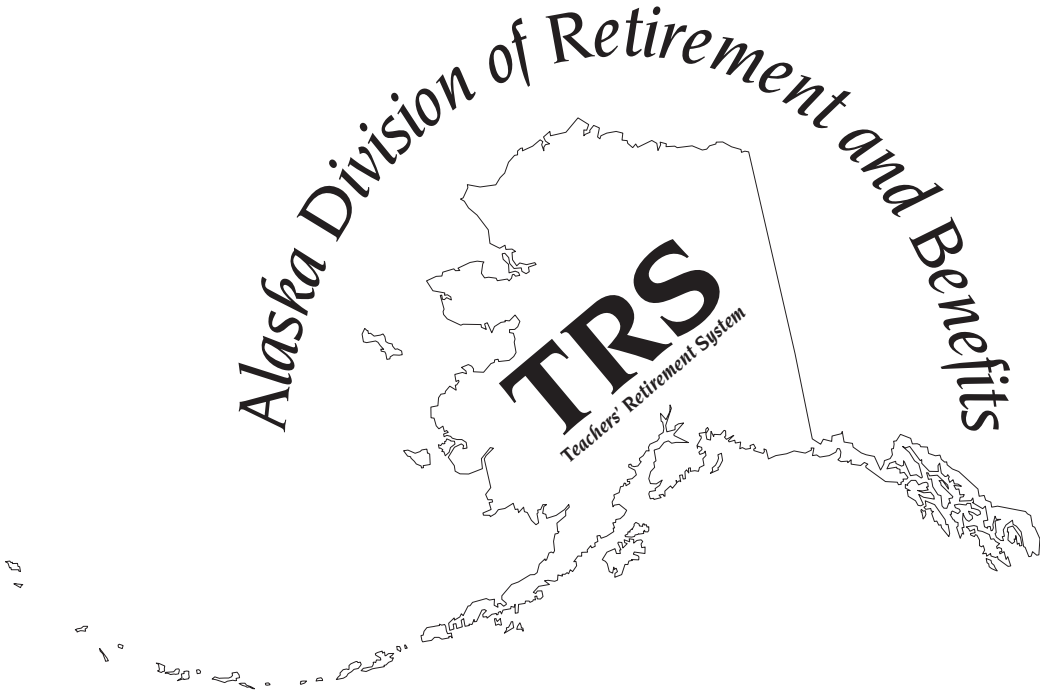




INVESTMENT SECTION

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Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

August 31, 2012

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, 2012.

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 ARMB's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made using methodology similar to 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 2012 was a mixed period for major investment categories. The Russell 3000 Index, a measure of the broad U.S. equity market, gained a modest 3.84% for the fiscal year. International stocks, as measured by the MSCI-ACWI ex-U.S. Index, fell 14.15%. A broad measure of the total global equity market (MSCI All Country World Index) declined 5.96%. In fiscal year 2012, the Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, achieved an overall return of 7.47%. Absolute Return Strategies such as hedge fund-of-funds posted slightly negative returns during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return had a negative return (net-of-fees) of 1.06%. Private real estate investments continued to advance but at a slower rate than in fiscal 2011. The NCREIF Property Index posted a

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very attractive 12.04% return for the fiscal 2012. Publicly traded real estate, as measured by the NAREIT Index, increased 12.48%.

For the fiscal year, the Public Employees Retirement System (PERS) had a slightly positive time-weighted total return of 0.46% and the Teachers Retirement System (TRS) had a time-weighted total return of 0.51%. Both Systems slightly trailed their strategic policy benchmark target return of 1.02% and the 1.16% median return for Callan's Public Fund database. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 3-year annualized return was 10.68% while TRS's return was slightly higher at 10.82%. These returns were close to but slightly below their target of 10.93%. Over the longest period for which Callan has detailed data (20 $\frac{3}{4}$ years), PERS and TRS have achieved annualized total returns of 7.36% and 7.41%, respectively, while the policy benchmark return for the same span was 7.40%.

Despite the low returns across most asset categories, differences in performance within asset categories were significant. For example, Treasury bonds (as measured by the Barclays Intermediate Treasury Index) had a positive return of 5.40% while the Barclay Government Long Index had a huge 31.42% total return. Non-U.S. Government Bonds, as measured by the Non-U.S. World Gov't Bond Index, returned 0.44%. Similarly the spread in equity returns was wide. Small cap stocks, as measured by the Russell 2000 Stock Index declined 2.08% while the S&P 500 enjoyed a total return of 5.45%.

In terms of absolute returns, results for ARMB's various asset groupings were:

Real Assets	10.36%
Private Equity	9.44%
Fixed Income	4.91%
Domestic stocks	1.81%
Absolute Return	-1.28% * (adjusted to reflect Fiscal Year period)
Int'l Stocks	-13.67%

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 4.5% or better. The current low level of interest rates combined with slow economic growth and uncertainty in the lengthy global deleveraging process, in our opinion, contribute to investor uncertainty that was apparent throughout the fiscal year.

In summary, fiscal 2012 was a volatile year for most major asset categories but one where there were only small returns for balanced investment portfolios.

Sincerely,



Michael J. O'Leary, CFA
Executive Vice President

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Department of Revenue Treasury Division Staff

<p>Commissioner Bryan Butcher</p> <p>Deputy Commissioner Angela Rodell</p>	<p>Chief Investment Officer Gary Bader</p> <p>Comptroller Pamela Leary, CPA</p> <p>Cash Management Michelle M. Prebula, MBA, CPA, CCM</p>	<p>Investment Officers</p> <p>Bob G. Mitchell Stephen R. Sikes Zachary Hanna Steve Verschoor Shane Carson Sean Howard Paul Hackenmueller</p> <p>ARMB Liaison Officer Judy Hall</p>	<p>Casey Colton Nicholas Orr Victor Djajalie Joy Wilkinson Alyson Campbell Emily Peyton</p>
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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

Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
Prisma Capital Partners
New York, NY

Domestic Equity Large Capitalization

Analytic Investors LLC
Los Angeles, CA
Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
Capital Guardian Trust Co.
Los Angeles, CA
RCM Global Investors
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA
Quantitative Management Associates
Newark, NJ

Domestic Equity Small Capitalization

Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
Frontier Capital Management
Boston, MA
Victory Capital Management
St. Louis, MO

Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.
Winter Park, FL
Lord Abbett & Co.
Jersey City, NJ

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

MacKay Shields LLC
New York, NY
Advent Capital Management
New York, NY

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External Money Managers and Consultants (cont.)

International Equity – EAFE

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

International Small Cap

Mondrian Investment Partners
London, England
Schroders Investment Management NA
New York, NY

International Fixed Income

Mondrian Investment Partners
London, England

Private Equity

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

Real Assets – Farmland

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

Real Assets – Commingled Funds

Almanac Realty Investors
Alpharetta, GA
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
Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Silverpeake 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 Assets – 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

Real Assets – Timber

Hancock Timber Resource Group
Charlotte, NC
Timberland Investment Resources LLC
Brookline, MA

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan

BlackRock
San Francisco, CA
RCM
San Francisco, CA
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD
Brandes Investment Partners
San Diego, CA

Global Master Custodian

State Street Bank & Trust Co.
Boston, MA

Independent Auditors

KPMG Peat Marwick, LLP
Anchorage, AK

Legal Counsel

Robert Johnson
Anchorage, AK

INVESTMENT SECTION

Teachers' Retirement System Investment Report

INVESTMENTS

The investment goals of the State of Alaska Teachers' Retirement System (TRS) 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 seven asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity, absolute return and cash equivalents. 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:

Asset Class	Benchmark
Domestic Equity	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Ex-U.S. Index
Fixed Income	80% Barclays Intermediate Treasury Index, 10% Merrill Lynch High Yield II Constrained Index, 7% Citigroup World Gov. Bond Ex-U.S. Index, 3% JP Morgan Global Bond Index - Emerging Markets Broad Diversified Index
Real Assets	60% NCREIF Property Index, 20% Barclays TIPS Index, 10% NCREIF Farmland Index, 10% NCREIF Timberland Index
Private Equity	1/3 S&P 500 Index, 1/3 Russell 2000 Index, 1/3 MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%
Cash Equivalents	91 Day Treasury Bill

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2012 fiscal year, ARMB's target asset allocation was 27% domestic equities, 23% global equities ex-U.S., 18% fixed income, 16% real assets, 8% private equity, 6% absolute return, and 2% cash equivalents. The target asset allocation was expected to generate a return of 7.45% with a standard deviation of returns of 13.82%.

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Teachers' Retirement System Schedule of Investment Results Fiscal Years Ended June 30

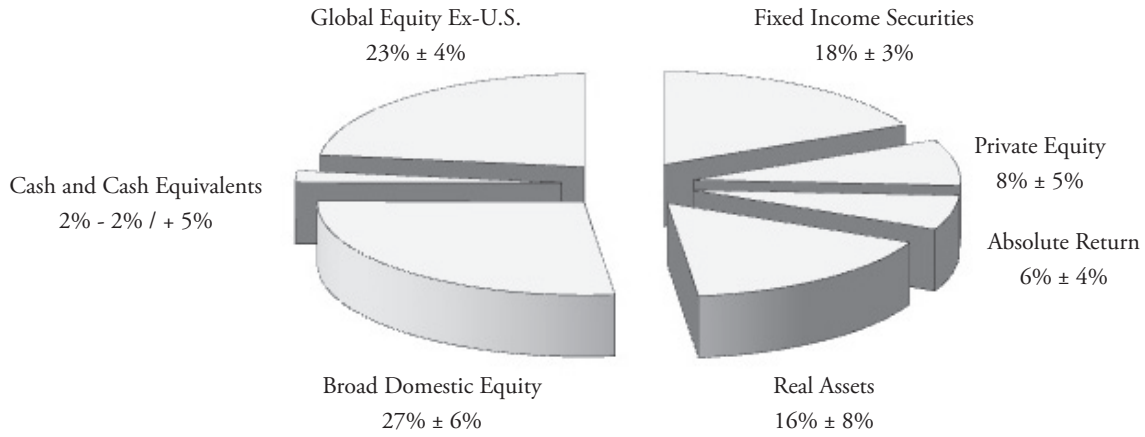
	2008	2009	2010	2011	2012	Annualized	
						3 Year	5 Year
Total Fund							
TRS	(3.05%)	(20.62%)	11.58%	21.40%	0.51%	10.82%	0.90%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.25	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
TRS Domestic Equities	(13.53)	(26.80)	15.47	33.38	1.83	16.19	(0.15)
<i>Custom Composite Index</i>	-	(26.56)	15.72	32.37	3.84	16.73	0.16
<i>S&P 500/Russell 2000 Composite</i>	(13.68)	-	-	-	-	-	-
International Stock Returns							
TRS International Equities	(7.48)	(29.12)	12.03	28.27	(13.66)	7.46	(4.04)
<i>Morgan Stanley Capital International ACWI ex-US</i>	-	(30.54)	10.87	30.27	(14.15)	7.43	(4.70)
<i>Morgan Stanley Capital International EAFE</i>	(10.61)	-	-	-	-	-	-
Fixed Income							
TRS	-	3.36	11.35	5.55	4.82	7.20	6.28
<i>Custom Composite Index</i>	-	5.41	10.16	5.06	5.08	6.74	6.59
Private Equity							
TRS	-	(23.67)	18.87	20.12	9.44	16.05	6.19
<i>Custom Composite Index</i>	-	(27.19)	13.87	32.93	(3.61)	13.42	(1.63)
Absolute Return							
TRS	-	(12.52)	6.60	5.99	(2.05)	3.44	(0.34)
<i>3-month Treasury Bill +5%</i>	-	5.95	5.16	5.16	5.06	5.12	5.93
Real Assets							
TRS	-	(21.20)	0.06	15.51	10.45	8.40	1.00
<i>Custom Composite Index</i>	-	(10.82)	1.17	12.66	11.41	8.29	3.88
Domestic Fixed-Income							
TRS	6.50	-	-	-	-	-	-
<i>Lehman Brothers Aggregate Index</i>	7.12	-	-	-	-	-	-
International Fixed-Income							
TRS	18.95	-	-	-	-	-	-
<i>Citigroup Non-U.S. Government</i>	18.72	-	-	-	-	-	-
Real Estate Equity							
TRS	5.71	-	-	-	-	-	-
<i>NCREIF</i>	6.82	-	-	-	-	-	-
Cash Equivalents							
TRS	-	-	-	0.46	0.42	-	-
<i>3-month Treasury Bill</i>	-	-	-	0.16	0.06	-	-

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
Basis of calculation: Time-Weighted rate of return based on the market rate of return.

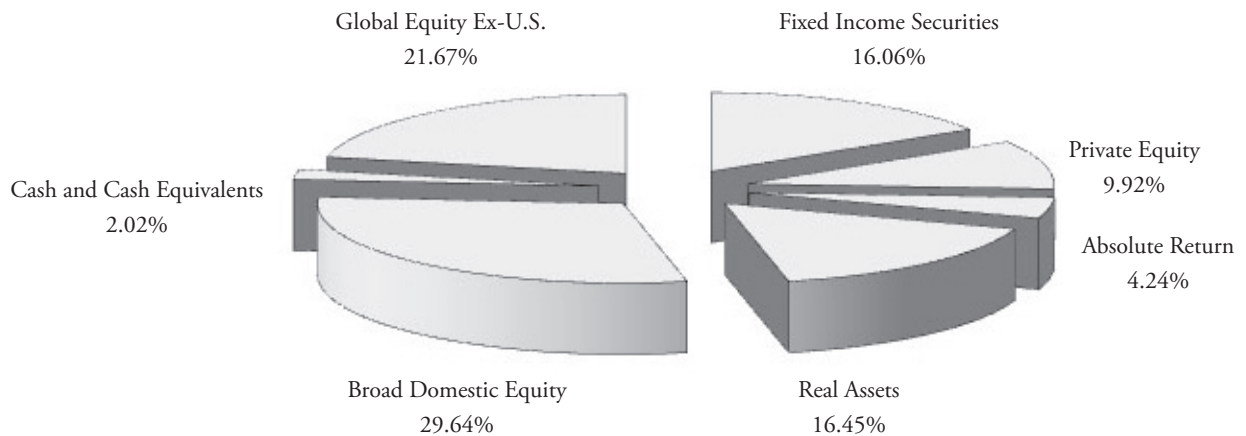
INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2012

Policy



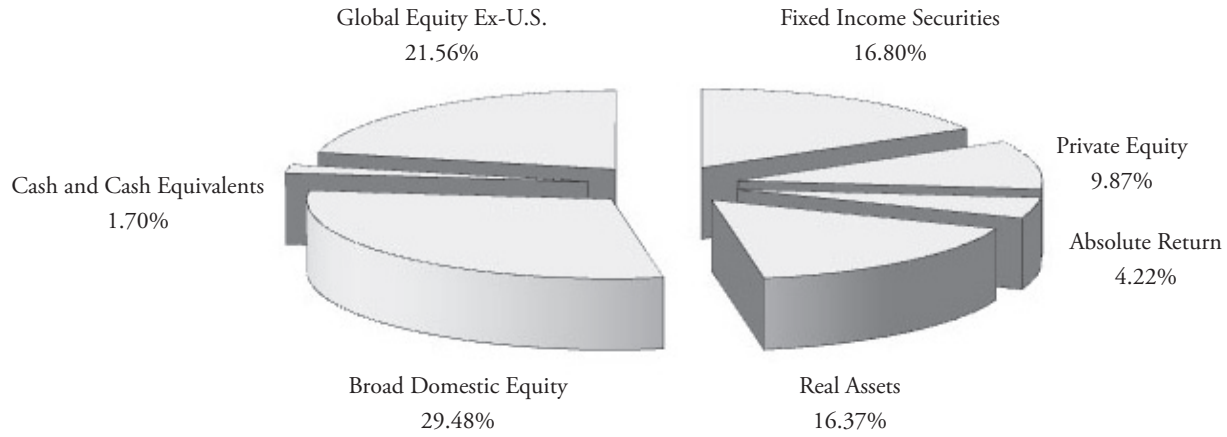
Actual — Defined Benefit Pension



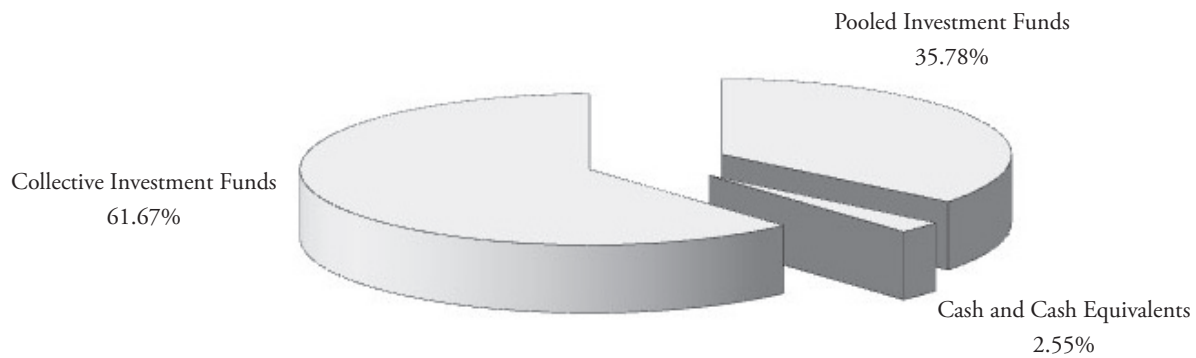
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Teachers' Retirement System Asset Allocation June 30, 2012

Actual — Defined Benefit Alaska Retiree Healthcare Trust



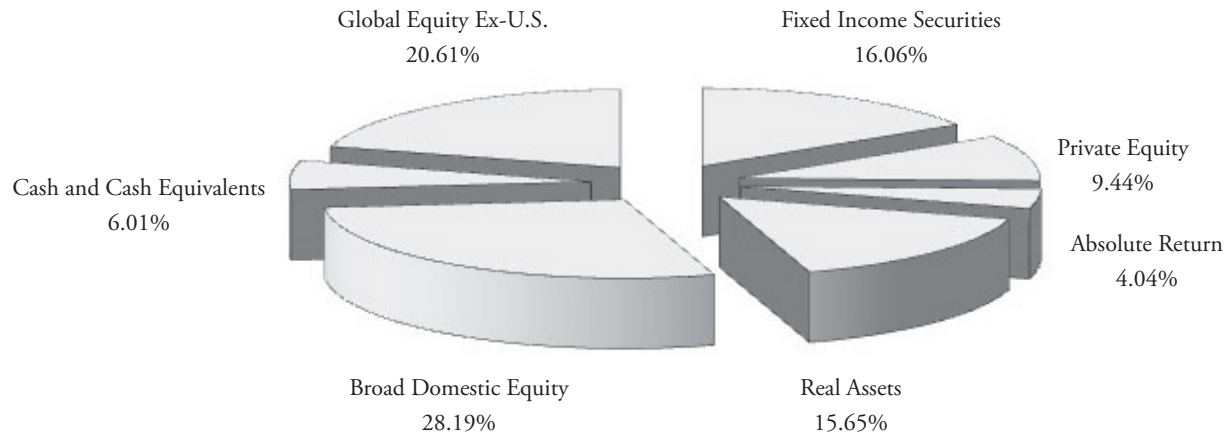
Actual — Defined Contribution Participant Directed



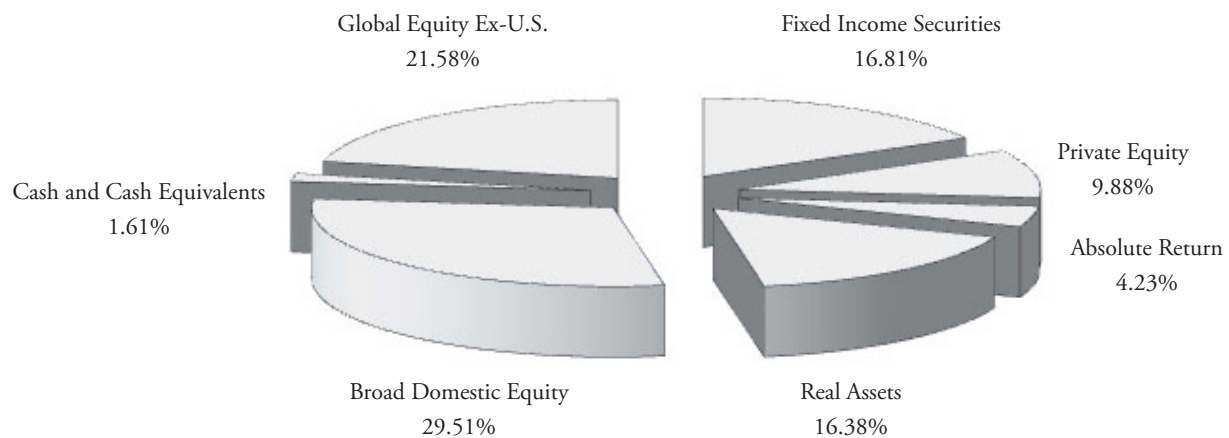
INVESTMENT SECTION

Teachers' Retirement System Asset Allocation June 30, 2012

Actual — Defined Contribution Health Reimbursement Arrangement



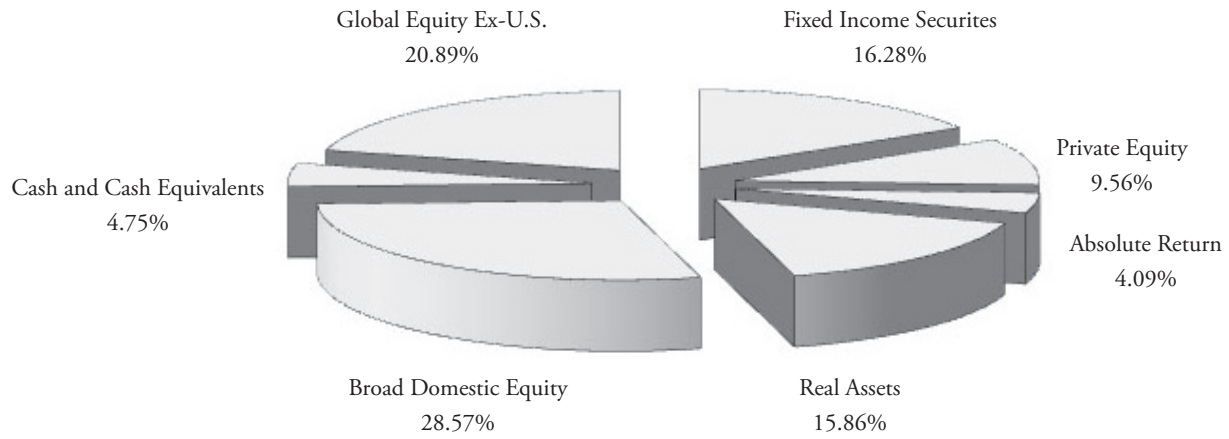
Actual — Defined Contribution Occupational Death & Disability



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Teachers' Retirement System Asset Allocation June 30, 2012

Actual — Defined Contribution Retiree Medical Plan



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Alaska Retirement Management Board Top Ten Holdings by Asset Type June 30, 2012

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 twenty-two 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.

Fixed Income

<u>Rank</u>	<u>Largest Fixed Income Holdings</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 2.625% 02/29/2016	\$ 81,824,157	\$ 76,032,602
2	US Treasury .875% 12/31/2016	38,786,259	38,440,906
3	US Treasury .75% 09/15/2013	35,214,088	35,015,759
4	US Treasury 1.00% 06/30/2019	35,123,892	35,383,750
5	US Treasury 4.00% 02/15/2015	30,122,692	27,542,711
6	US Treasury .375% 06/15/2015	23,183,024	23,202,965
7	US Treasury 1.75% 05/15/2022	22,715,448	22,532,372
8	US Treasury .375% 07/31/2013	21,498,561	21,472,558
9	US Treasury 1.875% 02/28/2014	18,871,756	18,399,550
10	US Treasury 2.625% 08/15/2020	15,511,170	14,094,055

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc.	\$ 44,424,387
2	Exxon Mobil Corp.	28,036,659
3	Microsoft Corp.	19,041,419
4	Chevron Corp.	17,783,521
5	Pfizer Inc.	16,509,889
6	General Electric Co.	15,313,885
7	International Business Machines Corp.	13,955,132
8	Google Inc.	13,946,160
9	AT&T Inc.	12,841,385
10	Wells Fargo & Co.	12,718,426

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

INVESTMENT SECTION

Teachers' Retirement System Schedule of Investment Management Fees Year Ended June 30, 2012

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	\$ 107,916,046	\$ 421,420
High Yield Pool		
* Mackay Shields, LLC	127,158,247	560,968
Total High Yield	127,158,247	560,968
Domestic Equity Pools		
** Relational Investors	69,614,551	709,270
* Advent Capital	32,765,895	193,196
* Barrow, Hanley, Mewhinney & Strauss, INC	71,472,911	364,184
* Jennison Associates LLC	36,419,186	291,010
* Lazard Asset Management	85,937,005	266,516
* Lord Abbett & Co.	58,586,902	485,343
* Luther King Cap. Management	37,287,919	195,690
* Victory Capital Management	20,866,767	25,011
* Frontier Capital Management	32,650,149	177,125
* McKinley Capital	94,069,379	339,678
* Quantitative Management Associates	41,159,239	151,416
* SSgA Russell 1000 Growth	221,138,807	31,687
* SSgA Russell 1000 Value	273,354,698	39,288
* SSgA Russell 2000 Growth	3,295,026	4,525
* SSgA Russell 2000 Value	3,490,498	8,226
* SSgA Russell 200	113,634,081	15,976
* SSgA Futures Large Cap	2,571,355	4,307
* SSgA Future Small Cap	1,828,437	3,235
* DePrince, Race & Zollo Inc.-Micro Cap	21,047,370	239,686
* Analytic Buy Write Account	32,404,109	53,323
* RCM Buy Write Account	28,644,824	146,065
* RCM	100,428,739	317,124
Total Domestic Equities	1,382,667,847	4,061,881
Private Equity Pool		
** BlumCapital Partners-Strategic	4,567,476	89,626
** Warburg Pincus X	8,400,699	129,323
** Angelo Gordon & Co.	7,264,947	125,216
** Onex Partners	3,186,175	117,215
** Lexington Partners	10,211,846	234,909
* Pathway Capital Management	215,293,168	766,773
* Abbott Capital Management	212,428,216	695,787
** Merit Capital Partners	2,227,786	97,069
Total Private Equities	463,580,313	2,255,918
International Equity Pools		
* SSgA	138,670,472	79,912
* Brandes Investment Partners	210,388,914	833,107
* Capital Guardian Trust Co.	162,711,250	590,938
* McKinley Capital Mgmt.	86,245,799	449,228
* Lazard Freres	104,711,253	154,852
* Mondrian Investment Partners	32,124,829	243,448
* Schroder Investment Management	30,102,503	259,126
Total International Equities	764,955,020	2,610,611
Absolute Return Pool		
** Mariner Investment Group	41,037,443	466,893
** Cadogan Management LLC	27,050	-
** Crestline Investors Inc.	73,325,306	571,892
** Global Asset Management	41,702,448	350,949
** Prisma Capital Partners	42,243,504	358,444
Total Absolute Return	198,335,751	1,748,178

(continued)

INVESTMENT SECTION

Teachers' Retirement System Schedule of Investment Management Fees (cont.) Year Ended June 30, 2012

	Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	\$ 101,365,438	\$ 686,915
** Lazard Freres Asset Managers	90,617,874	-
** Eaton Vance	55,960,148	-
Total Emerging Markets	<u>247,943,460</u>	<u>686,915</u>
Real Estate Pool		
** JPM Strategic	57,519,660	361,804
** UBS Consolidated	21,157,880	104,289
** Cornerstone	26,115,408	271,534
** Lasalle	58,695,029	419,088
** Sentinel, SA	31,418,783	180,013
** UBS Separate	73,213,545	438,344
** Lowe Hospitality	1,519,475	23,035
** ING Clarion	6,503,959	170,629
** Silverpeak Legacy Pension Partners	23,544,894	338,251
** Almanac Realty Securities	18,268,575	166,607
** Tishman Speyer	24,312,800	307,734
** BlackRock Diamond	6,709,320	16,195
** Colony Investors VIII, L.P.	5,531,472	180,734
** LaSalle Medical Office Fund II	6,233,819	97,311
** Cornerstone Apartment Venture III	8,652,712	105,037
** Coventry	4,943,789	-
Total Real Estate	<u>374,341,120</u>	<u>3,180,605</u>
Timber Pool		
** Timberland INVT Resources	42,813,247	292,081
** Hancock Natural Resource Group	23,178,841	190,609
Total Timber Pool	<u>65,992,088</u>	<u>482,690</u>
Farmland Pool		
** Hancock Agriculture Investment Group	65,272,645	496,512
** UBS Agrivest	104,345,120	756,784
Total Farmland	<u>169,617,765</u>	<u>1,253,296</u>
Farmland Water Pool		
** Hancock Farmland & Water	4,436,188	35,610
** UBS Agrivest	10,211,401	81,082
Total Farmland Water Pool	<u>14,647,589</u>	<u>116,692</u>
Energy Pool		
** EIG Energy Fund XV	7,748,704	128,767
** EIG Energy Fund XD	2,859,017	40,728
** EIG Energy Fund XIV-A	22,852,878	296,789
Total Energy Pool	<u>33,460,599</u>	<u>466,284</u>
Custodian		
* State Street Bank		<u>285,840</u>
Investment Advisory		
* Townsend Group		28,596
* Callan Associates		30,830
* Investment Advisory Council		8,833
Total Investment Advisory		<u>68,259</u>
Investment Performance		
* Callan Associates		<u>77,073</u>
Total External Management Fees		<u><u>\$ 18,276,630</u></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.

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Teachers' Retirement System Investment Summary Schedule June 30, 2012

Investments (at Fair Value)	Defined Benefit - Pension			
	Asset Allocation Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 60,640,155	
Total Cash and Cash Equivalents	2.00%	0-7%	60,640,155	2.02%
Fixed Income Securities				
Retirement Fixed Income Pool			3,636,271	
U.S. Treasury Fixed Income Pool			305,056,250	
High Yield Pool			81,775,236	
International Fixed Income Pool			69,401,860	
Emerging Debt Pool			22,883,401	
Total Fixed Income Securities	18.00%	15-21%	482,753,018	16.06%
Broad Domestic Equity				
Large Cap Pool			710,644,227	
Small Cap Pool			159,081,923	
Convertible Bond Pool			21,071,702	
Total Broad Domestic Equity	27.00%	21-33%	890,797,852	29.64%
Global Equity Ex-U.S.				
International Equity Pool			451,931,163	
International Equity Small Cap Pool			40,018,509	
Emerging Markets Equity Pool			159,454,064	
Total Global Equity Ex-U.S.	23.00%	19-27%	651,403,736	21.67%
Private Equity				
Private Equity Pool			298,124,470	
Total Private Equity	8.00%	3-13%	298,124,470	9.92%
Absolute Return				
Absolute Return Pool			127,548,546	
Total Absolute Return	6.00%	2-10%	127,548,546	4.24%
Real Assets				
Real Estate Pool			240,716,214	
Real Estate Investment Trust Pool			34,589,087	
Energy Pool			21,518,313	
Farmland Pool			103,823,140	
Farmland Water Pool			14,647,589	
Timber Pool			42,439,121	
Treasury Inflation Protected Securities Pool			36,556,196	
Total Real Assets	16.00%	8-24%	494,289,660	16.45%
Total Invested Assets	100.00%		\$3,005,557,437	100.00%

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2012

Defined Benefit - Alaska Retiree Healthcare Trust

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 27,907,856	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>27,907,856</u>	1.70%
Fixed Income Securities				
Retirement Fixed Income Pool			1,979,284	
U.S. Treasury Fixed Income Pool			179,496,545	
High Yield Pool			44,511,087	
International Fixed Income Pool			37,774,418	
Emerging Debt Pool			<u>12,455,862</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>276,217,196</u>	16.80%
Broad Domestic Equity				
Large Cap Pool			386,795,680	
Small Cap Pool			86,587,881	
Convertible Bond Pool			<u>11,469,520</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>484,853,081</u>	29.48%
Global Equity Ex-U.S.				
International Equity Pool			245,979,351	
International Equity Small Cap Pool			21,782,170	
Emerging Markets Equity Pool			<u>86,789,611</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>354,551,132</u>	21.56%
Private Equity				
Private Equity Pool			<u>162,276,531</u>	
Total Private Equity	8.00%	3-13%	<u>162,276,531</u>	9.87%
Absolute Return				
Absolute Return Pool			<u>69,427,079</u>	
Total Absolute Return	6.00%	2-10%	<u>69,427,079</u>	4.22%
Real Assets				
Real Estate Pool			131,057,419	
Real Estate Investment Trust Pool			18,826,186	
Energy Pool			11,712,823	
Farmland Pool			64,530,272	
Timber Pool			23,100,414	
Treasury Inflation Protected Securities Pool			<u>19,897,510</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>269,124,624</u>	<u>16.37%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$1,644,357,499</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Participant Directed				
<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u> <u>Policy</u>	<u>Range</u>	<u>Fair Market</u> <u>Value</u>	<u>% of Total</u> <u>Assets</u>
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 2,745,875	
Total Cash and Cash Equivalents			<u>2,745,875</u>	2.55%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			378,992	
Target 2015 Trust			984,235	
Target 2020 Trust			1,914,932	
Target 2025 Trust			2,387,941	
Target 2030 Trust			2,312,763	
Target 2035 Trust			3,829,687	
Target 2040 Trust			4,352,413	
Target 2045 Trust			7,771,704	
Target 2050 Trust			10,040,332	
Target 2055 Trust			747,068	
Alaska Balanced Fund			160,593	
Long-Term Balanced Fund			2,353,348	
Alaska Money Market			1,355,184	
Total Pooled Investment Funds			<u>38,589,192</u>	35.78%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			59,348	
S&P Stock Index Fund			11,869,485	
Russell 3000 Index			1,574,736	
Real Estate Investment Trust Index			1,599,551	
World Equity Ex-U.S. Index			3,504,150	
Long U.S. Treasury Bond Index			52,018	
Treasury Inflation Protected Securities Index			393,128	
World Government Bond Ex-U.S. Index			637,281	
Global Balanced Fund			3,386,319	
Barclays				
Daily Government/Corporate Bond Fund			4,562,676	
Intermediate Bond Fund			74,134	
Brandes Institutional				
International Equity Fund			18,070,583	
RCM				
Socially Responsible Fund			4,900,846	
T. Rowe Price				
Small-Cap Fund			15,817,123	
Total Collective Investment Funds			<u>66,501,378</u>	61.67%
Total Invested Assets			<u>\$ 107,836,445</u>	<u>100.00%</u>

(1) Pooled Investment Funds and Collective Investment Funds are participant directed and therefore are not subject to an asset allocation

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 1,468,592	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>1,468,592</u>	6.01%
Fixed Income Securities				
Retirement Fixed Income Pool			28,122	
U.S. Treasury Fixed Income Pool			2,550,020	
High Yield Pool			632,388	
International Fixed Income Pool			536,520	
Emerging Debt Pool			<u>176,984</u>	
Total Fixed Income Securities	18.00%	15-21%	<u>3,924,034</u>	16.06%
Broad Domestic Equity				
Large Cap Pool			5,493,982	
Small Cap Pool			1,230,006	
Convertible Bond Pool			<u>162,951</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>6,886,939</u>	28.19%
Global Equity Ex-U.S.				
International Equity Pool			3,493,671	
International Equity Small Cap Pool			309,439	
Emerging Markets Equity Pool			<u>1,232,790</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>5,035,900</u>	20.61%
Private Equity				
Private Equity Pool			<u>2,305,936</u>	
Total Private Equity	8.00%	3-13%	<u>2,305,936</u>	9.44%
Absolute Return				
Absolute Return Pool			<u>986,483</u>	
Total Absolute Return	6.00%	2-10%	<u>986,483</u>	4.04%
Real Assets				
Real Estate Pool			1,862,164	
Real Estate Investment Trust Pool			267,381	
Energy Pool			166,426	
Farmland Pool			917,035	
Timber Pool			328,231	
Treasury Inflation Protected Securities Pool			<u>282,656</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>3,823,893</u>	<u>15.65%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 24,431,777</u>	<u>100.00%</u>

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Occupational Death & Disability

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market Value</u>	<u>% of Total Assets</u>
	<u>Policy</u>	<u>Range</u>		
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 37,199	
Total Cash and Cash Equivalents	2.00%	0-7%	37,199	1.61%
Fixed Income Securities				
Retirement Fixed Income Pool			2,784	
U.S. Treasury Fixed Income Pool			252,481	
High Yield Pool			62,610	
International Fixed Income Pool			53,132	
Emerging Debt Pool			17,521	
Total Fixed Income Securities	18.00%	15-21%	388,528	16.81%
Broad Domestic Equity				
Large Cap Pool			544,064	
Small Cap Pool			121,794	
Convertible Bond Pool			16,133	
Total Broad Domestic Equity	27.00%	21-33%	681,991	29.51%
Global Equity Ex-U.S.				
International Equity Pool			345,988	
International Equity Small Cap Pool			30,639	
Emerging Markets Equity Pool			122,075	
Total Global Equity Ex-U.S.	23.00%	19-27%	498,702	21.58%
Private Equity				
Private Equity Pool			228,268	
Total Private Equity	8.00%	3-13%	228,268	9.88%
Absolute Return				
Absolute Return Pool			97,659	
Total Absolute Return	6.00%	2-10%	97,659	4.23%
Real Assets				
Real Estate Pool			184,350	
Real Estate Investment Trust Pool			26,480	
Energy Pool			16,475	
Farmland Pool			90,773	
Timber Pool			32,494	
Treasury Inflation Protected Securities Pool			27,987	
Total Real Assets	16.00%	8-24%	378,559	16.38%
Total Invested Assets	100.00%		\$ 2,310,906	100.00%

INVESTMENT SECTION

Teachers' Retirement System Investment Summary Schedule June 30, 2012

Defined Contribution - Retiree Medical Plan

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 320,130	
Total Cash and Cash Equivalents	2.00%	0-7%	<u>320,130</u>	4.75%
Fixed Income Securities				
Retirement Fixed Income Pool			7,868	
U.S. Treasury Fixed Income Pool			713,442	
High Yield Pool			176,926	
International Fixed Income Pool			150,116	
Emerging Debt Pool			49,514	
Total Fixed Income Securities	18.00%	15-21%	<u>1,097,866</u>	16.28%
Broad Domestic Equity				
Large Cap Pool			1,537,178	
Small Cap Pool			344,138	
Convertible Bond Pool			45,589	
Total Broad Domestic Equity	27.00%	21-33%	<u>1,926,905</u>	28.57%
Global Equity Ex-U.S.				
International Equity Pool			977,516	
International Equity Small Cap Pool			86,575	
Emerging Markets Equity Pool			344,921	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,409,012</u>	20.89%
Private Equity				
Private Equity Pool			645,108	
Total Private Equity	8.00%	3-13%	<u>645,108</u>	9.56%
Absolute Return				
Absolute Return Pool			275,984	
Total Absolute Return	6.00%	2-10%	<u>275,984</u>	4.09%
Real Assets				
Real Estate Pool			520,972	
Real Estate Investment Trust Pool			74,812	
Energy Pool			46,561	
Farmland Pool			256,545	
Timber Pool			91,828	
Treasury Inflation Protected Securities Pool			79,083	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,069,801</u>	<u>15.86%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 6,744,806</u>	<u>100.00%</u>

INVESTMENT SECTION

**Teachers' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2012**

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$ 66,197	\$ 39,251	\$ 105,448
Defined Benefit Plan - Alaska Retiree Health Care Trust	35,189	20,736	55,925
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	445	265	710
Defined Contribution Retirement Plan - Occupational Death & Disability	50	30	80
Defined Contribution Retirement Plan - Retiree Medical Plan	<u>129</u>	<u>78</u>	<u>207</u>
Total Recaptured Commission Fees	<u>\$ 102,010</u>	<u>\$ 60,360</u>	<u>\$ 162,370</u>

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 (SSGM) is: 90% of the commissions received in excess of executing the brokers' execution-only rates; 100% of commissions in excess of its execution-only rates for all trading directed through SSGM.