

Managing Director Report



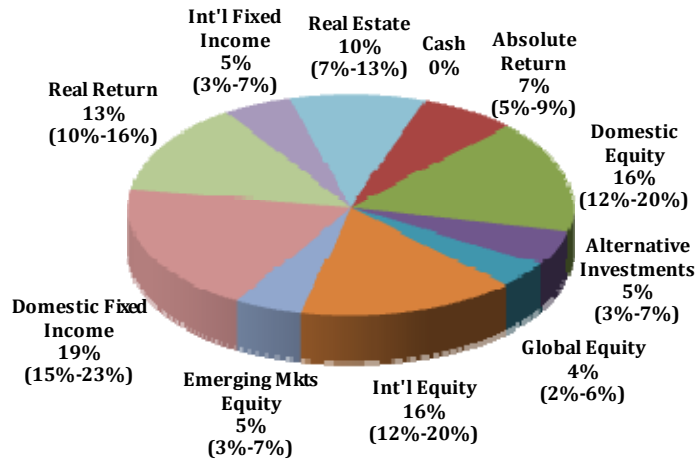
November 2011 – December 2011

Total Fund Overview - November 2011

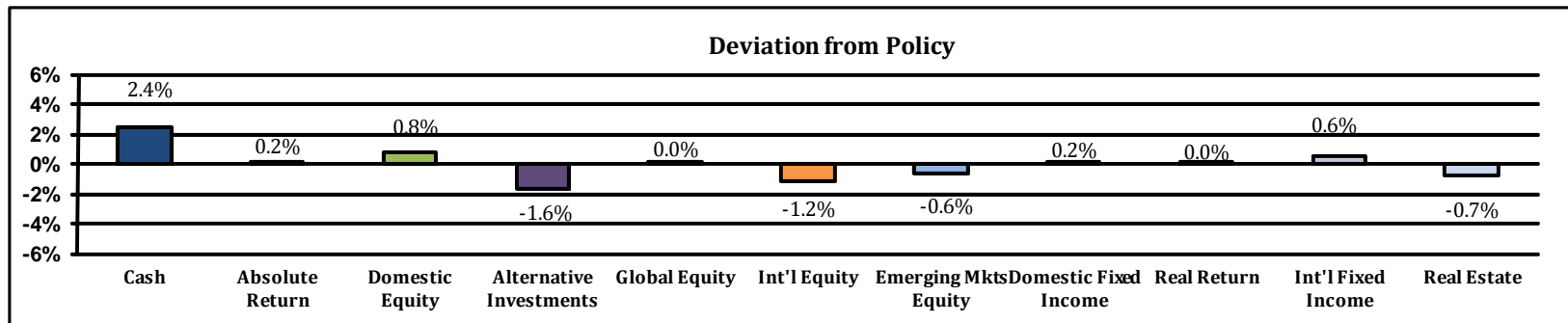
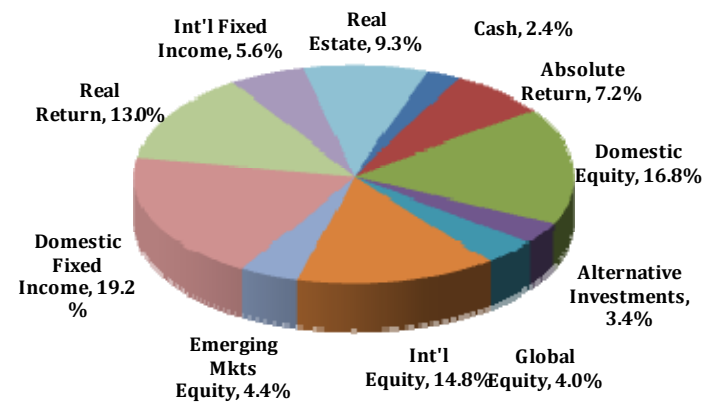
| | November | Year to Date |
|-------------------------|-----------------|-----------------|
| Beginning Value | \$8,965,631,330 | \$8,547,965,167 |
| Cash Flow | (\$36,037,267) | \$194,155,587 |
| Investment Gains/Losses | (\$112,152,276) | \$75,321,032 |
| Ending Value | \$8,817,441,787 | \$8,817,441,787 |
| Total Fund Returns | -1.25% | 0.89% |

Asset Allocation - December 2011

Policy



Actual



Real Return includes TIPS, Commodities, Timber, Energy, and Agriculture.

Opportunistic Investing is included in Alternative Investments and comprises 0.4% of the total fund assets.

Performance - December 2011

| | Market Value | % Of Fund | December | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|--|---------------|-----------|------------------|----------------|--------------------|--------------------|----------------|------------------|---------------|----------------|
| Total U.S. Equity <i>Russell 3000</i> | 1,475,777,141 | 16.8% | 0.18 0.82 | 11.36 12.12 | 0.10 1.03 | 0.10 1.03 | 14.59 14.88 | (0.31) (0.01) | 2.74 2.97 | 3.88 3.51 |
| Global Equity <i>MSCI World</i> | 353,671,673 | 4.0% | (0.48) (0.06) | 7.22 7.59 | (4.15) (5.54) | (4.15) (5.54) | | | | |
| Total International Equity <i>MSCI EAFE</i> | 1,302,893,852 | 14.8% | (1.36) (0.95) | 3.45 3.33 | (12.58) (12.14) | (12.58) (12.14) | 8.05 7.65 | (4.31) (4.72) | 2.17 1.71 | 4.25 4.67 |
| Total Emerging Markets Equity <i>MSCI EMF</i> | 384,353,159 | 4.4% | (2.57) (1.21) | 3.70 4.42 | (19.95) (18.42) | (19.95) (18.42) | 21.85 20.07 | 0.23 2.40 | 8.44 10.36 | 11.26 13.86 |
| Total US Fixed Income <i>BC U.S. Universal Index</i> | 1,683,805,032 | 19.2% | 1.38 1.17 | 1.93 1.45 | 6.20 7.40 | 6.20 7.40 | 11.09 7.72 | 7.29 6.39 | 6.48 5.65 | 7.03 6.01 |
| Total International Fixed Income <i>50% Citigroup Non U.S. WBGI Hedged/50% Unhedged</i> | 489,096,933 | 5.6% | 0.71 1.43 | 0.33 0.07 | 6.07 4.67 | 6.07 4.67 | 5.72 2.43 | 7.26 4.88 | 5.45 3.89 | 7.33 4.46 |
| Total Real Return <i>Total Real Return Custom Benchmark</i> | 1,143,229,000 | 13.0% | (0.61) 0.09 | 2.13 1.89 | 7.65 11.37 | 7.65 11.37 | 9.37 9.25 | 5.36 8.26 | 4.42 6.32 | |
| Total Absolute Return <i>Total Absolute Return Target Benchmark</i> | 630,200,462 | 7.2% | (0.01) 0.46 | 0.49 1.40 | 7.57 5.82 | 7.57 5.82 | 10.37 5.87 | 7.84 7.60 | | |
| Total Alternative Investments | 261,484,877 | 3.0% | (3.94) | (1.82) | 11.70 | 11.70 | 4.32 | 6.90 | 10.72 | 8.12 |
| Opportunistic Investing <i>91- Day T-bill</i> | 35,172,183 | 0.4% | 0.00 0.00 | (3.03) 0.00 | 1.80 0.10 | 1.80 0.10 | 26.54 0.14 | | | |
| Total Real Estate <i>Total Real Estate Custom Benchmark</i> | 815,371,052 | 9.3% | 0.85 3.06 | 4.80 3.78 | 9.54 14.00 | 9.54 14.00 | (0.07) 0.58 | 1.96 3.07 | 6.78 7.24 | 7.30 7.65 |
| Total Short Term Investments <i>91- Day T-bill</i> | 214,385,069 | 2.4% | 0.03 0.00 | 1.90 0.00 | 0.71 0.10 | 0.71 0.10 | 2.80 0.14 | 2.76 1.48 | 3.23 2.18 | 2.78 1.95 |
| Total Fund | 8,789,440,433 | 100.0% | (0.14) | 3.88 | 0.74 | 0.74 | 10.07 | 3.20 | 5.42 | 6.21 |

Portfolio Activity - November 2011

Alternatives

Exhibit 1 & 2

- \$4.5 million in net transfers from cash including the funding of \$1.1 million to Abbott Capital Private Equity Investors 2007, \$1.9 million to Abbott Capital Private Equity Investors 2008, \$1.1 million to Abbott Capital Private Equity Investors 2009, \$356,039 to Adams Street 2007 Non-U.S. Developed Markets Fund, \$347,632 to Adams Street 2007 U.S. Fund, \$240,000 to Adams Street 2009 Non-U.S. Developed Markets Fund, \$175,000 to Adams Street 2009 U.S. Fund, \$65,000 to Adams Street 2009 Non-U.S. Emerging Markets Fund, \$225,000 to Adams Street 2010 U.S. Fund, \$180,000 to Adams Street 2010 Non-U.S. Developed Markets Fund, \$60,000 to Adams Street 2010 Non-U.S. Emerging Markets Fund, and \$150,000 to Adams Street 2011 U.S. Fund.

Real Estate

Exhibit 2

- \$2.2 million in net transfers to cash including the funding of \$685,175 to Fidelity Growth Fund III.

Real Return

Exhibit 1

- \$14.0 million in net transfers from cash including the funding of \$7.7 million to EIG Energy Fund XV, \$2.8 million to EnerVest Fund XII, and \$3.5 million to Hancock Agriculture Investment Group.

Manager Cash

Exhibit 4

- Cash in manager portfolio was at 2.33% of total assets or 1.38% excluding PIMCO's cash that is used to back its futures positions.