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

Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

The 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 (the Plan), a Component Unit of the State of Alaska, as of December 31, 2011 and 2010, 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, 2011 and 2010, and the changes in fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). 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 this information and express no opinion on it.

KPMG LLP

October 22, 2012

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

Management's Discussion and Analysis

December 31, 2011 and 2010

This section presents management's discussion and analysis (MD&A) of the State of Alaska Deferred Compensation Plan's (the Plan) financial position and performance for the fiscal years ended December 31, 2011 and 2010. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended December 31, 2011 and 2010.

Financial Highlights

- Plan net assets held in trust for benefits increased by $18.0 million during calendar year 2011.
- Plan participant contributions increased by $.7 million during calendar year 2011.
- The Plan earned net investment income of $15 million in calendar year 2011.
- Benefits paid to participants and purchases of annuity contracts were roughly equal in dollar amount between calendar year 2010 and 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are comprised of three components: (1) statement of fiduciary net assets, (2) statement of changes in fiduciary net assets, and (3) notes to financial statements.

Statement of Fiduciary Net Assets – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for individuals. These statements reflect the Plan's investments at fair market value and receivables less liabilities at December 31, 2011 and 2010.

Statement of Changes in Fiduciary Net Assets – This statement presents how the Plan's net assets held in trust for individuals changed during the calendar years ended December 31, 2011 and 2010. This statement presents contributions by participants along with net investment income during the period from individual participant-directed investing activities. Deductions for benefits paid, purchases of annuity contracts, and administrative expenses are also presented.

The above statements represent resources available for investment and payment of benefits and expenses as of calendar year-end, and the sources and uses of those funds during the calendar years 2011 and 2010.

Notes to Financial Statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the Plan's financial statements.

Condensed Financial Information

Net assets

Description		2011	2010	Increase (decrease) Amount	Increase (decrease) Percentage		2009
							(In thousands)
Assets:							
Participant contributions receivable	$	1,857	3,016	(1,159)	(38.4)%	$	2,667
Investments, at fair value:		599,602	580,451	19,151	3.3		519,228
Total assets		601,459	583,467	17,992	3.1		521,895
Liabilities:							
Accrued expenses		149	119	30	25.2		203
Total liabilities		149	119	30	25.2		203
Net assets	$	601,310	583,348	17,962	3.1%	$	521,692

Changes in net assets

Description		2011	2010	Increase (decrease) Amount	Increase (decrease) Percentage		2009
							(In thousands)
Net assets, beginning of year	$	583,348	521,692	61,656	11.8%	$	442,042
Additions:							
Contributions		39,707	38,850	857	2.2		35,597
Net investment income		15,066	59,471	(44,405)	(74.7)		71,552
Total additions		54,773	98,321	(43,548)	(44.3)		107,149
Deductions:							
Benefits paid to participants and purchases of annuity contracts		33,916	33,883	33	0.1		25,080
Administrative expenses		2,895	2,782	113	4.1		2,419
Total deductions		36,811	36,665	146	0.4		27,499
Increase in net assets		17,962	61,656	(43,694)	(70.9)		79,650
Net assets, end of year	$	601,310	583,348	17,962	3.1%	$	521,692

Financial Analysis of the Plan

The statement of fiduciary net assets as of December 31, 2011 and 2010 show net assets held in trust for individuals of $601.3 million and $583.3 million, respectively. The entire amount is available to pay benefits to participants and their beneficiaries, as well as administrative costs.

(Continued)

These amounts represent an increase in plan net assets held in trust for individuals of $18.0 million or 3.1% from calendar year 2010 to 2011 and an increase of $61.7 million or 11.8% from calendar year 2009 to 2010.

Contributions and Investment Income

Additions to the Plan are accumulated through a combination of plan participant contributions and investment income (loss) as follows:

	Additions (reductions)				
			Increase (decrease)		
	2011	2010	Amount	Percentage	2009
					(In thousands)
Participant contributions	$ 39,568	38,850	718	1.8	$ 35,463
Transfers in contributions	139	—	139	100.0	134
Net investment income	15,066	59,471	(44,405)	(74.7)	71,552
Total	$ 54,773	98,321	(43,548)	(44.3)%	$ 107,149

The Plan's participant contributions increased from $38.9 million in calendar year 2010 to $39.6 million in calendar year 2011, an increase of less than $1 million or 1.8%. Plan's participant contributions increased from $35.5 million in calendar year 2009 to $38.9 million in calendar year 2010, an increase of $3.3 million or 9.1%. Changes in contributions are attributable to changes in elected deferrals per employee in the Plan.

The Plan's net investment income continued to be positive in calendar year 2011, though not as strong as in calendar year 2010. Net investment income was down $44.4 million or 74.7% from amounts recorded in calendar year 2010. Net investment income decreased in calendar year 2010 by $12.1 million when compared to amounts recorded in calendar year 2009.

The Plan's investment rate of rate of returns at December 31, are as follows:

	2011 1-Year actual	**2010 1-Year actual**
Alaska Balanced Trust	4.43%	9.98%
Alaska Long-Term Balanced Trust	2.18	12.18
Alaska Target Date Retirement 2010 Trust	2.40	10.88
Alaska Target Date Retirement 2015 Trust	1.78	12.02
Alaska Target Date Retirement 2020 Trust	1.23	12.83
Alaska Target Date Retirement 2025 Trust	0.68	13.63
Alaska Target Date Retirement 2030 Trust	0.13	13.91
Alaska Target Date Retirement 2035 Trust	(0.46)	14.38
Alaska Target Date Retirement 2040 Trust	(0.52)	14.39
Alaska Target Date Retirement 2045 Trust	(0.55)	14.38
Alaska Target Date Retirement 2050 Trust	(0.47)	14.32
Alaska Target Date Retirement 2055 Trust	(0.48)	14.31
Brandes International Equity Fund	(10.87)	5.49
Government/Credit Bond Index Fund	8.55	6.39
Interest Income Fund	3.67	4.10
Intermediate Bond Fund	5.92	4.81
Long US Treasury Bond Index Fund	29.85	9.27
RCM Socially Responsible Investment Fund	(0.95)	13.11
Russell 3000 Index Fund	1.14	16.86
S&P 500 Index Fund	2.19	15.22
SSgA Global Balanced Fund	(0.89)	10.76
State Street Money Market Fund	0.01	0.01
T. Rowe Price US Small Cap Trust	0.06	32.43
US Real Estate Investment Trust Index Fund	9.17	27.67
US TIPS Index Fund	13.42	6.13
World Equity Ex-US Index Fund	(13.66)	10.88
World Government Bond Ex-US Index Fund	5.19	5.07

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.

(Continued)

Benefits and Other Deductions

The primary deductions to the Plan are the payment of benefits and purchases of annuity contracts. Benefit payments and administrative expenses were as follows:

	Deductions				
			Increase (decrease)		
	2011	2010	Amount	Percentage	2009
					(In thousands)
Benefits paid to participants and purchases of annuity contracts	$ 33,916	33,883	33	0.1%	$ 25,080
Administrative expenses	2,895	2,782	113	4.1	2,419
Total	$ 36,811	36,665	146	0.4%	$ 27,499

The Plan's benefits paid to participants and purchases of annuity contracts in calendar year 2011 increased $33 thousand or 0.1% from calendar year 2010 and increased $8.8 million or 35.1% from calendar year 2009 to 2010.

The Plan had administrative expenses of $2.9 million in 2011 compared to $2.8 million in 2010 an increase of $113 thousand or 4.1%. Administrative expenses in calendar year 2010 increased by $363 thousand or 15.0%.

Fiduciary Responsibilities

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

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

Request for Information

This financial report is designed to provide a general overview for those parties interested in the Plan's finances. Questions concerning any of the information provided in this financial report or requests for additional information should be addressed to:

State of Alaska Deferred Compensation Plan
Division of Retirement and Benefits, Accounting Section
PO Box 110203
Juneau, Alaska 99811-0203

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

Statements of Fiduciary Net Assets

December 31, 2011 and 2010

(In thousands)

		2011	2010
Assets:			
Participant contributions receivable	$	1,857	3,016
Investments:			
Collective investment funds, at fair value:			
Participant directed		358,742	360,154
Money market fund – nonparticipant directed		366	422
		359,108	360,576
Interest income fund, participant directed:			
Synthetic investment contracts, at fair value		173,276	163,769
Cash and cash equivalents, at fair value		14,173	9,990
		187,449	173,759
Ownership of pooled investment funds, participant directed, at fair value		53,044	46,116
Total investments		599,601	580,451
Total assets		601,458	583,467
Accrued expenses		149	119
Fiduciary net assets	$	601,309	583,348

See accompanying notes to financial statements.

STATE OF ALASKA
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Statements of Changes in Fiduciary Net Assets

Years ended December 31, 2011 and 2010

(In thousands)

		2011	2010
Additions:			
Participant contributions	$	39,568	38,850
Transfers In		139	—
Total contributions		39,707	38,850
Investment income:			
Net appreciation in fair value of investments		9,164	53,212
Interest income		5,902	6,259
Net investment income		15,066	59,471
Total additions		54,773	98,321
Deductions:			
Benefits paid to participants and purchases of annuity contracts		33,916	33,883
Administrative expenses		2,895	2,782
Total deductions		36,811	36,665
Net increase in fiduciary net assets		17,962	61,656
Net assets, beginning of year		583,348	521,692
Net assets, end of year	$	601,310	583,348

See accompanying notes to financial statements.

(1) Description

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

General

The Plan was created by State of Alaska (the 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 nonpermanent 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, 2011 and 2010, the Plan had approximately 9,800 and 9,300 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 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 document 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 record-keeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

Contributions

During 2011 and 2010, plan participants could contribute a minimum of $50 a month ($600 per year). In 2011 and 2010, the maximum amount that could be deferred in a year was $16,500 for participants under age 50 and $22,000 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 $33,000 in 2011 and 2010). Participants vest automatically in all of their contributions and earnings on those contributions.

(1) Description (cont.)

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 record-keeping/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 record-keeper and by the State. The investment management fees are netted out of the funds' performance.

At December 31, 2011, 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 Life Insurance Company.

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.

US Small-Cap Trust – this fund invests primarily in common stocks of small companies that appear undervalued or offer the potential for superior earnings growth. This fund invests at least 78.5% of its total assets in the stocks of small companies.

Brandes International Equity Fund – this fund invests primarily in the equity securities of non-U.S. issuers whose equity market capitalizations exceed $5 billion at the time of purchase. The fund is managed using a value investment process based on Graham & Dodd fundamental analysis of individual securities to identify those that are priced below their intrinsic value.

SSgA Global Balanced Fund – this fund has a target asset allocation of 60.0% equities and 40.0% fixed income and is invested in a mix of passively managed index commingled funds.

RCM Socially Responsible Investment Fund – this fund is actively managed and only invests in companies contained within the KLD Large-Mid Cap Social Index (LMSI). The LMSI holds approximately 600 companies with the highest environmental, social and governance (ESG) rankings in each sector of the 1,000 largest U.S. stocks.

Government/Credit Bond Index Fund – this fund invests in a highly diversified portfolio of high-quality U.S. fixed-income securities. The fund buys and holds portfolios of the securities included in the Barclays Capital Government/Credit Bond Index. The fund seeks to closely match the Index's total rate of return.

(1) Description (cont.)

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

World Equity ex-US Index Fund – this fund is designed to replicate the returns of the MSCI ACWI Ex-US Index and provide a broad-based, low-cost exposure to both the developed and emerging markets. The index consists of approximately 2000 securities across 47 markets.

World Government Bond ex-US Index Fund – this fund is designed to replicate the total rate of return of the Citigroup World Government Bond Ex-U.S. Index. The fund employs a passive bond indexing strategy investing in a well diversified portfolio which is representative of the international government bond market.

Russell 3000 Index Fund – this fund is designed to replicate the returns and characteristics of the Russell 3000 Index. The fund comprises the 3,000 largest stocks in the U.S. market and accounts for approximately 98.0% of the U.S. stock market capitalization.

Long US Treasury Bond Index Fund – this fund invests in one or more commingled funds managed by SSgA which, in combination, are designed to replicate the return of the Barclays Capital Long Treasury Bond Index while providing for daily liquidity for plan participants. The fund seeks to match the return of Barclays Capital Long Treasury Bond Index by investing in a well-diversified portfolio of treasury securities with maturities longer than 10 years.

US Real Estate Investment Trust Index Fund – this fund seeks to replicate the returns and characteristics of the Dow Jones U.S. Select REIT Index by purchasing each security in the same capitalization weight as it appears in the Index.

US Treasury Inflation-Protected Securities (TIPS) Index Fund – this fund invests in the SSgA TIPS Index NL Series (Class A) and is intended to replicate the return of the index while providing for daily liquidity for the plan participants. The fund seeks to match the returns of the index by investing in a portfolio of U.S. Treasury inflation-protected securities.

State Street Institutional Treasury Money Market Fund – this money market fund seeks to achieve its investment objective by investing substantially all of its investable assets in the State Street Money Market Portfolio of State Street Master Funds, which has the same investment objective as and investment policies that are substantially similar to those of the fund. The fund attempts to achieve its investment objective by investing exclusively in direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds. The fund may also invest in other mutual funds, subject to regulatory limitations, that invest exclusively in such obligations.

S&P 500 Stock Index Fund – this fund offers diversified investment in the U.S. equity market and is designed to replicate the returns and characteristics of the Standard & Poor's 500 Composite Stock Price Index. The fund owns all 500 of the securities in the S&P 500 Index in proportion to each security's size as measured by its total market value.

(Continued)

(1) Description (cont.)

Money Market Fund- consists of nonparticipant-directed funds used to pay administrative costs of the plan.

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 specified 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.

Pooled Investment Funds

Alaska Target Date Retirement 2010 – 2055 Trusts – the purpose of these funds is to provide a diversified mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The Trusts are designed to gradually invest more conservatively as the target retirement date approaches. The trusts invest in four underlying common trust funds, each one emphasizing a different market sector: U.S. stocks, non-U.S. stocks, U.S. investment-grade bonds, and money market securities. Over time, the allocations become more conservative, systematically decreasing exposure to stocks and increasing exposure to bonds and money market securities on a quarterly basis. At the target date, the trusts maintain a substantial exposure to stocks (approximately 55.0%). The most conservative allocation to stocks (approximately 20.0%) occurs 30 years after the target date is reached.

Alaska Balanced Trust – the purpose of this fund is to provide a diversified mix of stocks, bonds, and money market securities for investors with a higher tolerance for risk. The trust invests in up to four underlying common trust funds, each one emphasizing a different market sector: U.S. stocks, non-U.S stocks, U.S. investment grade bonds, and money market securities.

Alaska Long-Term Balanced Trust – the purpose of this fund is to provide a diversified mix of stocks, bonds, and money market securities for investors with a higher tolerance for risk. The trust invests in up to four underlying common trust funds, each one emphasizing a different market sector: U.S. stocks, non-U.S stocks, U.S. investment grade bonds, and money market securities.

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. Account balances of $1,000 or less are automatically paid in the form of a lump-sum distribution. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70½. Payment of benefits to a participant commences 60 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.

(Continued)

(1) Description (cont.)

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

Income Taxes

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

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

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.

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.

Valuation of Synthetic Investment Contracts

The Plan's investments in fully benefit-responsive synthetic investment contracts (note 4) are stated at fair value as they are affected by the market factors and credit standing.

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) 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 $601.3 million at December 31, 2011, 99.7%, or $599.6 million, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of $583.3 million at December 31, 2010, 99.4%, or $580.0 million, are specifically allocated to individual participant accounts.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

(Continued)

(3) Investments (cont.)

Participant-Directed Investments at December 31 Year-End

	Market value (In thousands)	
	2011	**2010**
Interest Income Fund	$ 187,449	173,759
S&P 500 Index Fund	117,091	121,669
US Small Cap Trust	65,253	68,199
SSgA Global Balanced Fund	36,342	37,692
Brandes International Equity Fund	36,279	43,564
Alaska Long-Term Balanced Trust	33,828	32,473
Government/Credit Bond Index Fund	32,800	30,445
Intermediate Bond Fund	16,383	16,768
RCM Socially Responsible Investment Fund	10,432	10,651
US TIPS Index Fund	9,529	6,157
State Street Money Market Fund	7,823	5,623
US Real Estate Investment Trust Index Fund	7,787	5,921
Long US Treasury Bond Index Fund	6,482	1,708
Alaska Balanced Trust	5,767	4,196
Russell 3000 Index Fund	5,200	4,153
World Equity Ex-US Index Fund	3,644	4,582
Alaska Target Date Retirement 2015 Trust	3,321	2,539
Alaska Target Date Retirement 2020 Trust	2,951	1,663
World Government Bond Ex-US Index Fund	1,950	1,227
Alaska Target Date Retirement 2010 Trust	1,669	1,443
Alaska Target Date Retirement 2025 Trust	1,630	1,100
Hartford Stock – Equity Fund	1,625	1,674
Alaska Target Date Retirement 2030 Trust	1,096	525
Alaska Target Date Retirement 2035 Trust	973	711
Alaska Target Date Retirement 2055 Trust	884	810
Alaska Target Date Retirement 2040 Trust	508	246
Alaska Target Date Retirement 2045 Trust	227	137
Alaska Target Date Retirement 2050 Trust	191	272
Hartford Bond Fund	122	122
Total	$ 599,236	580,029

(3) Investments (cont.)

The Plan's investments at December 31, 2011 include the following collective investment funds (in thousands):

	Units owned	Unit value	Balance
Equity funds:			
S & P 500 Index Fund	2,686,180	43.590	$ 117,091
US Small Cap Trust	1,251,498	52.140	65,253
Brandes International Equity Fund	3,847,229	9.430	36,279
RCM Socially Responsible Investment Fund	761,592	13.697	10,432
US Real Estate Investment Trust Index Fund	749,889	10.384	7,787
Russell 3000 Index Fund	459,979	11.304	5,200
World Equity Ex-US Index Fund	333,942	10.913	3,644
Equity Fund, actively managed*	96,227	16.889	1,625
			247,311
Bond and debt securities funds:			
Government/Credit Bond Fund	1,030,347	31.834	32,800
US TIPS Index Fund	758,260	12.567	9,529
Intermediate Bond Fund	626,566	26.147	16,383
Long US Treasury Bond Index Fund	445,877	14.538	6,482
World Government Bond Ex-US Index Fund	160,668	12.140	1,950
Bond Fund, actively managed*	13,315	9.151	122
			67,266
Bond and equity fund:			
SSgA Global Balanced Fund	2,967,736	12.245	36,342
Money market funds:			
Participant directed – State Street Institutional Treasury Money Market Fund	7,822,606	1.000	7,823
Nonparticipant directed	21,786	16.826	366
			8,189
Total collective investment funds			$ 359,108

* Activly managed by the Division of Treasury

(3) Investments (cont.)

The Plan's investments at December 31, 2010 include the following collective investment funds (in thousands):

	Units owned	Unit value	Balance
Equity funds:			
Brandes International Equity Fund	4,117,568	10.580	$ 43,564
T. Rowe Price Small Cap Stock Trust	1,308,745	52.110	68,199
S & P 500 Index Fund	2,849,383	42.700	121,669
RCM Socially Responsible Investment Fund	770,138	13.830	10,651
World Equity Ex-US Index Fund	362,495	12.640	4,582
Russell 3000 Index Fund	371,585	11.177	4,153
US Real Estate Investment Trust Index Fund	622,428	9.512	5,921
Equity Fund, actively managed*	97,251	17.218	1,674
			260,413
Bond and debt securities funds:			
Government/Credit Bond Fund	1,038,155	29.326	30,445
Intermediate Bond Fund	679,263	24.686	16,768
World Government Bond Ex-US Index Fund	106,300	11.541	1,227
Long US Treasury Bond Index Fund	152,596	11.196	1,708
US TIPS Index Fund	555,705	11.080	6,157
Bond Fund, actively managed*	14,118	8.639	122
			56,427
Bond and equity funds:			
SSgA Global Balanced Fund	3,047,420	12.369	37,692
Money market fund:			
Participant directed – State Street Institutional Treasury Money Market Fund	5,622,626	1.000	5,622
Nonparticipant directed	25,070	16.826	422
			6,044
Total collective investment funds			$ 360,576

* Actively managed by the Division of Treasury

(4) Synthetic Investment Contracts

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

NATIXIS Financial Products Inc.

In 1999, the Plan’s investment manager entered into an investment contract, on behalf of the Plan, with NATIXIS 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, 2011 and 2010 was $32,253,000 and $31,048,000 respectively, as reported by NATIXIS Financial Products Inc., and the market value of the portfolio at December 31, 2011 and 2010 was $34,639,000 and $32,748,000 respectively. The average crediting rates for 2011 and 2010 were approximately 3.88% and 4.33%, 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.

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, 2011 and 2010 was $32,257,000 and $31,052,000 respectively, as reported by Bank of America, and the market value of the portfolio at December 31, 2011 and 2010 was $34,643,000 and $32,753,000 respectively. The average yield and crediting interest rates for 2011 and 2010 were approximately 3.88% and 4.33%, 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.

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, 2011 and 2010 was $32,201,000 and $30,965,000 respectively, as reported by Rabobank Nederland, and the market value of the portfolio at December 31, 2011 and 2010 was $34,712,000 and $32,766,000 respectively. The average yield and crediting interest

(4) Synthetic Investment Contracts (cont.)

rates for 2011 and 2010 were approximately 3.99% and 4.40%, 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.

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, 2011 and 2010 was $32,254,000 and $31,050,000 respectively, as reported by State Street Bank, and the market value of the portfolio at December 31, 2011 and 2010 was $34,640,000 and $32,750,000 respectively. The average crediting rates for 2011 and 2010 were approximately 3.88% and 4.33%, 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.

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, 2011 and 2010 was $32,257,000 and $31,052,000 respectively, as reported by Pacific Life Insurance Co., and the market value of the portfolio at December 31, 2011 and 2010 was $34,643,000 and $32,753,000 respectively. The average crediting rate for 2011 and 2010 were approximately 3.88% and 4.33%, 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.

(5) Deposit and Investment Risk

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) contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Plan are subject to the

(5) Deposit and Investment Risk (cont.)

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, 2011 are as follows (in thousands):

	Fair value	Weighted average maturity
Bond Fund	$ 122	4.34 years
Government/Credit Bond Index Fund	32,800	8.21 years
Institutional Treasury Money Market Fund	7,823	32 days
Intermediate Bond Fund	16,383	4.08 years
Long U.S. Treasury Bond Index Fund	6,482	16.45 years
U.S. TIPS Index Fund	9,529	4.15 years
World Government Bond ex-U.S. Index Fund	1,950	7.03 years

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. 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 Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.24 years at December 31, 2011. The duration of the Barclays Capital Intermediate Aggregate Index was 3.47 years at December 31, 2011.
>
> 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 fixed income securities underlying the contracts and their related cash flows.

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 institutional treasury money market fund, which had a weighted average maturity of 32 days at December 31, 2011.

(5) Deposit and Investment Risk (cont.)

Pooled Investment Funds

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

The Board contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate 13 participant-directed funds. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to ± 0.2 years of the Barclays Aggregate Bond Index. At December 31, 2011, the duration of the Barclays Aggregate Bond Index was 4.95 years, and the duration of the Aggregate Bond Trust was 5.04 years.

The weighted average maturity of the money market portfolio was 35.73 days at December 31, 2011.

The Board does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

Credit Risk

Credit risk is the risk that an issuer or other counterparty 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 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,
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.

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,

(5) Deposit and Investment Risk (cont.)

GNMA, FNMA, and FHLMC mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation,

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

(5) Deposit and Investment Risk (cont.)

At December 31, 2011, Plan investments 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 (In thousands)		
Investment type	**Rating**	**Underlying synthetic investment contracts**	**Other**	**Total**
Investments with credit exposure:				
Money market fund	Not Rated	$ —	367	367
Short-term investment fund	Not Rated	2,786	—	2,786
U.S. government agency	AA	11,221	—	11,221
Mortgage-backed	AAA	3,956	—	3,956
Mortgage-backed	AA	71	—	71
Mortgage-backed	A	355	—	355
Mortgage-backed	BBB	56	—	56
Mortgage-backed	Not Rated	64,278	—	64,278
Other asset-backed	AAA	2,048	—	2,048
Other asset-backed	AA	321	—	321
Other asset-backed	Not Rated	674	—	674
Corporate bonds	AA	2,381	—	2,381
Corporate bonds	A	14,280	—	14,280
Corporate bonds	BBB	9,807	—	9,807
Yankees:				
Corporate	AA	1,592	—	1,592
Corporate	A	2,346	—	2,346
Corporate	BBB	1,656	—	1,656
Government	AAA	3,184	—	3,184
Government	AA	1,076	—	1,076
Government	A	317	—	317
Government	BBB	27	—	27
Deposits and investments with no credit exposure:				
Deposits		(2,432)	—	(2,432)
U.S. Treasury notes	AAA	53,276	—	53,276
Collective investment funds		— —	291,542	291,542
Pooled Investment Funds		—	53,044	53,044
Domestic equity		—	65,253	65,253
Total invested assets		$ 173,276	410,206	583,482

(5) Deposit and Investment Risk (cont.)

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 35.0% of the interest income fund's total value.

No investment will be made if, at the time of 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	100.0%	100.0%
U.S. Agency Securities	100.0	100.0
Agency Mortgage-Backed Securities	50.0	50.0
Non-Agency Mortgage-Backed Securities	5.0	50.0
Asset-Backed Securities	5.0	50.0
Domestic and Foreign Corporate Debt Securities	5.0	50.0
Supranational Agency and Foreign Government Entity Securities	5.0	50.0
Money Market Instruments – Nongovernmental/Agency	5.0	100.0
Custodian Short-term Investment Fund	100.0	100.0

The maximum exposure to securities rated BBB is limited to 20.0% 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 5.0% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

(5) Deposit and Investment Risk (cont.)

The Boards policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

> Equity holdings will be limited to 5.0% per issuer of the equity portfolio at the time of purchase,
>
> With the exception of the U.S. Government or its agencies, fixed income holdings of any single issuer is limited to 2.0% of the total portfolio at the time of purchase,
>
> With the exception of the U.S. Government or its agencies, money market holdings of any single issuer are limited to no more than 5.0% of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2011, the Plan invested assets included $42.3 million in Federal National Mortgage Association (FNMA) securities, which represented 7.26% of the plan's total invested assets. FNMA is a U.S. Government Agency.

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.

The Board's policy with regard to pooled investments requires that all money market holdings be made in entities domiciled in the United States. The Board has no policy with regard to other pooled investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned. The Board does not have a policy for custodial credit risk. At December 31, 2011, the Plan's deposits were uncollateralized and uninsured.

(6) 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 statements of fiduciary net assets.

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.