

*Alaska Division of Retirement and Benefits*



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



September 15, 2011

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

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

Dear Board Members:

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

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

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

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

# INVESTMENT SECTION

positive 6.32%. Private real estate investments rebounded strongly particularly in the recent quarters. The NCREIF Property Index posted a very attractive 16.73% return for the fiscal year. Publicly traded real estate, as measured by the NAREIT Index, increased 34.09%.

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

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

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

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

Sincerely,



Michael J. O'Leary, Jr., CFA  
Executive Vice President

# INVESTMENT SECTION

## Department of Revenue Treasury Division Staff

### Commissioner

Bryan Butcher

### Chief Investment Officer

Gary Bader

### Investment Officers

Bob G. Mitchell

Stephen R. Sikes

Zachary Hanna

Steve Verschoor

Elizabeth Walton

Sean Howard

Paul Hackenmueller

Casey Colton

Nicholas Orr

Victor Djajalie

Joy Wilkinson

Shane Carson

Alyson Campbell

### Deputy Commissioner

Jerry Burnett

### Comptroller

Pamela Leary, CPA

### Cash Management

Michelle M. Prebula, MBA, CPA, CCM

### ARMB Liaison Officer

Judy Hall

## External Money Managers and Consultants

### Investment Consultants

Callan Associates, Inc.

*Denver, CO*

The Townsend Group

*San Francisco, CA*

Relational Investors LLC

*San Diego, CA*

Quantitative Management Associates

*Newark, NJ*

### Investment Advisory Council

William Jennings

*Colorado Springs, CO*

Jerrold Mitchell

*Wayland, MA*

George Wilson

*Boston, MA*

### Domestic Equity Small Capitalization

Jennison Associates LLC

*New York, NY*

Lord Abbett & Co.

*Jersey City, NJ*

Luther King Capital Management

*Fort Worth, TX*

Barrow, Hanley, Mewhinney & Strauss

*Dallas, TX*

### Absolute Return

Crestline Investors, Inc.

*Fort Worth, TX*

Global Assets Management Inc.

*Los Angeles, CA*

Prisma Capital Partners

*New York, NY*

Mariner Investment Group, Inc.

*Harrison, NY*

### Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.

*Winter Park, FL*

Lord Abbett & Co.

*Jersey City, NJ*

### Domestic Equity Index Fund

State Street Global Advisors

*San Francisco, CA*

### Domestic Equity Large Capitalization

Analytic Investors LLC

*Los Angeles, CA*

Barrow, Hanley, Mewhinney & Strauss

*Dallas, TX*

Capital Guardian Trust Co.

*Los Angeles, CA*

RCM Global Investors

*San Francisco, CA*

McKinley Capital Management, Inc.

*Anchorage, AK*

### Emerging Markets

Capital Guardian Trust Co.

*Los Angeles, CA*

Eaton Vance Management

*Boston, MA*

### Global Equity

Lazard Freres Asset Management

*New York, NY*

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## External Money Managers and Consultants (con't)

### High Yield

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

### International Equity – EAFE

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

### International Small Cap

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

### International Fixed Income

Mondrian Investment Partners  
*London, England*

### Private Equity

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

### Real Estate – Farmland

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

### Real Estate – Commingled Funds

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

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

### Real Estate – Core Separate Accounts

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

### Real Estate – Timber

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

### Supplemental Benefits System and Deferred Compensation Plan

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

### Global Master Custodian

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

### Independent Auditors

KPMG Peat Marwick, LLP  
*Anchorage, AK*

### Legal Counsel

Robert Johnson  
*Anchorage, AK*



## Teachers' Retirement System Investment Report

### INVESTMENTS

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

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

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

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

# INVESTMENT SECTION

## Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30

	2007	2008	2009	2010	2011	Annualized	
						3 Year	5 Year
<b>Total Fund</b>							
TRS	18.92%	(3.05%)	(20.62%)	11.58%	21.40%	2.43%	4.37%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.25	8.25	8.00	8.00	8.00
<b>U.S. Common Stock Returns</b>							
TRS Domestic Equities	20.10	(13.53)	(26.80)	15.47	33.38	4.08	3.21
<i>Custom Composite Index</i>	-	-	(26.56)	15.72	32.37	4.00	3.09
<i>S&amp;P 500/Russell 2000 Composite</i>	20.59	(13.68)	-	-	-	-	-
<b>International Stock Returns</b>							
TRS International Equities	30.15	(7.48)	(29.12)	12.03	28.27	0.62	4.17
<i>Morgan Stanley Capital International ACWI ex-US</i>	-	-	(30.54)	10.87	30.27	0.11	3.43
<i>Morgan Stanley Capital International EAFE</i>	27.00	(10.61)	-	-	-	-	-
<b>Fixed-Income</b>							
TRS	-	-	3.36	11.35	5.55	6.70	6.56
<i>Custom Composite Index</i>	-	-	5.41	10.16	5.06	6.85	6.80
<b>Private Equity</b>							
TRS	-	-	(23.67)	18.87	20.12	2.91	9.69
<i>Custom Composite Index</i>	-	-	(27.19)	13.87	32.93	3.29	3.00
<b>Absolute Return</b>							
TRS	-	-	(12.52)	6.60	5.99	(0.39)	2.00
<i>3-month Treasury Bill +5%</i>	-	-	5.95	5.16	5.16	5.42	6.81
<b>Real Assets</b>							
TRS	-	-	(21.20)	0.06	15.51	(3.19)	2.94
<i>Custom Composite Index</i>	-	-	(10.82)	1.17	12.66	0.55	4.88
<b>Domestic Fixed-Income</b>							
TRS	6.20	6.50	-	-	-	-	-
<i>Lehman Brothers Aggregate Index</i>	6.12	7.12	-	-	-	-	-
<b>International Fixed-Income</b>							
TRS	1.97	18.95	-	-	-	-	-
<i>Citigroup Non-U.S. Government</i>	2.20	18.72	-	-	-	-	-
<b>Real Estate Equity</b>							
TRS	20.75	5.71	-	-	-	-	-
<i>NCREIF</i>	17.24	6.82	-	-	-	-	-
<b>Cash Equivalents</b>							
TRS	-	-	-	-	0.46	-	-
<i>3-month Treasury Bill</i>	-	-	-	-	0.16	-	-

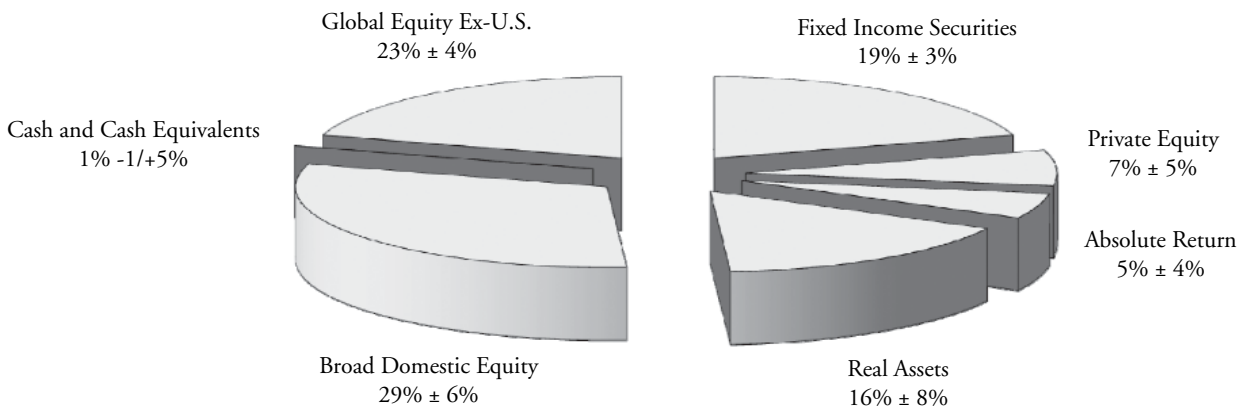
S&P 500 = Standard & Poor's Domestic Equity Stock Index  
ACWI = All Country World Index  
EAFE = Europe, Australia, and Far East Stock Index  
NCREIF = National Council of Real Estate Investment Fiduciaries Index  
Basis of calculation: Time-Weighted rate of return based on the market rate of return.



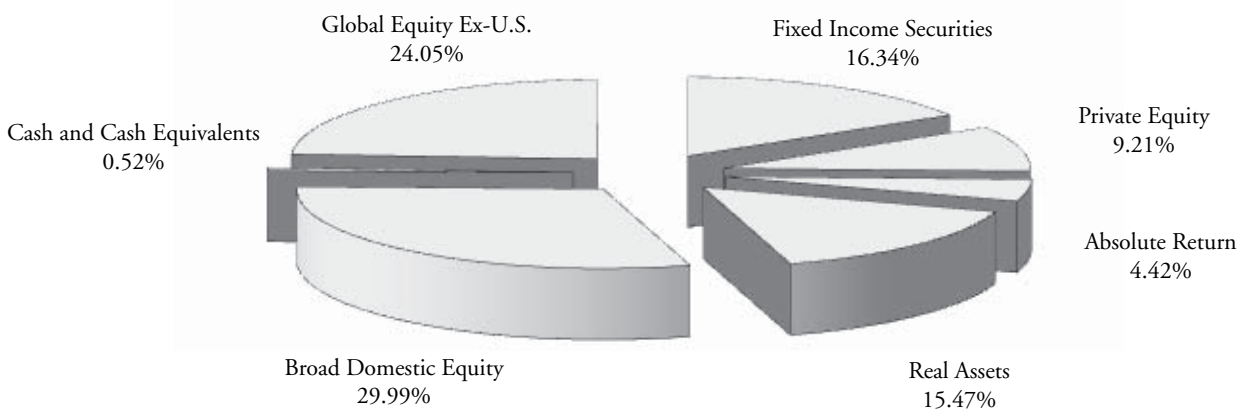
# INVESTMENT SECTION

## Teachers' Retirement System Asset Allocation June 30, 2011

### Policy



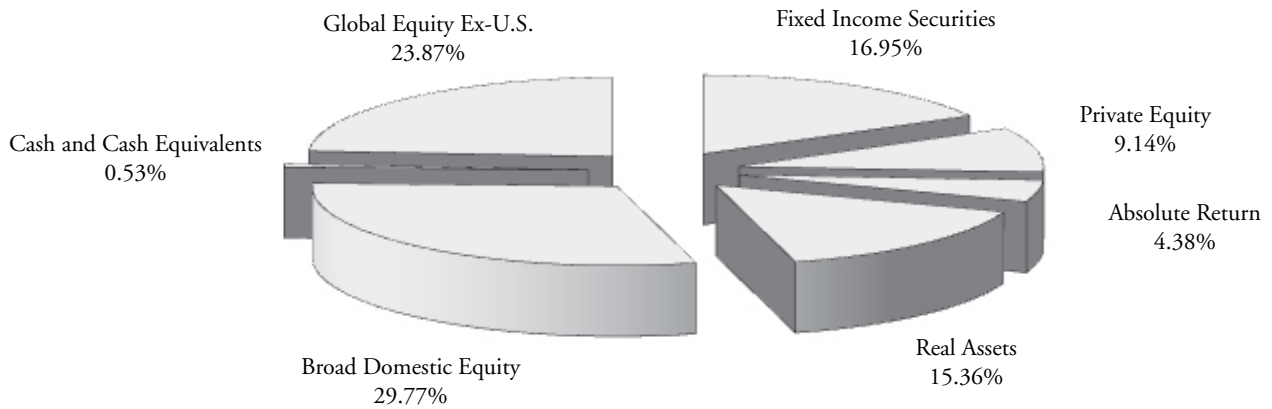
### Actual — Defined Benefit Pension



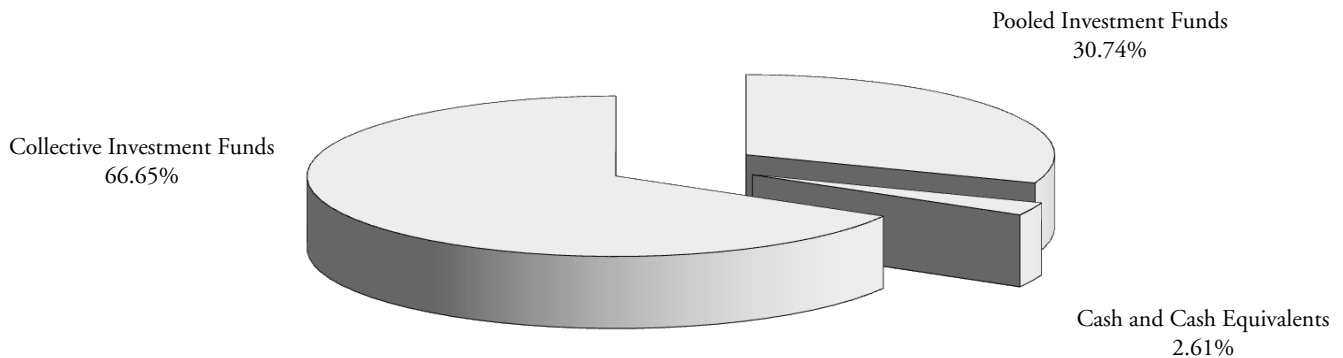
# INVESTMENT SECTION

## Teachers' Retirement System Asset Allocation June 30, 2011

### Actual — Defined Benefit Alaska Retiree Healthcare Trust



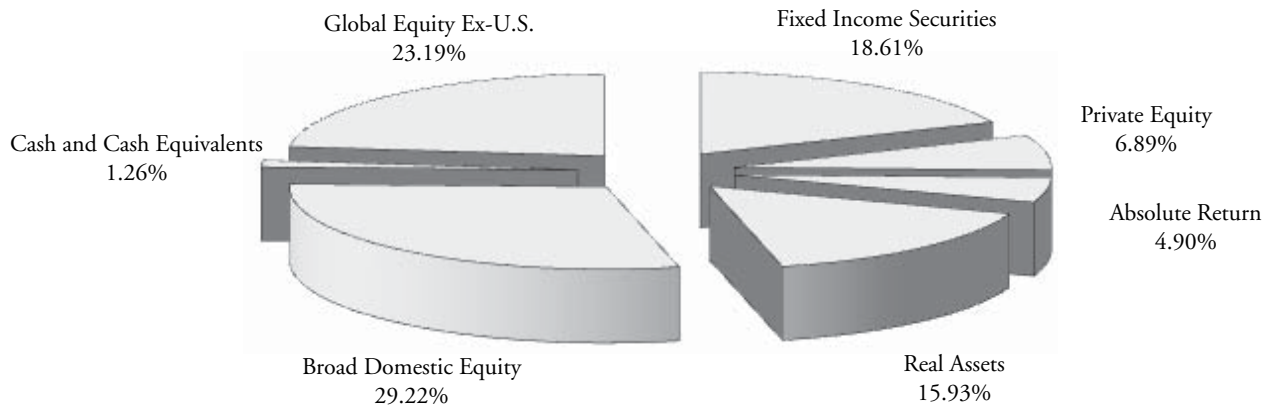
### Actual — Defined Contribution Participant Directed



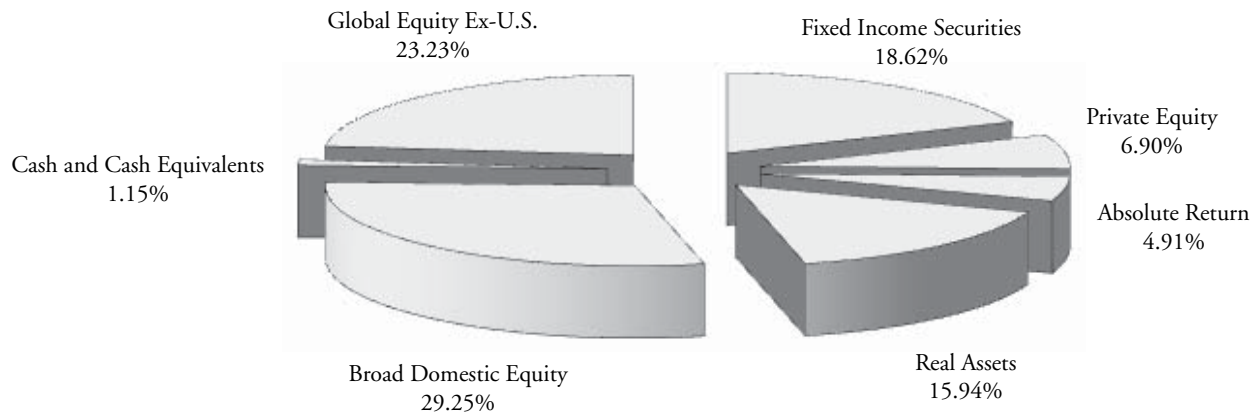
# INVESTMENT SECTION

## Teachers' Retirement System Asset Allocation June 30, 2011

### Actual — Defined Contribution Health Reimbursement Arrangement



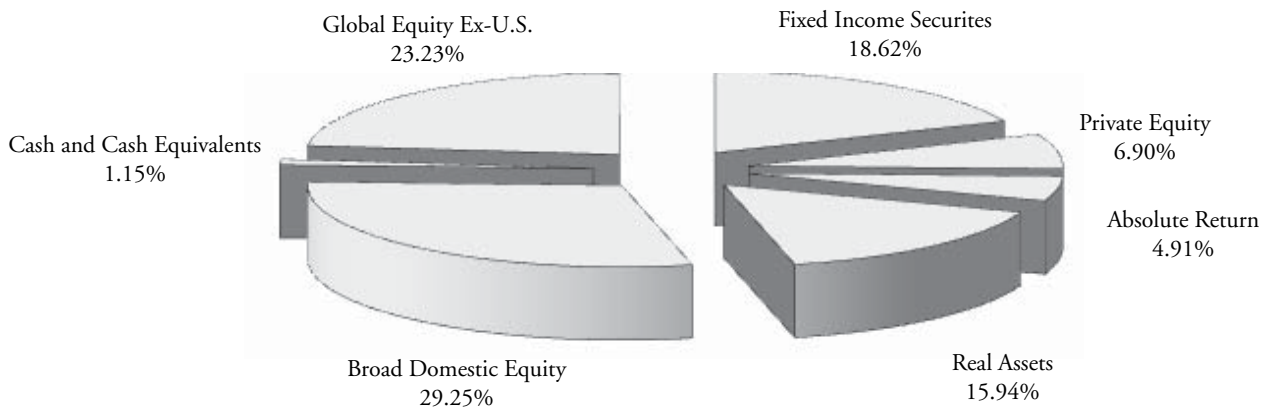
### Actual — Defined Contribution Occupational Death & Disability



# INVESTMENT SECTION

## Teachers' Retirement System Asset Allocation June 30, 2011

### Actual — Defined Contribution Retiree Medical Plan



# INVESTMENT SECTION

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

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

### Fixed Income

<u>Rank</u>	<u>Security</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 1.5% 06/30/2016	\$132,241,549	\$133,873,467
2	US Treasury 0.75% 06/15/2014	58,557,680	58,628,622
3	US Treasury 1.75% 08/15/2012	43,099,227	42,390,500
4	US Treasury 3.625% 02/15/2020	34,912,519	33,002,000
5	US Treasury 4.875% 02/15/2012	23,997,920	23,312,215
6	US Treasury 1.75% 05/31/2016	21,326,335	21,293,118
7	US Treasury 2.375% 09/30/2014	20,633,859	19,715,850
8	US Treasury 2.0% 01/31/2016	20,215,396	19,829,650
9	US Treasury 2.0% 11/30/2013	12,874,054	12,459,393
10	US Treasury 2.625% 08/15/2020	12,294,110	12,700,934

### Equities

<u>Rank</u>	<u>Largest Domestic Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc	\$26,565,631
2	Exxon Mobil Corp	21,521,204
3	Chevron Corp	17,666,056
4	JPMorgan Chase & Co	17,578,535
5	Pfizer Inc	16,975,700
6	International Business Machines Corp	15,498,389
7	Wells Fargo & Co	14,165,971
8	Oracle Corp	13,971,800
9	General Electric Co	12,746,045
10	AT&T Inc	12,344,912

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

# INVESTMENT SECTION

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

Investment Management Fees	<u>Fair Value</u>	<u>Fees</u>
<b>International Fixed Income</b>		
* Mondrian Investment Partners	\$ 109,778,628	\$ 230,997
<b>High Yield Pool</b>		
* Mackay Shields, LLC	118,450,074	460,201
* ING Investments	-	56,402
Total High Yield	<u>118,450,074</u>	<u>516,603</u>
<b>Domestic Equity Pools</b>		
** Relational Investors	92,796,064	553,814
* Advent Capital	27,262,681	169,580
* Barrow,Hanley, Mewhinney & Strauss, INC	71,472,911	199,300
* Jennison Associates LLC	48,064,876	328,884
* Lazard Asset Management	101,819,673	244,158
* Lord Abbett & Co.	75,989,016	387,425
* Luther King Cap. Management	39,140,179	183,126
* McKinley Capital	114,836,020	514,968
* Quantitative Management Associates	40,536,816	145,590
* SSgA Russell 1000 Growth	178,123,226	27,449
* SSgA Russell 1000 Value	274,624,847	47,360
* SSgA Russell 2000 Growth	17,410,516	9,771
* SSga Russell 2000 Value	26,812,129	41,717
* SSgA Russell 200	107,274,868	12,019
* SSgA Futures Large Cap	2,367,370	5,206
* SSgA Future Small Cap	1,875,651	2,683
* DePrince, Race & Zollo Inc.-Micro Cap	21,108,174	64,391
* Analytic Buy Write Account	29,992,226	56,537
* RCM Buy Write Account	29,664,422	400,149
* RCM	<u>122,303,915</u>	<u>47,312</u>
Total Domestic Equities	<u>1,423,475,580</u>	<u>3,441,439</u>
<b>Private Equity Pool</b>		
** BlumCapital Partners-Strategic	7,209,787	96,306
** Warburg Pincus X	6,812,665	116,074
** Angelo Gordon & Co.	9,332,350	117,302
** Onex Partners	1,786,430	48,970
** Lexington Partners	6,508,035	97,838
* Pathway Capital Management	203,565,658	653,902
* Abbott Capital Management	200,448,753	541,954
** Merit Capital Partners	<u>992,543</u>	<u>70,162</u>
Total Private Equities	<u>436,656,221</u>	<u>1,742,508</u>
<b>International Equity Pools</b>		
* SSgA	114,341,869	58,933
* Brandes Investment Partners	244,101,002	959,570
* Capital Guardian Trust Co.	187,426,145	629,439
* McKinley Capital Mgmt.	103,386,234	371,454
* Lazard Freres	135,212,601	173,090
* Mondrian Investment Partners	35,064,687	199,862
* Schroder Investment Management	<u>36,024,137</u>	<u>228,826</u>
Total International Equities	<u>855,556,675</u>	<u>2,621,174</u>
<b>Absolute Return Pool</b>		
** Mariner Investment Group	58,790,695	565,894
** Cadogan Management LLC	177,991	-
** Crestline Investors Inc.	64,854,298	585,898
** Global Asset Management	41,899,178	290,449
** Prisma Capital Partners	<u>44,107,568</u>	<u>276,794</u>
Total Absolute Return	<u>209,829,730</u>	<u>1,719,035</u>

(continued)

# INVESTMENT SECTION

## Teachers' Retirement System Schedule of External Investment Management Fees (Cont.) Year Ended June 30, 2011

	<u>Fair Value</u>	<u>Fees</u>
<b>Emerging Markets Equity Pool</b>		
** The Capital Group Inc.	\$ 130,974,163	\$ 757,507
** Lazard Freres Asset Managers	88,904,187	-
** Eaton Vance	<u>65,979,639</u>	<u>-</u>
Total Emerging Markets	<u>285,857,989</u>	<u>757,507</u>
<b>Real Estate Pool</b>		
** JPM Strategic	53,646,562	401,844
** UBS Consolidated	19,762,952	160,928
** Cornerstone	46,538,195	347,467
** Lasalle	54,804,093	391,232
** Sentinel, SA	28,186,015	177,972
** UBS Separate	67,020,723	513,175
** Lowe Hospitality	1,016,284	62,642
** ING Clarion	7,367,191	102,647
** Silverpeak Legacy Pension Partners	29,255,713	418,708
** Rothschild Five Arrows	16,701,410	194,157
** Tishman Speyer	18,901,755	340,570
** BlackRock Diamond	6,375,696	71,718
** Colony Investors VIII, L.P.	8,648,106	220,418
** LaSalle Medical Office Fund II	6,148,327	79,613
** Cornerstone Apartment Venture III	8,727,720	95,797
** Coventry	<u>6,034,122</u>	<u>-</u>
Total Real Estate	<u>379,134,864</u>	<u>3,578,888</u>
<b>Timber Pool</b>		
** Timberland INVT Resources	34,004,328	273,679
** Hancock Natural Resource Group	<u>21,653,261</u>	<u>138,492</u>
Total Timber Pool	<u>55,657,589</u>	<u>412,171</u>
<b>Farmland Pool</b>		
** Hancock Agriculture Investment Group	61,503,293	448,923
** UBS Agrivest	<u>97,027,588</u>	<u>769,312</u>
Total Farmland	<u>158,530,881</u>	<u>1,218,235</u>
<b>Farmland Water Pool</b>		
** Hancock Farmland & Water	4,207,832	30,555
** UBS Agrivest	<u>9,669,019</u>	<u>65,823</u>
Total Farmland Water Pool	<u>13,876,851</u>	<u>96,378</u>
<b>Energy Pool</b>		
** EIG Energy Fund XV	709,218	39,157
** EIG Energy Fund XD	4,175,896	66,794
** EIG Energy Fund XIV-A	<u>17,769,635</u>	<u>265,515</u>
Total Energy Pool	<u>\$ 22,654,749</u>	<u>371,466</u>
<b>Custodian</b>		
* State Street Bank		<u>289,938</u>
<b>Investment Advisory</b>		
* Townsend Group		29,441
* Callan Associates		30,766
* Investment Advisory Council		<u>8,982</u>
Total Investment Advisory		<u>69,189</u>
<b>Investment Performance</b>		
* Callan Associates		<u>76,915</u>
<b>Total External Management Fees</b>		<u>\$ 17,142,443</u>

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

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

# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market Value</u>	<u>% of Total Assets</u>
	<u>Policy</u>	<u>Range</u>		
<b>Defined Benefit - Pension</b>				
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 16,225,632	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>16,225,632</u>	0.52%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			7,561,753	
U.S. Treasury Fixed Income Pool			327,617,559	
High Yield Pool			77,919,938	
International Fixed Income Pool			72,185,842	
Emerging Debt Pool			<u>24,370,342</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>509,655,434</u>	16.34%
<b>Broad Domestic Equity</b>				
Large Cap			746,963,820	
Small Cap Pool			170,876,714	
Convertible Bond Pool			<u>17,647,017</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>935,487,551</u>	29.99%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			515,496,052	
International Equity Small Cap Pool			46,623,120	
Emerging Markets Equity Pool			<u>188,024,481</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>750,143,653</u>	24.05%
<b>Private Equity</b>				
Private Equity Pool			<u>287,297,583</u>	
Total Private Equity	7.00%	2-12%	<u>287,297,583</u>	9.21%
<b>Absolute Return</b>				
Absolute Return Pool			<u>137,789,609</u>	
Total Absolute Return	5.00%	1-9%	<u>137,789,609</u>	4.42%
<b>Real Assets</b>				
Real Estate Pool			248,787,814	
Real Estate Investment Trust Pool			31,848,675	
Energy Pool			14,915,906	
Farmland Pool			99,711,080	
Farmland Water Pool			13,876,851	
Timber Pool			36,603,039	
Treasury Inflation Protected Securities Pool			<u>36,501,715</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>482,245,080</u>	<u>15.47%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$3,118,844,542</u></b>	<b><u>100.00%</u></b>



# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

<u>Defined Benefit - Alaska Retiree Healthcare Trust</u>				
<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	<u>Total</u>
				<u>Assets</u>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 8,510,135	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>8,510,135</u>	0.53%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			3,885,290	
U.S. Treasury Fixed Income Pool			180,186,156	
High Yield Pool			40,034,114	
International Fixed Income Pool			37,087,069	
Emerging Debt Pool			<u>12,521,193</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>273,713,822</u>	16.95%
<b>Broad Domestic Equity</b>				
Large Cap Pool			383,246,669	
Small Cap Pool			87,782,681	
Convertible Bond Pool			<u>9,521,292</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>480,550,642</u>	29.77%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			264,813,566	
International Equity Small Cap Pool			23,947,943	
Emerging Markets Equity Pool			<u>96,604,786</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>385,366,295</u>	23.87%
<b>Private Equity</b>				
Private Equity Pool			<u>147,603,633</u>	
Total Private Equity	7.00%	2-12%	<u>147,603,633</u>	9.14%
<b>Absolute Return</b>				
Absolute Return Pool			<u>70,792,474</u>	
Total Absolute Return	5.00%	1-9%	<u>70,792,474</u>	4.38%
<b>Real Assets</b>				
Real Estate Pool			127,887,277	
Real Estate Investment Trust Pool			16,361,367	
Energy Pool			7,663,616	
Farmland Pool			58,421,593	
Timber Pool			18,807,132	
Treasury Inflation Protected Securities Pool			<u>18,754,224</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>247,895,209</u>	<u>15.36%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$1,614,432,210</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

<b>Defined Contribution - Participant Directed</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation</b>		<b>Fair Market</b>	<b>% of</b>
	<b>Policy</b>	<b>Range</b>	<b>Value</b>	<b>Total</b>
				<b>Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool	100%	0%	\$ 2,115,739	
Total Cash and Cash Equivalents			<u>2,115,739</u>	2.61%
<b>Pooled Investment Fund (1)</b>				
T. Rowe Price				
Target 2010 Trust			206,063	
Target 2015 Trust			669,177	
Target 2020 Trust			1,021,661	
Target 2025 Trust			1,176,257	
Target 2030 Trust			1,162,611	
Target 2035 Trust			2,088,566	
Target 2040 Trust			2,261,588	
Target 2045 Trust			4,183,253	
Target 2050 Trust			5,300,766	
Target 2055 Trust			177,859	
Alaska Balanced Fund			86,167	
Long-Term Balanced Fund			5,000,270	
Alaska Money Market			<u>1,631,849</u>	
Total Pooled Investment Funds			<u>24,966,087</u>	30.74%
<b>Collective Investment Funds (1)</b>				
State Street Global Advisors				
Money Market Funds			14,661	
S&P Stock Index Fund			13,801,136	
Russell 3000 Index			133,376	
Real Estate Investment Trust Index			123,996	
World Equity Ex-U.S. Index			52,767	
Long U.S. Treasury Bond Index			18,729	
Treasury Inflation Protected Securities Index			99,891	
World Government Bond Ex-U.S. Index			8,623	
Global Balanced Fund			1,538,163	
Barclays				
Daily Government/Corporate Bond Fund			4,032,979	
Intermediate Bond Fund			67,751	
Brandes Institutional				
International Equity Fund			18,989,927	
RCM				
Socially Responsible Fund			1,249,041	
T. Rowe Price				
Small-Cap Fund			<u>13,995,497</u>	
Total Collective Investment Funds			<u>54,126,537</u>	<u>66.65%</u>
<b>Total Invested Assets</b>			<b><u>\$ 81,208,363</u></b>	<b><u>100.00%</u></b>

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

# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Health Reimbursement Arrangement

<u>Investments (at Fair Value)</u>	<u>Asset Allocation Policy</u>	<u>Range</u>	<u>Fair Market Value</u>	<u>% of Total Assets</u>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 224,277	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>224,277</u>	1.26%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			2,260,710	
High Yield Pool			346,468	
International Fixed Income Pool			353,230	
Emerging Debt Pool			<u>347,660</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>3,308,068</u>	18.61%
<b>Broad Domestic Equity</b>				
Large Cap Pool			4,590,924	
Small Cap Pool			540,162	
Convertible Bond Pool			<u>63,521</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>5,194,607</u>	29.22%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			2,904,062	
International Equity Small Cap Pool			361,561	
Emerging Markets Equity Pool			<u>858,252</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>4,123,875</u>	23.19%
<b>Private Equity</b>				
Private Equity Pool			<u>1,225,882</u>	
Total Private Equity	7.00%	2-12%	<u>1,225,882</u>	6.89%
<b>Absolute Return</b>				
Absolute Return Pool			<u>871,445</u>	
Total Absolute Return	5.00%	1-9%	<u>871,445</u>	4.90%
<b>Real Assets</b>				
Real Estate Equity Pool			1,718,156	
Real Estate Investment Trust Pool			53,621	
Energy Pool			52,546	
Farmland Pool			278,149	
Timber Pool			172,827	
Treasury Inflation Protected Securities Pool			<u>556,701</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>2,832,000</u>	<u>15.93%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 17,780,154</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Occupational Death & Disability

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market Value</u>	<u>% of Total Assets</u>
	<u>Policy</u>	<u>Range</u>		
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 25,736	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>25,736</u>	1.15%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			284,338	
High Yield Pool			43,577	
International Fixed Income Pool			44,431	
Emerging Debt Pool			<u>43,727</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>416,073</u>	18.62%
<b>Broad Domestic Equity</b>				
Large Cap Pool			576,054	
Small Cap Pool			67,968	
Convertible Bond Pool			<u>9,471</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>653,493</u>	29.25%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			365,443	
International Equity Small Cap Pool			45,514	
Emerging Markets Equity Pool			<u>107,949</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>518,906</u>	23.23%
<b>Private Equity</b>				
Private Equity Pool			<u>154,160</u>	
Total Private Equity	7.00%	2-12%	<u>154,160</u>	6.90%
<b>Absolute Return</b>				
Absolute Return Pool			<u>109,618</u>	
Total Absolute Return	5.00%	1-9%	<u>109,618</u>	4.91%
<b>Real Assets</b>				
Real Estate Pool			216,093	
Real Estate Investment Trust Pool			6,747	
Energy Pool			6,609	
Farmland Pool			34,983	
Timber Pool			21,734	
Treasury Inflation Protected Securities Pool			<u>70,019</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>356,185</u>	<u>15.94%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 2,234,171</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Teachers' Retirement System Investment Summary Schedule

June 30, 2011

### Defined Contribution - Retiree Medical Plan

<b>Investments (at Fair Value)</b>	<b>Asset Allocation Policy</b>	<b>Range</b>	<b>Fair Market Value</b>	<b>% of Total Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 62,576	
Total Cash and Cash Equivalents	1.00%	0-6%	<u>62,576</u>	1.15%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			691,523	
High Yield Pool			105,978	
International Fixed Income Pool			108,056	
Emerging Debt Pool			<u>106,342</u>	
Total Fixed Income Securities	19.00%	16-22%	<u>1,011,899</u>	18.62%
<b>Broad Domestic Equity</b>				
Large Cap Pool			1,402,613	
Small Cap Pool			165,294	
Convertible Bond Pool			<u>21,381</u>	
Total Broad Domestic Equity	29.00%	23-35%	<u>1,589,288</u>	29.25%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			888,727	
International Equity Small Cap Pool			110,687	
Emerging Markets Equity Pool			<u>262,522</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,261,936</u>	23.23%
<b>Private Equity</b>				
Private Equity Pool			<u>374,964</u>	
Total Private Equity	7.00%	2-12%	<u>374,964</u>	6.90%
<b>Absolute Return</b>				
Absolute Return Pool			<u>266,585</u>	
Total Absolute Return	5.00%	1-9%	<u>266,585</u>	4.91%
<b>Real Assets</b>				
Real Estate Pool			525,524	
Real Estate Investment Trust Pool			16,409	
Energy Pool			16,073	
Farmland Pool			85,076	
Timber Pool			52,856	
Treasury Inflation Protected Securities Pool			<u>170,281</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>866,219</u>	<u>15.94%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 5,433,467</u></b>	<b><u>100.00%</u></b>

# INVESTMENT SECTION

## Teachers' Retirement System Recaptured Commission Fees Year Ended June 30, 2011

<u>FUND</u>	<u>Domestic Equity Pool</u>	<u>International Equity Pool</u>	<u>Total</u>
Defined Benefit Plan - Pension	\$ 74,402	\$ 28,572	\$102,974
Defined Benefit Plan - Alaska Retiree Health Care Trust	37,096	14,095	51,191
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	370	125	495
Defined Contribution Retirement Plan - Occupational Death & Disability	49	17	66
Defined Contribution Retirement Plan - Retiree Medical Plan	<u>120</u>	<u>41</u>	<u>161</u>
<b>Total Recaptured Commission Fees</b>	<b><u>\$112,037</u></b>	<b><u>\$ 42,850</u></b>	<b><u>\$ 154,887</u></b>

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

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

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