



# INVESTMENT SECTION

**INVESTMENTS WILL BE MANAGED TO BALANCE THE NEED FOR SECURITY WITH SUPERIOR PERFORMANCE. WE EXPECT EXCELLENCE IN ALL ACTIVITIES. WE WILL ALSO BE ACCOUNTABLE AND ACT IN ACCORDANCE WITH THE LAW.**

## Investment Report from the Retirement Administrator

### **ANALYSIS OF ISSUES AFFECTING OUR PORTFOLIO IN FY 2011**

U.S. public pension funds in 2011 continued the momentum of the recovery from the Great Recession. As reflected by the numbers below, the Fire and Police Retirement System participated fully in the recovery which began in fiscal year 2010 and continued vigorously through fiscal year 2011.

While it is rousing to contemplate further recovery and increases to the System's assets, nearly four years after the downturn of the Great Recession began, the economies of the United States and the countries of Europe continue to struggle and markets are mixed by fears of new setbacks, defaults and the possibility of a double-dip recession. Behind the turmoil lay many factors, including the stubbornly high unemployment rate in America, the sovereign debt crisis in Europe, the partisan fight in Washington over the U.S. federal debt ceiling and the decision by Standard & Poor's to downgrade the government's AAA rating in its aftermath.

In spite of the overwhelming challenges of the global economy, the continued prudent leadership of the Fire and Police Retirement System Board is undoubtedly the most important factor in the long-term success of our System. Our Board understands that the Retirement System's portfolio requires a sound and stable strategy for meeting investment goals over the long-term and that in times of unprecedented financial market volatility a well-diversified portfolio with strong controls to manage risk and ensure compliance are likely to produce superior performance relative to its indices over the long term. To that end, the Board is scheduled to review its asset liability structure during the current fiscal year to evaluate the appropriateness of the portfolio's assumptions and asset mix.

During the fiscal year 2011, the Board, jointly with the Employees Retirement System Board continued to focus its attention on risk budgeting and determined some changes were warranted in domestic small cap growth equity and large cap (core) equity and conducted manager searches for replacements. The Boards terminated Kalmar (small cap growth); Capital Guardian (large cap core) and Alliance Bernstein (large cap core) portfolios and retained Eagle and TCW to manage small cap growth equity portfolios and JP Morgan to manage a large cap core equity portfolio.

Based upon further review of the risk budget, the Board's Investment Committee recommended a realignment of risk associated with Systems' international (non-U.S.) equity portfolios. EAFE (Europe, Australia, Far East) represent large and mid cap stocks of developed non-US countries excluding emerging markets; while ACWI ex-US (All Country World Index ex-US) includes large and mid cap stocks in EAFE and EM (emerging markets) with developed and emerging market splits of the ACWI ex-US index fluctuating with changes in market weights. Therefore, to fully replicate the overall ACWI ex-US (developed and emerging) markets over time the Investment Committee concluded that a specific allocation to ACWI ex-US would realign the Systems' overall international equity portfolios. The Boards' approved the realignment of international (non-US) equity markets in line with the ACW ex-US index weightings, terminated Acadian an EAFE portfolio due to organizational issues and inception-to-date under performance and retained BlackRock to transition the Acadian EAFE portfolio into the BlackRock ACWI ex-US Super Fund effective February 28, 2011.

Given the current economic environment, the Board's Investment Committee evaluated fixed income portfolio options to identify potential options for increasing the excess return for the overall fixed income portion of the Systems' portfolio. Based upon discussions with the Boards' fixed income managers (Dodge & Cox, Prudential and Loomis-Sayles), a recommendation was proposed and approved by the Boards to modify the Boards' policies for Domestic Fixed Income and High Yield Fixed Income Portfolios, expanding the guidelines to incorporate some of the current managers' standard guidelines. The Investment Committee plans to resume its evaluation of real estate opportunities given the current market conditions and expects to resume these efforts following a review of its current Asset Allocation Plan during Fiscal Year 2012.

During the latter half of fiscal year 2011, the Investment Committee conducted specific ongoing educational sessions with its Investment Consultant to gain further information and knowledge about real assets, the Asset Allocation Study process and procedures including an in-depth review of the key assumptions for both asset allocation of core investments and liability analysis for actuarial valuation reports.

In general, the System’s portfolio correlates fairly well with the performance of the U.S. stock market. During the fiscal years ended June 30, 2011 and 2010, market sentiment as well as performance were fragile and severely affected by general concerns about inflation and global economic and market developments shaped in part by the continuation of faltering consumer confidence due to the ongoing debt crisis in Europe, popular rebellions in the Middle East, volatility in commodities prices and low job growth and persistent elevated levels of unemployment.

Despite the continuation of these overwhelming challenges of the global economy, the System is well funded at or near a fully funded status on a market value basis. From a long-term perspective the System is positioned to provide a solid rate of return that is equal to or better than the respective asset classes market indices even as we enter yet another year of uncertainty in the global financial markets.

**INVESTMENT PERFORMANCE**

Highlighted Investment Performance of the City of Fresno Fire and Police Retirement System Investment Portfolio for FY 2011:

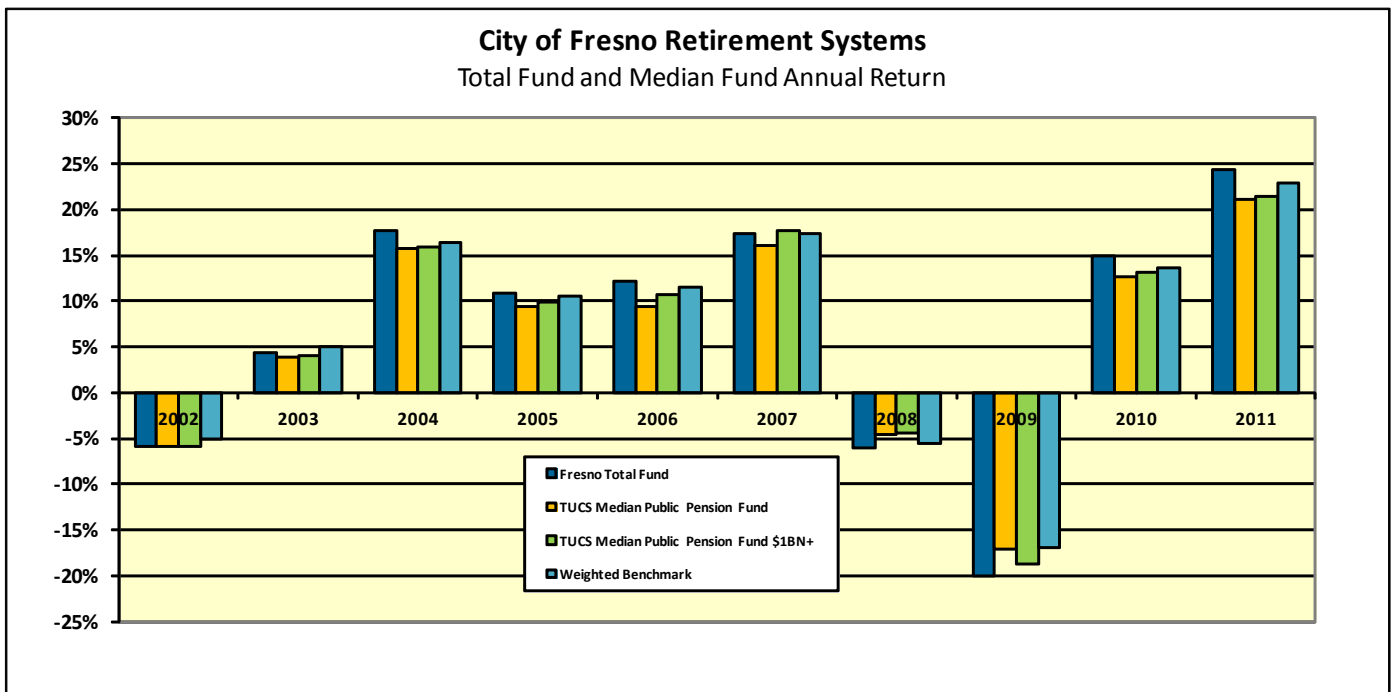
	Return
Total Fund	24.26%
Domestic Equity	35.87%
International Equity	31.84%
Fixed Income	6.99%
Real Estate	25.37%
Fiscal Year End	
Fund Value:	\$964,376,504

The principal goals of the System’s Retirement Board in managing the Retirement System’s Investment Portfolios are the following:

- 1) To fund the System’s benefit payments
- 2) To assume a prudent risk posture to minimize the cost of meeting the obligations of the System ;
- 3) To achieve rates of return above inflation;
- 4) To comply with legal statutes and regulations; and
- 5) To maintain a fully funded pension status.

These are the fundamental goals as stated in the Board’s Investment Objectives and Policy Statement. The Fire and Police Retirement Board has strong controls in place to manage the overall investment objectives of the Fire and Police Retirement System assets and hold the fiduciary responsibility for the System.

The System’s Total Fund Returns Versus Wilshire Associates Public Pension Funds (Gross of Fee) Returns for the Period Ended June 30, 2011, ranked the System in the top decile (10<sup>th</sup> percentile) of our Investment Consultant’s universe of public funds. Over the past ten years, the Systems’ investment returns have remained sound and outperformed its policy benchmark in six of the ten year and the median fund returns as shown in the following chart seven out of ten years.



## SUMMARY OF PORTFOLIO RESULTS

The fiscal year, ended June 30, 2011, marked another extraordinarily volatile year which ended with a significant rebound in performance for the City of Fresno Fire and Police Retirement System. The System experienced a total investment gain from this market rebound of 24.26 percent for the fiscal year ended June 30, 2011, outperforming the System's actuarial interest rate assumption of 8.00 percent by 16.26 percent and outperforming the System's policy benchmark (a weighted average of the Fund's asset classes and their respective benchmarks) return of 22.82 percent by 1.42 percent. Over the longer term, our investment results remain sound with annualized returns 7.74 percent over the past fifteen years. The System's ten-year annualized returns averaged 6.11 percent underperforming its policy benchmarks return of 6.28 percent for the period by 0.17 percent. After paying all benefits and expenses of the System, the year-end value of the System reached \$964.4 million.

After four consecutive quarters of gains, the U.S. stock market suffered a significant correction during the second quarter of 2011. For the quarter ended June 30, 2011, the System's positive return of 1.43 percent significantly outperformed the S&P 500 return of 0.10 percent and the Wilshire 5000 return of (0.08) percent.

## GENERAL INFORMATION

The System's investment assets are managed by external investment management firms. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term strategies. The System's goal is to fund benefit payments, while assuming a risk posture that is consistent with the Board's risk tolerance, protecting against loss of purchasing power by achieving rates of return above inflation, and to maintain a fully funded pension status.

## SUMMARY OF GENERAL INVESTMENT GUIDELINES, POLICIES AND PROCEDURES

The Retirement Board, having sole and exclusive authority and sole and exclusive fiduciary responsibility for the investment and administration of the System, and its assets, has adopted an Investment Objectives and Policy Statement which reflects the Board's policies for management of the System's investments. The Board reserves the right to amend, supplement or rescind this Statement at any time. This Investment Objectives and Policy Statement establishes the investment program goals and policies, asset allocation policies, performance objectives, investment management policies and risk controls. It also defines the principal duties of the Board, staff, investment managers, master custodian and consultants.

The System's primary investment objective is to take prudent risk, as necessary, to minimize the cost of meeting the obligations of the System. The purpose of the Investment Objectives and Policy Statement is to express in operational terms: Return expectations, prudence with respect to risk and compliance with statutes and regulations.

An integral part of the overall investment policy is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. This emphasizes a maximum diversification of the portfolio that protects the System from declines that a particular asset class may experience in a given period. Both traditional assets (cash, bonds, domestic stocks, fixed income and mortgages) and nontraditional assets (real estate, international stock and emerging equity market stock) are included in the mix.

Total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for the System. Prudent risk taking is warranted within the context of overall portfolio diversification to meet this objective. All activities will be conducted so as to serve the best interests of the System's members and beneficiaries.

## SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES

In recognition of its duty to manage retirement plan assets in the best interest of the plan participants, the Board has established proxy voting guidelines and procedures which are intended to assist in the faithful discharge of the Board's duty to vote proxies on behalf of plan participants. These guidelines consist of preferences with respect to specific, recurring proxy-voting issues followed by a general statement of voting policies. The System will at all times strive to cast proxy votes so as to advance the overall good of the System.

The Board incorporates International equity proxy voting guidelines for share-blocking markets into its Proxy Voting policy. Share-blocking markets are markets of countries outside the U.S. and Canada, which restrict trade activity by shareholders who vote proxies. For portfolio managers managing assets in these international developed and emerging market countries, the requirement to vote proxies may prevent the full exercise of their fiduciary duty to manage the portfolio in the best interest of the Systems. Therefore, under these circumstances, the portfolio manager is granted the authority to choose whether or not to vote proxies in share-blocking markets based upon the manager's determination of what is in the best interest of the Systems.

**SPECIFIC INVESTMENT RESULTS BY ASSET CLASSIFICATION**

As of June 30, 2011, the Retirement System's portfolio was a little over-weight in total equities, with 61.8 percent in total equities versus the target of 60.0 percent. Domestic equities were slightly over-weight with 30.9 percent versus the target of 30.0 percent, and international equity with 26.3 percent developed and 4.6 percent emerging markets was slightly over-weight total international equity with 30.8 percent versus the target of 30.0 percent. Fixed income with 28.7 percent was 1.3 percent under its target of 30.0 percent and real estate at 9.4 percent was 0.6 percent under-weight its target of 10.0 percent.

The investments were further diversified into the following asset classes and target percentages:

	Actual	Target
Asset Classification		
Domestic Equities:		
Large-Cap Equities	20.3%	22.5%
Small-Cap Equities	8.5%	7.5%
International Equities:		
Developed Equities	24.3%	22.8%
Emerging Market Equities	4.9%	7.2%
Fixed Income:		
Domestic Fixed Income	27.5%	25.0%
High Yield Fixed Income	5.4%	5.0%
Real Estate:		
Private Real Estate	5.5%	6.0%
Public (REITs)	3.5%	4.0%
Cash:	0.1%	0.0%
Total	100.0%	100.0%

This asset class diversification along with portfolio investment style diversification is all part of the Retirement Board's Investment Risk Management Program. The investment returns presented herein are based on a time-weighted rate of return methodology based upon market values.

Respectfully submitted,



Stanley L. McDivitt  
Retirement Administrator

November 28, 2011

# Investment Consultant's Report



October 10, 2011

City of Fresno Employees and Fire & Police Retirement Boards  
 2828 Fresno Street, Suite 201  
 Fresno, California 93721-1327

### Introduction and Overview

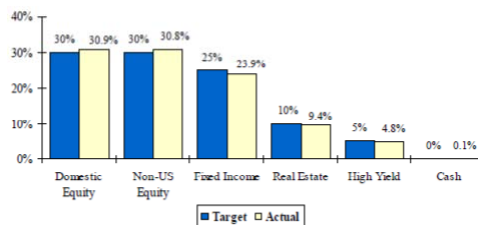
Wilshire independently calculated the Funds' fiscal year performance results using the individual portfolio market valuations and cash flows provided by the Funds' custodian bank, the Northern Trust Company. The investment information is presented in conformance with the Global Investment Performance Standards of the Chartered Financial Analyst Institute (CFAI, formerly AIMR). For the fiscal year ended June 30, 2011, the combined systems experienced a total gain of 24.30% gross of fees<sup>1</sup>. Over the last year, the fund outperformed its weighted benchmark<sup>2</sup> return of 22.90% by 1.40% (gross of fees). The combined systems continue to maintain a healthy funding level despite the turbulent investment environment of the past four fiscal years and ended the fiscal year with \$2.07 billion in assets.

For the year ending June 30, 2011, the Systems' gross of fee performance of +24.30% ranked in the top decile (10<sup>th</sup> percentile) of all public pension funds gross of fee performance in Wilshire's database.

The Systems' total return over the past five years has been an annualized average of +4.73% gross of fees versus the policy weighted benchmark return of +5.16% and the 8.00% actuarial interest rate assumption. Over the past five years, the Systems have underperformed the benchmark by 0.43% gross of fees. During the past ten years, the combined Systems achieved a total annualized return of +6.13% gross of fees versus a return of +6.31% for the composite policy weighted benchmark return. Over this time period, the Systems underperformed the policy weighted benchmark return by 0.18% per year.

The Systems' portfolios are managed in accordance with the guidelines established in the Boards' Investment Objectives and Policy Statement. This investment policy statement is reviewed periodically and revised regularly.

At the end of the fiscal year, investment allocations in all asset classes were close to their policy targets and within reasonable rebalancing ranges.



<sup>1</sup> Based on Wilshire's independent calculation of performance results which are within a reasonable tolerance of the actual returns reported by the Systems' custodian, the Northern Trust.

### Performance Comparison

The following table compares the total return for the Systems to all other public pension funds in the TUCS universe and the Systems' benchmark. The table illustrates that the Systems' performance during fiscal 2011 and 2010 was above that of the median public pension fund after lagging behind in 2008 and 2009. From 2002 to 2011, the Systems ranked above the median in eight out of ten years, and outperformed the weighted benchmark in six out of ten years.

	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10	Jun-11
Fresno Total Fund	-5.81%	4.30%	17.69%	10.92%	12.13%	17.43%	-6.00%	-20.08%	14.92%	24.30%
TUCS Median Public Pension Fund	-5.82%	3.94%	15.75%	9.36%	9.44%	16.08%	-4.51%	-17.06%	12.70%	21.11%
TUCS Median Public Pension Fund \$1BN+	-5.82%	4.02%	15.88%	9.95%	10.72%	17.69%	-4.36%	-18.76%	13.09%	21.46%
Weighted Benchmark	-5.00%	5.09%	16.40%	10.60%	11.57%	17.34%	-5.61%	-16.97%	13.62%	22.90%

For the one-year period ending June 30, 2011:

- The Systems' domestic equity composite return of 35.91% gross of fees outperformed both the domestic equity policy weighted benchmark return and the TUCS median peer return of 32.38% and 32.79% respectively.
- The Systems' international equity composite return of 31.48% gross of fees also outperformed both the international equity policy weighted benchmark return of 30.76% and the TUCS median peer return of 30.40%. This was driven by the outperformance of the Systems' developed market managers which offset the underperformance of the active emerging market managers.
- The Systems' total fixed income composite return of 6.99% outperformed the fixed income policy weighted benchmark return of 5.81% and 5.09% for the TUCS median peer. The Systems' core fixed income composite return of 4.58% gross of fees outperformed the Barclays Aggregate policy index return of 3.90% due to higher exposure to corporate credit markets versus the index. The Systems' high yield fixed income composite return of 19.82% gross of fees beat the Barclays High Yield policy index return of 15.63%.
- The Systems' real estate composite returned 25.12% gross of fees which was above both the real estate policy weighted benchmark return of 23.92% and the TUCS median peer return of 22.10%. This was primarily driven by a rebound in private real estate valuations during the year.

As the Systems' investment consultant, Wilshire Associates provides investment advice, asset and liability studies, manager investment due diligence and monitoring, and detailed quarterly performance reports. Wilshire is privileged to work together with the Boards and Staff in evaluating additional opportunities to enhance both the Systems asset allocation and the existing manager lineup. Wilshire remains confident in the longer-term outlook for the plan as the Systems continue to meet participant needs through timely benefit payments and a high level of service.

Sincerely,



Thomas Toth, CFA  
 Managing Director

<sup>2</sup>City of Fresno Policy Weighted Index Benchmarks

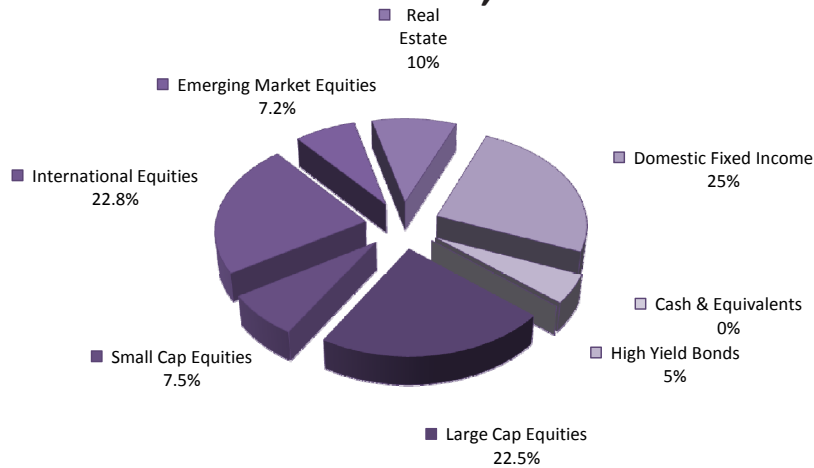
Index Benchmarks: Policy Weighted	9/13/1995 - 2/28/1997	3/1/1997 - 3/31/2001	4/1/2001 - 6/30/2002	7/1/2002 - 6/30/2003	7/1/2003 - 6/30/2004	7/1/2004 - 1/31/2005	2/1/2005 - 6/30/2005	7/1/2005 - 9/30/2008	10/1/2008 - 2/28/2011	3/1/2011 - Present
<i>SP 500 Index</i>	40.0%	32.0%	29.0%	30.0%	31.45%	30.0%	30.0%	30.0%	22.5%	22.5%
<i>Russell 2000 Growth Index</i>	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
<i>Russell 2000 Value Index</i>	3.5%	5.0%	6.0%	6.0%	5.275%	5.0%	5.0%	5.0%	3.75%	3.75%
<i>Russell Mid-Cap Growth</i>	4.0%	4.0%	4.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Total Domestic Equity</i>	<b>51.0%</b>	<b>46.0%</b>	<b>45.0%</b>	<b>45.0%</b>	<b>42.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>30.0%</b>	<b>30.0%</b>
<i>MSCI EAFE Index</i>	7.0%	10.0%	9.0%	9.0%	15.0%	17.0%	17.0%	17.0%	19.5%	13.0%
<i>MSCI ACWI ex-US Index</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	13.0%
<i>MSCI EMF Index</i>	0.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%
<i>Total International Equity</i>	<b>7.0%</b>	<b>12.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>18.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>30.0%</b>	<b>30.0%</b>
<i>Barclays Aggregate</i>	37.0%	25.0%	28.0%	28.0%	28.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<i>Barclays High Yield</i>	0.0%	0.0%	2.0%	2.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<i>Barclays Gov/Credit/LB</i>	0.0%	5.0%	7.0%	7.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>JPMorgan Non US Govt Bond</i>	4.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Total Fixed Income</i>	<b>41.0%</b>	<b>38.0%</b>	<b>37.0%</b>	<b>37.0%</b>	<b>32.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>
<i>NCREIF actual (not lagged)</i>	1.0%	4.0%	7.0%	7.0%	8.0%	10.0%	7.5%	6.0%	6.0%	6.0%
<i>Wilshire Real Estate Securities Index</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	4.0%	4.0%	4.0%
<i>Total Real Estate</i>	<b>1.0%</b>	<b>4.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
<b>Total Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Investment Results

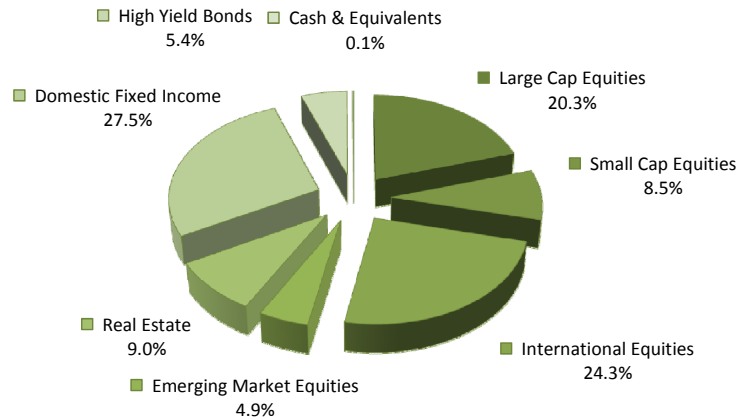
	Annualized - As of June 30, 2011				
	1 year	3 years	5 years	10 years	15 years
<b>Total Fund</b>	24.26	4.50	4.70	6.11	7.74
Median TUCS Public Fund	21.11	4.59	4.91	5.59	7.31
Median TUCS Public Fund \$1BN+	21.46	4.26	5.05	5.93	7.47
Benchmark: Weighted Indexes	22.82	4.97	5.12	6.28	7.50
<b>Domestic Equity Large Cap</b>	34.74	3.38	2.63	2.77	6.44
Median Large Cap Equity	31.38	3.87	3.96	4.28	9.63
Benchmark: S&P 500	30.69	3.34	2.94	2.72	6.50
<b>Domestic Equity Small Cap</b>	38.57	11.08	6.22	6.22	6.78
Median Small Cap Equity	40.22	9.17	6.06	8.67	12.37
Benchmark: Russell 2000	37.41	7.77	4.08	6.27	7.37
<b>Total Domestic Equity</b>	35.87	5.35	3.55	3.61	7.03
Median Total Domestic Equity	34.90	5.80	5.00	6.18	10.45
Benchmark: SP500/Russell 2000	32.38	4.54	3.30	3.64	6.96
<b>International Equity (EAFE)</b>	34.14	-3.58	0.79	5.05	--
Median International Equity (EAFE)	32.81	0.59	3.30	7.93	--
Benchmark: MSCI EAFE (\$g)	30.93	-1.30	1.96	6.12	--
<b>International Equity (ACWI ex-US)</b>	30.36	--	--	--	--
Median International Equity (ACWI ex-US)	32.01	--	--	--	--
Benchmark: MSCI ACWI ex-US (\$g)	30.27	--	--	--	--
<b>Emerging Market Equity</b>	24.72	4.56	10.85	17.36	--
Median Emerging Market Equity	28.00	5.10	11.83	17.22	--
Benchmark: MSCI EMF (\$g)	28.17	4.53	11.75	16.54	--
<b>Total International Equity</b>	31.84	-1.37	2.85	7.47	7.46
Median International (Dev/EM) Equity	31.13	2.14	4.93	8.44	9.31
Benchmark: MSCI ACWI ex-US (\$g)	30.76	-0.03	3.67	7.92	5.75
<b>Total Fixed Income</b>	6.99	7.69	6.93	6.46	6.56
Median Fixed Income	4.85	6.69	6.75	5.90	6.38
Benchmark: Barclays Aggregate Bond Index	5.84	7.69	7.12	6.38	6.33
<b>Total Real Estate</b>	25.37	-1.69	2.09	7.30	9.30
Median Real Estate	19.30	-7.33	-0.45	5.56	8.57
Benchmark: Weighted Indexes	23.92	1.98	4.42	9.94	10.79

Calculations are prepared using a time-weighted rate of return based on market values.

## Target Allocation as of June 30, 2011



## Actual Asset Allocation as of June 30, 2011



Asset Class	Current Target	Allocation Range	Actual
Large Cap Equities	22.5%	18.5% - 26.5%	20.3%
Small Cap Equities	7.5%	4.5% - 10.50%	8.5%
International Equities	22.8%	18% - 29%	24.3%
Emerging Market Equities	7.2%	2% - 9%	4.9%
Real Estate	10.0%	8% - 12%	9.0%
Domestic Fixed Income *	25.0%	20% - 30%	27.5%
High Yield Bonds	5.0%	0% - 8%	5.4%
Cash & Equivalents	0.0%	0% - 2%	0.10%

\* 2% High Yield Bonds Managed Within Domestic Fixed Income

A complete list of portfolio holdings is available on our website at <http://www.cfrs-ca.org/>.

### Largest Stock Holding (by Market Value) as of June 30, 2011

	Shares	Stock Holding	Market Value
1)	94,906	NESTLE SA CHF0.10(REGD)	\$5,889,381
2)	68,090	BRITISH AMERICAN TOBACCO ORD GBP0.25	2,985,415
3)	3,747	SAMSUNG ELECTRONIC KRW5000	2,899,043
4)	114,082	BG GROUP ORD GBP0.10	2,589,794
5)	14,919	ROCHE HLDGS AG GENUSSSCHEINE NPV	2,493,021
6)	7,245	APPLE INC COM STK	2,431,951
7)	70,236	ADR PETROLEO BRASILEIRO SA PETROBRAS SPONSORED ADR	2,378,193
8)	869,264	VODAFONE GROUP ORD USD0.11428571	2,306,862
9)	96,457	ATLAS COPCO AB SER'B'NPV	2,276,113
10)	78,153	ADR VALE S A ADR REPSTG PFD PREF ADR	2,263,310
Total Largest Stock Holdings			\$28,513,083

### Largest Bond Holdings (by Market Value) as of June 30, 2011

	Share/Par Value	Bond Holding	Coupon Rate	Maturity Date	Market Value
1)	7,221,528	UNITED STATES TREAS NTS	0.750%	31 Mar 2013	\$7,263,846
2)	5,569,209	FEDERAL HOME LN MTG CORP POOL #G02988	6.000%	01 May 2037	6,129,973
3)	4,225,931	UNITED STATES TREAS NTS DTD 00273	0.875%	31 Jan 2012	4,244,420
4)	3,762,458	FEDERAL NATL MTG ASSN GTD MTG POOL #AL0278	5.500%	01 Jan 2025	4,080,649
5)	3,324,578	UNITED STATES TREAS NTS DTD 00277	1.375%	15 Feb 2013	3,377,432
6)	2,894,693	FNMA POOL #725162	6.000%	01 Feb 2034	3,211,036
7)	2,926,056	US TREAS BDS	4.750%	15 Feb 2041	3,110,307
8)	3,105,257	UTD STATES TREAS	0.500%	31 May 2013	3,108,533
9)	2,638,281	FNMA POOL #889552	6.000%	1 May 2038	2,900,209
10)	2,720,109	UNITED STATES TREAS NTS DTD 01/31/2010	3.125%	31 Jan 2017	2,884,164
Total Largest Bond Holdings					\$40,310,569

A complete list of portfolio holdings is available upon request.

The System participates in a commission recapture program offered by Northern Trust Securities Inc. (NTSI). Investment Managers are instructed to seek best execution and to seek to minimize omission and market impact costs when trading securities. Consistent with the pursuit of best execution, equity manager's participating in the Brokerage Commission Recapture Program are to give consideration to executing a portion of the trades for their account through brokerage firms identified by NTSI as eligible Broker Dealer firms. The System receives a rebate in the amount of 70% of the total commissions directed through the NTSI Network. For fiscal year 2011, the net income from Brokerage Commission Recapture was \$41,258. During this period, the overall participating rate by the System's equity managers was 11.59%. The percentage of equity trading being executed through the program is generally at a low cost and has resulted over the years in a meaningful cost recapture.

### SCHEDULE OF COMMISSIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Brokerage Firm	Total Commissions	Number of Shares	Commission Cost/Share
CSFB NEW YORK DTC 355	\$ 61,603	12,674,304	\$ 0.0049
CREDIT SUISSE FIRST BOSTON CORPORATION	49,420	99,713,665	0.0005
DEUTSCHE BANK SECURITIES INC	42,025	32,185,079	0.0013
INSTINET	41,498	1,093,945	0.0379
UBS WARBURG LLC	35,282	138,581,047	0.0003
UBS AG, (LONDON EQUITIES)	26,307	2,231,139	0.0118
CSFB LONDON	20,140	1,067,996	0.0189
MERRILL LYNCH INTL LTD EQUITIES	19,383	1,308,781	0.0148
JP MORGAN SECURITIES LIMITED LONDON	17,735	2,763,069,864	0.0000
CITIGROUP GLOBAL MARKETS INC	16,903	232,845,999	0.0001
	\$ 330,296	3,284,771,819	\$ 0.0001
All Other Brokerage Firms	601,446	12,239,055,749	0.0000
<b>TOTAL</b>	<b>\$ 931,742</b>	<b>15,523,827,568</b>	<b>\$ 0.0001</b>

### INVESTMENT SUMMARY

	Investment Value as of June 30, 2011	Percent of Fund
Equity		
Domestic	\$ 400,477,491	35.8%
International	221,750,417	19.8%
Emerging Market Equity	48,997,718	4.4%
Fixed Income		
Domestic	312,479,298	27.9%
Real Estate	105,837,124	9.5%
Short Term Investments	29,404,478	2.6%
<b>Total</b>	<b>\$ 1,118,946,526</b>	<b>100.0%</b>

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