



2008

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

PERF IS A DISCRETELY PRESENTED COMPONENT
UNIT OF THE STATE OF INDIANA.



PERF is an independent body, corporate and politic. The fund is not a department or agency of the state of Indiana, but is an independent instrumentality exercising essential government functions. (Indiana Code 5-10.2-2-1)

Indiana limestone is weather resistant, easy to shape and consistent in quality. It is a versatile material used for architecture and landscaping, quicklime, and cement manufacturing. It has been used in buildings across the country from county courthouses, churches and universities, to museums and the nation's capital. It has been used in roadbeds and breakwaters. If strength and longevity are important in a foundation or architectural product, Indiana limestone is the material of choice.

PERF is very much like Indiana limestone. It is the foundation on which thousands of Indiana residents have built their retirement dreams. Through diversification of funds and prudent investment direction, PERF is designed to weather market volatility. Just like Indiana limestone, PERF enjoys longevity, stability and versatility in an ever changing world.

2008

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

PUBLIC EMPLOYEES' RETIREMENT FUND
JUDGES' RETIREMENT SYSTEM
STATE EXCISE POLICE, GAMING AGENT, GAMING CONTROL
OFFICER AND CONSERVATION ENFORCEMENT OFFICERS'
RETIREMENT PLAN
1977 POLICE OFFICERS' AND FIREFIGHTERS' PENSION
AND DISABILITY FUND
PROSECUTING ATTORNEYS' RETIREMENT FUND
LEGISLATORS' RETIREMENT SYSTEM
• DEFINED BENEFIT PLAN
• DEFINED CONTRIBUTION PLAN
STATE EMPLOYEES' DEATH BENEFIT FUND
PUBLIC SAFETY OFFICERS' SPECIAL DEATH BENEFIT PLAN
PENSION RELIEF FUND

PREPARED BY

PUBLIC EMPLOYEES' RETIREMENT FUND • 143 WEST MARKET STREET
INDIANAPOLIS, IN 46204 • TOLL-FREE: (888) 526-1687
WWW.PERF.IN.GOV • QUESTIONS@PERF.IN.GOV

PHOTOGRAPHY FOR TABLE OF CONTENTS AND ACTUARIAL SECTION
PROVIDED BY JEFF LEISZ (BYBEE STONE, INDIANALIMESTONE.COM).
EXECUTIVE TEAM PHOTO AND INDIVIDUAL HEAD SHOTS PROVIDED BY TOM
STRICKLAND PHOTOGRAPHY. ALL OTHER PHOTOGRAPHY AND ORIGINAL
DESIGN BY LISA M. BARTON, PERF DESIGN SPECIALIST.

PERF IS A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF INDIANA.



2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT TABLE OF CONTENTS

INTRODUCTORY SECTION

- 4 Letter of Transmittal
- 8 Public Pension Coordinating Council —
Public Pension Standards Award
- 9 Government Finance Officers Association —
Certificate of Achievement for Excellence in
Financial Reporting
- 10 Administrative Organization

Fund Highlights

- 12 Public Employees' Retirement Fund
- 14 Judges' Retirement System
- 16 State Excise Police, Gaming Agent, Gaming Control
Officer and Conservation Enforcement Officers'
Retirement Plan
- 18 1977 Police Officers' and Firefighters' Pension
and Disability Fund
- 20 Prosecuting Attorneys' Retirement Fund
- 22 Legislators' Retirement System —
Defined Benefit Plan

FINANCIAL SECTION

- 27 Independent Auditors' Report
- 28 Management's Discussion & Analysis

Financial Statements

- 32 Statement of Fiduciary Net Assets
- 34 Statement of Changes in Fiduciary Net Assets
- 36 Notes to the Financial Statements

Required Supplementary Information

- 55 Schedule of Funding Progress
- 56 Schedule of Employer Contributions

Other Supplementary Information

- 57 Administrative Expenses
- 58 Investment Expenses
- 60 Contractual and Professional Services Expenses

INVESTMENT SECTION

- 64 Report on Investment Activity
- 66 Outline of Investment Policies
- 67 Investment Highlights
- 72 List of Largest Assets Held
- 73 Schedule of Commission Fees
- 74 Investment Professionals

ACTUARIAL SECTION

- 78 Actuary's Certification Letter
- 80 Summary of Actuarial Assumptions and Methods
- 83 Reconciliation of Changes in Unfunded Actuarial
Accrued Liabilities
- 84 Solvency Test
- 86 Schedules of Active Member Valuation Data
- 87 Schedules of Retirants and Beneficiaries

STATISTICAL SECTION

- 92 Schedule of Additions by Source
- 94 Schedule of Deductions by Type
- 96 Schedule of Benefit Deductions by Type
- 98 Schedule of Benefit Recipients by Type of
Benefit Option
- 99 Schedule of Average Benefit Payments
- 104 Schedule of Changes in Net Assets
- 105 Schedule of Participating Employers



INTRODUCTORY

- 4 LETTER OF TRANSMITTAL
- 8 PPCC PUBLIC PENSION STANDARDS AWARD
- 9 GFOA CERTIFICATE OF ACHIEVEMENT
- 10 ADMINISTRATIVE ORGANIZATION
- 12 FUND HIGHLIGHTS

SECTION

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Letter of Transmittal



Terren B. Magid
Executive Director

December 2008

Dear Board Members:

It is my distinct pleasure to provide you, our customers and other interested parties this *Comprehensive Annual Financial Report* of the Public Employees' Retirement Fund of Indiana (PERF) for the fiscal year ended June 30, 2008.

Throughout this report you'll see examples of the strength and beauty of Indiana limestone. Formed over millions of years, this timeless stone graces structures throughout the state and nation. It serves to remind us that solid progress over many years often gives us something of enduring stability and value.

At PERF, we're reminded that the limestone that has graced the progress of our modern age was made possible by the patient steady creation of this stone beginning more than 300 million years ago. In this annual report, you will learn of PERF's recent progress and see how we too are taking a long-term view to ensure that today's progress and challenges help build and maintain a solid and enduring retirement fund for generations to come.

The 2008 fiscal year was one of progress and challenge as we worked to enhance customer service provided to the members and employers we serve while maintaining a prudent,

long-term management approach in the face of changing market conditions. Examples of these accomplishments and challenges include the following:

Solid Funding: PERF reached a funded status of 99.8 percent at the July 1, 2007 start of the fund's 2008 fiscal year. Nationally, state pension plans are funded at about 88 percent according to the *2007 Wilshire Report on State Retirement Systems*. We are pleased with this overall funded status and continue to work to achieve and maintain full funding. While recent, short-term market conditions may erode this status in the near term, we are confident that our long-term approach to prudent investment management will allow us to maintain a solid funded ratio over the decades to come.

Managing Risk: While the stock market was doing well in previous years, PERF's management was certain of one thing: neither booms nor downturns last forever. In the 2008 fiscal year, staff worked diligently to manage PERF's investments according to the asset allocation the Board of Trustees adopted in August 2006. This asset allocation was designed to better protect the portfolio from market downturns. A prudent asset allocation combined with PERF's solid funded status has allowed us to assure our members that PERF's ability to meet its obligations to pay benefits to current or future retirees, or other benefit recipients, is not impacted by the recent unstable market conditions.

Statewide Customer Service: A new customer service approach launched by PERF in May reaches both members and employers in the communities where they live and work, throughout Indiana. Four retirement services consultants – with a combined experience of more than 100 years – were deployed to four regions in the north, central and south of the state. These consultants assist employers with their interaction with PERF, and meet PERF members in groups or individually to educate them on retirement and their PERF benefits. We serve more than 200,000 members throughout Indiana and we felt it was time our face-to-face customer service reflected that statewide commitment.

Customer Satisfaction: In September 2007, we launched a new customer satisfaction measurement system that allows



143 WEST MARKET STREET ■ INDIANAPOLIS, INDIANA 46204 ■
WWW.PERF.IN.GOV ■ (888) 526-1687

Letter of Transmittal

us to monitor our customers' reaction to our service and learn specific things we can do to improve satisfaction. Already, this new system has allowed us to take active steps to improve satisfaction in a variety of areas, including notable gains with our Customer Call Center.

Accountability and National Excellence: In the front of this publication you'll see a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA), and an Achievement Award from the Public Pension Coordinating Council (PPCC). The GFOA certification for PERF's 2007 annual report marks the second straight year that a PERF annual report has achieved this recognition. The PPCC award recognizes PERF's excellence in meeting professional standards for plan design and administration. This recognition rates PERF's system management and administration among an exclusive handful of public retirement systems in the nation and marks the second consecutive year we have achieved this distinction.

Pension Modernization: In fiscal year 2008, PERF continued its work on a comprehensive four-year modernization initiative that will significantly enhance service to our members and employers. The end result will be a comprehensive set of new systems and processes that will enhance financial management and maintaining of member benefit information while providing a full-featured member website complete with daily valuation of members' annuity savings accounts.

Background Information

As of June 30, 2008, PERF was responsible for the investment of approximately \$15.7 billion in combined assets. In total, PERF paid monthly retirement, disability and survivor benefits to 64,087 benefit recipients, served 151,770 members actively employed in public service and worked in partnership with 1,204 participating employers statewide.

This report provides detailed information on the performance of all retirement plans administered by PERF, including the:

- Public Employees' Retirement Fund
- Judges' Retirement System
- State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan
- 1977 Police Officers' and Firefighters' Pension and Disability Fund

- Legislators' Retirement System
- Prosecuting Attorneys' Retirement Fund

PERF also administers two special death benefit funds for public safety officers and state employees who die in the line of duty. In addition, PERF manages the Pension Relief Fund, which was created by the Indiana General Assembly to address the unfunded pension obligations of the police officers' and firefighters' pension systems of Indiana's cities and towns. PERF is not responsible for the administration of those local pension funds, which have been closed to new membership since the creation of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. However, PERF makes disbursements to the local police and firefighter units throughout the state that are still obliged to pay benefits under those former plans.

Management's Responsibility for Financial Reporting

PERF's management prepared the financial statements included in this *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2008. PERF's management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of PERF's operations.

The Indiana State Board of Accounts (SBoA), PERF's external auditor, has conducted an audit of the general purpose financial statements in accordance with generally accepted auditing standards, performing work as it deemed necessary to express an opinion in their report.

The SBoA completed their review of PERF's financial statements for the fiscal year ending June 30, 2008, on September 30, 2008. The results show PERF has made significant progress in improving the quality of its financial statements over a period of four years.

In fiscal year 2004, PERF received a qualified audit opinion with 30 specific findings regarding areas of needed improvement. Diligent efforts to turn around PERF's performance re-

Letter of Transmittal

sulted in 15 findings in fiscal year 2005, 11 findings in fiscal year 2006, six findings for fiscal year 2007, and two findings in fiscal year 2008. In addition, we have achieved unqualified financial opinions from the SBoA since fiscal year 2006. Findings for 2008 are presently being addressed by the ongoing modernization project noted previously and completion of other projects initiated as part of PERF's turnaround plan.

Reporting Financial Information

PERF's management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization.

Management also is charged with recording these transactions as necessary to maintain accountability for assets, and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes the written policies and procedures of the Board of Trustees.

For financial reporting purposes, PERF follows the Governmental Accounting Standards Board (GASB) Statement No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 Pension Disclosures. Assets of PERF are presented at fair value. The actuarial value of assets and the actuarial accrued liability are presented in the Required Supplementary Information following the Notes to the Financial Statements.

The GASB issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This statement establishes financial reporting standards for state and local governments. The Management Discussion and Analysis is contained within the Financial Section and serves to supplement the Introductory Section of the Comprehensive Annual Financial Report, as well as financial statements, notes and supplementary information within the Financial Section.

Economic Condition

PERF's economic condition is based primarily upon investment results and contributions from members and employers.

Mercer Investment Consulting evaluated the year-end investment portfolio. The return comparison begins on page 69.

Investments

As of June 30, 2008, the Consolidated Retirement Investment Fund (CRIF) had a market value of \$14.9 billion, a decline of \$1.2 billion since June 30, 2007. The decrease in assets was due to negative investment performance. The Investment Section includes an in-depth discussion of the CRIF and the investment policies guiding the Board of Trustees in their decision making. The Board of Trustees continues to make progress in diversifying the assets of PERF and adjusting its risk and return profile in order to deliver the growth and earnings needed to meet future benefit obligations.

Asset Allocation

Prudent diversification through strategic asset allocation is fundamental to the Board of Trustees' overall investment policy. The policy is designed to provide an optimal mix of asset classes in order to meet PERF's return objectives, while maintaining appropriate diversification and risk control. PERF continues to incorporate traditional assets (cash, domestic and international stocks, and domestic fixed income) while also incorporating nontraditional assets (such as real estate and private equity) into the target asset mix.

The investment portfolio mix at fair value for fiscal year ended June 30, 2008, was approximately 25.4 percent fixed income, 67.3 percent equities and 7.3 percent in alternative investments. Of the total portfolio as of June 30, 2008, the equity portfolio was comprised of 39.3 percent domestic equity, 9.8 percent global equity, and 18.2 percent international equity.

Funding

The health of a retirement system is measured by its ability to fund current and future benefit obligations of its members, which is represented by its funding level. Adequate funding levels reflect the ratio between total actuarial assets compared to total actuarial accrued liabilities, resulting in a reduced reliance on contributions. Total CRIF returns of negative 7.6 percent were below actuarial assumptions of 7.25 percent. However, it should be noted the 7.25 percent assumption is based on a long-term, multi-year strategy. Notwithstanding the volatility of recent market conditions, PERF and its investments remain in sound, stable condition.

Letter of Transmittal

The actuarial accrued liability of PERF is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to all current retirees, beneficiaries and employees for service earned to date. The funding ratio is the percentage computed by dividing the actuarial value of net assets available for benefits by the actuarial accrued liability. This ratio provides an indication of the funding status of the plan and generally, the greater this percentage, the stronger the plan.

The accumulated balance of funds derived from the excess of additions over deductions is referred to as the net assets held in trust for pension benefits in the Combined Statement of Changes in Fiduciary Net Assets in the Financial Section of this report. Actuarial accrued liability, funding status and progress for the plans are presented in the Required Supplementary Information Schedules of Funding Progress and Note 5 of the Notes to the Financial Statements.

Actuarial Survey Valuation

An actuarial review of PERF is performed annually. An assumption experience study is performed every three to five years. The actuarial firm, McCready & Keene, completed the experience study, actuarial reviews and valuations. In addition, the firm served as technical advisor to PERF. Actuarial certification and supporting statistics are included in the Actuarial and Statistical sections of this report.

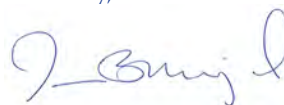
Acknowledgements

In the compilation of this report, PERF's staff and advisors have worked to demonstrate a constructive spirit of full disclosure to clearly communicate our financial story and to motivate interested individuals to read this document. It is intended to provide information for use as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by our members and employers.

I appreciate the confidence and trust bestowed on us by our members, employers and the people of the state of Indiana. On behalf of the PERF staff, I wish to thank Governor Mitch Daniels, the members of the Pension Management Oversight Commission, the Indiana General Assembly, the Board of

Trustees and the many public employees and employers who have provided the PERF team an opportunity to serve.

Sincerely,



Terren B. Magid
Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2008***

Presented to

Indiana Public Employees' Retirement Fund

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Public Employees'
Retirement Fund of Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emsw

Executive Director

PUBLIC EMPLOYEES' RETIREMENT FUND

Administrative Organization

Mitch Daniels
Governor

Becky Skillman
Lt. Governor

Administrative Staff

Terren Magid
Executive Director

Steven Barley
Deputy Director
Chief Operations Officer

David Huffman
Deputy Director
Chief Technology Officer

Patricia Bush
Chief Financial Officer

Janell Gurney
Director of Human Resources

Jeffrey Hutson
Chief Communication Officer

Shawn Wischmeier
Chief Investment Officer

Professional Consultants¹

McCready and Keene, Inc.
7941 Castleway Drive
Indianapolis, IN 46250-0460

Mercer Investment Consulting, Inc.
10 South Wacker Drive, Ste. 1700
Chicago, IL 60606-7500

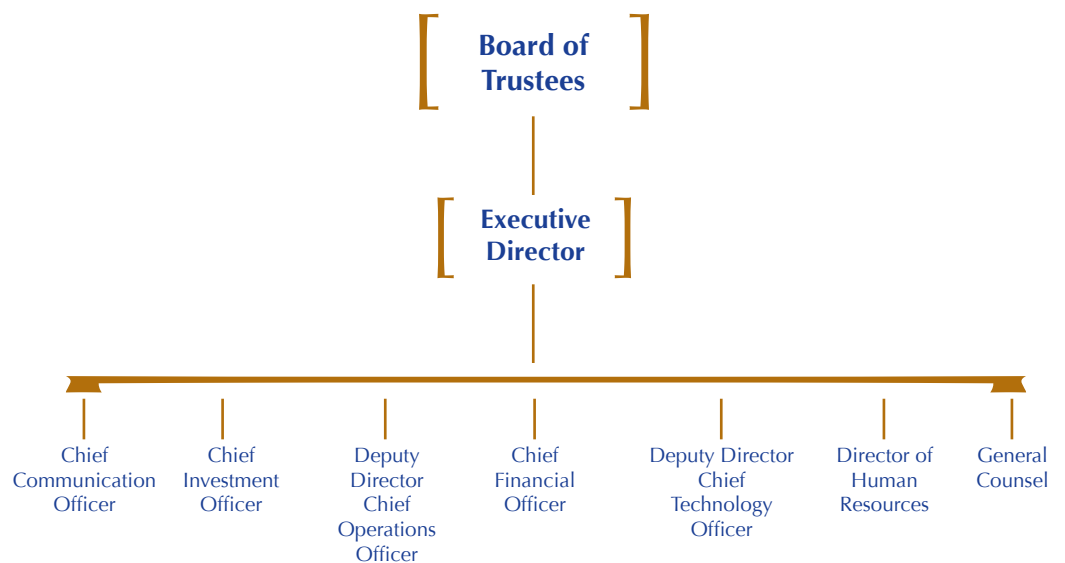
Strategic Investment Solutions, Inc.
333 Bush Street, Suite 2000
San Francisco, CA 94104

¹A complete list of investment professionals who have provided services to PERF can be found on pages 74 and 75.



PERF ADMINISTRATIVE STAFF

PERF ORGANIZATIONAL CHART



PERF Board of Trustees & Executive Team

BOARD OF TRUSTEES



Ken Cochran
Chair



Kevin Boehnlein
Vice Chairman



Cynthia Walsh



Ryan Kitchell

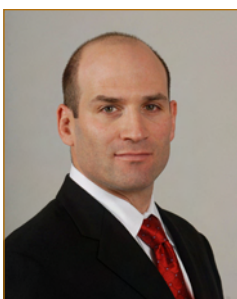


Matt Murphy



Robert Welch

EXECUTIVE TEAM



Terren Magid
Executive Director



Steven Barley
Chief Operations Officer



David Huffman
Chief Technology Officer



Patricia Bush
Chief Financial Officer



Janell Gurney
Director of Human Resources



Jeffrey Hutson
Chief Communication Officer



Shawn Wischmeier
Chief Investment Officer

Fund Highlights: Public Employees' Retirement Fund

Membership and Eligibility

The Public Employees' Retirement Fund (PERF plan) includes eligible state and local government employees.

MEMBERS RECEIVING RETIREMENT BENEFITS		
Age	Years of Service	Allowance Reduction
50 up to 59	15 or more	11% at age 59, additional 5% for each year under age 59
55	Age at retirement plus total years of service equals 85 or more	None
60	15 or more	None
65	10 or more	None
65	8 or more ¹	None

¹A member who has at least eight years of PERF plan service as a county clerk, county auditor, county recorder, county treasurer, county sheriff or county coroner is eligible for normal retirement after reaching age 65. This change in the law applies only to members retiring after June 30, 2002. Public Law 73-2002 also provides that a member serving as state auditor, state treasurer or secretary of state and whose term commences after the November 5, 2002, election be vested with at least eight years of creditable service.

BENEFIT FORMULA

$$\text{Annual Benefit} = (\text{Years of Creditable Service} \times \text{Average Annual Compensation} \times .011) + \text{Annuity Savings Account}^2$$

²Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined pension benefit or in a total distribution.

Cost of Living Allowance

Cost of living allowances are passed by the Indiana General Assembly on an ad-hoc basis.

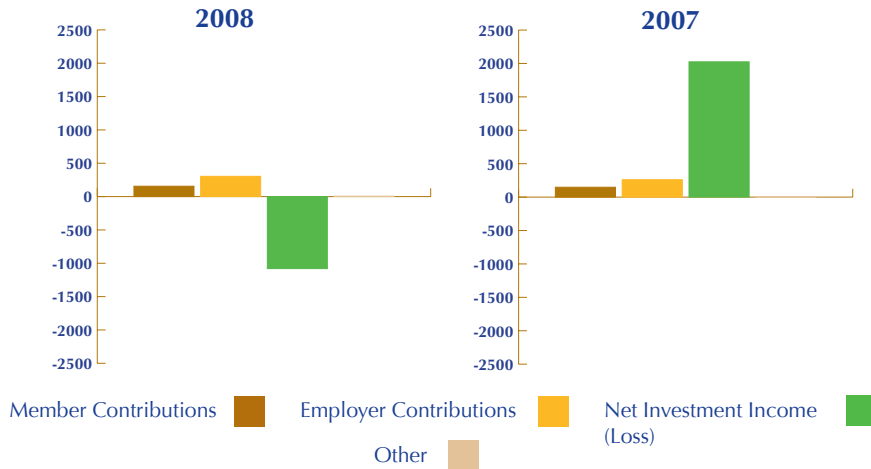
Contribution Rates

- Members are required to contribute 3 percent of gross wages to the Annuity Savings Account.
- Employers have the option of making all or part of this 3 percent contribution on behalf of the member.
- Members may also voluntarily contribute up to an additional 10 percent of their wages into the Annuity Savings Account.
- The amount (rate) of Employer contributions is adopted by the PERF Board of Trustees based on recommendations by PERF's actuary.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fund Highlights: Public Employees' Retirement Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)

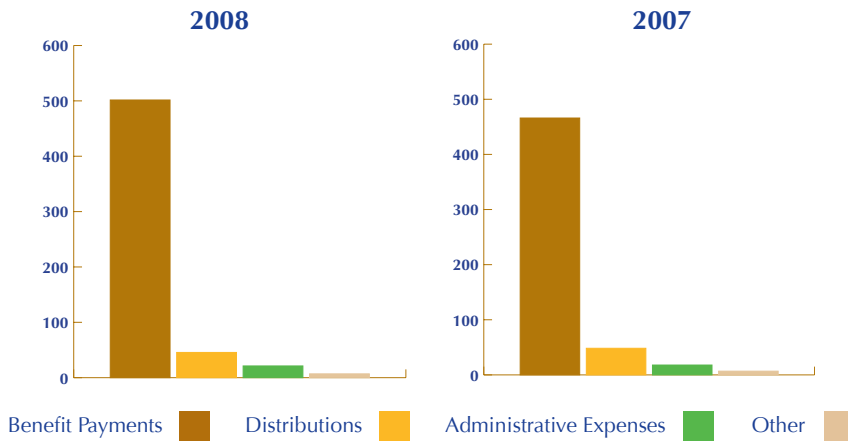


For fiscal year ended June 30
(in millions)

Additions by Source

	2008	2007
Member Contributions	\$ 155.7	\$ 147.7
Employer Contributions	303.9	260.2
Net Investment Income (Loss)	(1,079.9)	2,024.5
Other	6.6	2.8
Totals	\$ (613.7)	\$ 2,435.2

Deductions by Type For fiscal year ended June 30 (in millions)

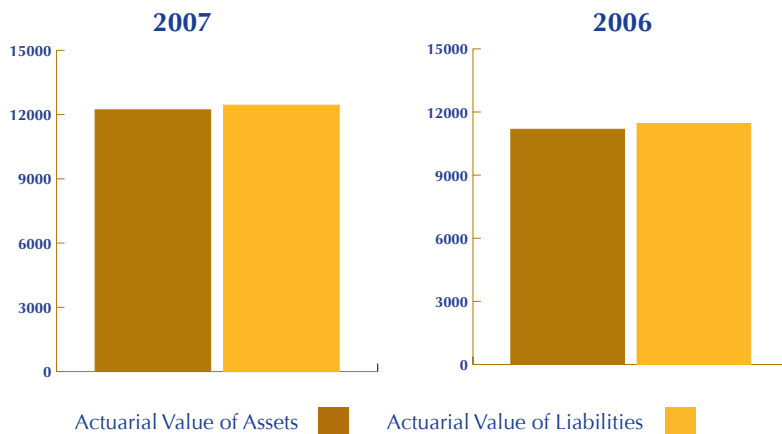


For fiscal year ended June 30
(in millions)

Deductions by Type

	2008	2007
Benefit Payments	\$ 501.6	\$ 466.0
Distributions	45.6	48.3
Administrative Expenses	21.2	17.9
Other	6.9	6.8
Totals	\$ 575.3	\$ 539.0

Funding Progress Actuarial study as of July 1 (in millions)



Actuarial study as of July 1
(in millions)

Funding Progress

	2007	2006
Actuarial Value of Assets	\$ 12,220.9	\$ 11,178.0
Actuarial Value of Liabilities	12,439.8	11,450.9
Funding Ratios	98.2%	97.6%

Fund Highlights: Judges' Retirement System

Membership and Eligibility

The Judges' Retirement System includes any person who has served, is serving or shall serve as a regular judge of the Supreme Court of the state of Indiana, circuit court of any judicial circuit, Indiana Tax Court or county courts including: circuit, superior, criminal, probate, juvenile, municipal and county court.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
55	Age at retirement plus total years of service equals 85 or more	None
62	8 or more	0.1% for each month that retirement precedes age 65
65	8 or more	None

BENEFIT FORMULA

Annual Benefit = Salary at Retirement¹ x Percentage Below

Years of Service	Percentage	Years of Service	Percentage
8	24%	16	54%
9	27	17	55
10	30	18	56
11	33	19	57
12	50	20	58
13	51	21	59
14	52	22 or more	60
15	53		

¹Benefit calculations for the 1977 System (those who began service as a judge before September 1, 1985) are based on the current salary of the judge's position from which they retired. The 1985 System (those who began service as a judge after August 31, 1985) uses the salary paid to the judge when they retired.

Cost of Living Allowance

For the 1977 System, the cost of living allowance is a percentage increase equal to the increase in the salary of the judges' position from which the judge retired. For the 1985 system, a 2 percent cost-of-living adjustment (COLA) is payable January 1, 2008, and January 1, 2009, to participants, survivors and beneficiaries.

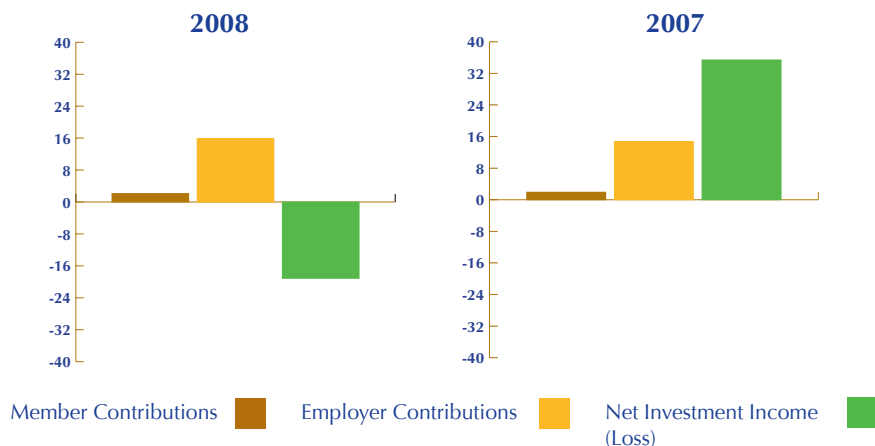
Contribution Rates

- Employees contribute 6 percent of the judge's statutory salary until 22 years of service have been completed.
- Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the state's General Fund.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fund Highlights: Judges' Retirement System (continued)

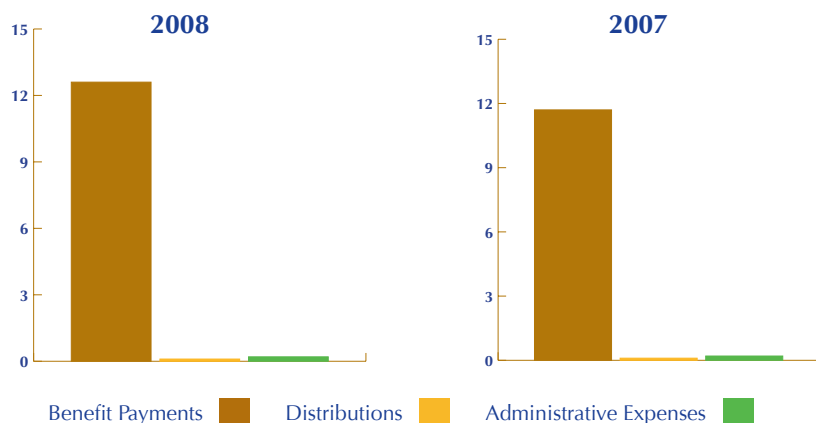
Additions by Source For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)

	2008	2007
Additions by Source		
Member Contributions	\$ 2.1	\$ 1.9
Employer Contributions	15.9	14.7
Net Investment Income (Loss)	(19.1)	35.4
Totals	\$ (1.1)	\$ 52.0

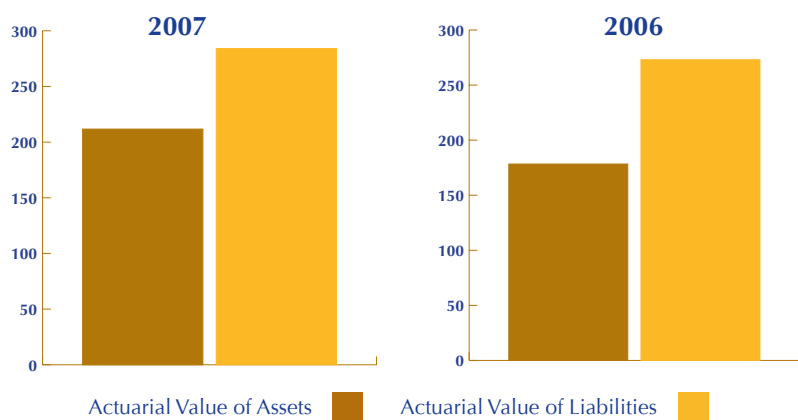
Deductions by Type For fiscal year ended June 30 (in millions)



For fiscal year ended June 30 (in millions)

	2008	2007
Deductions by Type		
Benefit Payments	\$ 12.6	\$ 11.7
Distributions	0.1	0.1
Administrative Expenses	0.2	0.2
Totals	\$ 12.9	\$ 12.0

Funding Progress Actuarial study as of July 1 (in millions)



Actuarial study as of July 1 (in millions)

	2007	2006
Funding Progress		
Actuarial Value of Assets	\$ 211.7	\$ 178.3
Actuarial Value of Liabilities	284.0	273.0
Funding Ratios	74.6%	65.3%

PUBLIC EMPLOYEES' RETIREMENT FUND

Fund Highlights: State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

Membership and Eligibility

The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan includes employees engaged exclusively in the performance of law enforcement duties of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana state excise police officer, Indiana State conservation enforcement officer, gaming control officer or gaming agent.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
45	15 or more	0.25% for each full month that retirement precedes age 60
50	25 or more	None
55	Age at retirement plus total years of service equals 85 or more	None
60	15 or more	None

BENEFIT FORMULA

$$\text{Annual Benefit} = 25 \text{ percent}^1 \times \text{Average Annual Salary}^2$$

¹This percentage is increased by 1.67 percent of average annual salary for each completed year of creditable service after 10 years (up to 25 years) and by 1 percent for each year of creditable service after 25 years.

²Average Annual Salary is defined as the average annual salary of an officer during the five years of highest annual salary in the 10 years immediately preceding an officer's retirement date.

Cost of Living Allowance

Cost of living allowance is applied at the same rate as was passed by the Indiana General Assembly for the Public Employees' Retirement Fund.

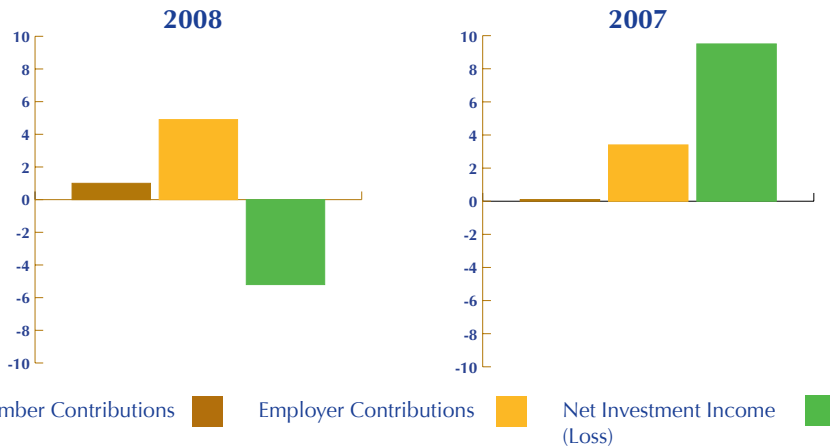
Contribution Rates

- Members contribute 4 percent of their annual salary.
- Employer contributions are adopted by the PERF Board of Trustees based on recommendations by PERF's actuary.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fund Highlights: State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (continued)

Additions by Source For fiscal year ended June 30 (in millions)

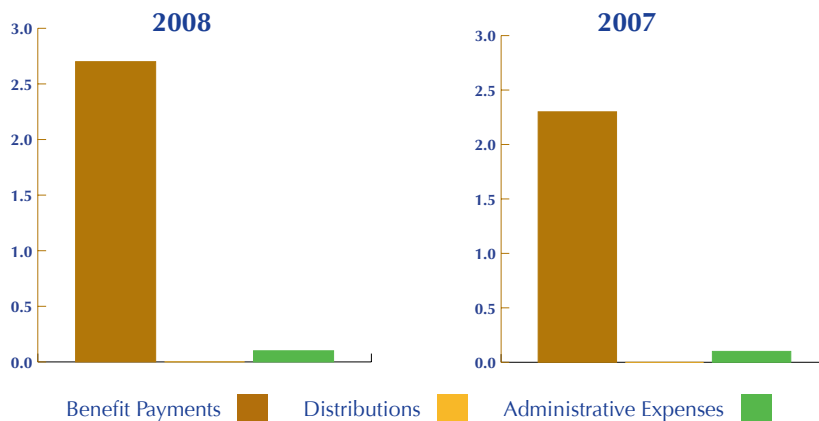


For fiscal year ended June 30
(in millions)

Additions by Source

	2008	2007
Member Contributions	\$ 1.0	\$ 0.1
Employer Contributions	4.9	3.4
Net Investment Income (Loss)	(5.2)	9.5
Totals	\$ 0.7	\$ 13.0

Deductions by Type For fiscal year ended June 30 (in millions)

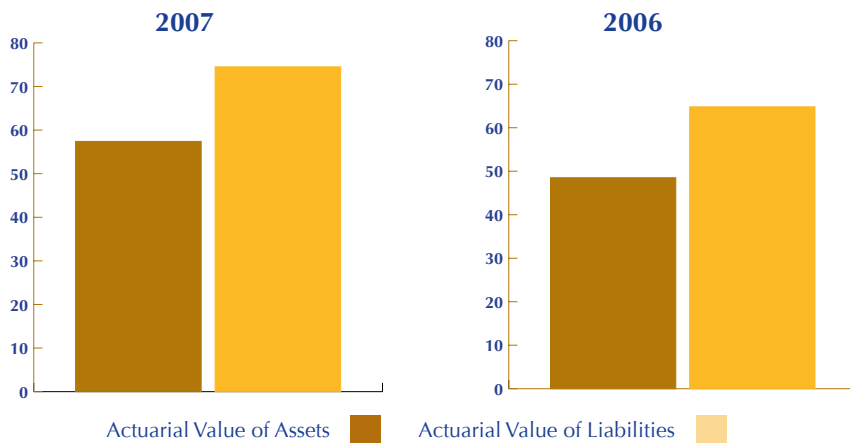


For fiscal year ended June 30
(in millions)

Deductions by Type

	2008	2007
Benefit Payments	\$ 2.7	\$ 2.3
Distributions	-	-
Administrative Expenses	0.1	0.1
Totals	\$ 2.8	\$ 2.4

Funding Progress Actuarial study as of July 1 (in millions)



Actuarial study as of July 1
(in millions)

Funding Progress

	2007	2006
Actuarial Value of Assets	\$ 57.4	\$ 48.5
Actuarial Value of Liabilities	74.5	64.8
Funding Ratios	77.1%	74.9%

Fund Highlights: 1977 Police Officers' and Firefighters' Pension and Disability Fund

Membership and Eligibility

1977 Police Officers' and Firefighters' Pension and Disability Fund provides coverage to full-time sworn officers of a police force of an Indiana city or town and full-time firefighters employed by an Indiana city, town or township.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Actuarial Reduction
50	20 or more	Actuarial reduction of 86 percent at age 50 which decreases uniformly from age 50 to age 52 on a monthly basis
52	20 or more	None

BENEFIT FORMULA

Annual Benefit =

Monthly benefit = 50 percent¹ of first-class salary for 20 years of service.

¹This percentage is increased by 1 percent for each six months of active service accumulated after 20 years of service (to a maximum of 32 years, or 74 percent).

Cost of Living Allowance

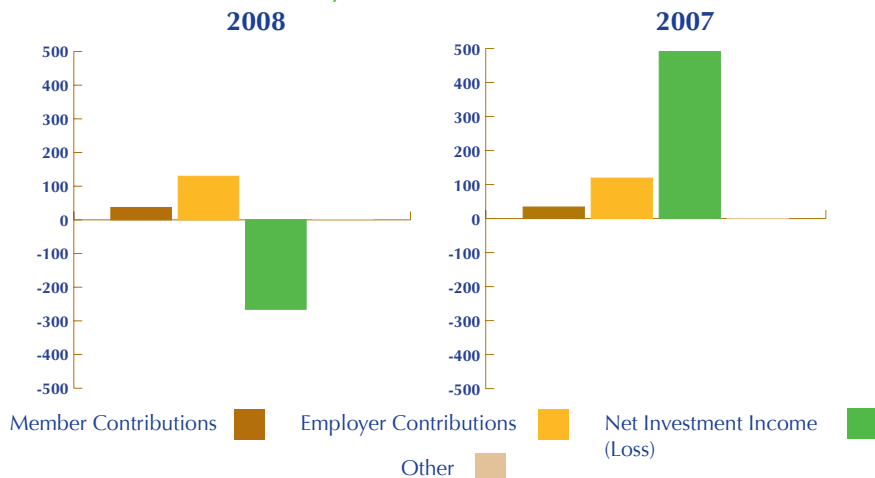
Cost of living allowance is a percentage determined by statute equal to the change in the Consumer Price Index, but not in excess of a 3 percent increase.

Contribution Rates

- Members contribute 6 percent of first-class salary for the term of their employment up to 32 years. Employers have the option of making all or part of this contribution on behalf of the member.
- Employer contribution rates are adopted by the PERF Board of Trustees based on recommendations by PERF's actuary.

Fund Highlights: 1977 Police Officers' and Firefighters' Pension and Disability Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)

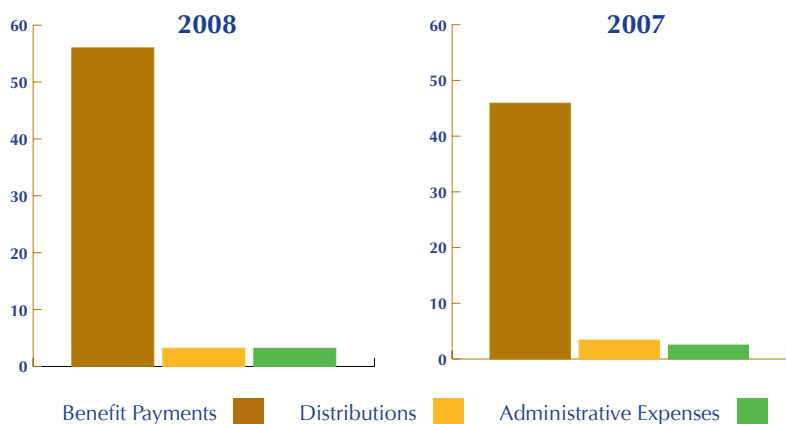


For fiscal year ended June 30
(in millions)

Additions by Source

	2008	2007
Member Contributions	\$ 36.8	\$ 33.9
Employer Contributions	129.5	118.8
Net Investment Income (Loss)	(265.7)	490.9
Other	0.1	0.1
Totals	\$ (99.3)	\$ 643.7

Deductions by Type For fiscal year ended June 30 (in millions)

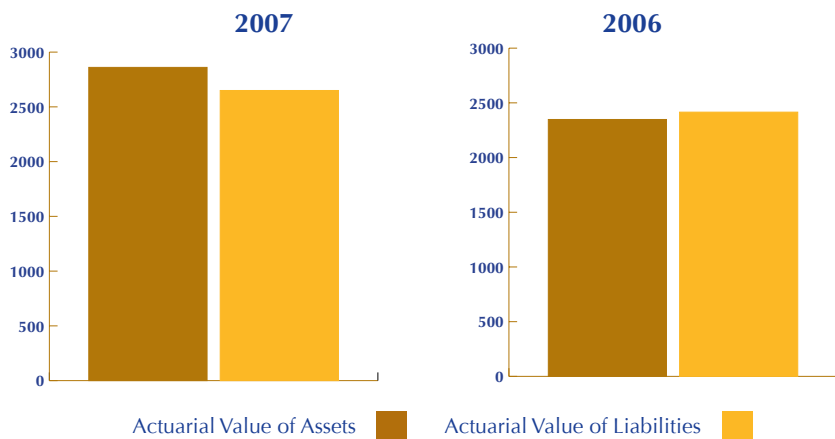


For fiscal year ended June 30
(in millions)

Deductions by Type

	2008	2007
Benefit Payments	\$ 56.0	\$ 45.9
Distributions	3.2	3.4
Administrative Expenses	3.2	2.5
Totals	\$ 62.4	\$ 51.8

Funding Progress Actuarial study as of January 1 (in millions)



Actuarial study as of January 1
(in millions)

Funding Progress

	2007	2006
Actuarial Value of Assets	\$2,860.5	\$2,348.0
Actuarial Value of Liabilities	2,649.5	2,415.1
Funding Ratios	108.0%	97.2%

Fund Highlights: Prosecuting Attorneys' Retirement Fund

Membership and Eligibility

The Prosecuting Attorneys' Retirement Fund (PARF) includes prosecuting attorneys, chief deputy prosecuting attorneys and other deputy prosecuting attorneys paid by the state. PARF members are also members of the PERF plan. According to statute, benefits payable from PARF are reduced by any benefits payable from the PERF plan.

MEMBERS RECEIVING RETIREMENT BENEFITS

Age	Years of Service	Allowance Reduction
62	8 or more	0.25% for each full month that retirement precedes age 65
65	8 or more	None

BENEFIT FORMULA

Annual Benefit = Highest Annual Salary (state-paid portion only) at Retirement x Percentage Below

Years of Service	Percentage	Years of Service	Percentage
Less than 8	0%	15	53%
8	24	16	54
9	27	17	55
10	30	18	56
11	33	19	57
12	50	20	58
13	51	21	59
14	52	22 or more	60

Cost of Living Allowance

No cost of living allowance is available.

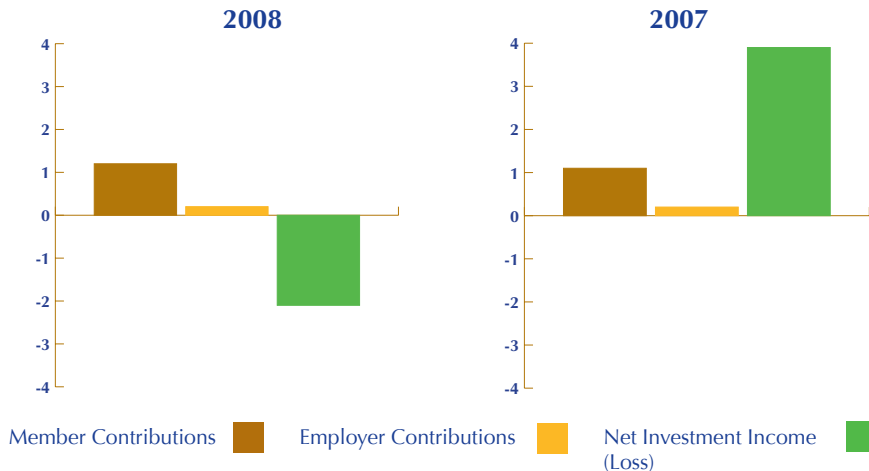
Contribution Rates

- Members contribute 6 percent of the state-paid portion of their annual salary.
- Employer contributions are adopted by the PERF Board of Trustees based on recommendations by PERF's actuary.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fund Highlights: Prosecuting Attorneys' Retirement Fund (continued)

Additions by Source For fiscal year ended June 30 (in millions)

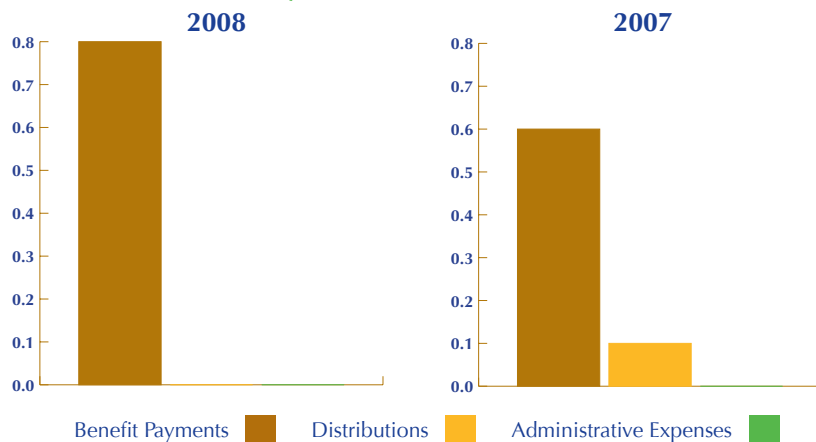


For fiscal year ended June 30
(in millions)

Additions by Source

	2008	2007
Member Contributions	\$ 1.2	\$ 1.1
Employer Contributions	0.2	0.2
Net Investment Income (Loss)	(2.1)	3.9
Totals	<u><u>\$ (0.7)</u></u>	<u><u>\$ 5.2</u></u>

Deductions by Type For fiscal year ended June 30 (in millions)

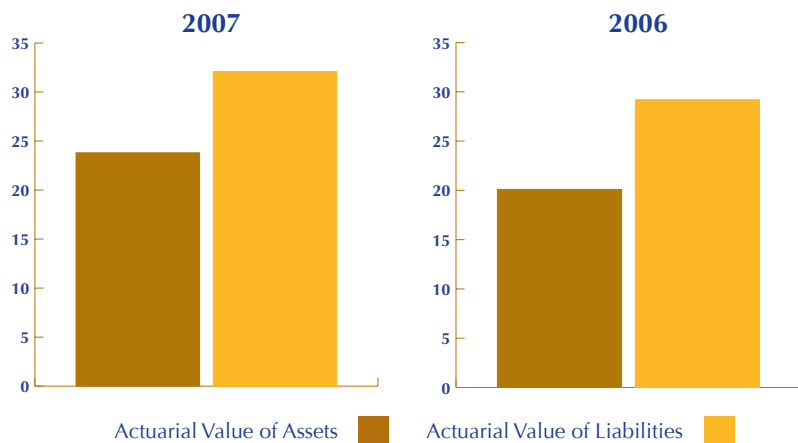


For fiscal year ended June 30
(in millions)

Deductions by Type

	2008	2007
Benefit Payments	\$ 0.8	\$ 0.6
Distributions	-	0.1
Administrative Expenses	-	-
Totals	<u><u>\$ 0.8</u></u>	<u><u>\$ 0.7</u></u>

Funding Progress Actuarial study as of July 1 (in millions)



Actuarial study as of July 1
(in millions)

Funding Progress

	2007	2006
Actuarial Value of Assets	\$ 23.8	\$ 20.1
Actuarial Value of Liabilities	32.1	29.2
Funding Ratios	74.3%	68.7%

Fund Highlights: Legislators' Retirement System — Defined Benefit Plan

Membership and Eligibility

The Legislators' Retirement System Defined Benefit Fund includes only legislators of the state of Indiana who were serving on April 30, 1989, and elected participation. Legislators elected or appointed after April 30, 1989 participate in the Legislators' Defined Contribution Plan.¹

MEMBERS RECEIVING RETIREMENT BENEFITS		
Age	Years of Service	Allowance Reduction
55	10 or more ²	Benefit reduced using early retirement formula ³
55	Age at retirement plus total years of service as a member of the Indiana General Assembly equals 85 or more	None
60	15 or more	None
65	10 or more ⁴	None

¹The Legislators' Retirement System also includes a defined contribution plan available to all legislators of the state of Indiana who serve in the Indiana General Assembly on or after April 30, 1989. Members contribute 5 percent of their annual salary. The state of Indiana contributes 20 percent of their members' annual salaries per diem for service after June 30, 1989.

²Has terminated service as a member of the Indiana General Assembly and is not receiving nor is entitled to receive a salary from the state.

³Early Retirement Benefit Formula:

Step 1: 780 months (65 years) – age at retirement in full months = [x].

Step 2: If [x] is equal to or less than 60, then multiply [x] by 0.1 percent to obtain a product [y]. If [x] is greater than 60, then multiply 0.4167 percent by the difference between 60 and the remainder [x]. Then take this product and add 6 percent to obtain a sum [y].

Step 3: Then subtract [y] from 100 percent to determine the percentage of age 65 retirement benefit received.

⁴Has terminated service as a member of the Indiana General Assembly, is not receiving nor is entitled to receive a salary from the state, and is not receiving and has not previously received a reduced monthly benefit under this plan.

BENEFIT FORMULA

Lesser of:

- \$40 x Years of service before November 8, 1989 or
- Highest consecutive three-year average annual salary at termination ÷ 12

Legislators elected or appointed after April 30, 1989 participate in the Legislators' Defined Contribution Plan.

Cost of Living Allowance

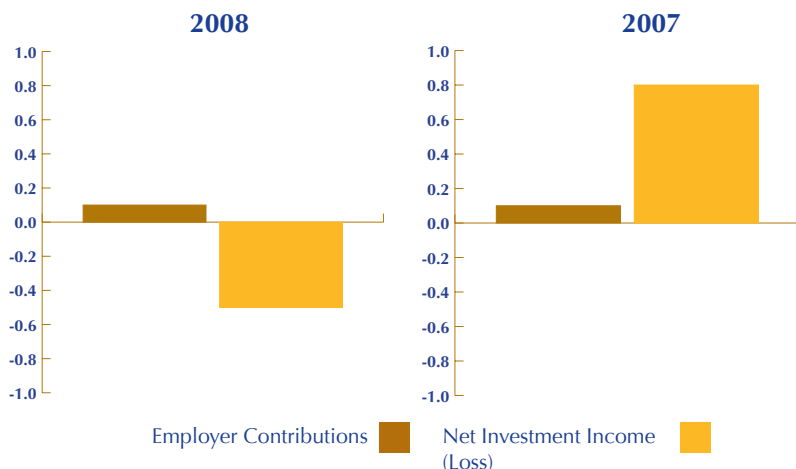
Cost of living allowance is applied at the same rate as was passed by the Indiana General Assembly for the PERF plan.

Contribution Rates

Employer contributions are adopted by the PERF Board of Trustees based on recommendations of PERF's actuary.

Fund Highlights: Legislators' Retirement System — Defined Benefit Plan (continued)

Additions by Source For fiscal year ended June 30 (in millions)

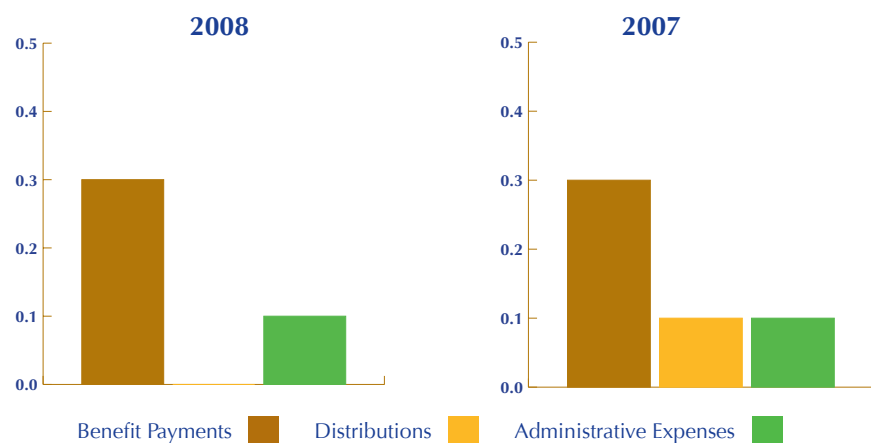


For fiscal year ended June 30
(in millions)

Additions by Source

	2008	2007
Employer Contributions	\$ 0.1	\$ 0.1
Net Investment Income (Loss)	(0.5)	0.8
Totals	\$ (0.4)	\$ 0.9

Deductions by Type For Fiscal Year Ended June 30 (in millions)

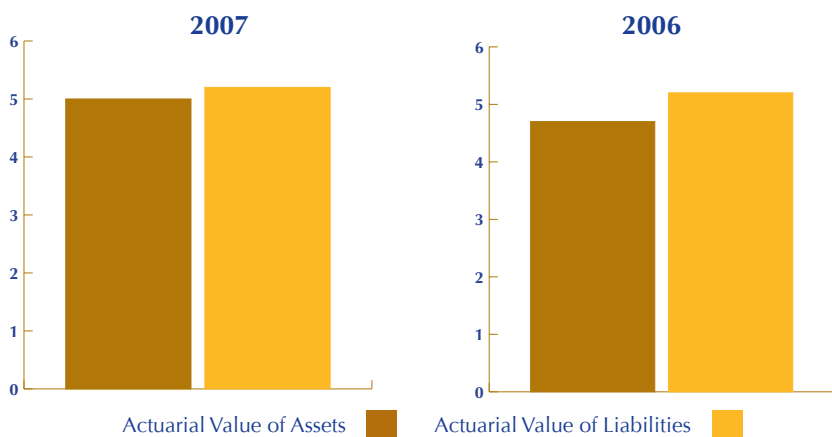


For fiscal year ended June 30
(in millions)

Deductions by Type

	2008	2007
Benefit Payments	\$ 0.3	\$ 0.3
Distributions	-	0.1
Administrative Expenses	0.1	0.1
Totals	\$ 0.4	\$ 0.5

Funding Progress Actuarial Study as of July 1 (in millions)



Actuarial study as of July 1
(in millions)

Funding Progress

	2007	2006
Actuarial Value of Assets	\$ 5.0	\$ 4.7
Actuarial Value of Liabilities	5.2	5.2
Funding Ratios	97.4%	90.2%



FINANCIAL

27	INDEPENDENT AUDITORS' REPORT
28	MANAGEMENT'S DISCUSSION AND ANALYSIS
32	STATEMENT OF FIDUCIARY NET ASSETS
34	STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
36	NOTES TO THE FINANCIAL STATEMENTS
55	SCHEDULE OF FUNDING PROGRESS
56	SCHEDULE OF EMPLOYER CONTRIBUTIONS
57	ADMINISTRATIVE EXPENSES
58	INVESTMENT EXPENSES
60	CONTRACTUAL AND PROFESSIONAL SERVICES EXPENSES

SECTION

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Independent Auditors' Report



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF PUBLIC EMPLOYEES' RETIREMENT FUND BOARD OF TRUSTEES

We have audited the accompanying basic financial statements of the Public Employees' Retirement Fund Board of Trustees (PERF), as of and for the year ended June 30, 2008. These basic financial statements are the responsibility of the Public Employees' Retirement Fund Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the fiduciary funds of the Public Employees' Retirement Fund Board of Trustees as of June 30, 2008, and the changes in the plan net assets of the fiduciary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedule of Funding Progress, and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, Administrative Expenses, Investment Expenses, Contractual and Professional Service Expenses, Investment Section, Actuarial Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Administrative Expenses, Investment Expenses, and Contractual and Professional Service Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, Investment Section, Actuarial Section, and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

State Board of Accounts
STATE BOARD OF ACCOUNTS

September 30, 2008

PUBLIC EMPLOYEES' RETIREMENT FUND

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A) of the Public Employees' Retirement Fund of Indiana (PERF) financial statements for the year ended June 30, 2008. The MD&A is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal included in the Introductory Section of the *PERF Comprehensive Annual Financial Report*. The MD&A also should be read in conjunction with the Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information.

The following retirement plans are included in the PERF financial statements: Public Employees' Retirement Fund; Judges' Retirement System; State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan; 1977 Police Officers' and Firefighters' Pension and Disability Fund; Prosecuting Attorneys' Retirement Fund; Legislators' Defined Benefit Plan and Legislators' Defined Contribution Plan. Also included in the financial statements are other non-retirement funds managed by PERF: the Public Safety Officers' Special Death Benefit Fund; the State Employees' Death Benefit Fund and the Pension Relief Fund. See Notes to the Financial Statements for descriptions of these retirement plans and non-retirement funds.

Financial Highlights

- The net assets of PERF were \$15.7 billion as of June 30, 2008. Net assets of the retirement plans, which are held in trust to meet future benefit payments, were \$15.6 billion as of June 30, 2008.
- The net assets of PERF decreased by \$1.4 billion, or 8.4 percent, from the prior year. The decrease was due primarily to negative investment returns.
- Net assets of the Pension Relief Fund, which are held in trust for pool participants, were \$172.4 million as of June 30, 2008, compared to \$246.7 million as of June 30, 2007. Pension Relief Fund distributions are mandated by state law and continue to outpace revenues.
- Substantially all of the investments for the retirement plans and funds administered by PERF are pooled in the Consolidated Retirement Investment Fund (CRIF). The CRIF rate of return on investments for the year declined 7.9 percent (net of fees) on a market value basis, compared to last year's return of 17.8 percent. The decline was due primarily to negative returns in the domestic and global equity segments on an absolute and relative basis.

- As of July 1, 2007, the date of the most recent actuarial valuation, the Public Employees' Retirement Fund, the largest pension plan administered by PERF, is funded actuarially at 98.2 percent, which is greater than the 97.6 percent funded level as of July 1, 2006. Employer contributions are adjusted each year based on actuarial computations to fund the plan.

Overview of the Financial Statements

The Statement of Fiduciary Net Assets presents information on PERF's assets and liabilities and the resulting net assets held in trust for pension benefits, employee death benefits and pool participants. This statement reflects PERF's investments at fair value, along with cash and short-term investments, receivables, and other assets and liabilities. This statement indicates the net assets available to pay future pension benefits and death benefits and gives a snapshot at a particular point in time.

The Statement of Changes in Fiduciary Net Assets presents information showing how PERF's net assets held in trust for pension benefits, employee death benefits and pool participants changed during the years ended June 30, 2007 and June 30, 2008. It reflects contributions by members and employers along with deductions for retirement benefits, distributions, Pension Relief Fund distributions and withdrawals, and administrative expenses. Investment income and losses during the period are also presented, showing income from investing and securities lending activities.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (continued)

Financial Analysis

Total assets of PERF were \$18.9 billion as of June 30, 2008, compared to \$21.6 billion as of June 30, 2007. The decrease in total assets was due primarily to negative investment returns, as well as a decrease in securities lending collateral.

Total liabilities were \$3.2 billion as of June 30, 2008, compared to \$4.4 billion as of June 30, 2007. The decrease was due to reduced securities lending collateral.

A summary of PERF's net assets is presented below:

Net Assets (dollars in thousands)

	June 30, 2008	June 30, 2007	% Change
Assets			
Cash and Cash Equivalents	\$ 747,349	\$ 490,389	52.4 %
Securities Lending Collateral	2,036,840	3,283,955	(38.0)
Receivables	959,110	704,148	36.1
Investments	15,145,752	17,082,039	(11.3)
Capital Assets (Net)	2,926	3,087	(5.2)
Total Assets	\$ 18,891,977	\$ 21,563,618	(12.4)%
Liabilities			
Securities Lending Collateral	\$ 2,036,840	\$ 3,283,955	(38.0)%
Other Current Liabilities	1,117,814	1,098,093	1.8
Long-Term Liabilities	244	275	(11.3)
Total Liabilities	\$ 3,154,898	\$ 4,382,323	(28.0)%
Total Net Assets	\$ 15,737,079	\$ 17,181,295	(8.4)%

As the Net Assets table shows, plan net assets were \$15.7 billion as of June 30, 2008, a decrease of \$1.4 billion, or 8.4 percent, compared to the prior year. The decrease was due primarily to negative investment returns.

A summary of net assets by fund compared to the prior year is as follows:

Summary of Net Assets by Fund (dollars in thousands)

	June 30, 2008	June 30, 2007	% Change
Public Employees' Retirement Fund	\$ 12,073,470	\$ 13,262,414	(9.0)%
Judges' Retirement System	219,426	233,386	(6.0)
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	61,076	63,172	(3.3)
1977 Police Officers' and Firefighters' Pension and Disability Fund	3,148,396	3,310,171	(4.9)
Prosecuting Attorneys' Retirement Fund	24,613	26,189	(6.0)
Legislators' Defined Benefit Plan	4,674	5,498	(15.0)
Legislators' Defined Contribution Plan	24,298	25,729	(5.6)
Public Safety Officers' Special Death Benefit Fund	2,459	2,232	10.2
State Employees' Death Benefit Fund	6,251	5,797	7.8
Pension Relief Fund	172,416	246,707	(30.1)
Total	\$ 15,737,079	\$ 17,181,295	(8.4)%

Substantially, all of the investments for the retirement plans and funds administered by PERF are pooled in the CRIF. The investments of the non-retirement funds administered by PERF are not included in the CRIF. The following table presents PERF's investment allocation in the CRIF compared to PERF's target investment allocation and the prior year allocation.

	June 30, 2008 Actual	June 30, 2008 Target	Allowable Range ¹	June 30, 2007 Actual
Domestic Equity	39.3%	40%	35 to 50%	48.0 %
International Equity	18.2	15	10 to 20	17.6
Fixed Income	17.6	15	10 to 20	15.3
Global Equity	9.8	10	5 to 15	10.6
TIPS	6.6	5	0 to 10	6.6
Alternative Investments	7.3	15	0 to 25	1.6
Cash	1.2	-	-	0.3
Total	100%	100%		100%

¹See Notes to the Financial Statements, Note 6 for additional information.

PUBLIC EMPLOYEES' RETIREMENT FUND

Management's Discussion and Analysis (continued)

A summary of changes in net assets by fund compared to the prior year is as follows:

Changes in Net Assets (dollars in thousands)

	June 30, 2008	June 30, 2007	% Change
Additions			
Member Contributions	\$ 198,132	\$ 186,293	6.4%
Employer Contributions	454,474	397,277	14.4
Contributions to Pension Relief Fund:			
From the state of Indiana	61,521	63,993	(3.9)
Other Contributions from the state	517	485	6.6
Net Investment Income / (Loss)	(1,371,497)	2,597,926	(152.8)
Transfers from Teachers' Retirement Fund	6,419	3,087	107.9
Other	405	290	39.7
Total Additions	\$ (650,029)	\$ 3,249,351	(120.0)%
Deductions			
Benefits	575,030	\$ 527,301	9.1%
Distributions	49,977	52,481	(4.8)
Transfers to Teachers' Retirement Fund	6,847	6,928	(1.2)
Pension Relief Distributions	134,948	140,727	(4.1)
Local Unit Withdrawals ¹	2,422	2,267	6.8
Administrative Expenses	24,963	21,027	18.7
Total Deductions	\$794,187	\$ 750,731	5.8 %
Increase (Decrease) in Net Assets	\$ (1,444,216)	\$ 2,498,620	(157.8)%
Change in Net Assets Held in Trust for:			
Pension Benefits	\$ (1,370,606)	\$ 2,548,407	(153.8)%
State and Local Units ¹	(74,291)	(50,508)	(47.1)
Future Death Benefits ²	681	721	(5.5)

¹Pension Relief Fund only.

²Other Employee Benefit Trust Funds.

Additions

Additions needed to fund benefits are accumulated through member contributions, employer contributions and returns on invested funds. Member contributions for the year ended June 30, 2008 totaled \$198.1 million. This represents an increase of \$11.8 million or 6.4 percent, compared to the prior year. Employer contributions were \$454.5 million, an increase of \$57.2 million or 14.4 percent. Employer contributions are adjusted each year based on actuarial computations to fund the plan.

PERF recognized a net investment loss of \$1.4 billion for the year ended June 30, 2008 compared to a net investment income of \$2.6 billion the prior year. The total rate of return on the CRIF was negative 7.9 percent (net of fees) compared to a 17.8 percent return the prior year.

Indiana law effective for the fiscal year ended June 30, 2002, permitted cities and towns to defer receiving their earmarked relief payments from the Pension Relief Fund. The deferred amounts remain invested in the fund and are available to those cities and towns at their request. There were no deferrals during the year ended June 30, 2008. The state of Indiana makes contributions to the Pension Relief Fund. These contributions totaled \$62 million and \$64 million in the fiscal years ended June 30, 2008 and June 30, 2007, respectively.

Deductions

The deductions from PERF's net assets held in trust for pension benefits include retirement, disability and survivor benefits, distributions of contributions and interest/earnings or losses to former members, and administrative expenses. For the year ended June 30, 2008, benefits amounted to \$575 million, an increase of \$47.7 million or 9.1 percent from the prior year. The increase in benefits was due primarily to an increase in the number of retirees. Distributions paid out to former members were \$50 million, which represents a decrease of \$2.5 million or 4.8 percent from the prior year, primarily due to the large number of ASA distributions that were paid in the prior year to members who had separated from employment in previous years.

Administrative expenses were \$25 million, an increase of \$4 million or 18.7 percent, compared to the prior year. The increase was due primarily to an increase in staffing and computer services to improve operations.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (continued)

Historical Trends

A pension fund is fully funded when it has enough money in reserve to meet all expected future obligations to participants. The funded ratios of the defined benefit pension plans administered by PERF as of the latest actuarial valuations were as follows:

	<u>July 1, 2007</u>	<u>July 1, 2006</u>
Public Employees' Retirement Fund	98.2%	97.6%
Judges' Retirement System	74.6	65.3
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	77.1	74.9
Prosecuting Attorneys' Retirement Fund	74.3	68.7
Legislators' Defined Benefit Plan	97.4	90.2
	<u>January 1, 2007</u>	<u>January 1, 2006</u>
1977 Police Officers' and Firefighters' Pension and Disability Fund	108.0%	97.2%

An analysis of the funding progress, employer contributions and a discussion of actuarial assumptions and methods is set forth in Note 5 and in the Required Supplementary Information of the Financial Section.

PUBLIC EMPLOYEES' RETIREMENT FUND

Statement of Fiduciary Net Assets

As of June 30, 2008 (with Comparative Totals as of June 30, 2007)*

(dollars in thousands)	Pension Trust Funds			
	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' and Firefighters' Pension and Disability Fund
Assets				
Cash and Cash Equivalents	\$ 574,867	\$ 13,306	\$ 3,145	\$ 149,266
Securities Lending Collateral	1,563,501	29,821	8,351	428,072
Receivables				
Contributions	96,586	86	246	41,610
Investment Income	34,073	649	182	9,317
Due From Other Funds	19,004	-	-	-
Investment and Contract Sales	580,105	11,065	3,098	158,828
Member Loans	-	-	-	-
Miscellaneous Receivable	-	-	-	-
Due From Teachers' Retirement Fund	588	-	-	-
Total Receivables	730,356	11,800	3,526	209,755
Investments				
Debt Securities	2,698,804	51,475	14,414	738,907
Equity Securities	5,566,209	106,167	29,729	1,523,974
Mutual Funds and Collective Trust Funds	2,578,480	39,005	10,923	559,898
Other	769,299	14,671	4,109	210,600
Total Investments	11,612,792	211,318	59,175	3,033,379
Capital Assets				
Land	547	-	-	-
Building	2,893	-	-	-
Office Equipment	87	-	-	-
Accumulated Depreciation	(601)	-	-	-
Total Capital Assets	2,926	-	-	-
Total Assets	14,484,442	266,245	74,197	3,820,472
Liabilities				
Accounts Payable	12,085	-	-	38
Salaries and Benefits Payable	703	-	-	-
Investments Payable	831,529	15,860	4,441	227,665
Due To Teachers' Retirement Fund	2,910	-	-	-
Securities Lending Collateral	1,563,501	29,821	8,351	428,072
Due to Other Funds	-	1,138	329	16,301
Total Current Liabilities	2,410,728	46,819	13,121	672,076
Compensated Absences Liability-Long Term	244	-	-	-
Total Liabilities	2,410,972	46,819	13,121	672,076
Net Assets Held in Trust for:				
Pension Benefits (see Schedule of Funding Progress on page 55)	12,073,470	219,426	61,076	3,148,396
Future Death Benefits	-	-	-	-
State and Local Units	-	-	-	-
Total Net Assets Held in Trust	\$ 12,073,470	\$ 219,426	\$ 61,076	\$ 3,148,396

*The accompanying notes are an integral part of the financial statements.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pension Trust Funds			Other Employee Benefit Trust Funds			Investment Trust Fund		
Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System		Public Safety Officers' Special Death Benefit Fund	State Employees' Death Benefit Fund	Pension Relief Fund	2008 Totals	2007 Totals	
	Defined Benefit Plan	Defined Contribution Plan						
\$ 1,223	\$ 235	\$ 3,211	\$ 205	\$ 97	\$ 1,794	\$ 747,349	\$ 490,389	
3,379	662	1,789	425	840	-	2,036,840	3,283,955	
52	-	7	-	-	-	138,587	123,996	
73	14	45	14	47	7	44,421	40,731	
-	-	-	450	-	-	19,454	16,998	
1,254	246	664	-	21	-	755,281	521,696	
-	-	779	-	-	-	779	720	
-	-	-	-	-	-	-	1	
-	-	-	-	-	-	588	6	
1,379	260	1,495	464	68	7	959,110	704,148	
5,833	1,142	3,088	1,588	5,617	-	3,520,868	3,786,597	
12,029	2,357	6,369	-	-	1	7,246,835	8,168,959	
4,420	866	10,207	-	-	171,964	3,375,763	4,871,447	
1,662	326	880	213	503	23	1,002,286	255,036	
23,944	4,691	20,544	1,801	6,120	171,988	15,145,752	17,082,039	
-	-	-	-	-	-	547	546	
-	-	-	-	-	-	2,893	2,893	
-	-	-	-	-	-	87	87	
-	-	-	-	-	-	(601)	(439)	
-	-	-	-	-	-	2,926	3,087	
29,925	5,848	27,039	2,895	7,125	173,789	18,891,977	21,563,618	
-	6	-	1	2	19	12,151	15,066	
-	-	-	-	-	-	703	528	
1,797	352	952	-	-	-	1,082,596	1,063,402	
-	-	-	-	-	-	2,910	2,099	
3,379	662	1,789	425	840	-	2,036,840	3,283,955	
136	154	-	10	32	1,354	19,454	16,998	
5,312	1,174	2,741	436	874	1,373	3,154,654	4,382,048	
-	-	-	-	-	-	244	275	
5,312	1,174	2,741	436	874	1,373	3,154,898	4,382,323	
24,613	4,674	24,298	-	-	-	15,555,953	16,926,559	
-	-	-	2,459	6,251	-	8,710	8,029	
-	-	-	-	-	172,416	172,416	246,707	
\$ 24,613	\$ 4,674	\$ 24,298	\$ 2,459	\$ 6,251	\$ 172,416	\$ 15,737,079	\$ 17,181,295	

PUBLIC EMPLOYEES' RETIREMENT FUND

Statement of Changes in Fiduciary Net Assets

For the year ended June 30, 2008 (with Comparative Totals for the year ended June 30, 2007)*

(dollars in thousands)	Pension Trust Funds			
	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' and Firefighters' Pension and Disability Fund
Additions				
Contributions:				
Members	\$ 155,728	\$ 2,062	\$ 981	\$ 36,787
Employers	303,877	15,920	4,854	129,553
Other Contributions from State of Indiana:				
Cigarette Tax	-	-	-	-
Alcohol Tax	-	-	-	-
Bail Bond and Private University Fees	-	-	-	-
Lottery Proceeds	-	-	-	-
Total Contributions	459,605	17,982	5,835	166,340
Investment Income:				
Investment Income (Loss)	(1,043,068)	(18,478)	(4,971)	(256,245)
Securities Lending Income	95,519	1,833	495	25,601
Less Investment Expenses:				
Securities Lending Expenses	(80,651)	(1,547)	(417)	(21,593)
Other Investment Expenses	(51,718)	(941)	(263)	(13,508)
Net Investment Income (Loss)	(1,079,918)	(19,133)	(5,156)	(265,745)
Other Additions:				
Intergovernmental Transfers -				
Other Retirement Funds	6,355	64	-	-
Late Fees and Miscellaneous Income	288	-	-	57
Total Other Additions	6,643	64	-	57
Total Additions	(613,670)	(1,087)	679	(99,348)
Deductions				
Pension and Disability Benefits	501,637	12,579	2,681	55,974
Death Benefits	-	-	-	108
Distributions of Contributions and Interest	45,610	50	11	3,186
Intergovernmental Transfers -				
Other Retirement Funds	6,844	-	-	3
Pension Relief Distributions	-	-	-	-
Local Unit Withdrawals	-	-	-	-
Administrative Expenses	21,183	244	83	3,156
Total Deductions	575,274	12,873	2,775	62,427
Net Increase (Decrease)	(1,188,944)	(13,960)	(2,096)	(161,775)
Beginning Net Assets Held in Trust for:				
Pension Benefits	13,262,414	233,386	63,172	3,310,171
Future Death Benefits	-	-	-	-
State and Local Units	-	-	-	-
Ending Net Assets Held in Trust	\$ 12,073,470	\$ 219,426	\$ 61,076	\$ 3,148,396

*The accompanying notes are an integral part of the financial statements.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pension Trust Funds			Other Employee Benefit Trust Funds			Investment Trust Fund	2008 Totals	2007 Totals
Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System		Public Safety Officers' Special Death Benefit Fund	State Employees' Death Benefit Fund	Pension Relief Fund			
	Defined Benefit Plan	Defined Contribution Plan						
\$ 1,208	\$ -	\$ 1,366	\$ -	\$ -	\$ -	\$ 198,132	\$ 186,293	
170	100	-	-	-	-	454,474	397,277	
-	-	-	-	-	28,278	28,278	31,682	
-	-	-	-	-	3,243	3,243	2,311	
-	-	-	517	-	-	517	485	
-	-	-	-	-	30,000	30,000	30,000	
1,378	100	1,366	517	-	61,521	714,644	648,048	
(2,032)	(407)	(1,754)	167	478	2,947	(1,323,363)	2,645,823	
203	42	106	25	49	-	123,873	144,617	
(172)	(36)	(89)	(21)	(38)	-	(104,564)	(134,936)	
(107)	(122)	(4)	(9)	(29)	(742)	(67,443)	(57,578)	
(2,108)	(523)	(1,741)	162	460	2,205	(1,371,497)	2,597,926	
-	-	-	-	-	-	6,419	3,087	
-	-	60	-	-	-	405	290	
-	-	60	-	-	-	6,824	3,377	
(730)	(423)	(315)	679	460	63,726	(650,029)	3,249,351	
806	345	-	-	-	-	574,022	526,929	
-	-	-	450	-	450	1,008	372	
4	-	1,116	-	-	-	49,977	52,481	
-	-	-	-	-	-	6,847	6,928	
-	-	-	-	-	134,948	134,948	140,727	
-	-	-	-	-	2,422	2,422	2,267	
36	56	-	2	6	197	24,963	21,027	
846	401	1,116	452	6	138,017	794,187	750,731	
(1,576)	(824)	(1,431)	227	454	(74,291)	(1,444,216)	2,498,620	
26,189	5,498	25,729	-	-	-	16,926,559	14,378,152	
-	-	-	2,232	5,797	-	8,029	7,308	
-	-	-	-	-	246,707	246,707	297,215	
\$ 24,613	\$ 4,674	\$ 24,298	\$ 2,459	\$ 6,251	\$ 172,416	\$ 15,737,079	\$ 17,181,295	

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements – June 30, 2008

Note 1. Description of Retirement Plans

(A) Public Employees' Retirement Fund

The Public Employees' Retirement Fund of Indiana plan (PERF plan) is a multiple-employer public employee retirement system and a defined benefit plan that acts as a common investment and administrative agent for units of state and local governments in Indiana. Established by the Indiana Legislature in 1945 and governed through the Public Employees' Retirement Fund of Indiana (PERF) Board of Trustees by Indiana Code (IC) 5-10.2 and IC 5-10.3, this trust fund provides a retirement program for most officers and employees of the state of Indiana who are not eligible for another program.

The PERF plan also covers many officers and employees of municipalities of the state, including counties, cities, towns, townships and school corporations. The political subdivisions become participants by ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the plan, and is filed with and approved by the PERF Board of Trustees. In order to be a member, employees hired after June 30, 1982 must occupy positions normally requiring performance of 1,000 hours of service during a year. School corporation employees, however, as well as those hired before July 1, 1982 must occupy positions requiring service of 600 hours during a year.

At June 30, 2008, the number of participating political subdivisions was 1,204. At July 1, 2007, the PERF plan membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	60,332
Terminated employees entitled to benefits but not yet receiving them	14,789
Active employees: vested and non-vested	138,863
Total	213,984
Total covered payroll (dollars in thousands)	\$ 4,385,676

The PERF plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. The mandatory employer contribution is a percentage of payroll, recommended by PERF's actuary (actuaries) and adopted by the PERF Board of Trustees, necessary to fund the pension benefit in accordance with IC 5-10.2-2-11. The annuity savings account consists of the member's contributions, set by statute at 3 percent of compensation, plus the

interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts.

The pension benefits vests after 10 years of creditable service. The vesting period is eight years for certain elected officials. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's Annuity Savings Account instead of receiving the amount as an annuity. The annuity savings account may be withdrawn at any time should a member terminate employment prior to retirement. Withdrawal of the annuity savings account prior to retirement results in forfeiture of the related pension benefit.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of PERF plan covered employment. The average annual compensation in this calculation is an average of the member's highest 20 calendar quarters' salaries during PERF plan covered employment. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's salary.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of PERF plan covered employment is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension, ranging from 44 to 94 percent of the pension benefit described above.

The PERF plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Upon the death in service of a member with 15 or more years of creditable service, a survivor

Notes to the Financial Statements (continued)– June 30, 2008

benefit may be paid to the spouse, or if there is no spouse, any dependent minor child(ren) or disabled dependent adult child(ren). This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits.

As of January 1, 2008, a 2 percent Cost of Living Adjustment (COLA) was effective for certain participants, survivors and beneficiaries of the PERF plan.

(B) Judges' Retirement System

The Judges' Retirement System is a single employer public employee retirement system and a defined benefit plan established in 1953, and is governed through the PERF Board of Trustees by IC 33-38-6, IC 33-38-7 and IC 33-38-8. Coverage is for any person who has served, is serving or shall serve as a regular judge of the (1) Supreme Court of the state of Indiana, (2) circuit court of any judicial court, (3) Indiana Tax Court or (4) county courts including: circuit, superior, criminal, probate, juvenile, and municipal courts. Indiana Code 33-38-8 applies to judges beginning service after August 31, 1985.

The Judges' Retirement System consists of two plans: the 1977 System and the 1985 System. The 1977 System includes all individuals who began service as a judge before September 1, 1985, unless the individual, within 10 days after becoming a judge, filed an irrevocable election not to participate in the 1977 System. The 1985 System covers all individuals who: (1) began service as a judge after August 31, 1985; and (2) are not participants in the 1977 System. The 1985 System is mandatory for all new judges.

At July 1, 2007, the Judges' Retirement System membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	279
Terminated employees entitled to benefits but not yet receiving them	95
Active employees: vested and non-vested	258
Total	632
Total covered payroll (dollars in thousands)	\$ 29,712

Member contributions are established by statute at 6 percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the

Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the state's General Fund. Indiana Code 33-38-6-17 provides that this appropriation include only funds sufficient to cover the aggregate liability of the fund for benefits to the end of the biennium on an actuarially funded basis. The statute also provides for remittance of docket fees and court fees which are considered employer contributions.

The Judges' Retirement System provides retirement, permanent disability and death benefits. Retirement benefits vest after eight years of creditable service. Judges who retire at or after age 65 with eight years of creditable service (or are at least 55 years of age and the participant's age in years plus the participant's years of service is at least 85) are entitled to an annual retirement benefit, payable monthly for life, in an amount calculated in accordance with statute.

The annual retirement benefit for a participant equals the product of the salary that was paid to the participant at the time of separation from service, multiplied by a percentage for years of service as defined in the statute. The statute provides for the percentage to be prorated for partial years of service. If the annual retirement benefit of a participant who began service as a judge before July 1, 1977, as computed per IC 33-38-7-11, is less than the amount the participant would have received under IC 33-38-6 as in effect on June 30, 1977, the participant is entitled to receive the greater amount as the participant's annual retirement benefit. The benefits of the retired judges that were former participants in the 1977 System are increased by the same percentage increase as the active judges' salary.

A reduced amount is paid for early retirements that may be selected upon attainment of age 62. There is no vesting requirement for permanent disability benefits.

Surviving spouses or dependent child(ren) are entitled to benefits if the participant had qualified to receive a retirement or disability benefit, or had completed at least eight years of service and was in service as a judge.

As of January 1, 2008, a 2 percent COLA was effective for participants, survivors and beneficiaries of the 1985 System. COLA increases for the 1985 System are determined by statute.

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

(C) State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (E, G & C Plan) was established in 1972 and is governed by IC 5-10-5.5, as amended. The E, G & C Plan is a single employer defined benefit plan for certain employees of the (1) Indiana Department of Natural Resources, (2) Indiana Alcohol and Tobacco Commission and (3) any Indiana state excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

At July 1, 2007, the E, G & C Plan membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	140
Terminated employees entitled to benefits but not yet receiving them	10
Active employees: vested and non-vested	344
Total	494
Total covered payroll (dollars in thousands)	\$ 17,715

Members are required by statute to contribute 4 percent of the member's annual salary to the E, G & C Plan. If a member leaves covered employment or dies before 15 years of creditable service, accumulated member contributions plus interest, as credited by the PERF Board of Trustees, are distributed to the member, designated beneficiary or the member's estate. The state of Indiana, as the employer, is required by statute to contribute the remaining amount necessary to actuarially fund the benefits.

The E, G & C Plan provides retirement, disability and survivor benefits. Generally, retirement benefits vest after 15 years of creditable service. Each participant is required to retire on or before the first day of the month following the participant's 60th birthday. However, an officer who becomes a participant after the age of 50 must retire on the first day of the month following their 60th birthday or the first day of the month following completion of 10 years, whichever is earlier. A participant who is at least 55 years of age and the sum of the participant's years of creditable service and age in years equals at least 85 may retire and become eligible for full retirement benefits. In addition, a participant may elect full retirement benefits at age 50 with 25 years of service. A step-rate benefits formula specified by statute is used to calculate benefits that are payable monthly for life. A reduced benefit is

provided for early retirements that are elected upon attainment of age 45 with 15 years of creditable service. The retirement benefit is increased 1.67 percent of the participant's average annual salary for each year of service after 10 years.

Participants with one year of creditable service may purchase service credit for prior service in a position covered by any Indiana public retirement fund as defined under IC 5-10-5.5-7.5.

A participant is entitled to receive creditable service for the time the participant receives disability benefits under a state disability plan established under IC 5-10-8-7.

If a member who has accrued at least 15 years of service dies, the surviving spouse, or the parent(s), is entitled to benefits for life generally equal to 50 percent of the amount the participant would have received if retired. Surviving unmarried minor child(ren) are entitled to benefits equal to their proportionate share of the amount the participant would have received if retired. This benefit will continue until the child reaches 18 years of age or marries.

There is no vesting requirement for entitlement to the E, G & C Plan's permanent and temporary disability benefits. The disability benefit calculation is based on whether the disability arose in the line of duty, the degree of impairment as determined by PERF's medical authority, and the participant's monthly salary.

COLA increases for E, G & C Plan are equal to the increase for the PERF plan subject to the Indiana General Assembly providing sufficient funding for the increased cost of benefits.

(D) 1977 Police Officers' and Firefighters' Pension and Disability Fund

The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) is a defined benefit, multiple-employer, cost-sharing public employee retirement system. It was established in 1977 and is governed by IC 36-8-8 to provide coverage to full-time sworn officers of a police force of an Indiana city or town and full-time firefighters employed by an Indiana city, town, township or county.

Indiana Code 36-8-8-9 was amended effective July 1, 1998, allowing firefighters and police officers who elected to convert their benefits from the 1925, 1937 or 1953 funds and were either retired or disabled on or before June 30, 1998, to be entitled to receive benefits under the statutory provi-

Notes to the Financial Statements (continued)– June 30, 2008

sions of the 1977 Fund. The individuals were then considered members of the 1977 Fund for the purpose of paying benefits effective October 1, 1998. Due to this law change, 1,256 individuals became payees of the 1977 Fund.

At June 30, 2008, the number of participating employer units totaled 161 (which include 256 police and fire departments). At January 1, 2007, the 1977 Fund membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	2,265
Terminated employees entitled to benefits but not yet receiving them	180
Active employees: vested and non-vested	12,056
Total	14,501
Total covered payroll (dollars in thousands)	\$ 557,644

A member is required by statute to contribute 6 percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. The accumulated value of the member's contribution, including interest, may be withdrawn if the member terminates employment prior to completing 20 years of service. The actuary determines employer contributions, subject to approval by PERF Board of Trustees.

A member who retires at or after the age of 52 with 20 years of service is entitled to 50 percent of the salary of a first class officer, as determined by the employer in the year the 1977 Fund member ended service plus 1 percent for each six month period over 20 years to a maximum of 12 years.

The 1977 Fund also provides disability and survivor benefits. An active member may file an application for disability benefits. A determination is then made as to whether the member has a covered impairment and whether the impairment was incurred in the line of duty or not. The calculation for disability benefits is based on when the member was first hired, the type of impairment and other factors. In addition, the heirs or estate of a fund member may be entitled to receive \$9,000 upon the member's death.

If a member dies while receiving retirement or disability benefits, there are provisions for the surviving spouse and child(ren) to receive a portion of the benefits. The member's surviving spouse is entitled to a monthly benefit equal to 60 percent of the member's monthly benefit during the spouse's lifetime. Each of the member's surviving child(ren) is entitled to a monthly benefit equal to 20 percent of the member's

monthly benefit until the age of 18 or age 23 if a full-time student. If there is no eligible surviving spouse or child(ren), a dependent parent(s) may receive 50 percent of the member's monthly benefit during their lifetime.

Each year the PERF Board of Trustees or its designee determines the COLA. To calculate the COLA, PERF determines if there has been an increase or decrease in the consumer price index (United States city average) prepared by the United States Department of Labor by comparing the arithmetic mean of the consumer price index for January, February and March of that year with the arithmetic mean for the same three months of the preceding year. The increase or decrease shall be stated as a percentage of the arithmetic mean for the preceding three-month period. The percentage shall be rounded to the nearest one-tenth of 1 percent and may not exceed 3 percent. A member's or survivor's monthly benefit, beginning with the July payment, shall be increased or decreased by an amount equal to the June payment times the percentage increase or decrease. However, a member's or survivor's monthly benefit may not be increased or decreased by a COLA until July of the year following the year of the first monthly benefit payment to the member or survivor. In computing a member's benefit, the increase or decrease is based only on those years for which the member was eligible for benefit payments under this chapter. A monthly benefit may not be reduced below the amount of the first monthly benefit received by the member or survivor.

(E) Prosecuting Attorneys' Retirement Fund

The Prosecuting Attorneys' Retirement Fund (PARF) was established in 1989 and is governed by IC 33-39-7. PARF is a single employer defined benefit plan and is for individuals who serve as a (1) prosecuting attorney, (2) chief deputy prosecuting attorney or (3) certain other deputy prosecuting attorneys paid by the state of Indiana. These individuals' salaries are paid from the General Fund of the state of Indiana.

At July 1, 2007, the PARF membership consisted of:

Retirees, disabilitants and beneficiaries receiving benefits	20
Terminated employees with accrued creditable service	308
Active employees: vested and non-vested	206
Total	534
Total covered payroll (dollars in thousands)	\$ 18,092

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

Members contribute 6 percent of their salary. They receive annual interest earnings of 5.5 percent in accordance with statute.

PARF provides retirement, disability and survivor benefits. A participant is entitled to a retirement benefit if the participant is at least 65 years of age (62 years for reduced benefits), has at least eight years of service, has ceased service in a PARF covered position and is not receiving, nor is entitled to receive, any salary from the state for services currently performed except for services rendered as a senior prosecuting attorney under IC 33-39-7-15.

The amount of the annual retirement benefit for a participant who is at least 65 years of age is the product of the highest annual salary that was paid to the participant, multiplied by a percentage based on the participant's years of service. The percentages range from 24 percent for eight years of service to 60 percent for 22 or more years of service. If the participant is at least 62 years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit, as calculated above, reduced by 0.25 percent for each month that the participant's age at retirement precedes the participant's 65th birthday.

Retirement benefits payable to a participant are reduced by the defined benefit portion of the pension, if any, that would be payable to the participant from the PERF plan if the participant had retired from the PERF plan on the date the participant's retirement from PARF occurred. Members of this fund are also participating members of the PERF plan. The state of Indiana has elected to pay the 3 percent PERF plan employee contributions.

PARF also provides disability and survivor benefits. A participant who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability if the participant has qualified for social security disability benefits and has furnished proof of the qualification. The amount of the annual benefit payable to a participant for disability benefits is equal to the product of the annual salary that was paid to the participant at the time of separation from service multiplied by a percentage based on the participant's years of service. The percentages range from 40 percent for five to 10 years of service to 50 percent for 20 or more years of service.

The surviving spouse of a participant who dies is entitled to benefits regardless of the participant's age if the participant was receiving benefits from this fund, serving as a prosecut-

ing attorney or chief deputy prosecuting attorney and had completed at least eight years of service, or met the requirements for disability benefits.

The surviving spouse is entitled to a benefit for life equal to the greater of \$7,000 annually or 50 percent of the retirement benefit the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and begun receiving retirement benefits on the date of death, with reductions as necessary for early retirement. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

All disability benefits payable from PARF and benefits payable to a surviving spouse or dependent child(ren) are reduced by the amounts, if any, that would be payable under the PERF plan.

(F) Legislators' Retirement System

The Legislators' Retirement System was established in 1989 by IC 2-3.5-3-2. The retirement system is for certain members of the Indiana General Assembly of the state of Indiana as specified by the provisions of the statute.

The Legislators' Retirement System is comprised of two separate and distinct plans. The Legislators' Defined Benefit Plan (LDB Plan) (IC 2-3.5-4), a single employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989, and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Contribution Plan (LDC Plan) (IC 2-3.5-5) applies to each member of the Indiana General Assembly who was serving on April 30, 1989, and filed an election under IC 2-3.5-3-1(b), and each member of the Indiana General Assembly who is elected or appointed after April 30, 1989.

At July 1, 2007, the Legislators' Retirement System membership consisted of:

	Defined Benefit Plan	Defined Contribution Plan
Retirees, disabilities and beneficiaries receiving benefits	45	-
Terminated employees entitled to benefits but not yet receiving them	27	-
Active employees: vested and non-vested	43	211
Total	115	211
Total covered payroll (dollars in thousands)		\$ 5,474

Notes to the Financial Statements (continued)– June 30, 2008

Legislators' Defined Benefit Plan

The amount required to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund in the month of July of each year of the biennium.

The LDB Plan provides retirement, disability and survivor benefits. Members of the Indiana General Assembly who began service after April 30, 1989, are not members of this plan.

A participant is entitled to an unreduced monthly retirement benefit if: the participant is at least 65 years of age and has at least 10 years as a member of the Indiana General Assembly; is at least 55 years of age and whose years of service as a member of the Indiana General Assembly plus years of age equal at least 85; or is at least 60 years of age and has at least 15 years of service. To qualify for a monthly retirement benefit, the member must have terminated service as a member of the Indiana General Assembly, has at least 10 years of service as a member of the Indiana General Assembly and is not receiving, nor is entitled to receive, compensation from the state of Indiana for work in any capacity.

The monthly retirement benefit is the lesser of \$40 multiplied by the total years of service completed by the participant as a member of the Indiana General Assembly before November 8, 1989, or the highest consecutive three-year average annual salary of the participant under IC 2-3-1-1 at the date the participant's service as a member of the Indiana General Assembly is terminated, divided by 12.

A participant who has reached at least age 55, has terminated service as a member of the Indiana General Assembly, has at least 10 years of service as a member of the Indiana General Assembly, and is not receiving, nor is entitled to receive, compensation from the state of Indiana for work in any capacity is eligible for early retirement with a reduced benefit. The actual reduction is based on the participant's age and ranges from one-tenth of 1 percent to 56 percent of the monthly retirement as calculated above.

The LDB Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service may retire for the duration of the disability if the member has qualified for social security disability and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. If a participant dies while receiving retirement benefits, or had completed at least 10 years of service as

a member of the Indiana General Assembly, or was permanently disabled and receiving disability benefits from the system, the surviving spouse is entitled to receive survivor benefits. The benefits are for life and are equal to 50 percent of the amount of retirement benefits that the participant was receiving at the time of death or the participant would have been entitled to receive at 55 years of age, or at the date of death, whichever is later. If there is not a surviving spouse, there are provisions for dependents to receive benefits.

COLA increases for the LDB plan are equal to the increase for the PERF plan as determined by statute passed by the Indiana General Assembly on an ad hoc basis and are based on date of retirement, and other eligibility factors.

Legislators' Defined Contribution Plan

Each participant in the LDC Plan shall make employee contributions of 5 percent of salary received for services rendered after June 30, 1989. Employer contributions equal to 20 percent of the annual salary received by each participant for services rendered after June 30, 1989, are to be appropriated from the state of Indiana General Fund.

Investments in the members' accounts are individually directed and controlled by plan participants who direct the investment of their account balances among several investment options of varying degrees of risk and return potential. The investment options include the Consolidated Retirement Investment Fund (CRIF), Bond Fund, Money Market Fund, Small Cap Stock Fund, S&P 500 Stock Index Fund and International Equity Index Fund. Members may make changes to their investment directions daily. Investments of the plan are reported at fair value.

A participant of the LDC Plan who terminates service as a member of the Indiana General Assembly is entitled to withdraw both the employee and employer contributions to the LDC Plan. The amount available for withdrawal is the fair market value of the participant's account on the payment date. Account balances are fully vested to the participants. The withdrawn amount can be paid in a lump sum, monthly installments as provided in the statute or as an actuarially equivalent monthly annuity as offered by the PERF Board of Trustees and elected by the participant.

If a participant dies while a member of the Indiana General Assembly or after terminating service as a member, but prior to withdrawing from the LDC Plan, the participant's account is to be paid to the beneficiary(ies) or to the survivor(s). The amount to be paid is the fair market value of the participant's account (employer and employee contributions) on the payment date.

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

A member of the LDB Plan may also be a member of the LDC Plan if the participant is still a member of the Indiana General Assembly or has not withdrawn from the LDC Plan since terminating service as a member of the Indiana General Assembly.

Note 2. Description of Non-Retirement Funds

(A) Pension Relief Fund

The Pension Relief Fund (PR Fund) was created by the Indiana General Assembly in 1977 (IC 5-10.3-11). The purpose of the PR Fund is to give financial relief to pension funds maintained by units of local government for their police officers' and firefighters' retirement plan benefits.

The PR Fund's additions are derived from contributions from the state of Indiana for a portion of cigarette and alcohol taxes, a portion of the state's lottery proceeds, investment income earned and appropriations from the Indiana General Assembly.

Distributions are made from the PR Fund to units of local government on June 30 and September 30 based on a statutory formula. The distribution is based on two separate computations: the "K portion" and the "M portion." The "K portion" is based on the number of retirees and amount of benefits projected to be paid during the current year, and the "M portion" is based on the maximum ad valorem tax levy established for each participating municipality. In addition, distribution from the PR Fund is made to cover death benefits for surviving spouses of members of the 1925, 1937 and 1953 local pension funds in excess of 30 percent of the salary of a first class patrolman or a first class firefighter.

The PR Fund also pays a lump sum line of duty death benefit of \$150,000. The benefit is paid to the surviving spouse or, if there is no surviving spouse, to the surviving child(ren) of a member of the 1977 Fund who dies in the line of duty as defined by IC 36-8-8-20. If there is no surviving spouse or child(ren), the benefit is paid to the parent(s) in equal shares.

Units of local government are permitted to defer receiving their earmarked relief payments from the PR Fund. The deferred amounts remain invested in the fund and are available to the units of local government at their request. As of June 30, 2008, units of local government had investments with a market value of approximately \$11.7 million on deposit in the PR Fund. In the fund's financial statements, the earmarked relief payments are reflected as distributions, and the deferred amounts are reflected as additions from units of local government.

(B) Public Safety Officers' Special Death Benefit Fund

Indiana Code 5-10-10 established the Special Death Benefit Fund. The fund was established for the purpose of paying a lump sum death benefit of \$150,000 to the surviving spouse or child(ren) of a public safety officer (as defined by IC 5-10-10-4) who dies in the line of duty. If there is no surviving spouse or child(ren), the benefit is paid to the parent(s) in equal shares. The fund consists of bail bond fees remitted under IC 35-33-8-3.2, payments under IC 5-10-10-4.5, and investment earnings of the fund.

(C) State Employees' Death Benefit Fund

Indiana Code 5-10-11 established the State Employees' Death Benefit program. Under the program a death benefit of \$50,000 is to be paid to the surviving spouse or, if there is no surviving spouse, to the surviving child(ren) (to be shared equally) of a state of Indiana employee who dies in the line of duty as defined in the statute.

The statute did not establish a method to fund the program. It stated that: "The state shall provide these benefits by purchasing group life insurance or by establishing a program of self-insurance." Effective with the state's pay period ended October 23, 1993, the state assessed state agencies 0.1 percent of gross pay to fund this program. Because of the size of the fund, collection of the assessment ceased November 1999.

Note 3. Summary of Significant Accounting Policies

Listed below are significant accounting policies adhered to by the PERF Board of Trustees.

(A) Reporting Entity

PERF is an independent body corporate and politic exercising essential government functions. The financial statements presented in this report represent only those funds for which the PERF Board of Trustees has responsibility and are not intended to represent the financial position or results of operations of the state of Indiana or all of the retirement and benefit plans administered by the state. Although PERF is not a state agency, it is a discretely presented component unit of the state of Indiana for financial statement reporting purposes.

The following funds are included in the financial statements:

- Public Employees' Retirement Fund (PERF plan);
- Judges' Retirement System;
- State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (E, G & C Plan);

Notes to the Financial Statements (continued)– June 30, 2008

- 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund);
- Prosecuting Attorneys' Retirement Fund (PARF);
- Legislators' Defined Benefit Plan (LDB Plan);
- Legislators' Defined Contribution Plan (LDC Plan);
- Pension Relief Fund (PR Fund);
- Public Safety Officers' Death Benefit Fund; and
- State Employees' Death Benefit Fund.

See Notes 1 and 2 for descriptions of these funds.

(B) Basis of Accounting

The financial statements of PERF have been prepared using fund accounting in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. PERF applies all applicable GASB pronouncements in accounting and reporting for its operations.

The PERF Board of Trustees administers seven pension trust funds, two death benefit funds accounted for as other employee benefit trust funds, and an investment trust fund.

These fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. These funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting.

The PERF Board of Trustees also has general fund accounts on the Auditor of State's accounting system. These are used to transfer general fund appropriations to certain funds. The accounts themselves are not included in these financial statements, but the appropriations are included as contributions in the funds for which the appropriations were made.

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records but are calculated or estimated for financial statement reporting purposes. Throughout the year the investments are maintained on the accounting records at the net asset value per the custodian bank. The custodian bank maintains records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize the investment receivables and payables as described in Investment Unit Trust Accounting (see Section H).

(C) Contributions

Contributions are considered due when the related payroll is issued by the employer. Employers are not required to submit the contributions until the month following the end of the quarter. The estimates for contributions receivable at year-end for each of the retirement funds were determined on the basis that best represents that fund's receivable. The different bases include actual third quarter contributions received during the quarter ended June 30, 2008, actual contributions received in July for workdays in June, or a combination of the two.

(D) Benefits and Distributions

Pension benefits are recognized when due and payable. Initial benefits payments are made after processing the retirement applications. Annuity savings accounts distributions (refunds) are recognized when the distribution applications are due and payable.

(E) Administrative Expenses

An annual budget for the administrative expenses of PERF is reviewed and approved by the PERF Board of Trustees. Administrative expenses are paid from investment earnings.

The PERF plan pays the administrative expenses of all the funds. At June 30, a receivable is established in the PERF plan and a payable in the other funds for the amount due to the PERF plan for the other funds' administrative expenses. Although not legally required, the LDB Plan covers the costs of the LDC Plan.

(F) Deposits and Investments

The Treasurer of State acts as the official custodian of the cash and securities of the funds, except for securities held by banks or trust companies under custodial agreements with PERF. The PERF Board of Trustees contracts with investment counsel, trust companies or banks to assist PERF in its investment program. The PERF Board of Trustees is required to diversify investments in accordance with the prudent investor standards. The investment policy statement adopted by the PERF Board of Trustees and the asset allocation approved by the PERF Board of Trustees contain limits and goals for each type of investment portfolio and specify prohibited transactions. The investment guidelines authorize investments of U.S. Treasury and Agency obligations; U.S. Government Securities; corporate bonds; notes and debentures; common stocks; collective trust funds (CTF), which are regulated by the Office of the Comptroller of the Currency; repurchase agreements secured by U.S. Treasury obligations; mortgage securities; commercial paper; banker's acceptances and other such investments. See Note 6 for more information.

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

(G) Method Used to Value Investments

GASB Statement Nos. 25 and 50 require that investments of defined benefit plans be reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. CTFs' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date.

(H) Investment Unit Trust Accounting

In order to provide a consolidated rate of return for the pension funds and effectively invest in a diversified manner, the PERF Board of Trustees has directed that investment unit trust accounting be implemented and that the investments be commingled as allowed by state statutes. Unit trust accounting involves assigning units to each fund based on the share of the fund's investment fair value to the total fair value of the consolidated investments. The custodian bank prepares consolidated bank statements and fund statements that show the unit trust accounting activity. Investment earnings and appreciation increase the per unit value of all participating funds. Deposits and withdrawals for each fund change the number of units held by each fund. These changes are recorded at the unit value on the transaction date. Investment earnings or losses and fees for the total consolidated fund are allocated to each of the pension funds on a monthly basis using the pro rata fair value share at month end.

The CRIF is an internal investment pool as defined by the GASB. It is comprised of investment bank accounts that are maintained individually for each of the contracted investment managers. The CRIF includes all investments and transactions of the pension funds, except for the PERF plan members' annuity savings accounts directed outside the guaranteed fund and a short-term investment account. The LDC Plan also has investment options other than the CRIF. The non-retirement funds administered by PERF are not included in the CRIF.

In accordance with GASB criteria for internal investment pools, the assets and liabilities of the CRIF are allocated pro rata to each of the retirement funds within the pool. This includes cash equivalents, securities lending collateral, accounts receivable and payable to brokers, accrued interest and the investment holdings. The financial statements recog-

nize the investment purchases and sales on the trade date as required by the GASB.

The PERF plan members' annuity savings accounts directed to the S&P 500 Stock Index Fund are commingled and included with those portfolios maintained for the PR Fund. The unit trust method is used to separately account for the transactions and balances owned by the PERF plan members' annuity savings accounts and the PR Fund.

(I) Investment and Contract Sales Receivables and Investments Payable

Investment and contract sales receivables and investments payable consists primarily of forward currency contracts, spot currency contracts, and receivables or payables for securities purchased or sold but not settled as of June 30, 2008.

(J) Other Investments

Other investments include warrants, overdrafts and investment in shares of limited liability partnerships.

(K) Building

PERF owns the building in which it resides at 143 W. Market Street. The building is depreciated over 20 years using the straight-line method. At June 30, 2008 the accumulated depreciation on the building was approximately \$565,000.

(L) Equipment

Equipment with a cost of \$20,000 or more is capitalized at its original cost and depreciation is recognized in administrative expenses. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Accumulated depreciation as of June 30, 2008, was approximately \$36,000. No new equipment was capitalized during the year.

(M) Inventories

Inventories of consumable supplies are not recognized on the Statement of Fiduciary Net Assets since they are considered immaterial. Purchases of consumable supplies are recognized as expenses at the time of purchase.

(N) Reserves and Designations

Listed below are the legally required reserves and other designations of fund equity.

1. Member Reserve – The member reserve represents member contributions made by or on behalf of the members plus any interest distributions, less amounts distributed or transferred to the benefits in force reserve for retirement, dis-

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Notes to the Financial Statements (continued)– June 30, 2008

ability or other benefits. For the PERF plan, this reserve is the members' annuity savings accounts. Member reserves are fully funded.

2. Employer Reserve – This reserve consists of the accumulated employer contributions, plus earnings, less transfers made to the benefits in force reserve of the actuarial pension cost. The funding status of the employer reserve is outlined in the Schedule of Funding Progress in the accompanying Required Supplementary Information.

3. Benefits in Force – This reserve represents the actuarially determined present value of future benefits for all members who are currently retired or disabled and survivors of members who died in services. The accumulated contributions of the members who elect to annuitize their annuity savings accounts and the actuarial pension cost are transferred to the reserve upon retirement or disability. This reserve is fully funded based on the latest actuarial valuation.

4. Undistributed Investment Income Reserve – This reserve is credited with all investment earnings. Interest transfers are made periodically during the year to the other reserves as allowed or required by the individual funds' statutes. The transfers are at rates established by the PERF Board of Trustees, statutes or the actual earning rates of the investment options, depending on the statutes of the individual funds. The budget for the next fiscal year is transferred to the administrative expense designation. Any remaining balance (positive or negative) is transferred to the employer reserve and allocated to the employers of the fund.

(dollars in thousands)

Retirement Funds	Member Reserve	Employer Reserve	Benefits in Force	Undistributed Income
PERF	\$ 2,694,331	\$ 5,269,434	\$ 3,975,053	\$ -
Judges' Retirement System	22,243	57,565	139,618	-
E, G & C Plan	4,315	31,125	25,636	-
1977 Fund	522,594	2,019,120	606,682	-
PARF	17,428	2,918	4,267	-
Legislators' Retirement System –				
LDB plan	N/A	2,470	2,204	-
LDC plan	24,298	N/A	N/A	-

5. Administrative Expense – This designation represents the following fiscal year's administrative budget in the PERF plan, which initially pays administrative expenses. The budget for the fiscal year ending June 30, 2009, is approximately \$134.7 million.

(O) Compensated Absences

PERF's full-time employees are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, 10 and 20 years of employment with PERF and/or the state of Indiana. Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation from service, employees in good standing will be paid for a maximum of 30 unused vacation leave days.

No liability is reported for unpaid accumulated sick leave. Vacation and personal leave and the salary related payments that are expected to be liquidated are reported as Compensated Absences Liability.

(P) PERF Annual Pension Cost and Net Pension Obligation

PERF is a discretely presented component unit of the state of Indiana, and PERF employees are combined with the state of Indiana for actuarial purposes.

The Annual Pension Cost and Net Pension Obligations, and the historical trend information for the state of Indiana PERF plan are as follows:

Annual Pension Cost and Net Pension Obligation (Asset)

(dollars in thousands)

Annual required contribution	\$96,430
Interest on net pension obligation	(4,393)
Adjustment to annual required contribution	5,006
Annual pension cost	97,043
Contributions made	89,801
Increase (decrease) in net pension obligation	7,242
Net pension obligation, beginning of year	(60,591)
Net pension obligation, end of year	\$(53,349)
Contribution rate	6.1%

Three-Year Trend Information

(dollars in thousands)

Actuarial Valuation Date	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
July 1, 2007	\$97,043	92.5%	\$(53,349)
July 1, 2006	88,720	82.2	(60,591)
July 1, 2005	70,498	89.0	(76,421)

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

(Q) Transfers to and from Teachers' Retirement Fund

If a member was last employed in a PERF plan covered position, PERF will use the member's Teachers' Retirement Fund (TRF) service and annuity savings account balance at the time of retirement to calculate the member's retirement benefit. Likewise, if a member was last employed in a TRF covered position, TRF will use the member's PERF plan service and annuity savings account balance. The respective fund sets up a receivable for both the annuity savings account and the calculated reserve for the pension for those members retiring from their fund with service in the other fund. The receivable is included as a line item in the receivable section of the Statement of Fiduciary Net Assets. Likewise, a payable is set up for the amount due to the other fund, which is located in the liabilities section of the Statement of Fiduciary Net Assets.

(R) Adoption of New Accounting Standard

In May 2007, the GASB issued Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27. The provisions of Statement No. 50 allow the financial reporting of pensions to more closely line up with those of other post-employment benefits and to enhance note disclosures or required supplementary information. PERF has implemented the provisions of GASB Statement No. 50 for the fiscal year ending June 30, 2008.

Note 4. Contributions Required and Contributions Made

(A) Public Employees' Retirement Fund

The state of Indiana and any political subdivision that elects to participate in the PERF plan is obligated by statute to make contributions to the plan. The required contributions are determined by the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities.

The actuarial cost method used in the valuation is the entry age normal cost method in accordance with IC 5-10.2-2-9. Under this method as supplied to the PERF plan, a normal cost is determined for each active participant which is the level percentage of compensation needed as an annual contribution from entry age to retirement age to fund projected benefits.

The unfunded actuarial accrued liability on any valuation date is the accumulated value of such normal costs for each

non-retired participant from entry date to the valuation date less the value of assets for non-retired members at that date. This unfunded actuarial liability is compared to the expected unfunded actuarial accrued liability, which is determined as the prior valuation unfunded liability reduced by scheduled amortization payments and increased by interest at the actuarially assumed rate. Any changes between the actual actuarial accrued liability and expected actuarial accrued liability due to changes in benefit levels (excluding COLAs), changes in actuarial assumptions, and actuarial experience gains or losses are amortized over a 30-year period.

The actuary calculates actuarial assets using an asset smoothing method for the determination of the employer actuarially required contribution. Under the smoothing method, actuarial assets are equal to 75 percent of the expected actuarial assets plus 25 percent of the market value of assets. The expected actuarial value of assets is equal to the preceding year's actuarial assets adjusted for non-investment related transactions and increased by interest at the actuarially assumed rate.

The required contribution levels are determined under the assumption that a 1.5 percent COLA will be granted in each future year, applying not only to then current retirees, but also to active employees who have yet to retire. The full effect of a 1.5 percent annual COLA is handled on a pre-funded basis.

(B) Judges' Retirement System

Employer contribution requirements for the Judges' Retirement System are not actuarially determined but are established by statute (IC 33-38-6-17) and appropriations. There is an appropriation from the state of Indiana General Fund for each biennium to the Judges' Retirement System based on the recommendation of the actuary.

(C) State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

The funding policy for the E,G & C Plan provides for biennial appropriations authorized by the Indiana General Assembly which, when combined with anticipated member contributions, are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability over 30 years and prevent the state's unfunded accrued liability from increasing. State of Indiana statute defines the funding policy. Effective July 1, 2007, member contributions, defined by statute as 4 percent of annual salary, are remitted to the fund upon each payroll.

The significant actuarial assumptions used to determine contribution requirements include: rate of return on the investment of present and future assets of 7.25 percent per year,

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Notes to the Financial Statements (continued)– June 30, 2008

compounded annually; projected salary increases of 4.5 percent per year, compounded annually; and assets valued by smoothed market value basis.

(D) 1977 Police Officers' and Firefighters' Pension and Disability Fund

The funding policy for the 1977 Fund is mandated by statute that requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates rather than actual payroll. The member contribution rate is not actuarially determined but was established by statute at 6 percent of the salary of a first class officer or firefighter.

The employer contribution rate is actuarially determined using the entry age normal cost method. The total required to actuarially fund normal cost is reduced by the total estimated member contributions. As the 1977 Fund is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. All participating employers are required to contribute 21 percent of the salary of a first class officer or firefighter during the calendar year.

The significant actuarial assumptions used to determine the actuarially required employer contribution for the 1977 Fund include: investment earnings of 7.25 percent per year, compounded annually; salary increases of 4 percent per year; benefit increases of 2.75 percent per year while the benefit is in payment status; and no recoveries from disabilities.

The annual required contributions and percentage contributed amounts are as follows:

Year Ended December 31	Annual Required Contributions (dollars in thousands)	Percentage Contributed
2005	\$ 97,286	111.8%
2006	102,964	139.0 ¹
2007	108,741	112.7

¹Prior year percentage has been corrected.

(E) Legislators' Retirement System

For the LDC Plan, each participant is required to contribute 5 percent of annual salary. In addition, the state of Indiana is required to contribute 20 percent of the member's annual salary on behalf of the participant. For the LDB Plan, the amount required to actuarially fund participants' retirement benefits, as determined by the PERF Board of Trustees on the

recommendation of the actuary, is to be appropriated from the state of Indiana General Fund.

(F) Prosecuting Attorneys' Retirement Fund

The amount required to actuarially fund the PARF participants' retirement benefits, as determined by the PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund. Members contribute 6 percent of the state paid portion of their annual salary.

(G) Other Contribution Information

Beginning with the July 1, 2007 actuarial valuations for the PERF plan (for the State of Indiana employer), E,G & C Plan, and PARF, smoothing rules were applied to the employer contribution rate to help reduce wide variations in the employer contribution rates from year to year. Beginning with the January 1, 2007 actuarial valuation for the 1977 Fund, the same smoothing rules were applied.

Note 5. Funded Status and Funding Progress – Pension Plans

The funded status of each plan as of July 1, 2007, the most recent actuarial valuation date except 1977 Fund which is as of January 1, 2007, is as follows:

Retirement Plans (dollars in thousands)	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Un-funded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF plan	\$12,220,934	\$12,439,798	\$218,864	98.2%	\$4,385,676	5.0%
Judges' Retirement System	211,747	283,995	72,248	74.6	29,712	243.2
E, G & C Plan	57,414	74,451	17,037	77.1	17,715	96.2
1977 Fund	2,860,512	2,649,525	(210,987)	108.0	557,644	(37.8)
PARF	23,815	32,052	8,237	74.3	18,092	45.5
LDB plan	5,035	5,169	134	97.4	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts, such as salaries and credited service, and assumptions about the probability of events far into the future, such as employment terminations, deaths, disabilities,

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

and retirements. Because of these estimates and assumptions, actuarially determined amounts are subject to periodic review and potential revision depending on results as compared to actual experience and reasonably anticipated future experience.

If a defined benefit pension plan is being funded based on reasonable actuarial funding methods and reasonable actuarial assumptions, then the actuarial value of plan assets and the actuarial accrued liability for benefits should, over time, approach equality. The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information which should illustrate this trend. However it should be noted that, from year-to-year, plan enhancements and actual plan experience different from that assumed will make year-to-year comparisons variable.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The calculations upon which an actuarial valuation are determined are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and the plan members.

Actuarial calculations reflect a long term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Additional information as of the latest actuarial valuation follows:

	PERF plan	Judges' Retirement System	E. G & C Plan
Remaining Amortization Period	30 Years	29 Years	29 Years
Asset Valuation Method	75% of Expected Actuarial Value Plus 25% of Market Value	Smoothed Market Value Basis	Smoothed Market Value Basis
Actuarial Assumptions:			
Investment Rate of Return	7.25%	7.25%	7.25%
Projected Salary Increases	4%	4%	4.5%
Post-retirement Benefit Increases	N/A	4%	N/A
Cost of Living Increases	1.5%	N/A	1.5%
	1977 Fund	PARF	LDB Plan
Valuation Date	January 1, 2007	July 1, 2007	July 1, 2007
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Accrued Benefit (Unit Credit)
Amortization Method	Level Dollar, Open Amortization Period	Level Dollar, Closed Amortization Period	Level Dollar, Closed Amortization Period
Remaining Amortization Period	30 Years	29 Years	15 Years
Asset Valuation Method	Smoothed Market Value Basis	Smoothed Market Value Basis	Smoothed Market Value Basis
Actuarial Assumptions:			
Investment Rate of Return	7.25%	7.25%	7.25%
Projected Salary Increases	4%	4%	3%
Post-retirement Benefit Increases	N/A	N/A	N/A
Cost of Living Increases	2.75%	N/A	1.5%

	PERF plan	Judges' Retirement System	E, G & C Plan
Valuation Date	July 1, 2007	July 1, 2007	July 1, 2007
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Dollar, Closed Amortization Period	Level Dollar, Closed Amortization Period	Level Dollar, Closed Amortization Period

Note 6. Deposits and Investments Investment Guidelines and Limitations

The Indiana General Assembly enacted the prudent investor standard to apply to the PERF Board of Trustees and govern all its investments. The primary governing statutory provision is that the PERF Board of Trustees must "invest its assets with

Notes to the Financial Statements (continued)– June 30, 2008

the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.” The PERF Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees.

The PERF Board of Trustees approved a new asset allocation for the CRIF on August 18, 2006. This asset allocation remained unchanged through June 30, 2008.

Asset Classes	Target Norm	Allowable Ranges
Equities - Domestic	40%	35% - 50%
Equities - International	15	10 - 20
Equities - Global	10	5 - 15
Fixed Income - Core	15	10 - 20
Fixed Income - TIPS	5	0 - 10
Alternatives – Private Equity	8	0 - 10
Alternatives – Real Estate	3	0 - 5
Alternatives – Commodities	2	0 - 5
Alternatives – Absolute Return	2	0 - 5

Investments in the PERF annuity savings accounts and the LDC Plan are directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The PR Fund is invested to a target of 70 percent Fixed Income – Core and 30 percent Equities – Domestic. The Special Death Benefit Funds are 100 percent fixed income.

The following investment types, unless otherwise approved by the PERF Board of Trustees, are prohibited by the PERF investment policy statement (PERF’s IPS) as adopted by the PERF Board of Trustees.

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio.
- Purchases of letter or restricted stock.
- Buying or selling on margin.
- Purchases of futures and options.
- Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment or links to indices representing investments.
- Purchases of interest only or principal only collateralized mortgage obligations.
- Any transaction that would be a “prohibited transaction” under the Internal Revenue Code Section 503.
- Purchases of inverse floaters.

Custodial Credit Risk

Custodial credit risk is the risk that PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department’s agent, but not in PERF’s name.

There was no custodial credit risk for investments including investments related to securities lending collateral as of June 30, 2008. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements in the fund’s name, and all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana. While PERF’s Investment Policy Statement does not specify custodial risk, statutes provide certain custodial requirements.

Deposit Risks

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to \$100,000 each. Deposits in the demand accounts held in excess of \$100,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are insured up to \$100,000.

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

Cash Deposits (dollars in thousands)

	Total	JPMorgan Chase Bank	National City Bank
Demand deposit account – carrying value	\$ 5,499.9	\$ 1,482.2	\$ 4,017.7
Demand deposit account – bank balance	27,989.8	23,459.5	4,530.3
Held with Treasurer of State	11,054.2	-	-
Held with investment custodian:			
Cash	322.6	-	-

Credit Risk

PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and as outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees; the benchmark for the fixed income portfolio is the Lehman Brothers Aggregate Bond Index; and the Treasury Inflation Protection Securities (TIPS) portfolio must substantially match the quality of its benchmark, the Lehman Brothers TIPS US Index. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2008 is as follows:

Quality Rating (dollars in millions)	Fair Value	% of Portfolio
AAA	\$ 2,647.7	60.7%
AA	128.5	3.0
A	231.0	5.3
A-1	161.5	3.7
BBB	277.1	6.4
BB	69.8	1.6
B	45.4	1.0
CCC	11.3	0.3
Not Rated	782.1	18.0
Total	\$ 4,354.4	100%

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond commin-

gled funds. Of the total fair value reported, approximately \$2.1 billion (47.9 percent) is AAA rated U.S. Treasury, U.S. Agency or U.S. Agency Mortgage Backed Securities. The remaining balance of approximately \$2.3 billion (52.1 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, and asset-backed and mortgage-backed securities of various credit quality ratings.

Of the \$782.1 million not rated by Standard & Poor's, approximately \$81.3 million (10.4 percent of Not Rated), are rated by Moody's (another NRSRO) as follows: approximately \$76.4 million are rated A3 or better, approximately \$4.2 million are rated B3 through Baa2 and the balance of approximately \$0.7 million are rated Ca through Caa1. Included in the Not Rated category are approximately \$632.5 million (80.9 percent of Not Rated) in money market funds, mutual funds or commingled funds. The remaining balance of approximately \$68.3 million (8.7 percent) is not rated by either Moody's or Standard and Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer, with the exception of the U.S. Government and its agencies, to an initial cost of 5 percent of the market value of an investment manager's portfolio. Through capital appreciation, no such holding should exceed 7.5 percent of the market value of the total holdings of such investment manager's portfolio.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer, with the exception of the U.S. Government and its agencies, is limited to 7.5 percent of the investment manager's portfolio based upon initial cost and no more than 15 percent of the market value of the portfolio as a result of capital appreciation.

At June 30, 2008, there was no concentration of credit risk for the CRIF or separately managed fund portfolios.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Notes to the Financial Statements (continued)– June 30, 2008

PERF's IPS sets duration guidelines for the fixed income investment portfolio that are linked directly, or indirectly, to the benchmark indices for each of its sub-asset classes and as outlined in each investment manager portfolio contract. Several sub-asset classes require that duration of the portfolio may not vary more than 20 percent above or below the duration of the applicable benchmark index.

Duration information is provided below (dollars in millions):

Investment Type	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short-Term Investment Fund	\$ 492.1	10.9%	0.00
Government & Agency Obligations	1,173.8	25.9	7.00
Residential & Commercial Mortgage-Backed Securities	1,408.4	31.1	3.95
Corporate Bonds	789.6	17.5	5.57
Asset-Backed	171.7	3.8	1.14
Municipal Securities	1.0	0.0	0.29
Other ¹	490.8	10.8	2.86
Total Net Asset Fair Value	\$ 4,527.4	100%	4.37

¹Includes mutual funds, collective trusts, and derivatives.

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international and global equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values included both receivables and payables.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. Certain fixed securities portfolio sub-asset classes

allow for up to 20 percent investment in non-U.S. dollar government and corporate securities. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 20 percent of market value to be held in emerging markets. PERF has exposure to foreign currency fluctuation as follows:

Currency (dollars in millions)	Equity Securities	Debt Securities	Contracts, Currencies, or Money Market Securities	Total Fair Value	% of Foreign Currency	% of Total Investments (USD)
Euro	\$ 870.8	\$ 13.4	\$ (34.8)	\$ 849.4	25.4%	5.6%
Japanese Yen	510.0	–	32.0	542.0	16.2	3.6
Pound Sterling	504.1	–	(13.3)	490.8	14.6	3.2
Australian Dollar	164.9	–	11.7	176.6	5.3	1.2
Swiss Franc	147.7	–	(12.8)	134.9	4.0	0.9
Hong Kong Dollar	126.7	–	7.4	134.1	4.0	0.9
Other	331.3	620.6	69.2	1,021.1	30.5	6.7
Total	\$ 2,655.5	\$ 634.0	\$ 59.4	\$ 3,348.9	100%	22.1%

Securities Lending

Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk and failure to return

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 11 days at June 30, 2008. The securities lending agent matches the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2008 (dollars in millions):

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2008 (dollars in millions):

Investment Type	Loan Value	Investments		Percent of Portfolio
		Quality Rating	Fair Value	
Government Obligation	\$ 656.1	A-1 and A-1+	\$ 1,887.1	92.5%
Corporate Bonds	48.3	A3	31.0	1.5
Equities	1,332.4	Not Rated	122.6	6.0
Total Fair Value	\$ 2,036.8	Total	\$ 2,040.7	100%

The majority of A-1 and A-1+ collateral investments were medium-term corporate bonds. The majority of the Not Rated collateral investments are guaranteed investment contracts.

At June 30, 2008, PERF had loaned approximately \$319 million U.S. Treasury and government agency obligations for securities collateral. The securities collateral value was approximately \$325.4 million which represented 102 percent coverage. At fiscal year end, PERF has no credit risk exposure to borrowers because the amount it owes to the borrowers exceeds the amount owed by the borrowers.

Derivative Financial Instruments

PERF's IPS authorized investments in the absolute return allocation which may include derivatives. The fair value of investments in absolute return investments was approximately \$362 million at June 30, 2008. PERF's directly held investments in derivatives are not leveraged. In the case of

an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the PERF Board of Trustees, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, PERF's derivative investments included foreign currency forward contracts, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), treasury inflation protected securities (TIPS) and futures.

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2008, PERF's investments included the following currency forwards balances (dollars in millions):

Forward Currency Contract Receivables	\$275.6
Forward Currency Contract Payables	\$276.5

PERF's debt securities managers invest in CMOs/REMICs to improve the yield or adjust the duration of the debt securities portfolio. As of June 30, 2008, the carrying value of the PERF's CMO/REMIC holdings was approximately \$211.7 million.

TIPS are used by PERF's debt securities managers to provide a real return against inflation as measured by the Consumer Price Index. As of June 30, 2008, the carrying value of the PERF's TIPS holdings was approximately \$1 billion.

PERF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell

Notes to the Financial Statements (continued)– June 30, 2008

in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolio risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to, or received from, the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities. At June 30, 2008, PERF's notional value in these futures totaled approximately \$674 million.

Note 7. Long-Term Commitments for Alternative Investments

PERF had entered into long term commitments for funding alternative investments in private equity and real estate of approximately \$2.3 billion as of June 30, 2008. The fund has disbursed approximately \$655 million toward the commitments as of June 30, 2008. The expected funding dates for these commitments extend through 2028. These amounts include four Euro-denominated commitments to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2008.

As of June 30, 2008, two commitments of approximately \$65 million were approved by the PERF Board of Trustees. Of those commitments, one agreement totaling \$35 million was signed in July 2008.

Note 8. Risk Management

PERF is exposed to various risks of loss. These losses include damage to property owned, personal injury or property damage liabilities incurred by an officer, agent or employee, malfeasance and theft by employees, certain employee health and death benefits, and unemployment and worker's compensation costs for employees.

PERF's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead it records as an expense any loss as the liability is incurred or replacement items are purchased. PERF does carry general liability, property, and business interruption insurance, as well as a blanket bond and excess coverage on specific

employees. The PERF Board of Trustees administers the state of Indiana's risk financing activity for the state employees' death benefits.

Note 9. Required and Other Supplementary Information

The historical trend information designed to provide information about PERF's progress in accumulating sufficient assets to pay benefits when due is Required Supplementary Information. The schedules are included immediately following the Notes to the Financial Statements. Other Supplementary Information is presented for the purpose of additional analysis and is not a required part of the Financial Statements.

Note 10. Subsequent Legislative Changes

Below is a summary of significant legislative changes that are effective after June 30, 2008.

(A) Public Employees' Retirement Fund

Effective July 1, 2008, members who have at least one year of service in both PERF plan and TRF have the option of choosing from which of these funds they would like to retire.

Effective July 1, 2008, for some members retired under the disability retirement provision, the minimum payment amount was increased.

Effective January 1, 2009, members who retired after December 31, 1999, will receive a 2 percent COLA. Members who retired before January 1, 2000, will receive a 2.5 percent COLA. As of December 1, 2008, a 13th check between the amount of \$50 and \$225 is due to certain participants, survivors and beneficiaries of the PERF plan. The COLA and the 13th checks are determined by statute passed by the Indiana General Assembly on an ad hoc basis and are based on date of retirement and other eligibility factors.

Effective January 1, 2009, a member of the PERF plan who is vested, has terminated their employment and has not performed any service in a PERF plan covered position for 90 days, may withdraw their annuity savings account. A vested member who withdraws their annuity savings account upon becoming eligible for retirement will receive a benefit equal to the pension provided by employer contributions only.

(B) Judges' Retirement System

Effective January 1, 2009, a 2 percent COLA increase will be effective for members of the 1985 Judges' Retirement System. The COLA increases for the 1985 Judges' Retirement System are determined by statute.

PUBLIC EMPLOYEES' RETIREMENT FUND

Notes to the Financial Statements (continued) – June 30, 2008

(C) State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

Effective July 1, 2008, the mandatory retirement age was changed from 60 years to 65 years.

Effective July 1, 2008, an officer who becomes a participant after the age of 50 must retire on the first day of the month following their 65th birthday or the first day of the month following completion of 15 years, whichever is earlier.

Members of E, G & C Plan who are qualified to receive an unreduced retirement have the option to elect to participate in a Deferred Retirement Option Plan Program if they meet certain requirements. The annual retirement plan allowance is capped at 75 percent of a participant's annual salary.

(D) 1977 Police Officers' and Firefighters' Pension and Disability Fund

Effective July 1, 2008, the amount of the additional death benefit for members of the 1977 Fund is increased from \$9,000 to \$12,000.

(E) Legislators' Defined Contribution Plan

Effective January 1, 2009, employer contributions to the LDC Plan will be determined by multiplying the participant's salary for that year by a percentage determined by the PERF Board of Trustees.

(F) Pension Relief Fund

Effective 2009 and each year thereafter, the Indiana General Assembly shall distribute from the PR Fund to each unit of local government the total amount of pension, disability, and survivor benefits from the 1925 police pension fund, the 1937 firefighters' fund and the 1953 police pension fund to be made by the unit in the calendar year, as estimated by the state board, after subtracting any distributions to the unit from the public deposit insurance fund that will be used for benefit payment.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information: *Schedule of Funding Progress*

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll (b-a)/c)
Public Employees' Retirement Fund						
7/1/2002 ¹	\$ 8,994,854	\$ 9,066,132	\$ 71,278	99.2%	\$ 3,785,242	1.9%
7/1/2003 ¹	9,293,952	9,034,573	(259,379)	102.9	3,952,230	(6.6)
7/1/2004 ¹	9,853,976	9,844,353	(9,623)	100.1	4,198,942	(0.2)
7/1/2005 ¹	10,471,937	10,858,322	386,385	96.4	4,318,450	8.9
7/1/2006 ¹	11,177,971	11,450,928	272,957	97.6	4,322,180	6.3
7/1/2007 ¹	12,220,934	12,439,798	218,864	98.2	4,385,676	5.0
Judges' Retirement System						
7/1/2002	121,155	188,434	67,279	64.3	25,805	260.7
7/1/2003	126,152	206,846	80,694	61.0	25,400	317.7
7/1/2004	135,798	209,992	74,194	64.7	25,693	288.8
7/1/2005	151,003	272,855	121,852	55.3	32,231	378.1
7/1/2006	178,276	272,997	94,721	65.3	34,065	278.1
7/1/2007	211,747	283,995	72,248	74.6	29,712	243.2
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan						
7/1/2002	37,360	55,884	18,524	66.9	12,654	146.4
7/1/2003	37,286	52,006	14,720	71.7	11,944	123.2
7/1/2004	38,772	50,010	11,238	77.5	10,209	110.1
7/1/2005	41,663	59,964	18,301	69.5	13,223	138.4
7/1/2006	48,496	64,765	16,269	74.9	14,892	109.2
7/1/2007	57,414	74,451	17,037	77.1	17,715	96.2
1977 Police Officers' and Firefighters' Pension and Disability Fund						
1/1/2002	1,615,245	1,808,754	193,509	89.3	396,246	48.8
1/1/2003	1,660,445	1,766,846	106,401	94.0	432,954	24.6
1/1/2004	1,797,124	1,875,518	78,394	95.8	469,750	16.7
1/1/2005	1,976,905	2,064,171	87,266	95.8	493,707	17.7
1/1/2006	2,347,986	2,415,053	67,067	97.2	522,227	12.8
1/1/2007	2,860,512	2,649,525	(210,987)	108.0	557,644	(37.8)
Prosecuting Attorneys' Retirement Fund						
7/1/2002	11,957	22,386	10,429	53.4	14,438	72.2
7/1/2003	12,758	15,685	2,927	81.3	13,159	22.2
7/1/2004	14,655	22,588	7,933	64.9	15,149	52.4
7/1/2005	16,876	25,744	8,868	65.6	16,659	53.2
7/1/2006	20,053	29,184	9,131	68.7	19,225	47.5
7/1/2007	23,815	32,052	8,237	74.3	18,092	45.5
Legislators' Retirement System - Defined Benefit Plan						
7/1/2002	4,446	5,503	1,057	80.8	N/A ²	N/A ²
7/1/2003	4,200	4,948	748	84.9	N/A ²	N/A ²
7/1/2004	4,206	4,856	650	86.6	N/A ²	N/A ²
7/1/2005	4,339	4,999	660	86.8	N/A ²	N/A ²
7/1/2006	4,721	5,232	511	90.2	N/A ²	N/A ²
7/1/2007	5,035	5,169	134	97.4	N/A ²	N/A ²

¹ Plan changes and/or changes in actuarial assumptions.

² Benefit formula is primarily based on service, rather than compensation.

See Note 5. Funded Status and Funding Progress for the actuarial methods and assumptions used in preparing this schedule.

PUBLIC EMPLOYEES' RETIREMENT FUND

Required Supplementary Information: Schedule of Employer Contributions

(dollars in thousands)

Public Employees' Retirement Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	\$217,077	98.3%
2004	166,574	141.0
2005	202,631	101.8
2006	249,669	92.3
2007	278,190	93.5
2008	290,622	104.6

Judges' Retirement System

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	\$9,561	138.9%
2004	10,488	123.6
2005	10,064	134.5
2006	14,932	90.7
2007	12,249	119.7
2008	10,028	158.8

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	\$2,324	84.0%
2004	2,190	96.8
2005	1,867	116.0
2006	2,710	92.2
2007	3,128	107.4
2008	3,676	132.1

1977 Police Officers' and Firefighters' Pension and Disability Fund

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2002	\$98,687	87.1%
2003	87,253	108.9
2004	92,833	110.8
2005	97,286	111.8
2006 ¹	102,964	139.0 ¹
2007	108,741	112.7

Prosecuting Attorneys' Retirement Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	\$1,129	39.5%
2004	144	647.9
2005	889	108.1
2006	952	17.9
2007	1,044	18.2
2008	1,040	16.3

Legislators' Retirement System Defined Benefit Plan

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2003	\$234	79.9%
2004	95	216.8
2005	89	231.5
2006	91	109.9
2007	120	83.3
2008	66	151.5

¹ Prior year percentage has been corrected.

See accompanying Note 5 to the Financial Statement.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Other Supplementary Information: Administrative Expenses – Year Ended June 30, 2008

(dollars in thousands)

Personal Services:

Salaries and Wages	\$ 7,416
Employee Benefits	2,628
Supplemental Services	511
Total Personal Services	10,555

Contractual and Professional Services:

Actuarial	150
Legal	435
Consultants	3,792
Contractual Services	169
Information System Development Services	6,314
Total Contractual and Professional Services	10,860

Communications:

Telephone	109
Postage	654
Printing	332
Other	28
Total Communications	1,123

Miscellaneous:

Data Processing	429
Travel	185
Training	97
Supplies & Maintenance	318
Dues & Subscriptions	59
Offices Supplies	72
Office Equipment	192
Operating Expenses and Other Expenses	1,073
Total Miscellaneous	2,425

Total Administrative Expenses

\$24,963

Allocation of Administrative Expenses:

Public Employees' Retirement Fund	\$21,183
Judges' Retirement System	244
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	83
1977 Police Officers' and Firefighters' Pension & Disability Fund	3,156
Prosecuting Attorneys' Retirement Fund	36
Legislators' Retirement System - Defined Benefit Plan	56
Public Safety Officers' Special Death Benefit Fund	2
State Employees' Death Benefit Fund	6
Pension Relief Fund	197

Total Administrative Expenses Allocation

\$ 24,963

PUBLIC EMPLOYEES' RETIREMENT FUND

Other Supplementary Information: Investment Expenses – Year Ended June 30, 2008

(dollars in thousands)

Investment Expenses

Custodial and Consulting

J. P. Morgan Investment Mgmt Inc.	Custodial Fees	\$ 447
Strategic Investment Solutions	Investment Consulting	308
Mercer Investment Consulting	Investment Consulting	200
Plexus Group, Inc.	Investment Analysis	16
RickMetrics Group	Investment Consulting	14

Total Custodial and Consulting

\$ 985

Domestic Equity

Barclays Global Investors	Equity - Large Cap Core	\$ 9,060
Turner Investment Partners	Equity - Large Cap Growth	3,154
Brandes Investment Partners	Equity - Mid Cap Value	2,386
Wells Capital Management	Equity - Mid Cap Growth	2,199
Numeric Investors, L.P.	Equity - Small Cap Value	1,978
Osprey Partners Investment Management, LLC	Equity - Small and Large Cap Value	1,844
Times Square Capital Management	Equity - Small Cap Growth	1,519
Sands Capital Management	Equity - Large Cap Growth	1,031
Jacobs Levy Equity Management, Inc.	Equity - Small Cap Growth	1,083
Hotchkis & Wiley Capital Management, LLC	Equity - Large Cap Value	891
Artisan	Equity - Mid Cap Value	458
T Rowe Price Structured	Equity - Large Cap Core	312
Russell Implementation Services	Equity - Large Cap Core	122
Rhumblin Advisers	Equity - Large Cap Core	84
State Street Global Advisors	Equity - Small and Large Cap Value and Large Cap Core	49

Total Domestic Equity

\$ 26,170

International Equity

Baillie Gifford and Company	Equity - International Growth	\$ 3,944
Mondrian Investment Partners Limited	Equity - International Value	1,875
Barclays Global Investors	Equity - International Core	753
Russell Implementation Services	Equity - International Core	56

Total International Equity

\$ 6,628

Global Equity

Capital Guardian Trust Company	Equity - Global Growth	\$ 2,208
Invesco	Equity - Global Core	1,935
Brandes Investment Partners	Equity - Global Value	424

Total Global Equity

\$ 4,567

Fixed Income

BlackRock Financial Management, Inc.	Fixed Income - Core Active	\$ 973
Western Assets Management Co.	Fixed Income - Core Active	794
Reams Asset Management Co.	Fixed Income - Core Active	472
Goldman Sachs	Fixed Income - Core Opportunistic	430
Taplin, Canida & Habacht	Fixed Income - Core Active	408
Seix Investment Advisors	Fixed Income - Core Active	343
Pacific Investment Management Company	Fixed Income - Core Opportunistic	301
Lehman Brothers Asset Management, LLC	Fixed Income - Core Enhanced	251
Northern Trust Company	Fixed Income - TIPS Index	215
Hughes Capital Management, Inc.	Fixed Income - Core Active	214
Loomis, Sayles & Company, L.P.	Fixed Income - Core Opportunistic	196
Russell Implementation Services	Fixed Income - Core	56
Allegiant	Fixed Income - Core Active	12
Barclays Global Investors	Fixed Income - Core	5

Total Fixed Income

\$ 4,670

Alternative Investments

Indiana Investment Fund, L.P.	Private Equity	\$ 1,255
PAAMCO	Absolute Return	1,152
Blackstone	Absolute Return	1,140
Cerberus Institutional Partners, Series Four	Private Equity	1,137
Brentwood Associates Fund IV, L.P.	Private Equity	1,123
Lion Capital Fund II, L.P.	Private Equity	1,111
Terra Firma Capital Partners III, L.P.	Private Equity	796

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Other Supplementary Information: Investment Expenses – Year Ended June 30, 2008 (continued)

(dollars in thousands)

Investment Expenses

Alternative Investments (continued)

Natural Gas Partners IX, L.P.	Private Equity	\$ 766
New Mountain Partners III, L.P.	Private Equity	748
OCM Asia Principal Opportunities Fund L.P.	Private Equity	677
Court Square Capital Partners II, L.P.	Private Equity	639
EnCap Energy Capital Fund VII, L.P.	Private Equity	612
Mill Road Capital I, L.P.	Private Equity	597
Avenue Special Situations Fund V, L.P.	Private Equity	595
Lindsay Goldberg & Bessemer L.P.	Private Equity	573
Energy Capital Partners I, L.P.	Private Equity	568
WLR Recovery Fund IV, L.P.	Private Equity	564
Silver Lake Partners III, L.P.	Private Equity	545
Warburg Pincus X, LP	Private Equity	517
Merit Mezzanine Fund IV, L.P.	Private Equity	504
Technology Partners Fund VIII, L.P.	Private Equity	491
Blackstone Real Estate Partners VI, L.P.	Real Estate	475
Lehman Crossroads Fund XVIII- Venture Capital, L.P.	Private Equity	475
Greenpark International Investors III, L.P.	Private Equity	467
OCM Opportunities Fund VII, L.P.	Private Equity	464
PACVEN Walden International Venture Fund VI, L.P.	Private Equity	420
OCM Opportunities Fund VI, L.P.	Private Equity	375
Horsley Bridge International IV, L.P.	Private Equity	368
Lexington Capital Partners VI-B, L.P.	Private Equity	366
Vista Equity Partners III, L.P.	Private Equity	336
Dorchester	Absolute Return	328
Lindsay Goldberg III, L.P.	Private Equity	328
Horsley Bridge IX, L.P.	Private Equity	302
Colony Credit Opportunity Fund, L.P.	Real Estate	259
Ares Capital Opportunities Fund III, L.P.	Private Equity	219
Arch Venture Fund VII, L.P.	Private Equity	210
GSO Capital Opportunities Fund, L.P.	Private Equity	188
Lindsay Goldberg & Bessemer I, L.P.	Private Equity	185
Crestview Partners II	Private Equity	175
CVC European Equity Partners V, L.P.	Private Equity	175
ARCH Venture Fund VI, L.P.	Private Equity	173
Actis Emerging Markets 3, L.P.	Private Equity	150
Advent International GPE VI, L.P.	Private Equity	150
House Investments - Real Estate Opportunity Fund III, L.P.	Real Estate	138
York Special Opportunities Fund, L.P.	Private Equity	113
Invesco	Real Estate	98
A.M. Pappas Life Science Ventures IV	Private Equity	94
E.I.I. Realty Securities, Inc.	Real Estate	76
Lehman Brothers VCAF	Private Equity	75
House Investments - Real Estate Opportunities Fund III-A, L.P.	Real Estate	74
House Investments - Real Estate Opportunities Fund IV, L.P.	Real Estate	69
Horsley Bridge Growth VIII, L.P.	Private Equity	57
Indiana Future Fund I, L.P.	Private Equity	55
Credit Suisse VCAF	Private Equity	49
Hellman & Friedman Capital Partners VI, L.P.	Private Equity	(38)
Total Alternative Investments		\$ 23,558
Short-Term Investments		
J. P. Morgan Investment Mgmt Inc.	Sweep fees	865
Total Investment Expenses		\$ 67,443

PUBLIC EMPLOYEES' RETIREMENT FUND

Other Supplementary Information: Contractual and Professional Services Expenses Year Ended June 30, 2008

(dollars in thousands)

Individual or Firm	Fee	Nature of Services
Indiana Office of Technology	\$ 6,314	IT System Development and Network Support
Clifton Gunderson	2,627	Processing and Reconciling Services
Ernst & Young	482	Accounting and Process Documentation Services
Ciber, Inc.	214	System Integration Consultant
Baker & Daniels	183	Legal Services
Ryan Consulting Group	161	Report Development and Processing
McCready and Keene, Inc.	150	Actuarial Services
Ice Miller Legal & Business Advisors	105	Legal Services
Information Builders	96	Web Reporting Services
Foster Pepper, LLC	57	Legal Services
AIRvan Consulting LLC	57	Market Research Services
Omkar Markand, M.D.	45	Medical Consulting - 1977 Fund
Sungard Availability Services	37	Computer Backup Services
CEM Benchmarking Inc.	35	Benchmarking Services
Gartner Inc.	33	Information Technology Research and Advisory
Barada Associates, Inc.	30	Background Checks
Stephenson Morow & Semler	26	Legal Services
Groom Law Group	22	Legal Services
The Anderson Group Consulting, LLC	18	Data Entry Services
LexisNexis	18	Address Search Services
Kirkpatrick & Lockhart Preston Gates Ellis, LLP	18	Legal Services
Kinsley Group	16	Strategic Consulting
Great-West Life and Annuity	15	Recordkeeping Services
The Berwyn Group	14	Address Search Services
Kreig Devault, LLP	12	Legal Services
Teachers Retirement Fund	11	IT Shared Services
Internal Revenue Service	10	Private Letter Ruling Service Fee
Other Contractual and Professional Services	54	Other Services
Total Contractual and Professional Services Expenses	\$ 10,860	





INVESTMENT

64	REPORT ON INVESTMENT ACTIVITY
66	OUTLINE OF INVESTMENT POLICIES
67	INVESTMENT HIGHLIGHTS
72	LIST OF LARGEST ASSETS HELD
73	SCHEDULE OF COMMISSION FEES
74	INVESTMENT PROFESSIONALS

SECTION

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

PUBLIC EMPLOYEES' RETIREMENT FUND

Report on Investment Activity

MERCER

Investment Consulting

10 South Wacker Drive, Suite 1700
Chicago, IL 60606-7500
312 902 7147 Fax 312 902 7640
douglas.krystio@mercer.com
www.mercerIC.com

July 28, 2008

Board of Trustees
State of Indiana Public Employees' Retirement Fund
143 West Market Street
Indianapolis, IN 46204

Dear Trustees:

Mercer is pleased to present the State of Indiana Consolidated Retirement Investment Fund (CRIF) results for the fiscal year ended June 30, 2008.

As of June 30, 2008, the CRIF had a market value of \$14.9 billion, a decline of \$1.2 billion since June 30, 2007. The decrease in assets was due to negative investment performance over the one-year period. During the previous twelve months:

- Overall, the US economy experienced weakening growth prospects in late 2007 and the first half of 2008. Commodity prices surged, as the price of oil reached over \$140 per barrel in late June, which contributed to higher than desired inflation rates. A major credit crisis led to the collapse of Bear Stearns and significant declines in the equity of financial services holdings. Housing prices plummeted across many areas in the country, with some markets experiencing 20+% declines. In response to the headwinds facing the economy, the Federal Reserve slashed interest rates from 5.25% to 2.00%.
- The U.S. equity markets struggled over the trailing one-year period. The S&P 500 Index, an index of domestic large capitalization stocks, declined 13.1% while smaller capitalization stocks, as measured by the Russell 2000 Index, fell 16.2%. Growth significantly outperformed value in both the large and small cap spaces. Energy (+23.1%), materials (+4.1%), and utilities (+3.3%) were the strongest performing sectors in the S&P 500 while the financials (-44.2%) and consumer discretionary (-27.9%) sectors significantly lagged the greater market.
- Developed international equity markets continued to lead their domestic counterparts during the period, returning -10.2% in U.S. dollar terms, as measured by the MSCI EAFE (Europe, Australasia, and Far East) Index. Canada (+14.5%) and Norway (+9.7%) were among the top performing developed markets while Ireland (-36.2%) and New Zealand (-29.7%) underperformed. Emerging markets continued to outperform, returning 4.9% in U.S. dollar terms over the same time period, as measured by the MSCI Emerging Markets Index. Brazil (+53.9%) and Morocco (+52.2%) lead all emerging markets as the Philippines (-32.9%) and Pakistan (-20.4%) lagged.
- The investment grade fixed income market performed well over the trailing one-year period, returning 7.1% as measured by the Lehman Brothers Aggregate Index. Longer-term bonds (+6.8%) trailed intermediate-term issues (+7.4%). High yield bonds significantly lagged

Report on Investment Activity (continued)

investment grade issues over the same period, returning -2.3%, as measured by the Lehman Brothers High Yield Bond Index. The mortgage sector, as measured by the Lehman Brothers Mortgage-Backed Securities Index, returned 7.8%, while Treasuries, as measured by the Lehman Brothers Treasury Index, returned 10.3%.

Within this environment, the CRIF declined 7.9% (net of fees) during the one-year period ended June 30, 2008, lagging the -5.2% Target Reference Index return¹. The Fund's underperformance was primarily attributable to the domestic equity and global equity segments, which exhibited poor results on both an absolute and relative basis. The CRIF's performance was solid over the trailing five-year period, returning 8.8% annually and outperforming the Index.

The CRIF's domestic equity managers collectively depreciated 15.1% (net of fees) during the trailing year, lagging the Russell 3000 Index return of -12.7%. Underperformance can be attributed to the poor returns from the Fund's large cap and small cap equity managers. Collectively, the CRIF's domestic equity managers slightly trailed the Russell 3000 Index over the five-year period.

The Fund's international equity segment returned -4.7% (net of fees) for the trailing twelve months, outpacing the MSCI ACWI Ex-US Index by 1.9%. The global equity portion declined 14.8% (net of fees), lagging the MSCI ACWI Index by 5.5%. Over the trailing three-year period, both segments exceeded their respective benchmarks.

The fixed income portion of the Fund, excluding Treasury Inflation Protection Securities (TIPS), returned 5.8% (net of fees) over the trailing one-year period, falling short of the Lehman Brothers Aggregate Index return of 7.1%. The Fund's TIPS manager returned 15.5% (net of fees) over the same one-year period, outperforming the Lehman Brothers US

TIPS Index by 0.4%. Longer term results for the Fund's total fixed income segment remain ahead of the benchmark.

Mercer is pleased with the Fund's investment results over the trailing periods and continues to support the on-going efforts to enhance the overall structure and performance.

Sincerely,



Douglas J. Kryscio, CFA
Principal

¹The structure and design of JPMorgan IAC's performance measurement are in full compliance with the return calculation requirements and recommendations of the CFA Institute and also comply with GIPS, UKGIPS, and JIPS standards. JPMorgan's audit division conducts a bi-annual verification of the calculation methodology, accounting data, and the operation of the performance measurement system. Further, two third-party consulting firms (The Spaulding Group and Empirical Modeling and Analytics) independently verified the accuracy of the calculation methodology.

Outline of Investment Policies

The PERF Board of Trustees serves as the ultimate fiduciary of PERF. The PERF Board of Trustees is comprised of six members. Five members are appointed by the governor of Indiana and the sixth is the director of the state's budget agency or his/her designee. One must be a member of the PERF plan with at least 10 years of creditable service. No more than three of the trustees may be of the same political affiliation. The PERF Board of Trustees appoints the executive director of PERF subject to the approval of the governor.

The PERF Board of Trustees operates under the prudent investor standard in overseeing investment activities, acting "with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims."

Prior to May 1997, PERF was prohibited from investing in equities. At that time, the PERF Board of Trustees authorized re-balancing the portfolio by investing in diversified equity asset classes. As stated in the Notes to the Financial Statements, the Consolidated Retirement Investment Fund (CRIF) includes all investments and transactions of the pension trust funds. The other employee benefit trust and investment trust funds administered by PERF are excluded from the CRIF. A breakdown of each pension trust fund's share of the CRIF and the asset allocation of the total portfolio is provided in this section.

The investment policy statement (PERF's IPS) and corresponding addenda cover all assets under the PERF Board of Trustees' control. The purpose of the Investment Policy is to:

- Set forth appropriate and prudent investment policies in consideration of the needs of PERF legal requirements applicable to PERF and to direct investment of the fund's assets.
- Establish criteria against which the investment managers are to be measured.
- Communicate the investment policies, objectives, guidelines and performance criteria of the PERF Board of Trustees to the staff, investment managers, consultants and all other interested parties.

- Serve as a review document to guide the ongoing oversight of the investments of PERF.
- Demonstrate that the PERF Board of Trustees is fulfilling its fiduciary responsibilities in the management of the investments of PERF solely in the interests of members and their beneficiaries.

Maintenance of adequate funding to provide for the payments of the plans' actuarially determined liabilities over time at a reasonable cost to the members, the employers, and the taxpayers of the state of Indiana is the primary consideration. In order to determine the appropriate asset allocation and diversification of PERF to meet the objectives described above, the PERF Board of Trustees conducts asset and liability modeling studies as necessary. In addition, the asset allocation is reviewed by the PERF Board of Trustees periodically, but no less frequently than every three years.

The investment portfolio includes long-term commitments to the following asset classes: domestic equity, domestic fixed income, global equity, international equity, Treasury Inflation Protected Securities (TIPS) and alternative investments.

The PERF Board of Trustees employs professional investment managers selected through a due diligence search process. This process incorporates the state of Indiana's statutory requirements supported by staff and consultant coordination and analysis. It is the PERF Board of Trustees' intent that the selection process be open to all qualified organizations wishing to participate. Investment managers are required to comply with stated investment guidelines detailed in PERF's IPS. Investment manager performance is measured against applicable benchmarks as well as a comparable peer group of investment managers.

The Guaranteed Fund provides a guarantee of the value of an individual's contributions plus any interest credited. As set by the PERF Board of Trustees, the actual investments of the Guaranteed Fund are the same as the general PERF portfolio. The PERF Board of Trustees annually establishes the interest crediting rate for the Guaranteed Fund based on a uniform methodology. The interest crediting rate for the Guaranteed Fund during the last 10 years is included in the Investment Highlights of this section on page 70.

Investment Highlights

Investment Summary

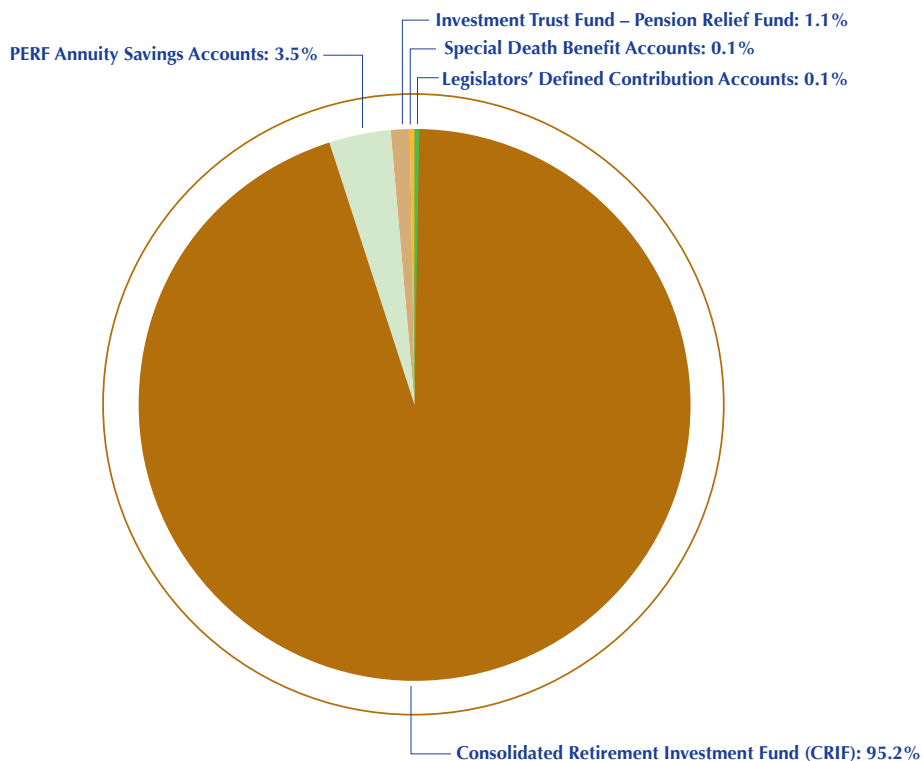
June 30, 2008
(dollars in millions)

Consolidated Retirement Investment Fund (CRIF)	\$ 14,851.0
PERF Annuity Savings Accounts ¹	552.1
Legislators' Defined Contribution Accounts ²	10.4
Investment Trust Fund - Pension Relief Fund	172.1
Special Death Benefit Accounts	8.2
Total Investments, Cash and Cash Equivalents³	\$ 15,593.8

¹Balances directed outside the Guaranteed Fund.

²Balances directed outside the Legislators' CRIF Option.

³Includes investment income receivable, from investment sales and investment purchase payable.

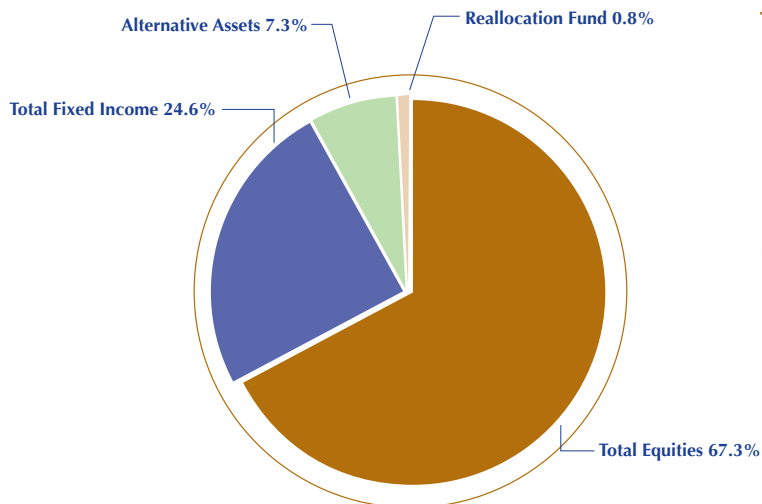


PUBLIC EMPLOYEES' RETIREMENT FUND

Investment Highlights (continued)

Consolidated Retirement Investment Fund (CRIF) Asset Allocation Summary

June 30, 2008
(in percent)

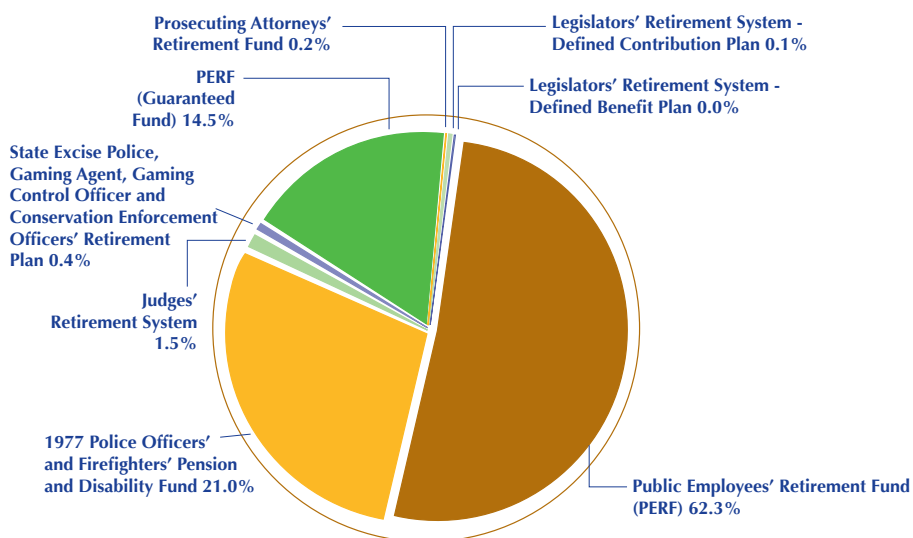


	June 30, 2008	June 30, 2007
Total Equities	67.3%	76.2%
Total Fixed Income	24.6	21.9
Alternative Investments	7.3	1.6
Reallocation Account ¹	0.8	0.3
Total Fund	100%	100%

¹The Reallocation Account consists of residual cash within the Fund.

Retirement Plans in the Consolidated Fund (CRIF)

June 30, 2008



	Assets (in millions)	Percent of Consolidated Fund
Public Employees' Retirement Fund (PERF)	\$ 9,254.3	62.3%
PERF (Guaranteed Fund)	2,152.6	14.5
Judges' Retirement System	217.6	1.5
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	60.9	0.4
1977 Police Officers' and Firefighters' Pension and Disability Fund	3,123.1	21.0
Prosecuting Attorneys' Retirement Fund	24.6	0.2
Legislators' Retirement System - Defined Benefit Plan	4.8	0.0
Legislators' Retirement System - Defined Contribution Plan	13.1	0.1
Total Consolidated Fund	\$ 14,851.0	100%

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Investment Highlights (continued)

Comparative Investment Results for Periods Ended June 30, 2008 (percent return)⁵

Ten-Year Total Pension Investment Rates of Return (dollars in millions)

	1 yr ⁴	3 yr ⁴	5 yr ⁴		Market Value	Actuarial Basis	Rate of Return	Actuarial Assumed Rate
Total CRIF¹ Fund	(7.6)%	6.5%	9.1%	1999	\$ 8,492.6	9.5%	11.3%	7.25%
vs. Mercer Public Funds Universe median ²	(4.4)	8.2	10.3	2000	9,315.1	8.5	6.7	7.25
Target Reference Index ³	(5.2)	6.7	8.7	2001	9,883.0	5.8	(2.5)	7.25
Total CRIF Domestic Equity	(14.9)	3.8	8.5	2002	9,627.8	3.1	(4.5)	7.25
vs. Mercer Equity Universe median	(11.7)	6.0	10.5	2003	9,704.1	4.2	4.7	7.25
Russell 3000 Index	(12.7)	4.7	8.4	2004	11,338.2	6.3	16.3	7.25
S&P 500 Index	(13.1)	4.4	7.6	2005	12,435.3	7.0	9.8	7.25
Total CRIF Global Equity	(14.5)	8.8	13.2	2006	13,694.9	7.9	10.7	7.25
vs. Mercer Global Equity Universe median	(8.0)	11.3	14.5	2007	16,114.3	10.4	18.2	7.25
MSCI ACWI Free Index	(9.3)	10.3	13.1	2008	14,851.0	N/A ¹	(7.6)	7.25
Total CRIF International Equity	(4.4)	17.9	20.5					
vs. Mercer International Equity Universe median	(8.4)	14.8	18.0					
ACWI Ex-US Index	(6.6)	15.7	18.9					
MSCI EAFE Index	(10.1)	13.3	17.2					
Total CRIF Fixed Income	8.8	4.6	4.5					
vs. Mercer Core Investment Grade Universe median	6.8	4.2	4.0					
LB Aggregate Index	7.1	4.1	3.9					

¹N/A denotes not available.

¹CRIF = Consolidated Retirement Investment Fund.

²Universe of Public Funds.

³Composed of passive indices for each asset class held at the target allocation.

⁴Gross of fees.

⁵Investment performance for the fund is based on performance calculations made by the fund's custodian, JPMorgan. The 1-year, 3-year and 5-year time-weighted rates of return for the year ended June 30, 2008.

Investment Summary

June 30, 2008
(dollars in millions)

	Beginning Account Balance	Ending Account Balance	Percentage of Total Fair Value
Domestic Equity	\$ 7,750.8	\$ 5,838.7	39.3%
Global Equity	1,701.2	1,454.0	9.8
International Equity	2,836.2	2,707.2	18.2
Total Equity	12,288.2	9,999.9	67.3
Alternative Investments	253.1	1,085.9	7.3
Fixed Income ¹	3,573.0	3,765.2	25.4
Total CRIF	\$ 16,114.3	\$ 14,851.0	100%

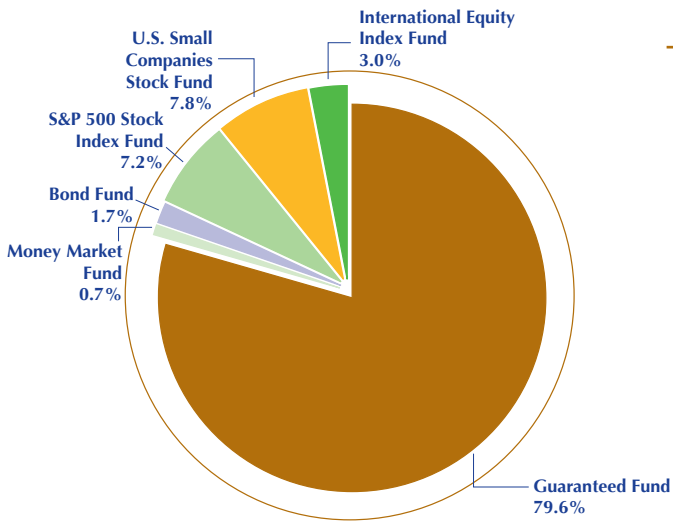
¹Includes Reallocation Account for cash flow and allocation purposes.

PUBLIC EMPLOYEES' RETIREMENT FUND

Investment Highlights (continued)

PERF Annuity Savings Account Investment Highlights by Dollar Amount

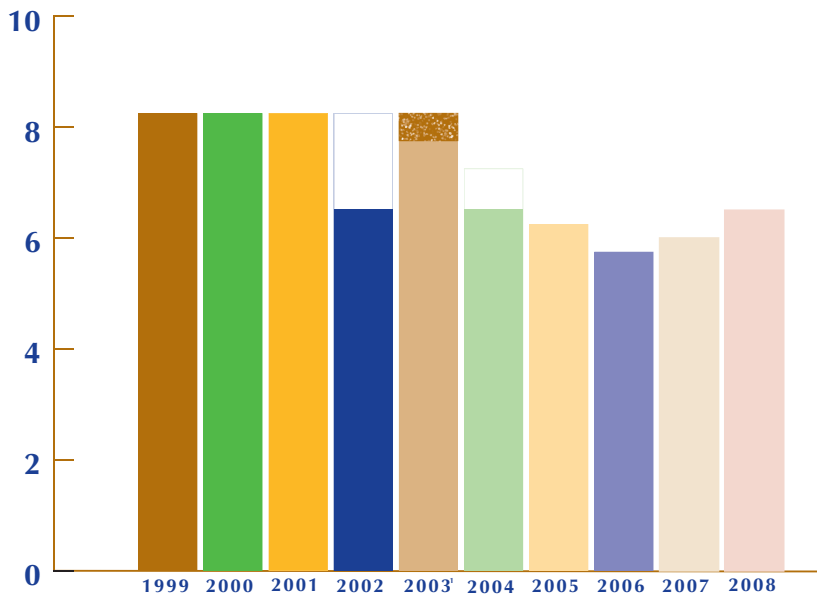
June 30, 2008
(dollars in millions)



	Assets	Percent of Self-Directed Investments
Guaranteed Fund	\$ 2,152.6	79.6%
Money Market Fund	18.1	0.7
Bond Fund	47.7	1.7
S&P 500 Stock Index Fund	194.6	7.2
U.S. Small Companies Stock Fund	210.0	7.8
International Equity Index Fund	81.7	3.0
Total Assets	\$ 2,704.7	100%

PERF Guaranteed Fund Interest Crediting Rates for Past 10 Years

As of June 30



Year	Interest Crediting Rate
1999	8.25%
2000	8.25
2001	8.25
2002	8.25
2003 ¹	8.25/7.75
2004	7.25
2005	6.25
2006	5.75
2007	6.00
2008	6.50

¹For the fiscal year ended June 30, 2003, the interest crediting rate of the Guaranteed Fund is credited based on an annual rate of 8.25% for the first quarter and 7.75% for the remaining three quarters.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Investment Highlights (continued)

Self-Directed Investment Options PERF Annuity Savings Account Annualized Rate of Return by Investment Option For Period Ended June 30, 2008

	1 yr ¹	3 yr ¹	5 yr ¹	Since Inception
Money Market Fund	4.4%	4.7%	3.5%	4.9%
Bond Fund	7.4	4.5	4.1	7.7
S&P 500 Stock Index Fund	(13.0)	4.4	7.6	4.0
U.S. Small Companies Stock Fund	(25.1)	1.7	12.2	13.5
International Equity Index Fund	(10.3)	13.2	17.0	11.9

¹Gross of fees.

Self-Directed Investment Options Legislators' Defined Contribution Plan Annualized Rate of Return by Investment Option For Period Ended June 30, 2008

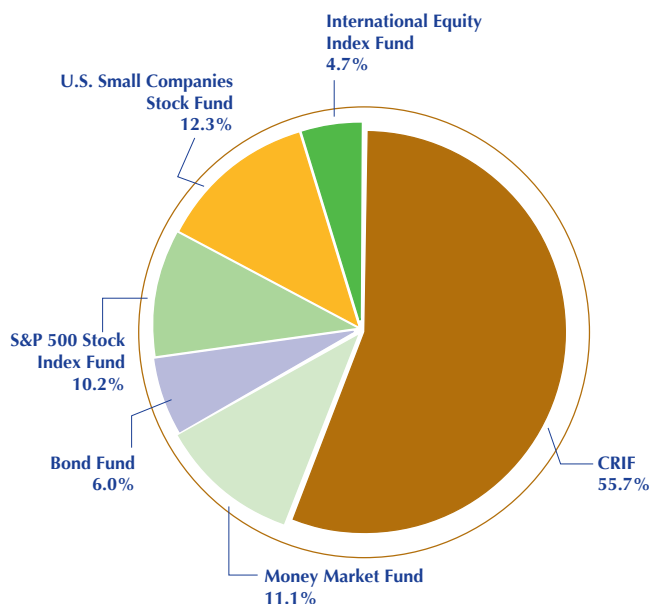
	1 yr ¹	3 yr ¹	5 yr ¹	Since Inception
Consolidated Retirement Investment Fund (CRIF)	(7.6)%	6.5%	9.1 %	7.8%
Money Market Fund	4.4	4.7	3.5	3.3
Bond Fund ²	8.1	4.5	N/A	4.2
S&P 500 Stock Index Fund ²	(13.8)	3.6	N/A	5.0
International Equity Index Fund ²	(11.8)	12.7	N/A	13.8
Royce Small Cap Stock Fund ²	(8.4)	11.2	N/A	9.6

¹Gross of fees.

²Made available to plan participants on September 1, 2004.

Legislators' Retirement Defined Contribution Plan Investment Highlights by Dollar Amount

June 30, 2008
(dollars in millions)



	Assets	Percent of Self-Directed Investments
Consolidated Retirement Investment Fund (CRIF)	\$ 13.1	55.7%
Money Market Fund	2.6	11.1
Bond Fund	1.4	6.0
S&P 500 Stock Index Fund	2.4	10.2
U.S. Small Companies Stock Fund	2.9	12.3
International Equity Index Fund	1.1	4.7
Total Assets	\$ 23.5	100%

PUBLIC EMPLOYEES' RETIREMENT FUND

List of Largest Assets Held

Largest Equity Holdings¹ (dollars in thousands)

	Shares	Market Value
Exxon Mobil Corp.	1,291,200	\$ 113,793
Google Inc.	117,123	61,656
General Electric Co.	2,281,900	60,904
AT&T Inc.	1,726,833	58,177
Chevron Corp.	555,400	55,057
Apple Computer Inc.	323,882	54,231
Microsoft Corp.	1,933,800	53,199
Rio Tinto	355,076	42,463
Goldman Sachs Group	238,423	41,700
Cisco Sys Inc.	1,782,600	41,463
Total S.A.	482,608	41,212
BG Group	1,570,143	40,841
Conocophillips	431,800	40,758
Canon Inc.	772,800	39,805
Petroleo Brasileiro S.A.	556,100	39,446

Largest Bond Holdings¹ (dollars in thousands)

	Maturity Date	Coupon Rate	Par Value	Market Value
Federal National Mortgage Association	7/25/2037	5.500	\$ 67,420	\$ 66,451
US Treasury Inflation Note	1/15/2014	2.334	47,780	58,962
US Treasury Inflation Note	4/15/2010	1.006	50,805	58,594
Federal National Mortgage Association	7/25/2038	5.000	60,900	58,369
US Treasury Inflation Bond	1/15/2025	2.717	47,695	56,995
US Treasury Inflation Note	7/15/2012	3.598	43,310	56,817
US Treasury Inflation Bond	4/15/2029	5.136	33,275	56,492
US Treasury Inflation Note	1/15/2016	2.173	48,155	54,887
US Treasury Inflation Note	1/15/2015	1.835	43,995	51,106
US Treasury Inflation Note	7/15/2013	2.201	36,220	44,778
US Treasury Inflation Bond	4/15/2028	4.884	27,000	44,742
US Treasury Inflation Note	7/15/2014	2.288	33,850	40,960
US Treasury Inflation Bond	1/15/2026	2.173	37,990	40,760
US Treasury Inflation Note	7/15/2017	2.731	35,000	40,062
US Treasury Inflation Bond	1/15/2027	2.540	35,415	39,542

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

Schedule of Commission Fees

Top 10 Brokers' Total Commission Fees (dollars in thousands)

	Commission Fee
Morgan Stanley & Co., Inc.	\$ 777
Investment Technology Group, Inc.	705
Deutsche Bank	589
Liquidnet Inc.	566
Merrill Lynch, Pierce, Fenner & Smith	557
Lehman Bros, Inc.	553
UBS Warburg, LLC	453
JPMorgan Securities Inc.	428
Instinet	296
Goldman Sachs & Co.	290
Total of Top Ten Commission Fees	5,214
Other Brokers	5,680
Total	\$ 10,894

PUBLIC EMPLOYEES' RETIREMENT FUND

Investment Professionals

CUSTODIAN

JPMorgan Chase
1 Chase Manhattan Plaza, 19th Floor
New York, NY 10005

CONSULTANTS

CEM Benchmarking Inc.
80 Richmond Street West, Suite 1300
Toronto, Ontario, Canada, M5H 2A4

Mercer Investment Consulting, Inc.
10 South Wacker Drive, Suite 1700
Chicago, IL 60606-7500

Plexus Group – Terminated 3/1/08
11150 Olympic Blvd, Ste 1000
Los Angeles, CA 90064

Strategic Investment Solutions, Inc.
333 Bush Street, Suite 2000
San Francisco, CA 94104

CRIF

DOMESTIC EQUITY

Artisan Partners Limited Partnership
5 Concourse Parkway NE, Suite 2120
Atlanta, GA 30328

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

Brandes Investment Partners, L.P. –
Terminated 11/9/07
11988 El Camino Real, Suite 500
San Diego, CA 92130

Hotchkis & Wiley Capital Management –
Terminated 2/22/08
725 S. Figueroa Street, 39th Floor
Los Angeles, CA 90017

Jacobs Levy Equity Managers, Inc. –
Terminated 2/22/08
100 Campus Drive
PO Box 650
Florham Park, NJ 07932

Numeric Investors, LLC
470 Atlantic Avenue, 6th Floor
Boston, MA 02210

Osprey Partners Investment Mgt., LLC –
Terminated 2/22/08
Shrewsbury Executive Center II
1040 Broad Street
Shrewsbury, NJ 07702

Rhumblin Advisors
30 Rowes Wharf, Suite 350
Boston, MA 02110

Sands Capital Management, LLC
1101 Wilson Blvd., Suite 2300
Arlington, VA 22209

State Street Global Advisors
State Street Financial Center
One Lincoln Street, 33rd Floor
Boston, MA 02111

Times Square Capital Management, LLC
1177 Avenue of Americas, 39th Floor
New York, NY 10036-9998

T. Rowe Price
100 East Pratt Street
Baltimore, MD 21202-1009

Turner Investment Partners, Inc.
1205 Westlakes Drive, Suite 100
Berwyn, PA 19312

Wells Capital Management
900 East 96th Street, Suite 310
Indianapolis, IN 46240

GLOBAL EQUITY

Brandes Investment Partners, LP
11988 El Camino Real, Suite 500
PO Box 919048
San Diego, CA 92191-9048

Capital Guardian Trust Company
630 Fifth Avenue, 36th Floor
New York, NY 10111

Invesco
One Midtown Plaza
1360 Peachtree St., NE, Ste. 100
Atlanta, GA 30309

INTERNATIONAL EQUITY

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

Baillie Gifford & Company
Calton Square
1 Greenside Row
Edinburgh EH1 3AN
Scotland, United Kingdom

Mondrian Investment Partners, Inc.
Two Commerce Square
2001 Market Street, Suite 3810
Philadelphia, PA 19103-7039

FIXED INCOME

BlackRock Financial Mgt., Inc.
40 E. 52nd St., 6th Floor
New York, NY 10022

Goldman Sachs Asset Management, L.P.
32 Old Slip, 32nd Floor
New York, NY 10005

Hughes Capital Management, Inc.
916 Prince Street, 3rd Floor
Alexandria, VA 22314

Lehman Brothers Asset Mgt., LLC –
Terminated April 18, 2008
190 S. LaSalle Street, Ste. 2400
Chicago, IL 60603

Loomis, Sayles & Company, L.P.
One Financial Center
Boston, MA 02111

Northern Trust Global Investments
50 South LaSalle Street
M4 Quant Management
Chicago, IL 60675

Pacific Investment Management Company
840 Newport Center Drive, Suite 100
Newport Beach, CA 92660

Reams Asset Management Co., LLC
227 Washington Street, PO Box 727
Columbus, IN 47201-0727

Seix Investment Advisors, Inc. –
Terminated April 18, 2008
10 Mount View Road, Ste C-200
Upper Saddle River, NJ 07438

Taplin, Canida & Habacht
1001 Brickell Bay Drive, Suite 2100
Miami, FL 33131

Western Asset Global Management, Inc. –
Terminated April 18, 2008
385 E. Colorado Blvd.
Pasadena, CA 91101

GLOBAL REITS

European Investors Inc.
717 Fifth Avenue, 10th Floor
New York, NY 10022

Invesco Ltd.
One Midtown Plaza
1360 Peachtree Street, NE
Atlanta, GA 30309

ABSOLUTE RETURN

Dorchester Capital Advisors, LLC
11111 Santa Monica Blvd., Suite 1250
Los Angeles, CA 90025

Pacific Alternative Asset Mgt. Co. (PAAMCO)
19540 Jamboree Road, Suite 400
Irving, CA 92612

The Blackstone Group
345 Park Avenue
New York, NY 10154

PRIVATE EQUITY/PRIVATE REAL ESTATE

Actis
2 More London Riverside
London SE1 2JT
United Kingdom

Investment Professionals (continued)

Advent International
111 Buckingham Palace Road
London SW1W 0SR
United Kingdom

Arch Venture Partners
8725 West Higgins Road, Suite 290
Chicago, IL 60631

Ares Management, LLC
1999 Avenue of the Stars, 19th Floor
Los Angeles, CA 90067

Avenue Capital Partners
535 Madison Avenue, 15th Floor
New York, NY 10022

The Blackstone Group
345 Park Avenue
New York, NY 10154

Brentwood Associates
11150 Santa Monica Blvd., Suite 1200
Los Angeles, CA 90025

Cerberus Institutional Partners
299 Park Avenue
New York, NY 10171

Court Square Capital Partners
Park Avenue Plaza
55 E 52nd St., 34th Floor
New York, NY 10055

Credit Suisse
11 Madison Avenue, 16th Floor
New York, NY 10010

Crestview Capital
667 Madison Avenue, 10th Floor
New York, NY 10021

CVC Capital Partners
111 Strand
London WC2R 0AG
United Kingdom

Encap Investments
1100 Louisiana Street, Suite 1100
Houston, TX 77002

Energy Capital Partners
51 John F. Kennedy Parkway, Suite 200
Short Hills, NJ 07078

Greenpark Capital
2-5 Old Bond Street
London, W1S 4PD
United Kingdom

GSO Capital Partners
280 Park Avenue
New York, NY 10017

Hellman & Friedman Investors
One Maritime Plaza, 12th Floor
San Francisco, CA 94111

Horsley Bridge Partners
505 Montgomery Street
San Francisco, CA 94111

House Investments
10401 North Meridian Street, Suite 275
Indianapolis, IN 46290-1090

Lehman Brothers
399 Park Avenue
New York, NY 10022

Lexington Partners
660 Madison Avenue
New York, NY 10021

Lindsay Goldberg
630 Fifth Avenue, 30th Floor
New York, NY 10111

Lion Capital, LLP
21 Grosvenor Place
London SW1X 7HF
United Kingdom

Merit Capital Partners
303 West Madison Avenue, Suite 2100
Chicago, IL 60606

Mill Road Capital
2 Soundview Drive, Ste 300
Greenwich, Ct 06830

Natural Gas Partners
125 E. John Carpenter Freeway, Suite 600
Irving, TX 75062

New Mountain Capital
One Market Street, Spear Tower, Ste. 1735
San Francisco, CA 94105

Oaktree Capital Management
333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071

PACVEN Walden Ventures
750 Battery Street, 7th Floor
San Francisco, Ca 94111

Pappas Ventures
2520 Meridian Parkway, Suite 400
Durham, NC 27713

Scale Venture Partners
950 Tower Lane, Suite 700
Foster City, Ca 94404

Silver Lake Partners
2775 Sand Hill Road, Suite 100
Menlo Park, CA 94025

Technology Partners
550 University Avenue
Palo Alto, CA 94301

Terra Firma Capital Partners
2 More London Riverside
London SE1 2AP
United Kingdom

Vista Equity Partners
150 California Street, 19th Floor
San Francisco, CA 94111

Walton Street Capital
900 North Michigan Avenue, Suite 1900
Chicago, IL 60611

Warburg Pincus
466 Lexington Avenue
New York, NY 10017-3147

WL Ross & Company
1166 Avenue of the Americas, 27th Floor
New York, NY 10036

York Capital Management
767 Fifth Avenue, 17th Floor
New York, NY 10153

DEFINED CONTRIBUTION PLANS

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

Dimensional Fund Advisors, Inc.
1299 Ocean Avenue
Santa Monica, CA 90401

Northern Trust Global Investments
50 South LaSalle Street
M4 Quant Management
Chicago, IL 60675

Royce & Associates, LLC
1414 Avenues of the Americas, Suite 900
New York, NY 10019

JPMorgan Chase
3 Metro Tech Center, Fl. 5
Brooklyn, NY 11245

PENSION RELIEF FUND

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

SPECIAL DEATH FUNDS

Allegiant Asset Management Company
101 S. 5th Street
National City Tower – Loc. #T03F
Louisville, KY 40202



ACTUARIAL

78	ACTUARY'S CERTIFICATION LETTER
80	SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
83	RECONCILIATION OF CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES
84	SOLVENCY TEST
86	SCHEDULES OF ACTIVE MEMBER VALUATION DATA
87	SCHEDULES OF RETIRANTS AND BENEFICIARIES

SECTION

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Actuary's Certification Letter



McCready and Keene, Inc.

7941 Castleway Drive

PO Box 50460

Indianapolis, Indiana 46250-0460

July 23, 2008

Indiana Public Employees' Retirement Fund
Board of Trustees
143 West Market Street, Suite 500
Indianapolis, IN 46204

Dear Members of the Board:

Certification of Actuarial Valuations

The actuarial data presented in this report describes the current actuarial condition of the defined benefit pension plans ("Plans") administered by the Indiana Public Employees' Retirement Fund ("PERF"). Valuations are prepared annually as of July 1 for all Plans except the 1977 Police Officers' and Firefighters' Pension and Disability Fund which is annually as of January 1.

Under PERF statutes, employer contribution rates are certified annually for each Plan by the Board of Trustees. These rates are determined actuarially, based on the Board's funding policy. Contribution rates for the PERF Plan as determined by a given actuarial valuation become effective eighteen months after the valuation date (12 months for state employees). For example, the rates determined by the July 1, 2007 actuarial valuation will be used by the Board when certifying the employer contribution rates for the year beginning January 1, 2009 (or for the year beginning July 1, 2008 for state employees). If new legislation is enacted between the valuation date and the date the contribution rates become effective, the Board may adjust the recommended rates before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Funding Objectives and Funding Policy

In setting contribution rates, the Board's principal objectives have been:

- to set rates so that the unfunded actuarial accrued liability ("UAAL") will be amortized over a fixed period.
- to set rates so that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that the employer contribution rate be equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the amortization of the UAAL in equal installments. The Board has adopted smoothing rules to the political subdivisions of PERF (except for State Employees) in the determination of the employer contribution rates to reduce the variability of these rates. Beginning with 2007, the smoothing rules were extended to the determination of the employer contribution rates for PERF State employees and for the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters Pension and Disability fund, and the Prosecuting Attorneys Retirement Fund.

No membership growth is anticipated in setting the contribution rate. This is consistent with GASB #25, which prohibits anticipating membership growth in determining the minimum Annual Required Contribution ("ARC"). Under this policy, the objectives of amortizing the UAAL and maintaining relatively level contribution rates over time are achieved.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of

Actuary's Certification Letter

a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The combined funded ratio for all Plans has increased from the preceding year due primarily to favorable actuarial experience gains.

Benefit Provisions

The benefit provisions reflected in this report are those which were in effect on each Plan's valuation date. The Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Plan reflect benefit improvements from the 2006 valuation.

Assumptions and Methods

Actuarial assumptions and methods used in the valuation are set by the Board, based upon the recommendations of the actuary. The actuary reviews actual plan experience before making these recommendations. The last such review of actuarial assumptions was carried out in connection with the July 1, 2006 actuarial valuation for the PERF Plan and the January 1, 2003 actuarial valuation for the 1977 Municipal Police and Fire pension plan. The PERF retirement rates were increased by 30% for the 2007 valuation to reflect the higher than expected recent actual retirement experience.

Data

Member data for retired, active and inactive members was supplied as of each Plan's valuation date by Indiana Office of Technology, a data vendor for PERF. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. Asset information for each Plan was supplied by PERF and Indiana Office of Technology.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by PERF as of each Plan's 2007 valuation date.

We prepared the exhibits in the "Actuarial Section" which include Summary of Actuarial Assumptions and Methods, the Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities, the Solvency Tests, the Schedules of Active Member Valuation Data, and the Schedules of Retirants and Beneficiaries. In addition, we prepared the Schedules of Funding Progress and Schedules of Employer Contributions in the "Financial Section."

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Indiana state law and, where applicable, the Internal Revenue Code, Employee Retirement Income Security Act (ERISA), and the Statements of the Governmental Accounting Standards Board. We are each independent Enrolled Actuaries and Members of the American Academy of Actuaries and experienced in performing valuations for large public retirement systems.

If you have any questions or require additional information, please don't hesitate to contact us.



Douglas Todd
A.S.A., M.A.A.A., E.A.
Senior Actuary



Richard E. Lenar
F.S.A., M.A.A.A., E.A.
Chief Actuary

PUBLIC EMPLOYEES' RETIREMENT FUND

Summary of Actuarial Assumptions and Methods as of July 1, 2007

- Note 1:** Prior to July 1, 2003, the COLA assumption was assumed to be 2 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2003, the time period for the actuarial assumption for COLA was changed from the remaining lifetime of the benefit recipient to five years from the valuation date. This change was applied to the Indiana Public Employees' Retirement Fund (PERF Plan), the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, and the Legislators' Defined Benefit Plan.
- Note 2:** Effective July 1, 2004, the COLA assumption was assumed to be 0.5 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2005, the COLA assumption was assumed to be 1 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2006, the COLA assumption was assumed to be 1.5 percent for the remaining lifetime of the benefit recipient. These changes were applied to the PERF Plan, the State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan, and the Legislators' Defined Benefit Plan. The PERF Plan plans to maintain the COLA assumption at 1.5 percent for the remaining lifetime of the benefit recipient.
- Note 3:** All systems are using the 1994 U.S. UP-94 (sex distinct) for post-retirement.
- Note 4:** Actuarial funding method for all systems is Entry Age Normal Cost, except for the Accrued Benefit (Unit Credit) funding method that is used for the Legislators' Defined Benefit Plan. Actuarial experience gains and losses are amortized on a level dollar basis for all systems. The amortization period is closed for all systems except the 1977 Police Officers' and Firefighters' Pension and Disability Fund which has an open amortization period.
- Note 5:** Actuarial asset valuation method phases in the difference between expected investment return and actual investment return over a 4-year period for all systems except the PERF Plan where valuation assets are equal to 75 percent of expected actuarial value plus 25 percent of market value.

Public Employees' Retirement Fund July 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale		Retirement Rates		Disability Rates			Termination Rates		
7.25%	1.5%	Based on PERF Exp. 2000-2005 Sample Rates:		Based on PERF Exp. 2000-2005 ¹ Sample Rates:		Based on PERF Exp. 2000-2005 Sample Rates:			Based on PERF Exp. 2000-2005 Ultimate Sample Rates:		
		Age	Rate	Age	Rate	Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
		25	4%	60	13%	45	0.11%	0.09%	25	2%	2%
		35	4	62	29	50	0.20	0.16	30	2	2
		45	4	65	43	55	0.35	0.28	35	2	2
		60	4	70	39	60	0.62	0.49	45	2	2

¹Rates revised effective July 1, 2007.

Judges' Retirement System July 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	4% for 1977 System None for 1985 System	4%	Based on Experience 2000-2005 Sample Rates:		1964 OASDI Sample Rates:		Based on Experience 2000-2005 Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			62	25%	40	0.22%	30	4%
			64	10	50	0.61	40	4
			65	25	60	1.63	50	4
			75	100	64	2.32	55	4

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Summary of Actuarial Assumptions and Methods as of July 1, 2007

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan

July 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	1.5%	4.5%	Based on Experience of Current Retirees Sample Rates:		150% of 1964 OASDI Sample Rates:		Sarason T-1 Sample Rates:	
			Age	Male and Female	Age	Rate	Age	Male and Female
			50	3%	40	0.33%	30	3.7%
			53	3	50	0.91	40	1.1
			56	6	60	2.44	50	0.0
			60	100	64	3.48	55	0.0

1977 Police Officers' and Firefighters' Pension and Disability Fund

January 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	2.75%	4%	Based on Actuarial Exp. Study 1998-2002 Sample Rates:		150% of 1964 OASDI Sample Rates:		Sarason T-1 Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			50-51	10%	40	0.33%	30	3.7%
			52-64	20	50	0.91	40	1.1
			65-69	50	60	2.44	50	0.0
			70+	100	64	3.48	55	0.0

Prosecuting Attorneys' Retirement Fund

July 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates	Disability Rates			Termination Rates
7.25%	None	4%	Later of (a) age 65, or (b) 8 years service	Based on PERF Exp. 2000-2005 Sample Rates:			10% per year
				Age	Male Rate	Female Rate	
				45	0.11%	0.09%	
				50	0.20	0.16	
				55	0.35	0.28	
				60	0.62	0.49	

PUBLIC EMPLOYEES' RETIREMENT FUND

Summary of Actuarial Assumptions and Methods as of July 1, 2007

Legislators' Defined Benefit Plan

July 1, 2007 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	1.5%	3%	Based on Experience Sample Rates:		75% of 1964 OASDI Sample Rates:		Sarason T-2 Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			55	10%	40	0.17%	30	5.1%
			58-61	2	50	0.45	40	3.5
			62-64	5	60	1.22	50	0.4
			65	50	64	1.74	55	0.0

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities

(dollars in thousands)

	July 1, 2006 UAAL ²	Amortized Payments Prior Year	Interest for Year	Liability (Gain)/Loss	Asset (Gain)/Loss	Change in Benefit Provisions or Assumption	July 1, 2007 UAAL ²
Public Employees' Retirement Fund	\$ 272,957	\$ (21,027)	\$ 18,265	\$ 124,812	\$ (347,160)	\$ 171,017	\$ 218,864
Judges' Retirement System	94,721	(7,297)	6,338	(5,995)	(15,519)	0	72,248
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	16,269	(1,253)	1,089	443	(4,251)	4,740	17,037
1977 Police Officers' and Firefighters' Pension and Disability Fund ¹	67,067	(9,006)	4,209	(72,837)	(200,420)	0	(210,987)
Prosecuting Attorneys' Retirement Fund	9,130	(703)	611	866	(1,667)	0	8,237
Legislators' Defined Benefit Plan	511	(51)	33	44	(403)	0	134

¹ Beginning date of January 1, 2006 rather than July 1, 2006, and ending date of January 1, 2007 rather than July 1, 2007.

² UAAL = Unfunded Actuarial Accrued Liability.

PUBLIC EMPLOYEES' RETIREMENT FUND

Solvency Test

(dollars in thousands)

	As of July 1	Actuarial Accrued Liabilities			
		(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Member (Employer Financed Portion)	(4) Total Actuarial Accrued Liabilities
Public Employees' Retirement Fund	2002 ¹	\$ 1,886,124	\$ 2,582,149	\$ 4,597,859	\$ 9,066,132
	2003 ¹	1,971,864	2,764,974	4,297,735	9,034,573
	2004 ¹	2,211,326	2,927,884	4,705,143	9,844,353
	2005 ¹	2,382,280	3,301,265	5,174,777	10,858,322
	2006 ¹	2,515,984	3,648,764	5,286,181	11,450,929 ³
	2007 ¹	2,707,176	4,007,389	5,725,233	12,439,798
Judges' Retirement System	2002	\$ 16,892	\$ 86,997	\$ 84,545	\$ 188,434
	2003 ¹	12,595	111,781	82,470	206,846
	2004	18,415	105,922	85,655	209,992
	2005	19,515	137,631	115,709	272,855
	2006 ^{1,2}	20,861	134,272	117,865	272,998 ³
	2007	21,276	143,645	119,074	283,995
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	2002	\$ 3,102	\$ 18,770	\$ 34,012	\$ 55,884
	2003 ¹	3,103	17,630	31,274	52,007 ³
	2004 ¹	3,613	17,788	28,608	50,009 ³
	2005 ¹	3,488	18,907	37,569	59,964
	2006 ^{1,2}	3,644	20,870	40,251	64,765
	2007 ²	3,527	24,606	46,318	74,451
1977 Police Officers' and Firefighters' Pension and Disability Fund (As of January 1 instead of July 1)	2002	\$ 273,787	\$ 447,042	\$ 1,087,925	\$ 1,808,754
	2003 ¹	307,929	457,766	1,001,150	1,766,845
	2004	344,775	452,755	1,077,988	1,875,518
	2005	362,908	436,606	1,264,657	2,064,171
	2006	403,643	503,498	1,507,912	2,415,053
	2007	455,476	546,628	1,647,421	2,649,525
Prosecuting Attorneys' Retirement Fund	2002	\$ 9,361	\$ 1,965	\$ 11,060	\$ 22,386
	2003 ¹	9,489	2,084	4,113	15,686
	2004	12,237	2,419	7,932	22,588
	2005	13,132	2,303	10,309	25,744
	2006 ¹	14,893	2,252	12,039	29,184
	2007	16,014	3,192	12,846	32,052
Legislators' Defined Benefit Plan	2002	\$ 0	\$ 2,326	\$ 3,177	\$ 5,503
	2003 ¹	0	2,278	2,670	4,948
	2004 ¹	0	2,128	2,728	4,856
	2005 ¹	0	2,121	2,878	4,999
	2006 ¹	0	2,270	2,962	5,232
	2007	0	2,432	2,737	5,169

¹Actuarial assumptions and/or methods revised.

²Improvement in benefit provisions.

³Prior year totals have been restated.

Solvency Test (continued)

(dollars in thousands)

	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets			
		(1)	(2)	(3)	(4)
Public Employees' Retirement Fund	\$ 8,994,854	100%	100%	98.4%	99.2%
	9,293,952	100	100	100	102.9
	9,853,976	100	100	100	100.1
	10,471,937	100	100	92.5	96.4
	11,177,971	100	100	94.8	97.6
	12,220,934	100	100	96.2	98.2
Judges' Retirement System	\$ 121,155	100%	100%	20.4%	64.3%
	126,152	100	100	2.2	61.0
	135,798	100	100	13.4	64.7
	151,003	100	95.5	0.0	55.3
	178,276	100	100	19.6	65.3
	211,747	100	100	39.3	74.6
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	\$ 37,360	100%	100%	45.5%	66.9%
	37,286	100	100	52.9	71.7
	38,772	100	100	60.7	77.5
	41,663	100	100	51.3	69.5
	48,496	100	100	59.6	74.9
	57,414	100	100	63.2	77.1
1977 Police Officers' and Firefighters' Pension and Disability Fund	\$ 1,615,245	100%	100%	82.2%	89.3%
	1,660,445	100	100	89.4	94.0
	1,797,124	100	100	92.7	95.8
	1,976,905	100	100	93.1	95.8
	2,347,986	100	100	95.6	97.2
	2,860,512	100	100	100	108
Prosecuting Attorneys' Retirement Fund	\$ 11,957	100%	100%	5.7%	53.4%
	12,758	100	100	28.8	81.3
	14,655	100	99.9	0.0	64.9
	16,876	100	100	14.0	65.6
	20,053	100	100	24.2	68.7
	23,815	100	100	35.9	74.3
Legislators' Defined Benefit Plan	\$ 4,446	N/A	100%	66.7%	80.8%
	4,200	N/A	100	72.0	84.9
	4,206	N/A	100	76.2	86.6
	4,339	N/A	100	77.0	86.8
	4,721	N/A	100	82.8	90.2
	5,035	N/A	100	95.1	97.4

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedules of Active Member Valuation Data

(dollars in thousands – except average)

	As of July 1	Active Members	Active Members		
			Annual Payroll	Average Pay	Percent Increase
Public Employees' Retirement Fund	2002	143,234	\$ 3,785,242	\$ 26,891	8.7%
	2003	143,082	3,952,230	28,226	5.0
	2004	142,913	4,198,942	29,489	4.5
	2005	141,428	4,318,450	30,535	3.5
	2006	140,563	4,322,180	30,749	4.3
	2007	138,863	4,385,676	31,583	2.7
	Judges' Retirement System	2002	282	\$ 25,805	\$ 91,507
2003		278	25,400	91,367	(0.2)
2004		275	25,693	93,431	2.3
2005		282	32,231	114,293	22.3
2006		274	34,065	124,323	8.8
2007		258	29,712	115,163	(7.4)
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan		2002	254	\$ 12,654	\$ 49,818
	2003	254	11,944	47,024	(5.6)
	2004	251	10,209	40,675	(13.5)
	2005	262	13,223	50,469	24.1
	2006	310	14,892	48,039	(4.8)
	2007	344	17,715	51,497	7.2
	1977 Police Officers' and Firefighters' Pension and Disability Fund	2002	10,179	\$ 396,246	\$ 38,928
2003		10,737	432,954	40,324	3.6
2004		11,238	469,750	41,800	3.7
2005		11,424	493,707	43,217	3.4
2006		11,728	522,227	44,528	3.0
2007		12,056	557,644	46,254	3.9
Prosecuting Attorneys' Retirement Fund		2002	205	\$ 14,438	\$ 70,427
	2003	218	13,159	60,360	(14.3)
	2004	214	15,149	70,790	17.3
	2005	220	16,659	75,724	7.0
	2006	218	19,225	88,188	16.5
	2007	206	18,092	87,825	(0.4)
	Legislators' Defined Benefit Plan¹	2002	58	N/A	N/A
2003		55	N/A	N/A	N/A
2004		50	N/A	N/A	N/A
2005		48	N/A	N/A	N/A
2006		46	N/A	N/A	N/A
2007		43	N/A	N/A	N/A

¹Benefits are not based on annual payroll.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedules of Retirants and Beneficiaries

(dollars in thousands – except average)

	Year Begin July 1	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances ¹	Average Annual Allowances ¹
		No.	Annual Allowances ¹	No.	Annual Allowances ¹	No.	Annual Allowances ¹		
Public Employees' Retirement Fund	2001	3,874	\$ 23,742	3,551	\$15,771	51,092	\$ 263,010	7.6%	\$ 5,163
	2002	3,978	31,424	2,114	9,216	52,956	289,667	10.1	5,470
	2003	3,975	34,244	2,577	12,511	54,354	325,711	12.4	5,992
	2004	4,499	35,845	1,732	8,358	57,121	354,285	8.8	6,202
	2005	3,403	29,572	2,241	14,440	58,283	377,611	6.6	6,479
	2006	4,633	42,653	2,584	15,229	60,332	412,745	9.3	6,841
Judges' Retirement System	2001	11	\$ 424	18	\$ 838	235	\$ 8,031	(5.3)%	\$ 34,174
	2002	28	1,386	5	166	258	9,915	23.5	38,430
	2003	8	313	4	208	262	9,854	(0.6)	37,609
	2004	13	667	11	374	264	12,272	24.5	46,485
	2005	12	868	7	474	269	12,983	5.8	48,266
	2006	18	976	8	409	279	13,899	7.1	49,819
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	2001	7	\$ 154	1	\$ 16	128	\$ 1,619	10.1%	\$ 12,651
	2002	5	108	5	54	128	1,673	3.3	13,067
	2003	4	116	4	58	128	1,738	3.9	13,580
	2004	4	114	4	65	128	1,787	2.8	13,962
	2005	5	127	1	26	132	1,888	5.6	14,304
	2006	13	359	5	74	140	2,176	15.2	15,539
1977 Police Officers' and Firefighters' Pension and Disability Fund (As of January 1 instead of July 1)	2001	275	\$ 4,477	126	\$ 1,337	1,866	\$ 31,587	13.9%	\$ 16,928
	2002	90	1,558	50	767	1,906	34,088	7.9	17,885
	2003	65	1,320	65	1,215	1,906	34,258	0.5	17,974
	2004	14	255	22	387	1,898	33,706	(1.5)	17,759
	2005	257	5,493	28	554	2,127	38,648	14.7	18,170
	2006	172	3,860	34	592	2,265	41,973	8.6	18,531
Prosecuting Attorneys' Retirement Fund	2001	0	\$ 0	1	\$ 17	18	\$ 216	(8.5)%	\$ 12,009
	2002	1	31	2	21	17	226	4.3	13,266
	2003	2	38	1	7	18	257	13.8	14,259
	2004	0	0	0	0	18	249	(3.0)	13,831
	2005	0	0	0	0	18	249	0.1	13,850
	2006	4	121	2	32	20	338	35.6	16,905
Legislators' Defined Benefit Plan	2001	0	\$ 0	1	\$ 5	34	\$ 232	(2.2)%	\$ 6,822
	2002	9	31	4	14	39	246	5.9	6,301
	2003	0	0	0	0	39	246	0.0	6,303
	2004	0	0	0	0	39	244	(0.5)	6,268
	2005	2	12	2	9	39	260	6.2	6,658
	2006	6	31	0	0	45	283	9.1	6,298

¹For PERF only, this includes employee annuities.



STATISTICAL

91	SUMMARY OF STATISTICAL SECTION
92	SCHEDULE OF ADDITIONS BY SOURCE
94	SCHEDULE OF DEDUCTIONS BY TYPE
96	SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE
98	SCHEDULE OF BENEFIT RECIPIENTS BY TYPE OF BENEFIT OPTION
99	SCHEDULE OF AVERAGE BENEFIT PAYMENTS
104	SCHEDULE OF CHANGES IN NET ASSETS
105	SCHEDULE OF PARTICIPATING EMPLOYERS

SECTION

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Summary of Statistical Section

This part of the *PERF Comprehensive Annual Financial Report* contains details for understanding what the financial statements, note disclosures and required supplementary information say about each of the fund's overall financial health.

Contents

Financial Trends

The following schedules contain trend information to help the reader understand how the financial performance of each fund has changed over time:

- Schedule of Additions by Source
- Schedule of Deductions by Type
- Schedule of Benefit Deductions by Type
- Schedule of Changes in Net Assets

Demographic and Economic Information

The following schedules contain benefit and member data regarding the environment within the financial activities of each fund:

- Schedule of Benefit Recipients by Type of Benefit Option
- Schedule of Average Benefit Payments
- Schedule of Participating Employers

Sources: Unless otherwise noted, the information in these schedules is obtained from the comprehensive annual financial reports for the relevant years.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Additions by Source Year Ended June 30

(dollars in thousands)

	Year	Member Contributions	Employer Contributions	Employer Contributions as a Percent of Covered Payroll	Net Investment Income (Loss)	Transfers from Systems	Other Additions	Total Additions
Public Employees' Retirement Fund	1999	\$ 104,864	\$ 203,054	6.2%	\$ 735,051	\$ 1,401	\$ 2,514	\$ 1,046,885
	2000	111,484	215,559	6.2	535,004	1,036	238	863,321
	2001	113,969	198,744	5.5	(260,788)	2,057	348	54,330
	2002	119,377	208,020	5.2	(389,286)	1,251	446	(60,192)
	2003	128,828	213,370	5.1	340,970	-	2,272	685,440
	2004	135,963	234,918	5.2	1,351,210	2,364	18	1,724,473
	2005	136,009	206,323	4.6	896,408	2,982	560	1,242,282
	2006	145,753	230,357	4.7	1,093,658	1,495	46	1,471,309
	2007	147,740	260,150	6.0	2,024,539	2,658	183	2,435,270
	2008	155,728	303,877	7.0	(1,079,918)	6,355	288	(613,670)
Judges' Retirement System	1999	\$ 1,545	\$ 11,095	35.8%	\$ 8,829	\$ -	\$ -	\$ 21,469
	2000	1,631	11,775	38.7	6,591	-	-	19,997
	2001	1,604	12,279	41.3	(3,366)	-	10	10,527
	2002	1,515	12,543	41.8	(5,198)	-	-	8,860
	2003	1,558	13,276	42.6	6,238	-	-	21,072
	2004	1,560	12,965	49.9	20,780	-	1	35,306
	2005	1,569	13,540	51.8	14,815	-	-	29,924
	2006	1,839	13,537	44.2	18,291	18	-	33,685
	2007	1,925	14,662	43.0	35,419	-	-	52,006
	2008	2,062	15,920	53.6	(19,133)	64	-	(1,087)
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1999	\$ 74	\$ 1,800	15.9%	\$ 3,094	\$ -	\$ -	\$ 4,968
	2000	68	1,937	17.1	2,270	-	-	4,275
	2001	70	2,026	16.2	(1,117)	-	-	979
	2002	69	1,904	15.2	(1,687)	-	-	286
	2003	68	1,951	15.7	1,627	-	-	3,646
	2004	74	2,120	15.9	5,971	-	-	8,165
	2005	68	2,164	16.8	4,093	-	-	6,325
	2006	96	2,498	18.9	4,907	-	10	7,511
	2007	129	3,359	22.6	9,508	-	-	12,996
	2008	981	4,854	27.4	(5,156)	-	-	679
1977 Police Officers' and Firefighters' Pension and Disability Fund	1999	\$ 18,620	\$ 63,447	21.0%	\$ 119,276	\$ -	\$ 32	\$ 201,375
	2000	21,145	73,535	21.0	91,028	13	37	185,758
	2001	25,229	82,643	21.0	(45,778)	-	37	62,131
	2002	23,840	85,062	21.0	(70,509)	-	-	38,393
	2003	30,350	94,920	21.0	79,234	-	-	204,504
	2004	28,029	98,489	21.0	278,248	-	141	404,907
	2005	32,622	117,678	21.0	201,043	-	132	351,475
	2006	32,231	104,247	21.0	246,767	-	78	383,323
	2007	33,898	118,816	21.0	490,857	-	76	643,647
	2008	36,787	129,553	21.0	(265,745)	-	57	(99,348)

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Additions by Source Year Ended June 30 (continued)

(dollars in thousands)

	Year	Member Contributions	Employer Contributions	Employer Contributions as a Percent of Covered Payroll	Net Investment Income (Loss)	Transfers from Systems	Other Additions	Total Additions
Prosecuting Attorneys' Retirement Fund	1999	\$ 819	\$ 184	1.5%	\$ 863	\$ -	\$ -	\$ 1,866
	2000	830	275	2.0	625	-	-	1,730
	2001	843	275	2.0	(322)	-	-	796
	2002	803	436	3.3	(524)	-	-	715
	2003	836	446	3.2	614	-	-	1,896
	2004	900	933	6.2	2,147	-	-	3,980
	2005	856	961	6.7	1,597	-	-	3,414
	2006	1,089	170	0.9	1,988	-	-	3,247
	2007	1,133	190	1.0	3,948	-	-	5,271
	2008	1,208	170	0.9	(2,108)	-	-	(730)
Legislators' Retirement System - Defined Benefit Plan	1999	\$ -	\$ 201	-%	\$ 430	\$ -	\$ -	\$ 631
	2000	-	170	-	296	-	-	466
	2001	-	170	-	(157)	-	-	13
	2002	-	187	-	(233)	-	13	(33)
	2003	-	187	-	157	-	-	344
	2004	-	206	-	646	-	-	852
	2005	-	206	-	393	-	-	599
	2006	-	100	-	439	-	-	539
	2007	-	100	-	799	-	-	899
	2008	-	100	-	(523)	-	-	(423)
Legislators' Retirement System - Defined Contribution Plan	1999	\$ 970	\$ -	-%	\$ 866	\$ -	\$ -	\$ 1,836
	2000	906	-	-	654	-	-	1,560
	2001	954	-	-	(393)	-	-	561
	2002	1,092	-	-	(446)	-	-	646
	2003	1,226	-	-	519	-	-	1,745
	2004	1,329	-	-	1,974	-	36	3,339
	2005	1,387	-	-	1,240	-	27	2,654
	2006	1,414	-	-	2,041	-	33	3,488
	2007	1,468	-	-	3,639 ¹	429	32 ¹	5,568 ¹
	2008	1,366	-	-	(1,741)	-	60	(315)

¹Prior year data has been restated.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Deductions by Type Year Ended June 30

(dollars in thousands)

	Year	Benefit Payments	Distributions	Transfers to Systems	Administrative	Total Deductions
Public Employees' Retirement Fund	1999	\$ 248,456	\$ 35,766	\$ 1,344	\$ 1,564	\$ 287,130
	2000	270,819	33,943	1,768	5,991	312,521
	2001	283,055	28,884	2,415	8,451	322,805
	2002	297,293	29,104	1,254	14,567	342,218
	2003	322,754	29,637	3,847	9,247	365,485
	2004	361,454	32,906	2,781	13,418	410,559
	2005	375,843	35,009	3,973	15,605	430,430
	2006	418,567	65,804	5,110	14,273	503,754
	2007	466,009	48,334	6,795	17,943	539,081
	2008	501,637	45,610	6,844	21,183	575,274
Judges' Retirement System	1999	\$ 7,333	\$ 4	\$ -	\$ 200	\$ 7,537
	2000	7,721	21	-	156	7,898
	2001	8,201	59	-	199	8,459
	2002	8,355	2	-	250	8,607
	2003	8,611	46	-	110	8,767
	2004	9,041	45	-	197	9,283
	2005	9,487	119	-	134	9,740
	2006	11,215	6	-	149	11,370
	2007	11,664	72	-	194	11,930
	2008	12,579	50	-	244	12,873
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1999	\$ 1,154	\$ -	\$ -	\$ 149	\$ 1,303
	2000	1,253	4	-	143	1,400
	2001	1,420	1	-	151	1,572
	2002	1,571	-	-	239	1,810
	2003	1,711	40	-	40	1,791
	2004	1,821	-	-	63	1,884
	2005	1,919	15	-	40	1,974
	2006	2,102	-	12	47	2,161
	2007	2,373	3	-	64	2,440
	2008	2,681	11	-	83	2,775
1977 Police Officers' and Firefighters' Pension and Disability Fund	1999	\$ 18,698	\$ 2,125	\$ -	\$ 1,534	\$ 22,357
	2000	26,083	1,972	-	580	28,635
	2001	28,463	1,574	-	656	30,693
	2002	30,547	2,091	-	1,409	34,047

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Deductions by Type Year Ended June 30 (continued)

(dollars in thousands)

	Year	Benefit Payments	Distributions	Transfers to Systems	Administrative	Total Deductions
1977 Police Officers' and Firefighters' Pension and Disability Fund (continued)	2003	\$ 32,073	\$ 2,321	\$ -	\$ 1,510	\$ 35,904
	2004	34,717	2,465	-	2,405	39,587
	2005	37,134	2,475	-	1,777	41,386
	2006	41,825	2,642	-	2,153	46,620
	2007	45,989	3,293	-	2,559	51,841
	2008	56,082	3,186	3	3,156	62,427
Prosecuting Attorneys' Retirement Fund	1999	\$ 188	\$ 179	\$ -	\$ 71	\$ 438
	2000	216	54	-	69	339
	2001	224	32	-	76	332
	2002	267	49	-	125	441
	2003	254	172	-	21	447
	2004	357	-	-	25	382
	2005	423	148	-	15	586
	2006	531	35	-	17	583
	2007	633	71	-	23	727
	2008	806	4	-	36	846
Legislators' Retirement System - Defined Benefit Plan	1999	\$ 187	\$ -	\$ -	\$ 83	\$ 270
	2000	211	-	-	76	287
	2001	223	-	-	107	330
	2002	231	-	-	133	364
	2003	328	-	-	23	351
	2004	263	-	-	24	287
	2005	283	-	-	23	306
	2006	306	-	-	65	371
	2007	333	-	133	56	522
	2008	345	-	-	56	401
Legislators' Retirement System - Defined Contribution Plan	1999	\$ -	\$ 611	\$ -	\$ -	\$ 611
	2000	-	306	-	-	306
	2001	-	378	-	-	378
	2002	-	149	-	-	149
	2003	-	343	-	-	343
	2004	-	103	-	-	103
	2005	-	886	-	-	886
	2006	-	686	-	-	686
	2007	-	708 ¹	-	-	708 ¹
	2008	-	1,116	-	-	1,116

¹Prior year data has been restated.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Benefit Deductions by Type Year Ended June 30

(dollars in thousands)

	Year	Pension Benefits	Disability Benefits	Funeral Benefits	Total Benefits
Public Employees' Retirement Fund	1999	\$ 236,627	\$ 11,829	\$ -	\$ 248,456
	2000	258,075	12,744	-	270,819
	2001	269,415	13,640	-	283,055
	2002	282,294	14,999	-	297,293
	2003	305,908	16,843	-	322,751
	2004	346,878	14,576	-	361,454
	2005	350,810	25,032	1	375,843
	2006	391,173	27,394	-	418,567
	2007	433,463	32,546	-	466,009
	2008	467,994	33,643	-	501,637
Judges' Retirement System	1999	\$ 7,135	\$ 198	\$ -	\$ 7,333
	2000	7,513	208	-	7,721
	2001	7,974	227	-	8,201
	2002	8,176	179	-	8,355
	2003	8,491	120	-	8,611
	2004	9,004	37	-	9,041
	2005	9,393	94	-	9,487
	2006	11,102	113	-	11,215
	2007	11,554	110	-	11,664
	2008	12,514	65	-	12,579
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1999	\$ 1,114	\$ 40	\$ -	\$ 1,154
	2000	1,211	42	-	1,253
	2001	1,377	43	-	1,420
	2002	1,523	48	-	1,571
	2003	1,644	67	-	1,711
	2004	1,795	26	-	1,821
	2005	1,850	69	-	1,919
	2006	2,039	63	-	2,102
	2007	2,309	64	-	2,373
	2008	2,616	65	-	2,681

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Benefit Deductions by Type Year Ended June 30 (continued)

(dollars in thousands)

	Year	Pension Benefits	Disability Benefits	Funeral Benefits	Total Benefits
1977 Police Officers' and Firefighters' Pension and Disability Fund	1999	\$ 12,918	\$ 5,679	\$ 101	\$ 18,698
	2000	18,995	6,993	96	26,084
	2001	20,583	7,724	156	28,463
	2002	22,089	8,359	99	30,547
	2003	23,002	8,765	306	32,073
	2004	30,538	4,121	58	34,717
	2005	26,967	10,158	9	37,134
	2006	30,427	11,389	9	41,825
	2007	33,661	12,256	72	45,989
	2008	42,790	13,184	108	56,082
Prosecuting Attorneys' Retirement Fund	1999	\$ 188	\$ -	\$ -	\$ 188
	2000	216	-	-	216
	2001	224	-	-	224
	2002	267	-	-	267
	2003	254	-	-	254
	2004	347	10	-	357
	2005	403	20	-	423
	2006	512	19	-	531
	2007	614	19	-	633
	2008	787	19	-	806
Legislators' Retirement System - Defined Benefit Plan	1999	\$ 187	\$ -	\$ -	\$ 187
	2000	211	-	-	211
	2001	223	-	-	223
	2002	231	-	-	231
	2003	322	6	-	328
	2004	261	2	-	263
	2005	280	3	-	283
	2006	303	3	-	306
	2007	330	3	-	333
	2008	342	3	-	345

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Benefit Recipients by Type of Benefit Option Year Ended June 30

Number of Benefit Recipients by Benefit Option

	Amount of Monthly Benefit (amounts in dollars)	Number of Benefit Recipients by Benefit Option									Total
		1	2	3	4	5	6	7	8	9	
Public Employees' Retirement Fund	\$1-500	14,505	6,645	10,549	1,201	1,906	287	1,156	1,207	-	37,456
	501-1,000	5,483	3,307	4,135	767	1,296	122	760	354	-	16,224
	1,001-1,500	1,402	971	1,272	298	503	35	275	67	-	4,823
	1,501-2000	390	336	434	120	155	22	91	18	-	1,566
	2,001-3000	167	174	195	83	88	13	77	6	-	803
	over 3,000	24	27	27	13	17	3	10	1	-	122
	Total	21,971	11,460	16,612	2,482	3,965	482	2,369	1,653	-	60,994
Judges' Retirement System	\$1-1000	-	-	-	-	28	-	-	-	-	28
	1001-2,000	-	-	-	-	51	-	-	-	-	51
	2,001-3,000	-	-	-	-	38	-	-	-	-	38
	3,001-4,000	-	-	-	-	7	-	-	-	-	7
	4,001-5,000	-	-	-	-	16	-	-	-	-	16
	over 5,000	-	-	-	-	128	-	-	-	-	128
	Total	-	-	-	-	268	-	-	-	-	268
State Excise Police	\$1-500	-	-	-	-	27	-	-	-	-	27
Gaming Agent, Gaming Control Officer and Conservation	501-1,000	-	-	-	-	33	-	-	-	-	33
	1,001-1,500	-	-	-	-	24	-	-	-	-	24
	1,501-2000	-	-	-	-	16	-	-	-	-	16
Enforcement Officers' Retirement Plan	2,001-3000	-	-	-	-	51	-	-	-	-	51
	over 3,000	-	-	-	-	7	-	-	-	-	7
	Total	-	-	-	-	158	-	-	-	-	158
1977 Police Officers' and Firefighters' Pension and Disability Fund	\$1-500	-	-	-	-	-	-	-	-	131	131
	501-1,000	-	-	-	-	-	-	-	-	248	248
	1,001-1,500	-	-	-	-	-	-	-	-	684	684
	1,501-2000	-	-	-	-	-	-	-	-	821	821
	2,001-3000	-	-	-	-	-	-	-	-	694	694
	over 3,000	-	-	-	-	-	-	-	-	14	14
	Total	-	-	-	-	-	-	-	-	2,592	2,592
Prosecuting Attorneys' Retirement Fund	\$1-500	-	-	-	-	2	-	-	-	-	2
	501-1,000	-	-	-	-	3	-	-	-	-	3
	1,001-1,500	-	-	-	-	10	-	-	-	-	10
	1,501-2000	-	-	-	-	1	-	-	-	-	1
	2,001-3000	-	-	-	-	3	-	-	-	-	3
	over 3,000	-	-	-	-	5	-	-	-	-	5
	Total	-	-	-	-	24	-	-	-	-	24
Legislators' Retirement System - Defined Benefit Plan	\$1-500	-	-	-	-	29	-	-	-	-	29
	501-1,000	-	-	-	-	15	-	-	-	-	15
	1,001-1,500	-	-	-	-	6	-	-	-	-	6
	1,501-2000	-	-	-	-	1	-	-	-	-	1
	2,001-3000	-	-	-	-	-	-	-	-	-	-
	over 3,000	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	51	-	-	-	-	51

- 1-Monthly benefit for life. If retiree receives benefits for at least five years prior to their death, there is no benefit payable to a designated beneficiary. If retiree dies prior to receiving benefits for five years, the beneficiary will receive the remainder of those five years of monthly benefits or the present value of those remaining payments in a lump sum.
- 2-Monthly benefit for retiree's life. Upon retiree's death, no benefit payable to beneficiary.
- 3-Monthly benefit for retiree's life. Upon retiree's death, beneficiary receives the same monthly benefit for life.
- 4-Monthly benefit for retiree's life. Upon retiree's death, beneficiary receives two-thirds of the monthly benefit for life.
- 5-Monthly benefit for retiree's life. Upon retiree's death, beneficiary receives one-half of the monthly benefit for life.
- 6-Monthly benefit for retiree between the ages 50 and 62 who elects to integrate social security with the PERF benefit. At age 62, PERF benefit is reduced or terminated depending on the estimated monthly benefit from social security at age 62.
- 7-Monthly benefit for retiree's life. If retiree dies prior to receiving benefit for five years, beneficiary receives either a monthly benefit of the pension amount only for the remainder of the five years, or the present value of those pension payments in a lump sum. Beneficiary also receives a single payment of any residual balance remaining in retiree's Annuity Savings Account, if not already depleted.
- 8-Denotes members who are receiving a survivor benefit from this particular fund.
- 9-Monthly benefit for retiree's life. Upon retiree's death, surviving spouse receives 60 percent of monthly benefit for life and each surviving child receives 20 percent of monthly benefit until age 18 or 23 if enrolled in a secondary school or accredited college or university.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Average Benefit Payments Year Ended June 30

(amounts in dollars)

Year		Years of Service						
		5-9 ³	10-14	15-19	20-24	25-29	30+	
Public Employees' Retirement Fund¹	1999	Average Monthly Defined Benefit	\$ 125	\$ 200	\$ 302	\$ 419	\$ 559	\$ 881
		Average Monthly Annuity	\$ 35	\$ 78	\$ 116	\$ 151	\$ 197	\$ 308
		Average Final Average Salary	\$ 18,173	\$ 19,684	\$ 21,542	\$ 23,161	\$ 24,178	\$ 29,270
		Number of Benefit Recipients	37	276	298	323	203	202
2000		Average Monthly Defined Benefit	\$ 104	\$ 204	\$ 330	\$ 399	\$ 516	\$ 882
		Average Monthly Annuity	\$ 32	\$ 88	\$ 131	\$ 147	\$ 187	\$ 310
		Average Final Average Salary	\$ 18,862	\$ 20,092	\$ 23,691	\$ 22,024	\$ 21,930	\$ 28,912
		Number of Benefit Recipients	20	279	222	305	204	188
2001		Average Monthly Defined Benefit	\$ 100	\$ 219	\$ 330	\$ 413	\$ 605	\$ 964
		Average Monthly Annuity	\$ 40	\$ 92	\$ 131	\$ 161	\$ 223	\$ 355
		Average Final Average Salary	\$ 16,582	\$ 20,783	\$ 23,691	\$ 22,597	\$ 26,717	\$ 31,823
		Number of Benefit Recipients	11	220	222	210	157	154
2002		Average Monthly Defined Benefit	\$ 134	\$ 192	\$ 302	\$ 388	\$ 505	\$ 867
		Average Monthly Annuity	\$ 40	\$ 84	\$ 134	\$ 159	\$ 210	\$ 364
		Average Final Average Salary	\$ 19,717	\$ 20,278	\$ 23,903	\$ 22,435	\$ 24,229	\$ 31,447
		Number of Benefit Recipients	31	262	280	218	149	123
2003		Average Monthly Defined Benefit	\$ 136	\$ 248	\$ 341	\$ 453	\$ 612	\$ 994
		Average Monthly Annuity	\$ 30	\$ 76	\$ 112	\$ 138	\$ 188	\$ 268
		Average Final Average Salary	\$ 18,492	\$ 20,986	\$ 23,385	\$ 24,026	\$ 26,228	\$ 31,972
		Number of Benefit Recipients	75	380	427	328	209	260
2004		Average Monthly Defined Benefit	\$ 151	\$ 249	\$ 340	\$ 491	\$ 650	\$ 1,127
		Average Monthly Annuity	\$ 48	\$ 93	\$ 124	\$ 177	\$ 234	\$ 398
		Average Final Average Salary	\$ 17,976	\$ 18,941	\$ 21,873	\$ 25,337	\$ 26,288	\$ 33,592
		Number of Benefit Recipients	61	423	500	383	346	564
2005		Average Monthly Defined Benefit	\$ 134	\$ 257	\$ 378	\$ 494	\$ 658	\$ 1,027
		Average Monthly Annuity	\$ 39	\$ 106	\$ 149	\$ 189	\$ 261	\$ 382
		Average Final Average Salary	\$ 17,570	\$ 22,404	\$ 24,371	\$ 25,748	\$ 27,534	\$ 32,644
		Number of Benefit Recipients	55	333	429	346	306	373
2006		Average Monthly Defined Benefit	\$ 124	\$ 253	\$ 392	\$ 559	\$ 689	\$ 1,008
		Average Monthly Annuity	\$ 39	\$ 109	\$ 156	\$ 226	\$ 275	\$ 424
		Average Final Average Salary	\$ 18,213	\$ 21,193	\$ 26,040	\$ 27,899	\$ 28,258	\$ 33,756
		Number of Benefit Recipients	49	401	569	370	355	429
2007		Average Monthly Defined Benefit	\$ 167	\$ 262	\$ 401	\$ 533	\$ 708	\$ 1,053
		Average Monthly Annuity	\$ 69	\$ 116	\$ 160	\$ 233	\$ 294	\$ 464
		Average Final Average Salary	\$ 21,898	\$ 23,477	\$ 26,348	\$ 27,749	\$ 29,535	\$ 35,162
		Number of Benefit Recipients	84	457	616	446	365	442
2008		Average Monthly Defined Benefit	\$ 170	\$ 267	\$ 394	\$ 563	\$ 731	\$ 1,095
		Average Monthly Annuity	\$ 58	\$ 117	\$ 162	\$ 260	\$ 303	\$ 477
		Average Final Average Salary	\$ 21,233	\$ 21,731	\$ 25,681	\$ 29,038	\$ 29,485	\$ 36,157
		Number of Benefit Recipients	50	492	665	497	399	452
Public Employees' Retirement Fund²	1999	Average Monthly Defined Benefit	\$ 116	\$ 211	\$ 310	\$ 408	\$ 578	\$ 924
		Average Total ASA Distribution	\$ 4,623	\$ 10,008	\$ 15,409	\$ 19,467	\$ 25,437	\$ 39,885
		Average Final Average Salary	\$ 17,800	\$ 20,520	\$ 22,871	\$ 23,054	\$ 25,138	\$ 30,741
		Number of Benefit Recipients	66	244	372	312	227	212
2000		Average Monthly Defined Benefit	\$ 126	\$ 218	\$ 218	\$ 437	\$ 594	\$ 953
		Average Total ASA Distribution	\$ 5,498	\$ 10,462	\$ 10,462	\$ 21,203	\$ 29,080	\$ 42,117
		Average Final Average Salary	\$ 19,054	\$ 20,891	\$ 20,891	\$ 24,580	\$ 26,260	\$ 31,576
		Number of Benefit Recipients	37	272	272	338	246	238
2001		Average Monthly Defined Benefit	\$ 110	\$ 217	\$ 217	\$ 446	\$ 597	\$ 1,035
		Average Total ASA Distribution	\$ 4,817	\$ 11,161	\$ 11,161	\$ 22,947	\$ 29,191	\$ 44,352
		Average Final Average Salary	\$ 19,810	\$ 19,869	\$ 19,869	\$ 24,866	\$ 26,046	\$ 33,862
		Number of Benefit Recipients	11	207	207	289	231	243

¹Members may choose to take the distribution of their Annuity Savings Account (ASA) in two ways. This represents those retirees who elected to receive their ASA as a supplement in addition to their monthly pension benefit.

²Members may choose to take the distribution of their Annuity Savings Account (ASA) in two ways. This represents those retirees who elected to receive their ASA balance as a total distribution at the time of retirement.

³Members with less than 10 years of service are receiving a disability benefit from PERF.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Average Benefit Payments Year Ended June 30 (continued)

(amounts in dollars)

	Year		Years of Service					
			5-9 ³	10-14	15-19	20-24	25-29	30+
Public Employees' Retirement Fund² continued	2002	Average Monthly Defined Benefit	\$ 113	\$ 191	\$ 294	\$ 402	\$ 530	\$ 840
		Average Total ASA Distribution	\$ 4,527	\$ 10,411	\$ 14,847	\$ 19,289	\$ 24,338	\$ 39,530
		Average Final Average Salary	\$ 17,721	\$ 20,627	\$ 24,415	\$ 26,292	\$ 26,995	\$ 33,773
		Number of Benefit Recipients	38	233	355	361	255	290
	2003	Average Monthly Defined Benefit	\$ 148	\$ 252	\$ 348	\$ 507	\$ 672	\$ 1,039
		Average Total ASA Distribution	\$ 6,584	\$ 11,109	\$ 16,212	\$ 20,446	\$ 24,393	\$ 35,515
		Average Final Average Salary	\$ 21,488	\$ 22,491	\$ 25,601	\$ 27,491	\$ 29,760	\$ 33,529
		Number of Benefit Recipients	68	271	386	356	302	428
	2004	Average Monthly Defined Benefit	\$ 123	\$ 259	\$ 354	\$ 504	\$ 639	\$ 1,199
		Average Total ASA Distribution	\$ 5,394	\$ 9,350	\$ 12,848	\$ 14,247	\$ 15,566	\$ 21,413
		Average Final Average Salary	\$ 18,490	\$ 20,472	\$ 25,592	\$ 26,941	\$ 28,301	\$ 35,511
		Number of Benefit Recipients	57	211	324	295	229	421
2005	Average Monthly Defined Benefit	\$ 145	\$ 251	\$ 407	\$ 573	\$ 830	\$ 1,239	
	Average Total ASA Distribution	\$ 6,376	\$ 10,788	\$ 16,423	\$ 18,158	\$ 22,763	\$ 29,051	
	Average Final Average Salary	\$ 21,333	\$ 22,108	\$ 27,920	\$ 28,587	\$ 31,503	\$ 35,383	
	Number of Benefit Recipients	66	270	394	251	232	275	
2006	Average Monthly Defined Benefit	\$ 248	\$ 297	\$ 474	\$ 729	\$ 955	\$ 1,499	
	Average Total ASA Distribution	\$ 7,158	\$ 11,961	\$ 18,694	\$ 22,715	\$ 28,879	\$ 44,937	
	Average Final Average Salary	\$ 23,026	\$ 23,492	\$ 28,518	\$ 31,459	\$ 30,514	\$ 37,335	
	Number of Benefit Recipients	50	223	420	256	241	354	
2007	Average Monthly Defined Benefit	\$ 193	\$ 318	\$ 438	\$ 621	\$ 884	\$ 1,312	
	Average Total ASA Distribution	\$ 4,495	\$ 7,929	\$ 12,538	\$ 15,469	\$ 21,939	\$ 29,065	
	Average Final Average Salary	\$ 21,564	\$ 24,300	\$ 29,078	\$ 30,182	\$ 32,080	\$ 36,101	
	Number of Benefit Recipients	100	455	744	521	502	696	
2008	Average Monthly Defined Benefit	\$ 146	\$ 261	\$ 417	\$ 597	\$ 828	\$ 1,223	
	Average Total ASA Distribution	\$ 4,917	\$ 8,256	\$ 13,578	\$ 16,522	\$ 20,341	\$ 30,627	
	Average Final Average Salary	\$ 22,575	\$ 24,488	\$ 29,851	\$ 30,348	\$ 32,508	\$ 37,323	
	Number of Benefit Recipients	70	459	798	613	512	696	
Judges' Retirement System	1999	Average Monthly Defined Benefit	\$ -	\$ 3,769	\$ 4,097	\$ 4,603	\$ 4,500	\$ -
		Average Final Average Salary	\$ -	\$ 90,000	\$ 90,000	\$ 80,000	\$ 90,000	\$ -
		Number of Benefit Recipients	-	4	4	8	1	-
	2000	Average Monthly Defined Benefit	\$ 2,081	\$ 3,722	\$ 4,275	\$ 4,500	\$ 5,250	\$ 4,500
		Average Final Average Salary	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 30,000	\$ 90,000
		Number of Benefit Recipients	1	-	1	1	4	1
	2001	Average Monthly Defined Benefit	\$ -	\$ 2,910	\$ 4,200	\$ 4,500	\$ 4,500	\$ 4,500
		Average Final Average Salary	\$ -	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000
		Number of Benefit Recipients	-	2	1	6	6	1
	2002	Average Monthly Defined Benefit	\$ 1,783	\$ 1,972	\$ 3,947	\$ -	\$ 4,402	\$ 4,301
		Average Final Average Salary	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ 90,000
		Number of Benefit Recipients	1	3	1	-	1	1
2003	Average Monthly Defined Benefit	\$ 1,469	\$ 2,485	\$ 4,146	\$ 4,356	\$ 4,500	\$ 4,500	
	Average Final Average Salary	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	
	Number of Benefit Recipients	2	5	3	2	6	1	
2004	Average Monthly Defined Benefit	\$ 1,800	\$ 3,615	\$ 3,832	\$ 3,648	\$ 4,500	\$ -	
	Average Final Average Salary	\$ 90,000	\$ 90,000	\$ 90,000	\$ 60,000	\$ 90,000	\$ -	
	Number of Benefit Recipients	1	1	1	3	1	-	
2005	Average Monthly Defined Benefit	\$ 1,840	\$ 2,237	\$ 2,024	\$ 4,599	\$ 4,599	\$ 4,599	
	Average Final Average Salary	\$ 91,976	\$ 30,659	\$ -	\$ 91,976	\$ 90,000	\$ 91,976	
	Number of Benefit Recipients	1	3	1	2	1	1	
2006	Average Monthly Defined Benefit	\$ -	\$ 4,470	\$ 3,869	\$ 4,709 ⁴	\$ -	\$ 2,826	
	Average Final Average Salary	\$ -	\$ 105,348	\$ 67,674	\$ 75,438 ⁴	\$ -	\$ 113,022	
	Number of Benefit Recipients	-	3	3	3 ⁴	-	1	

²Members may choose to take the distribution of their Annuity Savings Account (ASA) in two ways. This represents those retirees who elected to receive their ASA account balance as a total distribution at the time of retirement.

³Members in the Public Employees' Retirement Fund with less than 10 years of service, and members in the Judges' Retirement System with less than eight years of service, are receiving a disability benefit.

⁴Prior year data has been restated.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Average Benefit Payments Year Ended June 30 (continued)

(amounts in dollars)

	Year		Years of Service					
			5-9 ³	10-14	15-19	20-24	25-29	30+
Judges' Retirement System continued	2007	Average Monthly Defined Benefit	\$ 1,838	\$ 4,722	\$ 3,983	\$ 4,074	\$ 5,061	\$ -
		Average Final Average Salary	\$ 93,641	\$ 115,282	\$ 57,641	\$ 64,113	\$ 91,774	\$ -
		Number of Benefit Recipients	2	2	4	5	5	-
	2008	Average Monthly Defined Benefit	\$ 1,156	\$ 3,767	\$ 4,672	\$ 2,975	\$ 6,085	\$ 6,559
		Average Final Average Salary	\$ -	\$ 66,353	\$ 71,236	\$ 59,947	\$ 121,692	\$ 130,130
		Number of Benefit Recipients	1	5	2	2	1	2
State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1999	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ 1,404	\$ 2,559
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ 33,037	\$ 54,854
		Number of Benefit Recipients	-	-	-	-	1	1
	2000	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 974	\$ 1,857	\$ 2,141
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 40,194	\$ 42,053	\$ 43,786
		Number of Benefit Recipients	-	-	-	2	1	2
	2001	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 1,378	\$ 2,237	\$ 2,133
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 38,168	\$ 49,728	\$ 43,351
		Number of Benefit Recipients	-	-	-	1	3	3
	2002	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 1,011	\$ 1,838	\$ 2,173
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,215	\$ 45,652	\$ 46,295
		Number of Benefit Recipients	-	-	-	1	3	3
	2003	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 1,011	\$ 1,847	\$ 2,130
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,215	\$ 48,242	\$ 45,251
		Number of Benefit Recipients	-	-	-	1	2	2
	2004	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,946
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,945
		Number of Benefit Recipients	-	-	-	-	-	4
	2005	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 696	\$ 607	\$ 1,785
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 28,106	\$ -	\$ 31,300
		Number of Benefit Recipients	-	-	-	1	1	3
	2006	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ 1,208	\$ 2,304
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ 35,234	\$ 49,386
		Number of Benefit Recipients	-	-	-	-	3	4
	2007	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 1,346	\$ 1,969	\$ 2,558
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 47,642	\$ 46,466	\$ 55,388
		Number of Benefit Recipients	-	-	-	2	4	7
	2008	Average Monthly Defined Benefit	\$ -	\$ -	\$ 398	\$ -	\$ 1,887	\$ 2,394
		Average Final Average Salary	\$ -	\$ -	\$ 20,048	\$ -	\$ 39,481	\$ 48,780
		Number of Benefit Recipients	-	-	1	-	5	9
1977 Police Officers' and Firefighters' Pension and Disability Fund⁵	1999	Average Monthly Defined Benefit	\$ 1,480	\$ 1,494	\$ 1,360	\$ 1,215	\$ 1,345	\$ 1,847
		Average Final Average Salary	\$ 35,542	\$ 35,871	\$ 32,656	\$ 27,374	\$ 25,644	\$ 30,681
		Number of Benefit Recipients	6	3	11	27	5	3
	2000	Average Monthly Defined Benefit	\$ 1,320	\$ 1,510	\$ 1,343	\$ 1,276	\$ 1,563	\$ 2,433
		Average Final Average Salary	\$ 31,658	\$ 36,247	\$ 32,240	\$ 29,436	\$ 29,853	\$ 41,718
		Number of Benefit Recipients	7	15	7	104	18	2
2001	Average Monthly Defined Benefit	\$ 1,441	\$ 1,478	\$ 4,200	\$ 1,490	\$ 1,915	\$ 1,800	
	Average Final Average Salary	\$ 36,718	\$ 35,489	\$ 90,000	\$ 35,774	\$ 35,318	\$ 30,000	
	Number of Benefit Recipients	9	9	1	15	5	1	
2002	Average Monthly Defined Benefit	\$ 1,219	\$ 1,552	\$ 1,348	\$ 1,432	\$ 2,352	\$ 1,798	
	Average Final Average Salary	\$ 32,183	\$ 39,458	\$ 30,446	\$ 29,444	\$ 42,774	\$ 23,000	
	Number of Benefit Recipients	2	5	4	50	1	1	
2003	Average Monthly Defined Benefit	\$ 1,087	\$ 1,411	\$ 885	\$ 1,430	\$ 1,392	\$ 819	
	Average Final Average Salary	\$ 37,992	\$ 38,508	\$ 38,468	\$ 37,056	\$ 39,998	\$ 28,055	
	Number of Benefit Recipients	17	10	21	58	10	3	

³Members in the Judges' Retirement System with less than eight years of service, and members in the 1977 Fund with less than 20 years of service, are receiving a disability benefit.

⁵Members receiving benefits in this fund with less than 20 years of service are receiving a disability benefit from the fund. Since January 1, 1990, there are two disability programs under this fund. The original program is available only to members initially hired before January 1, 1990 and who elected not to be covered by the new program. The new program is applicable to members hired after December 31, 1989. Members deemed qualified under the original program are entitled to a benefit equal to at least that of a member with 20 years of service at age 52 and may be subject to annual medical review. The new program has three "classes" of impairment with varied entitlements based on the covered impairment.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Average Benefit Payments Year Ended June 30 (continued)

(amounts in dollars)

Year		Years of Service						
		5-9 ³	10-14	15-19	20-24	25-29	30+	
1977 Police Officers' and Firefighters' Pension and Disability Fund ⁵ continued	2004	Average Monthly Defined Benefit	\$ 1,121	\$ 1,167	\$ 1,452	\$ 1,566	\$ 1,814	\$ 1,248
		Average Final Average Salary	\$ 36,790	\$ 29,968	\$ 34,631	\$ 33,285	\$ 32,382	\$ -
		Number of Benefit Recipients	10	13	14	65	18	7
	2005	Average Monthly Defined Benefit	\$ 1,651	\$ 1,426	\$ 1,477	\$ 1,594	\$ 1,964	\$ 1,551
		Average Final Average Salary	\$ 36,733	\$ 38,434	\$ 34,659	\$ 34,158	\$ 34,757	\$ 9,864
		Number of Benefit Recipients	9	10	13	46	28	9
	2006	Average Monthly Defined Benefit	\$ 1,895	\$ 1,496	\$ 1,580	\$ 1,646	\$ 2,056	\$ 1,300
		Average Final Average Salary	\$ 34,798	\$ 37,887	\$ 37,238	\$ 34,180	\$ 37,036	\$ 4,491
		Number of Benefit Recipients	5	9	18	67	49	10
	2007	Average Monthly Defined Benefit	\$ 1,495	\$ 1,767	\$ 1,524	\$ 1,712	\$ 2,145	\$ 1,140
		Average Final Average Salary	\$ 44,548	\$ 44,413	\$ 33,760	\$ 36,526	\$ 38,134	\$ -
		Number of Benefit Recipients	8	6	13	82	58	2
	2008	Average Monthly Defined Benefit	\$ 1,332	\$ 1,310	\$ 1,434	\$ 1,805	\$ 2,251	\$ 2,131
		Average Final Average Salary	\$ 36,089	\$ 43,705	\$ 33,028	\$ 38,350	\$ 40,654	\$ 26,818
		Number of Benefit Recipients	9	12	12	107	125	10
Prosecuting Attorneys' Retirement Fund	1999	Average Monthly Defined Benefit	\$ -	\$ 1,396	\$ 953	\$ -	\$ -	\$ 1,497
		Average Final Average Salary	\$ -	\$ 67,500	\$ 58,850	\$ -	\$ -	\$ 90,000
		Number of Benefit Recipients	-	2	1	-	-	1
	2000	Average Monthly Defined Benefit	\$ -	\$ 1,012	\$ 802	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ 40,500	\$ 58,544	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	1	1	-	-	-
	2001	Average Monthly Defined Benefit	\$ -	\$ -	\$ 462	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ -	\$ 32,008	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	-	1	-	-	-
	2002	Average Monthly Defined Benefit	\$ -	\$ 882	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ 40,500	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	1	-	-	-	-
	2003	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 2,552	\$ 1,321	\$ -
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ 90,000	\$ 54,006	\$ -
		Number of Benefit Recipients	-	-	-	1	3	-
2004	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Number of Benefit Recipients	-	-	-	-	-	-	
2005	Average Monthly Defined Benefit	\$ -	\$ 429	\$ 444	\$ 940	\$ -	\$ 1,290	
	Average Final Average Salary	\$ -	\$ 40,558	\$ 32,009	\$ 35,280	\$ -	\$ 92,461	
	Number of Benefit Recipients	-	1	1	1	-	1	
2006	Average Monthly Defined Benefit	\$ -	\$ 1,674	\$ 1,012	\$ 2,916	\$ 1,028	\$ -	
	Average Final Average Salary	\$ -	\$ 47,333	\$ 38,369	\$ 43,568	\$ 90,000	\$ -	
	Number of Benefit Recipients	-	3	1	1	1	-	
2007	Average Monthly Defined Benefit	\$ -	\$ 2,133	\$ 3,328	\$ 3,485	\$ 3,730	\$ -	
	Average Final Average Salary	\$ -	\$ 69,461	\$ 114,071	\$ 114,071	\$ 115,282	\$ -	
	Number of Benefit Recipients	-	1	1	1	1	-	
2008	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ 2,793	\$ 3,730	\$ -	
	Average Final Average Salary	\$ -	\$ -	\$ -	\$ 81,122	\$ 115,282	\$ -	
	Number of Benefit Recipients	-	-	-	3	1	-	

³Members in the 1977 Fund with less than 20 years of service are receiving a disability benefit.

⁵Members receiving benefits in this fund with less than 20 years of service are receiving a disability benefit from the fund. Since January 1, 1990, there are two disability programs under this fund. The original program is available only to members initially hired before January 1, 1990 and who elected not to be covered by the new program. The new program is applicable to members hired after December 31, 1989. Members deemed qualified under the original program are entitled to a benefit equal to at least that of a member with 20 years of service at age 52 and may be subject to annual medical review. The new program has three "classes" of impairment with varied entitlements based on the covered impairment.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Average Benefit Payments Year Ended June 30 (continued)

(amounts in dollars)

Year		Years of Service						
		5-9 ³	10-14	15-19	20-24	25-29	30+	
Legislators' Retirement System - Defined Benefit Plan ⁶	1999	Average Monthly Defined Benefit	\$ 200	\$ 440	\$ 600	\$ -	\$ 1,000	\$ -
		Average Final Average Salary	\$ 27,825	\$ 29,409	\$ 18,742	\$ -	\$ 23,017	\$ -
		Number of Benefit Recipients	1	1	1	-	1	-
	2000	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	-	-	-	-	-
	2001	Average Monthly Defined Benefit	\$ -	\$ 490	\$ 680	\$ 840	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ 18,275	\$ 11,600	\$ 39,521	\$ -	\$ -
		Number of Benefit Recipients	-	1	1	1	-	-
	2002	Average Monthly Defined Benefit	\$ -	\$ 447	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ 11,600	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	1	-	-	-	-
	2003	Average Monthly Defined Benefit	\$ 249	\$ 480	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ 31,980	\$ 37,675	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	3	1	-	-	-	-
	2004	Average Monthly Defined Benefit	\$ 230	\$ 338	\$ 640	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ 13,167	\$ 8,505	\$ 30,813	\$ -	\$ -	\$ -
		Number of Benefit Recipients	2	2	2	-	-	-
	2005	Average Monthly Defined Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	-	-	-	-	-	-
	2006	Average Monthly Defined Benefit	\$ 270	\$ -	\$ -	\$ -	\$ -	\$ -
		Average Final Average Salary	\$ 27,890	\$ -	\$ -	\$ -	\$ -	\$ -
		Number of Benefit Recipients	1	-	-	-	-	-
2007	Average Monthly Defined Benefit	\$ 1,495	\$ 338	\$ 760	\$ 920	\$ -	\$ -	
	Average Final Average Salary	\$ 44,548	\$ 25,036	\$ 35,354	\$ 33,554	\$ -	\$ -	
	Number of Benefit Recipients	8	3	1	1	-	-	
2008	Average Monthly Defined Benefit	\$ 309	\$ 274	\$ 551	\$ -	\$ -	\$ -	
	Average Final Average Salary	\$ 26,119	\$ -	\$ -	\$ -	\$ -	\$ -	
	Number of Benefit Recipients	2	1	1	-	-	-	

³Members in the Legislators' Retirement System with less than 15 years of service are receiving a disability benefit.

⁶Benefit calculations for this fund are based on years of service, not final average salary.

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Changes in Net Assets Year Ended June 30

(dollars in thousands)

	Public Employees' Retirement Fund	Judges' Retirement System	State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' and Firefighters' Pension and Disability Fund	Prosecuting Attorneys' Retirement Fund	Legislators' Retirement System - Defined Benefit Plan	Legislators' Retirement System - Defined Contribution Plan	Total
1999	\$ 759,755	\$ 13,933	\$ 3,664	\$ 179,018	\$ 1,428	\$ 361	\$ 1,226	\$ 959,385
2000	550,799	12,098	2,875	157,123	1,391	179	1,254	725,719
2001	(268,479)	2,068	(593)	31,438	464	(317)	183	(235,236)
2002	(402,410)	253	(1,524)	4,359	274	(410)	497	(398,961)
2003	319,958	12,305	1,855	168,600	1,449	(7)	1,455	505,615
2004	1,313,914	26,023	6,281	365,320	3,598	565	3,236	1,718,937
2005	811,769	20,183	4,350	310,089	2,829	292	1,767	1,151,279
2006	967,555	22,315	5,350	336,703	2,664	168	2,802	1,337,557
2007	1,896,188	40,076	10,556	591,806	4,544	377	4,960	2,548,507
2008	(1,188,944)	(13,960)	(2,096)	(161,775)	(1,576)	(824)	(1,431)	(1,370,606)

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers¹ Year Ended June 30

PE = Public Employees' Retirement Fund
JU = 1977 and 1985 Judges' Retirement System
EC = State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan
77 = 1977 Police Officers' and Firefighters' Pension and Disability Fund
PA = Prosecuting Attorneys' Retirement Fund
LE = Legislators' Retirement System

Employer's Name: Fund Name

Employer's Name: Fund Name

State Employers

State of Indiana	PE, JU, EC, PA, LE
Ball State University	PE
Capital Improvements Board	PE
Indiana Board For Depositories	PE
Indiana Bond Bank	PE
Indiana Development Finance Authority	PE
Indiana Finance Authority	PE
Indiana Health And Education Facility Finance Authority	PE
Indiana Housing Finance Authority	PE
Indiana Pension Systems, Inc	PE
Indiana Port Commission	PE
Indiana Stadium And Convention Building Authority	PE
Indiana State University	PE
Indiana Transportation Finance Authority	PE
Indiana University	PE
Indiana Vocational Technical School	PE
Indiana White River State Park Development Commission	PE
Intelenet Commission	PE
Northwest Indiana Law Enforcement Academy	PE
Purdue University	PE
State Fair Commission	PE
State Office Building Commission	PE
University Southern Indiana	PE
Vincennes University	PE

Counties

Adams County	PE
Allen County	PE
Bartholomew County	PE
Blackford County	PE
Boone County	PE
Brown County	PE
Carroll County	PE
Cass County	PE

Clark County	PE
Clay County	PE
Clinton County	PE
Crawford County	PE
Daviess County	PE
Dearborn County	PE
Decatur County	PE
Dekalb County	PE
Delaware County	PE
Dubois County	PE
Elkhart County	PE
Fayette County	PE
Floyd County	PE
Franklin County	PE
Fulton County	PE
Gibson County	PE
Grant County	PE
Greene County	PE
Hamilton County	PE
Hancock County	PE
Harrison County	PE
Hendricks County	PE
Henry County	PE
Howard County	PE
Huntington County	PE
Jackson County	PE
Jasper County	PE
Jay County	PE
Jefferson County	PE
Johnson County	PE
Knox County	PE
Kosciusko County	PE
Lagrange County	PE
Lake County	PE
Laporte County	PE
Lawrence County	PE
Madison County	PE
Marion County	PE
Marshall County	PE
Martin County	PE
Miami County	PE
Monroe County	PE
Morgan County	PE
Newton County	PE
Noble County	PE
Orange County	PE
Owen County	PE
Parke County	PE

¹The number of employees and percentage of employees covered for each employer is available upon request.

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
City of Michigan City	PE, 77	Town of Andrews	PE
City of Mishawaka	PE, 77	Town of Arcadia	PE
City of Mitchell	PE, 77	Town of Argos	PE, 77
City of Monticello	PE, 77	Town of Ashley	PE
City of Montpelier	PE, 77	Town of Atlanta	PE
City of Mount Vernon	77	Town of Austin	PE, 77
City of Muncie	PE, 77	Town of Avilla	PE
City of Nappanee	PE, 77	Town of Avon	77
City of New Albany	PE, 77	Town of Bainbridge	PE
City of New Castle	PE, 77	Town of Bargersville	77
City of New Haven	PE, 77	Town of Battle Ground	PE
City of Noblesville	PE, 77	Town of Birdseye	PE
City of North Vernon	PE, 77	Town of Bloomfield	PE
City of Oakland City	PE, 77	Town of Boswell	PE
City of Peru	PE, 77	Town of Bourbon	PE
City of Petersburg	PE, 77	Town of Bremen	PE, 77
City of Plymouth	PE, 77	Town of Bristol	PE
City of Portage	PE, 77	Town of Brook	PE
City of Portland	PE, 77	Town of Brookston	PE
City of Princeton	PE, 77	Town of Brookville	PE
City of Rensselaer	PE, 77	Town of Brownsburg	PE, 77
City of Richmond	PE, 77	Town of Bunker Hill	PE
City of Rising Sun	PE, 77	Town of Burlington	PE
City of Rochester	PE, 77	Town of Burns Harbor	PE
City of Rockport	PE	Town of Cambridge City-Western Wayne	
City of Rushville	PE, 77	Regional District	PE
City of Salem	PE, 77	Town of Campbellsburg	PE
City of Scottsburg	PE, 77	Town of Carbon	PE
City of Seymour	PE, 77	Town of Carlisle	PE
City of Shelbyville	PE, 77	Town of Cedar Lake	PE, 77
City of South Bend	PE, 77	Town of Centerville	PE
City of Southport	PE	Town of Chandler	PE
City of Sullivan	77	Town of Chesterfield	PE
City of Tell City	PE, 77	Town of Chesterton	PE, 77
City of Terre Haute	PE, 77	Town of Chrisney	PE
City of Tipton	77	Town of Cicero	PE, 77
City of Union City	PE, 77	Town of Clarks Hill	PE
City of Valparaiso	PE, 77	Town of Clarksville	PE, 77
City of Vincennes	PE, 77	Town of Clear Lake	PE
City of Wabash	PE, 77	Town of Cloverdale	PE
City of Warsaw	PE, 77	Town of Colfax	PE
City of Washington	PE, 77	Town of Converse	PE
City of West Lafayette	PE, 77	Town of Corydon	PE
City of Whiting	PE, 77	Town of Crothersville	PE
City of Winchester	PE, 77	Town of Culver	PE
City of Windfall	PE	Town of Cumberland	PE
Town of Advance	PE	Town of Cynthia	PE
Town of Akron	PE	Town of Daleville	PE
Town of Albany	PE	Town of Danville	PE
Town of Albion	PE	Town of Darlington	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name

Town of Dayton	PE
Town of Dillsboro	PE
Town of Dublin	PE
Town of Dugger	PE
Town of Dyer	PE, 77
Town of Eaton	PE
Town of Edgewood	PE
Town of Edinburgh	PE
Town of Ellettsville	PE
Town of Fairmount	PE
Town of Farmland	PE
Town of Fishers	PE, 77
Town of Flora	PE
Town of Fort Branch	PE
Town of Fortville	PE
Town of Frankton	PE
Town of Fremont	PE
Town of French Lick	PE
Town of Gaston	PE
Town of Geneva	PE
Town of Grabill	PE
Town of Grandview	PE
Town of Greendale	PE, 77
Town of Greens Fork	PE
Town of Greentown	PE
Town of Griffith	PE, 77
Town of Hagerstown	PE
Town of Hamilton	PE
Town of Hamlet	PE
Town of Hanover	PE
Town of Harmony	PE
Town of Hebron	PE
Town of Highland	PE, 77
Town of Hometown	PE
Town of Jamestown	PE
Town of Jonesboro	PE, 77
Town of Kingsford Heights	PE
Town of Knightstown	PE
Town of Ladoga	PE
Town of Lafontaine	PE
Town of Lagrange	PE
Town of Lagro	PE
Town of Lapaz	PE
Town of Lapel	PE
Town of Lewisville	PE
Town of Liberty	PE
Town of Long Beach	PE
Town of Lowell	PE, 77
Town of Lynn	PE

Employer's Name: Fund Name

Town of Markle	PE
Town of Matthews	PE
Town of Mentone	PE
Town of Merrillville	PE, 77
Town of Middletown	PE
Town of Milan	PE
Town of Milford	PE
Town of Millersburg	PE
Town of Milton	PE
Town of Monon	PE
Town of Monroe	PE
Town of Monroe City	PE
Town of Monroeville	PE
Town of Mooresville	PE, 77
Town of Morocco	PE
Town of Mount Summit	PE
Town of Mulberry	PE
Town of Munster	PE, 77
Town of Nashville	PE
Town of New Carlisle	PE
Town of New Chicago	PE, 77
Town of New Harmony	PE
Town of New Palestine	PE
Town of New Pekin	PE
Town of New Ross	PE
Town of New Whiteland	PE
Town of Newburgh	PE
Town of North Judson	PE
Town of North Liberty	PE
Town of North Manchester	PE
Town of North Webster	PE
Town of Oaktown	PE
Town of Odon	PE
Town of Ogden Dunes	PE
Town of Oolitic	PE
Town of Orland	PE
Town of Orleans	PE
Town of Osgood	PE
Town of Ossian	PE, 77
Town of Otterbein	PE
Town of Paoli	PE
Town of Pendleton	PE
Town of Pierceton	PE
Town of Pittsboro	PE
Town of Plainfield	PE, 77
Town of Porter	PE, 77
Town of Poseyville	PE
Town of Prince's Lakes	PE
Town of Remington	PE

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name

Town of Roachdale	PE
Town of Rockville	PE
Town of Rome City	PE
Town of Rossville	PE
Town of Royal Center	PE
Town of Russiaville	PE
Town of Schererville	PE, 77
Town of Sellersburg	PE, 77
Town of Sharpsville	PE
Town of Shelburn	PE
Town of Shoals	PE
Town of South Whitley	PE
Town of Speedway	PE, 77
Town of Spencer	PE
Town of Spiceland	PE
Town of St John	PE, 77
Town of St Leon	PE
Town of Thorntown	PE
Town of Topeka	PE
Town of Trail Creek	PE
Town of Van Buren	PE
Town of Versailles	PE
Town of Walkerton	PE
Town of Wanatah	PE
Town of Waterloo	PE
Town of West Baden Springs	PE
Town of West Terre Haute	PE
Town of Westfield	PE, 77
Town of Westport	PE
Town of Whiteland	PE
Town of Williamsport	PE
Town of Winamac	PE
Town of Winfield	PE
Town of Winona Lake	PE
Town of Winslow	PE
Town of Wolcott	PE
Town of Wolcottville	PE
Town of Woodburn	77
Town of Worthington	PE
Town of Yorktown	PE
Town of Zionsville	PE, 77

Townships

Aboite Township-Allen County	PE
Adams Township-Allen County	PE
Adams Township-Hamilton County	PE
Adams Township-Parke County	PE
Anderson Township-Madison County	PE
Bainbridge Township-Dubois County	PE

Employer's Name: Fund Name

Beaver Township-Newton County	PE
Beech Creek Township-Greene County	PE
Bloomfield Township-Lagrange County Auditor	PE
Bloomington Township-Monroe County	PE
Bourbon Township-Marshall County	PE
Brown Township-Hendricks County	PE
Brown Township-Morgan County	PE, 77
Buck Creek Township-Hancock County	PE, 77
Calumet Township-Lake County	PE
Cass County -Eel Township	PE
Cedar Creek Township-Lake County	PE
Center Township-Boone County	PE
Center Township-Delaware County	PE
Center Township-Grant County	PE
Center Township-Hendricks County	PE
Center Township-Howard County	PE
Center Township-Lake County	PE
Center Township-Laporte County	PE
Center Township-Marion County	PE
Center Township-Marshall County	PE
Center Township-Porter County	PE
Center Township-Vanderburgh County	PE
Centre Township-St Joseph County	PE
Charlestown Township-Clark County	PE
Chester Township-Wabash County	PE
Clay Township-Hamilton County	PE
Clay Township-Pike County	PE
Clay Township-St Joseph County	PE
Clear Creek Township-Monroe County	PE
Cleveland Township-Elkhart County	PE
Clinton Township-Vermillion County	PE
Columbia Township-Whitley County	PE
Columbus Township-Bartholomew County	PE
Concord Township-Elkhart County	PE
Decatur Township-Marion County	PE, 77
Delaware Township-Hamilton County	PE
Eel River Township-Hendricks County	PE
Etna-Troy Township-Whitley County	PE
Fairfield Township-Tippecanoe County	PE
Fairmount Township-Grant County	PE
Franklin Township-Harrison County	PE
Franklin Township-Marion County	PE, 77
Georgetown Township-Floyd County	PE
German Township-St Joseph County	PE
Grant Township-Newton County	PE
Guilford Civil Township	PE
Hanover Township-Lake County	PE
Hanover Township-Shelby County	PE
Harris Township-St Joseph County	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Harrison Township-Vigo County	PE	Portage Township-Porter County	PE
Helt Township-Vermillion County	PE	Portage Township-St Joseph County	PE
Henry Township-Henry County	PE	Posey Township-Fayette County	PE
Highland Township-Green County	PE	Posey Township-Washington County	PE
Hobart Township-Lake County	PE	Prairie Township-Kosciusko County	PE
Honey Creek Township-Vigo County	PE	Richland Township-Greene County	PE
Huntington Township-Huntington County	PE	Richland Township-Jay County	PE
Jackson Township-Harrison County	PE	Richland Township-Monroe County	PE
Jackson Township-Wayne County	PE	Root Township-Adams County	PE
Jamestown Township-Steuben County	PE	Ross Township-Lake County	PE
Jefferson Township-Grant County	PE	Seward Township-Kosciusko County	PE
Jefferson Township-Greene County	PE	Shawswick Township-Lawrence County	PE
Jefferson Township-Pike County	PE	Spencer Township-Harrison County	PE
Jefferson Township-Whitley County	PE	Springfield Township-Laporte County	PE
Jeffersonville Township-Clark County	PE	St John Township-Lake County	PE
Johnson Township-Lagrange County	PE	St John Township Lake County — Trustee's Office	PE
Johnson Township-Lagrange County Auditor	PE	St Joseph Township-Allen County	PE
Knight Township-Vanderburgh County	PE	Stafford Township-Greene County	PE
Lafayette Township-Floyd County	PE	Stockton Township-Greene County	PE
Lake Township-Kosciusko County	PE	Sugar Creek Township-Hancock County	77
Lawrence Township-Marion County	PE, 77	Sugar Creek Township-Montgomery County	PE
Lost Creek Township-Vigo County	PE	Sugar Creek Township-Vigo County	PE
Madison Township-Dubois County	PE	Taylor Township-Greene County	PE
Madison Township-Jefferson County	PE	Thorncreek Township-Whitley County	PE
Marion Township-Jasper County	PE	Tippecanoe Township-Kosciusko County	PE
Maumee Civil Township	PE	Union Township-Adams County	PE
Michigan Township-Laporte County	PE	Union Township-Marshall County	PE
Middle Township-Hendricks County	PE, 77	Union Township-Montgomery County	PE
Mount Pleasant Township-Delaware County	PE	Union Township-Whitley County	PE
New Albany Township Trustee	PE	Van Buren Township-Madison County	PE
Noble Township-Wabash County	PE	Van Buren Township-Monroe County	PE
Noblesville Township-Hamilton County	PE	Vincennes Township-Knox County	77
North Civil Township	PE	Warren Township-Marion County	PE
North Township-Lake County	PE	Warren Township-St Joseph County	PE
Ohio Township-Warrick County	PE	Washington Township-Adams County	PE
Patoka Township-Gibson County	PE, 77	Washington Township-Daviess County	PE
Penn Civil Township-St Joseph County	PE	Washington Township-Grant County	PE
Perry Clear Creek - Fire Protection District	77	Washington Township-Hamilton County	PE
Perry Township-Allen County	PE	Washington Township-Marion County	PE
Perry Township-Marion County	PE, 77	Washington Township-Morgan County	PE, 77
Perry Township-Monroe County	PE	Washington Township-Pike County	PE
Perry Township-Vanderburgh County	PE	Washington Township-Starke County	PE
Peru Township-Miami County	PE	Washington Township Trustee Assessor-Greene County	PE
Pigeon Township-Vanderburgh County	PE	Wayne Township Trustee-Allen County	PE
Pike Township-Marion County	PE, 77	Wayne Township-Marion County	PE, 77
Pipecreek Township-Madison County	PE	Wayne Township-Wayne County	PE
Pleasant Township-Johnson County	PE	West Creek Township-Lake County	PE
Pleasant Township-Steuben County	PE		
Pleasant Township-Wabash County	PE		

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name

West Township-Marshall County	PE
Wheatfield Township-Jasper County	PE
White River Township-Randolph County	PE
White River Township Fire Protection District	PE, 77
Winfield Township-Lake County	PE
Wright Township-Greene County	PE

School Districts and Education Employers

21st Century Charter School-Fountain Square, Inc.	PE
21st Century Charter School-Gary, Inc.	PE
21st Century Charter School-Fall Creek	PE
Adams Central Community Schools	PE
Alexandria Community School Corporation	PE
Anderson Community School Corporation	PE
Area 30 Career Center	PE
Argos Community Schools	PE
Attica Consolidated School Corporation	PE
Avon Community School Corporation	PE
Barr-Reeve Community Schools, Inc.	PE
Bartholomew Consolidated School Corporation	PE
Batesville Community School Corporation	PE
Baugo Community Schools	PE
Beech Grove City Schools	PE
Benton Community School Corporation	PE
Bloomfield School District	PE
Blue River Career Programs	PE
Blue River Special Education Cooperative	PE
Blue River Valley Schools	PE
Bluffton-Harrison Metropolitan School District	PE
Bremen Public Schools	PE
Brown County School Corporation	PE
Brownsburg Community School Corporation	PE
Brownstown Central Community School Corporation	PE
Cannelton City Schools	PE
Carmel-Clay Schools	PE
Carroll Consolidated School Corporation	PE
Cass Township Schools-Laporte County	PE
Caston School Corporation	PE
Center Grove Community School Corporation	PE
Centerville-Abington Community Schools	PE
Central Indiana Educational Service Center	PE
Central Noble Community School Corporation	PE
Challenge Foundation Academy Charter School	PE
Charles A Beard Memorial School Corporation	PE
Charles A Tindley Accelerated High School	PE
Christel House Academy	PE
Clarksville Community School Corporation	PE

Employer's Name: Fund Name

Clay Community Schools	PE
Clinton Central School Corporation	PE
Clinton Prairie School Corporation	PE
Cloverdale Community School Corporation	PE
Community Montessori School	PE
Community School Corporation Eastern Hancock County	PE
Concord Community Schools	PE
Covered Bridge Special Education District	PE
Covington Community Schools	PE
Cowan Community School Corporation	PE
Crawford County Community School Corporation	PE
Crawfordsville Community School Corporation	PE
Crothersville Community Schools	PE
Crown Point Community School Corporation	PE
Culver Community School Corporation	PE
Daleville Community Schools	PE
Danville Community School Corporation	PE
Daviess-Martin Special Education Cooperative	PE
Decatur County Community Schools	PE
Decatur Discovery Academy, Inc.	PE
Dekalb County Central United School District	PE
Dekalb County Eastern Community School District	PE
Delaware Community School Corporation	PE
Delphi Community School Corporation	PE
Duneland School Corporation	PE
East Allen County Schools	PE
East Central Indiana Educations Service Center	PE
East Chicago School City	PE
East Chicago Lighthouse Charter School	PE
East Chicago Urban Enterprise Academy, Inc.	PE
East Gibson School Corporation	PE
East Noble School Corporation	PE
East Porter County School Corporation	PE
East Washington School Corporation	PE
Eastbrook Community School Corporation	PE
Eastern Howard School Corporation	PE
Eastern Pulaski Community School Corporation	PE
Edinburgh Community School Corporation	PE
Elkhart Community Schools	PE
Elwood Community School Corporation	PE
Evansville-Vanderburgh School Corporation	PE
Fairfield Community Schools	PE
Fayette County School Corporation	PE
Flanner House Elementary	PE
Flat Rock-Hawcreek School Corporation	PE
Frankfort Community Schools	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Franklin Community Schools	PE	Kokomo-Center Township Schools	PE
Franklin County Community School Corporation	PE	Lafayette School Corporation	PE
Franklin Township Community School Corporation	PE	Lake Central School Corporation	PE
Frankton-Lapel Community Schools	PE	Lake Ridge Schools	PE
Fremont Community Schools	PE	Lakeland School Corporation	PE
Frontier School Corporation	PE	Lanesville Community School Corporation	PE
Ft Wayne Community Schools	PE	Laporte Community School Corporation	PE
Galileo Charter School	PE	Lawrence Early College High School	PE
Garrett-Keyser-Butler Community School District	PE	Lawrenceburg Community School Corporation	PE
Gary Community School Corporation	PE	Liberty-Perry Community School Corporation	PE
Gary Lighthouse Charter School	PE	Linton-Stockton School Corporation	PE
Gibson-Pike-Warrick Special Education Cooperative	PE	Logansport Community Schools	PE
Goshen Community Schools	PE	Loogootee Community School Corporation	PE
Greater Clark County Schools	PE	Maconaquah School Corporation	PE
Greater Jasper Consolidated Schools	PE	Madison Area Educational Special Service	PE
Greater Randolph Interlocal Cooperative	PE	Madison Consolidated Schools	PE
Greencastle Consolidated Schools	PE	Madison Grant School Corporation	PE
Greenfield-Central Community School Corporation	PE	Manchester Community Schools	PE
Greensburg Community Schools	PE	Marion-Adams Schools	PE
Greenwood Community School Corporation	PE	Marion Community Schools	PE
Griffith Public Schools	PE	Merrillville Community School Corporation	PE
Hamilton Community Schools	PE	Metropolitan School District-Blackford County	PE
Hamilton Heights School Corporation	PE	Metropolitan School District-Boone Township	PE
Hamilton Southeastern Schools	PE	Metropolitan School District of Lawrence Township	PE
Hammond Public Schools	PE	Metropolitan School District of Martinsville	PE
Hanover Community School Corporation	PE	Metropolitan School District of Mt Vernon	PE
Heartland Career Center	PE	Metropolitan School District of North Posey County	PE
Herron High School Charter School	PE	Metropolitan School District of Perry Township	PE
Hobart School City	PE	Metropolitan School District of Pike Township	PE
Huntington County Community School Corporation	PE	Metropolitan School District of Shakamak	PE
Indianapolis Lighthouse Charter School	PE	Metropolitan School District of Southwest Allen County	PE
Indianapolis Public Schools Education Center	PE	Metropolitan School District of Steuben County	PE
Irvington Community School	PE	Metropolitan School District of Wabash County	PE
J.E.S.S.E. School Corporation	PE	Metropolitan School District of Warren County	PE
Joshua Academy, Inc.	PE	Metropolitan School District Warren Township	PE
Jac-Cen-Del Community School Corporation	PE	Metropolitan School District Washington Township-Marion County	PE
Jay School Corporation	PE	Metropolitan School District of Wayne Township	PE
Jennings County School Corporation	PE	Michigan City Area Schools	PE
John Glenn School	PE	Middlebury Community School Corporation	PE
Johnson County Schools Special Services	PE	Milan Schools	PE
Joshua Academy, Inc.	PE	Mill Creek Community School Corporation	PE
Kipp Indianapolis College Preparatory	PE	Mississinewa Community Schools	PE
Kipp Lead College Preparatory, Inc.	PE	Mitchell Community Schools	PE
Knox Community School Corporation	PE	Monroe Central School Corporation	PE

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Monroe County Community School Corporation	PE	Oregon-Davis School Corporation	PE
Monroe-Gregg School District	PE	Orleans Community Schools	PE
Montessori Academy At Geist, Inc.	PE	Paoli Community School Corporation	PE
Monument Lighthouse Charter School	PE	Penn-Harris-Madison School Corporation	PE
Mooresville Consolidated School Corporation	PE	Perry Central Community School Corporation	PE
Mt Pleasant Township Community School Corporation	PE	Peru Community School Corporation	PE
Mt Vernon Community School Corporation	PE	Pike County School Corporation	PE
Muncie Community Schools	PE	Pioneer Regional School Corporation	PE
Nettle Creek School Corporation	PE	Plainfield Community School Corporation	PE
New Albany-Floyd County School Corporation	PE	Plymouth Community School Corporation	PE
New Castle Community School Corporation	PE	Portage Township Schools	PE
New Community School	PE	Porter County Education Interlocal	PE
New Prairie United School Corporation	PE	Prairie Heights Community School Corporation	PE
Nineveh Hensley Jackson United School Corporation	PE	Randolph Central School Corporation	PE
Noblesville Consolidated Schools	PE	Randolph Eastern School Corporation	PE
North Adams Community Schools	PE	Randolph Southern School Corporation	PE
North Daviess Community Schools	PE	Recovery High School At Fairbanks, Inc. (dba Hope Academy)	PE
North Gibson School Corporation	PE	Region 8 Education Service Center	PE
North Harrison Community School Corporation	PE	Renaissance Academy Charter School	PE
North Judson-San Pierre Schools	PE	Rensselaer Central School Corporation	PE
North Knox School Corporation	PE	Richland-Bean Blossom School Corporation	PE
North Lawrence Schools	PE	Richmond Community Schools	PE
North Miami Community Schools	PE	Rising Sun-Ohio County Community School Corporation	PE
North Montgomery School Corporation	PE	River Forest Community School Corporation	PE
North Newton School Corporation	PE	Rochester Community Schools	PE
North Putnam Community School Corporation	PE	Rockville Community Schools	PE
North Vermillion Community School Corporation	PE	Rossville Consolidated School District	PE
North White School Corporation	PE	Rural Community Schools, Inc.	PE
Northeast Dubois County School Corporation	PE	Rush County Schools	PE
Northeast School Corporation	PE	Salem Community Schools-Washington County	PE
Northeastern Wayne Schools	PE	School City of Lake Station	PE
Northern Community Schools	PE	School City of Mishawaka	PE
Northern Wells Community Schools	PE	School City of West Lafayette	PE
Northwest Allen County Schools	PE	School Town of Highland	PE
Northwest Hendricks Schools	PE	School Town of Munster	PE
Northwest Indiana Special Education Cooperative	PE	Scott County School District 1	PE
Northwestern Consolidated School District Shelby County	PE	Scott County School District 2	PE
Northwestern School Corporation-Howard County	PE	Seymour Community Schools	PE
Oak Hill United School Corporation	PE	Shelby Eastern Schools	PE
Old National Trail Special Services	PE	Shelbyville Central Schools	PE
Options Charter School-Carmel	PE	Shenandoah School Corporation	PE
Options Charter School-Noblesville	PE	Shoals Community School Corporation	PE
		Signature School	PE
		Smith-Green Community Schools	PE
		South Adams Schools	PE
		South Bend Community School Corporation	PE
		South Central Area Special Education Cooperative	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name

South Central Area Vocational School	PE
South Central Community School Corporation	PE
South Dearborn Community School Corporation	PE
South Gibson School Corporation	PE
South Harrison Community School Corporation	PE
South Henry School Corporation	PE
South Knox School Corporation	PE
South Madison Community School Corporation	PE
South Newton School	PE
South Putnam Community School Corporation	PE
South Ripley Community School Corporation	PE
South Spencer County School Corporation	PE
South Vermillion Community School Corporation	PE
Southeast Fountain School Corporation	PE
Southeast Neighborhood School of Excellence	PE
Southeastern Cass School Corporation	PE
Southeastern School Corporation	PE
Southern Hancock Community Schools	PE
Southern Wells Community Schools	PE
Southwest Dubois County School Corporation	PE
Southwest Parke Community School Corporation	PE
Southwest School Corporation of Sullivan County	PE
Southwestern Consolidated Schools of Shelby County	PE
Southwestern High School	PE
Southwestern Jefferson County Consolidated Schools	PE
Speedway Public Schools	PE
Spencer-Owen Community Schools	PE
Springs Valley Community Schools	PE
Sunman-Dearborn Community Schools	PE
Switzerland Community School Corporation	PE
Taylor Community Schools	PE
Tell City Schools	PE
Thea Bowan Leadership Academy	PE
Tippecanoe School Corporation	PE
Tippecanoe Valley School Corporation	PE
Tipton Community School Corporation	PE
Tri-County School Corporation	PE
Tri-Creek School Corporation	PE
Triton Schools	PE
Turkey Run Community School Corporation	PE
Twin Lakes School Corporation	PE
Union School Corporation	PE
Union Township School Corporation	PE

Employer's Name: Fund Name

Union-North United School Corporation	PE
Valparaiso Community Schools	PE
Veritas Academy Charter School	PE
Vigo County School Corporation	PE
Vincennes Community School Corporation	PE
Wa-Nee Community Schools	PE
Wabash City Schools	PE
Warrick County School Corporation	PE
Warsaw Community Schools	PE
Washington Community Schools	PE
Wawasee Community School Corporation	PE
Wes-Del Community Schools	PE
West Central Indiana Educational Service Center	PE
West Central School Corporation	PE
West Clark Community Schools	PE
West Gary Lighthouse Charter School	PE
West Lafayette School City	PE
West Noble School Corporation	PE
West Washington School Corporation	PE
Western School Corporation	PE
Western Wayne Schools	PE
Westview School Corporation	PE
White River Valley School Corporation	PE
Whiting School City	PE
Whitko Community School Corporation	PE
Whitley County Consolidated Schools	PE
Wilson Education Center	PE

Other Government Entities

Adams County-Solid Waste Management District	PE
Adams-Wells Special Services Cooperative	PE
Akron Public Library	PE
Alexandrian Public Library	PE
Allen County Public Library	PE
Anderson Public Library	PE
And-Tro Water Authority	PE
Argos Public Library	PE
Aurora Public Library	PE
Bargersville Community Fire Protection District	PE
Bartholomew County Library	PE
Bartholomew County-Solid Waste Management District	PE
Bedford Public Library	PE
Beech Grove Public Library	PE
Bell Memorial Public Library	PE
Ben Davis Conservancy District	PE
Benton County Highway	PE
Benton County Public Library	PE

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Big Blue River Conservancy District	PE	Crawford County-Solid Waste District	PE
Boonville-Warrick County Public Library	PE	Crawfordsville Public Library	PE
Bourbon Public Library	PE	Crown Point-Center Township Public Library	PE
Brazil Public Library	PE	Culver-Union Township Public Library	PE
Bremen Public Library	PE	Danville/Center Township Public Library	PE
Bristol Public Library	PE	Dearborn County-Solid Waste	
Brook Iroquois Township Public Library	PE	Management District	PE
Brown County Public Library	PE	Decatur County Board Health	PE
Brown County Solid Waste		Decatur County-Solid Waste District	PE
Management District	PE	Decatur Housing Authority	PE
Brownsburg Public Library	PE	Decatur Public Library	PE
Cambridge City Library	PE	Delaware County Airport Authority	PE
Carmel Public Library	PE	Delaware County Housing Authority	PE
Cass County Solid Waste District	PE	Delaware County Regional Wastewater District	PE
Centerville Library	PE	Delphi Public Library	PE
Central Nine Career Center	PE	Dubois County Contractual Library	PE
City of Anderson-City Utilities	PE	East Central Indiana Solid Waste District	PE
City of Anderson-Housing Authority	PE	East Chicago Public Library	PE
City of Angola Housing Authority	PE	East Chicago Water Department	PE
City of Bloomington-Public Transportation	PE	Eckhart Public Library	PE
City of Bloomington-Utilities Department	PE	Elkhart County-Solid Waste	
City of East Chicago-Waterway		Management District	PE
Management District	PE	Elkhart Public Library	PE
City of Evansville-Water And Sewer Utility	PE	Evansville Housing Authority	PE
City of Fort Wayne-Allen County Convention &		Evansville Public Library	PE
Tourism Author	PE	Evansville Redevelopment Commission	PE
City of Frankfort-Utilities	PE	Evansville-Vanderburgh Airport Authority	PE
City of Hammond-Port Authority	PE	Evansville-Vanderburgh County	
City of Hammond-Sanitary District	PE	Building Authority	PE
City of Hammond-Water Works	PE	Fairmount Public Library	PE
City of Indianapolis-Division Housing	PE	Fayette County Public Library	PE
City of Lawrence-Fort Harrison		Flora-Monroe Public Library	PE
Refuse Authority	PE	Florence Regional Sewage District	PE
City of Logansport-Utilities	PE	Fort Branch-Johnson Township Public Library	PE
City of Michigan City-		Fort Wayne-Allen County Airport Authority	PE
Redevelopment Department	PE	Fort Wayne City Utilities	PE
City of Muncie Housing Authority	PE	Fort Wayne Housing Authority	PE
City of New Albany-Flood Control District	PE	Fort Wayne Convention & Tourism Authority	PE
Clarksville Sewage Department	PE	Fortville-Vernon Township Public Library	PE
Clay Township-Hamilton County Regional		Frankfort Community Public Library	PE
Waste District	PE	Freeman Municipal Airport	PE
Clay Township Regional Waste District	PE	Fremont Library	PE
Clay Township-St Joseph County Poor Relief	PE	Fulton County Library	PE
Clay-Owen-Vigo Solid Waste		Garrett Public Library	PE
Management District	PE	Gary Municipal Airport Authority	PE
Clinton Public Library	PE	Gary Public Library	PE
Coatesville Library	PE	Gas City-Mill Township Public Library	PE
Connersville Utilities	PE	Goshen Public Library	PE
Converse-Jackson Township Library	PE	Greater Lafayette Public Transportation	
Cordry-Sweetwater Conservancy District	PE	Corporation	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Greentown & Eastern Howard Library	PE	Lagrange County Public Library	PE
Greenwood Library	PE	Lake County Library	PE
Hagerstown-Jefferson Township Public Library	PE	Lake Lemon Conservancy District	PE
Hamilton East Public Library	PE	Laporte County Solid Waste	
Hamilton Lake Conservancy District	PE	Management District	PE
Hamilton North Public Library	PE	Laporte Municipal Airport Authority	PE
Hammond Public Library	PE	Laporte Public & County Libraries	PE
Hancock County Public Library	PE	Lawrenceburg Flood Control District	PE
Harrison County Public Library	PE	Lawrenceburg Public Library	PE
Harrison County - Solid Waste		Lebanon Public Library	PE
Management District	PE	Leo Cedarville Regional Sewer District	PE
Hartford City Public Library	PE	Lincoln Heritage Public Library	PE
Health & Hospital Corporation of		Linton Housing Authority	PE
Marion County	PE	Logansport Public Library	PE
Health & Hospital Corporation of		Lowell Public Library	PE
Marion County-Wishard	PE	Madison County-Job Source	PE
Hendricks County-Solid Waste		Madison-Jefferson Library	PE
Management District	PE	Marion Public Library	PE
Housing Authority of The City of Kendallville	PE	Melton Public Library	PE
Huntingburg Housing Authority	PE	Michiana Area Council of Governments	PE
Huntingburg Public Library	PE	Michigan City Library	PE
Huntington Public Library	PE	Middlebury Community Library	PE
Hussey-Mayfield Memorial Public Library	PE	Milford Public Library	PE
Indiana 15 Regional Planning Commission	PE	Mishawaka Public Library	PE
Indianapolis Public Transportation Corporation	PE	Mitchell Community Public Library	PE
Indianapolis-Airport Authority	PE	Monon Town & Township Public Library	PE
Indianapolis-Marion County Building Authority	PE	Monroe County Public Library	PE
Indianapolis-Marion County Public Library	PE	Monterey-Tippecanoe Public Library	PE
Jackson County Public Library	PE	Montgomery County-Auditor	PE
Jackson County Solid Waste		Montgomery County-Highway Department	PE
Management District	PE	Monticello-Union Township Public Library	PE
Jasper County Public Library	PE	Montpelier Public Library	PE
Jasper Public Library	PE	Mooresville Public Library	PE
Jay County Public Library	PE	Morgan County Public Library	PE
Jeffersonville Flood Control District	PE	Muncie Indiana Transit System	PE
Jeffersonville Park & Recreation	PE	Muncie Public Library	PE
Jeffersonville Township Public Library	PE	Nappanee Public Library	PE
Jennings County Public Library	PE	New Albany-Floyd County Public Library	PE
Johnson County Public Library	PE	New Carlisle-Olive Township Library	PE
Kankakee-Iroquois-Regional		New Castle-Henry County Public Library	PE
Planning Commission	PE	New Castle Housing Authority	PE
Kendallville Public Library	PE	New Paris Conservancy District	PE
Kentland Public Library	PE	Newport-Vermillion County Library	PE
Kewana-Union Township Public Library	PE	Newton County Highway Department	PE
Knox County Housing Authority	PE	Noble County Library	PE
Knox County Public Library	PE	Noblesville Housing Authority	PE
Kokomo Public Library	PE	North Madison County Public Library System	PE
Kosciusko County Highway Department	PE	Northeast Indiana Solid Waste	
Lagrange County-Sewer District	PE	Management District	PE
		Northern Indiana Commuter Transportation	
		District	PE

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name		Employer's Name: Fund Name	
Northwest Indiana Health Department		Southwest Allen County Fire District	PE
Cooperative	PE	Speedway Public Library	PE
Northwestern Indiana Regional		Spencer County Public Library	PE
Planning Commission	PE	St Joseph County Airport Authority	PE
Oak Hill Cemetery	PE	St Joseph County Public Library	PE
Oak Park Conservancy District	PE	St Joseph County-Solid Waste	
Ohio County Public Library	PE	Management District	PE
Ohio Township Public Library System	PE	Starke County Airport Authority	PE
Orange County — Highway Department	PE	Starke County-Environmental	
Orleans Town & Township Public Library	PE	Management District	PE
Owen County Public Library	PE	Stucker Fork Conservancy District	PE
Paoli Public Library	PE	Sullivan County Public Library	PE
Patoka Lake Regional Water And Sewer District	PE	Swayzee Public Library	PE
Peabody Public Library	PE	Switzerland County Public Library	PE
Pendleton Community Library	PE	Tell City-Perry County Public Library	PE
Peru Public Library	PE	Terre Haute International Airport Authority	PE
Peru Utilities	PE	The Indianapolis Local Public Improvement	
Pike County Public Library	PE	Bond Bank	PE
Plainfield Public Library	PE	The Starke County Public Library System	PE
Plymouth Public Library	PE	Three Rivers Solid Waste Management District	PE
Porter County Public Library System	PE	Tippecanoe County Public Library	PE
Porter County Solid Waste		Tipton County Library	PE
Management District	PE	Town of Selma-Liberty Regional Waste District	PE
Posey County-Highway Department	PE	Twin Lakes Regional Sewer District —	
Pulaski County Public Library	PE	White County	PE
Putnam County Public Library	PE	Twin Rivers Vocational Area	PE
Randolph County-Solid Waste Management	PE	Union City Library	PE
Region 3-A Development & Region Planning	PE	Union County Public Library	PE
Remington Carpenter Township Public Library	PE	Vigo County-Convention And Tourism Bureau	PE
Richmond-Morrison-Reeves Library	PE	Vigo County Public Library	PE
Richmond Sanitary District	PE	Vincennes Housing Authority	PE
Rising Sun Municipal Utilities	PE	Vincennes Sewer Department	PE
Rockport-Housing Authority	PE	Vincennes Water Department	PE
Rockville Public Library	PE	Wabash Carnegie Library	PE
Rome City Housing Authority	PE	Wakarusa Public Library	PE
Royal Center Township Library	PE	Walkerton-Lincoln Township Public Library	PE
Rushville Public Library	PE	Warren County Highway	PE
Salem Public Library	PE	Warren Public Library	PE
Scott County Public Library	PE	Warrick County Solid Waste	
Scott County-Southeastern Indiana Solid		Management District	PE
Waste District	PE	Warsaw Community Public Library	PE
Shelbyville-Shelby County Public Library	PE	Washington Carnegie Library	PE
Sheridan Public Library	PE	Washington Township Public Library	PE
South Dearborn Regional Sewer District	PE	Washington Township Trustee Assessor	PE
South Henry Regional Waste District	PE	Waterloo-Grant Township Public Library	PE
South Whitley-Cleveland Township		Wayne County-Highway Department	PE
Public Library	PE	Wells County Public Library	PE
Southern Indiana Development Commission	PE	West Central Conservancy District	PE
Southeastern Career Center	PE	West Central Solid Waste District	PE
		West Lafayette Public Library	PE

PUBLIC EMPLOYEES' RETIREMENT FUND

Schedule of Participating Employers Year Ended June 30 (continued)

Employer's Name: Fund Name

Westchester Public Library	PE
Westfield Public Library	PE
Whitewater Valley Community Library District	PE
Whiting Public Library	PE
Whitley County Solid Waste Management District	PE
Wildcat Creek-Solid Waste District	PE
Willard Library - Evansville	PE
Williamsport-Washington Township Public Library	PE
Winchester Community Library	PE
Worthington-Jefferson Township Public Library	PE
Wright-Hageman Public Library	PE
Yorktown-Mt Pleasant Community Library	PE

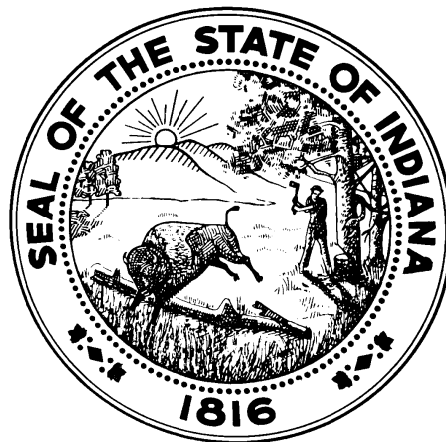


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

PUBLIC EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES
STATE OF INDIANA

July 1, 2007 to June 30, 2008



FILED
12/12/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Computer System Access	4
Uncorrected Prior Errors.....	4-6
Exit Conference.....	7
Official Response	8-9

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Terren Magid	06-02-07 to 06-30-09
Chairman of the Board	Ken Cochran	06-17-05 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE PUBLIC EMPLOYEES' RETIREMENT FUND

We have audited the financial statements of the Public Employees' Retirement Fund Board of Trustees as of and for the year ended June 30, 2008, and have issued our opinion thereon dated September 30, 2008. The financial transactions of this office are reflected in the Public Employees' Retirement Fund of Indiana's Comprehensive Annual Financial Report.

In planning and performing our audit, we considered the internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As a result of performing our audit of the financial statements of the Public Employees' Retirement Fund (PERF), as of and for the year ended June 30, 2008, we have prepared the following Audit Results and Comments (ARC). The Audit Results and Comments contained in this report include two conditions remaining from the six findings contained in the 2007 report, four findings were corrected and discontinued. There are no new Audit Results and Comments in the 2008 report. The current report reflects extraordinary improvement by the Public Employees' Retirement Fund in creating a controlled and secure business environment demonstrated by a 93% reduction in findings, from thirty to two, over the last four years.

The two findings that are in this report have root causes at least in part related to the SIRIS (now BMS) system itself, or to its implementation in 2002. PERF management presented a three to five year strategic plan to replace the SIRIS (now BMS) System to the PERF Board of Trustees at its June 21, 2007, board meeting. PERF has implemented controls in order to successfully mitigate prior findings and system conditions. The mitigating controls should continue to be applied until the strategic plan is fully implemented.

The internal control conditions and the issues of noncompliance are disclosed in the following Audit Results and Comments. We communicated these and other internal control related issues to management in accordance with SAS 112, Communication of Internal Control Related Matters Noted in Our Audit.

STATE BOARD OF ACCOUNTS

September 30, 2008

PUBLIC EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES
AUDIT RESULTS AND COMMENTS
June 30, 2008

COMPUTER SYSTEM ACCESS

The Benefit Management System (BMS), formerly SIRIS, is the retirement system that maintains members' transactional data, account balances, and processes benefit and refund payments. Access to information stored on the computer is protected through the use of user identification and passwords. A formal process exists to document and assign access levels to each user. However, we determined that there was a lack of centralized monitoring to ensure user access remains necessary. There also was no complete listing maintained of all current employees, contractors, interns, or other staff that should have access. Our audit procedures disclosed the condition that user access had not been disabled in a timely manner. Based upon our May 2008 tests, PERF researched and deactivated access rights for 29 users.

As stated in our prior five reports, the most recent being Report B31274, we continued to find conditions of inadequate segregation of duties within the BMS computer access assigned. Segregation of duties is achieved by separating job functions and computer access in order to prevent an individual from concealing errors or irregularities through the normal course of their authorized duties. Within BMS, sets of security rights are organized into various roles which can then be granted to user IDs, based upon each user's job functions. BMS has 27 functions. Of these, 19 use the original SIRIS workflow. Our BMS role security review revealed 47 users that had role conflicts in the functions within the SIRIS workflow. These users had a total of 195 conflicts ranging from 1 to 41 conflicts for each user. Eight BMS functions are within the new workflow architecture which prevents a user from both initiating and approving the same transaction. While this workflow is used to process retirements and disbursements, those same functions can also be used within the older SIRIS workflow. The access to the older SIRIS workflow for these functions largely remained assigned even though by policy it was to be rarely used. Transaction output and data provided for audit does not identify the processing function used. As such, we cannot determine compliance with the policy.

We recommended that PERF regularly monitor system access and establish procedures to maintain centralized lists of those employees and contractors who should have access. The necessary communication process should be established to facilitate timely access cancellations. We also recommended a review and analysis of system role assignments be made in order to improve segregation of duties and ensure the use of the BMS workflow architecture for processing retirements and disbursements. We further recommended that PERF consider implementing reports to monitor the workflow initiated and reviewed through the older FPAT workflow.

Indiana Code 5-10.3-3-7.1 states: "The board shall annually analyze for internal control purposes the fund's: (1) income and expenditures; (2) actuarial condition; (3) reserve accounts; (4) investments; and (5) such other data as necessary to interpret the fund's condition and the board's administration of the fund."

UNCORRECTED PRIOR ERRORS

As stated in our prior five audit reports, the most recent being Report B31274, we found various anomalies in the calculations of benefits and refunds. As detailed in the prior reports, these anomalies resulted in both underpayments and overpayments to members. The causes varied, but were mainly due to SIRIS (now BMS) programming anomalies, input errors and incorrect data used in benefit calculations.

PUBLIC EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES
AUDIT RESULTS AND COMMENTS
June 30, 2008
(Continued)

PERF implemented a process which included various steps to improve the accuracy of members' benefits and refunds as well as to correct errors. First, as noted in our prior audit reports, PERF hired a CPA firm (Clifton Gunderson LLP) to recalculate all benefits and refunds that were processed from the inception of the SIRIS system in April 2002 through June 30, 2004. The benefit adjustments for these members were processed in fiscal 2007. Second, during fiscal 2006 and 2007, in an effort to ensure benefits are paid accurately and effective controls and processes are in place, PERF retained Clifton Gunderson to help implement and maintain its quality assurance function over the verification of member information and calculations in the payment of benefits. PERF maintained the quality assurance function in fiscal 2008. Third, PERF implemented the following procedures and projects which remained in process at June 30, 2008.

Final Benefit Audit and Analysis

Contributions are remitted to PERF and posted to members accounts on a quarterly basis. As such, final contributions may be remitted for one or two quarters following retirement processing. In fiscal 2007, PERF implemented a process known as "Final Benefit Audit and Analysis" (FBAA). This process ensures that final contributions and service are included in the benefit calculation. The process includes recalculating benefits to include analyzing and validating final creditable service as attested to by the employer, as well as employer contributions and employee Annuity Savings Account contributions and interest through the date of retirement. PERF management has set a goal of finalizing benefits for those in estimated status at 6 to 12 months as final data is obtained. PERF contracted with Clifton Gunderson to perform the FBAA for those retirements originally processed in 2006. The contract will be completed with a final report submitted in fiscal 2009. PERF is completing the FBAA on those retirements originally processed in 2007. By August 2008, PERF had completed 42% of the 2007 retirements.

Annuity Savings Account Balances

The annuity savings account balances maintained for those whose retirement was originally processed from July 2004 through December 2005, were analyzed to ensure proper balances were in the accounts and to complete proper disposition of the account assets. PERF assigned Clifton Gunderson selected accounts for this analysis and processing.

As stated in our prior report, the benefit recalculations for those originally processed from 2002-2004 were made outside the BMS which left balances remaining in the system that are no longer owed to members. The Clifton Gunderson ASA contract includes provisions for reviewing and updating the members BMS accounts to ensure that member records coincide with the approved benefit payment.

In June 2008, PERF identified 5,900 retiree accounts within the annuity savings account projects and had a program applied to mark the retirement status as final. We compared these to the June 30 annuity savings account balances and identified balances remaining in accounts which were not indicated as deferrals. As the project remains ongoing, we will perform further tests of these balances in fiscal 2009.

In our tests for fiscal 2008, we observed system balances with current interest recorded, which are not owed to retiree members. PERF finance monitors such balances for those identified from the '02-'04 corrections project, as well as for retirees who receive nonsystem payments. However, balances which are retained in the system for those originally processed in 2005 did not appear to be identified for monitoring.

PUBLIC EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES
AUDIT RESULTS AND COMMENTS
June 30, 2008
(Continued)

We recommended that the quality assurance function for processing benefits continue to be maintained. Benefits and refunds should be finalized in a timely manner as established by PERF policy. We further recommend that PERF continue to monitor balances remaining in the computer for those in the benefit and refund corrections project and who receive nonsystem payments. Balances retained in the system for those originally processed in 2005 and 2006 should be identified and monitored as well. PERF should ensure that interest is no longer applied to these accounts and should prioritize efforts to remove them from the system.

Indiana Code 5-10.3-3-7 states in part: "The Board of Trustees shall . . . 5) Provide for the installation in the general office of a complete system of books, accounts including reserve accounts, and records in order to give effect to all the requirements of this article and to assure the proper operation of the fund."

Indiana Code 5-10.2-2-1.5 states in part: "(1) Each board shall distribute the corpus and income of the fund to members and their beneficiaries in accordance with the retirement fund law. (2) No part of the corpus or income of a fund may be used for or diverted to any purpose other than the exclusive benefit of the members and their beneficiaries."

PUBLIC EMPLOYEES' RETIREMENT FUND
BOARD OF TRUSTEES
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2008, with Terren Magid, Executive Director; Patricia Bush, Chief Financial Officer; and Ken Cochran, Chairman of the Board. The official response has been made a part of this report and may be found on pages 8 and 9.

November 13, 2008

OFFICIAL RESPONSE

State Board of Accounts
Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, IN 46204

*Public Employees'
Retirement Fund*

*1977 Police Officers'
and Firefighters' Pension
and Disability Fund*

*Prosecuting Attorneys'
Retirement Fund*

*Legislators' Retirement
System*

*Excise Police, Gaming
Agents and Conservation
Enforcement Officers'
Retirement Plan*

*1977 and 1985 Judges'
Retirement Fund*

Dear Ladies and Gentlemen:

This letter serves as our response to the State Board of Accounts Audit Results and Comments for the Public Employees' Retirement Fund (PERF) dated June 30, 2008. The results of this audit were presented to PERF on October 27, 2008. The PERF management team appreciates the comments and insights provided by the State Board of Accounts.

PERF management and staff are very proud to receive an unqualified opinion for fiscal year 2008, the third consecutive unqualified opinion. After receiving its first unqualified opinion in four years for fiscal year 2006, this result is affirmation of PERF's continuing commitment to accurately and completely represent the financial condition of this organization. This result is the product of PERF's ongoing focus on effective processes and controls and strong desire to provide its members and employers with the integrity and transparency they deserve in the management of their pension systems. Even in these challenging economic times, members and employers should take great confidence in PERF's ability to prudently manage the funds with accountability.

We continue to be encouraged by the reduction in audit findings. In fiscal year 2004, PERF received a qualified audit opinion with 30 specific findings regarding areas of needed improvement. Diligent efforts to turn around PERF's performance resulted in 15 findings in fiscal year 2005, 11 findings in fiscal year 2006, six findings for fiscal year 2007, and two findings in fiscal year 2008. In addition, we have achieved unqualified financial opinions from the State Board of Accounts since fiscal year 2006. Management recognizes that the remaining findings may not be ultimately resolved until further implementation of PERF's information technology strategy. In the meantime, PERF is committed to providing all necessary mitigating controls to ensure transparency and accountability to its members and employers.

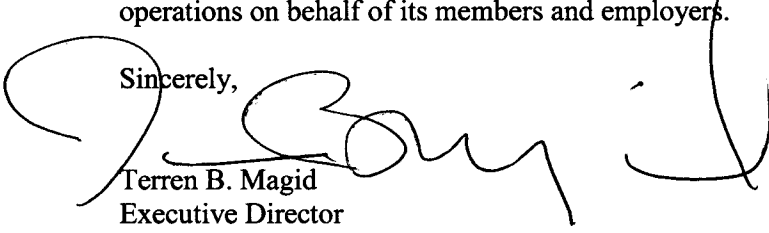
PERF leadership is gratified that the audit process once again was completed according to the timeframe agreed to by PERF and the SBOA. By completing the audit in October, PERF has the ability to develop the necessary plans and take appropriate actions to address items raised by the State Board of Accounts in a time frame sufficient to be reviewed in the next audit. PERF leadership believes that this joint effort in the audit process has contributed significantly to the improved quality of our financial statements and the significant reduction in findings.

In addition to the third consecutive clean financial opinion, PERF continues to be a strong retirement system and leadership continues on our path of improvement to realize our mission of *Excellence in Customer Service*. Among the many new initiatives begun by PERF staff this year, we launched a new customer service approach that reaches both members and employers in the communities where they live and work. PERF hired four retirement services consultants – with a combined experience of more than 100 years – and deployed them to four regions in the north, central and south of the state. These consultants assist employers with their interaction with PERF, and meet PERF members in groups or individually to educate them on retirement and their PERF benefits. We serve more than 200,000 members throughout Indiana and we felt it was time our face-to-face customer service reflected that statewide commitment.

Finally, in recognition of our customer service focus, PERF personnel were once again recognized at the Governor's 2008 public service awards out of more than 30,000 state employees making us the only agency in the state to have a winner every time the award was offered in the Governor's first term. PERF's achievements also have received national recognition. For example, in 2008, PERF again received the Government Finance Officers' Association certificate for the quality of its Comprehensive Annual Financial Report for 2007, as well as the Public Pension Coordinating Council Public Pension Standards Award, an honor offered by the three largest public pension plan administrator industry groups, in recognition of meeting professional standards for plan design and administration.

I want to thank the State Board of Accounts again for its insight and assistance. As always, PERF looks forward to working with the State Board of Accounts to improve its operations on behalf of its members and employers.

Sincerely,


Terren B. Magid
Executive Director