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## CALLAN ASSOCIATES<sup>INC</sup>



September 15, 2011

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Alaska Retirement Management Board  
State of Alaska, Department of Revenue  
Treasury Division  
333 Willoughby Avenue, 11th Floor  
Juneau, AK 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2011.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns. Callan serves as ARMB's independent general investment consultant and evaluates the ARMB's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made using methodology similar to Global Investment Performance standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the ARMB periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Fiscal year 2011 was a positive period for all major investment categories. The Russell 3000 Index, a measure of the broad U.S. equity market gained 32.37% for the fiscal year despite a small decline in the June quarter when the index fell 0.03%. International stocks, as measured by the MSCI-ACWI ex-U.S. Index, increased 30.27%. In fiscal year 2011, the Barclays Capital Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 3.90%. Absolute Return Strategies such as hedge fund-of-funds also posted positive, although modest, returns during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return was a positive 6.32%. Private real estate investments rebounded strongly particularly in the recent quarters. The NCREIF Property Index posted a very attractive 16.73% return for the fiscal year. Publicly traded real estate, as measured by the NAREIT Index, increased 34.09%.

# INVESTMENT SECTION

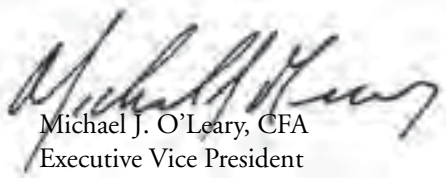
For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of 21.18% and the Teachers Retirement System (TRS) had a time-weighted total return of 21.36%. Both Systems almost matched their strategic policy benchmark target return of 21.62% and the 21.59% median return for Callan's Public Fund database.

The greatest sources of performance differences from the policy target components for TRS were: strong relative returns in domestic public equities (+33.38% versus a target index return of +32.37%), real assets (+15.25% versus a target of +12.66%) and fixed income (5.55% versus a target return of 5.06%). Private equity underperformed public equity in the strong public equity market (20.12% versus a public equity benchmark of 32.93%). This difference in performance from public markets is, in our opinion, very typical and attributable to the timing differences in the valuation metrics employed. The comparatively low allocation to fixed income was a positive factor each of the past two years. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 2-year annualized return was 16.18% versus the policy benchmark's 16.25% while TRS's return was slightly higher at 16.36%. Over the longest period for which Callan has detailed data (19 3/4 years), PERS and TRS have achieved annualized total returns of 7.72% and 7.77%, respectively, while the policy benchmark return for the same span was 7.73%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 5% or more.

In summary, fiscal 2011 was another strong recovery year for all investors particularly those with significant equity exposure.

Sincerely,



Michael J. O'Leary, CFA  
Executive Vice President

# INVESTMENT SECTION

## Department of Revenue Treasury Division Staff

### Commissioner

Bryan Butcher

### Chief Investment Officer

Gary Bader

### Investment Officers

Bob G. Mitchell

Stephen R. Sikes

Zachary Hanna

Steve Verschoor

Elizabeth Walton

Sean Howard

Paul Hackenmueller

Casey Colton

Nicholas Orr

Victor Djajalie

Joy Wilkinson

Shane Carson

Alyson Campbell

### Deputy Commissioner

Jerry Burnett

### Comptroller

Pamela Leary, CPA

### Cash Management

Michelle M. Prebula, MBA, CPA, CCM

### ARMB Liaison Officer

Judy Hall

## External Money Managers and Consultants

### Investment Consultants

Callan Associates, Inc.

*Denver, CO*

The Townsend Group

*San Francisco, CA*

Relational Investors LLC

*San Diego, CA*

Quantitative Management Associates

*Newark, NJ*

### Investment Advisory Council

William Jennings

*Colorado Springs, CO*

Jerrold Mitchell

*Wayland, MA*

George Wilson

*Boston, MA*

### Domestic Equity Small Capitalization

Jennison Associates LLC

*New York, NY*

Lord Abbett & Co.

*Jersey City, NJ*

Luther King Capital Management

*Fort Worth, TX*

Barrow, Hanley, Mewhinney & Strauss

*Dallas, TX*

### Absolute Return

Crestline Investors, Inc.

*Fort Worth, TX*

Global Assets Management Inc.

*Los Angeles, CA*

Prisma Capital Partners

*New York, NY*

Mariner Investment Group, Inc.

*Harrison, NY*

### Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.

*Winter Park, FL*

Lord Abbett & Co.

*Jersey City, NJ*

### Domestic Equity Index Fund

State Street Global Advisors

*San Francisco, CA*

### Domestic Equity Large Capitalization

Analytic Investors LLC

*Los Angeles, CA*

Barrow, Hanley, Mewhinney & Strauss

*Dallas, TX*

Capital Guardian Trust Co.

*Los Angeles, CA*

RCM Global Investors

*San Francisco, CA*

McKinley Capital Management, Inc.

*Anchorage, AK*

### Emerging Markets

Capital Guardian Trust Co.

*Los Angeles, CA*

Eaton Vance Management

*Boston, MA*

### Global Equity

Lazard Freres Asset Management

*New York, NY*

# INVESTMENT SECTION

## External Money Managers and Consultants (cont.)

### High Yield

Rogge Global Partners  
*Hartford, CT*  
MacKay Shields LLC  
*New York, NY*  
Advent Capital Management  
*New York, NY*

### International Equity – EAFE

Brandes Investment Partners, L.P.  
*San Diego, CA*  
Capital Guardian Trust Co.  
*Los Angeles, CA*

### International Small Cap

Mondrian Investment Partners  
*London, England*  
Schroders Investment Management NA  
*New York, NY*

### International Fixed Income

Mondrian Investment Partners  
*London, England*

### Private Equity

Abbott Capital Management, L.P.  
*New York, NY*  
Pathway Capital Management, LLC  
*Irvine, CA*

### Real Estate – Farmland

Hancock Agricultural Investment Group  
*Boston, MA*  
UBS AgriVest, LLC  
*Hartford, CT*

### Real Estate – Commingled Funds

BlackRock Realty  
*San Francisco, CA*  
Colony Capital  
*Los Angeles, CA*  
Cornerstone Real Estate Advisers, LLC  
*Hartford, CT*  
Coventry Real Estate Fund II, LLC  
*New York, NY*  
ING Clarion Partners  
*New York, NY*  
J.P. Morgan Investment Management Inc.  
*New York, NY*  
Silverpeake Real Estate Partners  
*New York, NY*

Low Hospitality Investment Partners, LLC  
*Los Angeles, CA*  
Sentinel Real Estate Corporation  
*New York, NY*  
Tishman Speyer Properties  
*New York, NY*  
UBS Realty Investors, LLC  
*Hartford, CT*

### Real Estate – Core Separate Accounts

Cornerstone Real Estate Advisers, Inc.  
*Hartford, CT*  
LaSalle Investment Management  
*Chicago, IL*  
Sentinel Real Estate Corporation  
*New York, NY*  
UBS Realty Investors, LLC  
*San Francisco, CA*

### Real Estate – Timber

Hancock Timber Resource Group  
*Charlotte, NC*  
Timberland Investment Resources LLC  
*Brookline, MA*

### Supplemental Benefits System and Deferred Compensation Plan

BlackRock  
*San Francisco, CA*  
RCM  
*San Francisco, CA*  
State Street Global Advisors  
*Boston, MA*  
T. Rowe Price Investment Services  
*Baltimore, MD*  
Brandes Investment Partners  
*San Diego, CA*

### Global Master Custodian

State Street Bank & Trust Co.  
*Boston, MA*

### Independent Auditors

KPMG Peat Marwick, LLP  
*Anchorage, AK*

### Legal Counsel

Robert Johnson  
*Anchorage, AK*

## Public Employees' Retirement System Investment Report

### INVESTMENTS

The State of Alaska Public Employee Retirement System's (PERS) investment goals are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into six asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity and absolute return. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

Asset Class	Benchmark
Domestic Equities	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Index Ex-U.S.
Fixed Income	70% Barclays Capital Aggregate Index, 10% Barclays Capital Treasury Index, 10% Citigroup Non-U.S. World Government Bond Index, 10% Merrill Lynch High Yield Master II Constrained Index
Real Assets	60% NCREIF Property Index, 20% Barclays Capital TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timber Index
Private Equity	33.3% S&P 500 Index, 33.3% Russell 2000, 33.3% MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2011 fiscal year, ARMB's target asset allocation was 29% domestic equities, 23% global equities ex-U.S., 19% fixed income, 16% real assets, 7% private equity, 5% absolute return, and 1% cash equivalents. The target asset allocation was expected to generate a return of 8.07% with a standard deviation of returns of 13.46%.

# INVESTMENT SECTION

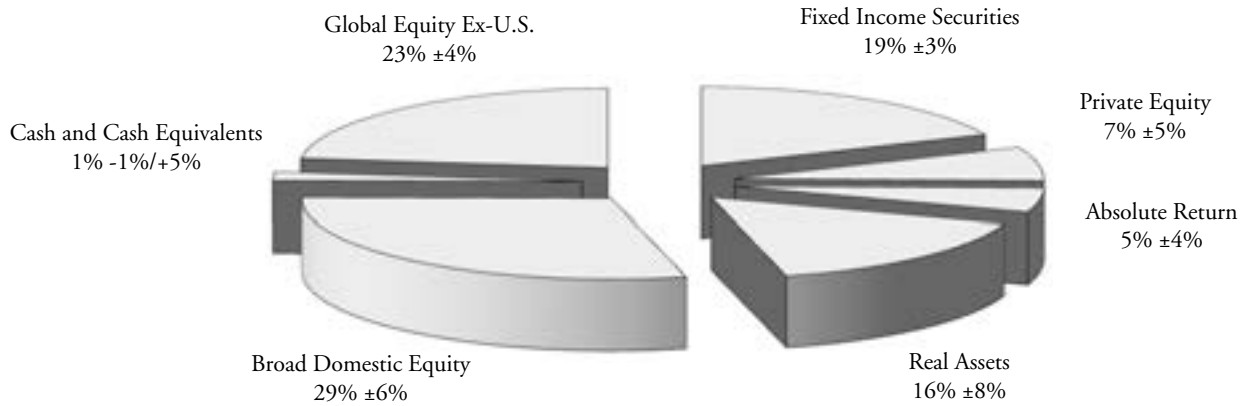
Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2007	2008	2009	2010	2011	Annualized	
						3 Year	5 Year
<b>Total Fund</b>							
PERS	18.88%	(3.06%)	(20.49%)	11.39%	21.22%	2.38%	4.33%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.25	8.25	8.00	8.00	8.00
<b>U.S. Common Stock Returns</b>							
PERS Domestic Equities	20.10	(13.53)	(26.72)	15.45	33.37	4.11	3.22
<i>Custom Composite Index</i>	-	-	(26.56)	15.72	32.37	4.00	3.09
<i>S&amp;P 500/Russell 2000 Composite</i>	20.59	(13.68)	-	-	-	-	-
<b>International Stock Returns</b>							
PERS International Equities	30.00	(7.58)	(29.11)	12.05	28.27	0.62	4.16
<i>Morgan Stanley Capital International ACWI ex-US</i>	-	-	(30.54)	10.87	30.27	0.11	3.43
<i>Morgan Stanley Capital International EAFE</i>	27.00	(10.61)	-	-	-	-	-
<b>Fixed-Income</b>							
PERS	-	-	3.39	11.19	5.46	6.63	6.53
<i>Custom Composite Index</i>	-	-	5.41	10.16	5.06	6.85	6.80
<b>Private Equity</b>							
PERS	-	-	(23.67)	18.86	20.14	2.91	9.69
<i>Custom Composite Index</i>	-	-	(27.19)	13.87	32.93	3.29	3.00
<b>Absolute Return</b>							
PERS	-	-	(12.51)	6.59	5.98	(0.39)	1.99
<i>3-month Treasury Bill +5%</i>	-	-	5.95	5.16	5.16	5.42	6.81
<b>Real Assets</b>							
PERS	-	-	(21.02)	(0.28)	15.25	(3.30)	2.87
<i>Custom Composite Index</i>	-	-	(10.82)	1.17	12.66	0.55	4.88
<b>Domestic Fixed Income</b>							
PERS	6.20	6.58	-	-	-	-	-
<i>Lehman Brothers Aggregate Index</i>	6.12	7.12	-	-	-	-	-
<b>International Fixed Income</b>							
PERS	1.97	18.96	-	-	-	-	-
<i>Salomon Non-U.S. Government</i>	2.20	18.72	-	-	-	-	-
<b>Real Estates Equity</b>							
PERS	20.75	5.71	-	-	-	-	-
<i>NCREIF</i>	17.24	6.82	-	-	-	-	-
<b>Cash Equivalents</b>							
PERS	-	-	-	-	0.47	-	-
<i>3-month Treasury Bill</i>	-	-	-	-	0.16	-	-
S&P 500 = Standard & Poor's Domestic Equity Stock Index ACWI = All Country World Index EAFE = Europe, Australia, and Far East Stock Index NCREIF = National Council of Real Estate Investment Fiduciaries Index Basis of calculation: Time-weighted rate of return based on the market rate of return.							



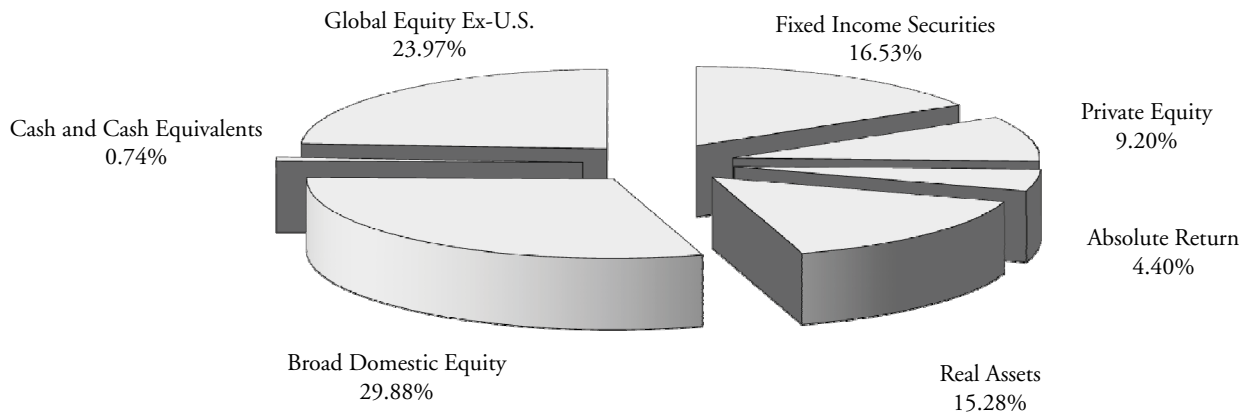
# INVESTMENT SECTION

## Public Employees' Retirement System Asset Allocation June 30, 2011

### Policy



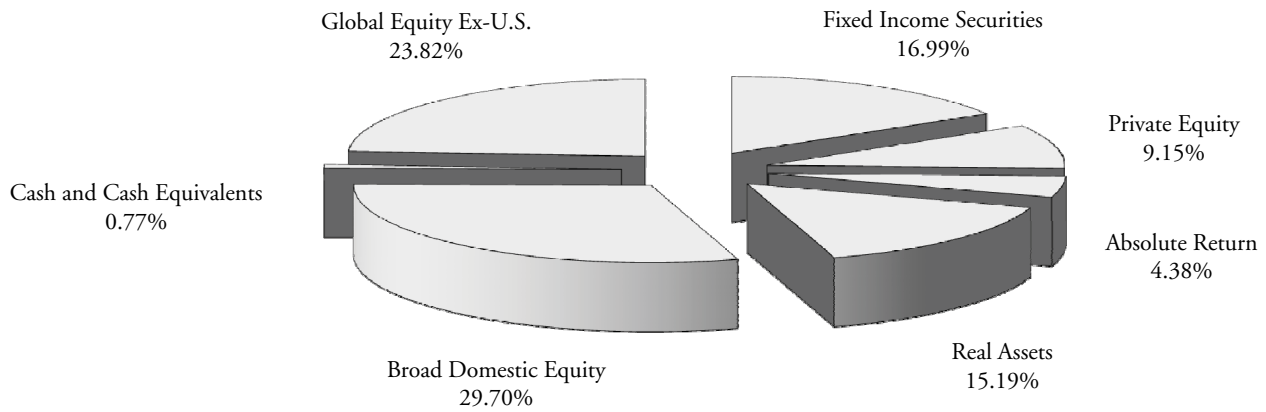
### Actual — Defined Benefit Pension



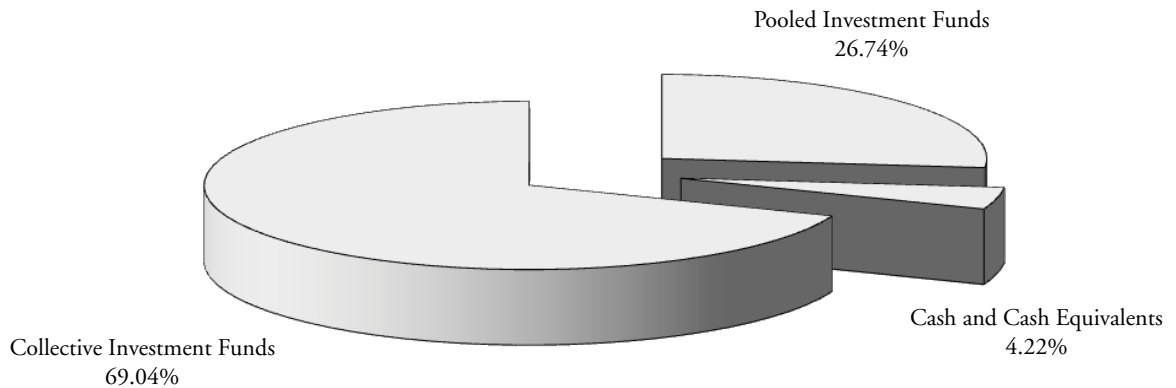
# INVESTMENT SECTION

## Public Employees' Retirement System Asset Allocation June 30, 2011

### Actual — Defined Benefit Alaska Retiree Healthcare Trust



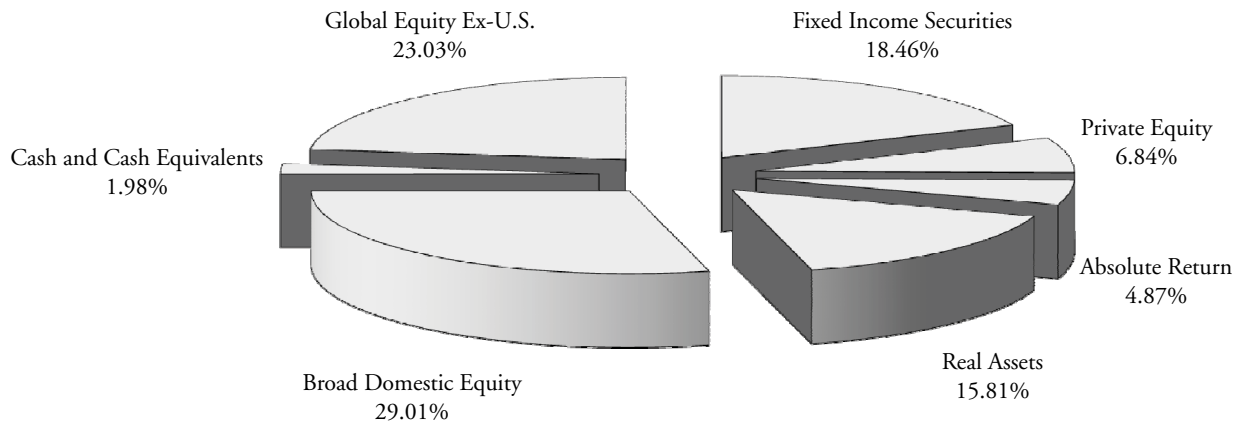
### Actual — Defined Contribution Participant Directed



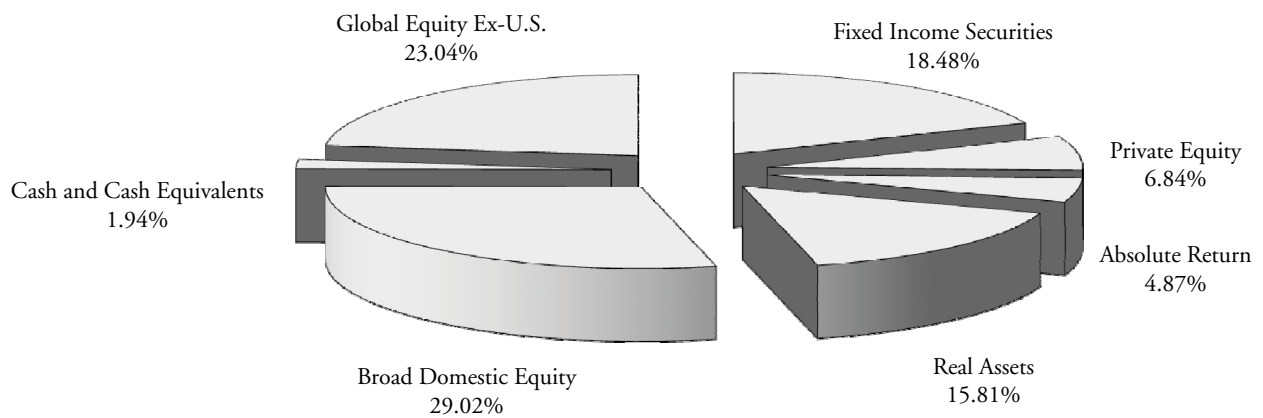
# INVESTMENT SECTION

## Public Employees' Retirement System Asset Allocation June 30, 2011

### Actual — Defined Contribution Health Reimbursement Arrangement



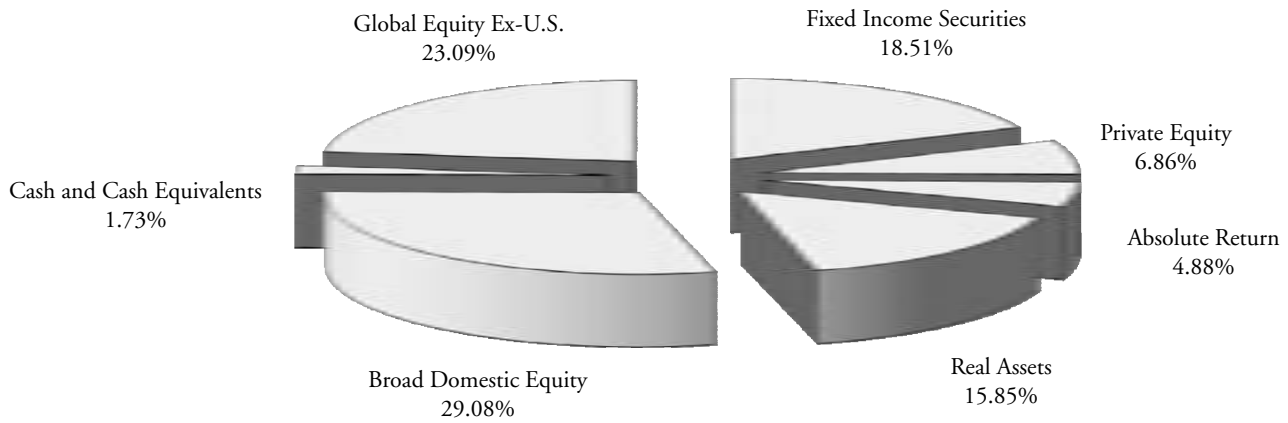
### Actual — Defined Contribution Occupational Death & Disability



# INVESTMENT SECTION

**Public Employees' Retirement System  
Asset Allocation  
June 30, 2011**

**Actual — Defined Contribution Retiree Medical Plan**



# INVESTMENT SECTION

## Alaska Retirement Management Board Top Ten Holdings by Asset Type June 30, 2011

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created eighteen different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest bond and equity holdings.

### Fixed Income

<u>Rank</u>	<u>Security</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 1.5% 06/30/2016	\$324,956,298	\$328,966,399
2	US Treasury 0.75% 06/15/2014	143,893,407	144,067,732
3	US Treasury 1.75% 08/15/2012	105,907,450	104,165,900
4	US Treasury 3.625% 02/15/2020	85,790,305	81,095,600
5	US Treasury 4.875% 02/15/2012	58,969,933	57,284,953
6	US Treasury 1.75% 05/31/2016	52,405,065	52,323,440
7	US Treasury 2.375% 09/30/2014	50,703,449	48,447,630
8	US Treasury 2.0% 01/31/2016	49,675,162	48,727,270
9	US Treasury 2.0% 11/30/2013	31,635,329	30,616,385
10	US Treasury 2.625% 08/15/2020	30,210,236	31,209,921

### Equities

<u>Rank</u>	<u>Largest Domestic Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc	\$63,794,030
2	Exxon Mobil Corp	51,680,472
3	Chevron Corp	42,422,818
4	JPMorgan Chase & Co	42,212,648
5	Pfizer Inc	40,765,015
6	International Business Machines Corp	37,217,438
7	Wells Fargo & Co	34,017,802
8	Oracle Corp	33,551,524
9	General Electric Co	30,608,028
10	AT&T Inc	29,644,757

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

# INVESTMENT SECTION

## Public Employees' Retirement System Schedule of External Investment Management Fees Year Ended June 30, 2011

<b>Investment Management Fees</b>	<b>Fair Value</b>	<b>Fees</b>
<b>International Fixed Income</b>		
* Mondrian Investment Partners	\$ 263,662,011	\$ 531,939
<b>High Yield Pool</b>		
* Mackay Shields, LLC	284,435,801	1,062,104
* ING Investments	-	130,904
Total High Yield	<u>284,435,801</u>	<u>1,193,008</u>
<b>Domestic Equity Pools</b>		
** Relational Investors	222,857,171	1,330,028
* Advent Capital	65,382,328	384,625
* Barrow, Hanley, Mewhinney & Strauss, INC	171,633,042	460,760
* Jennison Associates LLC	115,407,022	747,384
* Lazard Asset Management	244,528,089	564,486
* Lord Abbett & Co.	182,454,773	895,249
* Luther King Cap. Management	93,978,219	423,160
* McKinley Capital	275,787,888	1,188,114
* Quantitative Management Associates	97,352,406	336,599
* SSgA Russell 1000 Growth	427,777,177	63,460
* SSgA Russell 1000 Value	659,533,541	109,495
* SSgA Russell 2000 Growth	41,803,827	22,580
* SSgA Russell 2000 Value	64,377,738	96,397
* SSgA Russell 200	257,629,178	27,768
* SSgA Futures Large Cap	5,685,428	12,025
* SSgA Future Small Cap	4,503,564	6,199
* DePrince, Race & Zollo Inc.-Micro Cap	50,682,156	148,793
* Analytic Buy Write Account	72,028,730	134,323
* RCM Buy Write Account	71,241,482	929,325
* RCM	<u>293,722,636</u>	<u>109,385</u>
Total Domestic Equities	<u>3,418,366,395</u>	<u>7,990,155</u>
<b>Private Equity Pool</b>		
** BlumCapital Partners-Strategic	17,351,541	231,775
** Warburg Pincus X	16,395,801	279,352
** Angelo Gordon & Co.	22,459,837	282,307
** Onex Partners	4,299,338	117,855
** Lexington Partners	15,662,657	235,465
* Pathway Capital Management	489,914,294	1,507,695
* Abbott Capital Management	482,412,946	1,249,578
** Merit Capital Partners	<u>2,388,719</u>	<u>168,856</u>
Total Private Equities	<u>1,050,885,133</u>	<u>4,072,883</u>
<b>International Equity Pools</b>		
* SSgA	274,664,817	135,967
* Brandes Investment Partners	586,364,011	2,213,881
* Capital Guardian Trust Co.	450,223,247	1,452,216
* McKinley Capital Mgmt.	248,347,882	858,792
* Lazard Freres	324,799,171	399,345
* Mondrian Investment Partners	84,261,388	461,113
* Schroder Investment Management	<u>86,566,974</u>	<u>527,939</u>
Total International Equities	<u>2,055,227,490</u>	<u>6,049,253</u>
<b>Absolute Return Pool</b>		
** Mariner Investment Group	141,241,615	1,359,531
** Cadogan Management LLC	427,614	-
** Crestline Investors Inc.	155,809,109	1,407,589
** Global Asset Management	100,660,618	697,790
** Prisma Capital Partners	<u>105,966,160</u>	<u>664,983</u>
Total Absolute Return	<u>504,105,116</u>	<u>4,129,893</u>

(continued)

# INVESTMENT SECTION

**Public Employees' Retirement System**  
**Schedule of External Investment Management Fees (cont.)**  
**Year Ended June 30, 2011**

	<u>Fair Value</u>	<u>Fees</u>
<b>Emerging Markets Equity Pool</b>		
** The Capital Group Inc.	\$ 314,538,389	\$ 1,819,177
** Lazard Freres Asset Managers	213,506,079	-
** Eaton Vance	<u>158,452,087</u>	<u>-</u>
Total Emerging Markets	<u>686,496,555</u>	<u>1,819,177</u>
<b>Real Estate Pool</b>		
** JPM Strategic	112,119,979	839,845
** UBS Consolidated	48,831,132	397,628
** Cornerstone	114,988,529	858,535
** Lasalle	135,412,257	966,673
** Sentinel, SA	69,643,190	439,740
** UBS Separate	165,597,619	1,267,973
** Lowe Hospitality	2,511,077	154,779
** ING Clarion	18,203,166	253,626
** Silverpeak Legacy Pension Partners	72,286,247	1,034,562
** Rothschild Five Arrows	41,266,546	479,730
** Tishman Speyer	46,703,250	841,495
** BlackRock Diamond	15,753,337	177,205
** Colony Investors VIII, L.P.	21,368,105	544,617
** LaSalle Medical Office Fund II	15,191,545	196,710
** Cornerstone Apartment Venture III	21,564,818	236,699
** Coventry	<u>14,909,363</u>	<u>-</u>
Total Real Estate	<u>916,350,160</u>	<u>8,689,817</u>
<b>Timber Pool</b>		
** Timberland INVT Resources	81,659,382	657,222
** Hancock Natural Resource Group	<u>51,999,025</u>	<u>332,580</u>
Total Timber Pool	<u>133,658,407</u>	<u>989,802</u>
<b>Farmland Pool</b>		
** Hancock Agriculture Investment Group	143,141,185	1,044,813
** UBS Agrivest	<u>225,819,517</u>	<u>1,790,477</u>
Total Farmland	<u>368,960,702</u>	<u>2,835,290</u>
<b>Farmland Water Pool</b>		
** Hancock Farmland & Water	4,207,831	30,555
** UBS Agrivest	<u>9,669,019</u>	<u>65,823</u>
Total Farmland Water Pool	<u>13,876,850</u>	<u>96,378</u>
<b>Energy Pool</b>		
** EIG Energy Fund XV	2,005,103	110,704
** EIG Energy Fund XD	11,806,108	188,839
** EIG Energy Fund XIV-A	<u>50,238,373</u>	<u>750,666</u>
Total Energy Pool	<u>\$ 64,049,584</u>	<u>1,050,209</u>
<b>Custodian</b>		
* State Street Bank		<u>663,379</u>
<b>Investment Advisory</b>		
* Townsend Group		69,771
* Callan Associates		71,153
* Investment Advisory Council		<u>20,597</u>
Total Investment Advisory		<u>161,521</u>
<b>Investment Performance</b>		
* Callan Associates		<u>177,881</u>
<b>Total External Management Fees</b>		<u><b>\$ 40,450,585</b></u>

\*These fees are paid through the Alaska Statewide Accounting System (AKSAS)

\*\*These fees are deducted from earnings by the fund manager and are not directly recorded in AKSAS.

# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

<b>Defined Benefit - Pension</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation Policy</b>	<b>Range</b>	<b>Fair Market Value</b>	<b>% of Total Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool			\$ 46,602,940	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>46,602,940</u>	0.74%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			15,133,634	
U.S. Treasury Fixed Income Pool			671,023,878	
High Yield Pool			155,951,524	
International Fixed Income Pool			144,490,454	
Emerging Debt Pool			<u>48,795,902</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>1,035,395,392</u>	16.53%
<b>Broad Domestic Equity</b>				
Large Cap Pool			1,495,052,255	
Small Cap Pool			342,041,615	
Convertible Bond Pool			<u>34,918,635</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>1,872,012,505</u>	29.88%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			1,031,856,322	
International Equity Small Cap Pool			93,322,494	
Emerging Markets Equity Pool			<u>376,345,189</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,501,524,005</u>	23.97%
<b>Private Equity</b>				
Private Equity Pool			<u>576,318,239</u>	
Total Private Equity	7.00%	2-12%	<u>576,318,239</u>	9.20%
<b>Absolute Return</b>				
Absolute Return Pool			<u>275,813,405</u>	
Total Absolute Return	5.00%	1-9%	<u>275,813,405</u>	4.40%
<b>Real Assets</b>				
Real Estate Pool			500,940,396	
Real Estate Investment Trust Pool			63,757,277	
Energy Pool			35,174,917	
Farmland Pool			196,398,054	
Farmland Water Pool			13,876,850	
Timber Pool			73,259,030	
Treasury Inflation Protected Securities Pool			<u>73,479,676</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>956,886,200</u>	<u>15.28%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$6,264,552,686</u></b>	<b><u>100.00%</u></b>



# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Benefit - Alaska Retiree Healthcare Trust

<u>Investments (at Fair Value)</u>	<u>Asset Allocation Policy</u>	<u>Range</u>	<u>Fair Market Value</u>	<u>% of Total Assets</u>
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool			\$ 39,348,255	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>39,348,255</u>	0.77%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			12,330,568	
U.S. Treasury Fixed Income Pool			575,421,297	
High Yield Pool			127,063,366	
International Fixed Income Pool			117,722,691	
Emerging Debt Pool			<u>39,757,075</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>872,294,997</u>	16.99%
<b>Broad Domestic Equity</b>				
Large Cap Pool			1,216,188,947	
Small Cap Pool			278,657,448	
Convertible Bond Pool			<u>30,192,821</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>1,525,039,216</u>	29.70%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			840,624,046	
International Equity Small Cap Pool			76,021,196	
Emerging Markets Equity Pool			<u>306,631,549</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,223,276,791</u>	23.82%
<b>Private Equity</b>				
Private Equity Pool			<u>469,539,750</u>	
Total Private Equity	7.00%	2-12%	<u>469,539,750</u>	9.15%
<b>Absolute Return</b>				
Absolute Return Pool			<u>224,717,254</u>	
Total Absolute Return	5.00%	1-9%	<u>224,717,254</u>	4.38%
<b>Real Assets</b>				
Real Estate Pool			408,363,805	
Real Estate Investment Trust Pool			51,942,240	
Energy Pool			28,659,168	
Farmland Pool			171,422,004	
Farmland Water Pool			-	
Timber Pool			59,690,759	
Treasury Inflation Protected Securities Pool			<u>59,868,564</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>779,946,540</u>	<u>15.19%</u>
<b>Total Invested Assets</b>	<u><u>100.00%</u></u>		<u><u>\$ 5,134,162,803</u></u>	<u><u>100.00%</u></u>

# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

<b>Investments (at Fair Value)</b>	<b>Defined Contribution - Participant Directed</b>		<b>Fair Market Value</b>	<b>% of Total Assets</b>
	<b>Asset Allocation Policy</b>	<b>Range</b>		
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	100%	0%	\$ 7,591,694	
Total Cash and Cash Equivalents			<u>7,591,694</u>	4.22%
<b>Pooled Investment Fund (1)</b>				
T. Rowe Price				
Target 2010 Trust			320,855	
Target 2015 Trust			1,316,956	
Target 2020 Trust			2,351,237	
Target 2025 Trust			3,095,629	
Target 2030 Trust			3,236,734	
Target 2035 Trust			3,378,046	
Target 2040 Trust			5,330,721	
Target 2045 Trust			5,223,023	
Target 2050 Trust			6,023,475	
Target 2055 Trust			1,719,235	
Alaska Balanced Fund			331,567	
Long-Term Balanced Fund			11,910,847	
Alaska Money Market			<u>3,922,731</u>	
Total Pooled Investment Funds			<u>48,161,056</u>	26.74%
<b>Collective Investment Funds (1)</b>				
State Street Global Advisors				
Money Market Fund			316,496	
S&P Stock Index Fund			32,611,071	
Russell 3000 Index			282,644	
Real Estate Investment Trust Index			456,794	
World Equity Ex-U.S. Index			302,079	
Long U.S. Treasury Bond Index			148,066	
Treasury Inflation Protected Securities Index			237,298	
World Government Bond Ex-U.S. Index			164,156	
Global Balanced Fund			2,595,071	
Barclays				
Daily Government/Corporate Bond Fund			9,371,117	
Intermediate Bond Fund			232,523	
Brandes Institutional				
International Equity Fund			43,725,828	
RCM				
Socially Responsible Fund			2,213,299	
T. Rowe Price				
Small-Cap Fund			<u>31,700,252</u>	
Total Collective Investment Funds			<u>124,356,694</u>	69.04%
<b>Total Invested Assets</b>			<u><b>\$180,109,444</b></u>	<u><b>100.00%</b></u>

(1) Pooled Investment Funds and Collective Investment Funds are participant directed and therefore are not subject to an asset allocation

# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation		Fair Market Value	% of Total Assets
	Policy	Range		
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool			\$ 1,065,571	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>1,065,571</u>	1.98%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			-	
U.S. Treasury Fixed Income Pool			6,805,969	
High Yield Pool			1,043,109	
International Fixed Income Pool			1,063,615	
Emerging Debt Pool			<u>1,046,705</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>9,959,398</u>	18.46%
<b>Broad Domestic Equity</b>				
Large Cap Pool			13,829,080	
Small Cap Pool			1,627,189	
Convertible Bond Pool			<u>191,153</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>15,647,422</u>	29.01%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			8,748,951	
International Equity Small Cap Pool			1,089,753	
Emerging Markets Equity Pool			<u>2,583,946</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>12,422,650</u>	23.03%
<b>Private Equity</b>				
Private Equity Pool			<u>3,690,545</u>	
Total Private Equity	7.00%	2-12%	<u>3,690,545</u>	6.84%
<b>Absolute Return</b>				
Absolute Return Pool			<u>2,624,018</u>	
Total Absolute Return	5.00%	1-9%	<u>2,624,018</u>	4.87%
<b>Real Assets</b>				
Real Estate Pool			5,172,579	
Real Estate Investment Trust Pool			161,522	
Energy Pool			158,201	
Farmland Pool			837,370	
Farmland Water Pool			-	
Timber Pool			520,222	
Treasury Inflation Protected Securities Pool			<u>1,676,039</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>8,525,933</u>	<u>15.81%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 53,935,537</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Occupational Death & Disability

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market Value</u>	<u>% of Total Assets</u>
	<u>Policy</u>	<u>Range</u>		
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool			\$ 139,621	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>139,621</u>	1.94%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			-	
U.S. Treasury Fixed Income Pool			910,117	
High Yield Pool			139,378	
International Fixed Income Pool			142,124	
Emerging Debt Pool			<u>139,857</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>1,331,476</u>	18.48%
<b>Broad Domestic Equity</b>				
Large Cap Pool			1,843,796	
Small Cap Pool			217,464	
Convertible Bond Pool			<u>29,019</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>2,090,279</u>	29.02%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			1,169,293	
International Equity Small Cap Pool			145,671	
Emerging Markets Equity Pool			<u>345,258</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,660,222</u>	23.04%
<b>Private Equity</b>				
Private Equity Pool			<u>493,095</u>	
Total Private Equity	7.00%	2-12%	<u>493,095</u>	6.84%
<b>Absolute Return</b>				
Absolute Return Pool			<u>350,619</u>	
Total Absolute Return	5.00%	1-9%	<u>350,619</u>	4.87%
<b>Real Assets</b>				
Real Estate Pool			691,129	
Real Estate Investment Trust Pool			21,587	
Energy Pool			21,138	
Farmland Pool			111,883	
Farmland Water Pool			-	
Timber Pool			69,504	
Treasury Inflation Protected Securities Pool			<u>223,944</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,139,185</u>	<u>15.81%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 7,204,497</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Public Employees' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Retiree Medical Plan

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u> <u>Policy</u>	<u>Range</u>	<u>Fair</u> <u>Market Value</u>	<u>% of</u> <u>Total</u> <u>Assets</u>
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool			\$ 212,415	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>212,415</u>	1.73%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			-	
U.S. Treasury Fixed Income Pool			1,555,610	
High Yield Pool			238,425	
International Fixed Income Pool			243,128	
Emerging Debt Pool			<u>239,246</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>2,276,409</u>	18.51%
<b>Broad Domestic Equity</b>				
Large Cap Pool			3,154,224	
Small Cap Pool			372,047	
Convertible Bond Pool			<u>50,701</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>3,576,972</u>	29.08%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			2,000,517	
International Equity Small Cap Pool			249,248	
Emerging Markets Equity Pool			<u>590,613</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>2,840,378</u>	23.09%
<b>Private Equity</b>				
Private Equity Pool			<u>843,503</u>	
Total Private Equity	7.00%	2-12%	<u>843,503</u>	6.86%
<b>Absolute Return</b>				
Absolute Return Pool			<u>599,820</u>	
Total Absolute Return	5.00%	1-9%	<u>599,820</u>	4.88%
<b>Real Assets</b>				
Real Estate Pool			1,182,251	
Real Estate Investment Trust Pool			36,931	
Energy Pool			36,160	
Farmland Pool			191,391	
Farmland Water Pool			-	
Timber Pool			118,892	
Treasury Inflation Protected Securities Pool			<u>383,089</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,948,714</u>	<u>15.85%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$12,298,211</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

**Public Employees' Retirement System  
Recaptured Commission Fees  
Year Ended June 30, 2011**

<b>Fund</b>	<b>Domestic Equity</b>	<b>International Equity</b>	<b>Total</b>
Defined Benefit - Pension	\$ 147,951	\$ 56,610	\$ 204,561
Defined Benefit - Retiree Healthcare Trust	116,489	44,097	160,586
Defined Contribution - Health Reimbursement Arrangement	1,130	382	1,512
Defined Contribution - Occupational Death & Disability - Police/Firefighter	41	14	55
Defined Contribution - Occupational Death & Disability - All Others	116	39	155
Defined Contribution - Retiree Medical Plan	<u>279</u>	<u>94</u>	<u>373</u>
<b>Total Recaptured Commission Fees</b>	<b><u>\$ 266,006</u></b>	<b><u>\$ 101,236</u></b>	<b><u>\$ 367,242</u></b>

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets (SSGM) is: 90% of the commissions received in excess of executing the brokers' execution-only rates; 100% of commissions in excess of its execution-only rates for all trading directed through SSGM.