



Stan, Tim, Sue, Chuck, Karen, Mike, Greg, Dawn, Shane, Tassi, Scott, and Ann of the Investment Department participate in an investment staff meeting.

Investments

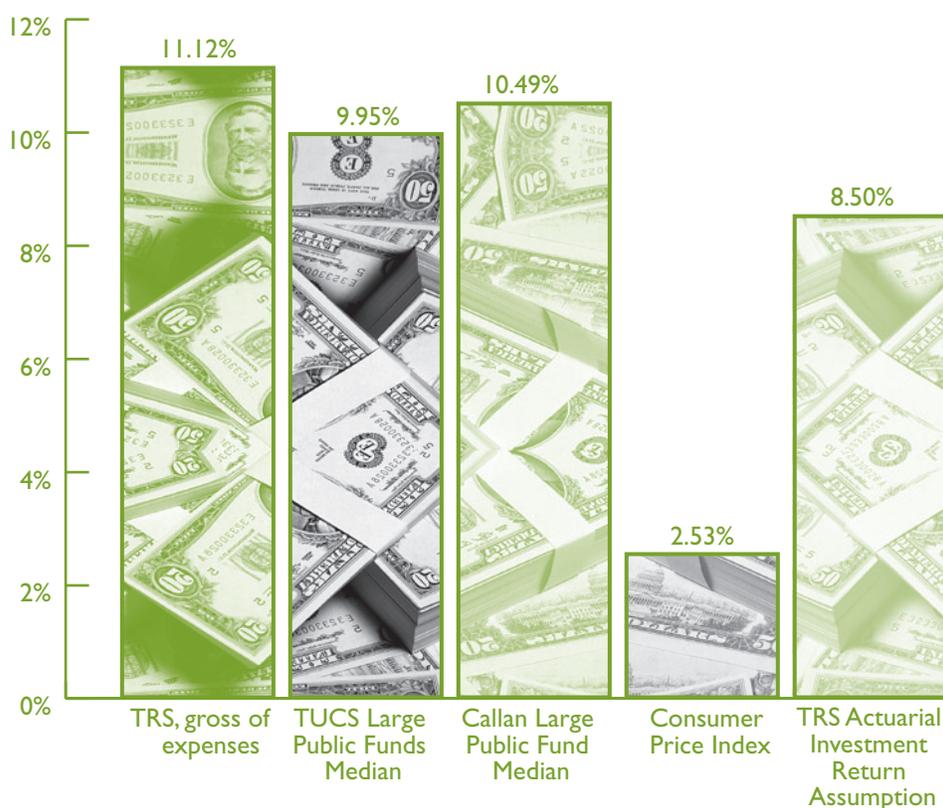


Introduction

The TRS investment portfolio had another strong year, returning 11.1 percent gross of fees. This number follows strong FY04 performance of 16.8 percent, gross of fees, as all asset classes again produced positive returns. Overall, the United States economy remained vibrant and inflation restrained, providing a healthy investment environment. Substantial gains were accumulated in the private markets in FY05 with the TRS real estate portfolio generating a 19.9 percent return, net of fees, and the TRS private equity portfolio returning 20.0 percent, net of fees.

The TRS investment portfolio continued to rank highly against its peers. Over the past five years, TRS ranks in the top decile of the large public funds in the Callan Associates' universe and in the top 14 percent in the Wilshire Trust Universe Comparison Service (TUCS).

Return Comparison for the Year Ended June 30, 2005



Source: Callan Associates, Wilshire Associates, The Northern Trust Company

Total TRS investments, including accrued income, increased by nearly \$2.9 billion during the year ended June 30, 2005. All asset classes had another positive year with private equity and real estate leading the way. International equity had another stellar year with a net of fees return of 17.3 percent, driven by the emerging markets. Rounding out the asset classes, domestic equity returned 8.1 percent, net of fees, and fixed income returned 6.6 percent, net of fees.

The TRS portfolio is fully diversified across different asset classes. Within each asset class there are a number of investment managers to ensure the appropriate mixture across the various investment styles, allowing the portfolio to achieve broad exposure to the market while minimizing risk. This broad diversification serves as the best defense against the uncertainty of volatile world markets.

The TRS trust fund is invested by authority of the Illinois General Assembly 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 with prudent risk parameters, and acting in the exclusive interest of TRS members.

As master trustee, The Northern Trust Company 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, 2004 through June 30, 2005. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2005. Additionally, The Northern Trust Company calculated, in accordance with the Association for Investment Management and Research Performance Presentation Standards, performance rates of return by portfolio, composite, and for all respective indices utilized throughout this section. TRS staff, in collaboration with the staff of The Northern Trust Company, prepared the Investment Section.

A complete listing of investment holdings is available on request.

Summary Data June 30, 2005

Total Fund Market Value	\$35.148 billion
One-Year Return (net of fees)	10.8%
Five-Year Return (net of fees)	4.7%
Ten-Year Return (net of fees)	9.5%
Percent Externally Managed	100.0%
Number of External Managers	98
Custodian	The Northern Trust Company
General Consultant	Callan Associates Inc.

TRS is ranked 32nd out of the top 200 U.S. pension funds/plan sponsors in the January 24, 2005, issue of *Pensions & Investments*. Rankings are based on market value of total assets at September 30, 2004.

Fund Performance vs. Benchmarks and Market Values

As of June 30, 2005, TRS’s total investments, including accrued investment income, at market value totaled \$35.148 billion, an increase of \$2.871 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 financial statements located on pages 28 and 29.

TRS had a total fund annualized return of 11.1 percent, gross of fees, and 10.8 percent, net of fees, for the one-year period ending June 30, 2005. The Performance Summary table shows the performance of the total investment portfolio versus comparative benchmarks.

As illustrated in the Performance Summary table, TRS's total return for FY05 surpassed the policy index return of 10.7 percent for the year ended June 30, 2005. The policy index represents a weighted average of each asset class benchmark, based on the total fund's target asset allocation. By exceeding the policy index, TRS showed consistent outperformance across its asset classes. 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 6/30/05		
	2005	2004	2003	2002	2001	3 Years	5 Years	10 Years
TRS Total Fund	10.8%	16.5%	4.9%	(3.2%)	(4.2%)	10.6%	4.7%	9.5%
TRS Weighted Policy Index	10.7	16.0	3.9	(4.2)	(6.8)	10.1	3.6	8.6
CPI (Inflation)	2.5	3.3	2.1	1.1	3.2	2.6	2.4	2.5
TRS Equity - U.S.	8.1	21.6	0.5	(15.2)	(12.0)	9.8	(0.3)	9.4
Russell 3000 Index	8.1	20.5	0.8	(17.2)	(13.9)	9.5	(1.4)	10.1
TRS Fixed Income*	6.6	0.7	10.7	9.7	7.2	5.9	6.9	6.6
TRS Weighted Fixed Income Index	6.8	0.3	11.1	10.0	7.2	6.0	7.0	6.0
Lehman Brothers Aggregate Index	6.8	0.3	10.4	8.6	11.2	5.8	7.4	6.8
TRS Equity - International	17.3	32.8	(5.2)	(6.8)	(19.5)	13.9	2.1	8.5
Non-U.S. Equity Index	17.0	32.5	(4.2)	(8.2)	(23.8)	14.1	0.8	5.8
TRS Real Estate	19.9	13.2	8.8	2.4	9.8	13.9	10.7	11.4
Real Estate Property Index	18.0	10.8	7.7	5.6	11.2	12.1	10.6	10.2
TRS Private Equity	20.0	10.3	(11.4)	(12.7)	(5.4)	5.4	(0.7)	23.2
Russell 3000 Index + 3.0%**	11.3	24.1	3.8	(14.7)	(11.3)	12.8	1.7	13.4
TRS Short-Term Investments	2.2	1.1	1.5	2.7	6.2	1.6	2.7	—
ML 91-Day Mark to Markets Index	2.2	1.0	1.5	2.7	5.9	1.6	2.6	4.0

The following chart shows the yearly returns for the previous benchmarks.

Asset Class/Index	Years ended June 30				
	2005	2004	2003	2002	2001
TRS Fixed Income - US*	-	-	-	8.1%	11.3%
Citigroup Broad	-	-	-	8.5	11.3
TRS Fixed Income - International*	-	-	-	15.9	(7.7)
Non-U.S. Bond Index	-	-	-	15.8	(7.5)

* During FY03, U.S. fixed income was combined with international fixed income to create a total fixed income asset class. The benchmark assigned to total fixed income is the Lehman Brothers Aggregate Index. The TRS fixed income returns provided are the combined U.S. fixed income and international fixed income returns for prior periods and the current fixed income return.

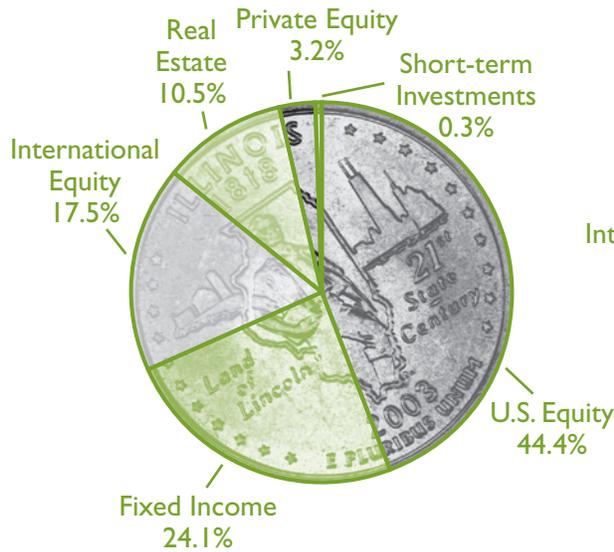
** Index compounded monthly.

Note: Rates of return provided by the Northern Trust Company in accordance with AIMR Performance Presentation Standards.

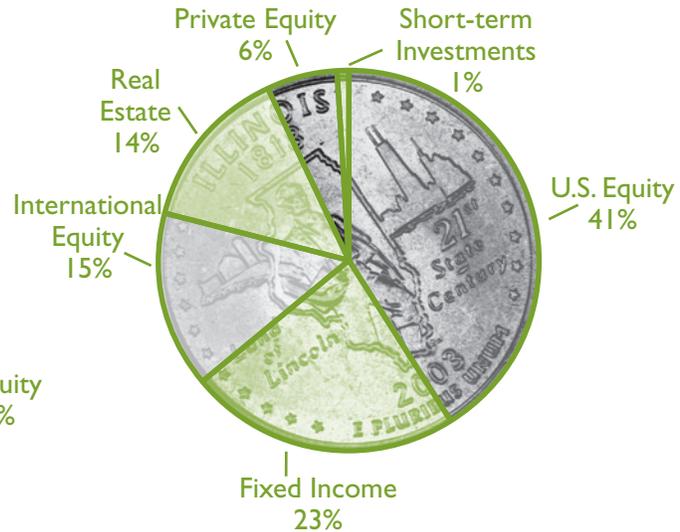
Asset Allocation vs. Targets

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.

FY05 Asset Allocation



Long-term Target Allocation



From an asset allocation standpoint during FY05, TRS made no major changes to the target weightings and structure adopted in 2002. However, within domestic equity, efforts were made to increase the portfolio's allocation to enhanced index and active small cap mandates. TRS continues to make investments in private equity and real estate as it attempts to increase the weightings of these asset classes up to target levels, but FY05 turned into an outstanding year for private equity companies to sell portfolio companies and return capital to TRS. This is beneficial from a return on investment standpoint, but makes it more difficult to increase exposure within the asset class.

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 Strategic Investment Listing table shows the asset allocation targets, as adopted by the Board of Trustees in April 2002, compared to the total assets assigned to each particular asset class at June 30, 2005.

Strategic Investment Listing Allocation Targets vs. Total Assets

	6/30/05	FY05			FY04	
	Total Fund \$ Million	Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. Equities	\$15,079	44.4%	43%	41%	48.1%	41%
Fixed Income	8,178	24.1	25	23	23.9	23
International Equities	5,938	17.5	15	15	16.5	15
Real Estate	3,580	10.5	12	14	8.5	14
Private Equity	1,090	3.2	4	6	2.7	6
Short-Term Investments	112	0.3	1	1	0.3	1
Pending Settlements/Expenses*	1,171	NA	NA	NA	NA	NA
Total Fund	\$35,148	100.0%	100%	100%	100.0%	100%

* 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 their portfolio. For example, U.S. equity managers hold not only common stock within their portfolio, but 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 PIMCO StocksPlus and WAMCO enhanced assignments are treated as equity on the Strategic Investment Listing, but are categorized as bonds and corporate obligations in the securities summary. These managers provide 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

	2005		2004	
	Market Value	% of Total	Market Value	% of Total
U.S. Government Obligations				
U.S. Treasuries	\$1,957,811,175	5.6%	\$1,584,449,978	4.9%
U.S. Federal Agencies	1,331,356,248	3.8	1,858,404,839	5.7
U.S. Government Index Linked Bonds	346,564,816	1.0	178,473,127	0.6
U.S. Government Backed Mortgages	2,371,367,541	6.7	2,057,781,654	6.4
U.S. Municipals (Taxable)	12,527,227	0.0	20,810,508	0.1
Total U.S. Government Obligations	6,019,627,007	17.1	5,699,920,106	17.7
U.S. Corporate Obligations				
Asset Backed Securities	614,698,386	1.8	361,674,987	1.1
Commercial Mortgage Backed Securities	287,002,709	0.8	171,824,155	0.5
Collateralized Mortgage Obligations	587,153,543	1.7	308,550,040	1.0
Commingled/Closed End Funds	668,564,763	1.9	1,018,792,907	3.2
Credit Obligations				
Financial	565,452,732	1.6	431,107,376	1.3
Industrial	821,791,248	2.3	695,536,093	2.1
Utilities	101,749,141	0.3	60,100,518	0.2
Total U.S. Corporate Obligations	3,646,412,522	10.4	3,047,586,076	9.4
Foreign Debt Obligations	659,701,554	1.9	341,939,109	1.1
Total Bonds, Corporate Notes, and Government Obligations	10,325,741,083	29.4	9,089,445,291	28.2
Equities				
Common Stock - U.S.	12,499,580,367	35.6	13,185,157,414	40.8
Preferred Stock - U.S.	60,156,653	0.2	46,056,145	0.1
Common Stock - International	6,118,615,710	17.4	5,249,363,442	16.3
Preferred Stock - International	108,842,145	0.3	124,014,221	0.4
Total Equities	18,787,194,875	53.5	18,604,591,222	57.6
Short Term Investments	1,413,132,556	4.0	1,036,863,444	3.2
Foreign Currency	28,166,730	0.1	24,999,284	0.1
Private Equity	1,068,633,225	3.0	840,390,782	2.6
Real Estate Equity	3,525,456,881	10.0	2,680,788,703	8.3
TRS Total Portfolio	\$35,148,325,350	100.0%	\$32,277,078,726	100.0%

Reconciliation of TRS Portfolio Securities Summary to Total Investments

	2005	2004
TRS Total Portfolio	\$35,148,325,350	\$32,277,078,726
Less accrued income	(249,963,566)	(230,705,401)
Investments at fair value	\$34,898,361,784	\$32,046,373,325

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

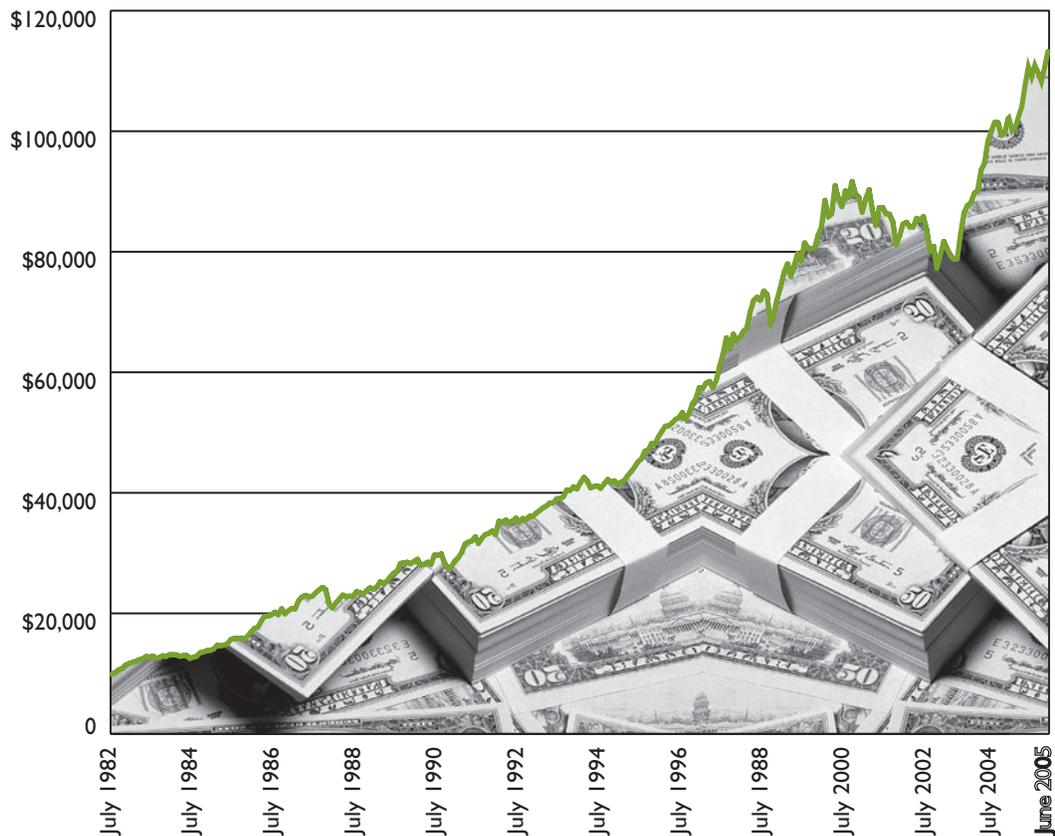
Asset Type	2005	2004	2003	2002	2001
Bonds, Corporate Notes, and Government Obligations	29.4%	28.2%	30.3%	37.9%	36.4%
Equities - International	17.7	16.7	13.9	14.4	19.2
Equities - U.S.	35.8	40.9	38.6	29.3	26.3
Private Equity	3.0	2.6	2.8	2.6	2.8
Real Estate Equity	10.0	8.3	10.0	9.5	10.0
Short-Term Investments/Currency	4.1	3.3	4.4	6.3	5.3
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TRS

Note: During FY03, the U.S. fixed income asset class was combined with the international fixed income asset to create a total fixed income asset class. TRS's allocation percentage of bonds for prior years is the combined total of U.S. bonds and international bonds.

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 23 years. Despite the economic downturn in 2000 through 2003, the overall trend is solidly favorable.

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, 2005.

U.S. Equity

U.S. equity, or common stock, represents shares or units of ownership in a public corporation. TRS invests in equities because the asset class offers the opportunity to participate in the success of the 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 returned 8.1 percent on a net of fee basis, in line with the Russell 3000 Index return of 8.1 percent. One-, three-, five- and 10-year comparisons to this benchmark are noted below:

	FY05	3-Year	5-Year	10-Year
TRS, net of fees	8.1%	9.8%	(0.3%)	9.4%
Russell 3000 Index	8.1	9.5	(1.4)	10.1

At June 30, 2005, 44.4 percent of TRS's investment portfolio was assigned to U.S. equity managers. TRS employed U.S. equity managers to use active, index, or enhanced index management strategies during FY05.

The top 10 domestic equity holdings, excluding index funds, at June 30, 2005, are listed below and represent 8.3 percent of total U.S. equity holdings. A complete listing of investment holdings is available as a separate report. Additional securities of the following firms listed are included in the index funds managed by State Street Global Advisors and Northern Trust Global Investments.

Top 10 U.S. Equity Holdings at June 30, 2005

Firm	Market Value
Citigroup, Inc.	\$158,866,667
General Electric Co.	138,231,428
Pfizer, Inc.	110,492,154
Microsoft Corp.	109,546,064
Exxon Mobil Corp.	107,182,642
Chevron Corp.	92,150,680
Johnson & Johnson	86,904,155
Hewlett Packard, Co.	82,391,359
Time Warner, Inc.	78,761,683
American International Group, Inc.	75,790,869
Total	<u>\$1,040,317,701</u>

Source: The Northern Trust Company

As of June 30, 2005, TRS employed 25 domestic equity managers. The following chart lists the managers and assets under management.

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

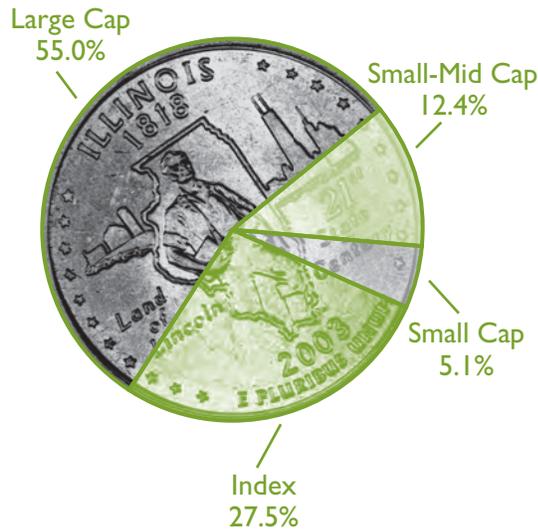
Index	
Northern Trust Global Investments-Large Cap Index (7/03)	\$424,196,222
Northern Trust Global Investments-Small/Mid Cap Index (7/03)	98,970,936
State Street Global Advisors-Large Cap Index (11/98)	2,442,719,977
State Street Global Advisors-Small/Mid Cap Index (6/02)	215,682,577
Enhanced Index	
Barclays Global Investors (6/05)	902,170,308
Pacific Investment Management Company, L.L.C. (8/91)	947,182,780
T. Rowe Price Associates, Inc. (6/05)	902,048,939
Western Asset Management Company, L.L.C. (4/05)	953,944,072
Large Cap Value	
Advisory Research, Inc. (9/02)	82,477,277
Bear Stearns Asset Management, Inc. (1/03)	747,496,730
Boston Partners Asset Management, L.P. (1/03)	757,617,020
Dodge & Cox (4/00)	1,644,223,538
EARNEST Partners, L.L.C. (2/02)	171,823,077
Great Lakes Advisors, Inc. (9/02)	89,602,986
Large Cap Growth	
Holland Capital Management (2/02)	306,302,961
Sands Capital Management, Inc. (6/04)	372,672,306
Turner Investment Partners, Inc. (6/04)	397,351,868
Voyageur Asset Management, Inc. (11/04)	457,496,550
Small/Mid Cap Value	
Ariel Capital Management, L.L.C. (8/01)	442,550,205
LSV Asset Management (12/02)	651,630,988
Small/Mid Cap Growth	
Delaware Investment Advisers (12/02)	537,946,269
J. & W. Seligman & Company, Inc. (1/03)	274,253,774
Mazama Capital Management, Inc. (1/03)	319,653,388
Small Cap Growth	
Batterymarch Financial Management, Inc. (11/04)	196,576,024
Emerald Advisors, Inc. (11/04)	189,012,177
Mazama Capital Management, Inc. (11/04)	54,107,603
Small Cap Value	
Byram Capital Management, L.L.C. (11/04)	193,812,311
Thompson, Siegel & Walmsley, Inc. (11/04)	202,803,423
SSgA Small Cap Transition (8/04)*	94,838,177

* No fees were paid to the transition account manager.

Discussion of U.S. Equity

The long-term target for TRS investments in U.S. equities is 41 percent. 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



The 8.1 percent return for the Russell 3000 was slightly below the historical annual return for the broad stock market, but the overall investment environment over the past 12 months remained positive. Uncertainty heading into the November elections produced a relatively flat equity market, but a post-election spike pushed the broad market up over 8 percent to finish the calendar year. The remaining six months of the fiscal year traded flat due to concerns about how high the Federal Reserve would raise interest rates.

Through the year, TRS focused on strengthening the large cap growth and small cap investment manager structures. TRS funded several new managers in November 2004 in the small cap growth and small cap value sectors. These managers are off to a great start. For the first six months of 2005, these managers, as a group, have outperformed their benchmark by 1.9 percent.

Statistical Data

The following two 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, 2005

Characteristic	TRS Domestic Equity	Russell 3000 Index
Weighted Average Market Cap (billions)	\$57.3	\$71.9
Price/Earnings Ratio	18.1x	19.0x
Dividend Yield	1.5%	1.7%
5-Year EPS Growth	12.6%	11.2%
Price/Book Ratio	2.6x	2.8x

Source: The Northern Trust Company



Bob of Support Services and Jael of the Communications Department review a press proof of the Forms Order Line brochure.

U.S. Equity – Diversification by Industry Sector for Year Ending June 30, 2005

Sector	TRS Domestic Equity Weighting	Russell 3000 Index Weighting
Consumer Discretionary	18.4%	12.9%
Consumer Durables	7.3	8.5
Energy	8.7	8.0
Financial Services	19.0	21.2
Health Care	13.3	13.6
Industrials	9.9	10.5
Materials	4.9	3.2
Technology	14.2	15.3
Telecommunication Services	1.8	3.0
Utilities	2.5	3.8
Total	100.0%	100.0%

Source: The Northern Trust Company

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 multinationally, or companies that are particularly strong in their own markets or industries.

For the year ended June 30, 2005, the international equity asset class returned 17.3 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 and future references) return of 17.0 percent. One-, three-, five- and 10-year comparisons to this benchmark are in the following table:

	FY05	3-Year	5-Year	10-Year
TRS, net of fees	17.3%	13.9%	2.1%	8.5%
Non-U.S. Equity Index	17.0	14.1	0.8	5.8

At June 30, 2005, 17.5 percent of the TRS investment portfolio was assigned to international equity managers. The following table lists the top 10 international equity holdings of active managers as of June 30, 2005. As is evident in the holdings list, these investments are diversified geographically and include companies that are dominant within their industry and familiar to the U.S. economy. Examples of these of global companies include Nestle, GlaxoSmithKline, BP (Amoco) and Toyota. These securities represent 11.1 percent of the total international equity holdings. A complete listing of investment holdings is available as a separate report. Additional securities of firms listed in the following table are included in the index funds managed by State Street Global Advisors and Northern Trust Global Investments.

Top 10 International Equity Holdings at June 30, 2005

Firm	Country	Market Value (USD)
GlaxoSmithKline	United Kingdom	\$116,033,169
Nestle	Switzerland	94,828,638
Telefonica	Spain	70,704,378
BP	United Kingdom	67,566,886
Total SA	France	64,443,415
Novartis AG	Switzerland	63,976,979
ING Groep	Netherlands	58,927,383
Takeda Pharmaceutical	Japan	58,370,183
Toyota Motor Corp.	Japan	47,885,021
Royal Dutch Petroleum	Netherlands	45,924,502
Total		<u>\$688,660,554</u>

Source: The Northern Trust Company

As of June 30, 2005, TRS employed nine international equity managers. The following chart lists these managers and the assets under management.

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

Index	
Northern Trust Global Investments (7/03)	\$5,905,521
State Street Global Advisors (5/99)	89,678,695
State Street Global Advisors-Transition (8/05)	667,240,588
Active Core	
Artisan Partners, L.P. (3/03)	433,560,496
Brandes Investment Partners, L.P. (2/98)	946,866,728
Fidelity Management Trust Company (6/03)	864,315,809
Harris Associates L.P. (3/03)	472,497,938
INVESCO Global Asset Management (N.A.), Inc. (6/00)	844,560,145
Mondrian Investment Partner Limited (4/93)	956,863,398
Emerging Markets	
Grantham, Mayo, Van Otterloo & Co., L.L.C. (3/03)	655,925,174

Discussion of International Equity

The target for international equities is 15 percent. The International Equity Manager Structure table provides a further breakdown of the styles within the international equity portfolio.

International Equity Manager Structure

Target	
International Equity Total	15.0%
Sub-classes:	
Passive Non-U.S.	2.0
Active Core	90.0
Emerging Markets	8.0
Total	100.0%

International equity markets continued to post attractive returns for the year ended June 30, 2005. The one-year return as measured by the MSCI All Country Ex-U.S. Free Index was 17.0 percent. The emerging markets, which are the developing economies in the international markets and represent a 12.0 percent weighting in the international index, was again the strongest segment, returning 34.9 percent. Within the emerging markets, Latin America was the biggest gainer, led by Brazil's rise of 58.1 percent and Mexico's impressive return of 42.4 percent. In the developed segment of the non-U.S. markets, the Pacific Rim Ex-Japan region, which includes the countries of Australia, New Zealand, Hong Kong, and Singapore, was the strongest region, returning 34.8 percent. Australia was the best performing country, returning 39.4 percent. On the European continent the small Nordic countries of Norway and Austria were the best performing countries, returning 49.7 percent and 48.8 percent, respectively. The United Kingdom, which is the largest international and European market, slightly lagged the broader markets advance, appreciating by 16.8 percent. Japan, which was the strongest performing international developed market last year, reversed course and was the worst performing market for the year ended June 2005, falling by 1.4 percent.

The TRS international equity portfolio outperformed its international index by 0.3 percent, returning 17.3 percent, net of fees, compared to the international benchmark return of 17.0 percent. The TRS international equity portfolio benefited by its overweight position in emerging market equities and a tendency for its international equity managers to hold smaller capitalization stocks than that of the international index.

Portfolio Characteristics

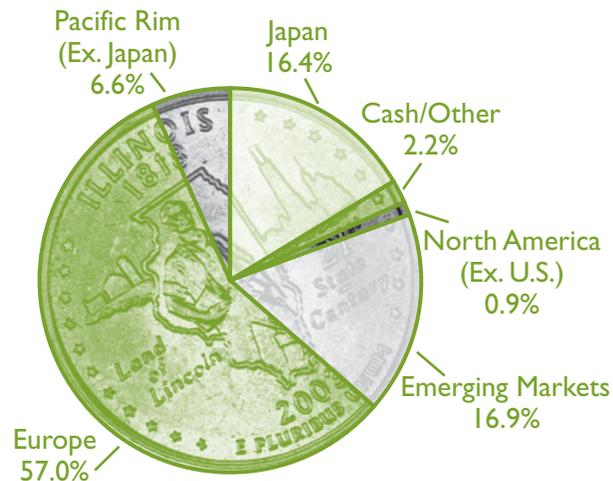
The next two charts convey the fundamental characteristics and the regional exposure of the international equity portfolio.

International Equity Fundamental Characteristics

Characteristic	TRS International Equity	Non-U.S. Equity Index
Market Cap (billions)	\$39.2	\$42.2
Price/Earnings Ratio	14.3x	15.8x
Dividend Yield%	2.7%	2.6%
Price/Book Ratio	2.1x	2.1x

Source: The Northern Trust Company and Wilshire Associates

Regional Allocation Comparison June 30, 2005 TRIS International Equity Exposure



Fixed Income

Fixed income is a financial obligation of an entity including, but not limited to, corporations, governments, agencies, 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. Fixed income falls into two general categories: debt obligations and preferred stock. The issuer of debt is the borrower of capital and the purchaser, or holder of bonds, is the creditor or lender.

Fixed income is an important asset class as, in a well-diversified portfolio, these investments can reduce volatility, offer negative correlation to equity portfolios and provide income streams essential to the growth of the overall portfolio.

For the year ended June 30, 2005, TRS fixed income managers earned a 6.6 percent return, net of fees, compared to the 6.8 percent return of the benchmark, the Fixed Income Blended Index. The fixed income blended index is a weighted index, based on U.S. and former international targets. One-, three-, five- and 10-year comparisons to this benchmark are noted below:

	FY05	3-Year	5-Year	10-Year
TRS, net of fees	6.6%	5.9%	6.9%	6.6%
TRS Fixed Income Blended Index	6.8	6.0	7.0	6.0

As of June 30, 2005, TRS employed 12 fixed income managers overseeing assets of nearly \$8.2 billion, as identified in the Fixed Income Managers and Assets Under Management table. This table categorizes manager assignments by index, core, core plus and global inflation-linked.

Core plus managers are firms with particular skills in the extended bonds markets, such as high yield and non-dollar denominated investments. Following defined parameters, these managers are able to offer enhanced returns while maintaining a similar risk profile to that of a core manager. TRS added a global inflation-linked portfolio to the fixed income manager roster in FY05. This portfolio invests primarily in U.S. and foreign government inflation-linked securities whose coupon or principal is directly tied to the country's rate of inflation.

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

Index	
Northern Trust Global Investments (7/03)	\$81,897,267
State Street Global Advisors (4/03)	538,280,329
Core Plus	
BlackRock, Inc. (6/97)	1,599,883,354
Pacific Investment Management Company, L.L.C. (7/82)	1,619,921,635
UBS Global Asset Management, Inc. (4/03)	781,168,610
Core Accounts	
Dodge & Cox (11/03)	773,991,951
EARNEST Partners Limited, L.L.C. (2/02)	190,871,429
LM Capital Group, L.L.C. (3/04)	189,444,383
Payden & Rygel (6/97)	993,460,586
Taplin, Canida & Habacht (3/04)	190,329,964
Weiss, Peck & Greer/Robeco USA (12/91)	796,526,886
Global Inflation-Linked	
Western Asset Management Company (2/05)	400,965,379

The following table lists the top 10 fixed income securities held by TRS's active managers as of June 30, 2005. These securities represent 10.8 percent of the total fixed income assets. A complete listing of investment holdings is available as a separate report. Additionally, 7.6 percent of the fixed income portfolio is held in index funds managed by State Street Global Advisors and Northern Trust Global Investments.

Top 10 Fixed Income Holdings at June 30, 2005

Security/Position	Rate	Maturity Date	Market Value
Federal National Mortgage Association TBA	5.50%	7/15/2034	\$236,845,528
Federal National Mortgage Association TBA	6.00	7/15/2034	161,417,000
U.S. Treasury Notes	3.75	3/31/2007	134,699,836
Federal National Mortgage Association TBA	5.00	8/15/2019	121,061,591
Federal National Mortgage Association TBA	6.00	8/11/2035	92,267,986
U.S. Treasury Notes	3.13	1/31/2007	78,634,559
U.S. Treasury Notes	3.38	2/15/2008	74,832,289
U.S. Treasury Notes	4.00	2/15/2015	73,640,866
U.S. Treasury Notes	3.38	2/28/2007	69,290,522
U.S. Treasury Notes	3.63	4/30/2007	67,912,831
Total			\$1,110,603,008

Source: The Northern Trust Company

Discussion of Fixed Income

At June 30, 2005, 24.1 percent of TRS's investment portfolio was assigned to fixed income managers, just slightly under the interim target of 25.0 percent. Overall, TRS returned 6.6 percent, net of fees, compared to the Lehman Brothers Aggregate Index return of 6.8 percent. As seen in the performance chart, longer-term returns remain excellent as evidenced by the 10-year fixed income return of 6.6 percent relative to the blended benchmark return of 6.0 percent.

The Federal Reserve began its "measured pace" tightening in the middle of last year, raising the federal funds target rate nine times over the past year from 1.0 percent to a level of 3.25 percent at June 30, 2005. However, atypical during federal tightening cycles, long-term rates actually declined, amidst rising inflation.

As a result of rising interest rates, TRS external managers maintained a defensive, shorter duration posture for most of the year. In addition, the credit rating downgrade of Ford and General Motors, and subsequent price depreciation, slightly reduced the portfolio's return. Positive relative performance was generated from inflation-indexed securities, mortgage positions and various extended markets positions, primarily in emerging market debt.

Statistical Data

Fixed Income Profile

Characteristic	TRS Fixed Income Portfolio 6/30/05*	Lehman Brothers Aggregate Bond Index 6/30/05	TRS Fixed Income Portfolio 6/30/04*	Lehman Brothers Aggregate Bond Index 6/30/04
Average Maturity	6.6 years	6.8 years	6.7 years	7.4 years
Effective Duration	4.1 years	4.2 years	4.1 years	4.6 years
Average Coupon	4.7%	5.2%	5.2%	5.3%
Average Quality Rating (Moody's)	Aa1	Aa1	Aa1	Aa1
Current Yield	4.8%	5.0%	4.7%	5.1%

* *weighted*

Source: Lehman Brothers and TRS

Fixed Income Managers Sector Weighting

Sector Weighting	TRS Fixed Income Portfolio 6/30/05	Lehman Brothers Aggregate Bond Index 6/30/05	TRS Fixed Income Portfolio 6/30/04*	Lehman Brothers Aggregate Bond Index 6/30/04*
U.S. Treasury	19.1%	25.5%	25.1%	23.8%
U.S. Federal Agency	8.3	11.1	8.0	11.3
U.S. Credit	18.0	24.3	17.5	24.6
Mortgage-Backed Securities	32.5	34.4	36.5	35.8
Asset Backed Securities	3.9	1.3	3.6	1.6
Commercial Mortgage-Backed	4.0	3.4	2.3	2.9
Other**	14.2	0.0	7.0	0.0

* FY04 percentages were reclassified due to reporting of commercial mortgage-backed sector.

** Other includes non-dollar, cash and cash equivalents, municipals, and miscellaneous.

Source: Lehman Brothers, TRS, and The Northern Trust Company

Diversification by Quality Rating for Fixed Income Manager Portfolios

Moody's Quality Rating	06/30/05	06/30/04
Agency	13.1%	20.4%
Treasury	19.0	19.4
Aaa*	43.9	32.9
Aa1 through Aa3	9.1	13.5
A1 through A3	4.3	5.3
Baa1 through B3	9.9	7.9
Other**	0.7	0.6
Total	100.0%	100.0%

* Includes Enhanced Equity Indexed bond holdings

** Other includes under B3 and NR ratings.

Source: The Northern Trust Company and TRS



Sharon, Marlys, and Glenda of the Investment Department schedule investment meetings.

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 of 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 companies, privately held firms, 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. 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 using the Russell 3000 stock index plus 300 basis points (3 percentage points). As such, the benchmark does not specifically compare performance to the private equity industry, but rather to the TRS long-term expectation that private equity produces returns superior to the public markets. For the one-year period ending June 30, 2005, private equity outperformed the benchmark by 8.7 percent.

The past 12 months have been incredibly attractive for private equity sale activity. Many of TRS's managers have sold significant parts of their portfolio generating favorable returns. With historically low interest rates and significant cash on the balance sheets of the larger "Fortune 500" companies, buyers have been quick to acquire well-run private equity portfolio companies.

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 result as well, outperforming the benchmark by 9.8 percent over the 10-year period. One-, three-, five- and 10-year comparisons to this benchmark are noted in the following table:

	FY05	3-Year	5-Year	10-Year
TRS, net of fees	20.0%	5.4%	(0.7%)	23.2%
Russell 3000 Index + 3.0%	11.3	12.8	1.7	13.4

At June 30, 2005, 3.2 percent of the TRS investment portfolio was assigned to the private equity asset class. TRS has commitments to 60 private equity partnerships/funds and is currently invested in 54. The following chart lists the partnerships and the current assets under management.

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

Buyout

Carlyle Partners IV, L.P. (12/04)*	\$0
Castle Harlan Partners IV, L.P. (5/03)	14,310,980
Code Hennessy & Simmons V, L.P. (2/05)*	0
DLJ Merchant Banking Partners, L.P. (9/92)	3,992,355
DLJ Merchant Banking Partners II, L.P. (3/97)	26,563,692
DLJ Merchant Banking Partners III, L.P. (9/00)	102,457,412
Elevation Partners, L.P. (2/05)*	0
Evercore Capital Partners II, L.P. (4/03)	22,932,201
Glencoe Capital Partners III, L.P. (1/04)	7,644,072
Glencoe Capital Institutional Partners III, L.P. (6/04)	8,999,441
GTCR Fund VII/VIIA, L.P. (3/00)	52,420,766
GTCR Fund VIII, L.P. (7/03)	19,121,050
Hispania Private Equity, L.P. (5/04)	813,753
KKR 1996 Fund, L.P. (5/97)	30,562,550
Lehman Brothers Merchant Banking III, L.P. (2/05)	8,937,513
Mesriow Capital Partners VII, L.P. (6/97)	3,816,352
Reliant Equity Partners, L.P. (6/04)	2,397,733
Thayer Equity Investors V, L.P. (5/03)	33,523,460
TPG Partners IV, L.P. (12/03)	14,537,994
Trivest Fund II, Ltd. (6/96)	15,873,381
VS&A Communications Partners II, L.P. (9/95)	3,205,104
VSS Communication Partners IV, L.P. (2/05)	3,199,018
Windpoint Partners VI, L.P. (5/05)*	0
WPG Corporate Development Associates V, L.P. (11/97)	7,818,046

Distressed Debt

Carlyle Strategic Partners, L.P. (2/04)	5,052,330
MatlinPatterson Global Opportunities Fund II, L.P. (1/04)	13,060,586
OCM Opportunities Fund V, L.P. (6/04)	26,739,666

Special Situations

Apollo Investment Fund V, L.P. (5/01)	117,081,018
Banc Fund VI, L.P. (12/02)	53,895,677
Banc Fund VII, L.P. (5/05)	1,622,128
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	61,745,806
HealthPoint Partners, L.P. (6/04)	17,586,328
TCW/Latin America Private Equity Partners, L.P. (5/97)	2,731,515
Warburg Pincus International Partners, L.P. (9/00)	54,054,582

Subordinated Debt

Merit Mezzanine Fund IV, L.P. (2/04)	2,256,312
Prism Mezzanine Fund, L.P. (5/04)	1,928,841
SW Pelham Fund II, L.P. (9/03)	23,332,863
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P. (2/05)*	6,178,429
William Blair Mezzanine Capital Fund II, L.P. (5/97)	20,287,932
William Blair Mezzanine Capital Fund III, L.P. (1/00)	34,252,755

Venture Capital

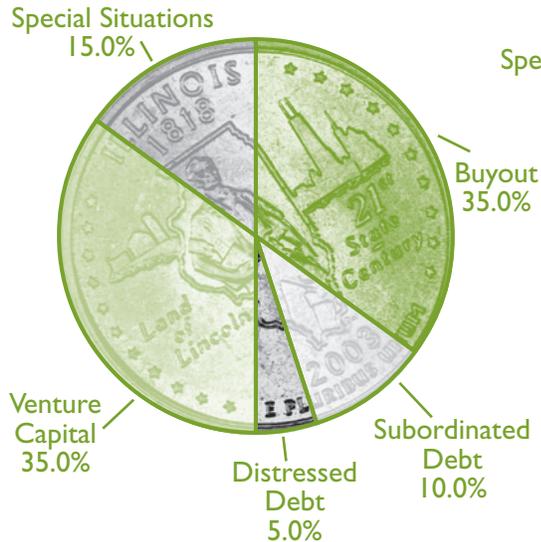
Apex Investment Fund III, L.P. (6/96)	2,891,509
Apex Investment Fund V, L.P. (8/03)	13,270,521
Carlyle Venture Partners II, L.P. (10/02)	68,887,590
Edgewater Growth Capital Fund, L.P. (11/03)	11,953,240
Edgewater Growth Capital II, L.P. (2/05)*	0
Evergreen Partners IV, L.P. (12/02)	6,942,772
Frontenac VI, L.P. (6/93)	1,047,477
Granite Ventures II, L.P. (5/05)*	0
Hopewell Ventures, L.P. (6/04)	1,538,899
Illinois Emerging Technologies Fund, L.P. (6/04)	525,399
Penman Private Equity and Mezzanine Fund, L.P. (10/94)	3,397,693
Periscope Fund I, L.P. (6/97)	290,187
21st Century Communication T-E Partners, L.P. (2/95)	5,904,707
SCP Private Equity Partners, L.P. (5/97)	12,409,365
SCP Private Equity Partners II, L.P. (6/00)	45,194,158
Shasta Ventures, L.P. (12/04)	2,632,221
VantagePoint Venture Partners IV, L.P. (6/00)	35,660,651
WPG Enterprise Fund, L.P. (11/89)	375,457
WPG Enterprise Fund II, L.P. (8/94)	19,008,285
WPG Enterprise Fund III, L.P. (3/97)	32,939,112

* Partnership was not funded at June 30, 2005; date reflects the TRS Board of Trustees approval.

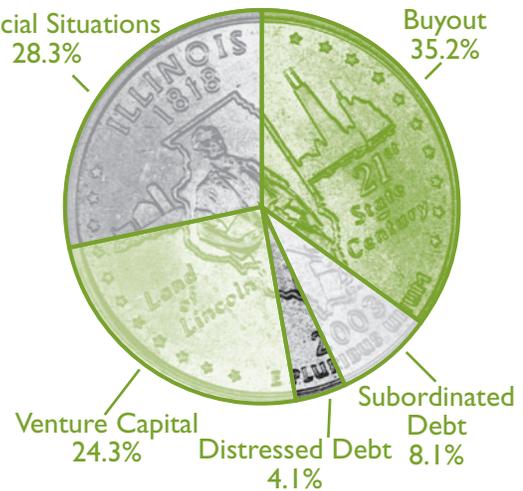
Discussion of Private Equity

In April 2003, the TRS Board of Trustees adopted a target for private equities of 6.0 percent. The following charts provide a further breakdown of the targeted style allocation adopted by the TRS Board as compared to the actual breakdown at June 30, 2005.

Private Equity Target
as of June 30, 2005



Private Equity Breakdown
as of June 30, 2005



Source: TRS

As of June 30, 2005, the TRS private equity asset class was underweight relative to its 6 percent target. Given the characteristics of private equity and the availability of appropriate partnerships, increases in allocation to the asset class must be accomplished over longer periods of time. TRS will continue to prudently implement the private equity structure and strive to reach the 6 percent target over a three- to four- year period.

During FY05, TRS made new commitments to 11 private equity funds totaling \$440 million. The TRS Tactical Plan calls for investing approximately \$600 to \$700 million per year for the next four years.

Real Estate

Real estate investments are direct investments or ownership in land and buildings including apartments, offices, warehouses, shopping centers, hotels, and farm land. 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.

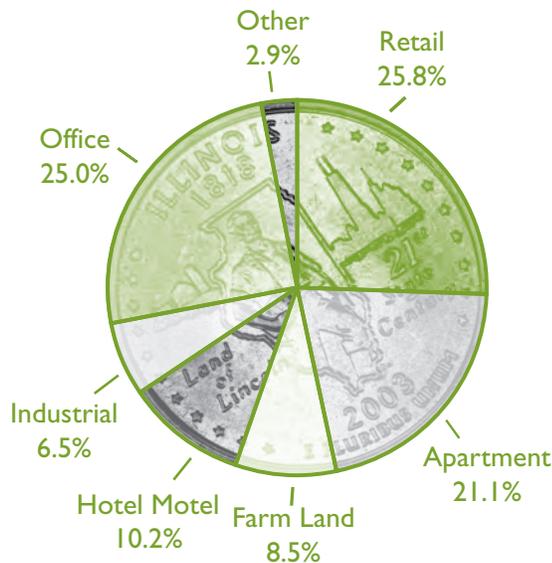
The real estate asset class offers competitive returns, provides diversification benefits to portfolios of stocks and bonds, and also serves as a hedge against inflation. Additionally, real estate offers a strong income component to pay program benefits to plan participants and survivors.

As of June 30, 2005, TRS had nearly \$3.6 billion in real estate assets, or 10.5 percent of the total fund portfolio. For the year, TRS's real estate investments returned 19.9 percent and outperformed the Real Estate Property Index for the third consecutive year. Real Estate performance and benchmark comparison are noted in the following table:

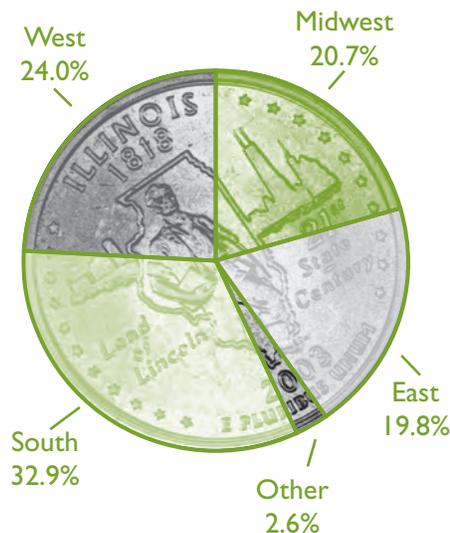
	FY05	3-Year	5-Year	10-Year
TRS, net of fees	19.9%	13.9%	10.7%	11.4%
Real Estate Property Index	18.0	12.1	10.6	10.2

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

Real Estate Holdings by Type
as of June 30, 2005



Geographic Diversification
of Real Estate Holdings
as of June 30, 2005



Note: The geographic diversification chart does not include farm land.

Professional real estate advisors manage real estate owned by TRS. Separate account managers administer TRS's direct investments in real estate assets. Closed end accounts represent partnership interests in real estate funds. As of June 30, 2005, TRS had the following managers and assets under management.

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

Separate Accounts

Capri/Capital Advisors, L.L.C. (12/91)	\$1,104,426,734
Cozad/Westchester Asset Management, Inc. (5/91)	341,375,886
Commonwealth Realty Advisors, Inc. I (9/91)	641,908,892
Commonwealth Realty Advisors, Inc. II (11/92)	140,993,186
Commonwealth Realty Advisors, Inc. III (5/03)	52,583,971
Koll Bren Schreiber Realty Advisors I (6/93)	303,814,551
Koll Bren Schreiber Realty Advisors II (5/96)	21,044,455
Lion Industrial Trust (4/05)	25,638,248
LPC Realty Advisors I, Ltd. (7/92)	329,612,145
Stone-Levy, L.L.C. (4/95)	320,094,973

Closed End Accounts

Capri/Capital Apartment Fund III (3/90)	\$91,926,207
Carlyle Europe Real Estate Partnership, L.P. (6/03)	38,048,051
Carlyle Realty Partners IV (6/05)*	0
DLJ Real Estate Capital Partners, Inc. (3/96)	8,301,473
Heitman Capital Management (7/85)**	50,642
JBC Opportunity Fund II, L.P.	63,902,730
JER Real Estate Partners (1/05)	24,942,536
Thayer Hotel IV	1,993,506
RREEF Capital II, L.L.C. (11/96)	1,615,584
Walton Street Capital (7/03)	67,884,407

* *Manager not funded at 6/30/05.*

** *In liquidation mode.*

Discussion of Real Estate

In FY05, the TRS real estate portfolio grew from 8.5 percent of the total investment portfolio to 10.5 percent. Over the year, new commitments were made to Lion Industrial Trust, Carlyle Realty Partners IV, and the Capri Select Income Fund, increasing the portfolio's exposure to the specialty and core industrial sectors.

Competition among institutional investors for quality real estate assets has made it challenging to make new investments, but TRS was able to afford some growth toward the interim target of 12 percent. TRS will continue towards this target by prudently seeking new investments that meet TRS return expectations. Also, in FY05, TRS began in earnest to upgrade the quality of the real estate portfolio by recognizing profits and selling older assets. This activity will continue in FY06.

Brokerage Activity

The following table shows the top 50 listed brokers used by TRS external equity managers for the years ended June 30, 2005 and 2004. TRS manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2005, TRS recaptured over \$1.4 million in cash that was reinvested back into the fund. In addition, TRS utilizes a portion of commission recapture refunds to pay for investment administrative expenses. During FY05, TRS used \$796,724 of commission recaptured to offset expenditures.

Top 50 Brokers Used by TRS Managers

Broker	FY05 Commission	FY04 Commission
Merrill Lynch & Co., Inc. and all Subsidiaries (Worldwide)	\$1,243,057	\$2,196,082
State Street Brokerage Services and all Subsidiaries (Worldwide)	951,834	175,719
UBS Investment Bank AG and all Subsidiaries (Worldwide)	912,476	1,154,271
Goldman Sachs & Co. (Worldwide)	841,114	1,338,512
Citigroup and all Subsidiaries (Worldwide)	712,569	1,025,287
Lehman Brothers, Inc. (Worldwide)	654,493	731,998
Morgan Stanley & Co., Inc. (Worldwide)	615,194	944,773
Lynch Jones & Ryan/Instinet (Worldwide)	914,439	476,365
J.P. Morgan Securities, Inc. (Worldwide)	545,787	563,678
Credit Suisse (Worldwide)	475,421	550,781
Deutsche Bank and all Subsidiaries (Worldwide)	463,998	638,644
Investment Technology Group, Inc. (Worldwide)	400,765	881,918
Bear Stearns (Worldwide)	297,196	375,982
Gardner Rich & Co.	244,234	334,968
ABN Amro and all Subsidiaries (Worldwide)	240,568	280,125
Loop Capital Markets	233,441	322,117
Liquidnet, Inc.	225,547	204,598
B Trade Services	224,752	94,303
Cabrera Capital Markets, Inc.	182,567	124,497
Abel Noser Corporation	180,615	99,611
Weeden & Co.	173,536	100,885
Pershing Securities Ltd. (Worldwide)	166,761	37,132
Jefferies & Company (Worldwide)	157,792	154,692
National Financial Services	141,823	57,238
Dresdner Kleinwort Wasserstein	229,276	210,173
CIBC World Markets Corp.	131,059	200,352
M. Ramsey King Securities	110,478	15,292
Robert W. Baird & Company, Inc.	110,327	123,639
Banc of America Securities	109,650	243,649
Capital Institutional Services, Inc.	108,893	64,278
Thomas Weisel Partners L.L.C.	106,903	153,971
Prudential Equity Group	98,852	117,066
SG Cowen & Company (Worldwide)	88,255	134,455
Credit Lyonnais Securities (Worldwide)	87,576	59,052
Wachovia Capital Markets	86,913	180,137
Pulse Trading, L.L.C.	84,272	2,791
Williams Capital Group	83,560	10,334
Bernstein, Sanford C. & Co.	82,406	163,453
Legg Mason, Inc.	82,390	212,342
Jones & Associates	76,898	59,462
Nomura International / Securities Ltd.	71,162	68,956
F.P. Maglio & Co., Inc.	70,500	32,013
Cantor Fitzgerald & Co.	65,675	79,894
Montrose Securities	65,581	12,690
Raymond James	64,847	52,930
Schwab, Charles	64,367	146,804
Greentree Brokerage	61,164	46,537
Keefe Bruyette & Woods, Inc.	60,498	41,638
Samsung Securities Co., Ltd.	59,872	50,716
Cheevers & Co.	58,231	0
All Others (FY05, 259 Brokers)	<u>2,841,254</u>	<u>4,684,998</u>
Totals	<u>\$16,360,838</u>	<u>\$20,031,798</u>

Source: The Northern Trust Company and TRS



Tim of Counseling Services greets a TRS member.

External Manager Fee Payments

For the year ended June 30, 2005, fee payments to external managers totaled \$104.221 million, an increase of 10.7 percent from the year ended June 30, 2004. A summary is provided in the Schedule of Investment Manager Fees table.

Schedule of Investment Manager Fees

Investment Manager/Account	FY05	FY04
21st Century Communication T-E Partners, L.P.	\$41,434	\$46,720
Advisory Research, Inc.	304,811	275,752
Apex Investment Partners	994,965	2,191,158
Apollo Investment Fund V, L.P.	1,069,197	2,138,394
Ariel Capital Management, Inc.	1,385,454	1,296,293
Artisan Partners Limited Partnership	207,604	172,260
Barclays Global Investors	73,841	0
Batterymarch Financial Management, Inc.	782,316	0
Bear Stearns Asset Management, Inc.	1,590,779	1,376,357
BlackRock, Inc.	2,338,609	3,052,635
Boston Partners Asset Management, L.P.	1,264,108	1,133,545
Brandes Investment Partners, L.L.C.	3,463,353	2,801,579
Byram Capital Management, L.L.C.	665,683	0
Capri/Capital Advisors, L.L.C.	3,824,618	3,659,356
Capri Capital Apartment Fund III	1,177,859	924,314
Capital Guardian Trust Company	1,429,465	2,025,589
Castle Harlan, Inc.	557,406	685,862
Commonwealth Realty Advisors, Inc.	4,842,927	2,752,141
Cozad/Westchester Asset Management, Inc.	1,916,448	1,983,903
Delaware Investment Advisers	2,946,669	2,732,487
DLJ Merchant Banking Partners, L.P.	0	0
DLJ Merchant Banking Partners II, L.P.	191,138	432,641
DLJ Merchant Banking Partners III, L.P.	1,425,427	1,990,356
DLJ Real Estate Capital Partners, Inc.	205,541	253,989
Dodge & Cox	4,243,556	3,323,862
EARNEST Partners, L.L.C.	559,372	865,477
Elevation Partners, L.P.	203,707	0
Emerald Advisers, Inc.	690,250	0
Evercore Partners, Inc.	1,000,000	428,146
Evergreen IV, L.P.	619,180	538,964
Fidelity Management Trust Company	2,403,258	2,014,290
Frontenac VI, L.P.	0	0
Geewax, Terker & Company	181,902	2,050,143
Glencoe Capital Partners III, L.P.	374,287	688,985
Grantham, Mayo, Van Otterloo & Co., L.L.C.	4,766,309	3,107,961
Great Lakes Advisors, Inc.	262,726	115,520
GTCR Fund VII/VIIA, L.P.	156,728	0
GTCR Fund VIII, L.P.	154,679	0
Harris Associates, L.P.	2,208,246	1,856,576
HealthPoint, L.L.C.	890,180	462,634
Heitman Capital Management	0	0
Hispania Capital Partners	305,099	356,363
Holland Capital Management, L.P.	1,055,381	437,718
Hopewell Ventures, L.P.	280,946	0
Illinois VENTURES GP, L.L.C.	53,130	0
ING Clarion Partners	83,703	0
INVESCO Global Asset Management (N.A.), Inc.	2,230,882	1,828,392
J & W Seligman & Co., Inc.	1,117,268	1,011,844
JBC Opportunity Fund II, L.P.	1,250,000	1,250,000
JER Real Estate Partners III	1,626,935	0
KKR 1996 Fund, L.P.	27,714	0

Continued

Investment Manager/Account	FY05	FY04
Koll Bren Schreiber Realty Advisors	3,754,886	2,917,687
Lehman Brothers Merchant Banking Partners III, L.P.	536,301	0
LM Capital Group, L.L.C.	282,705	88,479
LPC Realty Advisors I, Ltd.	1,534,943	4,275,262
LSV Asset Management	2,999,110	2,411,359
MatlinPatterson Global Advisors L.L.C.	1,709,173	478,189
Mazama Capital Management, Inc.	1,992,959	1,693,755
MDL Capital Management, Inc.	0	46,071
Merit Capital Partners	436,077	0
Mesirow Capital Partners VII, L.P.	98,590	315,500
MFS Institutional Advisors, Inc.	0	996,792
Mondrian Investment Partners Limited	1,652,689	1,412,010
Morgan Stanley Investment Management, Inc.	0	1,033,848
Neuberger Berman, L.L.C.	0	572,963
Northern Trust Global Investments	97,916	198,691
NorthPointe Capital	213,216	1,899,758
Oaktree Capital Management, L.L.C.	312,499	24,897
Pacific Investment Management Company, L.L.C.	3,555,816	4,098,648
Payden & Rygel	901,134	800,116
Penman Private Equity & Mezzanine Fund, L.P.	0	0
Periscope I Fund, L.P.	25,904	10,158
Prism Mezzanine Fund	1,080,126	0
Reliant Equity Investors L.L.C.	219,390	568,130
RREEF Capital II, L.L.C.	113,411	399,926
Sands Capital Management, Inc.	1,008,171	25,909
SCP Private Equity Partners, L.P.	2,192,796	2,384,352
Shasta Ventures	0	0
Smith Whiley & Company	333,021	349,084
State Street Global Advisors	555,995	553,745
Stone-Levy, L.L.C.	1,929,380	1,359,690
T. Rowe Price Associates, Inc.	122,535	0
Taplin, Canida & Habacht	284,040	88,646
TCW/Latin American Private Equity Partners, L.P.	70,232	0
Texas Pacific Group	538,310	382,364
Thayer Capital Partners	670,374	872,340
Thayer Lodging Group, Inc.	39,119	0
The Banc Funds Company	901,721	541,855
The Carlyle Europe Real Estate Partners, L.P.	524,501	764,408
The Carlyle Group	4,483,358	3,750,000
The Carlyle Group/Realty Partners IV	525,000	0
The Carlyle Group/Riverstone	1,346,301	1,509,488
The Edgewater Funds	0	0
The Northern Trust Company (Custody)	508,080	502,606
Thompson, Siegel & Walmsley	835,610	0
Trivest Fund II, Ltd.	42,389	165,103
Turner Investment Partners, Inc.	1,239,147	31,153
UBS Global Asset Management (Americas), Inc.	1,082,183	986,199
VantagePoint Venture Partners IV, L.P.	0	0
Voyageur Asset Management	659,200	0
VS&A Communications Partners II, L.P.	0	61,365
VSS Communications Partners IV, L.P.	387,500	0
Walton Street Capital, L.L.C.	377,866	124,930
Warburg Pincus International Partners, L.P.	0	0
Weiss, Peck & Greer Investments/Robeco USA	656,706	1,241,403
Western Asset Management Company	436,313	0
WPG Corporate Development Associates V, L.P.	237,836	294,030
WPG Enterprise Fund, L.P.	1,837	4,719
WPG Enterprise Fund II, L.P.	158,104	163,211

Continued

Investment Manager/Account	FY05	FY04
WPG Enterprise Fund III, L.P.	400,360	617,751
William Blair Mezzanine Capital Fund II, L.L.C.	147,928	180,817
William Blair Mezzanine Capital Fund III, L.L.C.	563,512	715,680
Total fees paid by TRS	<u>\$104,221,360</u>	<u>\$94,175,293</u>

Note: This schedule was prepared using the cash basis of accounting and differs from the total shown within the Financial Section of this report.

Source: TRS

Securities Lending

TRS participates in securities lending activity with its custodian, The Northern 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

Income Source	Amount
Northern Trust FY05 Net Securites Lending Income	\$9,549,356
Total Northern Trust (6/30/05) Collateral Market Value	\$4,839,824,722
Total Market Value of Securities on Loan Northern Trust (6/30/05)	\$4,715,848,757
Total Collateralized Percentage	103%

Source: The Northern Trust Company

TRS also participates in securities lending within its passive index fund investments managed by State Street Global Advisors and Northern Trust Global Investments. The income earned from securities lending activities within these index funds is reinvested back into the respective index fund.