KPMG

STATE OF ALASKA
SUPPLEMENTAL BENEFITS SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements

January 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying statements of fiduciary net assets – annuity and cafeteria plans of the State of Alaska Supplemental Benefits System (the Plan), a Component Unit of the State of Alaska, as of January 31, 2011 and 2010, and the related statements of changes in fiduciary net assets – annuity and cafeteria plans 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 – annuity and cafeteria plans of the State of Alaska Supplemental Benefits System, a Component Unit of the State of Alaska, as of January 31, 2011 and 2010, and the changes in fiduciary net assets – annuity and cafeteria plans 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 20, 2011

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

Management's Discussion and Analysis

January 31, 2011 and 2010

This section presents management's discussion and analysis (MD&A) of the State of Alaska Supplemental Benefits System's (the Plan) financial position and performance for the fiscal years ended January 31, 2011 and 2010. 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 January 31, 2011 and 2010. Information for fiscal year 2009 is presented for comparative purposes.

Financial Highlights

- Plan net assets held in trust for benefits increased by $307.8 million during fiscal year 2011.
- Plan participant and employer contributions increased by $14.7 million during fiscal year 2011.
- The Plan earned net investment income of $283.4 million during fiscal year 2011.
- Benefits paid to participants and purchases of annuity contracts increased by $21.8 million during fiscal year 2011.

Overview of the Financial Statements

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

Statement of Fiduciary Net Assets – Annuity and Cafeteria Plans – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for individuals and organizations. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at January 31, 2011 and 2010. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plans.

Statement of Changes in Fiduciary Net Assets – Annuity and Cafeteria Plans – This statement presents how the Plan's net assets held in trust for individuals and organizations changed during the fiscal years ended January 31, 2011 and 2010. This statement presents contributions earned and net investment income (loss) during the period. Deductions for benefits paid, purchases of annuity contracts, insurance premiums paid, dependent care reimbursements, and administrative expenses are also presented. This statement is presented individually for both the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plans.

The above statements represent resources available for investment and payment of benefits and expenses as of January 31, 2011 and 2010, and the sources and uses of those funds during fiscal years 2011 and 2010.

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

Condensed Financial Information

Net assets (in thousands)

Description	2011	2010	Increase (decrease) Amount	Increase (decrease) Percentage	2009
Assets:					
Cash and cash equivalents	$ 6,316	8,245	(1,929)	(23.4)%	$ 1,073
Receivables	12,448	7,067	5,381	76.1	6,876
Investments, at fair value	2,487,088	2,183,039	304,049	13.9	1,804,190
Investment Loss Trust Fund, at fair value	1,913	1,903	10	0.5	1,862
Total assets	2,507,765	2,200,254	307,511	14.0	1,814,001
Liabilities:					
Payable to plan participants	1,913	1,903	10	0.5	1,862
Accrued expenses	1,067	1,398	(331)	(23.7)	959
Total liabilities	2,980	3,301	(321)	(9.7)	2,821
Net assets	$ 2,504,785	2,196,953	307,832	14.0%	$ 1,811,180

Changes in net assets (in thousands)

Description	2011	2010	Increase (decrease) Amount	Increase (decrease) Percentage	2009
Net assets, beginning of year	$ 2,196,953	1,811,180	385,773	21.3%	$ 2,215,676
Additions (reductions):					
Contributions	158,012	143,304	14,708	10.3	136,852
Net investment income (loss)	283,415	353,721	(70,306)	(19.9)	(403,918)
Other	—	—	—	—	113
Total additions (reductions)	441,427	497,025	(55,598)	(11.2)	(266,953)
Deductions:					
Benefits paid to participants and purchases of annuity contracts	119,720	97,910	21,810	22.3	130,416
Insurance premiums and dependent care assistance plan reimbursements	3,736	3,643	93	2.6	3,964
Administrative expenses	10,139	9,699	440	4.5	3,163
Total deductions	133,595	111,252	22,343	20.1	137,543
Increase (decrease) in net assets	307,832	385,773	(77,941)	(20.2)	(404,496)
Net assets, end of year	$ 2,504,785	2,196,953	307,832	14.0%	$ 1,811,180

(Continued)

Financial Analysis of the Plans

The statement of fiduciary net assets – annuity and cafeteria plans as of January 31, 2011 and 2010 show net assets held in trust for individuals and organizations of $2.5 billion and $2.2 billion, respectively. The entire amount is available to pay benefits and insurance premiums to its participants and their beneficiaries, as well as administrative costs.

These amounts represent an increase in plan net assets held in trust for individuals and organizations of $307.8 million or 14.0% from fiscal year 2010 to 2011 and an increase of $385.8 million or 21.3% from fiscal year 2009 to 2010.

Contributions, Investment Income, and Other Additions

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

	Additions (reductions) (In thousands)				
			Increase (decrease)		
	2011	2010	Amount	Percentage	2009
Plan participant mandatory contributions	$ 75,970	69,389	6,581	9.5%	$ 65,936
Employer mandatory contributions	75,970	69,389	6,581	9.5	65,937
Plan participant voluntary contributions	3,730	3,625	105	2.9	3,986
Transfers in contributions	2,342	901	1,441	159.9	993
Net investment income (loss)	283,415	353,721	(70,306)	(19.9)	(403,918)
Other additions	—	—	—	—	113
Total	$ 441,427	497,025	(55,598)	(11.2)%	$ (266,953)

The Plan's employer contributions increased from $69.4 million in fiscal year 2010 to $75.9 million in fiscal year 2011, an increase of $6.6 million or 9.5%. Plan employer contributions increased from $65.9 million in fiscal year 2009 to $69.4 million in fiscal year 2010, an increase of $3.5 million or 5.2%. The increase in employer contributions is attributable to an increase in participant salaries.

The Plan's net investment income continued to be positive in fiscal year 2011, though not as strong as in fiscal year 2010. Net investment income was down $70.3 million or (19.9%) from amounts recorded in fiscal year 2010. Net investment income increased in fiscal year 2010 by $757.6 million when compared to amounts recorded in fiscal year 2009.

The Plan's investment rate of returns at December 31, are as follows:

	2010 1-Year actual	**2009 1-Year actual**
Alaska Balanced Trust	9.98%	15.15%
Alaska Long-Term Balanced Trust	12.18%	21.02
Alaska Target 2010 Fund	1.05%	3.24
Alaska Target Date Retirement 2010 Trust	10.88%	N/A
Alaska Target Date Retirement 2015 Trust	12.02%	17.53
Alaska Target Date Retirement 2020 Trust	12.83%	22.57
Alaska Target Date Retirement 2025 Trust	13.63%	25.69
Alaska Target Date Retirement 2030 Trust	13.91%	N/A
Alaska Target Date Retirement 2035 Trust	14.38%	N/A
Alaska Target Date Retirement 2040 Trust	14.39%	N/A
Alaska Target Date Retirement 2045 Trust	14.38%	N/A
Alaska Target Date Retirement 2050 Trust	14.32%	N/A
Alaska Target Date Retirement 2055 Trust	14.31%	N/A
Brandes International Equity Fund	5.49%	N/A
Government/Credit Bond Index Fund	6.39%	3.79
Intermediate Bond Fund	4.81%	(0.54)
Long U.S. Treasury Bond Index Fund	9.27%	(12.14)
RCM Socially Responsible Investment Fund	13.11%	32.62
Russell 3000 Index Fund	16.86%	28.80
S&P 500 Stock Index Fund	15.13%	26.67
SSgA Global Balanced Fund	10.76%	N/A
Stable Value Fund	3.90%	3.94
State Street Money Market Fund	0.01%	0.04
T. Rowe Price Small Cap Stock Trust	32.43%	39.59
U.S. Real Estate Investment Trust Index	27.67%	27.58
U.S. TIPS Index Fund	6.13%	11.29
World Equity Ex-U.S. Index Fund	10.88%	41.21
World Government Bond Ex-U.S. Index Fund	5.07%	4.39

(Continued)

Benefits and Other Deductions

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

	Deductions (In thousands)				
			Increase		
	2011	2010	Amount	Percentage	2009
Benefits paid to participants and purchases of annuity contracts	$ 119,720	97,910	21,810	22.3%	$ 130,416
Insurance premiums and dependent care	3,736	3,643	93	2.6	3,964
Administrative	10,139	9,699	440	4.5	3,163
Total	$ 133,595	111,252	22,343	20.1%	$ 137,543

The Plan's benefits paid to participants and purchases of annuity contracts in fiscal year 2011 increased $21.8 million or 22.3% from fiscal year 2010 and decreased $32.5 million or (24.9%) from fiscal year 2009 to 2010. Increased account values resulting from recovery from the economic downturn has contributed to the increase in amount of withdrawals.

The Plan had administrative expenses of $10.1 million in fiscal year 2011 compared to $9.7 million in fiscal year 2010, an increase of 4.5%. Administrative expenses in fiscal year 2010 increased by $6.5 million or 206.6%. The increase in administrative expenses during fiscal year 2010 is related to an increase in the administrative expenses the Plan pays to the Department of Revenue as a result of changes to their cost allocation plan, as well as an increase in the variable fee the Plan pays to our third-party administrator (Great West) for the managed accounts contract.

Fiduciary Responsibilities

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

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

Request for Information

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

State of Alaska Supplemental Benefits System
Division of Retirement and Benefits, Accounting Section
PO Box 110203
Juneau, AK 99811-0203

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

Statements of Fiduciary Net Assets – Annuity and Cafeteria Plans

January 31, 2011 and 2010

(In thousands)

		2011			2010	
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Assets:						
Cash and cash equivalents	$ 5,407	909	6,316	7,354	891	8,245
Receivables:						
Mandatory contributions	12,281	—	12,281	6,904	—	6,904
Voluntary contributions	—	167	167	—	163	163
Total receivables	12,281	167	12,448	6,904	163	7,067
Investments:						
Collective investment funds, at fair value						
Participant directed	621,631	—	621,631	532,508	—	532,508
Money market fund – nonparticipant directed	2,814	—	2,814	1,496	—	1,496
	624,445	—	624,445	534,004	—	534,004
Stable value fund:						
Synthetic investment contracts, at fair value	269,864	—	269,864	258,064	—	258,064
Cash and cash equivalents, at fair value	26,637	—	26,637	15,169	—	15,169
	296,501	—	296,501	273,233	—	273,233
Ownership of pooled investment funds, participant directed at fair value	1,566,142	—	1,566,142	1,375,802	—	1,375,802
Total investments	2,487,088	—	2,487,088	2,183,039	—	2,183,039
Investment loss trust fund, at fair value	1,913	—	1,913	1,903	—	1,903
Total assets	2,506,689	1,076	2,507,765	2,199,200	1,054	2,200,254
Liabilities:						
Payable to plan participants	1,913	—	1,913	1,903	—	1,903
Accrued expenses	197	870	1,067	556	842	1,398
Total liabilities	2,110	870	2,980	2,459	842	3,301
Net assets held in trust for individuals and organizations	$ 2,504,579	206	2,504,785	2,196,741	212	2,196,953

See accompanying notes to financial statements.

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

Statements of Changes in Fiduciary Net Assets – Annuity and Cafeteria Plans

January 31, 2011 and 2010

(In thousands)

	2011			2010		
	Annuity	**Cafeteria**	**Total**	**Annuity**	**Cafeteria**	**Total**
Additions:						
Contributions:						
Employer mandatory	$ 75,970	—	75,970	69,389	—	69,389
Plan participant mandatory	75,970	—	75,970	69,389	—	69,389
Plan participant voluntary	—	3,730	3,730	—	3,625	3,625
Transfers in	2,342	—	2,342	901	—	901
Total contributions	154,282	3,730	158,012	139,679	3,625	143,304
Investment income:						
Net appreciation in fair value of investments	273,142	—	273,142	343,491	—	343,491
Interest	10,273	—	10,273	10,230	—	10,230
Net investment income	283,415	—	283,415	353,721	—	353,721
Total additions	437,697	3,730	441,427	493,400	3,625	497,025
Deductions:						
Benefits paid to participants and purchases of annuity contracts	119,720	—	119,720	97,910	—	97,910
Insurance premiums and dependent care assistance plan reimbursements	—	3,736	3,736	—	3,643	3,643
Administrative expenses – annuity	9,838	—	9,838	9,387	—	9,387
Administrative expenses – paid by annuity for cafeteria	301	—	301	312	—	312
Total deductions	129,859	3,736	133,595	107,609	3,643	111,252
Net increase (decrease) in assets held in trust for individuals and organizations	307,838	(6)	307,832	385,791	(18)	385,773
Net assets, beginning of year	2,196,741	212	2,196,953	1,810,950	230	1,811,180
Net assets, end of year	$ 2,504,579	206	2,504,785	2,196,741	212	2,196,953

See accompanying notes to financial statements.

(1) Description

The following brief description of the State of Alaska Supplemental Benefits System (the Plan), a Component Unit of the State of Alaska, which comprises the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plans, is provided for general information purposes only. Participants should refer to the plan documents for more complete information.

General

The Plan was created by State of Alaska Statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All State of Alaska (State) employees who would have participated in Social Security, if the State had not withdrawn, participate in the Plan. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in the Plan as provided by Alaska Statute. There were 19 participating employers besides the State as of January 31, 2011 and 2010. There were approximately 39,000 participants in the Plan as of January 31, 2011 and approximately 38,000 as of January 31, 2010.

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

Contributions

Mandatory contributions are made to the Supplemental Annuity Plan, a defined contribution plan, and voluntary contributions to the Supplemental Benefits Cafeteria Plans. Participating employees are vested at all times.

Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State and other participating employers are required by statute to contribute 12.26% of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf.

Supplemental Benefits Cafeteria Plans contributions are voluntary based upon the optional benefits elected by each employee enrolled in the Plan. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to the Plan on the employee's behalf.

Participant Accounts

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

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.

(Continued)

(1) Description (Cont.)

Record-keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record-keeper and by the State. The investment management fees are netted out of the funds' performance.

At January 31, 2011, participants had the following investment options:

Collective Investment Funds

T. Rowe Price Small Cap Stock Trust – this fund invests primarily in stocks of small companies that appear undervalued or offer the potential for superior earnings growth. This fund invests at least 65.0% of its total assets in the stocks of small companies.

S&P 500 Stock Index Fund – this fund offers diversified investment in the U.S. equity market and is designed to replicate the returns and characteristics of the Standard & Poor's 500 Composite Stock Price Index. The fund owns all 500 of the securities in the S&P 500 Index in proportion to each security's size as measured by its total market value.

Government/Credit Bond Index Fund – this fund invests in a highly diversified portfolio of high quality U.S. fixed income securities. The fund buys and holds portfolios of the securities included in the Barclays Capital Government/Credit Bond Index. The fund seeks to closely match the Index's total rate of return. This fund replaced the State Street Daily Government/Corporate Bond Fund. As of August 23, 2007, the State Street Daily Government/Corporate Bond Fund had a calendar year 2007 negative investment return of approximately 18.0% compared to the Lehman Brothers Government/Credit Bond Index positive investment return of approximately 3.0%. The Board directed that the Barclay's Government/Credit Bond Index Fund be added to the Plan's fund investment options and that the State Street Daily Government/Corporate Bond Fund be terminated. Assets were transferred from the State Street fund to the Barclay's fund on August 28, 2007. On December 20, 2007, the State reached a settlement with State Street that provided each participant invested in the State Street Daily Government/Corporate Bond Fund with an amount equal to 100.0% of the losses incurred between June 29, 2007 and August 28, 2007 plus interest on these losses from August 28, 2007 to December 5, 2007. For the Supplemental Annuity Plan, this amount totaled $6,298 with a subsequent additional residual settlement amount received late March 2008 of $113.

Brandes International Equity Fund – this fund was added to the Plan on November 30, 2009. This fund invests primarily in the equity securities of non U.S. issuers whose equity market capitalizations exceed $5 billion at the time of purchase. The fund is managed using a value investment process based on Graham & Dodd fundamental analysis of individual securities to identify those that are priced below their intrinsic value.

World Equity ex U.S. Index Fund – this fund is designed to replicate the returns of the MSCI ACWI Ex U.S. Index and provide a broad based, low cost exposure to both the developed and emerging markets. The index consists of approximately 2000 securities across 47 markets.

(Continued)

(1) Description (Cont.)

World Government Bond ex U.S. Index Fund – this fund is designed to replicate the total rate of return of the Citigroup World Government Bond Ex U.S. Index. The 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 is designed to replicate the returns and characteristics of the Russell 3000 Index. The fund comprises the 3,000 largest stocks in the U.S. market and accounts for approximately 97.0% of the U.S. stock market capitalization.

SSgA Global Balanced Fund – this fund has a target asset allocation of 60.0% equities and 40.0% fixed income and is invested in a mix of passively managed commingled funds. This fund replaced the Capital Guardian Global Balanced Fund on July 22, 2009.

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 U.S. stocks.

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

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

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

U.S. Treasury Inflation Protected Securities (TIPS) Index Fund – this fund invests in the SSgA TIPS Index NL Series (Class A) and is intended to replicate the return of the index while providing for daily liquidity for the plan participants. The fund seeks to match the returns of the index by investing in a portfolio of U.S. Treasury inflation protected securities.

State Street Institutional Treasury Money Market Fund – this money market fund seeks to achieve its investment objective by investing substantially all of its investable assets in the State Street Money Market Portfolio of State Street Master Funds, which has the same investment objective as, and investment policies that are substantially similar to those of the fund. The fund attempts to achieve its investment objective by investing exclusively in direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds. The fund may also invest in other mutual funds, subject to regulatory limitations, that invest exclusively in such obligations.

(1) Description (Cont.)

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

Pooled Investment Funds

The Board contracts with an external investment manager who is given authority to invest in a wholly owned pooled environment to accommodate thirteen participant-directed funds.

Alaska Target 2010 Fund – this fund was designed to gradually invest more conservatively, with an emphasis on capital preservation, as the year 2010 approached. This fund was liquidated at the end of calendar year 2010 and all participant assets were transferred to the State Street Institutional Treasury Money Market Fund.

Alaska Target Date Retirement 2010 – 2055 Trusts – The Alaska Target Retirement Trusts were added to the Plan on April 1, 2009. The purpose of these funds is to provide a diverse mix of stocks, bonds, and money market securities for long-term investors with a higher tolerance for risk. The Trusts are designed to gradually invest more conservatively as the target retirement date approaches. The trusts invest in four underlying common trust funds, each one emphasizing a different market sector: U.S. stocks, non U.S. stocks, U.S. investment grade bonds, and money market securities. Over time, the allocations become more conservative, systematically decreasing exposure to stocks and increasing exposure to bonds and money market securities on a quarterly basis. At the target date, the trusts maintain a substantial exposure to stocks (approximately 55.0%). The most conservative allocation to stocks (approximately 20.0%) occurs 30 years after the target date is reached.

Alaska Balanced Trust – the purpose of this fund is to provide a balanced and diversified mix of U.S. and international stocks, bonds, federally guaranteed mortgages, and money market securities for investors with a low to average tolerance for risk. The trust is made up of securities from six market sectors: large U.S. companies, established international companies, small U.S. companies, investment grade U.S. bonds, federally guaranteed mortgages, and money market instruments.

Alaska Long-Term Balanced Trust – the purpose of this fund 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 investors with a moderate risk tolerance. The trust is made up of securities from six market sectors: large U.S. companies, established international companies, small U.S. companies, investment grade U.S. bonds, federally guaranteed mortgages, and money market instruments.

Stable Value Fund

Stable Value Fund – the purpose of this fund is to preserve principal and to offer a competitive rate of interest consistent with the preservation of capital. The fund invests in a diversified portfolio of 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.

(1) Description (Cont.)

Payment of Annuity Benefits

Employees are eligible to withdraw from the Supplemental Annuity Plan sixty days after termination. Benefits are payable in the form of a lump-sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from plan assets. The plan administrator issues lump-sum disbursements through its contracted record-keeper.

Supplemental Benefits Cafeteria

Benefits available under the Supplemental Benefits Cafeteria Plans include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status.

All supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The Dependent Care Assistance Plan is administered by the State.

Funding of the Annuity Plan

Supplemental annuity contributions from employers were deposited with investment managers under contract with the Plan for the years ended January 31, 2011 and 2010. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds in addition to participant contributions received during the year.

Effect of Plan Termination

Although the State has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State may in its sole and absolute discretion terminate the Plan in whole or in part at any time without liability whatsoever for such termination. If the Plan is terminated, the deposit contracts shall remain in force until all individual employee benefit accounts have been completely distributed in accordance with the Plan.

The employers are under no obligation or liability to continue making contributions to, or participate in, the Plan. Employers in their sole and absolute discretion may discontinue participation and contributions with no liability whatsoever for such termination except liability to the State under the terms of the participation agreement.

Income Taxes

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

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.

Valuation of Synthetic Investment Contracts

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

Valuation of Ownership of Pooled Investment Funds

The Plan's ownership of pooled investment funds held in trust are stated at fair value based on the unit values as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Cash and Cash Equivalents

Cash and cash equivalents at January 31, 2011 and 2010 comprise of interest-bearing deposits.

Contributions Receivable

Contributions applicable to wages earned through January 31 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for doubtful accounts is considered necessary.

(3) Investments

The Plan is primarily participant directed, which means that the Plan's annuity participants decide in which options to invest. Of total Plan Fiduciary Net Assets of \$2.5 billion at January 31, 2011, 99.3%, or \$2.5 billion, are specifically allocated to individual participant accounts. Of total Plan Fiduciary Net Assets of \$2.2 billion at January 31, 2010, 99.3%, or \$2.2 billion, are specifically allocated to individual participant accounts.

(3) Investments (Cont.)

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

At June 30, 2011 and 2010 the participant directed investments included the following (in thousands):

	Market value	
	2011	**2010**
Alaska Balanced Trust	$ 1,075,300	994,293
Alaska Long-Term Balanced Trust	309,435	229,485
Stable Value Fund	296,501	273,233
S&P 500 Stock Index Fund	235,890	200,123
Alaska Target Date Retirement 2015 Trust	84,852	75,366
T. Rowe Price Small Cap Stock Trust	82,761	55,728
Brandes International Equity Fund	79,416	82,628
SSGA Global Balanced Fund	53,137	48,789
Government Credit Bond Index Fund	44,302	46,470
Alaska Target Date Retirement 2020 Trust	32,549	25,779
RCM Socially Responsible Investment Fund	31,958	23,148
Alaska Target 2010 Fund	23,922	31,851
U.S. Real Estate Investment Trust Index Fund	21,205	11,422
Alaska Target Date Retirement 2025 Trust	14,523	10,462
Intermediate Bond Fund	13,608	14,373
World Equity Ex-U.S. Index Fund	12,833	12,295
State Street Money Market Fund	12,675	11,222
U.S. TIPS Index Fund	12,578	12,269
Russell 3000 Index Fund	12,506	6,338
Alaska Target Date Retirement 2010 Trust	5,412	2,648
Long U.S. Treasury Bond Index Fund	5,356	5,254
Alaska Target Date Retirement 2035 Trust	4,528	2,127
Alaska Target Date Retirement 2030 Trust	4,037	1,158
Alaska Target Date Retirement 2040 Trust	3,842	1,391
World Government Bond Ex-U.S. Index Fund	3,406	2,449
Alaska Target Date Retirement 2045 Trust	3,019	558
Alaska Target Date Retirement 2050 Trust	2,870	521
Alaska Target Date Retirement 2055 Trust	2,053	163
Total	$ 2,484,474	2,181,543

(3) Investments (Cont.)

The Plan's investments at January 31, 2011 include the following collective investment funds (in thousands):

	Units owned	Unit value	Balance (In thousands)
Equity funds:			
Brandes International Equity Fund Fee	7,265,878	10.930	$ 79,416
T. Rowe Price Small Cap Stock Trust	1,576,404	52.500	82,761
S&P 500 Stock Index Fund	8,999,469	26.212	235,890
RCM Socially Responsible Investment Fund	2,247,926	14.217	31,958
World Equity Ex-U.S. Index Fund	1,005,977	12.757	12,833
Russell 3000 Index Fund	1,094,728	11.423	12,506
U.S. Real Estate Investment Trust Index Fund	2,153,046	9.849	21,205
			476,569
Bond and debt securities funds:			
Government/Credit Bond Fund	1,509,638	29.346	44,302
Intermediate Bond Fund	549,699	24.754	13,608
World Government Bond Ex-U.S. Index Fund	295,060	11.543	3,406
Long U.S. Treasury Bond Index Fund	489,040	10.953	5,356
U.S. TIPS Index Fund	1,133,029	11.101	12,578
			79,250
Bond and equity funds:			
SSgA Global Balanced Fund	4,254,870	12	53,137
			53,137
Money market fund:			
Participant directed – State Street Institutional Treasury Money Market Fund	12,674,961	1	12,675
Nonparticipant directed	162,814	17	2,814
			15,489
Total collective investment funds			$ 624,445

(3) Investments (Cont.)

The Plan's investments at January 31, 2010 include the following collective investment funds:

	Units owned	Unit value	Balance (In thousands)
Equity funds:			
Brandes International Equity Fund Fee	8,465,885	9.760	$ 82,628
T. Rowe Price Small Cap Stock Trust	1,471,919	37.860	55,728
S&P 500 Stock Index Fund	9,334,498	21.439	200,123
RCM Socially Responsible Investment Fund	1,991,396	11.624	23,148
World Equity Ex-U.S. Index Fund	1,135,016	10.832	12,295
Russell 3000 Index Fund	687,576	9.218	6,338
U.S. Real Estate Investment Trust Index Fund	1,626,224	7.024	11,422
			391,682
Bond and debt securities funds:			
Government/Credit Bond Fund	1,661,741	27.965	46,470
Intermediate Bond Fund	602,610	23.852	14,373
World Government Bond Ex-U.S. Index Fund	223,619	10.951	2,449
Long U.S. Treasury Bond Index Fund	499,908	10.510	5,254
U.S. TIPS Index Fund	1,156,765	10.606	12,269
			80,815
Bond and equity funds:			
SSgA Global Balanced Fund	4,462,736	10.932	48,789
			48,789
Money market fund:			
Participant directed – State Street Institutional Treasury Money Market Fund	11,222,353	1.000	11,222
Nonparticipant directed	86,487	17.305	1,496
			12,718
Total collective investment funds			$ 534,004

(4) Synthetic Investment Contracts

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

Bank of America

In 2004, 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 market value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at January 31, 2011 and 2010 was $51,249,000 and $49,135,000, respectively, as reported by Bank of America, and the market value of the portfolio at January 31, 2011 and 2010 was $53,994,000 and $51,628,000, respectively. The average crediting rate for fiscal years 2011 and 2010 was approximately 4.30% and 4.44%, 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.

NATIXIS Financial Products Inc.

In 2004, 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 January 31, 2011 and 2010 was $51,244,000 and $49,130,000, respectively, as reported by NATIXIS Financial Products Inc., and the market value of the portfolio at January 31, 2011 and 2010 was $53,988,000 and $51,623,000, respectively. The average yield and crediting interest rate for fiscal years 2011 and 2010 were approximately 4.30% and 4.44%, 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.

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 market value for the credit risk of the contract issuer or otherwise. The contract value of the investment contract at January 31, 2011 and 2010 was $51,249,000 and $49,135,000, respectively, as reported by Pacific Life Insurance Co., and the market value of the portfolio at January 31, 2011 and 2010 was $53,994,000 and $51,628,000, respectively. The average yield

(4) Synthetic Investment Contracts (Cont.)

and crediting interest rate for fiscal years 2011 and 2010 were approximately 4.30% and 4.44%, 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.

Rabobank Nederland

In 2004, 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 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 January 31, 2011 and 2010 was $51,117,000 and $48,991,000, respectively, as reported by Rabobank Nederland, and the market value of the portfolio at January 31, 2011 and 2010 was $53,897,000 and $51,557,000, respectively. The average yield and crediting interest rate for fiscal years 2011 and 2010 were approximately 4.34% and 4.38%, 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.

State Street Bank & Trust Co.

In 2004, the Plan's investment manager entered into an investment contract, on behalf of the Plan, with State Street Bank & Trust Co. 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 January 31, 2011 and 2010 was $51,247,000 and $49,133,000, respectively, as reported by State Street Bank & Trust Co., and the market value of the portfolio at January 31, 2011 and 2010 was $53,991,000 and $51,626,000, respectively. The average yield and crediting interest rate for fiscal years 2011 and 2010 were approximately 4.30% and 4.44%, 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.

(5) Investment Loss Trust Fund

Deposits with contract values of $131,805 at January 31, 1991 were invested in guaranteed investment contracts with Executive Life Insurance Company (Executive Life), which was taken over by California State Regulators in April 1991, resulting in uncertainty about the value of these plan assets.

To address this situation, the Investment Loss Trust Fund (Fund) was established by Alaska Statute 37.14.300. The Alaska Department of Administration is to spend that Fund as necessary to hold participants in the Plan and annuity holders (with Executive Life) harmless from a loss of value in the investment and annuity contracts issued by Executive Life.

(5) Investment Loss Trust Fund (Cont.)

The hold harmless loss limit was the principal plus accrued interest through May 3, 1991, plus earnings by the Fund on that balance since that date, less a portion of earnings to be used to pursue recovery (at a 1.0% rate) of the investment value and protect the interest of plan participants and annuity holders. Unpaid annuity amounts due to current annuity holders under contracts issued by Executive Life are also covered by the Fund.

The Fund was capitalized with $138,100 of appropriations by the State. The physical control and ownership of the assets of the Fund are under the control of the State, and not the Plan. However, through the Fund legislation and the Partial Interim Settlement Agreement in Maupin, et al vs. State of Alaska, et al, 3AN-91-6006 Civil, the participants in the Plan are held harmless to the extent allowed by law. Therefore, the amount represented by the asset, the Fund, is the amount computed to be the incremented hold harmless limit.

In February 1994, the State and the Plan elected to opt out of the plan of rehabilitation for Executive Life. By that action, which covered the guaranteed investment contracts issued before January 1, 1989, and a favorable ruling by the California Court of Appeals (as supported by the election of the California Supreme Court not to hear a further appeal of that ruling), which related to the contracts issued after 1989, the Plan received from the conservator and therefore ultimately the State received payments of $142,946 through January 31, 2011.

The availability of the amounts from the conservator did not affect the Partial Interim Settlement Agreement approved in 1992 by the Alaska Superior Court in *Maupin, et al vs. State of Alaska*, as it related to the accounts of individual participants. From May 1991 through October 1995, the Plan recorded the assets of the Fund in lieu of carrying the Executive Life investment contracts. Also included were assets set aside to hold harmless those who had continuing annuity contracts with Aurora National Life Assurance Company.

At January 31, 2011 and 2010, the Fund comprised as follows:

		2011	2010
Cash and cash equivalents	$	1,913	1,903

With the receipt of the October 1995 Executive Life Settlements, the amounts represented by Fund assets, and the accumulated earnings thereon in individual accounts, were moved to the corresponding participant's regular annuity plan account and their Fund account closed. In April 1996, the Alaska Superior Court approved a final settlement with the State that does not contemplate the making of any further payments by the State to the participants of the Class in *Maupin, et al vs. State of Alaska*, beyond the payments already made pursuant to the Partial Interim Settlement Agreement described previously. During 2000, the State of Alaska Legislature appropriated a portion of the Fund assets, totaling $4 million, to be used for other purposes.

(5) Investment Loss Trust Fund (Cont.)

The remaining assets of the Fund relate to continuing annuity contracts with Executive Life and are managed by the State Treasury.

(6) Deposit and Investment Risk

Interest Rate Risk

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

Collective Investment and Money Market Funds

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

The Board does not have a policy to limit interest rate risk for these investments.

		Fair value (In thousands)	Weighted average maturity
Government/Credit Bond Index Fund	$	44,302	7.51 years
Institutional Treasury Money Market Fund		12,675	49 days
Intermediate Bond Fund		13,608	4.02 years
Long U.S. Treasury Bond Index Fund		5,356	13.81 years
U.S. TIPS Index Fund		12,578	7.93 years
World Government Bond Ex-U.S. Index Fund		3,406	6.91 years

Short-Term Fixed Income Pool

The Investment Loss Trust Fund and the Plan's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years in maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2011, the expected average life of individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from one day to nine years.

(6) Deposit and Investment Risk (Cont.)

Stable Value Fund

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

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

> For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.55 years at January 31, 2011. The duration of the Barclays Capital Intermediate Aggregate Index was 4.09 years at January 31, 2011.
>
> Duration is a measure of interest rate risk. In the case of the Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The Board does not have a policy to limit interest rate risk for the reserve. The balance in the reserve is invested in the custodian's Institutional Treasury Money Market Fund, which had a weighted average maturity of forty-nine days at January 31, 2011.

Pooled Investment Funds

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

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

> For government and corporate debt securities, duration is limited to ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2011, the duration of the Barclays Aggregate Bond Index was 5.04 years, and the duration of the Aggregate Bond Trust was 4.94 years.

The weighted average maturity of the money market portfolio was 11.69 days at January 31, 2011.

The Board does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

(6) Deposit and Investment Risk (Cont.)

Credit Risk

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

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

Treasury's investment policy limits credit risk in the Short-term Fixed Income Pool by limiting investments to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

The Board's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the reserve:

Synthetic investment contract issuers must have an investment grade rating,

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent,

Corporate debt securities must have a minimum rating of BBB- or equivalent,

Asset-backed securities must have a minimum rating of AAA or equivalent,

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

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

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

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

(6) Deposit and Investment Risk (Cont.)

At January 31, 2011, 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	Short-term fixed income pool	Underlying synthetic investment contracts	Investment loss trust	Other	Total
		Fair value (In thousands)				
Investments with credit exposure:						
Money market fund	Not rated	$ —	—	—	2,814	2,814
Short-term investment fund	Not rated	55	2,793	17	—	2,865
Commercial paper	AAA	327	—	99	—	426
Commercial paper	Not rated	47	—	14	—	61
U.S. government agency	AAA	50	22,167	15	—	22,232
U.S. government agency – discount notes	AAA	466	—	141	—	607
Mortgage-backed	AAA	52	10,099	16	—	10,167
Mortgage-backed	AA	—	435	—	—	435
Mortgage-backed	A	—	697	—	—	697
Mortgage-backed	BBB	—	325	—	—	325
Mortgage-backed	Not rated	1	101,658	1	—	101,660
Other asset-backed	AAA	2,041	3,335	618	—	5,994
Other asset-backed	A	8	—	2	—	10
Other asset-backed	Not rated	196	—	59	—	255
Corporate bonds	AAA	1,977	—	599	—	2,576
Corporate bonds	AA	97	6,868	29	—	6,994
Corporate bonds	A	152	19,508	46	—	19,706
Corporate bonds	BBB	—	14,208	—	—	14,208
Corporate bonds	Not rated	89	348	27	—	464
Yankees:						
Corporate	AAA	143	—	43	—	186
Corporate	AA	27	2,024	8	—	2,059
Corporate	A	—	3,541	—	—	3,541
Corporate	BBB	—	2,547	—	—	2,547
Corporate	Not rated	203	—	62	—	265
Government	AAA	—	6,009	—	—	6,009
Government	AA	—	1,093	—	—	1,093
Government	A	—	669	—	—	669
Government	BBB	—	351	—	—	351
Government	Not rated	—	514	—	—	514
Deposits and investments with no credit exposure:						
Deposits		—	(2,096)	—	—	(2,096)
U.S. Treasury bills	AAA	439	—	133	—	572
U.S. Treasury notes	AAA	—	72,771	—	—	72,771
Participant-directed funds:						
Collective investment funds		—	—	—	538,870	538,870
Pooled investment funds		—	—	—	1,566,142	1,566,142
Domestic equity		—	—	—	82,761	82,761
Total invested assets		6,370	269,864	1,929	2,190,587	2,468,750
Pool-related net liabilities		(55)	—	(16)	—	(71)
Total		$ 6,315	269,864	1,913	2,190,587	2,468,679

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.

(6) Deposit and Investment Risk (Cont.)

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

Treasury's policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than 5.0% of the portfolio's assets in corporate bonds of any one company or affiliated group, unless explicitly backed by the U.S. government.

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35.0% of the stable value fund's total value.

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

Investment type	Issuer	All issuers
U.S. Treasury and agencies	100.0%	100.0%
U.S. agency securities	100.0	100.0
Agency mortgage-backed securities	50.0	50.0
Nonagency mortgage-backed securities	5.0	50.0
Asset-backed securities	5.0	50.0
Domestic and foreign corporate debt securities	5.0	50.0
Supranational agency and foreign government entity securities	5.0	50.0
Money market instruments – nongovernmental agency	5.0	100.0
Custodian short-term investment fund	100.0	100.0

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

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

The Board's policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

Equity holdings will be limited to 5.0% per issuer of the equity portfolio at the time of purchase,

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

(6) Deposit and Investment Risk (Cont.)

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

At January 31, 2011, the Plan had no exposure to a single issuer in excess of 5.0% of total invested assets.

Foreign Currency Risk

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

The Board does not have a policy to limit foreign currency risk associated with collective investment funds. The Plan has exposure to foreign currency risk in the international equity and the global balanced collective investment funds.

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned. The Board does not have a policy for custodial credit risk. At January 31, 2011, the Plan's deposits were uncollateralized and uninsured.

(7) Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net assets.

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