.74%)	21.36%	11.58%	(20.67%)	(3.12%)
PERS & TRS Policy Target	(9.27%)	21.62%	11.11%	(17.00%)	(4.73%)
Judicial Total Plan	(8.88%)	21.21%	11.92%	(20.51%)	(4.69%)
PERS Health PLan	(8.80%)	21.06%	11.87%	(17.61%)	-
TRS Health Plan	(8.69%)	21.15%	12.04%	(17.45%)	-
JRS Health Plan	(8.89%)	21.20%	11.89%	(17.82%)	-
Military Total Plan	(6.51%)	13.90%	11.50%	(8.31%)	(1.18%)

* Current Quarter Target = 29.0% Russell 3000 Index, 23.0% MSCI ACWI ex-US Index, 15.2% BC Intmdt Treas, 9.6% NCREIF Total Index, 5.0% 3-month Treasury Bill+5.0%, 3.2% BC US TIPS Index, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 1.9% Citi WGBI Non-US Idx, 1.9% Hi Yld II Index, 1.6% NCREIF Farmland Index, 1.6% NCREIF Timberland Index and 1.0% 3-month Treasury Bill.
(1) ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.
(2) Return data supplied by State Street.
(3) Returns supplied by manager and may vary from State Street returns due to timing variations.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Domestic Equity Pool	**20.11%**	**9.23%**	**4.48%**	**20.06%**	**(0.97%)**
Large Cap Managers	**20.88%**	**7.86%**	**4.96%**	**17.97%**	**0.35%**
Capital Guardian	16.95%	11.35%	5.28%	21.95%	7.41%
Capital Guardian(net)	16.71%	11.11%	5.05%	21.71%	7.16%
Lazard Asset Mgmt.	24.63%	8.70%	6.45%	17.78%	(0.29%)
Lazard Asset Mgmt(net)	24.31%	8.37%	6.12%	17.45%	(0.65%)
McKinley Capital	16.47%	11.29%	0.85%	21.88%	(2.73%)
McKinley Capital(net)	16.09%	10.92%	0.47%	21.49%	(3.13%)
RCM	17.90%	8.33%	4.71%	12.17%	(1.49%)
RCM(net)	17.59%	8.03%	4.40%	11.87%	(1.79%)
Tukman Capital	17.36%	4.58%	(4.56%)	14.96%	(2.56%)
Tukman Capital(net)	16.71%	4.04%	(5.08%)	14.43%	(3.09%)
Standard & Poor's 500 Index	20.59%	8.63%	6.32%	19.11%	0.25%
Small Cap Managers	**16.86%**	**15.07%**	**2.00%**	**28.29%**	**(5.41%)**
Jennison Associates	21.89%	15.99%	-	-	-
Jennison Associates(net)	21.17%	15.26%	-	-	-
Lord, Abbett	21.39%	11.30%	-	-	-
Lord, Abbett(net)	20.70%	10.61%	-	-	-
Luther King	15.09%	21.79%	-	-	-
Luther King(net)	14.56%	21.25%	-	-	-
Trust Co. of the West	37.98%	12.98%	(3.22%)	43.89%	(4.82%)
Trust Co. of the West(net)	37.19%	12.21%	(3.98%)	43.12%	(5.60%)
Turner Inv. Partners	10.45%	16.87%	11.62%	-	-
Turner Inv. Partners(net)	9.84%	16.29%	11.02%	-	-
Russell 2000 Index	16.43%	14.58%	9.45%	33.37%	(1.64%)
Fixed-Income Pool	**6.19%**	**0.06%**	**7.09%**	**0.61%**	**10.69%**
BC Govt/Credit	6.00%	(1.52%)	7.26%	(0.72%)	13.15%
BC Aggregate	6.12%	(0.81%)	6.80%	0.32%	10.40%
International Fixed-Income Pool	**1.97%**	**(0.26%)**	**9.84%**	**7.52%**	**24.48%**
Mondrian Inv Partners	1.97%	(0.26%)	9.84%	7.52%	24.48%
Mondrian Inv Partners(net)	1.75%	(0.45%)	9.67%	7.34%	24.29%
Citi Non-US Gvt Bd Idx	2.19%	(0.01%)	7.75%	7.60%	17.90%
International Equity Pool	**27.85%**	**28.28%**	**13.37%**	**31.67%**	**(5.83%)**
Brandes Investment	29.88%	27.95%	14.43%	44.21%	(4.37%)
Brandes Investment(net)	29.45%	27.52%	14.02%	43.79%	(4.82%)
Capital Guardian	25.60%	29.02%	11.52%	29.68%	(6.93%)
Capital Guardian(net)	25.19%	28.60%	11.09%	29.25%	(7.37%)
Lazard Asset Intl	23.17%	26.44%	12.72%	22.11%	(3.39%)
Lazard Asset Intl(net)	22.85%	26.11%	12.39%	21.79%	(3.75%)
McKinley Capital	31.53%	34.79%	-	-	-
McKinley Capital(net)	31.02%	34.26%	-	-	-
SSgA Intl	28.47%	28.40%	-	-	-
SSgA Intl(net)	27.96%	27.87%	-	-	-
MSCI Europe Index	32.44%	24.75%	16.87%	28.87%	(5.22%)
MSCI Pacific ex-Japan	42.56%	18.05%	33.58%	27.37%	6.58%
MSCI EAFE Index	27.00%	26.56%	13.65%	32.37%	(6.46%)
Emerging Markets Pool	**48.02%**	**34.49%**	**35.19%**	**33.07%**	**6.11%**
Capital Guardian(net)	52.08%	37.87%	34.34%	27.88%	7.14%
MSCI Emerging Mkts	45.45%	35.91%	34.89%	33.51%	6.96%
Citigroup Non-US Govt	2.19%	(0.01%)	7.75%	7.60%	17.90%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Real Estate Pool	**21.18%**	**18.58%**	**17.42%**	**11.55%**	**8.98%**
Real Estate Target	17.25%	18.67%	18.02%	10.83%	7.64%
Private Equity	**28.74%**	**25.89%**	**18.08%**	**21.42%**	**(14.75%)**
Absolute Return	**10.00%**	**10.51%**	**-**	**-**	**-**
High Yield	**10.83%**	**5.55%**	**-**	**-**	**-**
MacKay Shields	10.54%	5.42%	-	-	-
MacKay Shields(net)	10.09%	4.97%	-	-	-
Total All Plans	**18.93%**	**11.75%**	**8.96%**	**15.08%**	**3.68%**
Employees' Total Plan	18.93%	11.74%	8.95%	15.08%	3.67%
Teachers' Total Plan	18.97%	11.78%	9.01%	15.09%	3.68%
PERS & TRS Policy Target	16.99%	10.38%	9.28%	15.38%	4.25%
Judicial Total Plan	18.48%	11.37%	8.49%	15.21%	3.59%
Military Total Plan	13.30%	6.25%	7.00%	9.36%	6.15%

* Current Quarter Target = 30.0% S&P 500 Index, 20.0% BC Aggregate Index, 14.0% MSCI EAFE Index, 9.0% NCREIF Total Index, 6.0% Russell 2000 Index, 4.0% Libor-1 Month+4.0%, 3.0% CPI-W+5.0%, 2.3% MSCI EAFE Index, 2.3% S&P 500 Index, 2.3% Russell 2000 Index, 2.0% Citi WGBI Non-US Idx, 2.0% Hi Yld II Index, 2.0% MSCI Emerging Mkts Idx and 1.0% NAREIT All Equity Index.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2011

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 8 Years
Total Fund	**2.03%**	**21.16%**	**2.50%**	**4.41%**	**7.16%**
Total Fund(net)	**1.99%**	**20.96%**	**2.19%**	**4.10%**	**6.85%**
PERS	2.02%	21.18%	2.36%	4.32%	7.10%
PERS(net)	1.98%	20.98%	2.04%	4.01%	6.79%
TRS	2.07%	21.36%	2.41%	4.36%	7.14%
TRS(Net)	2.03%	21.12%	2.09%	4.05%	6.83%
PERS Health	2.03%	21.06%	3.72%	-	-
PERS Health(net)	1.99%	20.87%	3.40%	-	-
TRS Health	2.04%	21.15%	3.87%	-	-
TRS Health(net)	2.00%	20.93%	3.55%	-	-

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2011

	Last 10 Years	Last 19-3/4 Years
Total Fund	**5.47%**	**7.75%**
Total Fund(net)	**5.18%**	**7.45%**
PERS(net)	5.13%	7.42%
TRS(Net)	5.16%	7.47%

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Total Fund	**21.16%**	**11.62%**	**(20.36%)**	**(3.15%)**	**18.93%**
Total Fund(net)	**20.96%**	**11.28%**	**(20.72%)**	**(3.41%)**	**18.59%**
PERS	21.18%	11.39%	(20.53%)	(3.13%)	18.93%
PERS(net)	20.98%	11.05%	(20.92%)	(3.40%)	18.59%
TRS	21.36%	11.58%	(20.67%)	(3.12%)	18.97%
TRS(Net)	21.12%	11.23%	(21.01%)	(3.38%)	18.63%
PERS Health	21.06%	11.87%	(17.61%)	-	-
PERS Health(net)	20.87%	11.53%	(17.98%)	-	-
TRS Health	21.15%	12.04%	(17.45%)	-	-
TRS Health(net)	20.93%	11.70%	(17.80%)	-	-

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
Total Fund	**18.93%**	**11.75%**	**8.96%**	**15.08%**	**3.68%**
Total Fund(net)	**18.59%**	**11.44%**	**8.68%**	**14.76%**	**3.38%**
PERS	18.93%	11.74%	8.95%	15.08%	3.67%
PERS(net)	18.59%	11.43%	8.67%	14.76%	3.38%
TRS	18.97%	11.78%	9.01%	15.09%	3.68%
TRS(Net)	18.63%	11.47%	8.73%	14.78%	3.39%

Net return for PERS, TRS and Total Fund derived from gross expenses minus securities lending income supplied by Revenue. Total Fund net includes estimated gross expenses for Judicial and Military.

TOTAL DOMESTIC EQUITY POOL
PERIOD ENDED SEPTEMBER 30, 2011

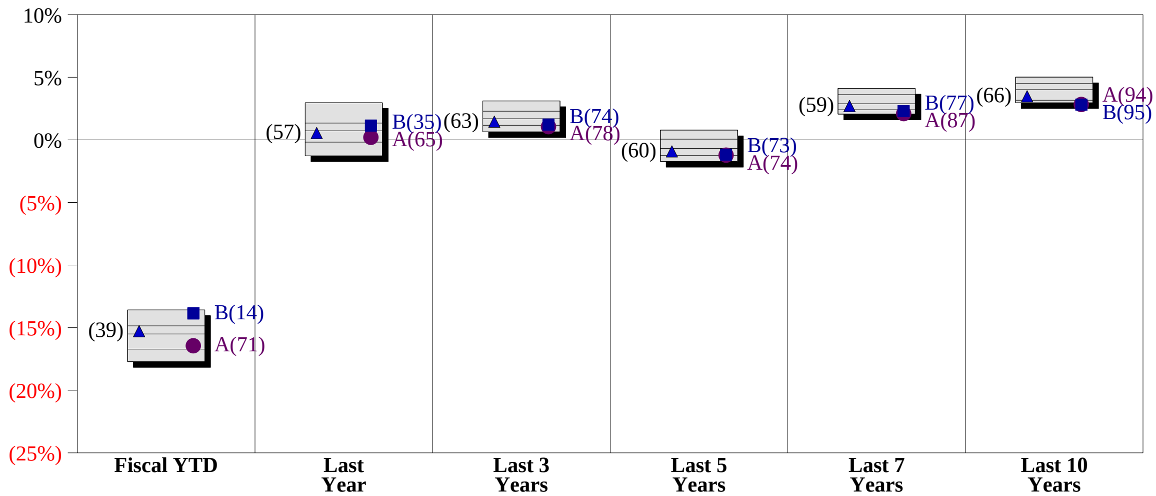
Investment Philosophy

The State of Alaska Total Equity Pool is diversified across large cap value, large cap growth, core, small cap value, and small cap growth equity styles so as to gain broad market exposure.

Quarterly Summary and Highlights

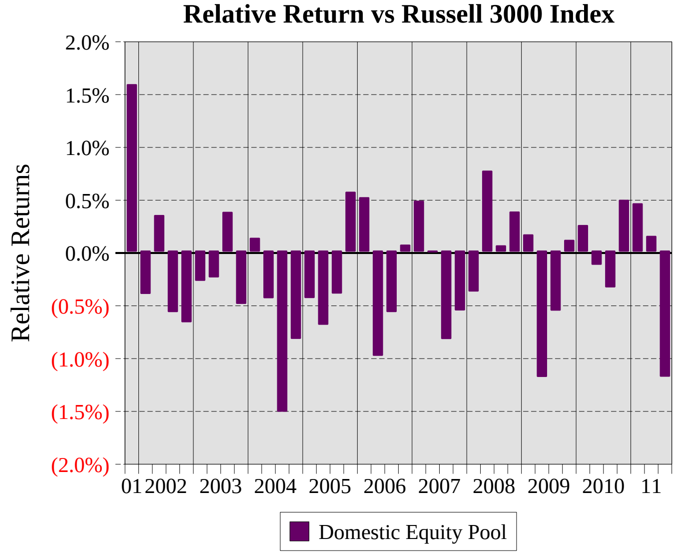
- Domestic Equity Pool’s portfolio posted a (16.45)% return for the quarter placing it in the 71 percentile of the Public Fund - Domestic Equity group for the quarter and in the 65 percentile for the last year.
- Domestic Equity Pool’s portfolio underperformed the Russell 3000 Index by 1.17% for the quarter and underperformed the Russell 3000 Index for the year by 0.35%.

Performance vs Public Fund - Domestic Equity (Gross)

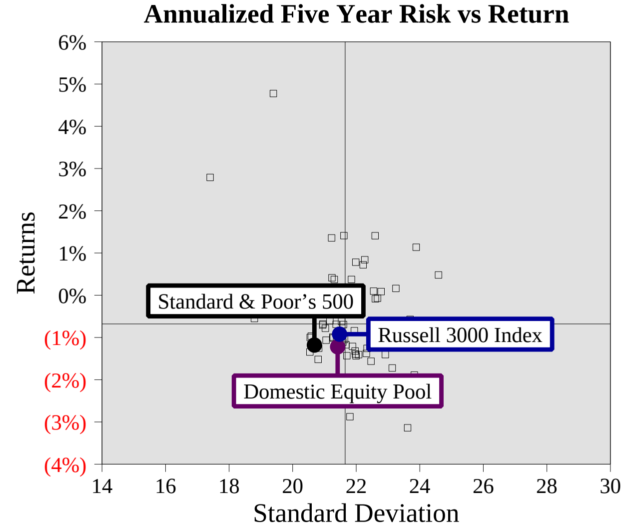


		Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile		(13.58)	2.97	3.11	0.78	4.11	5.01
25th Percentile		(14.86)	1.34	2.29	0.05	3.61	4.50
Median		(15.50)	0.73	1.69	(0.68)	2.89	4.01
75th Percentile		(16.72)	(0.18)	1.17	(1.25)	2.41	3.16
90th Percentile		(17.72)	(1.28)	0.64	(1.72)	2.06	2.96
Domestic Equity Pool	● A	(16.45)	0.20	1.05	(1.22)	2.10	2.83
Standard & Poor’s 500	■ B	(13.87)	1.14	1.23	(1.18)	2.29	2.82
Russell 3000 Index	▲	(15.28)	0.55	1.45	(0.92)	2.71	3.48

Relative Return vs Russell 3000 Index



Public Fund - Domestic Equity (Gross) Annualized Five Year Risk vs Return

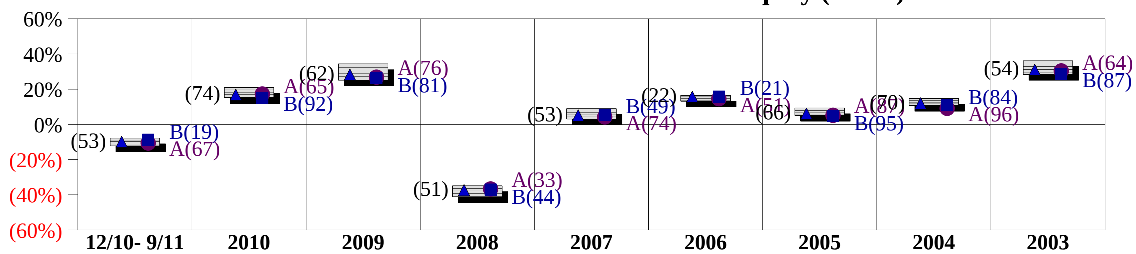


DOMESTIC EQUITY POOL
RETURN ANALYSIS SUMMARY

Return Analysis

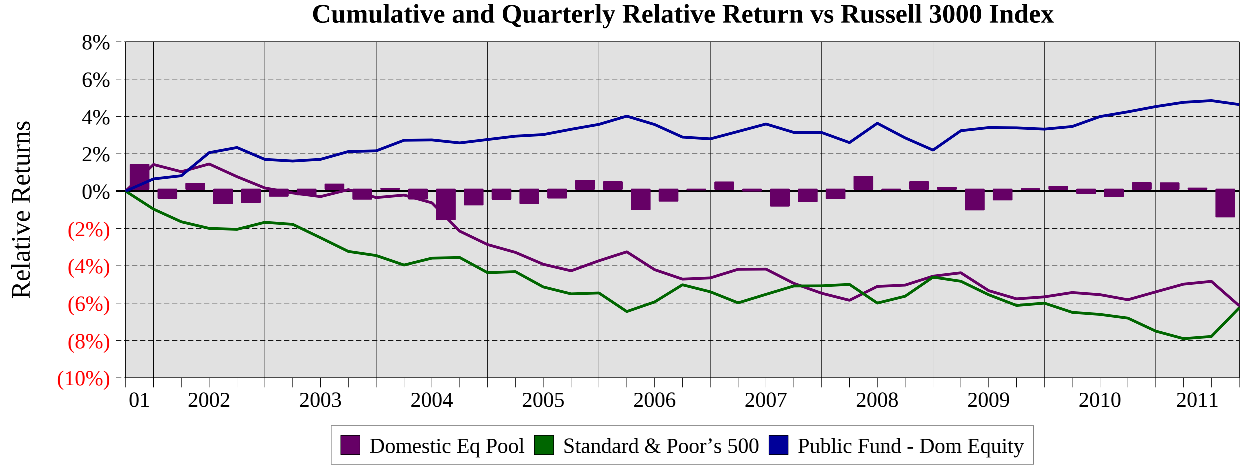
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - Domestic Equity (Gross)

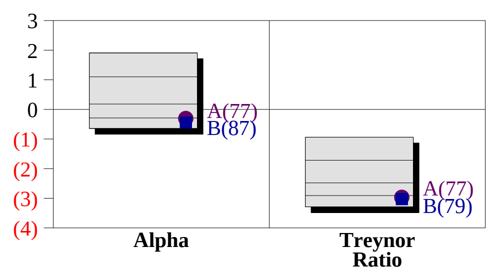


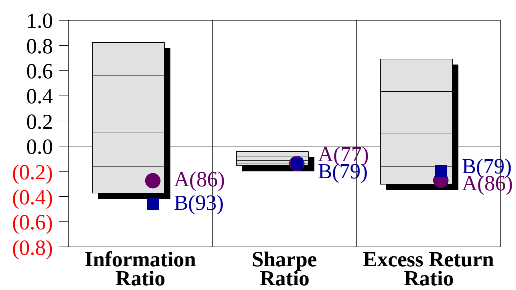
		12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile		(7.76)	20.96	34.37	(34.91)	8.90	16.47	9.31	14.74	36.10
25th Percentile		(8.91)	19.56	32.44	(36.35)	6.62	15.63	7.98	13.47	32.95
Median		(9.80)	17.96	29.08	(37.29)	5.39	14.61	6.56	12.61	31.24
75th Percentile		(11.15)	16.87	27.10	(39.16)	4.23	13.75	5.88	11.65	29.70
90th Percentile		(12.24)	15.27	25.14	(41.14)	3.05	13.17	5.06	10.73	28.32
Domestic Eq Pool	● A	(10.61)	17.26	26.85	(36.70)	4.23	14.61	5.17	9.12	30.38
Standard & Poor's 500	■ B	(8.68)	15.06	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68
Russell 3000 Index	▲	(9.90)	16.93	28.34	(37.31)	5.14	15.72	6.12	11.95	31.06

Cumulative and Quarterly Relative Return vs Russell 3000 Index



Risk Adjusted Return Measures vs Russell 3000 Index
Rankings Against Public Fund - Domestic Equity (Gross)
Five Years Ended September 30, 2011





		Alpha	Treynor Ratio
10th Percentile		1.91	(0.94)
25th Percentile		1.10	(1.72)
Median		0.18	(2.48)
75th Percentile		(0.29)	(2.91)
90th Percentile		(0.64)	(3.29)
Domestic Eq Pool	● A	(0.31)	(2.97)
Standard & Poor's 500	■ B	(0.44)	(3.03)

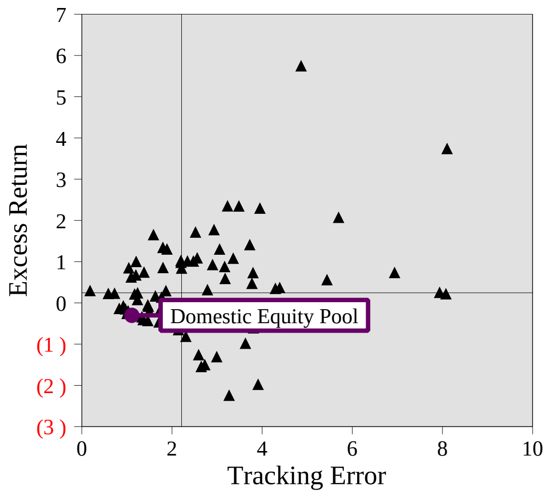
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.82	(0.04)	0.69
25th Percentile		0.56	(0.08)	0.43
Median		0.11	(0.11)	0.10
75th Percentile		(0.16)	(0.13)	(0.16)
90th Percentile		(0.37)	(0.15)	(0.30)
Domestic Eq Pool	● A	(0.27)	(0.14)	(0.27)
Standard & Poor's 500	■ B	(0.46)	(0.14)	(0.20)

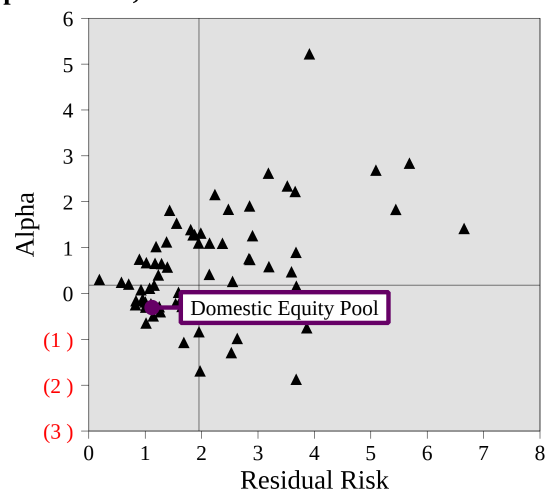
DOMESTIC EQUITY POOL
RISK ANALYSIS SUMMARY

Risk Analysis

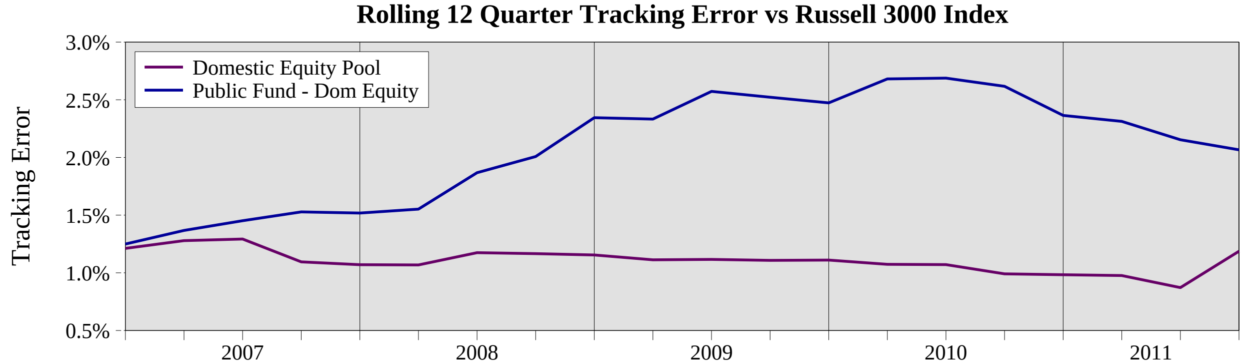
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs Public Fund - Domestic Equity (Gross)
Five Years Ended September 30, 2011

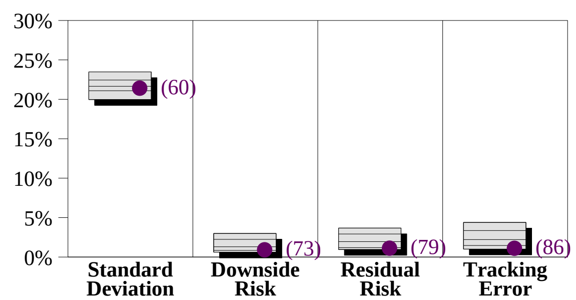




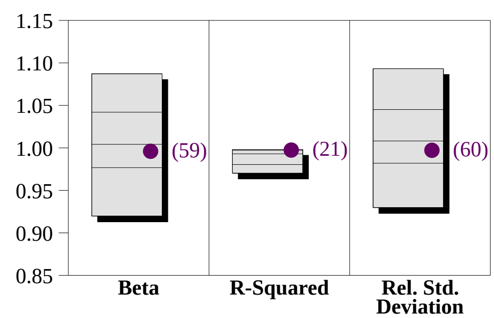
Rolling 12 Quarter Tracking Error vs Russell 3000 Index



Risk Statistics Rankings vs Russell 3000 Index
Rankings Against Public Fund - Domestic Equity (Gross)
Five Years Ended September 30, 2011



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	23.48	2.99	3.68	4.39
25th Percentile	22.44	2.24	2.92	3.36
Median	21.65	1.30	1.95	2.21
75th Percentile	21.09	0.84	1.19	1.46
90th Percentile	19.97	0.61	0.95	1.00
Domestic Equity Pool ●	21.42	0.92	1.12	1.11



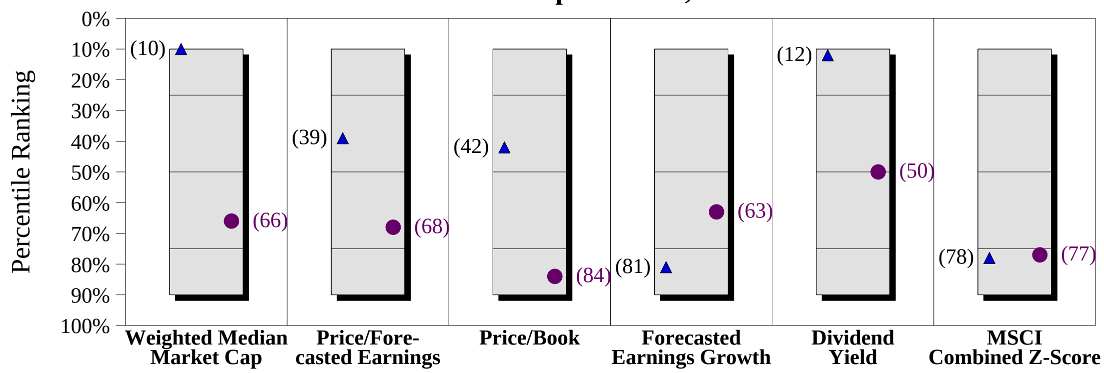
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.09	1.00	1.09
25th Percentile	1.04	1.00	1.05
Median	1.00	0.99	1.01
75th Percentile	0.98	0.98	0.98
90th Percentile	0.92	0.97	0.93
Domestic Equity Pool ●	1.00	1.00	1.00

DOMESTIC EQUITY POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against Public Fund - Domestic Equity
as of September 30, 2011

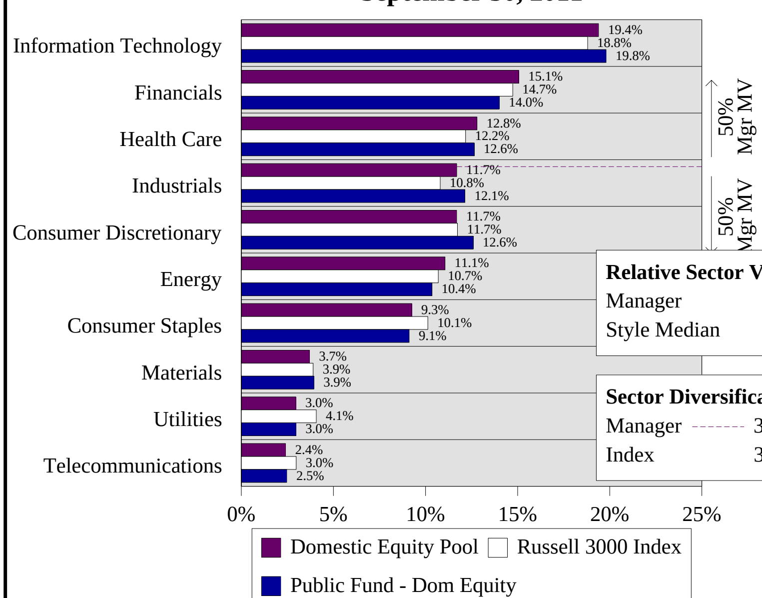


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		28.09	11.70	1.96	13.24	2.28	0.39
25th Percentile		24.37	11.18	1.82	12.62	2.09	0.16
Median		21.40	10.89	1.76	12.07	2.00	0.03
75th Percentile		17.93	10.67	1.72	11.56	1.85	0.00
90th Percentile		10.28	10.48	1.60	11.19	1.68	(0.16)
Domestic Equity Pool	●	20.11	10.75	1.69	11.75	2.00	(0.00)
Russell 3000 Index	▲	28.37	10.93	1.77	11.51	2.24	(0.00)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



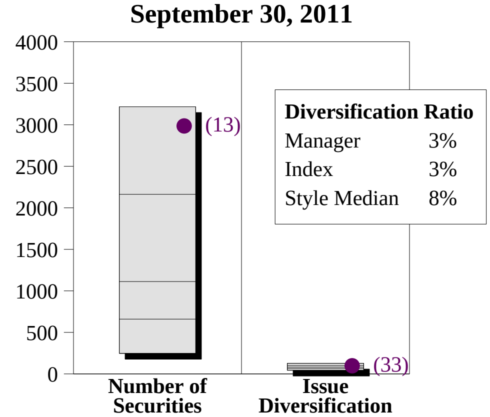
Relative Sector Variance

Manager	6%
Style Median	7%

Sector Diversification

Manager	3.25 sectors
Index	3.37 sectors

Diversification
September 30, 2011



Diversification Ratio

Manager	3%
Index	3%
Style Median	8%

		Number of Securities	Issue Diversification
10th Percentile		3217	128
25th Percentile		2163	101
Median		1112	81
75th Percentile		660	64
90th Percentile		247	43
Domestic Equity Pool	●	2986	98
Russell 3000 Index	▲	2935	84

LARGE CAP EQUITY POOL
PERIOD ENDED SEPTEMBER 30, 2011

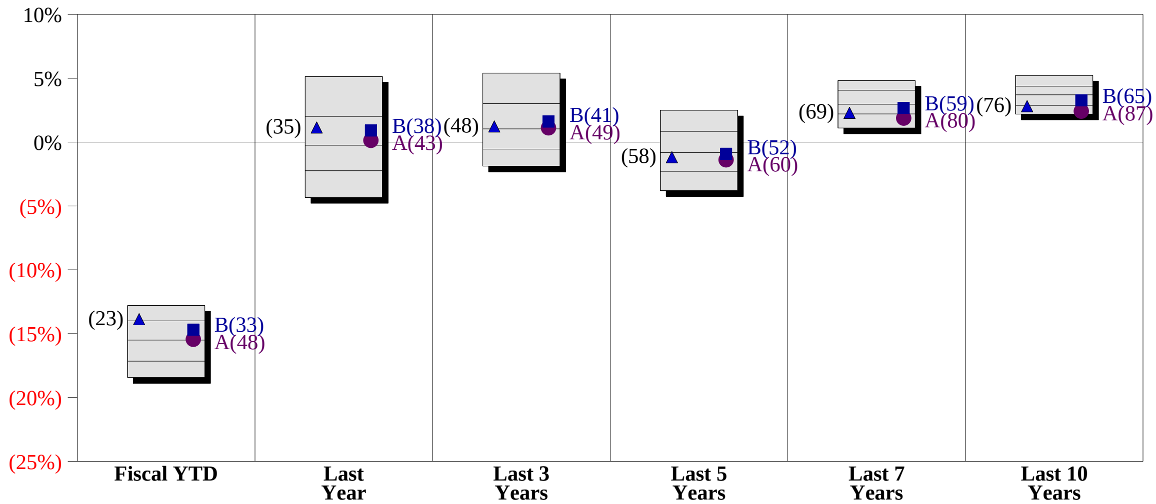
Investment Philosophy

The State of Alaska Large Capitalization Equity Pool is diversified across large cap value, large cap growth, and core investment styles. By diversifying styles, Alaska has reduced the risk associated with style bias and is better diversified across styles as they cycle in and out of favor.

Quarterly Summary and Highlights

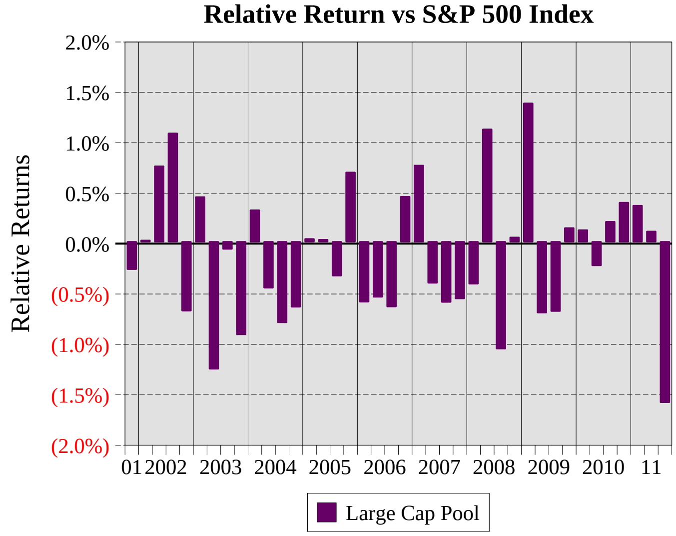
- Large Cap Pool's portfolio posted a (15.44)% return for the quarter placing it in the 48 percentile of the CAI Large Capitalization Style group for the quarter and in the 43 percentile for the last year.
- Large Cap Pool's portfolio underperformed the S&P 500 Index by 1.58% for the quarter and underperformed the S&P 500 Index for the year by 1.01%.

Performance vs CAI Large Capitalization Style (Gross)

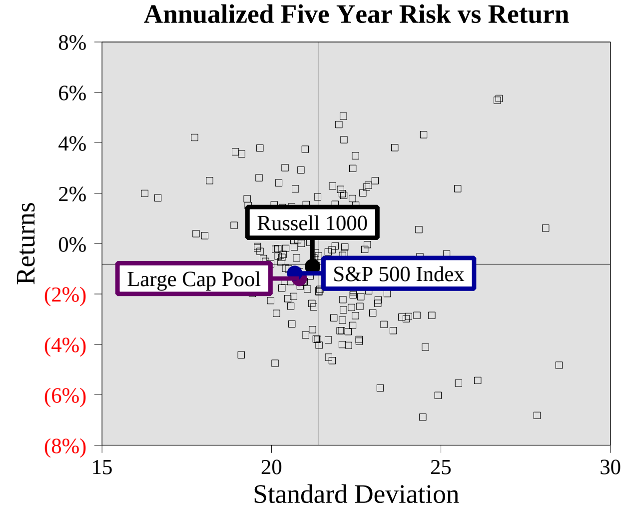


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(12.80)	5.14	5.40	2.50	4.82	5.23
25th Percentile	(14.00)	2.01	3.01	0.84	4.06	4.38
Median	(15.51)	(0.25)	1.04	(0.82)	2.96	3.71
75th Percentile	(17.16)	(2.24)	(0.55)	(2.29)	2.21	2.87
90th Percentile	(18.44)	(4.34)	(1.88)	(3.80)	1.10	2.19
Large Cap Pool ● A	(15.44)	0.14	1.12	(1.39)	1.88	2.42
Russell 1000 ■ B	(14.68)	0.91	1.61	(0.91)	2.68	3.28
S&P 500 Index ▲	(13.87)	1.14	1.23	(1.18)	2.29	2.82

Relative Return vs S&P 500 Index



CAI Large Capitalization Style (Gross) Annualized Five Year Risk vs Return

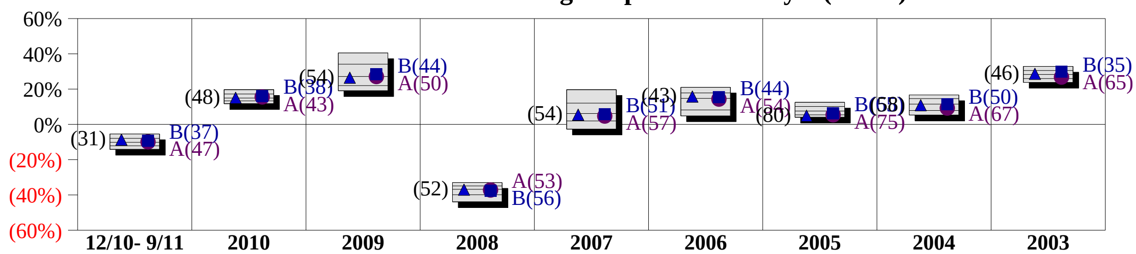


LARGE CAP POOL
RETURN ANALYSIS SUMMARY

Return Analysis

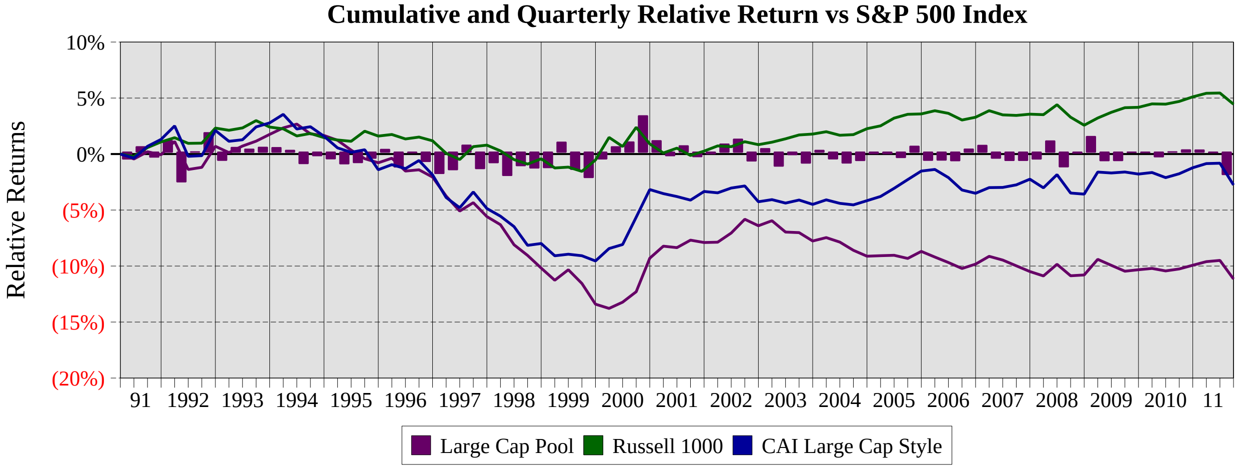
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Capitalization Style (Gross)

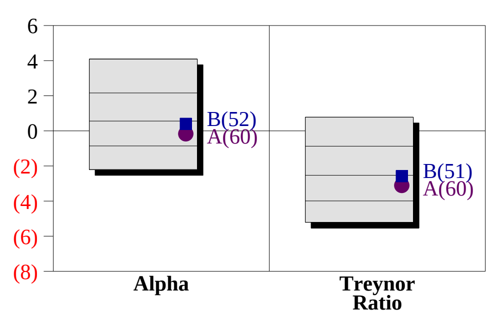


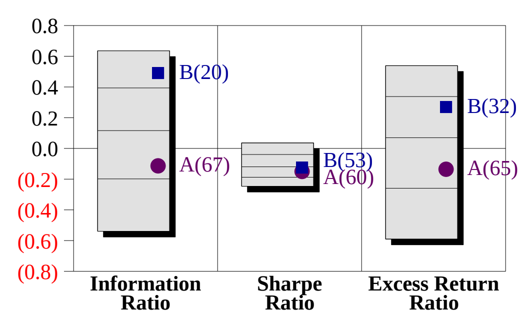
	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile	(5.44)	19.70	40.53	(33.01)	19.67	21.00	12.52	16.69	32.89
25th Percentile	(7.93)	17.23	34.14	(34.90)	12.04	17.83	10.15	14.62	30.55
Median	(10.18)	14.92	27.16	(36.83)	6.17	14.75	7.57	11.49	28.31
75th Percentile	(12.14)	13.34	22.01	(39.91)	1.96	8.18	5.43	7.88	25.99
90th Percentile	(14.18)	11.72	19.06	(43.92)	(2.70)	4.80	4.01	5.30	23.80
Large Cap Pool ● A	(9.92)	15.58	27.13	(37.22)	4.72	14.35	5.41	9.25	26.81
Russell 1000 ■ B	(9.25)	16.10	28.43	(37.60)	5.77	15.46	6.27	11.40	29.89
S&P 500 Index ▲	(8.68)	15.06	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Capitalization Style (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	4.09	0.78
25th Percentile	2.16	(0.87)
Median	0.56	(2.53)
75th Percentile	(0.86)	(3.99)
90th Percentile	(2.21)	(5.21)
Large Cap Pool ● A	(0.17)	(3.11)
Russell 1000 ■ B	0.40	(2.58)

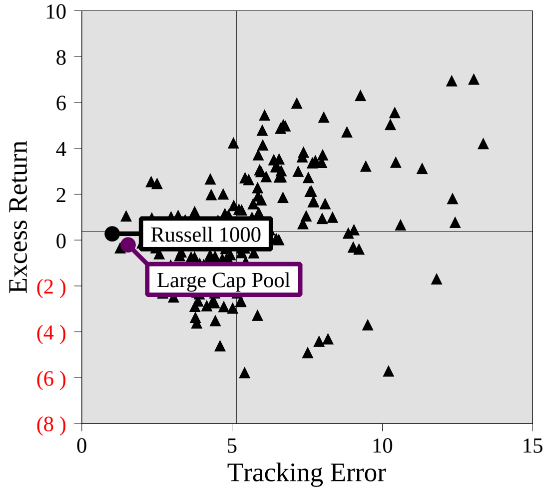
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.64	0.04	0.54
25th Percentile	0.39	(0.04)	0.34
Median	0.12	(0.12)	0.07
75th Percentile	(0.20)	(0.19)	(0.26)
90th Percentile	(0.54)	(0.25)	(0.59)
Large Cap Pool ● A	(0.11)	(0.15)	(0.14)
Russell 1000 ■ B	0.49	(0.12)	0.27

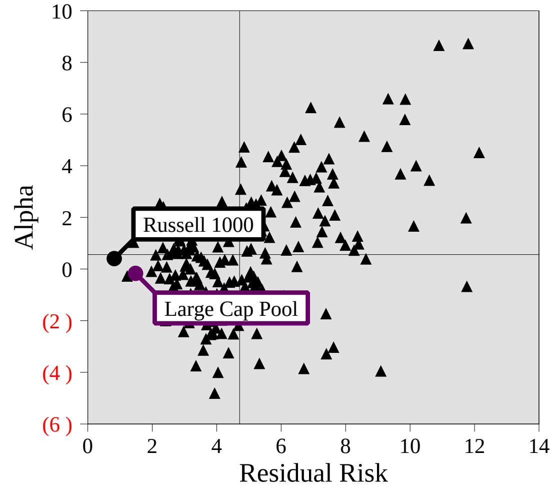
LARGE CAP POOL
RISK ANALYSIS SUMMARY

Risk Analysis

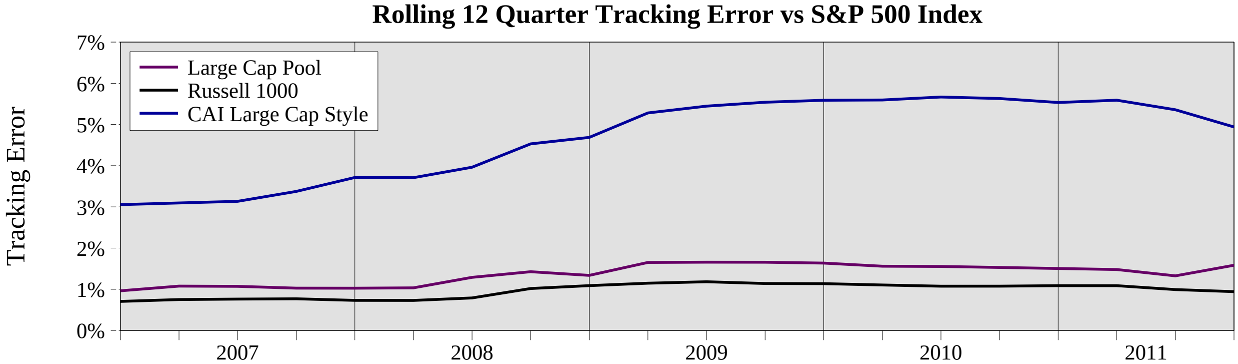
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs CAI Large Capitalization Style (Gross)
Five Years Ended September 30, 2011

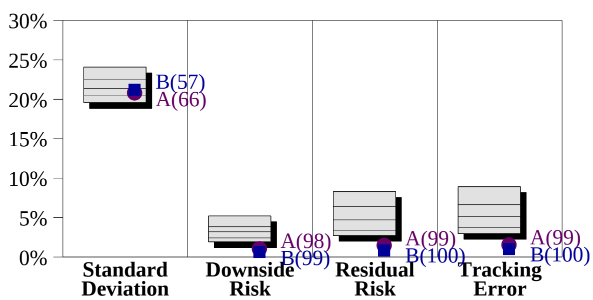




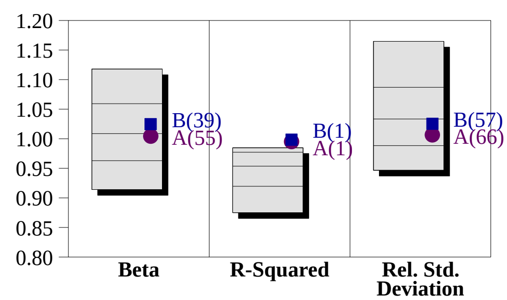
Rolling 12 Quarter Tracking Error vs S&P 500 Index



Risk Statistics Rankings vs S&P 500 Index
Rankings Against CAI Large Capitalization Style (Gross)
Five Years Ended September 30, 2011



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	24.09	5.21	8.30	8.92
25th Percentile	22.48	3.84	6.41	6.64
Median	21.37	3.20	4.71	5.14
75th Percentile	20.44	2.43	3.39	3.75
90th Percentile	19.58	1.92	2.73	2.97
Large Cap Pool ● A	20.82	1.05	1.48	1.54
Russell 1000 ■ B	21.21	0.64	0.82	1.01



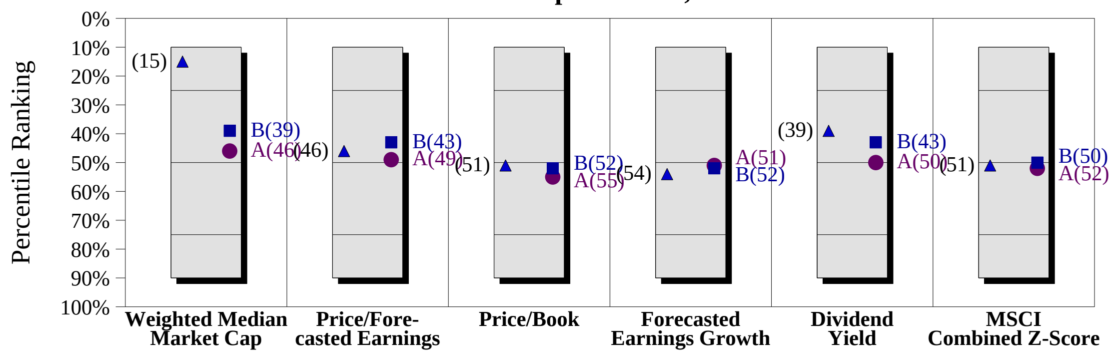
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.12	0.98	1.16
25th Percentile	1.06	0.98	1.09
Median	1.01	0.95	1.03
75th Percentile	0.96	0.92	0.99
90th Percentile	0.91	0.87	0.95
Large Cap Pool ● A	1.00	1.00	1.01
Russell 1000 ■ B	1.02	1.00	1.03

LARGE CAP POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Capitalization Style
as of September 30, 2011

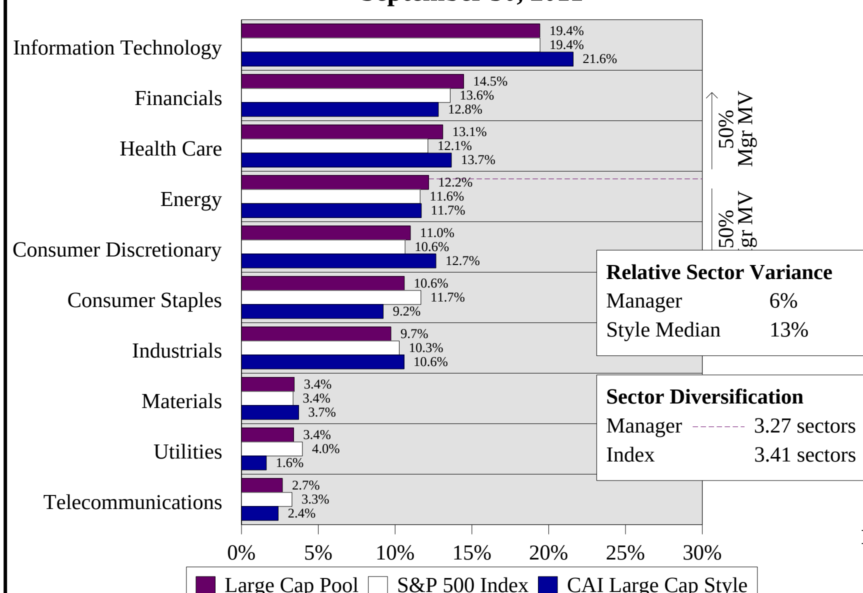


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	52.06	13.85	3.28	17.25	3.04	1.27
25th Percentile	37.75	12.04	2.74	14.46	2.65	0.80
Median	30.19	10.26	1.86	11.67	2.16	0.01
75th Percentile	22.42	9.31	1.42	9.85	1.34	(0.59)
90th Percentile	18.26	8.61	1.25	8.85	0.92	(0.80)
Large Cap Pool ● A	31.05	10.34	1.73	11.59	2.17	(0.03)
Russell 1000 ■ B	32.29	10.71	1.81	11.46	2.28	(0.00)
S&P 500 Index ▲	44.81	10.52	1.82	11.31	2.38	(0.02)

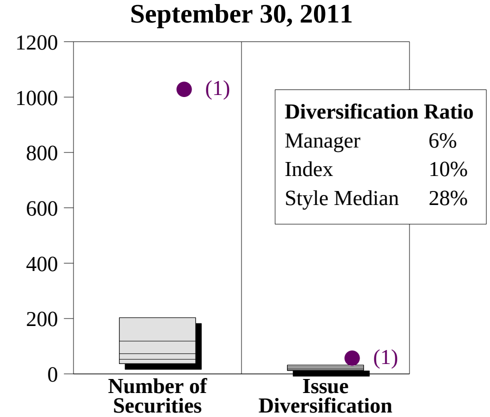
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	203	32
25th Percentile	119	25
Median	73	20
75th Percentile	53	16
90th Percentile	37	12
Large Cap Pool ●	1028	57
S&P 500 Index ▲	500	49

BARROW, HANLEY
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Barrow Hanley uses a bottom-up stock selection process to identify securities having low price multiples and dividend yield greater than the market with prospects for above average profitability.

Quarterly Summary and Highlights

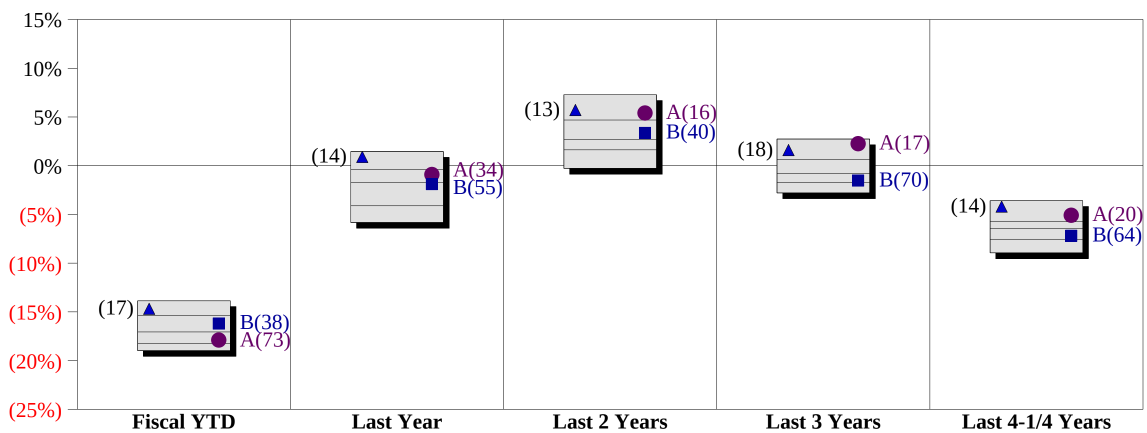
- Barrow, Hanley's portfolio posted a (17.89)% return for the quarter placing it in the 73 percentile of the CAI Large Cap Value Style group for the quarter and in the 34 percentile for the last year.
- Barrow, Hanley's portfolio underperformed the Russell 1000 Index by 3.21% for the quarter and underperformed the Russell 1000 Index for the year by 1.81%.

Quarterly Asset Growth

Beginning Market Value	$145,849,118
Net New Investment	$0
Investment Gains/(Losses)	$-26,092,154
Ending Market Value	$119,756,964

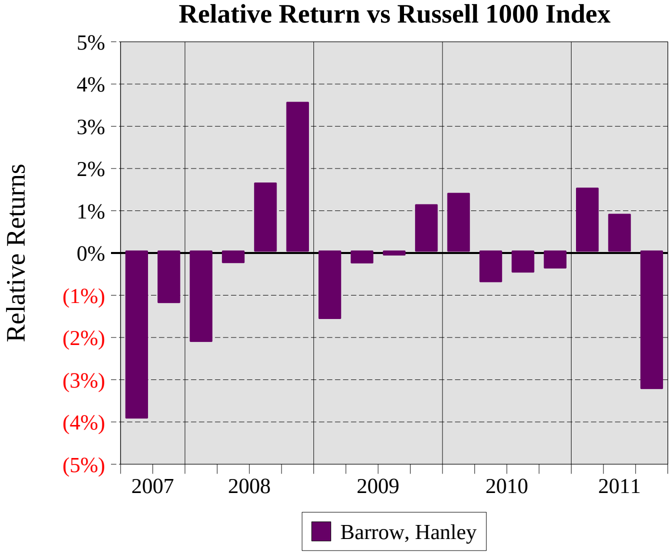
Percent Cash: 2.8%

Performance vs CAI Large Cap Value Style (Gross)

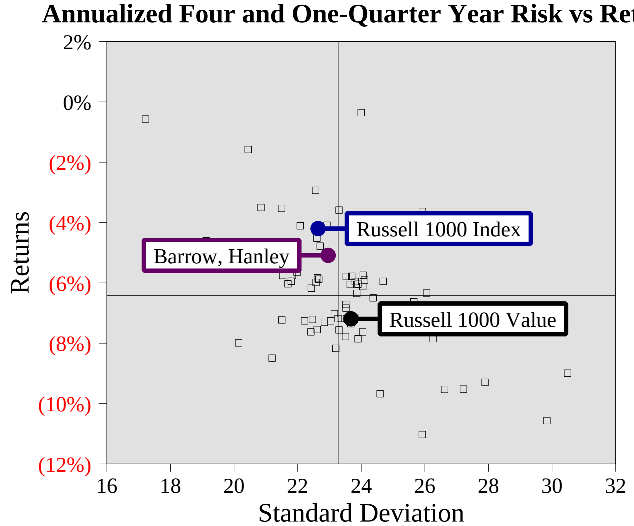


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/4 Years
10th Percentile		(13.86)	1.45	7.28	2.74	(3.59)
25th Percentile		(15.39)	(0.39)	4.69	0.62	(5.75)
Median		(17.06)	(1.70)	2.71	(0.80)	(6.42)
75th Percentile		(18.25)	(4.11)	1.63	(1.72)	(7.55)
90th Percentile		(18.98)	(5.83)	(0.27)	(2.79)	(8.94)
Barrow, Hanley	● A	(17.89)	(0.90)	5.41	2.26	(5.09)
Russell 1000 Value	■ B	(16.20)	(1.89)	3.36	(1.52)	(7.19)
Russell 1000 Index	▲	(14.68)	0.91	5.72	1.61	(4.20)

Relative Return vs Russell 1000 Index



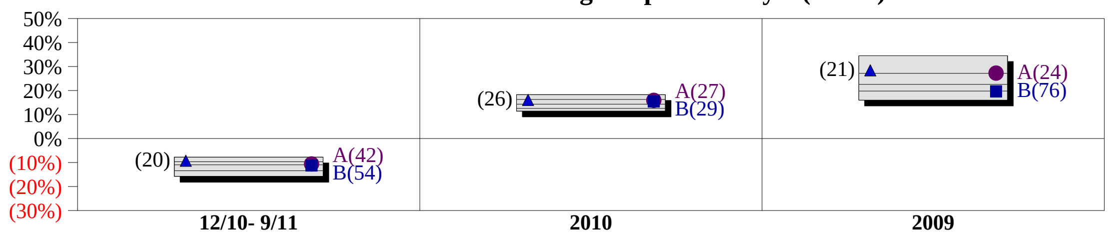
CAI Large Cap Value Style (Gross)
Annualized Four and One-Quarter Year Risk vs Return



Return Analysis

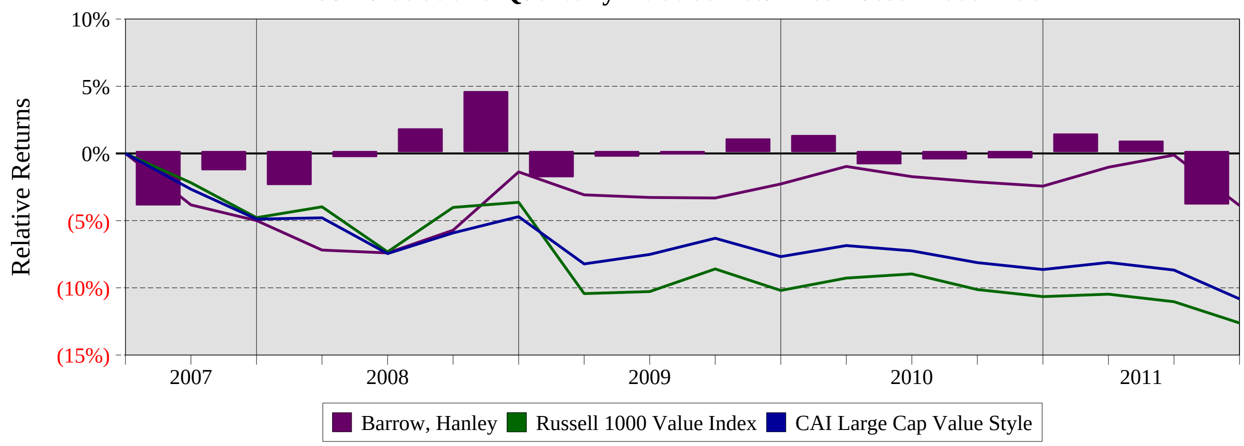
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

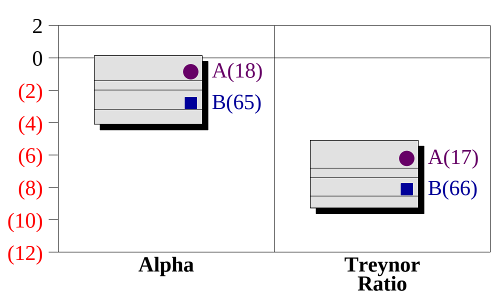


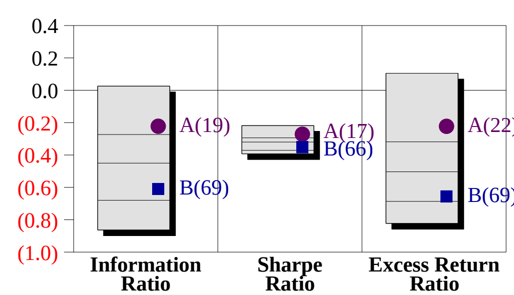
	12/10- 9/11	2010	2009
10th Percentile	(7.76)	18.28	34.50
25th Percentile	(9.66)	16.29	27.16
Median	(10.96)	14.32	22.57
75th Percentile	(13.41)	12.55	19.79
90th Percentile	(15.76)	11.42	15.98
Barrow, Hanley ● A	(10.59)	15.91	27.26
Russell 1000 Value Index ■ B	(11.24)	15.51	19.69
Russell 1000 Index ▲	(9.25)	16.10	28.43

Cumulative and Quarterly Relative Return vs Russell 1000 Index



Risk Adjusted Return Measures vs Russell 1000 Index
Rankings Against CAI Large Cap Value Style (Gross)
Four and One-Quarter Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	0.14	(5.09)
25th Percentile	(1.41)	(6.81)
Median	(1.99)	(7.40)
75th Percentile	(3.19)	(8.54)
90th Percentile	(4.10)	(9.27)
Barrow, Hanley ● A	(0.86)	(6.21)
Russell 1000 Value Index ■ B	(2.79)	(8.12)

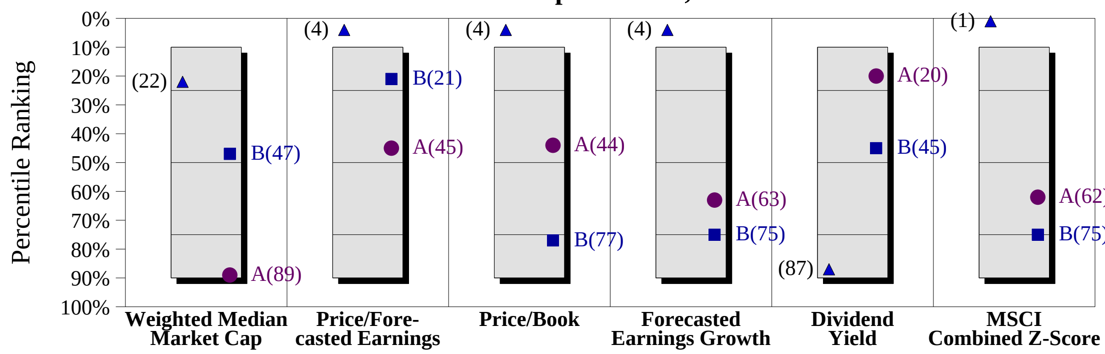
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.03	(0.22)	0.11
25th Percentile	(0.27)	(0.29)	(0.32)
Median	(0.45)	(0.32)	(0.50)
75th Percentile	(0.68)	(0.37)	(0.69)
90th Percentile	(0.86)	(0.39)	(0.82)
Barrow, Hanley ● A	(0.22)	(0.27)	(0.22)
Russell 1000 Value Index ■ B	(0.61)	(0.35)	(0.66)

BARROW, HANLEY
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of September 30, 2011

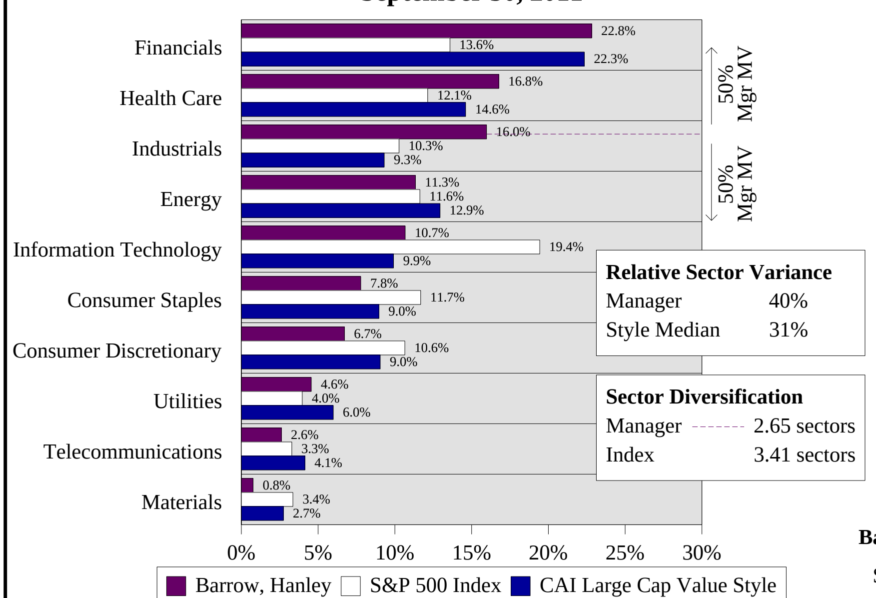


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		54.90	10.20	1.66	10.79	3.30	(0.40)
25th Percentile		41.12	9.51	1.47	10.04	3.04	(0.53)
Median		31.21	9.14	1.32	9.42	2.80	(0.70)
75th Percentile		24.10	8.70	1.24	8.84	2.56	(0.81)
90th Percentile		18.24	8.28	1.16	8.32	2.33	(0.92)
Barrow, Hanley	● A	18.35	9.23	1.36	9.21	3.08	(0.77)
Russell 1000 Value	■ B	31.64	9.61	1.23	8.83	2.85	(0.81)
S&P 500 Index	▲	44.81	10.52	1.82	11.31	2.38	(0.02)

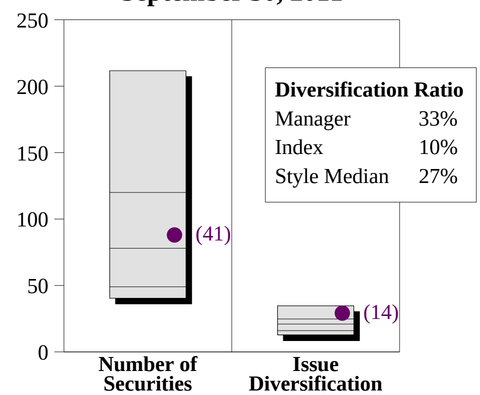
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



		Number of Securities	Issue Diversification
10th Percentile		212	35
25th Percentile		120	25
Median		78	21
75th Percentile		49	16
90th Percentile		40	13
Barrow, Hanley	●	88	29
S&P 500 Index	▲	500	49

LAZARD ASSET MANAGEMENT
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Lazard's investment philosophy is based on the creation of value through bottom-up stock selection which focuses on companies that are financially productive yet inexpensively priced.

Quarterly Summary and Highlights

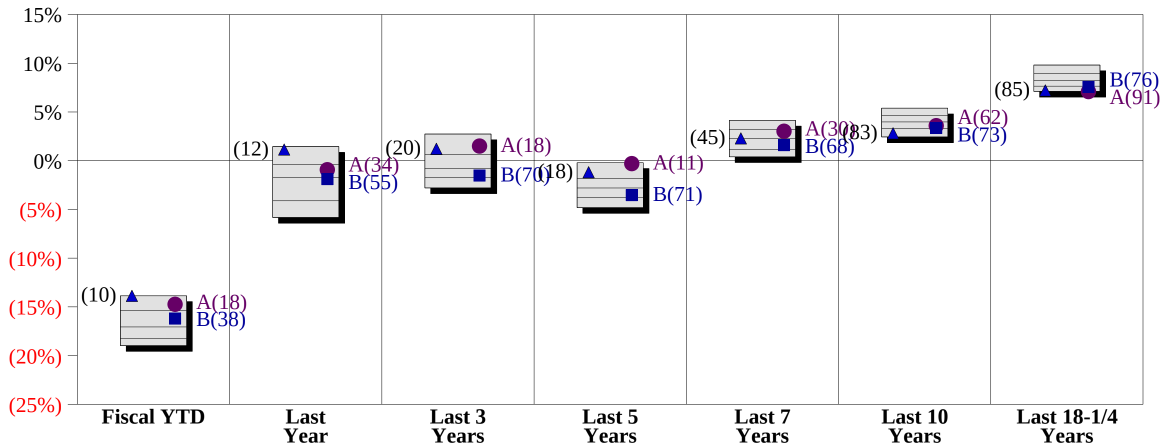
- Lazard Asset Mgmt's portfolio posted a (14.74)% return for the quarter placing it in the 18 percentile of the CAI Large Cap Value Style group for the quarter and in the 34 percentile for the last year.
- Lazard Asset Mgmt's portfolio underperformed the S&P 500 Index by 0.87% for the quarter and underperformed the S&P 500 Index for the year by 2.07%.

Quarterly Asset Growth

Beginning Market Value	$349,910,833
Net New Investment	$-54,321,464
Investment Gains/(Losses)	$-49,419,657
Ending Market Value	$246,169,712

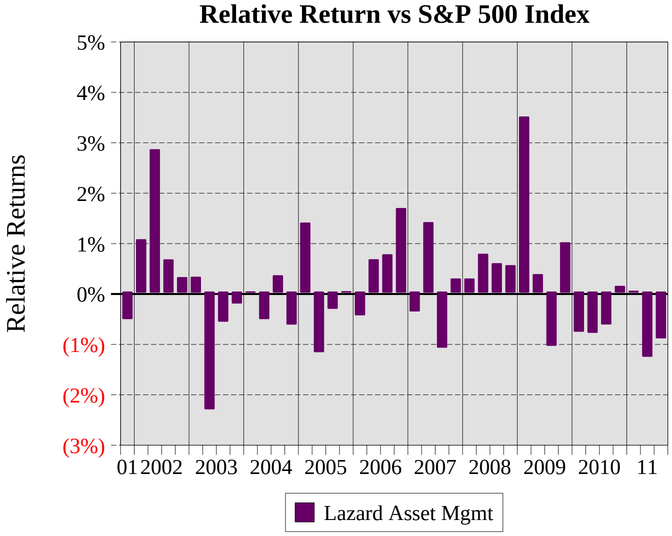
Percent Cash: 1.3%

Performance vs CAI Large Cap Value Style (Gross)

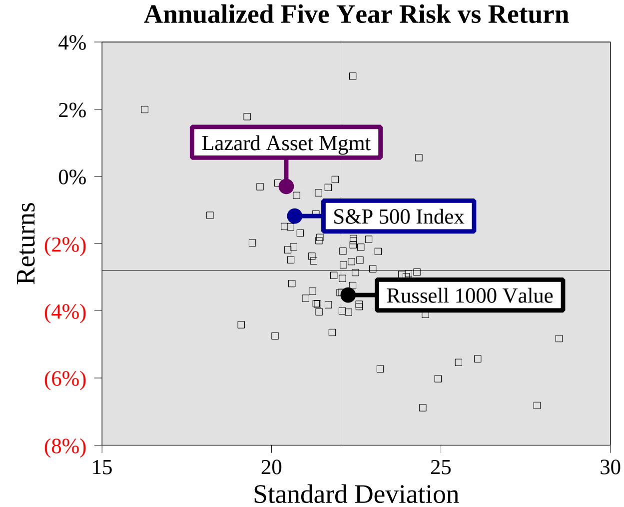


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	(13.86)	1.45	2.74	(0.21)	4.14	5.39	9.82
25th Percentile	(15.39)	(0.39)	0.62	(1.84)	3.21	4.63	8.94
Median	(17.06)	(1.70)	(0.80)	(2.80)	2.27	3.98	8.21
75th Percentile	(18.25)	(4.11)	(1.72)	(3.80)	1.17	3.30	7.65
90th Percentile	(18.98)	(5.83)	(2.79)	(4.82)	0.40	2.44	7.11
Lazard Asset Mgmt ● A	(14.74)	(0.93)	1.50	(0.30)	3.02	3.60	7.09
Russell 1000 Value ■ B	(16.20)	(1.89)	(1.52)	(3.53)	1.60	3.36	7.57
S&P 500 Index ▲	(13.87)	1.14	1.23	(1.18)	2.29	2.82	7.22

Relative Return vs S&P 500 Index



CAI Large Cap Value Style (Gross)
Annualized Five Year Risk vs Return

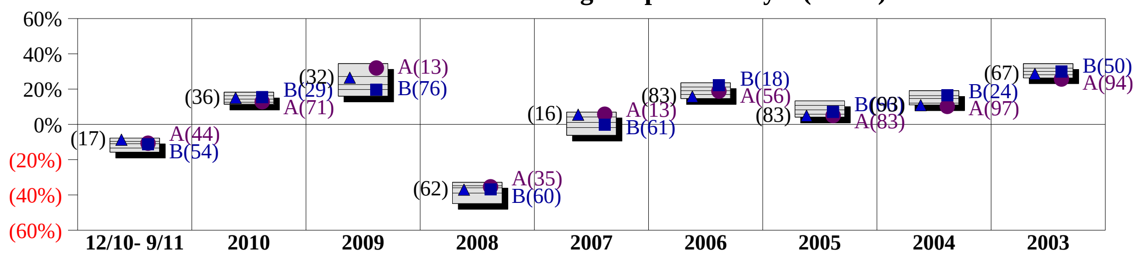


LAZARD ASSET MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

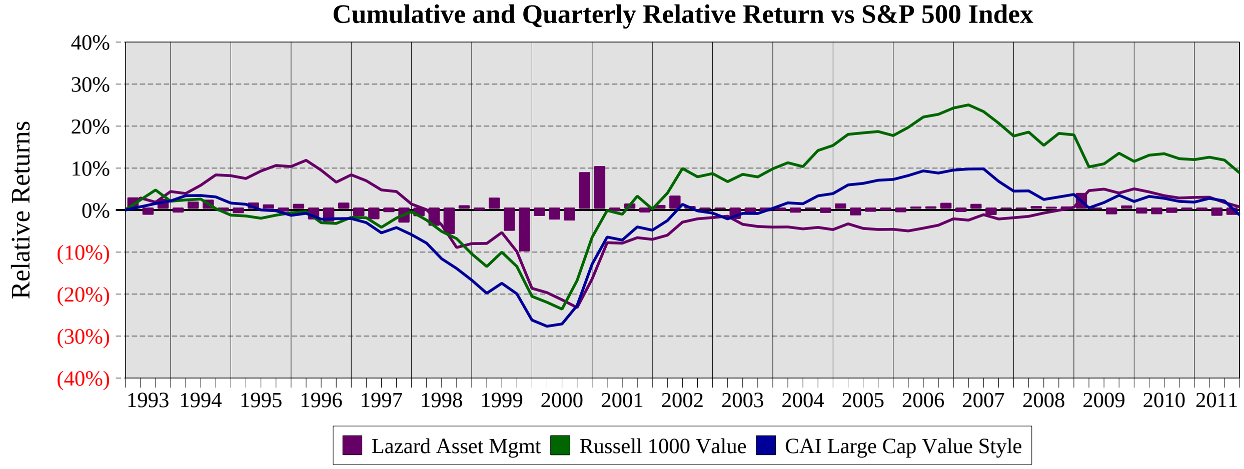
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

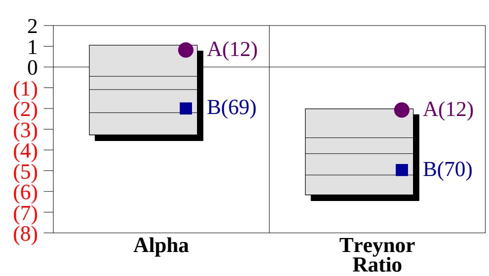


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile	(7.76)	18.28	34.50	(32.84)	6.97	23.59	13.33	19.14	34.46
25th Percentile	(9.66)	16.29	27.16	(34.78)	4.19	21.18	10.78	16.30	31.88
Median	(10.96)	14.32	22.57	(35.97)	1.12	19.13	8.24	14.68	30.06
75th Percentile	(13.41)	12.55	19.79	(38.95)	(1.81)	16.95	5.76	12.05	28.18
90th Percentile	(15.76)	11.42	15.98	(44.92)	(6.22)	14.63	4.10	11.03	26.33
Lazard Asset Mgmt ● A	(10.67)	12.83	31.98	(35.40)	5.77	18.84	4.98	10.20	25.71
Russell 1000 Value ■ B	(11.24)	15.51	19.69	(36.85)	(0.17)	22.25	7.05	16.49	30.03
S&P 500 Index ▲	(8.68)	15.06	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68

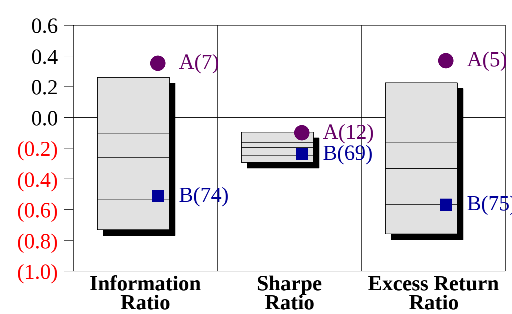
Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Value Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.05	(2.02)
25th Percentile	(0.45)	(3.41)
Median	(1.09)	(4.18)
75th Percentile	(2.20)	(5.21)
90th Percentile	(3.27)	(6.17)
Lazard Asset Mgmt ● A	0.82	(2.07)
Russell 1000 Value ■ B	(2.00)	(4.97)



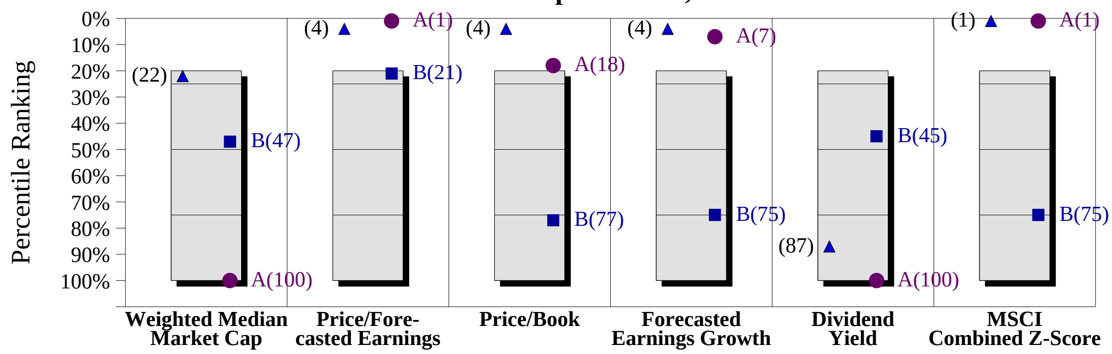
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.26	(0.10)	0.23
25th Percentile	(0.10)	(0.16)	(0.16)
Median	(0.26)	(0.20)	(0.33)
75th Percentile	(0.53)	(0.25)	(0.57)
90th Percentile	(0.73)	(0.29)	(0.76)
Lazard Asset Mgmt ● A	0.35	(0.10)	0.37
Russell 1000 Value ■ B	(0.51)	(0.24)	(0.57)

LAZARD ASSET MGMT
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of September 30, 2011

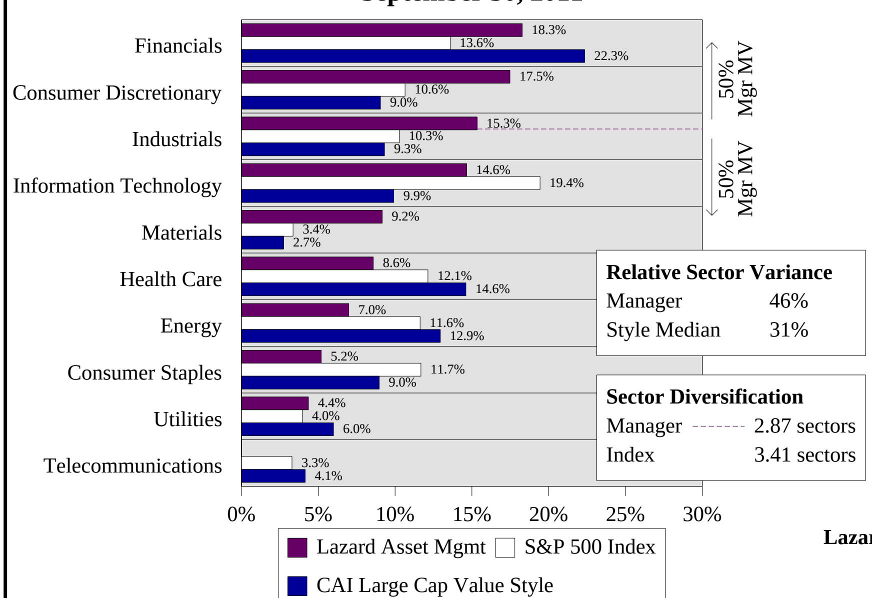


		Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		54.90	10.20	1.66	10.79	3.30	(0.40)
25th Percentile		41.12	9.51	1.47	10.04	3.04	(0.53)
Median		31.21	9.14	1.32	9.42	2.80	(0.70)
75th Percentile		24.10	8.70	1.24	8.84	2.56	(0.81)
90th Percentile		18.24	8.28	1.16	8.32	2.33	(0.92)
Lazard Asset Mgmt	● A	2.14	11.18	1.58	11.02	1.23	(0.09)
Russell 1000 Value	■ B	31.64	9.61	1.23	8.83	2.85	(0.81)
S&P 500 Index	▲	44.81	10.52	1.82	11.31	2.38	(0.02)

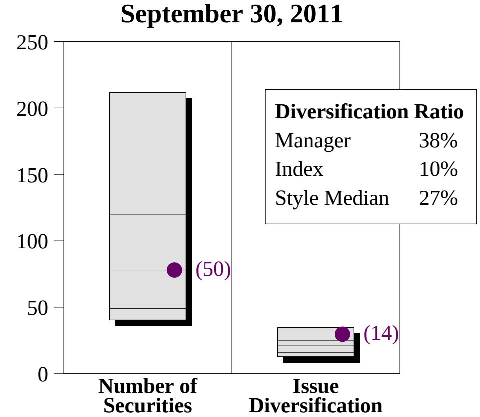
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



		Number of Securities	Issue Diversification
10th Percentile		212	35
25th Percentile		120	25
Median		78	21
75th Percentile		49	16
90th Percentile		40	13
Lazard Asset Mgmt	●	78	30
S&P 500 Index	▲	500	49

MCKINLEY CAPITAL MANAGEMENT, INC.
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

McKinley Capital's investment philospohy is based on the belief that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations.

Quarterly Summary and Highlights

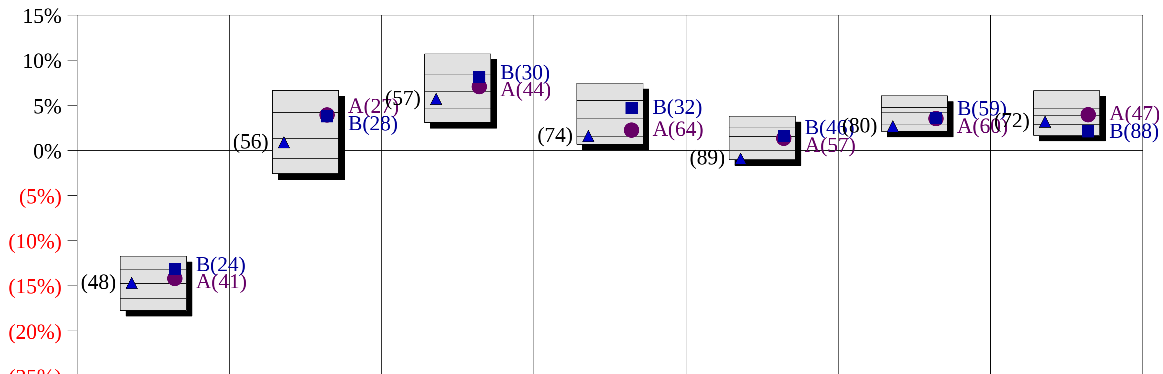
- McKinley Capital's portfolio posted a (14.19)% return for the quarter placing it in the 41 percentile of the CAI Large Cap Growth Style group for the quarter and in the 27 percentile for the last year.
- McKinley Capital's portfolio outperformed the Russell 1000 Index by 0.50% for the quarter and outperformed the Russell 1000 Index for the year by 3.03%.

Quarterly Asset Growth

Beginning Market Value	$394,636,370
Net New Investment	$-50,000,000
Investment Gains/(Losses)	$-54,348,291
Ending Market Value	$290,288,079

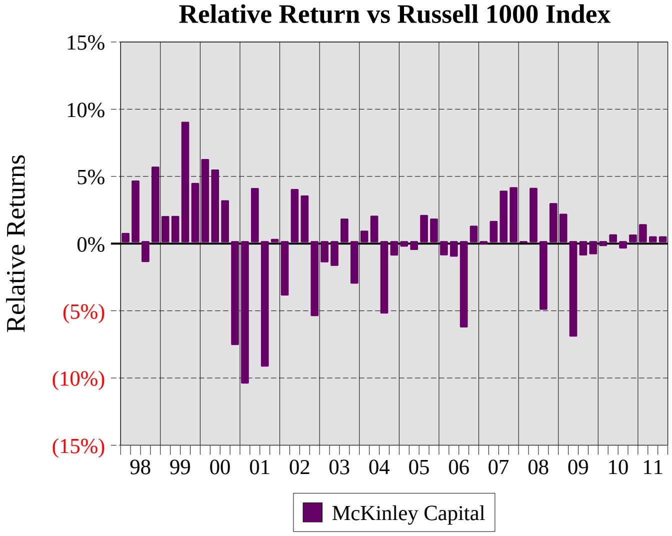
Percent Cash: 2.5%

Performance vs CAI Large Cap Growth Style (Gross)

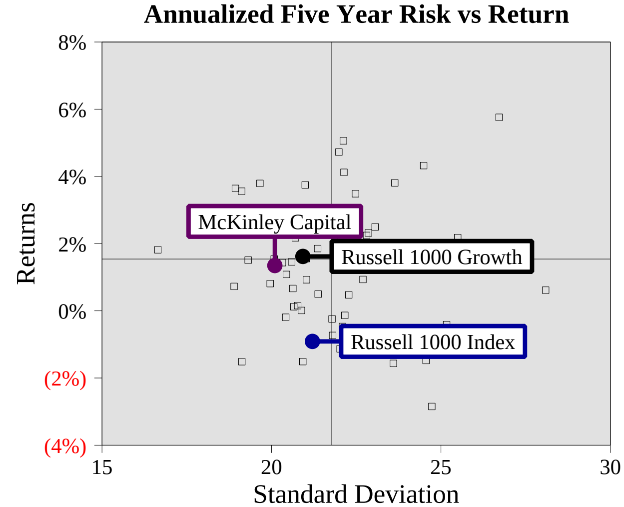


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 13-3/4 Years
10th Percentile		(11.71)	6.65	10.69	7.46	3.80	6.05	6.62
25th Percentile		(13.22)	4.20	8.46	5.53	2.50	4.76	4.62
Median		(14.74)	1.34	6.51	3.51	1.54	4.18	3.89
75th Percentile		(16.42)	(0.88)	4.69	1.52	0.01	2.83	2.89
90th Percentile		(17.73)	(2.57)	3.09	0.68	(1.03)	2.12	1.68
McKinley Capital	● A	(14.19)	3.93	7.07	2.25	1.35	3.54	3.96
Russell 1000 Growth	■ B	(13.14)	3.78	8.12	4.69	1.62	3.61	2.11
Russell 1000 Index	▲	(14.68)	0.91	5.72	1.61	(0.91)	2.68	3.19

Relative Return vs Russell 1000 Index



CAI Large Cap Growth Style (Gross)
Annualized Five Year Risk vs Return

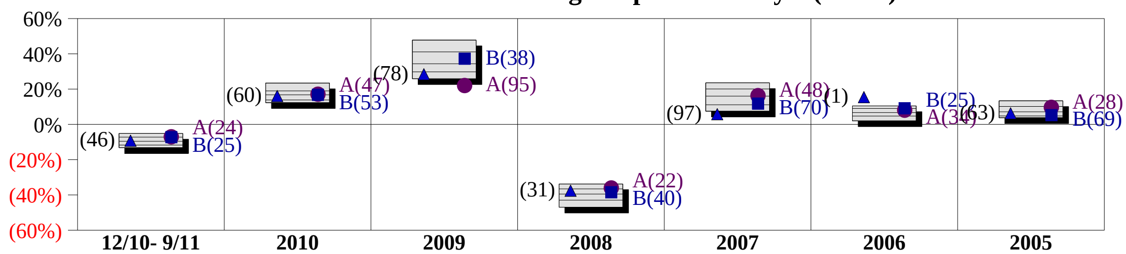


MCKINLEY CAPITAL
RETURN ANALYSIS SUMMARY

Return Analysis

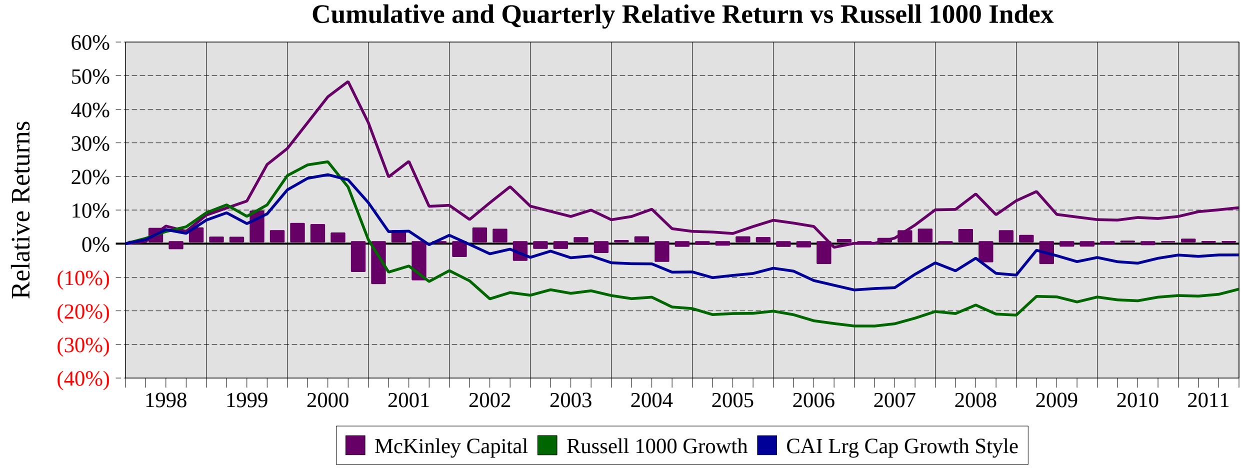
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Growth Style (Gross)

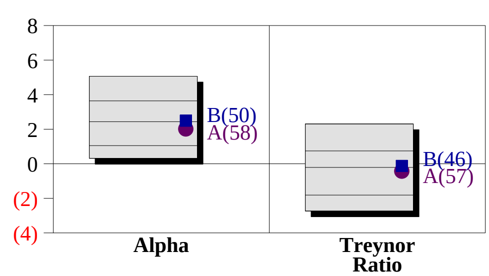


		12/10- 9/11	2010	2009	2008	2007	2006	2005
10th Percentile		(5.14)	23.44	47.80	(33.82)	23.58	10.47	13.37
25th Percentile		(7.23)	18.98	41.11	(36.57)	20.07	9.05	10.16
Median		(9.59)	16.77	34.39	(39.49)	16.01	6.70	7.14
75th Percentile		(11.72)	13.85	29.79	(42.96)	11.13	4.71	4.79
90th Percentile		(13.19)	12.31	25.86	(46.98)	7.46	2.00	3.77
McKinley Capital	● A	(7.05)	17.11	22.03	(36.06)	16.30	8.06	9.66
Russell 1000 Growth	■ B	(7.20)	16.71	37.21	(38.44)	11.81	9.07	5.26
Russell 1000 Index	▲	(9.25)	16.10	28.43	(37.60)	5.77	15.46	6.27

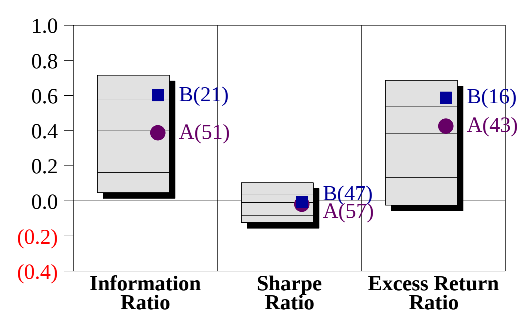
Cumulative and Quarterly Relative Return vs Russell 1000 Index



Risk Adjusted Return Measures vs Russell 1000 Index
Rankings Against CAI Large Cap Growth Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		5.06	2.31
25th Percentile		3.64	0.74
Median		2.43	(0.21)
75th Percentile		1.05	(1.81)
90th Percentile		0.31	(2.73)
McKinley Capital	● A	2.02	(0.43)
Russell 1000 Growth	■ B	2.49	(0.12)



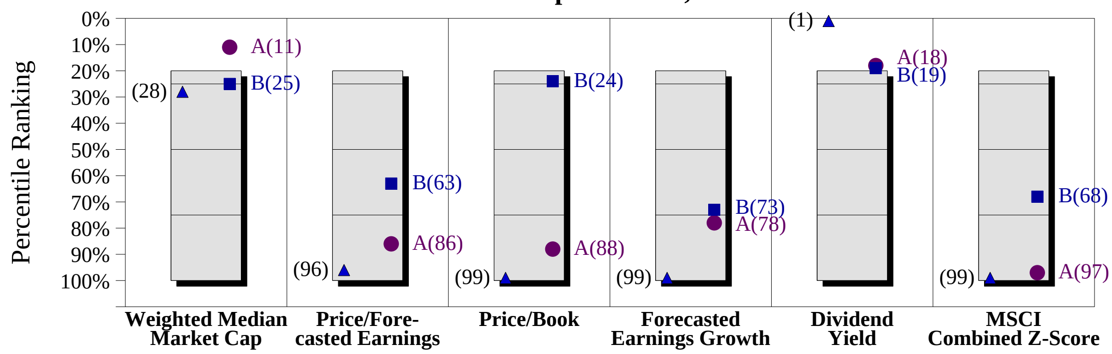
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.72	0.10	0.69
25th Percentile		0.57	0.03	0.54
Median		0.40	(0.01)	0.38
75th Percentile		0.16	(0.08)	0.13
90th Percentile		0.05	(0.12)	(0.02)
McKinley Capital	● A	0.39	(0.02)	0.43
Russell 1000 Growth	■ B	0.60	(0.01)	0.59

MCKINLEY CAPITAL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of September 30, 2011

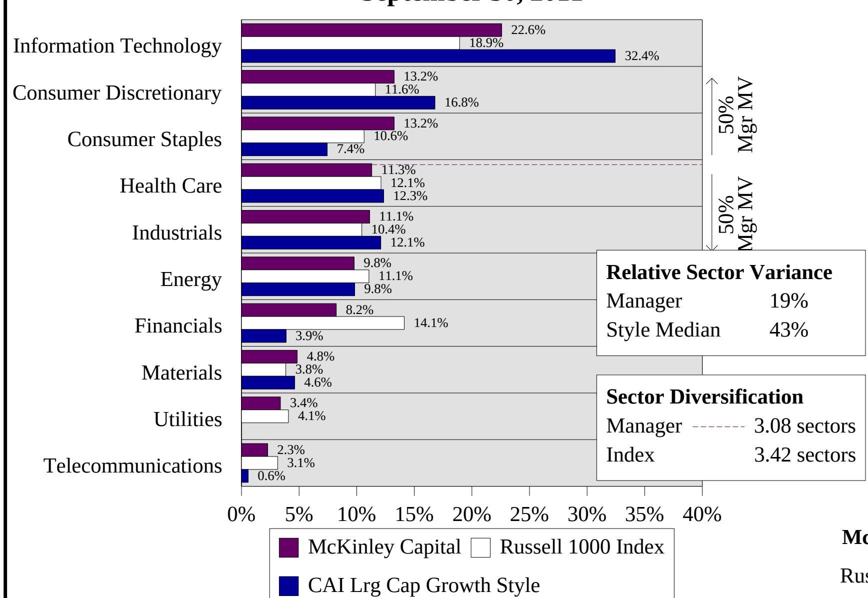


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	42.58	15.35	3.83	18.29	1.87	1.51
25th Percentile	32.64	13.90	3.30	17.34	1.55	1.30
Median	27.91	12.58	2.95	15.36	1.17	0.99
75th Percentile	22.38	11.71	2.69	13.99	0.92	0.77
90th Percentile	17.42	11.27	2.47	13.12	0.73	0.62
McKinley Capital ● A	41.58	11.36	2.49	13.85	1.75	0.47
Russell 1000 Growth ■ B	32.67	12.09	3.35	14.06	1.72	0.79
Russell 1000 Index ▲	32.29	10.71	1.81	11.46	2.28	(0.00)

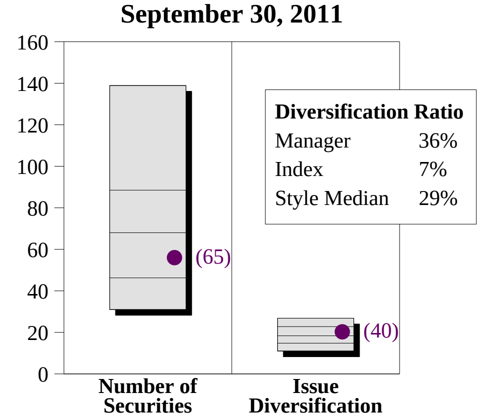
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	139	27
25th Percentile	89	23
Median	68	18
75th Percentile	46	15
90th Percentile	31	11
McKinley Capital ●	56	20
Russell 1000 Index ▲	978	68

QUANTITATIVE MGMT ASSOC
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Quantitative Management believes that cognitive biases cause investors to occasionally misprice stocks. By investing in well diversified portfolios using quantitative stock selection, risk control and low cost trading techniques, the firm seeks to exploit these mispricings and outperform the selected index over a full market cycle.

Quarterly Summary and Highlights

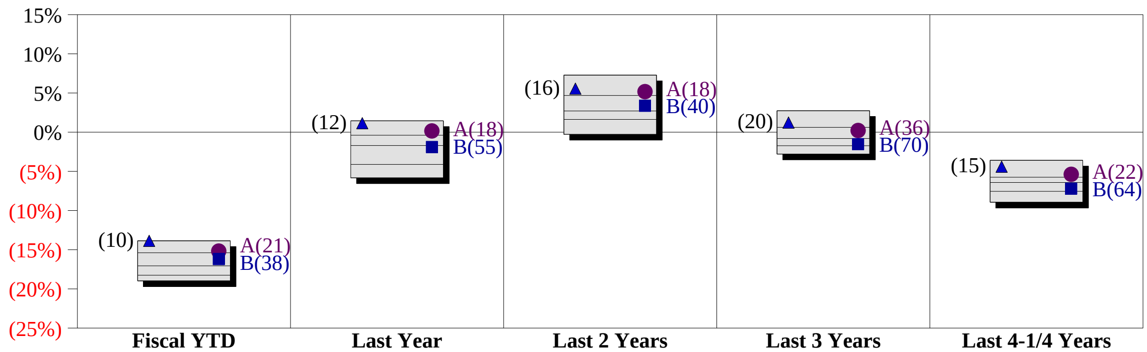
- Quantitative Mgmt Assoc's portfolio posted a (15.17)% return for the quarter placing it in the 21 percentile of the CAI Large Cap Value Style group for the quarter and in the 18 percentile for the last year.
- Quantitative Mgmt Assoc's portfolio underperformed the S&P 500 Index by 1.30% for the quarter and underperformed the S&P 500 Index for the year by 0.98%.

Quarterly Asset Growth

Beginning Market Value	$139,307,765
Net New Investment	$0
Investment Gains/(Losses)	$-21,137,108
Ending Market Value	$118,170,657

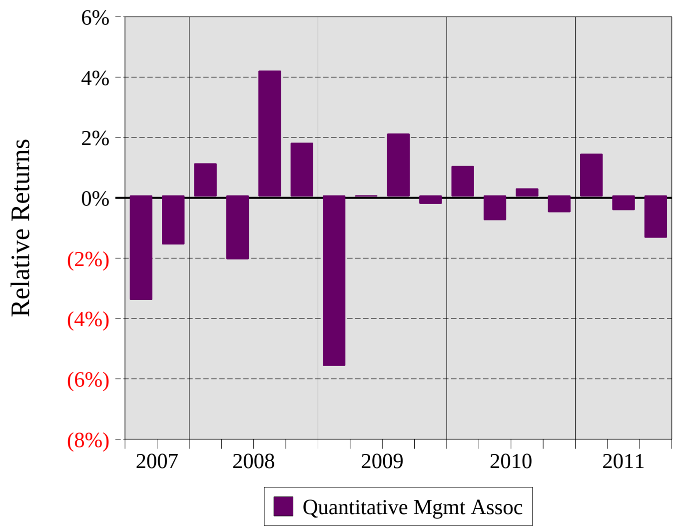
Percent Cash: 1.3%

Performance vs CAI Large Cap Value Style (Gross)

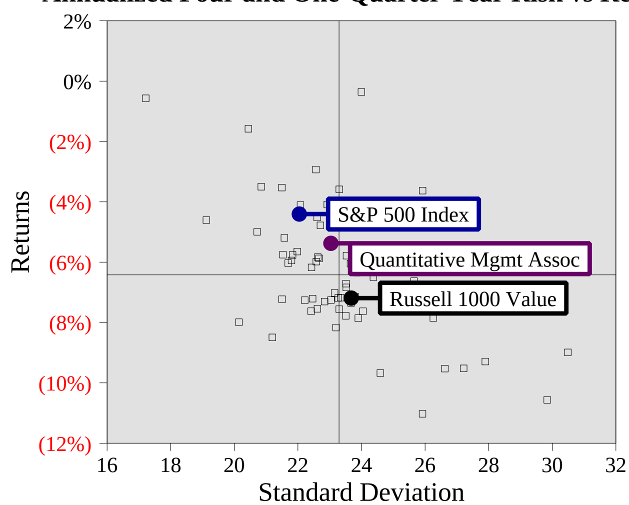


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/4 Years
10th Percentile	(13.86)	1.45	7.28	2.74	(3.59)
25th Percentile	(15.39)	(0.39)	4.69	0.62	(5.75)
Median	(17.06)	(1.70)	2.71	(0.80)	(6.42)
75th Percentile	(18.25)	(4.11)	1.63	(1.72)	(7.55)
90th Percentile	(18.98)	(5.83)	(0.27)	(2.79)	(8.94)
Quantitative Mgmt Assoc ● A	(15.17)	0.16	5.18	0.22	(5.38)
Russell 1000 Value ■ B	(16.20)	(1.89)	3.36	(1.52)	(7.19)
S&P 500 Index ▲	(13.87)	1.14	5.56	1.23	(4.41)

Relative Return vs S&P 500 Index



CAI Large Cap Value Style (Gross)
Annualized Four and One-Quarter Year Risk vs Return

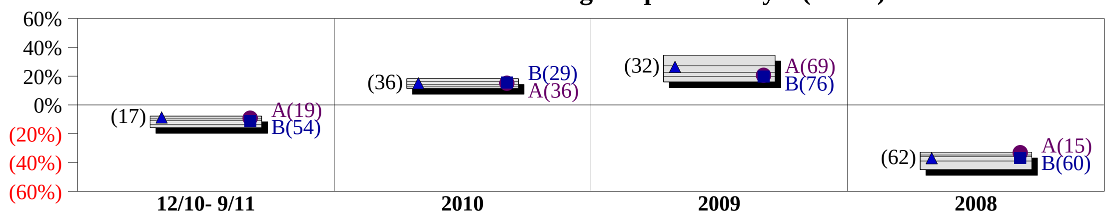


QUANTITATIVE MGMT ASSOC
RETURN ANALYSIS SUMMARY

Return Analysis

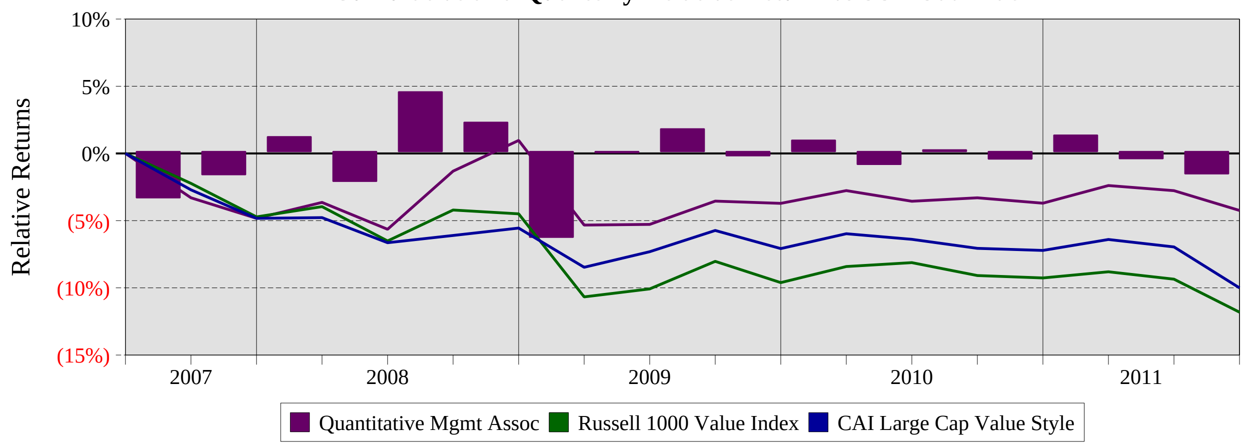
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

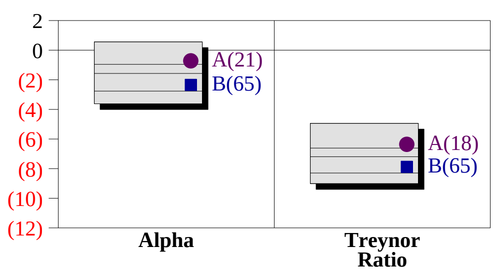


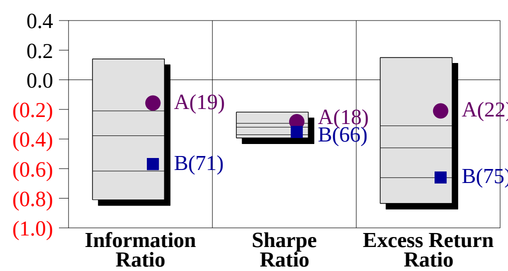
		12/10- 9/11	2010	2009	2008
10th Percentile		(7.76)	18.28	34.50	(32.84)
25th Percentile		(9.66)	16.29	27.16	(34.78)
Median		(10.96)	14.32	22.57	(35.97)
75th Percentile		(13.41)	12.55	19.79	(38.95)
90th Percentile		(15.76)	11.42	15.98	(44.92)
Quantitative Mgmt Assoc	● A	(9.19)	15.08	20.60	(33.16)
Russell 1000 Value Index	■ B	(11.24)	15.51	19.69	(36.85)
S&P 500 Index	▲	(8.68)	15.06	26.47	(37.00)

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Value Style (Gross)
Four and One-Quarter Years Ended September 30, 2011





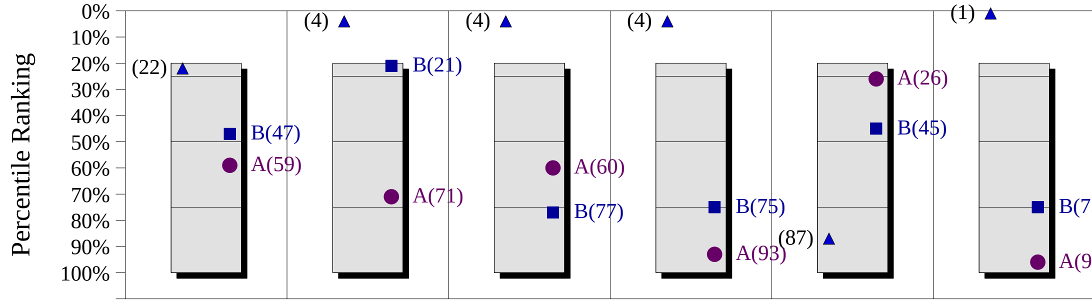
		Alpha	Treynor Ratio
10th Percentile		0.56	(4.94)
25th Percentile		(0.96)	(6.61)
Median		(1.57)	(7.19)
75th Percentile		(2.76)	(8.29)
90th Percentile		(3.62)	(9.01)
Quantitative Mgmt Assoc	● A	(0.72)	(6.36)
Russell 1000 Value Index	■ B	(2.34)	(7.88)

		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.14	(0.22)	0.15
25th Percentile		(0.21)	(0.29)	(0.31)
Median		(0.38)	(0.32)	(0.46)
75th Percentile		(0.62)	(0.37)	(0.66)
90th Percentile		(0.81)	(0.39)	(0.83)
Quantitative Mgmt Assoc	● A	(0.16)	(0.28)	(0.21)
Russell 1000 Value Index	■ B	(0.57)	(0.35)	(0.66)

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of September 30, 2011

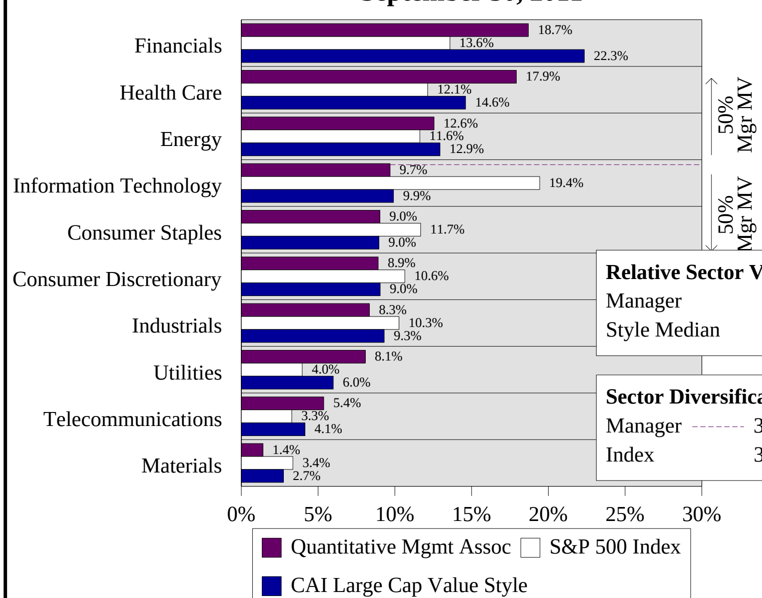


		Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		54.90	10.20	1.66	10.79	3.30	(0.40)
25th Percentile		41.12	9.51	1.47	10.04	3.04	(0.53)
Median		31.21	9.14	1.32	9.42	2.80	(0.70)
75th Percentile		24.10	8.70	1.24	8.84	2.56	(0.81)
90th Percentile		18.24	8.28	1.16	8.32	2.33	(0.92)
Quantitative Mgmt Assoc	● A	29.97	8.74	1.29	7.97	3.04	(0.95)
Russell 1000 Value	■ B	31.64	9.61	1.23	8.83	2.85	(0.81)
S&P 500 Index	▲	44.81	10.52	1.82	11.31	2.38	(0.02)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



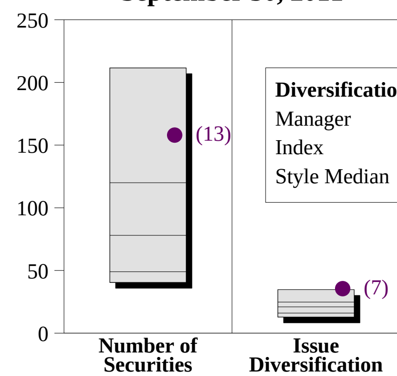
Relative Sector Variance

Manager	36%
Style Median	31%

Sector Diversification

Manager	3.09 sectors
Index	3.41 sectors

Diversification
September 30, 2011



Diversification Ratio

Manager	22%
Index	10%
Style Median	27%

		Number of Securities	Issue Diversification
10th Percentile		212	35
25th Percentile		120	25
Median		78	21
75th Percentile		49	16
90th Percentile		40	13
Quantitative Mgmt Assoc	●	158	35
S&P 500 Index	▲	500	49

RCM
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

RCM believes that the rigorous fundamental research of securities combined with a disciplined valuation methodology will enable them to outperform benchmarks while maintaining a below average risk profile.

Quarterly Summary and Highlights

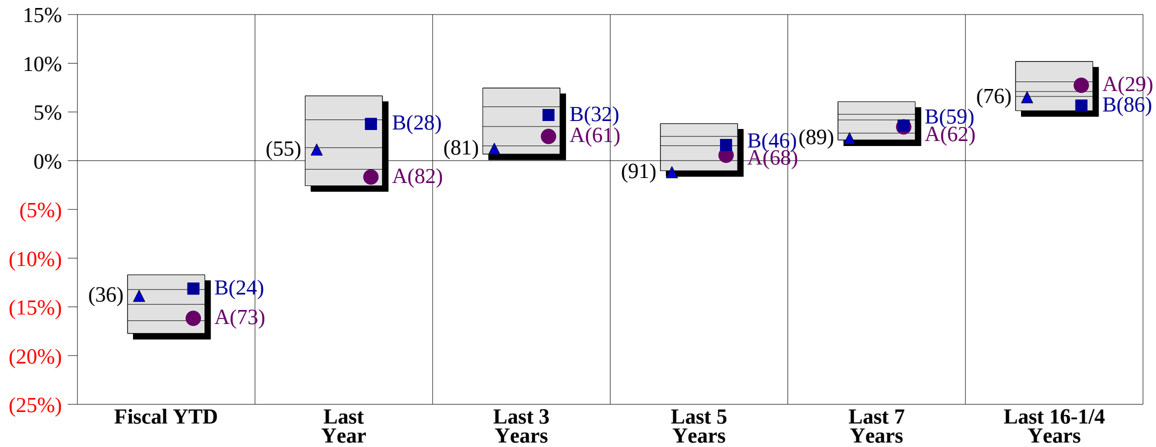
- RCM's portfolio posted a (16.18)% return for the quarter placing it in the 73 percentile of the CAI Large Cap Growth Style group for the quarter and in the 82 percentile for the last year.
- RCM's portfolio underperformed the S&P 500 Index by 2.31% for the quarter and underperformed the S&P 500 Index for the year by 2.82%.

Quarterly Asset Growth

Beginning Market Value	$420,306,449
Net New Investment	$-50,000,000
Investment Gains/(Losses)	$-67,358,954
Ending Market Value	$302,947,495

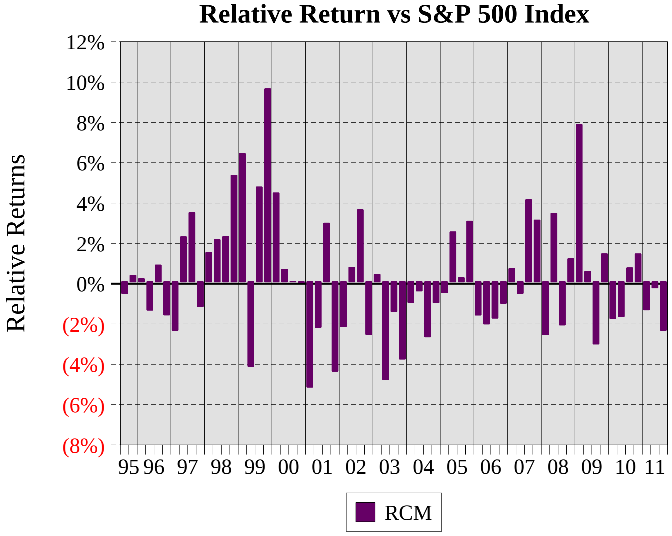
Percent Cash: 1.8%

Performance vs CAI Large Cap Growth Style (Gross)

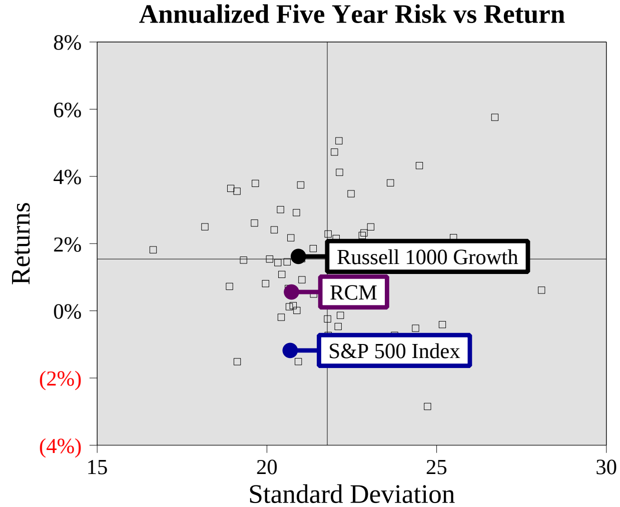


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 16-1/4 Years
10th Percentile	(11.71)	6.65	7.46	3.80	6.05	10.18
25th Percentile	(13.22)	4.20	5.53	2.50	4.76	8.10
Median	(14.74)	1.34	3.51	1.54	4.18	7.10
75th Percentile	(16.42)	(0.88)	1.52	0.01	2.83	6.59
90th Percentile	(17.73)	(2.57)	0.68	(1.03)	2.12	5.13
RCM ● A	(16.18)	(1.67)	2.49	0.56	3.47	7.74
Russell 1000 Growth ■ B	(13.14)	3.78	4.69	1.62	3.61	5.64
S&P 500 Index ▲	(13.87)	1.14	1.23	(1.18)	2.29	6.52

Relative Return vs S&P 500 Index



CAI Large Cap Growth Style (Gross) Annualized Five Year Risk vs Return

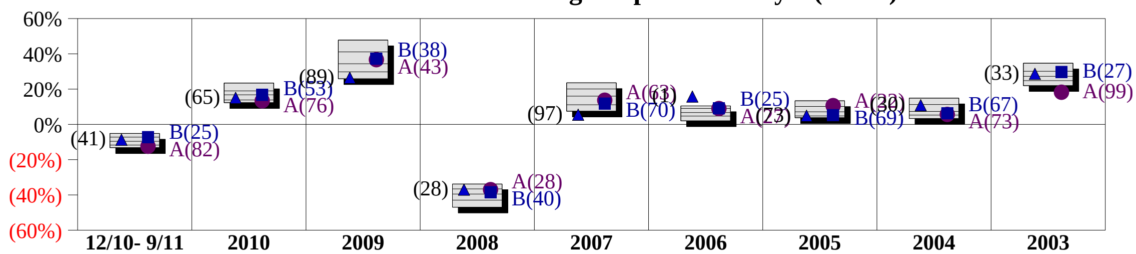


RCM
RETURN ANALYSIS SUMMARY

Return Analysis

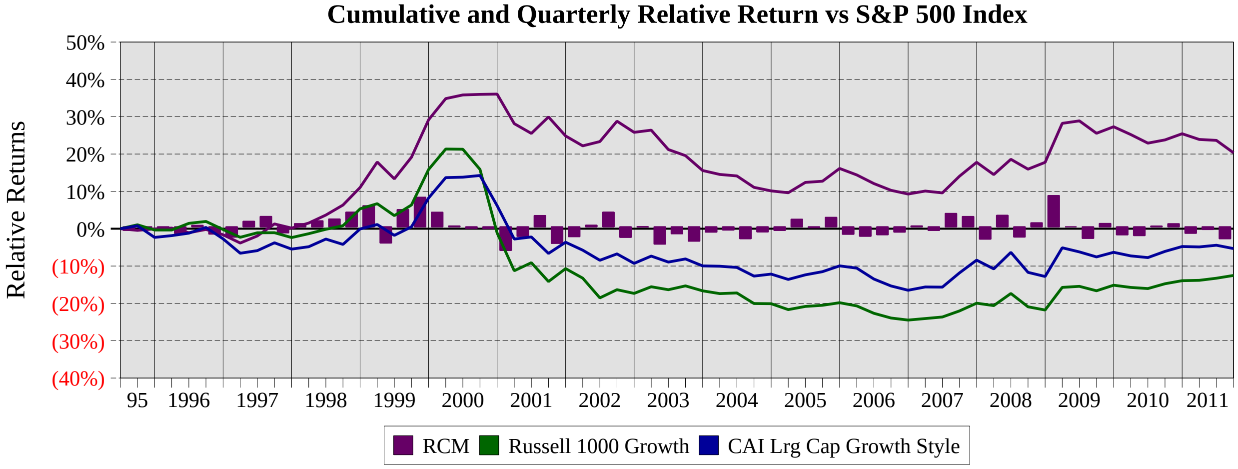
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Growth Style (Gross)

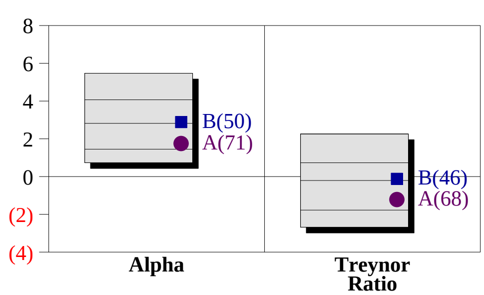


		12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile		(5.14)	23.44	47.80	(33.82)	23.58	10.47	13.37	14.89	34.69
25th Percentile		(7.23)	18.98	41.11	(36.57)	20.07	9.05	10.16	11.26	30.12
Median		(9.59)	16.77	34.39	(39.49)	16.01	6.70	7.14	7.36	27.26
75th Percentile		(11.72)	13.85	29.79	(42.96)	11.13	4.71	4.79	5.28	24.80
90th Percentile		(13.19)	12.31	25.86	(46.98)	7.46	2.00	3.77	3.31	21.95
RCM	● A	(12.39)	13.37	36.69	(37.00)	13.70	8.96	10.64	5.64	18.23
Russell 1000 Growth	■ B	(7.20)	16.71	37.21	(38.44)	11.81	9.07	5.26	6.30	29.75
S&P 500 Index	▲	(8.68)	15.06	26.47	(37.00)	5.49	15.79	4.91	10.88	28.68

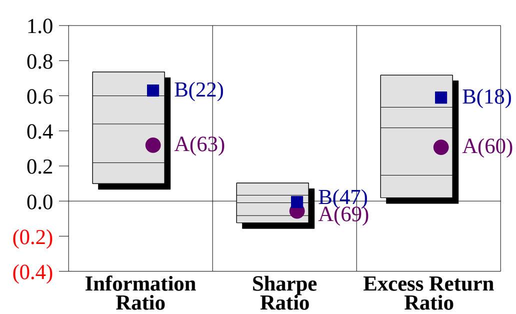
Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Growth Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		5.47	2.26
25th Percentile		4.07	0.73
Median		2.82	(0.21)
75th Percentile		1.45	(1.77)
90th Percentile		0.74	(2.68)
RCM	● A	1.75	(1.22)
Russell 1000 Growth	■ B	2.89	(0.12)



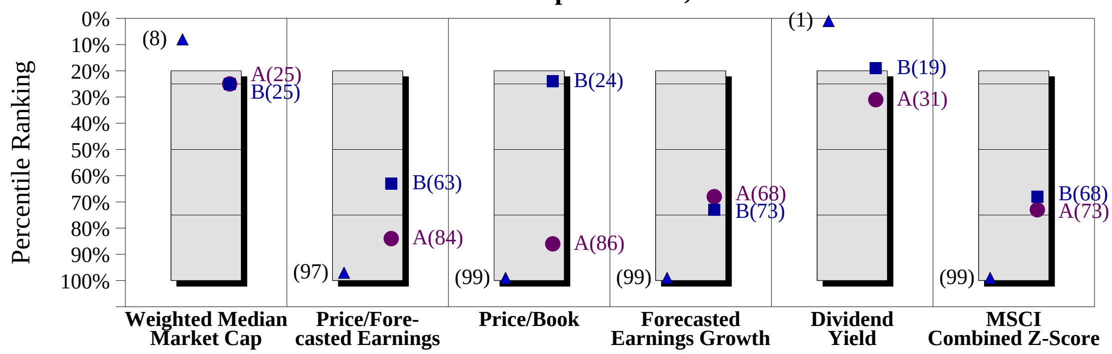
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.74	0.10	0.72
25th Percentile		0.60	0.03	0.53
Median		0.44	(0.01)	0.42
75th Percentile		0.22	(0.08)	0.15
90th Percentile		0.10	(0.12)	0.02
RCM	● A	0.32	(0.06)	0.31
Russell 1000 Growth	■ B	0.63	(0.01)	0.59

RCM
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of September 30, 2011

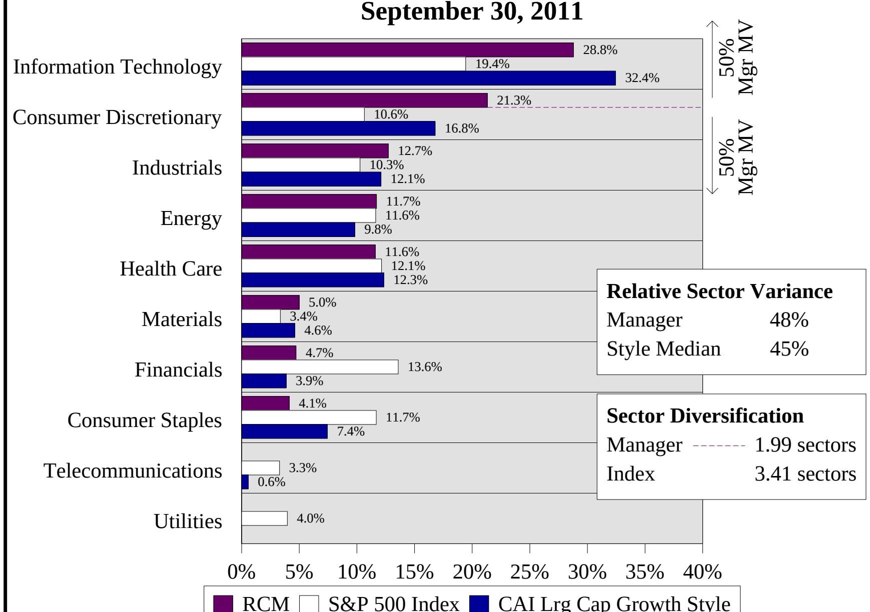


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	42.58	15.35	3.83	18.29	1.87	1.51
25th Percentile	32.64	13.90	3.30	17.34	1.55	1.30
Median	27.91	12.58	2.95	15.36	1.17	0.99
75th Percentile	22.38	11.71	2.69	13.99	0.92	0.77
90th Percentile	17.42	11.27	2.47	13.12	0.73	0.62
RCM ● A	32.53	11.48	2.58	14.16	1.48	0.77
Russell 1000 Growth ■ B	32.67	12.09	3.35	14.06	1.72	0.79
S&P 500 Index ▲	44.81	10.52	1.82	11.31	2.38	(0.02)

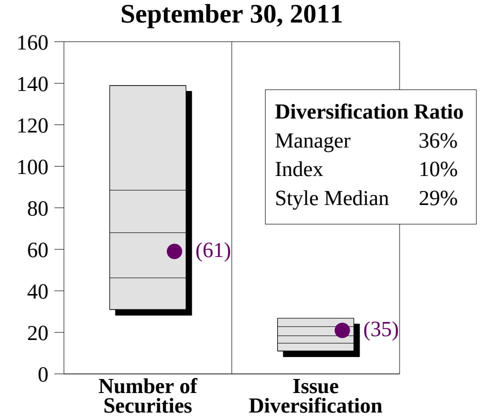
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	139	27
25th Percentile	89	23
Median	68	18
75th Percentile	46	15
90th Percentile	31	11
RCM ●	59	21
S&P 500 Index ▲	500	49

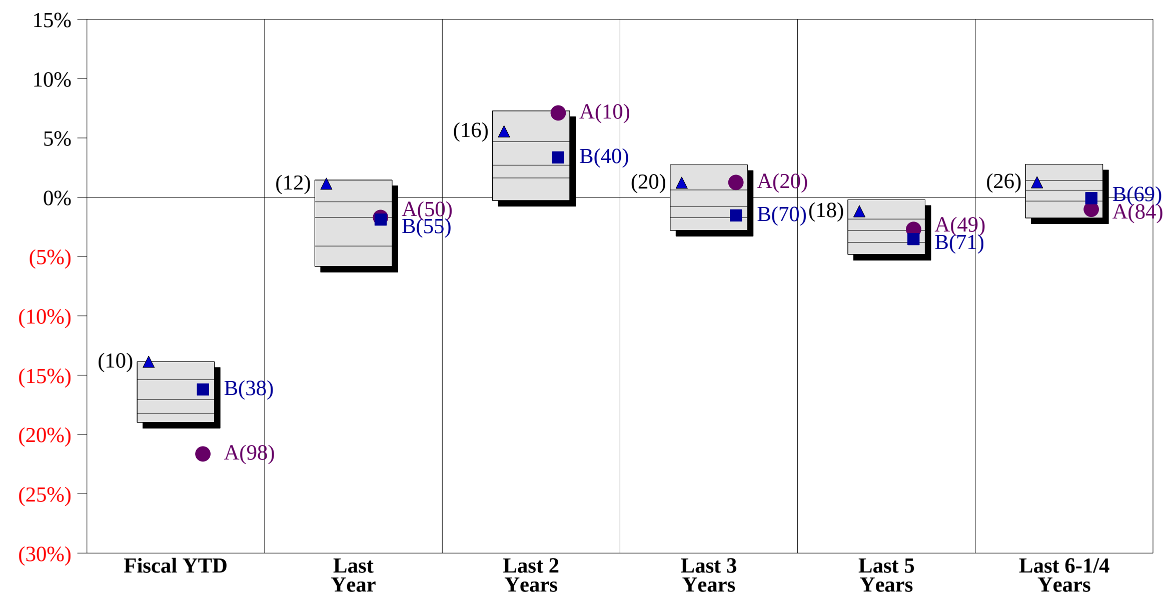
Quarterly Summary and Highlights

- Relational Investors's portfolio posted a (21.64)% return for the quarter placing it in the 98 percentile of the CAI Large Cap Value Style group for the quarter and in the 50 percentile for the last year.
- Relational Investors's portfolio underperformed the S&P 500 Index by 7.77% for the quarter and underperformed the S&P 500 Index for the year by 2.84%.

Quarterly Asset Growth

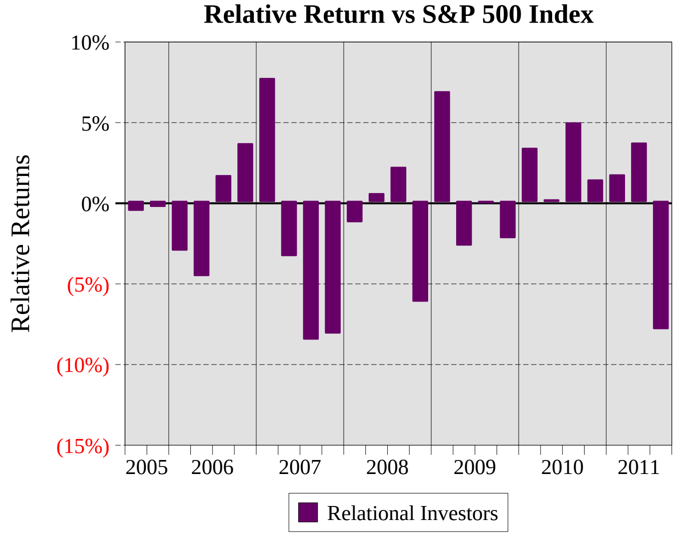
Beginning Market Value	$318,900,536
Net New Investment	$23,209,927
Investment Gains/(Losses)	$-69,932,663
Ending Market Value	$272,177,800

Performance vs CAI Large Cap Value Style (Gross)

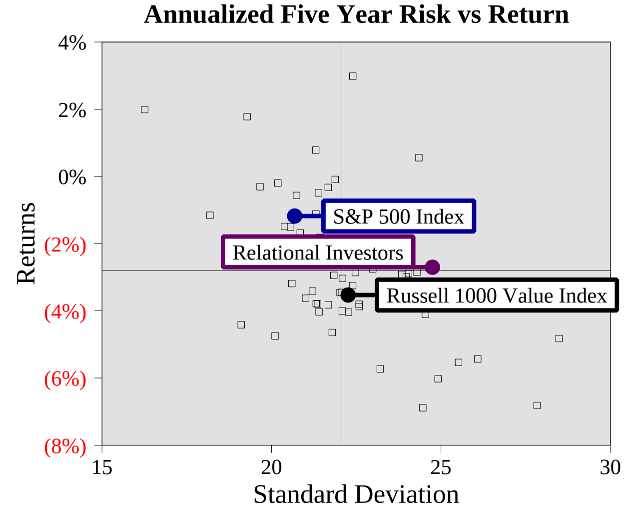


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile	(13.86)	1.45	7.28	2.74	(0.21)	2.79
25th Percentile	(15.39)	(0.39)	4.69	0.62	(1.84)	1.41
Median	(17.06)	(1.70)	2.71	(0.80)	(2.80)	0.60
75th Percentile	(18.25)	(4.11)	1.63	(1.72)	(3.80)	(0.32)
90th Percentile	(18.98)	(5.83)	(0.27)	(2.79)	(4.82)	(1.75)
Relational Investors ● A	(21.64)	(1.70)	7.11	1.25	(2.70)	(1.02)
Russell 1000 Value Index ■ B	(16.20)	(1.89)	3.36	(1.52)	(3.53)	(0.08)
S&P 500 Index ▲	(13.87)	1.14	5.56	1.23	(1.18)	1.26

Relative Return vs S&P 500 Index



CAI Large Cap Value Style (Gross) Annualized Five Year Risk vs Return

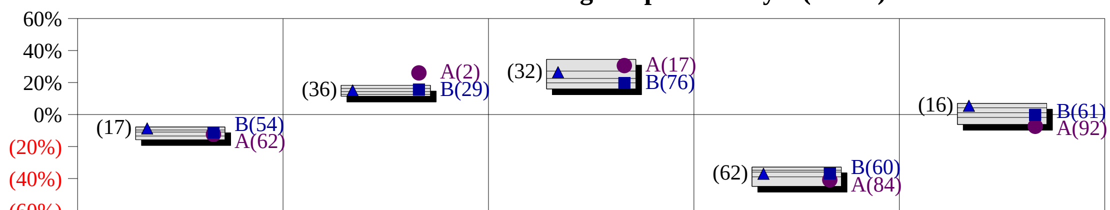


RELATIONAL INVESTORS
RETURN ANALYSIS SUMMARY

Return Analysis

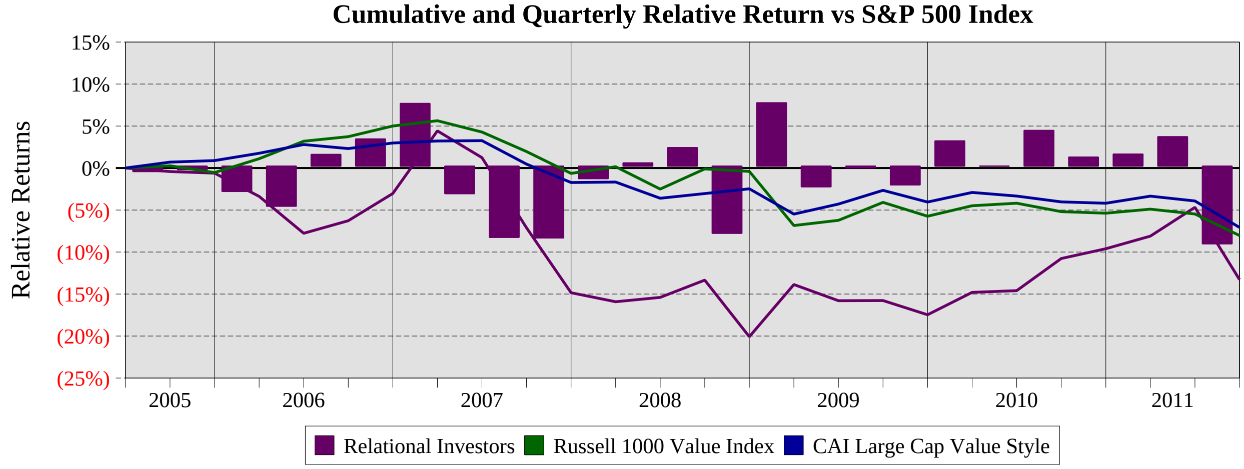
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Large Cap Value Style (Gross)

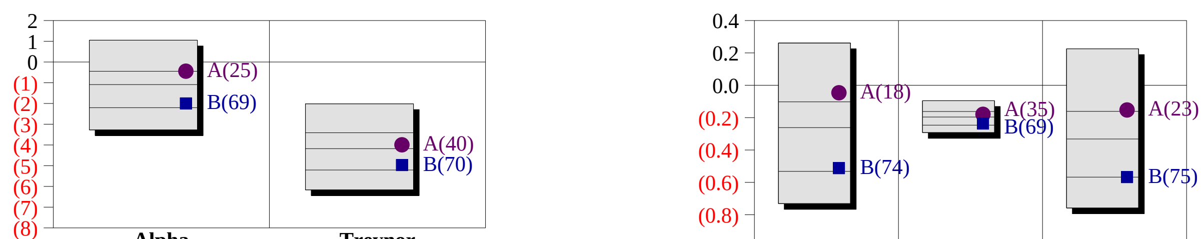


		12/10- 9/11	2010	2009	2008	2007
10th Percentile		(7.76)	18.28	34.50	(32.84)	6.97
25th Percentile		(9.66)	16.29	27.16	(34.78)	4.19
Median		(10.96)	14.32	22.57	(35.97)	1.12
75th Percentile		(13.41)	12.55	19.79	(38.95)	(1.81)
90th Percentile		(15.76)	11.42	15.98	(44.92)	(6.22)
Relational Investors	● A	(12.39)	26.02	30.60	(40.87)	(7.36)
Russell 1000 Value Index	■ B	(11.24)	15.51	19.69	(36.85)	(0.17)
S&P 500 Index	▲	(8.68)	15.06	26.47	(37.00)	5.49

Cumulative and Quarterly Relative Return vs S&P 500 Index



Risk Adjusted Return Measures vs S&P 500 Index
Rankings Against CAI Large Cap Value Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		1.05	(2.02)
25th Percentile		(0.45)	(3.41)
Median		(1.09)	(4.18)
75th Percentile		(2.20)	(5.21)
90th Percentile		(3.27)	(6.17)
Relational Investors	● A	(0.44)	(3.99)
Russell 1000 Value Index	■ B	(2.00)	(4.97)

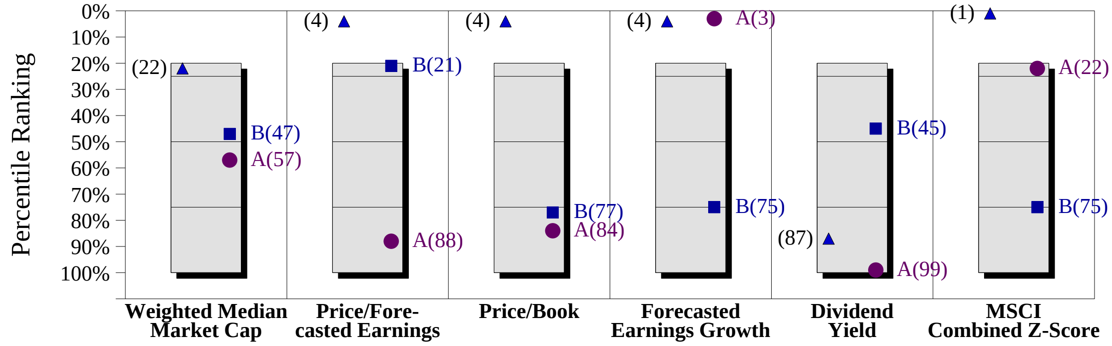
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.26	(0.10)	0.23
25th Percentile		(0.10)	(0.16)	(0.16)
Median		(0.26)	(0.20)	(0.33)
75th Percentile		(0.53)	(0.25)	(0.57)
90th Percentile		(0.73)	(0.29)	(0.76)
Relational Investors	● A	(0.05)	(0.18)	(0.15)
Russell 1000 Value Index	■ B	(0.51)	(0.24)	(0.57)

RELATIONAL INVESTORS
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of September 30, 2011

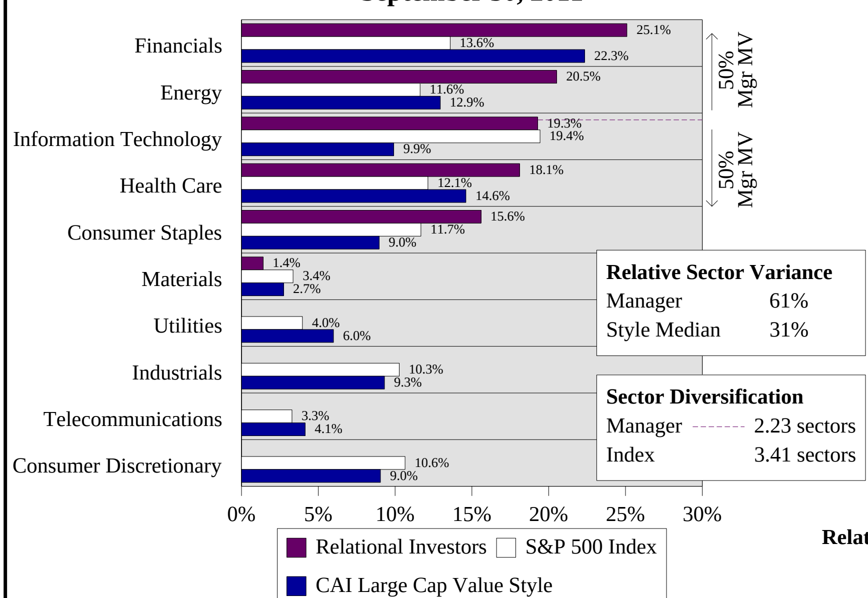


	Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	54.90	10.20	1.66	10.79	3.30	(0.40)
25th Percentile	41.12	9.51	1.47	10.04	3.04	(0.53)
Median	31.21	9.14	1.32	9.42	2.80	(0.70)
75th Percentile	24.10	8.70	1.24	8.84	2.56	(0.81)
90th Percentile	18.24	8.28	1.16	8.32	2.33	(0.92)
Relational Investors ● A	30.66	8.44	1.20	11.60	1.92	(0.50)
Russell 1000 Value Index ■ B	31.64	9.61	1.23	8.83	2.85	(0.81)
S&P 500 Index ▲	44.81	10.52	1.82	11.31	2.38	(0.02)

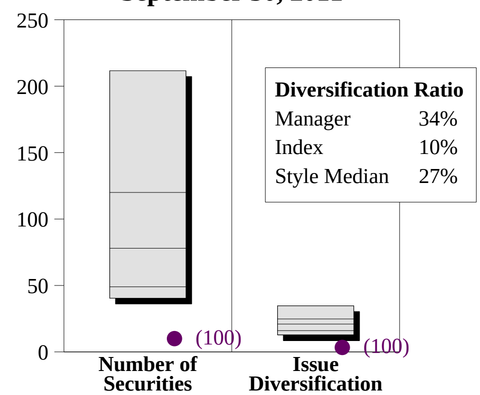
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	212	35
25th Percentile	120	25
Median	78	21
75th Percentile	49	16
90th Percentile	40	13
Relational Investors ●	10	3
S&P 500 Index ▲	500	49

SSGA RUSSELL 1000 GROWTH
PERIOD ENDED SEPTEMBER 30, 2011

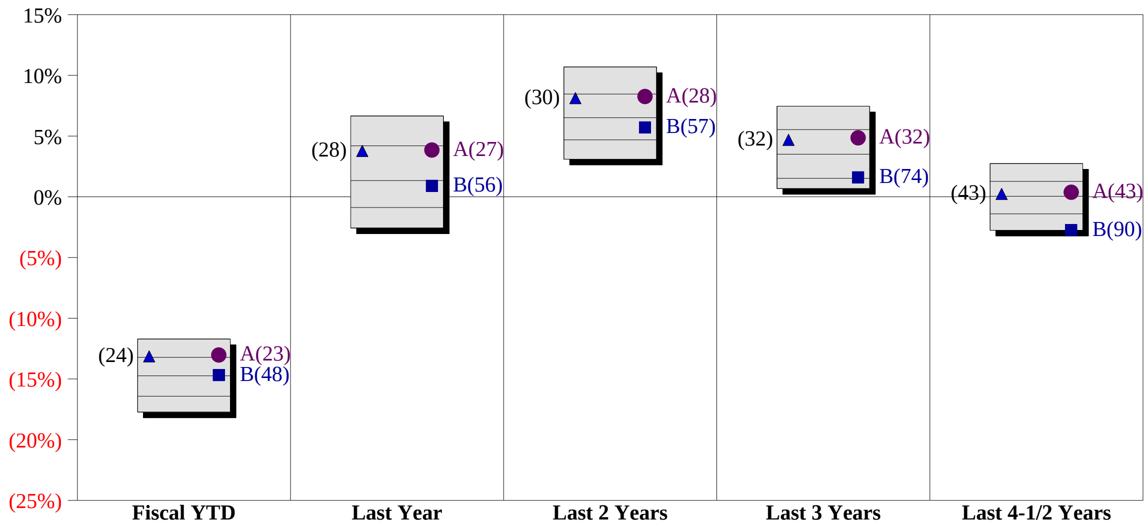
Quarterly Summary and Highlights

- SSgA Russell 1000 Growth's portfolio posted a (13.03)% return for the quarter placing it in the 23 percentile of the CAI Large Cap Growth Style group for the quarter and in the 27 percentile for the last year.
- SSgA Russell 1000 Growth's portfolio outperformed the Russell 1000 Growth Index by 0.11% for the quarter and outperformed the Russell 1000 Growth Index for the year by 0.07%.

Quarterly Asset Growth

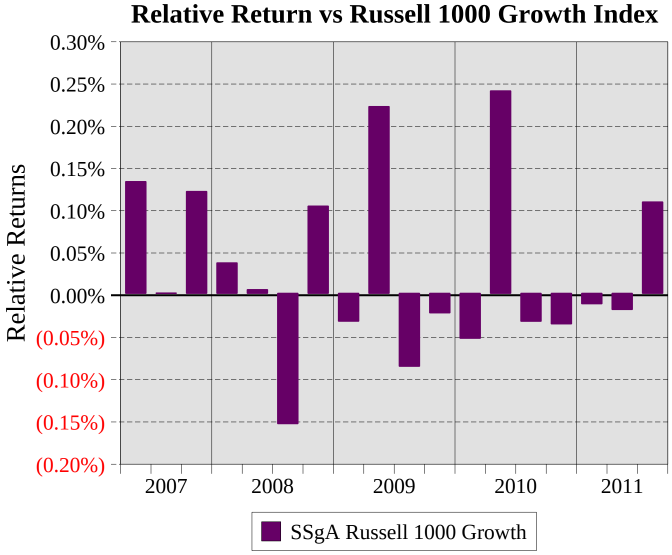
Beginning Market Value	$612,307,578
Net New Investment	$120,000,458
Investment Gains/(Losses)	$-82,164,300
Ending Market Value	$650,143,736

Performance vs CAI Large Cap Growth Style (Gross)

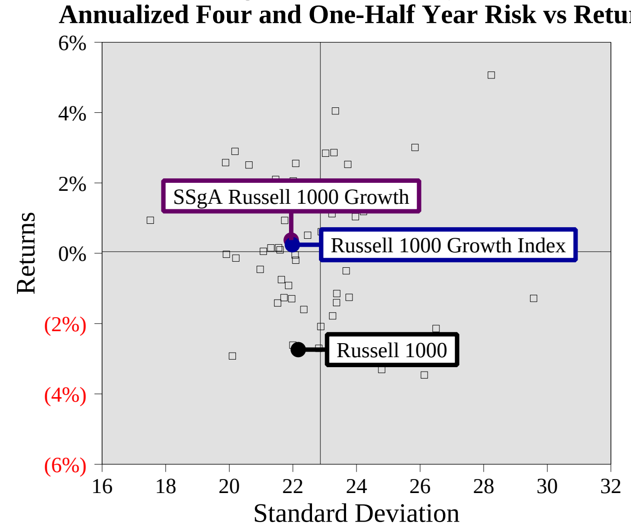


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile	(11.71)	6.65	10.69	7.46	2.74
25th Percentile	(13.22)	4.20	8.46	5.53	1.27
Median	(14.74)	1.34	6.51	3.51	0.04
75th Percentile	(16.42)	(0.88)	4.69	1.52	(1.40)
90th Percentile	(17.73)	(2.57)	3.09	0.68	(2.76)
SSgA Russell 1000 Growth ● A	(13.03)	3.85	8.26	4.86	0.38
Russell 1000 ■ B	(14.68)	0.91	5.72	1.61	(2.74)
Russell 1000 Growth Index ▲	(13.14)	3.78	8.12	4.69	0.24

Relative Return vs Russell 1000 Growth Index



CAI Large Cap Growth Style (Gross)
Annualized Four and One-Half Year Risk vs Return

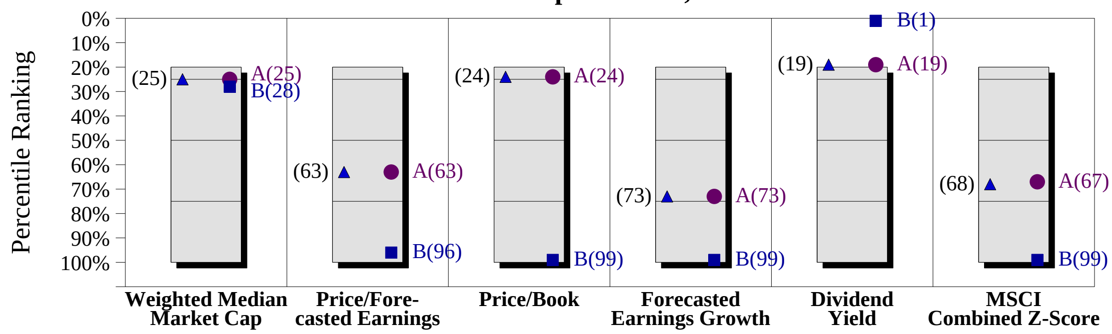


SSGA RUSSELL 1000 GROWTH
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Growth Style
as of September 30, 2011

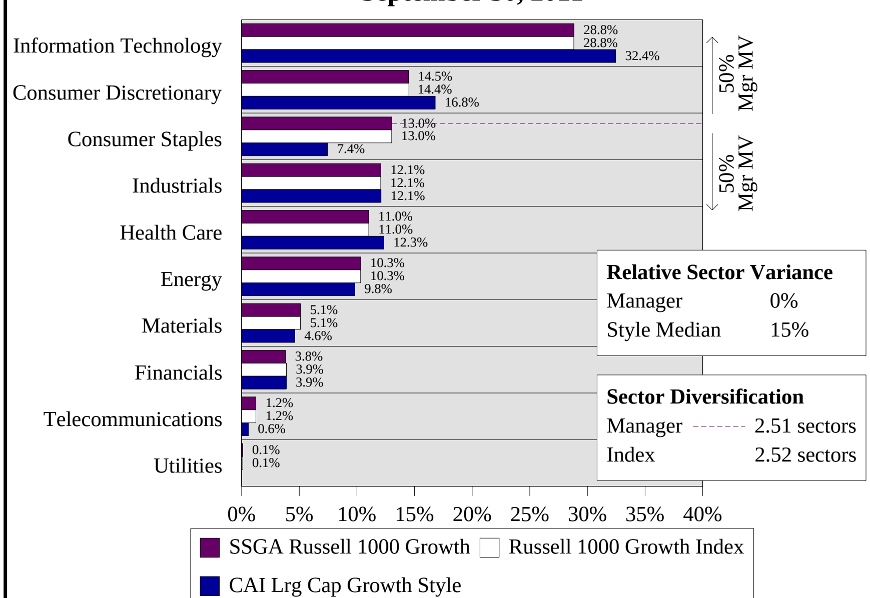


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		42.58	15.35	3.83	18.29	1.87	1.51
25th Percentile		32.64	13.90	3.30	17.34	1.55	1.30
Median		27.91	12.58	2.95	15.36	1.17	0.99
75th Percentile		22.38	11.71	2.69	13.99	0.92	0.77
90th Percentile		17.42	11.27	2.47	13.12	0.73	0.62
SSGA Russell 1000 Growth	● A	32.70	12.09	3.35	14.08	1.72	0.79
Russell 1000	■ B	32.29	10.71	1.81	11.46	2.28	(0.00)
Russell 1000 Growth Index	▲	32.67	12.09	3.35	14.06	1.72	0.79

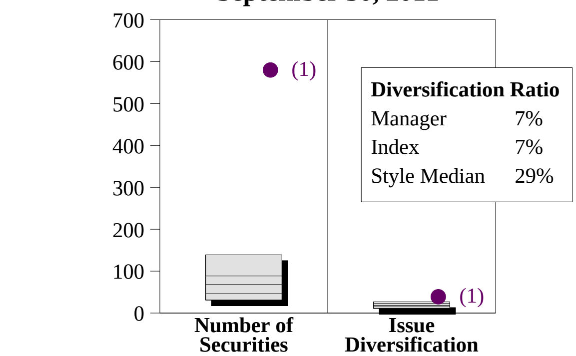
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



		Number of Securities	Issue Diversification
10th Percentile		139	27
25th Percentile		89	23
Median		68	18
75th Percentile		46	15
90th Percentile		31	11
SSGA Russell 1000 Growth	●	580	39
Russell 1000 Growth Index	▲	587	39

SSGA RUSSELL 1000 VALUE
PERIOD ENDED SEPTEMBER 30, 2011

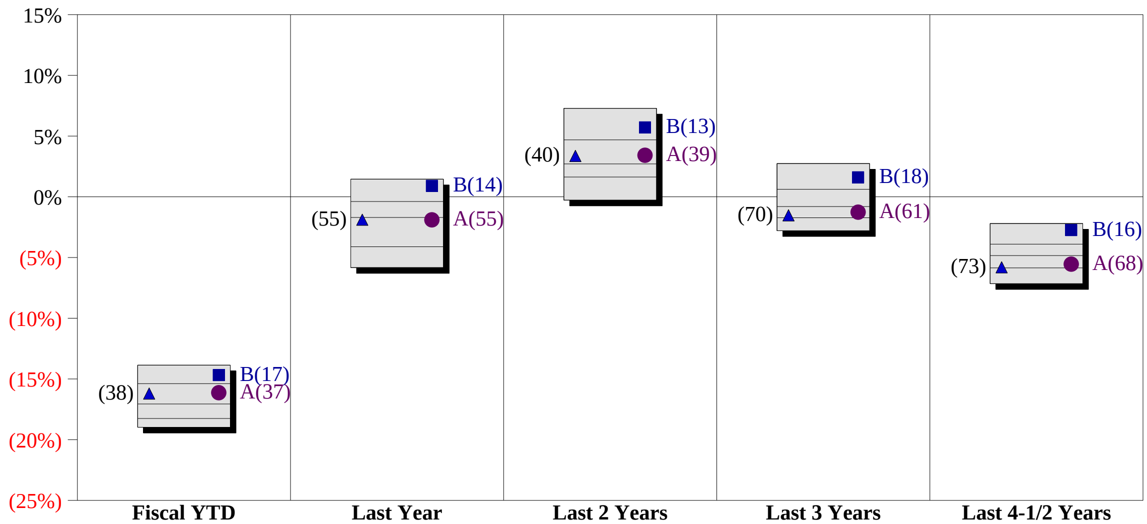
Quarterly Summary and Highlights

- SSgA Russell 1000 Value's portfolio posted a (16.13)% return for the quarter placing it in the 37 percentile of the CAI Large Cap Value Style group for the quarter and in the 55 percentile for the last year.
- SSgA Russell 1000 Value's portfolio outperformed the Russell 1000 Value Index by 0.07% for the quarter and underperformed the Russell 1000 Value Index for the year by 0.01%.

Quarterly Asset Growth

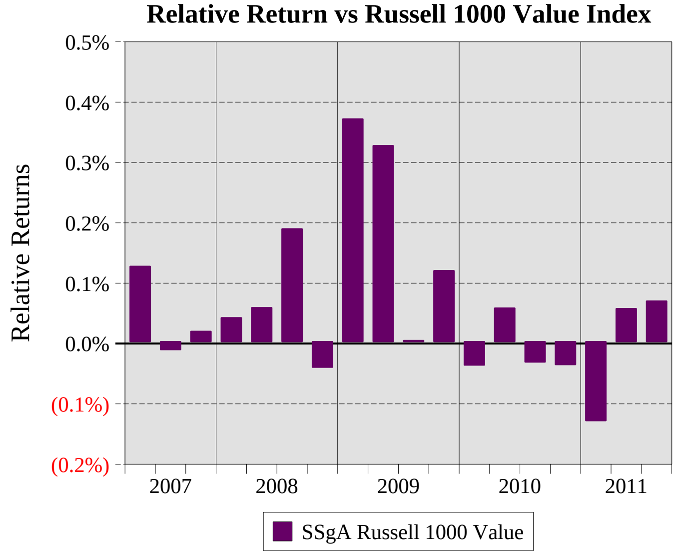
Beginning Market Value	$944,130,045
Net New Investment	$49,530
Investment Gains/(Losses)	$-152,300,421
Ending Market Value	$791,879,154

Performance vs CAI Large Cap Value Style (Gross)

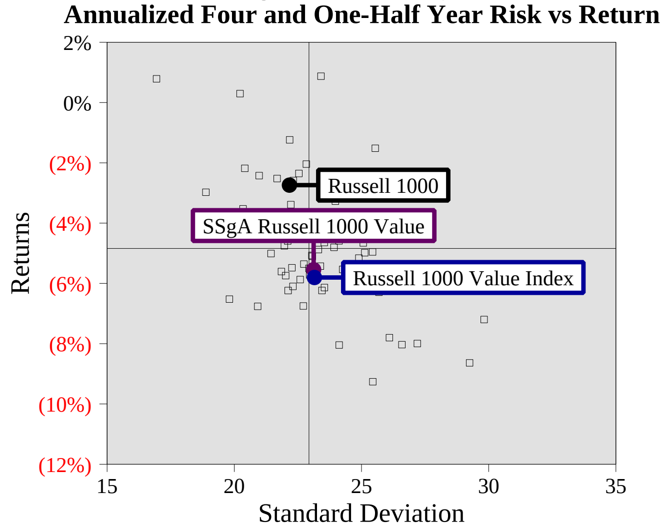


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		(13.86)	1.45	7.28	2.74	(2.20)
25th Percentile		(15.39)	(0.39)	4.69	0.62	(3.90)
Median		(17.06)	(1.70)	2.71	(0.80)	(4.84)
75th Percentile		(18.25)	(4.11)	1.63	(1.72)	(5.85)
90th Percentile		(18.98)	(5.83)	(0.27)	(2.79)	(7.15)
SSgA Russell 1000 Value	● A	(16.13)	(1.90)	3.42	(1.26)	(5.54)
Russell 1000	■ B	(14.68)	0.91	5.72	1.61	(2.74)
Russell 1000 Value Index	▲	(16.20)	(1.89)	3.36	(1.52)	(5.80)

Relative Return vs Russell 1000 Value Index



CAI Large Cap Value Style (Gross)
Annualized Four and One-Half Year Risk vs Return

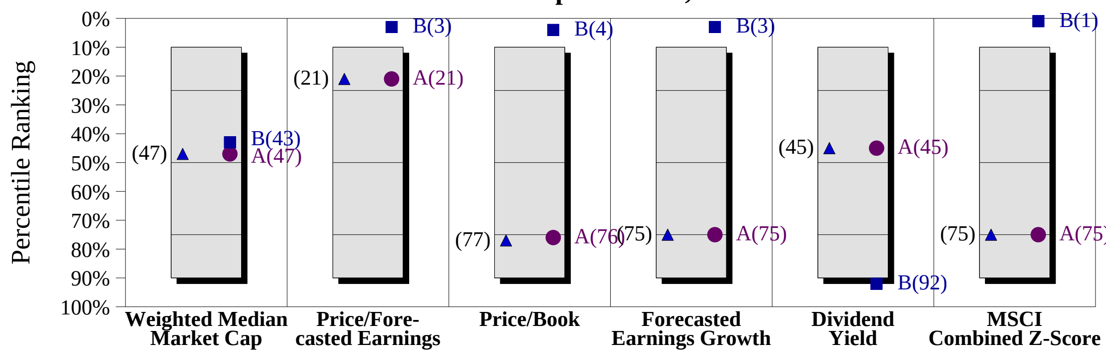


SSGA RUSSELL 1000 VALUE
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Cap Value Style
as of September 30, 2011

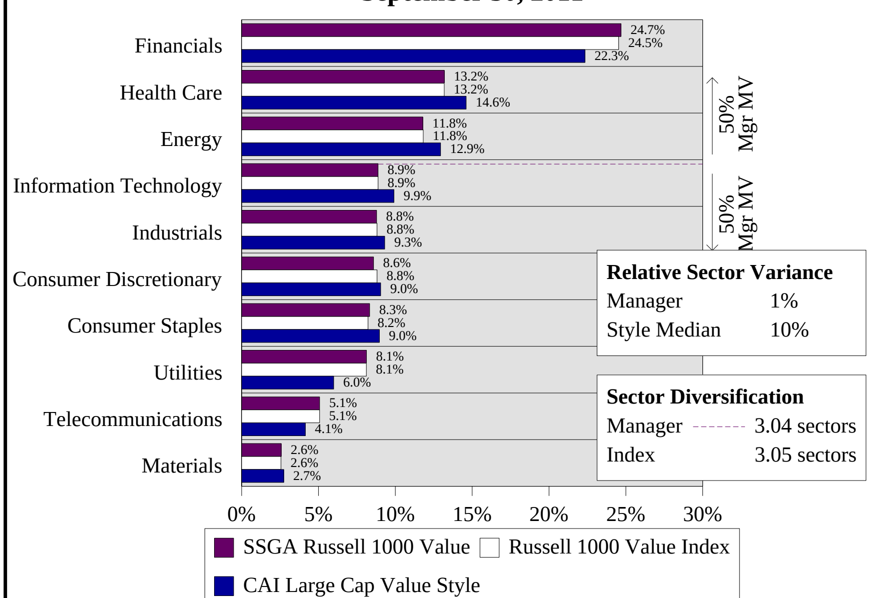


		Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		54.90	10.20	1.66	10.79	3.30	(0.40)
25th Percentile		41.12	9.51	1.47	10.04	3.04	(0.53)
Median		31.21	9.14	1.32	9.42	2.80	(0.70)
75th Percentile		24.10	8.70	1.24	8.84	2.56	(0.81)
90th Percentile		18.24	8.28	1.16	8.32	2.33	(0.92)
SSGA Russell 1000 Value	● A	31.70	9.61	1.23	8.81	2.85	(0.81)
Russell 1000	■ B	32.29	10.71	1.81	11.46	2.28	(0.00)
Russell 1000 Value Index	▲	31.64	9.61	1.23	8.83	2.85	(0.81)

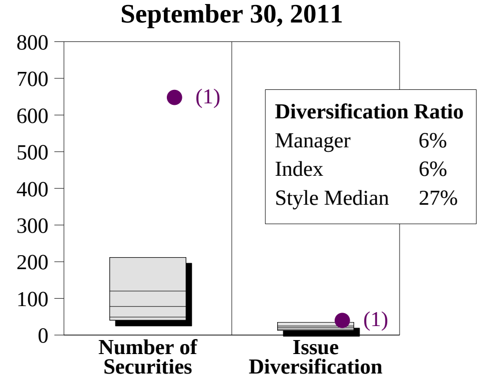
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



		Number of Securities	Issue Diversification
10th Percentile		212	35
25th Percentile		120	25
Median		78	21
75th Percentile		49	16
90th Percentile		40	13
SSGA Russell 1000 Value	●	648	40
Russell 1000 Value Index	▲	671	40

SSGA RUSSELL 200
PERIOD ENDED SEPTEMBER 30, 2011

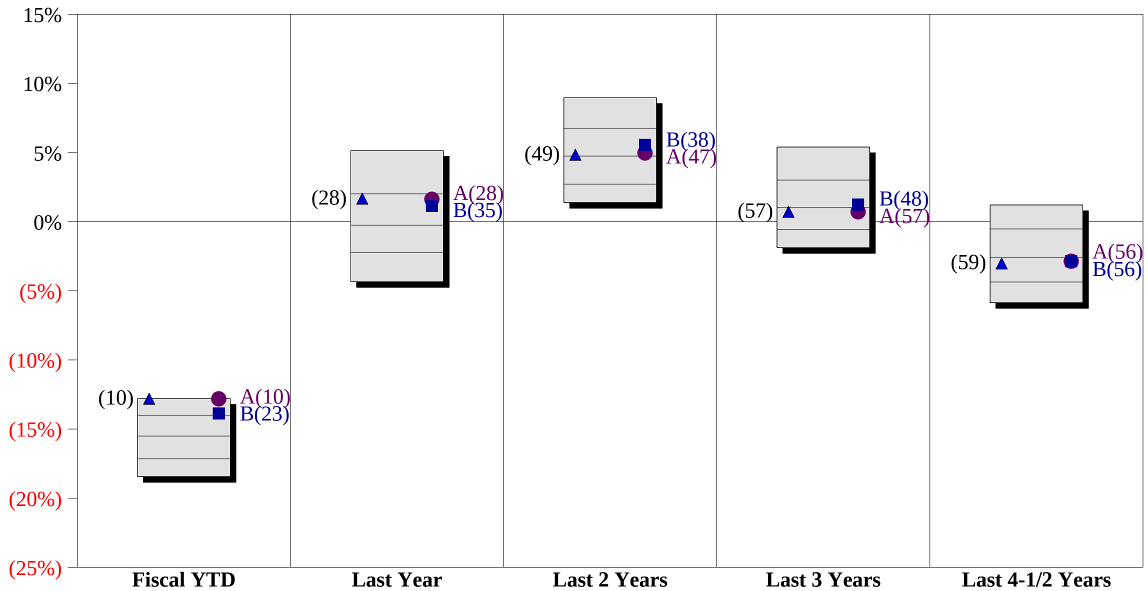
Quarterly Summary and Highlights

- SSgA Russell 200's portfolio posted a (12.81)% return for the quarter placing it in the 10 percentile of the CAI Large Capitalization Style group for the quarter and in the 28 percentile for the last year.
- SSgA Russell 200's portfolio underperformed the Russell Top 200 by 0.01% for the quarter and underperformed the Russell Top 200 for the year by 0.05%.

Quarterly Asset Growth

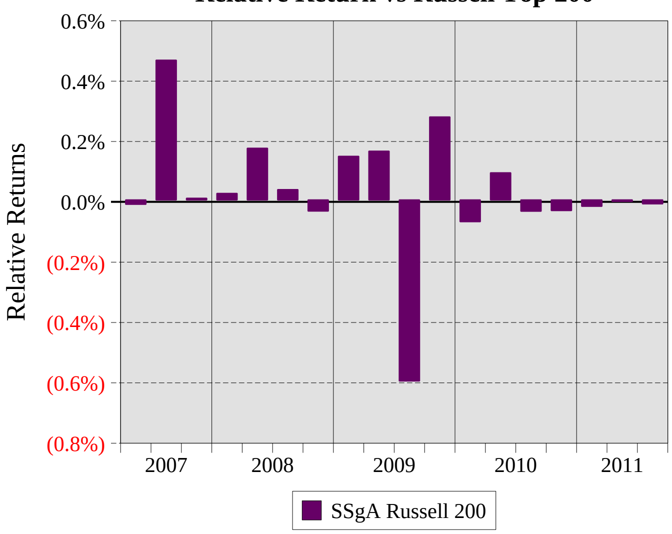
Beginning Market Value	$368,659,867
Net New Investment	$0
Investment Gains/(Losses)	$-47,237,915
Ending Market Value	$321,421,952

Performance vs CAI Large Capitalization Style (Gross)

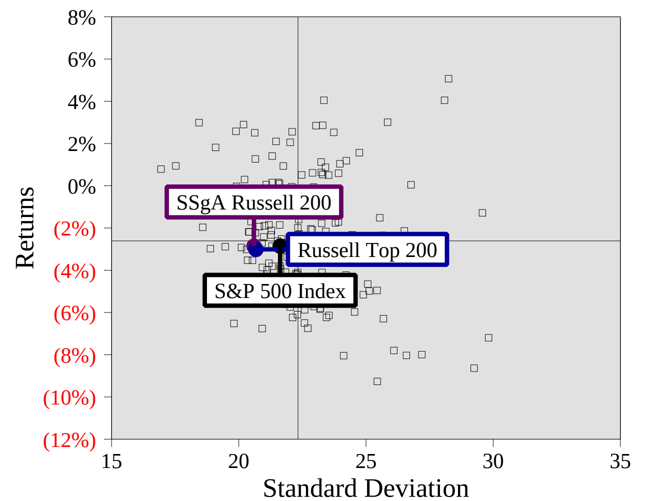


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/2 Years
10th Percentile		(12.80)	5.14	8.97	5.40	1.21
25th Percentile		(14.00)	2.01	6.76	3.01	(0.53)
Median		(15.51)	(0.25)	4.75	1.04	(2.61)
75th Percentile		(17.16)	(2.24)	2.72	(0.55)	(4.36)
90th Percentile		(18.44)	(4.34)	1.39	(1.88)	(5.86)
SSgA Russell 200	● A	(12.81)	1.62	4.97	0.72	(2.86)
S&P 500 Index	■ B	(13.87)	1.14	5.56	1.23	(2.86)
Russell Top 200	▲	(12.81)	1.67	4.84	0.72	(3.01)

Relative Return vs Russell Top 200



CAI Large Capitalization Style (Gross)
Annualized Four and One-Half Year Risk vs Return

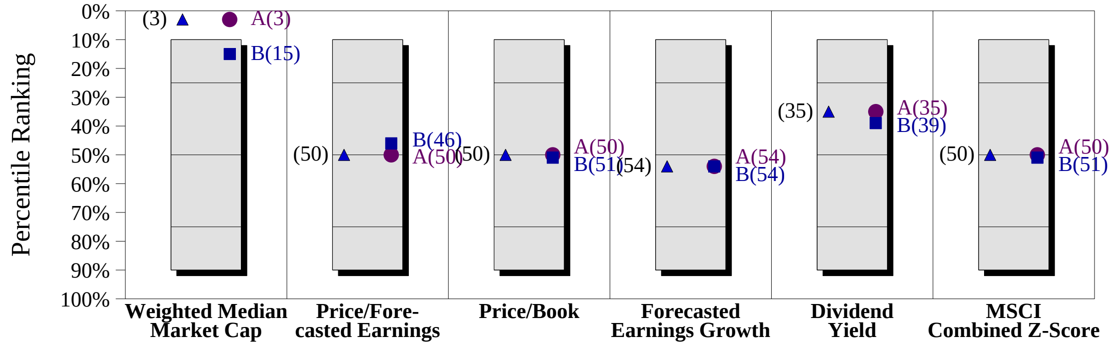


SSGA RUSSELL 200
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Large Capitalization Style
as of September 30, 2011

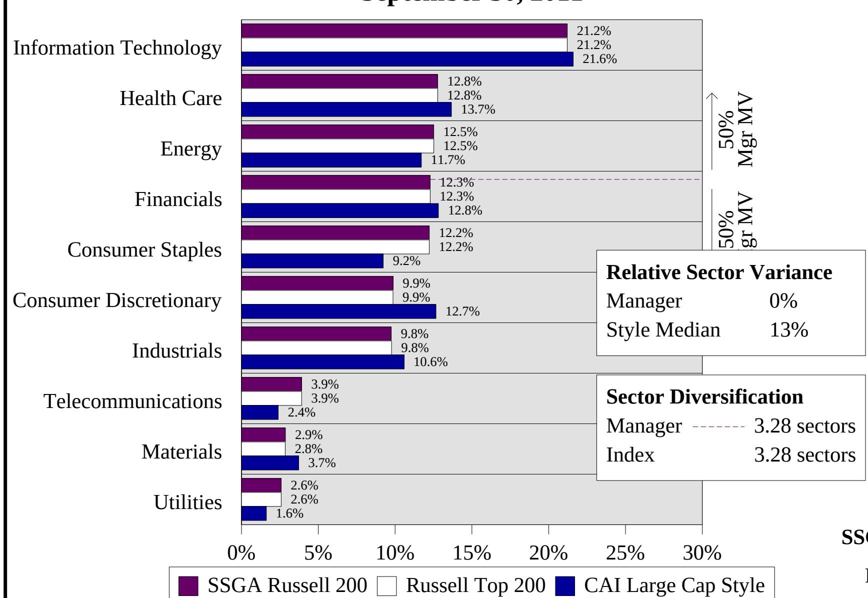


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	52.06	13.85	3.28	17.25	3.04	1.27
25th Percentile	37.75	12.04	2.74	14.46	2.65	0.80
Median	30.19	10.26	1.86	11.67	2.16	0.01
75th Percentile	22.42	9.31	1.42	9.85	1.34	(0.59)
90th Percentile	18.26	8.61	1.25	8.85	0.92	(0.80)
SSGA Russell 200 ● A	74.26	10.25	1.86	11.29	2.45	0.01
S&P 500 Index ■ B	44.81	10.52	1.82	11.31	2.38	(0.02)
Russell Top 200 ▲	74.04	10.25	1.86	11.29	2.45	0.01

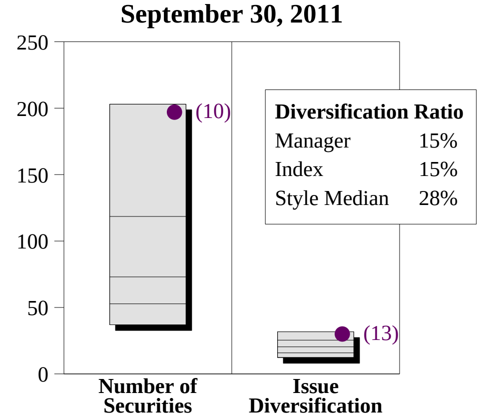
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	203	32
25th Percentile	119	25
Median	73	20
75th Percentile	53	16
90th Percentile	37	12
SSGA Russell 200 ●	197	30
Russell Top 200 ▲	197	30

SMALL CAP EQUITY POOL
PERIOD ENDED SEPTEMBER 30, 2011

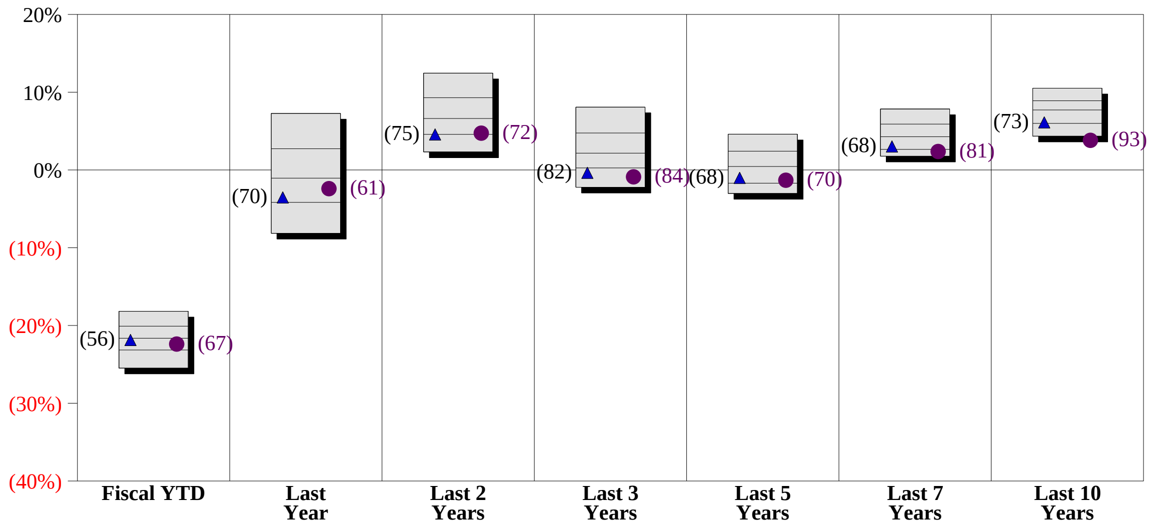
Investment Philosophy

The State of Alaska Small Capitalization Equity Pool is evenly comprised of small cap value and small cap growth managers to provide broad market exposure within the small cap arena. The performance benchmark for the small cap equity pool is the Russell 2000 Index

Quarterly Summary and Highlights

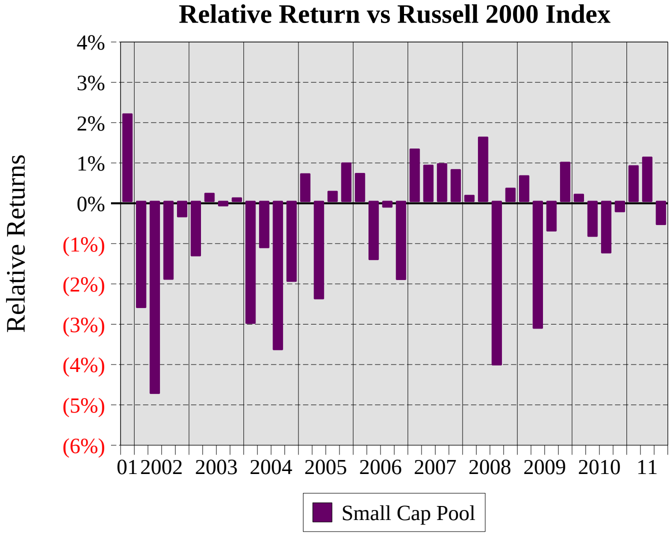
- Small Cap Pool's portfolio posted a (22.39)% return for the quarter placing it in the 67 percentile of the CAI Small Capitalization Style group for the quarter and in the 61 percentile for the last year.
- Small Cap Pool's portfolio underperformed the Russell 2000 Index by 0.53% for the quarter and outperformed the Russell 2000 Index for the year by 1.12%.

Performance vs CAI Small Capitalization Style (Gross)

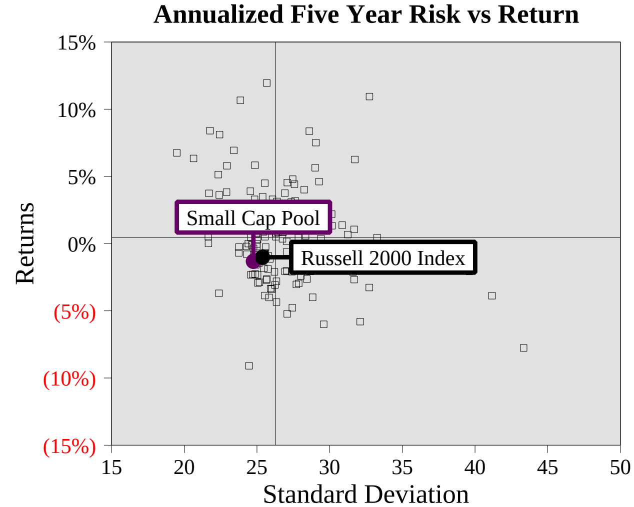


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(18.17)	7.27	12.45	8.08	4.60	7.84	10.51
25th Percentile	(20.09)	2.73	9.29	4.75	2.42	5.90	8.90
Median	(21.64)	(1.05)	6.62	2.16	0.45	4.28	7.72
75th Percentile	(23.15)	(4.17)	4.58	0.26	(1.70)	2.65	5.99
90th Percentile	(25.48)	(8.15)	2.32	(2.23)	(3.02)	1.77	4.34
Small Cap Pool ●	(22.39)	(2.41)	4.73	(0.88)	(1.32)	2.37	3.81
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	3.03	6.12

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return

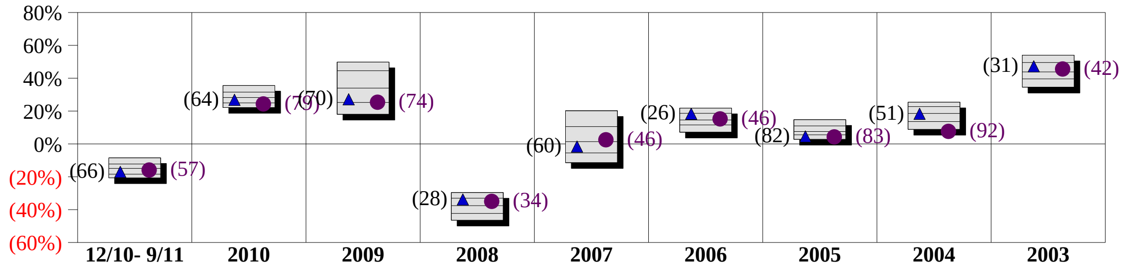


SMALL CAP POOL
RETURN ANALYSIS SUMMARY

Return Analysis

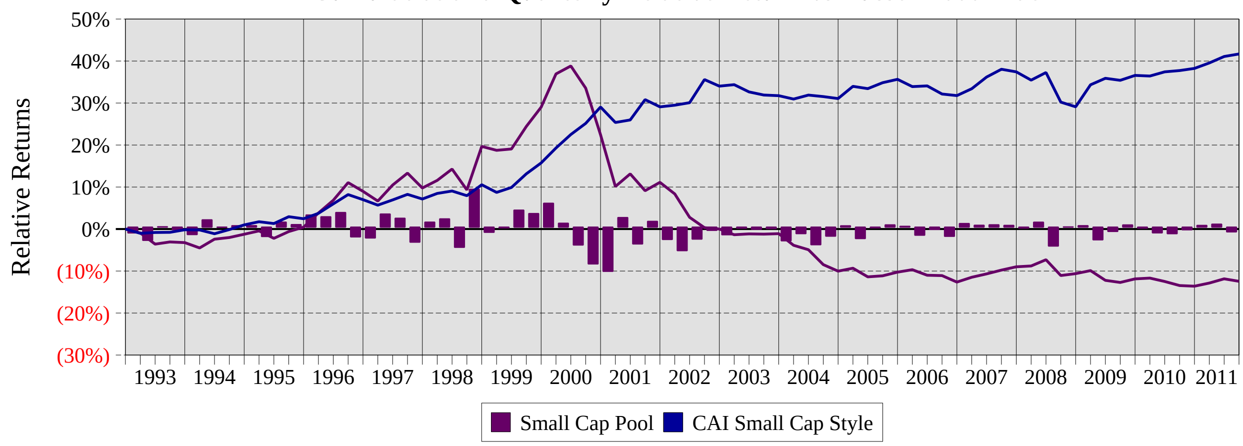
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

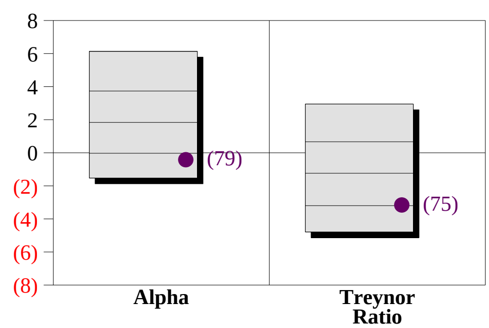


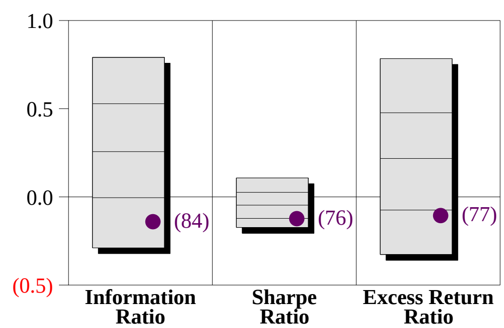
	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile	(8.47)	35.55	49.83	(29.58)	20.20	21.82	14.77	25.44	54.03
25th Percentile	(12.23)	31.53	44.57	(33.03)	10.55	18.62	10.97	22.73	49.55
Median	(14.89)	28.24	33.98	(37.57)	1.39	14.59	7.55	18.56	43.84
75th Percentile	(18.43)	24.99	25.24	(42.30)	(5.47)	11.58	5.55	13.61	39.60
90th Percentile	(20.67)	22.15	18.02	(46.48)	(11.43)	7.13	2.77	8.83	34.55
Small Cap Pool ●	(15.90)	24.35	25.40	(34.97)	2.53	15.24	4.28	7.65	45.62
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)	18.37	4.55	18.33	47.25

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	6.14	2.95
25th Percentile	3.74	0.67
Median	1.84	(1.24)
75th Percentile	(0.03)	(3.20)
90th Percentile	(1.53)	(4.79)
Small Cap Pool ●	(0.42)	(3.16)

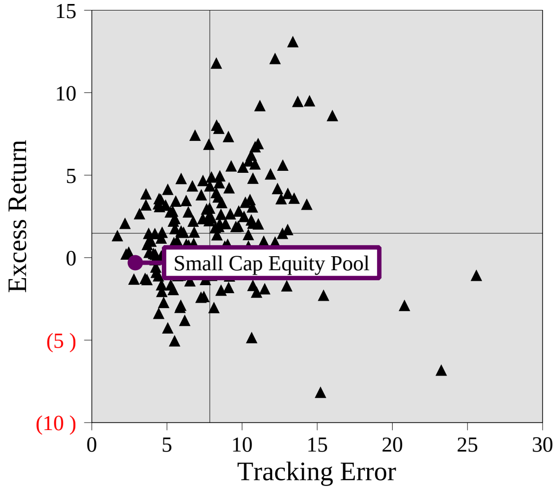
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.79	0.11	0.78
25th Percentile	0.53	0.03	0.48
Median	0.26	(0.05)	0.22
75th Percentile	(0.00)	(0.12)	(0.07)
90th Percentile	(0.29)	(0.17)	(0.33)
Small Cap Pool ●	(0.14)	(0.12)	(0.11)

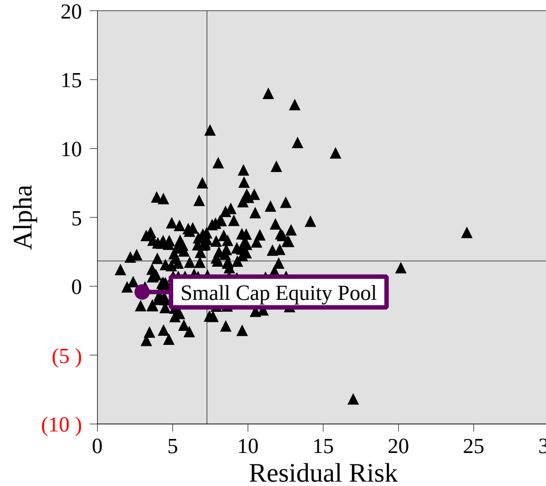
SMALL CAP EQUITY POOL
RISK ANALYSIS SUMMARY

Risk Analysis

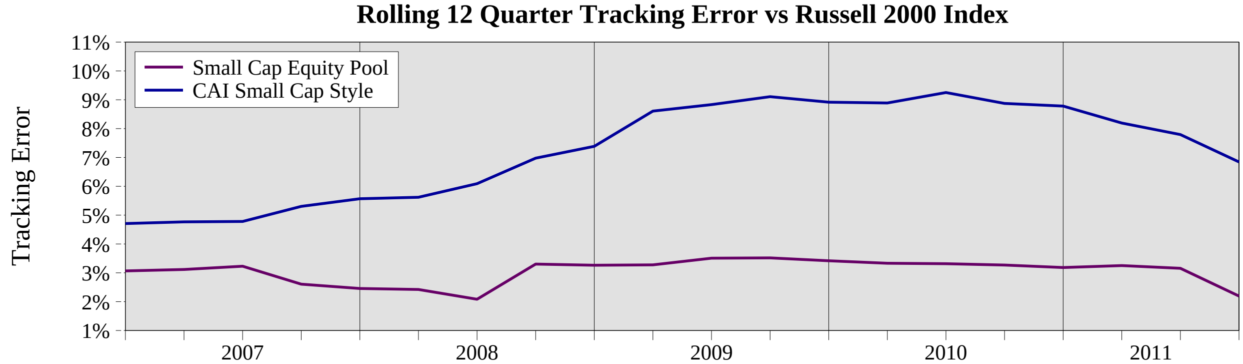
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011

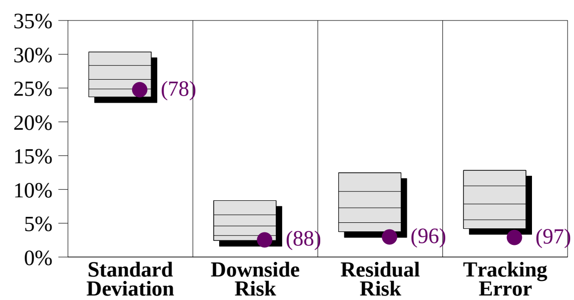




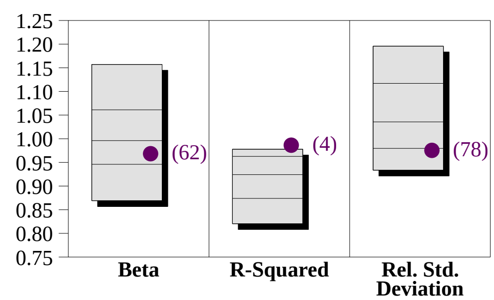
Rolling 12 Quarter Tracking Error vs Russell 2000 Index



Risk Statistics Rankings vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	30.34	8.35	12.47	12.82
25th Percentile	28.35	6.24	9.70	10.53
Median	26.28	4.60	7.28	7.85
75th Percentile	24.86	3.18	5.09	5.51
90th Percentile	23.69	2.44	3.75	4.20
Small Cap Equity Pool ●	24.76	2.54	2.97	2.89



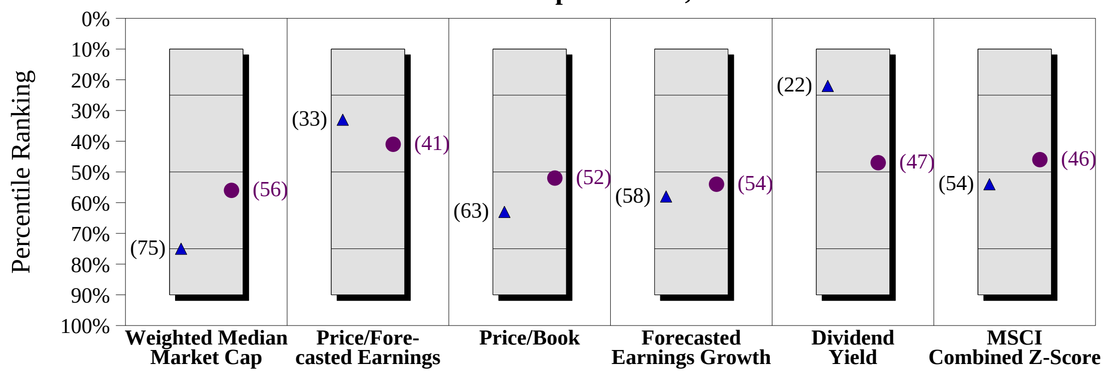
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.16	0.98	1.20
25th Percentile	1.06	0.96	1.12
Median	1.00	0.92	1.04
75th Percentile	0.95	0.87	0.98
90th Percentile	0.87	0.82	0.93
Small Cap Equity Pool ●	0.97	0.99	0.98

SMALL CAP POOL
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of September 30, 2011

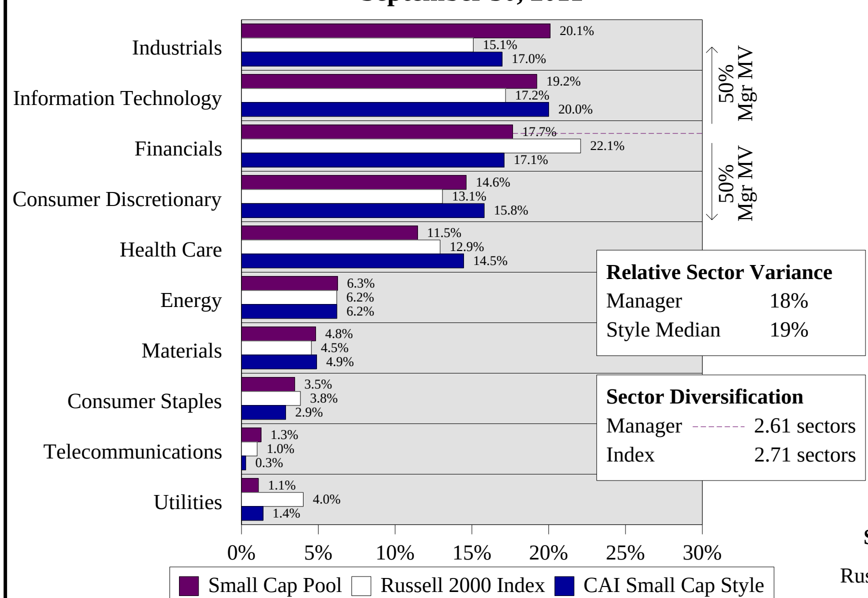


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.58	18.53	2.82	19.67	2.05	1.05
25th Percentile	1.35	16.08	2.31	17.17	1.64	0.73
Median	1.08	12.23	1.54	13.86	1.13	0.07
75th Percentile	0.91	10.77	1.20	10.51	0.41	(0.39)
90th Percentile	0.73	9.67	1.02	8.66	0.24	(0.66)
Small Cap Pool ●	1.04	13.10	1.53	12.50	1.23	0.13
Russell 2000 Index ▲	0.92	14.55	1.43	12.16	1.68	(0.02)

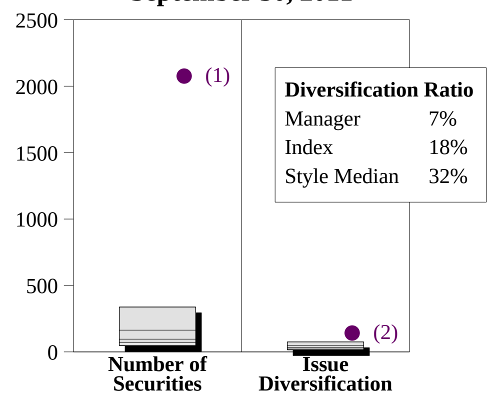
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	338	75
25th Percentile	164	48
Median	96	32
75th Percentile	69	22
90th Percentile	48	15
Small Cap Pool ●	2076	142
Russell 2000 Index ▲	1957	361

JENNISON ASSOCIATES
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Jennison's US Small Cap Equity is a blended small cap portfolio that holds both growth and value stocks that the team believes have above-average earnings potential and are available at reasonable prices.

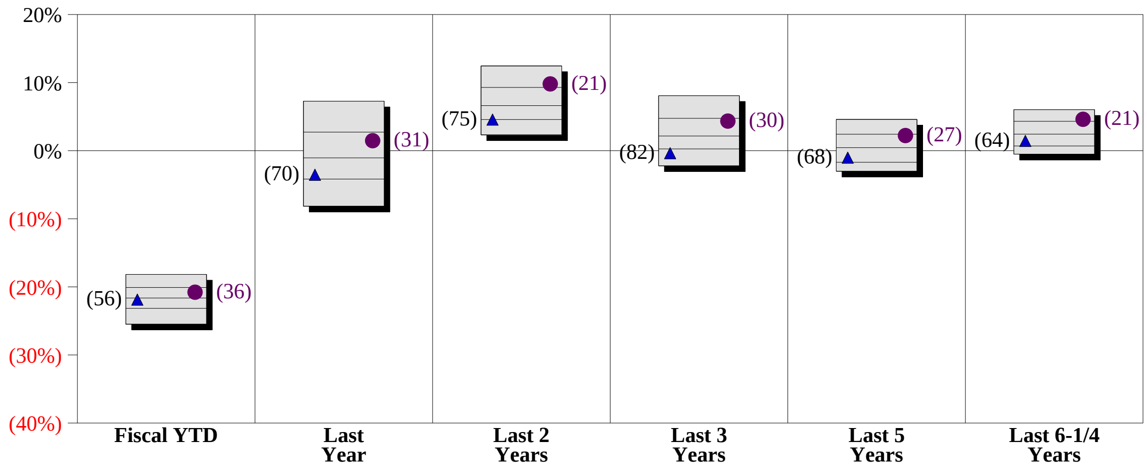
Quarterly Summary and Highlights

- Jennison Associates's portfolio posted a (20.78)% return for the quarter placing it in the 36 percentile of the CAI Small Capitalization Style group for the quarter and in the 31 percentile for the last year.
- Jennison Associates's portfolio outperformed the Russell 2000 Index by 1.08% for the quarter and outperformed the Russell 2000 Index for the year by 5.00%.

Quarterly Asset Growth

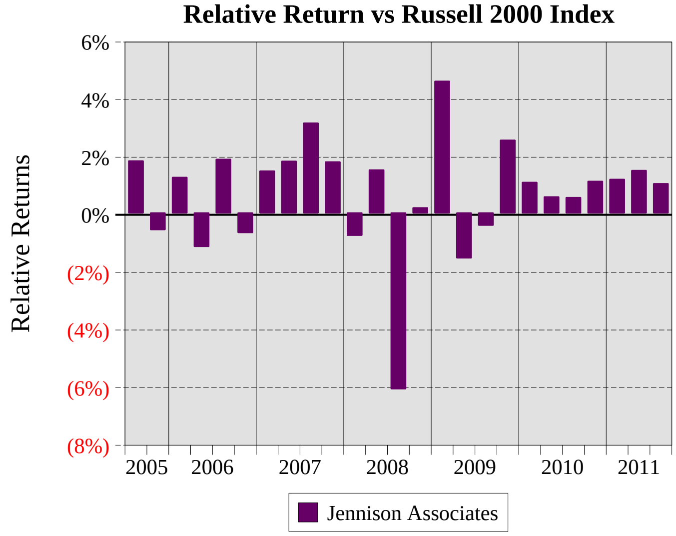
Beginning Market Value	$164,975,590
Net New Investment	$0
Investment Gains/(Losses)	$-34,287,998
Ending Market Value	$130,687,593

Performance vs CAI Small Capitalization Style (Gross)

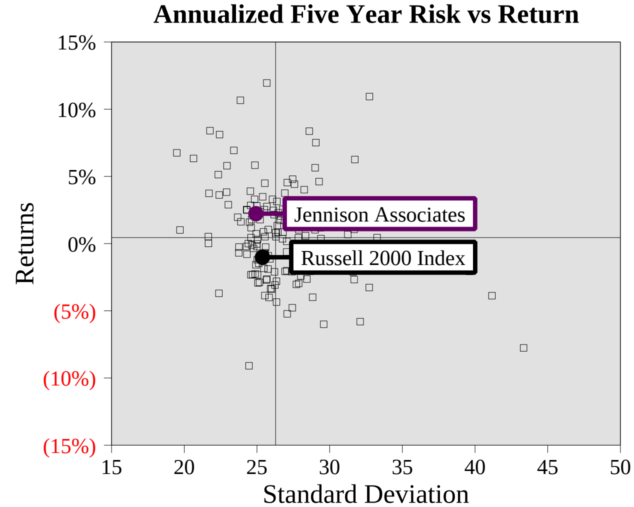


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile	(18.17)	7.27	12.45	8.08	4.60	6.02
25th Percentile	(20.09)	2.73	9.29	4.75	2.42	4.32
Median	(21.64)	(1.05)	6.62	2.16	0.45	2.44
75th Percentile	(23.15)	(4.17)	4.58	0.26	(1.70)	0.70
90th Percentile	(25.48)	(8.15)	2.32	(2.23)	(3.02)	(0.50)
Jennison Associates ●	(20.78)	1.47	9.81	4.35	2.23	4.61
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	1.44

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return

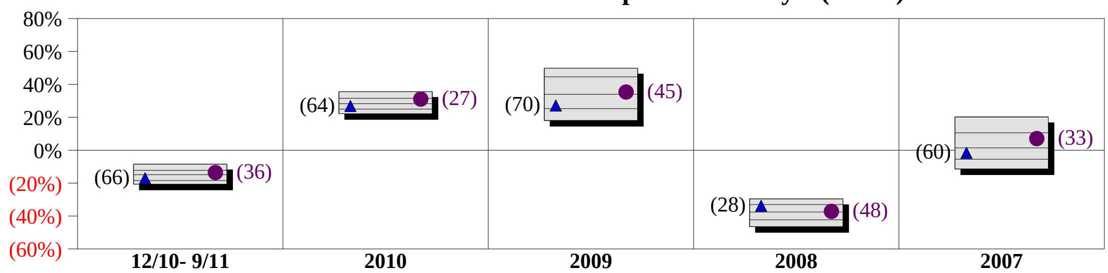


JENNISON ASSOCIATES
RETURN ANALYSIS SUMMARY

Return Analysis

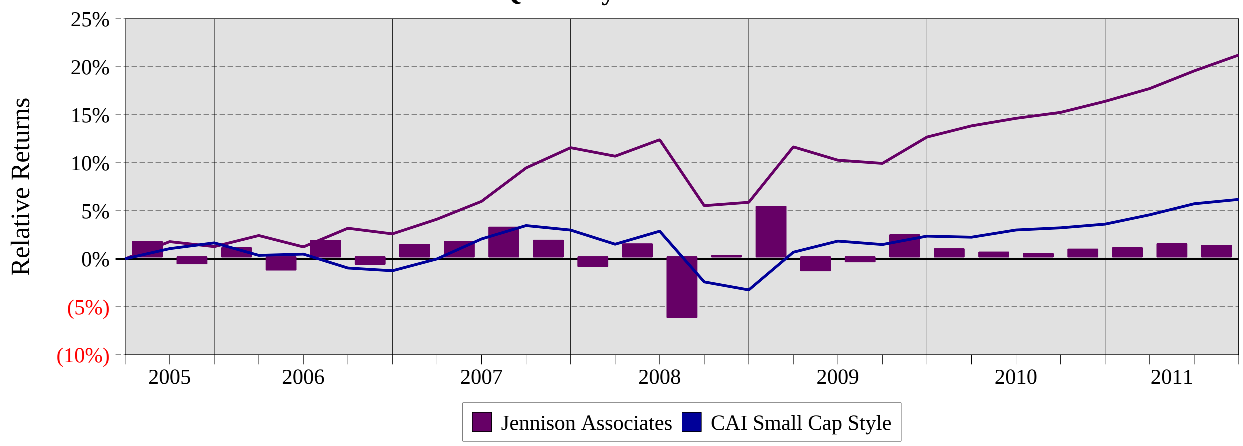
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

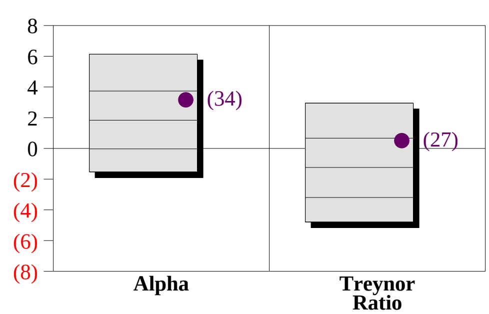


	12/10- 9/11	2010	2009	2008	2007
10th Percentile	(8.47)	35.55	49.83	(29.58)	20.20
25th Percentile	(12.23)	31.53	44.57	(33.03)	10.55
Median	(14.89)	28.24	33.98	(37.57)	1.39
75th Percentile	(18.43)	24.99	25.24	(42.30)	(5.47)
90th Percentile	(20.67)	22.15	18.02	(46.48)	(11.43)
Jennison Associates ●	(13.58)	31.05	35.34	(37.16)	7.05
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)

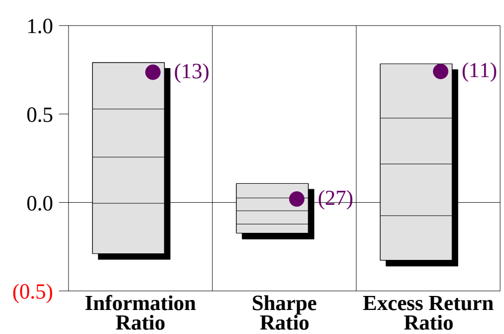
Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	6.14	2.95
25th Percentile	3.74	0.67
Median	1.84	(1.24)
75th Percentile	(0.03)	(3.20)
90th Percentile	(1.53)	(4.79)
Jennison Associates ●	3.16	0.51



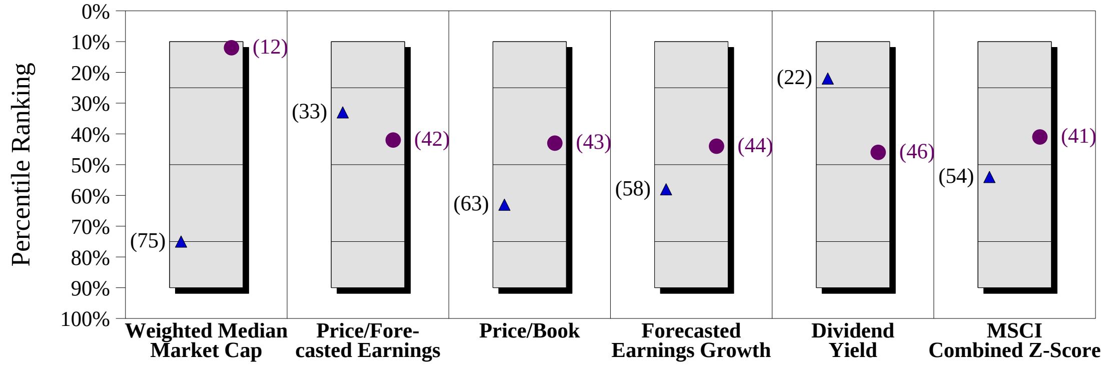
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.79	0.11	0.78
25th Percentile	0.53	0.03	0.48
Median	0.26	(0.05)	0.22
75th Percentile	(0.00)	(0.12)	(0.07)
90th Percentile	(0.29)	(0.17)	(0.33)
Jennison Associates ●	0.74	0.02	0.74

JENNISON ASSOCIATES
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of September 30, 2011

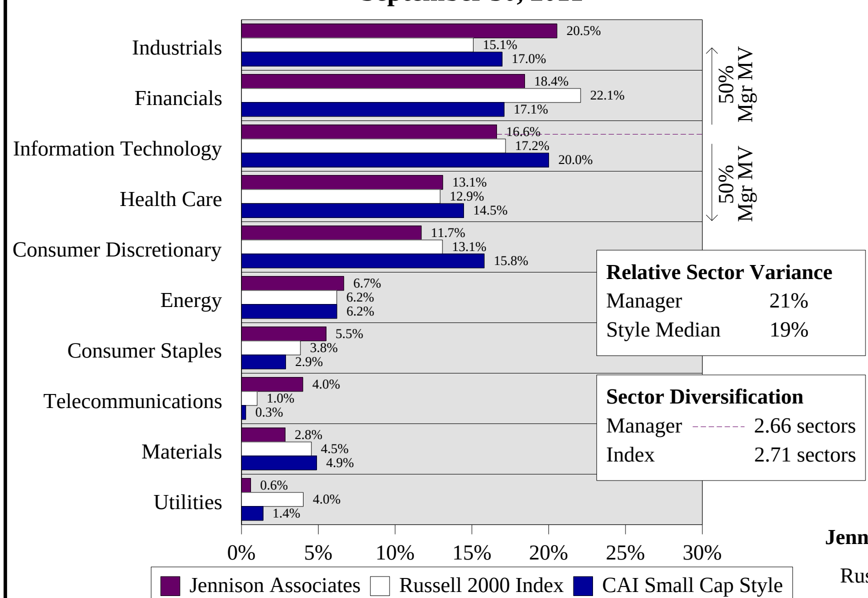


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.58	18.53	2.82	19.67	2.05	1.05
25th Percentile	1.35	16.08	2.31	17.17	1.64	0.73
Median	1.08	12.23	1.54	13.86	1.13	0.07
75th Percentile	0.91	10.77	1.20	10.51	0.41	(0.39)
90th Percentile	0.73	9.67	1.02	8.66	0.24	(0.66)
Jennison Associates ●	1.53	13.05	1.66	14.49	1.28	0.29
Russell 2000 Index ▲	0.92	14.55	1.43	12.16	1.68	(0.02)

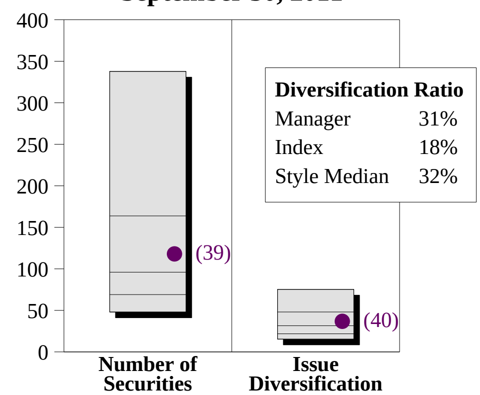
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	338	75
25th Percentile	164	48
Median	96	32
75th Percentile	69	22
90th Percentile	48	15
Jennison Associates ●	118	37
Russell 2000 Index ▲	1957	361

LORD, ABBETT
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Lord, Abbett utilizes a disciplined investment process that employs fundamental research in seeking to identify companies whose growth generates superior returns with acceptable levels of volatility.

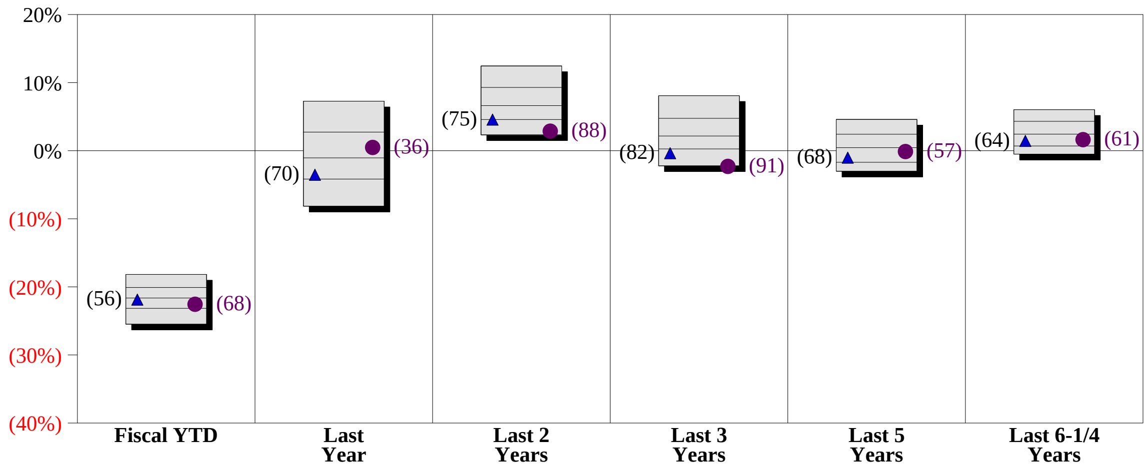
Quarterly Summary and Highlights

- Lord, Abbett's portfolio posted a (22.55)% return for the quarter placing it in the 68 percentile of the CAI Small Capitalization Style group for the quarter and in the 36 percentile for the last year.
- Lord, Abbett's portfolio underperformed the Russell 2000 Index by 0.69% for the quarter and outperformed the Russell 2000 Index for the year by 4.01%.

Quarterly Asset Growth

Beginning Market Value	$186,218,761
Net New Investment	$0
Investment Gains/(Losses)	$-41,998,353
Ending Market Value	$144,220,408

Performance vs CAI Small Capitalization Style (Gross)



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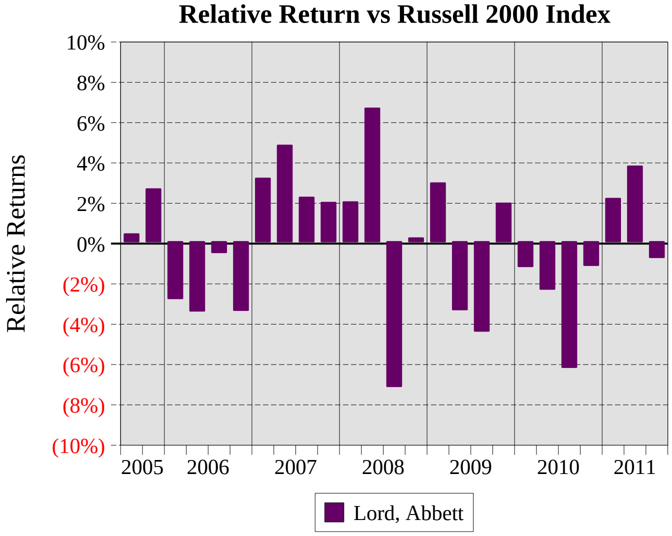
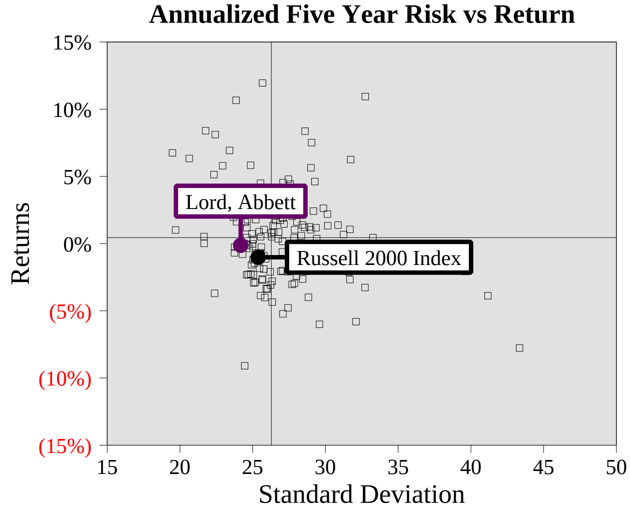
25th Percentile	(20.09)	2.73	9.29	4.75	2.42	4.32
Median	(21.64)	(1.05)	6.62	2.16	0.45	2.44
75th Percentile	(23.15)	(4.17)	4.58	0.26	(1.70)	0.70
90th Percentile	(25.48)	(8.15)	2.32	(2.23)	(3.02)	(0.50)
Lord, Abbett ●	(22.55)	0.48	2.87	(2.30)	(0.13)	1.62
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	1.44

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return



LORD, ABBETT
RETURN ANALYSIS SUMMARY

Return Analysis

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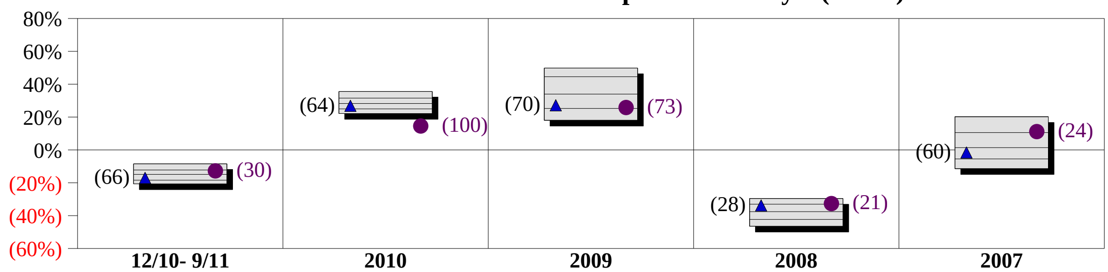
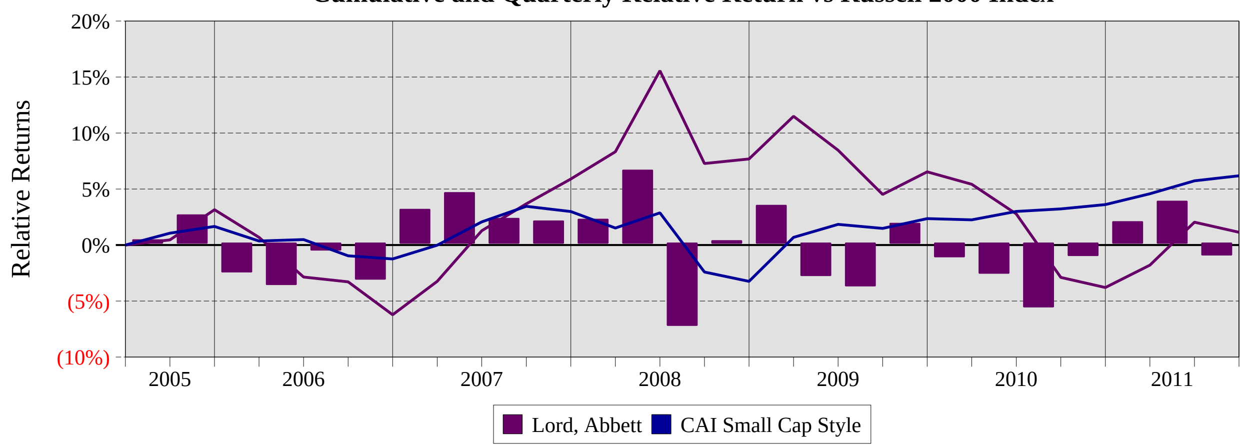
Performance vs CAI Small Capitalization Style (Gross)

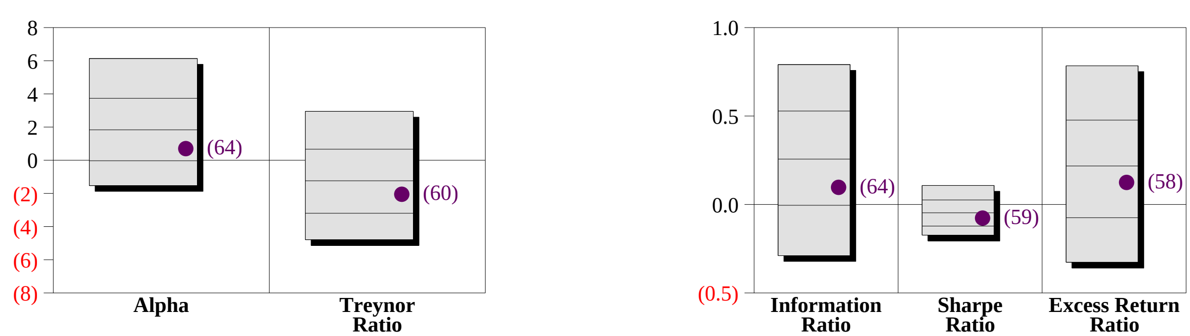


	12/10- 9/11	2010	2009	2008	2007
10th Percentile	(8.47)	35.55	49.83	(29.58)	20.20
25th Percentile	(12.23)	31.53	44.57	(33.03)	10.55
Median	(14.89)	28.24	33.98	(37.57)	1.39
75th Percentile	(18.43)	24.99	25.24	(42.30)	(5.47)
90th Percentile	(20.67)	22.15	18.02	(46.48)	(11.43)
Lord, Abbett ●	(12.76)	14.56	25.81	(32.67)	11.16
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	6.14	2.95
25th Percentile	3.74	0.67
Median	1.84	(1.24)
75th Percentile	(0.03)	(3.20)
90th Percentile	(1.53)	(4.79)
Lord, Abbett ●	0.70	(2.05)

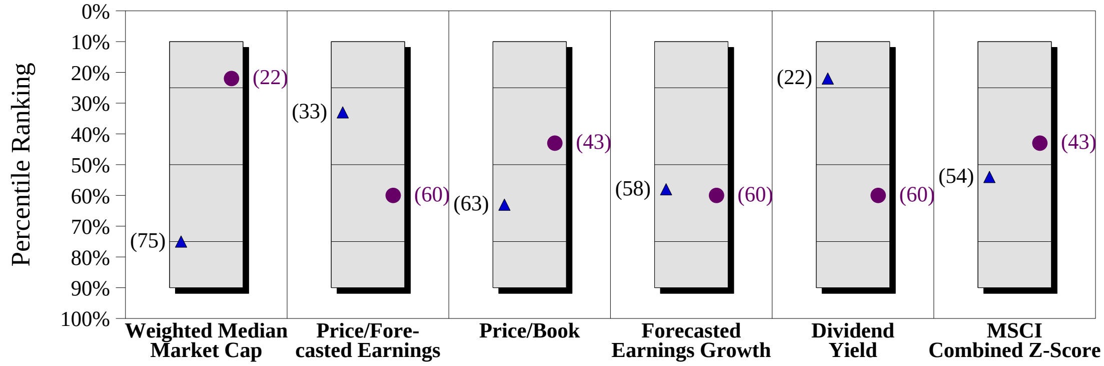
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.79	0.11	0.78
25th Percentile	0.53	0.03	0.48
Median	0.26	(0.05)	0.22
75th Percentile	(0.00)	(0.12)	(0.07)
90th Percentile	(0.29)	(0.17)	(0.33)
Lord, Abbett ●	0.10	(0.08)	0.12

LORD, ABBETT
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of September 30, 2011

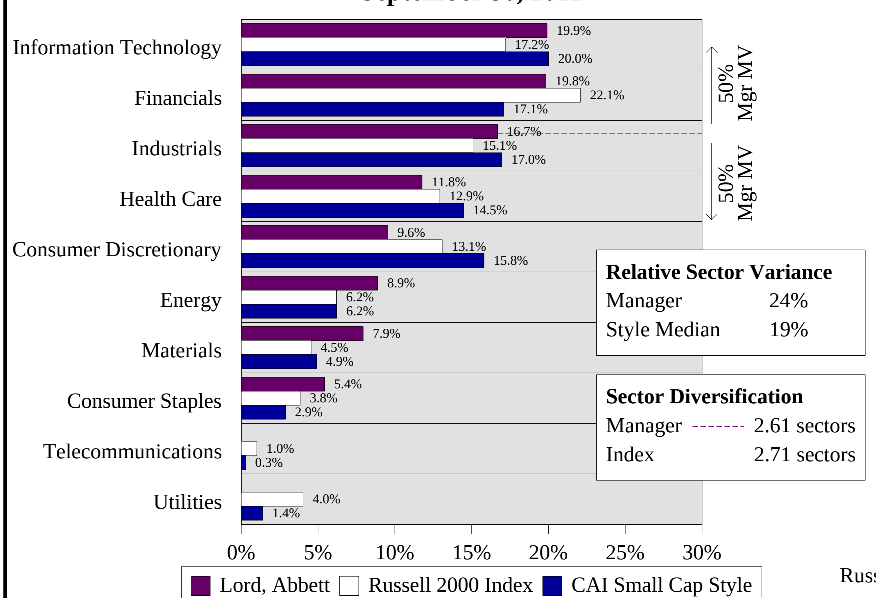


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.58	18.53	2.82	19.67	2.05	1.05
25th Percentile	1.35	16.08	2.31	17.17	1.64	0.73
Median	1.08	12.23	1.54	13.86	1.13	0.07
75th Percentile	0.91	10.77	1.20	10.51	0.41	(0.39)
90th Percentile	0.73	9.67	1.02	8.66	0.24	(0.66)
Lord, Abbett ●	1.38	11.62	1.66	11.99	0.78	0.24
Russell 2000 Index ▲	0.92	14.55	1.43	12.16	1.68	(0.02)

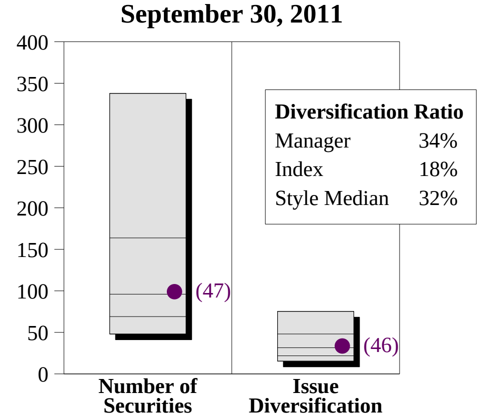
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	338	75
25th Percentile	164	48
Median	96	32
75th Percentile	69	22
90th Percentile	48	15
Lord, Abbett ●	99	34
Russell 2000 Index ▲	1957	361

LUTHER KING
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Luther King's philosophy is based upon the belief that companies which generate a high and/or improving return on invested capital, can provide superior rates of return to shareholders over long periods of time.

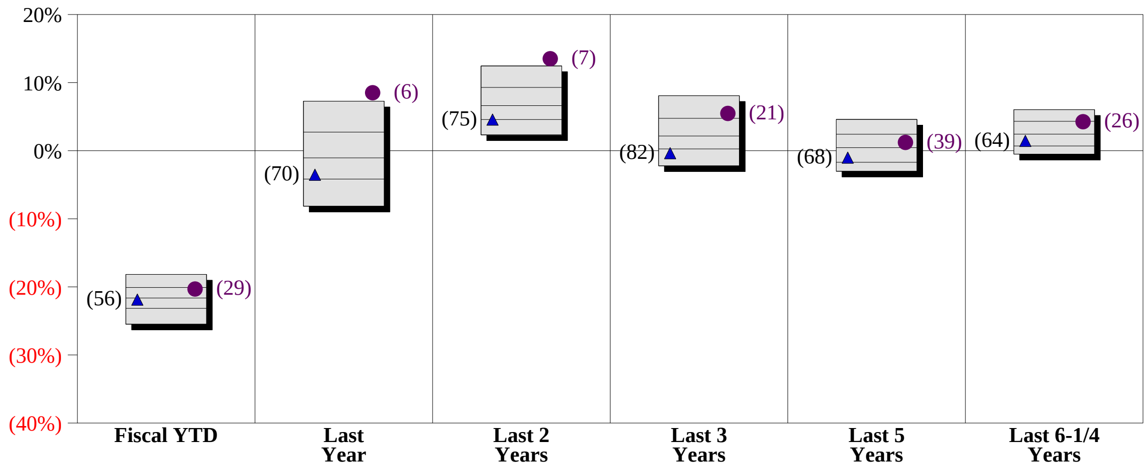
Quarterly Summary and Highlights

- Luther King's portfolio posted a (20.32)% return for the quarter placing it in the 29 percentile of the CAI Small Capitalization Style group for the quarter and in the 6 percentile for the last year.
- Luther King's portfolio outperformed the Russell 2000 Index by 1.55% for the quarter and outperformed the Russell 2000 Index for the year by 12.04%.

Quarterly Asset Growth

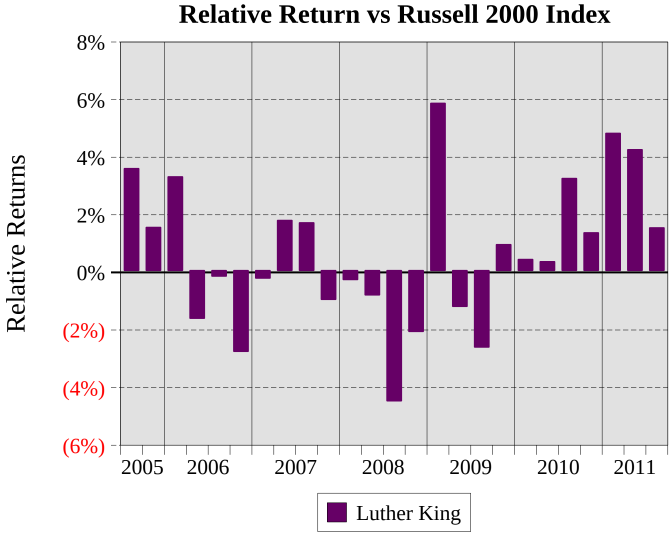
Beginning Market Value	$134,340,292
Net New Investment	$0
Investment Gains/(Losses)	$-27,291,458
Ending Market Value	$107,048,834

Performance vs CAI Small Capitalization Style (Gross)

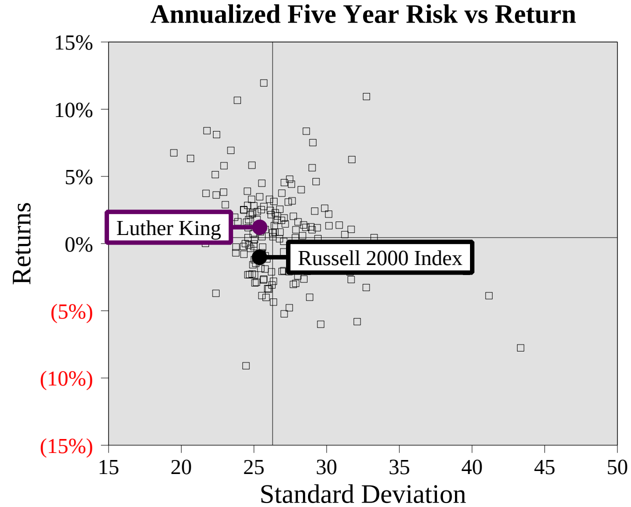


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile	(18.17)	7.27	12.45	8.08	4.60	6.02
25th Percentile	(20.09)	2.73	9.29	4.75	2.42	4.32
Median	(21.64)	(1.05)	6.62	2.16	0.45	2.44
75th Percentile	(23.15)	(4.17)	4.58	0.26	(1.70)	0.70
90th Percentile	(25.48)	(8.15)	2.32	(2.23)	(3.02)	(0.50)
Luther King ●	(20.32)	8.51	13.51	5.47	1.22	4.26
Russell 2000 Index ▲	(21.87)	(3.53)	4.57	(0.37)	(1.02)	1.44

Relative Return vs Russell 2000 Index



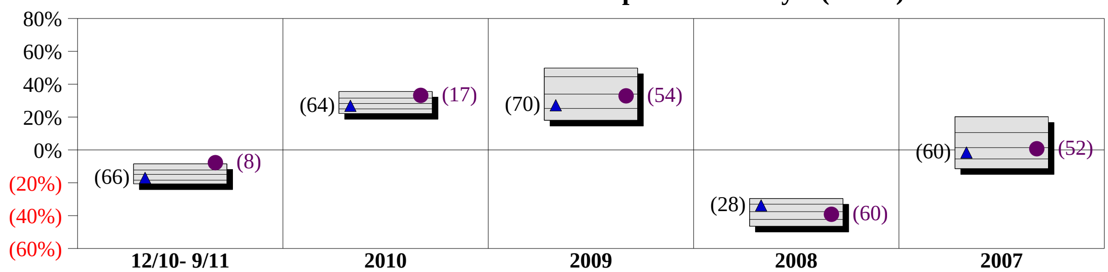
CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return



Return Analysis

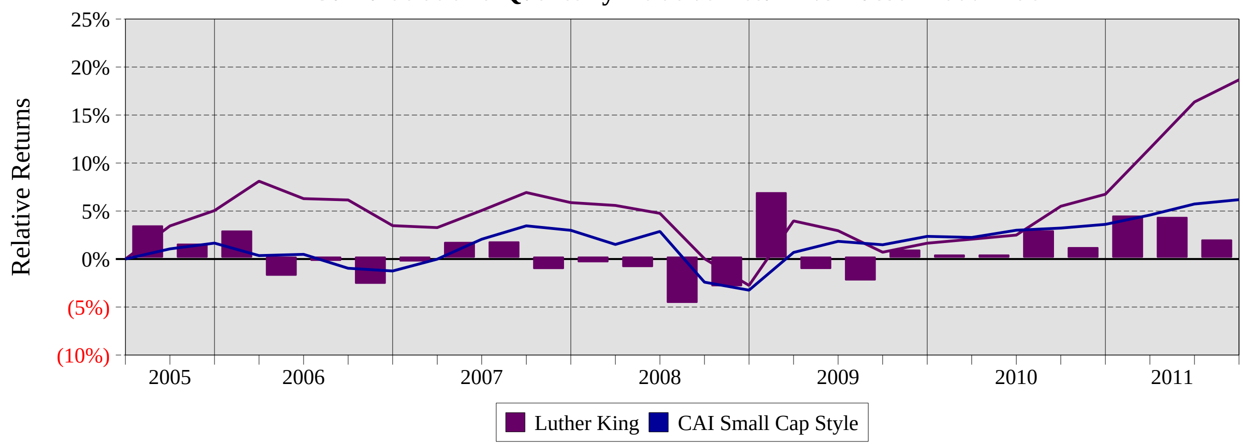
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Small Capitalization Style (Gross)

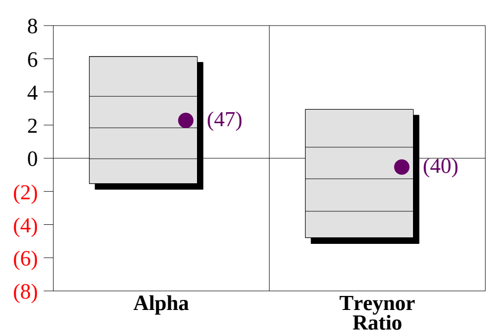


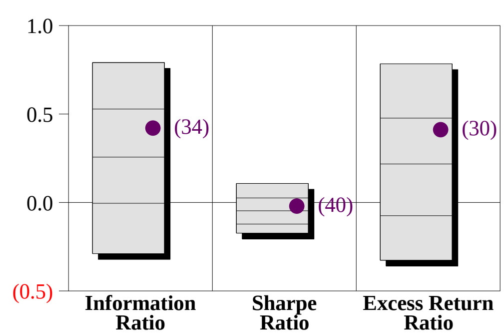
	12/10- 9/11	2010	2009	2008	2007
10th Percentile	(8.47)	35.55	49.83	(29.58)	20.20
25th Percentile	(12.23)	31.53	44.57	(33.03)	10.55
Median	(14.89)	28.24	33.98	(37.57)	1.39
75th Percentile	(18.43)	24.99	25.24	(42.30)	(5.47)
90th Percentile	(20.67)	22.15	18.02	(46.48)	(11.43)
Luther King ●	(7.75)	33.22	32.92	(39.18)	0.72
Russell 2000 Index ▲	(17.02)	26.85	27.17	(33.79)	(1.57)

Cumulative and Quarterly Relative Return vs Russell 2000 Index



Risk Adjusted Return Measures vs Russell 2000 Index
Rankings Against CAI Small Capitalization Style (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	6.14	2.95
25th Percentile	3.74	0.67
Median	1.84	(1.24)
75th Percentile	(0.03)	(3.20)
90th Percentile	(1.53)	(4.79)
Luther King ●	2.28	(0.53)

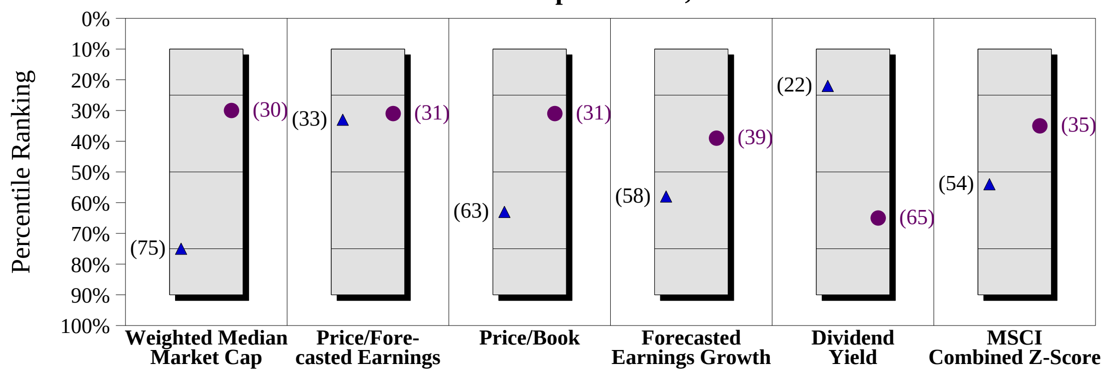
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.79	0.11	0.78
25th Percentile	0.53	0.03	0.48
Median	0.26	(0.05)	0.22
75th Percentile	(0.00)	(0.12)	(0.07)
90th Percentile	(0.29)	(0.17)	(0.33)
Luther King ●	0.42	(0.02)	0.41

LUTHER KING
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Capitalization Style
as of September 30, 2011

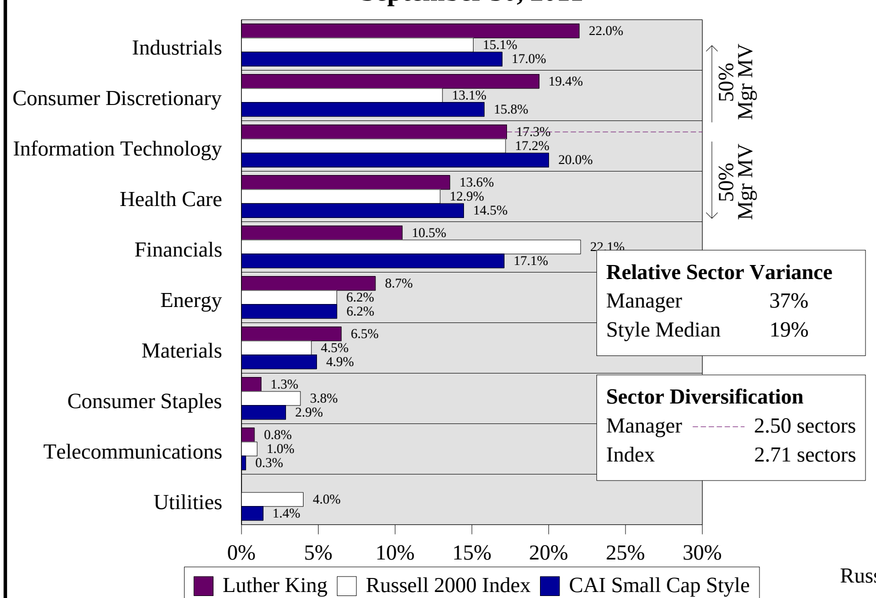


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	1.58	18.53	2.82	19.67	2.05	1.05
25th Percentile	1.35	16.08	2.31	17.17	1.64	0.73
Median	1.08	12.23	1.54	13.86	1.13	0.07
75th Percentile	0.91	10.77	1.20	10.51	0.41	(0.39)
90th Percentile	0.73	9.67	1.02	8.66	0.24	(0.66)
Luther King ●	1.28	15.03	2.04	15.59	0.59	0.50
Russell 2000 Index ▲	0.92	14.55	1.43	12.16	1.68	(0.02)

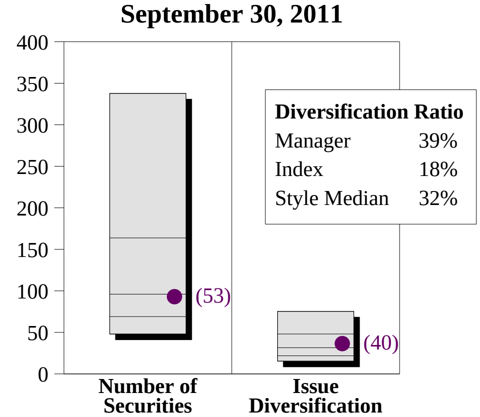
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



	Number of Securities	Issue Diversification
10th Percentile	338	75
25th Percentile	164	48
Median	96	32
75th Percentile	69	22
90th Percentile	48	15
Luther King ●	93	36
Russell 2000 Index ▲	1957	361

SSGA RUSSELL 2000 GROWTH
PERIOD ENDED SEPTEMBER 30, 2011

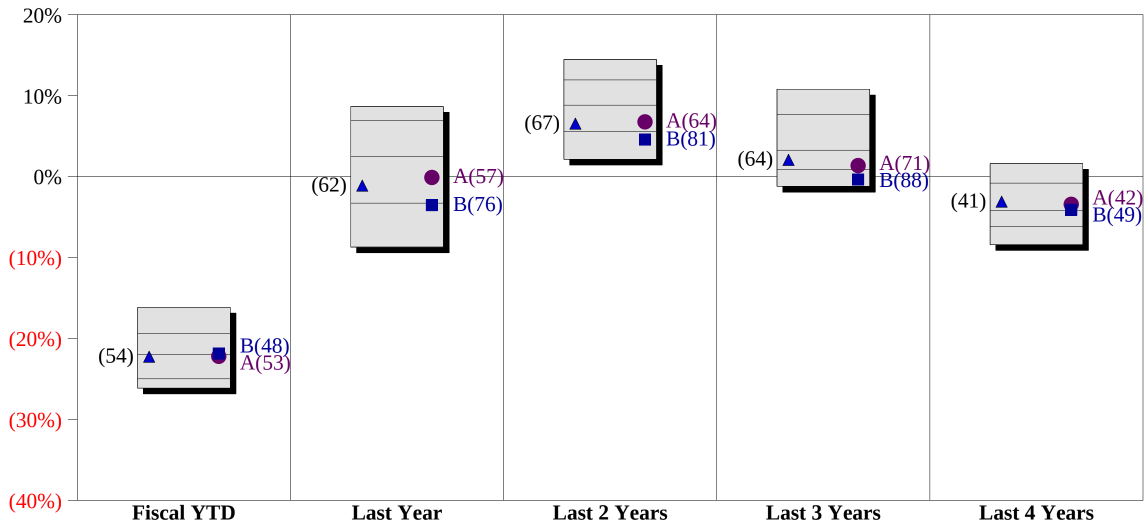
Quarterly Summary and Highlights

- SSgA Russell 2000 Growth's portfolio posted a (22.20)% return for the quarter placing it in the 53 percentile of the CAI Small Cap Growth Style group for the quarter and in the 57 percentile for the last year.
- SSgA Russell 2000 Growth's portfolio outperformed the Russell 2000 Growth Index by 0.05% for the quarter and outperformed the Russell 2000 Growth Index for the year by 1.01%.

Quarterly Asset Growth

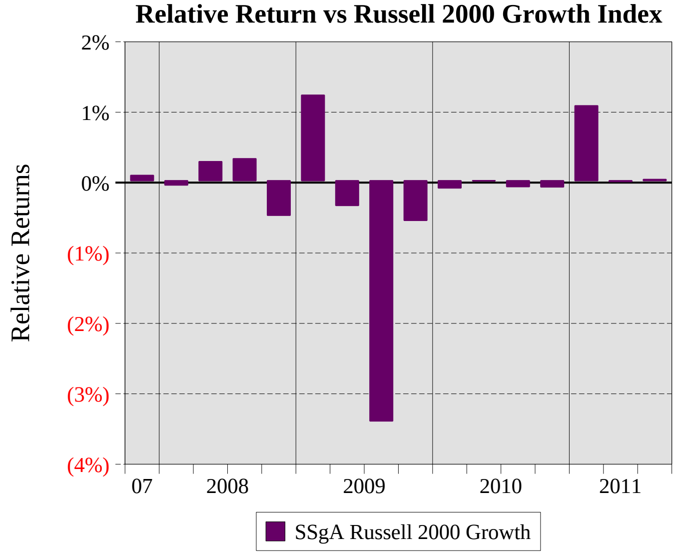
Beginning Market Value	$59,759,044
Net New Investment	$0
Investment Gains/(Losses)	$-13,268,376
Ending Market Value	$46,490,668

Performance vs CAI Small Cap Growth Style (Gross)

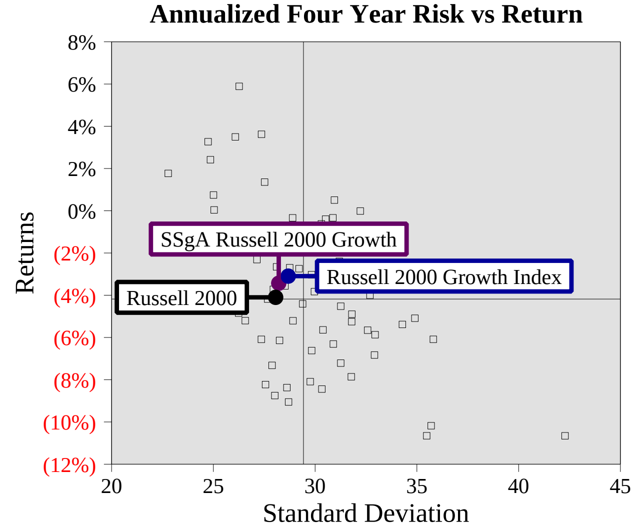


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4 Years
10th Percentile	(16.15)	8.65	14.46	10.78	1.60
25th Percentile	(19.41)	6.92	11.94	7.64	(0.81)
Median	(21.95)	2.46	8.82	3.25	(4.18)
75th Percentile	(24.98)	(3.28)	5.58	0.86	(6.14)
90th Percentile	(26.14)	(8.71)	2.13	(1.21)	(8.41)
SSgA Russell 2000 Growth ● A	(22.20)	(0.11)	6.75	1.36	(3.43)
Russell 2000 ■ B	(21.87)	(3.53)	4.57	(0.37)	(4.10)
Russell 2000 Growth Index ▲	(22.25)	(1.12)	6.54	2.07	(3.10)

Relative Return vs Russell 2000 Growth Index



CAI Small Cap Growth Style (Gross) Annualized Four Year Risk vs Return

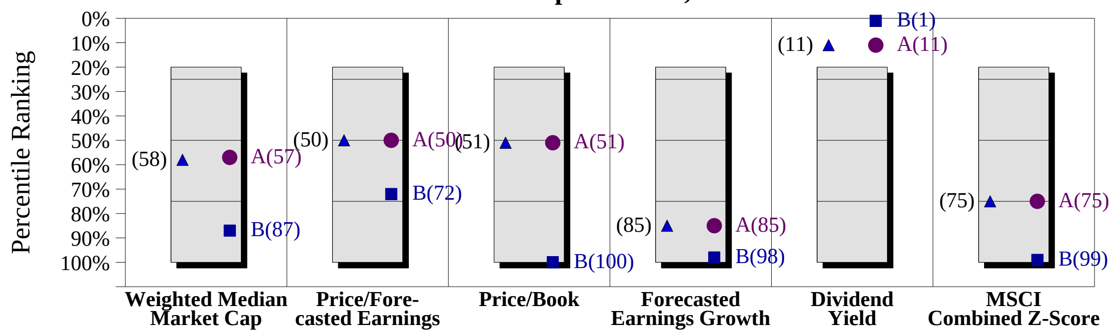


SSGA RUSSELL 2000 GROWTH
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Cap Growth Style
as of September 30, 2011

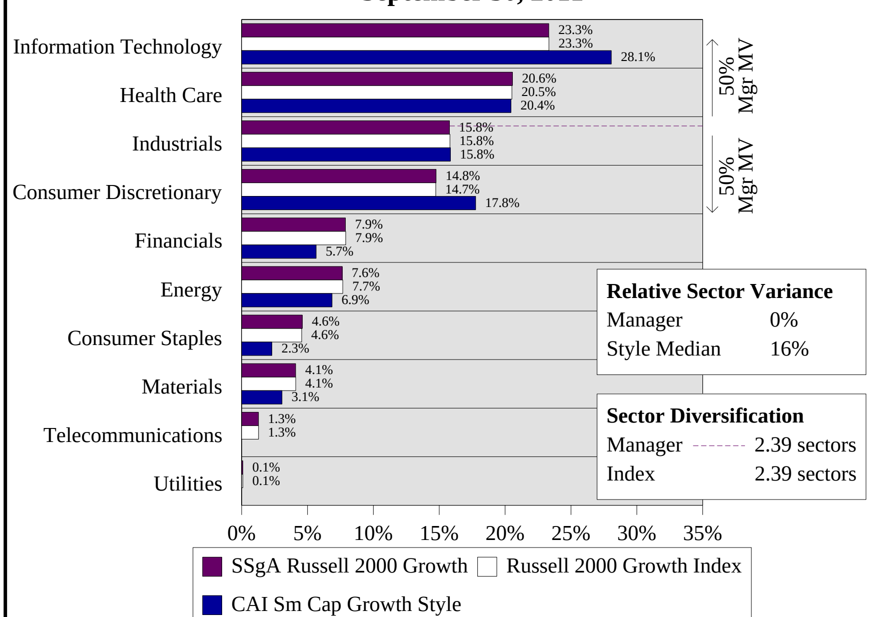


		Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		1.80	20.39	3.41	21.76	0.83	1.26
25th Percentile		1.39	19.02	2.86	19.66	0.50	1.05
Median		1.20	16.93	2.56	18.07	0.32	0.90
75th Percentile		1.01	14.30	2.04	16.72	0.24	0.63
90th Percentile		0.86	12.28	1.94	15.56	0.10	0.44
SSgA Russell 2000 Growth	● A	1.08	16.93	2.53	16.00	0.80	0.64
Russell 2000	■ B	0.92	14.55	1.43	12.16	1.68	(0.02)
Russell 2000 Growth Index	▲	1.08	16.92	2.52	15.98	0.80	0.63

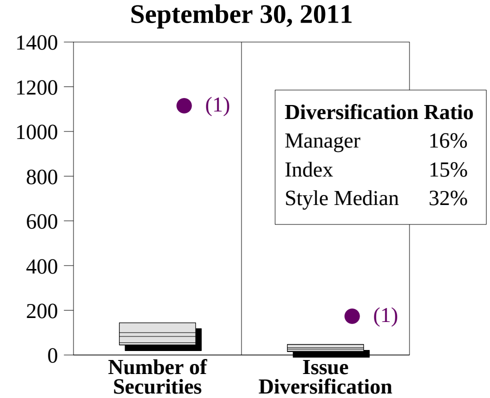
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



		Number of Securities	Issue Diversification
10th Percentile		144	47
25th Percentile		100	33
Median		83	26
75th Percentile		55	17
90th Percentile		45	15
SSgA Russell 2000 Growth	●	1115	173
Russell 2000 Growth Index	▲	1141	175

SSGA RUSSELL 2000 VALUE
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

State Street's philosophy is to manage every index portfolio in a manner that ensures the following three objectives: to gain broad-based equity exposure; to attain predictable variance around a given benchmark; and to gain this exposure at the lowest possible cost.

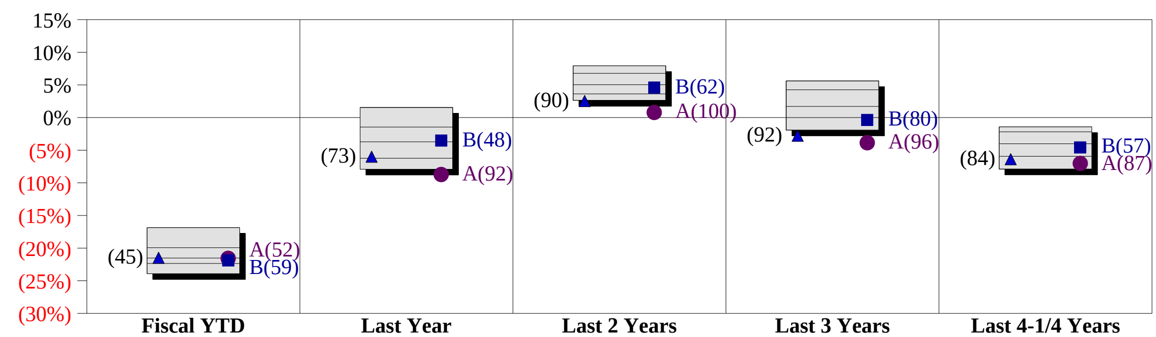
Quarterly Summary and Highlights

- SSgA Russell 2000 Value's portfolio posted a (21.57)% return for the quarter placing it in the 52 percentile of the CAI Small Cap Value Style group for the quarter and in the 92 percentile for the last year.
- SSgA Russell 2000 Value's portfolio underperformed the Russell 2000 Value Index by 0.09% for the quarter and underperformed the Russell 2000 Value Index for the year by 2.73%.

Quarterly Asset Growth

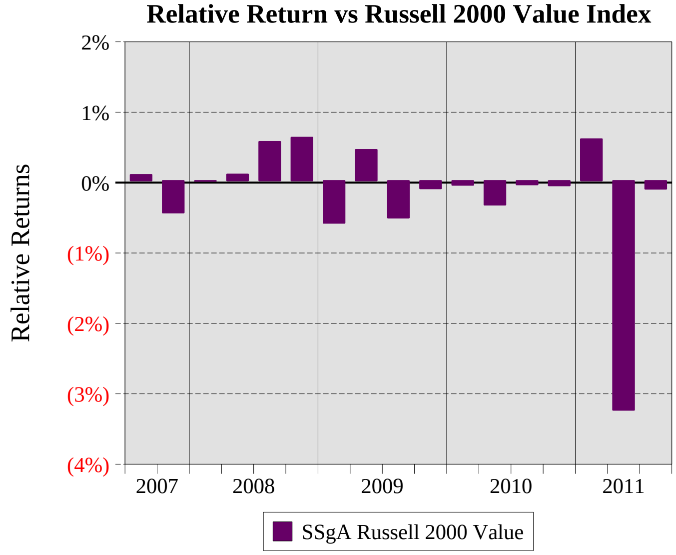
Beginning Market Value	$92,027,100
Net New Investment	$-20,000,000
Investment Gains/(Losses)	$-15,332,407
Ending Market Value	$56,694,693

Performance vs CAI Small Cap Value Style (Gross)

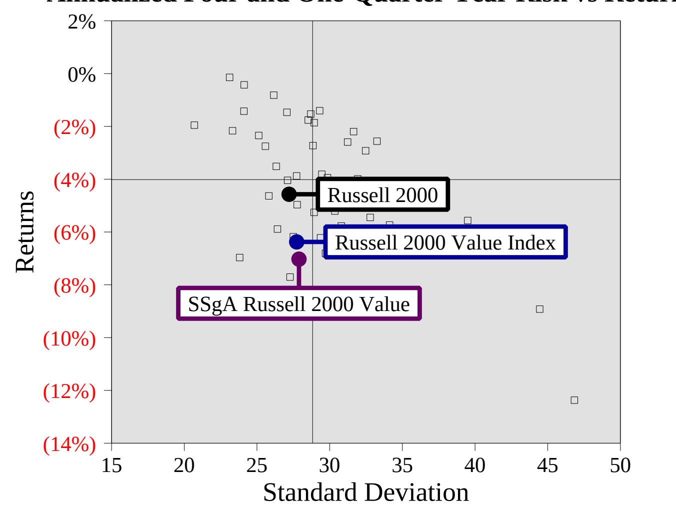


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 4-1/4 Years
10th Percentile		(16.86)	1.55	7.93	5.62	(1.42)
25th Percentile		(19.94)	(1.45)	6.78	4.25	(2.19)
Median		(21.52)	(3.72)	5.03	1.70	(4.01)
75th Percentile		(22.35)	(6.23)	3.62	(0.00)	(5.93)
90th Percentile		(23.92)	(7.92)	2.64	(1.93)	(7.90)
SSgA Russell 2000 Value	● A	(21.57)	(8.73)	0.78	(3.85)	(7.03)
Russell 2000	■ B	(21.87)	(3.53)	4.57	(0.37)	(4.57)
Russell 2000 Value Index	▲	(21.47)	(5.99)	2.53	(2.78)	(6.38)

Relative Return vs Russell 2000 Value Index



CAI Small Cap Value Style (Gross)
Annualized Four and One-Quarter Year Risk vs Return

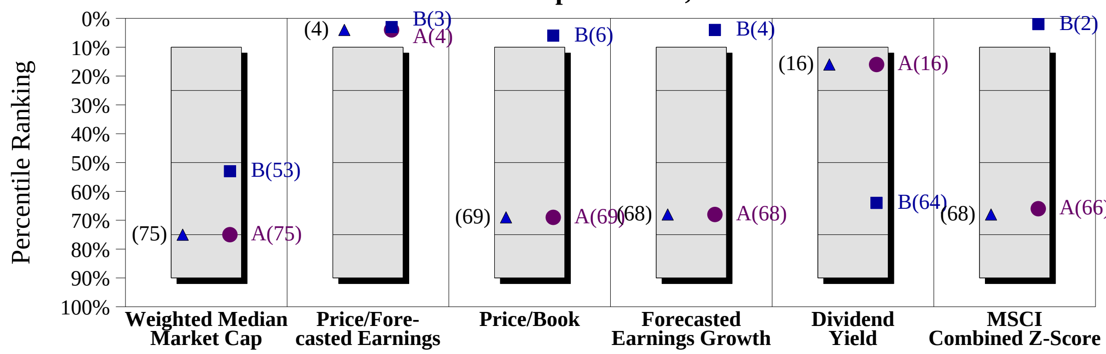


SSGA RUSSELL 2000 VALUE
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Small Cap Value Style
as of September 30, 2011

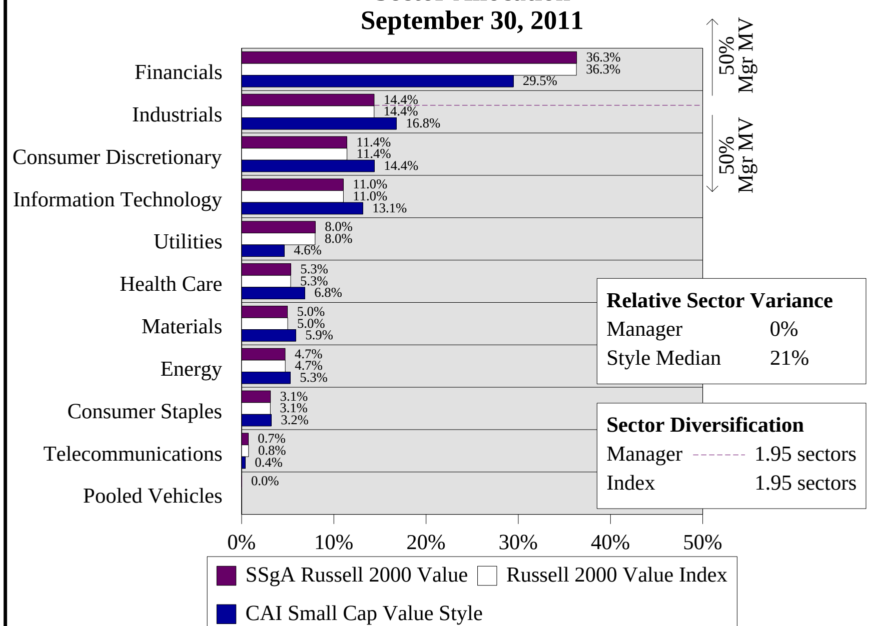


		Weighted Median Market Cap	Price/Forecasted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile		1.41	11.87	1.29	11.56	2.78	(0.35)
25th Percentile		1.14	11.24	1.16	10.43	2.24	(0.47)
Median		0.94	10.42	1.06	9.75	1.86	(0.59)
75th Percentile		0.81	9.66	0.98	8.09	1.48	(0.71)
90th Percentile		0.54	8.84	0.89	7.02	1.34	(0.88)
SSgA Russell 2000 Value	● A	0.81	12.75	1.00	8.50	2.56	(0.67)
Russell 2000	■ B	0.92	14.55	1.43	12.16	1.68	(0.02)
Russell 2000 Value Index	▲	0.81	12.76	1.00	8.51	2.56	(0.69)

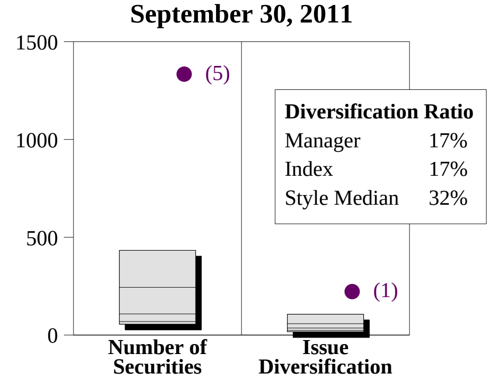
Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

Sector Allocation
September 30, 2011



Diversification
September 30, 2011



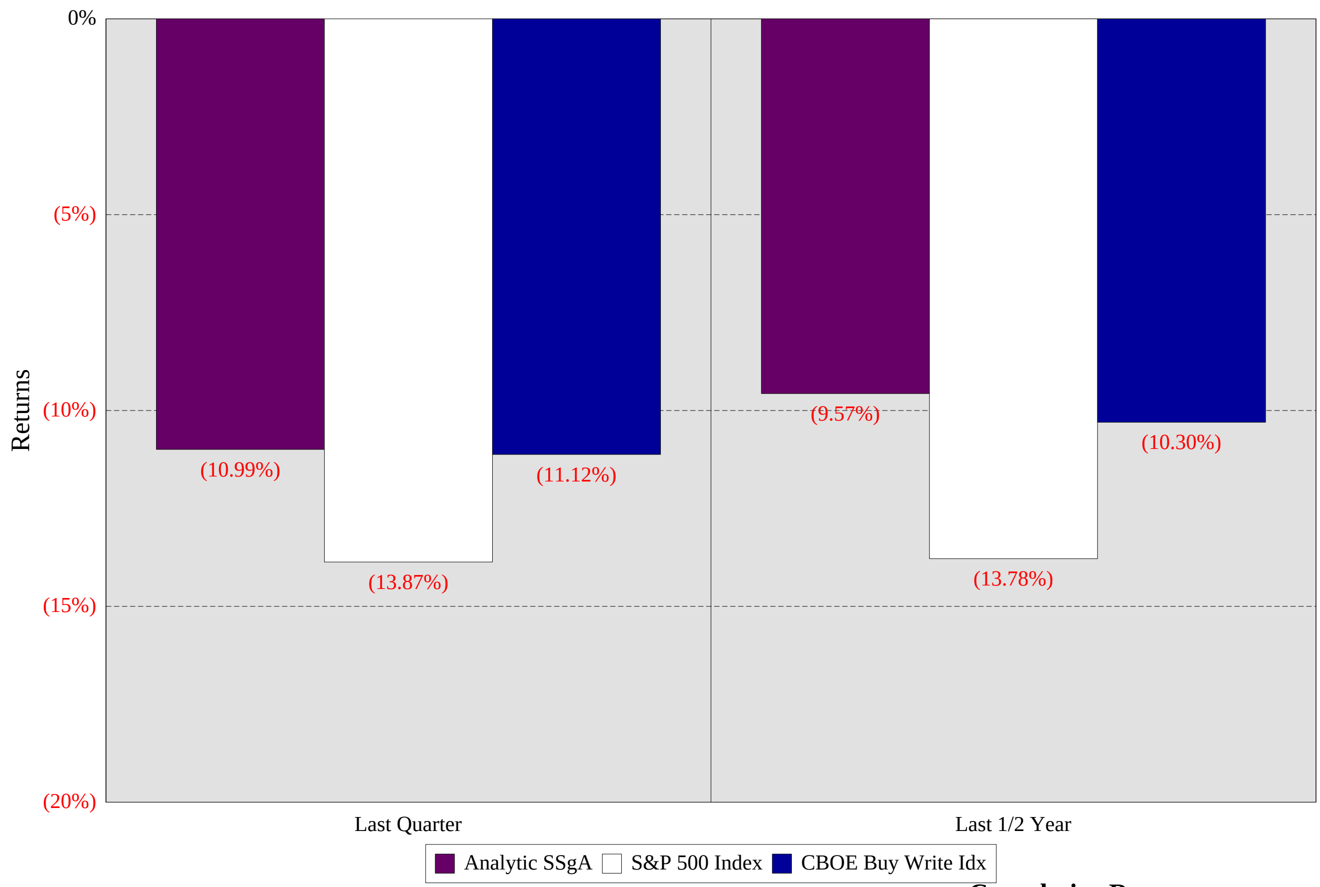
		Number of Securities	Issue Diversification
10th Percentile		433	106
25th Percentile		244	58
Median		108	36
75th Percentile		69	24
90th Percentile		55	17
SSgA Russell 2000 Value	●	1334	222
Russell 2000 Value Index	▲	1343	225

Other Equity

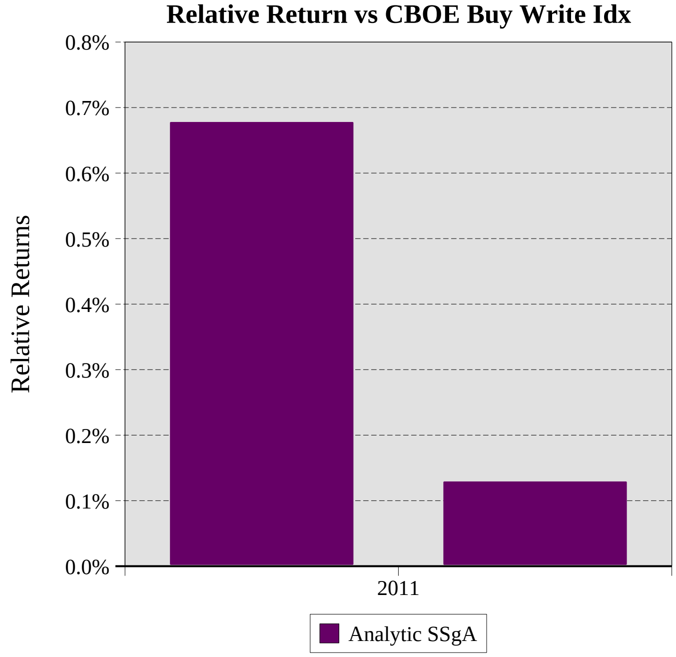
ANALYTIC SSGA
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

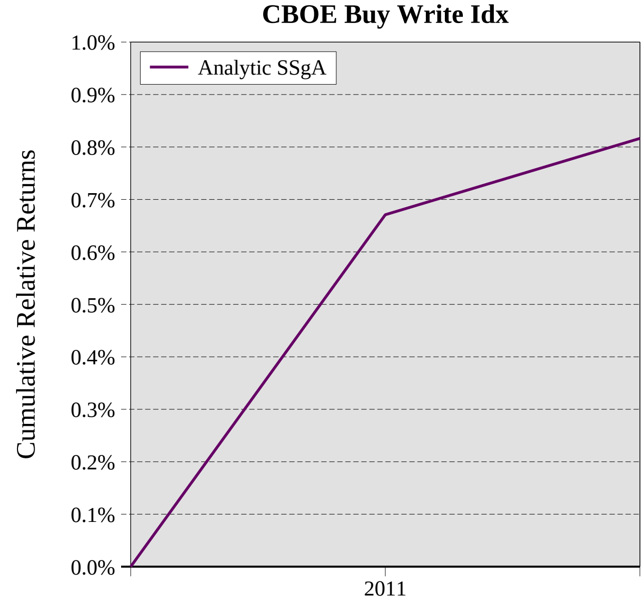
- Analytic SSgA's portfolio outperformed the CBOE Buy Write Idx by 0.13% for the quarter and outperformed the CBOE Buy Write Idx for the one-half year by 0.73%.



Relative Return vs CBOE Buy Write Idx



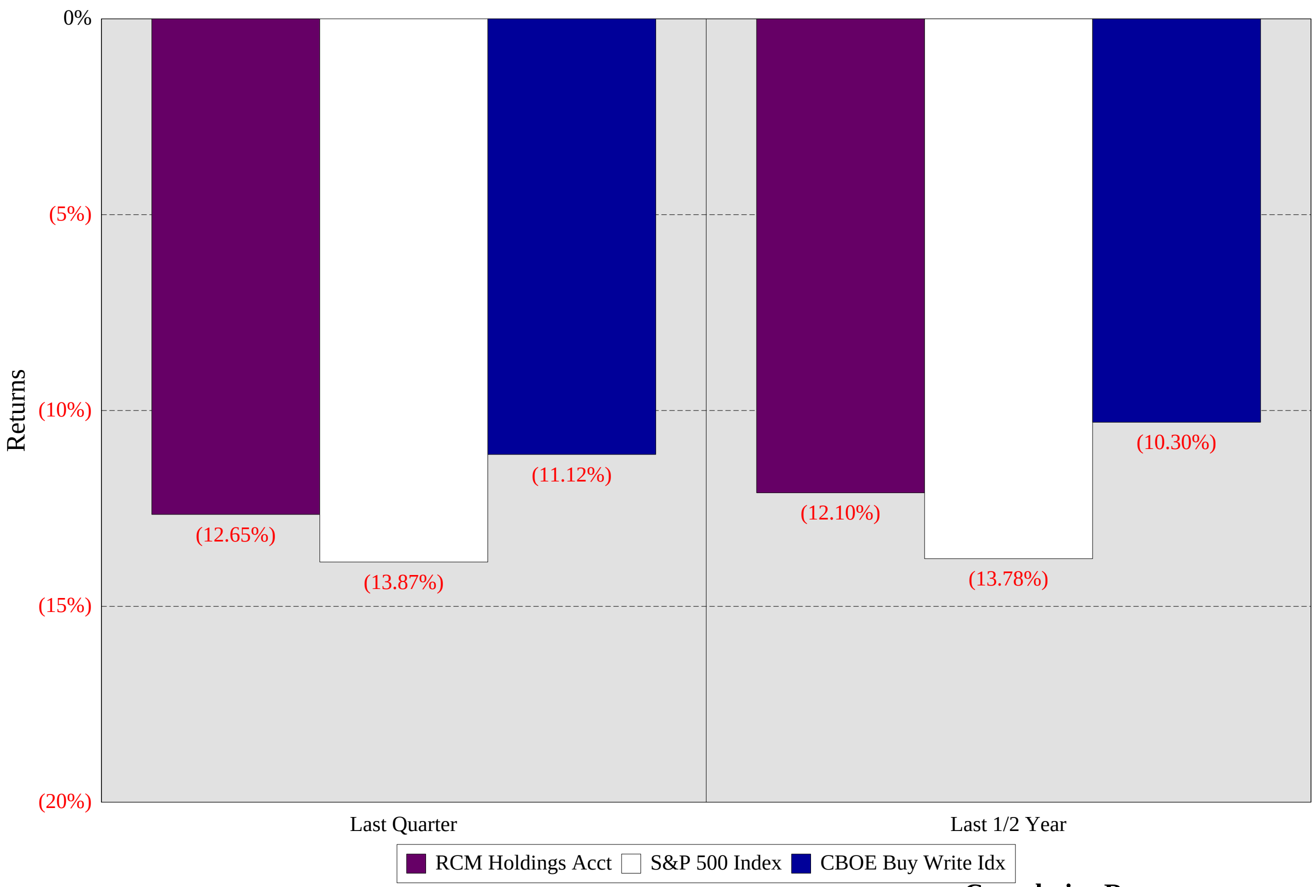
Cumulative Returns vs CBOE Buy Write Idx



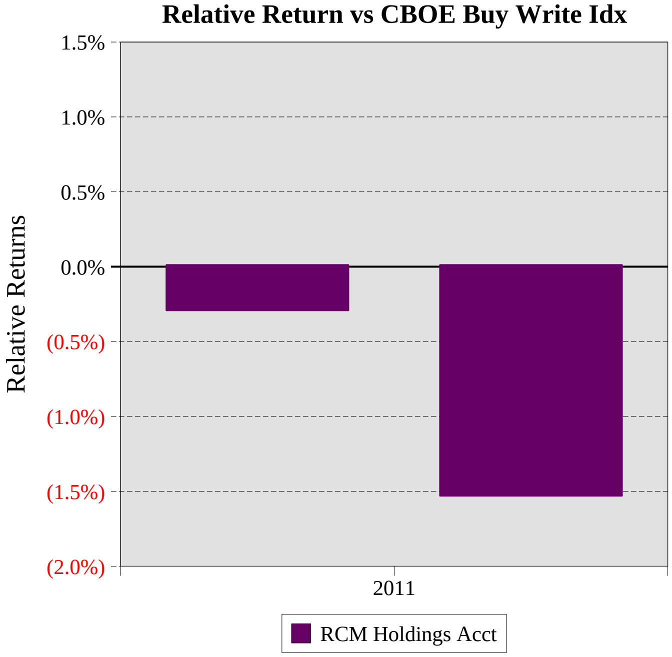
RCM HOLDINGS ACCT
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

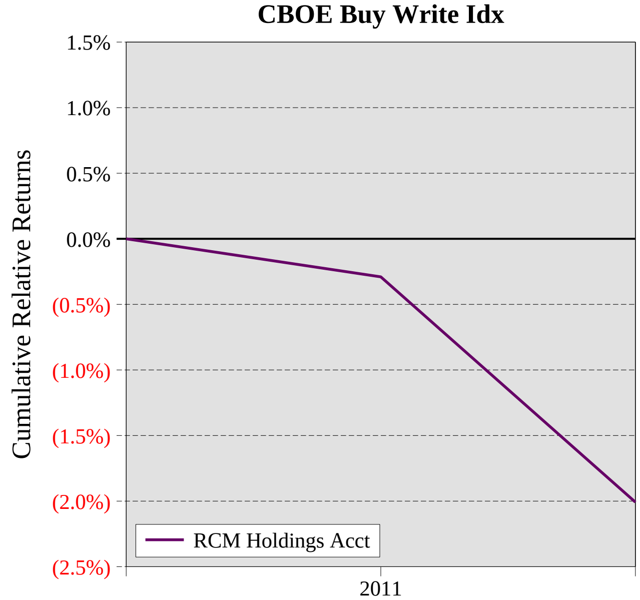
- RCM Holdings Acct's portfolio underperformed the CBOE Buy Write Idx by 1.53% for the quarter and underperformed the CBOE Buy Write Idx for the one-half year by 1.80%.



Relative Return vs CBOE Buy Write Idx



Cumulative Returns vs CBOE Buy Write Idx



ADVENT CAPITAL
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Advent position themselves to be a "Best in Class" Investment Grade Convertible manager by offering a synergistic strategy that provides a risk-adjusted return. They use their research driven approach to invest in a portfolio of attractive investment grade convertible securities with positive asymmetry. Advent's investment philosophy in capital preservation through downside protection has enabled them to build a diversified platform, including a specialty in investment grade convertibles, which are inherently stable and mitigate business risk.

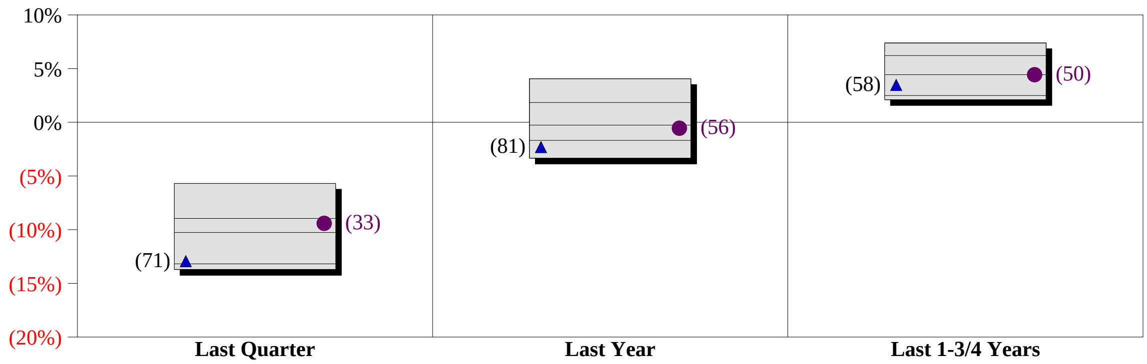
Quarterly Summary and Highlights

- Advent Capital's portfolio posted a (9.41)% return for the quarter placing it in the 33 percentile of the CAI Convertible Bonds Database group for the quarter and in the 56 percentile for the last year.
- Advent Capital's portfolio outperformed the ML All Conv by 3.53% for the quarter and outperformed the ML All Conv for the year by 1.76%.

Quarterly Asset Growth

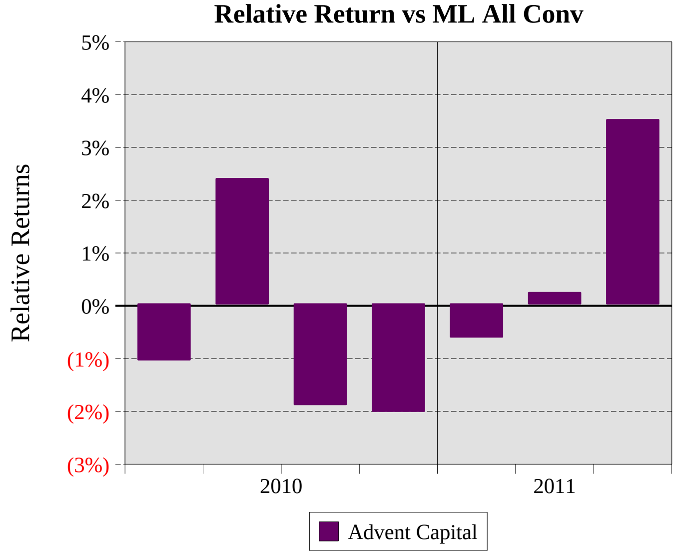
Beginning Market Value	$94,124,587
Net New Investment	$0
Investment Gains/(Losses)	$-8,857,951
Ending Market Value	$85,266,636

Performance vs CAI Convertible Bonds Database (Gross)

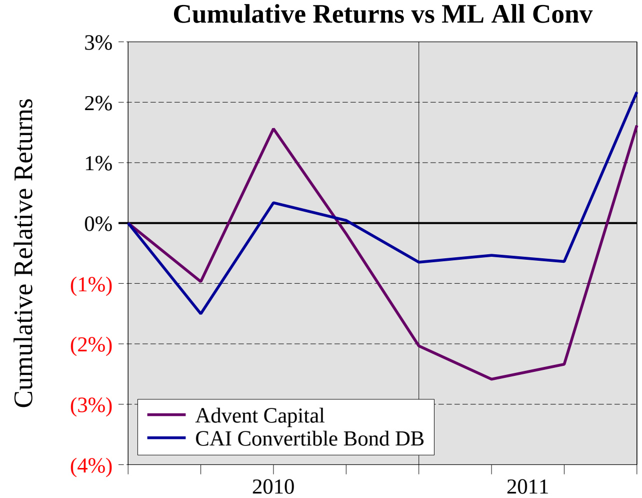


	Last Quarter	Last Year	Last 1-3/4 Years
10th Percentile	(5.70)	4.06	7.39
25th Percentile	(8.95)	1.84	6.22
Median	(10.26)	(0.26)	4.43
75th Percentile	(13.19)	(1.69)	2.49
90th Percentile	(13.71)	(3.34)	2.10
Advent Capital ●	(9.41)	(0.55)	4.43
ML All Conv ▲	(12.94)	(2.31)	3.48

Relative Return vs ML All Conv



Cumulative Returns vs ML All Conv

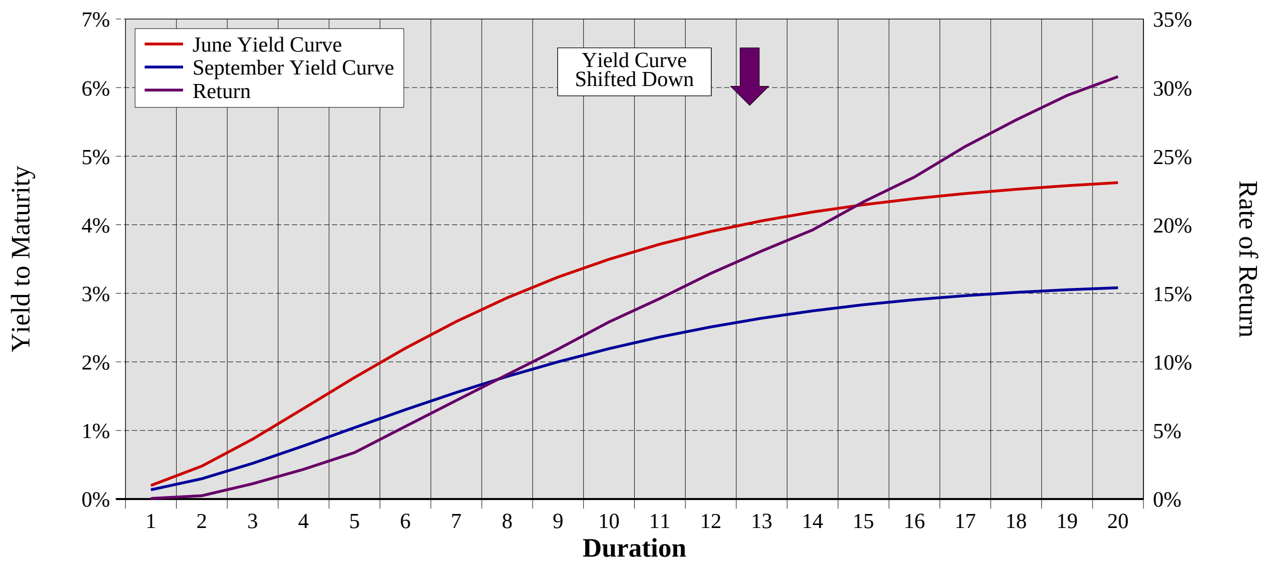


BOND MARKET ENVIRONMENT

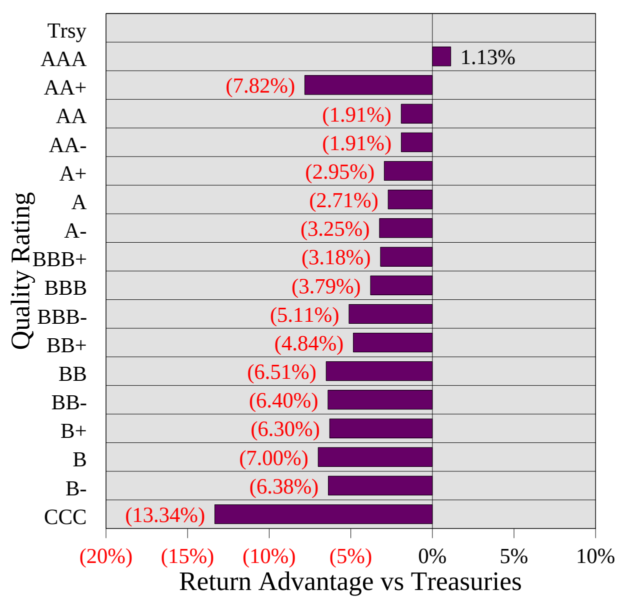
Factors Influencing Bond Returns

The charts below are designed to give you an overview of the factors that influenced bond market returns for the quarter. The first chart shows the shift in the Treasury yield curve and the resulting returns by duration. The second chart shows the average return premium (relative to Treasuries) for bonds with different quality ratings. The final chart shows the average return premium of the different sectors relative to Treasuries. These sector premiums are calculated after differences in quality and term structure have been accounted for across the sectors. They are typically explained by differences in convexity, sector specific supply and demand considerations, or other factors that influence the perceived risk of the sector.

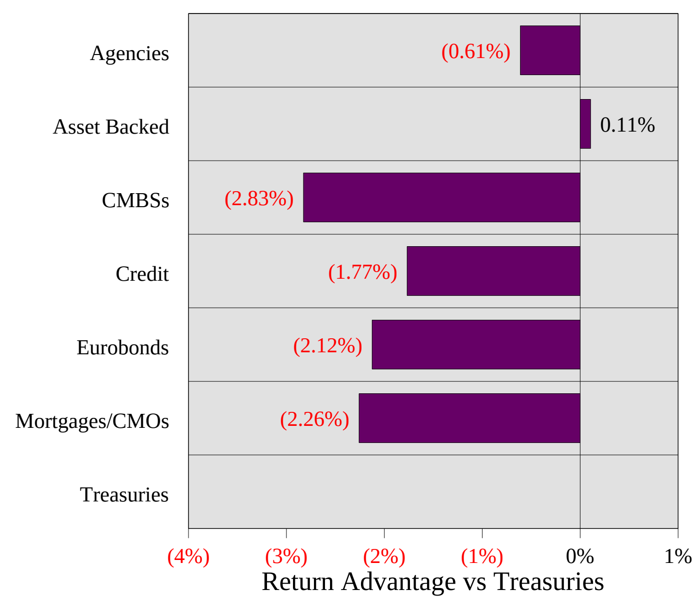
Yield Curve Change and Rate of Return
One Quarter Ended September 30, 2011



Duration Adjusted Return Premium to Quality
One Quarter Ended September 30, 2011



Quality and Duration Adjusted Return Premium by Sector
One Quarter Ended September 30, 2011

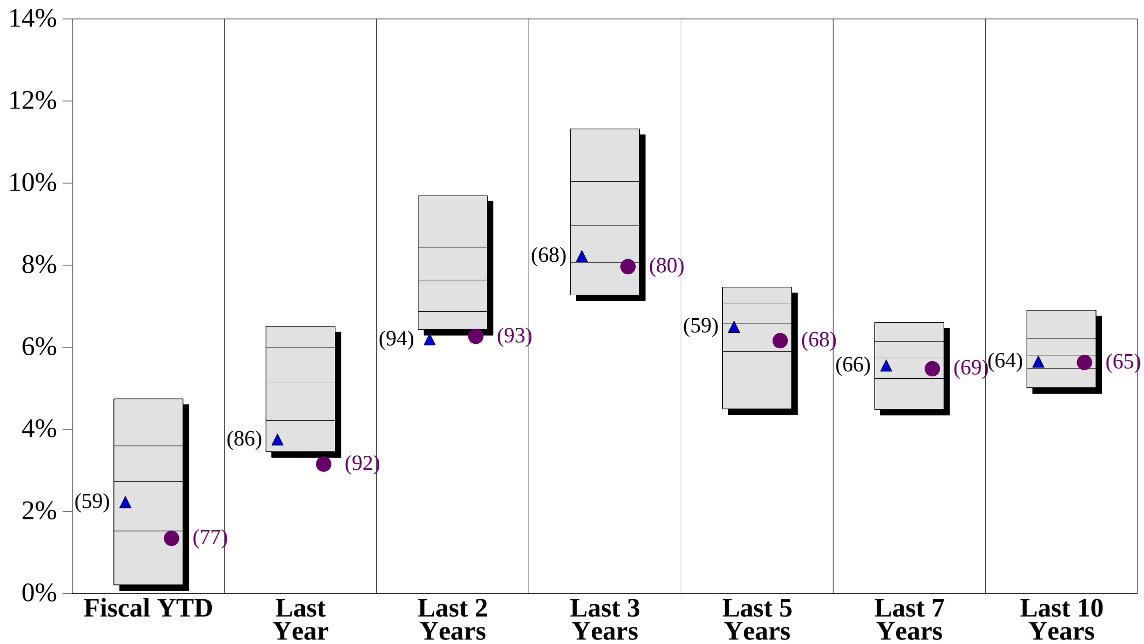


TOTAL FIXED-INCOME
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

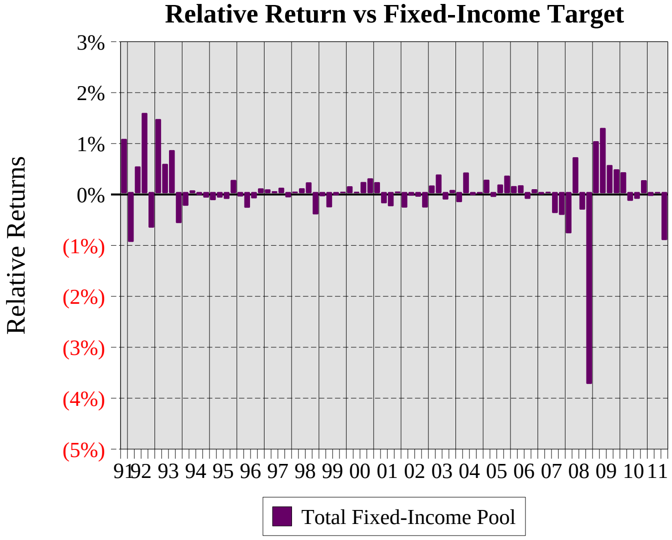
- Total Fixed-Income Pool’s portfolio posted a 1.34% return for the quarter placing it in the 77 percentile of the Public Fund - Domestic Fixed group for the quarter and in the 92 percentile for the last year.
- Total Fixed-Income Pool’s portfolio underperformed the Fixed-Income Target by 0.88% for the quarter and underperformed the Fixed-Income Target for the year by 0.60%.

Performance vs Public Fund - Domestic Fixed (Gross)



	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	4.74	6.51	9.69	11.32	7.47	6.60	6.90
25th Percentile	3.60	6.00	8.42	10.04	7.08	6.14	6.22
Median	2.73	5.15	7.64	8.96	6.59	5.74	5.81
75th Percentile	1.52	4.21	6.87	8.07	5.90	5.24	5.49
90th Percentile	0.21	3.45	6.43	7.27	4.50	4.49	5.01
Total Fixed-Income Pool ●	1.34	3.15	6.27	7.96	6.16	5.48	5.63
Fixed-Income Target ▲	2.23	3.75	6.19	8.22	6.50	5.56	5.65

Relative Return vs Fixed-Income Target



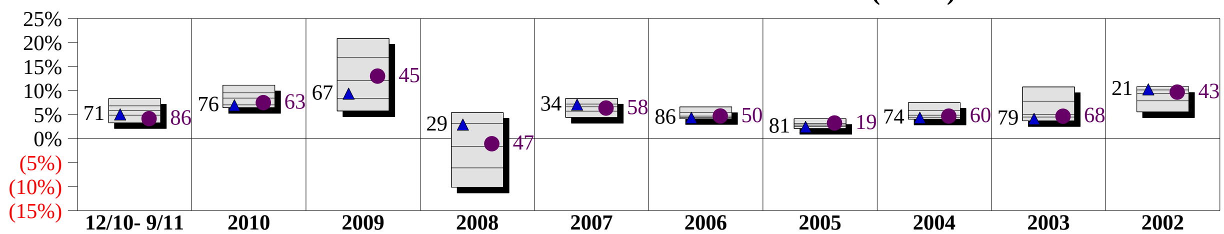
Public Fund - Domestic Fixed (Gross)
Annualized Five Year Risk vs Return

TOTAL FIXED-INCOME POOL
RETURN ANALYSIS SUMMARY

Return Analysis

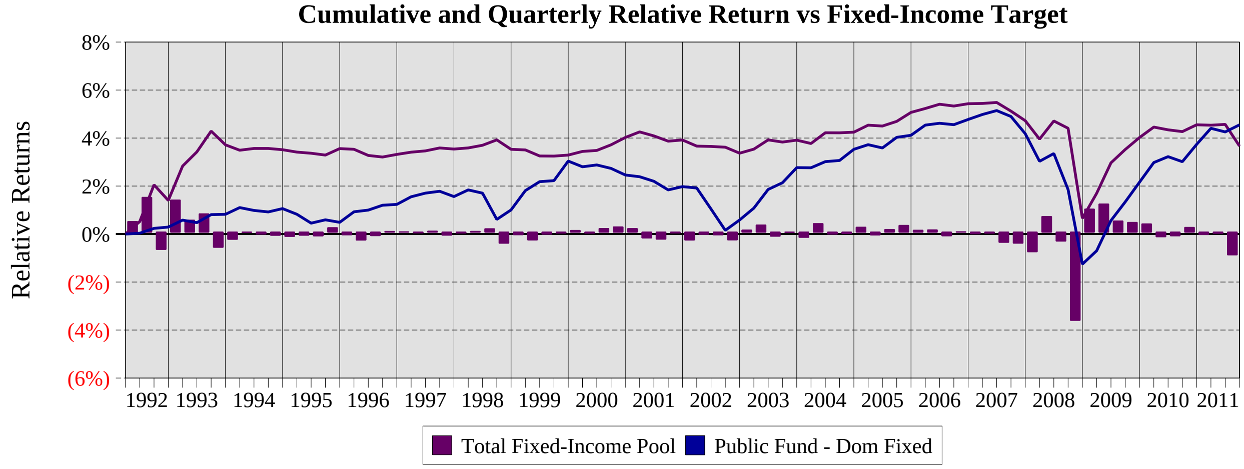
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - Domestic Fixed (Gross)

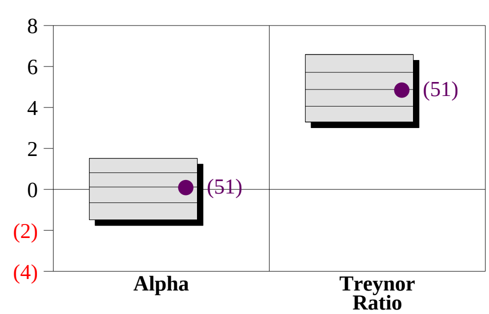


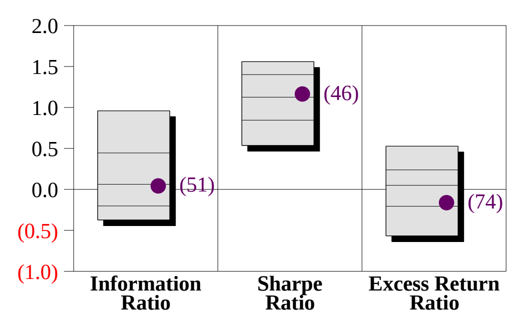
	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003	2002
10th Percentile	8.34	11.11	20.84	5.41	8.36	6.59	4.14	7.49	10.76	10.80
25th Percentile	6.81	9.52	16.94	3.14	7.18	5.41	3.17	5.82	7.78	10.12
Median	5.83	8.43	12.07	(1.64)	6.61	4.68	2.81	4.87	5.01	9.41
75th Percentile	4.87	7.01	8.39	(6.11)	5.71	4.41	2.47	4.32	4.48	7.86
90th Percentile	3.28	6.44	5.75	(10.14)	4.39	4.12	2.09	4.03	3.70	5.56
Total Fixed-Income Pool ●	4.15	7.48	13.01	(1.09)	6.35	4.69	3.24	4.67	4.65	9.67
Fixed-Income Target ▲	5.04	6.93	9.35	2.91	7.07	4.33	2.43	4.34	4.10	10.26

Cumulative and Quarterly Relative Return vs Fixed-Income Target



Risk Adjusted Return Measures vs Fixed-Income Target
Rankings Against Public Fund - Domestic Fixed (Gross)
Five Years Ended September 30, 2011





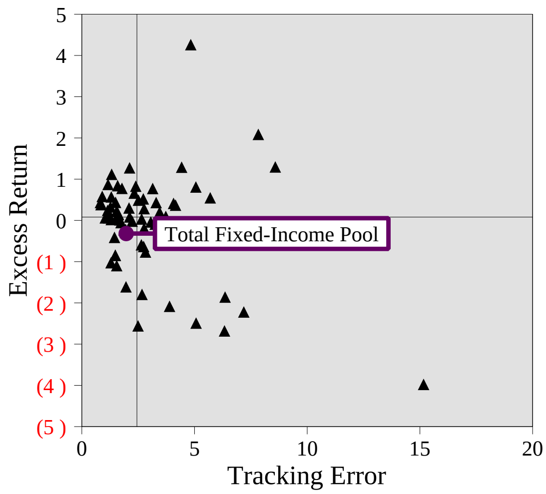
	Alpha	Treynor Ratio
10th Percentile	1.52	6.58
25th Percentile	0.81	5.71
Median	0.12	4.88
75th Percentile	(0.65)	4.06
90th Percentile	(1.48)	3.29
Total Fixed-Income Pool ●	0.09	4.85

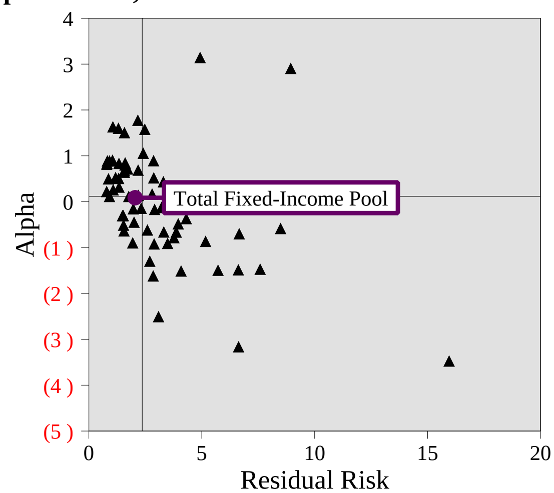
	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.96	1.56	0.53
25th Percentile	0.44	1.40	0.24
Median	0.06	1.13	0.05
75th Percentile	(0.20)	0.84	(0.21)
90th Percentile	(0.37)	0.54	(0.57)
Total Fixed-Income Pool ●	0.04	1.16	(0.16)

Risk Analysis

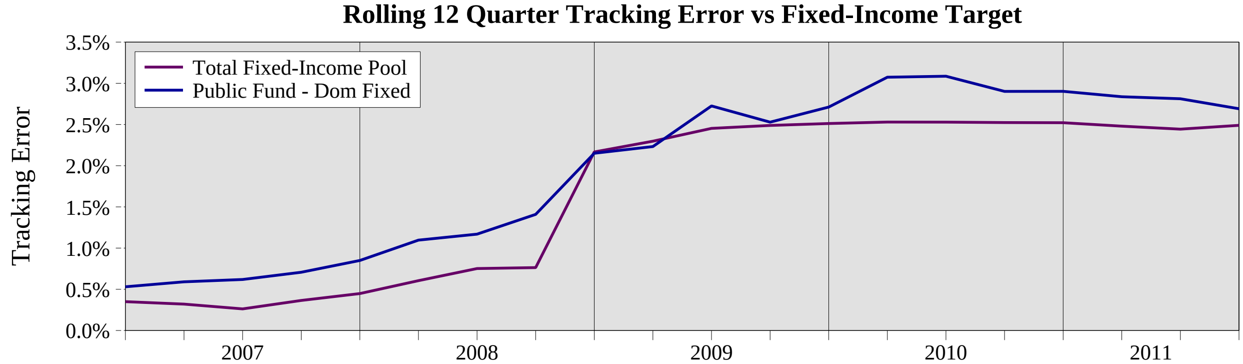
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs Public Fund - Domestic Fixed (Gross)
Five Years Ended September 30, 2011

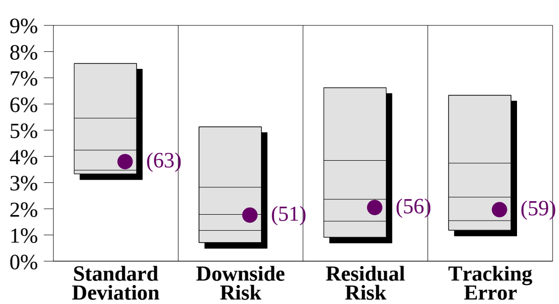




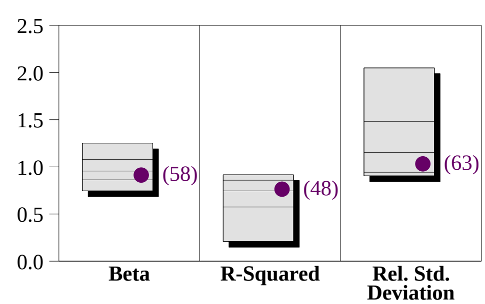
Rolling 12 Quarter Tracking Error vs Fixed-Income Target



Risk Statistics Rankings vs Fixed-Income Target
Rankings Against Public Fund - Domestic Fixed (Gross)
Five Years Ended September 30, 2011



	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	7.55	5.13	6.62	6.33
25th Percentile	5.46	2.82	3.84	3.74
Median	4.24	1.78	2.36	2.44
75th Percentile	3.47	1.17	1.53	1.55
90th Percentile	3.33	0.71	0.91	1.18
Total Fixed-Income Pool ●	3.80	1.76	2.05	1.97

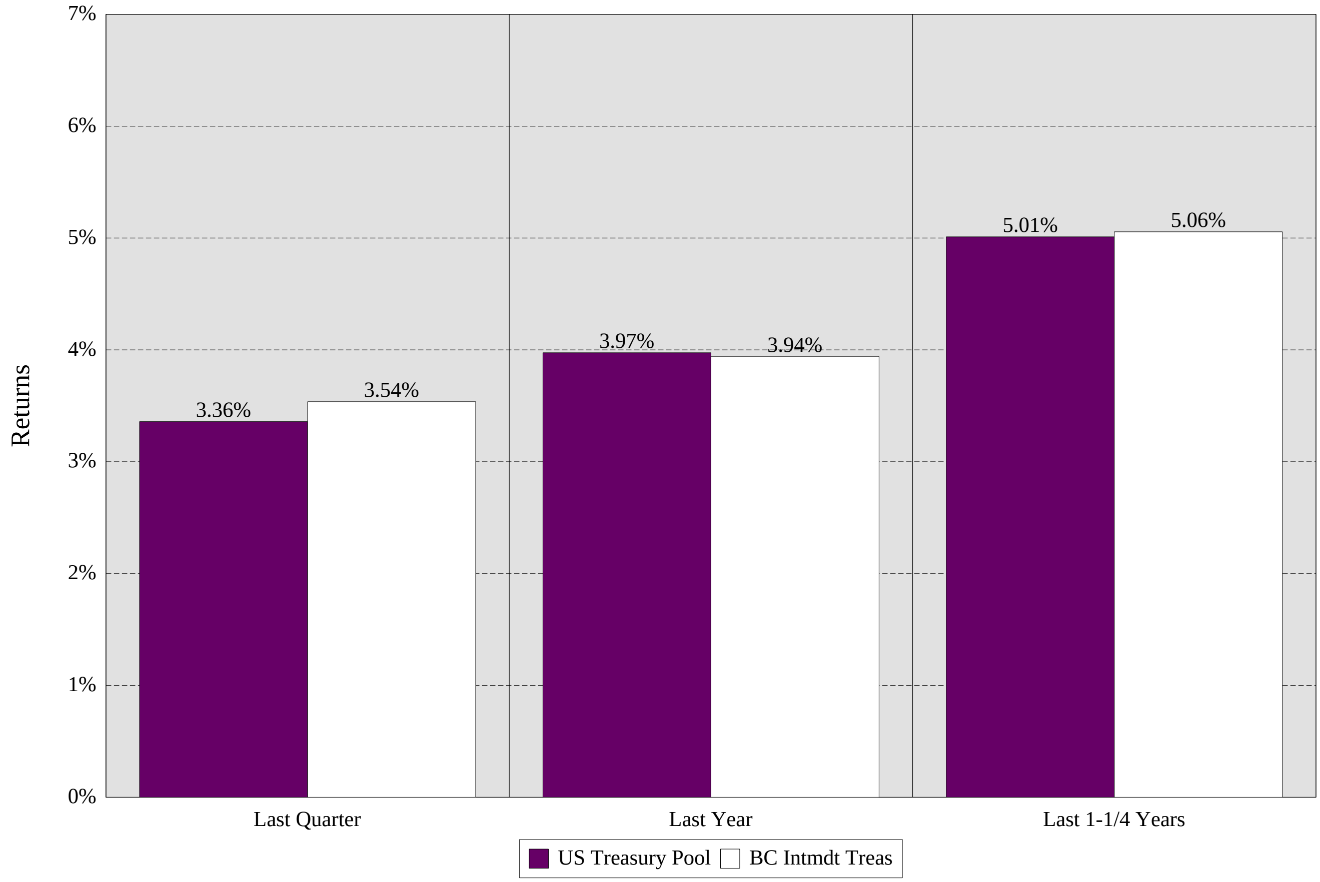


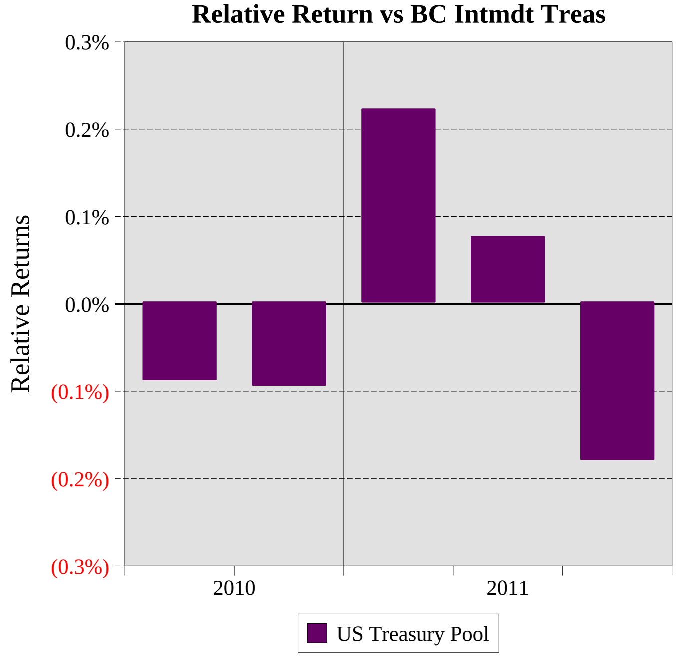
	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.25	0.92	2.05
25th Percentile	1.08	0.86	1.48
Median	0.96	0.75	1.15
75th Percentile	0.86	0.57	0.94
90th Percentile	0.75	0.21	0.90
Total Fixed-Income Pool ●	0.91	0.76	1.03

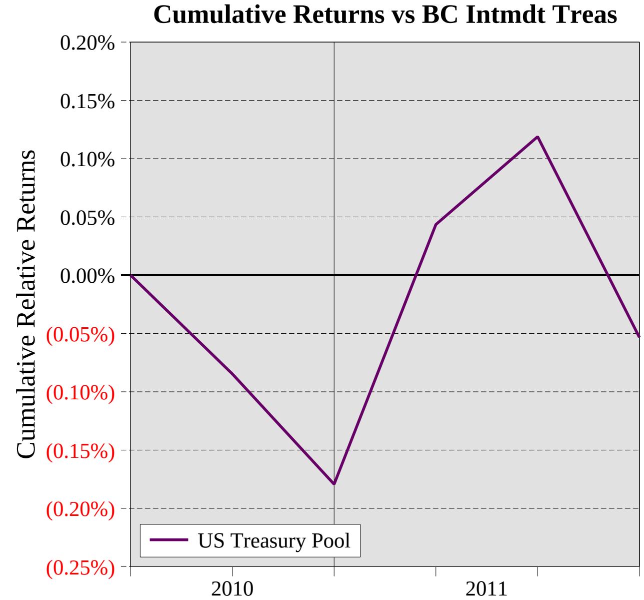
US TREASURY POOL
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

- US Treasury Pool's portfolio underperformed the BC Intmdt Treas by 0.18% for the quarter and outperformed the BC Intmdt Treas for the year by 0.03%.







MONDRIAN INVESTMENT PARTNERS
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Mondrian Investment Partners attempts to add value through purchasing the sovereign and supranational debt of countries with strong fundamentals and little, if any, default experience.

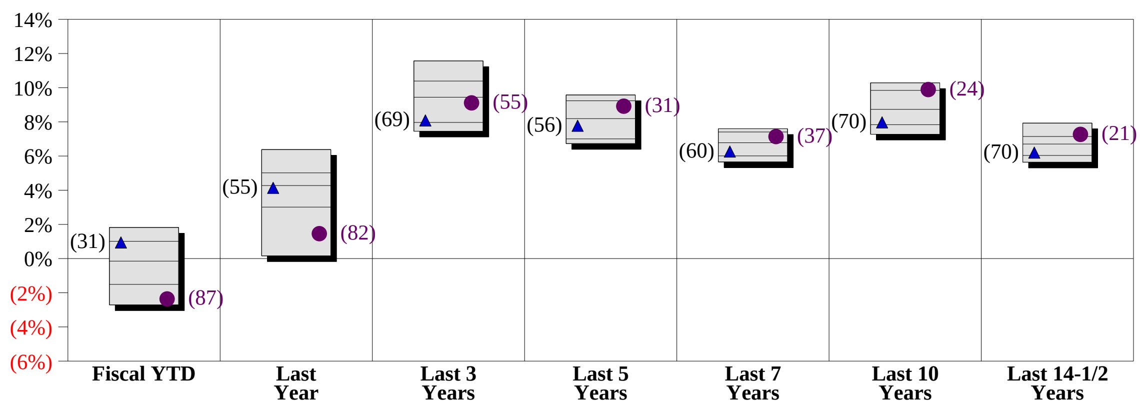
Quarterly Summary and Highlights

- Mondrian Investment Partners's portfolio posted a (2.36)% return for the quarter placing it in the 87 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 82 percentile for the last year.
- Mondrian Investment Partners's portfolio underperformed the Citi WGBI Non-US Idx by 3.31% for the quarter and underperformed the Citi WGBI Non-US Idx for the year by 2.68%.

Quarterly Asset Growth

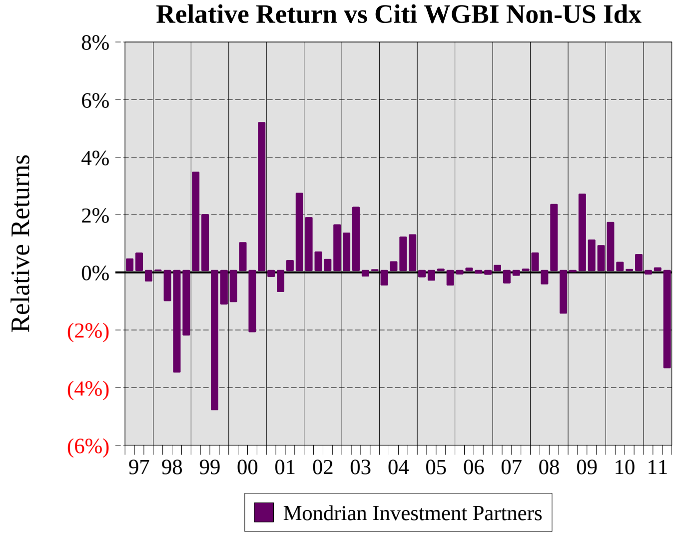
Beginning Market Value	$376,463,573
Net New Investment	$0
Investment Gains/(Losses)	$-8,894,609
Ending Market Value	$367,568,965

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

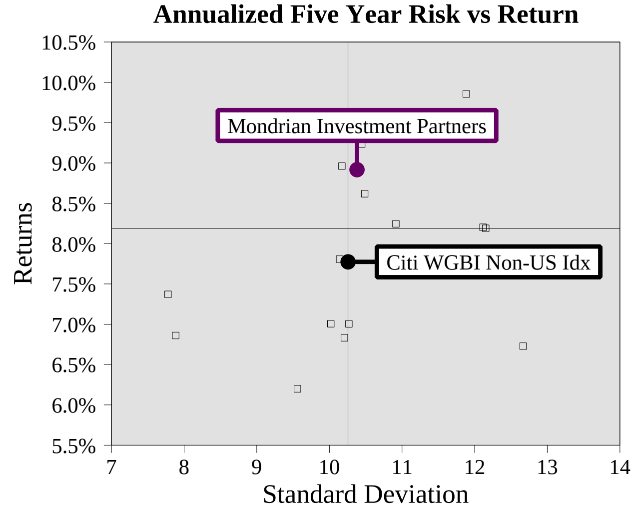


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 14-1/2 Years
10th Percentile	1.82	6.38	11.57	9.58	7.60	10.28	7.93
25th Percentile	1.01	5.02	10.39	9.23	7.41	9.84	7.14
Median	(0.15)	4.27	9.44	8.19	6.78	8.73	6.70
75th Percentile	(1.51)	3.01	7.97	7.00	6.01	7.84	6.04
90th Percentile	(2.71)	0.16	7.45	6.73	5.66	7.27	5.64
Mondrian Investment Partners ●	(2.36)	1.46	9.11	8.92	7.14	9.89	7.27
Citi WGBI Non-US Idx ▲	0.94	4.14	8.09	7.77	6.26	7.97	6.20

Relative Return vs Citi WGBI Non-US Idx



CAI Non-U.S. Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return

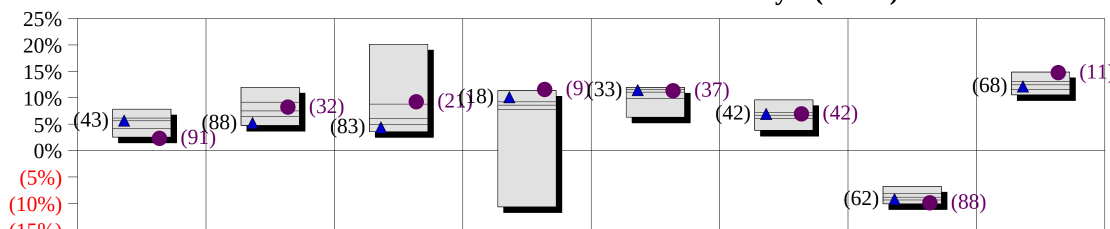


MONDRIAN INVESTMENT PARTNERS
RETURN ANALYSIS SUMMARY

Return Analysis

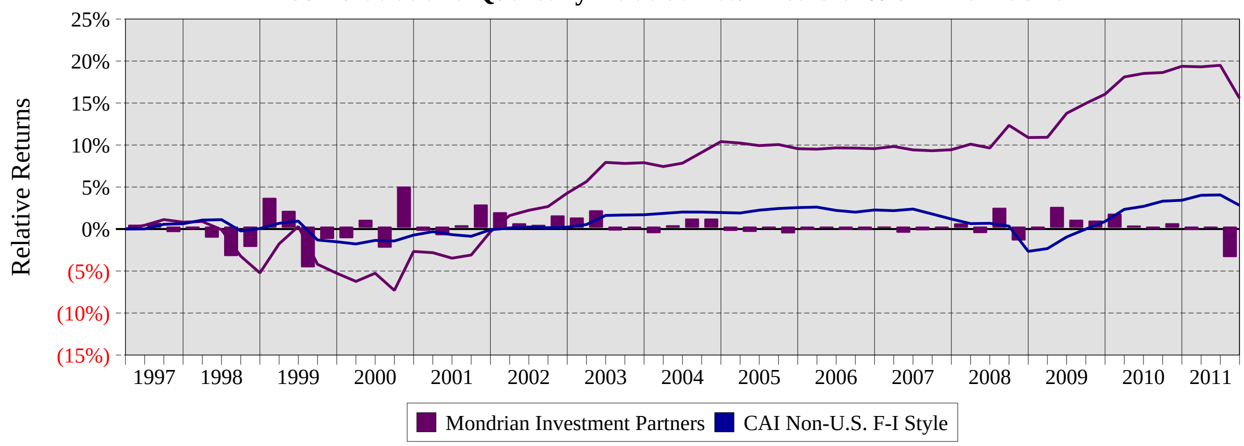
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)

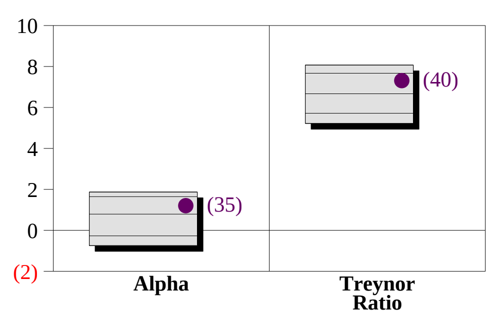


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004
10th Percentile	7.83	11.97	20.12	11.37	11.96	9.60	(6.78)	14.86
25th Percentile	6.15	9.16	8.79	9.22	11.56	7.18	(8.15)	13.08
Median	5.63	7.50	6.12	8.60	11.06	6.69	(8.83)	12.45
75th Percentile	4.14	6.44	4.98	7.75	9.85	6.04	(9.36)	11.54
90th Percentile	2.54	4.74	3.56	(10.67)	6.31	3.82	(10.09)	10.54
Mondrian Investment Partners ●	2.31	8.23	9.24	11.57	11.33	6.95	(9.90)	14.75
Citi WGBI Non-US Idx ▲	5.67	5.22	4.38	10.11	11.46	6.95	(9.21)	12.14

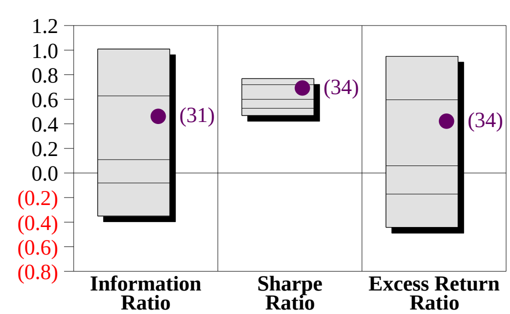
Cumulative and Quarterly Relative Return vs Citi WGBI Non-US Idx



Risk Adjusted Return Measures vs Citi WGBI Non-US Idx
Rankings Against CAI Non-U.S. Fixed-Inc Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.87	8.07
25th Percentile	1.64	7.67
Median	0.79	6.67
75th Percentile	(0.27)	5.72
90th Percentile	(0.75)	5.22
Mondrian Investment Partners ●	1.20	7.31



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.01	0.77	0.95
25th Percentile	0.63	0.72	0.60
Median	0.11	0.60	0.06
75th Percentile	(0.08)	0.53	(0.17)
90th Percentile	(0.35)	0.47	(0.44)
Mondrian Investment Partners ●	0.46	0.69	0.42

LAZARD EMERGING
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

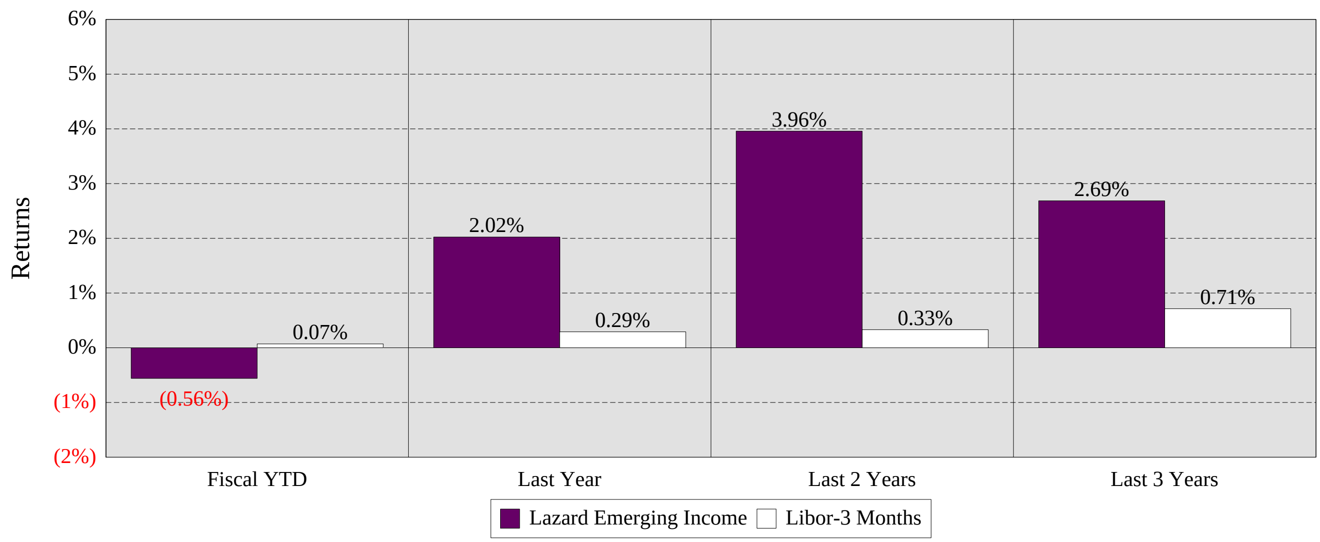
Lazard's Emerging Markets - Local Currency Debt strategy invests in short and intermediate-term fixed income securities from emerging market countries world-wide. These securities are denominated in the local currency and have short durations.

Quarterly Summary and Highlights

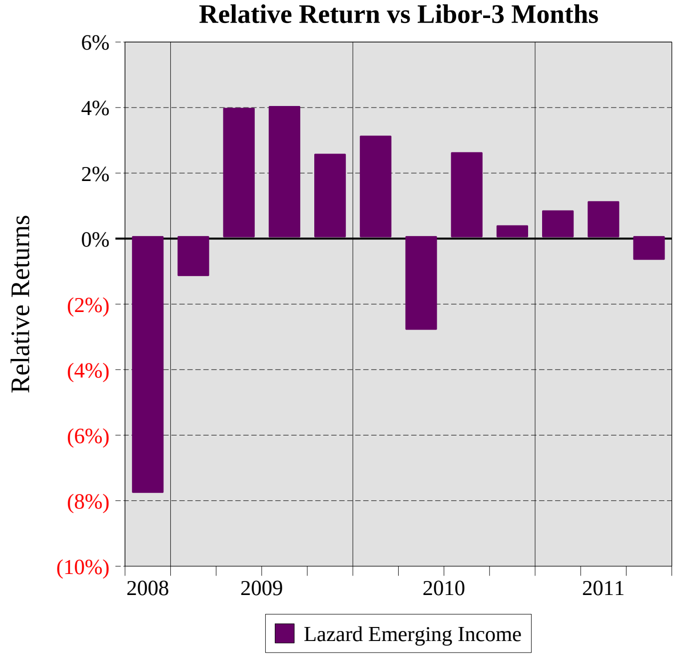
- Lazard Emerging Income's portfolio posted a (0.56)% return for the quarter placing it in the 66 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 80 percentile for the last year.
- Lazard Emerging Income's portfolio underperformed the Libor-3 Months by 0.63% for the quarter and outperformed the Libor-3 Months for the year by 1.73%.

Quarterly Asset Growth

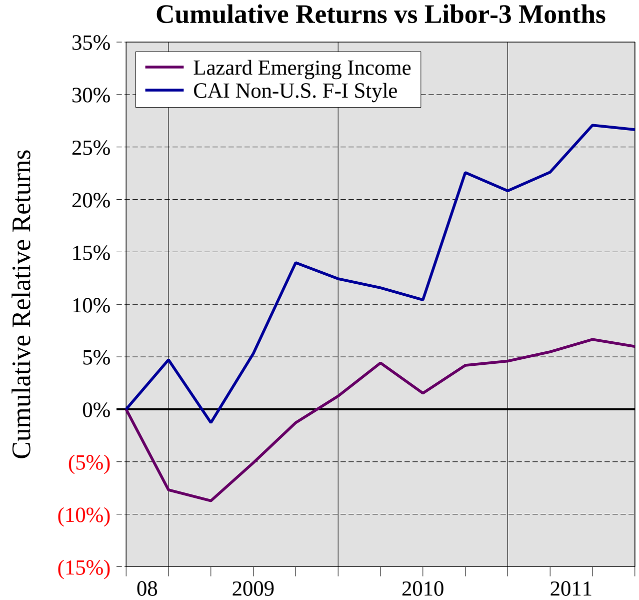
Beginning Market Value	$128,388,232
Net New Investment	$0
Investment Gains/(Losses)	$-719,083
Ending Market Value	$127,669,149



Relative Return vs Libor-3 Months



Cumulative Returns vs Libor-3 Months



HIGH YIELD COMPOSITE
PERIOD ENDED SEPTEMBER 30, 2011

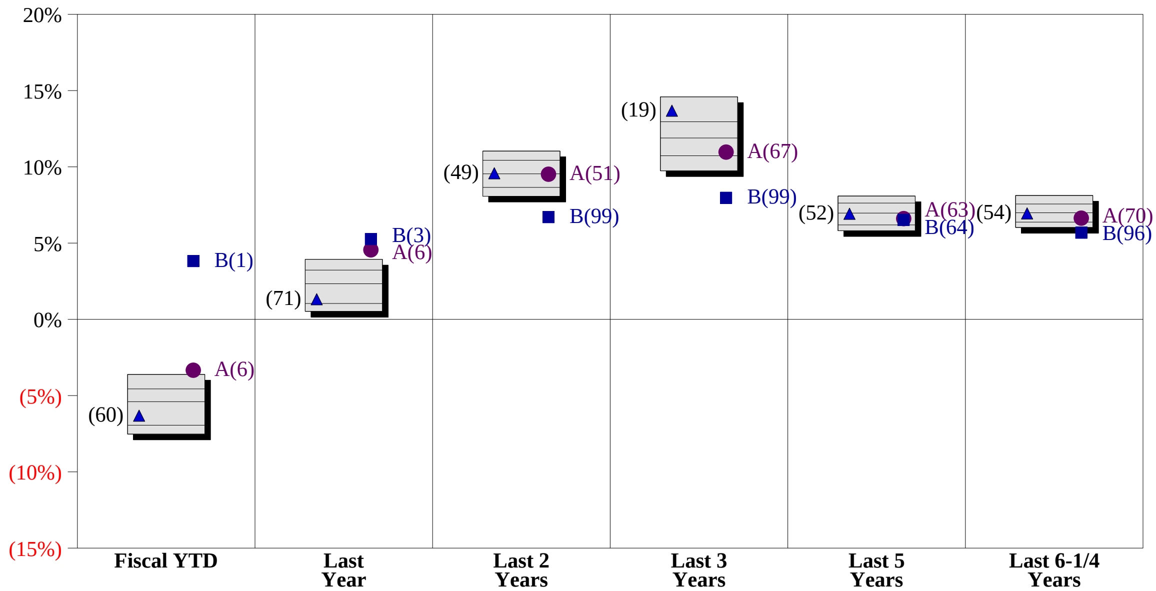
Quarterly Summary and Highlights

- High Yield Composite's portfolio posted a (3.34)% return for the quarter placing it in the 6 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 6 percentile for the last year.
- High Yield Composite's portfolio outperformed the High Yield Target by 2.98% for the quarter and outperformed the High Yield Target for the year by 3.24%.

Quarterly Asset Growth

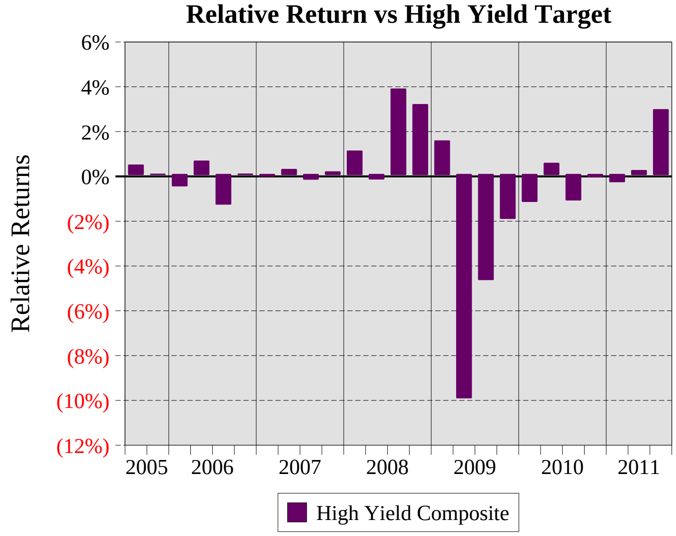
Beginning Market Value	$406,149,137
Net New Investment	$0
Investment Gains/(Losses)	$-13,553,943
Ending Market Value	$392,595,194

Performance vs CAI High Yield Fixed-Inc Style (Gross)

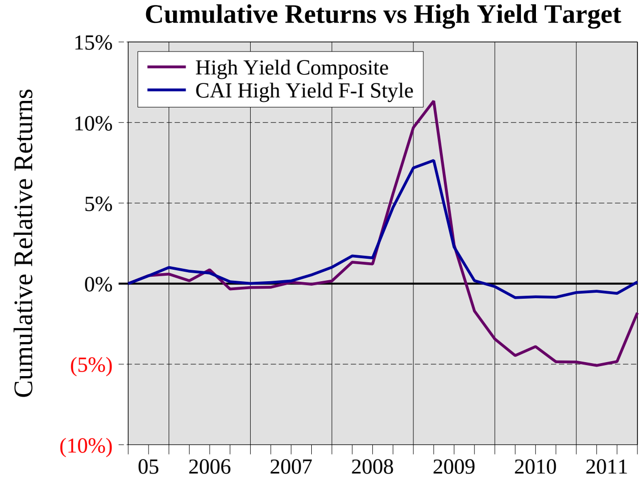


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile		(3.61)	3.94	11.03	14.59	8.09	8.12
25th Percentile		(4.56)	3.23	10.43	12.96	7.63	7.56
Median		(5.40)	2.34	9.54	11.89	6.97	6.99
75th Percentile		(6.94)	1.04	8.65	10.73	6.19	6.38
90th Percentile		(7.52)	0.52	8.07	9.74	5.81	6.02
High Yield Composite	● A	(3.34)	4.56	9.52	10.97	6.61	6.64
BC Aggregate Index	■ B	3.82	5.26	6.70	7.97	6.53	5.68
High Yield Target	▲	(6.31)	1.32	9.58	13.68	6.92	6.95

Relative Return vs High Yield Target



Cumulative Returns vs High Yield Target



MACKAY SHIELDS
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Target: ML Hi Yield Master II from 12/31/06; ML Hi Yield Cash Pay prior to 12/31/06.

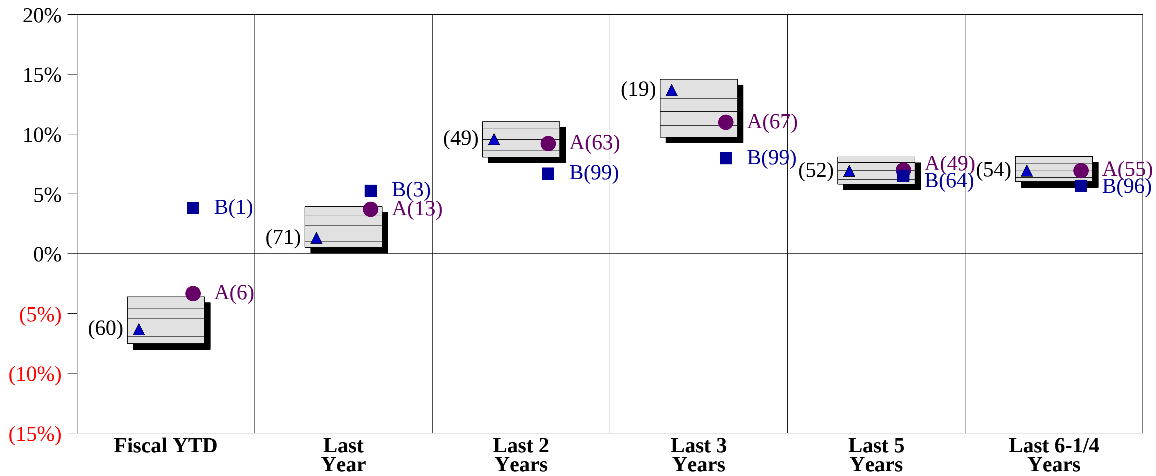
Quarterly Summary and Highlights

- MacKay Shields's portfolio posted a (3.34)% return for the quarter placing it in the 6 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 13 percentile for the last year.
- MacKay Shields's portfolio outperformed the High Yield Target by 2.98% for the quarter and outperformed the High Yield Target for the year by 2.39%.

Quarterly Asset Growth

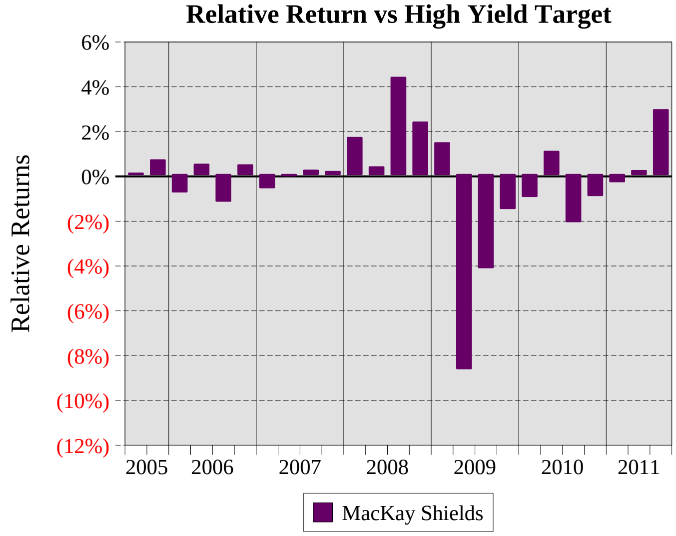
Beginning Market Value	$406,149,137
Net New Investment	$0
Investment Gains/(Losses)	$-13,553,943
Ending Market Value	$392,595,194

Performance vs CAI High Yield Fixed-Inc Style (Gross)

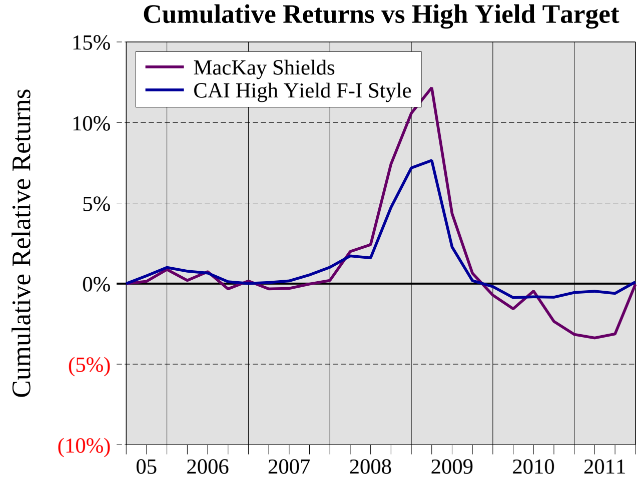


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile		(3.61)	3.94	11.03	14.59	8.09	8.12
25th Percentile		(4.56)	3.23	10.43	12.96	7.63	7.56
Median		(5.40)	2.34	9.54	11.89	6.97	6.99
75th Percentile		(6.94)	1.04	8.65	10.73	6.19	6.38
90th Percentile		(7.52)	0.52	8.07	9.74	5.81	6.02
MacKay Shields	● A	(3.34)	3.71	9.20	10.99	6.99	6.94
BC Aggregate Index	■ B	3.82	5.26	6.70	7.97	6.53	5.68
High Yield Target	▲	(6.31)	1.32	9.58	13.68	6.92	6.95

Relative Return vs High Yield Target



Cumulative Returns vs High Yield Target

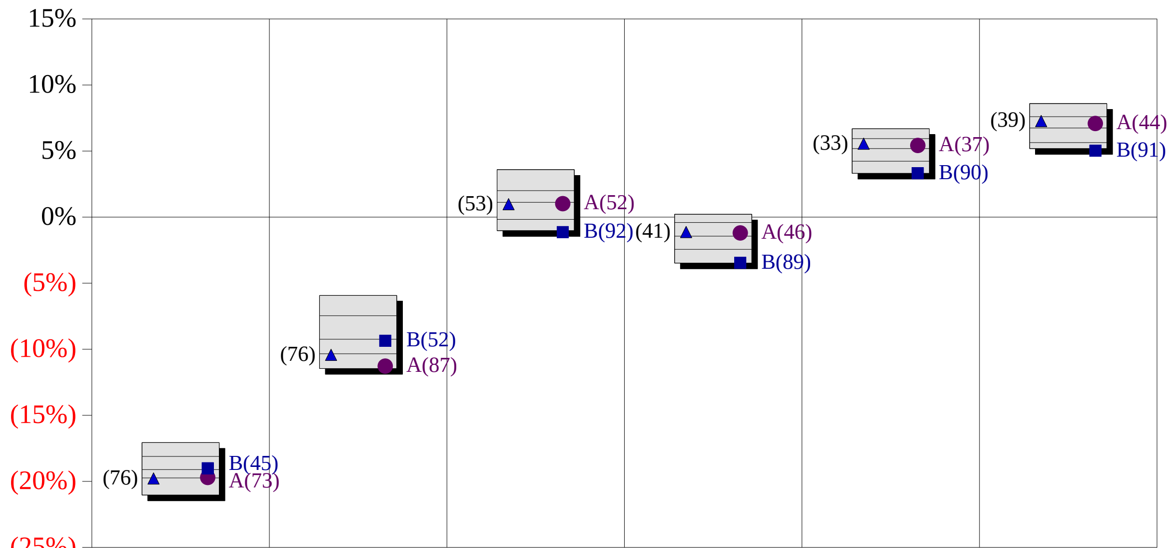


TOTAL INTERNATIONAL EQUITY
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

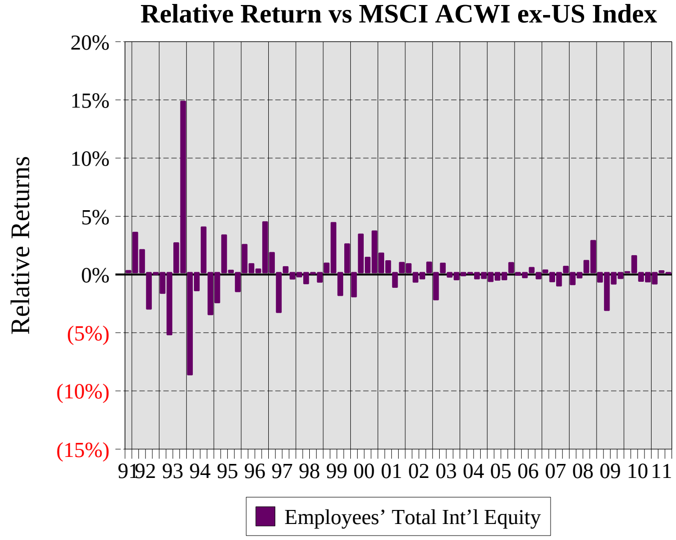
- Employees' Total Int'l Equity's portfolio posted a (19.70)% return for the quarter placing it in the 73 percentile of the Public Fund - International Equity group for the quarter and in the 87 percentile for the last year.
- Employees' Total Int'l Equity's portfolio outperformed the MSCI ACWI ex-US Index by 0.08% for the quarter and underperformed the MSCI ACWI ex-US Index for the year by 0.85%.

Performance vs Public Fund - International Equity (Gross)

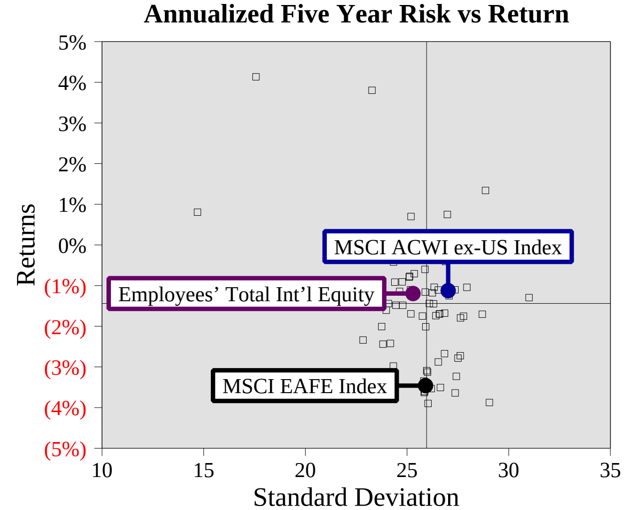


		Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile		(17.06)	(5.93)	3.60	0.22	6.69	8.60
25th Percentile		(18.11)	(7.46)	2.01	(0.41)	5.94	7.60
Median		(19.11)	(9.24)	1.12	(1.44)	5.19	6.74
75th Percentile		(19.74)	(10.34)	(0.17)	(2.44)	4.23	5.64
90th Percentile		(21.04)	(11.46)	(1.02)	(3.48)	3.32	5.19
Employees' Total Int'l Equity	● A	(19.70)	(11.28)	1.02	(1.20)	5.43	7.09
MSCI EAFE Index	■ B	(19.01)	(9.36)	(1.13)	(3.46)	3.32	5.03
MSCI ACWI ex-US Index	▲	(19.78)	(10.42)	0.98	(1.12)	5.56	7.27

Relative Return vs MSCI ACWI ex-US Index



Public Fund - International Equity (Gross)
Annualized Five Year Risk vs Return

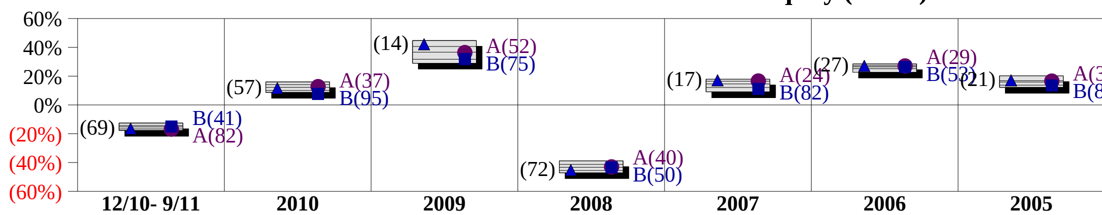


TOTAL INTERNATIONAL EQUITY
RETURN ANALYSIS SUMMARY

Return Analysis

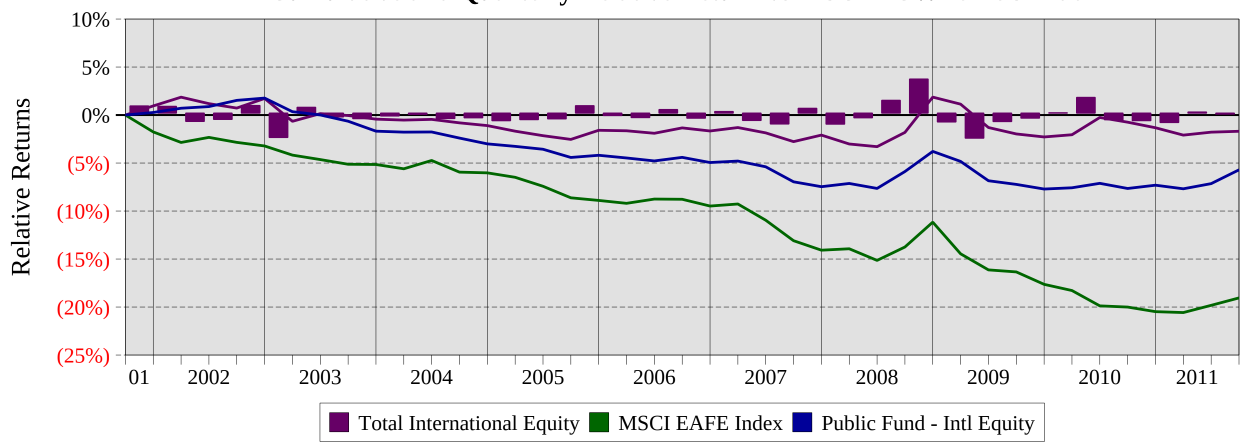
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Public Fund - International Equity (Gross)

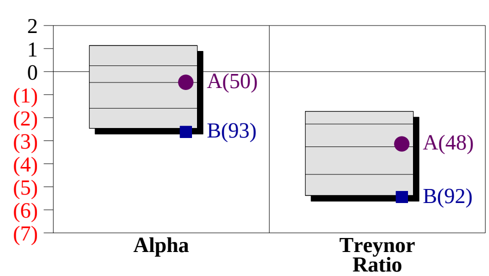


		12/10- 9/11	2010	2009	2008	2007	2006	2005
10th Percentile		(12.56)	16.00	44.73	(38.84)	17.89	28.48	20.22
25th Percentile		(14.30)	14.13	40.60	(41.28)	16.50	27.22	16.81
Median		(15.23)	12.20	36.65	(43.30)	14.59	26.44	15.89
75th Percentile		(16.67)	10.03	31.74	(45.51)	12.13	25.15	13.76
90th Percentile		(17.74)	8.68	28.92	(47.15)	9.11	22.70	12.19
Total International Equity	● A	(16.79)	12.70	36.35	(43.03)	16.61	27.06	16.53
MSCI EAFE Index	■ B	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54
MSCI ACWI ex-US Index	▲	(16.48)	11.60	42.14	(45.24)	17.12	27.16	17.11

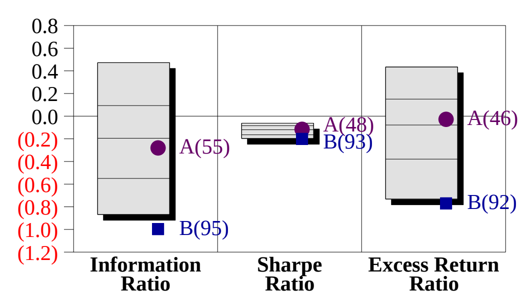
Cumulative and Quarterly Relative Return vs MSCI ACWI ex-US Index



Risk Adjusted Return Measures vs MSCI ACWI ex-US Index
Rankings Against Public Fund - International Equity (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		1.13	(1.72)
25th Percentile		0.26	(2.27)
Median		(0.47)	(3.26)
75th Percentile		(1.59)	(4.46)
90th Percentile		(2.46)	(5.38)
Total International Equity	● A	(0.46)	(3.14)
MSCI EAFE Index	■ B	(2.61)	(5.44)



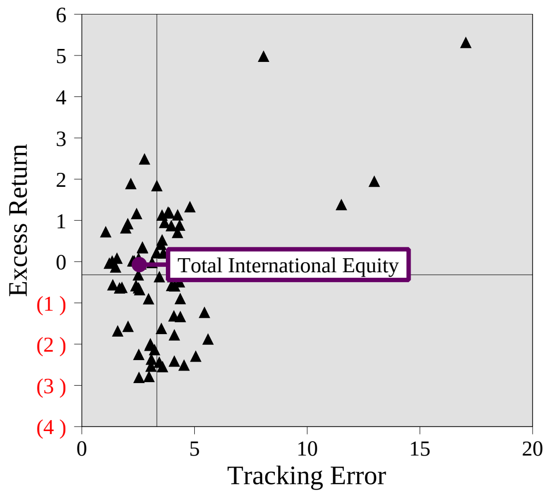
		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.47	(0.06)	0.43
25th Percentile		0.09	(0.08)	0.15
Median		(0.20)	(0.12)	(0.08)
75th Percentile		(0.55)	(0.16)	(0.38)
90th Percentile		(0.87)	(0.20)	(0.73)
Total International Equity	● A	(0.28)	(0.12)	(0.03)
MSCI EAFE Index	■ B	(1.00)	(0.20)	(0.77)

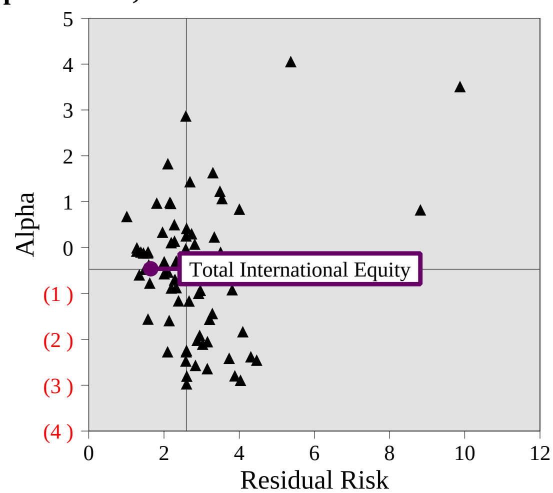
TOTAL INTERNATIONAL EQUITY
RISK ANALYSIS SUMMARY

Risk Analysis

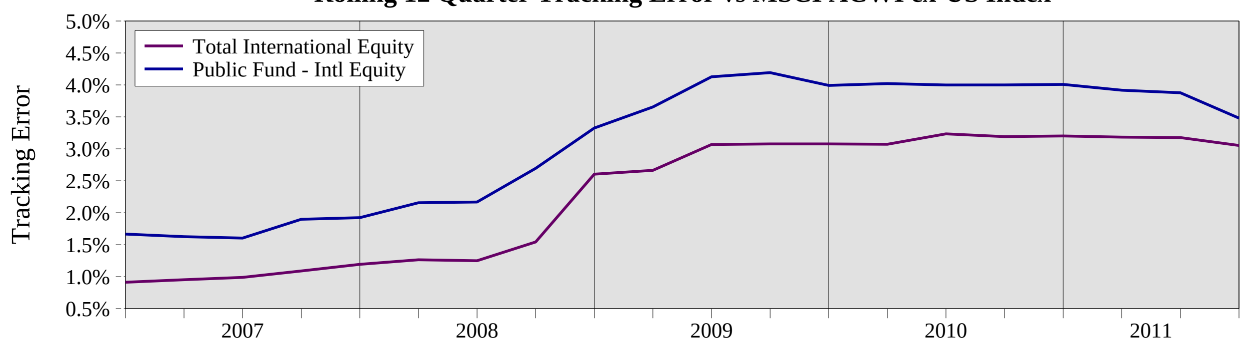
The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Risk Analysis vs Public Fund - International Equity (Gross)
Five Years Ended September 30, 2011

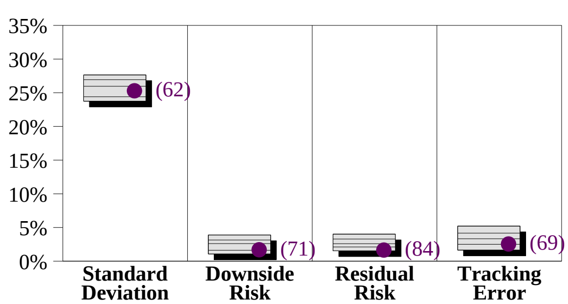


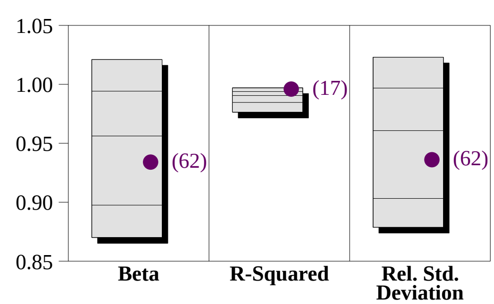


Rolling 12 Quarter Tracking Error vs MSCI ACWI ex-US Index



Risk Statistics Rankings vs MSCI ACWI ex-US Index
Rankings Against Public Fund - International Equity (Gross)
Five Years Ended September 30, 2011





	Standard Deviation	Downside Risk	Residual Risk	Tracking Error
10th Percentile	27.64	3.89	4.02	5.21
25th Percentile	26.94	3.14	3.29	4.16
Median	25.96	2.61	2.59	3.33
75th Percentile	24.41	1.62	2.10	2.51
90th Percentile	23.74	1.07	1.54	1.64
Total International Equity ●	25.29	1.69	1.65	2.55

	Beta	R-Squared	Rel. Std. Deviation
10th Percentile	1.02	1.00	1.02
25th Percentile	0.99	0.99	1.00
Median	0.96	0.99	0.96
75th Percentile	0.90	0.98	0.90
90th Percentile	0.87	0.98	0.88
Total International Equity ●	0.93	1.00	0.94

INTERNATIONAL EQUITY (EX EMERGING MARKETS)
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Non-U.S. Equity Style managers invest their assets only in non-U.S. equity securities. This style group excludes regional and index funds.

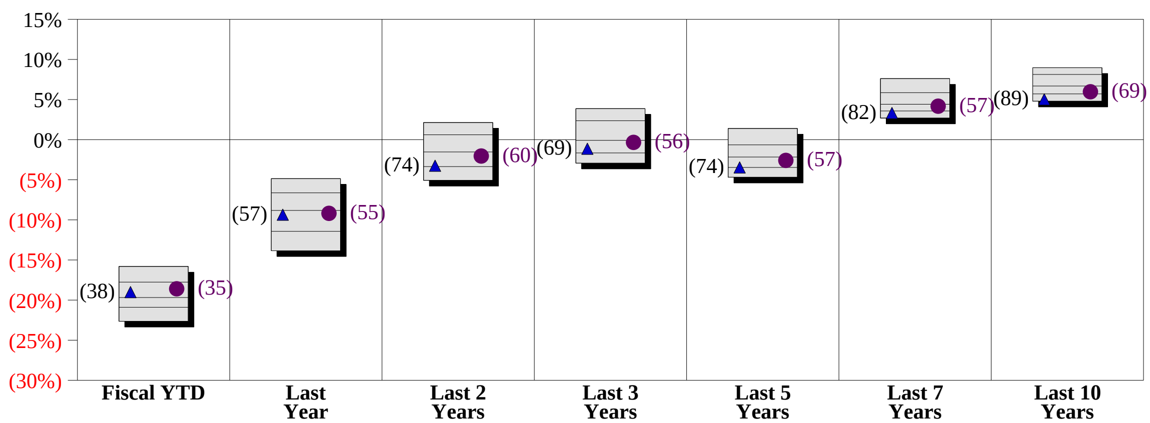
Quarterly Summary and Highlights

- Int'l Equity Pool (ex Emerging. Mkt)'s portfolio posted a (18.59)% return for the quarter placing it in the 35 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 55 percentile for the last year.
- Int'l Equity Pool (ex Emerging. Mkt)'s portfolio outperformed the MSCI EAFE Index by 0.41% for the quarter and outperformed the MSCI EAFE Index for the year by 0.17%.

Quarterly Asset Growth

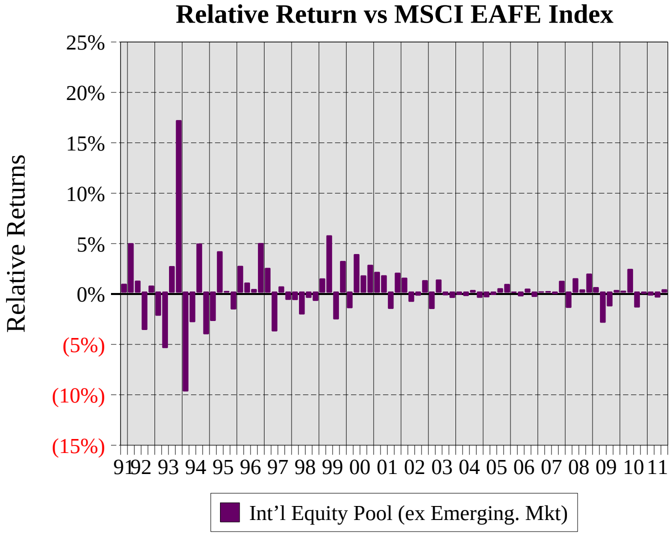
Beginning Market Value	$1,569,023,971
Net New Investment	$-40,323,152
Investment Gains/(Losses)	$-288,303,385
Ending Market Value	$1,240,397,433

Performance vs CAI Non-U.S. Equity Style (Gross)

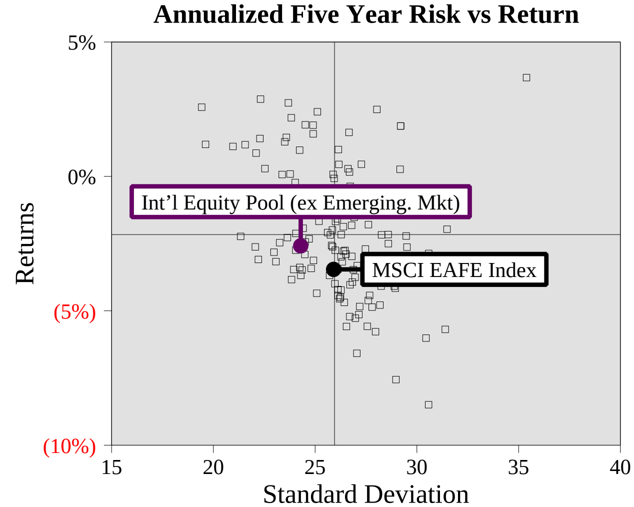


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(15.80)	(4.86)	2.13	3.87	1.40	7.61	8.97
25th Percentile	(17.76)	(6.63)	0.61	2.36	(0.65)	5.86	8.13
Median	(19.68)	(8.82)	(1.53)	(0.09)	(2.16)	4.41	6.69
75th Percentile	(20.90)	(11.43)	(3.36)	(1.66)	(3.47)	3.58	5.71
90th Percentile	(22.64)	(13.85)	(5.07)	(2.93)	(4.68)	2.69	4.80
Int'l Equity Pool (ex Emerging. Mkt) ●	(18.59)	(9.18)	(2.04)	(0.34)	(2.58)	4.17	5.97
MSCI EAFE Index ▲	(19.01)	(9.36)	(3.25)	(1.13)	(3.46)	3.32	5.03

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

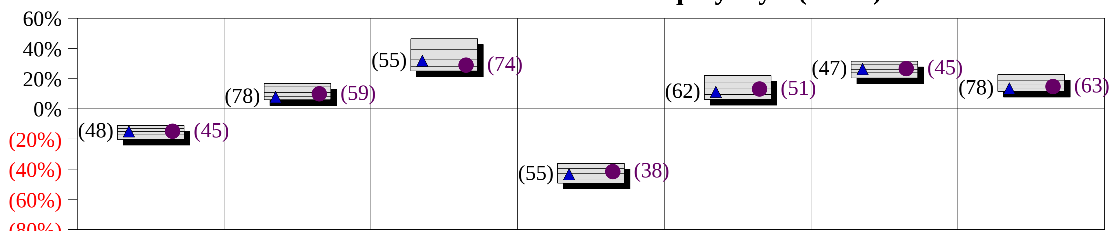


INT'L EQUITY POOL (EX EMERGING. MKT)
RETURN ANALYSIS SUMMARY

Return Analysis

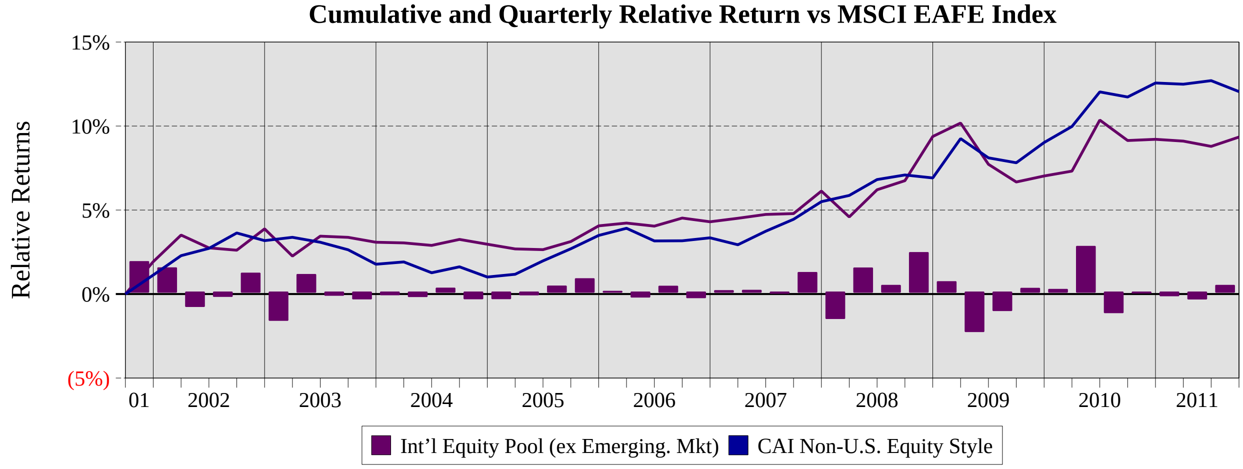
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

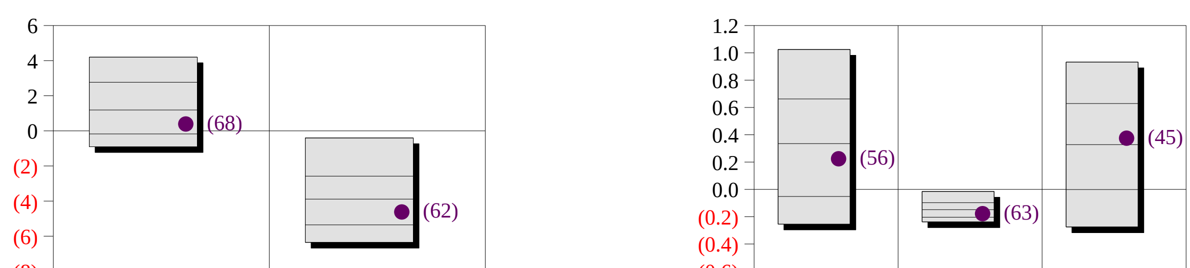


	12/10- 9/11	2010	2009	2008	2007	2006	2005
10th Percentile	(11.03)	16.72	46.43	(36.19)	22.09	31.57	22.67
25th Percentile	(13.09)	14.53	39.21	(39.62)	17.74	29.21	18.58
Median	(15.08)	10.84	32.89	(42.99)	13.16	25.98	15.78
75th Percentile	(17.29)	8.27	28.15	(46.54)	9.47	23.91	13.78
90th Percentile	(20.27)	5.98	25.08	(49.26)	6.21	20.44	11.55
Int'l Equity Pool (ex Emerging. Mkt) ●	(14.87)	9.95	28.94	(41.64)	13.12	26.64	14.74
MSCI EAFE Index ▲	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54

Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	4.20	(0.40)
25th Percentile	2.77	(2.58)
Median	1.19	(3.89)
75th Percentile	(0.18)	(5.36)
90th Percentile	(0.90)	(6.35)
Int'l Equity Pool (ex Emerging. Mkt) ●	0.39	(4.62)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.02	(0.02)	0.93
25th Percentile	0.66	(0.10)	0.63
Median	0.34	(0.15)	0.33
75th Percentile	(0.05)	(0.20)	(0.00)
90th Percentile	(0.25)	(0.24)	(0.28)
Int'l Equity Pool (ex Emerging. Mkt) ●	0.22	(0.18)	0.37

BRANDES INVESTMENT PARTNERS
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Brandes employs a bottom-up approach to building international equity portfolios. The core goal of the investment process is to build portfolios with high overall average margin of safety ("MOS") which the firm believes offer attractive long-term appreciation potential. A focus is given to stocks that are selling at a discount to the firm's estimates of their intrinsic business value, seen as an opportunity for competitive performance. The firm utilizes fundamental research to select undervalued companies in the developed and emerging markets.

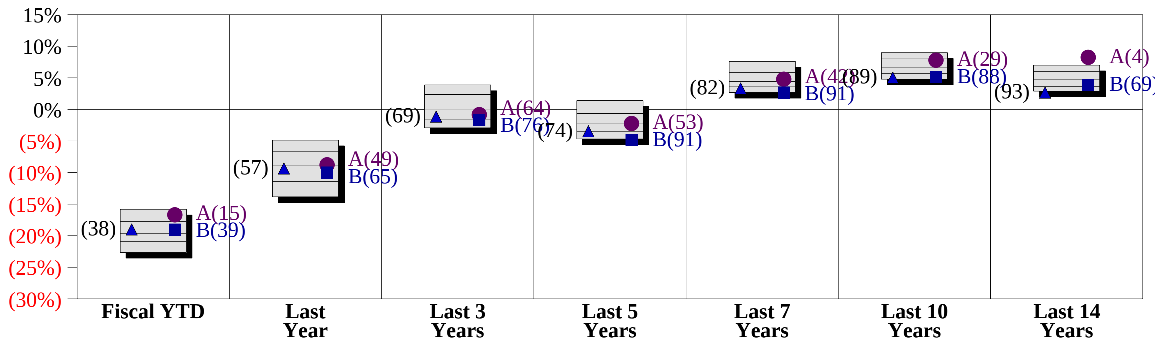
Quarterly Summary and Highlights

- Brandes's portfolio posted a (16.70)% return for the quarter placing it in the 15 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 49 percentile for the last year.
- Brandes's portfolio outperformed the MSCI EAFE Index by 2.31% for the quarter and outperformed the MSCI EAFE Index for the year by 0.58%.

Quarterly Asset Growth

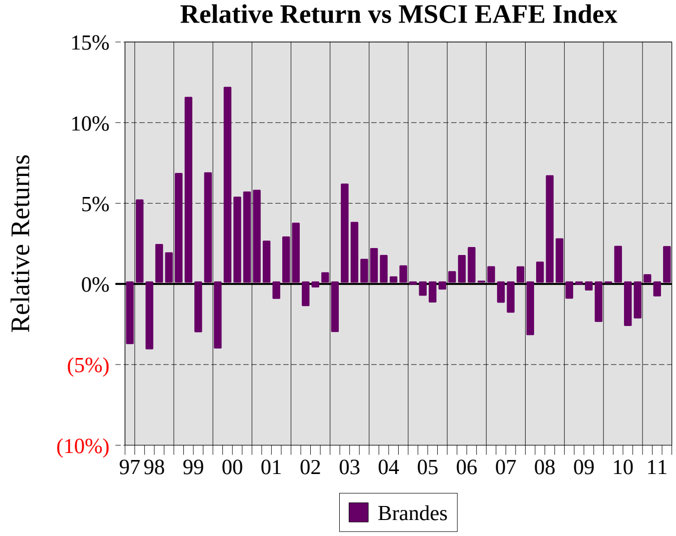
Beginning Market Value	$838,253,893
Net New Investment	$18,103
Investment Gains/(Losses)	$-139,963,102
Ending Market Value	$698,308,894

Performance vs CAI Non-U.S. Equity Style (Gross)

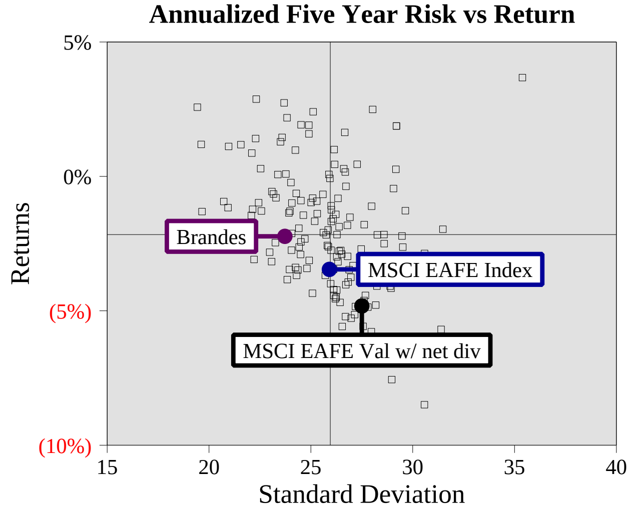


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 14 Years
10th Percentile	(15.80)	(4.86)	3.87	1.40	7.61	8.97	7.02
25th Percentile	(17.76)	(6.63)	2.36	(0.65)	5.86	8.13	5.99
Median	(19.68)	(8.82)	(0.09)	(2.16)	4.41	6.69	4.69
75th Percentile	(20.90)	(11.43)	(1.66)	(3.47)	3.58	5.71	3.65
90th Percentile	(22.64)	(13.85)	(2.93)	(4.68)	2.69	4.80	2.90
Brandes ● A	(16.70)	(8.78)	(0.83)	(2.23)	4.78	7.80	8.25
MSCI EAFE Val w/ net div ■ B	(19.03)	(9.99)	(1.69)	(4.82)	2.67	5.13	3.84
MSCI EAFE Index ▲	(19.01)	(9.36)	(1.13)	(3.46)	3.32	5.03	2.67

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross) Annualized Five Year Risk vs Return

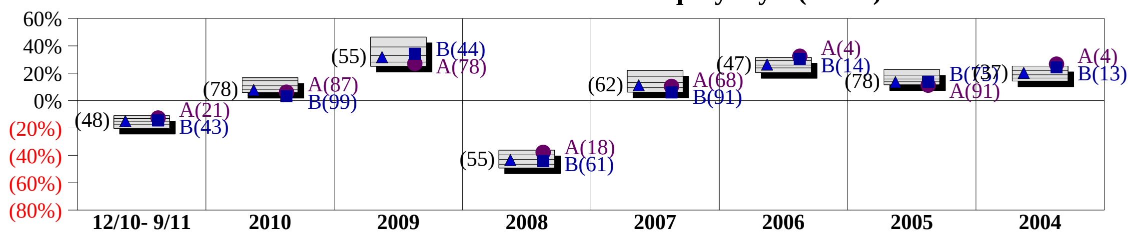


BRANDES
RETURN ANALYSIS SUMMARY

Return Analysis

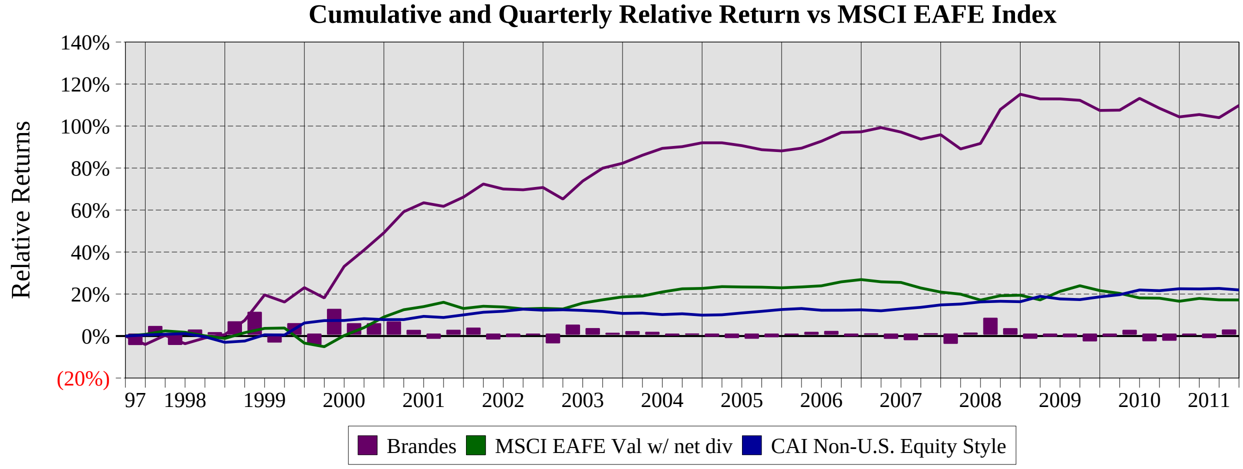
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

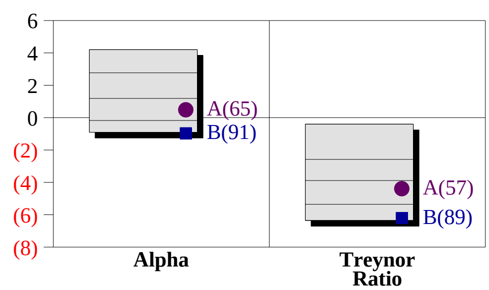


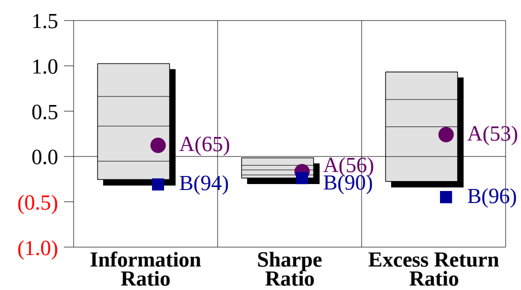
	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004
10th Percentile	(11.03)	16.72	46.43	(36.19)	22.09	31.57	22.67	25.22
25th Percentile	(13.09)	14.53	39.21	(39.62)	17.74	29.21	18.58	22.05
Median	(15.08)	10.84	32.89	(42.99)	13.16	25.98	15.78	18.88
75th Percentile	(17.29)	8.27	28.15	(46.54)	9.47	23.91	13.78	16.48
90th Percentile	(20.27)	5.98	25.08	(49.26)	6.21	20.44	11.55	14.28
Brandes ● A	(12.71)	6.15	27.06	(37.80)	10.38	32.43	11.25	26.68
MSCI EAFE Val w/ net div ■ B	(14.52)	3.25	34.23	(44.09)	5.96	30.38	13.80	24.33
MSCI EAFE Index ▲	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54	20.25

Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	4.20	(0.40)
25th Percentile	2.77	(2.58)
Median	1.19	(3.89)
75th Percentile	(0.18)	(5.36)
90th Percentile	(0.90)	(6.35)
Brandes ● A	0.48	(4.39)
MSCI EAFE Val w/ net div ■ B	(0.97)	(6.21)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.02	(0.02)	0.93
25th Percentile	0.66	(0.10)	0.63
Median	0.34	(0.15)	0.33
75th Percentile	(0.05)	(0.20)	(0.00)
90th Percentile	(0.25)	(0.24)	(0.28)
Brandes ● A	0.12	(0.17)	0.24
MSCI EAFE Val w/ net div ■ B	(0.31)	(0.24)	(0.45)

CAPITAL GUARDIAN
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Capital Guardian Trust Company runs their Non-U.S. Equity portfolio with a bottom-up, research driven approach. The firm conducts extensive fundamental research and uses a system of multiple managers to manage individual segments of the portfolios. High-conviction investments and portfolio diversity are the result of each manager and analyst being responsible for investing a portion of the portfolio in his or her highest conviction ideas.

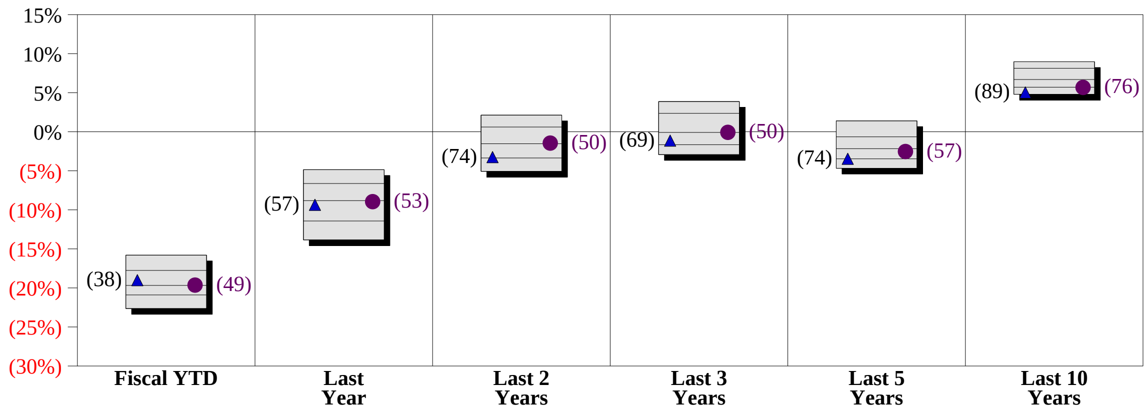
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a (19.64)% return for the quarter placing it in the 49 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 53 percentile for the last year.
- Capital Guardian's portfolio underperformed the MSCI EAFE Index by 0.63% for the quarter and outperformed the MSCI EAFE Index for the year by 0.40%.

Quarterly Asset Growth

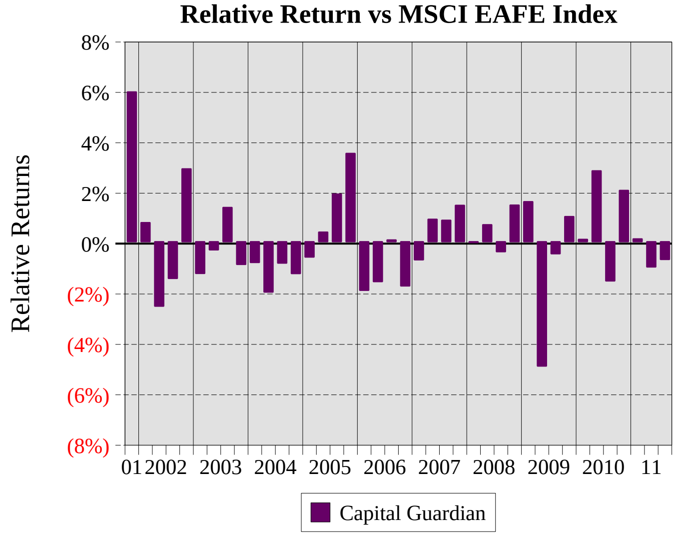
Beginning Market Value	$643,629,866
Net New Investment	$0
Investment Gains/(Losses)	$-126,387,082
Ending Market Value	$517,242,784

Performance vs CAI Non-U.S. Equity Style (Gross)

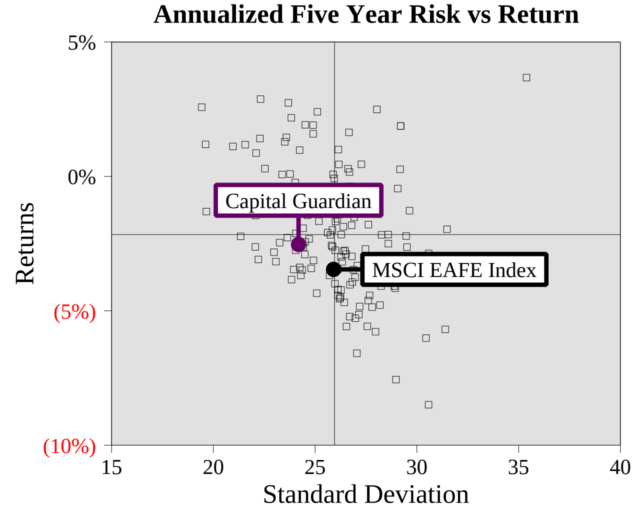


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years
10th Percentile	(15.80)	(4.86)	2.13	3.87	1.40	8.97
25th Percentile	(17.76)	(6.63)	0.61	2.36	(0.65)	8.13
Median	(19.68)	(8.82)	(1.53)	(0.09)	(2.16)	6.69
75th Percentile	(20.90)	(11.43)	(3.36)	(1.66)	(3.47)	5.71
90th Percentile	(22.64)	(13.85)	(5.07)	(2.93)	(4.68)	4.80
Capital Guardian ●	(19.64)	(8.95)	(1.45)	(0.07)	(2.53)	5.68
MSCI EAFE Index ▲	(19.01)	(9.36)	(3.25)	(1.13)	(3.46)	5.03

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

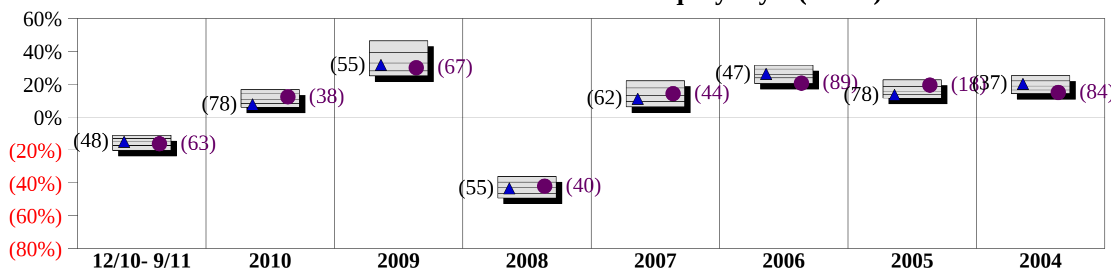


CAPITAL GUARDIAN
RETURN ANALYSIS SUMMARY

Return Analysis

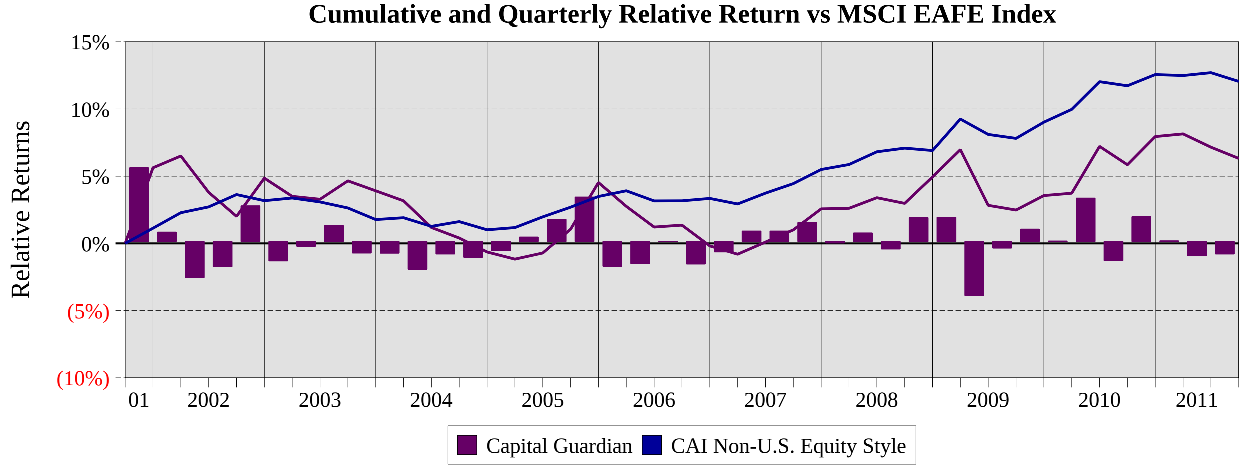
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

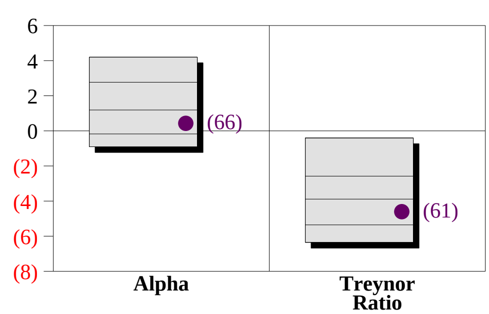


		12/10- 9/11	2010	2009	2008	2007	2006	2005	2004
10th Percentile		(11.03)	16.72	46.43	(36.19)	22.09	31.57	22.67	25.22
25th Percentile		(13.09)	14.53	39.21	(39.62)	17.74	29.21	18.58	22.05
Median		(15.08)	10.84	32.89	(42.99)	13.16	25.98	15.78	18.88
75th Percentile		(17.29)	8.27	28.15	(46.54)	9.47	23.91	13.78	16.48
90th Percentile		(20.27)	5.98	25.08	(49.26)	6.21	20.44	11.55	14.28
Capital Guardian	●	(16.26)	12.32	30.04	(42.07)	14.24	20.64	19.44	14.98
MSCI EAFE Index	▲	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54	20.25

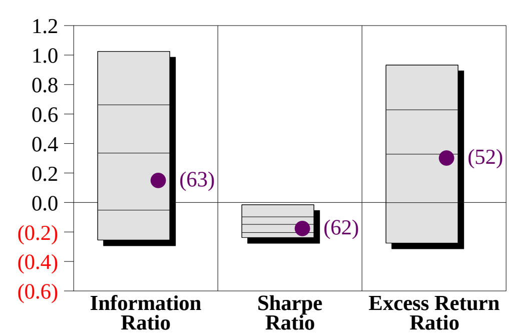
Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		4.20	(0.40)
25th Percentile		2.77	(2.58)
Median		1.19	(3.89)
75th Percentile		(0.18)	(5.36)
90th Percentile		(0.90)	(6.35)
Capital Guardian	●	0.43	(4.60)



		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		1.02	(0.02)	0.93
25th Percentile		0.66	(0.10)	0.63
Median		0.34	(0.15)	0.33
75th Percentile		(0.05)	(0.20)	(0.00)
90th Percentile		(0.25)	(0.24)	(0.28)
Capital Guardian	●	0.15	(0.18)	0.30

LAZARD ASSET MANAGEMENT
PERIOD ENDED SEPTEMBER 30, 2011

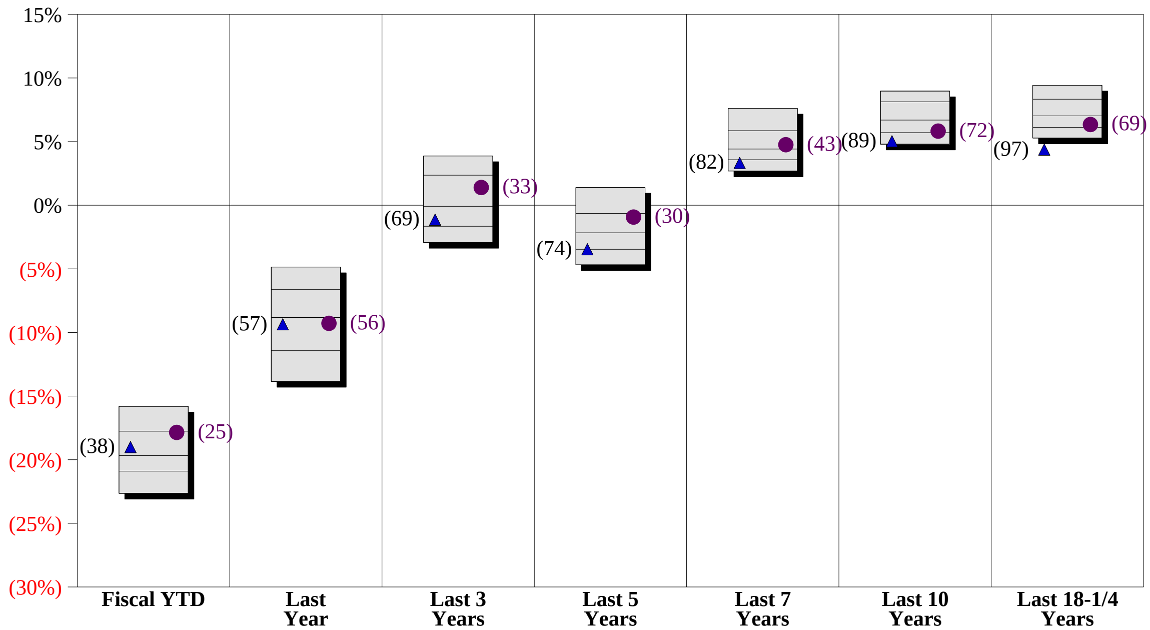
Quarterly Summary and Highlights

- Lazard Asset Mgmt's portfolio posted a (17.85)% return for the quarter placing it in the 25 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 56 percentile for the last year.
- Lazard Asset Mgmt's portfolio outperformed the MSCI EAFE Index by 1.15% for the quarter and outperformed the MSCI EAFE Index for the year by 0.07%.

Quarterly Asset Growth

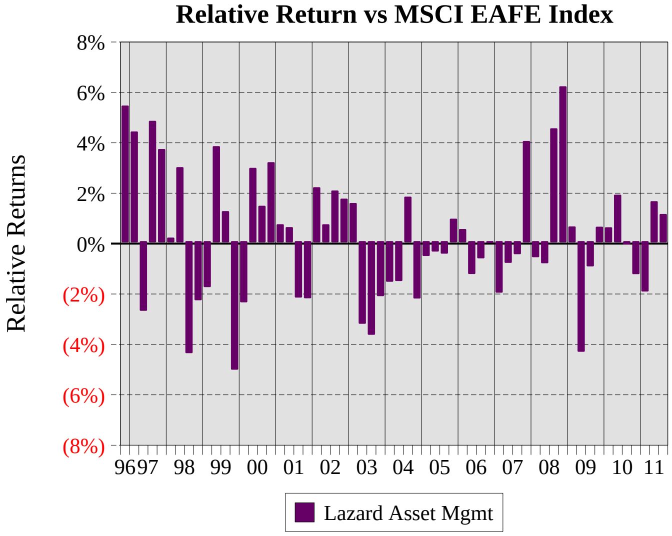
Beginning Market Value	$464,326,193
Net New Investment	$-66,378,536
Investment Gains/(Losses)	$-72,585,125
Ending Market Value	$325,362,532

Performance vs CAI Non-U.S. Equity Style (Gross)

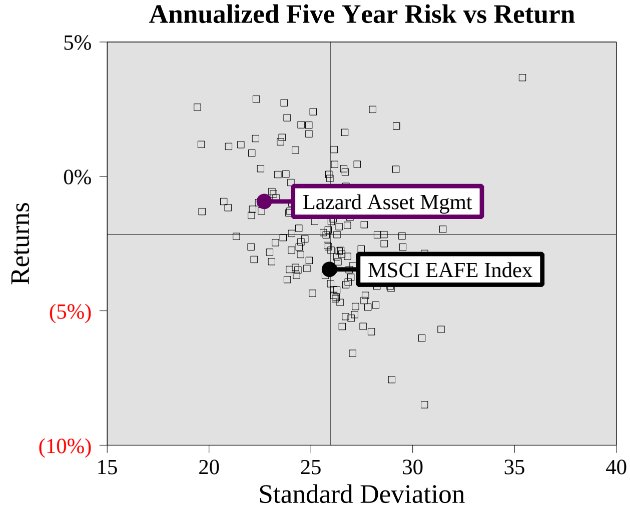


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	(15.80)	(4.86)	3.87	1.40	7.61	8.97	9.43
25th Percentile	(17.76)	(6.63)	2.36	(0.65)	5.86	8.13	8.33
Median	(19.68)	(8.82)	(0.09)	(2.16)	4.41	6.69	7.02
75th Percentile	(20.90)	(11.43)	(1.66)	(3.47)	3.58	5.71	6.12
90th Percentile	(22.64)	(13.85)	(2.93)	(4.68)	2.69	4.80	5.28
Lazard Asset Mgmt ●	(17.85)	(9.28)	1.39	(0.93)	4.75	5.82	6.34
MSCI EAFE Index ▲	(19.01)	(9.36)	(1.13)	(3.46)	3.32	5.03	4.37

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

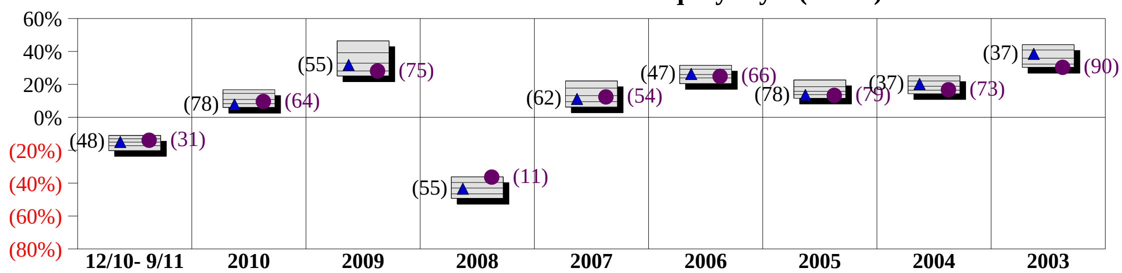


LAZARD ASSET MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

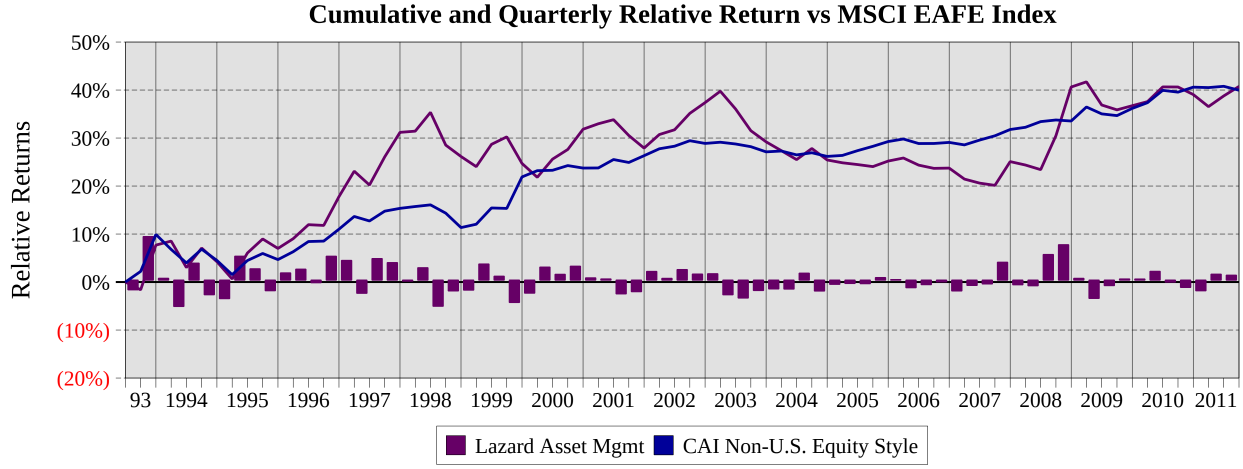
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

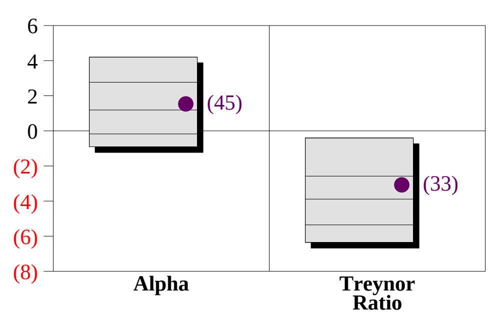


		12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile		(11.03)	16.72	46.43	(36.19)	22.09	31.57	22.67	25.22	44.12
25th Percentile		(13.09)	14.53	39.21	(39.62)	17.74	29.21	18.58	22.05	40.89
Median		(15.08)	10.84	32.89	(42.99)	13.16	25.98	15.78	18.88	35.91
75th Percentile		(17.29)	8.27	28.15	(46.54)	9.47	23.91	13.78	16.48	32.32
90th Percentile		(20.27)	5.98	25.08	(49.26)	6.21	20.44	11.55	14.28	30.36
Lazard Asset Mgmt	●	(13.95)	9.59	28.13	(36.34)	12.38	24.87	13.33	16.73	30.35
MSCI EAFE Index	▲	(14.98)	7.75	31.78	(43.38)	11.17	26.34	13.54	20.25	38.59

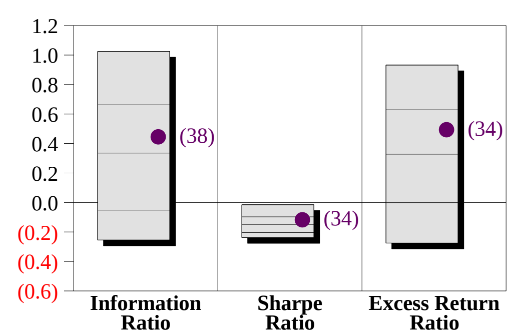
Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		4.20	(0.40)
25th Percentile		2.77	(2.58)
Median		1.19	(3.89)
75th Percentile		(0.18)	(5.36)
90th Percentile		(0.90)	(6.35)
Lazard Asset Mgmt	●	1.54	(3.08)



		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		1.02	(0.02)	0.93
25th Percentile		0.66	(0.10)	0.63
Median		0.34	(0.15)	0.33
75th Percentile		(0.05)	(0.20)	(0.00)
90th Percentile		(0.25)	(0.24)	(0.28)
Lazard Asset Mgmt	●	0.45	(0.12)	0.49

MCKINLEY CAPITAL
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

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

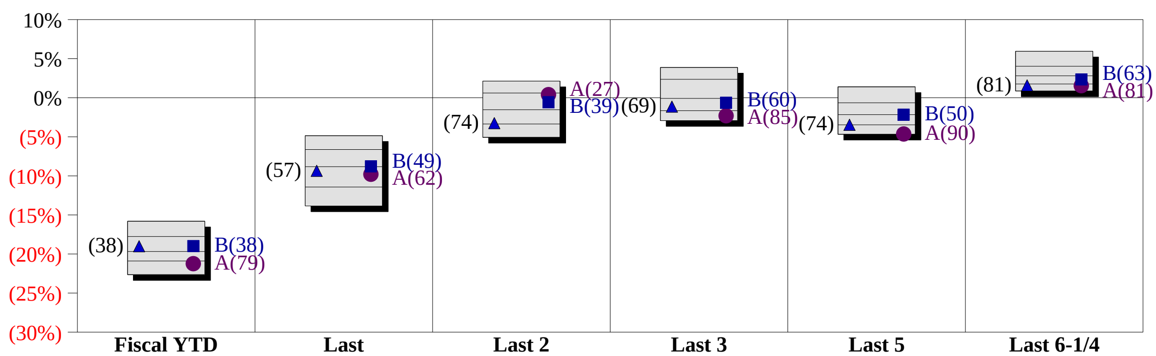
Quarterly Summary and Highlights

- McKinley Capital's portfolio posted a (21.24)% return for the quarter placing it in the 79 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 62 percentile for the last year.
- McKinley Capital's portfolio underperformed the MSCI EAFE Index by 2.23% for the quarter and underperformed the MSCI EAFE Index for the year by 0.44%.

Quarterly Asset Growth

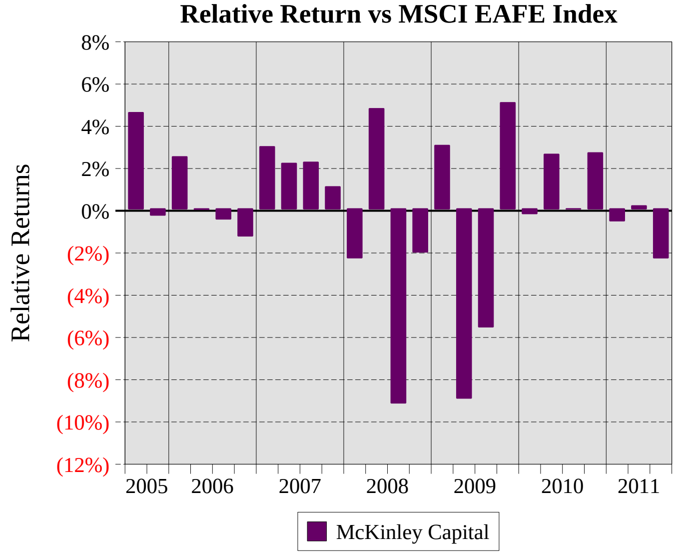
Beginning Market Value	$355,033,008
Net New Investment	$0
Investment Gains/(Losses)	$-75,393,782
Ending Market Value	$279,639,225

Performance vs CAI Non-U.S. Equity Style (Gross)

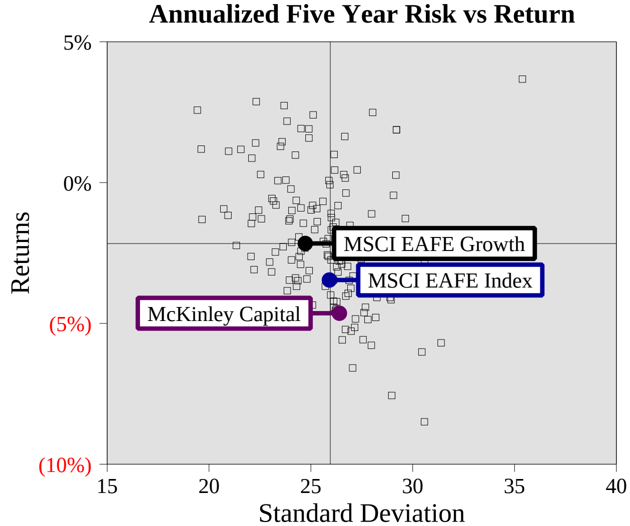


		Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/4 Years
10th Percentile		(15.80)	(4.86)	2.13	3.87	1.40	5.95
25th Percentile		(17.76)	(6.63)	0.61	2.36	(0.65)	4.03
Median		(19.68)	(8.82)	(1.53)	(0.09)	(2.16)	2.81
75th Percentile		(20.90)	(11.43)	(3.36)	(1.66)	(3.47)	1.76
90th Percentile		(22.64)	(13.85)	(5.07)	(2.93)	(4.68)	0.86
McKinley Capital	● A	(21.24)	(9.79)	0.40	(2.31)	(4.64)	1.54
MSCI EAFE Growth	■ B	(18.98)	(8.79)	(0.56)	(0.63)	(2.16)	2.34
MSCI EAFE Index	▲	(19.01)	(9.36)	(3.25)	(1.13)	(3.46)	1.58

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return

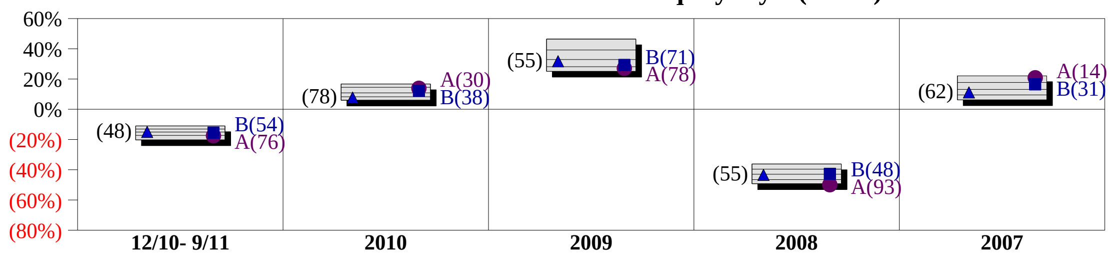


MCKINLEY CAPITAL
RETURN ANALYSIS SUMMARY

Return Analysis

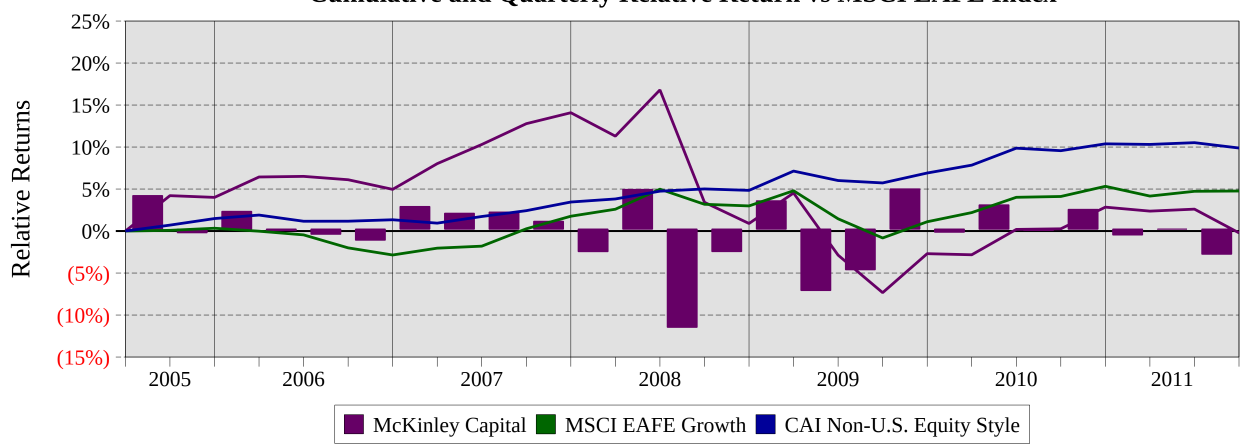
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Non-U.S. Equity Style (Gross)

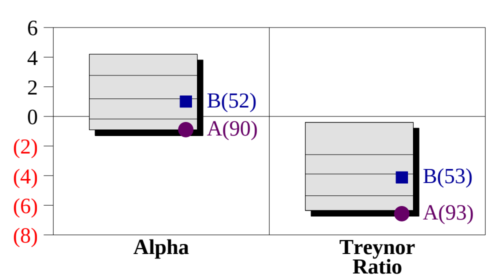


		12/10- 9/11	2010	2009	2008	2007
10th Percentile		(11.03)	16.72	46.43	(36.19)	22.09
25th Percentile		(13.09)	14.53	39.21	(39.62)	17.74
Median		(15.08)	10.84	32.89	(42.99)	13.16
75th Percentile		(17.29)	8.27	28.15	(46.54)	9.47
90th Percentile		(20.27)	5.98	25.08	(49.26)	6.21
McKinley Capital	● A	(17.51)	13.89	27.08	(49.92)	20.83
MSCI EAFE Growth	■ B	(15.43)	12.25	29.36	(42.70)	16.45
MSCI EAFE Index	▲	(14.98)	7.75	31.78	(43.38)	11.17

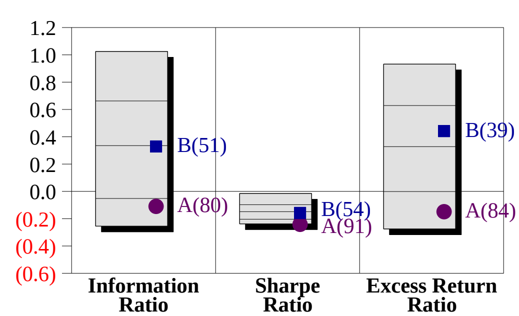
Cumulative and Quarterly Relative Return vs MSCI EAFE Index



Risk Adjusted Return Measures vs MSCI EAFE Index
Rankings Against CAI Non-U.S. Equity Style (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		4.20	(0.40)
25th Percentile		2.77	(2.58)
Median		1.19	(3.89)
75th Percentile		(0.18)	(5.36)
90th Percentile		(0.90)	(6.35)
McKinley Capital	● A	(0.89)	(6.57)
MSCI EAFE Growth	■ B	1.00	(4.12)



		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		1.02	(0.02)	0.93
25th Percentile		0.66	(0.10)	0.63
Median		0.34	(0.15)	0.33
75th Percentile		(0.05)	(0.20)	(0.00)
90th Percentile		(0.25)	(0.24)	(0.28)
McKinley Capital	● A	(0.11)	(0.24)	(0.15)
MSCI EAFE Growth	■ B	0.33	(0.16)	0.44

SSGA INTL ACWI EX US
PERIOD ENDED SEPTEMBER 30, 2011

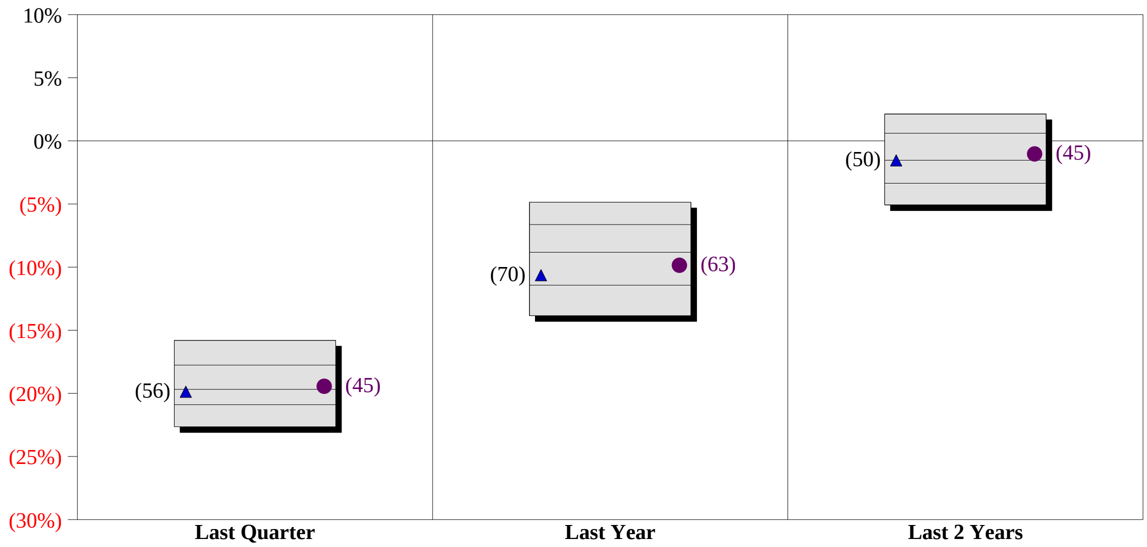
Quarterly Summary and Highlights

- SSgA Intl ACWI ex US's portfolio posted a (19.44)% return for the quarter placing it in the 45 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 63 percentile for the last year.
- SSgA Intl ACWI ex US's portfolio outperformed the MSCI ACWI ex-US IMI Index (Net) by 0.43% for the quarter and outperformed the MSCI ACWI ex-US IMI Index (Net) for the year by 0.79%.

Quarterly Asset Growth

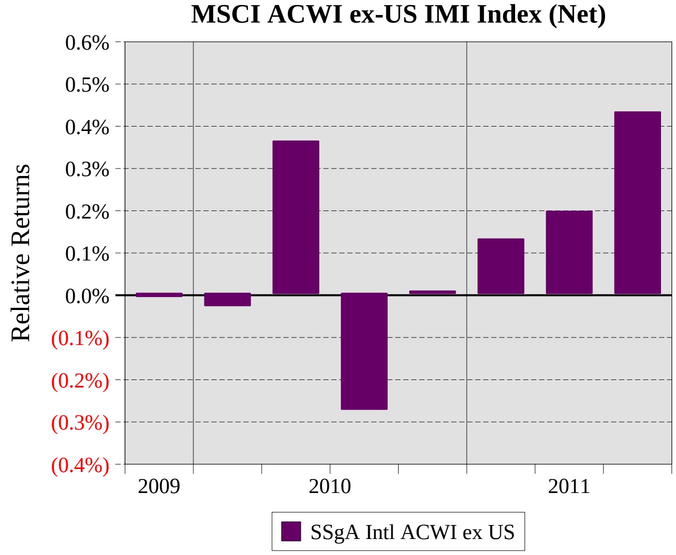
Beginning Market Value	$392,536,274
Net New Investment	$0
Investment Gains/(Losses)	$-76,299,301
Ending Market Value	$316,236,973

Performance vs CAI Non-U.S. Equity Style (Gross)

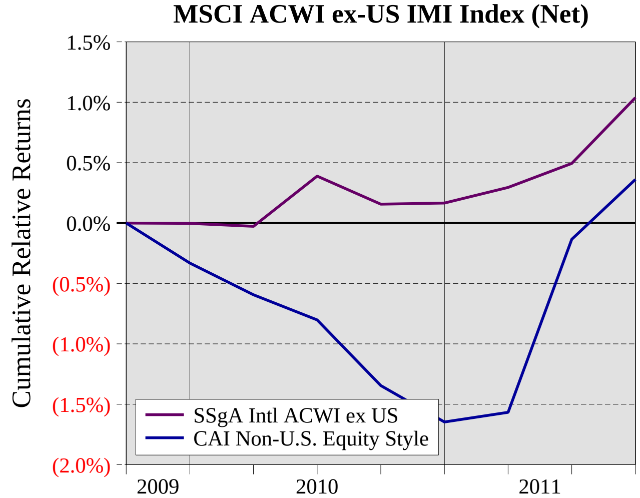


	Last Quarter	Last Year	Last 2 Years
10th Percentile	(15.80)	(4.86)	2.13
25th Percentile	(17.76)	(6.63)	0.61
Median	(19.68)	(8.82)	(1.53)
75th Percentile	(20.90)	(11.43)	(3.36)
90th Percentile	(22.64)	(13.85)	(5.07)
SSgA Intl ACWI ex US ●	(19.44)	(9.85)	(1.03)
MSCI ACWI ex-US IMI Index (Net) ▲	(19.87)	(10.64)	(1.54)

Relative Returns vs MSCI ACWI ex-US IMI Index (Net)



Cumulative Returns vs MSCI ACWI ex-US IMI Index (Net)



MONDRIAN INTL SM CAP
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Mondrian believes that the value of any investment lies in the future cash stream that they will receive as long term investors. In the case of equities, the cash stream is from inflation-adjusted dividends. Analysis undertaken with an objective to determine the present value of expected dividend streams can provide a consistent basis of comparison for securities in multiple countries and sectors, and denominated in multiple currencies.

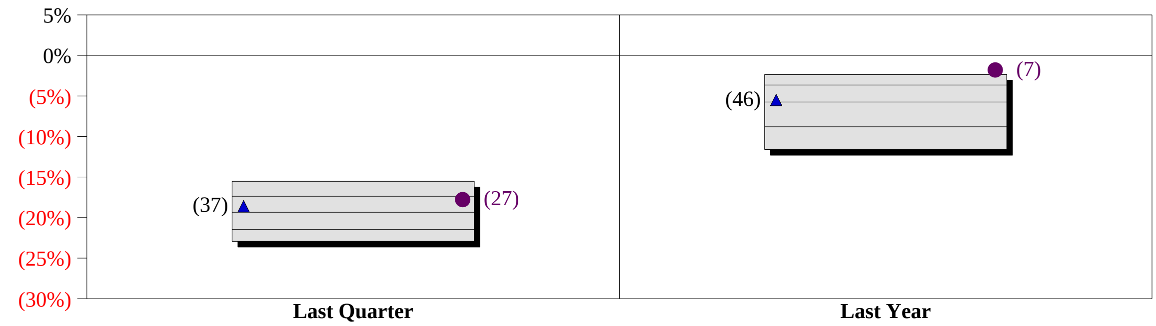
Quarterly Summary and Highlights

- Mondrian Intl Sm Cap's portfolio posted a (17.78)% return for the quarter placing it in the 27 percentile of the Mt Fd: Intl Small-Cap Inst Load group for the quarter and in the 7 percentile for the last year.
- Mondrian Intl Sm Cap's portfolio outperformed the EAFE Small Cap Index by 0.81% for the quarter and outperformed the EAFE Small Cap Index for the year by 3.71%.

Quarterly Asset Growth

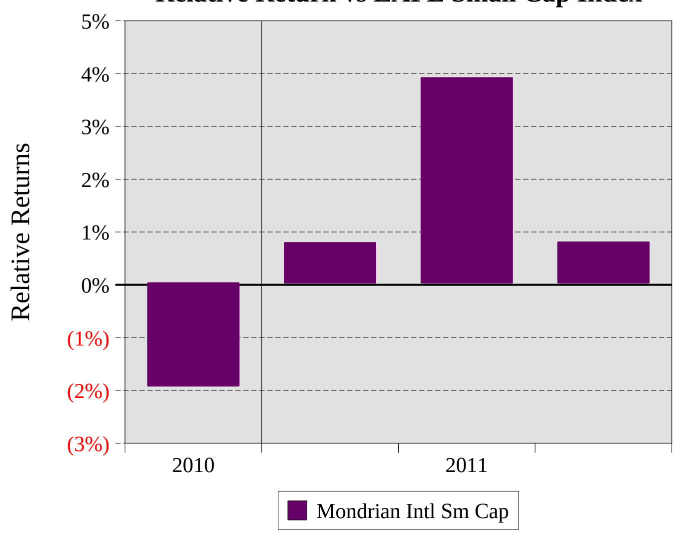
Beginning Market Value	$121,530,596
Net New Investment	$0
Investment Gains/(Losses)	$-21,611,067
Ending Market Value	$99,919,529

Performance vs Mt Fd: Intl Small-Cap Inst Load (Gross)

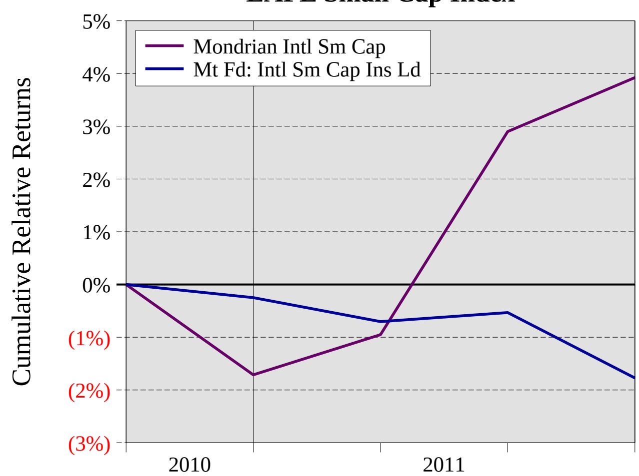


	Last Quarter	Last Year
10th Percentile	(15.52)	(2.34)
25th Percentile	(17.37)	(3.65)
Median	(19.35)	(5.74)
75th Percentile	(21.47)	(8.79)
90th Percentile	(22.93)	(11.60)
Mondrian Intl Sm Cap ●	(17.78)	(1.79)
EAFE Small Cap Index ▲	(18.59)	(5.50)

Relative Return vs EAFE Small Cap Index



Cumulative Returns vs EAFE Small Cap Index



SCHRODER INV MGMT
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

The team believes that investing in smaller companies with superior characteristics and that are undervalued in the market will deliver superior investment returns. They seek to identify quality growth companies by devoting in-house resources to identify the fundamental attractions of each company's business model, gauging the scope and visibility of growth, the risks to that growth, and the quality and focus of its management. In appraising valuations, the team aims to look further out than the market (assessing investments based on a two- to three-year time frame) and apply a disciplined fair-value methodology.

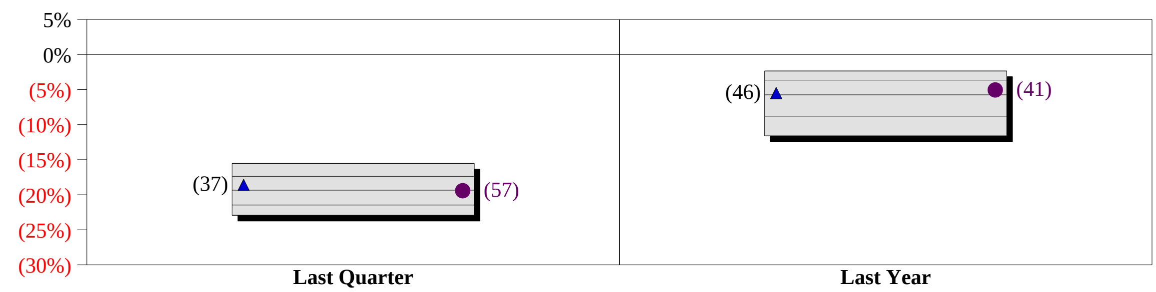
Quarterly Summary and Highlights

- Schroder Inv Mgmt's portfolio posted a (19.42)% return for the quarter placing it in the 57 percentile of the Mt Fd: Intl Small-Cap Inst Load group for the quarter and in the 41 percentile for the last year.
- Schroder Inv Mgmt's portfolio underperformed the EAFE Small Cap Index by 0.83% for the quarter and outperformed the EAFE Small Cap Index for the year by 0.45%.

Quarterly Asset Growth

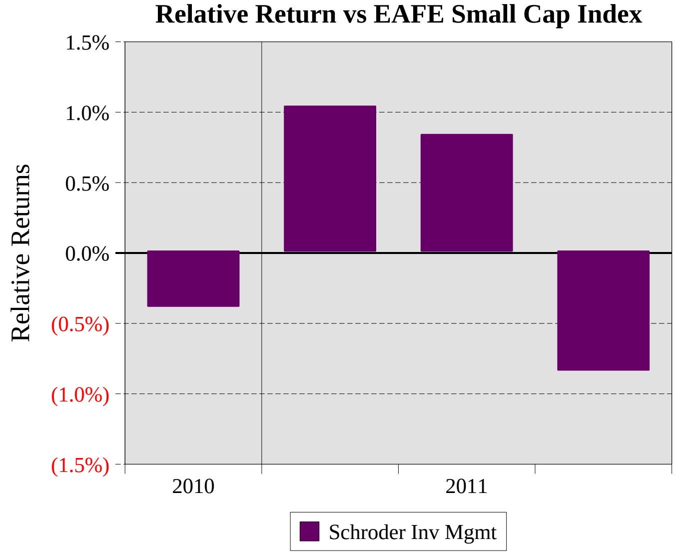
Beginning Market Value	$124,855,954
Net New Investment	$0
Investment Gains/(Losses)	$-24,250,996
Ending Market Value	$100,604,957

Performance vs Mt Fd: Intl Small-Cap Inst Load (Gross)

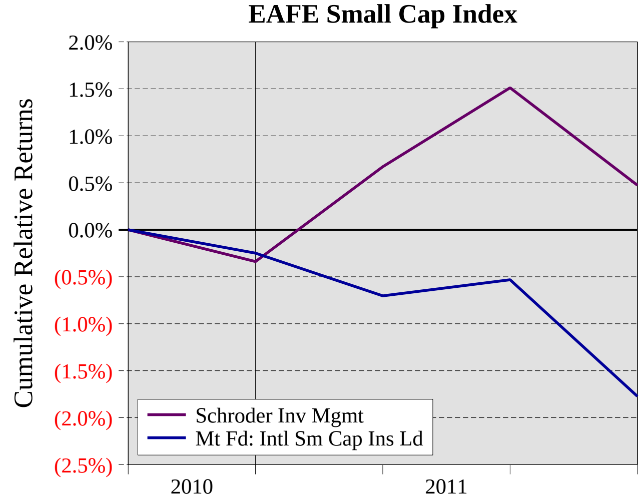


	Last Quarter	Last Year
10th Percentile	(15.52)	(2.34)
25th Percentile	(17.37)	(3.65)
Median	(19.35)	(5.74)
75th Percentile	(21.47)	(8.79)
90th Percentile	(22.93)	(11.60)
Schroder Inv Mgmt ●	(19.42)	(5.05)
EAFE Small Cap Index ▲	(18.59)	(5.50)

Relative Return vs EAFE Small Cap Index



Cumulative Returns vs EAFE Small Cap Index



Emerging Markets
Managers

EMERGING MARKET POOL
PERIOD ENDED SEPTEMBER 30, 2011

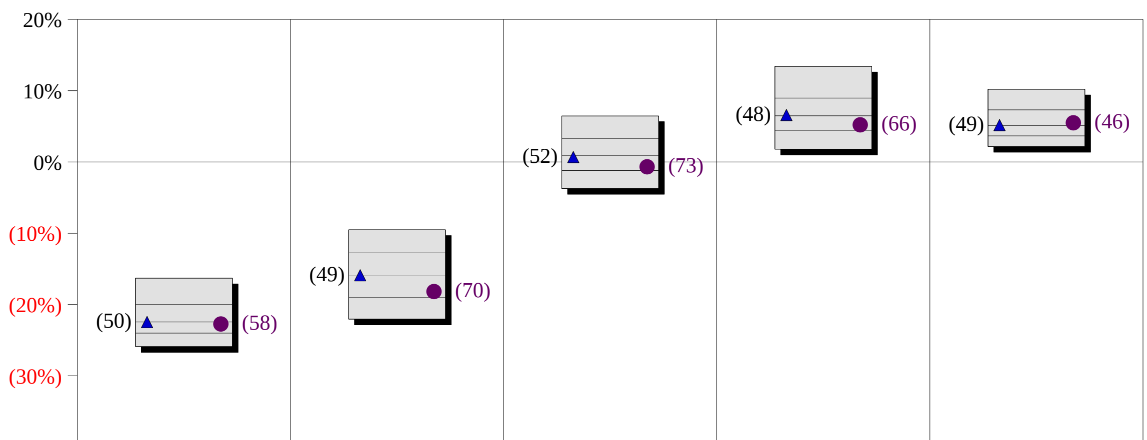
Investment Philosophy

The International Emerging Market Equity Database consists of all separate account international equity products that concentrate on newly emerging second and third world countries in the regions of the Far East, Africa, Europe, and South America.

Quarterly Summary and Highlights

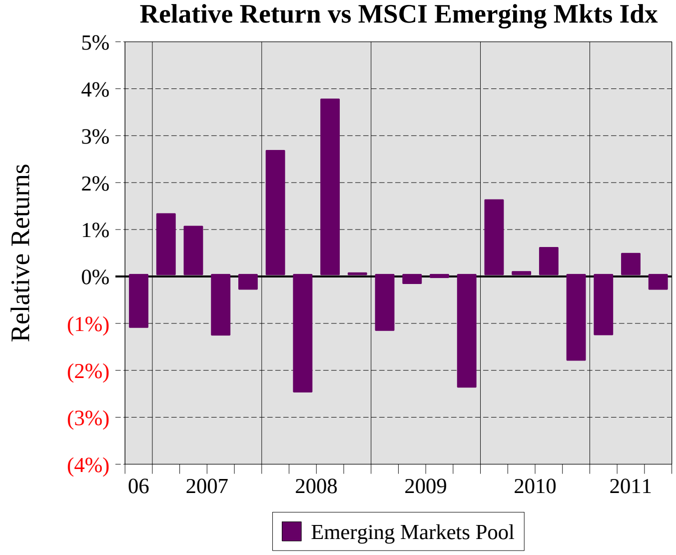
- Emerging Markets Pool’s portfolio posted a (22.73)% return for the quarter placing it in the 58 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 70 percentile for the last year.
- Emerging Markets Pool’s portfolio underperformed the MSCI Emerging Mkts Idx by 0.27% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 2.28%.

Performance vs CAI Emerging Markets Equity DB (Gross)

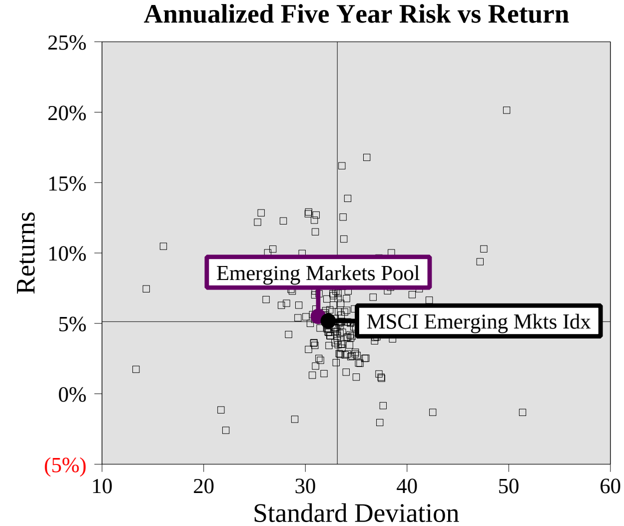


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(16.30)	(9.52)	6.45	13.42	10.20
25th Percentile	(20.01)	(12.75)	3.31	8.96	7.31
Median	(22.45)	(15.99)	0.93	6.48	5.12
75th Percentile	(24.01)	(19.04)	(1.20)	4.44	3.66
90th Percentile	(25.91)	(22.05)	(3.73)	1.79	2.17
Emerging Markets Pool ●	(22.73)	(18.17)	(0.68)	5.21	5.50
MSCI Emerging Mkts Idx ▲	(22.46)	(15.89)	0.69	6.59	5.17

Relative Return vs MSCI Emerging Mkts Idx



CAI Emerging Markets Equity DB (Gross)
Annualized Five Year Risk vs Return

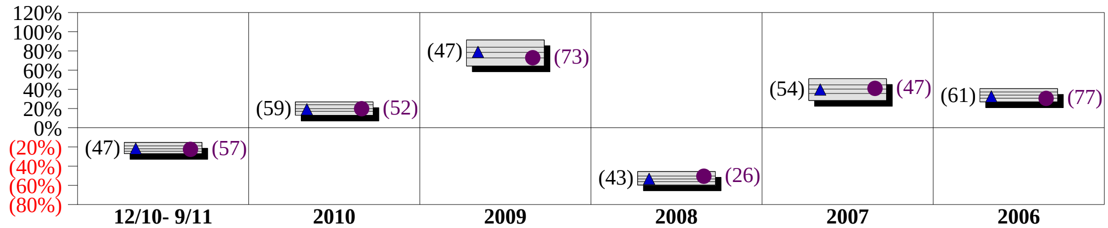


EMERGING MARKETS POOL
RETURN ANALYSIS SUMMARY

Return Analysis

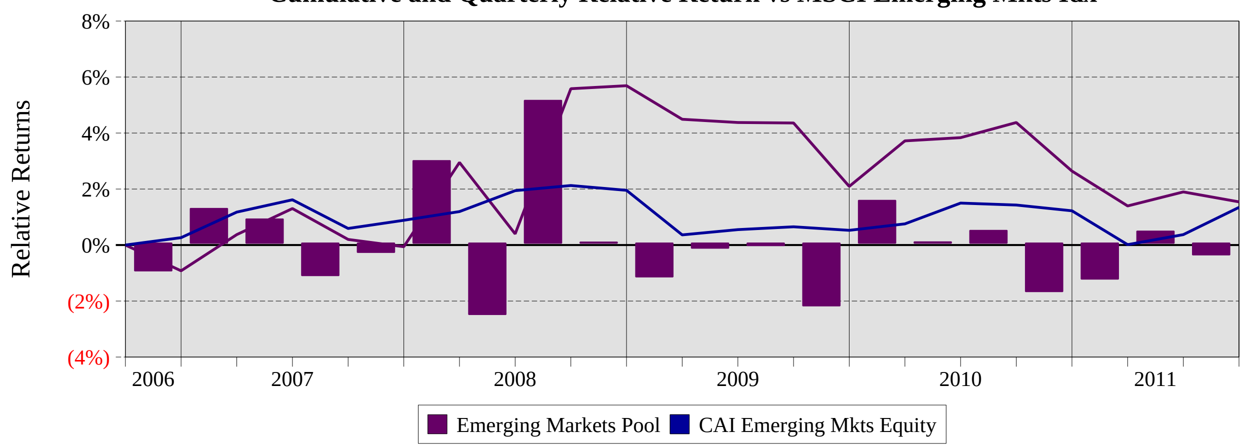
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Emerging Markets Equity DB (Gross)

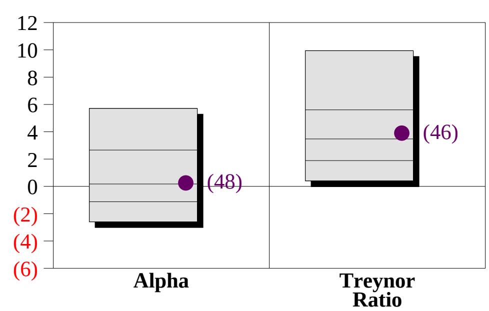


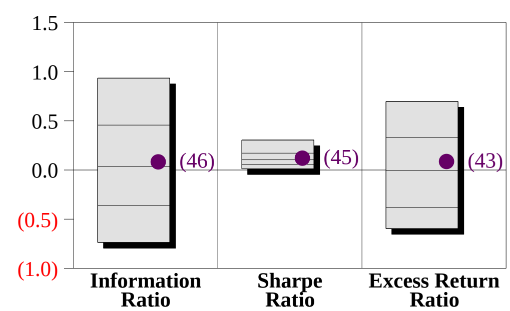
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	(15.31)	26.95	91.46	(45.62)	51.10	40.75
25th Percentile	(18.92)	23.92	83.92	(50.30)	44.64	37.25
Median	(21.95)	19.85	78.52	(53.37)	40.26	34.00
75th Percentile	(24.44)	17.14	72.71	(56.18)	35.71	30.78
90th Percentile	(26.96)	13.00	64.25	(59.73)	28.34	26.94
Emerging Markets Pool ●	(22.50)	19.83	72.93	(50.49)	40.99	30.55
MSCI Emerging Mkts Idx ▲	(21.66)	19.20	79.02	(53.18)	39.78	32.59

Cumulative and Quarterly Relative Return vs MSCI Emerging Mkts Idx



Risk Adjusted Return Measures vs MSCI Emerging Mkts Idx
Rankings Against CAI Emerging Markets Equity DB (Gross)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	5.71	9.94
25th Percentile	2.66	5.61
Median	0.18	3.47
75th Percentile	(1.12)	1.89
90th Percentile	(2.59)	0.40
Emerging Markets Pool ●	0.25	3.90

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.93	0.30	0.70
25th Percentile	0.46	0.17	0.33
Median	0.04	0.10	(0.01)
75th Percentile	(0.36)	0.06	(0.38)
90th Percentile	(0.74)	0.01	(0.60)
Emerging Markets Pool ●	0.08	0.12	0.09

CAPITAL GUARDIAN TRUST COMPANY
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Capital utilizes a multiple portfolio manager system, which enables several key decision-makers to work on each account by dividing the portfolio into smaller segments. Each manager is free to make his or her own decisions as to individual security, country, and industry selection, timing and percentage to be invested for that portion of the assets.

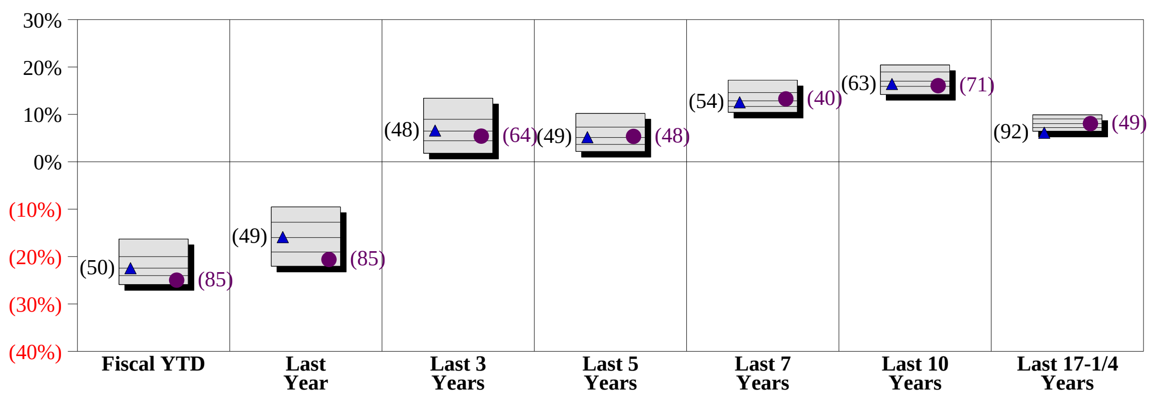
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a (24.97)% return for the quarter placing it in the 85 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 85 percentile for the last year.
- Capital Guardian's portfolio underperformed the MSCI Emerging Mkts Idx by 2.52% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 4.72%.

Quarterly Asset Growth

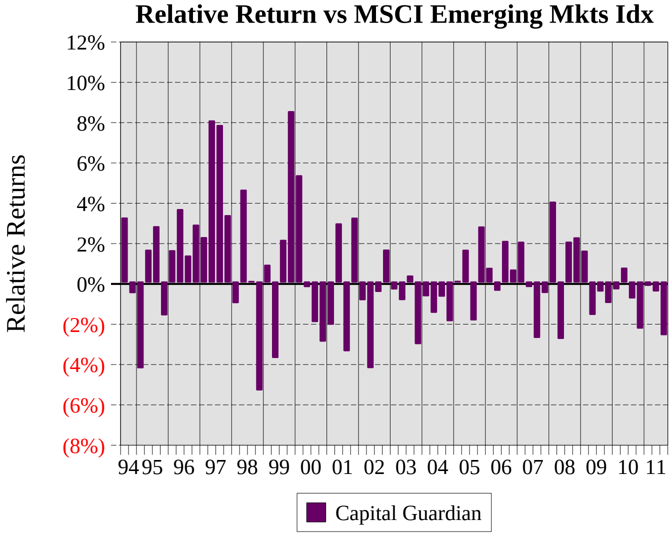
Beginning Market Value	$449,120,147
Net New Investment	$0
Investment Gains/(Losses)	$-112,166,965
Ending Market Value	$336,953,182

Performance vs CAI Emerging Markets Equity DB (Gross)

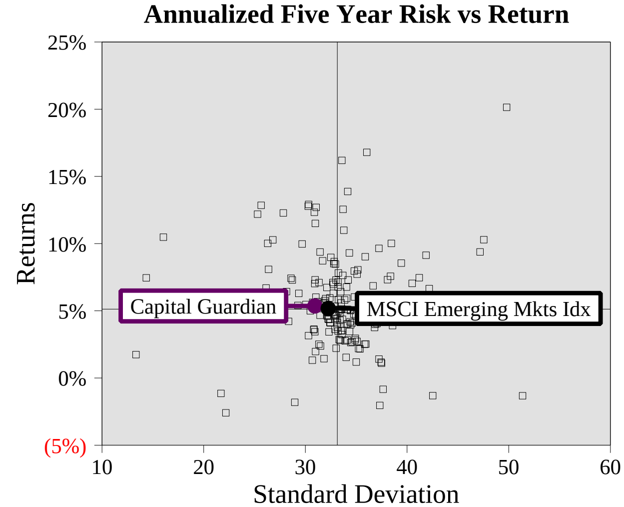


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 17-1/4 Years
10th Percentile	(16.30)	(9.52)	13.42	10.20	17.23	20.43	9.91
25th Percentile	(20.01)	(12.75)	8.96	7.31	14.60	18.95	9.05
Median	(22.45)	(15.99)	6.48	5.12	12.86	17.01	8.05
75th Percentile	(24.01)	(19.04)	4.44	3.66	11.67	15.92	7.21
90th Percentile	(25.91)	(22.05)	1.79	2.17	10.43	14.19	6.45
Capital Guardian ●	(24.97)	(20.62)	5.41	5.36	13.27	16.06	8.06
MSCI Emerging Mkts Idx ▲	(22.46)	(15.89)	6.59	5.17	12.55	16.41	6.13

Relative Return vs MSCI Emerging Mkts Idx



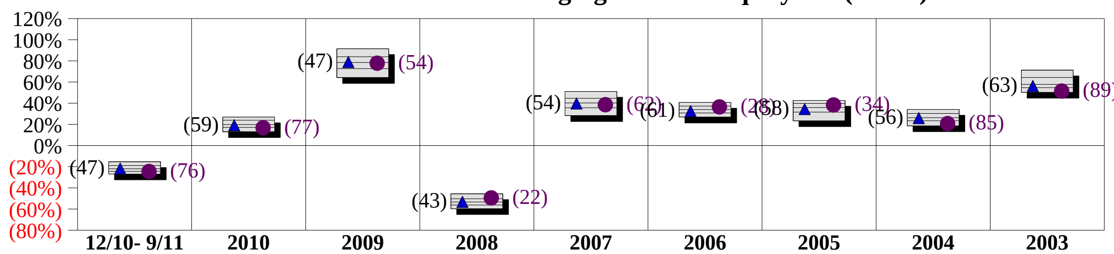
CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return



Return Analysis

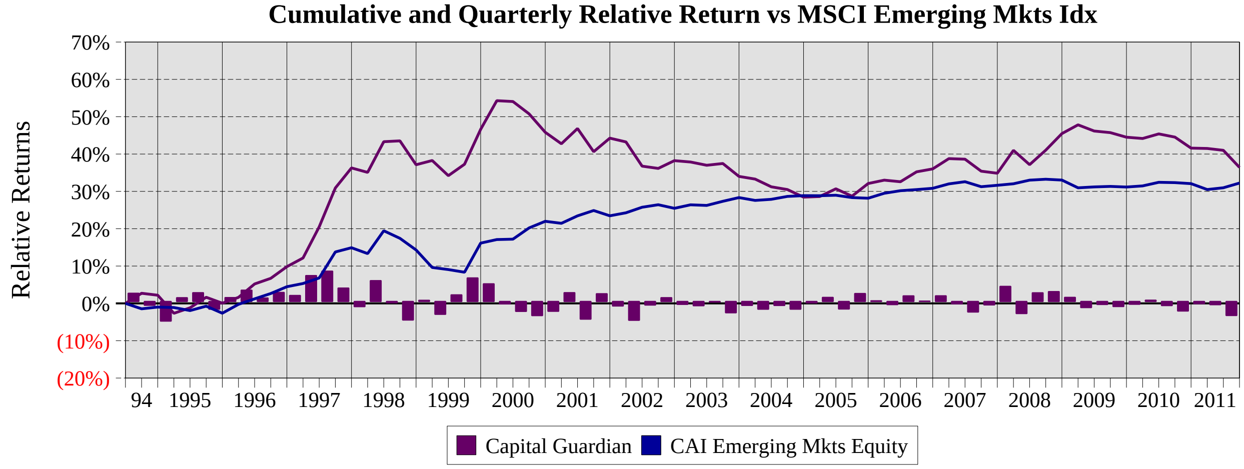
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Emerging Markets Equity DB (Gross)

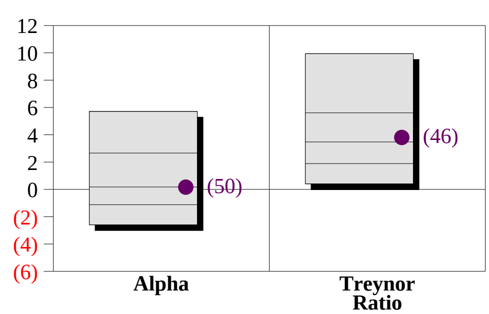


		12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile		(15.31)	26.95	91.46	(45.62)	51.10	40.75	42.62	34.11	71.30
25th Percentile		(18.92)	23.92	83.92	(50.30)	44.64	37.25	39.82	30.33	64.32
Median		(21.95)	19.85	78.52	(53.37)	40.26	34.00	35.89	26.30	57.84
75th Percentile		(24.44)	17.14	72.71	(56.18)	35.71	30.78	31.60	23.45	54.73
90th Percentile		(26.96)	13.00	64.25	(59.73)	28.34	26.94	23.33	18.56	50.25
Capital Guardian	●	(24.52)	16.79	77.82	(49.49)	38.58	36.53	38.35	20.74	51.51
MSCI Emerging Mkts Idx	▲	(21.66)	19.20	79.02	(53.18)	39.78	32.59	34.54	25.95	56.28

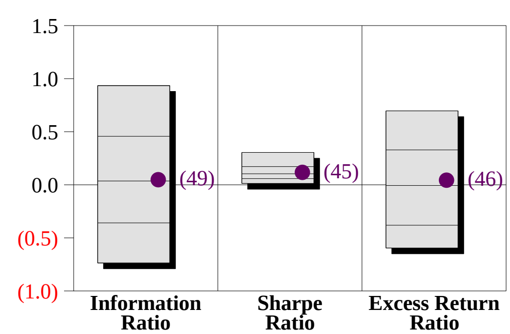
Cumulative and Quarterly Relative Return vs MSCI Emerging Mkts Idx



Risk Adjusted Return Measures vs MSCI Emerging Mkts Idx
Rankings Against CAI Emerging Markets Equity DB (Gross)
Five Years Ended September 30, 2011



		Alpha	Treynor Ratio
10th Percentile		5.71	9.94
25th Percentile		2.66	5.61
Median		0.18	3.47
75th Percentile		(1.12)	1.89
90th Percentile		(2.59)	0.40
Capital Guardian	●	0.16	3.80



		Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile		0.93	0.30	0.70
25th Percentile		0.46	0.17	0.33
Median		0.04	0.10	(0.01)
75th Percentile		(0.36)	0.06	(0.38)
90th Percentile		(0.74)	0.01	(0.60)
Capital Guardian	●	0.05	0.12	0.04

EATON VANCE
PERIOD ENDED SEPTEMBER 30, 2011

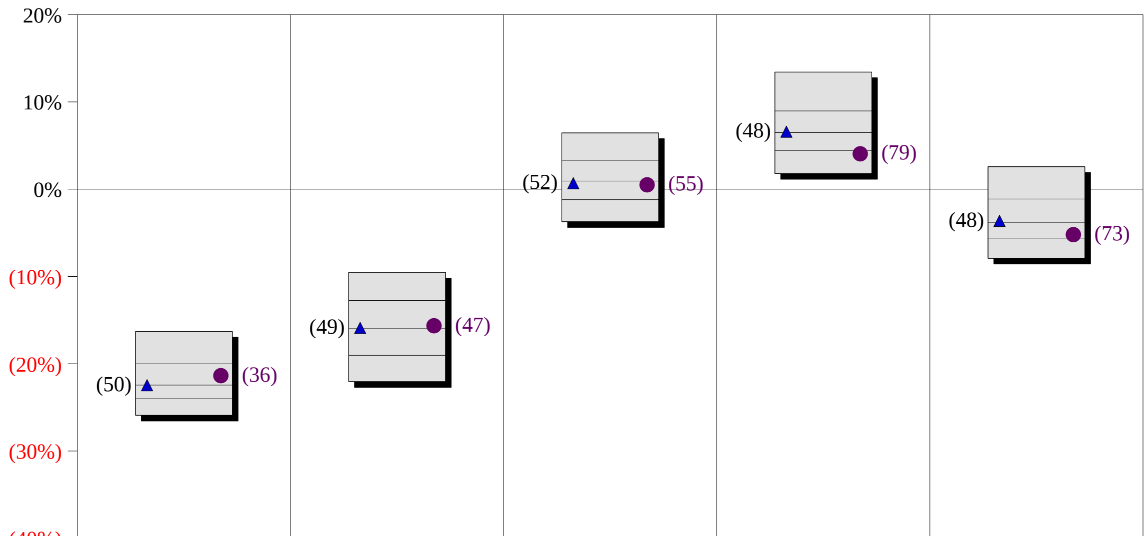
Quarterly Summary and Highlights

- Eaton Vance's portfolio posted a (21.37)% return for the quarter placing it in the 36 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 47 percentile for the last year.
- Eaton Vance's portfolio outperformed the MSCI Emerging Mkts Idx by 1.09% for the quarter and outperformed the MSCI Emerging Mkts Idx for the year by 0.25%.

Quarterly Asset Growth

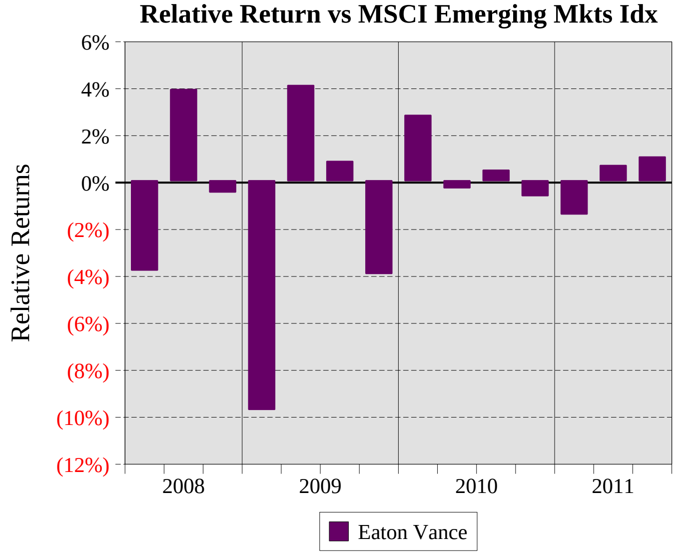
Beginning Market Value	$226,249,092
Net New Investment	$0
Investment Gains/(Losses)	$-48,340,188
Ending Market Value	$177,908,904

Performance vs CAI Emerging Markets Equity DB (Gross)

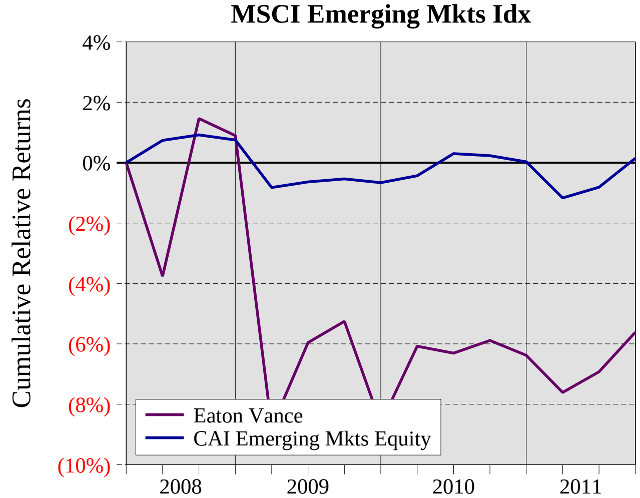


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-1/2 Years
10th Percentile	(16.30)	(9.52)	6.45	13.42	2.58
25th Percentile	(20.01)	(12.75)	3.31	8.96	(1.13)
Median	(22.45)	(15.99)	0.93	6.48	(3.80)
75th Percentile	(24.01)	(19.04)	(1.20)	4.44	(5.61)
90th Percentile	(25.91)	(22.05)	(3.73)	1.79	(7.92)
Eaton Vance ●	(21.37)	(15.65)	0.50	4.05	(5.21)
MSCI Emerging Mkts Idx ▲	(22.46)	(15.89)	0.69	6.59	(3.63)

Relative Return vs MSCI Emerging Mkts Idx



Cumulative Returns vs MSCI Emerging Mkts Idx



LAZARD EMERGING
PERIOD ENDED SEPTEMBER 30, 2011

Investment Philosophy

Lazard employs a bottom-up stock selection process focusing on companies which are financially productive yet inexpensively priced.

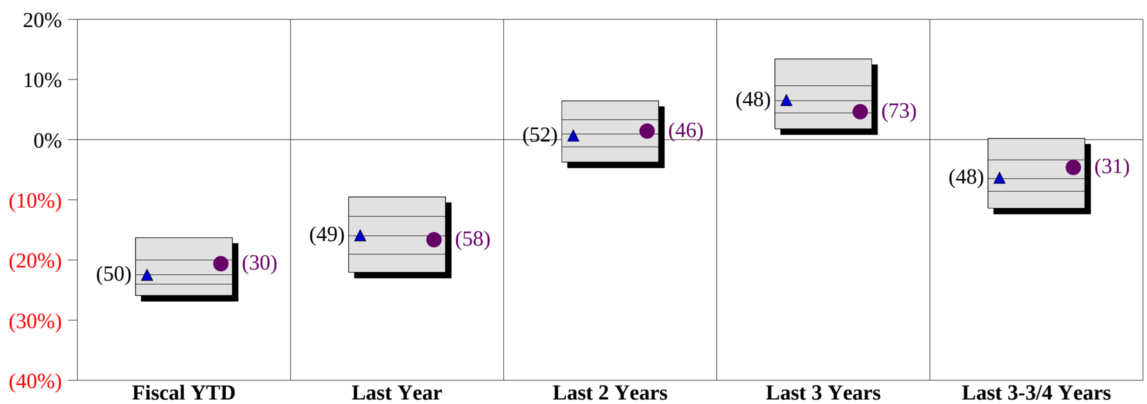
Quarterly Summary and Highlights

- Lazard Emerging's portfolio posted a (20.62)% return for the quarter placing it in the 30 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 58 percentile for the last year.
- Lazard Emerging's portfolio outperformed the MSCI Emerging Mkts Idx by 1.84% for the quarter and underperformed the MSCI Emerging Mkts Idx for the year by 0.75%.

Quarterly Asset Growth

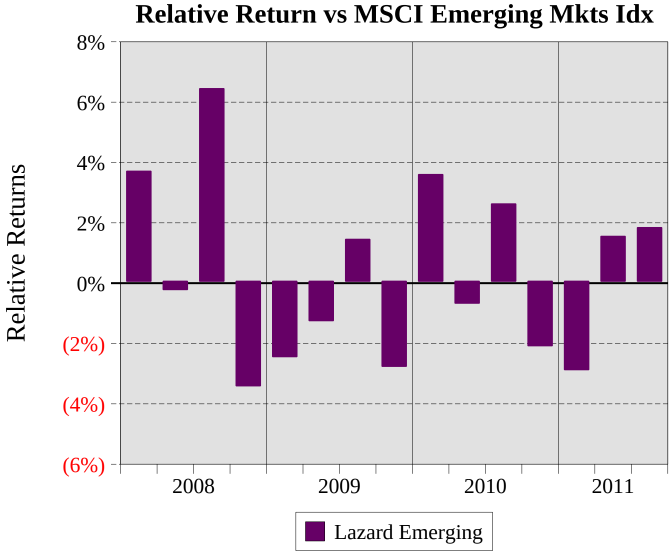
Beginning Market Value	$304,859,062
Net New Investment	$42,000,000
Investment Gains/(Losses)	$-67,352,286
Ending Market Value	$279,506,776

Performance vs CAI Emerging Markets Equity DB (Gross)

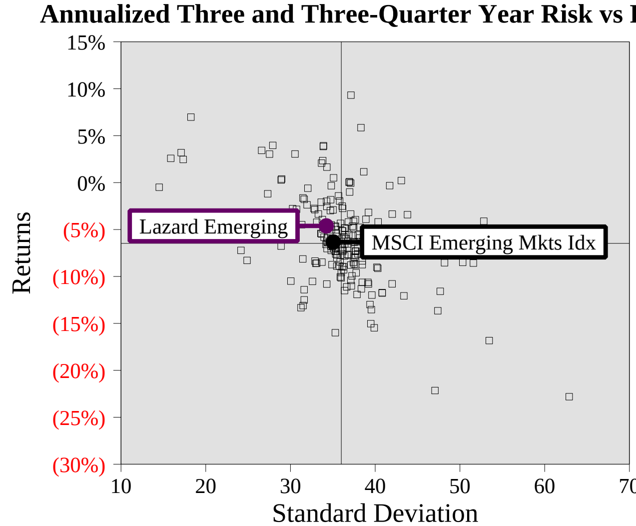


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 3-3/4 Years
10th Percentile	(16.30)	(9.52)	6.45	13.42	0.21
25th Percentile	(20.01)	(12.75)	3.31	8.96	(3.37)
Median	(22.45)	(15.99)	0.93	6.48	(6.48)
75th Percentile	(24.01)	(19.04)	(1.20)	4.44	(8.59)
90th Percentile	(25.91)	(22.05)	(3.73)	1.79	(11.40)
Lazard Emerging ●	(20.62)	(16.64)	1.43	4.64	(4.61)
MSCI Emerging Mkts Idx ▲	(22.46)	(15.89)	0.69	6.59	(6.33)

Relative Return vs MSCI Emerging Mkts Idx



CAI Emerging Markets Equity DB (Gross)
Annualized Three and Three-Quarter Year Risk vs Return



Global Equity Manager

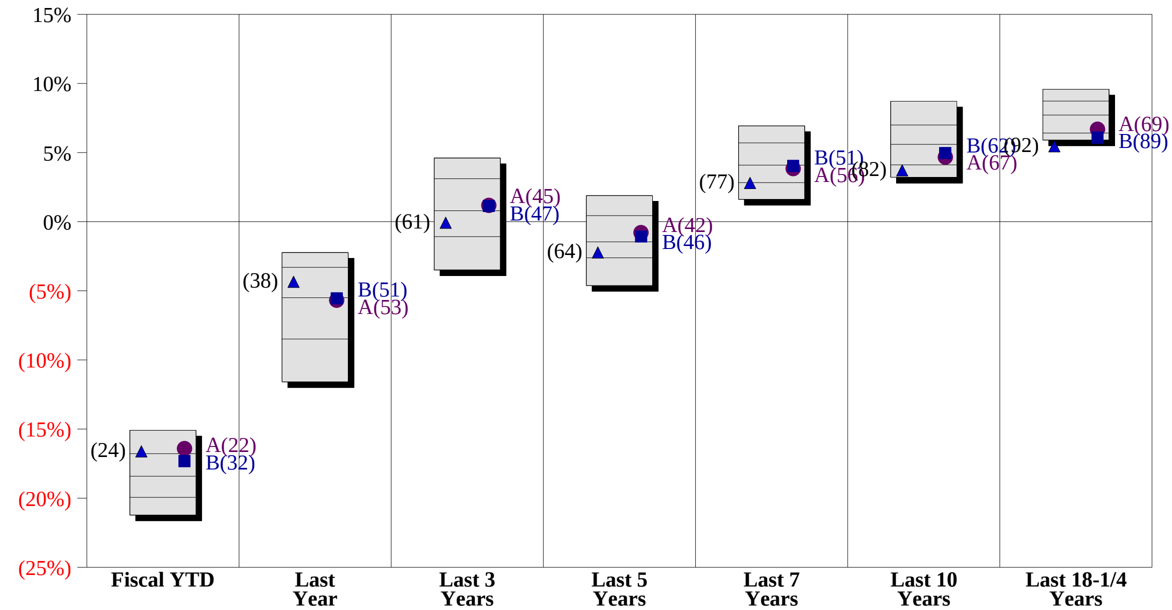
Quarterly Summary and Highlights

- Lazard Global's portfolio posted a (16.41)% return for the quarter placing it in the 22 percentile of the CAI Global Equity Broad Style group for the quarter and in the 53 percentile for the last year.
- Lazard Global's portfolio outperformed the MSCI World Index by 0.20% for the quarter and underperformed the MSCI World Index for the year by 1.33%.

Quarterly Asset Growth

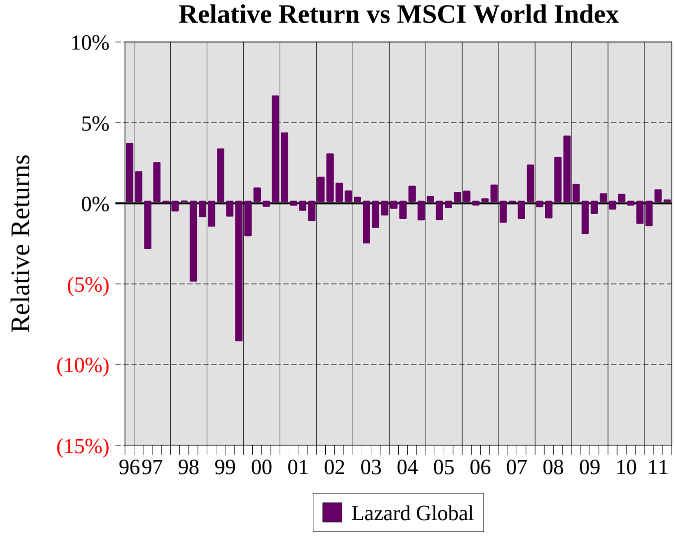
Beginning Market Value	$814,237,027
Net New Investment	$-120,700,000
Investment Gains/(Losses)	$-122,004,783
Ending Market Value	$571,532,244

Performance vs CAI Global Equity Broad Style (Gross)

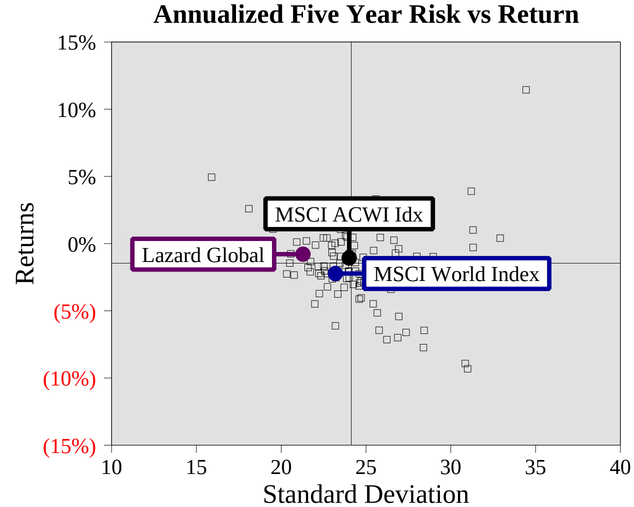


	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 18-1/4 Years
10th Percentile	(15.09)	(2.23)	4.61	1.89	6.93	8.71	9.58
25th Percentile	(16.78)	(3.30)	3.11	0.44	5.70	6.99	8.72
Median	(18.41)	(5.50)	0.79	(1.46)	4.09	5.60	7.71
75th Percentile	(19.94)	(8.49)	(1.08)	(2.61)	2.83	4.11	6.41
90th Percentile	(21.22)	(11.59)	(3.49)	(4.62)	1.62	3.21	5.90
Lazard Global ● A	(16.41)	(5.68)	1.18	(0.79)	3.84	4.67	6.69
MSCI ACWI Idx ■ B	(17.33)	(5.54)	1.14	(1.07)	4.04	4.96	6.07
MSCI World Index ▲	(16.61)	(4.35)	(0.07)	(2.23)	2.80	3.71	5.46

Relative Return vs MSCI World Index



CAI Global Equity Broad Style (Gross) Annualized Five Year Risk vs Return

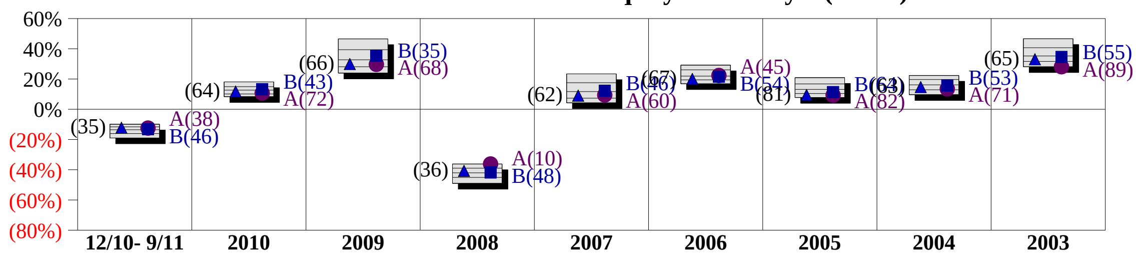


LAZARD ASSET MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

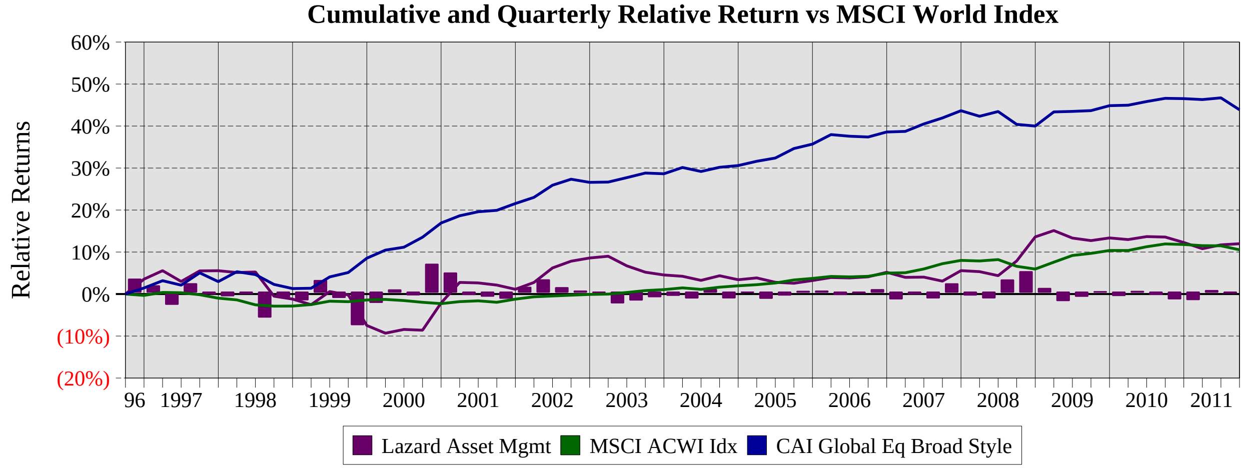
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Global Equity Broad Style (Gross)

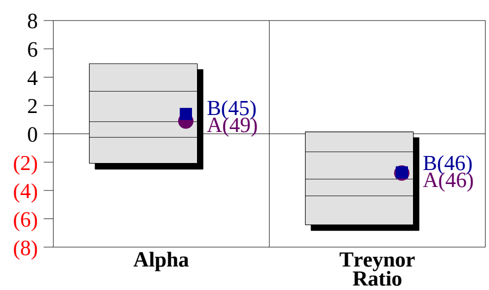


	12/10- 9/11	2010	2009	2008	2007	2006	2005	2004	2003
10th Percentile	(9.89)	18.10	46.57	(36.19)	23.41	29.21	20.91	22.36	46.65
25th Percentile	(11.61)	14.96	39.41	(38.97)	17.56	26.07	16.77	19.68	40.71
Median	(13.54)	12.67	32.73	(42.04)	11.69	21.94	13.15	16.14	35.25
75th Percentile	(16.08)	10.12	28.13	(45.08)	7.35	19.42	10.42	12.90	31.68
90th Percentile	(18.99)	8.33	23.94	(49.03)	4.27	16.87	7.76	9.66	28.12
Lazard Asset Mgmt ● A	(12.43)	10.70	29.70	(36.20)	9.45	22.34	9.29	13.48	28.15
MSCI ACWI Idx ■ B	(13.20)	13.21	35.41	(41.85)	12.18	21.53	11.37	15.75	34.63
MSCI World Index ▲	(12.20)	11.76	29.99	(40.71)	9.04	20.07	9.49	14.72	33.11

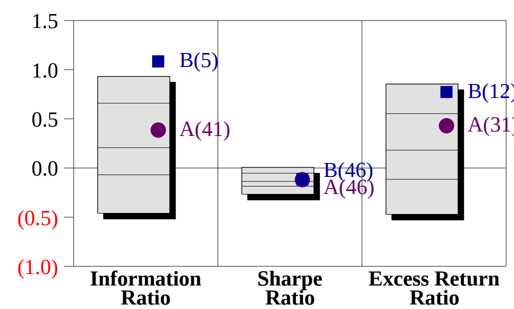
Cumulative and Quarterly Relative Return vs MSCI World Index



Risk Adjusted Return Measures vs MSCI World Index
Rankings Against CAI Global Equity Broad Style (Gross)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	4.95	0.14
25th Percentile	3.01	(1.27)
Median	0.86	(3.20)
75th Percentile	(0.25)	(4.38)
90th Percentile	(2.08)	(6.43)
Lazard Asset Mgmt ● A	0.90	(2.77)
MSCI ACWI Idx ■ B	1.41	(2.72)



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.93	0.01	0.85
25th Percentile	0.66	(0.05)	0.55
Median	0.21	(0.14)	0.18
75th Percentile	(0.07)	(0.19)	(0.12)
90th Percentile	(0.46)	(0.27)	(0.47)
Lazard Asset Mgmt ● A	0.39	(0.12)	0.43
MSCI ACWI Idx ■ B	1.09	(0.12)	0.77

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2011. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2011

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
Real Assets(prelim)	**0.64%**	**13.30%**	**(2.57%)**	**-**
Real Assets Target (1)	3.04%	12.81%	1.73%	5.42%
Real Estate Pool(prelim)	0.07%	16.55%	(7.50%)	(1.49%)
Real Estate Target (2)	1.46%	14.69%	(0.73%)	3.33%
Private Real Estate(prelim)	2.19%	18.78%	(7.67%)	(1.31%)
NCREIF Total Index	3.30%	16.10%	(1.45%)	3.40%
REIT Internal Portfolio	(14.77%)	1.23%	(3.39%)	(4.09%)
NAREIT Equity Index	(15.07%)	0.93%	(1.99%)	(2.43%)
Total Farmland	0.61%	9.63%	6.96%	9.43%
UBS Agrivest	0.63%	10.88%	6.53%	9.69%
Hancock Agricultural	0.58%	7.66%	7.98%	9.52%
ARMB Farmland Target (3)	2.35%	11.57%	9.09%	11.97%
Total Timber	0.59%	5.02%	-	-
Timberland Investment Resources	0.72%	4.61%	-	-
Hancock Timber	0.39%	5.15%	-	-
NCREIF Timberland Index	(0.35%)	0.26%	(0.43%)	5.82%
TIPS Internal Portfolio	4.87%	10.63%	8.39%	-
BC US TIPS Index	4.51%	9.87%	8.13%	7.10%
Total Energy Funds *	0.45%	7.49%	4.19%	11.61%
CPI + 5%	1.77%	9.38%	6.34%	7.43%

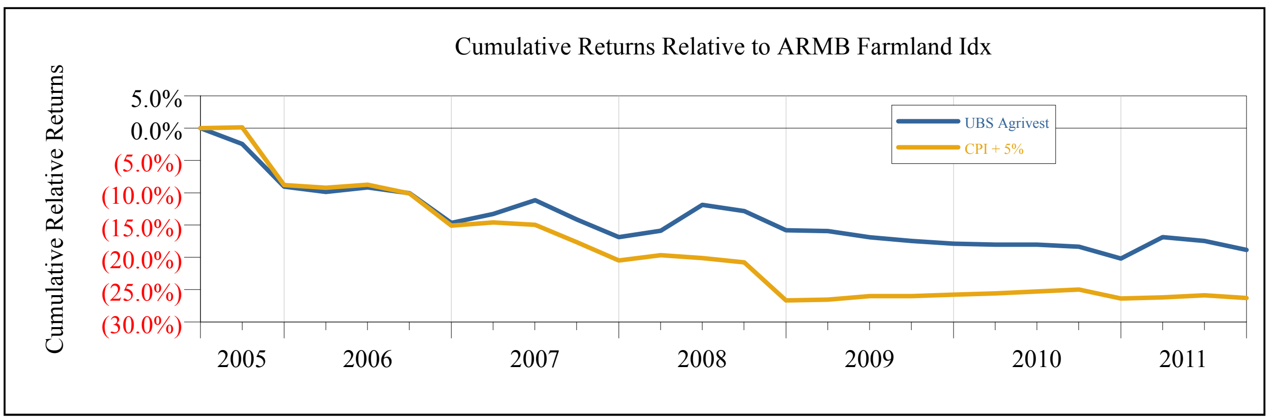
(1) Real Assets Target is 60% NCREIF Property Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index, and 20% Barclays Capital US TIPS Index.
(2) ARMB Custom Real Estate Target is 90% NCREIF Property Index and 10% FTSE NAREIT All Equity REIT Index.
(3) ARMB Custom Farmland Target is leased-only properties in the NCREIF Farmland Index reweighted to reflect 90% row crops and 10% permanent crops until 1/1/08 and 80% row crops and 20% permanent crops thereafter .
Farmland and Timber data supplied by the manager and may vary from State Street returns due to timing variations.
* Return data supplied by State Street.

Farmland Manager Summary Page
UBS Agrivest

Investment Philosophy: Core US Domestic Farmland Separate Account

	Last Quarter	Last Year	Since Inception
Income	0.63%	3.73%	4.23%
Appreciation	0.00%	6.94%	4.77%
Total	**0.63%**	**10.88%**	**9.16%**

As of quarter end:	
Portfolio Market Value	347,482,858
Number of Properties	64
Acres	95,326
Row Crops % of MV	86%
Permanent Crops % of MV	14%



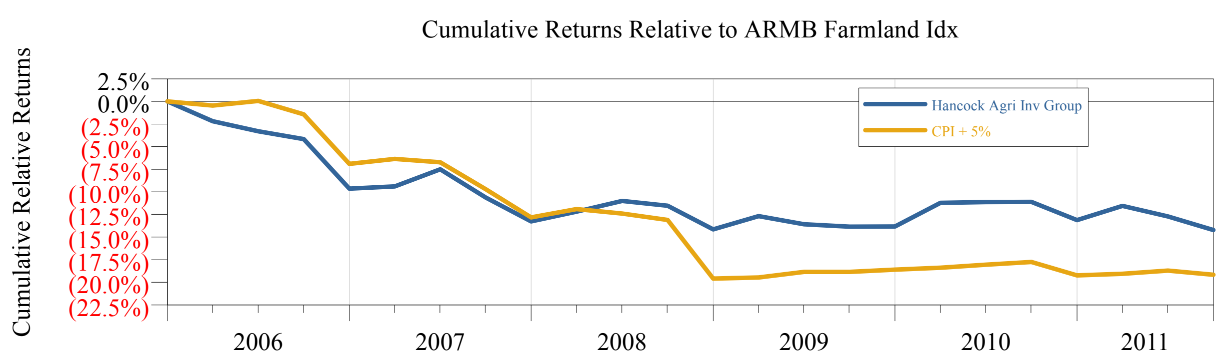
Region:	
Pacific West	25%
Mountain	25%
Delta	17%
Southern Plains	11%
Corn Belt	10%
Pacific Northwest	7%
Southeast	5%
Total	100.00%

Farmland Manager Summary Page
Hancock Agricultural Investment Group

Investment Philosophy: Core US Domestic Farmland Separate Account

	Last Quarter	Last Year	Since Inception
Income	0.59%	5.96%	4.97%
Appreciation	0.00%	1.66%	3.73%
Total	**0.58%**	**7.66%**	**8.84%**

As of quarter end:	
Portfolio Market Value	215,000,000
Number of Properties	27
Acres	64,506
Row Crops % of MV	82%
Permanent Crops % of MV	18%



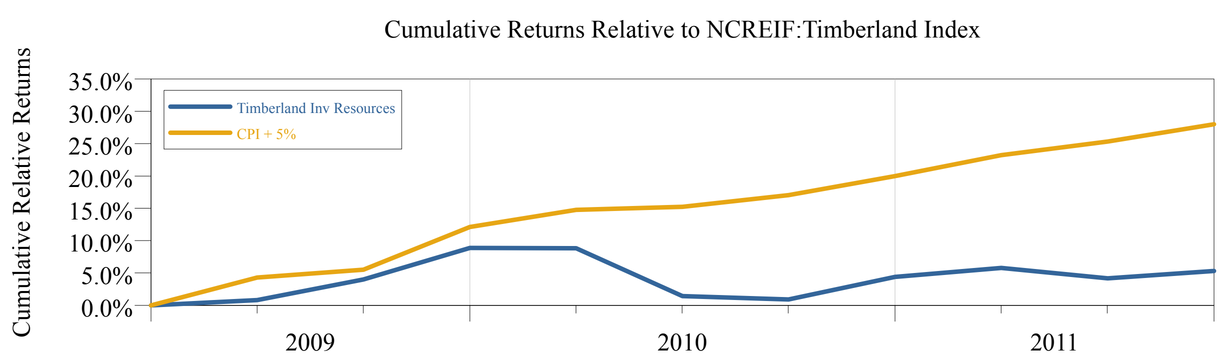
Region:	
Pacific West	18%
Mountain	18%
Delta	18%
Southern Plains	21%
Corn Belt	17%
Pacific Northwest	3%
Southeast	1%
Other	4%
Total	100.00%

Timberland Manager Summary Page
Timberland Investment Resources

Investment Philosophy: Core US Domestic Timberland Separate Account

	Last Quarter	Last Year	Since Inception
Income	(0.39%)	(1.21%)	(1.33%)
Appreciation	1.12%	5.88%	5.40%
Total	**0.72%**	**4.61%**	**4.02%**

As of quarter end:		
Portfolio Market Value	116,460,000	
Number of Properties	6	
Acres	72,686	
Softwoods % of MV	37%	(Excludes MV of Land and Cash)
Hardwoods % of MV	10%	



Region:	
South	100%
Pacific Northwest	0%
Northeast	0%
Lake States	0%
Total	100%

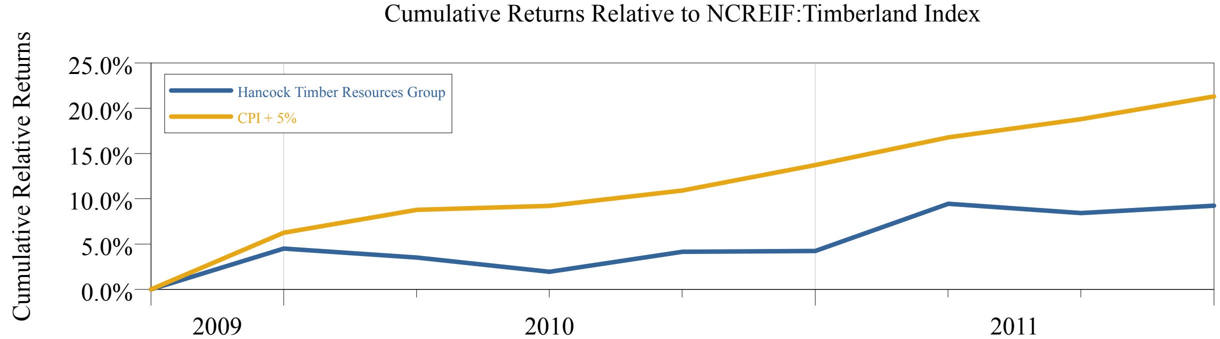
Timberland Manager Summary Page
Hancock Timber Resource Group

Investment Philosophy: Core US Domestic Timberland Separate Account

	Last Quarter	Last Year	Since Inception
Income	0.39%	(0.88%)	(1.50%)
Appreciation	0.00%	6.03%	3.45%
Total	**0.39%**	**5.15%**	**1.93%**

As of quarter end:		
Portfolio Market Value	73,912,632	
Number of Properties	3	
Acres	36,524	
Softwoods % of MV	18%	(Excludes MV of Land and Cash)
Hardwoods % of MV	8%	

Cumulative Returns Relative to NCREIF:Timberland Index



Region:	
South	51%
Pacific Northwest	49%
Northeast	0%
Lake States	0%
Total	100%

REIT HOLDINGS
PERIOD ENDED SEPTEMBER 30, 2011

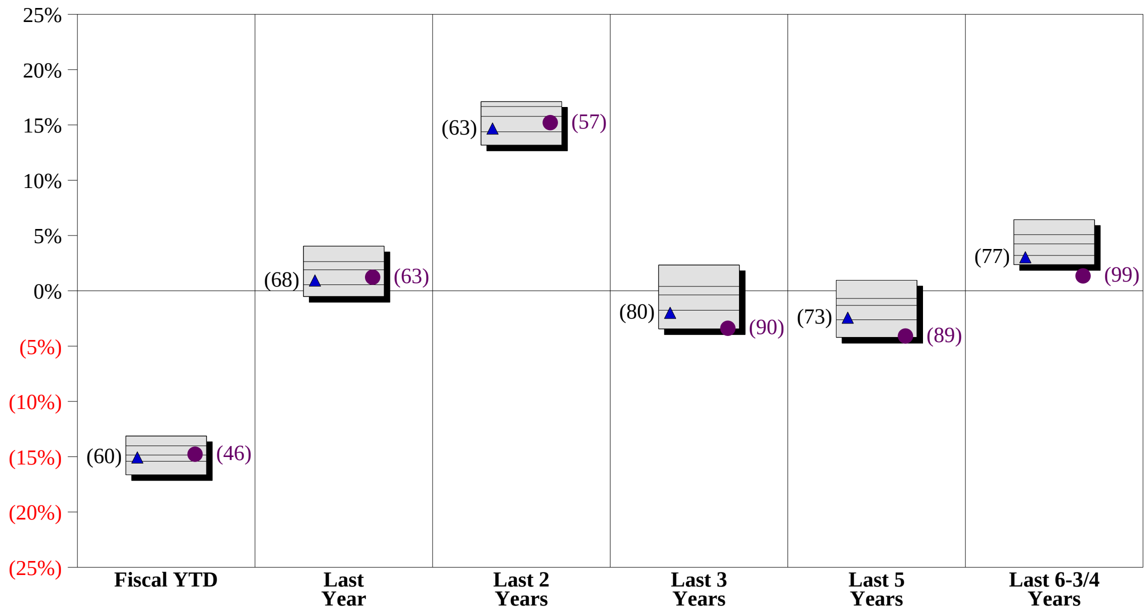
Quarterly Summary and Highlights

- REIT Holdings's portfolio posted a (14.77)% return for the quarter placing it in the 46 percentile of the CAI Real Estate-REIT DB group for the quarter and in the 63 percentile for the last year.
- REIT Holdings's portfolio outperformed the NAREIT All Equity Index by 0.30% for the quarter and outperformed the NAREIT All Equity Index for the year by 0.30%.

Quarterly Asset Growth

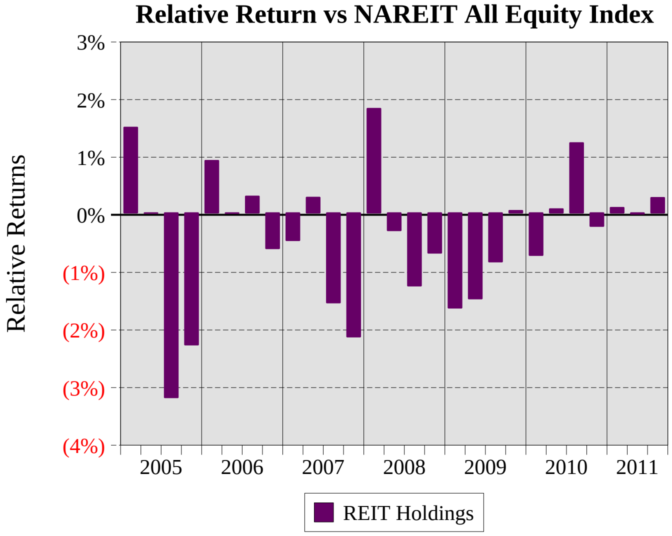
Beginning Market Value	$165,539,136
Net New Investment	$0
Investment Gains/(Losses)	$-24,455,474
Ending Market Value	$141,083,662

Performance vs CAI Real Estate-REIT DB (Gross)

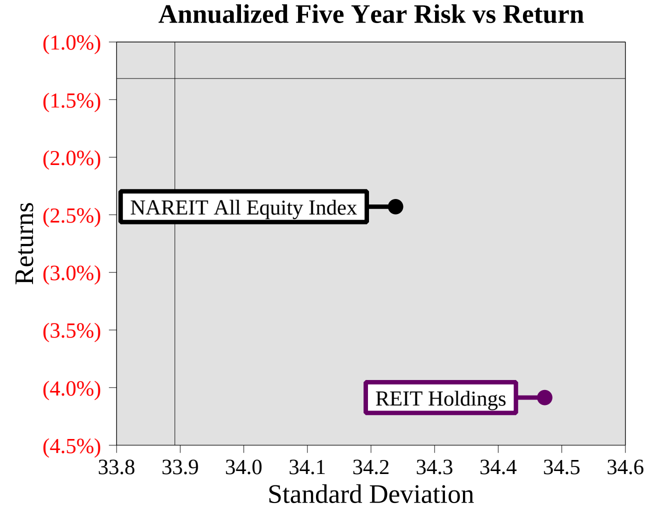


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(13.13)	4.04	17.11	2.33	0.95	6.43
25th Percentile	(14.02)	2.64	16.66	0.40	(0.69)	5.08
Median	(14.85)	1.90	15.77	(0.37)	(1.32)	4.24
75th Percentile	(15.41)	0.55	14.38	(1.76)	(2.62)	3.20
90th Percentile	(16.64)	(0.51)	13.17	(3.44)	(4.21)	2.37
REIT Holdings ●	(14.77)	1.23	15.21	(3.39)	(4.09)	1.35
NAREIT All Equity Index ▲	(15.07)	0.93	14.67	(1.99)	(2.43)	3.04

Relative Return vs NAREIT All Equity Index



CAI Real Estate-REIT DB (Gross)
Annualized Five Year Risk vs Return

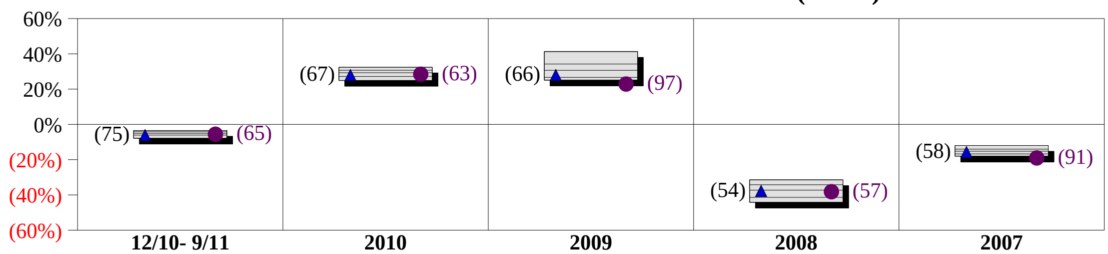


REIT HOLDINGS
RETURN ANALYSIS SUMMARY

Return Analysis

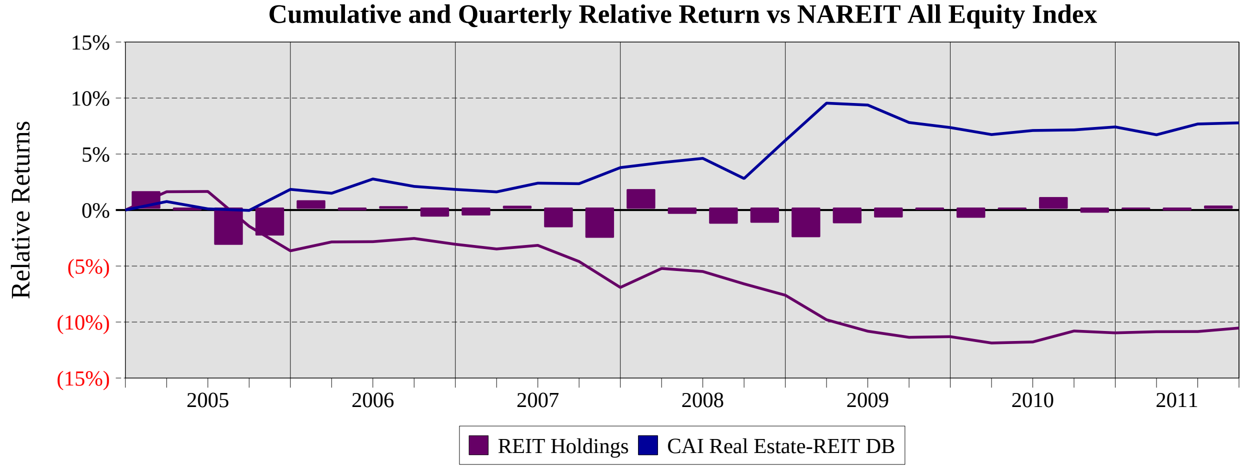
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs CAI Real Estate-REIT DB (Gross)

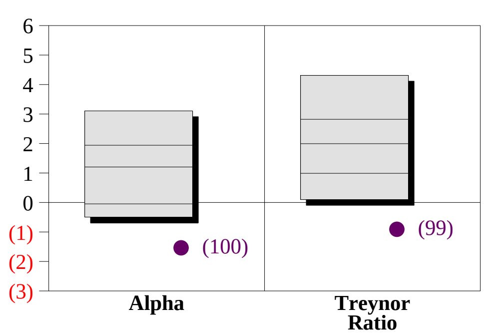


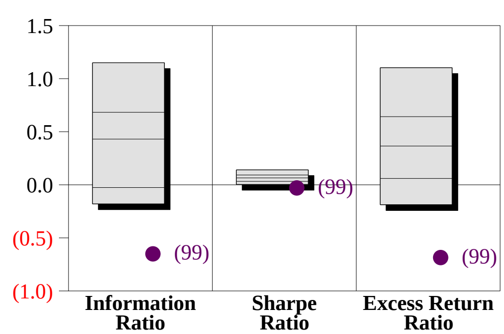
	12/10- 9/11	2010	2009	2008	2007
10th Percentile	(3.46)	32.40	41.29	(31.42)	(11.98)
25th Percentile	(4.14)	30.70	34.23	(34.23)	(14.06)
Median	(5.04)	29.32	30.67	(37.29)	(15.24)
75th Percentile	(6.06)	27.17	26.68	(41.37)	(16.75)
90th Percentile	(7.89)	24.89	25.08	(44.19)	(18.04)
REIT Holdings ●	(5.60)	28.44	22.87	(38.19)	(19.04)
NAREIT All Equity Index ▲	(6.05)	27.95	27.99	(37.72)	(15.69)

Cumulative and Quarterly Relative Return vs NAREIT All Equity Index



Risk Adjusted Return Measures vs NAREIT All Equity Index
Rankings Against CAI Real Estate-REIT DB (Gross)
Six and Three-Quarter Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	3.11	4.31
25th Percentile	1.94	2.82
Median	1.20	1.99
75th Percentile	(0.05)	0.99
90th Percentile	(0.50)	0.10
REIT Holdings ●	(1.54)	(0.91)

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	1.15	0.14	1.10
25th Percentile	0.68	0.09	0.64
Median	0.43	0.07	0.36
75th Percentile	(0.03)	0.03	0.06
90th Percentile	(0.18)	0.00	(0.19)
REIT Holdings ●	(0.65)	(0.03)	(0.69)

REIT HOLDINGS
TOP 10 PORTFOLIO HOLDINGS CHARACTERISTICS
AS OF SEPTEMBER 30, 2011

10 Largest Holdings

Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
Simon Property Group	Financials	$14,113,844	10.1%	(4.74)%	32.26	38.45	2.91%	21.40%
Equity Residential	Financials	$6,395,571	4.6%	(13.02)%	15.28	47.15	2.60%	49.62%
Boston Properties	Financials	$6,077,511	4.3%	(15.72)%	12.97	54.33	2.24%	18.55%
Hcp Inc	Financials	$5,976,328	4.3%	(3.21)%	14.24	20.50	5.48%	1.32%
Ventas	Financials	$5,965,742	4.3%	(5.47)%	14.24	32.50	3.63%	(1.03)%
Public Storage	Financials	$5,965,019	4.3%	(1.58)%	19.00	32.00	3.41%	35.00%
Vornado Realty Trust	Financials	$5,769,395	4.1%	(19.18)%	13.75	20.28	3.70%	(3.51)%
Prologis Inc Com	Financials	$5,309,707	3.8%	(31.73)%	11.02	(303.13)	4.62%	(25.75)%
Avalonbay Communities	Financials	$5,123,354	3.7%	(10.52)%	10.73	46.74	3.13%	8.00%
Host Hotels & Resorts Inc	Financials	$3,770,011	2.7%	(35.75)%	7.51	54.70	1.46%	10.00%

10 Best Performers

Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
National Retail Properties I	Financials	$1,019,448	0.7%	11.29%	2.53	27.99	5.73%	(15.31)%
American Campus Cmntys Inc	Financials	$1,417,329	1.0%	5.56%	2.54	53.93	3.63%	(22.04)%
Retail Opportunity Invts Cor	Financials	$430,347	0.3%	2.81%	0.47	58.32	3.61%	-
Equity Lifestyle Pptys Inc	Financials	$1,361,844	1.0%	0.76%	2.39	38.23	2.39%	3.00%
Public Storage	Financials	$5,965,019	4.3%	(1.58)%	19.00	32.00	3.41%	35.00%
Tanger Factory Outlet	Financials	$932,459	0.7%	(2.31)%	2.11	39.41	3.08%	1.97%
Realty Income Corp	Financials	$1,771,588	1.3%	(2.48)%	4.29	28.03	5.40%	(0.97)%
Fed Realty Invt Tr Sh Ben Int New	Financials	$1,410,035	1.0%	(2.84)%	5.13	36.30	3.35%	2.70%
Hcp Inc	Financials	$5,976,328	4.3%	(3.21)%	14.24	20.50	5.48%	1.32%
Natl Health Investors	Financials	$551,903	0.4%	(3.93)%	1.17	15.90	5.84%	2.59%

10 Worst Performers

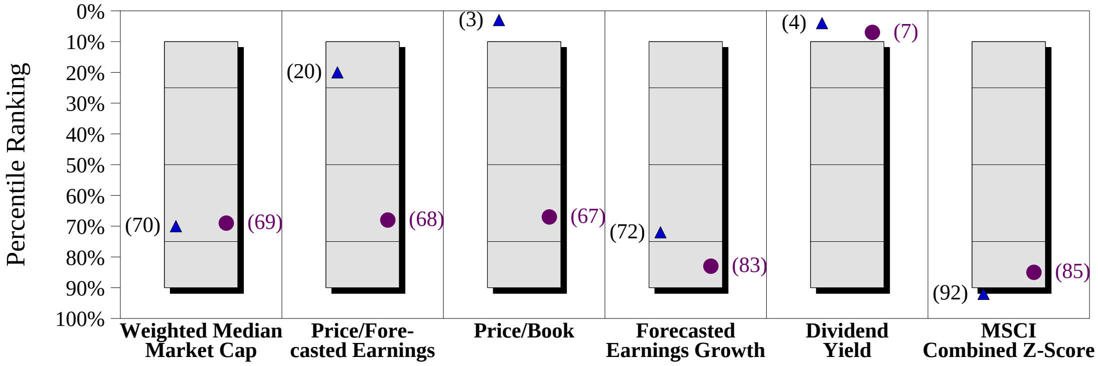
Stock	Sector	Ending Market Value	Percent of Portfolio	Qtrly Return	Market Capital	Price/ Forecasted Earnings Ratio	Dividend Yield	Forecasted Growth in Earnings
Pennsylvania Rl Estate Invt Sh Ben I	Financials	$236,074	0.2%	(50.05)%	0.43	4.63	7.76%	(22.54)%
Ashford Hospitality Tr Inc Com Shs	Financials	$258,055	0.2%	(43.51)%	0.48	16.33	5.70%	8.84%
Getty Rlty Corp New	Financials	$182,701	0.1%	(42.02)%	0.48	11.92	6.93%	9.02%
Sunstone Hotel Invs Inc New	Financials	$345,042	0.2%	(38.65)%	0.67	113.80	0.00%	6.00%
Hersha Hospitality Tr Sh Ben Int A	Financials	$306,245	0.2%	(37.24)%	0.59	(86.50)	6.94%	40.10%
Cbl & Assoc Pptys Inc	Financials	$330,917	0.2%	(36.49)%	1.69	23.18	7.39%	(20.14)%
Host Hotels & Resorts Inc	Financials	$3,770,011	2.7%	(35.75)%	7.51	54.70	1.46%	10.00%
Diamondrock Hospitality Co	Financials	$551,015	0.4%	(34.79)%	1.17	38.83	4.58%	(49.90)%
Cousins Pptys Inc	Financials	$309,055	0.2%	(31.91)%	0.61	(39.00)	3.08%	(39.30)%
Prologis Inc Com	Financials	$5,309,707	3.8%	(31.73)%	11.02	(303.13)	4.62%	(25.75)%

REIT HOLDINGS
EQUITY CHARACTERISTICS ANALYSIS SUMMARY

Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Portfolio Characteristics Percentile Rankings
Rankings Against CAI Real Estate-REIT DB
as of September 30, 2011

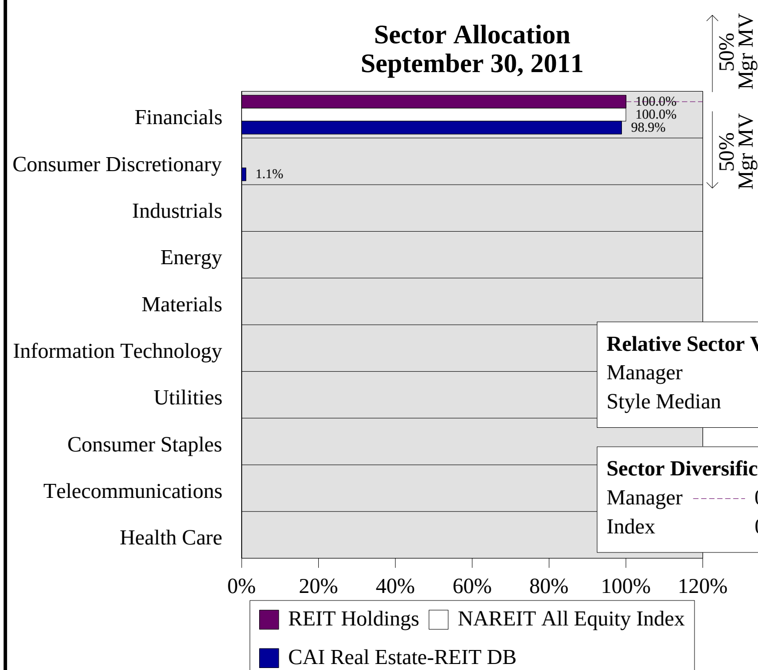


	Weighted Median Market Cap	Price/Fore-casted Earnings	Price/Book	Forecasted Earnings Growth	Dividend Yield	MSCI Combined Z-Score
10th Percentile	11.84	59.51	2.02	14.29	3.92	(0.07)
25th Percentile	11.20	56.06	1.93	12.11	3.77	(0.14)
Median	10.13	46.71	1.85	9.97	3.54	(0.21)
75th Percentile	7.57	40.16	1.72	8.24	3.38	(0.29)
90th Percentile	4.13	29.07	1.52	6.34	3.27	(0.37)
REIT Holdings ●	7.94	42.72	1.79	7.45	3.99	(0.34)
NAREIT All Equity Index ▲	7.74	56.41	2.17	8.48	4.11	(0.39)

Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that comprise half of the portfolio's market value.

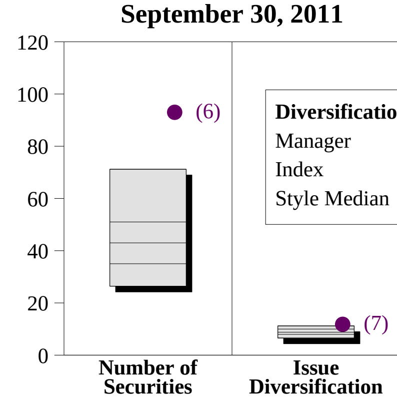
Sector Allocation
September 30, 2011



Relative Sector Variance	
Manager	0%
Style Median	2%

Sector Diversification	
Manager	0.50 sectors
Index	0.50 sectors

Diversification
September 30, 2011



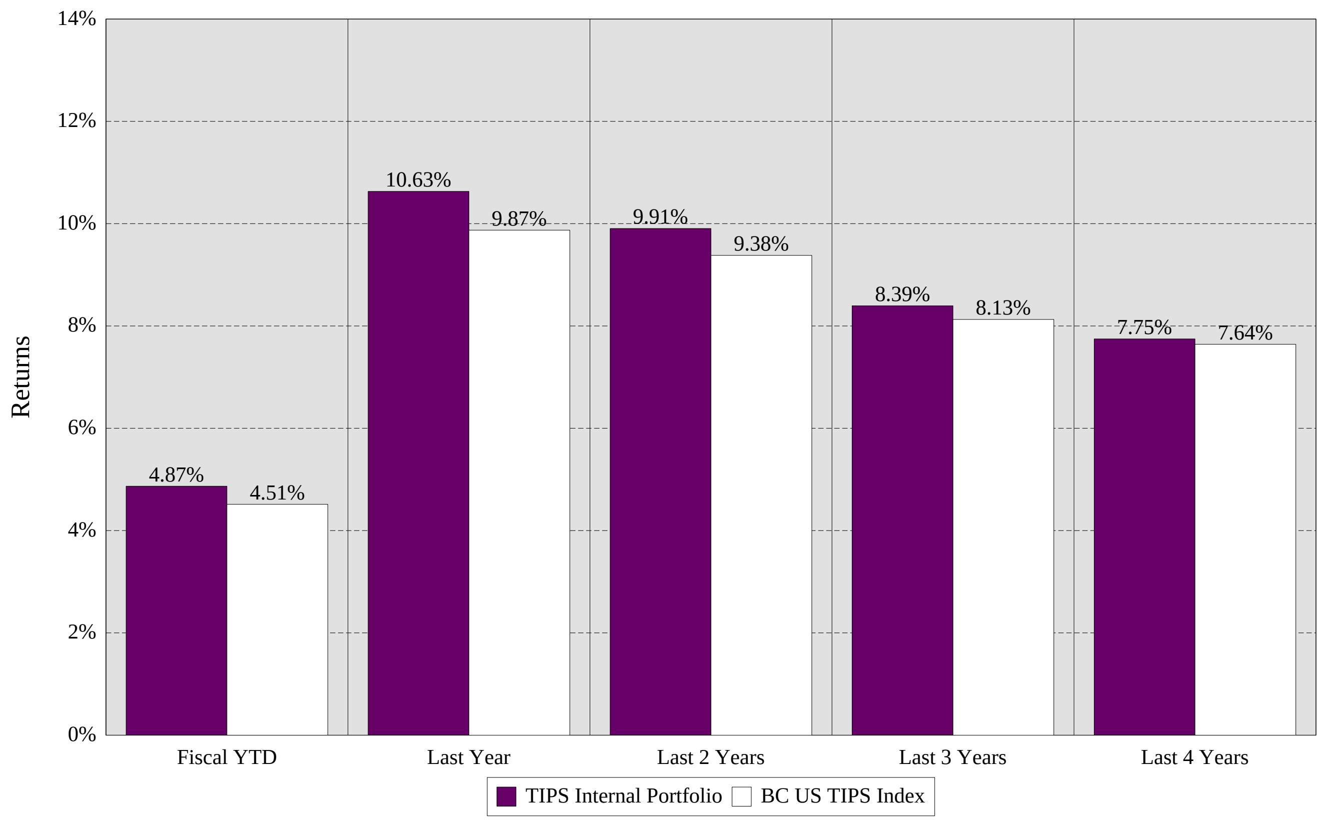
Diversification Ratio	
Manager	13%
Index	10%
Style Median	21%

	Number of Securities	Issue Diversification
10th Percentile	71	11
25th Percentile	51	10
Median	43	9
75th Percentile	35	8
90th Percentile	26	7
REIT Holdings ●	93	12
NAREIT All Equity Index ▲	131	13

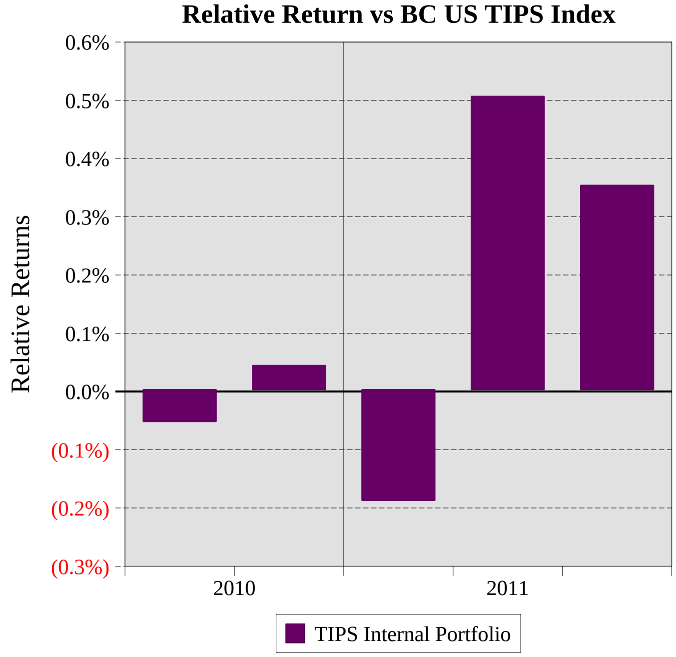
TIPS INTERNAL PORTFOLIO
PERIOD ENDED SEPTEMBER 30, 2011

Quarterly Summary and Highlights

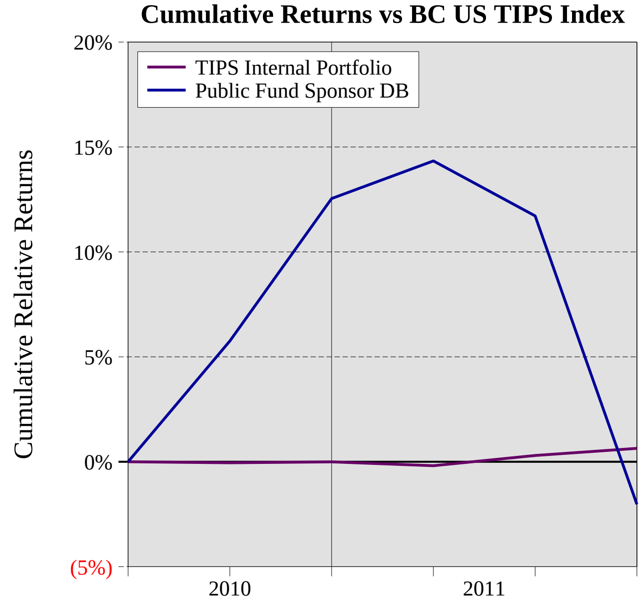
- TIPS Internal Portfolio's portfolio posted a 4.87% return for the quarter placing it in the 1 percentile of the CAI Public Fund Sponsor Database group for the quarter and in the 1 percentile for the last year.
- TIPS Internal Portfolio's portfolio outperformed the BC US TIPS Index by 0.35% for the quarter and outperformed the BC US TIPS Index for the year by 0.76%.



Relative Return vs BC US TIPS Index



Cumulative Returns vs BC US TIPS Index



ABSOLUTE RETURN COMPOSITE
PERIOD ENDED SEPTEMBER 30, 2011

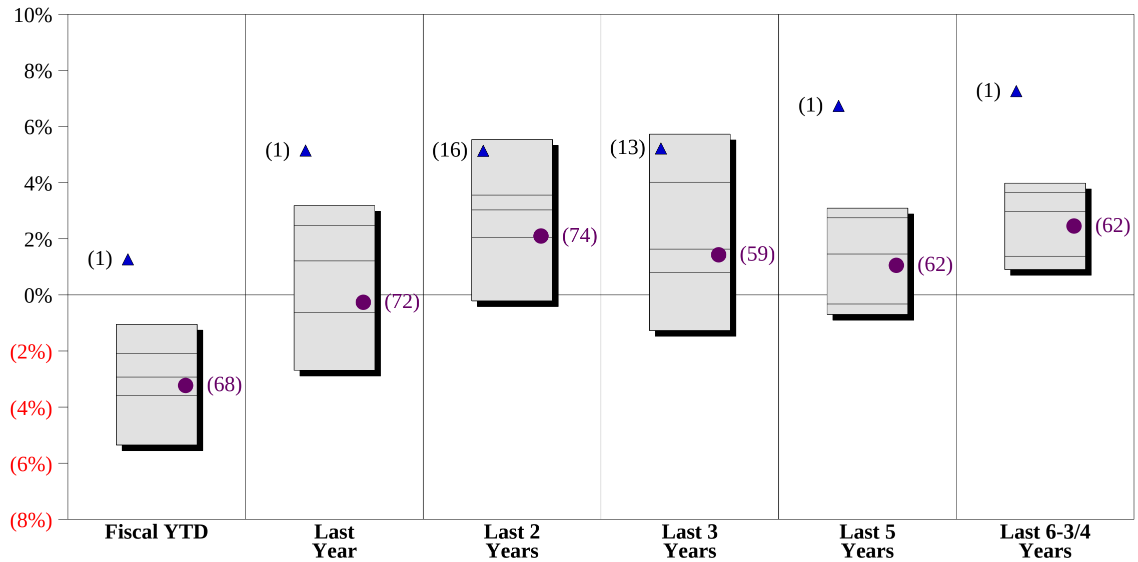
Investment Philosophy

The manager returns below are current through the periods shown.

Quarterly Summary and Highlights

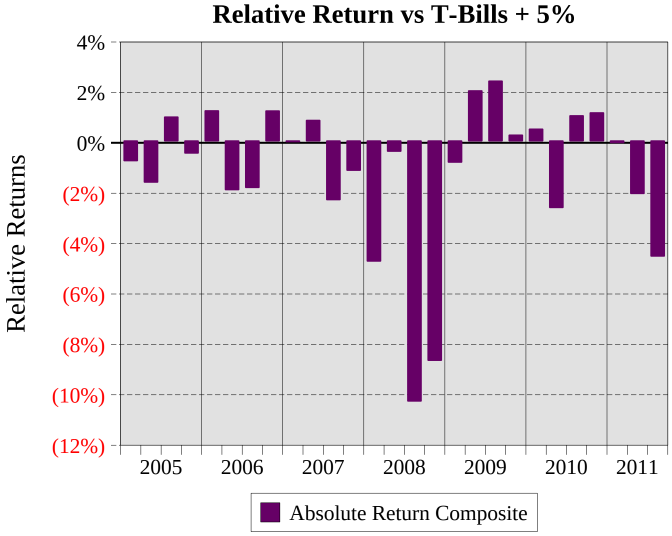
- Absolute Return Composite's portfolio posted a (3.23)% return for the quarter placing it in the 68 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 72 percentile for the last year.
- Absolute Return Composite's portfolio underperformed the T-Bills + 5% by 4.50% for the quarter and underperformed the T-Bills + 5% for the year by 5.41%.

Performance vs Absolute Return Hedge FoFs Style (Net)

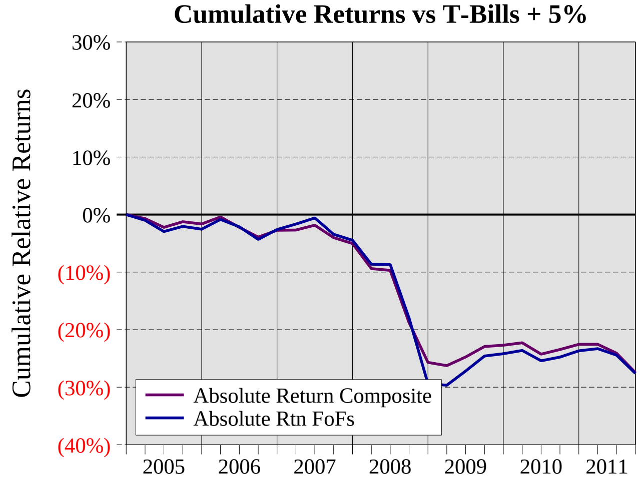


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(1.05)	3.18	5.54	5.73	3.09	3.98
25th Percentile	(2.10)	2.47	3.56	4.02	2.75	3.65
Median	(2.93)	1.21	3.03	1.63	1.46	2.97
75th Percentile	(3.59)	(0.63)	2.05	0.80	(0.33)	1.38
90th Percentile	(5.35)	(2.69)	(0.21)	(1.27)	(0.70)	0.90
Absolute Return Composite ●	(3.23)	(0.26)	2.10	1.43	1.05	2.45
T-Bills + 5% ▲	1.27	5.14	5.14	5.22	6.74	7.26

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

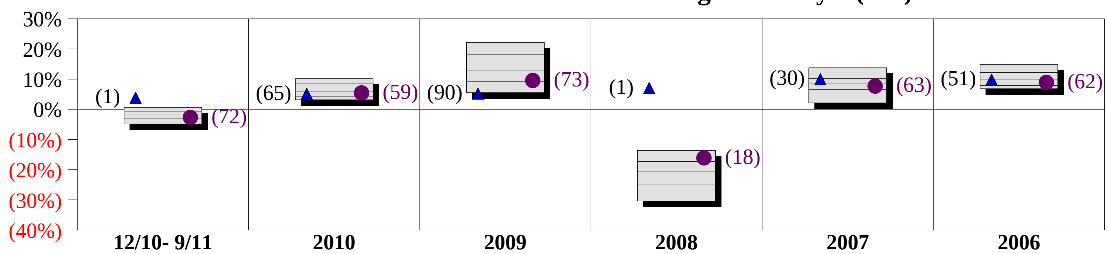


ABSOLUTE RETURN COMPOSITE
RETURN ANALYSIS SUMMARY

Return Analysis

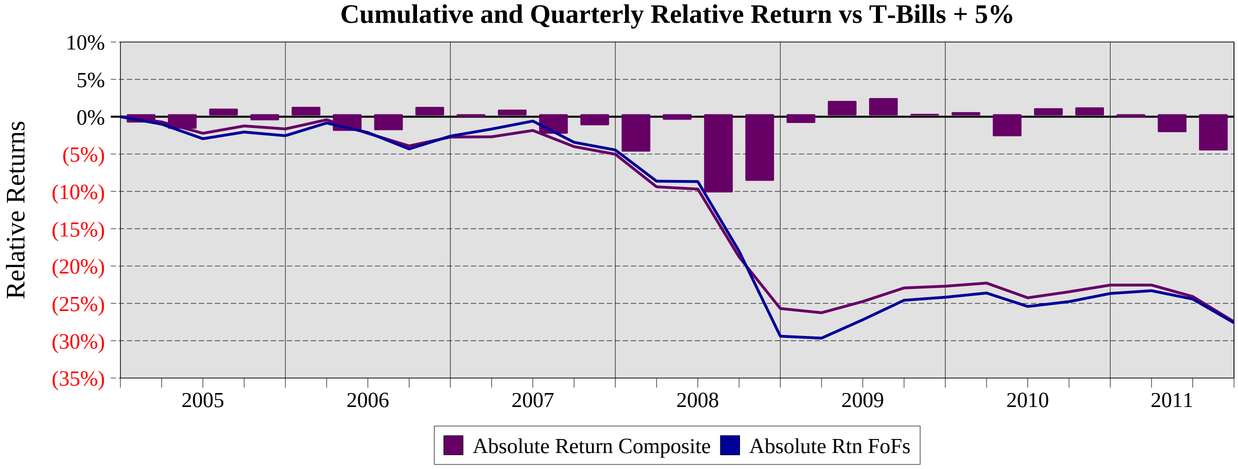
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

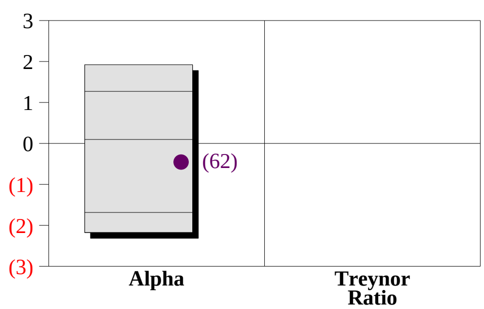


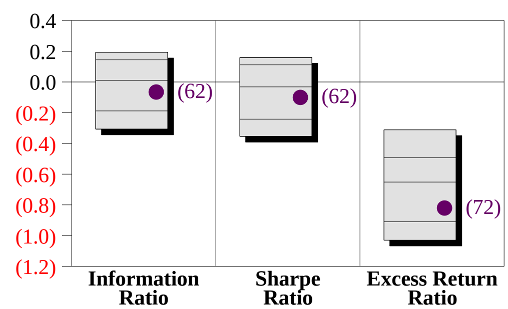
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	0.67	10.13	22.19	(13.60)	13.74	14.78
25th Percentile	(0.61)	8.43	18.25	(17.29)	10.18	12.22
Median	(1.56)	5.79	12.73	(20.49)	8.42	10.00
75th Percentile	(2.93)	4.34	9.14	(24.78)	6.52	7.91
90th Percentile	(4.86)	3.13	5.48	(30.39)	2.11	6.79
Absolute Return Composite ●	(2.68)	5.43	9.55	(16.10)	7.68	8.91
T-Bills + 5% ▲	3.85	5.13	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	1.92	-
25th Percentile	1.27	-
Median	0.10	-
75th Percentile	(1.69)	-
90th Percentile	(2.18)	-
Absolute Return Composite ●	(0.46)	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.19	0.16	(0.31)
25th Percentile	0.14	0.11	(0.49)
Median	0.01	(0.03)	(0.65)
75th Percentile	(0.19)	(0.24)	(0.91)
90th Percentile	(0.31)	(0.35)	(1.03)
Absolute Return Composite ●	(0.07)	(0.10)	(0.82)

CADOGAN MANAGEMENT
PERIOD ENDED SEPTEMBER 30, 2011

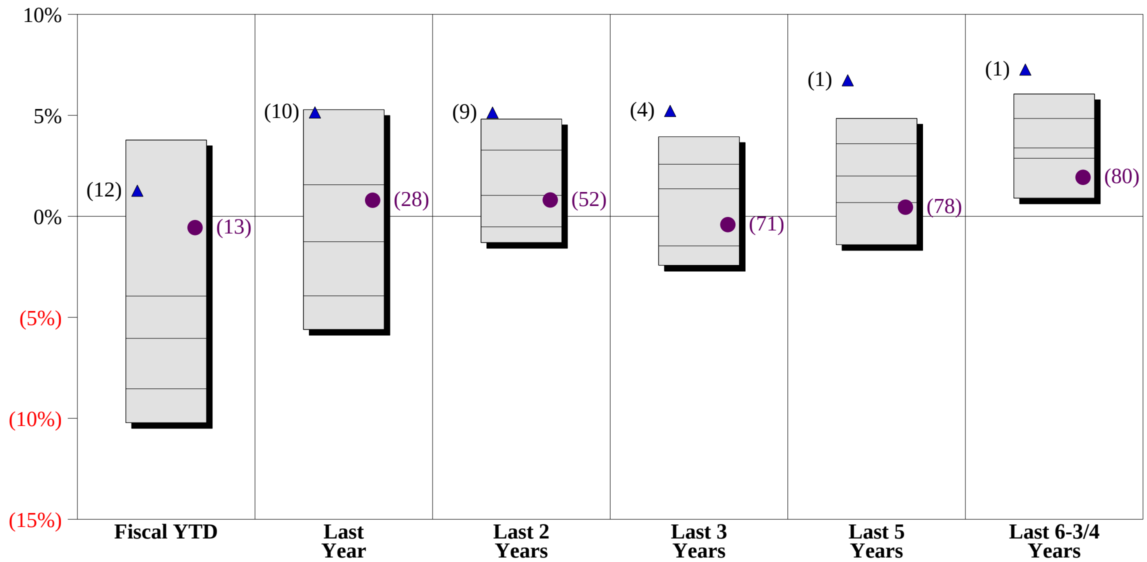
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

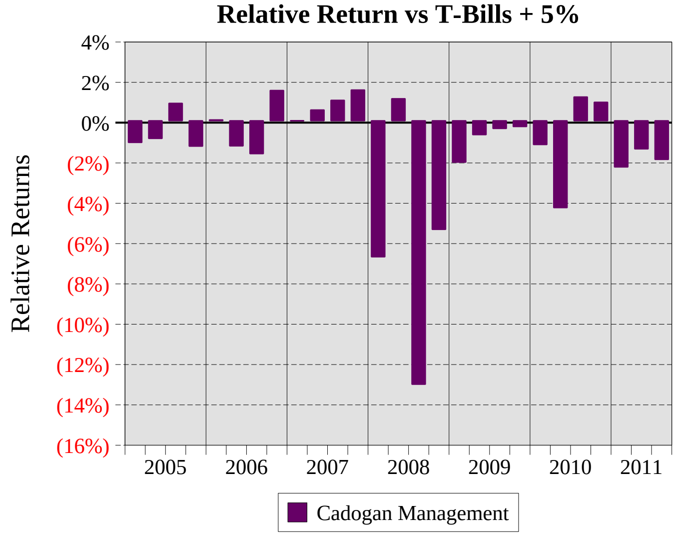
- Cadogan Management's portfolio posted a (0.56)% return for the quarter placing it in the 13 percentile of the Long Short Hedge FoF Style group for the quarter and in the 28 percentile for the last year.
- Cadogan Management's portfolio underperformed the T-Bills + 5% by 1.83% for the quarter and underperformed the T-Bills + 5% for the year by 4.35%.

Performance vs Long Short Hedge FoF Style (Net)

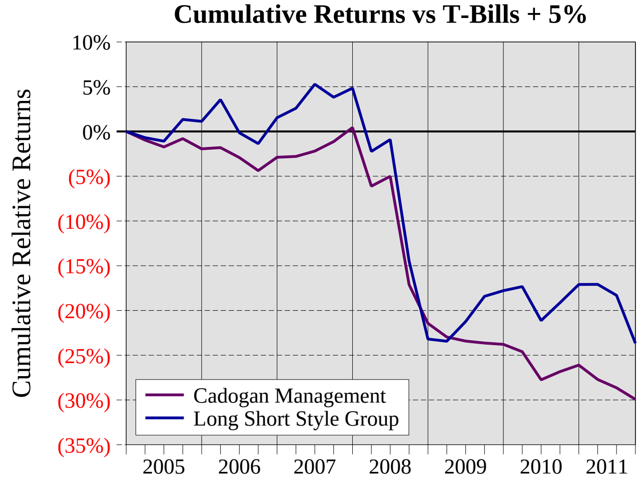


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	3.78	5.28	4.81	3.94	4.85	6.06
25th Percentile	(3.95)	1.56	3.28	2.58	3.59	4.84
Median	(6.04)	(1.26)	1.04	1.36	2.00	3.39
75th Percentile	(8.54)	(3.94)	(0.52)	(1.46)	0.68	2.87
90th Percentile	(10.22)	(5.60)	(1.30)	(2.42)	(1.41)	0.90
Cadogan Management ●	(0.56)	0.80	0.81	(0.41)	0.45	1.93
T-Bills + 5% ▲	1.27	5.14	5.14	5.22	6.74	7.26

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

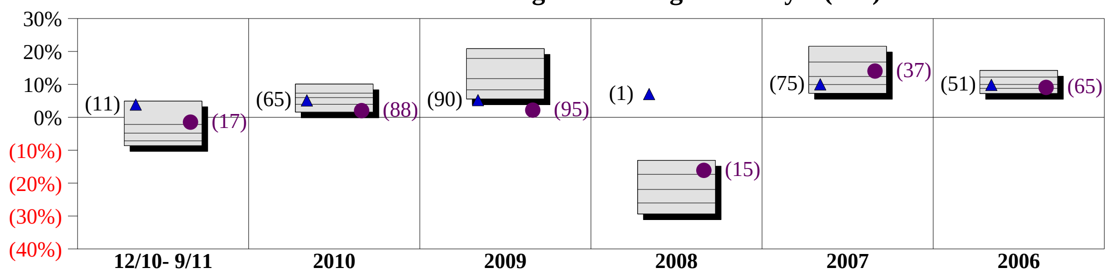


CADOGAN MANAGEMENT
RETURN ANALYSIS SUMMARY

Return Analysis

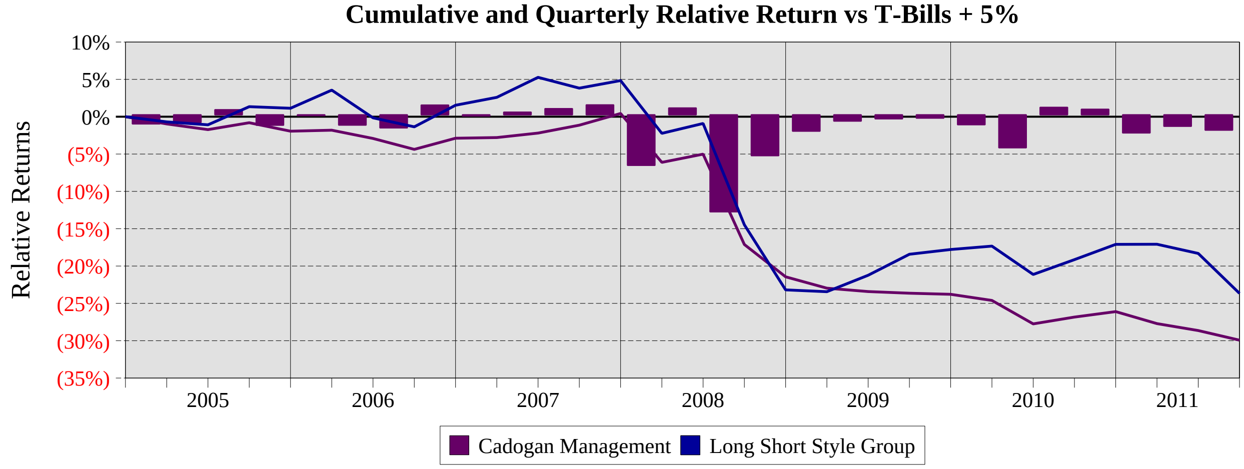
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Long Short Hedge FoF Style (Net)

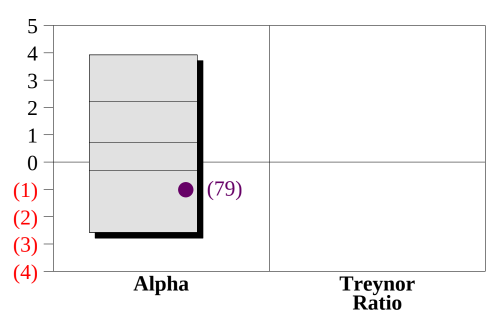


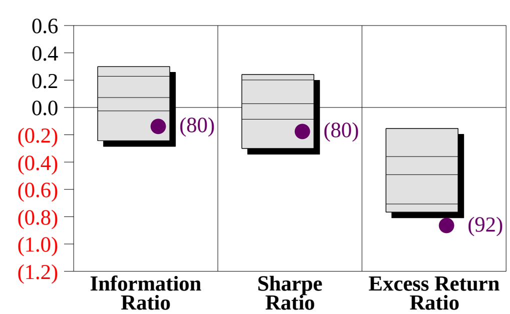
	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	4.91	10.11	20.86	(13.09)	21.59	14.24
25th Percentile	(2.17)	7.34	17.88	(17.33)	16.78	12.22
Median	(4.82)	5.98	11.74	(21.92)	12.39	9.97
75th Percentile	(7.17)	3.96	8.34	(26.03)	9.94	8.79
90th Percentile	(8.63)	1.57	5.55	(29.38)	7.28	7.22
Cadogan Management ●	(1.47)	2.03	2.17	(16.12)	14.05	9.07
T-Bills + 5% ▲	3.85	5.13	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Long Short Hedge FoF Style (Net)
Five Years Ended September 30, 2011





	Alpha	Treynor Ratio
10th Percentile	3.93	-
25th Percentile	2.22	-
Median	0.72	-
75th Percentile	(0.31)	-
90th Percentile	(2.58)	-
Cadogan Management ●	(1.01)	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.30	0.24	(0.15)
25th Percentile	0.23	0.20	(0.36)
Median	0.07	0.03	(0.49)
75th Percentile	(0.03)	(0.09)	(0.71)
90th Percentile	(0.24)	(0.30)	(0.77)
Cadogan Management ●	(0.14)	(0.18)	(0.86)

CRESTLINE INVESTORS
PERIOD ENDED SEPTEMBER 30, 2011

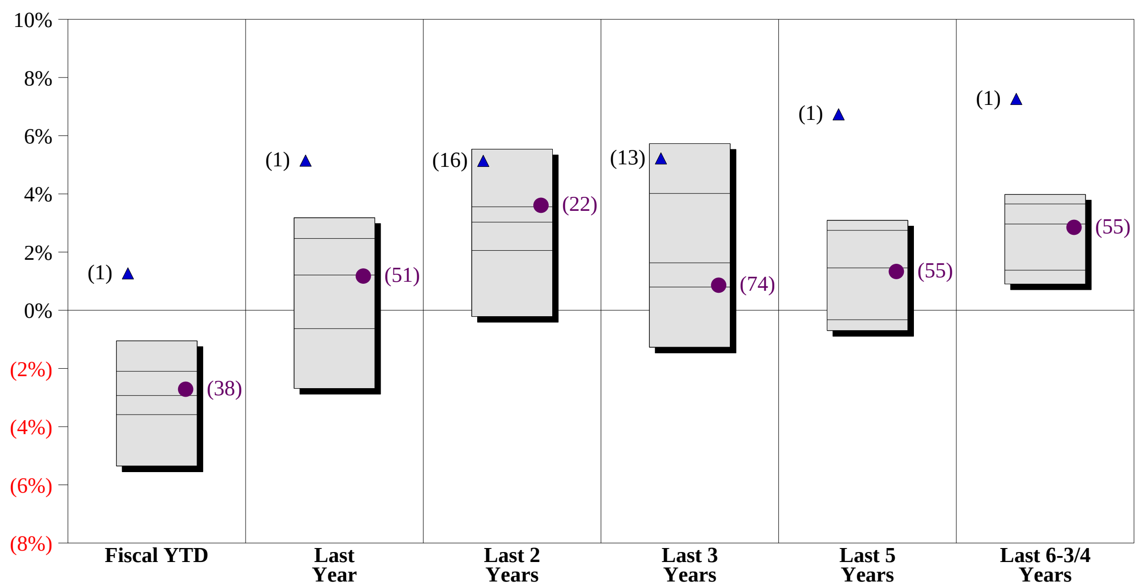
Investment Philosophy

The manager returns below are current through the periods shown.

Quarterly Summary and Highlights

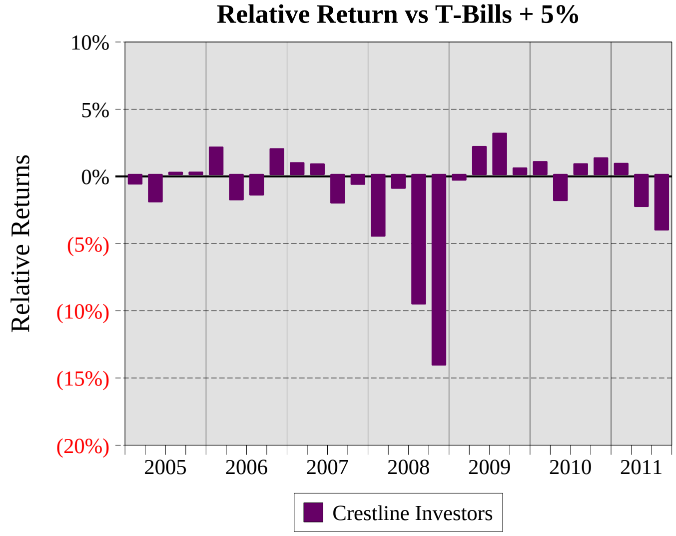
- Crestline Investors's portfolio posted a (2.71)% return for the quarter placing it in the 38 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 51 percentile for the last year.
- Crestline Investors's portfolio underperformed the T-Bills + 5% by 3.98% for the quarter and underperformed the T-Bills + 5% for the year by 3.97%.

Performance vs Absolute Return Hedge FoFs Style (Net)

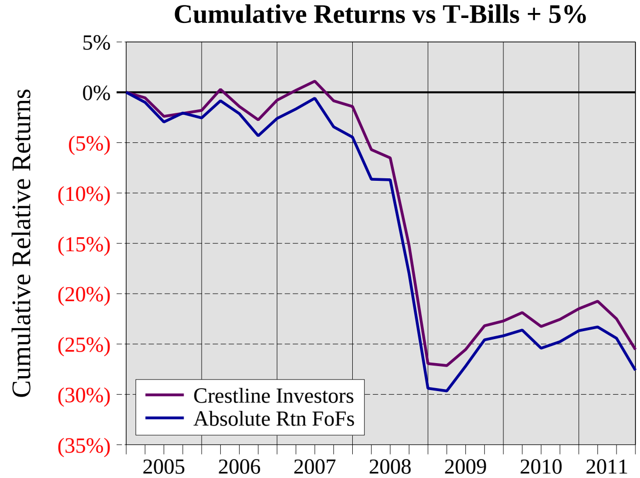


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(1.05)	3.18	5.54	5.73	3.09	3.98
25th Percentile	(2.10)	2.47	3.56	4.02	2.75	3.65
Median	(2.93)	1.21	3.03	1.63	1.46	2.97
75th Percentile	(3.59)	(0.63)	2.05	0.80	(0.33)	1.38
90th Percentile	(5.35)	(2.69)	(0.21)	(1.27)	(0.70)	0.90
Crestline Investors ●	(2.71)	1.18	3.61	0.86	1.33	2.85
T-Bills + 5% ▲	1.27	5.14	5.14	5.22	6.74	7.26

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

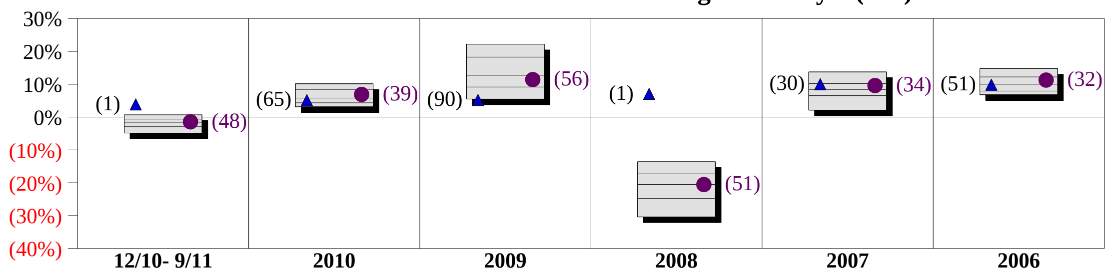


CRESTLINE INVESTORS
RETURN ANALYSIS SUMMARY

Return Analysis

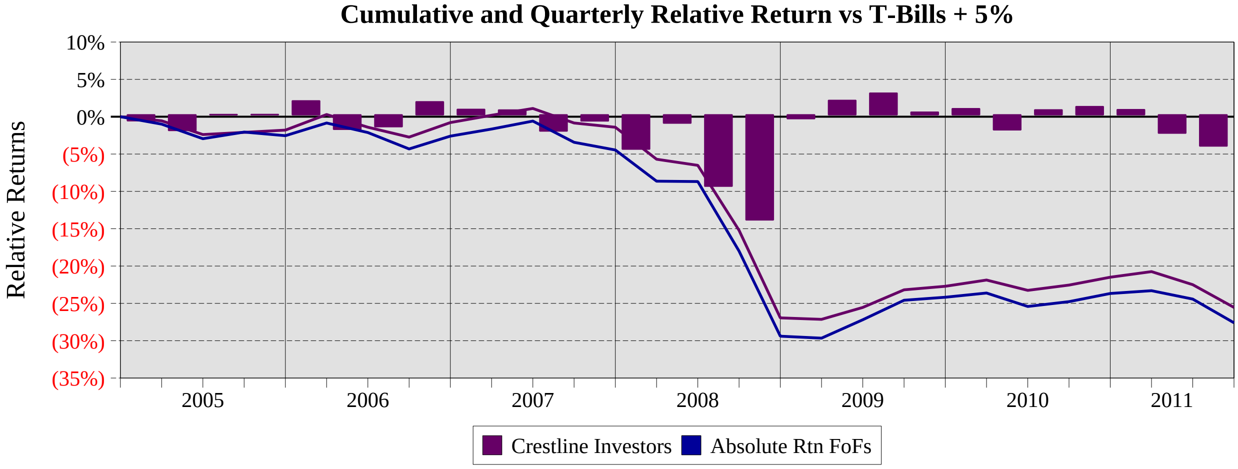
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

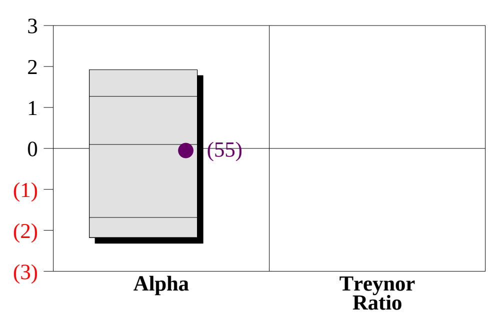


	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	0.67	10.13	22.19	(13.60)	13.74	14.78
25th Percentile	(0.61)	8.43	18.25	(17.29)	10.18	12.22
Median	(1.56)	5.79	12.73	(20.49)	8.42	10.00
75th Percentile	(2.93)	4.34	9.14	(24.78)	6.52	7.91
90th Percentile	(4.86)	3.13	5.48	(30.39)	2.11	6.79
Crestline Investors ●	(1.45)	6.88	11.41	(20.54)	9.59	11.26
T-Bills + 5% ▲	3.85	5.13	5.21	7.06	10.00	9.85

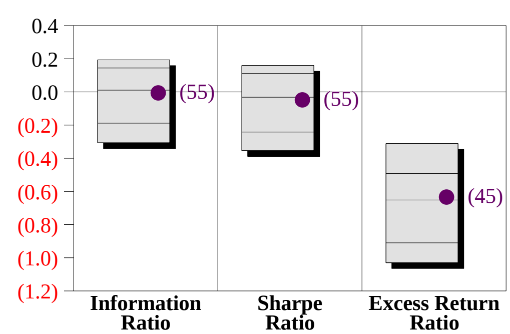
Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.92	-
25th Percentile	1.27	-
Median	0.10	-
75th Percentile	(1.69)	-
90th Percentile	(2.18)	-
Crestline Investors ●	(0.05)	-



	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.19	0.16	(0.31)
25th Percentile	0.14	0.11	(0.49)
Median	0.01	(0.03)	(0.65)
75th Percentile	(0.19)	(0.24)	(0.91)
90th Percentile	(0.31)	(0.35)	(1.03)
Crestline Investors ●	(0.01)	(0.05)	(0.63)

GLOBAL ASSET MANAGEMENT
PERIOD ENDED SEPTEMBER 30, 2011

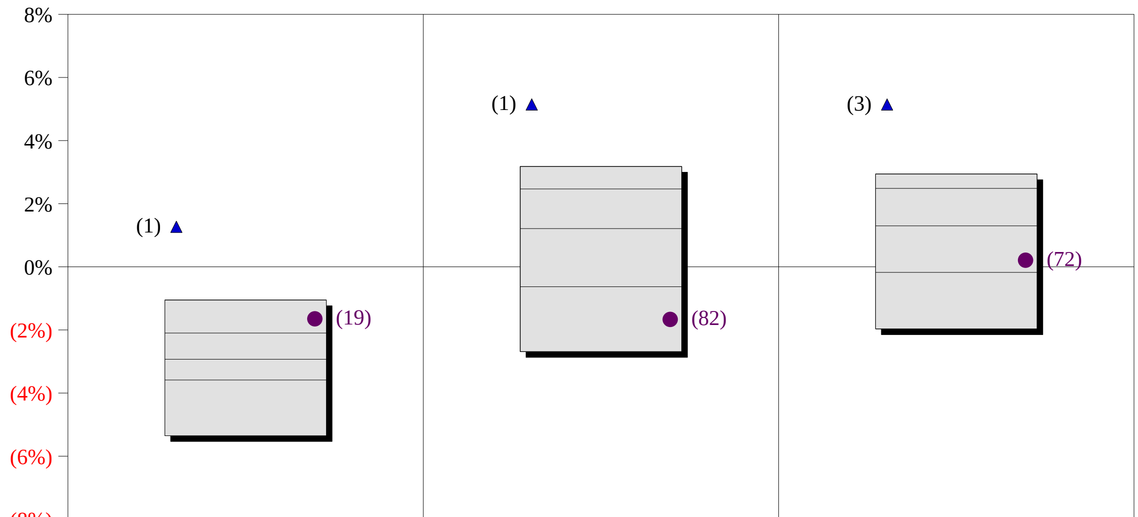
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

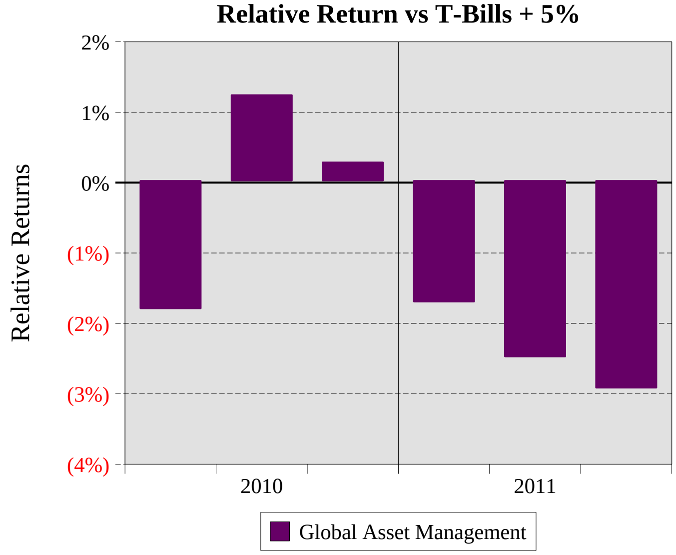
- Global Asset Management's portfolio posted a (1.65)% return for the quarter placing it in the 19 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 82 percentile for the last year.
- Global Asset Management's portfolio underperformed the T-Bills + 5% by 2.92% for the quarter and underperformed the T-Bills + 5% for the year by 6.81%.

Performance vs Absolute Return Hedge FoFs Style (Net)

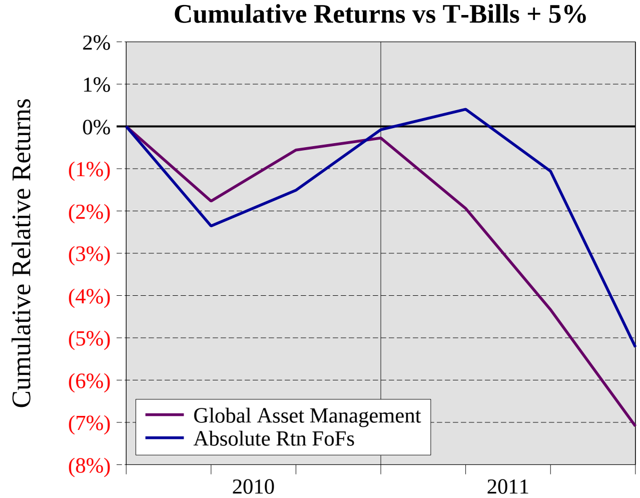


	Last Quarter	Last Year	Last 1-1/2 Years
10th Percentile	(1.05)	3.18	2.94
25th Percentile	(2.10)	2.47	2.48
Median	(2.93)	1.21	1.30
75th Percentile	(3.59)	(0.63)	(0.18)
90th Percentile	(5.35)	(2.69)	(1.97)
Global Asset Management ●	(1.65)	(1.67)	0.21
T-Bills + 5% ▲	1.27	5.14	5.14

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%



MARINER INVESTMENT GROUP
PERIOD ENDED SEPTEMBER 30, 2011

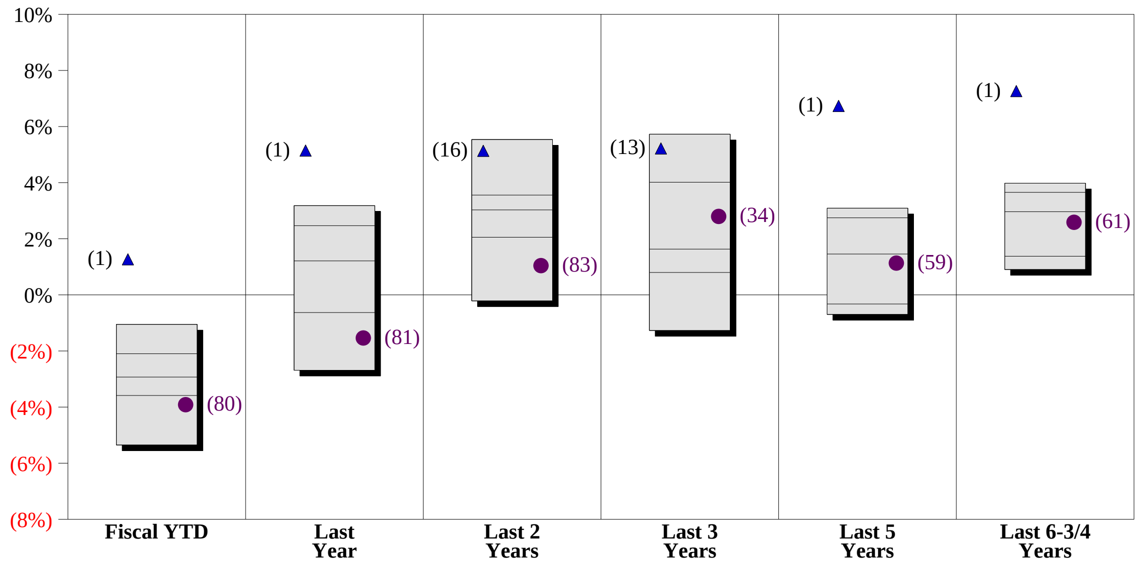
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

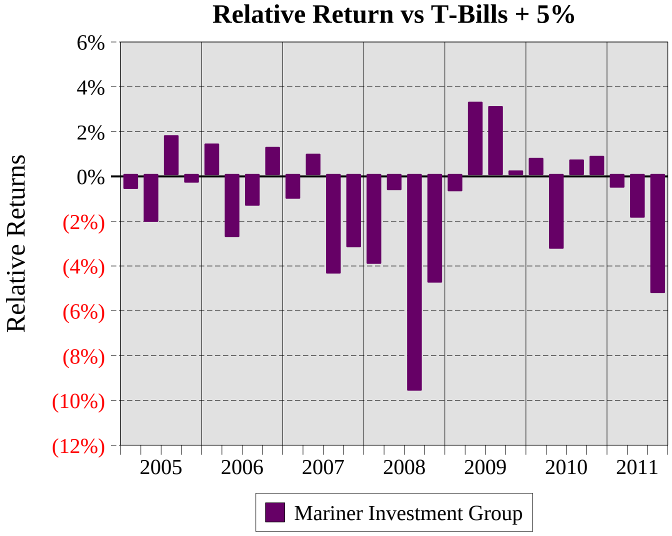
- Mariner Investment Group's portfolio posted a (3.91)% return for the quarter placing it in the 80 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 81 percentile for the last year.
- Mariner Investment Group's portfolio underperformed the T-Bills + 5% by 5.18% for the quarter and underperformed the T-Bills + 5% for the year by 6.68%.

Performance vs Absolute Return Hedge FoFs Style (Net)

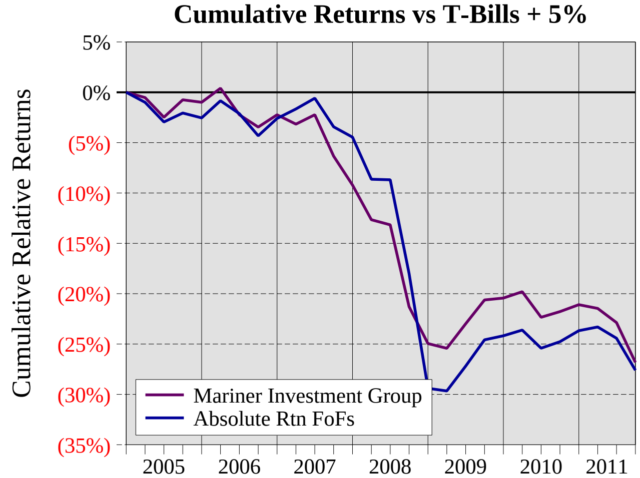


	Fiscal YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	(1.05)	3.18	5.54	5.73	3.09	3.98
25th Percentile	(2.10)	2.47	3.56	4.02	2.75	3.65
Median	(2.93)	1.21	3.03	1.63	1.46	2.97
75th Percentile	(3.59)	(0.63)	2.05	0.80	(0.33)	1.38
90th Percentile	(5.35)	(2.69)	(0.21)	(1.27)	(0.70)	0.90
Mariner Investment Group ●	(3.91)	(1.54)	1.04	2.80	1.13	2.59
T-Bills + 5% ▲	1.27	5.14	5.14	5.22	6.74	7.26

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%

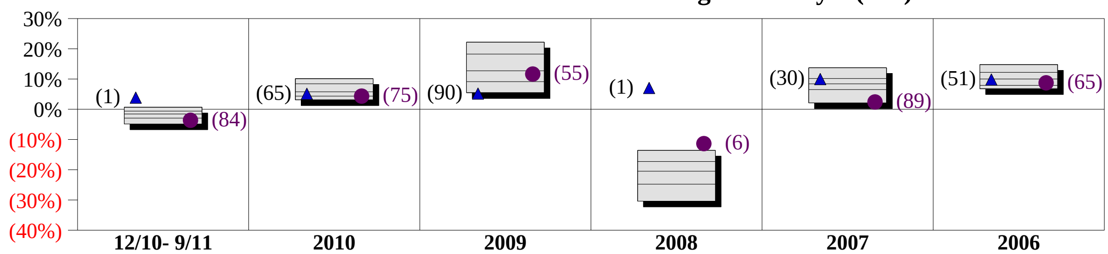


MARINER INVESTMENT GROUP
RETURN ANALYSIS SUMMARY

Return Analysis

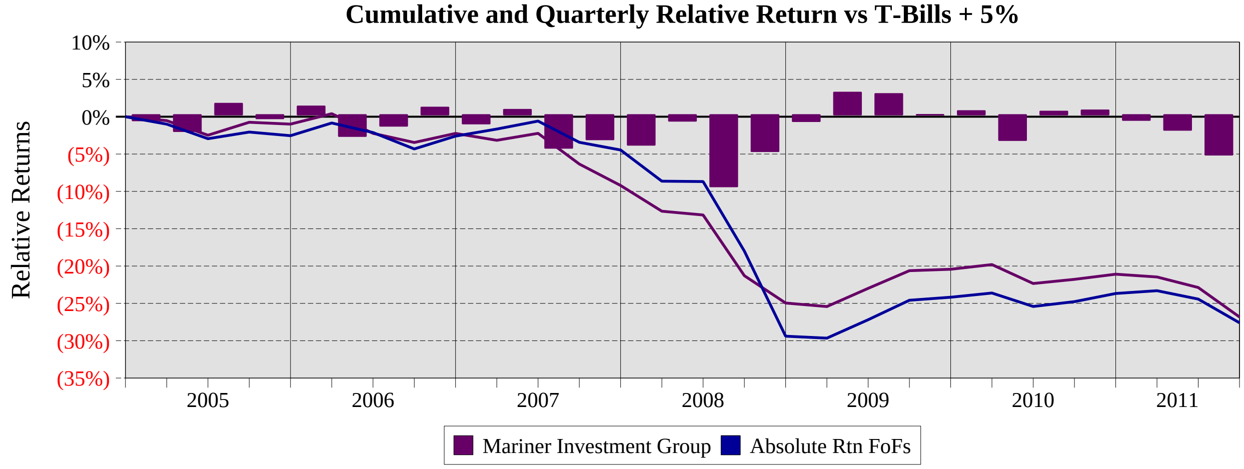
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Performance vs Absolute Return Hedge FoFs Style (Net)

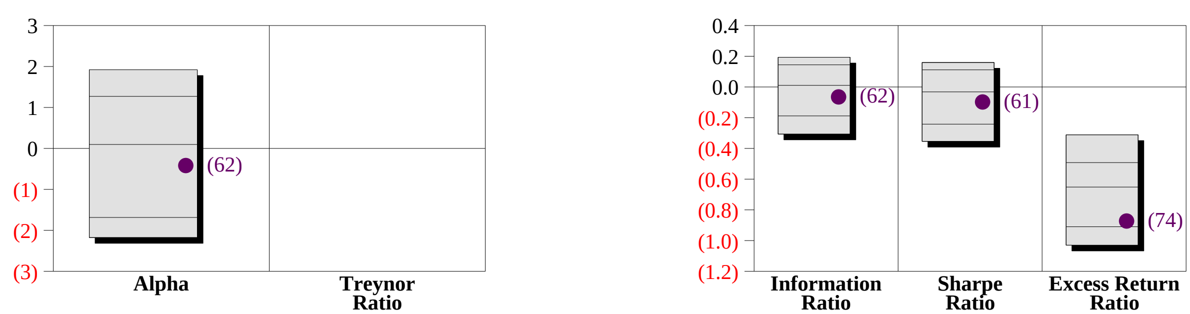


	12/10- 9/11	2010	2009	2008	2007	2006
10th Percentile	0.67	10.13	22.19	(13.60)	13.74	14.78
25th Percentile	(0.61)	8.43	18.25	(17.29)	10.18	12.22
Median	(1.56)	5.79	12.73	(20.49)	8.42	10.00
75th Percentile	(2.93)	4.34	9.14	(24.78)	6.52	7.91
90th Percentile	(4.86)	3.13	5.48	(30.39)	2.11	6.79
Mariner Investment Group ●	(3.64)	4.35	11.65	(11.36)	2.42	8.75
T-Bills + 5% ▲	3.85	5.13	5.21	7.06	10.00	9.85

Cumulative and Quarterly Relative Return vs T-Bills + 5%



Risk Adjusted Return Measures vs T-Bills + 5%
Rankings Against Absolute Return Hedge FoFs Style (Net)
Five Years Ended September 30, 2011



	Alpha	Treynor Ratio
10th Percentile	1.92	-
25th Percentile	1.27	-
Median	0.10	-
75th Percentile	(1.69)	-
90th Percentile	(2.18)	-
Mariner Investment Group ●	(0.42)	-

	Information Ratio	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.19	0.16	(0.31)
25th Percentile	0.14	0.11	(0.49)
Median	0.01	(0.03)	(0.65)
75th Percentile	(0.19)	(0.24)	(0.91)
90th Percentile	(0.31)	(0.35)	(1.03)
Mariner Investment Group ●	(0.06)	(0.10)	(0.87)

PRISMA CAPITAL
PERIOD ENDED SEPTEMBER 30, 2011

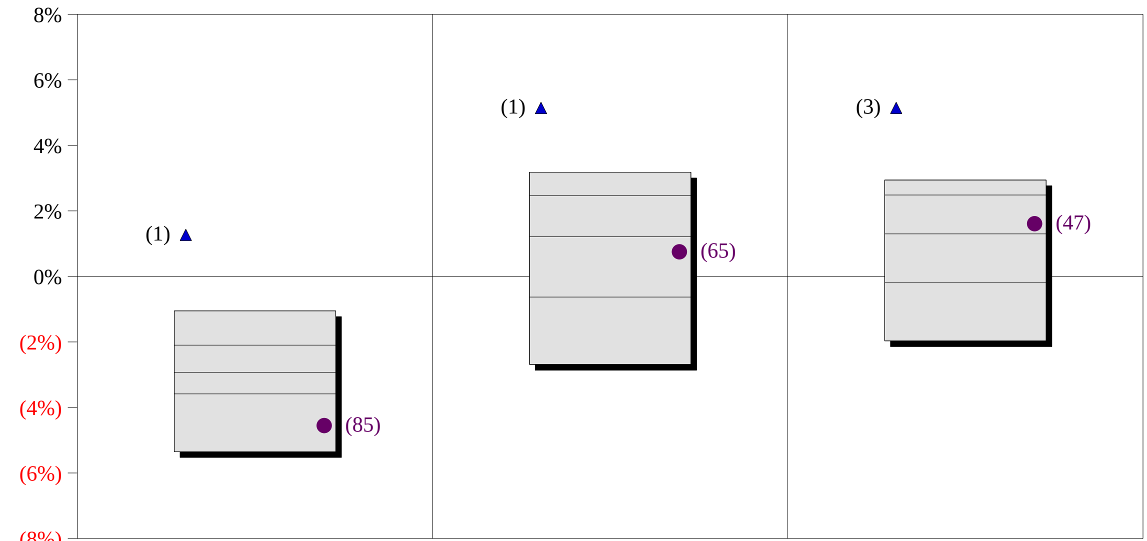
Investment Philosophy

The manager returns below are current through periods shown.

Quarterly Summary and Highlights

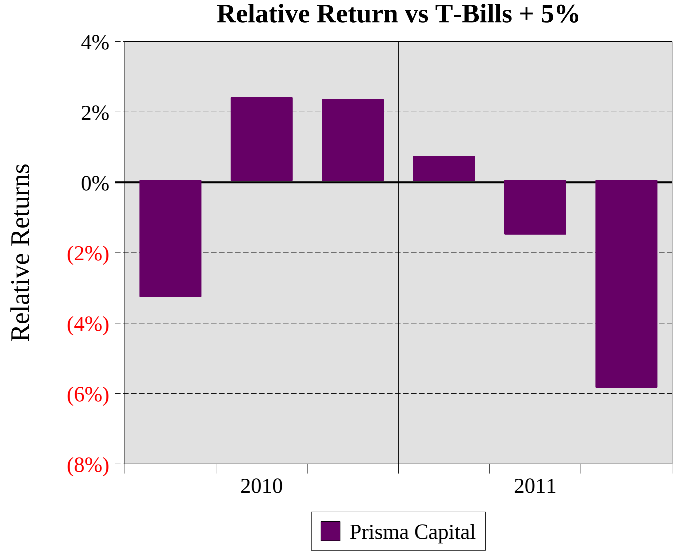
- Prisma Capital's portfolio posted a (4.55)% return for the quarter placing it in the 85 percentile of the Absolute Return Hedge FoFs Style group for the quarter and in the 65 percentile for the last year.
- Prisma Capital's portfolio underperformed the T-Bills + 5% by 5.82% for the quarter and underperformed the T-Bills + 5% for the year by 4.39%.

Performance vs Absolute Return Hedge FoFs Style (Net)

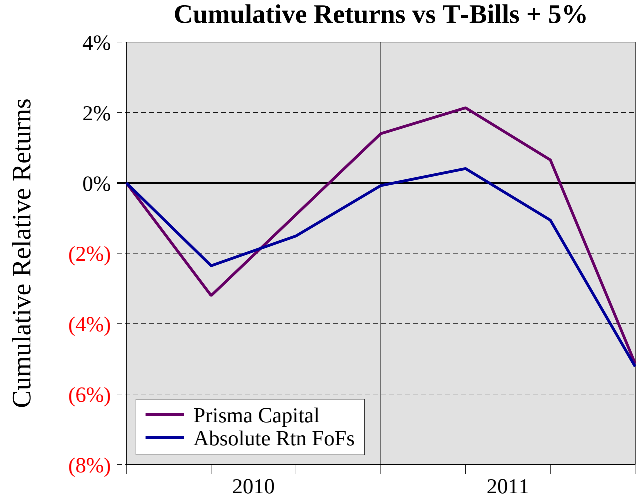


	Last Quarter	Last Year	Last 1-1/2 Years
10th Percentile	(1.05)	3.18	2.94
25th Percentile	(2.10)	2.47	2.48
Median	(2.93)	1.21	1.30
75th Percentile	(3.59)	(0.63)	(0.18)
90th Percentile	(5.35)	(2.69)	(1.97)
Prisma Capital ●	(4.55)	0.75	1.61
T-Bills + 5% ▲	1.27	5.14	5.14

Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%



Callan Research/Education

CALLAN
INVESTMENTS
INSTITUTE

THIRD QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

Below is a list of recent Callan Institute research and upcoming programs. The Institute's research and educational programs keep clients updated on the latest trends in the investment industry and help clients learn through carefully structured workshops and lectures. For more information, please contact your Callan Consultant or Gina Falsetto at 415.974.5060 or institute@callan.com.

White Papers

Non-Core Real Estate Investment Series – Part 2: Commercial Debt Strategies
Jay Nayak

Charticle – Road Map to EBSA's Final Rule
Lori Lucas, Stephanie Meade, Jacki Hoagland

An Introduction to Absolute Return Fixed Income Strategies
Kristin Bradbury

Exchange-Traded Funds: A Look at the Shifting Landscape
Anna West

Non-Core Real Estate Investment Series – Part 1: Opportunistic Strategies
Sarah Angus

Publications

DC Observer and Callan DC Index™ – 2nd Quarter 2011

Hedge Fund Monitor – 2nd Quarter 2011

Capital Market Review – 3rd Quarter 2011

Quarterly Performance Data – 3rd Quarter 2011

Private Markets Trends – Summer 2011

Surveys

2011 Investment Management Fee Survey - coming soon!

2011 Callan Target Date Fund Survey – June 2011

2011 DC Trends Survey – January 2011

2010 Alternative Investments Survey – November 2010

CALLAN
INVESTMENTS
INSTITUTE

THIRD QUARTER 2011

RESEARCH AND UPCOMING PROGRAMS

(continued)

Event Summaries and Presentations

Summary: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Presentation: 2011 Regional Breakfast Workshop - June 2011
"Latest Developments in Asset Allocation for DB and DC Plans"

Upcoming Educational Programs

The 32nd National Conference
January 30 - February 1, 2012 in San Francisco
Speakers include: Robert Gates, Sheila Bair, Ian Bremmer and David Laibson
Workshops on: defined contribution, investment perceptions & myths,
and international investing.
Details will be sent to you via email and U.S. Mail in late October.

**If you have any questions regarding these programs,
please contact Ray Combs at 415.974.5060 or institute@callan.com.**

The Callan Investments Institute, the educational division of Callan Associates Inc., has been a leading educational forum for the pensions and investments industry since 1980. The Institute offers continuing education on key issues confronting plan sponsors and investment managers.

101 California Street, Suite 3500, San Francisco, California 94111, 415.974.5060, www.callan.com

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

THIRD QUARTER 2011

EDUCATIONAL SESSIONS

"Callan College" - An Introduction to Investments

April 17-18, 2012 in San Francisco

October 23-24, 2012 in San Francisco

This one and one half day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g.,defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is $2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

THE CENTER FOR INVESTMENT TRAINING ("CALLAN COLLEGE")

THIRD QUARTER 2011

EDUCATIONAL SESSIONS

(continued)

"Callan College" – Standard Session

July 24-25, 2012 – location to be determined

This is a two day session designed for individuals with more than two years' experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management

Tuition for the Standard "Callan College" session is $2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized "Callan College" Session

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsors or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information on the "Callan College," please contact Kathleen Cunnie, Manager, at 415.274.3029 or college@callan.com.

The Center for Investment Training ("Callan College") provides relevant and practical educational opportunities to all professionals engaged in the investment decision making process. This educational forum offers basic-to-intermediate level instruction on all components of the investment management process

Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 09/30/11, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

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Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG's Chief Investment Officer.

Manager Name	Educational Services	**Consulting Services**
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock		Y
BMO Asset Management	Y	
BNY Mellon Asset Management	Y	Y
Boston Company Asset Management, LLC (The)	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
Capital Group Companies (The)	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chandler Asset Management	Y	
Channing Capital Management	Y	
Chartwell Investment Partners	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	Y
Columbus Circle Investors	Y	Y
Cooke & Bieler, L.P.		Y
Cramer Rosenthal McGlynn, LLC	Y	
Credo Capital Management	Y	
Crestline Investors	Y	Y
Cutwater Capital Management	Y	

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DB Advisors	Y	Y
DE Shaw Investment Management, L.L.C.	Y	
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Fayez Sarofim & Company		Y
Federated Investors		Y
Fiduciary Asset Management Company		Y
First Eagle Investment Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management		Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.		Y
Harding Loevner, LP	Y	
Harris Associates	Y	
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hermes Investment Management (North Amrica) Ltd.	Y	
HighMark Capital Management	Y	
Hollan Capital Management	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
Invesco	Y	Y
Investec	Y	
Institutional Capital LLC	Y	
Intercontinental Real Estate Corporation	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Login Circle Paratners, L.P.	Y	
Lombardia Capital Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	

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Lyrical Partners	Y	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management (fka, Franklin Portfolio Assoc.)	Y	
Mesa West Capital	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	Y
Opus Capital Management	Y	
O'Shaughnessy Asset Management	Y	
Pacific Investment Management Company	Y	
Palisades Investment Partners, LLC	Y	Y
Partners Group	Y	
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
Phillips, Hager & North Investment Management	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Prisma Capital Partners		Y
Private Advisors	Y	
Prudential Fixed Income	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RARE Infrastructure	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y

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Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.	Y	Y
RREEF	Y	
Russell Investment Management	Y	
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management		Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TCW Asset Management Company	Y	
Thrivent Financial for Lutherans		Y
Thompson, Siegel & Walmsley LLC	Y	
TIAA-CREF		Y
Timberland Investment Resources, LLC	Y	
Tradewind Global Investors	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
USAA Real Estate Company	Y	
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Vontobel Asset Management	Y	
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Small Cap Value Victory Capital Management	ACTION:	X
DATE:	December 1, 2011	INFORMATION:	

BACKGROUND:

In order to reduce the growth bias in the Alaska Retirement Management Board's (ARMB) small cap portfolio, the ARMB embarked on an effort to hire several small cap value managers in 2011. Beginning with the April 2011 board meeting, the ARMB hired Barrow, Hanley, Mewhinney, and Strauss. At the September 2011 board meeting, the ARMB hired Frontier Capital Management and tabled the decision to hire Victory Capital Management (Victory).

STATUS:

After further review, staff continues to be supportive of hiring Victory Capital Management. Victory, along with Frontier Capital Management, was one of the seven finalists identified as a result of the Callan search process. After further analysis by staff, Victory and Frontier were selected to receive additional due diligence for potential consideration by the ARMB.

In August 2011, staff met with the Victory small cap value team at their offices in Cincinnati and determined they had a sound process with an attractive performance record. As of September 30, 2011, Victory has produced attractive 1, 3, 5, 7, and 10-year annualized results. Victory has outperformed the Russell 2000 Value Index in six of the ten years from 2001 through 2010 and has more recently outperformed the Russell 2000 Value Index in 2011 through September 30.

While Victory's 10-year annualized performance exceeds the Russell 2000 Value Index, the firm had a poor year in 2001. Victory subsequently made a portfolio manager change at the beginning of 2002 to improve performance. This personnel change put in place the current portfolio manager, Gary Miller. Mr. Miller's track record (2002 forward), is the relevant track record to consider for ARMB's decision and was presented at the September 2011 board meeting to illustrate this change in leadership within Victory's small cap value product.

Victory constructs diversified portfolios based on a bottom-up stock selection approach which should be an attractive complement to ARMB's current small cap portfolio.

RECOMMENDATION:

The Alaska Retirement Management Board hire Victory Capital Management to manage a U.S. domestic small cap value portfolio up to an initial funding of $100 million, subject to contract and fee negotiations.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	International Small Cap Emerging Markets Exposure	ACTION:	X
DATE:	December 1, 2011	INFORMATION:	

BACKGROUND:

At the June 2010 board meeting, Mondrian Investment Partners and Schroder Investment Management were each hired to manage international small cap mandates for the Alaska Retirement Management Board (ARMB).

Both managers are benchmarked against the MSCI EAFE Small Cap Index, which is a developed markets index. However, each manager has historically had a small exposure to emerging market stocks.

STATUS:

In order to allow for the portfolio managers to capitalize on their investment process while also being mindful that these are developed market mandates benchmarked against a developed market index, staff has worked with the portfolio managers at each firm to establish a ten percent portfolio weight limit to emerging markets. This limit will permit international small cap managers to take advantage of opportunities in emerging markets while ensuring the portfolios are primarily invested in developed markets.

RECOMMENDATION:

The Alaska Retirement Management Board approve Resolution 2011-21 amending the Investment Guidelines for Domestic and International Equities limiting the weight of investment in emerging markets to ten percent of the portfolio weight for managers that are benchmarked against the MSCI EAFE Small Cap Index.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Investment Guidelines for
Domestic and International Equities

Resolution 2011-21

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

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

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

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

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

WHEREAS, the Board has authorized investment in domestic and international equities; and

WHEREAS, the Board will establish and from time to time as necessary modify guidelines for domestic and international equities.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopt the Investment Guidelines for Domestic and International Equities, attached hereto and made a part hereof, regarding investment in domestic and international equities.

This resolution repeals and replaces Resolution 2011-20.

DATED at Anchorage, Alaska this 1st day of December, 2011.

____
Chair

ATTEST:

____
Secretary

ALASKA RETIREMENT MANAGEMENT BOARD (ARMB)

INVESTMENT GUIDELINES FOR DOMESTIC AND INTERNATIONAL EQUITIES

A. Purpose. The portfolio will have a primary emphasis on diversification to minimize risk.

B. Investment Structure. Permissible equity investments include:

1. Common and preferred stock of corporations incorporated in the United States that are listed on the New York or American exchanges or are NASDAQ listed;

2. International equity and equity related securities listed on recognized stock exchanges, or securities of closed-end funds listed on other recognized stock exchanges and whose primary purpose is to invest in securities listed on recognized stock exchanges and where recognized stock exchanges are those acknowledged by a manager as a source of prudent investments for the fund;

3. American Depository Receipts, American Depository Securities and Global Depository Securities; and

4. Convertible Debentures; and

5. Publicly traded partnerships listed on recognized stock exchanges, where recognized stock exchanges are those acknowledged by a manager as a source of prudent investments for the fund; and

6. Securities delisted and/or deregistered, owned as a result of a corporate action and not a direct purchase, and held at a value deemed to be de minimis.

C. External Equity Management. The manager must represent and warrant:

1. that it is an "investment advisor" or "bank" 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 contract;

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 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. From time to time, equity managers shall invest and reinvest the cash and securities allocated to it and deposited in their account, without distinction between principal and income, in a portfolio consisting of stocks or other securities when market conditions warrant alternatives to stock. These securities will be selected and retained by the manager 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; provided, however, that in the event the aggregate total of any security held by the ARMB exceeds five percent (5%) of total shares outstanding, the ARMB may direct portfolio managers to sell securities to the extent the aggregate is below five percent (5%). Other securities shall be limited to:

1. obligations of the United States government;
2. obligations of United States government agencies;
3. certificates of deposit;
4. corporate debt obligations;
5. commercial paper;
6. warrants;
7. bankers acceptances; and
8. repurchase agreements.

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. no more than ten percent of the voting stock of any corporation is acquired or held;
2. certificates of deposit have been issued by domestic United States banks or trust companies which are members of the Federal Deposit Insurance Corporation, and are readily saleable in a recognized secondary market for such instruments;
3. corporate debt obligations are rated A or better by Moody’s, Standard & Poor’s or Fitch rating services (Note: This rating restriction does not apply to convertible debentures);
4. commercial paper bears the highest rating assigned by Moody’s Standard & Poor’s Fitch rating services;
5. bankers’ acceptances must have been drawn on and accepted by United States banks which have capital and surplus of at least $200 million each;

6. repurchase agreements must be secured by the debt obligations set forth in 2 through 5 above;

7. future contracts for sale of investments or for the sale of currencies may be entered into only for the purpose of hedging an existing ownership in these investments;

8. futures and options will be authorized for the purposes of implementing a portfolio reallocation to gain immediate exposure to the appropriate country weighting:

   a. contracts are traded on recognized exchanges, or that OTC instruments are traded with AA rated or equivalent counterparts and no contracts exceed a period of twelve months;

   b. futures and options are not used to leverage the portfolio; and

   c. all futures and options positions must be reported to the client each month. The report must show both the nominal position and the "economic impact" of all derivative positions;

9. standardized equity index futures and ETFs will be authorized for the purpose of cash equitization;

10. purchases in commodities or the commodities of futures market of any kind are specifically prohibited;

~~10.~~11. no more than ten percent of any international small cap portfolio benchmarked against the MSCI EAFE Small Cap Index may be invested in emerging markets.

F. **Cash Held in Portfolio.** Managers are expected to maintain fully invested equity portfolios. The ARMB considers a portfolio to be fully invested as long as cash levels are below a maximum of 5 percent for small capitalization and international equity managers and 3 percent for all other equity managers, calculated using a 10-day moving average. In implementing this portion of the equity guidelines, the Chief Investment Officer will consider any cash in an individual equity account in excess of the maximum to be available for use as a funding source for other ARMB needs. Any manager that expects to exceed the maximum cash level in the short-term as the result of a specific strategy must notify ARMB in writing in advance. Such notice will temporarily exempt the manager from the maximum cash rebalancing threshold. Staff shall regularly report all equity manager net cash holdings.

G. **Performance Standards**. Managers are expected to have returns, over time, in excess of the appropriate benchmark, net of fees.

H. **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 (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), 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.

Provided that, in the judgment of the manager, purchase or sale execution and transactions are competitive, approximately 30% of all listed large capitalization domestic equity trades will be executed with a brokerage firm participating in a commission recapture program with the ARMB.

The Chief Investment Officer will evaluate and report the commission recapture program to the ARMB that will include:

1. total commission dollars recaptured;

2. actual percentage of commissions recaptured; and

3. a full analysis of the commission recapture program with recommendations for expanding the program.

I. **Voting and Other Action.** The managers shall vote any or all of the securities held by or for the account of the ARMB, unless written instructions to the contrary have been proved by ARMB. In voting securities of the ARMB, the managers shall act prudently in the interest and for the benefit of the ARMB and the beneficiaries of the funds administered by the ARMB. The manager is to furnish, on an annual basis, copies of the contractor's policy and voting records in regards to voting proxies.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Investment Advisory Council Member Contract Expiration	ACTION:	X
		INFORMATION:	
DATE:	December 1, 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. The contract for IAC member Dr. Jerrold Mitchell expires December 31, 2011. On September 23, 2011, the Board authorized staff to advertise for the position, noting that Dr. Mitchell be encouraged to provide an application.

STATUS:

Staff advertised the Investment Advisory Council position in Pension & Investments, Alaska newspapers, the State of Alaska on-line directory and on the ARMB website. A number of qualified applications were received, such that staff feels the Board should further review the applications and make the recommendations for interview. Given the precedence of other matters on the December 1-2 agenda, it was not possible to conclude the process by the December 31, 2011 termination of the current contract.

RECOMMENDATION:

That the Board authorize an extension of Dr. Mitchell's contract through February 29, 2012, and that a committee be formed to complete the evaluation and review of the submitted applications.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Charter of the Real Assets Committee	ACTION:	X
DATE:	December 1, 2011	INFORMATION:	

BACKGROUND:

At the December 3, 2010 board meeting, the Alaska Retirement Management Board (ARMB) passed a motion to rename the Real Estate Committee to the Real Assets Committee and to expand the scope of the committee to include all assets within the Real Assets asset class.

STATUS:

On November 30, 2011 the Real Assets Committee met for the first time since ARMB's action and therefore staff has prepared a revised committee charter to reflect the expanded scope of the committee.

RECOMMENDATION:

The ARMB approve the Real Assets Committee Charter, which reflects the renaming of the Real Estate Committee and expands the scope of this committee to include all Real Assets.

Charter of the Real Assets Committee

Alaska Retirement Management Board

I. Committee Purpose.

The Committee has the authority to research, review and recommend policies and practices with respect to the real assets portfolio in the state retirement system. The Committee makes recommendations to the Board; it does not have authority to act on behalf of the Board.

II. Committee Members.

The Committee consists of at least three Trustees, who have expressed a willingness to serve on the Committee and have been duly appointed by the Chair.

III. Committee Meetings.

The Committee shall meet as frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall maintain minutes of Committee meetings and periodically report to the Board on significant results of the Committee's activities.

IV. Committee Responsibilities and Duties.

The Committee shall carry out the following review responsibilities:

1. In consultation with staff, consultants and other experts, consider and review the strategic annual real assets portfolio plan, and the policies, procedures, and guidelines necessary for implementation of the plan as may from time to time come before it and make appropriate recommendations for action to the Board.

2. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board for approval.

3. Periodically perform self-assessment of the Committee's performance.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	LaSalle Separate Account Capital Expenditure Budget Variance	ACTION:	X
DATE:	December 1, 2011	INFORMATION:	

BACKGROUND

The Alaska Retirement Management Board Real Estate Investment Policies, Procedures and Guidelines, Section VIII, Delegation of Authority delegates to staff the authority to approve line item variances of capital expenditure budgets in amounts up to $300,000 with a cumulative fiscal year maximum of $3,000,000 per Separate Account Investment Manager for other capital expenditures not related to leasing activity (such as repairs for building damage or defects).

STATUS

LaSalle Investment Management (LaSalle), manages a separate account real estate portfolio for the Alaska Retirement Management Board (ARMB). In January 2005, LaSalle acquired Rainier Industrial Park (Rainier) for ARMB. Rainier was built in 2004 and is a 234,750 square foot industrial property located in Sumner, Washington.

The roof at Rainier has developed leaks and continues to be problematic, despite attempts to perform spot repairs and patchwork. In 2011, LaSalle hired a roofing consultant to assess the leak problem and develop a permanent solution. Continuation of the roof problem will negatively impact existing tenants and the ability to lease the property in the future. Based on recommendations from the roof consultant, LaSalle has determined the roof should be replaced.

The fiscal year 2012 budget for this property originally included a $673,800 cost estimate for roof repair and patchwork, not a full roof replacement.

LaSalle has asked for approval to proceed with an estimated $1.36 million roof replacement project. This capital expenditure exceeds staff's approval authority.

RECOMMENDATION

The Alaska Retirement Management Board approve the fiscal year 2012 line item budget variance for the Rainier Industrial Park roof replacement project.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	IFS Report Recommendation Task Area B.1.b, Recommendation #11 Fixed Income Investment Guidelines	ACTION:	X
DATE:	December 1, 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 #11, page 49, states:

Treat internally managed portfolios the same as externally managed portfolios in terms of setting appropriate investment guidelines, as well as for ongoing monitoring and performance measurement.

The IFS recommendations note that externally-managed portfolios contained investment restrictions in both the ARMB-approved investment guidelines by type of fixed income strategy and within each manager's investment management contract. Internally-managed portfolios do not require an investment management contract.

In February 2011, the ARMB approved the following staff 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.* Following the completion of this direction, the investment guidelines for each fixed income strategy will contain investment guidance and restrictions, whether they are managed internally or externally.

The State of Alaska asset accounting section provides the ARMB with periodic reports on the internally-managed fixed income portfolios. Compliance officers review all ARMB portfolios for compliance with investment guidelines, including the internally-managed fixed income portfolios. Callan Associates provides quarterly performance reports that contain relevant descriptive portfolio information on all ARMB portfolios, including the internally-managed portfolios.

When completed, previous ARMB action placing all investment restrictions in the appropriate fixed income strategy investment guidelines will result in holding all managers within each fixed income strategy to the same standard, regardless of whether the manager is internal or external to the organization. Additional monitoring and performance measurement processes would entail additional cost with little or no perceivable benefit.

RECOMMENDATION

Affirm the existing policies and processes with respect to investment guidelines, monitoring and reporting activities.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT:	Investment Guideline Revisions – T. Rowe Price Associates	ACTION:	
		INFORMATION:	X
DATE:	December 1, 2011		

BACKGROUND

T. Rowe Price Associates manages the Alaska Money Market Master Trust, Interest Income Fund, Stable Value Fund, U.S. Small-Cap Stock Trust, Alaska Balanced Trust, Alaska Long-Term Balanced Trust, and the Alaska Target Date Retirement Trust options in the Defined Contribution, SBS, and Deferred Compensation plans for the Alaska Retirement Management Board. Funds are managed in accordance with Investment Guidelines specified in each contract.

STATUS – Investment Guideline Revisions – T. Rowe Price Associates

Upon recent review of the Investment Guidelines for the T. Rowe Price investment options, staff has determined the following revisions to the Investment Guidelines would be beneficial:

1. Remove Hybrid and Non-Investment Grade Bond flexibility from the U.S. Small-Cap Stock Trust Investment Guidelines;

2. Reduce allowable Foreign Security holdings from 10% to 5% in the U.S. Small-Cap Stock Trust Investment Guidelines;

3. Add Convertibles, Rights, and Warrants up to 5% to the U.S. Small-Cap Stock Trust Investment Guidelines;

4. Prohibit Securities Lending from all investment options;

5. Remove cash holding "for temporary defensive purposes" from all guidelines where provision exists.

Staff is currently working with T. Rowe Price Associates to implement the above revisions to the Investment Guidelines.

PERS / TRS Annualized Returns

Annualized Returns through 6/30/2011	PERS	TRS	Average
1 Year	21.18%	21.36%	21.27%
3 Year	2.36%	2.41%	2.39%
5 Year	4.32%	4.36%	4.34%
10 Year	5.43%	5.46%	5.44%
15 Year	6.72%	6.74%	6.73%
19 Year	**7.77%**	**7.80%**	**7.79%**
20 Year	7.96%	7.97%	7.96%
25 Year	8.16%	8.12%	8.14%
27 Year	**9.28%**	**9.66%**	**9.47%**

Source: Callan Associates Inc. PEP database. Callan has calculated fund performance since October of 1991, which includes the 19 year period. The earlier performance numbers were loaded into the Callan database from other records.

Option #1 STATUS QUO

- appropriate level percent of pay amount to trust funds

Option #2 LEVEL DOLLAR

- appropriate level dollar amount to trust funds

Option # 3 HYBRID WITH RETIREMENT RESERVE

- create reserve account in statute
- appropriate level percent of pay amount to trust funds
- appropriate difference between level percent of pay and level dollar to reserve account

Option # 4 HYBRID WITH RETIREMENT RESERVE EARMARK

- appropriate level percent of pay amount to trust funds
- earmark difference between level percent of pay and level dollar in an existing savings account; (earmark is unenforceable but reflects legislative intent)

Option # 5 LEVEL $ WITH GF COST SHARE EQUAL

- same as Option # 2, with increase of SB 125 employer rate cap to amount necessary to preserve existing GF share of past service cost payment

Option # 6 HYBRID WITH CAPPED GF CONTRIBUTION

- amend SB 125 to cap the amount annually appropriated from GF to trust funds (for example $500mm)
- appropriate difference between cap amount and level percent of pay amount to reserve account
- if level dollar adopted for appropriation to reserve account, increase employer rate cap to preserve existing GF allocation of past service liability

Variations on Options: Variations can be combined with any of the above options. Different options or combinations of options may also be considered for PERS and TRS unfunded liabilities as well

Variation # 1

- appropriation to trust fund or reserve account of some additional amount to reduce unfunded liability

Variation # 2

- cash or enhanced benefit incentive to defer retirement

Variation # 3

- cash-out option for retirees with termination of membership in DB plan

Variation # 4

- option to actives to convert from DB to DC; consider cash incentive to encourage this

Variation # 5

- extend term of amortization

Variation # 6

- evaluation/adjustment of employer rate cap every X years

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Payment for Actuarial Services

Resolution 2011-22

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 37.10.220, the Board has a statutory duty to "coordinate with the retirement system administrator" to perform certain actuarial work; and

Whereas, the Board recognizes the need to perform actuarial work on issues related to addressing the unfunded liability of PERS and TRS; and

Whereas, the Board has a statutory and fiduciary duty to protect PERS and TRS assets and to ensure that such assets are expended appropriately; and

Whereas, the Departments of Administration and Revenue have entered into contracts with actuaries to perform actuarial work for PERS and TRS; and

Whereas, the Board recognizes the need for actuarial work in support of efforts to develop long-term solutions to improve the funding levels of PERS and TRS.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the following guidelines:

1. All actuarial work billed to the PERS and TRS trusts should be primarily related to the administration of the PERS and TRS defined benefit plans or to the protection of PERS and TRS defined benefit trust assets; if actuarial work is materially related but not primarily related to the foregoing subjects, a fair and reasonable apportionment of a portion of the billed amounts to the PERS and TRS trusts may be appropriate if supported by the basis for that apportionment.

2. The Commissioners of the Departments of Administration (with respect to work to be performed by the primary actuary) and Revenue (with respect to the work performed by the secondary actuary) or their designees, shall review non-routine requests for actuarial work for compliance with this resolution.

3. All bills for actuarial work shall be submitted for Board review.

DATED this ____ day of December, 2011 at Anchorage, Alaska.

____
Gail Schubert, Chair

____
Gayle Harbo, Secretary

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Unfunded Liability of PERS and TRS

Resolution 2011-23

WHEREAS, the Alaska Retirement Management Board (Board) is established in AS 37.10.210 to serve as trustee of the assets of the State's retirement systems; and

Whereas, the Board is statutorily charged with setting “an appropriate contribution rate for liquidating any past service liability” of PERS and TRS (AS 37.10.220(a)(8)(B)); and

Whereas, the current past service liability (“unfunded liability”) of PERS is approximately $6.9 billion; and

Whereas, the current unfunded liability of TRS is approximately $4.1 billion; and

Whereas, the Board has adopted an unfunded liability amortization methodology that will extinguish existing unfunded liabilities over a 25 year amortization period; and

Whereas, the Board, the Governor, the Legislature, and participating PERS and TRS employers each play an important role in determining the manner in which the State of Alaska and participating PERS and TRS employers address the current unfunded liabilities of PERS and TRS; and

Whereas, the Governor and the Division of Legislative Finance have requested the Board to work with the actuary for PERS and TRS to compile a list of options for addressing the current unfunded liabilities of PERS and TRS; and

Whereas, the Board and staff within the executive branch have requested the actuary for PERS and TRS to provide actuarial data on a broad range of scenarios relating to addressing the unfunded liabilities of PERS and TRS; and

Whereas, the Board has reviewed the broad range of scenarios compiled by the actuary and staff.

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NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD makes the following recommendation to the Governor and Legislature:

1. The Governor and Legislature should give further consideration to mechanisms to address the unfunded liability including:

    a. Statutory creation of incentives to reduce the unfunded liability including a retiree cash-out program, an active defined benefit to defined contribution conversion option, and a retirement deferral incentive.

    b. Statutory creation of a retirement reserve account in the general fund for purposes of accumulating retirement funds while preserving budget flexibility in the case of a fiscal crisis.

    c. Designation (without appropriation) of existing undesignated funds as retirement reserve funds.

2. The Governor and Legislature should give further consideration to the scenarios [insert list of scenario numbers] prepared by the PERS and TRS actuary and considered by the Board (attached hereto as Exhibit A). These scenarios provide a non-exclusive range of feasible options for responsibly addressing the current unfunded liability while also giving due consideration to the burden that the scenario will place on the general fund. The Board encourages consideration of additional feasible scenarios yet to be identified.

DATED this ____ day of December, 2011 at Anchorage, Alaska.

____
Gail Schubert, Chair

____
Gayle Harbo, Secretary

Pihl Resolution # 1

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Unfunded Liability of
Public Employees' Retirement System (PERS) and
Teachers' Retirement System (TRS)

Resolution 2011-___

WHEREAS, the Alaska Retirement Management Board (Board) is established in AS 37.10.210 to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, the Board finds that it is not its position or prerogative to change legislation or legislative intent, and

WHEREAS, the Board can make recommendations based on the following findings:

1. By enabling statute, the Board was charged with seeing that the PERS and TRS Defined Benefit Retirement Systems are properly funded to meet the obligation of benefit payments;

2. That the Alaska State Legislature, in adopting Senate Bills 125 and 141, structured a plan to address the serious unfunded liability problem, such plan including the following provisions:

   A. That the State of Alaska has a role as sponsor and administrator of the plans.

   B. A 25-year plan to retire the unfunded liability, which period basically coincides with the end of the active service of employees in the defined benefit group. The end of this period is 2025.

   C. The setting in statute of equal "cost share" employer contribution rates of 22% for PERS and 12.56% for TRS, such rates deemed by the legislature as (1) requiring all employers to recognize a share of the unfunded liability; (2) rates that are affordable and predictable for all employers, including an element of revenue sharing by the State; and (3) state assistance would occur to cover the difference between the statutory employer rates and actuarially determined rates necessary to fund the systems recommended to and adopted by the Board.

   D. The state established new defined contribution system for employees hired after July 1, 2006.

   E. That the employer contribution rates would apply as a percent of pay to covered employees in both the defined benefit and defined contribution systems.

F. The above are built into what is referred to as the "base case" which has been followed since July 1, 2006.

3. That prior to the adoption of legislation that proscribed that the statutory employer contribution rates apply to both the defined benefit and defined contribution payrolls, the state's new actuary, Buck Consultants, advised the Board that (a) the unfunded liability of the PERS and TRS defined benefit systems would have to be actuarially retired over the remaining service life of employees in the defined benefit systems, and (b) recommended the level dollar method of funding.

4. That it has been actuarially determined that in the first five years since July 1, 2006, level dollar rather than level percent of pay would have resulted in additional funding for PERS of $623 million and $351 million for TRS.

5. History and actuarial science has shown that when defined benefit pension plans are funded over the service life of employees, that 50% or more of the ultimate cost of benefit payments are covered by investment earnings.

6. The Board finds that the Department of Revenue, Treasury Division has a strong relative record of earnings on the investment of retirement systems funds.

7. The Board finds that there are large if not enormous increases in required ultimate payments of employer contributions and state assistance under any scenario of delayed funding. For example, one scenario of using the base case and extending the period to retire the unfunded liability from 2032 out to year 2040 required an additional $6 billion in total employer and state assistance contributions over time. Another scenario presented to the Board which is based on an additional state assistance payment of $2 billion in June 2012 into PERS and no state assistance payments thereafter and assumes continuing employer contributions at the 22% rate, when projected out to year 2041 only reaches 66% funding and it would take continuing this rate of payment out to year 2053 to reach 100% funding of the PERS and TRS defined benefit based liability. As opposed to the base case, this would take $ ___ billion in additional employer contributions over time.

8. That for PERS, the state itself pays 61% of all employer contributions based on the budgets it funds and all other employers in the system pay 39%. For TRS the state through education funding pays for virtually all funding.

9. That base case actuarial calculations (full funding achieved by year 2032) show that if the state changes to level dollar funding going forward a savings in the PERS system of $738 million in employer contributions and a savings of $541 million in state assistance payments can be achieved. [add same information for TRS]

10. That level dollar funding, while somewhat more costly early on, will avoid continuing on a path where in the 2020's state assistance will grow to the range of $1.2 billion or more annually.

11. That the Board, consistent with its statutory charge, finds that the unfunded liability of the PERS and TRS defined benefit systems are real and should be properly funded.

NOW THEREFORE BE IT RESOLVED THAT the Alaska Retirement Management Board recommends that the State of Alaska adopt the level dollar method of funding of the PERS and TRS defined benefit systems, and that the state fund these plans by appropriation or the establishment of reserves (including investment earnings thereon) committed to meet these obligations.

DATED at ______________, Alaska, this ____ day of ____________________.

____
Chair

____
Secretary

Pihl Resolution # 2

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Unfunded Liability of
Public Employees' Retirement System (PERS) and
Teachers' Retirement System (TRS)

Resolution 2011-___

WHEREAS, the Alaska Retirement Management Board (Board) is established in AS 37.10.210 to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, the Board can make recommendations based on the following findings:

WHEREAS, the Alaska State Legislature, in adopting Senate Bills 125 and 141, structured a plan to address the serious unfunded liability problem, such plan including the following provisions:

1. That the State of Alaska has a role as sponsor and administrator of the plans.

2. A 25-year plan to retire the unfunded liability, which period basically coincides with the end of the active service of employees in the defined benefit group. The end of this period is 2025.

3. The setting in statute of equal "cost share" employer contribution rates of 22% for PERS and 12.56% for TRS, such rates deemed by the legislature as (1) requiring all employers to recognize a share of the unfunded liability; (2) rates that are affordable and predictable for all employers, including an element of revenue sharing by the State; and (3) state assistance would occur to cover the difference between the statutory employer rates and actuarially determined rates necessary to fund the systems recommended to and adopted by the Board.

4. The state established new defined contribution system for employees hired after July 1, 2006.

5. That the employer contribution rates would apply as a percent of pay to covered employees in both the defined benefit and defined contribution systems.

6. The above are built into what is referred to as the "base case" which has been followed since July 1, 2006, and

WHEREAS, prior to the adoption of legislation that proscribed that the statutory employer contribution rates apply to both the defined benefit and defined contribution payrolls, the state's new actuary, Buck Consultants, advised the Board that the unfunded liability of the PERS and TRS defined benefit systems would have to be actuarially retired over the remaining service life of employees in the defined benefit systems, and recommended the level dollar per year approach, and

WHEREAS, that it has been actuarially determined that in the first five years since July 1, 2006, level dollar rather than level percent of pay would have resulted in additional funding for PERS of $623 million and $351 million for TRS, and

WHEREAS, the Board has been presented and studied many scenarios of delaying funding by extending the 25 years for employers to pay the contribution rates, of which a portion would apply to the unfunded liability, and

WHEREAS, history and actuarial science has shown that when defined benefit pension plans are funded over the service life of employees, that 50% or more of the ultimate cost of benefit payments are covered by investment earnings, and

WHEREAS, the Board finds that the Department of Revenue, Treasury Division has a strong relative record of earnings on the investment of retirement systems funds, and

WHEREAS, the Board finds that there are large if not enormous increases in required ultimate payments of employer contributions and state assistance under any scenario of delayed funding. For example, one scenario of using the base case and extending the period to retire the unfunded liability from 2032 out to year 2040 required an additional $6 billion in total employer and state assistance contributions over time. Another scenario presented to the Board which is based on an additional state assistance payment of $2 billion in June 2012 into PERS and no state assistance payments thereafter and assumes continuing employer contributions at the 22% rate, when projected out to year 2041 only reaches 66% funding and it would take continuing this rate of payment out to year 2053 to reach 100% funding of the PERS and TRS defined benefit based liability. As opposed to the base case, this would take $ ___ billion in additional employer contributions over time, and

WHEREAS, the state itself pays 61% of all employer contributions into PERS and TRS based on the budgets it funds and all other employers in the system pay 39%. For TRS the state through education funding pays for virtually all funding, and

WHEREAS, base case actuarial calculations (full funding achieved by year 2032) show that if the state changes to level dollar funding going forward a savings in the PERS system of $738 million in employer contributions and a savings of $541 million in state assistance payments can be achieved, and [add same information for TRS]

WHEREAS, level dollar funding, while somewhat more costly early on, will avoid continuing on a path where in the 2020's state assistance will grow to the range of $1.2 billion or more annually, and

WHEREAS, the Board, consistent with its statutory charge, finds that the unfunded liability of the PERS and TRS defined benefit systems are real and should be properly funded.

WHEREAS, the Board finds that it is not its position or prerogative to change legislation or legislative intent, and

NOW THEREFORE BE IT RESOLVED THAT the Alaska Retirement Management Board recommends that the State of Alaska adopt the level dollar method of funding of the PERS and TRS defined benefit systems, and that the state fund these plans by appropriation or the establishment of reserves (including investment earnings thereon) committed to meet these obligations.

DATED at ______________, Alaska, this ____ day of ____________________.

____
Chair

____
Secretary

Alaska Retirement Management Board
2012 Meeting Calendar

February 15	Committee Meetings: Audit
February 16-17 Thursday-Friday Juneau	*Review Capital Market Assumptions *Manager Presentations *Actuarial Audit Report
April 19-20 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 20	Committee Meetings: Audit
June 21-22 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1st Quarter *Manager Presentations
September 19	Committee Meetings: Audit Budget Defined Contribution Plan
September 20-21 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2nd Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October _____	Education Conference
December 5	Committee Meetings: Audit
December 6-7 Thursday-Friday Anchorage	Audit Report - KPMG Performance Measurement – 3rd Quarter Manager Review (Questionnaire) Private Equity Review Economic Round Table *Manager Presentations

<u>ARMB ACTION LIST</u>

December 2011

ITEM	*DATE*	*ACTION*
Updated information in Membership Statistic Reports *Sam Trivette*	9/22/11	*Teresa Kesey provided trustees with a draft membership statistics report on 11/7/11; new format will be presented at December ARMB meeting*
Actuarial Information: 60-yr projections; FY13 contribution rates-normal cost/unfunded liability; FY contribution rates-defined benefit/defined contribution plans *Martin Pihl*	9/22/11	*Provided by Buck Consultants 9/23/11*
Fund Financial Report: include column showing investment returns *Sam Trivette*	9/22/11	*Pam Leary Discussed with Mr. Trivette*
Hedge Fund Holdings: Staff to provide further information to Board re transparency	9/22/11	*Report from CIO to be scheduled at future board meeting*
AlaskaCare Health Contract Follow-Up	9/22/11	*Update provided by Mike Barnhill at September Board meeting*

ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M

To: ARMB Trustees
From: Judy Hall
Date: November 18, 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	10/11/11
Bob Mitchell	Investment Officer	Equities	10/4/11 11/3/11