Anchorage Police & Fire Retirement System

BENEFIT NEWS

December 10, 2007

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Paul Burns Elected for Another Three-Year Term

The Fire members from all three plans were recently asked to nominate candidates for the Board Seat currently held by Paul Burns, retired Fire Captain. Paul was nominated and, for this election, Richard Leary, retired Fire Captain, was also nominated. A total of 333 ballots were sent out by mail on November 5th. A total of 190 ballots were returned (57%).

The ballots were counted by a special Election Committee appointed by Chairman, Jim Bauman on December 5, 2007. Paul Burns received 110 votes to Richard Leary's 78. There was one vote cast for Jack Gallion and one disqualified ballot.

This marks the beginning of Paul's third term as a trustee on the Board. He was first elected in 1999 and began his duties in January 2000.

Trustees serve three year terms. The member trustees (three elected from the Police and three from the Fire membership) serve three-year, staggered terms. In other words, every year, there are two elections; one Police and one Fire. There are also three Municipal Trustees appointed by the Mayor.

To the right of this article is a list of the current Board of Trustees.

BOARD OF TRUSTEES:

Jim Bauman, Chairman, Retired Paramedic

Andy Provencio, Active Fire Captain

Paul Burns, Retired Fire Captain

John Gentile, Retired Police Officer

Joe Caswell, Retired Police Officer

Gereth Stillman, Retired Police Officer

Michael Abbott, Deputy Municipal Manager

Dan Moore, Municipal Treasurer

David Gottstein, Public Member (Investment Professional)

Board Calls for an Actuarial Audit

As you may recall from the June Newsletter, the Board's Actuary, Milliman, Inc., presented the results of the Annual Valuation to the Board in March. The valuation results initially indicated a small surplus for Plan I, but since it had been a long time from the last Experience Study (1999), the Board directed Milliman to perform experience-related tests on all liability assumptions. That study resulted in minor changes to the inflation and the mortality assumptions. At the same time, the Board decided to do an audit of the Valuation and the Experience Study. The Firm of Gabriel, Roeder & Smith was hired to do the audit. The audit report will be presented to the Board at the regular meeting on January 11, 2008. We will let you know the results of the audit in a future Newsletter.

INVESTMENT ACTIVITY

If you follow the news, you will know that the stock markets have been extremely volatile this year. We started out the year in strong fashion with a return, year-to-date, at June 30th of 5.7%. The second quarter was actually a bit lower than the first few months of the year.

Then, by the end of the 3d Quarter at September 30, the Pension trust had a year-to-date return of 7.21%. The volatility has continued with major losses in all of the major indices and gradual recoveries through each of the months in the 4th quarter for October, November and even into December.

(See Attached Performance Reports)

In October, the Pension Trust is showing an overall, year-to-date return of 9.11%. We have not yet received the report for the November close, but we expect that we have added a bit more to annual performance.

As you know from previous Newsletters, our earning assumption is 8% per year. But this earnings rate is assumed to occur, on average, for a very long time over a number of years. In reality, we seldom end a year with exactly 8% earnings. For example, we earned 23.5 % in 2003, the second best year ever. Our worst year ever was 2002 with a return of –8.07 %. More recent years have seen results of 12.13 % in 2004; 7.07 % in 2005; 13.73 % in 2006.

Likewise, the Surplus Benefit Account Investment Funds have been volatile. All of the funds are doing a good job of beating their respective benchmarks and all are positive with the exception of the Adelante REIT, which has been pulled down by the Real Estate crisis, even though Adelante in no way invests in residential real estate or subprime market debt. Attached to this Newsletter are a number of information sheets which you may find of interest. They are:

3d Q Performance Report, APFRS;
3d Q Performance, Surplus Funds;
Annual Performance History, APF;
Chart of Investment, APF

Vanguard Investment Advice Service

For those of you that still participate in the Surplus Benefit Account Program, Vanguard, the Third-Party Administrator, will soon be offering a new free service for participants who are age 55 and older. It is, essentially, a financial planning service that will help you review your investments, establish an asset allocation program, make specific recommendations to improve your portfolio, and help you develop a plan for safe spending in your retirement years.

Vanguard rolls out these programs twice a year to client companies. We have asked Vanguard to target our program in early April. You will receive an initial "Announcement". About 45 days later, you will receive a more detailed brochure that will contain sufficient information to allow you to make a decision as to whether you wish to participate or not. After that, Vanguard will conduct annual mailings to age 55+ participants to remind you that the service is available.

(See also the "Asset Allocation" Discussion, attached to the Newsletter.)

Benefit Newsletter Disclaimer: "The information and opinions appearing in this newsletter reflect the views of the writer(s) and do not constitute an official expression of policy of the Anchorage Police & Fire Retirement System or the Board of Trustees. While we do attempt to make statements of fact as accurately as possible, nothing in this newsletter may alter the provisions of the Retirement system or Plans nor constitute a contract for benefits."

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Web Page Address:

http://www.muni.org/apfrs

(Note: on this web site, you will find information about your plan, the Board, and you can find various forms such as those required for address and bank changes.)

Vanguard Contact Information:

Web Page: www.Vanguard.com

Vanguard's "VOICE" System (or to speak with a Participant Services Associate, 8:30 a.m. to 9:00 p.m., Eastern Time):

Phone Number: (800) 523-1188

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended June 30, 2007. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended September 30, 2007

	Market Value $(Dollars)	September 30 Percent	September 30 Performance	3Q Performance	Year to Date
Domestic Equities					
Russell 1000 Value Fund	35,107,688	8.21%	3.44%	(0.22%)	6.05%
Victory Capital	37,116,681	8.67%	4.20%	3.55%	12.84%
INTECH	31,490,121	7.36%	5.00%	3.58%	6.94%
Voyageur	17,805,861	4.16%	4.40%	6.51%	12.05%
Ark Asset Management	21,621,423	5.05%	1.10%	(4.93%)	6.24%
Vanguard Explorer	21,991,564	5.14%	2.93%	(1.03%)	9.68%
Balanced Category					
Dodge & Cox	42,413,523	9.91%	1.82%	(0.63%)	4.68%
International Equities					
Morgan Stanley	35,815,239	8.37%	3.18%	0.57%	11.43%
Capital Guardian	34,715,958	8.11%	6.18%	2.40%	13.57%
Domestic Fixed-Income					
Columbia Management	97,356,834	22.75%	0.90%	2.42%	3.41%
Real Estate/Mortgages					
Adelante Capital	22,541,406	5.27%	4.09%	1.66%	(3.72%)
UBS Realty	29,572,091	6.91%	2.33%	2.33%	11.73%
Wells Fargo	32,770	0.01%	0.00%	2.52%	6.89%
TOTAL DB PLAN	**$427,863,487**	**100.00%**	**2.91%**	**1.43%**	**7.21%**

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Returns for Periods Ended September 30, 2007

	Market Value $(Dollars)	September 30 Percent	September 30 Performance	3Q Performance	Year to Date
Domestic Equities					
Vanguard Morgan Growth	1,566,150	7.72%	4.13%	4.08%	13.01%
Davis NY Venture	1,572,317	7.75%	3.12%	(0.31%)	7.17%
Vanguard 500 Index	1,513,634	7.46%	3.72%	2.03%	9.06%
Vanguard Windsor II	1,118,261	5.52%	2.77%	(0.61%)	8.83%
Vanguard Select Value	695,168	3.43%	0.69%	(4.70%)	3.79%
Vanguard Explorer	868,926	4.29%	2.92%	(1.06%)	9.53%
Balanced Category					
Vanguard Wellington	1,075,086	5.30%	3.13%	2.98%	9.27%
International Equities					
Vanguard Int'l Growth	785,802	3.88%	6.35%	4.00%	20.05%
Vanguard Total Int'l Stock Index	723,455	3.57%	6.38%	4.50%	16.98%
Vanguard Int'l Value	727,753	3.59%	5.61%	2.70%	14.87%
Domestic Fixed-Income					
Vanguard Total Bond Index	913,903	4.51%	0.72%	2.93%	3.72%
Stable Value					
Vanguard Savings Trust	5,690,150	28.06%	-	1.19%	3.58%
Real Estate					
Adelante Real Estate	599,098	2.95%	4.61%	1.46%	(3.42%)
Short Term					
Vanguard Prime Money Market	810,530	4.00%	0.42%	1.29%	3.88%
Lifestyle Funds					
Vanguard LifeStrat Cons Growth	42,232	0.21%	2.17%	2.29%	6.80%
Vanguard LifeStrat Growth	797,394	3.93%	3.59%	2.21%	9.58%
Vanguard LifeStrat Mod Growth	776,559	3.83%	2.88%	2.40%	8.19%
TOTAL SURPLUS	**$20,276,419**	**100.00%**	-	-	-