



INVESTMENTS

INTRODUCTION

Global financial markets experienced significant volatility through the fiscal year ended June 30, 2012. Investor concerns were largely focused on global economic conditions and the recurring Euro-based sovereign debt crisis. Following a very weak first fiscal quarter, the fund produced steady gains through the middle of the fiscal year before experiencing a modest decline in the final quarter as macroeconomic issues again impacted investor behavior. Within this climate, all TRS asset classes were able to manage positive returns with the exception of the sharp 11.7 percent decline in international stocks. On the positive side, real estate and fixed income led the portfolio with 9.9 percent and 5.7 percent gains, respectively. Overall, the TRS investment portfolio posted a modest positive result, returning 1.3 percent, gross of fees, for the fiscal year ended June 30, 2012.

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, 2011 through June 30, 2012. A statement of detailed assets, along with their fair market value, was also provided as of June 30, 2012.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust using industry best practices. 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, 2012

Total Fund Market Value	\$36.8 billion
1-Year Return (net of fees)	0.8%
3-Year Return (net of fees)	12.0%
5-Year Return (net of fees)	0.7%
10-Year Return (net of fees)	6.4%
Percent externally managed	100.0%
Number of external managers	159
Custodian	State Street Bank and Trust
General consultant	R. V. Kuhns and Associates, Inc.

TRS is ranked 39th out of the top 1,000 U.S. pension funds/plan sponsors according to *Pensions & Investments*. Rankings are based on market value of total assets at September 30, 2011.

FUND PERFORMANCE VS. BENCHMARKS AND MARKET VALUES

As of June 30, 2012, TRS's total investments at market value totaled \$36.8 billion, a decrease of \$966 million 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 Net Assets located within the Financial Statements.

TRS had a total fund annualized return of 1.3 percent, gross of fees, and 0.8 percent, net of fees, for the one-year period ended June 30, 2012. 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 lagged the policy index by 1.6 percentage points for the year ended June 30, 2012. The policy index represents a weighted average of each asset class benchmark, based on the total fund's interim target asset allocation. The total return also lagged 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 percentage points.

Performance Summary (net of fees)

Asset Class / Index	Years ended June 30					Annualized at 6/30/12		
	2012	2011	2010	2009	2008	3 Years	5 Years	10 Years
TRS Total Fund	0.8%	23.6%	12.9%	(22.7%)	(5.0%)	12.0%	0.7%	6.4%
TRS Weighted Policy Index	2.4	21.5	10.9	(18.6)	(4.1)	11.3	1.5	6.5
CPI (Inflation)	1.7	3.6	1.1	(1.4)	5.0	2.1	2.0	2.5
TRS Equity - U.S.	1.0	32.9	17.0	(27.3)	(15.1)	16.2	(0.6)	5.3
Russell 3000 Index	3.8	32.4	15.7	(26.6)	(12.7)	16.7	0.4	5.8
TRS Equity - International	(11.7)	30.3	11.3	(31.9)	(7.7)	8.6	(4.3)	7.0
Non-U.S. Equity Index	(14.8)	30.3	11.5	(30.5)	(6.2)	7.4	(4.2)	7.2
TRS Fixed Income	5.7	8.9	16.8	4.9	5.1	10.4	8.2	6.5
Barclays Capital U.S. Aggregate Index	7.5	3.9	9.5	6.1	7.1	6.9	6.8	5.7
TRS Real Estate	9.9	17.8	(5.6)	(30.0)	4.5	6.9	(2.2)	7.0
NCREIF Property Index	12.0	16.7	(1.5)	(19.6)	9.2	8.8	2.5	8.3
TRS Private Equity	3.8	22.3	16.5	(17.9)	3.3	13.9	4.6	8.9
Russell 3000 Index +3.0%*	6.9	36.2	19.2	(24.3)	(10.0)	20.2	3.4	9.0
TRS Real Return	2.5	23.4	13.5	(26.2)	20.5	12.8	5.0	-
CPI (Inflation) +5.0%*	6.7	8.7	6.1	3.5	10.3	7.2	7.0	-
TRS Absolute Return	2.6	12.4	9.6	(13.9)	0.9	8.1	1.9	-
90-day Treasury Bill +4.0%*	4.1	4.2	4.2	5.0	7.8	4.1	5.0	-

* Index compounded monthly.

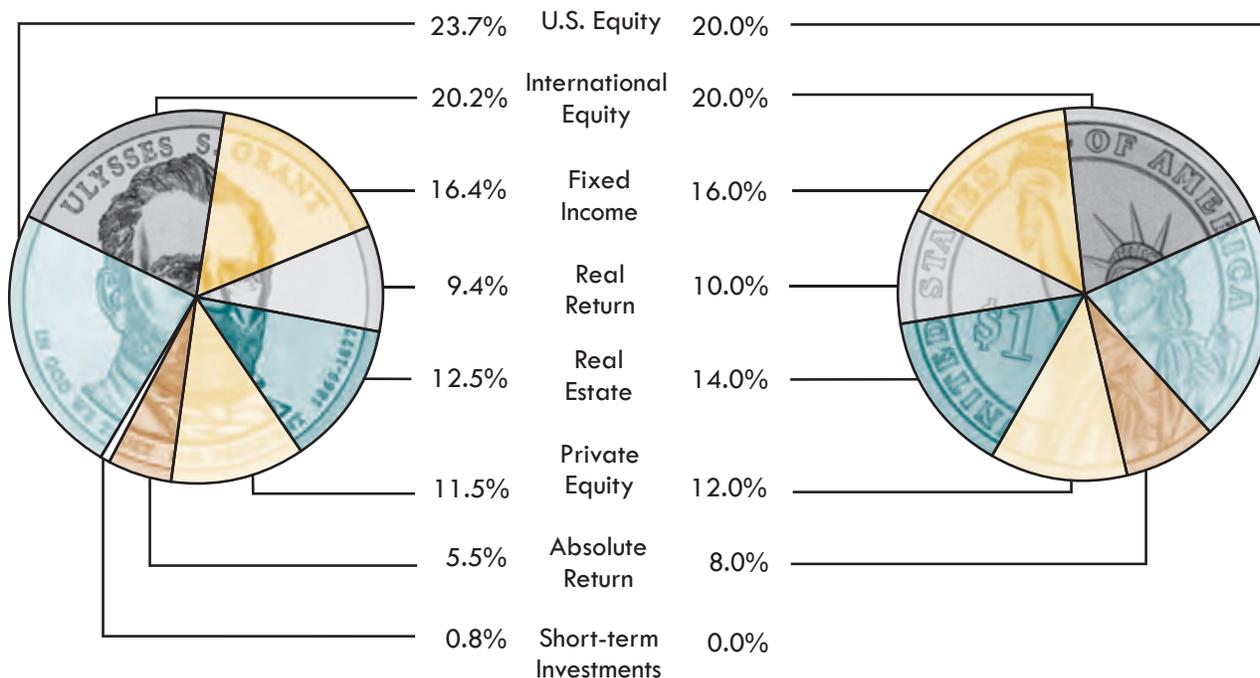
Note: Performance calculations provided by State Street Bank and Trust use net-of-fee time-weighted rates of return.

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.

FY12 Asset Allocation

Long-term Target Allocation



Through the fiscal year, TRS continued implementation of the asset allocation study adopted in April 2011. That study focused primarily on controlling the overall volatility of the investment portfolio given an uncertain global economic landscape. To accomplish that goal, the new targets called for continued evolution of the fund's diversification into the absolute return and private equity asset classes, with a gradual reduction in exposure to publicly-traded equity securities. In FY12, TRS was successful in prudently reallocating assets according to this plan.

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, 2012.

Strategic Investment Listing Allocation Targets vs. Total Assets

	6/30/2012 Total Fund \$ Million	FY12			FY11	
		Actual Percent	Interim Target	Policy Target	Actual Percent	Policy Target
U.S. equities	\$8,610	23.7%	26.0%	20.0%	27.5%	26.0%
International equities	7,330	20.2	20.0	20.0	19.7	20.0
Fixed income	5,956	16.4	16.0	16.0	16.7	15.0
Real return	3,423	9.4	10.0	10.0	9.8	10.0
Real estate	4,547	12.5	12.0	14.0	10.8	14.0
Private equity	4,178	11.5	9.5	12.0	9.7	10.0
Absolute return	1,978	5.5	5.0	8.0	4.0	5.0
Short-term investments	289	0.8	1.5	0.0	1.8	0.0
Pending settlements/expenses*	471	NA	NA	NA	NA	NA
Total fund	\$36,782	100.0%	100.0%	100.0%	100.0%	100.0%

* This amount is included within the liability section in 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 previous Strategic Investment Listing table. The strategic investment listing represents assets assigned to managers within each asset class, whereas the portfolio securities summary represents specific types of financial instruments. The principal differences can be explained by the types of investments a manager is allowed to hold within its portfolio. For example, cash and currency held within a manager's portfolio is categorized in the same way as the manager's primary assignment on the Strategic Investment Listing. However, in the portfolio securities summary, these investments are categorized as short-term investments and foreign currency.

Portfolio Securities Summary

	2012		2011	
	Market Value	% of Total	Market Value	% of Total
Government Obligations				
U.S. treasuries	\$229,515,472	0.6%	\$308,087,946	0.8%
U.S. federal agencies	139,056,624	0.4	160,285,470	0.4
U.S. government index-linked bonds	540,160,277	1.5	583,141,471	1.5
U.S. government-backed mortgages	801,736,346	2.2	789,535,623	2.1
U.S. government-backed bonds	-	-	2,381,562	0.0
U.S. government special situations	47,480,226	0.1	18,121,454	0.0
Municipals	56,047,855	0.2	75,498,564	0.2
Credits				
Bank loans	6,769,462	0.0	25,751,829	0.1
Financial	554,510,365	1.5	629,597,186	1.7
Industrial	862,324,358	2.3	821,577,307	2.2
Utilities	76,129,878	0.2	92,406,632	0.3
Asset-backed securities	171,507,017	0.5	270,560,959	0.7
Commercial mortgage-backed securities	155,105,622	0.4	151,249,137	0.4
Collateralized mortgage obligations	235,242,621	0.6	220,255,229	0.6
Commingled funds (U.S. and international)	1,102,978,257	3.0	938,933,952	2.5

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	2012		2011	
	Market Value	% of Total	Market Value	% of Total
Corporate convertible bonds	\$53,756,981	0.2%	\$76,330,713	0.2%
Foreign debt/corporate obligations	1,793,973,365	4.9	1,923,717,517	5.1
Total Bonds, Corporate Notes, and Government Obligations	6,826,294,726	18.6	7,087,432,551	18.8
Equities				
Common stock - U.S.	8,356,379,729	22.7	9,954,432,992	26.3
Preferred stock - U.S.	48,190,367	0.1	25,036,843	0.1
Common stock - international	7,221,828,129	19.6	7,283,625,451	19.3
Preferred stock - international	138,459,757	0.4	132,602,466	0.4
Total Equities	15,764,857,982	42.8	17,395,697,752	46.1
Real Return Strategies				
Commodity funds	203,954,165	0.6	324,692,417	0.8
Global macro strategies	2,223,289,523	6.0	2,449,240,426	6.5
Targeted real return	155,063,945	0.4	-	-
Total Real Return Strategies	2,582,307,633	7.0	2,773,932,843	7.3
Short-Term Investments/ Cash Equivalents	885,036,978	2.4	1,299,196,172	3.5
Derivatives - Options, Futures, and Swaps	7,297,522	0.0	9,610,104	0.0
Foreign Currency	81,921,602	0.2	89,428,959	0.2
Absolute Return	1,978,268,562	5.4	1,485,565,992	3.9
Private Equity	4,175,728,282	11.4	3,615,944,356	9.6
Real Estate	4,480,390,766	12.2	3,991,533,162	10.6
TRS Total Portfolio	<u>\$36,782,104,053</u>	<u>100.0%</u>	<u>\$37,748,341,891</u>	<u>100.0%</u>

SECURITIES HOLDINGS (HISTORICAL)

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

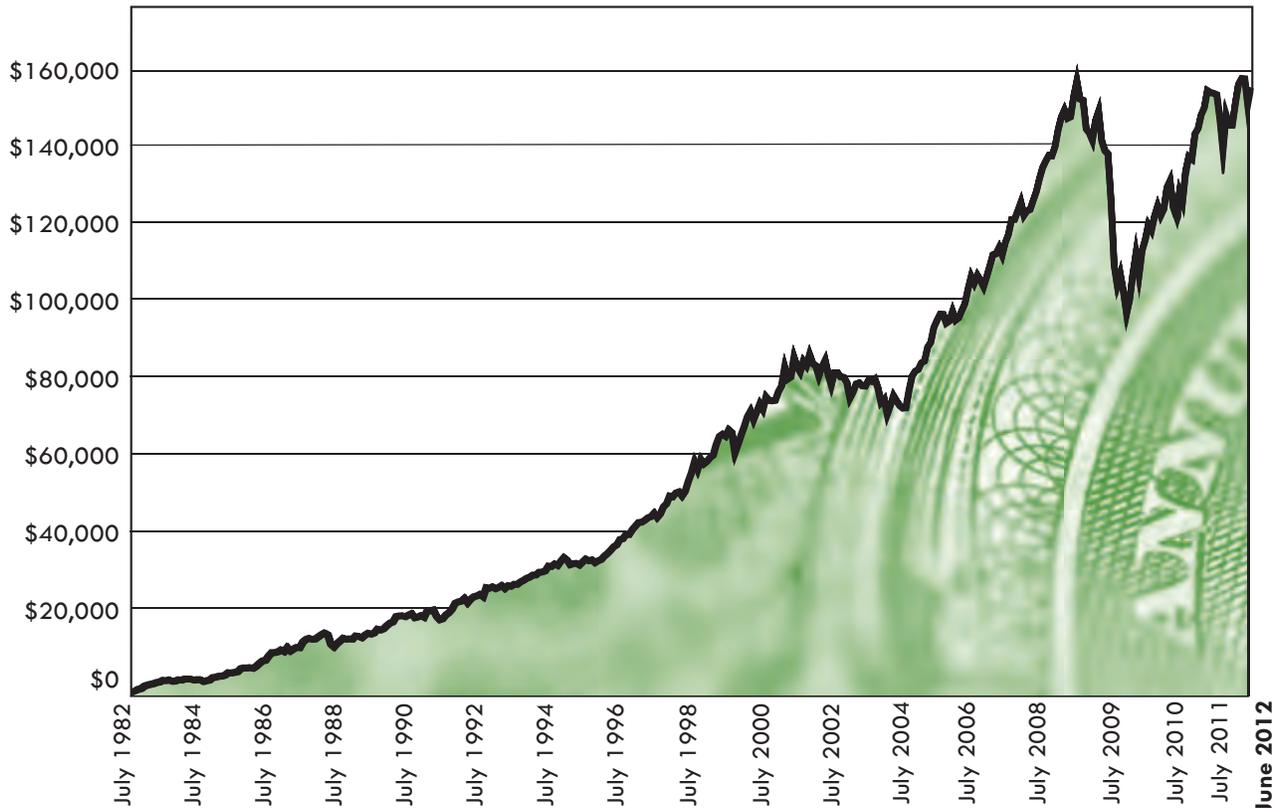
Securities Holdings For Years Ended June 30

Asset Type	2012	2011	2010	2009	2008
Bonds, corporate notes, and government obligations	18.6%	18.8%	20.8%	22.0%	22.7%
Equities - U.S.	22.8	26.4	25.8	27.8	27.5
Equities - international	20.0	19.7	20.0	18.9	21.5
Real estate	12.2	10.6	10.3	11.6	12.1
Private equity	11.4	9.6	9.5	8.1	6.1
Real return	7.0	7.3	7.3	5.3	5.4
Short-term investments/currency	2.6	3.7	2.4	3.8	3.4
Absolute return	5.4	3.9	3.9	2.5	1.3
Totals	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: TRS

Over the years, TRS's asset allocation has provided consistent overall returns, as represented by the following chart showing the \$10,000 over the last 30 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 ended June 30, 2012.

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 1.0 percent return on a net of fee basis, compared to the Russell 3000 Index gain of 3.8 percent. One-, three-, five-, and 10-year comparisons to this benchmark follow.

	FY12	3-Year	5-Year	10-Year
TRS, net of fees	1.0%	16.2%	(0.6%)	5.3%
Russell 3000 Index	3.8	16.7	0.4	5.8

The following top 10 U.S. equity holdings at June 30, 2012 represent 13.7 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, 2012

Firm	Market Value
Apple, Inc.	\$264,275,768
Exxon Mobil Corp.	169,396,682
Microsoft Corp.	113,315,638
Pfizer, Inc.	107,209,578
JP Morgan Chase & Co.	96,033,629
General Electric Co.	88,220,847
Google, Inc.	87,361,442
Chevron Corp.	80,391,528
Wells Fargo & Co.	78,935,254
Merck & Co., Inc.	69,169,897
Total	<u>\$1,154,310,263</u>

Source: State Street Bank and Trust and TRS.

At June 30, 2012, 23.7 percent of TRS's investment portfolio was assigned to U.S. equity managers. TRS employed the following U.S. equity managers during FY12.

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

Index (Large Cap)	
Rhumblin Advisors, L.P. (7/06)	\$1,699,003,714
Enhanced Index (Large Cap)	
MFS Institutional Advisors, Inc. (10/10)	553,483,752
Oakbrook Investments, L.L.C. (11/09)	185,687,706
T. Rowe Price Associates, Inc. (6/05)	654,813,276
Large Cap Core	
J.P. Morgan Investment Management, Inc. (12/07)	572,947,964
Levin Capital Strategies, L.P. (10/10)	547,383,573
Large Cap Value	
Denali Advisors, L.L.C. (4/08)	139,951,537
Loomis, Sayles & Company, L.P. (3/10)	443,814,650
Robeco Boston Partners Asset Management, L.P. (3/10)	554,028,434
Large Cap Growth	
T. Rowe Price Associates, Inc. (11/06)	631,979,267
Turner Investment, L.P. (6/04)	420,976,087
Index (Small/Mid Cap Core)	
Rhumblin Advisors, L.P. (5/07)	77,311,664
Small/Mid Cap Value	
Boston Company Asset Management, L.L.C. (7/08)	278,175,034
Cramer Rosenthal McGlynn, L.L.C. (3/09)	185,979,628
LSV Asset Management (12/02)	273,879,873
Small/Mid Cap Growth	
Boston Company Asset Management, L.L.C. (3/09)	240,761,921
Cortina Asset Management, L.L.C. (6/12)	108,356,824
State Street Global Markets (4/11)	102,505,540

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Small Cap Growth

Emerald Advisors, Inc. (11/04)	\$198,539,550
Frontier Capital Management, L.L.C. (7/09)	212,970,633

Small Cap Value

Fiduciary Management Associates, L.L.C. (7/08)	182,756,196
Lombardia Capital Partners, L.L.C. (11/08)	187,927,204

Emerging Manager

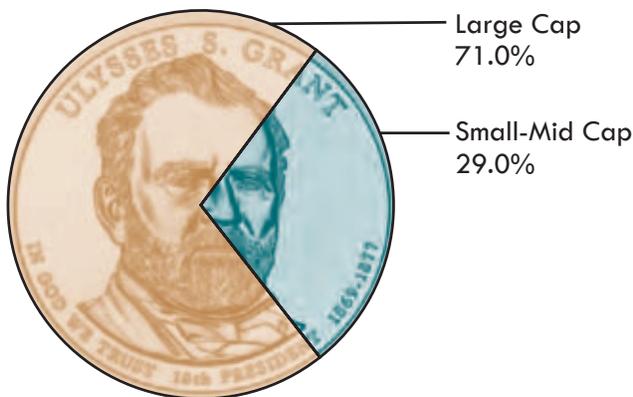
Channing Capital Management, L.L.C. (12/11)	33,167,298
Credo Capital Management, L.L.C. (6/09)	37,557,875
Herndon Capital Management, L.L.C. (3/11)	27,499,934
Lombardia Capital Partners, L.L.C. (3/10)	58,069,321

Note: The list does not include managers terminated prior to June 30, 2012 with residual assets in the account.

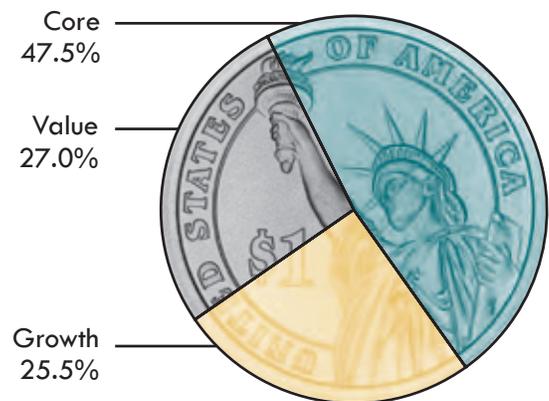
Discussion of U.S. Equity

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 broad U.S. equity market (Russell 3000 index) rose 3.8 percent in FY12. This followed an exceptional 32.4 percent rally in FY11. Equity market strength in the middle quarters of the fiscal year outweighed weakness at the beginning and ending quarters of the year when several macroeconomic factors (e.g. European debt crisis, U.S. fiscal policy, and weaker global economic conditions) drove investors into safer investments (e.g. U.S. Treasuries) despite the presence of strong U.S. corporate fundamentals. Accommodative monetary policy and temporary relief from macroeconomic headwinds brought some strength back into equities during the middle of FY12. Following solid relative outperformance in FY11, the plan’s domestic equity portfolio underperformed the Russell 3000 benchmark by 2.8 percent in FY12. Similar to the experience with other institutional investors, the plan’s active managers generally struggled with the atypically high market volatility. The portfolio’s structural overweight to small cap securities also impacted performance during the fiscal year.

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, 2012

Characteristic	TRS Domestic Equity	Russell 3000 Index
Weighted average market cap (\$ billions)	\$72.9	\$89.2
Price/earnings ratio	17.8x	18.3x
Dividend yield	1.8%	2.1%
Beta	1.1	1.0
5-year EPS growth	10.6%	9.4%
Price/book ratio	3.5x	3.7x

Source: State Street Bank and Trust

U.S. Equity – Diversification by Industry Sector for Year Ended June 30, 2012

Sector	TRS Domestic Equity Weighting	Russell 3000 Index Weighting
Consumer discretionary	14.2%	12.0%
Consumer durables	7.4	9.7
Energy	8.5	9.7
Financial services	15.9	16.2
Health care	14.0	11.9
Industrials	12.4	11.2
Materials	3.2	3.9
Technology	19.3	18.8
Telecommunication services	2.1	2.8
Utilities	3.0	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, 2012, the international equity asset class declined 11.7 percent on a net of fee basis compared to the Morgan Stanley Capital International (MSCI) All Country Excluding U.S. Investable Market Index (identified as Non-U.S. Equity Index in the following references) loss of 14.8 percent. One-, three-, five-, and 10-year comparisons to this benchmark are in the following table.

	FY12	3-Year	5-Year	10-Year
TRS, net of fees	(11.7%)	8.6%	(4.3%)	7.0%
Non-U.S. Equity Index	(14.8)	7.4	(4.2)	7.2

The top 10 international equity holdings as of June 30, 2012 follow and represent 9.7 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 Holdings at June 30, 2012

Firm	Country	Market Value (USD)
Vodafone Group PLC	United Kingdom	\$94,845,481
Nestle SA	Switzerland	82,462,925
Novartis AG	Switzerland	71,647,726
Sanofi	France	69,957,325
British American Tobacco PLC	United Kingdom	69,401,092
China Mobile LTD	Hong Kong	68,026,831
Roche Holding AG	Switzerland	65,512,423
Eni SpA	Italy	65,218,749
HSBC Holdings PLC	United Kingdom	61,993,906
BP plc	United Kingdom	61,321,604
Total		<u>\$710,388,062</u>

Source: State Street Bank and Trust and TRS

At June 30, 2012, 20.2 percent of the TRS investment portfolio was assigned to international equity managers. TRS employed the following international equity managers during FY12.

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

Large Cap Core

Aberdeen Asset Management, Inc. (7/10)	\$564,103,668
Northern Trust Investments, N.A. (8/10)	1,838,044,267

Large Cap Growth

Jarislowsky, Fraser Limited (8/05)	365,756,536
McKinley Capital Management, Inc. (8/05)	727,039,002
Trilogy Global Advisors, L.L.C. (8/07)	344,024,487

Large Cap Value

Brandes Investment Partners, L.P. (2/98)	655,260,436
Mondrian Investment Partners Limited (4/93)	805,744,417

Small/Mid Cap

American Century Global Investment Management, Inc. (6/08)	229,440,166
Dimensional Fund Advisors, L.P. (6/08)	335,059,492
Putnam Advisory Company, L.L.C. (3/09)	211,904,882
State Street Global Markets (8/07)	22,314,569

Emerging Manager

Strategic Global Advisors (3/11)	22,931,505
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Emerging Markets

Aberdeen Asset Management, Inc. (3/08)	574,829,625
Grantham, Mayo, Van Otterloo & Co., L.L.C. (3/03)	633,223,467

Note: The list does not include managers terminated prior to June 30, 2012 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.

International Equity Manager Structure

International Equity Classification	Target	Actual
Large Cap Core	32.5%	32.9%
Large Cap Growth	20.0	19.7
Large Cap Value	20.0	20.0
Small/Mid Cap	11.0	10.9
Emerging Markets	16.5	16.5
Total	100.0%	100.0%

International equity markets registered meaningful losses for the year ended June 30, 2012. Markets suffered a steep decline during the first quarter of the fiscal year, falling nearly 20.0 percent as investors sold international equities over fears of weakening global economic conditions and heightened concerns regarding the Euro-based sovereign debt crisis. Economically sensitive sectors such as materials, energy, industrials and financials, particularly within the Euro region, led equity markets lower during the quarter.

Over the middle six months of the fiscal year investor fears alleviated driving international markets up 15.0 percent and erasing a majority of the first quarter losses. However, investor caution returned in the final fiscal quarter as Euro-sovereign debt issues resurfaced, leading to a 7.8 percent retreat.

The TRS international equity portfolio outperformed the benchmark return by 3.1 percent during the year. Positive excess returns were driven by the portfolio's defensive sector positioning relative to the index. TRS managers' positioned the portfolio by over-weighting specific sectors including telecom, consumer staples and healthcare at the expense of more economically sensitive sectors such as materials, energy and industrials.

Portfolio Characteristics

The next two charts convey the fundamental characteristics and the regional exposure of the international equity portfolio as of June 30, 2012.

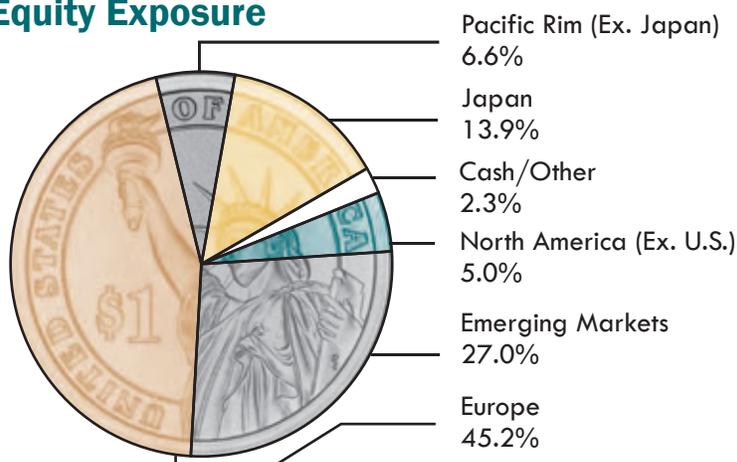
International Equity Fundamental Characteristics

Characteristic	TRS International Equity	Non-U.S. Equity Index
Weighted average market cap (\$ billions)	\$39.5	\$42.3
Price/earnings ratio	12.4x	12.8x
Dividend yield	3.7%	3.6%
Price/book ratio	2.5x	2.4x

Source: State Street Bank and Trust

Regional Allocation Comparison at June 30, 2012

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, while paying specified interest during the term of the issue. A fixed or floating income security represents a contractual obligation of a debt or a loan, with the issuer of debt as the borrower of capital, and the purchaser, or holder of bonds, as the creditor or lender.

Global fixed income is an important asset class in a well-diversified portfolio. Fixed income 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, 2012, the TRS fixed income portfolio returned 5.7 percent, net of fees, compared to the 7.5 percent return of the benchmark, the Barclays Capital U.S. Aggregate Index. For periods longer than five years, TRS utilized a blended index of U.S. and non-dollar indices.

One-, three-, five-, and 10-year comparisons to the relative benchmark follow.

	FY12	3-Year	5-Year	10-Year
TRS, net of fees	5.7%	10.4%	8.2%	6.5%
Barclays Capital U.S. Aggregate Index	7.5	6.9	6.8	5.7

The following table lists the top 10 global fixed income investments or funds held by TRS as of June 30, 2012. A complete listing of investment holdings is available as a separate report.

Top 10 Global Fixed Income Holdings at June 30, 2012

Security/Position	Market Value
Franklin Templeton Emerging Market Debt Fund	\$427,957,514
Loomis Sayles Absolute Strategies Trust	215,593,012
PIMCO Global Advantage Strategy Bond Fund	208,148,792
Federal National Mortgage Association TBA	176,111,040
PIMCO Distressed Senior Credit Opportunities Fund II	128,104,331
United Kingdom of Great Britain Treasury	68,893,380
Federal National Mortgage Association TBA	65,170,304
U.S. Treasury Inflation Linked Bond	57,883,109
PIMCO Bank Recapitalization and Value Opportunities Fund	52,665,843
U.S. Treasury Inflation Linked Bond	52,245,954
Total	<u>\$1,452,773,279</u>

Source: State Street Bank and Trust and TRS

At June 30, 2012, 16.4 percent of the TRS investment portfolio was assigned to global fixed income. TRS employed the following fixed income managers during FY12. This excludes fixed income-type assets overseen by managers in other asset classes containing fixed income securities as a small part of their overall strategies.

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

Dolan McEniry Capital Management, L.L.C. (5/06)	\$428,468,763
Franklin Advisers, Inc. (2/08)	761,255,361
Franklin Templeton Investment Management Limited (12/10)	427,957,514
Garcia Hamilton & Associates, L.P. (6/10)	28,752,200

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Hartford Investment Management Company (3/11)	\$274,213,210
LM Capital Group, L.L.C. (12/09)	40,348,782
Loomis Sayles & Company, L.P. (6/08)	708,550,669
Loomis Sayles Trust Company L.L.C. (3/11)	215,593,888
MacKay Shields L.L.C. (8/11)	599,108,146
Manulife Asset Management, L.L.C. (8/11)	357,676,992
Oaktree PPIP Private Fund, L.P. (3/10)	47,480,226
Pacific Investment Management Company, L.L.C. (7/82)	531,642,739
Pacific Investment Management Company, L.L.C. Unconstrained Bond (3/11)	359,725,862
Pacific Investment Management Company Bank Recapitalization and Value Opportunities Bravo Fund, L.P. (1/11)	52,665,843
Pacific Investment Management Company Distressed Senior Credit Opportunities Fund II, L.P. (11/11)	128,105,080
Pacific Investment Management Company Global Advantage Strategy Bond Fund (3/11)	208,148,792
Prudential Investment Management, Inc. (12/08)	573,942,289
Taplin, Canida & Habacht (3/04)	119,902,739
Westwood Management Corp. (6/12)	78,031,748

Note: This list does not include certain managers terminated prior to June 30, 2012 with residual assets in the account.

Discussion of Global Fixed Income

TRS's global fixed income portfolio modestly underperformed the Barclays Capital U.S. Aggregate index by 1.8 percent, net of fees, during the fiscal year. The global fixed income portfolio has very low exposure to U.S. treasury securities due to their low yields and the high debt levels of the U.S. government. The flight to quality in late 2011, due to European concerns and deteriorating views on global growth prospects, negatively impacted the overall composite. However, this created numerous relative value opportunities that should position the portfolio well into late 2012 and 2013. The TRS fixed income portfolio has a yield premium of nearly 2 percent over the index, yet with a lower duration that stabilized with the U.S. Federal Reserve's decision for additional quantitative easing.

TRS continues to add investments that take advantage of special situations within the marketplace. TRS is focused on an appropriate allocation of risk, lower volatility than duration matched treasuries, higher income, and overall global flexibility within the portfolios as global debt markets concerns are expected to continue.

Statistical Data

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

Global Fixed Income Profile

Characteristic	TRS Fixed Income Portfolio 6/30/12	Barclays Capital Aggregate Index 6/30/12	TRS Fixed Income Portfolio 6/30/11	Barclays Capital Aggregate Index 6/30/11
Average maturity	6.0 years	6.7 years	7.2 years	7.0 years
Effective duration	4.2 years	5.1 years	5.0 years	5.0 years
Average coupon	3.9%	3.9%	4.9%	4.3%
Average quality rating	A3	Aa1	A2	Aa1
Current yield	5.2%	3.5%	4.3%	2.8%

Source: State Street Bank and Trust and TRS

Diversification by Quality Rating for Individual Bonds

Moody's Quality Rating	2012	2011
Aaa*	46.2%	46.9%
Aa1 through Aa3	4.1	5.9
A1 through A3	7.0	9.6
Baa1 through Baa3	20.9	16.8
Ba1 through Ba3	9.8	8.5
B1 through B3	6.5	5.1
Under B3	2.0	1.7
Other**	3.5	5.5
Total	100.0%	100.0%

* U.S. Treasury securities are included

** Other includes unrated securities

Source: State Street Bank and Trust and TRS

REAL RETURN

The real return asset class was established during 2007 in recognition of the significant impact inflation has on an investment portfolio and its return objectives. Traditional asset classes, such as equities and fixed income, tend to perform well in periods of stable or falling inflation yet face meaningful challenges in periods of rising inflation.

The objective of the real return asset class is to exceed the Consumer Price Index (CPI) by 5.0 percentage points 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 inflation focus of the asset class. For the year ended June 30, 2012, TRS's real return asset class earned 2.5 percent, net of fees, compared to the 6.7 percent return of the benchmark.

	FY12	3-Year	5-Year
TRS, net of fees	2.5%	12.8%	5.0%
Consumer Price Index + 5%	6.7	7.2	7.0

At June 30, 2012, 9.4 percent of TRS's investment portfolio was assigned to real return managers. As of June 30, 2012, 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)	\$215,830,257
Pacific Investment Management Company, L.L.C. (5/07)	573,956,570

Global Macro/ Risk Parity Strategies

AQR Global Risk Premium Tactical Fund II, Ltd. (7/07)	681,301,192
Bridgewater All Weather Portfolio Limited (7/07)	771,122,051
PIMCO Global Multi-Asset Strategy (12/09)	420,258,608
Standard Life Investments Limited (6/12)	269,586,688

Targeted Real Return

AQR Real Return Fund, L.P. (6/12)	155,063,945
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Commodities

Flintlock Commodity Opportunities Master Fund, L.P. (11/11)	13,503,913
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Note: The list does not include managers terminated prior to June 30, 2012 with residual assets in the account.

Discussion of Real Return

The real return asset class serves as a portfolio diversifier and protects against unanticipated and actual inflation within the total fund. The real return portfolio is expected to maintain a risk/return profile between global equities and fixed income. The three and five-year risk and return statistics have met this expectation. The real return portfolio generated a 2.5 percent return, net of fees, for the fiscal year ending June 30, 2012. This was led by global inflation-linked portfolios returning 7.3 percent, followed by global macro/risk parity mandates, returning 3.3 percent. The portfolio was negatively impacted by equity and commodity markets as continued European concerns and diminished growth expectations continued to pressure these markets.

During the year TRS reduced exposures to certain commodity portfolios in lieu of more diversified real return approaches. This modest change is not only expected to reduce costs and fees, but is expected to take advantage of inflation expectations and reduce overall volatility within the portfolio. The policy target for real return remains 10.0 percent of total fund.

Real Return Targets and Actual Allocation as of June 30, 2012

Real Return Subclasses	Target	Actual
Global inflation-linked bonds	24.0%	23.1%
Global macro/risk parity strategies	66.0	66.4
Targeted real return*	10.0	10.5
Total	100.0%	100.0%

* Includes commodity mandates terminated prior to June 30, 2012

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 subsectors within private equity, including buyout, growth equity, 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 ended June 30, 2012, private equity earned 3.8 percent on a net of fee basis, compared to the benchmark gain of 6.9 percent.

In general, an investor must look at a 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. One-, three-, five-, and 10-year comparisons to the benchmark are noted in the following table.

	FY12	3-Year	5-Year	10-Year
TRS, net of fees	3.8%	13.9%	4.6%	8.9%
Russell 3000 Index + 3.0%	6.9	20.2	3.4	9.0

At June 30, 2012, 11.5 percent of the TRS investment portfolio was assigned to the private equity asset class. The FY12 policy target for private equity is 12 percent of the total fund. The following chart lists the private equity partnerships/funds (and the respective assets under management) that TRS has investments with as of June 30, 2012.

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

Buyout

Advent International GPE VI, L.P. (7/08)	\$64,213,009
Apollo Investment Fund V, L.P. (5/01)	62,406,516
Apollo Investment Fund VI, L.P. (5/06)	156,549,838
Apollo Investment Fund VII, L.P. (1/08)	245,535,628
Apollo Investment Fund VII Annex A (5/12)	29,376,515
Banc Fund VI, L.P. (6/02)	33,113,688
Banc Fund VII, L.P. (5/05)	26,648,577
Baring Asia Private Equity Fund V, L.P. (3/11)	15,207,905
Black River Capital Partners Fund (Food), L.P. (8/11)	19,377,253
Blackstone Capital Partners VI, L.P. (8/11)	16,622,373
Blackstone Capital Partners VI Annex A (10/11)	19,579,754
Carlyle Partners IV, L.P. (4/05)	86,089,400
Carlyle Partners V, L.P. (7/07)	131,730,672
Carlyle/Riverstone Global Energy and Power Fund II, L.P. (1/03)	62,577,362
Carlyle/Riverstone Global Energy and Power Fund III, L.P. (4/06)	79,838,780
Castle Harlan Partners IV, L.P. (5/03)	9,794,436
Code Hennessy & Simmons V, L.P. (2/05)	27,751,695
DLJ Merchant Banking Partners II, L.P. (3/97)	2,431,928
DLJ Merchant Banking Partners III, L.P. (9/00)	33,973,898
EIF United States Power Fund IV, L.P. (11/11)	13,308,445
Elevation Partners, L.P. (4/05)	16,214,343
Energy Capital Partners I, L.P. (4/06)	25,943,382
Energy Capital Partners II-A, L.P. (9/09)	26,793,768
Energy Capital Partners II Annex A (10/11)	30,767,007
EnerVest Energy Institutional Fund XII-A, L.P. (12/10)	28,155,505
EQT VI, L.P. (9/11)	5,593,570
Evercore Capital Partners II, L.P. (4/03)	23,764,055
GI Partners (1/09)	49,915,403
Glencoe Capital Partners III, L.P. (1/04)	11,959,780
Glencoe Capital Institutional Partners III, L.P. (6/04)	4,957,198
Green Equity Investors V, L.P. (8/07)	86,073,320
GTCR Fund VII/VIIA, L.P. (3/00)	284,525
GTCR Fund VIII, L.P. (7/03)	16,251,826
ICV Partners II, L.P. (1/06)	9,435,196
J.C. Flowers II, L.P. (2/07)	11,159,397
KKR 1996 Fund, L.P. (5/97)	865,709
Littlejohn Fund IV, L.P. (7/10)	41,587,174
Madison Dearborn V, L.P. (7/06)	81,622,285
MBK Partners Fund II, L.P. (5/09)	23,055,639
Mesirow Capital Partners VII, L.P. (6/97)	623,079
Morgan Creek Partners Asia, L.P. (1/11)	38,885,537
NGP Natural Resources X, L.P. (5/12)	5,763,126

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New Mountain Partners III, L.P. (8/07)	\$71,466,166
Onex Partners III, L.P. (04/09)	22,633,098
PAI Europe V, L.P. (4/08)	22,185,220
Pine Brook Capital Partners, L.P. (1/08)	32,470,327
Providence Equity Partners VI, L.P. (3/07)	114,269,523
Providence Equity Partners VII, L.P. (6/12)	12,509,591
Reliant Equity Partners, L.P. (6/04)	139,726
Rhone Partners IV, L.P. (1/12)	4,189,509
Riverstone/Carlyle Global Energy and Power Fund IV, L.P. (3/08)	79,175,791
Riverstone Global Energy and Power Fund V, L.P. (6/12)	75,215,650
Silver Lake Partners III, L.P. (8/07)	56,600,486
Silver Lake Partners III Annex A (12/11)	38,891,340
Siris Partners II, L.P. (1/12)	9,298,903
Stone Point Capital Annex A (10/11)	20,438,842
Stone Point Capital Trident V, L.P. (12/10)	25,516,984
TCW/Latin America Private Equity Partners, L.P. (5/97)	24,558
Thayer Equity Investors V, L.P. (5/03)	58,679,187
TPG Partners IV, L.P. (12/03)	25,255,748
TPG Partners VI, L.P. (4/08)	77,657,683
Trilantic Capital Partners III, L.P. (4/05)	16,002,391
Trilantic Capital Partners IV, L.P. (10/07)	36,060,316
Trustbridge Partners IV, L.P. (12/11)	12,111,383
Veritas Capital Fund IV, L.P. (11/10)	41,141,647
Veritas Capital Fund IV, L.P. Annex A (2/11)	8,022,264
Vicente Capital Partners Growth Equity Fund, L.P. (4/08)	6,213,854
Vista Equity Partners Fund III, L.P. (11/07)	76,026,865
Vista Equity Partners Fund IV, L.P. (10/11)	30,849,347
VS&A Communications Partners II, L.P. (8/95)	1,425,415
VSS Communications Partners IV, L.P. (3/05)	33,199,339
Warburg Pincus International Partners, L.P. (9/00)	50,190,909
Warburg Pincus Private Equity IX, L.P. (9/05)	106,308,317
Warburg Pincus Private Equity X, L.P. (10/07)	239,842,172
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P. (8/05)	51,172,737
Windpoint Partners VI, L.P. (2/06)	12,324,492
WPG Corporate Development Associates V, L.P. (11/97)	355,836

Distressed Debt

Avenue Europe Special Situations Fund, L.P. (5/08)	4,890,506
Avenue Special Situations Fund V, L.P. (10/07)	7,009,342
Blackstone/GSO Capital Partners (9/09)	95,983,686
Carlyle Strategic Partners, L.P. (10/04)	3,729,904
Clearlake Capital Partners II, L.P. (7/09)	19,837,443
MatlinPatterson Global Opportunities Fund II, L.P. (1/04)	2,737,059
MatlinPatterson Global Opportunities Fund III, L.P. (6/07)	58,409,488
MatlinPatterson Preferred II (3/09)	7,856,741
Oaktree Annex A (11/10)	28,398,984
Oaktree Opportunities Fund VIII, L.P. (3/10)	112,236,050
Oaktree Opportunities Fund VIIIb, L.P. (8/11)	20,652,868
OCM Opportunities Fund V, L.P. (6/04)	3,840,737
OCM Opportunities Fund VIIb, L.P. (6/08)	61,334,961
OCM European Principal Opportunities Fund II, L.P. (8/08)	64,157,176
Oaktree European Principal Fund III, L.P. (11/11)	19,223,533

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Subordinated Debt

Maranon Mezzanine Fund, L.P. (8/09)	\$16,783,193
Merit Mezzanine Fund IV, L.P. (1/05)	29,357,895
Prism Mezzanine Fund, L.P. (12/04)	7,121,910
SW Pelham Fund II, L.P. (9/03)	859,738
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P. (2/05)	32,328,393
William Blair Mezzanine Capital Fund II, L.P. (5/97)	105,734
William Blair Mezzanine Capital Fund III, L.P. (1/00)	4,775,040

Venture Capital

21st Century Communications T-E Partners, L.P. (2/95)	258,517
Apex Investment Fund V, L.P. (8/03)	8,518,472
Carlyle Venture Partners II, L.P. (10/02)	32,625,819
Carlyle U.S. Growth Fund III, L.P. (6/07)	39,002,845
Edgewater Growth Capital Partners, L.P. (11/03)	6,428,973
Edgewater Growth Capital Partners II, L.P. (2/06)	17,374,771
Edgewater Growth Capital Partners III, L.P. (9/11)	11,623,812
Evergreen Partners IV, L.P. (12/02)	11,309,244
Evergreen Partners V, L.P. (6/07)	13,872,443
Granite Ventures II, L.P. (5/05)	14,984,051
HealthpointCapital Partners, L.P. (6/04)	19,805,731
Hopewell Ventures, L.P. (6/04)	4,441,659
Illinois Emerging Technologies Fund, L.P. (6/04)	1,625,424
JMI Equity Fund VII, L.P. (2/11)	10,512,150
Lightspeed Venture Partners IX, L.P. (3/12)	2,049,969
Morgan Creek Partners Venture Access Fund, L.P. (1/12)	13,973,321
Longitude Venture Partners, L.P. (3/08)	28,892,307
SCP Private Equity Partners, L.P. (5/97)	244,210
SCP Private Equity Partners II, L.P. (6/00)	45,022,663
Shasta Ventures, L.P. (1/05)	25,029,320
Sofinnova Venture Partners VIII, L.P. (8/11)	207,390
Starvest Partners, L.P. (1/09)	7,903,649
Technology Crossover Ventures VII, L.P. (10/08)	28,493,693
VantagePoint Venture Partners IV, L.P. (6/00)	36,222,028
VantagePoint Venture Partners 2006 (Q), L.P. (12/06)	39,358,124
WPG Enterprise Fund II, L.P. (8/94)	1,929,046
WPG Enterprise Fund III, L.P. (3/97)	8,795,032

Discussion of Private Equity

TRS's private equity portfolio earned 3.8 percent, net of fees, during the fiscal year. While under its one-year benchmark, private equity has outperformed on a long-term basis. The long-term performance strength of the private equity program and the asset class's diversification both benefit the overall portfolio. TRS continues to prudently increase its exposure to private equity. In April 2011, the Board of Trustees adopted a new asset allocation study that increased the private equity allocation target to 12 percent. Successful implementation of this target is subject to many factors, including public market performance and sufficient availability of high quality private equity 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, 2012.

Private Equity Target and Actual Allocation as of June 30, 2012

Subclasses	Target	Actual
Buyout	60-80%	75.3%
Venture capital	5-20	10.3
Special situations/distressed debt/subordinated debt	10-25	14.4
Total		100.0%

Source: TRS

TRS made new commitments to 16 separate private equity funds totaling nearly \$1.5 billion during the fiscal year. Included in this total were funds designed to participate in sector growth opportunities (i.e. energy, technology) and specific geographies exhibiting strong risk adjusted return potential. TRS remains opportunistic with its private equity investment approach and continues to diversify its private equity portfolio for the global opportunity set. For FY13, the TRS private equity tactical plan calls for new commitments of approximately \$900 to \$1,400 million within the asset class.

ABSOLUTE RETURN

The absolute return asset class includes mandates designed to provide attractive return and risk attributes while exhibiting low correlation to traditional public equity and fixed income investments. Along with the real return asset class, the absolute return class was established as a result of an asset allocation study adopted in FY07.

The fiscal year policy target for absolute return is 8.0 percent of the overall TRS investment portfolio. The asset class is measured against a relative risk-free index of 90-Day Treasury Bills + 4.0 percent. While this is not an investible index, the benchmark represents the intended risk reduction characteristic of the asset class.

For the year ended June 30, 2012, TRS's absolute return investment asset class earned 2.6 percent, net of fees, compared to the 4.1 percent return of the benchmark.

	FY12	3-Year	5-Year
TRS, net of fees	2.6%	8.1%	1.9%
Treasury Bill + 4%	4.1	4.1	5.0

Investments in absolute return are administered via both direct investment manager relationships and diversified fund of funds. At June 30, 2012, 5.5 percent of TRS's investment portfolio was assigned to absolute return managers. TRS employed the following managers including their respective assets under management.

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

Diversified Funds	
Bridgewater Pure Alpha Fund I (1/09)	\$291,676,407
Diversified Fund of Funds	
Grosvenor Monarch Fund, L.L.C. (6/07)	397,124,733
K2 Bluegill Fund, L.L.C. (6/07)	563,057,622
Direct Investment Funds	
Grosvenor Monarch Fund, L.L.C. (Monarch Series B) (3/11)	371,936,450
K2 Bluegill Fund, L.L.C. (Bluegill Series B) (3/11)	327,672,260
Emerging Manager	
Lasair Capital L.L.C. (8/09)	26,801,090

The following chart provides a further breakdown of TRS's targeted style allocation as compared to the actual allocation at June 30, 2012. The absolute return portfolio has continued to reduce exposure to fund of funds and implement direct fund investments through fiscal year end. Not reflected in the chart below, but effective July 1, 2012, TRS allocation targets were updated to reflect an increase to credit funds, offset by a decrease to fund of funds.

Absolute Return Target and Actual Allocation as of June 30, 2012

Subclasses	Target	Range	Actual
Fund of Funds	60.0%	+/- 15%	48.5%
Equity Focus	10.0	+/- 10%	1.4
Credit Focus	10.0	+/- 10%	29.0
Event/Macro/Other	20.0	+/- 10%	21.1
Total	100.0%		100.0%

Source: TRS

Discussion of Absolute Return

The absolute return asset class weathered the chaos of the markets fairly well returning 2.6 percent during the fiscal year. Over the past year, TRS has increased exposure to credit focused funds which have performed well over the past 12 to 24 months. Over the longer term, TRS has underperformed the Treasury bill plus 4 percent benchmark due to its modest exposure to equity markets which remained flat over the five-year period reported above. However, consistent with the intent of the asset class, the absolute return portfolio continued to exhibit a low-risk profile with volatility less than one-third of U.S. public equities.

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.

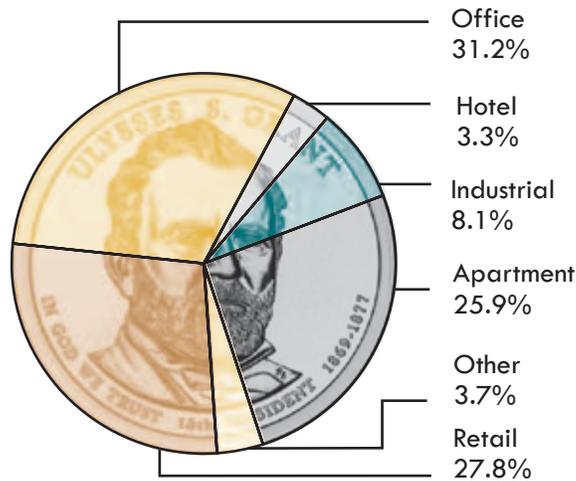
The real estate asset class offers competitive returns, provides diversification benefits to portfolios of stocks and bonds, and also serves as a hedge against inflation. Additionally, real estate offers a strong income component to pay TRS benefits.

As of June 30, 2012, TRS held \$4.5 billion in real estate assets, or 12.5 percent of the total fund portfolio. For the fiscal year, TRS's real estate investments earned 9.9 percent, net of fees. Real estate performance and benchmark comparisons are noted in the following table.

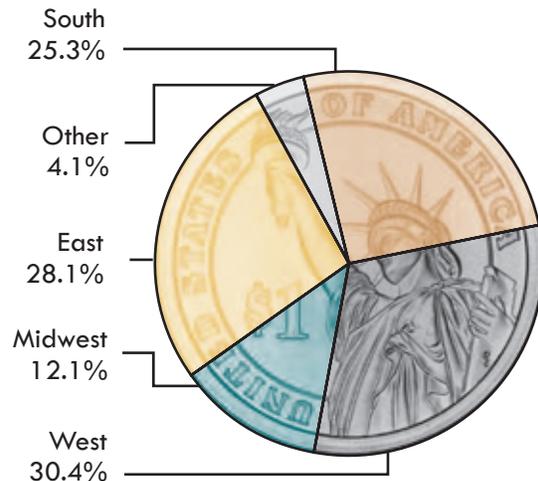
	FY12	3-Year	5-Year	10-Year
TRS, net of fees	9.9%	6.9%	(2.2%)	7.0%
NCREIF Property Index	12.0	8.8	2.5	8.3

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, 2012



Geographic Diversification of Real Estate Holdings as of June 30, 2012



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, 2012, 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)	\$850,549,188
Cornerstone Real Estate Advisors, L.L.C. (7/08)	272,890,191
Cornerstone II S/A (7/09)	12,627,656
Cornerstone III S/A (8/09)	48,883,383
Heitman Capital Management, L.L.C. (7/09)	956,753,163
Invesco Institutional (N.A.), Inc. (7/08)	349,137,851
Koll Bren Schreiber Realty Advisors I (6/93)	367,661,834
LPC Realty Advisors I, Ltd. (7/92)	433,115,949
LPC Realty Advisors Core, Ltd. (4/07)	101,772,891

Closed-End Accounts

Beacon Capital Strategic Partners V, L.P. (8/07)	42,049,746
Blackstone Real Estate Partners VI, L.P. (9/07)	58,488,494
Blackstone Real Estate Partners VII, L.P. (1/12)	44,962,053
Capri Capital Advisors Apartment Fund III, L.P. (11/02)	151,810,967
Capri Select Income Fund II, L.L.C. (12/05)	4,574,360
Carlyle Realty Partners IV, L.P. (6/05)	45,809,191
Cornerstone Hotel Income & Equity Fund II, L.P. (7/08)	30,450,462
JBC Opportunity Fund II, L.P. (5/03)	2,146,544
JER Real Estate Qualified Partners III, L.P. (1/05)	28,440,062
Thayer Hotel Investors IV, L.P. (5/04)	7,072,367
Walton Street Real Estate Fund IV, L.P. (7/03)	61,027,644
Walton Street Real Estate Fund VI, L.P. (4/09)	69,443,111

(continued)

(continued)

Open-End Accounts

Hines U.S. Core Office Fund, L.P. (12/05)	\$177,547,636
Lion Industrial Trust (4/05)	176,121,104

International Real Estate Accounts

Carlyle Europe Real Estate Partners III, L.P. (9/07)	49,443,925
CB Richard Ellis Strategic Partners Europe Fund III, L.P. (4/07)	27,585,079
CB Richard Ellis Strategic Partners UK Fund III, L.P. (5/07)	10,684,393
LaSalle Asia Opportunity Fund III, L.P. (11/07)	32,244,875
MGPA Asia Fund III, L.P. (12/07)	63,597,548
Niam Nordic V, L.P. (4/12)	3,499,098

Real Estate Investment Trust

Cornerstone Real Estate Advisors, L.L.C. (9/11)	66,420,900
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Discussion of Real Estate

TRS's real estate portfolio earned 9.9 percent during the fiscal year and represented the highest returning asset class in the TRS fund. As the recovery in the commercial property markets continued, core properties, which are highly-leased and well-located assets, remained the focal point of investor demand. Investors targeted the core commercial property sector to gain exposure to improving fundamentals while seeking consistent income returns with lower risk. This demand has led to improved property pricing resulting in consecutive years of strong positive performance within the asset class. Moving forward, investment managers remain focused on upgrading the portfolio by selectively selling less strategic assets while purchasing properties better aligned to meet long-term performance goals. The near-term outlook remains positive in the real estate portfolio as the recovery has started to extend beyond core properties in core locations. A continued recovery will improve property values throughout the market and continue to drive strong performance results. Real estate assets represent 12.5 percent of the total fund portfolio as of June 30, 2012 (up from 10.8 percent as of June 30, 2011). The TRS investment portfolio maintains a long-term target allocation of 14.0 percent to real estate.

SECURITIES LENDING

TRS participates in securities lending with its custodian, State Street Bank and Trust Company, acting as the securities lending agent. The Board of Trustees' policies permit TRS to use investments to enter into securities lending transactions, which are loans of securities to broker-dealers or other entities. Additional information regarding securities lending activity is included in the Notes to Financial Statements under "D. Investments."

For the year ended June 30, 2012, TRS earned net income of \$19.6 million through its securities lending program. The increase from the prior year was primarily driven by increases in funding spreads for U.S. bonds and equities. The Securities Lending Summary table outlines the net income from securities lending activity, the securities on loan, the amount of collateral for these securities, and the average utilization rate information.

Securities Lending Summary

	FY12	FY11
Net securities lending income	\$19,617,303	\$17,793,331
Values as of fiscal year-end (June 30):		
Total State Street collateral market value	2,760,697,851	3,217,193,460
Total market value of securities on loan at State Street	2,682,477,139	3,132,542,532
Total collateralized percentage	103%	103%

(continued)

(continued)

	FY12	FY11
Fiscal year 12 month averages:		
Average lendable	\$17,370,240,196	\$17,791,565,341
Average on loan	2,852,601,356	3,329,090,638
Average utilization	16.4%	18.7%

Source: State Street Bank and Trust

Note: Securities lending collateral reflected on the Statements of Plan Net Assets reflects the securities purchased with cash collateral.

BROKERAGE ACTIVITY

The following table shows the top 50 listed brokers used by TRS external equity managers for the years ended June 30, 2012 and 2011. TRS also manages a commission recapture program as part of its trading strategies. For the year ended June 30, 2012, TRS recaptured \$0.5 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 FY12, TRS used \$0.6 million of recaptured funds to offset expenses.

Top 50 Brokers Used by TRS Managers

Broker	FY12 Commission	FY11 Commission
Merrill Lynch & Co., Inc. and all Subsidiaries (Worldwide)	\$1,461,814	\$2,475,734
J.P. Morgan Securities, Inc. (Worldwide)	1,245,559	1,614,848
UBS Warburg Securities and all Subsidiaries (Worldwide)	858,265	904,869
Goldman Sachs & Co. (Worldwide)	827,365	1,117,886
State Street Brokerage Services (Worldwide)	754,647	942,354
Credit Suisse (Worldwide)	710,279	1,236,294
Citigroup, Inc. and all Subsidiaries (Worldwide)	622,384	905,820
Morgan Stanley & Co., Inc. and Subsidiaries (Worldwide)	526,303	723,188
Deutsche Bank & Securities (Worldwide)	510,806	863,557
Barclays (Worldwide)	472,478	540,107
Bank of New York Mellon (Worldwide)	451,521	611,265
Loop Capital Markets, L.L.C.	342,758	238,541
Macquarie Bank & Securities, Ltd. (Worldwide)	317,683	417,620
Williams Capital Group, L.P.	289,671	200,074
Cabrera Capital Markets, Inc.	264,639	439,970
Liquidnet, Inc.	216,491	358,781
G-Trade Services, L.L.C.	212,269	161,085
Nomura International (Worldwide)	210,213	221,746
M. Ramsey King Securities	203,661	206,378
Investment Technology Group, Inc. (Worldwide)	197,845	323,675
Stifel Nicolaus & Company (Worldwide)	193,218	244,292
Cantor Fitzgerald	191,300	174,613
RBC Dain Rauscher (Worldwide)	175,018	323,895
Instinet, L.L.C. (Worldwide)	174,106	478,808
Jefferies & Company	158,038	303,459
Baird, Robert W., & Company, Incorporated	153,853	182,206
Cheevers & Co., Inc.	151,246	64,507
Bloomberg Tradebook, L.L.C.	150,523	218,492
Credit Agricole	150,187	244,698
Sanford Bernstein (Worldwide)	139,774	151,402
Raymond James (Worldwide)	135,532	125,143
Knight Securities, L.P.	133,780	133,563
Credit Lyonnais Securities (Worldwide)	121,162	100,592

<i>(continued)</i> Broker	FY12 Commission	FY11 Commission
CLSA Securities	\$112,332	\$101,543
SG Cowen & Company (Worldwide)	108,772	61,728
BNP Paribas (Worldwide)	98,253	157,146
Societe Generale	84,318	91,439
Weeden & Co.	83,885	108,314
ISI Group Inc.	81,405	76,942
Pulse Trading, L.L.C.	81,054	88,154
Keybanc Capital Markets	79,566	55,196
Mischler Financial Group	78,283	40,245
Piper Jaffray, Inc.	73,844	120,479
Banco Itau S.A.	71,556	50,309
CL King & Associates, Inc.	69,953	55,525
Canaccord Genuity, Inc.	69,107	33,527
Apex Clearing Corporation	64,140	19,252
M.R. Beal & Company	63,745	95,485
Exane, Inc.	63,116	59,453
Guzman & Company	62,632	88,622
(All Others - 249 Brokers in FY12, 272 Brokers in FY11)	<u>2,414,477</u>	<u>3,908,326</u>
Total	<u>\$16,484,826</u>	<u>\$22,461,147</u>

Source: State Street Bank and Trust and TRS

EXTERNAL MANAGER FEE PAYMENTS

For the year ended June 30, 2012, fee payments to external investment managers totaled \$199.2 million, an increase of 5.5 percent from the year ended June 30, 2011. The rise is attributable to the asset class mix within the portfolio which continues to shift toward long-term asset allocation targets.

Schedule of Investment Manager Fees

Investment Manager/Account	FY12	FY11
Aberdeen Asset Management, Inc.	\$8,230,666	\$3,181,347
Advent International GPE VI, L.P.	946,167	976,430
American Century Global Investment Management, Inc.	1,538,686	1,541,838
Analytic Investors, L.L.C.	-	769,938
Apex Investment Fund V, L.P.	4,683	300,573
Apollo Investment Fund VII, L.P.	2,757,225	4,224,498
AQR Capital Management, L.L.C.	3,623,173	4,382,862
AQR Real Return Offshore Fund, L.P.	94,126	-
Avenue Europe Special Situations Fund, L.P.	161,194	634,705
Avenue Special Situations Fund V, L.P.	-	1,228,273
Banc Fund VI, L.P.	750,937	1,001,875
Banc Fund VII, L.P.	901,200	901,200
Baring Asia Private Equity Fund V	1,600,000	933,333
Black River Asset Management L.L.C.	2,140,591	-
Blackstone Capital Partners VI, L.P.	1,411,180	925,442
Blackstone Real Estate Partners VI, L.P.	657,245	746,421
Blackstone Real Estate Partners VII, L.P.	2,521,699	-
Blackstone/GSO Capital Solutions Fund, L.P.	525,869	20,416
Boston Company Asset Management, L.L.C.	2,981,459	3,078,727
Brandes Investment Partners, L.P.	2,613,890	3,591,290

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Investment Manager/Account	FY12	FY11
Bridgewater All Weather Portfolio Offshore Limited	\$2,325,150	\$2,140,032
Bridgewater Pure Alpha Fund I	10,487,996	10,372,005
Capri Capital Advisors Apartment Fund III, L.P.	1,496,984	1,496,984
Capri Select Income II, L.L.C.	11,483	56,695
Capri/Capital Advisors, L.L.C.	2,822,115	2,395,282
Carlyle Europe Real Estate Partners III, L.P.	716,692	905,572
Carlyle Europe Real Estate Partners, L.P.	85,387	76,174
Carlyle Partners IV, L.P.	284,421	391,385
Carlyle Partners V, L.P.	1,531,938	2,128,644
Carlyle Realty Partners IV, L.P.	890,346	890,346
Carlyle Strategic Partners, L.P.	-	2,791
Carlyle U.S. Growth Fund III, L.P.	694,399	1,000,000
Carlyle Ventures Capital II, L.P.	738,593	1,014,317
Carlyle/Riverstone Global Energy Fund II, L.P.	438,345	549,708
Carlyle/Riverstone Global Energy Fund III, L.P.	581,214	717,941
CB Richard Ellis Strategic Partners Europe Fund III, L.P.	402,461	572,240
CB Richard Ellis Strategic Partners UK Fund III, L.P.	330,680	377,549
Channing Capital Management, L.L.C.	124,200	-
Clearlake Capital Partners II, L.P.	425,457	448,773
Code Hennessy & Simmons V, L.P.	15,827	132,563
Copper Rock Capital Partners, L.L.C.	-	402,703
Cornerstone Hotel Income & Equity Fund II, L.P.	299,725	186,373
Cornerstone Real Estate Advisors, L.L.C.	1,441,415	1,307,577
Cortina Asset Management, L.L.C.	26,104	-
Cramer Rosenthal McGlynn, L.L.C.	1,038,359	1,074,831
Credo Capital Management, L.L.C.	210,428	206,338
Denali Advisors, L.L.C.	583,912	577,089
Dimensional Fund Advisors, L.P.	1,930,026	1,422,092
DLJ Merchant Banking Partners III, L.P.	170,154	189,553
Dodge & Cox	-	312,156
Dolan McEniry Capital Management, L.L.C.	735,140	576,630
EARNEST Partners, L.L.C.	190,915	506,509
Edgewater Growth Capital Partners II, L.P.	262,442	289,098
Edgewater Growth Capital Partners III, L.P.	988,656	-
Edgewater Growth Capital Partners, L.P.	133,682	220,438
Elevation Partners, L.P.	112,596	161,294
Emerald Advisers, Inc.	1,262,112	1,409,225
Energy Capital Partners Fund II-A, L.P.	360,439	667,913
Energy Capital Partners I, L.P.	321,407	454,598
Energy Capital Partners II, L.P.	23,485	-
Envest Energy Institutional Fund XII-A, L.P.	1,000,000	1,148,352
EQT VI	1,349,692	134,092
Evercore Capital Partners II, L.P.	136,659	116,563
Evergreen Partners IV, L.P.	199,790	219,582
Evergreen Partners V, L.P.	591,742	625,000
Fiduciary Management Associates, L.L.C.	1,047,809	1,078,197
Flintlock Commodity Opportunities Master Fund, L.P.	170,025	-
Franklin Advisers, Inc.	2,086,454	2,207,935
Franklin Templeton Investment Management Limited	1,695,398	939,284

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Investment Manager/Account	FY12	FY11
Fred Alger Management, Inc.	\$548,311	\$1,258,686
Frontier Capital Management, L.L.C.	1,068,216	1,163,594
Garcia Hamilton & Associates, L.P.	69,353	65,764
GI Partners	718,370	613,565
Glencoe Capital Partners III, L.P.	14,077	85,535
Goldman Sachs Asset Management, L.P.	108,998	1,307,267
Granite Ventures II, L.P.	276,839	378,538
Grantham, Mayo, Van Otterloo & Co., L.L.C.	5,777,304	6,459,866
Green Equity Investors V, L.P.	-	533,714
Gresham Investment Management Company, L.L.C.	426,490	478,261
Grosvenor Monarch Fund, L.L.C.	5,268,592	2,845,281
GTCR Fund VII/VIIA, L.P.	29,467	38,561
GTCR Fund VIII, L.P.	337,426	413,717
Hartford Investment Management Company	324,245	73,084
HealthPoint Partners, L.P.	908,982	435,512
Heitman Capital Management, L.L.C.	4,440,952	3,763,605
Herndon Capital Management, L.L.C.	158,319	52,227
Hines U.S. Core Office Fund, L.P.	850,000	850,000
Hispania Private Equity, L.P.	114,302	132,331
Hopewell Ventures, L.P.	313,200	325,379
ICV Partners II, L.P.	119,016	235,571
Illinois Emerging Technologies Fund, L.P.	12,623	15,922
Invesco Institutional (N.A.), Inc.	1,550,884	1,156,164
J.C. Flowers II, L.P.	293,123	294,997
Jarislowsky, Fraser Limited	809,278	825,264
JBC Opportunity Fund II, L.P.	70,289	248,972
JER Real Estate Qualified Partners III, L.P.	187,843	306,499
JMI Equity Fund VII, L.P.	387,718	131,246
JP Morgan Investment Management, Inc.	35,213	93,645
JP Morgan Management Associates, L.L.C.	3,862,176	3,725,854
K2 Bluegill Fund, L.L.C.	7,838,731	4,446,118
KKR 1996 Fund, L.P.	2,015	27,883
Koll Bren Schreiber Realty Advisors	1,138,799	970,193
Lasair Capital L.L.C.	274,520	288,125
LaSalle Asia Opportunity Fund III, L.P.	536,202	845,392
Levin Capital Strategies, L.P.	926,360	436,368
Lightspeed Venture Partners IX, L.P.	311,174	-
Lion Industrial Trust	1,729,327	1,534,004
Littlejohn Fund IV, L.P.	718,668	765,276
LM Capital Group, L.L.C.	74,398	81,855
Lombardia Capital Partners, L.L.C.	1,370,040	1,348,933
Longitude Ventures Partners, L.P.	562,500	750,000
Loomis, Sayles & Company, L.P.	3,793,642	3,766,996
LPC Realty Advisors I, Ltd.	2,186,345	1,496,229
LSV Asset Management	1,335,057	1,628,460
MacKay Shields, L.L.C.	1,197,756	-
Madison Dearborn V, L.P.	520,136	382,992
Manulife Asset Management, L.L.C.	742,134	-

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(continued)

Investment Manager/Account	FY12	FY11
Maranon Mezzanine Fund, L.P.	\$326,112	\$267,912
MatlinPatterson Global Opportunities Fund III, L.P.	1,244,890	1,572,146
Mazama Capital Management, Inc.	-	622,536
MBK Partners Fund II, L.P.	439,646	412,655
McKinley Capital Management, Inc.	3,058,545	2,498,467
Merit Mezzanine Fund IV, L.P.	365,555	689,075
MFS Institutional Advisors, Inc.	808,955	378,174
MGPA Asia Fund III, L.P.	640,360	986,257
Mondrian Investment Partners Limited	978,428	1,829,899
Morgan Creek Partners Asia, L.P.	686,917	1,031,662
Morgan Creek Partners Venture Access Fund, L.P.	534,247	-
New Century Advisors, L.L.C.	470,835	291,284
New Mountain Investments III, L.P.	1,139,078	1,353,490
NGP Natural Resources X, L.P.	684,426	-
Niam Nordic V, L.P.	548,997	-
Northern Trust Investments, N.A.	453,702	171,391
OakBrook Investments, L.L.C.	177,090	82,133
Oaktree Opportunities Fund VIIIb, L.P.	625,537	-
Oaktree PPIP Private Fund, L.P.	186,309	56,365
OCM European Principal Fund III, L.P.	732,857	-
OCM European Principal Opportunities Fund II, L.P.	1,063,202	1,232,492
OCM Opportunities Fund V, L.P.	103,624	120,106
OCM Opportunities Fund VIIb, L.P.	1,125,035	1,434,389
OCM Opportunities Fund VIII, L.P.	1,314,105	1,359,192
Onex Partners III, L.P.	856,986	486,183
Pacific Investment Management Company, L.L.C.	6,564,814	8,756,282
PAI Europe V, L.P.	408,913	463,989
Parthenon Investors IV, L.P.	350,000	-
Piedmont Investment Advisors, L.L.C.	-	61,856
PIMCO Private Funds II, L.P.	-	39,317
Pine Brook Capital Partners, L.P.	851,546	851,546
Prism Mezzanine Fund, L.P.	449,953	503,023
Providence Equity Partners VI, L.P.	770,297	639,169
Prudential Investment Management, Inc.	885,600	439,956
Putnam Advisory Company, L.L.C.	1,240,873	1,249,784
Rhone Partners IV, L.P.	666,498	-
Rhumblin Advisors, L.P.	180,200	180,932
Riverstone/Carlyle Global Energy and Power Fund IV, L.P.	1,372,759	1,329,465
Riverstone/Carlyle Global Energy and Power Fund V, L.P.	1,375,000	-
RLJ Lodging Fund II, L.P.	-	533,007
RLJ Lodging Fund III, L.P.	-	485,392
Robeco Boston Partners Asset Management, L.P.	1,003,509	1,019,949
Schroder Commodity Offshore Portfolio, L.L.P.	1,798,007	1,853,483
SCP Private Equity Partners II, L.P.	527,282	796,730
Shasta Ventures, L.P.	531,250	4,154,514
Silver Lake Partners III, L.P.	927,799	622,196
Siris Partners II, L.P.	411,397	-
Sofinova Ventures Partners VIII, L.P.	926,706	-
Southwest Multifamily Partners, L.P.	19,746	-

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(continued)

Investment Manager/Account	FY12	FY11
Standard Life Investment Global Absolute Return Strategies Master Fund Ltd.	\$163,015	\$ -
StarVest Partners, L.P.	300,000	250,000
State Street Bank and Trust Company (Custody)	200,000	197,500
State Street Global Advisors	-	84,680
Stone Point Capital Trident V, L.P.	1,042,116	1,077,271
Strategic Global Advisors	149,556	49,074
SW Pelham Fund II, L.P.	27,434	91,442
T. Rowe Price Associates, Inc.	3,639,067	3,594,133
Taplin, Canida & Habacht	260,809	510,161
Technology Crossover Ventures VII, L.P.	702,195	786,617
Thayer Equity Investors V, L.P.	268,156	159,872
Thayer Hotel Investors IV, L.P.	120,143	183,142
Thompson, Siegel & Walmsley, Inc.	-	427,136
TPG Partners VI, L.P.	1,128,853	1,217,790
Trilantic Capital Partners III, L.P.	107,650	214,917
Trilantic Capital Partners IV, L.P.	571,080	571,987
Trilogy Global Advisors, L.L.C.	1,236,606	1,311,811
Trustbridge Partners IV, L.P.	695,342	-
Turner Investment, L.P.	1,535,764	1,823,081
Tygh Capital Management, Inc.	-	479,247
VantagePoint Venture Partners 2006, L.P.	1,166,194	1,295,496
Veritas Capital Fund IV, L.P.	1,146,154	216,339
Vicente Capital Partners Growth Equity Fund, L.P.	276,573	300,000
Vista Equity Partners Fund IV, L.P.	1,357,451	-
Vista Equity Partners III, L.P.	462,644	570,546
VSS Communications Partners IV, L.P.	363,997	658,522
Walton Street Real Estate Fund IV, L.P.	626,007	687,631
Walton Street Real Estate Fund VI, L.P.	1,089,331	812,211
Warburg Pincus International Partners, L.P.	289,682	442,046
Warburg Pincus Private Equity IX, L.P.	690,163	1,430,963
Warburg Pincus Private Equity X, L.P.	3,722,750	3,303,398
Wellington Management Company - Diversified Inflation Hedges Portfolio, L.L.C.	3,897,718	5,026,566
Wellington Management Company, L.P.	647,357	1,159,914
Welsh, Carson, Anderson & Stowe Capital Partners IV, L.P.	398,634	520,144
Welsh, Carson, Anderson & Stowe Capital Partners X, L.P.	221,212	303,267
Western Asset Management Company	-	181,033
Westwood Management Corp	40,546	-
William Blair Mezzanine Capital Fund III, L.P.	71,470	142,940
WPG Corporate Development Associates V, L.P.	7,628	9,025
WPG Enterprise Fund II, L.P.	21,372	25,539
WPG Enterprise Fund III, L.P.	133,647	134,998
Total Fees Paid by TRS	<u>\$199,177,557</u>	<u>\$188,725,873</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.