



# INVESTMENT SECTION

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# CALLAN ASSOCIATES<sup>INC</sup>



September 16, 2009

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Alaska Retirement Management Board  
State of Alaska, Department of Revenue  
Treasury Division  
333 Willoughby Avenue, 11th Floor  
Juneau, AK 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2009.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns. Callan serves as ARMB's independent general investment consultant and evaluates the Board's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made in compliance with Global Investment Performance Standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the ARMB periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Fiscal year 2009 was an extraordinarily difficult period for literally all investment categories with the exception of very high quality debt instruments. The Russell 3000 Index, a measure of the broad U.S. equity market lost 26.56%. International stocks, as measured by the MSCI-ACWex-U.S. Index, fell 30.54%. In the last fiscal year, the Barclays Capital Aggregate Bond Index, a widely used measure of the investment grade domestic bond market, achieved an overall return of 6.05%. Absolute Return Strategies such as hedge funds of funds suffered significant declines. For example, the Callan Hedge Fund-of-Funds

database median return was a negative 13.79%. Direct equity real estate investments also reflected large valuation losses. The NCREIF Property Index posted a loss of 19.57% for the fiscal year while publicly traded real estate, as measured by the NAREIT Index, fell 43.29%.

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of -20.49% and the Teachers Retirement System (TRS) had a time-weighted total return of -20.62%. Both Systems trailed their strategic policy benchmark target return of -17.00% and ranked below the -18.09% median return for Callan's Public Fund database. The policy benchmark was largely unchanged during the year. The greatest sources of under-performance relative to target were: significant under-performance in real estate (-35.94% versus a target index return of -21.13%) and the absolute return sector's negative 12.52% return versus a target return of +5.95%. The 2009 below Peer Group performance was primarily attributable to below average fixed income exposure. This same strategic tilt toward equity investments contributed importantly to strong absolute and relative performance in the 2005 to 2007 period. Over longer-term periods, PERS and TRS have much more closely tracked their target index returns. For example, PERS' 5-year annualized return was 2.20% versus the policy benchmark's 2.22%. Over the longest period for which Callan has detailed data (17 3/4 years), PERS and TRS have achieved annualized total returns of 6.81% and 6.85% respectively while the policy benchmark return for the same span was 6.80%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 5% or more.

In summary, fiscal 2009 was an unusually difficult year for all investors particularly those with significant equity exposure. Despite the challenging environment, the Systems were able to maintain their strategic plan and appear to be participating fully in the public markets recovery that began in March 2009.

Sincerely,



Michael J. O'Leary, Jr., CFA  
Executive Vice President

**Department of Revenue  
Treasury Division  
Staff**

**Commissioner**

Patrick Galvin

**Chief Investment Officer**

Gary Bader

**Investment Officers**

Bob G. Mitchell

Stephen R. Sikes

Zachary Hanna

Victor Djajalie

Andy Wink

James McKnight

Casey Colton

Nicholas Orr

Ryan Bigelow

Bree Simpson

Steve Verschoor

Shane Carson

**Deputy Commissioner**

Jerry Burnett

**Comptroller**

Pamela Green, CPA

**Cash Management**

Michelle M. Prebula, MBA, CPA, CCM

**ARMB Liaison Officer**

Judy Hall

**External Money Managers and Consultants**

**Investment Consultants**

Callan Associates, Inc.

*Denver, CO*

The Townsend Group

*San Francisco, CA***Investment Advisory Council**

William Jennings

*Colorado Springs, CO*

Jerrold Mitchell

*Wayland, MA*

George Wilson

*Boston, MA***Absolute Return**

Cadogan Management, LLC

*New York, NY*

Crestline Investors, Inc.

*Fort Worth, TX*

Mariner Investment Group, Inc.

*Harrison, NY***Domestic Equity Large Capitalization**

Barrow, Hanley, Mewhinney &amp; Strauss

*Dallas, TX*

Capital Guardian Trust Co.

*Los Angeles, CA*

Dresdner RCM Global Investors

*San Francisco, CA*

McKinley Capital Management, Inc.

*Anchorage, AK*

Relational Investors LLC

*San Diego, CA***Domestic Equity Small Capitalization**

Jennison Associates LLC

*New York, NY*

Lord Abbett &amp; Co.

*Jersey City, NJ*

Luther King Capital Management

*Fort Worth, TX*

Turner Investment Partners, Inc.

*Berwyn, PA***Domestic Equity Index Fund**

State Street Global Advisors

*San Francisco, CA***Emerging Markets**

Capital Guardian Trust Co.

*Los Angeles, CA*

Eaton Vance Management

*Boston, MA***Global Equity**

Lazard Freres Asset Management

*New York, NY***High Yield**

ING Investment Management

*Hartford, CT*

MacKay Shields LLC

*New York, NY*

## External Money Managers and Consultants (con't)

### International Equity – EAFE

Brandes Investment Partners, L.P.  
*San Diego, CA*  
 Capital Guardian Trust Co.  
*Los Angeles, CA*

### International Fixed-Income

Delaware International Advisers Ltd.  
*London, England*

### Private Equity

Abbott Capital Management, L.P.  
*New York, NY*  
 Pathway Capital Management, LLC  
*Irvine, CA*

### Real Estate – Farmland

Hancock Agricultural Investment Group  
*Boston, MA*  
 UBS AgriVest, LLC  
*Hartford, CT*

### Real Estate – Commingled Funds

BlackRock Realty  
*San Francisco, CA*  
 Colony Capital  
*Los Angeles, CA*  
 Cornerstone Real Estate Advisers, LLC  
*Hartford, CT*  
 Coventry Real Estate Fund II, LLC  
*New York, NY*  
 Heitman Capital Management  
*Chicago, IL*  
 ING Clarion Partners  
*New York, NY*  
 J.P. Morgan Investment Management Inc.  
*New York, NY*  
 Lehman Brothers Real Estate Partners  
*New York, NY*  
 Lowe Hospitality Investment Partners, LLC  
*Los Angeles, CA*  
 Sentinel Real Estate Corporation  
*New York, NY*  
 Tishman Speyer Properties  
*New York, NY*  
 UBS Realty Investors, LLC  
*Hartford, CT*

### Real Estate – Core Separate Accounts

Cornerstone Real Estate Advisers, Inc.  
*Hartford, CT*  
 LaSalle Investment Management  
*Chicago, IL*  
 Sentinel Real Estate Corporation  
*New York, NY*  
 UBS Realty Investors, LLC  
*San Francisco, CA*

### Supplemental Benefits System

Barclays Global Investors  
*San Francisco, CA*  
 Capital Guardian Trust Company  
*Los Angeles, CA*  
 Citizens Funds  
*Portsmouth, NH*  
 State Street Global Advisors  
*Boston, MA*  
 T. Rowe Price Investment Services  
*Baltimore, MD*

### Deferred Compensation

Barclays Global Investors  
*San Francisco, CA*  
 Capital Guardian Trust Company  
*Los Angeles, CA*  
 T. Rowe Price Investment Services  
*Baltimore, MD & Glen Allen, VA*

### Global Master Custodian

State Street Bank & Trust Co.  
*Boston, MA*

### Independent Auditors

KPMG LLP  
*Anchorage, AK*

### Legal Counsel

Wohlforth, Johnson, Brecht,  
 Cartledge & Brooking  
*Anchorage, AK*

## Public Employees' Retirement System Investment Report

### INVESTMENTS

The State of Alaska Public Employee Retirement System's (PERS) investment goals are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into six asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity and absolute return. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

<b>Asset Class</b>	<b>Benchmark</b>
Domestic Equities	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Index Ex-U.S.
Fixed Income	70% Barclays Capital Aggregate Index, 10% Barclays Capital Treasury Index, 10% Citigroup Non-U.S. World Government Bond Index, 10% Merrill Lynch High Yield Master II Constrained Index
Real Assets	60% NCREIF Property Index, 20% Barclays Capital TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timber Index
Private Equity	33.3% S&P 500 Index, 33.3% Russell 2000, 33.3% MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2009 fiscal year, ARMB's target asset allocation was 34% domestic equities, 20% global equities ex-U.S., 18% fixed income, 15% real assets, 7% private equity, and 6% absolute return. The target asset allocation was expected to generate a return of 8.15% with a standard deviation of returns of 12.85%.

**Public Employees' Retirement System  
Schedule of Investment Results  
Fiscal Years Ended June 30**

	2005	2006	2007	2008	2009	Annualized	
						3 Year	5 Year
<b>Total Fund</b>							
PERS	8.95%	11.74%	18.88%	(3.06%)	(20.49%)	(2.88%)	2.20%
<i>Actuarial Earnings Rate</i>	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
<b>U.S. Common Stock Returns</b>							
PERS Domestic Equities	4.47%	9.23%	20.10%	(13.53%)	(26.72%)	(8.70%)	(2.78%)
<i>Custom Composite Index</i>	-	-	-	-	(26.56%)	(8.74%)	(2.28%)
S&P 500/Russell 2000 Composite	6.87%	9.67%	20.59%	(13.68%)	-	-	-
<b>International Stock Returns</b>							
PERS International Equities	14.96%	28.73%	30.00%	(7.58%)	(29.11%)	(5.16%)	(4.77%)
<i>Morgan Stanley Capital International ACWI ex-US</i>	-	-	-	-	(30.54%)	(6.42%)	(3.34%)
<i>Morgan Stanley Capital International EAFE</i>	13.65%	26.56%	27.00%	(10.61%)	-	-	-
<b>Fixed-Income</b>							
PERS	-	-	-	-	3.39%	5.38%	4.63%
<i>Custom Composite Index</i>	-	-	-	-	5.41%	6.28%	4.93%
<b>Private Equity</b>							
PERS	-	-	-	-	(23.67%)	3.61%	10.58%
<i>Custom Composite Index</i>	-	-	-	-	(27.19%)	(8.51%)	(0.40%)
<b>Absolute Return</b>							
PERS	-	-	-	-	(12.51%)	(0.77%)	2.09%
<i>3-month Treasury Bill +5%</i>	-	-	-	-	5.95%	7.93%	7.71%
<b>Real Assets</b>							
PERS	-	-	-	-	(21.02%)	0.20%	6.97%
<i>Custom Composite Index</i>	-	-	-	-	(10.82%)	3.64%	9.31%
<b>Domestic Fixed-Income</b>							
PERS	7.08%	0.05%	6.20%	6.58%	-	-	-
<i>Lehman Brothers Aggregate Index</i>	6.80%	(0.81%)	6.12%	7.12%	-	-	-
<b>International Fixed-Income</b>							
PERS	9.84%	(0.27%)	1.97%	18.96%	-	-	-
<i>Salomon Non-U.S. Government</i>	7.75%	(0.01%)	2.20%	18.72%	-	-	-
<b>Real Estate Equity</b>							
PERS	17.42%	18.58%	20.75%	5.71%	-	-	-
<i>NCREIF</i>	18.02%	18.79%	17.24%	6.82%	-	-	-

S&P 500 = Standard & Poor's Domestic Equity Stock Index

ACWI = All Country World Index

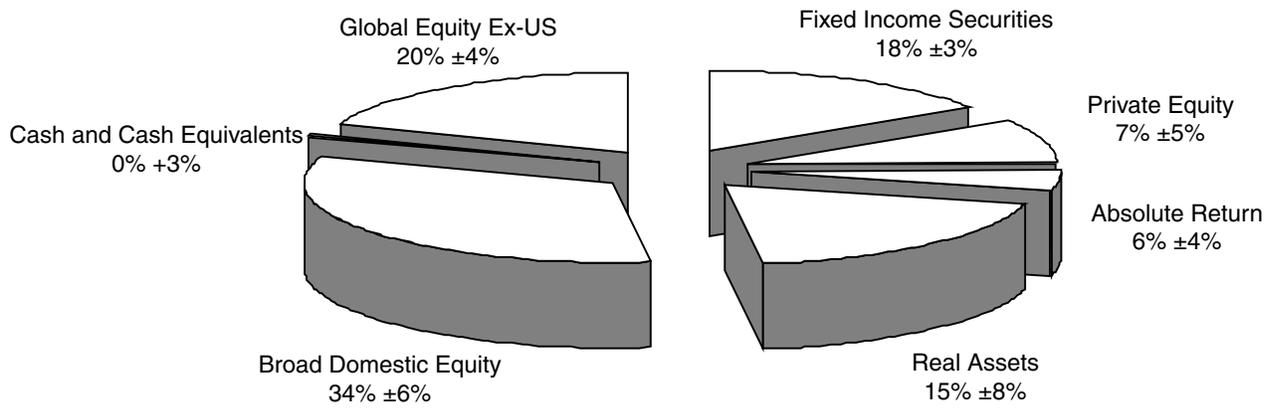
EAFE = Europe, Australia, and Far East Stock Index

NCREIF = National Council of Real Estate Investment Fiduciaries Index

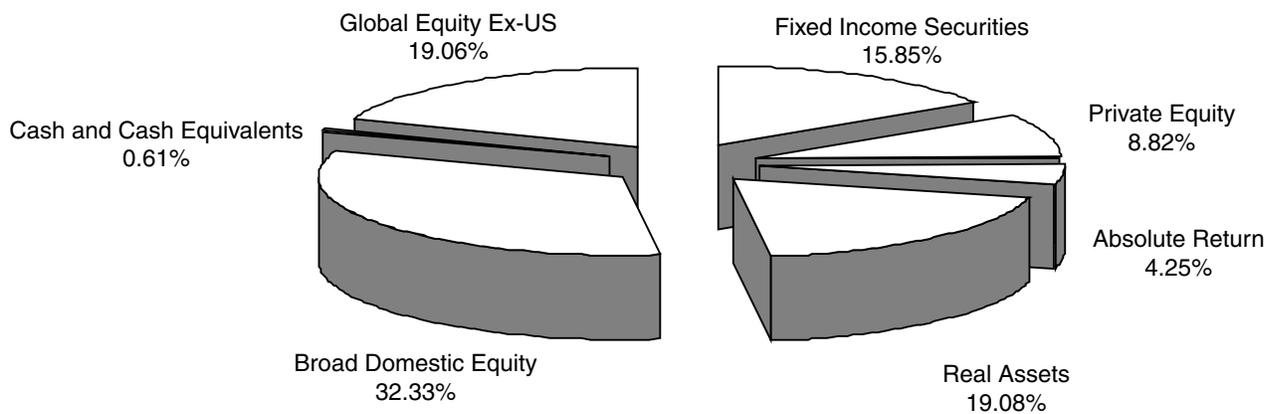
Returns for periods longer than one year are reported on an annualized basis.

**Public Employees' Retirement System  
Asset Allocation  
June 30, 2009**

**Policy — Defined Benefit Pension**

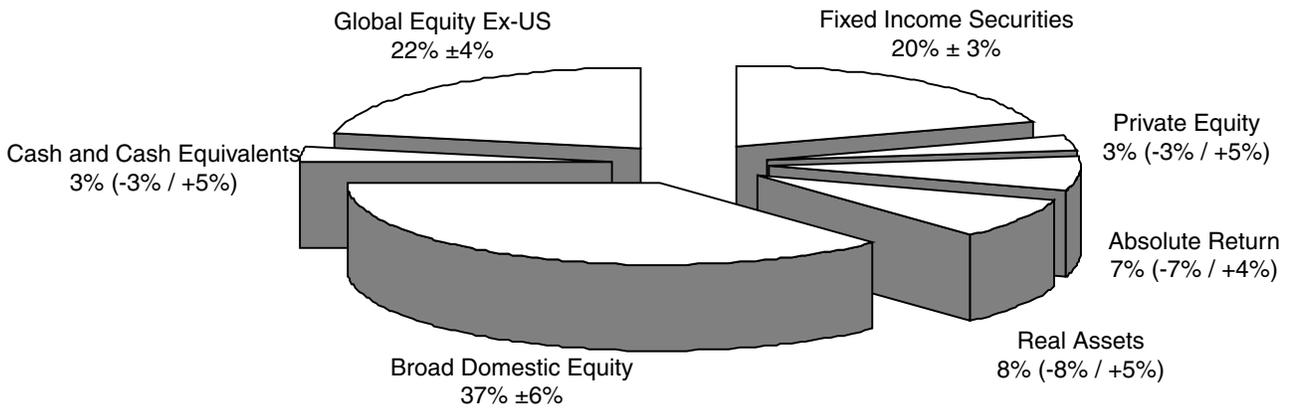


**Actual — Defined Benefit Pension**

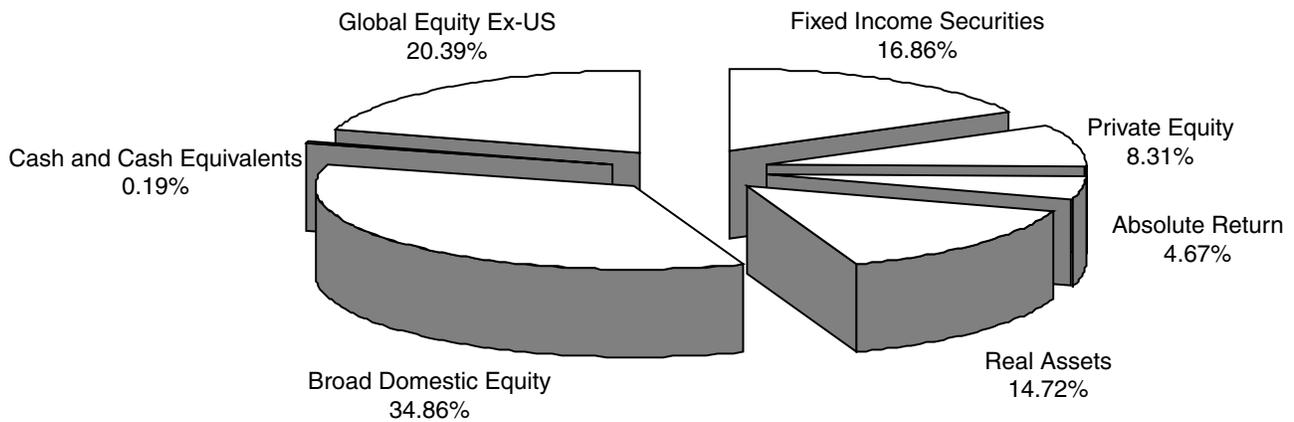


**Public Employees' Retirement System  
Asset Allocation  
June 30, 2009**

**Policy — Defined Benefit Alaska Retiree Healthcare Trust**

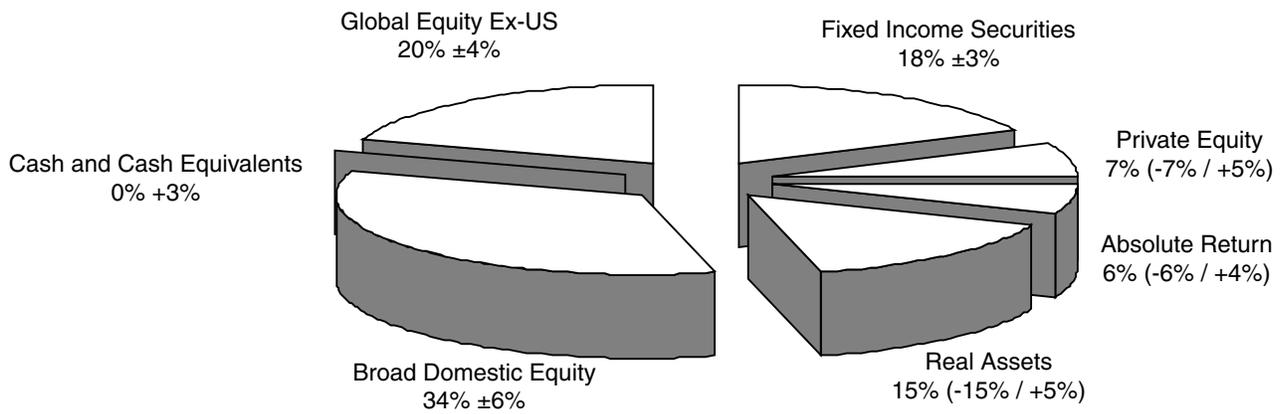


**Actual — Defined Benefit Alaska Retiree Healthcare Trust**

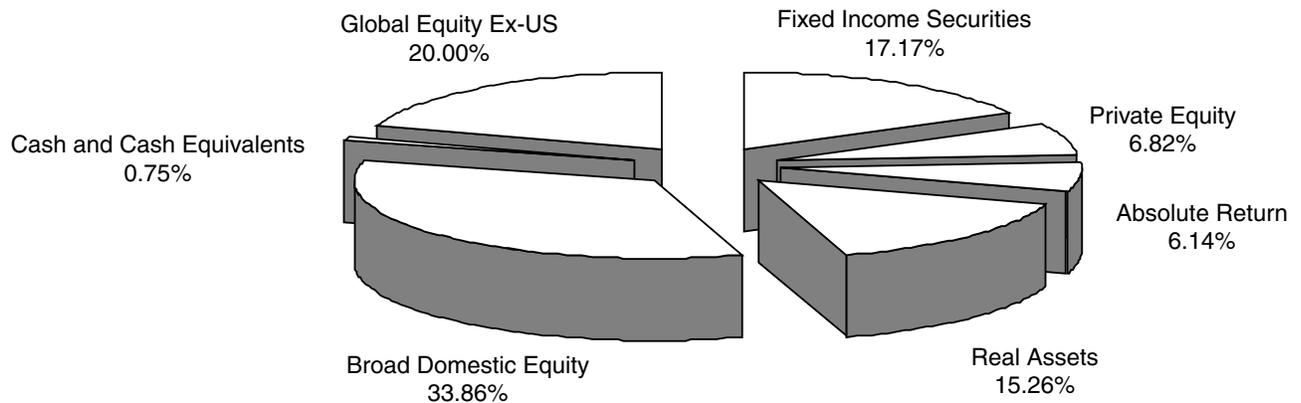


**Public Employees' Retirement System  
Asset Allocation  
June 30, 2009**

**Policy — Defined Contribution Health Reimbursement Arrangement,  
Occupational Death & Disability, and Retiree Medical Plan**

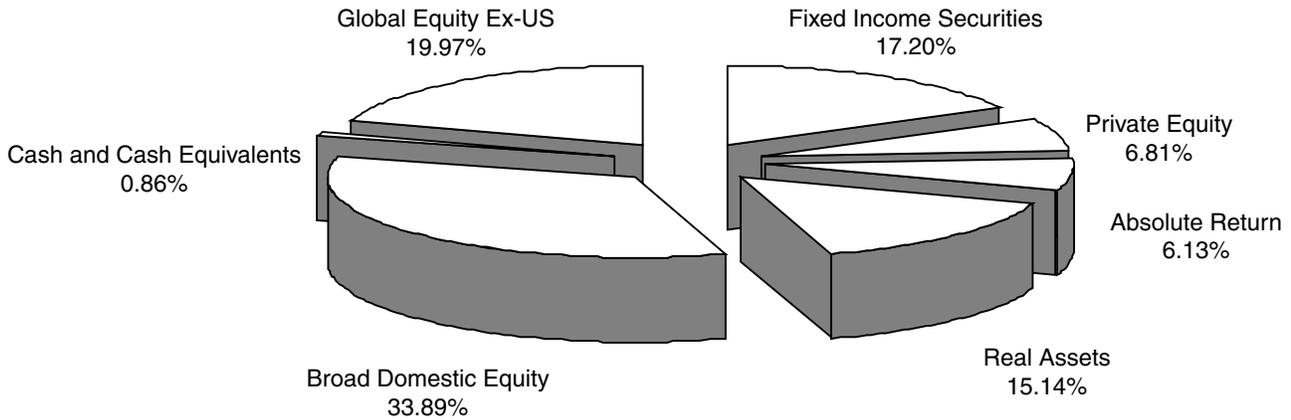


**Actual — Defined Contribution Health Reimbursement Arrangement**

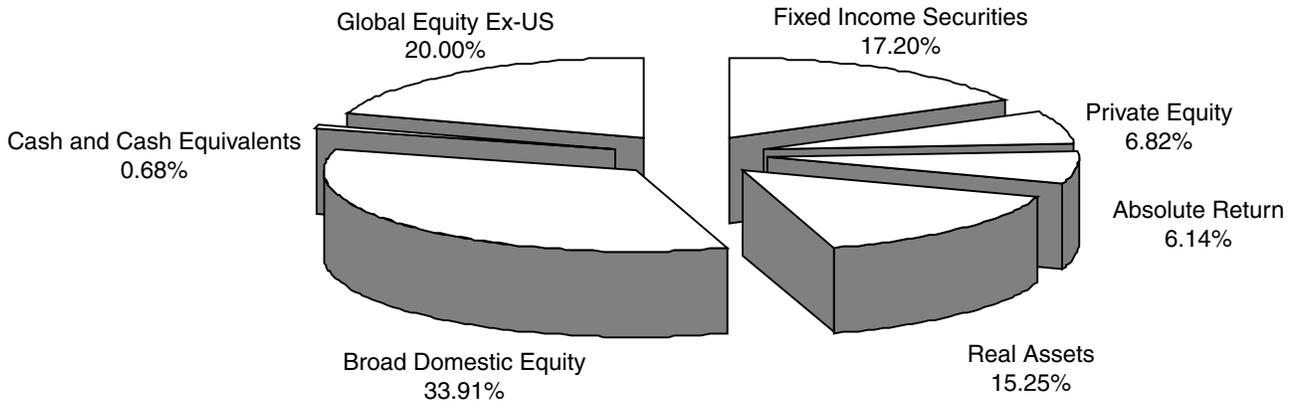


**Public Employees' Retirement System  
Asset Allocation  
June 30, 2009**

**Actual — Defined Contribution Occupational Death & Disability**



**Actual — Defined Contribution Retiree Medical Plan**



**Alaska Retirement Management Board  
Top Ten Holdings by Asset Type  
June 30, 2009**

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created eighteen different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest bond and equity holdings.

<b>Fixed Income</b>	<b>Rank</b>	<b>Security</b>	<b>Market Value</b>	<b>Par Value</b>
	1	US Treasury 3.125% 05/15/19	\$68,549,591	70,875,000
	2	US Treasury 2.625% 04/30/16	\$43,122,624	44,600,000
	3	FNMA 5.0% 11/01/33 POOL 725027	\$25,453,282	24,885,582
	4	FNMA 5.5% 01/01/33 POOL 678915	\$21,019,499	20,258,994
	5	US Treasury 2.625% 06/30/14	\$19,119,562	19,060,000
	6	UK Treasury 5.0% 03/07/12	\$18,890,784	10,704,525
	7	FNMA 0 07/05/14	\$16,801,490	20,000,000
	8	FNMA TBA AUG 30	\$14,198,516	14,000,000
	9	ITALY Treasury 4.0% 02/01/37	\$13,932,044	11,922,525
	10	US Treasury 1.125% 06/30/2011	\$13,733,000	13,733,000

Note: As of 06/30/09, PERS Pension owned 65.05% of the above pool of fixed income securities

<b>Equities</b>	<b>Rank</b>	<b>Largest Domestic Equity Holdings</b>	<b>Market Value</b>
	1	Exxon Mobil Corp	\$112,184,437
	2	Microsoft Corp	\$67,770,100
	3	JPMorgan Chase & Co	\$61,477,033
	4	AT&T Inc	\$55,518,344
	5	Johnson & Johnson	\$51,522,542
	6	HSBC Holdings Plc	\$50,554,566
	7	Apple Inc	\$50,168,261
	8	Wal Mart Stores Inc	\$48,772,395
	9	Google Inc	\$48,655,702
	10	IBM Corp	\$48,490,455

Note: As of 06/30/09, PERS Pension owned 64.88% of the above pool of equity securities

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

**Public Employees' Retirement System  
Schedule of External Management Fees  
Year Ended June 30, 2009**

<b>Investment Management Fees</b>	<b>Fair Value</b>	<b>Fees</b>
<b>International Fixed Income</b>		
* Mondrian Investment Partners	\$ 130,607,142	\$ 325,785
<b>High Yield Pool</b>		
* Mackay Shields, LLC	96,107,628	405,655
* ING Investments	<u>93,443,242</u>	<u>439,770</u>
Total High Yield	<u>189,550,870</u>	<u>845,425</u>
<b>Domestic Equity Pool</b>		
** Relational Investors	147,501,556	1,323,386
* Barrow, Hanley, Mewhinney & Strauss, Inc	63,894,088	326,187
* Capital Guardian Trust	133,876,180	327,084
* Jennison Associates LLC	89,235,306	520,206
* Lazard Asset Management	159,666,206	753,580
* Lord Abbett & Co.	92,256,183	668,622
* Luther King Cap. Management	71,903,718	398,930
* McKinley Capital	187,306,878	812,853
* Quantitative Management Associates	62,413,895	144,067
* Dresdner RCM Capital	213,389,462	633,633
* SSgA Russell 1000 Growth	259,173,397	50,227
* SSgA Russell 1000 Value	351,862,697	60,140
* SSgA Russell 2000 Growth	10,845,728	12,501
* SSga Russell 2000 Value	192,470,973	69,403
* SSgA Russell 200	724,799,129	91,498
* SSgA Futures Large Cap	5,735,002	9,387
* SSgA Future Small Cap	5,639,959	7,738
* Turner Investment Partners	<u>75,565,267</u>	<u>592,689</u>
Total Domestic Equities	<u>2,847,535,624</u>	<u>6,802,130</u>
<b>Private Equity Pool</b>		
** Blum Capital Partners-Public (Stinson)	-	123,049
** BlumCapital Partners-Strategic	17,784,648	329,258
** Warburg Pincus X	5,233,182	308,149
** Angelo Gordon & Co.	12,947,489	172,375
** Onex Partners	461,209	92,998
* Pathway Capital Management	324,240,259	1,313,300
* Abbott Capital Management	<u>374,301,462</u>	<u>885,162</u>
Total Private Equities	<u>734,968,248</u>	<u>3,224,293</u>
<b>International Equity Pool</b>		
* SSgA	148,046,474	817,846
* Brandes Investment Partners	475,710,882	1,620,660
* Capital Guardian Trust Co.	307,072,494	922,513
* McKinley Capital Mgmt.	178,343,194	982,617
* Lazard Freres	<u>201,838,116</u>	<u>752,154</u>
Total International Equities	<u>1,311,011,160</u>	<u>4,277,944</u>
<b>Absolute Return Pool</b>		
** Mariner Investment Group	154,359,071	1,291,419
** Cadogan Management LLC	78,413,138	685,660
** Crestline Investors Inc.	<u>144,915,842</u>	<u>1,296,652</u>
Total Absolute Return	<u>377,688,051</u>	<u>3,273,731</u>
<b>Emerging Markets Equity Pool</b>		
** The Capital Group Inc.	175,069,672	887,120
** Lazard Freres Asset Managers	102,446,153	-
** Eaton Vance	<u>83,987,554</u>	<u>459,757</u>
Total Emerging Markets	<u>361,503,379</u>	<u>1,346,877</u>

(continued)

**Public Employees' Retirement System  
Schedule of External Management Fees (con't)  
Year Ended June 30, 2009**

	<u>Fair Value</u>	<u>Fees</u>
<b>Real Estate Pool</b>		
** JPM Strategic	\$120,952,435	\$ 1,410,998
** UBS Consolidated	51,299,948	504,957
** Cornerstone	117,885,462	806,575
** Lasalle	131,635,603	1,006,566
** Sentinel , SA	68,127,697	430,955
** UBS Separate	208,313,760	1,394,140
** Coventry	-	481,176
** Lowe Hospitality	10,792,700	142,933
** Cornerstone Rotational	635	-
** ING Clarion	16,749,131	201,436
** Lehman Brothers Real Estate Partners	64,643,358	1,178,596
** Rothschild Five Arrows	27,268,377	205,130
** Tishman Speyer	39,028,982	1,056,109
** BlackRock Diamond	29,545,345	577,930
** Colony Investors VIII, L.P.	8,620,784	791,556
** LaSalle Medical Office Fund II	9,105,331	309,277
** Cornerstone Apartment Venture III	<u>8,415,743</u>	<u>133,536</u>
Total Real Estate	<u>912,385,290</u>	<u>10,631,868</u>
<b>Timber Pool</b>		
** Timberland INVT Resources	79,710,870	98,296
** Hancock Natural Resource Group	<u>27,577,128</u>	-
Total Timber Pool	<u>107,287,998</u>	<u>98,296</u>
<b>Farmland Pool</b>		
** UBS Agrivest	213,455,750	764,494
** Hancock Agriculture Investment Group	<u>104,057,854</u>	<u>1,376,355</u>
Total Farmland	<u>317,513,604</u>	<u>2,140,849</u>
<b>Farmland Water Pool</b>		
** Hancock Farmland & Water	2,751,867	21,578
** UBS Agrivest	<u>7,797,175</u>	<u>46,155</u>
Total Farmland Water Pool	<u>10,549,042</u>	<u>67,733</u>
<b>Energy Pool</b>		
** TCW Energy Fund XD	17,827,268	263,674
** TCW Energy Fund XIV-A	<u>35,956,825</u>	<u>1,343,331</u>
Total Energy Pool	<u>\$ 53,784,093</u>	<u>1,607,005</u>
<b>Custodian</b>		
* State Street Bank		<u>744,043</u>
<b>Investment Advisory</b>		
* Townsend Group		51,540
* Callan Associates		9,651
* Investment Advisory Council		<u>20,994</u>
Total Investment Advisory		<u>82,185</u>
<b>Investment Performance</b>		
* Callan Associates		<u>205,445</u>
<b>Total External Management Fees</b>		<u><b>\$35,673,609</b></u>

\*These fees are paid through the Alaska Statewide Accounting System (AKSAS)

\*\*These fees are deducted from earnings by the fund manager and are not directly recorded in AKSAS.

**Public Employees' Retirement System  
Investment Summary Schedule**

**June 30, 2009**

<b>Defined Benefit - Pension</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation Policy</b>	<b>Range</b>	<b>Fair Market Value</b>	<b>% of Total Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 30,990,798	
Total Cash and Cash Equivalents	0.00%	0-3%	<u>30,990,798</u>	0.61%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			580,396,346	
High Yield Pool			110,534,245	
International Fixed Income Pool			75,736,994	
Emerging Debt Pool			<u>38,374,985</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>805,042,570</u>	15.85%
<b>Broad Domestic Equity</b>				
Broad Domestic Equity			<u>1,643,105,968</u>	
Total Broad Domestic Equity	34.00%	28-40%	<u>1,643,105,968</u>	32.33%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			754,665,886	
Emerging Markets Equity Pool			<u>213,379,865</u>	
Total Global Equity Ex-U.S.	20.00%	16-24%	<u>968,045,751</u>	19.06%
<b>Private Equity</b>				
Private Equity Pool			<u>447,974,148</u>	
Total Private Equity	7.00%	2-12%	<u>447,974,148</u>	8.82%
<b>Absolute Return</b>				
Absolute Return Pool			<u>215,798,756</u>	
Total Absolute Return	6.00%	2-10%	<u>215,798,756</u>	4.25%
<b>Real Assets</b>				
Real Estate Pool			598,895,995	
Real Estate Investment Trust Pool			14,234,516	
Energy Pool			32,438,496	
Farmland Pool			191,614,146	
Farmland Water Pool			10,549,042	
Timber Pool			92,936,722	
Treasury Inflation Protected Securities Pool			<u>28,372,188</u>	
Total Real Assets	<u>15.00%</u>	7-23%	<u>969,041,105</u>	<u>19.08%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$5,079,999,096</u></b>	<b><u>100.00%</u></b>

**Public Employees' Retirement System  
Investment Summary Schedule**

**June 30, 2009**

<b>Defined Benefit - Alaska Retiree Healthcare Trust</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation Policy</b>	<b>Range</b>	<b>Fair Market Value</b>	<b>% of Total Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 6,448,455	
Total Cash and Cash Equivalents	3.00%	0-8%	<u>6,448,455</u>	0.19%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			418,412,199	
High Yield Pool			78,600,563	
International Fixed Income Pool			54,457,747	
Emerging Debt Pool			<u>27,372,465</u>	
Total Fixed Income Securities	20.00%	17-23%	<u>578,842,974</u>	16.86%
<b>Broad Domestic Equity</b>				
Broad Domestic Equity			<u>1,196,747,747</u>	
Total Broad Domestic Equity	37.00%	31-43%	<u>1,196,747,747</u>	34.86%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			552,931,651	
Emerging Markets Equity Pool			<u>147,002,606</u>	
Total Global Equity Ex-U.S.	22.00%	18-26%	<u>699,934,257</u>	20.39%
<b>Private Equity</b>				
Private Equity Pool			<u>285,447,501</u>	
Total Private Equity	3.00%	0-8%	<u>285,447,501</u>	8.31%
<b>Absolute Return</b>				
Absolute Return Pool			<u>160,496,804</u>	
Total Absolute Return	7.00%	0-11%	<u>160,496,804</u>	4.67%
<b>Real Assets</b>				
Real Estate Pool			311,913,516	
Real Estate Investment Trust Pool			9,172,329	
Energy Pool			21,117,513	
Farmland Pool			125,676,369	
Farmland Water Pool			-	
Timber Pool			13,837,299	
Treasury Inflation Protected Securities Pool			<u>23,702,112</u>	
Total Real Assets	<u>8.00%</u>	0-13%	<u>505,419,138</u>	<u>14.72%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$3,433,336,876</u></b>	<b><u>100.00%</u></b>

**Public Employees' Retirement System  
Investment Summary Schedule**

**June 30, 2009**

**Defined Contribution - Health Reimbursement Arrangement**

<b>Investments (at Fair Value)</b>	<b>Asset Allocation</b>		<b>Fair Market</b>	<b>% of</b>
	<b>Policy</b>	<b>Range</b>	<b>Value</b>	<b>Total</b>
				<b>Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 117,112	
Total Cash and Cash Equivalents	0.00%	0-3%	<u>117,112</u>	0.75%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			2,056,107	
High Yield Pool			287,516	
International Fixed Income Pool			284,983	
Emerging Debt Pool			63,041	
Total Fixed Income Securities	18.00%	15-21%	<u>2,691,647</u>	17.17%
<b>Broad Domestic Equity</b>				
Broad Domestic Equity			<u>5,306,973</u>	
Total Broad Domestic Equity	34.00%	28-40%	<u>5,306,973</u>	33.86%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			2,359,432	
Emerging Markets Equity Pool			<u>774,586</u>	
Total Global Equity Ex-U.S.	20.00%	16-24%	<u>3,134,018</u>	20.00%
<b>Private Equity</b>				
Private Equity Pool			<u>1,068,755</u>	
Total Private Equity	7.00%	0-12%	<u>1,068,755</u>	6.82%
<b>Absolute Return</b>				
Absolute Return Pool			<u>962,259</u>	
Total Absolute Return	6.00%	0-10%	<u>962,259</u>	6.14%
<b>Real Assets</b>				
Real Estate Pool			1,088,916	
Real Estate Investment Trust Pool			150,675	
Energy Pool			157,616	
Farmland Pool			154,154	
Farmland Water Pool			-	
Timber Pool			357,620	
Treasury Inflation Protected Securities Pool			<u>482,669</u>	
Total Real Assets	<u>15.00%</u>	0-20%	<u>2,391,650</u>	<u>15.26%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>\$15,672,414</u></b>	<b><u>100.00%</u></b>

**Public Employees' Retirement System  
Investment Summary Schedule**

**June 30, 2009**

<b>Defined Contribution - Occupational Death &amp; Disability</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation</b>		<b>Fair Market</b>	<b>% of</b>
	<b>Policy</b>	<b>Range</b>	<b>Value</b>	<b>Total</b>
				<b>Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 22,115	
Total Cash and Cash Equivalents	0.00%	0-3%	<u>22,115</u>	0.86%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			339,041	
High Yield Pool			47,241	
International Fixed Income Pool			46,824	
Emerging Debt Pool			<u>10,359</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>443,465</u>	17.20%
<b>Broad Domestic Equity</b>				
Broad Domestic Equity			<u>873,268</u>	
Total Broad Domestic Equity	34.00%	28-40%	<u>873,268</u>	33.89%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			387,498	
Emerging Markets Equity Pool			<u>127,278</u>	
Total Global Equity Ex-U.S.	20.00%	16-24%	<u>514,776</u>	19.97%
<b>Private Equity</b>				
Private Equity Pool			<u>175,606</u>	
Total Private Equity	7.00%	0-12%	<u>175,606</u>	6.81%
<b>Absolute Return</b>				
Absolute Return Pool			<u>158,115</u>	
Total Absolute Return	6.00%	0-10%	<u>158,115</u>	6.13%
<b>Real Assets</b>				
Real Estate Pool			178,923	
Real Estate Investment Trust Pool			24,759	
Energy Pool			25,898	
Farmland Pool			25,341	
Farmland Water Pool			-	
Timber Pool			56,028	
Treasury Inflation Protected Securities Pool			<u>79,317</u>	
Total Real Assets	<u>5.00%</u>	0-20%	<u>390,226</u>	<u>15.14%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>2,577,611</u></b>	<b><u>100.00%</u></b>

**Public Employees' Retirement System  
Investment Summary Schedule**

**June 30, 2009**

<b>Defined Contribution - Retiree Medical Plan</b>				
<b>Investments (at Fair Value)</b>	<b>Asset Allocation Policy</b>	<b>Range</b>	<b>Fair Market Value</b>	<b>% of Total Assets</b>
<b>Cash and Cash Equivalents</b>				
Short-Term Fixed Income Pool			\$ 29,897	
Total Cash and Cash Equivalents	0.00%	0-3%	<u>29,897</u>	0.68%
<b>Fixed Income Securities</b>				
Retirement Fixed Income Pool			581,818	
High Yield Pool			81,305	
International Fixed Income Pool			80,594	
Emerging Debt Pool			<u>17,828</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>761,545</u>	17.20%
<b>Broad Domestic Equity</b>				
Broad Domestic Equity			<u>1,501,668</u>	
Total Broad Domestic Equity	34.00%	28-40%	<u>1,501,668</u>	33.91%
<b>Global Equity Ex-U.S.</b>				
International Equity Pool			666,693	
Emerging Markets Equity Pool			<u>219,044</u>	
Total Global Equity Ex-U.S.	20.00%	16-24%	<u>885,737</u>	20.00%
<b>Private Equity</b>				
Private Equity Pool			<u>302,238</u>	
Total Private Equity	7.00%	0-12%	<u>302,238</u>	6.82%
<b>Absolute Return</b>				
Absolute Return Pool			<u>272,117</u>	
Total Absolute Return	6.00%	0-10%	<u>272,117</u>	6.14%
<b>Real Assets</b>				
Real Estate Pool			307,940	
Real Estate Investment Trust Pool			42,609	
Energy Pool			44,570	
Farmland Pool			43,594	
Farmland Water Pool			-	
Timber Pool			100,329	
Treasury Inflation Protected Securities Pool			<u>136,488</u>	
Total Real Assets	<u>15.00%</u>	0-20%	<u>675,530</u>	<u>15.25%</u>
<b>Total Invested Assets</b>	<b><u>100.00%</u></b>		<b><u>4,428,732</u></b>	<b><u>100.00%</u></b>

**Public Employees' Retirement System  
Recaptured Commission Fees  
Year Ended June 30, 2009**

<u>Fixed Income</u>	<u>Domestic Equity</u>	<u>International Equity</u>	<u>Total</u>
\$8,515	250,074	48,812	307,401

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets is: 80% of the brokerage commissions earned in executing domestic equity transactions; 72% of the brokerage commissions earned in executing domestic equity transactions via correspondent brokers; and, 60% of the brokerage commissions earned in executing international equity transactions.



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