



History teacher Robert of Chatham with Alex.

I N V E S T M E N T S

Introduction

Financial markets rebounded during the fiscal year as global economies reflected signs of recovery from the deep recession and credit crisis. While debate continued as to the strength of any such recovery, FY10 was the first time since FY07 that the backdrop in the broad investment landscape was positive. Unemployment and real estate values remained concerning through the fiscal year, yet the United States and other developed countries continued implementing generous stimulus programs to aid the economic recovery. Equity returns in the United States led global markets over the past 12 months returning 15.7 percent, while international equity markets increased 11.5 percent.

Within this environment, the TRS investment portfolio posted a strong year, returning 13.5 percent, gross of fees, for the fiscal year ended June 30, 2010. Total TRS investments increased by approximately \$2.5 billion during the year, representing the sixth year of the past eight in which portfolio assets have increased.

The TRS portfolio remains fully diversified across different asset classes. A number of investment managers are utilized within each asset class to ensure the appropriate mixture across the various investment styles, allowing the portfolio to achieve broad exposure to the market while minimizing overall risk. This broad diversification serves as the best defense against the uncertainty of volatile global markets.

The TRS trust fund is invested by authority of the Illinois Pension Code under the “prudent person rule,” requiring investments to be managed solely in the interest of fund participants and beneficiaries. The TRS Investment Policy guides TRS’s investments. Investment principles include preserving the long-term principal of the trust fund, maximizing total return within prudent risk parameters, and acting in the exclusive interest of TRS members.

As master trustee, State Street Bank and Trust has provided to TRS, unless otherwise noted, detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities, and other transactions pertinent to the fund for the period July 1, 2009 through June 30, 2010. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2010. Additionally, State Street Bank and Trust calculated performance rates of return by portfolio, composite, and for all respective indices used throughout this section. TRS staff, in collaboration with the staff of its custodian, prepared the Investments section.

A complete listing of investment holdings is available on request.

Summary Data June 30, 2010

Total Fund Market Value	\$31.5 billion
1-year return (net of fees)	12.9%
5-year return (net of fees)	2.0%
10-year return (net of fees)	3.3%
Percent externally managed	100.0%
Number of external managers	137
Custodian	State Street Bank and Trust
General consultant	R. V. Kuhns and Associates, Inc.

TRS is ranked 38th out of the top 1,000 U.S. pension funds/plan sponsors in the February 8, 2010 issue of *Pensions & Investments*. Rankings are based on market value of total assets at September 30, 2009.

Fund Performance vs. Benchmarks and Market Values

As of June 30, 2010, TRS's total investments at market value totaled \$31.5 billion, an increase of \$2.5 billion from last year.

A summary of holdings and assets is discussed throughout the Investment Section. The totals represent the actual assets (gross of any liabilities, amounts due to brokers, and expenses). The liabilities of the fund are included in the Statements of Plan Assets located on page 24.

TRS had a total fund annualized return of 13.5 percent, gross of fees, and 12.9 percent, net of fees, for the one-year period ending June 30, 2010. The Performance Summary table shows the performance of the total investment portfolio versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS total fund performance for FY10 surpassed the policy index by 2.0 percentage points for the year ended June 30, 2010. The policy index represents a weighted average of each asset class benchmark, based on the total fund's target asset allocation. The total return also surpassed the 8.5 percent actuarial return assumption and the real rate of return expectation, which is to exceed the rate of inflation, as measured by the Consumer Price Index, by 5.0 percent.

Performance Summary (net of fees)

Asset Class/Index	Years ended June 30					Annualized at 6/30/10		
	2010	2009	2008	2007	2006	3 Years	5 Years	10 Years
TRS Total Fund	12.9%	(22.7%)	(5.0%)	19.2%	11.8%	(6.0%)	2.0%	3.3%
TRS Weighted Policy Index	10.9	(18.6)	(4.1)	17.9	11.3	(4.7)	2.6	3.1
CPI (Inflation)	1.1	(1.4)	5.0	2.7	4.3	1.5	2.3	2.4
TRS Equity - U.S.	17.0	(27.3)	(15.1)	19.4	9.6	(10.3)	(1.1)	(0.7)
Russell 3000 Index	15.7	(26.6)	(12.7)	20.1	9.6	(9.5)	(0.5)	(0.9)
TRS Fixed Income	16.8	4.9	5.1	5.9	0.1	8.8	6.4	6.7
TRS Fixed Income Index	9.5	6.1	7.1	6.1	(0.7)	7.6	5.6	6.3
TRS Equity - International	11.3	(31.9)	(7.7)	29.6	27.3	(11.2)	2.9	2.5
Non-U.S. Equity Index	11.5	(30.5)	(6.2)	30.2	28.4	(10.1)	4.0	2.4
TRS Real Estate	(5.6)	(30.0)	4.5	25.3	18.8	(11.6)	0.6	5.5
Real Estate Property Index	(1.5)	(19.6)	9.2	17.2	18.7	(4.7)	3.8	7.2
TRS Private Equity	16.5	(17.9)	3.3	29.3	23.8	(0.4)	9.6	4.4
Russell 3000 Index + 3.0%*	19.2	(24.3)	(10.0)	23.7	12.9	(6.7)	2.5	2.1
TRS Real Return	13.5	(26.2)	20.5	-	-	0.3	-	-
CPI (Inflation) + 5.0%*	6.1	3.5	10.3	-	-	6.6	-	-
TRS Absolute Return	9.6	(13.9)	0.9	-	-	(1.7)	-	-
90-Day Treasury Bill + 4.0%*	4.2	5.0	7.8	-	-	5.6	-	-

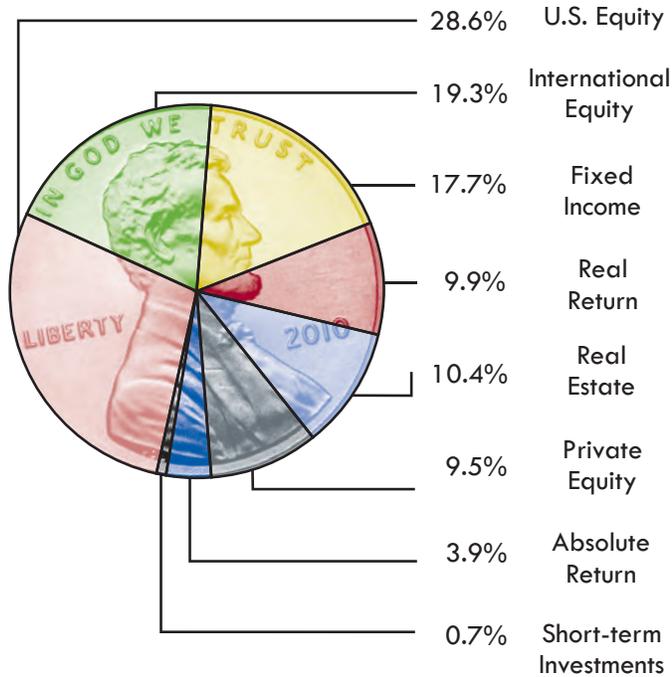
* Index compounded monthly.

Note: Time-weighted rates of return based on the market rate of return are provided by State Street Bank and Trust.

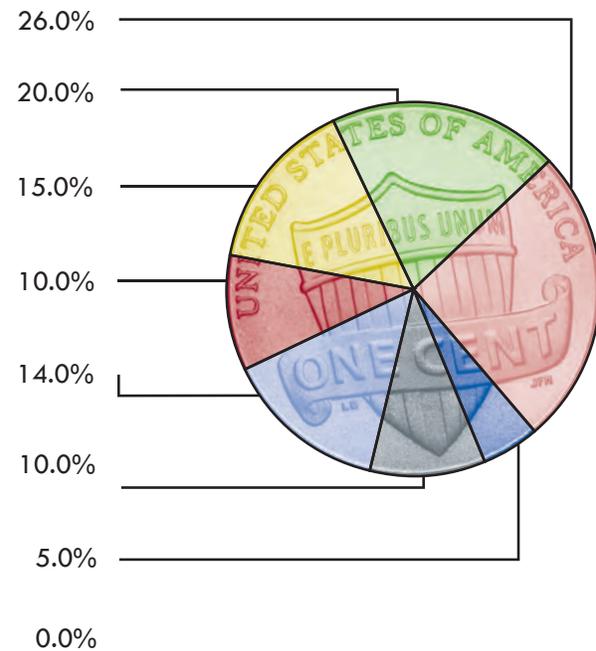
Asset Allocation vs. Targets

A pension fund's most important investment policy decision is the selection of its asset allocation. Similar to other large institutional funds, TRS maintains a well-diversified portfolio to manage risk effectively.

FY10 Asset Allocation



Long-term Target Allocation



In FY10, TRS continued implementation of the large scale asset allocation study that was completed three years ago. This implementation has progressed at a measured pace as two new asset classes, absolute return and real return, were introduced to further diversify the investment portfolio and to reduce risk. Within the fiscal year, the real return asset class reached its long-term target of 10.0 percent of the fund.

An additional interim asset allocation occurred during FY10 with the result of reducing interim targets to domestic equity and real estate and increasing interim targets to fixed income and absolute return. Longer term targets were not altered during FY10. Asset rebalancing to established targets has occurred more frequently in the past year as market volatility has been unprecedentedly high.

The asset mix is periodically compared to the policy targets to determine when rebalancing of the fund or changes to the interim policy targets are necessary. The following Strategic Investment Listing table shows the asset allocation targets, as adopted by the Board of Trustees, compared to the total assets assigned to each particular asset class at June 30, 2010.

Strategic Investment Listing Allocation Targets vs. Total Assets

	6/30/10	FY10			FY09	
	Total Fund (\$ millions)	Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. equities	\$8,939	28.6%	29.0%	26.0%	31.2%	30.5%
International equities	6,051	19.3	20.0	20.0	19.1	20.0
Fixed income	5,529	17.7	17.0	15.0	18.6	15.0
Real return	3,100	9.9	10.0	10.0	7.0	10.0
Real estate	3,252	10.4	12.0	14.0	11.9	14.0
Private equity	2,989	9.5	7.0	10.0	8.2	8.0
Absolute return	1,232	3.9	3.8	5.0	2.5	2.5
Short-term investments	211	0.7	1.2	0.0	1.5	0.0
Pending settlements/expenses*	179	NA	NA	NA	NA	NA
Total fund	\$31,482	100.0%	100.0%	100.0%	100.0%	100.0%

* The liability portion is placed within the Statements of Plan Net Assets.

Portfolio Securities Summary

The Portfolio Securities Summary table contains a detailed list of security types. The amounts in this table differ from the allocation percentages shown in the Strategic Investment Listing. The strategic listing represents assets assigned to managers within each asset class, whereas the security summary represents types of financial instruments. The differences are explained by the types of investments each manager is allowed to hold within its portfolio. For example, a U.S. equity manager holds not only common stock within its portfolio, but it may hold small amounts of short-term investments as well.

The principal differences between the strategic investment approach and the Portfolio Securities summary are:

- The Pacific Investment Management Company StocksPlus assignment is treated as equity on the Strategic Investment Listing, but categorized as bonds and corporate obligations in the securities summary. This manager provides enhanced index products that use both fixed income and futures to achieve an enhanced equity return.
- Short-term investments included within a manager's portfolio are categorized in the same way as the manager's primary assignment on the Strategic Investment Listing. In the securities summary, these investments are categorized as short-term investments.

Portfolio Securities Summary

	2010		2009	
	Market Value	% of Total	Market Value	% of Total
U.S. Government Obligations				
U.S. treasuries	\$649,461,814	2.1%	\$300,375,693	1.0%
U.S. federal agencies	253,893,175	0.8	334,260,961	1.2
U.S. government index linked bonds	287,871,078	0.9	195,845,375	0.7
U.S. government backed mortgages	955,686,526	3.0	1,642,564,054	5.7
U.S. municipals (taxable)	67,915,609	0.2	56,014,455	0.2
U.S. government backed bonds	110,671,769	0.4	-	-
U.S. government special situations	28,523,685	0.1	-	-
Credits				
Bank loans	988,929	0.0	13,928,309	0.0
Financial	694,537,178	2.2	829,021,837	2.9
Industrial	945,702,864	3.0	766,386,520	2.6
Utilities	89,049,210	0.3	223,845,079	0.8
Asset backed securities	337,410,443	1.1	242,291,664	0.8
Commercial mortgage backed securities	136,703,649	0.4	54,815,495	0.2
Collateralized mortgage obligations	322,117,221	1.0	604,540,058	2.1
Commingled/closed-end funds	71,868,583	0.2	85,399,730	0.3
Corporate convertible bonds	41,782,788	0.1	2,375,250	0.0
Foreign debt obligations	1,557,088,214	5.0	1,022,504,237	3.5
Total Bonds, Corporate Notes, and Government Obligations	6,551,272,735	20.8	6,374,168,717	22.0
Equities				
Common stock - U.S.	8,098,482,440	25.7	7,988,982,368	27.6
Preferred stock - U.S.	37,372,707	0.1	57,209,873	0.2
Common stock - international	6,155,400,882	19.6	5,335,746,892	18.4
Preferred stock - international	120,403,725	0.4	137,530,669	0.5
Total Equities	14,411,659,754	45.8	13,519,469,802	46.7
Real Return – Commingled Funds				
Commodity funds	262,150,416	0.8	340,890,337	1.2
Global macro strategies	2,033,277,459	6.5	1,190,240,068	4.1
Total Real Return – Commingled Funds	2,295,427,875	7.3	1,531,130,405	5.3
Short-Term Investments/ Cash Equivalents				
	683,859,686	2.2	1,062,916,049	3.7
Derivatives – Options, Futures, and Swaps				
	(3,507,417)	0.0	(6,846,436)	0.0
Foreign Currency				
	68,454,294	0.2	35,797,184	0.1
Absolute Return				
	1,231,558,537	3.9	719,854,863	2.5
Private Equity				
	2,990,955,411	9.5	2,344,035,473	8.1
Real Estate Equity				
	3,252,463,291	10.3	3,380,826,272	11.6
TRS Total Portfolio	\$31,482,144,166	100.0%	\$28,961,352,329	100.0%

Securities Holdings (Historical)

Historically, TRS has adopted various asset allocation strategies. The Asset Allocation table shows the actual asset allocation based on asset types for the last five-year period.

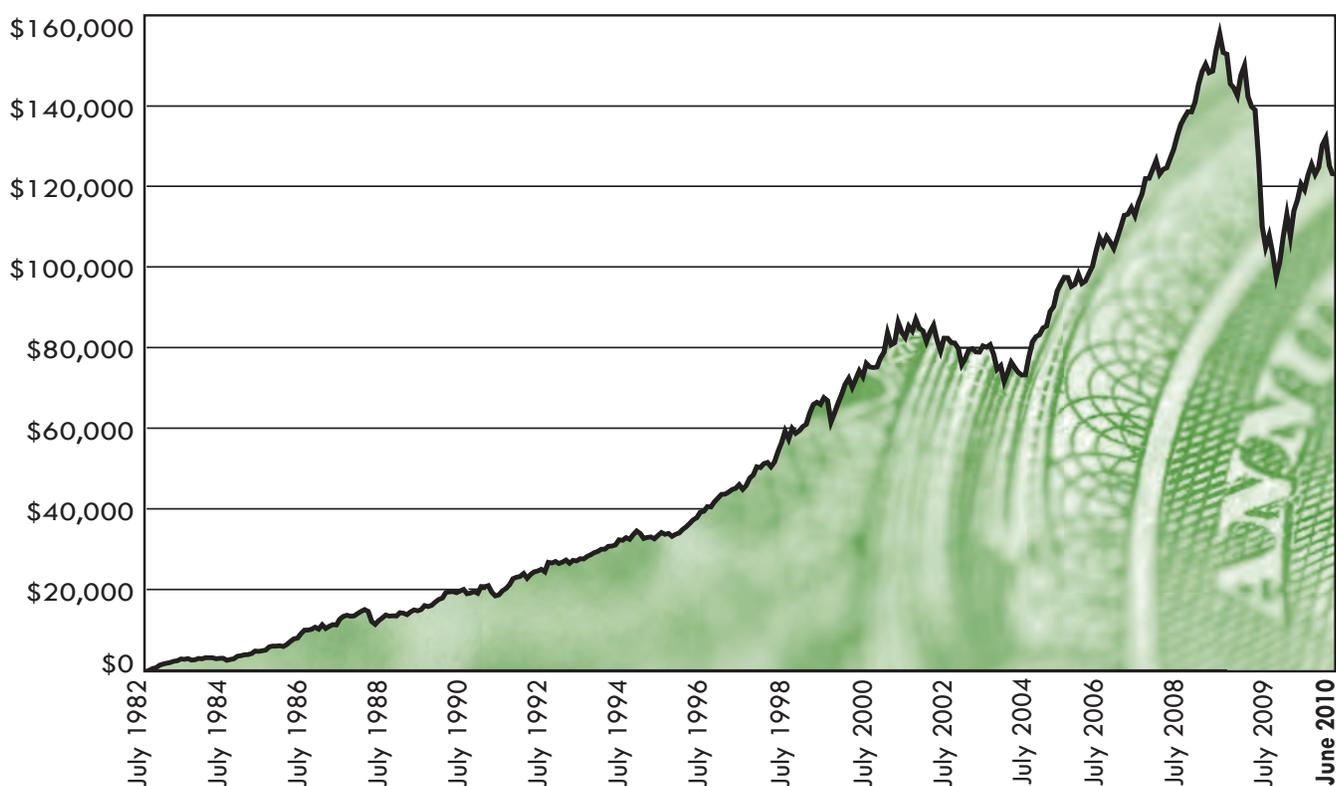
Securities Holdings for Years Ending June 30

Asset Type	2010	2009	2008	2007	2006
Bonds, corporate notes, and government obligations	20.8%	22.0%	22.7%	24.0%	27.9%
Equities - U.S.	25.8	27.8	27.5	33.0	33.6
Equities - international	20.0	18.9	21.5	22.6	19.8
Real return	7.3	5.3	5.4	-	-
Short-term investments/currency	2.4	3.8	3.4	3.6	4.2
Absolute return	3.9	2.5	1.3	1.2	-
Private equity	9.5	8.1	6.1	4.5	4.0
Real estate equity	10.3	11.6	12.1	11.1	10.5
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TRS

Over the years, TRS's asset allocation has provided consistent overall returns, as represented by the following chart showing the growth of \$10,000 over the last 28 years.

Growth of \$10,000



Source: TRS

The following sections provide a brief and informative overview of the various asset classes utilized by TRS for the period ending June 30, 2010.

U.S. Equity

U.S. equity, or common stock, represents shares or units of ownership in public corporations domiciled within the United States. TRS invests in equities because the asset class offers the opportunity to participate in the success of the U.S. economy and specific corporations within it. Stockholders share in the growth of a company through an increase in stock price, as well as through the distribution of corporate profits in the form of dividends.

For the fiscal year, TRS's U.S. equity portfolio earned a 17.0 percent return on a net of fee basis, compared to the Russell 3000 Index gain of 15.7 percent. One-, three-, five-, and 10-year comparisons to this benchmark are noted below:

	FY10	3-Year	5-Year	10-Year
TRS, net of fees	17.0%	(10.3%)	(1.1%)	(0.7%)
Russell 3000 Index	15.7	(9.5)	(0.5)	(0.9)

The top 10 U.S. equity holdings at June 30, 2010, are listed below and represent 9.3 percent of total U.S. equity holdings. A complete listing of investment holdings is available as a separate report.

Top 10 U.S. Equity Holdings at June 30, 2010

Firm	Market Value
Apple, Inc.	\$127,963,121
Wells Fargo & Co.	92,150,758
Exxon Mobil Corp.	90,738,888
JP Morgan Chase & Co.	73,908,122
PepsiCo, Inc.	64,524,413
Cisco Systems, Inc.	64,486,340
Microsoft Corp.	64,329,333
Chevron Corp.	62,967,701
Bank of America Corp.	60,436,182
General Electric Co.	57,520,803
Total	<u>\$759,025,661</u>

Source: State Street Bank and Trust and TRS

At June 30, 2010, 28.6 percent of TRS's investment portfolio was assigned to U.S. equity managers. TRS employed the following U.S. equity managers during FY10.

U.S. Equity Managers and Assets Under Management (inception date of account)

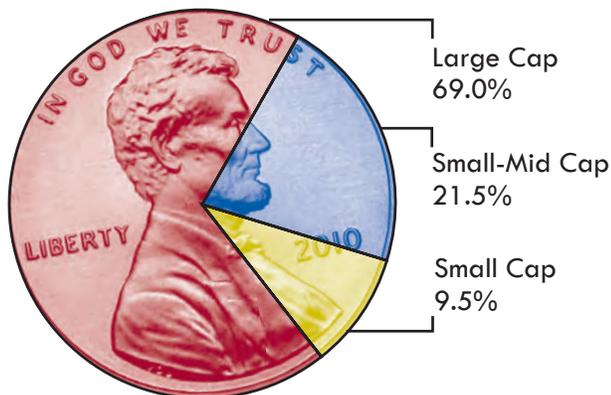
Index (Large Cap)	
RhumbLine Advisors, L.P. (7/06)	\$1,253,355,088
Enhanced Index (Large Cap)	
Piedmont Investment Advisors, L.L.C. (6/07)	86,548,974
T. Rowe Price Associates, Inc. (6/05)	607,555,955
Large Cap Core	
Analytic Investors, L.L.C. (12/07)	448,479,489
EARNEST Partners, L.L.C. (2/02)	87,449,466
J.P. Morgan Investment Management, Inc. (12/07)	440,756,846
Pacific Investment Management Company, L.L.C. (8/91)	428,953,815
Large Cap Value	
Denali Advisors, L.L.C. (4/08)	191,888,074
Dodge & Cox (4/00)	383,139,116
Loomis, Sayles & Company, L.P. (3/10)	235,898,791
Robeco Boston Partners Asset Management, L.P. (1/03)	344,884,834
Robeco Boston Partners Asset Management, L.P. (3/10)	89,310,131
Large Cap Growth	
T. Rowe Price Associates, Inc. (11/06)	429,707,255
Turner Investment Partners, Inc. (6/04)	619,765,956
Wellington Management Company, L.P. (11/07)	249,837,801
Index (Small/Mid Cap Core)	
Rhumblin Advisors, L.P. (5/07)	278,946,901
Small/Mid Cap Value	
Boston Company Asset Management, L.L.C. (7/08)	285,378,209
Cramer Rosenthal McGlynn, L.L.C. (3/09)	135,902,383
LSV Asset Management (12/02)	338,740,009
State Street Global Advisors (6/06)	132,208,277
Small/Mid Cap Growth	
Boston Company Asset Management, L.L.C. (3/09)	135,016,296
Copper Rock Capital Partners, L.L.C. (12/06)	182,472,544
Fred Alger Management, Inc. (12/07)	136,525,275
Mazama Capital Management, Inc. (1/03)	115,570,253
Tygh Capital Management, Inc. (6/06)	220,661,586
Small Cap Growth	
Emerald Advisors, Inc. (11/04)	188,747,934
Frontier Capital Management, L.L.C. (7/09)	185,479,068
Mazama Capital Management, Inc. (11/04)	141,775,228
Small Cap Value	
AQR Capital Management, L.L.C. (11/06)	193,404,825
Thompson, Siegel & Walmsley, Inc. (11/04)	187,003,254
Emerging Manager	
Credo Capital Management (6/09)	29,293,151
Fiduciary Management Associates, L.L.C. (7/08)	44,371,586
Lombardia Capital Partners, L.L.C. (11/08)	39,426,655
Lombardia Capital Partners, L.L.C. (3/10)	45,777,967
Oakbrook Investments (11/09)	25,095,474

Note: The list does not include managers terminated prior to June 30, 2010 with residual assets in the account.

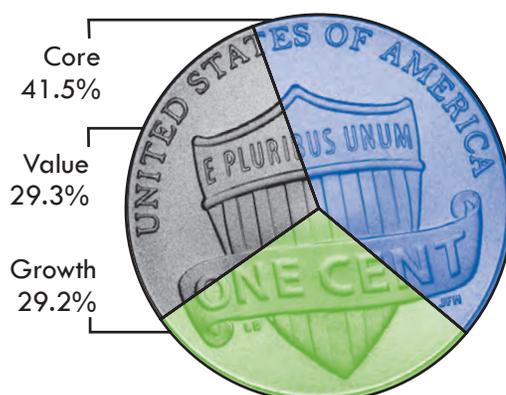
Discussion of U.S. Equity

Investment managers are chosen to diversify the portfolio on both a capitalization and style basis. This diversification is important for controlling the risk of the portfolio, as well as balancing the portfolio against the broad benchmark and economy.

Capitalization



Market Style



Source: TRS Investment Policy

The sharp recovery in the U.S. equity market that began in March 2009 continued through April 2010 as fear abated and investors sought higher investment returns. The broad U.S. stock market (Russell 3000 index) was up 33.3 percent from June 30, 2009 through April 30, 2010. The market then declined 13.2 percent during the remainder of the fiscal year sparked by European sovereign debt concerns. The TRS domestic equity portfolio was up 17.0 percent for the fiscal year, beating its Russell 3000 benchmark by approximately 1.3 percentage points. The outperformance was driven by a structural overweight to smaller companies as well as superior stock selection by investment managers in an environment characterized by a higher market focus on company fundamentals.

Statistical Data

The following tables convey various statistics, including attribution and sector analysis, of the U.S. equity portfolio as compared to TRS's domestic equity benchmark, the Russell 3000 Index. The Russell 3000 Index is a broad market benchmark representing 98 percent of the investible U.S. equity market.

TRS Domestic Equity as of June 30, 2010

Characteristic	TRS Domestic Equity	Russell 3000 Index
Weighted average market cap (\$ billions)	\$38.6	\$59.0
Price/earnings ratio	20.0x	17.5x
Dividend yield	1.5%	2.0%
Beta	1.1	1.0
5-year EPS growth	7.0%	6.1%
Price/book ratio	2.8x	2.9x

Source: State Street Bank and Trust

U.S. Equity – Diversification by Industry Sector for Year Ending June 30, 2010

Sector	TRS Domestic Equity Weighting	Russell 3000 Index Weighting
Consumer discretionary	14.3%	11.9%
Consumer durables	6.2	8.6
Energy	8.2	9.8
Financial services	17.5	17.4
Health care	12.4	12.2
Industrials	12.3	11.6
Materials	4.1	4.0
Technology	20.0	17.9
Telecommunication services	2.5	2.8
Utilities	2.5	3.8
Total	100.0%	100.0%

Source: State Street Bank and Trust and TRS

International Equity

International equity, or common stock, represents shares or units of ownership in public corporations domiciled outside the United States. International investing provides important diversification benefits to the TRS portfolio. While the international economy has increasingly become more global in nature, not all economies move in tandem. TRS's international equity managers are able to participate in the strength of individual markets, thus enhancing the TRS total portfolio. Additionally, corporations worldwide have expanded their global reach. The international equity portfolio is able to seek out superior companies operating multi-nationally, or companies that are particularly strong in their own markets or industries.

For the year ended June 30, 2010, the international equity asset class returned 11.3 percent on a net of fee basis compared to the Morgan Stanley Capital International (MSCI) All Country World Excluding U.S. Free Index (identified as Non-U.S. Equity Index in the following references) return of 11.5 percent. One-, three-, five-, and 10-year comparisons to this benchmark are in the following table:

	FY10	3-Year	5-Year	10-Year
TRS, net of fees	11.3%	(11.2%)	2.9%	2.5%
Non-U.S. Equity Index	11.5	(10.1)	4.0	2.4

The top 10 international equity holdings as of June 30, 2010 follow and represent 8.7 percent of the total international equity holdings. These investments are diversified geographically and include companies that are dominant within their industry and familiar to the U.S. economy.

Top 10 International Equity Holdings at June 30, 2010

Firm	Country	Market Value (USD)
Novartis AG	Switzerland	\$71,502,538
GlaxoSmithKline	United Kingdom	69,061,958
Nestle SA	Switzerland	66,020,039
Vodafone Group PLC	United Kingdom	56,266,978
Carrefour	France	49,622,379
Canon, Inc.	Japan	49,049,594
Standard Chartered	United Kingdom	48,665,426
France Telecom	France	45,916,573
Deutsche Telekom	Germany	44,400,412
BG Group	United Kingdom	43,667,930
Total		<u>\$544,173,827</u>

Source: State Street Bank and Trust and TRS

At June 30, 2010, 19.3 percent of the TRS investment portfolio was assigned to international equity managers. TRS employed the following international equity managers during FY10.

International Equity Managers and Assets Under Management (inception date of account)

Large Cap Growth

Jarislowsky, Fraser Limited (8/05)	\$333,869,902
McKinley Capital Management, Inc. (8/05)	829,208,544
State Street Global Advisors (8/05)	347,964,139
Trilogy Global Advisors, L.L.C. (8/07)	306,241,395

Large Cap Value

Brandes Investment Partners, L.P. (2/98)	857,845,523
Mondrian Investment Partners Limited (4/93)	902,338,055

Passive Non-U.S.

Blackrock Institutional Trust Company, N.A. (5/07)	152,347,940
State Street Global Markets (6/09)	249,527,890

Small Cap

American Century Global Investment Management, Inc. (6/08)	183,456,746
Dimensional Fund Advisors, L.P. (6/08)	166,008,666
Putnam Advisory Company, L.L.C. (3/09)	180,586,464
State Street Global Markets (8/07)	104,438,598

Emerging Markets

Aberdeen Asset Management, Inc. (3/08)	306,302,395
Grantham, Mayo, Van Otterloo & Co., L.L.C. (3/03)	781,281,259

Note: The list does not include managers terminated prior to June 30, 2010 with residual assets in the account.

Discussion of International Equity

The International Equity Manager Structure table provides a further breakdown of the styles within the international equity portfolio. The actual allocation has become more aligned with the targets as TRS prudently rebalanced investments from transitional passive assets to active core accounts while implementing the asset allocation study approved in FY07.

International Equity Manager Structure

International Equity Classification	Target	Actual
Enhanced passive non-U.S.	5.8%	6.7%
Active core	65.7	64.8
Small cap	12.0	10.5
Emerging markets	16.5	18.0
Total	100.0%	100.0%

International equity markets posted solid gains for the year ended June 30, 2010, advancing 11.5 percent as measured by the MSCI All Country Ex-U.S. Free Index (“ACWI”). Like the U.S. equity markets, international equities performed well over the first three quarters of fiscal year 2010, advancing over 25 percent. However, the Greek sovereign debt crisis brought renewed concerns over the stability of global markets and led to a 12.2 percent decline in the fourth quarter.

The best-performing international segment was the collective emerging markets regions, which are classified as developing economies in the international markets and represent a 24.0 percent weighting of the international index. Within the emerging markets, the Latin American region was the best performer, led by a strong 31.8 percent gain in Mexico. The smaller Latin American countries of Colombia and Peru had the best returns in the region up 53.6 and 52.2 percent, respectively. In the developed portion of the non-U.S. markets, Sweden, which represents just 1.75 percent of the international index, was the best-performing market for the year. Sweden benefited from its minimal exposure to the sovereign debt crisis that spread across the Euro-based European region. Europe, the largest international equity region representing 43.0 percent of the MSCI ACWI Index, underperformed the broad market advance, appreciating by 6.3 percent. Greece was the worst-performing European country due to its sovereign debt concerns, dropping 46.7 percent.

The TRS international equity portfolio recorded positive returns for FY10 gaining 11.3 percent, net of fees, but underperformed its index by 0.2 of a percentage point. The portfolio’s defensive positioning posted solid relative performance during the fourth quarter pullback outperforming its benchmark by 0.6 of a percentage point, but this defensive stance made the portfolio unable to keep up with the strong rally that began the fiscal year.

Portfolio Characteristics

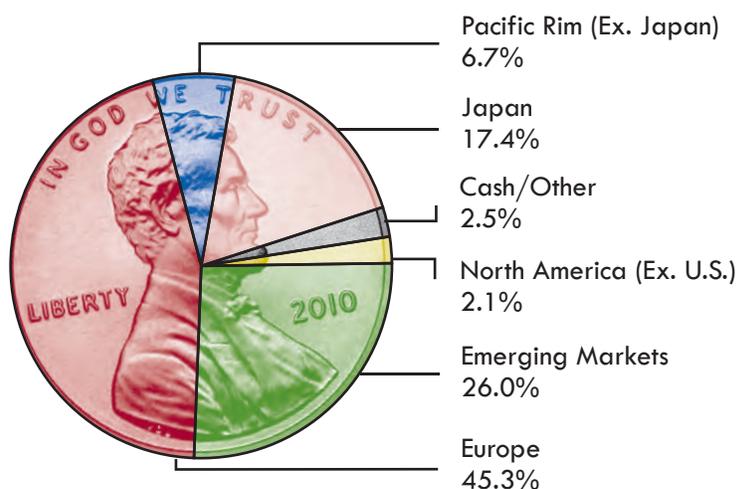
The next two charts convey the fundamental characteristics and the regional exposure of the international equity portfolio.

International Equity Fundamental Characteristics

Characteristic	TRS International Equity	Non-U.S. Equity Index
Weighted average market cap (\$ billions)	\$30.9	\$37.0
Price/earnings ratio	17.3x	17.9x
Dividend yield	3.0%	2.9%
Price/book ratio	2.4x	2.5x

Source: State Street Bank and Trust

Regional Allocation Comparison June 30, 2010 TRS International Equity Exposure



Global Fixed Income

Global fixed income is a financial obligation of an entity including, but not limited to, U.S. and foreign corporations, governments, agencies, indices, or municipalities. These entities promise to pay a specified sum of money at a future date and represent a contractual obligation of a debt or a loan. The issuer of debt is the borrower of capital and the purchaser, or holder of bonds, is the creditor or lender.

Global fixed income is an important asset class in a well-diversified portfolio; these investments can reduce volatility, offer low or negative correlation to other asset classes and provide income streams, or coupons, essential to the growth of the overall portfolio.

For the year ended June 30, 2010, TRS's fixed income managers earned a 16.8 percent return, net of fees, compared to the 9.5 percent return of the benchmark, the Barclays Capital Aggregate Index. For periods longer than two years, TRS utilized a blended index of U.S. and non-dollar targets.

One-, three-, five-, and 10-year comparisons to the relative benchmarks are noted below:

	FY10	3-Year	5-Year	10-Year
TRS, net of fees	16.8%	8.8%	6.4%	6.7%
TRS Fixed Income Index	9.5	7.6	5.6	6.3

The following table lists the top 10 global fixed income securities held by all TRS's managers as of June 30, 2010. To-be-announced (TBA) mortgages are underlying contracts on mortgage-backed securities (MBS) to buy or sell a MBS which will be delivered at an agreed-upon date in the future. A complete listing of investment holdings is available as a separate report.

Top 10 Global Fixed Income Holdings at June 30, 2010

Security/Position	Rate	Market Value
U.S. Treasury Note	0.75%	\$96,678,596
Canada, Government of	2.50	85,366,395
Federal Home Loan Mortgage Corp. Discount Note	0.25	78,568,560
Federal National Mortgage Association TBA	6.50	50,377,360
U.S. Treasury Bond	2.38	46,560,026
Goldman Sachs Collective Trust Debt Implementation Fund	-	45,615,342
U.S. Treasury Note	0.63	41,449,857
American International Group, Inc.	8.25	38,778,750
U.S. Treasury Inflation Index Linked Note	1.63	35,794,862
U.S. Treasury Note	5.13	33,077,198
Total		<u>\$552,266,946</u>

Source: State Street Bank and Trust and TRS

At June 30, 2010, 17.7 percent of the TRS investment portfolio was assigned to global fixed income. The following table categorizes manager assignments. It excludes fixed income assets managed by managers in other asset classes which might invest in fixed income securities as a small part of their overall strategies.

Global Fixed Income Managers and Assets Under Management (inception date of account)

Core Plus	
Dolan McEniry Capital Management, L.L.C. (5/06)	\$189,397,134
Goldman Sachs Asset Management, L.P. (5/06)	1,022,578,281
Pacific Investment Management Company, L.L.C. (7/82)	1,228,443,369
Taplin, Canida & Habacht (3/04)	423,870,539
International	
Franklin Advisers, Inc. (2/08)	714,095,269
Enhanced Indexed	
Prudential Investment Management, Inc. (12/08)	1,017,228,572
Long Duration	
Loomis Sayles & Company, L.P. (6/08)	800,446,997
Emerging Manager	
Davis Hamilton Jackson & Associates, L.P. (6/10)	25,327,822
LM Capital Group, L.L.C. (12/09)	26,018,024
Special Situations	
Oaktree PPIP Private Fund, L.P. (3/10)	11,501,971
Pacific Investment Management Company, L.L.C. (4/09)	25,846,846
PIMCO Private Funds II, L.P. (7/09)	17,021,714

Note: This list does not include certain managers terminated prior to June 30, 2010 with residual assets in the account.

Discussion of Global Fixed Income

The TRS fixed income portfolio outperformed the Barclay's Capital Aggregate index by nearly 7.3 percentage points, net of fees, during the fiscal year. TRS's overweight to most spread sectors took advantage of unprecedented spread compression in the markets. Other areas of strength included foreign denominated bonds, which took advantage of the weak U.S. dollar and investments in special situations such as the term asset-backed loan facility (TALF). Although TRS began the year short relative duration, as the year progressed and it became evident the Federal Reserve was not going to increase rates, the portfolio shifted to a slightly longer duration taking advantage of higher yielding positioning. Throughout

the year, TRS maintained a similar risk profile relative to the index and a risk profile much lower than nominal treasury positions.

The following data provides statistical information on TRS's global fixed income portfolio.

Statistical Data Global Fixed Income Profile

Characteristic	TRS Fixed Income Portfolio 6/30/10	Barclays Capital Aggregate Index 6/30/10	TRS Fixed Income Portfolio 6/30/09	Barclays Capital Aggregate Index 6/30/09
Average maturity	9.3 years	5.9 years	7.8 years	5.9 years
Effective duration	4.8 years	4.1 years	4.8 years	4.2 years
Average coupon	4.8%	4.5%	5.0%	5.0%
Average quality rating	Aa3	Aa1	Aa3	Aaa
Current yield	4.4%	2.5%	5.5%	4.8%

Source: TRS

Diversification by Quality Rating for Global Fixed Income Portfolios

Moody's Quality Rating	2010	2009
Agency	0.0%	1.0%
Aaa*	48.0	51.9
Aa1 through Aa3	5.5	5.9
A1 through A3	11.5	13.4
Baa1 through Baa3	16.0	15.8
Ba1 through Ba3	7.9	4.6
B1 through B3	3.2	2.9
Other**	7.9	4.5
Total	100.0%	100.0%

* Aaa includes Treasury securities

** Other includes under B3 and unrated securities.

Note: Chart includes enhance equity indexed underlying bond holdings.

Source: State Street Bank and Trust and TRS

Real Return

The real return asset class is recognition of the significant impact inflation can have on an investment portfolio and its return objectives. Traditional asset classes, such as stocks and bonds, tend to perform well in periods of stable or falling inflation. However, inflationary periods have historically been very challenging for these asset classes.

The objective of the real return asset class is to exceed the Consumer Price Index (CPI) by 5.0 percent over a five- to 10-year period of time. Real return strategies are generally less correlated with traditional stock and bond portfolios and provide inflation protection and excess returns during periods of rising inflation while reducing overall risk to the total fund. It should be noted that the CPI is not an investible benchmark, but is utilized as a benchmark given the intent of the asset class. For the year ended June 30, 2010, TRS's real return asset class earned 13.5 percent, net of fees, compared to the 6.1 percent return of the benchmark.

	FY10	3-Year
TRS, net of fees	13.5%	0.3%
Consumer Price Index + 5%	6.1	6.6

At June 30, 2010, 9.9 percent of TRS's investment portfolio was assigned to real return managers. TRS employed real return managers to use global inflation-linked, global macro, and commodity based strategies during FY10. As of June 30, 2010, TRS employed the following managers and/or funds including their respective assets under management.

Real Return Managers and Assets Under Management (inception date of account)

Global Inflation-linked Bonds	
New Century Advisors, L.L.C. (2/08)	\$71,577,135
Pacific Investment Management Company, L.L.C. (5/07)	328,273,823
Western Asset Management Company (2/05)	296,944,977
Global Macro Strategies	
AQR Global Risk Premium Tactical Offshore Fund II, Ltd. (7/07)	526,370,288
Bridgewater All Weather Portfolio Offshore Limited (7/07)	695,823,440
PIMCO Global Multi-Asset Strategy (12/09)	415,737,541
Wellington Management Company - Diversified Inflation Hedges Portfolio, L.L.C. (9/07)	502,703,921
Commodities	
Gresham Investment Management Company, L.L.C. (3/09)	101,464,023
Schroder Commodity Offshore Portfolio, L.L.P. (3/08)	160,686,393

Discussion of Real Return

The 13.5 percent return of the real return asset class during the fiscal year was lead by investments in the global macro sector which earned 17.7 percent, followed by global inflation-linked bonds earning 5.7 percent and commodities 5.4 percent, all net of fees. The real return portfolio continues to serve as a portfolio diversifier and protection against the effects of inflation on the fund. The asset class maintains a risk profile between stocks and bonds. During the fiscal year, TRS increased the real return asset class allocation from 7 percent in FY09 to the policy target of 10 percent in FY10.

Real Return Targets and Actual Allocation as of June 30, 2010

Real Return Subclasses	Target	Actual
Global inflation-linked bonds	24.0%	22.5%
Global macro strategies	66.0	69.0
Commodities	10.0	8.5
Total	100.0%	100.0%

Source: TRS

Private Equity

Private equity includes investments that are placed and traded outside of the stock exchanges and other public markets. Over the long term, they are an attractive investment for pension funds, endowments, insurance companies, and other sophisticated investors. The investment class benefits the economy by providing needed capital to start-up companies and for continued growth in privately held companies and firms that are restructuring to better compete. There is additional risk investing in private equity, but with skillful selection of managers, returns can be significantly higher than public equity investments.

The asset class is commonly referred to as private equity, even though it includes privately placed debt instruments as well. Often, the debt includes a control position that is similar to equity because it allows the debt holder to influence the operations and management of the company. TRS is widely diversified

across all sub-sectors within private equity, including buyout, venture capital, subordinated debt, and distressed debt.

TRS measures private equity performance against the Russell 3000 stock index plus 300 basis points (3 percentage points). This benchmark does not specifically compare performance to the private equity industry, but rather to the TRS long-term expectation that private equity produce returns superior to the public markets. For the one-year period ending June 30, 2010, private equity earned 16.5 percent on a net of fee basis, compared to the benchmark gain of 19.2 percent.

In general, an investor must look at a much longer-term investment horizon to measure the success of a private equity program. TRS's investments in private equity maintain a very strong long-term return, outperforming the benchmark by 2.3 percentage points over the 10-year period. This performance, as well as the performance of the private equity portfolio since TRS first began investing in private equity, is well above expectations. One-, three-, five-, and 10-year comparisons to this benchmark are noted in the following table:

	FY10	3-Year	5-Year	10-Year
TRS, net of fees	16.5%	(0.4%)	9.6%	4.4%
Russell 3000 Index + 3.0%	19.2	(6.7)	2.5	2.1

At June 30, 2010, 9.5 percent of the TRS investment portfolio was assigned to the private equity asset class. The long-term target for private equity is 10 percent of the total fund. The following chart lists the private equity partnerships/funds (and the respective assets under management) that TRS has investments or commitments to invest with as of June 30, 2010.

Private Equity Partnerships and Assets Under Management (inception date of account)

Buyout

Advent International GPE VI, L.P. (7/08)	\$22,441,945
Apollo Investment Fund V, L.P. (5/01)	62,564,617
Apollo Investment Fund VI, L.P. (5/06)	141,751,150
Apollo Investment Fund VII, L.P. (1/08)	125,722,506
Banc Fund VI, L.P. (6/02)	29,221,125
Banc Fund VII, L.P. (5/05)	23,232,584
Carlyle Partners IV, L.P. (4/05)	108,302,676
Carlyle Partners V, L.P. (7/07)	64,548,697
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	44,594,145
Carlyle/Riverstone Global Energy and Power Fund III, L.P. (4/06)	97,145,563
Castle Harlan Partners IV, L.P. (5/03)	16,523,120
Code Hennessy & Simmons V, L.P. (2/05)	19,740,702
DLJ Merchant Banking Partners II, L.P. (3/97)	6,999,118
DLJ Merchant Banking Partners III, L.P. (9/00)	83,197,914
Elevation Partners, L.P. (4/05)	15,011,021
Energy Capital Partners I, L.P. (4/06)	28,659,384
Energy Capital Partners II, L.P. (9/09)	20,236,642
Evercore Capital Partners II, L.P. (4/03)	26,142,127
GI Partners (1/09)	6,496,291
Glencoe Capital Partners III, L.P. (1/04)	23,679,685
Glencoe Capital Institutional Partners III, L.P. (6/04)	5,754,778
Green Equity Investors V, L.P. (8/07)	42,243,779
GTCR Fund VII/VIIA, L.P. (3/00)	354,065
GTCR Fund VIII, L.P. (7/03)	21,602,329
Hispania Private Equity, L.P. (5/04)	761,185
ICV Partners II, L.P. (1/06)	7,190,120

Continued

J.C. Flowers II, L.P. (2/07)	\$13,675,222
KKR 1996 Fund, L.P. (5/97)	7,863,718
Madison Dearborn V, L.P. (7/06)	66,304,408
MBK Partners (5/09)	10,197,737
Mesirow Capital Partners VII, L.P. (6/97)	1,699,437
New Mountain Partners III, L.P. (8/07)	29,267,483
Onex Partners III, L.P. (04/09)	2,262,850
PAI Europe V, L.P. (4/08)	7,494,867
Pine Brook Capital Partners, L.P. (1/08)	15,587,213
Providence Equity Partners VI, L.P. (3/07)	73,774,327
Reliant Equity Partners, L.P. (6/04)	215,043
Riverstone/Carlyle GL IV (3/08)	45,934,010
Silver Lake Partners III, L.P. (8/07)	40,950,843
TCW/Latin America Private Equity Partners, L.P. (5/97)	38,798
Thayer Equity Investors V, L.P. (5/03)	50,315,436
TPG Partners IV, L.P. (12/03)	30,302,140
TPG Partners VI, L.P. (4/08)	22,335,649
Trilantic Capital Partners III, L.P. (4/05)	33,527,477
Trilantic Capital Partners IV, L.P. (10/07)	17,380,271
Trivest Fund II, Ltd. (4/96)	394,642
Vicente Capital Partners Growth Equity Fund, L.P. (4/08)	2,920,449
Vista Equity Partners Fund III, L.P. (11/07)	53,846,444
VS&A Communications Partners II, L.P. (8/95)	2,408,913
VSS Communication Partners IV, L.P. (3/05)	30,574,800
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P. (8/05)	50,646,621
Windpoint Partners VI, L.P. (2/06)	21,890,721
WPG Corporate Development Associates V, L.P. (11/97)	1,041,577

Distressed Debt

Avenue Europe Special Situations Fund, L.P. (5/08)	36,190,930
Avenue Special Situations Fund V, L.P. (10/07)	114,982,596
Blackstone/GSO Capital Partners (9/09)	41,137,606
Carlyle Strategic Partners, L.P. (10/04)	28,191,927
Clearlake Capital Partners, L.L.C. (7/09)	7,716,715
MatlinPatterson Global Opportunities Fund II, L.P. (1/04)	23,280,420
MatlinPatterson Global Opportunities Fund III, L.P. (6/07)	49,744,787
MatlinPatterson Preferred II (3/09)	17,552,304
Oaktree Opportunities Fund VIII, L.P. (3/10)	27,916,601
OCM Opportunities Fund V, L.P. (6/04)	5,422,637
OCM Opportunities Fund VIIIb, L.P. (6/08)	124,325,940
OCM European Principal Opportunities Fund II, L.P. (8/08)	42,993,764

Subordinated Debt

Maranon Mezzanine Fund, L.P. (8/09)	4,883,615
Merit Mezzanine Fund IV, L.P. (1/05)	48,017,949
Prism Mezzanine Fund, L.P. (12/04)	7,045,732
SW Pelham Fund II, L.P. (9/03)	7,983,266
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P. (2/05)	36,287,299
William Blair Mezzanine Capital Fund II, L.P. (5/97)	3,924,593
William Blair Mezzanine Capital Fund III, L.P. (1/00)	10,378,262

Venture Capital

21st Century Communications T-E Partners, L.P. (2/95)	255,346
Apex Investment Fund V, L.P. (8/03)	9,960,457
Carlyle Venture Partners II, L.P. (10/02)	62,098,720
Carlyle Venture Partners III, L.P. (6/07)	34,638,421
Edgewater Growth Capital Partners, L.P. (11/03)	16,583,026
Edgewater Growth Capital Partners II, L.P. (2/06)	21,852,362

Continued

Evergreen Partners IV, L.P. (12/02)	\$11,453,453
Evergreen Partners V, L.P. (6/07)	9,547,257
Granite Ventures II, L.P. (5/05)	8,655,425
HealthPoint Partners, L.P. (6/04)	23,927,043
Hopewell Ventures, L.P. (6/04)	3,481,124
Illinois Emerging Technologies Fund, L.P. (6/04)	1,464,711
Longitude Venture Partners, L.P. (3/08)	14,276,466
SCP Private Equity Partners, L.P. (5/97)	1,309,826
SCP Private Equity Partners II, L.P. (6/00)	55,235,741
Shasta Ventures, L.P. (1/05)	16,312,189
Starvest Partners, L.P. (1/09)	2,988,009
Technology Crossover Ventures VII, L.P. (10/08)	6,982,764
VantagePoint Venture Partners IV, L.P. (6/00)	54,360,768
VantagePoint Venture Partners 2006, L.P. (12/06)	25,387,974
Warburg Pincus International Partners, L.P. (9/00)	67,788,263
Warburg Pincus International Partners IX, L.P. (9/05)	100,156,253
Warburg Pincus Private Equity X, L.P. (10/07)	112,178,731
WPG Enterprise Fund II, L.P. (8/94)	3,239,860
WPG Enterprise Fund III, L.P. (3/97)	8,932,119

Discussion of Private Equity

TRS's private equity portfolio increased 16.5 percent through the fiscal year. While under its benchmark over the one-year period, longer term private equity has outperformed on a three-, five- and 10-year basis. The overall performance strength of the private equity program and the asset class's diversification benefits the overall portfolio. TRS continues to steadily and prudently increase its exposure to private equity, with the full target allocation to the asset class expected in FY11. Successful implementation of this target is subject to many factors, including public market performance and sufficient availability of quality opportunities in the market. The following chart provides a further breakdown of TRS's targeted style allocation as compared to the actual allocation at June 30, 2010.

Private Equity Target and Actual Allocation as of June 30, 2010

Subclasses	Target	Actual
Buyout	60-80%	54.4%
Venture capital	10-25	22.5
Special situations/distressed debt/subordinated debt	5-20	23.1
Total		100.0%

Source: TRS

TRS made new commitments to five separate funds totaling close to \$425 million during the fiscal year. Included in this total were funds that can strategically benefit during recessionary or distressed-market environments. TRS remains opportunistic and continues to diversify its private equity portfolio for the global opportunity set. For FY11, the TRS private equity tactical plan calls for new commitments of approximately \$800 to \$1,200 million within the asset class.

Absolute Return

The absolute return asset class includes investment mandates that are expected to provide attractive return and risk attributes while exhibiting low correlation to the traditional asset classes of public equities and fixed income. Along with the real return asset class, the absolute return class was established as a result of the FY07 asset allocation study.

Investments in absolute return are administered via both direct investment manager relationships and diversified fund of funds. The long-term target allocation for the asset class is 5.0 percent of the overall TRS investment portfolio. Managers in this strategy are benchmarked to a relative risk-free index of 90-Day Treasury Bills + 4.0 percent. It is important to note this is not an investible index but is used as a benchmark given the risk reduction intent of the asset class.

For the year ended June 30, 2010, TRS's absolute return investment asset class earned 9.6 percent, net of fees, compared to the 4.2 percent return of the benchmark.

	FY10	3-Year
TRS, net of fees	9.6%	(1.7%)
Treasury Bill + 4%	4.2	5.6

At June 30, 2010, 3.9 percent of TRS's investment portfolio was assigned to absolute return managers and TRS employed the following managers including their respective assets under management.

Absolute Return Managers and Assets Under Management (inception date of account)

Diversified	
Bridgewater Pure Alpha Fund I (1/09)	\$326,389,216
Diversified Fund of Funds	
Grosvenor Monarch Fund, L.L.C. (6/07)	359,856,875
K2 Bluegill Fund, L.L.C. (6/07)	518,895,053
Emerging Manager	
Lasair Capital L.L.C. (8/09)	26,417,393

Discussion of Absolute Return

The absolute return asset class performed reasonably well given the severity and volatility associated with the market crisis and subsequent recovery. The absolute return portfolio outperformed its benchmark in FY10 due to strong performance of underlying managers combined with a tailwind associated with modest exposure to equity and credit markets. This modest equity exposure also explains the lagging performance for the trailing three-year period. Since its inception three years ago, the absolute return portfolio has outperformed U.S. equities by 8.6 percent, and has done so with less than one-third of the volatility.

Real Estate

Real estate investments are direct investments or ownership in land and buildings including apartments, offices, warehouses, shopping centers, and hotels. TRS also holds partnership interests in entities that purchase and manage property and pass rent and sale income back to TRS. Investment in real estate is intended to increase the TRS total portfolio long-term rate of return and reduce year-to-year volatility.

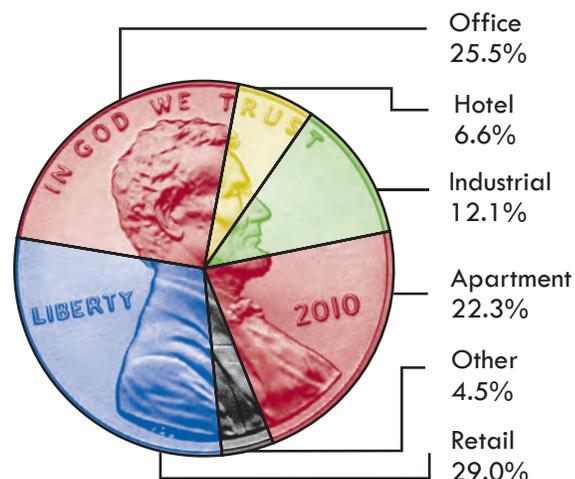
The real estate asset class offers competitive returns, provides diversification benefits to portfolios of stocks and bonds, and also serves as a hedge against inflation. Additionally, real estate offers a strong income component to pay TRS benefits.

As of June 30, 2010, TRS held \$3.3 billion in real estate assets, or 10.4 percent of the total fund portfolio. For the fiscal year, TRS's real estate investments declined 5.6 percent. Real estate performance and benchmark comparison are noted in the following table:

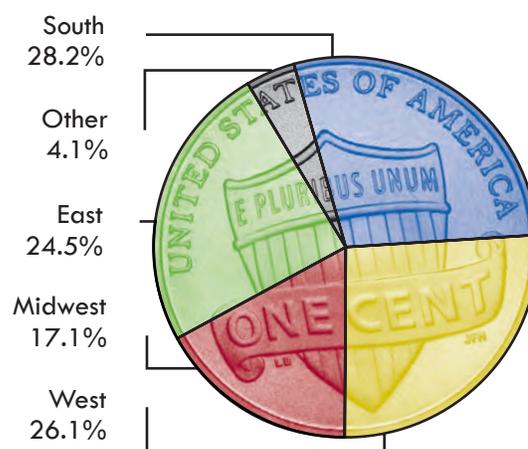
	FY10	3-Year	5-Year	10-Year
TRS, net of fees	(5.6%)	(11.6%)	0.6%	5.5%
Real Estate Property Index	(1.5)	(4.7)	3.8	7.2

To enhance returns and reduce risk, TRS acquires high quality properties diversified geographically and by property type. TRS's real estate holdings by type and geography are exhibited in the following charts.

Real Estate Holdings by Type as of June 30, 2010



Geographic Diversification of Real Estate Holdings as of June 30, 2010



Professional real estate advisors manage real estate owned by TRS. Separate account managers administer TRS's direct investments in real estate assets. Closed-end and open-end accounts represent partnership interests in real estate funds including TRS's international real estate accounts. As of June 30, 2010, TRS employed the following managers including their respective assets under management.

Real Estate Managers and Assets Under Management (inception date of account)

Separate Accounts

Capri/Capital Advisors, L.L.C. (12/91)	\$601,352,044
Cornerstone Real Estate Advisors, L.L.C. (7/08)	226,723,870
Cornerstone II S/A (7/09)	6,178,044
Cornerstone III S/A (8/09)	105,098,615
Cozad/Westchester Asset Management, Inc. (5/91)*	4,227,333
Heitman Capital Management, L.L.C. (7/09)	793,131,137
Invesco Institutional (N.A.), Inc. (7/08)	243,214,587
Koll Bren Schreiber Realty Advisors I (6/93)	263,320,728
LPC Realty Advisors I, Ltd. (7/92)	225,987,070
LPC Realty Advisors Core, Ltd. (4/07)	26,240,654

Closed-End Accounts

Beacon Capital Partners V, L.P. (8/07)	26,537,057
Blackstone Real Estate Partners VI, L.P. (9/07)	20,271,652
Capri/Capital Apartment Fund III (11/02)	109,527,997
Capri Select Income Fund II, L.L.C. (12/05)	4,660,783
Carlyle Realty Partners IV, L.P. (6/05)	49,283,935
Cornerstone Hotel Income & Equity Fund II, L.P. (7/08)	3,702,067
DLJ Real Estate Capital Partners, Inc. (3/96)*	568,226
JBC Opportunity Fund II, L.P. (5/03)	22,043,703

* In liquidation mode.

Continued

JER Real Estate Partners III, L.P. (1/05)	\$36,367,996
RLJ Lodging Fund II, L.P. (9/06)	29,216,288
RLJ Lodging Fund III, L.P. (9/08)	8,335,367
Thayer Hotel IV, L.P. (5/04)	6,270,720
Walton Street Capital IV, L.L.C. (7/03)	55,347,328
Walton Street Capital VI, L.L.C. (4/09)	19,772,626

Open-End Accounts

Hines U.S. Core Office Fund, L.P. (12/05)	122,032,575
Lion Industrial Trust (4/05)	131,477,257

International Real Estate Accounts

Carlyle Europe Real Estate Partners, L.P. (6/03)	16,036,959
Carlyle Europe Real Estate Partners III, L.P. (9/07)	15,003,408
CB Richard Ellis Strategic Partners Europe III (4/07)	36,537,062
CB Richard Ellis Strategic Partners U.K. III (5/07)	12,167,204
LaSalle Asia Opportunity Fund III, L.P. (11/07)	7,626,019
MGPA Asia Fund III, L.P. (12/07)	24,202,980

Discussion of Real Estate

The commercial real estate market continued to experience negative performance for the fiscal year ending June 30, 2010. However, performance significantly improved throughout the fiscal year. Fundamentals such as occupancy and rental rates began to strengthen, if only slightly, during the fiscal year attributing to a stabilization of property values. Transactions within commercial property began to increase with a focus on fully-leased, well-located core properties. The TRS investment portfolio has a long-term allocation of 14 percent to real estate and is currently 10.4 percent invested in the asset class. The portfolio will continue its efforts to move toward the long-term allocation through strategic allocations and opportunistically taking advantage of the property transaction market.

Brokerage Activity

The following table shows the top 50 listed brokers used by TRS external equity managers for the years ended June 30, 2010 and 2009. TRS also manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2010, TRS recaptured \$0.8 million in cash that was reinvested in the fund. In addition, TRS uses a portion of these commission recapture refunds to pay for Investment Department expenses. During FY10, TRS used \$0.2 million of recaptured funds to offset expenditures.

Top 50 Brokers Used by TRS Managers

Broker	FY10 Commission	FY09 Commission
Merrill Lynch & Co., Inc. and all Subsidiaries (Worldwide)	\$2,208,488	\$2,250,354
Credit Suisse (Worldwide)	1,451,809	1,316,792
Goldman Sachs & Co. (Worldwide)	1,364,243	1,399,255
J.P. Morgan Securities, Inc. (Worldwide)	1,363,340	1,437,635
UBS Warburg Securities and all Subsidiaries (Worldwide)	1,180,196	897,741
Morgan Stanley & Co., Inc. and Subsidiaries (Worldwide)	958,438	1,103,759
Barclays (Worldwide)	935,045	577,860
Citigroup, Inc. and all Subsidiaries (Worldwide)	892,172	795,827
Bank of New York Mellon (Worldwide)	761,324	667,392
Instinet, L.L.C. (Worldwide)	697,429	809,675
Deutsche Bank & Securities (Worldwide)	579,915	750,059
Liquidnet, Inc.	516,936	620,586
Macquarie Bank & Securities, Ltd. (Worldwide)	381,794	250,924

Continued

Broker	FY10 Commission	FY09 Commission
Investment Technology Group, Inc. (Worldwide)	\$356,336	\$649,913
State Street Brokerage Services (Worldwide)	349,498	643,821
Pipeline Trading Systems, L.L.C.	331,741	97,075
Ivy Securities, Inc.	320,695	313,267
Cabrera Capital Markets, Inc.	312,754	279,410
Jefferies & Company	303,230	347,209
Loop Capital Markets, L.L.C.	285,386	123,384
Weeden & Co.	242,140	195,391
M. Ramsey King Securities	236,951	197,954
Nomura International (Worldwide)	233,562	82,250
Stifel Nicolaus & Company (Worldwide)	194,319	117,916
Piper Jaffray, Inc.	176,070	125,691
Sanford Bernstein (Worldwide)	171,960	169,557
CL King & Associates, Inc.	153,098	161,310
Cantor Fitzgerald	142,510	128,026
Credit Lyonnais Securities (Worldwide)	141,868	116,000
Knight Securities, L.P.	138,868	125,122
Baird, Robert W., & Company, Incorporated	138,691	139,187
Raymond James (Worldwide)	137,458	138,065
RBC Dain Rauscher (Worldwide)	135,481	125,113
Oppenheimer & Company, Inc. (Worldwide)	128,526	124,991
Bloomberg Tradebook, L.L.C.	126,754	165,291
Credit Agricole	120,848	17,049
Wells Fargo (Worldwide)	103,286	0
Pulse Trading, L.L.C.	101,407	137,757
SG Cowen & Company (Worldwide)	99,865	123,536
Melvin Securities, L.L.C.	98,568	125,353
Thomas Weisel Partners, L.L.C.	98,153	97,755
Daiwa Securities	92,093	35,515
Keefe Bruyette & Woods, Inc.	88,327	73,518
Keybank Capital Markets	82,948	29,747
Suntrust Robinson Humphrey	79,772	78,666
Pacific Crest Securities	79,010	65,263
Guzman & Company	76,753	86,546
Williams Capital Group, L.P.	73,903	99,546
Citation Group	72,133	2,776
William Blair & Company	71,019	10,305
(All Others - 258 Brokers)	3,768,840	4,489,088
Total	<u>\$23,155,950</u>	<u>\$22,916,222</u>

Source: State Street Bank and Trust and TRS

External Manager Fee Payments

For the year ended June 30, 2010, fee payments to external investment managers totaled \$180.6 million, an increase of 13.5 percent from the year ended June 30, 2009. The rise is attributable to the increase in public funds asset values and the respective fees that are based on average asset values.

Schedule of Investment Manager Fees

Investment Manager/Account	FY10	FY09
21st Century Communication T-E Partners, L.P.	\$0	\$0
Aberdeen Asset Management, Inc.	1,989,881	1,568,764
Advent International GPE VI, L.P.	978,929	1,336,499
American Century Global Investment Management, Inc.	1,265,207	577,048
Analytic Investors, L.L.C.	2,129,975	2,029,793
Apex Investment Fund III, L.P.	0	6,351
Apex Investment Fund V, L.P.	376,002	444,375
Apollo Investment Fund V, L.P.	0	0
Apollo Investment Fund VI, L.P.	0	0
Apollo Investment Fund VII, L.P.	2,434,733	2,959,834
AQR Capital Management, L.L.C.	1,541,928	1,422,684
AQR Global Risk Premium Tactical Offshore Fund II, Ltd.	2,061,817	1,320,950
Avenue Europe Special Situations Fund, L.P.	557,843	460,240
Avenue Special Situations Fund V, L.P.	1,500,000	1,500,000
Banc Fund VI, L.P.	1,001,875	1,001,875
Banc Fund VII, L.P.	865,200	793,200
Batterymarch Financial Management, Inc.	0	423,785
Beacon Capital Partners V, L.P.	0	0
BlackRock, Inc.	711,721	1,083,517
Blackstone Real Estate Partners VI, L.P.	742,219	750,000
Boston Company Asset Management, L.L.C.	2,520,364	1,490,929
Brandes Investment Partners, L.P.	3,504,649	3,182,516
Bridgewater All Weather Portfolio Offshore Limited	1,787,315	1,547,758
Bridgewater Pure Alpha Fund I	7,204,655	2,743,678
Capri/Capital Advisors, L.L.C.	2,189,723	2,219,782
Capri/Capital Apartment Fund III	1,496,984	1,496,984
Capri Select Income II, L.L.C.	171,582	176,262
Carlyle Europe Real Estate Partners, L.P.	436,099	463,654
Carlyle Europe Real Estate Partners III, L.P.	1,162,718	1,207,375
Carlyle Partners IV, L.P.	584,960	583,146
Carlyle Partners V, L.P.	2,324,097	2,266,289
Carlyle Realty Partners IV, L.P.	890,346	879,141
Carlyle/Riverstone Global Energy Fund II, L.P.	584,219	686,791
Carlyle/Riverstone Global Energy Fund III, L.P.	712,979	638,516
Carlyle Strategic Partners, L.P.	140,160	306,283
Carlyle U.S. Growth Fund III, L.P.	1,000,000	1,000,000
Carlyle Ventures Capital II, L.P.	1,461,096	2,078,111
Castle Harlan Partners IV, L.P.	2,876	198,035
CB Richards Ellis Strategic Partners Europe Fund III	696,857	665,456
CB Richards Ellis Strategic Partners UK Fund III	452,674	519,098
Clearlake Capital Partners II, L.P.	485,005	306,692
Code Hennessy & Simmons V, L.P.	97,218	0
Commonwealth Realty Advisors, Inc.	0	3,981,517
Copper Rock Capital Partners, L.L.C.	1,206,170	841,135
Cornerstone Hotel Income & Equity Fund II, L.P.	138,722	115,942
Cornerstone Real Estate Advisors, L.L.C.	1,543,283	1,118,859
Cozad/Westchester Asset Management, Inc.	0	0
Cramer Rosenthal McGlynn, L.L.C.	902,144	258,856
Credo Capital Management, L.L.C.	171,090	11,763
Davis Hamilton Jackson & Associates, L.P.	3,367	0
Denali Advisors, L.L.C.	293,185	178,212
Dimensional Fund Advisors, L.P.	1,321,435	969,157
DLJ Merchant Banking Partners II, L.P.	23,860	142,893
DLJ Merchant Banking Partners III, L.P.	479,467	381,571
DLJ Real Estate Capital Partners, Inc.	0	0

Continued

Investment Manager/Account	FY10	FY09
Dodge & Cox	\$1,314,471	\$2,049,410
Dolan McEniry Capital Management, L.L.C.	470,531	379,428
EARNEST Partners, L.L.C.	1,152,749	440,568
Edgewater Growth Capital Partners, L.P.	274,846	28,869
Edgewater Growth Capital Partners II, L.P.	242,096	125,746
Elevation Partners, L.P.	375,000	344,560
Emerald Advisers, Inc.	1,200,609	1,090,079
Energy Capital Partners I, L.P.	646,544	723,968
Energy Capital Partners II, L.P.	630,502	0
Evercore Asset Management, L.L.C.	0	13,743
Evercore Capital Partners II, L.P.	215,322	225,177
Evergreen Partners IV, L.P.	445,089	376,659
Evergreen Partners V, L.P.	625,000	312,500
Fiduciary Management Associates, L.L.C.	295,631	252,719
Franklin Advisers, Inc.	1,872,069	1,253,125
Fred Alger Management, Inc.	895,507	808,927
Frontier Capital Management, L.L.C.	989,560	0
GI Partners	747,912	640,874
Glencoe Capital Partners III, L.P.	171,969	236,775
Glencoe Capital Institutional Partners III, L.P.	0	0
Goldman Sachs Asset Management, L.P.	1,529,539	1,419,386
Granite Ventures II, L.P.	500,000	500,000
Grantham, Mayo, Van Otterloo & Co., L.L.C.	6,542,346	4,968,639
Green Equity Investors V, L.P.	1,439,805	1,018,815
Gresham Investment Management Company, L.L.C.	412,856	140,495
Grosvenor Monarch Fund, L.L.C.	2,174,773	1,698,830
GTCR Fund VII/VIIA, L.P.	299,788	553,718
GTCR Fund VIII, L.P.	385,289	351,631
HealthPoint Partners, L.P.	471,894	566,528
Heitman Capital Management, L.L.C.	3,839,244	0
Hines U.S. Core Office Fund, L.P.	850,000	850,000
Hispania Private Equity, L.P.	139,475	174,907
Hopewell Ventures, L.P.	334,891	511,726
ICV Partners II, L.P.	250,330	245,897
Illinois Emerging Technologies Fund, L.P.	16,826	27,849
ING Investment Management Company	0	623,791
Invesco Institutional (N.A.), Inc.	1,195,606	1,203,067
Jarislowsky, Fraser Limited	803,525	745,541
JBC Opportunity Fund II, L.P.	333,580	368,839
J.C. Flowers II, L.P.	188,221	116,703
JER Real Estate Partners III, L.P.	387,040	577,675
JP Morgan Investment Management, Inc.	30,599	83,752
JP Morgan Management Associates, L.L.C.	3,691,120	3,023,572
K2 Bluegill Fund, L.L.C.	3,602,377	2,363,988
KKR 1996 Fund, L.P.	49,858	50,819
Koll Bren Schreiber Realty Advisors	1,379,008	1,338,813
Lasair Capital L.L.C.	230,017	0
LaSalle Asia Opportunity Fund III, L.P.	996,481	1,123,450
Lehman Brothers Asset Management, L.L.C.	0	166,138
Lehman Brothers Asset Management Offshore Strategic Commodities Fund, Ltd., sub adviser		
Gresham Investment Management Company, L.L.C.	0	327,371
Lion Industrial Trust	1,426,538	2,125,518
Littlejohn Fund IV, L.P.	252,434	0
LM Capital Group, L.L.C.	20,098	0

Continued

Investment Manager/Account	FY10	FY09
Lombardia Capital Partners, L.L.C.	\$311,517	\$114,274
Longitude Ventures Partners, L.P.	750,000	750,000
Loomis, Sayles & Company, L.P.	2,533,237	1,752,336
LPC Realty Advisors I, Ltd.	1,164,844	2,918,464
LSV Asset Management	2,019,214	2,225,245
MGPA Asia Fund III, L.P.	1,140,064	1,136,095
Madison Dearborn V, L.P.	493,820	1,047,446
Maranon Mezzanine Fund, L.P.	444,178	167,898
MatlinPatterson Global Opportunities Fund II, L.P.	0	222,990
MatlinPatterson Global Opportunities Fund III, L.P.	1,497,631	1,415,420
Mazama Capital Management, Inc.	1,351,606	1,926,457
MBK Partners	396,857	553,279
McKinley Capital Management, Inc.	2,345,934	3,585,487
Merit Mezzanine Fund IV, L.P.	862,331	942,319
Mesirow Capital Partners VII, L.P.	0	0
Mondrian Investment Partners Limited	1,883,660	1,905,022
New Century Advisors, L.L.C.	179,635	67,198
New Mountain Investments III, L.P.	1,475,272	1,398,065
OakBrook Investments, L.L.C.	46,744	0
Oaktree PPIP Private Fund, L.P.	19,270	0
OCM European Principal Opportunities Fund II, L.P.	1,089,768	0
OCM Opportunities Fund V, L.P.	32,599	36,607
OCM Opportunities Fund VIIIb, L.P.	1,528,326	1,558,515
OCM Opportunities Fund VIII, L.P.	1,105,020	0
Onex Partners III, L.P.	404,595	487,432
Pacific Investment Management Company, L.L.C.	11,382,055	1,560,228
PAI Europe V, L.P.	790,519	983,155
Piedmont Investment Advisors, L.L.C.	197,501	44,184
PIMCO Private Funds II, L.P.	77,584	0
Pine Brook Capital Partners, L.P.	851,546	818,850
Prism Mezzanine Fund, L.P.	589,532	613,272
Providence Equity Partners VI, L.P.	1,478,605	677,176
Prudential Investment Management, Inc.	500,731	214,927
Putnam Advisory Company, L.L.C.	971,850	208,650
Quantitative Management Associates, L.L.C.	0	996,807
Ranger Investment Management	72,860	214,313
Reliant Equity Partners, L.P.	0	12,321
RhumbLine Advisers, L.P.	127,342	101,551
Riverstone/Carlyle Global Energy and Power Fund IV, L.P.	1,227,062	1,370,573
RLJ Lodging Fund II, L.P.	610,108	711,834
RLJ Lodging Fund III, L.P.	625,000	1,232,449
Robeco Boston Partners Asset Management, L.P.	967,568	954,549
Schroder Commodity Offshore Portfolio, L.L.P.	1,306,276	1,219,992
SCP Private Equity Partners, L.P.	0	0
SCP Private Equity Partners II, L.P.	935,599	570,338
Shasta Ventures, L.P.	0	0
Silver Lake Partners III, L.P.	1,052,524	1,183,865
StarVest Partners, L.P.	300,000	600,000
State Street Bank and Trust Company (Custody)	235,065	50,000
State Street Global Advisors	729,760	513,515
State Street Global Markets	0	0
Stone-Levy, L.L.C.	0	730,229
SW Pelham Fund II, L.P.	365,625	367,406
T. Rowe Price Associates, Inc.	3,500,373	3,458,011
Taplin, Canida & Habacht	604,525	597,432

Continued

Investment Manager/Account	FY10	FY09
TCW/Latin American Private Equity Partners, L.P.	\$0	\$0
Technology Crossover Ventures VII, L.P.	743,462	142,663
Thayer Equity Investors V, L.P.	395,470	368,883
Thayer Hotel IV, L.P.	90,988	143,157
The Northern Trust Company (Custody)	0	441,667
Thompson, Siegel & Walmsley, Inc.	1,290,579	1,443,768
TPG Partners IV, L.P.	0	0
TPG Partners VI, L.P.	1,408,193	1,608,214
Trilantic Capital Partners III, L.P.	295,136	294,431
Trilantic Capital Partners IV, L.P.	571,987	720,250
Trilogy Global Advisors, L.L.C.	1,142,673	997,862
Trivest Fund II, Ltd.	0	0
Turner Investment Partners, Inc.	2,082,745	1,979,053
Tygh Capital Management, Inc.	1,474,442	1,368,837
VantagePoint Venture Partners IV, L.P.	1,716,805	0
VantagePoint Venture Partners 2006, L.P.	969,388	3,637,351
Vicente Capital Partners Growth Equity Fund, L.P.	300,000	300,000
Vista Equity Partners III, L.P.	688,224	535,833
VS&A Communications Partners II, L.P.	0	0
VSS Communications Partners IV, L.P.	850,842	809,385
Walton Street Capital IV, L.L.C.	819,478	973,948
Walton Street Capital VI, L.L.C.	484,735	458,859
Warburg Pincus International Partners, L.P.	387,600	0
Warburg Pincus Private Equity IX, L.P.	1,081,036	0
Warburg Pincus Private Equity X, L.P.	3,748,177	6,255,634
Wellington Management Company, L.P.	1,134,716	1,103,552
Wellington Management Company - Diversified Inflation Hedges Portfolio, L.L.C.	4,458,075	3,161,042
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P.	484,631	238,634
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P.	264,186	235,654
Western Asset Management Company	354,796	395,168
William Blair Mezzanine Capital Fund II, L.P.	0	41,910
William Blair Mezzanine Capital Fund III, L.P.	139,235	129,743
Wind Point Partners VI, L.P.	0	36,960
WPG Corporate Development Associates V, L.P.	10,682	38,369
WPG Enterprise Fund II, L.P.	56,151	106,420
WPG Enterprise Fund III, L.P.	135,727	133,292
Total fees paid by TRS	<u>\$180,641,485</u>	<u>\$159,222,616</u>

Note: This schedule captures investment manager fees applicable to the fiscal year(s) reported and differs from investment fees reported within the Financial Section.

Securities Lending

TRS participates in securities lending activity with its custodian, State Street Bank and Trust Company, acting as the securities lending agent. The Securities Lending Summary table outlines the net income from securities lending activity, the securities on loan, and the amount of collateral for these securities.

Securities Lending Summary

	Amount
FY10 net securities lending income	\$21,111,429
Total State Street collateral market value (6/30/10)	3,568,594,875
Total market value of securities on loan at State Street (6/30/10)	3,473,627,126
Total collateralized percentage	103%

Source: State Street Bank and Trust