STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Deferred Compensation Plan:

We have audited the accompanying statements of fiduciary net assets of the State of Alaska Deferred Compensation Plan (Plan), a Component Unit of the State of Alaska, as of December 31, 2007 and 2006, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the State of Alaska Deferred Compensation Plan as of December 31, 2007 and 2006, and the changes in fiduciary net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying required supplementary information of management's discussion and analysis on pages 2 to 4 is not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

December 15, 2008

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

December 31, 2007 and 2006

As management of the Deferred Compensation Plan (the Plan), we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended December 31, 2007 and 2006. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Financial Highlights

- The net assets held in trust for benefits at December 31, 2007 and 2006, are $545.6 million and $524.3 million, respectively. The net assets represent employee contributions and net investment income.
- The net assets of the Plan at December 31, 2007 increased by $21.3 million, or approximately 4%, from the prior year. The net assets of the Plan at December 31, 2006 increased by $47.4 million, or approximately 10% from the prior year.
- The Plan incurred a net investment gain of $28.5 million in the 2007 calendar year, compared to a $52.9 million investment gain in the 2006 calendar year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which are comprised of the following:

- Statements of Fiduciary Net Assets
- Statements of Changes in Fiduciary Net Assets
- Notes to the Financial Statements

Statements of Fiduciary Net Assets – presents information on the Plan's assets and liabilities and the resulting net assets held in trust for pension and insurance benefits. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments and receivables at December 31, 2007 and 2006.

Statements of Changes in Fiduciary Net Assets – presents information showing how the Plan's net assets held in trust for benefits changed during the years ended December 31, 2007 and 2006. It reflects contributions by employees along with net investment income (or losses) during the period from individual participant directed investing activities. Deductions for participant withdrawals, benefit payments, and administrative expenses are also presented.

Notes to the Financial Statements – provides additional information that is essential to a full understanding of the data provided in the financial statements.

Investments

The Plan is participant directed, which means that the Plan's participants decide in which options to invest. Of total Plan Fiduciary Net Assets of $545.6 million at December 31, 2007, 99.6% of which, or $543.3 million, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of $524.3 million at December 31, 2006, 99.5% of which, or $521.9 million, are specifically allocated to individual participant accounts.

Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

As of December 31, 2007, the following funds are available to participants for investment:

Participant Directed Investments at December 31 Year End (in thousands)

		2007	2006
S&P 500 Index Fund	$	140,614	143,346
Interest Income Fund		139,952	132,133
International Equity Fund		75,657	66,328
Small Cap Stock Trust		55,157	62,615
Global Balanced Fund		46,760	44,446
Government/Credit Bond Fund		29,148	25,750
Alaska Long-Term Balanced Trust		28,424	—
Intermediate Bond Fund		14,110	10,470
Citizens Core Growth Fund		11,132	5,206
Equity Fund		2,181	2,192
Bond Fund		130	128
Tactical Asset Allocation Fund		—	29,275

Investment Returns for the 12-Month Periods Ended December 31, 2007 and 2006 (Unaudited)

	2007 1–Year actual	2006 1–Year actual
S&P 500 Index Fund	5.57%	15.88%
Interest Income Fund	4.89	4.60
International Equity Fund	8.50	26.10
Small Cap Stock Trust	(1.28)	12.74
Global Balanced Fund	3.59	11.29
Government\Credit Bond Fund	7.25	3.83
Alaska Long-Term Balanced Trust	6.23	0.00
Intermediate Bond Fund	8.52	3.79
Citizens Core Growth Fund	13.90	(1.26)
Tactical Asset Allocation fund	N/A	9.92

The Hartford Equity Fund and Hartford Bond Fund have both been closed to participant use since 1986. Because of the closed nature of the funds, a rate of return on a fully comparable basis is not provided. However, both funds closely mirror funds generally of the same asset composition description that are actively available.

Contributions and Distributions

The Plan had contributions of $37.4 million in the 2007 calendar year compared to $35.8 million in the 2006 calendar year. Increased contributions between the two years were attributable to increased employee participation in the Plan and increased maximum contribution limits.

The Plan had benefits paid to participants and purchases of annuity contracts of $43.8 million for the 2007 calendar year compared to $40.6 million for the 2006 calendar year. The increased amount paid to participants between the two years was attributable to an increased number of full withdrawals from the plan.

Fiduciary Responsibilities

The Alaska Retirement Management Board, the plan administrator and the Commissioner of Administration are co-fiduciaries of the Plan.

The assets of the plan can only be used for the exclusive benefit of the plan's participants, beneficiaries, and alternate payees.

Request for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Alaska Division of Retirement & Benefits
Alaska Deferred Compensation Plan
PO Box 110203
Juneau, Alaska 99811-0203

STATE OF ALASKA
DEFERRED COMPENSATION PLAN
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Statements of Fiduciary Net Assets

December 31, 2007 and 2006

(In thousands)

		2007	2006
Current assets:			
Participant contributions receivable	$	1,794	1,950
Investments:			
Collective investment funds, at fair value:			
Participant-directed		374,889	389,756
Money market fund-nonparticipant directed		544	483
		375,433	390,239
Interest income fund:			
Synthetic investment contracts, at fair value		133,469	124,044
Cash and cash equivalents, at fair value		6,483	8,089
		139,952	132,133
Ownership of pooled investment funds, participant directed at fair value		28,424	—
Total investments		543,809	522,372
Total assets		545,603	524,322
Commitments and contingencies			
Net assets held in trust for individuals, organizations, and other governments	$	545,603	524,322

See accompanying notes to financial statements.

STATE OF ALASKA
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Statements of Changes in Fiduciary Net Assets

Years ended December 31, 2007 and 2006

(In thousands)

		2007	2006
Additions:			
Participant contributions	$	37,366	35,764
Investment income:			
Net appreciation in fair value of investments		22,206	47,214
Interest income		6,250	5,687
Net investment income		28,456	52,901
Total additions		65,822	88,665
Deductions:			
Benefits paid to participants and purchases of annuity contracts		43,759	40,552
Administrative expenses		782	737
Total deductions		44,541	41,289
Net increase in net assets held in trust for individuals, organizations, and other governments		21,281	47,376
Net assets, beginning of year		524,322	476,946
Net assets, end of year	$	545,603	524,322

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Deferred Compensation Plan (Plan), a defined contribution plan, is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

(a) General

The Plan was created by State of Alaska (State) Statutes issued May 31, 1974, and was most recently amended effective March 1, 2006. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long–term non–permanent employees and elected officials of the State and with the March 1, 2006 amendment, members of State boards and commissions. Participants in the Plan authorize the State to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2007 and 2006, the Plan had approximately 8,800 and 8,500 participants, respectively.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This law repealed the requirement that a Section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. For any plan in existence on the date of enactment of the SBJPA, a trust need not be established before January 1, 2000.

As to the State of Alaska Deferred Compensation Plan, the Plan Document was amended effective January 1, 1997 to recognize and establish the Trust requirement for the Plan. The formal trust documents were completed by December 31, 1998.

The plan was completely restated effective January 1, 2002 for compliance with the Economic Growth and Tax Relief Reconciliation Act of 2001 and most recently amended March 1, 2006.

The Division of Retirement and Benefits is responsible for plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of moneys in the Plan through September 30, 2005. Effective October 1, 2005, the ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

(b) Contributions

Participants of the Plan contribute a minimum of $50 a month ($600 per year). Under the current law, during 2008 the maximum amount that can be deferred in a year is $15,500 for participants under age 50 and $20,500 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to normal retirement age, a "catch–up limitation" applies which allows larger contributions (up to $31,000 in 2008). Participants vest automatically in all of their contributions and earnings on those contributions.

(c) Participant Accounts

Participant accounts are self–directed with respect to investment options. Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

A recordkeeping/administrative fee is deducted monthly from each participant's account, applied pro rata to all the funds the member participates in. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

At December 31, 2007 and 2006, participants had the following investment options:

Collective Investment Funds

Equity Fund – this fund invests in diversified common stocks of high–quality growth companies for long–term capital growth, with income a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

Bond Fund – this fund invests in investment grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

International Equity Fund – this fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks. The purpose of this fund is to provide long–term capital appreciation.

Small CAP Stock Trust – this fund invests at least 65% of its total assets in the stocks of small companies. The purpose of this fund is to provide long–term capital growth by investing primarily in stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

Citizens Core Growth Fund – this fund invested primarily in U.S. large cap growth stocks, with an emphasis on those that are managed to a high standard of corporate responsibility. Effective April 7, 2008 this fund was re-organized to become the Sentinel (SRI) Sustainable Core Opportunities Fund.

(Continued)

S&P 500 Index Fund – this fund buys and holds virtually all of the stocks in the S&P 500 Index. The fund is designed to hold the same stocks in the same proportions as in the index itself in order to replicate the Index's total rate of return.

Tactical Asset Allocation Fund – this fund, which was eliminated from the Deferred Compensation Plan on September 17, 2007, invested in a mix of stocks and bonds, sometimes in a combination with a money market fund. The fund relied on a computer-based model to determine the allocation of index funds. The fund was closed to new contributions and investment transfers into the fund on August 15, 2007. Any balances remaining in this fund on September 17, 2007 were transferred to the Alaska Long-Term Balanced Trust.

Global Balanced Fund – this fund seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principle through investments in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Government/Credit Bond Index Fund – this fund buys and holds representative portfolios of the securities included in the Lehman Brothers Government/Credit Bond Index. The fund seeks to closely match the Index's total rate of return.

Intermediate Bond Fund – this fund buys and holds representative securities included in the Lehman Brothers Intermediate Bond Index. The fund seeks to closely match the Index's total rate of return.

Pooled Investment Fund

Alaska Long-Term Balanced Trust – the purpose of this fund, which was added to the Deferred Compensation Plan on August 15, 2007, is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for investors with a moderate risk tolerance. Balances remaining in the Tactical Asset Allocation Fund on the September 17, 2007 date of its elimination were transferred into the Alaska Long-Term Balanced Trust.

Interest Income Fund

Interest Income Fund – the purpose of this fund is to maximize current income while maintaining principal stability by investing primarily in synthetic investment contracts issued by banks and insurance companies that meet stringent credit standards. Supporting securities for synthetic investment contracts typically include U.S. Treasury/Agency obligations, mortgage and asset backed securities, as well as investment grade corporate bonds.

(d) Payment of Benefits

Participants are eligible to withdraw their account balance upon termination in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70–1/2. Payment of benefits to a participant commences sixty days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. Hardship withdrawals are received as lump sum distributions and must be approved by the plan administrator.

The Plan purchases annuity contracts from an insurance company. The annuity contracts are excluded from Plan assets.

(e) Income Taxes

The Plan is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

(f) Termination, Partial Termination, or Complete Discontinuance of Contributions

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may in its sole and absolute discretion terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan shall be terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon Plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

(2) Summary of Significant Accounting Policies

(a) Accounting Basis

The Plan utilizes the economic resources measurement focus and the accrual method of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and additions and deductions for the reporting period. Actual results could differ from those estimates.

(b) Valuation of Collective Investment Funds

The Plan's investments in Collective Investment Funds (note 3), held in trust, are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade–date basis.

(c) Valuation of Synthetic Investment Contracts

The Plan's investments in fully benefit responsive synthetic investment contracts (note 5) are stated at fair value as they are affected by the market factors and credit standing.

(d) Contributions Receivable

Contributions applicable to wages earned through the Plan's year–end are accrued. These contributions are considered fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

(3) Collective Investment Funds

The Plan's investments at December 31 include the following collective investment funds:

	Units owned	Unit value	Balance (In thousands)
2007			
Equity funds:			
International Equity Fund	3,318,279	22.80	$ 75,657*
Small CAP Stock Trust	1,304,869	42.27	55,157*
S & P 500 Index Fund	3,026,562	46.46	140,614*
Citizens Core Growth Fund	565,645	19.68	11,132
Equity Fund, actively managed	114,184	19.10	2,181
			284,741
Bond and debt securities funds:			
Government/Credit Bond Fund	1,160,842	25.11	29,148*
Intermediate Bond Fund	660,173	21.37	14,110
Bond Fund, actively managed	16,708	7.79	130
			43,388
Bond and equity funds:			
Global Balanced Fund	1,362,869	34.31	46,760*
			46,760
Money market fund – nonparticipant directed	32,980	16.51	544
Total collective investment funds			$ 375,433

* Represents five percent or greater of plan assets at December 31.

	Units owned	Unit value		Balance
				(In thousands)
2006:				
Equity funds:				
International Equity Fund	2,711,697	24.46	$	66,328*
Small CAP Stock Trust	1,462,287	42.82		62,615*
S & P 500 Index Fund	3,257,113	44.01		143,346*
Citizens Core Growth Fund	297,805	17.48		5,206
Equity Fund, actively managed	120,542	18.19		2,192
				279,687
Bond and debt securities funds:				
Government/Credit Bond Fund	1,099,815	23.413		25,750
Intermediate Bond Fund	531,609	19.695		10,470
Bond Fund, actively managed	17,061	7.521		128
				36,348
Bond and equity funds:				
Tactical Asset Allocation Fund	2,423,444	12.08		29,275*
Global Balanced Fund	1,341,974	33.12		44,446*
				73,721
Money market fund – nonparticipant directed	30,607	15.767		483
Total collective investment funds			$	390,239

* Represents five percent or greater of plan assets at December 31.

(Continued)

(4) Changes in Fiduciary Net Assets

During the years ended December 31, 2007 and 2006 the following changes in fiduciary net assets by fund took place (in thousands):

	Participant directed					
	Equity Fund	Bond Fund	International Equity Fund	Small CAP Stock Trust	Citizens Core Growth Fund	S&P 500 Index Fund
2007:						
Additions:						
Participant contributions	$ —	—	6,375	4,437	1,216	9,725
Investment income:						
Net appreciation in fair value of investments	106	5	5,505	(468)	813	8,015
Interest income	—	—	—	—	—	—
Net investment income	106	5	5,505	(468)	813	8,015
Total additions	106	5	11,880	3,969	2,029	17,740
Deductions:						
Benefits paid to participants and purchases of annuity contracts	—	—	4,439	3,370	451	10,047
Administrative expenses:						
Actual fees paid	—	—	—	—	—	—
Fees deducted from participant accounts	—	—	113	94	12	221
Total deductions	—	—	4,552	3,464	463	10,268
Net increase (decrease) prior to interfund transfers	106	5	7,328	505	1,566	7,472
Interfund transfers	(117)	(3)	2,001	(7,963)	4,360	(10,204)
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments	(11)	2	9,329	(7,458)	5,926	(2,732)
Net assets, beginning of year	2,192	128	66,328	62,615	5,206	143,346
Net assets, end of year	$ 2,181	130	75,657	55,157	11,132	140,614

Participant directed					Nonparticipant directed			
Tactical Asset Allocation Fund	Global Balanced Fund	Government/ Credit Bond Fund	Intermediate Bond Fund	Interest Income Fund	Alaska Long Term Balanced Trust	Money Market Fund	Participant contributions receivable	Total
1,598	4,806	1,673	910	5,796	986	—	(156)	37,366
1,379	1,578	1,857	962	2,105	349	—	—	22,206
—	—	—	—	6,222	—	28	—	6,250
1,379	1,578	1,857	962	8,327	349	28	—	28,456
2,977	6,384	3,530	1,872	14,123	1,335	28	(156)	65,822
1,520	3,808	2,384	744	16,413	583	—	—	43,759
—	—	—	—	—	—	782	—	782
32	72	40	17	203	11	(815)	—	—
1,552	3,880	2,424	761	16,616	594	(33)	—	44,541
1,425	2,504	1,106	1,111	(2,493)	741	61	(156)	21,281
(30,700)	(190)	2,292	2,529	10,312	27,683	—	—	—
(29,275)	2,314	3,398	3,640	7,819	28,424	61	(156)	21,281
29,275	44,446	25,750	10,470	132,133	—	483	1,950	524,322
—	46,760	29,148	14,110	139,952	28,424	544	1,794	545,603

(Continued)

(4) Changes in Fiduciary Net Assets

During the years ended December 31, 2007 and 2006 the following changes in fiduciary net assets by fund took place (in thousands):

	Participant directed					
	Equity Fund	**Bond Fund**	**International Equity Fund**	**Small CAP Stock Trust**	**Citizens Core Growth Fund**	**S&P 500 Index Fund**
2006:						
Additions:						
Participant contributions	$ —	—	4,809	4,558	1,045	9,535
Investment income:						
Net appreciation in fair value of investments	266	4	12,184	7,436	(73)	20,035
Interest income	—	—	—	—	—	—
Net investment income	266	4	12,184	7,436	(73)	20,035
Total additions	266	4	16,993	11,994	972	29,570
Deductions:						
Benefits paid to participants and purchases of annuity contracts	—	—	2,996	4,733	440	9,313
Administrative expenses:						
Actual fees paid	—	—	—	—	—	—
Fees deducted from participant accounts	—	—	80	95	9	202
Total deductions	—	—	3,076	4,828	449	9,515
Net increase (decrease) prior to interfund transfers	266	4	13,917	7,166	523	20,055
Interfund transfers	(23)	(2)	9,759	(5,630)	(2,183)	(10,105)
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments	243	2	23,676	1,536	(1,660)	9,950
Net assets, beginning of year	1,949	126	42,652	61,079	6,866	133,396
Net assets, end of year	$ 2,192	128	66,328	62,615	5,206	143,346

Participant directed					Nonparticipant directed		
Tactical Asset Allocation Fund	Global Balanced Fund	Government/ Credit Bond Fund	Intermediate Bond Fund	Interest Income Fund	Money Market Fund	Participant contributions receivable	Total
2,610	4,161	1,867	821	6,288	—	70	35,764
2,641	4,292	926	365	(862)	—	—	47,214
—	—	—	—	5,661	26	—	5,687
2,641	4,292	926	365	4,799	26	—	52,901
5,251	8,453	2,793	1,186	11,087	26	70	88,665
1,877	3,313	1,953	769	15,158	—	—	40,552
—	—	—	—	—	737	—	737
42	61	38	14	197	(738)	—	—
1,919	3,374	1,991	783	15,355	(1)	—	41,289
3,332	5,079	802	403	(4,268)	27	70	47,376
(2,438)	2,408	(589)	874	7,929	—	—	—
894	7,487	213	1,277	3,661	27	70	47,376
28,381	36,959	25,537	9,193	128,472	456	1,880	476,946
29,275	44,446	25,750	10,470	132,133	483	1,950	524,322

(5) Synthetic Investment Contracts

Accounts and terms of synthetic investment contracts in effect at December 31 are as follows:

(a) IXIS Financial Products Inc.

In 1999, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with IXIS Financial Products Inc. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and December 31, 2007 was $18,097 and $22,038, respectively as reported by IXIS Financial Products Inc, and the market value of the portfolio at December 31, 2006 and December 31, 2007 was $17,787 and $22,245 respectively. The average crediting rates for 2006 and 2007 was approximately four and four and a half percent respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2007 the last maturity payment date was October 20, 2011.

(b) Union Bank Switzerland

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Union Bank Switzerland. This financial institution provides a wrap contract that covers a separately managed constant duration synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and 2007 was $26,255 and $22,036, respectively as reported by Union Bank Switzerland and the market value of the portfolio at December 31, 2006 and 2007 was $26,444 and $22,243 respectively. The average crediting rates for 2006 and 2007 were approximately five percent. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2007 the last scheduled maturity payment date was June 20, 2014.

(c) State Street Bank

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank. This financial institution provides a wrap contract that covers a separately managed constant duration synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and December 31, 2007 was $26,260 and $22,036, respectively as reported by State Street Bank and the market value of the portfolio at December 31, 2006 and 2007 was $26,449 and $22,243 respectively. The average crediting rates for 2006 and 2007 was approximately five percent. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2007 the last scheduled maturity payment date was June 20, 2014

(d) Rabobank Nederland

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Rabobank Nederland. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and December 31, 2007 was $18,097 and $22,038, respectively as reported by Rabobank Nederland, and the market value of the portfolio at December 31, 2006 and December 31, 2007 was $17,787 and $22,246 respectively. The average yield and crediting interest rates for 2006 and 2007 was approximately four and four and a half percent respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2006 the last scheduled maturity payment date was October 20, 2011.

(e) Bank of America

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Bank of America. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and 2007 was $18,097 and $22,038, respectively as reported by Bank of America, and the market value of the portfolio at December 31, 2006 and 2007 was $17,787 and $22,246 respectively. The average yield and crediting interest rates for 2006 and 2007 was approximately four and four and a half percent respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2007 the last scheduled maturity payment date was October 20, 2011.

(f) Pacific Life Insurance Co.

In 2004, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Pacific Life Insurance Co. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2006 and December 31, 2007 was $18,100 and $22,038, respectively as reported by Pacific Life Insurance Co, and the market value of the portfolio at December 31, 2006 and December 31, 2007 was $17,790 and $22,246 respectively. The average crediting rate for 2006 and 2007 was approximately four and four and a half percent respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration. As of December 31, 2007 the last maturity payment date was October 20, 2011.

(6) Ownership of Pooled Investment Funds

The Alaska Long-Term Balanced Trust, which was added to the plan effective August 15, 2007, is invested in six pooled investment funds. The six pooled investment funds are composed of the assets of this Trust, which is also offered by the Alaska Supplemental Annuity Plan (SBS-AP) and Alaska Defined Contribution Retirement Plans (DCR), along with five other SBS-AP and two other DCR participant directed trusts and funds. The pooled investment funds are wholly owned by these trusts and funds. The Deferred Compensation Plan portion of the Alaska Long-Term Balanced Trust assets as of December 31, 2007 are as follows:

	GNMA Pool	Government/ Corporate Pool	Cash Pool	Equity Pool	Small Cap Pool	International Equity Pool	Total
2007:							
Deposits – cash and cash equivalents and accrued interest $	146	135	489	97	13	14	894
Mortgage backed securities	3,151	—	—	—	—	—	3,151
Corporate notes and bonds	—	2,534	64	—	—	—	2,598
Government municipals	—	—	32	—	—	—	32
U.S. Treasury securities	—	3,185	—	—	—	—	3,185
Yankees	—	559	—	—	—	—	559
Federal agency government debt	—	1,284	—	—	—	—	1,284
Equity	—	—	—	15,006	659	1,056	16,721
Total investments $	3,297	7,697	585	15,103	672	1,070	28,424

(7) Deposit and Investment Risk

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Collective Investment and Money Market Funds

The Alaska Retirement Management Board (Board) contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Plan are subject to the provisions of the collective investment funds the Board has selected. In addition, the Plan maintains a balance in a commingled money market portfolio.

The Board does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2007, are as follows:

	Fair value (In thousands)	Weighted average maturity
Government/Credit Bond Fund	$ 29,148	7.87 years
Intermediate Bond Fund	14,110	3.91 years
Bond Fund	130	4.51 years
Money Market Fund	544	30.56 days

Interest Income Fund

The Board contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a Reserve (cash and cash equivalents in the Interest Income Fund). This external manager also manages the securities underlying the synthetic investment contracts.

Through the Board’s investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one–half year. The aggregate duration of the constant duration synthetic investment contracts was 3.15 years at December 31, 2007. The duration of the Lehman Brother’s Aggregate Bond Index was 3.10 years at December 31, 2007.

Duration is a measure of interest rate risk. In the case of the Plan’s constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all

(Continued)

fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The Board does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short–term Investment Fund which has a weighted average maturity of fifteen days at December 31, 2007.

(b) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

The Board does not have a policy to limit credit risk for the Plan's Collective Investment Funds and the commingled money market portfolio. These investments are not rated.

The Plan's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from the counterparty failure or default on a loaned security.

The Board's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

Synthetic Investment contract issuers must have an investment grade rating,

Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,

Corporate debt securities must have a minimum rating of BBB or equivalent,

Asset–backed securities must have a minimum rating of AAA or equivalent,

Mortgage–backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,

Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by Agency mortgage–backed securities listed above,

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

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The Board's investment policy has the following limitations with regard to credit risk for wholly owned pooled investments:

All government and corporate fixed income securities must be rated BBB or better at time of purchase.

All mortgage–backed securities must be issued by the Government National Mortgage Association and

Commercial paper and other short–term debt obligations must be rated A1 or equivalent.

At December 31, 2007, the investments underlying the synthetic investment contracts and the Reserve consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

		Fair value		
Investment type	**Rating**	**Underlying synthetic investment contracts**	**Wholly owned pool**	**Other**
Investments with credit exposure:				
Money Market Fund	Not Rated	$ —	—	544
Short-term Investment Fund	Not Rated	(4,002)	278	—
Commercial Paper	A-1	—	56	—
Commercial Paper	Not Rated	—	417	—
U.S. Government Agency	AAA	18,568	1,284	—
Municipal Government		—	32	—
Mortgage-backed	AAA	10,163	3,151	—
Mortgage-backed	Not Rated	50,832		—
Other Asset-backed	AAA	15,482		—
Corporate Bonds	AAA	1,117	149	—
Corporate Bonds	AA	5,364	501	—
Corporate Bonds	A	13,068	1,156	—
Corporate Bonds	BB	178	9	—
Corporate Bonds	BBB	9,014	778	—
Corporate Bonds	Not Rated	—	11	—
Yankees:				
Corporate	AAA	—	113	—
Corporate	AA	400	28	—
Corporate	A	1,358	104	—
Corporate	BBB	1,066	90	—
Corporate	Not rated	—	12	—
Government	AAA	757	31	—
Government	AA	1,524	57	—
Government	A	295	68	—
Government	BBB	86	52	—
Deposits and Investments with no credit exposure:				
Deposits		8,199	2	—
U.S. Treasury Notes		—	2,166	—
U.S. Treasury Bonds		—	1,019	—
Collective Investment Funds		—	—	374,889
Domestic Equity		—	15,721	—
International Equity		—	996	—
Total invested assets		133,469	28,281	375,433
Pool related net assets (liabilities)		—	143	—
Total		$ 133,469	28,424	375,433

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Board does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

The Board's policy with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35% of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

Investment type	Issuer	All issuers
U.S. Treasury and Agencies - Full Faith & Credit	100%	100%
U.S. Treasury and Agencies - Non-Full Faith & Credit	100	100
Asset-backed Securities	5	50
Domestic and Foreign Corporate Debt Securities	5	50
Supranational Agency and Foreign Government entity securities	5	50
Money Market Instruments – Non Gov/Agency	5	100
Custodian Short-term Investment Fund	100	100

The maximum exposure to securities rated BBB is limited to 20% of the total value underlying synthetic investment contracts.

For the Reserve, the total investment of any single issuer of money market instruments may not exceed 5% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2007, the Plan had no exposure to a single issuer in excess of 5% of total invested assets.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

The Board does not have a policy to limit foreign currency risk associated with collective investment funds. The Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

The Board's policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

(8) Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

The Plan may invest in pooled separate accounts which include securities with contractual cash flows which may include asset-backed securities, collateralized mortgage obligations and commercial mortgage backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.