



RICHARD H. MOORE
Treasurer
State of North Carolina

October 13, 2008

Dear Members & Retirees,

With the deepening financial crisis and the turbulent stock market, many of you have been concerned about our pension fund. Like all investors, the pension fund has felt the effects of the current market conditions. However, I want to assure you that our conservative investment strategy and strong management mean that the pension fund is secure.

North Carolina has a tradition of investing conservatively and protecting your benefits against down markets, as evidenced by our historically high allocation to quality bonds. While the financial crisis is impacting all investors, that strategy means that North Carolina's pension fund will be impacted far less than other funds and investors across the country. That is how North Carolina was among the best performers during the economic downturn of 2002 and how we have remained the second best pension fund in the country.

Our preliminary estimates show that the pension fund has lost about 12 percent over the year ending September 30th, far less than the 24 percent lost in the S&P 500, a standard benchmark for the stock market. It is also less than the losses experienced by other state pension funds. The nation's largest public pension fund, CalPERS, has lost about 17 percent of its value since June.

Your pension fund is prepared to weather this downturn. We remain fully funded, one of just five pension plans nationwide with the money on hand to meet its promises. We manage our investments for the long term, so you can count on your benefits to be there when you need them. We will continue to monitor the market very carefully and to keep you updated. To learn more about the pension fund and the current market, please visit our website at www.nctreasurer.com.

Sincerely,

A handwritten signature in black ink that reads "Richard H. Moore".

Richard H. Moore
State Treasurer