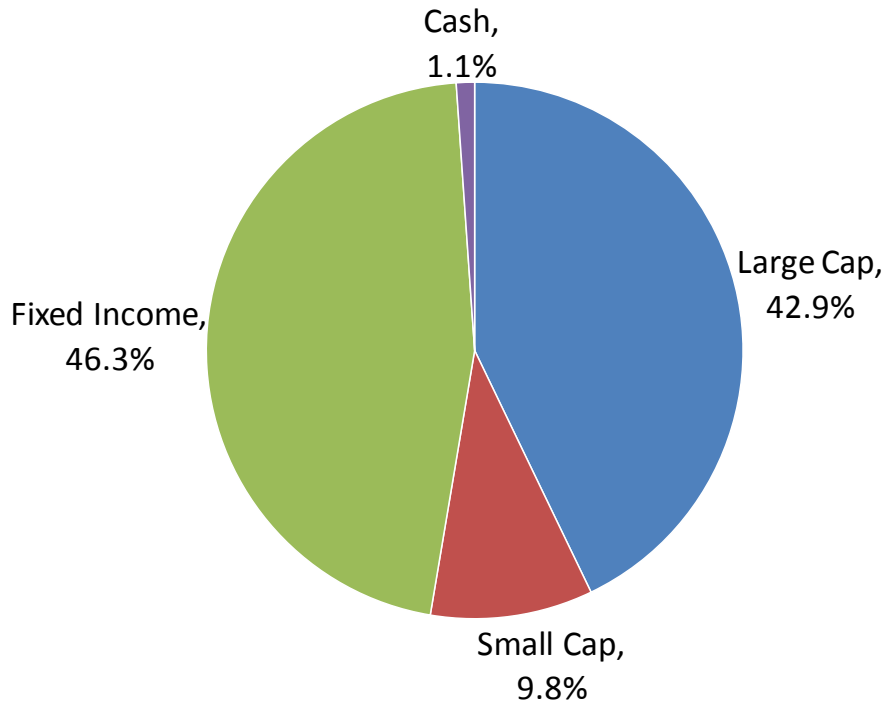


Report to Senate Finance Retirement Subcommittee

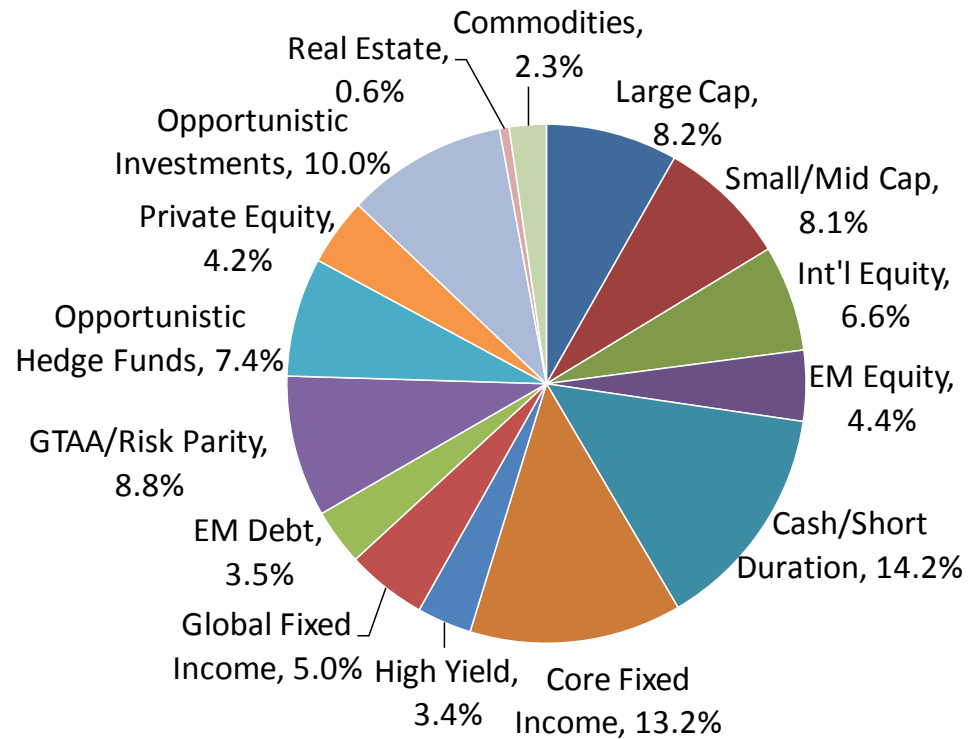
April 19, 2011

Progress in Diversification of Portfolio

Asset Allocation
(as of 6/30/06)



Asset Allocation
(as of 6/30/10)



- Transitioned Portfolio from 4 asset classes to a broadly diversified allocation of 13+ asset classes
- Creative and efficient transition plan to minimize the impact of market timing

Sources of Value Added

Value Added vs. Policy Benchmark			
	Value From Active Management	Value From Allocation Decisions	Total Value Added
1 Year	\$790.0	\$31.0	\$821.0
2 Year	354.9	271.1	626.0
3 Year	474.4	248.7	723.1

All figures expressed in millions of dollars, as of June 30, 2010

- Consistently added value through asset allocation and manager selection
- Fiscal Year to Date Estimates (through 2/15/2011)
 - Value added vs. Policy Benchmark = **\$372.0 million**

Proposed Positions and Salary Ranges

Position	Education	Experience	CFA	CAIA	Supervisory Experience	RSIC Salary Range	McLagan Survey
Analyst 1	Bachelors Degree	0 years				40,000 - 47,500	70,000 Low Quartile
Analyst 2	Bachelors Degree	0 - 1 year				47,500 - 62,500	78,500 Median
Analyst 3	Bachelors Degree	1 - 2 years				62,500 - 70,000	88,000 High Quartile
Officer 1	Masters Preferred	2 years	Passed Level I Exam	Passed Level I Exam	Preferred	60,000 - 67,500	89,700 Low Quartile
Officer 2	Masters Preferred	2 - 4 years	Passed Level I Exam	Passed Level I Exam	Preferred	67,500 - 82,500	98,000 Median
Officer 3	Masters Preferred	4 - 5 years	Passed Level II Exam	Passed Level II Exam	Preferred	82,500 - 90,000	111,900 High Quartile
Sr. Officer 1	Masters Preferred	5 years	Passed Level II Exam	Passed Level II Exam	Preferred	80,000 - 92,500	100,200 Low Quartile
Sr. Officer 2	Masters Preferred	5 - 7 years	Passed Level III Exam	Charterholder	Preferred	92,500 - 117,500	125,600 Median
Sr. Officer 3	Masters Preferred	7 - 10 years	Charterholder	Charterholder	Preferred	117,500 - 130,000	145,000 High Quartile
Director 1	Masters*	10 years	Charterholder	Charterholder	Required	120,000 - 142,500	121,300 Low Quartile
Director 2	Masters*	10 - 12 years	Charterholder	Charterholder	Required	142,500 - 162,500	165,500 Median
Director 3	Masters*	12 - 15+ years	Charterholder	Charterholder	Required	162,500 - 190,000	197,400 High Quartile

*Additional experience can substitute for lack of Masters degree

FTEs	Position
1	Director of Risk Management
2	Senior Investment Officers
3	Investment Officers
3	Investment Analysts
1	Director of Compliance and Audit
1	Compliance and Audit Officer
1	Senior Reporting Officer
1	Budget and Planning Officer
1	IT Director
1	IT Officer
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Cost-Reduction Initiatives

Cost Reduction Initiatives	Cost Reduction	Details
Co-Investment Program	8,000,000	Execute investments with reduced fee structure
Hedge Fund Platform Transition	15,000,000	Remove layer of fees associated with fund of funds
Cash Management Program	4,700,000	Reduce management fees by managing cash internally
Total Impact	27,700,000	

Impact on Total Cost

Total Plan Expenses (Millions)			
	Current Implementation	Proposed FY 12 Implementation	Difference
Management Fees & Other Costs	\$196.1	\$168.4	-\$27.7
Carried Interest	\$112.8	\$112.8	\$0.0
Operating Budget	\$5.8	\$11.6	\$5.8
Total	\$314.7	\$292.8	-\$21.9

- \$15 million of savings from Strategic Partnerships is already included in the current implementation model
- Savings from performance fees could more than double the savings shown above