



INVESTMENT SECTION

Alaska Division of Retirement and Benefits



Callan

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August 30, 2013

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, 2013.

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.

Major equity markets enjoyed a strong fiscal year 2013, both internationally and domestically. The Russell 3000 Index, a measure of the broad U.S. equity market, jumped 21.46%. International stocks, as measured by the MSCI ACWI ex-U.S. Index, gained 14.14% for the fiscal year. A broad measure of the total global equity market (MSCI All Country World Index) rose 17.21%. Fixed income struggled during fiscal year 2013. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, declined 0.69%. Absolute return strategies, such as hedge fund-of-funds, posted respectable gains during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return was 9.52% (net-of-fee). Private real estate investments continued to advance, returning 10.72% (NCREIF Property Index) for fiscal 2013. Publicly traded real estate, as measured by the FTSE NAREIT Equity Index, increased 9.42%.

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For the fiscal year, the Public Employees' Retirement System (PERS) had a time-weighted total return of 12.50% and the Teachers' Retirement System (TRS) had a time-weighted total return of 12.59%. Both Systems outperformed their strategic policy benchmark target return of 12.27% and the 11.99% 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' 10-year annualized return was 6.94% while TRS's return was slightly higher at 6.99%. These returns were close to but slightly below their target of 7.03%. Over the longest period for which Callan has detailed data (21-¾ years), PERS and TRS have achieved annualized total returns of 7.59% and 7.65%, respectively, while the policy benchmark return for the same span was 7.62%.

For fiscal year 2013 there were significant differences in performance between asset categories. For example, domestic equities (as measured by the Russell 3000 Index) had a return of 21.46% while fixed income (Barclays Aggregate Bond Index) actually fell, losing 0.69%. Non-U.S. Government Bonds, as measured by the Citi Non-U.S. World Gov't Bond Index, declined 5.72%. Similarly, the spread in international equity returns was wide. Developed equities (MSCI EAFE Index) gained 18.62% for the fiscal year but equities in emerging markets (MSCI Emerging Markets Index) only rose 3.23%.

ARMB's various asset group returns were all positive, as shown below:

Domestic Stocks	21.23%
Int'l Stocks	15.01%
Private Equity	11.61%
Real Assets	10.48%
Absolute Return	8.41% * (adjusted to reflect Fiscal Year period)
Fixed Income	0.57%

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.

In summary, fiscal 2013 was a good year for most major asset categories allowing balanced investment portfolios to perform well.

Sincerely,



Michael J. O'Leary, CFA
Executive Vice President

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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

Zachary Hanna

Victor Djajalie

Steve Verschoor

Joy Wilkinson

Shane Carson

Alyson Campbell

Sean Howard

Emily Peyton

Paul Hackenmueller

Cash Management

Michelle M. Prebula, MBA,

CPA, CCM

ARMB Liaison Officer

Judy Hall

Deputy Commissioner

Angela Rodell

Comptroller

Pamela Leary, CPA

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/Convertible Bond

MacKay Shields LLC

New York, NY

Advent Capital Management

New York, NY

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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

Master Limited Partnerships

FAMCO MLP
St. Louis, MO
Tortoise Capital Advisors LLC
Leawood, KS

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 – 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 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, LLP
Anchorage, AK

Legal Counsel

Robert Johnson
Anchorage, AK

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Public Employees' Retirement System Investment Report

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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	55% NCREIF Property Index 20% Barclays TIPS Index 10% NCREIF Farmland Index 10% NCREIF Timberland Index 5% FTSE NAREIT All Equity REIT 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 2013 fiscal year, the ARMB's target asset allocation was 27% domestic equities, 23% global equities ex-U.S., 16% real assets, 14% fixed income, 8% private equity, 6% absolute return, and 6% cash equivalents. The target asset allocation is expected to generate a return of 7.11% with a standard deviation of 14.20%.

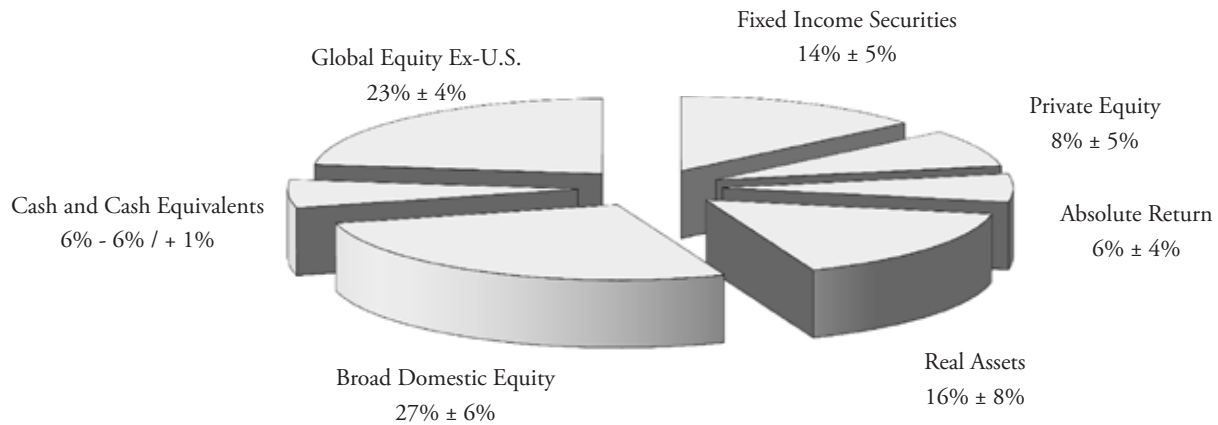
INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2009	2010	2011	2012	2013	Annualized	
						3 Year	5 Year
Total Fund							
PERS	(20.49%)	11.39%	21.22%	0.46%	12.50%	11.05%	3.92%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	(26.72)	15.45	33.37	1.80	21.23	18.07	6.85
<i>Custom Composite Index</i>	(26.56)	15.72	32.37	3.84	21.46	18.63	7.25
International Stock Returns							
PERS International Equities	(29.11)	12.05	28.27	(13.67)	15.01	8.39	0.23
<i>Morgan Stanley Capital International ACWI ex-US</i>	(30.54)	10.87	30.27	(14.15)	14.14	8.48	(0.34)
Fixed Income							
PERS	3.39	11.19	5.46	4.90	0.57	3.62	5.04
<i>Custom Composite Index</i>	5.41	10.16	5.06	5.08	(0.04)	3.34	5.09
Private Equity							
PERS	(23.67)	18.86	20.14	9.44	11.61	13.64	5.89
<i>Custom Composite Index</i>	(27.19)	13.87	32.93	(3.61)	21.24	15.81	5.19
Absolute Return							
PERS	(12.51)	6.59	5.98	(2.05)	8.41	4.02	0.97
<i>3-month Treasury Bill +5%</i>	5.95	5.16	5.16	5.06	5.11	5.11	5.29
Real Assets							
PERS	(21.02)	(0.28)	15.25	10.46	10.47	11.95	1.94
<i>Custom Composite Index</i>	(10.82)	1.17	12.66	11.41	8.35	10.79	4.18
Cash Equivalents							
PERS	-	-	0.47	0.44	0.25	0.39	-
<i>3-month Treasury Bill</i>	-	-	0.16	0.06	0.11	0.11	-
ACWI = All Country World Index Returns for periods longer than one year are reported on an annualized basis. Basis of calculation: Time-Weighted rate of return based on the market rate of return.							

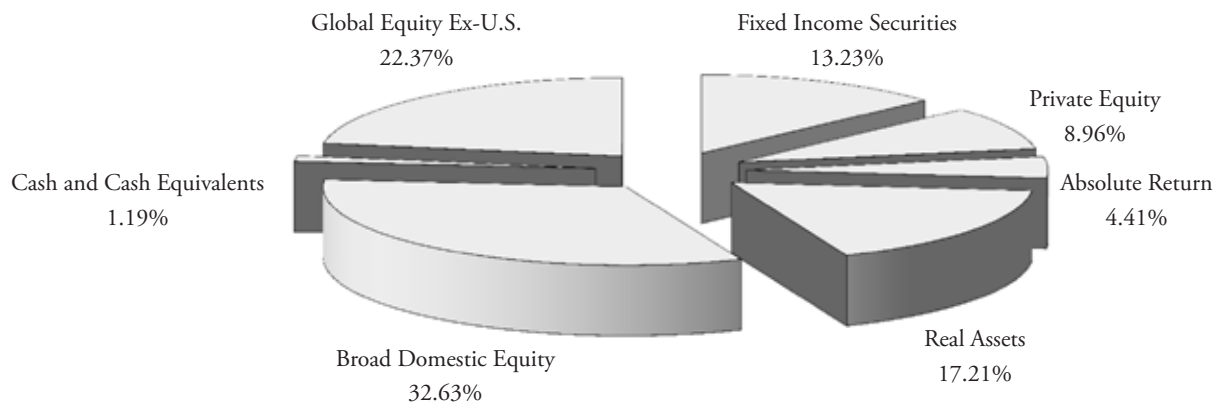
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Public Employees' Retirement System Asset Allocation June 30, 2013

Policy



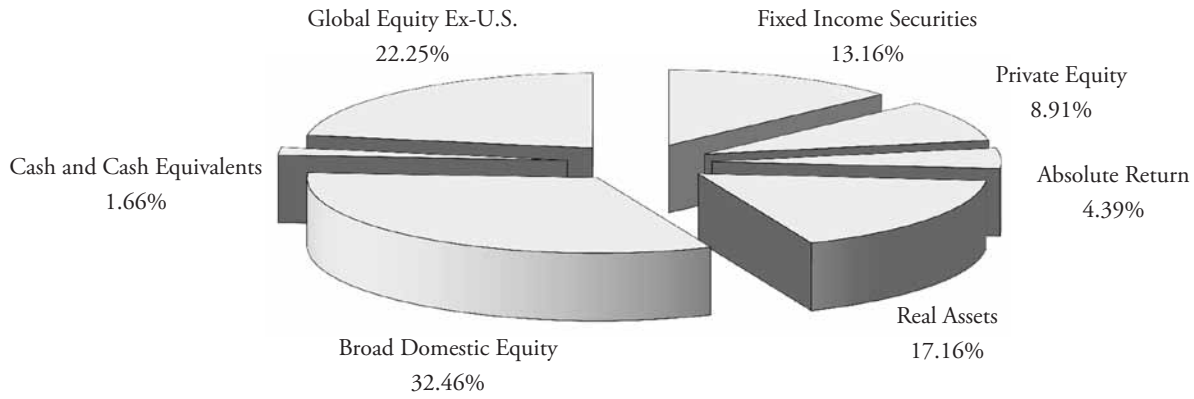
Actual — Defined Benefit Pension



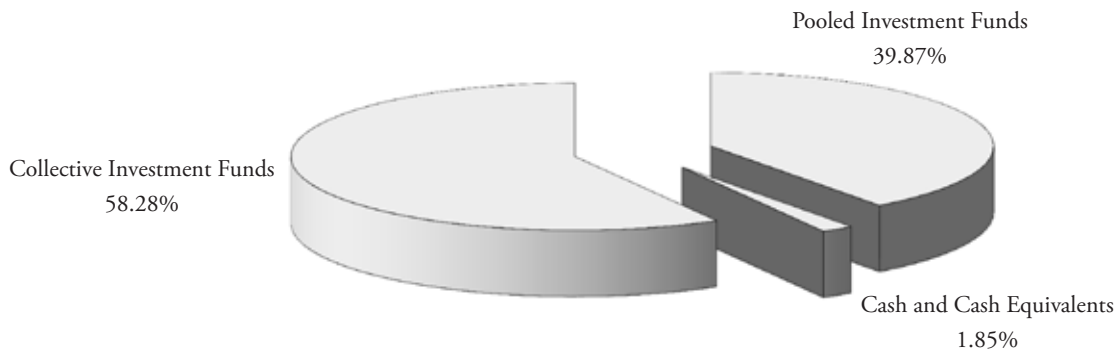
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Public Employees' Retirement System Asset Allocation June 30, 2013

Actual — Defined Benefit Alaska Retiree Healthcare Trust



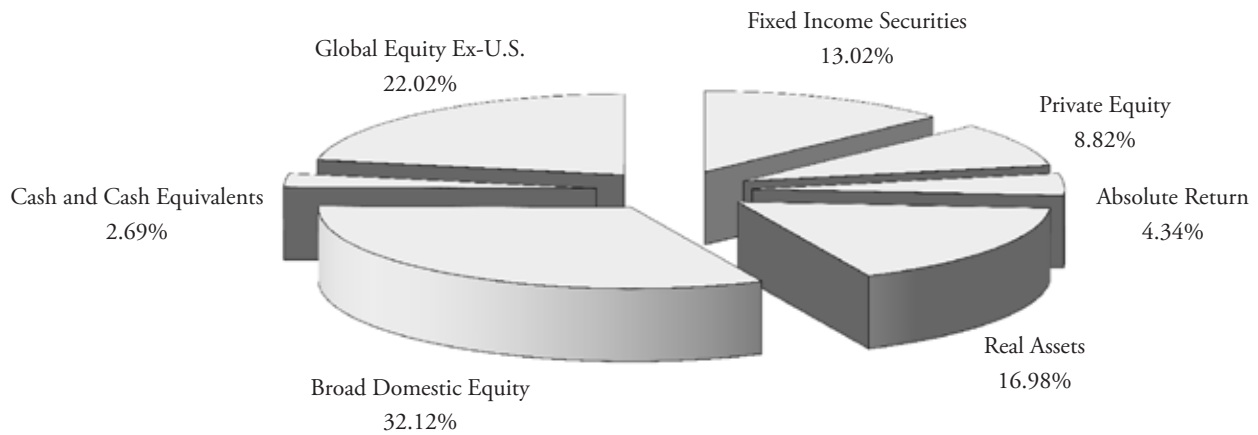
Actual — Defined Contribution Participant Directed



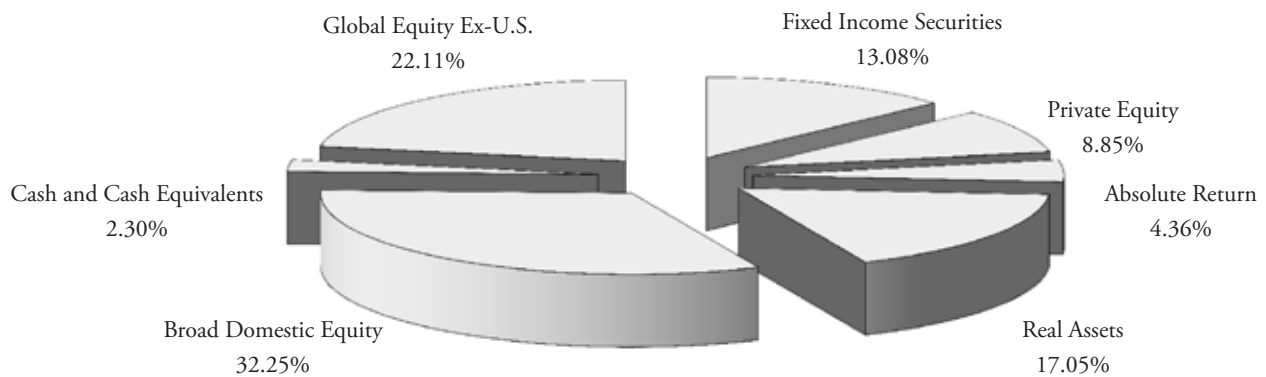
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Public Employees' Retirement System Asset Allocation June 30, 2013

Actual — Defined Contribution Health Reimbursement Arrangement



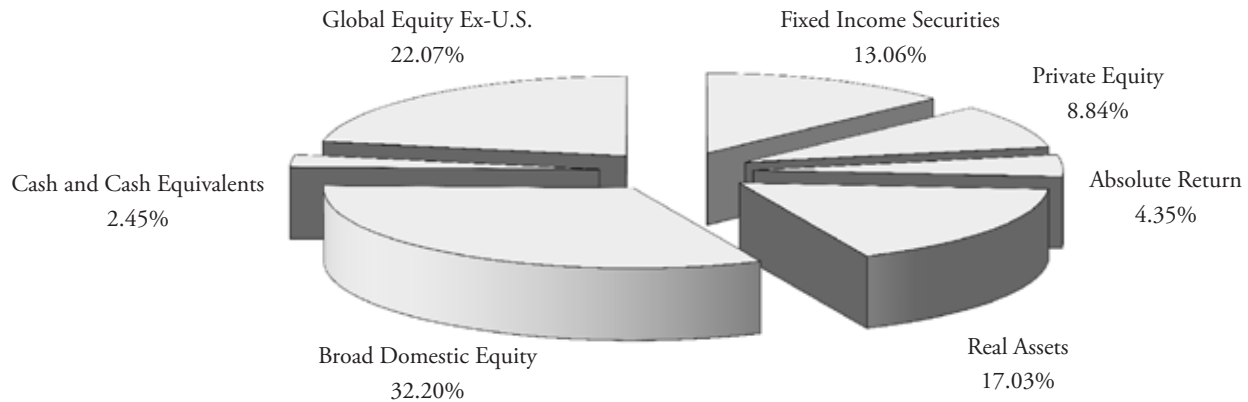
Actual — Defined Contribution Occupational Death & Disability



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**Public Employees' Retirement System
Asset Allocation
June 30, 2013**

Actual — Defined Contribution Retiree Medical Plan



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Alaska Retirement Management Board Top Ten Holdings by Asset Type June 30, 2013

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-three 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 0.875% 12/31/2016	\$ 238,916,085	\$ 239,065,501
2	US Treasury 2.625% 07/31/2014	106,782,463	104,062,985
3	US Treasury 2.000% 02/15/2022	91,532,333	93,586,845
4	US Treasury 0.250% 02/15/2015	69,800,003	69,840,929
5	US Treasury 0.875% 07/31/2019	48,229,527	50,634,674
6	US Treasury 1.125% 05/31/2019	40,670,343	41,904,558
7	US Treasury 0.250% 09/30/2014	28,211,694	28,201,767
8	US Treasury 0.625% 05/31/2017	25,016,921	25,422,098
9	US Treasury 0.250% 05/15/2016	23,573,079	23,826,233
10	US Treasury 0.250% 01/31/2015	20,728,935	20,732,978

Equities

<u>Rank</u>	<u>Largest 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	JP Morgan 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.

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Public Employees' Retirement System Schedule of Investment Management Fees Year Ended June 30, 2013

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	\$249,305,257	\$1,016,092
High Yield Pool		
* Mackay Shields, LLC	356,509,150	1,560,476
Total High Yield	356,509,150	1,560,476
Alternative Equity		
** Relational Investors	189,315,321	1,392,783
* Analytic SSgA Account	81,713,882	10,546
* Analytic Buy Write Account	2,237,402	126,720
* Allianz Buy -Write Account	56,913,247	304,392
Total Alternative Equity	330,179,852	1,834,441
Domestic Equity Pools		
* Advent Capital	89,900,517	585,554
* Barrow, Hanley, Mewhinney & Strauss, INC	171,633,042	1,045,470
* Jennison Associates LLC	111,293,906	738,392
* Lazard Asset Management	255,083,880	559,987
* Lord Abbett & Co.	156,858,962	1,174,046
* Luther King Cap. Management	107,098,090	517,303
* Victory Capital Management	61,445,658	455,019
* Frontier Capital Management	105,826,363	795,159
ARMB Equity Yield Strategy	77,637,909	—
* McKinley Capital	186,837,770	799,613
* Quantitative Management Associates	188,429,010	440,555
* SSgA Russell 1000 Growth	740,784,022	79,347
* SSgA Russell 1000 Value	779,088,238	97,460
* SSgA Russell 2000 Growth	9,945,351	4,436
* SSgA Russell 2000 Value	37,152,977	9,127
* SSgA Russell 200	331,259,748	40,000
* SSgA Futures Large Cap	7,650,844	7,262
* SSgA Future Small Cap	6,164,511	6,461
* DePrince, Race & Zollo Inc.-Micro Cap	62,089,865	643,909
* Allianz Global Investors	188,975,696	701,359
Total Domestic Equities	3,675,156,359	8,700,459
Private Equity Pool		
** BlumCapital Partners-Strategic	6,836,932	213,828
** Warburg Pincus X	24,266,730	510,837
** Angelo Gordon & Co.	9,914,697	245,497
** Onex Partners	13,878,920	294,854
** Lexington Partners	32,226,471	311,959
* Pathway Capital Management	527,060,724	1,597,792
* Abbott Capital Management	511,386,737	1,364,587
** Merit Capital Partners	8,295,295	182,043
Total Private Equities	1,133,866,506	4,721,397
International Equity Pools		
* SSgA	386,267,035	228,584
* Brandes Investment Partners	606,956,225	2,082,128
* Capital Guardian Trust Co.	479,032,061	1,174,590
* McKinley Capital Mgmt.	224,376,057	1,112,968
* Lazard Freres	294,557,132	350,932
Blackrock ACWI Ex-US IMI	—	69,076
* Mondrian Investment Partners	92,144,263	673,870
* Schroder Investment Management	88,320,561	657,409
Total International Equities	2,171,653,334	6,349,557
Absolute Return Pool		
** Mariner Investment Group	1,094,757	256,104
** Crestline Investors Inc.	187,684,966	1,551,142
** Global Asset Management	183,402,681	909,480
** Prisma Capital Partners	186,246,780	924,856
Total Absolute Return	558,429,184	3,641,582

(continued)

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Public Employees' Retirement System Schedule of Investment Management Fees (cont.) Year Ended June 30, 2013

	Total Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	\$ —	\$ 358,363
** Lazard Freres Asset Managers	228,538,875	—
** Eaton Vance	143,240,034	—
Total Emerging Markets Equities	<u>371,778,909</u>	<u>358,363</u>
Real Estate Pool		
** JPM Strategic	126,037,790	1,044,877
** UBS Consolidated	55,350,747	579,268
** Cornerstone	68,482,263	245,922
** Lasalle	154,521,858	1,095,263
** Sentinel, SA	107,339,967	548,659
** UBS Separate	194,325,203	1,188,947
** Lowe Hospitality	2,021,023	45,451
** ING Clarion	21,995,747	376,492
** Silverpeak Legacy Pension Partners	56,082,417	785,656
** Rothschild Five Arrows	46,759,923	898,605
** Tishman Speyer	56,794,507	649,745
** BlackRock Diamond	18,784,285	265,292
** Colony Investors VIII, L.P.	15,109,619	449,131
** LaSalle Medical Office Fund II	13,531,678	241,483
** Cornerstone Apartment Venture III	19,120,634	204,091
** Coventry	9,934,016	234,943
Total Real Estate	<u>966,191,677</u>	<u>8,853,823</u>
Master Limited Partnerships Pool		
** Tortoise MLP	129,544,123	392,460
** Famco MLP	125,789,419	303,754
Total Master Limited Partnerships	<u>255,333,542</u>	<u>696,214</u>
Timber Pool		
** Timberland INVT Resources	122,962,448	909,135
** Hancock Natural Resource Group	60,776,997	473,165
Total Timber	<u>183,739,445</u>	<u>1,382,300</u>
Farmland Pool		
** Hancock Agriculture Investment Group	178,326,750	1,350,952
** UBS Agrivest	307,598,783	2,181,333
Total Farmland	<u>485,925,533</u>	<u>3,532,285</u>
Farmland Water Pool		
** Hancock Farmland & Water	6,528,662	38,496
** UBS Agrivest	11,265,233	83,773
Total Farmland Water	<u>17,793,895</u>	<u>122,269</u>
Energy Pool		
** EIG Energy Fund XV	24,182,980	400,547
** EIG Energy Fund XD	5,901,522	74,593
** EIG Energy Fund XIV-A	45,735,236	576,838
Total Energy	<u>75,819,738</u>	<u>1,051,978</u>
Custodian		
* State Street Bank		667,971
Investment Advisory		
* Townsend Group		70,990
* Callan Associates		125,681
* Investment Advisory Council		65,607
Total Investment Advisory		<u>262,278</u>
Investment Performance		
* Callan Associates		191,610
Total External Management Fees		<u><u>\$ 44,943,095</u></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.

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Public Employees' Retirement System Investment Summary Schedule June 30, 2013

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			\$ 79,518,746	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>79,518,746</u>	1.19%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			508,305,867	
High Yield Pool			188,205,768	
International Fixed Income Pool			131,612,939	
Emerging Debt Pool			<u>56,023,255</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>884,147,829</u>	13.23%
Broad Domestic Equity				
Large Cap Pool			1,729,360,071	
Small Cap Pool			403,689,227	
Convertible Bond Pool			<u>47,461,893</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>2,180,511,191</u>	32.63%
Global Equity Ex-U.S.				
International Equity Pool			1,203,194,389	
International Equity Small Cap Pool			95,269,004	
Emerging Markets Equity Pool			<u>196,266,535</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,494,729,928</u>	22.37%
Private Equity				
Private Equity Pool			<u>598,588,278</u>	
Total Private Equity	8.00%	3-13%	<u>598,588,278</u>	8.96%
Absolute Return				
Absolute Return Pool			<u>294,812,870</u>	
Total Absolute Return	6.00%	2-10%	<u>294,812,870</u>	4.41%
Real Assets				
Real Estate Pool			508,825,552	
Real Estate Investment Trust Pool			100,656,229	
Master Limited Partnership Pool			134,793,799	
Energy Pool			40,027,695	
Farmland Pool			248,098,005	
Farmland Water Pool			17,793,896	
Timber Pool			97,002,008	
Treasury Inflation Protected Securities Pool			<u>3,095,099</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,150,292,283</u>	<u>17.21%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 6,682,601,125</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

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			\$ 97,596,818	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>97,596,818</u>	1.66%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			444,101,354	
High Yield Pool			164,434,382	
International Fixed Income Pool			114,985,791	
Emerging Debt Pool			<u>48,947,017</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>772,468,544</u>	13.16%
Broad Domestic Equity				
Large Cap Pool			1,510,983,099	
Small Cap Pool			352,715,889	
Convertible Bond Pool			<u>41,467,283</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>1,905,166,271</u>	32.46%
Global Equity Ex-U.S.				
International Equity Pool			1,051,245,683	
International Equity Small Cap Pool			83,237,496	
Emerging Markets Equity Pool			<u>171,477,019</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,305,960,198</u>	22.25%
Private Equity				
Private Equity Pool			<u>522,981,569</u>	
Total Private Equity	8.00%	3-13%	<u>522,981,569</u>	8.91%
Absolute Return				
Absolute Return Pool			<u>257,575,389</u>	
Total Absolute Return	6.00%	2-10%	<u>257,575,389</u>	4.39%
Real Assets				
Real Estate Pool			446,790,138	
Real Estate Investment Trust Pool			87,943,963	
Master Limited Partnership Pool			117,771,821	
Energy Pool			34,971,844	
Farmland Pool			232,343,281	
Farmland Water Pool			-	
Timber Pool			84,749,795	
Treasury Inflation Protected Securities Pool			<u>2,704,160</u>	
Total Real Assets	16.00%	8-24%	<u>1,007,275,002</u>	17.16%
Total Invested Assets	100.00%		<u>\$ 5,869,023,791</u>	100.00%

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

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%	\$ 6,375,787	
Total Cash and Cash Equivalents			<u>6,375,787</u>	1.85%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			1,089,235	
Target 2015 Trust			4,305,228	
Target 2020 Trust			8,512,198	
Target 2025 Trust			11,889,092	
Target 2030 Trust			12,084,803	
Target 2035 Trust			13,396,032	
Target 2040 Trust			17,659,379	
Target 2045 Trust			20,800,027	
Target 2050 Trust			23,206,155	
Target 2055 Trust			9,711,572	
Alaska Balanced Fund			1,147,613	
Long-Term Balanced Fund			9,596,463	
Alaska Money Market			4,038,389	
Total Pooled Investment Funds			<u>137,436,186</u>	39.87%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			1,000,844	
S&P Stock Index Fund			37,330,974	
Russell 3000 Index			16,164,942	
Real Estate Investment Trust Index			5,458,575	
World Equity Ex-U.S. Index			27,970,458	
Long U.S. Treasury Bond Index			546,623	
Treasury Inflation Protected Securities Index			2,041,125	
World Government Bond Ex-U.S. Index			3,676,508	
Global Balanced Fund			10,128,188	
Barclays				
Daily Government/Corporate Bond Fund			18,082,403	
Intermediate Bond Fund			389,687	
Brandes Institutional				
International Equity Fund			31,378,068	
RCM				
Socially Responsible Fund			5,315,268	
T. Rowe Price				
Small-Cap Fund			41,387,511	
Total Collective Investment Funds			<u>200,871,174</u>	58.28%
Total Invested Assets			<u>\$ 344,683,147</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, 2013

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			\$ 2,897,348	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>2,897,348</u>	2.69%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			8,054,862	
High Yield Pool			2,982,369	
International Fixed Income Pool			2,085,697	
Emerging Debt Pool			887,768	
Total Fixed Income Securities	14.00%	9-19%	<u>14,010,696</u>	13.02%
Broad Domestic Equity				
Large Cap Pool			27,402,646	
Small Cap Pool			6,396,596	
Convertible Bond Pool			752,094	
Total Broad Domestic Equity	27.00%	21-33%	<u>34,551,336</u>	32.12%
Global Equity Ex-U.S.				
International Equity Pool			19,065,587	
International Equity Small Cap Pool			1,509,618	
Emerging Markets Equity Pool			3,110,104	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>23,685,309</u>	22.02%
Private Equity				
Private Equity Pool			9,485,476	
Total Private Equity	8.00%	3-13%	<u>9,485,476</u>	8.82%
Absolute Return				
Absolute Return Pool			4,671,730	
Total Absolute Return	6.00%	2-10%	<u>4,671,730</u>	4.34%
Real Assets				
Real Estate Pool			8,103,581	
Real Estate Investment Trust Pool			1,595,003	
Master Limited Partnership			2,135,902	
Energy Pool			634,296	
Farmland Pool			4,214,088	
Farmland Water Pool			-	
Timber Pool			1,537,135	
Treasury Inflation Protected Securities Pool			49,046	
Total Real Assets	<u>16.00%</u>	8-24%	<u>18,269,051</u>	<u>16.98%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 107,570,946</u>	<u>100.00%</u>

INVESTMENT SECTION

**Public Employees' Retirement System
Investment Summary Schedule
June 30, 2013**

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			\$ 265,738	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>265,738</u>	2.30%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			866,814	
High Yield Pool			320,946	
International Fixed Income Pool			224,446	
Emerging Debt Pool			95,537	
Total Fixed Income Securities	14.00%	9-19%	<u>1,507,743</u>	13.08%
Broad Domestic Equity				
Large Cap Pool			2,948,969	
Small Cap Pool			688,381	
Convertible Bond Pool			80,935	
Total Broad Domestic Equity	27.00%	21-33%	<u>3,718,285</u>	32.25%
Global Equity Ex-U.S.				
International Equity Pool			2,051,753	
International Equity Small Cap Pool			162,458	
Emerging Markets Equity Pool			334,691	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>2,548,902</u>	22.11%
Private Equity				
Private Equity Pool			1,020,770	
Total Private Equity	8.00%	3-13%	<u>1,020,770</u>	8.85%
Absolute Return				
Absolute Return Pool			502,743	
Total Absolute Return	6.00%	2-10%	<u>502,743</u>	4.36%
Real Assets				
Real Estate Pool			872,059	
Real Estate Investment Trust Pool			171,646	
Master Limited Partnership Pool			229,856	
Energy Pool			68,259	
Farmland Pool			453,495	
Farmland Water Pool			-	
Timber Pool			165,418	
Treasury Inflation Protected Securities Pool			5,278	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,966,011</u>	<u>17.05%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 11,530,192</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

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			\$ 502,666	
Total Cash and Cash Equivalents	6.00%	0-7%	502,666	2.45%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			1,541,203	
High Yield Pool			570,643	
International Fixed Income Pool			399,068	
Emerging Debt Pool			169,864	
Total Fixed Income Securities	14.00%	9-19%	2,680,778	13.06%
Broad Domestic Equity				
Large Cap Pool			5,243,277	
Small Cap Pool			1,223,942	
Convertible Bond Pool			143,905	
Total Broad Domestic Equity	27.00%	21-33%	6,611,124	32.20%
Global Equity Ex-U.S.				
International Equity Pool			3,648,026	
International Equity Small Cap Pool			288,852	
Emerging Markets Equity Pool			595,084	
Total Global Equity Ex-U.S.	23.00%	19-27%	4,531,962	22.07%
Private Equity				
Private Equity Pool			1,814,936	
Total Private Equity	8.00%	3-13%	1,814,936	8.84%
Absolute Return				
Absolute Return Pool			893,882	
Total Absolute Return	6.00%	2-10%	893,882	4.35%
Real Assets				
Real Estate Pool			1,550,526	
Real Estate Investment Trust Pool			305,188	
Master Limited Partnership Pool			408,686	
Energy Pool			121,365	
Farmland Pool			806,317	
Farmland Water Pool			-	
Timber Pool			294,113	
Treasury Inflation Protected Securities Pool			9,384	
Total Real Assets	16.00%	8-24%	3,495,579	17.03%
Total Invested Assets	100.00%		\$ 20,530,927	100.00%

INVESTMENT SECTION

**Public Employees' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2013**

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$47,965	\$28,221	\$76,186
Defined Benefit Plan - Alaska Retiree Healthcare Trust	41,053	24,267	65,320
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	617	381	998
Defined Contribution Retirement Plan - Occupational Death & Disability - Peace Officer/Firefighter	21	13	34
Defined Contribution Retirement Plan - Occupational Death & Disability - All Others	51	31	82
Defined Contribution Retirement Plan - Retiree Medical Plan	<u>125</u>	<u>76</u>	<u>201</u>
Total Recaptured Commission Fees	<u>\$ 89,832</u>	<u>\$ 52,989</u>	<u>\$ 142,821</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.