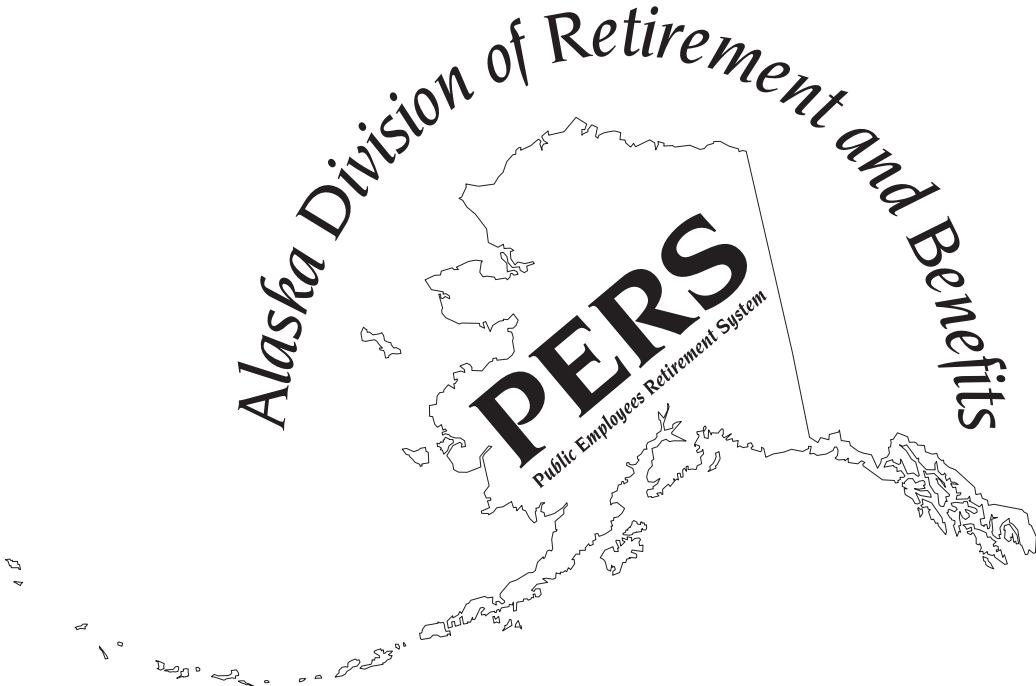




INVESTMENT SECTION

INVESTMENT SECTION



Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

August 31, 2012

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, 2012.

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 2012 was a mixed period for major investment categories. The Russell 3000 Index, a measure of the broad U.S. equity market, gained a modest 3.84% for the fiscal year. International stocks, as measured by the MSCI-ACWI ex-U.S. Index, fell 14.15%. A broad measure of the total global equity market (MSCI All Country World Index) declined 5.96%. In fiscal year 2012, the Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, achieved an overall return of 7.47%. Absolute Return Strategies such as hedge fund-of-funds posted slightly negative returns during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return had a negative return (net-of-fees) of 1.06%. Private real estate investments continued to advance but at a slower rate than in fiscal 2011. The NCREIF Property Index posted a

INVESTMENT SECTION

very attractive 12.04% return for the fiscal 2012. Publicly traded real estate, as measured by the NAREIT Index, increased 12.48%.

For the fiscal year, the Public Employees Retirement System (PERS) had a slightly positive time-weighted total return of 0.46% and the Teachers Retirement System (TRS) had a time-weighted total return of 0.51%. Both Systems slightly trailed their strategic policy benchmark target return of 1.02% and the 1.16% median return for Callan's Public Fund database. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 3-year annualized return was 10.68% while TRS's return was slightly higher at 10.82%. These returns were close to but slightly below their target of 10.93%. Over the longest period for which Callan has detailed data (20 $\frac{3}{4}$ years), PERS and TRS have achieved annualized total returns of 7.36% and 7.41%, respectively, while the policy benchmark return for the same span was 7.40%.

Despite the low returns across most asset categories, differences in performance within asset categories were significant. For example, Treasury bonds (as measured by the Barclays Intermediate Treasury Index) had a positive return of 5.40% while the Barclay Government Long Index had a huge 31.42% total return. Non-U.S. Government Bonds, as measured by the Non-U.S. World Gov't Bond Index, returned 0.44%. Similarly the spread in equity returns was wide. Small cap stocks, as measured by the Russell 2000 Stock Index declined 2.08% while the S&P 500 enjoyed a total return of 5.45%.

In terms of absolute returns, results for ARMB's various asset groupings were:

Real Assets	10.36%
Private Equity	9.44%
Fixed Income	4.91%
Domestic stocks	1.81%
Absolute Return	-1.28% * (adjusted to reflect Fiscal Year period)
Int'l Stocks	-13.67%

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 4.5% or better. The current low level of interest rates combined with slow economic growth and uncertainty in the lengthy global deleveraging process, in our opinion, contribute to investor uncertainty that was apparent throughout the fiscal year.

In summary, fiscal 2012 was a volatile year for most major asset categories but one where there were only small returns for balanced investment portfolios.

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

Casey Colton

Stephen R. Sikes

Nicholas Orr

Deputy Commissioner

Angela Rodell

Comptroller

Pamela Leary, CPA

Zachary Hanna

Victor Djajalie

Steve Verschoor

Joy Wilkinson

Shane Carson

Alyson Campbell

Cash Management

Michelle M. Prebula, MBA,

CPA, CCM

Sean Howard

Emily Peyton

Paul Hackenmueller

ARMB Liaison Officer

Judy Hall

External Money Managers and Consultants

Investment Consultants

Callan Associates, Inc.

Denver, CO

The Townsend Group

San Francisco, CA

Investment Advisory Council

William Jennings

Colorado Springs, CO

Jerrold Mitchell

Wayland, MA

George Wilson

Boston, MA

Absolute Return

Crestline Investors, Inc.

Fort Worth, TX

Global Assets Management Inc.

Los Angeles, CA

Prisma Capital Partners

New York, NY

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

Relational Investors LLC

San Diego, CA

Quantitative Management Associates

Newark, NJ

Domestic Equity Small Capitalization

Jennison Associates LLC

New York, NY

Lord Abbett & Co.

Jersey City, NJ

Luther King Capital Management

Fort Worth, TX

Frontier Capital Management

Boston, MA

Victory Capital Management

St. Louis, MO

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

Emerging Markets

Capital Guardian Trust Co.

Los Angeles, CA

Eaton Vance Management

Boston, MA

Global Equity

Lazard Freres Asset Management

New York, NY

High Yield

MacKay Shields LLC

New York, NY

Advent Capital Management

New York, NY

INVESTMENT SECTION

External Money Managers and Consultants (cont.)

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 Assets – Farmland

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

Real Assets – Commingled Funds

Almanac Realty Investors
Alpharetta, GA
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
Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Silverpeake Real Estate Partners
New York, NY
Lowe 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 Assets – 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 Assets – Timber

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

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution 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

INVESTMENT SECTION

Public Employees' Retirement System Investment Report

INVESTMENTS

The investment goals of the State of Alaska Public Employees' Retirement System (PERS) 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 seven asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity, absolute return and cash equivalents. 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 Equity	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Ex-U.S. Index
Fixed Income	80% Barclays Intermediate Treasury Index, 10% Merrill Lynch High Yield II Constrained Index, 7% Citigroup World Gov. Bond Ex-U.S. Index, 3% JP Morgan Global Bond Index - Emerging Markets Broad Diversified Index
Real Assets	60% NCREIF Property Index, 20% Barclays TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index
Private Equity	1/3 S&P 500 Index, 1/3 Russell 2000 Index, 1/3 MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%
Cash Equivalents	91 Day Treasury Bill

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2012 fiscal year, ARMB's target asset allocation was 27% domestic equities, 23% global equities ex-U.S., 18% fixed income, 16% real assets, 8% private equity, 6% absolute return, and 2% cash equivalents. The target asset allocation was expected to generate a return of 7.45% with a standard deviation of returns of 13.82%.

INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30

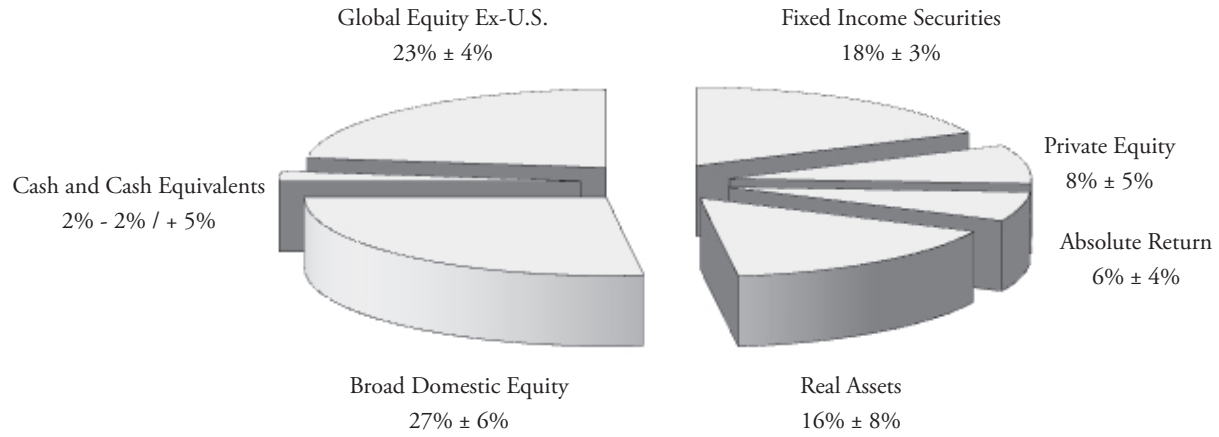
	2008	2009	2010	2011	2012	Annualized	
						3 Year	5 Year
Total Fund							
PERS	(3.06%)	(20.49%)	11.39%	21.22%	0.46%	10.68%	0.86%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.25	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	(13.53)	(26.72)	15.45	33.37	1.80	16.16	(0.14)
<i>Custom Composite Index</i>	-	(26.56)	15.72	32.37	3.84	16.73	0.16
<i>S&P 500/Russell 2000 Composite</i>	(13.68)	-	-	-	-	-	-
International Stock Returns							
PERS International Equities	(7.58)	(29.11)	12.05	28.27	(13.67)	7.45	(4.06)
<i>Morgan Stanley Capital International ACWI ex-US</i>	-	(30.54)	10.87	30.27	(14.15)	7.43	(4.70)
<i>Morgan Stanley Capital International EAFE</i>	(10.61)	-	-	-	-	-	-
Fixed Income							
PERS	-	3.39	11.19	5.46	4.90	7.15	6.27
<i>Custom Composite Index</i>	-	5.41	10.16	5.06	5.08	6.74	6.59
Private Equity							
PERS	-	(23.67)	18.86	20.14	9.44	16.05	6.19
<i>Custom Composite Index</i>	-	(27.19)	13.87	32.93	(3.61)	13.42	(1.63)
Absolute Return							
PERS	-	(12.51)	6.59	5.98	(2.05)	3.43	(0.35)
<i>3-month Treasury Bill + 5%</i>	-	5.95	5.16	5.16	5.06	5.12	5.93
Real Assets							
PERS	-	(21.02)	(0.28)	15.25	10.46	8.20	0.93
<i>Custom Composite Index</i>	-	(10.82)	1.17	12.66	11.41	8.29	3.88
Domestic Fixed-Income							
PERS	6.58	-	-	-	-	-	-
<i>Lehman Brothers Aggregate Index</i>	7.12	-	-	-	-	-	-
International Fixed-Income							
PERS	18.96	-	-	-	-	-	-
<i>Citigroup Non-U.S. Government</i>	18.72	-	-	-	-	-	-
Real Estate Equity							
PERS	5.71	-	-	-	-	-	-
<i>NCREIF</i>	6.82	-	-	-	-	-	-
Cash Equivalents							
PERS	-	-	-	0.47	0.44	-	-
<i>3-month Treasury Bill</i>	-	-	-	0.16	0.06	-	-

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.

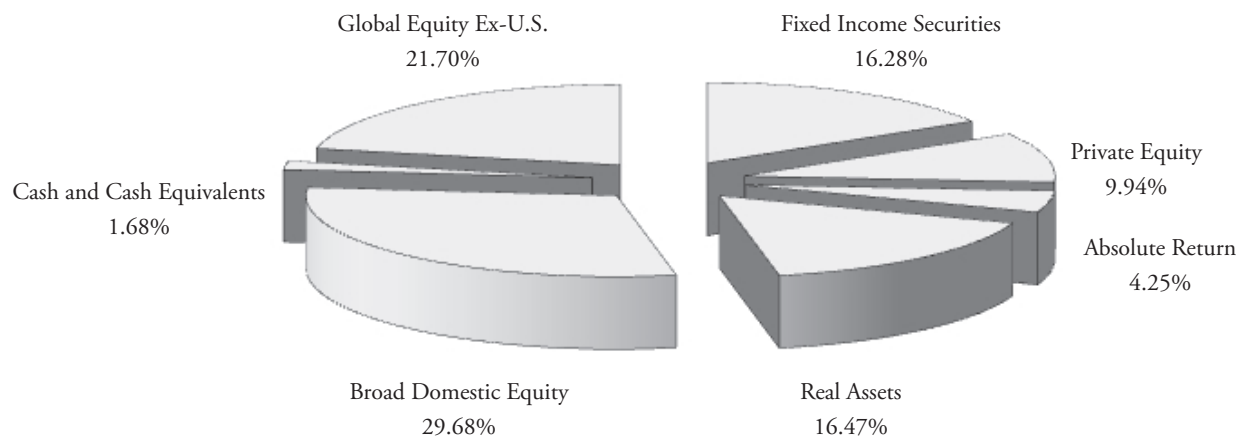
INVESTMENT SECTION

**Public Employees' Retirement System
Asset Allocation
June 30, 2012**

Policy



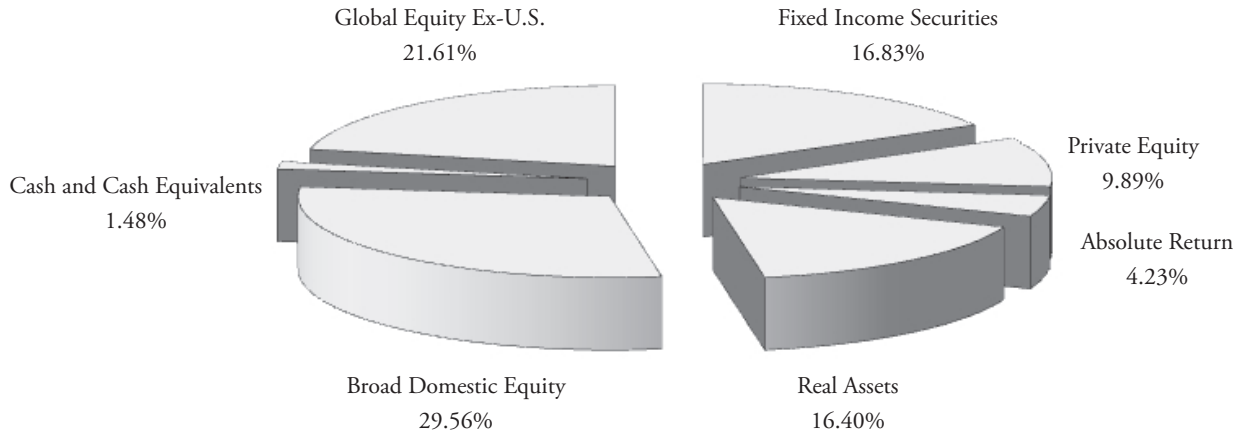
Actual — Defined Benefit Pension



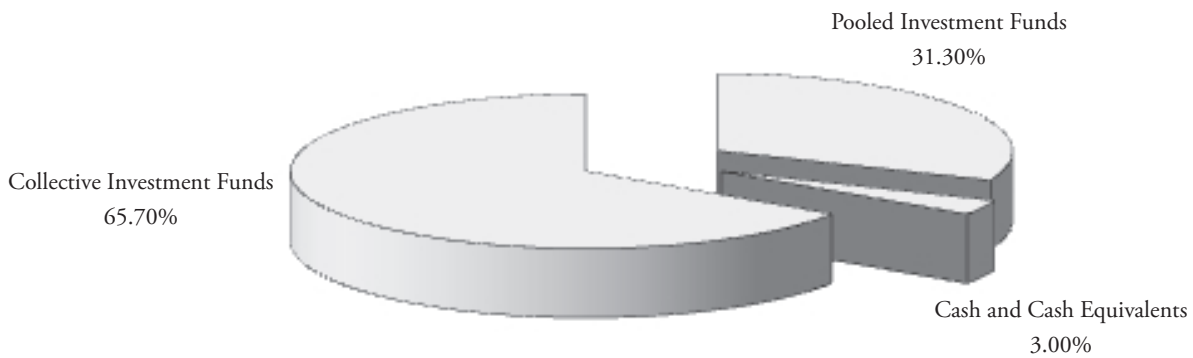
INVESTMENT SECTION

Public Employees' Retirement System Asset Allocation June 30, 2012

Actual — Defined Benefit Alaska Retiree Healthcare Trust



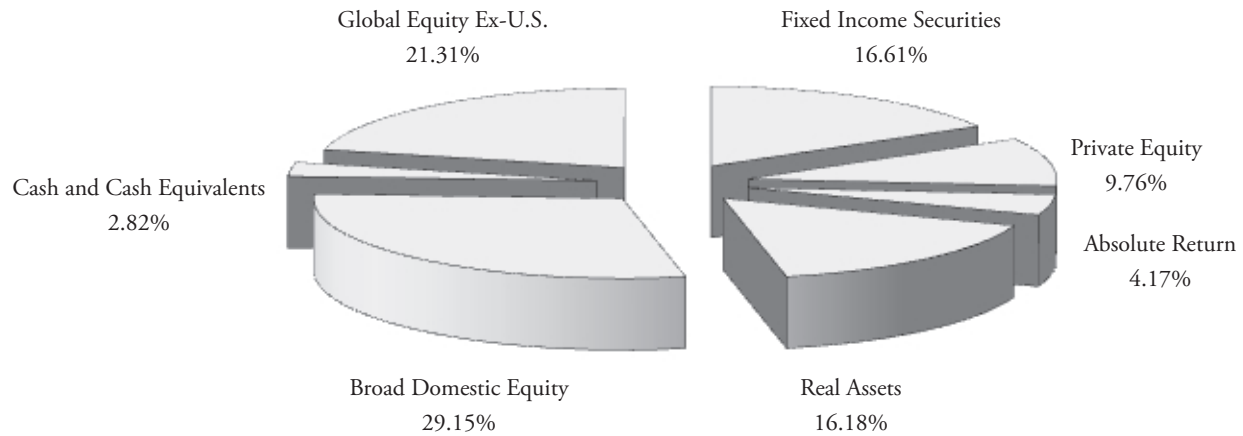
Actual — Defined Contribution Participant Directed



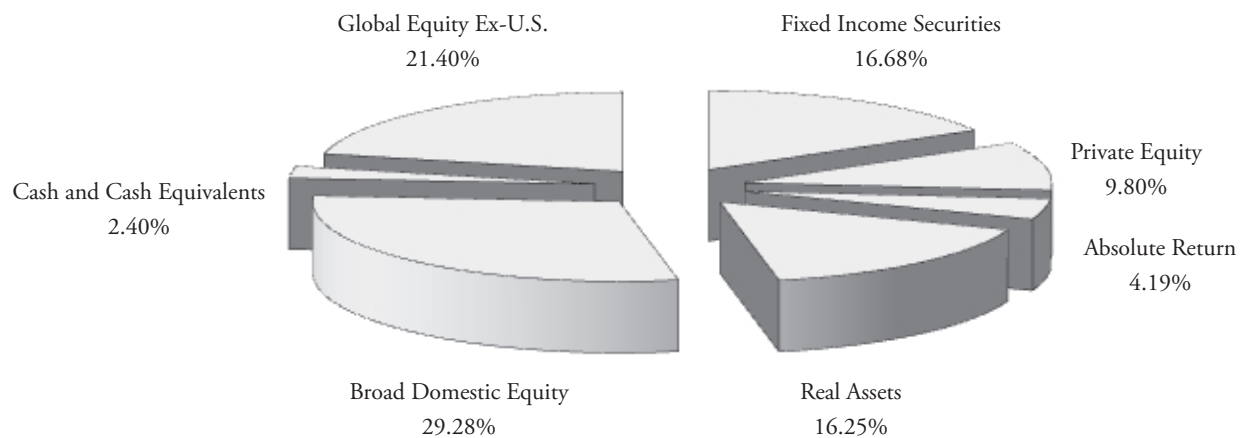
INVESTMENT SECTION

Public Employees' Retirement System Asset Allocation June 30, 2012

Actual — Defined Contribution Health Reimbursement Arrangement



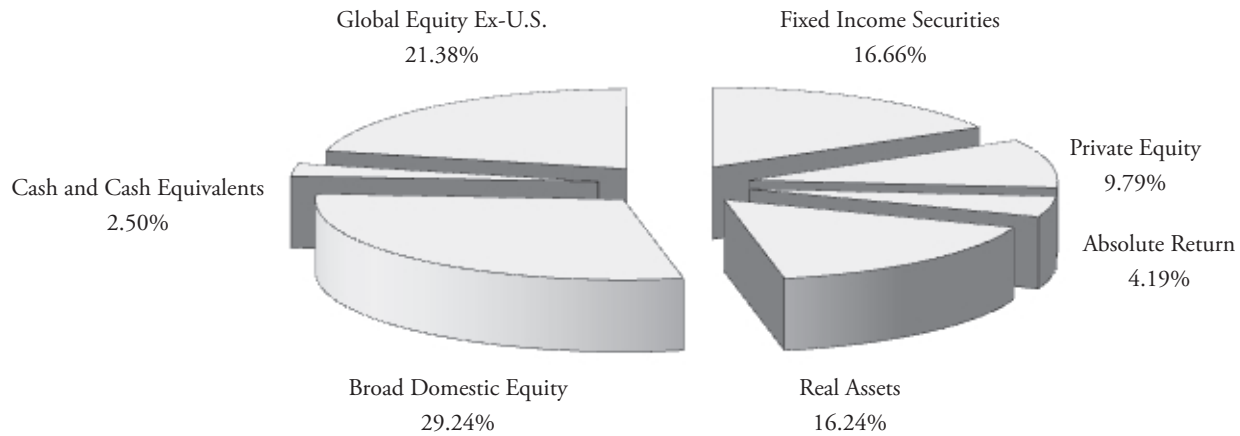
Actual — Defined Contribution Occupational Death & Disability



INVESTMENT SECTION

**Public Employees' Retirement System
Asset Allocation
June 30, 2012**

Actual — Defined Contribution Retiree Medical Plan



INVESTMENT SECTION

Alaska Retirement Management Board Top Ten Holdings by Asset Type June 30, 2012

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 twenty-two 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 fixed income and equity holdings.

Fixed Income

<u>Rank</u>	<u>Largest Fixed Income Holdings</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 2.625% 02/29/2016	\$203,140,821	\$188,762,410
2	US Treasury .875% 12/31/2016	96,292,742	95,435,351
3	US Treasury .75% 09/15/2013	87,424,289	86,931,907
4	US Treasury 1.00% 06/30/2019	87,200,363	87,845,500
5	US Treasury 4.00% 02/15/2015	74,784,129	68,378,937
6	US Treasury .375% 06/15/2015	57,555,357	57,604,862
7	US Treasury 1.75% 05/15/2022	56,394,527	55,940,014
8	US Treasury .375% 07/31/2013	53,373,423	53,308,866
9	US Treasury 1.875% 02/28/2014	46,851,983	45,679,660
10	US Treasury 2.625% 08/15/2020	38,508,821	34,990,620

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc.	\$108,265,553
2	Exxon Mobil Corp.	68,327,434
3	Microsoft Corp.	46,405,362
4	Chevron Corp.	43,339,770
5	Pfizer Inc.	40,235,834
6	General Electric Co.	37,321,083
7	International Business Machines Corp.	34,009,701
8	Google Inc.	33,987,833
9	AT&T Inc.	31,295,414
10	Wells Fargo & Co.	30,995,755

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 Investment Management Fees Year Ended June 30, 2012

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	\$ 262,998,057	\$ 1,012,234
High Yield Pool		
* Mackay Shields, LLC	309,903,327	1,316,789
Total High Yield	309,903,327	1,316,789
Domestic Equity Pools		
** Relational Investors	169,655,760	1,728,542
* Advent Capital	79,855,194	463,390
* Barrow, Hanley, Mewhinney & Strauss, INC	171,633,042	857,443
* Jennison Associates LLC	88,757,316	698,735
* Lazard Asset Management	209,434,775	616,213
* Lord Abbett & Co.	142,782,326	1,165,411
* Luther King Cap. Management	90,874,507	469,924
* Victory Capital Management	50,854,464	60,054
* Frontier Capital Management	79,571,782	425,326
* McKinley Capital	229,253,967	785,397
* Quantitative Management Associates	100,308,080	350,113
* SSgA Russell 1000 Growth	538,931,470	73,267
* SSgA Russell 1000 Value	666,185,421	90,841
* SSgA Russell 2000 Growth	8,030,319	10,866
* SSgA Russell 2000 Value	8,506,704	19,754
* SSgA Russell 200	276,934,578	36,938
* SSgA Futures Large Cap	6,266,579	9,938
* SSgA Future Small Cap	4,456,089	7,474
* DePrince, Race & Zollo Inc.-Micro Cap	51,294,612	575,503
* Analytic Buy Write Account	78,971,187	123,296
* RCM Buy Write Account	69,809,535	337,738
* RCM	244,752,192	733,182
Total Domestic Equities	3,367,119,899	9,639,345
Private Equity Pool		
** BlumCapital Partners-Strategic	11,131,839	218,435
** Warburg Pincus X	20,474,160	315,185
** Angelo Gordon & Co.	17,706,109	305,177
** Onex Partners	7,765,337	285,676
** Lexington Partners	24,888,280	572,519
* Pathway Capital Management	524,711,877	1,782,696
* Abbott Capital Management	517,729,424	1,633,527
** Merit Capital Partners	5,429,552	236,578
Total Private Equities	1,129,836,578	5,349,793
International Equity Pools		
* SSgA	337,948,122	191,959
* Brandes Investment Partners	512,730,199	2,001,232
* Capital Guardian Trust Co.	396,536,917	1,377,365
* McKinley Capital Mgmt.	210,186,103	1,079,106
* Lazard Freres	255,187,503	357,292
* Mondrian Investment Partners	78,292,046	585,092
* Schroder Investment Management	73,363,395	597,908
Total International Equities	1,864,244,285	6,189,954
Absolute Return Pool		
** Mariner Investment Group	100,015,508	1,137,900
** Cadogan Management LLC	65,926	-
** Crestline Investors Inc.	178,706,743	1,393,803
** Global Asset Management	101,636,242	855,326
** Prisma Capital Partners	102,954,893	873,591
Total Absolute Return	483,379,312	4,260,620

(continued)

INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Management Fees (cont.) Year Ended June 30, 2012

	Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	\$ 247,036,118	\$ 1,674,070
** Lazard Freres Asset Managers	220,843,401	-
** Eaton Vance	136,379,599	-
Total Emerging Markets	604,259,118	1,674,070
Real Estate Pool		
** JPM Strategic	117,015,778	736,040
** UBS Consolidated	53,114,293	261,805
** Cornerstone	65,559,565	681,653
** Lasalle	147,346,753	1,052,070
** Sentinel, SA	78,873,044	451,900
** UBS Separate	183,793,726	1,100,409
** Lowe Hospitality	3,814,457	57,827
** ING Clarion	16,327,401	428,344
** Silverpeak Legacy Pension Partners	59,106,600	849,138
** Rothschild Five Arrows	45,861,041	418,246
** Tishman Speyer	61,034,335	772,530
** BlackRock Diamond	16,842,934	40,655
** Colony Investors VIII, L.P.	13,886,089	453,711
** LaSalle Medical Office Fund II	15,649,247	244,288
** Cornerstone Apartment Venture III	21,721,584	263,683
** Coventry	12,410,782	-
Total Real Estate	912,357,629	7,812,299
Timber Pool		
** Timberland INVT Resources	104,343,457	711,853
** Hancock Natural Resource Group	56,490,938	464,548
Total Timber Pool	160,834,395	1,176,401
Farmland Pool		
** Hancock Agriculture Investment Group	167,228,543	1,272,063
** UBS Agrinvest	267,332,240	1,938,881
Total Farmland	434,560,783	3,210,944
Farmland Water Pool		
** Hancock Farmland & Water	4,436,187	35,610
** UBS Agrinvest	10,211,399	81,082
Total Farmland Water Pool	14,647,588	116,692
Energy Pool		
** EIG Energy Fund XV	18,884,961	313,827
** EIG Energy Fund XD	6,967,930	99,262
** EIG Energy Fund XIV-A	55,696,507	723,328
Total Energy Pool	81,549,398	1,136,417
Custodian		
* State Street Bank		661,208
Investment Advisory		
* Townsend Group		70,656
* Callan Associates		74,210
* Investment Advisory Council		20,439
Total Investment Advisory		165,305
Investment Performance		
* Callan Associates		185,532
Total External Management Fees		\$ 43,907,603

*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, 2012**

Investments (at Fair Value)	Defined Benefit - Pension			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 102,740,876	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>102,740,876</u>	1.68%
Fixed Income Securities				
Retirement Fixed Income Pool			7,397,471	
U.S. Treasury Fixed Income Pool			632,841,486	
High Yield Pool			166,358,148	
International Fixed Income Pool			141,181,169	
Emerging Debt Pool			46,553,094	
Total Fixed Income Securities	18.00%	15-21%	<u>994,331,368</u>	16.28%
Broad Domestic Equity				
Large Cap Pool			1,445,640,025	
Small Cap Pool			323,619,433	
Convertible Bond Pool			42,866,819	
Total Broad Domestic Equity	27.00%	21-33%	<u>1,812,126,277</u>	29.68%
Global Equity Ex-U.S.				
International Equity Pool			919,342,703	
International Equity Small Cap Pool			81,410,013	
Emerging Markets Equity Pool			324,373,718	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,325,126,434</u>	21.70%
Private Equity				
Private Equity Pool			606,498,404	
Total Private Equity	8.00%	3-13%	<u>606,498,404</u>	9.94%
Absolute Return				
Absolute Return Pool			259,479,841	
Total Absolute Return	6.00%	2-10%	<u>259,479,841</u>	4.25%
Real Assets				
Real Estate Pool			489,703,250	
Real Estate Investment Trust Pool			70,362,640	
Energy Pool			43,776,025	
Farmland Pool			226,450,842	
Farmland Water Pool			14,647,588	
Timber Pool			86,336,511	
Treasury Inflation Protected Securities Pool			74,366,282	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,005,643,138</u>	<u>16.47%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$6,105,946,338</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2012

Defined Benefit - Alaska Retiree Healthcare Trust

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 76,944,094	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>76,944,094</u>	1.48%
Fixed Income Securities				
Retirement Fixed Income Pool			6,265,589	
U.S. Treasury Fixed Income Pool			568,205,540	
High Yield Pool			140,902,759	
International Fixed Income Pool			119,575,060	
Emerging Debt Pool			<u>39,430,109</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>874,379,057</u>	16.83%
Broad Domestic Equity				
Large Cap Pool			1,224,406,382	
Small Cap Pool			274,096,861	
Convertible Bond Pool			<u>36,307,488</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>1,534,810,731</u>	29.56%
Global Equity Ex-U.S.				
International Equity Pool			778,647,984	
International Equity Small Cap Pool			68,952,447	
Emerging Markets Equity Pool			<u>274,734,232</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,122,334,663</u>	21.61%
Private Equity				
Private Equity Pool			<u>513,702,885</u>	
Total Private Equity	8.00%	3-13%	<u>513,702,885</u>	9.89%
Absolute Return				
Absolute Return Pool			<u>219,777,476</u>	
Total Absolute Return	6.00%	2-10%	<u>219,777,476</u>	4.23%
Real Assets				
Real Estate Pool			414,873,380	
Real Estate Investment Trust Pool			59,594,182	
Energy Pool			37,077,964	
Farmland Pool			204,278,130	
Farmland Water Pool			-	
Timber Pool			73,126,377	
Treasury Inflation Protected Securities Pool			<u>62,986,338</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>851,936,371</u>	<u>16.40%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$5,193,885,277</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Participant Directed				
Investments (at Fair Value)	Asset Allocation Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 7,114,878	
Total Cash and Cash Equivalents			<u>7,114,878</u>	3.00%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			672,631	
Target 2015 Trust			2,610,573	
Target 2020 Trust			4,785,493	
Target 2025 Trust			6,459,965	
Target 2030 Trust			6,654,930	
Target 2035 Trust			7,109,051	
Target 2040 Trust			10,141,628	
Target 2045 Trust			11,034,514	
Target 2050 Trust			12,303,582	
Target 2055 Trust			4,394,838	
Alaska Balanced Fund			575,069	
Long-Term Balanced Fund			4,659,472	
Alaska Money Market			2,766,557	
Total Pooled Investment Funds			<u>74,168,303</u>	31.30%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			596,032	
S&P Stock Index Fund			28,638,427	
Russell 3000 Index			3,606,653	
Real Estate Investment Trust Index			4,077,406	
World Equity Ex-U.S. Index			8,151,570	
Long U.S. Treasury Bond Index			633,380	
Treasury Inflation Protected Securities Index			952,788	
World Government Bond Ex-U.S. Index			1,445,594	
Global Balanced Fund			5,580,145	
Barclays				
Daily Government/Corporate Bond Fund			9,751,044	
Intermediate Bond Fund			366,518	
Brandes Institutional				
International Equity Fund			43,187,408	
Capital Guardian				
Global Balanced Fund				
RCM				
Socially Responsible Fund			11,788,271	
T. Rowe Price				
Small-Cap Fund			36,907,206	
Total Collective Investment Funds			<u>155,682,442</u>	65.70%
Total Invested Assets			<u>\$ 236,965,623</u>	<u>100.00%</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, 2012

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 2,100,841	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>2,100,841</u>	2.82%
Fixed Income Securities				
Retirement Fixed Income Pool			88,576	
U.S. Treasury Fixed Income Pool			8,031,381	
High Yield Pool			1,991,746	
International Fixed Income Pool			1,689,756	
Emerging Debt Pool			<u>557,425</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>12,358,884</u>	16.61%
Broad Domestic Equity				
Large Cap Pool			17,303,230	
Small Cap Pool			3,873,928	
Convertible Bond Pool			<u>513,223</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>21,690,381</u>	29.15%
Global Equity Ex-U.S.				
International Equity Pool			11,003,212	
International Equity Small Cap Pool			974,588	
Emerging Markets Equity Pool			<u>3,882,665</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>15,860,465</u>	21.31%
Private Equity				
Private Equity Pool			<u>7,262,781</u>	
Total Private Equity	8.00%	3-13%	<u>7,262,781</u>	9.76%
Absolute Return				
Absolute Return Pool			<u>3,107,015</u>	
Total Absolute Return	6.00%	2-10%	<u>3,107,015</u>	4.17%
Real Assets				
Real Estate Pool			5,865,039	
Real Estate Investment Trust Pool			842,108	
Energy Pool			524,174	
Farmland Pool			2,888,316	
Farmland Water Pool			-	
Timber Pool			1,033,795	
Treasury Inflation Protected Securities Pool			<u>890,234</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>12,043,666</u>	<u>16.18%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 74,424,033</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Occupational Death & Disability				
Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 213,387	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>213,387</u>	2.40%
Fixed Income Securities				
Retirement Fixed Income Pool			10,621	
U.S. Treasury Fixed Income Pool			963,117	
High Yield Pool			238,843	
International Fixed Income Pool			202,649	
Emerging Debt Pool			66,842	
Total Fixed Income Securities	18.00%	15-21%	<u>1,482,072</u>	16.68%
Broad Domestic Equity				
Large Cap Pool			2,075,121	
Small Cap Pool			464,572	
Convertible Bond Pool			61,545	
Total Broad Domestic Equity	27.00%	21-33%	<u>2,601,238</u>	29.28%
Global Equity Ex-U.S.				
International Equity Pool			1,319,606	
International Equity Small Cap Pool			116,872	
Emerging Markets Equity Pool			465,632	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,902,110</u>	21.40%
Private Equity				
Private Equity Pool			870,871	
Total Private Equity	8.00%	3-13%	<u>870,871</u>	9.80%
Absolute Return				
Absolute Return Pool			372,567	
Total Absolute Return	6.00%	2-10%	<u>372,567</u>	4.19%
Real Assets				
Real Estate Pool			703,289	
Real Estate Investment Trust Pool			100,995	
Energy Pool			62,856	
Farmland Pool			346,326	
Farmland Water Pool			-	
Timber Pool			123,962	
Treasury Inflation Protected Securities Pool			106,757	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,444,185</u>	<u>16.25%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 8,886,430</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Retiree Medical Plan

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 383,278	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>383,278</u>	2.50%
Fixed Income Securities				
Retirement Fixed Income Pool			18,315	
U.S. Treasury Fixed Income Pool			1,660,680	
High Yield Pool			411,831	
International Fixed Income Pool			349,422	
Emerging Debt Pool			<u>115,254</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>2,555,502</u>	16.66%
Broad Domestic Equity				
Large Cap Pool			3,578,050	
Small Cap Pool			801,046	
Convertible Bond Pool			<u>106,119</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>4,485,215</u>	29.24%
Global Equity Ex-U.S.				
International Equity Pool			2,275,339	
International Equity Small Cap Pool			201,521	
Emerging Markets Equity Pool			<u>802,870</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>3,279,730</u>	21.38%
Private Equity				
Private Equity Pool			<u>1,501,637</u>	
Total Private Equity	8.00%	3-13%	<u>1,501,637</u>	9.79%
Absolute Return				
Absolute Return Pool			<u>642,413</u>	
Total Absolute Return	6.00%	2-10%	<u>642,413</u>	4.19%
Real Assets				
Real Estate Pool			1,212,673	
Real Estate Investment Trust Pool			174,140	
Energy Pool			108,379	
Farmland Pool			597,168	
Farmland Water Pool			-	
Timber Pool			213,750	
Treasury Inflation Protected Securities Pool			<u>184,080</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>2,490,190</u>	<u>16.24%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 15,337,965</u>	<u>100.00%</u>

INVESTMENT SECTION

**Public Employees' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2012**

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$ 132,491	\$ 78,183	\$ 210,674
Defined Benefit Plan - Alaska Retiree Healthcare Trust	110,541	64,992	175,533
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	1,392	821	2,213
Defined Contribution Retirement Plan - Occupational Death & Disability - Peace Officer/Firefighter	48	29	77
Defined Contribution Retirement Plan - Occupational Death & Disability - All Others	126	76	202
Defined Contribution Retirement Plan - Retiree Medical Plan	299	179	478
Total Recaptured Commission Fees	<u>\$ 244,897</u>	<u>\$ 144,280</u>	<u>\$ 389,177</u>

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.