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

Financial Statements

January 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

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(A Component Unit of the State of Alaska)

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KPMG LLP
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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 – annuity and cafeteria plans of the State of Alaska Supplemental Benefits System (the Plan), a Component Unit of the State of Alaska, as of January 31, 2010 and 2009, and the related statements of changes in fiduciary net assets – annuity and cafeteria plans 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 – annuity and cafeteria plans of the State of Alaska Supplemental Benefits System, a Component Unit of the State of Alaska, as of January 31, 2010 and 2009, and the changes in fiduciary net assets – annuity and cafeteria plans 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 29, 2010

This section presents management's discussion and analysis (MD&A) of the State of Alaska Supplemental Benefits System's (the Plan) financial position and performance for the fiscal years ended January 31, 2010 and 2009. 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 January 31, 2010 and 2009.

Financial Highlights

- The net assets held in trust for benefits at January 31, 2010 and 2009, are $2.2 billion and $1.8 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, 2010 increased by $386 million, or approximately 21.3%, from the prior fiscal year. The net assets of the Plan at January 31, 2009 decreased by $404.5 million, or approximately 18.3%, from the prior fiscal year.
- The Plan incurred net investment income of $353.7 million in fiscal year 2010, compared to a $403.9 million net investment loss in fiscal year 2009.

Overview of the Financial Statements

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

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

Statements of Fiduciary Net Assets – These statements present information regarding the Plan's assets, liabilities, and resulting net assets held in trust for pension and insurance benefits for individuals, organizations, and other governments. These statements reflect the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets and liabilities at January 31, 2010 and 2009. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plans.

Statements of Changes in Fiduciary Net Assets – These statements present how the Plan's net assets held in trust changed during the fiscal years ended January 31, 2010 and 2009. These statements present contributions by employees and employers along with net investment income (losses) 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 Cafeteria Plans.

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

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 better understand the Plan's financial statements.

Condensed Financial Information (in thousands)

Net Assets

Description		2010	2009	Increase Amount	Increase Percentage	2008
Assets:						
Cash and cash equivalents	$	8,245	1,073	7,172	668.4%	1,234
Receivables		7,067	6,876	191	2.8	6,203
Investments at fair value:						
Collective investment funds		534,004	393,544	140,460	35.7	573,069
Stable value fund		273,233	262,436	10,797	4.1	185,518
Ownership of pooled investment funds		1,375,802	1,148,210	227,592	19.8	1,450,935
Total investments		2,183,039	1,804,190	378,849	21.0	2,209,522
Investment Loss Trust Fund, at fair value		1,903	1,862	41	2.2	1,849
Total assets		2,200,254	1,814,001	386,253	21.3	2,218,808
Liabilities:						
Payable to plan participants		1,903	1,862	41	2.2	1,849
Accrued expenses		1,398	959	439	45.8	1,283
Total liabilities		3,301	2,821	480	17.0	3,132
Net assets	$	2,196,953	1,811,180	385,773	21.3%	2,215,676

Changes in Net Assets

Description	2010	2009	Increase (decrease) Amount	Increase (decrease) Percentage	2008
Net assets, beginning of year	$ 1,811,180	2,215,676	(404,496)	(18.3)%	2,190,616
Additions (reductions):					
Contributions	143,304	136,852	6,452	4.7	127,410
Government Corporate Bond Fund Settlement	—	113	(113)	(100.0)	6,298
Net investment income (loss)	353,721	(403,918)	757,639	(187.6)	65,864
Total additions (reductions)	497,025	(266,953)	763,978	(286.2)	199,572
Deductions:					
Benefits paid to participants and purchases of annuity contracts	97,910	130,416	(32,506)	(24.9)	166,473
Insurance premiums and dependent care assistance plan reimbursements	3,643	3,964	(321)	(8.1)	4,949
Administrative expenses	9,699	3,163	6,536	206.6	3,090
Total deductions	111,252	137,543	(26,291)	(19.1)	174,512
Increase (decrease) in net assets	385,773	(404,496)	790,269	(195.4)	25,060
Net assets, end of year	$ 2,196,953	1,811,180	385,773	21.3%	2,215,676

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 $2.197 billion at January 31, 2010, 99.3%, or $2.182 billion, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of $1.811 billion at January 31, 2009, 99.3%, or $1.799 billion, 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)

Participant-Directed Investments at January 31 Year-End

	Market value 2010	Market value 2009
	(In thousands)	
Alaska Balanced Trust	$ 994,293	873,536
Stable Value Fund	273,233	262,436
Alaska Long-Term Balanced Trust	229,485	150,465
S&P 500 Stock Index Fund	200,123	148,234
Brandes International Equity Fund Fee	82,628	—
Alaska Target Date Retirement 2015 Trust	75,366	—
Small Cap Stock Trust	55,728	31,645
SSGA Global Balanced Fund	48,789	—
Government Credit Bond Index Fund	46,470	50,186
Alaska Target 2010 Fund	31,851	35,851
Alaska Target Date Retirement 2020 Trust	25,779	—
RCM Socially Responsible Investment Fund	23,148	13,474
Intermediate Bond Fund	14,373	18,988
World Equity ex-US Index Fund	12,295	826
US TIPS Index Fund	12,269	3,005
US Real Estate Investment Trust Index Fund	11,422	1,434
State Street Money Market Fund	11,222	6,570
Alaska Target Date Retirement 2025 Trust	10,462	—
Russell 3000 Index Fund	6,338	1,584
Long US Treasury Bond Index Fund	5,254	7,518
Alaska Target Date Retirement 2010 Trust	2,648	—
World Government Bond ex-US Index Fund	2,449	1,046
Alaska Target Date Retirement 2035 Trust	2,127	—
Alaska Target Date Retirement 2040 Trust	1,391	—
Alaska Target Date Retirement 2030 Trust	1,158	—
Alaska Target Date Retirement 2045 Trust	558	—
Alaska Target Date Retirement 2050 Trust	521	—
Alaska Target Date Retirement 2055 Trust	163	—
Alaska Target 2015 Fund	—	62,960
Alaska Target 2020 Fund	—	19,323
Alaska Target 2025 Fund	—	6,075
International Equity Fund	—	60,597
Global Balanced Fund	—	43,311
Total	$ 2,181,543	1,799,064

Investment Returns for the 12-Month Periods Ended December 31, 2009 and 2008

	2009 1-Year actual	2008 1-Year actual
World Equity ex-US Index Fund	43.36%	N/A
Small Cap Stock Trust	39.59	-33.31%
RCM Socially Responsible Investment Fund	32.62	N/A
US Real Estate Investment Trust Index	29.49	N/A
Russell 3000 Index Fund	28.74	N/A
S&P 500 Stock Index Fund	26.67	(36.93)
Alaska Target Date Retirement 2025 Trust	25.69	N/A
Alaska Target Date Retirement 2020 Trust	22.57	N/A
Alaska Long-Term Balanced Trust	21.02	(23.19)
Alaska Target Date Retirement 2015 Trust	17.53	N/A
Alaska Balanced Trust	15.15	(12.41)
US TIPS Index Fund	11.21	N/A
World Government Bond ex-US Index Fund	4.00	N/A
Stable Value Fund	3.94	4.41
Government/Credit Bond Fund	3.79	5.76
Alaska Target 2010 Fund	3.24	(2.43)
State Street Money Market Fund	0.04	1.24
Intermediate Bond Fund	(0.54)	10.80
Long US Treasury Bond Index Fund	(12.14)	N/A
Alaska Target 2015 Fund	N/A	(14.40)
Alaska Target 2020 Fund	N/A	(27.98)
Alaska Target 2025 Fund	N/A	(33.73)
Alaska Target Date Retirement 2010 Trust	N/A	N/A
Alaska Target Date Retirement 2030 Trust	N/A	N/A
Alaska Target Date Retirement 2035 Trust	N/A	N/A
Alaska Target Date Retirement 2040 Trust	N/A	N/A
Alaska Target Date Retirement 2045 Trust	N/A	N/A
Alaska Target Date Retirement 2050 Trust	N/A	N/A
Alaska Target Date Retirement 2055 Trust	N/A	N/A
Brandes International Equity Fund	N/A	N/A
Global Balanced Fund	N/A	(27.28)
International Equity Fund	N/A	(37.20)
SSgA Global Balanced Fund	N/A	N/A

(Continued)

Contributions and Distributions

The Plan had contributions of $143.3 million in fiscal year 2010 compared to $136.9 million in fiscal year 2009. Increased contributions are less than 5% and appear to be the result of an increase in the amount of wages paid to participants.

The Plan had benefits paid to participants and purchase agreement contracts of $97.9 million in fiscal year 2010 compared to $130.4 million in fiscal year 2009. Decreased account values resulting from prior year negative investment returns continue to contribute to the reduced amount of withdrawals.

Administrative Expenses

The Plan had administrative expenses of $9.7 million in fiscal year 2010 compared to $3.2 million in fiscal year 2009. The increase in administrative fees is related to an increase in the administrative expenses the Plan pays to the Department of Revenue as a result of changes to their cost allocation plan, as well as an increase in the variable fee the Plan pays to our third-party administrator (Great West) for the managed accounts contract.

Fiduciary Responsibilities

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

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

Request for Information

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

> State of Alaska Supplemental Benefits System
> Division of Retirement & Benefits, Accounting Section
> PO Box 110203
> Juneau, AK 99811-0203

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

Statements of Fiduciary Net Assets – Annuity and Cafeteria Plans

January 31, 2010 and 2009

(In thousands)

	2010			2009		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Assets:						
Cash and cash equivalents	$ 7,354	891	8,245	296	777	1,073
Receivables:						
Mandatory contributions	6,904	—	6,904	6,726	—	6,726
Voluntary contributions	—	163	163	—	150	150
Total receivables	6,904	163	7,067	6,726	150	6,876
Investments:						
Collective investment funds, at fair value						
Participant-directed	532,508	—	532,508	388,418	—	388,418
Money market fund – nonparticipant-directed	1,496	—	1,496	5,126	—	5,126
	534,004	—	534,004	393,544	—	393,544
Stable Value Fund:						
Synthetic investment contracts, at fair value	258,064	—	258,064	238,603	—	238,603
Cash and cash equivalents, at fair value	15,169	—	15,169	23,833	—	23,833
	273,233	—	273,233	262,436	—	262,436
Ownership of pooled investment funds, participant directed at fair value	1,375,802	—	1,375,802	1,148,210	—	1,148,210
Total investments	2,183,039	—	2,183,039	1,804,190	—	1,804,190
Investment Loss Trust Fund, at fair value	1,903	—	1,903	1,862	—	1,862
Total assets	2,199,200	1,054	2,200,254	1,813,074	927	1,814,001
Liabilities:						
Payable to plan participants	1,903	—	1,903	1,862	—	1,862
Accrued expenses	556	842	1,398	262	697	959
Total liabilities	2,459	842	3,301	2,124	697	2,821
Commitments and contingencies	—	—	—	—	—	—
Net assets held in trust for individuals and organizations	$ 2,196,741	212	2,196,953	1,810,950	230	1,811,180

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, 2010 and 2009

(In thousands)

	2010			2009		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Additions (reductions):						
Contributions:						
Mandatory	$ 138,778	—	138,778	131,873	—	131,873
Voluntary	—	3,625	3,625	—	3,986	3,986
Transfers in	901	—	901	993	—	993
Total contributions	139,679	3,625	143,304	132,866	3,986	136,852
Government Corporate Bond Fund Settlement	—	—	—	113	—	113
Investment income (loss):						
Net appreciation (depreciation) in fair value of investments	343,491	—	343,491	(409,915)	—	(409,915)
Interest	10,230	—	10,230	5,997	—	5,997
Net investment income (loss)	353,721	—	353,721	(403,918)	—	(403,918)
Total additions (reductions)	493,400	3,625	497,025	(270,939)	3,986	(266,953)
Deductions:						
Benefits paid to participants and purchases of annuity contracts	97,910	—	97,910	130,416	—	130,416
Insurance premiums and dependent care assistance plan reimbursements	—	3,643	3,643	—	3,964	3,964
Administrative expenses – annuity	9,387	—	9,387	2,892	—	2,892
Administrative expenses – paid by annuity for cafeteria	312	—	312	271	—	271
Total deductions	107,609	3,643	111,252	133,579	3,964	137,543
Net increase (decrease) in assets held in trust for individuals and organizations	385,791	(18)	385,773	(404,518)	22	(404,496)
Net assets, beginning of year	1,810,950	230	1,811,180	2,215,468	208	2,215,676
Net assets, end of year	$ 2,196,741	212	2,196,953	1,810,950	230	1,811,180

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Supplemental Benefits System (the Plan), a Component Unit of the State of Alaska, which comprises 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. In the fiscal year 2010, three employers were added to the plan, increasing the number of participating employers besides the State to nineteen as of January 31, 2010, from sixteen as of January 31, 2009. There were approximately 38,000 participants in the Plan as of January 31, 2010 and 2009.

The Division of Retirement and Benefits is responsible for plan administration and recordkeeping. The Alaska Retirement Management Board (the Board) is responsible for the specific investment of moneys in the Plan.

(b) Contributions

Mandatory contributions are made to the Supplemental Annuity Plan, a defined contribution plan, and voluntary contributions to the Supplemental Benefits Cafeteria 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 Cafeteria 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, 2010, participants had the following investment options:

Collective Investment Funds

T. Rowe Price Small-Cap Stock Trust – this fund invests 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 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.

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. 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 Board 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 thousand with a subsequent additional residual settlement amount received late March 2008 of $113 thousand.

Brandes International Equity Fund – this fund was added to the Plan on November 30, 2009. 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.

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World Equity ex-US Index Fund – the 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, with emerging markets representing approximately 18%.

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 97% of the U.S. stock market capitalization.

SSgA Global Balanced Fund – this fund has a target asset allocation of 60% equities and 40% fixed income and is invested in a mix of passively managed commingled funds. This fund replaced the *Capital Guardian Global Balanced Fund* on July 22, 2009.

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.

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.

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 ten years.

US Real Estate Investment Trust Index Fund – this fund seeks to replicate the returns and characteristics of the Dow Jones Wilshire 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.

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

Pooled Investment Funds

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate thirteen participant-directed funds.

Alaska Target 2010 Fund – this fund is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approaches. This fund will be liquidated at the end of calendar year 2010 and all participant assets transferred to the State Street Institutional Treasury Money Market Fund.

Alaska Target Date Retirement 2010 – 2055 Trusts – The Alaska Target Retirement Trusts were added to the Plan on April 1, 2009. The purpose of these funds is to provide a diverse 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%). The most conservative allocation to stocks (approximately 20%) occurs 30 years after the target date is reached.

Alaska Balanced Trust – the purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, bonds, federally guaranteed mortgages, and money market securities for investors with a low to average tolerance for risk. The trust is made up of securities from six market sectors: large U.S. companies, established international companies, small U.S. companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments.

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. The trust is made up of securities from six market sectors: large U.S. companies, established international companies, small U.S. companies, investment-grade U.S. bonds, federally guaranteed mortgages, and money market instruments.

Stable Value Fund

Stable Value Fund – the purpose of this fund is to preserve principal 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 Benefits Cafeteria

Benefits available under the Supplemental Benefits Cafeteria 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 Annuity Plan

Supplemental annuity contributions from employers were deposited with investment managers under contract with the Plan for the years ended January 31, 2010 and 2009. 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.

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 at 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 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, 2010 and 2009 comprise 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:

	Units owned	Unit value	Balance (In thousands)
2010:			
Equity funds:			
Brandes International Equity Fund Fee	8,465,885	9.760	$ 82,628
Small Cap Stock Trust	1,471,919	37.860	55,728
S&P 500 Stock Index Fund	9,334,498	21.439	200,123
RCM Socially Responsible Investment Fund	1,991,396	11.624	23,148
World Equity ex-US Index Fund	1,135,016	10.832	12,295
Russell 3000 Index Fund	687,576	9.218	6,338
US Real Estate Investment Trust Index Fund	1,626,224	7.024	11,422
			391,682
Bond and debt securities funds:			
Government/Credit Bond Fund	1,661,741	27.965	46,470
Intermediate Bond Fund	602,610	23.852	14,373
World Government Bond ex-US Index Fund	223,619	10.951	2,449
Long US Treasury Bond Index Fund	499,908	10.510	5,254
US TIPS Index Fund	1,156,765	10.606	12,269
			80,815
Bond and equity funds:			
SSgA Global Balanced Fund	4,462,736	10.932	48,789
			48,789
Money market fund:			
Participant-directed – State Street Institutional Treasury Money Market Fund	11,222,353	1.000	11,222
Nonparticipant-directed	86,487	17.305	1,496
			12,718
Total collective investment funds			$ 534,004

	Units owned	Unit value	Balance (In thousands)
2009:			
Equity funds:			
International Equity Fund	5,449,329	11.120	$ 60,597
Small Cap Stock Trust	1,231,818	25.690	31,645
S & P 500 Index Fund	9,215,743	16.085	148,234
RCM Socially Responsible Investment Fund	1,554,426	8.668	13,474
World Equity ex-US Index Fund	113,730	7.259	826
Russell 3000 Index Fund	233,131	6.797	1,584
US Real Estate Investment Trust Index Fund	295,338	4.857	1,434
			257,794
Bond and debt securities funds:			
Government/Credit Bond Fund	1,919,015	26.152	50,186
Intermediate Bond Fund	812,381	23.374	18,988
World Government Bond ex-US Index Fund	102,966	10.155	1,046
Long US Treasury Bond Index Fund	698,134	10.771	7,518
US Treasury Inflation Protected Securities Index	314,600	9.549	3,005
			80,743
Bond and equity funds:			
Global Balanced Fund	1,832,091	23.640	43,311
			43,311
Money market fund –			
Participant-directed	6,570,029	1.000	6,570
Nonparticipant-directed	304,596	16.828	5,126
			11,696
Total collective investment funds			$ 393,544

(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, 2010 and 2009 was $49,135 and $47,044, respectively, as reported by Bank of America, and the market value of the portfolio at January 31, 2010 and 2009 was $51,628 and $47,724, respectively. The average crediting rate for fiscal years 2010 and 2009 was approximately 4.44% and 4.63%, 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.

(b) NATIXIS Financial Products Inc.

In 2004, 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 January 31, 2010 and 2009 was $49,130 and $47,040, respectively, as reported by NATIXIS Financial Products Inc., and the market value of the portfolio at January 31, 2010 and 2009 was $51,623 and $47,719, respectively. The average yield and crediting interest rate for fiscal years 2010 and 2009 were approximately 4.44% and 4.63%, 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.

(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, 2010 and 2009 was $49,135 and $47,044, respectively, as reported by Pacific Life Insurance Co., and the market value of the portfolio at January 31, 2010 and 2009 was $51,628 and $47,724, respectively. The average yield and crediting interest rate for fiscal years 2010 and 2009 were approximately 4.44% and 4.63%, 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.

(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, 2010 and 2009 was $48,991 and $46,930, respectively, as reported by Rabobank Nederland, and the market value of the portfolio at January 31, 2010 and 2009 was $51,557 and $47,714, respectively. The average yield and crediting interest rate for fiscal years 2010 and 2009 were approximately 4.38% and 4.50%, 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.

(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, 2010 and 2009 was $49,133 and $47,042, respectively, as reported by State Street Bank & Trust Co. and the market value of the portfolio at January 31, 2010 and 2009 was $51,626 and $47,722, respectively. The average yield and crediting interest rate for fiscal years 2010 and 2009 were approximately 4.44% and 4.63%, 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.

(5) Changes in Fiduciary Net Assets

During the years ended January 31, 2010 and 2009, the following changes in fiduciary net assets by fund took place (in thousands):

	Participant-directed		
	International Equity Fund	**Small Cap Stock Trust**	**Brandes International Equity Fund Fee**
2010:			
Additions:			
Contributions:			
Mandatory contributions	$ 6,047	4,803	1,936
Voluntary contributions	—	—	—
Transfers in	7	31	15
Total contributions	6,054	4,834	1,951
Government Corporate Bond Fund Settlement	—	—	—
Investment income (loss):			
Net appreciation (depreciation) in fair market value of investments	21,368	15,487	(1,250)
Interest income	—	—	—
Net investment income (loss)	21,368	15,487	(1,250)
Total additions	27,422	20,321	701
Deductions:			
Benefits paid to participants and purchases of annuity contracts	2,138	1,541	767
Insurance premiums and dependent care assistance reimbursements	—	—	—
Administrative expenses:			
Actual expenses paid	—	324	879
Expenses deducted from participant accounts	99	85	46
Total deductions	2,237	1,950	1,692
Net increase (decrease) prior to interfund transfers	25,185	18,371	(991)
Interfund transfers	(85,782)	5,712	83,619
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments	(60,597)	24,083	82,628
Net assets, beginning of year	60,597	31,645	—
Net assets, end of year	$ —	55,728	82,628

Participant-directed							
S&P 500 Stock Index Fund	**Government / Credit Bond Index Fund**	**Global Balanced Fund**	**Stable Value Fund**	**World Equity Ex-US Index Fund**	**World Gov't Bond Ex-US Index Fund**	**Russell 3000 Index Fund**	**SSgA Global Balanced Fund**
12,037	2,299	1,229	8,577	461	169	384	1,259
—	—	—	—	—	—	—	—
69	25	1	257	2	—	4	13
12,106	2,324	1,230	8,834	463	169	388	1,272
—	3	—	—	—	—	—	—
49,125	3,280	5,454	9,708	1,839	103	1,037	4,402
—	—	—	10,131	—	—	—	—
49,125	3,280	5,454	19,839	1,839	103	1,037	4,402
61,231	5,607	6,684	28,673	2,302	272	1,425	5,674
5,721	1,782	345	21,247	314	75	73	1,679
—	—	—	—	—	—	—	—
30	42	120	669	22	9	7	28
271	74	24	343	11	2	5	42
6,022	1,898	489	22,259	347	86	85	1,749
55,209	3,709	6,195	6,414	1,955	186	1,340	3,925
(3,320)	(7,425)	(49,506)	4,383	9,514	1,217	3,414	44,864
51,889	(3,716)	(43,311)	10,797	11,469	1,403	4,754	48,789
148,234	50,186	43,311	262,436	826	1,046	1,584	—
200,123	46,470	—	273,233	12,295	2,449	6,338	48,789

Participant-directed							
RCM Socially Responsible Investment Fund	Intermediate Bond Fund	Long US Treasury Bond Index Fund	US Real Estate Investment Trust Index Fund	US Treasury Inflation Protection Securities Index Fund	State Street Institutional Treasury Money Market Fund	Alaska Target 2010 Fund	Alaska Target 2015 Fund
1,622	997	415	391	488	769	918	451
—	—	—	—	—	—	—	—
2	2	1	1	5	—	—	—
1,624	999	416	392	493	769	918	451
—	—	—	—	—	—	—	—
4,405	290	(242)	2,132	848	16	1,488	439
—	—	—	—	—	4	—	—
4,405	290	(242)	2,132	848	20	1,488	439
6,029	1,289	174	2,524	1,341	789	2,406	890
627	1,465	67	430	180	2,440	1,187	786
—	—	—	—	—	—	—	—
136	13	11	18	16	16	59	—
28	21	8	9	11	14	44	11
791	1,499	86	457	207	2,470	1,290	797
5,238	(210)	88	2,067	1,134	(1,681)	1,116	93
4,436	(4,405)	(2,352)	7,921	8,130	6,333	(5,116)	(63,053)
9,674	(4,615)	(2,264)	9,988	9,264	4,652	(4,000)	(62,960)
13,474	18,988	7,518	1,434	3,005	6,570	35,851	62,960
23,148	14,373	5,254	11,422	12,269	11,222	31,851	—

Participant-directed							
Alaska Target 2020 Fund	Alaska Target 2025 Fund	Alaska Target Date Retirement 2010 Trust	Alaska Target Date Retirement 2015 Trust	Alaska Target Date Retirement 2020 Trust	Alaska Target Date Retirement 2025 Trust	Alaska Target Date Retirement 2030 Trust	Alaska Target Date Retirement 2035 Trust
206	159	49	2,330	1,200	1,018	273	264
—	—	—	—	—	—	—	—
—	—	—	—	1	—	—	14
206	159	49	2,330	1,201	1,018	273	278
—	—	—	—	—	—	—	—
(21)	(29)	154	11,852	5,480	2,222	44	35
—	—	—	—	—	—	—	—
(21)	(29)	154	11,852	5,480	2,222	44	35
185	130	203	14,182	6,681	3,240	317	313
54	13	27	1,911	891	316	13	1
—	—	—	—	—	—	—	—
—	—	11	134	58	29	9	10
4	1	2	82	30	15	5	5
58	14	40	2,127	979	360	27	16
127	116	163	12,055	5,702	2,880	290	297
(19,450)	(6,191)	2,485	63,311	20,077	7,582	868	1,830
(19,323)	(6,075)	2,648	75,366	25,779	10,462	1,158	2,127
19,323	6,075	—	—	—	—	—	—
—	—	2,648	75,366	25,779	10,462	1,158	2,127

Participant-directed					
Alaska Target Date Retirement 2040 Trust	Alaska Target Date Retirement 2045 Trust	Alaska Target Date Retirement 2050 Trust	Alaska Target Date Retirement 2055 Trust	Alaska Balanced Trust	Alaska Long-Term Balanced Trust
497	311	294	78	36,401	45,258
—	—	—	—	—	—
—	—	1	—	382	68
497	311	295	78	36,783	45,326
—	—	—	—	—	—
92	—	(1)	13	160,821	42,900
—	—	—	—	—	—
92	—	(1)	13	160,821	42,900
589	311	294	91	197,604	88,226
7	2	2	2	41,410	10,397
—	—	—	—	—	—
10	6	6	10	1,539	435
12	7	8	4	1,273	479
29	15	16	16	44,222	11,311
560	296	278	75	153,382	76,915
831	262	243	88	(32,625)	2,105
1,391	558	521	163	120,757	79,020
—	—	—	—	873,536	150,465
1,391	558	521	163	994,293	229,485

(Continued)

Nonparticipant-directed				
Money Market Fund	Cash and cash equivalents	Contributions receivable	Accrued expenses	Total
—	5,011	177	—	138,778
—	3,612	13	—	3,625
—	—	—	—	901
—	8,623	190	—	143,304
(3)	—	—	—	—
—	—	—	—	343,491
—	95	—	—	10,230
—	95	—	—	353,721
(3)	8,718	190	—	497,025
—	—	—	—	97,910
—	3,498	—	145	3,643
2,201	2,548	—	294	9,699
(3,075)	—	—	—	—
(874)	6,046	—	439	111,252
871	2,672	190	(439)	385,773
(4,500)	4,500	—	—	—
(3,629)	7,172	190	(439)	385,773
5,126	1,073	6,876	(959)	1,811,180
1,497	8,245	7,066	(1,398)	2,196,953

(Dollars in thousands)

	Participant-directed			
	International Equity Fund	**Small Cap Stock Trust**	**S&P 500 Stock Index Fund**	**Government/ Credit Bond Index Fund**
2009:				
Additions (reductions):				
Contributions:				
Mandatory contributions	$ 7,688	3,765	10,879	2,630
Voluntary contributions	—	—	—	—
Transfers in	96	19	94	95
Total contributions	7,784	3,784	10,973	2,725
Government Corporate Bond Fund Settlement	2	2	39	610
Investment income (loss):				
Net appreciation (depreciation) in fair market value of investments	(47,397)	(17,285)	(88,816)	639
Interest income	—	—	—	—
Net investment income (loss)	(47,397)	(17,285)	(88,816)	639
Total additions (reductions)	(39,611)	(13,499)	(77,804)	3,974
Deductions:				
Benefits paid to participants and purchases of annuity contracts	4,854	1,749	8,281	4,540
Insurance premiums and dependent care assistance reimbursements	—	—	—	—
Administrative expenses:				
Actual expenses paid	—	—	—	—
Expenses deducted from participant accounts	134	60	250	43
Total deductions	4,988	1,809	8,531	4,583
Net increase (decrease) prior to interfund transfers	(44,599)	(15,308)	(86,335)	(609)
Interfund transfers	(22,052)	4,614	1,566	(18,379)
Net increase (decrease) in net assets held in trust for individuals, organizations, and other governments	(66,651)	(10,694)	(84,769)	(18,988)
Net assets, beginning of year	127,248	42,339	233,003	69,174
Net assets, end of year	$ 60,597	31,645	148,234	50,186

Participant-directed							
Global Balanced Fund	Citizens Core Growth Fund	Stable Value Fund	World Equity Ex-US Index Fund	World Gov't Bond Ex-US Index Fund	Russell 3000 Index Fund	Sentinel Sustainable Core Opportunities Fund	RCM Socially Responsible Investment Fund
3,002	321	6,325	29	25	42	1,223	367
—	—	—	—	—	—	—	—
11	—	295	3	—	—	25	4
3,013	321	6,620	32	25	42	1,248	371
2	2	13	—	—	—	—	—
(18,667)	478	3,501	(233)	(15)	(326)	(8,336)	(2,164)
—	—	5,909	—	—	—	—	—
(18,667)	478	9,410	(233)	(15)	(326)	(8,336)	(2,164)
(15,652)	801	16,043	(201)	10	(284)	(7,088)	(1,793)
3,693	322	28,252	—	17	2	602	111
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
72	5	245	1	1	1	15	10
3,765	327	28,497	1	18	3	617	121
(19,417)	474	(12,454)	(202)	(8)	(287)	(7,705)	(1,914)
(5,907)	(27,312)	89,372	1,028	1,054	1,871	7,705	15,388
(25,324)	(26,838)	76,918	826	1,046	1,584	—	13,474
68,635	26,838	185,518	—	—	—	—	—
43,311	—	262,436	826	1,046	1,584	—	13,474

Participant-directed							
Intermediate Bond Fund	Long US Treasury Bond Index Fund	US Real Estate Investment Trust Index Fund	US Treasury Inflation Protected Securities Index Fund	State Street Institutional Treasury Money Market Fund	Alaska Target 2010 Fund	Alaska Target 2015 Fund	Alaska Target 2020 Fund
336	114	25	41	208	1,038	2,747	1,409
—	—	—	—	—	—	—	—
—	—	—	—	—	2	46	4
336	114	25	41	208	1,040	2,793	1,413
—	—	—	—	—	—	9	—
693	222	(303)	(61)	—	(1,306)	(11,991)	(8,307)
—	—	—	—	3	—	—	—
693	222	(303)	(61)	3	(1,306)	(11,991)	(8,307)
1,029	336	(278)	(20)	211	(266)	(9,189)	(6,894)
345	84	5	53	235	2,582	3,180	660
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
10	5	1	1	3	41	82	31
355	89	6	54	238	2,623	3,262	691
674	247	(284)	(74)	(27)	(2,889)	(12,451)	(7,585)
18,314	7,271	1,718	3,079	6,597	(1,899)	(4,027)	(1,888)
18,988	7,518	1,434	3,005	6,570	(4,788)	(16,478)	(9,473)
—	—	—	—	—	40,639	79,438	28,796
18,988	7,518	1,434	3,005	6,570	35,851	62,960	19,323

Participant-directed			Nonparticipant-directed				
Alaska Target 2025 Trust	Alaska Balanced Trust	Alaska Long-Term Balanced Trust	Money Market Fund	Cash and cash equivalents	Contributions receivable	Accrued expenses	Total
992	40,350	47,571	—	—	746	—	131,873
—	—	—	—	4,059	(73)	—	3,986
77	112	110	—	—	—	—	993
1,069	40,462	47,681	—	4,059	673	—	136,852
—	135	6	(707)	—	—	—	113
(3,490)	(158,706)	(48,045)	—	—	—	—	(409,915)
—	—	6	76	3	—	—	5,997
(3,490)	(158,706)	(48,039)	76	3	—	—	(403,918)
(2,421)	(118,109)	(352)	(631)	4,062	673	—	(266,953)
490	59,100	11,259	—	—	—	—	130,416
—	—	—	—	4,129	—	(165)	3,964
—	—	—	1,728	1,594	—	(159)	3,163
8	1,315	819	(3,153)	—	—	—	—
498	60,415	12,078	(1,425)	5,723	—	(324)	137,543
(2,919)	(178,524)	(12,430)	794	(1,661)	673	324	(404,496)
(40)	(64,587)	(13,486)	(1,500)	1,500	—	—	—
(2,959)	(243,111)	(25,916)	(706)	(161)	673	324	(404,496)
9,034	1,116,647	176,381	5,832	1,234	6,203	(1,283)	2,215,676
6,075	873,536	150,465	5,126	1,073	6,876	(959)	1,811,180

(6) 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.

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 received payments of $142,946 through January 31, 2010.

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, 2010 and 2009, the Fund comprised as follows:

	2010	**2009**
Cash and cash equivalents	$ 1,903	1,862

With the receipt of the October 1995 Executive Life Settlements, the amounts represented by Fund assets, and the accumulated earnings thereon in individual accounts, were moved to the corresponding member's regular annuity plan account and their Fund account closed. In April 1996, the Alaska Superior Court approved a final settlement with the State that does not contemplate the making of any further payments by the State 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.

(7) Deposit and Investment Risk

(a) Interest Rate Risk

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

Collective Investment and Money Market Funds

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

The Board does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the money market portfolio was 45.35 days at January 31, 2010.

Short-Term Fixed Income Pool

The 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 ten months in maturity or ten months expected average life at the time of purchase. Floating rate securities are limited to nine years in maturity or nine years expected average life at the time of purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At January 31, 2010, the expected average life of individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from one day to nine years.

Stable Value 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 3.53 years at January 31, 2010. The duration of the Barclays Capital Intermediate Aggregate Index was 3.62 years at January 31, 2010.

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 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 40 days at January 31, 2010.

Pooled Investment Funds

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 ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2010, the duration of the government and corporate debt securities was 4.48 years and the duration of the Aggregate Bond Trust was 4.57 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 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.

(b) 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 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 counterparty 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 long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 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 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.
>
> 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.

At January 31, 2010, 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				
Investment type	Rating	Short-term fixed income pool	Underlying synthetic investment contracts	Investment loss trust	Other	Total
				(in thousands)		
Investments with credit exposure:						
Money market fund	Not rated	$ —	—	—	1,496	1,496
Short-term investment fund	Not rated	—	(429)	—	—	(429)
Commercial paper	Not rated	412	—	95	—	507
U.S. government agency:						
Discount Notes	Not rated	268	—	62	—	330
Discount Notes	AAA	178	—	41	—	219
U.S. government agency	AAA	37	24,050	8	—	24,095
U.S. government agency	A	—	532	—	—	532
Mortgage-backed	AAA	159	9,030	37	—	9,226
Mortgage-backed	AA	—	384	—	—	384
Mortgage-backed	A	—	1,339	—	—	1,339
Mortgage-backed	BBB	—	280	—	—	280
Mortgage-backed	Not rated	7	103,473	2	—	103,482
Other asset-backed	AAA	1,186	3,538	273	—	4,997
Other asset-backed	AA	41	104	9	—	154
Other asset-backed	A	3	104	1	—	108
Other asset-backed	BBB	—	281	—	—	281
Corporate bonds	AAA	3,876	422	896	—	5,194
Corporate bonds	AA	284	6,523	66	—	6,873
Corporate bonds	A	439	20,906	101	—	21,446
Corporate bonds	BBB	—	13,144	—	—	13,144
Corporate bonds	Not rated	5	337	1	—	343
Yankees:						
Corporate	AAA	110	—	25		135
Corporate	AA	167	2,399	39		2,605
Corporate	A	—	1,629	—	—	1,629
Corporate	BBB	—	2,835	—	—	2,835
Government	AAA	—	5,420	—	—	5,420
Government	AA	—	786	—	—	786
Government	A	—	437	—	—	437
Government	BBB	—	302	—	—	302
Government	NA	—	509	—	—	509
Deposits and investments with no credit exposure:						
Deposits		3	1,309	1	—	1,313
U.S. Treasury bills		1,067	—	246	—	1,313
U.S. Treasury notes	AAA	—	58,420	—	—	58,420
Participant-directed funds						
Pooled investment funds		—	—	—	1,375,802	1,375,802
Collective investment funds		—	—	—	476,782	476,782
Domestic equity		—	—	—	55,726	55,726
Total invested assets		8,242	258,064	1,903	1,909,806	2,178,015
Pool-related net assets		3	—	—	—	3
Total		$ 8,245	258,064	1,903	1,909,806	2,178,018

(c) Concentration of Credit Risk

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

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

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35% of the Stable Value 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%	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 – nongovernmental 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 Board's policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

Equity holdings will be limited to 5% 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% of the total portfolio at the time of purchase, 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, 2010, 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 requires 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.

(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, 2010, the Plan's deposits were uncollateralized and uninsured.

(8) Risk and Uncertainty

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

The Plan may invest in pooled separate accounts that 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.