

# CALLAN ASSOCIATES

EXHIBIT

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Senior Vice President



September 8, 2009

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

ASPRS' investment program objective is to provide plan participants with retirement benefits. This is accomplished by the implementation of a carefully planned and executed long-term investment program. The Board of Trustees (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies.

The Board is charged with the responsibility of investing the Systems' assets to provide for the benefits of the members of the systems. To achieve that goal the Board follows a policy of preserving capital while seeking means of enhancing revenues and protecting against undue losses in any particular investment area. The Board diversifies the investment of the assets among classes of securities to reduce risk while maximizing the long-range return.

#### Asset Allocation

Based on its analysis of capital and money market return patterns, both historical and projected, the Board considers the following asset allocation targets to be consistent with the return requirements and risk tolerance of the Fund:

Domestic Equity	47%
Non-Domestic Equity	20%
Domestic Fixed Income	28%
Global Real Estate Securities	5%

#### Total Fund Goals

The System's primary funding goal is to achieve and maintain a funded status that provides for the security of retirement income to participants in the Plan.

The Fund's benchmark assumes a passive implementation of the asset allocation policy. The benchmark is the return that would have been achieved if the fund had been invested: 47 in the Russell 3000 Stock Index, 20% in the Morgan Stanley Capital International Europe, Australia, Far East Index, 28% in the Barclays Capital Aggregate Bond Index and 5% in the EPRA/NAREIT Global Real Estate Securities Index. Over rolling five-year periods, the investment program is expected to generate returns in excess of this target index after all fees and expenses.

#### Total Fund Returns

For the fiscal year 2009 ASPRS produced a return of -23.40%. This fell short of the fund benchmark, as described above, by 4.68%.

Over the past five years, the Fund had an annualized return of -0.83%. This return fell short of the actuarially assumed interest rate assumption of 7.75%.