



Minnesota State Board of Investment

2014 Annual Report

**Minnesota
State Board
of Investment**

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2014 Annual Report

Table of Contents

| | |
|--|-----|
| Introduction | 1 |
| Funds Under Management | 2 |
| Combined Funds..... | 4 |
| Investment Pools | 11 |
| Supplemental Investment Fund | 25 |
| State Deferred Compensation 457b Plan..... | 35 |
| Minnesota State College Savings Plan | 39 |
| Assigned Risk Plan..... | 42 |
| Permanent School Fund..... | 44 |
| Environmental Trust Fund..... | 46 |
| Cash Management and Related Programs | 48 |
| Legislative Investment Initiatives..... | 50 |
| Investment Restrictions | 51 |
| Proxy Voting | 53 |
| Investment Manager Summaries | 55 |
| Trading Data..... | 84 |
| Accounting Information | 93 |
| Notes to the Financial Schedules..... | 95 |
| Supplemental Fund Schedules..... | 96 |
| Retirement Plans Participation | 100 |
| Non-Retirement Funds Participation | 116 |
| Manager Fees | 117 |

This annual report can be accessed on our website at www.sbi.state.mn.us

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director

Mansco Perry

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An Equal Opportunity
Employer

December 2014

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2014.

Investment Environment

During FY14, the U.S. equity markets returned 25.2% as measured by the Russell 3000 Index. Within the Russell 3000, larger stocks outpaced smaller companies and growth led value companies.

International markets returned 21.7% for the fiscal year as measured by the Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States net taxes on dividends (ACWI ex U.S.), which represents the developed and emerging international investments outside the U.S. The returns in the developed markets were stronger than in the emerging markets.

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 4.4% for the fiscal year. Within the bond market, corporate bonds were the best performing sectors followed by agency mortgage-backed securities and commercial mortgage-backed securities.

Equity returns continue to experience strong positive performance while bond returns have been stable. As we look forward, the investment environment remains challenging. We will endeavor to seek returns within appropriate levels of risk tolerance.

SBI Results for Fiscal Year 2014

Within this investment environment, the Combined Funds returned 18.6% during fiscal year 2014. Over the latest ten year period, the Funds generated an annualized return of 8.4%. (See page 8).

On June 30, 2014, assets under management totaled \$79.8 billion. This total is the aggregate of numerous pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique requirements. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Obtaining those results will sustain the financial condition of our clients. Through the investment programs presented in this report, the Minnesota State Board of Investment seeks to enhance the management and performance of the assets under its control.

Sincerely,

Mansco Perry III
Executive Director

State Board of Investment

Governor Mark Dayton, Chair

State Auditor Rebecca Otto

Secretary of State Mark Ritchie

State Attorney General Lori Swanson

Investment Advisory Council

The Legislature has established a seventeen member Investment Advisory Council (IAC) to advise the Board and its staff on investment-related matters.

The IAC fulfills its statutory duty to the SBI by providing advice and independent due diligence review of the investment policy and implementation recommendations that guide the SBI's investment of assets.

The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul investment community.

The Commissioner of Minnesota Management & Budget and the Executive Directors of the three statewide retirement systems are permanent members of the Council.

Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

All proposed investment policies are reviewed by the IAC before they are presented to the Board for action.

Members of the Council

Jeffery Bailey, Chair
Sr. Director, Financial
Benefits & Analysis
Target Corporation

Malcolm W. McDonald
Vice Chair
Director & Corporate Secretary
(Retired)
Space Center, Inc.

Denise Anderson
Governor's Appointee
Active Employee Representative

David Bergstrom
Executive Director
MN State Retirement System

John E. Bohan
V.P., Pension Investments
(Retired)
Grand Metropolitan - Pillsbury

Kerry Brick
Manager, Pension Investments
Cargill, Inc.

Dennis Duerst
Director, Benefit Funds Investment
3M Company

Kim Faust
Vice President and Treasurer
Fairview Health Services

Douglas Gorence
Pres. & Chief Investment Officer
UMF Investment Advisors

Laurie Fiori Hacking
Executive Director
Teachers Retirement Association

P. Jay Kiedrowski
Senior Fellow
Humphrey Institute
University of MN

Gary Martin
Chief Investment Officer
Macalester College

Jim Schowalter
Commissioner
Minnesota Management &
Budget

Mary Vanek
Executive Director
Public Employees Retirement
Association

Elaine Voss
Governor's Appointee
Retiree Representative

Staff, Consultants & Custodians

Executive Board Personnel

| | |
|---------------------------|---|
| <i>Mansco Perry III</i> | Executive Director and Chief Investment Officer |
| <i>LeaAnn M. Stagg</i> | Chief Operating Officer |
| <i>Michael J. Menssen</i> | Director, Public Markets |
| <i>Paul T. Anderson</i> | Chief Financial Officer |
| <i>Charlene Olson</i> | Executive Assistant |

Investment Staff

Patricia Ammann
Investment Officer,
DC & Trust Services

Cassandra Boll
Investment Officer,
Cash Mgmt. Services and
Public Markets

Nathan Troutman Blumenshine
Investment Analyst,
Alternatives and
Administrative Services

Tammy Brusehaver
Investment Officer,
Public Markets

Stephanie Gleeson
Investment Officer,
Public Markets

Inma Conde Goldman
Investment Officer,
Public Markets

Aaron D. Griga
Investment Officer,
Public Markets

Ryan O. Hill
Investment Officer,
Alternative Investments

Andrew Krech
Investment Officer,
Alternative Investments

Steven Kuettel
Investment Officer,
Cash Mgmt. Services

Jonathan Stacy
Investment Officer,
Alternatives and
Administrative Services

Robert Weiler
Investment Officer,
Public Markets

Administrative Staff

Shirley Baribeau
Project Team Leader

Julie Grill
Accounting Officer,
Intermediate

Kailee Kemp
Office Administrative Specialist

Kathy Leisz
Information Technology
Specialist 2

Melissa Mader
Office Administrative Specialist,
Intermediate

Wendy Murphy
Accounting Officer, Senior

William J. Nicol
Accounting Director

Consultants

General Consultant
Callan Associates Inc.
Chicago, Illinois

Special Projects Consultant
Pension Consulting Alliance
Encino, California

Custodian Banks

Retirement and Trust Funds
State Street Bank & Trust Co.
Boston, Massachusetts

State Cash Accounts
Wells Fargo & Company
St. Paul, Minnesota

Introduction

The Minnesota State Board of Investment is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 2014, the market value of all assets was \$79.8 billion.

Constitutional and Statutory Authority

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Prudent Person Rule

The prudent person rule, as codified in *Minnesota Statutes*, Section 11A.09, requires all members of the Board, Investment Advisory Council, and SBI staff to “...act in good faith and ...exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.” *Minnesota Statutes*, Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

Authorized Investments

In addition to the prudent person rule, *Minnesota Statutes*, Section 11A.24 contains a specific list of asset classes available for investment including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The section prescribes the maximum percentage of fund assets that may be invested in various asset classes and contains specific restrictions to ensure the quality of the investments.

Investment Policies

Within the requirements defined by state law, the State Board of Investment, in conjunction with SBI staff and the Investment Advisory Council, establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards.

The Board, its staff, and the Investment Advisory Council have conducted detailed analyses that address investment objectives, asset allocation policy and management structure of each of the funds under the SBI’s control. The studies guide the on-going management of these funds and are updated periodically.

Important Notes

Readers should note that the SBI’s returns in this report are shown *after* transactions costs and fees are deducted. Performance is computed and reported after all applicable charges to assure that the Board’s focus is on true net returns.

Due to the large number of individual securities owned by the funds managed by the SBI, this report does not include asset listings. **A complete list of securities is available on the SBI’s website at www.sbi.state.mn.us.** A new listing is posted each June 30 and December 31.

Funds Under Management

Market Value
June 30, 2014*

Retirement Funds

\$66.8 billion

Combined Funds

\$59.5 billion

The Combined Funds represent the assets for both the active and retired public employees in ten statewide retirement plans:

| | |
|---------------------------------------|-----------------|
| Teachers Retirement Fund | \$ 20.3 billion |
| Public Employees Retirement Fund | 17.4 billion |
| Public Employees Police and Fire Fund | 7.3 billion |
| Public Employees Correctional Fund | 453 million |
| Public Employees MERF Division | 878 million |
| State Employees Retirement Fund | 11.5 billion |
| Correctional Employees Fund | 877 million |
| Highway Patrol Retirement Fund | 667 million |
| Legislative Retirement Fund | 8 million |
| Judges Retirement Fund | 176 million |

State Deferred Compensation Plan

\$5.6 billion

The State Deferred Compensation Plan provides public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan.

Supplemental Investment Fund (SIF)

\$1.8 billion

The Supplemental Investment Fund includes assets of the unclassified state employees retirement plan, other defined contribution retirement plans, a healthcare savings plan, and various retirement programs for local firefighters. Participating plans use one or more of the eight accounts which have different investment objectives designed to meet a wide range of needs and objectives.

Note: Numbers below do not include \$1.4 billion of State Deferred Compensation dollars invested in the Supplemental Investment Fund that are included in the \$5.6 billion total for the State Deferred Compensation Plan.

| | | |
|-------------------------------|----------------------------|---------------|
| Income Share Account | stocks and bonds | \$350 million |
| Common Stock Index Account | passively managed stocks | 445 million |
| Growth Share Account | actively managed stocks | 203 million |
| Bond Market Account | actively managed bonds | 110 million |
| International Share Account | non-U.S. stocks | 210 million |
| Fixed Interest Account | stable value investments | 196 million |
| Money Market Account | short-term debt securities | 249 million |
| Volunteer Firefighter Account | stocks and bonds | 26 million |

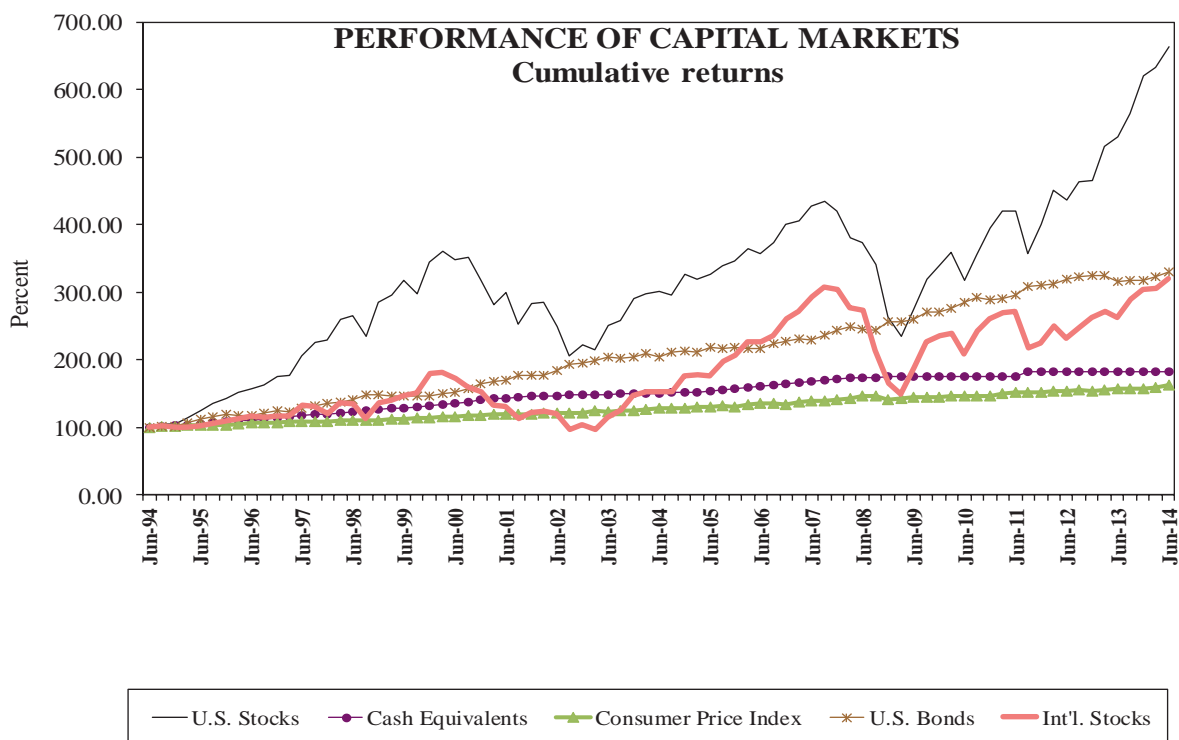
Funds Under Management

Market Value
June 30, 2014*

| | |
|---|-----------------------|
| Non-Retirement Funds | \$13.0 billion |
| Assigned Risk Plan | \$302 million |
| <p>The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.</p> | |
| Environmental Trust Fund | \$842 million |
| <p>The Environmental Trust Fund is a trust established for the protection and enhancement of Minnesota’s environment. It is funded with a portion of the proceeds from the state’s lottery.</p> | |
| Minnesota College Savings Plan | \$1.2 billion |
| <p>The Minnesota College Savings Plan is an education savings plan designed to help families set aside funds for future college costs. It is established under the provisions of the Internal Revenue Code Section 529, which authorized these types of savings plans to help families meet the costs of qualified colleges nationwide.</p> | |
| Miscellaneous State Accounts | \$265 million |
| Miscellaneous Trust Accounts | \$143 million |
| Other Post Employment Benefits Accounts (OPEB’S) | \$449 million |
| <p>These accounts are the assets set aside by local units of government for the payment of retiree benefits trustee by the Public Employees Retirement Association.</p> | |
| Permanent School Fund | \$1.1 billion |
| <p>The Permanent School Fund is a trust established for the benefit of Minnesota public schools.</p> | |
| State Cash Accounts | \$8.7 billion |
| <p>These accounts are the cash balances of state government funds including the General Fund, transportation funds, and miscellaneous cash accounts. Assets are invested through the Invested Treasurers Cash Pool in high quality, liquid, debt securities.</p> | |
| Total Assets Invested by SBI | \$79.8 billion |

* Totals may not add due to rounding.

Figure 1.



Period Ending June 30, 2014

| | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. |
|--------------------------------|-------|-------|-------|--------|
| Domestic Equity | | | | |
| Russell 3000 | 25.2% | 16.5% | 19.3% | 8.2% |
| Domestic Fixed Income | | | | |
| Barclays Capital Aggregate (1) | 4.4 | 3.7 | 4.9 | 4.9 |
| 3 month U.S. Treasury Bills | 0.1 | 0.1 | 0.1 | 1.6 |
| International | | | | |
| MSCI ACWI ex USA (net) | 21.7 | 5.7 | 11.1 | 7.8 |
| Inflation Measure | | | | |
| Consumer Price Index CPI-U (2) | 2.1 | 1.8 | 2.0 | 2.2 |

(1) Barclays Capital Aggregate Bond index. Includes governments, corporates and mortgages.

(2) Consumer Price Index (CPI) for all urban consumers, also known as CPI-U.

Combined Funds

The Combined Funds represent the assets of both active and retired public employees who participate in the defined benefit plans of three state-wide retirement systems: Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS). On June 30, 2014, the Combined Funds had a market value of \$59.5 billion.

Background

The Combined Funds consist of the assets of active employees and retired members of ten different retirement funds. The SBI commingles the assets of these plans into the Combined Funds to capture investment efficiencies.

Figure 2 identifies the ten different retirement funds which comprise the Combined Funds.

Investment Objectives

One overriding responsibility of the State Board of Investment (SBI) with respect to the management of the Combined Funds is to ensure that sufficient funds are available to finance promised benefits.

Actuarial Assumed Return

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, the Combined Retirement Funds must generate investment returns of at least 8.0% (the rate set by statute) on an annualized basis for the period July 1, 2012 through

June 30, 2017 and 8.5% over time thereafter.

Time Horizon

In general, pension assets will accumulate in the Combined Funds for 30 to 40 years during an employee's years of active service. A typical retiree can be expected to draw benefits for an additional 15 to 20 years. This provides the Combined Funds with a long investment time horizon and permits the Board to take advantage of the long run return opportunities offered by common stocks and other equity investments in order to meet the actuarial return target.

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments (alternative investments include private equity, real estate, mezzanine debt, and resource) and cash has a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio.

As illustrated in Figure 1, historical evidence indicates that U.S. common stocks will provide the greatest opportunity to maximize investment returns

Figure 2. Composition of Combined Funds as of June 30, 2014

| | | |
|---|--------|---------------|
| Teachers Retirement Fund | | 34.1% |
| Public Employees Retirement Association | | |
| Public Employees Retirement Fund | 29.25% | |
| Public Employees Police and Fire Fund | 12.21 | |
| Public Employees Correctional Fund | 0.76 | |
| Public Employees MERF Division | 1.48 | |
| Total PERA | | 43.7 |
| Minnesota State Retirement System | | |
| State Employees Retirement Fund | 19.31 | |
| Correctional Employees Fund | 1.47 | |
| Highway Patrol Retirement Fund | 1.12 | |
| Legislative Retirement Fund | 0.01 | |
| Judges Retirement Fund | 0.30 | |
| Total MSRS | | 22.2 |
| Funds Total* | | 100.0% |

* Total may not add due to rounding.

Combined Funds

over the long-term. As a result, the Board has chosen to incorporate a large commitment to common stocks in the asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the Board includes other asset classes such as bonds, real estate, and resource investments in the total portfolio. This diversification is intended to reduce wide fluctuations in investment returns on a year to year basis and enhances the Funds' ability to meet or exceed the actuarial return target over the long-term.

Long-Term Allocation Policy

The Combined Funds have a policy asset allocation that is based on the investment objectives of the Combined

Funds and the expected long run performance of the capital markets. The SBI periodically reviews this policy allocation. The current policy asset allocation of the Combined Funds that was approved by the Board in December 2008 and reaffirmed each fiscal year thereafter is as follows:

| | |
|----------------------|-----|
| Domestic Stocks | 45% |
| International Stocks | 15 |
| Bonds | 18 |
| Alternative Assets | 20 |
| Unallocated Cash | 2 |

The unfunded allocation to alternative investments is held in bonds until it is needed for investment. As a result, the actual amount invested in bonds at any time can be above the target allocation.

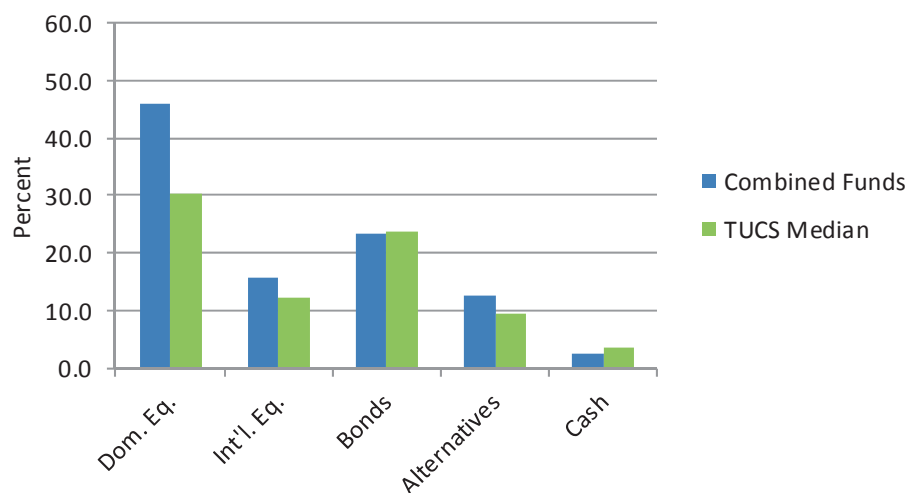
Figure 3 presents the actual asset mix of the Combined Funds at the end of fiscal year 2014. Historical asset mix data are displayed in Figure 4.

Asset Mix Compared to Other Pension Funds

The Board finds it instructive to review asset mix and performance of the Combined Funds relative to other pension fund investors. The comparison universe used by the SBI is the Master Trust portion of the Trust Universe Comparison Service (TUCS). This universe contains information on public and corporate pension and trust funds with over \$1 billion with a diversified asset mix.

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks,

Figure 3. Combined Funds Asset Mix Comparison as of June 30, 2014



| | Combined Funds (1) | Median Allocation in TUCS (2) |
|----------------------|--------------------|-------------------------------|
| Domestic Equity | 45.8% | 30.3% |
| International Equity | 15.7 | 12.4 |
| Bonds | 23.4 | 23.7 |
| Alternatives (3) | 12.6 | 9.5 |
| Cash | 2.6 | 3.5 |

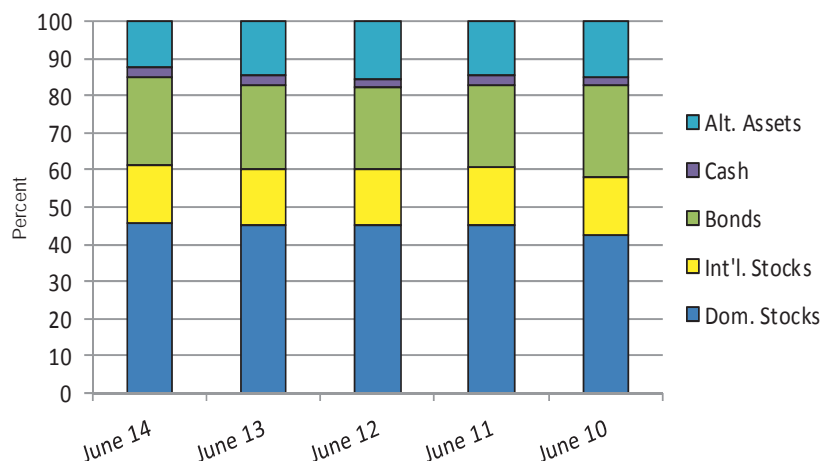
(1) May not add to 100% due to rounding.

(2) Represents the median allocation by asset class, and does not add to 100%.

(3) TUCS may include assets other than alternatives.

Combined Funds

Figure 4. Combined Funds Historical Asset Mix FY 2010-2014



bonds and other assets of the funds in TUCS on June 30, 2014 are also displayed in Figure 3. The Combined Funds were overweighted in domestic equities, international equities, and alternative investments relative to the median allocation in TUCS, and were underweighted in bonds and cash.

Total Return Vehicles

The SBI invests the majority of the Combined Funds' assets in **common stocks** (both domestic and international.) A large allocation is consistent with the investment time horizon of the Combined Funds and the advantageous long-term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify holdings across world markets and offers the opportunity to enhance returns and reduce the volatility of the total portfolio. The rationale underlying the inclusion of **private equity** is similar.

The Board recognizes that this sizable policy allocation to common stock and private equity likely will produce more

volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters or even years of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility.

Diversification Vehicles

The Board includes other asset classes in the Combined Funds to provide some insulation against highly inflationary or deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

Real Estate and **resource** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. Under normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, inclusion of these assets in the Combined Funds serves to dampen return volatility.

The allocation to **bonds** acts as a hedge against a deflationary

economic environment. In the event of substantial deflation, high quality fixed income assets are expected to protect principal and generate significant capital gains. Bonds, like real estate and resource funds, under normal financial conditions, help to diversify the Combined Funds, thereby controlling return volatility.

Yield oriented alternative investments provide the opportunity for higher long term returns than those typically available from bonds, yet still generate sufficient current income. Typically, these investments (e.g., subordinated debt, mezzanine debt, or resource income investments such as producing properties) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. Therefore, they will help reduce the volatility of the total portfolio, but should also generate higher returns relative to more traditional bond investments.

Combined Funds

Investment Management

All assets in the Combined Funds are managed externally by investment management firms retained by contract. More information on the structure, management and performance of the various investment pools is included in the **Investment Pool** section of this report.

Return Objectives

The Board measures the performance of the Combined Funds relative to the following total rate of return objectives:

- **Provide Real Returns.** Over a twenty year period, the Combined Funds are expected to produce returns that exceed inflation by 3 to 5 percentage points on an annualized basis.

- **Match or Exceed Market Returns.** Over a ten year period, the Combined Funds are expected to match or exceed a composite of market indices weighted using the asset mix of the Combined Funds.

Performance is reported net of all fees and costs to assure that the Board's focus is on true net return.

Investment Results

Comparison to Inflation

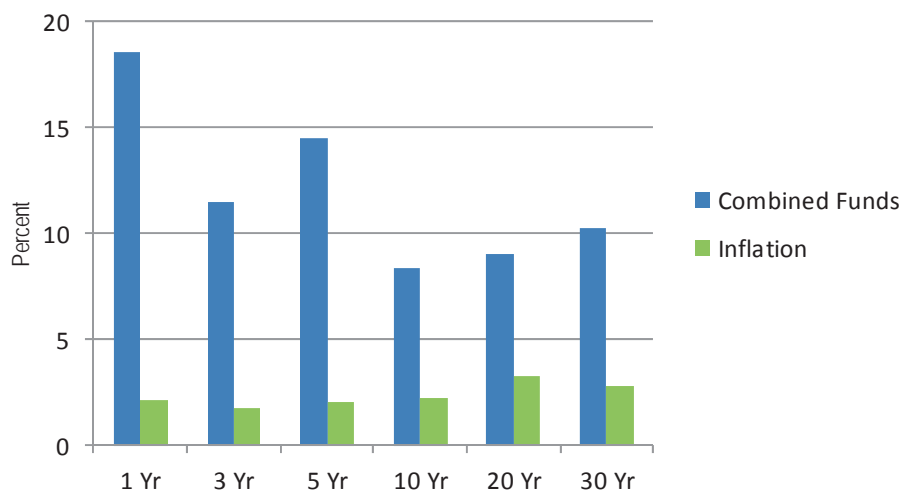
Over the last twenty years, the Combined Funds exceeded inflation by 6.6 percentage points. Historical results compared to inflation are shown in Figure 5.

Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance relative to this standard will measure two effects:

- The ability of the managers selected by the SBI, in aggregate, to add value to the returns available from the broad capital markets.
- The impact of the SBI's rebalancing activity. The SBI rebalances the total Fund when market movements take the stock (domestic and international), bond, or cash segments above or below long term asset allocation targets. This policy imposes a low risk

Figure 5. Combined Funds Performance vs. Inflation For Period Ending June 30, 2014



| | Annualized | | | | | |
|----------------|------------|-------|-------|--------|--------|--------|
| | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. | 20 Yr. | 30 Yr. |
| Combined Funds | 18.6% | 11.5% | 14.5% | 8.4% | 9.0% | 10.3% |
| Inflation | 2.1 | 1.8 | 2.0 | 2.2 | 2.4 | 2.8 |

Combined Funds

discipline of “buy low-sell high” among asset classes on a total fund basis.

Performance results and a breakdown of the composite index are shown in Figures 6 and 7. The Combined Funds exceeded the composite index over the last ten years by 0.3 percentage point and, therefore, met the stated performance goal. The Funds exceeded the composite index over the last five years and outperformed by 0.6 percentage point over the most recent fiscal year. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

Comparison to Other Funds

While the SBI is concerned with how its returns compare to other pension investors, universe comparison data should be used with great care. There are two primary reasons why such comparisons will provide an “apples-to-oranges” look at performance:

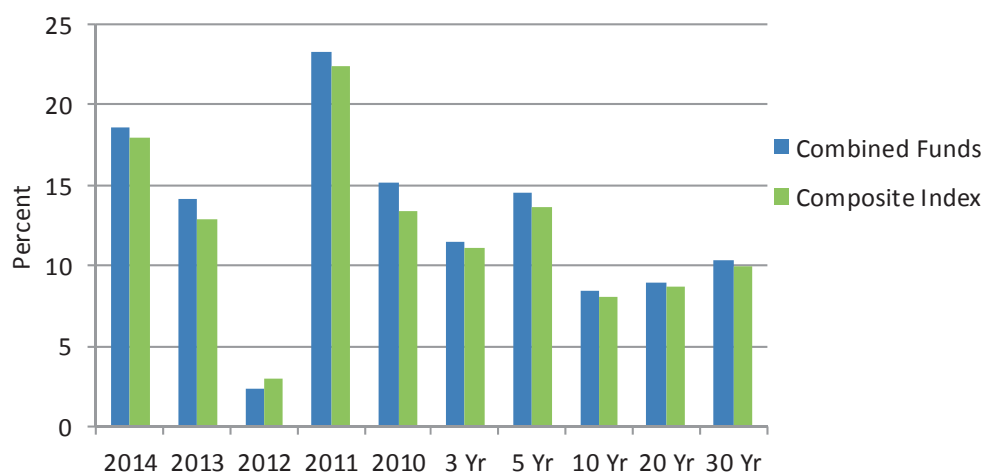
— Differing Allocations.

Asset allocation has a dominant effect on returns. The allocation to stocks among the funds in TUCS typically ranges from 20% to 90%, too wide a range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.

— Differing Goals/Liabilities.

Each pension fund structures its portfolio to meet its own liabilities and risk tolerance, leading to different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

Figure 6. Combined Funds Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. | 20 Yr. | 30 Yr. |
|-----------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|--------------|
| Combined Funds | 18.6% | 14.2% | 2.4% | 23.3% | 15.2% | 11.5% | 14.5% | 8.4% | 9.0% | 10.3% |
| Composite Index | 18.0 | 12.9 | 3.0 | 22.4 | 13.4 | 11.1 | 13.7 | 8.1 | 8.7 | 10.0 |

Combined Funds

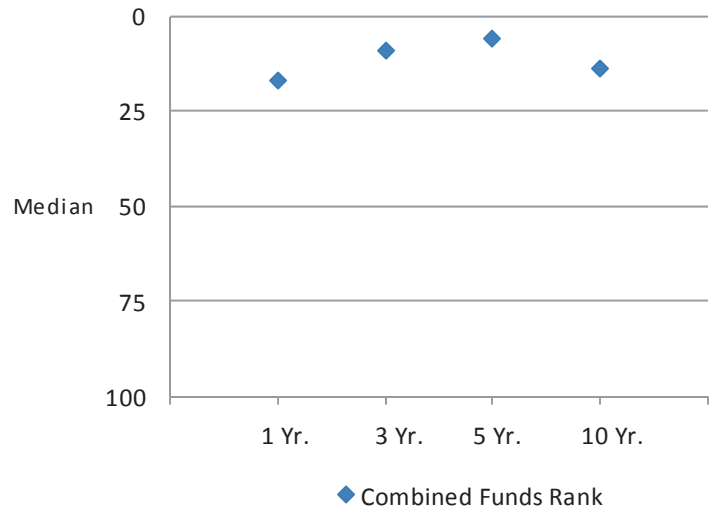
With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over \$1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 8. It shows that the Combined Funds have ranked above the top quartile over the last one, three, five and ten year periods.

Figure 7. Composite Index for Period Ending June 30, 2014

| Asset Class | Market Index | Composite Index Wts. * |
|-------------------------|----------------------------|------------------------|
| Domestic Stocks | Russell 3000 | 45.0% |
| Int'l Stocks | MSCI ACWI ex USA (net) | 15.0 |
| Domestic Bonds | Barclays Capital Aggregate | 25.4 |
| Alternative Investments | Alternative Investments | 12.6 |
| Unallocated Cash | 3 Month T-Bills | 2.0 |
| Total | | 100.0% |

* Weights are reset in the composite at the start of each month to reflect the combined allocation policies of the Combined Funds.

Figure 8. Combined Funds Performance Compared to Other Pension Funds



| | 1 Yr. | 3 Yr. | Annualized 5 Yr. | 10 Yr. |
|--|-------|-------|---------------------|--------|
| Combined Funds Percentile Rank in TUCS* | 17th | 9th | 6th | 14th |

* Compared to public and corporate plans greater than \$1 billion, gross of fees.

Investment Pools

To gain greater operating efficiency, external managers are grouped into several “Investment Pools” which are segregated by asset class. The various retirement funds participate in one or more of the pools corresponding to their individual asset allocation strategies.

The Combined Funds and Supplemental Investment Fund share many of the same stock and bond managers. This sharing is accomplished by grouping managers by asset class into several Investment Pools. The individual funds participate in the Investment Pools by purchasing units which function much like shares of a mutual fund.

This investment management structure allows the SBI to gain greater operating efficiency within asset classes and to keep management costs as low as possible for all participants.

Domestic Stock Pool

The Domestic Stock Pool is used by the Combined Funds and the Supplemental Investment Fund Growth Share Account, Common Stock Index Account, and the stock portions of the Income Share Account and Volunteer Firefighter Account.

The following are the dollar values as of June 30, 2014 of each fund’s participation in the Pool:

| | |
|---|----------------|
| Combined Funds (active, passive and semi-passive) | \$27.2 billion |
|---|----------------|

| | |
|--|-----------------|
| Growth Share Account (active and semi-passive) | \$202.6 million |
|--|-----------------|

| | |
|--------------------------------------|-----------------|
| Common Stock Index Account (passive) | \$444.9 million |
|--------------------------------------|-----------------|

| | |
|---|-----------------|
| Stock portion of the Income Share Account (passive) | \$212.8 million |
|---|-----------------|

| | |
|---|---------------|
| Volunteer Firefighter Account (passive) | \$9.2 million |
|---|---------------|

Management Structure

The SBI uses three styles of management to invest the assets of the Domestic Stock Pool:

- **Active Management.** The target is to have less than half the portfolio actively managed. At the end of fiscal year 2014, approximately 27% of the Domestic Stock Pool was actively managed by a group of 15 external investment managers. The assets allocated to each of the managers ranged in size from approximately \$215 million to \$800 million.
- **Semi-Passive Management.** The target is to have less than half the portfolio semi-passively managed. At the end of fiscal year 2014, approximately 38% of the

Domestic Stock Pool was managed by a group of four semi-passive external investment managers with portfolios ranging from \$2.3 billion to \$3.0 billion.

- **Passive Management.** The target is to have at least a quarter of the portfolio passively managed. At the end of fiscal year 2014, approximately 35% of the Stock Pool was managed passively by a single manager with a portfolio of \$9 billion.

The goal of the Domestic Stock Pool is to outperform the asset class target, the Russell 3000 Index, over time. The Russell 3000 Index can be segmented into sub-indexes or Russell style indexes.

Assets of the Pool are allocated based on the Russell style indexes in proportion to the style weighting within the Russell 3000. Assets within each style are then allocated to managers within the designated style. This allocation is done to minimize the style bias within the Pool.

Each **active manager** is expected to add value over the long run relative to the Russell style index which reflects its investment approach or style.

Investment Pools

The **semi-passive managers** are expected to add incremental value relative to the Russell 1000 Index. However, they employ a strategy that more closely tracks the benchmark than active management and are generally more consistent at generating modest excess returns.

The **passive manager** in the Domestic Stock Pool manages its portfolio to consistently and inexpensively track the Russell 3000 index.

A description of each domestic stock manager’s investment approach is included in the **Investment Manager Summaries** section.

FY 2014 Changes

During fiscal year 2014, two active managers were terminated, Knelman Asset Management and Turner Investment Partners.

Investment Performance

A comprehensive monitoring system has been established to ensure that the many elements of the Domestic Stock Pool conform to the SBI’s investment policies. Published performance benchmarks are used for each domestic stock manager. These benchmarks enable the SBI to evaluate the managers’ results, both individually and in aggregate, with respect to risk incurred and returns achieved. Two primary long-term **risk objectives** have been established for the domestic stock managers:

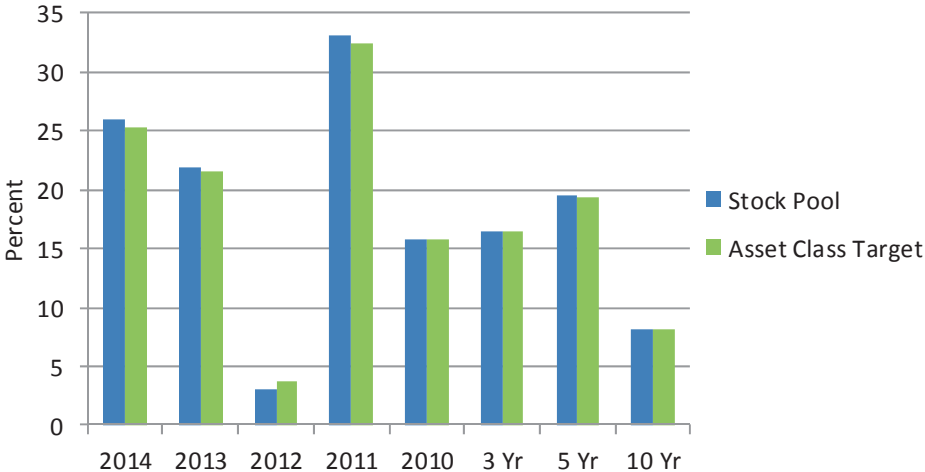
- **Investment Approach.** Each manager (active, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager’s stated investment approach. In the short run, market fluctuations may result in a

departure from the active managers’ risk targets as part of their specific investment strategies.

- **Diversification.** The passive and semi-passive managers are expected to hold highly diversified portfolios, while each active domestic stock manager may hold a more concentrated portfolio, appropriate for the particular investment strategy and style.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2014. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate for their respective active, semi-passive and passive approaches.

Figure 9. Domestic Stock Pool Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|---------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|
| Stock Pool | 25.9% | 21.9% | 3.1% | 33.1% | 15.8% | 16.5% | 19.5% | 8.2% |
| Asset Class Target* | 25.2 | 21.5 | 3.8 | 32.4 | 15.7 | 16.5 | 19.3 | 8.2 |

* Reflects the Russell 3000 since 10/1/2003; the Wilshire 5000 Investable from 7/1/1999 thru 9/30/03.

Investment Pools

The Board's *return objectives* for active and semi-passive stock managers are measured against the published Russell style indices that represent the managers' specific investment approaches. These indices take into account the equity market forces that affect certain investment styles. Thus, a Russell style index or benchmark is a more appropriate return target against which to judge these managers' returns than the Russell 3000 broad market index.

Active managers are expected to exceed their benchmark by an amount appropriate for their active risk level. This active risk level varies by manager and is influenced by the manager's stated strategy and style.

In aggregate, the Domestic Stock Pool exceeded the Russell 3000 Index by 0.7 percentage point for the fiscal year. The active manager group and the semi-passive manager group both outperformed their respective benchmarks. The passive manager matched the one year benchmark.

Relative to the aggregate benchmark, the outperformance of the active manager group was due to stock selection, primarily in Consumer Discretionary and Consumer Staples. The semi-passive managers benefited from stock selection in Consumer Staples and Technology.

Figure 9 provides details of the historical performance of the entire pool. Manager performance relative to the respective benchmarks for the fiscal year end was mixed. Twelve of 15 active managers outperformed their assigned benchmarks, while three managers underperformed. Two

of the four semi-passive managers outperformed the Russell 1000, while one matched and one trailed the benchmark. Individual manager performance for fiscal year 2014 is shown in Figure 10.

Aggregate portfolio sector characteristics are shown in Figure 11.

Investment Pools

Figure 10. Domestic Stock Manager Performance For Period Ending June 30, 2014

| | 1 Year | | 3 Years | | 5 Years | | Market Value (\$ in millions) |
|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | Actual % | Bmk % | |
| Active Managers | | | | | | | |
| Large Cap Growth (Russell 1000 Growth) | | | | | | | |
| INTECH | 26.3 | 26.9 | 15.1 | 16.3 | 19.4 | 19.2 | 547.1 |
| Jacobs Levy Equity Mgmt. | 29.1 | 26.9 | 16.1 | 16.3 | 20.7 | 19.2 | 641.2 |
| Sands Capital Mgmt. | 33.2 | 26.9 | 19.6 | 16.3 | 25.8 | 19.2 | 649.4 |
| Winslow Capital Mgmt. | 27.5 | 26.9 | 14.4 | 16.3 | 18.6 | 19.2 | 285.7 |
| Zevenbergen Capital | 37.6 | 26.9 | 15.6 | 16.3 | 21.4 | 19.2 | 620.1 |
| Large Cap Value (Russell 1000 Value) | | | | | | | |
| Barrow, Hanley | 24.1 | 23.8 | 16.1 | 16.9 | 18.6 | 19.2 | 793.4 |
| Earnest Partners | 22.3 | 23.8 | 12.9 | 16.9 | 16.4 | 19.2 | 526.2 |
| LSV Asset Mgmt. | 27.9 | 23.8 | 19.4 | 16.9 | 21.0 | 19.2 | 800.0 |
| Systematic Financial Mgmt. | 26.6 | 23.8 | 14.6 | 16.9 | 18.9 | 19.2 | 750.3 |
| Small Cap Growth (Russell 2000 Growth) | | | | | | | |
| McKinley Capital | 32.3 | 24.7 | 18.3 | 14.5 | 23.1 | 20.5 | 389.2 |
| Next Century Growth | 11.3 | 24.7 | 6.5 | 14.5 | 16.5 | 20.5 | 363.5 |
| Small Cap Value (Russell 2000 Value) | | | | | | | |
| Goldman Sachs | 27.1 | 22.5 | 17.7 | 14.6 | 22.9 | 19.9 | 270.6 |
| Hotchkis & Wiley | 33.0 | 22.5 | 18.9 | 14.6 | 28.5 | 19.9 | 251.9 |
| Martingale Asset Mgmt. | 28.0 | 22.5 | 17.9 | 14.6 | 21.8 | 19.9 | 214.1 |
| Peregrine Capital Mgmt. | 22.6 | 22.5 | 15.4 | 14.6 | 22.5 | 19.9 | 355.3 |
| Semi-Passive Managers (Russell 1000) | | | | | | | |
| BlackRock Institutional | 25.6 | 25.4 | 17.6 | 16.6 | 19.4 | 19.3 | 2,345.4 |
| INTECH | 24.8 | 25.4 | 16.4 | 16.6 | | | 2,589.9 |
| J.P. Morgan Investment Mgmt. | 25.8 | 25.4 | 17.3 | 16.6 | 20.0 | 19.3 | 3,039.0 |
| Mellon Capital Mgmt. | 25.4 | 25.4 | 17.7 | 16.6 | 19.7 | 19.3 | 2,728.5 |
| Passive Manager (Russell 3000) | | | | | | | |
| BlackRock Institutional | 25.2 | 25.2 | 16.5 | 16.5 | 19.3 | 19.3 | 9,909.5 |
| Aggregate Domestic Stock Pool (1) | 25.9 | 25.2 | 16.5 | 16.5 | 19.5 | 19.3 | 28,070.3 |
| Asset Class Target | | | | | | | |
| Russell 3000 | | 25.2 | | 16.5 | | 19.3 | |

(1) Aggregate includes the performance of terminated managers.

Figure 11.

**Domestic Stock Pool Allocations
Russell Global (US) Sector Weights
As of June 30, 2014**

| Russell Sector | Active | Semi-Passive | Passive | Aggregate | Benchmarks | |
|--------------------------|--------------|--------------|--------------|--------------|------------|---------|
| | Managers | Managers | Manager | Domestic | Russell | Russell |
| | % | % | % | Stock Pool | 1000 | 3000 |
| | | | | % | % | % |
| Consumer Discretionary | 14.8 | 13.8 | 13.5 | 13.9 | 14.0 | 14.0 |
| Consumer Staples | 3.3 | 2.5 | 7.0 | 6.2 | 7.7 | 7.3 |
| Energy | 7.2 | 9.8 | 9.5 | 9.0 | 10.1 | 9.8 |
| Financial Services | 20.2 | 18.0 | 18.0 | 18.6 | 18.2 | 18.7 |
| Health Care | 13.1 | 13.3 | 12.4 | 12.9 | 12.8 | 12.9 |
| Materials and Processing | 4.5 | 3.9 | 4.4 | 4.2 | 4.4 | 4.6 |
| Producer Durables | 11.7 | 11.8 | 11.2 | 11.6 | 11.4 | 11.6 |
| Technology | 15.8 | 15.1 | 15.3 | 15.3 | 15.9 | 15.8 |
| Utilities | 2.8 | 5.8 | 5.2 | 4.8 | 5.5 | 5.4 |
| Cash | 1.6 | 0.5 | 1.6 | 1.2 | N/A | N/A |
| Unassigned* | 5.0 | 0.6 | 1.8 | 2.2 | N/A | N/A |
| Assigned Benchmark: | Russell 3000 | Russell 1000 | Russell 3000 | Russell 3000 | | |

* Holdings not included in benchmark.

Note: Totals may not add due to rounding.

Investment Pools

Bond Pool

The Bond Pool is used by the Combined Funds, the Supplemental Investment Fund Bond Market Account and the bond portion of the Volunteer Firefighter Account.

The following are the dollar values as of June 30, 2014 of each fund's participation in the Pool:

| | |
|-------------------------------|----------------|
| Combined Funds | \$13.9 billion |
| Bond Market Account | \$110 million |
| Volunteer Firefighter Account | \$12 million |

Investment Management

The SBI uses a two part approach for the management of the Bond Pool:

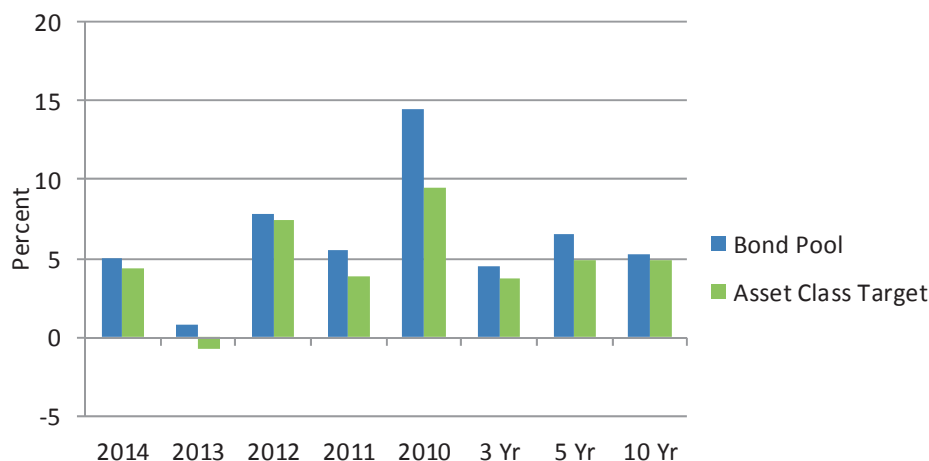
— **Active Management.** The target is to have no more than half of the Bond Pool managed actively. At the end of fiscal year 2014, approximately 50% of the Bond Pool was actively managed by five external investment managers with portfolios ranging in size from \$1.1 billion to more than \$1.6 billion.

— **Semi-Passive Management.** The target is to have at least half of the assets of the Bond Pool managed semi-passively. At the end of fiscal year 2014, approximately 50% of the bond segment was invested by three managers with

portfolios of \$1.9 to \$2.5 billion each.

The group of **active** bond managers is retained for its blend of investment styles. Each active manager has the goal of outperforming the Barclays Capital Aggregate Bond Index by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, in the emphasis they place on interest rate anticipation (duration) and in the manner in which they approach security selection and sector weighting decisions. In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the duration of their portfolios. This requirement is designed to prevent the dilution of the deflation hedge of the total pool due to an excessively

Figure 12. Bond Pool Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|---------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Bond Pool | 5.0% | 0.8% | 7.8% | 5.5% | 14.5% | 4.5% | 6.6% | 5.3% |
| Asset Class Target* | 4.4 | -0.7 | 7.5 | 3.9 | 9.5 | 3.7 | 4.9 | 4.9 |

* The Bond Pool asset class target has been the Barclays Capital Aggregate Bond Index since July 1994.

Investment Pools

short duration position. In addition, the duration restriction helps to avoid extreme variability in total returns relative to the benchmark. The SBI constrains the duration range of the active managers' portfolios to a band of plus or minus two years around the duration of the Barclays Capital Aggregate. The active bond managers focus on high quality (BBB or better) rated bonds. Four managers have been granted authority to invest a limited portion of their portfolios in BB and B rated dollar denominated debt and three have been given authority to invest in investment grade non-dollar denominated issues. The managers use this additional authority on a tactical basis.

The goal of the *semi-passive* managers is to add incremental value relative to the Barclays Capital Aggregate Bond Index through superior bond selection and sector allocation rather than through interest rate exposure. Semi-passive managers'

portfolios are constrained to plus or minus 0.2 years around the duration of the Barclays Capital Aggregate. One manager has been granted authority to invest a limited portion of its portfolio in BB and B rated dollar denominated debt and in investment grade non-dollar denominated issues. The manager uses this additional authority on a tactical basis.

A description of each bond manager's investment approach is included in the **Investment Manager Summaries** section.

FY 2014 Changes

There were no changes to the bond program in fiscal year 2014.

Investment Performance

The SBI constrains the *risk* of the active bond managers' portfolios to ensure that they fulfill their deflation hedge and total fund diversification roles. As noted earlier, the managers are restricted in terms of the duration of their portfolios and

the quality of their fixed income investments. The active and semi-passive bond managers successfully fulfilled their long-term risk objectives during fiscal year 2014. The managers constructed portfolios consistent with stated investment approaches and maintained appropriate levels of quality and duration.

The *returns* of each of the bond managers are compared to the Barclays Capital Aggregate. Individual managers are expected to exceed the target, net of fees, on an annualized basis. In total, the pool outperformed the Barclays Capital Aggregate by 0.6 percentage point for the recent fiscal year. Relative to the benchmark, the pool benefited from overweight positions in corporate bonds, CMBS, and ABS, and security selection in the spread sectors (corporate and mortgage securities). Performance over the long-term is satisfactory. The pool outperformed the asset class

Figure 13. Bond Manager Performance For Period Ending June 30, 2014

| | 1 Year | | 3 Years | | 5 Years | | Market Value (\$ in millions) |
|--------------------------------|-------------|------------|-------------|------------|-------------|------------|----------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | Actual % | Bmk % | |
| Active Managers | | | | | | | |
| Aberdeen Asset Mgmt. | 5.1 | 4.4 | 5.0 | 3.7 | 7.7 | 4.9 | 1,089.8 |
| Columbia Mgmt. | 5.2 | 4.4 | 4.9 | 3.7 | 6.5 | 4.9 | 1,193.4 |
| Dodge & Cox Investment Mgmt. | 6.7 | 4.4 | 5.2 | 3.7 | 7.0 | 4.9 | 1,508.3 |
| PIMCO | 3.5 | 4.4 | 4.3 | 3.7 | | | 1,582.1 |
| Western Asset Mgmt. | 6.1 | 4.4 | 5.2 | 3.7 | 7.7 | 4.9 | 1,609.2 |
| Semi-Passive Managers | | | | | | | |
| BlackRock Financial Mgmt. | 4.6 | 4.4 | 4.0 | 3.7 | 5.5 | 4.9 | 1,911.0 |
| Goldman Sachs Asset Mgmt. | 4.8 | 4.4 | 4.3 | 3.7 | 6.0 | 4.9 | 2,549.6 |
| Neuberger Investment Mgmt. | 4.6 | 4.4 | 4.0 | 3.7 | 6.4 | 4.9 | 2,526.2 |
| Aggregate Bond Pool (1) | 5.0 | 4.4 | 4.5 | 3.7 | 6.6 | 4.9 | 13,969.7 |
| Asset Class Target | | | | | | | |
| Barclays Capital Aggregate | | 4.4 | | 3.7 | | 4.9 | |

(1) Aggregate represents Combined Funds performance and includes the performance of terminated managers.

Investment Pools

target by 0.4 percentage point over the ten year period ending June 30, 2014. Four of the five active managers outperformed the benchmark while one underperformed for the fiscal year. All semi-passive managers outperformed the benchmark for the fiscal year.

Individual manager performance is shown in Figure 13.

Aggregate portfolio sector and portfolio characteristics are shown in Figure 14.

Figure 12 shows historical performance for the entire pool.

Figure 14.

Bond Pool Sector Weights* As of June 30, 2014

| | Active Managers % | Semi-Passive Managers % | Aggregate Bond Pool % | Barclays Capital Benchmark % |
|---------------------|-------------------------|-------------------------------|-----------------------------|------------------------------------|
| Treasury | 17.5 | 30.9 | 24.2 | 35.6 |
| Government-Related | 0.8 | 3.4 | 2.1 | 3.6 |
| Corporate | 27.0 | 26.3 | 26.6 | 23.2 |
| U.S. Mortgage | 30.3 | 27.6 | 29.0 | 28.6 |
| Commercial Mortgage | 5.3 | 5.5 | 5.4 | 2.2 |
| Asset Backed | 4.0 | 2.3 | 3.1 | 0.5 |
| Municipal | 0.2 | 0.4 | 0.3 | 0.0 |
| Other | 14.9 | 3.6 | 9.3 | 6.3 |

* May not equal 100% due to rounding.

Portfolio Characteristics As of June 30, 2014

| | Active Managers % | Semi-Passive Managers % | Aggregate Bond Pool % | Barclays Capital Benchmark % |
|---------------------------|-------------------------|-------------------------------|-----------------------------|------------------------------------|
| Average Quality | AA- | AA | AA- | AA |
| Average Yield to Maturity | 2.41 | 2.15 | 2.28 | 2.13 |
| Effective Duration** | 4.84 | 5.31 | 5.08 | 5.36 |
| Weighted Average Life*** | 7.2 Yrs. | 7.2 Yrs. | 7.2 Yrs. | 7.1 Yrs. |

** Measures the interest rate sensitivity of a bond. It is the approximation of the percentage price change of the bond per 100 bp increase or decrease in prevailing market interest rates. Effective duration takes into consideration how the cashflows of the bonds change when interest rates change. This measure is most appropriate for bonds (and portfolios) with optionality, such as callable bonds and mortgage bonds.

*** The weighted average life (WAL) of a bond is the average number of years for which each dollar of unpaid principal of a bond remains outstanding. Once calculated, WAL tells how many years it will take to pay half of the outstanding principal.

Investment Pools

International Stock Pool

The International Stock Pool is used by the Combined Funds, the International Share Account and the international portion of the Volunteer Firefighter Account in the Supplemental Investment Fund.

The following are the dollar values as of June 30, 2014 of each fund's participation in the International Stock Pool:

| | |
|-------------------------------|---------------|
| Combined Funds | \$9.3 billion |
| International Share Account | \$210 million |
| Volunteer Firefighter Account | \$4 million |

Management Structure

Currently, the SBI uses three styles of management to invest the assets of the International Stock Pool:

- **Active Management.** The target is to have at least one-third of the International Stock Pool managed actively. At the end of fiscal year 2014, approximately 44% of the Pool was actively managed by a group of eight external managers with portfolios ranging in size from \$317 million to over \$847 million. Six of these managers manage portfolios in the developed markets and two manage portfolios in the emerging markets.
- **Semi-Passive Management.** The target is to have no more than 33% of the International Stock Pool managed semi-passively. At the end of fiscal year 2014, 13% of the Pool was

semi-passively managed by a group of three external managers with portfolios ranging in size from \$334 million to \$546 million.

- **Passive Management.** The target is to have at least 25% of the International Stock Pool managed passively. At the end of fiscal year 2014, approximately 43% of the International Stock Pool was passively managed by a single manager in two separate portfolios, one a developed markets equity index account and the other an emerging markets equity index account, with \$3.8 billion and \$334 million respectively.

The goal of the International Stock Pool is to outperform the asset class target, which is the MSCI ACWI ex USA Index (net). The SBI uses the market capitalization weights of the developed and emerging markets as they are represented in the pool's benchmark index as target weights for the developed and emerging markets within the International Stock Pool. At the end of fiscal year 2014, 80% of the International Stock Pool was invested in the developed markets and 20% was invested in the emerging markets.

Six of the eight **active** managers and the three **semi-passive** managers invest entirely in developed markets and use a variety of investment approaches in an effort to maximize the value added to the MSCI World ex USA Index (net) over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and

security selection, or they may explicitly hedge currency exposure on an opportunistic basis, or they may seek to add value by actively managing currency positions. Managers are not required to hedge currency risk.

Two of the eight **active** managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Index (net) which is made up of markets in developing countries throughout the world.

The **passive** manager in the International Stock Pool designs one of its portfolios to consistently and inexpensively track the MSCI World ex USA Index (developed markets) and designs the other portfolio to track the MSCI Emerging Markets Index (net).

A description of each international stock manager's investment approach is included in the **Investment Manager Summaries** section.

FY 2014 Changes

During fiscal year 2014, there were no changes to the International Stock Pool.

Investment Pools

Investment Performance

Similar to the Domestic Stock Pool, two long-term *risk objectives* have been established for the international equity managers:

- **Investment Approach.** Each manager (active, semi-passive or passive) is expected to hold a portfolio that is consistent with the manager's stated investment approach.
- **Diversification.** While the index manager is expected to hold a well-diversified portfolio which closely tracks its target index and the semi-passive managers are expected to hold risk-adjusted portfolios which modestly outperform the index, each active manager is expected to hold a portfolio which represents its best ideas for outperforming the index.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2014. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

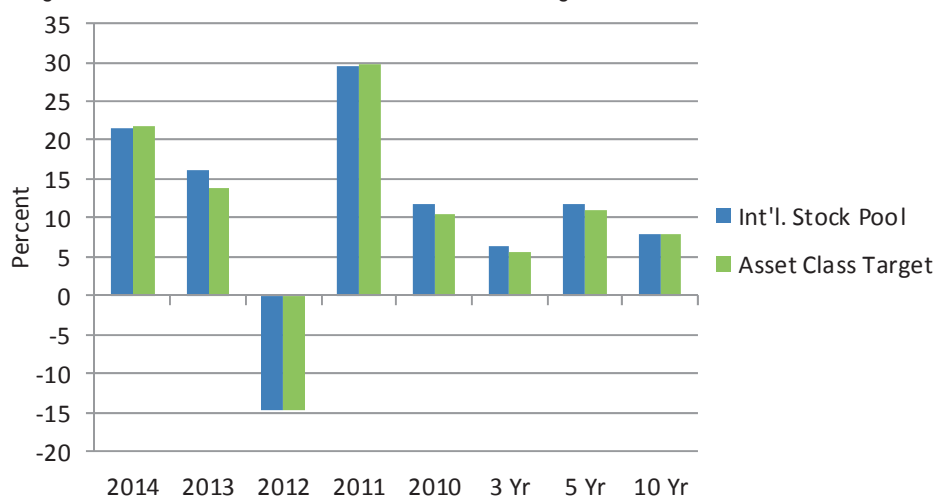
The Board's *return objectives* for the International Stock Program are stated relative to the Morgan Stanley Capital International (MSCI) Standard indices.

The indices are capitalization weighted and measured in U.S. dollar terms, with currencies unhedged. Individual active managers are expected to exceed their benchmark by an amount appropriate for their level of active risk. The active risk level varies by manager and is influenced by the manager's stated strategy and style.

Performance results for the International Stock Pool are shown in Figure 15. In aggregate, performance over the last ten year period exceeded the benchmark by 0.2 percentage point and performance over the last five year period exceeded the benchmark by 0.6 percentage point. The Pool underperformed the target by 0.3 percentage point for the fiscal year.

Individual manager performance during fiscal year 2014 is shown in Figure 16. The relative performance of the active managers was mixed. Two out of six active developed markets managers outperformed while four underperformed their respective benchmarks for the year. The two active emerging markets managers underperformed their benchmark, the MSCI Emerging Markets Index (net). Two out of three semi-passive developed

Figure 15. Int'l. Stock Pool Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|--------------------------|--------------|--------------|---------------|--------------|--------------|-------------|--------------|-------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. |
| Int'l. Stock Pool | 21.4% | 16.1% | -14.7% | 29.6% | 11.7% | 6.3% | 11.7% | 8.0% |
| Asset Class Target* | 21.7 | 13.7 | -14.6 | 29.7 | 10.4 | 5.7 | 11.1 | 7.8 |

* MSCI ACWI ex USA (net) since 10/1/03. Composite of EAFE-Free and Emerging Markets Free from 5/1/96 through 9/30/03.

Investment Pools

markets managers outperformed their benchmark. Finally, the developed markets passively managed portion of the program matched the return of the MSCI World ex USA Index (net). The emerging markets passively managed portion of the program matched the return of the MSCI Emerging Markets Index (net).

The International Stock Pool's country weights are displayed in Figure 17.

Figure 16. International Manager Performance For Period Ending June 30, 2014

| | 1 Year | | 3 Years | | 5 Years | | Market Value (\$ in millions) |
|--|-------------|-------------|------------|------------|-------------|-------------|----------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | Actual % | Bmk % | |
| <u>Active Managers</u> | | | | | | | |
| Developed Mkts (MSCI World ex USA net) | | | | | | | |
| Acadian Asset Mgmt. | 28.7 | 23.8 | 9.8 | 7.6 | 14.1 | 11.7 | 400.7 |
| Columbia Mgmt. Investment Advisers, LLC | 17.5 | 23.8 | 7.3 | 7.6 | 12.5 | 11.7 | 359.4 |
| J.P. Morgan Investment Mgmt. Co. | 21.0 | 23.8 | 7.4 | 7.6 | 12.1 | 11.7 | 317.0 |
| Marathon Asset Management | 24.2 | 23.8 | 10.9 | 7.6 | 14.4 | 11.7 | 791.7 |
| McKinley Capital Management | 22.3 | 23.8 | 8.5 | 7.6 | 12.6 | 11.7 | 317.2 |
| Pyramis Global Advisors Trust Co. | 20.8 | 23.8 | 9.3 | 7.6 | 13.5 | 11.7 | 370.6 |
| <u>Semi-Passive Managers</u> | | | | | | | |
| Developed Mkts (MSCI World ex USA net) | | | | | | | |
| AQR Capital Management | 23.4 | 23.8 | 8.5 | 7.6 | 13.3 | 11.7 | 366.2 |
| Pyramis Global Advisors Trust Co. | 24.1 | 23.8 | 8.5 | 7.6 | 12.6 | 11.7 | 545.6 |
| State Street Global Advisors | 25.9 | 23.8 | 7.3 | 7.6 | 11.5 | 11.7 | 334.2 |
| <u>Active Managers</u> | | | | | | | |
| Emerging Mkts (MSCI Emerging Markets net) | | | | | | | |
| Capital International, Inc. | 13.3 | 14.3 | -2.9 | -0.4 | 6.8 | 9.2 | 769.1 |
| Morgan Stanley Investment Mgmt. | 12.0 | 14.3 | 2.3 | -0.4 | 10.3 | 9.2 | 847.0 |
| <u>Passive Managers</u> | | | | | | | |
| Developed Mkts (MSCI World ex USA net) | | | | | | | |
| State Street Global Advisors | 24.3 | 23.8 | 7.9 | 7.6 | 12.2 | 11.7 | 3,780.8 |
| <u>Passive Managers</u> | | | | | | | |
| Emerging Mkts (MSCI Emerging Markets net) | | | | | | | |
| State Street Global Advisors | 14.3 | 14.3 | | | | | 317.1 |
| Aggregate International Stock Pool (1) | 21.4 | 21.7 | 6.3 | 5.7 | 11.7 | 11.1 | 9,516.8 |
| Asset Class Target | | | | | | | |
| MSCI ACWI ex USA (net) | | 21.7 | | 5.7 | | 11.1 | |

(1) Aggregate represents Combined Funds performance and includes the performance of terminated managers.

Figure 17.

**International Stock Pool
Aggregate Country Weights
As of June 30, 2014**

| Country | Pool Weights* % | Benchmark Weights** % |
|----------------------------------|--------------------|--------------------------|
| Australia | 4.8 | 5.5 |
| Austria | 0.5 | 0.2 |
| Belgium | 1.0 | 0.9 |
| Brazil | 1.6 | 2.3 |
| Canada | 7.2 | 7.6 |
| Chile | 0.2 | 0.3 |
| China | 1.4 | 3.9 |
| Colombia | 0.2 | 0.2 |
| Czech Republic | 0.1 | 0.1 |
| Denmark | 1.4 | 1.1 |
| Egypt | 0.0 | 0.0 |
| Finland | 0.7 | 0.6 |
| France | 6.6 | 7.2 |
| Germany | 6.4 | 6.6 |
| Greece | 0.1 | 0.2 |
| Hong Kong | 2.5 | 2.0 |
| Hungary | 0.1 | 0.0 |
| India | 2.0 | 1.5 |
| Indonesia | 0.3 | 0.5 |
| Ireland | 0.4 | 0.2 |
| Israel | 0.2 | 0.4 |
| Italy | 1.5 | 1.9 |
| Japan | 15.3 | 14.4 |
| Korea | 2.7 | 3.3 |
| Malaysia-EM | 0.6 | 0.8 |
| Mexico | 1.1 | 1.1 |
| Netherlands | 2.6 | 1.9 |
| New Zealand | 0.1 | 0.1 |
| Norway | 0.6 | 0.6 |
| Peru | 0.0 | 0.1 |
| Philippines | 0.4 | 0.2 |
| Poland | 0.3 | 0.4 |
| Portugal | 0.2 | 0.1 |
| Qatar | 0.0 | 0.1 |
| Russia | 0.5 | 1.1 |
| Singapore | 0.8 | 1.0 |
| South Africa | 0.8 | 1.6 |
| Spain | 2.3 | 2.6 |
| Sweden | 2.1 | 2.2 |
| Switzerland | 6.3 | 6.4 |
| Taiwan | 1.5 | 2.6 |
| Thailand | 0.6 | 0.5 |
| Turkey | 0.1 | 0.4 |
| United Arab Emirates | 0.0 | 0.1 |
| United Kingdom | 15.3 | 15.3 |
| USA | 1.2 | N/A |
| Non-Benchmark Countries | 4.8 | N/A |
| Miscellaneous Accounting Entries | 0.4 | N/A |
| Total*** | 100.0 | 100.0 |

* Grouped by country of incorporation. Source State Street Bank.

** Benchmark is the MSCI ACWI ex USA Index (net). Source Factset.

*** Totals may not add due to rounding.

Investment Pools

Alternative Investment Pool

Like the stock and bond segments, alternative assets (real estate, private equity, resource funds and yield-oriented investments) are managed on a pooled basis.

Statutory Constraints

The statutory constraints for any alternative assets investment for the Combined Funds are as follows:

- Each investment must involve at least four other investors.
- SBI's participation in an investment may not exceed 20% of the total investment.

Management Structure

Given their long investment time horizon, the Combined Funds are especially well suited for alternative investments. Up to 20% of the market value of the Combined Funds is targeted for alternative investments. Market value plus unfunded commitments may be up to 35% of the total market value of the Combined Funds. A breakdown of the Pool by segment is shown in Figure 18. The SBI does not establish an allocation target for each segment. As of June 30, 2014, the market value of current alternative investments was \$7.5 billion, or 12.6% of the Combined Funds.

Descriptions of each of the alternative investments are included in the **Investment Manager Summaries** section.

Real Estate

The real estate investment strategy calls for the establishment and maintenance

of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and REITs.

Prospective real estate managers are reviewed and selected based on the manager's experience, investment strategy and performance history. During fiscal year 2014, the SBI did not commit to any new real estate funds. The SBI will continue to review real estate managers for possible inclusion in the pool.

Private Equity

The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.

Prospective private equity managers are reviewed and selected based, primarily, on the manager's experience, investment strategy, diversification potential and performance history.

During fiscal year 2014, the SBI approved and closed on commitments with Banc Funds, Strategic Partners, CVC, GTCR, IK Investment Partners, Lexington Capital Partners, Merced Partners, Nordic Capital, Permira, PPC and Varde. The SBI will continue to review and add new private equity investments as attractive opportunities are identified.

Resource Funds

The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments and energy service industry investments that are diversified by geographic area as well as by type.

Resource investments are selected based on the manager's experience, investment strategy and performance history. During fiscal year 2014, the SBI approved and closed on commitments with EIG, Energy & Minerals Group, Energy Capital Partners and First Reserve. The SBI will continue to review resource investments for possible inclusion in the pool.

Yield-Oriented

The strategy for yield-oriented investments is to target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical yield-oriented investments. Managers are selected based on the manager's performance, experience and investment strategy.

No new investments in yield-oriented funds were closed during fiscal year 2014. The SBI will continue to review yield-oriented investment opportunities for inclusion in the pool.

Investment Performance

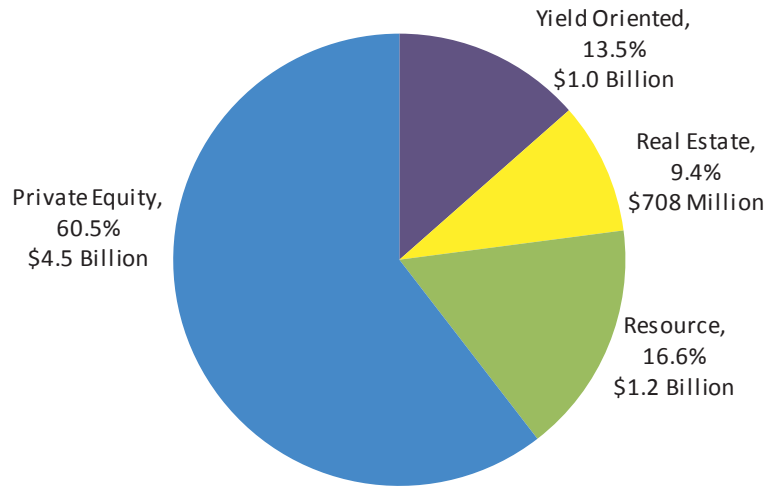
The SBI reviews performance of its alternative investments relative to inflation, as measured by changes in the Consumer Price Index (CPI). For the fiscal year ending June 30, 2014, the Alternative Investment Pool provided a positive contribution

Investment Pools

to overall fund performance for the Combined Funds. The Pool provided an 18.9% return in fiscal year 2014 and has provided a 15.5% return annualized over the past ten years. Performance of the Alternative Investment Pool is shown in Figure 19 for the period ending June 30, 2014.

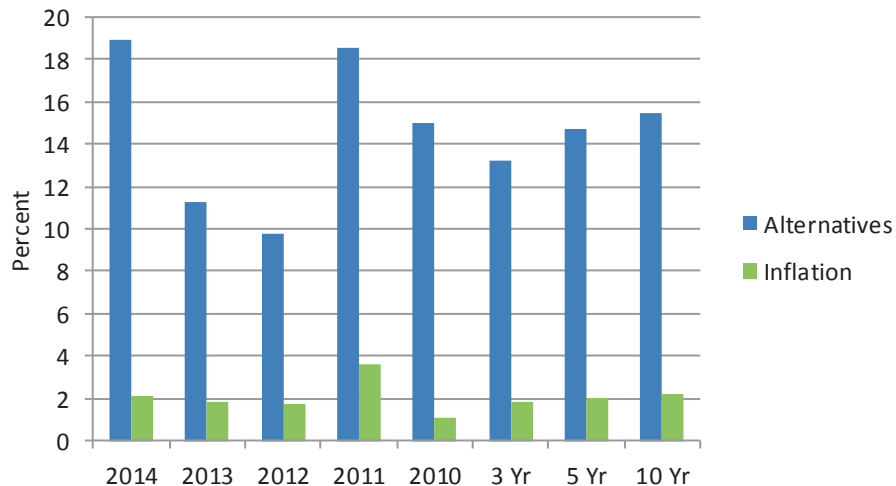
At this time, benchmarks have not been established for the alternative investment fund managers. The long-term nature of these investments and the lack of comprehensive data on the returns provided by the alternative investment markets preclude comprehensive performance evaluation. In the future, as markets for these asset classes become more institutionalized, the SBI hopes to integrate appropriate performance standards for these assets into its performance analysis. A listing of individual investment funds can be found in the **Investment Manager Summaries** Section.

Figure 18. Alternative Investment Asset Mix as of June 30, 2014*



* Totals may not add due to rounding.

Figure 19. Alternative Investment Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. |
|-------------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Alt. Investments | 18.9% | 11.3% | 9.8% | 18.6% | 15.0% | 13.2% | 14.7% | 15.5% |
| Inflation | 2.1 | 1.8 | 1.7 | 3.6 | 1.1 | 1.8 | 2.0 | 2.2 |

Supplemental Investment Fund

The Supplemental Investment Fund is an investment program that offers a range of investment options to state and local public employees. The Fund serves individuals who participate in defined contribution or supplemental retirement savings plans and many local volunteer fire relief associations. On June 30, 2014, the market value of the entire Fund was \$1.8 billion.

The Supplemental Investment Fund (SIF) provides investment vehicles for a variety of retirement plans. It provides some or all of the investment options for the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan, Hennepin County Supplemental Retirement Plan, Health Care Savings Plan and the St. Paul Teachers Retirement Fund Association. The State Deferred Compensation Plan uses the Fixed Interest Account and the Money Market Account as investment options for its participants. (Please note that in this report the value of the State Deferred Compensation Plan's SIF investments are included only in the Deferred Compensation Plan market values.) All accounts in the SIF, except the Fixed Interest Account, are available to local volunteer fire relief associations who invest their assets with the SBI.

The Volunteer Firefighter Account is available only for those local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan. Local entities that participate in this Plan must have all their assets invested in the Volunteer Firefighter Account.

Fund Structure

Investment goals among the SIF's many participants are varied. In order to meet the variety of goals, the Supplemental Investment Fund is structured much like a family of mutual funds. Participants may allocate their investments among one or more accounts that are appropriate for their needs within statutory requirements and rules established by the participating organizations. Participation in the SIF is accomplished through the purchase or sale of shares in each Account.

Fund Management

The Supplemental Investment Fund offers eight investment options which are shown in Figure 20. The objectives, asset allocation, management and performance of each account in the Fund are explained in the following sections.

Share Values

A share value is established daily for each account in the SIF, and participants buy or sell shares based on the most recent share value.

Figure 20. Accounts in the Supplemental Investment Fund

| | |
|------------------------------|--|
| Income Share | a balanced portfolio of U.S. common stocks, fixed income and cash. |
| Growth Share | an actively managed portfolio of U.S. common stocks. |
| Common Stock Index | a passively managed portfolio of U.S. common stocks. |
| International Share | a portfolio of actively, semi-passively, and passively managed non-U.S. stocks. |
| Bond Market | a portfolio of both actively and semi-passively managed fixed income securities. |
| Money Market | a portfolio of short-term, liquid debt securities. |
| Fixed Interest | a high quality fixed income portfolio and includes a portfolio of stable value instruments, security backed contracts, insurance company investment contracts and bank investment contracts. |
| Volunteer Firefighter | a balanced portfolio of U.S. and international common stocks, fixed income and cash. |

Supplemental Investment Fund

In the Income Share Account, the Growth Share Account, the Common Stock Index Account, the International Share Account, the Bond Market Account and Volunteer Firefighter Account, shares are priced based on the market value of each Account. Performance of these accounts is a function of the income and capital appreciation (or depreciation) generated by the securities in the Accounts.

In the Fixed Interest Account, shares are priced based on the blended crediting rate of the investments in the Account. Performance is calculated based on changes in these share values.

In the Money Market Account, share values remain constant and the accrued interest income is credited to the Account through the purchase of additional shares.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. *These returns are net of investment management fees and transaction costs. They do not, however, reflect administrative expenses that may be deducted by the retirement systems to defray administrative costs.*

The distribution of assets in the Supplemental Investment Fund as of June 30, 2014 is shown by Account in Figure 21 and by Plan in Figure 22.

Figure 21. Composition by Account as of June 30, 2014

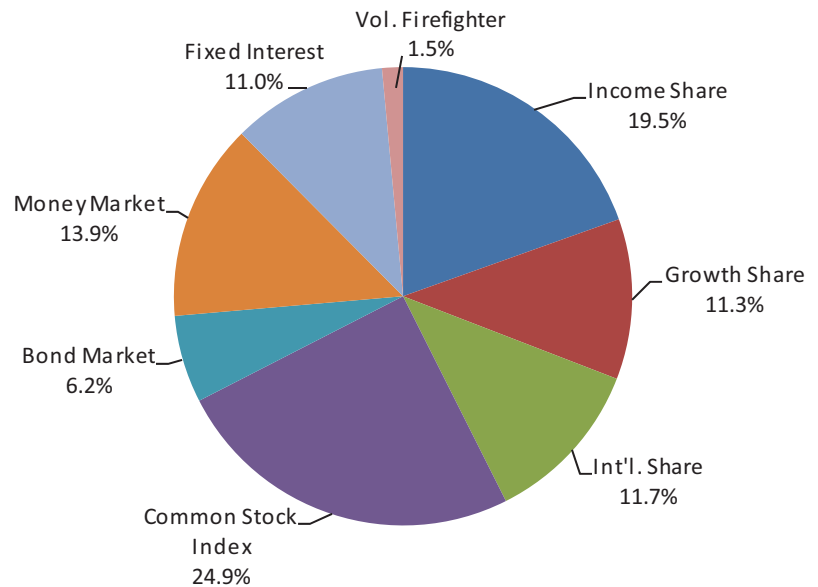
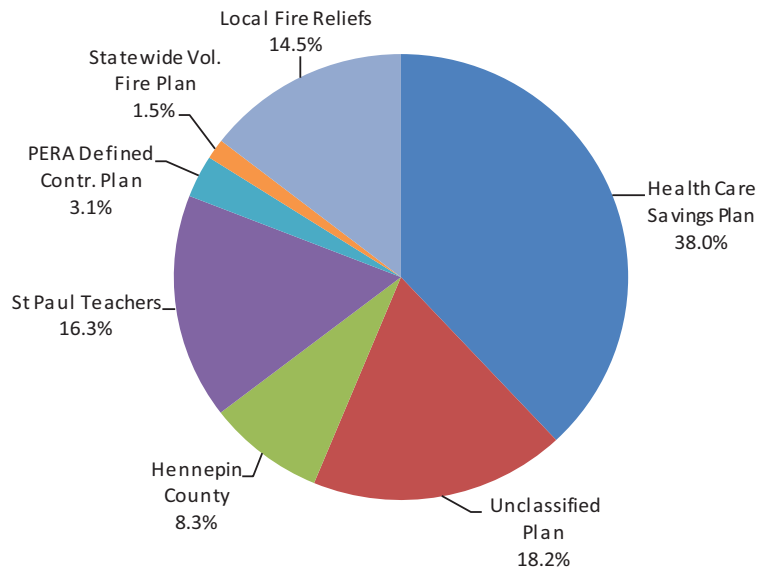


Figure 22. Participation by Plan as of June 30, 2014



Note: Does not include Deferred Compensation Plan assets in the SIF Fixed Interest and Money Market accounts which are reported elsewhere in the Annual Report.

Supplemental Investment Fund

Income Share Account

Objective

The investment objectives of the Income Share Account are to earn a return both from capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). The Income Share Account pursues these objectives within the constraints of protecting against adverse financial environments and limiting short-run portfolio return volatility.

The SBI invests the Income Share Account in a balanced portfolio of common stocks and fixed income securities with the following long-term asset mix: 60% domestic common stocks, 35% bonds, 5% cash equivalents.

Domestic common stocks provide the potential for significant long-term capital appreciation, while bonds provide both a hedge against deflation and the diversification needed to limit excessive portfolio return volatility.

At the close of fiscal year 2014, the value of the Income Share Account was \$350 million.

Management

The Income Share Account's investment management structure combines internal and external management. Prior to July 1, 2014, the SBI staff managed the bond holdings in the Account. The fixed income assets are now invested in the Bond Market Account, which includes managers retained by the SBI. The common stock segment is managed externally as part of a passively managed index portfolio of the Domestic

Stock Pool designed to track the returns of the Russell 3000 Index. The manager for this portion of the Account is BlackRock Institutional Trust Co. The cash portion of the Account is managed by State Street Global Advisors.

Performance

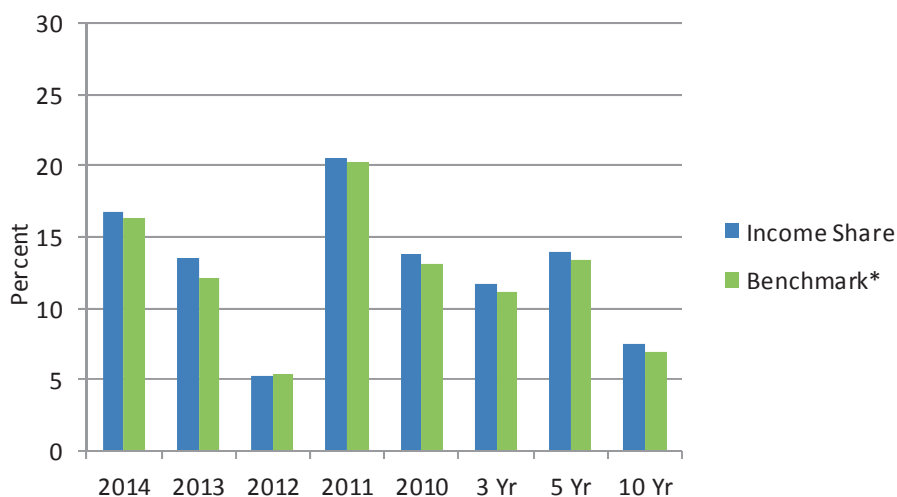
As with the other SBI funds which use a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— **Total Account.** The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long-term asset allocation.

— **Individual Manager.** The passive stock manager is expected to closely track the performance of the Russell 3000. The internal bond manager for the Account is expected to exceed the performance of the Barclays Capital Aggregate Bond Index. The cash manager for the Account is expected to exceed the performance of 3 month U.S. Treasury bills.

The Income Share Account provided a return of 16.7% for fiscal year 2014, exceeding its benchmark by 0.4 percentage point. Over the most recent ten years, the Income Share Account exceeded its benchmark by 0.6 percentage point. Figure 23 shows a history of performance results.

Figure 23. Income Share Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. |
|---------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|
| Income Share | 16.7% | 13.5% | 5.3% | 20.6% | 13.8% | 11.7% | 13.9% | 7.5% |
| Benchmark* | 16.3 | 12.2 | 5.4 | 20.3 | 13.1 | 11.2 | 13.4 | 6.9 |

* 60% Russell 3000/35% Barclays Capital Aggregate Bond Index/5% T-Bills Composite since 10/1/03.

Supplemental Investment Fund

Growth Share Account

Objective

The investment objective of the Growth Share Account is to generate high returns from capital appreciation. To achieve this objective, the Account is invested primarily in U.S common stock.

At the close of fiscal year 2014, the value of the Growth Share Account was \$203 million.

Management

The assets of the Growth Share Account are invested by the external active and semi-passive domestic equity managers of the Domestic Stock Pool. This allocation reflects a more aggressive investment than is available through passive management. The Account may hold a small amount of cash that represents new contributions received prior to investment in the market and cash that may be held by the individual managers in the Account.

Performance

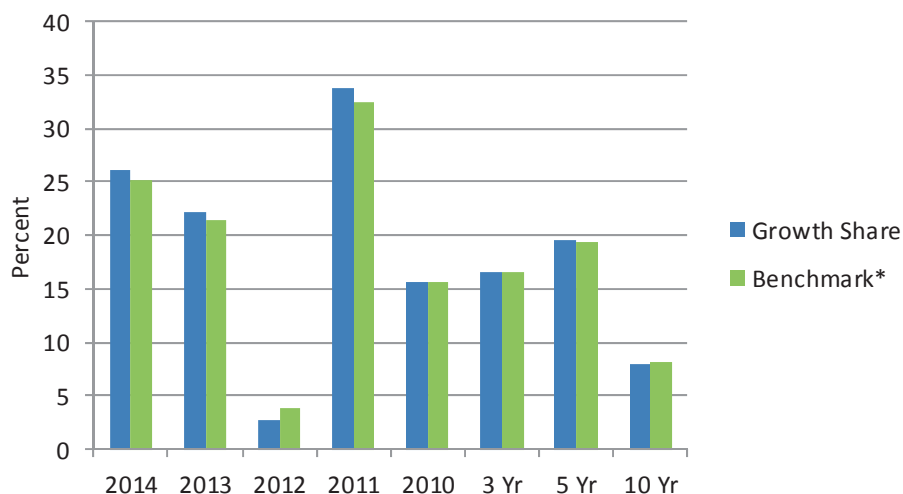
As with the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

- **Total Account.** The Growth Share Account is expected to exceed the returns of the Russell 3000 Index.
- **Individual Manager.** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The Growth Share Account provided a return of 26.1% for the fiscal year, outperforming its benchmark by 0.9 percentage

point. Over the last ten year period, the Account trailed its benchmark by 0.2 percentage point. See the discussion in the Investment Pools section concerning the Domestic Stock Pool for performance information on the managers used by this Account. A history of performance results is shown in Figure 24.

Figure 24. Growth Share Account Performance For Period Ending June 30, 2014



| | Annualized | | | | | | | |
|--------------|------------|-------|------|-------|-------|-------|-------|--------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. |
| Growth Share | 26.1% | 22.1% | 2.7% | 33.8% | 15.6% | 16.5% | 19.6% | 8.0% |
| Benchmark* | 25.2 | 21.5 | 3.8 | 32.4 | 15.7 | 16.5 | 19.3 | 8.2 |

* Russell 3000 since 10/1/03.

Supplemental Investment Fund

Common Stock Index Account

Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the broad U.S. common stock market as represented by the Russell 3000 Index. To accomplish this objective, the SBI allocates all of the assets of the Account to passively managed domestic stocks.

At the end of fiscal year 2014, the Account had a market value of \$445 million.

Management

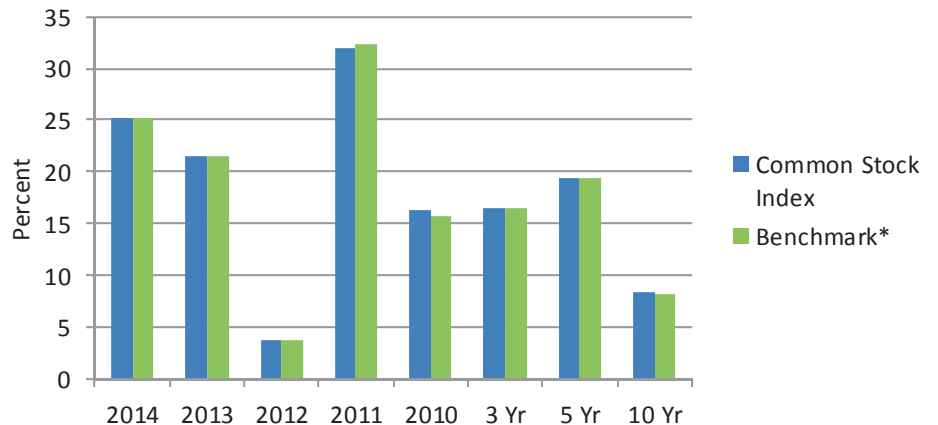
The Account participates in the passive portfolio of the Domestic Stock Pool which is managed by BlackRock Institutional Trust Co.

Performance

The performance objective of the Common Stock Index Account is to track the performance of the Russell 3000. The SBI recognizes that the Account's returns may deviate slightly from those of the Russell 3000 due to the effects of management fees, trading costs and cash flows.

As expected, the Common Stock Index Account tracked the Russell 3000 Index for the fiscal year and closely tracked over longer periods as shown in Figure 25.

Figure 25. Common Stock Index Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|-------------|-------|-------|------|-------|-------|------------|-------|--------|
| Stock Index | 25.2% | 21.5% | 3.8% | 32.0% | 16.2% | 3 Yr. | 5 Yr. | 10 Yr. |
| Benchmark* | 25.2 | 21.5 | 3.8 | 32.4 | 15.7 | 16.4% | 19.4% | 8.3% |

* Russell 3000 since 10/1/03.

Supplemental Investment Fund

International Share Account

Objective

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S.

Typically, a majority of the Account is invested in the largest international markets (United Kingdom, Japan, Canada, France, Germany, and Switzerland). A large share is invested in other well established markets in Europe and the Pacific region. In addition, at the end of fiscal year 2014, approximately twenty percent of the Account was invested in developing countries or emerging markets around the world, including those in Latin America, Asia, Eastern Europe, the Middle East and Africa.

At the end of fiscal year 2014, the Account had a market value of \$210 million.

Management

The structure of the International Share Account combines active, semi-passive, and passive management. Approximately forty-four percent of the Account is actively managed by several developed and emerging markets stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. About forty-three percent of the Account is passively managed to approximate closely the returns of the international markets. The remainder of the Account is semi-passively managed to add incremental value over the index return by investing in broadly diversified

portfolios of stocks in the developed and emerging markets. Overall, the account is designed to consistently track the return of the MSCI ACWI ex USA Index (net), a developed and emerging markets index. The Account uses the same managers used by the Combined Funds in the International Stock Pool.

Performance

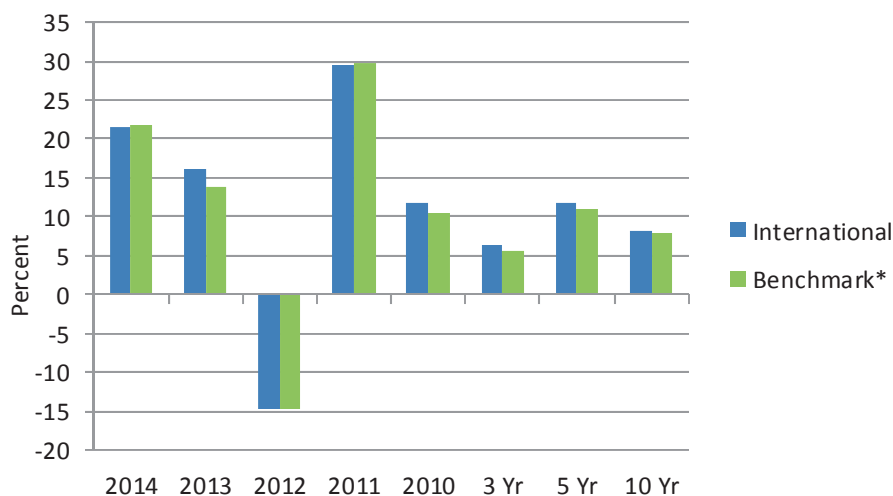
The Board evaluates the performance of the International Share Account on two levels:

- **Total Account.** The International Share Account is expected to exceed the returns of the MSCI ACWI ex USA Index (net).
- **Individual Manager.** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

During fiscal year 2014, the International Share Account produced a return of 21.4%, which trailed the MSCI ACWI ex USA Standard Index by 0.3 percentage point. Over the most recent ten year period, the International Share Account exceeded its benchmark by 0.3 percentage point.

See the discussion on performance of the international managers in the Investment Pools section of this report. Total Account results for the last ten years are shown in Figure 26.

Figure 26. Int'l. Share Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|--------------|-------|-------|--------|-------|-------|------------|-------------|-------------|
| Int'l. Share | 21.4% | 16.1% | -14.7% | 29.6% | 11.7% | 3 Yr. 6.3% | 5 Yr. 11.7% | 10 Yr. 8.1% |
| Benchmark* | 21.7 | 13.7 | -14.6 | 29.7 | 10.4 | 5.7 | 11.1 | 7.8 |

* The International Equity Asset Class Target is MSCI ACWI ex USA (net) since 10/1/03.

Supplemental Investment Fund

Bond Market Account

Objective

The objective of the Bond Market Account is to earn returns from fixed income securities. The Account is invested primarily in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. A small portion of the Account, not to exceed ten percent, is invested in below investment grade and non-U.S. securities.

At the end of fiscal year 2014, the market value of the Account was \$110 million.

The Account earns investment returns through interest income and capital appreciation. Because bond prices move inversely with interest rates, the Account entails some risk for investors. Historically, however, it represents a lower risk alternative than the investment options that include common stocks.

Management

The Bond Market Account invests in the Bond Pool used by the Combined Funds. The Bond Pool retains both active and semi-passive managers.

Performance

The Board evaluates the performance of the Bond Market Account on two levels:

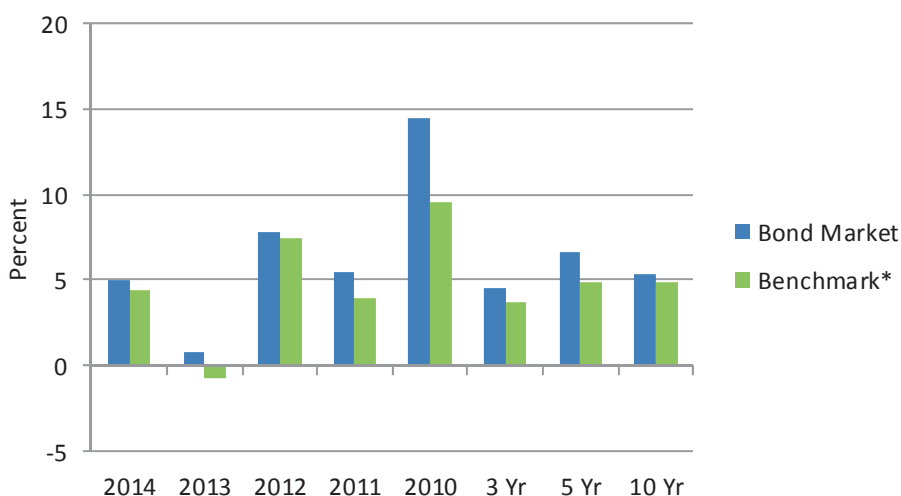
- **Total Account.** The Account is expected to exceed the returns of the Barclays Capital Aggregate Bond Index.

- **Individual Manager.**

Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

For fiscal year 2014, the Bond Market Account produced a return of 5.0%, which was 0.6 percentage point above the Barclays Capital Aggregate benchmark. For the most recent ten year period, the Account exceeded its benchmark by 0.4 percentage point. See the discussion regarding bond manager performance in the Investment Pools section. Total Account results for the last ten years are shown in Figure 27.

Figure 27. Bond Market Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|--------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Bond Market | 5.0% | 0.8% | 7.8% | 5.5% | 14.5% | 4.5% | 6.6% | 5.3% |
| Barclays Cap. Agg. | 4.4 | -0.7 | 7.5 | 3.9 | 9.5 | 3.7 | 4.9 | 4.9 |

Supplemental Investment Fund

Money Market Account

Objective

The Money Market Account invests in high-quality, short-term debt instruments. The Account's investment objectives are to preserve capital and offer competitive money market returns.

At the end of fiscal year 2014, the Money Market Account had a market value of \$249 million.

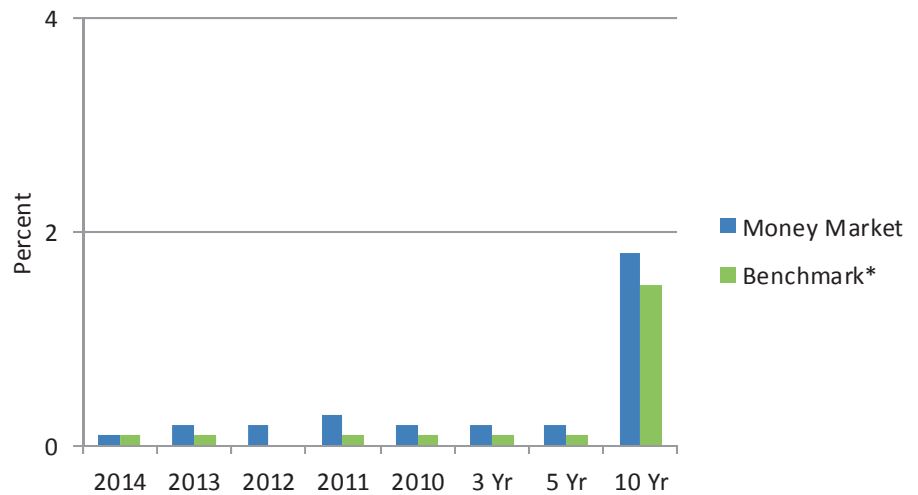
Management

The Account uses the same cash manager as the Combined Funds, which is State Street Global Advisors.

Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account matched the performance of the 3 month U.S. Treasury Bills for fiscal year 2014 with a 0.1% return. Over the most recent ten year period, the Account exceeded its target by 0.3 percentage point. Total Account results for the last ten years are shown in Figure 28.

Figure 28. Money Market Account Performance For Period Ending June 30, 2014



| | Annualized | | | | | | | | |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. | |
| Money Market | 0.1% | 0.2% | 0.2% | 0.3% | 0.2% | 0.2% | 0.2% | 1.8% | |
| 3 Month T-Bills | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 1.5 | |

Supplemental Investment Fund

Fixed Interest Account

Objective

The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer-term investments than typically found in a money market account.

At the end of fiscal year 2014, the Account totaled \$196 million, excluding Deferred Compensation Plan participation.

Management

The assets in the Account are invested primarily in well-diversified portfolios of high-quality investment grade fixed income securities. The Account also invests in investment contracts issued by banks and insurance companies, including non-U.S. financial institutions that provide principal protection for the diversified bond portfolios regardless of daily market changes. Instruments in the Account typically have maturities of two to four years. Performance reflects the blended interest rate available from all investments in the pool along with any cash held for liquidity purposes.

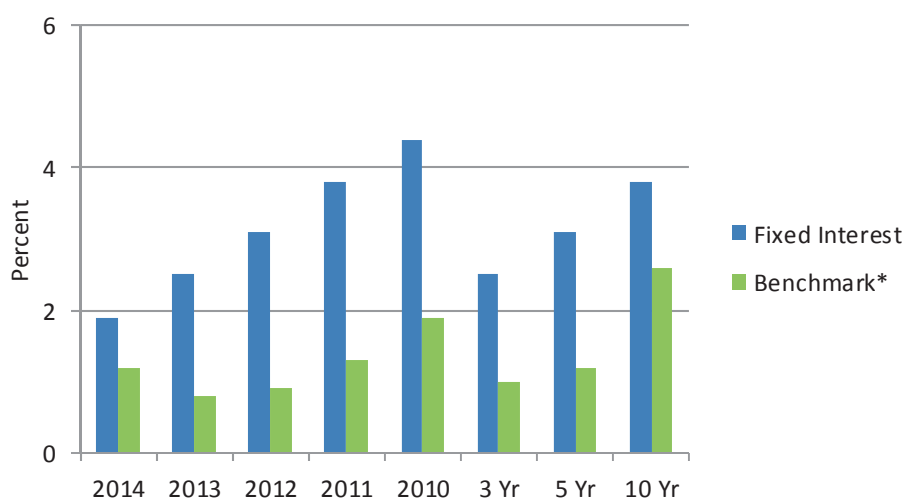
The manager for the Account is Galliard Capital Management, a subsidiary of Wells Fargo Bank.

Figure 29 shows a history of the Account's performance results.

Performance

The Fixed Interest Account is expected to exceed the returns of its custom benchmark, the 3 year Constant Maturity Treasury plus 45 basis points (0.45%). During fiscal year 2014, the Fixed Interest Account provided a return of 1.9%, which was 0.7 percentage point above its benchmark. Over the most recent ten year period, the Fixed Interest Account exceeded its benchmark by 1.2 percentage points.

Figure 29. Fixed Interest Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|----------------|------|------|------|------|------|------------|------|------|
| Fixed Interest | 1.9% | 2.5% | 3.1% | 3.8% | 4.4% | 2.5% | 3.1% | 3.8% |
| Benchmark* | 1.2 | 0.8 | 0.9 | 1.3 | 1.9 | 1.0 | 1.2 | 2.6 |

* 3 Year Constant Maturity Treasury plus 45 basis points.

Supplemental Investment Fund

Volunteer Firefighter Account

Objective

The investment objective of the Volunteer Firefighter Account is to earn a high rate of return from both capital appreciation (increases in market value) and current yield (dividends from stocks and interest on bonds). The Account pursues this objective within the constraints of protecting against adverse financial environments and limiting short-run portfolio return volatility.

The SBI invests the Account in a balanced portfolio of domestic common stocks, international stocks and fixed income securities with the following long-term asset mix: 35% domestic stocks, 15% international stocks, 45% fixed income, 5% cash equivalents.

Domestic stocks provide the potential for significant long-term capital appreciation, international stocks provide similar potential and a measure of diversification, and bonds provide both a hedge against deflation and the diversification needed to limit excessive portfolio return volatility.

At the close of fiscal year 2014, the value of the Account was \$26 million.

Management

The Account's investment management structure combines active and passive management. The domestic stock segment is managed as part of the passively managed index fund within the Domestic Stock Pool designed to track the returns of the Russell 3000 Index. The international stock segment invests in the International Stock

Pool which uses a combination of active, semi-passive and passive management to invest across a broad range of developed and emerging markets. The bond segment invests in the Bond Pool used by the Combined Funds. The Bond Pool retains both active and semi-passive managers.

Performance

As with other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Volunteer Firefighter Account on two levels:

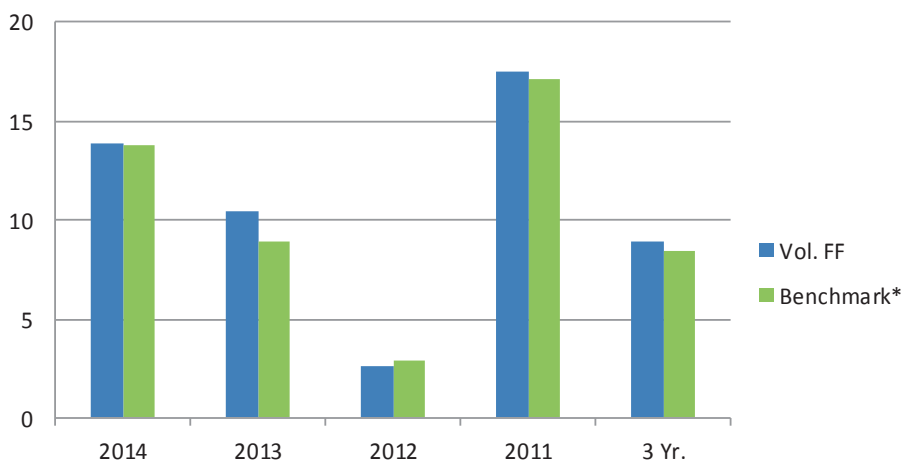
— **Total Account.** The Volunteer Firefighter Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long-term asset allocation.

— **Individual Manager.** The passive domestic stock and passive international stock managers are expected to closely track the performance of their respective benchmarks. The performance objectives of the individual international equity and bond managers are described in their respective sections of this report.

The Volunteer Firefighter Account was established January 1, 2010. The Account provided a return of 13.9% for the year ending June 30, 2014 and exceeded its composite benchmark by 0.1 percentage point.

Figure 30 shows a history of the Account's performance results.

Figure 30. Volunteer Firefighter Account Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 3 Yr. |
|------------------------------|--------------|--------------|-------------|--------------|-------------|
| Volunteer Firefighter | 13.9% | 10.4% | 2.6% | 17.5% | 8.9% |
| Benchmark* | 13.8 | 8.9 | 2.9 | 17.1 | 8.4 |

* 35% Russell 3000, 15% MSCI ACWI ex USA (net), 45% Barclays Capital Aggregate, 5% 3 month T-Bills.

State Deferred Compensation 457b Plan

The State Deferred Compensation Plan (Plan) provides public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan. (In most cases, the primary plan is TRA, PERA, or MSRS.) On June 30, 2014 the market value of the State Deferred Compensation Plan was \$5.6 billion.

Program Structure

The State Deferred Compensation Plan offers plan participants three sets of investment options. The first is a set of actively and passively managed options that includes four mutual funds, a money market account, a fixed interest account and five passively managed mutual funds. The second is a set of target date funds called Minnesota Target Retirement Funds. The third is a self-directed brokerage account window which offers thousands of mutual funds. The SBI has no direct management responsibilities for funds within the self-directed brokerage account window.

Actively Managed Options

The Plan offers a range of actively managed options that allows participants the flexibility to create an investment program that satisfies their needs.

- **Large-Cap Equity**

This option is a concentrated portfolio of large cap stocks. The fund is expected to outperform the S&P 500 over time. Currently, Janus Twenty is the mutual fund offered.

- **Small-Cap Equity**

This option invests primarily in companies with small market capitalizations. The fund is expected to

outperform the Russell 2000 over time. T. Rowe Price Small-Cap Stock Fund is the fund currently offered.

- **Bond Fund**

This option invests primarily in investment grade securities in the U.S. bond market. The fund is expected to outperform the Barclays Capital Aggregate over time. The fund currently offered is the Dodge & Cox Income Fund.

- **International Equity**

This option invests primarily in stocks of companies in developed countries located outside the United States. The fund is expected to outperform the Morgan Stanley Capital International (MSCI) Index of Europe, Australasia and the Far East (EAFE) over time. The fund currently offered is the Fidelity Diversified International Fund.

- **Money Market**

This option invests in high quality short-term debt instruments and is expected to outperform the return on three month U.S. Treasury bills. This option is the SIF Money Market Account invested by State Street Global Advisors (SSgA.)

- **Fixed Interest**

This option is invested in the SIF Fixed Interest Account which is a well-diversified portfolio of high-quality fixed income securities with strong credit ratings. The option also invests in contracts issued by highly rated insurance companies and banks which are structured to provide principal protection for the option's diversified bond portfolios, regardless of daily market changes.

The option is expected to outperform the return of the three year Constant Maturity Treasury plus 45 basis points (0.45%), over time. Currently, Galliard Capital Management, Inc. manages the option.

Passively Managed Options

The plan offers a range of passively managed options that allows participants the flexibility to create a lower cost investment program that satisfies their needs.

- **Large-Cap Equity**

This option is a passive domestic stock portfolio that tracks the S&P 500. The fund currently offered is the Vanguard Institutional Index Plus Fund.

State Deferred Compensation 457b Plan

- **Mid-Cap Equity**

This option invests in companies with medium market capitalizations that track the CRSP U.S. Mid-Cap Index. The fund currently offered is the Vanguard Mid Capitalization Index Institutional Fund.

currently offered by State Street Global Advisors (SSgA.)

Performance results for the mutual fund investment options for fiscal year 2014 are shown in Figures 31 and 32.

- **Balanced Fund**

This option is a mix of stocks and bonds. The fund is expected to track a weighted benchmark of 60% CRSP U.S. Total Market Index and 40% Barclays Capital Aggregate Bond Index. The fund currently offered is the Vanguard Balanced Index Fund.

- **Bond Fund**

This option invests in a broad range of U.S. fixed income securities. The fund is expected to track the performance of the Barclays Capital Aggregate Bond Index. The fund currently offered is the Vanguard Total Bond Market Index Fund.

- **International Equity**

This option invests in international equities and is expected to track the FTSE Global All Cap ex U.S. Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund currently offered is the Vanguard Total International Stock Index Fund.

Minnesota Target Retirement Funds

The plan offers a range of target date funds, which are diversified options with allocations that change over time to reduce risk and become more conservative as the target retirement date approaches. The funds are

State Deferred Compensation 457b Plan

Figure 31. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2014 (1) (2)

| | 1 Year | | 3 Years | | 5 Years | | Market Value (3) (\$ in millions) |
|---|----------|-------|----------|-------|----------|-------|--------------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | Actual % | Bmk % | |
| Actively Managed | | | | | | | |
| Janus Twenty (S&P 500) | 26.3 | 24.6 | 14.8 | 16.6 | 14.3 | 18.8 | 526.2 |
| T. Rowe Price Small-Cap Stock (Russell 2000) | 24.0 | 23.6 | 15.9 | 14.6 | 23.2 | 20.2 | 618.6 |
| Fidelity Diversified International (MSCI EAFE) | 23.0 | 23.6 | 8.7 | 8.1 | 12.1 | 11.8 | 296.6 |
| Dodge & Cox Income Fund (Barclays Capital Aggregate) | 6.6 | 4.4 | 4.9 | 3.7 | 6.6 | 4.9 | 198.7 |
| SIF Money Market (3 Month T-Bills) | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 66.5 |
| SIF Fixed Interest Account (3 year Constant Maturity Treasury +45 basis points) | 1.9 | 1.2 | 2.5 | 1.0 | 3.1 | 1.2 | 1,352.9 |
| Passively Managed | | | | | | | |
| Vanguard Institutional Index (S&P 500) | 24.6 | 24.6 | 16.6 | 16.6 | 18.8 | 18.8 | 925.7 |
| Vanguard Mid-Cap Index (CRSP US Mid-Cap) | 26.3 | 26.3 | 15.4 | 15.5 | 22.0 | 22.1 | 390.5 |
| Vanguard Total International Stock Index (FTSE Global All Cap ex US) | 22.5 | 22.8 | | | | | 159.4 |
| Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Aggregate) | 16.4 | 16.6 | 11.4 | 11.5 | 13.7 | 13.7 | 647.6 |
| Vanguard Total Bond Market Index (Barclays Capital Aggregate) | 4.3 | 4.4 | 3.6 | 3.7 | 4.8 | 4.9 | 172.3 |

- (1) Benchmarks for the Funds are noted in parentheses below the Fund names. The dates the Funds were retained by the SBI differ.
- (2) Returns are reported net of investment management fee, but do not include the MSRS administrative fee.
- (3) Market value of SBI participation in fund.

State Deferred Compensation 457b Plan

Figure 32. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2014 (1) (2)

| | 1 Year | | 3 Years | | Market Value (3) (\$ in millions) |
|-----------------------------------|----------|-------|----------|-------|--------------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | |
| MN Target Retirement Funds | | | | | |
| Income Fund | 9.8 | 9.9 | 6.7 | 6.8 | 30.0 |
| 2015 Fund | 10.6 | 10.7 | 8.0 | 8.2 | 32.9 |
| 2020 Fund | 13.9 | 14.0 | 10.2 | 10.3 | 54.2 |
| 2025 Fund | 16.6 | 16.7 | 11.5 | 11.6 | 40.8 |
| 2030 Fund | 18.3 | 18.4 | 12.2 | 12.3 | 23.0 |
| 2035 Fund | 19.6 | 19.7 | 12.6 | 12.7 | 17.9 |
| 2040 Fund | 20.7 | 20.8 | 12.5 | 12.6 | 11.2 |
| 2045 Fund | 21.8 | 21.9 | 12.6 | 12.7 | 7.4 |
| 2050 Fund | 22.0 | 22.1 | 12.7 | 12.7 | 5.0 |
| 2055 Fund | 22.0 | 22.1 | 12.6 | 12.7 | 2.3 |
| 2060 Fund | 22.0 | 22.1 | 12.7 | 12.7 | 2.9 |

Note: Managed by SSgA, each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation. The underlying index funds are listed below.

SSgA Index Funds

| | | | | |
|---|------|------|------|------|
| S&P 500 Index Fund (S&P 500) | 24.6 | 24.6 | 16.6 | 16.6 |
| Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index) | 27.3 | 27.4 | | |
| DJ-UBS Roll Select Commodity Index Fund (DJ-UBS Roll Select Commodity Index) | 8.5 | 8.9 | | |
| Global All Cap Equity ex US Index Fund (MSCI ACWI ex USA IMI) | 22.7 | 22.3 | 6.2 | 5.9 |
| Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid) | 13.6 | 12.8 | 9.9 | 9.1 |
| Long Government Bond Index Fund (Barclays Capital Long Government) | 6.4 | 6.4 | 8.6 | 8.7 |
| Bond Index Fund (Barclays Capital Aggregate) | 4.4 | 4.4 | 3.6 | 3.7 |
| Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS) | 4.4 | 4.4 | 3.5 | 3.6 |
| High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid) | 12.3 | 12.0 | 9.3 | 9.5 |
| U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit) | 1.0 | 1.1 | 1.8 | 1.0 |

(1) Target Retirement Funds inception date is July 2011.

(2) Returns are reported net of investment management fee, but do not include the MSRS administrative fee.

(3) Market value of SBI participation in fund.

Minnesota State College Savings Plan

The Minnesota College Savings Plan is an education savings plan designed to help families set aside funds for future college costs. It is established under the provisions of the Internal Revenue Code Section 529, which authorized these types of savings plans to help families meet the costs of qualified colleges nationwide. On June 30, 2014, the market value of the Plan was just under \$1.2 billion.

Program Structure

The Minnesota Legislature authorized establishment of the Minnesota College Savings Plan (the Plan) in 1997 and in 2001 the Plan was launched. The State Board of Investment (SBI) is responsible for the investments and the Minnesota Office of Higher Education (OHE) is responsible for the overall administration of the Plan. The SBI and OHE have contracted jointly with TIAA-CREF Tuition Financing, Inc. (TFI) to provide administrative, marketing, communication, recordkeeping and investment management services.

In 2014 SBI staff worked with the Minnesota Office of Higher Education (OHE) in a Request for Proposal process to find the most competitive plan in the national 529 marketplace. The SBI and OHE re-newed a five year contract with TIAA-CREF Tuition Financing Inc. (TFI). The re-launch of the Plan occurred in August 2014 and included a significant reduction in the Plan Management Fee and additional investment options.

Objective

The objective of the Plan is to be competitive in the market place by providing quality investment options with low fees to its participants. The Plan is a

direct-sold plan (i.e. may be purchased directly without an investment advisor) and offers six Age-Based Managed Allocation Options along with six Static Investment Options. The Plan has both active and passive management through TIAA-CREF's mutual funds. While all options are priced daily, participants may re-allocate their investment only once per calendar year.

- **Age Based Managed Allocation Option**

This investment option seeks to align the investment objective and level of risk to the investment horizon by taking into account the beneficiary's age and the number of years before the beneficiary turns 18 and is expected to enter college. Depending on the beneficiary's age, the assets contributed to this option are placed in one of six age bands. As the beneficiary ages, assets are moved from one age band to the next. The age bands for younger beneficiaries seek a favorable long-term return by investing in a high level of risk but greater potential for higher returns than more conservative investments. As a beneficiary nears college age, the age bands allocate less to equity and real estate and more to fixed-income and

money market securities to preserve capital.

- **International Equity Index Option**

This Investment Option seeks to provide a favorable long-term total return, mainly through capital appreciation. Approximately 80% of the fund is allocated to equity securities of issuers located in developed markets and 20% is allocated to equity securities of issuers located in emerging markets.

- **100% Equity Option**

This investment option seeks to provide a favorable long-term total return, mainly from capital appreciation, by allocating primarily in a blend of equity and real estate-related securities. Approximately 60% of the fund is allocated to US equity securities, 25% to equity issuers located in developed markets, 5% to equity securities of issuers located in emerging markets and 10% to real estate-related securities.

- **Balanced Option**

This investment option seeks to provide a favorable long-term total return by allocating to a balanced mix of domestic and foreign equity securities, fixed-income securities and real estate-related securities. Approximately 36% of the

Minnesota State College Savings Plan

fund is allocated to US equity securities; 15% to developed international equities; 3% to emerging markets equities; 6% to real estate; 30% to public, investment-grade, taxable bonds denominated in US dollars and 10% to inflation-linked bonds.

- **100% Fixed-Income Option**

This investment option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed income investments.

Approximately 75% of the fund is allocated to public, investment-grade, taxable bonds denominated in US dollars and 25% to inflation-linked bonds.

- **Money Market Option**

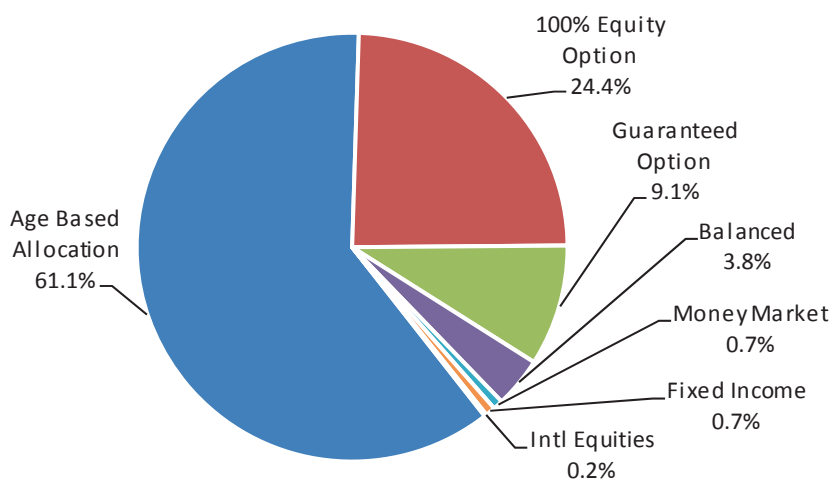
This investment option seeks to provide high current income consistent with preserving capital. All assets the fund are invested in high-quality, short-term money market instruments of both domestic and foreign issuers.

- **Guaranteed Option**

This investment option seeks to preserve capital and provide a stable return. The contributions into this investment option are invested in a Funding Agreement issued by TIAA-CREF Life. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life.

As of June 30, 2014, the Minnesota College Savings Plan distribution of assets is shown in Figure 33 and performance is shown in Figure 34.

Figure 33. MN College Savings Plan Assets by Investment Option as of June 30, 2014



Minnesota State College Savings Plan

Figure 34. Minnesota State College Savings Plan (529 Plan) For Fiscal Year Ending June 30, 2014(1)

| | 1 Year | | 3 Year | | Market Value (2) (\$ in millions) |
|----------------------------------|----------|-------|----------|-------|--------------------------------------|
| | Actual % | Bmk % | Actual % | Bmk % | |
| Managed Allocation Option | | | | | |
| Ages 0-3 | 18.9 | 19.2 | 11.3 | 11.7 | \$16.7 |
| Ages 4-7 | 15.9 | 16.3 | 9.8 | 10.2 | 72.6 |
| Ages 8-11 | 13.2 | 13.5 | 8.2 | 8.8 | 177.2 |
| Ages 12-14 | 11.3 | 11.6 | 7.2 | 7.8 | 164.7 |
| Ages 15-17 | 7.8 | 7.8 | 5.1 | 5.4 | 155.3 |
| Ages 18 & Over | 5.0 | 5.1 | 3.4 | 3.7 | 123.8 |
| 100% Equity | 22.6 | 23.1 | 13.1 | 13.6 | 283.6 |
| International Equity | N/A | N/A | N/A | N/A | 1.8 |
| Balanced | 14.9 | 15.4 | 9.0 | 9.8 | 44.1 |
| 100% Fixed Income | 3.8 | 4.4 | 2.8 | 3.7 | 8.7 |
| Money Market | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 |
| Guaranteed Option (3) | 1.3 | 0.0 | 1.6 | 0.0 | 106.2 |

Note: Managed by TIAA-CREF each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation. The underlying index funds are listed below.

TIAA-CREF Index Funds

| | | | | |
|---|------|------|------|------|
| T-C Equity Index Fund Russell 3000 Index | 25.1 | 25.2 | 16.4 | 16.5 |
| T-C International Equity Index Fund* Morgan Stanley EAFE Index | 23.6 | 23.6 | 8.2 | 8.1 |
| T-C Real Estate Securities Fund FTSE NAREIT Index | 13.4 | 13.0 | 10.9 | 11.9 |
| T-C Emerging Markets Equity Index Fund MSCI EM Index | 14.3 | 14.3 | -1.0 | -0.4 |
| T-C Bonds Index Fund Barclays Capital U.S. Agg. Bond Index | 4.2 | 4.4 | 3.5 | 3.7 |
| T-C Money Market Fund iMoneyNet Average All Taxable | 0.0 | 0.0 | 0.0 | 0.0 |
| T-C Short-Term Bond Fund BarCap Govt/Credit 1-3 Yr. Index | 2.5 | 1.1 | 2.0 | 1.0 |

(1) Returns are reported net of investment management fees, Program Management Fees and State Administrative Fees.

(2) Market value of SBI participation in fund.

(3) The credit rating of 1.20% for the underlying Funding Agreement is guaranteed through 3/31/15.

Assigned Risk Plan

The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 2014, the market value of the Plan's portfolio was \$302 million.

The Assigned Risk Plan operates as a non-profit, tax-exempt entity and is administered by the Department of Commerce. The Plan provides disability income, medical expenses, retraining expenses and death benefits with payments being made either periodically or in lump sum.

Investment Objectives

The SBI recognizes that the Assigned Risk Plan has limited tolerance for risk due to erratic cash flows, no allowance for surplus, and generally short duration liabilities.

Therefore, the SBI has established two investment objectives for the Plan:

- to minimize mismatch between assets and liabilities
- to provide sufficient liquidity (cash) for payment of on-going claims and operating expenses

Performance relative to these objectives is measured against a composite index that reflects the asset allocation of the portfolio.

Asset Allocation

The SBI believes that due to the uncertainty of premium and liability cash flows, the Plan should be invested very conservatively.

The **bond** segment is invested to fund the shorter-term liabilities (less than 10 years) and the common stock segment is invested to fund the longer-term liabilities. The result is a high fixed income allocation which minimizes the possibility of a future fund deficit. The smaller **stock** exposure provides higher expected returns and hedges some of the inflation risk associated with the liability stream.

The current long term asset allocation targets for the Plan are as follows:

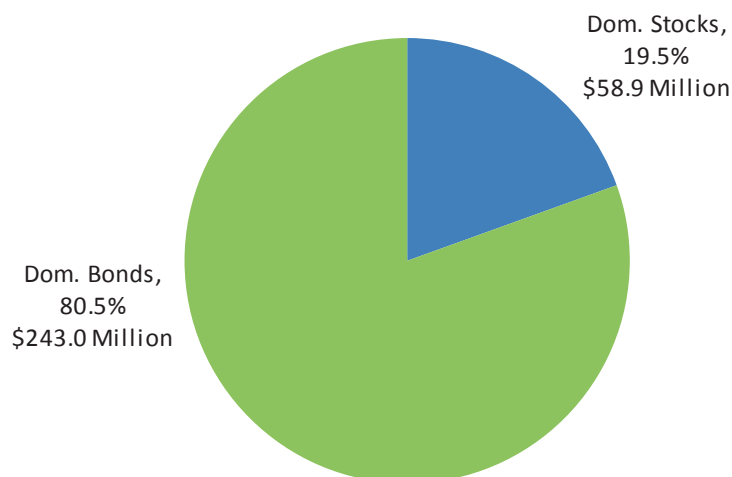
| | |
|-----------------|-----|
| Domestic Stocks | 20% |
| Domestic Bonds | 80 |

The asset allocation may fluctuate in response to changes in the liability stream projected by the Plan's actuary and further analysis by the SBI staff. Figure 35 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2014.

Investment Management

RBC Global Asset Management (U.S.) manages the bond segment of the Assigned Risk Plan, and GE Asset Management manages the equity segment of the Plan.

Figure 35. Assigned Risk Plan Asset Mix as of June 30, 2014



Assigned Risk Plan

Bond Segment

The bond segment is designed to fund the shorter-term liabilities of the Plan with a target duration of about three years. The segment is actively managed to add incremental value through sector, and security decisions.

Stock Segment

The stock segment is structured to fund the longer-term liabilities of the Plan. Currently, the equity segment is managed with a broadly diversified portfolio of high quality, large capitalization companies.

Investment Performance

Due to the focus on liability matching, the Assigned Risk Plan's investment portfolio is conservatively structured. While active management is utilized, return enhancement plays a secondary role.

The Assigned Risk Plan is measured against a composite index which is weighted to reflect the asset allocation of the Plan:

- The target for the fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately three years).
- The target for the equity component is the S&P 500.

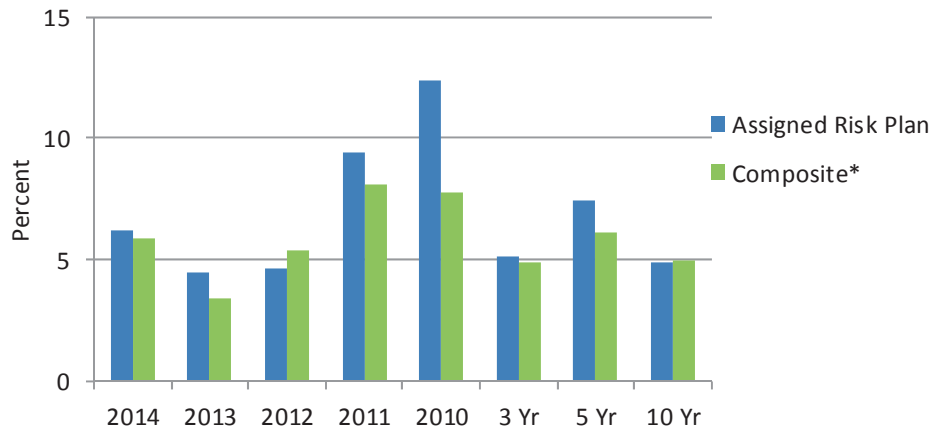
During fiscal year 2014, the *bond* segment matched its benchmark return. The *stock* segment outperformed its benchmark by 0.7 percentage point.

Overall, the Assigned Risk Plan provided a return of 6.2% for fiscal year 2014, exceeding its composite index by 0.3

percentage point. For the most recent three year and five year periods, the Plan outperformed its composite index by 0.2 and 1.3 percentage points, respectively, and underperformed by 0.1 percentage point over the ten year period.

Historical performance results are presented in Figure 36.

Figure 36. Assigned Risk Plan Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|----------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 3 Yr. | 5 Yr. | 10 Yr. |
| Total Fund | 6.2% | 4.5% | 4.6% | 9.4% | 12.4% | 5.1% | 7.4% | 4.9% |
| Composite Index* | 5.9 | 3.4 | 5.4 | 8.1 | 7.8 | 4.9 | 6.1 | 5.0 |
| Stock Segment | 25.3 | 23.2 | 2.3 | 27.6 | 8.5 | 16.5 | 16.9 | 7.9 |
| S&P 500 | 24.6 | 20.6 | 5.4 | 30.7 | 14.4 | 16.6 | 18.8 | 7.8 |
| Bond Segment | 1.5 | -0.5 | 4.6 | 5.3 | 13.4 | 1.9 | 4.8 | 3.9 |
| Benchmark | 1.5 | -0.6 | 5.0 | 2.9 | 5.9 | 2.0 | 2.9 | 4.0 |

* Weighted 20% stocks, 80% bonds.

Permanent School Fund

The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is appropriated directly to school districts. On June 30, 2014, the market value of the Fund was \$1.1 billion.

Investment Objective

The State Board of Investment invests the Permanent School Fund to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity that will assist school districts.

Investment Constraints

The Fund's investment objectives are influenced by the legal provisions under which its investments must be managed. These provisions require that the Fund's principal remain inviolate. Any net realized capital gains from stock or bond investments must be added to the principal. Moreover, if the Fund realizes net capital losses, these losses must be offset against interest and dividend income before such income can be distributed. Finally, all interest and dividend income must be distributed in the year in which it is earned.

Asset Allocation

In order to produce a growing level of spendable income, the Fund is invested to grow over time, and, therefore, has exposure to equities. The current asset allocation is 50% stock/48% fixed income/2% cash.

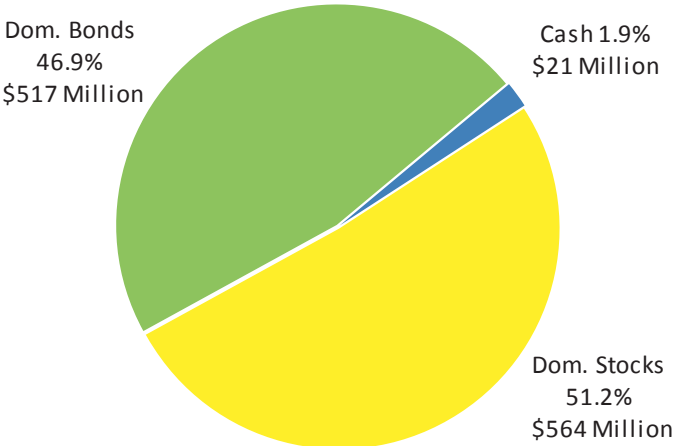
Prior to fiscal year 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

To solve both issues, a proposal to introduce equities to the Fund's asset mix was presented during fiscal year 1997. Since this modification would reduce short term income and have budgetary implications for the state, the consent of the executive and legislative branches was necessary.

It was favorably received by the Legislature and incorporated into the K-12 education finance bill. As a result, the Fund allocation was shifted to a 50% stock/48% fixed income/2% cash allocation during July 1997.

Figure 37 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2014.

Figure 37. Permanent School Fund Asset Mix as of June 30, 2014



Permanent School Fund

Investment Management

SBI staff internally manages all assets of the Permanent School Fund. Given the unique constraints of the Fund, management by SBI staff is considered to be the most cost effective at this time.

Stock Segment

The stock segment of the Fund is passively managed to track the performance of the S&P 500.

Bond Segment

The bond segment is actively managed to add incremental value through sector, security and yield curve decisions, and its performance is measured against the Barclays Capital Aggregate Bond Index.

Investment Performance

The *stock* segment of the Permanent School Fund had a negative tracking error of 0.1 percentage point for the year compared to its benchmark, the S&P 500.

The *bond* segment outperformed its benchmark by 0.6 percentage point during the current fiscal year, primarily due to the overweight to the corporate sector and a short duration position relative to the benchmark.

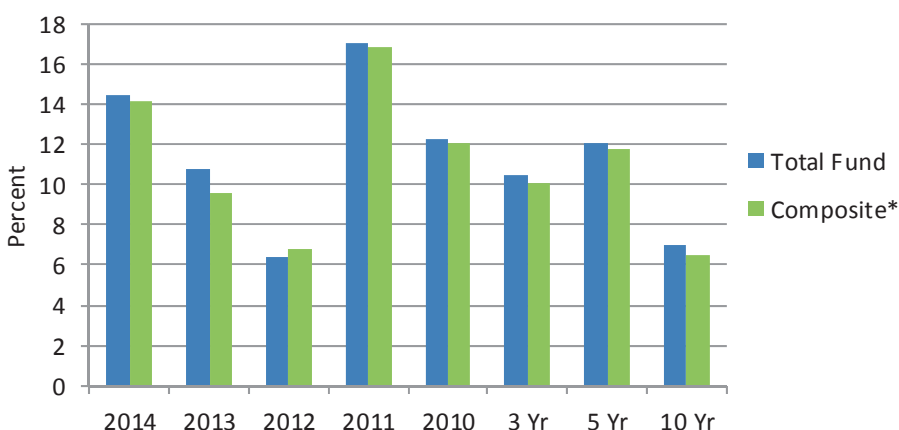
Overall, the Permanent School Fund provided a return of 14.4% for fiscal year 2014, outperforming its composite index by 0.3 percentage point. The Fund outperformed its composite index over the most recent three, five and ten year periods due to the incremental value added by bonds.

Total account results for the last three, five and ten years are shown in Figure 38.

Spendable income generated by the portfolio over the last five fiscal years is shown below:

| Fiscal Year | Millions |
|-------------|----------|
| 2010 | \$23 |
| 2011 | \$23 |
| 2012 | \$24 |
| 2013 | \$25 |
| 2014 | \$24 |

Figure 38. Permanent School Fund Performance for Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|----------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|
| Total Fund | 14.4% | 10.8% | 6.4% | 17.0% | 12.3% | 10.5% | 12.1% | 7.0% |
| Composite* | 14.1 | 9.6 | 6.8 | 16.8 | 12.1 | 10.1 | 11.8 | 6.5 |
| Stock Segment | 24.5 | 20.5 | 5.5 | 30.8 | 14.2 | 16.5 | 18.8 | 7.8 |
| S&P 500 | 24.6 | 20.6 | 5.4 | 30.7 | 14.4 | 16.6 | 18.8 | 7.8 |
| Bond Segment | 5.0 | 1.4 | 6.5 | 4.3 | 9.7 | 4.3 | 5.3 | 5.6 |
| Barclays Agg. | 4.4 | -0.7 | 7.5 | 3.9 | 9.5 | 3.7 | 4.9 | 4.9 |

* 50% S&P 500/ 48% Barclays Capital Aggregate/ 2% 3 Month T-Bills.

Environmental Trust Fund

The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 2014, the market value of the Fund was \$842 million.

By statute, the State Board of Investment invests the assets of the Environmental Trust Fund. The Legislature funds environmental projects from a portion of the market value of the Fund.

Investment Objective

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of spending within the constraints of maintaining adequate portfolio quality and liquidity.

A constitutional amendment passed in November 1998 continues the mandate that 40 percent of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment provides for spending 5.5 percent of the Fund's market value annually. The amendment eliminated accounting restrictions on capital gains and losses and the provision that the principal must remain inviolate.

Asset Allocation

After the constitutional amendment was adopted in November 1998, SBI staff worked with the Legislative Citizen Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spending and growth of the

Fund. The allocation positions the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of spending.

The current long term asset allocation targets for the Fund are:

| | |
|-----------------|-----|
| Domestic Stocks | 70% |
| Domestic Bonds | 28 |
| Cash | 2 |

Figure 39 presents the actual asset mix of the Fund at the end of fiscal year 2014.

Investment Management

SBI staff internally manages all assets of the Environmental Trust Fund. Management by SBI staff is considered to be the most cost effective at this time.

Stock Segment

The stock segment of the Fund is passively managed to track the performance of the S&P 500.

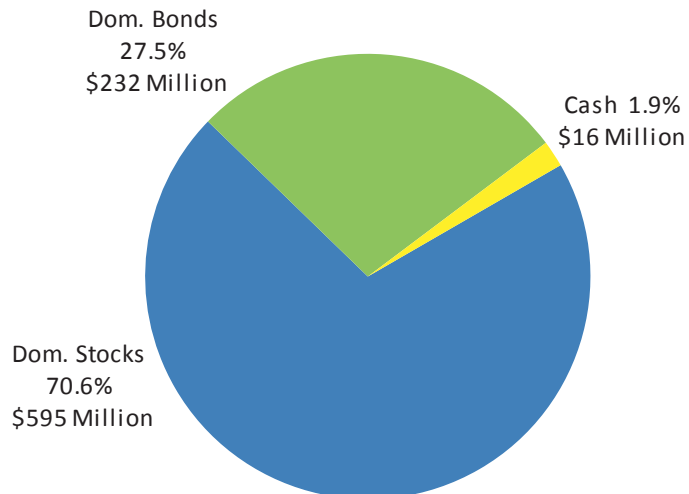
Bond Segment

The bond segment is actively managed to add incremental value through sector, security and yield curve decisions, and its performance is measured against the Barclays Capital Aggregate Bond Index.

Investment Performance

During the fiscal year, the *stock* segment had a negative tracking error of 0.1 percentage point compared to the benchmark, the S&P 500.

Figure 39. Environmental Trust Fund Asset Mix as of June 30, 2014



Environmental Trust Fund

The *bond* segment outperformed its benchmark by 0.6 percentage points during the fiscal year, primarily due to the overweight to the corporate sector and a short duration position relative to the benchmark.

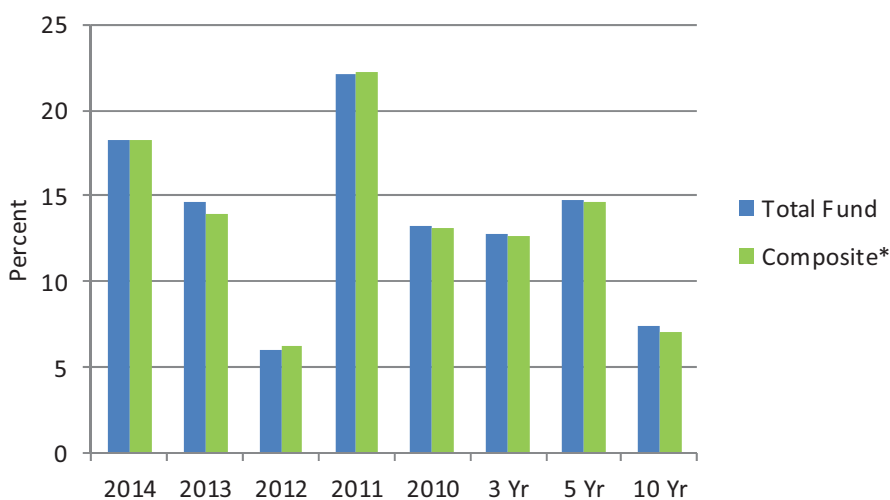
Overall, the Environmental Trust Fund provided a return of 18.3% for fiscal year 2014 and outperformed its composite index by 0.1 percentage point. The Fund outperformed its composite index over the most recent three, five and ten years due to the incremental value added by bonds.

Performance results are presented in Figure 40.

Spendable income generated by the Fund over the last five fiscal years is shown below:

| Fiscal Year | Millions |
|-------------|----------|
| 2010 | \$26 |
| 2011 | \$26 |
| 2012 | \$25 |
| 2013 | \$25 |
| 2014 | \$34 |

Figure 40. Environmental Trust Fund Performance For Period Ending June 30, 2014



| | 2014 | 2013 | 2012 | 2011 | 2010 | Annualized | | |
|----------------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|
| | | | | | | 3 Yr. | 5 Yr. | 10 Yr. |
| Total Fund | 18.3% | 14.6% | 6.0% | 22.1% | 13.2% | 12.8% | 14.7% | 7.4% |
| Composite* | 18.2 | 13.9 | 6.3 | 22.2 | 13.1 | 12.7 | 14.6 | 7.1 |
| Stock Segment | 24.5 | 20.5 | 5.5 | 30.8 | 14.2 | 16.5 | 18.8 | 7.8 |
| S&P 500 | 24.6 | 20.6 | 5.4 | 30.7 | 14.4 | 16.6 | 18.8 | 7.8 |
| Bond Segment | 5.0 | 1.4 | 6.5 | 4.3 | 9.7 | 4.3 | 5.3 | 5.6 |
| Barclays Agg. | 4.4 | -0.7 | 7.5 | 3.9 | 9.5 | 3.7 | 4.9 | 4.9 |

* Weighted 70% S&P 500/ 28% Barclays Capital Aggregate/ and 2% 3 month T-Bill.

Cash Management and Related Programs

The State Board of Investment manages the cash balances of more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2014, the total value of these accounts was \$9.0 billion.

Most of the cash accounts are invested in a short-term pooled fund referred to as the Invested Treasurer's Cash Pool. It contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non-dedicated cash in the State Treasury.

Approximately \$265 million of assets are in separately managed dedicated accounts because of special legal restrictions. The vast majority of these assets are related to state or state agency debt issuance including debt service reserves and proceeds.

Investment Objectives

The investment objectives for investing the state cash accounts are to preserve capital, to meet the state's cash needs without the forced sale of securities at a loss, and to provide a level of current income consistent with the goal of preserving capital.

Asset Allocation

The SBI generates current income while preserving capital by investing all cash accounts in high quality, liquid, short-term investments. These include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, short term corporates, and certificates of deposit. The composition of the Pool as of June 30, 2014 is shown in

Figure 41. At the end of the fiscal year, the Pool had a current yield of 0.46% and a weighted average maturity of 289 days.

Investment Management

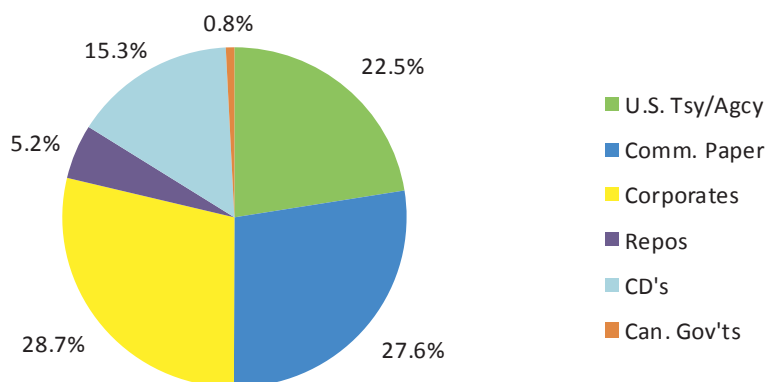
All state cash accounts are managed by SBI investment staff, and most of the assets of the cash accounts are invested in the Invested Treasurer's Cash Pool.

Investment Performance

The SBI measures the performance of the Invested Treasurer's Cash Pool against a benchmark which reflects the maturity structure of the pool.

For fiscal year 2014, the Treasurer's Cash Pool outperformed its benchmark, the IMoneyNet's All Taxable Money Fund Index, by 0.6 percentage point. Performance results are shown in Figure 42.

Figure 41. Invested Treasurer's Cash Fund Distribution as of June 30, 2014*



* Totals may not add due to rounding.

Figure 42. Invested Treasurer's Cash Pool Performance

| | Period Ending 6/30/14 | | | |
|---------------------------------|-----------------------|-------|-------|--------|
| | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. |
| Invested Treasurer's Cash Pool* | 0.6% | 0.5% | 0.7% | 2.3% |
| Custom Benchmark** | 0.0 | 0.0 | 0.0 | 1.5 |
| 3 month T-Bills | 0.1 | 0.1 | 0.1 | 1.5 |

* Actual returns are calculated net of fees.

** The Treasurer's Cash Pool is measured against the IMoneyNet, All Taxable Money Fund Report Average.

Cash Management and Related Programs

Securities Lending Program

The SBI participates in a securities lending program in which securities held by the SBI on behalf of the retirement systems are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. State Street Bank generated additional income for the retirement systems of approximately \$25 million during fiscal year 2014.

Certificate of Deposit Program

The SBI manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The return SBI receives is based on CD rates quoted in the national market.

The SBI's Certificate of Deposit program provides a reliable source of capital to Minnesota financial institutions, regardless of size, many of which do not have access to the national CD market. The Board designed the program so that no single institution is favored in the allocation of assets. Only the cash reserves of the retirement funds are used in the program.

During fiscal year 2014, the SBI purchased \$190.1 million of CD's from all Minnesota financial institutions.

Securities Repurchase Program

The SBI created the Securities Repurchase Program to help meet the increased needs of some banks throughout the state.

Under the program, the SBI temporarily buys securities such as Treasuries and Agencies from banks under a repurchase agreement (repo). At the end of the agreement period, the securities are returned to the selling banks ("repurchased") and the bank pays the SBI principal and interest.

The transactions are fully collateralized and range in size from \$100,000 to \$2 million per institution. For ease of administration, the program uses the same rates, offering dates and maturity dates as the SBI's CD program, and uses only the cash reserves of the retirement funds.

During fiscal year 2014, the SBI purchased \$17.5 million in repos from Minnesota financial institutions.

Legislative Investment Initiatives

Legislative Update

Laws of Minnesota 2014, Chapter 296, Article 6, provides for the consolidation of the Duluth Teachers' Retirement Fund Association (DTRFA) into the Teachers Retirement Fund (TRA) as of July 1, 2015 and authorizes the DTRFA to transfer assets to the State Board of Investment prior to December 31, 2014. The SBI is required to review the assets of the Duluth Teachers' Retirement Fund Association to ensure they are acceptable for inclusion in the Combined Funds. Laws of Minnesota 2014, Chapter 296, Article 13, provides new language authorizing the State Board of Investment to determine and make available an appropriate array of diversified investment options in the Supplemental Investment Fund. The new language eliminates the reference to specific investment options from state statutes and increases the flexibility to offer additional investment options that may enhance participants' ability to reach their retirement plan goals.

Local Fire Fund Activity

Volunteer Fire Plans Investment

Volunteer firefighter retirement plans that are not eligible to be consolidated with PERA may invest their assets with the SBI through the Supplemental Investment Fund (SIF). There are more than 700 local volunteer firefighter plans with investment authority that could participate in SIF. As of the end of fiscal year 2014, there were 191 plans, representing \$259.9 million in assets that do participate in the SIF.

Local Plan Performance Reports

The SBI provides the local plans that participate in the SIF reports displaying their annual returns and market values from the SIF in compliance with *Minnesota Statutes*, Chapter 356. The local plans are responsible for providing their specific data to the Office of the State Auditor.

Voluntary Statewide Volunteer Firefighter Retirement Plan

Minnesota Statutes, Chapter 353G creates a statewide voluntary plan for local relief associations. Local entities may choose to join the statewide plan which is trustee by PERA. Investments of the plan are invested in the Supplemental Investment Fund Volunteer Firefighter Account. Participation in the plan is effective on December 31 of a given year. The SBI must evaluate the assets of each local entity that seeks to join the plan. In 2014, 13 local entities joined the plan, transferring \$7.8 million to the SBI for investment. As of June 30, 2014, 76 local fire entities, representing \$26.2 million in assets, were in the Plan.

Other Post Employment Health Benefits (OPEB)

Under the provisions of *Minnesota Statutes*, Section 471.6175, local units of government including school districts may choose PERA as trustee to administer post employment health benefits. Assets of these accounts are invested by the SBI in the same internally managed investment pools in which the Permanent School Fund and Environmental Trust Fund are invested.

As of June 30, 2014, there were 21 entities with OPEB investment accounts invested by the SBI. In total, these accounts represented \$449 million. Staff anticipates that the number of these accounts will increase in the future.

Duluth OPEB

The SBI is required to report the returns provided on assets invested by the City of Duluth for this purpose. Duluth made its first investment with the SBI July 2007. As of June 30, 2014, returns for Duluth were as follows:

| | 1 Yr. | 3 Yr. | 5 Yr. |
|--------------|--------------|--------------|--------------|
| Equities | 24.5% | 16.5% | 18.8% |
| Fixed Income | 5.0 | 4.3 | 5.3 |
| Total | 17.8 | 12.2 | 13.2 |

Duluth is responsible for the asset allocation decisions in this account and as of June 30, 2014, the asset allocation was the following:

| | Actual Asset Mix |
|--------------|-------------------------|
| Equities | 70.3% |
| Fixed Income | 29.7 |
| Total | 100.0% |

Investment Restrictions

Tobacco Issues

At its September 1998 meeting, the Board adopted a resolution that required each active and semi-passive equity manager to divest by September 2001 shares of any company which obtained more than 15 percent of its revenues from the manufacture of consumer tobacco products. Staff notified each active and semi-passive equity manager of the policy.

At the close of fiscal year 2001, the SBI had divested from its active portfolios all shares of companies covered by its divestment resolution.

Shareholder Resolutions

In previous years, the SBI cosponsored a number of tobacco related shareholder resolutions. The SBI did not cosponsor a tobacco related resolution for the 2014 proxy season.

Sudan Issues

Minnesota Statutes, section 11A.243 concerns the SBI's investment in companies with operations in Sudan. The law requires the SBI to make its best efforts to identify all "scrutinized companies" in which the SBI has direct or indirect holdings or could possibly have holdings in the future.

The SBI receives a list of companies from EIRIS Conflict Risk Network. Staff periodically sends a list of restricted Sudan companies to managers and has required divestment of holdings in compliance with the law. Staff reports to the Board each quarter on its actions to implement the law.

Iran Issues

Minnesota Statutes, section 11A.244, requires the SBI to take a series of steps to identify companies that do business in Iran, communicate with those companies, and divest stock and bonds over a specified period of time if the companies continue their business activities in Iran.

The SBI retains the firm IW Financial to provide a list of companies to implement the law. Staff periodically sends a list of restricted Iran companies to managers and has required divestment of holdings in compliance with the law. Staff reports to the Board each quarter on its actions to implement the law.

International Equity Manager Country Guidelines

The State Board of Investment (SBI) made its first international stock investments in 1992. The benefits of international investing include increased investment opportunity, greater diversification and potential for higher return.

The International Investment Equity Manager Country Guidelines were adopted due to concerns that were present at the time of their adoption in 1992. The concerns centered around the need to recognize that there may be limitations and other considerations posed in emerging market countries which could lead to a disruption in the financial markets of these countries. While the focus of the guidelines is on worker and human right issues, the purpose of these guidelines relates to any potential adverse effect these types of issues have on the

financial markets of their countries.

Over one-half of the world's markets, by market capitalization, lie outside the U.S. The four largest markets, United Kingdom, Japan, Canada and France, comprise about 44 percent of the value of the international markets. Together with other countries in Europe and the Pacific Basin, these countries comprise the developed international stock markets. These countries have strong protections for workers and human rights so there is little concern that economic and social disruptions may occur which would have an adverse effect on financial markets.

Many of the emerging markets in Latin America, Eastern Europe, the Middle East, Africa and Asia may require special investment considerations and/or limitations on investment based upon worker and human rights.

Based on information compiled from U.S. State Department reports related to worker and human rights, the emerging market countries are analyzed and grouped into three broad categories as indicated below by groups I, II and III. *It is important to note that the guidelines listed below do not prohibit an active stock manager from purchasing the stock of any country.* Rather, they require additional notification by the manager regarding the firm's investment strategy for investments to countries in Groups II and III.

Generally, countries in the developed international stock market index are categorized in Group I.

Investment Restrictions

Group I. These countries have legal structures that generally respect the rights of workers and human rights. Because these countries have strong protections for workers and human rights, there is little concern that economic and social disruptions may occur which would have an adverse effect on financial markets. As a result, active stock managers are authorized to invest in companies domiciled in these countries without additional notification to the SBI.

Group II. These countries have legal protections for workers and human rights, but violations have been cited in the State Department reports. It is thought that violations of this type may lead to economic and social disruption in these countries, which may have an adverse effect on their financial markets. An active stock manager may, however, invest in companies domiciled in the countries shown under Group II if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing.

Group III. These countries lack basic protections for workers and human rights and do not appear to be making progress in establishing an appropriate legal structure to address these issues. The potential for economic, political and social unrest is seen to be greater in these countries, which may adversely affect the stability of these financial markets. An active stock manager may, however, invest in companies domiciled in countries shown under Group III if the manager believes that it

would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing of its reasons for the decision to do so.

Review Process

The Board established an International Equity Manager Country Guidelines Task Force to recommend guidelines that address these limitations as well as other concerns related to international investing.

When the Task Force made its final report to the Board in December 1992, they expected that the country groupings would be updated periodically to reflect changes in the world markets. The Board has adopted the following review process

regarding the country guidelines:

- Staff will review reports from the US State Department regarding worker and human rights issues and designate countries “Group I, II or III” using the existing policy guidelines adopted by the Board.

Staff will report on the countries included in the International Program asset class target which will be reviewed by the SBI Administrative Committee. Figure 43 displays the country groupings. There was no update to the SBI’s country groupings in fiscal year 2014.

Figure 43. International Equity Manager Country Guideline Groupings (1)

| Group I MSCI World ex U.S. Countries (2) | Group I MSCI EM Countries (3) | Group II MSCI EM Countries (3) | Group III MSCI EM Countries (3) |
|---|--|---|--|
| Australia | Argentina | Brazil | China |
| Austria | Chile | Colombia | Egypt |
| Belgium | Czech Republic | India | Jordan |
| Canada | Hungary | Indonesia | Pakistan |
| Denmark | Poland | Israel | Russia |
| Finland | Taiwan | Korea, Republic of | |
| France | | Malaysia | |
| Germany | | Mexico | |
| Greece | | Morocco | |
| Hong Kong | | Peru | |
| Ireland | | Philippines | |
| Italy | | South Africa | |
| Japan | | Thailand | |
| Netherlands | | Turkey | |
| New Zealand | | Venezuela | |
| Norway | | | |
| Portugal | | | |
| Singapore | | | |
| Spain | | | |
| Sweden | | | |
| Switzerland | | | |
| United Kingdom | | | |

(1) International Equity Manager Country Guideline Groupings, 2005

(2) Developed Markets index

(3) MSCI Emerging Markets index (MSCI EM)

Proxy Voting

As a stockholder the State Board of Investment (SBI) is entitled to participate in corporate annual meetings through direct attendance or by casting its votes by proxy. Through proxy voting, the Board directs company representatives to vote its shares in a particular way on resolutions under consideration at annual meetings. These resolutions range from issues involving the election of corporate directors and ratification of auditors to matters such as merger proposals and corporate social responsibility issues. In effect, as a shareholder the SBI can participate in shaping corporate policies and practices.

Voting Process

The Board recognizes its fiduciary responsibility to cast votes on proxy issues. Except for the shares held by the international managers, the SBI does not delegate the duty to its external investment managers. Rather, the SBI actively votes all shares according to guidelines established by its Proxy Committee. The Board delegates proxy voting responsibilities to its Proxy Committee which is comprised of a designee of each Board member. The four member Committee meets only if it has a quorum and casts votes on proxy issues based on a majority vote of those present. In the event that it reaches a tie vote or a quorum is not present, the Committee will cast a vote to abstain.

Voting Guidelines

The Committee has formulated guidelines by which it votes on a wide range of corporate governance and social

responsibility issues. Each year the Proxy Committee reviews existing guidelines and determines which issues it will review on a case-by-case basis.

Corporate Governance Issues

The voting guidelines for major corporate governance issues are summarized below:

Routine Matters

In general, the SBI supports management on routine matters such as uncontested election of directors, selection of auditors, and limits on director and officer liability or increases in director and officer indemnification permitted under the laws of the state of incorporation.

Shareholder Rights Issues

In general, the SBI opposes proposals that would restrict shareholder ability to effect change. Such proposals include instituting super-majority requirements to ratify certain actions or events, creating classified boards, barring shareholders from participating in the determination of the rules governing the board's actions (e.g. quorum requirements and the duties of directors), prohibiting or limiting shareholder action by written consent, and granting certain stockholders superior voting rights over other stockholders.

In general, the SBI supports proposals that preserve or enhance shareholder rights to effect change. Such proposals include requiring shareholder approval of poison pill plans, repealing classified boards, adopting secret balloting of proxy votes, reinstating cumulative voting, and adopting anti-greenmail provisions.

Executive Compensation

In general, the SBI supports efforts to have boards of directors comprised of a majority of independent directors, to have compensation committees made up entirely of independent directors, and to have executive compensation linked to a company's long-term performance.

Buyout Proposals

In general, the SBI supports friendly takeovers and management buyouts.

Special Cases

The Proxy Committee evaluates hostile takeovers, contested elections of directors, and re-capitalization plans on a case-by-case basis.

Social Responsibility Issues

The voting guidelines for major social responsibility issues are shown below:

Northern Ireland

The SBI supports resolutions that call for the adoption of the MacBride Principles as a means to encourage equal employment opportunities in Northern Ireland.

Tobacco and Liquor

In general, the SBI supports a variety of tobacco and liquor related resolutions including those that call for corporations to limit their promotion of tobacco and liquor products and to report on their involvement in tobacco issues.

Environmental Protection

In general, the SBI supports resolutions that require a corporation to report or disclose to shareholders company efforts in the environmental arena.

Proxy Voting

Other Social Responsibility Issues

In general, the SBI supports proposals that require a company to report or disclose to shareholders company efforts concerning a variety of social responsibility issues. In the past, these reporting resolutions have included issues such as affirmative action programs, animal testing procedures and nuclear plant safety procedures.

Summary of FY 2014 Proposals

During fiscal year 2014 the SBI voted proxies for approximately 2,000 U.S. corporations.

As in past years, the issues on corporate ballots included a broad range of proposals in the corporate governance area, according to information provided by the proxy adviser firm Glass Lewis.

During the fourth year of advisory votes on executive compensation under the Dodd-Frank Act, investors endorsed a large majority of companies' pay programs, providing 90% support on average. Investors continued to support having such votes take place on an annual basis in the future. Other major corporate governance issues addressed by shareholder proposals included declassification of boards, majority vote requirement for election of directors, and elimination of supermajority requirement proposals.

In the social responsibility area, increased disclosure on companies' lobbying activities and political contributions, environmental related proposals, and sustainability reporting were the major issues according to

information provided by Glass Lewis.

Mandate on Northern Ireland

Requirements

The SBI is responsible for implementing certain statutory provisions concerning its investments in U.S. companies with operations in Northern Ireland. The statute requires the State Board of Investment (SBI) to:

- Annually compile a list of U.S. corporations with operations in Northern Ireland in which the SBI invests.
- Annually determine whether those corporations have taken affirmative action to eliminate religious or ethnic discrimination. The statute lists nine goals modeled after the MacBride Principles.
- Sponsor, co-sponsor and support resolutions that encourage U.S. companies to pursue affirmative action in Northern Ireland, where feasible.

The statute does not require the SBI to divest existing holdings in any companies and does not restrict future investments by the SBI.

Implementation

The SBI uses the services of IW Financial to monitor corporate activity in Northern Ireland. In January 2014, the SBI held stocks or bonds in 139 of 153 corporations identified by IW Financial as having operations in Northern Ireland.

Shareholder Resolutions

The SBI did not file any shareholder resolutions for the 2014 proxy season regarding the MacBride Principles. Shareholder activity has been greatly reduced over the last several years due to many companies having signed the Principles.

Investment Manager Summaries

Domestic Equity Program Managers

Active Managers

Large Cap Growth (Russell 1000 Growth)

INTECH Investment Management LLC (INTECH)

Using a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 Growth Index, while reducing the risk of significant relative underperformance. INTECH does not forecast individual stock alphas, but uses natural relative stock price volatility and correlation characteristics to build a portfolio. Essentially, the firm adjusts the capitalization weights of the Russell 1000 Growth Index to potentially more efficient combinations. The investment process only uses securities in the Russell 1000 Growth Index and utilizes embedded risk controls aimed at mitigating portfolio risk, which include active-weight range limits around the benchmark holdings, a constraint on beta, and maximizing the information ratio. Once the target weights are determined, the portfolio is then rebalanced to those target proportions and re-optimized on a regular basis. The portfolio is continually evaluated to ensure that diversification and return characteristics are consistent with the investment objectives and underlying mathematical theorem. INTECH was retained by SBI as an active manager in January 2005.

Jacobs Levy Equity Management, Inc.

Jacobs Levy believes that the market is a complex system and that intensive quantitative modeling can identify market inefficiencies that offer opportunities for profitable active investment. Recognizing that good judgment is critical, the firm has developed a multidimensional investment approach that combines human insight and intuition, finance and behavioral theory, and leading edge quantitative and statistical methods. The Jacobs Levy investment system is designed to be dynamic and forward-looking, continually adjusting to the market's changing environments and opportunities, and it relies on proprietary research for "disentangling" the market's complexity. The firm's proprietary systems have been engineered to be integrated across all investment functions, from security selection through portfolio construction, trading, performance attribution, and guideline compliance. Expected returns for each security in the investment universe are generated from numerous models and become the inputs for the proprietary portfolio optimizer. The optimizer is run daily with the objective of constructing portfolios that can provide consistent outperformance relative to the underlying benchmark, with controlled residual risk, or tracking error. Extensive automated data scrubbing and human fact checking are conducted daily. Liquidity, trading costs, and investor guidelines are incorporated into the optimization process. Jacobs Levy was retained by the SBI as an active manager in January 2005.

Sands Capital Management, LLC

Sands invests in concentrated portfolios of high-quality, seasoned, growing businesses. Bottom-up, company-focused and long-term oriented research is the cornerstone of the investment process. To be considered as a potential holding, companies must demonstrate superior historical and projected sales and earnings growth; have the potential for wealth creation; and reside in growing sectors. The team then narrows the opportunity set by identifying potential leaders in attractive business spaces. The strategy focuses on six key investment criteria: 1) sustainable above average earnings growth; 2) leadership position in a promising business space; 3) significant competitive advantages or unique business franchise; 4) management with a clear mission and value added focus; 5) financial strength; and 6) rational valuation relative to the overall market and the company's business prospects. Sands was retained by the SBI as an active manager in January 2005.

Winslow Capital Management, LLC

Winslow believes that investing in quality large cap companies with above-average growth provides the best opportunity for achieving superior portfolio returns over the long term. The investment philosophy is founded on bottom up, fundamental research. The strategy identifies companies that can grow earnings above consensus expectations to build portfolios with forward weighted earnings growth in the range of 15-20% annually. A quantitative screen is employed

Investment Manager Summaries

for factors such as revenue and earnings and cash flow growth, return on invested capital, earnings consistency, earnings revisions, low financial leverage and high free cash flow rates relative to net income.

Resulting companies are subjected to a qualitative assessment within the context of industry sectors. Detailed examination of income statements, cash flow and balance sheet projections is conducted, along with a judgment on the quality of management. Attractively valued stocks are chosen based on P/E relative to the benchmark, sector peers, the company's sustainable future growth rate and return on invested capital. Final portfolio construction includes diversification by economic sectors, earnings growth rates, price/earnings ratios and market capitalizations. Winslow was retained by the SBI as an active manager in January 2005.

Zevenbergen Capital Investments LLC

Zevenbergen's investment philosophy is founded on the principles that superior fundamentals drive stock price appreciation and exceptional management combined with balance sheet strength provides capital protection. The firm employs a forward looking, bottom-up investment process designed for long-term results. Portfolios are constructed with companies presenting established and prospective revenue, cash flow and earnings growth, while diversification and risk control are accomplished through a blend of company size, expected growth rates, and appropriate portfolio weightings. The firm remains fully invested to ensure market

participation. Zevenbergen was retained by the SBI in April 1994.

Large Cap Value (Russell 1000 Value)

Barrow, Hanley, Mewhinney & Strauss, Inc. (BHMS)

BHMS believes that markets are inefficient and can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. The overall portfolio will always reflect all three value characteristics: price/earnings and price/book ratios below the market and dividend yields above the market. The stocks must also be attractive according to the firm's dividend discount and relative return models. Analysts provide fundamental analysis in the final step of their investment process. BHMS was retained by the SBI in April 2004.

Earnest Partners, LLC

Earnest Partners utilizes a proprietary valuation and performance model, and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures – and have done extensive research to determine which combination of performance drivers, or return patterns, precede outperformance for stocks in each sector. The firm's fundamental review generally includes conversations with the company's management team and industry specialists, a

review of the company's financial reports, analysis of industry and company-specific studies, as well as independent field research. They control risk using a statistical approach designed to measure and control the prospects of substantially underperforming the benchmark. The portfolio is diversified across industry groups. Earnest Partners was retained by the SBI in July 2000.

LSV Asset Management

LSV's philosophy is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. They use quantitative techniques to rank securities based on fundamental measures of value, past performance, and indicators of near-term appreciation potential. Their risk control discipline limits the portfolio's industry and sector concentrations. LSV was retained by the SBI in April 2004.

Systematic Financial Management, L.P.

Systematic believes that stock prices follow earnings cycles and that superior portfolio returns are achievable by purchasing attractively valued stocks exhibiting positive earnings catalysts which are reflective of improving fundamentals. Systematic seeks to invest in companies trading at compelling valuations that are exceeding investor expectations, have increasing sales and improving margins, and are generating strong levels of free-cash flow. Their investment process involves a strong blend of quantitative screening and fundamental security analysis

Investment Manager Summaries

coupled with a rigorous monitoring of all holdings. Systematic was retained by the SBI in April 2004.

Small Cap Growth (Russell 2000 Growth)

McKinley Capital Management, LLC

McKinley uses a quantitatively driven investment process to systematically search for and identify signs of accelerating growth. The primary model includes a risk-adjusted relative return measurement designed to identify inefficiently priced common stocks relative to the market while adjusting for risk. The candidates are then filtered and scrutinized for liquidity factors and earnings acceleration. The earnings model identifies securities with strong earnings acceleration. The qualitative review begins after the quantitative process has identified candidates for possible inclusion in the portfolio. The purpose of the qualitative analysis is to confirm that the earnings picture revealed through the quantitative analysis is both reasonable and sustainable. New ideas are taken from the quantitative screening process and confirmed through the qualitative review. McKinley was retained by the SBI in January 2004.

Next Century Growth Investors, LLC

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass

consensus earnings estimates. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), an expanding market opportunity, strong management, and are well poised to outperform the market. NCG believes in industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent. NCG was retained by the SBI in July 2000.

Small Cap Value (Russell 2000 Value)

Goldman Sachs Asset Management, L.P.

Goldman Sachs manages a small cap value portfolio using a strong valuation discipline to purchase well-positioned, cash generating businesses run by shareholder-oriented management teams. Portfolio managers are organized by industry, and use industry-specific valuation measures to evaluate companies within their area. They decompose the historical financial reports, meet with management to evaluate their competitive position within the industry, and evaluate each company's valuation attractiveness relative to other comparable companies within the sector. Goldman Sachs was retained by the SBI in January 2004.

Hotchkis and Wiley Capital Management

Hotchkis and Wiley seeks to exploit mispriced securities in the small cap market by investing in "undiscovered" and "out of favor" companies. They invest in stocks of which the

present value of the company's future cash flows exceeds the current market price. Industry analysts determine a company's normal earnings power, or sustainable earnings level under equilibrium economic and competitive market conditions, which becomes the basis for security valuation. Hotchkis and Wiley was retained by the SBI in January 2004.

Martingale Asset Management, L.P.

Martingale manages a small cap value portfolio with the philosophy that they can exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. They use a quantitative process to identify stocks attractively priced based on the company's earnings and cash flow. The process examines multiple characteristics of quality, value and momentum. Value traps are avoided by favoring stocks with positive relative strength and earnings estimate revisions versus peers. Each stock is given a score or ranking. Martingale builds a portfolio of the highest ranked stocks while controlling industry and sector weights, and ensuring the average company size resembles the benchmark. Martingale was retained by the SBI in January 2004.

Peregrine Capital Management

Peregrine's small cap value investment process begins with their proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most underpriced securities on a

Investment Manager Summaries

sector-by-sector basis. The firm analyzes over sixty fundamental factors to identify the most relevant factors in each sector. The focus of the team's fundamental research is to determine if one or more of the style's "Value Buy Criteria" are present. These include resolvable short-term problems, unrecognized assets, take-over potential, fundamental undervaluation and catalysts for change. The portfolio is diversified and sector weights are aligned closely to the benchmark allowing stock selection to drive performance. Peregrine was retained by the SBI in July 2000.

Semi-Passive Managers

Semi-Passive Managers (Russell 1000)

BlackRock Institutional Trust Co., N.A. (formerly Barclays Global Investors)

BlackRock uses a systematic investment process which includes four areas of insights: relative value, earnings quality, sentiment and the influences from thematic drivers. The relative value criteria assesses intrinsic value relative to market price. Earnings quality criteria help identify companies likely to sustain earnings growth and avoid negative surprises. Sentiment criteria help identify market participants' beliefs regarding valuation. The thematic criteria seeks to exploit opportunities from a collection of stocks that move together because they share a common exposure which is currently less obvious to the market. The strategy seeks to minimize investment and operational risks not associated with adding

value. Implementation costs are also considered when balancing return potential with risk profile of trades. The firm was retained by the SBI for semi-passive management in January 1995.

INTECH Investment Management LLC (INTECH)

Using a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 benchmark. No specific sector or security selection decisions based on fundamentals are utilized. Risk parameters include: 1) maximize information ratio, 2) security positions limited to lesser of 1.0% or 8 times maximum index security weight, and 3) beta equal to or less than benchmark beta, and 4) constraining the weighted average capital distribution to be roughly equal to the capital distribution of the benchmark. Target security positions are established using a weekly optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six business days. INTECH was retained by SBI as a semi-passive manager in April 2010.

J.P. Morgan Investment Management, Inc.

J.P. Morgan believes that superior stock selection is necessary to achieve excellent investment results. To accomplish this objective, they use fundamental research and a systematic valuation model. Analysts forecast earnings and dividends for the stock universe and enter these into a stock valuation model that calculates a

dividend discount rate for each security. The stocks are ranked according to this valuation measure within their economic sectors. Stocks most undervalued are placed in the first quintile. The portfolio takes overweight positions in stocks in the first and second quintiles, while underweighting stocks in the fourth and fifth quintiles. In addition, the portfolio will closely approximate the sectors and style of the benchmark. The portfolio remains fully invested at all times. The firm was retained by the SBI in January 1995.

Mellon Capital Management Corp.

Mellon Capital adds incremental value to a benchmark by buying stocks quantitatively ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. Mellon Capital attempts to allocate most of the total risk level set by the client specifically to stock selection. The firm always remains fully invested. The SBI retained the firm as a semi-passive manager in January 1995.

Passive Manager

Passive Manager (R3000)

BlackRock Institutional Trust Co., N.A. (formerly Barclays Global Investors)

For the passive account, BlackRock seeks to minimize tracking error, transaction costs and investment and operational risks. The portfolio is managed against the asset class target (Russell 3000 index) using a proprietary optimization process

Investment Manager Summaries

that integrates a transaction cost model. The resulting portfolio closely matches the characteristics of the benchmark with less exposure to illiquid stocks. The firm was retained by the SBI for passive management in July 1995.

Investment Manager Summaries

International Program Managers

Active Developed Markets Managers

Acadian Asset Management, LLC

Acadian uses stock factors in an effort to predict how well each security in its universe of over 40,000 stocks will perform relative to its region/industry peer group and then ranks all securities by their relative attractiveness. Acadian also applies separate models to forecast peer group returns, in an effort to predict how well each stock's region/industry peer group will perform relative to world equities. The two forecasts are then combined to determine a world-relative return forecast for each stock in the allowable universe. The stock and peer group valuation models are customized to each market. At the individual stock level, Acadian uses a wide range of quantitative factors including valuation, earnings, size and price movements. At the peer group level, Acadian utilizes valuation, risk, growth and economic indicators. Acadian then uses a sophisticated portfolio optimization system to trade off the expected return of the stocks with such considerations as the client's benchmark index, desired level of risk, transaction cost estimates, available liquidity, and other requirements. Portfolios are normally fully invested, with a minimal amount of cash. Country and sector weights fall out of the bottom-up stock selection process, with overall portfolio risk control ensuring the desired level of diversification. The last step of the process is a careful review of optimized portfolios by the

investment team before trading, in an effort to ensure the portfolio meets the client's investment goals. Acadian was retained by the SBI in July 2005.

Columbia Management Investment Advisers, LLC

Columbia's objective is to focus on key forces of change in the markets and the companies that will benefit. They believe that a good understanding of the likely impact of these changes at a company level, complemented with an appreciation of the ability of management to exploit these changes, creates significant opportunities to pick winners and avoid losers. Companies are analyzed within a macroeconomic and global sector/thematic framework. "Top-down" views on macroeconomics and trends in global sectors combine with "bottom-up" company analysis along regional and global sector lines. Analysts propose a rating of A through to E for approximately 150 to 200 stocks in each region reflecting the expected performance on a 12-month view. Columbia was retained by the SBI in February 2000. In December 2003 Columbia acquired Threadneedle International LTD, a United Kingdom based asset manager to manage its international equity assets.

J.P. Morgan Investment Management Inc.

J.P. Morgan's international equity process focuses on stock selection as the primary source of added value, seeking to build a portfolio diversified by both sector and region. Approximately 200 investors are based locally in regional markets, providing insights on 1300 companies. These regional

teams manage regional equity portfolios, generating local market insights and conducting research on companies in an effort to identify the highest conviction stocks within their region. The highest conviction regional stocks are further analyzed by a team of London-based Global Sector Specialists who seek to identify global "industry winners", pinpointing well-managed, profitable companies that possess solid financial positions, whose earnings are growing faster than their competitors yet whose stocks are trading at or below market multiples. Each global sector specialist ranks each of the stocks within his or her sector on a scale from A to D. These rankings will be based on a variety of factors including: the information gathered from the regional investment professionals and the global sector specialists own knowledge of industry dynamics and relative valuations. The final stage of the investment process rests with a team of senior portfolio managers, who are responsible for constructing risk controlled portfolios, capturing the best thinking of both the local and global teams. The emphasis is on delivering alpha through bottom-up stock picking. J.P. Morgan was retained by the SBI in July 2005.

Marathon Asset Management LLP

At the heart of Marathon's investment philosophy is the "capital cycle" approach to investment. This approach is based on the idea that the prospect of high returns will attract excessive capital (and hence competition), and vice versa. In addition, the assessment of how management responds to the forces of the capital cycle, particularly

Investment Manager Summaries

whether they curtail investment when returns have been poor - and how they are incentivized, are critical to the investment outcome. Given the contrarian and long-term nature of the capital cycle, the approach results in strong views versus the market and long holding periods (5 years plus). The investment philosophy guides a focused team of investment generalists who seek investment opportunities in the growth and value universes and across the capitalization spectrum. Marathon was retained by the SBI in November 1993.

McKinley Capital Management, LLC

Using proprietary quantitative models, McKinley's investment process searches for and identifies signs of accelerating growth. The initial universe consists of all publicly traded non-U.S. stocks, from all capitalization categories in more than 60 countries. The primary model includes a risk-adjusted relative return measurement designed to identify inefficiently priced common stocks in US dollars relative to the market while adjusting for risk. The remaining candidates then pass through liquidity and strength of earnings tests. The earnings tests identify securities with strong earnings acceleration. In the final portfolio construction process, McKinley examines a variety of qualitative factors which could ultimately impact earnings. These factors include a qualitative data check and street research analysis of economic factors, specific industry themes and company fundamentals. The final portfolio will hold between 50-75 stocks, providing diversification and risk control by issue, industry, sector and

country. McKinley was retained by the SBI in July 2005.

Pyramis Global Advisors Trust Company (formerly Fidelity Mgmt. Trust Co.)

Pyramis' International Growth strategy is a core, growth-oriented strategy that provides diversified exposure to the developed international markets benchmark. The investment process combines active stock selection and regional asset allocation. Four portfolio managers in London, Smithfield, Rhode Island, and Toronto construct regional sub-portfolios, selecting stocks based on Pyramis analysts' bottom-up research and their own judgment and expertise. The four regional portfolios are combined according to the policy determined by Pyramis' Asset Allocation Group (AAG). The AAG is comprised of senior investment professionals who base their decisions from micro-economic data derived from portfolio manager inputs, analysts' field research, and proprietary data on liquidity, market activity, and fund flows. Portfolio guidelines seek to ensure risk is commensurate with the performance target and to focus active risk on stock selection. Resulting portfolios typically contain between 200 to 250 holdings. Pyramis was retained by the SBI in July 2005.

Semi-Passive Developed Markets Managers

AQR Capital Management, LLC

AQR employs a disciplined quantitative approach emphasizing both top-down country/currency allocation and bottom-up security selection decisions to generate excess

returns. AQR's investment philosophy is based on the fundamental concepts of value and momentum. AQR's international equity product incorporates stock selection, country selection, and currency selection models as the primary alpha sources. Dynamic strategy allocation (between the three primary alpha sources) and style weighting are employed as secondary alpha sources. AQR was retained by the SBI in July 2005.

Pyramis Global Advisors Trust Company (formerly Fidelity Mgmt. Trust Co.)

Pyramis' Select International strategy combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmark index while minimizing relative volatility and risk. Pyramis' investment philosophy is based on the premise that international markets are semi-efficient and pricing anomalies exist. Research conducted by the firm's international equity analysts and portfolio managers provides the basis for stock selection and portfolio construction.

By combining five regional sub-portfolios in the U.K., Canada, Continental Europe, Japan, and the Pacific Basin ex Japan, the portfolio manager produces a portfolio made up of the best ideas of the firm's research analysts located throughout the world. Each regional portfolio is created so that stock selection is the largest contributor to active return while systematic, sector, and factor risks are minimized. The portfolio manager uses a combination of proprietary and third-party optimization models to monitor

Investment Manager Summaries

and control risk within each regional module. Resulting portfolios typically contain between 275 to 325 holdings. Pyramis was retained by the SBI in July 2005.

State Street Global Advisors

The International Alpha Strategy seeks to create value through superior security selection. Stocks are quantitatively ranked by region according to those factors which have been shown to identify mispricing over a long term investment horizon: value, sentiment, earnings quality, and earnings growth. The strategy also incorporates an element to evaluate the macro environment for a portion of the model determined by prevailing market conditions in forming an intermediate term view of factors that will be successful. This element allows a disciplined approach seeking to be adaptive to the macroeconomic environment and respond to changing conditions. The stock scores derived from the combination of these viewpoints are translated into forecasts of stock outperformance. The regional portfolio managers review all suggestions in terms of selections and weightings. A separate process projects transaction costs for each stock. Proprietary portfolio construction software is then used to generate a recommended buy/sell list based on the tradeoff between expected outperformance and the trading costs. State Street Global Advisor's risk management process permits multiple and simultaneous risk penalties and implies that, as industry, country and capitalization deviations become greater and greater, the incremental expected return from a stock must increase in

order to compensate for the greater benchmark relative risk. The managers also impose country, sector, industry, and security specific bands relative to the benchmark as an additional risk management tool and manage other exposures such as capitalization, beta and yield to be similar to that of the underlying benchmark. The investment process creates core portfolios that provide clients with stringent risk control, the return of the asset class, and the benefit of active management. SSgA was retained by the SBI in July 2005.

Passive Developed Markets Managers

State Street Global Advisors

State Street uses a full replication strategy to construct the portfolio. Exchange-traded stock index futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error and trade cash flows in order to minimize transactions costs. State Street Global Advisors was retained by the SBI in October 1992.

Active Emerging Markets Managers

Capital International, Inc.

Capital International, Inc. has a long history of investing in emerging markets for its affiliate, Capital Guardian Trust Company, one of the Capital Group Companies. Capital is distinguished by its extensive commitment to fundamental research, with a large team of experienced analysts focused on gathering in-depth information first-hand on markets and companies around the globe.

This extensive research is applied using a security-by-security approach to portfolio construction and a unique method of portfolio management that has been in place for more than 40 years. Capital emphasizes long-term investments in companies and goes to great lengths to determine the difference between the fundamental value of a company and its price in the marketplace. This basic, fundamental approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. A critical ingredient in this blending process is the recognition that the relative importance of each factor will vary from time to time, and none can be treated as being of paramount importance at all times. The account is divided among six portfolio managers and a research portfolio. The research portfolio is managed by a team of research analysts who select stocks within the sectors they cover. All portfolio managers are free to make their own decisions (within risk control limits) as to sector, quality emphasis, cash reserves, and issue selection. The SBI retained Capital International, Inc., in January 2001.

Morgan Stanley Investment Management Inc.

Morgan Stanley Investment Management is an emerging markets specialist. Their belief is that the emerging markets are a distinct asset class offering a diverse set of investment opportunities. As both macroeconomic and stock-specific factors drive the emerging markets, Morgan Stanley integrates both top-down country allocation and

Investment Manager Summaries

bottom-up stock selection in order to produce superior performance over the medium to long term. Effective investment management requires a dedicated manager who utilizes a set of investment tools tailored to the return and risk potential of this asset class. Morgan Stanley's core investment style combines growth and value as both are potential drivers of performance in emerging markets investing. They believe that growth-oriented companies trading at attractive valuations offer the best return prospects in the emerging markets. Morgan Stanley Investment Management was retained by the SBI for emerging market management in January 2001.

Passive Emerging Markets Managers

State Street Global Advisors

State Street manages an emerging markets index portfolio designed to track the Morgan Stanley Capital International Standard Index of the Emerging Markets. State Street uses an optimized strategy to construct the portfolio. Exchange traded stock index futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error, obtain exposure where local access is inaccessible, and trade cash flows in order to minimize transactions costs. State Street was retained by the SBI in December 2011 for passive emerging markets management.

Investment Manager Summaries

Fixed Income Program Managers

Active Managers

Aberdeen Asset Management, Inc.

Aberdeen believes there are pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm generally avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent excess returns versus the benchmark over time. The firm's value added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise to determine the intrinsic value of each bond. The result is a portfolio that is constructed bond by bond. Sector weightings are a by-product of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

Columbia Management Investment Advisers, LLC

Columbia manages portfolios using a bottom-up, relative value approach in combination with a top-down, macro outlook that guides the firm's relative value decisions. The firm employs in-depth fundamental research and credit analysis combined with proprietary valuation disciplines to identify individual relative value opportunities across market sectors. The duration and maturity structure of the portfolio are managed using rigorous analysis centered on the firm's proprietary interest rate research. Columbia is

committed to diversification of sources of active risk in the portfolios it manages, and believes that proper diversification combined with consistent evaluation of risk-reward trade-offs leads to competitive risk-adjusted performance. Columbia was retained by the SBI in July 1993.

Dodge & Cox

Dodge & Cox manages a diversified portfolio of securities that are selected through bottom-up, fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover and act upon inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, the firm believes attractive returns are possible over the long-term. In seeking above average returns, Dodge & Cox emphasizes market sector and individual security selection, strives to build portfolios which have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

Pacific Investment Management Co. LLC (PIMCO)

PIMCO's investment approach seeks to provide consistent excess returns with similar risk relative to the benchmark over a business cycle. PIMCO's approach to investing has three key principles: diversified sources of value, a long-term orientation and bond selection from a broad universe. PIMCO relies on multiple sources of value through the use of top-

down and bottom-up strategies. PIMCO's investment process starts with an annual Secular Forum. The goal of the Secular Forum is to look beyond the current business cycle and determine how secular forces will play out over the next three to five years. Quarterly, PIMCO holds Economic Forums to evaluate global growth and inflation over the next six to twelve months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) works on a consensus basis to develop major strategies that serve as a model for all portfolios. The Investment Committee makes use of the top-down outlook provided by the Forums, PIMCO's Chief Economist, and generalist portfolio managers as well as bottom-up input from the Deputy CIOs and specialists who each focus on their respective asset classes. The IC defines a set of consistent strategies that are then implemented by sector specialists who perform in-depth research and recommend individual securities to generalist portfolio managers to be included in their portfolios. PIMCO was retained by the SBI in September 2008.

Western Asset Management Co.

Western emphasizes the use of multiple strategies and active sector rotation and issue selection, while constraining overall interest rate risk relative to the benchmark. Multiple strategies are proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. Western believes that this approach adds consistent value over time and can reduce volatility. Long term value

Investment Manager Summaries

investing is Western Asset's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation. Western believes that successful interest rate forecasting is extremely difficult to accomplish consistently and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

Semi-Passive Managers

BlackRock Financial Management, Inc.

BlackRock manages a semi-passive portfolio that closely tracks the Barclays Capital Aggregate Index. BlackRock employs a controlled-duration, relative value sector rotation and security selection approach, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through managing portfolio duration within a narrow band relative to the benchmark, relative value sector/sub-sector rotation and security selection, rigorous quantitative analysis of the valuation of each security and of the portfolio as a whole, intense credit analysis and review, and the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent risk-adjusted value is added. BlackRock was retained by the SBI in April 1996.

Goldman Sachs Asset Management

Goldman manages a semi-passive portfolio that closely tracks the Barclays Capital Aggregate. Goldman manages the portfolio within a risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return relative to the benchmark. To a lesser degree, term structure and highly controlled interest rate anticipation strategies are also implemented. Portfolios are diversified among various sectors and individual securities. Goldman combines long-term strategic investments with short-term tactical trading opportunities. Strategic investments are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

Neuberger Berman Fixed Income LLC

Neuberger manages a semi-passive portfolio that closely tracks the Barclays Capital Aggregate. Neuberger's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and management of risks are at the heart of their investment process. Neuberger's proprietary risk exposure analysis includes all relevant systemic factors, interest rate and spread-related, that determine a bond's expected return with respect to changes in interest rates and spreads. Neuberger analyzes

every bond in the index for all relevant factors, and capitalization weights the results to calculate index level risk exposures. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Risk is controlled by setting target active risk exposures that must fall within pre-established maximums. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

Investment Manager Summaries

Assigned Risk Plan Managers

GE Asset Management, Inc.
GE Asset Management manages the stock portfolio for the Assigned Risk Plan. Their strategy is to maintain a style-neutral position between value and growth stocks and focus on fundamental, bottom-up stock selection to add value. This strategy is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of industry analysts. Each analyst is responsible for one or more industries and together provide analytical coverage across the full spectrum of industries. The three portfolios are combined to create a well-diversified portfolio while neutralizing the style bet. GE Asset Management was retained by the SBI in January 1995.

RBC Global Asset Management (U.S.)

RBC manages the fixed income portfolio for the Assigned Risk Plan. The main objective for the portfolio is to provide cash for the payment of workers compensation claims on the required dates. Because of the uncertainty of premium and liability cash flows, the fund is invested conservatively and is benchmarked to the Barclays Intermediate Government Index. RBC uses a top-down approach to bond selection. They focus on sector analysis and security selection and position the portfolio to achieve returns just above benchmark. RBC has managed the bond portfolio since July 1991.

Stable Value Manager

Galliard Capital Management, Inc.

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests the Account in well diversified portfolios of high quality investment grade fixed income securities. The manager invests cash flows to optimize yields. The manager also invests in investment contracts with U.S. financial institutions that provide principal protection for the fixed income portfolios regardless of daily market changes. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes. The firm was retained by the SBI in November 1994.

Money Market Account

State Street Global Advisors

The Money Market Account seeks to provide safety of principal, daily liquidity and a competitive yield over the long term. The Account is not a "money market fund" registered with the Securities and Exchange Commission, and is not subject to the various rules and limitations that apply to such funds. There can be no assurance that the Account will maintain a stable net asset value.

The Account invests in a diversified portfolio of U.S. dollar-denominated securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities; debt securities of domestic or foreign corporations; mortgage-backed and other asset-backed securities; taxable and tax-exempt municipal bonds; obligations of international agencies or supranational entities; inflation-indexed bonds; structured notes; loan participations; delayed funding loans and revolving credit facilities; and short-term investments, such as repurchase agreements, bank certificates of deposit, fixed time deposits, and bankers' acceptances.

State Deferred Compensation Plan Managers

Dodge & Cox Income Fund

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio invests primarily in intermediate term, investment-grade quality corporate and mortgage bonds, government issues, and, to a lesser extent, fixed income securities rated Baa or lower. While it invests primarily in the U. S. bond market, the fund may invest a small portion of assets in dollar-denominated foreign securities. The fund was retained by the SBI in July 1999.

Investment Manager Summaries

Fidelity Diversified International Fund

The goal of this fund is capital appreciation by investing in securities of companies located outside the United States. The fund invests primarily in larger companies located in developed countries. The manager uses a bottom-up stock selection process based on the extensive fundamental research available from the company's many security analysts across the globe. The process seeks to invest in companies with durable earnings, strong competitive position, and improving profitability. Sector and country weightings are reviewed for risk control. As part of the portfolio construction process and quarterly portfolio review, rigorous quantitative portfolio analysis is evaluated to examine risks exposures including style factors, sectors and geography. The manager rarely invests in currency to protect the account from exchange fluctuations. The fund was retained by the SBI in July 1999.

Janus Twenty Fund

The fund is an actively managed large cap equity option. The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in holdings of about thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential. The fund was retained by the SBI in July 1999.

T. Rowe Price Small Cap Stock Fund

The strategy of this fund is to invest primarily in small-cap stocks, those below the upper end of the Russell 2000 Index at time of purchase which are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S. over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds. The fund was retained by the SBI in July 1999.

Vanguard Institutional Index Plus Fund Plus

The passively managed fund tracks the S&P 500 index. This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 index. The fund invests in all 500 stocks in the S&P 500 index in approximately the same proportions as they are represented in the index. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stocks. The fund was retained by the SBI in July 1999.

Vanguard Mid Capitalization Index Institutional Fund Plus

The fund is passively managed to track the performance of the CRSP US Mid Cap Index, an index of stocks of medium-size U.S. companies. The manager holds positions in all companies in the index and uses futures and options for handling cash needs.

The fund was retained by the SBI in January 2004.

Vanguard Balanced Index Fund Institutional

The fund portfolio provides a diversified portfolio of stocks and bonds by investing in a mix of 60 percent stocks and 40 percent bonds. The manager does not change the asset mix. The fund is passively managed with the equity portfolio invested to track the returns of the CRSP US Total Market Index, which encompasses stocks of companies of all sizes and the bond portfolio invested to track the returns of the Barclays Capital Aggregate Bond index. The fund was retained by the SBI in December 2003.

Vanguard Total Bond Market Index Fund Institutional Plus

The fund is passively managed to track the performance of the Barclays Capital Aggregate Bond index. The manager uses an index sampling technique to invest in investment-grade corporate, U.S. Treasury, international dollar denominated bonds, mortgage-backed and asset-backed securities of varying maturities in order to create a portfolio of intermediate duration like the Barclays Capital Aggregate. The fund was retained by the SBI in December 2003.

Vanguard Total International Stock Index Fund Plus

The fund is passively managed to track the returns of the FTSE Global All Cap ex US Index, an index designed to measure equity market performance in developed markets and emerging markets, excluding the US. The fund invests in small,

Investment Manager Summaries

mid and large cap stocks in the market index. Fund assets are allocated based on each regions weighting in the index. The fund was retained by the SBI in December 2003.

Minnesota Target Retirement Funds

State Street Global Advisors

The MN Target Retirement Funds managed by State Street Global Advisors, seek to offer complete, low cost investment strategies with asset allocations which become more conservative as employees near retirement. Each Fund seeks to achieve its objective by investing in a set of underlying SSgA collective trust funds representing various asset classes. Over time, the allocation to asset classes and funds change according to a predetermined "glide path". (The glide path represents the shifting of asset classes over time and does not apply to the Income Fund.) Each Fund's asset allocation will become more conservative as it approaches its target retirement date. This reflects the need for reduced investment risks as retirement approaches and the need for lower volatility of a portfolio, which may be a primary source of income after retiring.

Investment Manager Summaries

Alternative Investment Managers

Private Equity Managers

Adams Street Partners

Adams Street (formerly Brinson Partners) Global Secondary Fund 5 was formed in 2012. Fund 5 invests exclusively in secondary venture capital and private equity limited partnership interests which are sold by investors who, for a variety of reasons, have decided to sell some or all of their partnership interests. Adams Street Partners is based in Chicago, IL.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------|--------------------------|---------------------------------|-----------------------|
| Global Secondary Fund 5 | 19,371,344 | 76,830,000 | 2.03 |

Advent International

Advent International GPE VI and VII were formed for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. Advent has regional headquarters in Boston and London. The funds were formed in 2008 and 2012, respectively.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|------------------------------|--------------------------|---------------------------------|-----------------------|
| Advent International GPE VI | 54,304,953 | 2,549,995 | 6.25 |
| Advent International GPE VII | 45,946,811 | 53,640,000 | 1.78 |

Affinity Capital

Affinity Ventures Funds IV and V were formed to make venture capital investments exclusively in the health care industry, with a focus on companies in the medical device, health care service, health care information technology, and biotechnology sectors. Affinity Capital is based in Minneapolis, MN.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------|--------------------------|---------------------------------|-----------------------|
| Affinity Ventures IV | 1,506,066 | 0 | 10.00 |
| Affinity Ventures V | 2,781,613 | 750,000 | 5.99 |

Apax Partners

Apax Partners VIII was formed in 2013 for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market and large capitalization companies in Europe and North America. Apax is headquartered in London.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------|--------------------------|---------------------------------|-----------------------|
| Apax VIII | 44,849,662 | 153,900,630 | 1.31 |

aPriori (formerly Credit Suisse)

DLJ Merchant Banking Partners III was formed in 2000. Based in New York with offices worldwide, the Fund's investments will involve a variety of transactions, including leveraged and unleveraged acquisitions, recapitalizations, restructurings, workouts, expansion financings and other, similar situations. The General Partner officially spun out of former parent, Credit Suisse, in March 2014.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------------|--------------------------|---------------------------------|-----------------------|
| DLJ Merchant Banking Partners III | 9,952,917 | 3,082,639 | 13.75 |

Investment Manager Summaries

The Banc Funds Co.

Based in Chicago, IL, Banc Fund VII, Banc Fund VIII and Banc Fund IX invest primarily in sub-regional banks, across the U.S., which have demonstrated above average growth and are likely acquisition targets.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------|--------------------------|---------------------------------|-----------------------|
| Banc Fund VII | 40,481,010 | 0 | 9.25 |
| Banc Fund VIII | 129,903,104 | 0 | 6.18 |
| Banc Fund IX | 0 | 67,000,000 | 0.05 |

Blackstone Group

Blackstone Capital Partners Funds IV, V and VI are limited partnerships which were formed in 2002, 2006, and 2008, respectively. Based in New York, the funds will invest in a variety of private equity transactions in North America and Europe.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------------------|--------------------------|---------------------------------|-----------------------|
| Blackstone Capital Partners Fund IV | 31,298,982 | 2,120,881 | 11.97 |
| Blackstone Capital Partners Fund V | 122,323,008 | 12,642,206 | 8.41 |
| Blackstone Capital Partners Fund VI | 52,494,285 | 54,537,213 | 5.93 |

Blum Capital

Blum Strategic Partners II, Blum Strategic Partners III, and Blum Strategic Partners IV were organized in 2001, 2005 and 2007, respectively. Based in San Francisco, CA the funds will focus on value-oriented private and public equity investments located primarily in the U.S.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------|--------------------------|---------------------------------|-----------------------|
| Blum Strategic Partners II | 261,257 | 2,127,584 | 12.95 |
| Blum Strategic Partners III | 16,283,617 | 193,515 | 9.08 |
| Blum Strategic Partners IV | 85,934,504 | 15,258,645 | 6.61 |

CarVal Investors

CVI Global Value Fund, Credit Value Fund, and Credit Value Fund II were formed in 2007, 2010, and 2012, respectively. The funds are based in Minneapolis with offices in Beijing, Buenos Aires, London, Copenhagen, Delhi, Luxembourg, Paris, Singapore, Shanghai and Tokyo. The Funds will make investments in loan portfolios, corporate securities, international real estate and real estate loans and special opportunities.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------|--------------------------|---------------------------------|-----------------------|
| CVI Global Value Fund | 89,701,972 | 10,000,000 | 7.46 |
| CVI Credit Value Fund I | 152,282,751 | 5,000,000 | 3.75 |
| CVI Credit Value Fund II | 166,636,718 | 7,500,000 | 1.67 |

Chicago Growth Partners (formerly William Blair)

Formed in 2001, 2005 and 2008 and based in Chicago, IL, the Chicago Growth Partners funds seek investments in a broad spectrum of private companies at various stages of corporate development.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|------------------------------------|--------------------------|---------------------------------|-----------------------|
| William Blair Capital Partners VII | 1,951,929 | 1,650,000 | 13.31 |
| Chicago Growth Partners I | 18,670,534 | 300,000 | 8.93 |
| Chicago Growth Partners II | 51,483,630 | 8,331,020 | 6.30 |

Investment Manager Summaries

Court Square Capital

Court Square Capital Partners I, II and III were formed in 2001, 2006 and 2012, respectively, to make private equity investments in a diversified, global portfolio of companies. Court Square Capital is based in New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------------|--------------------------|---------------------------------|-----------------------|
| Court Square Capital Partners I | 1,355,559 | 10,505,273 | 12.55 |
| Court Square Capital Partners II | 98,791,842 | 17,830,316 | 7.82 |
| Court Square Capital Partners III | 24,815,022 | 148,134,544 | 2.08 |

Crescendo Ventures

Crescendo Venture Fund IV was organized in 2000. They have offices in Minneapolis, MN and Palo Alto, CA. The funds will pursue opportunistic venture capital investments throughout the U.S.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------|--------------------------|---------------------------------|-----------------------|
| Crescendo Venture Fund IV | 16,097,885 | 0 | 14.31 |

CVC Capital Partners

CVC European Equity Partners V and Capital Partners VI are based in London and were formed in 2008 and 2013, respectively. CVC invests primarily in the European mid and large buyout markets, with investment opportunities available from a broad range of sectors and geographies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| CVC European Equity Partners V | 113,011,394 | 1,447,007 | 6.26 |
| CVC Capital Partners VI | 1,038,187 | 305,928,471 | 0.98 |

Diamond Castle Partners

Diamond Castle Partners IV, based in New York, was established in 2006 to make private equity investments primarily in the following sectors: energy and power, healthcare, media and telecom, and financial services.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------------|--------------------------|---------------------------------|-----------------------|
| Diamond Castle Partners IV | 42,941,640 | 10,492,126 | 7.81 |

DSV Management

DSV Partners IV limited partnership was formed in 1985. The firm has offices in Princeton, NJ. DSV focuses on start-up and early stage investments.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------|--------------------------|---------------------------------|-----------------------|
| DSV Partners IV | 31,652 | 0 | 29.22 |

Elevation Partners

Elevation Partners was formed in 2005 for the purpose of making private equity investments targeting the media and entertainment sectors, with a focus on content and intellectual property. Elevation has offices in Menlo Park, CA and New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------|--------------------------|---------------------------------|-----------------------|
| Elevation Partners | 9,477,697 | 12,106,177 | 9.12 |

Investment Manager Summaries

Fox Paine and Company

Fox Paine Capital Fund II was formed in 2000. Based in Foster City, CA, the fund focuses on private equity investments in middle market operating businesses in a wide variety of industries.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------|--------------------------|---------------------------------|-----------------------|
| Fox Paine Capital Fund II | 17,402,797 | 12,326,825 | 14.00 |

GTCR Golder Rauner

GTCR Golder Rauner Funds IV, VI, VII, IX, X and XI were formed in 1993, 1998, 2000, 2006, 2010 and 2013 are funds of a successor firm to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. Based in Chicago, IL the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---|--------------------------|---------------------------------|-----------------------|
| Golder, Thoma, Cressey and Rauner Fund IV | 115,507 | 0 | 20.41 |
| GTCR Fund VI | 2,258,466 | 0 | 16.00 |
| GTCR Fund VII | 552,460 | 1,859,375 | 14.39 |
| GTCR Fund IX | 57,201,973 | 5,460,067 | 8.00 |
| GTCR Fund X | 98,821,797 | 14,537,111 | 3.55 |
| GTCR Fund XI | 0 | 110,000,000 | 0.62 |

Goldman Sachs Capital Partners

GS Capital Partners 2000, GS Capital Partners V, and GS Capital Partners VI were formed in 2000, 2005 and 2007, respectively, by Goldman Sachs. Based in New York, the funds will focus on domestic and international investments in four areas: energy, telecommunications, broadband, and technology.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------|--------------------------|---------------------------------|-----------------------|
| GS Capital Partners 2000 | 6,925,901 | 0 | 13.83 |
| GS Capital Partners V | 36,646,577 | 26,041,099 | 9.25 |
| GS Capital Partners VI | 35,407,290 | 23,401,845 | 7.41 |

Goldner Hawn Johnson and Morrison

GHJM Marathon Fund V was organized in 2004. Trailhead Fund was formed by this group in 2012. Based in Minneapolis, MN the funds will pursue primarily middle market private equity investments located in the Midwest and other parts of the U.S.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------|--------------------------|---------------------------------|-----------------------|
| GHJM Marathon Fund V | 36,595,918 | 148,553 | 9.74 |
| GHJM Trailhead Fund | 8,851,931 | 9,985,813 | 2.35 |

Hellman and Friedman

Hellman and Friedman V, VI and VII were organized in 2004, 2007 and 2009. Based in San Francisco, CA the funds will pursue opportunistic private equity investments located in the U.S. and Europe.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------|--------------------------|---------------------------------|-----------------------|
| Hellman and Friedman V | 20,381,384 | 15,917,142 | 9.58 |
| Hellman and Friedman VI | 79,964,735 | 7,571,384 | 7.25 |
| Hellman and Friedman VII | 32,670,143 | 18,112,632 | 5.19 |

Investment Manager Summaries

IK Investment Partners

IK, based in London, makes investments in lower middle-market business in Europe's northern countries. IK's primary focus is businesses in the industrial, businesses services and healthcare sectors. IK Fund VII was formed in 2013.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------|--------------------------|---------------------------------|-----------------------|
| IK Fund VII | 39,966,837 | 150,226,260 | 0.79 |

Kohlberg, Kravis, Roberts & Co. (KKR)

KKR's Funds invest in large leveraged buyouts but may include other types of investments as well. The partnerships' portfolio companies are often mature, low technology companies with diversified operations. Kohlberg, Kravis, Roberts and Co. is based in New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------|--------------------------|---------------------------------|-----------------------|
| KKR Millennium Fund | 65,505,963 | 0 | 11.56 |
| KKR 2006 Fund | 155,093,758 | 10,529,184 | 7.76 |

Leonard Green & Partners (LGP)

LGP invests in middle-market companies in a variety of structured transactions. LGP typically makes investments in the retail, consumer & business services, and healthcare and distribution sectors. Green Equity Investors VI was formed in 2012 to continue this investment philosophy. LGP is based in Los Angeles, CA.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------|--------------------------|---------------------------------|-----------------------|
| Green Equity Investors VI | 68,345,231 | 139,862,879 | 2.29 |

Lexington Capital Partners

Lexington Capital Partners VI, VII and VIII were formed in 2006, 2009 and 2014, respectively, for the purpose of making investments in established buyout, mezzanine and venture capital funds, primarily through secondary transactions. The funds are based in New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------------|--------------------------|---------------------------------|-----------------------|
| Lexington Capital Partners VI | 59,580,026 | 1,634,703 | 8.51 |
| Lexington Capital Partners VII | 133,693,005 | 51,804,624 | 5.05 |
| Lexington Capital Partners VIII | 0 | 150,000,000 | 0.32 |

Merced Capital (formerly EBF & Associates)

Based in Minneapolis, MN Merced Partners II, III and IV expect to invest in securities with strong downside protection from identifiable asset value and compelling return potential from some combination of current income, asset value appreciation, secondary market instrument appreciation, and enterprise value creation or appreciation. Merced Partners II, III and IV were formed in 2006, 2010 and 2013, respectively.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------|--------------------------|---------------------------------|-----------------------|
| Merced Partners II | 21,989,450 | 0 | 7.25 |
| Merced Partners III | 103,290,695 | 0 | 4.15 |
| Merced Partners IV | 45,809,953 | 78,125,000 | 0.97 |

Investment Manager Summaries

Nordic Capital

Nordic Capital is based in Stockholm, Sweden and performs buyouts of middle-market businesses, primarily in the Nordic region of Europe. Nordic focuses on healthcare and information technology businesses where they can use their expertise in these sectors to create value. Nordic Capital VIII was formed in 2013.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------|--------------------------|---------------------------------|-----------------------|
| Nordic Capital VIII | 13,657,628 | 183,283,930 | 0.80 |

Permira

Permira performs buyouts of middle-market companies across geographies in Europe and North America. Permira typically makes investments in the retail, consumer & business services, healthcare and telecom, media and technology sectors. Permira V was formed in 2013 to continue this investment philosophy. Permira is based in London.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------|--------------------------|---------------------------------|-----------------------|
| Permira V | 40,601,334 | 155,031,660 | 0.50 |

Public Pension Capital Management (PPC)

PPC developed an innovated approach to private equity investing, tailored to the needs and demands of modern public pensions in the United States. The fund's evergreen structure allows flexibility, increased transparency and alignment of interests of the GP and LPs. The fund invests in middle-market businesses in the industrial, specialty chemical, food and healthcare sectors. PPC was formed in 2014 and is based in New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------|--------------------------|---------------------------------|-----------------------|
| Public Pension Capital Fund | 0 | 80,000,000 | 0.12 |

RWI Ventures

RWI Ventures I was formed in 2000 to make venture capital investments. The Fund is based in California. The RWI Funds were transferred to the SBI from the Minneapolis Teachers Retirement Fund Association (MTRFA) on June 30, 2006 pursuant to the merger of MTRFA into TRA.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------|--------------------------|---------------------------------|-----------------------|
| RWI Ventures I | 521,963 | 0 | 8.00 |

Sightline Healthcare (Piper Jaffray)

Sightline Healthcare Funds III, and IV were organized in 1999 and 2003, respectively. Based in Minneapolis, MN, the funds will focus on a geographically diverse portfolio of healthcare venture capital investments.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------------|--------------------------|---------------------------------|-----------------------|
| Sightline Healthcare Fund III | 1,287,149 | 0 | 15.44 |
| Sightline Healthcare Fund IV | 2,728,881 | 0 | 10.76 |

Investment Manager Summaries

Silver Lake Partners

Silver Lake Partners II, III, and IV were formed in 2004, 2007, and 2012, respectively. With offices in New York and Menlo Park, CA the funds will focus primarily on large-scale private equity investing in technology companies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------|--------------------------|---------------------------------|-----------------------|
| Silver Lake Partners II | 46,093,785 | 11,681,453 | 10.00 |
| Silver Lake Partners III | 66,385,404 | 15,397,854 | 7.25 |
| Silver Lake Partners IV | 14,083,609 | 84,676,589 | 1.76 |

Split Rock Partners

Split Rock Partners and Split Rock Partners II were formed in 2005 and 2008, respectively, by Split Rock Partners Management (formerly part of St. Paul Venture Capital). With offices in Minneapolis, MN and Menlo Park, CA the funds will focus on private equity investments in seed and early-stage healthcare and software companies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|------------------------|--------------------------|---------------------------------|-----------------------|
| Split Rock Partners I | 31,150,944 | 5,200,001 | 9.16 |
| Split Rock Partners II | 33,764,092 | 16,025,000 | 6.17 |

Strategic Partners (formerly Credit Suisse)

Strategic Partners I, II B, III B, III VC, IV B, IV VC, V and VI were formed to invest in secondary leveraged buyout, venture capital, and mezzanine debt limited partnership interests which are sold by investors who, for a variety of reasons have decided to liquidate all or a portion of their private equity holdings. All of the funds are based in New York. In 2013, the Strategic Partners funds platform was sold to The Blackstone Group and is now wholly-owned by Blackstone.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| Strategic Partners Fund I | 4,468,880 | 3,385,485 | 13.44 |
| Strategic Partners Fund II B | 4,832,264 | 10,307,109 | 10.95 |
| Strategic Partners Fund III B | 45,228,001 | 16,637,131 | 9.08 |
| Strategic Partners Fund III VC | 10,748,435 | 804,629 | 9.08 |
| Strategic Partners Fund IV B | 57,793,786 | 10,325,657 | 6.26 |
| Strategic Partners Fund IV VC | 27,374,946 | 1,693,261 | 6.03 |
| Strategic Partners Fund V | 79,614,862 | 31,405,926 | 2.87 |
| Strategic Partners Fund VI | 7,500,000 | 142,500,000 | 0.21 |

Summit Partners

Summit Ventures V and VIII are limited partnerships formed in 1998 and 2011. Summit Partners focuses on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type. Summit Partners is based in Boston, MA.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------|--------------------------|---------------------------------|-----------------------|
| Summit Ventures V | 84,548 | 875,000 | 16.25 |
| Summit Ventures VIII | 51,899,350 | 46,000,000 | 3.15 |

Investment Manager Summaries

Thoma Cressey Bravo Equity Partners

Thoma Cressey Bravo is one of two successor firms to the private equity firm of Golder, Thoma, Cressey and Rauner. Thoma Cressey VI, VII and VIII were formed in 1998, 2000, and 2006. Based in Chicago, IL the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------|--------------------------|---------------------------------|-----------------------|
| Thoma Cressey Fund VI | 698,131 | 1,085,000 | 15.86 |
| Thoma Cressey Fund VII | 5,543,810 | 0 | 13.85 |
| Thoma Cressey Fund VIII | 69,406,154 | 770,000 | 8.16 |

Thomas, McNerney & Partners

Thomas, McNerney & Partners is based in Minneapolis, MN with additional offices in New York and San Francisco, CA. The Thomas, McNerney & Partners Fund I and Fund II were formed in 2003 and 2006 to make venture capital investments in all stages of development and across all sectors of the health care industry.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------------------|--------------------------|---------------------------------|-----------------------|
| Thomas, McNerney & Partners Fund I | 15,140,474 | 600,000 | 11.65 |
| Thomas, McNerney & Partners Fund II | 47,653,403 | 5,875,000 | 8.00 |

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, manages stock distributions from the SBI's alternative investment limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------|--------------------------|---------------------------------|-----------------------|
| T. Rowe Price | 68,517,219 | 0 | N/A |

Varde Partners

Varde Fund IX, X and XI are limited partnerships formed in 2008, 2010 and 2013, respectively. Based in Minneapolis, MN the funds will invest in distressed and/or mispriced private and public investments.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------|--------------------------|---------------------------------|-----------------------|
| Varde Fund IX | 59,780,269 | 0 | 6.02 |
| Varde Fund X | 215,190,600 | 0 | 4.19 |
| Varde Fund XI | 192,158,820 | 20,000,000 | 0.97 |

Vestar Capital Partners

Vestar Capital Partners IV, V and VI are limited partnerships that were formed in 1999, 2006, and 2011, respectively. Based in New York, the funds invest primarily in a number of private middle market companies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------------|--------------------------|---------------------------------|-----------------------|
| Vestar Capital Partners IV | 7,170,736 | 746,945 | 14.54 |
| Vestar Capital Partners V | 65,503,665 | 583,554 | 8.53 |
| Vestar Capital Partners VI | 36,225,260 | 65,346,087 | 2.77 |

Investment Manager Summaries

Warburg Pincus & Co.

Warburg Pincus is based in New York. These funds will invest private equity in a wide variety of businesses located domestically and abroad. The funds listed were formed in 1998, 2002, 2005, 2007, and 2012.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---|--------------------------|---------------------------------|-----------------------|
| Warburg Pincus Equity Partners | 3,099,131 | 0 | 16.01 |
| Warburg Pincus Private Equity Partners VIII | 59,398,856 | 0 | 12.21 |
| Warburg Pincus Private Equity Partners IX | 41,088,907 | 0 | 8.93 |
| Warburg Pincus Private Equity Partners X | 132,084,213 | 0 | 6.68 |
| Warburg Pincus Private Equity Partners XI | 91,416,058 | 110,616,623 | 1.52 |

Wayzata Investment Partners

Wayzata Opportunities Funds I, II, and III were formed in 2005, 2007 and 2012, respectively, for the purpose of making investments in distressed securities where it can expect to exert significant influence on the restructuring process and potentially control the reorganized company. The Funds are based in Wayzata, MN.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| Wayzata Opportunities Fund I | 36,492,900 | 6,820,000 | 8.53 |
| Wayzata Opportunities Fund II | 62,293,121 | 92,550,000 | 6.69 |
| Wayzata Opportunities Fund III | 16,203,006 | 131,610,000 | 2.04 |

Welsh, Carson, Anderson and Stowe

Welsh, Carson, Anderson and Stowe Funds VIII, IX, X and XI were formed in 1998, 2000, 2005, and 2008. Based in New York, the funds focus on private equity investments in the healthcare and information services industries.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---|--------------------------|---------------------------------|-----------------------|
| Welsh, Carson, Anderson and Stowe Fund VIII | 122,929 | 0 | 15.93 |
| Welsh, Carson, Anderson and Stowe Fund IX | 13,697,084 | 1,250,000 | 14.01 |
| Welsh, Carson, Anderson and Stowe Fund X | 73,682,121 | 2,000,000 | 8.54 |
| Welsh, Carson, Anderson and Stowe Fund XI | 88,332,927 | 13,295,189 | 5.94 |

Real Estate Managers

Blackstone Real Estate Partners

Based in New York, Blackstone Real Estate Partners V, VI and VII were formed in 2006, 2007 and 2011 to make real estate investments in a variety of sectors, geographic locations and business climates. Blackstone will consider investments in major urban office buildings, the lodging sector, distribution and warehousing centers, retail, and a variety of real estate operating companies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------------------|--------------------------|---------------------------------|-----------------------|
| Blackstone Real Estate Partners V | 104,759,534 | 4,174,052 | 8.17 |
| Blackstone Real Estate Partners VI | 144,144,365 | 3,520,125 | 7.25 |
| Blackstone Real Estate Partners VII | 84,376,856 | 29,516,586 | 2.59 |

Investment Manager Summaries

Colony Advisors

Colony Investors II and III are closed-end commingled real estate funds managed by Colony Capital Inc. of Los Angeles, CA. The fund's strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund II in 1995 and Fund III in 1997.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------|--------------------------|---------------------------------|-----------------------|
| Colony Investors II | 2,600 | 1,517,672 | 19.25 |
| Colony Investors III | 4,769,078 | 0 | 16.50 |

SilverPeak

Silverpeak Legacy Pension Partners II and III were formed in 2005 and 2007, respectively, to invest in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The funds' worldwide headquarters are in New York, with regional headquarters in London and Tokyo. In 2010, the funds were renamed Silverpeak Legacy Pension Partners II and III to reflect the General Partner ownership change after the Lehman Brothers bankruptcy in 2008.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--|--------------------------|---------------------------------|-----------------------|
| Silverpeak Legacy Pension Partners II | 30,671,619 | 9,857,501 | 9.00 |
| Silverpeak Legacy Pension Partners III | 26,970,790 | 83,274,488 | 6.11 |

Strategic Partners (formerly Credit Suisse)

Strategic Partners III RE and Strategic Partners IV RE were formed in 2005 and 2008, respectively, for the purpose of purchasing secondary interests of real estate funds. The funds will follow a strategy similar to that of the Strategic Partners private equity funds, in which the SBI is also an investor. Credit Suisse sold the Strategic Partners funds platform to The Blackstone Group in 2013. Blackstone is based in New York.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| CSFB Strategic Partners III RE | 10,756,882 | 9,006 | 9.00 |
| CS Strategic Partners IV RE | 26,610,996 | 1,217,406 | 6.03 |

TA Associates Realty

TA Realty Associates Funds VI, VII, VIII, IX and X are closed-end, commingled real estate funds managed by TA Associates Realty of Boston, MA. The funds invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the funds in 1999, 2002, 2004, 2006, 2008 and 2012, respectively.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| TA Realty Associates Fund VI | 354,630 | 0 | 12.01 |
| TA Realty Associates Fund VII | 37,146,043 | 0 | 9.62 |
| TA Realty Associates Fund VIII | 64,389,691 | 0 | 8.00 |
| TA Realty Associates Fund IX | 93,118,324 | 0 | 5.85 |
| TA Realty Associates Fund X | 67,749,825 | 35,000,000 | 2.33 |

Investment Manager Summaries

Resource Funds Managers

Apache Corporation

Apache Corporation is a Houston, TX based oil and gas company. Apache Acquisition Net Profits Interest is a private placement that was formed in 1986 to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. The fund will remain in effect throughout the producing life of the properties.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---|--------------------------|---------------------------------|-----------------------|
| Apache Acquisition Net Profits Interest | 3,056,730 | 0 | 27.50 |

EIG Global Energy Partners (formerly TCW Asset Management Company)

Energy Partners XIV, XV and XVI were formed in 2007, 2010 and 2013 respectively, for the purpose of making mezzanine and equity investments in energy and energy-related infrastructure projects and companies on a global basis. The funds operate from offices in Washington D.C., Los Angeles, Houston, New York and London. EIG was formally spun out of TCW in 2011.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------|--------------------------|---------------------------------|-----------------------|
| Energy Partners XIV | 52,479,992 | 9,422,519 | 7.20 |
| Energy Partners XV | 117,397,435 | 41,042,828 | 4.06 |
| Energy Partners XVI | 19,050,821 | 174,500,000 | 0.80 |

EnCap Investments

EnCap Energy Capital Funds VII, VIII, and IX were formed in 2007, 2010, and 2012 for the purpose of making privately negotiated equity and equity-linked investments in the independent sector of the oil and gas industry. EnCap Investments is based in Houston, TX.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| EnCap Energy Capital Fund VII | 22,910,493 | 10,872,378 | 7.00 |
| EnCap Energy Capital Fund VIII | 73,017,450 | 31,854,674 | 3.75 |
| EnCap Energy Capital Fund IX | 18,397,031 | 81,067,131 | 1.56 |

Energy & Minerals Group

Based in Houston, TX, Energy & Minerals Group (formerly known as NGP Midstream & Resources) will make direct investments in selected areas of the energy infrastructure and natural resources sectors, primarily targeting the midstream energy sector and all facets of the mining, minerals and related power sectors. The funds were formed in 2007, 2011 and 2014.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------|--------------------------|---------------------------------|-----------------------|
| Energy & Minerals Group I | 131,675,488 | 2,233,074 | 7.25 |
| Energy & Minerals Group II | 111,111,597 | 25,817,097 | 2.77 |
| Energy & Minerals Group III | 24,713,607 | 175,286,393 | 0.32 |

Energy Capital Partners

Energy Capital specializes in building and managing energy assets to achieve capital appreciation. Energy capital is based in Short Hills, NJ. Fund II and III were formed in 2010 and 2013, respectively.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------|--------------------------|---------------------------------|-----------------------|
| Energy Capital Partners II | 104,029,588 | 20,992,888 | 3.95 |
| Energy Capital Partners III | 9,924,224 | 190,075,776 | 0.53 |

Investment Manager Summaries

First Reserve

The First Reserve funds were formed in 2003, 2006, 2008 and 2013, respectively, and are structured as limited partnerships. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas and other energy-related investments. First Reserve is headquartered in Greenwich, CT.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--------------------|--------------------------|---------------------------------|-----------------------|
| First Reserve X | 7,664,930 | 0 | 9.66 |
| First Reserve XI | 87,268,039 | 0 | 7.52 |
| First Reserve XII | 117,094,517 | 10,666,568 | 5.67 |
| First Reserve XIII | 0 | 200,000,000 | 0.66 |

Natural Gas Partners

Natural Gas Partners is based in Irving, TX and will focus primarily on the sectors of the energy industry that are related to the production and development of crude oil and natural gas in North America. Funds IX and X were formed in 2007 and 2011, respectively.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------|--------------------------|---------------------------------|-----------------------|
| Natural Gas Partners IX | 85,667,002 | 11,382,735 | 6.69 |
| NGP Natural Resources X | 96,577,484 | 61,473,310 | 2.72 |

Sheridan Production Partners

Sheridan Production Partners I and II were formed in 2007 and 2010 respectively to pursue a strategy of acquiring a portfolio of currently producing oil and gas properties and optimizing the operations of those properties through production acceleration and recovery enhancement, appropriate use of capital reinvestment and aggressive cost control. The Funds are headquartered in Houston, TX.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------------|--------------------------|---------------------------------|-----------------------|
| Sheridan Production Partners I | 78,865,997 | 0 | 7.25 |
| Sheridan Production Partners II | 59,664,024 | 4,250,000 | 3.75 |

Yield-Oriented Managers

Audax

Audax Mezzanine Fund III was formed in 2010 and has a ten year term. Based in New York, the fund expects to invest in a diversified portfolio of mezzanine securities, with a specific focus on the middle market.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------|--------------------------|---------------------------------|-----------------------|
| Audax Mezzanine III | 46,911,686 | 45,398,624 | 4.24 |

Citicorp Capital Investors

Citicorp Mezzanine Partners III is a limited partnership formed in 1999 by Citicorp Capital Investors Ltd. of New York. The Fund will invest in a broad range of transactions utilizing subordinated debt and equity securities.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------------|--------------------------|---------------------------------|-----------------------|
| Citicorp Mezzanine Partners III | 3,275,907 | 0 | 14.66 |

Investment Manager Summaries

Crescent Capital Group (formerly TCW/Crescent)

TCW/Crescent Mezzanine Partners III is a Los Angeles, CA based limited partnership formed in 2001. The Fund makes mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. Crescent Capital Group became formerly independent of TCW in 2011.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------------------|--------------------------|---------------------------------|-----------------------|
| TCW/Crescent Mezzanine Partners III | 6,197,550 | 29,701,079 | 13.25 |

Gold Hill Venture Lending Partners

Gold Hill Venture Lending and Gold Hill 2008 were formed in 2004 and 2008, respectively. The funds generate returns through secured loans, gains on the sales of securities acquired upon the exercise of warrants, and through the disposition of direct equity investments. Prior to forming Gold Hill, the partners executed a similar mandate for Silicon Valley Bank, and they expect to continue a close relationship for purposes of deal-sourcing. Gold Hill has offices in Santa Clara, CA and Boston, MA.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------|--------------------------|---------------------------------|-----------------------|
| Gold Hill Venture Lending | 5,387,292 | 0 | 9.76 |
| Gold Hill 2008 | 22,443,378 | 0 | 6.00 |

Goldman Sachs Mezzanine Partners

GS Mezzanine Partners III, 2006 and V are limited partnerships formed in 2003, 2006 and 2007 respectively. Based in New York, the Funds' investment objectives are to achieve long-term capital appreciation and current returns through investments in mezzanine securities. These securities will principally include fixed income securities such as debt and preferred stock, often with an equity component, such as warrants, options, a convertible feature, or common stock associated with the debt or preferred stock purchase.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|----------------------------|--------------------------|---------------------------------|-----------------------|
| GS Mezzanine Partners III | 712,030 | 65,371 | 10.97 |
| GS Mezzanine Partners 2006 | 24,073,369 | 25,000,112 | 8.23 |
| GS Mezzanine Partners V | 45,674,437 | 52,327,832 | 6.69 |

Merit Capital Partners (formerly William Blair Mezzanine Partners)

William Blair Mezzanine Capital Partners III, Merit Capital Partners IV, and Merit Capital Partners V are limited partnerships formed in 1999, 2004, and 2009. Based in Chicago, IL, the Funds will invest primarily in fixed rate subordinated debt securities. These securities generally will be purchased with a significant equity component in the form of warrants, common stock or contingent interest.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|--|--------------------------|---------------------------------|-----------------------|
| William Blair Mezzanine Capital Partners III | 2,054,872 | 2,756,759 | 14.49 |
| Merit Capital Partners IV | 29,306,049 | 4,821,429 | 9.54 |
| Merit Capital Partners V | 44,528,300 | 23,693,878 | 4.53 |

Investment Manager Summaries

Merit Energy Company

Merit Energy Partners B, C, D, E, F and H were formed in 1996, 1998, 2000, 2003, 2005, and 2011, respectively. Based in Dallas, TX, the funds focus on resource investments in producing oil and gas properties.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-------------------------|--------------------------|---------------------------------|-----------------------|
| Merit Energy Partners B | 53,717,995 | 0 | 18.00 |
| Merit Energy Partners C | 161,366,496 | 0 | 15.67 |
| Merit Energy Partners D | 88,146,276 | 0 | 13.10 |
| Merit Energy Partners E | 53,646,676 | 0 | 9.71 |
| Merit Energy Partners F | 45,370,745 | 42,158,394 | 8.27 |
| Merit Energy Partners H | 80,033,945 | 18,139,252 | 3.41 |

Portfolio Advisors (formerly DLJ/Credit Suisse)

DLJ Investment Partners II and III are limited partnerships formed in 1999 and 2006. Based in New York, the Funds will invest in a variety of securities, including subordinated debt with warrants, preferred stock with warrants, common stock or other securities, including interests in joint ventures. Credit Suisse sold the DLJ Investment Partners platform to Portfolio Advisors in 2013.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------|--------------------------|---------------------------------|-----------------------|
| DLJ Investment Partners II | 885,810 | 4,955,172 | 14.49 |
| DLJ Investment Partners III | 17,401,868 | 46,544,660 | 8.02 |

Prudential Capital Group

Prudential Capital Partners I, II, III, and IV were formed in 2001, 2005, 2009 and 2012, respectively. Based in Chicago, IL the Funds make mezzanine investments, typically including convertible debt, preferred stock and warrants, with a specific focus on middle market companies.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------------|--------------------------|---------------------------------|-----------------------|
| Prudential Capital Partners I | 3,955,694 | 6,975,419 | 13.20 |
| Prudential Capital Partners II | 29,324,265 | 5,936,783 | 9.00 |
| Prudential Capital Partners III | 76,237,075 | 9,875,722 | 5.20 |
| Prudential Capital Partners IV | 31,951,098 | 67,992,456 | 2.44 |

Summit Partners

Summit Subordinated Debt Funds II, III and IV are limited partnerships formed in 1996, 2004 and 2007, respectively. Based in Boston, MA the funds invest in many of the same companies as the Summit Venture funds. Investments by those partnerships principally take the form of subordinated debt with equity features. These yield-oriented investments provide current income over the life of the investment with the potential for additional returns.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|-----------------------------------|--------------------------|---------------------------------|-----------------------|
| Summit Subordinated Debt Fund II | 3 | 4,500,000 | 16.91 |
| Summit Subordinated Debt Fund III | 13,423,190 | 2,850,000 | 10.37 |
| Summit Subordinated Debt Fund IV | 28,303,983 | 12,394,098 | 6.26 |

Investment Manager Summaries

Windjammer Capital Investors

Windjammer Funds II, III and IV are limited partnerships formed in 2000, 2005 and 2012, respectively. Based in Newport Beach, CA the Funds provide subordinated debt and/or preferred stock accompanied by warrants or other forms of equity participation and, in certain instances, common stock to middle market companies. The Funds seek to generate both current income and substantial capital gains while limiting risk.

| Fund | Market Value (\$) | Unfunded Commitment (\$) | Period (Years) |
|---------------------------------------|------------------------------|-------------------------------------|---------------------------|
| Windjammer Mezzanine & Equity Fund II | 1,985,663 | 14,360,347 | 14.25 |
| Windjammer Senior Equity Fund III | 57,168,964 | 13,139,865 | 8.49 |
| Windjammer Senior Equity Fund IV | 24,072,583 | 74,128,883 | 2.35 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|---|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Abg Securities Limited | 6,830,738 | 8,547 | | | 6,823,383 |
| Abn Amro Clearing Bank N.V. | 46,069 | 69 | | | 46,069 |
| Academy Securities Inc | 18,262 | 9 | | | |
| Acumen Capital Ptnrs C | 39,857 | 98 | | | 39,857 |
| Adm Investor Services International Ltd | 388,253 | 310 | | | 921 |
| Alfa Capital Holding (Cyprus) Limited | 2,100,584 | 2,522 | | | |
| Ambit Capital Private Limited | 3,528,436 | 7,046 | | | 3,539,894 |
| Ancora Secirities Inc | 898,756 | 880 | | | |
| Anz Mccaughan Securities Ltd Newyork | | | 223,140 | | |
| Apex Clearing Corporation | | | 1,025,352 | | |
| Aqua Securities Lp | 16,884,163 | 7,787 | | | 278,192 |
| Atlantic Equities Lp | 655,903 | 207 | | | |
| Australiaand New Zealand Banking Group | | | | | 1,501,533 |
| Avondale Partners Llc | 1,006,017 | 1,243 | | | |
| Axis Capital Limited | 1,850,655 | 3,690 | | | 1,856,485 |
| B Pool Credit Suisse | 193,287 | 130 | | | |
| B.Riley &Co., Llc | 11,528,461 | 28,068 | | | |
| Banc Of America Securities | | | 3,577,920,338 | | |
| Banca Imis.P.A. | | | 705,302 | | 715,486 |
| Banco Bilbao Viscaya | | | 3,934,450 | | 3,944,721 |
| Banco Comercial Portugues | 66,690 | 67 | | | 66,690 |
| Banco Itau Sa | 9,075,851 | 21,295 | | | 7,864,641 |
| Banco Pactual S.A. | 7,765,325 | 15,484 | | | (4,396,357) |
| Banco Santander Central Hispano | 7,628,311 | 23,380 | 20,231,782 | | 23,745,886 |
| Banco Santander Columbia S.A. | 59,321 | 236 | | | 59,610 |
| Bank J.Vontobel Und Co. Ag | 6,762,954 | 10,110 | | | 6,573,776 |
| Bank Of America Intl Ny United States | | | | | 154,690,415 |
| Bank Of America Securities Llc | | | 5,428,423,462 | | 1,948,518,224 |
| Bank Of America, National Association | | | 888,164,109 | | |
| Bank Of America/Lasalle Bank Ipa Dtc | | | | | 30,000,000 |
| Bank Of Montreal | | | 15,318,675 | | 950,657 |
| Bank Of New York Brussels | 12,540 | 15 | | | 12,540 |
| Bank Of New York | | | 4,607,074 | | 466,597,124 |
| Bank Of New York/Barclays London | | | 13,972,322 | | |
| Bank Of Nova Scotia | | | 3,852,613 | | 30,000,000 |
| Banque Nationale De Paris, Lon | | | 282,848 | | 282,005 |
| Barclays Bank Of New York | | | | | 79,082,778,000 |
| Barclays Bank Plc | | | 14,475,995 | | 143,649,624 |
| Barclays Capital | 2,977,312,534 | 870,620 | 8,049,122,837 | | 1,237,961,486 |
| Barclays Securities (India) Private Ltd | 18,654,728 | 44,055 | | | 18,664,440 |
| Batlivala+Karani Secs India Pvt. Ltd | 1,867,801 | 2,707 | | | 1,863,722 |
| Bb&T Securities, Llc | 8,175,740 | 11,464 | 3,256,501 | | |
| Bbva/Securities Ny | | | 274,305 | | |
| Bdwb Bidstrading | 122,365 | 78 | | | |
| Bell Potter Securities Limited | 345,172 | 414 | | | 345,172 |
| Betzold Berg & Nussbaum Inc. | | | 1,920,090 | | |
| Bids Trading | 1,382,472 | 801 | | | |
| Bloombergtradebook Llc | 123,080,001 | 95,076 | | | |
| Bmo Capital Markets | 29,444,871 | 18,706 | 644,667,250 | | 106,290,465 |
| Bmo Nesbitt Burns International Ltd | 37,606 | 34 | | | 37,606 |
| Bnp Equities France | 312,462 | 164 | | | 312,450 |
| Bnp Paribas Arbitrage | 147,209 | 293 | | | 143,142 |
| Bnp Paribas | 3,631,281 | 1,698 | | | 12,752,883 |
| Bnp Paribas Securities (Asia) Ltd. | 18,336,768 | 30,598 | | | 18,415,881 |
| Bnp Paribas Securities Corp | 7,423,808 | 6,700 | 3,907,075,509 | | 102,475,669,993 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Bnp Paribas Securities India Private Lim | 4,077,893 | 5,174 | | | 4,054,708 |
| Bny Capital Markets, Inc. | | | 296,496,285 | | |
| Bny Clearing Services Llc | | | 8,185,406 | | |
| Bny Convergex | 732,293,486 | 541,168 | | | |
| Bny Mellon/Nomura Int'L Plc Repo | | | 8,545,480 | | |
| Bny/Itc-Dealers Clearance General | | | 25,864,862 | | |
| Bny/Suntrust Capital Markets | | | 565,245 | | |
| Bnym/Pierpont Sec | | | 3,487,211 | | |
| Bnymellon/Aig | | | 8,442,400 | | |
| Bofa Algocsa | 3,003,079 | 2,049 | | | |
| Bony + Vinning Sparks Ibg L P | | | 2,418,220 | | |
| Bony/Griffin Kubik Stephens | | | 20,915,241 | | |
| Bony/Toronto Dominion Securities Inc | | | 228,065,505 | | 240,357,206 |
| Brean Capital Llc | 2,545,620 | 5,384 | | | |
| Broadcortcapital (Thru MI) | 31,480,806 | 38,503 | | | |
| Brown Brothers Harriman + Co | 19,726 | 28 | 1,251,141 | | 14,706,924 |
| Btig Hongkong Limited | 316,784 | 562 | | | 316,784 |
| Btig, Llc | 11,282,848 | 9,413 | | | 439,648 |
| Buckingham Research Group Inc | 3,872,405 | 3,258 | | | |
| Caisse Centrale Desjardins | | | 104,125 | | 105,148 |
| Calyon Japan | 32,193 | 45 | | | |
| Calyon Securities | 8,489,320 | 3,486 | 2,989,726 | | 7,390,190 |
| Canaccordgenuity Inc. | 13,137,030 | 16,584 | | | 369,079 |
| Canadian Imperial Bank Of Commerce | 121,698 | 49 | | | 121,698 |
| Cantor Fitzgerald + Co. | 120,716,932 | 57,980 | 151,778,502 | | |
| Cantor Fitzgerald Europe | 3,539,405 | 2,727 | | | 3,548,844 |
| Cap Guardian Broker | 2,359,906 | 2,695 | | | |
| Capital Institutional Svcs Inc Equities | 600,365,294 | 659,698 | | | |
| Capital Markets/Boston | | | | | 117,956,569 |
| Carnegie Bank A.S. | 5,893,677 | 7,644 | | | 5,912,019 |
| Carnegie Securities Finland | 3,955,863 | 5,517 | | | 2,796,765 |
| Casablanca Finance Markets | 24,111 | 97 | | | 24,044 |
| Cds Rbc Dominion Securities Inc | | | 60,659,783 | | 459,355,196 |
| Cedel Bank | 1,053,111 | 527 | | | 1,053,111 |
| Chardan Capital Markets Llc | | | 1,189,698 | | |
| Cheevers & Co. Inc. | 13,965,370 | 2,340 | | | |
| China International Capital Co | 10,999,842 | 18,491 | | | 5,043,953 |
| Cibc Mellon | 20,436 | 84 | | | 20,436 |
| Cibc World Mkts Inc | 59,300,789 | 16,873 | 19,272,232 | | 43,466,810 |
| Cimb Securities (Hk) Ltd. | 2,464,940 | 4,832 | | | 2,421,316 |
| Cimb Securities (India) Private Lim | 622,364 | 933 | | | 621,278 |
| Cimb-Gk Securities Pte.Ltd. | 4,272,457 | 5,648 | | | 4,269,476 |
| Citation Group | 21,993,096 | 87,128 | | | |
| Citi Algocsa | 3,244,479 | 2,221 | | | |
| Citibank Mexico | 484,485 | 1,212 | | | 236,168 |
| Citibank Of Colombia | 3,967,268 | 10,761 | | | 3,975,270 |
| Citibank | | | 699,361,716 | | 219,802,211 |
| Citigrouplbl Marktet Koera Secs Ltd | 18,778,309 | 31,805 | | | 5,735,057 |
| Citigroupglobal Markets Asia Ltd | 4,045,752 | 2,601 | | | 3,741,481 |
| Citigroupglobal Markets Australia Pty | 7,614,715 | 8,388 | | | 2,604,656 |
| Citigroupglobal Markets Inc Salomon Bro | | | 12,450,121,702 | | 86,246,717,815 |
| Citigroupglobal Markets Inc | 1,748,256,001 | 681,089 | 80,655,066 | | 566,341,498 |
| Clsa Australia Pty Ltd | 8,442,643 | 7,852 | | | 5,980,093 |
| Clsa Securities Korea Ltd. | 14,642,451 | 29,348 | | | 8,917,010 |
| Clsa Securities Malaysia Sdn Bhd | 103,055 | 259 | | | 103,246 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Clsa Singapore Pte Ltd. | 61,875,371 | 74,066 | | | 55,480,014 |
| Commerzbank Ag | 228,736 | 229 | 43,460,761 | | 43,906,385 |
| Commonwealth Bank Of Australia Sydney | | | | | 1,134,160 |
| Computershare Investor Services, Llc/Drs | 59,508 | | | | |
| Convergexglobal Markets Ltd | 110,956,796 | 105,640 | 9,037,975 | | |
| Cormark Securities Inc | 757,609 | 1,020 | | | 751,048 |
| Cowen Andcompany, Llc | 23,152,750 | 18,136 | | | |
| Craig - Hallum | 18,022,181 | 30,927 | | | |
| Credit Agricole Cib | | | 18,832,529 | | 18,823,771 |
| Credit Agricole Securities (Usa) Inc | 243,723 | 179 | 14,962,357 | | |
| Credit Lyonnais Algo | 869,656 | 773 | | | |
| Credit Lyonnais Securities (Usa) Inc | 7,818,243 | 16,850 | | | 6,727,401 |
| Credit Lyonnais Securities India | 2,276,421 | 5,292 | | | 2,277,627 |
| Credit Lyonnais Securities(Asia) | 33,658,055 | 67,689 | | | 29,331,648 |
| Credit Research + Trading Llc | 12,509,421 | 8,355 | | | |
| Credit Suisse First Boston (Europe) | 32,715,828 | 33,303 | | | 23,064,084 |
| Credit Suisse First Boston | 13,844,839 | 13,454 | | | 13,280,397 |
| Credit Suisse International | | | | | 1,222,676,357 |
| Credit Suisse Secs India Private Ltd | 16,888,579 | 16,570 | | | 15,792,517 |
| Credit Suisse Securities (Europe) Ltd | 127,719,189 | 152,126 | 140,938 | | 103,648,352 |
| Credit Suisse Securities (Usa) Llc | 1,713,472,074 | 726,263 | 19,136,539,026 | | 13,158,099,266 |
| Crt Capital Group Llc | | | 594,156,828 | | |
| Cs First Boston (Hong Kong) Limited | 75,103,074 | 94,095 | | | 62,982,845 |
| Cs First Boston Aes(Caes) | 17,806 | 4 | | | |
| Csfb Australia Equities Ltd | 5,508,451 | 4,908 | | | 4,717,197 |
| Csi Us Institutional Desk | 9,250,446 | 4,894 | | | |
| D Carnegie Ag | 3,695,400 | 4,468 | | | 3,679,658 |
| Daewoo Securities Co Ltd | 6,468,772 | 12,391 | | | 4,315,244 |
| Daiwa Sbcm Europe | 8,601,354 | 10,292 | 2,418,637 | | 5,599,553 |
| Daiwa Securities (Hk) Ltd. | 25,067,700 | 17,572 | | | 24,603,365 |
| Daiwa Securities America Inc | 2,647,976 | 1,157 | 2,118,178 | | 194,437,244 |
| Danske Bank A.S. | 1,886,328 | 1,265 | | | 1,886,328 |
| Davidson D.A. + Company Inc. | 36,873,038 | 54,571 | 14,316,859 | | |
| Davy Stockbrokers | 7,066,914 | 6,182 | | | 7,068,109 |
| Delen + Co | | | 5,480 | | |
| Dematted Monness Llc | 72,788 | 123 | | | |
| Den Norske Bank | 1,823,841 | 1,620 | | | 1,560,539 |
| Deutsche Bank Ag | 137,130,211 | 149,833 | 18,753,921 | | 334,794,847 |
| Deutsche Bank Polska Sa | 538,079 | 1,363 | | | 543,202 |
| Deutsche Bank Securities Inc | 1,883,819,282 | 718,208 | 10,405,127,296 | 1,000 | 760,081,838 |
| Deutsche Bank Trust Co | | | 1,028,224 | | 185,000,666 |
| Deutsche Boerse Clearing Ag | 21,767 | 33 | | | 21,767 |
| Deutsche Eq In Prvt Lim Db | 1,307,758 | 2,486 | | | 1,292,308 |
| Deutsche Morgan Grenfell Secs | 3,854,812 | 6,193 | | | 14,961,242,691 |
| Deutsche Securities Asia Ltd | 26,058,937 | 53,834 | | | 19,873,525 |
| Dhanki Securities Pvt Ltd. | 468,802 | 940 | | | 470,029 |
| Diamant Investment Corp.-Equity & Corp. | 1,877,219 | 85 | | | |
| Dnb Nor Markets Custody Dnb Norbank Asa | 688,043 | 826 | | | 688,043 |
| Dolat Capital Markets Ltd | 5,606,776 | 2,766 | | | 5,606,443 |
| Dongwon Securities | 947,553 | 1,891 | | | 949,989 |
| Doughertycompany | 29,266,318 | 13,496 | | | |
| Dowling &Partners | 260,287 | 107 | | | |
| Drexel Hamilton Llc | 593,725 | 1,716 | 20,440,626 | | |
| Dsp Merrill Lynch Ltd | 15,447,632 | 19,288 | | | 15,311,800 |
| Duncan Williams Inc | | | 12,771,875 | | |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Edelweisssecurities Pvt. Ltd | 1,207,220 | 2,414 | | | 1,222,347 |
| Evercore Group Llc | 587,248 | 234 | | | |
| Exane S.A. | 53,659,409 | 87,189 | | | 49,995,716 |
| Execution(Hong Kong) Limited | 1,273,837 | 2,648 | | | 1,273,837 |
| Executionlimited | 2,734,117 | 1,709 | | | 2,735,813 |
| Federal Reserve Bank Of Boston | | | 464,746 | | |
| Fidelity Capital Markets | 281,967,207 | 80,700 | | | |
| Fidelity Clearing Canada | 3,610,572 | 3,824 | | | 3,039,482 |
| First Boston Corp | | | 1,429,054 | | |
| First Clearing, Llc | 3,186,934 | 3,493 | | | |
| First Energy Capital | 1,202,247 | 1,013 | | | (400,987) |
| First Tennessee Bank N A Bond Division | | | 2,469,394 | | |
| First Tennessee Securities Corp | | | 7,487,984 | | |
| Fortis Securities Llc | | | 621,120 | | |
| Friedman Billings + Ramsey | 72,099,620 | 41,165 | | | |
| Ftn Financial Securities | | | 61,414,807 | | |
| Funb Funds Ii | | | 11,437,560 | | |
| G Trade Services Ltd | 877,452 | 654 | | | 875,725 |
| Gbarclayscash Sd-Bloomberg | 1,871,109 | 1,624 | | | |
| Gbm Grupobursatil Mexicano | 360,808 | 904 | | | 317,134 |
| Global Hunter Securities | 1,383,597 | 545 | | | |
| Gmp Securities Ltd. | 2,401,653 | 3,429 | | | 1,907,281 |
| Goldman Algo Rr-Bloomberg | 1,345,561 | 573 | | | |
| Goldman Cash Rr-Bloomberg | 535,348 | 426 | | | |
| Goldman Sachs (Asia) L.L.C. | 9,964,937 | 16,164 | | | 9,509,278 |
| Goldman Sachs (Asia) Llc | 8,330,674 | 15,133 | | | 8,089,586 |
| Goldman Sachs (India) | 5,963,584 | 11,895 | | | 5,864,671 |
| Goldman Sachs + Co Intl. | 8,700,938 | 3,480 | | | 2,805,565 |
| Goldman Sachs + Co | 1,615,290,559 | 460,859 | 12,107,653,382 | | 25,977,683,661 |
| Goldman Sachs + Company | | | | | 15,819,474 |
| Goldman Sachs And Company | 2,725,960 | 5,846 | | | 312,166 |
| Goldman Sachs Capital Markets Lp | | | | | 91,483,192 |
| Goldman Sachs International | 178,337,789 | 183,683 | 113,640,658 | | 113,454,975 |
| Goldman Sachs | 142,890 | 35 | | | |
| Goodbody Stockbrokers | 6,857,252 | 8,001 | | | 6,859,142 |
| Green Street Advisors | 454,646 | 651 | | | |
| Guggenheim Capital Markets Llc | 202,095 | 134 | | | |
| Guzman And Company | 164,937,748 | 83,904 | | | |
| Hauck Undaufhaeuser Privatbankiers Kga | 78,843 | 118 | | | 78,843 |
| Hibernia Southcoast Capital Inc | 5,187,894 | 6,606 | | | |
| Hong Kong+ Shanghai Banking Corp Ltd | | | 1,036,850 | | |
| Hongkong And Shaghai Banking Corpo | 945,297 | 473 | | | 945,285 |
| Hongkong And Shanghai Banking Corp | 8,630,176 | 17,011 | | | 6,144,804 |
| Hsbc Bankplc | 90,935,942 | 162,864 | 63,654,221 | | 133,938,721 |
| Hsbc Bankusa | | | | | 21,604,109,303 |
| Hsbc Brokerage (Usa) Inc. | 2,912,438 | 5,709 | | | |
| Hsbc Securities (Usa) Inc. | 11,572,083 | 5,569 | | | 9,783,154 |
| Hsbc Securities (Usa), Inc. | 238,664 | 913 | | | |
| Hsbc Securities Inc. | | | 166,087,538 | | |
| Hsbc Securities India Holdings | 3,395,985 | 6,802 | | | 3,380,511 |
| Hwang-Dbssecurities Berhad | | | 14,848 | | |
| Ibcfs Llc | | | 9,639,183 | | |
| Ichiyoshisecurities Co.,Ltd. | 280,126 | 190 | | | 280,126 |
| Imperial Capital Llc | 48,541 | 40 | 7,402,500 | | |
| India Infoline Ltd | 27,194,661 | 66,865 | | | 26,968,878 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Industrial And Commercial Bank Of China | | | 140,250 | | |
| Inflationindex Adjustment | | | 7,111,588 | | |
| Ing Bank | 1,249,700 | 3,435 | | | 358,249,551 |
| Instinet Australia Clearing Srvc Pty Ltd | 2,183,331 | 1,623 | | | 1,878,522 |
| Instinet Canada | 970,347 | 441 | | | 443,389 |
| Instinet Pacific Limited | 12,307,045 | 20,995 | | | 8,512,096 |
| Instinet Singapore Services Pt | 1,425,952 | 698 | | | (277,578) |
| Instinet | 821,624,657 | 349,035 | | | 1,483,879 |
| Instinet U.K. Ltd | 165,602,896 | 76,447 | | | 147,220,114 |
| Investec Bank Plc | 16,291,839 | 19,092 | | | 12,349,354 |
| Investec Securities Ltd | 282,930 | 572 | | | 282,232 |
| Investment Technology Group Inc. | 2,616,354,039 | 509,201 | | | 98,059,468 |
| Ips Brokerage Inc | 58,195,790 | 156,557 | | | |
| Isi Groupinc | 39,996,789 | 41,082 | | | |
| Itg Australia Ltd. | 24,291,018 | 11,364 | | | 18,435,480 |
| Itg Canada | 17,161,148 | 7,432 | | | 12,570,255 |
| Itg Inc. | 17,131,633 | 14,523 | | | 15,899 |
| Itg Securities (Hk) Ltd | 4,382,100 | 2,874 | | | 3,759,512 |
| Itgdls Itg | 2,231 | 4 | | | 2,231 |
| Itgi Invest Tech Mfn Intl | 272,416 | 75 | | | |
| Ivy Securities, Inc. | 31,206,294 | 13,444 | | | |
| J P Morgan Chase/J P Morgan Intl | | | 32,391,042 | | |
| J P Morgan India Private Ltd | 143,094 | 158 | | | 143,450 |
| J.P. Morgan Clearing Corp. | 686,087,030 | 203,363 | 102,739,663 | | 47,870,540 |
| J.P. Morgan Securities Llc | 894,843,975 | 481,744 | 1,987,721,343 | | 23,439,793 |
| J.P.Morgan Securities(Far East)Ltd Seoul | 331,162 | 666 | | | (332,405) |
| Janney Montgomery, Scott Inc | 9,696,667 | 6,087 | 6,009,982 | | |
| Jefferies+ Company Inc | 821,021,730 | 371,683 | 2,056,158,713 | | 109,193,702 |
| Jefferieshigh Yield Trading Llc | | | 356,598 | | |
| Jefferiesindia Private Limited | 3,409,737 | 6,824 | | | 3,383,497 |
| Jefferiesinternational Ltd | 42,968,026 | 46,529 | | | 40,095,479 |
| Jm Financial Institutional Securities Pr | 1,892,191 | 3,780 | | | 1,888,287 |
| Jmp Securities | 17,426,668 | 16,369 | | | |
| Jnk Securities Inc | 517,982 | 225 | | | |
| Joh Berenberg Gossler And Co | 11,774,009 | 17,168 | | | 9,178,748 |
| Johnson Rice + Co | 469,107 | 438 | | | |
| Jonestrading Institutional Services Llc | 30,101,511 | 24,426 | | | |
| Jp Morganchase Bank/Hsbsci | | | 1,543,705,015 | | 6,899,793 |
| Jp Morgansecurities Australia Ltd | 5,020,591 | 6,885 | | | 3,368,248 |
| Jp Morgansecurities Plc | 135,669,619 | 156,501 | 2,393,162 | | 109,777,828 |
| Jpae | 8,891 | | | | |
| Jpmcb/Hsbc Bank Plc Ib Main Fl Account | | | 217,500 | | |
| Jpmorgan Chase Bank Na London | 3,614,192 | 1,816 | | | 221,083,485 |
| Jpmorgan Chase Bank/Correspondent Clr Sv | | | 8,540,916 | | |
| Jpmorgan Chase Bank/G.X.Clarke & Co. | | | 40,597,369 | | |
| Jpmorgan Chase Bank/Rbs Securities Inc. | | | 3,023,761,683 | | 241,765,659 |
| Jpmorgan Securities(Asia Pacific)Ltd | 47,877,962 | 72,028 | 8,946,006,194 | | 557,872,972 |
| Jpmorgan/Muni Dealer | | | | | 835,000,000 |
| Julius Baer Brokerage Sa | 31,029 | 25 | | | 31,029 |
| Kcg Americas Llc | 647,989 | 1,167 | | | 648,234 |
| Keefe Bruyette + Woods Inc | 11,400,429 | 20,731 | | | |
| Kempen + Co N.V. | 1,670,252 | 2,560 | | | 1,670,252 |
| Kepler Equities Paris | 11,080,530 | 25,615 | | | 11,010,988 |
| Keybanc Capital Markets Inc | 33,617,312 | 42,047 | 93,052,767 | | |
| Kgs Alphacapital Markets, Llc | | | 11,434,625 | | |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Kim Eng Securities (Hk) Ltd. | 80,409 | 140 | | | 80,208 |
| King, Cl,& Associates, Inc | 12,252,768 | 10,113 | 265,303 | | |
| Knight Equity Markets L.P. | 1,109,947,942 | 331,872 | | | |
| Korea Investment And Securities Co., Ltd | 2,645,138 | 5,292 | | | 2,644,671 |
| Kotak Securities Ltd | 3,482,477 | 6,956 | | | 3,488,905 |
| Lapsed Rights | 23,754 | | | | 23,588 |
| Larrain Vial | 849,398 | 2,556 | | | 849,973 |
| Lasa Holdings | | | | 94 | |
| Lazard Capital Markets Llc | 4,601,741 | 3,578 | 103,250 | | |
| Leerink Swann And Company | 13,780,189 | 14,373 | | | |
| Liberum Capital Limited | 7,646,021 | 11,469 | | | 2,486,757 |
| Liquidnetasia Limited | 5,737,272 | 7,062 | | | 5,532,307 |
| Liquidnetasia Ltd | 4,262 | 4 | | | 4,262 |
| Liquidnetaustralia Pty Ltd | 228,753 | 229 | | | 227,295 |
| Liquidnetcanada Inc | 966,112 | 874 | | | 947,097 |
| Liquidneteuropa Limited | 1,000,629 | 600 | | | 1,003,639 |
| Liquidnetinc | 905,816,409 | 476,262 | | | |
| Longbow Securities Llc | 8,119,809 | 17,236 | | | |
| Loop Capital Markets | 22,754,325 | 7,781 | 3,000,000 | | |
| M.W.Jenkins & Co.(Cls Thru Sec Sett#397) | 54,140 | 15 | | | |
| Macquariebank Limited | 62,898,247 | 92,844 | | | 44,433,764 |
| Macquariecapital (Europe) Ltd | 1,816,534 | 1,765 | | | 1,128,387 |
| Macquariecapital (Usa) Inc. | 4,046,900 | 4,386 | | | |
| Macquarieequities Limited (Sydney) | 17,899,453 | 18,533 | | | 7,692,674 |
| Macquariesec Nz Ltd | 803,037 | 1,233 | | | 803,037 |
| Macquariesecurities (India) Pvt Ltd | 3,628,031 | 7,571 | | | 3,596,843 |
| Macquariesecurities (Singapore) | 4,211,229 | 9,025 | | | 3,351,067 |
| Macquariesecurities (Usa) Inc | 21,842,873 | 11,301 | | | |
| Macquariesecurities Ltd Seoul | 10,816,076 | 12,182 | | | 7,751,656 |
| Mainfirstbank De | 161,841 | 196 | | | 161,925 |
| Mandatoryexchange Non Cash | 17,566,328 | | 7,788,517 | | |
| Marketaxess Corp | | | 2,036,700 | | |
| Maxim Group | 5,123,982 | 5,491 | | | |
| Mc Courtney-Breckenridge & Company | | | 4,828,343 | | |
| Mellon Bank Capital Markets Invest Acct | | | 12,601,510 | | |
| Mellon Bank Na | 119,984 | 208 | | | 85,539 |
| Merrill Lynch And Co Inc | 66,257,829 | 101,430 | | | 57,580,484 |
| Merrill Lynch Canada Inc | 1,520,030 | 1,195 | 103,044 | | 1,617,579 |
| Merrill Lynch Far East Ltd | 11,164,629 | 33,533 | | | 9,135,763 |
| Merrill Lynch International | 361,088,441 | 289,659 | 10,912,047 | | 282,661,105 |
| Merrill Lynch Pierce Fenner + Smith Inc | 1,449,071,022 | 501,667 | 96,504,034 | | 24,550,262,000 |
| Merrill Lynch Pierce Fenner And S | 89,187,336 | 72,056 | 1,372,498 | | 77,265,568 |
| Merrill Lynch Pierce | | | | | 30,000,000 |
| Merrill Lynch Professional Clearing Corp | 20,987,310 | 22,682 | 10,985,548 | | |
| Mesirow Financial, Inc. | | | 15,173,862 | | |
| Millennium Advisors Llc | | | 902,592 | | |
| Mirabaud Securities Llp | 3,469,922 | 4,658 | | | 276,947 |
| Mitsubishi Ufj Securities (Usa) | 3,444,124 | 4,129 | 41,846,220 | | 3,444,124 |
| Mitsubishi Ufj Securities Int Plc | 4,164,502 | 4,991 | 5,578,225 | | 4,321,412 |
| Mizuho International Plc | 7,279,155 | 7,102 | | | 4,664,589 |
| Mizuho Securities Asia Limited | 3,113,033 | 3,736 | | | 2,862,665 |
| Mizuho Securities Usa Inc | 11,503,359 | 15,978 | 475,713,717 | | 432,464,125 |
| Mkm Partners Llc | 3,278,731 | 3,269 | | | |
| Mnd Partners | 1,568,997 | 1,131 | | | |
| Montrose Securities Equities | 9,229,795 | 11,504 | | | |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|---------------------------------------|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Monument Securities Limited | 491,792 | 734 | | | 488,591 |
| Morgan Algo Csa | 1,674,531 | 659 | | | |
| Morgan Stanley Algo Rr Bloom | 1,008,404 | 550 | | | |
| Morgan Stanley And Co. International | 56,423,406 | 68,915 | | | 46,713,601 |
| Morgan Stanley Co Incorporated | 2,964,160,279 | 837,822 | 10,189,414,769 | | 275,816,778 |
| Morgan Stanley Comm. Paper | | | | | 24,518,000,000 |
| Morgan Stanley India Company Pvt Ltd | 1,198,011 | 3,006 | | | 1,193,478 |
| Morgan Stanley Securities Limited | 21,614,704 | 26,130 | | | 17,365,978 |
| Motilal Oswal Securities Limited | 4,943,112 | 9,901 | | | 4,940,362 |
| Mscs Csa Algo | 44,328 | 15 | | | |
| National Australia Bank Ltd. | | | 1,774,000 | | |
| National Bank Financial Corporation | 4,632 | 9 | | | 4,632 |
| National Financial Services Corp. | 30,088,172 | 18,548 | 6,077,503 | | 46,000,000 |
| National Financial Services Llc | 61,645 | 131 | | | |
| Natixis Securities | 1,645,466 | 1,646 | 5,553,858 | | 7,237,116 |
| Nbc Clearing Services Incorporated | 3,741,204 | 3,874 | | | 3,521,806 |
| Nbcn Clearing Inc. | | | 9,396,942 | | |
| Ncb Stockbrokers Limited | 381,954 | 378 | | | 381,954 |
| Needham +Company | 32,763,588 | 45,305 | | | |
| Nesbitt Burns | 8,193,571 | 9,650 | 829,276 | | 6,349,503 |
| Nomura Financial Advisory + Sec India | 12,076,646 | 19,568 | | | 11,977,974 |
| Nomura International (Hong Kong) Ltd | 2,209,894 | 3,361 | | | 930,294 |
| Nomura International Trust Co | | | 12,715,127 | | 5,648,699 |
| Nomura Securities International Inc | 8,756,779 | 10,510 | 1,223,562,334 | | 108,466,399 |
| Nomura Securities/Fixed Income | | | 3,234,852,210 | | 204,997,818 |
| Nordea Bank Finland Plc | 1,334,862 | 1,000 | | | 1,329,044 |
| Northern Trust Company, The | | | | | (2,196,000) |
| Northlandsecurities Inc. | 7,829,242 | 8,889 | | | |
| Numis Securities Inc. | 1,846,475 | 8,366 | | | 1,846,622 |
| O Neil, William And Co. Inc/Bcc Clrg | 527,141 | 1,031 | | | |
| Oddo Et Cie | 629,473 | 687 | | | 629,473 |
| Oppenheimer + Co. Inc. | 35,791,730 | 53,091 | 3,100,635 | | |
| Oppenheimer International Ltd. | 31,302 | 47 | | | 31,302 |
| Otkritie Securities Limited | 327,560 | 525 | | | |
| Pacific Crest Securities | 31,515,022 | 29,460 | | | |
| Panmure Gordon And Co Ltd | 832,689 | 1,241 | | | 826,912 |
| Parel | 4,147,692 | 5,254 | | | 4,148,576 |
| Paribas Securities Inc | | | 1,518,867 | | |
| Patersonsecurities Ltd | 82,431 | 74 | | | 82,431 |
| Pavilion Global Markets Ltd | 3,234,072 | 1,321 | | | 2,739,671 |
| Peel Huntllp | 664,424 | 960 | | | 664,440 |
| Penserra Securities | 739,943 | 379 | | | |
| Pershing Division Of Donaldson Lufkin | 1,651,392 | 5,567 | | | |
| Pershing Llc | 324,153,089 | 225,317 | 378,920,995 | | 97,878,934 |
| Pershing Securities Limited | 30,852,991 | 24,805 | | | 25,009,624 |
| Peters And Co Limited | 1,056,484 | 1,793 | | | 848,146 |
| Pickeringenergy Partners, Inc | 62,078 | 24 | | | |
| Pierpont Securities Llc | | | 16,760,612 | | |
| Piper Jaffray | 81,353,765 | 72,152 | 21,886,774 | | |
| Pulse Trading Llc | 74,173,187 | 27,205 | | | |
| R W Pressprich + Co Inc | | | 32,585 | | |
| Rabobank Netherland | 1,121,289 | 1,344 | | | 1,122,066 |
| Raymond James And Associates Inc | 105,262,695 | 123,039 | 29,065,573 | | 2,110,840 |
| Rbc Algo Rr | 77,354 | 112 | | | |
| Rbc Capital Markets | 216,605,721 | 150,935 | 3,312,915,723 | | 150,047,936 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|--|--------------------|------------------------|-------------------|-----------------------|-------------------------|
| Rbc Dominion Securities Inc. | 27,146,602 | 18,628 | | | 20,068,893 |
| Rbs Securities Inc. | | | 1,706,479,820 | | |
| Redburn Partners Llp | 21,016,165 | 45,302 | | | 17,479,610 |
| Reger & Co Inc | | | 3,782,500 | | |
| Renaissance Capital Ltd | 3,569,806 | 4,791 | | | 644,040 |
| Rencap Securities Inc. | 3,325,617 | 3,986 | | | |
| Robert W.Baird Co.Incorporate | 69,844,467 | 86,529 | 29,951,094 | | |
| Rosenblatt Securities Llc | 479,683,707 | 244,131 | | | |
| Roth Capital Partners Llc | 506,151 | 507 | | | |
| Royal Bank Of Canada | 22,270,727 | 70,734 | | | 45,598,008 |
| Royal Bank Of Scotland Plc | | | 3,916,905 | | 37,743,946,060 |
| S.S Kantilal Ishwarlal Securities | 2,569,083 | 5,132 | | | 2,566,148 |
| Samsung Securities Co Ltd | 3,347,216 | 8,875 | | | 1,126,207 |
| Sandler Oneill + Part Lp | 16,911,119 | 15,575 | | | |
| Sanford Cbernstein Co Llc | 980,951,912 | 347,755 | | | 26,799,867 |
| Santandercentral Hispano Bolsa | 656,672 | 656 | | | 656,672 |
| Santanderinvestment Securities Inc | 2,135,987 | 6,404 | 2,117,000 | | |
| Scotia Capital Mkts | 19,001,619 | 26,454 | 1,575,485,701 | | 209,287,684 |
| Seaport Group Securities, Llc | | | 593,310 | | |
| Sg Americas Securities Llc | 118,715,173 | 32,990 | 651,714,719 | | |
| Sg Securities Hk | 14,170,962 | 8,424 | | | 9,855,566 |
| Shenyin Wanguo Securities (Hk(Ltd | 356,730 | 711 | | | 356,794 |
| Sidoti + Company Llc | 29,239,720 | 86,120 | | | |
| Simmons +Company International | 1,469,679 | 1,205 | | | |
| Sj Levinson & Sons Llc | 204,635,821 | 76,386 | | | |
| Skandinaviska Enskilda Banken London | 1,175,630 | 1,353 | | | 1,177,944 |
| Smbc Nikko Capital Markets Limited | 7,174,721 | 8,571 | | | 7,152,314 |
| Smbc Nikko Securities (Honk Kong) Ltd | 3,065,273 | 3,679 | | | 2,305,756 |
| Societe Generale London Branch | 44,869,444 | 55,398 | | | 38,708,817 |
| Societe Generale Ny | | | 5,671,150 | | 55,804,064 |
| Societe Generale Paris Zurich Bra | 67,603 | 81 | | | 67,603 |
| Southwestsecurities, Inc. | | | 38,606,729 | | |
| Standard Bank London Limited | 5,164,429 | 10,304 | 4,486,300 | | 5,156,791 |
| Standard Chartered Bank (Hong Kong) Limi | 6,419,377 | 10,919 | | | 6,460,711 |
| Standard Chartered Bank | | | 1,076,800 | | 871,359 |
| Standard Chartered Securities Korea | 376,490 | 755 | | | 376,830 |
| State Street Bank And Trust | 605,776 | 607 | 19,335,755 | | 34,880,017,193 |
| State Street Bank London | | | | | 7,648,380 |
| State Street Global Markets | 1,935,699,661 | 673,014 | | | |
| Stephens,Inc. | 28,664,460 | 52,570 | 4,929,428 | | |
| Sterne Agee & Leach Inc. | 14,707,586 | 18,461 | 107,644,912 | | |
| Stifel Nicolaus + Co Inc | 124,251,801 | 93,749 | 66,561,166 | | |
| Strategassecurities Llc | 810,966 | 546 | | | |
| Stuart Frankel + Co Inc | 2,716,530 | 862 | | | |
| Sumridge Partners Llc | | | 570,283 | | |
| Sungard Brokerage & Securities Svcs Llc | 10,640,832 | 2,070 | | | |
| Suntrust Capital Markets, Inc. | 28,447,973 | 30,909 | | | |
| Suntrust Robinson Humphrey, Inc. | | | 50,668,719 | | |
| Svenska Handelsbanken | 3,182,943 | 4,771 | | | 2,300,807 |
| Td Waterhouse Cda | 1,248,333 | 1,911 | 103,085 | | 1,355,153 |
| Telsey Advisory Group Llc | 26,620,063 | 15,261 | | | |
| The Bank Of Ny/Dbag London Global | | | 17,323,147 | | |
| The Benchmark Company, Llc | 2,429,130 | 2,534 | | | |
| The Hongkong And Shanghai Bank | 4,648,902 | 9,322 | | | 4,533,471 |
| The Royalbank Of Scotland Plc (Ct Branc | | | | | 1,499,469 |

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

| | Stock \$ Volume | Stock \$ Commission | Bond \$ Volume | Bond \$ Commission | Short Term \$ Volume |
|------------------------------------|--------------------------|------------------------|---------------------------|-----------------------|---------------------------|
| Tora Trading Services Limited | 448,573 | 448 | | | 164,806 |
| Torchmarkbrokerage Services,Inc. | 196,401 | 197 | | | (196,441) |
| Toronto Dominion Bank | | | 2,718,631 | | 1,004,415 |
| Troika Dialog Usa, Inc | 5,142,071 | 7,924 | | | |
| Ubs Ag London | 2,209,420 | 3,351 | 12,536,124 | | 24,818,266 |
| Ubs Ag | 217,475,675 | 206,203 | | | 182,266,584 |
| Ubs Financial Services Inc | | | 38,511,997 | | |
| Ubs Securities Asia Ltd | 64,165,670 | 69,448 | | | 48,601,457 |
| Ubs Securities Canada Inc | 5,504,511 | 4,821 | | | 4,005,442 |
| Ubs Securities India Private Ltd | 5,989,152 | 4,936 | | | 5,974,383 |
| Ubs Securities Llc | 1,801,995,766 | 891,366 | 137,444,352 | | 7,426,522,768 |
| Ubs Securities Pte.Ltd | 10,781,182 | 9,092 | | | 7,691,454 |
| Ubs Warburg Australia Equities | 8,671,775 | 12,693 | | | 3,605,834 |
| Ubs Warburg Ltd | 20,705,895 | 16,386 | | | 15,363,892 |
| Unicreditbank Ag (Hypovereinsbank) | | | 2,309,709 | | 1,477,916 |
| Union Trust Co. Of Maryland | | | | | 40,000,000 |
| Uob Kay Hian Pte Limited | 664,316 | 1,606 | | | 664,316 |
| Us Bancorp Investments Inc | | | 63,227,265 | | |
| Us Bank National Assoc | | | 6,245,495 | | |
| Uti Securities Exchange Ltd | 1,287,320 | 2,567 | | | 1,289,526 |
| Vtb Bank Europe Plc | 8,465,092 | 13,645 | | | 1,220,631 |
| Wachovia Securities | 397,286 | 234 | 1,609,446 | | |
| Wedbush Morgan Securities Inc | 24,324,665 | 21,377 | 7,491,563 | | |
| Weeden + Co. | 444,554,867 | 184,988 | | | 195,056 |
| Wells Fargo Bank, N.A. | | | 22,803,833 | | |
| Wells Fargo Securities, Llc | 567,794,977 | 122,144 | 4,196,011,333 | | 211,099,970 |
| Western International Secs Inc | 27,033,149 | 71,450 | | | |
| Westpac Banking Corporation | | | | | (1,345,996) |
| William Blair & Company L.L.C | 72,200,166 | 58,574 | 2,912,163 | | |
| Williams Capital Group Lp (The) | 47,218,346 | 20,982 | | | |
| Winterflood Securities Ltd | 51,767 | 64 | | | 51,767 |
| Wood And Company | 8,095,367 | 21,712 | | | 5,047,094 |
| Woori Investment Securities | 253,590 | 506 | | | 253,807 |
| Wunderlich Securities Inc. | 1,168,503 | 647 | | | |
| Yuanta Securities Company Limited | 1,040,562 | 2,090 | | | 1,040,976 |
| GRAND TOTAL | \$ 36,391,331,870 | \$ 17,763,342 | \$ 125,283,660,986 | \$ 1,000 | \$ 488,182,919,337 |

Table of Contents

| | |
|---|-----|
| Notes to the Financial Schedules | 95 |
| Supplemental Fund Schedules..... | 96 |
| Retirement Plans Participation | 100 |
| Non-Retirement Funds Participation..... | 116 |
| Manager Fees..... | 117 |

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NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 2014

Financial Report Background:

The State Board of Investment (SBI) is the investment management vehicle for numerous retirement and non-retirement funds. The funds are separated by legal requirements and grouped into four major investment types: the Retirement Funds, the Non-Retirement Funds, the Assigned Risk Plan, and Other Funds Under Management. The SBI's goal is to maximize returns for each investment type given the appropriate level of risk. For each investment type, the funds are further broken down and reported by the entity responsible for the financial accounting and presentation of the funds. The information provided by the SBI is audited in conjunction with the audit of the reporting entities.

Retirement Funds: The Retirement Funds consist of funds administered by Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA), Minnesota State Retirement System (MSRS), and Local Volunteer Fire Relief Associations. A list of plan participants is provided in a schedule beginning on page 100. Comprehensive Financial Reports are prepared by the respective agencies. These reports can be obtained by contacting TRA at (800) 657-3669, PERA at (800) 652-9026, MSRS at (800) 657-5757.

The Supplemental Investment Fund (SIF) is an investment option within the retirement funds that is available to various groups of participants according to state statute. SBI provides a financial schedule on the SIF as required by statute.

Non-Retirement Funds: The Non-Retirement Funds represent investment vehicles for Trusts and OPEBs. A listing of the Trusts and OPEBs is provided in the participation schedule on page 116. The Comprehensive Financial Reports for the OPEBs are prepared by PERA and are available by calling (800) 652-9026. The Comprehensive Financial Reports for the Trusts are prepared by Minnesota Management and Budget and are available by calling (800) 627-3529.

Assigned Risk Plan: The Assigned Risk Plan is a dedicated governmental fund for which the SBI is the investment vehicle for the assets made available for investment. The Comprehensive Financial Reports can be obtained from Minnesota Management and Budget by calling (800) 627-3529.

Other Funds Under Management: The Other Funds Under Management are the assets the State has made available for investment with SBI. The financial statement presented for the Other Funds represent the investment information at the State Board of Investment. The SBI grouped the financial information for the Other Funds into five major categories: Invested Treasurer's Cash, Debt Service, State Employee Group Insurance, Housing Finance, and Public Facilities. The detailed financial statements, supporting schedules, and further breakdown of Debt Service, State Employee Group Insurance, Housing Finance, and Public Facilities can be found in the State's Comprehensive Annual Financial Report available from Minnesota Management and Budget at (800) 627-3529.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting: The SBI reporting requirements changed under the legislation passed during the 2012 legislative session. References in MS 11A.07, subdivision 4 and 11A.14, subdivision 14 to fund and participant annual statements prepared in accordance with generally accepted accounting principles were deleted. These requirements were deemed redundant to statements prepared for the State of Minnesota's Comprehensive Financial Statements and those of PERA, MSRS, and TRA retirement systems.

As required by state statute the SBI has prepared schedules for the SIF, a schedule of participation for all pooled investments, and a schedule of external manager fees.

Authorized Investments: *Minnesota Statutes, Section 11A.24* authorizes investments to obligations and stocks of the U.S. and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; international securities; participation as a limited partner in venture capital, real estate or resource equity investments; and participation in registered mutual funds.

Security Valuation: All securities are valued at fair value except for U.S. Government short-term securities and commercial paper, which are valued at fair value less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities, SBI uses the Financial Times Interactive Data Services valuation system. This service provides prices for both actively traded and privately placed bonds. For equity securities, SBI uses a valuation service provided by Reuters. The basis for determining the fair value of investments that are not based on market quotations may include audited financial statements, analysis of future cash flows, and independent appraisals.

Recognition of Security Transactions: Security transactions are accounted for as of the date the securities are purchased or sold.

Income Recognition: Pool dividend income is recorded on the ex-dividend date. Pool interest and dividend income are accrued monthly. Short-term interest is accrued monthly and is presented as "Accrued Short-Term Gain."

Amortization of Fixed Income Securities: Premiums and discounts on fixed income purchases are amortized over the remaining life of the security using the "Effective Interest Method."

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Net Position
As of June 30, 2014
Amounts in (000)'s

| | <u>Fixed Interest</u> | <u>Money Market</u> | <u>Bond Market</u> |
|---|-----------------------|---------------------|--------------------|
| | <u>Account</u> | <u>Account</u> | <u>Account</u> |
| Assets | | | |
| Security Lending Collateral | | | \$ 15,317 |
| Short Term Investments | | | |
| Stable Value Fixed Interest | \$ 1,549,257 | | |
| Money Fund | | \$ 315,643 | |
| Fixed Income Investments | | | |
| Bond Pool | | | 110,490 |
| Income Share Fixed Pool | | | |
| Equity Investments | | | |
| Domestic Stock Pool | | | |
| International Stock Pool | | | |
| Total Investments | <u>\$ 1,549,257</u> | <u>\$ 315,643</u> | <u>\$ 110,490</u> |
| Total Supplemental Position Assets | <u>\$ 1,549,257</u> | <u>\$ 315,643</u> | <u>\$ 125,807</u> |
| Liabilities | | | |
| Accrued Investment Expense | \$ 923 | | \$ 26 |
| Security Lending Collateral | | | 15,317 |
| Total Liabilities | <u>\$ 923</u> | | <u>\$ 15,343</u> |
| Net Supplemental Position Assets | | | |
| Held in Trust | <u>\$ 1,548,334</u> | <u>\$ 315,643</u> | <u>\$ 110,464</u> |

| <u>Income Share Account</u> | <u>Common Stock Index Account</u> | <u>Growth Share Account</u> | <u>International Share Account</u> | <u>Volunteer Fire Fighter Account</u> | <u>Total Supplemental Investment Fund</u> |
|-----------------------------|-----------------------------------|-----------------------------|------------------------------------|---------------------------------------|---|
| \$ 30,897 | \$ 64,589 | \$ 29,046 | \$ 12,480 | \$ 3,210 | \$ 155,539 |
| | | | | | 1,549,257 |
| 17,358 | | | | 1,243 | 334,244 |
| | | | | 11,813 | 122,303 |
| 119,456 | | | | | 119,456 |
| 212,835 | 444,919 | 202,635 | | 9,219 | 869,608 |
| | | | 209,815 | 3,934 | 213,749 |
| <u>\$349,649</u> | <u>\$ 444,919</u> | <u>\$ 202,635</u> | <u>\$ 209,815</u> | <u>\$ 26,209</u> | <u>\$ 3,208,617</u> |
| <u>\$ 380,546</u> | <u>\$ 509,508</u> | <u>\$ 231,681</u> | <u>\$ 222,295</u> | <u>\$ 29,419</u> | <u>\$ 3,364,156</u> |
| \$ 5 | \$ 11 | \$ 114 | \$ 150 | \$ 6 | \$ 1,235 |
| 30,897 | 64,589 | 29,046 | 12,480 | 3,210 | 155,539 |
| <u>\$ 30,902</u> | <u>\$ 64,600</u> | <u>\$ 29,160</u> | <u>\$ 12,630</u> | <u>\$ 3,216</u> | <u>\$ 156,774</u> |
| <u>\$ 349,644</u> | <u>\$ 444,908</u> | <u>\$ 202,521</u> | <u>\$ 209,665</u> | <u>\$ 26,203</u> | <u>\$ 3,207,382</u> |

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Changes in Net Position
For the Fiscal Year Ended June 30, 2014
Amounts in (000)'s

| | <u>Fixed Interest</u> | <u>Money Market</u> | <u>Bond Market</u> |
|---|----------------------------|--------------------------|--------------------------|
| | <u>Account</u> | <u>Account</u> | <u>Account</u> |
| Investment Income | | | |
| Interest, Dividends and Other | \$ 3,595 | \$ 19,908 | \$ (7,983) |
| Security Lending Gross Earnings | | | 71 |
| Less Borrower Rebates | | | 1 |
| Less Fees Paid to Agents | | | (24) |
| Security Lending Net Earnings | | | \$ 48 |
| Net Increase in Fair Value of Investments | 29,117 | | 5,429 |
| Total Investment Income (Loss) | <u>\$ 32,712</u> | <u>\$ 19,908</u> | <u>\$ (2,506)</u> |
| Expenses | | | |
| Administrative Expenses | | \$ (19) | \$ (8) |
| Investment Expenses | \$ (3,663) | | (97) |
| Total Expenses | <u>\$ (3,663)</u> | <u>\$ (19)</u> | <u>\$ (105)</u> |
| Net Income - Supplemental Investments | \$ 29,049 | \$ 19,889 | \$ (2,611) |
| Participant Transactions | | | |
| Additions | \$ 70,724 | \$ 65,945 | \$ 4,620 |
| Withdrawals | (96,840) | (54,149) | (17,422) |
| Net Participant Transactions | <u>\$ (26,116)</u> | <u>\$ 11,796</u> | <u>\$ (12,802)</u> |
| Total Change in Assets | \$ 2,933 | \$ 31,685 | \$ (15,413) |
| Net Supplemental Investment Assets Held in Trust: | | | |
| Beginning of Fiscal Year | 1,545,401 | 283,958 | 125,877 |
| End of Fiscal Year | <u><u>\$ 1,548,334</u></u> | <u><u>\$ 315,643</u></u> | <u><u>\$ 110,464</u></u> |

| <u>Income Share</u> <u>Account</u> | <u>Common</u> <u>Stock Index</u> <u>Account</u> | <u>Growth Share</u> <u>Account</u> | <u>International</u> <u>Share Account</u> | <u>Volunteer</u> <u>Fire Fighter</u> <u>Account</u> | <u>Total</u> <u>Supplemental</u> <u>Investment</u> <u>Fund</u> |
|---------------------------------------|---|---------------------------------------|--|---|---|
| \$ 301 | \$ (5,483) | \$ (5,081) | \$ (658) | \$ 9 | \$ 4,608 |
| 163 | 341 | 141 | 161 | 18 | 895 |
| (3) | (7) | (3) | (1) | | (13) |
| (47) | (99) | (38) | (65) | (5) | (278) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 113 | \$ 235 | \$ 100 | \$ 95 | \$ 13 | \$ 604 |
| 50,005 | 62,534 | 42,154 | 23,269 | 2,623 | 215,131 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 50,419 | \$ 57,286 | \$ 37,173 | \$ 22,706 | \$ 2,645 | \$ 220,343 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ (20) | \$ (20) | \$ (11) | \$ (9) | \$ (44) | \$ (131) |
| (20) | (41) | (448) | (578) | (22) | (4,869) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ (40) | \$ (61) | \$ (459) | \$ (587) | \$ (66) | \$ (5,000) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 50,379 | \$ 57,225 | \$ 36,714 | \$ 22,119 | \$ 2,579 | \$ 215,343 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 21,135 | \$ 193,726 | \$ 14,913 | \$ 108,549 | \$ 9,322 | \$ 488,934 |
| (20,294) | (11,506) | (12,140) | (7,624) | (1,166) | (221,141) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 841 | \$ 182,220 | \$ 2,773 | \$ 100,925 | \$ 8,156 | \$ 267,793 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 51,220 | \$ 239,445 | \$ 39,487 | \$ 123,044 | \$ 10,735 | \$ 483,136 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 298,424 | 205,463 | 163,034 | 86,621 | 15,468 | 2,724,246 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 349,644 | \$ 444,908 | \$ 202,521 | \$ 209,665 | \$ 26,203 | \$ 3,207,382 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|--|--|------------------------|-------------------------|
| Combined Retirement Funds | | | |
| Correctional Employees Retirement Fund | | \$24,278,726 | \$204,487,815 |
| Highway Patrolmen's Retirement Fund | | 17,395,454 | 155,810,113 |
| Judges Retirement Fund | | 5,163,871 | 40,879,051 |
| Legislative Retirement Fund | | 108,578 | 1,962,275 |
| State Employees Retirement Fund | | 290,337,706 | 2,683,529,759 |
| Public Employee Corrections | | 12,429,509 | 105,665,757 |
| PERA Minneapolis Employee Retirement | | 21,081,014 | 205,526,981 |
| Public Employee Police & Fire Fund | | 185,874,484 | 1,696,488,705 |
| Public Employees Retirement Fund | | 456,977,982 | 4,061,775,752 |
| Teachers Retirement Fund | | 536,127,069 | 4,732,982,859 |
| | | \$1,549,774,393 | \$13,889,109,068 |
| Fire Relief Funds | | | |
| Alaska | | \$1,453 | |
| Albertville | | | \$42,179 |
| Almelund | | 99,852 | |
| Amboy | | | 10,243 |
| Argyle | | 3,291 | 14 |
| Arrowhead | | 1,233 | 18,298 |
| Audubon | | 14,122 | 89,486 |
| Aurora | | | 45,280 |
| Austin | | 20,379 | |
| Avon | | | |
| Babbitt | | 134,714 | 2,325 |
| Backus | | | |
| Bagley | | 6,142 | 25,845 |
| Balsam | | 16,041 | |
| Beardsley | | 214 | 52,443 |
| Beaver Creek | | | 20,458 |
| Benson | | 2,582 | 32,988 |
| Bertha | | 4,834 | |
| Bigfork | | 891 | |
| Bird Island | | 3,757 | |
| Blackduck | | | |
| Blooming Prairie | | 59,171 | 27,559 |
| Bloomington | | 16,526,442 | 24,113,915 |
| Boyd | | 1,019 | |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|-------------------------|
| | \$110,536,229 | \$400,472,557 | \$136,968,481 | \$876,743,808 |
| | 84,223,418 | 305,141,289 | 104,363,551 | 666,933,827 |
| | 22,097,240 | 80,058,259 | 27,381,297 | 175,579,718 |
| | 1,060,711 | 3,842,953 | 1,314,356 | 8,288,872 |
| | 1,450,586,506 | 5,255,472,253 | 1,797,461,602 | 11,477,387,826 |
| | 57,117,801 | 206,937,687 | 70,776,238 | 452,926,992 |
| | 111,098,897 | 402,511,098 | 137,665,691 | 877,883,680 |
| | 917,039,812 | 3,322,433,558 | 1,136,329,230 | 7,258,165,788 |
| | 2,195,599,677 | 7,954,653,607 | 2,720,627,904 | 17,389,634,923 |
| | 2,558,421,827 | 9,269,157,583 | 3,170,210,775 | 20,266,900,112 |
| | \$7,507,782,117 | \$27,200,680,845 | \$9,303,099,123 | \$59,450,445,546 |
| \$9,997 | | \$58,901 | \$7,387 | \$77,738 |
| | | 38,272 | 28,481 | 108,932 |
| 41,643 | | 201,155 | | 342,649 |
| | | 65,802 | | 76,046 |
| 22,647 | | 80,818 | | 106,771 |
| 8,487 | | 70,475 | | 98,493 |
| 97,191 | | 173,165 | | 373,965 |
| | | 84,449 | 20,983 | 150,712 |
| 140,253 | | 638,818 | | 799,451 |
| | | 64,101 | | 64,101 |
| 40,350 | | 200,955 | | 378,343 |
| | | 18,403 | | 18,403 |
| 40,853 | | 98,429 | | 171,268 |
| 59,363 | | 194,206 | | 269,610 |
| 1,473 | | 123,958 | 43,253 | 221,341 |
| | | 29,767 | | 50,225 |
| 17,769 | | 125,967 | | 179,306 |
| 33,265 | | 143,608 | | 181,706 |
| 6,132 | | 192,759 | 18,934 | 218,716 |
| 25,859 | | 116,612 | | 146,228 |
| | | 12,225 | 32,348 | 44,573 |
| 14,164 | | 76,383 | | 177,277 |
| | | 72,050,399 | 16,002,735 | 128,693,491 |
| 7,011 | | 30,507 | | 38,537 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|----------------------|--|-------------------|------------------|
| Bricelyn | | \$16,673 | |
| Brimson | | 5,319 | \$9,279 |
| Brooklyn Park | | 194,067 | |
| Brooten | | | |
| Brownsville | | 8,483 | 24,860 |
| Buffalo Fire | | 16,542 | |
| Buffalo Lake | | 7,914 | |
| Carlton | | 1,742 | 36,716 |
| Center City | | 7,551 | 15,144 |
| Ceylon | | 4,279 | |
| Chatfield | | 6,352 | |
| Cherry | | 3,477 | |
| Chisago City | | 89,021 | 1,108 |
| Chokio | | 9,051 | |
| Clarissa | | | 36,033 |
| Clarkfield | | 7,997 | 40,962 |
| Clear Lake | | 12,482 | 35,310 |
| Cloquet (Perch Lake) | | 4,126 | 72,989 |
| Columbia Heights | | | 424,930 |
| Coon Rapids | | 67,047 | 1,000,684 |
| Cotton | | 1,068 | 25,973 |
| Cyrus | | | 29,038 |
| Dakota | | 2,752 | 41,650 |
| Dawson | | 11,927 | |
| Dayton Fire | | 113,138 | |
| Deer Creek | | 3,935 | |
| Delano | | | 56,811 |
| Dover | | 27,851 | 52,966 |
| East Grand Forks | | 52,863 | |
| Edgerton | | 11,379 | |
| Edina | | 1,196,459 | 1,192,966 |
| Elbow Lake | | 6,232 | |
| Elmore | | | |
| Excelsior | | | 483,295 |
| Eyota | | 115,355 | 92,116 |
| Fergus Falls | | 32,202 | 1,014,233 |
| Forest Lake | | 14,091 | |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|--------------|
| \$114,746 | | \$204,444 | | \$335,864 |
| 30,160 | | 62,658 | \$11,328 | 118,745 |
| 1,335,590 | | 7,305,944 | 294,244 | 9,129,845 |
| | | 248,566 | | 248,566 |
| 6,110 | | 94,391 | 17,996 | 151,840 |
| 10,591 | | 129,436 | | 156,568 |
| 54,463 | | 317,360 | | 379,737 |
| 11,988 | | 137,580 | 24,547 | 212,572 |
| 51,967 | | 187,935 | 18,802 | 281,399 |
| 29,450 | | 220,113 | | 253,842 |
| 43,715 | | 263,755 | 65,599 | 379,420 |
| 23,927 | | 145,501 | | 172,905 |
| 178,269 | | 535,726 | 166,469 | 970,594 |
| 62,292 | | 110,985 | 33,634 | 215,962 |
| | | 54,035 | | 90,069 |
| 55,034 | | 127,402 | | 231,395 |
| 85,904 | | 524,471 | | 658,167 |
| 28,396 | | 152,378 | | 257,889 |
| | | 1,446,693 | | 1,871,623 |
| 461,425 | | 822,125 | | 2,351,282 |
| 7,350 | | 146,390 | 32,026 | 212,807 |
| | | 51,418 | 14,528 | 94,984 |
| 18,941 | | 81,319 | | 144,663 |
| 82,082 | | 191,971 | | 285,979 |
| 67,716 | | 291,771 | | 472,625 |
| 27,082 | | 197,777 | | 228,794 |
| | | | | 56,811 |
| 19,090 | | 141,864 | 40,804 | 282,575 |
| 363,807 | | 648,197 | | 1,064,867 |
| 78,312 | | 279,672 | | 369,363 |
| | | 5,197,535 | 745,211 | 8,332,170 |
| 42,892 | | 165,916 | 21,409 | 236,450 |
| | | 193,925 | | 193,925 |
| | | 1,187,679 | 556,740 | 2,227,714 |
| 38,129 | | 124,261 | | 369,862 |
| 186,112 | | 954,061 | 78,186 | 2,264,794 |
| 96,978 | | 199,971 | | 311,041 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|---------------|--|-------------------|------------------|
| Franklin | | | |
| Frost | | \$1,414 | |
| Ghent | | | \$7,462 |
| Glencoe | | | |
| Glenville | | 10,778 | 41,611 |
| Glenwood | | 9,675 | 117,006 |
| Golden Valley | | 52,356 | 387,010 |
| Gonvick | | 2,965 | |
| Good Thunder | | 6,788 | |
| Grand Meadow | | 5,308 | 20,688 |
| Greenwood | | 10,011 | 60,940 |
| Grey Eagle | | 9,328 | |
| Hackensack | | 6,000 | 55,436 |
| Hanska | | 10,753 | 19,071 |
| Harmony | | 2,228 | |
| Hawley | | 185 | |
| Hayward | | 2,407 | |
| Hector | | 29,723 | |
| Henning | | 3,603 | 52,455 |
| Herman | | | 32,845 |
| Hills | | 307 | |
| Holdingsford | | 774 | |
| Holland | | 2,999 | 48,904 |
| Isanti | | | |
| Jacobson | | 8,981 | |
| Kabetogama | | | |
| Kandiyohi | | 4,777 | 56,333 |
| Kelsey | | | 16,200 |
| Kerkhoven | | 3,485 | 62,575 |
| Kettle River | | 2,769 | |
| Kiester | | | 20,787 |
| Kilkenny | | 5,016 | |
| Kimball | | 4,788 | |
| La Crescent | | 9,453 | 16,925 |
| La Salle | | 836 | |
| Lafayette | | 8,906 | |
| Lake City | | 37,582 | 10,156 |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|--------------|
| | | \$195,934 | | \$195,934 |
| \$9,728 | | 75,202 | | 86,344 |
| | | 27,752 | \$6,345 | 41,559 |
| | | 228,274 | | 228,274 |
| 17,680 | | 134,340 | 43,741 | 248,150 |
| 66,583 | | 391,387 | | 584,652 |
| 360,316 | | 1,855,599 | 420,382 | 3,075,663 |
| 20,405 | | 95,923 | | 119,293 |
| 46,715 | | 206,987 | | 260,490 |
| 36,532 | | 233,906 | | 296,434 |
| 68,899 | | 356,864 | | 496,713 |
| 64,199 | | 114,385 | 40,044 | 227,956 |
| 41,290 | | 73,567 | 75,229 | 251,521 |
| | | | | 29,824 |
| 15,336 | | 78,788 | 39,980 | 136,333 |
| | | 99,568 | | 99,753 |
| 16,565 | | 437,028 | | 456,001 |
| 204,558 | | 364,463 | | 598,745 |
| 24,796 | | 183,122 | | 263,976 |
| | | 87,726 | 24,786 | 145,357 |
| 2,111 | | 16,358 | 4,290 | 23,066 |
| 5,325 | | 40,344 | | 46,443 |
| 12,101 | | 87,077 | 84,173 | 235,253 |
| | | 1,408,638 | 569,928 | 1,978,566 |
| 14,926 | | 81,391 | 36,023 | 141,321 |
| | | 212,472 | | 212,472 |
| 32,877 | | 239,405 | | 333,392 |
| | | 22,495 | 17,184 | 55,879 |
| 23,985 | | 182,713 | | 272,759 |
| 19,056 | | 104,234 | | 126,058 |
| | | 48,520 | | 69,307 |
| 34,522 | | 283,109 | 14,493 | 337,140 |
| 32,952 | | 206,194 | | 243,934 |
| 65,054 | | 592,696 | | 684,127 |
| 5,753 | | 48,976 | | 55,565 |
| 61,290 | | 223,795 | 21,626 | 315,617 |
| 258,643 | | 477,028 | | 783,409 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|------------------|--|-------------------|------------------|
| Lakeville | | | |
| Leroy | | \$4,446 | \$21,202 |
| Lewiston | | 6,254 | |
| Littlefork | | 7,785 | |
| Lowry | | | |
| Lyle | | 3,673 | |
| Madison | | 3,841 | |
| Madison Lake | | 1,124 | |
| Maple Hill | | 9,093 | 35,524 |
| Mapleton | | 1,731 | |
| Mapleview | | 2,481 | 44,712 |
| Maplewood | | | 792,498 |
| Marietta | | 2,831 | |
| Marine St. Croix | | 23,485 | |
| Maynard | | 5,602 | |
| McDavitt | | 3,449 | 8,726 |
| McGrath | | 979 | 11,057 |
| McIntosh | | 1,747 | |
| Medford | | 1,710 | |
| Medicine Lake | | | 229,624 |
| Menahga | | 4,522 | 80,317 |
| Mendota Heights | | 14,712 | 512,948 |
| Milan | | 3,066 | |
| Minneota | | 2,555 | 25,208 |
| Minnetonka | | 334,497 | 581,001 |
| Montrose | | 565 | |
| Morris | | 2 | |
| Morristown | | 16,732 | |
| Morse-Fall Lake | | 7,695 | |
| MSRS ING | \$1,545,290,019 | 307,785,350 | 67,149,282 |
| Murdock | | 1,669 | |
| Myrtle | | 55,772 | |
| Nassau | | 1,253 | 20,010 |
| New Brighton | | | 1,176,968 |
| New Germany | | 10,269 | |
| New Ulm | | | |
| New York Mills | | 6,009 | |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|---------------|
| | | \$4,020,264 | \$439,221 | \$4,459,485 |
| \$30,599 | | \$54,518 | | 110,764 |
| 43,039 | | 206,598 | | 255,891 |
| 53,579 | | 316,122 | | 377,486 |
| | | 93,441 | | 93,441 |
| 25,279 | | 128,974 | \$10,958 | 168,884 |
| 26,392 | | 176,910 | | 207,143 |
| 7,738 | | 31,882 | 15,371 | 56,115 |
| 62,577 | | 111,493 | | 218,687 |
| 11,916 | | 64,382 | | 78,029 |
| 17,074 | | 115,832 | 31,739 | 211,838 |
| | | 3,017,686 | 374,722 | 4,184,905 |
| 19,483 | | 104,725 | | 127,039 |
| 161,625 | | 287,968 | | 473,077 |
| 38,554 | | 68,692 | | 112,847 |
| 23,733 | | 111,724 | 14,493 | 162,125 |
| 6,735 | | 23,141 | | 41,912 |
| 12,023 | | 130,570 | | 144,340 |
| 11,770 | | 320,037 | 44,900 | 378,418 |
| | | 527,939 | 280,722 | 1,038,285 |
| 31,119 | | 55,444 | | 171,402 |
| 101,250 | | 1,341,525 | 305,349 | 2,275,785 |
| 21,104 | | 163,438 | | 187,608 |
| 17,581 | | 77,571 | 13,480 | 136,395 |
| 2,302,041 | | 4,101,562 | 844,428 | 8,163,530 |
| 3,891 | | 43,311 | | 47,767 |
| | | | 28,445 | 28,447 |
| 115,149 | | 646,395 | 20,724 | 799,000 |
| 29,065 | | 125,585 | | 162,345 |
| 97,120,931 | | 483,019,675 | 74,835,883 | 2,575,201,140 |
| 11,483 | | 86,102 | 20,594 | 119,848 |
| 40,166 | | 71,563 | | 167,500 |
| 8,626 | | 179,243 | 40,336 | 249,468 |
| | | 2,603,637 | | 3,780,605 |
| 70,675 | | 125,922 | | 206,866 |
| | | 355,291 | | 355,291 |
| 41,352 | | 73,677 | | 121,038 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|--------------------------------------|--|-------------------|------------------|
| Nicollet | | \$13,604 | |
| Nodine | | 66,260 | |
| North Branch | | 2,408 | |
| Northfield | | 686,009 | \$114,729 |
| Northrop | | 3,281 | |
| Oronoco | | 2,407 | |
| Owatonna | | 40,997 | |
| Pequot Lakes | | 16,417 | 205,728 |
| Pine Island | | 15,798 | 33,100 |
| Pipestone | | 9,247 | |
| PERA DCP | \$3,966,545 | 3,184,641 | 2,954,581 |
| Randolph | | 14,145 | |
| Red Lake Falls | | 5,229 | |
| Redwood Falls | | | 48,899 |
| Renville | | 4,233 | 57,675 |
| Robbinsdale | | 135,152 | |
| Rose Creek | | 49,266 | |
| Roseau | | | |
| Rosemount | | 532,395 | |
| Roseville | | | 2,775,365 |
| Ruthton | | 24,049 | |
| Sacred Heart | | | |
| Saint Clair | | 10,405 | 19,400 |
| Saint Peter | | 1,916 | 788 |
| Sandstone | | 477 | |
| Savage | | 89,178 | |
| Schroeder | | | |
| Shakopee | | | |
| Sherburn | | 20,029 | |
| Silver Bay | | 11,393 | |
| Solway (Main) | | 584 | |
| Solway(Cloquet) | | 4,455 | 109,198 |
| Spring Grove | | 3,039 | 10,148 |
| Spring Lake Park | | 65,699 | |
| Saint Paul Teachers' Retirement Fund | | | |
| Starbuck | | 3,601 | |
| Stephen | | 2,128 | |

| <u>Income Share</u> | <u>Alternative</u> | <u>Domestic Stock</u> | <u>International</u> | |
|---------------------|------------------------|-----------------------|----------------------|--------------|
| <u>Fixed Pool</u> | <u>Investment Pool</u> | <u>Pool</u> | <u>Stock Pool</u> | <u>Total</u> |
| \$70,315 | | \$307,959 | \$79,120 | \$470,998 |
| 26,246 | | 125,386 | 17,267 | 235,159 |
| 16,571 | | 137,360 | 27,463 | 183,802 |
| 590,737 | | 3,725,811 | | 5,117,287 |
| 22,577 | | 113,841 | | 139,699 |
| 16,567 | | 119,262 | 35,942 | 174,178 |
| 282,144 | | 2,140,022 | 149,914 | 2,613,077 |
| 112,982 | | 384,074 | | 719,201 |
| 108,725 | | 345,290 | | 502,913 |
| 63,637 | | 309,297 | | 382,181 |
| 8,900,437 | | 33,055,470 | 3,019,841 | 55,081,516 |
| 97,350 | | 481,206 | 53,764 | 646,466 |
| 35,985 | | 64,115 | | 105,328 |
| | | | | 48,899 |
| 29,130 | | 175,123 | | 266,161 |
| 357,345 | | 1,625,234 | 212,088 | 2,329,819 |
| | | | | 49,266 |
| | | 1,731 | | 1,731 |
| 215,363 | | 1,085,409 | | 1,833,167 |
| | | 6,446,338 | 710,461 | 9,932,164 |
| 11,370 | | 87,908 | | 123,327 |
| | | 64,358 | | 64,358 |
| 62,897 | | 529,743 | | 622,446 |
| 13,188 | | 337,228 | 116,352 | 469,472 |
| 3,285 | | 5,854 | | 9,617 |
| 613,728 | | 1,093,483 | | 1,796,389 |
| | | 167,472 | | 167,472 |
| | | 1,258,369 | 218,937 | 1,477,306 |
| 137,838 | | 245,587 | | 403,453 |
| 78,408 | | 398,825 | 52,089 | 540,715 |
| 4,020 | | 30,751 | | 35,356 |
| 30,661 | | 54,629 | | 198,944 |
| 6,170 | | 53,008 | 7,523 | 79,887 |
| 452,145 | | 805,589 | | 1,323,432 |
| | | 185,821,394 | 106,368,651 | 292,190,045 |
| 24,781 | | 184,978 | 9,847 | 223,207 |
| 14,648 | | 140,290 | | 157,067 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|-----------------------------|--|----------------------|----------------------|
| Stewart | | \$5,661 | |
| Sturgeon Lake | | | \$8,319 |
| Tofte | | 5,007 | |
| Truman | | 4,070 | 38,531 |
| Two Harbors | | 9,380 | 172,407 |
| Tyler | | 9,866 | |
| Underwood | | | |
| Vadnais Heights | | 12,788 | |
| Vermilion Lake | | 11,916 | |
| Verndale | | | |
| Viking Fire | | | 3,069 |
| Waconia | | 12,126 | |
| Warroad Area | | 17,775 | 86,905 |
| Williams | | 39,763 | |
| Willow River | | | 7,589 |
| Winnebago | | 1,206 | |
| Woodbury | | 292,329 | 2,844,703 |
| Woodstock | | 2,476 | 9,535 |
| Wrenshall | | | |
| Wykoff | | 4,839 | |
| Wyoming | | 9,395 | 92,087 |
| Zumbro Falls | | 17,624 | 13,828 |
| | <u>\$1,549,256,564</u> | <u>\$333,001,268</u> | <u>\$110,490,159</u> |
| PERA Voluntary Share | | | |
| Albert Lea | | \$9,786 | \$93,012 |
| Alborn | | 8,580 | 81,548 |
| Alden | | 8,295 | 78,839 |
| Ashby | | 16,918 | 160,791 |
| Barnum | | 12,411 | 117,961 |
| Biwabik | | 10,142 | 96,390 |
| Brandon | | 12,470 | 118,516 |
| Breitung | | 13,046 | 123,991 |
| Brevator | | 9,776 | 92,914 |
| Buyck | | 3,173 | 30,161 |
| Canby | | 19,267 | 183,122 |
| Carsonville | | 8,027 | 76,291 |
| Clifton | | 15,717 | 149,377 |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|------------------------|
| \$38,957 | | \$129,491 | | \$174,108 |
| | | 54,270 | | 62,589 |
| 34,460 | | 176,298 | | 215,766 |
| 28,010 | | 215,539 | | 286,150 |
| 64,556 | | 311,325 | \$149,033 | 706,701 |
| 67,899 | | 120,975 | | 198,740 |
| | | 18,861 | 5,346 | 24,206 |
| 88,009 | | 156,805 | | 257,602 |
| 82,004 | | 146,108 | | 240,028 |
| | | 30,233 | | 30,233 |
| | | 6,093 | | 9,162 |
| 83,450 | | 793,406 | 156,297 | 1,045,278 |
| 122,327 | | 217,952 | | 444,959 |
| 48,442 | | 160,223 | | 248,428 |
| | | 98,155 | | 105,744 |
| 8,298 | | 32,807 | | 42,311 |
| | | 4,629,404 | 1,407,345 | 9,173,781 |
| 17,042 | | 118,262 | | 147,315 |
| | | 103,798 | | 103,798 |
| 33,299 | | 59,330 | | 97,468 |
| 64,660 | | 115,206 | | 281,348 |
| 67,593 | | 238,210 | 22,832 | 360,087 |
| \$119,455,980 | | \$860,389,602 | \$209,815,344 | \$3,182,408,916 |
| | | \$72,587 | \$30,975 | \$206,360 |
| | | 63,641 | 27,157 | 180,926 |
| | | 61,526 | 26,255 | 174,915 |
| | | 125,483 | 53,546 | 356,738 |
| | | 92,058 | 39,283 | 261,714 |
| | | 75,224 | 32,100 | 213,856 |
| | | 92,491 | 39,468 | 262,945 |
| | | 96,763 | 41,291 | 275,091 |
| | | 72,511 | 30,942 | 206,142 |
| | | 23,538 | 10,044 | 66,916 |
| | | 142,910 | 60,983 | 406,283 |
| | | 59,538 | 25,406 | 169,262 |
| | | 116,575 | 49,745 | 331,415 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|-------------------------|--|-------------------|------------------|
| Colvill | | \$4,461 | \$42,395 |
| Crane Lake | | 5,135 | 48,803 |
| Dalbo Fire Department | | 19,156 | 182,064 |
| De Graff | | 903 | 8,578 |
| Dent | | 15,883 | 150,955 |
| Echo Fire | | 12,297 | 116,878 |
| Elbow Tulaby | | 4,400 | 41,817 |
| Ellsburg | | 4,595 | 43,676 |
| Embarrass | | 8,825 | 83,874 |
| Emmons | | 16,324 | 155,144 |
| Fairfax | | 14,943 | 142,024 |
| Federal Dam | | 5,501 | 52,286 |
| Fredenberg | | 12,190 | 115,859 |
| Gilbert | | 11,693 | 111,134 |
| Gnesen | | 11,008 | 104,624 |
| Grand Lake | | 18,856 | 179,210 |
| Grand Marais | | 16,083 | 152,857 |
| Granite Falls | | 20,682 | 196,563 |
| Hardwick | | 6,514 | 61,913 |
| Hewitt | | 7,072 | 67,218 |
| Houston | | 17,473 | 166,065 |
| Hovland Fire Department | | 6,792 | 64,557 |
| Industrial Township | | 14,013 | 133,179 |
| Lake Bronson | | 5,982 | 56,858 |
| Lakeland | | 13,180 | 125,263 |
| Lester Prairie | | 14,649 | 139,229 |
| LeSueur | | 41,340 | 392,904 |
| Lexington | | 23,235 | 220,827 |
| Linwood | | 32,509 | 308,975 |
| Lutsen | | 9,586 | 91,112 |
| Mahtowa | | 7,694 | 73,121 |
| Manchester | | 6,260 | 59,493 |
| Mayer | | 31,166 | 296,209 |
| McKinley | | 5,093 | 48,402 |
| Melrose | | 18,766 | 178,353 |
| Mountain Iron | | 15,269 | 145,121 |
| Normanna | | 2,514 | 23,898 |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|--------------|
| | | \$33,085 | \$14,118 | \$94,059 |
| | | 38,086 | 16,252 | 108,276 |
| | | 142,085 | 60,631 | 403,936 |
| | | 6,694 | 2,857 | 19,031 |
| | | 117,807 | 50,271 | 334,916 |
| | | 91,213 | 38,923 | 259,311 |
| | | 32,634 | 13,926 | 92,777 |
| | | 34,085 | 14,545 | 96,902 |
| | | 65,456 | 27,932 | 186,087 |
| | | 121,076 | 51,666 | 344,209 |
| | | 110,836 | 47,297 | 315,100 |
| | | 40,804 | 17,412 | 116,004 |
| | | 90,417 | 38,583 | 257,049 |
| | | 86,730 | 37,010 | 246,566 |
| | | 81,650 | 34,842 | 232,124 |
| | | 139,857 | 59,680 | 397,603 |
| | | 119,290 | 50,904 | 339,134 |
| | | 153,399 | 65,459 | 436,102 |
| | | 48,318 | 20,618 | 137,364 |
| | | 52,457 | 22,385 | 149,132 |
| | | 129,598 | 55,303 | 368,439 |
| | | 50,381 | 21,499 | 143,230 |
| | | 103,934 | 44,351 | 295,476 |
| | | 44,372 | 18,935 | 126,147 |
| | | 97,756 | 41,715 | 277,914 |
| | | 108,656 | 46,366 | 308,900 |
| | | 306,625 | 130,844 | 871,713 |
| | | 172,335 | 73,539 | 489,936 |
| | | 241,127 | 102,895 | 685,506 |
| | | 71,105 | 30,342 | 202,146 |
| | | 57,064 | 24,351 | 162,229 |
| | | 46,429 | 19,812 | 131,995 |
| | | 231,164 | 98,643 | 657,182 |
| | | 37,773 | 16,119 | 107,386 |
| | | 139,188 | 59,395 | 395,703 |
| | | 113,254 | 48,328 | 321,972 |
| | | 18,650 | 7,959 | 53,022 |

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

| | <u>Stable Value</u> <u>Fixed Interest</u> | <u>Money Fund</u> | <u>Bond Pool</u> |
|---------------------------------|--|------------------------|-------------------------|
| North Star | | \$3,494 | \$33,205 |
| Northhome | | 6,708 | 63,759 |
| Norwood-Young America | | 28,057 | 266,662 |
| Oak Grove | | 56,957 | 541,331 |
| Oakdale | | 109,615 | 1,041,804 |
| Ogilvie | | 13,288 | 126,289 |
| Osakis | | 26,723 | 253,981 |
| Ottertail | | 22,188 | 210,881 |
| Palo | | 14,831 | 140,956 |
| Pennock | | 15,179 | 144,262 |
| Pequaywan L. | | 3,235 | 30,742 |
| Porter | | 23,584 | 224,144 |
| Rice Lake | | 28,467 | 270,559 |
| Scandia | | 32,765 | 311,406 |
| Scandia Valley | | 15,930 | 151,406 |
| Shevlin | | 12,460 | 118,420 |
| Sunburg | | 7,591 | 72,143 |
| Tower | | 6,775 | 64,389 |
| Twin Valley | | 16,520 | 157,009 |
| Ulen | | 9,557 | 90,836 |
| Victoria | | 43,457 | 413,026 |
| Waite Park | | 39,739 | 377,685 |
| Warba - Feeley - Sago | | 8,685 | 82,543 |
| Willmar | | 50,375 | 478,780 |
| Wolf Lake | | 10,448 | 99,305 |
| Wright | | 6,594 | 62,672 |
| | | <u>\$1,242,870</u> | <u>\$11,812,547</u> |
| Total Pool Participation | | <u>\$1,549,256,564</u> | <u>\$14,011,411,774</u> |

| <u>Income Share</u> <u>Fixed Pool</u> | <u>Alternative</u> <u>Investment Pool</u> | <u>Domestic Stock</u> <u>Pool</u> | <u>International</u> <u>Stock Pool</u> | <u>Total</u> |
|--|--|--------------------------------------|---|------------------|
| | | \$25,913 | \$11,058 | \$73,670 |
| | | 49,758 | 21,233 | 141,459 |
| | | 208,105 | 88,803 | 591,627 |
| | | 422,459 | 180,273 | 1,201,019 |
| | | 813,033 | 346,940 | 2,311,392 |
| | | 98,557 | 42,057 | 280,191 |
| | | 198,209 | 84,580 | 563,493 |
| | | 164,573 | 70,227 | 467,869 |
| | | 110,003 | 46,941 | 312,731 |
| | | 112,583 | 48,042 | 320,065 |
| | | 23,991 | 10,238 | 68,205 |
| | | 174,924 | 74,644 | 497,296 |
| | | 211,146 | 90,101 | 600,274 |
| | | 243,024 | 103,704 | 690,898 |
| | | 118,159 | 50,421 | 335,917 |
| | | 92,416 | 39,436 | 262,732 |
| | | 56,301 | 24,025 | 160,060 |
| | | 50,250 | 21,443 | 142,857 |
| | | 122,531 | 52,287 | 348,347 |
| | | 70,889 | 30,250 | 201,532 |
| | | 322,329 | 137,546 | 916,358 |
| | | 294,748 | 125,776 | 837,948 |
| | | 64,417 | 27,488 | 183,134 |
| | | 373,644 | 159,443 | 1,062,242 |
| | | 77,498 | 33,070 | 220,322 |
| | | 48,910 | 20,871 | 139,047 |
| | | \$9,218,607 | \$3,933,799 | \$26,207,824 |
| \$119,455,980 | \$7,507,782,117 | \$28,070,289,054 | \$9,516,848,266 | \$62,659,062,286 |

State Board of Investment
Non Retirement Funds Participation Schedule
As of June 30, 2014
Amounts In (000)'s

| | <u>Non Retirement</u> <u>Cash Pool</u> | <u>Internal Bond</u> <u>Pool</u> | <u>Internal</u> <u>Equity Pool</u> | <u>Total Non</u> <u>Retirement Pools</u> |
|----------------------------------|---|-------------------------------------|---------------------------------------|---|
| Permanent School | \$ 21,049 | \$ 517,032 | \$ 563,537 | \$ 1,101,618 |
| Environmental Trust | \$ 16,201 | \$ 231,586 | \$ 594,713 | \$ 842,499 |
| Other Trusts: | | | | |
| Closed Landfill | | | \$ 1,227 | \$ 1,227 |
| Emergency Med SVC | \$ 94 | \$ 611 | 1,219 | 1,924 |
| Ethel Currey | | 526 | 863 | 1,389 |
| Iron Range Resources | | 49,062 | 59,527 | 108,589 |
| Life Time Fish & Wild Life | 274 | 4,600 | 12,065 | 16,940 |
| Saint Louis County Environmental | | 3,140 | 4,053 | 7,194 |
| Winona State | | 2,158 | 3,858 | 6,016 |
| | <u>\$ 368</u> | <u>\$ 60,097</u> | <u>\$ 82,812</u> | <u>\$ 143,277</u> |
| PERA OPEB: | | | | |
| Anoka County (Irrevocable) | | | \$ 48,865 | \$ 48,865 |
| Anoka County (Revocable) | | | 407 | 407 |
| Carver County | | \$ 407 | 2,162 | 2,569 |
| City of Eagan | | | 12,131 | 12,131 |
| City of Virginia | | | 760 | 760 |
| Crosby-Ironton ISD #182 | \$ 284 | 2 | 3,910 | 4,196 |
| Duluth | | 12,128 | 28,693 | 40,821 |
| Fillmore Central ISD #2137 | 515 | | | 515 |
| Hastings ISD #200 | 1,345 | | | 1,345 |
| Kingsland ISD #2137 | | | 287 | 287 |
| Mendota Heights Egan, | | | | |
| West Saint.Paul ISD #197 | 182 | 8,690 | | 8,872 |
| Metro Mosquito Control District | | 395 | 2,050 | 2,445 |
| Metropolitan Council | 29 | | 192,176 | 192,205 |
| Mounds View ISD #621 | 9,949 | 6,142 | 7,547 | 23,638 |
| Mt. Iron-Buhl District #712 | | 2,323 | | 2,323 |
| Ogilvie ISD #333 | 546 | | | 546 |
| Ramsey County | 4,246 | 13,549 | 33,573 | 51,368 |
| Roseville ISD#623 | | 12,787 | | 12,787 |
| Scott County | | | 9,212 | 9,212 |
| Staples Motley ISD #2170 | 28 | 800 | 187 | 1,015 |
| Washington County | | 7,783 | 24,313 | 32,096 |
| Yellow Medicine ISD #2190 | 1,088 | | | 1,088 |
| | <u>\$ 18,212</u> | <u>\$ 65,006</u> | <u>\$ 366,273</u> | <u>\$ 449,491</u> |
| Total Pool Participation | <u>\$ 55,830</u> | <u>\$ 873,721</u> | <u>\$ 1,607,334</u> | <u>\$ 2,536,886</u> |

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2014

| | | |
|--|----|-----------|
| Domestic Equity Active Managers | | |
| Barrow, Hanley, Mewhinney & Strauss, Inc. | \$ | 1,382,004 |
| Earnest Partners LLC | | 979,376 |
| Goldman Sachs Asset Management, L.P. | | 1,912,726 |
| Hotchkis and Wiley Capital Management | | 2,667,314 |
| INTECH Investment Management LLC | | 1,553,094 |
| Jacobs Levy Equity Management, Inc. | | 1,775,659 |
| Knelman Asset Management Group LLC * | | 190,396 |
| LSV Asset Management | | 2,160,845 |
| Martingale Asset Management L.P. | | 1,311,657 |
| McKinley Capital Management LLC | | 2,098,678 |
| Next Century Growth Investors LLC | | 2,793,020 |
| Peregrine Capital Management | | 2,374,465 |
| Sands Capital Management LLC | | 2,795,974 |
| Systematic Financial Management, L.P. | | 1,557,896 |
| Turner Investments* | | 1,173,205 |
| Winslow Capital Management LLC | | 935,108 |
| Zevenbergen Capital Investments LLC | | 2,030,293 |
| Domestic Equity Semi-Passive Managers (2) | | |
| BlackRock Institutional Trust Co., N.A. | | 2,755,508 |
| INTECH Investment Management LLC | | 2,340,403 |
| J.P. Morgan Investment Management, Inc. | | 3,071,912 |
| Mellon Capital Management Corp. | | 2,302,611 |
| Domestic Equity Passive Manager (2) | | |
| BlackRock Institutional Trust Co. N.A. | | 913,242 |
| Fixed Income Active Managers (2) | | |
| Aberdeen Asset Management, Inc. | | 1,635,240 |
| Columbia Management Investment Advisers LLC | | 1,130,410 |
| Dodge & Cox | | 1,490,127 |
| Pacific Investment Management Co.LLC (PIMCO) | | 3,167,356 |
| Western Asset Management Co. | | 1,437,359 |
| Fixed Income Semi-Passive Managers (2) | | |
| BlackRock Financial Management, Inc. | | 1,021,113 |
| Goldman Sachs Asset Management | | 1,660,647 |
| Neuberger Berman Fixed Income LLC | | 720,798 |

cont.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2014

| | | |
|---|----|-----------|
| International Active Developed Markets Managers (2) | | |
| Acadian Asset Management LLC | \$ | 1,518,402 |
| Columbia Management Investment Advisers LLC | | 1,138,091 |
| INVESCO Global Asset Management (N.A.), Inc.* | | 24,732 |
| JP Morgan Investment Management Inc. | | 1,368,745 |
| Marathon Asset Management LLP | | 2,406,931 |
| McKinley Capital Management LLC | | 1,339,916 |
| Pyramis Global Advisors Trust Company | | 1,648,507 |
| | | |
| International Semi Passive Developed Markets Managers (2) | | |
| AQR Capital Management LLC | | 1,848,532 |
| Pyramis Global Advisors Trust Company | | 995,934 |
| State Street Global Advisors | | 1,447,929 |
| | | |
| International Passive Developed Markets Manager (2) | | |
| State Street Global Advisors | | 614,149 |
| | | |
| International Active Emerging Markets Managers (2) | | |
| Capital International, Inc. | | 5,500,162 |
| Morgan Stanley Investment Management Inc. | | 6,118,135 |
| | | |
| International Passive Emerging Markets Manager | | |
| State Street Global Advisors | | 312,122 |
| | | |
| Supplemental Fixed Interest Account(2) | | |
| Galliard Capital Management, Inc. | | 3,216,862 |
| RBC Wealth Management | | 445,894 |
| | | |
| Assigned Risk Plan (2) | | |
| GE Asset Management, Inc. | | 174,871 |
| RBC Global Asset Management | | 224,970 |

* Manager Terminated in Fiscal '14.

(1) Compensation is based on a performance-based fee formula. Four fee options are available and fees earned range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark. Negative amounts represent performance based refunds.

(2) Compensation is based on a specified percentage of assets under management.

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