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

Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Supplemental Benefits System:

We have audited the accompanying statements of fiduciary net position of the State of Alaska Supplemental Benefits System (the Plan), a component unit of the State of Alaska, as of June 30, 2014, and the related statements of changes in fiduciary net position for the seventeen months then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the State of Alaska Supplemental Benefits System as of June 30, 2014, and the changes in fiduciary net position for the seventeen months then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, on pages 3–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

December 5, 2014

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

Management's Discussion and Analysis

June 30, 2014

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 17 months ended June 30, 2014 and 12 months ended January 31, 2013. 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 17 months ended June 30, 2014 and fiscal year ended January 31, 2013. Information for fiscal year 2012 is presented for comparative purposes.

Financial Highlights

- Plan net position restricted for benefits increased by $463.6 million during the 17-month period ending June 30, 2014.
- Plan participant and employer contributions and transfers into the plan increased by $79.4 million during the 17-month period ending June 30, 2014.
- The Plan earned net investment income of $475.4 million during the 17-month period ending June 30, 2014.
- Benefits paid to participants and refunds of contributions including purchases of annuity contracts increased by $85.8 million during the 17-month period ending June 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The Plan's financial statements are composed of three components: 1) statement of fiduciary net position – annuity and cafeteria plans, 2) statement of changes in fiduciary net position – annuity and cafeteria plans, and 3) notes to financial statements.

Statement of Fiduciary Net Position – Annuity and Cafeteria Plans – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for participants and operations. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2014. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan.

Statement of Changes in Fiduciary Net Position – Annuity and Cafeteria Plans – This statement presents how the Plans' net position restricted for participants and operations changed during the 17-month period ended June 30, 2014. This statement presents contributions and net investment income during the period. Deductions for benefits paid, refunds of contributions including purchases of annuity contracts, and administrative expenses are also presented. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan.

The above statements represent resources available for investment and payment of benefits and expenses as of June 30, 2014, and the sources and uses of those funds during the 17-month period ended June 30, 2014.

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

Condensed Financial Information (In thousands)

Net position

Description		June 30, 2014	January 31, 2013	Increase (decrease) Amount	Increase (decrease) Percentage		January 31, 2012
Assets:							
Cash and cash equivalents	$	2,160	6,218	(4,058)	(65.3)%	$	6,618
Receivables		13,354	7,640	5,714	74.8		7,647
Investments, at fair value		3,322,952	2,854,140	468,812	16.4		2,612,692
Investment loss trust fund, at fair value		1,935	1,929	6	0.3		1,921
Total assets		3,340,401	2,869,927	470,474	16.4		2,628,878
Liabilities:							
Payable to plan participants		1,961	1,929	32	1.7		1,921
Accrued expenses		7,951	1,108	6,843	617.6		1,385
Total liabilities		9,912	3,037	6,875	226.4		3,306
Net position	$	3,330,489	2,866,890	463,599	16.2%	$	2,625,572

Changes in net position

Description		June 30, 2014	January 31, 2013	Increase (decrease) Amount	Increase (decrease) Percentage		January 31, 2012
Net position, beginning of year	$	2,866,890	2,625,572	241,318	9.2%	$	2,504,785
Additions:							
Contributions and transfers in		244,245	164,837	79,408	48.2		150,960
Net investment income		465,838	240,703	225,135	93.5		122,034
Other income		35	—	35	100.0		—
Total additions		710,118	405,540	304,578	75.1		272,994
Deductions:							
Benefits paid to participants and purchases of annuity contracts		234,148	150,275	83,873	55.8		3,720
Insurance premiums and dependent care assistance plan reimbursements		5,138	3,244	1,894	58.4		138,440
Administrative expenses		7,233	10,703	(3,470)	(32.4)		10,047
Total deductions		246,519	164,222	82,297	50.1		152,207
Increase in net position		463,599	241,318	222,281	92.1		120,787
Net position, end of year	$	3,330,489	2,866,890	463,599	16.2%	$	2,625,572

(Continued)

Financial Analysis of the Plans

The statement of fiduciary net position – annuity and cafeteria plans as of June 30, 2014 shows net position restricted for participants and operations of $3,330,489,000. The entire amount is available to pay benefits to its participants and their beneficiaries, as well as administrative costs.

These amounts represent an increase in plan net position restricted for participants and operations of $463,599,000 or 16.2% from fiscal year 2013 to the 17-month period ending June 30, 2014 and $241,318,000 or 9.2% from fiscal year 2012 to 2013.

Contributions, Investment Income, and Other Additions

Additions to the Plan are accumulated through a combination of employer and plan participant contributions, investment income, and other additions as follows:

Additions (In thousands)

		17 months June 30, 2014	Fiscal Year January 31, 2013	Increase Amount	Increase Percentage		Fiscal Year January 31, 2012
Plan participant mandatory contributions	$	116,260	78,486	37,774	48.1%	$	72,538
Employer mandatory contributions		116,416	78,486	37,930	48.3		72,538
Plan participant voluntary contributions		4,907	3,367	1,540	45.7		3,622
Transfer in contributions		6,615	4,498	2,117	47.1		2,262
Net investment income		465,838	240,703	225,135	93.5		122,034
Other income		82	—	82	100.0		—
Total	$	710,118	405,540	304,578	75.1%	$	272,994

The employer, plan member, voluntary contributions, and plan member transferring increased from $164,837,000 in fiscal year 2013 to $244,198,000 for the 17-month period ended June 30, 2014, an increase of $79,361,000 or 48.1%. The increase in plan member and employer contributions during the 17-month period ended June 30, 2014 is primarily attributable to the additional 5 months in the fiscal period ended June 30, 2014. The increase in contributions for fiscal year 2012 is attributed to the increase in the number of participants and the increase in participant wages.

The Plan's net investment income increased during the 17-month period ended June 30, 2014 by $225,135 or 93.5% from amounts recorded in fiscal year 2013. Net investment income increased in fiscal year 2013 by $118,669 or 97.2% from amounts recorded in fiscal year 2012. This increase in investment income relates to the healthy and positive financial climate and the additional 5 months that occurred during the 17-month period ending June 30, 2014.

(Continued)

The Plan's investment rates of return are as follows:

	2014 1-year actual as of 6/30/14	2012 1-year actual as of 12/31/12
Alaska Balanced Trust	11.32%	8.99%
Alaska Long-Term Balanced Trust	16.44	12.11
Alaska Target Date Retirement 2010 Trust	13.44	10.31
Alaska Target Date Retirement 2015 Trust	15.79	11.71
Alaska Target Date Retirement 2020 Trust	17.62	12.98
Alaska Target Date Retirement 2025 Trust	19.35	13.94
Alaska Target Date Retirement 2030 Trust	20.87	14.82
Alaska Target Date Retirement 2035 Trust	21.99	15.48
Alaska Target Date Retirement 2040 Trust	22.58	15.65
Alaska Target Date Retirement 2045 Trust	22.62	15.66
Alaska Target Date Retirement 2050 Trust	22.60	15.60
Alaska Target Date Retirement 2055 Trust	22.60	15.61
Brandes International Equity Fund	27.07	11.77
Government/Credit Bond Index Fund	4.15	4.70
Intermediate Bond Fund	1.38	1.58
Long U.S. Treasury Bond Index Fund	6.22	3.57
Allianz/RCM Socially Responsible Investment Fund	21.79	10.68
Russell 3000 Index Fund	25.15	16.38
S&P 500 Stock Index Fund	24.59	16.01
SSgA Global Balanced Fund	16.06	11.75
Stable Value Fund	2.44	2.99
State Street Money Market Fund	—	—
U.S. Real Estate Investment Trust Index Fund	13.01	16.81
T. Rowe Price U.S. Small Cap Trust	25.13	18.64
U.S. TIPS Index Fund	4.29	6.83
World Equity Ex-U.S. Index Fund	21.86	17.78
World Government Bond Ex-U.S. Index Fund	8.76	1.58

Benefits and Other Deductions

The primary deduction of the Plan is the payment of benefits and purchases of annuity contracts. Benefit payments, insurance premiums, dependent care reimbursements, and administrative costs were as follows:

Deductions (In thousands)

	17 months June 30, 2014	Fiscal Year January 31, 2013	Increase (decrease) Amount	Increase (decrease) Percentage	Fiscal Year January 31, 2012
Benefits	$ 239,286	153,519	85,767	55.9%	$ 142,160
Administrative	7,233	10,703	(3,470)	(32.4)	10,047
Total	$ 246,519	164,222	82,297	50.1%	$ 152,207

The Plan's benefits paid to participants and refunds of contributions, including purchases of annuity contracts, for the 17-month period ended June 30, 2014 increased $85,767,000 or 55.9% from fiscal year 2013 and increased $11,835,000 or 8.5% from fiscal year 2012 to 2013. This increase in deductions is primarily attributable to the additional 5 month increase in the length of this fiscal period ended June 30, 2014, but also due in part to the ongoing economic recovery and an increase in the number of retirements.

The Plan had administrative expenses of $7,233,000 during the 17-month period ended June 30, 2014 compared to $10,703,000 in fiscal year 2013, a decrease of 32.4%. The decrease is due to an increase in cost associated with data processing consultants and management consulting services. The Plan had administrative expenses of $10,703,000 in fiscal year 2013 compared to $10,047,000 in fiscal year 2012, an increase of 6.5%.

Fiduciary Responsibilities

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

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

Request for Information

This financial report is designed to provide a general overview of the finances of the Plan. 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 and Benefits, Finance Section
PO Box 110203
Juneau, Alaska 99811-0203

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

Statements of Fiduciary Net Position – Annuity and Cafeteria Plans

June 30, 2014

(In thousands)

		June 30, 2014	
	Annuity	**Cafeteria**	**Total**
Assets:			
Cash and cash equivalents	$ 130	813	943
Money market fund – nonparticipant directed	1,217	—	1,217
Total cash and cash equivalents	1,347	813	2,160
Receivables:			
Mandatory and voluntary contributions	7,568	123	7,691
Due from State of Alaska General Fund	5,628	—	5,628
Other	35	—	35
Total receivables	13,231	123	13,354
Investments at fair value:			
Collective investment funds, participant directed	889,545	—	889,545
Synthetic investment contracts	355,827	—	355,827
Ownership of pooled investment funds, participant directed	2,077,356	—	2,077,356
Great West participant directed-deposit in transit	224	—	224
Total investments	3,322,952	—	3,322,952
Investment loss trust fund, at fair value	1,935	—	1,935
Total assets	3,339,465	936	3,340,401
Liabilities:			
Payable to plan participants	1,961	—	1,961
Accrued expenses	7,015	936	7,951
Total liabilities	8,976	936	9,912
Net position restricted for individuals and organizations	$ 3,330,489	—	3,330,489

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 Position – Annuity and Cafeteria Plans

Seventeen months ended June 30, 2014

(In thousands)

	Seventeen months ended June 30, 2014		
	Annuity	**Cafeteria**	**Total**
Additions:			
Contributions:			
Employers	$ 116,416	—	116,416
Plan members	122,875	4,907	127,782
Other	47	—	47
Total contributions	239,338	4,907	244,245
Investment income:			
Net appreciation in fair value of investments	475,416	—	475,416
Interest	9	—	9
Total investment income	475,425	—	475,425
Less investment expense	9,587	—	9,587
Net investment income	465,838	—	465,838
Other:			
Other	35	—	35
Total additions	705,211	4,907	710,118
Deductions:			
Benefits	234,148	5,138	239,286
Administrative expenses	7,233	—	7,233
Total deductions	241,381	5,138	246,519
Net increase (decrease) in net position restricted for individuals and organizations	463,830	(231)	463,599
Net position, beginning of year	2,866,659	231	2,866,890
Net position, end of year	$ 3,330,489	—	3,330,489

See accompanying notes to financial statements.

(1) Description

The following 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 Plan, is provided for general information purposes only. Participants should refer to the plan documents for more complete information.

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's 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 22 participating employers besides the State of Alaska as of June 30, 2014. There were 42,828 participants in the Plan as of June 30, 2014.

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

The fiscal year end is being changed from a January 31 fiscal year end to a June 30 fiscal year end effective June 30, 2014.

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.

Participant Accounts

Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options.

(1) Description (cont.)

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.

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

At June 30, 2014, participants had the following investment options:

Collective Investment Funds

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

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.

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 U.S. 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.

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

Russell 3000 Index Fund – this fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the Russell 3000 Index. The fund measures the performance of the largest 3,000 U.S. companies representing approximately 98.0% of the investable U.S. equity market.

(1) Description (cont.)

Standard & Poor's (S&P) 500 Stock Index Fund – this fund offers diversified investment in the U.S. equity market and replicates 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.

SSgA Global Balanced Fund – this fund has a target asset allocation of 60.0% equities and 40.0% fixed income and is invested in a mix of passively managed index commingled funds, which, in combination, are designed to replicate the returns and characteristics of the fund benchmark.

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.

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

U.S. Small Cap Trust – this fund invests primarily in common stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

U.S. 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.

World Equity Ex-U.S. Index Fund – this fund invests in one or more commingled funds managed by SSgA, which, in combination, are designed to replicate the returns and characteristics of the MSCI ACWI Ex-U.S. Index and provide a broad based, low cost exposure to both the developed and emerging markets. The index consists of approximately 2,000 securities across 47 markets.

World Government Bond Ex-U.S. Index Fund – this fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Citigroup World Government Ex-U.S. Index over the long term. The fund is managed using a passive or indexing investment approach, by which SSgA attempts to replicate, before expenses, the performance of the index.

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

(1) Description (cont.)

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 12 participant-directed funds.

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

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

Alaska Target Date Retirement 2010 – 2055 Trusts – the purpose of these funds are 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 55.0%). The most conservative allocation to stocks (approximately 20.0%) occurs 30 years after the target date is reached.

Stable Value Fund

Stable Value Fund – the purpose of this fund is to preserve principal with a competitive rate of interest consistent with the preservation of capital. The fund invests in a diversified portfolio of synthetic investment contracts (SICs) issued by banks and insurance companies that meet specified credit standards. Supporting securities for SICs typically include U.S. Treasury/agency obligations, mortgage- and asset-backed securities, as well as investment grade corporate bonds.

Payment of Annuity Benefits

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump-sum 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 record-keeper.

(1) Description (cont.)

Supplemental Benefits Cafeteria

Benefits available under the Supplemental Benefits Cafeteria Plan 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. The Plan is funded entirely by employee contributions based upon benefit selections. All supplemental benefits are provided through third-party administrators.

Funding of the Annuity Plan

Supplemental annuity contributions from employers were deposited with investment managers under contract with the Plan for the seventeen-months ended June 30, 2014. 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 period.

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.

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

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.

(2) Summary of Significant Accounting Policies (cont.)

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 Third Party Administrator (TPA) multiplied by the number of units held by the Plan. The unit value is determined by the TPA based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Valuation of Synthetic Investment Contracts

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

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.

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2014 are composed of interest-bearing deposits.

Contributions Receivable

Contributions applicable to wages earned through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

Due to State of Alaska General Fund

Amounts due to the State of Alaska General Fund represent the net difference between amounts paid by the Plan on behalf of others and amounts paid by others on behalf of the Plan.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's annuity participants decide in which options to invest. Of the total plan fiduciary net assets of $3,330,489,000 at June 30, 2014, 99.8% or $3,322,952,000 were 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.

(3) Investments (cont.)

The market value Participant Directed Investments at June 30 year-end are as follows *(in thousands):*

		2014
Alaska Balanced Trust	$	1,195,792
Alaska Long-Term Balanced Trust		529,259
Stable Value Fund		355,827
S&P 500 Stock Index Fund		325,538
T. Rowe Price U.S. Small Cap Trust		139,404
Alaska Target Date Retirement 2015 Trust		103,349
Brandes International Equity Fund		86,419
Alaska Target Date Retirement 2020 Trust		63,035
SSgA Global Balanced Fund		56,908
Russell 3000 Index Fund		54,334
Government/Credit Bond Index Fund		45,349
RCM Socially Responsible Investment Fund		38,967
Alaska Target Date Retirement 2025 Trust		38,105
State Street Money Market Fund		37,375
U.S. Real Estate Investment Trust Index Fund		28,203
World Equity Ex-U.S. Index Fund		26,547
Alaska Target Date Retirement 2030 Trust		26,211
Alaska Target Date Retirement 2035 Trust		22,515
Alaska Target Date Retirement 2040 Trust		23,025
Alaska Target Date Retirement 2045 Trust		24,524
Alaska Target Date Retirement 2050 Trust		25,895
Alaska Target Date Retirement 2055 Trust		16,997
U.S. TIPS Index Fund		16,792
Intermediate Bond Fund		12,897
World Government Bond Ex-U.S. Index Fund		10,433
Long U.S. Treasury Bond Index Fund		10,379
Alaska Target Date Retirement 2010 Trust		8,649
Contributions in Transit at year-end		224
Total	$	3,322,952

(3) Investments (cont.)

The Plan's investments at June 30, 2014 include the following collective investment funds:

	Units owned	Unit value	Balance (in thousands)
Equity funds:			
S&P 500 Stock Index Fund	7,568,701	43.01	$ 325,538
T. Rowe Price U.S. Small Cap Trust	1,545,840	90.18	139,404
Brandes International Equity Fund Fee	6,055,999	14.27	86,419
U.S. Real Estate Investment Trust Index Fund	1,951,037	14.46	28,203
RCM Socially Responsible Investment Fund	1,859,583	20.95	38,967
Russell 3000 Index Fund	2,893,488	18.78	54,334
World Equity Ex-U.S. Index Fund	1,707,053	15.55	26,547
			699,412
Bond and debt securities funds:			
Government/Credit Bond Fund	1,342,719	33.77	45,349
U.S. TIPS Index Fund	1,296,123	12.96	16,792
Long U.S. Treasury Bond Index Fund	704,452	14.73	10,379
Intermediate Bond Fund	485,447	26.57	12,897
World Government Bond Ex-U.S. Index Fund	837,710	12.45	10,433
			95,850
Bond and equity funds:			
SSgA Global Balanced Fund	3,519,807	16.17	56,908
Money market fund:			
Participant directed – State Street Institutional Treasury Money Market Fund	37,375,223	1.00	37,375
			37,375
Total collective investment funds			$ 889,545

(4) Synthetic Investment Contracts

Accounts and terms of synthetic investment contracts in effect at June 30, 2014, are as follows:

Prudential Insurance Company of America

In September 2013, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Prudential Insurance Company of America. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The book value of the investment contract at June 30, 2014 was $86,462,000 as reported by Prudential Insurance Company of America and the market value of the portfolio at June 30, 2014 as $89,393,000. The average crediting rate for fiscal year ending June 30, 2014 was approximately 2.76%. 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.

Royal Bank of Canada

In February 2013, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Royal Bank of Canada. 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 book value of the investment contract at June 30, 2014 was $57,279,000 as reported by Royal Bank of Canada and the market value of the portfolio June 30, 2014 was $59,548,000. The average crediting rate for fiscal year ending June 30, 2014 was approximately 2.78%. 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.

Pacific Life Insurance Co.

In 2004, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Pacific Life Insurance Co. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The book value of the investment contract at June 30, 2014 was $57,378,000 as reported by Pacific Life Insurance Co, and the market value of the portfolio at June 30, 2014 was $59,651,000. The average crediting rate for fiscal year ending June 30, 2014 was approximately 2.93%. 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.

(4) Synthetic Investment Contracts (cont.)

State Street Bank & Trust Co.

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank. This financial institution provides a wrap contract that covers a separately managed constant duration synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The book value of the investment contract at June 30, 2014 was $102,909,000 as reported by State Street Bank, and the market value of the portfolio at June 30, 2014 was $106,985,000. The average crediting rate for fiscal year ending June 30, 2014 was approximately 2.93%. 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.

Bank of America

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Bank of America. This financial institution provided a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account was credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract was 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. This wrap contract was terminated in 2013.

NATIXIS Financial Products Inc.

In 1999, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with NATIXIS Financial Products Inc. This financial institution provided a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account was credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract was 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. This wrap contract was terminated in 2013.

Rabobank Nederland

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Rabobank Nederland. This financial institution provided a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account was credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract was 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. This wrap contract was terminated in 2013.

(5) Investment Loss Trust Fund

Deposits with contract values of $131,805,000 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 1.0% 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 $138,100,000 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 $147,689,000 through June 30, 2014.

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 June 30, 2014, the Fund is comprised of cash and cash equivalents.

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 participant’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 participants 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.

(Continued)

(5) Investment Loss Trust Fund (cont.)

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.

(6) Deposit and Investment Risk

Interest Rate Risk

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

Collective Investment and Money Market Funds

The 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.

		Fair value (in thousands)	**Weighted average maturity**
Government/Credit Bond Index Fund	$	45,349	8.18 years
Institutional Treasury Money Market Fund		37,375	45 days
Intermediate Bond Fund		12,896	3.82 years
Long U.S. Treasury Bond Index Fund		10,379	16.58 years
U.S. TIPS Index Fund		16,792	7.28 years
World Government Bond ex-U.S. Index Fund		10,433	7.68 years

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 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12-month prepay speeds for other securities. At June 30, 2014, the expected average life of individual fixed rate securities ranged from 1 day to 2.19 years and the expected average life of floating rate securities ranged from 8 days to 3.21 years.

(6) Deposit and Investment Risk (cont.)

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 6 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 3.90 years at June 30, 2014. The duration of the Barclays Capital Intermediate Aggregate Index was 4.19 years at June 30, 2014.

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 of the reserve is invested in the custodian's Institutional Treasury Money Market Fund.

Pooled Investment Funds

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

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

> For government and corporate debt securities, duration is limited to ± 0.2 years of the blended benchmark of 70% Barclays U.S. Intermediate Aggregate Bond Index, 15% Barclays U.S. Floating Rate Note Index, 10% Barclays TIPS Index and 5% Barclays Long U.S. Treasury Bond Index. At June 30, 2014, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.
>
> The weighted average maturity of the money market portfolio was 34.14 days at June 30, 2014.
>
> 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.

(6) Deposit and Investment Risk (cont.)

Credit Risk

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

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

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 purchases.

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.

(6) Deposit and Investment Risk (cont.)

At June 30, 2014, plan investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

		Fair value (in thousands)				
Investment type	**Rating**	**Short-term fixed income pool**	**Underlying synthetic investment contracts**	**Investment loss trust**	**Other**	**Total**
Investments with credit exposure:						
Money market fund	Not rated	$ —	40,250	—	1,217	41,467
Short-term investment fund	Not rated	—	3,798	—	—	3,798
Commercial paper	Not rated	162	—	469	—	631
U.S. government agency	AA	—	12,499	—	—	12,499
U.S. government agency	Not rated	521	—	1,507	—	2,028
Mortgage-backed	AAA	4	4,682	13	—	4,699
Mortgage-backed	AA	—	—	1	—	1
Mortgage-backed	A	—	1,682	—	—	1,682
Mortgage-backed	Not rated	2	91,933	5	—	91,940
Other asset-backed	AAA	206	8,252	596	—	9,054
Other asset-backed	AA	2	123	6	—	131
Other asset-backed	A	8	—	23	—	31
Other asset-backed	Not rated	85	6,546	247	—	6,878
Corporate bonds	AAA	1	590	2	—	593
Corporate bonds	AA	27	9,276	79	—	9,382
Corporate bonds	A	35	31,909	101	—	32,045
Corporate bonds	BBB	—	22,306	—	—	22,306
Corporate bonds	Not rated	—	678	—	—	678
Yankees:						
Corporate	AA	7	6,597	21	—	6,625
Corporate	A	5	10,350	14	—	10,369
Corporate	BBB	—	3,858	—	—	3,858
Government	AAA	—	4,323	—	—	4,323
Government	AA	—	1,991	—	—	1,991
Government	A	—	1,546	—	—	1,546
Government	BBB	—	116	—	—	116
Deposits and investments with no credit exposure:						
Deposits	—	—	(3,057)	—	—	(3,057)
U.S. Treasury bills	Not Rated	10		29	—	39
U.S. Treasury notes	AA	—	83,009	—	—	83,009
U.S. Treasury notes	Not Rated	119	12,571	346	—	13,036
Participant-directed funds:						
Collective investment funds		—	—	—	889,545	889,545
Pooled investment funds		—	—	—	2,077,356	2,077,356
ILTF Assets not reported with SBS		—	—	(797)	—	(797)
Contributions in Transit and other unreconciled differences		—	(1)	—	224	223
Total invested assets		1,194	355,827	2,662	2,968,342	3,328,025
Pool-related net liabilities		(251)	—	(727)	—	(978)
Total		$ 943	355,827	1,935	2,968,342	3,327,047

(6) Deposit and Investment Risk (cont.)

Concentration of Credit Risk

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

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

Treasury's policy with regard to the short-term fixed income pool is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group, unless explicitly backed by the U.S. government.

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35.0% of the 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	100.0%	100.0%
U.S. agency securities	100.0	100.0
Agency mortgage-backed securities	50.0	50.0
Nonagency mortgage-backed securities	5.0	50.0
Asset-backed securities	5.0	50.0
Domestic and foreign corporate debt securities	5.0	50.0
Supranational agency and foreign government entity securities	5.0	50.0
Money market instruments – nongovernmental agency	5.0	100.0
Custodian short-term investment fund	100.0	100.0

The maximum exposure to securities rated BBB is limited to 20.0% of the total value underlying synthetic investment contracts.

For the reserve, the total investment of any single issuer of money market instruments may not exceed 5.0% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

(6) Deposit and Investment Risk (cont.)

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 5.0% per issuer of the equity portfolio at the time of purchase.

With the exception of the U.S. government or its agencies, fixed income holdings of any single issuer is limited to 2.0% of the total portfolio at the time of purchase.

With the exception of the U.S. government or its agencies, money market holdings of any single issuer are limited to no more than 5.0% of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At June 30, 2014, the Plan had no exposure to a single issuer in excess of 5% of total invested assets.

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 United States. The Board has no policy with regard to other pooled investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned. The Board does not have a policy for custodial credit risk. At June 30, 2014, the Plan's deposits were uncollateralized and uninsured.

(7) 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.

(7) Risk and Uncertainty (cont.)

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.