

TEACHERS' RETIREMENT FUND

2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011

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INVESTMENT SECTION

Report on Investment Activity

STRATEGIC INVESTMENT SOLUTIONS, INC.

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August 22, 2011

Board of Trustees

Indiana Public Retirement System

One North Capital Avenue

Indianapolis, IN 46204

Dear Trustees:

Strategic Investment Solutions is pleased to present the Indiana Public Retirement System (INPRS) investment results, for the fiscal year ended June 30, 2011, for the Indiana State Teachers' Retirement Fund (TRF).

As of June 30, 2011, TRF had combined assets of \$9.1 billion, an increase of \$1.0 billion since June 30, 2010. The increase in assets over the latest fiscal year was primarily due to strongly positive returns in several asset classes, particularly global equities.

Economic and Market Review

Risky assets enjoyed a strong upswing for the second fiscal year in a row, with hopes for a sustained economic recovery and a drop in unemployment. While unemployment in the US did in fact drop from its peak of 10.1% to 8.8% as of April, 2011, it has since risen and now stands at 9.1%. Concurrently, US GDP growth rose to a healthy 3.5% annual rate in the third quarter of 2010. While this was below the level seen in prior recoveries, it gave the markets optimism. Since then, US GDP growth has slowed dramatically. Fears of a "double-dip" recession in late 2011/early 2012 rose, as the housing market and consumer confidence continued to be weak while monetary stimulus related to QE2 expired at the end of June. As a result, during the second quarter of 2011, the equity market rally stalled, commodity spot prices moved sharply downward, and interest rates fell.

Equity markets were strong across the board during the year, with value and growth, large and small cap, domestic and international, and developed and emerging markets all doing well. Within the US, small cap stocks, represented by the Russell 2000 Index, led domestic markets with a 37.4% gain, outpacing the Russell 1000 Index of large cap stocks, which had a return of 31.9%. This was not surprising as small cap stocks typically lead the market during recoveries. Growth stocks outperformed value stocks, 35.7% to 29.1%.

Geographically, perhaps the only weak spot among major markets was Japan, which experienced a devastating earthquake in March, 2011, posting just a 13.0% gain during the year vs. 30.4% for the MSCI EAFE (Europe, Australasia, and Far East) Index.

INVESTMENT SECTION

Report on Investment Activity, continued

While emerging markets began their downturn earlier than developed markets, they still managed to post a gain of 27.8% in part due to strong economic growth and surging commodity prices. A weakening dollar against all major currencies helped boost non-US equity returns.

Within sectors, Energy (53.4%) and Materials (47.1%) led the way due to strong oil and commodity prices. Conversely, Financials (15.2%) lagged the broader market as major banks continued to restructure their businesses and raise capital to comply with more stringent Basel III requirements.

Interest rates remained low and were little changed during the year. As a result, broad bond market indices posted modest gains, with the Barclays Capital Aggregate Index up 3.9% and the BC Government/Credit Index up 3.7%. Conversely, high yield bonds surged along with other risky assets: the BC High Yield Index was up 15.6% during the year. Boosted by a weaker dollar, non-US bonds performed well, with the Citigroup Non-US WGBI up 13.9%.

Real estate finally began to show signs of life from the market trough, with the NCREIF Property Index up 16.0% during the year. While public REITs have been even stronger than private real estate investments (the NAREIT Equity REIT Index was up 33.6% for the year), the CMBS market, representing commercial mortgage-backed securities, has been slow to keep pace with the recovery.

TRF Performance¹

TRF Defined Benefit assets returned 18.0% in FY 2011, outperforming the Policy Index return of 16.8%. US small cap equity had the largest absolute positive impact on total fund fiscal year performance, while the Absolute Return program had the largest relative impact (outperforming its benchmark by the widest margin). Note that performance data is provided on a net-of-fees basis.

Specifically:

TRF's domestic equity managers outperformed their passive target over the trailing year, returning 33.3% versus the S&P 1500 Index return of 31.7%. This strong performance showing was particularly pronounced in small cap (combined 48.6% vs. 37.4% for the Russell 2000 Index), while the Fund's large cap manager composite (30.9%) kept pace with its benchmark, the S&P 500 Index.

TRF's international equity managers (30.9%) outperformed the MSCI ACWI ex-US Index by 1.2% over the fiscal year. All active managers surpassed expectations.

The TRF Global Fixed Income Composite (5.6%) beat the Barclays Capital Aggregate Bond Index (3.9%) over the trailing twelve months; all managers outperformed their respective benchmarks, with non-US fixed income posting strong absolute returns.

¹ Rates of return are presented using a time-weighted rate of return methodology based upon market value, which is not materially different from the CFA Institute's Global Investment Performance Standards (GIPS).

INVESTMENT SECTION

Report on Investment Activity, continued

The Fund's alternative investments produced varying results over the trailing year:

- Private equity posted a 21.1% gain during the year, above the custom PE benchmark (+15.0%) but below the S&P 500 Index return (30.7%).
- The Inflation-Sensitive (Less Real Estate) asset class outperformed its custom benchmark (11.6% vs. 10.9%), led by strong commodity strategies performance.
- Private Real Estate, though starting to rebound from the 2008-2010 period, underperformed its benchmark (14.5% vs. 19.0%), with core real estate leading value-added strategies by a wide margin.
- Absolute Return performed well during the year (up 20.3% vs. 9.2% for the GTAA blended benchmark). While 2011 turned out to be a good year for these investments, many are still early in development and time will tell whether they will exceed their initial expectations.

TRF Changes during Fiscal Year 2011

During the prior fiscal year, TRF initiated a new asset allocation strategy. The following steps towards this plan were taken during the 2011 Fiscal Year, in order to improve TRF's long-term risk-adjusted returns:

- Four US Equity managers, and one International Equity manager, were terminated due to reduced exposure to global public equities;
- Due to a restructuring of the US Equity program and a desire for higher alpha, four separate portfolios were funded: two actively managed micro-cap, and two actively managed all-cap, portfolios. Additionally, multiple separate indexed portfolios were consolidated into a single broad large-cap indexed portfolio;
- One underperforming enhanced International Equity mandate was converted into an indexed portfolio;
- A Core Fixed Income portfolio was converted into a Corporate-only mandate;
- Three new credit-oriented hedge fund strategies were funded as part of the broad fixed income asset class;
- Another new fixed income strategy was funded, this one targeting the CMBS sector;
- Initial steps were taken to restructure the Private Equity asset class, with a discretionary separate account portfolio taken in-house to reduce the number of managers and develop a more concentrated, high-conviction, program.

In summary, Strategic Investment Solutions is pleased with the Indiana State Teachers' Retirement Fund performance, with the Total Fund outperforming its benchmark returns over the one, three, and five year periods. INPRS has continued to implement the new TRF asset allocation plan and restructure the Fund's assets to position the Fund to generate strong long-term results.



Pete Keliuotis, CFA
Managing Director

INVESTMENT SECTION

Outline of Investment Policies

The Board members are fiduciaries of the Fund. Indiana Code, Article 5-10.4 provides that a six-member Board of Trustees will oversee TRF. Five trustees shall be appointed by the Governor, two of who must be members of the Fund. The sixth member of the Board must be the Director of the budget agency or the Director's designee. An Executive Director appointed by the Governor carries out the policies set by the Board and administers the Fund on a daily basis. Pursuant to Indiana law, the Executive Director is also required to be a TRF member.

The Board establishes investment policies; however, Indiana law establishes guidelines on the investment of the Fund's assets. At all times, TRF must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

The Board's Investment Policy Statement (IPS) is designed to meet the objectives of the Fund. These objectives are:

- To have the ability to pay all benefit and expense obligations when due.
- To achieve the actuarial rate of return while limiting downside risk.
- To control the costs of administering the Fund and managing the investments.

The Board does intend the policy to be a dynamic document, and, as such, expects to review it periodically. The Board anticipates that changes will be made from time to time to reflect experience, investment product changes, benefit and structural changes, performance, and economic conditions. The purpose of the IPS is summarized below:

- Set forth the investment policies which the Board judges to be appropriate and prudent in consideration of the needs of the Fund and applicable legal requirements, as well as direct the assets of the Fund.
- Make clear distinctions between the responsibilities of the Board and those of the investment manager(s) selected by the Board.
- Establish criteria against which the investment manager(s) are to be measured.
- Communicate the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, investment managers, consultants, employers, members, and all other interested parties.
- Serve as a review document to guide the ongoing oversight of the investment of the Fund.
- Demonstrate that the Board is fulfilling its fiduciary responsibilities in the management of the investments of the Fund solely in the interests of members and beneficiaries of the Fund.

The Board recognizes that the allocation of assets, particularly the broadly-defined mix between stocks and bonds, is the most important determinant of investment rates of returns over long periods of time. The procedure for determining the allocation will consider the relevant characteristics of the liabilities and the potential assets of the Fund. An asset liability study will be conducted no less than every three years and will analyze the expected returns of various asset classes, projected liabilities, risks associated with alternative asset mix strategies and their effect on the projected market value of assets, funded status, and contributions to the Fund.

The investment portfolio includes long-term commitments to the following asset classes: domestic equity, domestic fixed income, international equity, non-US fixed income, and alternative investments.

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Outline of Investment Policies, continued

The Board employs investment managers to implement the asset allocation through a selective and thorough search process that embodies the principles of procedural due diligence. It is the intent of the Board to encourage the participation of all qualified organizations in this process. The Board encourages investment managers to develop long-term investment strategies consistent with the guidelines outlined in the Fund's IPS, as well as governing Indiana statutes. Additionally, investment managers will adhere to and comply with the CFA Institute Global Investment Performance Standards in calculating and reporting investment performance. Performance of each manager is measured against the rate of return associated with appropriate market index benchmarks and an appropriate universe or style peer group of investment managers.

INVESTMENT SECTION

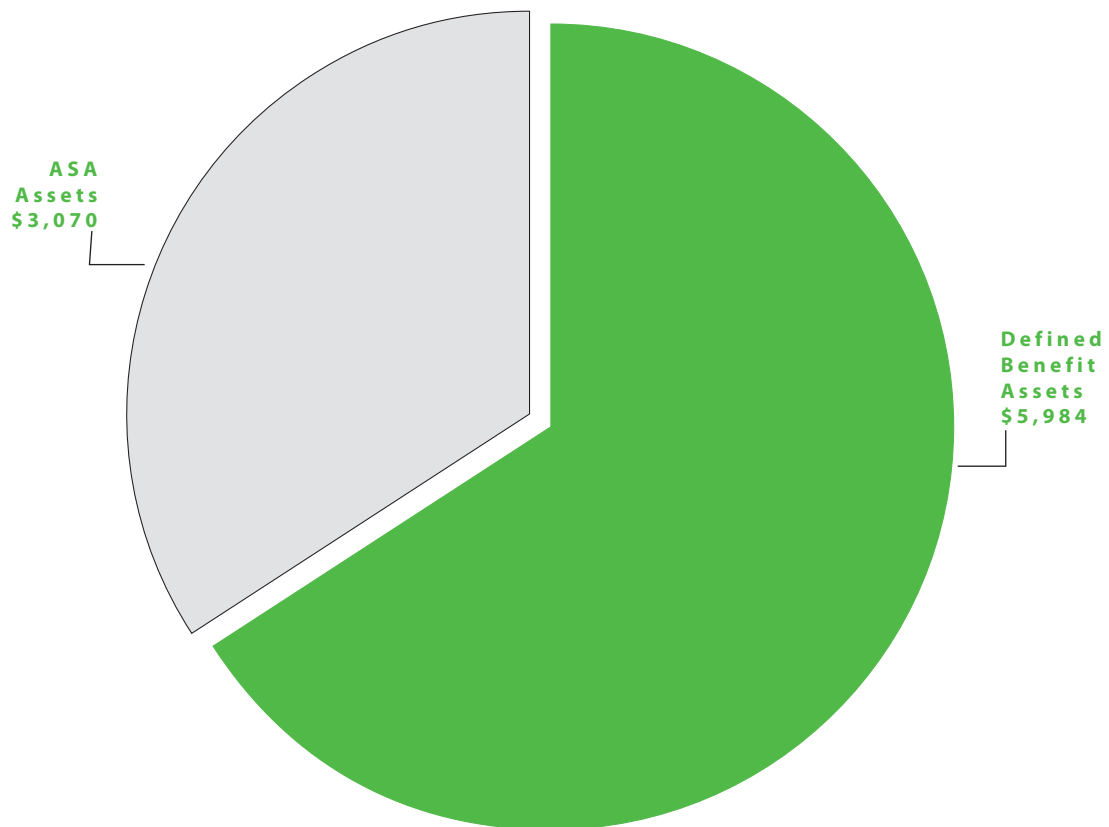
Investment Highlights

Investment Summary

Fiscal Year Ended June 30, 2011

(dollars in millions)

	Actual Assets	Percent
Defined Benefit Assets	\$ 5,984	66.1%
Annuity Savings Account Assets	3,070	33.9
Total Fund	\$ 9,054	100.0%



INVESTMENT SECTION

Investment Highlights, continued

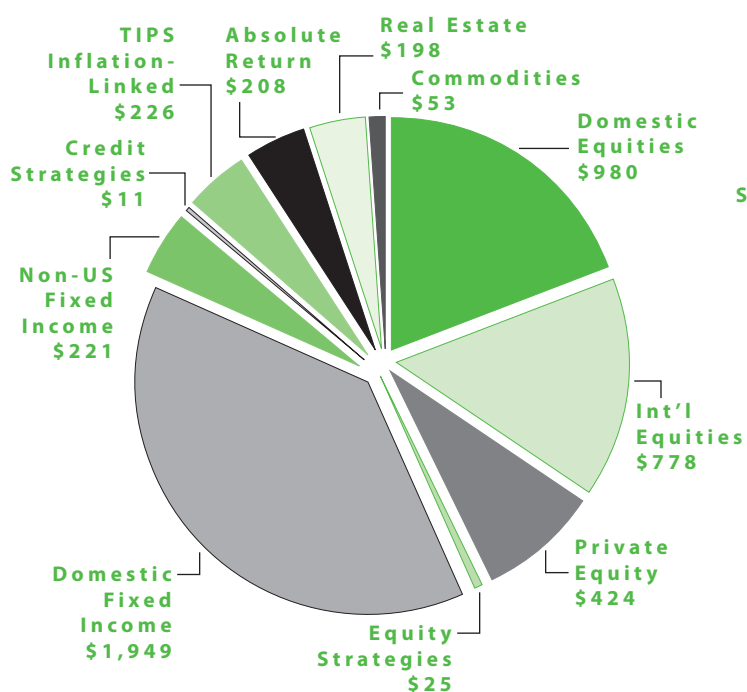
Defined Benefit Assets Investment Summary

Fiscal Year Ended June 30, 2011

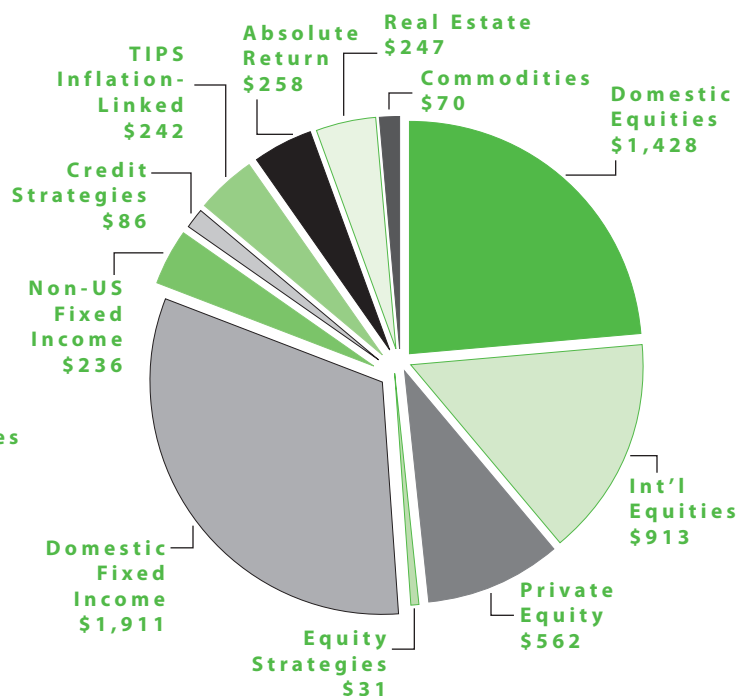
(dollars in millions)

	Beginning Account Balance	Ending Account Balance	Percent of Ending Balance
Domestic Equities	\$ 980	\$ 1,428	23.9%
International Equities	778	913	15.2
Private Equity	424	562	9.4
Equity Strategies	25	31	0.5
Total Equities	2,207	2,934	49.0
Domestic Fixed Income	1,949	1,911	31.9
Non-US Fixed Income	221	236	4.0
Credit Strategies	11	86	1.4
Total Fixed Income	2,181	2,233	37.3
TIPS / Inflation-Linked	226	242	4.1
Absolute Return	208	258	4.3
Real Estate	198	247	4.1
Commodities	53	70	1.2
Total DB Assets	\$ 5,073	\$ 5,984	100.0%

Beginning Balance



Ending Balance



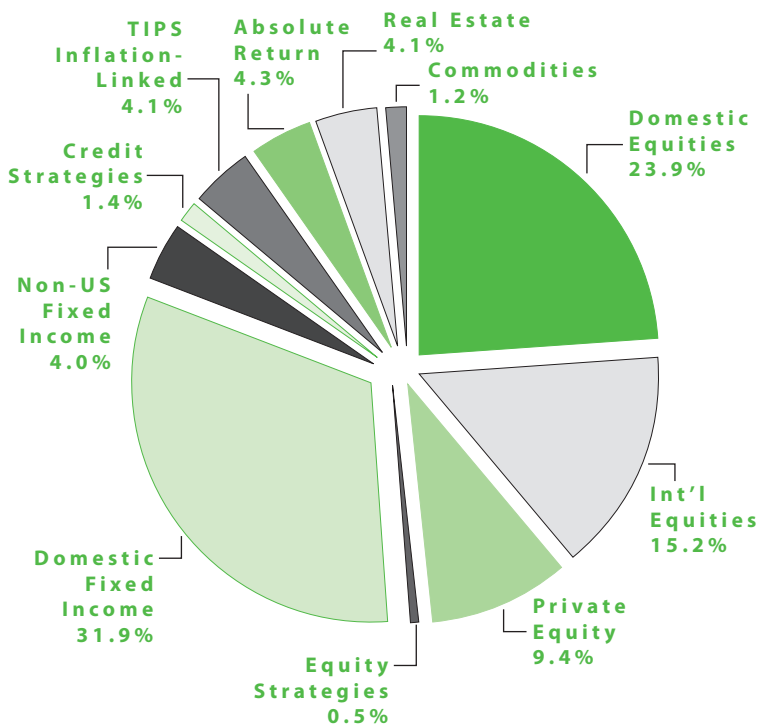
INVESTMENT SECTION

Investment Highlights, continued

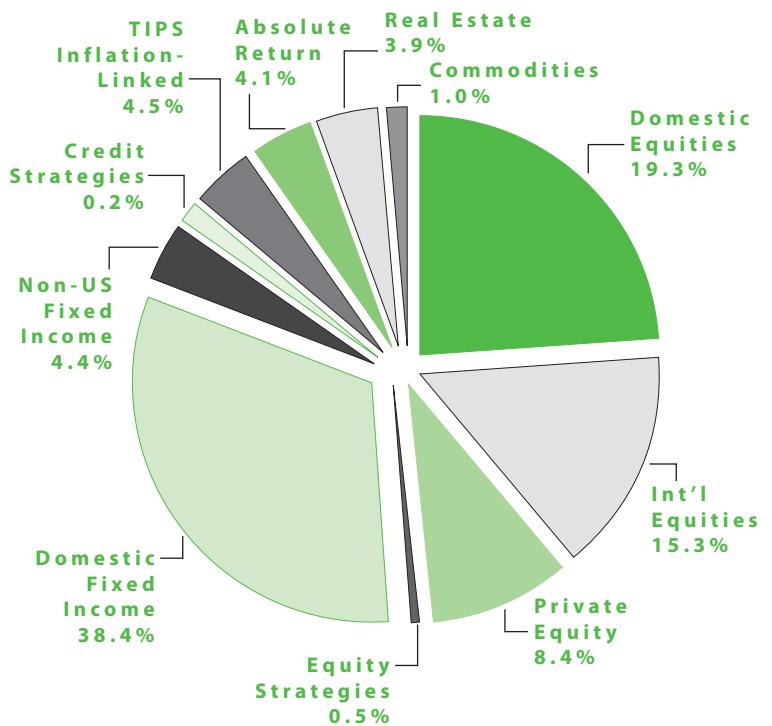
Defined Benefit Assets Investment Allocation Summary

	June 30, 2011	June 30, 2010
Total Equities:		
Domestic Equities	23.9%	19.3%
International Equities	15.2	15.3
Private Equity	9.4	8.4
Equity Strategies	0.5	0.5
Total Fixed Income:		
Domestic Fixed Income	31.9	38.4
Non-US Fixed Income	4.0	4.4
Credit Strategies	1.4	0.2
TIPS / Inflation-Linked	4.1	4.5
Absolute Return	4.3	4.1
Real Estate	4.1	3.9
Commodities	1.2	1.0
Total Fund	100.0%	100.0%

June 30, 2011



June 30, 2010



INVESTMENT SECTION

Investment Highlights, continued

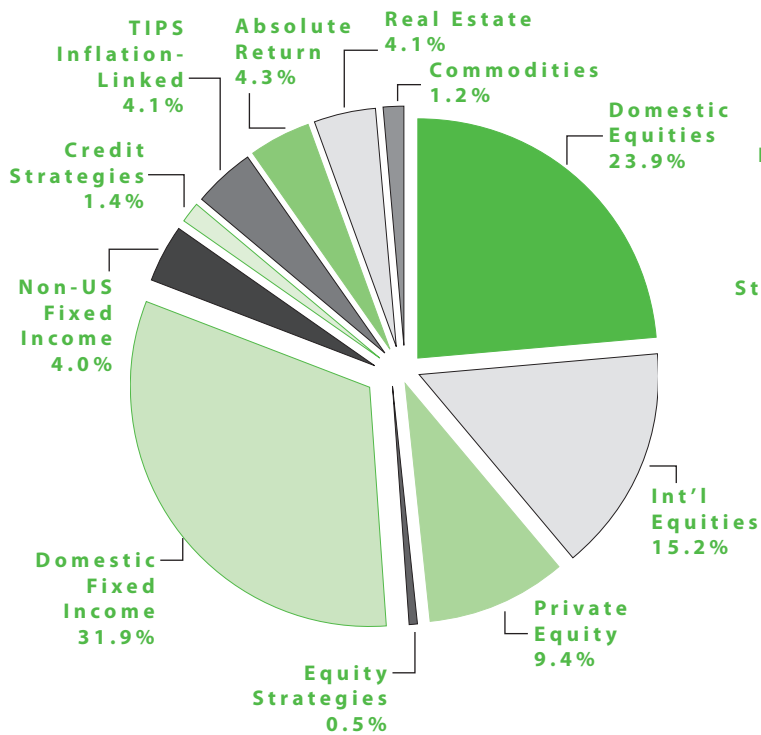
Defined Benefit Assets Actual vs. Target

Fiscal Year Ended June 30, 2011

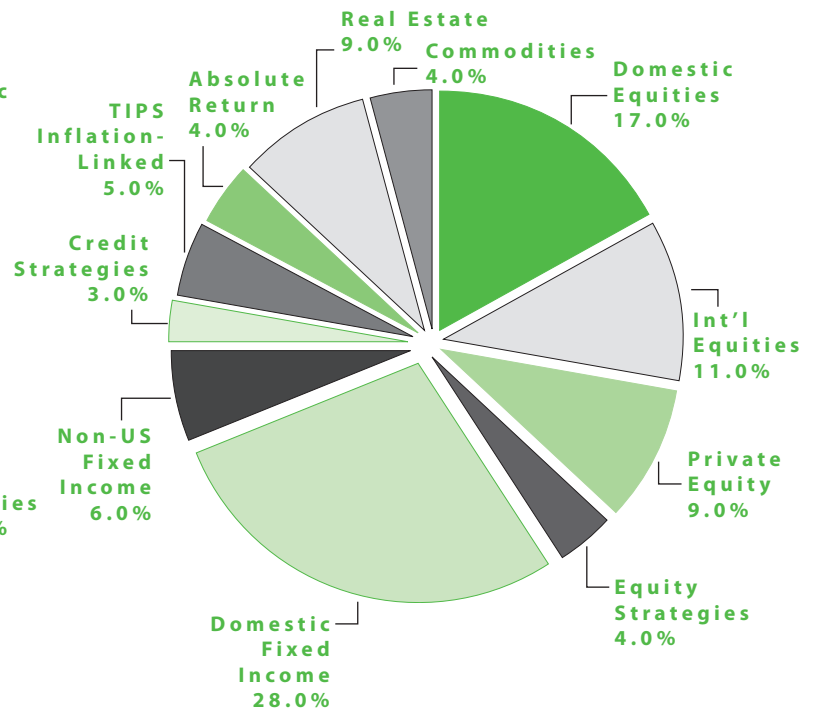
(dollars in millions)

Asset Class	Actual	Percent Actual	Percent Target	Percent Difference	Difference
Domestic Equities	\$ 1,428	23.9%	17.0%	6.9%	\$ 413
International Equities	913	15.2	11.0	4.2	251
Private Equity	562	9.4	9.0	0.4	24
Equity Strategies	31	0.5	4.0	(3.5)	(209)
Domestic Fixed Income	1,911	31.9	28.0	3.9	233
Non-US Fixed Income	236	4.0	6.0	(2.0)	(120)
Credit Strategies	86	1.4	3.0	(1.6)	(96)
TIPS / Inflation-Linked	242	4.1	5.0	(0.9)	(54)
Absolute Return	258	4.3	4.0	0.3	18
Real Estate	247	4.1	9.0	(4.9)	(293)
Commodities	70	1.2	4.0	(2.8)	(167)
Total DB Assets	\$ 5,984	100.0%	100.0%	-	-

Percent Actual



Percent Target



INVESTMENT SECTION

Investment Highlights, continued

Defined Benefit Assets Comparative Investment Results

Fiscal Year Ended June 30, 2011

(percent return)¹

	1-Year ²	3-Year ²	5-Year ²
Total Defined Benefit Fund	18.0%	3.4%	4.2%
vs. NTRS Public Fund Universe Median ³	22.5	3.8	4.7
Target Reference Index ⁴	16.8	2.1	3.3
Total Domestic Equity	33.3	6.2	4.4
vs. NTRS Public Fund Universe Median	33.2	4.7	3.8
S&P 1500	31.7	3.9	3.3
Total International Equity	30.9	(0.9)	2.5
vs. NTRS Public Fund Universe Median	29.8	0.4	3.8
MSCI ACWI ex US Index	29.7	(0.4)	3.7
Total Domestic Fixed-Income	5.4	6.6	6.5
vs. NTRS Public Fund Universe Median	5.9	8.4	7.5
BC US Aggregate Index	3.9	6.5	6.5
Total Non-US Fixed-Income⁵	6.6	NA	NA
vs. NTRS Public Fund Universe Median	10.2	NA	NA
BC GL Agg ex US Hedged Index	0.8	NA	NA

¹ Net of Fees.

² Investment performance for the fund is based on calculations made by the fund's custodian and consultant. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return based on the market rates of return.

³ Universe of Public Funds.

⁴ Composed of passive indices for each asset class held at the target asset allocation.

⁵ Inception of Total Non-US Fixed Income, 11/30/2008.

INVESTMENT SECTION

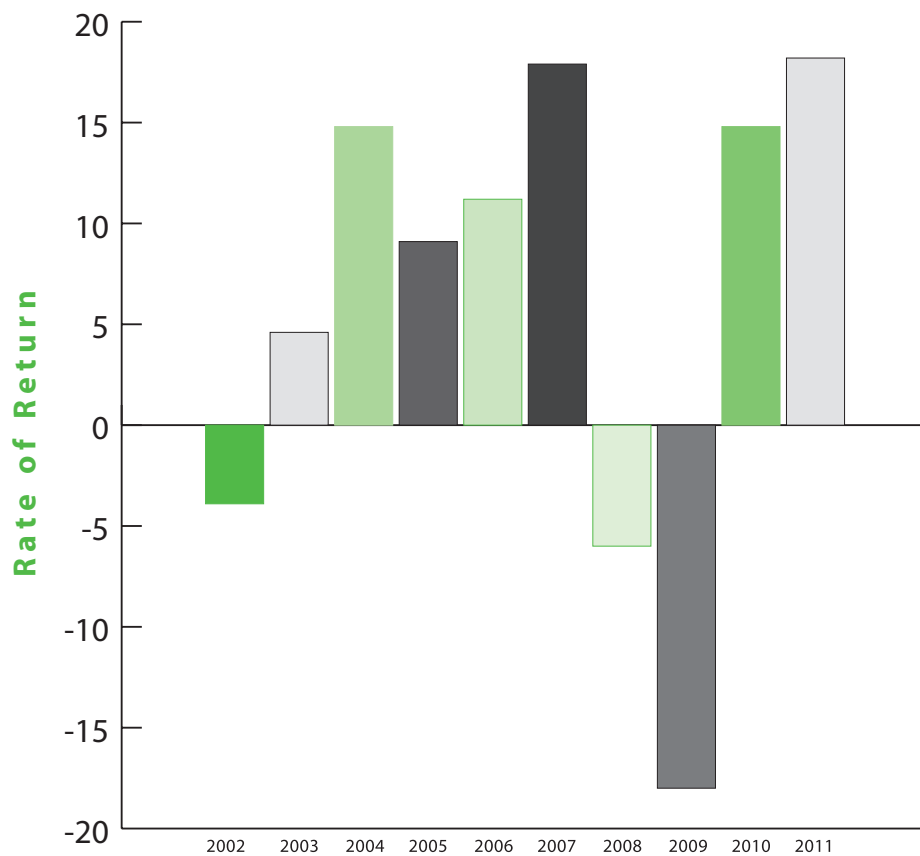
Investment Highlights, continued

Defined Benefit Assets Ten-Year Investment Rates of Return

(dollars in millions)

Fiscal Year	Market Value	Rate of Return ¹	Actuarial Assumed Rate
2002	\$ 3,032	(3.9)%	7.5%
2003	3,377	4.6	7.5
2004	3,738	14.8	7.5
2005	4,041	9.1	7.5
2006	4,521	11.2	7.5
2007	5,501	17.9	7.5
2008	5,252	(6.0)	7.5
2009	4,236	(18.0)	7.5
2010	5,073	14.8	7.5
2011	5,984	18.2	7.0

¹ Gross of Fees



INVESTMENT SECTION

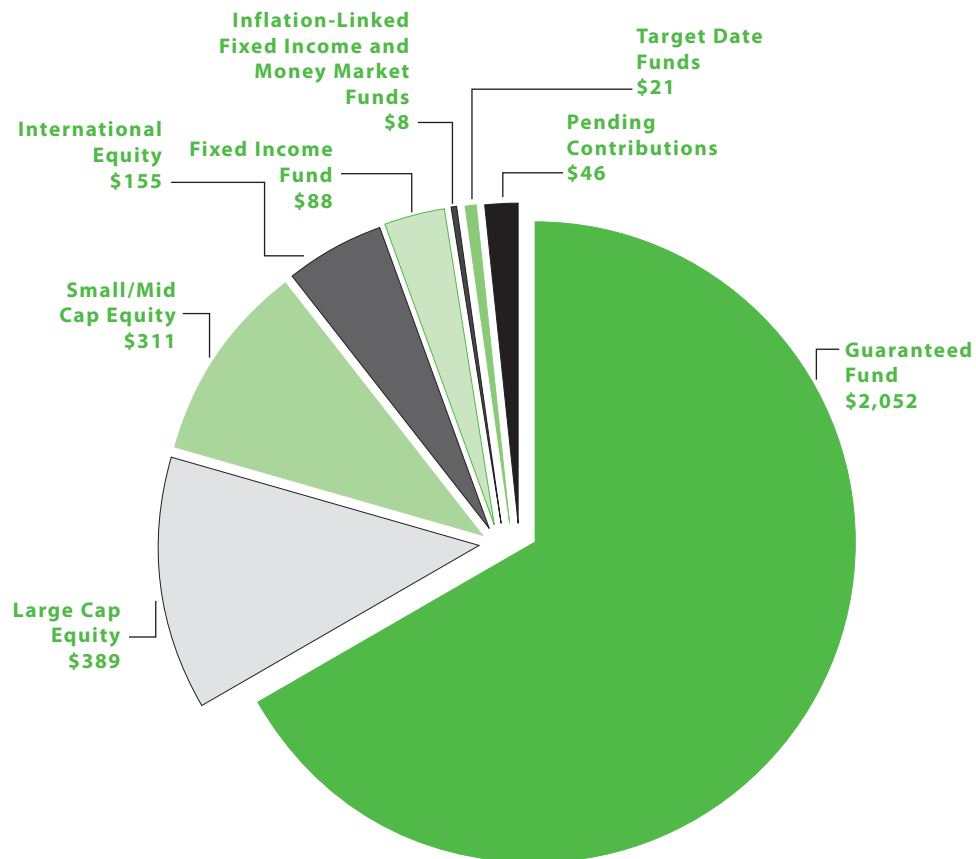
Investment Highlights, continued

Annuity Savings Account Assets

Fiscal Year Ended June 30, 2011

(dollars in millions)

Investment Option	Actual	Percent
Guaranteed Fund	\$ 2,052	66.8%
Large Cap Equity Index Fund	389	12.7
Small / Mid Cap Equity Fund	311	10.1
International Equity Fund	155	5.1
Fixed Income Fund	88	2.9
Inflation-Linked Fixed Income Fund	7	0.2
Money Market Fund	1	0.0
Target Date Funds	21	0.7
Pending Contributions	46	1.5
Total ASA Assets	\$ 3,070	100.0%



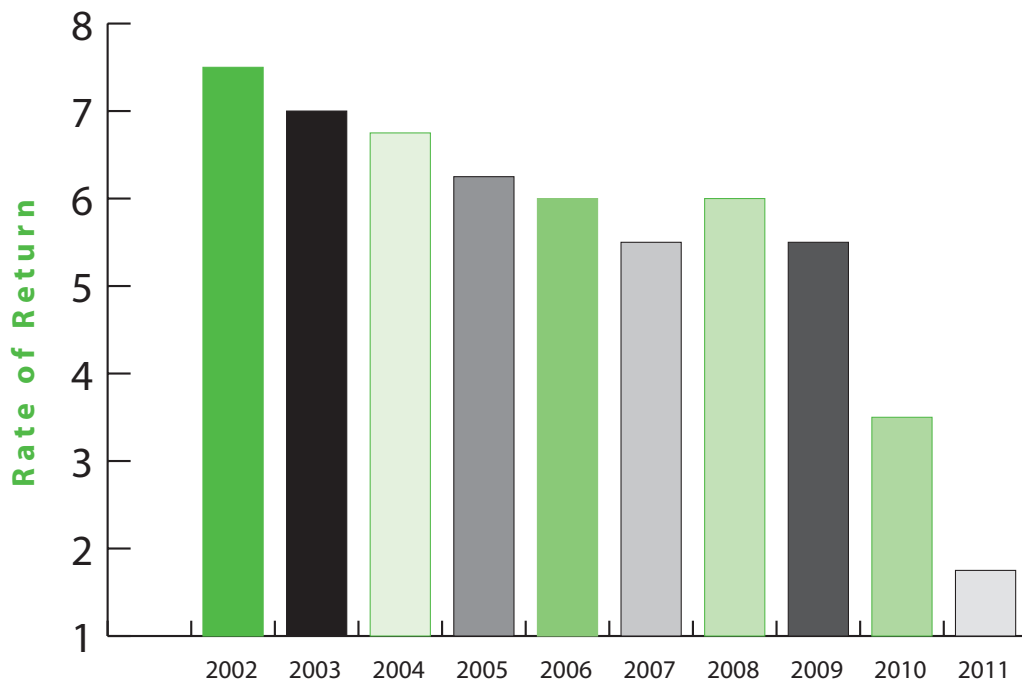
INVESTMENT SECTION

Investment Highlights, continued

Annuity Savings Account Guaranteed Fund Interest Crediting Rates

as of June 30

Fiscal Year	Interest Credit Rate
2002	7.50%
2003	7.00
2004	6.75
2005	6.25
2006	6.00
2007	5.50
2008	6.00
2009	5.50
2010	3.50
2011	1.75



INVESTMENT SECTION

List of Largest Assets Held

Top 10 Equity Holdings Combined Defined Benefit and Annuity Savings Account Assets

Fiscal Year Ended June 30, 2011
(by Market Value)¹

(dollars in thousands)

Company	Shares	Market Value
Apple	81,684	\$ 27,419
Exxon Mobil	280,893	22,859
Novartis	241,375	14,763
IBM	79,698	13,672
Microsoft	461,180	11,991
Chevron	115,627	11,891
General Electric	625,898	11,804
Heineken NV	195,381	11,747
BNP Paribas	150,726	11,632
Total SA	200,757	11,608

Top 10 Fixed Income Holdings Combined Defined Benefit and Annuity Savings Account Assets

Fiscal Year Ended June 30, 2011
(by Market Value)¹

(dollars in thousands)

Name	Coupon Rate	Maturity Date	Par Value	Market Value
FNMA TBA 4.50% 30 Years August	4.500	08/2011	\$ 61,090	\$ 63,009
FNMA TBA 4.00% 30 Years August	4.000	08/2011	53,775	53,615
US Treasury Note	3.125	05/2021	40,060	39,947
FNMA TBA 5.00% 30 Years August	5.000	08/2011	36,895	39,097
US Treasury Note	0.500	05/2013	35,345	35,382
US Treasury Note	1.375	04/2012	35,000	35,328
US Treasury Note	0.625	12/2012	33,065	33,201
FNMA TBA 4.50% 30 Years July	4.500	07/2011	30,100	31,139
US Treasury Note	0.375	06/2013	30,000	29,951
US Treasury Note	0.750	03/2013	29,695	29,869

¹ A complete list of portfolio holdings is available upon request.

INVESTMENT SECTION

Schedule of Fees and Commissions

Fees by Asset Class

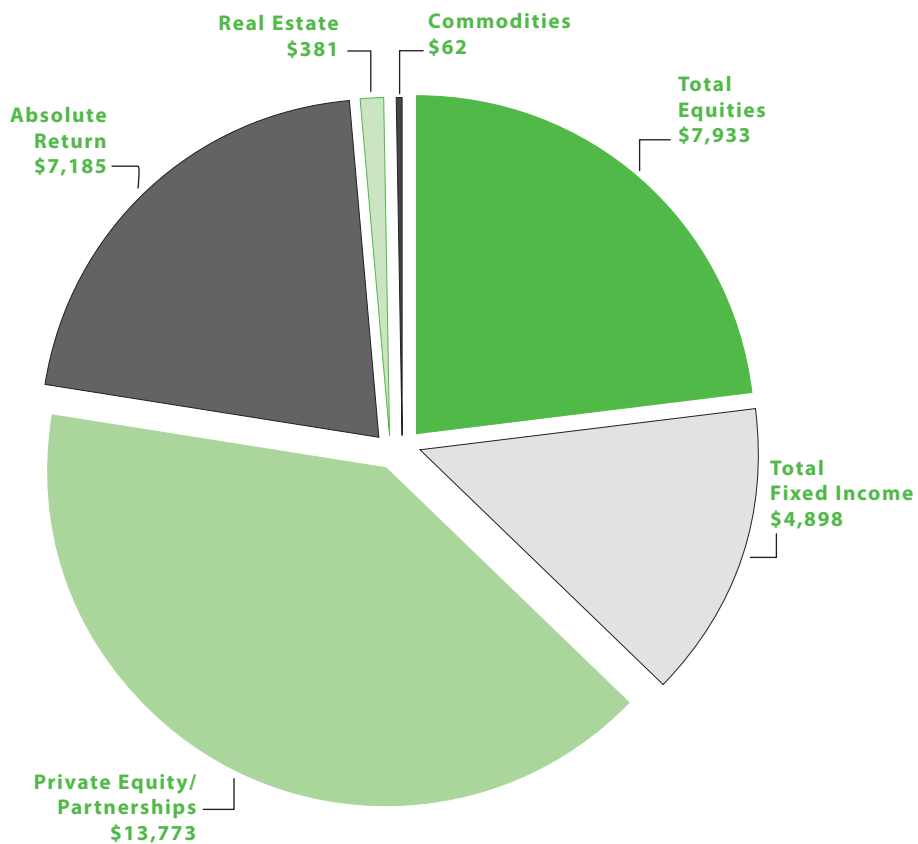
Fiscal Year Ended June 30, 2011

(dollars in thousands)

Asset Class	Amount Paid in Fees
Total Equities ¹	\$ 7,933
Total Fixed Income ²	4,898
Private Equity / Partnerships	13,773
Absolute Return	7,185
Real Estate	381
Commodities	62
Total Fees	\$ 34,232

¹ Includes Equity Strategies

² Includes Credit Strategies



INVESTMENT SECTION

Investment Professionals

Custodian

Northern Trust

50 South LaSalle Street
Chicago, IL 60675

Consultants

Aksia

599 Lexington Avenue
New York, NY 10022

ORG Real Property

15305 SW Sequoia Parkway
Suite 195
Portland, OR 97224

Strategic Investment Solutions

333 Bush Street
Suite 2000
San Francisco, CA 94104

Domestic Equity

Barrow Hanley

2200 Ross Avenue
31st Floor
Dallas, TX 75201

BlackRock

One Financial Center
Boston, MA 00211

Columbus Circle

Metro Center
One Station Place
Stamford, CT 06902

Cortina

330 East Kilbourn
Suite 850
Milwaukee, WI 53202

CS McKee

One Gateway Center
Pittsburgh, PA 15222

Delaware

2005 Market Street
Philadelphia, PA 19103

DePrince Race & Zollo

250 Park Avenue South
Winter Park, FL 32789

Earnest

1180 Peachtree Street
Suite 2300
Atlanta, GA 30309

JP Morgan Asset Management

245 Park Avenue
7th Floor
New York, NY 10167

Loomis Sayles

One Financial Center
Boston, MA 02111

QMA

Two Gateway Center
4th Floor
Newark, NJ 07102

Rhumblin

30 Rowes Wharf
Boston, MA 02110

Wells

900 East 96th Street
Suite 310
Indianapolis, IN 46240

International Equity

Baillie Gifford

757 Third Avenue
New York, NY 10017

BlackRock

One Financial Center
Boston, MA 00211

Dimensional Fund Advisors

6300 Bee Cave Road
Building One
Austin, TX 78746

Fisher

13100 Skyline Boulevard
Woodside, CA 94062

Gryphon

20 Bay Street
Suite 1905
Toronto, ON M5J2N8

Manning & Napier

360 Central Avenue
Suite 1500
St. Petersburg, FL 33701

State Street Global

1 Lincoln Street
33rd Floor
Boston, MA 02111

Private Equity

Credit Suisse

315 Park Avenue South
12th Floor
New York, NY 10010

INVESTMENT SECTION

Investment Professionals, continued...

Private Equity, cont.

Hamilton Lane

7777 Fay Avenue
Suite 206
La Jolla, CA 92037

Equity Strategies

Highfields Capital

200 Clarendon Street
Boston, MA 02116

Fixed Income

Alliance Capital

1345 Avenue of the Americas
35th Floor
New York, NY 10105

BlackRock

One Financial Center
Boston, MA 00211

Logan Circle

1717 Arch Street
Suite 1500
Philadelphia, PA 19103

Mondrian

2001 Market Street
Suite 3810
Philadelphia, PA 19103

PIMCO

840 Newport Center Drive
Newport Beach, CA 92658

Prudential

Two Gateway Center, 4th Floor
100 Mulberry Street
Newark, NJ 07102

Reams

227 Washington Street
Suite 666
Columbus, IN 47201

State Street Global

1 Lincoln Street
33rd Floor
Boston, MA 02111

Taplin, Canida & Habacht

1001 Brickell Bay Drive
Suite 2100
Miami, FL 33131

Credit Strategies

BellPoint

1065 Avenue of the Americas
31st Floor
New York, NY 10018

Brigade

399 Park Avenue
16th Floor
New York, NY 10022

Citadel

131 South Dearborn Street
Chicago, IL 60603

Perella Weinberg

767 Fifth Avenue
New York, NY 10153

Inflation Sensitive

BlackRock

One Financial Center
Boston, MA 00211

State Street Global

1 Lincoln Street
33rd Floor
Boston, MA 02111

Absolute Return

Bridgewater

1 Glendinning Place
Westport, CT 06880

GMO

40 Rows Wharf
Boston, MA 02110

Real Estate

Blackstone

345 Park Avenue
30th Floor
New York, NY 10154

JDM Partners

2400 East AZ Baltimore Circle
Building 2, Suite 1270
Phoenix, AZ 85016

LaSalle Investment Management

200 East Randolph Drive
Chicago, IL 60601

Prudential Real Estate

8 Campus Drive
Parsippany, NJ 07054

RREEF

975 North Michigan Avenue
41st Floor
Chicago, IL 60611

INVESTMENT SECTION

Real Estate, cont.

TA Associates

200 Clarendon Street

56th Floor

Boston, MA 02116

WestRiver

450 Park Avenue

Suite 1203

New York, NY 10022

Commodities

Blackstone Resources Select

345 Park Avenue

28th Floor

New York, NY 10154

Goldman Sachs

32 Old Slip Road

31st Floor

New York, NY 10005

