Alaska PERS/TRS Defined Contribution Retirement Plan

# Investment Options

## Historical Average Annual Total Rates of Return

*For the Period Ending June 30, 2008*

*Current performance may be lower or higher than performance data shown. Performance data quoted represents past performance and is not a guarantee or prediction of future investment results. For current performance data to the most recent month-end, please visit* ***www.state.ak.us/drb.*** *The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.*

*Please consider the investment objectives, risks, fees, and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses (for the Brandes Inst'l Int'l Equity Fund) and Investment Option Detail Sheets (for the remaining investment options). Prospectuses and Investment Option Detail Sheets can be obtained on the Division's Website at* ***www.state.ak.us/drb****, from your registered representative, or from the Division of Retirement and Benefits at 1-907-465-4460 or toll-free at 1-800-821-2251. Read them carefully before investing.*

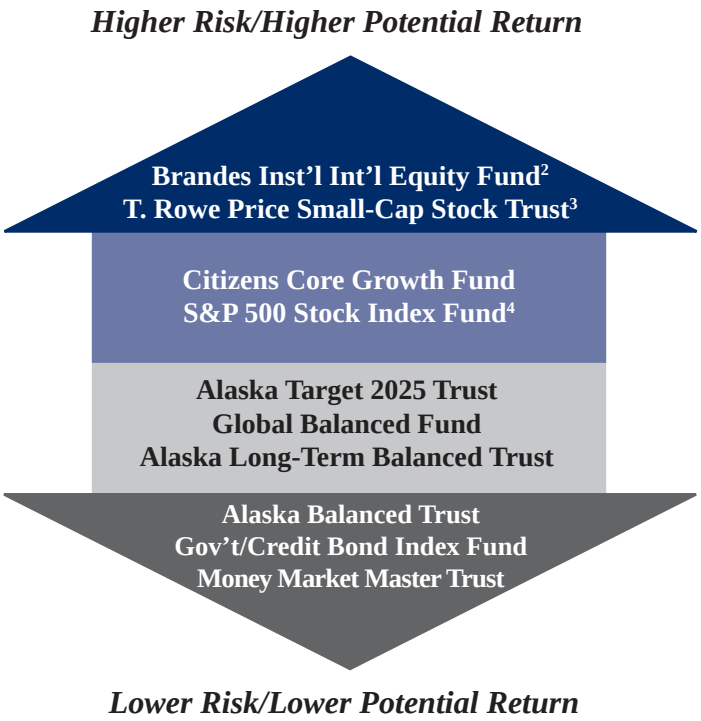
*An investment in a Money Market Master Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.*

| Investment Option | Annual Investment Management & Custody Fees | Quarter 04/01/08 to 06/30/08 | 1 Year | 3 Years | 5 Years | 10 Years or Since Inception[1] | Inception Date |
|---|---|---|---|---|---|---|---|
| **Brandes Instl International Equity Fund**[2] | 1.12% | -1.15% | -13.76% | 10.95% | 16.81% | 11.23% | Dec-96 |
| MSCI® EAFE Index | n/a | -2.25 | -10.61 | 12.84 | 16.67 | 5.83 | |
| **T. Rowe Price Small-Cap Stock Trust**[3] | 0.71 | 0.93 | -17.31 | 3.41 | 9.59 | 6.97 | Jun-01 |
| Russell 2000® Index | n/a | 0.58 | -16.19 | 3.79 | 10.29 | 7.21 | |
| **Sentinel Sustainable Core Opportunities Fund** | 0.79 | -1.04 | -15.50 | n/a | n/a | 0.73 | Jan-96 |
| S&P 500 Index® | n/a | -2.73 | -13.12 | 4.41 | 7.58 | 2.88 | |
| **S&P 500 Stock Index Fund**[4] | 0.04-0.12[5] | -2.73 | -13.11 | 4.43 | 7.60 | 7.58 | Feb-96 |
| S&P 500 Index® | n/a | -2.73 | -13.12 | 4.41 | 7.58 | 2.88 | |
| **Global Balanced Fund** | 0.67 | -2.52 | -10.89 | 4.26 | 7.20 | 5.44 | Apr-95 |
| Combined GBF Benchmark[6] | n/a | -1.73 | -4.36 | 5.91 | 8.14 | 5.26 | |
| **Alaska Long-Term Balanced Trust**[7] | 0.20 | -1.96 | -5.18 | 4.93 | 6.76 | 4.37 | Jun-01 |
| Custom Alaska Long-Term Balanced Trust Benchmark[9] | n/a | -1.75 | -5.06 | 4.86 | 6.80 | 4.42 | |
| **Alaska Balanced Trust**[7] | 0.13 | -1.66 | -0.09 | 4.70 | 5.74 | 5.16 | Mar-92 |
| Custom Alaska Balanced Trust Benchmark[9] | n/a | -1.47 | 0.01 | 4.58 | 5.58 | 5.20 | |
| **Gov't/Credit Bond Index Fund**[4,16] | 0.08 | -1.49 | 7.34 | 3.86 | 3.57 | 5.68 | Feb-94 |
| Lehman Bros. Gov't/Credit Index | n/a | -1.51 | 7.24 | 3.84 | 3.58 | 5.69 | |
| **Alaska Target 2025 Trust (Actual)**[7] | 0.27 | -2.18 | -11.23 | n/a | n/a | 3.52 | Nov-05 |
| Custom Alaska 2025 Trust Benchmark[9] | n/a | -2.13 | -11.12 | n/a | n/a | 3.68 | |
| **Alaska Money Market Master Trust**[11] | 0.17-0.21[8] | 0.62 | 4.37 | 4.57 | 3.33 | 3.72 | Jun-06[11] |

# Investment Options at a Glance

## Risk versus Potential Return

Generally, the greater an investment's potential return over time, the greater its level of short-term price volatility, or risk. When assessing risk, a short-term investment fund would typically appear on the very low end of the risk/return scale. A very aggressive growth fund might be depicted at the very high end of the scale. The chart to the right shows the relative position of each investment option on the risk/return scale.




| Investment Option (*managed by*) | Objective/Investment Make-up (*management style*) |
|---|---|
| **Brandes Institutional International Equity Fund[2]** (*Brandes Investment Partners, L.P.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks long-term capital appreciation. The Fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks. *Actively managed* [12] |
| **T. Rowe Price Small-Cap Stock Trust[3]** (*T. Rowe Price Associates, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to provide long-term capital growth by investing primarily in stocks of small companies. The Fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies. A small company is defined as having a market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. *Actively managed* [12] |
| **Citizens Core Growth Fund** (*Citizens Advisers, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to achieve strong financial results and long-term capital appreciation while investing in companies managed in a socially responsible manner. The Fund takes a growth approach to investing. In practice, this means that the Fund looks for companies that display most or all of the following characteristics: leaders in their industries; long-term fundamental outlooks appear favorable; high quality of earnings; earnings momentum is positive; potential for increase in stock price; management team is strong. *Actively managed* [12] |
| **S&P 500 Stock Index Fund[4]** (*State Street Global Advisors* is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.) | Seeks to provide income and capital appreciation matching the total return of the Standard & Poor's 500 Composite Stock Price Index. The Fund invests in all 500 of the equity securities in the S&P 500 Index, in proportion to the size of each as measured by its total market value. *Passively managed* [13] |
| **Alaska Target 2025 Trust** (*T. Rowe Price Associates, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to provide a diversified mix of stocks, bonds, and cash for long-term investors with a higher tolerance for risk. The Trust is designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2025 approaches. *Combination of actively and passively managed portfolios.* [12,13] |
| **Global Balanced Fund** (*Capital Guardian Trust Company* is a California state chartered bank authorized by the California Department of Financial Institutions to carry on a trust business.) | Seeks the balanced accomplishment of long-term growth of capital, current income, and conservation of principal through investments in stocks and fixed-income securities. The Fund invests in stocks of large and small companies and corporate and government bonds based around the world. *Actively managed* [12] |
| **Alaska Long-Term Balanced Trust** (*T. Rowe Price Associates, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to provide a balanced and diversified mix of stocks, bonds, federally-guaranteed mortgages, and money market instruments for investors with an average risk tolerance. The Trust invests in stocks of large and small U.S. and established international companies, investment-grade U.S. bonds, federally-guaranteed mortgages, and money market instruments. *Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios* [12,13] |

| Investment Option (*managed by*) | Objective/Investment Make-up (*management style*) |
|---|---|
| **Alaska Balanced Trust** (*T. Rowe Price Associates, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to provide a balanced and diversified mix of stocks, bonds, federally-guaranteed mortgages, and money market instruments for investors with a low to average risk tolerance. The Trust invests in stocks of large and small U.S. and established international companies, investment-grade U.S. bonds, federally-guaranteed mortgages, and money market instruments. *Combination of Enhanced Index (Passive), Structured-Active, and Actively Managed Portfolios* [12,13] |
| **Gov't/Credit Bond Index Fund** (*Barclays Global Investors* is a bank as defined by the Investment Advisers Act of 1940 and is therefore exempt from registration under the Act.) | Seeks to match or exceed the return of the Lehman Brothers Government/Credit Bond Index. The Fund invests in investment-grade fixed income securities represented in the Lehman Brothers Government/Credit Index. *Actively managed* [12] |
| **Money Market Master Trust** (*T. Rowe Price Associates, Inc.* is registered as an investment adviser under the Investment Advisers Act of 1940.) | Seeks to preserve principal and to offer current income. The Alaska Money Market Master Trust invests in the Alaska Money Market Trust which consists of a portfolio of cash equivalent instruments with maturities less than one year including commercial paper, banker's acceptances, certificates of deposit, obligations of the United States Government and its agencies, and repurchase agreements collateralize by US Treasury instruments. *Actively managed* [12] |

# Important Information about Your Plan

## KeyTalk® Contacts

You have around-the-clock automated access to information and transactions with your PIN[14] by calling KeyTalk at **1-800-232-0859**.[15]

You may press "0" between 5:00 a.m. and 5:30 p.m. Alaska Time, Monday through Friday if you wish to speak to a client service representative or are calling from a touch-tone phone ***without*** a PIN. If you are calling from a **rotary phone**, please stay on the line and your call will be transferred to a retirement plan specialist.

### *Important Note*

If you call KeyTalk to make changes to your account, **please** stay on the line until you hear your confirmation number. Write the confirmation number down and keep it on file for future reference. **If you hang up *before* you hear your confirmation number,** your transaction request ***may or may not*** (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is ***important*** for you to review this document for accuracy **as soon as you receive it**.

There are two major types of changes you can make to your account:

1) transferring your existing assets among funds
2) changing how your **future** contributions are allocated

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

## Internet Access

You also have the ability to access and make changes to your account online.[15] **You must have a PIN number to access the information.**[14]

1) Go to the Division of Retirement and Benefits Website, **www.state.ak.us/drb**.
2) Under "Programs," select "Defined Contribution Plan."
3) At the PERS/TRS DCR Plan home page, select "Account Information Online."

## Transfers

If you place a transfer on a business day **at or before 12:00 p.m. Alaska Time**, you will receive that day's closing "sell" price per unit (Transfer-**out** $'s) and that day's closing "purchase" price per unit (Transfer-**in** $'s). This applies whether you place the transfer through KeyTalk, a Client Service Representative, or the Division of Retirement and Benefits' Website.[14]

### *Your transfer must be completed at or before 12:00 p.m. Alaska Time.*

The transfer confirmation must take place at or before 12:00 p.m. Transfers that are started at or before 12:00 p.m. Alaska Time, but are **not completed** at or before 12:00 p.m. Alaska Time, will be processed the **next** business day. It can take up to five minutes, or more, to complete a transfer. Please do not try to time your transfer just before the deadline hoping that it will finish in a minute or two. Phone delays, internet delays, and heavy volume can interfere with completing a transfer. Please take possible delays into account.

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## Administrative Expenses

Expenses are charged to your account in order to cover the cost of administration of the plan. There are two types of fees:

**Monthly — 0.09% annual rate on assets (0.0009 / 12 x month-end asset balance) —** These charges will be assessed to your individual accounts against all investment options in both the employee and employer accounts. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month.

**Annual – $35 – for actively contributing participants, $25 – for noncontributing members**. These charges will be assessed after the first payroll contribution has been processed each new year. The charges are applied proportionally against all investment options in both the employee and employer accounts. For State of Alaska employees, this will occur in January. For political subdivision employees this will occur in February.

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(1) For 10 Year or since Inception, if investment option has not been in existence for 10 years, returns shown are since inception.

(2) Foreign investments involve special risks, including currency fluctuations and political developments.

(3) Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.

(4) An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

(5) The investment management fees for the S&P 500 Stock Index Fund vary based on total assets of all participants in each fund. The fees for the S&P 500 Stock Index Fund include custodial expenses of approximately 0.05%.

(6) The benchmark used for comparison with the Global Balanced Fund is a combination of 35% S&P 500 Index, 10% Russell 2000 Index, 15% MSCI EAFE Index (Net Dividends to U.S. Investors,) 35% Salomon Broad Investment-Grade Bond Index, and 5% Salomon Bros. Non-U.S. Dollar & World Government Bond Index.

**The S&P 500®** Index is an unmanaged index of the 500 largest common stocks (in terms of market value), weighted by market capitalization, and is considered representative of the broad stock market. "S&P 500®" is a trademark of The McGraw-Hill Companies, Inc. The **Russell 2000 Index** is an unmanaged index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 3000 Index consists of 3,000 stocks, primarily issued by U.S. companies, that includes issues of all sizes, from large- to small-capitalization companies. The **MSCI EAFE Index** is an unmanaged index representing the developed markets outside North America—Europe, Australasia and the Far East. The **Salomon Broad Investment Grade Bond Index** is an unmanaged index limited to investment grade securities ranging from short to long-term maturities. It includes treasuries, agency debt, corporates, non-corporate credit, mortgage backed securities, and asset backed securities. The **Salomon Brothers Non-U.S. Dollar World Government Index** is an unmanaged index that includes institutionally traded bonds other than U.S. issues that have a fixed rate and a remaining maturity of one year or longer.

(7) The Alaska Balanced Trust, Alaska Long-Term Balanced Trust, and Alaska Target 2025 Trust are not mutual funds. They are common trust funds established by T. Rowe Price Trust Company under Maryland banking law, and their units are exempt from registration under the Securities Exchange Act of 1933. Investments in the Trusts are not deposits of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company and are subject to investment risks, including possible loss of principal. They invest in other common trust funds, such as the Alaska Large-Cap Trust, according to their respective investment guidelines. Investment option detail sheets are available on the website at **www.state.ak.us/drb** and contain detailed information pertaining to the investment mix of each of the Trusts available as investment options.

The Trusts were incepted on 6/23/06 through the conversion of investment portfolios that were incepted as of the inception date listed.
The returns shown are linked returns of the investment portfolios and the Trusts. Prior to 6/23/06 these returns represent the historical returns of the prior investment portfolios and are net of the actual investment management, accounting, and custody fees incurred by the portfolios. After 6/23/06 the returns use the historical returns of the Trusts, and are net of the actual investment management, accounting, and custody fees applicable to the Trusts. Total returns include changes in principal value, reinvested dividends, and capital gains distributions. Investment returns of the Trusts will vary and past performance cannot guarantee future results.

(8) The fees (management, custody and accounting) represent the minimum and maximum ranges that would apply to the Alaska Money Market Master Trust. Actual fees will vary based on several factors, such as actual total assets of all participants, composition of the underlying investments, and overall trading activity.

(9) The returns of the Alaska Balanced Trust, Alaska Long-Term Balanced Trust, and Alaska Target 2025 Trust cannot be directly compared to any one index. Therefore, customized benchmarks have been created as follows: For the Alaska Balanced Trust: 44% Lehman Bros. Govt/Credit Index, 19% Lehman Bros. GNMA Index, 2% Citigroup 90-day Treasury bills, 30% S&P 500 Index, 3% Russell 2500 Index, and 2% MSCI EAFE Index. For the Alaska Long-Term Balanced Trust: 27% Lehman Bros. Govt/Credit Index, 12% Lehman Bros. GNMA Index, 1% Citigroup 90-day Treasury bills, 51% S&P 500 Index, 5% Russell 2500 Index, and 4% MSCI EAFE Index. For the Alaska Target 2025 Trust: 5.5% Lehman Bros. Govt/Credit Index, 2.5% Lehman Bros. GNMA Index, 2% Citigroup 90-day Treasury bills, 76.5% S&P 500 Index, 8% Russell 2500 Index, and 5.5% MSCI EAFE Index. However, as the Alaska Target 2025 Trust's asset allocations change pursuant to its predetermined schedule, the percentages applicable to the underlying benchmark components will change accordingly.

The **Lehman Brothers Government/Credit Index** is comprised of approximately 5,000 issues which include: non-convertible bonds publicly issued by the U.S. government or its agencies; corporate bonds guaranteed by the U.S. government and quasi-federal corporations; and publicly issued, fixed rate, non-convertible domestic bonds of companies in industry, public utilities, and finance. The average maturity of these bonds approximates nine years. Tracked by Lehman Brothers, Inc., the index calculates total returns for one-month, three-month, twelve-month, and ten-year periods and year-to-date. The **Lehman Brothers GNMA Index** is a total comprehensive GNMA index comprised of 30-year GNMA pass-throughs, 15-year GNMA pass-throughs, and GNMA GPMS. **The S&P 500®** Index is an unmanaged index of the 500 largest common stocks (in terms of market value), weighted by market capitalization, and is considered representative of the broad stock market. "S&P 500®" is a trademark of The McGraw-Hill Companies, Inc. The **Russell 2500** Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 23% of the total market capitalization of the Russell 3000 Index. The **MSCI EAFE Index** is an unmanaged index representing the developed markets outside North America—Europe, Australasia and the Far East.

(11) The Alaska Money Market Master Trust ("Master Trust") is not a mutual fund. It is a common trust fund established by T. Rowe Price Trust Company under Maryland banking law, and its units are exempt from registration under the Securities Exchange Act of 1933. Investments in the Master Trust are not deposits of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company and are subject to investment risks, including possible loss of principal. The Master Trust invests in another common trust fund ("Money Market Trust") and an investment option detail sheet is available on the website **www.state.ak.us/drb** and contains detailed information pertaining to the investment mix of the Money Market Trust's investments

The Money Market Trust was incepted on 6/23/06 through the conversion of an investment portfolio that was incepted as of the inception date listed. The returns shown are linked returns of the investment portfolio and the Master Trust. Prior to 6/23/06, these returns represent the historical returns of the prior investment portfolio and are net of the actual investment management, accounting, and custody fees incurred by the portfolio. After 6/23/06, the returns use the historical returns of the Master Trust, and are net of the actual investment management, accounting, and custody fees applicable to the Master Trust. Total returns include changes in principal value, reinvested dividends, and capital gains distributions. Investment returns of the Master Trust will vary and past performance cannot guarantee future results.

(12) An actively-managed fund is one in which the fund manager buys, holds, and sells a portfolio of stocks and/or bonds which are consistent with the Fund's stated investment objective. Using a variety of methods, the active fund manager attempts to select securities that will outperform the market.

(13) To be passively invested means to buy and hold a well-diversified portfolio of securities. Passive managers buy a portfolio of securities that make up a market index while active managers select specific securities to attempt to outperform

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an index. An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

(14) The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services® immediately if you suspect any unauthorized use.

(15) Access to KeyTalk and the Website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance, or other reasons. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (12:00 noon Alaska Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

(16) A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

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