



INVESTMENT SECTION

Callan

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September 3, 2014

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

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2014.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank & Trust Company. The performance calculations were made using a time-weighted return methodology based upon current 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 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 these objectives, 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 at an acceptable level of risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. The policy benchmark is a custom target comprising 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 in 2014. The Russell 3000 Index, a measure of broad U.S. equity, surged 25.22% during fiscal year 2014. International stocks, as measured by the MSCI ACWI ex-U.S. Index, gained 22.28% for the same period. A broad measure of the total global equity market (MSCI All Country World Index) also boasted strong performance, returning 23.58%.

Falling bond yields during the period boosted fixed income performance. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic fixed income market, gained 4.37%. 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 8.16% (net-of-fees). Private real estate investments, as measured by the

Investment Section

NCREIF Property Index, continued to advance, returning 11.21% during fiscal 2014. Publicly traded real estate, as measured by the NAREIT Equity Index, increased 13.02% during the same period.

ARMB's various asset group returns were all positive through June 30, 2014, as shown below.

Domestic stocks	25.8%
Int'l Stocks	23.4%
Private Equity	24.2%
Real Assets	13.3%
Absolute Return	6.5%
Fixed Income	5.1%

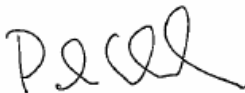
For fiscal year 2014, the Public Employees Retirement System (PERS) had a time-weighted total return of 18.56% and the Teachers Retirement System (TRS) also had a time-weighted total return of 18.56%. Both Systems outperformed their strategic policy benchmark target return of 17.20%. The two funds' returns were also above the 16.11% 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 through June 30, 2014 was 7.26% while TRS's return was slightly higher at 7.31%. These returns were in line with and slightly above their target return of 7.20%. Over the longest period for which Callan has detailed data (22.75 years) for PERS and TRS, they achieved annualized total returns of 8.05% and 8.10%, respectively, which is higher than the policy benchmark return of 8.02%.

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 2014 was a good year for most major asset categories allowing diversified investment portfolios to perform well.

Sincerely,



Paul Erlendson
Senior Vice President

Department of Revenue Treasury Division Staff As of June 30, 2014

<p>Commissioner Angela Rodell</p> <p>Deputy Commissioner Michael Pawlowski</p> <p>Director Pamela Leary, CPA</p>	<p>Chief Investment Officer Gary Bader</p> <p>Comptroller Scott Jones, CPA</p> <p>Cash Management Michelle M. Prebula, MBA, CPA, CCM</p>	<p>Investment Officers</p> <p>Bob G. Mitchell Stephen R. Sikes Zachary Hanna Steve Verschoor Shane Carson Sean Howard Paul Hackenmueller</p> <p>ARMB Liaison Officer Judy Hall</p> <p>Casey Colton Nicholas Orr Victor Djajalie Joy Wilkinson Alyson Campbell Emily Peyton</p>
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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
Robert Shaw
San Francisco, CA

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
Allianz Global Investors (formerly RCM)
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA
Quantitative Management Associates
Newark, NJ

Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.
Winter Park, FL
Lord Abbett & Co.
Jersey City, 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 Index Fund

State Street Global Advisors
San Francisco, CA

Emerging Markets

Eaton Vance Management
Boston, MA
Lazard Asset Management
New York, NY

Global Equity and Emerging Income

Lazard Freres Asset Management
New York, NY

High Yield/Convertible Bond

MacKay Shields LLC
New York, NY
Advent Capital Management
New York, NY

Taxable Municipal Bonds

Guggenheim Partners LLC
Santa Monica, CA
Western Asset Management Company
Pasadena, CA

International Equity – EAFE

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

External Money Managers and Consultants (cont.)

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 – Energy

EIG Global Energy Partners
Washington, DC

Real Assets – Farmland

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

Real Assets – Timber

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

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 – Commingled Real Estate Funds

Almanac Realty Investors
Alpharetta, GA
 BlackRock Realty
San Francisco, CA
 Colony Capital
Los Angeles, CA
 Cornerstone Real Estate Advisers, LLC
Hartford, CT

Real Assets – Commingled Real Estate Funds (cont'd)

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 – Infrastructure

Brookfield Investment Management
Encinitas, CA
 Industry Funds Management
New York, NY
 JP Morgan Asset Management
San Francisco, CA
 Lazard Asset Management
New York, NY

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan

BlackRock
San Francisco, CA
 Allianz Global Investors (formerly 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

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. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an expected optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into eight asset classes: domestic equities, global equities ex-U.S., alternative equity strategies, private equity, real assets, fixed income, 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
Alternative Equities Strategies	50% S&P 500 Index 30% CBOE Buy Write Index 20% Bank of America Yield Alternative Index
Private Equity	1/3 S&P 500 Index 1/3 Russell 2000 Index 1/3 MSCI EAFE Index
Real Assets	50% NCREIF Property Index 15% Barclays TIPS Index 10% NCREIF Farmland Index 10% NCREIF Timberland Index 5% FTSE NAREIT All Equity REIT Index 10% S&P Global Infrastructure ¹
Fixed Income	80% Barclays Intermediate Treasury Index 10% Bank of America Merrill Lynch US High Yield Master II Constrained Index 7% Citigroup World Gov. Bond Ex-U.S. Index 3% JP Morgan Global Bond Index - Emerging Markets Global Diversified 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 2014 fiscal year, the ARMB's target asset allocation was 26% domestic equities, 25% global equities ex-U.S., 3% alternative equity strategies, 9% private equity, 17% real assets, 12% fixed income, 5% absolute return, and 3% cash equivalents. The target asset allocation is expected to generate a return of 7.16% with a standard deviation of 14.81%.

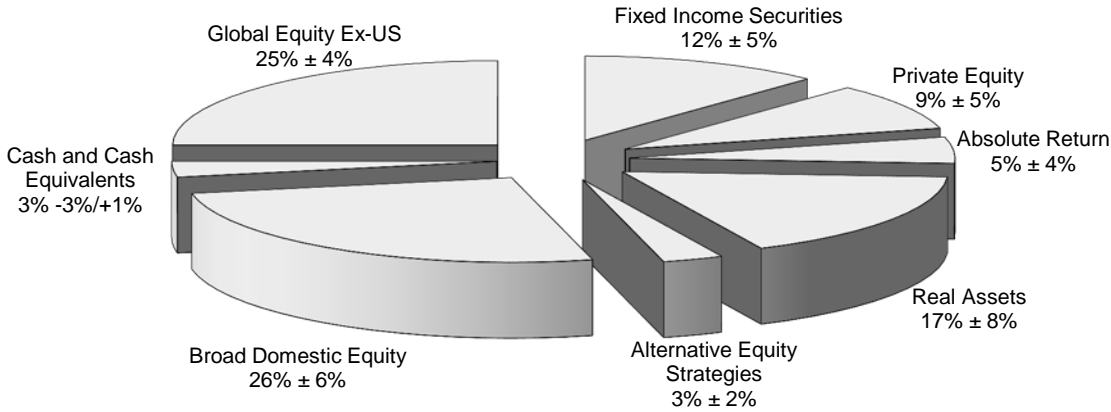
¹Between July 1 and March 31, the benchmark for real assets was 55% NCREIF Property Index, 20% Barclays TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index, 5% FTSE NAREIT All Equity REIT Index.

Investment Section

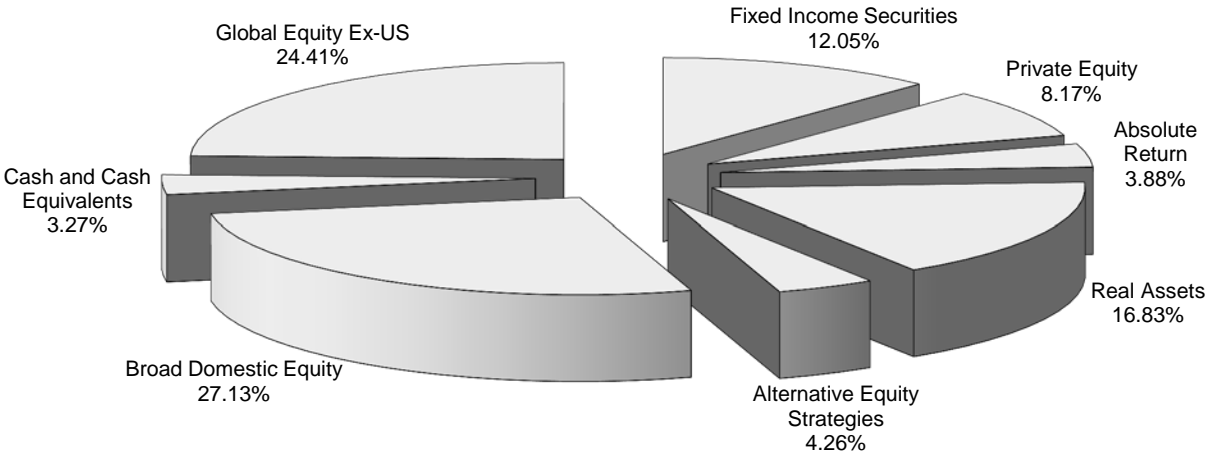
Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2010	2011	2012	2013	2014	Annualized	
						3 Year	5 Year
Total Fund							
PERS	11.39%	21.22%	0.46%	12.50%	18.56%	10.25%	12.58%
<i>Actuarial Earnings Rate</i>	8.25	8.00	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	15.45	33.37	1.80	21.23	25.81	15.80	19.04
<i>Custom Composite Index</i>	15.72	32.37	3.84	21.46	25.22	16.46	19.33
Fixed Income							
PERS	11.19	5.46	4.90	0.57	5.14	3.51	5.40
<i>Custom Composite Index</i>	10.16	5.06	5.08	(0.04)	3.31	2.76	4.67
Real Assets							
PERS	(0.28)	15.25	10.46	10.47	13.28	11.40	9.65
<i>Custom Composite Index</i>	1.17	12.66	11.41	8.35	10.98	10.24	8.84
International Stock Returns							
PERS International Equities	12.05	28.27	(13.67)	15.01	23.43	7.01	11.99
<i>MSCI ACWI ex-US</i>	10.87	30.27	(14.15)	14.14	22.27	6.21	11.59
Private Equity							
PERS	18.86	20.14	9.44	11.61	24.19	14.90	16.72
<i>Custom Composite Index</i>	13.87	32.93	(3.61)	21.24	24.01	13.16	17.01
Absolute Return							
PERS	6.59	5.98	(2.05)	8.41	6.51	4.19	5.02
<i>3-month Treasury Bill +5%</i>	5.16	5.16	5.06	5.11	5.05	5.07	5.11
Alternative Equity							
PERS	—	—	—	—	22.36	—	—
<i>Custom Composite Index</i>	—	—	—	—	18.70	—	—
Cash Equivalents							
PERS	—	0.47	0.44	0.25	0.27	0.32	—
<i>3-month Treasury Bill</i>	—	0.16	0.06	0.11	0.05	0.07	—
<p>MSCI ACWI =Morgan Stanley Capital International All Country World Index Returns for periods longer than one year are reported on an annualized basis. Basis of calculation: Time-Weighed rate of return based on the market rate of return.</p>							

**Public Employees' Retirement System
Asset Allocation
June 30, 2014**

Policy



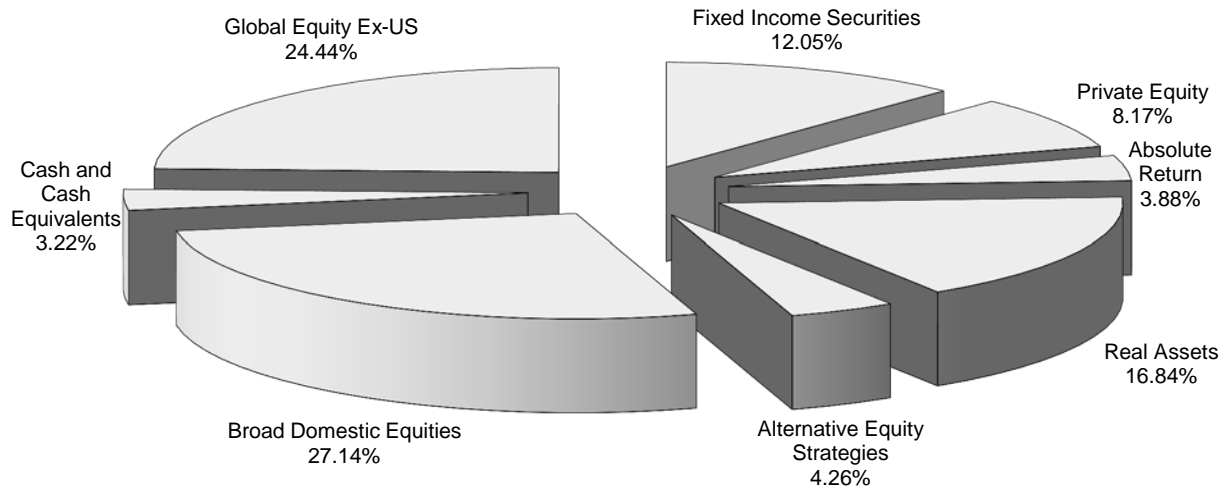
Actual – Defined Benefit Pension



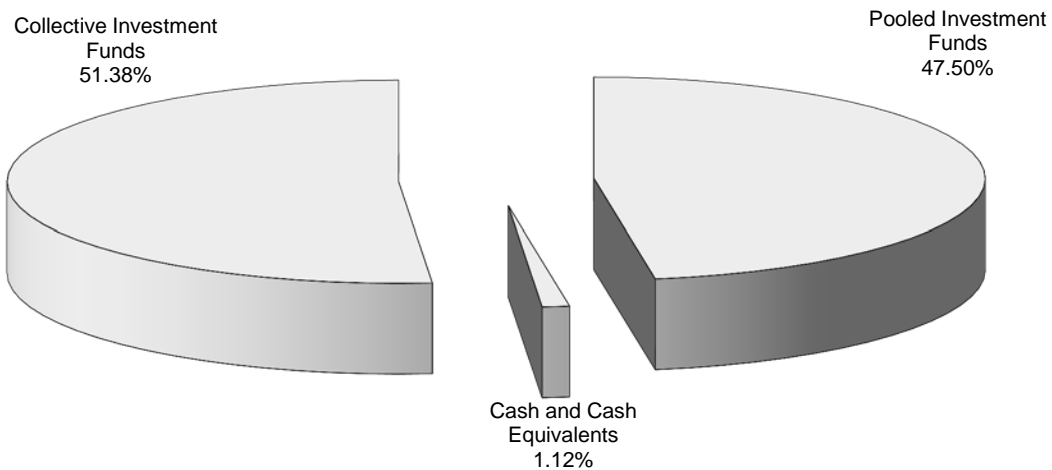
Investment Section

Public Employees' Retirement System Asset Allocation June 30, 2014

Actual – Defined Benefit Alaska Retiree Healthcare Trust

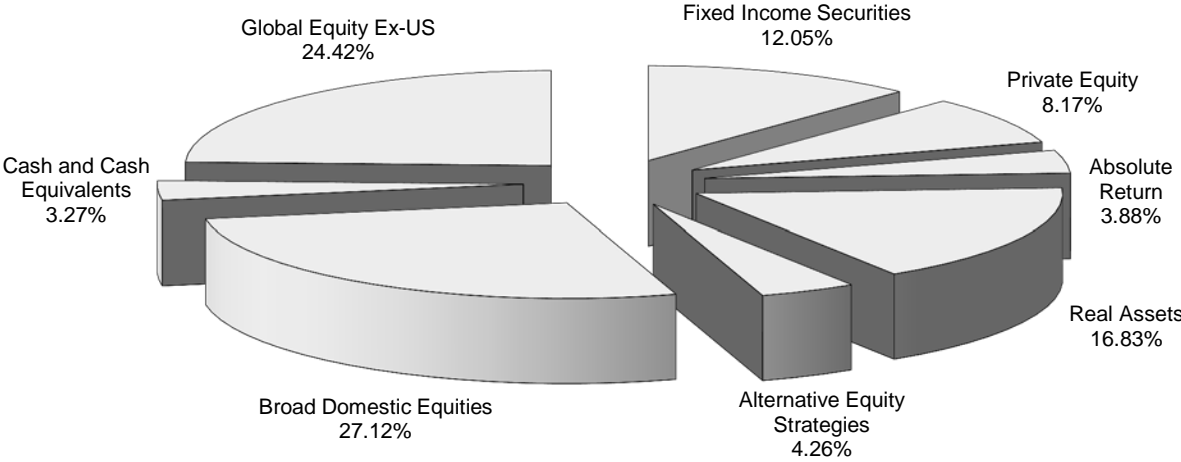


Actual – Defined Contribution Participant Directed

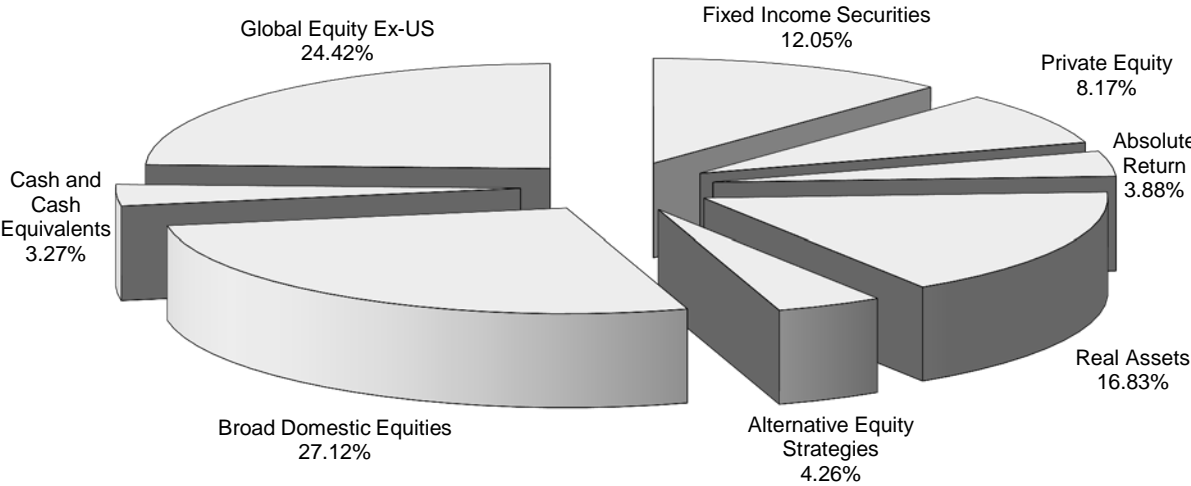


**Public Employees' Retirement System
Asset Allocation
June 30, 2014**

Actual — Health Reimbursement Arrangement



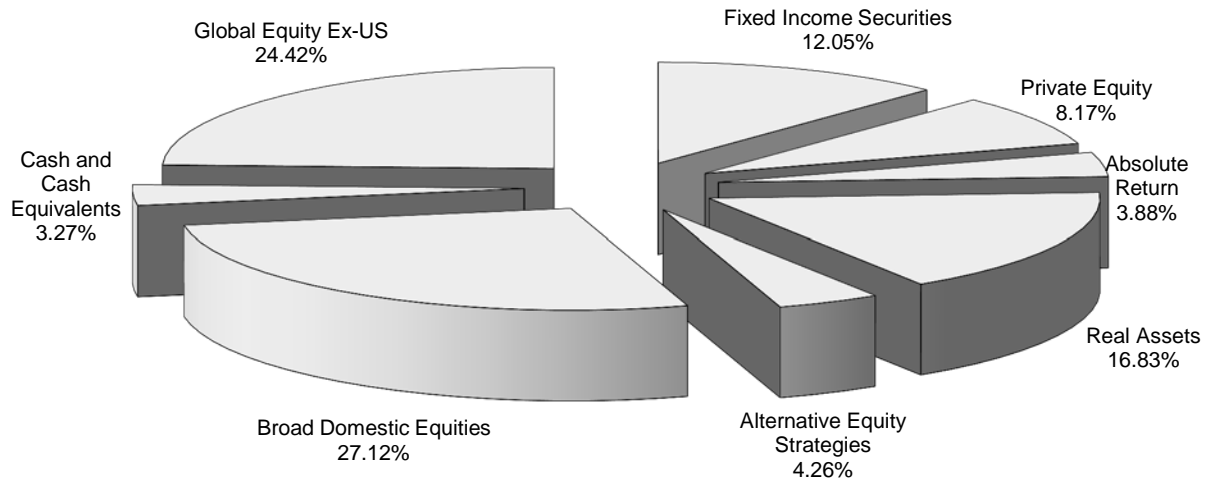
Actual — Occupational Death & Disability



Investment Section

Public Employees' Retirement System Asset Allocation June 30, 2014

Actual — Retiree Medical Plan



**Alaska Retirement Management Board
Top Ten Holding by Asset Type
June 30, 2014**

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-six 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 1.625% 7/31/2019	\$136,088,243	\$135,780,564
2	US Treasury 1.500% 2/28/2019	97,160,302	97,183,043
3	US Treasury 0.875% 12/31/2016	94,468,967	93,969,799
4	US Treasury 0.625% 4/30/2018	81,278,195	83,122,518
5	US Treasury 2.625% 5/15/2024	77,721,923	77,143,348
6	US Treasury 0.875% 7/31/2019	48,205,464	49,970,004
7	US Treasury 0.75% 1/15/2017	33,050,449	32,980,892
8	US Treasury 0.625% 5/31/2017	24,943,352	25,088,388
9	US Treasury 1.625% 4/30/2019	22,164,399	22,086,742
10	US Treasury 2.000% 7/31/2020	20,858,169	20,677,243

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc.	\$110,087,630
2	Microsoft Corp.	77,744,092
3	Johnson & Johnson	48,291,298
4	Wells Fargo & Co.	43,920,917
5	Pfizer Inc.	42,286,260
6	Chevron Corp.	39,630,680
7	JPMorgan Chase & Co.	39,619,770
8	Intel Corp.	39,603,165
9	Citigroup Inc.	38,168,727
10	Verizon Communications Inc.	36,870,423

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, 2014

	<u>Total Fair Value</u>	<u>Fees</u>
Fixed Income		
Municipal Bond Pool		
* Western Asset Management	\$ 78,838,210	\$ 135,029
* Guggenheim Partners	77,313,246	79,698
Total Municipal Bond Pool	<u>156,151,456</u>	<u>214,727</u>
High Yield Pool		
* Mackay Shields, LLC	396,460,620	1,699,286
International Fixed Income		
* Mondrian Investment Partners	265,496,639	981,828
Broad Domestic Equity Pools		
* Barrow, Hanley, Mewhinney & Strauss, INC	171,633,042	1,382,344
* Jennison Associates LLC	101,180,905	825,543
* Lazard Asset Management	266,722,858	593,273
* Lord Abbett & Co.	169,597,642	1,407,018
* Luther King Cap. Management	96,210,909	575,810
* Victory Capital Management	77,713,200	568,752
* Frontier Capital Management	75,808,524	953,185
* McKinley Capital	245,862,822	766,730
* Quantitative Management Associates	234,461,981	710,853
* SSgA Russell 1000 Growth	867,870,648	97,254
* SSgA Russell 1000 Value	819,948,649	97,793
* SSgA Russell 2000 Growth	12,431,941	5,849
* SSgA Russell 2000 Value	45,548,078	21,174
* SSgA Russell 200	377,738,314	42,908
* SSgA Futures Large Cap	9,382,307	8,639
* SSgA Future Small Cap	7,920,351	7,358
* DePrince, Race & Zollo Inc.-Micro Cap	69,552,596	726,585
* Allianz Global Investors	247,729,696	512,769
Total Domestic Equities	<u>3,897,314,463</u>	<u>9,303,837</u>
Global Equity Ex-U.S.		
* SSgA	473,696,119	262,879
* Brandes Investment Partners	781,863,701	2,694,555
* Capital Guardian Trust Co.	579,917,216	2,001,457
* McKinley Capital Mgmt.	277,531,867	1,255,587
* Lazard Freres	308,871,229	419,941
* Blackrock ACWI Ex-US IMI	473,844,432	259,255
* Mondrian Investment Partners	112,441,293	775,890
* Schroder Investment Management	116,689,295	842,190
Total International Equities	<u>3,124,855,152</u>	<u>8,511,754</u>
Alternative Equity Strategies		
Alternative Equity Pool		
* Analytic SSgA Account	167,658,728	148,186
* Analytic Buy Write Account	5,605,816	11,560
* Allianz Global Investors	-	216,322
Total Alternative Equity	<u>173,264,544</u>	<u>376,068</u>
Convertible Bond Pool		
* Advent Capital	137,669,209	685,902
Private Equity Pool		
** BlumCapital Partners-Strategic	7,710,004	161,365
** Warburg Pincus	28,233,368	378,732
** Angelo Gordon & Co.	5,948,016	142,620
** Onex Partners	17,051,312	230,948
** Lexington Partners	35,158,790	508,531
** Neuberger Berman Secondary Opportunities	3,523,488	586,301
* Pathway Capital Management	566,258,952	1,597,172
* Abbott Capital Management	541,007,512	1,356,548
** Merit Capital Partners	10,158,129	10,158,129
Total Private Equities	<u>1,215,049,571</u>	<u>15,120,346</u>

Public Employees' Retirement System
Schedule of Investment Management Fees (cont.)
Year Ended June 30, 2014

	Total Fair Value	Fees
Absolute Return Pool		
** Mariner Investment Group	\$ -	\$ 2,933
** Crestline Investors Inc.	127,489,205	1,222,104
** Global Asset Management	222,059,943	1,443,824
** Prisma Capital Partners	227,870,263	1,542,432
Total Absolute Return	577,419,411	4,211,293
Real Assets		
Real Estate Pool		
** JPM Strategic	137,548,216	1,127,215
** UBS Consolidated	59,333,002	619,830
** Cornerstone	87,317,182	475,455
** Lasalle	107,214,365	897,578
** Sentinel ,SA	110,498,029	606,848
** UBS Separate	217,359,049	1,212,286
** Lowe Hospitality	1,654,423	25,549
** KKR.	17,343,917	140,582
** ING Clarion	20,115,404	264,739
** Silverpeak Legacy Pension Partners	49,989,410	673,121
** Rothschild Five Arrows	28,301,362	420,922
** Tishman Speyer	42,298,551	590,810
** BlackRock Diamond	20,292,395	250,815
** Colony Investors VIII, L.P.	18,275,079	441,002
** LaSalle Medical Office Fund II	4,301,249	169,972
** Cornerstone Apartment Venture III	5,169,487	121,034
** Coventry	9,053,861	235,170
Total Real Estate	936,064,981	8,272,928
Infrastructure Public Pool		
* Brookfield Investment Management	58,713,840	118,142
* Lazard Asset Management	57,177,673	111,609
Total Infrastructure Public Pool	115,891,513	229,751
Master Limited Partnerships Pool		
* Tortoise MLP	180,028,282	914,558
* Advisory Research Inc	163,488,816	677,704
Total Master Limited Partnerships Pool	343,517,098	1,592,262
Energy Pool		
** EIG Energy Fund XV	27,531,842	343,544
** EIG Energy Fund XD	5,405,820	69,423
** EIG Energy Fund XIV-A	36,919,880	454,392
** EIG Energy Fund XVI	5,361,373	567,634
Total Energy Pool	75,218,915	1,434,993
Farmland Pool		
** Hancock Agriculture Investment Group	154,659,777	1,547,618
** UBS Agrinvest	344,776,920	2,747,827
Total Farmland	499,436,697	4,295,445
Timber Pool		
** Timberland Investment Resources	184,081,775	1,062,582
** Hancock Natural Resource Group	68,975,693	475,351
Total Timber Pool	253,057,468	1,537,933
Custodian		
* State Street Bank		696,956
Investment Advisory		
* Townsend Group		74,571
* Callan Associates		111,862
* Investment Advisory Council		60,649
Total Investment Advisory		247,082
Investment Performance		
* Callan Associates		198,865
Total External Management Fees		\$ 59,611,256

*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, 2014

Investments (at Fair Value)	Defined Benefit - Pension			% of Total Assets
	Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 252,124,261	
Total Cash and Cash Equivalents			252,124,261	3.27%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			449,549,295	
Taxable Municipal Bond Pool			81,063,028	
High Yield Pool			205,814,916	
International Fixed Income Pool			137,827,479	
Emerging Debt Pool			55,938,031	
Total Fixed Income Securities	12.00%	± 5%	930,192,749	12.05%
Broad Domestic Equity				
Large Cap Pool			1,714,745,886	
Small Cap Pool			379,467,708	
Total Broad Domestic Equity	26.00%	± 6%	2,094,213,594	27.13%
Global Equity Ex-U.S.				
International Equity Pool			1,503,259,799	
International Equity Small Cap Pool			118,948,747	
Frontier Markets Pool			35,974,419	
Emerging Markets Equity Pool			226,358,895	
Total Global Equity Ex-U.S.	25.00%	± 4%	1,884,541,860	24.41%
Alternative Equity Strategies				
Alternative Equity Strategies			257,596,868	
Convertible Bond Pool			71,468,328	
Total Alternative Equities	3.00%	± 2%	329,065,196	4.26%
Private Equity				
Private Equity Pool			630,825,586	
Total Private Equity	9.00%	± 5%	630,825,586	8.17%
Absolute Return				
Absolute Return Pool			299,756,197	
Total Absolute Return	5.00%	± 4%	299,756,197	3.88%
Real Assets				
Real Estate Pool			486,037,603	
Real Estate Investment Trust Pool			132,631,755	
Infrastructure Public Pool			60,162,852	
Master Limited Partnership Pool			178,330,304	
Energy Pool			39,048,456	
Farmland Pool			259,272,971	
Timber Pool			131,369,923	
Treasury Inflation Protected Securities Pool			12,768,001	
Total Real Assets	17.00%	± 8%	1,299,621,865	16.83%
Total Invested Assets	100.00%		\$ 7,720,341,308	100.00%

Public Employees' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Defined Benefit - Alaska Retiree Health Care Trust			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 224,002,627	
Total Cash and Cash Equivalents			224,002,627	3.22%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			404,786,009	
Taxable Municipal Bond Pool			72,991,285	
High Yield Pool			185,321,165	
International Fixed Income Pool			124,103,490	
Emerging Debt Pool			50,368,077	
Total Fixed Income Securities	12.00%	± 5%	837,570,026	12.05%
Broad Domestic Equity				
Large Cap Pool			1,544,002,281	
Small Cap Pool			341,682,699	
Total Broad Domestic Equity	26.00%	± 6%	1,885,684,980	27.14%
Global Equity Ex-U.S.				
International Equity Pool			1,353,574,648	
International Equity Small Cap Pool			107,104,578	
Frontier Markets Pool			32,392,309	
Emerging Markets Equity Pool			203,819,499	
Total Global Equity Ex-U.S.	25.00%	± 4%	1,696,891,034	24.44%
Alternative Equity Strategies				
Alternative Equity Strategies			231,946,991	
Convertible Bond Pool			64,351,959	
Total Alternative Equities	3.00%	± 2%	296,298,950	4.26%
Private Equity				
Private Equity Pool			568,011,943	
Total Private Equity	9.00%	± 5%	568,011,943	8.17%
Absolute Return				
Absolute Return Pool			269,908,365	
Total Absolute Return	5.00%	± 4%	269,908,365	3.88%
Real Assets				
Real Estate Pool			437,458,575	
Real Estate Investment Trust Pool			119,425,117	
Infrastructure Public Pool			54,172,216	
Master Limited Partnership Pool			160,573,297	
Energy Pool			35,160,254	
Farmland Pool			233,456,199	
Timber Pool			118,288,936	
Treasury Inflation Protected Securities Pool			11,496,644	
Total Real Assets	17.00%	± 8%	1,170,031,238	16.84%
Total Invested Assets	100.00%		\$ 6,948,399,163	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Asset Allocation		Fair Market Value	% of Total Assets
	Policy	Range		
Defined Contribution - Participant Directed				
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 5,502,760	
Total Cash and Cash Equivalents			5,502,760	1.12%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			1,609,922	
Target 2015 Trust			6,621,984	
Target 2020 Trust			13,672,422	
Target 2025 Trust			19,205,578	
Target 2030 Trust			19,570,678	
Target 2035 Trust			22,358,340	
Target 2040 Trust			28,615,065	
Target 2045 Trust			34,339,602	
Target 2050 Trust			39,967,857	
Target 2055 Trust			19,444,178	
Alaska Balanced Fund			1,710,207	
Long-Term Balanced Fund			22,496,078	
Alaska Money Market			3,919,094	
Total Pooled Investment Funds			233,531,005	47.50%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			1,125,663	
S&P Stock Index Fund			36,290,404	
Russell 3000 Index			33,495,477	
Real Estate Investment Trust Index			6,927,667	
World Equity Ex-U.S. Index			28,094,047	
Long U.S. Treasury Bond Index			537,613	
Treasury Inflation Protected Securities Index			3,042,196	
World Government Bond Ex-U.S. Index			5,653,910	
Global Balanced Fund			11,458,048	
Barclays				
Daily Government/Corporate Bond Fund			27,747,826	
Intermediate Bond Fund			403,389	
Brandes Institutional				
International Equity Fund			39,292,149	
RCM				
Socially Responsible Fund			4,883,304	
T. Rowe Price				
Small-Cap Fund			53,630,242	
Total Collective Investment Funds			252,581,935	51.38%
Total Invested Assets			\$491,615,700	100.00%

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

Public Employees' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Health Reimbursement Arrangement			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 5,090,216	
Total Cash and Cash Equivalents			5,090,216	3.27%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			9,050,096	
Taxable Municipal Bond Pool			1,631,919	
High Yield Pool			4,143,361	
International Fixed Income Pool			2,774,673	
Emerging Debt Pool			1,126,116	
Total Fixed Income Securities	12.00%	± 5%	18,726,165	12.05%
Broad Domestic Equity				
Large Cap Pool			34,520,387	
Small Cap Pool			7,639,250	
Total Broad Domestic Equity	26.00%	± 6%	42,159,637	27.12%
Global Equity Ex-U.S.				
International Equity Pool			30,262,857	
International Equity Small Cap Pool			2,394,615	
Frontier Markets Pool			724,218	
Emerging Markets Equity Pool			4,556,941	
Total Global Equity Ex-U.S.	25.00%	± 4%	37,938,631	24.42%
Alternative Equity Strategies				
Alternative Equity Strategies			5,185,809	
Convertible Bond Pool			1,438,763	
Total Alternative Equities	3.00%	± 2%	6,624,572	4.26%
Private Equity				
Private Equity Pool			12,699,458	
Total Private Equity	9.00%	± 5%	12,699,458	8.17%
Absolute Return				
Absolute Return Pool			6,034,539	
Total Absolute Return	5.00%	± 4%	6,034,539	3.88%
Real Assets				
Real Estate Pool			9,780,581	
Real Estate Investment Trust Pool			2,670,074	
Infrastructure Public Pool			1,211,168	
Master Limited Partnership Pool			3,590,054	
Energy Pool			786,103	
Farmland Pool			5,219,551	
Timber Pool			2,644,672	
Treasury Inflation Protected Securities Pool			257,039	
Total Real Assets	17.00%	± 8%	26,159,242	16.83%
Total Invested Assets	100.00%		\$ 155,432,460	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Occupational Death and Disability		Fair Market Value	% of Total Assets
	Policy	Range		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 524,046	
Total Cash and Cash Equivalents			524,046	3.27%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			932,512	
Taxable Municipal Bond Pool			168,152	
High Yield Pool			426,927	
International Fixed Income Pool			285,900	
Emerging Debt Pool			116,034	
Total Fixed Income Securities	12.00%	± 5%	1,929,525	12.05%
Broad Domestic Equity				
Large Cap Pool			3,556,944	
Small Cap Pool			787,141	
Total Broad Domestic Equity	26.00%	± 6%	4,344,085	27.12%
Global Equity Ex-U.S.				
International Equity Pool			3,118,253	
International Equity Small Cap Pool			246,738	
Frontier Markets Pool			74,623	
Emerging Markets Equity Pool			469,542	
Total Global Equity Ex-U.S.	25.00%	± 4%	3,909,156	24.42%
Alternative Equity Strategies				
Alternative Equity Strategies			534,340	
Convertible Bond Pool			148,248	
Total Alternative Equities	3.00%	± 2%	682,588	4.26%
Private Equity				
Private Equity Pool			1,308,538	
Total Private Equity	9.00%	± 5%	1,308,538	8.17%
Absolute Return				
Absolute Return Pool			621,792	
Total Absolute Return	5.00%	± 4%	621,792	3.88%
Real Assets				
Real Estate Pool			1,007,781	
Real Estate Investment Trust Pool			275,121	
Infrastructure Public Pool			124,797	
Master Limited Partnership Pool			369,915	
Energy Pool			81,000	
Farmland Pool			537,818	
Timber Pool			272,505	
Treasury Inflation Protected Securities Pool			26,485	
Total Real Assets	17.00%	± 8%	2,695,422	16.83%
Total Invested Assets	100.00%		\$ 16,015,152	100.00%

Public Employees' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Retiree Medical Plan			% of Total Assets
	Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 925,899	
Total Cash and Cash Equivalents			925,899	3.27%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			1,647,466	
Taxable Municipal Bond Pool			297,073	
High Yield Pool			754,251	
International Fixed Income Pool			505,097	
Emerging Debt Pool			204,997	
Total Fixed Income Securities	12.00%	± 5%	3,408,884	12.05%
Broad Domestic Equity				
Large Cap Pool			6,284,039	
Small Cap Pool			1,390,638	
Total Broad Domestic Equity	26.00%	± 6%	7,674,677	27.12%
Global Equity Ex-U.S.				
International Equity Pool			5,509,005	
International Equity Small Cap Pool			435,912	
Frontier Markets Pool			131,835	
Emerging Markets Equity Pool			829,538	
Total Global Equity Ex-U.S.	25.00%	± 4%	6,906,290	24.42%
Alternative Equity Strategies				
Alternative Equity Strategies			944,017	
Convertible Bond Pool			261,911	
Total Alternative Equities	3.00%	± 2%	1,205,928	4.26%
Private Equity				
Private Equity Pool			2,311,790	
Total Private Equity	9.00%	± 5%	2,311,790	8.17%
Absolute Return				
Absolute Return Pool			1,098,518	
Total Absolute Return	5.00%	± 4%	1,098,518	3.88%
Real Assets				
Real Estate Pool			1,780,442	
Real Estate Investment Trust Pool			486,057	
Infrastructure Public Pool			220,479	
Master Limited Partnership Pool			653,528	
Energy Pool			143,101	
Farmland Pool			950,159	
Timber Pool			481,432	
Treasury Inflation Protected Securities Pool			46,791	
Total Real Assets	17.00%	± 8%	4,761,989	16.83%
Total Invested Assets	100.00%		\$ 28,293,975	100.00%

Investment Section

Public Employees' Retirement System Recaptured Commission Fees Year Ended June 30, 2014

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$7,572	\$208	\$7,780
Postemployment Benefit - Alaska Retiree Healthcare Trust	6,735	185	6,920
Postemployment Benefit - Health Reimbursement Arrangement	145	4	149
Postemployment Benefit - Occupational Death & Disability	15	-	15
Postemployment Benefit - Retiree Medical Pan	27	1	28
Total Recapture Commission Fees	\$14,494	\$398	\$14,892

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.