STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Financial Statements

January 31, 2008 and 2007

(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 Supplemental Benefits System:

We have audited the accompanying statements of fiduciary net assets of the State of Alaska Supplemental Benefits System (Plan), a Component Unit of the State of Alaska, as of January 31, 2008 and 2007, 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 Supplemental Benefits System, a Component Unit of the State of Alaska, as of January 31, 2008 and 2007, 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 5 are 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

As management of the Supplemental Benefits System (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 January 31, 2008 and 2007. 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 January 31, 2008 and 2007, are $2.216 billion and $2.191 billion, respectively. The net assets represent employer and employee contributions and investment income less administrative fees.
- The net assets of the Plan at January 31, 2008 increased by $25.1 million, or approximately 1%, from the prior fiscal year. The net assets of the Plan at January 31, 2007 increased by $152.8 million or approximately 7.5% from the prior fiscal year.
- The Plan incurred a net investment gain of $65.9 million in the 2008 fiscal year, compared to a $179.7 million investment gain in the 2007 fiscal 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, receivables, and other assets and liabilities at January 31, 2008 and 2007. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Plans.

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 January 31, 2008 and 2007. It reflects contributions by employees and employers along with investment income (or loss) during the period from individual participant directed investing activities. Deductions for participant withdrawals, benefit payments, and administrative expenses are also presented. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Plans.

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

(Continued)

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 $2.216 billion at January 31, 2008, 99.5% of which, or $2.204 billion, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of $2.191 billion at January 31, 2007, 99.5% of which, or $2.180 billion, 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 and each account is reduced for administrative fees.

As of January 31, 2008, the following funds were available to participants for investment:

Participant Directed Investments at January 31 Year End (In thousands)

	2008	2007
Alaska Balanced Trust	$1,116,647	$1,129,624
S&P 500 Stock Index Fund	233,003	272,470
Stable Value Fund	185,518	135,935
Alaska Long-Term Balanced Trust	176,381	129,372
International Equity Fund	127,248	145,430
Alaska Target 2015 Fund	79,438	85,648
Government Credit Bond Index Fund	69,174	-
Global Balanced Fund	68,635	68,393
Small Cap Stock Trust	42,339	57,201
Alaska Target 2010 Fund	40,639	40,231
Alaska Target 2020 Fund	28,796	28,812
Citizens Core Growth Fund	26,838	19,471
Alaska Target 2025 Trust	9,034	7,215
Daily Govt./Corp. Bond Fund	-	35,529
Tactical Asset Allocation Fund	-	24,853

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

	2007 1-Year Actual	2006 1-Year Actual
Alaska Balanced Trust	6.68%	8.54%
S&P 500 Stock Index Fund	5.53	15.82
Stable Value Fund	4.89	4.49
Alaska Long-Term Balanced Trust	6.23	11.80
International Equity Fund	8.50	26.10
Alaska Target 2015 Fund	6.35	10.52
Government Credit Bond Index Fund	7.25	N/A
Global Balanced Fund	3.59	11.29
Small Cap Stock Trust	(1.28)	12.74
Alaska Target 2010 Fund	6.18	6.88
Alaska Target 2020 Fund	6.04	15.19
Citizens Core Growth Fund	13.90	(1.26)
Alaska Target 2025 Trust	5.48	15.15
Daily Govt./Corp. Bond Fund	N/A	4.10
Tactical Asset Allocation Fund	N/A	9.92

The Tactical Asset Allocation Fund was closed on September 17, 2007 and the balances remaining in the Fund on this date were transferred into the Alaska Long-Term Balanced Trust.

Contributions and Distributions

The Plan had contributions of $127.4 million in the 2008 fiscal year compared to $124.4 million in the 2007 fiscal year. Increased maximum contribution limits contributed to the increase in contributions.

The Plan had benefits paid to participants and purchase agreement contracts of $166.5 million in fiscal year 2008 compared to $143.7 million in fiscal year 2007. The increased amounts paid to participants between the two years was attributable to an increase in the average amount of individual withdrawals.

Fiduciary Responsibilities

The Alaska Retirement Management Board (ARMB), 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
Supplemental Benefits System
PO Box 110203
Juneau, Alaska 99811-0203

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SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Statements of Fiduciary Net Assets – Annuity and Cafeteria Plans

January 31, 2008 and 2007

(In thousands)

	2008			2007		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Current assets:						
Cash and cash equivalents	$ 387	847	1,234	34	1,183	1,217
Receivables:						
Mandatory contributions	5,980	—	5,980	5,716	—	5,716
Voluntary contributions	—	223	223	—	217	217
Total receivables	5,980	223	6,203	5,716	217	5,933
Investments:						
Collective investment funds, at fair value						
Participant-directed	567,237	—	567,237	623,347	—	623,347
Money market fund – nonparticipant directed	5,832	—	5,832	4,816	—	4,816
	573,069	—	573,069	628,163	—	628,163
Stable Value Fund:						
Synthetic investment contracts, at fair value	169,261	—	169,261	129,674	—	129,674
Cash and cash equivalents, at fair value	16,257	—	16,257	6,261	—	6,261
	185,518	—	185,518	135,935	—	135,935
Ownership of pooled investment funds, participant directed at fair value	1,450,935	—	1,450,935	1,420,902	—	1,420,902
Total investments	2,209,522	—	2,209,522	2,185,000	—	2,185,000
Investment Loss Trust Fund, at fair value	1,849	—	1,849	1,767	—	1,767
Total assets	2,217,738	1,070	2,218,808	2,192,517	1,400	2,193,917
Current liabilities:						
Payable to Plan participants	1,849	—	1,849	1,767	—	1,767
Accrued expenses	421	862	1,283	298	1,236	1,534
Total liabilities	2,270	862	3,132	2,065	1,236	3,301
Commitments and contingencies						
Net assets held in trust for individuals, organizations, and other governments	$ 2,215,468	208	2,215,676	2,190,452	164	2,190,616

See accompanying notes to financial statements.

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Fiduciary Net Assets – Annuity and Cafeteria Plans

January 31, 2008 and 2007

(In thousands)

	2008			2007		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Additions:						
Contributions:						
Mandatory	$ 121,033	—	121,033	117,636	—	117,636
Voluntary	—	4,993	4,993	—	4,867	4,867
Transfers in	1,384	—	1,384	1,951	—	1,951
Total contributions	122,417	4,993	127,410	119,587	4,867	124,454
Government Corporate Bond Fund Settlement	6,298	—	6,298	—	—	—
Investment income:						
Net appreciation in fair value of investments	58,478	—	58,478	173,615	—	173,615
Interest	7,386	—	7,386	6,094	—	6,094
Net investment income	65,864	—	65,864	179,709	—	179,709
Total additions	194,579	4,993	199,572	299,296	4,867	304,163
Deductions:						
Benefits paid to participants and purchases of annuity contracts	166,473	—	166,473	143,734	—	143,734
Insurance premiums and dependent care assistance plan reimbursements	—	4,949	4,949	—	4,897	4,897
Administrative expenses – annuity	2,824	—	2,824	2,487	—	2,487
Administrative expenses – paid by annuity for cafeteria	266	—	266	245	—	245
Total deductions	169,563	4,949	174,512	146,466	4,897	151,363
Net increase assets held in trust for individuals, organizations, and other governments	25,016	44	25,060	152,830	(30)	152,800
Net assets, beginning of year	2,190,452	164	2,190,616	2,037,622	194	2,037,816
Net assets, end of year	$ 2,215,468	208	2,215,676	2,190,452	164	2,190,616

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Supplemental Benefits System (Plan), a Component Unit of the State of Alaska, which is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plans, is provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

(a) General

The Plan was created by State of Alaska Statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All State of Alaska (State) employees who would have participated in Social Security, if the State had not withdrawn, participate in the Plan. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in the Plan as provided by Alaska Statute. There were sixteen other employers besides the State participating in the Plan as of January 31, 2008 and 2007. There were approximately 36,000 and 35,000 participants in the Plan as of January 31, 2008 and 2007, respectively.

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

(b) Contributions

Mandatory contributions are made to the Supplemental Annuity Plan, a defined contribution plan, and voluntary contributions to the Supplemental Benefits Plans. Participating employees are vested at all times.

Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State and other participating employers are required by statute to contribute 12.26% of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one–half the contribution made on the employee's behalf.

Supplemental Benefits Plans contributions are voluntary based upon the optional benefits elected by each employee enrolled in the Plan. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to the Plan on the employee's behalf.

(c) Participant Accounts

Participant accounts under the Supplemental Annuity Plan 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.

Recordkeeping/administrative fees consisting of a fixed amount, applied in a lump–sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. 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 January 31, 2008, participants had the following investment options:

Collective Investment Funds

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

Small Cap Stock Trust – 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. This fund invests at least 65% of its total assets in the stocks of small companies.

S&P 500 Stock Index Fund – the purpose of this fund is to provide income and capital appreciation matching the total return of the Standards & 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.

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. This fund replaced the State Street Daily Government/Corporate Bond Fund. As of August 23, 2007 the State Street Daily Government/Corporate Bond Fund had a calendar year 2007 negative investment return of approximately 18% compared to the Lehman Brothers Government/Credit Bond Index positive investment return of approximately 3%. The ARMB directed that the Barclay's Government/Credit Bond Index Fund be added to the plan's fund investment options and that the State Street Daily Government/Corporate Bond Fund be terminated. Assets were transferred from the State Street fund to the Barclay's fund on August 28, 2007. On December 20, 2007, the State reached a settlement with State Street that provided each participant invested in the State Street Daily Government/Corporate Bond Fund with an amount equal to 100% of the losses incurred between June 29, 2007 and August 28, 2007 plus interest on these losses from August 28, 2007 to December 5, 2007. For the Supplemental Annuity Plan, this amount totaled $6,298 with a subsequent additional residual settlement amount received late March 2008 of $113.

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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.

Citizens Core Growth Fund – this fund invested primarily in U.S. large cap growth stocks, with an emphasis on those that were 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.

Money Market Fund – consist of nonparticipant directed funds used to pay administrative costs of the plan.

Pooled Investment Funds

In late June 2006, the Alaska Balanced Fund, Alaska Long–Term Balanced Fund and Alaska Target 2025 Fund were converted from separate accounts to common trust funds in order to allow participants of the new Defined Contribution Retirement Plans to invest in these funds. The names of these investment options were updated from "Fund" to "Trust" at this time. The conversion was transparent to participants and did not result in any operational changes.

Alaska Target 2010 Fund – the purpose of this fund is to provide a diversified mix of stocks, bonds and cash for long–term investors with a low to moderate tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches.

Alaska Target 2015 Fund – the purpose of this fund is to provide a diversified mix of stocks, bonds and cash for long–term investors with a moderate to high tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2015 approaches.

Alaska Target 2020 Fund – the purpose of this fund is to provide a diversified mix of stocks, bonds and cash for long–term investors with a higher tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2020 approaches.

Alaska Target 2025 Trust – the purpose of this fund is to provide a diversified mix of stocks, bonds, and cash for long–term investors with a higher tolerance for risk. This fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2025 approaches.

Alaska Long–Term Balanced Trust – the purpose of this fund 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.

Alaska Balanced Trust – the purpose of this fund 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 low to average risk tolerance.

Stable Value Fund

Stable Value Fund **-** the purpose of this fund is to preserve principle and to offer a competitive rate of interest consistent with the preservation of capital. The Fund invests in a diversified portfolio of 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 Annuity Benefits

Employees are eligible to withdraw from the Supplemental Annuity Plan sixty days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The plan administrator issues lump–sum disbursements through its contracted recordkeeper.

(e) Supplemental Cafeteria Benefits

Benefits available under the Supplemental Benefits Plans include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status.

All supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The Dependent Care Assistance Plan is administered by the State.

(f) Funding of the Plan

Supplemental annuity contributions from employers were deposited with investment managers under contract with the Plan for the years ended January 31, 2008 and 2007. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds in addition to participant contributions received during the year.

(g) Effect of Plan Termination

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 is terminated, the deposit contracts shall remain in force until all individual employee benefit accounts have been completely distributed in accordance with the Plan.

(Continued)

The employers are under no obligation or liability to continue making contributions to, or participate in, the Plan. Employers in their sole and absolute discretion may discontinue participation and contributions with no liability whatsoever for such termination except liability to the State under the terms of the participation agreement.

(h) Income Taxes

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis 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 periods. 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 4) are stated fair values as they are affected by member factors and current standings.

(d) Valuation of Ownership of Pooled Investment Funds

The Plan's ownership of pooled investment funds (note 6), held in trust, are stated at fair value based on the unit values 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents at January 31, 2008 and 2007 are comprised of interest–bearing deposits.

(f) Contributions Receivable

Contributions applicable to wages earned through January 31 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 January 31 include the following collective investment funds:

	2008				2007			
	Units owned	Unit value		Balance (In thousands)	Units owned	Unit value		Balance (In thousands)
S&P 500 Stock Index Fund	8,904,853	$ 26.170		233,003	10,172	$ 26.786		272,470
Citizens Core Growth Fund	1,501,857	17.870		26,838	1,093	17.810		19,471
Government/Credit Bond Fund	2,704,634	25.580		69,174				
Daily Government/Corporate Bond Fund	—	—		—	1,632	21.765		35,529
Tactical Asset Allocation Fund	—	—		—	2,047	12.140		24,853
Global Balanced Fund	2,062,337	33.250		68,634	2,045	33.440		68,393
Small Cap Stock Trust	1,071,593	39.510		42,339	1,314	43.540		57,201
International Equity Fund	5,885,642	21.620		127,248	5,965	24.380		145,430
Money Market Fund – nonparticipant directed	352,122	16.560		5,832	304	15.836		4,816
Total collective investment funds			$	573,069			$	628,163

(4) Synthetic Investment Contracts

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

(a) Bank of America

In 2004, 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 market value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at January 31, 2007 and January 31, 2008 was $21,758 and $33,156 respectively as reported by Bank of America, and the market value of the portfolio at January 31, 2007 and January 31, 2008 was $21,422 and $33,853 respectively. The average crediting rate for 2006 and 2007 was approximately four percent 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 January 31, 2008, the last scheduled maturity payment date was July 20, 2011.

(b) IXIS Financial Products Inc.

In 2004, 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 January 31, 2007 and January 31, 2008 was $21,758 and $33,156 respectively as reported by IXIS Financial Products Inc, and the market value of the portfolio at January 31, 2007 and January 31, 2008 was $21,422 and $33,853 respectively. The average yield and crediting interest rate for 2006 and 2007 was approximately four percent 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 January 31, 2008, the last scheduled maturity payment date was July 20, 2011.

(c) 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 market value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at January 31, 2007 and January 31, 2008 was $21,758 and $33,156 respectively as reported by Pacific Life Insurance Co, and the market value of the portfolio at January 31, 2007 and January 31, 2008 was $21,422 and $33,853 respectively. The average yield and crediting interest rate for 2006 and 2007 was approximately four percent and four and one 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 January 31, 2008, the last scheduled maturity payment date was July 20, 2011.

(d) Rabobank Nederland

In 2004, 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 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 January 31, 2007 and

January 31, 2008 was $33,012 and $33,154 respectively as reported by Rabobank Nederland, and the market value of the portfolio at January 31, 2007 and January 31, 2008 was $32,704 and $33,851 respectively. The average yield and crediting interest rate for 2006 and 2007 was approximately five percent. 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 January 31, 2008 the last scheduled maturity payment date was July 20, 2011.

(e) State Street Bank & Trust Co.

In 2004, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank & Trust Co. 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 January 31, 2007 and January 31, 2008 was $33,012 and $33,154 respectively as reported by State Street Bank & Trust Co. and the market value of the portfolio at January 31, 2007 and January 31, 2008 was $32,704 and $33,851 respectively. The average yield and crediting interest rate for 2006 and 2007 was approximately five percent. 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 January 31, 2008, the last scheduled maturity payment date was July 20, 2011.

(Dollars in thousands)

(5) Changes in Fiduciary Net Assets

During the years ended January 31, 2008 and 2007 the following changes in fiduciary net assets by fund took place:

	Participant directed							
	International Equity Fund	Small Cap Stock Trust	Citizens Core Growth Fund	S&P 500 Stock Index Fund	Global Balanced Fund	Tactical Asset Allocation Fund	Daily Government/ Corporate Bond Fund	Government Credit Bond Fund
2008:								
Additions:								
Contributions:								
Mandatory contributions	$ 8,288	3,848	1,555	11,167	2,888	509	790	655
Voluntary contributions	—	—	—	—	—	—	—	—
Transfers in	153	76	7	34	44	12	4	1
Total contributions	8,441	3,924	1,562	11,201	2,932	521	794	656
Government Corporate Bond Fund Settlement	—	—	—	—	—	—	—	5,549
Investment income (loss):								
Net appreciation (depreciation) in fair market value of investments	3,332	(4,812)	(688)	(4,948)	(706)	1,023	(5,391)	1,889
Interest income	—	—	—	—	—	—	—	—
Net investment income (loss)	3,332	(4,812)	(688)	(4,948)	(706)	1,023	(5,391)	1,889
Total additions	11,773	(888)	874	6,253	2,226	1,544	(4,597)	8,094
Deductions:								
Benefits paid to participants and purchases of annuity contracts	8,569	4,011	1,543	18,937	4,824	1,518	2,483	894
Insurance premiums and dependent care assistance reimbursements	—	—	—	—	—	—	—	—
Administrative expenses								
Actual expenses paid	—	—	—	—	—	—	—	—
Expenses deducted from participant accounts	184	74	36	315	83	15	23	25
Total deductions	8,753	4,085	1,579	19,252	4,907	1,533	2,506	919
Net increase (decrease) prior to interfund transfers	3,020	(4,973)	(705)	(12,999)	(2,681)	11	(7,103)	7,175
Interfund transfers	(21,202)	(9,889)	8,072	(26,468)	2,923	(24,864)	(28,426)	61,999
Net increase (decrease) in net assets held in trust for individuals, organizations and other governments	(18,182)	(14,862)	7,367	(39,467)	242	(24,853)	(35,529)	69,174
Net assets, beginning of year	145,430	57,201	19,471	272,470	68,393	24,853	35,529	—
Net assets, end of year	$ 127,248	42,339	26,838	233,003	68,635	—	—	69,174

							Nonparticipant directed				
Stable Value Fund	**Alaska Target 2010 Fund**	**Alaska Target 2015 Fund**	**Alaska Target 2020 Fund**	**Alaska Target 2025 Trust**	**Alaska Balanced Trust**	**Alaska Long Term Balanced Trust**	**Money Market Fund**	**Cash and cash equivalents**	**Contributions receivable**	**Accrued expenses**	**Total**
3,670	1,051	2,825	1,459	791	40,982	40,291	—	—	264	—	121,033
—	—	—	—	—	—	—	—	4,987	6	—	4,993
69	45	2	28	52	285	572	—	—	—	—	1,384
3,739	1,096	2,827	1,487	843	41,267	40,863	—	4,987	270	—	127,410
—	—	—	—	—	—	—	749	—	—	—	6,298
5,111	2,203	2,996	(110)	(424)	56,741	2,262	—	—	—	—	58,478
7,044	—	—	—	—	—	—	178	164	—	—	7,386
12,155	2,203	2,996	(110)	(424)	56,741	2,262	178	164	—	—	65,864
15,894	3,299	5,823	1,377	419	98,008	43,125	927	5,151	270	—	199,572
21,209	5,160	4,981	843	164	78,023	13,314	—	—	—	—	166,473
—	—	—	—	—	—	—	—	5,323	—	(374)	4,949
—	—	—	—	—	—	—	1,656	1,311	—	123	3,090
174	43	93	35	8	1,414	723	(3,245)	—	—	—	—
21,383	5,203	5,074	878	172	79,437	14,037	(1,589)	6,634	—	(251)	174,512
(5,489)	(1,904)	749	499	247	18,571	29,088	2,516	(1,483)	270	251	25,060
55,072	2,312	(6,959)	(515)	1,572	(31,548)	17,921	(1,500)	1,500	—	—	—
49,583	408	(6,210)	(16)	1,819	(12,977)	47,009	1,016	17	270	251	25,060
135,935	40,231	85,648	28,812	7,215	1,129,624	129,372	4,816	1,217	5,933	(1,534)	2,190,616
185,518	40,639	79,438	28,796	9,034	1,116,647	176,381	5,832	1,234	6,203	(1,283)	2,215,676

(Dollars in thousands)

(5) Changes in Fiduciary Net Assets

During the years ended January 31, 2008 and 2007 the following changes in fiduciary net assets by fund took place:

	Participant directed							
	International Equity Fund	Small Cap Stock Trust	Citizens Core Growth Fund	S&P 500 Stock Index Fund	Global Balanced Fund	Tactical Asset Allocation Fund	Daily Government/ Corporate Bond Fund	Stable Value Fund
2007:								
Additions:								
Contributions:								
Mandatory contributions	$ 6,108	3,868	1,497	11,545	2,672	985	1,491	3,596
Voluntary contributions	—	—	—	—	—	—	—	—
Transfers in	443	111	88	210	140	14	32	212
Total contributions	6,551	3,979	1,585	11,755	2,812	999	1,523	3,808
Investment income (loss):								
Net appreciation (depreciation) in fair market value of investments	19,410	3,248	(845)	35,173	5,167	2,113	1,438	(1,624)
Interest income	—	—	—	—	—	—	—	5,777
Net investment income (loss)	19,410	3,248	(845)	35,173	5,167	2,113	1,438	4,153
Total additions	25,961	7,227	740	46,928	7,979	3,112	2,961	7,961
Deductions:								
Benefits paid to participants and purchases of annuity contracts	4,463	2,652	832	14,172	3,660	1,482	4,351	22,172
Insurance premiums and dependent care assistance reimbursements	—	—	—	—	—	—	—	—
Administrative expenses:								
Actual expenses paid	—	—	—	—	—	—	—	—
Expenses deducted from participant accounts	137	73	29	307	73	29	42	150
Total deductions	4,600	2,725	861	14,479	3,733	1,511	4,393	22,322
Net increase (decrease) prior to interfund transfers	21,361	4,502	(121)	32,449	4,246	1,601	(1,432)	(14,361)
Interfund transfers	44,250	(3,631)	(9,145)	(18,287)	9,338	(4,668)	(2,654)	23,285
Net increase (decrease) in net assets held in trust for individuals, organizations and other governments	65,611	871	(9,266)	14,162	13,584	(3,067)	(4,086)	8,924
Net assets, beginning of year	79,819	56,330	28,737	258,308	54,809	27,920	39,615	127,011
Net assets, end of year	$ 145,430	57,201	19,471	272,470	68,393	24,853	35,529	135,935

						Nonparticipant directed				
Alaska Target 2010 Fund	Alaska Target 2015 Fund	Alaska Target 2020 Fund	Alaska Target 2025 Trust	Alaska Balanced Trust	Alaska Long Term Balanced Trust	Money Market Fund	Cash and cash equivalents	Contributions receivable	Accrued expenses	Total
1,282	3,113	1,402	405	44,492	34,919	—	—	261	—	117,636
—	—	—	—	—	—	—	4,867	—	—	4,867
32	161	28	34	137	309	—	—	—	—	1,951
1,314	3,274	1,430	439	44,629	35,228	—	4,867	261	—	124,454
2,620	7,609	3,154	506	84,087	11,559	—	—	—	—	173,615
—	—	—	—	—	—	163	154	—	—	6,094
2,620	7,609	3,154	506	84,087	11,559	163	154	—	—	179,709
3,934	10,883	4,584	945	128,716	46,787	163	5,021	261	—	304,163
2,612	3,676	984	51	74,503	8,124	—	—	—	—	143,734
—	—	—	—	—	—	—	4,491	—	406	4,897
—	—	—	—	—	—	1,674	1,166	—	(108)	2,732
45	94	31	4	1,414	642	(3,070)	—	—	—	—
2,657	3,770	1,015	55	75,917	8,766	(1,396)	5,657	—	298	151,363
1,277	7,113	3,569	890	52,799	38,021	1,559	(636)	261	(298)	152,800
(5,033)	(5,328)	5,179	4,311	(38,512)	895	—	—	—	—	—
(3,756)	1,785	8,748	5,201	14,287	38,916	1,559	(636)	261	(298)	152,800
43,987	83,863	20,064	2,014	1,115,337	90,456	3,257	1,853	5,672	(1,236)	2,037,816
40,231	85,648	28,812	7,215	1,129,624	129,372	4,816	1,217	5,933	(1,534)	2,190,616

(Continued)

(Dollars in thousands)

(6) Ownership of Pooled Investment Funds

The Plan has formed six pooled investment funds which six of the participant directed funds invest in. The pooled investment funds are wholly owned by the six participant directed funds. The pooled investment funds, and their investments, are as follows as of January 31:

	GNMA Pool	Corporate Pool	Cash Pool	Equity Pool	Cap Pool	Equity Pool	Total
2008:							
Deposits – cash and cash equivalents and accrued interest $	13,115	11,806	49,550	3,850	573	261	79,155
Commercial paper							
Mortgage backed securities	232,480	—	—	—	—	—	232,480
Corporate notes and bonds	—	209,657	7,891	—	—	—	217,548
Government Municipals	—	—	3,948	—	—	—	3,948
U.S. Treasury securities	—	228,366	—	—	—	—	228,366
Yankees	—	43,586	—	—	—	—	43,586
Federal agency government debt	—	103,132	—	—	—	—	103,132
Equity	—	5	—	490,775	23,966	27,974	542,720
Total investments $	245,595	596,552	61,389	494,625	24,539	28,235	1,450,935

Ownership in the above pooled investments funds is summarized as follows:

	GNMA Pool	Government/ Corporate Pool	Cash Pool	Equity Pool	Small Cap Pool	International Equity Pool	Total
2008:							
Alaska Target 2010 Fund	0.55%	2.03%	34.00%	1.15%	—%	—%	2.74%
Alaska Target 2015 Fund	1.22	4.48	25.44	6.17	9.58	—	5.39
Alaska Target 2020 Fund	0.13	0.65	4.62	3.51	8.76	5.34	1.95
Alaska Target 2025 Trust	0.11	0.09	0.33	1.34	2.67	1.70	0.61
Alaska Long-term Balanced Trust	10.03	9.57	6.75	20.50	19.14	24.02	13.75
Alaska Balanced Trust	87.96	83.18	28.86	67.33	59.85	68.94	75.56
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(Dollars in thousands)

	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 $	9,283	13,670	224	1,961	1,086	383	26,607
Commercial paper	—	—	54,806	—	—	—	54,806
Mortgage backed securities	212,380	—	—	—	—	—	212,380
Corporate notes and bonds	—	187,520	13,301	—	—	—	200,821
U.S. Treasury securities	—	211,624	—	—	—	—	211,624
Yankees	—	32,091	—	—	—	—	32,091
Federal agency government debt	—	104,619	—	—	—	—	104,619
Equity	—	5	—	521,653	26,202	30,094	577,954
Total investments $	221,663	549,529	68,331	523,614	27,288	30,477	1,420,902

Ownership in the above pooled investments funds is summarized as follows:

	GNMA Pool	Government/ Corporate Pool	Cash Pool	Equity Pool	Small Cap Pool	International Equity Pool	Total
2007:							
Alaska Target 2010 Fund	0.71%	2.61%	23.65%	1.56%	—%	—%	2.83%
Alaska Target 2015 Fund	1.18	4.32	21.79	7.85	12.10	—	6.02
Alaska Target 2020 Fund	0.08	0.48	3.11	3.66	9.44	7.18	2.03
Alaska Target 2025 Trust	0.08	0.07	0.21	1.05	2.13	1.29	0.50
Alaska Long-term Balanced Trust	6.43	6.10	3.77	13.59	12.29	16.17	9.13
Alaska Balanced Trust	91.52	86.42	47.47	72.29	64.04	75.36	79.49
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(7) Investment Loss Trust Fund

Deposits with contract values of $131,805 at January 31, 1991 were invested in guaranteed investment contracts with Executive Life Insurance Company (Executive Life), which was taken over by California State Regulators in April 1991, resulting in uncertainty about the value of these Plan assets.

To address this situation, the Investment Loss Trust Fund (Fund) was established by Alaska Statute 37.14.300. The Alaska Department of Administration is to spend that Fund as necessary to hold participants in the Plan and annuity holders (with Executive Life) harmless from a loss of value in the investment and annuity contracts issued by Executive Life.

The hold harmless loss limit was the principal plus accrued interest through May 3, 1991, plus earnings by the Fund on that balance since that date, less a portion of earnings to be used to pursue recovery (at a 1% rate) of the investment value and protect the interest of Plan participants and annuity holders. Unpaid annuity amounts due to current annuity holders under contracts issued by Executive Life are also covered by the Fund.

(Dollars in thousands)

The Fund was capitalized with $138,100 of appropriations by the State. The physical control and ownership of the assets of the Fund are under the control of the State, and not the Plan. However, through the Fund legislation and the Partial Interim Settlement Agreement in *Maupin, et al vs. State of Alaska, et al*, 3AN–91–6006 Civil, the participants in the Plan are held harmless to the extent allowed by law. Therefore, the amount represented by the asset, the Fund, is the amount computed to be the incremented hold harmless limit.

In February 1994, the State and the Plan elected to opt out of the plan of rehabilitation for Executive Life. By that action, which covered the guaranteed investment contracts issued before January 1, 1989, and a favorable ruling by the California Court of Appeals (as supported by the election of the California Supreme Court not to hear a further appeal of that ruling) which related to the contracts issued after 1989, the Plan received from the conservator, and therefore ultimately the State of Alaska received payments of $142,946 through January 31, 2008.

The availability of the amounts from the conservator did not affect the Partial Interim Settlement Agreement approved in 1992 by the Alaska Superior Court in *Maupin, et al vs. State of Alaska* as it related to the accounts of individual participants. From May 1991 through October 1995, the Plan recorded the assets of the Fund in lieu of carrying the Executive Life investment contracts. Also included were assets set aside to hold harmless those who had continuing annuity contracts with Aurora National Life Assurance Company.

At January 31, 2008 and 2007, the Fund was comprised as follows:

		2008	2007
Cash and cash equivalents	$	1,849	1,767

With the receipt of the October 1995 Executive Life Settlements, the amounts represented by Investment Loss Trust Fund assets, and the accumulated earnings thereon in individual accounts, were moved to the corresponding member's regular annuity plan account and their Investment Loss Trust Fund account closed. In April 1996, the Alaska Superior Court approved a final settlement with the State of Alaska that does not contemplate the making of any further payments by the State of Alaska to the members of the Class in *Maupin, et al vs. State of Alaska* beyond the payments already made pursuant to the Partial Interim Settlement Agreement described previously. During 2000, the State of Alaska Legislature appropriated a portion of the Fund assets, totaling $4 million, to be used for other purposes.

The remaining assets of the Fund relate to continuing annuity contracts with Executive Life and are managed by the State Treasury.

(8) 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 ARMB 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 ARMB has selected. In addition, the Plan maintains a balance in a commingled money market portfolio.

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 2.98 years at January 31, 2008. The weighted average maturity of the money market portfolio was forty-six days at January 31, 2008.

Short–Term Fixed Income Pool

The Investment Loss Trust Fund and the Plan's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. At January 31, 2008, the expected average life of individual fixed rate securities ranged from one day to seven months and the expected average life of floating rate securities ranged from fourteen days to three years.

Stable Value Fund

The ARMB 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 ARMB 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 2.98 years at January 31, 2008. The duration of the Lehman Brother's Aggregate Bond Index was 3.06 years at January 31, 2008.

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 of all 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 ARMB 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 had a weighted average maturity of eighteen days at January 31, 2008.

Pooled Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate six 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 ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2008, the duration of the government and corporate debt securities was 5.33 years and the duration of the Lehman Brothers Government Credit Index was 5.29 years.

For mortgage–backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2008, the duration of the mortgage–backed securities was 2.88 years and the duration of the Lehman GNMA Index was 2.88 years.

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 ARMB 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.

(b) Credit Risk

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

The ARMB does not have a policy to limit credit risk for the Plan's Collective Investment Funds and 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 counterparty failure or default on a loaned security.

Treasury's investment policy limits credit risk in the Short–term Fixed Income Pool by limiting investments to instruments with a median long–term credit rating of at least A3 or equivalent and instruments with a short–term credit rating of at least A1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

The ARMB 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 mortgage–backed securities listed above, and
>
> 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 ARMB 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.

(Continued)

At January 31, 2008, 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):

Investment type	Rating	Short-term fixed income pool	Underlying synthetic investment contracts	Wholly owned pool	Investment loss trust	Collective investment funds
				(In thousands)		
Investments with credit exposure:						
Overnight Sweep Account	Not rated	$ 4	—	—	5	—
Money market fund	Not rated	—	—	—	—	5,832
Short-term investment fund	Not rated	—	7,204	17,757	—	—
Commercial paper	A1	153	—	1,968	207	—
Commercial paper	AA	—	—	—	—	—
Commercial paper	Not rated	10	—	47,256	14	—
U.S. government agency		—	—	—	—	—
discount notes	Not rated	153	—	—	208	—
U.S. government agency	AAA	—	33,521	103,132	—	—
Municipal Government		—		3,948	—	—
Mortgage-backed	AAA	103	13,334	232,480	140	—
Mortgage-backed	A	2	—	—	3	—
Mortgage-backed	Not rated	4	54,641	—	6	—
Other asset-backed	AAA	385	18,435	—	522	—
Other asset-backed	AA	16	—	—	22	—
Other asset-backed	A	70	—	—	95	—
Other asset-backed	Not rated	4	—	—	5	—
Corporate bonds	AAA	35	2,555	17,444	48	—
Corporate bonds	AA	220	7,205	38,900	298	—
Corporate bonds	A	109	16,023	97,018	147	—
Corporate bonds	BB	—	202	281	—	—
Corporate bonds	BBB	—	10,431	63,907	—	—
Corporate bonds	Not rated	—	—	—	—	—
Yankees:		—	—	—	—	—
Corporate	AAA	—	155	7,966	—	—
Corporate	AA	59	469	4,828	80	—
Corporate	A	22	2,005	6,389	30	—
Corporate	BBB	—	1,499	7,610	—	—
Corporate	Not rated	4	—	—	5	—
Government	AAA	—	208	2,403	—	—
Government	AA	—	1,116	5,049	—	—
Government	A	—	188	5,279	—	—
Government	BBB	—	70	4,062	—	—

		Fair value				
Investment type	**Rating**	**Short-term fixed income pool**	**Underlying synthetic investment contracts**	**Wholly owned pool**	**Investment loss trust**	**Collective investment funds**
				(In thousands)		
Deposits and Investments with no credit exposure:						
Deposits		—	—	912	—	—
U.S. treasury bills		—	—	—	—	—
U.S. treasury notes		—	—	151,711	—	—
U.S. treasury bonds		9	—	76,655	12	—
Mortgage-backed		—	—	—	—	—
Collective investment funds		—	—	—	—	567,237
Domestic equity		—	—	514,746	—	—
International equity		—	—	27,974	—	—
Total invested assets		1,362	169,261	1,439,675	1,847	573,069
Pool related net liabilities		(128)	—	11,260	2	
Total	$	1,234	169,261	1,450,935	1,849	573,069

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

Treasury's policy with regard to the Short–term Fixed Income Pool is to prohibit the purchase of more than 5% of the portfolio's assets in corporate bonds of any one company or affiliated group.

The ARMB 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 Stable Value Fund's total value.

(Dollars in thousands)

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	100%	100%
U.S. Agency Securities	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.

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

Equity holdings will be limited to 5% 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% of the total portfolio at the time of purchase,

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

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% of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At January 31, 2008, 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 the Global Balanced collective investment funds.

The Board's policy with regard to the Stable Value 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 U.S. The Board has no policy with regard to other pooled investments.

At January 31, 2008, the Plan had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

Currency	Deposits	Equity (fair value)
Australian Dollar	$ 4	2,136
Danish Krone	—	363
Euro Currency	31	9,940
Hong Kong Dollar	—	967
Indian Rupee	10	
Japanese Yen	—	5,163
Mexican Peso	—	164
New Thaiwan Dollar	18	104
New Zealand Dollar	—	52
Norwegian Krone	—	746
Pound Sterling	2	3,407
Singapore Dollar	—	651
Swedish Krona	—	910
Swiss Franc	4	1,650
	69	26,253
U.S. Dollar	234	—
	$ 303	26,253

(Continued)

(e) 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 January 31, 2008, the Plan's deposits were uncollateralized and uninsured.

(9) 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.