

FUND EVALUATION REPORT

Client X System Second Quarter 2007 Review Submitted: August 16, 2007



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Executive Summary

- Investment Summary
- Current Issues

Retirement System Status

Review by Asset Class

Review by Manager

Appendices

- Economic and Market Overview
- Glossary

Executive Summary

The Retirement System was valued at \$751.7 million at the end of the second quarter.

Investment gains were responsible for all of the \$21.2 million increase in market value.

The System advanced 4.4% during the three month period ended June 30.

With the exception of investment grade bonds and TIPS, each of the System's asset classes produced positive results for the quarter.

- The System's domestic equity portfolio returned 5.6% during the quarter, while the international equity aggregate advanced 8.2%, thanks in part to strong emerging markets equity performance.
- The System's fixed income portfolio returned -0.5% for the period, as investment grade bonds (-0.6%) and TIPS (-0.7%) lagged high yield bonds (+1.5%)
- The System's open-end real estate managers advanced 2.6% in aggregate, while its absolute return portfolios produced a 4.1% return.

Global REITs

The System funded its new global REIT strategy, managed by RREEF, in July with \$11.0 million.

GTAA Manager Search

At their May 10 meeting, the Board voted to hire PIMCO and Mellon Capital Management to manage dedicated global tactical asset allocation mandates on behalf of the System.

Funding for the new GTAA managers occurred in July. PIMCO was funded with \$15.0 million, and Mellon was funded with \$15.0 million.

Asset Allocation Policy

In June, the Board voted to alter the System's long-term strategic asset allocation policy, incorporating a 4% target to Global Tactical Asset Allocation (the System's new asset allocation policy can be found on page 7 of this report).

Retirement System Status
As of June 30, 2007

Client X Retirement System

Asset Allocation

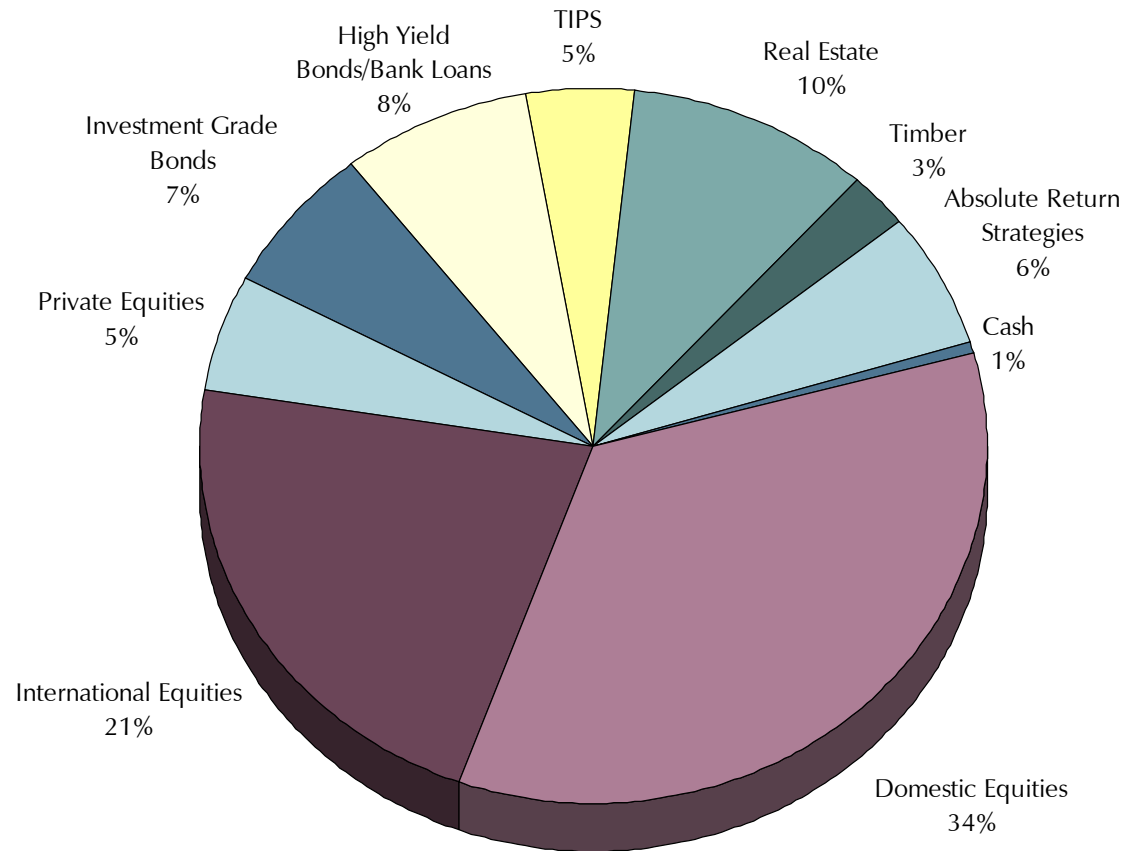
	Market Value 6/30/07 (\$ mm)	Actual Allocation (%)	Target Allocation (%)	Target Range (%)	Market Value 3/31/07 (\$ mm)
Total System	751.7	100	NA	NA	730.5
Domestic Equities	260.0	35	33	28-38	257.1
International Equities	165.0	22	20	17-23	157.0
Private Equities	40.3	5	6	4-8	37.2
Investment Grade Bonds	50.5	7	7	5-9	42.9
High Yield Bonds/Bank Loans	57.5	8	7	5-9	58.6
TIPS	34.6	5	4	3-5	36.9
Real Estate	74.7	10	10	7-13	80.6
Timber	19.4	3	3	2-4	15.5
Absolute Return Strategies	45.7	6	6	4-8	43.9
Global Tactical Asset Allocation	0.0	0	4	3-5	0.0
Cash	4.0	< 1	0	< 5	0.8

- As of June 30, the System's assets were valued at \$751.7 million, an increase of \$21.2 million from three months ago.
- The System's new long-term strategic asset policy now includes a 4% allocation to global tactical asset allocation.



Client X Retirement System

Asset Allocation



Client X Retirement System

Manager Roster Domestic Equity

	Market Value 6/30/07 (\$ mm)	% of System	% of Asset Class
Total Domestic Equity Assets	260.0	35	100
SSgA - S&P 500	75.9	10	29
INTECH	60.3	8	23
SSgA - Russell 1000 Value	45.5	6	17
SSgA - S&P MidCap 400	34.0	5	13
Columbia Management Group	28.1	4	11
PENN Capital Management	16.3	2	6

- The System's domestic equity portfolio is invested across six distinct portfolios and managed by four firms.
- INTECH, Columbia and PENN Capital each actively manage portfolios, while SSgA invests three passively managed index funds.

Client X Retirement System

Manager Roster International Equity

	Market Value 6/30/07 (\$ mm)	% of System	% of Asset Class
Total Foreign Equity Assets	165.0	22	100
The Boston Company - International	56.4	8	34
SSgA - MSCI EAFE	51.8	7	31
Acadian Asset Management	28.9	4	18
Lazard Emerging Markets	27.8	4	17

- Approximately one-third of the System's international equity assets are managed passively by SSgA, while the remaining assets are invested in actively managed portfolios (The Boston Company, Acadian, and Lazard).
- Approximately 17% of the System's international equity assets are invested in a dedicated emerging markets equity portfolio managed by Lazard.



Client X Retirement System

Manager Roster Fixed Income and Hedge Funds

	Market Value 6/30/07 (\$ mm)	% of System	% of Asset Class
Total Fixed Income Assets	142.7	19	100
Loomis Sayles - High Yield/Bank Loans	57.5	8	40
Opus - Core	50.5	7	35
Opus - TIPS	34.6	5	24
Total Hedge Fund Assets	45.7	6	100
PRIT Absolute Return	15.5	2	34
Blackstone - Partners NT	15.3	2	33
Aetos - Balanced Portfolio	14.9	2	33

- The System's fixed income portfolio is managed by Loomis Sayles (high yield bonds and bank loans) and Opus (investment grade bonds & TIPS).
- The System's invests its absolute return portfolio across three hedge fund of funds programs.

Client X Retirement System

Manager Roster Real Estate and Timber

	Market Value 6/30/07 (\$ mm)	% of System	% of Asset Class
Total Real Estate Assets	74.7	10	100
Bailard (not lagged)	30.4	4	41
PRIT Real Estate (not lagged)	16.3	2	22
INVESCO (not lagged)	15.9	2	21
Heitman Value Partners	7.2	< 1	10
Apollo - Value Enhancement Fund IV	2.4	< 1	3
Intercontinental Fund IV	1.4	< 1	2
Apollo - Value Enhancement Fund II	1.2	< 1	2
Apollo - Value Enhancement Fund III	< 0.1	< 1	< 1
Total Timber Assets²	19.4	3	100
RMK Fund B	6.8	< 1	35
RMK Fund 1	5.2	< 1	27
Hancock Timberland VII	4.1	< 1	21
RMK Fund II	3.3	< 1	17

- The System's real estate portfolio is primarily invested in three open-end, core-oriented real estate portfolios managed by Bailard, INVESCO and PRIM.
- Heitman, Apollo (formerly VEF) and Intercontinental invest the remainder of the System's real estate assets in value-added strategies.
- The System's timber component was invested by two managers, across four strategies at quarter-end.

Note: Market values based on March 31, 2007 fair market value, adjusted for present period cash flows, unless noted otherwise.



Client X Retirement System

Manager Roster Private Equity

	Market Value 6/30/07 (\$ mm)	% of System	% of Asset Class
Total Private Equity Assets	40.3	5	100
Riverside Europe Fund III	6.1	< 1	15
Northstar - Mezzanine Partners IV	4.1	< 1	10
Standard Life Investments	3.9	< 1	10
Charlesbank Equity Fund V	3.3	< 1	8
Northstar - Mezzanine Partners III	3.3	< 1	8
Boston Millennia Partners - Fund II	3.1	< 1	8
Riverside - 2000 Capital Appreciation Fund	3.0	< 1	7
Riverside - 2003 Capital Appreciation Fund	2.9	< 1	7
INVESCO Private Capital (lagged two quarters)	2.8	< 1	7
Ascent Venture Partners - Fund III	2.2	< 1	6
Newstone Capital Partners	1.5	< 1	4
Ascent Venture Partners - Fund IV	1.1	< 1	3
New England Partners - NEGF II	0.8	< 1	2
Charlesbank Equity Fund VI	0.8	< 1	2
Harvest Partners V	0.6	< 1	2
Ascent Venture Partners - Fund II	0.6	< 1	2
Concord Partners - Fund III	0.2	< 1	< 1
Duke Street Capital - HEV III	< 0.1	< 1	< 1
Boston Capital Ventures - Fund III	< 0.1	< 1	< 1

Note: Market values based on March 31, 2007 fair market value, adjusted for present period cash flows, unless noted otherwise.



Client X Retirement System

Performance Aggregate

	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since Incep.	Incep. Date
Total System	4.4	7.8	18.5	13.5	12.2	9.0	10.2	10/1/95
Net of Fees	4.3	7.7	18.2	13.2	11.9	8.7	9.9	
CPI (inflation)	1.5	3.2	2.7	3.2	3.0	2.7	2.7	
Total Domestic Equity	5.6	8.0	18.4	12.1	12.0	NA	4.0	8/1/00
Russell 3000	5.8	7.1	20.1	12.4	11.5	7.6	3.3	
Total International Equity	8.2	13.2	30.6	23.3	18.1	NA	10.7	8/1/00
MSCI ACWI (ex. U.S.)	8.2	12.2	29.6	24.5	19.5	8.3	8.5	
Total Fixed Income	-0.5	1.4	7.1	5.8	6.8	NA	6.2	1/1/98
Lehman Universal	-0.5	1.1	6.6	4.5	5.2	6.2	5.8	
Total Open-End Real Estate	2.6	6.4	15.8	15.9	12.3	NA	11.2	1/1/99
NCREIF Property	4.6	8.4	17.2	18.0	14.4	13.1	12.4	
Total Absolute Return	4.1	8.0	13.4	NA	NA	NA	13.3	7/1/05
HFRI Fund of Funds Composite	4.7	7.8	14.3	10.4	8.8	7.7	12.5	

Note: Net of fees performance figure is based on an estimate of management fees (for those managers who submit gross performance) as a percentage of total System assets.



Client X Retirement System

Performance Equity Managers

	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since Incep.	Incep. Date
Total Domestic Equity	5.6	8.0	18.4	12.1	12.0	NA	4.0	8/1/00
Columbia Management Group	6.9	10.5	20.3	14.5	13.8	13.7	18.4	3/1/95
<i>Russell 2000 Value</i>	2.3	3.8	16.1	15.0	14.6	12.1	14.5	
SSgA - S&P 500	6.3	7.0	20.6	11.8	10.8	NA	5.1	8/1/98
<i>S&P 500</i>	6.3	7.0	20.6	11.7	10.7	7.1	5.0	
PENN Capital Management	6.1	11.1	17.7	NA	NA	NA	17.3	3/1/05
<i>Russell 2000 Growth</i>	6.7	9.3	16.8	11.8	13.1	5.3	13.1	
SSgA - S&P MidCap 400	5.8	12.0	NA	NA	NA	NA	20.6	9/1/06
<i>S&P MidCap</i>	5.8	12.0	18.5	15.1	14.2	13.4	20.6	
SSgA - Russell 1000 Value	5.0	6.3	21.9	NA	NA	NA	16.9	7/1/05
<i>Russell 1000 Value</i>	4.9	6.2	21.9	15.9	13.3	9.9	16.9	
INTECH	4.4	6.1	14.8	9.4	NA	NA	12.8	7/1/03
<i>Russell 1000 Growth</i>	6.9	8.1	19.0	8.7	9.3	4.4	10.9	
Total International Equity	8.2	13.2	30.6	23.3	18.1	NA	10.7	8/1/00
Lazard Emerging Markets	15.2	19.0	NA	NA	NA	NA	45.6	8/1/06
<i>MSCI Emerging Markets</i>	15.0	17.5	45.0	38.2	30.3	9.2	42.9	
Acadian Asset Management (net)	9.6	22.6	41.0	NA	NA	NA	35.1	2/1/05
<i>MSCI EAFE Small Cap</i>	4.2	11.6	25.2	24.8	24.3	NA	23.0	
SSgA - MSCI EAFE	6.6	11.0	27.3	NA	NA	NA	25.2	9/1/04
<i>MSCI EAFE</i>	6.4	10.7	27.0	22.2	17.7	7.7	25.0	
The Boston Company - International	5.8	8.2	21.7	19.8	17.3	NA	13.3	1/1/99
<i>MSCI EAFE</i>	6.4	10.7	27.0	22.2	17.7	7.7	7.9	



Client X Retirement System

Performance Fixed Income Managers

	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since Incep.	Incep. Date
Total Fixed Income	-0.5	1.4	7.1	5.8	6.8	NA	6.2	1/1/98
Loomis Sayles - High Yield/Bank Loans	1.5	3.6	11.7	10.7	12.7	7.9	8.3	1/1/96
<i>Custom Benchmark</i>	0.8	3.2	9.5	8.4	11.5	7.7	7.8	
Opus - Core	-0.6	0.9	6.2	4.0	4.4	NA	5.5	12/1/97
<i>Lehman Aggregate</i>	-0.5	1.0	6.1	4.0	4.5	6.0	5.7	
Opus - TIPS	-0.7	1.7	3.9	3.9	NA	NA	4.3	11/1/03
<i>Lehman U.S. TIPS</i>	-0.8	1.7	4.0	3.8	6.0	6.9	3.9	

Note: The custom benchmark is comprised of 50% Lehman Credit index / 50% Salomon High Yield index through May 2002. Lehman High Yield index through September 2005, 70% Lehman High Yield index / 30% S&P LSTA Leveraged Loan index through June 2006 and 50% Lehman High Yield index / 50% S&P LSTA Leveraged Loan index thereafter.



Client X Retirement System

Performance Real Estate Managers

	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since Incep.	Incep. Date
Total Open-End Real Estate	2.6	6.4	15.8	15.9	12.3	NA	11.2	1/1/99
INVESCO	3.8	8.0	14.2	NA	NA	NA	17.2	4/1/06
<i>NCREIF Property</i>	4.6	8.4	17.2	18.0	14.4	13.1	17.2	
Bailard (net)	2.8	6.4	15.3	14.7	11.6	NA	10.8	1/1/99
<i>NCREIF Property</i>	4.6	8.4	17.2	18.0	14.4	13.1	12.4	
PRIT - Real Estate (net)	1.0	4.9	16.6	NA	NA	NA	21.8	7/1/05
<i>NCREIF Property</i>	4.6	8.4	17.2	18.0	14.4	13.1	18.0	



Client X Retirement System

Performance Absolute Return Managers

	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since Incep.	Incep. Date
Total Absolute Return	4.1	8.0	13.4	NA	NA	NA	13.3	7/1/05
PRIT Absolute Return (net)	4.5	8.8	13.8	NA	NA	NA	13.4	7/1/05
<i>HFRI Fund of Funds Composite</i>	4.7	7.8	14.3	10.4	8.8	7.7	12.5	
Blackstone - Partners NT (net)	4.5	8.6	15.3	NA	NA	NA	12.6	4/1/06
<i>HFRI Fund of Funds Composite</i>	4.7	7.8	14.3	10.4	8.8	7.7	10.6	
Aetos - Balanced Portfolio (net)	3.4	6.4	11.1	NA	NA	NA	9.6	4/1/06
<i>HFRI Fund of Funds Composite</i>	4.7	7.8	14.3	10.4	8.8	7.7	10.6	



Review by Asset Class
As of June 30, 2007

Client X Retirement System

U.S. Equity Aggregate

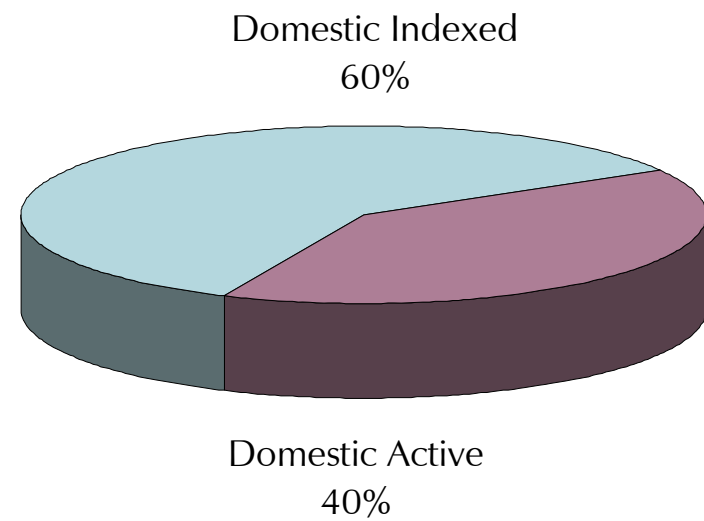
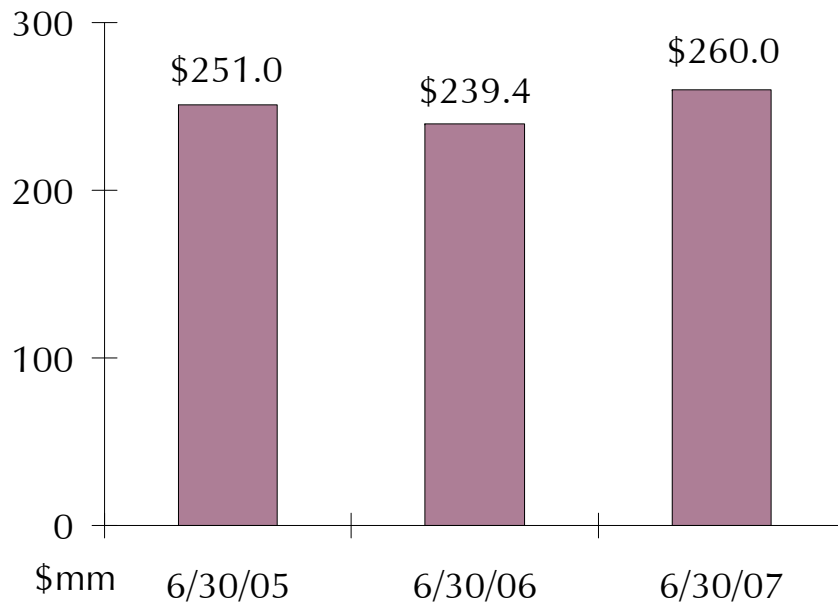


Client X Retirement System

U.S. Equity Aggregate

Equity Assets: (includes cash)

Equity Allocation:



Client X Retirement System

U.S. Equity Aggregate

	Aggregate Domestic Equities 6/30/07	Russell 3000 6/30/07	Aggregate Domestic Equities 3/31/07
Capitalization Structure:			
Number of Holdings	1,376	2,976	1,327
Large (% over \$14 billion)	52	69	50
Medium (% \$2 billion to \$14 billion)	32	23	34
Small (% under \$2 billion)	16	7	16
Weighted Average Mkt. Cap. (\$ billion)	61.9	82.6	57.2
Fundamental Structure:			
Price-Earnings Ratio	23	22	22
Price-Book Value Ratio	3.8	3.9	3.7
Dividend Yield (%)	1.4	1.7	1.5
Historical Earnings Growth Rate (%)	21	22	21
Projected Earnings Growth Rate (%)	13	13	13
% in 5 largest holdings	7	10	8
% in 10 largest holdings	12	15	12



Client X Retirement System

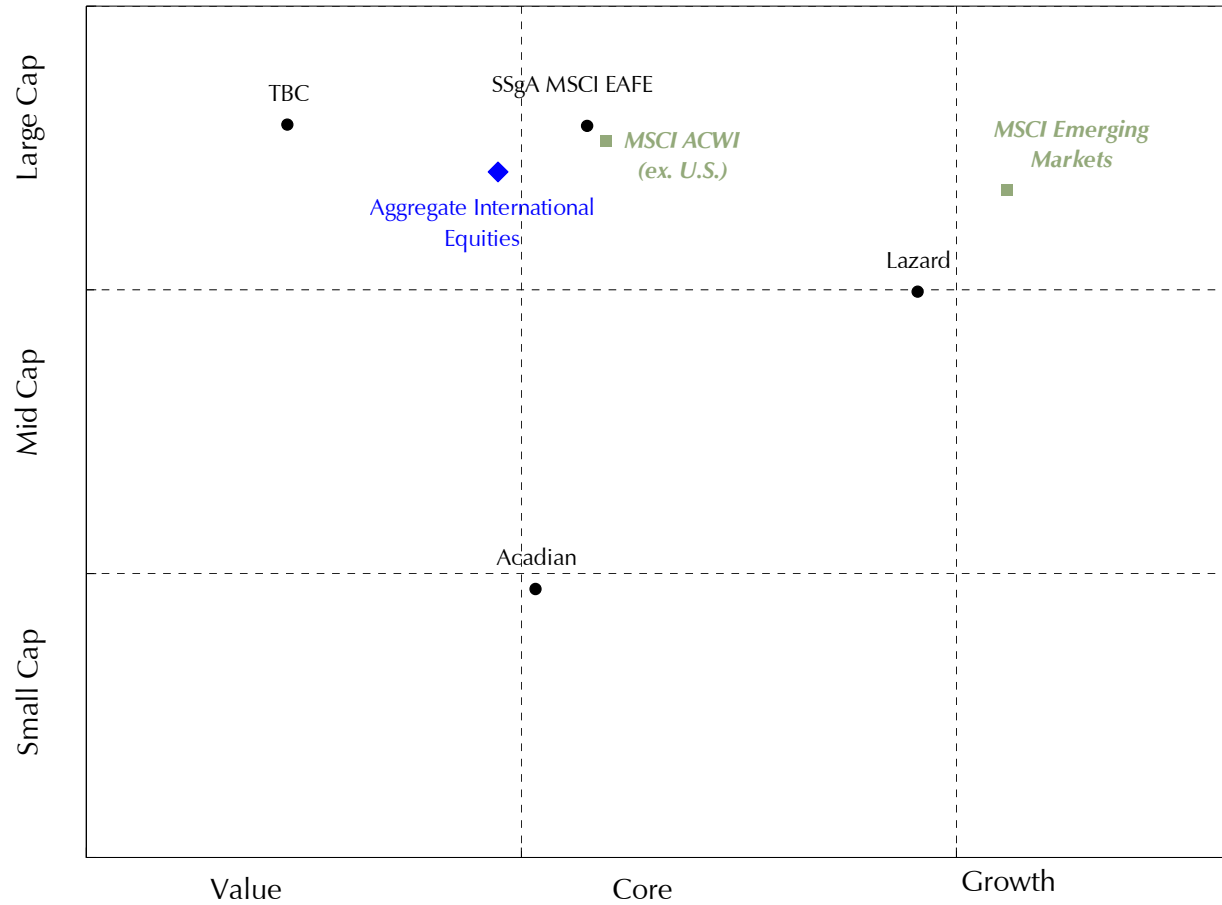
U.S. Equity Aggregate

		Aggregate Domestic Equities 6/30/07	Russell 3000 6/30/07	Aggregate Domestic Equities 3/31/07
Industry Allocation (%):				
Consumer Discretionary		15	11	14
Health Care		13	11	12
Materials		4	4	4
Utilities		4	4	4
Industrials		12	12	12
Telecommunication Services		3	4	3
Information Technology		15	16	14
Energy		9	10	8
Consumer Staples		7	8	8
Financials		18	21	20
Largest Holdings:		% of Portfolio	Economic Sector	
General Electric		2.1	Capital Goods	
ExxonMobil		2.0	Energy	
Procter & Gamble		1.1	Household/Personal Products	
AT&T		1.1	Telecommunication Services	
Citigroup		1.1	Diversified Financials	



Client X Retirement System

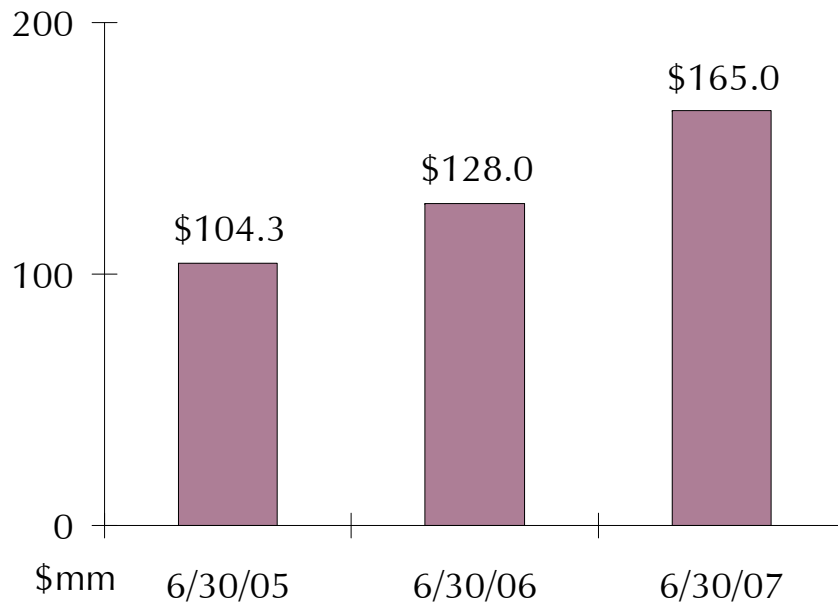
International Equity Aggregate



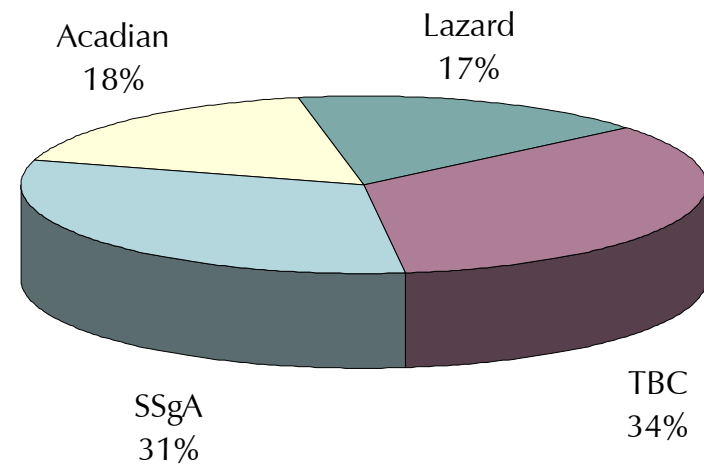
Client X Retirement System

International Equity Aggregate

Equity Assets: (includes cash)



Equity Allocation:



Client X Retirement System

International Equity Aggregate Country Weightings

Region Allocation:

Europe
Pacific Rim / Asia
Non-EAFE

**Aggregate
International
Equities
6/30/07**

**MSCI ACWI
(ex. U.S.)
6/30/07**

**Aggregate
International
Equities
3/31/07**

54%

54%

55%

30

24

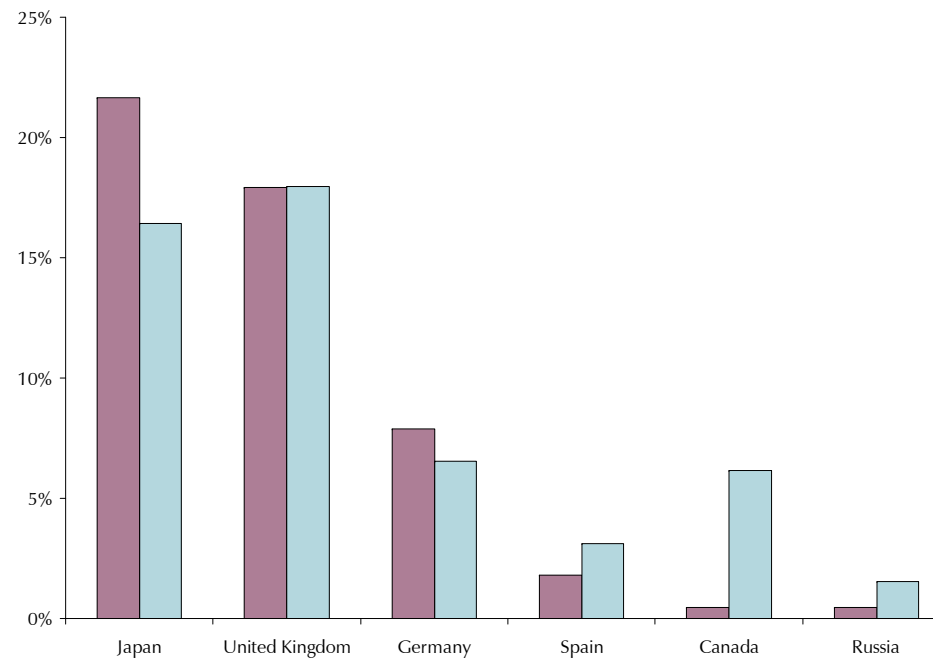
31

16

22

14

■ International Equity Agg ■ MSCI ACWI (ex. U.S.)



Client X Retirement System

International Equity Aggregate

	Aggregate International Equities 6/30/07	MSCI ACWI (ex. U.S.) 6/30/07	Aggregate International Equities 3/31/07
Capitalization Structure:			
Number of Holdings	1,702	2,093	1,680
Large (% over \$9 billion)	62	80	60
Medium (% \$1.5 billion to \$9 billion)	29	19	32
Small (% under \$1.5 billion)	10	1	8
Weighted Average Mkt. Cap. (\$ billion)	47.0	59.7	43.2
Fundamental Structure:			
Price-Earnings Ratio	18	20	19
Price-Book Value Ratio	3.2	3.4	3.1
Dividend Yield (%)	2.6	2.4	2.6
Historical Earnings Growth Rate (%)	34	23	32
Projected Earnings Growth Rate (%)	12	12	13
% in 5 largest holdings	6	5	6
% in 10 largest holdings	11	9	11



Client X Retirement System

International Equity Aggregate Sector Weightings

Industry Allocation (%):	Aggregate International Equities 6/30/07	MSCI ACWI (ex. U.S.) 6/30/07	Aggregate International Equities 3/31/07
Industrials	16	11	15
Consumer Discretionary	14	10	14
Consumer Staples	8	7	7
Health Care	5	5	6
Information Technology	7	7	7
Telecommunication Services	6	6	6
Materials	10	11	9
Utilities	3	5	3
Energy	8	10	8
Financials	25	28	26

Largest Holdings:	% of Portfolio	Economic Sector
BP	1.4	Energy
HSBC	1.3	Banks
Total	1.2	Energy
Novartis	1.2	Pharmaceuticals & Biotech.
Royal Bank of Scotland	1.0	Banks

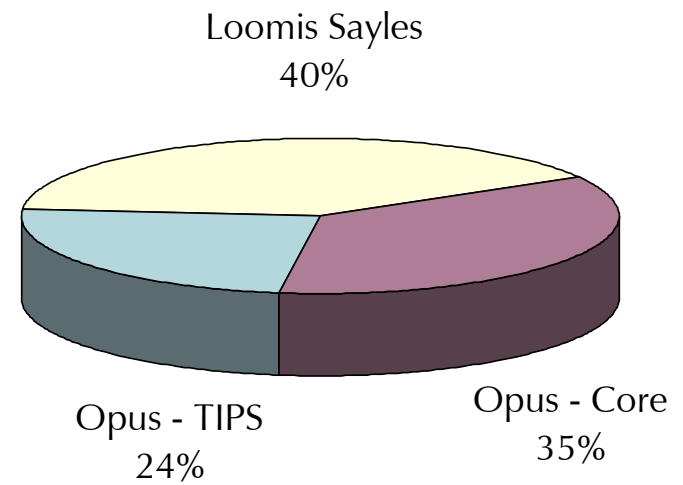


Client X Retirement System

Fixed Income Aggregate

Fixed Income Assets: (includes cash)

Fixed Income Allocation:



Client X Retirement System

Fixed Income Aggregate

Duration & Yield:

Average Effective Duration (years)

Yield to Maturity (%)

**Aggregate
Fixed Income
6/30/07**

**Lehman
Universal
6/30/07**

**Aggregate
Fixed Income
3/31/07**

3.8

4.7

3.8

6.7

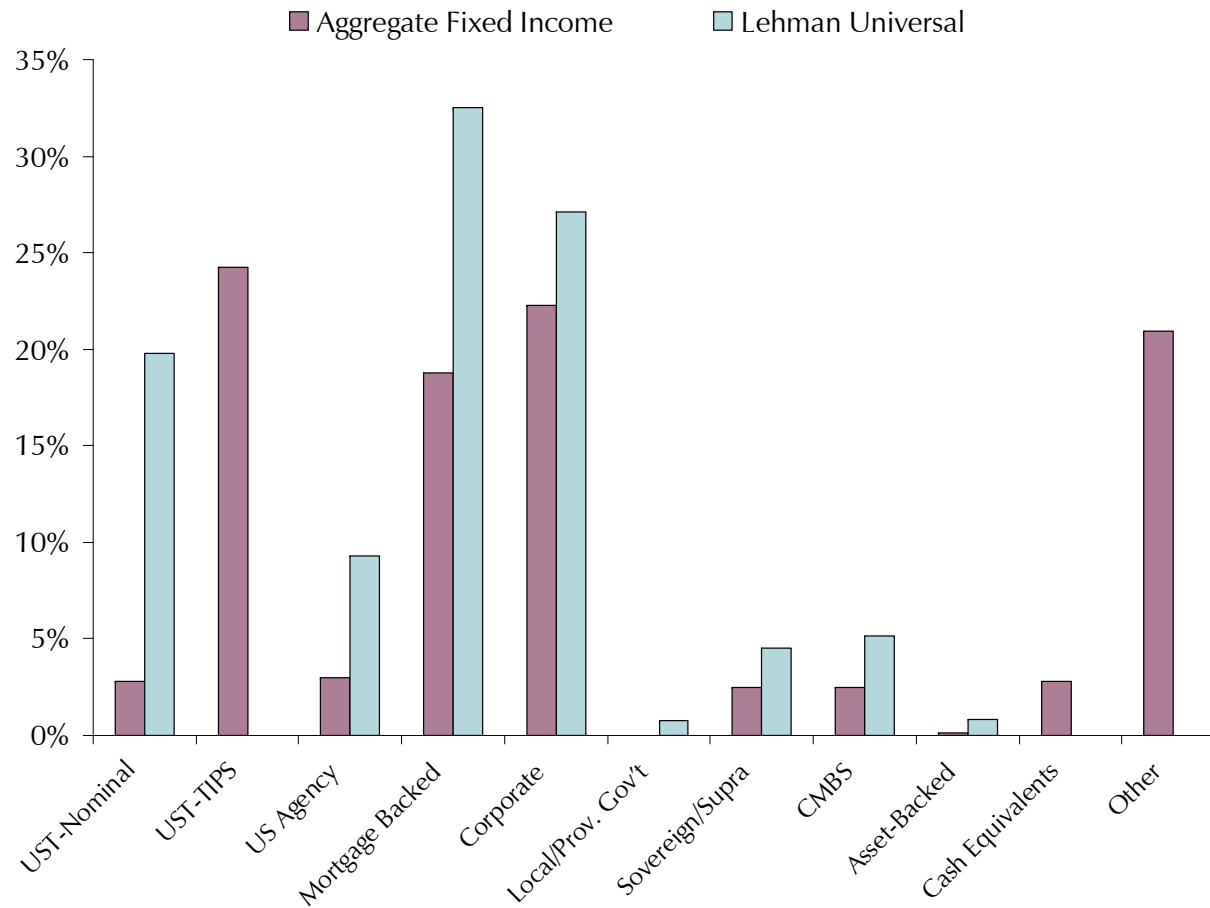
5.9

6.6



Client X Retirement System

Fixed Income Aggregate Sector Weightings

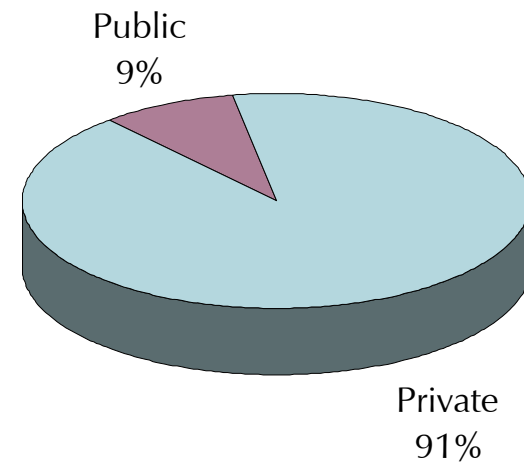
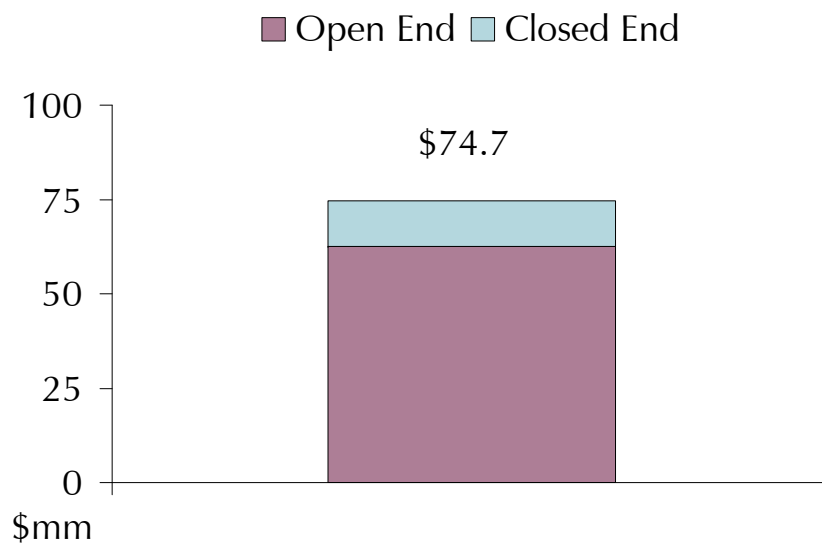


Client X Retirement System

Real Estate Aggregate

Total Real Estate Assets:

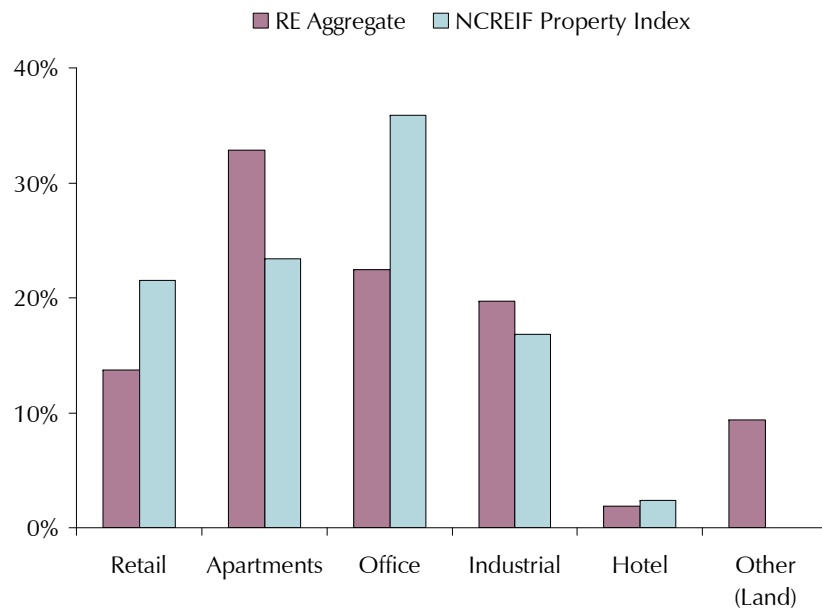
Market:



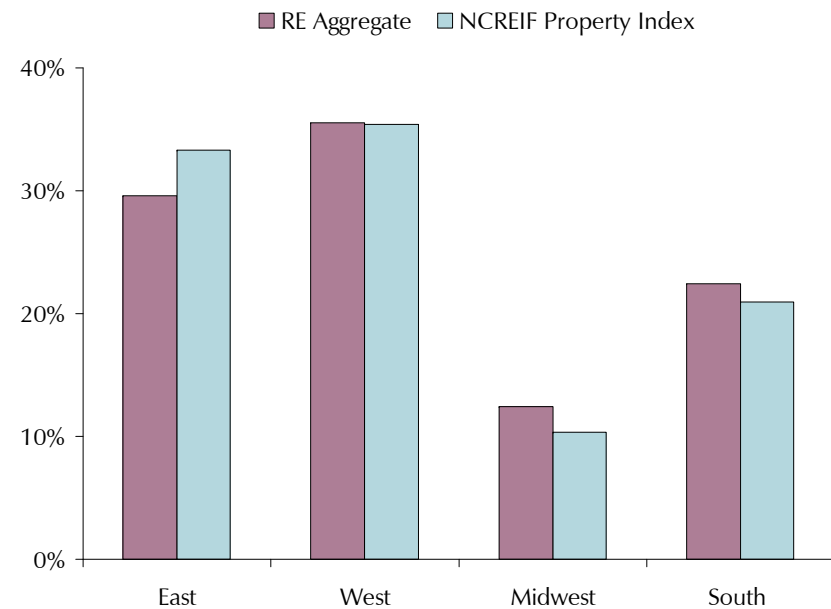
Client X Retirement System

Real Estate Aggregate

Property Type:



Geographic Location:



Client X Retirement System

Real Estate Aggregate Portfolio Characteristics

	Client X Real Estate 1Q07	NCREIF Property Index 1Q07	Client X Real Estate 4Q06
Portfolio Characteristics: C			
Private Investments	96%	100%	91%
Debt Investments	24%	0%	25%
Open End Investments	84%	NA	84%
# Portfolios	12	NA	11
# Properties	188	5,466	206
Leverage	20%	NA	18%
Average Occupancy	89%	NA	89%



Client X Retirement System

Real Estate Aggregate Investments

Real Estate Investments:

Manager	Market	Strategy	Vehicle	6/30/07 Reported Value (mm)	% of Asset Class
Bailard	Private	Diversified Core	Open	\$30.4	41%
PRIT	Private / Public	Diversified Core	Open	16.3	22
INVESCO	Private	Diversified Core	Open	15.9	21
Heitman	Private	Value-Added	Closed	7.2	10
Apollo	Private	Value-Added	Closed	3.6	5
Intercontinental	Private	Value-Added	Closed	1.4	2

Timber Investments:

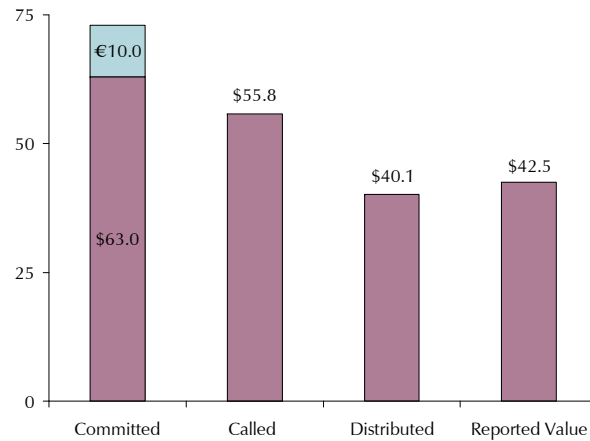
Manager	Market	Strategy	Vehicle	6/30/07 Reported Value (mm)	% of Asset Class
RMK Fund B	Private	Diversified	Closed	\$6.8	35%
RMK Fund 1	Private	Diversified	Closed	5.2	27
Hancock VII	Private	Diversified	Closed	4.1	21
RMK Fund II	Private	Diversified	Closed	3.3	17



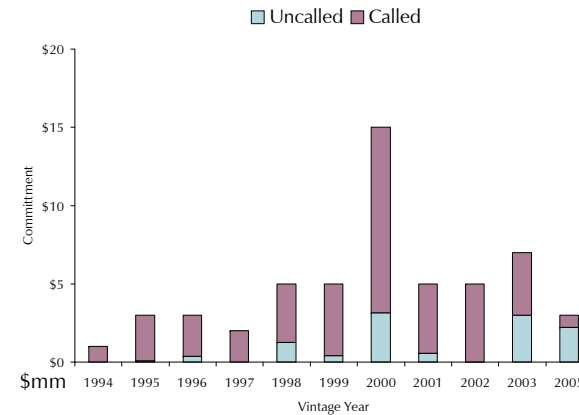
Client X Retirement System

Private Equity Aggregate

Investments:



Vintage Year:



Financial Summary: (Reported value as of 3/31/07, adjusted for cash flows through 6/30/07)

Allocation Target:

4-8%

Number of Funds:

19

Commitments:

\$63.0 mm

€10.0 mm

Capital Called:

\$55.8 mm

Distributions:

\$40.1 mm

Reported Value:

\$42.4 mm

Program to Date



Client X Retirement System

Private Equity Aggregate

Partnership	Type	Focus	Vintage Year
Boston Capital Ventures - Fund III	Venture Capital	Balanced Stage	1994
Ascent Venture Partners - Fund II	Venture Capital	Early Stage	1995
Concord Partners - Fund III	Venture Capital	Early Stage / Biotech	1995
Duke Street Capital - HEV III	Buyout	International	1996
New England Partners - NEGF II	Venture Capital	Later Stage	1997
INVESCO Private Capital	Diversified Private Equity	Diversified Private Equity	1998
Ascent Venture Partners - Fund III	Venture Capital	Balanced Stage	1999
Standard Life Investments	European Private Equity	Fund of Funds	2000
Riverside - 2000 Capital Appreciation Fund	Buyout	Small Market Buyout	2000
Boston Millennia Partners - Fund II	Venture Capital	Later Stage	2000
Charlesbank Equity Fund V	Buyout	Middle Market Buyout	2001
Northstar - Mezzanine Partners III	Mezzanine Debt	Special Situations	2002
Riverside - 2003 Capital Appreciation Fund	Buyout	Small Market Buyout	2003
Ascent Venture Partners - Fund IV	Venture Capital	Balanced Stage	2003
Charlesbank Equity Fund VI	Buyout	Middle Market Buyout	2005
Northstar - Mezzanine Partners IV	Mezzanine Debt	Special Situations	2005
Riverside Europe Fund III	European Buyout	Small/Middle Market Buyout	2006
Harvest Partners V	Buyout	Middle Market Buyout	2007
Newstone Capital Partners	Mezzanine Debt	Special Situations	2007

- The System's current private equity partnership roster consists of 17 direct investments and 2 fund of funds.

Client X Retirement System

Private Equity Aggregate

Partnership	Committed (mm)	Called (mm)	Distributed (mm)	Fair Value (mm)	% of Total
Standard Life Investments	€6.0	\$4.6	\$6.1	\$3.9	9%
Riverside Europe III	€4.0	5.7	0.0	6.1	14
Northstar - Mezzanine Partners III	\$5.0	5.0	3.7	3.3	8
Charlesbank Equity Fund V	5.0	4.4	3.1	3.3	8
Ascent Venture Partners - Fund III	5.0	4.6	2.6	2.2	5
INVESCO Private Capital	5.0	3.7	2.4	2.8	6
Riverside - 2000 Capital Appreciation Fund	5.0	3.8	5.0	3.0	7
Northstar - Mezzanine Partners IV	5.0	4.4	1.6	4.1	10
Newstone Capital	5.0	1.5	0.0	3.0	7
Harvest Partners Fund V	5.0	0.6	0.0	1.3	3
Boston Millennia Partners - Fund II	4.0	3.4	1.0	3.1	7
Riverside - 2003 Capital Appreciation Fund	4.0	3.0	0.8	2.9	7
Duke Street Capital - HEV III	3.0	2.6	5.9	0.0	<1
Ascent Venture Partners - Fund IV	3.0	1.1	0.0	1.1	3
Charlesbank Equity Fund VI	3.0	1.2	0.4	0.8	2
New England Partners - NEGF II	2.0	2.0	0.7	0.8	2
Ascent Venture Partners - Fund II	2.0	1.9	5.0	0.6	1
Boston Capital Ventures - Fund III	1.0	1.0	1.2	0.0	<1
Concord Partners - Fund III	1.0	1.0	0.7	0.2	<1

Review by Manager
As of June 30, 2007

Equity Manager Reviews

SSgA - S&P 500

\$75.9 million; 29% System Domestic Equities, 10% Total System

Fee Schedule: 0.05% on first \$50 mm; 0.04% on next \$50 mm; 0.02% thereafter

Performance Inception Date: 8/1/98

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: Domestic Equity Index
Large Capitalization
Value / Core / Growth

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	5 YR	Since 8/1/98
SSgA - S&P 500	6.3	7.0	20.6	11.8	10.8	5.1
S&P 500	6.3	7.0	20.6	11.7	10.7	5.0

The SSgA S&P 500 Flagship Fund seeks to replicate the returns of the S&P 500 index. SSgA employs a "full replication" methodology, in that each of the 500 stocks that comprise the index are purchased in the same weight they represent in the index. Portfolio trading occurs only when there are changes in the composition of the index or to reinvest cash distributed from securities in the portfolio. In order to maintain 100% equity exposure and further reduce tracking error, SSgA holds unleveraged S&P 500 index futures contracts (typically less than 5% of assets). The Flagship Fund has tracked the performance of the index closely.

Large cap stocks, as represented by the S&P 500 index, gained 6.3% in the second quarter. Returns were strong across the board, with nine of ten sectors producing positive gains. Energy and technology stocks were the largest contributors to performance.

INTECH

\$60.3 million; 23% System Domestic Equities, 8% Total System

Fee Schedule: 0.495% on first \$100 mm; 0.45% on next \$100 mm; 0.35% on next \$100 mm

Performance Inception Date: 7/1/03

Portfolio Manager: Dr. E. Robert Fernholz

Location: Palm Beach Gardens, Florida

Strategy: Domestic Equity
Large Capitalization
Growth

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	3 YR	Since 7/1/03
INTECH	4.4	6.1	14.8	9.4	12.8
Russell 1000 Growth	6.9	8.1	19.0	8.7	10.9
Russell 1000	5.9	7.2	20.4	12.3	14.1
Peer Large Cap Growth (median)	6.5	8.0	17.6	9.7	11.6

Risk: (forty-eight months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation (R²) to Index
INTECH	9.4%	0.92	1.06	0.63	0.94
Russell 1000 Growth	9.5	1.00	0.85	NA	1.00

INTECH employs a completely statistical, quantitative strategy to invest equities. That is, they do not try to predict the future success or failure of individual companies. They believe that information about large companies is so readily available that fundamental company research is unlikely to be productive over the long term. Their internally developed strategy seeks to take advantage of constant security volatility.

Large cap growth stocks outperformed their value counterparts, returning 6.9% in the quarter. Among industries with a significant weight in the index, technology stocks were the top performers. Representing a lower weight within the index, energy stocks showed double-digit positive returns.

	INTECH 6/30/07	Russell 1000 Growth 6/30/07	INTECH 3/31/07
Capitalization Structure:			
Number of Holdings	378	708	359
Large (% over \$14 billion)	57	73	54
Medium (% \$2 billion to \$14 billion)	43	27	46
Small (% under \$2 billion)	0	0	0
Weighted Average Mkt. Cap. (\$ billion)	49.5	67.3	45.9

Fundamental Structure:			
Price-Earnings Ratio	28	25	27
Price-Book Value Ratio	5.4	5.3	5.3
Dividend Yield (%)	1.0	1.0	1.1
Historical Earnings Growth Rate (%)	22	25	23
Projected Earnings Growth Rate (%)	15	15	15

Industry Allocation (%):			
Consumer Discretionary	24	14	21
Financials	11	7	14
Utilities	4	2	3
Materials	5	3	3
Telecommunication Services	1	1	2
Health Care	16	16	16
Consumer Staples	9	10	12
Energy	5	8	2
Industrials	9	13	13
Information Technology	16	27	15

Largest Holdings:	% of Portfolio	Economic Sector
Microsoft	2.3	Software & Services
Procter & Gamble	2.0	Household/Personal Products
General Electric	2.0	Capital Goods
Merck	1.8	Pharmaceuticals & Biotech.
DirecTV Group	1.6	Media

SSgA - Russell 1000 Value

\$45.5 million; 17% System Domestic Equities, 6% Total System

Fee Schedule: 0.08% on first \$50 mm; 0.06% on next \$50 mm; 0.04% thereafter

Performance Inception Date: 7/1/05

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: Domestic Equity Index
Large Capitalization
Value

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 7/1/05
SSgA - Russell 1000 Value	5.0	6.3	21.9	16.9
Russell 1000 Value	4.9	6.2	21.9	16.9

The SSgA Russell 1000 Value index fund provides the System with diversified exposure to the lower-priced members of the large and medium capitalization Russell 1000 index, at minimal expense.

The Russell 1000 Value index returned 4.9% during the second quarter, underperforming its growth counterpart by 2.0 percentage points. Nine of ten sectors produced positive returns, with the 12.9% increase in energy stocks leading the pack.

SSgA - S&P MidCap 400

\$34.0 million; 13% System Domestic Equities, 5% Total System

Fee Schedule: 0.08% on first \$50 mm; 0.06% on next \$50 mm; 0.04% thereafter

Performance Inception Date: 9/1/06

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: Domestic Equity Index
Medium Capitalization
Core

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	Since 9/1/06
SSgA - S&P MidCap 400	5.8	12.0	20.6
S&P MidCap	5.8	12.0	20.6
Peer MidCap Blend (median)	6.6	11.0	21.8

The SSgA S&P Midcap 400 index fund seeks to mirror the returns and characteristics of the S&P Midcap 400 index by purchasing each stock in the index in approximately the same weight. The fund provides the Retirement System with broad diversification within the medium capitalization segment of the U.S. equity market, at minimal expense.

The S&P MidCap index, a proxy for medium capitalization stocks, returned 5.8% for the quarter, with industrial, technology, and energy stocks serving as the strongest contributors to performance. Midcap stocks modestly underperformed larger issues during the period.

Columbia Management Group

\$28.1 million; 11% System Domestic Equities, 4% Total System

Fee Schedule: 0.95% on first \$5 mm; 0.85% on next \$15 mm; 0.80% on next \$15 mm; 0.75% thereafter
Performance Inception Date: 3/1/95

Portfolio Manager: Peter C. Larson
Richard D' Auteuil
Allyn Seymour, CFA

Location: Hartford, Connecticut

Strategy: Domestic Equity
Small Capitalization
Core

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since 3/1/95
Columbia Management Group	6.9	10.5	20.3	14.5	13.8	13.7	18.4
Columbia Small Cap	6.7	9.5	21.1	NA	NA	NA	NA
Columbia Micro Cap	6.9	13.7	17.3	NA	NA	NA	NA
Russell 2000 Value	2.3	3.8	16.1	15.0	14.6	12.1	14.5
Russell Microcap	3.3	4.3	14.2	11.0	14.7	NA	NA
Russell 2000	4.4	6.4	16.4	13.4	13.9	9.1	11.5
Peer Small Cap Value (median)	4.6	7.6	18.1	15.8	15.5	12.8	15.4

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation (R²) to Index
Columbia Management Group	15.6%	0.86	0.72	-0.19	0.96
Russell 2000 Value	17.7	1.00	0.68	NA	1.00

Columbia Management Group manages a portfolio of small and micro capitalization value stocks, with a Custom Benchmark comprised of the Russell 2000 Value and Russell Microcap indices. The portfolio targets a 50% allocation to microcap stocks, defined as those under \$500 million in market capitalization. Columbia searches for small companies that it believes to be undervalued or overlooked by other investors. The investment approach requires patience and a long-term view.

The Russell 2000 Value index, a proxy for small capitalization value-oriented companies, returned 2.3% for the second quarter. Industrial stocks were the strongest contributors, with a 10.3% return in the period. Small capitalization value stocks underperformed their growth counterparts by over 400 basis points.

Capitalization Structure:	Columbia 6/30/07	Russell 2000 Value 6/30/07	Columbia 3/31/07
Number of Holdings	247	1,293	249
Large (% over \$14 billion)	0	0	0
Medium (% \$2 billion to \$14 billion)	9	13	9
Small (\$2 billion to \$500 million)	55	72	57
Micro (under \$500 million)	36	15	34
Weighted Average Mkt. Cap. (\$ million)	956	1,219	964

Fundamental Structure:			
Price-Earnings Ratio	28	23	25
Price-Book Value Ratio	2.4	2.0	2.3
Dividend Yield (%)	0.8	2.1	0.6
Historical Earnings Growth Rate (%)	15	14	16
Projected Earnings Growth Rate (%)	16	11	15

Industry Allocation (%):			
Health Care	17	5	17
Information Technology	23	13	23
Industrials	20	13	19
Consumer Discretionary	15	14	15
Energy	5	5	4
Consumer Staples	3	3	2
Telecommunication Services	1	2	1
Materials	5	6	6
Utilities	2	5	2
Financials	11	34	11

Largest Holdings:	% of Portfolio	Economic Sector
Res-Care	2.4	Health Equipment & Services
NCI Building Systems	1.7	Capital Goods
Progress Software	1.5	Software & Services
Benchmark Electronics	1.4	Technology Hardware
Unifirst	1.4	Consumer Dur. & Apparel

PENN Capital Management

\$16.3 million; 6% System Domestic Equities, 2% Total System

Fee Schedule: 1.00% on all assets
Performance Inception Date: 3/1/05

Portfolio Manager: Richard Hocker
Eric Green

Location: Cherry Hill, New Jersey

Strategy: Domestic Equity
Small Capitalization
Growth

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 3/1/05
PENN Capital Management	6.1	11.1	17.7	17.3
Russell 2000 Growth	6.7	9.3	16.8	13.1
Peer Small Cap Growth (median)	7.4	10.5	16.8	14.2

PENN Capital utilizes a combination of fundamental, bottom-up research and top-down sector analysis in their portfolio construction process. The team focuses on identifying capital structure catalysts, incorporating both qualitative and quantitative factors. The portfolio typically consists of between forty and seventy names, with market capitalizations ranging from \$100 million to \$2.5 billion.

Small capitalization growth stocks, as measured by the Russell 2000 Growth index, returned 6.7% in the second quarter, outperforming their value counterparts. Industrial and technology stocks were the largest contributors to performance, while financial stocks slightly detracted from the benchmark's return.

Capitalization Structure:	PENN Capital 6/30/07	Russell 2000 Growth 6/30/07	PENN Capital 3/31/07
Number of Holdings	78	1,255	77
Large (% over \$14 billion)	0	0	0
Medium (% \$2 billion to \$14 billion)	33	19	37
Small (\$2 billion to \$300 million)	65	78	62
Micro (under \$300 million)	2	2	2
Weighted Average Mkt. Cap. (\$ billion)	1.8	1.3	1.8

Fundamental Structure:			
Price-Earnings Ratio	28	33	27
Price-Book Value Ratio	3.7	4.8	3.5
Dividend Yield (%)	0.3	0.6	0.4
Historical Earnings Growth Rate (%)	14	25	16
Projected Earnings Growth Rate (%)	20	20	19

Industry Allocation (%):			
Energy	12	6	7
Consumer Discretionary	23	18	23
Telecommunication Services	7	2	7
Financials	13	9	13
Consumer Staples	2	2	3
Utilities	0	0	3
Materials	0	3	2
Information Technology	18	23	20
Health Care	14	19	12
Industrials	11	18	11

Largest Holdings:	% of Portfolio	Economic Sector
SBA Communications	2.9	Telecommunication Services
Matria Healthcare	2.1	Health Equipment & Services
Hain Celestial Group	2.0	Food Beverage & Tobacco
Gaylord Entertainment	2.0	Consumer Services
Felcor Lodging	2.0	Real Estate

The Boston Company - International

\$56.4 million; 34% System International Equities, 8% Total System

Fee Schedule: 0.65% on first \$100 mm; 0.45% thereafter

Performance Inception Date: 1/1/99

Portfolio Manager: Kirk Henry, CFA

Location: Boston, Massachusetts

Strategy: International Equity
Large Capitalization
Value

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	5 YR	Since 1/1/99
The Boston Company - International	5.8	8.2	21.7	19.8	17.3	13.3
MSCI EAFE	6.4	10.7	27.0	22.2	17.7	7.9
Custom Benchmark	6.4	10.7	27.0	23.7	19.0	9.1
MSCI EAFE Value	6.1	9.6	28.7	23.8	20.1	11.0
Peer International Blend (median)	7.6	11.7	28.3	23.2	17.6	9.2

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation (R²) to Index
The Boston Company - International	15.5%	0.99	0.94	-0.66	0.98
Custom Benchmark	15.6	1.00	1.05	NA	1.00

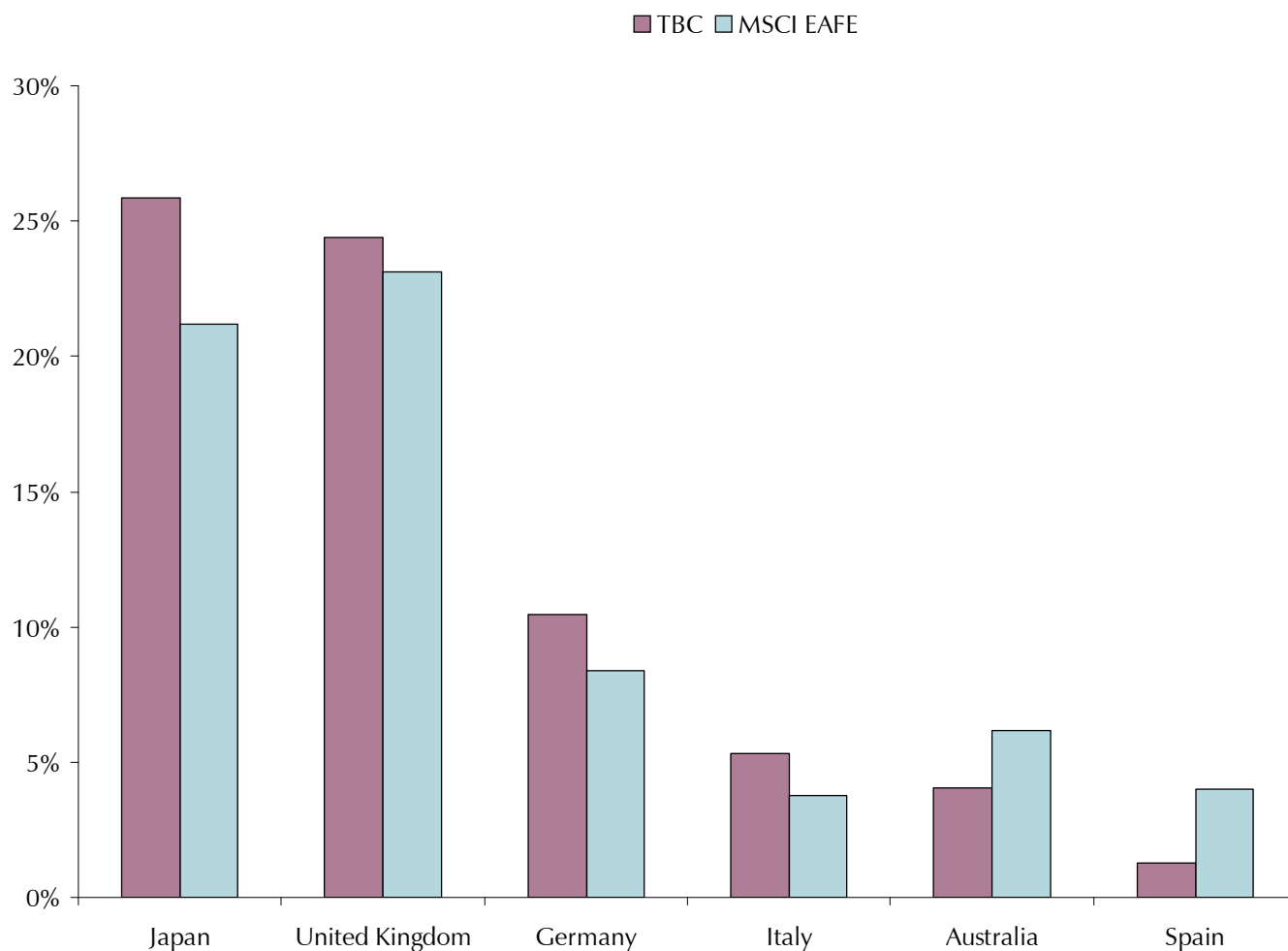
Subsequent to the end of the second quarter of 2006, The Boston Company's portfolio was transitioned to their EAFE Value commingled fund, which invests in developed markets only, eliminating the portfolio's emerging markets exposure. Historically The Boston Company was permitted to invest up to 20% of the portfolio in emerging markets. The benchmark for the strategy is the broad MSCI EAFE index. However, the portfolio's returns will deviate from those of the benchmark as a result of its value bias.

Foreign stocks, as proxied by the MSCI EAFE index, added another solid quarter to the year, returning 6.4%. Positive performance was helped by robust returns in Nordic countries (Finland and Norway), along with Germany and Portugal. Small capitalization stocks were up 4.2%, lagging their larger counterparts across the world. Emerging markets stocks (+15%) outperformed developed markets.

The Boston Company - International

Region Allocation:	The Boston Company 6/30/07	MSCI EAFE 6/30/07	The Boston Company 3/31/07
Europe	67%	70%	66%
Pacific Rim / Asia	33	30	34

Country Allocation:



The Boston Company - International

	The Boston Company 6/30/07	MSCI EAFE 6/30/07	The Boston Company 3/31/07
Capitalization Structure:			
Number of Holdings	116	1,145	118
Large (% over \$9 billion)	76	84	74
Medium (% \$1.5 billion to \$9 billion)	24	16	25
Small (% under \$1.5 billion)	0	0	1
Weighted Average Mkt. Cap. (\$ billion)	66.6	65.8	59.2
Fundamental Structure:			
Price-Earnings Ratio	18	20	19
Price-Book Value Ratio	2.4	3.3	2.4
Dividend Yield (%)	2.7	2.5	2.8
Historical Earnings Growth Rate (%)	32	20	31
Projected Earnings Growth Rate (%)	10	12	11
Industry Allocation (%):			
Consumer Discretionary	14	12	15
Energy	9	8	9
Health Care	8	6	8
Consumer Staples	9	8	8
Financials	29	29	30
Telecommunication Services	5	5	5
Information Technology	4	6	5
Industrials	11	12	11
Materials	8	9	7
Utilities	3	5	3
Largest Holdings:			
	% of Portfolio	Economic Sector	
BP	2.6	Energy	
Unilever	2.6	Food Beverage & Tobacco	
Novartis	2.5	Pharmaceuticals & Biotech.	
Total	2.5	Energy	
Sanofi-Aventis	2.4	Pharmaceuticals & Biotech.	

SSgA - MSCI EAFE

\$51.8 million; 31% System International Equities, 7% Total System

Fee Schedule: 0.10% on first \$50 mm; 0.08% on next \$50 mm; 0.05% thereafter

Performance Inception Date: 9/1/04

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: International Equity
Large / Medium Capitalization
Value / Core / Growth

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 9/1/04
SSgA - MSCI EAFE	6.6	11.0	27.3	25.2
MSCI EAFE	6.4	10.7	27.0	25.0

This SSgA index fund seeks to replicate the returns of the MSCI EAFE index, a proxy for developed market equity performance (excluding the U.S. and Canada). The fund provides the Retirement System with broad diversification (21 developed country indices within the index) at minimal expense.

Acadian Asset Management

\$28.9 million; 18% System International Equities, 4% Total System

Fee Schedule: 0.75% on all assets
Performance Inception Date: 2/1/05

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: International Equity
Small Capitalization
Core / Value

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 2/1/05
Acadian Asset Management	9.6	22.6	41.0	35.1
MSCI EAFE Small Cap	4.2	11.6	25.2	23.0
Peer International Small Cap (median)	7.5	14.1	32.2	26.6

Acadian Asset Management actively invests a portfolio of international small capitalization equities, bringing further diversification to the Retirement System's international equity portfolio. Acadian employs a bottom-up approach for approximately 75% of its security selection process. However, each stock forecast also contains a forecast for its country and sector, so that stocks in countries Acadian considers attractive get a larger boost added to their overall score than stocks in less attractive countries.

Small capitalization foreign stocks were up 4.2% during the second quarter, slightly lagging their larger counterparts across the world. Most countries produced gains, with only Spain, Japan, and Austria experiencing losses. All sectors except telecommunications and financials contributed positively to performance.

Acadian Asset Management

Region Allocation:

Pacific Rim / Asia

Europe

Non-EAFE

**Acadian
6/30/07**

**MSCI EAFE
Small Cap
6/30/07**

**Acadian
3/31/07**

49%

46%

47%

47

54

50

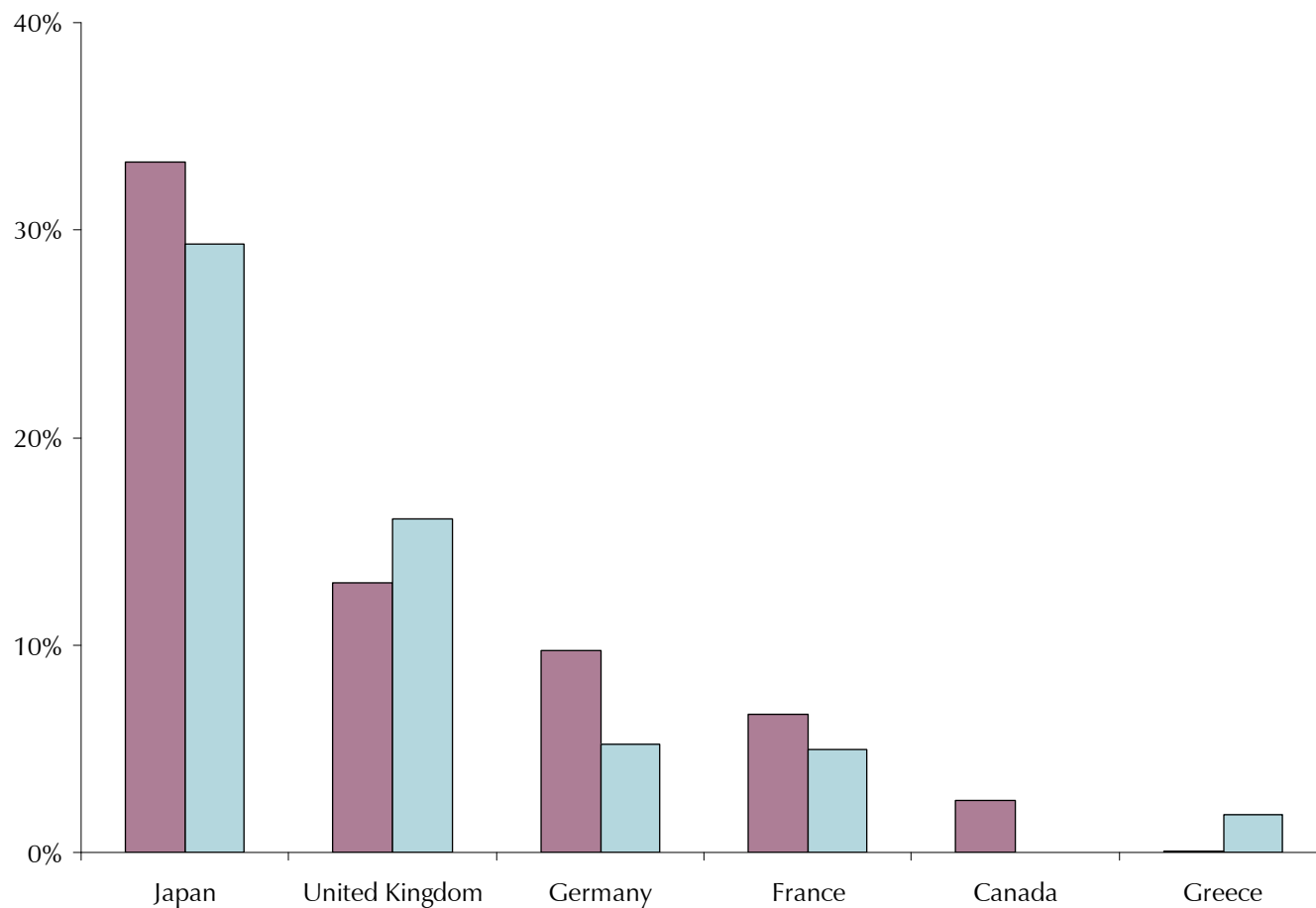
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Country Allocation:

■ Acadian ■ MSCI EAFE Small Cap



Capitalization Structure:	Acadian 6/30/07	MSCI EAFE Small Cap 6/30/07	Acadian 3/31/07
Number of Holdings	471	1,199	442
Large (% over \$9 billion)	4	0	0
Medium (% \$1.5 billion to \$9 billion)	47	26	57
Small (% under \$1.5 billion)	49	74	43
Weighted Average Mkt. Cap. (\$ billion)	2.2	1.1	2.2

Fundamental Structure:			
Price-Earnings Ratio	18	26	20
Price-Book Value Ratio	3.6	3.4	3.7
Dividend Yield (%)	1.8	1.9	2.0
Historical Earnings Growth Rate (%)	45	14	40
Projected Earnings Growth Rate (%)	11	16	20

Industry Allocation (%):			
Industrials	37	25	33
Materials	13	9	13
Energy	6	4	5
Telecommunication Services	0	1	0
Utilities	0	1	0
Consumer Staples	4	6	4
Information Technology	9	11	12
Consumer Discretionary	16	18	16
Health Care	2	7	3
Financials	12	18	13

Largest Holdings:	% of Portfolio	Economic Sector
Salzgitter	3.4	Materials
Michael Page International	2.3	Commercial Support
Nexity	2.2	Consumer Dur. & Apparel
Pacific Metals	2.0	Materials
MTU Aero Engines	2.0	Capital Goods

Lazard Emerging Markets

\$27.8 million; 17% System International Equities, 4% Total System

Fee Schedule: 0.82% on all assets
Performance Inception Date: 8/1/06

Portfolio Manager: Team

Location: New York, New York

Strategy: Emerging Markets Equity
Large/Medium Capitalization
Value

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):

(periods over one year annualized)

	2Q07	YTD	Since 8/1/06
Lazard Emerging Markets	15.2	19.0	45.6
MSCI Emerging Markets	15.0	17.5	42.9
Peer Emerging Markets (median)	15.3	18.2	45.4

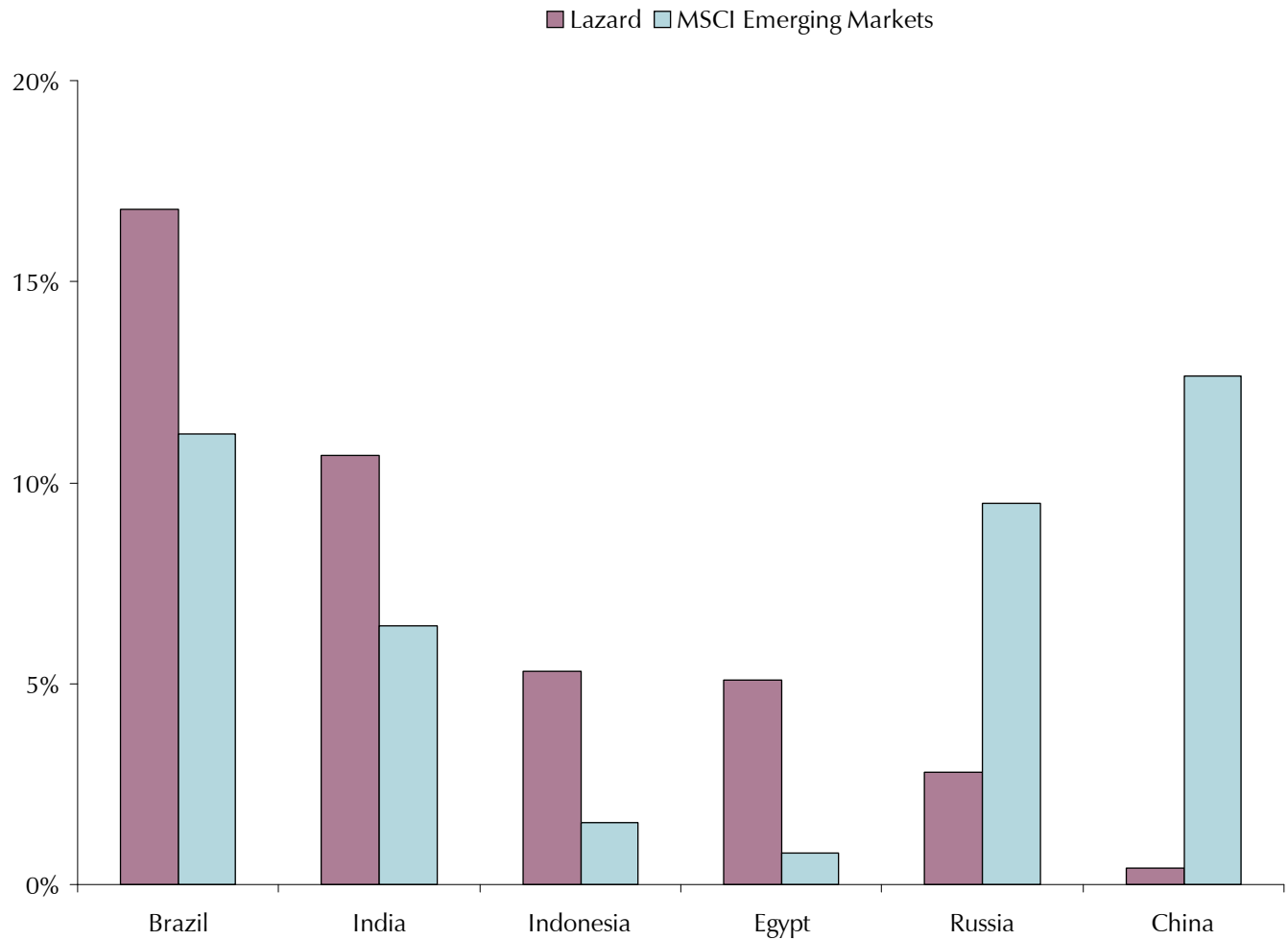
Lazard manages a dedicated portfolio of emerging market equities on behalf of the Retirement System. Lazard employs a relative value investment philosophy, utilizing a “bottom-up”, fundamental approach in choosing stocks. Further, indicators of performance sustainability, such as quality and depth of management, competitive position, and general economic landscape are considered. After arriving at an estimate of a stock’s price, Lazard incorporates an analysis of additional risks associated with emerging markets, such as the stability and consistency of a country’s macroeconomic, monetary, and regulatory policy factors.

Emerging markets experienced strong gains during the second quarter, as investors continued to embrace risk. Building on strong returns in March, emerging markets gained an additional 15% during the April through June time period. With the exception of Russia, the BRIC countries (Brazil, Russia, India and China) all produced very strong returns.

Lazard Emerging Markets

Region Allocation:	Lazard 6/30/07	MSCI Emerging Markets 6/30/07	Lazard 3/31/07
Asia	48%	54%	42%
Latin America	25	20	26
Europe, Middle East and Africa	24	26	26
Other	2	0	6

Country Allocation:



Lazard Emerging Markets

Capitalization Structure:	Lazard 6/30/07	MSCI Emerging Markets 6/30/07	Lazard 3/31/07
Number of Holdings	83	838	84
Large (% over \$9 billion)	53	64	50
Medium (% \$1.5 billion to \$9 billion)	45	33	48
Small (% under \$1.5 billion)	2	4	2
Weighted Average Mkt. Cap. (\$ billion)	19.6	41.7	19.3

Fundamental Structure:			
Price-Earnings Ratio	18	22	17
Price-Book Value Ratio	4.2	3.8	3.9
Dividend Yield (%)	3.6	2.0	3.1
Historical Earnings Growth Rate (%)	33	34	34
Projected Earnings Growth Rate (%)	18	18	18

Industry Allocation (%):			
Consumer Discretionary	14	6	13
Consumer Staples	10	5	8
Telecommunication Services	13	10	15
Financials	22	21	22
Industrials	9	9	9
Health Care	1	2	1
Utilities	2	4	2
Materials	12	14	11
Information Technology	10	13	11
Energy	8	15	9

Largest Holdings:	% of Portfolio	Economic Sector
Cia Vale Rio Doce	3.3	Materials
Shinhan Fin Group	2.9	Banks
State Bank of India	2.8	Banks
Turkcell Iletisim	2.8	Telecommunication Services
Kookmin Bank	2.8	Banks

Fixed Income Manager Reviews

Loomis Sayles - High Yield/Bank Loans

\$57.5 million; 40% System Fixed Income, 8% Total System

Fee Schedule: 0.50% on all assets
Performance Inception Date: 1/1/96

Portfolio Manager: Kathleen Gaffney, CFA

Location: Boston, Massachusetts

Strategy: High Yield
Long / Intermediate Term
Low Grade

	Short	Intermediate	Long
High			
Medium			
Low			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	5 YR	10 YR	Since 1/1/96
Loomis Sayles - High Yield/Bank Loans	1.5	3.6	11.7	10.7	12.7	7.9	8.3
Loomis Sayles High Yield	1.6	4.1	16.0	NA	NA	NA	NA
Loomis Sayles Bank Loans	1.6	3.6	7.4	NA	NA	NA	NA
Custom Benchmark ¹	0.8	3.2	9.5	8.4	11.5	7.7	7.8
Lehman High Yield	0.2	2.9	11.5	9.0	11.9	6.3	7.0
S&P LSTA Leveraged Loan Index	1.4	3.4	7.2	5.9	6.1	5.3	NA
Peer High Yield (median)	0.5	3.4	11.5	9.1	11.2	6.5	7.1

Loomis Sayles manages an aggressive portfolio of high yield bonds for the Retirement System. Loomis relies on internal credit research to identify securities likely to be upgraded, or securities offering yields which they believe more than compensate for the risks. Loomis typically favors longer duration securities, with the expectations that these securities will benefit most from a ratings upgrade. Loomis invests a dedicated portion of the portfolio (approximately 50%) in bank loans.

High yield bonds, as represented by the Lehman High Yield index, gained a slim 0.2%, but outperformed investment grade bonds for the eighth consecutive quarter. Continuing a trend, lower-credit quality bonds outperformed higher-credit quality bonds. Bonds rated "BB" declined 0.5%, while those rated "B" and "CCC", returned 0.4% and 1.3%, respectively.

¹ The custom benchmark is comprised of 50% Lehman Credit index / 50% Salomon High Yield index through May 2002. Lehman High Yield index through September 2005, 70% Lehman High Yield index / 30% S&P LSTA Leveraged Loan index through June 2006 and 50% Lehman High Yield index / 50% S&P LSTA Leveraged Loan index thereafter.

Loomis Sayles - High Yield/Bank Loans

	Loomis 6/30/07	Lehman High Yield 6/30/07	Loomis 3/31/07
Duration & Yield:			
Average Effective Duration (years)	2.9	4.6	3.3
Yield to Maturity (%)	7.4	8.1	7.5
Quality Structure (%):			
Average Quality	BB	B+	BB
AAA (includes Treasuries and Agencies)	9	0	4
AA	4	0	5
A	0	0	0
BBB	4	0	4
BB	60	37	60
B	15	43	17
Below B	8	19	9
Non-Rated	0	1	0
Sector Allocation (%):			
U.S. Treasury-Nominal	1	0	1
U.S. Treasury-TIPS	0	0	0
U.S. Agency	1	0	1
Mortgage Backed	0	0	0
Corporate	36	100	40
Local & Provincial Government	0	0	0
Sovereign & Supranational	6	0	6
Commercial Mortgage Backed	0	0	0
Asset Backed	0	0	0
Cash Equivalent	4	0	0
Other	52	0	51
Market Allocation (%):			
United States	88	90	87
Foreign (developed markets)	11	10	13
Foreign (emerging markets)	1	0	1
Non-U.S. Dollar Exposure	12	0	13

Opus - Core

\$50.5 million; 35% System Fixed Income, 7% Total System

Fee Schedule: 0.10% on first \$50 mm; 0.08% on the next \$50 mm;
0.06% thereafter on the combined assets of the Core and TIPS portfolios
Performance Inception Date: 12/1/97

Portfolio Manager: Ann K. Tripp

Location: Massachusetts

Strategy: Fixed Income
Intermediate Term
High Grade

	Short	Intermediate	Long
High			
Medium			
Low			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	5 YR	Since 12/1/97
Opus - Core	-0.6	0.9	6.2	4.0	4.4	5.5
Lehman Aggregate	-0.5	1.0	6.1	4.0	4.5	5.7
Peer Core Fixed Income (median)	-0.4	1.1	6.3	4.3	4.7	5.9

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation (R²) to Index
Opus - Core	3.4%	0.87	0.50	-0.14	0.97
Lehman Aggregate	3.9	1.00	0.48	NA	1.00

Opus (formerly Allmerica) invests a fixed income portfolio for the Retirement System utilizing a core strategy that emphasizes investment grade securities with intermediate-term durations. Their primary benchmark is the Lehman Aggregate index, and the manager limits duration to within 10% of the index duration. Opus generally emphasizes corporate and mortgage-backed securities within the portfolio.

The broad investment grade bond market, as measured by the Lehman Aggregate index, fell 0.5% during the second quarter. Two sectors, asset backed securities and hybrid ARMs, produced positive returns (+0.1%, +0.6% respectively), while all other sectors fell. Longer maturities were impacted the most. Beginning April 1, 2007 hybrid ARMs were added to the Lehman Aggregate index comprising 4.0% of the index.

Opus - Core

	Opus 6/30/07	Lehman Aggregate 6/30/07	Opus 3/31/07
Duration & Yield:			
Average Effective Duration (years)	4.8	4.7	4.5
Yield to Maturity (%)	5.9	5.7	5.5
Quality Structure (%):			
Average Quality	AA+	AAA	AA+
AAA (includes Treasuries and Agencies)	76	80	75
AA	7	5	6
A	3	8	3
BBB	14	7	15
Below BBB	0	0	0
Non-Rated	0	0	1
Sector Allocation (%):			
U.S. Treasury-Nominal	7	23	7
U.S. Treasury-TIPS	0	0	0
U.S. Agency	7	11	7
Mortgage Backed	53	38	52
Corporate	22	19	24
Local & Provincial Government	0	2	0
Sovereign & Supranational	0	2	0
Commercial Mortgage Backed	7	5	5
Asset Backed	0	1	0
Cash Equivalent	3	0	5
Other	0	0	0
Market Allocation (%):			
United States	100	94	100
Foreign (developed markets)	0	5	0
Foreign (emerging markets)	0	1	0
Non-U.S. Dollar Exposure	0	0	0

Opus - TIPS

\$34.6 million; 24% System Fixed Income, 5% Total System

Fee Schedule: 0.10% on first \$50 mm; 0.08% on the next \$50 mm;
0.06% thereafter on the combined assets of the Core and TIPS portfolios
Performance Inception Date: 11/1/03

Portfolio Manager: Ann K. Tripp

Location: Massachusetts

Strategy: TIPS
Intermediate Term
High Grade

	Short	Intermediate	Long
High			
Medium			
Low			

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	3 YR	Since 11/1/03
Opus - TIPS	-0.7	1.7	3.9	3.9	4.3
Lehman U.S. TIPS	-0.8	1.7	4.0	3.8	3.9
Merrill Lynch US Treasury Inflation-Linked Securities	-0.7	1.7	3.9	3.8	4.0

Risk: (forty-four months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation (R²) to Index
Opus - TIPS	5.3%	1.03	0.23	0.75	1.00
Lehman U.S. TIPS	5.1	1.00	0.17	NA	1.00

Opus manages a dedicated Treasury Inflation Protected Securities (TIPS) portfolio on behalf of the Retirement System. Opus seeks to outperform the benchmark through a style-pure, risk controlled approach, primarily adding value through yield curve positioning, and security selection.

The Lehman U.S. TIPS index declined 0.8% during the quarter. TIPS fell despite U.S. economic indicators show a slowing economy and increasing inflationary concerns. At quarter-end, the "breakeven" inflation rate (the difference in yield between the 10-year nominal Treasury bond and the 10-year TIPS issue) was 2.3%.

Real Estate Manager Reviews

Bailard

\$30.4 million; 32% Real Estate Assets, 4% Total System

Fee Schedule: 0.85% on first \$20 mm; 0.50% thereafter

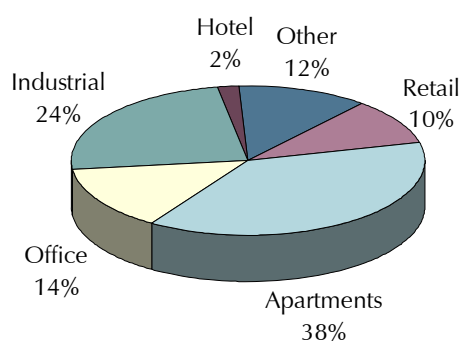
Performance Inception Date: 1/1/99

Portfolio Manager: Thomas E. Bailard
Michelle Foss

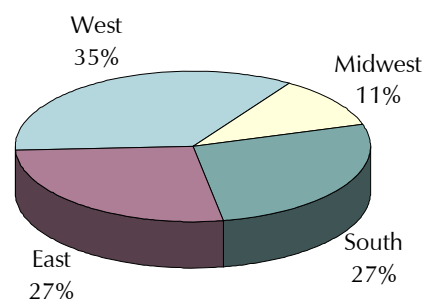
Location: Foster City, California

Strategy: Real Estate
Private Market
Diversified Core

Property Type:



Geographic Diversification:



Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	3 YR	5 YR	Since 1/1/99
Bailard	2.8	6.4	15.3	14.7	11.6	10.8
NCREIF Property	4.6	8.4	17.2	18.0	14.4	12.4
NCREIF ODCE	4.6	8.7	17.1	18.0	14.5	12.6

Bailard invests in a core / value added strategy, purchasing institutional properties that may be fully leased or may require leasing or physical enhancements. Total portfolio leverage is limited to 50%. The firm employs three outside "operating managers" for research, deal flow, property management, disposition, and sub portfolio accounting. Bailard invests in approximately 40 distinct properties, and the portfolio is diversified by region and property type.

The NCREIF Property index (NPI) returned 4.6% during the second quarter of 2007, with more than two-thirds of performance attributable to capital appreciation. The office sector, which represented approximately a third of the index at year-end, was once again the strongest contributor to performance for the quarter. Retail, which accounted for 23% of the index, produced the lowest returns for the quarter, but still gained 2.0%. Geographically, properties on the west and east coasts fared the best.

PRIT Real Estate

\$16.3 million; 17% Real Estate Assets, 2% Total System

Fee Schedule: Multiple fee schedules

Performance Inception Date: 7/1/05

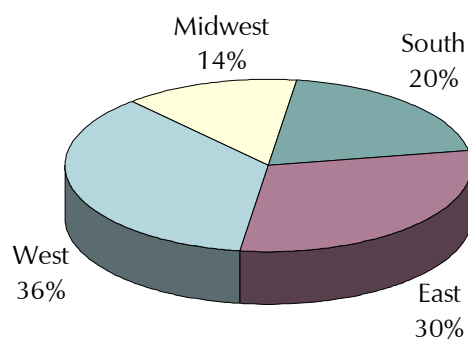
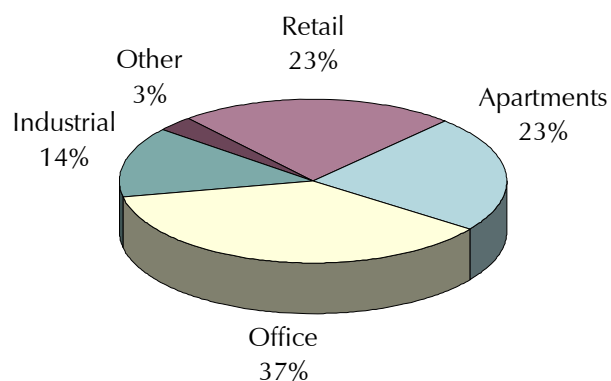
Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: Real Estate
Private/Public Markets
Diversified Core

Property Type:

Geographic Diversification:



Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 7/1/05
PRIT Real Estate	1.0	4.9	16.6	21.8
NCREIF Property	4.6	8.4	17.2	18.0
NCREIF ODCE	4.6	8.7	17.1	18.2

The Client X Retirement System funded its investment in the PRIT Real Estate fund with \$15 million in July 2005. PRIT's real estate portfolio consists of both core and non-core real estate investments, and is well diversified by both geographic region and property type. The portfolio targets a 75% allocation to private market investments and a 25% allocation to public REITs.

INVESCO

\$15.9 million; 17% Real Estate Assets, 2% Total System

Fee Schedule: 1.00% on first \$25 mm; 0.90% thereafter

Performance Inception Date: 4/1/06

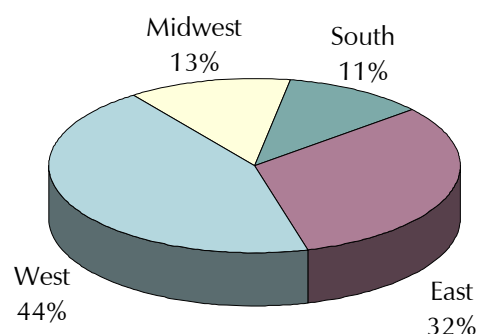
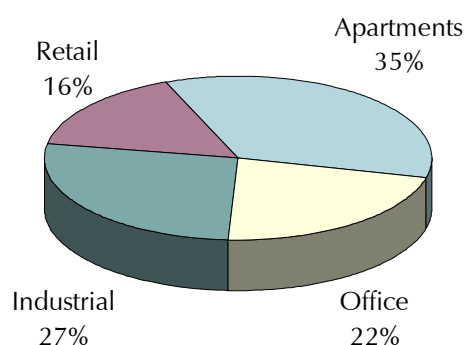
Portfolio Manager: Bill Grubbs

Location: Boston, Massachusetts

Strategy: Real Estate
Private Markets
Diversified Core

Property Type:

Geographic Diversification:



Performance (%):
(periods over one year annualized)

	2Q07	YTD	1 YR	Since 4/1/06
INVESCO	3.8	8.0	14.2	17.2
NCREIF Property	4.6	8.4	17.2	17.2
NCREIF ODCE	4.6	8.7	17.1	17.1

INVESCO invests in core properties, with a focus on investments with stable income located in what they consider quality locations. Core investments include existing, substantially leased income-producing industrial, multi-family, retail and office properties located principally in metropolitan areas. Additionally, INVESCO may invest up to 15% of the portfolio's assets in value-added real estate investment opportunities.

Hedge Fund Manager Reviews

PRIT Absolute Return

\$15.5 million; 2% Total System

Fee Schedule: Multiple fee schedules

Performance Inception Date: 7/1/05

Portfolio Manager: Team

Location: Boston, Massachusetts

Strategy: Hedge Fund
Diversified Fund of Funds
Absolute Return Strategies

Performance (%): (periods over one year annualized)	2Q07	YTD	1 YR	Since 7/1/05
PRIT Absolute Return	4.5	8.8	13.8	13.4
HFRI Fund of Funds Composite	4.7	7.8	14.3	12.5
CSFB/Tremont Hedge Fund Index	5.2	8.7	16.5	13.0

The Client X Retirement System initially funded its investment in the PRIT Absolute Return portfolio with \$12 million in July 2005. PRIM has established strategic targets for strategy types within the portfolio of approximately 40% equity hedge, 30% relative value, 20% event driven, and 10% global macro. The PRIT Absolute Return strategy is invested across five hedge fund-of-funds managers: Arden Asset Management, Ivy Asset Management, K2 Advisors, PAAMCO, and The Rock Creek Group.

Blackstone - Partners NT

\$15.3 million; 2% Total System

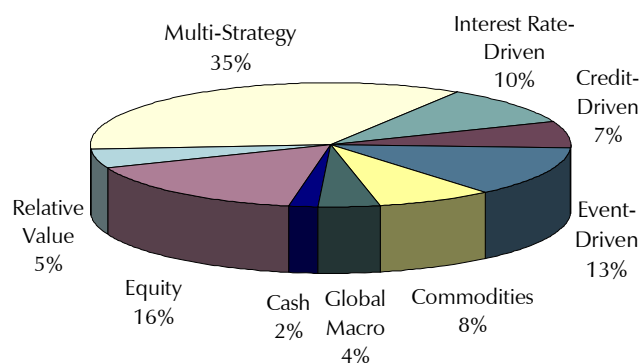
Fee Schedule: 1.25% on all assets
Performance Inception Date: 4/1/06

Portfolio Manager: Team

Strategy Allocation:

Location: New York, New York

Strategy: Hedge Fund
Diversified Fund of Funds
Absolute Return Strategies



Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 4/1/06
Blackstone - Partners NT	4.5	8.6	15.3	12.6
HFRI Fund of Funds Composite	4.7	7.8	14.3	10.6
CSFB/Tremont Hedge Fund Index	5.2	8.7	16.5	13.7

The Retirement System made its initial investment in the Blackstone Partners NT hedge fund of funds strategy in April 2006, investing \$10 million. Blackstone seeks non-correlated returns with low volatility, and places an emphasis on multi-strategy, event driven and long/short credit hedge fund strategies. Blackstone's stated volatility target for the Partners NT strategy is 2% to 4%, representative of its more conservative approach.

Aetos - Balanced Portfolio

\$14.9 million; 2% Total System

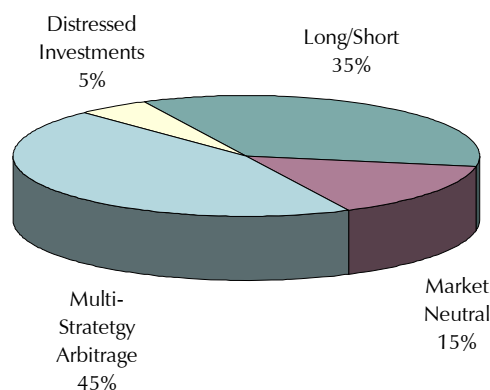
Fee Schedule: Management fee of 1.00% on all assets; Performance fee of 10% (hurdle rate 90-Day T-bills)
Performance Inception Date: 4/1/06

Portfolio Manager: Anne Cassells, CIO

Strategy Allocation:

Location: New York, New York

Strategy: Hedge Fund
Diversified Fund of Funds
Absolute Return Strategies



Performance (%):

(periods over one year annualized)

	2Q07	YTD	1 YR	Since 4/1/06
Aetos - Balanced Portfolio	3.4	6.4	11.1	9.6
HFRI Fund of Funds Composite	4.7	7.8	14.3	10.6
CSFB/Tremont Hedge Fund Index	5.2	8.7	16.5	13.7

The Retirement System made its initial investment in the Aetos Capital Balanced Portfolio in April 2006, investing \$10 million. Aetos' Balanced Portfolio is a fund of funds strategy, comprised of four Aetos fund of funds, the Multi-Strategy Arbitrage Fund, the Long-Short Fund, the Market Neutral Fund, and the Distressed Fund. Aetos seeks to construct a low volatility portfolio, with an emphasis on fundamental, long-short equity and event-driven strategies.

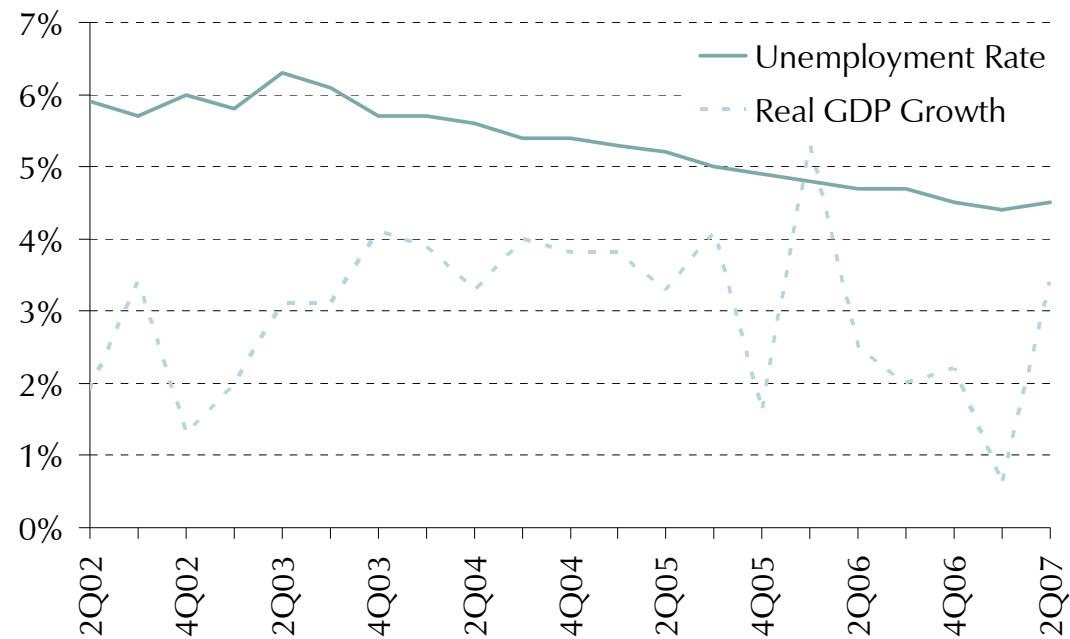
The majority of the strategy's assets are targeted to multi-strategy arbitrage (45%) and long-short equity (35%) managers. Additionally, 15% is allocated to market neutral hedge fund managers, and 5% is allocated to distressed investment strategies.

Appendices

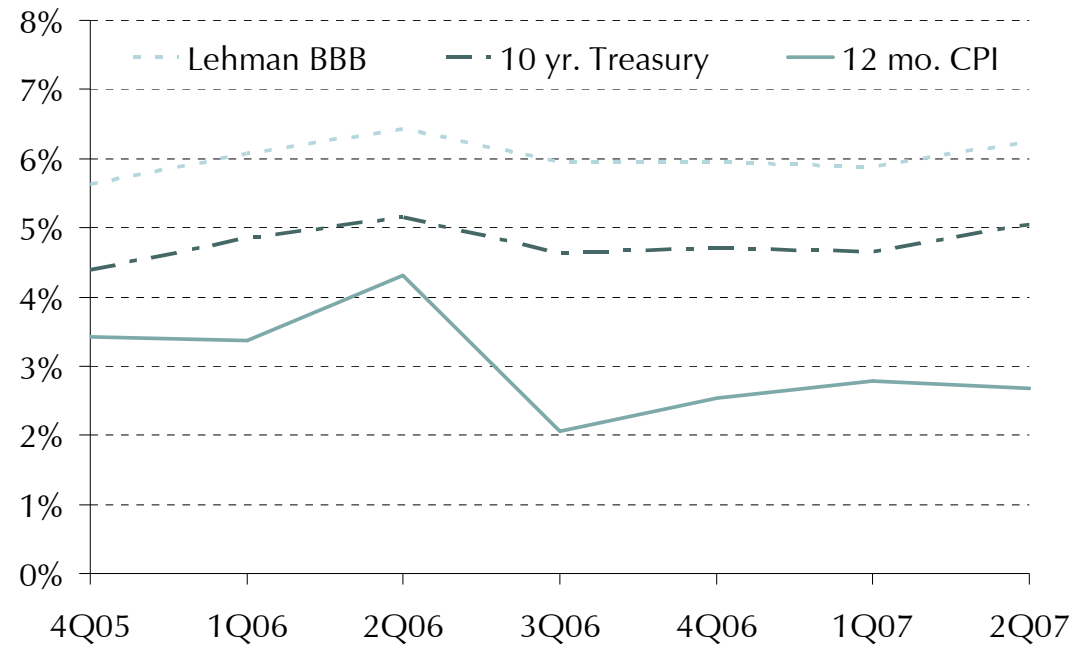
Appendix 1:

Economic and Market Review

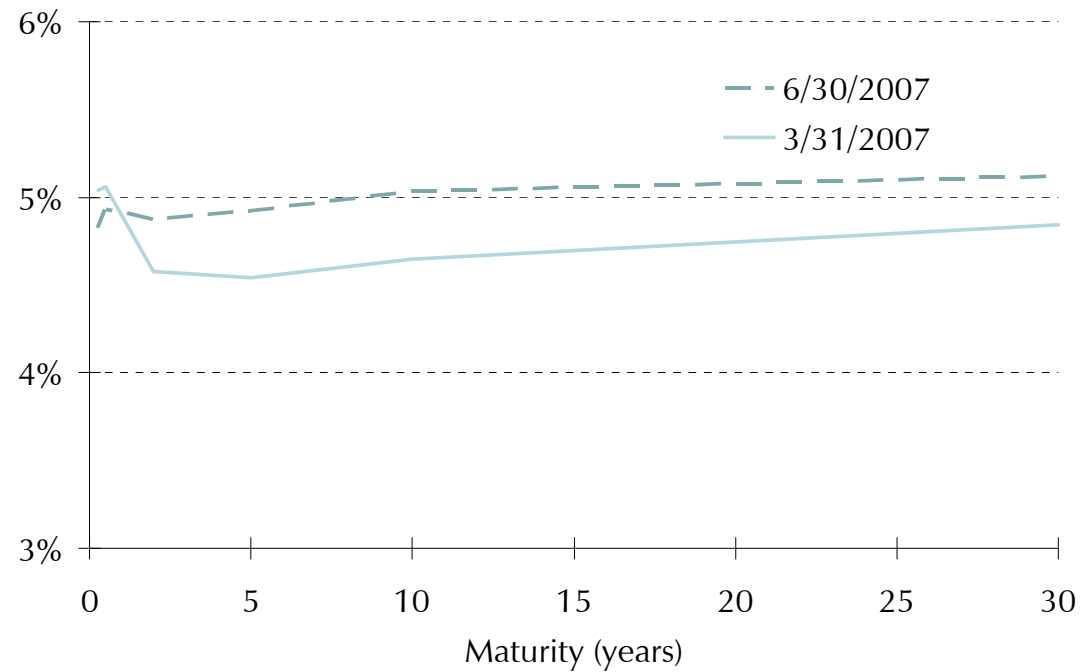
Real Growth & Unemployment



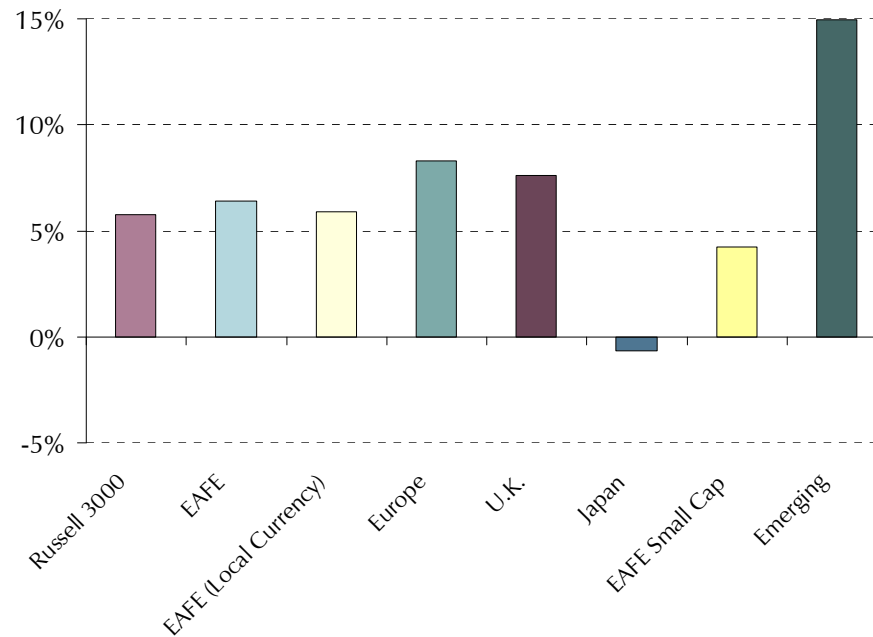
Yields & Inflation



Treasury Yields



2nd Quarter
Global Equity Performance



Index Returns (%)

	Qtr.	1 YR
Russell 3000	5.8	20.1
S&P 500	6.3	20.6
Russell 1000	5.9	20.4
Russell 2000	4.4	16.4

Style Indices (%)

Russell 1000 Growth	6.9	19.0
Russell 2000 Growth	6.7	16.8
Russell 1000 Value	4.9	21.9
Russell 2000 Value	2.3	16.1

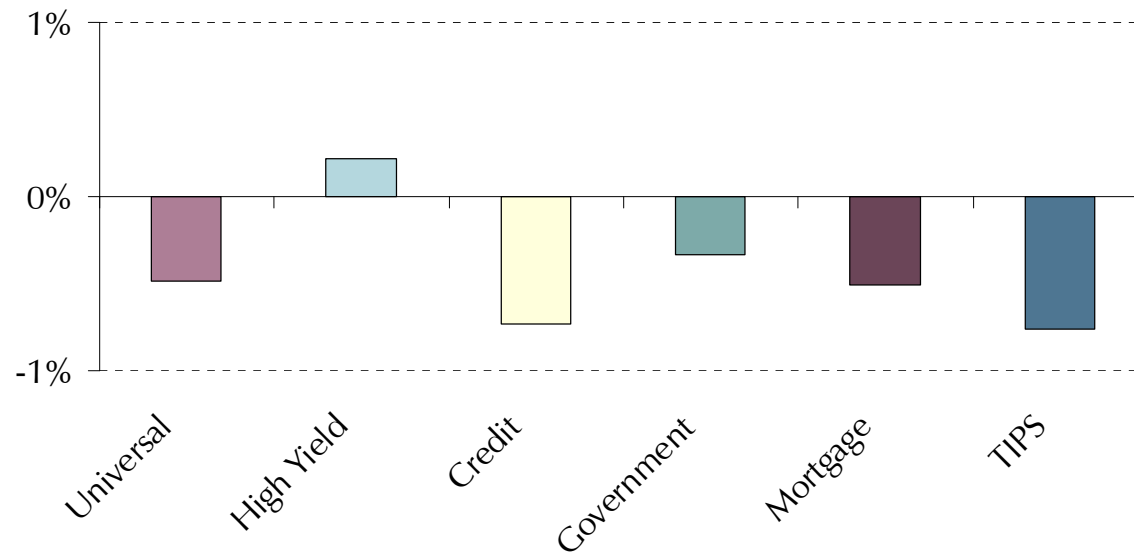
S&P Sector Indices (%)

Health Care	4.5	16.3
Financials	1.3	11.1
Industrials	9.8	16.0
Energy	14.2	24.6
Information Technology	9.9	24.8

Dow Jones Industrial Average

3/31/07 Level: 12,354 6/30/07 Level: 13,409

2nd Quarter Bond Sector Returns (Lehman Indices)



Appendix 2:
Glossary, Notes and Disclaimers

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Market Capitalization: For a firm, *market capitalization* is the total market value of outstanding common stock. For a portfolio, *market capitalization* is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above-average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjustment return. It is calculated by subtracting the risk-free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two-thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure *yield to maturity*, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = \frac{1\% \text{ pro rata, plus}}{5.26\% \text{ (current yield)}} = 6.26\% \text{ (yield to maturity)}$$

Sources: *Investment Terminology*, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.