

ALASKA DEPARTMENT OF REVENUE

News Release

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Sarah Palin, Governor
Patrick Galvin, Commissioner

P.O. Box 110400
Juneau, Alaska 99811-0400
Telephone: 907.465.2300
Fax: 907.465.2389

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FOR IMMEDIATE RELEASE

*Media Contact: Brian Andrews, 907/465-2300
Rachael Petro, 907/465-2200*

Retirement Board Terminates Daily Government/Corporate Bond Fund Investment Option

The Alaska Retirement Management Board on Friday, August 24, 2007 terminated the Daily Government/Corporate Bond Fund investment option for SBS Supplemental Annuity Plan participants and for members of the Public Employees Retirement System and Teachers Retirement System Defined Contribution plans.

The Alaska Retirement Management Board (ARM Board) is the fiduciary of the fund pursuant to AS 37.10.210, AS 37.10.220(5)(B) and AS 39.30.175(a). On August 23, 2007, the ARM Board convened an emergency meeting, and on August 24, 2007, terminated the Daily Government/Corporate Bond Fund effective immediately.

The ARM Board also directed that all monies in the fund be transferred as soon as possible to a new investment option, the Barclays Lehman Brothers Government/Credit Bond Index Fund. The investment objective of this new fund is to match the return of the Lehman Brothers Government/Credit Bond Index.

The ARM Board anticipates that the transfer of funds to the new fund will be completed by August 29. Effective immediately, all transfers into the Daily Government/Corporate Bond Fund are halted.

The Daily Government/Corporate Bond Fund is one of 14 investment options in the SBS Supplemental Annuity Plan and one of 10 investment options in the new PERS and TRS defined contribution plans. The other investment options including the balanced funds and target date funds managed by T. Rowe Price are not affected.

There are approximately 1,100 participants in the Daily Government/Corporate Bond Fund, with a total value of investments as of June 30, 2007, of approximately \$36 million.

The total value of these participants' investments in the Daily Government/Corporate Bond Fund as of August 23, 2007, was approximately \$30 million.

The objective of the Daily Government/Corporate Bond Fund is to meet or exceed the return of the Lehman Brother Government/Credit Bond Index. This fund is intended to be among the least risky of investment options available to SBS and Defined Contribution plan participants.

As of August 23, 2007, the Lehman Brother Government/Credit Bond Index was up nearly 3 percent for the year, versus the performance of the Daily Government/Corporate Bond Fund, which was a negative 18%. Thus, the performance of the Daily Government/Corporate Bond Fund was over 20 percent below its benchmark. Most of the negative performance occurred in the month of August.

The investment manager of the Daily Government/Corporate Bond Fund is State Street Global Advisors, headquartered in Boston, MA.

While the SBS and Defined Contribution programs are intended to be participant-directed investment programs, the ARM Board concluded that its duty as fiduciary of this fund required it to act decisively and immediately to stop further losses in the Daily Government/Corporate Bond Fund in order to protect the beneficiaries of this fund.

For further information, please contact Brian Andrews, Deputy Commissioner, Department of Revenue at 465-2300, or Rachael Petro, Deputy Commissioner, Department of Administration, 465-2200.
