



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

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

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

December 31, 2008 and 2007

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

Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Deferred Compensation Plan:

We have audited the accompanying statements of fiduciary net assets of the State of Alaska Deferred Compensation Plan (Plan), a Component Unit of the State of Alaska, as of December 31, 2008 and 2007, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the State of Alaska Deferred Compensation Plan as of December 31, 2008 and 2007, and the changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

October 26, 2009

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Management's Discussion and Analysis

December 31, 2008 and 2007

This section presents management's discussion and analysis (MD&A) of the State of Alaska Deferred Compensation Plan's (Plan) financial position and performance for the fiscal years ended December 31, 2008 and 2007. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended December 31, 2008 and 2007.

Financial Highlights

- The Plan's "net assets held in trust for individuals, organizations, and other governments" at December 31, 2008 and 2007, are \$442.0 million and \$545.6 million, respectively. The "net assets held in trust for individuals, organizations, and other governments" represent participant contributions and net investment income.
- The Plan's "net assets held in trust for individuals, organizations, and other governments" as of December 31, 2008 decreased by \$103.6 million, or approximately 19.0%, from the prior year. The Plan's "net assets held in trust for individuals, organizations, and other governments" as of December 31, 2007 increased by \$21.3 million, or approximately 4.0% from the prior year.
- The Plan incurred a net investment loss of \$106.0 million in calendar year 2008, compared to a \$28.5 million net investment income in calendar year 2007.

Overview of the Financial Statements

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

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

Statements of Fiduciary Net Assets – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for pension and insurance benefits for individuals, organizations, and other governments. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments and receivables at December 31, 2008 and 2007.

Statements of Changes in Fiduciary Net Assets – This statement presents how the Plan's net assets held in trust changed during the years ended December 31, 2008 and 2007. This statement presents contributions by participants along with net investment income (losses) during the period from individual participant directed investing activities. Deductions for participant withdrawals, benefit payments, and administrative expenses are also presented.

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

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

Condensed Financial Information (in thousands)

Description	Net Assets				
	2008	2007	Increase/(decrease)		2006
			Amount	Percentage	
Assets:					
Participant contributions receivable	\$ 1,426	1,794	(368)	(20.5)%	1,950
Investments, at fair value:					
Collective investment fund	259,563	375,433	(115,870)	(30.9)	390,239
Interest income fund	159,824	139,952	19,872	14.2	132,133
Ownership of pooled investment funds	21,229	28,424	(7,195)	(25.3)	—
Total assets	<u>442,042</u>	<u>545,603</u>	<u>(103,561)</u>	<u>(19.0)</u>	<u>524,322</u>
Liabilities:					
Commitments and contingencies	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets	<u>\$ 442,042</u>	<u>545,603</u>	<u>(103,561)</u>	<u>(19.0)%</u>	<u>524,322</u>

Description	Changes in Net Assets				
	2008	2007	Increase/(decrease)		2006
			Amount	Percentage	
Net assets, beginning of year	\$ 545,603	524,322	21,281	4.1%	476,946
Additions (reductions):					
Contributions	36,526	37,366	(840)	(2.2)	35,764
Net investment (loss) income	(105,961)	28,456	(134,417)	(472.4)	52,901
Total (reductions) additions	<u>(69,435)</u>	<u>65,822</u>	<u>(135,257)</u>	<u>(205.5)</u>	<u>88,665</u>
Deductions:					
Benefits paid to participants and purchases of annuity contracts	33,315	43,759	(10,444)	(23.9)	40,552
Administrative expenses	811	782	29	3.7	737
Total deductions	<u>34,126</u>	<u>44,541</u>	<u>(10,415)</u>	<u>(23.4)</u>	<u>41,289</u>
(Decrease) increase in net assets	<u>(103,561)</u>	<u>21,281</u>	<u>(124,842)</u>	<u>(586.6)</u>	<u>47,376</u>
Net assets, end of year	<u>\$ 442,042</u>	<u>545,603</u>	<u>(103,561)</u>	<u>(19.0)%</u>	<u>524,322</u>

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Investments

The Plan is participant directed, which means that the Plan's participants decide in which options to invest. Of total Plan Fiduciary Net Assets of \$442.0 million at December 31, 2008, 99.6% of which, or \$440.1 million, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of \$545.6 million at December 31, 2007, 99.6% of which, or \$543.3 million, are specifically allocated to individual participant accounts.

Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Participant Directed Investments at December 31 Year End

	Market Value (In thousands)	
	2008	2007
Interest Income Fund	\$ 159,824	139,952
S&P 500 Index Fund	85,221	140,614
International Equity Fund	40,003	75,657
Small Cap Stock Trust	35,175	55,157
Government/Credit Bond Fund	31,830	29,148
Global Balanced Fund	29,915	46,760
Alaska Long-Term Balanced Trust	21,229	28,424
Intermediate Bond Fund	20,953	14,110
RCM Socially Responsible Investment Fund	5,199	—
Long US Treasury Bond Index Fund	4,128	—
State Street Money Market Fund	2,864	—
Equity Fund	1,230	2,181
US TIPS Index Fund	802	—
Russell 3000 Index Fund	642	—
US Real Estate Investment Trust Index fund	372	—
World Government Bond ex-US Index Fund	369	—
World Equity ex-US Index Fund	237	—
Bond Fund	119	130
Citizens Core Growth Fund	—	11,132
Total	<u>\$ 440,112</u>	<u>543,265</u>

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Investment Returns for the 12-Month Periods Ended December 31, 2008 and 2007

	<u>2008</u> <u>1-Year actual</u>	<u>2007</u> <u>1-Year actual</u>
International Equity Fund	(37.20) %	8.50 %
S&P 500 Index Fund	(36.91)	5.57
Small Cap Stock Trust	(33.31)	(1.28)
Global Balanced Fund	(27.28)	3.59
Alaska Long-Term Balanced Trust	(23.19)	6.23
State Street Money Market Fund	1.24	N/A
Interest Income Fund	4.62	4.89
Government\Credit Bond Fund	5.76	7.25
Intermediate Bond Fund	10.80	8.52
Citizens Core Growth Fund	N/A	13.90
World Equity ex-US Index Fund	N/A	N/A
World Government Bond ex-US Index Fund	N/A	N/A
Russell 3000 Index Fund	N/A	N/A
Long US Treasury Bond Index Fund	N/A	N/A
US Real Estate Investment Trust Index Fund	N/A	N/A
US Treasury Inflation Protected Securities Index Fund	N/A	N/A
RCM Socially Responsible Investment Fund	N/A	N/A

The Hartford Equity Fund and Hartford Bond Fund have both been closed to participant use since 1986. Because of the closed nature of the funds, a rate of return on a fully comparable basis is not provided. However, both funds closely mirror funds generally of the same asset composition description that are actively available.

Contributions and Distributions

The Plan had contributions of \$36.5 million in the 2008 calendar year compared to \$37.4 million in the 2007 calendar year. Decreased contributions are attributable to decreased elected deferrals per employee in the Plan.

The Plan had benefits paid to participants and purchases of annuity contracts of \$33.3 million for the 2008 calendar year compared to \$43.8 million for the 2007 calendar year. Decreased account values resulting from overall negative investment returns contributed to the reduced amount of withdrawals.

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.

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Request for Information

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

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

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Statements of Fiduciary Net Assets

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(In thousands)

	<u>2008</u>	<u>2007</u>
Assets:		
Participant contributions receivable	\$ 1,426	1,794
Investments:		
Collective investment funds, at fair value:		
Participant - directed	259,059	374,889
Money market fund - nonparticipant directed	504	544
	<u>259,563</u>	<u>375,433</u>
Interest income fund:		
Synthetic investment contracts, at fair value	152,515	133,469
Cash and cash equivalents, at fair value	7,309	6,483
	<u>159,824</u>	<u>139,952</u>
Ownership of pooled investment funds, participant directed, at fair value	<u>21,229</u>	<u>28,424</u>
Total investments	<u>440,616</u>	<u>543,809</u>
Total assets	442,042	545,603
Net assets held in trust for individuals and organizations	<u>\$ 442,042</u>	<u>545,603</u>

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Assets
Years ended December 31, 2008 and 2007
(In thousands)

	2008	2007
Additions (reductions):		
Participant contributions	\$ 36,526	37,366
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	(111,442)	22,206
Interest income	5,481	6,250
Net investment (loss) income	(105,961)	28,456
Total (reductions) additions	(69,435)	65,822
Deductions:		
Benefits paid to participants and purchases of annuity contracts	33,315	43,759
Administrative expenses	811	782
Total deductions	34,126	44,541
Net (decrease) increase in net assets held in trust for individuals, organizations, and other governments	(103,561)	21,281
Net assets, beginning of year	545,603	524,322
Net assets, end of year	\$ 442,042	545,603

See accompanying notes to financial statements.

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(1) Description

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

(a) General

The Plan was created by State of Alaska (State) Statutes issued May 31, 1974, and was most recently amended effective March 1, 2006. It is a deferred compensation plan under Section 457 of the Internal Revenue Code and is available to all permanent and long-term non-permanent employees and elected officials of the State and with the March 1, 2006 amendment, members of State boards and commissions. Participants in the Plan authorize the State to reduce their current salary or compensation so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2008 and 2007, the Plan had approximately 9,000 and 8,800 participants, respectively.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This law repealed the requirement that a Section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. For any plan in existence on the date of enactment of the SBJPA, a trust need not be established before January 1, 2000.

As to the State of Alaska Deferred Compensation Plan, the Plan document was amended effective January 1, 1997 to recognize and establish the Trust requirement for the Plan. The formal trust documents were completed by December 31, 1998.

The Plan document was completely restated effective January 1, 2002 for compliance with the Economic Growth and Tax Relief Reconciliation Act of 2001 and most recently amended March 1, 2006.

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

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(b) Contributions

During 2008 and 2007, Plan participants could contribute a minimum of \$50 a month (\$600 per year). In 2008 and 2007, under the current law, the maximum amount that could be deferred in a year was \$15,500 for participants under age 50 and \$20,500 for participants who are age 50 and greater. However, for each of the participant's last three calendar years ending prior to normal retirement age, a "catch-up limitation" applies which allows larger contributions (up to \$31,000 in 2008). Participants vest automatically in all of their contributions and earnings on those contributions.

(c) Participant Accounts

Participant accounts are self-directed with respect to investment options. Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

A recordkeeping / administrative fee is deducted monthly from each participant's account, applied pro rata to all the funds the member participates in. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

At December 31, 2008, participants had the following investment options:

Collective Investment Funds

Equity Fund – this fund invests in diversified common stocks of high-quality growth companies for long-term capital growth, with income a secondary consideration. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

Bond Fund – this fund invests in investment grade corporate and government bonds and other debt securities. This investment option is only available to participants whose contributions were originally invested with the Hartford Life Insurance Company, and have since remained with Hartford.

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

Small Cap Stock Trust Fund – this fund invests at least 65% of its total assets in the stocks of small companies. The purpose of this fund is to provide long-term capital growth by investing primarily in stocks of small companies that appear undervalued or offer the potential for superior earnings growth.

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Citizens Core Growth Fund – this fund invested primarily in U.S. large cap growth stocks, with an emphasis on those that are managed to a high standard of corporate responsibility. Effective April 7, 2008, this fund was re-organized to become the Sentinel (SRI) Sustainable Core Opportunities Fund.

Sentinel Sustainable Core Opportunities Fund – this fund sought to provide long-term capital appreciation by investing in superior companies with a positive multi-year outlook. The fund employed a process of corporate, social and environmental screening that was overseen by Sentinel’s in-house social research department. Effective October 30, 2008, this fund re-organized and became the RCM Socially Responsible Investment Fund.

RCM Socially Responsible Investment Fund – this fund is actively managed and only invests in companies contained within the KLD Large-Mid Cap Social Index (LMSI). The LMSI holds approximately 600 companies with the highest environmental, social and governance (ESG) rankings in each sector of the 1,000 largest US stocks. This fund replaced the Sentinel Sustainable Core Opportunities Fund effective October 30, 2008.

S&P 500 Index Fund – this fund buys and holds virtually all of the stocks in the S&P 500 Index. The fund is designed to hold the same stocks in the same proportions as in the index itself in order to replicate the Index’s total rate of return.

Global Balanced Fund – this fund seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principle through investments in stocks and bonds of U.S. and international companies and government bonds issued by the U.S. and other governments.

Government / Credit Bond Index Fund – this fund buys and holds representative portfolios of the securities included in the Lehman Brothers Government / Credit Bond Index. The fund seeks to closely match the Index’s total rate of return.

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

World Equity ex-US Index Fund – this fund, which was added to the Plan on September 18, 2008, invests in one or more commingled funds managed by State Street Global Advisors (SSgA), which, in combination, are designed to replicate the returns and characteristics of the MSCI ACWI Ex-US Index while providing for daily liquidity for Plan participants.

World Government Bond ex-US Index Fund – this fund, which was added to the Plan on September 18, 2008, invests in one or more commingled funds managed by SSgA which, in combination, are designed to replicate the returns and characteristics of the Citigroup World Government Bond Ex-US Index, while providing for daily liquidity for Plan participants. This fund employs a passive bond indexing strategy, investing in a well diversified portfolio which is representative of the international government bond market.

Russell 3000 Index Fund – this fund, which was added to the Plan on September 18, 2008, invests in one or more commingled funds managed by SSgA which, in combination, are designed to replicate

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the returns and characteristics of the Russell 3000 Index, while providing for daily liquidity for plan participants. This fund seeks to match the returns of the Index by investing in a portfolio that replicates the Index.

Long US Treasury Bond Index Fund – this fund, which was added to the Plan on September 18, 2008, invests in one or more commingled funds managed by SSgA which, in combination, are designed to replicate the return of the Barclays Capital Long Treasury Bond Index while providing for daily liquidity for Plan participants. The fund seeks to match the return of Barclays Capital Long Treasury Bond Index by investing in a well-diversified portfolio of treasury securities with maturities longer than ten years.

US Real Estate Investment Trust Index Fund – this fund, which was added to the Plan on September 18, 2008, seeks to provide income and capital appreciation and to replicate the returns and characteristics of the Dow Jones Wilshire REIT Index. Using a replication process, the fund seeks to purchase each security in the same capitalization weight as it appears in the Dow Jones Wilshire REIT Index.

US Treasury Inflation-Protected Securities (TIPS) Index Fund – this fund, which was added to the Plan on September 18, 2008, 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 US Treasury inflation protected securities.

State Street Institutional Treasury Money Market Fund – the purpose of this money market fund, which was added to the Plan on September 18, 2008, 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 US Treasury, such as US Treasury bills, notes, and bonds. The fund may also invest in other mutual funds, subject to regulatory limitations, that invest exclusively in such obligations.

Interest Income Fund

Interest Income Fund – the purpose of this fund is to maximize current income while maintaining principal stability by investing primarily in synthetic investment contracts issued by banks and insurance companies that meet stringent credit standards. Supporting securities for synthetic investment contracts typically include U.S. Treasury/Agency obligations, mortgage and asset backed securities, as well as investment grade corporate bonds.

Pooled Investment Fund

Alaska Long-Term Balanced Trust Fund – this fund, which was added to the Deferred Compensation Plan on August 15, 2007, is to provide a balanced and diversified mix of U.S. and international stocks, investment-grade bonds, federally guaranteed mortgages and money market instruments for

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investors with a moderate risk tolerance. Balances remaining in the Tactical Asset Allocation Fund on the September 17, 2007 date of its elimination were transferred into the Alaska Long-Term Balanced Trust.

(d) *Payment of Benefits*

Participants are eligible to withdraw their account balance upon termination in the form of a lump sum, one of various annuities, or a periodic payment option, unless the participant elects to defer commencement of benefits. Account balances of \$1,000 or less are automatically paid in the form of a lump sum distribution. The deferred benefit commencement date can be no later than April 1 of the year after the participant would have turned age 70-1/2. Payment of benefits to a participant commences sixty days after termination or the deferred benefit commencement date, as applicable.

Participants may request a hardship withdrawal for an unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. Hardship withdrawals are received as lump sum distributions and must be approved by the plan administrator.

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

(e) *Income Taxes*

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

(f) *Termination, Partial Termination, or Complete Discontinuance of Contributions*

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may in its sole and absolute discretion terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan shall be terminated, the participants in the Plan will be deemed to have withdrawn from the Plan as of the date of such termination. Deferred compensation shall thereupon cease. Upon Plan termination, each participant or beneficiary shall be given the opportunity to elect a benefit commencement date and form of payment.

(2) *Summary of Significant Accounting Policies*

(a) *Accounting Basis*

The Plan utilizes the economic resources measurement focus and the accrual method of accounting. In preparing the financial statements, the plan administrator is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and additions and deductions for the reporting period. Actual results could differ from those estimates.

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(b) Valuation of Collective Investment Funds

The Plan's investments in Collective Investment Funds (note 3), held in trust, are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held by the Plan. The unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

(c) Valuation of Synthetic Investment Contracts

The Plan's investments in fully benefit responsive synthetic investment contracts (note 5) are stated at fair value as they are affected by the market factors and credit standing.

(d) Contributions Receivable

Contributions applicable to wages earned through the Plan's year-end are accrued. These contributions are considered fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

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(3) Collective Investment Funds

The Plan's investments at December 31 include the following collective investment funds:

	<u>Units owned</u>	<u>Unit value</u>	<u>Balance</u>
			(In thousands)
2008			
Equity funds:			
International Equity Fund	3,167,369	12.630	\$ 40,003*
Small Cap Stock Trust	1,247,794	28.190	35,175*
S & P 500 Index Fund	2,907,568	29.310	85,221*
RCM Socially Responsible Investment Fund	560,837	9.270	5,199
World Equity ex-US Index Fund	29,742	7.952	237
Russell 3000 Index Fund	86,376	7.429	642
US Real Estate Investment Trust Index Fund	64,625	5.754	372
Equity Fund, actively managed	114,183	10.773	1,230
			168,079
Bond and debt securities funds:			
Government/Credit Bond Fund	1,198,552	26.557	31,830*
Intermediate Bond Fund	884,769	23.682	20,953
World Government Bond ex-US Index Fund	34,903	10.562	369
Long US Treasury Bond Index Fund	354,032	11.661	4,128
US TIPS Index Fund	85,421	9.388	802
Bond Fund, actively managed	16,709	7.128	119
			58,201
Bond and equity funds:			
Global Balanced Fund	1,198,985	24.950	29,915*
			29,915
Money market fund –			
Participant directed - State Street Institutional Treasury Money Market Fund	2,864,009	1.000	2,864
Nonparticipant directed	29,929	16.825	504
			3,368
Total collective investment funds			\$ 259,563

* Represents five percent or greater of plan assets at December 31.

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	Units owned	Unit value	Balance
			(In thousands)
2007			
Equity funds:			
International Equity Fund	3,318,279	22.800	\$ 75,657*
Small CAP Stock Trust	1,304,869	42.270	55,157*
S & P 500 Index Fund	3,026,562	46.460	140,614*
Citizens Core Growth Fund	565,645	19.680	11,132
Equity Fund, actively managed	114,184	19.100	2,181
			284,741
Bond and debt securities funds:			
Government/Credit Bond Fund	1,160,842	25.110	29,148*
Intermediate Bond Fund	660,173	21.370	14,110
Bond Fund, actively managed	16,708	7.790	130
			43,388
Bond and equity funds:			
Global Balanced Fund	1,362,869	34.310	46,760*
			46,760
Money market fund – nonparticipant directed	32,980	16.510	544
			544
Total collective investment funds			\$ 375,433

* Represents five percent or greater of plan assets at December 31.

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(4) Changes in Fiduciary Net Assets

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

	Participant directed					
	Equity Fund	Bond Fund	International Equity Fund	Small Cap Stock Trust Fund	Citizens Core Growth Fund	Sentinal Sustainable Core Opportunities Fund
2008:						
Additions (reductions):						
Participant contributions	\$ —	—	5,585	3,892	327	763
Investment (loss) income:						
Net (depreciation) appreciation in fair value of investments	(951)	(11)	(25,425)	(18,156)	(841)	(2,808)
Interest income	—	—	—	—	—	—
Net investment (loss) income	(951)	(11)	(25,425)	(18,156)	(841)	(2,808)
Total (reductions) additions	(951)	(11)	(19,840)	(14,264)	(514)	(2,045)
Deductions:						
Benefits paid to participants and purchases of annuity contracts	—	—	2,946	2,341	115	214
Administrative expenses:						
Actual fees paid	—	—	—	—	—	—
Fees deducted from participant accounts	—	—	89	72	4	8
Total deductions	—	—	3,035	2,413	119	222
Net (decrease) increase prior to interfund transfers	(951)	(11)	(22,875)	(16,677)	(633)	(2,267)
Interfund transfers	—	—	(12,779)	(3,305)	(10,499)	2,267
Net (decrease) increase in net assets held in trust for individuals, organizations, and other governments	(951)	(11)	(35,654)	(19,982)	(11,132)	—
Net assets, beginning of year	2,181	130	75,657	55,157	11,132	—
Net assets, end of year	\$ 1,230	119	40,003	35,175	—	—

RCM Socially Responsible Investment Fund	S&P 500 Index Fund	Global Balanced Fund	Participant directed					Russell 3000 Index Fund	Long US Treasury Bond Index Fund
			Government/ Credit Bond Fund	Intermediate Bond Fund	World Equity ex-US Index Fund	World Gov't Bond ex-US Index Fund			
192	8,492	4,177	2,134	1,471	14	5	29	26	
(441)	(50,448)	(11,842)	1,629	1,845	(23)	15	(72)	309	
(441)	(50,448)	(11,842)	1,629	1,845	(23)	15	(72)	309	
(249)	(41,956)	(7,665)	3,763	3,316	(9)	20	(43)	335	
10	6,188	2,745	2,151	1,642	1	1	—	—	
—	—	—	—	—	—	—	—	—	
1	180	59	49	28	—	—	—	1	
11	6,368	2,804	2,200	1,670	1	1	—	1	
(260)	(48,324)	(10,469)	1,563	1,646	(10)	19	(43)	334	
5,459	(7,069)	(6,376)	1,119	5,197	247	350	685	3,794	
5,199	(55,393)	(16,845)	2,682	6,843	237	369	642	4,128	
—	140,614	46,760	29,148	14,110	—	—	—	—	
5,199	85,221	29,915	31,830	20,953	237	369	642	4,128	

US Real Estate Investment Trust Index Fund	Participant directed				Nonparticipant directed		Total
	US TIPS Index Fund	State Street Institutional Treasury Money Market Fund	Interest Income Fund	Alaska Long-Term Balanced Trust Fund	Money Market Fund	Participant contributions receivable	
8	25	136	6,834	2,784	—	(368)	36,526
(4)	(78)	—	2,734	(6,874)	—	—	(111,442)
—	—	1	5,459	8	13	—	5,481
(4)	(78)	1	8,193	(6,866)	13	—	(105,961)
4	(53)	137	15,027	(4,082)	13	(368)	(69,435)
—	—	329	13,415	1,217	—	—	33,315
—	—	—	—	—	811	—	811
—	1	1	223	42	(758)	—	—
—	1	330	13,638	1,259	53	—	34,126
4	(54)	(193)	1,389	(5,341)	(40)	(368)	(103,561)
368	856	3,057	18,483	(1,854)	—	—	—
372	802	2,864	19,872	(7,195)	(40)	(368)	(103,561)
—	—	—	139,952	28,424	544	1,794	545,603
372	802	2,864	159,824	21,229	504	1,426	442,042

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(4) Changes in Fiduciary Net Assets (cont.)

	Participant directed					
	Equity Fund	Bond Fund	International Equity Fund	Small Cap Stock Trust Fund	Citizens Core Growth Fund	S&P 500 Index Fund
2007:						
Additions (reductions):						
Participant contributions	\$ —	—	6,375	4,437	1,216	9,725
Investment (loss) income:						
Net (depreciation) appreciation in fair value of investments	106	5	5,505	(468)	813	8,015
Interest income	—	—	—	—	—	—
Net investment (loss) income	106	5	5,505	(468)	813	8,015
Total (reductions) additions	106	5	11,880	3,969	2,029	17,740
Deductions:						
Benefits paid to participants and purchases of annuity contracts	—	—	4,439	3,370	451	10,047
Administrative expenses:						
Actual fees paid	—	—	—	—	—	—
Fees deducted from participant accounts	—	—	113	94	12	221
Total deductions	—	—	4,552	3,464	463	10,268
Net increase (decrease) prior to interfund transfers	106	5	7,328	505	1,566	7,472
Interfund transfers	(117)	(3)	2,001	(7,963)	4,360	(10,204)
Net (decrease) increase in net assets held in trust for individuals, organizations, and other governments	(11)	2	9,329	(7,458)	5,926	(2,732)
Net assets, beginning of year	2,192	128	66,328	62,615	5,206	143,346
Net assets, end of year	\$ 2,181	130	75,657	55,157	11,132	140,614

Tactical Asset Allocation Fund	Participant directed					Nonparticipant directed		Total
	Global Balanced Fund	Government/ Credit Bond Fund	Intermediate Bond Fund	Interest Income Fund	Alaska Long-Term Balanced Trust	Money Market Fund	Participant contributions receivable	
1,598	4,806	1,673	910	5,796	986	—	(156)	37,366
1,379	1,578	1,857	962	2,105	349	—	—	22,206
—	—	—	—	6,222	—	28	—	6,250
1,379	1,578	1,857	962	8,327	349	28	—	28,456
2,977	6,384	3,530	1,872	14,123	1,335	28	(156)	65,822
1,520	3,808	2,384	744	16,413	583	—	—	43,759
—	—	—	—	—	—	782	—	782
32	72	40	17	203	11	(815)	—	—
1,552	3,880	2,424	761	16,616	594	(33)	—	44,541
1,425	2,504	1,106	1,111	(2,493)	741	61	(156)	21,281
(30,700)	(190)	2,292	2,529	10,312	27,683	—	—	—
(29,275)	2,314	3,398	3,640	7,819	28,424	61	(156)	21,281
29,275	44,446	25,750	10,470	132,133	—	483	1,950	524,322
—	46,760	29,148	14,110	139,952	28,424	544	1,794	545,603

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(5) Synthetic Investment Contracts

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

(a) *NATIXIS Financial Products Inc.*

In 1999, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with NATIXIS Financial Products Inc. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2008 and December 31, 2007 was \$29,963 and \$22,038, respectively as reported by NATIXIS Financial Products Inc, and the market value of the portfolio at December 31, 2008 and December 31, 2007 was \$30,502 and \$22,245, respectively. The average crediting rates for 2008 and 2007 was approximately 4.76 and 4.50 percent, respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(b) *Union Bank Switzerland*

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Union Bank Switzerland. This financial institution provides a wrap contract that covers a separately managed constant duration synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2008 and 2007 was \$0 and \$22,036, respectively as reported by Union Bank Switzerland and the market value of the portfolio at December 31, 2008 and 2007 was \$0 and \$22,243, respectively. The average crediting rates for 2008 and 2007 were approximately 0 and 5.0 percent, respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(c) *State Street Bank*

In 2000, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank. This financial institution provides a wrap contract that covers a separately managed constant duration synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2008 and December 31, 2007 was \$29,964 and \$22,036, respectively as reported by State Street Bank and the

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market value of the portfolio at December 31, 2008 and 2007 was \$30,503 and \$22,243, respectively. The average crediting rates for 2008 and 2007 was approximately 4.61 and 5.00 percent, respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(d) Rabobank Nederland

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Rabobank Nederland. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2008 and December 31, 2007 was \$29,922 and \$22,038, respectively as reported by Rabobank Nederland, and the market value of the portfolio at December 31, 2008 and December 31, 2007 was \$30,499 and \$22,246, respectively. The average yield and crediting interest rates for 2008 and 2007 was approximately 4.61 and 4.50 percent, respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(e) Bank of America

In 2003, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Bank of America. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2008 and 2007 was \$29,966 and \$22,038, respectively, as reported by Bank of America, and the market value of the portfolio at December 31, 2008 and 2007 was \$30,506 and \$22,246, respectively. The average yield and crediting interest rates for 2008 and 2007 was approximately 4.76 and 4.50 percent, respectively. The crediting interest rate is based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(f) Pacific Life Insurance Co.

In 2004, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with Pacific Life Insurance Co. This financial institution provides a wrap contract that covers a separately managed structured payout synthetic investment portfolio. The account is credited with earnings and investment deposits, less administrative expenses charged by the financial institution and investment withdrawals. The contract is included in the Plan's financial statements at market value. It is fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31,

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2008 and December 31, 2007 was \$29,966 and \$22,038, respectively as reported by Pacific Life Insurance Co, and the market value of the portfolio at December 31, 2008 and December 31, 2007 was \$30,505 and \$22,246, respectively. The average crediting rate for 2008 and 2007 was approximately 4.76 and 4.50 percent, respectively. The crediting interest rates are based on the approximate rate of interest that will amortize differences between book and market value over the portfolio's average duration.

(6) Deposit and Investment Risk

(a) Interest Rate Risk

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

Collective Investment and Money Market Funds

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

The Board does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2008, are as follows:

	<u>Fair value</u> (In thousands)	<u>Weighted average maturity</u>
Government / Credit Bond Fund	\$ 31,830	7.78 years
Intermediate Bond Fund	20,953	3.81 years
Bond Fund	119	4.07 years
Money Market Fund	504	52.35 days

Interest Income Fund

The Board contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year.

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The aggregate duration of the constant duration synthetic investment contracts was 2.81 years at December 31, 2008. The duration of the Barclays Capital Intermediate Aggregate Index was 2.71 years at December 31, 2008.

Duration is a measure of interest rate risk. In the case of the Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows.

The Board does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund, which has a weighted average maturity of thirty-four days at December 31, 2008.

(b) 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 the commingled money market portfolio. These investments are not rated.

The Plan's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from the counterparty failure or default on a loaned security.

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, and

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

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The Board's investment policy has the following limitations with regard to credit risk for wholly owned pooled investments:

All government and corporate fixed income securities must be rated BBB- or better at time of purchase,

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

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

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At December 31, 2008, Plan investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

Investment type	Rating	Fair value		Total
		Underlying synthetic investment contracts	Other	
(in thousands)				
Investments with credit exposure:				
Money Market Fund	Not Rated	\$ —	504	504
Short-term Investment Fund	Not Rated	(1,969)	—	(1,969)
Commercial Paper	Not Rated	—	—	—
U.S. Government Agency	AAA	36,704	—	36,704
Mortgage-backed	AAA	8,797	—	8,797
Mortgage-backed	Not Rated	68,882	—	68,882
Other Asset-backed	AAA	3,610	—	3,610
Corporate bonds	AAA	4,011	—	4,011
Corporate bonds	AA	2,276	—	2,276
Corporate bonds	A	15,336	—	15,336
Corporate bonds	BB	—	—	—
Corporate bonds	BBB	7,150	—	7,150
Corporate bonds	Not Rated	—	—	—
Convertible bonds	AA	—	—	—
Convertible bonds	CCC	—	—	—
Yankees:				
Corporate	AAA	—	—	—
Corporate	AA	—	—	—
Corporate	A	1,301	—	1,301
Corporate	BBB	1,163	—	1,163
Government	AAA	1,025	—	1,025
Government	AA	1,294	—	1,294
Government	A	150	—	150
Government	BBB	81	—	81
Deposits and Investments with no credit exposure:				
Deposits		2,704	—	2,704
U.S. Treasury Notes	AAA	—	—	—
U.S. Treasury Bonds	AAA	—	—	—
Participant directed				
Pooled investment funds		—	21,229	21,229
Collective investment funds		—	259,059	259,059
International Equity		—	—	—
Total		\$ 152,515	280,792	433,307

(c) **Concentration of Credit Risk**

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

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

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35% of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

<u>Investment type</u>	<u>Issuer</u>	<u>All issuers</u>
U.S. Treasury and Agencies - Full Faith & Credit	100 %	100 %
U.S. Agency Securities - Non-Full Faith & Credit	100	100
Asset-backed Securities	5	50
Domestic and Foreign Corporate Debt Securities	5	50
Supranational Agency and Foreign Government entity securities	5	50
Money Market Instruments – Non Gov/Agency	5	100
Custodian Short-term Investment Fund	100	100

The maximum exposure to securities rated BBB is limited to 20% of the total value underlying synthetic investment contracts.

For the reserve, the total investment of any single issuer of money market instruments may not exceed 5% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2008, the Plan had no exposure to a single issuer in excess of 5% of total invested assets.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

The Board does not have a policy to limit foreign currency risk associated with collective investment funds. The Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

The Board's policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

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

(e) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned. The Board does not have a policy for custodial credit risk. At December 31, 2008, 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 net assets available for benefits.

The Plan may invest in pooled separate accounts which include securities with contractual cash flows which may include asset-backed securities, collateralized mortgage obligations and commercial mortgage backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.