




# INVESTMENT SECTION



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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

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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%

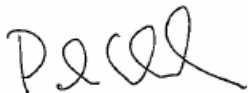
For fiscal year 2014, the Public Employees Retirement System (PERS) had a time-weighted total return of 18.56% and the Teachers Retirement System (TRS) also had a time-weighted total return of 18.56%. Both Systems outperformed their strategic policy benchmark target return of 17.20%. The two funds' returns 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

**Commissioner**  
Angela Rodell

**Chief Investment Officer**  
Gary Bader

**Investment Officers**

Bob G. Mitchell  
Stephen R. Sikes  
Zachary Hanna  
Steve Verschoor  
Shane Carson  
Sean Howard  
Paul Hackenmueller

Casey Colton  
Nicholas Orr  
Victor Djajalie  
Joy Wilkinson  
Alyson Campbell  
Emily Peyton

**Deputy Commissioner**  
Michael Pawlowski

**Comptroller**  
Scott Jones, CPA

**Director**  
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*

**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*

## 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. 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 <sup>1</sup>
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, 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%.

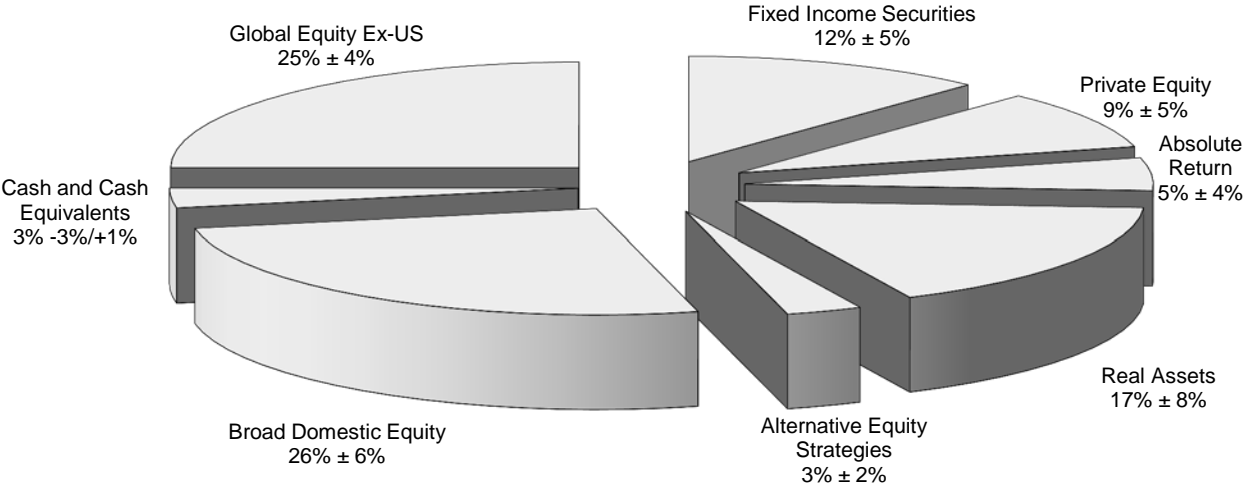
<sup>1</sup>Between July 1 and March 31, the benchmark for real assets was 55% NCREIF Property Index, 20% Barclays TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index, 5% FTSE NAREIT All Equity REIT Index.

# Investment Section

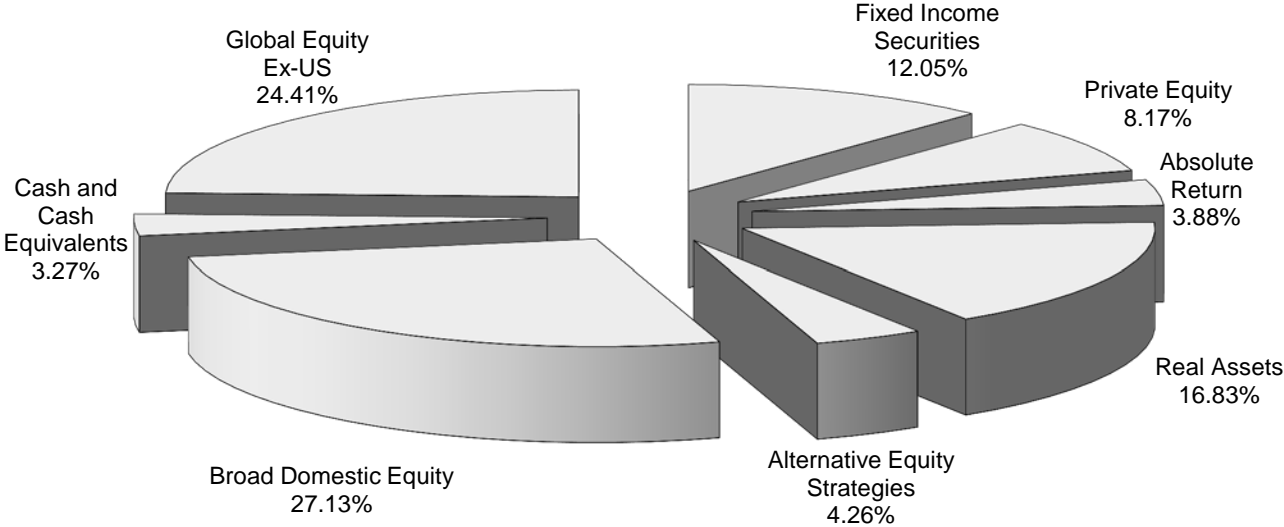
Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2010	2011	2012	2013	2014	Annualized	
						3 Year	5 Year
<b>Total Fund</b>							
TRS	11.58%	21.40%	0.51%	12.59%	18.46%	10.26%	12.66%
<i>Actuarial Earnings Rate</i>	8.25	8.00	8.00	8.00	8.00	8.00	8.00
<b>U.S. Common Stock Returns</b>							
TRS Domestic Equities	15.47	33.38	1.83	21.24	25.45	15.70	18.99
<i>Custom Composite Index</i>	15.72	32.37	3.84	21.46	25.22	16.46	19.33
<b>Fixed Income</b>							
TRS	11.35	5.55	4.82	0.57	5.14	3.49	5.43
<i>Custom Composite Index</i>	10.16	5.06	5.08	(0.04)	3.31	2.76	4.67
<b>Real Assets</b>							
TRS	0.06	15.51	10.45	10.65	12.71	11.26	9.70
<i>Custom Composite Index</i>	1.17	12.66	11.41	8.35	10.98	10.24	8.84
<b>International Stock Returns</b>							
TRS International Equities	12.03	28.27	(13.66)	15.03	23.41	7.02	11.99
<i>MSCI ACWI ex-US</i>	10.87	30.27	(14.15)	14.14	22.27	6.21	11.59
<b>Private Equity</b>							
TRS	18.87	20.12	9.44	11.68	24.19	14.93	16.73
<i>Custom Composite Index</i>	13.87	32.93	(3.61)	21.24	24.01	13.16	17.01
<b>Absolute Return</b>							
TRS	6.60	5.99	(2.05)	8.41	6.51	4.19	5.03
<i>3-month Treasury Bill +5%</i>	5.16	5.16	5.06	5.11	5.05	5.07	5.11
<b>Alternative Equity</b>							
TRS	—	—	—	—	24.55	—	—
<i>Custom Composite Index</i>	—	—	—	—	18.70	—	—
<b>Cash Equivalents</b>							
TRS	—	0.46	0.42	0.25	0.26	0.31	—
<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>							

**Teachers' Retirement System  
Asset Allocation  
June 30, 2014**

**Policy**



**Actual — Defined Benefit Pension**

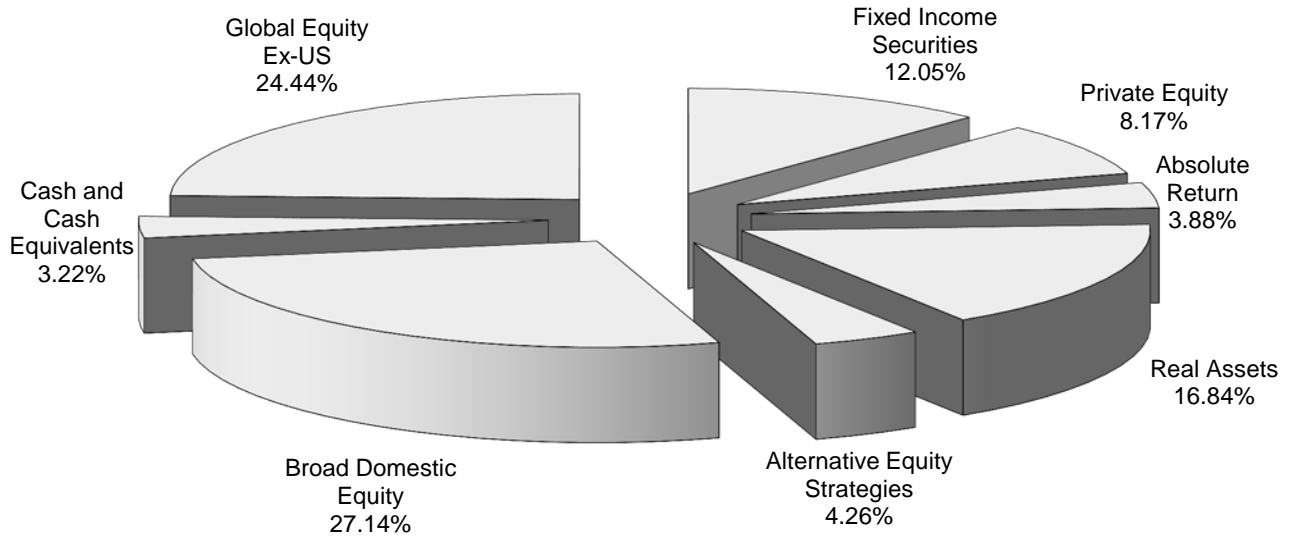




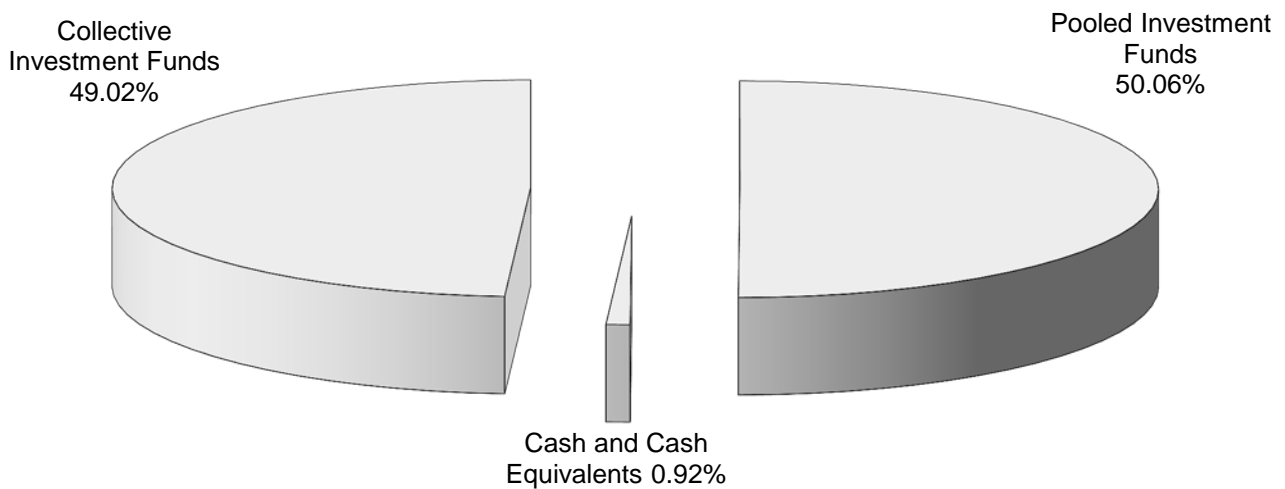
# Investment Section

## Teachers' Retirement System Asset Allocation June 30, 2014

### Actual — Defined Benefit Alaska Retiree Healthcare Trust

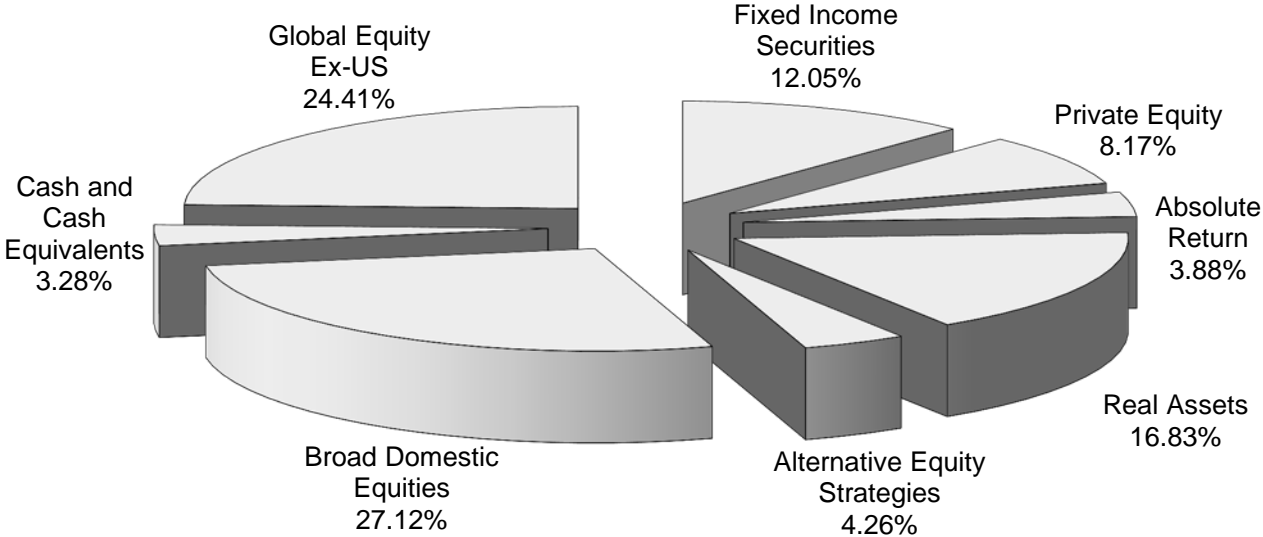


### Actual — Defined Contribution Participant Directed

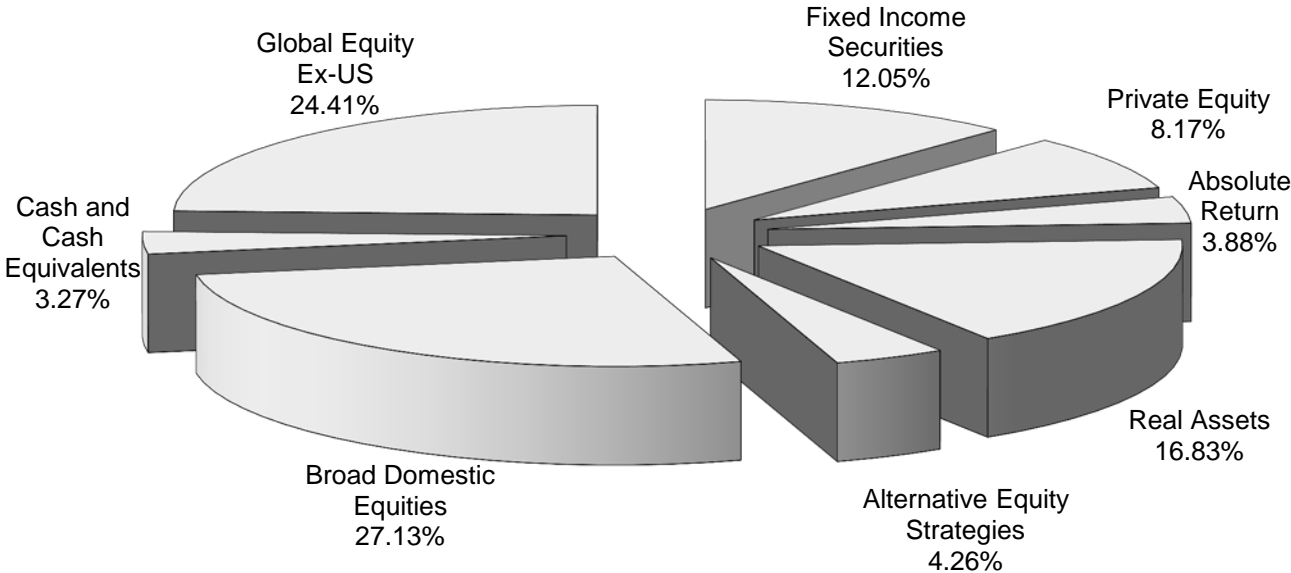


**Teachers' Retirement System  
Asset Allocation  
June 30, 2014**

**Actual — Health Reimbursement Arrangement**



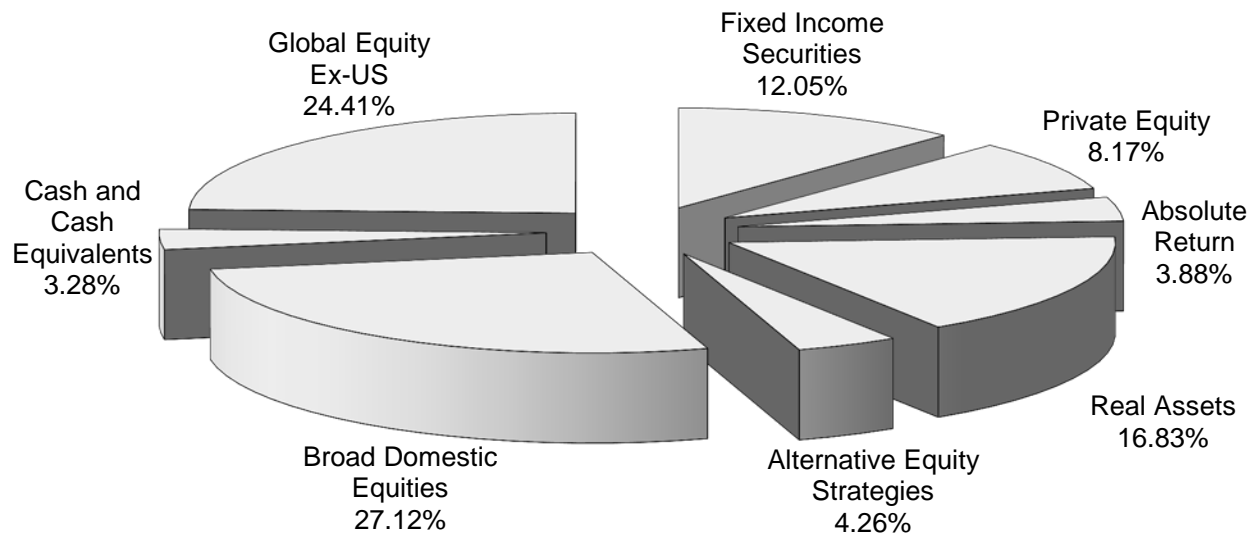
**Actual — Occupational Death & Disability**



# Investment Section

**Teachers' Retirement System**  
**Asset Allocation**  
**June 30, 2014**

**Actual — Retiree Medical Plan**



**Alaska Retirement Management Board**  
**Top Ten Holdings 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

Rank	Largest Fixed Income Holdings	Market Value	Par Value
1	US Treasury 1.625% 7/31/2019	\$55,990,421	\$55,863,834
2	US Treasury 1.500% 2/28/2019	39,974,403	39,983,759
3	US Treasury 0.875% 12/31/2016	38,867,114	38,661,743
4	US Treasury 0.625% 4/30/2018	33,440,070	34,198,875
5	US Treasury 2.625% 5/15/2024	31,976,923	31,738,881
6	US Treasury 0.875% 7/31/2019	19,833,045	20,559,025
7	US Treasury 0.75% 1/15/2017	13,597,858	13,569,240
8	US Treasury 0.625% 5/31/2017	10,262,377	10,322,049
9	US Treasury 1.625% 4/30/2019	9,119,039	9,087,089
10	US Treasury 2.000% 7/31/2020	8,581,621	8,507,183

## Equities

Rank	Largest Equity Holdings	Market Value
1	Apple Inc.	\$45,293,027
2	Microsoft Corp.	31,986,021
3	Johnson & Johnson	19,868,346
4	Wells Fargo & Co.	18,070,253
5	Pfizer Inc.	17,397,711
6	Chevron Corp.	16,305,133
7	JPMorgan Chase & Co.	16,300,645
8	Intel Corp.	16,293,813
9	Citigroup Inc.	15,703,646
10	Verizon Communications Inc.	15,169,489

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, 2014

	Total Fair Value	Fees
<b>Fixed Income</b>		
<b>Municipal Bond Pool</b>		
* Western Asset Management	\$ 32,338,429	\$ 55,397
* Guggenheim Partners	31,712,907	32,697
Total Municipal Bond Pool	64,051,336	88,094
<b>High Yield Pool</b>		
* Mackay Shields, LLC	162,623,091	697,087
<b>International Fixed Income</b>		
* Mondrian Investment Partners	108,903,334	402,822
<b>Broad Domestic Equity Pools</b>		
* Barrow, Hanley, Mewhinney & Strauss, INC	71,472,911	567,106
* Jennison Associates LLC	41,503,116	338,678
* Lazard Asset Management	109,406,312	243,670
* Lord Abbett & Co.	69,566,788	577,229
* Luther King Cap. Management	39,464,487	236,226
* Victory Capital Management	31,876,963	233,330
* Frontier Capital Management	31,095,689	391,044
* McKinley Capital	100,849,791	314,550
* Quantitative Management Associates	96,173,312	291,627
* SSgA Russell 1000 Growth	355,989,461	39,898
* SSgA Russell 1000 Value	336,332,469	40,120
* SSgA Russell 2000 Growth	5,099,424	2,400
* SSgA Russell 2000 Value	18,683,240	8,687
* SSgA Russell 200	154,943,435	17,603
* SSgA Futures Large Cap	3,848,502	3,544
* SSgA Future Small Cap	3,248,827	3,019
* DePrince, Race& Zollo Inc.-Micro Cap	28,529,587	298,081
* Allianz Global Investors	101,615,559	210,363
Total Domestic Equities	1,599,699,873	3,817,175
<b>Global Equity Ex-U.S.</b>		
* SSgA	194,304,105	108,672
* Brandes Investment Partners	320,710,511	1,105,281
* Capital Guardian Trust Co.	237,874,644	821,097
* McKinley Capital Mgmt.	113,840,031	515,030
* Lazard Freres	126,695,038	172,256
* Mondrian Investment Partners	46,121,984	318,263
* Blackrock ACWI Ex-US IMI	194,364,941	106,344
* Schroder Investment Management	47,864,460	345,459
Total International Equities	1,281,775,714	3,492,402
<b>Alternative Equity Strategies</b>		
<b>Alternative Equity Pool</b>		
* Analytic SSgA Account	68,771,471	60,793
* Analytic Buy Write Account	2,299,434	4,743
* Allianz Global Investors	-	88,746
Total Alternative Equity	71,070,905	154,282
<b>Convertible Bond Pool</b>		
* Advent Capital	56,470,149	281,391
<b>Private Equity Pool</b>		
** BlumCapital Partners-Strategic	3,162,545	66,190
** Warburg Pincus X	11,580,967	155,351
** Angelo Gordon & Co.	2,439,800	58,501
** Onex Partners	6,994,231	94,732
** Lexington Partners	14,421,687	208,593
** Neuberger Berman Secondary Opportunities	1,445,290	240,493
* Pathway Capital Management	232,272,197	655,122
* Abbott Capital Management	221,914,378	556,424
** Merit Capital Partners	4,166,735	115,669
Total Private Equities	498,397,830	2,151,075

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

	<b>Total Fair Value</b>	<b>Fees</b>
<b>Absolute Return Pool</b>		
** Mariner Investment Group	\$ -	\$ 1,203
** Crestline Investors Inc.	52,294,446	501,292
** Global Asset Management	91,086,157	592,238
** Prisma Capital Partners	93,469,476	632,686
Total Absolute Return	236,850,079	1,727,419
<b>Real Assets</b>		
<b>Real Estate Pool</b>		
** JPM Strategic	67,183,041	550,570
** UBS Consolidated	23,539,120	245,905
** Cornerstone	34,641,255	188,627
** Lasalle	42,535,044	356,095
** Sentinel ,SA	43,837,769	240,754
** UBS Separate	86,232,631	480,949
** Lowe Hospitality	656,358	10,136
** KKR.	6,880,834	55,773
** ING Clarion	7,980,363	105,030
** Silverpeak Legacy Pension Partners	19,832,247	267,046
** Almanac Realty Securities	11,227,970	166,992
** Tishman Speyer	16,781,060	234,391
** BlackRock Diamond	8,050,581	99,505
** Colony Investors VIII, L.P.	7,250,253	174,958
** LaSalle Medical Office Fund II	1,706,430	67,433
** Cornerstone Apartment Venture III	2,050,885	48,018
** Coventry	3,591,929	93,299
Total Real Estate	383,977,770	3,385,481
<b>Infrastructure Public Pool</b>		
* Brookfield Investment Management	24,083,668	48,468
* Lazard Asset Management	23,453,554	45,787
Total Infrastructure Public Pool	47,537,222	94,255
<b>Master Limited Partnerships Pool</b>		
* Tortoise MLP	73,845,306	375,130
* Advisory Research Inc	67,061,028	277,978
Total Master Limited Partnerships Pool	140,906,334	653,108
<b>Energy Pool</b>		
** EIG Energy Fund XV	11,293,210	140,917
** EIG Energy Fund XD	2,217,398	28,476
** EIG Energy Fund XIV-A	15,144,062	186,386
** EIG Energy Fund XVI	2,199,167	232,836
Total Energy Pool	30,853,837	588,615
<b>Farmland Pool</b>		
** Hancock Agriculture Investment Group	63,439,466	634,813
** UBS Agrivest	141,423,090	1,127,123
Total Farmland	204,862,556	1,761,936
<b>Timber Pool</b>		
** Timberland Investment Resources	75,507,996	435,857
** Hancock Natural Resource Group	28,292,949	194,983
Total Timber Pool	103,800,945	630,840
<b>Custodian</b>		
* State Street Bank		286,800
<b>Investment Advisory</b>		
* Townsend Group		29,673
* Callan Associates		46,010
* Investment Advisory Council		24,958
Total Investment Advisory		100,641
<b>Investment Performance</b>		
* Callan Associates		81,796
<b>Total External Management Fees</b>		<b>\$ 20,395,219</b>

\*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, 2014

Investments (at Fair Value)	Asset Allocation		Defined Benefit - Pension	
	Policy	Range	Fair Market Value	% of Total Assets
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 123,198,450	
Total Cash and Cash Equivalents			<u>123,198,450</u>	3.27%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			219,574,549	
Taxable Municipal Bond Pool			39,593,830	
High Yield Pool			100,526,724	
International Fixed Income Pool			67,319,440	
Emerging Debt Pool			27,321,961	
Total Fixed Income Securities	12.00%	± 5%	<u>454,336,504</u>	12.05%
<b>Broad Domestic Equity</b>				
Large Cap Pool			837,537,847	
Small Cap Pool			185,344,407	
Total Broad Domestic Equity	26.00%	± 6%	<u>1,022,882,254</u>	27.13%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			734,241,145	
International Equity Small Cap Pool			58,098,450	
Frontier Markets Pool			17,571,079	
Emerging Markets Equity Pool			110,561,071	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>920,471,745</u>	24.41%
<b>Alternative Equity Strategies</b>				
Alternative Equity Strategies			125,818,715	
Convertible Bond Pool			34,907,459	
Total Alternative Equities	3.00%	± 2%	<u>160,726,174</u>	4.26%
<b>Private Equity</b>				
Private Equity Pool			308,115,801	
Total Private Equity	9.00%	± 5%	<u>308,115,801</u>	8.17%
<b>Absolute Return</b>				
Absolute Return Pool			146,410,712	
Total Absolute Return	5.00%	± 4%	<u>146,410,712</u>	3.88%
<b>Real Assets</b>				
Real Estate Pool			237,396,629	
Real Estate Investment Trust Pool			64,781,676	
Infrastructure Public Pool			29,385,502	
Master Limited Partnership Pool			87,102,343	
Energy Pool			19,072,537	
Farmland Pool			126,637,376	
Timber Pool			64,165,359	
Treasury Inflation Protected Securities Pool			6,236,306	
Total Real Assets	17.00%	± 8%	<u>634,777,728</u>	16.83%
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 3,770,919,368</u></b>	<b><u>100.00%</u></b>

## Teachers' Retirement System Investment Summary Schedule June 30, 2014

Defined Benefit - Alaska Retiree Health Care Trust				
Investments (at Fair Value)	Asset Allocation		Fair Market Value	% of Total Assets
	Policy	Range		
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 73,011,079	
Total Cash and Cash Equivalents			<u>73,011,079</u>	3.22%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			131,922,097	
Taxable Municipal Bond Pool			23,788,281	
High Yield Pool			60,397,238	
International Fixed Income Pool			40,446,044	
Emerging Debt Pool			16,415,248	
Total Fixed Income Securities	12.00%	± 5%	<u>272,968,908</u>	12.05%
<b>Broad Domestic Equity</b>				
Large Cap Pool			503,199,255	
Small Cap Pool			111,356,364	
Total Broad Domestic Equity	26.00%	± 6%	<u>614,555,619</u>	27.14%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			441,137,791	
International Equity Small Cap Pool			34,906,000	
Frontier Markets Pool			10,556,840	
Emerging Markets Equity Pool			66,425,951	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>553,026,582</u>	24.44%
<b>Alternative Equity Strategies</b>				
Alternative Equity Strategies			75,592,864	
Convertible Bond Pool			20,972,674	
Total Alternative Equities	3.00%	± 2%	<u>96,565,538</u>	4.26%
<b>Private Equity</b>				
Private Equity Pool			185,118,370	
Total Private Equity	9.00%	± 5%	<u>185,118,370</u>	8.17%
<b>Absolute Return</b>				
Absolute Return Pool			87,964,694	
Total Absolute Return	5.00%	± 4%	<u>87,964,694</u>	3.88%
<b>Real Assets</b>				
Real Estate Pool			142,570,275	
Real Estate Investment Trust Pool			38,921,336	
Infrastructure Public Pool			17,655,038	
Master Limited Partnership Pool			52,331,764	
Energy Pool			11,458,930	
Farmland Pool			76,084,722	
Timber Pool			38,551,047	
Treasury Inflation Protected Securities Pool			3,746,822	
Total Real Assets	<u>17.00%</u>	± 8%	<u>381,319,934</u>	16.84%
<b>Total Invested Assets</b>	<u><b>100.00%</b></u>		<u><b>\$ 2,264,530,724</b></u>	<u><b>100.00%</b></u>



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## Teachers' Retirement System Investment Summary Schedule June 30, 2014

Investments (at Fair Value)	Asset Allocation		Fair Market Value	% of Total Assets
	Policy	Range		
<b>Defined Contribution - Participant Directed</b>				
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	100.00%	0%	\$ 1,985,139	
Total Cash and Cash Equivalents			<u>1,985,139</u>	0.92%
<b>Pooled Investment Funds (1)</b>				
T. Rowe Price				
Target 2010 Trust			566,018	
Target 2015 Trust			2,047,164	
Target 2020 Trust			4,664,541	
Target 2025 Trust			6,345,228	
Target 2030 Trust			6,888,030	
Target 2035 Trust			10,473,839	
Target 2040 Trust			11,491,816	
Target 2045 Trust			19,992,219	
Target 2050 Trust			26,727,623	
Target 2055 Trust			5,045,676	
Alaska Balanced Fund			249,705	
Long-Term Balanced Fund			11,515,309	
Alaska Money Market			1,619,627	
Total Pooled Investment Funds			<u>107,626,795</u>	50.06%
<b>Collective Investment Funds (1)</b>				
State Street Global Advisors				
Money Market Fund			146,513	
S&P Stock Index Fund			13,173,746	
Russell 3000 Index			15,084,374	
Real Estate Investment Trust Index			2,552,540	
World Equity Ex-U.S. Index			11,968,465	
Long U.S. Treasury Bond Index			97,503	
Treasury Inflation Protected Securities Index			1,206,767	
World Government Bond Ex-U.S. Index			2,666,743	
Global Balanced Fund			7,056,026	
Barclays				
Daily Government/Corporate Bond Fund			13,321,595	
Intermediate Bond Fund			87,936	
Brandes Institutional				
International Equity Fund			15,181,492	
RCM				
Socially Responsible Fund			1,230,804	
T. Rowe Price				
Small-Cap Fund			21,618,972	
Total Collective Investment Funds			<u>105,393,476</u>	49.02%
<b>Total Invested Assets</b>			<u><b>\$ 215,005,410</b></u>	<u><b>100.00%</b></u>

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

## Teachers' Retirement System Investment Summary Schedule June 30, 2014

<u>Investments (at Fair Value)</u>	<u>Health Reimbursement Arrangement</u>		<u>Fair Market Value</u>	<u>% of Total Assets</u>
	<u>Asset Allocation</u>			
	<u>Policy</u>	<u>Range</u>		
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 1,610,630	
Total Cash and Cash Equivalents			<u>1,610,630</u>	3.28%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			2,858,876	
Taxable Municipal Bond Pool			515,514	
High Yield Pool			1,308,865	
International Fixed Income Pool			876,503	
Emerging Debt Pool			355,734	
Total Fixed Income Securities	12.00%	± 5%	<u>5,915,492</u>	12.05%
<b>Broad Domestic Equity</b>				
Large Cap Pool			10,904,801	
Small Cap Pool			2,413,197	
Total Broad Domestic Equity	26.00%	± 6%	<u>13,317,998</u>	27.12%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			9,559,870	
International Equity Small Cap Pool			756,445	
Frontier Markets Pool			228,776	
Emerging Markets Equity Pool			1,439,513	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>11,984,604</u>	24.41%
<b>Alternative Equity Strategies</b>				
Alternative Equity Strategies			1,638,168	
Convertible Bond Pool			454,498	
Total Alternative Equities	3.00%	± 2%	<u>2,092,666</u>	4.26%
<b>Private Equity</b>				
Private Equity Pool			4,011,689	
Total Private Equity	9.00%	± 5%	<u>4,011,689</u>	8.17%
<b>Absolute Return</b>				
Absolute Return Pool			1,906,278	
Total Absolute Return	5.00%	± 4%	<u>1,906,278</u>	3.88%
<b>Real Assets</b>				
Real Estate Pool			3,089,632	
Real Estate Investment Trust Pool			843,462	
Infrastructure Public Pool			382,602	
Master Limited Partnership Pool			1,134,079	
Energy Pool			248,326	
Farmland Pool			1,648,827	
Timber Pool			835,437	
Treasury Inflation Protected Securities Pool			81,197	
Total Real Assets	<u>17.00%</u>	± 8%	<u>8,263,562</u>	16.83%
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 49,102,919</u></b>	<b><u>100.00%</u></b>

# Investment Section

## Teachers' Retirement System Investment Summary Schedule June 30, 2014

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Occupational Death and Disability</u>	
	<u>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	3.00%	-3%/+1%	\$ 100,503	
Total Cash and Cash Equivalents			<u>100,503</u>	3.27%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			179,037	
Taxable Municipal Bond Pool			32,284	
High Yield Pool			81,968	
International Fixed Income Pool			54,891	
Emerging Debt Pool			22,278	
Total Fixed Income Securities	12.00%	± 5%	<u>370,458</u>	12.05%
<b>Broad Domestic Equity</b>				
Large Cap Pool			682,913	
Small Cap Pool			151,126	
Total Broad Domestic Equity	26.00%	± 6%	<u>834,039</u>	27.13%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			598,686	
International Equity Small Cap Pool			47,372	
Frontier Markets Pool			14,327	
Emerging Markets Equity Pool			90,150	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>750,535</u>	24.41%
<b>Alternative Equity Strategies</b>				
Alternative Equity Strategies			102,590	
Convertible Bond Pool			28,463	
Total Alternative Equities	3.00%	± 2%	<u>131,053</u>	4.26%
<b>Private Equity</b>				
Private Equity Pool			251,232	
Total Private Equity	9.00%	± 5%	<u>251,232</u>	8.17%
<b>Absolute Return</b>				
Absolute Return Pool			119,380	
Total Absolute Return	5.00%	± 4%	<u>119,380</u>	3.88%
<b>Real Assets</b>				
Real Estate Pool			193,489	
Real Estate Investment Trust Pool			52,822	
Infrastructure Public Pool			23,960	
Master Limited Partnership Pool			71,022	
Energy Pool			15,552	
Farmland Pool			103,258	
Timber Pool			52,320	
Treasury Inflation Protected Securities Pool			5,085	
Total Real Assets	17.00%	± 8%	<u>517,508</u>	16.83%
<b>Total Invested Assets</b>	<b>100.00%</b>		<b>\$ 3,074,708</b>	<b>100.00%</b>

## Teachers' Retirement System Investment Summary Schedule June 30, 2014

<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>Retiree Medical Plan</b>				
<b>Cash and Cash Equivalents</b>				
Short-term Fixed Income Pool	3.00%	-3%/+1%	\$ 378,875	
Total Cash and Cash Equivalents			<u>378,875</u>	3.28%
<b>Fixed Income Securities</b>				
U.S. Treasury Fixed Income Pool			673,393	
Taxable Municipal Bond Pool			121,427	
High Yield Pool			308,296	
International Fixed Income Pool			206,456	
Emerging Debt Pool			83,791	
Total Fixed Income Securities	12.00%	± 5%	<u>1,393,363</u>	12.05%
<b>Broad Domestic Equity</b>				
Large Cap Pool			2,568,569	
Small Cap Pool			568,416	
Total Broad Domestic Equity	26.00%	± 6%	<u>3,136,985</u>	27.12%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			2,251,778	
International Equity Small Cap Pool			178,177	
Frontier Markets Pool			53,887	
Emerging Markets Equity Pool			339,070	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>2,822,912</u>	24.41%
<b>Alternative Equity Strategies</b>				
Alternative Equity Strategies			385,862	
Convertible Bond Pool			107,055	
Total Alternative Equities	3.00%	± 2%	<u>492,917</u>	4.26%
<b>Private Equity</b>				
Private Equity Pool			944,933	
Total Private Equity	9.00%	± 5%	<u>944,933</u>	8.17%
<b>Absolute Return</b>				
Absolute Return Pool			449,014	
Total Absolute Return	5.00%	± 4%	<u>449,014</u>	3.88%
<b>Real Assets</b>				
Real Estate Pool			727,746	
Real Estate Investment Trust Pool			198,673	
Infrastructure Public Pool			90,120	
Master Limited Partnership Pool			267,127	
Energy Pool			58,492	
Farmland Pool			388,373	
Timber Pool			196,782	
Treasury Inflation Protected Securities Pool			19,126	
Total Real Assets	<u>17.00%</u>	± 8%	<u>1,946,439</u>	16.83%
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$ 11,565,438</u></b>	<b><u>100.00%</u></b>

# Investment Section

## Teachers' Retirement System Recaptured Commission Fees June 30, 2014

<b>Fund</b>	<b>Domestic Equity Pool</b>	<b>International Equity Pool</b>	<b>Total</b>
Defined Benefit Plan – Pension	\$3,717	\$102	\$3,819
Postemployment Benefit - Alaska Retiree Healthcare Trust	2,196	60	2,256
Postemployment Benefit - Health Reimbursement Arrangement	45	1	46
Postemployment Benefit - Occupational Death & Disability	3	-	3
Postemployment Benefit - Retiree Medical Pan	11	-	11
<b>Total Recapture Commission Fees</b>	<b>\$5,972</b>	<b>\$163</b>	<b>\$6,135</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.