14 percent of the state's total workforce are PERS active members, all of whom provide essential public services in communities throughout Mississippi.

fact two

Source: Based on data from PERS and 2009 reports from the US Department of Commerce Bureau of Economic Analysis

investment

Defined Benefit Plans – Report on Investment Activity

Prepared by Lorrie Tingle, CFA
Chief Investment Officer

The Board of Trustees serves as the ultimate decision-making body for the Public Employees' Retirement System of Mississippi. As fiduciaries, the Trustees rely on the following principles to guide them in making investment-related decisions:

- ensure adequate liquidity is available when needed;
- preserve the long-term corpus of the fund;
- maximize total return within prudent levels of risk; and
- always to act in the exclusive interest of the members of the System.

Facing each year's unique investment challenges and opportunities, the PERS Board and investment staff remain clearly focused on the fundamental truth that investing for the future of our membership is a long-term commitment requiring constant attention and specialized expertise. The PERS Board is committed to employing every available avenue to create and maintain a well-diversified portfolio designed to attempt to minimize risks and maximize returns over the long term. The goal of the investment program is to ensure adequate funding is available for all current and future pension obligations.

Fiscal Year 2011 Plan Overview

As of June 30, 2011, the market value of the defined benefits portfolio was $20.8 billion. This represented a $3.7 billion increase over the fiscal year 2010 valuation. As is common in mature pension plans, the System's annual distributions surpassed the annual contributions made by members and employers. This year, benefits paid exceeded incoming contributions by $594 million.

The investment portfolio allocation at year end, excluding investments purchased with securities lending cash collateral, was 43.7 percent domestic, 24.7 percent international, and 1.5 percent global equities; 21.7 percent debt securities; 6.4 percent public and private real estate investments; 1.1 percent private equity and absolute return strategies; and 0.9 percent cash equivalents. As in the past, the System continued to maintain a high-quality debt portfolio as evidenced by the fact that 68.0 percent of the bond investments carried a triple-A rating. This included 60.0 percent of the total fixed income portfolio, which was invested in U.S. Treasury notes, bonds, TIPS, and U.S. government agency bonds and collateralized mortgage obligations.

During the fourth quarter of fiscal year 2011, the Board of Trustees employed Callan Associates as the System's investment consultant. Their services include calculating time-weighted investment returns for the total fund and for each of the investment managers retained to invest the System's assets. Callan also provides investment research and advice; assists the Board in the manager selection process; and conducts periodic asset/liability studies.

The System's securities lending program is managed by its custodial bank, BNY Mellon. This program generates ancillary income by lending securities in the System's portfolio to securities dealers in return for a premium payment on non-cash loans and earnings generated by the investment of cash collateral. All loans are secured by the receipt of collateral valued at 102.0 or 105.0 percent of the value of the loaned security. In fiscal year 2011, the program generated $13.9 million* in additional revenue for the PERS investment program.

In addition to the short-term assets managed in house, 33 firms were managing 43 different investment portfolios for the System at year end. The chart on page 84 identifies each firm and the percentage of the total portfolio represented by each. Portfolio performance is monitored quarterly by the Board of Trustees with the assistance of Callan Associates.

***$13.9 million were the earnings distributed for the fiscal year; $18.1 million was the reported net income as required by GASB 28.**

**$13.9 million were the earnings distributed for the fiscal year; $18.1 million was the reported net income as required by GASB 28.*

Fiscal Year 2011 Market Recap

Continuing the pattern seen in recent fiscal years, fiscal year 2011 was another volatile ride for investors. Though corporate balance sheets appeared strong and global inflation remained in check, investor confidence ebbed and flowed throughout the year. Overriding any positive economic news was the fact that unemployment numbers remained high with little signs of improvement on the horizon. Throughout fiscal year 2011, investors' concerns ranged from the potential impact of the demise of the European Union, as sovereign debt problems moved from one country to another; to the effects of the tsunami, earthquake and nuclear disasters in Japan, which temporarily shut down production lines in many industries worldwide. Climbing oil prices—the result of the "Arab Spring" of civil unrest in the Middle East and North Africa—re-ignited inflation fears mid-year. While buoying investor confidence earlier in the year, the positive effect of the Federal Reserve's second round of quantitative easing (QE2) came to an end late in the fiscal year. Fiscal year 2011 also saw investors watch and worry as the highly partisan US Congress failed to agree on a plan to address the ballooning budget deficit. This political gridlock resulted in Standard & Poor's threatening to lower the United States' triple-A bond rating. All these events served to add further uncertainty to an already fragile economic recovery.

In spite of many challenges and the worries over lack of job growth, investors poured monies into equities, high yield bonds and other higher risk investments throughout the first half of fiscal year 2011. The extension of the Bush-era tax cuts and the positive impact of QE2 both helped strengthen investors' confidence. These factors, coupled with strong demand from China and other emerging markets, resulted in better returns for equity markets throughout most of the year. The overall strength of world equity markets was evidenced by the 30.3 percent return for the benchmark Morgan Stanley Capital International (MSCI) All Country World Index for the year ended June 30.

Early in fiscal year 2011, US fixed income markets appeared to be headed toward a potential bubble in the Treasury markets as the yield declines that had begun in fiscal year 2010 continued. The federal funds rate remained near zero and talk of another round of quantitative easing worked to push yields down even further during the first quarter of the year. As QE2 was implemented and improving economic numbers appeared, investors turned their attention to higher risk and higher yielding investment opportunities. As such, high yield and emerging markets debt saw strong returns throughout the latter part of the year. As the fiscal year came to an end, markets saw double-dip recession fears return and concerns mount over the continuing sovereign debt crises in Europe. In the fourth quarter of fiscal year 2011, investors took risk off the table and again sought safety in US Treasuries. All this resulted in the benchmark Barclay's Capital Aggregate Index returning a meager 3.9 percent for the fiscal year.

Strong returns from both public and private real estate in fiscal year 2010 carried over into fiscal year 2011. Investors' desire for yield led many to shift funds into the REIT and core real estate segments of the market. Representing the universe of US public real estate investments, the Dow Jones US Select REIT Index returned 35.0 percent for the one-year period ended June 30, 2011. Strong returns in public real estate investments extended globally as reflected by the returns of the FTSE EPRA/NAREIT Developed Markets REIT Index, which gained 33.4 percent for the year.

Private real estate investments also posted double-digit gains as investors lined up to commit money to core property funds. Fiscal year 2011 was a good year for private real estate investors as evidenced by the NCREIF Property Index's 16.7 percent return, which primarily resulted from upward revisions in property valuations and a growing demand for income generating properties. The one-year 16.7 percent index return was comprised of 9.8 percent asset value appreciation and 6.4 percent income.

As risk appetites returned in fiscal year 2011, investors looked for opportunities not only in public and private real estate, but they also turned again to private equity investments. After a slow start early in the year, private equity markets saw the pace of new fund commitments increase throughout fiscal year 2011. In the last half of the fiscal year, 202 private equity funds totaling almost $65 billion closed. Buyout and venture capital funds captured the most investor interest during the period.

Performance Overview

In fiscal year 2011, the System had its best investment year since 1985. The 25.4 percent total return exceeded the System's total plan benchmark return of 22.1 percent and ranked in the top 10 percent of large public plans in the Callan Associates peer universe. The fiscal year 2011 return also exceeded the System's 8.0 percent actuarial annual assumed rate of return. The effect of the 2008 financial crisis continued to be reflected in the three-year total return of 4.9 percent, with the longer term 5- and 10-year returns coming in at 4.7 and 5.4 percent, respectively. Worth noting is the fact that the System's portfolio structure is designed to achieve success over the long term. Although the effect of many challenging events in the global financial markets during the past 10 years has hurt returns, over longer periods the System has been successful in achieving its 8.0 percent assumed rate of return as evidenced by the 20- and 25-year returns of 8.1 and 8.4 percent, respectively.

SHORT-TERM PORTFOLIO

Cash flows generated by the contributions to the System and from other incremental income activities are managed and invested by the System's investment staff. These assets are used to fund benefit payments, refunds, and the annual COLA. With interest rates at the short end of the yield curve remaining near zero throughout the fiscal year, the return on the internally managed short-term investment program was 0.14 percent. The cash portion of the accounts managed by external investment managers is invested in interest earning cash equivalents. All short-term investments are made in accordance with state law and policies set by the Board of Trustees.

PUBLIC EQUITY PORTFOLIO

Fiscal year 2011 saw extremely strong returns for equity markets worldwide. Broad market benchmarks like the Russell 3000, MSCI EAFE, and MSCI Emerging Markets Indices posted gains of 32.4, 30.9, and 28.2 percent, respectively. For the fiscal year, the System's domestic equity portfolios returned 34.4 percent, outperforming the Russell 3000 Index by more than 2.0 percent. The System's developed markets international equity portfolio gained 32.1 percent for the year, exceeding its MSCI EAFE Index benchmark by 1.2 percent. Though underperforming its benchmark, the System's emerging markets portfolio returned a healthy 25.4 percent for the year.

The total public equity portfolio return of 33.2 percent for the fiscal year compared well to the MSCI All Country World Index, total equity benchmark's return of 30.8 percent. Still affected by the negative markets of previous years, the longer term returns, while improved relative to years past, reflected low single digit gains. The total public equity portfolio returns for the three-year period ending June 30, were 3.9 percent, with five-year returns also at 3.9 percent. Although disappointing, these returns exceeded those of the benchmark MSCI ACWI Index, which returned 1.5 percent for the three-year, and 3.7 percent for the five-year periods ended June 30. For the 10 years ended June 30, the public equity portfolio slightly underperformed its benchmark, returning 4.7 percent with the benchmark returning 5.3 percent.

As of June 30, the System had allocated 43.7 percent of the total portfolio to domestic equities, 18.2 percent to international developed markets, 6.6 percent to emerging markets, and 1.5 percent to global equities. Within the domestic equity portfolio, 71.0 percent of the investments were in large, 18.0 percent mid, and 11.0 percent small capitalization securities.

FIXED INCOME PORTFOLIO

In fiscal year 2011, the System's fixed income portfolio was comprised of a variety of investment strategies including both active and passively managed funds. The largest part of the total fixed income portfolio was made up of funds managed against the Barclays Capital Aggregate Index, which contains primarily US fixed income securities. Additionally, the portfolio included a Treasury Inflation Protected portfolio and a core plus strategy. The core plus portfolio was invested in Barclay's Aggregate type bonds as well as high yield and non-U.S. issues. The newest addition to the fixed income portfolio was an emerging market debt portfolio funded in late fiscal year 2010. The total diversified mix of fixed income strategies worked well during fiscal year 2011. The System's fixed income portfolio returned 6.5 percent, outperforming the Barclays Capital Aggregate Index by 2.6 percent. For the three- and five-year periods ended June 30, the fixed income portfolio returns were 7.6 and 6.9 percent, respectively, beating the index's 6.5 percent returns for both the three- and five-year periods. The 10-year performance for the portfolio was 6.1 percent, while the index returned 5.7 percent. The System ended the year with a fixed income portfolio comprised of 94.0 percent investment grade bonds and 8.7 percent emerging market debt.

REAL ESTATE PORTFOLIO

The System began funding its real estate investment program in late fiscal year 2003. The portfolio consists of investments in core and value-added real estate funds, timber, and managed portfolios of publicly traded U.S. and non-U.S. real estate investment trusts (REITs).

Overall real estate markets experienced a strong year during fiscal year 2011. The System saw returns of 21.1 percent on the total real estate portfolio. Although the core real estate portfolio returned 18.0 percent for the year, it underperformed the NFI-ODCE Index, which gained 20.5 percent for same period. The System's value-added real estate portfolio returned 10.7 percent, while its benchmark, the NCREIF Property Index, saw returns of 16.7 percent for the year. The System's timber portfolio, comprised of both US and non-US timber investments, reported returns of 12.7 percent. This compared favorably to the NCREIF Timberland Index, which had returns of 0.5 percent for the same period. The System's REIT portfolio saw strong returns for a second year. For the one-year period, this portfolio, comprised of both U.S. and global REIT investments, returned 31.5 percent. Although strong in absolute terms, the REIT portfolio lagged its benchmark, the FTSE EPRA/NAREIT Developed Markets REIT Index, by 1.9 percent. At the end of the fiscal year, real estate investments comprised 6.4 percent of the total portfolio.

PRIVATE EQUITY PORTFOLIO

General partners saw an improving investment landscape in fiscal year 2011 as investors returned to the private equity markets. The System's private equity program, consisting of two separate-account fund of funds, was launched in late December 2008. As of June 30, 2011, capital commitments totaled approximately $1.4 billion, with $205.1 million of capital called for investment. Longer term investments such as private equity, generally experience negative returns during the first six to seven years of the investment lifespan as funds are being invested and expenses are being paid. Positive returns begin once investments begin to mature and gains are realized. As the result of some early realizations, the System's relatively new private equity investments returned a strong 8.4 percent for fiscal year 2011. These investments totaled 1.1 percent of the total fund at year end.

ABSOLUTE RETURN PORTFOLIO

The System's sole investment in absolute return opportunities was completely realized near the conclusion of fiscal year 2011. The PIMCO Private Funds II, LP, focused on investments in asset-backed securities offered through participation in the US government backed Term Asset–Backed Securities Loan Facility (TALF). The TALF Fund prepared for its final distribution to investors as the fiscal year came to an end. While a relatively small part of the total portfolio at $17.5 million, the fund returned a total of $24.6 million to the System over its three-year life. This resulted in an internal rate of return of 34.3 percent.

ASSET ALLOCATION

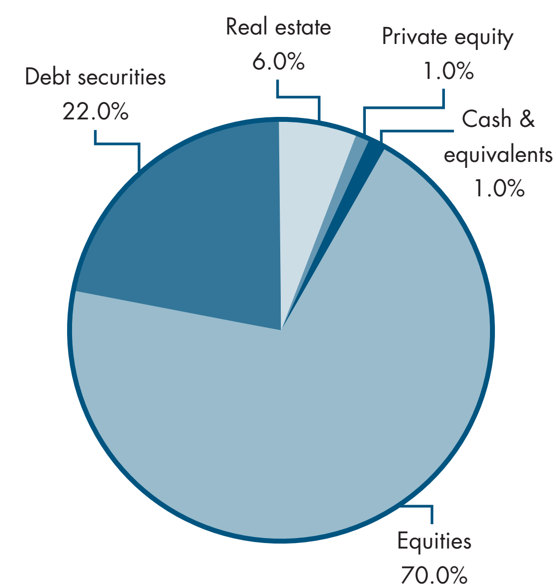
Determining the long-term asset allocation policy for the investment portfolio is one of the Board of Trustees' most important decisions. The System's investment consultant conducts periodic asset/liability allocation studies that include consideration of projected future liabilities of the System, projected risk, return and correlations for various asset classes, and the System's statutory investment restrictions. In late fiscal year 2010, the Board conducted an asset/liability study that resulted in the adoption of strategic asset allocation targets of 52.5 percent public equities, 27.5 percent fixed income, 10.0 percent real estate, 5.0 percent private equity, and 5.0 percent absolute return. Implementation of this allocation policy continued throughout fiscal year 2011.

Important to note is the fact that asset allocation target decisions for public pensions are unique to the individual plan and are based on the plan's specific liability requirements, as well as any statutory investment restrictions under which the investment program must operate. As a result, the System's allocation could be somewhat different than that of other public pension plans. From time to time this variance can result in significant differences in investment returns.

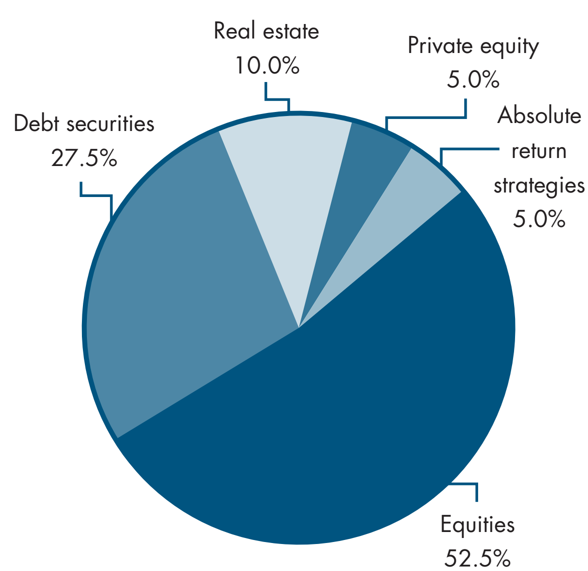
Defined Benefit Plans

ASSET ALLOCATION AT FAIR VALUE

June 30, 2011



LONG-TERM TARGET ASSET ALLOCATION



Investment Policies

All investment policies adopted by the Board of Trustees of the Public Employees' Retirement System of Mississippi are within the guidelines established by the Mississippi Code of 1972, Section 25-11-121.

• TYPES OF INVESTMENTS

The specific types of investments in which the System is authorized to invest are enumerated in Section 25-11-121, Mississippi Code (1972).

• ASSET ALLOCATION

The current long-term asset allocation was adopted by the Board of Trustees in June 2010. Asset allocation studies are conducted by the System every four to five years, or more frequently should significant liability changes occur.

• PERFORMANCE

The performance of each investment manager is measured against an appropriate, industry recognized index, which is used as the minimum investment return benchmark. The target return is expected to be achieved at a risk level no greater than that of the designated benchmark index.

Each investment manager is expected to perform above the mean of their peer universe over a rolling three-year period. The peer universe is maintained by the System's investment consultant.

The investment consultant produces quarterly performance evaluation reports for each investment manager. These reports also include performance over 1-, 3-, 5- and 10-year periods, if applicable. The quarterly review includes performance comparisons against the established benchmarks and peer universes. In addition to individual manager performance, each quarterly report also includes composite and total portfolio performance data. The quarterly performance review is presented to the Board by the investment consultant.

Each investment manager makes a formal presentation to the Board of Trustees or the investment staff in Jackson at least annually. If deemed necessary, representatives of the System also may elect to visit the investment managers at their place of business.

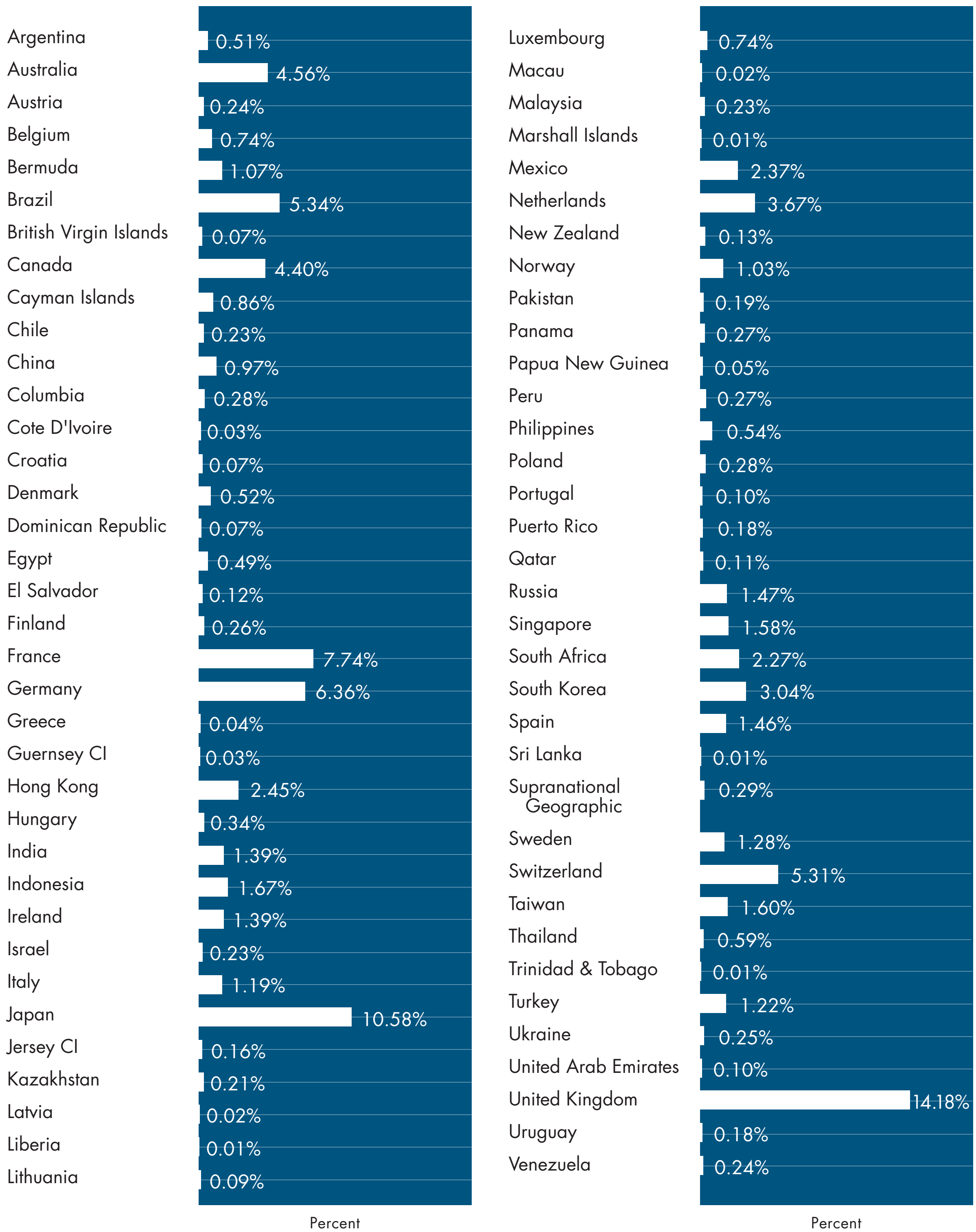
Summary

Fiscal year 2011 saw strong equity returns worldwide and much improved commercial real estate valuations as investor preferences for higher risk investments returned periodically throughout the year. While concerns over the growing US deficit and sustained high unemployment loomed in the background, fiscal year 2011 will be remembered as the year the System experienced its strongest investment returns in more than 25 years.

Acknowledging the uncertainty of future economic scenarios and the potential affect on investment returns, one might ask "What is being done to ensure the financial soundness of the System?" First, by design, a pension plan investment program must focus on a long-term investment horizon. The System is essentially a "perpetual" investor, and as such, its portfolio should be–and is–structured to provide the best returns possible over the long term within the Board of Trustees' accepted risk parameters. While, admittedly, investors will always face challenging times, the System takes prudent steps to attempt to ensure that its portfolio is well positioned to meet all future financial obligations. It is important to remember that this System seeks to invest for the long term and has successfully weathered many financial storms for nearly six decades.

Financial markets almost certainly guarantee obstacles to face, but as a "perpetual" investor, the System will continue to utilize sound investment principles and steadfastly work to overcome all challenges the future might present, as we strive to provide secure benefits for our membership.

Defined Benefit Plans — Non-US Investments by Country
Fair Value at June 30, 2011

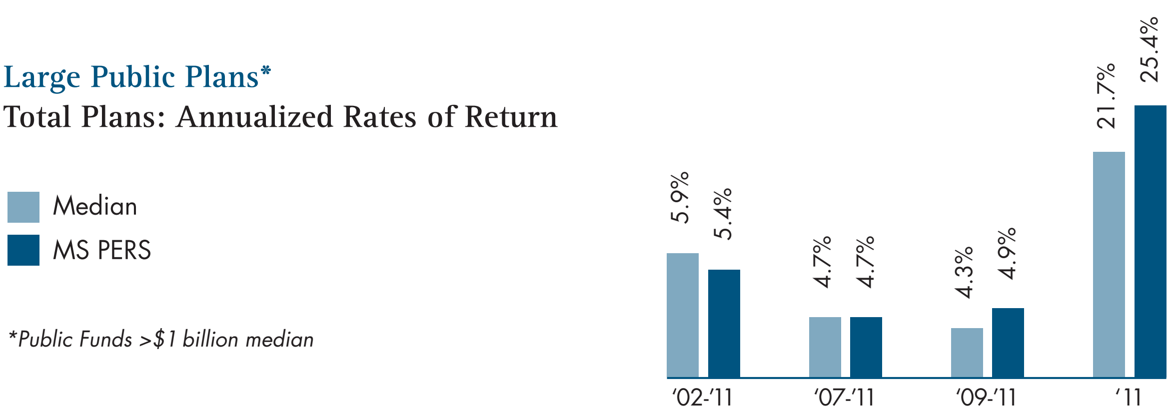


Defined Benefit Plans — Performance Summary for Fiscal Years Ended June 30, 2011

	Current Year	Annualized 3-year	Annualized 5-year
Total Plans:			
MS PERS Combined Return*	25.4%	4.9%	4.7%
MS PERS Policy Target Return	22.1	4.2	4.9
Public Funds >$1 Billion Median	21.7	4.3	4.7
Debt Securities:			
Debt Securities Managers Composite*	6.5	7.6	6.9
Barclays Capital Aggregate Bond Index	3.9	6.5	6.5
Domestic Equity:			
Domestic Equity Managers Composite*	34.4	5.6	4.2
Russell 3000 Index	32.4	4.0	3.4
International Equity:			
International Equity Managers Composite*	30.7**	0.6	3.4
MSCI All Country World Ex-US Index	30.3	0.1	4.1
Global Equity:			
Global Equity Managers Composite*	34.4	(3.7)	0.6
MSCI World Index	30.5	0.5	2.3
Real Estate:			
Commingled Funds and REITS Composite*	21.1	(4.6)	(0.6)
NFI-ODCE Value Weighted G	20.5	(7.7)	0.0
US Select REIT Index	35.0	4.7	1.7
FTSE EPRA/NAREIT Developed Markets Index	33.4	2.3	1.5
Private Equity:			
Private Equity Composite*	8.4	–	–
S & P 500 + 5 %	35.7	8.3	7.9
Absolute Return Strategy:			
Absolute Return - PIMCO Private Funds*	26.8	–	–
PERS Absolute Return Program Benchmark	8.0	–	–

**Calculations for the System are prepared using a time-weighted rate of return methodology based upon market values.*
***Includes both developed and emerging market investments.*

Large Public Plans*
Total Plans: Annualized Rates of Return



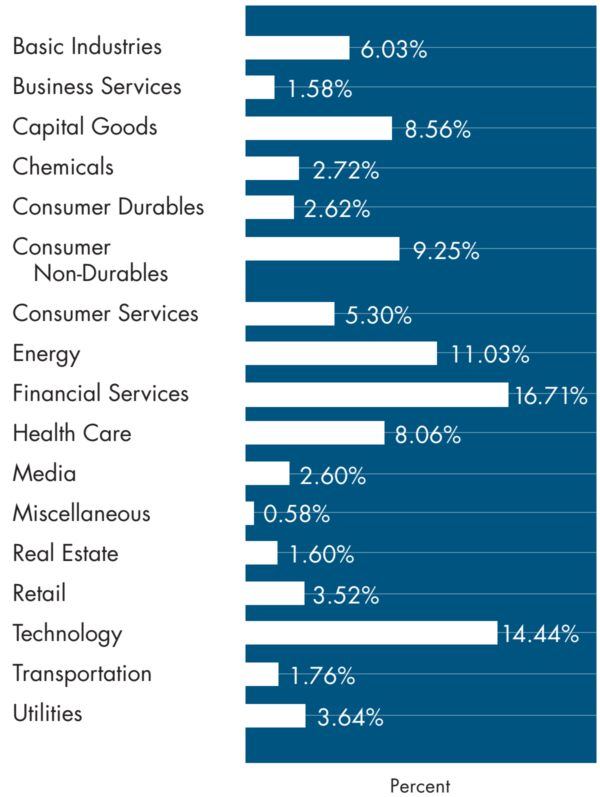
**Public Funds >$1 billion median*

Defined Benefit Plans — Equity Portfolio Summary

	Fair Value
Total Equity Securities	$14,325,597,813
Total Number of Shares of Equity Securities Held	1,048,385,211
Total Number of Issues of Equity Securities Held	5,558

Equity Investments by Industry Type

Fair Value at June 30, 2011



Ten Largest Equity Holdings

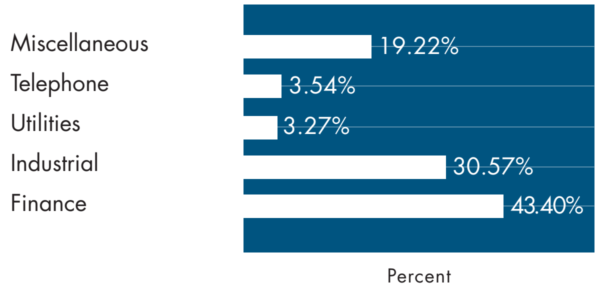
	Shares	Fair Value
Exxon Mobil Corporation	2,343,135	$ 190,684,326
Apple, Inc.	436,152	146,403,142
Chevron Corporation	1,277,133	131,340,358
Coca-Cola Company	1,777,921	119,636,304
Proctor & Gamble Company	1,634,558	103,908,852
General Electric Company	5,325,270	100,434,592
Johnson & Johnson	1,455,542	96,822,654
International Business Machines Corporation	563,704	96,703,421
Philip Morris International Inc.	1,413,315	94,367,043
JP Morgan Chase & Company	2,299,753	94,151,888
Totals	18,526,483	$1,174,452,580

A complete list of portfolio holdings is available upon written request.

Defined Benefit Plans — Bond Portfolio Summary*

	Fair Value
Total Bond Investments	$ 5,410,575,426
Total Par of Bond Investments Held	$14,428,784,672
Total Number of Bond Issues Held	2,926

Corporate Bond Investments by Industry Type*
Fair Value at June 30, 2011



Ten Largest Long Term Corporate Bond Holdings*

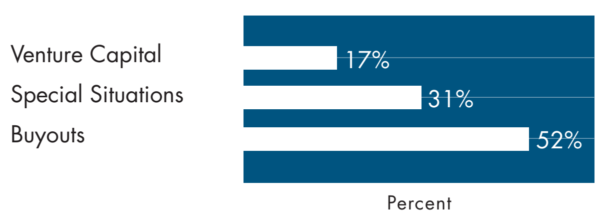
	Par	Fair Value
Pepsico, Inc.	$ 62,000,000	$ 62,003,410
Caterpillar, Inc.	37,800,000	37,842,903
General Electric Capital Corporation	37,700,000	37,716,286
Johnson & Johnson	37,200,000	37,207,589
BNP Paribas	36,520,000	36,659,251
Westpac Banking Corporation	36,500,000	36,475,216
JP Morgan Chase & Company	35,000,000	35,247,625
Total Capital Canada LTD	34,600,000	34,619,895
HSBC Bank PLC	34,000,000	33,981,844
American Honda Finance Corp.	32,000,000	31,995,264
Total	$383,320,000	$383,749,283

A complete list of portfolio holdings is available upon written request.
**Includes investments purchased with cash collateral received in the securities lending program.*

Defined Benefit Plans — Private Equity Investment Portfolio Summary

	Fair Value
Total Private Equity Investments	$216,256,448

Private Equity Investments by Fund Type — June 30, 2011



Defined Benefit Plans — Real Estate Investment Portfolio Summary

	Fair Value
Total Real Estate Investments	$1,308,391,755
Total Number of Shares* of Real Estate Investments Held	262,770,590
Total Number of Issues of REITs Held	129

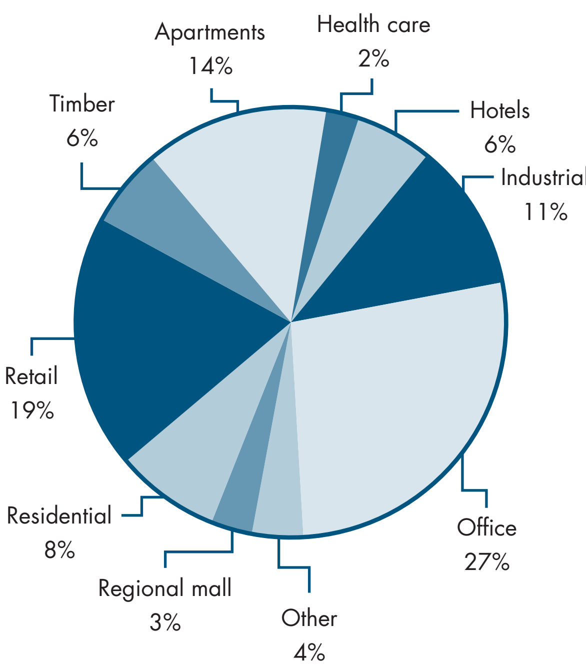
**Includes units of commingled funds and shares of REITS.*

Ten Largest REIT Holdings

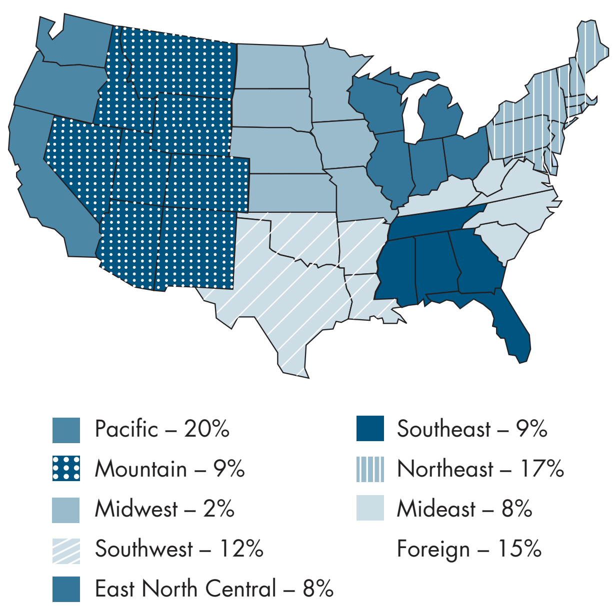
	Shares	Fair Value
Simon Property Group, Inc.	302,935	$ 35,210,135
Prologis, Inc.	654,837	23,469,358
Boston Properties, Inc.	220,568	23,415,499
AvalonBay Communities, Inc.	100,849	12,949,012
Host Hotels & Resorts, Inc.	700,321	11,870,441
Public Storage Company	98,756	11,259,172
HCP, Inc.	303,850	11,148,256
SL Green Realty Corporation	122,706	10,168,646
Federal Realty Investment Trust	106,293	9,054,038
Taubman Centers, Inc.	143,700	8,507,040
Totals	2,754,815	$157,051,597

A complete list of portfolio holdings is available upon written request.

Portfolio Distribution by Property Type June 30, 2011



Portfolio Distribution by Geographic Location – June 30, 2011



Defined Benefit Plans – Net Investment Income by Source

Last Ten Fiscal Years

(In Thousands)

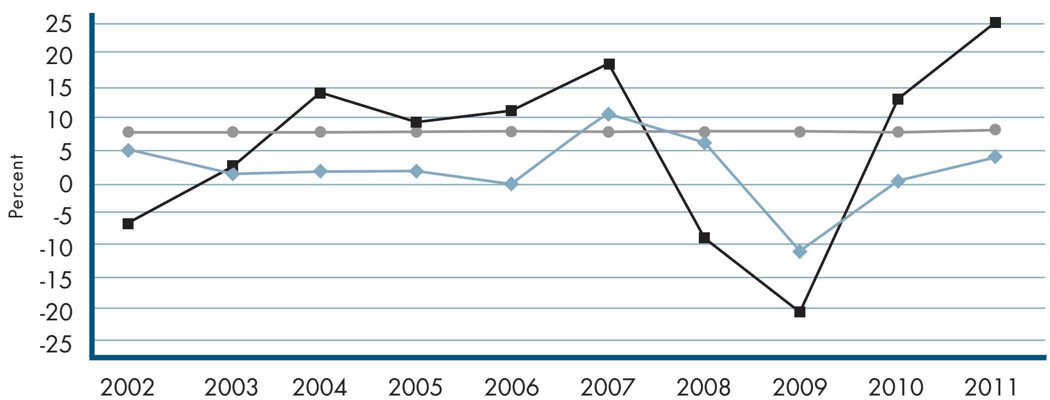
Fiscal Year	Bond Interest Income	Dividend Income	Short Term Income	Realized Gain (Loss) On Investments
2002	$311,341	$137,498	$17,760	$(306,488)
2003	289,976	150,103	20,159	(378,619)
2004	256,939	185,756	15,792	717,570
2005	213,809	259,360	16,848	848,980
2006	217,912	270,713	23,597	1,382,874
2007	229,244	331,397	36,578	1,014,839
2008	246,360	363,343	26,374	824,992
2009	224,605	296,492	14,528	(1,710,303)
2010	184,923	273,687	12,169	542,100
2011	185,818	326,174	14,001	1,200,877

Ten-Year Total Pension Investment Rates of Return *(Fair Value in Millions)*

	Total Investment Portfolio Fair Value	◆ Smoothed Rate of Return	■ Fair Value Rate of Return	● Actuarial Assumed Rate of Return
2002	$14,159	5.0%	(6.6)%	8.0%
2003	14,604	2.4	3.5	8.0
2004	16,085	2.5	14.6	8.0
2005	17,250	2.5	9.8	8.0
2006	18,742	–	10.7	8.0
2007	21,766	10.2	18.9	8.0
2008	19,439	7.2	(8.2)	8.0
2009	15,512	(11.0)	(19.4)	8.0
2010	16,767	0.2	14.1	8.0
2011	20,314	4.0	25.4	8.0

Appreciation (Depreciation) in Fair Value of Investments	Net Income/ (Loss) From Securities Lending	Total Income/ (Loss)	Manager Fees and Custodian Fees	Net Income/ (Loss) From Investments
$(1,151,762)	$8,137	$(983,514)	$(21,827)	$(1,005,341)
399,890	5,075	486,584	(20,343)	466,241
909,442	4,341	2,089,840	(26,382)	2,063,458
230,871	6,160	1,576,028	(26,783)	1,549,245
(46,746)	10,446	1,858,796	(32,309)	1,826,487
1,904,107	12,647	3,528,812	(36,668)	3,492,144
(3,192,348)	(1,576)	(1,732,855)	(36,631)	(1,769,486)
(2,639,433)	32,433	(3,781,678)	(26,574)	(3,808,252)
1,180,636	39,881	2,233,396	(33,904)	2,199,492
2,560,115	18,107	4,305,092	(42,765)	4,262,327

Ten-Year Total Pension Investment Rates of Return



◆ *Smoothed Rate of Return consists of investment income in surplus or deficit of the assumed 8.0 percent on fair value smoothed over a five-year period with 20.0 percent of a year's surplus or deficit being recognized each year beginning with the current year. PERS, MHSPRS, and SLRP smoothed rates have been averaged. In fiscal year 2006, PERS, MHSPRS, and SLRP actuarial assets were set equal to market value of assets. Therefore, there was no smoothed difference between actuarial and investment asset amounts. In fiscal year 2007 smoothing resumes with the additional constraint that actuarial value of assets cannot be less than 80.0 percent nor more than 120.0 percent of market value. In fiscal year 2009, the 80/120 percent corridor was eliminated for the purpose of determining actuarial value of assets. MRS is excluded as an agent multi-employer closed plan.*

■ *Fair Value Rate of Return consists of cash income plus gains and losses due to changes in fair value, whether realized or unrealized (before deduction of investment fees).*

● *Actuarial Assumed Rate is the assumed rate of return on the fair value of assets and is used in establishing retirement contribution rates and in determining current benefit reserve requirements.*

Defined Benefit Plans — Portfolio Detail Illustrated by Advisor

Advisor	Type	Date Initiated	Fair Value % of Total Portfolio*
Equities:			
Northern Trust Global Investment	Passive (index)	July 1985	16.93%
State Street Global Advisors	Passive - large cap value	September 2004	5.59
Lazard Asset Management, LLC	Emerging markets	April 1998	4.71
Blackrock Institutional Trust Company, NA	EAFE index	March 2004	4.06
Jarislowsky Fraser Limited	EAFE	June 2004	3.30
Intech, LLC	Active - large cap growth	January 2005	3.19
Dimensional Fund Advisors	EAFE	August 2007	3.10
Fayez Sarofim & Company	Active - large cap growth	August 1980	3.03
New Star Institutional	EAFE	July 2004	3.02
Artisan Partners Limited Partnership	Active - mid cap growth	September 2002	2.87
The Boston Company Asset Management, LLC	Active - mid cap value	October 2001	2.66
Wellington Management Company, LLP	Active - mid cap value	October 2001	2.61
Eagle Capital	Active - all cap	January 2005	2.41
AllianceBernstein	Europe	December 2003	2.16
Artisan Partners Limited Partnership	Emerging markets	February 2011	1.91
Wellington Management Company, LLP	Active - small cap core	July 2002	1.74
Dimensional Fund Advisors	Active - small cap value	July 2002	1.61
Acadian Asset Management	Global equity	July 2005	1.56
The Boston Company Asset Management, LLC	Active - small cap growth	July 2008	1.56
Mondrian Investment Partners	Small cap	May 2011	0.97
Pyramis Global Advisors	Small cap	April 2011	0.93
Capital Guardian	Pacific basin	June 2004	0.79
Sub Total			70.71%
Debt Securities:			
Pacific Investment Management Company	Active - core	August 1983	4.12%
Blackrock Institutional Trust Company, NA	Passive (index)	September 1986	3.58
CIS, a Division of Dreyfus	Passive (index)	November 1989	3.49
Loomis Sayles & Company	Core plus	August 2009	3.30
Aberdeen Asset Management	Active - core	August 1991	3.00
State Street Global Advisors	Active - core	February 2009	2.33
Wellington Management Company, LLP	Emerging market debt	May 2010	1.87
Sub Total			21.69%

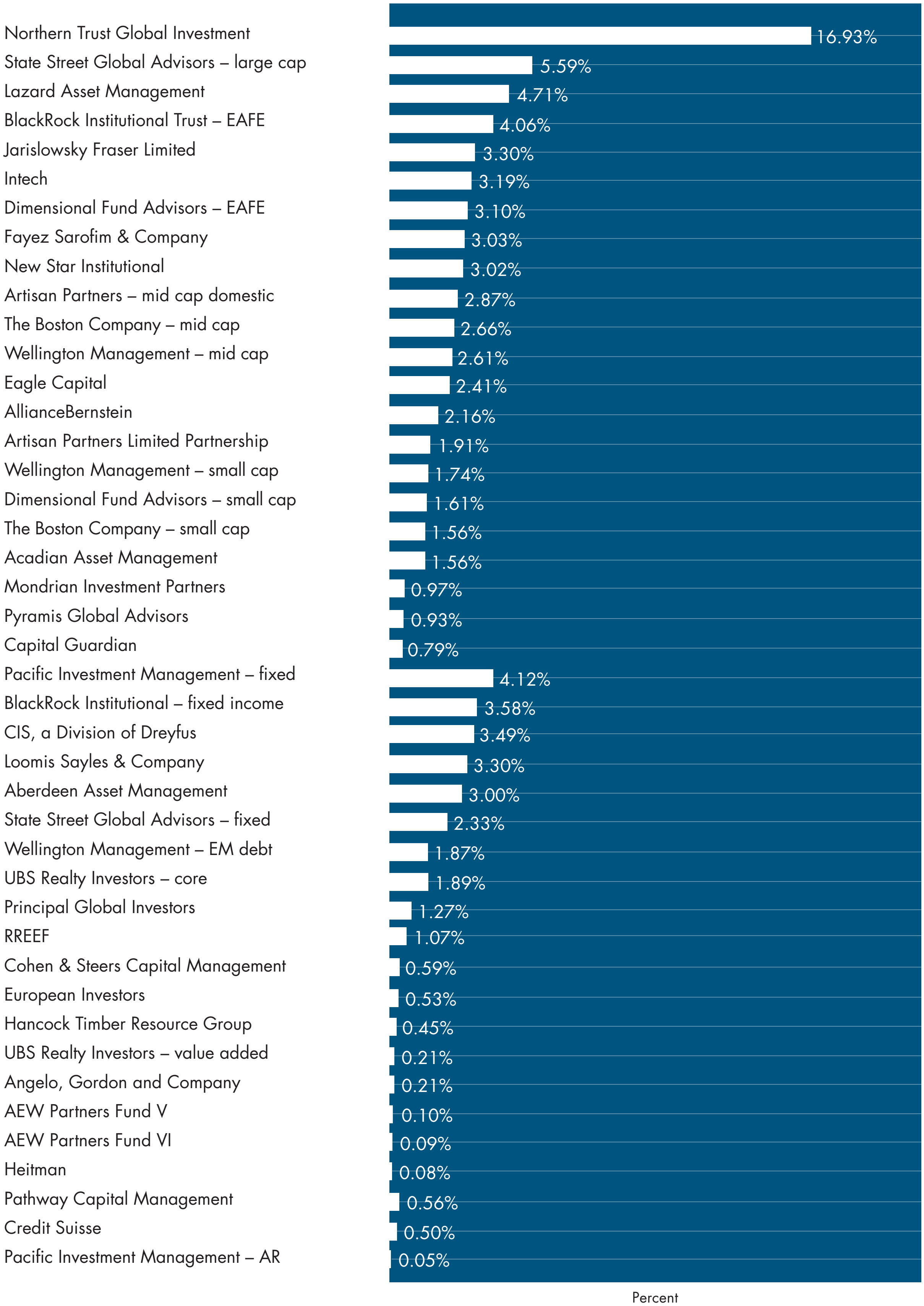
(continued)

Defined Benefit Plans — Portfolio Detail Illustrated by Advisor *(continued)*

Advisor	Type	Date Initiated	Fair Value % of Total Portfolio*
Real Estate:			
UBS Realty Investors, LLC	Commingled Fund-Core	June 2003	1.89%
Principal Global Investors	Commingled Fund-Core	June 2003	1.27
RREEF	REITs	June 2003	1.07
Cohen & Steers Capital Management	Global REITs	October 2010	0.59
European Investors	Global REITs	October 2010	0.53
Hancock Timber Resource Group	Timber	March 2008	0.45
UBS Realty Investors, LLC	Value Added	January 2011	0.21
Angelo, Gordon and Company	Value Added	August 2007	0.21
AEW Capital Management	Fund V - Value Added	October 2005	0.10
AEW Capital Management	Fund VI - Value Added	April 2010	0.09
Heitman	Value Added	November 2007	0.08
Sub Total			6.49%
Private Equity:			
Pathway Capital Management, LLC	Diversified	December 2008	0.56%
Credit Suisse	Diversified	June 2009	0.50
Sub Total			1.06%
Absolute Return Strategies:			
Pacific Investment Management Company	Opportunistic - fixed income	June 2009	0.05%
Sub Total			0.05%
Total			100.00%

**Includes cash and cash equivalents.*

Percent of Portfolio – Fair Value at June 30, 2011



Defined Benefit Plans – Investment and Commissions
For the Year Ended June 30, 2011

	Assets Under Management	Fees*
Investment Managers:		
Equities	$14,509,417,865	$34,474,088
Debt securities	4,448,395,151	5,866,174
Real estate	1,327,924,725	9,532,715
Private equity	218,272,909	6,045,176
Absolute return	9,567,587	32,756
Total	$20,513,578,237	$55,950,909

**Includes fees of $13,562,430, which are reflected in net appreciation on the Statement of Changes in Fiduciary Net Assets.*

	Fees
Other Investment Services:	
Securities lending agent/ cash management fees	$2,445,608
Custodian fees for ancillary services	74,800
Investment consultant fees	557,000
Global out-of-pocket expenses	301,740
Total investment service fees	$3,379,148

Brokerage Commissions Paid**

Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
Credit Suisse	84,174,752	$838,696	$0.010
Merrill Lynch Pierce Fenner	68,239,479	780,033	0.011
Deutsche Bank	85,290,278	654,810	0.008
Morgan Stanley and Company	58,284,332	611,189	0.010
UBS AG	92,086,932	587,406	0.006
JP Morgan Securities	37,124,614	492,678	0.013
Goldman Sachs & Company	32,195,366	415,885	0.013
Bank of New York Mellon	24,172,528	415,569	0.017
Weeden & Co. LP	21,212,453	394,291	0.019
Citigroup, Inc.	41,179,975	362,592	0.009
Knight Securities	9,966,549	310,012	0.031
Macquarie Securities	61,443,136	282,124	0.005
Instinet	26,189,284	266,486	0.010
Barclays Capital	12,250,231	253,817	0.021
Liquidnet, Inc.	23,297,319	246,740	0.011
Jefferies & Company, Inc.	9,932,922	229,909	0.023
Sanford C. Bernstein Co., LLC	7,821,498	216,014	0.028
Stifel Nicholaus & Company	4,865,216	188,198	0.039
Investment Technology Group	25,512,681	174,495	0.007
RBC Capital Markets	11,478,613	166,035	0.014
Robert W. Baird & Company	4,046,329	159,063	0.039
Cantor Fitzgerald	4,595,628	143,270	0.031
Nomura Securities Company	29,282,127	138,282	0.005

(continued)

Brokerage Commissions Paid** *(continued)*

Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
Cowen & Company	3,048,310	$ 109,377	$0.036
BTIG, LLC (Baypoint Trading)	2,782,304	98,748	0.035
Credit Lyonnais SA	5,015,658	95,701	0.019
Raymond James Financial, Inc.	2,476,288	93,046	0.038
HSBC Securities, Inc.	16,019,303	89,397	0.006
Wells Fargo Securities	2,266,674	87,127	0.038
Credit Agricole Group	15,662,836	85,588	0.005
Capital Institutional Services, Inc.	4,091,255	82,873	0.020
Others (less than $80,000)	90,800,364	1,827,519	0.020
Commission recapture income	–	(446,000)	–
Total	916,805,234	$10,450,970	$0.011

***Approximate figures provided by Bank of New York Mellon.*

Defined Benefit Plans – Investment Summary

For the Year Ended June 30, 2011

(In Thousands)

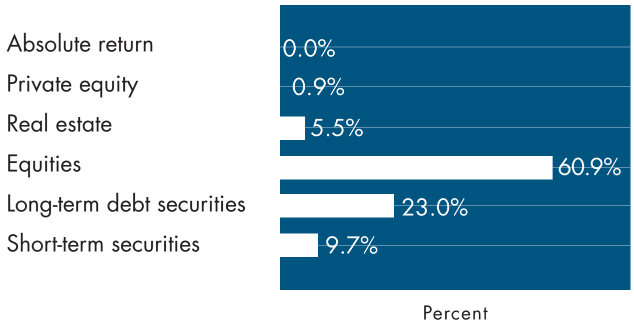
	July 1, 2010 Beginning Fair Value***	Purchases	Sales and Maturities	Increase/ (Decrease) in Fair Value	June 30, 2011 Ending Fair Value****	% of Total Fair Value
Short-term securities	$ 2,405,819	$119,305,115	$119,433,602	$ (320)	$ 2,277,012	9.7%
Long-term debt securities	5,978,343	6,770,456	7,354,376	16,153	5,410,576	23.0
Equities	11,586,714	5,461,162	5,105,907	2,383,629	14,325,598	60.9
Real estate	767,184	929,571	549,642	161,278	1,308,391	5.5
Private equity	92,287	117,729	2,961	9,201	216,256	0.9
Absolute return	14,870	–	8,785	(6,085)	–	–
Total	$20,845,217	$132,584,033	$132,455,273	$2,563,856	$23,537,833	100.0%

****Includes investment securities on loan to broker-dealers with a fair value of $3,930,194. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $4,077,792. 19.0 percent of the total fair value of investments were on loan to broker-dealers. To arrive at the net asset value of investments of $20.8 billion, the fair value total must be adjusted by ($3.6 billion), which represents the fair value of the cash collateral investments, cash in sweep accounts, accrued interest and dividends, and net payable cash for investments purchased.*

*****Includes investment securities on loan to broker-dealers with a fair value of $3,133,322. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $3,223,611. 13.0 percent of the total fair value of investments were on loan to broker-dealers. To arrive at the net asset value of investments of $20.7 billion, the fair value total must be adjusted by ($2.8 billion), which represents the fair value of the cash collateral investments, cash in sweep accounts, accrued interest and dividends, and net payable cash for investments purchased.*

Defined Benefit Plans – Investments by Type

Fair Value at June 30, 2011



Defined Contribution Plan – Investment Summary

For the Year Ended June 30, 2011

Fund Name of Assets	Fair Value of Assets	Annual Rate of Return
AllianceBernstein International Style Blend Collective Tr Unit	$ 2,874,993	25.09%
American Funds New Perspective Fund	26,241,412	30.08
BlackRock Equity Index Fund	68,206,483	30.80
BlackRock Intermediate Government Corporate Bond Index Fund	23,727,552	3.79
Boston Company Midcap Opportunistic Value Pooled Fund	190,454,782	42.52
Conseco Life Insurance Company	358,178	N/A
Fayez Sarofim	133,638,651	32.48
Fidelity Diversified International Fund	29,802,201	30.65
Fidelity Small Cap Fund	30,311,612	35.08
GE US Equity Fund	6,698,945	27.35
ING Growth and Income Portfolio	66,992,741	27.15
MDC Stable Value Fund	529,433,349	2.81
Money Market Fund for EBT	22,529,406	0.28
PIMCO Total Return Fund II	27,076,608	4.72
SSgA US Inflation Protected Bond Index Fund	5,312,133	7.59
T Rowe Price International Stock Fund	38,489,073	33.02
Vanguard Target Retirement 2010	30,131,454	17.41
Vanguard Target Retirement 2015	7,839,755	19.98
Vanguard Target Retirement 2020	5,487,860	22.13
Vanguard Target Retirement 2025	4,021,563	24.28
Vanguard Target Retirement 2030	3,193,349	26.53
Vanguard Target Retirement 2035	2,254,990	28.74
Vanguard Target Retirement 2040	926,420	28.93
Vanguard Target Retirement 2045	586,485	28.95
Vanguard Target Retirement 2050	559,140	28.90
Vanguard Target Retirement Income	2,899,596	12.31
Vanguard Windsor Fund	26,665,672	30.31
Total	$1,286,714,403	