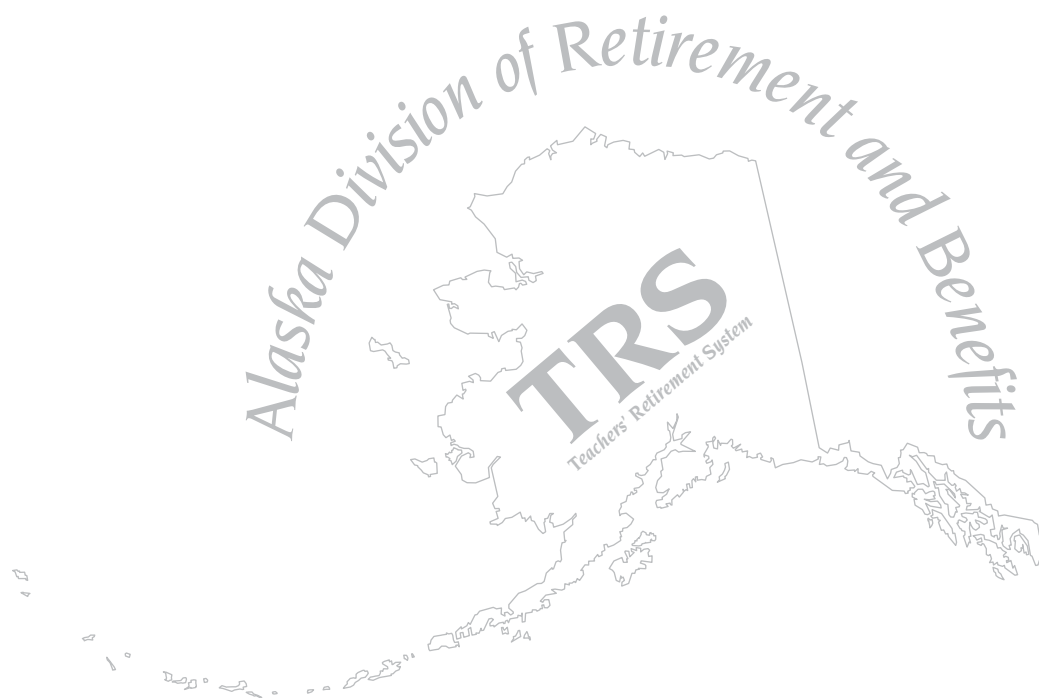




INVESTMENT SECTION



Callan

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

Main 303.861.1900
Fax 303.832.8230

www.callan.com

August 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%.

INVESTMENT SECTION

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

INVESTMENT SECTION

Department of Revenue Treasury Division Staff

Commissioner

Bryan Butcher

Chief Investment Officer

Gary Bader

Investment Officers

Bob G. Mitchell

Casey Colton

Stephen R. Sikes

Nicholas Orr

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 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

INVESTMENT SECTION

External Money Managers and Consultants (cont.)

International Equity – EAFE

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

International Small Cap

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

International Fixed Income

Mondrian Investment Partners
London, England

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

INVESTMENT SECTION

Teachers' Retirement System Investment Report

INVESTMENTS

The investment goals of the State of Alaska Teachers' Retirement System (TRS) 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, 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 was expected to generate a return of 7.11% with a standard deviation of 14.20%.

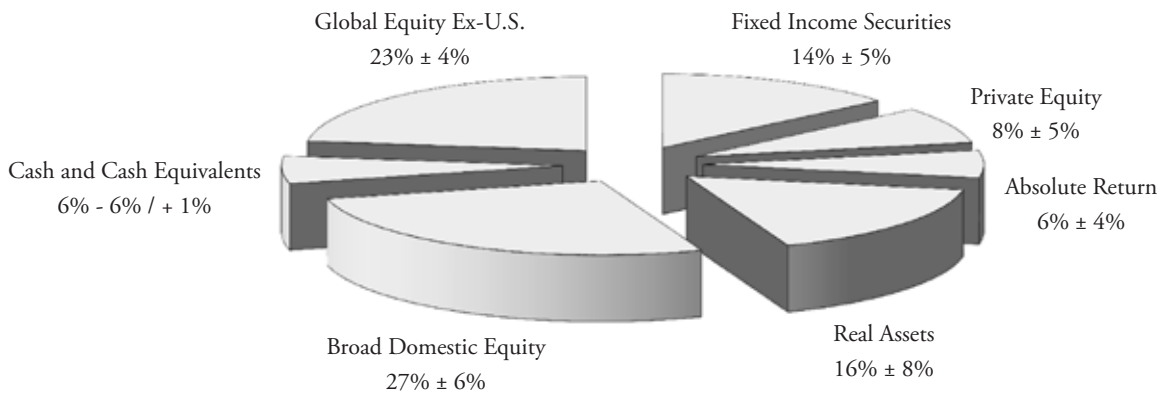
INVESTMENT SECTION

Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2009	2010	2011	2012	2013	Annualized	
						3 Year	5 Year
Total Fund							
TRS	(20.62%)	11.58%	21.40%	0.51%	12.59%	11.15%	3.98%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
TRS Domestic Equities	(26.80)	15.47	33.38	1.83	21.24	18.09	6.84
<i>Custom Composite Index</i>	(26.56)	15.72	32.37	3.84	21.46	18.63	7.25
International Stock Returns							
TRS International Equities	(29.12)	12.03	28.27	(13.66)	15.03	8.40	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							
TRS	3.36	11.35	5.55	4.82	0.57	3.63	5.07
<i>Custom Composite Index</i>	5.41	10.16	5.06	5.08	(0.04)	3.34	5.09
Private Equity							
TRS	(23.67)	18.87	20.12	9.44	11.68	13.66	5.90
<i>Custom Composite Index</i>	(27.19)	13.87	32.93	(3.61)	21.24	15.81	5.19
Absolute Return							
TRS	(12.52)	6.60	5.99	(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							
TRS	(21.20)	0.06	15.51	10.45	10.65	12.09	2.04
<i>Custom Composite Index</i>	(10.82)	1.17	12.66	11.41	8.35	10.79	4.18
Cash Equivalents							
TRS	—	—	0.46	0.42	0.25	0.38	—
<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.							

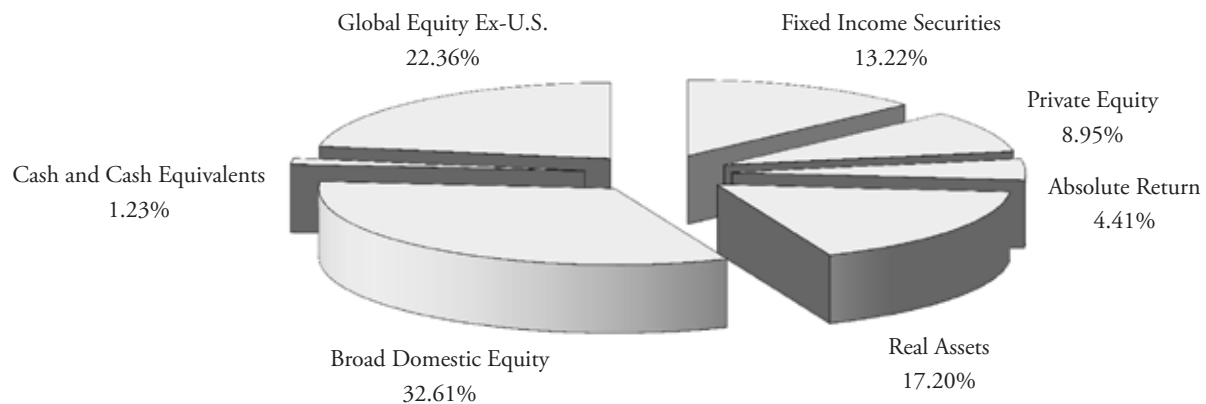
INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2013

Policy



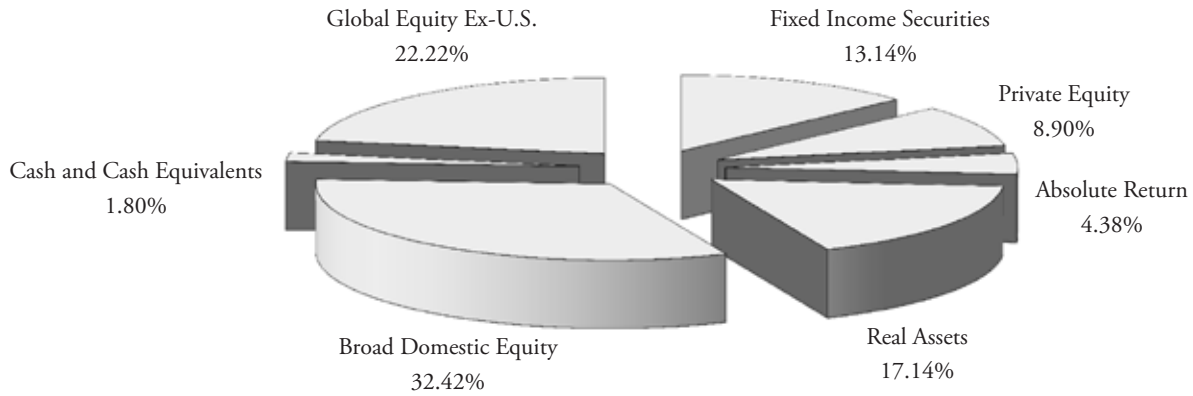
Actual — Defined Benefit Pension



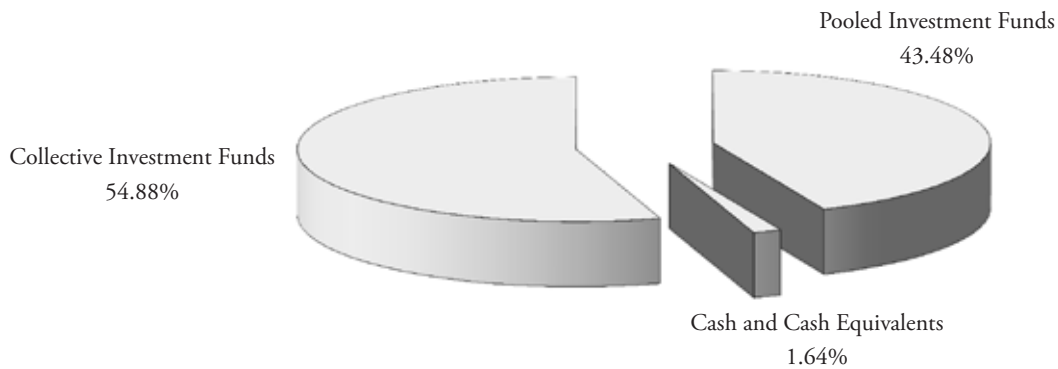
INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2013

Actual — Defined Benefit Alaska Retiree Healthcare Trust



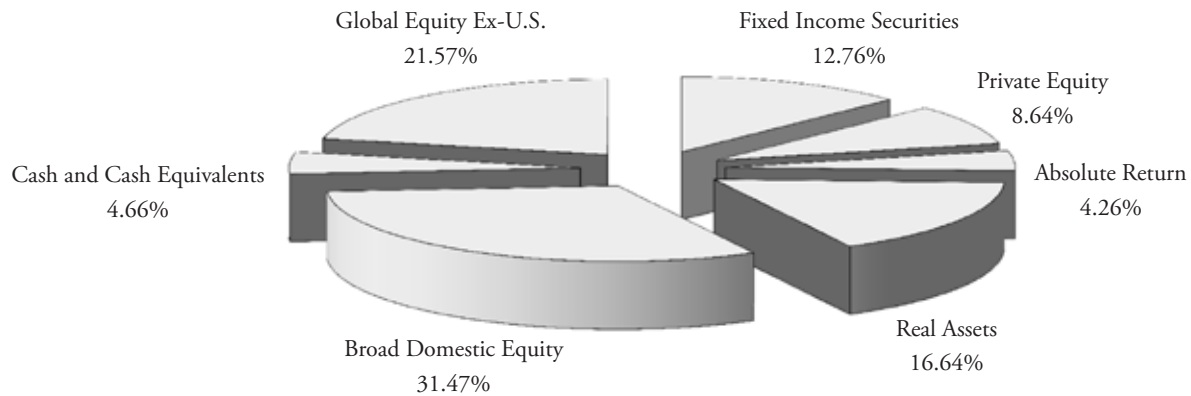
Actual — Defined Contribution Participant Directed



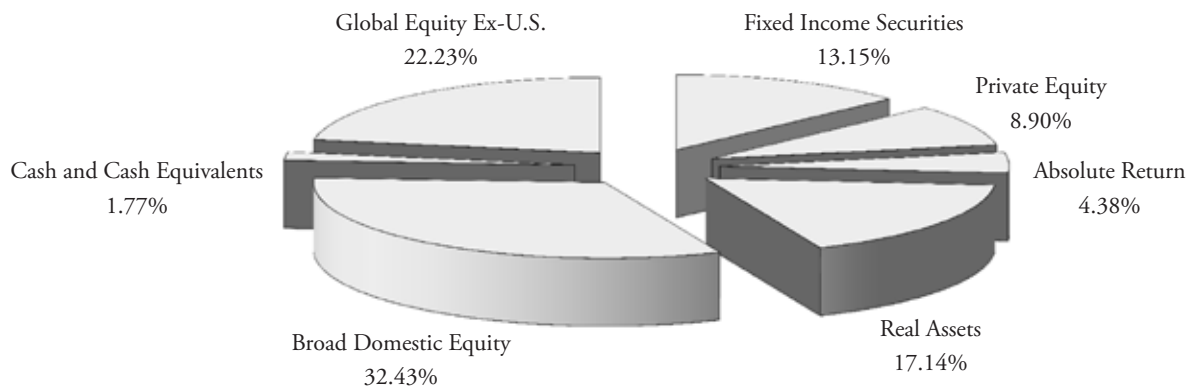
INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2013

Actual — Defined Contribution Health Reimbursement Arrangement



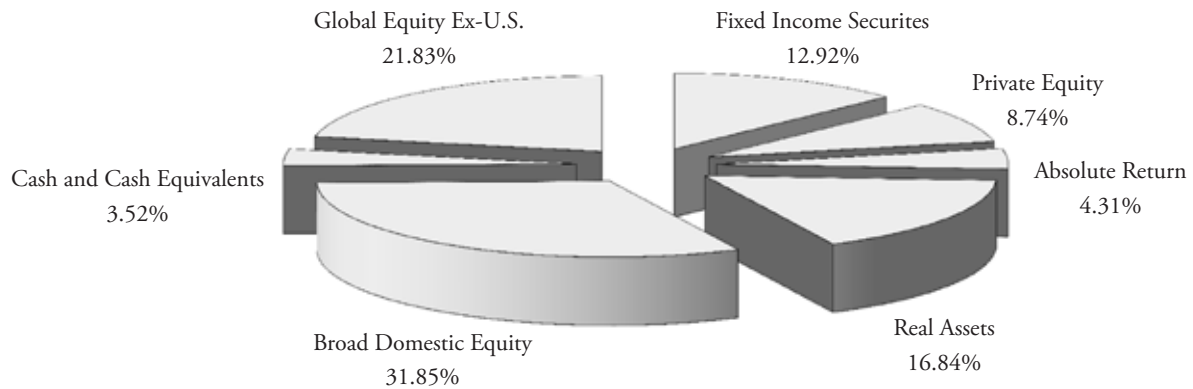
Actual — Defined Contribution Occupational Death & Disability



INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2013

Actual — Defined Contribution Retiree Medical Plan



INVESTMENT SECTION

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 bond 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	\$ 68,461,409	\$ 68,504,224
2	US Treasury 2.625% 07/31/2014	30,598,517	29,819,250
3	US Treasury 2.000% 02/15/2022	26,228,592	26,817,312
4	US Treasury 0.250% 02/15/2015	20,001,192	20,012,920
5	US Treasury 0.875% 07/31/2019	13,820,172	14,509,367
6	US Treasury 1.125% 05/31/2019	11,654,088	12,007,752
7	US Treasury 0.250% 09/30/2014	8,084,062	8,081,217
8	US Treasury 0.625% 05/31/2017	7,168,599	7,284,703
9	US Treasury 0.250% 05/15/2016	6,754,866	6,827,408
10	US Treasury 0.250% 01/31/2015	5,939,877	5,941,035

Equities

<u>Rank</u>	<u>Largest 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 Investment Management Fees Year Ended June 30, 2013

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	\$ 102,306,539	\$ 416,942
High Yield Pool		
* Mackay Shields, LLC	146,248,384	640,081
Total High Yield	146,248,384	640,081
Alternative Equity		
** Relational Investors	77,677,499	571,469
*Analytic SSgA Account	33,527,820	4,328
*Analytic Buy Write Account	918,023	52,006
*Allianz Buy-Write Account	23,351,933	124,922
Total Alternative Equity	135,475,275	752,725
Domestic Equity Pools		
* Advent Capital	36,886,858	240,311
* Barrow, Hanley, Mewhinney & Strauss, INC	71,472,911	429,060
* Jennison Associates LLC	45,664,726	302,979
* Lazard Asset Management	104,662,833	229,818
* Lord Abbett & Co.	64,360,411	481,827
* Luther King Cap. Management	43,943,151	212,301
* Victory Capital Management	25,211,615	186,714
* Frontier Capital Management	43,421,352	326,332
* McKinley Capital	76,660,942	328,160
ARMB Equity Yield Strategy	31,855,418	—
* Quantitative Management Associates	77,313,839	180,803
* SSgA Russell 1000 Growth	303,949,253	32,564
* SSgA Russell 1000 Value	319,665,761	39,997
* SSgA Russell 2000 Growth	4,080,652	1,821
* SSgA Russell 2000 Value	15,244,146	3,746
* SSgA Russell 200	135,918,365	16,416
* SSgA Futures Large Cap	3,139,199	2,980
* SSgA Future Small Cap	2,529,345	2,652
* DePrince, Race & Zollo Inc.-Micro Cap	25,475,938	264,211
* Allianz Global Investors	77,538,149	287,837
Total Domestic Equities	1,508,994,864	3,570,529
Private Equity Pool		
** BlumCapital Partners-Strategic	2,805,174	87,733
** Warburg Pincus X	9,956,569	209,595
** Angelo Gordon & Co.	4,067,971	100,727
** Onex Partners	5,694,480	120,978
** Lexington Partners	13,222,427	127,996
* Pathway Capital Management	1,597,792	623,616
* Abbott Capital Management	209,820,489	532,596
** Merit Capital Partners	3,403,535	74,691
Total Private Equities	250,568,437	1,877,932
International Equity Pools		
* SSgA	158,470,949	93,790
* Brandes Investment Partners	249,011,488	892,581
* Capital Guardian Trust Co.	196,528,978	694,490
* McKinley Capital Mgmt.	92,053,122	456,659
* Lazard Freres	120,845,799	143,990
* Mondrian Investment Partners	37,802,688	276,494
Blackrock ACWI Ex-US IMI	—	28,342
* Schroder Investment Management	36,233,994	269,740
Total International Equities	890,947,018	2,856,086
Absolute Return Pool		
** Mariner Investment Group	449,191	105,082
** Crestline Investors Inc.	77,009,168	636,451
** Global Asset Management	75,252,100	373,170
** Prisma Capital Partners	76,419,065	379,478
Total Absolute Return	229,129,524	1,494,181

(continued)

INVESTMENT SECTION

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

	Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	\$ —	\$ 147,022
** Lazard Freres Asset Managers	93,760,282	—
** Eaton Vance	58,765,608	—
Total Emerging Markets Equities	<u>152,525,890</u>	<u>147,022</u>
Real Estate Pool		
** JPM Strategic	61,821,251	512,510
** UBS Consolidated	22,492,573	235,394
** Cornerstone	27,828,754	99,934
** Lasalle	62,792,183	445,076
** Sentinel, SA	43,619,142	222,956
** UBS Separate	78,966,846	483,146
** Lowe Hospitality	821,272	18,469
** ING Clarion	8,938,289	152,993
** Silverpeak Legacy Pension Partners	22,789,898	319,263
** Almanac Realty Securities	19,001,568	365,161
** Tishman Speyer	23,079,266	264,033
** BlackRock Diamond	7,633,265	107,805
** Colony Investors VIII, L.P.	6,140,011	182,511
** LaSalle Medical Office Fund II	5,498,792	98,130
** Cornerstone Apartment Venture III	7,769,945	82,935
** Coventry	4,036,830	95,472
Total Real Estate	<u>403,229,885</u>	<u>3,685,788</u>
Master Limited Partnerships Pool		
** Tortoise MLP	53,143,474	161,079
** Famco MLP	51,603,165	124,671
Total Master Limited Partnerships	<u>104,746,639</u>	<u>285,750</u>
Timber Pool		
** Timberland INVT Resources	50,452,819	373,028
** Hancock Natural Resource Group	24,937,458	194,144
Total Timber	<u>75,390,277</u>	<u>567,172</u>
Farmland Pool		
** Hancock Agriculture Investment Group	69,313,226	525,097
** UBS Agrinvest	119,559,538	847,855
Total Farmland	<u>188,872,764</u>	<u>1,372,952</u>
Farmland Water Pool		
** Hancock Farmland & Water	6,528,662	38,496
** UBS Agrinvest	11,265,234	83,774
Total Farmland Water	<u>17,793,896</u>	<u>122,270</u>
Energy Pool		
** EIG Energy Fund XV	9,922,538	164,349
** EIG Energy Fund XD	2,421,458	30,606
** EIG Energy Fund XIV-A	18,765,662	236,683
Total Energy	<u>31,109,658</u>	<u>431,638</u>
Custodian		
* State Street Bank		<u>277,752</u>
Investment Advisory		
* Townsend Group		28,280
* Callan Associates		51,767
* Investment Advisory Council		27,196
Total Investment Advisory		<u>107,243</u>
Investment Performance		
* Callan Associates		<u>78,922</u>
Total External Management Fees		<u>\$ 18,684,985</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, 2013

<u>Investments (at Fair Value)</u>	<u>Defined Benefit - Pension</u>			
	<u>Asset Allocation Policy</u>	<u>Range</u>	<u>Fair Market Value</u>	<u>% of Total Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 40,497,559	
Total Cash and Cash Equivalents	6.00%	0-7%	40,497,559	1.23%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			249,342,607	
High Yield Pool			92,321,599	
International Fixed Income Pool			64,561,577	
Emerging Debt Pool			27,481,432	
Total Fixed Income Securities	14.00%	9-19%	433,707,215	13.22%
Broad Domestic Equity				
Large Cap Pool			848,301,486	
Small Cap Pool			198,020,671	
Convertible Bond Pool			23,281,721	
Total Broad Domestic Equity	27.00%	21-33%	1,069,603,878	32.61%
Global Equity Ex-U.S.				
International Equity Pool			590,205,009	
International Equity Small Cap Pool			46,732,511	
Emerging Markets Equity Pool			96,275,682	
Total Global Equity Ex-U.S.	23.00%	19-27%	733,213,202	22.36%
Private Equity				
Private Equity Pool			293,629,137	
Total Private Equity	8.00%	3-13%	293,629,137	8.95%
Absolute Return				
Absolute Return Pool			144,616,375	
Total Absolute Return	6.00%	2-10%	144,616,375	4.41%
Real Assets				
Real Estate Pool			249,597,335	
Real Estate Investment Trust Pool			49,375,196	
Master Limited Partnership Pool			66,120,440	
Energy Pool			19,635,033	
Farmland Pool			112,614,772	
Farmland Water Pool			17,793,897	
Timber Pool			47,582,993	
Treasury Inflation Protected Securities Pool			1,518,261	
Total Real Assets	16.00%	8-24%	564,237,927	17.20%
Total Invested Assets	100.00%		\$3,279,505,294	100.00%

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2013

Defined Benefit - Alaska Retiree Healthcare Trust

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of Total</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	<u>Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 33,863,794	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>33,863,794</u>	1.80%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			142,340,407	
High Yield Pool			52,703,364	
International Fixed Income Pool			36,854,619	
Emerging Debt Pool			<u>15,688,166</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>247,586,556</u>	13.14%
Broad Domestic Equity				
Large Cap Pool			484,287,229	
Small Cap Pool			113,049,291	
Convertible Bond Pool			<u>13,290,801</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>610,627,321</u>	32.42%
Global Equity Ex-U.S.				
International Equity Pool			336,936,928	
International Equity Small Cap Pool			26,678,634	
Emerging Markets Equity Pool			<u>54,960,620</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>418,576,182</u>	22.22%
Private Equity				
Private Equity Pool			<u>167,622,500</u>	
Total Private Equity	8.00%	3-13%	<u>167,622,500</u>	8.90%
Absolute Return				
Absolute Return Pool			<u>82,556,321</u>	
Total Absolute Return	6.00%	2-10%	<u>82,556,321</u>	4.38%
Real Assets				
Real Estate Pool			143,202,152	
Real Estate Investment Trust Pool			28,187,127	
Master Limited Partnership Pool			37,747,240	
Energy Pool			11,208,939	
Farmland Pool			74,469,097	
Timber Pool			27,163,431	
Treasury Inflation Protected Securities Pool			<u>866,719</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>322,844,705</u>	<u>17.14%</u>
Total Invested Assets	<u>100.00%</u>		<u>1,883,677,379</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Participant Directed

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u> <u>Policy</u>	<u>Range</u>	<u>Fair Market</u> <u>Value</u>	<u>% of Total</u> <u>Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 2,508,516	
Total Cash and Cash Equivalents			<u>2,508,516</u>	1.64%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			348,018	
Target 2015 Trust			1,408,709	
Target 2020 Trust			2,909,316	
Target 2025 Trust			3,929,253	
Target 2030 Trust			4,182,392	
Target 2035 Trust			6,691,938	
Target 2040 Trust			7,281,011	
Target 2045 Trust			12,987,206	
Target 2050 Trust			17,226,396	
Target 2055 Trust			2,168,025	
Alaska Balanced Fund			195,440	
Long-Term Balanced Fund			5,506,122	
Alaska Money Market			1,859,834	
Total Pooled Investment Funds			<u>66,693,660</u>	43.48%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			103,387	
S&P Stock Index Fund			14,758,943	
Russell 3000 Index			6,614,240	
Real Estate Investment Trust Index			1,992,477	
World Equity Ex-U.S. Index			12,277,513	
Long U.S. Treasury Bond Index			98,423	
Treasury Inflation Protected Securities Index			836,691	
World Government Bond Ex-U.S. Index			1,808,160	
Global Balanced Fund			6,670,864	
Barclays				
Daily Government/Corporate Bond Fund			8,651,453	
Intermediate Bond Fund			121,506	
Brandes Institutional				
International Equity Fund			11,474,700	
RCM				
Socially Responsible Fund			1,774,575	
T. Rowe Price				
Small-Cap Fund			16,974,347	
Total Collective Investment Funds			<u>84,157,279</u>	54.88%
Total Invested Assets			<u>\$ 153,359,455</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

Teachers' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Health Reimbursement Arrangement

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of Total</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	<u>Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 1,607,299	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>1,607,299</u>	4.66%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			2,529,592	
High Yield Pool			936,580	
International Fixed Income Pool			655,057	
Emerging Debt Pool			<u>278,798</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>4,400,027</u>	12.76%
Broad Domestic Equity				
Large Cap Pool			8,604,624	
Small Cap Pool			2,008,525	
Convertible Bond Pool			<u>236,186</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>10,849,335</u>	31.47%
Global Equity Ex-U.S.				
International Equity Pool			5,986,969	
International Equity Small Cap Pool			474,054	
Emerging Markets Equity Pool			<u>976,695</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>7,437,718</u>	21.57%
Private Equity				
Private Equity Pool			<u>2,978,844</u>	
Total Private Equity	8.00%	3-13%	<u>2,978,844</u>	8.64%
Absolute Return				
Absolute Return Pool			<u>1,467,125</u>	
Total Absolute Return	6.00%	2-10%	<u>1,467,125</u>	4.26%
Real Assets				
Real Estate Pool			2,544,874	
Real Estate Investment Trust Pool			500,873	
Master Limited Partnership Pool			670,702	
Energy Pool			199,196	
Farmland Pool			1,323,405	
Timber Pool			482,727	
Treasury Inflation Protected Securities Pool			<u>15,403</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>5,737,180</u>	<u>16.64%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 34,477,528</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2013

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of Total</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	<u>Assets</u>
Defined Contribution - Occupational Death & Disability				
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 45,932	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>45,932</u>	1.77%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			196,174	
High Yield Pool			72,636	
International Fixed Income Pool			50,794	
Emerging Debt Pool			<u>21,621</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>341,225</u>	13.15%
Broad Domestic Equity				
Large Cap Pool			667,426	
Small Cap Pool			155,800	
Convertible Bond Pool			<u>18,317</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>841,543</u>	32.43%
Global Equity Ex-U.S.				
International Equity Pool			464,357	
International Equity Small Cap Pool			36,768	
Emerging Markets Equity Pool			<u>75,747</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>576,872</u>	22.23%
Private Equity				
Private Equity Pool			<u>231,017</u>	
Total Private Equity	8.00%	3-13%	<u>231,017</u>	8.90%
Absolute Return				
Absolute Return Pool			<u>113,779</u>	
Total Absolute Return	6.00%	2-10%	<u>113,779</u>	4.38%
Real Assets				
Real Estate Pool			197,361	
Real Estate Investment Trust Pool			38,847	
Master Limited Partnership Pool			52,022	
Energy Pool			15,449	
Farmland Pool			102,633	
Timber Pool			37,436	
Treasury Inflation Protected Securities Pool			<u>1,194</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>444,942</u>	<u>17.14%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 2,595,310</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Retiree Medical Plan

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of Total</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	<u>Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 306,209	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>306,209</u>	3.52%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			646,741	
High Yield Pool			239,458	
International Fixed Income Pool			167,471	
Emerging Debt Pool			71,280	
Total Fixed Income Securities	14.00%	9-19%	<u>1,124,950</u>	12.92%
Broad Domestic Equity				
Large Cap Pool			2,200,079	
Small Cap Pool			513,558	
Convertible Bond Pool			60,386	
Total Broad Domestic Equity	27.00%	21-33%	<u>2,774,023</u>	31.85%
Global Equity Ex-U.S.				
International Equity Pool			1,530,753	
International Equity Small Cap Pool			121,206	
Emerging Markets Equity Pool			249,713	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,901,672</u>	21.83%
Private Equity				
Private Equity Pool			761,604	
Total Private Equity	8.00%	3-13%	<u>761,604</u>	8.74%
Absolute Return				
Absolute Return Pool			375,101	
Total Absolute Return	6.00%	2-10%	<u>375,101</u>	4.31%
Real Assets				
Real Estate Pool			650,650	
Real Estate Investment Trust Pool			128,062	
Master Limited Partnership Pool			171,487	
Energy Pool			50,929	
Farmland Pool			338,357	
Timber Pool			123,419	
Treasury Inflation Protected Securities Pool			3,938	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,466,842</u>	<u>16.84%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 8,710,401</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Recaptured Commission Fees Year Ended June 30, 2013

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$ 24,184	\$ 14,124	\$ 38,308
Defined Benefit Plan - Alaska Retiree Health Care Trust	13,371	7,870	21,241
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	196	120	316
Defined Contribution Retirement Plan - Occupational Death & Disability	18	11	29
Defined Contribution Retirement Plan - Retiree Medical Plan	53	32	85
Total Recaptured Commission Fees	\$ 37,822	\$ 22,157	\$ 59,979

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.