
ALASKA RETIREMENT MANAGEMENT BOARD

BOARD OF TRUSTEES
AGENDA

February 16-17, 2011

Meeting in the
Egan Room
Centennial Hall
101 Egan Drive
Juneau, Alaska

Thursday, February 16, 2011

- I. 9:00 am Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Communications, Public/Member Participation, and Appearances
(Three Minute Limit)
- VI. Approval of Minutes: December 1-2, 2011

- VII. 9:10 Reports
 - 1. Chair Report
 - 2. Committee Reports
 - A. Audit Committee, *Martin Pihl, Chair*
 - B. Defined Contribution Plan Committee,
Sam Trivette, Chair
 - 3. Division of Retirement & Benefits Report
 - A. Membership Statistics/Buck Invoices
 - B. Legislative Update
Jim Puckett, Director
 - 4. Treasury Division Report
Angela Rodell, Deputy Commissioner
 - 5. Chief Investment Officer Report, *Gary Bader*

- 9:30-9:50 6. Fund Financial Report
Pamela Leary, State Comptroller, DOR, Treasury
Teresa Kesey, Chief Financial Officer, DRB

- 9:55-10:15 7. Investment Actions
 - A. Manager Review Action
Gary Bader, Chief Investment Officer

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10:15 - Break
15 Minutes

- 10:30-11:00 8. Real Assets Plan - 2012
Real Asset Committee Charter
Steve Sikes, State Investment Officer

- 11:05-11:40 9. Executive Session - Legal Report
- 11:40-12:00 10. Presentation to Senate Leadership January 11, 2012
Trustee Martin Pihl

Lunch - 12:00 - 1:15 pm

- 1:15-2:00 11. Global Investment Perspective
Rob Parenteau, RCM
- 2:05 12. Manager Reports
- 2:05-2:20 A. Barrow Hanley
Matt Egenes
- 2:25-2:40 B. McKinley Capital
Rob Gillam and Alex Slivka
- 2:45-3:00 C. Quantitative Management Associates
Deborah Woods

*3:00 - Break
15 Minutes*

- 3:15-3:30 D. RCM
Melody McDonald and Ray Edelman
- 3:35-3:45 13. IFS Actions
Task Area a.2, Recommendation #4
Gary Bader, Chief Investment Officer
- 3:50-4:10 14. Investment Advisory Council Appointment
Recommendation of Selection Committee
Tom Richards, Chair

End of Day

Friday February 17, 2011

- 9:00-11:00 15. Capital Markets Assumptions
Michael O'Leary, Callan Associates Inc.

*11:00 - Break
15 Minutes*

- VIII. Unfinished Business
1. Disclosure Reports
 2. Meeting Schedule
 3. Legal Report
- IX. New Business
- X. Other Matters to Properly Come Before the Board
- XI. Public/Member Comments
- XII. Investment Advisory Council Comments
- XIII. Trustee Comments
- XIV. Future Agenda Items
- XV. 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
Juneau-Haines Room
Anchorage Marriott Downtown Hotel
820 W. 7th Avenue
Anchorage, Alaska

**MINUTES OF
December 1-2, 2011**

Thursday, December 1, 2011

CALL TO ORDER

CHAIR GAIL SCHUBERT called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:05 a.m.

ROLL CALL

Eight ARMB trustees were present at roll call to form a quorum. Commissioner Hultberg was delayed due to weather and joined the meeting after lunch.

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. Jerrold Mitchell

Department of Revenue Staff Present

Angela Rodell, Deputy Commissioner

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

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

Robert Johnson, ARMB legal counsel
Michael O'Leary, Callan Associates, Inc.
Gary Robertson, Callan Associates, Inc.
Paul Erlendson, Callan Associates, Inc.
David Slishinsky, Buck Consultants, Inc.
John Boucher, SOA Office of Management & Budget
Michael Hayhurst, KPMG
John Alcantra, NEA Alaska

PUBLIC MEETING NOTICE

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

APPROVAL OF AGENDA

MS. HARBO moved to approve the agenda. MR. TRIVETTE seconded.

Item VIII, Sustainability/Unfunded Liability, scheduled for 9:15 a.m., was moved to the afternoon because some people were delayed due to weather. The Board approved the agenda as amended.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

JOHN ALCANTRA, Government Relations Director for the National Education Association of Alaska, mentioned the positive comments by Governor Sean Parnell and NEA Alaska Executive Director Lydia Garcia at the Board's September meeting in Fairbanks for everybody to keep an open mind to the options available, given the vast resources Alaska has. Unfortunately, what the press reported of a State Affairs hearing in Fairbanks three weeks after the ARMB meeting, and what he heard on teleconference, did not sound open-minded. It sounded like a crystal ball was necessary to return to a defined benefit plan. He said actuarial analysis is a science, but never a crystal ball, and the ARMB makes decisions based on the best

information possible. He hoped that when the Board met again in Juneau [in February] that there would be some good reports of legislative actions happening to allow employees to have an option of a defined benefit plan or a defined contribution plan.

MR. ALCANTRA reported that he attended a conference a couple of weeks ago where 42 of 50 states were represented. Most of the states were unbelieving that Alaska, with its billions of dollars in savings, was the only state in the nation that did not have a defined benefit pension system or a social security plan. He said the Board cannot make legislative policy, but he hoped the open-mindedness that the Governor talked about in September would exist at the administration level, at the legislative level, and at the ARMB level.

APPROVAL OF MINUTES

MS. HARBO moved to approve the minutes of the September 21-23, 2011 meeting.
MR. WILLIAMS seconded. The motion passed without objection.

ELECTION OF OFFICERS

MR. PIHL moved that the Board cast a unanimous ballot to re-elect Chair Gail Schubert, Vice Chair Sam Trivette, and Secretary Gayle Harbo for one year. MS. ERCHINGER seconded.

The motion carried without objection, 8-0.

REPORTS

1. Chair Report

CHAIR SCHUBERT said she received very good feedback from the Education Conference held in New York City. She thanked Gary Bader, Judy Hall and other staff for pulling it together, saying that every year the conference gets better, and the Board heard incredible topics delivered by outstanding speakers this year.

CHAIR SCHUBERT reported that she had worked with Mr. Pihl and Deputy Commissioner Barnhill and others on the sustainability and unfunded liability topic slated for discussion later in the meeting. She thanked Mr. Pihl for his work on that.

2. Committee Reports

2(a). Audit Committee

Committee Chair MARTIN PIHL reported on the committee's November 30 meeting, saying that the independent auditor KPMG would give a direct report on the audit to the Board later. The committee heard that the audit process went smoothly and

KPMG found very good preparation by staff. KPMG gave clean opinions but did have one significant finding dealing with the National Guard reporting of participants, which did not rise to the level of materiality. Jim Puckett, the Director of the Division of Retirement and Benefits, had informed the committee that the National Guard participants who are paid a benefit are scrutinized very carefully so there is little risk. Mr. Puckett would give a status report to the Board at the February 2012 meeting. He complimented staff in both the Treasury Division and the Division of Retirement and Benefits for their work and preparation for the audits. *[The minutes of the November 30, 2011 committee meeting are on file at the ARMB office.]*

2(b). Real Assets Committee (former Real Estate Committee)

Committee Chair KRIS ERCHINGER said the committee met November 30. One action was to review and recommend to the full Board for approval a revised charter to broaden the scope of the former Real Estate Committee to include timber investments, farmland, energy and TIPS. The committee also heard a presentation by Steve Sikes on the Real Assets Investment Plan for 2012, which would be brought to the full Board in February. *[The minutes of the November 30, 2011 committee meeting are on file at the ARMB office.]*

2(c). Salary Review Committee

Committee Chair MARTIN PIHL said the committee met November 30. Commissioner Becky Hultberg was added to the committee, along with Gail Schubert, Kris Erchinger, and Martin Pihl. The committee did not meet earlier because good progress had been made on the salary administration plan in recent years, and the Budget Committee had addressed a provision for staff salaries in its work. Ms. Leary presented an update on the salary plan, and the committee continues to be pleased with the progress on salary administration. The committee will get an update from the consultant's analysis and other salary comparisons at a future meeting.

MR. PIHL said the Board approved Resolution 2010-18 a year ago, and the committee felt this continuing resolution did the job going forward and there was no need for a new resolution. He reported that Commissioner Hultberg spoke in favor of a less stringent recommendation in the resolution than that the state comptroller position be made exempt. She had said there were other positions in the State system that were somewhat comparable to state comptroller. MR. PIHL said he still supported exempt status for the position; however, the commissioner was not present to speak on the matter. *[The minutes of the November 30, 2011 committee meeting are on file at the ARMB office.]*

3. Retirement & Benefits Division Report

3(a). Membership Statistics

DRB Director JIM PUCKETT mentioned the quarterly retirement system membership statistics included in the meeting packet, and said there was nothing unusual to

comment upon. He invited comments on the new format of the report.

3(b). Buck Consulting Invoices

The monthly invoices from the actuary were included in the meeting packet so trustees could review the billings and services provided.

4. Treasury Division Report

Department of Revenue Deputy Commissioner ANGELA RODELL reported that it had been a quiet quarter in the Treasury Division. They continue to work with the Department of Law to qualify a group of law firms to help with foreign representation when it is needed for certain foreign investments.

5. Chief Investment Officer Report

Chief Investment Officer GARY BADER referred to the written report in the packet that listed fund transfers and rebalancings that staff had transacted since the last board meeting, along with several other items. He reported that the allocation to Crestline Advisors was increased by \$33.5 million, as part of changes made to Crestline's investment mandate last year.

MR. BADER notified the Board that Jeff Conrad had resigned from Hancock Agricultural Investment Group, and his replacement was Oliver Williams, a person that staff has dealt with for many years at Hancock. He said that the change, by itself, was not enough to place Hancock on the manager watch list. However, staff later became aware that Joe Silveira, of Farmland Management Service — a company contracted by Hancock to run the ARMB's agricultural properties — recently passed away. Given the two leadership changes at the top of Hancock, he said staff recommended placing Hancock on the watch list and the Board directing staff to increase scrutiny of what takes place at the firm.

MS. HARBO moved that the Alaska Retirement Management Board place Hancock Agricultural Investment Group on the Watch List. MR. TRIVETTE seconded. The motion carried unanimously.

MR. BADER mentioned that the Frontier small cap value mandate that the Board approved at the September meeting was funded by transferring money from several other small cap managers, in order to rebalance the investment style bias [in the small cap equity portfolio]. Victory Capital Management had also made a presentation on their small cap value product at the September meeting, and that item would be taken up later under "Investment Actions."

MR. RICHARDS referred to the Treasury Division letters in the packet instructing the custodian bank on fund transfers among the various plans, and asked Mr. Bader to elaborate on the process for rebalancing. MR. BADER said staff first looked at all the defined contribution/defined benefit components because those are not paying

benefits now and are accumulating cash. That cash is transferred to get those components back within target bands, and the cash goes into the Public Employees' and Teachers' pension funds and is swapped for investments like private equity and public equity, etc. Then there is a swap between the pension funds and the health funds to get them into balance. At the end of that, all three groups are rebalanced again. He gets a report weekly from his staff informing him of where the funds are relative to the asset allocation bands.

MS. ERCHINGER remarked that the Audit Committee receives monthly compliance reports and sees when any of the accounts are out of compliance with the [asset allocation] bands the Board established. Generally, any non-compliance is only a matter of timing a few days here and there. She could not recall that there had been anything of concern to the Audit Committee over the last year and a half.

6. Fund Financial Report

State Comptroller PAMELA LEARY presented the financial report for the retirement systems for the first quarter of fiscal year 2012. The total ending invested assets as of September 30 were \$18.4 billion, a decrease of 7% since the fiscal year end at June 30. The change in invested assets for all the plans in just the month of September was a loss of 5%, and 4.5% of that was due to investment income.

MS. LEARY stated that the financial statements for October were available on the web site. For October there was a 5% increase to the total net assets due to investment income increases of 5.5%. [Unaudited numbers for November show about a 1.5% net decrease of invested assets, leaving the ending invested assets down roughly 4% for the first five months of the fiscal year.]

MS. LEARY showed charts of the monthly changes in invested assets for each retirement plan and health care trust fund, as well as the asset allocations. Each plan was well within its target allocation bands.

MS. KESEY reviewed the Division of Retirement and Benefits supplemental financial report, drawing attention to the details of the net contributions/withdrawals for the three months ended September 30, 2011. A second page showed the same information for just the month of September.

MS. KESEY reported that in October the Division received approximately \$27 million for the Early Retiree Reinsurance Program, which would be included in the next set of cash flow statements. The Division was also notified of a \$2.9 million Retiree Drug Subsidy (Medicare Part D) payment that was expected within the next week.

MS. HARBO pointed out that approximately \$5 million went out in refunds from the PERS and TRS defined contribution plans (DCR) in the three-month period. She asked if that was money to DCR participants who had terminated employment. MS. KESEY

confirmed that she was correct.

7. Private Equity Portfolio - Review and Performance Analysis

GARY ROBERTSON, Senior Vice President of Callan Associates Inc., presented an annual review of the retirement fund's private equity portfolio as of June 30, 2011. *[A copy of Callan's slides for this presentation is on file at the ARMB office.]* He began with a timeline of the ARMB private equity program that started with a 3% target allocation when the Board hired Abbott Capital Management in 1998. He noted that the timing of starting initiatives in a private equity program is very important to the performance. The Board hired Pathway Capital Management in 2001. Abbott and Pathway since inception have about 33 partnerships that overlap, and about a one-third of the ARMB's invested capital is in the same partnerships. He said Callan believes that overlap is beneficial because those are the high conviction managers. In 2009, the ARMB investment staff initiated an in-house private equity portfolio. The Board's most recent action was to raise the private equity target allocation to 8%, effective July 1, 2011. The current actual allocation is 9.2%, so private equity is overfunded.

MR. ROBERTSON reviewed the details of the ARMB private equity program's funded position at June 30, 2011 compared to June 2010. The total retirement fund increased 22% in the fiscal year, which increased the private equity target by \$210 million. The private equity portfolio also earned 16%, or \$208 million, and the 1% increase in the target allocation added almost \$400 million to the target. The backlog of uncalled commitments, which will drive the funded status, is only about 55% of the NAV (net asset value) — so there is not a big reservoir, and Callan believes that will help mitigate the program's overfunded status over time.

MR. ROBERTSON next talked about private equity market conditions historically and more recently. He noted that the first money that Abbott put out went into the high-price environment of the tech bubble in the late 1990s. The timing of hiring Pathway in 2001 was perfect; it was right below the bottom of the market, so the first money that Pathway invested was at rock-bottom prices. Pathway also had a larger buyout style, and they rode the buyouts wave up very handsomely. The first few investments of the in-house portfolio got caught in the 2008-2009 down wave, but generally it did not have a big effect because the portfolio is still quite immature.

There was no mergers and acquisitions (M&A) activity in 2009. Good progress in fundraising began in 2010 when bank lending became available again, and 2011 through September was actually quite good. However, the decreased market liquidity since late July, due to more economic uncertainty and market volatility, will hurt the private equity market.

MR. ROBERTSON stated that the market has been very receptive for IPOs (initial

public offerings) and M&A over the last year. There have been record numbers of buyout IPOs and a bit of a mini bubble in the venture capital area for the social media types of companies. The general partners are very focused on getting capital back to their investors at this point because there is a big backlog of companies that are aging. And to raise new funds, general partners have to show progress on their last funds.

Currently, new deals are fairly solid; prices are not low, but they are equitable. The general partners are pricing the deals for a low-growth environment. The companies that made it through the recession are now very lean and should fare well in the future. Callan believes that even if the recovery is sluggish, private equity will still hold its own as an equity strategy. Private equity has now outperforming public equity over all periods except the three-year period.

MR. ROBERTSON highlighted the following points about the ARMB portfolio performance for the 12 months ended June 30, 2011:

- Commitments went up 10%. Private equity funds typically have about 5-6 years to invest their capital, so in a normal, healthy market environment the rate of replacement by the managers should be about 30%. The ARMB portfolio is a little below average at this point because the market is not liquid. However, commitments were up from 4% last year, so the managers were finding more good funds compared to FY 2010.
- Paid-in capital increased 12%. The normal expected turnover rate is 15%-20%.
- Because the ARMB portfolio committed more than was paid in, the uncalled commitment went up 4%, versus going down 5% last year.
- The portfolio had a 22% cash yield. The ARMB took \$45 million out of the portfolio on a net cash flow basis, meaning distributions were more than what was paid into the portfolio.
- The true unrealized appreciation was actually 20%, illustrating that there was good write-ups in the portfolio companies.
- Using the total wealth creation measurement, the ARMB has \$1.34 for every dollar it has paid into private equity. That places the ARMB portfolio performance high in the second quartile compared to an opportunity set database.
- The portfolio is mature at 73% paid in. Fully mature would be when all the capital has been returned.

MR. ROBERTSON also presented the portfolio diversification by private equity strategy, industry type, and geographic location. He said the 32% international exposure is very similar to other institutional portfolios.

MR. ROBERTSON next talked about Abbott and Pathway individually, describing the

portfolio activity and performance in fiscal year 2011 and since each manager started investing on the ARMB's behalf. *[See Callan report, slides 10 through 17, for details]*

He also gave an overview of the private equity portfolio that is managed in-house. *[For details see Callan report, slides 18 and 19]* Lastly, he briefly reviewed the corporate governance portfolio, a closed-end fund called Blum Strategic Partners III.

MR. ROBERTSON stated that the ARMB's two private equity managers are very complementary, with a focus on venture capital from Abbott and distressed debt at Pathway. The in-house portfolio is overcoming early liquidity, but the results are good, and the manager picks seem to be doing quite well. He said Callan sees all the partnerships in the industry and knows the reputation and performance of each. The ARMB is invested in the very best general partners in the industry, and the total portfolio diversification is good.

Fiscal year 2011 was the second year of good liquidity, and net cash flows and valuations went up in the portfolio. The portfolio is over its 8% target allocation, but there is a good balance between uncalled capital and the NAV. Hopefully, over the next three to four years that will mitigate the actual allocation number downward. A lot of it will depend on how the overall retirement fund portfolio performs.

There has been an illiquid period after July 2011, but Callan believes that even if it is a rocky economy, it is a good buying opportunity for the uncalled capital. The good news is that the economy is not in a bubble. The general partners are clearly focused on distributions back to their investors.

MR. TRIVETTE asked if Callan had any suggestions for what to do with Blum Strategic Partners III. MR. ROBERTSON replied that since the June 30 report Blum had some very bad news in the portfolio, and he did not know if they would be able to raise a next fund. The ARMB would be staying static with Blum, and hopefully their portfolio will recover. He pointed out that the corporate governance fund was not private equity, and he would not re-up with Blum in a private equity portfolio.

MR. BADER stated that the Board made the decision to terminate Blum. The remaining investment with Blum is not scheduled to be re-initiated; it is a fund that has a determined life to it, so the ARMB would incur significant penalties to terminate early. Blum is a winding-down account.

DR. MITCHELL said he had been involved in the initiation of the ARMB private equity program in 1998. Some of the questions raised at that time were whether a fund as large as this retirement fund could do what endowments at Yale, MIT and Harvard had done in the private equity sphere: Could they overcome the high fees and the employment of gatekeepers? Could a public fund deal with the opaque nature of private equity? Could it beat the public markets from which a lot of the funds came?

And could the ARMB staff handle the complexities of private equity? He said that from this presentation he would have to say yes to all those questions raised. He thought the program had been remarkably successful.

MR. O'LEARY indicated he wanted to highlight some important lessons learned for some board members and attendees who did not have much background in private equity. First, to the extent possible, it is always better to know the ultimate target allocation at the outset. The Board's initial target allocation was 3% of the total retirement fund, and the consequence was that the planned pace of investment was driven by that 3% target. Then the target was raised and then raised again. At this stage, the Board does not have to worry about the target, because the actual private equity allocation is at 9.2% of the total retirement fund, or over target.

MR. O'LEARY said his second point was that the Board should not directly compare the internal rates of return (IRRs) for Pathway and Abbott. The IRR is very heavily influenced by the specific start time of a portfolio, as well as by the strategy tilt in the portfolio. Venture capital has a bigger tilt in Abbott's portfolio than in Pathway's portfolio, so there is a bit of an apples-and-oranges comparison. The same point applies to the internally managed portfolio, because its history is short, and there is no venture capital orientation to speak of.

Referring to Blum, the corporate governance portfolio that is part of private equity, MR. O'LEARY mentioned that Relational Investors was another corporate activist manager the Board hired that was never a part of the ARMB's private equity portfolio. He said he was very happy with the private equity program. He was also grateful for Mr. Bader's assistance in identifying Abbott and Pathway as gatekeepers, as well as for the Board's decisions to hire them.

MS. HARBO inquired about when the Board should start looking for an exit strategy for what are illiquid investments, given that the defined benefit plans are closed and will need the income at some point.

MR. BADER responded that staff had looked at the liquidity of the defined benefit plans, and the actuary has schedules for when assets under management will increase and when they will start to decline. Staff feels that there is at least ten more years before reaching that point.

MR. O'LEARY remarked that a great aspect of private equity is that every fund the ARMB invests in has its own life cycle and will go down to zero. Unless there is another major economic event along the way, the orderly shrinkage of the private equity allocation is reasonably straightforward simply by slowing down the pace of new commitments.

CHAIR SCHUBERT called a scheduled break from 10:25 a.m. to 10:39 a.m.

8. Investment Performance Measurement - Periods Ended 9/30/2011

Executive Vice President of Callan Associates Inc., MICHAEL O'LEARY, and Senior Vice President, PAUL ERLENDSON, presented a performance review of the retirement fund portfolio and individual participant plans as of September 30, 2011. *[A copy of Callan's slides for this presentation is on file at the ARMB office.]*

MR. O'LEARY said the economic recovery continued at a slow pace in the third quarter, with a revised 2% GDP growth. Of note in the quarter was the big spike up in year-over-year CPI (consumer price index) and PPI (producer price index), and the significant drop in the consumer sentiment index.

The third quarter was so weak because of several key issues: (1) Greece, Italy and Europe; (2) slowing growth and inflation concerns in the emerging markets, most notably Brazil and China; (3) Super Committee concerns in the U.S. [working on deficit reduction solutions]; (4) the absence of job growth; and (5) people expecting greater economic growth than they should have, given the financial condition.

Interest rates remain at extraordinary low levels. MR. O'LEARY showed a graph of the effective yield over Treasuries for various spread categories ticking upward during the September quarter. He noted that PIMCO had a negative return in their Total Return Fund in the quarter because of credit risk exposure: they were significantly underweight Treasuries and had emerging market debt.

MR. O'LEARY reviewed Callan's periodic table of asset class performance for the third quarter, and the last 1-year, 3-year, 5-year, and 10-year periods. The weakness in emerging markets persisted in the quarter and over one year. Bonds were the best performers out to five years. The Russell 3000 Index was up 0.5% for the year through the end of September, while the MSCI EAFE Index was down almost 9.5%. The EAFE is a developed market index, and Europe is a big part of it, but currency was a detractor for the year.

MR. O'LEARY commented that people are moving increasingly toward a global equity benchmark for their equity allocation. Only 40-some percent of a global benchmark is the U.S. So if one had had a global benchmark for their equities, they would have done significantly worse in recent periods — because of the dollar strength — than if they had had a domestic equity benchmark. It can clearly work the other way as well, where one gets the currency advantage by not being in the United States.

Showing two slides that were discussed at the Education Conference in New York City in October, MR. O'LEARY drew attention to the high level of company earnings and the low level of price/earnings ratios. The market decline in the third quarter took equity valuations to levels that do not seem to be justified by the level of earnings, suggesting that people are expecting that earnings are going to decline. That is not

evident in analysts' estimates, nor in the earnings reports that came out subsequent to September 30. A comparison of the number of credit upgrades and downgrades indicates that in 2010 and thus far in 2011 upgrades have outnumbered downgrades.

MR. O'LEARY mentioned that Callan has been explaining that some disappointing relative performance was largely from timing issues related to both real estate and private equity valuations. The positive side of that valuation timing issue has now come through, and private equity has been carrying the burden of boosting ARMB performance thus far in calendar 2011. Real estate has helped as well. The NCREIF Property Index was up 16% for the year ended September 30, 2011. REITs at 1.9% were well behind that but still positive. Real estate has caught up with the improvement in equity markets, and private equity appears to have done so as well.

At September 30, the retirement fund had an over-allocation in private equity relative to what was then a 7% target, and an under-allocation to domestic and global equities. Much of the public equity under-allocation was due to the equity markets declining while other asset classes went up. Compared to other public funds, the retirement fund had a slightly greater allocation to international equity and a significantly lower allocation to fixed income. There is a big allocation to alternative investments, which includes both private equity and absolute return. The Board places its TIPS investments in the real assets category; however, the TIPS exposure mitigated some of the low allocation to fixed income because these inflation-protected securities have acted a lot like U.S. government bonds so far in the year.

MR. O'LEARY reported that the retirement fund was down 8.84% in the September quarter but did better than the target asset allocation return of -9.27%. For the trailing 12 months, the fund had a positive 2.52% return that beat the target return of 0.96%. He noted that the fund's private equity portfolio made 24.5% over the 12 months ended 9/30/11; where timing differences in valuing illiquid investments had been a drag on total fund performance in prior periods, those timing differences contributed to performance in the most current year. Real assets had a positive 13.3% return for 12 months, and it was the same story — largely timing differences reflecting the appraisal process for valuations. The one-year and two-year total retirement fund returns are now better than the median return.

MR. O'LEARY next reviewed the performance of each asset category in the ARMB portfolio:

- The U.S. Treasury fixed income pool, managed internally, did three basis points better for the year than the benchmark Barclays Capital Intermediate Treasury Index, 3.97% compared to 3.94%. For the quarter, the in-house portfolio was slightly behind the benchmark, but 3.36% was an attractive return and right in line with expectations.

- The non-dollar fixed income had a negative return for the September quarter and was below the unhedged benchmark. Mondrian historically has done a wonderful job for the ARMB.
- High yield bond returns were negative in the quarter, but manager MacKay Shields did better than the target. Their relative performance over the past year has improved such that their five-year return is now above median.
- Total domestic equity did worse than the Russell 3000 Index for the quarter.
- The large cap domestic equity pool return was slightly positive over the last year. For the quarter it was worse than the benchmark but above median.
- The small cap equity pool is made up of two index funds plus several active managers. The pool return was better than the benchmark for the 1-year and 2-year periods, and a tad below benchmark for the 3-year, 5-year, and 7-year periods. The three active managers — Luther King, Lord Abbett, and Jennison — have added significant value. The impact of hiring new active small cap managers is not reflected in performance yet.
- The convertible bond portfolio managed by Advent is part of the ARMB equity pool. The Board is seeing one side of the expected performance pattern, as Advent was down less than the equity market decline in the September quarter. This type of portfolio is expected to lag rising equity markets and do better than equities when the market is declining.
- International equity performance for three years and longer has been very competitive compared with other public funds. It was not grand during the last 12 months, and did slightly better than the benchmark in the September quarter.
- While the returns for the international ex-emerging markets portfolio have been negative for all periods out to five years, they have been better than the EAFE Index.
- The emerging markets equity pool in aggregate has underperformed the index over the last two years. The pool has a value tilt.

MR. BADER explained that when the retirement fund changed to individual health trusts for PERS and TRS, emerging markets manager Eaton Vance required that the ARMB exit from one of their products and go into another product. The expensive transaction costs to go from one fund to another severely damaged Eaton Vance's returns. It was not the manager's fault, but it influenced the performance record a lot.

MR. O'LEARY continued his review of performance by asset class:

- Lazard, the ARMB's one global equity manager, seems to have recovered nicely from a performance "ripple," such that the 3-year, 5-year and 7-year numbers have beat the MSCI World Index.
- The real assets portfolio return of 13.30% for the fiscal year exceeded its target of 12.81%. It lagged in the September quarter.

- The internally managed REIT portfolio had good results relative to market over the quarter and for the 1-year and 2-year periods.
- The TIPS portfolio managed in-house has done well.
- In the absolute return composite, the best recent performer was Crestline. GAM had a good quarter. For Mariner, one has to go out to three years to find competitive returns. Mariner has more of a fixed income focus, and it has been very difficult to navigate in the fixed income area. Prisma looks okay on a since-inception basis, but its recent performance has not been outstanding.
- The two buy-write programs are in the early days and are performing in line with expectations.

MR. O'LEARY indicated that the Callan report also had two pages that highlighted which investment managers had been doing well for both 1-year and 5-year periods, and which managers had disappointing performance.

MR. ERLENDSON reported on the individual investment funds that retirement plan participants can invest in. He said there is a message with participant-directed monies, in terms of how they react to the markets, and it shows the importance of the diversified array of investment options the Board has in place for participants to invest in. Nearly half of the 27 options are multi-asset strategies, either target date funds or balanced funds. Nearly two-thirds of all the money in the participant-directed plans is invested in the multi-asset pools, while about one-third of the participant money is in the single asset strategies.

Through the end of November, the U.S. stock market has been negative in six of the last seven months. It is not surprising that some of the cash flows Callan has observed reflect the risky sense of the market. The Alaska Balanced Fund and the Long-Term Balanced Fund account for over 56% of the assets. Taking into account the Stable Value Option, the third largest fund in terms of capital deployed by the participants, 70% of the assets are in those top three funds. Those are risk-based strategies, where the managers are trying to diversify or retain capital.

The third quarter of the year was negative for the stock market, and the largest amount of net positive cash flow was into the Stable Value Fund (over \$10 million). Long-term, high quality bonds have had a phenomenal year so far, and the Long-Term Treasury Fund was the second largest recipient of capital from participants shifting money. Of concern is that with talk of inflation fears, long-term Treasuries would be the last thing an investor would want to own if that were going to happen. The third largest fund receiving flows was the Long-Term Balanced Fund. So the flows of capital seem to suggest that participants are paying attention to the market, and they are reacting by either chasing high returns (long-term Treasuries) or deploying capital into capital preservation strategies.

MR. ERLENDSON said the largest source of capital for moving money was the Alaska

Balanced Fund, with about \$12 million taken out. It is also the largest single fund, so that was not surprising. Small cap equity has had a very difficult year, and that was the second largest source of flows of funds, at about \$4.7 million. Then the S&P 500 Index Fund was the third largest source of capital being moved. So people were taking money out of the equity markets or the more aggressively positioned balanced funds.

MR. ERLENDSON stated that, on a risk-adjusted basis, the balanced and target date funds have been beating their benchmarks or are equivalent to benchmark.

Over the quarter, the last year and the last three years, almost all of the passively invested single-strategy type funds are meeting their benchmark and are doing better than the typical funds in these arenas.

MR. ERLENDSON gave the Board some details about the annual Callan client conference scheduled for January 30 through February 1 in San Francisco.

MR. TRIVETTE asked Mr. Erlendson to give the Board a written summary of his comments about the behavior of participant-directed money over the last year. MR. ERLENDSON said he would do that. MR. TRIVETTE said the knowledge could lead the Board to make some changes in the education provided to the defined contribution plan participants.

CHAIR SCHUBERT mentioned an article she had read that it was becoming in vogue to talk about the economic collapse of China. She asked for Mr. O'Leary's thoughts on that.

MR. O'LEARY said that much of China's extraordinary growth is attributable to the huge investment in infrastructure, which has driven job creation and the conversion of much of the population from agrarian to city dwellers. So infrastructure has been an important contributor to growth, but at some point that has to begin to change to citizens spending money. Many believe that that transition will be more difficult for the government to dictate and control than it has been for it to control the pace of new fixed investments. He does not share at all the view that China will go off the deep end. China has been preemptive in tightening to try to deal with inflation, and in the last week or two has shown signs of relaxing that as their economy has slowed some. It is important for the global stage for the emerging economies — not just China — to be contributing very positively to growth, because it is not going to come from Europe. He was keeping an eye on this and would let the Board know if he detected any change.

9. KPMG Audit Report

MICHAEL HAYHURST introduced himself as Managing Partner of KPMG's Anchorage Office and the engagement partner on the 2011 audits performed over the Division of

Retirement & Benefits in the Alaska Department of Administration and the Treasury Division in the Department of Revenue. *[The 2011 audit results had been presented in more detail to the Audit Committee at its prior meetings, and the minutes of those committee meetings are on file at the ARMB office, along with the KPMG slide presentation.]*

MR. HAYHURST touched briefly on the separate responsibilities of the Board, management, and the independent auditor in an audit. He also reviewed the list of reports KPMG issues, as well as the opinions on reports that KPMG issues as part of the audit engagement.

He explained three critical areas that KPMG looks at because they require estimations:

- Funded status of the retirement systems and progress on funding future benefit obligations, as well as related disclosures in the financial statements.
- Claims payable incurred but not reported. KPMG reviewed the Group Health and Life Fund, Retiree Health Fund, and the Alaska Retirement Healthcare Trust this year, and did not find any significant issues.
- Investments - checking the assessment of value of alternative or hard-to-value investments that are not traded on a regular basis. This year KPMG involved a financial risk management specialist to look specifically at alternative investments. The focus was on the policies, processes and controls that the department has in place, and what management does to identify what they are comfortable with as the fair value that gets recorded in the financial statements. KPMG was comfortable with the robustness of the process in place. KPMG also checked the allocation of investments to the various retirement plans.

MR. HAYHURST reported that no items were identified as adjustments to the financial statements. One item related to the lag period used to record the value of alternative investments is identified as an unadjusted audit difference almost every year. By the time the financial statements are issued and KPMG issues its opinion, updated valuation information is received as of June 30. KPMG makes an assessment at a detailed level as to what the amount would be if they recorded it in the financial statements and made an adjustment. Historically, that has not been material, but it is large enough to go over KPMG's listing scope.

MR. HAYHURST said there were no deficiencies identified in internal controls that would rise to the level of a material weakness.

There was one significant deficiency identified in the National Guard Naval Militia Retirement System (NGNMRS) not providing data on a regular basis to the Division of Retirement and Benefits that would be used to determine plan benefits. That branch

does not have established policies for locating and ensuring that it gives DRB the appropriate data, and the Division has to do a lot of verifying work. This has been an ongoing and unremediated deficiency and something that management mutually agreed with KPMG on. It is more an efficiency item than it is about any errors that might be in the financial statements, although it is reasonably possible that it could get to be more than inconsequential. KPMG did additional analysis and procedures, and the NGNMRS is a fairly straightforward plan. Ultimately, agencies that are feeding information into the system should have consistent policies on how they are doing that.

MR. HAYHURST stated that no new significant accounting policies were required to be implemented in the current year. Further, there were no significant or unusual transactions. He reviewed a list of other matters and stated that KPMG did not encounter any significant difficulties; they had full cooperation from staff, full access to the books and records, and follow-up on any questions. There were no disagreements with management.

MS. ERCHINGER asked if members made employee contributions to the National Guard retirement system. MR. PUCKETT said it was employer-only contributions.

MR. JOHNSON asked if KPMG knew of any anticipated changes in the accounting standards that could create major auditing efforts in the coming year. He also asked at what point KPMG had to disclose that there had been a conversation about alternative accounting treatments with management.

Answering the second question first, MR. HAYHURST said that FASB, GASB or some standard-setting body can come out with new accounting standards or interpretations, or a different transaction can come up within an entity. There is divergence in practice out there, and practice allows for an agency to pick different ways to do something. Through interpretations of the various standard-setting bodies that have been built up, a preferred method is adopted. It is those types of conversations where KPMG may say there are acceptable alternatives related to recording a particular transaction and indicate what alternative is being adopted by an entity. A lot of times in the conversations with management there really are not acceptable alternatives; there is really one GAAP and understanding the facts and circumstances to determine which literature applies and drives to what accounting treatment to use.

Regarding Mr. Johnson's first question, MR. HAYHURST said the most significant impending change is the convergence between U.S. accounting standards and international financial reporting standards. It is not necessarily pulling in GASB at this point; however, it is not atypical when there is a major significant change in convergence in standards that that feeds back to the various standard-setting bodies. A couple of the key things they are working on are revenue recognition and financial

instruments. He was not aware of anything that could significantly impact what KPMG would be looking at in the next year.

CHAIR SCHUBERT called a lunch recess at 11:58 a.m. and reconvened the meeting at 1:18 p.m. Commissioner Becky Hultberg and Deputy Commissioner Mike Barnhill joined the meeting following lunch.

10. Investment Actions

10(a). Victory Capital Management

MR. BADER stated that the Board interviewed Victory at the September 2011 meeting. He read an excerpt of the minutes to the effect that staff had advised the Board to defer any hiring decision until staff could get a higher level of comfort with the returns that Victory Capital Management reported at the meeting. He explained that the apparent discrepancy was between the returns reported at the presentation and the annual returns that were provided separately. Upon review, it was found that one set of returns were calendar year returns and another set of returns were based on fiscal year returns. From staff's perspective, that issue was set aside.

Subsequent to that, another issue arose. The risk/reward chart that Victory had presented showed returns based on 9-1/2 years of data, which appeared to be a convenient way of avoiding the tenth year investment returns that were very poor. ARMB staff talked to Victory about that report and learned that the 9-1/2 years were the returns associated with when the portfolio manager began his service at Victory. MR. BADER said he, Steve Sikes and Sean Howard spoke to Victory about all this several times. Callan's report on Victory that was provided to staff showed the returns over seven years at 408 basis points above the index, for five years at 515 basis points over the index, for three years at 371 basis points, and last year at 321 basis points outperformance. Victory has been a top-quartile performer in terms of alpha, information ratio, and Sharpe ratio.

MR. BADER said that, having addressed the issues, staff continued to support the selection of Victory for a small cap equity mandate.

MR. TRIVETTE moved that 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. MS. HARBO seconded.

MR. TRIVETTE thanked staff for their additional due diligence and said he was totally comfortable with the explanations.

The motion passed unanimously, 9-0.

**10(b). Equity Guidelines - International Small Cap Equity
Resolution 2011-21**

MR. BADER reviewed the staff report in the packet. He recommended changing the investment guidelines to allow the Board's two international small cap managers to have a small exposure to emerging market stocks.

MS. HARBO moved that 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 Small Cap Index. MR. PIHL seconded. The motion carried unanimously, 9-0.

10(c). Investment Advisory Council Contract

MR. BADER briefly covered the staff report included in the meeting packet and asked that a committee of the board review the applications for the Investment Advisory Council position currently held by Dr. Mitchell and make a recommendation.

MS. HARBO moved that the Board authorize an extension of Dr. Mitchell's contract through February 29, 2012, and that the Board Chair appoint a committee to review the submitted applications and complete the selection process for the position on the Investment Advisory Council. MR. TRIVETTE seconded. The motion passed unanimously.

CHAIR SCHUBERT solicited volunteers to serve on the selection committee and came up with Ms. Harbo, Mr. Richards, and Mr. Trivette.

10(d). Real Assets Committee Charter

Committee Chair MS. ERCHINGER explained the charter revision to change the Real Estate Committee to the Real Assets Committee. The Real Assets Committee met November 30 and recommended approval of the charter to the full Board.

MR. PIHL moved that 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. MS. HARBO seconded. The motion carried unanimously. 9-0.

10(e). LaSalle - Budget Variance

MR. BADER reviewed the staff report in the meeting packet. He said LaSalle Investment Management has asked for approval for an estimated \$1.36 million roof replacement project on an industrial property located in Sumner, Washington. ARMB staff's authority is limited to \$300,000 for line item variances of capital expenditure budgets, and so Board authority was needed.

MS. ERCHINGER stated that the Real Assets Committee discussed the request at its

November 30 meeting and recommended forwarding it to the Board.

MS. ERCHINGER moved that the ARM Board approve the fiscal year 2012 line item budget variance to proceed with the estimated \$1.36 million roof replacement project at the Rainier Industrial Park. MR. PIHL seconded.

MR. WILLIAMS observed that the building was built seven years ago, and asked if there was any recourse against the contractors that the ARMB could pursue. MR. BADER replied that staff had reviewed the due diligence the investment manager did. He said it is customary in situations like this that the investment manager look into the engineers that did the buyoff on their due diligence of the building. The manager has not indicated to staff that they will go after that at this early point.

COMMISSIONER BUTCHER asked what the original purchase price of the building was. MR. SIKES did not have that number but said the current value is just over \$13 million.

The motion passed unanimously, 9-0.

11. IFS Action Item

MR. BADER reviewed the staff report in the meeting packet that addressed one recommendation in the Independent Fiduciary Services (IFS) audit report regarding the fixed income portfolios.

B.1.b #11 - Specify minimum credit ratings in TIPS guidelines

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.

MR. BADER explained that in February 2011 the Board had approved staff's recommendation to alter the investment guidelines so that instead of laying out the investment criteria in each investment manager contract, it would say in each contract that the manager is subject to the investment guidelines passed by the Board. That way, the investment guidelines could be updated without amending the manager contracts.

MR. BADER said the internally managed portfolios are subject to the investment guidelines. In addition, Callan does performance measurement, and the internal compliance officers monitor the performance of internal staff the same way they do the external managers. He said staff believed the ARMB was already doing what the IFS report had recommended, based on previous Board action. He recommended, therefore, that the Board affirm the existing policies and processes with respect to investment guidelines, monitoring and reporting activities.

MR. RICHARDS moved that the Alaska Retirement Management Board affirm the existing policies and processes with respect to investment guidelines, monitoring and reporting activities. MS. HARBO seconded. The motion carried unanimously, 9-0.

12. T. Rowe Price Guidelines

MR. BADER explained a list of investment guideline revisions that staff was proceeding on for T. Rowe Price Associates:

- Removing T. Rowe Price's ability to invest in hybrid and non-investment grade bonds;
- Reducing allowable foreign security holdings from 10% to 5%; Adding convertibles, rights, and warrants up to 5% in the U.S. Small Cap Trust;
- Prohibiting securities lending;
- Remove cash holdings "for temporary defensive purposes" from the guidelines.

SUSTAINABILITY/UNFUNDED LIABILITY

1. Legal Analysis: Statutory Responsibility of ARMB

Board legal counsel ROB JOHNSON said it was appropriate as the Board considered various options for funding the retirement systems to have a refresher on the fiduciary obligations that were imposed on the ARMB and that trustees assumed by being members of the ARMB.

MR. JOHNSON referred to a supplemental handout of slides entitled "Fiduciary Concepts - SB 141 and SB 125" [on file at the ARMB office]. He said the fiduciary obligations are formed as a consequence of the law. What is paramount through a lot of case law analysis is that the duty that a fiduciary owes to the beneficiaries of a particular trust is that of "the highest standard of care." To apply all the analysis requires turning to the ARMB statutes, the source of the Board's authority and responsibility.

MR. JOHNSON read a sentence from AS 37.10.210(a): "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." He explained that the Board owes its duty of loyalty and obligation to the "*obligations of the systems, plan, program, and trusts.*" Who the Board owes its obligations to is also emphasized in a significantly important way in AS 37.10.071(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."

MR. JOHNSON drew attention to a list of verbs, direct objects, and objects of

propositions in AS 370.10.220, and their meaning to the ARMB's duties and obligations. He noted that one section states that by the first day of each regular legislative session the Board is to report to the Governor, the Legislature, and the individual employers on various and sundry issues related to the financial condition of the systems. So the statute certainly gives the Board a bully pulpit and, in fact, gives the Board an obligation to tender certain things. The Board is also to submit quarterly updates of the investment performance to the Legislative Budget and Audit Committee. So the ARMB's role is linked to other entities in government.

MR. JOHNSON also reviewed a list of verbs and direct objects in AS 37.10.071 that placed a mandatory obligation on the Board to do certain things. He noted one provision that the Board will exercise the powers of an owner with respect to the assets — a fairly broad-based declaration. The following provision in the statute is that the Board shall perform all acts not prohibited by the section, whether or not expressly authorized, that the fiduciary considers necessary or proper in administering the assets. That is broad-based language, but it has to be put in the context of the Board's described role under the provisions that created ARMB.

MR. JOHNSON said this creates a dynamic tension between trustees and others. The Department of Administration has the authority and responsibilities over PERS and TRS to act as an administrator, by law. There is a statutory role of the Department of Revenue to provide staff to the Board. The ARMB's provisions require that there be assistance, coordination, submission of reports, and the like. So there is an inter-relationship between all these parties. Then there is the statutory and constitutional role of the Legislature. The Legislature by law adopts budgets, it expects the ARMB to tender certain reports, and only the Legislature has the capacity to enact legislation.

MR. JOHNSON said there was no question that recommendations were expected from the Board. He drew attention to language from various committee meetings on SB 141 (that adopted the defined contribution plan and ARMB). Senator Stedman gave very clear statements that he assumed that the ARMB would be making and providing recommendations. There is almost a supposition that Senator Stedman believed the ARMB would solve a lot of the problems that were facing the Legislature at the time of SB 141 being implemented.

Legislative history, as reviewed by the courts, is used selectively. Generally speaking, the courts will have to conclude that there is some sort of void to be filled in how a statute is interpreted or a way to clarify what was meant by the Legislature, and so on, before they really even get to looking at legislative intent. But the courts, in reviewing legislative intent, generally speaking will presume that the law as written and as adopted by the body that is the legislature is paramount, as opposed to the desires and indicators of a particular legislator, however important that legislator may have been in the process. But nevertheless, what Senator Stedman's comments are,

along with other remarks recorded in committee minutes, indicate a supposition by the Legislature that, in fact, there would be a bully pulpit for the Board to make recommendations on things that it thought were important with respect to the health and well-being of the system that they are the fiduciary for.

MR. JOHNSON discussed what kind of recommendations the Board could make and what kind of things the Legislature could do to change the existing world. With respect to the funds and the funded status, the Legislature can ultimately pass laws that would assist in maybe addressing the issue. The Legislature can listen to the ARMB's recommendations and consider those. Whether the ARMB recommendations are the type of things that require legislation depends on what the Board proposes to say. A choice among amortization schedules or a change of direction in the actuarial valuation of a system are the types of things that are left more to the Board than are necessarily ingredients of legislation. By the same token, if there are goals that require statutory changes, while the Board can make recommendations, ultimately the Legislature adopts and has the choice of appropriating funds that the Board might even be recommending that they provide.

MR. JOHNSON referred to the *Gallion* case in Alaska, a retirement case that came out of the Municipality of Anchorage and was ultimately considered by the supreme court. The Municipality of Anchorage concluded that it was in the municipality's interest to combine into one fund three retirement funds with different funded levels. The police and fire unions sued, claiming that combining and aggregating the various funds constituted a diminution of benefits. The Alaska supreme court agreed with a California decision that even though an employee may not suffer out-of-pocket expenses, the interest of the employee at issue is in the security and integrity of the funds available to pay future benefits. As the *Gallion* court concluded, there is a vested right in the actuarial soundness of the plan to which a claimant is the beneficiary.

MR. JOHNSON stated that case law in a number of jurisdictions has recognized that adequate research and explanation may justify changes in funded status and how to go about funding things. Some courts have held that there is a clear analytical distinction, however, between the rights that beneficiaries have to receive benefits and the rights to control how those benefit payments are to be funded.

Taking those determinations and applying them in Alaska, however, there are situations where changes may not stand, such as the blending of funds which do not have a factual basis other than the desire to reduce employer costs (the *Gallion* court). Even though projections into the future are uncertain, a beneficiary may be entitled to a particular entitlement notwithstanding an intent or practice to change factors used in calculating that entitlement (*Sheffield vs. APEA*). In the latter case, the State had long presumed that it could change the mortality schedules for its beneficiaries because everybody presumed that the law fairly clearly provided that

those mortality tables could be changed for any one individual. But the court concluded that a person is entitled to have the mortality table that is most advantageous to that person fixed and constitute the basis upon which their retirement benefits might be calculated.

MR. JOHNSON said that changes in how a benefit is paid and how it is calculated need to take into account the proscription against diminution of benefits. Throughout this, even in the *Gallion* case, is the issue suggesting that beneficiaries have an entitlement to security on the actuarial soundness of the system. Unfortunately, there is no definition of that. The closest is some case law. The Washington supreme court adopted a Pennsylvania court's footnote definition that "for a public retirement system, actuarial soundness requires that the municipality contribute a sum of money each year sufficient to cover the 'normal cost' for the year plus interest on the system's unfunded accrued liability." It is sort of a broad-ranging concept, but actuarial soundness, at least in the view of those courts, constitutes something along those lines.

MR. JOHNSON said his point to the ARMB is that within the context of fiduciary obligations, the Board's recommendations certainly should take into account the notion that employees and beneficiaries have, under apparently applicable case law, a right to expect something other than challenges to the integrity and security of the system that exists for them. He suggested that trustees keep that sort of thing in mind as they made recommendations. On balance though, there appears to be no question but that the Board has the authority and the ability — and, in fact, it probably falls within the scope of what the Board should be doing — to be making appropriate recommendations, recognizing at the same time that at the end of the day it is the Legislature that adopts legislation and that appropriates funds that the Board might recommend are most appropriate.

2. Historical Perspective

MR. BADER stated that the Board Chair and Trustee Pihl had requested an historical perspective, and that certain records be included in the meeting packet: November 2010 meeting minutes and materials, the September 19, 2011 letter from Mr. Pihl, and the Governor's presentation at the September 21-23, 2011 meeting. *[The slide summary and other materials referred to are on file at the ARMB office.]*

3. Scenarios to Address Retirement of Unfunded Liability of Defined Benefit Retirement Plans - Spreadsheets

MIKE BARNHILL, Deputy Commissioner of the Department of Administration (DOA), said he heard loud and clear from some trustees at the last board meeting that they wanted to have a meaningful engagement in the process that DOA was going through in looking at various options to address the unfunded liability. He said that after receiving a letter from Chair Schubert, he had started talking to each trustee individually about what scenarios they would like to have modeled by Buck

Consultants, and how they would like to be engaged in the process of developing recommendations for the Governor and the Legislature.

MR. BARNHILL thanked Trustee Pihl for the spreadsheet format and his input on the data points for Buck to model the scenarios provided in the meeting packet *[on file at the ARMB office, along with the Buck detailed spreadsheets as backup]*. He explained in detail what each of the summary scenario spreadsheets depicted as run under the level percentage of pay amortization methodology and then run under a level dollar amortization, and for payoff periods of 25 years, 30 years, and 40 years. He pointed out the results for the State contribution amount in each scenario and what percentage the State assistance represented of the projected General Fund balance.

MR. PIHL circulated a copy of the PERS scenario with three additional columns showing the contributions required by the State and others after FY20 to reach fully funded status by certain dates *[on file at ARMB office]*. He spent a few minutes explaining what his penciled numbers were meant to portray. He thought the Board should make some findings from the data outputs and possibly choose to advance a recommendation.

MR. BARNHILL said the scenarios were useful in showing what happens to the unfunded liability and the payment for it when four different levers were adjusted. The levers were: (1) changing the method of amortization between level percentage of pay and level dollar; (2) changing the term of amortization from 25 years to 30 to 40; (3) adding in various levels of additional cash up front through appropriations; and (4) changing the employer contribution rate. Based on the comments Governor Parnell made at the September meeting, DOA also had some other mechanisms that could be employed to help address the unfunded liability, including a cash-out for retirees or some incentive to help employees retire early, or an incentive for people to move from the defined benefit plan to the defined contribution plan. Another mechanism was a retirement reserve account where money would be deposited instead of into the trust fund, which could enhance budgeting flexibility down the line. He said there are a variety of mechanisms and levers, and there are a number of different ways that the State, the ARMB, the Legislature and the Governor can address this issue.

Trustees had initial comments and questions on the summary scenarios. Then JOHN BOUCHER from the Office of Management & Budget (OMB) in the Governor's Office explained the revenue forecasts that go out to 10 years and how any revenue data beyond that falls dramatically with the [oil] production curve.

CHAIR SCHUBERT remarked that it was an extremely complicated issue. The benefit was set in stone because it was constitutionally protected, so Alaska cannot reduce benefits to deal with the unfunded liability crisis, as Commissioner Hultberg said other states are doing with their pension plans as a way to help balance their

budgets. The public does not have a good understanding of the problem, and it might be helpful to have some public education about the demands that it will create on the General Fund and other services.

COMMISSIONER HULTBERG said it was important to consider the impact on the General Fund because it is a classic example of if we pay more now, we will pay less later. But if we pay more now and ramp up the percentage of the General Fund that is going toward the unfunded pension liability issue, then it really crowds out other services. The health care liability is another one that is growing very rapidly. That is the situation that has to be managed carefully, because the more oxygen taken out of the General Fund, the more pressure there will be. That is not a conversation anyone is ready to have.

MR. PIHL spoke in favor of the level dollar amortization methodology, saying it costs less over time, it reduces State assistance, and it avoids the crisis of annual assistance payments that are projected to grow to over a billion dollars a year.

MR. TRIVETTE recalled that when the systems switched from using the level dollar amortization to level percentage of pay around 2006 people were concerned about municipalities not being able to pay their share — and switching certainly lowered their contribution amounts. He thought that SB 125 ameliorated that problem partially or in whole. His readings, and talking to pension trustees at other funds and to actuaries, have led him to believe that level dollar amortization is the right methodology to use for a closed retirement system. He supported making some recommendations now because the issue would not get any easier down the line. The Board could still look at other options as they arise in the future.

MR. RICHARDS said it was important to keep the retirements safe for public employees who have done their work. He had thought at the time that SB 141 was a knee-jerk reaction to a difficult time, and little did he know that 2008 would come along and make the economic problem seem like it was going to happen all the time. He said he believed in Alaska and in the United States to get things back on track to more prosperous times eventually. Therefore, he was reluctant to believe the doomsday view that things are going to be difficult for the future. Being a math person, the numbers said to him that it was either pay now or pay later, and the State and the public have to cough up some money. There would be a small benefit to going to a 30-year amortization, but it would also add on money in the form of interest that he believed was a waste of the state dollars and would be harder to justify. The 25-year amortization was a good decision, and the Administration could carry on with that and get some relief from realizing that the status quo is a good thing. He thanked everyone who put the numbers together because it helped him make a better decision. There is oil in the pipeline now, and the State does have money in the bank. It would not be wise to make some adjustments and add a burden to later administrations, so he favored a quicker resolution in 25 or 30 years.

COMMISSIONER HULTBERG agreed that there was oil revenue today, but over the last decade the oil production has declined 37.8% while the spending has gone up 90%. That presents long-term concerns that if the State does not turn that trend around there could be some years of having to make some very difficult decisions.

MS. ERCHINGER commented that she was surprised at the results of the status quo scenario. She said she still agreed with her statement at an earlier meeting about needing to do something because the State assistance payments nearing \$1.4 billion a year down the road are not sustainable. Yet the scenarios demonstrate that the status quo is not as bad as she originally thought. She had thought a lot about the Governor's request that the Board not make a recommendation that would limit the flexibility of the Administration and the Legislature. In her role as fiduciary of the Board, she could not in good conscience consider a scenario that leaves the retirement system never fully funded. With that in mind, she proposed that any Board recommendation state which scenarios definitely should not be considered.

COMMISSIONER BUTCHER raised the idea of providing education on the unfunded liability issues for the large number of freshman or newer members of the Legislature so they were prepared to make the best decisions possible. Several people expressed support for the idea, and Mr. Barnhill said he would be happy to join with others in the effort. MR. PIHL said the summary scenarios were easy to understand and should be used.

People spent a few minutes talking about amending the scenarios to include Mr. Pihl's hand-written additions, as well as other information, before the spreadsheets could be handed out to people who would be looking at the funding issue.

The Board took a break from 3:30 p.m. to 3:48 p.m. and resumed to take up the next topic related to sustainability and the unfunded liability.

4. Unfunded Liability - Real or Soft

MR. BARNHILL indicated there were three draft resolutions for the Board's consideration. He and MR. PIHL explained the basic differences between the two resolutions that MR. BARNHILL had drafted and the one that MR. PIHL had drafted.

MR. BARNHILL requested a subcommittee that would work with Mr. Johnson to refine the ideas put on the table into a resolution that the Board could consider more fully tomorrow.

CHAIR SCHUBERT appointed Mr. Trivette, Ms. Erchinger and Mr. Pihl to work as a subcommittee.

MR. PIHL solicited comments from fellow trustees on what they wanted in the body

of a resolution relating to the unfunded liability of PERS and TRS.

Regarding the notion of a real or soft unfunded liability, MR. BARNHILL stated that it was real, but it was a soft liability. There are a variety of ways that the Board, the Legislature, and the Governor can address it, including extending the amortization period, which is why it is referred to as a soft liability. He said that in past presentations he has referred to the benefit payments, which by constitution the retirement systems must make, as the hard liabilities. That is why in the past he has drawn attention to the benefit payment projection that Buck Consultants produces.

5. Legislative Intent: SB 125 and SB 141

MR. JOHNSON said he had talked about the legislative intent of SB 141 in his earlier presentation. SB 125 that was enacted in 2008 provides the employer contribution rate cap of 22% for municipalities and other employers, with the remainder being picked up by the State. To the extent that the ARMB is still involved in setting contribution rates, the same principles apply regarding the Board's obligations.

MR. JOHNSON said the SB 125 legislative history is relatively sparse regarding changes to the Board's fiduciary obligations or suggestions that it ought to be different. An example of where what the Legislature did on the rate cap issue was not abundantly clear related to the true-up controversies (if later information coming in suggested that there be a true-up mechanism to reallocate liabilities between the State and the municipality). The Department of Law did analysis on it, and he and Mr. Barnhill looked to see if the provisions held some definitive statement of intent regarding this. The Division of Retirement and Benefits analyzed and computed a particular methodology, and all the reviewers had to conclude was one of several possible reasonable conclusions. Legislative history did not particularly help in the solution on that. That is an example of where legislative history might be helpful, if it existed, but it did not exist on that point.

MR. JOHNSON said the statements by the senators or representatives and so on are helpful in perhaps the sense of what the Legislature was endeavoring to do, but the language of the law is what applies. The provisions that control the ARMB's fiduciary obligations are written in the law, and that includes issues such as the target audience of the ARMB, the objectives, and what the Board can and cannot do.

MR. PIHL indicated that he had the presentation that David Teal made to PERS and TRS on April 27, 2007, and a similar presentation made to Senate Finance on April 23. He said it contained fairly clear intent behind what ultimately became SB 125.

MR. PIHL expressed his belief that the unfunded liability was a real liability that should be funded over the remaining service life of the defined benefit plan group of employees. Whatever is required actuarially at the end of an employee's service life is part of the pay that the employer agreed with that employee to set aside in a trust for

him. Therefore, he could not think of it as a soft liability.

DAVID SLISHINSKY of Buck Consultants explained how the remaining service life of employees is calculated in normal actuarial practice. He noted that GASB is going through a process of examining the current standards under GASB 25 and 27 and has issued an exposure draft that will be followed up by a final draft that all governmental employers will have to follow. In that, they use a remaining service life for purposes of amortizing a part of the unfunded liability. For a plan, that is basically the average service life that is remaining for those who are currently active in the plan. That period is generally anywhere between seven and 14 years. Typical practice for amortizing unfunded liabilities for an ongoing plan is anywhere between 20 and 30 years (that represents the service life, not the remaining service life but the service life for employees from date of hire). The ARMB is using 25 years; other systems use 30 years and some use 20 years. But generally that is for the entire service life of a new entrant.

MR. BARNHILL mentioned that the soft versus hard liability jargon comes from the pension obligation bond context. A distinction is made between the unfunded liability as a soft liability, and it being a hard liability if the bonds are issued because the payments come due regularly and have to be paid.

MR. TRIVETTE asked if he got it right that there was nothing in SB 125 that overruled the ARMB's responsibilities as set forth in SB 141. MR. JOHNSON said he was correct.

6. Investment Earnings Over Time

MR. BADER stated that a chart showing annualized returns for PERS and TRS was included in the packet *[on file at the ARMB office]*.

7. Options

MR. BARNHILL stated that a summary of options to address the unfunded liability, plus some additional variations that could be combined with the options, was included in the packet *[on file at the ARMB office]*.

8. Resolutions

At this point, Board trustees spent a half hour discussing the three draft resolutions that Mr. Barnhill mentioned earlier and what history and recommendations they wished a final resolution to contain.

The Liability Subcommittee made note of the suggestions to consider when they met later with board counsel and the staffs of both departments to draft an inclusive version of a resolution.

RECESS FOR THE DAY

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

Friday, December 2, 2011

CALL BACK TO ORDER

CHAIR SCHUBERT called the meeting back to order at 10:00 a.m. All nine trustees were present.

SUSTAINABILITY/UNFUNDED LIABILITY (Continued)

A new draft Resolution 2011-23 was distributed to everyone prior to the meeting start.

8. Resolutions (Continued)

MS. HARBO moved that the Alaska Retirement Management Board adopt Resolution 2011-23 relating to the unfunded liability of the PERS and TRS systems. MS. ERCHINGER seconded.

CHAIR SCHUBERT thanked everyone who worked on the resolution.

MS. ERCHINGER summarized what the subcommittee did, saying the resolution contained the bulk of the points that Mr. Pihl had made. A few items were not included, and some items were pared down fairly significantly but the meaning was kept. What was materially different from the resolutions that were originally presented yesterday was two sections that specifically laid out what funding scenarios the ARMB did not support and the reasoning behind those conclusions, and one section recommending that the Governor and the Legislature give consideration to a number of scenarios that provide a range of feasible options for responsibly addressing the unfunded liability.

MS. ERCHINGER said the resolution stated that the Board did not support any scenario that failed to amortize the unfunded liability over a reasonable time frame, and it did not support extending the amortization period to 40 years. The scenarios the Board asked be given further consideration were the 25-year amortization and the 30-year amortization under both the level percentage of pay and level dollar methodologies, as well as the option that provided a one-time \$1.0 billion infusion into the PERS system and continued State support going forward.

Trustees next spent approximately 45 minutes asking questions of the actuary for

clarification, discussing points and wording in the resolution that they either objected to in varying degrees or were in support of, and making several revisions for clarity. *[A digital recording of the complete discussion is available at the ARMB office.]*

MR. SLISHINSKY presented an additional scenario that had been requested the day before. That was for a \$500 million appropriation to PERS and an equal \$500 million appropriation to TRS, after which the State's contribution would be capped at \$250 million to each. The scenario was added to Attachment A.

COMMISSIONER BUTCHER raised the question of whether the Board would be doing any proactive follow-through on the resolution and, if so, what form that would take. MR. BARNHILL said he would be attending hearings on the issue and he anticipated that Mr. Bader and others would also be there. COMMISSIONER BUTCHER said he planned to discuss it with the House Finance Committee.

There was also a brief exchange on how to transmit the resolution to the Legislature and if it should be embedded in the Department of Revenue's annual report to the Legislature.

MR. BOUCHER spoke about the General Fund unrestricted revenue number for FY13 to FY20 and the focus on the oil-related portion. He explained that state revenue forecasts are eight years and that the Legislature is generally trying to think three to five years out. He felt that showing funding scenarios that go beyond a 10-year horizon on the spreadsheets would be very speculative because revenue becomes more uncertain further out, and the slope of the oil production line heads downward.

CHAIR SCHUBERT suggested, when first referring to Attachment A in the resolution, adding the phrase "...attached hereto and made a part hereof...". The purpose was to make sure that people understood that they could not read Attachment A in isolation. MR. JOHNSON said it was a good idea.

Roll call vote on Resolution 2011-23 as amended

Ayes: Erchinger, Butcher, Harbo, Hultberg, Pihl, Richards, Trivette, Williams, Schubert

Nays: None

The motion carried unanimously, 9-0.

UNFINISHED BUSINESS

1. Calendar/Action Items

MS. HALL indicated that the 2012 meeting calendar was included, and there were no changes since the last meeting. She had also included a prototype of an action list, as requested by several trustees. Trustees were invited to contact her after the meeting

with items for the list.

2. Disclosure Reports

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

3. Legal Report

MR. JOHNSON said he did not have a separate legal report.

ACTION ITEMS - NEW BUSINESS - None.

OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD - None.

PUBLIC/MEMBER COMMENTS - None.

INVESTMENT ADVISORY COUNCIL COMMENTS

DR. MITCHELL said that as he listened over the past two days to the extremely responsible and informative liabilities discussion he found his thoughts turning to what the investment implications might be for a fund that was dealing with the possibilities of a 25-year, 30- or 40-year amortization schedule and scenarios that went all the way out to the year 2071. In an investment world, where performance is measured daily, where hiring and firing decisions are often based on a one-year or shorter track record, and where computer program trades are made in milliseconds, how hard it is to match the very long-term thinking about liabilities with the short-term pressures on the assets investment side. Yet, the Board must do that.

DR. MITCHELL said that Charlie Ellis — the founder of the consulting firm Greenwich Associates, who is also an author, a professor, and a member of the investment committees of organizations ranging from the Vanguard Group to Yale University — has written that successful investing takes a long time; it does not get chopped up into months or years or even decades; investing is a long wavelength activity. So if a board can focus on liabilities of 25, 30, 40 years' duration, shouldn't it also focus on supporting those liabilities with an investment program of equal longevity and stability? For example, how often should you change your asset allocation? Every six months? Every year? Every five years? Every decade? Even less often?

Ellis argues that the major changes in asset allocation, changes that have some real significance, should not take place more often than once every ten years. DR. MITCHELL said he did not think Ellis was talking about tweaks in the asset allocation or small adjustments or rebalancing, which can always take place as needed. But major moves only once in a decade.

And what about manager changes? Ellis proposes that boards should be spending their time finding managers they can stay with for a long, long, long time — or as he puts it, for richer, for poorer, in sickness and in health. He believes that marriages — and he uses the word marriages — should be more common than they are in the investment firm/client relationship, and that hiring decisions should be based on long-term factors such as character, capacity, talent, and commitment, rather than on short-term numbers. Boards that insist on chasing managers based on recent performance numbers, Ellis writes, are just making trouble for themselves, since every manager has bad periods, and they often follow the exceptionally good periods.

DR. MITCHELL said he personally did not agree with Ellis on everything he has written, but the idea of a long-term-oriented investment program to deal with long-term liabilities does have an agreeable symmetry and a certain attraction. And everyone should be thinking about it.

TRUSTEE COMMENTS

MR. RICHARDS wished everyone Happy Holidays and said he appreciated all the hard work people had done over the last two days. He said it did his heart good to see all the effort put forth on behalf of the State of Alaska in general and the retirees.

MR. TRIVETTE stated that the Board was incredibly blessed to have the staff it has on both sides of the table [Administration and Revenue Departments], who have tremendous commitment. He thanked Mr. Puckett for his commitment and his staff's commitment, and mentioned that he has said the same about Mr. Bader and his staff for a long time. Alaska has a reputation for being one of the best-run pension boards in the country. The news media, people from other pension systems, and retirees and active members listen to the board meetings by telephone, and people read the minutes online. He said he was proud to be involved with the Board, and he felt it was a lot of work but the Board was making good progress.

MS. ERCHINGER thanked Judy Hall for the action items listed in the meeting packet. She also thanked Trustee Pihl, who served on the Unfunded Liability Committee, and said she appreciated his positive spirit of trying to move the Board forward in a positive direction. The fact that the Board was able to move fairly quickly to consensus on a recommendation to the Governor and the Legislature, and follow the Governor's request to provide some information before the legislative session this year, was a real testament in large part to Deputy Commissioner Barnhill's and Trustee Pihl's efforts on behalf of the Board. Had it not been for them, the Board might still be spinning its wheels trying to get its hands around this huge issue.

CHAIR SCHUBERT also thanked Trustee Pihl, who has been talking about the unfunded liability "snowball" growing for many years. Hopefully by taking the action the Board did today, it will start to melt that snowball. It was important that Trustee

Pihl kept the issue in front of the Board, and she thanked him for championing the issue. In closing, she wished everyone Merry Christmas.

COMMISSIONER HULTBERG commented that the Board trustees come from very different backgrounds and bring their different perspectives to the table, but they worked together incredibly well. It might not result in immediate consensus, and in many cases that was a good thing because they had to go through the work of arriving at that consensus. She thought that was the culmination of the process at this meeting, and she found it a great process to participate in and watch. She thanked everyone for that.

FUTURE AGENDA ITEMS - None.

ADJOURNMENT

There being no objection and no further business to come before the board, the meeting was adjourned at 11:05 a.m. on December 2, 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

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Retirement System Membership Activity
as of December 31, 2011

ACTION: _____

DATE: February 16, 2012

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 December 31, 2011.

MEMBERSHIP STATISTICS AS OF SEPTEMBER 30, 2011

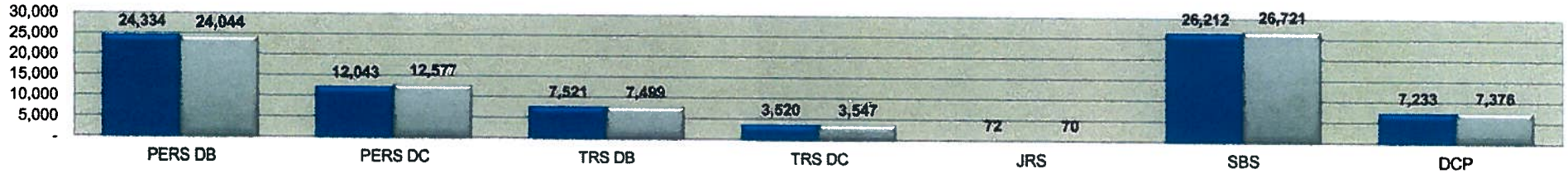
	PERS					TRS				JRS	NG	SBS	DCP
	DB		DC			DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	4,285	6,552	13,497	12,043	36,377	1,487	6,034	3,520	11,041	72	n/a	26,212	7,233
Terminated Members	2,791	5,524	11,427	4,758	24,500	573	2,643	982	4,198	3	n/a	13,638	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 FY12	279	144	77	n/a	500	278	138	n/a	416	1	24	n/a	n/a
Withdrawals - 1st QTR FY12	32	73	227	368	700	7	67	112	186	0	n/a	625	116
Partial Payments - 1st QTR FY12	n/a	n/a	n/a	17	17	n/a	n/a	16	16	n/a	n/a	325	448

MEMBERSHIP STATISTICS AS OF DECEMBER 31, 2011

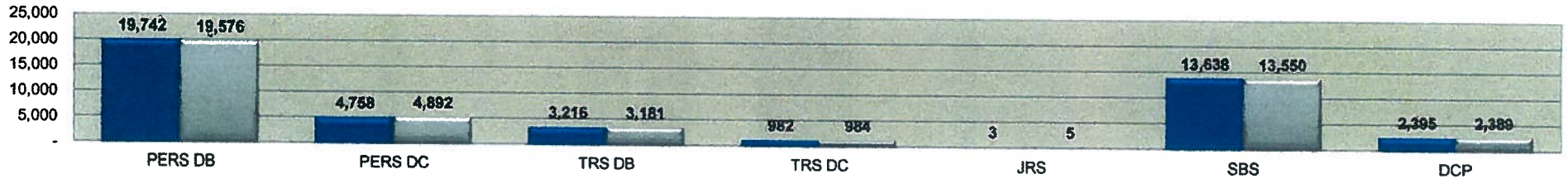
	PERS					TRS				JRS	NG	SBS	DCP
	DB		DC			DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	4,166	6,482	13,396	12,577	36,621	1,480	6,019	3,547	11,046	70	n/a	26,721	7,376
Terminated Members	2,746	5,479	11,351	4,892	24,468	563	2,618	984	4,165	5	n/a	13,550	2,389
Retirees & Beneficiaries	22,213	4,458	1,131	1	27,803	10,156	859	0	11,015	103	581	n/a	n/a
Managed Accounts	n/a	n/a	n/a	7,458	7,458	n/a	n/a	1,895	1,895	n/a	n/a	722	482
Retirements - 2nd QTR FY12	155	96	51	n/a	302	16	9	n/a	25	0	24	n/a	n/a
Withdrawals - 2nd QTR FY12	36	56	190	308	590	16	50	45	111	0	n/a	548	90
Partial Payments - 2nd QTR FY12	n/a	n/a	n/a	35	35	n/a	n/a	4	4	n/a	n/a	373	436

Alaska Division of Retirement and Benefits
FY 2012 QUARTERLY REPORT OF MEMBERSHIP STATISTICS
as of December 31, 2011

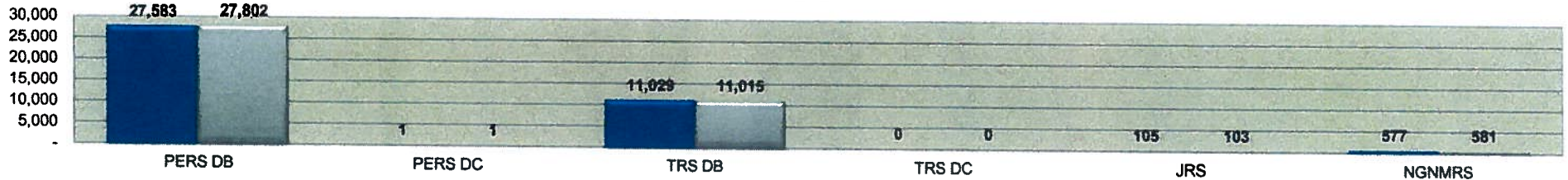
Active Members



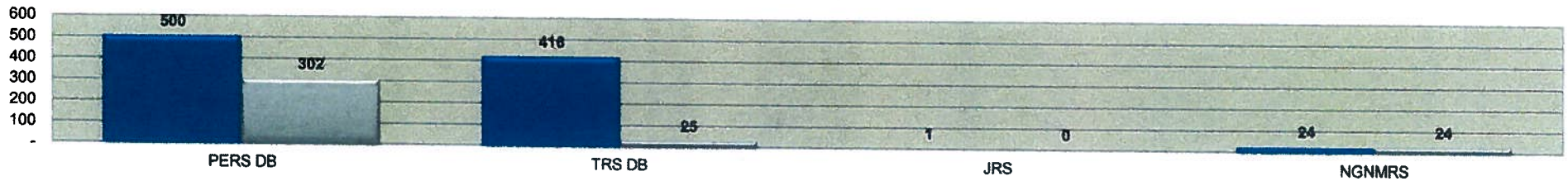
Terminated Members



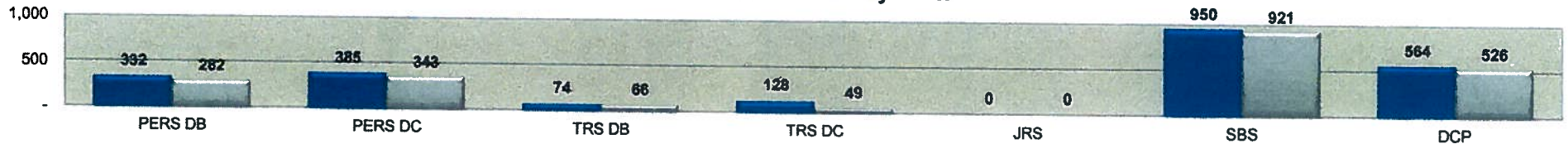
Retirees & Beneficiaries



Retirements



Withdrawals & Partial Payments



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. If an account holder takes more than one partial withdrawal during the quarter, the withdrawals are counted once for statistical purposes.

CHIEF INVESTMENT OFFICER REPORT

1. Rothschild Realty Managers renamed Almanac Realty Investors.
2. December 29, rebalanced PERS, TRS, JRS, pension and health plans and DC health reimbursement accounts, disability accounts and medical plans.
3. Transfer \$2.5 million from Analytic Investors to State Street Global Advisors.
4. Directed Relational Investors to liquidate \$50 million.
5. Rebalance ARMB funds.
6. Modifications to panel of accounts in cash overlay program.
7. Closure of SSgA International Equity overlay account.
8. _____
9. _____

For Immediate Release

Contact for Almanac Realty Investors:

Ed Tagliaferri: 212 981 5182 / edmund_tagliaferri@dkcnews.com

ROTHSCHILD REALTY MANAGERS RENAMED ALMANAC REALTY INVESTORS

New York – (December 12, 2011) – Rothschild Realty Managers LLC (RRM), a leading provider of growth capital to public and private real estate companies, has been renamed **Almanac Realty Investors LLC**, it was announced today.

The change to Almanac Realty Investors completes a transition that began almost five years ago when RRM became an independent partnership.

From 1981 to 2007, RRM had been a wholly owned subsidiary of the Rothschild Group's North American business. The firm was spun off in March 2007, with Rothschild increasing its focus on its core independent financial advisory services and expanding its European merchant banking funds platform.

Since 2007, the firm has been owned by Matthew W. Kaplan, John D. McGurk, D. Pike Aloian and a fourth partner, who has since retired. It has functioned independently with regards to all investment decisions, investment sourcing, capital raising, systems, accounting and personnel.

"We are excited to be moving forward under the Almanac name and continue our investment activities," said Kaplan, Managing Partner of Almanac Realty Investors. "Collectively, John, Pike and I have been affiliated with Rothschild for nearly 75 years, and are proud of our service and our contribution to the success of the group."

James Lawrence, Chief Executive Officer of Rothschild North America, commented, "The selection of a new name is a logical and final step following the 2007 spin-off. We know the Almanac Realty Investors team will continue to be successful and we wish them well."

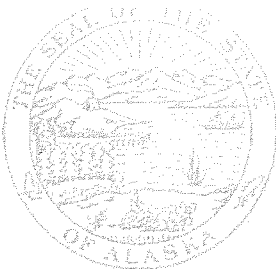
With the change, the Five Arrows Realty Securities V, L.P. fund, which closed in July 2008, has been renamed Almanac Realty Securities V, L.P. Similarly, Five Arrows Realty Securities IV, LP, which closed in 2004 has been renamed Almanac Realty Securities IV, LP.

Almanac Realty Investors will continue to occupy its current offices at 1251 Avenue of the Americas.

About Almanac Realty Investors

Almanac Realty Investors is a leading provider of growth capital to public and private real estate companies. From the time of its founding in 1981, originally under the name Rothschild Realty, the group has invested \$2.8 billion into a wide array of real estate opportunities. Since 1996, Almanac Realty Investors' primary investment activity has consisted of making private placements into public and private real estate operating companies. To date, Almanac Realty Securities has invested more than \$2.3 billion into 27 companies. For more information, please visit our website at www.almanacrealty.com.

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Alaska Retirement Management Board

P.O. Box 110405

Juneau, Alaska 99811-0405

(907) 465-3749

December 23, 2011

Mr. Michael McElligott
 State Street Corporation
 Lafayette Corporate Center
 2 Avenue de Lafayette – 2nd Floor
 Boston, MA 02111-2900

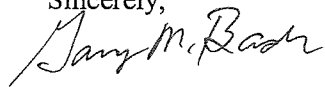
Dear Mr. McElligott:

Please make the following pool level transactions on December 29, 2011 to bring **PERS, TRS pension plans** and the **DC Plans** allocations closer to target.

AY6G		AYX2		AYY3	
Large Cap Pool	(2,940)	Large Cap Pool	21,593	Large Cap Pool	195,099
Small Cap Pool	(5,591)	Small Cap Pool	(9,514)	Small Cap Pool	6,964
International Equity Pool	3,776	International Equity Pool	28,957	International Equity Pool	158,479
International Small Cap	4,271	International Small Cap	11,170	International Small Cap	22,900
Emerging Markets Equity	15,376	Emerging Markets Equity	41,869	Emerging Markets Equity	94,457
Private Equity	34,568	Private Equity	90,611	Private Equity	183,667
Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-
Intermediate Treasury	19,524	Intermediate Treasury	15,633	Intermediate Treasury	(125,469)
High Yield Pool	3,605	High Yield Pool	10,826	High Yield Pool	29,162
Emerging Markets Debt Pool	6,009	Emerging Markets Debt Pool	15,267	Emerging Markets Debt Pool	28,642
International Fixed Income	9,882	International Fixed Income	25,516	International Fixed Income	50,182
AK TIPS Pool	4,517	AK TIPS Pool	13,013	AK TIPS Pool	32,089
Energy Pool A	(2,920)	Energy Pool A	(6,223)	Energy Pool A	(5,556)
Farmland Pool A	8,568	Farmland Pool A	23,678	Farmland Pool A	54,196
REIT Pool A	(535)	REIT Pool A	(893)	REIT Pool A	775
Timber Pool A	3,934	Timber Pool A	10,410	Timber Pool A	21,695
AK Real Estate Pool	45,412	AK Real Estate Pool	117,544	AK Real Estate Pool	229,867
Absolute Return	11,948	Absolute Return	35,355	Absolute Return	90,664
Cash	(159,404)	Cash	(444,812)	Cash	(1,067,813)
	-		-		-
AY6H		AYY2		AY21	
Large Cap Pool	(24,875)	Large Cap Pool	501,084	Large Cap Pool	(493,679)
Small Cap Pool	(5,267)	Small Cap Pool	8,095	Small Cap Pool	7,063
International Equity Pool	(15,156)	International Equity Pool	416,823	International Equity	(427,977)
International Small Cap	784	International Small Cap	66,957	International Small Cap	(78,662)
Emerging Markets Equity	1,440	Emerging Markets Equity	272,043	Emerging Markets Equity Pool	(314,274)
Private Equity	6,176	Private Equity	545,012	Private Equity	(637,401)
Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-
Intermediate Treasury	25,690	Intermediate Treasury	(318,550)	Intermediate Treasury	265,254
High Yield Pool	(498)	High Yield Pool	82,651	High Yield	(92,370)
Emerging Markets Debt Pool	1,476	Emerging Markets Debt Pool	85,705	Emerging Markets Debt Pool	(101,916)
International Fixed Income	2,087	International Fixed Income	148,648	International Fixed Income	(175,407)
AK TIPS Pool	(162)	AK TIPS Pool	93,052	AK TIPS Pool	(104,891)
Energy Pool A	(1,713)	Energy Pool A	(19,241)	Energy Pool A	27,314
Farmland Pool A	516	Farmland Pool A	157,950	Farmland Pool A	(180,764)
REIT Pool A	(516)	REIT Pool A	1,083	REIT Pool A	374
Timber Pool A	623	Timber Pool A	63,872	Timber Pool A	(74,457)
AK Real Estate Pool	9,351	AK Real Estate Pool	687,966	AK Real Estate Pool	(808,795)
Absolute Return	(1,208)	Absolute Return	263,570	Absolute Return	(294,139)
Cash	1,252	Cash	(3,056,720)	Cash	3,484,727
	-		-		-
AY6I		AYX3		AY22	
Large Cap Pool	6,820	Large Cap Pool	12,222	Large Cap Pool	(215,324)
Small Cap Pool	(1,076)	Small Cap Pool	(3,754)	Small Cap Pool	3,080
International Equity Pool	7,037	International Equity Pool	14,728	International Equity	(186,667)
International Small Cap	1,917	International Small Cap	4,973	International Small Cap	(34,310)
Emerging Markets Equity	7,362	Emerging Markets Equity	18,801	Emerging Markets Equity Pool	(137,074)
Private Equity	15,583	Private Equity	39,795	Private Equity	(278,011)
Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-	Dom. Fixed Income AY77	-
Intermediate Treasury	(4,298)	Intermediate Treasury	6,522	Intermediate Treasury	115,694
High Yield Pool	2,009	High Yield Pool	4,903	High Yield	(40,288)
Emerging Markets Debt Pool	2,573	Emerging Markets Debt Pool	6,696	Emerging Markets Debt Pool	(44,452)
International Fixed Income	4,344	International Fixed Income	11,254	International Fixed Income	(76,506)
AK TIPS Pool	2,365	AK TIPS Pool	5,767	AK TIPS Pool	(45,750)
Energy Pool A	(912)	Energy Pool A	(2,663)	Energy Pool A	11,914
Farmland Pool A	4,206	Farmland Pool A	10,493	Farmland Pool A	(78,843)
REIT Pool A	(98)	REIT Pool A	(353)	REIT Pool A	163
Timber Pool A	1,801	Timber Pool A	4,597	Timber Pool A	(32,475)
AK Real Estate Pool	20,061	AK Real Estate Pool	51,360	AK Real Estate Pool	(352,766)
Absolute Return	6,527	Absolute Return	15,576	Absolute Return	(128,293)
Cash	(76,221)	Cash	(200,917)	Cash	1,519,908
	-		-		-

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

Sincerely,

A handwritten signature in cursive script that reads "Gary M. Bader".

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Elizabeth Walton, Investment Officer Fixed Income
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer



Alaska Retirement Management Board

P.O. Box 110405

Juneau, Alaska 99811-0405

(907) 465-3749

December 23, 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 December 29, 2011, to bring the **Public Employees Retirement System, Teachers Retirement System** and **Judicial Retirement System** pension plan allocations closer together.

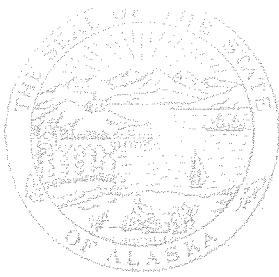
	AY21	AY22	AY23
Domestic Equity - Lg Cap	5,359,700	-5,358,900	-800
Domestic Equity - Sm Cap	1,145,800	-1,145,900	100
International Equities	2,813,300	-2,829,400	16,100
International Small Cap	278,400	-278,000	-400
Emerging Markets	1,168,000	-1,166,700	-1,300
AY77 - Dom. Fixed Inc.	577,000	-322,300	-254,700
Intermediate Treasury	-14,237,500	14,262,500	-25,000
International Fixed Income	530,400	-530,400	0
High Yield	596,300	-596,700	400
Emerging Market Debt	179,600	-179,800	200
Real Estate	1,609,600	-1,595,200	-14,400
Real Estate Pool B	386,000	-391,900	5,900
Farmland Pool A	-964,800	1,018,600	-53,800
Energy Pool A	151,900	-152,100	200
Timber Pool A	278,900	-279,200	300
REIT Pool	231,900	-232,000	100
TIPS	309,100	-309,400	300
Total Private Equity	2,272,200	-2,276,800	4,600
Absolute Return	1,077,900	-1,079,600	1,700
AY70 - Short Term Pool	-3,763,700	3,443,200	320,500
Total Asset Allocation	0	0	0

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

Sincerely,

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Elizabeth Walton, Investment Officer Fixed Income
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer



Alaska Retirement Management Board

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Juneau, Alaska 99811-0405

(907) 465-3749

December 23, 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 December 29, 2011 to bring **PERS, TRS and JRS Retirement Health Plans** allocations closer to target.

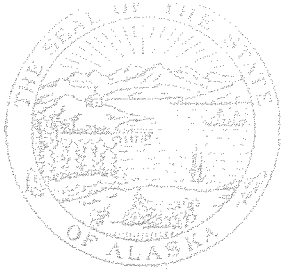
	AYW2	AYW3	AYW4
Domestic Equity - Lg Cap	1,326,300	-1,321,000	-5,300
Domestic Equity - Sm Cap	281,300	-280,100	-1,200
International Equities	728,900	-726,100	-2,800
International Small Cap	67,900	-67,600	-300
Emerging Markets	286,700	-285,100	-1,600
AY77 - Dom. Fixed Inc.	14,400	-14,400	0
Intermediate Treasury	-3,536,200	3,563,600	-27,400
International Fixed Income	130,800	-130,300	-500
High Yield	146,900	-146,500	-400
Emerging Market Debt	44,300	-44,100	-200
Real Estate	524,300	-521,200	-3,100
Farmland Pool A	1,995,300	-2,045,600	50,300
Energy Pool A	37,600	-37,500	-100
Timber Pool A	68,900	-68,700	-200
REIT Pool	57,000	-56,700	-300
TIPS	76,300	-76,100	-200
Total Private Equity	561,000	-560,000	-1,000
Absolute Return	265,900	-265,400	-500
AY70 - Short Term Pool	-3,077,600	3,082,800	-5,200
Total Asset Allocation	0	0	0

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

Sincerely,

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Elizabeth Walton, Investment Officer Fixed Income
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer



Alaska Retirement Management Board

P.O. Box 110405

Juneau, Alaska 99811-0405

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December 23, 2011

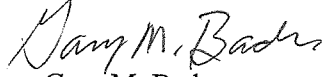
Mr. Michael McElligott
 State Street Corporation
 Lafayette Corporate Center
 2 Avenue de Lafayette – 2nd Floor
 Boston, MA 02111-2900

Dear Mr. McElligott:

Please make the following pool level transactions on December 29, 2011, to bring PERS, TRS and JRS pension plans and health retirement plans closer to target.

PERS Retirement Health		AYW2	PERS Pension		AY21
Large Cap Pool		8,389,100	Large Cap Pool		-8,389,100
Small Cap Pool		1,845,000	Small Cap Pool		-1,845,000
International Equity Pool		3,927,500	International Equity Pool		-3,927,500
International Small Cap		411,800	International Small Cap		-411,800
Emerging Markets Equity		1,727,300	Emerging Markets Equity		-1,727,300
Private Equity		3,365,900	Private Equity		-3,365,900
Domestic Fixed Income		-6,512,400	Domestic Fixed Income		6,512,400
Intermediate Treasury		-25,608,600	Intermediate Treasury		25,608,600
International Fixed Income		770,400	International Fixed Income		-770,400
Emerging Markets Debt		242,100	Emerging Markets Debt		-242,100
High Yield Pool		914,000	High Yield Pool		-914,000
Real Estate Pool		4,583,300	Real Estate Pool		-4,583,300
Energy Pool A		256,500	Energy Pool A		-256,500
Farmland Pool A		-850,100	Farmland Pool A		850,100
REIT Pool A		372,600	REIT Pool A		-372,600
Timber Pool A		413,900	Timber Pool A		-413,900
TIPS Pool		449,600	TIPS Pool		-449,600
Absolute Return		1,604,500	Absolute Return		-1,604,500
Cash		3,697,600	Cash		-3,697,600
		0			0
TRS Retirement Health		AYW3	TRS Pension		AY22
Large Cap Pool		3,224,800	Large Cap Pool		-3,224,800
Small Cap Pool		706,900	Small Cap Pool		-706,900
International Equity Pool		1,514,300	International Equity Pool		-1,514,300
International Small Cap		159,500	International Small Cap		-159,500
Emerging Markets Equity		668,800	Emerging Markets Equity		-668,800
Private Equity		1,303,800	Private Equity		-1,303,800
Domestic Fixed Income		-2,494,700	Domestic Fixed Income		2,494,700
Intermediate Treasury		-9,816,100	Intermediate Treasury		9,816,100
International Fixed Income		299,100	International Fixed Income		-299,100
Emerging Markets Debt		95,000	Emerging Markets Debt		-95,000
High Yield Pool		352,200	High Yield Pool		-352,200
Real Estate Pool		1,774,100	Real Estate Pool		-1,774,100
Energy Pool A		97,700	Energy Pool A		-97,700
Farmland Pool A		2,118,300	Farmland Pool A		-2,118,300
REIT Pool A		142,800	REIT Pool A		-142,800
Timber Pool A		160,300	Timber Pool A		-160,300
TIPS Pool		174,600	TIPS Pool		-174,600
Absolute Return		621,300	Absolute Return		-621,300
Cash		-1,102,700	Cash		1,102,700
		0			0
JRS Retirement Health		AYW4	JRS Pension		AY23
Large Cap Pool		52,500	Large Cap Pool		-52,500
Small Cap Pool		11,200	Small Cap Pool		-11,200
International Equity Pool		25,200	International Equity Pool		-25,200
International Small Cap		2,700	International Small Cap		-2,700
Emerging Markets Equity		11,400	Emerging Markets Equity		-11,400
Private Equity		22,300	Private Equity		-22,300
Domestic Fixed Income		-39,700	Domestic Fixed Income		39,700
Intermediate Treasury		-157,100	Intermediate Treasury		157,100
International Fixed Income		5,200	International Fixed Income		-5,200
Emerging Markets Debt		1,800	Emerging Markets Debt		-1,800
High Yield Pool		5,800	High Yield Pool		-5,800
Real Estate Pool		30,200	Real Estate Pool		-30,200
Energy Pool A		1,500	Energy Pool A		-1,500
Farmland Pool A		-43,700	Farmland Pool A		43,700
REIT Pool A		2,300	REIT Pool A		-2,300
Timber Pool A		2,800	Timber Pool A		-2,800
TIPS Pool		3,000	TIPS Pool		-3,000
Absolute Return		10,600	Absolute Return		-10,600
Cash		52,000	Cash		-52,000

Sincerely,



Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Elizabeth Walton, Investment Officer Fixed Income
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer



Alaska Retirement Management Board

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

January 5, 2012

Ms. Amanda Polidoro
Morgan Stanley Prime Brokerage
555 California Street, Suite 2200
San Francisco, CA 94104

Dear Ms. Polidoro:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Wednesday, January 11, 2012. Please process the following cash transfer as early as possible on that day:

Analytic Investors (038CDCNT2)	< \$2,500,000 >
State Street Global Advisors (038CDCJN0)	\$2,500,000

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

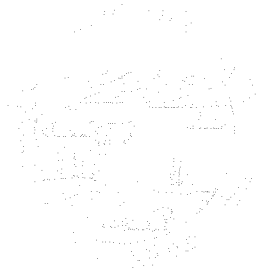
Sincerely,

A handwritten signature in black ink, appearing to read "Gary M. Bader", is positioned below the word "Sincerely,".

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

January 5, 2012

Ms. Sandi Christian
Relational Investors LLC
12400 High Bluff Drive, Suite 600
San Diego, CA 92130

Dear Ms. Christian:

The Alaska Retirement Management Board (ARMB) is in the process of rebalancing its asset allocation. In order to work towards the Board's target allocation, I direct you to make the following liquidation:

Relational Investors (AY4J) < \$50,000,000 >

I grant the portfolio manager full discretion to sell securities to effect this liquidation when in his/her best judgment it is most advantageous to the ARMB. Based on previous correspondence, the planned effective withdrawal date is to be March 31, 2012 with a trade date of April 2, 2012 and the subsequent cash distribution occurring on the trade settlement date, April 5, 2012.

Please also consider this your notice to concurrently reduce ARMB's capital commitment from \$300 million to \$250 million on the withdrawal date of this transaction.

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

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

January 6, 2012

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

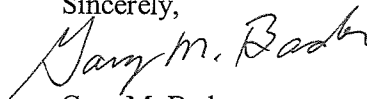
Dear Mr. McElligott:

Please make the following transactions on January 12, 2012 to bring the ARMB funds allocations closer to target.

		AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4	AYX2	AYX3	AYY2	AYY3	AYG6	AYG1	AYG
Broad Domestic Equity															
EXTERNAL LG CAP DOMESTIC	Asset ID 30999T916	1,731,246	(1,268,652)	(86,781)	(437,540)	1,102,425	(1,101,905)	(10,021)	10,091	(3,226)	69,222	(7,637)	2,776	(1,975)	1,977
CONVERTIBLE BOND TRUST	939RUC909	577,077	133,345	(1,205)	(508,379)	(437,126)	(31,187)	(8,004)	26,839	12,088	166,050	50,855	10,765	3,451	5,421
EXTERNAL SM CAP DOM EQ POOL	321990921	(771,742)	(858,638)	(39,799)	793,842	(943,504)	(585,325)	(7,876)	290,228	124,526	1,352,745	428,673	122,540	47,626	46,704
Fixed Income															
AY77 AK RET FXD INC POOL	001996933	(77,190)	727,497	73,181	(1,167,665)	(82,905)	382,503	13,728	15,766	6,813	73,083	23,376	6,670	2,616	2,527
AY1A US TREASURY FI POOL	95WQA902	427,734	2,571,131	300,518	(3,550,283)	568,704	1,430,328	58,240	(220,346)	(98,952)	(986,639)	(332,467)	(94,341)	(39,090)	(34,537)
INTERNATIONAL FIXED INC POOL	460994932	(809,516)	(621,870)	(27,645)	2,276,661	(796,326)	(380,946)	(5,370)	43,580	18,260	207,244	63,703	18,267	6,852	7,106
AK HIGH YIELD POOL	01199N902	(1,048,461)	(782,149)	(32,867)	2,630,153	(1,003,300)	(468,087)	(6,285)	85,218	36,238	400,626	125,525	35,869	13,735	13,785
EMERGING MARKETS DEBT POOL A	29099E910	(138,493)	(143,501)	(7,388)	769,339	(153,971)	(92,055)	(1,440)	(28,226)	(12,484)	(128,128)	(42,282)	(12,028)	(4,880)	(4,463)
Global Equity Ex-US															
INTERNATIONAL POOL	460181993	2,150,032	(177,589)	(28,538)	(342,712)	1,010,801	(423,672)	(6,377)	(266,205)	(120,026)	(1,189,477)	(403,137)	(114,063)	(47,400)	(41,637)
INTERNATIONAL EQUITY SM CAP	AC1006021	658,229	208,310	4,367	(1,766,227)	487,223	85,115	732	38,611	16,390	181,740	56,807	16,245	6,206	6,252
EMERGING MARKET EQUITY POOL	290990969	(156,001)	(556,299)	(32,440)	1,244,248	(435,673)	(426,441)	(6,520)	43,591	17,371	214,567	61,946	18,035	6,329	7,287
Private Equity															
ALASKA PRIVATE EQUITY POOL	011993995	62,994	(894,304)	(55,481)	-	(433,755)	(677,196)	(10,927)	240,369	101,582	1,135,475	352,873	101,001	38,351	39,018
Real Assets															
ALASKA REAL ESTATE POOL	011991916	987,342	(379,548)	(52,439)	-	837,976	(293,549)	(9,007)	(133,131)	(60,156)	(593,930)	(201,915)	(57,073)	(23,772)	(20,798)
REAL ESTATE POOL B	75607292	66,951	(66,413)	(538)											
REIT POOL A	769488917	(220,505)	(208,708)	(9,118)	-	(237,693)	(133,358)	(1,776)	97,674	42,119	453,561	144,683	41,295	16,150	15,676
FARMLAND POOL A	311990988	2,457,733	(3,297,990)	250,171	-	1,717,089	(1,936,830)	46,685	91,378	38,624	431,256	134,041	38,407	14,608	14,828
FARMLAND WATER POOL	313548919														
TIMBER POOL A	886995943	(11,719)	(171,139)	(7,693)	-	(9,008)	(83,485)	(1,248)	33,768	14,284	161,102	50,227	14,142	5,275	5,494
ENERGY POOL A	293188918	(11,803)	(70,274)	(3,367)	-	(42,401)	(50,816)	(634)	21,496	9,143	101,011	31,653	9,049	3,467	3,476
AK TIPS POOL	46599K949	381,212	62,302	(1,300)	-	254,413	6,941	(266)	(85,174)	(37,382)	(389,340)	(127,139)	(36,208)	(14,530)	(13,529)
Absolute Return															
ALASKA ABSOLUTE RETURN POOL	857993901	951,705	27,047	(10,368)	-	579,062	(73,555)	(2,154)	(178,660)	(78,932)	(811,529)	(267,378)	(76,118)	(30,851)	(28,269)
Cash															
AY70 SHORT TERM POOL	825990961	(7,206,825)	5,767,442	(231,270)	58,563	(1,982,031)	4,853,520	(41,480)	(126,867)	(26,290)	(848,639)	(142,407)	(45,230)	(2,168)	(26,318)

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

Sincerely,

A handwritten signature in black ink that reads "Gary M. Bader". The signature is written in a cursive style with a large initial "G".

Gary M. Bader
Chief Investment Officer

cc: Gail Schubert, Chair ARMB
Angela Rodell, Deputy Commissioner
Bob Mitchell, Manager of Fixed Income Investments
Steve Sikes, Manager of Real Assets Investments
Elizabeth Walton, Investment Officer Fixed Income
Pam Leary, State Comptroller
Scott Jones, Assistant State Comptroller
James McKnight, Senior Investment Compliance Officer



Alaska Retirement Management Board

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

January 10, 2012

Mr. James E. Thorsen
State Street Global Advisors
One Lincoln Street
Boston, MA 02111

Dear Mr. Thorsen:

The Alaska Retirement Management Board (ARMB) requests the following participation changes in the SSgA overlay accounts to occur on Wednesday, January 11, 2012:

AY6A

Remove: SSgA Russell 2000 Growth (AY4N)
Remove: SSgA Russell 2000 Value (AY4P)
Add: BHMS Small Cap (AY4Q)
Add: Frontier Small Cap (AY5G)
Add: Victory Small Cap (AY5H)
Add: Lord Abbett Micro Cap (AY4Z)
Add: DePrince, Race & Zollo Micro Cap (AY4E)

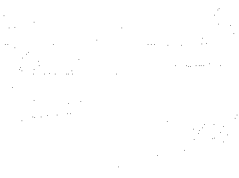
AY6B

Remove: SSgA Russell 1000 Growth (AY4L)
Remove: SSgA Russell 1000 Value (AY4M)
Remove: SSgA Russell Top 200 (AY4R)

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

Gary M. Bader
Chief Investment Officer



Alaska Retirement Management Board

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

January 10, 2012

Mr. Michael McElligott
State Street Corporation
Lafayette Corporate Center
2 Avenue de Lafayette – 2nd Floor
Boston, MA 02111-2900

Dear Mr. McElligott:

The Alaska Retirement Management Board (ARMB) requests that the SSgA Futures International Equity (AY6D) overlay account be closed and the remaining balance be transferred to the SSgA Futures Large Cap (AY6B) overlay account on Wednesday, January 11, 2012.

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

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
Casey Colton, State Investment Officer
Steve Sikes, State Investment Officer

GMB/smh

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

As of December 31, 2011

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Six Months Ending December 31, 2011

	Beginning Invested Assets	Investment Income ⁽¹⁾	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income ⁽²⁾
<u>Public Employees' Retirement System (PERS)</u>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	\$ 6,264,552,684	\$ (324,053,920)	\$ (22,933,231)	\$ 5,917,565,533	-5.54%	-5.18%
Retirement Health Care Trust	5,134,162,802	(261,937,468)	83,297,030	4,955,522,364	-3.48%	-5.06%
Total Defined Benefit Plans	<u>11,398,715,486</u>	<u>(585,991,388)</u>	<u>60,363,799</u>	<u>10,873,087,897</u>	-4.61%	-5.13%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	180,109,444	(11,306,409)	28,009,107	196,812,142	9.27%	-5.82%
Health Reimbursement Arrangement	53,935,537	(2,097,832)	9,088,890	60,926,595	12.96%	-3.59%
Retiree Medical Plan	12,298,211	(492,373)	1,344,851	13,150,689	6.93%	-3.80%
Defined Benefit Occupational Death and Disability:						
Public Employees	5,286,780	(213,483)	490,939	5,564,236	5.25%	-3.86%
Police and Firefighters	1,917,717	(75,760)	265,516	2,107,473	9.89%	-3.69%
Total Defined Contribution Plans	<u>253,547,689</u>	<u>(14,185,857)</u>	<u>39,199,303</u>	<u>278,561,135</u>	9.87%	-5.19%
Total PERS	<u>11,652,263,175</u>	<u>(600,177,245)</u>	<u>99,563,102</u>	<u>11,151,649,032</u>	-4.30%	-5.13%
<u>Teachers' Retirement System (TRS)</u>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	3,118,844,542	(162,301,956)	6,479,207	2,963,021,793	-5.00%	-5.20%
Retirement Health Care Trust	1,614,432,210	(82,332,943)	50,115,637	1,582,214,904	-2.00%	-5.02%
Total Defined Benefit Plans	<u>4,733,276,752</u>	<u>(244,634,899)</u>	<u>56,594,844</u>	<u>4,545,236,697</u>	-3.97%	-5.14%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	81,208,363	(5,371,477)	9,723,051	85,559,937	5.36%	-6.24%
Health Reimbursement Arrangement	17,780,154	(731,771)	2,455,016	19,503,399	9.69%	-3.85%
Retiree Medical Plan	5,433,467	(226,287)	477,887	5,685,067	4.63%	-3.99%
Defined Benefit Occupational Death and Disability	2,234,171	(95,046)	45,127	2,184,252	-2.23%	-4.21%
Total Defined Contribution Plans	<u>106,656,155</u>	<u>(6,424,581)</u>	<u>12,701,081</u>	<u>112,932,655</u>	5.88%	-5.69%
Total TRS	<u>4,839,932,907</u>	<u>(251,059,480)</u>	<u>69,295,925</u>	<u>4,658,169,352</u>	-3.76%	-5.15%
<u>Judicial Retirement System (JRS)</u>						
Defined Benefit Plan Retirement Trust	110,498,974	(5,749,266)	(787,109)	103,962,599	-5.92%	-5.22%
Defined Benefit Retirement Health Care Trust	20,475,723	(1,046,683)	93,600	19,522,640	-4.65%	-5.10%
Total JRS	<u>130,974,697</u>	<u>(6,795,949)</u>	<u>(693,509)</u>	<u>123,485,239</u>	-5.72%	-5.20%
<u>National Guard/Naval Militia Retirement System (MRS)</u>						
Defined Benefit Plan Retirement Trust	32,995,190	(1,004,049)	223,221	32,214,362	-2.37%	-3.03%
<u>Other Participant Directed Plans</u>						
Supplemental Annuity Plan	2,552,981,709	(32,843,783)	7,109,366	2,527,247,292	-1.01%	-1.28%
Deferred Compensation Plan	596,689,747	(15,312,355)	3,855,536	585,232,928	-1.92%	-2.56%
Total All Funds	<u>\$ 19,805,837,425</u>	<u>\$ (907,192,861)</u>	<u>\$ 179,353,641</u>	<u>\$ 19,077,998,205</u>	-3.67%	-4.56%

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.asp>

ALASKA RETIREMENT MANAGEMENT BOARD
Schedule of Investment Income and Changes in Invested Assets by Fund
For the Month Ended December 31, 2011

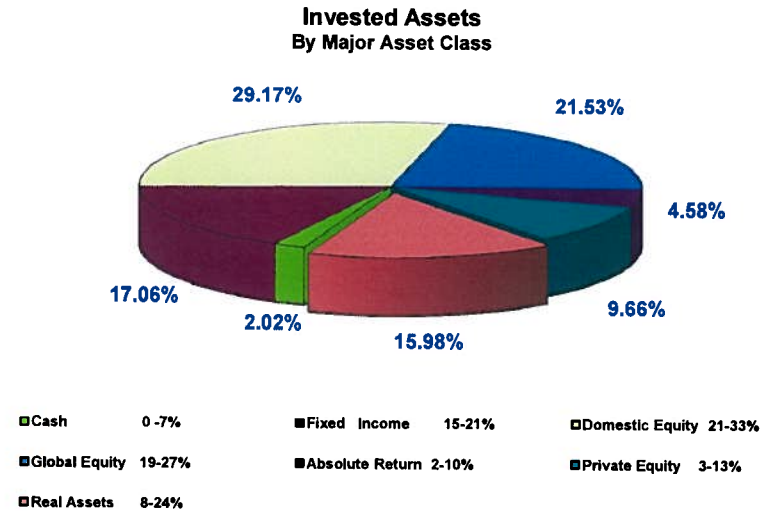
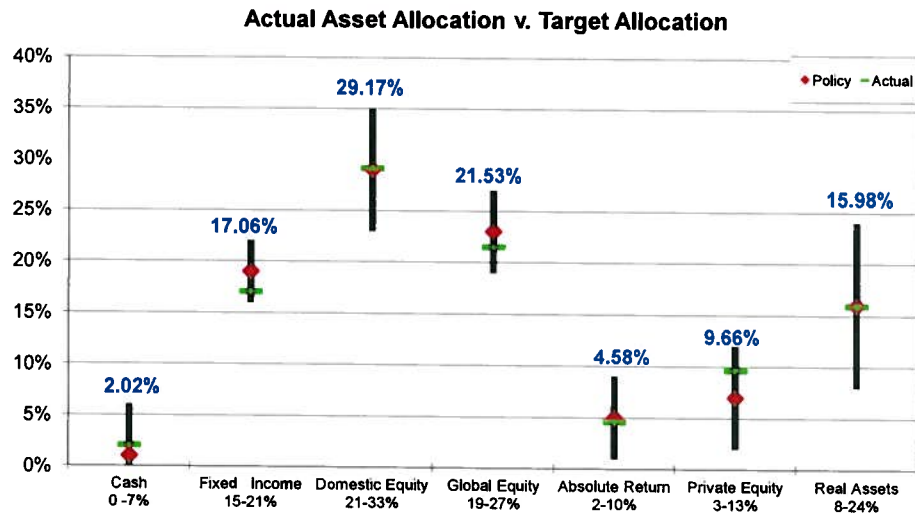
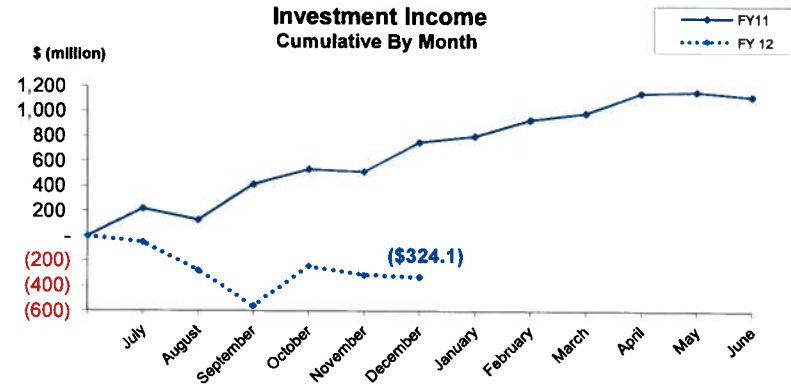
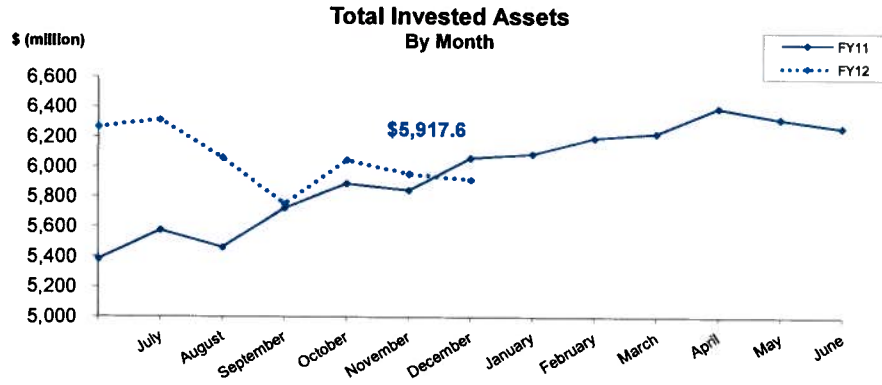
	Beginning Invested Assets	Investment Income ⁽¹⁾	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income ⁽²⁾
Public Employees' Retirement System (PERS)						
<u>Defined Benefit Plans:</u>						
Retirement Trust	\$ 5,956,341,499	\$ (15,314,715)	\$ (23,461,251)	\$ 5,917,565,533	-0.66%	-0.26%
Retirement Health Care Trust	4,974,220,102	(13,483,674)	(5,214,064)	4,955,522,364	-0.38%	-0.27%
Total Defined Benefit Plans	<u>10,930,561,601</u>	<u>(28,798,389)</u>	<u>(28,675,315)</u>	<u>10,873,087,897</u>	-0.53%	-0.26%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	191,746,546	(57,160)	5,122,756	196,812,142	2.57%	-0.03%
Health Reimbursement Arrangement	59,338,562	(160,469)	1,748,502	60,926,595	2.61%	-0.27%
Retiree Medical Plan	12,939,733	(38,355)	249,311	13,150,689	1.60%	-0.29%
<u>Defined Benefit Occupational Death and Disability:</u>						
Public Employees	5,493,289	(16,753)	87,700	5,564,236	1.28%	-0.30%
Police and Firefighters	2,067,173	(5,976)	46,276	2,107,473	1.91%	-0.29%
Total Defined Contribution Plans	<u>271,585,303</u>	<u>(278,713)</u>	<u>7,254,545</u>	<u>278,561,135</u>	2.50%	-0.10%
Total PERS	<u>11,202,146,904</u>	<u>(29,077,102)</u>	<u>(21,420,770)</u>	<u>11,151,649,032</u>	-0.45%	-0.26%
Teachers' Retirement System (TRS)						
<u>Defined Benefit Plans:</u>						
Retirement Trust	2,992,650,174	(8,009,598)	(21,618,783)	2,963,021,793	-1.00%	-0.27%
Retirement Health Care Trust	1,590,605,991	(4,383,850)	(4,007,237)	1,582,214,904	-0.53%	-0.28%
Total Defined Benefit Plans	<u>4,583,256,165</u>	<u>(12,393,448)</u>	<u>(25,626,020)</u>	<u>4,545,236,697</u>	-0.84%	-0.27%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	82,774,177	(36,226)	2,821,986	85,559,937	3.26%	-0.04%
Health Reimbursement Arrangement	18,862,638	(50,367)	691,128	19,503,399	3.29%	-0.26%
Retiree Medical Plan	5,579,364	(16,558)	122,261	5,685,067	1.86%	-0.29%
Defined Benefit Occupational Death and Disability	2,191,986	(7,574)	(160)	2,184,252	-0.35%	-0.35%
Total Defined Contribution Plans	<u>109,408,165</u>	<u>(110,725)</u>	<u>3,635,215</u>	<u>112,932,655</u>	3.12%	-0.10%
Total TRS	<u>4,692,664,330</u>	<u>(12,504,173)</u>	<u>(21,990,805)</u>	<u>4,658,169,352</u>	-0.74%	-0.27%
Judicial Retirement System (JRS)						
Defined Benefit Plan Retirement Trust	104,717,997	(272,016)	(483,382)	103,962,599	-0.73%	-0.26%
Defined Benefit Retirement Health Care Trust	19,593,885	(53,229)	(18,016)	19,522,640	-0.36%	-0.27%
Total JRS	<u>124,311,882</u>	<u>(325,245)</u>	<u>(501,398)</u>	<u>123,485,239</u>	-0.67%	-0.26%
National Guard/Naval Militia Retirement System (MRS)						
Defined Benefit Plan Retirement Trust	32,252,335	65,941	(103,914)	32,214,362	-0.12%	0.20%
Other Participant Directed Plans						
Supplemental Annuity Plan	2,513,104,406	14,088,004	54,882	2,527,247,292	0.56%	0.56%
Deferred Compensation Plan	581,656,854	2,033,876	1,542,198	585,232,928	0.61%	0.35%
Total All Funds	<u>\$ 19,146,136,711</u>	<u>\$ (25,718,699)</u>	<u>\$ (42,419,807)</u>	<u>\$ 19,077,998,205</u>	-0.36%	-0.13%

Notes:

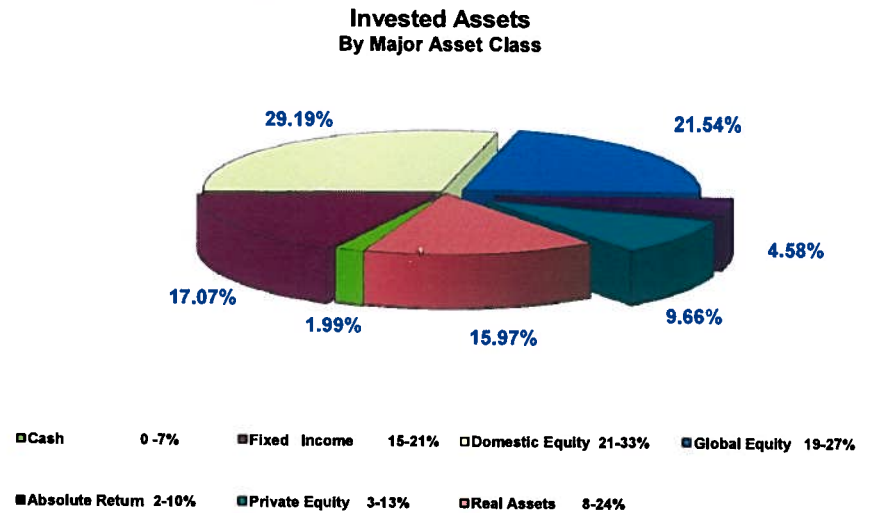
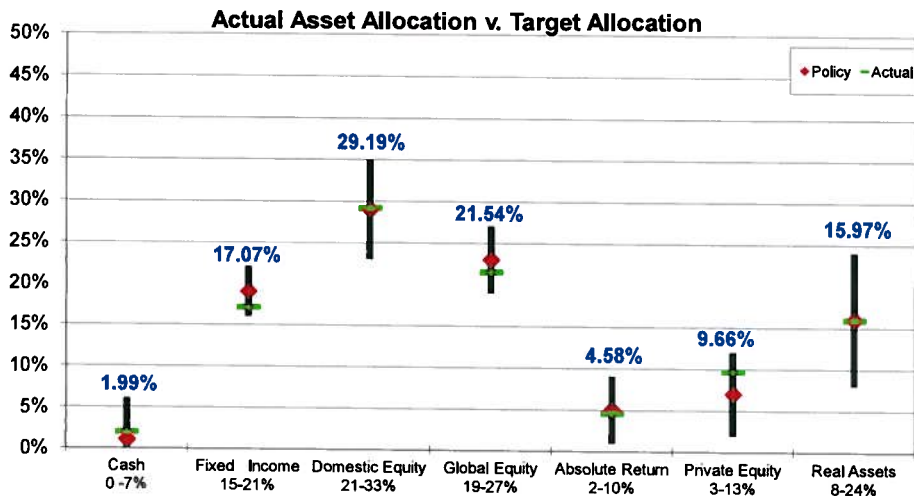
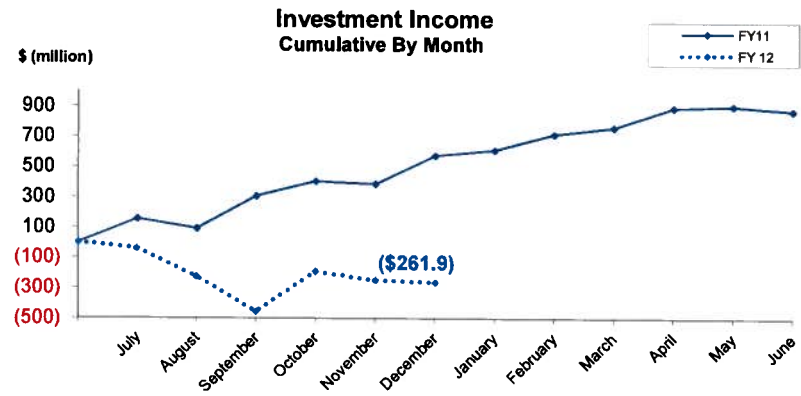
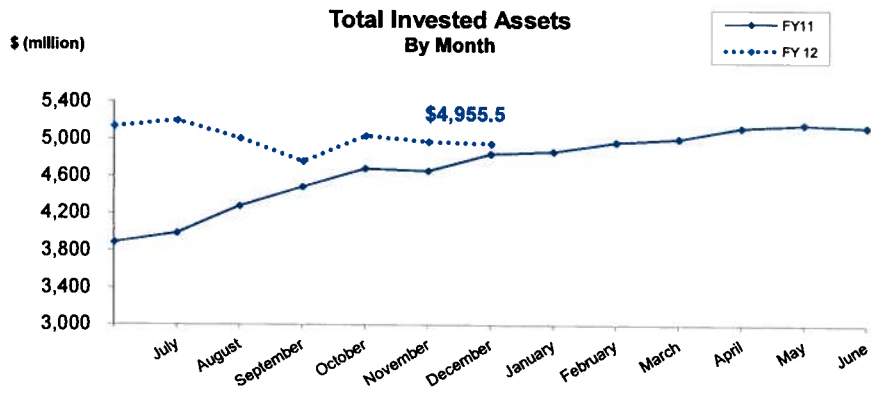
(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

(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/amb/investmentresults.aspx>

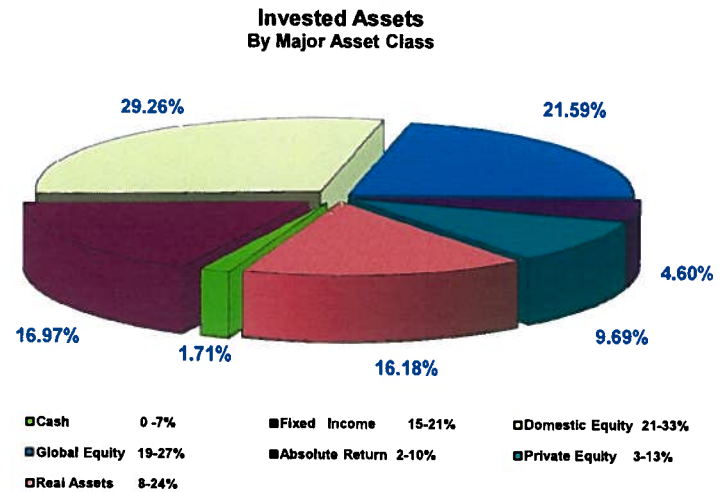
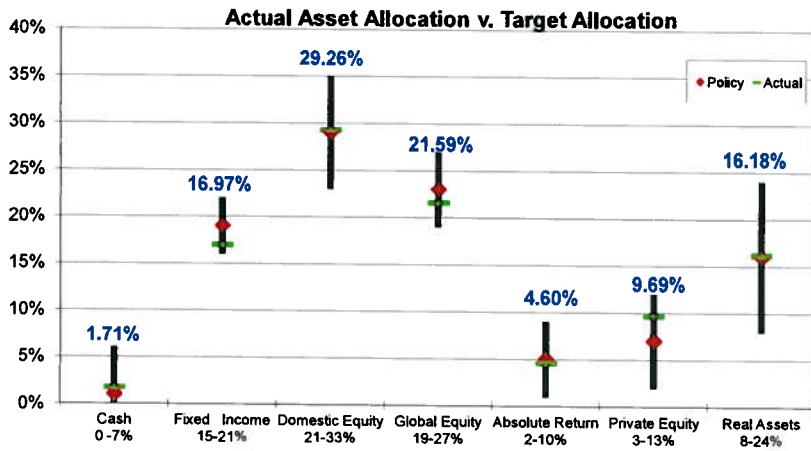
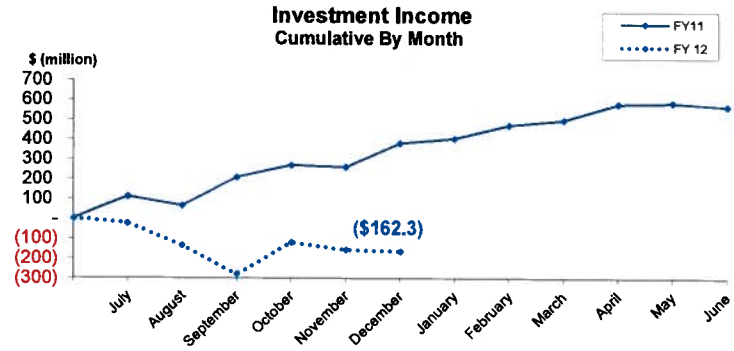
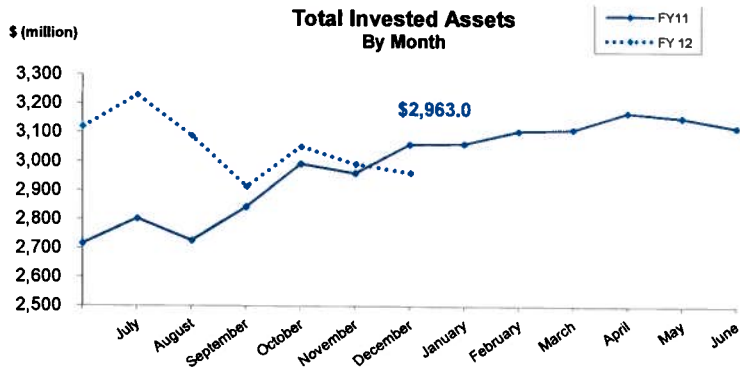
PUBLIC EMPLOYEES' RETIREMENT TRUST FUND As of December 31, 2011



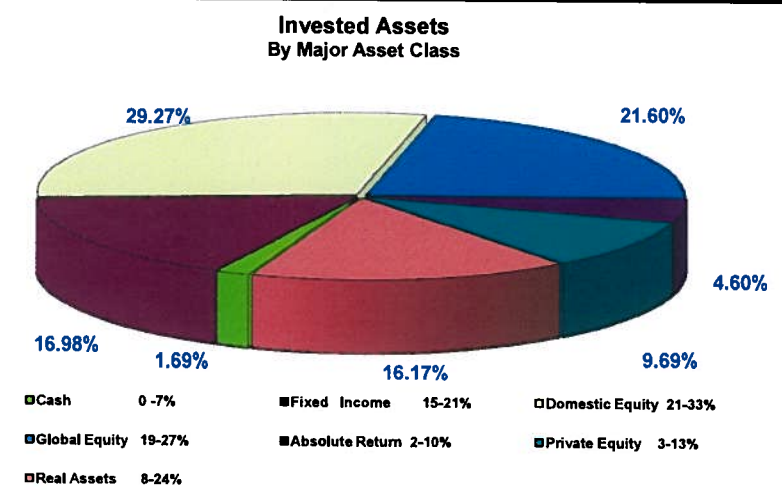
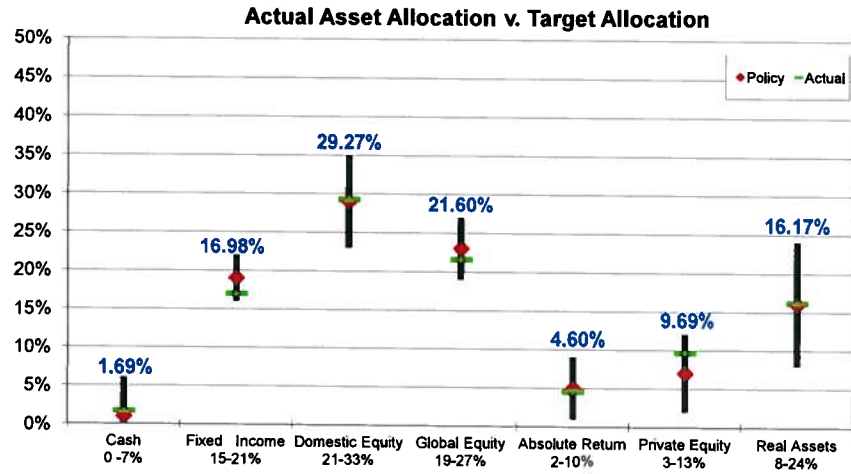
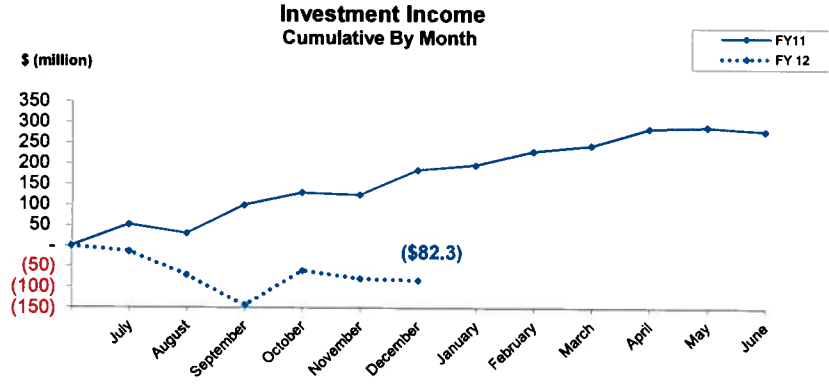
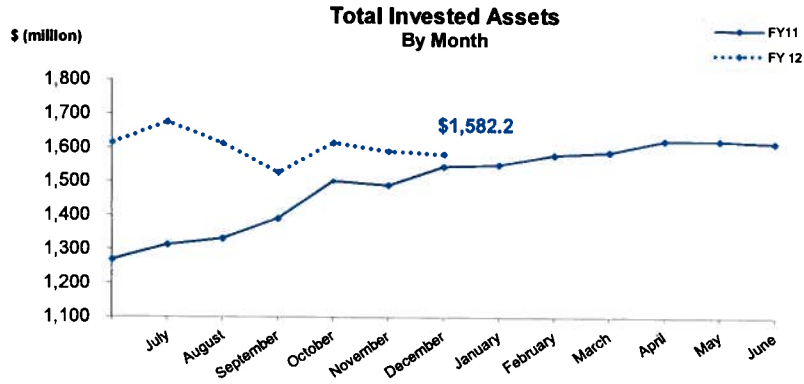
PUBLIC EMPLOYEES' RETIREE HEALTH CARE TRUST FUND As of December 31, 2011



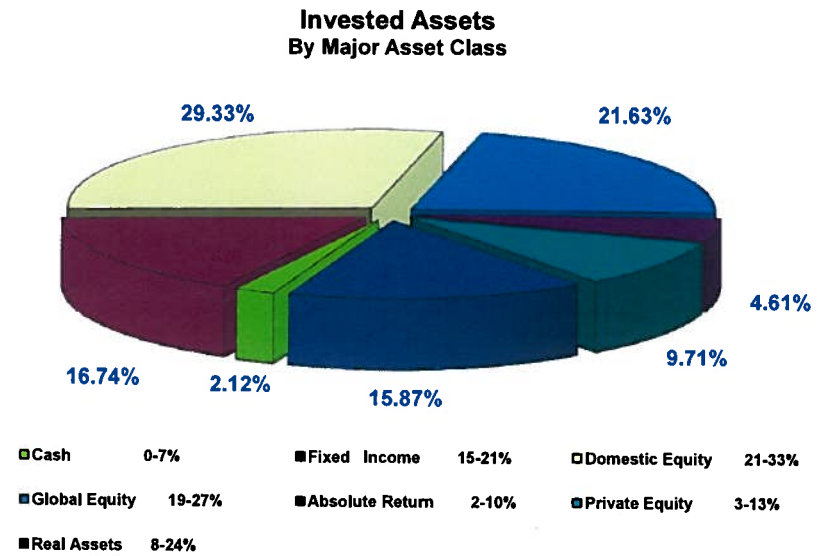
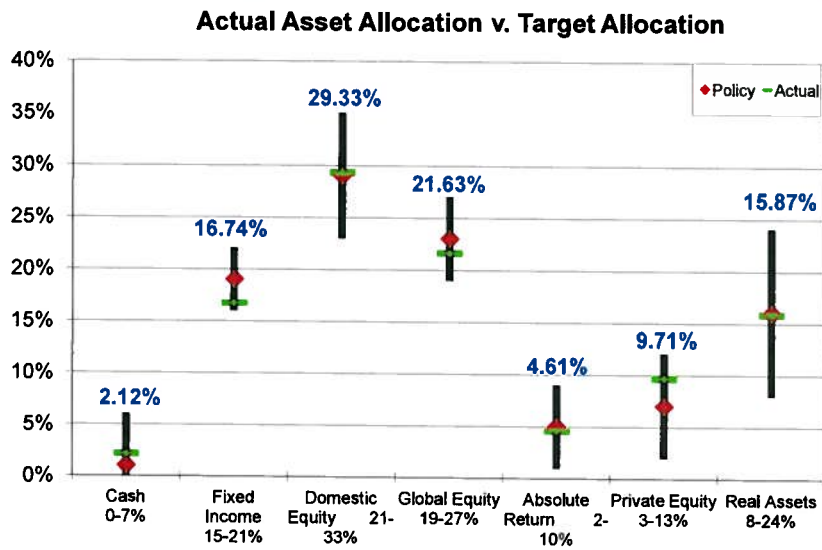
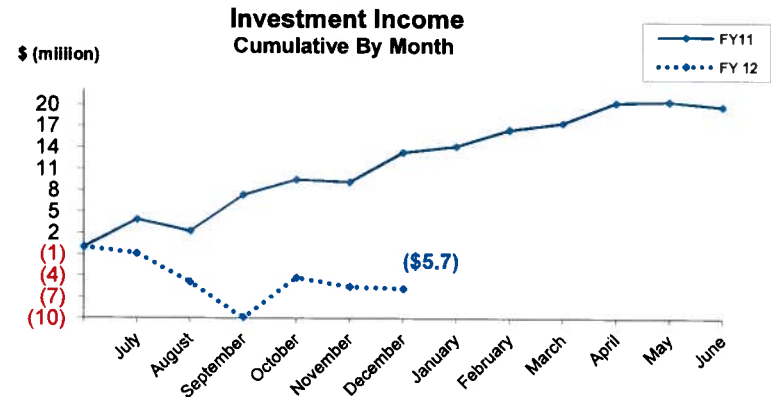
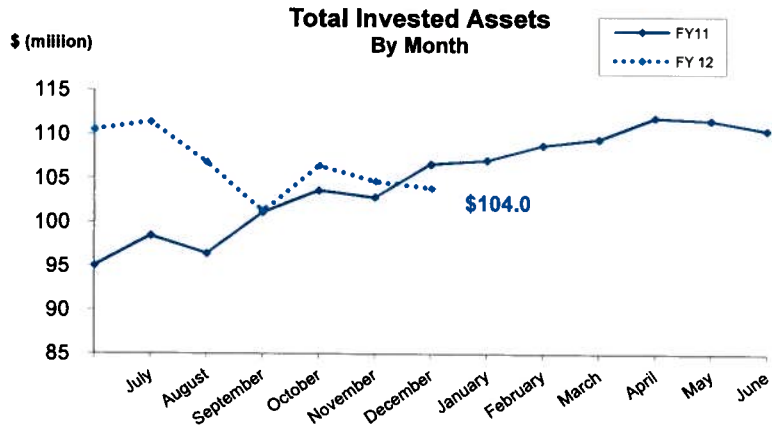
TEACHERS' RETIREMENT TRUST FUND As of December 31, 2011



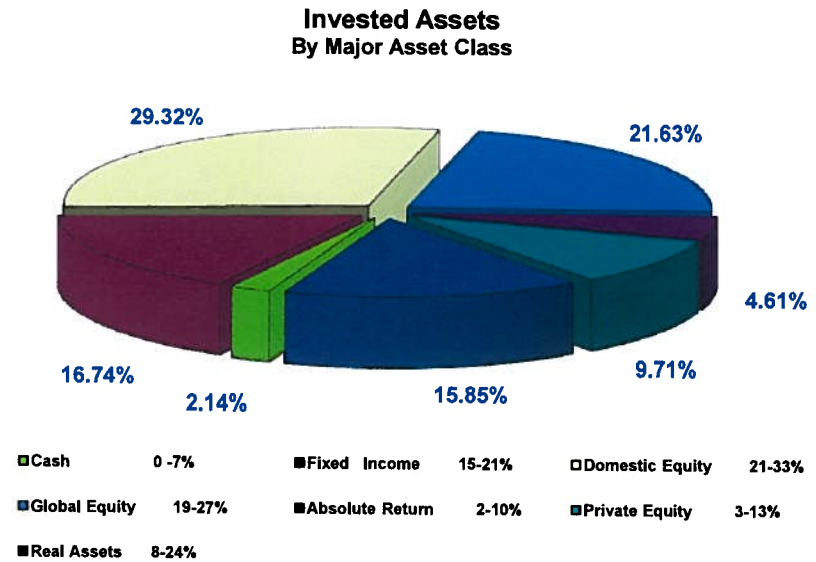
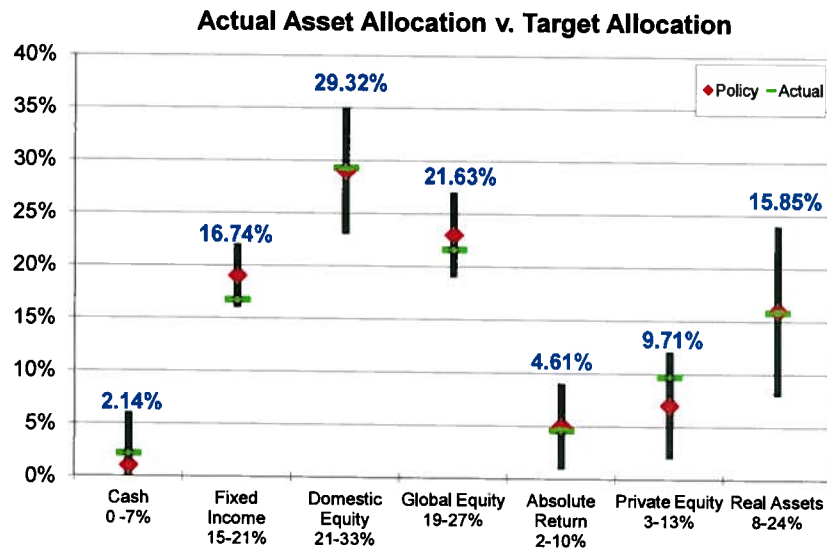
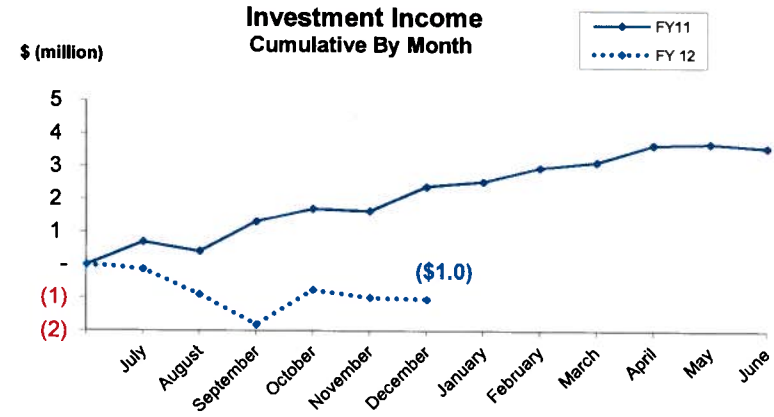
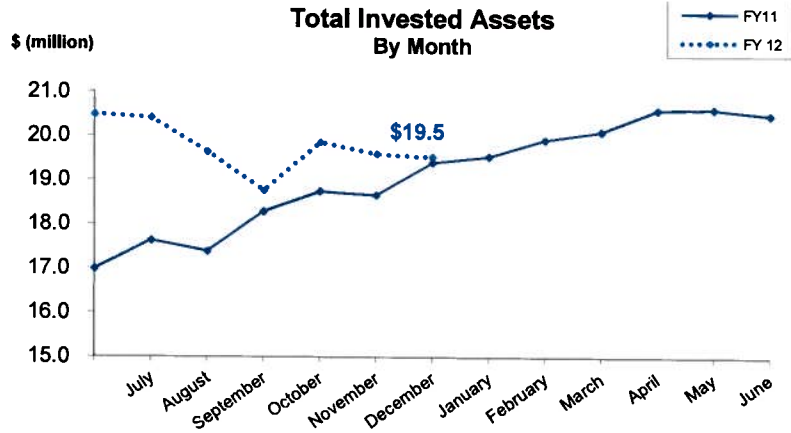
TEACHERS' RETIREE HEALTH CARE TRUST FUND As of December 31, 2011



JUDICIAL RETIREMENT TRUST FUND As of December 31, 2011

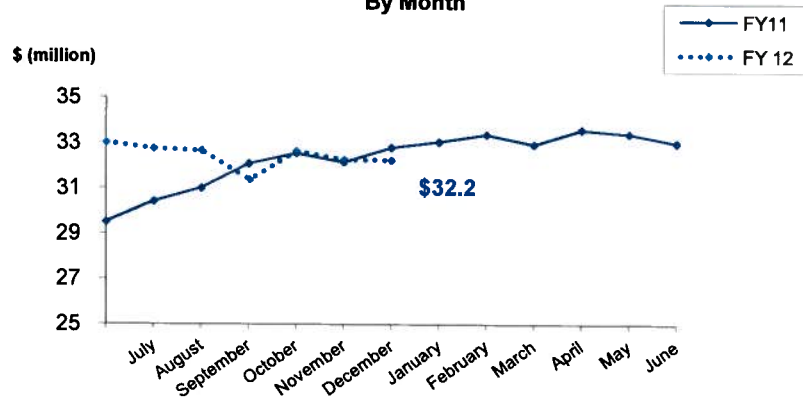


JUDICIAL RETIREE HEALTH CARE TRUST FUND As of December 31, 2011

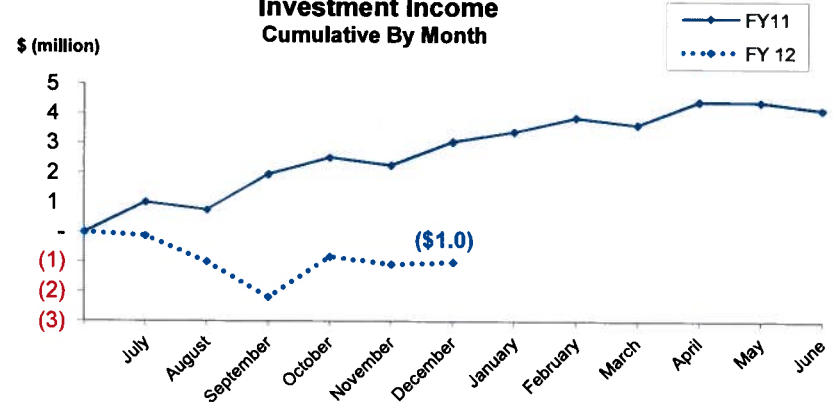


MILITARY RETIREMENT TRUST FUND As of December 31, 2011

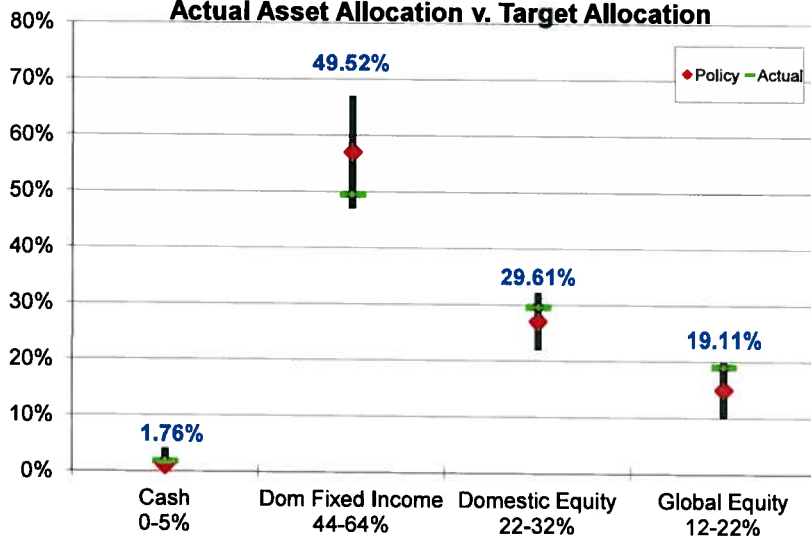
Total Invested Assets By Month



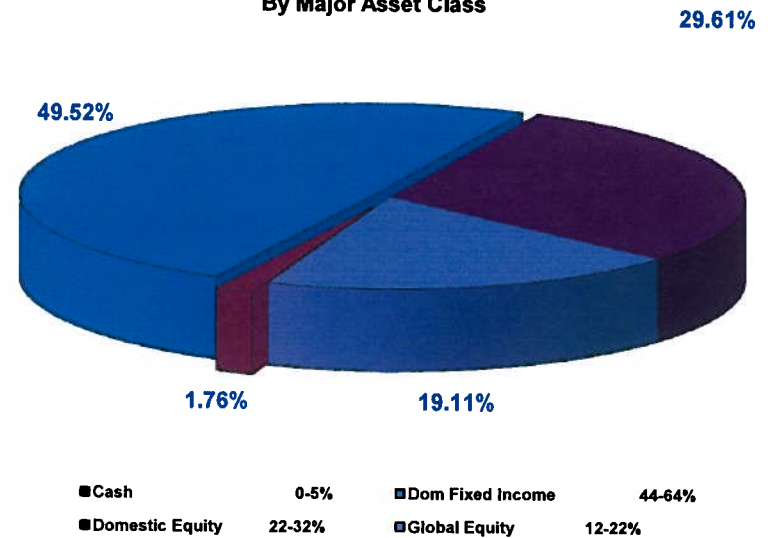
Investment Income Cumulative By Month



Actual Asset Allocation v. Target Allocation



Invested Assets By Major Asset Class



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 December 31, 2011

AY	Cash	Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)
70	Short-Term Fixed Income Pool	\$ 353,301,712	\$ 93,648	\$ (51,961,629)	\$ 301,433,731	-14.68%
	Total Cash	<u>353,301,712</u>	<u>93,648</u>	<u>(51,961,629)</u>	<u>301,433,731</u>	-14.68%
	Fixed Income					
1A	US Treasury Fixed Income	<u>1,761,475,132</u>	<u>10,774,308</u>	<u>(9,214,474)</u>	<u>1,763,034,966</u>	0.09%
77	Internal Fixed Income Investment Pool	<u>18,852,680</u>	<u>4,873</u>	<u>-</u>	<u>18,857,553</u>	0.03%
	International Fixed Income Pool					
63	Mondrian Investment Partners	<u>367,987,824</u>	<u>(3,809,565)</u>	<u>-</u>	<u>364,178,259</u>	-1.04%
	High Yield Pool					
9P	MacKay Shields, LLC	<u>405,794,344</u>	<u>9,211,342</u>	<u>-</u>	<u>415,005,686</u>	2.27%
	Total High Yield	<u>405,794,344</u>	<u>9,211,342</u>	<u>-</u>	<u>415,005,686</u>	2.27%
	Emerging Debt Pool					
5M	Lazard Emerging Income	<u>120,614,283</u>	<u>1,562,324</u>	<u>-</u>	<u>122,176,607</u>	1.30%
	Total Fixed Income	<u>2,674,724,263</u>	<u>17,743,282</u>	<u>(9,214,474)</u>	<u>2,683,253,071</u>	0.32%
	(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 December 31, 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	23,942,929	(63,692)	-	23,879,237	-0.27%
4P	SSgA Russell 2000 Value	64,748,014	1,006,526	-	65,754,540	1.55%
	Total Passive	88,690,943	942,834	-	89,633,777	1.06%
Actively Managed						
4D	Turner Investment Partners	-	-	-	-	
4E	DePrince, Race & Zollo Inc.- Micro Cap	66,735,345	1,260,552	-	67,995,897	1.89%
4F	Luther King Capital Management	123,030,119	(1,361,480)	-	121,668,639	-1.11%
4G	Jennison Associates, LLC	121,981,531	(2,003,459)	-	119,978,072	-1.64%
5G	Frontier Capital Mgmt Co.	99,358,479	2,123,160	-	101,481,639	2.14%
6A	SSgA Futures Small Cap	5,531,161	(492,022)	-	5,039,139	-8.90%
4H	Lord Abbett & Co.	125,236,011	(127,359)	-	125,108,652	-0.10%
4Q	Barrow, Haney, Mewhinney & Strauss	101,423,615	2,112,486	-	103,536,101	2.08%
4Z	Lord Abbett & Co.- Micro Cap	65,569,909	1,885,900	-	67,455,809	2.88%
	Total Active	708,866,170	3,397,778	-	712,263,948	0.48%
	Total Small Cap	797,557,113	4,340,612	-	801,897,725	0.54%
Large Cap Pool						
Passively Managed						
4L	SSgA Russell 1000 Growth	721,356,130	(2,330,157)	-	719,025,973	-0.32%
4M	SSgA Russell 1000 Value	877,789,874	17,492,974	-	895,282,848	1.99%
4R	SSgA Russell 200	354,447,874	4,366,319	-	358,814,193	1.23%
	Total Passive	1,953,593,878	19,529,136	-	1,973,123,014	1.00%
Actively Managed						
47	Lazard Freres	274,768,491	2,921,499	-	277,689,990	1.06%
48	McKinley Capital Mgmt.	323,527,479	(700,167)	-	322,827,312	-0.22%
4U	Barrow, Haney, Mewhinney & Strauss	134,333,734	1,793,265	-	136,126,999	1.33%
4V	Quantitative Management Assoc.	130,504,297	2,851,583	-	133,355,880	2.19%
4W/4X	Analytic Buy Write Account	102,427,153	3,183,455	-	105,610,608	3.11%
4Y	RCM Buy Write Account	96,330,404	617,768	-	96,948,172	0.64%
38	RCM	344,038,467	(3,046,627)	-	340,991,840	-0.89%
6B	SSgA Futures large cap	7,324,895	(1,138,331)	-	6,186,564	-15.54%
4J	Relational Investors, LLC	312,654,216	(4,324,509)	(13,903,662)	294,426,045	-5.83%
	Total Active	1,725,909,136	2,157,936	(13,903,662)	1,714,163,410	-0.68%
	Total Large Cap	3,679,503,014	21,687,072	(13,903,662)	3,687,286,424	0.21%

(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 December 31, 2011

	Beginning Invested Assets	Total Investment Income	Net Contributions (Withdrawals) & Transfers In (Out)	Ending Invested Assets	% increase (decrease)	
Convertible Bond Pool						
52	Advent Capital	87,853,531	634,576	-	88,488,107	0.72%
	Total Convertible Bond Pool	87,853,531	634,576	-	88,488,107	0.72%
	Total Domestic Equity	4,564,913,658	26,662,260	(13,903,662)	4,577,672,256	0.28%
Global Equities Ex US						
Small Cap Pool						
5B	Mondrian Investment Partners	104,143,273	(1,285,281)	-	102,857,992	-1.23%
5D	Schroder Investment Management	102,266,437	(1,368,578)	-	100,897,859	-1.34%
	Total Small Cap	206,409,710	(2,653,859)	-	203,755,851	-1.29%
Large Cap Pool						
65	Brandes Investment Partners	723,677,798	(4,567,267)	-	719,110,531	-0.63%
58	Lazard Freres	346,353,742	(5,174,555)	-	341,179,187	-1.49%
67	Cap Guardian Trust Co	547,811,444	(9,000,624)	-	538,810,820	-1.64%
68	State Street Global Advisors	471,859,587	(5,358,563)	-	466,501,024	-1.14%
6D	SSgA Futures International	118,965	36	-	119,001	0.03%
69	McKinley Capital Management	294,220,959	(5,892,218)	-	288,328,741	-2.00%
	Total Large Cap	2,384,042,495	(29,993,191)	-	2,354,049,304	-1.26%
Emerging Markets Equity Pool A ⁽¹⁾						
6P	Lazard Asset Management	302,948,228	(12,555,790)	-	290,392,438	-4.14%
6Q	Eaton Vance	188,540,910	(6,429,343)	-	182,111,567	-3.41%
62	The Capital Group Inc.	362,281,206	(11,998,959)	-	350,282,247	-3.31%
	Total Emerging Markets Pool A	853,770,344	(30,984,092)	-	822,786,252	-3.63%
	Total Global Equities	3,444,222,549	(63,631,142)	-	3,380,591,407	-1.85%
Private Equity Pool						
7Z	Merit Capital Partners	7,730,639	(294,755)	-	7,435,884	-3.81%
98	Pathway Capital Management LLC	702,657,997	(5,519,223)	4,486,280	701,625,054	-0.15%
85	Abbott Capital	707,730,833	(13,004,919)	1,621,261	696,347,175	-1.61%
8A	Blum Capital Partners-Strategic	14,636,802	-	(242,142)	14,394,660	-1.65%
8P	Lexington Partners	27,157,389	832,321	933,196	28,922,906	6.50%
8Q	Onex Partnership III	10,689,306	4	71,674	10,760,984	0.67%
8W	Warburg Pincus X	24,674,081	-	1,425,000	26,099,081	5.78%
8X	Angelo, Gordon & Co.	30,097,626	(3,011,215)	(1,015,018)	26,071,393	-13.38%
	Total Private Equity	1,525,374,673	(20,997,787)	7,280,251	1,511,657,137	-0.90%

(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 December 31, 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.	141,284,739	(540,241)	-	140,744,498	-0.38%
8N	Prisma Capital Partners	143,214,727	(517,852)	-	142,696,875	-0.36%
9D	Mariner Investment Group, Inc.	193,222,845	(1,481,419)	-	191,741,426	-0.77%
9E	Cadogan Management LLC	351,212	(498)	(257,000)	93,714	-73.32%
9F	Crestline Investors, Inc.	239,835,439	(646,833)	5,000,000	244,188,606	1.82%
	Total Absolute Return Investments	717,908,962	(3,186,843)	4,743,000	719,465,119	0.22%
Real Assets						
Farmland Pool A						
9B	UBS Agrinvest, LLC	336,872,509	-	(4,635,983)	332,236,526	-1.38%
9G	Hancock Agricultural Investment Group	210,250,179	-	-	210,250,179	0.00%
	Total Farmland Pool A	547,122,688	-	(4,635,983)	542,486,705	-0.85%
Farmland Water Pool						
8Y	Hancock Water PPTY	8,369,904	-	-	8,369,904	0.00%
8Z	UBS Arginvest, LLC	19,750,186	(6)	(600,000)	19,150,180	-3.04%
	Total Farmland Water Pool	28,120,090	(6)	(600,000)	27,520,084	-2.13%
Timber Pool A						
9Q	Timberland INVT Resource LLC	116,433,044	(13)	19,250,000	135,683,031	16.53%
9S	Hancock Natural Resource Group	73,912,680	(70)	-	73,912,610	0.00%
	Total Timber Pool A	190,345,724	(83)	19,250,000	209,595,641	10.11%
Energy Pool A						
5A	EIG Energy Fund XV	17,614,184	103,343	-	17,717,527	0.59%
9A	EIG Energy Fund XD	12,048,972	349,826	-	12,398,798	2.90%
9Z	EIG Energy Fund XIV-A	73,216,996	317,280	-	73,534,276	0.43%
	Total Energy Pool A	102,880,152	770,449	-	103,650,601	0.75%
REIT Pool						
9H	REIT Holdings	155,279,811	7,209,505	-	162,489,316	4.64%
Treasury Inflation Proof Securities						
6N	TIPS Internally Managed Account (cont.)	208,421,609	10,922	-	208,432,531	0.01%

Alaska Retirement Management Board
All Non-Participant Directed Plans by Manager
Schedule of Investment Income and Changes in Invested Assets
For the Month Ended December 31, 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	170,164,928	1,024,588	-	171,189,516	0.60%
7B	UBS Trumbull Property Fund	72,248,706	-	-	72,248,706	0.00%
	Total Core Commingled	242,413,634	1,024,588	-	243,438,222	0.42%
Core Separate Accounts						
7D	Cornerstone Real Estate Advisers Inc.	88,488,050	19	(193,000)	88,295,069	-0.22%
7E	LaSalle Investment Management	196,968,930	42	(621,772)	196,347,200	-0.32%
7F	Sentinel Separate Account	107,945,367	(21)	(381,708)	107,563,638	-0.35%
7G	UBS Realty	243,617,900	(74)	(515,307)	243,102,519	-0.21%
	Total Core Separate	637,020,247	(34)	(1,711,787)	635,308,426	-0.27%
Non-Core Commingled Accounts						
7H	Coventry	20,997,146	-	-	20,997,146	0.00%
7J	Lowe Hospitality Partners	3,684,115	932,239	-	4,616,354	25.30%
7N	ING Clarion Development Ventures II	15,402,633	-	-	15,402,633	0.00%
7P	Silverpeak Legacy Pension Partners II, L.P. ⁽³⁾	79,037,686	(1,183,785)	-	77,853,901	-1.50%
7Q	Rothschild Five Arrows Realty Securities IV	39,615,241	-	-	39,615,241	0.00%
7R	Tishman Speyer Real Estate Venture VI	63,922,693	(128,001)	-	63,794,692	-0.20%
7X	Tishman Speyer Real Estate Venture VII	16,717,177	749,847	-	17,467,024	4.49%
7S	Rothschild Five Arrows Realty Securities V	18,449,844	(3)	903,766	19,353,607	4.90%
7V	ING Clarion Development Ventures III	10,158,581	3	1,500,000	11,658,584	14.77%
7W	Silverpeak Legacy Pension Partners III, L.P. ⁽⁴⁾	10,948,565	(328,968)	-	10,619,597	-3.00%
8R	BlackRock Diamond Property Fund	23,916,922	-	-	23,916,922	0.00%
8S	Colony Investors VIII, L.P.	27,747,993	(9,029,696)	-	18,718,297	-32.54%
8U	LaSalle Medical Office Fund II	21,705,282	124,376	-	21,829,658	0.57%
8V	Cornerstone Apartment Venture III	32,501,077	1,418,036	(3,611,111)	30,308,002	-6.75%
	Total Non-Core Commingled	384,804,955	(7,445,952)	(1,207,345)	376,151,658	-2.25%
	Total Real Estate	1,264,238,836	(6,421,398)	(2,919,132)	1,254,898,306	-0.74%
	Total Real Assets	2,496,408,911	1,569,389	11,094,885	2,509,073,185	0.51%
	Totals	\$ 15,776,854,728	\$ (41,747,193)	\$ (51,961,629)	\$ 15,683,145,906	-0.59%

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
December 31, 2011

	<u>Beginning Invested Assets</u>	<u>Investment Income</u>	<u>Net Contributions (Withdrawals)</u>	<u>Transfers in (out)</u>	<u>Ending Invested Assets</u>
Interim Transit Account					
Treasury Division ⁽¹⁾					
Cash and Cash Equivalents	\$ 7,123,139	\$ 1,721	\$ (742,869)	\$ -	\$ 6,381,991
Participant Options ⁽²⁾					
T. Rowe Price					
Stable Value Fund	312,557,378	801,315	(1,481,223)	4,946,676	316,824,146
Small-Cap Stock Fund	83,568,216	6,257	178,031	(809,846)	82,942,658
Alaska Balanced Fund	1,062,546,733	7,803,644	(1,053,617)	(499,840)	1,068,796,920
Long Term Balanced Fund	325,532,469	1,784,083	2,642,963	(269,210)	329,690,305
AK Target Date 2010 Trust	5,752,353	33,284	25,178	(26,905)	5,783,910
AK Target Date 2015 Trust	82,613,671	407,344	(109,670)	(535,383)	82,375,962
AK Target Date 2020 Trust	33,644,115	158,585	203,765	(472,335)	33,534,130
AK Target Date 2025 Trust	16,033,266	66,481	209,273	(113,199)	16,195,821
AK Target Date 2030 Trust	5,891,727	22,306	170,158	36,415	6,120,606
AK Target Date 2035 Trust	5,614,787	19,469	189,836	20,954	5,845,046
AK Target Date 2040 Trust	5,061,392	18,482	237,923	65,813	5,383,610
AK Target Date 2045 Trust	4,756,657	16,972	273,624	50,432	5,097,685
AK Target Date 2050 Trust	5,135,879	13,563	296,630	(87,547)	5,358,525
AK Target Date 2055 Trust	2,592,416	11,891	99,641	148,057	2,852,005
Total Investments with T. Rowe Price	<u>1,951,301,059</u>	<u>11,163,676</u>	<u>1,882,512</u>	<u>2,454,082</u>	<u>1,966,801,329</u>
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	38,422,267	240	(886,794)	186,954	37,722,667
S&P 500 Stock Index Fund Series A	218,537,202	2,274,320	133,050	(2,176,241)	218,768,331
Russell 3000 Index	12,346,900	103,039	(13,698)	49,868	12,486,109
US Real Estate Investment Trust Index	20,706,730	922,396	82,884	(358,322)	21,353,688
World Equity Ex-US Index	9,949,844	(241,424)	(48,418)	(20,689)	9,639,313
Long US Treasury Bond Index	20,541,017	653,459	54,788	563,311	21,812,575
US Treasury Inflation Protected Securities Index	18,280,377	4,425	34,677	741,025	19,060,504
World Government Bond Ex-US Index	4,965,562	41,513	(14,798)	(113,025)	4,879,252
Global Balanced Fund	50,515,506	(66,932)	108,157	336,736	50,893,467
Total Investments with SSGA	<u>394,265,405</u>	<u>3,691,036</u>	<u>(550,152)</u>	<u>(790,383)</u>	<u>396,615,906</u>
BlackRock					
Government Bond Fund	52,350,347	643,784	(545,593)	1,025,410	53,473,948
Intermediate Bond Fund	14,146,714	71,748	(327,757)	(82,647)	13,808,058
Total Investments with BlackRock	<u>66,497,061</u>	<u>715,532</u>	<u>(873,350)</u>	<u>942,763</u>	<u>67,282,006</u>
Brandes Institutional					
International Equity Fund Fee	65,351,992	(1,165,922)	258,623	(1,799,926)	62,644,767
RCM					
Sustainable Opportunities Fund	28,565,750	(318,039)	80,118	(806,536)	27,521,293
Total Externally Managed Funds	<u>2,505,981,267</u>	<u>14,086,283</u>	<u>797,751</u>	<u>-</u>	<u>2,520,865,301</u>
Total All Funds	<u>\$ 2,513,104,406</u>	<u>\$ 14,088,004</u>	<u>\$ 54,882</u>	<u>\$ -</u>	<u>\$ 2,527,247,292</u>

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
December 31, 2011
\$ (Thousands)

<u>Invested Assets (At Fair Value)</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Investments with Treasury Division						
Cash and cash equivalents	\$ 8,592	\$ 7,922	\$ 8,146	\$ 7,972	\$ 7,123	\$ 6,382
Investments with T. Rowe Price						
Stable Value Fund	307,698	310,946	307,698	313,922	312,557	316,824
Small-Cap Stock Fund	90,243	80,388	70,487	82,828	83,568	82,943
Alaska Balanced Fund	1,081,747	1,058,805	1,028,933	1,068,346	1,062,547	1,068,797
Long Term Balanced Fund	327,767	316,287	302,465	325,296	325,532	329,690
AK Target Date 2010 Trust	6,647	5,964	6,057	6,417	5,752	5,784
AK Target Date 2015 Trust	84,469	81,242	77,846	83,027	82,614	82,376
AK Target Date 2020 Trust	34,412	33,333	31,251	33,520	33,644	33,534
AK Target Date 2025 Trust	15,871	15,118	14,377	15,853	16,033	16,196
AK Target Date 2030 Trust	5,316	4,998	4,840	5,831	5,892	6,121
AK Target Date 2035 Trust	5,199	5,068	4,822	5,500	5,615	5,845
AK Target Date 2040 Trust	4,438	4,365	4,431	5,044	5,061	5,384
AK Target Date 2045 Trust	3,971	3,950	3,941	4,576	4,757	5,098
AK Target Date 2050 Trust	4,072	4,177	4,093	4,910	5,136	5,358
AK Target Date 2055 Trust	1,942	2,250	2,258	2,779	2,592	2,852
Investments with State Street Global Advisors						
State Street Treasury Money Market Fund - Inst.	37,730	38,037	37,636	38,085	38,422	37,723
S&P 500 Stock Index Fund Series A	224,458	212,540	198,227	219,397	218,537	218,768
Russell 3000 Index	12,066	11,219	10,741	12,182	12,347	12,486
US Real Estate Investment Trust Index	24,290	22,031	18,603	21,302	20,707	21,354
World Equity Ex-US Index	12,393	11,150	9,576	10,807	9,950	9,639
Long US Treasury Bond Index	6,274	14,980	19,947	15,293	20,541	21,813
US Treasury Inflation Protected Securities Index	17,366	18,996	18,235	17,950	18,280	19,060
World Govt Bond Ex	5,622	5,590	5,265	5,047	4,966	4,879
Global Balanced Fund	51,620	50,392	47,598	51,447	50,516	50,893
Investments with BlackRock						
Government Bond Fund	50,261	50,950	52,294	52,440	52,350	53,474
Intermediate Bond Fund	11,871	13,396	13,264	13,062	14,147	13,808
Investments with Brandes Investment Partners						
International Equity Fund Fee	74,909	67,515	62,982	68,413	65,352	62,645
Investments with RCM						
Sustainable Opportunities Fund	29,348	26,326	24,643	28,501	28,566	27,521
Total Invested Assets	\$ 2,540,592	\$ 2,477,935	\$ 2,390,656	\$ 2,519,747	\$ 2,513,104	\$ 2,527,247
Change in Invested Assets						
Beginning Assets	\$ 2,552,982	\$ 2,540,592	\$ 2,477,935	\$ 2,390,656	\$ 2,519,747	\$ 2,513,104
Investment Earnings	(11,959)	(63,592)	(88,791)	126,143	(8,733)	14,088
Net Contributions (Withdrawals)	(431)	935	1,512	2,948	2,090	55
Ending Invested Assets	\$ 2,540,592	\$ 2,477,935	\$ 2,390,656	\$ 2,519,747	\$ 2,513,104	\$ 2,527,247

Deferred Compensation Plan
Schedule of Invested Assets and Changes in Invested Assets
for the Month Ended
December 31, 2011

	<u>Beginning Invested Assets</u>	<u>Investment Income</u>	<u>Net Contributions (Withdrawals)</u>	<u>Transfers in (out)</u>	<u>Ending Invested Assets</u>
Participant Options					
T. Rowe Price					
Interest Income Fund	\$ 174,540,757	\$ 490,429	\$ (706,674)	\$ 1,069,263	\$ 175,393,775
Small Cap Stock Fund	65,834,900	(37,060)	363,250	(907,966)	65,253,124
Long Term Balanced Fund	33,526,712	182,813	231,533	(113,233)	33,827,825
Alaska Balanced Trust	5,348,464	43,054	121,669	253,663	5,766,850
AK Target Date 2010 Trust	1,651,610	8,859	8,290	-	1,668,759
AK Target Date 2015 Trust	3,358,381	16,801	85,889	(140,122)	3,320,949
AK Target Date 2020 Trust	2,924,046	14,016	115,796	(103,176)	2,950,682
AK Target Date 2025 Trust	1,640,860	8,086	63,489	(82,450)	1,629,985
AK Target Date 2030 Trust	960,141	833	47,589	87,194	1,095,757
AK Target Date 2035 Trust	975,206	2,169	29,661	(34,296)	972,740
AK Target Date 2040 Trust	480,054	1,806	27,530	(1,799)	507,591
AK Target Date 2045 Trust	200,591	839	25,778	(101)	227,107
AK Target Date 2050 Trust	179,113	675	11,494	-	191,282
AK Target Date 2055 Trust	801,035	5,365	8,076	69,921	884,397
Total Investments with T. Rowe Price	<u>292,421,870</u>	<u>738,685</u>	<u>433,370</u>	<u>96,898</u>	<u>293,690,823</u>
State Street Global Advisors					
State Street Treasury Money Market Fund - Inst.	8,904,748	49	(264,852)	(817,340)	7,822,605
Russell 3000 Index	5,252,912	47,460	61,038	(161,701)	5,199,709
US Real Estate Investment Trust Index	7,018,805	338,687	59,212	370,374	7,787,078
World Equity Ex-US Index	3,793,660	(89,572)	55,182	(114,882)	3,644,388
Long US Treasury Bond Index	5,612,142	175,350	54,878	639,568	6,481,938
US Treasury Inflation Protected Securities Index	9,091,467	1,165	(64,380)	500,497	9,528,749
World Government Bond Ex-US Index	1,939,958	16,112	6,288	(11,896)	1,950,462
Global Balanced Fund	36,484,068	(53,193)	243,574	(332,096)	36,342,353
Total Investments with SSGA	<u>78,097,760</u>	<u>436,058</u>	<u>150,940</u>	<u>72,524</u>	<u>78,757,282</u>
BlackRock					
S&P 500 Index Fund	115,548,700	1,165,174	416,775	(240,059)	116,890,590
Government/Credit Bond Fund	31,926,466	391,177	99,582	383,120	32,800,345
Intermediate Bond Fund	16,184,587	82,713	84,147	31,279	16,382,726
Total Investments with Barclays Global Investors	<u>163,659,753</u>	<u>1,639,064</u>	<u>600,504</u>	<u>174,340</u>	<u>166,073,661</u>
Brandes Institutional					
International Equity Fund Fee	37,115,506	(659,739)	242,299	(418,693)	36,279,373
RCM					
Sustainable Core Opportunities Fund	10,361,965	(120,192)	115,085	74,931	10,431,789
Total All Funds	<u>\$ 581,656,854</u>	<u>\$ 2,033,876</u>	<u>\$ 1,542,198</u>	<u>\$ -</u>	<u>\$ 585,232,928</u>

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
December 31, 2011
\$ (Thousands)

Invested Assets (at fair value)	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Investments with T. Rowe Price						
Interest Income Fund						
Cash and cash equivalents	\$ 14,523	\$ 13,862	\$ 12,858	\$ 14,318	\$ 13,355	\$ 13,623
Synthetic Investment Contracts	158,211	159,215	159,461	160,073	161,186	161,770
Small Cap Stock Fund	71,095	63,402	56,494	65,732	65,835	65,253
Long Term Balanced Fund	34,734	33,452	31,160	33,291	33,527	33,828
Alaska Balanced Trust	5,710	5,500	5,133	5,366	5,348	5,767
AK Target Date 2010 Trust	1,186	1,581	1,515	1,590	1,652	1,669
AK Target Date 2015 Trust	3,430	3,275	3,178	3,208	3,358	3,321
AK Target Date 2020 Trust	2,547	2,567	2,449	2,741	2,924	2,951
AK Target Date 2025 Trust	1,426	1,365	1,307	1,480	1,641	1,630
AK Target Date 2030 Trust	805	804	760	919	960	1,096
AK Target Date 2035 Trust	911	838	766	918	975	973
AK Target Date 2040 Trust	452	425	403	450	480	508
AK Target Date 2045 Trust	127	135	135	168	200	227
AK Target Date 2050 Trust	187	159	150	172	179	191
AK Target Date 2055 Trust	818	776	720	834	801	884
State Street Global Advisors						
State Street Treasury Money Market Fund - Inst	6,909	7,219	7,174	8,081	8,905	7,823
Russell 3000 Index	4,839	4,708	4,224	5,163	5,253	5,200
US Real Estate Investment Trust Index	8,769	7,638	6,414	7,021	7,019	7,787
World Equity Ex-US Index	4,742	4,220	3,608	4,084	3,794	3,644
Long US Treasury Bond Index	2,096	4,661	5,711	4,888	5,612	6,482
US Treasury Inflation Protected Securities Index	7,863	8,588	8,629	8,878	9,091	9,529
World Government Bond Ex-US Index	2,104	2,286	2,125	1,991	1,940	1,950
Global Balanced Fund	38,066	36,875	34,806	37,240	36,484	36,342
Investments with BlackRock						
S&P 500 Index Fund	119,165	112,540	105,259	116,497	115,549	116,891
Government/Credit Bond Fund	31,263	31,347	31,881	32,023	31,926	32,800
Intermediate Bond Fund	15,848	16,370	16,305	16,031	16,185	16,383
Investments with Brandes Institutional						
International Equity Fund Fee	42,051	38,770	35,870	38,390	37,116	36,279
Investments with RCM						
Sustainable Opportunities Fund	10,481	9,723	8,996	10,238	10,362	10,432
Total Invested Assets	\$ 590,358	\$ 572,301	\$ 547,491	\$ 581,785	\$ 581,657	\$ 585,233
Change in Invested Assets						
Beginning Assets	\$ 596,690	\$ 590,358	\$ 572,301	\$ 547,491	\$ 581,785	\$ 581,657
Investment Earnings	(5,314)	(19,842)	(23,155)	32,447	(1,483)	2,034
Net Contributions (Withdrawals)	(1,018)	1,785	(1,655)	1,847	1,355	1,542
Ending Invested Assets	\$ 590,358	\$ 572,301	\$ 547,491	\$ 581,785	\$ 581,657	\$ 585,233

Defined Contribution Retirement - Participant Directed PERS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 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	\$ 9,034,998	\$ 2,333	\$ (193,929)	\$ -	\$ 8,843,402
Participant Options ⁽²⁾					
T. Rowe Price					
Alaska Money Market	3,298,460	251	59,145	(30,884)	3,326,972
Small-Cap Stock Fund	32,399,530	(18,215)	501,220	(495,987)	32,386,548
Long Term Balanced Fund	5,215,836	18,210	79,343	(1,343,278)	3,970,111
Alaska Balanced Fund	365,135	2,820	16,324	3,425	387,704
AK Target Date 2010 Trust	437,785	2,611	31,738	-	472,134
AK Target Date 2015 Trust	1,722,515	9,608	117,197	(7,360)	1,841,960
AK Target Date 2020 Trust	3,118,265	16,655	237,927	(13,008)	3,359,839
AK Target Date 2025 Trust	4,090,316	20,768	281,781	(37,761)	4,355,104
AK Target Date 2030 Trust	4,104,042	19,042	306,559	628	4,430,271
AK Target Date 2035 Trust	4,345,548	18,385	327,541	(11,088)	4,680,386
AK Target Date 2040 Trust	6,718,532	27,589	389,131	1,024	7,136,276
AK Target Date 2045 Trust	6,874,671	30,448	522,716	(5,900)	7,421,935
AK Target Date 2050 Trust	7,908,198	34,762	552,832	(4,230)	8,491,562
AK Target Date 2055 Trust	2,500,381	11,494	229,226	-	2,741,101
Total Investments with T. Rowe Price	<u>83,099,214</u>	<u>194,428</u>	<u>3,652,680</u>	<u>(1,944,419)</u>	<u>85,001,903</u>
State Street Global Advisors					
Money Market	392,313	3	2,500	24,629	419,445
S&P 500 Stock Index Fund Series A	32,714,378	350,732	543,672	170,049	33,778,831
Russell 3000 Index	367,961	3,466	12,598	(8,600)	375,425
US Real Estate Investment Trust Index	413,865	19,844	13,623	(4,690)	442,642
World Equity Ex-US Index	272,693	(6,555)	9,625	3,712	279,475
Long US Treasury Bond Index	446,640	15,276	9,787	66,383	538,086
US Treasury Inflation Protected Sec Index	293,455	47	682	11,433	305,617
World Government Bond Ex-US Index	174,847	1,467	4,001	(5,882)	174,433
Global Balanced Fund	10,257,594	(3,343)	156,382	1,412,702	11,823,335
Total Investments with SSGA	<u>45,333,746</u>	<u>380,937</u>	<u>752,870</u>	<u>1,669,736</u>	<u>48,137,289</u>
BlackRock					
Government Bond Fund	9,386,505	116,909	137,343	254,394	9,895,151
Intermediate Bond Fund	333,705	1,740	6,106	11,529	353,080
Total Investments with BlackRock	<u>9,720,210</u>	<u>118,649</u>	<u>143,449</u>	<u>265,923</u>	<u>10,248,231</u>
Brandes Institutional					
International Equity Fund Fee	40,751,974	(711,280)	693,421	222,872	40,956,987
RCM					
Sustainable Opportunities Fund	3,806,404	(42,227)	74,265	(214,112)	3,624,330
Total Externally Managed Funds	<u>182,711,548</u>	<u>(59,493)</u>	<u>5,316,685</u>	<u>-</u>	<u>187,968,740</u>
Total All Funds	<u>\$ 191,746,546</u>	<u>\$ (57,160)</u>	<u>\$ 5,122,756</u>	<u>\$ -</u>	<u>\$ 196,812,142</u>

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
December 31, 2011
\$ (Thousands)

<u>Invested Assets (At Fair Value)</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Investments with Treasury Division						
Cash and cash equivalents	\$ 6,118	\$ 5,758	\$ 6,892	\$ 6,668	\$ 9,035	\$ 8,843
Investments with T. Rowe Price						
Alaska Money Market	3,987	3,654	3,448	3,333	3,298	3,327
Small-Cap Stock Fund	30,937	29,193	26,836	32,172	32,400	32,387
Long Term Balanced Fund	11,358	9,535	7,773	6,529	5,216	3,970
Alaska Balanced Fund	339	368	352	383	365	388
AK Target Date 2010 Trust	335	348	354	404	438	472
AK Target Date 2015 Trust	1,373	1,415	1,425	1,631	1,722	1,842
AK Target Date 2020 Trust	2,448	2,503	2,530	2,942	3,118	3,360
AK Target Date 2025 Trust	3,237	3,282	3,299	3,870	4,090	4,355
AK Target Date 2030 Trust	3,358	3,349	3,312	3,875	4,104	4,430
AK Target Date 2035 Trust	3,472	3,492	3,463	4,096	4,346	4,680
AK Target Date 2040 Trust	5,512	5,496	5,467	6,416	6,719	7,136
AK Target Date 2045 Trust	5,452	5,502	5,473	6,492	6,875	7,422
AK Target Date 2050 Trust	6,231	6,275	6,273	7,443	7,908	8,492
AK Target Date 2055 Trust	1,834	1,918	1,948	2,344	2,500	2,741
Investments with State Street Global Advisors						
Money Market	327	257	349	388	392	420
S&P 500 Stock Index Fund Series A	32,075	30,646	28,694	32,338	32,714	33,779
Russell 3000 Index	323	319	298	356	368	375
US Real Estate Investment Trust Index	456	475	429	478	414	443
World Equity Ex-US Index	320	302	245	263	273	280
Long US Treasury Bond Index	153	297	399	321	447	538
US Treasury Inflation Protected Sec Index	225	244	220	252	293	306
World Government Bond Ex-US Index	168	195	171	167	175	174
Global Balanced Fund	3,307	4,942	6,301	8,759	10,258	11,823
Investments with BlackRock						
Government Bond Fund	9,546	9,277	9,024	8,984	9,387	9,895
Intermediate Bond Fund	244	308	327	332	334	353
Investments with Brandes Investment Partners						
International Equity Fund Fee	42,803	39,486	37,680	40,981	40,752	40,957
Investments with RCM						
Sustainable Opportunities Fund	2,440	2,941	3,185	3,967	3,806	3,624
Total Invested Assets	\$ 178,378	\$ 171,777	\$ 166,167	\$ 186,184	\$ 191,747	\$ 196,812
<u>Change in Invested Assets</u>						
Beginning Assets	\$ 180,109	\$ 178,378	\$ 171,777	\$ 166,167	\$ 186,184	\$ 191,747
Investment Earnings	(3,541)	(10,141)	(11,358)	15,270	(1,478)	(57)
Net Contributions (Withdrawals)	1,810	3,540	5,748	4,747	7,041	5,122
Ending Invested Assets	\$ 178,378	\$ 171,777	\$ 166,167	\$ 186,184	\$ 191,747	\$ 196,812

Defined Contribution Retirement - Participant Directed TRS
Schedule of Investment Income and Changes in Invested Assets
for the Month Ended
December 31, 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	\$ 2,766,981	\$ 801	\$ 63,304	\$ -	\$ 2,831,086
Participant Options ⁽²⁾					
T. Rowe Price					
Alaska Money Market	1,338,403	101	44,596	(61,199)	1,321,901
Small-Cap Stock Fund	13,822,080	(10,170)	240,160	(197,896)	13,854,174
Long Term Balanced Fund	1,999,172	6,168	21,488	(566,552)	1,460,276
Alaska Balanced Fund	105,489	800	5,391	-	111,680
AK Target Date 2010 Trust	233,173	1,302	16,195	-	250,670
AK Target Date 2015 Trust	700,139	3,518	28,982	-	732,639
AK Target Date 2020 Trust	1,222,431	6,163	87,873	-	1,316,467
AK Target Date 2025 Trust	1,480,268	6,762	103,399	(1,485)	1,588,944
AK Target Date 2030 Trust	1,389,916	6,111	129,121	-	1,525,148
AK Target Date 2035 Trust	2,315,594	9,320	230,114	-	2,555,028
AK Target Date 2040 Trust	2,597,216	9,928	208,014	-	2,815,158
AK Target Date 2045 Trust	4,789,714	17,652	342,579	-	5,149,945
AK Target Date 2050 Trust	6,106,123	22,674	481,974	(524)	6,610,247
AK Target Date 2055 Trust	300,347	1,368	57,788	-	359,503
Total Investments with T. Rowe Price	38,400,065	81,697	1,997,674	(827,656)	39,651,780
State Street Global Advisors					
Money Market	28,025	-	1,729	17,496	47,250
S&P 500 Stock Index Fund Series A	13,633,330	143,818	254,767	73,215	14,105,130
Russell 3000 Index	159,298	1,376	4,187	502	165,363
US Real Estate Investment Trust Index	141,078	6,320	(1,178)	-	146,220
World Equity Ex-US Index	52,129	(1,215)	2,304	-	53,218
Long US Treasury Bond Index	44,581	1,426	1,733	-	47,740
US Treasury Inflation Protected Sec Index	73,133	23	2,755	-	75,911
World Government Bond Ex-US Index	1,038	10	155	-	1,203
Global Balanced Fund	4,964,728	(2,200)	84,342	654,725	5,701,595
Total Investments with SSGA	19,097,340	149,558	350,794	745,938	20,343,630
BlackRock					
Government Bond Fund	3,883,512	48,501	55,466	103,598	4,091,077
Intermediate Bond Fund	76,056	393	1,219	-	77,668
Total Investments with BlackRock	3,959,568	48,894	56,685	103,598	4,168,745
Brandes Institutional					
International Equity Fund Fee	17,019,100	(300,232)	326,090	84,928	17,129,886
RCM					
Sustainable Opportunities Fund	1,531,123	(16,944)	27,439	(106,808)	1,434,810
Total Externally Managed Funds	80,007,196	(37,027)	2,758,682	-	82,728,851
Total All Funds	\$ 82,774,177	\$ (36,226)	\$ 2,821,986	\$ -	\$ 85,559,937

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
December 31, 2011
\$ (Thousands)

<u>Invested Assets (At Fair Value)</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Investments with Treasury Division						
Cash and cash equivalents	\$ 1,992	\$ 1,955	\$ 2,117	\$ 2,279	\$ 2,767	\$ 2,831
Investments with T. Rowe Price						
Alaska Money Market	1,717	1,475	1,359	1,309	1,338	1,322
Small-Cap Stock Fund	13,648	12,618	11,418	13,704	13,822	13,854
Long Term Balanced Fund	4,767	3,967	3,162	2,548	1,999	1,460
Alaska Balanced Fund	88	88	89	97	106	112
AK Target Date 2010 Trust	216	204	198	220	233	251
AK Target Date 2015 Trust	639	611	596	671	700	733
AK Target Date 2020 Trust	1,041	1,000	989	1,143	1,223	1,316
AK Target Date 2025 Trust	1,249	1,219	1,195	1,398	1,480	1,589
AK Target Date 2030 Trust	1,201	1,125	1,096	1,295	1,390	1,525
AK Target Date 2035 Trust	2,153	2,014	1,938	2,234	2,316	2,555
AK Target Date 2040 Trust	2,318	2,195	2,063	2,456	2,597	2,815
AK Target Date 2045 Trust	4,350	4,105	3,866	4,544	4,790	5,150
AK Target Date 2050 Trust	5,457	5,116	4,865	5,760	6,106	6,610
AK Target Date 2055 Trust	198	175	182	252	300	360
Investments with State Street Global Advisors						
Money Market	15	15	15	16	28	47
S&P 500 Stock Index Fund Series A	13,583	12,753	11,793	13,361	13,633	14,105
Russell 3000 Index	145	138	141	160	159	165
US Real Estate Investment Trust Index	139	130	117	147	141	146
World Equity Ex-US Index	51	51	45	51	52	53
Long US Treasury Bond Index	19	21	23	35	45	48
US Treasury Inflation Protected Sec Index	109	113	106	74	73	76
World Government Bond Ex-US Index	9	10	2	3	1	1
Global Balanced Fund	1,918	2,676	3,189	4,436	4,965	5,702
Investments with BlackRock						
Government Bond Fund	4,149	4,015	3,841	3,765	3,884	4,091
Intermediate Bond Fund	70	71	71	72	76	78
Investments with Brandes Investment Partners						
International Equity Fund Fee	18,584	16,705	15,697	17,008	17,019	17,130
Investments with RCM						
Sustainable Opportunities Fund	1,326	1,374	1,418	1,636	1,531	1,435
Total Invested Assets	\$ 81,151	\$ 75,939	\$ 71,591	\$ 80,674	\$ 82,774	\$ 85,560
<u>Change in Invested Assets</u>						
Beginning Assets	\$ 81,208	\$ 81,151	\$ 75,939	\$ 71,591	\$ 80,674	\$ 82,774
Investment Earnings	(1,643)	(4,710)	(5,065)	6,709	(626)	(36)
Net Contributions (Withdrawals)	1,586	(503)	717	2,374	2,726	2,822
Ending Invested Assets	\$ 81,151	\$ 75,939	\$ 71,591	\$ 80,674	\$ 82,774	\$ 85,560

ALASKA RETIREMENT MANAGEMENT BOARD

FINANCIAL REPORT

(Supplement to the Treasury Division Report)

As of December 31, 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 Six Months Ending December 31, 2011

	Contributions			Expenditures				Net Contributions/ (Withdrawals)	
	EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Administrative		Total Expenditures
Public Employees' Retirement System (PERS)									
<u>Defined Benefit Plans:</u>									
Retirement Trust	144,350,381	130,911,946	11,751	275,274,078	(277,011,671)	(6,288,026)	(14,907,612)	(298,207,309)	(22,933,231)
Retirement Health Care Trust	110,695,291	111,697,451	32,063,578	254,456,320	(167,192,796)	-	(3,966,494)	(171,159,290)	83,297,030
Total Defined Benefit Plans	255,045,672	242,609,397	32,075,329	529,730,398	(444,204,467)	(6,288,026)	(18,874,106)	(469,366,599)	60,363,799
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	33,950,965	-	1,680,319	35,631,284	-	(6,430,943)	(1,191,232)	(7,622,175)	28,009,109
Health Reimbursement Arrangement	(a) 9,088,889	-	-	9,088,889	-	-	-	-	9,088,889
Retiree Medical Plan	(a) 1,344,852	-	-	1,344,852	-	-	-	-	1,344,852
Occupational Death and Disability:	(a)								
Public Employees	490,938	-	-	490,938	-	-	-	-	490,938
Police and Firefighters	289,198	-	-	289,198	-	-	-	-	289,198
Total Defined Contribution Plans	45,164,842	-	1,680,319	46,845,161	(23,683)	-	-	(23,683)	265,515
Total PERS	300,210,514	242,609,397	33,755,648	576,575,559	(444,228,150)	(12,718,969)	(20,065,338)	(477,012,457)	99,563,102
Teachers' Retirement System (TRS)									
<u>Defined Benefit Plans:</u>									
Retirement Trust	37,241,255	157,387,504	788	194,629,547	(180,777,333)	(1,520,869)	(5,852,138)	(188,150,340)	6,479,207
Retirement Health Care Trust	25,662,749	77,129,829	12,674,306	115,466,884	(63,885,222)	-	(1,466,025)	(65,351,247)	50,115,637
Total Defined Benefit Plans	62,904,004	234,517,333	12,675,094	310,096,431	(244,662,555)	(1,520,869)	(7,318,163)	(253,501,587)	56,594,844
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	12,142,326	-	739,984	12,882,310	-	(2,758,718)	(400,543)	(3,159,261)	9,723,049
Health Reimbursement Arrangement	(a) 2,455,015	-	-	2,455,015	-	-	-	-	2,455,015
Retiree Medical Plan	(a) 477,887	-	-	477,887	-	-	-	-	477,887
Occupational Death and Disability:	(a)								
Total Defined Contribution Plans	15,120,355	-	739,984	15,860,339	-	(2,758,718)	(400,543)	(3,159,261)	45,127
Total TRS	78,024,359	234,517,333	13,415,078	325,956,770	(244,662,555)	(4,279,587)	(7,718,706)	(256,660,848)	12,701,078
Judicial Retirement System (JRS)									
<u>Defined Benefit Plan Retirement Trust</u>									
Defined Benefit Plan Retirement Trust	1,974,735	2,205,898	-	4,180,633	(4,813,438)	-	(154,303)	(4,967,741)	(787,108)
Defined Benefit Retirement Health Care Trust	424,343	125,827	177,359	727,529	(623,372)	-	(10,557)	(633,929)	93,600
Total JRS	2,399,078	2,331,725	177,359	4,908,162	(5,436,810)	-	(164,860)	(5,601,670)	(693,508)
National Guard/Naval Militia Retirement System (NGNMRS)									
<u>Defined Benefit Plan Retirement Trust</u>									
Defined Benefit Plan Retirement Trust	(a) 895,611	-	-	895,611	(576,679)	-	(95,712)	(672,391)	223,220
Other Participant Directed Plans									
<u>Supplemental Annuity Plan</u>									
Supplemental Annuity Plan	73,364,661	-	-	73,364,661	-	(64,732,382)	(1,522,914)	(66,255,296)	7,109,365
<u>Deferred Compensation Plan</u>									
Deferred Compensation Plan	19,409,840	-	-	19,409,840	-	(15,041,485)	(512,819)	(15,554,304)	3,855,536
Total All Funds	474,304,063	479,458,455	47,348,085	1,001,110,603	(694,904,194)	(96,772,423)	(30,080,349)	(821,756,966)	179,353,637

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD
SCHEDULE OF NON-INVESTMENT CHANGES BY FUND
(Supplement to the Treasury Division Report)
For the Month Ended December 31, 2011

	Contributions			Expenditures				Net Contributions/ (Withdrawals)	
	Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Admin- istrative		Total Expenditures
Public Employees' Retirement System (PERS)									
<u>Defined Benefit Plans:</u>									
Retirement Trust	26,442,819	-	5,461	26,448,280	(46,521,709)	(891,468)	(2,496,354)	(49,909,531)	(23,461,251)
Retirement Health Care Trust	21,062,689	-	2,428,516	23,491,205	(27,973,020)	-	(732,249)	(28,705,269)	(5,214,064)
Total Defined Benefit Plans	47,505,508	-	2,433,977	49,939,485	(74,494,729)	(891,468)	(3,228,603)	(78,614,800)	(28,675,315)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	6,363,905	-	-	6,363,905	-	(996,582)	(244,567)	(1,241,149)	5,122,756
Health Reimbursement Arrangement	1,748,502	-	-	1,748,502	-	-	-	-	1,748,502
Retiree Medical Plan	(a) 249,311	-	-	249,311	-	-	-	-	249,311
Occupational Death and Disability: Public Employees	(a) 87,700	-	-	87,700	-	-	-	-	87,700
Police and Firefighters	50,224	-	-	50,224	(3,948)	-	-	(3,948)	46,276
Total Defined Contribution Plans	8,499,642	-	-	8,499,642	(3,948)	(996,582)	(244,567)	(1,245,097)	7,254,545
Total PERS	56,005,150	-	2,433,977	58,439,127	(74,498,677)	(1,888,050)	(3,473,170)	(79,859,897)	(21,420,770)
Teachers' Retirement System (TRS)									
<u>Defined Benefit Plans:</u>									
Retirement Trust	9,552,487	-	93	9,552,580	(30,067,055)	(137,016)	(967,292)	(31,171,363)	(21,618,783)
Retirement Health Care Trust	6,624,049	-	965,947	7,589,996	(11,307,282)	-	(289,951)	(11,597,233)	(4,007,237)
Total Defined Benefit Plans	16,176,536	-	966,040	17,142,576	(41,374,337)	(137,016)	(1,257,243)	(42,768,596)	(25,626,020)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	3,161,372	-	-	3,161,372	-	(237,220)	(102,166)	(339,386)	2,821,986
Health Reimbursement Arrangement	(a) 691,128	-	-	691,128	-	-	-	-	691,128
Retiree Medical Plan	(a) 122,261	-	-	122,261	-	-	-	-	122,261
Occupational Death and Disability: Total Defined Contribution Plans	(a) (160)	-	-	(160)	-	-	-	-	(160)
Total TRS	3,974,601	-	-	3,974,601	-	(237,220)	(102,166)	(339,386)	3,635,215
	20,151,137	-	966,040	21,117,177	(41,374,337)	(374,236)	(1,359,409)	(43,107,982)	(21,990,805)
Judicial Retirement System (JRS)									
Defined Benefit Plan Retirement Trust	325,849	-	-	325,849	(780,286)	-	(28,945)	(809,231)	(483,382)
Defined Benefit Retirement Health Care Trust	81,513	-	7,600	89,113	(104,894)	-	(2,235)	(107,129)	(18,016)
Total JRS	407,362	-	7,600	414,962	(885,180)	-	(31,180)	(916,360)	(501,398)
National Guard/Naval Militia Retirement System (NGNMRS)									
Defined Benefit Plan Retirement Trust	(a) -	-	-	-	(87,623)	-	(16,291)	(103,914)	(103,914)
Other Participant Directed Plans									
Supplemental Annuity Plan	11,112,310	-	-	11,112,310	-	(10,769,437)	(287,991)	(11,057,428)	54,882
Deferred Compensation Plan	4,606,381	-	-	4,606,381	-	(2,970,668)	(93,515)	(3,064,183)	1,542,198
Total All Funds	92,282,340	-	3,407,617	95,689,957	(116,845,817)	(16,002,391)	(5,261,556)	(138,109,764)	(42,419,807)

(a) Employer only contributions.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Mariner Action

ACTION: X

DATE: February 16, 2012

INFORMATION: _____

BACKGROUND

The Alaska Retirement Management Board (ARMB) hired Mariner Investment Group (Mariner) in November of 2004 as part of its absolute return program. In April of 2008, the ARMB placed Mariner on its manager watch list due to underperformance. Mariner's relative performance improved over the course of 2008 and 2009, but declined in 2010. In 2010, Mariner sold a substantial interest in its business to a US subsidiary of Orix, an integrated financial services firm based in Japan. As a result, the ARMB added Mariner's ownership changes to the watch list rationale.

STATUS

Staff and the IAC have been concerned about Mariner's underperformance and the potential for organizational instability that could result from the ownership changes. Mariner's relative performance did not improve in 2011. In addition, Mariner informed staff in January of 2012 that the portfolio manager for Mariner's fund-of-funds was leaving for another opportunity. As a result of these developments, staff is recommending that the ARMB terminate the contractual relationship with Mariner.

RECOMMENDATION

That the Alaska Retirement Management Board direct staff to liquidate the Mariner portfolio and to terminate the contractual relationship with Mariner when the liquidation is complete.

Attachments: Mariner's 10/20/10 Orix Letter, Callan's Mariner Investment Results Summary

■

M A R I N E R

October 20, 2010

Dear Mariner Investors:

Mariner is pleased to announce that we have agreed to enter into a strategic and financial partnership with ORIX USA in which ORIX will acquire a significant interest in Mariner's holding company, as described in the enclosed consent form. ORIX USA is an integrated financial services group based in Dallas, whose parent, ORIX Corporation, is based in Tokyo, Japan. We believe that this partnership with ORIX, which we expect to consummate over the next several weeks, will enhance the competitiveness of our asset management business and enable our Firm to take advantage of exciting new market opportunities.

We expect that this event will have no impact on Mariner's investment process, with the members of our Investment Committee and all of our current policies remaining unchanged. The voting membership of Mariner's Management Committee will also remain unchanged. Importantly, the management of your fund, the Firm's day-to-day activities and Mariner's longstanding business principles will continue, unaffected by this event.

Although the Mariner partners are selling a portion of their interests in the holding company, all current Mariner partners will continue to maintain a significant stake in the firm and 100% of the after-tax sale proceeds received by each current partner will be reinvested in Mariner's business and funds and will remain so invested for an extended period of years. We believe that this clear commitment further aligns Mariner partner interests with the immediate and future success of our Firm and its investors.

This transaction will build on an already-existing relationship between ORIX and Mariner which has grown since 2007 and includes ORIX as an investor. We believe this is a unique opportunity to partner with a global financial institution whose experience and footprint, particularly in Asia, will boost our efforts to recruit additional investment talent to our growing investment business, while remaining true to our long standing commitment to acting in ways that are responsible, fair and beneficial to our investors.

In order for Mariner to complete this partnership transaction with ORIX, we require your thoughtful consideration and response. We have attached a consent form that provides additional detail about the transaction. We request that you review this letter and the attached consent, and speak with your Mariner representative, who will be contacting you soon to discuss any questions you may have. Please complete the consent form as soon as possible, but in no event later than November 15, 2010 and return it to us according to the instructions contained on the form.

As always, we appreciate your investment with us and look forward to continuing our long and prosperous relationship.

Kind regards,



William J. Michaelcheck
Founder and CIO

MARINER INVESTMENT GROUP PERIOD ENDED SEPTEMBER 30, 2011



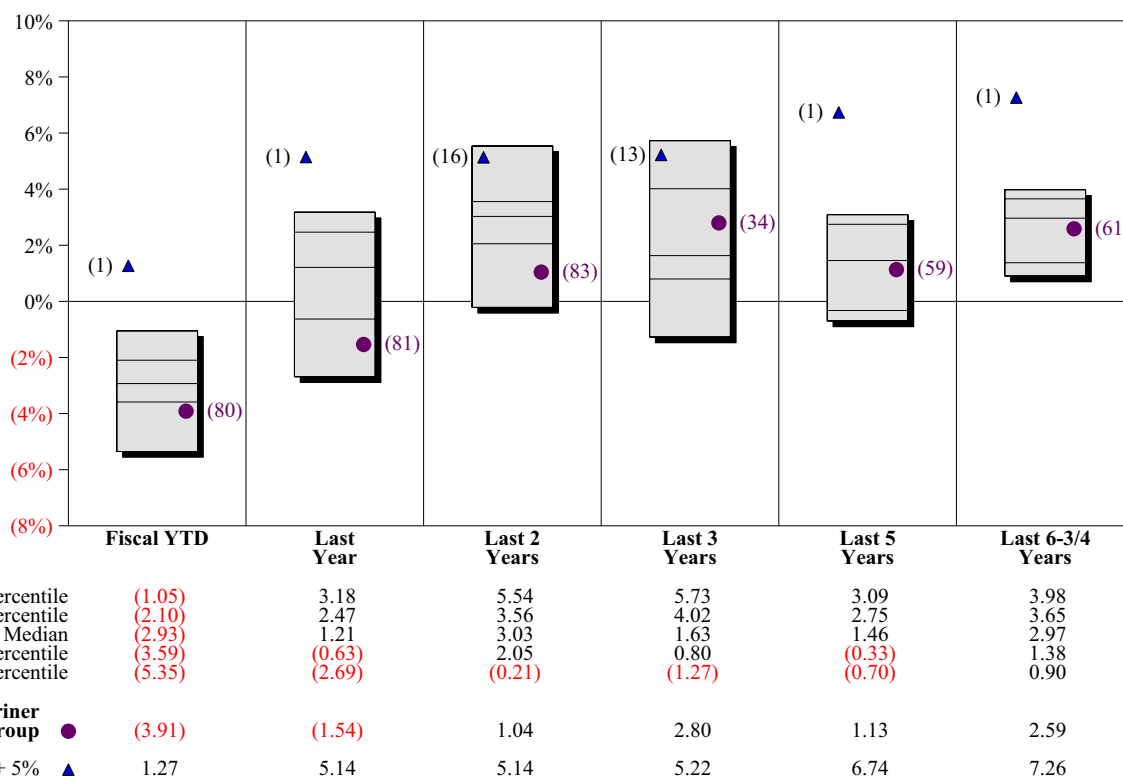
Investment Philosophy

The manager returns below are current through periods shown.

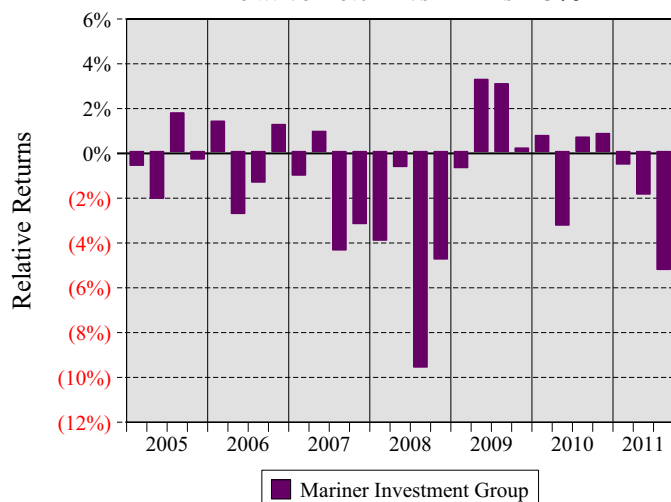
Quarterly Summary and Highlights

- 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%.

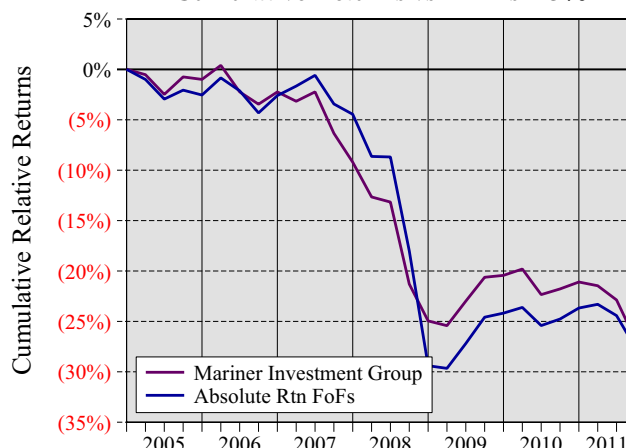
Performance vs Absolute Return Hedge FoFs Style (Net)



Relative Return vs T-Bills + 5%



Cumulative Returns vs T-Bills + 5%



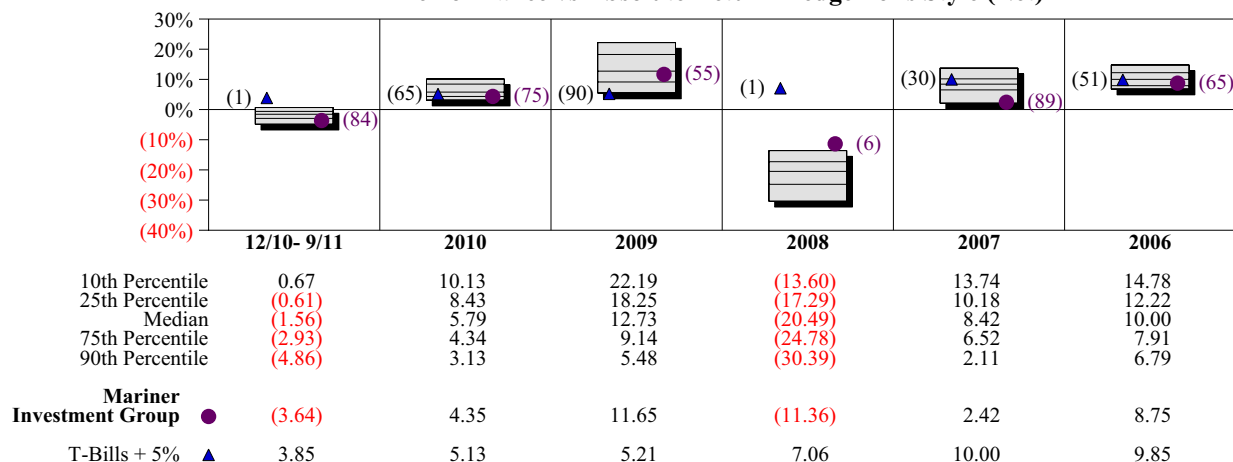
MARINER INVESTMENT GROUP RETURN ANALYSIS SUMMARY



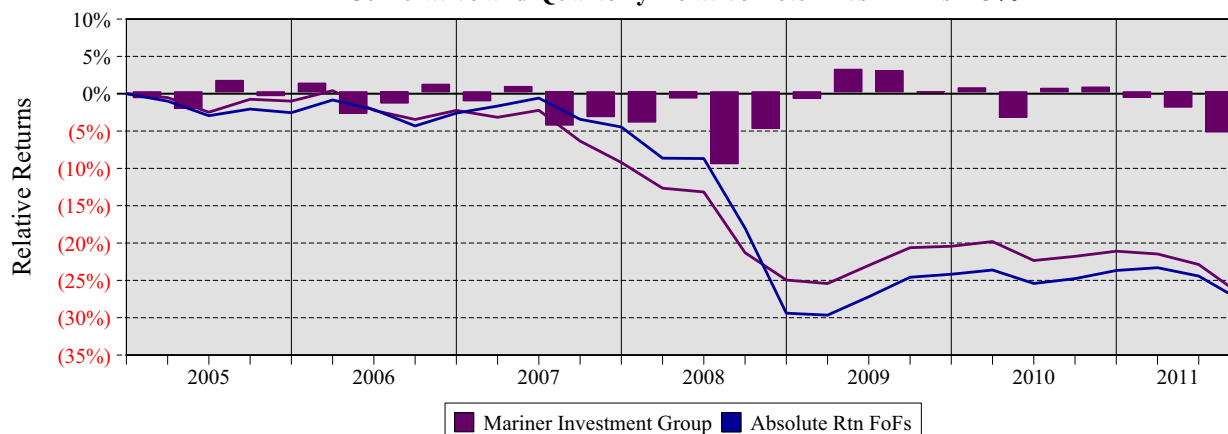
Return Analysis

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.

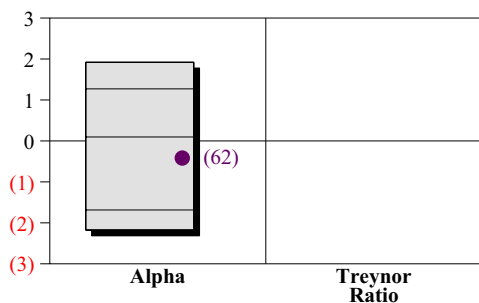
Performance vs Absolute Return Hedge FoFs Style (Net)



Cumulative and Quarterly Relative Return vs T-Bills + 5%

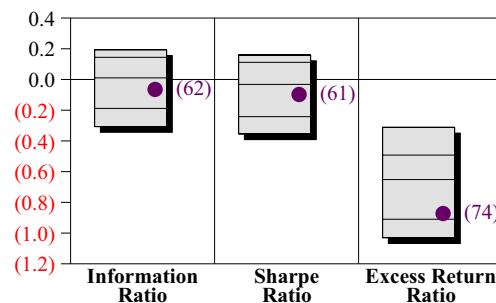


Risk Adjusted Return Measures vs T-Bills + 5% Rankings Against Absolute Return Hedge FoFs Style (Net) Five Years Ended September 30, 2011



	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)

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Manager Review Meeting

ACTION: _____

DATE: February 16, 2012

INFORMATION: X

BACKGROUND

In preparation for the annual Manager Review meeting with the Investment Advisory Council (IAC) members and the general consultant (Callan), staff updated and sent the 2011 Manager Questionnaire to all investment managers under contract with the Alaska Retirement Management Board (Board). The questionnaire topics can broadly be classified as: Ownership/Structure, Process, Portfolio Performance and Characteristics, and Other Issues – including the investment process, change in ownership, growth of assets, and legal issues.

Every manager completed a questionnaire, and the responses were provided to the CIO, Callan, and IAC members. After reviewing all questionnaires, the group met to discuss the manager responses and other matters to be brought before the group. Participants in the review were Gary Bader, Chief Investment Officer; Judy Hall, Board Liaison Officer; Michael O’Leary and Paul Erlendson, Callan Associates; and Dr. Jerrold Mitchell, Dr. Bill Jennings and George Wilson, IAC members. The reviewers met in Boston on September 1, 2011.

STATUS:

Certain managers/asset groups were selected for extended discussion:

McKinley Capital Management and RCM – underperformance
Mariner Investment Group – ownership change
Cap Guardian International – organization structure
Private Equity – two-manager structure
Small Cap Allocation – indexing target

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

Dr. Mitchell expressed concern regarding Mariner’s change of ownership. He noted that the new owner, Orix, is a Japanese company that has been close to bankruptcy and does not seem to be a stable owner. Dr. Jennings remarked on the similarity of the situation with Cadogan. Mr. Bader agreed with the assessments, noting his concern with the Mariner ownership change and that the board has hired two new managers in this asset class: GAM and Prisma. Prisma is meeting expectations, but GAM is not. Dr. Jennings remarked that GAM is a special product. Mr. Bader stated that during a presentation by Crestline at the February meeting, the firm discussed increasing volatility as the way to achieve required returns. With regard to Mariner, Mr. O’Leary provided performance numbers showing returns over

three and five years below median, and below median and targets since inception. He stated he did not support retention. Mr. Wilson stated a preference to be proactive and look to another manager to achieve desired returns. Mr. Bader stated he would present the issue to the Board. *Consensus: Terminate Mariner Investment Group.*

Regarding Capital Guardian, Dr. Jennings noted some concern with the organizational structure: who is managing, transitions, the opaqueness of the organization. Mr. Bader agreed with those comments, but said he had visited Cap Guardian in Los Angeles for the first time and met everyone there. He likes the fact that it is not a star system, but David Fisher is at the top – if something is off track staff can call David or Gerald Du Manoir; there is a level of comfort there. Dr. Mitchell noted that he saw Cap Guardian as a problem five years ago, but notes it is a safe choice – the structure is designed for average performance, not outstanding performance or awful performance.

Private Equity: Mr. Bader noted that time-weighted returns over time for Abbott Capital Management are good; the firm is intact with basically the same people on the ARMB account. Dr. Jennings wondered if a long-term plan is for an internally managed component to complement the two existing managers or become a third manager. Mr. Bader responded that the internal investment limitation is \$50 million, and he doesn't seem much change in that process. Staff works with Gary Robertson at Callan on private equity investments. *Consensus: stay the course with the two existing manager/gatekeepers.*

Small Cap: Dr. Mitchell inquired whether the Callan theory of multiple small cap active managers still holds; Mr. O'Leary affirmed the theory and noted that he is comfortable with the ARMB allocation and could increase it to 20%. Mr. Bader shared charts and tables showing changing domestic small cap manager allocations with the anticipated addition of two new small cap value managers. The tables showed reductions of approximately \$50 million from Lord Abbett, \$44 million from Jennison, \$22 million from Luther King, and \$16 million from the Russell 2000 Growth Index funds. Dr. Jennings noted this resulted in less of an allocation to small cap indexing than he recalled from previous discussions. Mr. Wilson and Dr. Jennings expressed a preference for a larger allocation to indexing. Mr. Bader stated he felt the discussion on indexing at the February meeting had made a compelling case for active management in the small cap space.

Other Topics:

Mr. Bader advised the IAC members that during the board's strategic planning workshop in June, trustees requested increased participation by the IAC at board meetings – more questions and educational presentations.

Mr. Bader inquired whether there is satisfaction with the current asset classes. Mr. O'Leary replied that he is satisfied with the high level view for the board, but that real assets is still a challenge. Dr. Jennings noted that he likes breaking out an asset class in depth, but at the February/April meeting continuing to focus on the large asset class structure.

There was general discussion on the format of reports and whether the current format provides information for staff, trustees and consultants to grasp the entire picture of the portfolio. This also included a discussion on changing the format of the manager questionnaire itself for streamlining and encouraging managers to be brief but very specific in answers.

Alaska Retirement Management Board

Real Assets Fiscal Year 2012 Investment Plan

February 2012

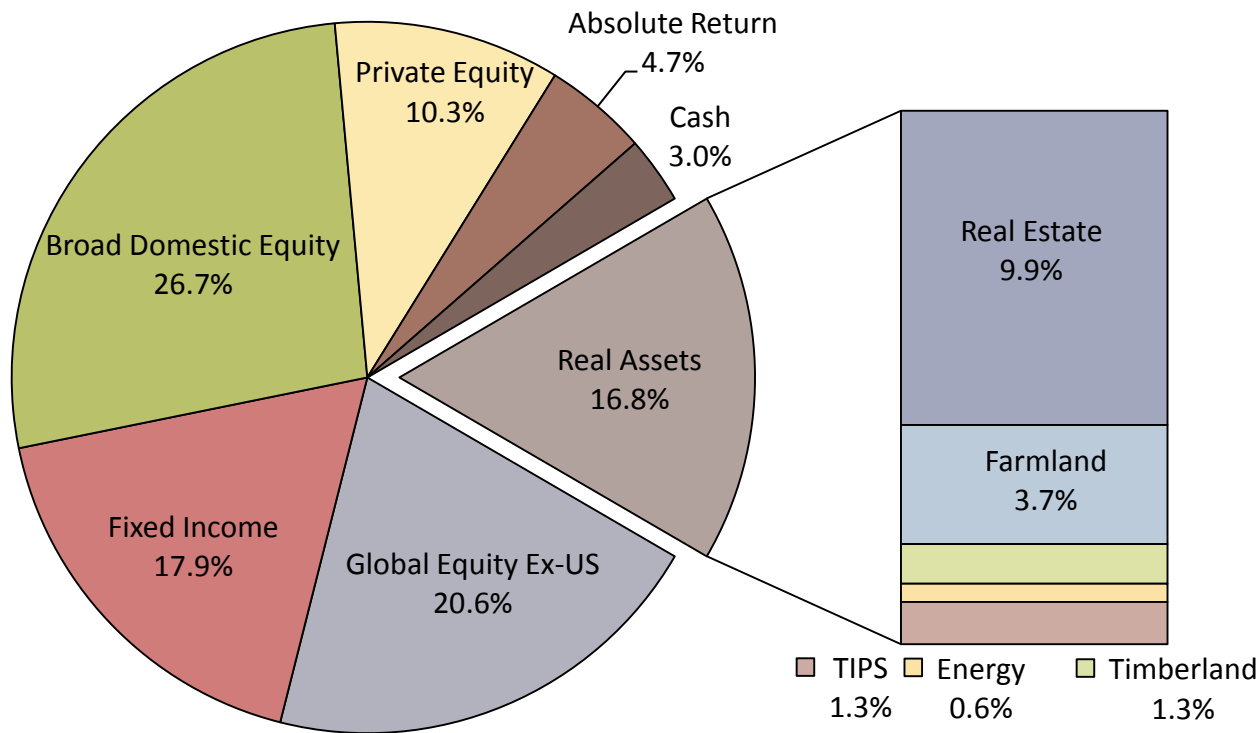
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- Part I. Real Assets**
 - Part II. Real Estate**
 - Part III. Farmland**
 - Part IV. Timberland**
 - Part V. Real Assets Fiscal Year 2012 Plan**

Part I. Real Assets Background

Real Assets Background

ARMB actual asset allocation as of September 30, 2011

- Real Assets is comprised of Real Estate, Farmland, Timberland, Energy, and TIPS



Source: ARMB Financial Report as of September 30, 2011 excluding MRS (not invested in Real Assets) adjusted for lagged values in Real Estate, Farmland, and Timberland. Real Estate values are preliminary September 30, 2011.

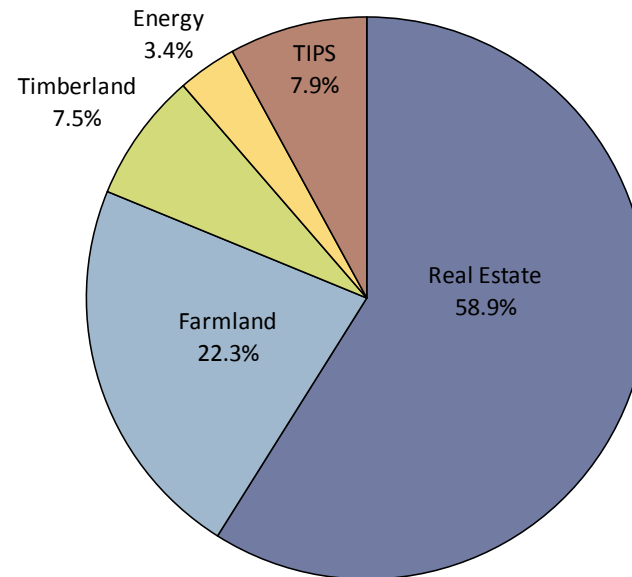
Real Assets Background

- The primary role of Real Assets is to generate attractive returns in assets which provide portfolio diversification and inflation hedging to ARMB's portfolio. Many of the asset categories in Real Assets have historically exhibited a lower volatility profile and a high income component of total return.
- Long-term performance expectations for Real Estate, Farmland, and Timberland are to exceed a 5% real return over rolling 5-year periods. Custom benchmarks are also used to evaluate performance compared to market.
- At the asset class level, a custom benchmark of 60% NCREIF Property Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index, and 20% Barclays Capital US TIPS Index is employed.
- Except for the public REIT exposure in the Real Estate portfolio and the US TIPS investments, the portfolio is a collection of private, illiquid assets requiring long-term holding periods.
- The Real Assets asset class was introduced in 2008 as primarily a collection of investments which previously existed as stand alone asset classes (i.e. Real Estate) or subcomponents of other assets classes (Farmland and Energy in "Other") in ARMB's portfolio.
- The Real Estate component has had a target of 10% +/-4% of ARMB's total assets. Historically, the other components have not had target weights.
- Management of the portfolio is delegated among staff. Real Estate, Farmland, and Timberland are managed by the Real Assets/Equity group. TIPS are managed by Fixed Income staff as this is an internally managed portfolio. Energy is managed by Private Equity staff.

Real Assets Background

- The current mix of assets is primarily a function of the historical evolution of each component category, the practical restrictions of investment pacing, and the overall limitations of ARMB's asset allocation. The current asset allocation target for Real Assets is 16% +/- 8%.
- The investment approach to the Real Estate, Farmland, and Timberland portfolios is conservative. This is reflected by a preference for separate accounts instead of commingled funds (100% ARMB control), low leverage, and stable high quality assets.
- The US TIPS portfolio is also conservatively managed versus its benchmark. The Energy portfolio reflects limited partnership interests in a series of energy funds sponsored by EIG (formerly TCW).

ARMB Real Assets Portfolio
September 30, 2011, Total Market Value \$2.5 billion



Real Assets Performance – September Final

	Last Quarter	Last Year	Last 3 Years	Last 5 Years
Real Assets	0.17%	12.76%	-2.72%	-
Real Assets Target (1)	3.04%	12.81%	1.73%	5.42%
Real Estate Pool	-0.48%	15.91%	-7.67%	-1.60%
Real Estate Target (2)	1.46%	14.69%	-0.73%	3.33%
Private Real Estate	1.29%	17.73%	-7.94%	-1.49%
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.

* Return date supplied by State Street.

Part II. Real Estate

Real Estate

- The FY12 Real Estate Annual Plan was presented and approved by the ARMB at the September 2011 board meeting and therefore will be summarized here. In the future, the real estate plan will be included in the real assets plan and not as a separate plan.
- At 9.9%, real estate is currently under its 10% strategic target but within the bands of 10% +/- 4%. The actual allocation is expected to increase in FY12 and then decrease over time as a result of cash flows related to non-core closed-end fund investments. The real estate allocation projection, as presented at the September 2011 board meeting, is as follows:

Asset	Target	6/30/11	FY12	FY13	FY14	FY15	FY16
Private Real Estate							
Core	75 +/- 10	70%	71%	75%	84%	87%	93%
Non-Core	25 +/- 10	30%	29%	25%	26%	13%	7%
Total Private Real Estate	100%	100%	100%	100%	100%	100%	100%
Public Real Estate							
Total Real Estate		100%	100%	100%	100%	100%	100%
Total Real Estate %	10% +/- 4%	9.2%	10.1%	9.9%	8.8%	8.3%	7.7%

- Total pension fund assets based on projections in June 30, 2010 Actuarial Valuation.
- Cash flow expectations based on manager and staff estimates.
- Projections include no future allocations or commitments.
- Schedule includes changes in real estate market value based on expected returns.

FY 2011 ARMB Real Estate Portfolio Performance

(as presented in the September 2011 Real Estate Plan)

Total Real Estate Portfolio

- 20.9% net return for the year ending June 30, 2011. ARMB benchmark return was 18.4%. Outperformance attributed primarily to recovery in Non-core portfolio.

Core Portfolio

- 17.8% net return for the year ending June 30, 2011. NCREIF Property Index returned 16.7% for the same period.
- Portfolio generated strong income return of 6.8% and appreciation of 11.3%.
- UBS sold one apartment property during the year. No acquisitions occurred.
- Longer term returns: 5 year 2.2% net, since inception 7.0% net.

Non-Core Portfolio

- 26.5% net return for the year ending June 30, 2011.
- Non-core portfolio performance driven primarily by improvement in market pricing and the high level of leverage employed by these strategies.
- Modest amount of acquisition and disposition activity during the year.
- 3 year return of -24.7% indicates more improvement required to recover from 2008 and 2009 write downs.

REIT Portfolio

- 35.5% return for the year ending June 30, 2011. NAREIT All Equity REITs Index returned 34.1%.

Fiscal Year 2012 Real Estate Plan

(as presented in the September 2011 Real Estate plan)

Core Portfolio

- No new investment allocations as real estate allocation is within target. If additional capacity becomes available during the year, increase allocations to separate account managers. With the exception of UBS, separate account portfolio is essentially fully invested as remaining commitments are not large enough to acquire institutional quality property.
- \$150 million CIO discretionary allocation permits flexibility should an advisor present a very compelling opportunity that existing manager allocation capacity does not accommodate.
- LaSalle and Cornerstone are currently executing sales in their respective portfolios. Separate account advisors should continue to take advantage of opportunities to sell non-strategic assets at attractive prices and improve the quality and income stability of the portfolio. Proceeds from sales should be reinvested in assets located in markets which exhibit high barriers to entry. Encourage advisors to target the Northeast region due to portfolio underweight but don't preclude investment in other regions due to asset size barrier that exists in the Northeast markets.
- Maintain investments in core open-end funds UBS Trumbull Property Fund and JPM Strategic Property Fund.

Non-Core Portfolio

- Continue to consider commitments under CIO discretionary authority to attractive real estate investments that complement ARMB's current real estate portfolio.
- No new commitments were made to non-core real estate in FY09, FY10, or FY11.

REIT Portfolio

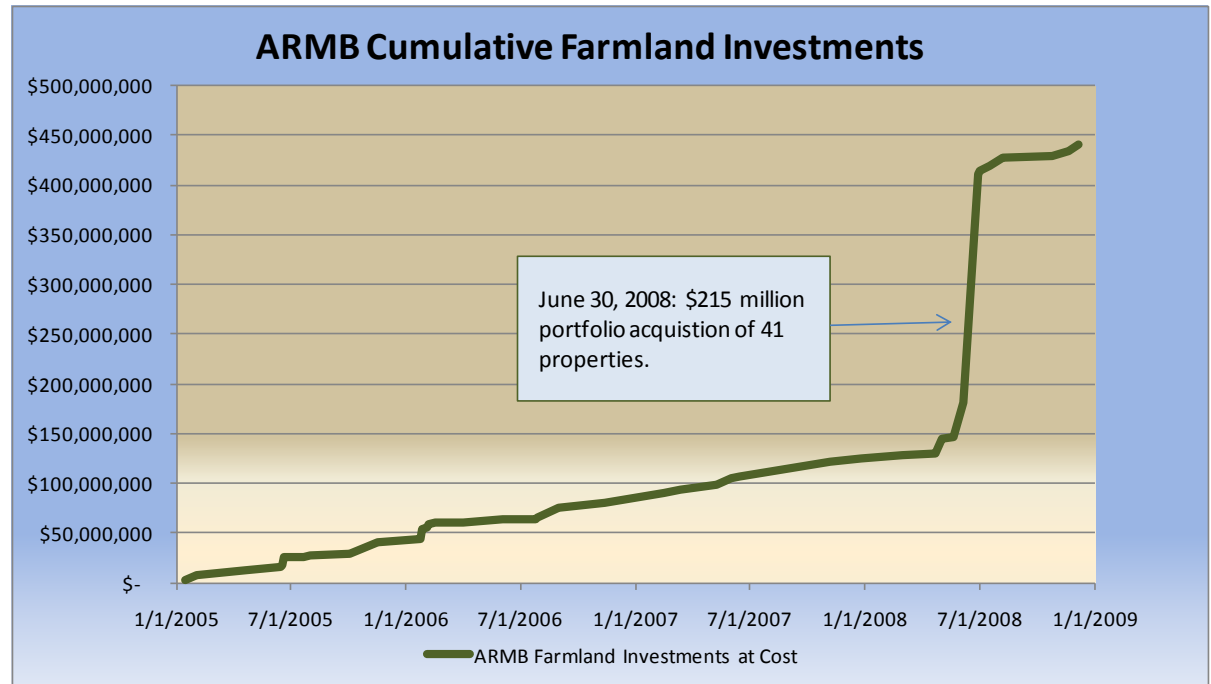
- No additional allocation. Utilize REITs tactically as way to achieve target allocation at CIO discretion.

Part III. Farmland

Farmland Background

ARMB Farmland – Historical Background

- Farmland investment program approved June 2004.
- Two advisors selected: Hancock Agricultural Investment Group and UBS AgriVest LLC.
- Total allocation approximately \$599 million with \$92 million remaining for new investments.
- As expected, investment pace relatively slow, with average property investment size of \$5 million. Large portfolio acquisition in June 2008 represents approximately half of total ARMB portfolio.



Farmland Background

ARMB Farmland – Program Strategy and Structure

- Separate account structure. ARMB owns and controls 100% of all assets. All investments are located in the United States.
- Advisors have complete discretion to make investments within the allocation and constraints established in the Policies and Procedures.
- High quality stable asset strategy. Source of return is lease based income and land appreciation.
- Investment strategy is primarily lease based approach.
- Portfolio crop type target weights: 80% row crops and 20% permanent crops with a band of +/- 10%.
- No leverage.
- Annual Plans are prepared by each advisor for the portfolio. Annual property level budgets are established and reviewed by staff.
- Annual audits and annual appraisals.
- Registration system maintained to ensure ARMB advisors are not in competition for ARMB acquisitions.

Farmland Portfolio

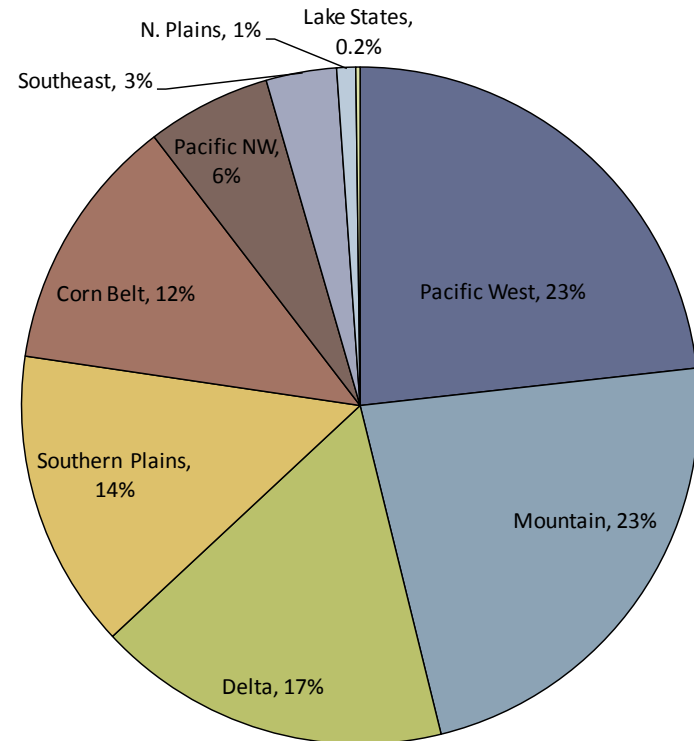
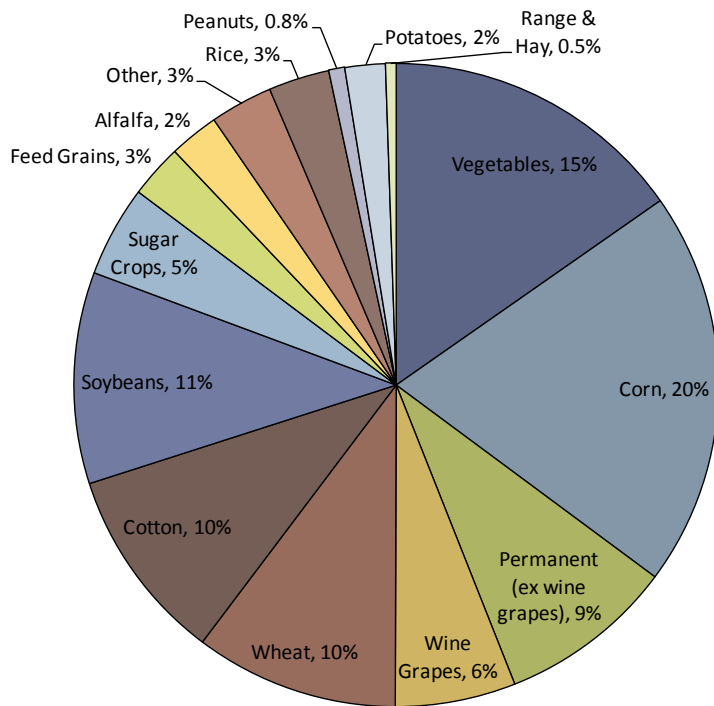
Current Farmland Portfolio Profile

- Net Asset Value: \$569 million
- Total Allocation: \$599 million
- Remaining Allocation: \$92 million
- Number of Properties: 93
- Total Acres: 157,452
- Number of states where investments are located: 15
- Row/Permanent Crop Distribution: 85%/15%

Location	Portfolio %	Properties
California	22.6%	12
Idaho	17.1%	15
Texas	14.8%	11
Illinois	11.0%	7
Mississippi	7.9%	8
Arkansas	6.5%	4
Colorado	6.3%	9
Washington	4.9%	16
Florida	2.5%	1
Louisiana	2.3%	2
Indiana	1.6%	1
Nebraska	1.1%	2
Oregon	0.6%	2
Georgia	0.6%	2
Wisconsin	0.2%	1

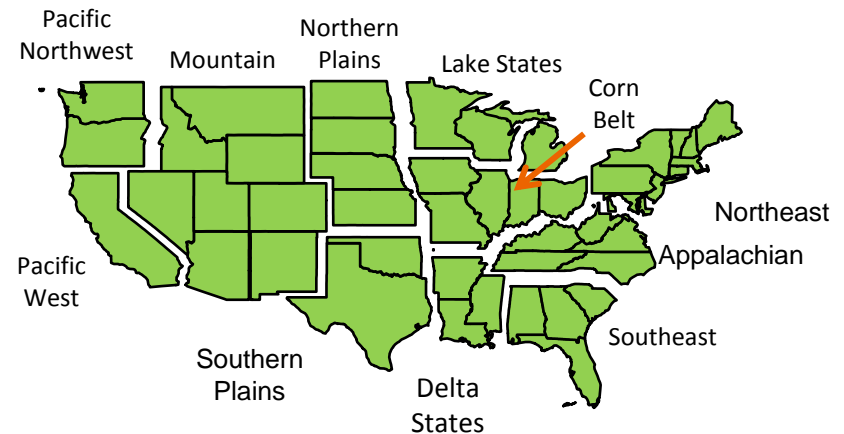


Farmland Portfolio Diversification



- Good diversification across crop types and NCREIF regions
- Permanent crops include: wine grapes, pistachios, almonds, walnuts, apples, pears, and cherries

NCREIF Farmland Regions



Farmland Performance

ARMB Farmland Investment Performance as of September 30, 2011

Trailing 1 year Performance as of September 30, 2011 ⁽³⁾ : (net of fees)				Inception Annualized ⁽⁴⁾ (net of fees)		
Advisor/Portfolio	Income	Appreciation	Total	ITD Income	ITD Appreciation	ITD Total
Hancock Agricultural Investment Group	5.92%	1.63%	7.64%	5.01%	3.58%	8.74%
UBS AgriVest LLC	3.83%	6.83%	10.88%	4.24%	4.77%	9.16%
ARMB Composite Nominal	4.34%	4.15%	8.59%	4.37%	4.11%	8.58%
Inflation ⁽¹⁾			3.87%			2.50%
ARMB Composite Real			4.62%			5.95%
NCREIF Custom Benchmark ⁽²⁾	5.29%	6.05%	11.57%	4.85%	8.44%	13.58%

Returns have met expectations:

- Exceeded 5% net real since inception.
- Strong relative total returns compared to other asset classes.
- Underperformance vs. NCREIF Custom Benchmark due to geographic and crop type differences over time and early returns which were impacted by portfolio setup costs.

(1) Inflation is CPI All Urban Consumers from U.S. Dept of Labor

(2) ARMB Custom NCREIF Benchmark which reflects lease only crops weighted 90% row crops and 10% permanent crops through December 31, 2007 and 80% row crops and 20% permanent crops thereafter.

(3) Quarterly chain linked time weighted rates of return

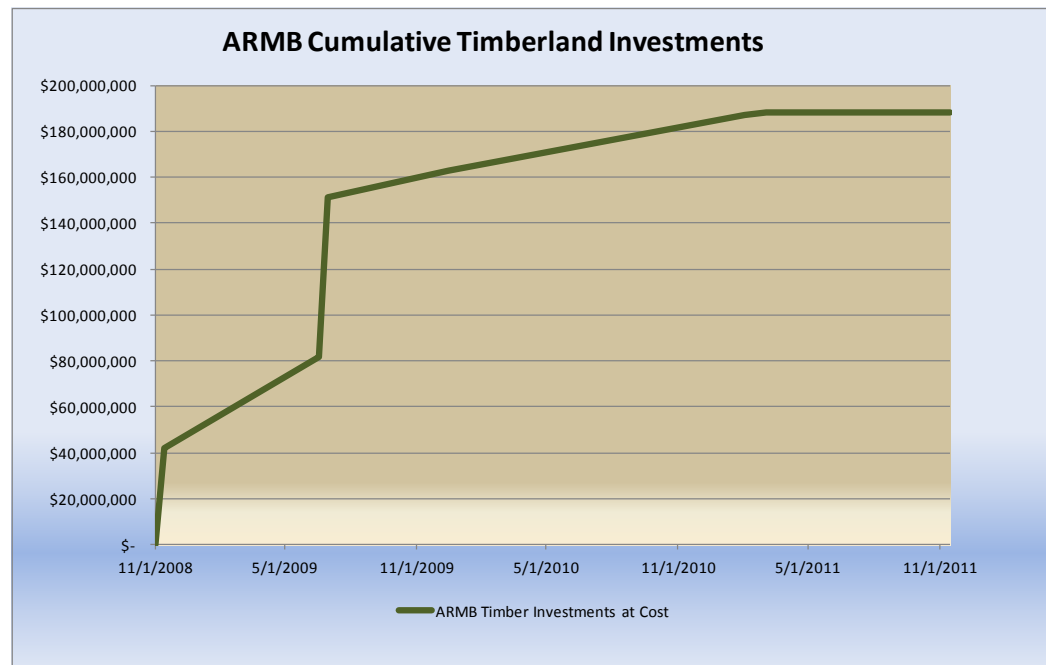
(4) Inception Date: UBS and ARMB Composite is QE June 30, 2005; Hancock is QE September 30, 2005

Part IV. Timberland

Timberland Background

ARMB Timberland – Historical Background

- Timberland investment program approved September 2007.
- Two advisors selected: Hancock Timber Resource Group (Hancock) and Timberland Investment Resources (TIR).
- Total allocation \$288 million with \$102 million remaining for new investments.
- Investment pacing has been slow since program inception. Several investments were made early but credit crisis and recession of 2008 slowed transaction volume and opportunities to deploy capital as buyer and seller pricing expectations diverged.



Timberland Background

ARMB Timberland – Program Strategy and Structure

- Separate account structure. ARMB owns and controls 100% of all assets. All investments are located in the United States.
- Advisors have complete discretion to make investments within the allocation and constraints established in the Policies and Procedures.
- High quality stable asset strategy. Source of return is derived from biological growth, timber prices, and land appreciation.
- No leverage.
- Annual Plans are prepared by each advisor for the portfolio. Annual property level budgets are established and reviewed by staff.
- Annual audits and annual appraisals.
- Registration system maintained to ensure ARMB advisors are not in competition for ARMB acquisitions.

Timberland Portfolio

Current Timberland Portfolio Profile

- Net Asset Value: \$190 million
- Total Allocation: \$288 million
- Remaining Allocation: \$102 million
- Number of Properties (acquisitions): 5
- Total Acres: 109,210
- Number of states where investments are located: 8



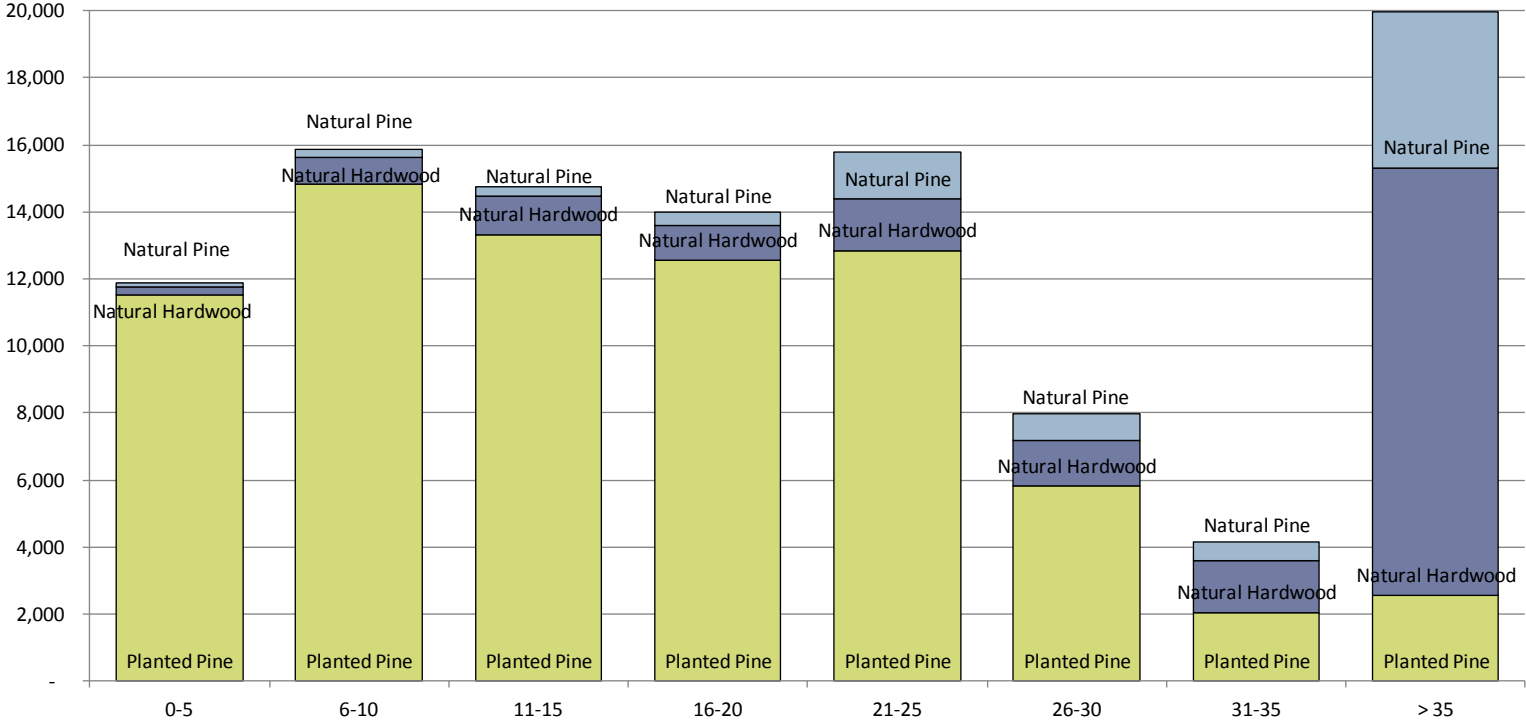
Source: Hancock Natural Resource Group

Location	Portfolio %
Georgia	29.7%
Alabama	27.7%
Mississippi	9.7%
Washington	8.2%
North Carolina	7.9%
Louisiana	7.6%
South Carolina	5.8%
Oregon	3.4%

Timberland Portfolio Diversification

- ARMB’s portfolio is primarily planted pine with good diversification across age classes.

ARMB Portfolio Acres by Age Class



Timberland Portfolio Diversification

- ARMB's portfolio is primarily invested in the Southeast (63%). However, the timberland is located in different micro markets and in noncontiguous tracts which provide good economic diversification and disease/fire protection. The picture to the right is ARMB's portfolio managed by TIR.

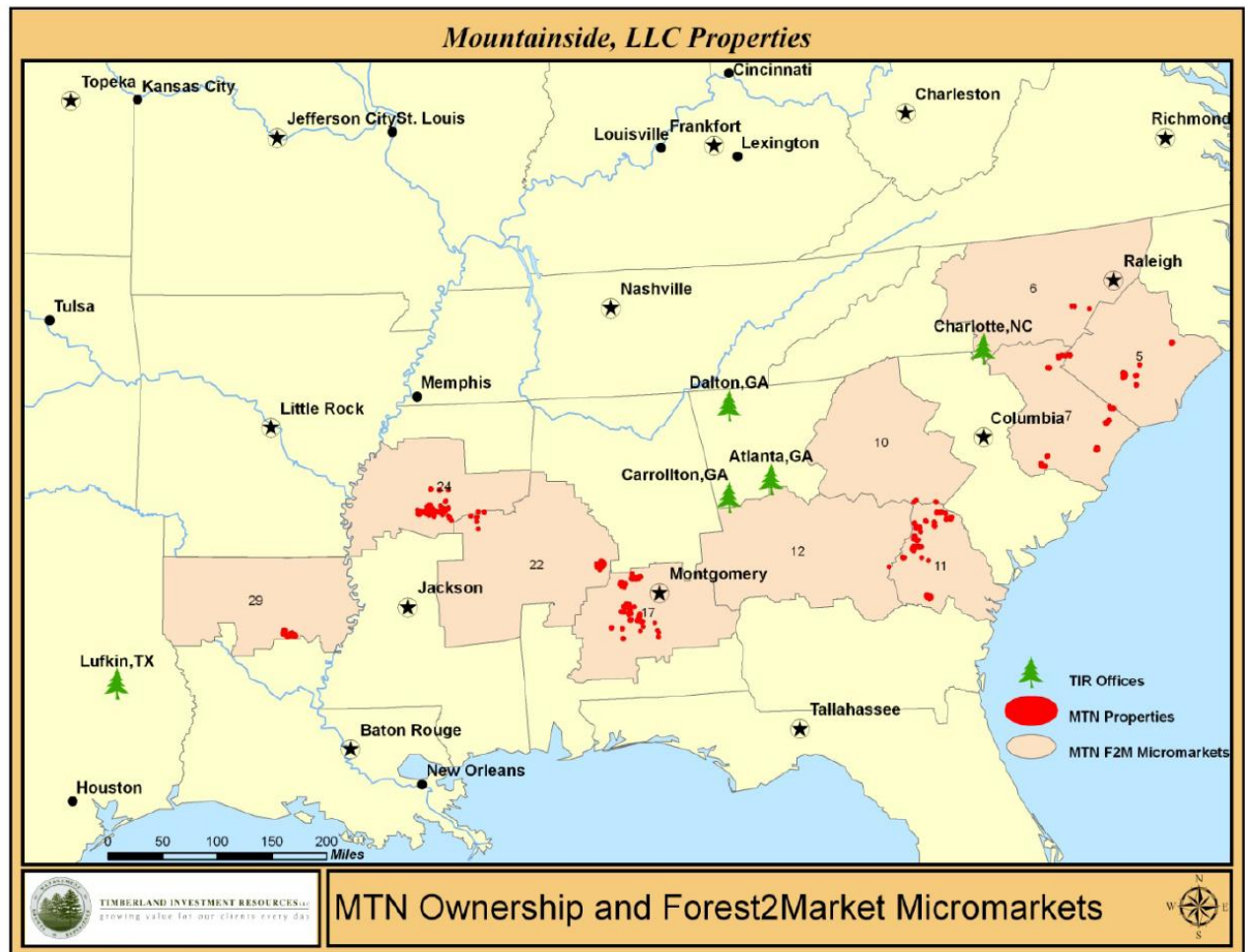


Figure 3. Mountainside Property Location Map with Micromarket Overlays.

The current portfolio includes an age class breakdown that provides exposure to broad end-use markets including dimensional lumber, poles, plywood, paper, paper board, and bioenergy.

Timberland Performance

ARMB Timberland Investment Performance as of September 30, 2011

Trailing 1 year Performance as of September 30, 2011 ⁽²⁾ : (net of fees)				Inception Annualized ⁽³⁾ (net of fees)		
Advisor/Portfolio	Income	Appreciation	Total	ITD Income	ITD Appreciation	ITD Total
Hancock Timber Resource Group	-0.87%	6.07%	5.16%	-1.50%	3.48%	1.93%
Timberland Investment Resources LLC	0.07%	4.54%	4.60%	-0.83%	4.87%	4.01%
ARMB Composite Nominal			5.70%			4.81%
Inflation ⁽¹⁾			3.87%			2.81%
ARMB Composite Real			1.78%			1.97%
NCREIF Timberland Index	2.70%	-2.40%	0.26%	2.24%	-3.60%	-1.43%

Returns have been somewhat disappointing but acceptable given market conditions:

- Asset class has not exceeded 5% net real since inception.
- ARMB portfolio has exceeded NCREIF benchmark since inception.
- Low income returns reflect decision to delay harvesting until timber pricing recovers. Trees continue to grow.

(1) Inflation is CPI All Urban Consumers from U.S. Dept of Labor

(2) Quarterly chain linked time weighted rates of return

(3) Inception Date: TIR and ARMB Composite is QE March 31, 2009; Hancock is QE September 30, 2009.

Part V. Real Assets Fiscal Year 2012 Plan

Real Assets Fiscal Year 2012 Plan

Overall

- Plan is to stay the course with the portfolios and current investment managers. Overall portfolio is an attractive collection of primarily hard assets located in the U.S. and 100% controlled by ARMB.
- As discussed on the following slide, 2012 plan recommends introducing long-term portfolio target weight levels at the component level of the asset class.

Real Estate

- As presented on page 11 and at the last board meeting, strategy is to focus on the core portfolio going forward. New commitments to non-core funds are not anticipated. REIT portfolio is appropriately sized and is not expected to change except for possible rebalancing purposes.

Farmland

- The Farmland portfolio has been very successful thus far. Both Hancock and UBS Agrivest have adequate remaining allocations to pursue additional new investments.

Timberland

- From a short-term return perspective, the Timberland portfolio has been somewhat disappointing primarily due to slower new construction activity resulting from the current economic challenges. However, the current lower timber prices provide a good entry point for ARMB and will help to produce attractive returns over the longer-term. Both Hancock and TIR have adequate remaining allocations to pursue additional new investments.

TIPS and Energy

- Other than rebalancing adjustments which may occur in the TIPS portfolio, no changes to the current portfolios are expected.

Real Assets Fiscal Year 2012 Plan

Recommended Target Weights by Asset Class Component:

- Staff performed an analysis to identify long-term target allocations within the asset class.
- Analysis was both objective, utilizing mean variance optimization techniques from NCREIF benchmark data, and subjective, recognizing the data limitations and challenges posed by the private asset classes involved.
- The intent of these targets is not to trigger an immediate rebalancing but rather to provide a long term guide for the asset class. Intent is to use these targets to slowly migrate the portfolio over time through natural portfolio evolution (portfolio sales, new investments, and overall growth in the pension and health care plans). Large bands on the target weights are recommended due to the illiquidity and uncertainty as to the timing of the portfolio changes.
- Some of the more subjective factors are as follows:
 - Real estate produces a very attractive income return and offers the greatest liquidity. However, the sector employs high amounts of leverage and has the highest expected volatility.
 - Farmland has had a great track record but arguably offers the least attractive liquidity. The experience during the 1980s suggests there may be some downside risk not reflected in the NCREIF track record.
 - Timberland has produced attractive returns over the long-term with higher volatility. The income return from timberland is not as stable as real estate and farmland but is more closely tied to current economic conditions rather than the leased based income from real estate and farmland.

Real Assets Fiscal Year 2012 Plan

Recommended Target Weights by Asset Class Component:

Sector Allocation	9/30/11 Actual	Proposed Target %	Actual (-) Proposed Target %	Proposed Target Band %
Real Assets				
Real Estate	58.90%	35%	23.90%	+/- 40%
Farmland	22.30%	25%	-2.70%	+/- 30%
Timberland	7.50%	25%	-17.50%	+/- 30%
TIPS	7.90%	10%	-2.10%	+/- 10%
Energy	3.40%	5%	-1.60%	+/- 10%

- Rebalancing theme created by proposed targets is to shift investment allocation from Real Estate to other components.
- Current projections based on distribution estimates from closed-end real estate funds and overall pension fund growth suggest targets could be achieved by 2016.
- Recommendation is not to force sales into the market to achieve targets.

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Real Assets Annual Investment Plan for
FY 2012

ACTION: X

DATE: February 16, 2012

INFORMATION:

BACKGROUND

The Real Assets Committee met on November 30, 2011 to review and recommend approval of the Real Assets Annual Investment Plan for Fiscal Year 2012.

STATUS

Staff, with the assistance of The Townsend Group, Callan, and ARMB's real assets advisors, has developed the Real Assets Annual Investment Plan for Fiscal Year 2012.

The Real Assets Annual Investment Plan includes a presentation of historical performance and investment background, and a review of the current market for each Real Assets' asset class followed with a Fiscal Year 2012 investment strategy.

RECOMMENDATION

The ARMB approve Resolution 2012-01 which adopts the Real Assets Annual Investment Plan for Fiscal Year 2012.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Real Assets Annual Investment Plan

Resolution 2012-01

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

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for 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 investments in Real Assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefits Plans Trust; and

WHEREAS, the Board will establish and on an annual basis review an investment plan for Real Assets asset class.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopt the Real Assets Annual Investment Plan for Fiscal Year 2012, attached hereto and made a part hereof.

DATED at Juneau, Alaska this ____ day of February, 2012.

Chair

ATTEST:

Secretary

Charter of the Real ~~Estate~~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 ~~estate~~assets portfolio in the state retirement system. The Committee makes recommendations to the ~~B~~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, ~~the real estate~~consultants and other experts, consider and review the strategic annual real ~~estate~~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.

Charter of the Real Assets Committee

Alaska Retirement Management Board

I. Committee Purpose.

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Barrow, Hanley, Mewhinney & Strauss, LLC

Mandate: Large Cap Value

Hired: 2007

Firm Information	Investment Approach	Total ARMB Mandate & Fees																
<p>Barrow, Hanley, Mewhinney & Strauss (BHMS) is a subsidiary of Old Mutual Asset Management. In January 2010, BHMS became a Delaware limited liability company; the LLC structure enables key BHMS employees to maintain significant economic ownership in the firm.</p> <p>As of 12/31/11, the firm's total assets under management were \$59.7 billion.</p> <p>Key Executives: Matt Giambrone, <i>Managing Director, Portfolio Manager</i> Matt Egenes, <i>Director, Portfolio Specialist</i> Beth May, <i>Client Service Administrator</i></p>	<p>Quantitative analysis is used to identify stocks within an initial universe that possess all three traditional value characteristics – screening for those companies with price/earnings and price/book ratios below the market and dividend yields above the market (S&P 500). The underlying philosophy is that markets are inefficient and these inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis.</p> <p>The large cap value group operates as a team for the purposes of generating and researching all investment ideas. They also work as a team in the production of a “buy list.” While all investment professionals contribute to the process, the lead portfolio manager is responsible for assimilating the information and implementing the investment ideas. The firm has established guidelines regarding industry and sector weightings, position sizes, number of holdings, etc.</p> <p>Benchmark: Russell 1000 Value Index</p>	<p>Assets Managed:</p> <table> <tr> <td>12/31/10</td> <td style="text-align: right;">\$133,940,762</td> </tr> <tr> <td>12/31/11</td> <td style="text-align: right;">\$136,126,999</td> </tr> </table> <p>Fee Schedule:</p> <table> <tr> <td>First \$15,000,000</td> <td style="text-align: right;">0.75%</td> </tr> <tr> <td>Next \$10,000,000</td> <td style="text-align: right;">0.55%</td> </tr> <tr> <td>Next \$75,000,000</td> <td style="text-align: right;">0.45%</td> </tr> <tr> <td>Next \$100,000,000</td> <td style="text-align: right;">0.35%</td> </tr> <tr> <td>Next \$800,000,000</td> <td style="text-align: right;">0.25%</td> </tr> <tr> <td>Thereafter</td> <td style="text-align: right;">0.15%</td> </tr> </table>	12/31/10	\$133,940,762	12/31/11	\$136,126,999	First \$15,000,000	0.75%	Next \$10,000,000	0.55%	Next \$75,000,000	0.45%	Next \$100,000,000	0.35%	Next \$800,000,000	0.25%	Thereafter	0.15%
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Next \$100,000,000	0.35%																	
Next \$800,000,000	0.25%																	
Thereafter	0.15%																	

Concerns: None

12/31/2011 Performance (gross of fees)

	<u>Last Quarter</u>	<u>1 Year</u>	<u>3 Years Annualized</u>	<u>5 Years Annualized</u>	<u>7 Years Annualized</u>
BHMS	13.67%	1.63%	14.45%	-	-
Benchmark	13.11%	0.39%	11.55%	-	-

PORTFOLIO REVIEW

Alaska Retirement Management Board
~Diversified Large Cap Value~

FEBRUARY 12, 2012

MATT EGENES, CFA
DIRECTOR

ORGANIZATIONAL OVERVIEW

AS OF DECEMBER 31, 2011

33-Year-Old Firm, Founded in 1979 in Dallas, Texas

Sole Focus is “Long Only” Value Management for Institutional Investors

Firm is Financially Strong and Adding to Staff

Employee Equity Ownership

Large Manager of Institutional Assets - \$59.7 Billion

Strategy	Inception	Assets Under Management
Large Cap Value Equity		
Institutional	1979	\$ 14.4 Billion
Sub-Advisory	1985	\$ 25.5 Billion
Diversified Large Cap Value Equity	2000	\$ 1.7 Billion
Mid Cap Value Equity	1999	\$ 3.3 Billion
All Cap Value Equity	2004	\$ 0.7 Billion
Small Cap Value Equity	1995	\$ 1.7 Billion
Diversified Small Cap Value Equity	2007	\$ 6.0 Million
International Value Equity	2006	\$ 1.7 Billion
Global Value Equity	2010	\$ 1.2 Billion
Fixed Income	1983	\$ 9.4 Billion

BHMS PROFESSIONALS

EQUITY INVESTMENT TEAM

PORTFOLIO MANAGERS	YEARS OF EXPERIENCE	YEARS WITH BHMS	GLOBAL SECTOR ANALYSTS	YEARS OF EXPERIENCE	YEARS WITH BHMS
Jim Barrow	50	33	Jeff Fahrenbruch, CFA	15	10
Bob Chambers, CFA	40	18	David Ganucheau, CFA	16	8
Tim Culler, CFA	28	13	Jane Gilday, CFA	44	14
Mark Giambrone, CPA	20	13	Monroe Helm	36	10
John Harloe, CFA	36	17	Michael Nayfa, CFA	8	4
Dave Hodges, CFA	12	11	Terry Pelzel, CFA	7	3
Jim McClure, CFA	40	17	Brian Quinn, CFA	11	7
Ray Nixon	35	18	Mike Wetherington, CFA	19	15
Lewis Ropp	31	11	Rand Wrighton, CFA	10	7

PORTFOLIO SPECIALISTS	YEARS OF EXPERIENCE	YEARS WITH BHMS
Matt Egenes, CFA	25	7
Lin Fitzenhagen, CFA	11	3
Cory Martin	22	13
Kirby Smith, CFA, CPA	19	7
Bill Underwood	16	14

BHMS CLIENT PARTNERSHIPS

CORPORATE

[Air Products & Chemicals Inc-28](#)
[Alabama Power Company-13](#)
[American Airlines-28](#)
[American Electric Power-21](#)
[American Institute of CPAs](#)
[Bechtel Corporation](#)
[CVS Caremark Corporation](#)
[Caterpillar Inc-7](#)
[CenterPoint Energy Inc-14](#)
[Chatterm Inc-29](#)
[Coca-Cola Refreshments Inc-10](#)
[ConocoPhillips Company-33](#)
[DTE Energy LLC](#)
[Ericsson Inc-7](#)
[Fulbright & Jaworski LLP-9](#)
[Genuine Parts Company-11](#)
[Girl Scouts of the USA](#)
[Hess Corporation](#)
[Highmark Inc-8](#)
[ITT Corporation-29](#)
[Johnson & Johnson-13](#)
[MeadWestvaco Corporation](#)
[Monsanto Company](#)
[Morgan, Lewis & Bockius](#)
[National Rural Electric Co-op-33](#)
[OfficeMax Inc](#)
[Owens Corning-15](#)
[Pepeco Holdings Inc](#)
[Prudential Retirement-10](#)
[Saint-Gobain Corporation](#)
[The Sherwin-Williams Company-13](#)
[Southern Company-14](#)
[Stanley Black & Decker Inc](#)
[SYSCO Corporation-30](#)
[Teck Resources](#)
[Thomson Reuters](#)
[UBS Financial Services Inc](#)
[VF Corporation](#)
[Valero Energy Corporation-28](#)
[Verizon Communications-25](#)

ENDOWMENT/FOUNDATION

[Communities Foundation of Texas-9](#)
[The Constantin Foundation-14](#)
[Dallas Museum of Art-20](#)
[Foundation for Research-9](#)
[The Frey Foundation](#)
[The Hubbard Foundation-14](#)
[The Joyce Foundation-28](#)
[Kentucky Baptist Foundation](#)
[Purdue University-13](#)
[St Mark's School of Texas-15](#)
[Texas Christian University-24](#)
[Texas Presbyterian Foundation-9](#)
[UniHealth Foundation-9](#)
[University of West Florida Fdn-9](#)

MUTUAL FUNDS

[American Beacon Funds-25](#)
[AXA Offshore Multi-Manager Funds](#)
[Columbia Small Cap Value Fund-8](#)
[Genworth - GuideMark Funds](#)
[Principal Financial Group-7](#)
[Russell Investment Group](#)
[The Timothy Plan-8](#)
[USAA Value Fund-7](#)
[VALIC Broad Cap Value Income Fd-7](#)
[Vanguard Windsor II Fund-27](#)

HEALTHCARE

[Albert Einstein Healthcare-10](#)
[All Saints Insurance Co Ltd-9](#)
[Bon Secours Health System Inc-14](#)
[Cape Fear Valley Health System](#)
[Catholic Health Initiatives-13](#)
[Children's Medical of Dallas-22](#)
[Cook Ft Worth Children's-18](#)
[Dallas County Hosp-Parkland-21](#)
[DeKalb Medical Center-11](#)
[Edward Health Service Corp-14](#)
[El Camino Hospital-21](#)
[Hartford Hospital](#)
[Hunterdon Medical Center-7](#)
[Kelsey-Seybold Clinic-8](#)
[McLaren Health Care Corporation](#)
[The Methodist Hospital](#)
[N Shore-Long Island Jewish Health Sys](#)
[New Jersey Hospital Association-8](#)
[Novant Health Inc-14](#)
[Pathways Home Health and Hospice-8](#)
[Pinnacle Health System-7](#)
[Rapid City Regional Hospital-13](#)
[St George Corporation](#)
[St Luke's Episcopal-Houston-18](#)
[St Luke's Regional Medical Center-10](#)
[Scott & White Memorial-20](#)
[Sturdy Memorial Hospital-11](#)
[Texas Hospital Association-8](#)
[Univ of Alabama Health Services-17](#)
[VHA Inc-20](#)
[WakeMed-12](#)
[Washington Regional Med Center-9](#)

PUBLIC

[Alaska Retirement Mgmt Board](#)
[Boca Raton Police & Fire-15](#)
[Charlotte Firefighters' Ret System-9](#)
[Lower Colorado River Authority-18](#)
[D/FW Airport Employees Ret Plan-15](#)
[State of Hawaii Employee Ret Sys-27](#)
[Firefighters' Ret Sys of Louisiana](#)
[City of Memphis Retirement Sys-30](#)
[City of Miami Fire & Police-22](#)
[Montana Board of Investments](#)
[The Navajo Nation-22](#)
[New York City Retirement Systems](#)
[Schuylkill County Emps Ret Plan](#)
[St Paul Teachers Ret Fund Assoc-12](#)
[Employees Retirement System of Texas](#)
[Tulsa County Retirement Sys-17](#)

TAFT-HARTLEY

[Allied Pilots Association-28](#)
[Atlanta Plumbers & Steamfitters-8](#)
[Construction Ind Laborers Fund-7](#)
[Glaziers Metal & Glass Local 513-7](#)
[Houston Carpenters'-23](#)
[IBEW Local 456 Pension Fund-7](#)
[Major League Baseball Players'-13](#)
[National Electric Benefit Fd-19](#)
[Retail Clerks Pension Trust-23](#)
[Texas Iron Workers Trust Fd-17](#)
[UFCW-Midwest-28](#)
[United Mine Workers of America-26](#)

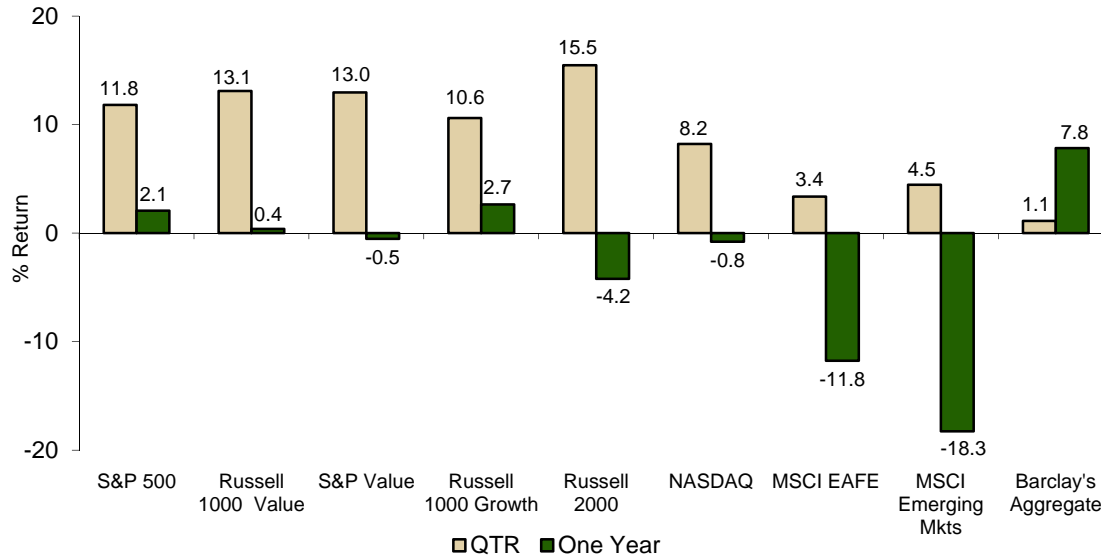
Number indicates client for 7 years or more
 Partial client list – see appendix for disclosure

MARKET OVERVIEW

INDEX AND SECTOR RETURNS

INDEX RETURNS

AS OF DECEMBER 31, 2011



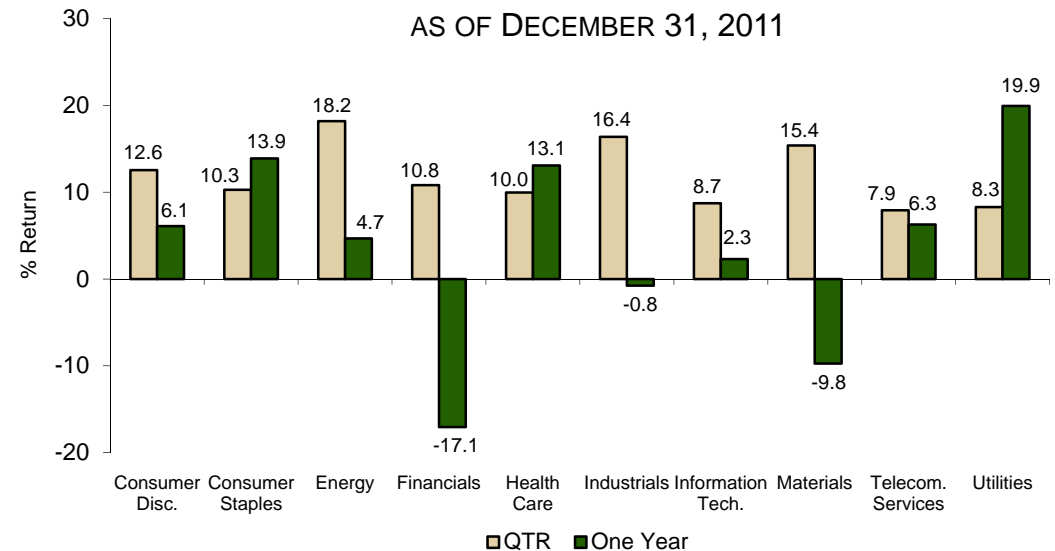
- ❖ Positive December returns contributed to a strong fourth quarter in the U.S. markets.
- ❖ Emerging Markets continue to lag, and non-U.S. markets remain weak amid Eurozone uncertainties.

- ❖ For the year, Utilities, Consumer Staples, Health Care, and Telecom. Services have outperformed, while Materials and Industrials have performed poorly.

- ❖ Financials continue to struggle.

S&P SECTOR RETURNS

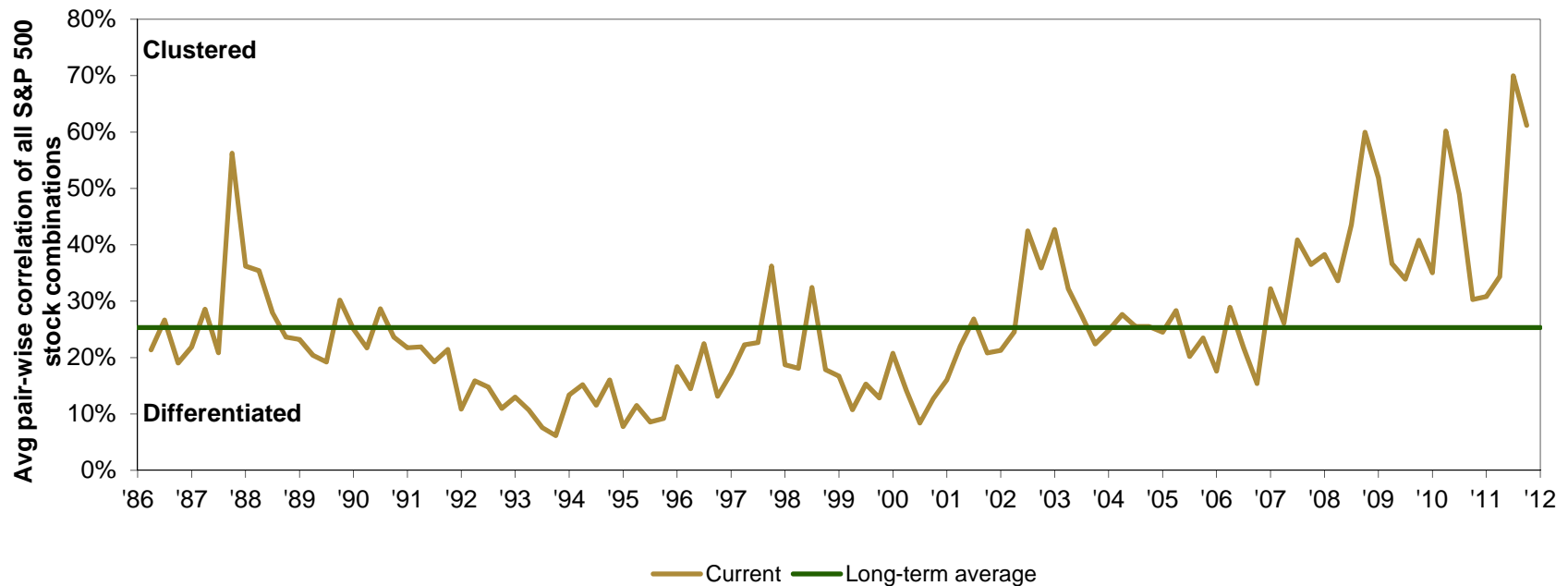
AS OF DECEMBER 31, 2011



Sources: FactSet, Bloomberg

STOCK CORRELATIONS

CORRELATIONS OF S&P 500 STOCKS ¹
(DAILY RETURNS PER QUARTER, 2Q '86 – 4Q '11)

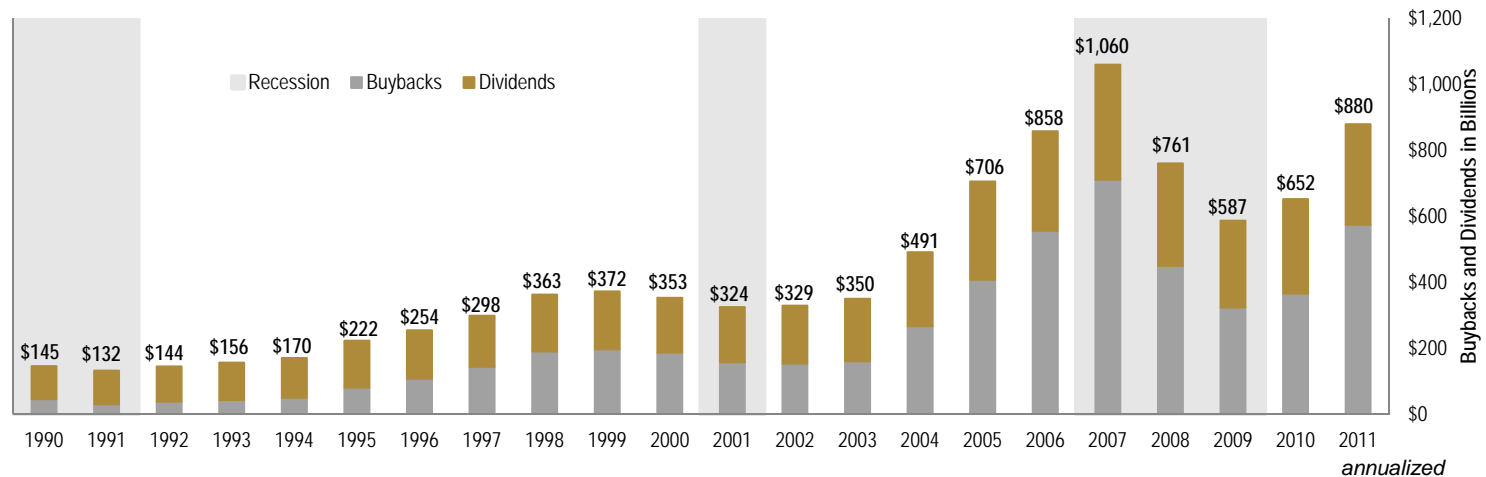


¹ This chart measures the average correlation of daily returns of every stock in the index relative to the other 499, and plots the average for each quarter, dating back to 1986.

- ❖ Stock correlations are at a 25-year high as macro issues have driven recent market activity.

CASH DEPLOYMENT

RETURN OF CAPITAL (SHARE BUYBACKS AND DIVIDENDS)

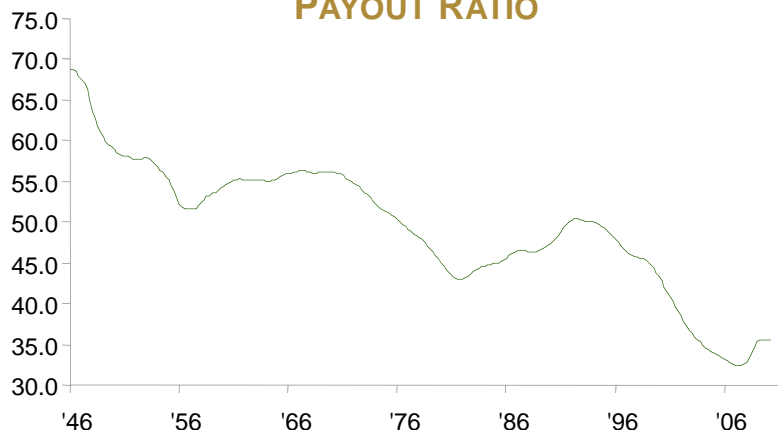


For % of profits, data were compiled on all companies since 1990 (~15,000 securities); for profits, NIPA data from BEA.

- ❖ Record cash levels on balance sheets and low interest rates have incentivized companies to return cash to shareholders via share buybacks and dividends.
- ❖ 2011 was the second largest “return of capital” year on record.

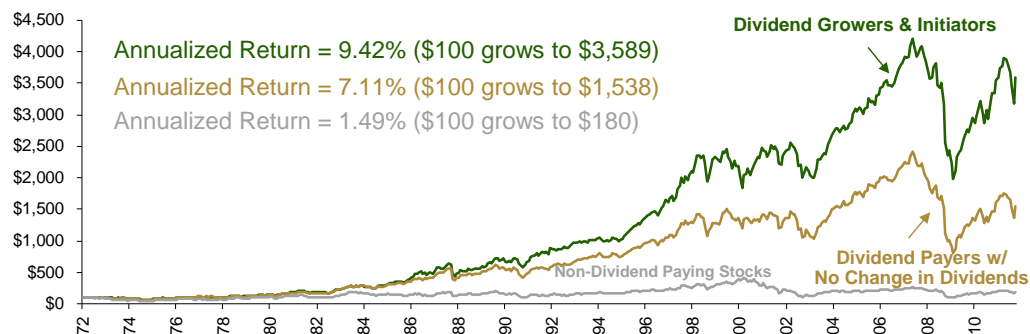
THE POWER OF DIVIDENDS

S&P 500 10-YEAR NORMALIZED DIVIDEND PAYOUT RATIO



Source: S&P, Strategas Research Partners

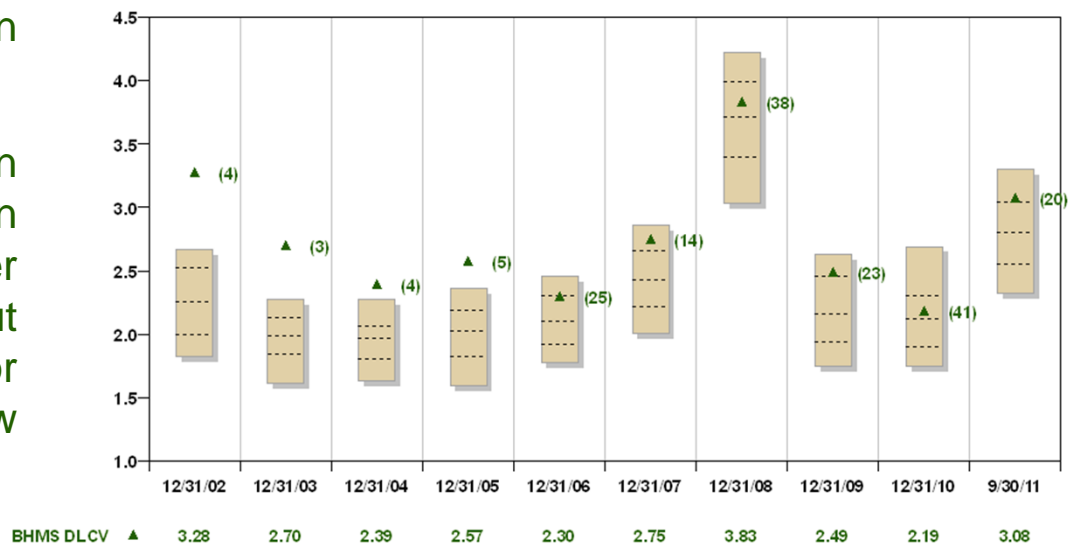
IMPACT OF DIVIDENDS ON TOTAL RETURN



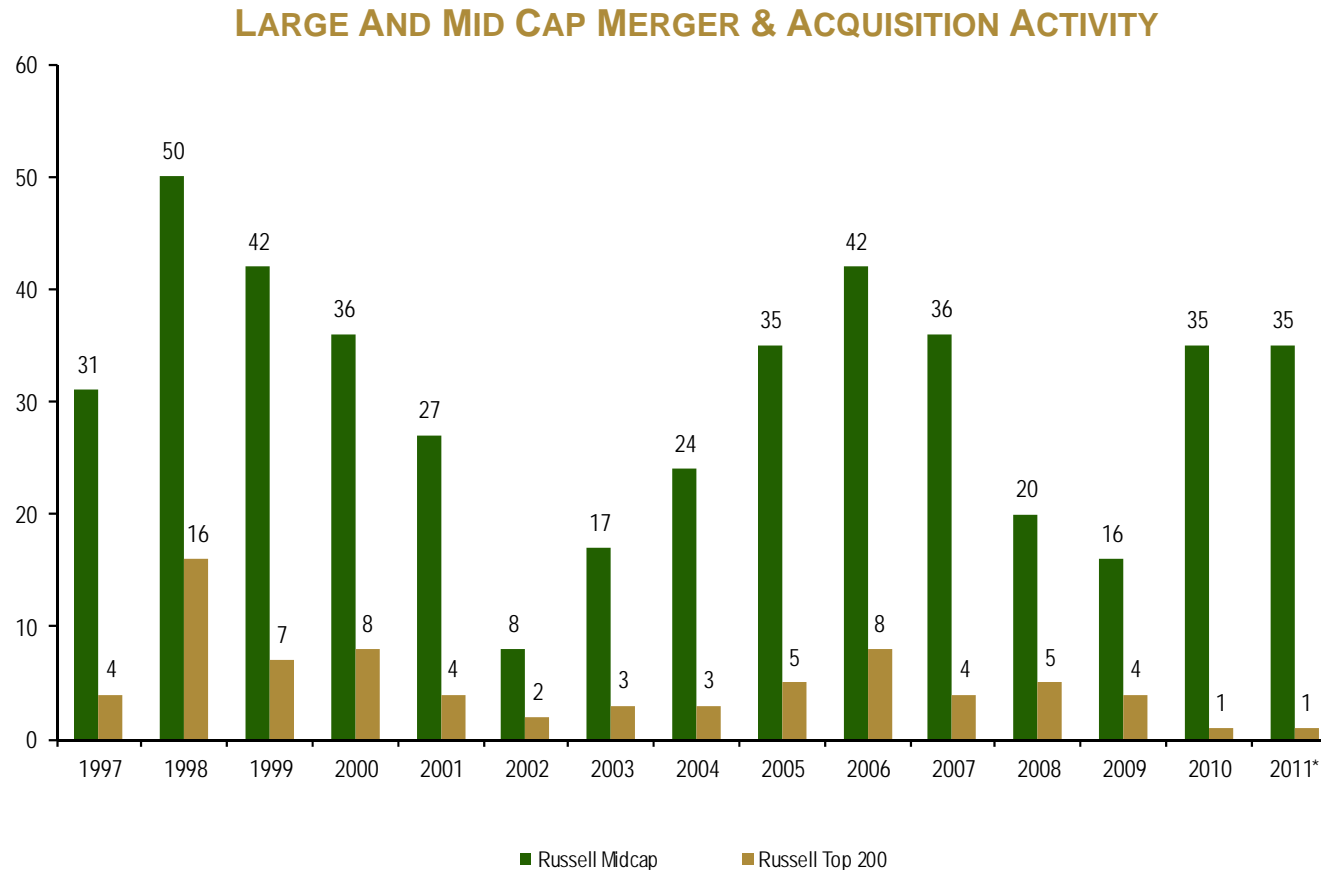
Updated through October 31, 2011. Returns based on monthly equal-weighted geometric average of total return of S&P 500 component stocks, with components reconstituted monthly. Copyright 2011 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

- ❖ Since 1929, nearly 50% of the 9.8% return of the S&P 500 has been derived from dividends.
- ❖ With record levels of cash flow on balance sheets, a change in corporate conservatism, fewer government restrictions, low payout ratios, and increased investor demand, dividends can grow meaningfully from current levels.

BHMS – ONE OF THE HIGHEST YIELDING MANAGERS IN THE LARGE CAP VALUE UNIVERSE



MERGER & ACQUISITION ACTIVITY



* 2011 data through December 31, 2011

- ❖ Corporations' preference for small tuck-in rather than large transformational acquisitions have resulted in more mid cap companies being taken over.

Source: Mergerstat; Russell Investment Group; BofA Merrill Lynch Small Cap Research

DIVERSIFIED LARGE CAP VALUE PROCESS AND PERFORMANCE

BHMS DIVERSIFIED LARGE CAP VALUE PROCESS



- Initial Universe Screened Down To A Guidance List Of Investment Opportunities

1800 Securities

- Stocks With a Market Cap Greater Than \$1 Billion
- Low P/E, Low P/Bk and High Dividend Yield Compared to the S&P 500
- Generally Low-Expectation Stocks

- Hands-On, Fundamental Research Performed By Long-Tenured, Experienced Investment Team

- Research Compelling Ideas, One-at-a-time

250 Security Guidance List

- Construct Financial Projections
- Company / Management Visits
- Daily Research Meetings to Monitor Existing and Potential Holdings

- Bring Only Best Ideas Forward

- Construct Diversified Portfolios

- Max 15% in an Industry
- Max 35% in any Sector

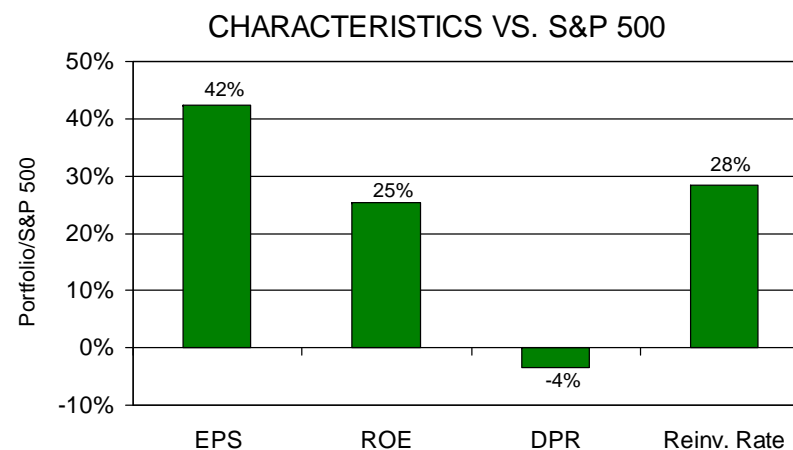
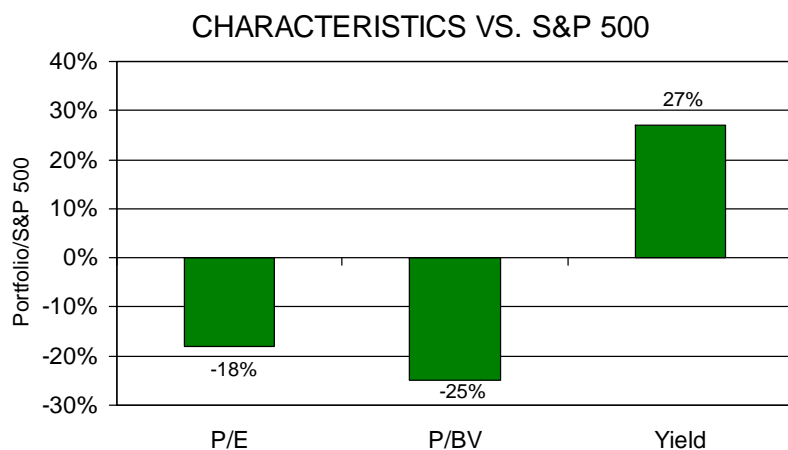
- No Market Timing - Max. 5% Cash

80-90 Security Portfolio

- Monitor Diversification Schedule Daily
- 3-5 Year Investment Horizon Results in Low Turnover (25%-30%)
- Disciplined Sell Process
 - When Stock Reaches Our Estimation of Fair Value
 - Our Investment Thesis Changes Materially or is No Longer Valid

EQUITY PORTFOLIO CHARACTERISTICS

DECEMBER 31, 2011



The BHM&S philosophy requires that the portfolio must always have the following characteristics:



- ❖ Price/Earnings *Lower* than the Market
- ❖ Price/Book *Lower* than the Market
- ❖ Dividend Yield *Higher* than the Market

	ARMB	Russell 1000 Value	S&P 500
Price/Earnings ¹	10.8 x	11.8 x	13.2 x
Price/Book Value	1.5 x	1.4 x	2.0 x
Div. Yield	2.8 %	2.7 %	2.2 %
BHMS 5-Year Projections			
EPS Growth	12.1 %		8.5 %
Profitability (ROE)	21.3 %		17.0 %
Div. Payout Ratio (DPR)	38.6 %		40.0 %
Reinv. Rate [ROE (1-DPR)]	13.1 %		10.2 %

¹ Based on trailing 12 months operating earnings

STOCK SELECTION OBJECTIVES:

- ❖ Bottom-up Stock Selection
- ❖ Buy Stocks Trading at Discount to Market
- ❖ Low Turnover Approach
- ❖ 80-90 Stock Portfolios
- ❖ Max. 15% in an Industry Group
- ❖ Max. 5% Cash

Source: FactSet

PORTFOLIO STRUCTURE AND PERFORMANCE

DECEMBER 31, 2011

PORTFOLIO STRUCTURE

PORTFOLIO COMPOSITION			CHANGE IN PORTFOLIO		
	<i>Market Value</i>	<i>Pct. Assets</i>			
Cash and Equiv.	\$ 2,259,952	1.7	Portfolio Value on 12-31-10	\$	133,939,492
Equities	\$ 133,866,386	98.3	Net Additions/Withdrawals		10,609
Total	\$ 136,126,338	100.0	Realized Gains		(411,047)
			Unrealized Gains		(887,204)
			Income Received		3,474,489
			Portfolio Value on 12-31-11	\$	136,126,338

PERFORMANCE

For Periods Ended December 31, 2011

	1 Year	3 Years	Since Inception (7/2/07)
ARMB - DLCV	1.62 %	14.45 %	-2.28 %
Russell 1000 Value	0.39 %	11.55 %	-4.46 %
S&P 500	2.11 %	14.11 %	-1.99 %

Periods over one year are annualized.

Source: Axys

PORTFOLIO ATTRIBUTION

vs. RUSSELL 1000 VALUE – CALENDAR YEAR 2011

<i>BHMS Sector</i>	ARMB		Russell 1000 Value		Attribution Analysis		
	<i>Average Weight</i>	<i>Total Return</i>	<i>Average Weight</i>	<i>Total Return</i>	<i>Allocation Effect</i>	<i>Selection + Interaction</i>	<i>Total Effect</i>
Financials	23.1	-7.3	26.1	-17.1	0.5	2.6	3.1
Consumer Staples	7.4	23.2	8.8	13.3	-0.1	0.6	0.5
Health Care	15.2	17.7	12.6	17.2	0.4	-0.1	0.3
Energy	12.3	6.5	12.8	4.4	0.0	0.2	0.2
Telecommunication Services	2.0	12.2	4.9	4.7	-0.2	0.1	-0.0
Industrials	16.3	-1.2	9.3	0.2	-0.0	-0.2	-0.2
Utilities	4.0	26.8	7.1	19.1	-0.5	0.3	-0.3
Materials	1.5	-26.4	2.9	-6.8	0.1	-0.4	-0.4
Information Technology	11.5	-6.7	7.2	-2.5	-0.3	-0.5	-0.8
Consumer Discretionary	6.8	-12.5	8.3	4.8	0.0	-1.3	-1.3
Total	100.0	1.5	100.0	0.4	-0.1	1.2	1.1

Selection=return differential x portfolio weight

Allocation=weight differential x return differential between benchmark sector return and benchmark total return

Note: Performance Analysis does not include impact of cash holdings and is gross of fees. Inception date is 4/6/11.

Largest Contributors		
	<i>Avg. Weight</i>	<i>Contribution</i>
UnitedHealth Group Inc.	2.1 %	0.70 %
Goodrich Corp.	1.2 %	0.54 %
Philip Morris International Inc.	1.6 %	0.53 %
Pfizer Inc.	1.6 %	0.42 %
International Business Machines	1.6 %	0.39 %

Largest Detractors		
	<i>Avg. Weight</i>	<i>Contribution</i>
Bank of America Corp.	0.9 %	-0.78 %
Citigroup Inc.	1.3 %	-0.69 %
Royal Caribbean Cruises Ltd.	1.0 %	-0.60 %
* Sealed Air Corp.	0.6 %	-0.58 %
Carnival Corp.	1.5 %	-0.40 %

* sold

Best Performing Stocks	
	<i>Performance</i>
Oneok Inc.	56 %
UnitedHealth Group Inc.	41 %
Philip Morris International Inc.	39 %
Lorillard Inc.	38 %
Goodrich Corp.	36 %

Worst Performing Stocks	
	<i>Performance</i>
Bank of America Corp.	-59 %
* Hewlett-Packard Co.	-46 %
Citigroup Inc.	-45 %
* Computer Sciences Corp	-40 %
* Sealed Air Corp	-37 %

* sold

Source: Axys, FactSet

See Appendix for disclosure.

PORTFOLIO HOLDINGS

DECEMBER 31, 2011

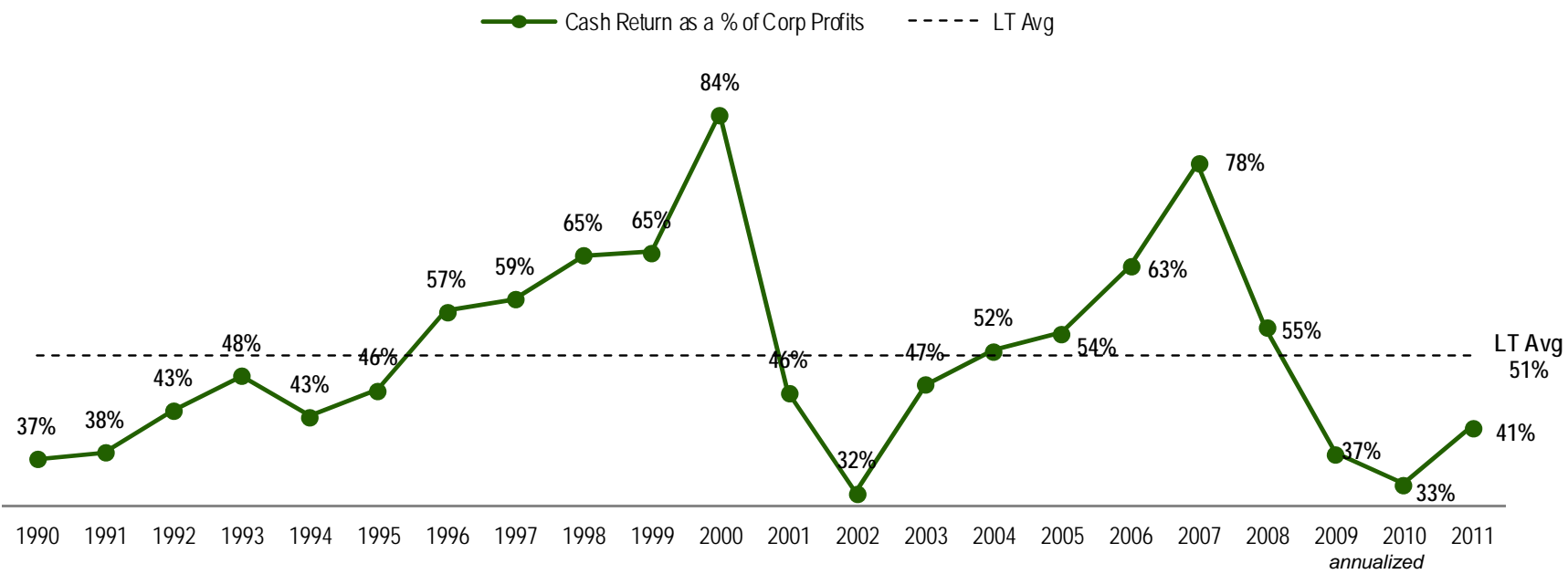
	Port. Wtg. %	R 1000V Wtg. %		Port. Wtg. %	R 1000V Wtg. %		Port. Wtg. %	R 1000V Wtg. %
CONSUMER DISCRETIONARY	7.1	8.9	FINANCIALS	22.6	24.4	INDUSTRIALS	16.5	9.2
Carnival Corp.	1.5		Capital One Financial Corp.	2.7		Stanley Black & Decker Inc.	3.0	
International Game Technology	1.4		SLM Corp.	2.2		L-3 Communications Holdings Inc.	1.6	
Royal Caribbean Cruises Ltd.	1.0		PNC Financial Services Group Inc.	1.9		Illinois Tool Works Inc.	1.4	
Hanesbrands Inc.	0.9		American Express Co.	1.5		Honeywell International Inc.	1.3	
* Target Corp.	0.8		* Discover Financial Services	1.4		General Electric Co.	1.3	
* Rent-A-Center Inc.	0.7		Willis Group Holdings PLC	1.3		Goodrich Corp.	1.2	
Service Corp. International	0.4		* Essex Property Trust Inc.	1.2		Raytheon Co.	1.1	
Newell Rubbermaid Inc.	0.4		JPMorgan Chase & Co.	1.2		Eaton Corp.	1.0	
			Wells Fargo & Co.	1.1		* Masco Corp.	0.9	
CONSUMER STAPLES	8.0	8.2	Fifth Third Bancorp	1.1		Emerson Electric Co.	0.8	
Philip Morris International Inc.	1.9		XL Group PLC	1.0		SPX Corp.	0.8	
CVS Caremark Corp.	1.6		Citigroup Inc.	0.9		* Tyco International Ltd.	0.6	
Reynolds American Inc.	1.3		New York Community Bancorp Inc.	0.9		Dun & Bradstreet Corp.	0.6	
Lorillard Inc.	1.2		State Street Corp.	0.9		* Xylem Inc.	0.5	
Walgreen Co.	1.1		Ameriprise Financial Inc.	0.8		ITT Corp	0.2	
Altria Group Inc.	0.9		Chubb Corp.	0.8		* Exelis Inc.	0.2	
			Annaly Capital Management Inc.	0.6				
ENERGY	12.1	12.3	* Travelers Cos. Inc.	0.6		INFO. TECHNOLOGY	9.3	8.9
ConocoPhillips	1.9		Bank of America Corp.	0.5		International Business Machines Corp.	1.4	
BP PLC ADS	1.8					Texas Instruments Incorporated	1.3	
Occidental Petroleum Corp.	1.7		HEALTH CARE	15.6	12.9	Microsoft Corp.	1.3	
Spectra Energy Corp.	1.4		UnitedHealth Group Inc.	2.1		Molex Inc.	1.2	
Marathon Oil Corp.	1.2		Pfizer Inc.	1.9		Microchip Technology Inc.	1.0	
Seadrill Ltd	1.2		WellPoint Inc.	1.7		* Western Union Co.	0.8	
Chevron Corp.	1.1		Johnson & Johnson	1.6		Applied Materials Inc.	0.8	
Murphy Oil Corp.	1.0		Medtronic Inc.	1.6		Xerox Corp.	0.8	
* Royal Dutch Shell PLC (ADS cl A)	0.8		Omnicare Inc.	1.4		Corning Inc.	0.7	
			Coventry Health Care Inc.	1.3				
* New Holding in 2011			Baxter International Inc.	1.1		TELECOMM. SERVICES	2.9	4.8
			Cigna Corporation	1.0		AT&T Inc.	1.4	
			Cardinal Health Inc.	0.8		Vodafone Group PLC ADS	0.8	
			* Sanofi ADS	0.6		Verizon Communications Inc.	0.7	
			Teva Pharmaceutical Industries Ltd.ADS	0.5				
						UTILITIES	3.7	7.8
			MATERIALS	1.0	2.7	CenterPoint Energy Inc.	1.1	
			* Sonoco Products Co.	1.0		Xcel Energy Inc.	1.0	
						Pinnacle West Capital Corp.	0.9	
			CASH & EQUIV.		1.7	Oneok Inc.	0.7	

Holdings Eliminated in 2011

AXIS Capital Holdings	Hewlett-Packard Co.
Advance Auto Parts	Home Depot Inc.
Alcoa Inc	Intel Corp.
Alliance Data Systems	Limited Brands Inc.
Bristol-Myers Squibb Co.	MDU Resources Group Inc.
Computer Sciences Corp	Marathon Petroleum Corp.
Diageo PLC ADS	National Oilwell Varco Inc.
Dominion Resources Inc. (Virginia)	Quest Diagnostics Inc.
El du Pont de Nemours & Co.	Ryder System Inc.
El Paso Corporation	Sealed Air Corp
Entergy Corp.	Sysco Corp
Family Dollar Stores Inc.	

Marathon Petroleum is spinoff of Marathon Oil and Exelis and Xylem are spinoffs of ITT.

CASH RETURN (BUYBACKS AND DIVIDENDS) AS A PERCENTAGE OF CORPORATE PROFITS



Buybacks and dividends on all U.S. publicly-traded companies since 1990. NIPA data from BEA.

- ❖ Despite recent increases, the percentage of profits dedicated to buybacks and dividends remains well below the average of the past twenty years.
- ❖ Cash on corporate balance sheets is still at record highs while payout ratios are at record lows, leaving significant upside for increases in dividends and buybacks.

Source: JPMorgan Global Research

THE BARROW HANLEY LARGE CAP VALUE OPPORTUNITY

Ticker	Holding	December 2011		December 1999	
		P/E*	Div Yield	P/E*	Div Yield
BAX	Baxter International	11	2.7	24	1.9
GE	General Electric Co.	12	3.8	47	1.1
IBM	Intl. Business Machines	12	1.6	31	0.4
ITW	Illinois Tool Works	12	3.1	24	1.1
INTC	Intel Corp.	10	3.5	36	0.1
JNJ	Johnson & Johnson	13	3.5	31	1.2
MDT	Medtronic Inc.	11	2.5	40	0.4
MSFT	Microsoft Corp.	9	3.1	79	0.0
PFE	Pfizer Inc.	10	3.7	39	0.9
SNY	Sanofi ADS	8	4.8	42	0.5
STT	State Street Corp.	11	1.8	25	0.9
TXN	Texas Instruments	13	2.3	57	0.2
UNH	UnitedHealth Group Inc.	11	1.3	17	0.1
VOD	Vodafone Group PLC ADS	11	7.5	56	0.6
WAG	Walgreen Co.	12	2.7	41	0.5

*Forward 1-year mean IBES estimate

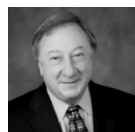
- ❖ The bear market of the last decade has brought the stock prices of many exceptional businesses down to attractive levels.
- ❖ The opportunity set for active Large Cap Value managers is as good as it has been since the firm was founded in the late 1970s.
 - Your portfolio is trading at a reasonable 11.0x next twelve month earnings.
 - The dividend yield (2.8%) is about 27% higher than the market yield.
- ❖ Our holdings have a history of dividend growth in addition to capital appreciation.

Source: FactSet

APPENDIX

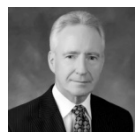
BHMS EQUITY PROFESSIONALS

VALUE EQUITY



JAMES P. BARROW – Executive Director, Portfolio Manager

During Mr. Barrow's 50-year investment career, he has worked as a securities analyst and portfolio manager for several major institutions including Citizens & Southern Bank of South Carolina, Atlantic Richfield, and Reliance Insurance. In 1973 he joined Republic National Bank of Dallas as a portfolio manager. He later was placed in charge of the Employee Benefit Portfolio Group and was a member of the Trust Investment Committee until the founding of this firm in 1979. Mr. Barrow graduated from the University of South Carolina.



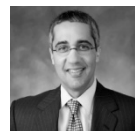
ROBERT J. CHAMBERS, CFA – Managing Director, Portfolio Manager

Mr. Chambers joined BHMS in 1994. During his 40-year investment career, he has worked as a senior securities analyst and portfolio manager for General Accident Group, the U.S. subsidiary of General Accident Fire and Life Assurance Co., Ltd. of Perth, Scotland. Mr. Chambers graduated from Drexel University with a BS in Finance.



TIMOTHY J. CULLER, CFA – Managing Director, Portfolio Manager

Mr. Culler joined BHMS in 1999 from INVESCO Capital Management, where he served as their Chief Investment Officer. Prior to his 9 years at INVESCO, Mr. Culler served as a securities analyst and a portfolio manager at First Union National Bank in Charlotte, where he began his 28-year career in the investment management industry. Mr. Culler graduated from Miami University in Ohio with BA and MA degrees.



MATTHEW P. EGENES, CFA – Director, Portfolio Specialist

Mr. Egenes joined BHMS as a portfolio specialist in 2005. He joined our firm from American Century Investments, where he served as vice president and institutional client advisor. Prior to his eight years at American Century, Mr. Egenes was executive vice president and portfolio manager for the firm that is now U.S. Bancorp, where he began his 25-year career in the investment management industry. Mr. Egenes graduated from Iowa State University with a BBA in Finance. He is a member of the CFA Institute and The CFA Society of Dallas/Fort Worth.



JEFF G. FAHRENBRUCH, CFA – Managing Director, Analyst

Mr. Fahrenbruch joined BHMS in 2002. Prior to joining BHMS, he was an equity analyst at Westwood Holdings Group. Mr. Fahrenbruch, with 15 years of experience in the investment industry, serves on the Board of Directors and the Strategic Advisory Board of the CFA Society of Dallas-Fort Worth. He earned a BBA in Finance with Highest Honors from the University of Texas, where he also served as an analyst on the MBA Investment Fund, LLC and competed on the UT golf team. In 1997, Mr. Fahrenbruch received the Ben Hogan Award and now serves on the selection committee for the award.



LIN FITZENHAGEN, CFA – Director, Portfolio Specialist

Mr. Fitzenhagen joined our firm as a portfolio specialist and director in February 2010. Prior to joining BHMS, he worked for Callan Associates, where before acting as a general consultant, he was a specialty consultant in Callan's Global Manager Research group responsible for covering international and global equity strategies. During his 11-year investment career, Mr. Fitzenhagen also served at the San Diego City Employees' Retirement System as an investment analyst. He graduated from Washington and Lee University with a BA and received an MBA from the University of Texas at Dallas. Mr. Fitzenhagen is a member of the CFA Society of Dallas-Fort Worth, the Financial Analysts Society of San Diego and the CFA Institute.



DAVID W. GANUCHEAU, CFA – Managing Director, Analyst

Mr. Ganucheau joined BHMS in 2004. Prior to joining BHMS, he was a portfolio manager and analyst for Clover Partners, LP. His 16-year career in the investment management industry includes serving as an analyst at GSB Investment Management. Mr. Ganucheau graduated from Southern Methodist University with a BBA in Accounting.

BHMS EQUITY PROFESSIONALS

VALUE EQUITY (Continued)



MARK GIAMBRONE, CPA – Managing Director, Large Cap and Mid Cap Value Portfolio Manager

Mr. Giambrone joined BHMS in January 1999. Prior to joining BHMS, Mr. Giambrone served as a portfolio consultant at HOLT Value Associates. During his 20-year career, he has also served as a senior auditor/tax specialist for KPMG Peat Marwick and Ernst & Young Kenneth Leventhal. Mr. Giambrone is a member of the American Institute of Certified Public Accountants. He graduated summa cum laude from Indiana University with a BS in Business and received an MBA from the University of Chicago.



JANE GILDAY, CFA – Managing Director, Analyst

Ms. Gilday joined BHMS in 1998. During her 44-year investment career, she has worked as a securities analyst at Argus Research, Spencer Trask & Co., First Boston Corp., M.J. Gilday Associates Inc., McKinley Allsopp, Gruntal & Co., Hancock Institutional Equity Services, and Advest Inc. Ms. Gilday graduated from Smith College, where she earned her BA in Economics, cum laude.



JOHN P. HARLOE, CFA – Managing Director, Portfolio Manager

Mr. Harloe joined BHMS in 1995 from Sterling Capital Management, where he served as a vice president and equity portfolio manager/analyst for 9 years. During the remainder of his 36-year investment career, Mr. Harloe worked with James McClure at American National Insurance Company, American Capital Management and Research, and Oppenheimer & Co., Inc. Mr. Harloe graduated from the University of South Carolina with a BA and an MBA.



H. MONROE HELM, III – Director, Analyst

Mr. Helm joined BHMS as an equity analyst in June 1997 and January 2010. He founded Cimarrone Capital Management, LLC and was a co-manager of Monomoy Natural Resources Fund, both affiliated with CM Energy Partners, Inc. Mr. Helm was also a founding member of RoundRock Capital Management, LLC. During his 36-year investment career, he has worked as a securities analyst at Republic National Bank of Dallas, Wells Fargo Investment Advisors, Morgan Stanley & Co. and Dillon, Read & Co. Mr. Helm has also worked for finance groups at Tenneco, Inc. and Lear Petroleum Corporation. He graduated from the University of Texas, where he earned both his BA and MBA.



DAVID A. HODGES, CFA – Managing Director, Portfolio Manager

Mr. Hodges joined BHMS in 2001. During his 12-year investment career, he served as an equity analyst for Sawgrass Asset Management. Prior to his tenure at Sawgrass, he was a partner at Hodges Law Firm in Little Rock. Mr. Hodges graduated from Southern Methodist University with a BA. He received an MBA from the University of Florida with a concentration in Security Analysis. He also holds a JD degree from the University of Arkansas School of Law, where he graduated magna cum laude.



CORY L. MARTIN – Managing Director, Portfolio Specialist Group

Mr. Martin joined BHMS in 1999. Prior to joining BHMS, he served as a vice president at Templeton Investment Counsel, Inc. in Fort Lauderdale, Florida where he was responsible for a number of international separate account and institutional fund client relationships. His 22-year career in the investment management industry includes servicing as an institutional investment consultant with LCG Associates, Inc., where he was responsible for advising institutional clients. Mr. Martin is a member of the CFA Institute and The CFA Society of Dallas-Fort Worth. He graduated from Baylor University.

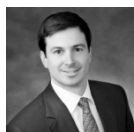
BHMS EQUITY PROFESSIONALS

VALUE EQUITY (Continued)



JAMES S. McCLURE, CFA – Managing Director, Portfolio Manager

Mr. McClure joined BHMS in 1995 from Goldman Sachs Asset Management, where he had been a vice president and senior portfolio manager, managing the Capital Growth Fund, as well as separate accounts. During his 40-year investment career, he has served as the Chief Investment Officer, and then President and Chief Operating Officer at National Securities and Research Corporation. He also served as the Chief Investment Officer and executive vice president at Oppenheimer & Co., Inc. He managed mutual funds at American Capital Management and Research and was initially a securities analyst at American National Insurance Company. Mr. McClure graduated from the University of Texas where he earned both his BA and MBA.



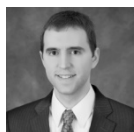
MICHAEL B. NAYFA, CFA – Analyst

Mr. Nayfa joined BHMS in June 2008 as an equity analyst. Prior experience includes work as an analyst at HBK and in institutional equity sales at Natexis Bleichroeder. Mr. Nayfa began his career in institutional sales at Sidoti & Company, LLC. He holds an MBA from the University of Texas, as well as a BBA in Finance from Texas Christian University, and is a member of the CFA Society of Dallas-Fort Worth.



RAY NIXON, JR. – Executive Director, Portfolio Manager

Mr. Nixon joined BHMS in 1994 from Smith Barney, Inc., where he was a member of the firm's Investment Policy Committee and served as their lead institutional stockbroker for the Southwest. During his 35-year investment career, he also served as a research analyst for the Teacher Retirement System of Texas. Mr. Nixon holds a BA and an MBA from the University of Texas. He is a member of the Board of the Presbyterian Healthcare Foundation, the Board of the Salvation Army, and the Investment Committee of The Susan G. Komen Foundation.



TERRY L. PELZEL, CFA – Analyst

Mr. Pelzel joined BHMS in January 2010 as an equity analyst. Prior to joining BHMS, he served as a senior portfolio analyst at Highland Capital Management, LP and as a financial analyst for Houlihan, Lockey, Howard & Zukin, Inc. Mr. Pelzel graduated from Texas A&M University, where he earned his BBA in Finance, magna cum laude.



BRIAN F. QUINN, CFA – Director, Analyst

Mr. Quinn joined BHMS in 2005 as an equity analyst. During his 11-year investment career, he has served as an equity analyst for Clover Partners, LP, and as a credit analyst for Frost Bank. Mr. Quinn received an MBA from Texas Christian University, where he served as a portfolio manager and equity research analyst for the William C. Conner Foundation's Educational Investment Fund. He earned a BS, with a concentration in finance, from Fordham University and is a member of The CFA Society of Dallas-Fort Worth.



R. LEWIS ROPP – Managing Director, Portfolio Manager

Mr. Ropp joined BHMS in 2001 from Frost Securities, where he was a senior equity analyst and served as managing director of the Energy Group. He served in management positions at Shell Oil Company and as a securities analyst in the energy sector at Howard, Weil, Labouisse, Friedrichs, Inc. prior to joining Frost Securities. Mr. Ropp received a Wall Street Journal "Best On The Street" listing in 2001 for his coverage of the secondary oil sector. Mr. Ropp graduated from the University of Louisiana at Lafayette with a BS in Mechanical Engineering. He received an MBA, as well as an MS in Civil and Environmental Engineering, from Tulane University.

BHMS EQUITY PROFESSIONALS

VALUE EQUITY (Continued)



KIRBY H. SMITH, CFA, CPA – Director, Portfolio Specialist

Mr. Smith joined BHMS in 2005 as a portfolio specialist. During his 19-year career, Mr. Smith served as a managing director of institutional equity sales for Bear Stearns. Prior to joining Bear Stearns, he worked at Donaldson, Lufkin & Jenrette and Lehman Brothers. Prior to his investment banking tenure, Mr. Smith held positions in public accounting and corporate finance. He graduated from Rhodes College with a BA and received an MBA in Finance and Accounting from Emory University. Mr. Smith is a member of the American Institute of Certified Public Accountants, as well as the CFA Society of Dallas-Fort Worth.



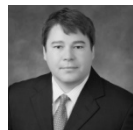
WILLIAM B. UNDERWOOD – Director, Portfolio Specialist

Mr. Underwood joined BHMS in 1998. Prior to servicing the firm's client relationships, his work at the firm included market and index research and portfolio analysis. Mr. Underwood began his 16-year career as a financial analyst at First City Financial Corporation. He graduated from Baylor University with a BBA and received an MBA from the Cox School of Business at Southern Methodist University.



MICHAEL J. WETHERINGTON, CFA – Director, Analyst

Mr. Wetherington joined BHMS in 1997. He serves as an equity analyst at BHMS. Mr. Wetherington began his 19-year investment career as an equity trader for Fidelity Investments, where he later served as an analyst for their brokerage advisors. Mr. Wetherington graduated from Southern Methodist University with a BS in Economics/Finance.



RANDOLPH S. WRIGHTON, JR., CFA – Director, Analyst

Mr. Wrighton joined BHMS in 2005 as an equity analyst. He worked as an intern analyst for the University of Texas Investment Management Company in Austin and Perry Capital in New York while attending graduate school at the McCombs School of Business at the University of Texas. Prior experience includes work as an associate in institutional equity sales for Deutsche Bank Securities in Atlanta. He is a member of the CFA Society of Dallas-Fort Worth. Mr. Wrighton holds an MBA from the University of Texas and a BA in Economics from Vanderbilt University.

TRADING



LAURA JIRELE-BORLESKE, CFA, CIPM

Ms. Jirele-Borleske joined BHMS in 2006. Prior to serving as an equity trader, her work at the firm included international operations and GIPS compliance. Her prior experience includes working on the trading desk of Jefferies & Company. Ms. Jirele-Borleske graduated magna cum laude from the A.B. Freeman School of Business at Tulane University, where she earned a BS with a concentration in finance and served as a research equity analyst for the Burkenroad Reports. She is a member of the CFA Institute and the CFA Society of Dallas-Fort Worth.



JASON W. SKINNER – Director, Head Trader

Mr. Skinner joined our firm in 1993 and currently serves as head equity trader. Mr. Skinner started his 19-year investment career with Fidelity Investments. He graduated from the University of Texas at Arlington with a BBA in Finance.

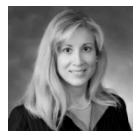


AARON J. SKIPWITH – Director

Mr. Skipwith joined BHMS in 2003. Mr. Skipwith currently serves as an equity trader. His 12-year investment career includes working for Lamp Technologies LLC, a technology consultant and service provider to the alternative investment community. Mr. Skipwith also served as a quantitative analyst at ATA Research, Inc. He graduated from the University of Texas at Dallas with a BS in Economics and Finance, cum laude.

BHMS EQUITY PROFESSIONALS

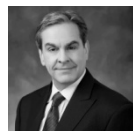
COMPLIANCE



PATRICIA B. ANDREWS – Director, Chief Compliance Officer

Ms. Andrews joined our firm in 2000. She began serving as BHMS' Compliance Officer in 2001 and was appointed Chief Compliance Officer (CCO) in 2004. She is responsible for overseeing the firm's compliance program. Her 26-year career in the investment industry includes serving at Smith Barney and Morgan Stanley. Ms. Andrews earned the Investment Adviser Certified Compliance Professional (IACCP) certification in 2006.

CLIENT DEVELOPMENT



ROBERT D. BARKLEY – Managing Director

Mr. Barkley joined BHMS in 1996. Prior to joining the firm, Mr. Barkley was a vice president and regional sales manager for Goldman Sachs Asset Management. During his 32-year investment career, he has worked as a senior capital advisor with SEI Corporation, and as a vice president in charge of institutional marketing at L.J. Melody & Co. He began his career at Goldman, Sachs & Co. as a member of the firm's private client services group. Mr. Barkley graduated from Baylor University with a BBA and from the Baylor School of Law with a JD.



HUNTER WOOD – Director

Mr. Wood joined BHMS in 2001. Prior to joining the firm, Mr. Wood was director of business development for Digital Century Capital in New York. During his 20-year investment career, Mr. Wood has served as director of product development at MINT Investment Management Company in New York and vice president of trading operations at Chesapeake Capital Corporation in Richmond. Mr. Wood graduated from the University of Richmond with a BSBA in Finance.

REGULATORY DISCLOSURES

Partial Client List: The representative client list was compiled based on diversity of client type and length of relationship with BHMS (both old and new relationships). Performance-based criteria was not used in determining which clients to include on the list. Inclusion on this list does not reflect an endorsement of our firm or the advisory services provided.

Russell Indexes: Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

General Disclosures: A complete list and details concerning all composites are available upon request. Past performance is not indicative of future results. This information is to be used solely in one-on-one discussions with plan sponsors and consultants, with the appropriate reference to these disclosures.

Largest Contributors/Detractors and Largest Gainers/Decliners: Returns shown are of an actual client's portfolio managed by BHMS as of the date noted. Performance is expressed in U.S. currency. The returns include the reinvestment of all income. Gross returns are presented before investment management and custodial fees. Past performance does not guarantee future results. The calculation methodology used and a list of the contribution to overall performance for each holding during the measurement period is available by contacting clientservices@barrowhanley.com. Holdings identified do not represent all of the securities purchased, sold, or recommended.

McKinley Capital Management, LLC

Mandate: Large Cap Growth

Hired: 1997

Firm Information	Investment Approach	Total ARMB Mandate & Fees														
<p>McKinley Capital, founded by Robert B. Gillam in 1990, is an independently owned, private limited liability company wholly owned by McKinley Capital Management, Inc. which is wholly owed by employees of McKinley Capital, LLC and family trusts. Approximately 21% of issued and outstanding non-voting shares are held by or for the benefit of employees of McKinley Capital other than Robert B. Gillam.</p> <p>As of 12/31/11, the firm's total assets under management were \$8.6 billion.</p> <p>Key Executives: Robert B. Gillam, <i>President & CEO</i> Robert A. Gillam, <i>Senior Vice President & CIO</i> Alex Slivka, <i>Director, Institutional Marketing</i></p>	<p>The investment philosophy is based on the belief that excess market returns can be achieved through the construction and active management of a diversified and fundamentally sound portfolio of inefficiently priced common stocks whose earnings are accelerating above market expectations.</p> <p>As a bottom-up growth manager, McKinley employs a systematic screening process and qualitative overview to construct and manage investment portfolios. Stock selection is based on quantitative factors – risk-adjusted returns, liquidity and earnings, along with qualitative factors – data check comparisons and street research for a portfolio that contains a concentrated pool of securities providing diversification and risk control by systematic exposures such as issue, industry and sector.</p> <p>The portfolio management team is responsible for stock selection and portfolio construction; investment ideas are discussed and shared formally through scheduled portfolio meetings and informally on an ongoing basis.</p> <p>Benchmark: Russell 1000 Index</p>	<p>Assets Managed:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">12/31/10</td> <td style="text-align: right;">\$387,080,205</td> </tr> <tr> <td>12/31/11</td> <td style="text-align: right;">\$322,827,312</td> </tr> </table> <p>Fee Schedule:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">First \$50,000,000</td> <td style="text-align: right;">0.45%</td> </tr> <tr> <td>Next \$50,000,000</td> <td style="text-align: right;">0.40%</td> </tr> <tr> <td>Next \$100,000,000</td> <td style="text-align: right;">0.35%</td> </tr> <tr> <td>Next \$50,000,000</td> <td style="text-align: right;">0.30%</td> </tr> <tr> <td>Thereafter</td> <td style="text-align: right;">0.25%</td> </tr> </table>	12/31/10	\$387,080,205	12/31/11	\$322,827,312	First \$50,000,000	0.45%	Next \$50,000,000	0.40%	Next \$100,000,000	0.35%	Next \$50,000,000	0.30%	Thereafter	0.25%
12/31/10	\$387,080,205															
12/31/11	\$322,827,312															
First \$50,000,000	0.45%															
Next \$50,000,000	0.40%															
Next \$100,000,000	0.35%															
Next \$50,000,000	0.30%															
Thereafter	0.25%															

Concerns: McKinley was placed on the Manager Watch List in December 2009 for performance.

12/31/2011 Performance (gross of fees)

	<u>Last Quarter</u>	<u>1-Year</u>	<u>3 Yr. Ann. Annualized</u>	<u>5 Years Annualized</u>	<u>7 Years Annualized</u>
McKinley	11.21%	3.37%	13.89%	1.90%	3.84%
Benchmark	11.84%	1.50%	14.81%	-0.02%	2.95%



McKINLEY CAPITAL MANAGEMENT, LLC



Global Growth Specialist

McKinley Capital's mission is to be a premier global growth specialist providing superior relative investment returns over time and exceptional client service.

REPORT CONTENTS

Introduction	.....	1
Investment Philosophy and Process	.....	2
Alaska Retirement Management Board	.....	3
Organizational Chart & Biographies	.....	4
Disclosures	.....	5



Section | **1**

INTRODUCTION TO MCKINLEY CAPITAL

- Global Investment Adviser
- Founded in 1990
- Quantitatively Driven Investment Process
- Capabilities:
 - Single Country
 - Region Based
 - Global ex Home Country
 - SRI/MRI
 - Long/Short
- Products:
 - Global Growth
 - Non-U.S Growth
 - Non-U.S. Developed Growth
 - Non-U.S. Developed (130/30) Growth
 - Emerging Markets Growth
 - U.K. Growth
 - U.S. Large Cap Growth
 - U.S. Small Cap Growth
 - U.S. All Cap Growth
- Independently Owned
- Equity Incentive Plan
- Team Approach



REPRESENTATIVE CLIENT LIST

AT&T, Inc.
Bombardier
Policemen's Annuity and Benefit Fund of Chicago
SEI Investments
Los Angeles Fire & Police Pension System
Houston Firefighters' Relief and Retirement Fund
Alaska Permanent Fund Corporation
Minnesota State Investment Board
Alaska Retirement Management Board
Teachers' Retirement System of the State of Illinois
The Health Foundation
Maryland State Retirement & Pension System

It is not known whether the listed clients approve or disapprove of McKinley Capital or the advisory services it has provided. The names included herein were selected as being representative of the different types of institutional clients and businesses serviced by McKinley Capital. Performance was not a determining factor for inclusion or exclusion of client names on the list.



ASSET BREAKDOWN

As of December 31, 2011

Product	Total Value (U.S.\$ in millions)
Global Growth	\$1,535
Non-U.S. Growth	\$4,965
Non-U.S. Developed Growth	\$950
U.S. Large Cap Growth	\$547
U.S. Small Cap Growth	\$218
Other	\$370
TOTAL	\$8,585

Total may not be exact when summed due to rounding.

Figures reflect assets managed in a particular capitalization range or style and may include assets from more than one composite.



PERFORMANCE SUMMARY

Annualized gross and net returns for the period ended December 31, 2011

<i>Preliminary</i>	Current Quarter	Year to Date	One Year	Three Year	Five Year	Ten Year	Since Inception
Global Growth							3Q98
Gross	5.39	-7.80	-7.80	11.60	-0.79	5.41	4.36
Net	5.34	-8.16	-8.16	11.14	-1.21	5.08	3.97
MSCI ACW Growth	7.27	-7.04	-7.04	14.03	-0.11	4.20	2.34
MSCI ACW	7.30	-6.86	-6.86	12.60	-1.41	4.76	3.31
Non-U.S. Growth							4Q95
Gross	3.20	-14.70	-14.70	6.90	-5.89	6.55	7.48
Net	3.08	-15.14	-15.14	6.35	-6.36	6.06	6.75
MSCI ACW XUS Growth	4.16	-13.93	-13.93	11.21	-1.84	5.94	N/A ¹
MSCI ACW XUS	3.77	-13.33	-13.33	11.20	-2.48	6.76	5.03
MSCI EAFE	3.38	-11.73	-11.73	8.16	-4.26	5.12	4.14
Non-U.S. Developed Growth							2Q04
Gross	4.74	-14.16	-14.16	5.98	-5.90	N/A	3.00
Net	4.62	-14.59	-14.59	5.50	-6.33		2.55
MSCI EAFE Growth	3.94	-11.82	-11.82	8.85	-2.81		4.29
MSCI EAFE	3.38	-11.73	-11.73	8.16	-4.26		3.97
Non-U.S. Developed (130/30) Growth							1Q07
Gross	4.95	-10.10	-10.10	5.12	-5.09	N/A	-5.09
Net	4.75	-10.85	-10.85	4.26	-5.85		-5.85
MSCI EAFE Growth	3.94	-11.82	-11.82	8.85	-2.81		-2.81
MSCI EAFE	3.38	-11.73	-11.73	8.16	-4.26		-4.26
U.K. Growth							2Q08
Gross	8.26	-0.62	-0.62	19.21	N/A	N/A	-2.59
Net	8.17	-0.90	-0.90	18.86			-2.87
FTSE All Share	8.13	-4.17	-4.17	15.85			-3.40
U.S. Large Cap Growth							2Q95
Gross	11.18	5.69	5.69	16.05	4.66	2.94	9.28
Net	11.12	5.42	5.42	15.73	4.36	2.62	8.77
Russell 1000 Growth	10.61	2.64	2.64	18.02	2.50	2.60	6.70
U.S. Large Cap 1000							1Q98
Gross	11.20	3.06	3.06	13.74	1.84	3.13	4.63
Net	11.20	2.81	2.81	13.39	1.51	2.79	4.27
Russell 1000	11.84	1.50	1.50	14.81	-0.02	3.34	3.96
U.S. Small Cap Growth							1Q97
Gross	13.11	-7.58	-7.58	15.29	-1.68	2.34	4.66
Net	12.96	-8.00	-8.00	14.67	-2.26	1.77	3.90
Russell 2000 Growth	14.99	-2.91	-2.91	19.00	2.09	4.48	3.94
U.S. All Cap Growth							3Q90
Gross	10.36	-10.12	-10.12	8.35	0.50	2.07	11.28
Net	10.09	-10.97	-10.97	7.41	-0.24	1.38	10.16
Russell 3000 Growth	10.94	2.18	2.18	18.09	2.46	2.74	7.42

Source: McKinley Capital Management, LLC

¹MSCI ACW XUS Growth Index Inception date is January 1, 1997

Performance stated in U.S. dollars unless otherwise noted

McKinley Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®)



Section | **2**

INVESTMENT PHILOSOPHY

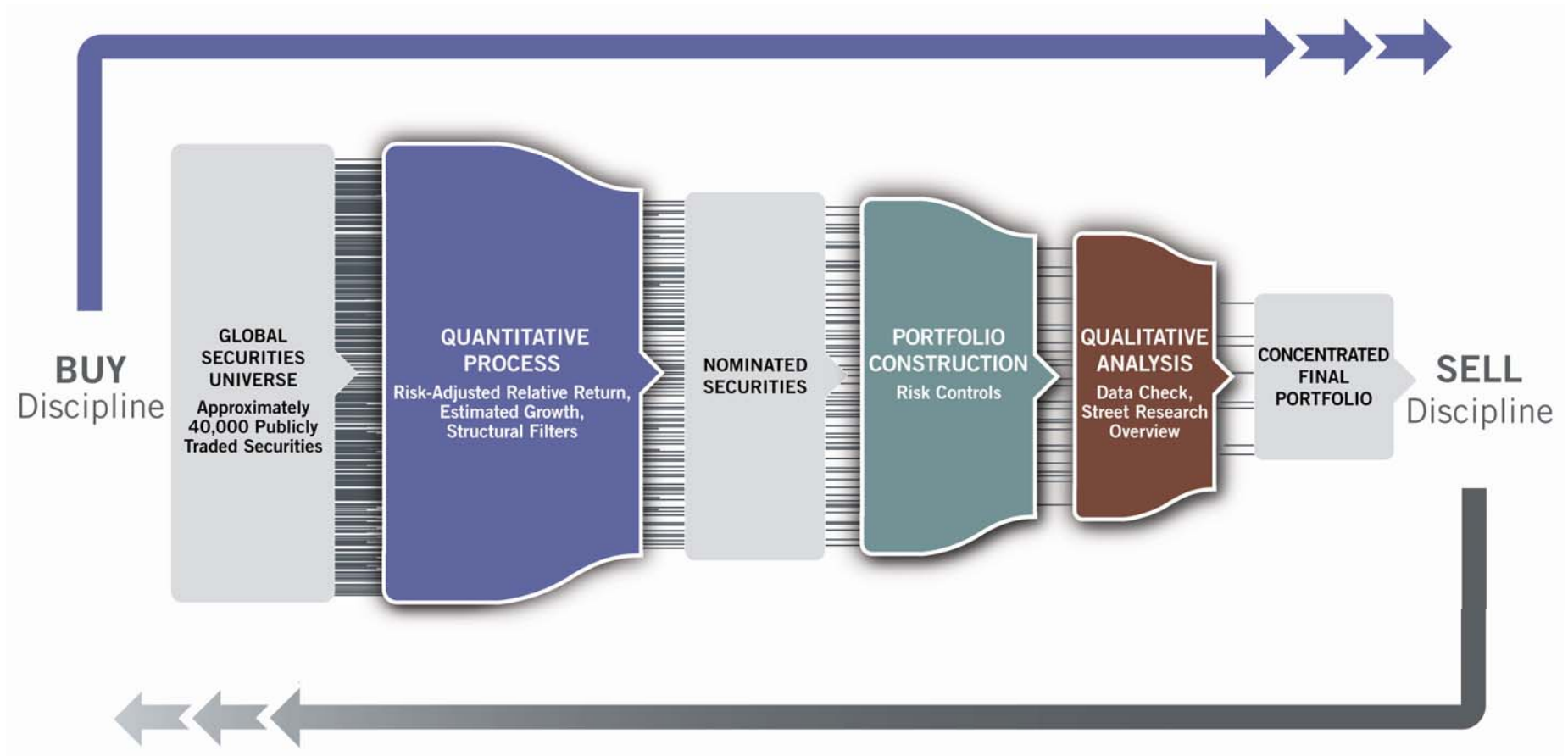
McKinley Capital believes that excess market returns can be achieved through the construction and management of a diversified, fundamentally sound portfolio of inefficiently priced securities whose earnings growth rates are accelerating above market expectations.

INVESTMENT STYLE

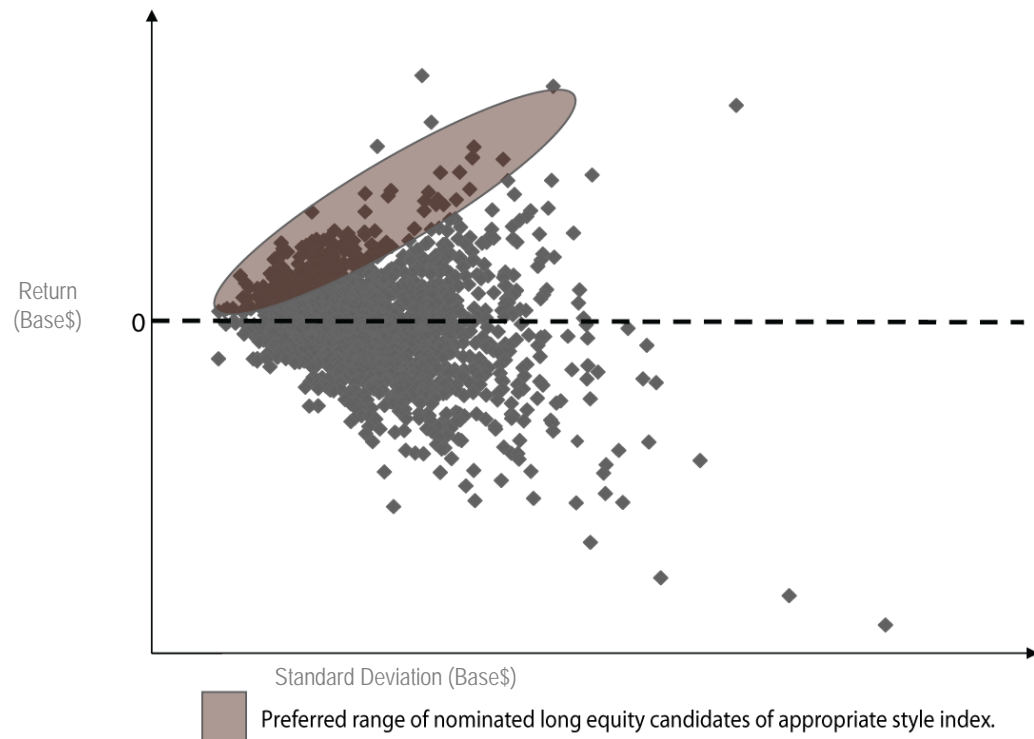
- Growth Focus
- Risk Exposures
 - Momentum
 - Growth
 - Selection
- Bottom-up Process
- Quantitative/Qualitative



OVERVIEW



RISK-ADJUSTED RELATIVE RETURN

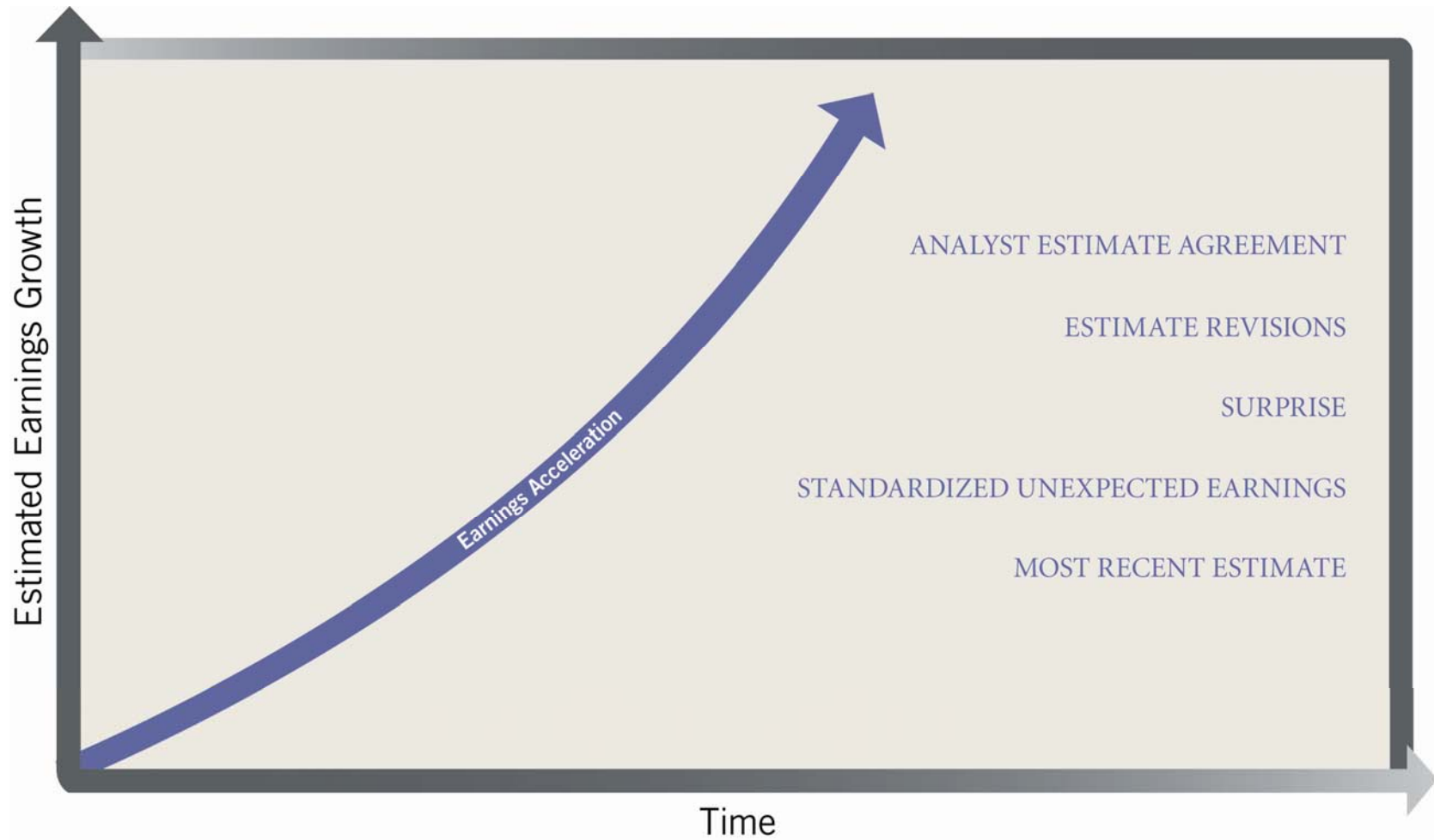


Currency Strategy (Non-U.S. and Global)

- Unhedged
- Quantitative process incorporates currency valuation

Source: McKinley Capital Management, LLC December 2006

ESTIMATED GROWTH CONCEPTUALIZATION



STRUCTURAL FILTERS

Capacity Constraints

- Liquidity constraints dictate maximum capacity
- Maximum asset levels have been established for every product

Liquidity Filters

- Minimum market cap of U.S. \$100 million (*by style*)
- Buy-in positions not to exceed three times average daily trading volume



RISK CONTROLS

We seek to create “balanced” portfolios by controlling systematic influences such as:

- Sector
- Industry
- Country
- Region (*emerging markets*)
- Size (*market capitalization*)
- Position (*active weight*)
- Number of stocks (*varies by product*)



DATA CHECK AND OVERVIEW

Purpose: *To ensure that earnings estimates are reasonable and sustainable.*

Qualitative Data Check

- Compare data across multiple sources to ensure accuracy
- Review formulas to highlight drivers

Street Research Overview

- WHO: Determine the top analyst
- WHAT: Top analyst's expectations vs. the Street's
- WHY: Why the top analyst's opinion is different from the Street's
- CROSS-REFERENCE: Research top analyst's opinion and other sources



SELL DISCIPLINE

Sells are triggered by the following strict, objective criteria:

- A consecutive and sustained deterioration in risk-adjusted relative return
- Estimate deceleration
- Negative earnings surprises
- Relative forward valuation multiples exceeding relative forward growth estimates
- Risk controls
- Country factors (*nationalization, capital controls, etc.*)
- Fraud (*earnings re-statement*)



Section | **3**

INVESTMENT RESULTS

ANNUALIZED

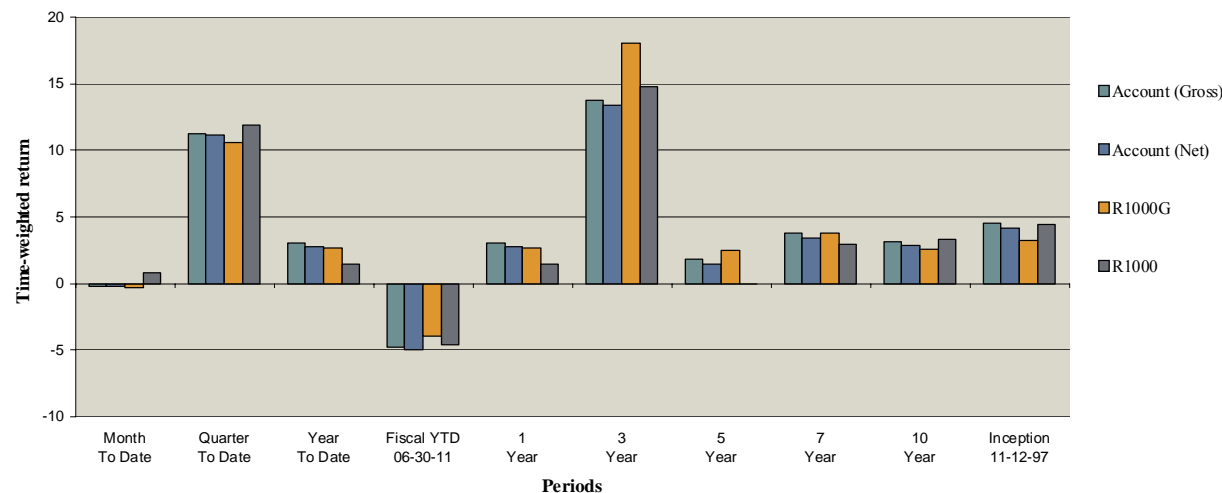
Alaska Retirement Management Board

U.S. Large Cap 1000

For the Period Ended 12/31/2011

Reporting Currency: United States Dollar

	Month To Date	Quarter To Date	Year To Date	Fiscal YTD 06-30-11	One Year	Three Year	Five Year	Seven Year	Ten Year	Inception 11-12-97
Account (Gross)	-0.22	11.20	3.07	-4.78	3.07	13.75	1.84	3.78	3.17	4.49
Account (Net)	-0.22	11.11	2.73	-4.94	2.73	13.37	1.50	3.43	2.82	4.15
R1000G	-0.32	10.61	2.64	-3.92	2.64	18.02	2.50	3.81	2.60	3.25
Difference (Gross)	0.10	0.59	0.43	-0.86	0.43	-4.27	-0.66	-0.03	0.57	1.24
R1000	0.84	11.84	1.50	-4.58	1.50	14.81	-0.02	2.95	3.34	4.46
Difference (Gross)	-1.06	-0.64	1.57	-0.20	1.57	-1.06	1.86	0.83	-0.17	0.03



U.S. Large Cap 1000 Composite Performance - USD\$

Performance for the period ended December 31, 2011

Calendar Year Performance (%)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
U.S. Large Cap 1000 (gross)	3.06	17.12	21.91	-36.06	16.41	7.94	9.64	7.83	25.16	-22.21	-28.30	-2.08
U.S. Large Cap 1000 (net)	2.81	16.73	21.49	-36.29	16.04	7.59	9.28	7.51	24.69	-22.52	-28.58	-2.39
Russell 1000	1.50	16.10	28.43	-37.60	5.77	15.46	6.27	11.40	29.89	-21.65	-12.45	-7.79
Difference (gross)	1.56	1.03	-6.52	1.54	10.64	-7.52	3.37	-3.57	-4.73	-0.56	-15.85	5.71
Russell 1000 Growth	2.64	16.71	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42

Preliminary

Trailing Performance (%)	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	Inception (1/01/98)
U.S. Large Cap 1000 (gross)	11.20	3.06	3.06	13.74	1.84	3.78	3.13	4.63
U.S. Large Cap 1000 (net)	11.20	2.81	2.81	13.39	1.51	3.45	2.79	4.27
Russell 1000	11.84	1.50	1.50	14.81	-0.02	2.95	3.34	3.96
Difference (gross)	-0.64	1.56	1.56	-1.07	1.86	0.83	-0.22	0.66
Russell 1000 Growth	10.61	2.64	2.64	18.02	2.50	3.81	2.60	2.81

Source: McKinley Capital Management, LLC

See the U.S. Large Cap 1000 Annual Disclosure Presentation at the end of the report.



ASSET SUMMARY

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

PORTFOLIO COMPOSITION

	Market Value	Pct. Assets
Equities	316,378,477.71	98.0
Fixed Income	0.00	0.0
Cash	6,119,718.48	1.9
Accruals	329,115.38	0.1
Other	0.00	0.0
Total	322,827,311.57	100.0

CHANGE IN PORTFOLIO

Portfolio Value on 09-30-11	290,301,684.87
Net Additions/Withdrawals	0.00
Realized Gains	1,751,521.05
Unrealized Gains*	29,487,140.10
Income and Expenses	1,286,965.55
Portfolio Value on 12-31-11	322,827,311.57

*Change in unrealized gain/loss from prior period.



ATTRIBUTION SUMMARY

Alaska Retirement Management Board

U.S. Large Cap 1000

From 9/30/2011 to 12/31/2011

Reporting Currency: United States Dollar

The Alaska Retirement Management Board U.S. Large Cap 1000 Portfolio underperformed the Russell 1000 Index last quarter (11.20% vs 11.84%, USD, gross of fees).

Performance Drivers	Total Effect
Position Contributors	
El Paso Corp	0.42
Philip Morris International Inc	0.27
Celanese Corp	0.24
National Oilwell Varco Inc	0.24
AMETEK Inc	0.21
Position Detractors	
Oracle Corp	-0.29
Herbalife Ltd	-0.28
Time Warner Cable Inc	-0.25
Goodrich Corp	-0.20
Baidu Inc/China	-0.20

	Total Effect
Sector Contributors	
Energy	0.38
Materials	0.29
Health Care	0.17
Sector Detractors	
Information Technology	-0.62
Industrials	-0.39
Consumer Discretionary	-0.38



ATTRIBUTION SUMMARY

Alaska Retirement Management Board

U.S. Large Cap 1000

From 12/31/2010 to 12/31/2011

Reporting Currency: United States Dollar

The Alaska Retirement Management Board U.S. Large Cap 1000 Portfolio outperformed the Russell 1000 Index year to date (3.07% vs 1.50%, USD, gross of fees).

Performance Drivers	Total Effect
Position Contributors	
Alexion Pharmaceuticals Inc	0.81
Herbalife Ltd	0.75
Ross Stores Inc	0.69
Philip Morris International Inc	0.61
Goodrich Corp	0.53
Position Detractors	
Freeport-McMoRan Copper & Gold Inc	-0.56
Amarin Corp PLC	-0.51
JPMorgan Chase & Co	-0.39
McDermott International Inc	-0.38
CIT Group Inc	-0.32

	Total Effect
Sector Contributors	
Information Technology	1.42
Consumer Staples	1.30
Financials	1.16
Sector Detractors	
Materials	-0.72
Health Care	-0.65
Industrials	-0.45



PORTFOLIO CHARACTERISTICS

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

	<u>Account</u>	<u>R1000</u>	<u>R1000G</u>
Number of Holdings	56	976	585
Market Capitalization BIL*	88.78	81.32	92.25
Earnings Growth (Current Year)	19.24 %	12.65 %	17.65 %
Price/Earnings (Last 12 Months)	16.65	16.29	18.11
Price/Earnings (Forward 1 Year Est.)	14.10	14.75	15.52
Dividend Yield	0.82 %	1.04 %	0.68 %
Price to Book	2.94	2.21	3.21
Return on Equity	19.76 %	13.85 %	18.14 %

*Figure is weighted average; all other figures are median.



TOP TEN WEIGHTS

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

Security	Nominal Weight
Apple Inc.	4.98
International Business Machines Corp.	3.21
Philip Morris International Inc.	3.10
Exxon-Mobil Corp.	2.86
JPMorgan Chase & Co.	2.70
Chevron Corp.	2.64
McDonald's Corp	2.38
Berkshire Hathaway Inc.	2.35
Visa Inc. - Class A	2.19
Altria Group Inc.	2.17
TOTAL	28.58

Security	Active Weight
Apple Inc.	2.08
Philip Morris International Inc.	2.01
Ross Stores Inc.	1.79
Visa Inc. - Class A	1.78
InterActiveCorp.	1.73
Altria Group Inc.	1.69
Biogen Idec Inc.	1.68
JPMorgan Chase & Co.	1.68
Torchmark Corp	1.64
American Express Company	1.63
TOTAL	17.73

* Active weight vs. R1000



SECTOR WEIGHTS

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

MSCI GICS Sector	Portfolio	R1000	Difference	R1000G	Difference	Portfolio As Of Prior Quarter End
Consumer Discretionary	11.2	11.7	-0.6	14.2	-3.1	12.9
Consumer Staples	12.1	10.4	1.7	12.8	-0.7	12.9
Energy	10.4	11.7	-1.3	11.1	-0.7	9.5
Financials	10.1	14.0	-3.8	3.7	6.4	8.0
Health Care	10.6	11.8	-1.2	10.5	0.0	11.0
Industrials	10.3	10.8	-0.6	12.7	-2.4	10.9
Information Technology	22.7	18.5	4.2	28.2	-5.5	22.0
Materials	5.2	4.0	1.1	5.3	-0.1	4.7
Telecommunication Services	2.2	3.0	-0.9	1.3	0.9	2.2
Utilities	3.3	4.0	-0.7	0.1	3.1	3.3
Cash	2.0	0.0	2.0	0.0	2.0	2.4
TOTAL	100.0	100.0		100.0		100.0



PORTFOLIO APPRAISAL

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>
United States						
COMMON STOCK						
66,460	Alexion Pharmaceuticals Inc.	28.23	1,876,484.81	71.50	4,751,890.00	1.5
236,800	Altria Group Inc.	20.24	4,792,645.02	29.65	7,021,120.00	2.2
138,145	American Express Company	33.33	4,604,303.22	47.17	6,516,299.65	2.0
122,050	AMETEK Inc.	33.32	4,066,332.95	42.10	5,138,305.00	1.6
80,005	Anadarko Petroleum Corp.	80.02	6,402,010.88	76.33	6,106,781.65	1.9
39,725	Apple Inc.	155.49	6,176,699.77	405.00	16,088,625.00	5.0
132,995	Ball Corp.	30.42	4,045,047.16	35.71	4,749,251.45	1.5
102,850	BE Aerospace Inc.	32.68	3,360,787.22	38.71	3,981,323.50	1.2
99,470	Berkshire Hathaway Inc.	70.94	7,056,058.16	76.30	7,589,561.00	2.4
55,465	Biogen Idec Inc.	95.93	5,320,889.96	110.05	6,103,923.25	1.9
180,860	Bristol-Myers Squibb Co.	30.26	5,471,998.44	35.24	6,373,506.40	2.0
92,790	Celanese Corp. - Series A	35.39	3,283,422.25	44.27	4,107,813.30	1.3
79,980	Chevron Corp.	92.22	7,375,774.20	106.40	8,509,872.00	2.6
114,630	Cigna Corp	41.66	4,775,948.17	42.00	4,814,460.00	1.5
87,060	Coach Inc.	49.72	4,328,318.49	61.04	5,314,142.40	1.6
97,791	Coca Cola Co	68.73	6,721,481.78	69.97	6,842,436.27	2.1
50,880	Concho Resources Inc.	59.40	3,022,445.95	93.75	4,770,000.00	1.5
102,517	Covidien Plc	49.51	5,075,235.48	45.01	4,614,290.17	1.4
45,865	Cummins Inc.	61.97	2,842,166.90	88.02	4,037,037.30	1.3
127,680	DirecTV Group Inc.	32.97	4,208,971.20	42.76	5,459,596.80	1.7
81,570	Dover Corp.	44.44	3,624,692.67	58.05	4,735,138.50	1.5
243,310	EMC Corp.	18.91	4,602,115.00	21.54	5,240,897.40	1.6



PORTFOLIO APPRAISAL

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>
115,120	Endo Pharmaceuticals Holdings Inc.	28.59	3,290,923.93	34.53	3,975,093.60	1.2
108,796	Exxon-Mobil Corp.	79.87	8,689,419.06	84.76	9,221,548.96	2.9
100,856	Freeport McMoran Copper and Gold	46.31	4,670,186.09	36.79	3,710,492.24	1.1
122,650	General Electric Co.	12.27	1,504,510.76	17.91	2,196,661.50	0.7
9,565	Google Inc.	613.72	5,870,269.36	645.90	6,178,033.50	1.9
105,040	Herbalife Ltd	29.88	3,138,535.60	51.67	5,427,416.80	1.7
133,170	InterActiveCorp.	36.49	4,859,359.88	42.60	5,673,042.00	1.8
56,372	International Business Machines Corp.	140.95	7,945,661.28	183.88	10,365,683.36	3.2
262,385	JPMorgan Chase & Co.	40.66	10,669,065.59	33.25	8,724,301.25	2.7
174,940	Kraft Foods Inc.-A	33.91	5,931,445.47	37.36	6,535,758.40	2.0
79,330	Las Vegas Sands Corp.	45.39	3,600,888.62	42.73	3,389,770.90	1.1
127,223	MACY'S Inc.	31.87	4,055,136.43	32.18	4,094,036.14	1.3
76,586	McDonald's Corp.	86.88	6,653,622.90	100.33	7,683,873.38	2.4
239,510	Microsoft Corp.	26.76	6,409,145.98	25.96	6,217,679.60	1.9
73,950	National Oilwell Varco	57.22	4,231,466.69	67.99	5,027,860.50	1.6
127,041	Oracle Corp.	27.78	3,529,764.97	25.65	3,258,601.65	1.0
127,376	Philip Morris International Inc.	46.32	5,899,666.08	78.48	9,996,468.48	3.1
8,578	Priceline.com Inc.	343.88	2,949,782.05	467.71	4,012,016.38	1.2
123,450	Qualcomm Inc.	50.96	6,290,613.41	54.70	6,752,715.00	2.1
103,585	Rockwood Holdings Inc.	49.04	5,079,684.10	39.37	4,078,141.45	1.3
127,440	Ross Stores Inc.	15.51	1,976,651.75	47.53	6,057,223.20	1.9
80,198	SanDisk Corp.	48.91	3,922,323.78	49.21	3,946,543.58	1.2
115,300	Southern Co	39.80	4,588,464.86	46.29	5,337,237.00	1.7
41,916	The J.M. Smucker Co.	69.95	2,932,105.35	78.17	3,276,573.72	1.0



PORTFOLIO APPRAISAL

Alaska Retirement Management Board

U.S. Large Cap 1000

December 31, 2011

Reporting Currency: United States Dollar

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
96,190	Timken Co	40.59	3,904,830.78	38.71	3,723,514.90	1.2
124,597	Torchmark Corp	34.18	4,259,268.04	43.39	5,406,263.83	1.7
77,275	Towers Watson & Co.	56.50	4,366,243.82	59.93	4,631,090.75	1.4
65,200	United Technologies Corp.	74.10	4,831,126.03	73.09	4,765,468.00	1.5
88,300	Universal Health Services - B	24.22	2,138,237.48	38.86	3,431,338.00	1.1
165,790	US BanCorp	26.47	4,389,024.99	27.05	4,484,619.50	1.4
174,270	Verizon Communications Inc.	37.64	6,559,796.06	40.12	6,991,712.40	2.2
69,670	Visa Inc. - Class A	85.55	5,960,263.32	101.53	7,073,595.10	2.2
149,760	Wisconsin Energy Corp.	25.84	3,870,151.91	34.96	5,235,609.60	1.6
			<u>262,001,466.09</u>		<u>313,746,255.71</u>	<u>97.2</u>
ADR / GDR COMMON STOCK						
22,600	Baidu Inc. - Spon ADR	145.81	3,295,242.72	116.47	2,632,222.00	0.8
CASH AND EQUIVALENTS						
	Accrued Dividends		327,512.67		327,512.67	0.1
	Accrued Interest USD		1,602.71		1,602.71	0.0
	U.S. DOLLARS		<u>6,119,718.48</u>		<u>6,119,718.48</u>	<u>1.9</u>
			<u>6,448,833.86</u>		<u>6,448,833.86</u>	<u>2.0</u>
United States Total			271,745,542.67		322,827,311.57	100.0
TOTAL PORTFOLIO			271,745,542.67		322,827,311.57	100.0



PURCHASE AND SALE

Alaska Retirement Management Board

U.S. Large Cap 1000

From 10-01-11 to 12-31-11

Reporting Currency: United States Dollar

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
11-10-11	11-16-11	26,250	Anadarko Petroleum Corp.	79.12	2,076,892.13
11-11-11	11-16-11	42,165	Anadarko Petroleum Corp.	81.46	3,434,942.21
11-29-11	12-02-11	5,960	Anadarko Petroleum Corp.	77.28	460,591.78
12-22-11	12-28-11	5,630	Anadarko Petroleum Corp.	76.30	429,584.76
10-28-11	11-02-11	22,600	Baidu Inc. - Spon ADR	145.81	3,295,242.72
10-10-11	10-13-11	11,640	Berkshire Hathaway Inc.	73.26	852,754.55
11-11-11	11-16-11	37,270	Bristol-Myers Squibb Co.	31.87	1,187,947.71
11-29-11	12-02-11	15,030	Chevron Corp.	97.10	1,459,406.99
10-27-11	11-01-11	4,180	Concho Resources Inc.	98.08	409,993.63
10-28-11	11-02-11	3,290	Concho Resources Inc.	98.28	323,327.38
10-27-11	11-01-11	23,361	JPMorgan Chase & Co.	36.85	860,815.47
10-27-11	11-01-11	22,879	JPMorgan Chase & Co.	36.99	846,179.82
10-27-11	11-01-11	102,710	MACY'S Inc.	31.97	3,284,018.73
11-11-11	11-16-11	24,513	MACY'S Inc.	31.46	771,117.70
10-05-11	10-11-11	46,590	Microsoft Corp.	26.01	1,211,815.22
10-21-11	10-26-11	80,198	SanDisk Corp.	48.91	3,922,323.78
10-18-11	10-21-11	41,065	United Technologies Corp.	74.15	3,044,957.43
10-18-11	10-21-11	24,135	United Technologies Corp.	74.01	1,786,168.60
12-20-11	12-23-11	165,790	US BanCorp	26.47	4,389,024.99
		<u>705,256</u>			<u>34,047,105.60</u>
SALES					
10-03-11	10-06-11	14,925	Amarin Corp PLC	8.60	128,412.23



PURCHASE AND SALE

Alaska Retirement Management Board

U.S. Large Cap 1000

From 10-01-11 to 12-31-11

Reporting Currency: United States Dollar

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
10-03-11	10-06-11	39,030	Amarin Corp PLC	8.60	335,807.65
10-04-11	10-07-11	84,015	Amarin Corp PLC	8.13	682,860.76
10-04-11	10-07-11	13,238	Amarin Corp PLC	8.16	107,998.82
10-04-11	10-07-11	682	Amarin Corp PLC	8.16	5,563.92
10-05-11	10-11-11	48,488	Amarin Corp PLC	8.24	399,402.51
10-05-11	10-11-11	40,900	Amarin Corp PLC	8.24	336,899.07
10-05-11	10-11-11	12,087	Amarin Corp PLC	8.24	99,562.33
10-05-11	10-11-11	22,065	Amarin Corp PLC	8.29	182,981.52
10-27-11	11-01-11	56,980	El Paso Corp	25.43	1,449,064.73
10-27-11	11-01-11	57,923	El Paso Corp	25.36	1,468,985.91
11-10-11	11-16-11	82,257	El Paso Corp	24.71	2,032,375.14
11-10-11	11-16-11	45,260	El Paso Corp	24.71	1,118,267.13
10-21-11	10-26-11	31,343	Goodrich Corp.	122.15	3,828,398.69
10-24-11	10-27-11	15,527	Goodrich Corp.	122.06	1,895,254.43
10-24-11	10-27-11	10,030	Goodrich Corp.	122.06	1,224,280.41
12-21-11	12-27-11	110,634	Oracle Corp.	25.28	2,796,298.01
10-25-11	10-28-11	14,200	Schlumberger Ltd	68.88	978,080.05
10-25-11	10-28-11	30,180	Schlumberger Ltd	68.88	2,078,764.50
10-27-11	11-01-11	8,085	The J.M. Smucker Co.	77.03	622,824.10
10-27-11	11-01-11	6,275	The J.M. Smucker Co.	77.03	483,391.61
10-28-11	11-02-11	13,630	The J.M. Smucker Co.	76.83	1,047,160.51
11-10-11	11-16-11	26,080	Time Warner Cable Inc.	60.06	1,566,444.24
11-29-11	12-02-11	12,155	Time Warner Cable Inc.	57.44	698,215.97
11-29-11	12-02-11	38,025	Time Warner Cable Inc.	57.50	2,186,399.29



PURCHASE AND SALE

Alaska Retirement Management Board

U.S. Large Cap 1000

From 10-01-11 to 12-31-11

Reporting Currency: United States Dollar

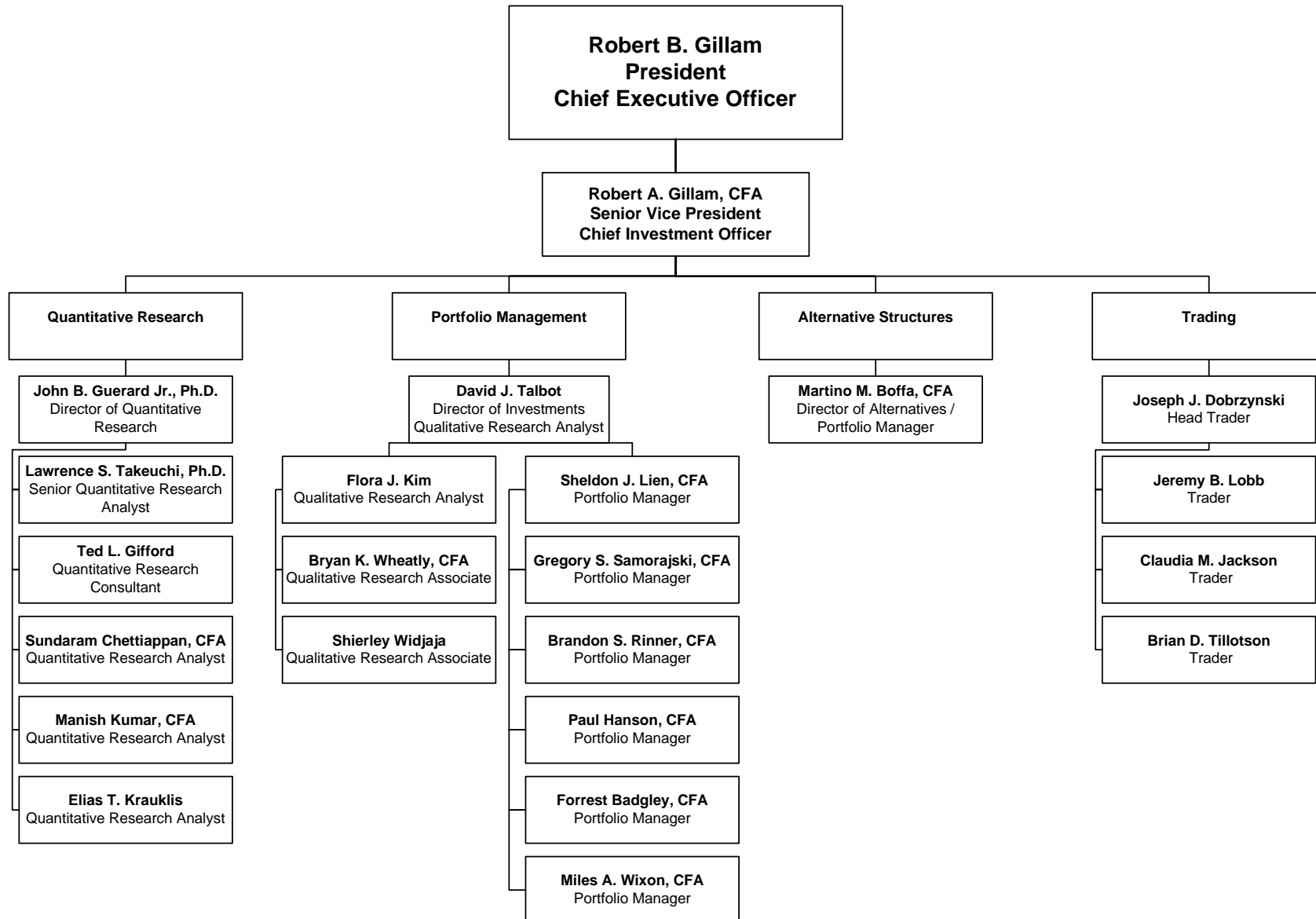
Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-29-11	12-02-11	13,380	Time Warner Cable Inc.	57.50	769,336.56
10-27-11	11-01-11	60,040	Virgin Media Inc.	26.15	1,570,316.51
10-28-11	11-02-11	37,228	Virgin Media Inc.	24.64	917,362.20
10-28-11	11-02-11	22,220	Virgin Media Inc.	24.64	547,539.16
10-28-11	11-02-11	17,780	Virgin Media Inc.	24.64	438,129.90
		<u>984,662</u>			<u>31,996,377.86</u>



Section | **4**

ORGANIZATIONAL CHART

October 1, 2011



Does not include support staff



BIOGRAPHIES

PORTFOLIO MANAGEMENT TEAM*

Robert B. Gillam, President and Chief Executive Officer

BGillam@mckinleycapital.com

M.B.A. Finance, University of California – Los Angeles, 1969

B.S. Economics, The Wharton School, University of Pennsylvania, 1968

Mr. Gillam is McKinley Capital's founder and remains today its President and Chief Executive Officer. He is responsible for overall corporate strategy and planning as well as oversight of operational and investment management activities. Mr. Gillam has over four decades of experience in the financial services industry, including banking, brokerage, and investment management. He has managed individual, corporate, and public investment accounts since 1970, beginning at Foster and Marshall, where he was elected First Vice President. In 1975, Mr. Gillam was appointed by Alaska's Governor to the Alaska State Investment Advisory Committee. In 1982, he became a General Partner of Boettcher and Company, an investment-banking firm, and in 1983 became an Allied Member of the New York Stock Exchange. At Boettcher Mr. Gillam assisted in the formation of the firm's managed accounts department. In 1988, Mr. Gillam began to incorporate Modern Portfolio Theory via quantitative computer models into active portfolio management. His achievements in this area serve as the foundation for McKinley Capital's quantitative investment methodology. In addition, Mr. Gillam has been featured in articles appearing in the Wall Street Journal, Forbes, Fortune and other financial publications.

Robert A. Gillam, CFA, Senior Vice President and Chief Investment Officer

RGillam@mckinleycapital.com

B.S. Economics, Concentration: International Finance & Strategic

Management, The Wharton School, University of Pennsylvania, 1994

As Chief Investment Officer, Robert A. Gillam is responsible for all investment functions and personnel as well as oversight of the investment model. He brings to his current role over five years of experience guiding the firm's quantitative research, portfolio management, trading, risk management, and portfolio operations functions as Director of Global Equities. Prior to this, he worked for seven years as a Portfolio Manager. Mr. Gillam also serves on McKinley Capital's executive management committee and is a member of the firm's board of directors. He was instrumental in establishing the non-U.S. and global products as well as alternative structures for the firm. He is a member of the CFA Institute; a member of the Wharton Global Family Alliance, an advisory board to The Wharton School on the creation of graduate level academic expertise in family business; and an investment committee member for the Rasmuson Foundation, a private foundation that supports Alaskan non-profit organizations.

Sheldon J. Lien, CFA, Portfolio Manager

SLien@mckinleycapital.com

B.S. Business, DeVry Institute of Technology, 1994

Mr. Lien joined McKinley Capital's Portfolio Management Team in 1996 and focuses on strategic portfolio construction and management. Before becoming a Portfolio Manager, Mr. Lien worked closely with the firm's programmers, providing valuable assistance in the development of McKinley Capital's proprietary computer software systems.

Gregory S. Samorajski, CFA, Portfolio Manager

GSamorajski@mckinleycapital.com

M.B.A. Finance and Statistics, University of Chicago, 1979

B.A. Mathematics, Northwestern University, 1976

Mr. Samorajski joined McKinley Capital as a Portfolio Manager in 1997. In addition to stock selection responsibilities, Mr. Samorajski has applied his mathematical and quantitative talents to help develop and manage the firm's risk analysis and portfolio construction systems. Before relocating to Alaska, Mr. Samorajski worked for ten years at the Chicago Board of Trade as manager of the Exchange's financial futures product development group. In that capacity, Mr. Samorajski directed the design of the Federal Funds futures contract which is widely used today as a benchmark to determine the market's expectation of Federal Reserve policy changes. He also was responsible for the design of the successful Five-Year and Two-Year Treasury note futures contracts. Mr. Samorajski also was a market maker on the floor of the Chicago Board Options Exchange. He has served as a faculty member in the graduate Financial Markets and Trading Program of the Illinois Institute of Technology, and has taught graduate investment classes at Alaska Pacific University.



BIOGRAPHIES

PORTFOLIO MANAGEMENT TEAM* *(continued)*

Brandon S. Rinner, CFA, Portfolio Manager

BRinner@mckinleycapital.com

B.S. Applied Mathematics, University of Alaska - Anchorage, 1997

Since joining McKinley Capital in 1998, Mr. Rinner has capitalized on his studies in applied mathematics to assist in a variety of portfolio management functions. Before being promoted to Portfolio Manager, Mr. Rinner was trained in the discipline of portfolio construction. He worked as a Portfolio Assistant for McKinley Capital's alternative investment strategies and as Research Assistant for the International and Global equity products where his responsibilities included back test models, quantitative models, and qualitative stock research. Following completion of his CFA charter requirements in 2001, Mr. Rinner was promoted to Portfolio Manager and since that time has been implementing our investment process.

Paul Hanson, CFA, Portfolio Manager

PHanson@mckinleycapital.com

M.B.A. University of Alaska - Southeast, 1999

B.S. Economics, Wharton School of the University of Pennsylvania, Finance and Commerce, 1991

Mr. Hanson joined McKinley Capital's Portfolio Management Team in 2005 after serving five years as a Portfolio Assistant. Before being promoted to Portfolio Manager, he was trained in the discipline of portfolio construction, while also supporting the portfolio management staff with responsibilities including back-test models, quantitative models, and qualitative stock research. Prior to joining McKinley Capital, Mr. Hanson was an Investment Associate for the Alaska Permanent Fund Corporation, with additional prior experience in bank management.

Forrest Badgley, CFA, Portfolio Manager

FBadgley@mckinleycapital.com

M.B.A. Northwestern University, Kellogg School of Management, 2001

B.A. Philosophy, Dartmouth College, 1993

Mr. Badgley joined McKinley Capital's Portfolio Management Team in 2006. Before being promoted to Portfolio Manager, he held various responsibilities in our quantitative research department, and has most recently trained in the discipline of portfolio construction while working for more than a year as a Portfolio Assistant. Prior to joining McKinley Capital, Mr. Badgley worked on the currency futures trading desk for Aspire Trading, and as a Quantitative Risk Management Analyst for Bank One.

Miles A. Wixon, CFA, Portfolio Manager

MWixon@mckinleycapital.com

Master of International Affairs, Columbia University's School of International and Public Affairs, 1996

Bachelor of Arts with Honors, University of Wisconsin-Madison, 1994

Mr. Wixon joined McKinley Capital as a Portfolio Manager in 2009 and has over 13 years experience in the investment industry. Prior to joining the firm Mr. Wixon was a Senior Vice President and Portfolio Manager for Oppenheimer Capital's Global Equity strategy. Earlier he was a Managing Director and Senior Portfolio Manager at Rockefeller & Company where he co-managed global, international and U.S. equities strategies, and covered the global financial services sector. He also previously covered the Japanese financial sector as a Tokyo-based analyst for Nikko Salomon Smith Barney from 1996 to 2000. Mr. Wixon is fluent in Japanese.

Martino M. Boffa, CFA, Director of Alternatives and Portfolio Manager

MBoffa@mckinleycapital.com

M.S. Finance, Stuart School of the Illinois Institute of Technology, 1995

M.S. Economics & Business Administration, Università Cattolica del Sacro Cuore, Milan, 1991

Martino M. Boffa, CFA, joined McKinley Capital in 2009 as Director of Alternatives and Portfolio Manager. Mr. Boffa has over 18 years of investment industry experience with 14 years in alternative investments on both the buy and sell side. Under the direction of senior management, Mr. Boffa is responsible for the design, development, and implementation of alternative structures for the firm. Previously, Mr. Boffa was Senior Director of Arbitrage Strategies with Credit Suisse and managed a market neutral investment portfolio. Formerly, he worked at Société Générale where he was Managing Director of Hedge Fund Sales specializing in European equities.

*Portfolio Managers listed in order of tenure with the firm.



BIOGRAPHIES

QUALITATIVE RESEARCH TEAM

David J. Talbot, Director of Investments and Qualitative Research Analyst

DTalbot@mckinleycapital.com

BSc. Honours Mining Engineering and Mineral Economics, University of Nottingham, U.K., 1978

Mr. Talbot joined McKinley Capital as a Qualitative Research Analyst in 2007. In 2009 Mr. Talbot became Director of Investments. In this role he directly assists Robert A. Gillam, CIO, in client, consultant and investment team communication and coordination. Mr. Talbot has more than two decades of investment industry and personnel management experience, having formerly worked at Deutsche Bank AG, BNP Paribas, and John S. Herold, where he held senior positions in the research and institutional equity sales departments. As a Qualitative Research Analyst Mr. Talbot is a generalist who works closely with the Portfolio Management Team and is responsible for identifying and building relationships with leading global analysts to identify when the top analyst of a particular company sees any change that could result in higher or lower earnings. Prior to his career in the investment industry, Mr. Talbot worked for nearly a decade as a mining engineer and in various supervisory roles for several companies with mining operations.

Flora J. Kim, Qualitative Research Analyst

FKim@mckinleycapital.com

B.S. Management Science, University of California – San Diego, 2002

B.S. Biochemistry and Cell Biology, University of California – San Diego, 2002

Ms. Kim joined McKinley Capital as a Qualitative Research Analyst in 2007. She is a generalist who works closely with the Portfolio Management Team and is responsible for identifying and building relationships with leading global analysts to identify when the top analyst of a particular company sees any change that could result in higher or lower earnings. Ms. Kim has five years of experience as a healthcare and emerging markets analyst at Nicholas-Applegate. Prior to entering the investment industry, she worked in the healthcare industry performing laboratory research.

Bryan K. Wheatly, CFA, Qualitative Research Associate

BWheatly@mckinleycapital.com

B.A. Economics and Management, Gettysburg College, 2006

Mr. Wheatly joined the firm in 2009 as a Qualitative Research Associate. He is a member of McKinley Capital's qualitative research team in New York and assists in providing security research, quantitative research and portfolio modeling. Mr. Wheatly has investment research and analyst experience from his prior work at John S. Herold, where he held positions in research and institutional equity sales departments.

Shierley Widjaja, Qualitative Research Associate

SWidjaja@mckinleycapital.com

M.B.A., Finance and Accounting, The Wharton School of Business, University of Pennsylvania, 2010

B.S., Electrical Engineering (summa cum laude), University of California, Los Angeles 2005

Ms. Widjaja joined McKinley Capital in 2010 as a Qualitative Research Associate. She is a member of McKinley Capital's qualitative research team in New York and assists in providing security research, quantitative research and portfolio modeling. Ms. Widjaja has research and analyst experience from her prior work at UBS Investment Bank in Hong Kong and Singapore where she held positions as an Analyst in the Mergers & Acquisitions and Corporate Finance departments.



BIOGRAPHIES

QUANTITATIVE RESEARCH TEAM

John B. Guerard Jr., Ph.D., Director of Quantitative Research

JGuerard@mckinleycapital.com

Ph.D. Finance, University of Texas - Austin, 1980

M.S.I.M. Finance, Georgia Institute of Technology, 1977

M.A. Economics, University of Virginia, 1976

A.B. Economics, Duke University, cum laude, 1975

Dr. Guerard joined McKinley Capital in 2005. His passion for global equity markets, along with his academic credentials and broad practitioner experience, makes him a valuable addition to our team. Dr. Guerard's focus is on the maintenance and enhancement of the firm's quantitative capabilities and investment models. Prior to joining McKinley Capital, he held a number of senior-level positions including Vice President for Daiwa Securities Trust Co. where he co-managed the Japan Equity Fund with Nobel Prize winner Dr. Harry Markowitz. He is also a former adjunct faculty member and faculty member of the Wharton School of the University of Pennsylvania and Rutgers University Graduate School of Management, respectively.

Lawrence S. Takeuchi, Ph.D., Senior Quantitative Research Analyst

LTakeuchi@mckinleycapital.com

Ph.D., Finance, University of Chicago Booth School of Business, Chicago, IL, 2010

Master of Science, Econometrics & Mathematical Economics, London School of Economics and Political Science, London, UK, 1996

Master of Philosophy, Economics, University of Cambridge, Cambridge, UK, 1995

B.S. Electrical Engineering & Computer Sciences, University of California, Berkeley, Berkeley, CA, 1989

Dr. Takeuchi joined McKinley Capital as a Senior Quantitative Research Analyst in 2011 and is a member of McKinley's global quantitative research team that maintains and enhances the firm's investment models. Formerly, Dr. Takeuchi was a consultant who developed and evaluated trading strategies and risk management models for fund manager clients. Prior to that he was a Vice President in the Global Markets Division of Deutsche Bank focusing on the development and trading of structured products, derivatives and currency strategies.

Ted L. Gifford, Quantitative Research Consultant

TGifford@mckinleycapital.com

M.S. Operations Research, Georgia Institute of Technology, 1981

M.A. Mathematics, University of California - Berkeley, 1972

B.A. Mathematics, University of California - Santa Barbara, 1971

Mr. Gifford contributes experience in computer science, mathematics, and statistical analysis to McKinley Capital. Prior to joining McKinley Capital, he was Associate Professor of Computer Science at the University of Alaska Anchorage. In addition to his strong academic background, Mr. Gifford has extensive knowledge of and experience in systems and software consulting. Mr. Gifford has a longstanding relationship with McKinley Capital, working with the firm as a consultant in the early 1990's to incorporate and formalize many of the quantitative research models McKinley Capital uses today. He continues that role in working to maintain and enhance our quantitative capabilities and investment models.

Sundaram Chettiappan, CFA, Quantitative Research Analyst

SChettiappan@mckinleycapital.com

M.S. Quantitative Computational Finance, Georgia Institute of Technology, 2005

B.E. Computer Science and Engineering, College of Engineering Guindy, Anna University, 2004

Mr. Chettiappan joined McKinley Capital as a Quantitative Research Analyst in 2006. He works with the other members of the Quantitative Research Team to maintain and enhance the firm's investment models and is experienced in quantitative analysis.

Manish Kumar, CFA, Quantitative Research Analyst

MKumar@mckinleycapital.com

M.S. Quantitative and Computational Finance, Georgia Institute of Technology, 2007

M.B.A., Bharathiyar University, 2006

B.A. Honors, Mathematics, Delhi University, 2000

Mr. Kumar joined McKinley Capital as a Quantitative Research Analyst in 2008. He works with the other members of the Quantitative Research Team to maintain and enhance the firm's investment models. Mr. Kumar brings to McKinley Capital thorough training in quantitative analysis as well as experience in the investment industry. Prior to joining McKinley Capital, Mr. Kumar carried out research for Infinum Retail Marketing Pvt. Ltd. and worked for ABN AMRO and Industrial Development Bank of India as a financial advisor.



BIOGRAPHIES

QUANTITATIVE RESEARCH TEAM *(continued)*

Elias T. Krauklis, Quantitative Research Analyst

EKrauklis@mckinleycapital.com
M.S. Quantitative and Computational Finance, Georgia Institute of Technology, 2009
B.S. Mechanical Engineering (summa cum laude), Georgia Institute of Technology, 2006

Mr. Krauklis joined McKinley Capital as a Quantitative Research Analyst in 2010. He works with the other members of the global quantitative research team to maintain and enhance the firm's investment models and is experienced in quantitative analysis.

TRADING AND OPERATIONS

Joseph J. Dobrzynski, Head Trader

JDobrzynski@mckinleycapital.com
M.B.A. Finance and Derivative Markets, Loyola University Chicago, Graduate School of Business, 1997
B.B.A. Accounting, Loyola University Chicago, 1995

Mr. Dobrzynski joined McKinley Capital as Head Trader in 2007. In this position, he manages the Global Equity Trading Desk and works closely with Trading Operations. Before relocating to Alaska, Mr. Dobrzynski spent ten years at William Blair & Company, four of these as Head of International Equity Trading. In that capacity, he directed the creation of the international equity trading desk and established an automated operations system.

Jeremy B. Lobb, Trader

JLobb@mckinleycapital.com
B.S. Business, Montana State University, 2000

Mr. Lobb is an integral member of McKinley Capital's trading team and is responsible for the execution of the firm's domestic and non-U.S. equities trading. Prior to advancing to his current position, Mr. Lobb held several positions of increasing responsibility within the firm, including portfolio operations where he provided operational support for the firm's trading activities, and also served as a Portfolio Assistant, providing support to the team of Portfolio Managers. He is a member of the Seattle Security Traders Association.

Claudia M. Jackson, Trader

CJackson@mckinleycapital.com
Bachelor of Commerce Honors Degree (cum laude), Advanced Finance and Investment Management, University of South Africa, 1999
Bachelor of Commerce (cum laude), Finance, Economics and Law, University of South Africa, 1997

Ms. Jackson joined McKinley Capital in 2006 as an Operations Risk Specialist and was involved in infrastructure and trade-related projects. In 2007 Ms. Jackson became a Trader and formally joined McKinley Capital's Trading Team. Prior to joining McKinley Capital, Ms. Jackson worked for Citibank in South Africa and two Canadian investment managers where she gained experience in foreign exchange trading and retail equity trading in both the U.S. and Canadian equity markets.

Brian D. Tillotson, Trader

BTillotson@mckinleycapital.com
B.B.A. University of Alaska, Fairbanks, 2003

Mr. Tillotson joined McKinley Capital's Trade Operations Support Group in 2004 where he provided operational support for the firm's trading activities and was involved in the daily reconciliation of trades and timely settlement of all transactions. He has held many trading related positions with McKinley Capital and in 2010 formally joined the Trading Team.



Section | **5**

McKINLEY CAPITAL MANAGEMENT, LLC

U.S. LARGE CAP 1000 COMPOSITE

Year End	Total Firm Assets (millions)	Composite Assets		Annual Performance Results			
		U.S. Dollars (millions)	Number of accounts	Composite		Russell 1000 (%)	Composite Dispersion (%)
				Gross (%)	Net (%)		
2010	11,910	387	1	17.12	16.73	16.10	N.A.
2009	12,729	330	1	21.91	21.49	28.43	N.A.
2008	9,960	271	1	(36.06)	(36.29)	(37.60)	N.A.
2007	16,332	423	1	16.41	16.04	5.77	N.A.
2006	12,237	364	1	7.94	7.59	15.46	N.A.
2005	8,704	761	2	9.64	9.28	6.27	N.A.
2004	6,588	694	2	7.83	7.51	11.40	N.A.
2003	4,718	450	2	25.16	24.69	29.89	N.A.
2002	3,142	333	2	(22.21)	(22.52)	(21.65)	N.A.
2001	3,394	351	2	(28.30)	(28.58)	(12.45)	N.A.
2000	4,374	489	2	(2.08)	(2.39)	(7.79)	N.A.
1999	3,448	288	1	43.05	42.57	20.91	N.A.
1998	1,767	136	1	37.83	37.31	27.02	N.A.

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

U.S. Large Cap 1000 Composite contains fully discretionary large cap equity accounts. For comparison purposes the composite is measured against the Russell 1000 Index. The minimum account size for this composite is \$100 thousand.

The composite may at times vary dramatically from the benchmark index. For example, 2010 was challenging for McKinley Capital Management, LLC's investment discipline. Momentum as a factor continued to recover during the 4th quarter and was positive for the full year. However, Momentum's strength was primarily found in the smaller capitalization range (\$2-\$10 billion). On a sector basis, Industrials, Health Care and Energy contributed to positive relative performance. Financials, Telecommunications and Materials negatively impacted the portfolio.

McKinley Capital Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

McKinley Capital Management, LLC is a registered investment adviser under the SEC Investment Advisers Act of 1940 and a global growth equity manager. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Effective July 1, 2002, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least \$250 million or 50% of the portfolio market value, whichever is greater. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite once it has satisfied the required grace period. For all accounts where the date of the cash flow is prior to the 20th day of the month, the grace period will extend through the end of the month. For all accounts where the date of the cash flow is on or after the 20th day of the month, the grace period will extend through the end of the following month. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and reflects the reinvestment of all income to include realized gains, dividends, interest and other earnings. Net returns are reduced by all actual fees incurred. Additional information regarding policies for calculating and reporting returns is available upon request.

Standard retail fee schedule for separate accounts: Account Minimum to \$500,000 = 1.00%; Over \$500,000 = 0.75%. Standard institutional fee schedule (tax exempt accounts over \$10M): First \$10,000,000 = 0.70%; Next \$15,000,000 = 0.60%; Next \$25,000,000 = 0.55%; Next \$100,000,000 = 0.50%; Over \$150,000,000 Negotiable. Actual investment advisory fees incurred by client may vary. A complete fee schedule is available on request at McKinley Capital Management, LLC, 3301 C Street, Suite 500, Anchorage, AK 99503, (907) 563-4488.

The U.S. Large Cap 1000 Composite was created January 1, 2001. McKinley Capital Management, LLC's compliance with the GIPS® has been verified for the period March 11, 1991 through December 31, 2010 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the U.S. Large Cap 1000 Composite beginning January 1, 1998. A copy of the verification report is available upon request.



DISCLOSURES

McKinley Capital Management, LLC (“McKinley Capital”) is a registered investment adviser under the Securities and Exchange Commission Investment Advisers Act of 1940. The material provided herein has been prepared at the client’s request for a one-on-one institutional client presentation and should not be further disseminated without compliance approval. This material may contain confidential and/or proprietary information, represents composite portfolio holdings, and may only be relied upon for this report. The returns presented herein are a subset of the composite, and may only be presented as supplemental information. Returns presented were generated using McKinley Capital's proprietary growth investment methodology as described in McKinley Capital's Form ADV Part 2A, are unaudited, and may not correspond to quarterly calculated performance for any other client account in the stated discipline. Complete composite data is available upon request. No securities mentioned herein may be considered as an offer to purchase or sell a firm product or security. Any comment regarding an individual security is presented at the client’s request, may only be used for client reference, and is not reflective of composite or individual portfolio ownership. McKinley Capital may or may not have held or currently hold a specific security. The position may or may not have been profitable and may or may not be profitable in the future. In addition, any positive comments regarding specific securities may no longer be applicable and should not be relied up for investment purposes. No security is profitable all the time and there is always the possibility of selling it at a loss. Clients are provided monthly and/or quarterly portfolio profiles that include all purchases and sales for the period. Investments are subject to immediate change without notice. Comments and general market related perspectives are for informational purposes only; were based on data available at the time of writing; are subject to change without notice; and may not be relied upon for individual investing purposes.

Because McKinley Capital’s investment process is proprietary, composite returns and individual client returns may at various times materially differ from the stated benchmarks. Deviations may include but are not limited to factors such as the purchase of higher risk securities, over/under weighting specific sectors and countries, limitations in market capitalization, company revenue sources, and/or client restrictions. Due to the size of the presentation, specific results from calculations and formulas may be rounded up. Net returns may or may not be included in this presentation. Clients should realize that net returns would be lower and must be considered when determining absolute returns. Clients should contact the McKinley Capital institutional marketing manager for additional details on such returns. Returns are based on fully discretionary accounts, reflect the reinvestment of dividends and interest, include brokerage commissions but are gross of all adviser and other related fees, and do not take individual investor tax categories into consideration. Past performance does not guarantee future returns. Charts, graphs and other visual presentations and text information were requested by the client and derived from internal, proprietary, and/or service vendor technology sources and/or may have been extracted from other firm data bases. As a result, the tabulation of certain reports may not precisely match other published data. Data may have originated from various sources including but not limited to Bloomberg, ClariFI, MSCI/Barra, Russell Indices, FTSE and/or other systems and programs. Please refer to the specific service provider’s web site for complete details on all indices. McKinley Capital makes no representation or endorsement concerning the accuracy or propriety of information received from any other third party. With regards to any materials accredited to MSCI/Barra: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI’s express written consent.



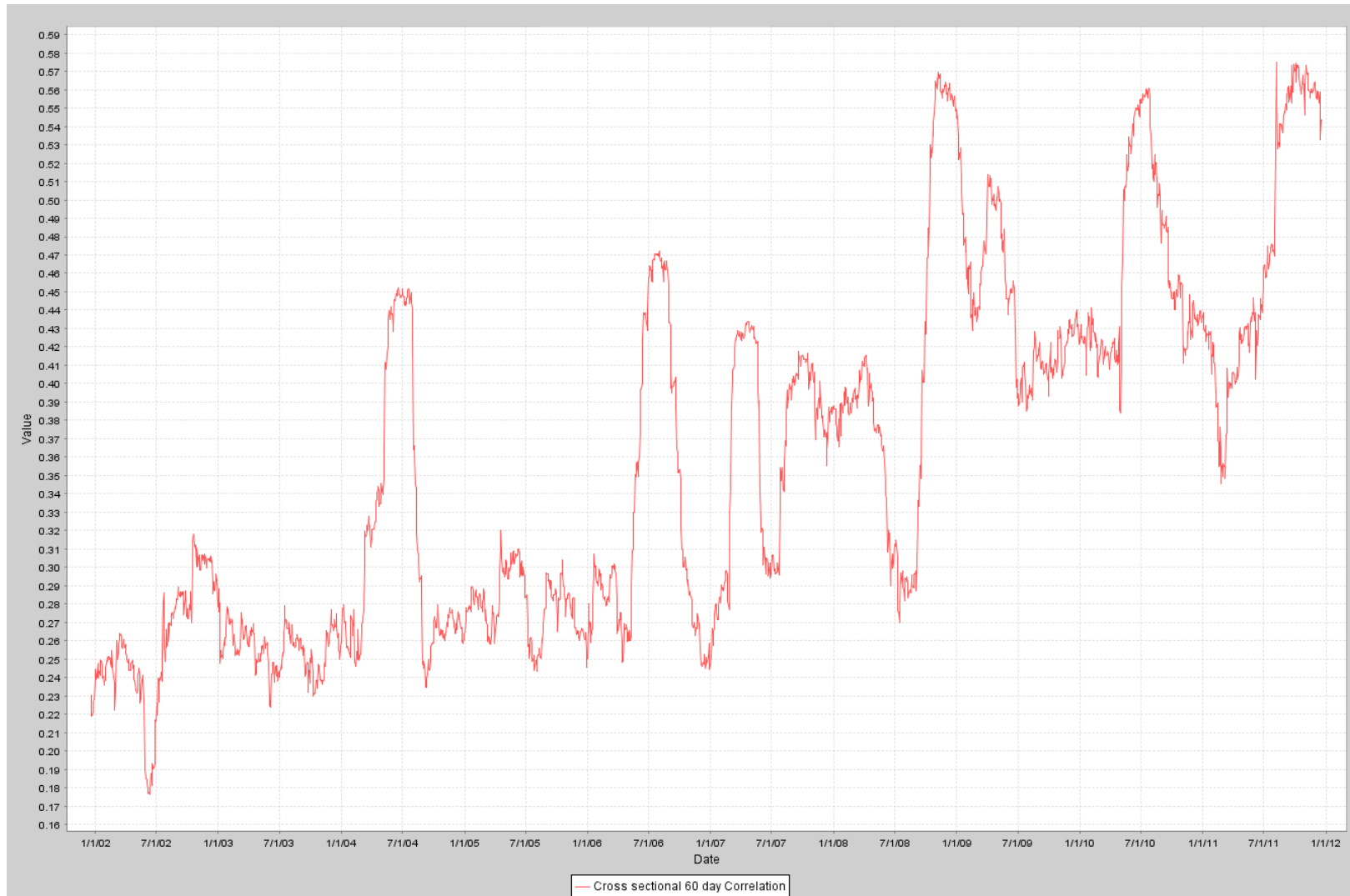
DISCLOSURES

Future investments may be made under different economic conditions, in different securities and using different investment strategies. International investing also carries additional risks and/or costs including but not limited to, political, economic, financial market, currency exchange, liquidity, accounting, and trading capability risks. Fees are collected quarterly which produce a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10,416 in year one, cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual fees vary for clients. A fee schedule is described in Form ADV Part 2A. To receive a copy of the firm's ADV or a description of all McKinley Capital Management, LLC's composites, please contact us at 3301 C Street, Suite 500, Anchorage AK 99503, 1.907.563.4488 or visit our website, www.mckinleycapital.com. All information is believed to be correct but accuracy cannot be guaranteed.

Clients should rely on their custodial statements as the official investment activity records. Clients should contact their custodian with any questions regarding monthly/quarterly receipt of those statements.



Cross Sectional Stock Correlation (Universe: MSCI ACW, Periodicity: 60 Day Rolling)



Source: McKinley Capital Management, LLC ; Clarifi, Basic Pricing; December 31, 2010



Global Growth Specialist

Disclosure

CLIENT REPORT DISCLAIMER STATEMENT

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Future investments may be made under different economic conditions, in different securities and using different investment strategies. International investing also carries additional risks and/or costs including but not limited to, political, economic, financial market, currency exchange, liquidity, accounting, and trading capability risks. Fees are collected quarterly which produce a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client’s portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10,416 in year one, cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual fees vary for clients, fee schedules are provided in form ADV Part 2A. To receive a copy of the firm’s Form ADV or a description of all McKinley Capital Management, LLC’s composites, please contact us at 1.907.563.4488 or visit our website, www.mckinleycapital.com. All information is believed to be correct but accuracy cannot be guaranteed.



Quantitative Management Associates, LLC

Mandate: Large Cap Value

Hired: 2007

Firm Information	Investment Approach	Total ARMB Mandate & Fees										
<p>Quantitative Management Associates (QMA) is a wholly-owned subsidiary of Prudential Investment Management Inc. (PIM) and an indirect, wholly-owned subsidiary of Prudential Financial Inc. (PRU), a publicly held company. PIM owns 100% of QMA.</p> <p>As of 12/31/11, the firm's total assets under management were \$64.2 billion.</p> <p>Key Executives: John Leib, <i>Principal</i> Deborah Woods, <i>Principal</i> Robert Leung, <i>Senior Associate</i> Kevin McGrory, <i>Vice President, Client Relationship</i></p>	<p>QMA's value equity stock selection approach uses a four-step, bottom-up, quantitative investment process: 1) create historical earnings database using reported earnings adjusted for non-recurring items which distort normal operating earnings; 2) identify buy and sell candidates in the top 20% of the model's P/E rankings; 3) reality check – portfolio team confirms that quantitative data is reasonable and other relevant information is considered; 4) portfolio construction – the portfolio is built by applying a modified equal weighting approach to the list of buy candidates developed in Step 2. Purchase weights typically range from a minimum of 0.3% to a maximum of 1% over the issue's benchmark.</p> <p>The value team meets regularly to review data integrity, model structure, portfolio characteristics, and buy and sell recommendations. Portfolio risk is measured against the benchmark using standard characteristics, such as tracking error, industry/sector exposure, and individual security weights.</p> <p>Benchmark: Russell 1000 Value Index</p>	<p>Assets Managed:</p> <table> <tr> <td>12/31/10</td> <td style="text-align: right;">\$130,131,331</td> </tr> <tr> <td>12/31/11</td> <td style="text-align: right;">\$133,355,880</td> </tr> </table> <p>Fee Schedule:</p> <table> <tr> <td>First \$100,000,000</td> <td style="text-align: right;">0.40%</td> </tr> <tr> <td>Next \$400,000,000</td> <td style="text-align: right;">0.30%</td> </tr> <tr> <td>Thereafter</td> <td style="text-align: right;">0.20%</td> </tr> </table>	12/31/10	\$130,131,331	12/31/11	\$133,355,880	First \$100,000,000	0.40%	Next \$400,000,000	0.30%	Thereafter	0.20%
12/31/10	\$130,131,331											
12/31/11	\$133,355,880											
First \$100,000,000	0.40%											
Next \$400,000,000	0.30%											
Thereafter	0.20%											

Concerns: None

12/31/2011 Performance (gross of fees)

	<u>Last Quarter</u>	<u>1 Year</u>	<u>3 Years Annualized</u>	<u>5 Years Annualized</u>	<u>7 Years Annualized</u>
QMA	12.85%	2.48%	12.46%	-	-
Benchmark	13.11%	0.39%	11.55%	-	-

February 16, 2012

Alaska Retirement Management Board

QMA Value Equity

Deborah Woods
Portfolio Manager
(973) 802-6206



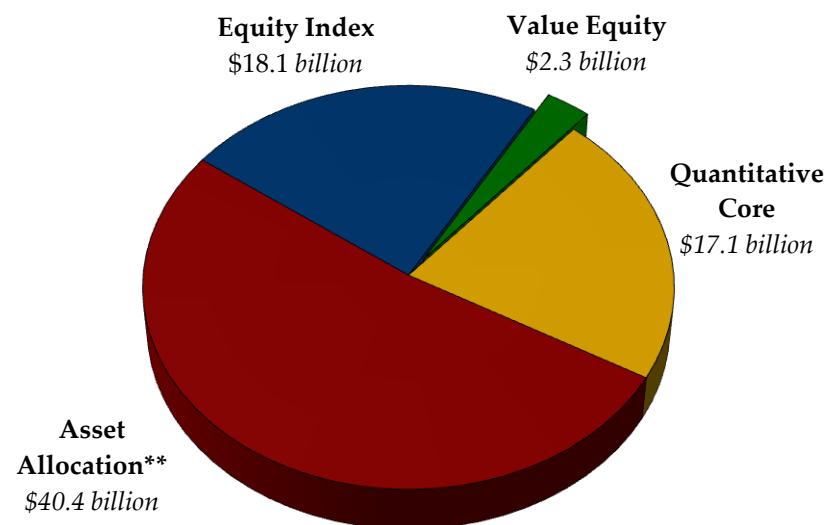
Quantitative Management Associates (QMA)

Overview

- ◆ Highly experienced and stable team
 - ◆ 36 investment professionals, including 12 PhDs
- ◆ Leading-edge research and rigorous testing help us find opportunities that conventional analysis may overlook
- ◆ Worldwide institutional client base
- ◆ Wholly owned, but independently operated subsidiary of Prudential Financial, Inc.

Assets Under Management

*\$71 Billion**



Headcount data as of 1/31/12.

* AUM data as of 12/31/11.

** Asset Allocation includes \$7 billion in assets that QMA directs to investment vehicles advised by QMA; these assets are also included in the Equity Index, Value Equity, and Quantitative Core AUM.



Value Equity

Experienced Team Focused on Investment Management

Investment Professionals

		Investment Experience*
Margaret Stumpp, PhD	<i>Chief Investment Officer</i>	25 Years

Portfolio Management & Research	Investment Experience*
John Leib, CFA, MBA <i>Head of Value Equity</i>	31 Years
Deborah Woods <i>Portfolio Manager</i>	33
Robert Leung, CFA <i>Portfolio Manager</i>	16
Kerri Quinn <i>Associate Manager</i>	3

Research	Investment Experience*
Joshua Livnat, PhD <i>Senior Researcher</i>	18 Years
Mitchell Stern, PhD <i>Senior Researcher</i>	27
Maxwell Smith, PhD <i>Senior Researcher</i>	23

Trading	Investment Experience*
Richard Crist <i>Head of Trading</i>	24 Years
Sally Finning <i>Senior Trader</i>	14
Joseph Lombardi <i>Trader</i>	22

*As of 1/31/12.



Alaska Retirement Management Board

Performance

Year	Alaska Retirement Management Board (Gross)	Russell 1000® Value Index	Difference	S&P 500 Index	Russell 1000® Growth Index
2011	2.48%	0.39%	+209 bps	2.11%	2.64%
2010	15.08	15.51	-43	15.06	16.71
2009	20.60	19.69	+91	26.46	37.21
2008	-33.15	-36.85	+370	-37.00	-38.44
2007 (7/1 – 12/31)	-6.12	-6.03	-9	-1.37	3.41
Annualized Returns as of 12/31/11					
Since Inception (7/1/07 – 12/31/11)	-2.49	-4.22	+173	-1.76	1.01

Portfolio has outperformed in different market environments

(cumulative returns shown below)

Year	Alaska Retirement Management Board (Gross)	Russell 1000® Value Index	Difference
7/1/07 – 3/9/09	-56.38%	-58.94%	+256 bps
3/10/09 – 12/31/11	104.63	100.59	+404

As of 12/31/11

Source: QMA, Russell Investments, Standard & Poor's.

Past performance is not a guarantee or a reliable indicator of future results.

The Russell® Indices are trademarks/service marks of Russell Investments. Russell is a trademark of Russell Investments.



Performance Attribution

By Economic Sector – 1 Year ended 12/31/11

Good Sector Selection Helped Performance

Economic Sector	Alaska Retirement Management Board		Russell 1000® Value Index		Variation		Attribution Analysis		
	Average Weight	Total Return	Average Weight	Total Return	Average Weight	Total Return	Allocation Effect	Selection + Interaction	Total Effect
Financials	19.07	-16.79	26.05	-17.14	-6.97	0.34	1.32	0.10	1.42
Health Care	16.63	20.34	12.63	17.16	4.00	3.18	0.61	0.46	1.07
Utilities	7.89	21.49	7.14	19.05	0.74	2.44	0.23	0.19	0.43
Consumer Discretionary	9.47	6.35	8.27	4.68	1.20	1.67	0.09	0.14	0.23
Telecommunication Services	5.40	7.48	4.88	4.74	0.52	2.74	0.04	0.15	0.19
Consumer Staples	8.17	12.38	8.82	13.41	-0.66	-1.03	0.18	-0.10	0.07
Energy	13.78	2.48	12.80	4.49	0.98	-2.01	0.16	-0.24	-0.08
Materials	2.19	-16.84	2.93	-6.80	-0.74	-10.04	0.12	-0.21	-0.09
Industrials	9.54	-2.02	9.24	0.16	0.29	-2.18	0.05	-0.22	-0.17
Information Technology	7.87	-11.08	7.23	-2.50	0.63	-8.57	-0.04	-0.81	-0.85
Total	100.00	2.61	100.00	0.39	--	2.22	2.74	-0.53	2.22

Source: QMA using data provided by FactSet. Source of sector classification: S&P/MSCI

Past performance is not a guarantee or a reliable indicator of future results.

Holdings-based analysis that is intended to illustrate significant performance drivers and is not intended to be a formal accounting of return. Holdings are subject to change. This is shown for illustrative purposes only. Holdings-based attribution does not include the impact of trading costs, or cash and assumes positions are held for the full day. Returns are measured before fees. The Russell 1000® Value Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell Investments.



Performance Attribution

By Price to Earnings - 1 Year Ended 12/31/11

Good Stock Selection Helped Performance

Price to Earnings	Alaska Retirement Management Board		Russell 1000® Value Index		Variation		Attribution Analysis		
	Average Weight	Total Return	Average Weight	Total Return	Average Weight	Total Return	Allocation Effect	Selection + Interaction	Total Effect
PE Quintile 1: 25.0 - 593.3	6.15	8.77	9.99	0.36	-3.84	8.41	-0.02	0.49	0.47
PE Quintile 2: 18.3 - 24.7	6.60	0.40	9.89	-2.55	-3.30	2.95	0.09	0.18	0.27
PE Quintile 3: 15.1 - 18.3	17.20	10.21	23.92	9.06	-6.72	1.16	-0.56	0.20	-0.36
PE Quintile 4: 11.7 - 15.1	30.61	2.02	24.23	-0.88	6.38	2.90	-0.03	0.80	0.76
PE Quintile 5: 1.9 - 11.7	37.32	2.91	26.11	2.60	11.21	0.31	0.22	0.09	0.31
Negative Earnings	2.12	-41.95	5.86	-27.83	-3.75	-14.12	1.20	-0.44	0.76
Total	100.00	2.61	100.00	0.39	--	2.22	0.90	1.32	2.22

Source: QMA using data provided by FactSet.

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Russell is a trademark of Russell Investments.

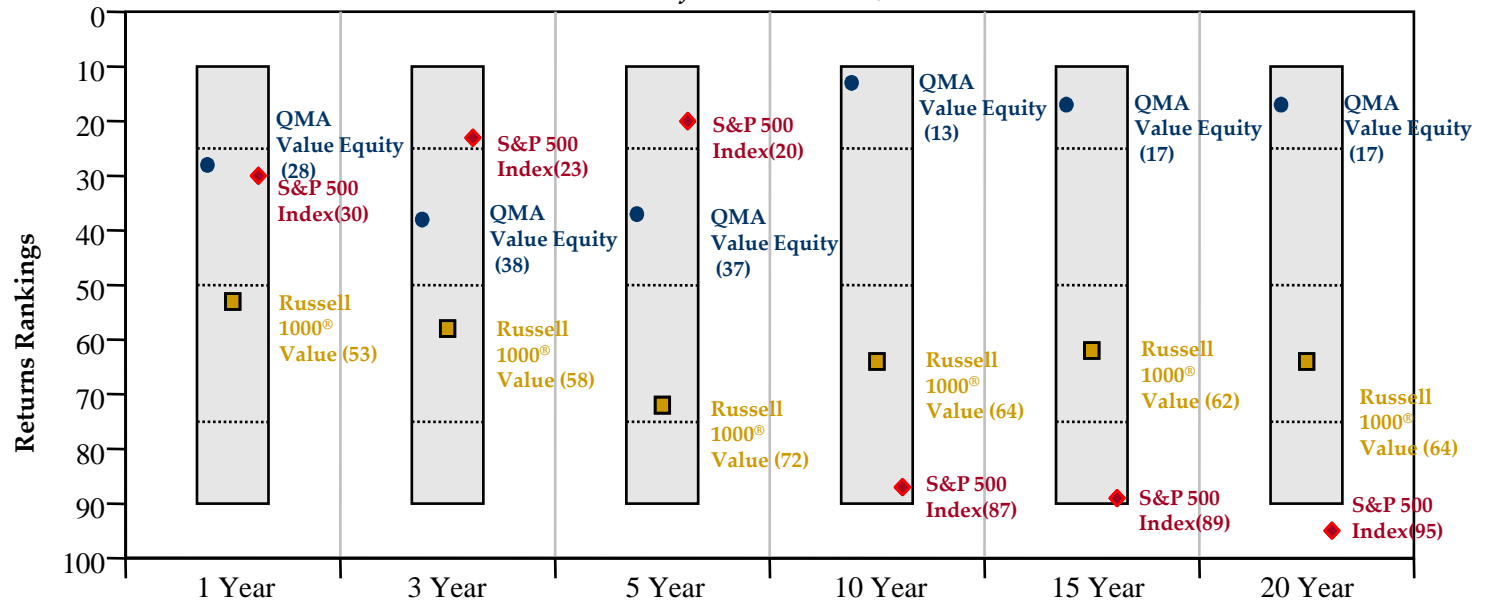


Strong Return Rankings vs. Competitors

Return Rankings

As of December 31, 2011

QMA's Value Equity vs. Large Cap Value Universe



10th Percentile	4.59	15.29	0.72	5.84	8.19	11.25
25th Percentile	2.30	13.79	(0.88)	4.98	7.56	9.95
Median	0.61	12.08	(1.82)	4.50	6.77	9.08
75th Percentile	(2.40)	10.54	(2.82)	3.50	5.90	8.63
90th Percentile	(5.18)	9.50	(3.89)	2.56	5.36	8.02

Member Count	70	70	70	61	47	35
QMA Value Equity ●	2.17	12.73	(1.36)	5.58	7.99	10.22
Russell 1000 Value Index ■	0.39	11.55	(2.64)	3.89	6.25	8.89
S&P 500 Index ◆	2.11	14.11	(0.25)	2.92	5.45	7.81

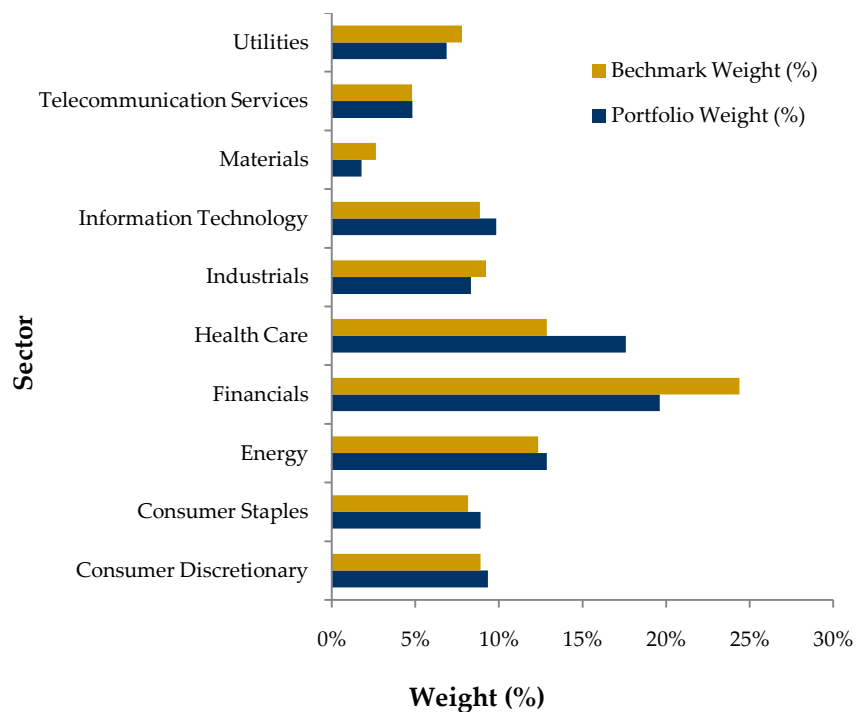
Source: QMA and Callan Associates. Please see 'Notes to Disclosure' page for Important Information including risk factors and disclosures, and 'Composite Performance Returns' section of the Appendix for full disclosures and net performance. Callan is an outside vendor whose software has been used to create this exhibit. QMA pays a fee for this software. Universe: Callan Large Cap Value style. QMA has made efforts to confirm accuracy/reliability of the data provided by Callan but we disclaim responsibility for its accuracy or completeness. The Russell 1000 Value Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell Investments. Past performance is not a guarantee or a reliable indicator of future results.



Alaska Retirement Management Board

As of 12/31/11

Top 10 Overweight Positions	Portfolio Weight (%)	Active Weight (%)
UnitedHealth Group Inc.	1.35%	0.50%
Pfizer Inc.	3.14%	0.49%
Johnson & Johnson	2.70%	0.48%
Altria Group Inc.	0.73%	0.48%
Amgen Inc.	1.34%	0.47%
Wal-Mart Stores Inc.	0.86%	0.47%
Eli Lilly & Co.	0.90%	0.46%
Chubb Corp.	0.77%	0.46%
Kroger Co.	0.51%	0.46%
Bristol-Myers Squibb Co.	1.38%	0.45%



Portfolio Characteristics As of 12/31/11

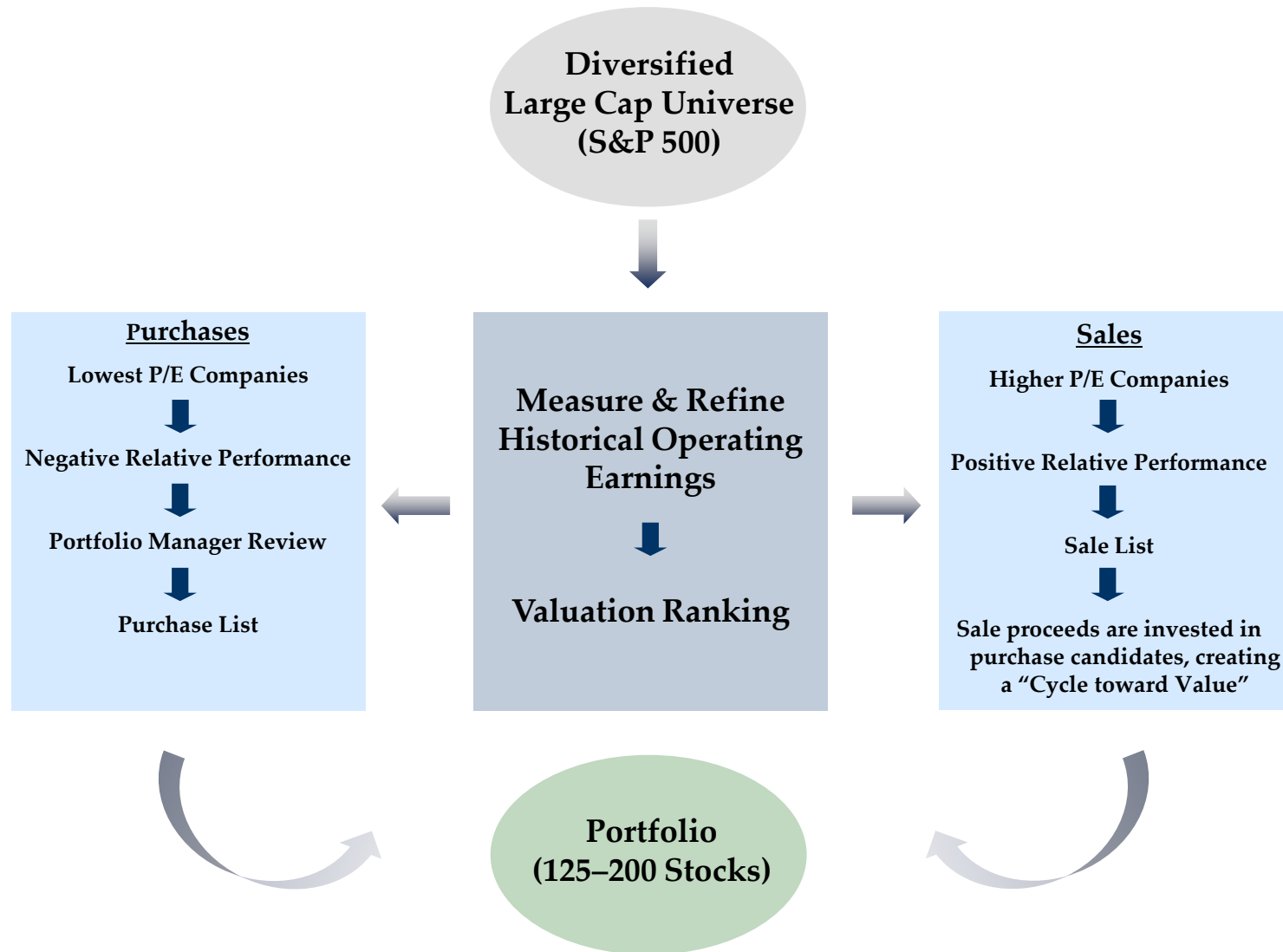
	Alaska Retirement Management Board	Russell 1000® Value Index
Market Capitalization (\$ Bil)		
Weighted Average	\$72.1	\$73.6
Median	\$15.0	\$4.6
Weighted Median	\$33.0	\$36.7
Valuation		
Dividend Yield	2.8%	2.6%
Price/Earnings	11.5x	12.4x
P/E using FY1 Estimate	10.5x	11.7x
Price/Book	1.4x	1.4x
Growth & Profitability		
ROE	15.9%	13.3%
Hist. 3 Year Sales Growth	1.8%	1.5%
Est. 3-5 Year EPS Growth	8.6%	9.8%

Source: QMA, FactSet,
Source of Sector classification: S&P/MSCI. Holdings are subject to change. Characteristics are subject to change. The Russell 1000® Value Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell. Please see 'Notes to Disclosure' page for Important Information including risk factors and disclosures.



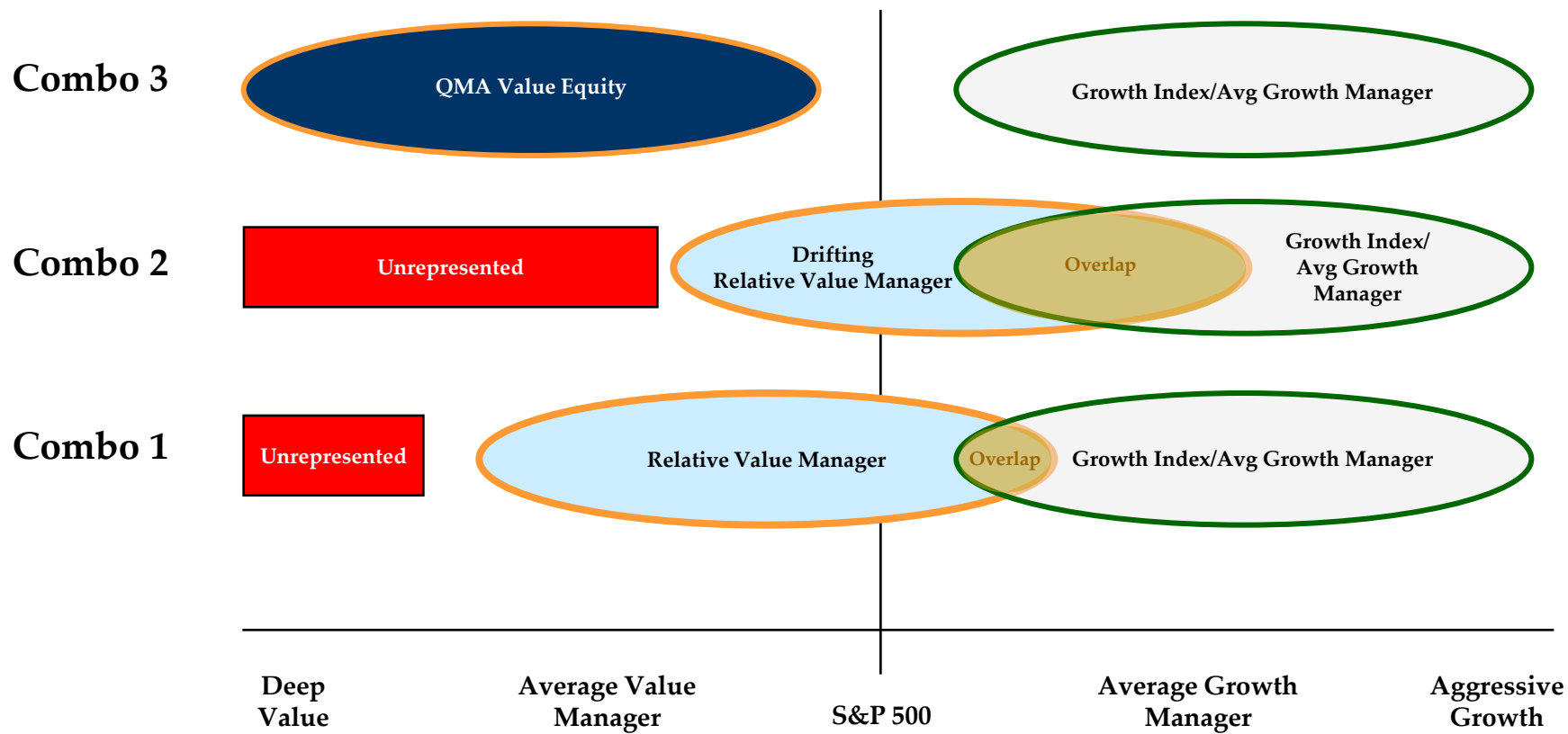
Investment Process

Focus on major companies trading at attractive valuations



Shown for illustrative purposes only.

Diversification: The Risks of Being Unrepresented or Overlapping

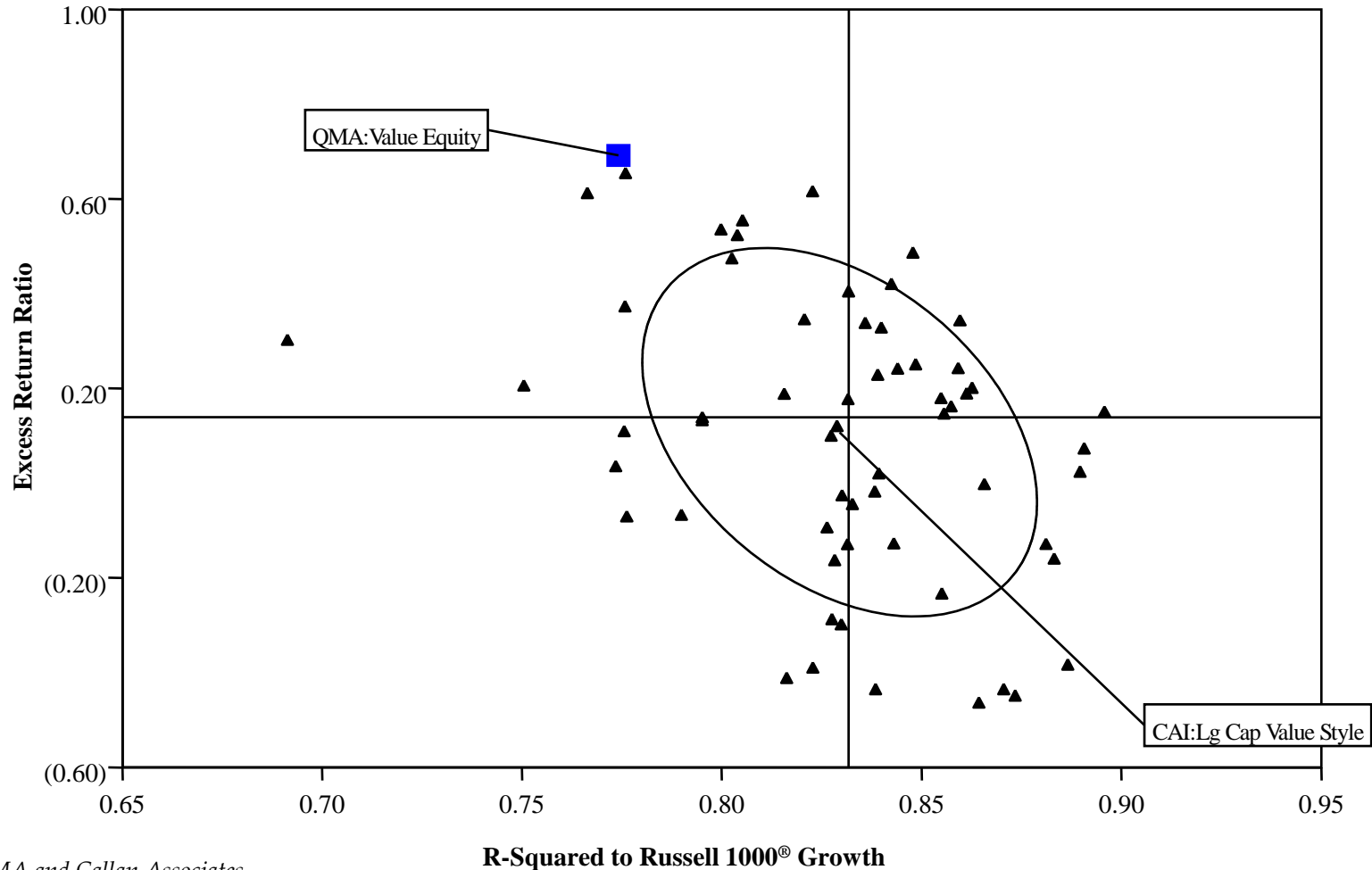


Shown for illustrative purposes only and not to be considered a recommendation.



QMA's Value Equity vs. Competitors

Top Tier Risk-Adjusted Returns And a Good Diversifier
10 Years Ended December 31, 2011



Source: QMA and Callan Associates.

Please see the 'Composite Performance Returns' page for full disclosures and net performance. Callan is an outside vendor whose software has been used to create this exhibit. QMA pays a fee for this software. Universe: Callan Large Cap Value style. QMA has made efforts to confirm accuracy/reliability of the data provided by Callan but we disclaim responsibility for its accuracy or completeness. Past performance is not a guarantee or a reliable indicator of future results. The Russell 1000[®] Growth Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell Investments.



Summary

- ◆ Time-tested approach
- ◆ Unwavering commitment to value investing
- ◆ Returns have been delivered in a pattern consistent with expectations
- ◆ Stable, experienced team
- ◆ Good diversifier when paired with growth strategies

Appendix

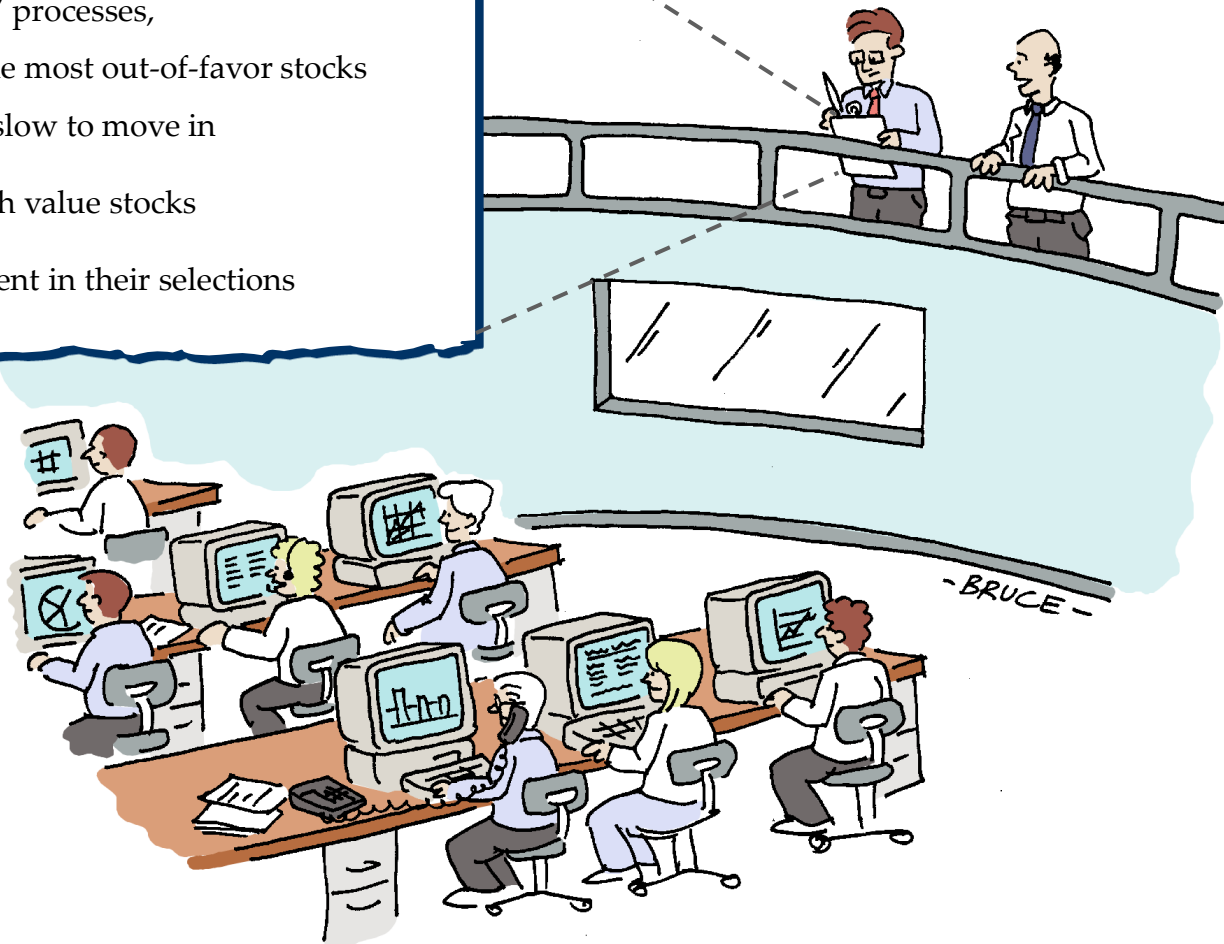
- ◆ Additional Exhibits
- ◆ Biographies
- ◆ Notes to Disclosure
- ◆ Composite Performance Returns

QMA Value Equity Philosophy

Outperformance can be achieved by focusing on the opportunities that other investors create

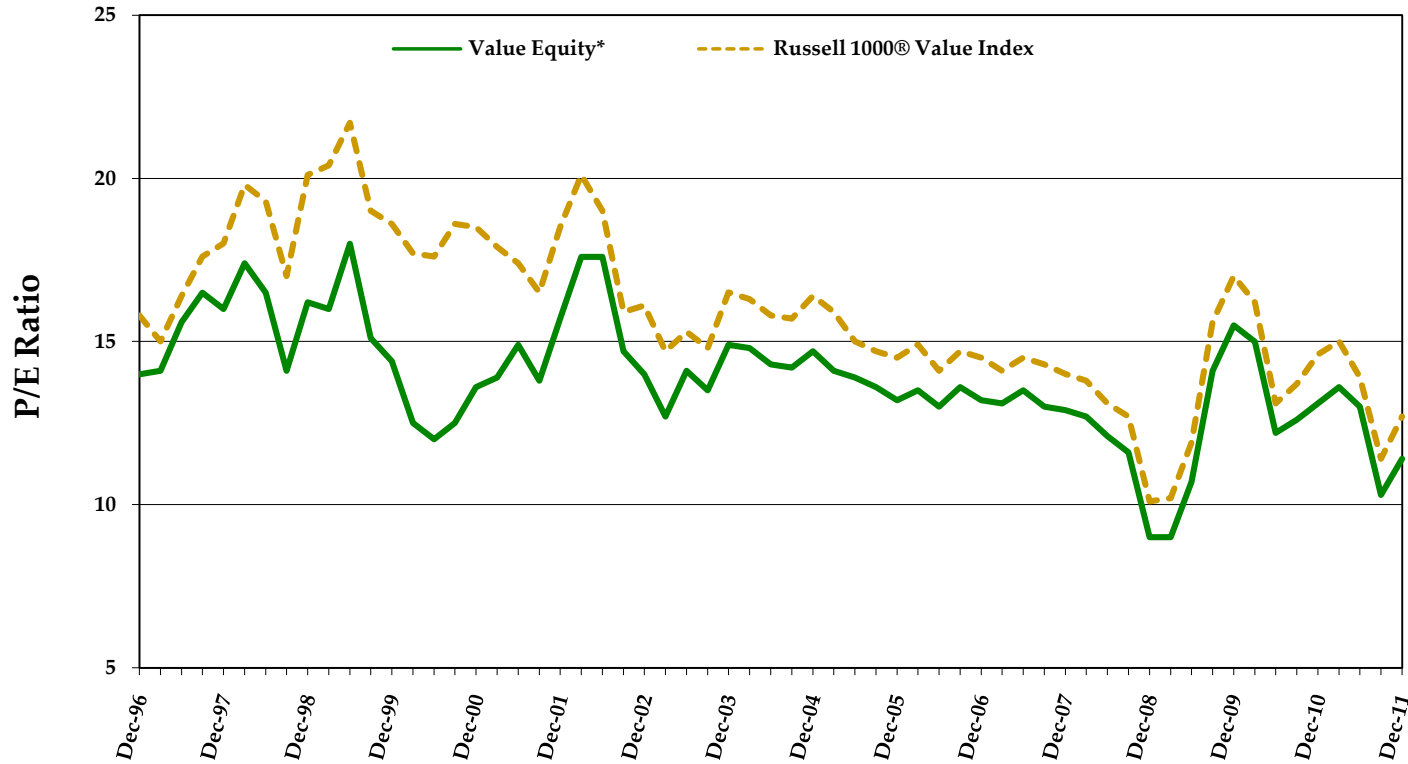
We believe investors:

- ◆ Have “me too” processes,
 - ◆ Avoid the most out-of-favor stocks
 - ◆ Are too slow to move in
- ◆ Don’t stick with value stocks
- ◆ Are too confident in their selections



QMA's Value Equity* vs. Russell 1000® Value Index

Quarterly P/E--Excluding Negative Earnings



* Represents the Value Equity Commingled Account

As of 12/31/11

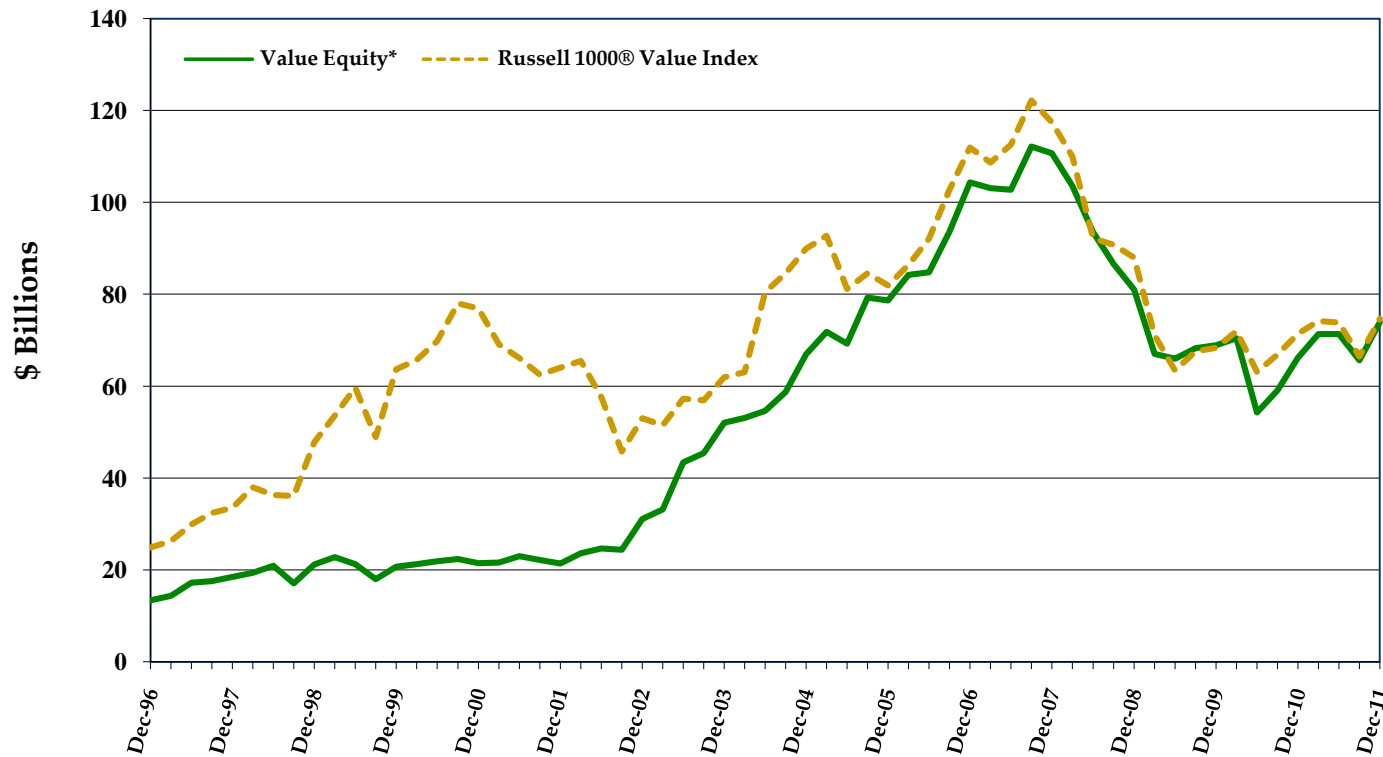
Source: QMA and Russell Investments. Past performance is not a guarantee or a reliable indicator of future results.

The Russell 1000® Value Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell Investments.



QMA's Value Equity* vs. Russell 1000® Value Index

Quarterly \$ Weighted Average Cap



* Represents the Value Equity Commingled Account

As of 12/31/11

Source: QMA and Russell Investments. Past performance is not a guarantee or a reliable indicator of future results.

The Russell 1000® Value Index is a trademark/service mark of Russell Investments. Russell is a trademark of Russell Investments.



QMA's Value Equity* 5-Year Rolling Tracking Error

Quarterly 5-Year Rolling Tracking Error



* Represents the Value Equity Commingled Account

As of 12/31/11

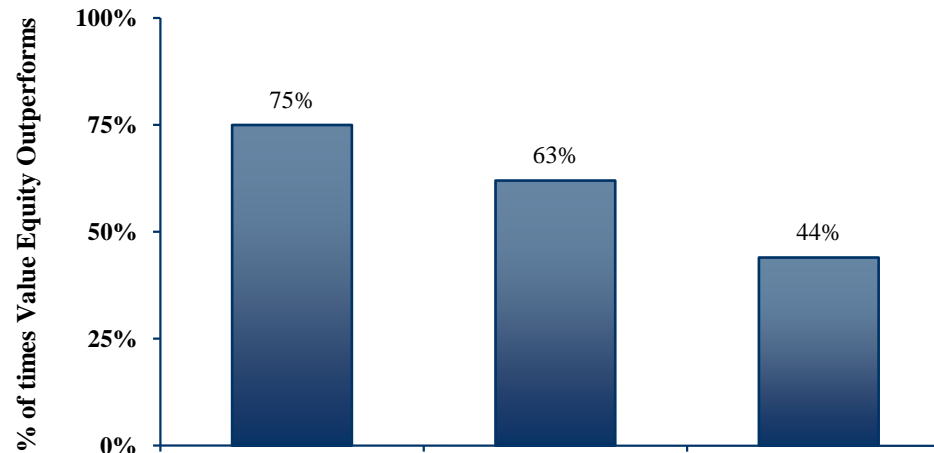
Source: QMA

Past performance is not a guarantee or a reliable indicator of future results.



Performance in Value, Neutral and Growth Markets

Percent of the Time Value Equity Outperforms Russell 1000® Value in Value and Growth Markets
(Rolling One-Year Periods; 265 Month-end Observations from 12/31/89 - 12/31/11)



Value Favored Neutral Growth Favored
(Defined as Russell 1000® Value Index *minus* Russell 1000® Growth Index)

	+10% or More	-10 to +10%	-10% or Less
Average Added Value <i>(Value Equity minus Russell 1000® Value)</i>	5.4%	0.8%	-1.6%
# of Observations	52	172	41

Source: QMA, Russell Investments.

Past performance is not a guarantee or a reliable indicator of future results.

The Russell 1000® Value Index & Russell 1000® Growth Index are trademarks/service marks of the Russell Investments. Russell is a trademark of the Russell Investments.



Biographies

Senior Management

Scott Hayward is the Chief Executive Officer of Quantitative Management Associates (QMA). Scott joined the firm as head of Client Relations, with responsibility for relationship management, consultant relations and product positioning. Prior to joining the firm, Scott was Managing Director for JP Morgan Fleming Asset Management, where he was responsible for leading several strategic initiatives, including the development of a retail asset management strategy and an IRA rollover initiative. Scott also served as the head of the company's Institutional Client Service and Marketing, where he implemented enhanced client-acquisition and service models. Scott has worked for JP Morgan and Company as well, most recently as Vice President and Chief Operating Officer for the Americas Investment Banking division, focusing on strategy, technology and client support. Scott is a Phi Beta Kappa and magna cum laude graduate of Boston College with a BA in Political Science.

Margaret S. Stumpp, PhD, is the Chief Investment Officer of Quantitative Management Associates (QMA). She is extensively involved in quantitative research in asset allocation, security selection and portfolio construction. Maggie has published articles on finance and economics in numerous publications, including *The Financial Analysts Journal*, *The Journal of Portfolio Management*, *The Journal of Investment Management* and *Award Papers in Public Utility Economics*. Maggie earned a BA cum laude with distinction in Economics from Boston University and holds an AM and PhD in Economics from Brown University.



Biographies

Portfolio Management and Research

John P. Leib, CFA, is a Principal and Portfolio Manager for Quantitative Management Associates (QMA), working with the value equity team. His responsibilities include portfolio management, analysis, and involvement in the research effort. John earned a BA in Economics and Mathematics from Hamilton College and an MBA in Finance from New York University and holds the Chartered Financial Analyst (CFA) designation.

Robert Leung, CFA, is a Senior Associate and Portfolio Manager for Quantitative Management Associates (QMA) Value Equity team. His responsibilities include portfolio management, analysis, and involvement in the research effort. Robert began with the team as a Portfolio Analyst/Research Assistant. He earned a BA in Economics with cum laude distinction from Union College and holds the Chartered Financial Analyst (CFA) designation.

Joshua Livnat, PhD, is a Managing Director for Quantitative Management Associates (QMA), where he focuses on global accounting research. Previously, he was a Professor of Accounting at NYU's Leonard Stern School of Business. His primary research areas have included capital markets, the effects of various accounting disclosure on stock prices, market anomalies and valuation issues. Joshua co-authored the book "Cash Flow and Security Analysis". He has also been published in many journals, including *Journal of Accounting Research*, *Journal of Accounting & Economics*, *The Accounting Review*, *Journal of Finance*, *Journal of Portfolio Management*, and *Financial Analysts Journal*. Joshua has taught at Vanderbilt University, University of California at Berkeley, Northwestern University and Hebrew University in Jerusalem. He earned a BS in Mathematics and Statistics from Hebrew University and a PhD in Accounting from New York University.

Kerri Quinn is an Associate Manager for Quantitative Management Associates (QMA), where she assists the portfolio managers of the Value Equity team in monitoring cash flows, assembling trades, analyzing companies to be purchased and running the model. Kerri began her career at QMA in 2006 as a Senior Investment Operations Specialist, where she reconciled mutual funds and institutional funds, settled trades and performed month-end valuations. She earned a BS in Finance and Economics from Sacred Heart University and is pursuing an MBA in Finance from Seton Hall University.

Maxwell Smith, PhD, is a Vice President for Quantitative Management Associates (QMA), involved in both the research and production side of QMA's quantitative equity investment process. Max has also served as a Municipal Bond Portfolio Manager with Prudential Fixed Income. He has coauthored publications in the *Journal of Finance*, *Review of Financial Studies* and *Journal of Financial Markets*. He earned a BS in Physics from CalTech, an MS in Physics from the University of Illinois, and a PhD in Finance from the University of British Columbia.

Mitchell B. Stern, PhD, is a Principal for Quantitative Management Associates (QMA). Mitch is responsible for portfolio management, research and product development for quantitative core and long-short portfolios. Mitch has taught as an Assistant Professor of Finance at Fairfield University and the University of Tennessee. He also has served as a consultant to portfolio managers and hedge funds on quantitative investment strategies. Mitch holds a BA cum laude in Economics from Brandeis University and an MA and PhD in Financial Economics from the University of Virginia.

Deborah D. Woods is a Principal and Portfolio Manager for the Quantitative Management Associates (QMA) value equity team. She also directs fundamental quantitative research analysis for the value equity products. Debbie began her career at Prudential Financial as an industry analyst. She earned a BA in History from Wellesley College.



Biographies

Trading

Richard L. Crist is a Principal and the Head Trader for Quantitative Management Associates (QMA), where he is responsible for a team of traders and all aspects of trading in US and International markets for QMA's institutional strategies. His group currently transacts in equities, futures, currencies, ETFs and fixed-income products. Rich has been with Prudential since 1983 and with QMA since 1987. His previous roles at QMA include International Portfolio Management Assistant, Index Fund Manager, Compliance Officer and Trader. Prior to QMA, he was an Accounting Supervisor with Prudential Asset Management Co. Rich earned a BS in Accounting from Montclair State University.

Sally A. Finning is a Vice President and Senior Trader for Quantitative Management Associates (QMA), where she is responsible for trading in US and International markets for QMA's institutional strategies. She currently transacts in equities, futures, currencies, ETFs and fixed-income products. Sally has previously served as Vice President on the global portfolio sales desk at Credit Suisse Securities and as Vice President on the derivatives sales desk at Paine Webber, Inc. She earned a BA from Lynchburg College.

Joseph Lombardi is a Senior Associate and Equity Trader for Quantitative Management Associates (QMA), where he is responsible for trading in US and International markets for QMA's institutional strategies. He currently transacts in equities, futures, currencies, ETFs and fixed-income products. He has also served the firm as an Accounting Reviewer, working on balanced and equity portfolios. Joe was a reporting administrator in Prudential Asset Management Co.'s customer financial services client-reporting units.

Notes to Disclosure

IMPORTANT INFORMATION

The information contained herein is provided by Quantitative Management Associates LLC (“QMA”). This document may contain confidential information and the recipient hereof agrees to maintain the confidentiality of such information. These materials are not intended for distribution to or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation. Certain information in this document has been obtained from sources that QMA believes to be reliable as of the date presented.

The financial indices referenced herein are provided for informational purposes only. The manager’s holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable but has not been independently verified.

Value Equity Composite

Value Equity Composite January 1, 2001 to December 31, 2010

Annual Returns for periods ended December 31

Year	Gross Return	Net Return	Russell 1000® Value Index	Number of Portfolios	Asset-Weighted Standard Deviation	Composite Market Value (in millions)	Firm Assets (in millions)
2001	6.11%	5.43%	-5.59%	5 or less	NM	\$2,239.0	\$37,460.0
2002	-11.28%	-11.87%	-15.53%	5 or less	NM	\$1,582.8	\$32,309.0
2003	31.74%	30.90%	30.03%	5 or less	NM	\$1,801.4	\$40,973.0
2004	17.39%	16.64%	16.49%	5 or less	NM	\$1,988.5	\$51,815.0
2005	9.57%	8.86%	7.04%	5 or less	NM	\$1,894.4	\$52,410.0
2006	22.57%	21.79%	22.23%	5 or less	NM	\$2,261.2	\$59,925.9
2007	-0.78%	-1.42%	-0.17%	9	NM	\$2,480.9	\$62,556.0
2008	-34.31%	-34.75%	-36.85%	11	0.33	\$1,578.9	\$53,456.9
2009	21.65%	20.88%	19.69%	11	0.70	\$2,364.1	\$70,162.1
2010	15.25%	14.51%	15.51%	11	0.12	\$2,137.6	\$79,735.3

NM Not meaningful when there are less than or equal to 5 accounts in the composite for the full year.

Annualized Returns

As of December 31, 2010	Gross Return	Net Return	Russell 1000® Value Index
1 Year	15.25%	14.51%	15.51%
3 Year	-2.71%	-3.34%	-4.42%
5 Year	2.29%	1.63%	1.27%
10 Year	5.98%	5.29%	3.25%

The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36 month period ended at the following dates:

3-Year Annualized Standard Deviation (%)		
December 31	Composite	Benchmark
2010	23.83%	23.51%

The inception date of the composite is January 1, 1989 and returns since inception are available upon request.

Quantitative Management Associates LLC (QMA) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). QMA has been verified for the period from January 1, 1993 to December 31, 2010 and the composite has been examined for the period from January 1, 1993 to December 31, 2010 by an independent verifier. The verification and examination reports are available upon request.

Notes

- The performance results displayed herein represent the investment performance record for the Value Equity Composite managed by Quantitative Management Associates (QMA). QMA operated for many years as a unit within one of Prudential Financial, Inc.'s asset management companies, known today as Prudential Investment Management, Inc. (PIM). In 2000, QMA was established as a separate firm for GIPS compliance purposes, resulting in a decrease in firm assets. In 2004, QMA became an SEC-registered investment adviser and the quantitative management business of PIM was transferred to QMA. No changes in investment professionals or process occurred as a result of this change in legal structure. In 2008, QMA redefined the firm to include assets managed through wrap fee programs (QMA Managed Accounts) for all periods after January 1, 2006. Firm assets as of December 31, 2006 and December 31, 2007 were restated to include QMA Managed Account assets that were previously excluded. QMA is a wholly-owned subsidiary of PIM, an SEC-registered investment adviser and a Prudential Financial, Inc. company. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.
- The Value Equity Composite includes all discretionary portfolios whose investment strategy is to outperform the Russell 1000® Value Index by using a quantitative approach to invest in a broad cross section of attractively valued stocks. As of January 1, 2008, the composite was redefined to include both institutional and retail accounts. Previously, only institutional accounts were included. This composite was created on December 31, 1998.
- A complete list and description of all composites managed by QMA and information regarding policies for calculating and reporting returns are available upon request.
- Performance results are stated gross and net of model fees. Performance has been calculated in US dollars and reflects the reinvestments of dividends and other earnings. Returns for each client will be reduced by such fees and expenses as described in their individual contract. The fee schedule currently in effect is as follows: .65% on the first \$10 million, .50% on the next \$15 million and .40% thereafter. Actual advisory fees charged and actual account minimum size may vary by account due to various conditions described in QMA's Form ADV 2A. The highest single client advisory fee in effect for each period is used to calculate net of fee model performance. Fees may be higher for commingled accounts, insurance company separate accounts, and trust, corporate, or bank-owned life insurance products. The composite shown may include accounts that are group annuity or life insurance products issued by The Prudential Insurance Company of America. The annualized return is equivalent to the annual return which, if earned in each year of the indicated multi-year period, would produce the actual cumulative return over the time period. Past performance is not a guarantee or a reliable indicator of future results.
- The benchmark of this composite is the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and low forecasted growth values. The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 90% of the total market capitalization of the Russell 3000® Index. Dividend income is reinvested. Source of the Russell 1000® Value Index: Russell Investments. Russell 1000® Value Index is a trademark/service mark of Russell Investments. Russell® is a trademark of Russell Investments. The financial indices referenced herein are provided for informational purposes only. The manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable. Benchmark returns are not covered by the report of independent verifiers.



RCM Capital Management, LLC

Mandate: Large Cap Core Growth

Hired: 1992

Firm Information	Investment Approach	Total ARMB Mandate & Fees																				
<p>RCM Capital Management is a wholly-owned subsidiary of Allianz Global Investors AG, which is wholly-owned by Allianz SE. RCM was founded as Rosenberg Capital Management by Claude Rosenberg in 1970.</p> <p>There have been no organizational changes and no changes on the portfolio management team for the ARMB large cap portfolio; three new analysts were added to the research team.</p> <p>As of 12/31/11, the firm's total assets under management were \$138.3 billion.</p> <p>Key Executives: Raphael Edelman, <i>Director</i> Peter Goetz, <i>Director</i> Melody McDonald, <i>Managing Director</i></p>	<p>RCM believes that rigorous fundamental research of securities combined with a disciplined valuation methodology will enable it to outperform benchmarks while maintaining a below-average risk profile.</p> <p>The investment approach is team-based, which eliminates vulnerability for client portfolios if a member departs. The investment strategy begins with idea generation, focused on identifying and evaluating new and superior investment opportunities. RCM places substantial emphasis on fundamental and original research. Research analysts are organized by sector/industry with a focus on identifying change prior to recognition in the market. A separate component is Grassroots Research which combines in-house employees and a field force of over 200 researchers and journalists worldwide with a focus on obtaining market information directly from the source.</p> <p>Portfolio managers lead the investment process, dedicated to developing new stock ideas, anticipating economic and industry trends, and determining appropriate position weights.</p> <p>Benchmark: S&P 500 Index</p>	<p>Assets Managed:</p> <table> <tr> <td>12/31/10</td> <td style="text-align: right;">\$425,855,793</td> </tr> <tr> <td>12/31/11</td> <td style="text-align: right;">\$340,991,840</td> </tr> </table> <p>Fee Schedule:</p> <table> <tr> <td>First \$10,000,000</td> <td style="text-align: right;">0.70%</td> </tr> <tr> <td>Next \$10,000,000</td> <td style="text-align: right;">0.60%</td> </tr> <tr> <td>Next \$20,000,000</td> <td style="text-align: right;">0.50%</td> </tr> <tr> <td>Next \$20,000,000</td> <td style="text-align: right;">0.35%</td> </tr> <tr> <td>Next \$40,000,000</td> <td style="text-align: right;">0.30%</td> </tr> <tr> <td>Next \$300,000,000</td> <td style="text-align: right;">0.25%</td> </tr> <tr> <td>Next \$600,000,000</td> <td style="text-align: right;">0.20%</td> </tr> <tr> <td>Thereafter</td> <td style="text-align: right;">0.15%</td> </tr> </table>	12/31/10	\$425,855,793	12/31/11	\$340,991,840	First \$10,000,000	0.70%	Next \$10,000,000	0.60%	Next \$20,000,000	0.50%	Next \$20,000,000	0.35%	Next \$40,000,000	0.30%	Next \$300,000,000	0.25%	Next \$600,000,000	0.20%	Thereafter	0.15%
12/31/10	\$425,855,793																					
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Next \$40,000,000	0.30%																					
Next \$300,000,000	0.25%																					
Next \$600,000,000	0.20%																					
Thereafter	0.15%																					

Concerns: RCM underperformed their benchmark last year although their longer-term returns continue to be strong.

12/31/2011 Performance (gross of fees)

	<u>Last Quarter</u>	<u>1 Year</u>	<u>3 Years</u> <u>Annualized</u>	<u>5 Years</u> <u>Annualized</u>	<u>7 Years</u> <u>Annualized</u>
RCM	12.56%	-1.39%	15.19%	1.83%	4.04%
Benchmark	11.82%	2.11%	14.11%	-0.25%	2.64%

Alaska Retirement Management Board

February 16, 2012

informed
RCM

Prepared for:

Gail Schubert, Chair

Sam Trivette, Vice-Chair

Members of the Board

Advisors to the Board

Gary Bader

Chief Investment Officer

Michael J. O'Leary

Executive Vice President

Callan Associates



Presented By:

Raphael L. Edelman

Director

Chief Investment Officer,

U.S. Large Cap Core Growth Equities

Melody L. McDonald, CIMA

Managing Director

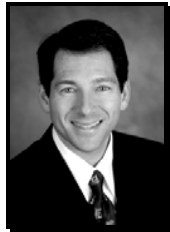
Relationship Manager



Section One ARMB Assets Under Management 1

Section Two ARMB Large Cap Core Growth Portfolio Performance & Attribution3

Section Three Appendix 11



RAPHAEL L. EDELMAN
DIRECTOR

CHIEF INVESTMENT OFFICER, U.S. LARGE CAP CORE GROWTH EQUITIES
joined RCM in late 2004. Ray is CIO of the U.S. Large Cap Core Growth Equity Portfolio Management Team and a voting member of the Private Client Group Equity Portfolio Management Team. Prior to joining RCM, he spent 20 years at Alliance Capital Management. Ray began his investment career in 1984 as an analyst in Alliance's research department specializing in the consumer products and services sector. Ray was one of the developers of the Disciplined Growth Large Cap equity product in 1988 and moved to San Francisco in 1992 to manage institutional portfolios from that office. Ray has an MBA in Finance from New York University and a BA in History from Columbia College.



MELODY L. McDONALD, CIMA
MANAGING DIRECTOR
RELATIONSHIP MANAGER

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

Section One

ARMB Assets Under Management

Alaska Retirement Management Board

Assets Under Management

As of December 31, 2011

Alaska Retirement Management Board - Large Cap Core Growth (Inception: 6/30/95) \$340,987,988

Alaska Retirement Management Board DC Plan – ESG (Inception: 10/30/08) \$43,116,789

Alaska Retirement Management Board – Redwood (Inception: 3/9/11) \$96,958,820

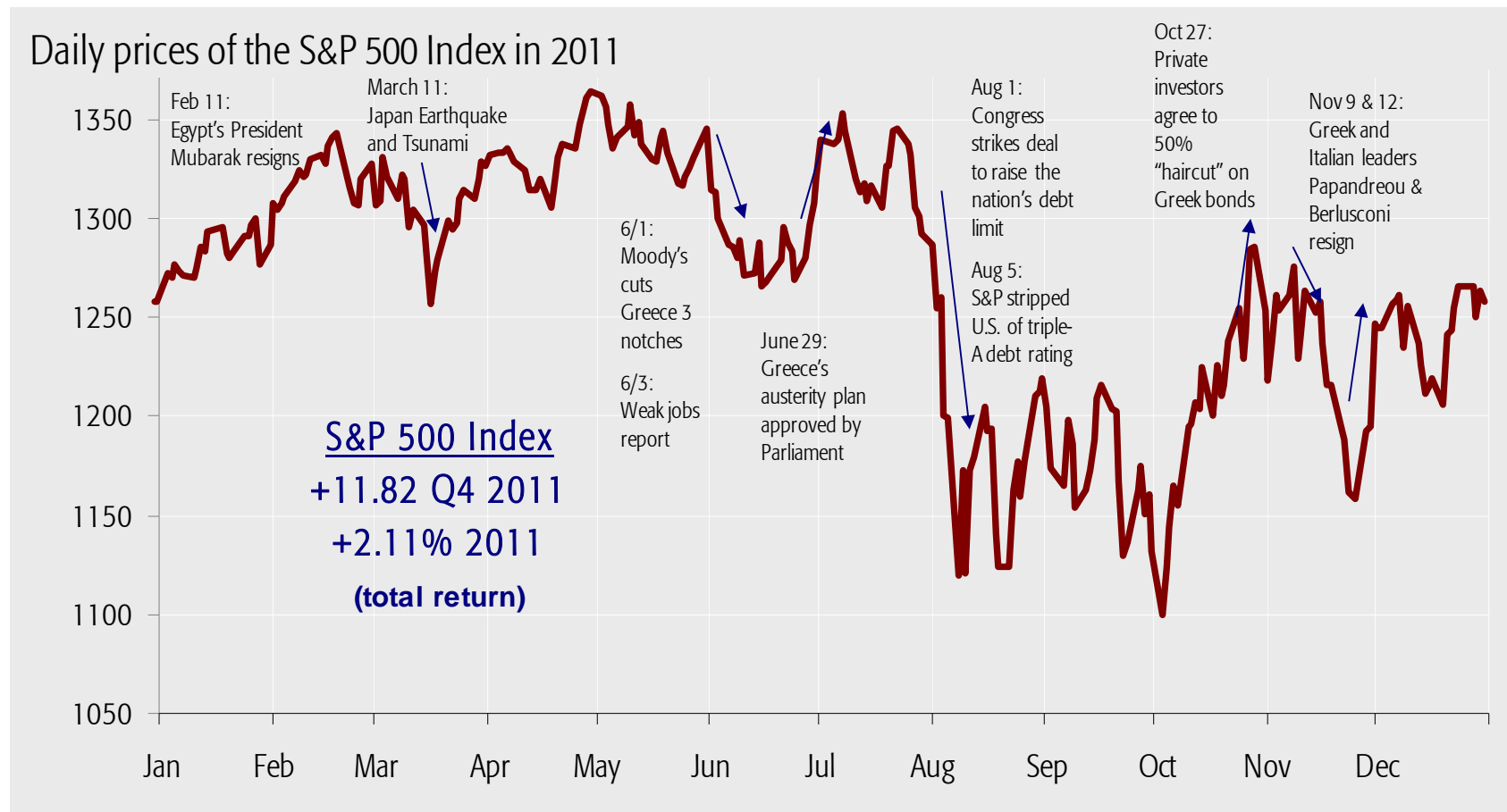
Total Assets Under Management \$481,063,597

Section Two

ARMB Large Cap Core Growth Portfolio Performance & Attribution

	4th Quarter 2011	Calendar 2011	Annualized				Annualized Since Inception 6/30/95
			Three Years Through 12/31/11	Five Years Through 12/31/11	Seven Years Through 12/31/11	Ten Years Through 12/31/11	Through 12/31/11
Alaska Retirement Management Board - Large Cap Core Growth	12.55	-2.24	14.84	1.53	3.81	2.45	8.23
S&P 500 Index	11.82	2.11	14.11	-0.25	2.64	2.92	7.14
Difference	0.73	-4.35	0.73	1.78	1.17	-0.47	1.09

2011: Year In Review



Source: Bloomberg, RCM – As of December 31, 2011

What Helped?

Sector Weightings:

Overweights that Helped:

- Consumer Discretionary
- Industrials
- Materials

Underweights that Helped:

- Consumer Staples
- Telecommunication Services
- Financials

Stocks that Helped:

- Akamai Technologies Inc.
- F5 Networks Inc.
- CBS Corp.
- Union Pacific Corp.
- Rockwell Automation Inc.

What Hurt?

Sector Weightings:

Overweights that Hurt:

- Technology

Underweights that Hurt:

- None

Stocks that Hurt:

- Watson Pharmaceuticals Inc.
- Salesforce.com Inc.
- Amazon.com Inc.
- Potash Corp. Of Saskatchewan Inc.
- Cardinal Health Inc.

What Helped?

Sector Weightings:

Overweights that Helped:

- Consumer Discretionary

Underweights that Helped:

- Financials

Stocks that Helped:

- Bank of America Corp. (*Did Not Own*)
- CBS Corp.
- Apple Inc.
- Citigroup Inc. (*Did Not Own*)
- Goodrich Corp.

What Hurt?

Sector Weightings:

Overweights that Hurt:

- Industrials
- Materials
- Technology

Underweights that Hurt:

- Utilities
- Consumer Staples
- Health Care

Stocks that Hurt:

- Baker Hughes Inc.
- Schlumberger Ltd.
- Potash Corp. of Saskatchewan Inc.
- AFLAC Inc.
- Suncor Energy Inc.

Alaska Retirement Management Board - Large Cap Core Growth

Equity Portfolio Overview

Benchmark: S&P 500 Index

December 31, 2011

Portfolio Value: \$340,987,988

General	Portfolio	S&P 500 Index
Number of Stocks	55	500
Cash	2.3%	0.0%
Yield	1.4%	2.2%
Wtd Avg Market Cap (B)	\$87.7	\$95.3
Wtd Median Market Cap (B)	\$36.2	\$51.2
Earnings Per Share Growth		
Last 3 Years	12.4%	6.5%
Last 12 Months	29.6	22.9
Next 12 Months	13.9	10.5
Next 3-5 Years	14.5	11.2
Portfolio P/E		
Last 12 Months	15.0x	13.3x
Next 12 Months	13.1	12.1
P/E to Long Term Growth	0.91	1.08

Economic Sector	Portfolio	S&P 500 Index
Technology	28.7%	18.6%
Telecommunication Services	0.0	3.2
Health Care	11.0	12.0
Consumer Staples	5.3	10.3
Consumer Discretionary	15.9	11.0
Financials	6.8	14.4
Industrials	13.3	10.9
Materials	5.1	3.4
Energy	11.7	12.0
Utilities	0.0	4.1
Cash	2.3%	0.0%
Total	100.0%	100.0%

Top Ten Holdings	Portfolio	S&P 500 Index
1. Apple Inc.	6.5%	3.3%
2. Google Inc.	3.8	1.4
3. Schlumberger Ltd.	2.8	0.8
4. Exxon Mobil Corp.	2.7	3.6
5. Microsoft Corp.	2.7	1.7
6. McDonald's Corp.	2.5	0.9
7. Pfizer Inc.	2.5	1.5
8. Allergan Inc./United States	2.3	0.2
9. Union Pacific Corp.	2.3	0.4
10. Visa Inc.	2.2	0.5
Total	30.4%	14.3%

Alaska Retirement Management Board - Large Cap Core Growth

Portfolio by Industry

December 31, 2011










	Issue	Pct of Total		Issue	Pct of Total		Issue	Pct of Total
TOTAL	Technology	28.70	TOTAL	Consumer Staples	5.28		Flowserve Corp.	1.28
01	Internet Software & Services	6.08	33	Food Beverage & Tobacco	5.28		Joy Global Inc.	0.89
	Akamai Technologies Inc.	1.17		Coca-Cola Enterprises Inc.	1.01		Precision Castparts Corp.	1.88
	Amazon.com Inc.	1.11		Hansen Natural Corp.	1.23		Rockwell Automation Inc.	1.53
	Google Inc.	3.79		Hershey Co. (The)	1.76		United Technologies Corp.	1.89
02	Software	5.75		Mead Johnson Nutrition Co.	1.28	65	Transportation	4.12
	Microsoft Corp.	2.65					BorgWarner Inc.	1.79
	Oracle Corp.	1.82	TOTAL	Consumer Discretionary	15.90		Union Pacific Corp.	2.33
	Salesforce.com Inc.	1.27	41	Retailing	8.01	TOTAL	Materials	5.11
03	IT Services	1.80		Bed Bath & Beyond Inc.	1.45	71	Materials	5.11
	Accenture PLC	1.80		Coach Inc.	1.70		Air Products & Chemicals Inc.	1.11
05	Computers & Peripherals	8.33		Dollar Tree Inc.	1.63		Allegheny Technologies Inc.	1.36
	Apple Inc.	6.55		NIKE Inc.	1.61		Freeport-McMoRan Copper & Gold	1.11
	EMC Corp./Massachusetts	1.79		Tractor Supply Co.	1.62		Potash Corp. of Saskatchewan Inc.	1.53
07	Semiconductors	4.95	45	Consumer Services & Leisure	4.29	TOTAL	Energy	11.66
	Intel Corp.	1.71		McDonald's Corp.	2.51	81	Energy	11.66
	Microchip Technology Inc.	1.79		Starbucks Corp.	1.78		Cameron International Corp.	1.82
	Texas Instruments Inc.	1.45	47	Media	3.60		Exxon Mobil Corp.	2.74
09	Communications Equipment	1.79		CBS Corp.	1.90		National Oilwell Varco Inc.	1.83
	F5 Networks Inc.	0.48		Time Warner Inc.	1.70		Occidental Petroleum Corp.	1.54
	Juniper Networks Inc.	1.32	TOTAL	Financials	6.83		Schlumberger Ltd.	2.78
TOTAL	Health Care	10.96	51	Banks	3.60		Suncor Energy Inc.	0.95
21	Pharmaceuticals	6.53		US BanCorp.	1.93	TOTAL	Miscellaneous	2.29
	Allergan Inc./United States	2.35		Wells Fargo & Co.	1.67		Cash	2.29
	Pfizer Inc.	2.48	53	Diversified Financials	3.23			
	Watson Pharmaceuticals Inc.	1.70		JPMorgan Chase & Co.	1.03			
27	Health Care Providers & Services	4.43		Visa Inc.	2.20			
	Cardinal Health Inc.	1.76	TOTAL	Industrials	13.27			
	Express Scripts Inc.	1.06	61	Capital Goods	9.15			
	UnitedHealth Group Inc.	1.61		Eaton Corp.	1.68			

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Section Three | Appendix

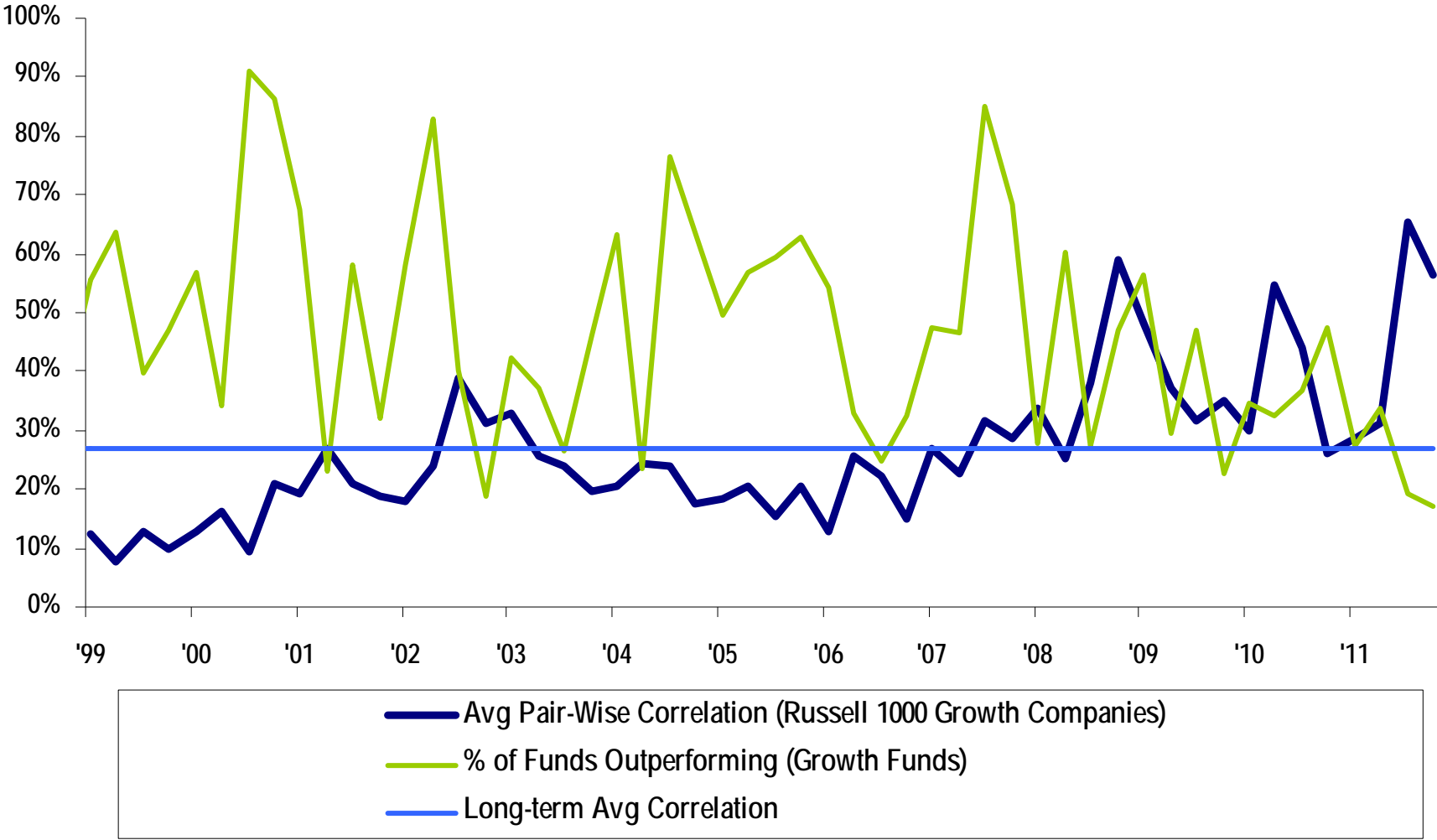
U.S. Equity Market Outlook

Q1 2012

Factors	Effects on Stock Market Returns			Recent Observations and One Year Out Expectations
	Positive	Neutral	Negative	
Corporate Profits				We believe a 2011 full year S&P 500 earnings growth rate was close to 12% and 5-10% growth is more likely in 2012. Profit margins are high and vulnerable in some cyclical sectors as final demand slows. Unit labor costs are likely to remain well behaved but we would not expect them to fall. Share buybacks and industry consolidation may help boost earnings per share, but dollar strength and economic slowdowns abroad may reduce the contribution of foreign earnings in 2012.
Pricing/ Inflation				Headline inflation peaked near 4% in 2011, closed the year below 3.5%, and is likely to trail off to the 2-2.5% range by year end 2012 given the weaker global final demand picture we anticipate in 2012. Since wages are unlikely to keep up with prices, and household credit is still contracting, higher prices erode real consumer purchasing power and make it difficult to sustain an accelerating CPI path. At the same time we do not anticipate much of a deflation risk in 2012 either.
Interest Rates				The Fed has committed to keep the fed funds rate at an exceptionally low level until the summer of 2013. With inflation expectations in TIPS markets so low, another round of quantitative easing may be launched in 2012 aimed squarely at getting mortgage rates down further and with the Fed trying to find a way to facilitate refinancing of underwater mortgages.
Economic Activity				GDP growth is likely to finish out 2011 around 1.75% and we expect 1-1.5% real GDP growth will be accomplished in 2012. The second half growth revival was driven by a falling household saving rate, which is not sustainable, and capital spending influenced by a 100% expensing tax provision which is cut in half in 2012. With government spending cuts still ahead and not much export growth expected in a slower global GDP environment, a reacceleration is unlikely in 2012.
International				Emerging market central banks are embarking on rate cuts as a global slowdown lowers inflationary pressures, and this should continue in 2012. China's central bank has been the last to pause, with growth slowing to a 9% rate in 2011, and a 7-8% rate in 2012. Japan's economy will need more imports for the rebuilding program that will carry over well into 2012. The peripheral eurozone economies are likely to experience recession as they work through their debt restructuring, and there is a recession risk for the core of Europe in 2012 as well, with Germany already in mild contraction.
Dollar				Relatively stronger growth prospects in the US, as well as better capitalized banks, should favor the dollar over other developed market currencies. As growth slows in the EM economies, the UK, and the eurozone, a 5-10% appreciation of the dollar is likely on a trade weighted basis over the next year.
Valuation				Assuming our earnings expectations are correct, the forward P/E multiple on the S&P 500 is very attractive in the 10-11 times range. Relative yields clearly favor equities over all but high yield bonds. Share repurchase activity and insider buying is due to pick up. With large corporate cash holdings, merger and acquisition activity may ramp higher, resulting in takeover premiums entering valuations.
Technical/ Sentiment				Hedge funds are reporting net equity positions that are near the lows of March 2009. With nominal (and real) yields still historically low on fixed income instruments, and commodities so volatile, investors have few other choices besides equities to achieve their required returns.
Fiscal Policy				Fiscal policy is programmed on a multiyear contractionary trajectory. Supply side oriented enhancements, or simplification of the tax code may become encouraging 2012 election planks, but the state of the debate so far is fairly disappointing with much rhetoric about income disparity filtering into policy discussions.

This document contains the current opinions of RCM and its employees, and such opinions are subject to change without notice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Forecasts are inherently limited and should not be relied upon as an indicator of future results. This document has been distributed for informational purposes only, does not constitute investment advice and is not a recommendation or offer of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but RCM cannot guarantee that the information is accurate, current or complete. (As of 01.12.12)

Correlations Among Large Cap Growth Stocks & Active Mgmt Returns



Source: BofA Merrill Lynch US Quantitative Strategy, RCM – As of December 31, 2011

* Pair-wise correlations measured quarterly using daily data (Q1 1999 to Q4 2011)

Alaska Retirement Management Board - Large Cap Core Growth

Portfolio Weight by Market Cap Sector

Benchmark: S&P 500 Index

December 31, 2011

Market Capitalization	Portfolio Percentage	Benchmark Percentage	Stocks
\$200B and Above	15.7	14.7	Apple Inc., Microsoft Corp., Exxon Mobil Corp., Google Inc.
\$100B to \$200B	11.2	19.8	JPMorgan Chase & Co., Intel Corp., McDonald's Corp., Wells Fargo & Co., Oracle Corp., Pfizer Inc.
\$50B to \$100B	15.4	16.2	Amazon.com Inc., US BanCorp, Occidental Petroleum Corp., Schlumberger Ltd., UnitedHealth Group Inc., Union Pacific Corp., United Technologies Corp., Visa Inc.
\$20B to \$50B	20.8	23.0	Accenture PLC, Allergan Inc./United States, Time Warner Inc., EMC Corp./Massachusetts, Express Scripts Inc., Freeport-McMoRan Copper & Gold Inc., NIKE Inc., National Oilwell Varco Inc., Precision Castparts Corp., Potash Corp. of Saskatchewan Inc., Starbucks Corp., Texas Instruments Inc., Suncor Energy Inc.
\$10B to \$20B	20.2	15.1	Air Products & Chemicals Inc., Bed Bath & Beyond Inc., Cardinal Health Inc., Coach Inc., Cameron International Corp., Dollar Tree Inc., Eaton Corp., Hershey Co. (The), Juniper Networks Inc., Rockwell Automation Inc., CBS Corp., Salesforce.com Inc., Mead Johnson Nutrition Co.
\$5B to \$10B	14.3	8.6	Akamai Technologies Inc., Allegheny Technologies Inc., BorgWarner Inc., Coca-Cola Enterprises Inc., Flowserve Corp., F5 Networks Inc., Hansen Natural Corp., Microchip Technology Inc., Tractor Supply Co., Watson Pharmaceuticals Inc., Joy Global Inc.
Below \$5B	0.0	2.7	N/A
Cash	2.3	0.0	Cash

Alaska Retirement Management Board - Large Cap Core Growth

Top Ten Overweights and Underweights

Benchmark: S&P 500 Index

As of December 31, 2011

Top Ten Overweights

	Portfolio	S&P 500 Index	Difference
1. Apple Inc.	6.55%	3.31%	3.24%
2. Google Inc.	3.79	1.43	2.36
3. Allergan Inc./United States	2.35	0.24	2.11
4. Schlumberger Ltd.	2.78	0.81	1.97
5. Union Pacific Corp.	2.33	0.45	1.88
6. Visa Inc.	2.20	0.45	1.75
7. CBS Corp.	1.90	0.16	1.74
8. BorgWarner Inc.	1.79	0.06	1.73
9. Microchip Technology Inc.	1.79	0.06	1.73
10. Cameron International Corp.	1.82	0.11	1.71
Total	27.30%	7.08%	20.22%

Top Ten Underweights

	Portfolio	S&P 500 Index	Difference
1. International Business Machines Corp.	0.00%	1.90%	-1.90%
2. Chevron Corp.	0.00	1.86	-1.86
3. General Electric Co.	0.00	1.66	-1.66
4. Procter & Gamble Co. (The)	0.00	1.61	-1.61
5. Johnson & Johnson	0.00	1.57	-1.57
6. AT&T Inc.	0.00	1.57	-1.57
7. Coca-Cola Co. (The)	0.00	1.40	-1.40
8. Philip Morris International Inc.	0.00	1.20	-1.20
9. Berkshire Hathaway Inc.	0.00	1.18	-1.18
10. Merck & Co Inc.	0.00	1.01	-1.01
Total	0.00%	14.96%	-14.96%

Alaska Retirement Management Board - Large Cap Core Growth

Chronology Summary

December 31, 2011

	Dec. 2011	Sep. 2011	Jun. 2011	Mar. 2011	Dec. 2010		Dec. 2011	Sep. 2011	Jun. 2011	Mar. 2011	Dec. 2010
MKT VAL	340988	302954	420306	44559	425847	(41) Retailing	8.0	7.6	4.5	4.8	6.0
CASH	7813	5377	6165	5555	3447	(45) Consumer Services & Leisure	4.3	5.5	6.4	8.0	8.6
CASH PCT	2.3	1.8	1.5	1.2	.8	(47) Media	3.6	3.3	4.6	3.9	3.5
NON-CASH PCT	97.7	98.2	98.5	98.8	99.2	Total Consumer Discretionary	15.9	16.4	15.5	16.6	18.1
(01) Internet Software & Services	6.1	7.0	7.6	6.5	7.5						
(02) Software	5.7	5.7	4.7	3.7	5.1	(51) Banks	3.6	3.5	3.3	3.6	3.5
(03) IT Services	1.8	2.0	1.6	1.0		(53) Diversified Financials	3.2	2.9	2.9	4.5	4.9
(05) Computers & Peripherals	8.3	8.7	7.0	7.3	8.4	(55) Insurance			1.1	1.3	1.5
(07) Semiconductors	5.0	4.9	4.1	6.5	6.1	Total Financials	6.8	6.4	7.3	9.4	9.9
(09) Communications Equipment	1.8	1.0	1.0	2.5	2.4						
Total Technology	28.7	29.2	26.0	27.5	29.5	(61) Capital Goods	9.1	10.5	14.4	15.5	14.0
						(65) Transportation	4.1	3.8	4.5	3.3	2.1
(21) Pharmaceuticals	6.5	6.4	4.5	5.0	3.7	Total Industrials	13.3	14.3	18.9	18.8	16.1
(23) Biotechnology					.9						
(25) Health Care Equipment & Supplies			1.2		1.4	(71) Materials	5.1	4.9	5.6	4.9	3.9
(27) Health Care Providers & Services	4.4	5.0	4.2	3.7	3.4	Total Materials	5.1	4.9	5.6	4.9	3.9
Total Health Care	11.0	11.4	9.9	8.6	9.4						
						(81) Energy	11.7	11.5	11.7	11.0	8.8
(31) Household & Personal Products					1.5	Total Energy	11.7	11.5	11.7	11.0	8.8
(33) Food Beverage & Tobacco	5.3	4.1	2.7	2.0	2.1						
(35) Food & Drug Retailing			1.0								
Total Consumer Staples	5.3	4.1	3.7	2.0	3.6						

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: IFS Report Recommendation ACTION: X
Task Area A.2, Recommendation #4
Investment Performance Benchmarks INFORMATION: _____
DATE: February 16, 2012

BACKGROUND

AS 37.10.220(a)(11) and (12) require that the Alaska Retirement Management Board (Board) contract for an independent audit of the state's performance consultant not less than once every four years, obtain an external performance review to evaluate the investment policies of each fund entrusted to the board and report the results of the review. The Board entered into a contract with Independent Fiduciary Services (IFS) to provide the required reviews. IFS presented its final report at the December 2, 2010 Board meeting. At the conclusion of the presentation, CIO Gary Bader advised the trustees that each individual recommendation would be brought before the trustees at future meetings with a staff recommendation on action or implementation.

STATUS – IFS Task Area A.2 Investment Performance Benchmarks

IFS Report Recommendation #4, page 35, states:

ARMB should consider adding the KLD index on which the RCM Socially Responsible Investment Fund is based as a strategic benchmark.

The Defined Contribution Committee concurs with the recommendation relating to the RCM Socially Responsible Investment Fund (SRI). The current contractual benchmark is the S&P 500 Index. The RCM SRI Fund is based on the MSCI USA ESG Index, which is more reflective of that fund's style. MSCI ESG Indices are the continuation of indices developed by KLD, which became part of MSCI following its acquisition of Risk Metrics in June 2010.

RECOMMENDATION

The Alaska Retirement Management Board approve IFS Recommendation #4 in Task Area A.2, adding the MSCI USA ESG Index as a benchmark for the RCM Socially Responsible Investment Fund.

ALASKA RETIREMENT MANAGEMENT BOARD

IAC Selection Committee

SUBJECT: Investment Advisory Council Appointment

ACTION: X

DATE: February 16, 2012

INFORMATION: _____

BACKGROUND:

At its June 16 meeting, the Alaska Retirement Management Board (Board) directed staff to initiate a solicitation for applications for a position on the IAC. The term of Investment Advisory Council (IAC) member Dr. Jerrold Mitchell was to expire December 31, 2011 (subsequently extended to February 29, 2012). Staff advertised the IAC position in Pension & Investments, Alaska newspapers, the State of Alaska on-line directory and on the ARMB website. Six applications were received from qualified applicants. At the December 2 Board meeting, staff recommended that a selection committee be appointed by the Chair to review the applicants and make a recommendation for proceeding to the Board. Trustees Martin Pihl, Michael Williams and Tom Richards were appointed to the committee; Trustee Richards was elected Chair of the committee.

STATUS:

The IAC Selection Committee met by teleconference on December 22, 2011. The individual committee members provided their scores for each applicant, and engaged in discussion of individual scoring, rationale and recommendations. Dr. Mitchell received the highest scores, and the committee unanimously approved a motion to recommend to the Board that Dr. Mitchell be appointed to another term on the IAC.

RECOMMENDATION:

That the Board appoint Dr. Jerrold Mitchell to a term on the IAC commencing March 1, 2012 and ending June 30, 2015 on the terms and conditions set forth in RFS 12-009.



ARMB 2012 Economic Environment and Capital Markets Review

**Michael J. O'Leary CFA
Executive Vice President
Paul Erlendson
Senior Vice President
Callan Associates Inc.
January 2012**



Why Make Capital Market Projections?

Guiding Objectives

- **Cornerstones of strategic planning – expectations and time horizon.**
- **Projections represent our best thinking regarding the long-term (5- to 10-year) outlook, recognizing our median projections represent the midpoint of a range, rather than a specific number.**
- **Develop results that are readily defensible both for individual asset classes and for total portfolios.**
- **Reflect common sense and recent market developments.**
- **Balance conflicting goals and conflicting opinions.**



Callan's Capital Market Projection Process

Economic outlook drives our projections.

- **Evaluate the current environment and economic outlook for the U.S. and other major industrial countries:**
 - Business cycles, relative growth, inflation.
- **Examine the relationships between the economy and asset class performance patterns.**
- **Examine recent and long-run trends in asset class performance.**
- **Apply market insight**
- **Test the projections for reasonable results.**



Themes Explored in Setting the 2012 Expectations

- Bond market surprised yet again in 2011, with rates going down rather than up. Did anyone call the 2011 fixed income market? Is THIS finally the end of the road for bonds? Do rising rates doom the return expectations for fixed income?
- Has the long term trend for GDP growth changed?
- Sharp contrast between a long term, strategic vision for an investor (10+ years), the short term (1-3 years) reality, and the path from the current conditions to the long term expectations.
- **Scenarios beyond the expected case:**
 - Threat of double dip.
 - Stagnation and deflation.
 - The recovery reignites and inflation takes hold.



The Capital Markets in 2011

Fixed Income Surprises, Equity Markets Suffer Loss of Confidence

	2006	2007	2008	2009	2010	2011	Average Annual Return		
							Five Years 2007-11	Ten Years 2002-11	Fifteen Yrs 1997-2011
<u>Broad U.S. Stock Market</u>									
Russell 3000	15.72	5.14	-37.31	28.34	16.93	1.03	-0.01	3.51	5.68
S&P Super Composite 1500	15.34	5.47	-36.72	27.25	16.38	1.75	0.11	3.40	5.84
<u>Large Cap U.S. Stocks</u>									
Russell 1000	15.46	5.77	-37.60	28.43	16.10	1.50	-0.02	3.34	5.68
S&P 500	15.79	5.49	-37.00	26.47	15.06	2.11	-0.25	2.92	5.45
<u>Small Cap U.S. Stocks</u>									
Russell 2000	18.37	-1.57	-33.79	27.17	26.85	-4.18	0.15	5.62	6.25
S&P 600 Small Cap	15.11	-0.30	-31.07	25.57	26.31	1.02	1.94	7.09	8.27
<u>Non-U.S. Stock Markets</u>									
EAFE (\$US)	26.34	11.17	-43.38	31.78	7.75	-12.14	-4.72	4.67	3.39
MSCI Emerging Markets	32.59	39.78	-53.18	79.02	19.20	-18.17	2.70	14.20	7.12
<u>Fixed Income Markets</u>									
BC Aggregate	4.33	6.97	5.24	5.93	6.54	7.84	6.50	5.78	6.32
Citi Non-US Bonds	6.95	11.45	10.11	4.38	5.22	5.17	7.23	8.36	5.54
<u>Cash Market</u>									
90-day T-bill	4.85	5.00	2.06	0.21	0.13	0.10	1.48	1.95	3.02
<u>Inflation</u>									
CPI-U*	2.54	4.08	0.09	2.72	1.50	2.96	2.26	2.48	2.37

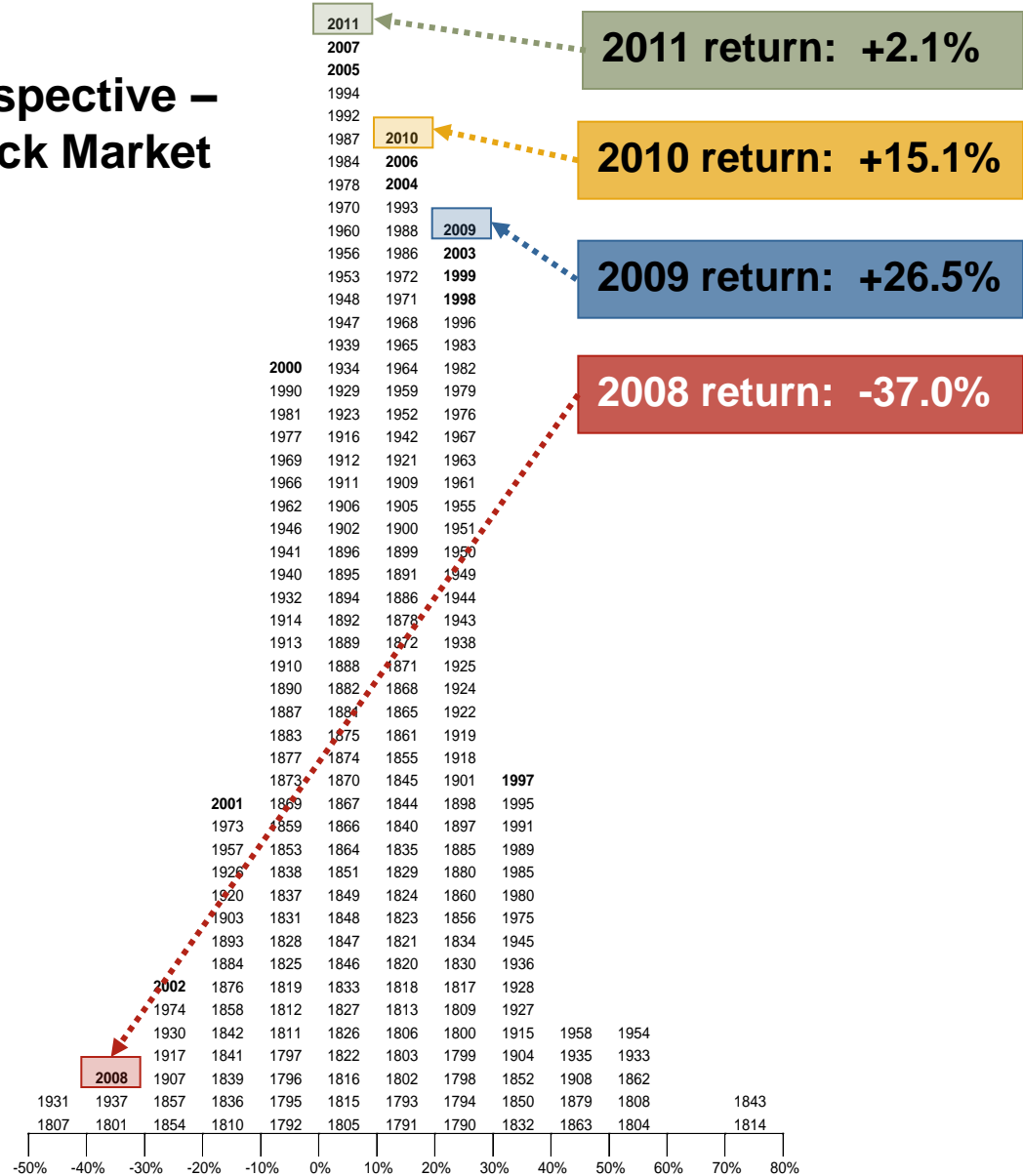
* CPI-U data are measured as year-over-year change through 12/31/11.

- Results for 2011 showed a sharp slump in all equity segments. Domestic equity returns were down almost 10% through September 2011; a strong fourth quarter brought returns back above zero. International markets were not so fortunate.
- Five-year equity returns through 2011 are essentially zero. Ten-year returns are weak as the tech bubble has rolled out of the calculations, and include two downturns. Fifteen-year returns are still below long-run averages, and are back below those of fixed income.



Stock Market Returns by Calendar Year

2011 Performance Perspective – History of the U.S. Stock Market *224 Years of Returns*





Current Environment – January 2012

Economic Growth Will Continue, but Markets Are Wary

- **2011 began with the economy growing slowly but steadily, and the capital markets were poised for modest growth.**
 - Interest rates surprised in 2010, keeping cost of debt low but suggesting poor prospects for fixed income investing.
 - Corporate profits were strong, but had not yet translated into job growth and capital spending.
 - Wealth had been hit, consumers continued de-levering and rebuilding savings, but pent-up demand was growing.
 - Tax compromise at the end of 2010 expected to provide a new fiscal stimulus in 2011-12.
- **Everything appeared to unravel in early spring:**
 - Stimulus “disappeared” and the inventory cycle stopped short.
 - Economic reports seemed to suddenly weaken – jobs, spending, housing.
 - Japan suffered the ravages of a tsunami and nuclear disaster.
 - Europe’s sovereign debt crisis worsened.
 - Arab Spring raised hopes, fears and geopolitical volatility.
 - Federal budget debacle led to a downgrade of U.S. sovereign debt.
 - Consumer, business and investor confidence evaporated.
- **Capital markets freaked out, driven by politics and emotion rather than economics.**
 - Equity hammered mercilessly through Q3 2011, retail investors fled risk, Treasuries rallied.
 - Interest rates headed even lower.
- **Q3 and Q4 economic reports were solid, even the job market improved.**
- **Economic growth in fact continues, although the potential long-term growth for the U.S. and global economies is undergoing serious re-evaluation.**



Diminished Expectations:

Why Has the Outlook Been Downgraded?

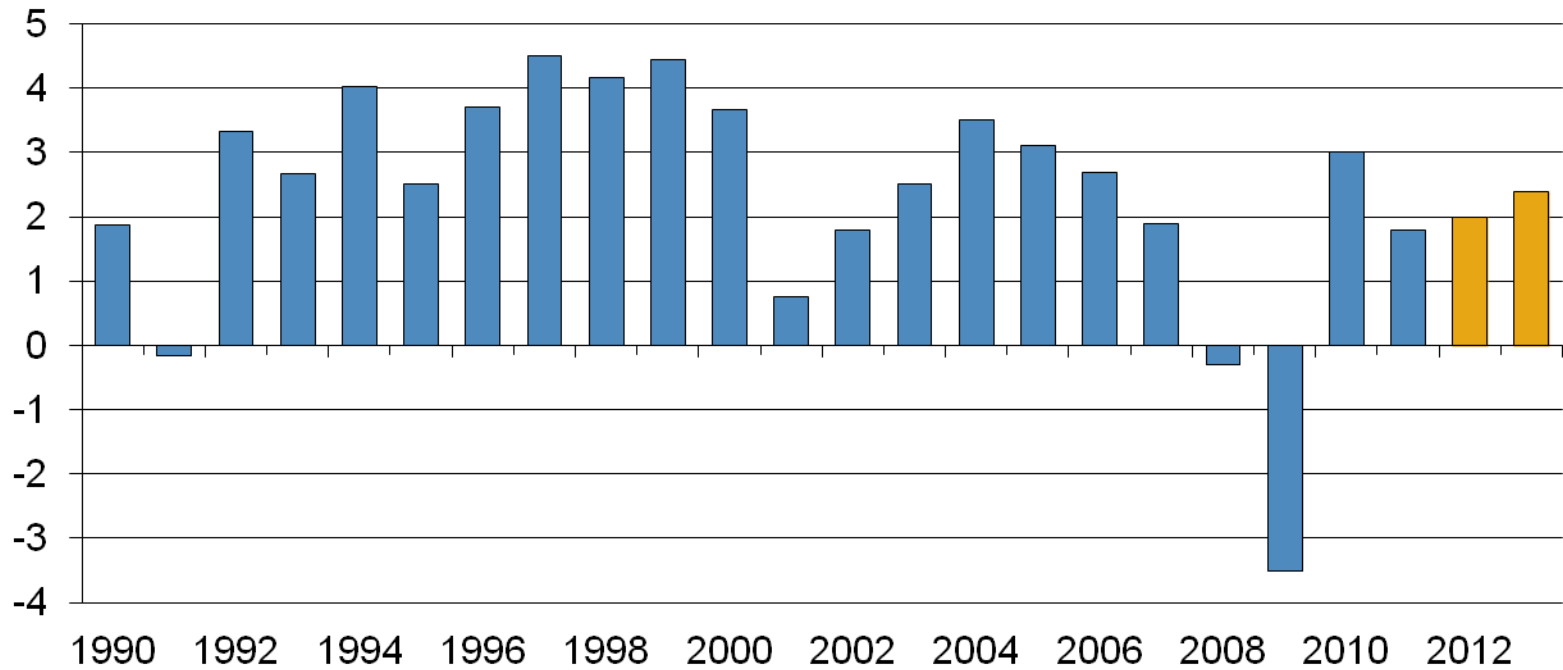
- **“Temporary shocks” have lost credibility as explanation of softer global growth. Weakness looks longer-lasting; trend growth may be moving to a new, lower plane.**
- **Confidence in U.S. and European policy-making has hit new lows.**
- **The U.S. debt-ceiling outcome offered neither short-term fiscal support nor long-term fiscal reforms.**
- **Eurozone sovereign debt crisis spread to Italy and threatens France; only seemingly stop-gap solutions are on offer.**
- **S&P’s U.S. downgrade was a sideshow. Markets gave their own verdict – Treasuries remain a (the?) safe haven.**



Below-Par Recovery for the U.S. Economy

Real GDP

Annual Percent Change



*** 2012-13 estimate - Global Insight**

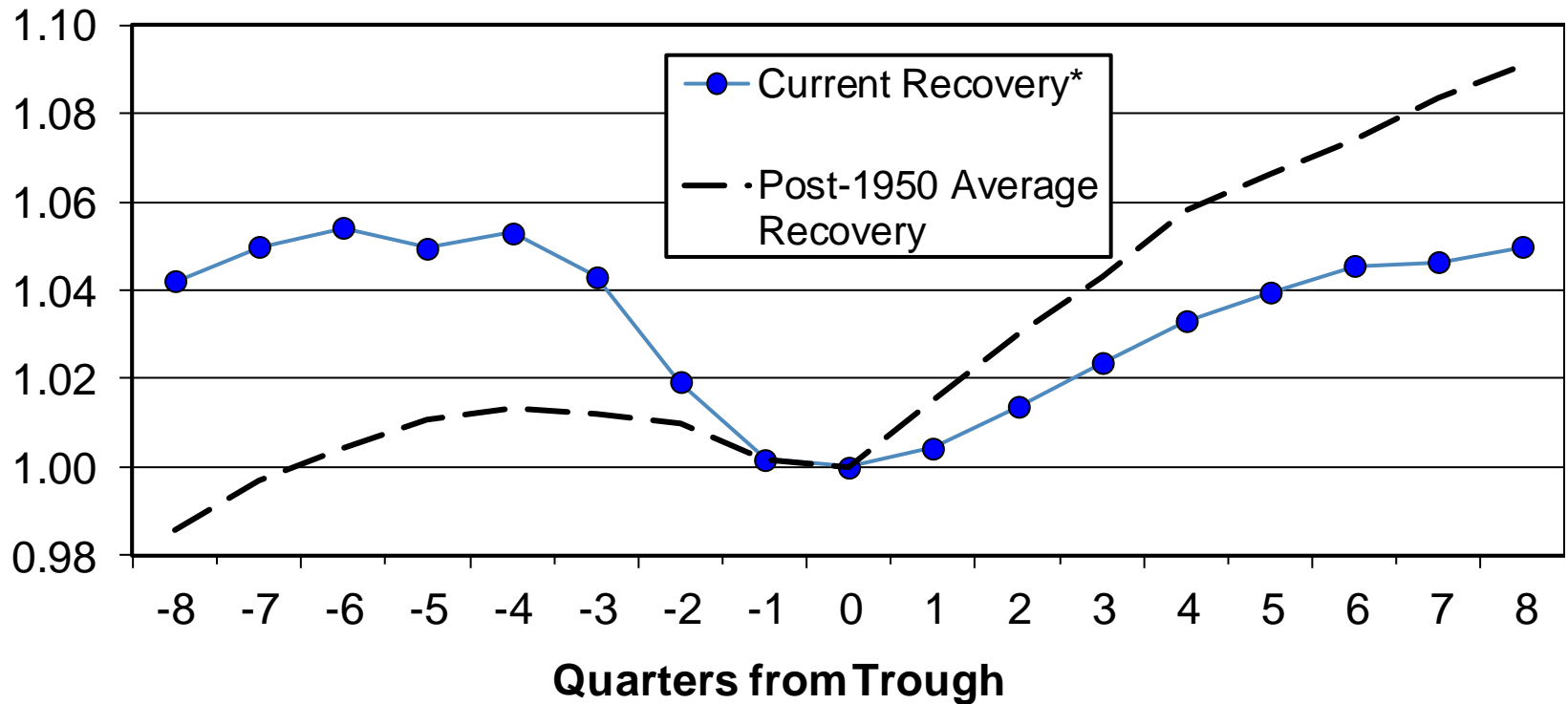
Source: Global Insight



Deeper Recession, Slower Recovery

GDP Has Struggled to Regain Its Previous Peak

Real GDP Compared with Recession Trough

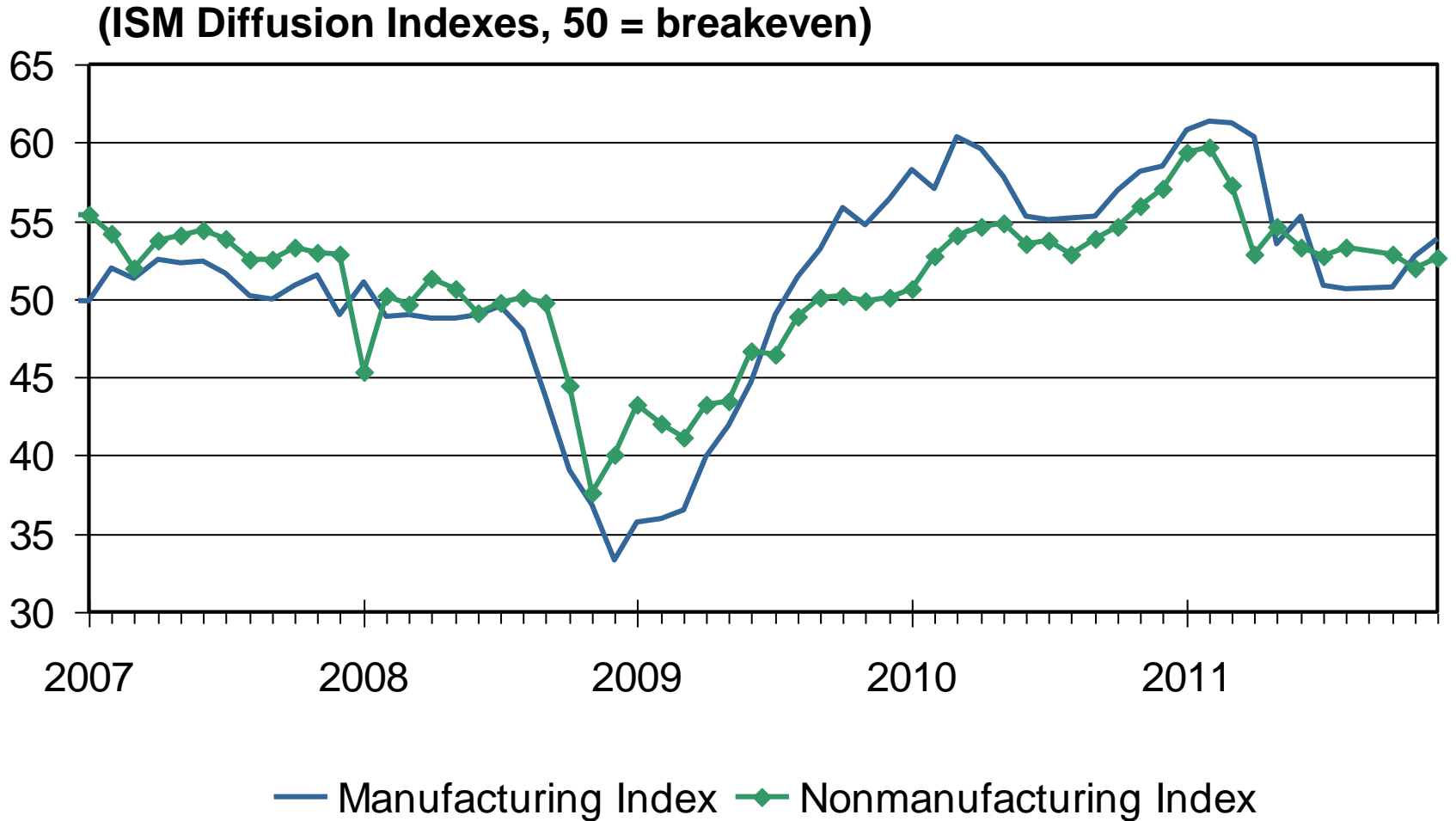


* 2009Q2 trough

Source: Global Insight



Key Leading Indicators Slipped, But Still Signal Growth



Source: Institute for Supply Management



Will We Fall Back Into Recession?

Why?

- An economy near stall speed is vulnerable to shocks.
- Fed can't help much.
- Eurozone is the immediate risk.
- Oil shocks are a perennial threat.

■ Why Not?

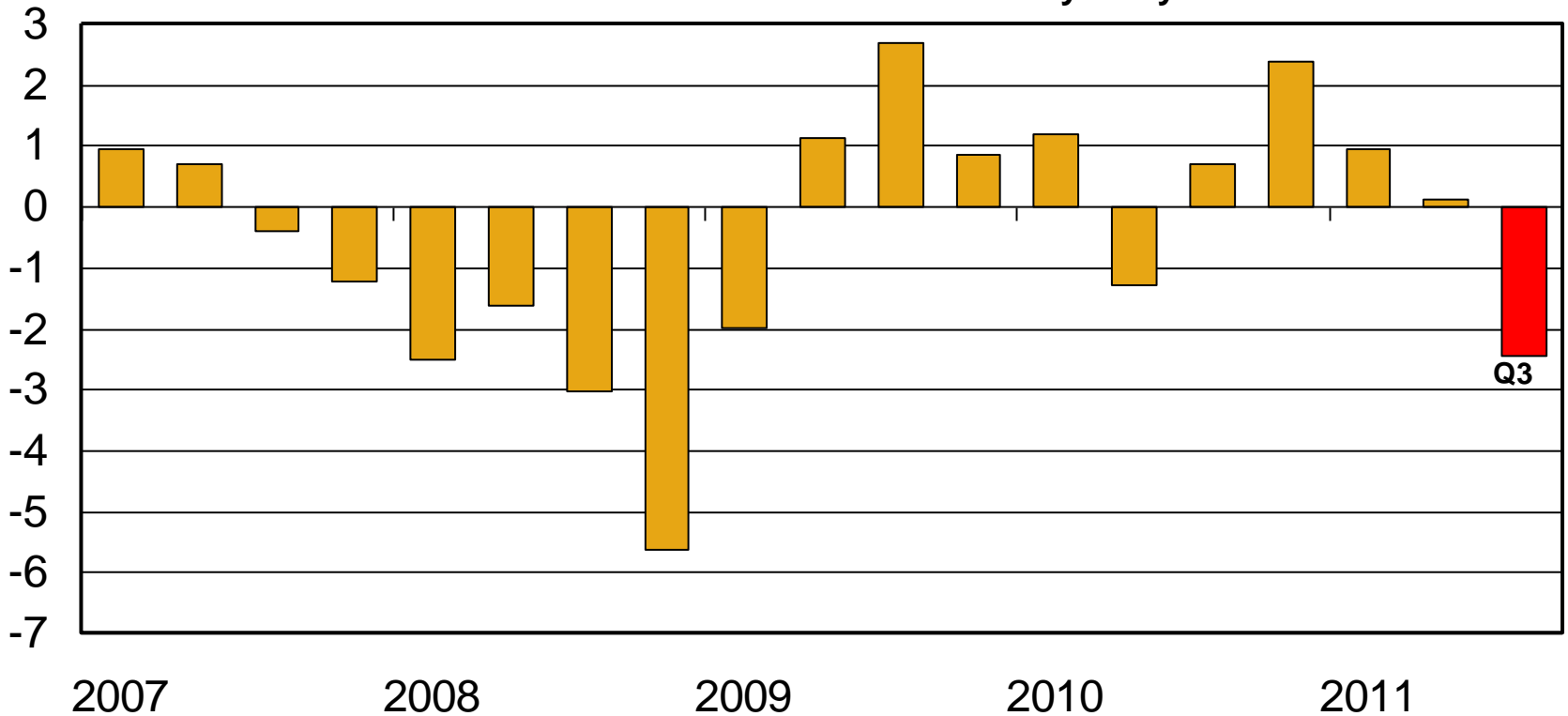
- U.S. banks in better shape than 2008.
- Nonfinancial corporations balance sheets are strong.
- Exposures to Eurozone sovereign debt are better understood than were the exposures to sub-prime debt.
- Europe unlikely to allow a major institution to collapse similar to Lehman.



Household Net Worth Takes a Hit

(Trillions of U.S. dollars)

- Q3 2011 net worth loss of \$2.44 trillion
- Q4 S&P recovery likely reversed much of the loss



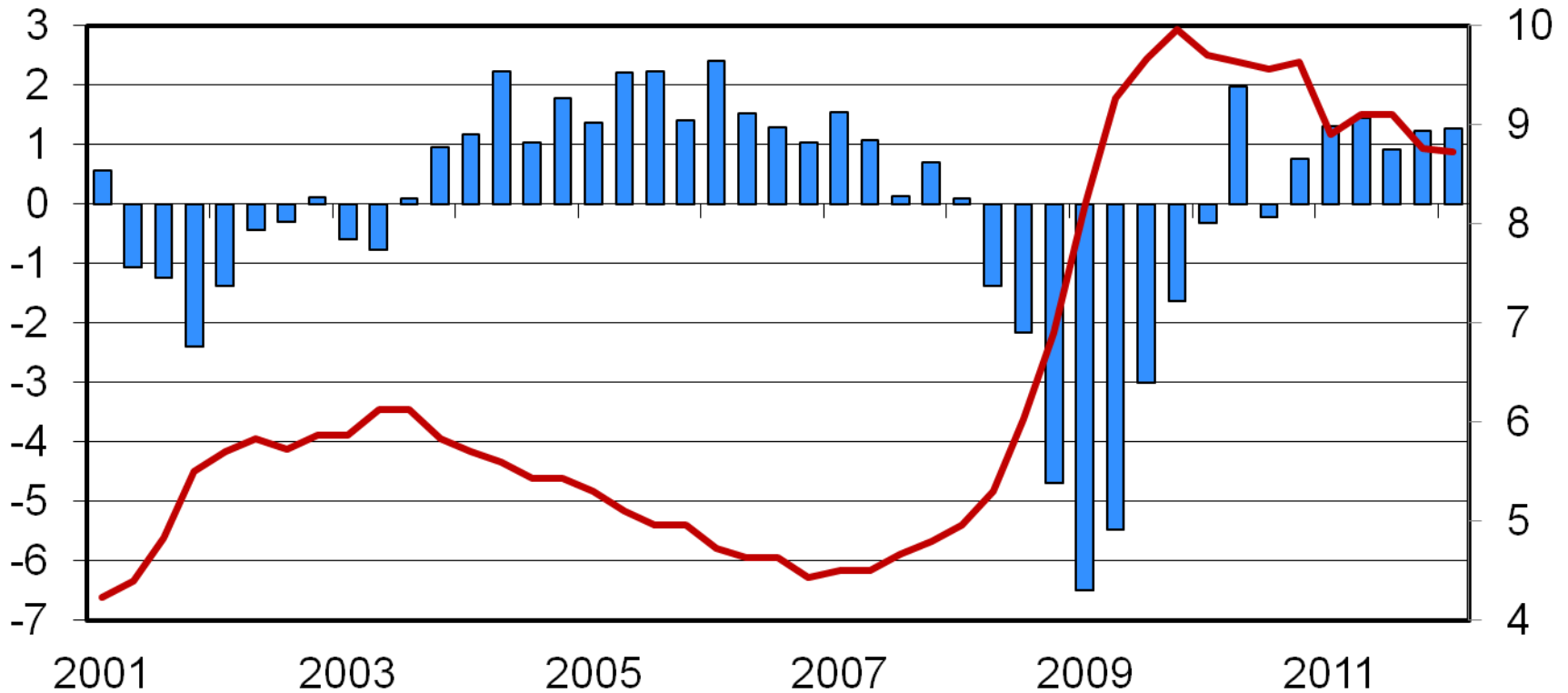
\$16 trillion loss 2007Q2 -2009Q1

\$9 trillion gain 2009Q1-2011Q2

Source: Global Insight



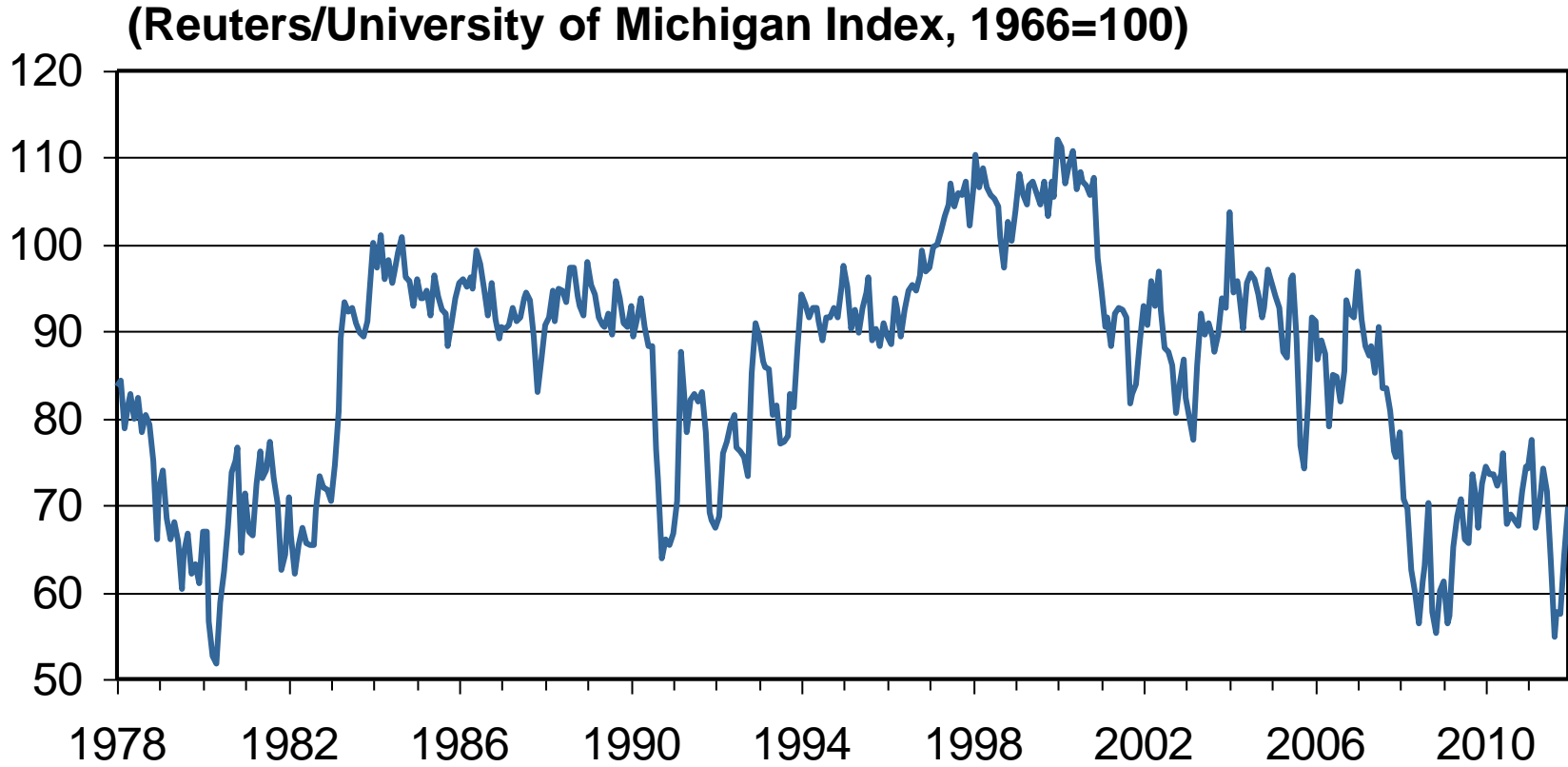
Modest Employment Growth and High Unemployment Sapped Confidence



■ Employment Growth (Left scale, annual percent change)
— Unemployment Rate (Right scale, percent)



Consumer Sentiment Reached Its Lowest Since 1980 in Mid-2011

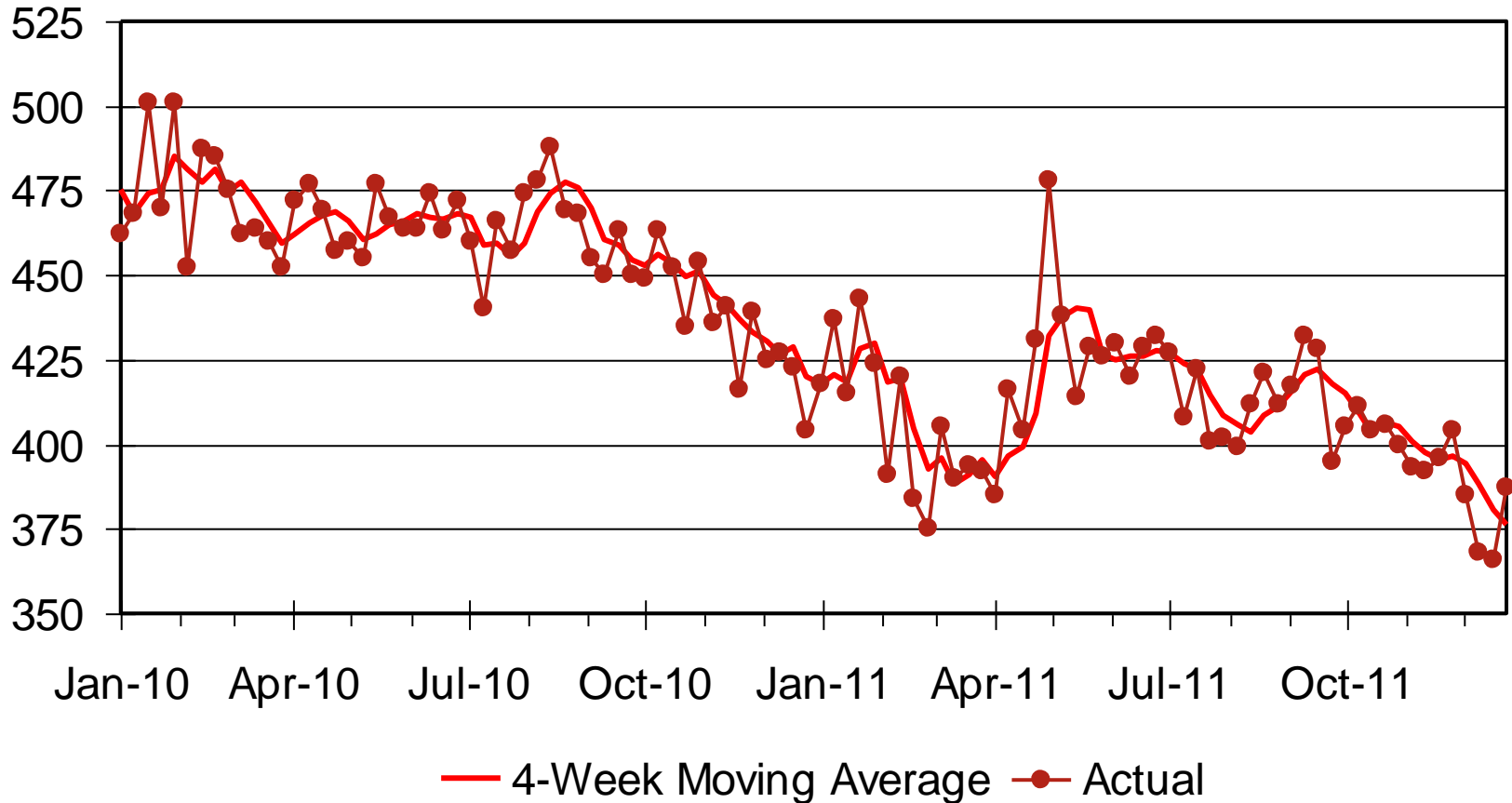


Source: Global Insight



Good News: Initial Unemployment Insurance Claims Are Edging Down

(Initial unemployment insurance claims, thousands)



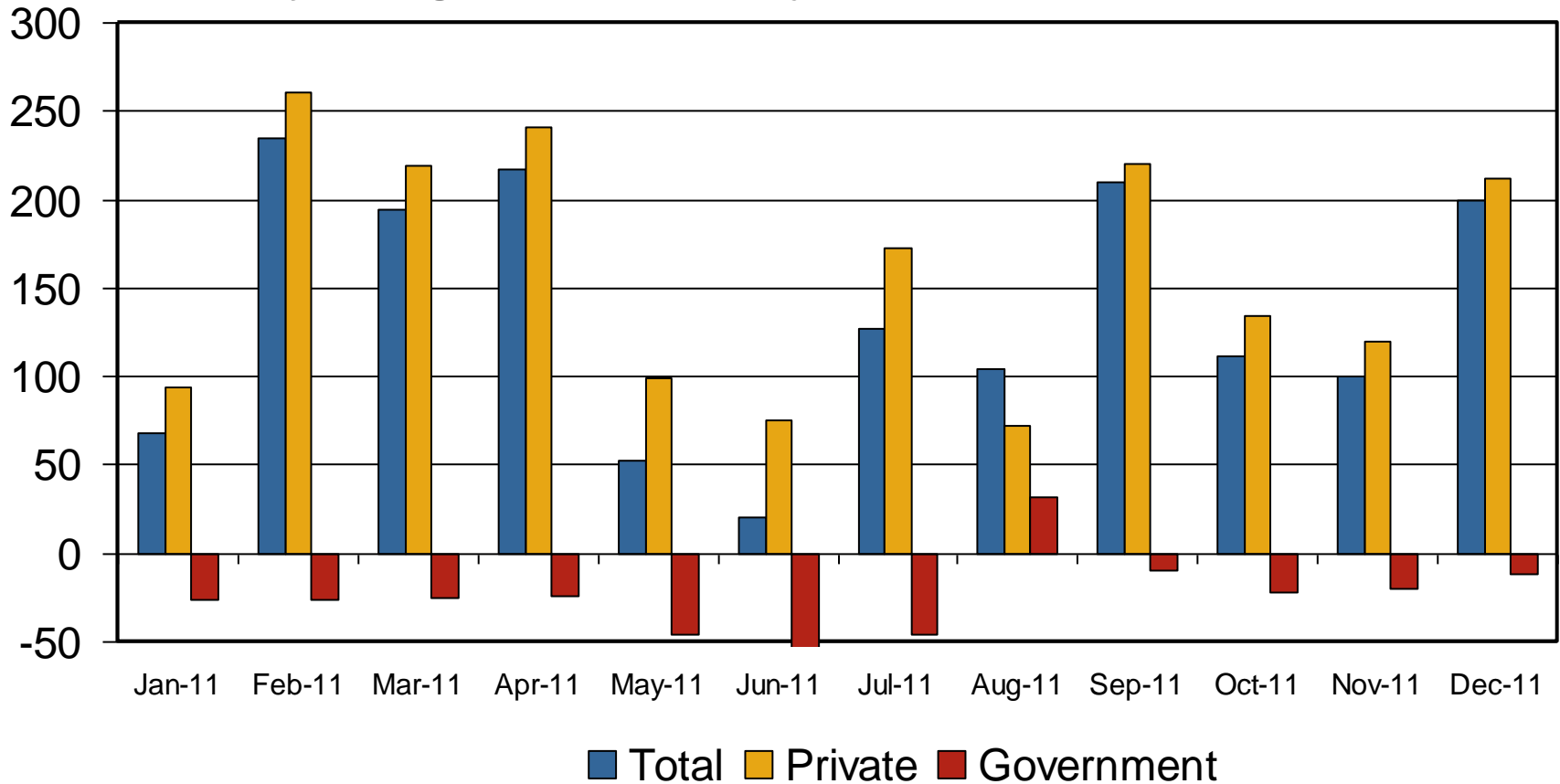
■ **400,000 = “magic number” below which the job market is typically expanding.**

Source: U.S. Department of Labor



Good News: Employment Growth Improved in July and Held On Through Q4

(Monthly change, thousands of jobs)



Source: Global Insight

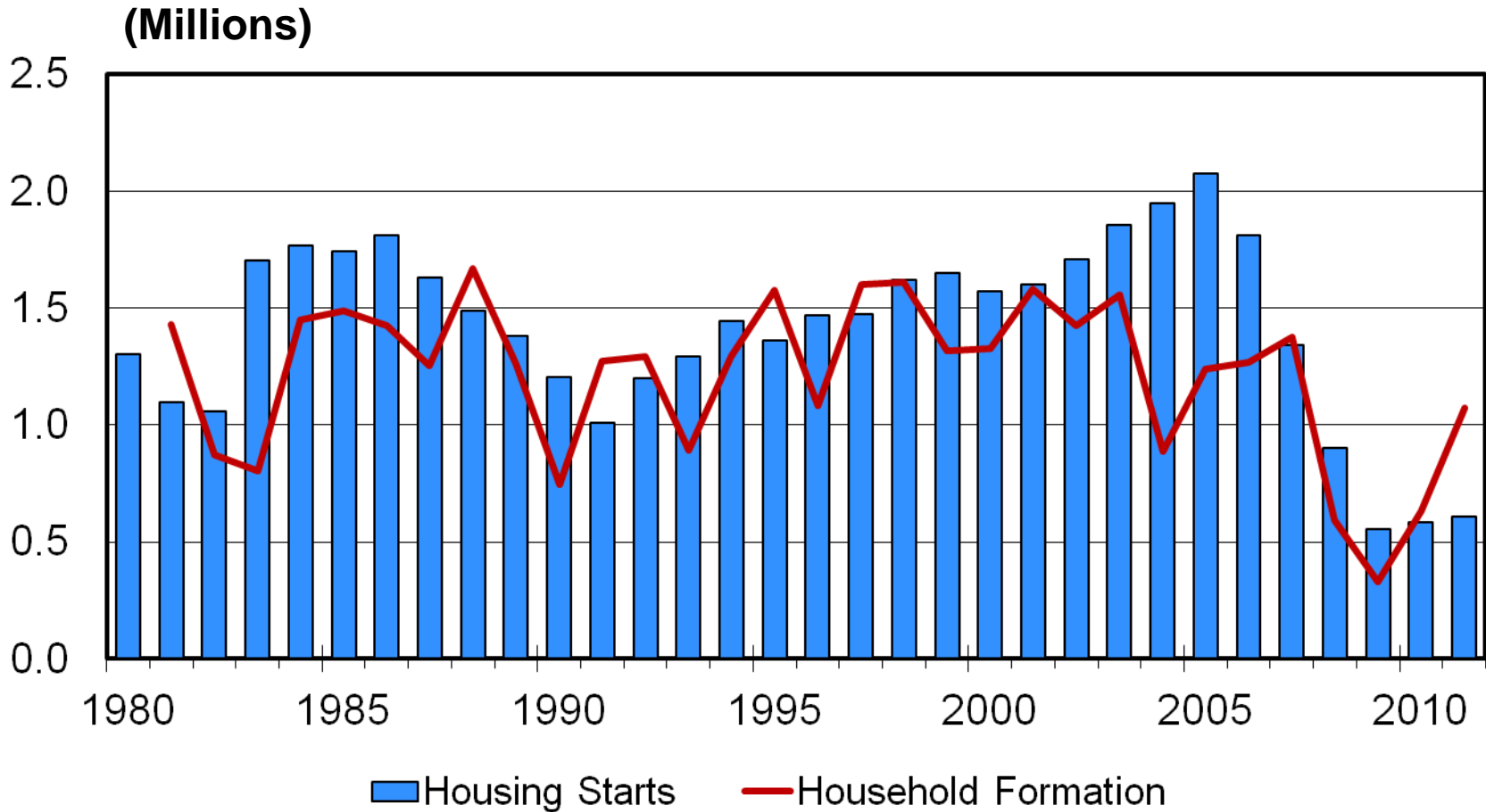


A Much-Delayed Recovery in Housing Markets

- **The recession led to a drop-off in household formation.**
- **Sustained job growth is needed for revival.**
- **Record affordability of homes should boost demand.**
- **Credit conditions remain tight across regions.**
- **Mortgage foreclosures are adding to excess supply, depressing prices and holding back new construction.**
- **Multifamily home construction will lead the recovery, reflecting a shift from owner-occupied to rental housing.**

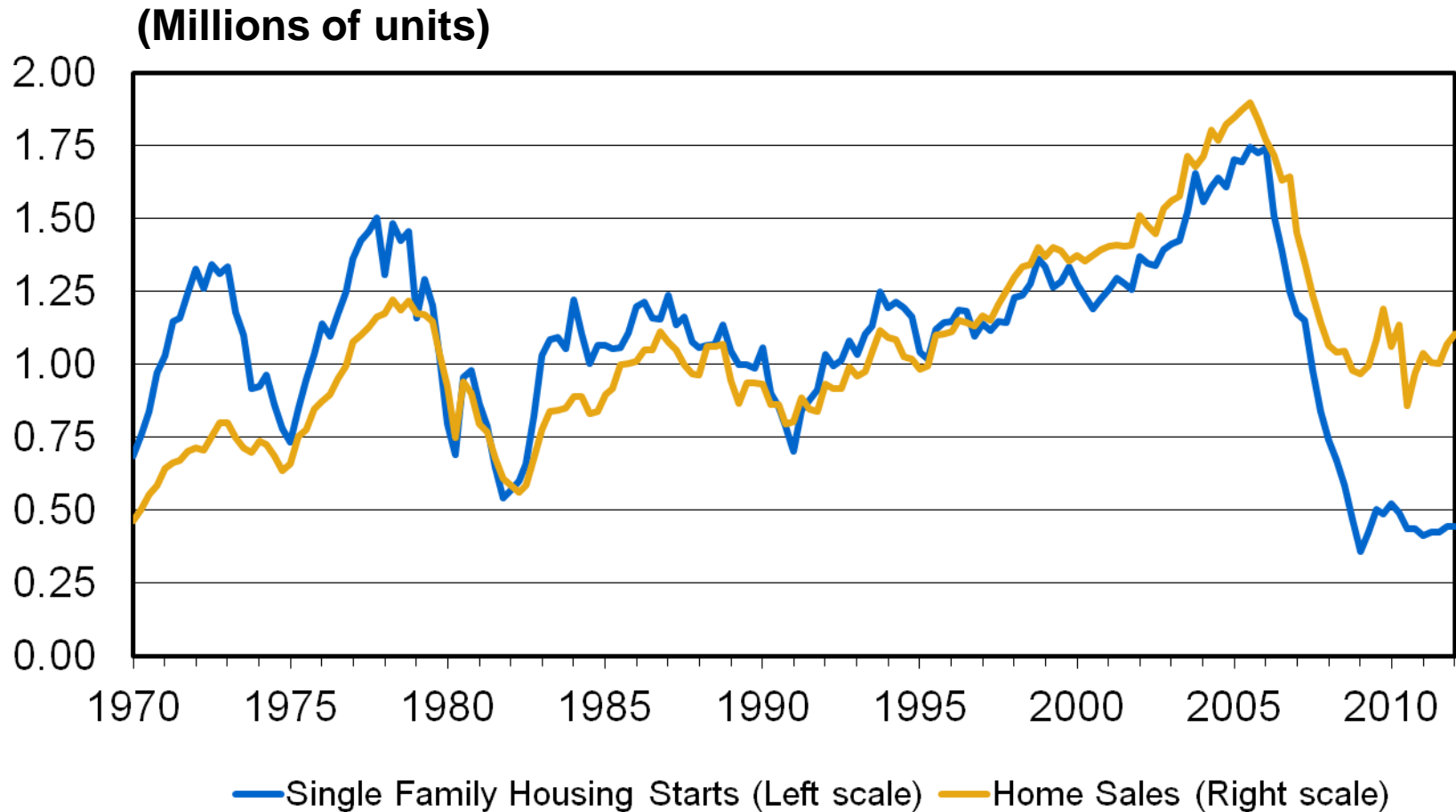


A Rebound in Household Formation Required for Recovery in Housing Starts



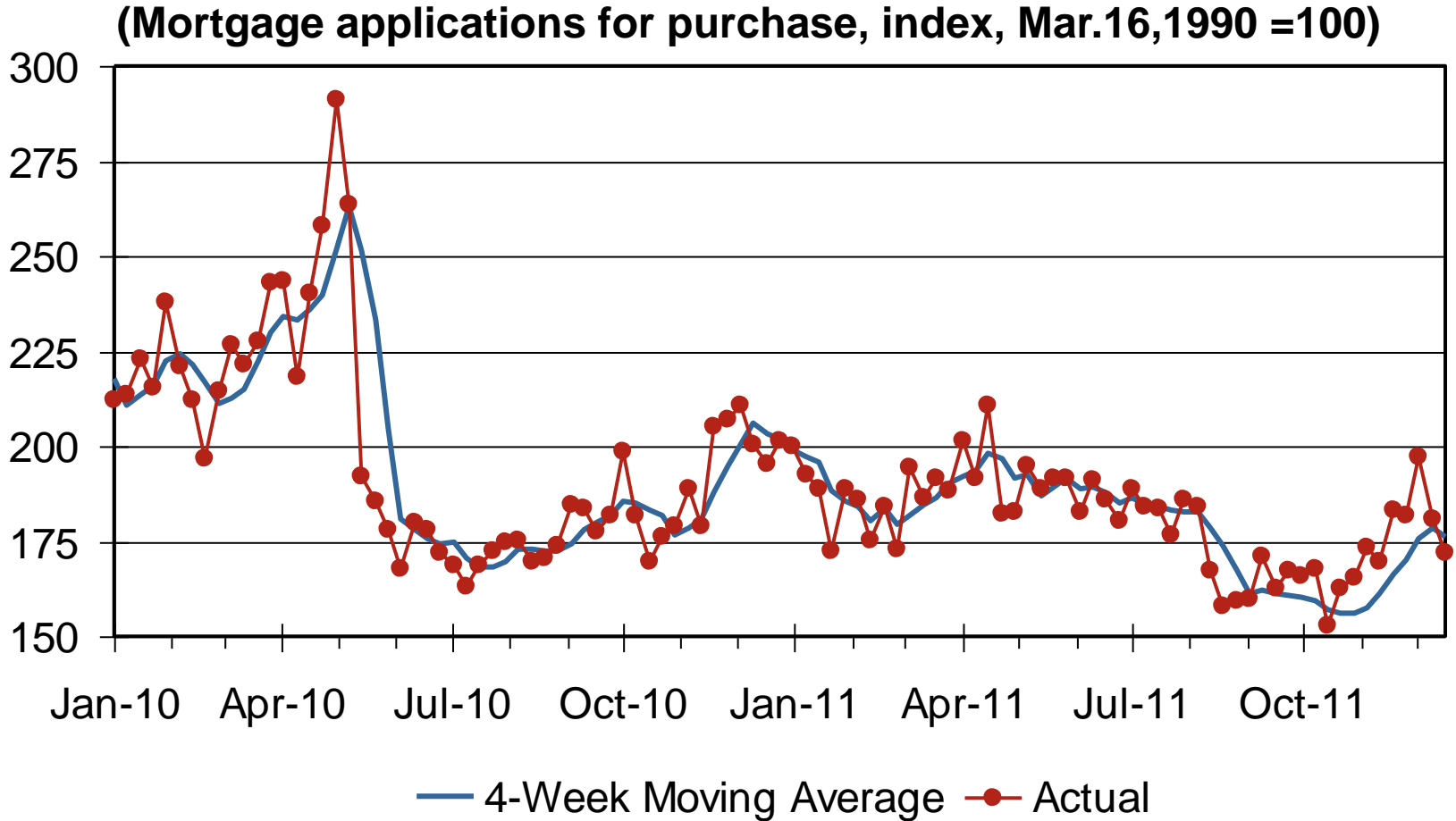


Bottom Hit But No Recovery in the Single-Family Housing Market





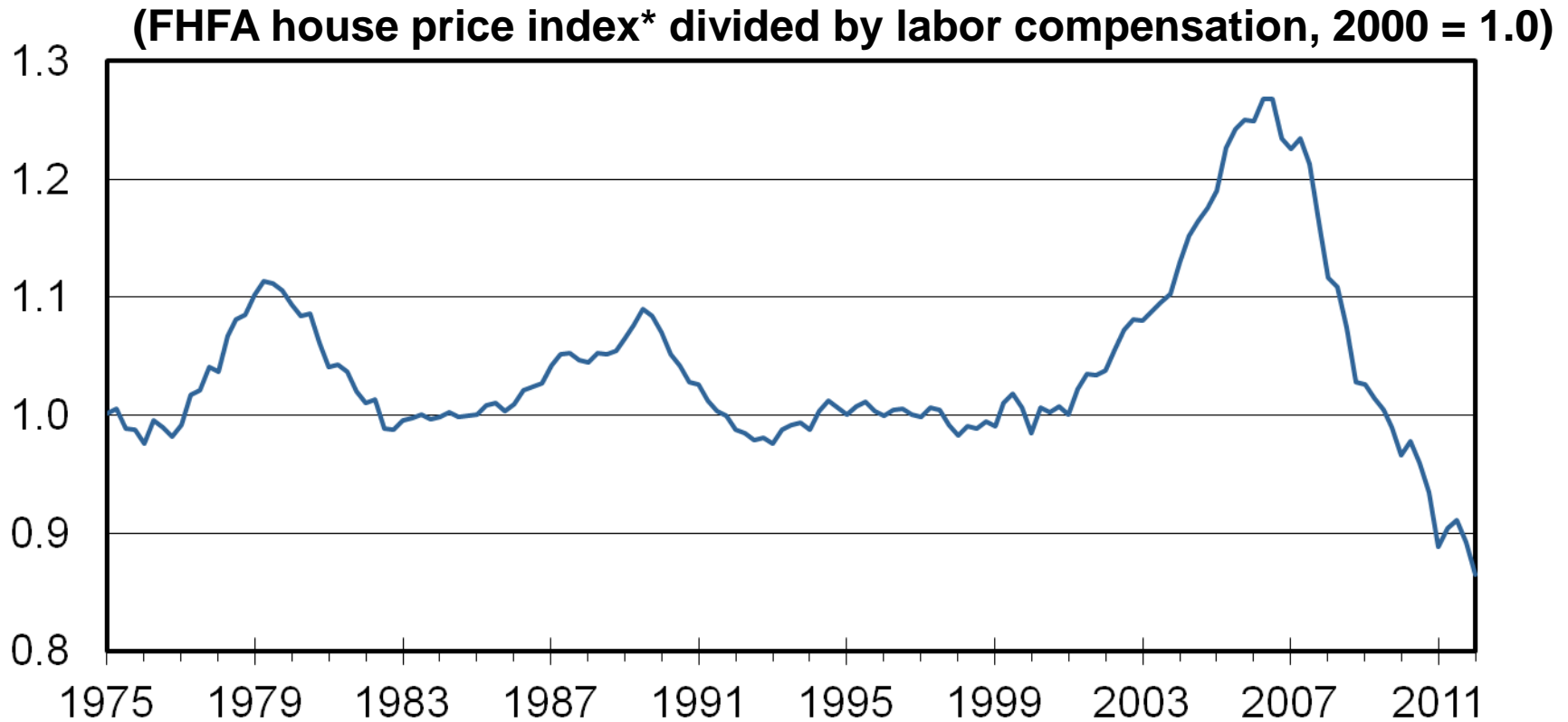
Mortgage Applications for Home Purchase: Still No Signs of Life



Source: Global Insight



The House-Price Adjustment Has Come a Long Way, But Slide Still Not Over

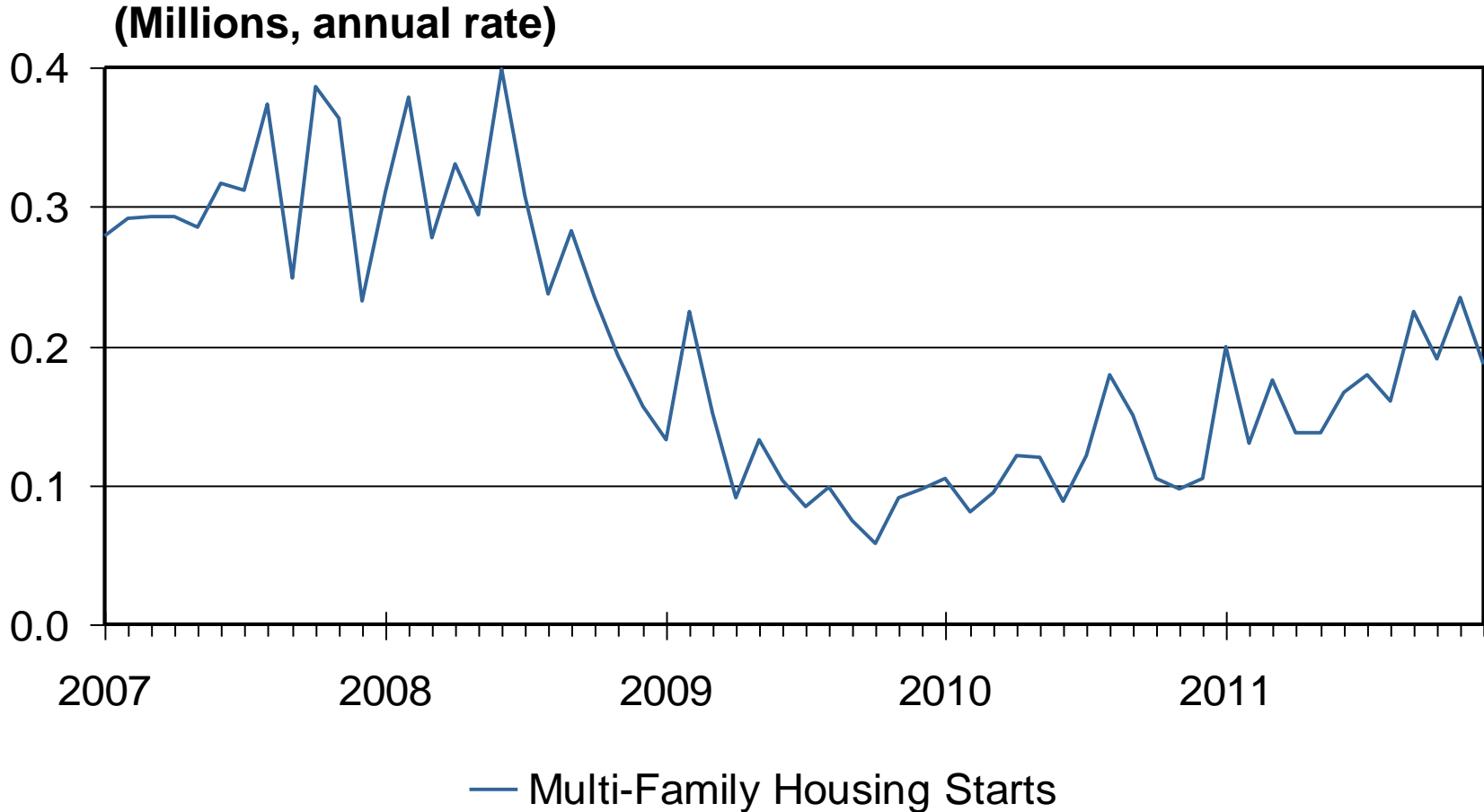


■* Purchase-only index from 1991 onwards

Source: Global Insight



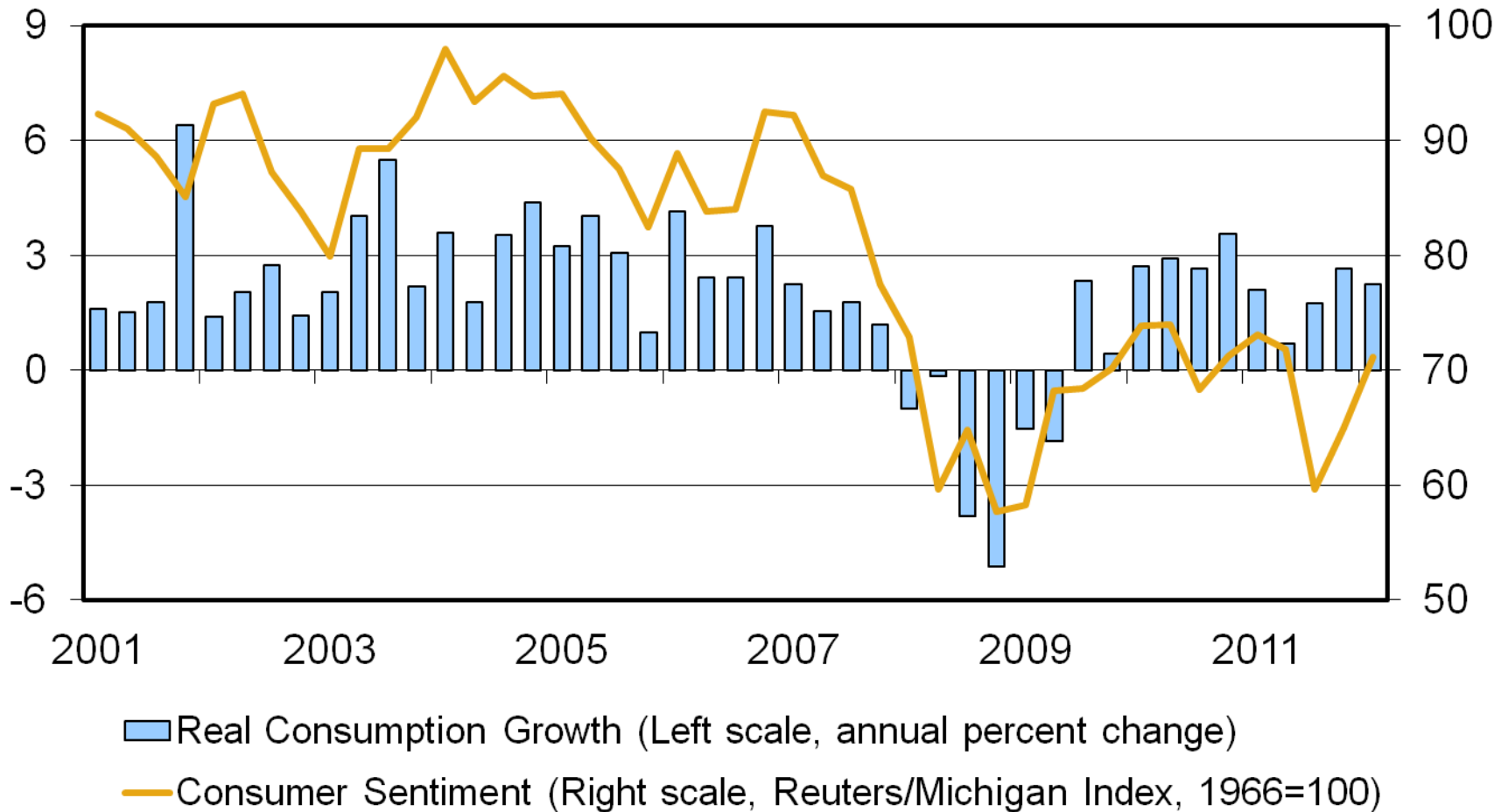
Multi-Family Housing Activity: Recovery Actually Under Way?



Source: Global Insight



Consumers Spending Has Not Been a Strong Driver of Recovery

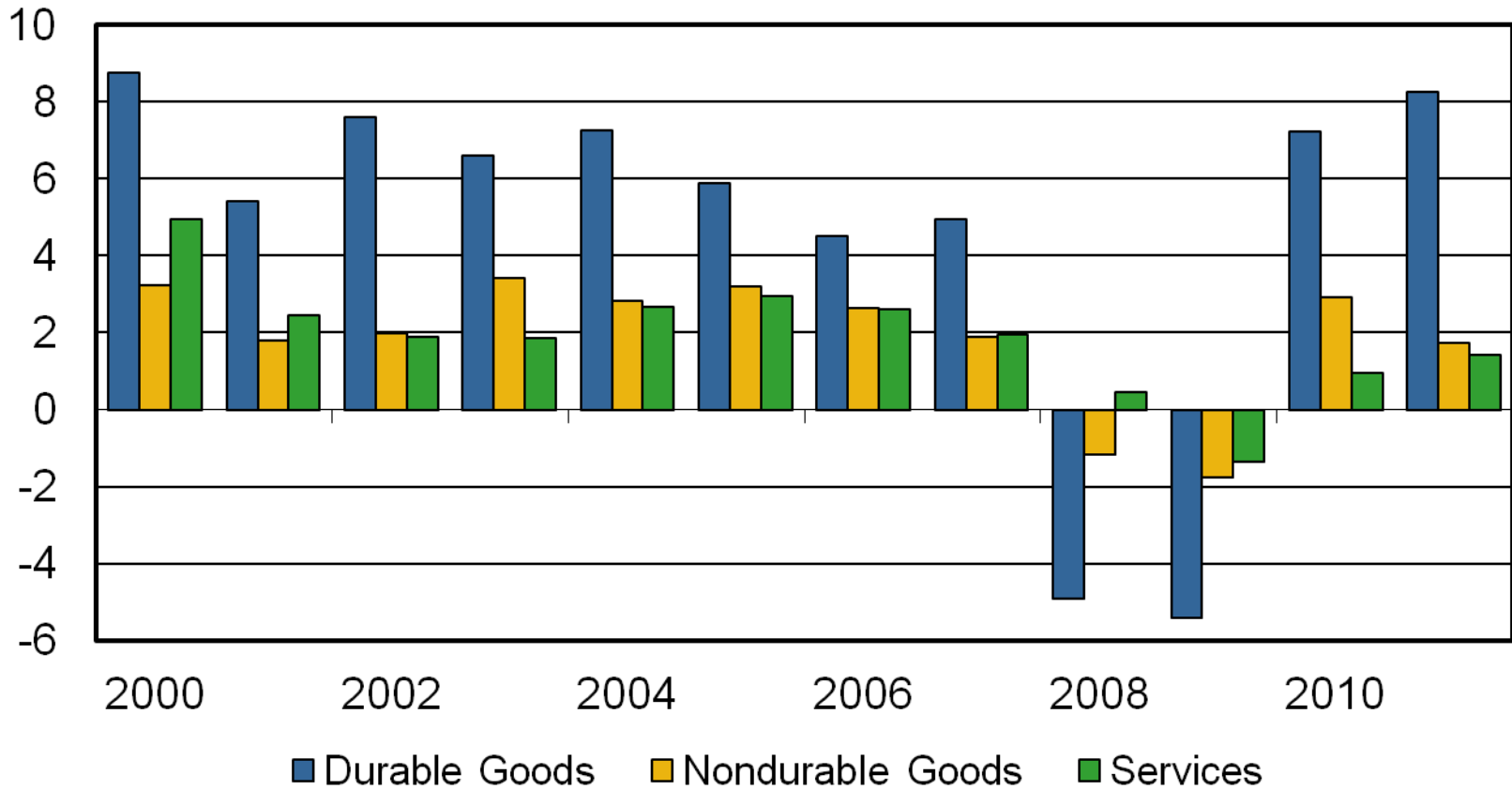


Source: Global Insight



Pent-up Demand for Durable Goods Drives Growth in Consumer Spending

(Percent change, real)



Source: Global Insight



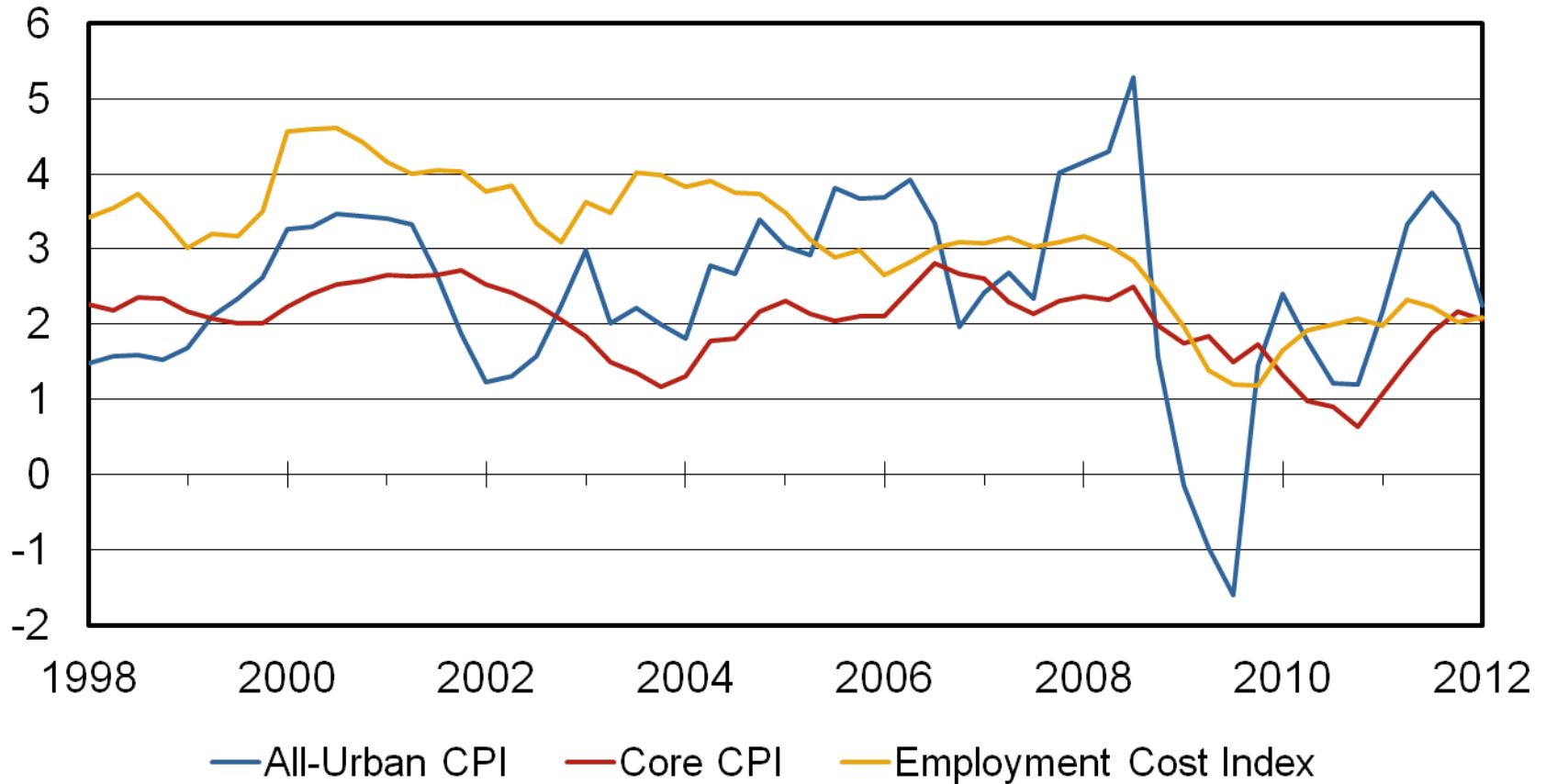
So Is Rising Inflation an Emerging Threat?

- **Economic theory says inflation HAS to take off:**
 - Unprecedented, synchronized global monetary stimulus.
 - Interest rates at historic lows.
 - Unprecedented fiscal stimulus.
 - Corresponding unprecedented federal budget deficit.
 - Inflation beneficial to debtors—moral hazard?
 - Commodity prices itching to rise at the first sign of growth.
 - Dollar must weaken, furthering pressure on inflation.
- **Practical reality:**
 - The U.S. and the rest of the world face very slow recoveries:
 - Fiscal and monetary stimulus kept us out of a longer, deeper recession, but
 - Aggregate demand is weak, no post-recession surge as fiscal stimulus fades.
 - Capacity utilization has plummeted in the U.S.; we are awash in new capacity overseas, and still importing deflationary pressure.
 - Weak job market, no wage pressures.
 - Inflation a very real threat, but it may be up to five years off.
 - Commodity prices represent a wildcard threat in the shorter term, particularly a supply-side disruption.
 - Commodity spike more likely to trigger another slowdown than a general price spiral.



Consumer Price Inflation Expected to Ease in 2012

(Year-over-year percent change)

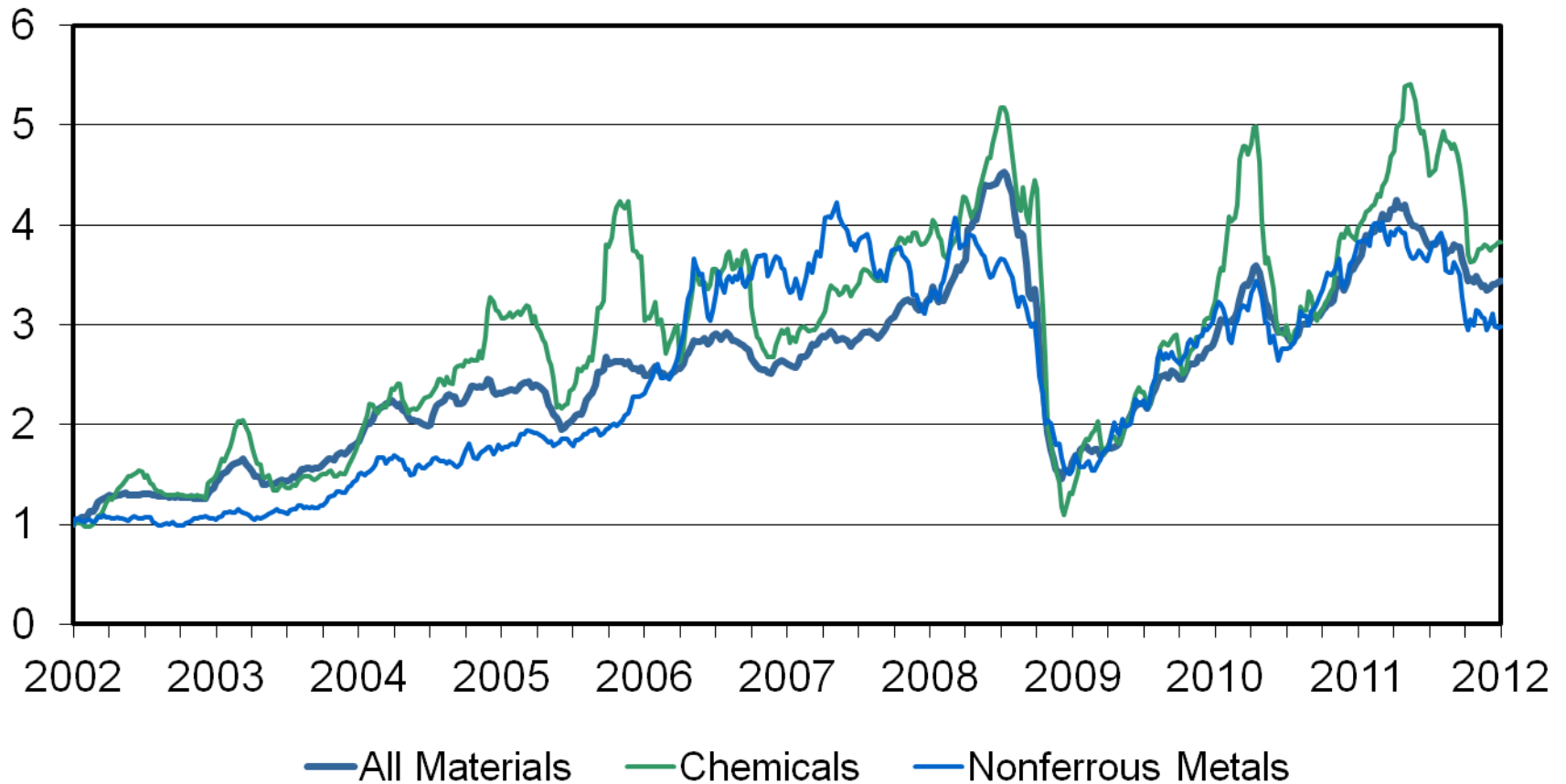


Source: Global Insight



Industrial Materials Prices Have Retreated

(IHS Global Insight indexes, 2002:1=1)



Source: Global Insight

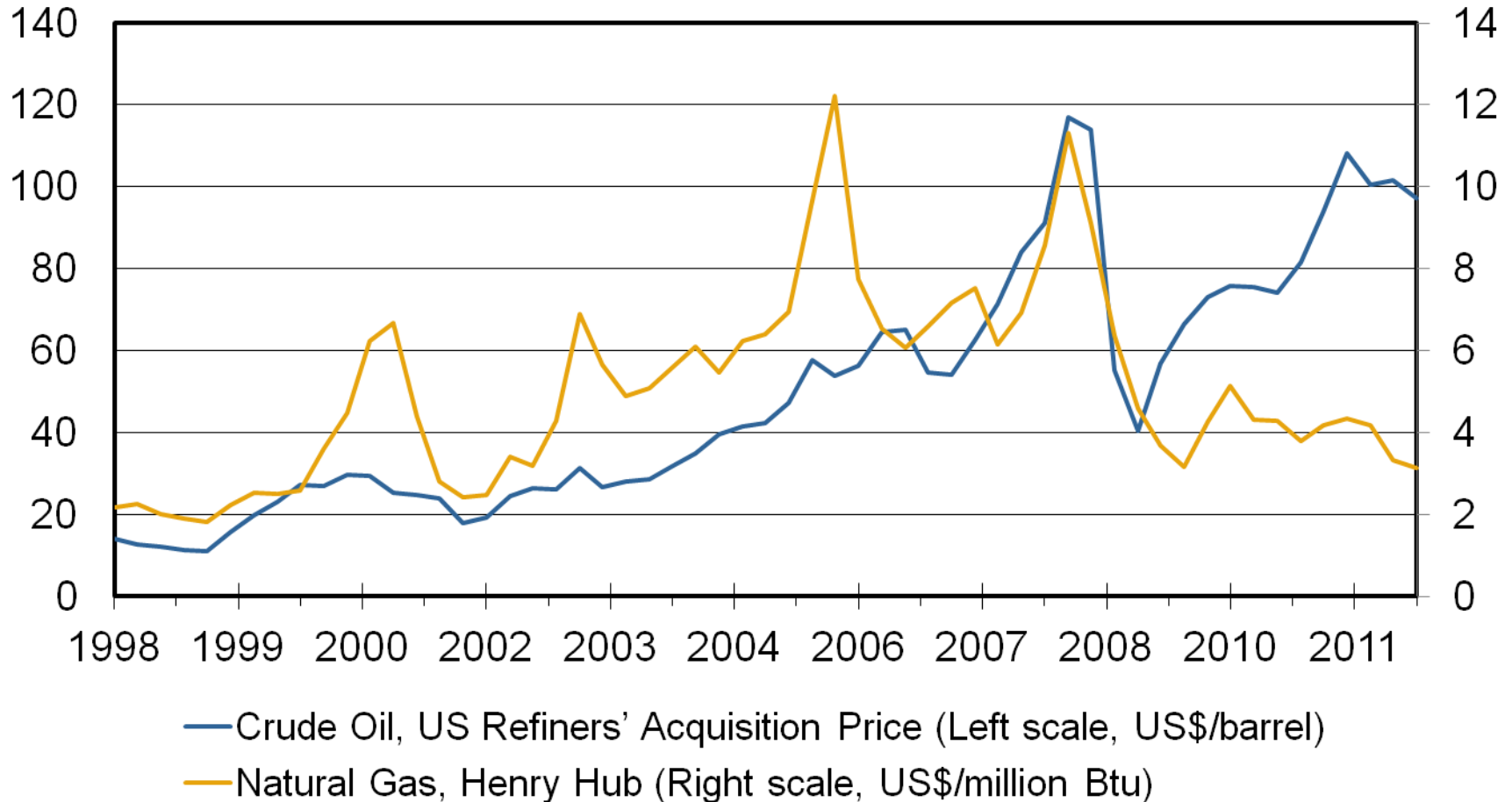


Market Fundamentals Will Support Crude Oil Prices

- Sustained growth in emerging markets will support demand and prices.
- Concerns over Iran's nuclear program and unrest in Egypt, Syria, and Yemen are refocusing attention on the risks of supply disruptions.
- Growth in non-OPEC supplies will be limited in 2012 and 2013.
- Spare capacity will remain relatively tight.
- Recovering Libyan output will be offset by reductions from Gulf Arab producers.
- Increased production from US tight oil fields and Canadian oil sands will have a moderating influence on prices in 2015-20.



Crude Oil and Natural Gas Prices Have Diverged

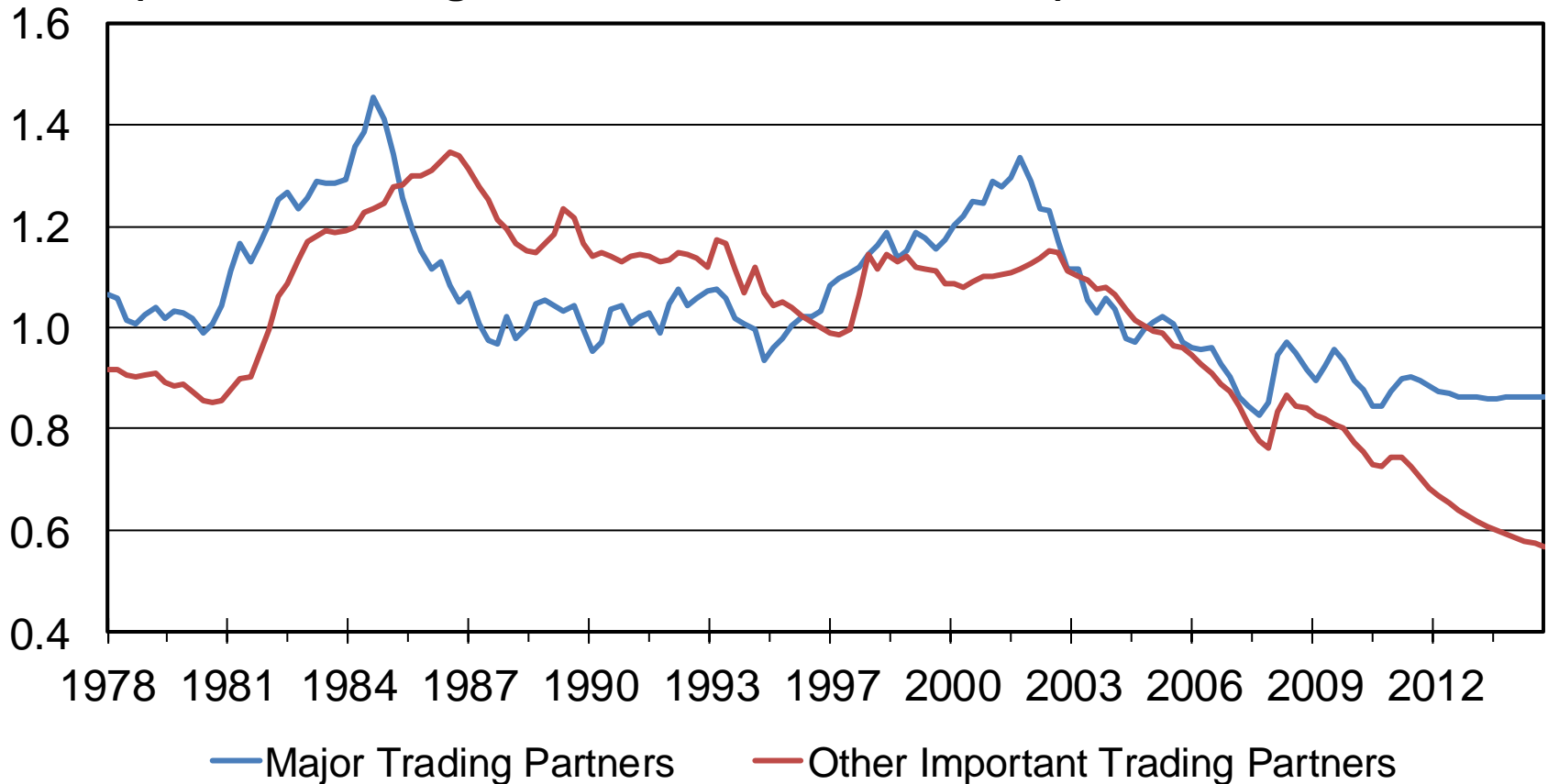


Source: Global Insight



After a Rally, the Dollar Will Depreciate Against Emerging Markets' Currencies

(Real trade-weighted dollar index, 2005=1.00)



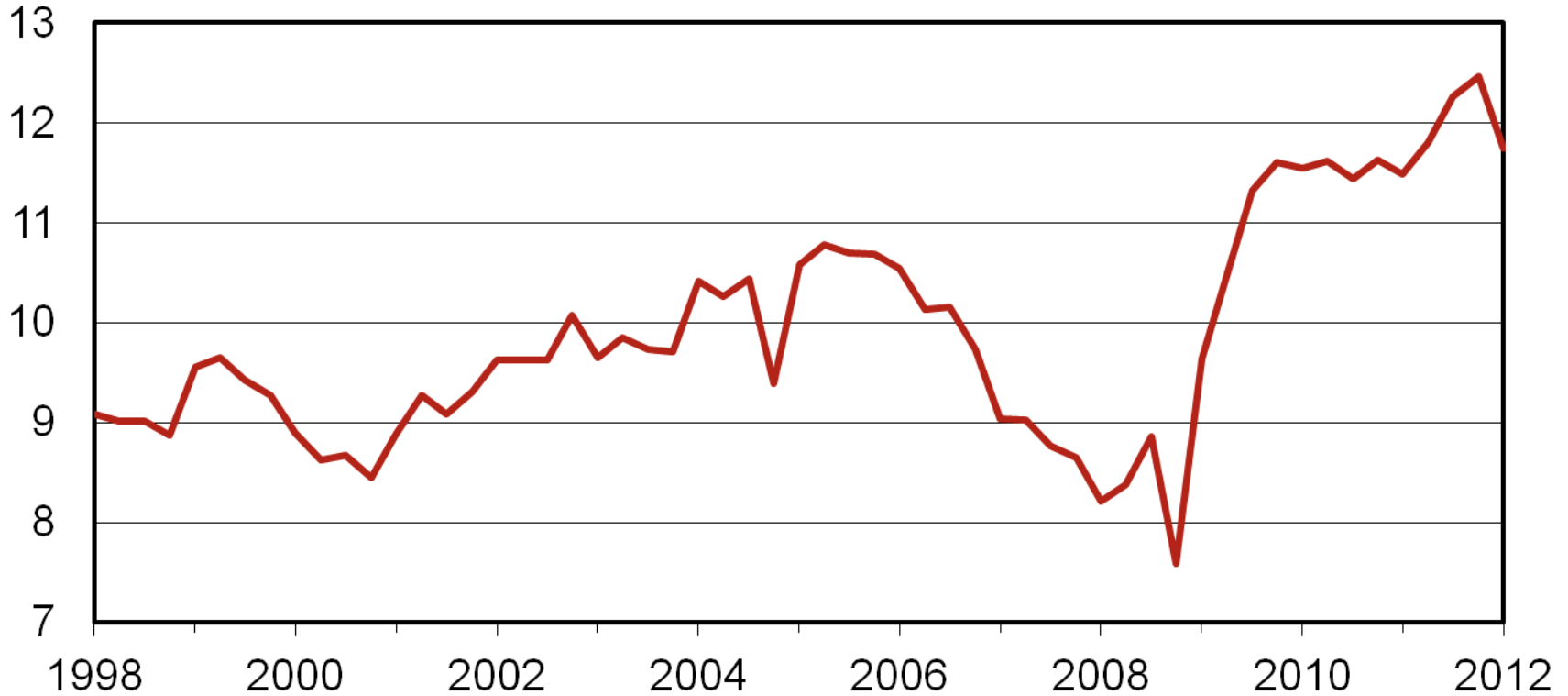
* 2012-13 estimate - Global Insight

Source: Global Insight



US Corporate Cash Flow Is Strong

(Net cash flow, excluding capital transfers, as a percent of GDP)

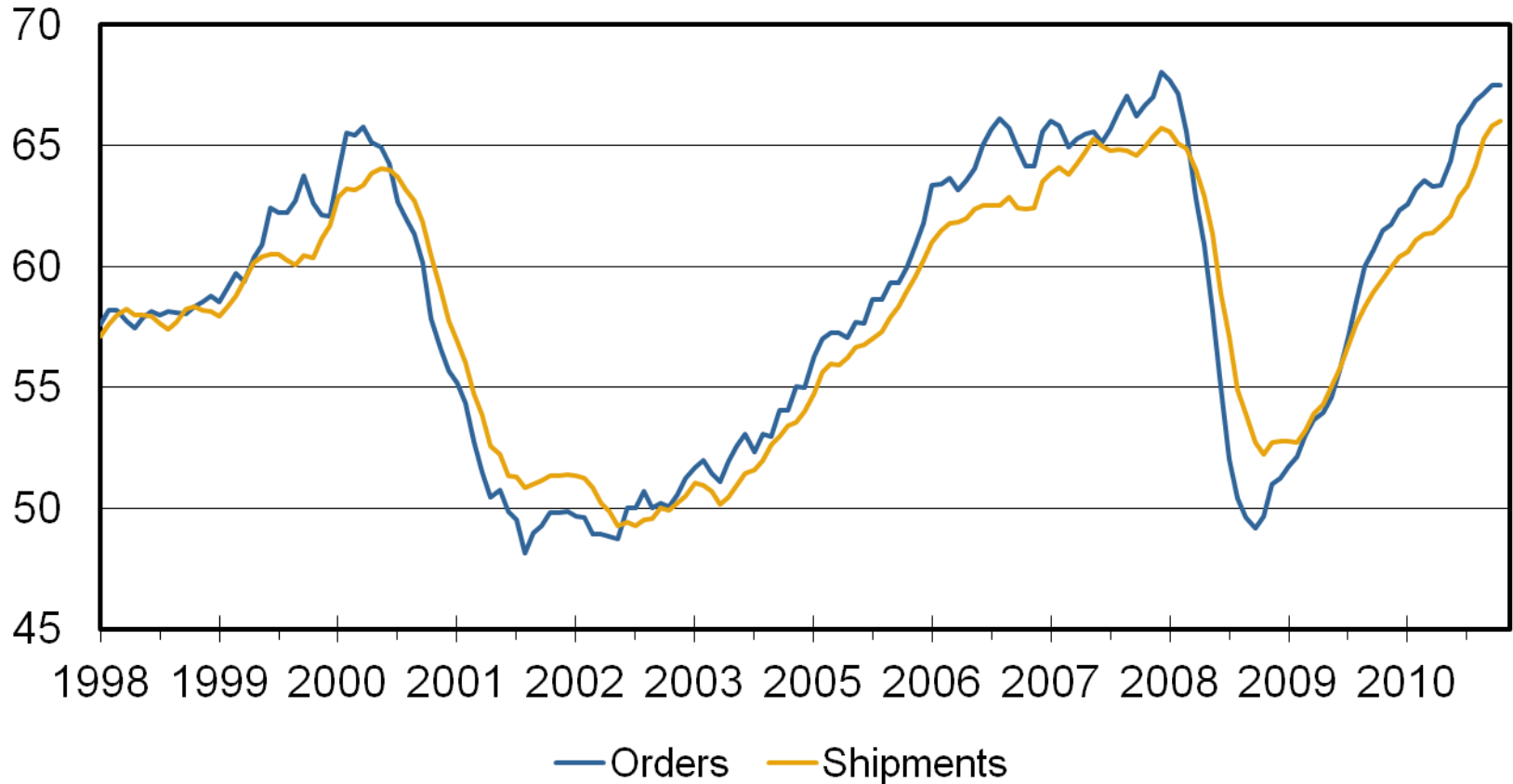


Source: Global Insight



Business Equipment Demand Is Strengthening

(Nondefense capital goods excl. aircraft, 3-month moving average, billions \$)



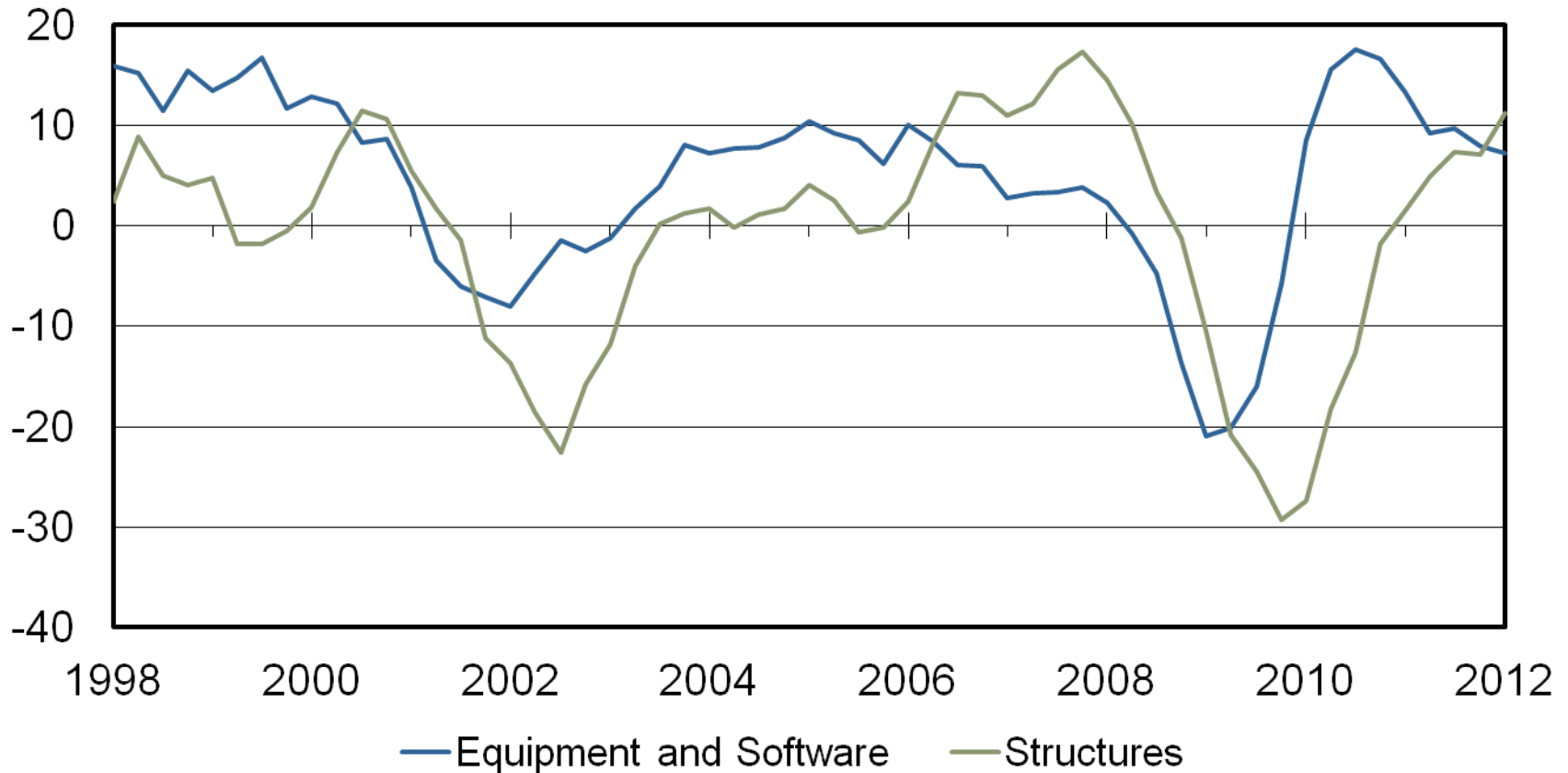
But statistics may be affected by phase out of accelerated depreciation credits

Source: Global Insight



Equipment and Software Lead the Recovery in Business Fixed Investment

(Year-over-year percent change, 2005 dollars)



Source: Global Insight



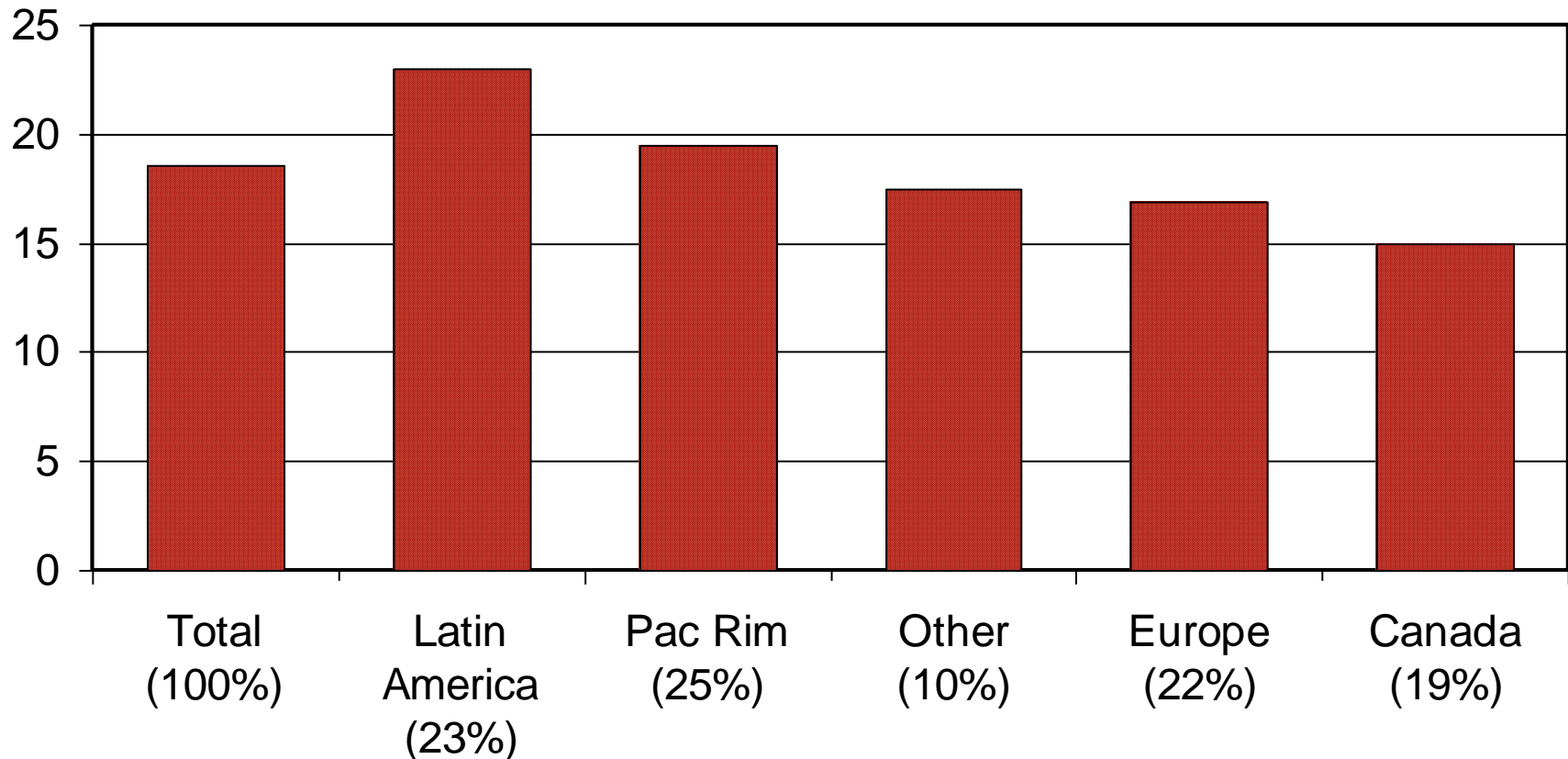
Foreign Trade a Big Plus

Export Growth By Destination

Merchandise Exports

Percent Growth, 12-month moving average

As of 6/30/2011



Export shares are in parentheses. Latin America includes Mexico.

Source: Global Insight



U.S. Economic Growth by Sector

Annual Percentage Change

	12/31/2006 Share of GDP	12/31/2011 Share of GDP	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Direction of Change
Real GDP	100.0%	100.0%	1.8	2.5	3.5	3.1	2.7	1.9	-0.3	-3.5	3.0	1.8	Slowing
Consumption	70.3%	71.1%	2.7	2.8	3.3	3.4	2.9	2.3	-0.6	-1.9	2.0	2.2	Above total GDP growth
Residential Investment	5.1%	2.2%	5.3	8.2	9.8	6.2	-7.3	-18.7	-23.9	-22.2	-4.3	-1.7	Light on the horizon?
Bus. Fixed Investment	11.3%	10.4%	-7.9	1.4	6.2	6.7	8.0	6.5	-0.8	-17.9	4.4	8.7	Healthy growth
Federal Government	6.9%	8.1%	7.3	6.6	4.1	1.3	2.1	1.2	7.2	6.0	4.5	-1.8	End of stimulus
State & Local Govt.	11.6%	11.7%	3.3	-0.1	-0.2	-0.2	0.9	1.4	0.0	-0.9	-1.8	-2.2	See "Federal Government"
Exports	11.3%	13.9%	-2.0	1.6	9.5	6.8	9.0	9.3	6.1	-9.4	11.3	6.9	Continued bright spot
Imports	16.6%	17.5%	3.4	4.4	11.1	6.1	6.1	2.4	-2.7	-13.6	12.5	4.8	Consumption or energy prices?

- **GDP hit bottom in Q2 2009. After inventory and stimulus boost, economy was fully expected to slow in second half of 2010 and through 2011, but the bottom seemed to fall out of economic growth, particularly during the first half of 2011.**
- **As confidence deteriorated with the European debt crisis and the US budget impasse over the summer, concerns rose for a return to recession,**
- **However, data on the U.S. economy began to surprise, notching solid growth in the 3rd and 4th quarters. Indicators ranging from orders to jobs to consumer spending all strengthened in direct contrast to depressed reports on consumer and business confidence.**
- **Note: Imports are a negative number in the calculation of GDP.**

Source: Global Insight

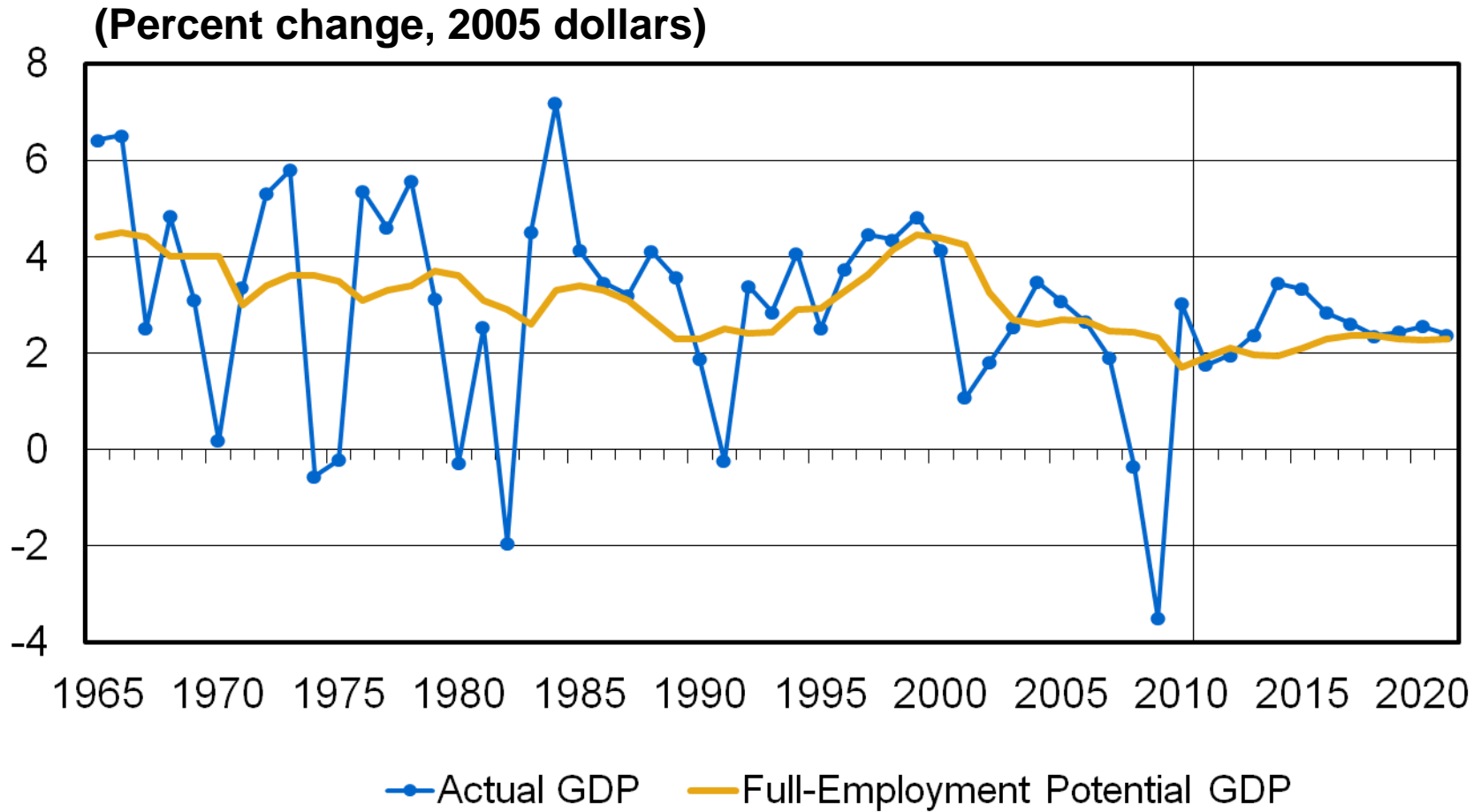


What Will The Fed Do?

- **The Fed is worried; it had expected 2.7%-2.9% growth for 2011, 3.3%-3.7% for 2012.**
- **2011 came in at 1.8%.**
- **Global Insight (and consensus) forecast now: 2.0% (2012), 2.4% (2013).**
- **Fed has used its prime ammunition already.**
- **No rate hike till mid-2013 “promised”.**
- **Market assumes no hike before 2014.**
- **Hurdle for QE III is high – but many believe we need it.**



Has Potential Real GDP Growth Diminished?

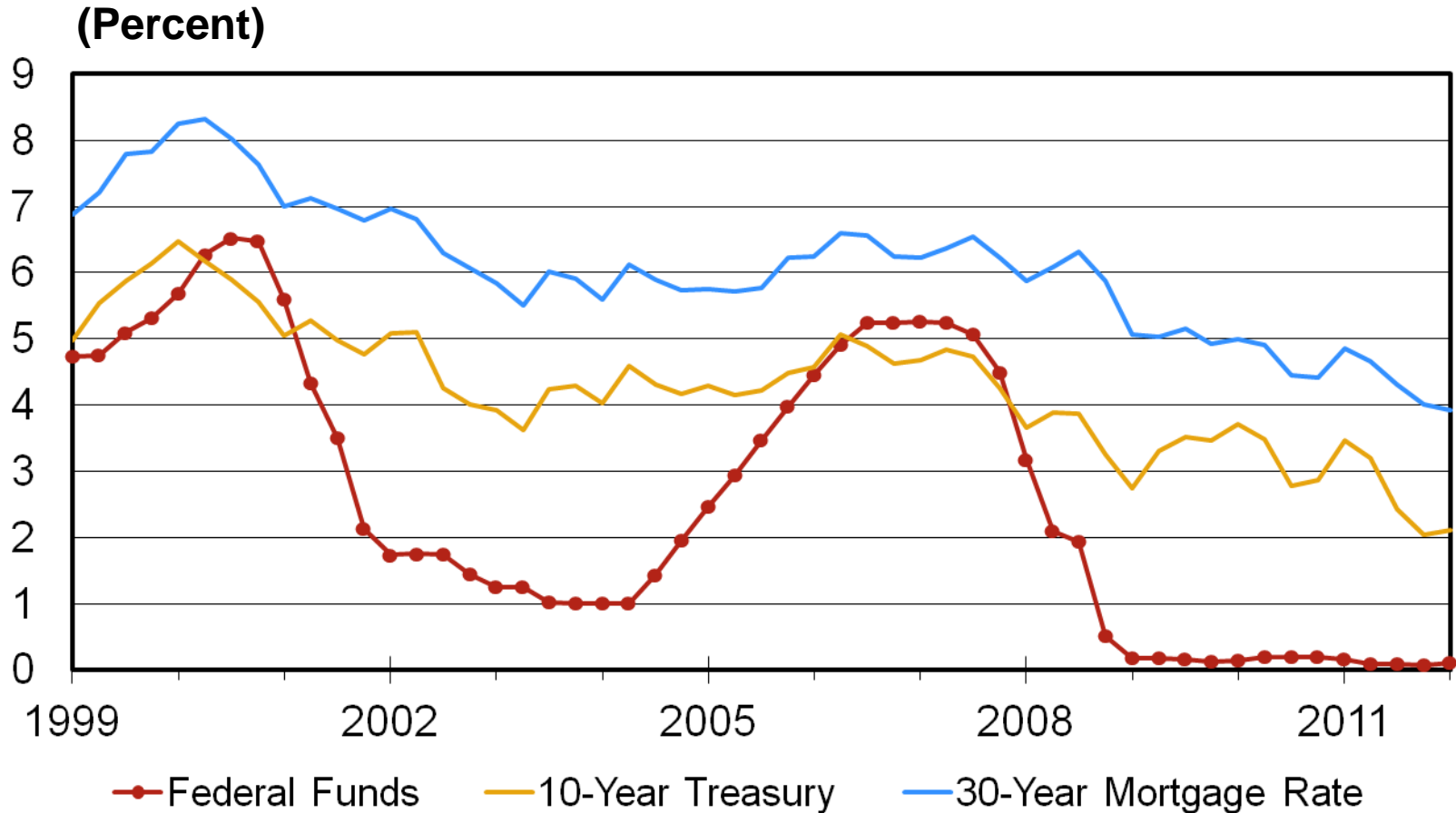


*** 2012-20 estimate - Global Insight**



Federal Funds Rate Near Zero Until 2014

Long Rates Will Also Stay Low; Steep Yield Curve



Source: Global Insight



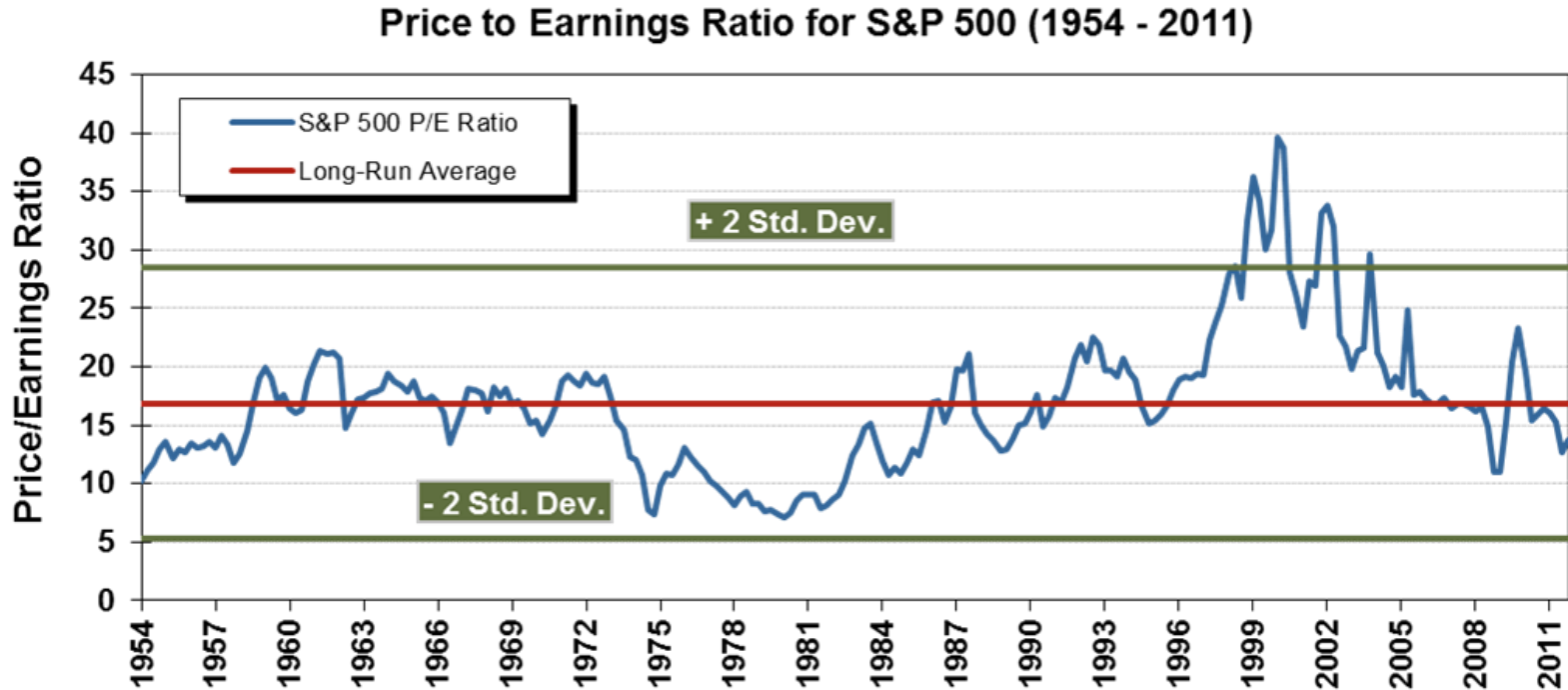
The Economy and the Capital Markets

- **The economy was fully expected to meander through a weak recovery, as the combination of recession, financial crisis and deleveraging required time to work through the system.**
 - GDP growth was expected to slacken in 2011, but events and emotions combined to spur investors into a series of risk on/risk off trades that drove market volatility.
 - Economic data suggest the economy continues to grow, but such growth will remain modest.
 - Double-dip recession is possible, but not the expected outcome.
- **Callan's outlook:**
 - Inflation will likely drift higher, but not immediately. Painfully low interest rates will persist, now that the Fed has “guaranteed” low rates through 2013. We expect interest rates to rise gradually after 2013.
 - Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
 - Stocks rallied in the fourth quarter of 2011, saving the results for the year. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
 - The housing market has yet to truly hit bottom, despite mortgage rates at an all-time low. The “shadow inventory” of homes yet to foreclose still hangs over the market.
 - The chance that we could see another leg down on housing is the greatest risk to the economy, and to a deflationary spiral.
 - The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is what other currency can take the dollar's place?
 - **The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.**



Equity Is More Reasonably Priced

Trailing P/E Below Its Long Run Average

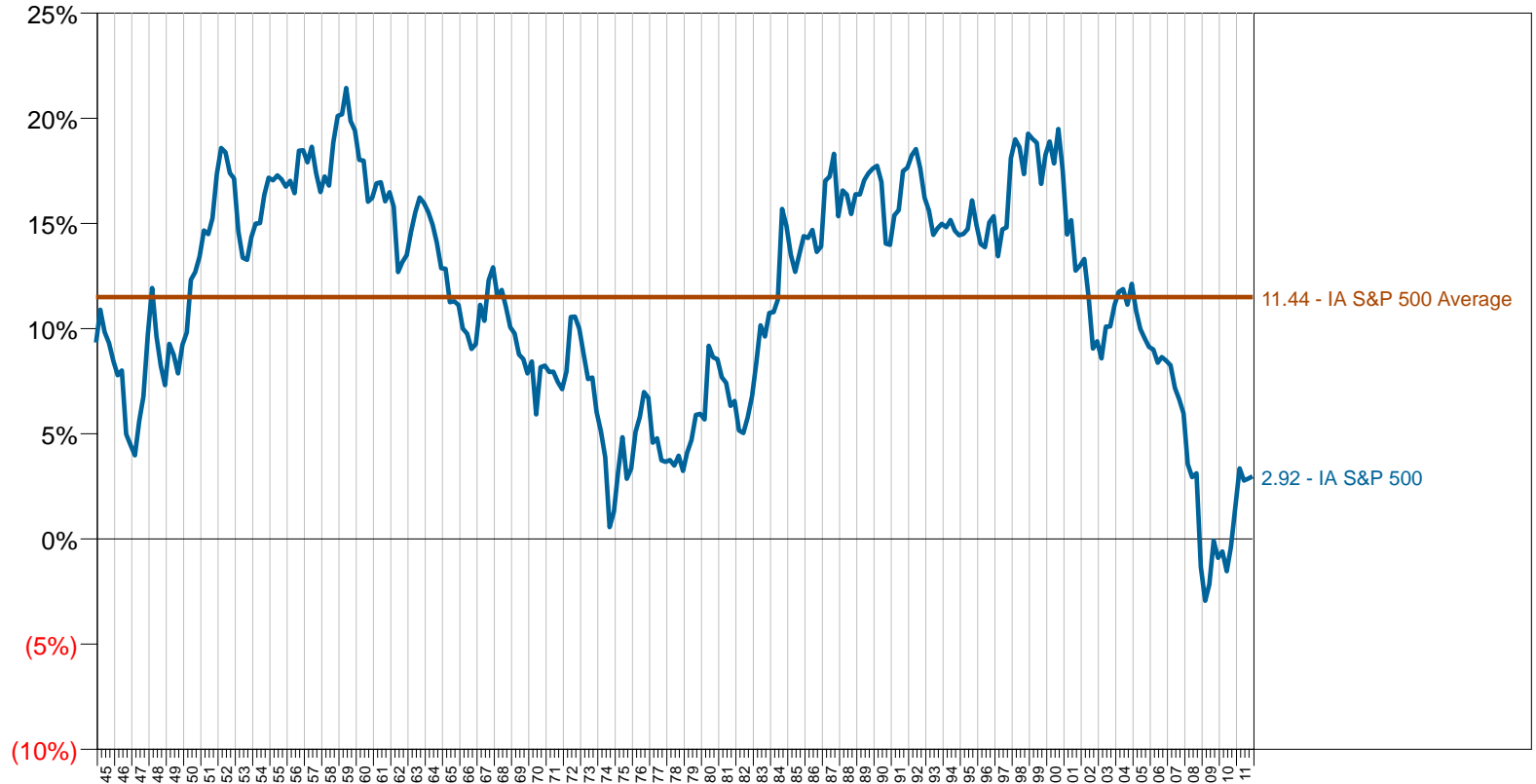


Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.
Source: Standard & Poor's and Callan.



Does Reversion to the Mean Still Hold in a “New Normal”?

Rolling 40 Quarter Returns since 1935 for S&P:500



Source: Callan



Building US Equity Expectations

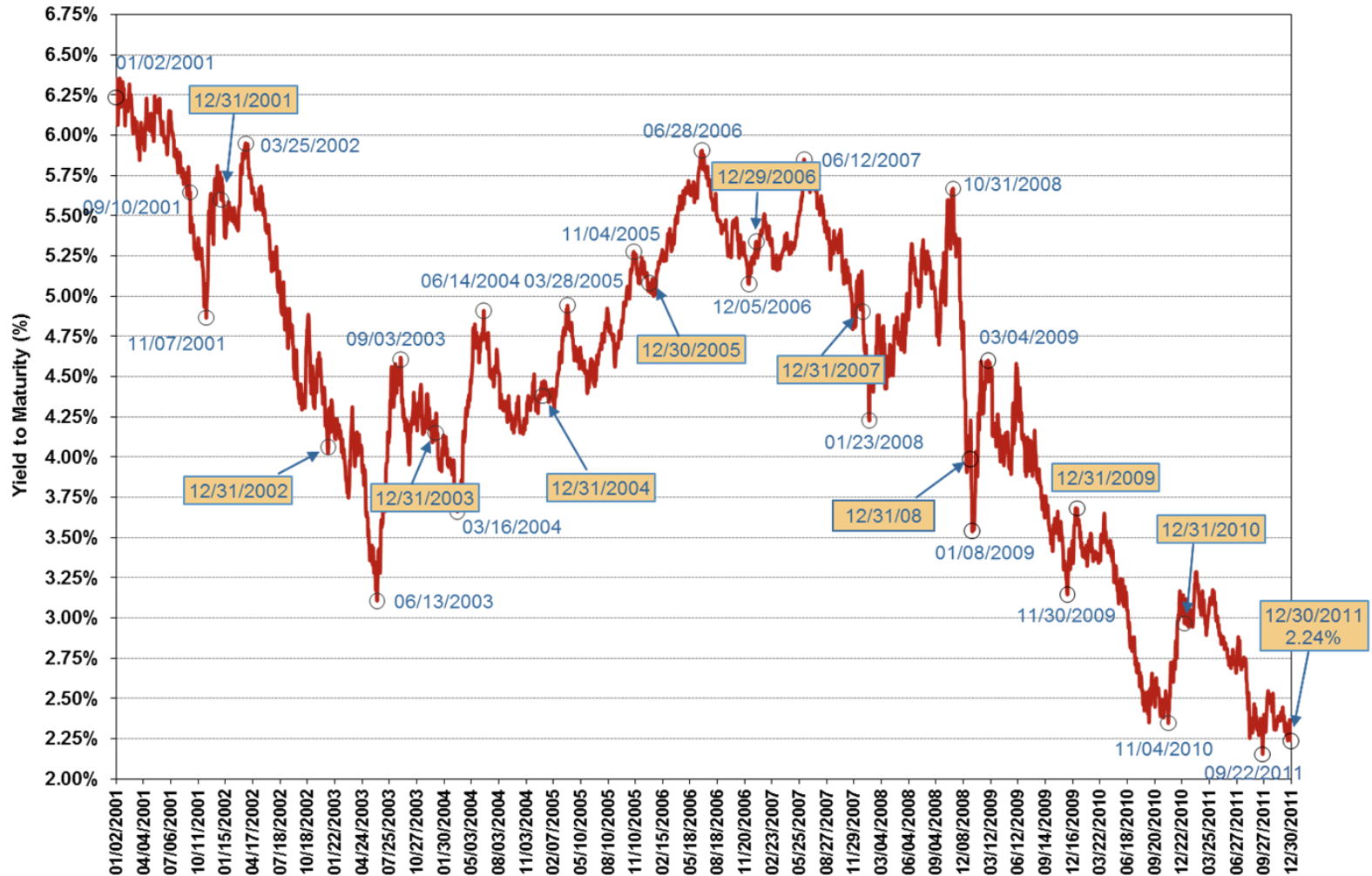
- **Dividend Yields Likely to Stay Near Current Levels.**
 - Financing uncertainty continues so cash unlikely to be returned to investors.
 - Fixed income yields expected to remain low.
- **Equity Valuations Currently Moderate to Attractive After Market Angst During 2010 and 2011.**
- **Corporate Profits Near Long-Term Growth Rate.**
 - Companies may be able to sustain trend or above trend profit growth even in a weak recovery.
- **Company Balance Sheets Are Strong, But No One is Eager to Spend. Large Cash Holdings a Drag on ROE.**
- **Consumption Still Dominates Economic Growth.**
 - Unemployment high but finally declining,
 - Wealth depleted,
 - Deleveraging continues,
 - Savings replenished.
- **Exports Remain Strong, in Spite of Strengthening Dollar but Impact Muted by Size of Economy.**
- **Have We Entered a New Era of Lower Trend Growth in GDP?**



Current Yield is Exceptionally Low

We Can Go Lower; Uncharted Waters Going Forward

BC Aggregate Index - Daily Yield to Worst from 1/2/01 to 12/30/11



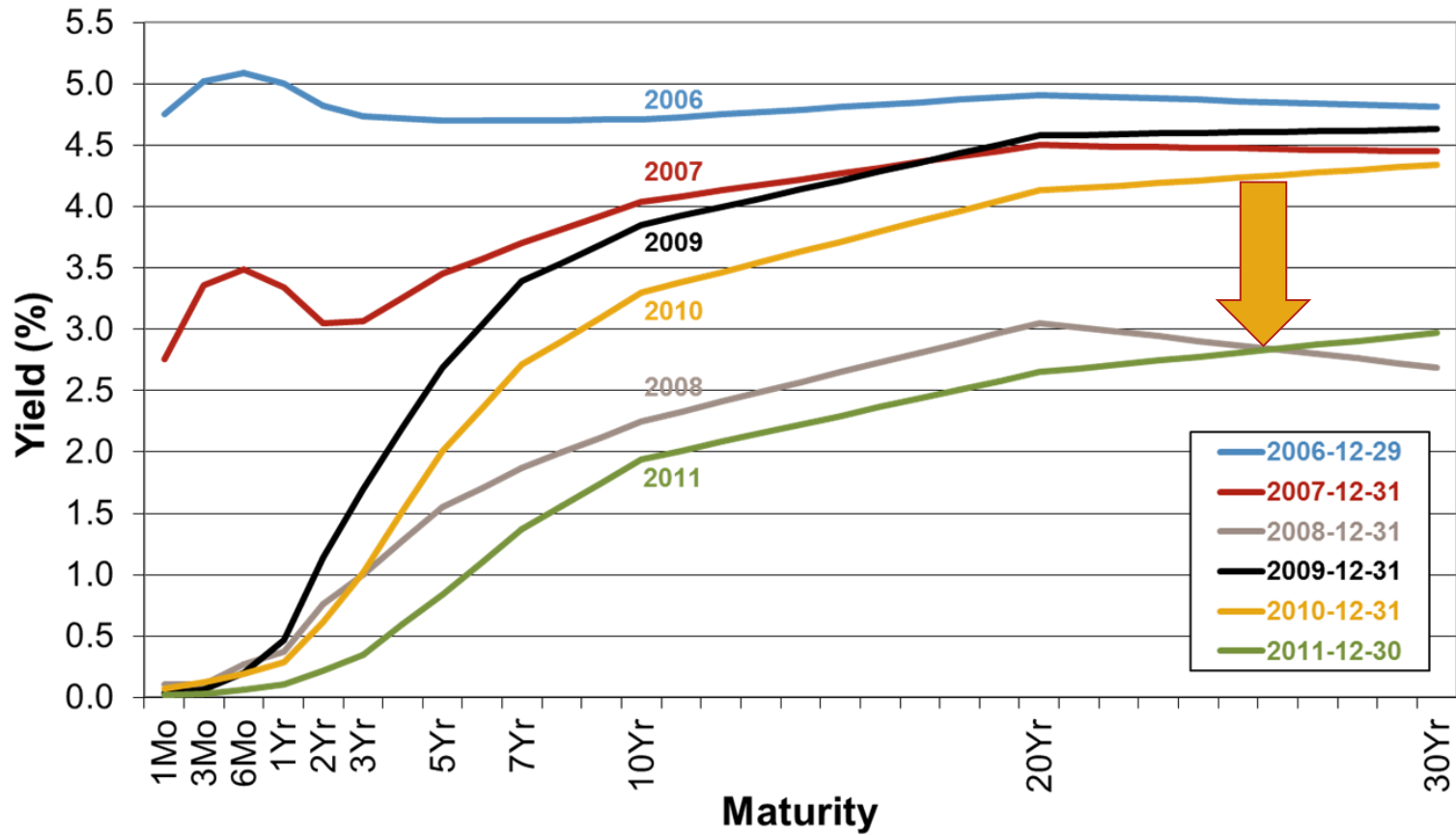
Source: Barclays Capital and Callan



Treasury Rates Fell With Fears of a Faltering Recovery

U.S. Treasury Yield Curves

Constant Maturities: 1Mo/3Mo/6Mo/1Yr/2Yr/3Yr/5Yr/7Yr/10Yr/20Yr/30Yr
Source: Federal Reserve



Source: Federal Reserve and Callan



Building Fixed Income Expectations

- **2011 results yet another surprise – interest rates fell, broad market generated 7.8% return (BC Aggregate).**
 - Credit event of 2011: downgrade of U.S. Treasury debt by S&P.
 - Result of downgrade: a flight to quality. Treasuries rallied. The market speaks.

- **The path to future return matters:**
 - Inflation
 - Composition of the market
 - Expected spreads and risk premiums
 - Current yields – level, slope of the yield curve.

- **Hard to be enthusiastic about fixed income returns given current yields, environment and likely economic path to growth.**
 - Calling the bottom of the “long term” interest rate cycle has been perilous. Nevertheless, the risk that rates will move higher is likely greater than the potential for rates to move lower.



2012 Capital Market Expectations

- **Bond returns reduced to 3.25%. We expect interest rates to rise, likely after 2013, resulting in capital loss before higher yields kick in. We expect cash yields to reach 3.0% and 10-year Treasury yields to reach 5% over the ten-year projection.**
- **Project an upward sloping yield curve, with a slim risk premium for bonds over cash (1.0%).**
- **Building equity returns from long-term fundamentals, we find it hard to get to 8%: 2.5-3.0% real GDP growth, which means 5-5.5% nominal earnings growth, 2% dividend yield. Equity suffered in the broad flight to quality in 2011, particularly outside the U.S., and looks reasonably priced, but is it “cheap”? Broad U.S. equity expectations are reduced 25 bps, from 8.0% to 7.75%. Broad non-U.S. equity returns are decreased by a similar amount.**
- **Real estate return reduced to 6.4% from 6.75%, reflecting income returns holding up at 5-6% but reduced expectations for appreciation.**
- **Hedge fund expectations of T-bill plus 2.75% suggests a return of 5.5%.**



2012 Capital Market Expectations

Return and Risk

Summary of Callan's Long-Term Capital Market Projections (2012 - 2021)

Asset Class	Index	Projected Return			Projected Risk		2011	
		1-Year Arithmetic	10-year Geometric *	Real	Standard Deviation	Projected Yield	10-year Geometric *	Standard Deviation
Equities								
Broad Domestic Equity	Russell 3000	9.20%	7.75%	5.25%	18.70%	2.00%	8.00%	18.10%
Large Cap	S&P 500	8.95%	7.60%	5.10%	18.00%	2.20%	7.85%	17.25%
Small/Mid Cap	Russell 2500	10.25%	7.90%	5.40%	23.00%	1.20%	8.25%	23.00%
International Equity	MSCI EAFE	9.30%	7.60%	5.10%	20.00%	2.00%	7.85%	19.75%
Emerging Markets Equity	MSCI EMF	11.50%	8.00%	5.50%	27.75%	0.00%	8.35%	27.50%
Global ex-US Equity	MSCI ACWI ex-US	9.85%	7.90%	5.40%	21.15%	1.70%	8.20%	20.90%
Fixed Income								
Defensive								
BC Gov't 1-3	BC Gov't 1-3	3.00%	3.00%	0.50%	2.50%	3.00%	3.25%	2.50%
Domestic Fixed	BC Aggregate	3.30%	3.25%	0.75%	4.25%	3.30%	3.75%	4.50%
TIPS	BC TIPS	3.10%	3.00%	0.50%	5.60%	3.10%	3.50%	5.90%
Long Duration	BC Long Govt/Credit	4.10%	3.45%	0.95%	11.80%	4.10%	4.00%	11.15%
High Yield	BC High Yield	6.00%	5.35%	2.85%	12.50%	6.00%	5.60%	11.55%
Non-US Fixed	Citi Non-US Govt	3.25%	2.85%	0.35%	9.50%	3.25%	3.35%	9.70%
Other								
Real Estate	Callan Real Estate	7.65%	6.40%	3.90%	16.95%	5.00%	6.75%	16.35%
Private Equity	VE Post Venture Cap	13.05%	8.90%	6.40%	30.60%	0.00%	9.00%	30.00%
Hedge Funds	Callan Hedge FoF	5.90%	5.55%	3.05%	10.00%	0.00%	5.90%	10.00%
Commodities	DJ-UBS	4.75%	3.25%	0.75%	17.90%	3.00%	3.75%	24.00%
Cash Equivalents	90-day T-bill	2.75%	2.75%	0.25%	0.90%	2.75%	3.00%	0.90%
Inflation	CPI-U	2.50%	2.50%		1.40%		2.50%	1.40%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

Source: Callan



2012 Capital Market Expectations

Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

Correlation	Broad	Lg Cap	Sm/Mid	Int'l Eq	Emerg	Glob xUS	Defensive	Dom Fix	TIPS	HY	Non-US	Real Est	PE	HF	Comm	Cash Eq
Broad Dom Eq	1.000															
Large Cap	0.995	1.000														
Small/Mid Cap	0.954	0.920	1.000													
Int'l Equity	0.833	0.830	0.790	1.000												
Emerging Mkts	0.836	0.830	0.805	0.840	1.000											
Global ex-US Eq	0.864	0.860	0.824	0.980	0.920	1.000										
Defensive	-0.109	-0.100	-0.130	-0.080	-0.120	-0.096	1.000									
Domestic Fixed	0.003	0.010	-0.020	0.000	-0.030	-0.010	0.820	1.000								
TIPS	-0.108	-0.095	-0.140	-0.090	-0.115	-0.102	0.460	0.640	1.000							
High Yield	0.624	0.620	0.600	0.555	0.555	0.575	0.050	0.110	0.020	1.000						
Non-US	-0.071	-0.060	-0.100	0.050	-0.090	0.006	0.420	0.430	0.300	0.000	1.000					
Real Estate	0.746	0.740	0.720	0.650	0.630	0.667	0.000	0.070	-0.020	0.550	0.000	1.000				
Private Equity	0.950	0.943	0.915	0.890	0.895	0.924	-0.160	-0.068	-0.150	0.630	-0.070	0.735	1.000			
Hedge Funds	0.777	0.775	0.735	0.695	0.710	0.725	0.050	0.215	0.100	0.550	0.000	0.590	0.735	1.000		
Commodities	0.150	0.150	0.140	0.130	0.135	0.136	-0.150	0.090	0.280	0.100	-0.050	0.150	0.100	0.180	1.000	
Cash Equivalent	-0.043	-0.030	-0.080	-0.010	-0.100	-0.040	0.350	0.100	0.070	-0.110	0.000	-0.060	0.000	-0.070	0.070	1.000

Source: Callan



2012 Capital Market Expectations

Largely Unconstrained Asset Mix Return and Risk Absolute Return Capped at 5%

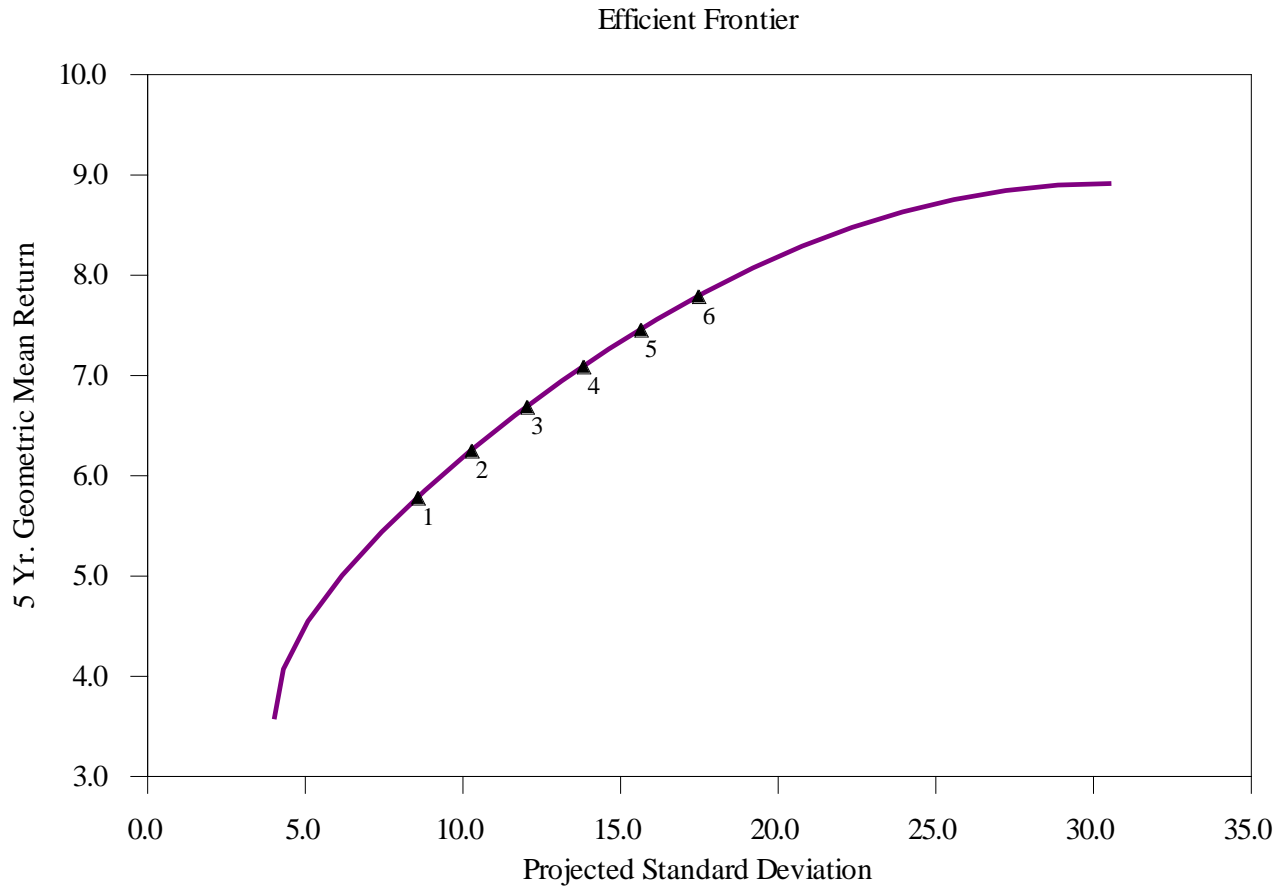
Asset Mix Alternatives
Optimization Set: 2012 Broad Equity

Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	0%	100%	19%	22%	26%	29%	33%	35%
Global ex-US Equity	0%	100%	14%	17%	20%	23%	26%	29%
Private Equity	0%	100%	2%	3%	5%	6%	7%	10%
Domestic Fixed	0%	100%	39%	31%	23%	16%	7%	0%
High Yield	0%	100%	6%	6%	6%	7%	7%	6%
Non US Fixed	0%	100%	3%	4%	4%	4%	5%	4%
TIPS	0%	100%	7%	6%	3%	1%	0%	0%
Real Estate	0%	100%	5%	6%	8%	9%	10%	11%
Absolute Return	0%	5%	5%	5%	5%	5%	5%	5%
Totals			100%	100%	100%	100%	100%	100%
Projected Arithmetic Return			6.00%	6.60%	7.20%	7.80%	8.40%	9.00%
Projected Standard Deviation			8.59%	10.30%	12.06%	13.85%	15.66%	17.49%
5 Yr. Geometric Mean Return			5.77%	6.24%	6.68%	7.08%	7.45%	7.78%
10 Yr. Geometric Mean Return			5.77%	6.23%	6.66%	7.06%	7.42%	7.74%
10 Yr. Simulated Sharpe Ratio			0.32%	0.31%	0.30%	0.29%	0.28%	0.27%

Source: Callan



Efficient Frontier – Largely Unconstrained





ARMB Policy

- **We will develop a projection for ARMB's current policy incorporating the asset allocation groupings currently utilized and provide them in advance of the upcoming meeting.**
- **These will incorporate the use of Treasury securities as the primary fixed income component as well as the blending of high yield, non-\$ developed markets, and emerging debt.**
- **They also will reflect the combination of real assets categories such as farmland, and timber along with TIPS and real estate.**



Fallout of 2012 Capital Market Expectations

- What happened in 2011? The economic recovery appeared to lose steam, investors lost faith, the equity market took beating through Q3, and interest rates fell sharply, from already-low levels. Strong fourth quarter pushed U.S. equities back up, but only enough to end the year flat sharply; non-U.S. markets were not so fortunate. Bonds recorded yet another (unexpected) stellar year as interest rates dropped in the flight from risk.
- Bond returns going forward– not a lot of room for optimism. Interest rates have no where to go but up, right?
- Cash cannot sustain a negative real yield over the longer term. Or can it? We project an upward sloping yield curve, with very a slim risk premium for bonds over cash.
- Building equity returns from long-term fundamentals:
 - Earnings growth – **outlook now in jeopardy.**
 - Real GDP – **how slow can we go?**
 - Dividends & other returns on free cash flow – **can dividends surpass Treasury yields? For how long?**
 - Valuation – **cheaper, but cheap enough?**
- How to make investors very unhappy in 3 easy numbers:
 - Bonds = 3%, or less
 - Stocks = 8%, or less
 - 60/40 = 7%, or less...
 - Our 2012 numbers reflect our **optimism** for the economy, for inflation, and for the capital markets.
 - The challenge: to refrain from translating these expectations into a need to take on more risk in pursuit of return.
 - How does one keep invested in fixed income – a prudent investor's anchor to windward -when we all KNOW it's going to lose money while interest rates rise?



Long-Term Vision and Short-Term Reality

- **Potential danger (once the flight to quality passes) – investors will take on additional risk to compensate for capital market returns that are likely to be well below historical averages. We do not believe investors are likely to be compensated for such risk taking in the shorter term.**
- **Fixed income is a conundrum for investors. No other investment offers the same anchor to windward and protection in a flight to quality. Yet low yields and the prospect for rising rates (eventually) spell dismal returns.**
- **Stocks are now cheaper, a benefit available to disciplined rebalancing.**
- **Other strategies to manage risk:**
 - Active management in equity and fixed income to take advantage of opportunities and protect in a volatile environment.
 - Global opportunities in equity and debt; yields, currency.



Asset Allocation Viewed Through Another Lens

Evaluate economic growth and inflation scenarios

- Investors seek economic diversification to a range of scenarios like inflation, deflation, stagflation and growth given the uncertainty.
- Allocations are based on key return drivers like inflation and growth:
 - There are other factors influencing returns, like leverage and liquidity.

		Economic Growth	
Inflation	Low (Falling) Growth, High (Rising) Inflation	Inflation Linked Bonds (TIPS) Commodities Infrastructure	High Growth, High Inflation Real Assets (e.g. Real Estate, Timberland, Farmland, Energy)
	Low Growth, Low Inflation (Deflation)	Cash Government Bonds	High Growth, Low Inflation Corporate Debt Equity



Appendix



Time Horizon for Capital Market Expectations and Asset-Liability Analysis

- Open, active pension plans have very long term liabilities, and necessarily should maintain a long term perspective for investment strategy. Endowments and foundations are typically expected to exist in perpetuity, suggesting an equally long-term perspective.
- Callan's asset-liability analysis typically focuses on a planning cycle of 5-10 years, incorporating current market conditions and the path from these short term conditions to long term expectations.
- Over much of Callan's history, the difference between our shorter-term expectations and our long term numbers was modest; for most planning purposes our short term and long term expectations were the same.
- Current conditions, **particularly in the fixed income markets**, suggest substantial difference in capital market expectations depending on time horizon, and the path from the current conditions to the long term expectations.
- **Recall the theme of the current Callan 10-year projections: The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.**



10-Year vs. 30-Year Capital Market Expectations

- **Over a 30-year time horizon, our capital market expectations would reference long-term historical mean results, with an overlay of informed judgment. Key elements to consider:**
 - Nominal returns
 - Inflation
 - Real returns
 - Risk premia – bonds over cash, stocks over bonds, long duration over short
 - Long term underlying economic growth (real GDP).
- **Current expectations:**
 - Stocks: 7.75% nominal, 5.25% real, 4.50% premium over bonds
 - Bonds: 3.25% nominal, 0.75% real, 0.50% premium over cash
 - Cash: 2.75% nominal, 0.25% real
 - Inflation: 2.5%
 - Underlying economic growth (real GDP) – 2 to 3% per year.
- **Long-term (30-year) expectations:**
 - Stocks: 9.5% nominal, 6.5% real, 4.5% premium over bonds
 - Bonds: 5% nominal, 2% real, 1% premium over cash
 - Cash: 4% nominal, 1% real
 - Inflation: 3.0%
 - Underlying economic growth (real GDP) – 3 to 3.5% per year.



10-Year vs. 30-Year Capital Market Expectations

- **Under Callan's current 5-10 year expectations, a typical institutional policy target mix is not expected to generate an annual return anywhere near 8.0%; even 7.0% will be a challenge.**
 - Assumed returns for pension valuations and endowment/foundation spending are usually between 7% and 8%.
- **Substantially greater exposure to risk assets than the typical policy mix would be required to generate an 8% return over the 5-10 year horizon, potentially in conflict with many investors' expressed tolerance for risk.**
- **Appealing to expectations with a 30-year time horizon, a typical institutional policy mix may indeed be expected to generate an 8% return. However, long-term perspective must be maintained. The path to a long-term 8% return will include extended periods of returns above the 8% (the 1990s, 2003-2007) and periods below the 8% (the decade that encompasses the 2003-07 period).**

**ALASKA RETIREMENT MANAGEMENT BOARD
M E M O R A N D U M**

To: ARMB Trustees
From: Judy Hall
Date: February 6, 2012
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	12/9/11 2/1/12
Bob Mitchell	Investment Officer	Equities	1/19/12
Pamela Leary	State Comptroller	Equities	12/21/11
Steven Verschoor	Investment Officer	Equities	1/13/12 1/13/12
Sam Trivette	Trustee	Mutual Funds	11/11/11

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 - 4 th 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 - 1 st 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 - 2 nd 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 - 3 rd Quarter Manager Review (Questionnaire) Private Equity Review Economic Round Table *Manager Presentations