



ALASKA RETIREMENT MANAGEMENT BOARD

Judicial Retirement System

Invested Assets

June 30, 2009

(With Independent Auditors' Report Thereon)

ALASKA RETIREMENT MANAGEMENT BOARD

Judicial Retirement System

Invested Assets

June 30, 2009

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Independent Auditors' Report

Alaska Retirement Management Board and
State of Alaska, Department of Revenue
Division of Treasury:

We have audited the accompanying schedules of invested assets of the Judicial Retirement System as of June 30, 2009 and of investment income (loss) and changes in invested assets of the Judicial Retirement System for the year then ended (Schedules). These Schedules are the responsibility of the Division of Treasury's management. Our responsibility is to express an opinion on these Schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared to present the invested assets of the Judicial Retirement System, which is established under the State of Alaska Judicial Retirement System (JRS). The Schedules are not intended to present the financial status of JRS.

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Judicial Retirement System as of June 30, 2009, and the investment income (loss) and changes in invested assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

October 9, 2009

JUDICIAL RETIREMENT SYSTEM
SCHEDULES OF INVESTED ASSETS

Year ended June 30, 2009

Investments (at Fair Value)	<u>Pension</u>	<u>Health Care</u>	<u>Total System Assets</u>
Cash and Cash Equivalents			
Short-term Fixed Income Pool	\$ 558,447	\$ 393,743	\$ 952,190
Total Cash and Cash Equivalents	<u>558,447</u>	<u>393,743</u>	<u>952,190</u>
Fixed Income Securities			
Retirement Fixed Income Pool	11,609,383	2,459,423	14,068,806
High Yield Pool	2,030,825	388,415	2,419,240
International Fixed Income Pool	1,391,941	271,947	1,663,888
Emerging Debt Pool	701,835	137,263	839,098
Total Fixed Income Securities	<u>15,733,984</u>	<u>3,257,048</u>	<u>18,991,032</u>
Broad Domestic Equity			
Broad Domestic Equity	28,479,813	5,139,627	33,619,440
Total Broad Domestic Equity	<u>28,479,813</u>	<u>5,139,627</u>	<u>33,619,440</u>
Global Equity Ex-U.S.			
International Equity Pool	17,354,592	2,834,507	20,189,099
Emerging Markets Equity Pool	2,889,737	606,575	3,496,312
Total Global Equity Ex-U.S.	<u>20,244,329</u>	<u>3,441,082</u>	<u>23,685,411</u>
Private Equity			
Private Equity Pool	6,113,583	575,716	6,689,299
Total Private Equity	<u>6,113,583</u>	<u>575,716</u>	<u>6,689,299</u>
Absolute Return			
Absolute Return Pool	3,857,812	986,634	4,844,446
Total Absolute Return	<u>3,857,812</u>	<u>986,634</u>	<u>4,844,446</u>
Real Assets			
Real Estate Pool	12,435,361	951,261	13,386,622
Real Estate Investment Trust Pool	320,368	22,791	343,159
Energy Pool	-	30,964	30,964
Farmland Pool	-	178,010	178,010
Timber Pool	1,198,946	76,652	1,275,598
Treasury Inflation Protected Securities Pool	731,714	259,692	991,406
Total Real Assets	<u>14,686,389</u>	<u>1,519,370</u>	<u>16,205,759</u>
Common Trust Funds			
SSgA Domestic Equity	-	-	-
SSgA International Equity	-	-	-
SSgA Emerging Markets	-	-	-
SSgA Domestic Fixed Income	-	-	-
SSgA International Fixed Income	-	-	-
SSgA High Yield Bond Index	-	-	-
SSgA TIPS Index	-	-	-
Total Common Trust Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Invested Assets	\$ <u>89,674,357</u>	\$ <u>15,313,220</u>	\$ <u>104,987,577</u>

JUDICIAL RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT INCOME (LOSS) AND CHANGES IN INVESTED ASSETS

Year ended June 30, 2009

	Pension	Health	Total Income (Loss)
Investment Income (Loss)			
Cash and Cash Equivalents			
Short-term Fixed Income Pool	\$ 9,231	\$ 10,201	\$ 19,432
Fixed Income Securities			
Retirement Fixed Income Pool	291,180	72,037	363,217
High Yield Pool	(74,276)	13,224	(61,052)
International Fixed Income Pool	67,171	6,856	74,027
Emerging Debt Pool	(67,832)	2,960	(64,872)
Broad Domestic Equity			
Broad Domestic Equity	(10,320,920)	313,323	(10,007,597)
Global Equity Ex-U.S.			
International Equity Pool	(7,723,889)	288,899	(7,434,990)
Emerging Markets Equity Pool	(194,076)	66,927	(127,149)
Private Equity			
Private Equity Pool	(239,786)	(19,898)	(259,684)
Absolute Return			
Absolute Return Pool	(633,161)	27,955	(605,206)
Real Assets			
Real Estate Pool	(5,301,865)	(144,520)	(5,446,385)
Real Estate Investment Trust Pool	(324,789)	1,718	(323,071)
Energy Pool	-	(1,745)	(1,745)
Farmland Pool	-	5,150	5,150
Timber Pool	34,888	2,250	37,138
Treasury Inflation Protected Securities Pool	(308,962)	6,593	(302,369)
Common Trust Funds			
SSgA Domestic Equity	-	(1,767,448)	(1,767,448)
SSgA International Equity	-	(1,065,914)	(1,065,914)
SSgA Emerging Markets	-	(164,970)	(164,970)
SSgA Domestic Fixed Income	-	59,739	59,739
SSgA International Fixed Income	-	(1,353)	(1,353)
SSgA High Yield Bond Index	-	(47,467)	(47,467)
SSgA TIPS Index	-	(57,519)	(57,519)
Total Investment Income (Loss)	(24,787,086)	(2,393,002)	(27,180,088)
Total Invested Assets, Beginning of Year	119,733,204	13,454,217	133,187,421
Total Contributions	5,832,279	5,021,706	10,853,985
Total (Withdrawals)	(11,104,040)	(769,701)	(11,873,741)
Net Contributions (Withdrawals)	(5,271,761)	4,252,005	(1,019,756)
Total Invested Assets, End of Year	\$ 89,674,357	\$ 15,313,220	\$ 104,987,577

Judicial Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(1) THE ACCOUNTING ENTITY

The Judicial Retirement System Invested Assets (JRS Invested Assets) is the investment portfolio of the State of Alaska Judicial Retirement System (JRS). JRS is a single-employer defined benefit system established for the payment of retirement, disability and death benefits to, or on behalf of, eligible State judges and justices. These Schedules are those of JRS Invested Assets and not JRS taken as a whole. Fiduciary responsibility for JRS Invested Assets resides with the Alaska Retirement Management Board (Board), pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provide that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

The Department of Revenue, Treasury Division (Treasury) provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Defined Benefit Pension and Health Care Plans the Board has fiduciary responsibility for.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Broad Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, and Timber Pool are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities Pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of JRS as well as other pension and state funds.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedules are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net contributions (withdrawals) represent contributions from employers and employees, net of benefits paid to JRS participants and administrative and investment management expenses. Contributions, benefits paid and all expenses are recorded on a cash basis.

Valuation

Fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

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

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

Judicial Retirement System

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June 30, 2009

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

Valuation (Cont.)

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

The energy related investments in the Energy Pool are valued quarterly by the general partner. The general partner is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

With the exception of real estate investment trust holdings, real estate, timber, and farmland investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, and timber investments are appraised annually by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and ask prices.

Common Trust Funds, with the exception of the SSgA Emerging Markets Fund which was valued bi-monthly following the third Wednesday and last business day of each month, were valued daily. Equity investments for which market quotations were readily available were valued at the last reported sale price or close for certain markets on their principal exchange on the valuation date. If no sales were reported for that day, investments were valued at the more recent of the last published sale price or the mean between the last reported bid and ask prices, or at the fair value as determined by the Trustee. These funds were liquidated during Fiscal Year 2009.

Income Allocation

Income in the fixed income and domestic and international equity pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis.

Income in the Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Farmland, and Timber Pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

Income for the Common Trust Funds was credited and allocated in accordance with the participants pro rata share of the fund when received.

(3) INVESTMENTS

Both JRS Pension and Health Care invested assets participate in the State's internally managed short-term fixed income pool.

Short-term Fixed Income Pool

JRS Invested Assets include participation in the State's internally managed Short-term Fixed Income Pool which was established March 15, 1993 with a start up and maintained share price of \$1. Treasury staff determines the allocation between permissible securities. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid. At June 30, 2009 JRS Invested Assets included a 0.03% direct ownership in this pool, and a 0.03% indirect ownership through ownership by other investment pools which invest in the Short-term Fixed Income Pool.

Judicial Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(3) INVESTMENTS (Cont.)

Both the Pension and Health Care Plans participate in the ARMB's Investment Pools.

Alaska Retirement Fixed Income Pool

JRS Invested Assets include participation in the Board's internally managed Alaska Retirement Fixed Income Pool which was established March 1, 1996, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,163. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.97% ownership in the Alaska Retirement Fixed Income Pool.

High Yield Pool

JRS Invested Assets include participation in the Board's externally managed High Yield Pool which was established April 15, 2005, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,156. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.88% ownership in the High Yield Pool.

International Fixed Income Pool

JRS Invested Assets include participation in the Board's externally managed International Fixed Income Pool which was established March 3, 1997, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,333. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.88% ownership in the International Fixed Income Pool.

Emerging Markets Debt Pool

JRS Invested Assets include participation in the Board's externally managed Emerging Markets Debt Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$936. The pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.88% ownership in the Emerging Markets Debt Pool.

Domestic Equity

Domestic Equity is comprised of an External Large Cap Domestic Equity Pool and an External Small Cap Domestic Equity Pool.

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June 30, 2009

(3) INVESTMENTS (Cont.)

Large Cap Domestic Equity Pool

JRS Invested Assets include participation in the Board's externally managed Large Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$870. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.84% ownership in the Large Cap Domestic Equity Pool.

Small Cap Domestic Equity Pool

JRS Invested Assets include participation in the Board's externally managed Small Cap Domestic Equity Pool which was established July 1, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$844. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.71% ownership in the Small Cap Domestic Equity Pool.

International Equity Pool

JRS Invested Assets include participation in the Board's externally managed International Equity Pool which was established January 1, 1992, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,703. Each manager independently determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 1.06% ownership in the International Equity Pool.

Emerging Markets Equity Pool

JRS Invested Assets include participation in the Board's externally managed Emerging Markets Equity Pool which was established May 2, 1994, with a startup share price of \$1,000. The share price at June 30, 2009 was \$2,822. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.67% ownership in the Emerging Markets Equity Pool.

Private Equity Pool

JRS Invested Assets include participation in the Board's externally managed Private Equity Pool which was established April 24, 1998, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,913. Underlying assets in the pool are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net

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June 30, 2009

(3) INVESTMENTS (Cont.)

asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.63% ownership in the Private Equity Pool

Absolute Return Pool

JRS Invested Assets include participation in the Board's externally managed Absolute Return Pool which was established October 31, 2004, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,108. Underlying assets in the pool are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.88% ownership in the Absolute Return Pool.

Real Estate Equities

Real Estate Equities are comprised of two pools, Pool A and Pool B.

Real Estate Pool A

JRS Invested Assets include participation in the Board's externally managed Real Estate Pool A which was established June 27, 1997, with a startup share price of \$1,000. The share price at June 30, 2009, was \$2,286. Underlying assets in the pool are comprised of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 1.02% ownership in Real Estate Pool A.

Real Estate Pool B

JRS Invested Assets include participation in the Board's externally managed Real Estate Pool B which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$937. Underlying assets in the pool are comprised of one commingled account. The manager independently determines permissible investments. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 0.97% ownership in Real Estate Pool B.

Real Estate Investment Trust (REIT) Pool

JRS Invested Assets include participation in the Board's internally managed REIT Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$503. Underlying assets in the pool are comprised of real estate investment trust holdings. Treasury staff determines the permissible real estate investment trusts to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 1.00% ownership in the REIT Pool.

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June 30, 2009

(3) INVESTMENTS (Cont.)

Energy Pool

JRS Invested Assets include participation in the Board's externally managed Energy Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009, was \$966. Underlying assets in the pool are comprised of a limited partnership with an energy related venture capital operating company. Treasury staff determines the permissible partnerships to invest in. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a .04% ownership in the Energy Pool.

Farmland Pool

JRS Invested Assets include participation in the Board's externally managed Farmland Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,082. Underlying assets in the pool are comprised of investments through limited partnership interests in two agricultural entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a .04% ownership in the Farmland Pool.

Timber Pool

JRS Invested Assets include participation in the Board's externally managed Timber Pool which was established July 1, 2008, with a startup share price of \$1,000. The share price at June 30, 2009 was \$1,029. Underlying assets in the pool are comprised of investments through limited partnership interests in two timber entities. Each manager independently determines which permissible investments are made. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a .82% ownership in the Timber Pool.

Treasury Inflation Protected Securities (TIPS) Pool

JRS Invested Assets include participation in the Board's internally managed TIPS pool which was established May 24, 2006 with a startup price of \$1,000. The share price at June 30, 2009 was \$1,191. Treasury staff determines the allocation between permissible securities. Ownership in the pool is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction. At June 30, 2009 JRS Invested Assets included a 1.33% ownership in the TIPS Pool.

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(3) INVESTMENTS (Cont.)

During Fiscal Year 2009 the Board contracted with an external manager who managed a mix of Common Trust Funds for the Defined Benefit Health Care Trust. Common Trust Fund investments were liquidated during Fiscal Year 2009 and monies were invested in the ARMB's existing investment pools.

Domestic Equity

Domestic Equity was comprised of two externally managed Common Trust Funds.

SSgA Domestic Large Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 1000[®] Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurred in the strategy.

SSgA Domestic Small Cap

The purpose of this fund was to replicate the returns and characteristics of the Russell 2000[®] Index through buying, holding and trading securities only when there was a change to the composition of the Index or when cash flow activity occurred in the strategy.

SSgA International Equity

The purpose of this fund was to replicate the returns and characteristics of the Morgan Stanley Capital International Europe Australasia, and Far East (MSCI EAFE) Index through investing in 21 individual MSCI country funds which, in turn, owned Index securities in market-weighted proportion.

SSgA Emerging Markets

The purpose of this fund was to closely match the returns of the capitalization-weighted MSCI Emerging Markets Index.

SSgA Domestic Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the domestic investment grade bond market. The strategy sought to replicate the returns and characteristics of the Lehman Brothers Aggregate Bond Index through individual security selection based on criteria generated by SSgA's credit and research group, security availability, and the analysis of its impact on the portfolio's weightings.

SSgA International Fixed Income

The purpose of this fund was to create a well diversified portfolio that was representative of the international government bond market. The strategy sought to replicate the returns and characteristics of the Citigroup World Government Bond Ex-US Index by matching duration, quality and sector of the Index.

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(3) INVESTMENTS (Cont.)

SSgA High Yield Bond Index

The purpose of this fund was to deliver a risk-controlled, higher quality, liquid exposure to the broad U.S. high yield market with low tracking error. The strategy used stratified sampling to create a portfolio of liquid issuers that targeted the Lehman High Yield \$200 Million Very Liquid Index (HYVLI) in such characteristics as duration, issuer market weight, credit quality and industry.

SSgA TIPS

The purpose of the U.S. Treasury Inflation Protected Securities Index Strategy was to replicate the returns and characteristics of the Lehman Brothers Inflation Notes Index.

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June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK

At June 30, 2009 JRS Invested Assets included the following:

	Fair Value (in thousands)						Total
	Fixed Income Pools					Other	
	Short-term	Retirement	High Yield	International	TIPS		
Deposits	\$ 6	\$ (1)	\$ -	\$ 9	\$ -	\$ 104	\$ 118
Short-term Investment Fund	-	-	139	9	-	265	413
Commercial Paper	124	-	-	-	-	-	124
Bridge Loans	-	-	66	-	-	-	66
U. S. Treasury Bills	701	-	-	-	-	-	701
U. S. Treasury Notes	-	2,367	-	-	681	-	3,048
U. S. Treasury Bonds	-	199	-	-	298	-	497
U.S. Government Agency	54	283	-	-	-	-	337
Foreign Government Bonds	-	-	-	1,024	-	-	1,024
Mortgage-backed	78	7,151	-	-	-	-	7,229
Other Asset-backed	247	101	17	-	-	-	365
Corporate Bonds	669	2,805	1,960	599	1	-	6,034
Convertible Bonds	-	-	10	-	-	-	10
Yankees:							
Government	-	164	-	-	-	-	164
Corporate	144	635	168	-	-	-	947
Fixed Income Pools:							
Equity	-	-	3	-	-	-	3
Emerging Markets Debt Pool	-	-	-	-	-	839	839
Domestic Equity Pool:							
Limited Partnerships	-	-	-	-	-	1,794	1,794
Treasury Bills	-	-	-	-	-	28	28
Equity	-	-	-	-	-	31,393	31,393
International Equity Pool:							
Convertible Bonds	-	-	-	-	-	13	13
Equity	-	-	-	-	-	19,415	19,415
Emerging Markets Equity Pool	-	-	-	-	-	3,496	3,496
Private Equity Pool:							
Limited Partnerships	-	-	-	-	-	6,687	6,687
Absolute Return Pool:							
Limited Partnerships	-	-	-	-	-	4,844	4,844
Real Estate Pool:							
Real Estate	-	-	-	-	-	7,760	7,760
Commingled Funds	-	-	-	-	-	2,846	2,846
Limited Partnerships	-	-	-	-	-	2,781	2,781
Real Estate Investment Trust Pool:							
Equity	-	-	-	-	-	340	340
Energy Pool:							
Limited Partnerships	-	-	-	-	-	31	31
Farmland Pool:							
Agricultural Holdings	-	-	-	-	-	178	178
Timber Pool:							
Timber Holdings	-	-	-	-	-	1,276	1,276
Mutual Funds						338	338
Net Other Assets (Liabilities)	2	(307)	56	23	10	65	(151)
Other Pool Ownership	(1,073)	672	-	-	1	400	-
Total Invested Assets	\$ 952	\$ 14,069	\$ 2,419	\$ 1,664	\$ 991	\$ 84,893	\$ 104,988

Judicial Retirement System

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June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2009, the expected average life of individual fixed rate securities ranged from one day to six and one-half years and the expected average life of floating rate securities ranged from one day to eight years.

Other Defined Benefit Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. Treasury uses industry standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows to calculate effective duration.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to $\pm 20\%$ of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2009, was 4.30 years.

Before the fund was liquidated, through the Board's investment policy, Treasury managed the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Enhanced Cash Fixed Income portfolio to one year.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to $\pm 20\%$ of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2009, was 4.24 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to $\pm 25\%$ of the Citigroup Non-USD World Government Bond Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2009, was 6.46 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed $\pm 20\%$ of the average life of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2009 was 5.19 years.

Judicial Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Interest Rate Risk (Cont.)

At June 30, 2009, the effective duration of the Defined Benefit fixed income pools, by investment type, was as follows:

	Effective Duration (in years)			
	Retirement	International	High Yield	TIPS
Corporate Bonds	4.96	6.72	4.04	-
Equity	-	-	1.45	-
Foreign Government Bonds	-	6.23	3.64	-
Mortgage-Backed	3.50	-	-	0.10
Other Asset-Backed	1.72	-	3.47	-
U.S. Treasury Bonds	14.18	-	-	9.57
U.S. Treasury Notes	4.95	-	-	3.11
US. Government and Agency Securities	5.48	-	-	-
Yankees:				
Corporate	4.48	-	4.12	-
Government	10.52	-	-	-
Portfolio Effective Duration	4.16	6.34	3.68	5.06

The Board did not have a policy to limit interest rate risk for Common Trust Funds.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Treasury's investment policy has the following limitations with regard to credit risk:

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

The Board's investment policy has the following limitations with regard to credit risk:

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

Corporate debt securities must be investment grade.

Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Judicial Retirement System

Invested Assets

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June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (Cont.)

Credit Risk (Cont.)

Corporate bonds may be purchased if rated by two of these agencies.
No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.
No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalent by Moody's or Fitch.

High Yield:

No more than 10% percent of the portfolio's assets may be invested in securities rated A3 or higher.
No more than 25% of the portfolio's assets may be invested in securities rated below B3.
No more than 5% percent of the portfolio's assets may be invested in unrated securities.
No more than 10% percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.
The lower of any Standard & Poor's, Moody's or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's.
Corporate debt securities must be investment grade.
No more than 5% percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than 5% percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.
Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The Board did not have a policy to limit the concentration of credit risk for the Common Trust Funds.

Judicial Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (CONT.)

At June 30, 2009 JRS Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

	Rating	Fixed Income Pools				
		Short-term	Retirement	International	High Yield	TIPS
Commercial Paper	A-1	1.10 %	- %	- %	- %	- %
Commercial Paper	Not Rated	5.05	-	-	-	-
Bridge Loans	Not Rated	-	-	-	2.74	-
Short Term Investment Fund	Not Rated	-	-	-	5.74	-
U. S. Treasury Notes	AAA	-	16.82	-	-	68.71
U. S. Treasury Bills	AAA	34.70	-	-	-	-
U. S. Treasury Bonds	AAA	-	1.42	-	-	30.02
U.S. Government Agency	AAA	2.69	1.84	-	-	-
U.S. Government Agency	Not Rated	-	0.17	-	-	-
Mortgage-backed	AAA	3.46	44.60	-	-	0.14
Mortgage-backed	A	0.11	-	-	-	-
Mortgage-backed	BBB	0.18	-	-	-	-
Mortgage-backed	Not Rated	0.30	6.22	-	-	-
Other Asset-backed	AAA	10.87	0.47	-	-	-
Other Asset-backed	AA	0.85	0.13	-	-	-
Other Asset-backed	A	0.35	0.03	-	-	-
Other Asset-backed	BBB	-	0.08	-	-	-
Other Asset-backed	BB	-	-	-	0.18	-
Other Asset-backed	CCC	-	-	-	0.47	-
Other Asset-backed	Not Rated	-	-	-	0.04	-
Corporate Bonds	AAA	19.33	1.18	22.58	-	-
Corporate Bonds	AA	6.16	2.48	8.27	-	-
Corporate Bonds	A	7.64	9.15	5.14	-	-
Corporate Bonds	BBB	-	6.25	-	6.33	-
Corporate Bonds	BB	-	0.02	-	32.31	-
Corporate Bonds	B	-	-	-	29.42	-
Corporate Bonds	CCC	-	-	-	9.11	-
Corporate Bonds	C	-	-	-	0.16	-
Corporate Bonds	D	-	-	-	0.66	-
Corporate Bonds	Not Rated	-	0.86	-	3.04	-
Convertible Bonds	B	-	-	-	0.38	-
Convertible Bonds	CCC	-	-	-	0.03	-
Yankees:						
Government	AAA	-	0.46	-	-	-
Government	BBB	-	0.24	-	-	-
Government	Not Rated	-	0.46	-	-	-
Corporate	AAA	1.61	0.76	-	-	-
Corporate	AA	4.29	0.43	-	-	-
Corporate	A	1.24	2.13	-	-	-
Corporate	BBB	-	1.09	-	0.28	-
Corporate	BB	-	-	-	2.85	-
Corporate	B	-	-	-	2.78	-
Corporate	CCC	-	-	-	0.34	-
Corporate	CC	-	-	-	0.33	-
Corporate	C	-	-	-	0.01	-
Corporate	D	-	-	-	0.30	-
Corporate	Not Rated	-	0.10	-	0.04	-
Foreign Government Bonds	AAA	-	-	13.40	-	-
Foreign Government Bonds	AA	-	-	10.57	-	-
Foreign Government Bonds	A	-	-	29.78	-	-
Foreign Government Bonds	NA	-	-	7.85	-	-
No Credit Exposure		0.07	2.61	2.41	2.46	1.13
		<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Judicial Retirement System

Invested Assets

Notes to Schedules

June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (CONT.)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2009, JRS Invested Assets had the following uncollateralized and uninsured deposits:

	<u>Amount</u>
International Fixed Income	\$ 9,073
International Equity Pool	84,148

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citigroup Non-USD World Government Bond Index and Mexico. In addition, the Board's asset allocation policy permits JRS to hold up to twenty-one percent of total investments in international fixed income.

The Board has no specific policy with regard to foreign currency risk relating to international or private equity. However, through its asset allocation policy, the Board limits JRS total investment in the International Equity and Emerging Markets Pools to twenty-four percent of total JRS assets and limits JRS total investment in the Private Equity Pool to twelve percent of total JRS assets.

The Board had no policy regarding foreign currency risk in the Common Trust Funds.

At June 30, 2009, JRS had exposure to foreign currency risk with the following deposits:

<u>Currency</u>	<u>Amount</u>	
	<u>International Fixed Income Pool</u>	<u>International Equity Pool</u>
Australian Dollar	\$ -	\$ 649
Canadian Dollar	-	389
Danish Krone	-	9,981
Euro	2,650	42,881
Hong Kong Dollar	-	1,132
Japanese Yen	2,963	23,650
Mexican Peso	3,118	-
New Taiwan Dollar	-	447
New Zealand Dollar	-	244
Norwegian Krone	-	737
Pound Sterling	342	3,862
Singapore Dollar	-	6
Swedish Krona	-	118
Swiss Franc	-	5
Yuan Renminbi	-	47
	<u>\$ 9,073</u>	<u>\$ 84,148</u>

Judicial Retirement System

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June 30, 2009

(4) DEPOSIT AND INVESTMENT RISK (CONT.)

Foreign Currency Risk (Cont.)

At June 30, 2009 JRS had exposure to foreign currency risk with the following investments:

Currency	Amount			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	\$ 130,542	\$ -	\$ 308,883	\$ -
Brazilian Real	-	-	123,424	-
Canadian Dollar	-	-	328,726	-
Danish Krone	-	-	145,078	-
Euro	461,452	85,456	6,535,304	778,897
Hong Kong Dollar	-	-	699,595	-
Indonesian Rupiah	-	-	10,821	-
Japanese Yen	9,778	513,310	4,661,406	-
Mexican Peso	74,283	-	10,823	-
New Taiwan Dollar	-	-	115,522	-
New Zealand Dollar	-	-	22,693	-
Norwegian Krone	-	-	47,546	-
Polish Zloty	125,944	-	-	-
Pound Sterling	22,921	-	3,357,860	129,396
Singapore Dollar	-	-	140,151	-
South African Rand	-	-	40,538	-
South Korean Won	-	-	64,524	-
Swedish Krona	-	-	262,077	-
Swiss Franc	-	-	1,422,368	-
	<u>\$ 824,920</u>	<u>\$ 598,766</u>	<u>\$ 18,297,339</u>	<u>\$ 908,293</u>

At June 30, 2009, JRS also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled funds; therefore no disclosure of specific currencies is made.

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the United States Government.

The Board's policy with regard to concentration of credit risk for the Retirement Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. The Board does not have a policy with regard to concentration of credit for the TIPS Pools.

At June 30, 2009, JRS invested assets did not have exposure to any one issuer greater than 5% of total invested assets.

Judicial Retirement System

Invested Assets

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June 30, 2009

(5) FOREIGN EXCHANGE, FOREIGN EXCHANGE CONTRACTS AND OFF-BALANCE SHEET RISK

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2009:

Net Realized (Loss) on Foreign currency	\$	(203,198)
Net Unrealized Gain on Foreign currency		122
Net Realized Gain on Foreign Exchange Contracts		54,996

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. At June 30, the International Equity Pool had one foreign currency forward contract which matured in 22 days. JRS had net unrealized gains with respect to forward contracts, calculated using forward rates at June 30, 2009 as follows:

Contract Purchases	\$	102,684
Less: Fair Value		101,894
Net unrealized (Loss) on Contracts	\$	<u>(790)</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

(6) COMMITMENTS AND CONTINGENCIES

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2009, JRS Invested Asset's share of the unfunded commitment totaled \$394,555. This commitment can be withdrawn annually in December with ninety days notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2009, JRS Invested Asset's share of these unfunded commitments totaled \$5,512,792. These commitments are estimated to be paid through 2019.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2009, JRS Invested Asset's share of this unfunded commitment totaled \$20,400 to be paid through the year 2018.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2009, JRS Invested Asset's share of these unfunded commitments totaled \$2,339,343 to be paid through the year 2018.