INDIANA STATE
Teachers' Retirement Fund
A Discretely Presented Component Unit of the State of Indiana

2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

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Indiana State Teachers' Retirement Fund

Prepared By
Indiana State Teachers' Retirement Fund
150 W. Market Street, Suite 300
Indianapolis, IN 46204 • Toll-free: (888) 286-3544
www.in.gov/trf •trf@trf.in.gov

2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Introduction

Steve Russo
Executive Director

December 28, 2010

Dear Board Members:

It is with pleasure that we present the Comprehensive Annual Financial Report (CAFR) of the Indiana State Teachers' Retirement Fund for the fiscal year ended June 30, 2010.

About the Indiana State Teachers' Retirement Fund

The Indiana General Assembly created the Indiana State Teachers' Retirement Fund (TRF or the Fund) in 1921 as a pay-as-you-go Defined Benefit retirement system to provide pension and disability benefits to its members and/or their beneficiaries. Pay-as-you-go means that the State decided not to pre-fund the teachers' retirements through employee and employer contributions while the members were actively teaching. Instead, the State chose to appropriate money for the retirement benefits as they became due for payment. Upon reaching age and service eligibility requirements, members are entitled to a Defined Benefit payment based in part upon a formula that takes into account the member's age, years of service, and the average of the member's highest five years of salary.

Since its establishment, the laws governing the administration of TRF have changed and expanded in response to the needs of our members, employers, and citizens. In 1955, the Annuity Savings Account (ASA) was established in its current form, requiring a percentage contribution based on member salary. This benefit is currently funded by a 3% member contribution; however, by statute, employers are allowed to make the 3% contribution on behalf of the member. Members are immediately vested in their ASA. Upon retirement, members can withdraw their ASA balance in a lump sum or they can convert their balance into an annuitized amount that is added to their Defined Benefit.

The 1995 legislative session brought several significant changes to TRF. Legislation was passed that closed the pay-as-you-go plan (named the Pre-1996 Account) to newly hired members and created a new account named the 1996 Account. All teachers hired after June 30, 1995 would be members of the 1996 Account. This account was established to be actuarially pre-funded by requiring school corporations to set aside a fixed percentage of payrolls for teacher retirement benefits. Also, in 1995, the General Assembly passed legislation creating the Pension Stabilization Fund (PSF), designed to partially fund TRF's unfunded liability of the Pre-1996 Account. The PSF was initially funded from $425 million of employer reserves from the Pre-1996 Account and, since that time, has received contributions from the Indiana State General Fund, contributions from the Indiana State Lottery, and interest earned from the investment of PSF assets. As of June 30, 2010, TRF's combined net assets had a market value of $8.1 billion, of which $1.9 billion resides in the PSF.

A public referendum held in 1996 approved an amendment to the Indiana Constitution to allow the Fund to invest in equities. Since that time, the Fund has been able to diversify its asset classes and grow its asset base. Beginning in 1998, TRF members were able to select from expanded investment choices that included equities, thereby diversifying their ASAs.

In 2000, legislation established that TRF was no longer to be a state agency but an "independent body corporate and politic," meaning it is not a department or agency of the State, but is an independent instrument exercising essential government functions. Though TRF is under the authority of the Governor and the Office of Management and Budget (OMB), it is not under the jurisdiction or authority of the State Personnel Department or the Department of Administration. By Executive Order of the Governor, the Fund is under the jurisdiction of the State Ethics Commission.

Indiana Code establishes a six-member Board of Trustees to oversee TRF. Five trustees, two of whom must be members of the Fund, are appointed by the Governor. The sixth member of the Board must be a director of the budget agency or the director's designee.

In 2010, legislation required the boards of TRF and the Indiana Public Employees' Retirement Fund (PERF) to jointly appoint a common executive director and to cooperate to the extent practical and feasible in the investing of fund assets. In May 2010, the PERF and TRF Boards jointly appointed a common executive director to carry out the policies set by the Boards and to administer the Funds on a daily basis. In support of the Board and the executive director, TRF employed 41 full-time staff members as of June 30, 2010.

The Fund serves approximately 165,000 members and 394 employers. TRF provides a monthly benefit to approximately 45,000 retirees and maintains accounts for approximately 74,000 active members and 46,000 inactive members. Details about the demographics of TRF members can be found in the Statistical Section of this report.

Benefit Plan and Other Legislative Changes during Fiscal Year 2010

There were several changes that took effect during fiscal year 2010.

- PERF/TRF Administration - required the boards of TRF and PERF to jointly appoint a common executive director and to cooperate to the extent practical and feasible in the investing of fund assets.

- One-time Check – In lieu of a Cost of Living Adjustment (COLA), legislation provided a one-time check to members who retired before January 1, 2009. The amount of the one-time check ranged from $150 to $450 depending on a member's years of service and was to be paid to members no later than October 1, 2009.

- Divestment of Public Pension Investments – After the completion of certain actions, requires TRF to divest from companies that have certain business operations in states that sponsor terrorism.

- Annuity Savings Account (ASA) - Effective July 1, 2009, permits the Board to establish rules enabling the daily valuation of member ASA accounts and the collection of member ASA contributions from employers on a more frequent basis.

- Electronic Reporting - Effective July 1, 2009, requires employers to submit contributions and reports to TRF electronically.

- Non-forfeiture of the Defined Benefit upon ASA Withdrawal – Effective July 1, 2009, permits a member who has been inactive for at least 30 days and who has attained vested status to receive a distribution of his/her ASA without forfeiting his/her future Defined Benefit.

Management's Responsibility for Financial Reporting

TRF's management is responsible for the contents of this report and is responsible for establishing and 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. TRF's management is also 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, TRF follows Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. Assets of TRF are presented at fair value. The actuarial value of assets and the actuarial accrued liability are presented in the Required Supplemental Schedules following the Notes to the Financial Statements.

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's Discussion and Analysis is contained within the Financial Section of this report and serves to supplement the Introductory Section of this CAFR, as well as financial statements, notes, and supplementary information within the Financial Section.

During the fiscal year ended June 30, 2010, TRF implemented GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

Economic Condition

TRF's economic condition is based primarily upon appropriations from the Indiana State General Assembly, contributions from members and employers, and investment results. In fiscal year 2010, the State of Indiana met its funding obligations to the TRF Pre-1996 Account. The State provided all expected payments to Indiana school corporations, thus providing an added level of assurance that school corporations could meet their obligations to pay required employer contributions to the TRF 1996 Account. In fiscal year 2010, TRF received all required appropriations from the State of Indiana and received all required contributions from members and employers. TRF's cash flow remained strong in fiscal year 2010. Benefit payouts and fund administrative expenses exceeded contributions from employers and members by only $24 million. Strategic Investment Solutions, Inc. (SIS), TRF's primary investment management consultant, evaluated the impact of economic conditions on TRF's investments. SIS's report is located in the Investments Section of this report.

Investments

Fiscal year 2010 was a period of recovery from the turmoil of the prior year. The Defined Benefit (DB) assets returned a positive 14.3% net of fees. A common measure of investment performance is to compare a portfolio's actual return to its benchmark return. TRF's investment performance was not only better than the target benchmark for fiscal year 2010, but remains better than the benchmark return over the past three- and five-year periods.

Prudent diversification through strategic asset allocation is fundamental to TRF's overall investment policy. The policy is designed to provide an optimal mix of asset classes to meet TRF's long-term return objectives, while still minimizing risks. TRF continues to make progress in diversifying the mix of asset classes and adjusting its risk and return profile to deliver the earnings needed to meet benefit obligations. Detailed investment policies and performance results can be found in the Investments Section of this report.

Funding

An actuarial analysis of TRF is performed on an annual basis. In addition, an assumption experience study is performed every three to five years. The actuarial firm, Nyhart, completed the most recent annual actuarial analysis as of June 30, 2009. The assumption experience study was last completed in August of 2008. One of the purposes of the actuarial analysis is to measure the funding status, typically referred to as the funded percentage. The percentage is computed by dividing the actuarial value of net assets 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.

As discussed earlier in this letter, TRF is comprised of two separate accounts, the Pre-1996 Account and the 1996 Account. Each of these accounts is funded differently. Given that the Pre-1996 Account is funded on a pay-as-you-go basis from the State of Indiana, the funded percentage measurement is not as meaningful in measuring the strength of this account.

However, the application of the funded percentage to the 1996 Account is more meaningful, as this account is actuarially pre-funded by contributions from members and employers. The funded percentage of the 1996 Account is a healthy 93.1%. Another purpose of the actuarial analysis is to guide the Board of Trustees in the determination of the required contribution rate as a percent of payroll from employers. In fiscal year 2010, the required Defined Benefit contribution rate from employers for members in the 1996 Account was 7.0% of payroll.

Details of the actuarial analysis can be found in the Actuarial Section of the report. Supporting statistics can be found in the Statistical Section. In the Statement of Changes in Fiduciary Net Assets, contained in the Financial Section of this report, 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.

The actuarial accrued liability is not disclosed in the Financial Statements, but is disclosed in the Schedule of Funding Progress in the Required Supplemental Schedules following the Notes to the Financial Statements.

Accomplishments in 2010

TRF continued its pursuit of excellence throughout fiscal year 2010. TRF's commitment to outstanding customer service was demonstrated by the continued implementation of operational programs that have resulted in over 99% of new retirees receiving their first pension payment on time. Over 90% of members who received services from TRF rated their experience as good or excellent. TRF was recognized by a global public pension system benchmarking firm as a high quality, low cost provider. Significant progress continues to be made in the implementation of new information technologies. TRF successfully completed its third year of a five-year program to modernize its business processes and systems.

Following this letter you will find 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 TRF's 2009 CAFR marks the second consecutive year that a TRF annual report has achieved this recognition. The PPCC award recognizes TRF's excellence in meeting professional standards for plan design and administration. This recognition rates TRF's system management and administration among an exclusive handful of public retirement systems in the nation and also marks the second consecutive year TRF has achieved this distinction.

Acknowledgements

The compilation of this report reflects the combined efforts of TRF staff and advisors. It is intended to demonstrate the spirit of full disclosure and 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.

We express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report. The TRF staff also wishes to express our gratitude to Indiana Governor Mitch Daniels, the Indiana General Assembly, members of the Indiana Pension Management Oversight Commission, and the TRF Board of Trustees who provided TRF staff the privilege of serving the needs of our members and employers.

Sincerely,

Steve Russo
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Indiana State Teachers' Retirement Fund

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2010

Presented to

Indiana State Teachers' Retirement Fund

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

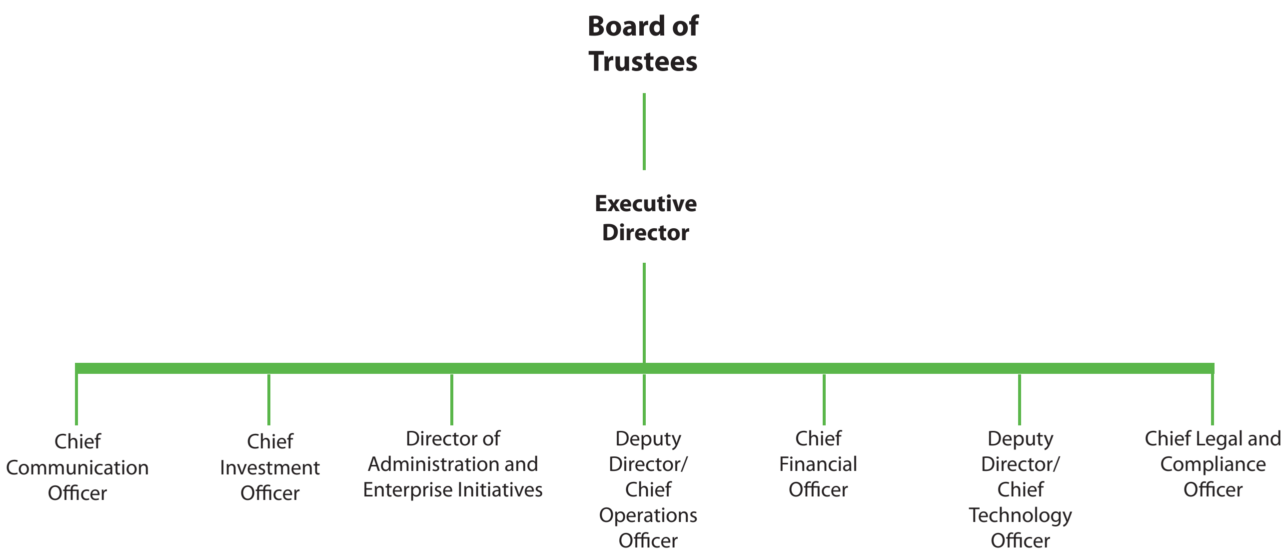
Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Organizational Chart



Mitch Daniels
Governor

Becky Skillman
Lt. Governor

Executive Team

Steve Russo
Executive Director

Steven Barley
Deputy Director
Chief Operations Officer

David Huffman
Deputy Director
Chief Technology Officer

Jeffrey Hutson
Chief Communication Officer

Julia Pogue
Chief Financial Officer

Andrea Unzicker
Chief Legal and
Compliance Officer

Tim Walsh
Chief Investment Officer

Todd Williams
Director of Administration and
Enterprise Initiatives

Professional Consultants

Ice Miller
One American Square
Suite 2900
Indianapolis, IN 46282

Krieg DeVault LLP
One Indiana Square
Suite 2800
Indianapolis, IN 46204

KPMG
303 East Wacker Drive
Chicago, IL 60601

Nyhart
8415 Allison Pointe Boulevard,
Suite 300
Indianapolis, IN 46250

A list of investment professionals can be found on page 60.

Board of Trustees

Ken Cochran
President

Greg Hahn
Vice President

Allen Clark

Ryan Kitchell

Bret Swanson

Cari Whicker
Secretary

Executive Team

Steve Russo
Executive Director

Steven Barley
Chief Operations Officer & Deputy Director

David Huffman
Chief Technology Officer & Deputy Director

Jeffrey Hutson
Chief Communication Officer

Julia Pogue
Chief Financial Officer

Andrea Unzicker
Chief Legal and Compliance Officer

Tim Walsh
Chief Investment Officer

Todd Williams
Director of Administration and Enterprise Initiatives

Membership and Eligibility

The membership of the Indiana State Teachers' Retirement Fund includes eligible educators and administrators.

Members Receiving Retirement Benefits

Age	Years of Service	Allowance Reduction
50 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

Benefit Formula

Annual Benefit =

Average of Highest 5 Years of Annual Compensation x Total Years of Service x 1.1% (0.011)

+

Annual Savings Account[1]

[1] At retirement, a member can elect to receive the Annuity Savings Account as a monthly supplement to the Defined Benefit or in a total distribution.

Cost of Living Adjustments (COLA)

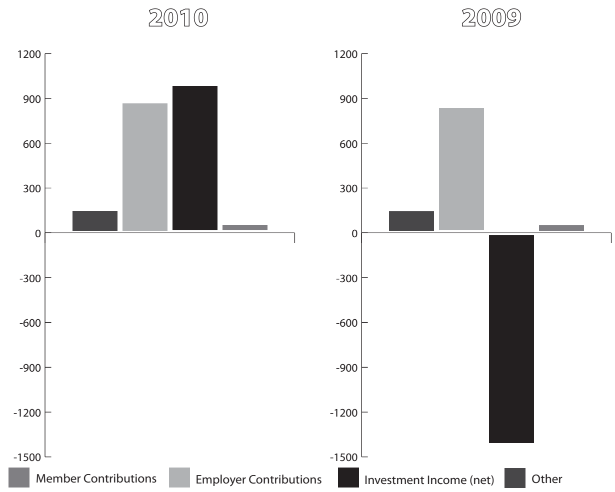
Cost of living adjustments are passed by the Indiana General Assembly on an ad-hoc basis.

Contribution Rates

- Members are required to contribute 3% of gross wages to their Annuity Savings Accounts. Employers have the option of making all or part of this 3% contribution on behalf of the member.
- Members may also voluntarily contribute up to an additional 10% of their wages into their Annuity Savings Accounts, under certain limitations.
- The amount (rate) of employer contributions in the 1996 Account is adopted by the Board of Trustees based on recommendations by the Indiana State Teachers' Retirement Fund's actuary.

Fund Highlights, continued..

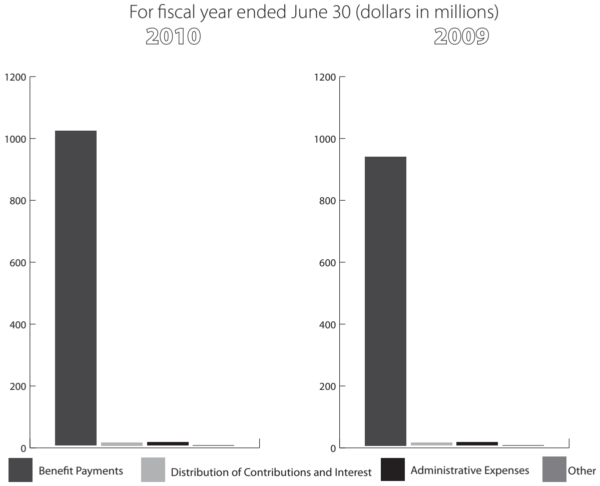
Additions by Source
For fiscal year ended June 30 (dollars in millions)



Additions by Source

For fiscal year ended June 30 (dollars in millions)	2010	2009
Member Contributions	$ 131.7	$ 128.6
Employer Contributions	849.9	819.2
Investment Income (net)	965.6	(1,390.1)
Other	35.4	34.2
Total	$ 1,982.6	$ (408.1)

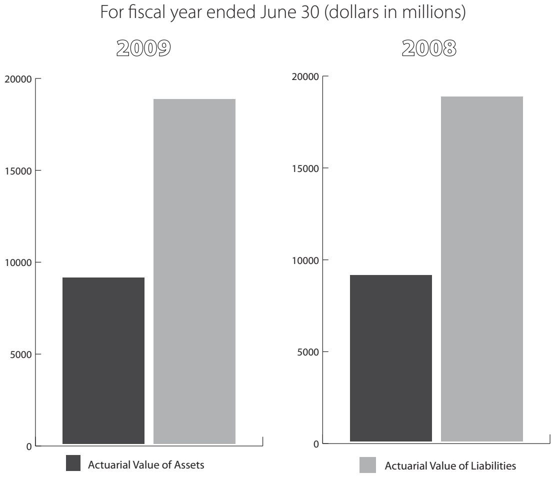
Deductions by Type
For fiscal year ended June 30 (dollars in millions)



Deductions by Type

For fiscal year ended June 30 (dollars in millions)	2010	2009
Benefit Payments	$ 1,017.1	$ 934.3
Distributions of Contributions and Interest	10.4	9.6
Administrative Expenses	11.1	10.3
Other	2.4	2.5
Total	$ 1,041.0	$ 956.7

Funding Progress
For fiscal year ended June 30 (dollars in millions)



Funding Progress

Actuarial Valuation as of June 30 (dollars in millions)	2009	2008
Actuarial Value of Assets	$ 8,029.8	$ 9,034.0
Actuarial Value of Liabilities	19,162.6	18,750.1
Funding Ratios	42%	48%

2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Financial

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 AUDITOR'S REPORT

TO: THE OFFICIALS OF TEACHERS' RETIREMENT FUND BOARD OF TRUSTEES

We have audited the accompanying financial statements of the Teachers' Retirement Fund Board of Trustees, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Teachers' 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Teachers' Retirement Fund Board of Trustees internal control over reporting. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Teachers' Retirement Fund Board of Trustees as of June 30, 2010, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedules 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 performed for the purpose of forming an opinion on the 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 take 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, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Indiana State Teachers' Retirement Fund (TRF) financial statements for the fiscal year ended June 30, 2010. The MD&A is presented as a narrative overview and analysis. The MD&A should also be read in conjunction with the Financial Statements, the Notes to the Financial Statements, and the Required Supplemental Schedules.

FINANCIAL HIGHLIGHTS

- The net assets of TRF were $8.1 billion as of June 30, 2010.
- The net assets of TRF increased by $0.9 billion, or 13.1%, from the prior fiscal year. The increase was primarily due to positive total returns on Fund investments, resulting in higher investment values.
- The TRF rate of return on investments for the fiscal year was positive 13.5% on a market value basis, compared to last fiscal year's negative 15.7%, as stocks and bonds provided positive returns.
- As of June 30, 2009, the date of the most recent actuarial valuation, the Pre-1996 Account is actuarially funded at 31.9%, which is less than the 37.7% funded level as of June 30, 2008. The 1996 Account is actuarially funded at 93.1%, which is less than the 104.1% funded level as of June 30, 2008. The Pre-1996 Account includes all members who were hired before July 1, 1995, and have been continuously employed by the same Board of Education as they were on that date. The 1996 Account includes all other members.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to TRF's Financial Statements, which are comprised of three components: (1) Financial Statements, (2) Notes to the Financial Statements, and (3) Required Supplemental Schedules. The information available in each of these sections is briefly summarized as follows:

1) Financial Statements

The Statement of Fiduciary Net Assets presents information on TRF's assets and liabilities and the resulting net assets held in trust for pension benefits. This statement reflects TRF'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 gives a snapshot at a particular point in time.

The Statement of Changes in Fiduciary Net Assets presents information showing how TRF's net assets held in trust for pension benefits changed during the fiscal year ended June 30, 2010. It reflects contributions by members and employers, along with deductions for retirement and annuity benefits, administrative expenses, and other deductions. Investment income and losses, resulting from investing and securities lending activities during the period, are also presented.

2) Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in TRF's Financial Statements.

3) Required Supplemental Schedules

The Required Supplemental Schedules consist of a Schedule of Funding Progress and a Schedule of Contributions from the Employers and Other Contributing Entities.

FINANCIAL ANALYSIS

TRF's total assets were $9.3 billion as of June 30, 2010, compared with $7.6 billion as of June 30, 2009. The increase in total assets was primarily due to increases in the market value of investments and securities lending collateral during the fiscal year ended June 30, 2010.

Total liabilities were $1.2 billion as of June 30, 2010,compared with $0.4 billion as of June 30, 2009. The increase in total liabilities was primarily due to an increase in securities lending collateral.

As the table below shows, total net assets were $8.1 billion as of June 30, 2010, which represents a increase of $0.9 billion, or 13.1%, compared to the prior fiscal year, driven primarily by the increase in market value of investments during the year.

Net Assets

(dollars in thousands)

	June 30, 2010	June 30, 2009	% Change
Assets			
Cash and Cash Equivalents	$ 589,589	$ 555,156	6.2%
Securities Lending Collateral	916,206	152,142	502.2
Receivables	199,744	254,893	(21.6)
Investments	7,611,007	6,654,100	14.4
Other Assets	2,144	1,241	72.8
Total Assets	$ 9,318,690	$ 7,617,532	22.3%
Liabilities			
Securities Lending Collateral	$ 916,206	$ 152,142	502.2%
Other Current Liabilities	261,655	266,192	(1.7)
Long-term Liabilities	60	60	-
Total Liabilities	$ 1,177,921	$ 418,394	181.5%
Total Net Assets	$ 8,140,769	$ 7,199,138	13.1%
Investment and Administrative Expenses as a % of Net Assets	0.67%	0.71%	

The following table presents TRF's investment allocation for employer-controlled assets (i.e., Defined Benefit plan assets) as of June 30, 2010, compared to TRF's target investment allocation and the prior fiscal year's allocation.

	June 30, 2010 Actual	June 30, 2010 Target	June 30, 2009 Actual	Allowable Range for Investments
Domestic Equities	19.3%	17.0%	33.1%	13% to 21%
International Equity	15.3	11.0	19.3	8% to 14%
Private Equity	8.4	9.0	7.2	5% to 13%
Equity Strategies	0.5	4.0	0.0	0% to 8%
Domestic Fixed Income	38.4	28.0	23.8	24% to 32%
International Fixed Income	4.4	6.0	3.6	4% to 8%
Credit Strategies	0.2	3.0	0.0	0% to 7%
TIPS/Inflation Linked	4.5	5.0	2.4	3% to 7%
Real Estate	3.9	9.0	5.5	5% to 13%
Commodities	1.0	4.0	0.7	2% to 6%
Absolute Return	4.1	4.0	4.4	2% to 6%
Total	100.0%	100.0%	100.0%	

The remaining Real Estate target allocation of 5.1% will be drawn from the other investment classes and will happen over an extended period of time, as suitable investments become available. The remaining 3.5% and 2.8% from Equity Strategies and Credit Strategies, respectively, will be drawn from the other investment classes as investments are made.

A summary of the changes in net assets during the fiscal years ended June 30, 2010 and 2009 is presented below:

Changes In Net Assets

(dollars in thousands)

	Fiscal Year Ended		
	June 30, 2010	June 30, 2009	% Change
Additions			
Member Contributions	$ 131,676	$ 128,568	2.4%
Employer Contributions	849,855	819,187	3.7
Employer Contributions to Pension Stabilization Fund	30,000	30,000	-
Net Investment Income / (Loss)	965,556	(1,390,148)	169.5
Transfer from Public Employees' Retirement Fund	5,510	4,260	29.3
Total Additions	$ 1,982,597	$ (408,133)	585.8%
Deductions			
Pension and Disability Benefits	$ 1,017,104	$ 934,296	8.9%
Distribution of Contributions and Interest	10,447	9,613	8.7
Administrative & Other Expenses	11,076	10,254	8.0
Transfer to Public Employees' Retirement Fund	2,339	2,525	(7.4)
Total Deductions	$ 1,040,966	$ 956,688	8.8%
Net Increase / (Decrease) in Net Assets	$ 941,631	$ (1,364,821)	169.0%
Net Assets - Beginning of Year	$ 7,199,138	$ 8,563,959	(15.9)%
Net Assets - End of Year	$ 8,140,769	$ 7,199,138	13.1%

ADDITIONS

Additions needed to fund benefit payments are accumulated through contributions from members and employers, as well as returns on invested funds. Member contributions for the year ended June 30, 2010 totaled $131.7 million. This represents an increase of $3.1 million, or 2.4%, compared to the prior fiscal year. Employer contributions were $849.9 million, an increase of $30.7 million, or 3.7%. The increase was due to larger appropriations made by the State of Indiana and new employees for whom the employers were making contributions. Employer contributions of $30.0 million to the Pension Stabilization Fund come from the Indiana State Lottery.

TRF's recognized net investment gain of $965.6 million for the fiscal year ended June 30, 2010, compares to the net investment loss of $1,390.1 million in the prior fiscal year. The higher investment income was primarily due to the recovery in the financial markets during the first nine months of the fiscal year. As a result, the total rate of return on TRF's investments was a positive 13.5%, compared to a negative 15.7% in the prior fiscal year. The positive rates of returns were experienced across all market segments. In this regard, TRF's investment portfolio performance for the fiscal year ending June 30, 2010 is summarized as follows:

- Domestic Large Cap equity investments posted a gain of 15.9%, which compared to a gain of 14.4% for the S&P 500 Index.
- Domestic Small Cap equity investments posted a gain of 23.3%, which compared to a gain of 21.5% for the Russell 2000 Index.
- International equity investments posted a gain of 10.4%, which compared to a gain of 10.4% for the MSCI ACWI ex USA ND Index.
- Fixed income investments posted a gain of 10.6%, which compared to a gain of 9.5% for the Barclays Aggregate Index.

DEDUCTIONS

The deductions from TRF's net assets held in trust for pension benefits include primarily payments for retirement, disability, and survivor benefits, distribution of contributions and interest, and administrative expenses. For the fiscal year ended June 30, 2010, benefit payments amounted to $1,017.1 million, an increase of $82.8 million, or 8.9% from the prior fiscal year. Distributions of contributions and interest were $10.4 million, which represents an increase of 8.7% from the prior fiscal year.

Administrative and other expenses were $11.1 million, which was an increase of $0.8 million, or 8.0%, from the prior fiscal year. This increase is primarily due to the cost of project expenses. The largest increase is for expenses related to supporting the development of software for a new finance system, a recordkeeper system, and an employer reporting system.

HISTORICAL TRENDS

A pension fund is well 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 TRF as of the latest actual valuations were as follows:

	June 30, 2009	June 30, 2008
Pre-1996 Account	31.9%	37.7%
1996 Account	93.1%	104.1%

An analysis of the funding progress and employer contributions is provided in the Required Supplemental Schedules section of the Financial Statements.

INDIANA STATE TEACHERS' RETIREMENT FUND

As of June 30, 2010 and June 30, 2009 *

(dollars in thousands)

	2010	2009
Assets		
Cash and Cash Equivalents	$ 589,589	$ 555,156
Securities Lending Collateral	916,206	152,142
Receivables:		
Employer Contributions	35,085	36,168
Member Contributions	27,433	30,073
Member Benefits Receivable	582	0
Interest and Dividends	33,830	34,167
Due from Public Employees' Retirement Fund	1,371	618
Securities Sold	101,443	153,867
Total Receivables	199,744	254,893
Investments:		
Debt Securities	4,406,995	3,329,169
Equity Securities	2,495,072	2,790,428
Other	708,940	534,503
Total Investments	7,611,007	6,654,100
Capitalized Assets (Original Cost of $2,660K Net of $516K Accumulated Depreciation)	2,144	1,241
Total Assets	9,318,690	7,617,532
Liabilities		
Accrued Salaries Payable	141	167
Accrued Liability for Compensated Absences - Current	70	70
Accounts Payable	5,419	6,418
Benefits Payable	70,463	67,441
Due to Public Employees' Retirement Fund	167	1,633
Securities Lending Collateral	916,206	152,142
Payables for Securities Purchased	185,395	190,463
Total Current Liabilities	1,177,861	418,334
Accrued Liability for Compensated Absences - Long-Term	60	60
Total Liabilities	1,177,921	418,394
Net Assets Held in Trust for Pension Benefits	$ 8,140,769	$ 7,199,138

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

INDIANA STATE TEACHERS' RETIREMENT FUND

For the fiscal years ended June 30, 2010 and June 30, 2009 *

(dollars in thousands)

	2010	2009
Additions:		
Contributions:		
Member Contributions	$ 131,676	$ 128,568
Employer Contributions	849,855	819,187
Employer Contributions - Pension Stabilization Fund	30,000	30,000
Total Contributions	1,011,531	977,755
Investment Income:		
Net Appreciation / (Depreciation) in Fair Value of Investments	802,261	(1,627,148)
Interest and Dividend Income	204,202	266,976
Securities Lending Income	2,460	11,067
Total Investment Income / (Loss)	1,008,923	(1,349,105)
Less Investment Expenses:		
Investment Fees	(42,892)	(34,956)
Securities Lending Fees	(475)	(6,087)
Net Investment Income / (Loss)	965,556	(1,390,148)
Other Additions:		
Transfer from Public Employees' Retirement Fund	5,510	4,260
Total Additions	1,982,597	(408,133)
Deductions:		
Pension and Disability Benefits	1,017,104	934,296
Distributions of Contributions and Interest	10,447	9,613
Administrative Expenses	7,862	8,070
Project Expenditures	2,884	2,183
Depreciation and Amortization Expense	330	1
Transfer to Public Employees' Retirement Fund	2,339	2,525
Total Deductions	1,040,966	956,688
Net Increase / (Decrease) in Net Assets Held in Trust for Pension Benefits	941,631	(1,364,821)
Net Assets - Beginning of Year	7,199,138	8,563,959
Net Assets - End of Year	$ 8,140,769	$ 7,199,138

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

Note 1. Summary of Significant Accounting Policies

A. **Reporting Entity** - The financial statements presented in this report represent only those funds that the Indiana State Teachers' Retirement Fund (TRF) has responsibility for and are not intended to present the financial position or results of operations of the State of Indiana or all of the retirement and benefit plans administered by the State. Effective July 1, 2000, TRF became an independent body corporate and politic (Public Law 119-2000). TRF is not a department or agency of the State; it is an independent body corporate and politic which exercises essential government functions. The members of the Board of Trustees of the Indiana State Teachers' Retirement Fund are appointed by the Governor of the State of Indiana, and a financial benefit/burden relationship exists between TRF and the State of Indiana. For these reasons, TRF is considered a component unit of the State of Indiana for financial statement reporting purposes.

B. **Basis of Presentation** - The financial statements of the Indiana State Teachers' Retirement Fund have been prepared using fund accounting in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. GASB Statement No. 25 has been implemented for the Defined Benefit pension plans.

C. **Fund Accounting** - Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. The Indiana State Teachers' Retirement Fund is a pension trust fund. For a description of this Fund, see Note 2.

D. **Basis of Accounting** - The records of this Fund are maintained on a cash basis. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member and Employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and Refund disbursements are recognized when due and payable in accordance with the terms of the Fund.

E. **Budgets** - A budget for the administrative, project, and investment expenses is prepared and approved by the Board of Trustees.

F. **Deposits and Investments** – The Board is responsible for the Fund's property. The Board may take and hold any property given outright or on condition to the Fund and shall perform the conditions accepted. Unless restricted by a condition, the Board may transfer the property when necessary for the Fund's benefit. The Board shall receipt property belonging to or coming into the Fund and shall judiciously invest the property. The Board shall direct the Fund's disbursements on itemized vouchers approved by the President of the Board and the Director or, in the absence or incapacity of both officers, by another Trustee directed by order of the Board. The Board of Trustees may contract with investment counsel, trust companies, or banks to assist the Board in its investment program and the custody of its assets. The Board is required to diversify investments in accordance with prudent investment standards. The Board has issued investment guidelines for its investment program which authorizes investments in U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, and bankers' acceptances. See Notes 4, 5 and 6 for more details.

During the year ended June 30, 2005, the Fund adopted Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3) ("GASB No. 40"). The adoption of GASB No. 40 required the Fund to include a presentation of Deposit and Investment Risk Disclosures.

During the year ended June 30, 2010, the Fund adopted Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this new Statement are effective for financial statements for periods beginning after June 15, 2009.

G. **Method Used to Value Investments** - GASB No. 25 requires that investments of Defined Benefit plans be reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Values for investment funds and partnerships are provided by the investment fund managers.

H. **Other Investments** - Other investments include investment in shares of limited liability partnerships, real estate securities, options and swaps, comingled funds such as hedge funds, commodity pools, and other global securities. Also included is property owned for investment purposes.

I. **Capitalized Assets** - Equipment and software with a cost of $20,000 or more are capitalized at the original cost. Depreciation and amortization are computed on the straight-line method over the estimated life of all assets. TRF implemented GASB No. 51 during the fiscal year that ended June 30, 2009. During the current fiscal year that ended June 30, 2010, TRF capitalized an additional $1.2 million in software cost related to the Oracle financial system that was placed into production in November 2009. This brings the total software capitalization for the Oracle financial system to $2.4 million for fiscal years 2009 and 2010.

J. **Contributions Receivable** – Contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. The contributions receivable was determined by using actual contributions received in July 2010, as well as estimated amounts yet to be received for days paid in the quarter ended June 30, 2010.

K. **Inventories** - Inventories of consumable supplies are not recognized on the balance sheet as they are considered immaterial. Purchases of consumable supplies are recognized as expenditures at the time of purchase.

L. **Reserves and Designations**

The following are the legally required reserves and other designations of Fund equity:

1. **Member Reserve**: The member reserve represents contributions made by or on behalf of the members, plus any interest or earnings, less amounts refunded or transferred to the Benefits in Force reserve for retirement, disability, or other benefit. For the Indiana State Teachers' Retirement Fund, this reserve includes the members' Annuity Savings Accounts.

2. **Benefits in Force**: This reserve represents the actuarial present value of future benefits for all members who are presently retired or disabled. The accumulated contributions of the members are transferred to the reserve upon retirement or disability for those members electing to annuitize their Annuity Savings Accounts. The remainder of the actuarial pension cost is transferred from the employer reserve to fund the benefits. This reserve also includes $1,932,815,366 for the Pension Stabilization Fund. The Pension Stabilization Fund was established by Indiana Code (IC) 5-10.4-2-5. See Note 3 for further detail on the Pension Stabilization Fund. This reserve has an unfunded actuarial accrued liability.

3. **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. This reserve has an unfunded actuarial accrued liability.

4. **Undistributed Investment Income Reserve**: This reserve was credited with all investment earnings. From this reserve, members' accounts are credited with interest and earnings. The remaining balance is distributed to the reserve accounts listed above. Costs of administering the Fund are financed by investment income and debited to this reserve before earnings are credited to the reserve accounts listed above.

The following are the balances of the reserves and designations of Fund equity as of June 30, 2010 (dollars in thousands):

	Member Reserve	Benefits in Force	Employer Reserve
Pre-1996 Account	$ 2,353,716	$ 2,675,816	$ -
1996 Account	750,574	391,326	1,969,337
Total	$ 3,104,290	$ 3,067,142	$ 1,969,337

M. **Payables and Liabilities** - Payables and liabilities are maintained throughout the year for monthly reporting purposes. They are calculated or estimated for financial statement reporting purposes. Benefits payable represents accrued monthly pensions as of the date of the financial statements that will be paid the first day of the following month. The Fund pays the Defined Benefits for the month on the first day of the following month.

N. **Compensated Absences** – TRF'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, ten and twenty years of employment with 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 thirty unused vacation leave days.

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

Note 2. Fund Description

The Indiana State Teachers' Retirement Fund is a cost-sharing, multiple-employer retirement fund established to provide pension benefits for persons who are engaged in teaching or in the supervision of teaching in the public schools of the State or persons who are employed by the Fund. As of June 30, 2010, the number of participating school unit employers was:

Public School Units	362
Higher Education Units	3
State of Indiana Agencies	28
Associations	1
Total	394

Membership in the Fund is required for all legally qualified and regularly employed teachers who serve in the public schools of Indiana, including the faculty at Vincennes University and employees of the Fund. Additionally, faculty members at Ball State University and the University of Southern Indiana have the option of selecting membership in the Fund or the alternate University Plan. As of June 30, 2009, Indiana State Teachers' Retirement Fund membership consisted of:

Membership	
Currently Receiving Benefits	44,492
Active Plan Members	74,343
Nonvested Inactive Members	38,897
Vested Inactive Members	6,858
Total	164,590

Retirement Benefits

The Indiana State Teachers' Retirement Fund provides retirement benefits, as well as death and disability benefits. Annual retirement benefits, disability benefits, and death benefits are computed as follows:

1. **Regular Retirement (No Reduction Factor for Age)**
   Eligibility – Members are eligible at age 65 or older with at least 10 years of service credit, or between ages 60 and 64 with at least 15 years of service credit, or between ages 55 and 59 if age and service credit total at least 85 (known as the Rule of 85).

   There is no mandatory retirement age.

   Annual Amount – The state pension is calculated by multiplying a member's total years of service by 1.1% of an average of the member's five highest years of compensation. An annuity purchased by the member's accumulated contributions is added to this amount, unless the member elects to withdraw the accumulated contributions in a lump sum or elects to leave the contributions invested with the Fund.

2. **Early Retirement (Age Reduction Factor Used)**
   Eligibility – Members are eligible between ages 50 to 59 with 15 or more years of service credit. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime.

   Annual Amount – For age 59, the early retirement percentage of the normal annual pension benefit is 89%. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

3. **Deferred Retirement (Vested Benefit)**
   Eligibility – Members are eligible once they have earned ten years of service. Benefit commences at age 65.

   Annual Amount – The benefit is computed as a regular retirement benefit with state pension based on service and final average salary at termination.

4. **Classroom Disability Benefit**
   Eligibility – Members are eligible once they have earned five years of service. Classroom disability refers to a medically confirmed inability to continue classroom teaching due to a mental or physical condition that is not necessarily of sufficient severity to meet Social Security disability guidelines.

   Annual Amount – Members may receive $125 per month plus $5 for each additional year of service credit over five years.

5. **Disability Retirement (No Reduction Factor for Age)**
   Eligibility – Members are eligible if they have earned five years of service and also qualify for Social Security Disability at time of termination.

   Annual Amount – The benefit is computed as a regular retirement benefit with state pension based on service and final average salary at termination.

6. **Duty Death Before Retirement**
   Eligibility – Eligibility is available once fifteen years of service are earned and the member had either a spouse to whom the member had been married for two or more years, or the member had a dependent under the age of 18.

   Annual Amount – The benefit is computed as regular retirement benefit, but reduced in accordance with a 100% joint and survivor election.

7. **Benefit Increases After Retirement**
   No automatic increases after retirement are provided. Cost of living increases, as passed by the State legislature, have been made from time to time.

Annuity Savings Account

Each member shall, as a condition of employment, contribute to the Fund 3% of his/her compensation. Effective July 1, 1986, each employing unit may elect to "pick up" the member contribution. No part of the member contributions to the Fund picked up by the employer is includable in the gross income of the member. The "pick up" amount does count in the salaries used to determine the final average at retirement. Any member who leaves covered employment has the option to withdraw accumulated contributions and interest, unless they are vested for retirement benefits, and then they must apply for retirement benefits to obtain their accumulated contributions and interest. In the event of a death of a member who has served less than fifteen years or does not meet the surviving spouse requirements, the designated beneficiary or estate is entitled to a lump sum settlement of contributions plus interest.

Indiana pension statutes stipulate that members of the Fund shall have the opportunity to direct their Annuity Savings Accounts into one of five current investment programs:

1. **Guaranteed Fund** - Interest is credited at a rate annually determined by the Board of Trustees. Principal and interest are "guaranteed". Market risk is assumed by the Fund.

2. **Bond Fund** – The fund contains high quality fixed-income instruments which provide interest/capital gain income. Market risk is assumed by the member.

3. **S&P 500 Index Equity Fund** – This fund closely tracks the return on the S&P 500 Index by employing an indexing strategy and by investing in the stocks of the S&P 500 Index companies. Market risk is assumed by the member.

4. **Small Cap Equity Fund** – This fund consists of stocks with a market capitalization of less than $1.5 billion. Market risk is assumed by the member.

5. **International Equity Fund** – This fund consists of securities of developed non-U.S. countries. Market risk is assumed by the member.

The Guaranteed Fund, Bond Fund, S&P 500 Index Equity Fund, Small Cap Equity Fund and International Equity Fund are valued at market value. When a member retires, dies or suspends membership and withdraws from the Fund, the amount credited to the member shall be valued at the market value of the member's investment, plus accrued interest and/or earnings on his/her investment, less accrued investment expenses.

For the fiscal year ending on June 30, 2010, members could only make a selection or re-allocation once per quarter. The changes were in effect the first month of the quarter following the request for change. Members requested allocations to one or all of the approved funds, as long as those allocations were made in 10% increments of the total balance in the member's account at the time of allocation. The total equaled 100%. Effective August 2, 2010, members may now change their allocation on a daily basis in increments of 1%.

Note 3. Employer Contributions Required and Employer Contributions Made

The Indiana State Teachers' Retirement Fund is funded on a pay as you go basis for employees hired prior to July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date. State appropriations are made for the amount of estimated pension benefit payouts for each fiscal year. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund. For employees hired on or after July 1, 1995; or hired before July 1, 1995, and prior to June 30, 2005, were either hired by another school corporation or institution covered by the Fund or were re-hired by a covered prior employer; the individual employer will make annual contributions. These contributions are set as a percentage of the employee's salary at a rate recommended by the Fund's actuaries and approved by the Fund's Board of Trustees.

Based on the actuarial valuation at June 30, 2008, employer actuarially required contributions were $952,120,349 for the fiscal year ended June 30, 2010. Contributions made by employers for the year ended June 30, 2010, were $885,639,968. This amount also includes the employer share paid by members for optional service credit purchases and amounts contributed by the Public Employees' Retirement Fund for the employer share for service transferred to the Indiana State Teachers' Retirement Fund.

Note 4. Deposit and Investment Risk Disclosures

The Fund's Investment policy states the following:

Description of TRF

The Indiana State Teachers' Retirement Fund ("TRF" or the "Fund") is a Defined Benefit plan under Internal Revenue Code Section 401(a) and is governed by federal law, the Indiana Constitution, Indiana Code, Indiana Administrative Code, and policies set by the TRF Board of Trustees (the "Board"). Pursuant to Indiana law and the Internal Revenue Code, TRF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. In order to provide the ensuing tax advantages to its members, TRF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code. In addition, TRF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code.

Objectives

All aspects of this policy statement should be interpreted in a manner consistent with the Fund's objectives. The objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected financial requirements. These objectives are:

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

Description of the Primary Statutory Investment Provision

The Indiana General Assembly enacted the prudent investor standard to apply to the Board and govern all its investments. See PL 37-1996. The primary governing statutory provision is that the Board must "invest its assets 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." The Board is also required to diversify such investments in accordance with prudent investment standards. See IC 5-10.4-3-10.

Other pertinent investment requirements in the Indiana Code ("IC") include the following:

1. Fund investments must be held for the Fund by banks or trust companies under a custodial agreement or agreements. All Custodians must be domiciled in the United States. IC 5-10.4-3-13;
2. The Board may not engage in any prohibited transaction, as described in Section 503(b) of the Internal Revenue Code. IC 5-10.2-2-1.5(9); and
3. The Board must divest from firms that do business with Sudan under IC 5-10.2-9 and State Sponsors of Terror under IC 5-10.2-10.

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets in accordance with allowable legal limits.

The strategic asset allocation for employer assets effective on June 30, 2010 is as follows:

Global Equity	41%
Global Fixed Income	37
Inflation Sensitive	18
Absolute Return	4
	100%

The asset allocation for the Guaranteed Fund, which are employee assets in the members' Annuity Savings Accounts, is 100% fixed income securities.

Interest Rate Risk

The Fund uses the Barclays Capital Aggregate Index as the benchmark for performance measurement of domestic fixed income managers and various other indices for international fixed income managers.

As of June 30, 2010, the Fund had the following duration information (dollars in thousands):

Investment Type	Net Asset Fair Value	% of Net Asset Fair Value	Effective Duration
Short Term Investment Funds	$ 175,373	3.8%	0.00
Short Term Bills and Notes	42,406	0.9	0.12
Commercial Paper	48,797	1.0	0.03
Asset-Backed Securities	208,789	4.5	0.81
Commercial Mortgage - Backed Securities	243,708	5.2	3.34
Corporate Bonds	1,500,081	32.2	4.12
Government Issued Commerical Mortgage-Backed Securities	2,108	0.0	2.27
Index Linked Government Bonds	102,482	2.2	4.42
Guaranteed Fixed Income	15,032	0.3	0.56
Government Agencies	104,695	2.2	3.36
Government Bonds	969,976	20.9	4.16
Government Mortgage - Backed Securities	389,601	8.3	1.78
Bank Loans	1,378	0.0	0.02
Municipal/Provincial Bonds	16,169	0.3	5.95
Collateralized Mortgage Obligations	76,473	1.6	1.88
Other Fixed Income	700	0.0	1.56
Duration Not Available	774,728	16.6	N/A
Total	$ 4,672,496	100.0%	3.32

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.4-3-13, all Fund investments are held by banks or trust companies under custodial agreements and all custodians must be domiciled in the United States.

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 demand deposit account are carried at cost and are insured up to $250,000 each. Deposits in the demand accounts held in excess of $250,000 are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash deposits held with the custodian, brokers and counterparty are carried at cost and are not insured or collateralized.

Assets Exposed (dollars in thousands):		
Demand Deposit Accounts - Bank Balance	$	37,529
Margin Deposits with Brokers		6,647
Cash Collateral with Counterparty		2,400
Cash Held with Custodian		5,701
Total Exposed	$	52,277

Credit Risk

The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's. The Fund's credit risk of investments policy is set on a manager by manager basis.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's.

Rating	Fair Value	Percentage of Portfolio
Aaa	$ 1,353,621	29.0%
US Government Guaranteed	642,318	13.7
Aa	254,140	5.4
A	466,480	10.0
Baa	672,068	14.4
Ba	174,782	3.7
B	55,752	1.2
Caa	17,671	0.4
Ca	599	0.0
C	105	0.0
Unrated	1,034,960	22.2
Total	$ 4,672,496	100.0%

Concentration of Credit Risk

As of June 30, 2010, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

Foreign Currency Risk
As of June 30, 2010, 11.0% of the Fund's investments were in foreign currencies. The Fund does not have a formal policy relating to foreign currency risk. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	Equities	Contracts, Cash and Bonds	Total Fair Value	Percent of Total Fund Fair Value
Euro Currency Unit	$ 239,250	$ 64,265	$ 303,515	3.7%
Japanese Yen	151,654	31,248	182,902	2.3
British Pound Sterling	117,377	10,017	127,394	1.6
Australian Dollar	53,644	10,062	63,706	0.8
Swiss Franc	48,614	88	48,702	0.6
Hong Kong Dollar	35,980	89	36,069	0.4
Canadian Dollar	33,928	311	34,239	0.4
Swedish Krona	21,263	73	21,336	0.3
South Korean Won	19,974	-	19,974	0.3
Other	45,932	5,874	51,806	0.6
Totals	$ 767,616	$ 122,027	$ 889,643	11.0%

Securities Lending
State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund's custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition, the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may be lent at any one time. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceeds the amounts the borrowers owe TRF.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Total cash collateral of $916 million is invested in a pooled fund.

As of June 30, 2010, the Fund had the following securities on loan (dollars in thousands):

Security Type	Market Value of Loaned Securities Collateralized by Cash	Market Value of Loaned Securities Collateralized by Noncash	Total Securities Loaned
Global Equities	$ 87,518	$ 356	$ 87,874
U.S. Agencies	11,720	-	11,720
U.S. Corporate Fixed	195,007	-	195,007
U.S. Equities	246,886	411	247,297
U.S. Gov't Fixed	349,180	1,022	350,202
Total	$ 890,311	$ 1,789	$ 892,100

Outstanding Short Sales

Short sales occur when investments have been sold which are not yet owned by the Fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the Fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments as of June 30, 2010, is listed below. These investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk, as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2010 follows (dollars in thousands):

Type of Investment:		
Government Mortgage Backed	$	51,639
Total	$	51,639

Note 5. Derivative Financial Instruments

Derivative transactions involve, to varying degrees, the following risks:

Market risk – Market risk is the possibility that a change in the referenced position 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.

Interest Rate Risk — Interest rate risk is the risk of change in the market value of the assets due to a change in interest rates. Bond futures, interest rate swaps and interest rate swaptions are generally used to manage interest rate risk, adjust portfolio duration, or rebalance the total portfolio to the target asset allocation. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Interest rate swap agreements involve the exchange by the Master Trust, with a counterparty, of respective commitments to pay or receive interest (e.g., an exchange of floating rate payments for fixed rate payments) with respect to the notional amount of principal. Interest rate swaptions are options to enter into interest rate swaps based off a set of predetermined conditions. Refer to Note 4 for the interest rate risk of the Fund.

Credit Risk — Credit risk is the risk of change in the market value of assets due to the change in creditworthiness of the underlying issuer. Credit default swaps are used to achieve the desired credit exposure of a security or basket of securities. Credit default swap agreements involve one party (referred to as the buyer of protection) making a stream of payments to another party (the seller of protection) in exchange for the right to receive a specified return in the event of a default or other credit event for the referenced entity, obligation or index.

Currency Risk — Currency risk is the risk of a change in market value due to the change in foreign currency exchange rates. Generally, currency futures, forward contracts and options are used to achieve the desired currency exposure, generate value-added performance, or rebalance the total portfolio to the target asset allocation. Foreign currency futures and forwards are agreements between two parties to buy and sell a set of currencies at a set exchange rate on specified future dates. A currency option gives the buyer the right, but not the obligation, to buy one currency or sell another currency at a set exchange rate on or before a given date.

Equity Risk — Equity risk is the risk of a change in market value of assets due to the change in equity or equity index prices. Equity futures are generally used to achieve the desired market exposure of a security or index or rebalance the total portfolio to the target asset allocation. An equity futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date.

Future Settlement Risk — Future settlement risk is the risk of not receiving the asset or associated gains specified in the contract. Associated gains are derived from the change in market value of the contract due to a change in price of the underlying security. Mortgage TBAs (To Be Announced) and treasury forwards are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date; similarly, a treasury forward is a contract for the purchase or sale of U.S. Treasury securities to be delivered at a future agreed-upon date.

TRF'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. During the year, TRF's derivative investments included but were not limited to, foreign currency forward contracts, SWAPS, options, TBAs and futures.

The table below summarizes TRF's derivative information for the year ending June 30, 2010 (dollars in thousands):

	Change in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	Classification	Amount	Classification	Amount	Notional
Governmental activities					
N/A	N/A	N/A	N/A	N/A	N/A
Business-type activities					
N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary					
Futures	Investment Income	$ 38,603	Investments	$ -	$ 60,899
Options	Investment Income	125	Investments	212	-
Swaps	Investment Income	(7,984)	Investments	424	-
Rights/Warrants	Investment Income	1,623	Investments	66	-
Forwards	Investment Income	7,111	Investments	-	-
Broker Commisions Recaptured	Investment Income	119	Investments	N/A	-
Total		$ 39,597		$ 702	$ 60,899

Foreign currency forward contracts are used to hedge against the currency risk in TRF'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, 2010, TRF's investments included the following currency forwards balances:

(dollars in millions)	
Forward Currency Contract Receivables	$ 117.8
Forward Currency Contract Payables	$ 115.5

TRF's investment managers use financial futures to replicate an underlying security or index they intend to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, TRF'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.

A derivative instrument could be a contract negotiated on behalf of the Master Trust and a specific counterparty. This would typically be referred to as an "OTC contract" (Over The Counter) such as swaps, forward contracts and TBAs. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the Master Trust is exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2010, the Master Trust counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty. Additionally, with the use of collateral, master netting agreements assist in mitigating counterparty credit risk.

(dollars in thousands): Counterparty	Quality Ratings of Counterparty	Fair Value Exposure
Barclays Capital	AA-	$ 144
BNP Paribas S.A.	AA	(462)
Citibank, New York	A+	318
Credit Suisse	A+	(108)
Deutsche Bank AG	A+	692
Standard Chartered Bank	A	(28)
UBS (Warburg)	A+	(2,155)
Bank of America NA	A+	230
Goldman Sachs Bank USA	A	26
Goldman Sachs International	A	921
JP Morgan Chase Bank, N.A.	AA-	23,600
Merrill Lynch Capital Services Inc.	A	1
Morgan Stanley Capital Services Inc.	A	144
Royal Bank of Canada	AA-	59
Royal Bank of Scotland PLC	A+	1,157

The aggregate amount of plan collateral with brokers was $1,960,000, while the aggregate amount of collateral posted by counterparties was $2,950,000. The aggregate amount of liabilities included in netting arrangements was $1,090,105. Securities eligible as collateral are typically United States government bills and U.S. dollar cash. Generally, any positive movement in market value requires the counterparty to transfer a minimum of $250,000 in collateral. It is important to note that margin may be called at a minimum weekly with the ability to call as frequently as daily.

The Master Trust may be subject to credit-related contingent features for those contracts governed by an International Swaps and Derivatives Association Master Agreement (generally swaps) with each counterparty for each open contract in a net liability position. In those instances, the Master Trust is generally regarded as having liquidity risk. In the event the Master Trust's assets decline by various, per-specified rates over predetermined time periods, the Master Trust is either required to post more collateral or may be required to pay off the open liability contracts given the counterparties right to terminate the contract. At June 30, 2010, the Master Trust had a fair value of $1,090,105 in contracts in a net liability position with contingent features; $1,960,000 was posted in collateral against those positions. Contingent features that could result in an immediate payment from the counterparty include a downgrade of the counterparty below a lower specified rating, commonly A-/A3. Additionally, immediate payment can be made to the counterparty in the event assets under management of the portfolio falls below certain thresholds. It is important to note that these contingent features are not compulsory, rather they are voluntary.

Note 6. Long Term Commitments for Alternative Investments

TRF had entered into long term commitments for funding alternative investments in private equity and private real estate of $1,497.4 million as of June 30, 2010. These investments had a net asset value of $692.3 million as of June 30, 2010. The funding period for the amounts that TRF has already committed is from April 2002 to approximately June 2018. The outstanding commitments at June 30, 2010, totaled $614.1million.

Note 7. Deferred Compensation Plan

The State offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the plan and their beneficiaries as required by section 457(g) of the Internal Revenue Code. The Indiana State Incentive Match Plan which provided $15 per pay period for each employee who contributed to the 457 Plan was discontinued January 1, 2010, due to budget reductions.

The State has established a deferred compensation committee that holds the fiduciary responsibility for the plan. The committee holds the deferred amounts in an expendable trust.

Note 8. Risk Management

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters.

The policy of the Fund is not to purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

Note 9. Employee Fund Membership

Employees of the Indiana State Teachers' Retirement Fund are eligible for membership in the Fund. Effective July 1, 2001, IC 21-6.1-4-1(a)-10 states that members of the Fund include persons who are employed by the Fund.

Note 10. Reserve Transfers with the Public Employees' Retirement Fund (PERF)

Transfers of a member's reserves are made between TRF and PERF when a member has service at the time of retirement that is covered by both funds. Service covered by PERF and the related Annuity Savings Account balance will be used by TRF at the time of retirement in calculating the member's retirement benefit from TRF. If the member is retiring from PERF, PERF will use the member's TRF service and Annuity Savings Account balance. At the time the retirement is calculated, TRF sets up a receivable from PERF for both the Annuity Savings Account balance and the calculated reserve for the service credit brought in from PERF. This receivable is included as a line item in the "Receivables" section of TRF's Statement of Fiduciary Net Assets. On the reverse side, TRF recognizes a payable in the Liabilities section of the Statement of Fiduciary Net Assets for TRF amounts used in calculating a PERF retiree's benefit.

Note 11. Group Health Insurance Program

Medicare eligible TRF members may enroll in a Medicare supplemental group health insurance plan offered by Anthem Blue Cross and Blue Shield. This fully insured plan, is funded through retiree paid premiums and contributions from the Health Plan Reserve. Full premium payments for the contract year of May 1, 2009 to May 1, 2010 were $15,709,968, and the plan covered 7,285 members. The Group Contract with Anthem includes a refund feature for favorable experience, and any refund amount is deposited in a Northern Trust investment account designated for the health insurance plan reserve. The account holds investments as directed by TRF at 79% bond fund and 21% stock fund. While the TRF Board invests these funds and may use them to stabilize the premiums paid by retirees for health insurance, this reserve consists solely of retiree premiums.

The following are the designated funds and reserves maintained for the retiree health insurance program as of June 30, 2010.

Fair Value as of June 30, 2010		
Health Plan Reserve Account Balance	$	14,082,504
Refund Receivable from Insurer for Contract Year Ended April 30, 2010		850,805
Required Contract Reserves Held by Anthem (Insurer):		
Premium Deposit Fund		2,000,000
Funds Availability Reserve		1,963,746
Total Designations and for Reserves for Retiree Health Insurance Program	$	18,897,055

Note 12. Subsequent Events

Effective August 2, 2010, the existing TRF ASA investment options for member accounts were expanded to include target date funds. In addition, member accounts were converted from a quarterly valuation to a daily valuation environment.

Note 13. Actuarial Funding Status of the Fund

As of June 30, 2009, TRF was 42% funded. As stated in Note 3, members in the Pre-1996 Account are funded on a pay as you go method for the employer portion of the pension and members in the 1996 Account are funded with employer contributions as they work. TRF accounts for these two classes of members as Pre-1996 Account and 1996 Account, respectively. The Pre-1996 Account is 32% funded and the 1996 Account is 93% funded.

The actuarial methods and significant assumptions used by TRF are summarized in the table below:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Dollar
Amortization Period	30 Years
Asset Valuation Method	4-year Smoothed Market Value with Corridor
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increase	3.50% - 12.50%
Included Wage Inflation	3.25%
Cost of Living Adjustments	1.5% Compounded Annually on Pension Portion

The funded ratio of the Fund has decreased from 45% at June 30, 2004, to the ratio of 42% at June 30, 2009. A historical look at the funded status of the Fund can be found in the Required Supplemental Schedules provided.

The actuarial value of the Fund's assets as of the June 30, 2009 valuation was $8,029,820,891 and the actuarial accrued liability was $19,162,625,560. The difference is the Fund's unfunded actuarial accrued liability of $11,132,804,669. The annual covered payroll as of the June 30, 2009 actuarial valuation was $4,339,032,221 and the ratio of the unfunded actuarial liability to the annual covered payroll was 257%.

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 (UAAL) (b)-(a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b)-(a) / (c)
Pre-1996 Account						
06/30/04	$ 5,765,668	$ 13,548,525	$ 7,782,857	43%	$ 2,384,480	326%
06/30/05	5,796,724	14,254,147	8,457,423	41	2,305,725	367
06/30/06	5,477,221	15,002,471	9,525,250	37	2,237,380	426
06/30/07	5,763,508	15,988,259	10,224,751	36	2,376,390	430
06/30/08	5,953,991	15,792,305	9,838,314	38	2,295,816	429
06/30/09	5,109,086	16,027,093	10,918,007	32	2,030,484	538
1996 Account						
06/30/04	$ 1,038,727	$ 1,649,401	$ 610,674	63%	$ 1,267,173	48%
06/30/05	1,268,575	2,010,746	742,171	63	1,428,604	52
06/30/06	2,209,468	2,363,101	153,633	93	1,565,341	10
06/30/07	2,713,051	2,827,554	114,503	96	1,891,605	6
06/30/08	3,080,057	2,957,758	(122,299)	104	2,052,720	(6)
06/30/09	2,920,735	3,135,533	214,798	93	2,308,548	9
Total Fund						
06/30/04	$ 6,804,395	$ 15,197,926	$ 8,393,531	45%	$ 3,651,653	230%
06/30/05	7,065,299	16,264,893	9,199,594	43	3,734,329	246
06/30/06	7,686,689	17,365,572	9,678,883	44	3,802,721	255
06/30/07	8,476,559	18,815,813	10,339,254	45	4,267,995	242
06/30/08	9,034,048	18,750,063	9,716,015	48	4,348,536	223
06/30/09	8,029,821	19,162,626	11,132,805	42	4,339,032	257

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

(dollars in thousands)

Fiscal Year Ending	Valuation Date	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
Pre-1996 Account				
06/30/05	06/30/03	$ 516,267	$ 394,387	76%
06/30/06	06/30/04	556,460	601,259	108
06/30/07	06/30/05	602,904	636,039	105
06/30/08	06/30/06	678,050	675,682	100
06/30/09	06/30/07	700,307	706,366	101
06/30/10	06/30/08	850,493	731,149	86
1996 Account				
06/30/05	06/30/03	$ 102,919	$ 90,392	88%
06/30/06	06/30/04	116,096	100,081	86
06/30/07	06/30/05	139,978	117,001	84
06/30/08	06/30/06	122,009	132,446	109
06/30/09	06/30/07	119,331	147,425	124
06/30/10	06/30/08	101,627	154,491	152
Total Fund				
06/30/05	06/30/03	$ 619,186	$ 484,779	78%
06/30/06	06/30/04	672,556	701,340	104
06/30/07	06/30/05	742,882	753,040	101
06/30/08	06/30/06	800,059	808,128	101
06/30/09	06/30/07	819,638	853,791	104
06/30/10	06/30/08	952,120	885,640	93

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30, 2010

(dollars in thousands)

Personnel Services:	
Salaries and Wages	$ 2,264
Employee Benefits	850
Temporary Services	665
Total Personnel Services	3,779
Contractual and Professional Services:	
Information Technology	1,857
Benefit Payment Processing Fees	510
Audit Services	303
Consulting Services	91
Actuarial Services	85
Legal Services	78
Total Contractual and Professional Services	2,924
Communications:	
Printing	349
Postage	333
Telephone	50
Total Communications	732
Miscellaneous:	
Office Rent	216
Administrative Services	101
Travel	29
Equipment Rental	16
Office Expenses	12
Memberships & Training	12
Other Administrative Expenses	41
Total Miscellaneous	427
Total Administrative Expenses	$ 7,862

INDIANA STATE TEACHERS' RETIREMENT FUND Fiscal Year Ended June 30, 2010 (dollars in thousands)	
Custodial and Consulting:	
Investment Consultant	$ 1,007
Investment Recordkeeper Fees	758
Investment Custodian	309
Total Custodial and Consulting Expenses	2,074
Investment Management Fees	39,678
Investment Staff Expenses	522
Administrative Investment Expenses	618
Total Investment Expenses	$ 42,892

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30, 2010

(dollars in thousands)

Individual or Firm	Fee	Nature of Services
Public Employees' Retirement Fund	$ 1,813	Audit, Computer and Legal Shared Services
Affiliated Computer Services	510	Recordkeeper Services
Ernst & Young	160	Audit Services
Indiana Office of Technology	142	IT Network Support and Services
Nyhart	85	Actuarial and Legislative Services
State Board of Accounts	44	Audit Services
AIRvan Consulting LLC	44	Consulting Services
Ice Miller LLP	43	Legal Services
CEM Benchmarking Inc.	35	Benchmarking Services
Krieg DeVault LLP	9	Legal Services
Stephenson Morow & Semler	9	Legal Services
Groom Law Group	8	Legal Services
Ennis, Knupp & Associates, Inc.	5	Consulting Services
West Group	4	Legal Services
Gonzalez Saggio & Harlan LLP	4	Legal Services
LexisNexis / Accurint	4	Death Services
Qualtrics	3	Consulting Services
Baker & Daniels	1	Legal Services
Government Finance Officers Association	1	Audit Services
Total Contractual and Professional Services Expenses	$ 2,924	

Fees paid to investment professionals can be found in the Investments Section.

2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Investments

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

August 26, 2010
Board of Trustees
Indiana State Teachers' Retirement Fund
150 W. Market Street, Suite 300
Indianapolis, IN 46204

Dear Trustees:

Strategic Investment Solutions is pleased to present the Indiana State Teachers' Retirement Fund (TRF) results for the fiscal year ended June 30, 2010.

As of June 30, 2010, TRF had combined assets of $8.1 billion, an increase of $0.9 billion since June 30, 2009. The increase in assets over the latest fiscal year was primarily due to strongly positive US equity and global credit market returns.

The latest TRF fiscal year featured a period of high hopes for a global economic recovery as markets emerged from the pessimism and risk aversion that characterized the prior year. While US GDP growth for each quarter during FY2009 was negative, it averaged +3.2% during FY2010. Despite the financial turmoil within the US, this was a better mark than most developed countries (ex Japan) during this period. However, it paled in comparison with several major emerging market countries, in particular the "BRIC" economies (Brazil, Russia, India, and China), which provided the engine for global growth during this period and enjoyed a huge equity market upswing.

Unfortunately, despite this uptick in growth, unemployment continued to increase during the year, particularly in the US, Canada, the UK, and several Euro-land economies. Unemployment peaked at 10.1% in October, 2009, the highest rate since the 10.8% figure reached in November-December, 1982, and the second-highest rate since the Great Depression. Many analysts expect this high level of unemployment to persist for several years as financial markets become restructured, allowing for increased credit creation.

A reversal of the previous fiscal year, the US equity and credit markets had strongly positive returns during the fiscal year, as investors showed a renewed appetite for risk. The Russell 1000 Index, a compilation of the 1000 largest capitalization domestic stocks, gained 15.2%, versus last year's -26.2%. Smaller capitalization stocks, as measured by the Russell 2000 Index, increased 21.5%. Value-oriented strategies outperformed growth in the large cap and small cap segments. In all market indices, Consumer Discretionary was the strongest performing sector (+29.8%), with Energy being the weakest (+4.1%).

Developed international equity markets underperformed the US market during the period, returning 6.4%, as measured by the MSCI EAFE (Europe, Australasia, and Far East) Index, in part due to a stronger dollar. Despite the huge deficits run by the US to help stimulate economic growth and concerns arose about a weaker dollar, the dollar strengthened during the fiscal year. Counter to the US, growth beat value, but similarly small beat large. Emerging markets increased, and led the developed markets, returning 23.5% over the same time period, as measured by the MSCI Emerging Markets Index.

The investment grade fixed income market led by the corporate sector (+22.9%) again performed well over the trailing fiscal year period returning 9.5% as measured by the Barclays Capital Aggregate Index. Intermediate (+8.3%) underperformed long-term government/credit securities (+16.5%).

High yield bonds led investment grade issues over the fiscal year period, returning 26.8%, as measured by the Barclays Capital Corporate High Yield Bond Index, again reflecting investors' changing risk preferences during the year. The mortgage sector, as measured by the Barclays Capital Mortgage-Backed Securities Index, returned 7.5%, trailing the broader fixed income market. The Barclays Capital Treasury Index returned 6.7%.

TRF Defined Benefit Assets returned 14.8%, outperforming the target benchmark return of 12.6%. US small cap equity had the largest absolute positive impact on total fund fiscal year performance, while the absolute return strategy carried largest relative impact.

Specifically:

TRF's domestic equity managers outperformed their passive target over the trailing one year period returning 18.7% versus the S&P Super 1500 Composite return of 15.6%. The majority of the Fund's small cap managers outperformed their passive benchmark (combined 27.0% vs. 21.5%), and the Fund's large cap manager composite (+16.91%) led its benchmark by 2.5%.

TRF's international equity managers (+11.4%) outperformed the MSCI ACWI -US (+10.4%) by 1.0% over the trailing one year period. All active managers surpassed expectations.

TRF's, Fixed Income Composite (+12.9%) beat the Barclays Capital Aggregate Bond Index (+9.5%) by 3.4% over the trailing twelve months; all managers outperformed their respective benchmarks.

The Fund's alternative exposure produced varying results over the trailing one year period. While the Absolute Return and Real Estate Composites significantly outperformed their benchmarks (10.9% vs. 4.9%) and (-9.0% vs. -18.8%) respectively, the Private Equity Composite trailed its benchmark. The Real Estate, Absolute Return and Alternatives allocations are all relatively new and have not yet reached their three year track records; performance in these asset classes typically lags during the initial investment period as managers draw capital to fund new investments.

During the fiscal year, TRF began the process of adopting a revised asset allocation strategy with several key implementation steps:

- Reducing exposure to long-only public equities on a global basis;
- Increasing exposure to private equity, real estate, and absolute return strategies;
- Restructuring the broad fixed income asset class to give TRF greater control over sector exposure; and,
- Reducing the number of managers used for public equities and fixed income and adding to managers expected to generate a higher level of alpha.

In summary, Strategic Investment Solutions is pleased with the overall Indiana State Teachers' Retirement Fund performance over the near and long term periods. Decisive action has been taken to replace managers that have failed to meet expectations or as a result of asset class restructuring. Additionally, TRF's continued focus on risk reduction and efforts to increase the Fund's diversification have positively impacted TRF's performance, and have positioned the Fund to weather further market turmoil.

Best regards,

Pete Keliuotis, CFA
Managing Director

Summary of Investment Policies

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

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

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

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

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

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

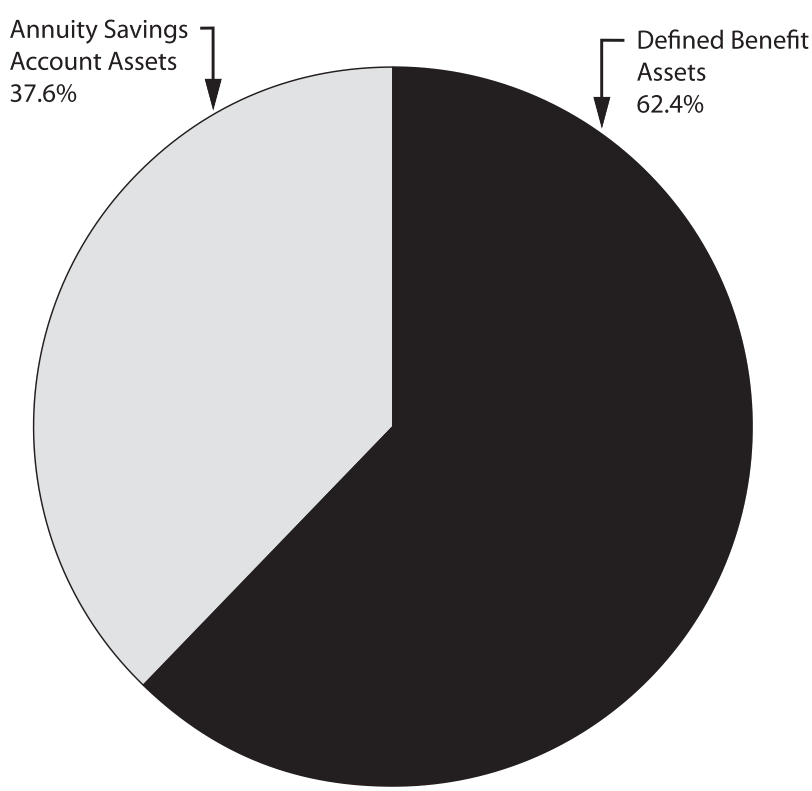
The Board recognizes that the allocation of assets, particularly the broadly-defined mix between stocks and bonds, is the most important determinant of investment rates of returns over long periods of time. The procedure for determining the allocation will consider the relevant characteristics of the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

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

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

Investment Summary
Fiscal Year Ended June 30, 2010
(dollars in millions)

	Actual Assets	Percent
Defined Benefit Assets	$ 5,073	62.4%
Annuity Savings Account Assets	3,060	37.6
Total Fund	$ 8,133	100.0%



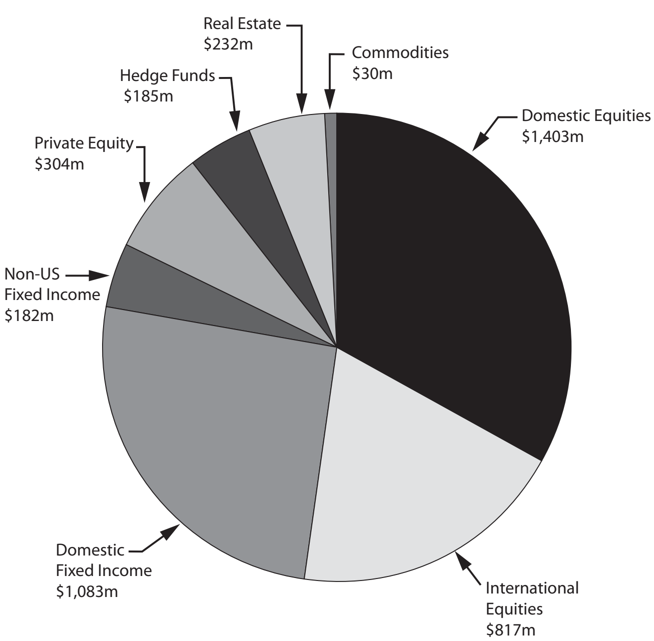
Defined Benefit Assets
Investment Summary
Fiscal Year Ended June 30, 2010
(dollars in millions)

	Beginning Account Balance	Ending Account Balance	Percent of Ending Balance
Domestic Equities	$ 1,403	$ 980	19.3%
International Equities	817	778	15.3
Total Equities	2,220	1,758	34.6
Domestic Fixed Income[1]	1,083	2,137	42.2
Non-US Fixed Income[1]	182	259	5.1
Total Fixed Income	1,265	2,396	47.3
Private Equity	304	424	8.4
Hedge Funds[2]	185	244	4.8
Real Estate	232	198	3.9
Commodities	30	53	1.0
Total DB Assets	$ 4,236	$ 5,073	100.0%

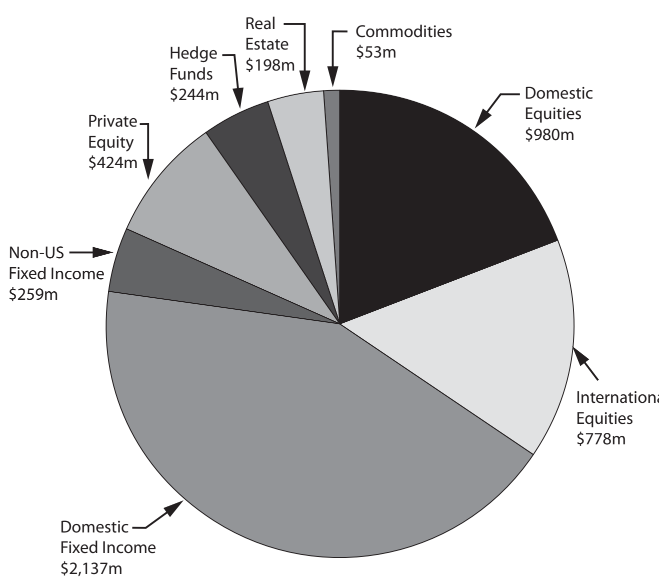
1 Includes Inflation Sensitive

2 Includes Absolute Return and Hedge Fund Strategies

Beginning Balance



Ending Balance



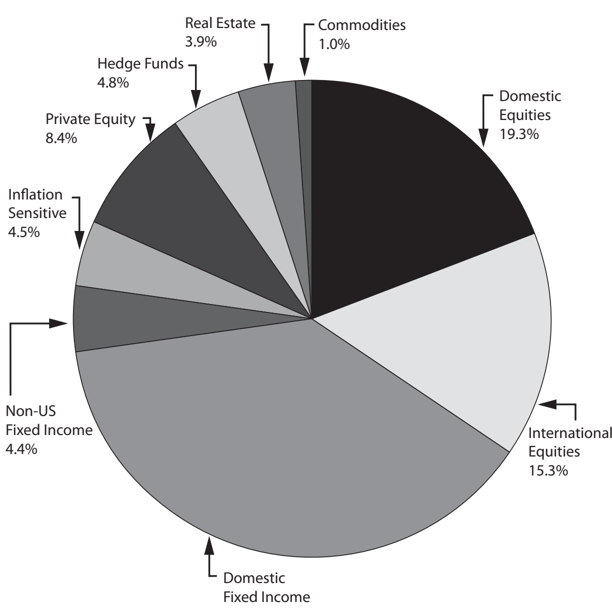
Investment Highlights, continued...

Defined Benefit Assets Investment Allocation Summary

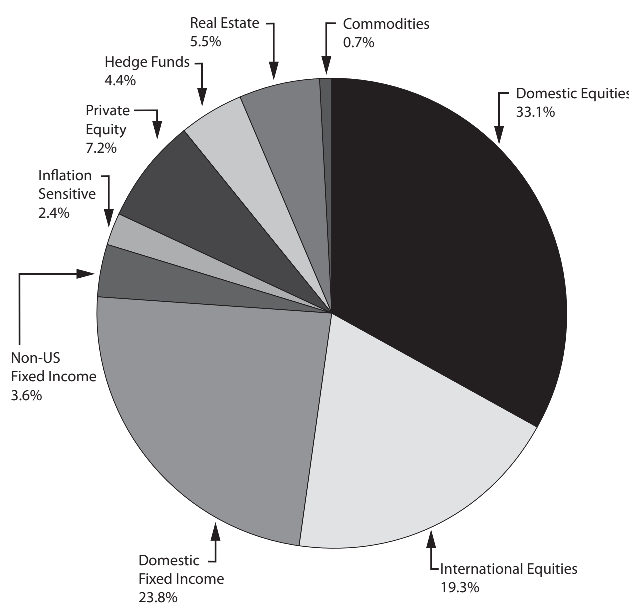
	June 30, 2010	June 30, 2009
Total Equities:		
Domestic Equities	19.3%	33.1%
International Equities	15.3	19.3
Total Fixed Income		
Domestic Fixed Income	38.4	23.8
Non-US Fixed Income	4.4	3.6
Inflation Sensitive	4.5	2.4
Private Equity	8.4	7.2
Hedge Funds[1]	4.8	4.4
Real Estate	3.9	5.5
Commodities	1.0	0.7
Total DB Assets	100.0%	100.0%

1 Includes Absolute Return and Hedge Fund Strategies

June 30, 2010



June 30, 2009

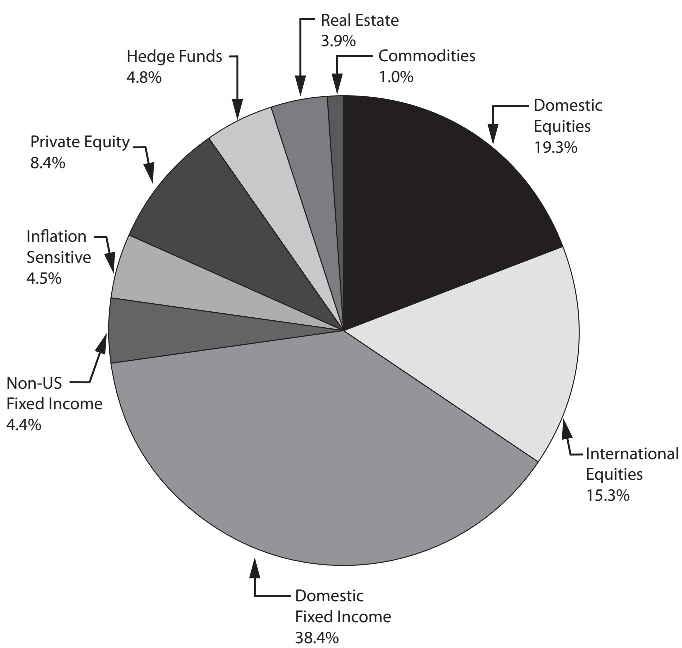


Defined Benefit Assets
Actual vs. Target
Fiscal Year Ended June 30, 2010
(dollars in millions)

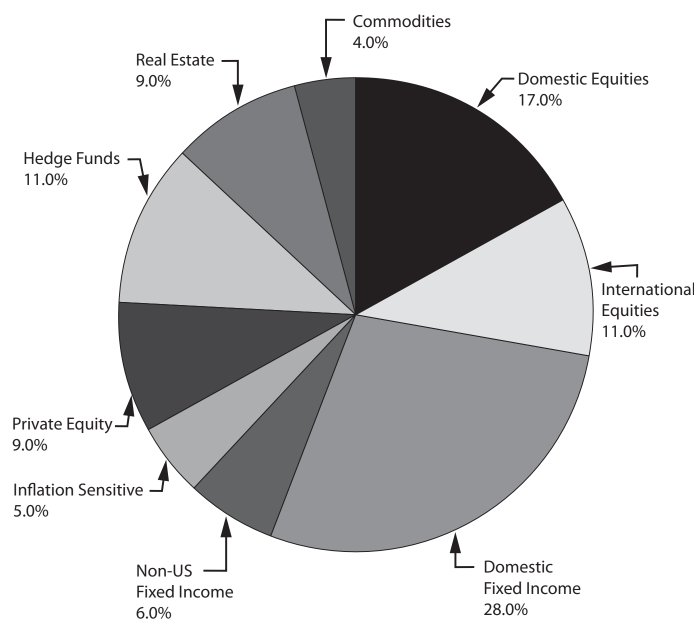
Asset Class	Actual	Percent Actual	Percent Target	Percent Difference	Difference
Domestic Equities	$ 980	19.3%	17.0%	2.3%	$ 117
International Equities	778	15.3	11.0	4.3	218
Domestic Fixed Income	1,949	38.4	28.0	10.4	528
Non-US Fixed Income	221	4.4	6.0	(1.6)	(81)
Inflation Sensitive	226	4.5	5.0	(0.5)	(25)
Private Equity	424	8.4	9.0	(0.6)	(31)
Hedge Funds[1]	244	4.8	11.0	(6.2)	(315)
Real Estate	198	3.9	9.0	(5.1)	(259)
Commodities	53	1.0	4.0	(3.0)	(152)
Total DB Assets	$ 5,073	100.0%	100.0%	-	-

1 Includes Absolute Return and Hedge Fund Strategies

Asset Allocation Actual



Asset Allocation Target



Defined Benefit Assets
Comparative Investment Results[1]

Fiscal Year Ended June 30, 2010
(percent return)[2]

		1 yr [3]	3 yr [3]	5 yr [3]
Total Defined Benefit Fund		14.3%	(4.2)%	2.9%
vs.	NTRS Public Fund Universe Median[4]	13.8	(4.0)	3.0
	Target Reference Index[5]	12.4	(5.1)	2.4
Total Domestic Equity		18.1	(7.9)	0.4
vs.	NTRS Public Fund Universe Median	16.5	(9.0)	0.1
	S&P 1500	15.6	(9.4)	(0.5)
Total International Equity		11.1	(12.3)	2.5
vs.	NTRS Public Fund Universe Median	11.6	(10.6)	3.3
	MSCI ACWI ex US Index	10.4	(10.7)	3.4
Total Domestic Fixed-Income		13.5	6.8	5.7
vs.	NTRS Public Fund Universe Median	14.0	8.1	6.0
	BC US Aggregate Index	9.5	7.6	5.5
Total Non-US Fixed-Income[6]		6.1	NA	NA
vs.	NTRS Public Fund Universe Median	18.5	8.2	6.5
	BC GL Agg ex US Hedged Index	6.4	NA	NA

1 *Investment returns within this table reflect Defined Benefit assets. Investment returns indicated in Management's Discussion and Analysis reflect TRF Defined Benefit plus ASA assets*

2 *Net of Fees*

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

4 *Universe of Public Funds*

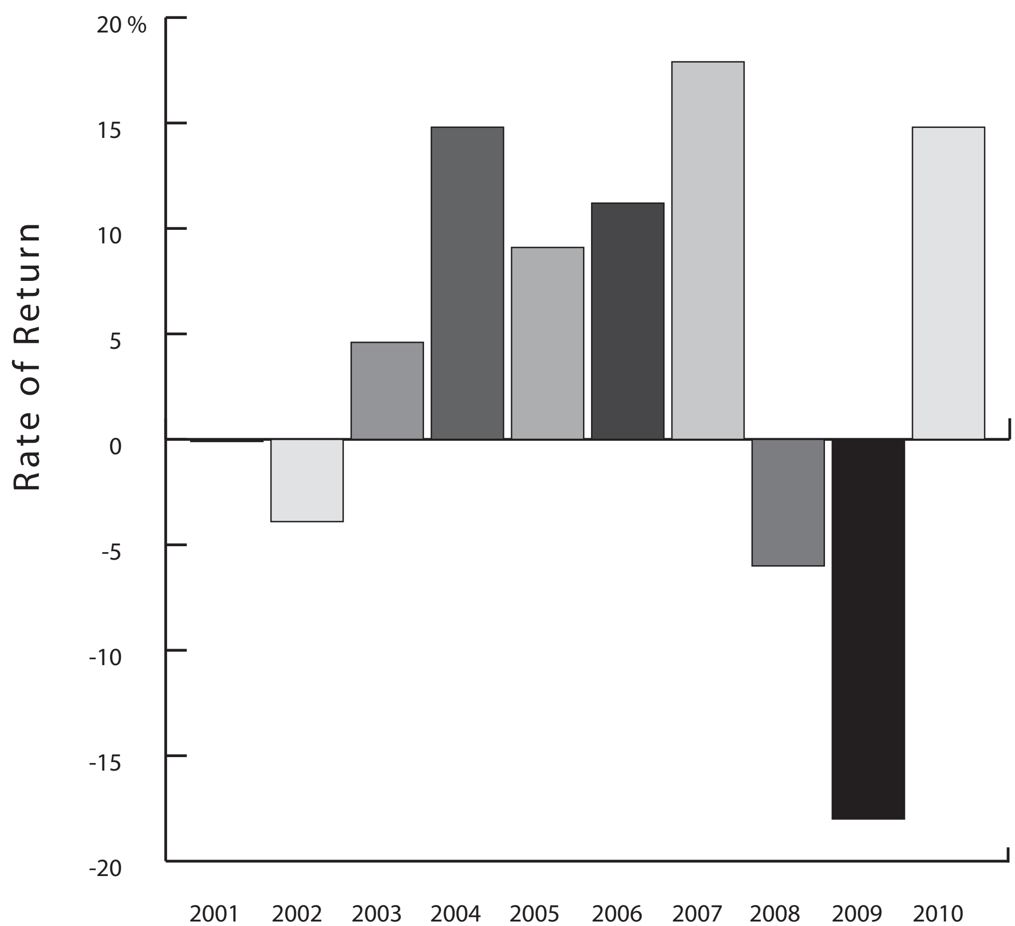
5 *Composed of passive indices for each asset class held at the target asset allocation*

6 *Inception of Total Non-US Fixed Income, 11/30/2008*

Defined Benefit Assets
Ten-Year Investment Rates of Return
(dollars in millions)

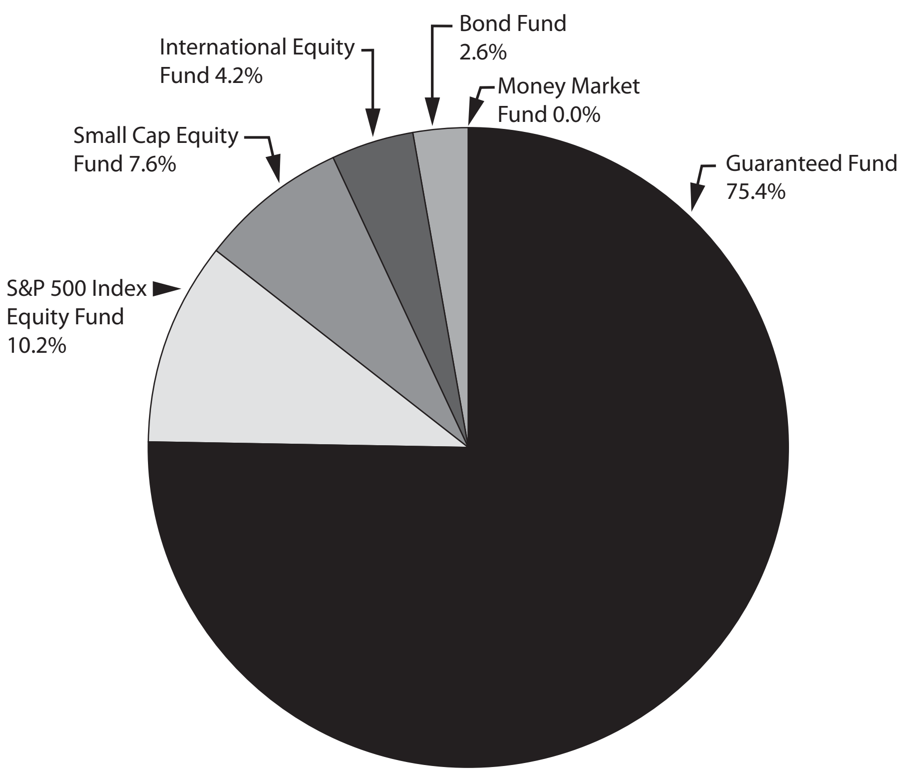
Fiscal Year	Market Value	Rate of Return[1]	Actuarial Assumed Rate
2001	3,116	(0.1)%	7.5%
2002	3,032	(3.9)	7.5
2003	3,377	4.6	7.5
2004	3,738	14.8	7.5
2005	4,041	9.1	7.5
2006	4,521	11.2	7.5
2007	5,501	17.9	7.5
2008	5,252	(6.0)	7.5
2009	4,236	(18.0)	7.5
2010	5,073	14.8	7.5

1 *Gross of Fees*



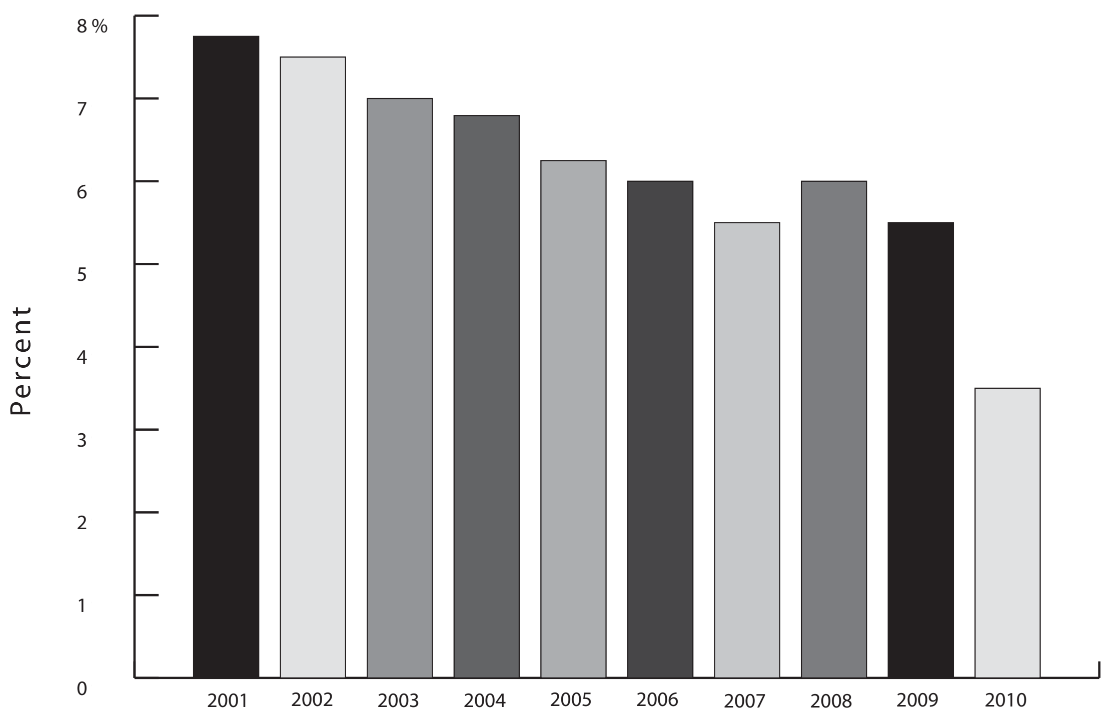
Annuity Savings Account Assets
Fiscal Year Ended June 30, 2010
(dollars in millions)

Investment Option	Actual	Percent
Guaranteed Fund	$ 2,306	75.4%
S&P 500 Index Equity Fund	313	10.2
Small Cap Equity Fund	233	7.6
International Equity Fund	128	4.2
Bond Fund	79	2.6
Money Market Fund	1	0.0
Total ASA Assets	$ 3,060	100.0%



Annuity Savings Account
Guaranteed Fund Interest Crediting Rates
as of June 30

Fiscal Year	Interest Crediting Rate
2001	7.75%
2002	7.50
2003	7.00
2004	6.75
2005	6.25
2006	6.00
2007	5.50
2008	6.00
2009	5.50
2010	3.50



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

Fiscal Year Ended June 30, 2010
(by Market Value)*

Company	Shares	Market Value
Exxon Mobil	280,463	$ 16,006,023
Siemens	136,360	12,363,365
HSBC	1,224,679	11,271,955
Apple	44,736	11,252,446
Microsoft	453,480	10,434,575
IBM	83,911	10,361,330
Nestle	200,005	9,681,700
Novartis	191,393	9,335,811
Bank of America	627,975	9,024,001
Johnson & Johnson	150,716	8,901,287

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

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

Fiscal Year Ended June 30, 2010
(by Market Value)*

Name	Coupon	CUSIP/SEDOL	PAR Value	Market Value
US Treasury Notes	0.750%	SB51C1P1	$ 224,005,000	$ 224,652,374
US Treasury Notes	1.000	SB4L4N43	108,175,000	108,918,703
US Treasury Notes	4.875	SB15T0V9	49,000,000	51,015,517
US Treasury Notes	0.875	SB60CJ55	49,325,000	49,498,407
US Treasury Notes	2.500	SB4VYDP4	32,370,000	33,543,413
US Treasury Notes	1.125	SB5PGFH9	31,425,000	31,550,072
FNMA Pool #MA0298	4.000	C31417YKL0	27,223,500	28,788,171
US Treasury Notes	0.625	SB64XTS7	27,325,000	27,327,186
US Treasury Notes	2.500	SB5P8906	26,700,000	26,816,813
US Treasury Notes	2.625	SB51WP93	23,050,000	23,536,217

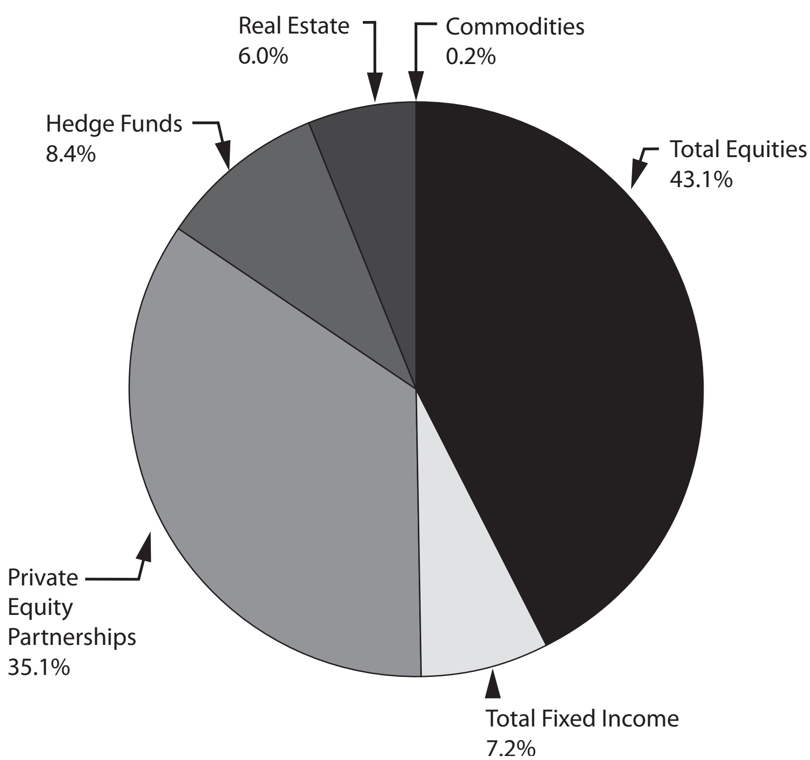
** A complete list of portfolio holdings is available upon request.*

Fees by Asset Class

Fiscal Year Ended June 30, 2010

Asset Class	Amount Paid in Fees
Total Equities	$ 17,094,699
Total Fixed Income	2,862,467
Private Equity Partnerships	13,927,104
Hedge Funds[1]	3,348,419
Real Estate	2,367,582
Commodities	77,730
Total Fees	$ 39,678,001

1 Includes Absolute Return and Hedge Fund Strategies



Custodian
Northern Trust
50 South LaSalle Street
Chicago, IL 60675

Consultants
Aksia
599 Lexington Avenue
New York, NY 10022

RV Kuhns
190 South LaSalle Street
Suite 190
Chicago, IL 60603

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

Domestic Equity
Analytic Investors
500 South Grand Avenue
23rd Floor
Los Angeles, CA 90071

Barclays
45 Fremont Street
San Francisco, CA 94014

Barrow Hanley
2200 Ross Avenue
31st Floor
Dallas, TX 75201

Columbus Circle
Metro Center
One Station Place
Stamford, CT 06902

Cortina
330 East Kilbourn
Suite 850
Milwaukee, WI 53202

Earnest
1180 Peachtree Street
Suite 2300
Atlanta, GA 30309

INTECH
2401 P.G.A. Boulevard
Suite 100
Palm Beach Gardens, FL 33410

Jacobs Levy
100 Campus Drive
Florham Park, NJ 07932

JP Morgan Asset Management
245 Park Avenue
7th Floor
New York, NY 10167

QMA
Two Gateway Center
4th Floor
Newark, NJ 07102

Rhumbline
30 Rowes Wharf
Boston, MA 02110

Turner
1205 Westlakes Drive
Suite 100
Berwyn, PA 19312

Wells
3 Parkwood Crossing
Suite 310
Indianapolis, IN 46240

International Equity
Fisher
13100 Skyline Boulevard
Woodside, CA 94062

Gryphon
20 Bay Street
Suite 1905
Toronto, ON M5J2N8

Manning & Napier
360 Central Avenue
Suite 1500
St. Petersburg, FL 33701

State Street Global
1 Lincoln Street
33rd Floor
Boston, MA 02111

Fixed Income
Alliance Capital
1345 Avenue of the Americas
35th Floor
New York, NY 10105

BlackRock
One Financial Center
Boston, MA 00211

Logan Circle
1717 Arch Street
Suite 1500
Philadelphia, PA 19103

Mondrian
2001 Market Street
Suite 3810
Philadelphia, PA 19103

PIMCO
840 Newport Center Drive
Newport Beach, CA 92658

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

Reams
227 Washington Street
Suite 666
Columbus, IN 47201

State Street Global
1 Lincoln Street
33rd Floor
Boston, MA 02111

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

Private Equity
Credit Suisse
315 Park Avenue South
12th Floor
New York, NY 10010

Hamilton Lane
7777 Fay Avenue
Suite 206
La Jolla, CA 92037

Hedge Funds

Citadel Advisors LLC
131 South Dearborn
Chicago, IL 60603

Highfields Capital
John Hancock Tower
200 Clarendon Street
Boston, MA 02116

Real Estate

LaSalle Investment Management
200 East Randolph Drive
Chicago, IL 60601

Prudential Real Estate
8 Campus Drive
Parsippany, NJ 07054

RREEF
975 North Michigan Avenue
41st Floor
Chicago, IL 60611

TA Associates
200 Clarendon Street
56th Floor
Boston, MA 02116

Absolute Return

Bridgewater
1 Glendinning Place
Westport, CT 06880

GMO
40 Rowes Wharf
Boston, MA 02110

Commodities

BlackStone Resources Select
345 Park Avenue
28th Floor
New York, NY 10154

Goldman Sachs
32 Old Slip Road
31st Floor
New York, NY 10005

Inflation Sensitive

BlackRock
One Financial Center
Boston, MA 00211

State Street Global
1 Lincoln Street
33rd Floor
Boston, MA 02111

2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Actuarial

February 9, 2010

nyhart
www.nyhart.com

The Board of Trustees
Indiana State Teachers' Retirement Fund
Indianapolis, IN

Dear Board Members:

An actuarial valuation is prepared annually for the Indiana State Teachers' Retirement Fund. Submitted in this report are the results of the June 30, 2009 actuarial valuation.

Census Data and Asset Information

The member census data and the asset information for this valuation were furnished by the Chief Financial Officer and Staff. Their efforts and cooperation in furnishing these materials are acknowledged with appreciation. We did not audit the information provided, but we did review it thoroughly for reasonableness and compared it with the prior year's submission for consistency.

Assumptions and Methods

The actuarial assumptions used in the June 30, 2009 valuation were adopted by the Board pursuant to the Experience Study of August, 2008, which reflects the experience period from July 1, 2002 to June 30, 2007. Assumptions are summarized in the Assumptions and Methods section of this report. These assumptions and methods have been used to develop the Annual Required Contribution and are consistent with the accounting requirements detailed in GASB Statements No. 25, No. 27, and No. 50.

Funding Objective

The Indiana State Teachers' Retirement Fund Pre-1996 Account is funded on a pay-as-yougo basis from the State of Indiana. The funding objective of the Indiana State Teachers' Retirement Fund 1996 Account is to establish and receive contributions that, when invested at the assumed rate of return, will ultimately accumulate assets over each member's working lifetime that will be sufficient to pay expected retirement allowances. As such, an employer contribution rate is calculated each year. That rate is then considered in conjunction with the goal of maintaining a relatively stable contribution over time.

Certification

We have included several schedules and exhibits in this report, including the following:
Summary of Actuarial Assumptions and Methods
Analysis of Financial Experience
Solvency Test
Schedule of Active Members' Valuation Data
Schedule of Retirants and Beneficiaries
Schedule of Funding Progress
Schedule of Employer Contributions

The valuation was completed under the supervision of a Member of the American Academy of Actuaries with significant experience in valuing employee retirement systems, and was prepared using generally accepted actuarial principles and in accordance with standards of practice prescribed by the Actuarial Standards Board. To the best of our knowledge, this report is complete and accurate and the actuarial methods and assumptions produce results that are reasonable.

Respectfully submitted,

John Dowell

John L. Dowell, FSA, EA, MAAA   Michael Zurek, EA, MAAA

JD/lmw

Fund Structure

The Indiana State Teachers' Retirement Fund (TRF) is one fund comprised of a two-account structure in compliance with Indiana Code Section 5-10.4-2-2:

1. The Pre-1996 Account consists of members who were hired prior to July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date.
2. The 1996 Account consists of members who were:
   a. hired on or after July 1, 1995; or
   b. hired before July 1, 1995, and prior to June 30, 2005:
      i. were either hired by another school corporation or institution covered by TRF, or
      ii. were re-hired by a covered prior employer.

Characteristics of the Pre-1996 Account

1. Active membership in the Pre-1996 Account continues to decline as members quit, become disabled, die, retire, or incur a change in status as described in (2.b.) above, thereby automatically transferring to membership in the 1996 Account.
2. The Defined Benefits from the Pre-1996 Account are funded by State appropriations (including contributions of some revenue from the State Lottery). For members who annuitize their Annuity Savings Account (ASA) at the time of retirement, ASA benefits payable from the Pre-1996 Account are funded by the annuitization of Pre-1996 Account member contributions.

Characteristics of the 1996 Account

1. As members depart from active service in the Pre-1996 Account, their replacements will become members of the 1996 Account. If the 1996 Account were a stand-alone plan, this pattern of departures and hirings would produce a fairly constant population size.
2. Defined Benefits payable from the 1996 Account are funded by contributions from local school corporations or other institutions that employ covered members. For members who annuitize their Annuity Savings Account (ASA) at the time of retirement, ASA benefits payable at retirement from the 1996 Account are funded by the annuitization of 1996 Account member contributions.

Funding Arrangements

Prior to the legislation that established the two-account structure of TRF, the Defined Benefits of the Indiana State Teachers' Retirement Fund were funded with a pay-as-you-go method. Under this arrangement, amounts were appropriated to meet the current year's pension payment requirements. Defined Benefits payable from the Pre-1996 Account continue to be funded on this basis.

In 1995, the Pension Stabilization Fund was set up for the Pre-1996 Account. Since then, some pre-funding progress has been made via State appropriations to this account.

Defined Benefits payable from the 1996 Account are funded through employer percent-of-pay contributions. The Board of the Teachers' Retirement Fund sets this contribution rate after reviewing the most recent actuarial valuation report.

The contribution rate of 7.5% for fiscal year 2011 was set by the Board in fiscal year 2010 for the 1996 Account.

Plan Provisions

The ad-hoc cost of living adjustment (COLA), effective January 1, 2009, was included in the census information provided. There was no ad-hoc COLA on January 1, 2010. Instead, retirees were paid a service-related lump sum in September 2009. These changes were reflected in the June 30, 2009 valuation. Any future COLA was estimated by an ongoing assumption of 1.5% annual increases in all Defined Benefit payments, beginning January 1, 2011. We are not aware of any other changes in the plan provisions since the June 30, 2008 actuarial valuation.

Summary of Actuarial Assumptions and Methods

Assumptions and Methods

The actuarial assumptions used in the June 30, 2009 valuation are based on plan experience from July 1, 2002 to June 30, 2007. The assumptions are the same as those used in the June 30, 2008 valuation.

The asset valuation method has been changed for the June 30, 2009 valuation to treat ASA account balances as fully funded and eliminate their investment experience from the smoothing process.

Investment Experience

Investment return for the year ended June 30, 2009, was lower than the assumed 7.5%. The market value rate of return was negative 16.3%. Under the asset valuation method, market gains and losses are spread over a four-year period. The Market Value of Assets is currently $831 million lower than the Actuarial Value of Assets, meaning a portion of the recent losses have not yet been recognized but will be in the upcoming years.

Challenges

The 1996 Account has been steadily funded since its inception. As membership in this portion of the plan increases, the amount of required contributions will increase as a dollar amount, but should remain relatively stable as a percentage of covered payroll with plan experience causing gradual changes. The primary funding challenge will be for the State to meet the projected pay-as-you-go obligations for the Pre-1996 Account.

Actuarial Schedules

The schedules shown in the Actuarial Section, including a Summary of Actuarial Assumptions & Methods, Analysis of Financial Experience, Solvency Test, Schedule of Active Members' Valuation Data, and the Schedule of Retirants and Beneficiaries were prepared by the actuary.

The Schedule of Funding Progress and Schedule of Contributions from the Employers and Other Contributing Entities can both be found in the Financial Section.

The assumptions used in this valuation reflect the study of experience covering the period July 1, 2002, through June 30, 2007.

Investment Return Rate

The assumed investment return rate is 7.5% per year, compounded annually (net after administrative expenses).

Pay Increase Assumption

The assumption for each consists of a merit and/or seniority increase, 3.0% for price inflation, and 0.25% for real wage growth.

Pay Increase Assumption

Years of Service	Merit & Seniority	Base (Economic)	Total
1	9.25%	3.25%	12.50%
5	4.50	3.25	7.75
10	3.25	3.25	6.50
15	2.00	3.25	5.25
20	0.75	3.25	4.00
25	0.25	3.25	3.50
30	0.25	3.25	3.50
35	0.25	3.25	3.50
40	0.25	3.25	3.50

Total Active Member Payroll

For purposes of calculating the projected contribution for the 2011 fiscal year, the total active member payroll is assumed to increase 10.0% annually for the 1996 Account and be partially offset by payroll decreases for the Pre-1996 Account.

Price Inflation

Price inflation is assumed at 3.0% per year. Price inflation is not directly tied to benefits; however, it is a component of the economic model used to determine total wage inflation.

Mortality

Healthy

2008 IRS Static Mortality Table projected an additional five years (sex specific).

Disabled

2008 IRS Static Mortality Table projected an additional five years (sex specific).

Retirement

Sample probabilities are shown in the chart below.

Probabilities of Age and Service Retirement

Age	Regular Retirement	Rule of 85 Retirement	Early Retirement
50-53	-	-	0.015
54	-	-	0.030
55	-	0.160	0.040
56	-	0.130	0.050
57	-	0.135	0.060
58	-	0.145	0.070
59	-	0.160	0.080
60	0.180	0.180	-
61	0.220	0.220	-
62	0.250	0.250	-
63	0.200	0.200	-
64	0.250	0.250	-
65	0.350	0.350	-
66	0.300	0.300	-
67	0.200	0.200	-
68	0.250	0.250	-
69	0.300	0.300	-
70	1.000	1.000	-

Withdrawal

Sample probabilities are shown in the chart below.

Probabilities of Withdrawal

	Service Based	
Years of Service	Male	Female
0	0.3500	0.3500
1	0.1400	0.1500
2	0.1000	0.1200
3	0.0800	0.0950
4	0.0600	0.0850
5	0.0500	0.0750
6	0.0450	0.0650
7	0.0400	0.0550
8	0.0350	0.0500
9	0.0300	0.0450
	Age Based*	
Attained Age	Male	Female
25	0.0250	0.0400
30	0.0250	0.0400
35	0.0230	0.0340
40	0.0180	0.0200
45	0.0130	0.0150
50	0.0350	0.0350
55	0.0350	0.0350
60	0.0350	0.0350

** Age-based rates apply only if 10 or more years of service.*

Disability

Sample probabilities are shown in the chart below.

Probabilities of Disability

	Age Based	
Attained Age	Male	Female
25	0.0001	0.0001
30	0.0001	0.0001
35	0.0001	0.0001
40	0.0001	0.0001
45	0.0002	0.0002
50	0.0005	0.0005
55	0.0009	0.0009
60	0.0010	0.0010

Summary of Actuarial Assumptions and Methods Continued...

Actuarial Cost Method

Entry Age Normal (level percent of pay) method, with a 30-year, level dollar amortization of the Unfunded Accrued Liability arising from all sources including actuarial gains and losses.

Asset Valuation Method

The Actuarial Value of Assets recognizes investment gains and losses in equal installments over four years. However, the Actuarial Value is limited to no more than 20% greater than or 20% less than the Market Value of Assets. Investment experience on ASA account balances is not smoothed.

Marriage Assumption

100% of members are assumed to be married for purposes of valuing death-in-service benefits. Male spouses are assumed to be three years older than female spouses.

Pay Increase Timing

Beginning of (fiscal) year is used. Payroll amounts stated in the valuation data are amounts projected to be paid during the current year.

Decrement Timing

Decrements are assumed to occur at the beginning of the fiscal year.

Other

Disability and withdrawal decrements do not operate after member reaches retirement eligibility. Only the withdrawal and death decrements operate during the first ten years of service.

Miscellaneous Adjustments

The calculated liabilities and normal costs were increased by 1% to account for the inclusion of unused sick leave in the calculation of average compensation.

Actuarial Equivalence Basis for Optional Forms of Payment

The following is used: 7.5% interest with a 40%/60% unisex blend of the 1983 Group Annuity Male Mortality Table set back three years and the 1983 Group Annuity Male Mortality Table set back seven years.

Explicit Expense Load

None

Cost of Living Adjustment Assumption

1.5% compounded annually on Defined Benefit portion is used.

Employee Census and Asset Data

Census and asset information was furnished as of the valuation date by the Fund's administrative staff. Although examined thoroughly for reasonableness and consistency with prior years, the data was not otherwise audited by the actuary.

The actuarial valuation computations were made under the supervision of a Member of the American Academy of Actuaries (MAAA).

INDIANA STATE TEACHERS' RETIREMENT FUND

(dollars in millions)

	Pre-1996 Account	1996 Account	Total
June 30, 2008 UAAL *	$ 9,838	$ (122)	$ 9,716
Asset Investment (Gains) / Losses	704	428	1,132
Methodology Change **	478	131	609
Demographic Experience / 2009 Data	137	(32)	105
Miscellaneous Other Adjustments ***	(229)	(198)	(427)
Net Change	1,090	329	1,419
June 30, 2009 UAAL	$ 10,928	$ 207	$ 11,135

* *UAAL: Unfunded Actuarial Accrued Liabilities*

** *The asset valuation methodology has been modified. In prior years, both the Annuity Savings Account (ASA) and Defined Benefit pension investment experience were considered when developing the Actuarial Value of Assets. As of June 30, 2009, the investment experience on ASA balances is no longer considered when calculating the Smoothed Actuarial Value of Assets.*

*** *Miscellaneous Other Adjustments includes changes due to increases for benefit increases and expected net interest on assets and liabilities; offset by decreases for contributions and the 13th check to retirees in lieu of the assumed 1.5% 2010 Cost of Living Adjustment (COLA) .*

INDIANA STATE TEACHERS' RETIREMENT FUND

(dollars in thousands)

Fiscal Year Ended June 30	Actuarial Accrued Liabilities: Active Member Contributions	Retirees and Beneficiaries	Active Member (Employer Financed Portion)	Total Actuarial Accrued Liabilities
Pre-1996 Account				
2004	$ 2,849,091	$ 5,116,191	$ 5,583,243	$ 13,548,525
2005	2,925,367	5,653,502	5,675,277	14,254,146
2006	2,898,891	6,238,115	5,865,465	15,002,471
2007	3,016,052	7,063,889	5,908,318	15,988,259
2008	2,613,138	7,244,422	5,934,745	15,792,305
2009	2,389,886	7,891,346	5,745,861	16,027,093
1996 Account				
2004	$ 445,896	$ 148,889	$ 1,054,616	$ 1,649,401
2005	535,179	219,722	1,255,846	2,010,747
2006	602,051	282,638	1,478,412	2,363,101
2007	656,918	449,452	1,721,184	2,827,554
2008	649,840	514,933	1,792,985	2,957,758
2009	655,843	432,942	2,046,748	3,135,533
Total				
2004	$ 3,294,987	$ 5,265,080	$ 6,637,859	$ 15,197,926
2005	3,460,546	5,873,224	6,931,123	16,264,893
2006	3,500,942	6,520,753	7,343,877	17,365,572
2007	3,672,970	7,513,341	7,629,502	18,815,813
2008	3,262,978	7,759,355	7,727,730	18,750,063
2009	3,045,729	8,324,288	7,792,609	19,162,626

INDIANA STATE TEACHERS' RETIREMENT FUND

(dollars in thousands)

Fiscal Year Ended June 30		Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets			
			Active Member Contributions	Retirees and Beneficiaries	Active Member (Employer Financed Portion)	Total Actuarial Accrued Liabilities
Pre-1996 Account						
2004	$	5,765,668	100.0%	57.0%	0.0%	42.6%
2005		5,796,723	100.0	50.8	0.0	40.7
2006		5,477,221	100.0	41.3	0.0	36.5
2007		5,763,507	100.0	38.9	0.0	36.1
2008		5,953,991	100.0	46.1	0.0	37.7
2009		5,109,086	100.0	34.5	0.0	31.9
1996 Account						
2004	$	1,038,727	100.0%	100.0%	42.1%	63.0%
2005		1,268,576	100.0	100.0	40.9	63.1
2006		2,209,468	100.0	100.0	89.6	93.5
2007		2,713,052	100.0	100.0	93.3	95.9
2008		3,080,056	100.0	100.0	100.0	104.1
2009		2,920,735	100.0	100.0	89.5	93.1
Total						
2004	$	6,804,395	100.0%	66.7%	0.0%	44.8%
2005		7,065,299	100.0	61.4	0.0	43.4
2006		7,686,689	100.0	64.2	0.0	44.3
2007		8,476,559	100.0	63.9	0.0	45.1
2008		9,034,047	100.0	74.4	0.0	48.2
2009		8,029,821	100.0	59.9	0.0	41.9

INDIANA STATE TEACHERS' RETIREMENT FUND

(dollars in thousands -- except average annual allowances)

Fiscal Year Ended June 30	Added to Rolls * No.	Added to Rolls * Annual Allowances	Removed from Rolls * No.	Removed from Rolls * Annual Allowances	Net Transfers and Benefit Changes * No.	Net Transfers and Benefit Changes * Annual Allowances
Pre-1996 Account						
2004						
2005						
2006						
2007	2,292	$ 52,947	(1,063)	$ (12,167)	(423)	$ (7,056)
2008	2,296	52,167	(966)	(11,026)	(104)	1,717
2009	2,344	56,819	(929)	(11,062)	579	15,155
1996 Account						
2004						
2005						
2006						
2007	197	$ 3,658	(22)	$ (416)	423	$ 8,312
2008	255	5,126	(21)	(316)	104	1,659
2009	270	5,145	(10)	(119)	(579)	(12,196)
Total						
2004						
2005						
2006						
2007	2,489	$ 56,605	(1,085)	$ (12,583)	0	$ 1,256
2008	2,551	57,293	(987)	(11,342)	0	3,376
2009	2,614	61,964	(939)	(11,181)	0	2,959

** TRF changed actuarial services beginning with the fiscal year ending June 30, 2007. The previous actuary did not provide data with this detail.*

INDIANA STATE TEACHERS' RETIREMENT FUND

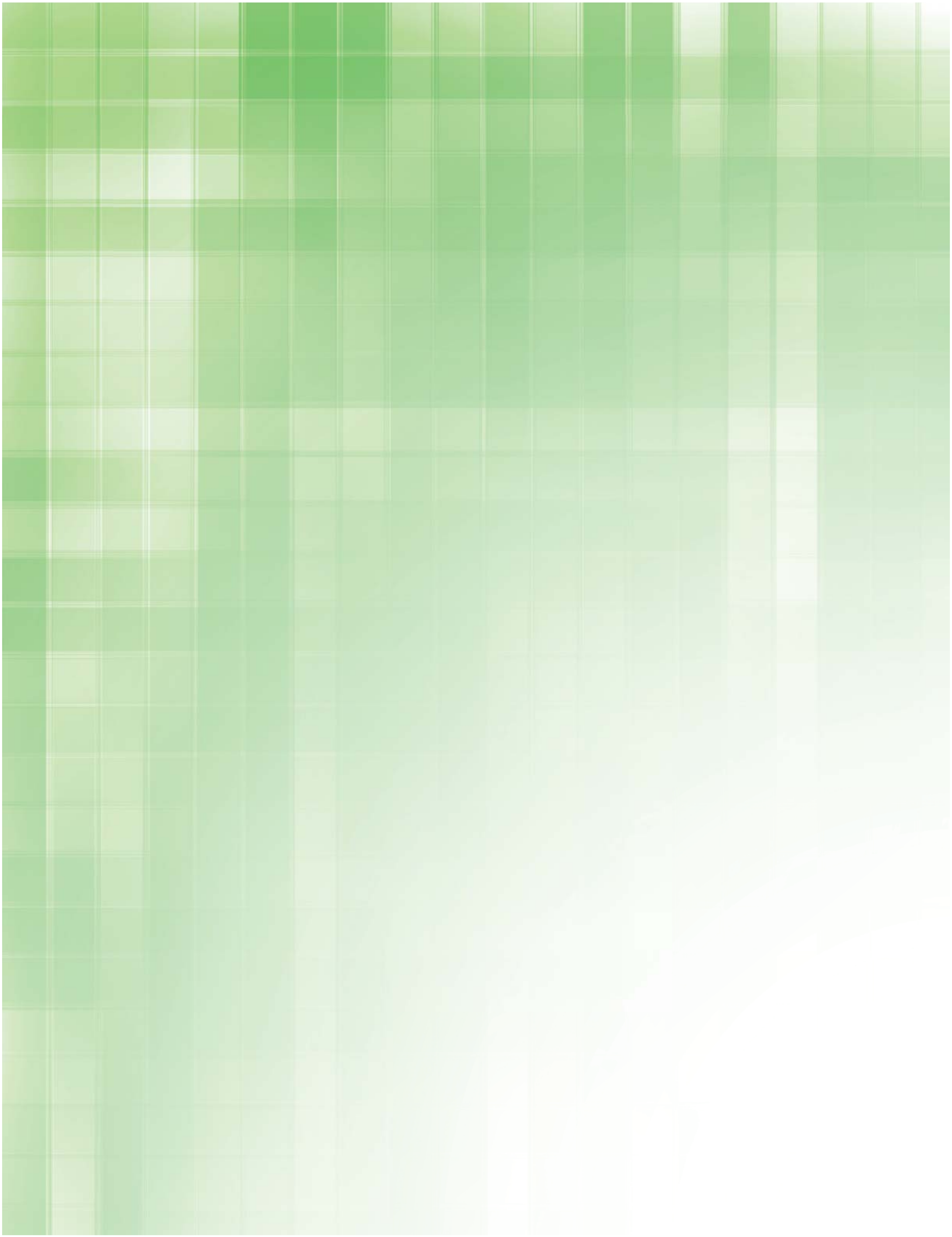
(dollars in thousands -- except average annual allowances)

Fiscal Year Ended June 30	Rolls -- End of Year: No.	Rolls -- End of Year: Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
Pre-1996 Account				
2004	36,271	$ 546,960	5.9%	$ 15,080
2005	37,421	586,597	7.2	15,676
2006	38,522	624,573	6.5	16,213
2007	39,328	658,297	5.4	16,739
2008	40,554	701,155	6.5	17,289
2009	42,548	762,067	8.7	17,911
1996 Account				
2004	797	$ 14,480	38.6%	$ 18,168
2005	1,091	20,584	42.2	18,867
2006	1,327	25,459	23.7	19,185
2007	1,925	37,013	45.4	19,228
2008	2,263	43,482	17.5	19,214
2009	1,944	36,312	(16.5)	18,679
Total				
2004	37,068	$ 561,440	6.5%	$ 15,146
2005	38,512	607,181	8.1	15,766
2006	39,849	650,032	7.1	16,312
2007	41,253	695,310	7.0	16,855
2008	42,817	744,637	7.1	17,391
2009	44,492	798,379	7.2	17,944

INDIANA STATE TEACHERS' RETIREMENT FUND

(dollars in thousands - except average pay)

As of June 30	Active Members	Annual Payroll	Average Pay	Percent Increase
Pre-1996 Account				
2004	41,510	$ 2,384,480	$ 57,444	2.5%
2005	39,097	2,305,726	58,974	2.7
2006	36,994	2,237,380	60,480	2.6
2007	36,526	2,376,390	65,060	7.6
2008	34,628	2,295,816	66,299	1.9
2009	29,297	2,030,484	69,307	4.5
1996 Account				
2004	32,000	$ 1,267,173	$ 39,599	4.3%
2005	34,826	1,428,604	41,021	3.6
2006	36,356	1,565,341	43,056	5.0
2007	39,307	1,891,605	48,124	11.8
2008	41,628	2,052,720	49,311	2.5
2009	45,046	2,308,548	51,249	3.9
Total				
2004	73,510	$ 3,651,653	$ 49,676	2.0%
2005	73,923	3,734,330	50,516	1.7
2006	73,350	3,802,721	51,844	2.6
2007	75,833	4,267,995	56,282	8.6
2008	76,256	4,348,536	57,025	1.3
2009	74,343	4,339,032	58,365	2.4



2010

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Statistical

Summary of Statistical Section

This part of the Comprehensive Annual Financial Report contains more detailed information regarding TRF's financial viability and pension benefit offerings for understanding the Financial Statements, Notes to the Financial Statements, and Required Supplemental Schedules.

Financial Trends

The following schedules contain historical trends to assist in understanding changes over time in financial performance:

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

Demographic and Economic Information

The following schedules contain benefit and member data to provide a better understanding of TRF's benefit offerings:

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

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30

(dollars in thousands)

	2010	2009	2008	2007	2006
Additions					
Member Contributions	$ 131,676	$ 128,568	$ 123,928	$ 126,195	$ 130,496
Employer Contributions	849,855	819,187	778,128	723,039	671,340
Employer - Pension Stabilization Fund	30,000	30,000	30,000	30,000	30,000
Investment Income / (Loss) -- Net of Expenses	965,556	(1,390,148)	(381,080)	1,223,431	572,290
Transfer from Public Employees' Retirement Fund	5,510	4,260	3,188	3,841	5,092
Other	0	0	0	0	0
Total Additions to Plan Net Assets	$ 1,982,597	$ (408,133)	$ 554,164	$ 2,106,506	$ 1,409,218
Deductions					
Pension and Disability Payments	$ 1,017,104	$ 934,296	$ 950,855	$ 897,676	$ 779,714
Distributions of Contributions and Interest	10,447	9,613	10,463	12,901	9,562
Administrative and Depreciation Expenses	11,076	10,254	6,920	6,522	6,750
Transfer to Public Employees' Retirement Fund	2,339	2,525	2,761	37	1,484
Total Deductions from Plan Net Assets	$ 1,040,966	$ 956,688	$ 970,999	$ 917,136	$ 797,510
Changes in Net Assets					
Beginning of Year	$ 7,199,138	$ 8,563,959	$ 8,980,794	$ 7,791,424	$ 7,179,716
End of Year	8,140,769	7,199,138	8,563,959	8,980,794	7,791,424
Net Increase / (Decrease)	$ 941,631	$ (1,364,821)	$ (416,835)	$ 1,189,370	$ 611,708

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30

(dollars in thousands)

	2005	2004	2003	2002	2001
Additions					
Member Contributions	$ 117,897	$ 115,833	$ 109,500	$ 107,052	$ 104,523
Employer Contributions	454,779	408,180	575,066	541,083	537,892
Employer - Pension Stabilization Fund	30,000	30,000	30,000	30,000	155,000
Investment Income / (Loss) -- Net of Expenses	560,890	723,094	344,777	(158,320)	25,733
Transfer from Public Employees' Retirement Fund	3,973	2,781	3,847	1,254	2,379
Other	864	1,424	1,354	2,153	5,433
Total Additions to Plan Net Assets	$ 1,168,403	$ 1,281,312	$ 1,064,544	$ 523,222	$ 830,960
Deductions					
Pension and Disability Payments	$ 723,734	$ 655,352	$ 615,922	$ 595,496	$ 580,170
Distributions of Contributions and Interest	9,237	9,704	7,397	6,450	8,754
Administrative and Depreciation Expenses	7,025	7,628	6,677	8,032	6,804
Transfer to Public Employees' Retirement Fund	2,982	2,364	1,774	1,251	2,057
Total Deductions from Plan Net Assets	$ 742,978	$ 675,048	$ 631,770	$ 611,229	$ 597,785
Changes in Net Assets					
Beginning of Year	$ 6,754,291	$ 6,148,027	$ 5,722,753	$ 5,810,760	$ 5,577,585
End of Year	7,179,716	6,754,291	6,148,027	5,722,753	5,810,760
Net Increase / (Decrease)	$ 425,425	$ 606,264	$ 432,774	$ (88,007)	$ 233,175

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30

(dollars in thousands)

Year	Pension Benefits	Disability Benefits	Total Benefits
2001	$ 580,061	$ 109	$ 580,170
2002	595,369	127	595,496
2003	615,782	140	615,922
2004	655,234	118	655,352
2005	723,626	108	723,734
2006	779,616	98	779,714
2007	897,580	96	897,676
2008	950,755	100	950,855
2009	934,216	80	934,296
2010	1,017,030	74	1,017,104

INDIANA STATE TEACHERS' RETIREMENT FUND

June 30, 2009

Amount of Monthly Benefit *	Number of Benefit Recipients by Benefit Option								
	A-1	A-2	A-3	B-1	B-2	B-3	Survivors	Classroom Disability	Total
Pre-1996 Account									
$ 1 - 500	3,113	1,300	327	1,594	492	700	698	120	8,344
501 - 1,000	2,546	1,584	434	2,707	868	1,057	252	197	9,645
1,001 - 1,500	2,867	1,984	364	3,673	1,186	1,267	119	191	11,651
1,501 - 2,000	2,076	1,824	234	2,605	889	1,090	95	73	8,886
2,001 - 3,000	906	806	117	1,008	380	439	29	12	3,697
over 3,000	60	61	5	127	37	35	0	0	325
Total	11,568	7,559	1,481	11,714	3,852	4,588	1,193	593	42,548
1996 Account									
$ 1 - 500	112	68	9	78	8	17	17	42	351
501 - 1,000	126	74	30	110	18	30	9	24	421
1,001 - 1,500	130	77	19	116	37	41	2	7	429
1,501 - 2,000	95	67	13	123	30	51	4	3	386
2,001 - 3,000	66	55	7	109	22	39	3	1	302
over 3,000	11	12	0	20	6	5	1	0	55
Total	540	353	78	556	121	183	36	77	1,944

* *Defined Benefit only*

A-1:	Provides a monthly benefit for retiree's life. In the event the retiree dies before receiving five years of payments, the beneficiary receives the remainder of the five years (60 months) of guaranteed Defined Benefit pension payments in a lump sum.
A-2:	Provides a monthly benefit for retiree's life. The benefit ceases upon the death of the retiree.
A-3:	Provides a monthly benefit for retiree's life, including monthly annuitization of member's Annuity Savings Account (ASA). In the event the retiree dies before receiving five years of payments, the beneficiary will receive the remainder of the five years of guaranteed pension payments. The ASA is reduced with each monthly benefit paid; if the retiree dies before reducing the balance to $0.00, the beneficiary will receive a single payment of the amount remaining.
B-1:	Provides a monthly benefit for retiree's life. Upon the death of the retiree, the qualified designated survivor receives 100% of the member's Defined Benefit for the remainder of the survivor's life.
B-2:	Provides a monthly benefit for retiree's life. Upon the death of the retiree, the qualified designated survivor receives 66 2/3% of the member's Defined Benefit for the remainder of the survivor's life.
B-3:	Provides a monthly benefit for retiree's life. Upon the death of the retiree, the qualified designated survivor receives 50% of the member's Defined Benefit for the remainder of the survivor's life.
Survivors**:	Provides a monthly benefit for the surviving spouse's or dependent's life. The benefit ceases upon the death of the survivor.
Classroom Disability ***:	Available to members with five (5) or more years of creditable service who become disabled as determined by the Social Security Administration while teaching in Indiana.

***(of members who die while in service)*
****Includes Classroom Disability -- Provides a benefit of $125 per month plus $5 for each additional year of TRF - covered service over five years.*

INDIANA STATE TEACHERS' RETIREMENT FUND

Fiscal Year Ended June 30, 2009

(amounts in dollars)

Description	Years of Credited Service 5-9 *	10-14	15-19	20-24	25-29	30+	Total
Pre-1996 Account							
Average Monthly Defined Benefit	$ 248	$ 250	$ 469	$ 742	$ 1,088	$ 1,665	$ 1,315
Average Monthly Annuity **	$ 12	$ 91	$ 88	$ 121	$ 151	$ 213	$ 177
Average Final Average Salary	$ 18,433	$ 20,475	$ 31,305	$ 37,491	$ 43,166	$ 49,824	$ 44,824
Number of Benefit Recipients	40	1,111	3,712	5,057	7,175	25,453	42,548
1996 Account							
Average Monthly Defined Benefit	$ 236	$ 396	$ 621	$ 885	$ 1,305	$ 2,004	$ 1,403
Average Monthly Annuity **	$ 33	$ 70	$ 74	$ 124	$ 175	$ 197	$ 154
Average Final Average Salary	$ 37,758	$ 37,808	$ 44,085	$ 50,287	$ 56,843	$ 64,401	$ 55,994
Number of Benefit Recipients	26	158	296	234	282	948	1,944

* *Members with less than 10 years of service who are receiving a disability benefit from TRF.*

** *Members may choose to take the distribution of the Annuity Savings Account (ASA) in two ways. This represents those retirees who elected to receive their ASAs as a supplemental monthly payment in addition to the Defined Benefit.*

INDIANA STATE TEACHERS' RETIREMENT FUND

June 30, 2010

Participating Employer	City	Rank	Active Members	Percentage of Total TRF Members
Top 10 Employers				
Indianapolis Public Schools	Indianapolis	1	3,213	4.4%
Fort Wayne C.S.C.	Fort Wayne	2	2,433	3.3
Evansville-Vanderburgh Schools	Evansville	3	1,716	2.3
South Bend C.S.C.	South Bend	4	1,649	2.3
Vigo County School Corporation	Terre Haute	5	1,211	1.7
Wayne Township - MSD of	Indianapolis	6	1,165	1.6
Hamilton Southeastern School Corporation	Fishers	7	1,104	1.5
Hammond City School Corporation	Hammond	8	1,077	1.5
Carmel Clay School Corporation	Carmel	9	1,075	1.5
Elkhart C.S.C.	Elkhart	10	1,068	1.5
Total -- 10 Employers			15,711	21.6
All Other -- 357 Employers			57,161	78.4
Grand Total -- 367 Employers			72,872	100.0%

Total Employers and Active Members

as of June 30*

Year	Employers	Active Members
2010	367	72,872
2009	360	74,343
2008	361	76,256
2007	360	75,833
2006	358	73,350
2005	357	73,923
2004	343	73,510
2003	334	73,641
2002	325	75,383
2001	325	75,648

* Total number of employers includes the State of Indiana Agencies as one employer versus 28 different State Agency employers.

INDIANA STATE TEACHERS' RETIREMENT FUND

June 30, 2010

	Employer Name
1	21st Century Charter School at Fountain Square
2	21st Century Charter School at Gary
3	21st Century Charter School at Indianapolis
4	Adams Central C.S.C.
5	Adams-Wells C.S.C.
6	Alexandria C.S.C.
7	American Quality Schools
8	Anderson C.S.C.
9	Anderson Preparatory Academy (Charter)
10	Area 30 Career Center (Charter)
11	Argos C.S.C.
12	Attica C.S.C.
13	Auditor of State
14	Avon C.S.C.
15	Ball State University
16	Barr Reeve C.S.C.
17	Bartholomew C.S.C.
18	Batesville C.S.C.
19	Baugo C.S.C.
20	Beacon Academy Inc. (Charter)
21	Beech Grove City School Corporation
22	Benton C.S.C.
23	Blackford C.S.C.
24	Bloomfield School District
25	Bloomington Project School (Charter)
26	Blue River Career Programs
27	Blue River Special Education Co-op
28	Blue River Valley School Corporation
29	Bluffton-Harrison - MSD of
30	Boone School Corporation
31	Bremen Public School Corporation
32	Brown County School Corporation
33	Brownsburg C.S.C.
34	Brownstown Central C.S.C.
35	Campagna Academy Charter School
36	Cannelton City School Corporation
37	Carmel Clay School Corporation
38	Carroll C.S.C.
39	Cass Township - LaPorte County
40	Caston School Corporation
41	Center Grove C.S.C.
42	Centerville-Abington C.S.C.
43	Central Indiana Education Service Center
44	Central Nine Voc Tech School
45	Central Noble C.S.C.
46	Challenge Foundation Academy (Charter)
47	Charles A. Beard Memorial School Corporation
48	Charles A. Tindley Accelerated School (Charter)
49	Christel House Academy (Charter)
50	Clark Pleasant C.S.C.
51	Clarksville C.S.C.
52	Clay C.S.C.
53	Clinton Central School Corporation
54	Clinton Prairie School Corporation
55	Cloverdale C.S.C.
56	Community Montessori School (Charter)
57	Concord C.S.C.
58	Covered Bridge Special Education
59	Covington C.S.C.
60	Cowan C.S.C.
61	Crawford County C.S.C.
62	Crawfordsville C.S.C.
63	Crothersville C.S.C.
64	Crown Point C.S.C.
65	Culver C.S.C.
66	Daleville C.S.C.
67	Danville C.S.C.
68	Daviess-Martin Special Education Co-op
69	Decatur County C.S.C.
70	Decatur Discovery Academy (Charter)
71	Decatur Township - MSD of
72	DeKalb County Central United School Corporation

	Employer Name
73	DeKalb County Eastern C.S.C.
74	Delaware C.S.C.
75	Delphi C.S.C.
76	Dewey Township - LaPorte County
77	Duneland School Corporation
78	East Allen C.S.C.
79	East Central Indiana Educational Service Center, Inc.
80	East Chicago City School Corporation
81	East Chicago Urban Enterprise Academy (Charter)
82	East Gibson School Corporation
83	East Noble School Corporation
84	East Porter County School Corporation
85	East Washington School Corporation
86	Eastbrook C.S.C.
87	Eastern Greene Schools
88	Eastern Hancock County C.S.C.
89	Eastern Howard School Corporation
90	Eastern Pulaski School Corporation
91	Edinburgh C.S.C.
92	Elkhart C.S.C.
93	Elwood C.S.C.
94	Eminence C.S.C.
95	Evansville-Vanderburgh Schools
96	Fairfield C.S.C.
97	Fayette County School Corporation
98	Flanner House Elementary School (Charter)
99	Flat Rock-Hawcreek School Corporation
100	Fort Wayne C.S.C.
101	Frankfort, Community Schools of
102	Franklin C.S.C.
103	Franklin County C.S.C.
104	Franklin Township C.S.C.
105	Fremont - MSD of
106	Frontier School Corporation
107	Galileo Charter School
108	Garrett Keyser Butler C.S.C.
109	Gary C.S.C.
110	Gibson-Pike-Warrick Special Education Co-op

	Employer Name
111	Goshen C.S.C.
112	Greater Clark C.S.C.
113	Greater Jasper C.S.C.
114	Greater Randolph Interlocal Corporation
115	Greencastle C.S.C.
116	Greene-Sullivan Special Education Co-op
117	Greenfield Central C.S.C.
118	Greensburg C.S.C.
119	Greenwood C.S.C.
120	Griffith Public School Corporation
121	Hamilton C.S.C.
122	Hamilton Heights School Corporation
123	Hamilton Southeastern School Corporation
124	Hammond City School Corporation
125	Hanover C.S.C.
126	Heartland Career Center
127	Herron High School (Charter)
128	Highland Town School Corporation
129	Hobart City School Corporation
130	Hoosier Academy Inc. - Indianapolis (Charter)
131	Hoosier Academy Inc. - Muncie (Charter)
132	Hope Academy (Charter)
133	Huntington County C.S.C.
134	Indiana Aerospace Junior/Senior High School (Charter)
135	Indiana Math and Science Academy (Charter)
136	Indiana State Teachers' Association
137	Indiana Virtual Academy
138	Indiana Virtual Pilot School
139	Indianapolis Metropolitan Career Academy #1 (Charter)
140	Indianapolis Public Schools
141	International School of Columbus (Charter)
142	Irvington Community School (Charter)
143	Jac Cen Del C.S.C.
144	Jay School Corporation
145	Jennings County C.S.C.
146	Jesse-Special Education School Corporation
147	John Glenn School Corporation
148	Joshua Academy, Inc. (Charter)

	Employer Name		Employer Name
149	Kankakee Valley School Corporation	187	Mitchell - MSD of
150	Kipp Indianapolis Charter School	188	Monroe Central School Corporation
151	Kipp Lead College Prep Charter School	189	Monroe County C.S.C.
152	Knox C.S.C.	190	Monroe-Gregg C.S.C.
153	Kokomo Center Township C.S.C.	191	Montessori Academy at Geist (Charter)
154	Lafayette School Corporation	192	Mooresville C.S.C.
155	Lake Central School Corporation	193	Mt. Pleasant Township C.S.C.
156	Lake Ridge School Corporation	194	Mt. Vernon - MSD of
157	Lake Station C.S.C.	195	Mt. Vernon C.S.C.
158	Lakeland School Corporation	196	Muncie C.S.C.
159	Lanesville C.S.C.	197	Munster City School Corporation
160	LaPorte C.S.C.	198	Nettle Creek School Corporation
161	LaPorte County Auditor	199	New Albany-Floyd County C.S.C.
162	Lawrence Early College High School Inc. (Charter)	200	New Castle C.S.C.
163	Lawrence Township - MSD of	201	New Community School (Charter)
164	Lawrenceburg Community Schools	202	New Durham Township - LaPorte Co. (Westville)
165	Lebanon C.S.C.	203	New Harmony Town/Township C.S.C.
166	Liberty Perry C.S.C.	204	New Prairie United School Corporation
167	Linton Stockton School Corporation	205	Nineveh Hensley Jackson Union Schools
168	Logansport C.S.C.	206	Noblesville School Corporation
169	Loogootee C.S.C.	207	North Adams School Corporation
170	Lost River Career Co-op	208	North Daviess County C.S.C.
171	Maconaquah School Corporation	209	North Gibson School Corporation
172	Madison C.S.C.	210	North Harrison C.S.C.
173	Madison Grant United School Corporation	211	North Judson San Pierre School Corporation
174	Madison Special Services Unit	212	North Knox School Corporation
175	Manchester C.S.C.	213	North Lawrence C.S.C.
176	Marion Adams School Corporation (Sheridan C.S.C.)	214	North Miami C.S.C.
177	Marion C.S.C.	215	North Montgomery C.S.C.
178	Martinsville - MSD of	216	North Newton C.S.C.
179	Medora C.S.C.	217	North Posey County - MSD of
180	Merrillville C.S.C.	218	North Putnam C.S.C.
181	Michigan City Area School Corporation	219	North Spencer School Corporation
182	Middlebury C.S.C.	220	North Vermillion C.S.C.
183	Milan C.S.C.	221	North White School Corporation
184	Mill Creek C.S.C.	222	Northeast Dubois County School Corporation
185	Mishawaka City School Corporation	223	Northeast School Corporation
186	Mississinewa C.S.C.	224	Northeastern Wayne School Corporation

Schedule of Participating Employers Continued...

	Employer Name
225	Northern Wells C.S.C.
226	Northwest Allen County School Corporation
227	Northwest Hendricks School Corporation
228	Northwest Indiana Special Education Co-op
229	Northwestern Consolidated Schools of Shelby County
230	Northwestern School Corporation
231	Oak Hill United School Corporation
232	Old National Trail
233	Options Charter School - Carmel
234	Options Charter School - Noblesville
235	Oregon-Davis School Corporation
236	Orleans C.S.C.
237	Paoli C.S.C.
238	Penn-Harris Madison School Corporation
239	Perry Central C.S.C.
240	Perry Township - MSD of
241	Peru C.S.C.
242	Pike County School Corporation
243	Pike Township - MSD of
244	Pioneer Regional School Corporation
245	Plainfield C.S.C.
246	Plymouth C.S.C.
247	Portage Township School Corporation
248	Porter Co. Educational Services
249	Porter Township School Corporation
250	Prairie Heights C.S.C.
251	Randolph Central School Corporation
252	Randolph Eastern School Corporation
253	Randolph Southern School Corporation
254	Region 8 Education Service Center
255	Renaissance Academy (Charter)
256	Rensselaer Central School Corporation
257	Richland Bean Blossom C.S.C.
258	Richmond C.S.C.
259	Rising Sun-Ohio County C.S.C.
260	River Forest Community

	Employer Name
261	Rochester C.S.C.
262	Rockville C.S.C.
263	Rossville Consolidated School District
264	Rural Community Academy (Charter)
265	Rush County School Corporation
266	Salem C.S.C.
267	Scott County School District No. 1
268	Scott County School District No. 2
269	Seymour C.S.C.
270	Shakamak - MSD of
271	Shelby Eastern School Corporation
272	Shelbyville Central School Corporation
273	Shenandoah School Corporation
274	Shoals C.S.C.
275	Signature Charter School
276	Smith-Green C.S.C.
277	South Adams School Corporation
278	South Bend C.S.C.
279	South Central C.S.C.
280	South Central Special Education Co-op
281	South Dearborn C.S.C.
282	South Gibson School Corporation
283	South Harrison C.S.C.
284	South Henry School Corporation
285	South Knox School Corporation
286	South Madison C.S.C.
287	South Montgomery C.S.C.
288	South Newton C.S.C.
289	South Putnam C.S.C.
290	South Ripley C.S.C.
291	South Spencer County School Corporation
292	South Vermillion C.S.C.
293	Southeast Dubois County School Corporation
294	Southeastern Career Center
295	Southeastern Fountain School Corporation
296	Southeastern School Corporation

Schedule of Participating Employers Continued...

	Employer Name
297	Southern Hancock County C.S.C.
298	Southern Neighborhood School of Excellence, Inc. (Charter)
299	Southern Wells C.S.C.
300	Southwest Allen County - MSD of
301	Southwest Dubois County School Corporation
302	Southwest Parke C.S.C.
303	Southwest School Corporation
304	Southwestern Consolidated Schools of Shelby County
305	Southwestern Jefferson C.S.C.
306	Special Services - Johnson County Schools
307	Speedway School, Town of
308	Spencer Owen C.S.C.
309	Spring Valley C.S.C.
310	Stueben County - MSD of
311	Sunman Dearborn C.S.C.
312	Switzerland County School Corporation
313	Taylor C.S.C.
314	Tell City Troy Township School Corporation
315	The Project School (Charter)
316	Thea Bowman Leadership Academy (Charter)
317	Tippecanoe School Corporation
318	Tippecanoe Valley School Corporation
319	Tipton C.S.C.
320	Tri-Central Community Schools
321	Tri-County School Corporation
322	Tri-Creek School Corporation
323	Triton School Corporation
324	Turkey Run C.S.C.
325	Twin Lakes School Corporation
326	Twin Rivers Vocational School
327	Union County School Corporation
328	Union North United School Corporation
329	Union School Corporation
330	Union Township School Corporation
331	University of Southern Indiana
332	Valparaiso C.S.C.

	Employer Name
333	Veritas Academy (Charter)
334	Vigo County School Corporation
335	Vincennes C.S.C.
336	Vincennes University
337	Wabash City School Corporation
338	Wabash Schools -- MSD of
339	WaNee C.S.C.
340	Warren County - MSD of
341	Warren Township - MSD of
342	Warrick County School Corporation
343	Warsaw C.S.C.
344	Washington C.S.C.
345	Washington Township - MSD of
346	Wawasee C.S.C.
347	Wayne Township - MSD of
348	Wes-Del Community Schools
349	West Central C.S.C./Frankton Lapel
350	West Central Indiana Educational Center
351	West Central School Corporation
352	West Clark C.S.C.
353	West Lafayette C.S.C.
354	West Noble School Corporation
355	West Washington School Corporation
356	Western Boone County C.S.C.
357	Western Howard School Corporation
358	Western Wayne School Corporation
359	Westfield Washington C.S.C.
360	Westview School Corporation
361	White River Valley School Corporation
362	Whiting School, City of
363	Whitko C.S.C.
364	Whitley County C.S.C.
365	Wilson Education Center
366	Xavier School of Excellence (Charter)
367	Zionsville Community Schools

INDIANA STATE

Teachers' Retirement Fund