Chief Investment Officer's Letter

Virginia Retirement System

Charles W. Grant, CFA, Chief Investment Officer

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November 20, 2008

**To the Members of the Board of Trustees and
Participants of the Virginia Retirement System:**

After four years of exceptional performance, the VRS investment portfolio declined by 4.4% during the fiscal year ending June 30, 2008. This performance primarily reflects temporary market value changes in assets that are expected to perform well over the long term.

On a relative basis, the portfolio exceeded policy benchmarks established by the Board of Trustees by a significant margin. The following table shows annualized total fund performance for various timeframes along with intermediate and long-term policy benchmarks:

PERIODS ENDING JUNE 30, 2008

	1 Year	3 Years	5 Years	10 Years
Total Fund	-4.4%	8.9%	11.3%	6.9%
Intermediate Benchmark	-5.3%	7.9%	10.4%	6.1%
Long-Term Benchmark	-6.7%	4.7%	7.2%	4.5%

Economic growth slowed markedly over the last year. The collapse in housing and dislocation in the credit markets have led to a systemic retrenchment of consumer confidence and corporate profits, along with a significant increase in market volatility. At the same time, inflation pressures have risen and government fiscal positions have deteriorated, creating significant challenges for policymakers.

Most risk assets were challenged in this environment. The fund's public equity investments, which make up approximately 55% of the portfolio, declined 10.4% during the fiscal year. Credit strategies, which we view as substitutes for public equity and represent approximately 7.3% of the fund, returned - 4.7% for the year.

On the positive side, the fund continued to benefit from exceptional performance in the private equity program, which returned 15.5% (time-weighted basis) and represents approximately 8.1% of the fund. Fixed income investments returned 6.3% and represent 20% of the portfolio. Commercial real estate investments, which make up approximately 7.4% of the portfolio, returned 4.1% last year, with gains in private real estate more than offsetting weakness in the public real estate securities.

We expect economic growth to remain below long-term potential until the significant imbalances in the housing and financial markets are corrected, and this is not likely to occur quickly. Investors are forward-looking and sentiment is likely to turn up before the underlying fundamentals; nonetheless, it is difficult to say when market conditions will improve.

We remain confident in the global economy's long-term growth prospects and in the fund's ability to generate annualized returns of 7% to 8% over a long investment horizon. Importantly, the fund is in a very strong liquidity position, and the portfolio generates significant cash flow from dividends, interest payments and private investment distributions. Given our long investment horizon and excellent liquidity position, the fund is well positioned to take advantage of attractive investment opportunities that present themselves during this period of market dislocation.

VRS is fortunate to have a talented investment team that is committed to excellence and an outstanding Investment Advisory Committee that provides valuable input to the staff and the Board. I thank them for their good work.

I also want to thank the Board of Trustees for their guidance, support and confidence in the investment team as we continue to seek out good risk-adjusted returns for the fund.

Respectfully submitted,

C. Grant

Charles W. Grant, CFA
Chief Investment Officer

Investment Value in 1970

VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM
SUMMARY OF INVESTMENTS
YEAR ENDED JUNE 30, 1970

	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Total
Bonds (net)	$ 480,608,470	$ 8,096,504	$ 488,704,974
Common stock (cost)	53,311,622	637,104	53,948,726
Preferred stock (cost)	1,957,565	11,889	1,969,454
Net investments	$ 535,877,657	$ 8,745,497	$ 544,623,154

The value of investments of the VSRS pension plans at June 30, 1970 was approximately $544.6 million. The value of VRS pension investments at June 30, 2008 exceeded $54.9 billion.

Investment Account

The VRS Board of Trustees has fiduciary responsibility to invest the fund solely in the interest of the beneficiaries of the System. As established by the *Code of Virginia*, "the Board shall invest the assets of the Retirement System with the care, skill, prudence, and due diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims."

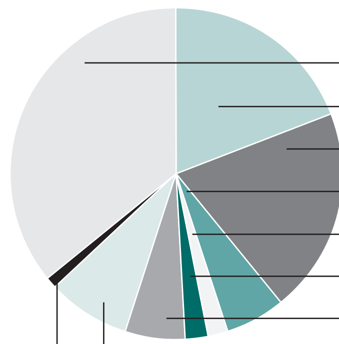
Benefit payments are projected to occur over a long period of time. This allows VRS to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the VRS investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the VRS balance sheet in order to estimate the potential impact of various asset class mixes on key measures of total plan risk including the resulting estimated impact on funded status and contribution rates.

The Chief Investment Officer has been delegated authority by the Board to allocate the System's investments within the approved asset allocation policy and within the Board-approved active risk budget. The total fund active risk budget describes the degree of tolerance for yearly variation in the fund's performance relative to the Intermediate Term Benchmark. The primary risk measure used for this purpose is Total Fund Tracking Error, calculated as the standard deviation of the difference between the fund's return and the return of the Intermediate Term Benchmark. From this measure, probability estimates can be derived to help the Board estimate the risk of underperforming the benchmark by certain margins.

The investment staff manages the VRS portfolio on a day-to-day basis according to policies and guidelines established by the Board. The staff manages assets on a direct basis and through outside investment managers. Managers employ both active and passive investment strategies. The Board has established various performance benchmarks to serve as tools for measuring progress toward the achievement of intermediate and longer-term investment goals.

The asset allocation mix of the VRS fund as of June 30, 2008 is shown on the next page.

Asset Allocation Mix



Investment Performance Summary

ANNUALIZED DATA FOR PERIOD ENDING JUNE 30, 2008

	1 Year	3 Years	5 Years
1. Total Fund			
VRS	-4.4%	8.9%	11.3%
Total Fund Intermediate Benchmark	-5.3%	7.9%	10.4%
2. Total Public Equity			
VRS	-10.4%	8.7%	12.4%
Custom Benchmark	-10.8%	8.3%	11.8%
3. Total Fixed Income			
VRS	6.3%	3.8%	3.9%
Custom Benchmark	7.8%	4.3%	4.0%
4. Total Credit Strategies			
VRS	-4.7%	4.5%	N/A
Custom Benchmark	-3.5%	5.0%	N/A
5. Total Real Estate			
VRS	4.1%	16.8%	17.5%
Custom Benchmark	6.5%	15.4%	16.2%
6. Total Private Equity			
VRS	15.5%	25.2%	25.0%
Custom Benchmark	-3.6%	8.6%	14.6%

Investment return calculations were prepared using a time-weighted return methodology.

Portfolio Highlights

Public Equity

The market value of the total Public Equity Program as of June 30, 2008 was $30.5 billion, representing approximately 55% of the total fund. Approximately 65% was invested in Domestic Equity and 35% in International Equity. Seven percent was invested in passive strategies, and 23% was managed internally. The objective of the portfolio is to exceed the return of the Custom Benchmark over three- and five-year periods, net of all costs. At fiscal year end, the Custom Benchmark was comprised of 64% Russell 3000 and 36% of the S&P/Citigroup BMI Global (excluding U.S.).

The Total Public Equity Program outperformed the Custom Benchmark during the fiscal year by 0.4%. During the year, the Russell 3000 was down 12.7%, and the BMI Global (excluding U.S.) was down 7.2%. Emerging Markets significantly outperformed U.S. indices, whereas non-U.S. small-capitalization indices underperformed U.S. indices. Concerns over slowing economic growth and the state of the credit market were the primary contributors to the equity markets' weak performance.

The Total Public Equity Program is dominated by traditional, long-only strategies (86.7% of program, or $26.4 billion). The program also employs traditional long-short strategies (4.9% of program, or $1.5 billion) and equity-oriented hedge fund strategies (8.4% of program, or $2.6 billion).

The Non-U.S. Equity Program utilizes a non-U.S. equity benchmark with un-hedged currency exposure. In an attempt to capitalize on currency market inefficiencies, staff utilizes risk-controlled active currency strategies that take long and short currency positions based on their fundamental attractiveness. The notional value of these strategies was $5.0 billion as of June 30, 2008.

Total Public Equity Program Benchmarks

Benchmark Category	VRS Return	Benchmark Return	VRS Weight	Benchmark Weight
Russell 1000	-12.4%	-12.4%	33.7%	34.0%
Russell 2000	-16.9%	-16.2%	3.2%	3.0%
Russell 3000	0.1%	-12.7%	8.4%	8.4%
Russell Special Small Cap	-8.5%	-11.6%	2.0%	2.0%
S&P 500	-17.1%	-13.1%	9.0%	9.0%
S&P/Citigroup PMI World	-11.7%	-10.0%	17.6%	17.6%
S&P/Citigroup PMI Emerging	8.1%	9.6%	8.0%	4.7%
S&P/Citigroup EMI World (ex US)	-12.9%	-14.5%	5.8%	4.4%
S&P/Citigroup PMI World (ex US)	-8.4%	-8.1%	12.3%	16.9%
Total Program	**-10.4%**	**-10.8%**	**100.0%**	**100.0%**

One-year weights and returns ending June 30, 2008. *Hedge Funds are part of Russell 3000.*

Total VRS Equity portfolio remained fairly close to the Custom Benchmark Sectors and Region weights.

Custom Benchmark Sectors and Regions

Sectors	VRS	Strategic Benchmark	Regions	VRS	Strategic Benchmark
Consumer Discretionary	9.3%	8.8%	North America	65.8%	66.7%
Consumer Staples	7.8%	8.4%	Europe/Middle East/Africa	20.2%	19.6%
Energy	15.2%	14.3%	Asia Pacific	11.0%	11.9%
Financials	17.1%	17.9%	Latin and South America	3.0%	1.8%
Health Care	8.8%	9.5%		**100.0%**	**100.0%**
Industrials	10.8%	11.9%			
Information Technology	13.1%	13.0%			
Materials	8.6%	7.5%			
Telecommunication Services	4.9%	4.0%			
Utilities	4.4%	4.7%			
	100.0%	**100.0%**			

Based on Barra's classification of sectors and regions

The top 10 holdings in the Total Public Equity Program comprised 9.5% of the program at fiscal year end. In comparison to last year, four companies fell from the list. Conocophillips, Procter & Gamble, Wal-Mart Stores and Johnson & Johnson replaced Citigroup Incorporated, Bank of America Corporation, J.P. Morgan Chase & Company and Altria Group Incorporated.

Public Equity: Top 10 Exposures

Company	Market Value	Shares
Exxon Mobil Corporation	$ 562,106,769	6,378,155
Chevron Corporation	318,573,827	3,213,697
Microsoft Corporation	303,442,069	11,030,246
Conocophillips	298,938,053	3,167,052
General Electric	268,036,035	10,042,564
AT&T Incorporated	253,842,989	7,534,669
Procter & Gamble	251,772,728	4,140,318
Wal-Mart Stores, Inc.	237,796,876	4,231,261
Pfizer Incorporated	210,688,778	12,060,033
Johnson & Johnson	197,275,488	3,066,141

VRS maintains a complete list of portfolio holdings.

Fixed Income

VRS invests a portion of its portfolio in fixed income investments in order to reduce total fund volatility, produce income and provide for some protection in the event of a deflationary environment. At year end, approximately $11.2 billion was invested in fixed income assets, representing 20% of the VRS portfolio. Of this amount, approximately 58% was invested actively using outside managers, and 42% was invested in a more "risk-controlled" style (75% of this style is managed internally).

The objective of the entire program is to maximize the return (net of all costs) relative to the Citigroup Broad Investment Grade Index, while staying in compliance with risk limits. The fixed income program return was 6.26% for the fiscal year.

The yield curve steepened dramatically over the last fiscal year as the FOMC aggressively lowered rates in response to the credit crisis and other significant events in the market. During the fiscal year, two-year rates decreased by 224 basis points to 2.62%, and ten-year rates decreased by 106 basis points to 3.97%. Spreads were significantly wider in all investment grade asset classes as investors migrated to U.S. treasury securities.

Fixed Income: Top 10 Holdings By Market Value

AS OF JUNE 30, 2008

Par	Security Description	Market Value
$ 345,150,000	FNMA 5.50% 30-Year MBS	$ 340,747,357
288,100,000	FNMA 5.00% 30-Year MBS	275,756,836
88,600,000	FNMA 5.50% 15-Year MBS	89,379,898
67,250,000	Chase CR Card Var Rate 3-Year ABS	67,407,888
59,200,000	FNMA 6.00% 30-Year MBS	59,959,218
41,290,000	U.S. Treasury Notes 7.875% due 02/15/2021	57,473,981
56,900,000	FNMA 5.00% 15-Year MBS	56,463,865
54,300,000	FNMA 6.50% 30-Year MBS	56,115,338
50,000,000	GE Dealer Floorplan Var Rate 3-Year ABS	49,550,861
50,067,291	VHDA 6.00% 30-Year MBS	49,205,133

VRS maintains a complete list of portfolio holdings.

Fixed Income Portfolio

AS OF JUNE 30, 2008

Sector Allocation

Sector	% Portfolio
Treasury	12.0%
Agency	5.0%
Corporate	29.0%
Mortgage	40.0%
Asset Backed	1.0%
CMBS	5.0%
Foreign	0.0%
Other	8.0%
Total	**100.0%**

Credit Quality Breakdown

Rating	% Portfolio
Government	16.1%
AAA	58.1%
AA	6.0%
A	6.9%
BBB	7.8%
BB	1.1%
B	0.5%
Below B	0.3%
NR	3.2%
Total	**100.0%**

Short-Term Investments

Generally, VRS desires to remain fully invested at all times and seeks to minimize its holdings of cash investments. Temporary cash balances are invested in short-term money market instruments with the goal of maintaining high credit quality and liquidity. The return on such investments approximates the return on the 30-day London Interbank Offered Rate (LIBOR), which averaged 4.05% over the last year.

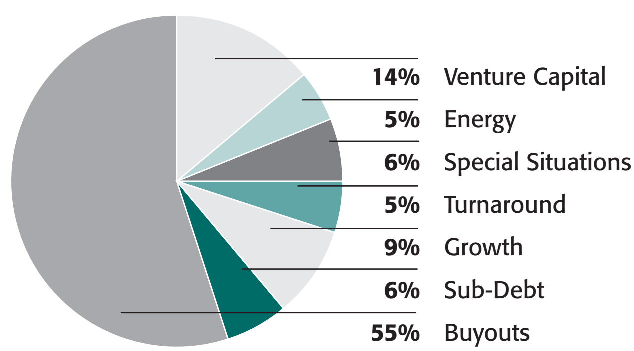
Private Equity

VRS invests in private equity in order to achieve returns greater than those available in the public equity markets. Specifically, the program seeks to outperform the Russell 3000 Index by 2.5% per year. Program returns are calculated on both a time-weighted basis and a dollar-weighted or internal rate-of-return basis. On a time-weighted basis, the program return for FY 2008 was 15.5%. On a dollar-weighted or internal rate-of-return (IRR) basis, the private equity program returned 15.6% as of March 31, 2008. Both return metrics significantly outperformed the public equity market. The private equity program was unable to add a fifth consecutive year of returns exceeding 20%, as the credit crisis reduced the availability of debt, which limited the ability of private equity managers to liquidate investments.

As of June 30, 2008, the carrying value of the program was approximately $4.5 billion. The vast majority of the program is invested in limited partnerships. Sectors in which the program invests include leveraged buyouts, venture capital, growth, sub-debt, turnaround, energy and special situations. The Private Equity Program's market value by sub-class was as follows:

Private Equity Program

AS OF MARCH 31, 2008



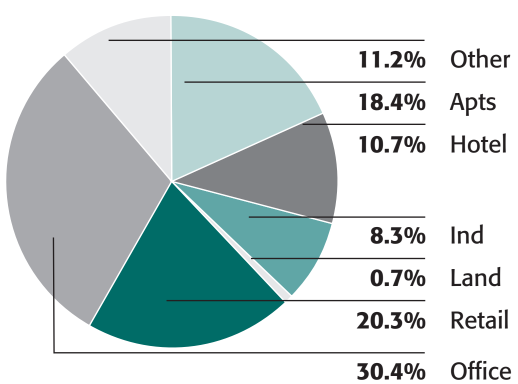
Real Estate

A portion of the portfolio is invested in real estate to help diversify the total fund by providing exposure to an asset class that has a low correlation with the public markets. Real estate produced a 4.1% return for the fiscal year, underperforming its benchmark by 2.4%. A REIT market correction resulted in a -17.1% return in VRS' REIT portfolio, while the private asset portion of the portfolio delivered a 10.4% return.

Over the course of the year, the percentage of the total fund represented by the real estate portfolio increased from 5.1% to 7.4% due primarily to new investments in REITs, commercial real estate debt and core real estate. At fiscal year end, the portfolio was composed of approximately 22% REITS and 78% private accounts. Portfolio leverage as a percentage of total real estate assets was 39% as of June 30, 2008.

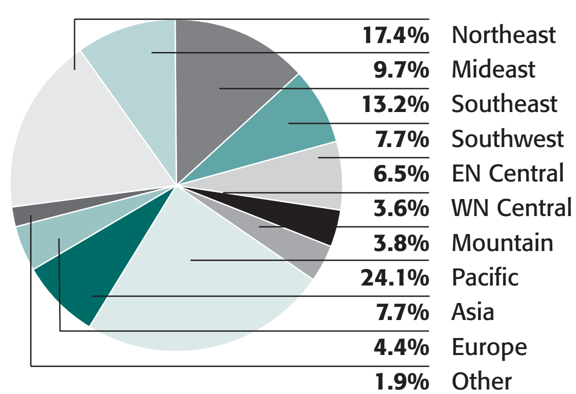
Real Estate Property by Type

AS OF MARCH 31, 2008



Real Estate by Geographic Region

AS OF MARCH 31, 2008



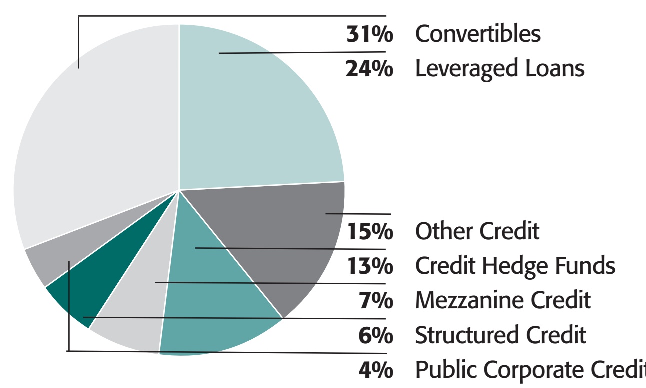
Credit Strategies

VRS allocates a portion of the portfolio to credit-related investments. These are primarily debt instruments that are intended to provide diversification benefits, higher levels of income and lower volatility as compared to domestic equities. Over the course of the fiscal year, the program returned -4.7%, while the program's custom benchmark had returns of -3.5%.

Weakness in housing markets, which became evident near the end of fiscal year 2007, led to broader stress across credit markets during fiscal year 2008. This stress created an environment where investors demanded higher returns as compensation for holding credit-related investments. The ensuing adjustments in risk premiums, in turn, caused prices to fall and led to the loss in the program.

Credit Strategies

AS OF JUNE 30, 2008



MORE INFORMATION

VRS maintains a complete list of portfolio holdings. Address requests to the Investment Compliance Officer, Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

VRS Money Managers

The diversified investment structure as of June 30, 2008 is reflected in the following tables, which list VRS managers by investment program and style.

Public Equity Money Managers

External	Style Description
Acadian Asset Management	U.S. Large, Non-U.S. Small & Emerging Markets
AllianceBernstein	Global
Aronson + Johnson + Ortiz	U.S. Small
Arrowstreet Capital	Global
Ashmore Investment Management	Emerging Markets
BlackRock	Non-U.S. Small
Barclays Global Investors	U.S. Large & Active Currency
First Quadrant	Active Currency
Grantham, Mayo and Van Otterloo & Company	Non-U.S. Small
J.P. Morgan Investment Management	U.S. Large
Lee Overlay Partners	Active Currency
LSV Asset Management	Non-U.S. Small
Relational Investors	U.S. Large
Russell Investment Group	U.S. Large
Select Equity Group	U.S. Small
Shamrock Capital Advisors	U.S. Small
State Street Global Advisors	Non-U.S. Large
Symphony Asset Management	U.S. Large
T. Rowe Price	Emerging Markets & Global
The Boston Company	Emerging Markets
TimesSquare Capital Management	U.S. Small
Wellington Management	Global

Internal	Style Description
Afton	U.S. Small
Madison	U.S. Large
Potomac Core	U.S. Large
Russell 2000 Synthetic	U.S. Small
York	U.S. Large

Hedge Funds – Top 10 Managers	Style Description
Blue Ridge, LP	Equity Long/Short
Ironbound Partners Overseas, Ltd.	Equity Long/Short
New Mountain Capital	Equity Long/Short
TPG-Axon Partners (Overshore), Ltd.	Equity Long/Short
ValueAct Capital International	Equity Long/Short
Glenhill Capital Overseas	Equity Long/Short
Lansdowne Partners Limited	Equity Long/Short
Buckingham Capital Management, Inc.	Equity Long/Short
Eminence Capital	Equity Long/Short
Elliott International	Multi-Strategy

Fixed Income Managers

External	Style Description
Agincourt	Core/External Active
BlackRock	Core/External Active
Prudential	Core/External Active
Smith Breeden	Core/External Active
Wellington	Core/External Active
Western Asset Management	Core/External Active
Bridgewater	Pure Alpha/External Active
State Street Global Advisors	External Passive
VRS Internal	Internal Risk Controlled

Private Equity – Top 10 Managers

	Style Description
Hellman and Friedman	Buyout
Welsh, Carson, Anderson and Stowe	Buyout and Sub-Debt
Summit Partners	Growth and Sub-Debt
Apax International	Buyout
Madison Dearborn	Buyout
Nordic Capital International	Buyout
Texas Pacific Group	Buyout
TA Associates	Growth and Sub-Debt
Angelo Gordon	Buyout and Turnaround
First Reserve	Energy

Credit Strategy Managers

	Style Description
Anchorage Advisors, LLC	Long Short Credit and Opportunity Fund
Babson Capital	Mezzanine Credit
BlackRock Kelso Capital	Bank Loans and Mezzanine Credit
Hyperion Brookfield Asset Management	Structured Credit
King Street Capital Management LLC	Opportunity Fund
Oaktree Capital Management	Mezzanine Credit and Convertibles
Pacific Investment Management	Bank Loans
Post Advisory Group	High Yield Credit and Bank Loans
Prudential	High Yield Credit and Mezzanine Credit
Stone Harbor Investment Partners	Public High Yield Credit
Solus Alternative Asset Management LP	Opportunity Fund
Seix Advisors	Public High Yield Credit
Western Asset Management	Bank Loans
Zazove Associates	Convertibles

Real Estate Managers

Public Real Estate Securities	Style Description
Morgan Stanley	REIT Portfolio
Internal - Monroe	REIT Portfolio
Urdang Securities Management, Inc.	REIT Portfolio
Wellington Management Company, LLP	REIT Portfolio

Private Real Estate	Style Description
Angelo Gordon & Co.	Core
ING Clarion Capital	Core
JP Morgan Asset Management	Core
Morgan Stanley	Core
Security Capital Research & Management, Inc.	Core
TA Associates Realty	Core
AvalonBay Communities, Inc.	Enhanced Core
CIM Group	Enhanced Core
Guggenheim Partners	Enhanced Core
Koll Bren Schreiber	Enhanced Core
Liquid Realty Partners	Enhanced Core
ProLogis	Enhanced Core
Prudential Real Estate Investors	Enhanced Core
AMB Investment Management, Inc.	Opportunistic
Blackstone Real Estate Partners	Opportunistic
Capmark Investments	Opportunistic
Colonnade Properties	Opportunistic
Hines	Opportunistic
JER Partners	Opportunistic
Koll Bren Schreiber	Opportunistic
Lazard Frères Real Estate Investors	Opportunistic
Morgan Stanley	Opportunistic
Oaktree Capital Management	Opportunistic
Penwood Real Estate Investment Management, Inc.	Opportunistic

Public Equity Commissions

JULY 1, 2007 THROUGH JUNE 30, 2008

Broker	Commission	Broker	Commission
ITG Inc., New York	$ 4,578,196	SG Securities, Hong Kong	$ 208,941
Credit Suisse, New York	1,608,755	MacQuarie Securities Ltd., Hong Kong	205,932
Goldman Sachs & Co., New York	1,489,275	Instinet Europe Ltd., London	205,088
Morgan Stanley & Co., Inc., New York	1,027,497	Merrill Lynch International London Equities	202,239
Merrill Lynch Pierce Fenner Smith, Inc.,		Credit Suisse (Europe), London	200,073
New York	746,788	SG Securities Ltd., London	186,655
UBS Securities LLC, Stamford	658,922	Caylon Securities, New York	175,526
Deutsche Bank Securities, Inc., New York	657,051	ABN AMRO Securities LLC, New York	167,828
Citigroup Global Markets Ltd., London	646,208	Instinet Corp., New York	167,031
Citigroup Global Markets, Inc., New York	622,146	SG Americas Securities LLC, New York	162,120
Lehman Bros., Inc., New York	543,598	Goldman Sachs International, London	158,005
UBS Equities, London	529,696	Pershing Securities Ltd., London	156,666
Bear Stearns & Co., Inc., New York	522,581	India Infoline Ltd., Mumbai	152,287
Merrill Lynch Pierce Fenner, Wilmington	445,572	Nomura Securities International, Inc., New York	151,242
Banc of America Securities LLC, Charlotte	416,227	Union Bank Switzerland Securities, London	148,932
Citigroup Global Markets/Salomon, New York	392,936	Jeffries & Co., Inc., New York	147,170
Lehman Bros. International, London	382,698	Credit Lyonnais Securities, Singapore	128,629
State Street Bank & Trust Co., London	350,986	National Financial Services Corp., New York	127,563
J. P. Morgan Securities, Inc., New York	317,296	ABN AMRO Bank NV, London	118,225
Deutsche Bank International EQ, London	301,442	Liquidnet Inc., Brooklyn	109,810
J. P. Morgan Securities Ltd., London	294,121	Lehman Bros. Securities Asia Ltd., Hong Kong	108,260
UBS Warburg Asia Ltd., Hong Kong	280,308	Bernstein Sanford & Co., New York	106,074
Instinet Corp., New York	271,216	Bear Stearns Securities Corp., Brooklyn	105,294
Merrill Lynch Gilts Ltd., London	264,927	G-Trade Services Ltd., Hamilton	102,948
Pershing LLC, Jersey City	216,233	Credit Lyonnais Securities, Mumbai	102,052
Morgan Stanley & Co., London	210,807	Other Brokers	5,054,838
		Total FY 2008	**$ 26,634,910**

Schedule of Investment Management Fees and Expenses for the Year Ended June 30, 2008

(EXPRESSED IN THOUSANDS)

	Assets Under Management *	Management Fees and Expenses
External Management:		
Domestic Managers	$ 7,908,748	$ 36,888
Non-U.S. Equity Managers	7,856,677	21,914
Global Equity Managers	5,269,993	22,718
Fixed Income Managers	14,760,148	9,477
Credit Strategies Managers	3,081,684	25,828
Real Estate Managers	2,865,510	34,685
Private Equity Managers	4,430,403	67,713
Hedge Fund Managers	3,208,206	43,279
Internal Management	6,623,117	14,349
Miscellaneous Fees and Expenses:		
Custodian Fees	–	5,230
Legal Fees	–	258
Other Fees and Expenses	–	791
Total	**$ 56,004,486**	**$ 283,130**

** Does not include short-term investments managed by the Treasury of Virginia and the VRS Master Custodian.*

Investment Summary

In accordance with Section 51.1-124.31 of the *Code of Virginia* (1950), as amended, the Board of Trustees has pooled substantially all assets of the Virginia Retirement System, the State Police Officers' Retirement System, the Virginia Law Officers' Retirement System, the Judicial Retirement System, the Group Life Insurance Fund, the Retiree Health Insurance Credit Fund and the Disability Insurance Trust Fund into a common investment pool. The common investment pool of the pension trust funds and other trust funds held the following composition of investments at June 30, 2008 and 2007:

(EXPRESSED IN THOUSANDS)

	2008 Fair Value	**Percent of Total Value**	2007 Fair Value	Percent of Total Value
Bonds and Mortgage Securities:				
U. S. Government and Agencies	$ 2,309,199	4.09%	$ 3,107,820	5.19%
Mortgage Securities	4,763,028	8.43%	5,199,395	8.68%
Corporate and Other Bonds	8,872,739	15.71%	6,606,861	11.03%
Total Bonds and Mortgage Securities	**15,944,966**	**28.23%**	**14,914,076**	**24.90%**
Common and Preferred Stocks	**18,925,101**	**33.51%**	**24,176,918**	**40.38%**
Index and Pooled Funds:				
Equity Index and Pooled Funds	11,941,641	21.14%	12,656,822	21.14%
Fixed Income Commingled Funds	1,896,865	3.36%	1,248,250	2.08%
Total Index and Pooled funds	**13,838,506**	**24.50%**	**13,905,072**	**23.22%**
Real Estate – Private Real Estate	**2,865,510**	**5.07%**	**2,583,818**	**4.31%**
Private Equity	**4,430,403**	**7.85%**	**3,682,446**	**6.15%**
Short-Term Investments:				
Treasurer of Virginia - LGIP Investment Pool	241,275	0.43%	147,817	0.25%
TBC Pooled Employee Trust Fund	1,955	0.00%	394,867	0.66%
Foreign Currencies	228,744	0.41%	78,083	0.13%
Total Short-Term Investments	**471,974**	**0.84%**	**620,767**	**1.04%**
Total Investments	**$ 56,476,460**	**100.00%**	**$ 59,883,097**	**100.00%**