MINNESOTA STATE BOARD OF INVESTMENT

Governor Tim Pawlenty

State Auditor Rebecca Otto

Secretary of State Mark Ritchie

Attorney General Lori Swanson

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
June 20, 2008

&

INVESTMENT ADVISORY
COUNCIL MEETING
June 3, 2008

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

June 20, 2008

AGENDA
STATE BOARD OF INVESTMENT MEETING
Friday, June 20, 2008
10:30 A.M. - Room 123
State Capitol – St. Paul

	TAB
1. Approval of Minutes of March 10, 2008	
2. Report from the Executive Director (Howard Bicker)	**A**
A. Quarterly Investment Review (January 1, 2008 – March 31, 2008)	
B. Administrative Report 1. Reports on budget and travel. 2. Legislative Update. 3. Update on Sudan.	**B**
3. IAC Membership Review Committee (Kathy Kardell)	**C**
4. SBI Administrative Committee (Kathy Kardell) A1. Review of Executive Director's Proposed Workplan for FY09. 2. Review of Budget Plan for FY09. 3. Review of Continuing Fiduciary Education Plan. 4. Review of Executive Director's Evaluation Process. 5. Update of Disaster Recovery Plan. B1. Recommend Revisions of SBI Compensation Plan **(Laurie Hacking)**	**D**
5. Reports from the Investment Advisory Council (Mike Troutman)	
A. Stock and Bond Manager Committee 1. Review of manager performance. 2. Review of the transition of the MN Fixed Fund in the State's 457 Deferred Compensation Plan.	**E**
B. Alternative Investment Committee 1. Review of current strategy. 2. Implementation of the increase in the alternative investment allocation target for the Basic Retirement Funds from the current 15% level to a 20% allocation. 3. Recommendation of new investments with one new private equity manager, two existing private equity managers and one existing real estate manager: • Varde Partners • Welsh, Carson, Anderson & Stowe • Blackstone • TA Associates Realty	**F**

Minutes
State Board of Investment
March 10, 2008

The State Board of Investment (SBI) met at 1:00 P.M., Monday, March 10, 2008 in Room 318, State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Rebecca Otto; Secretary of State Mark Ritchie and Attorney General Lori Swanson were present. The minutes of the December 5, 2007 were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had matched its Composite Index over the ten year period ending December 31, 2007 (Combined Funds 7.6% vs. Composite 7.6%), and had provided a real rate of return over the latest 20 year period (Combined Funds 10.7% vs. CPI 3.0%). He stated that the Basic Funds had matched its Composite Index (Basic Funds 7.7% vs. Composite 7.7%) over the last ten years and reported that the Post Fund had slightly outperformed its composite over the last ten-year period (Post Fund 7.5% vs. Composite 7.4%).

Mr. Bicker reported that the Basic Fund's assets decreased 0.5% for the quarter ending December 31, 2007 due to negative investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly underperformed its Composite Index for the quarter (Basic Funds -0.8% vs. Composite -0.6%) and for the year (Basic Funds 9.7% vs. Composite 9.8%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 2.6% for the quarter ending December 31, 2007, also due to negative investment returns and negative net contributions. He said that the Post Fund's asset mix is also on target. He stated that the Post Fund underperformed its Composite Index for the quarter (Post Fund -0.9% vs. Composite -0.6%) and for the year (Post Fund 9.2% vs. Composite 9.4%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stock -3.5% vs. Domestic Equity Asset Class Target -3.3%) and for the year (Domestic Stocks 4.9% vs. Domestic Equity Asset Class Target 5.1%). He said the International Stock manager group outperformed its Composite Index for the quarter (International Stocks -0.4% vs. International Equity Asset Class Target -0.5%) and for the year (International Stocks 17.1% vs. International Equity Asset Class Target 16.9%). Mr. Bicker stated that the bond segment underperformed its target for the quarter (Bonds 2.4% vs. Fixed Income Asset Class Target 3.0%) and for the year (Bonds 6.3% vs. Fixed Income Asset Class Target 7.0%). He said that the SBI did not have any direct exposure in the subprime area, but noted that bonds in general were marked down unless they were Treasuries. He noted that the alternative investments had also performed strongly for the year (Alternatives 29.5%). He concluded his report with the comment that as of December 31, 2007, the SBI was responsible for over $62 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He reported that the SBI had received a "clean opinion" on its financial statements from the Office of the Legislative Auditor.

Mr. Bicker presented a brief legislative update. He stated that there are three issues staff will be monitoring: potential changes to the Post Retirement Fund benefit formula, a statewide version of an Other Post Employment Benefits (OPEB) bill, and a Healthcare Reform bill which could result in a new cash fund for the SBI to manage.

Mr. Bicker informed members that the SBI will conduct an educational roundtable in June 2008 and that the topic will be subprime debt. Mr. Bicker referred members to Tab B of the meeting materials for updated information regarding the Sudan legislation. He also noted that TIAA-CREF, the manager of the state's 529 College Savings Plan, had requested some minor changes in allocation in several of their mutual funds underlying the Plan's investment option and that staff had reviewed and concurs with the proposed changes.

In response to a question from Governor Pawlenty, Mr. Bicker noted that staff is in the process of divesting a small number of stocks identified as a result of the Sudan legislation and that the process is going well except for some administrative issues that are due to inconsistencies in security identifiers for securities in various markets.

Stock and Bond Manager Committee Report

Mr. Bicker referred members to Tab C of the meeting materials and stated that staff had conducted an annual review of all of the domestic equity manager benchmarks and had concluded that each of the manager's benchmarks is appropriate for the manager's investment style.

Mr. Bicker reported that the Committee is recommending that State Street Global Advisors be retained as a passive manager for the domestic equity program. He explained that having a passive investment option would give the SBI additional flexibility when re-allocating assets after rebalancing or manager terminations. Mr. Bicker stated that the Committee had also reviewed UBS Global Asset Management, an international equity manager due to performance issues and staff turnover. He said that the Committee agreed to review this manager again in twelve months and that the manager will be closely monitored during this time to ensure that they are making progress. Mr. Bicker clarified that no motion was needed on this agenda item. Mr. Ritchie moved approval of the Committee's recommendation to retain State Street Global Advisors, as stated in the Committee Report, which reads: **"The Committee recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute a contract with State Street Global Advisors to passively manage assets against the appropriate Russell mandates, subject to inclusion of a provision which provides for immediate termination."** The motion passed.

Alternative Investment Committee Report

Mr. Bicker referred members to Tab D of the meeting materials and briefly reviewed the eight investments recommended by the Committee. In response to a question from Ms. Swanson, Mr. Bicker stated that if these funds are approved, the asset class will be very close to reaching its 15% allocation level. He said that due to recent downturns in the domestic equity markets, the allocation could go above that level soon, and he reminded members of the provision in the asset allocation policy that states the allocation for the Basic Retirement Funds can be increased to 20% after the Board is notified. He noted that he expects to officially notify the Board of this situation at the June 2008 meeting. Mr. Ritchie moved approval of all eight of the Committee's recommendations, as stated in the Committee Report, which reads: "**The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $75 million or 20%, whichever is less, in Advent International GPE VI, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Advent International upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Advent International or reduction or termination of the commitment.**

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute commitments of up to $100 million or 20%, whichever is less, in Credit Suisse Strategic Partners IV L.P., up to $50 million or 20%, whichever is less, in Credit Suisse Strategic Partners IV RE (Real Estate) L.P. and up to $50 million or 20%, whichever is less, in Credit Suisse Strategic Partners IV VC (Venture Capital) L.P.. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Credit Suisse Strategic Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Credit Suisse Strategic Partners or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $100 million or 20%, whichever is less, in Banc Fund VIII, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by The Banc Funds Company upon this approval. Until the Executive Director on behalf of the

SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on The Banc Funds Company or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $50 million or 20%, whichever is less, in Gold Hill Capital 2008, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Gold Hill Capital upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Gold Hill Capital or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $60 million or 20%, whichever is less, in Chicago Growth Partners II, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Chicago Growth upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Chicago Growth or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $75 million or 20%, whichever is less, in Summit Partners Subordinated Debt Fund IV, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Summit Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Summit Partners or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $60 million or 20%, whichever is less, in Split Rock Partners II, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State

Board of Investment nor its Executive Director have any liability for reliance by Split Rock Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Split Rock Partners or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $6 million or 20%, whichever is less, in Affinity Ventures V, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Affinity Capital upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Affinity Capital or reduction or termination of the commitment." The motion passed.

The meeting adjourned at 1:30 P.M.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

INVESTMENT ADVISORY COUNCIL

AGENDA AND MINUTES

June 3, 2008

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, June 3, 2008
2:00 P.M. - Board Room – First Floor
60 Empire Drive, St. Paul, MN

	TAB
1. Approval of Minutes of March 4, 2008	
2. Report from the Executive Director (Howard Bicker)	**A**
A. Quarterly Investment Review (January 1, 2008 – March 31, 2008)	
B. Administrative Report 1. Reports on budget and travel. 2. Legislative Update. 3. Update on Sudan.	**B**
3. IAC Membership Review Committee (Kathy Kardell)	**C**
4. SBI Administrative Committee (Kathy Kardell) A1. Review of Executive Director's Proposed Workplan for FY09. 2. Review of Budget Plan for FY09. 3. Review of Continuing Fiduciary Education Plan. 4. Review of Executive Director's Evaluation Process. 5. Update of Disaster Recovery Plan. B1. Recommend Revisions of SBI Compensation Plan **(Laurie Hacking)**	**D**
5. Reports from the Investment Advisory Council	
A. Stock and Bond Manager Committee (John Bohan) 1. Review of manager performance. 2. Review of the transition of the MN Fixed Fund in the State's 457 Deferred Compensation Plan.	**E**
B. Alternative Investment Committee (Judy Mares) 1. Review of current strategy. 2. Implementation of the increase in the alternative investment allocation target for the Basic Retirement Funds from the current 15% level to a 20% allocation. 3. Recommendation of new investments with one new private equity manager, two existing private equity managers and one existing real estate manager: • Varde Partners • Welsh, Carson, Anderson & Stowe • Blackstone • TA Associates Realty	**F**
6. Other Items	

Minutes
Investment Advisory Council
March 4, 2008

MEMBERS PRESENT: Frank Ahrens; Jeff Bailey; Dave Bergstrom; John Bohan; Doug Gorence; Laurie Hacking; Heather Johnston; Kathy Kardell (for Tom Hanson) P. Jay Kiedrowski; Malcolm McDonald; Mike Troutman; and Mary Vanek.

MEMBERS ABSENT: Kerry Brick; Judy Mares; Gary Norstrem; Ann Schluter; and Daralyn Peifer.

SBI STAFF: Howard Bicker; Mansco Perry; Jim Heidelberg; Tammy Brusehaver-Derby; Patricia Ammann; Stephanie Gleeson; John Griebenow; Andy Christensen; Debbie Griebenow; Carol Nelson; and Charlene Olson.

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Celeste Grant; Tom Durand; Carla Heyl and Jerry Irsfeld, REAM.

Mr. Troutman called the meeting to order and the minutes of the December 3, 2007 meeting were approved.

Executive Director's Report
Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had matched its Composite Index over the ten year period ending December 31, 2007 (Combined Funds 7.6% vs. Composite 7.6%), and had provided a real rate of return over the latest 20 year period (Combined Funds 10.7% vs. CPI 3.0%). He stated that the Basic Funds had matched its Composite Index (Basic Funds 7.7% vs. Composite 7.7%) over the last ten years and reported that the Post Fund had slightly outperformed its composite over the last ten-year period (Post Fund 7.5% vs. Composite 7.4%). Mr. Bicker noted that the actuarial data on the second page of Tab A had been updated.

Mr. Bicker reported that the Basic Fund's assets decreased 0.5% for the quarter ending December 31, 2007 due to negative investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly underperformed its Composite Index for the quarter (Basic Funds -0.8% vs. Composite -0.6%) and for the year (Basic Funds 9.7% vs. Composite 9.8%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 2.6% for the quarter ending December 31, 2007, also due to negative investment returns and negative net contributions. He said that the Post Fund's asset mix is also on target. He stated that the Post Fund underperformed its Composite Index for the quarter (Post Fund -0.9% vs. Composite -0.6%) and for the year (Post Fund 9.2% vs. Composite 9.4%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stock -3.5% vs. Domestic Equity Asset Class Target -3.3%) and for the year (Domestic Stocks 4.9% vs. Domestic Equity Asset Class Target 5.1%). He said the International Stock manager group outperformed its Composite Index for the quarter (International Stocks -0.4% vs. International Equity Asset Class Target -0.5%) and for the year (International Stocks 17.1% vs. International Equity Asset Class Target 16.9%). Mr. Bicker stated that the bond segment underperformed its target for the quarter (Bonds 2.4% vs. Fixed Income Asset Class Target 3.0%) and for the year (Bonds 6.3% vs. Fixed Income Asset Class Target 7.0%). He said that the SBI did not have any direct exposure in the subprime area, but noted that bond performance suffered due to holdings in the financial sector. He noted that the alternative investments had also performed strongly for the year (Alternatives 29.5%). He concluded his report with the comment that as of December 31, 2007, the SBI was responsible for over $62 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He reported that the SBI had received a "clean opinion" on its financial statements from the Office of the Legislative Auditor.

Mr. Bicker presented a brief legislative update. He stated that there are three issues staff will be monitoring: potential changes to the Post Retirement Fund benefit formula, possible consolidation of state volunteer fire relief associations, and a statewide version of an Other Post Employment Benefits (OPEB) bill. He noted that a bill regarding investing in Minnesota venture capital has been withdrawn.

Mr. Bicker informed members that the SBI will conduct an educational roundtable in June 2008 and that the topic will be subprime debt. Mr. Bicker referred members to Tab B of the meeting materials for updated information regarding the Sudan legislation. He also noted that TIAA-CREF, the manager of the state's 529 College Savings Plan had requested some minor changes in allocation in several of the mutual funds underlying the Plan's investment options and that staff had reviewed and concurs with the proposed changes. In response to a question from Mr. Bohan, Mr. Bicker stated that TIAA-CREF's contract expires in approximately one year.

Stock and Bond Manager Committee Report

Mr. Kiedrowski referred members to Tab C of the meeting materials and stated that staff had conducted an annual review of all of the domestic equity manager benchmarks and had concluded that each of the manager's benchmarks is appropriate for the manager's investment style.

Mr. Kiedrowski reported that the Committee is recommending that State Street Global Advisors be retained as a passive manager for the domestic equity program, and he moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. Bicker explained that having a passive investment option would give the SBI additional flexibility when re-allocating assets after rebalancing or manager terminations. Mr. Kiedrowski stated that the Committee had also reviewed UBS Global Asset Management, an international equity manager, due to performance issues and staff turnover. He said that the Committee agreed to review this manager again in twelve months and that the manager will be closely monitored during this time to ensure that they are making progress. He moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. Bergstrom seconded the motion. In response to questions from Mr. Gorence, a discussion followed regarding several issues about the manager. The motion passed.

Alternative Investment Committee Report

Mr. McDonald referred members to Tab D of the meeting materials, briefly reviewed the eight investments being recommended by the Committee and moved their approval, as stated in the Committee Report. In response to questions from Mr. Troutman, Mr. Bicker noted that the total investment amount the Committee is recommending is larger due to several of the investments being follow-on funds and because investments are opening and closing quicker than in the past. Mr. Bicker reminded members that once the Basic Funds reach the 15% allocation target, the target can be raised to 20% after the Board is notified. He added that funding in the alternative segment is right on target. A brief discussion took place regarding showing caution during this time of troubled credit markets. The motion made earlier passed.

Mr. Troutman asked that Mr. McDonald take over as Chair for the next portion of the meeting. Mr. Troutman distributed a written statement regarding asset/liability management comments (see **Attachment A**), and he briefly reviewed what the IAC has done over the last several meetings to better understand this topic. He moved approval of the written statement as stated in Attachment A. Mr. Bergstrom seconded the motion. A lengthy discussion followed with several members offering various changes to the wording of the statement. Ms. Johnston made a motion to table the issue until the next meeting. Mr. Bicker requested that members submit their wording suggestions prior to the June 2008 meeting so issues regarding final wording could be resolved before the meeting. The motion to table the issue passed.

Mr. Bicker distributed a list of potential topics for staff to review with the IAC (see **Attachment B**), and he briefly reviewed the topics and timeframes needed for various topics. Mr. Bergstrom requested that an addition be made to the list regarding evaluating the investment options for the States 457 Deferred Compensation Plan. Mr. Troutman asked members to forward any other potential topics to staff.

The meeting adjourned at 3:32 P.M.

Respectfully submitted,

Howard Bicker
Executive Director

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IAC Comment on Asset/Liability Management
March, 2008

The Investment Advisory Council has spent time at several of its meetings over the course of the past year in an effort to gain a better understanding of the liabilities that are served by the assets managed by the State Board of Investment. The directors of the three state retirement systems and their actuaries from Mercer have provided information about the retirement system liabilities. The IAC had requested this information so that it can best fulfill its mission in making asset management policy recommendations. Based on our review we have come to the following understandings and conclusions:

- State law and the Governmental Accounting Standard Board require the use of an actuarial accrued liability method for valuing public pension liabilities, while corporate defined benefit plans use the market value method of valuing liabilities.

- Given that on an aggregate basis the retirement funds are not fully funded, it remains appropriate for the SBI to continue with a relatively aggressive approach (i.e. high allocation to global equities in both public and private markets) in its asset allocation policies. The asset allocation policy, with existing constraints, should be reviewed periodically to determine if further modifications would be appropriate.

- Given the risks and greater volatility of returns inherent in higher equity allocations it is vital that during period when plan assets exceed plan liabilities that surpluses be appropriately retained and managed to meet future pension obligations. Attention to surplus management will help safeguard assets for future generations of retirees and taxpayers.

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SBI Staff Potential Topics for Review with IAC

- Update on Merger of Fixed Fund
- Asset Allocation for Combined Fund
- Global Equities
- Currency
- Hedge Funds
- Infrastructure Investing
- Rewrite of Chapter 11A Investment Guidelines
- 529 Plan
- Portable Alpha
- Investment Options for 457

Tab A

LONG TERM OBJECTIVES
Period Ending 3/31/2008

COMBINED FUNDS: $47.0 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.	**6.0% (1)**	0.1 percentage point below target
Provide Real Return (20 yr.) Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	**10.0%**	7.0 percentage points above CPI

BASIC RETIREMENT FUNDS: $23.8 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 10 year period.	**6.1%**	0.2 percentage point below target

POST RETIREMENT FUND: $23.2 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Post Fund over the latest 10 year period.	**5.9%**	0.1 percentage point below target

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

All Eight Plans of MSRS, PERA and TRA Including Post Fund
July 1, 2007

	Active (Basics)	Retired (Post)	Total (Combined)
Liabilities			
Actuarially Accrued Liabilities	$28.77 billion	$27.50 billion	$56.27 billion
Assets			
Current Actuarial Value	$22.26 billion	$25.15 billion	$47.41 billion
Funding Ratio			
Current Actuarial Value divided by Accrued Liabilities	77.37%	91.45%	84.25%

Notes:

1. Liabilities calculated using entry age normal cost method.

2. Difference between actual returns and actuarially expected returns spread over five years for Basics.

Actuarial Assumptions:

Interest/Discount Rate:

8.5% Basics, 8.5% Post (6% on required reserves, 2.5% on inflation)

Full Funding Target Date:

2020 – MSRS General

2031 – PERA General

2037 – TRA

EXECUTIVE SUMMARY

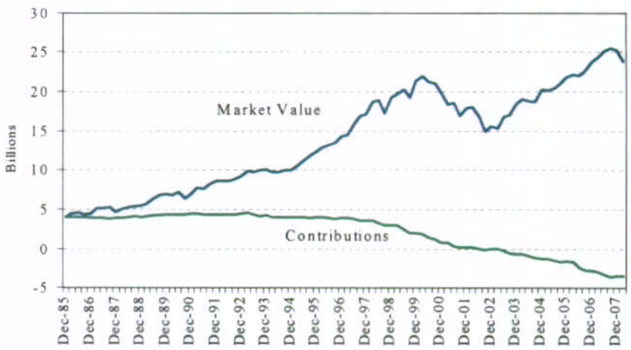
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds decreased 5.9% during the first quarter of 2008. Negative investment returns accounted for the decrease.

Asset Growth During First Quarter 2008 (Millions)

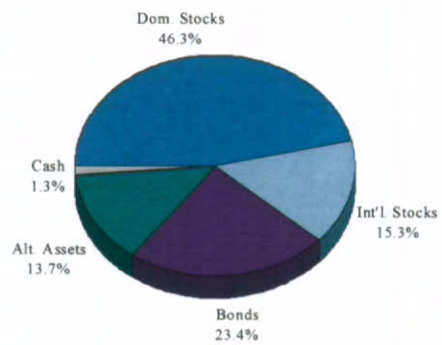
Beginning Value	$ 25,301
Net Contributions	-29
Investment Return	-1,472
Ending Value	$ 23,800



Asset Mix

The allocation to stocks decreased slightly over the first quarter of 2008 due to negative investment returns. The bond allocation decreased due to negative returns and rebalancing into cash and domestic equity. The allocation to alternative investments continues to grow due to strong investment returns.

	Policy Targets	Actual Mix 3/31/2008	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	46.3%	$11,026
Int'l. Stocks	**15.0**	15.3	3,632
Bonds	**24.0**	23.4	5,575
Alternative Assets*	**15.0**	13.7	3,259
Unallocated Cash	**1.0**	1.3	308
	100.0%	100.0%	$23,800



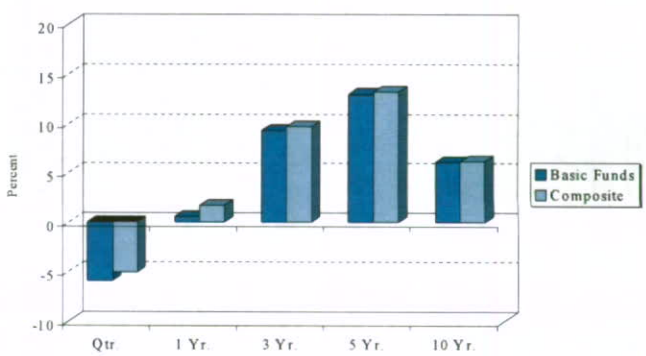
* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

The Basic Funds trailed the composite both for the quarter and the year.

Period Ending **3/31/2008**

		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basics	**-5.8%**	**0.6%**	**9.4%**	**13.0%**	**6.1%**
Composite	-5.0	1.8	9.7	13.2	6.3

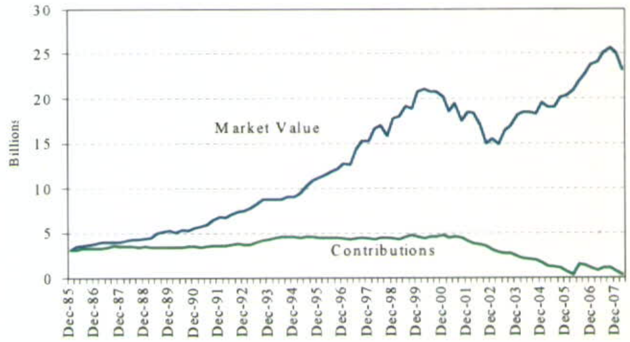


EXECUTIVE SUMMARY
Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased 7.4% during the first quarter of 2008. Negative investment returns as well as negative net contributions accounted for the decrease.

	Asset Growth During First Quarter 2008 (Millions)
Beginning Value	$24,998
Net Contributions	-366
Investment Return	-1,469
Ending Value	$23,163

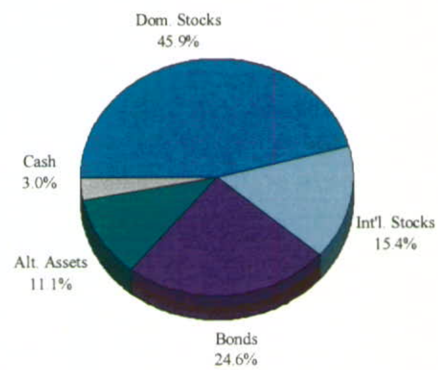


Asset Mix

The allocation to stocks decreased due to negative investment returns. The bond allocation decreased due to negative returns and rebalancing into domestic equity and cash. Alternative investments continue to gain allocation due to strong investment returns.

	Policy Targets	Actual Mix 3/31/2008	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	45.9%	$10,640
Int'l. Stocks	**15.0**	15.4	3,568
Bonds	**25.0**	24.6	5,707
Alternative Assets*	**12.0**	11.1	2,561
Unallocated Cash	**3.0**	3.0	687
	100.0%	100.0%	$23,163

* Any uninvested allocation is held in domestic stocks.

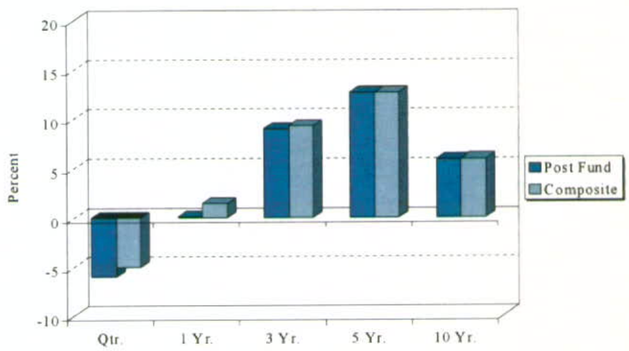


Fund Performance (Net of Fees)

The Post Fund trailed its composite market index for the quarter and for the year.

Period Ending **3/31/2008**

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Post	**-5.9%**	**0.2%**	**9.0%**	**12.7%**	**5.9%**
Composite	-5.0	1.5	9.3	12.7	6.0



EXECUTIVE SUMMARY
Stock and Bond Manager Performance
(Net of Fees)

Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) trailed its target for the quarter and the year.

Russell 3000: The Russell 3000 measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

	Period Ending 3/31/2008				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	**-10.1%**	**-7.0%**	**5.5%**	**11.6%**	**3.2%**
Asset Class Target*	-9.5	-6.1	6.1	12.1	3.5

* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

International Stocks

The international stock manager group (active, semi-passive and passive combined) underperformed its target for both the quarter and the year.

MSCI ACWI Free ex U.S. (net): The Morgan Stanley Capital International All Country World Index is a free float-adjusted market capitalization Index that is designed to measure equity market performance in the global developed and emerging markets. There are 47 countries included in this index. It does not include the United States.

	Period Ending 3/31/2008				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	**-9.5%**	**2.1%**	**16.1%**	**23.1%**	**7.3%**
Asset Class Target*	-9.2	2.3	16.1	23.6	7.1

* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) effective 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

Bonds

The bond manager group (active and passive combined) trailed its target for the quarter, and for the year.

Lehman Aggregate: The Lehman Brothers Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

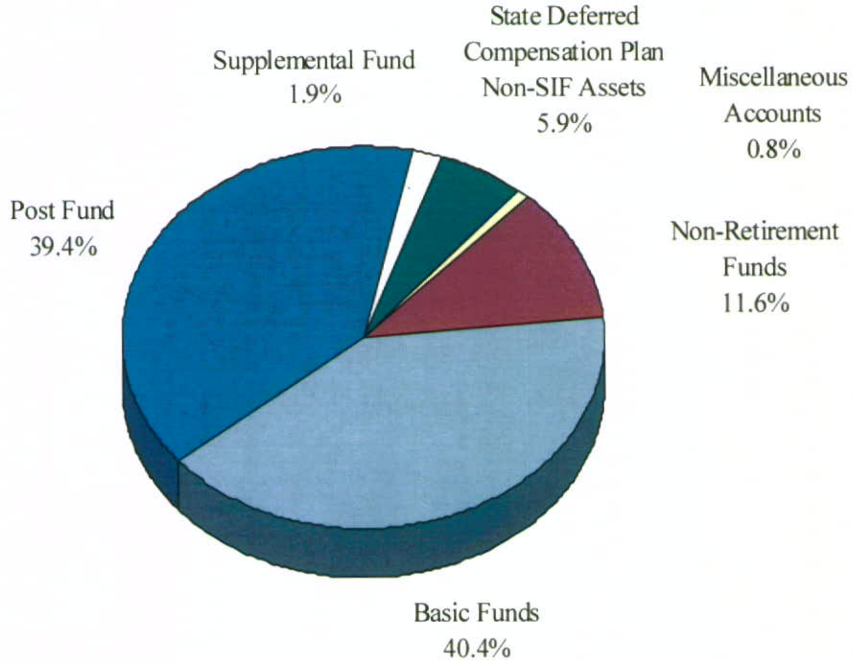
	Period Ending 3/31/2008				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	**-0.1%**	**4.5%**	**4.7%**	**4.5%**	**6.0%**
Asset Class Target*	2.2	7.7	5.5	4.6	6.0

* The Fixed Income Asset Class Target is the Lehman Aggregate, effective 7/1/1994. Prior to 7/1/1994, the fixed income target was the Salomon BIG.

Alternative Investments

	Period Ending 3/31/2008				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	**3.5%**	**22.0%**	**28.5%**	**26.1%**	**16.2%**

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2008 Market Value (Billions)
Retirement Funds	
Basic Retirement Funds	$23.8
Post Retirement Fund	23.2
Supplemental Investment Fund	1.1
State Deferred Compensation Plan Non-SIF Assets	3.5
Non-Retirement Funds*	
Assigned Risk Plan	0.3
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	5.3
Miscellaneous Accounts	0.5
Total	$58.9

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2008

(January 1, 2008 - March 31, 2008)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2008				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	-9.5%	-5.8%	6.4%	12.5%	3.9%
Dow Jones Industrials	-6.9	1.7	7.8	11.5	5.5
S&P 500	-9.4	-5.1	5.9	11.3	3.5
Russell 3000 (broad market)	-9.5	-6.1	6.1	12.1	3.9
Russell 1000 (large cap)	-9.5	-5.4	6.2	11.9	3.8
Russell 2000 (small cap)	-9.9	-13.0	5.1	14.9	5.0
Domestic Fixed Income					
Lehman Aggregate (1)	2.2	7.7	5.5	4.6	6.0
Lehman Gov't./Corp.	2.5	8.4	5.5	4.6	6.1
3 month U.S. Treasury Bills	0.6	4.0	4.2	3.1	3.6
International					
EAFE (2)	-8.9	-2.7	13.3	21.4	6.2
Emerging Markets Free (3)	-10.9	21.7	29.6	36.0	12.5
ACWI Free ex-U.S. (4)	-9.1	2.6	16.5	24.0	7.7
World ex-U.S. (5)	-8.7	-1.3	13.9	21.8	6.5
Salomon Non U.S. Gov't. Bond	10.9	22.3	7.4	9.0	7.4
Inflation Measure					
Consumer Price Index CPI-U (6)	1.7	4.0	3.1	2.8	2.7
Consumer Price Index CPI-W (7)	1.6	4.3	3.5	3.0	2.8

(1) Lehman Brothers Aggregate Bond index. Includes governments, corporates and mortgages.

(2) Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE). (Net index)

(3) Morgan Stanley Capital International Emerging Markets Free index. (Gross index)

(4) Morgan Stanley Capital International All Country World Index Ex-U.S. (Gross index)

(5) Morgan Stanley Capital International World Ex-U.S. Index (Developed Markets) (Net index)

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

(7) Consumer Price Index (CPI) for all wage earners, also known as CPI-W.

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a -9.5% return during the first quarter of 2008. The quarter was negatively impacted by the on-going credit crisis, a near collapse of a major investment bank, and massive write offs at major financial institutions. All of the Russell 3000 sectors posted negative returns for the quarter. Within the Russell 3000 index, the autos and transportation sector was the best performing sector with a -1.7% return and the technology sector was the worst performing sector with a -14.9% return for the quarter.

Performance of the Russell Style Indices for the quarter is shown below:

Large Growth	Russell 1000 Growth	-10.2%
Large Value	Russell 1000 Value	-8.7%
Small Growth	Russell 2000 Growth	-12.8%
Small Value	Russell 2000 Value	-6.5%

The Russell 3000 index returned -6.1% for the year ending March 31, 2008.

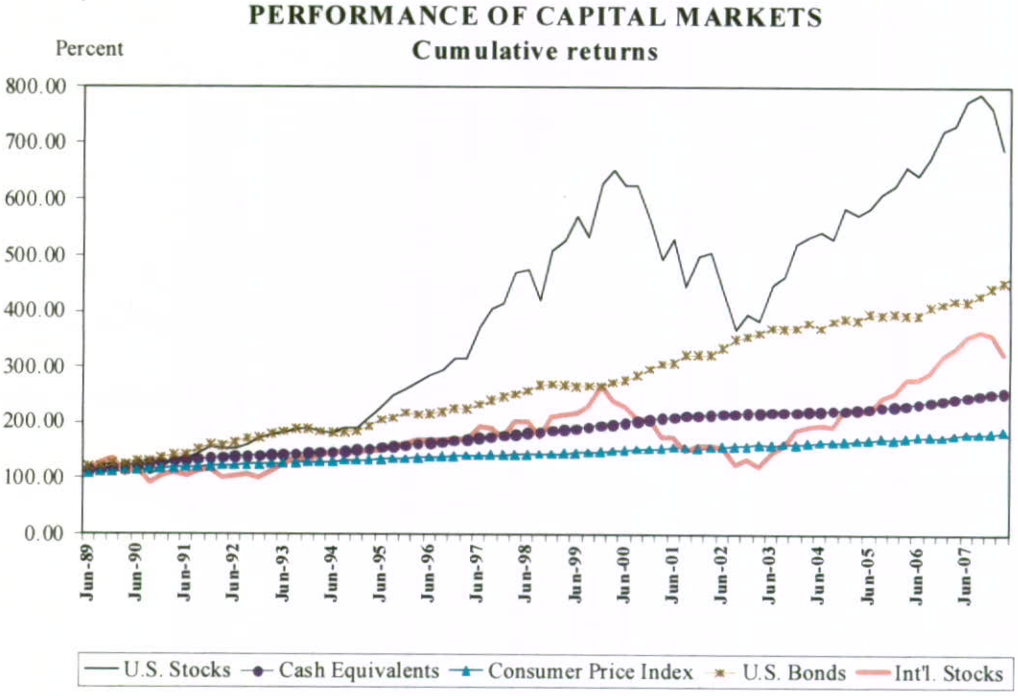
DOMESTIC BONDS

The bond market was once again under pressure due to tight credit and a lack of liquidity in the first quarter of 2008. Forced selling by levered investors needing capital caused many assets to dislocate from their fundamental values, causing a "mark-to-market" phenomenon that affected all spread sectors of the bond market. The Federal Reserve responded in the first quarter by lowering the benchmark lending rate 200 basis points and by orchestrating the marriage between broker Bear Stearns and JP Morgan. Treasuries again were the best performing sector, as investors fled to the safety and liquidity of Treasuries, further steepening the yield curve.

The major sector returns for the Lehman Aggregate for the quarter were:

U.S. Treasury	4.4%
Agency	3.2
Credit	-0.2
Mortgages	2.4

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of -8.7% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	-10.5%
Japan	-7.8
France	-8.4
Switzerland	-2.1
Germany	-11.8
Canada	-6.1

The World ex U.S. index decreased by -1.3% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 22 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 73% of the value of the international markets in the index.

EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index) provided a return of -10.9% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below:

Korea	-12.7%
Taiwan	5.3
South Africa	-15.0
Mexico	5.1
Brazil	-5.0

The Emerging Markets Free index increased by 21.7% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 25 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 66% of the value of the international markets in the index.

REAL ESTATE

The residential sub-prime mortgage melt down has introduced uncertainty in the capital markets. The possibility of a slowing economy coupled with the prospect of changing credit requirements has led to uncertain property pricing.

PRIVATE EQUITY

First quarter 2008 saw $52 billion in funds raised for private equity of all types, from venture capital to buyouts. For 2007, a record total of $302 billion in funds was raised for private equity of all types. This represented an 18% increase in funds raised relative to the revised total of $255 billion raised in 2006.

RESOURCE FUNDS

During the first quarter of 2008, crude oil averaged $97.79 per barrel, up from the average price of $90.50 during the prior quarter. Prices remain high relative to historical levels and continue to reflect the instability in the Middle East.

COMBINED FUNDS

The "Combined Funds" represent the assets of both the Basic and Post Retirement Funds. While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors.

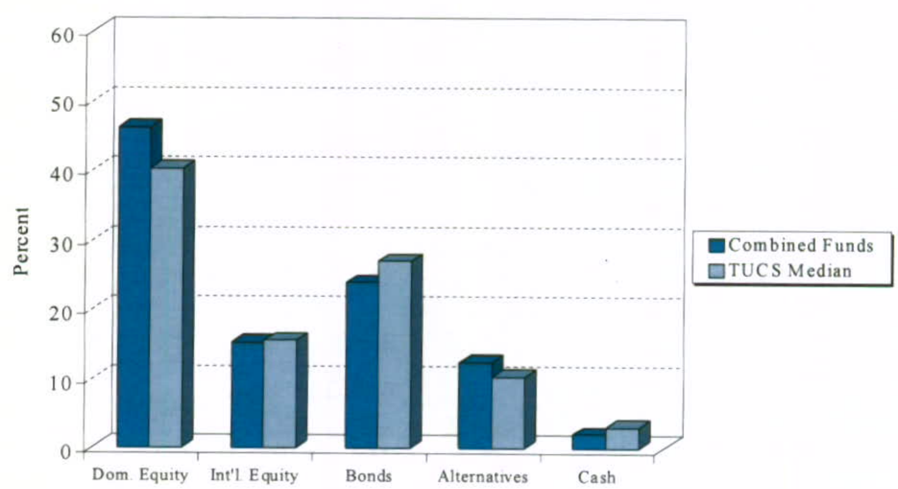
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over $1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2008, the actual asset mix of the Combined Funds was:

	$ Millions	%
Domestic Stocks	$21,667	46.2%
International Stocks	7,200	15.3
Bonds	11,282	24.0
Alternative Assets	5,820	12.4
Unallocated Cash	994	2.1
Total	$46,963	100.0%

Comparisons of the Combined Funds' asset mix to the median allocation to stocks, bonds and other assets of the public and corporate funds in TUCS over $1 billion are shown below:



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	**46.2%**	**15.3%**	**24.0%**	**12.4%**	**2.1%**
Median Allocation in TUCS*	40.3	15.6	27.0	10.4**	3.1

* Public and corporate plans over $1 billion.

** May include assets other than alternatives.

COMBINED FUNDS
Performance Compared to Other Pension Funds

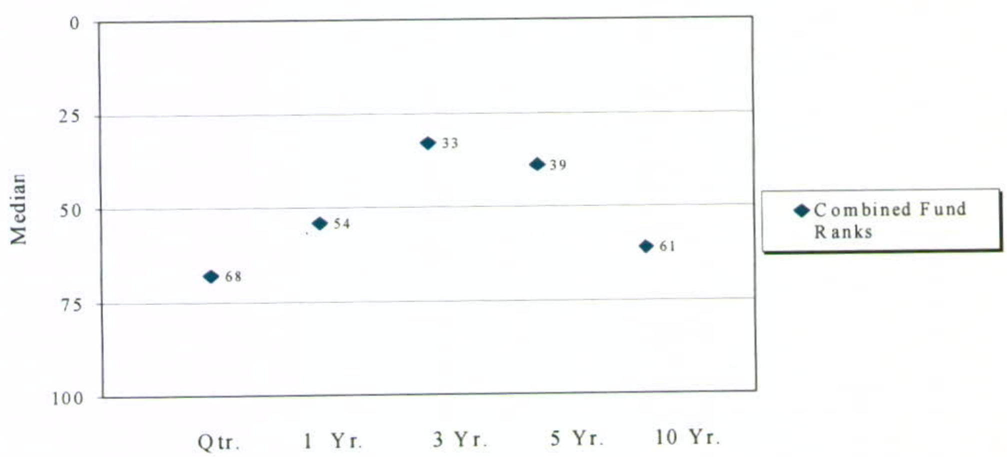
While the SBI is concerned with how its returns compare to other pension investors, universe comparisons should be used with great care. There are several reasons why such comparisons will provide an "apples to oranges" look at performance:

— **Differing Allocations.** Asset allocation will have a dominant effect on return. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide 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. This will result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking is not relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds in Trust Universe Comparison Service (TUCS) are shown below.

The SBI's returns are ranked against public and corporate plans with over $1 billion in assets. All funds in TUCS report their returns gross of fees.



Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	68th	54th	33rd	39th	61st

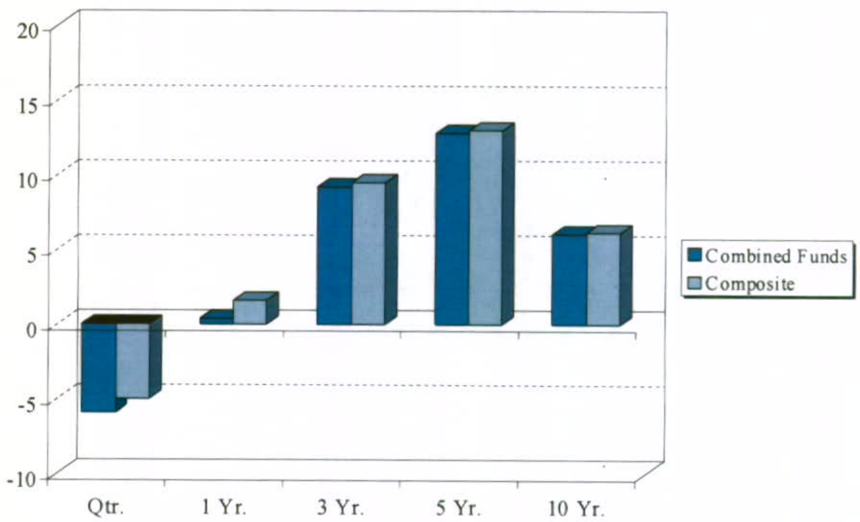
* Compared to public and corporate plans greater than $1 billion, gross of fees.

COMBINED FUNDS
Performance Compared to Composite Index

The Combined Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the asset allocation of the Combined Funds:

	Market Index	Combined Funds Composite* 1Q08
Domestic Stocks	Russell 3000	47.5%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	11.0*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

* Alternative asset and domestic equity weights are reset in the composite at the start of each month to reflect the amount of unfunded commitments in alternative asset classes. The above Combined Funds Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2008

				Annualized	
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds**	**-5.9%**	**0.4%**	**9.2%**	**12.8%**	**6.0%**
Composite Index	-5.0	1.6	9.5	13.0	6.1

**Includes performance of Basic Funds through 6/30/93, Basic and Post Funds thereafter. Actual returns are reported net of fees.

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BASIC RETIREMENT FUNDS
Investment Objectives

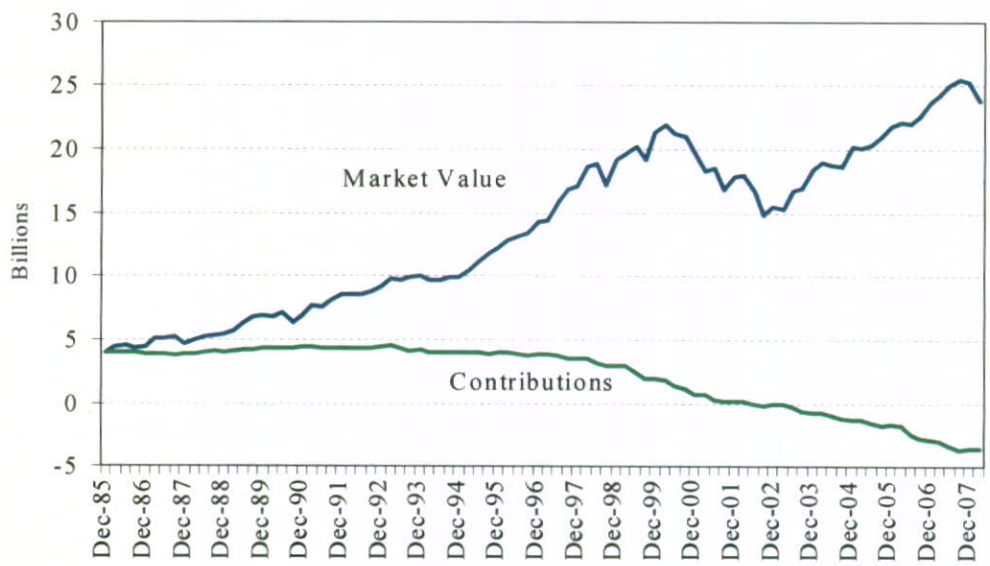
The Basic Retirement Funds are composed of the retirement assets for currently working participants in eight statewide retirement funds. The Funds serve as accumulation pools for the pension contributions of public employees and their employers during the employees' years of active service. Approximately 322,000 public employees participate in the Basic Funds.

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 Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

Normally, pension assets will accumulate in the Basic Retirement Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits the Board to take an aggressive, high expected return investment policy which incorporates a sizeable equity component in order to meet or exceed its actuarial return target.

Asset Growth

The market value of the Basic Funds decreased 5.9% during the first quarter of 2008. Negative investment returns accounted for the decrease.



Last Five Years
In Millions

	12/03	12/04	12/05	12/06	12/07	Latest Qtr. 3/08
Beginning Value	$15,561	$18,435	$20,201	$21,816	$23,694	25,301
Net Contributions	-592	-577	-411	-1,219	-662	-29
Investment Return	3,466	2,343	2,026	3,097	2,269	-1,472
Ending Value	$18,435	$20,201	$21,816	$23,694	$25,301	23,800

BASIC RETIREMENT FUNDS
Asset Mix

The long-term asset allocation of the Basic Funds is based on the superior performance of common stocks over the history of the capital markets. The asset allocation policy is designed to add value to the Basic Funds over their long-term investment time horizon.

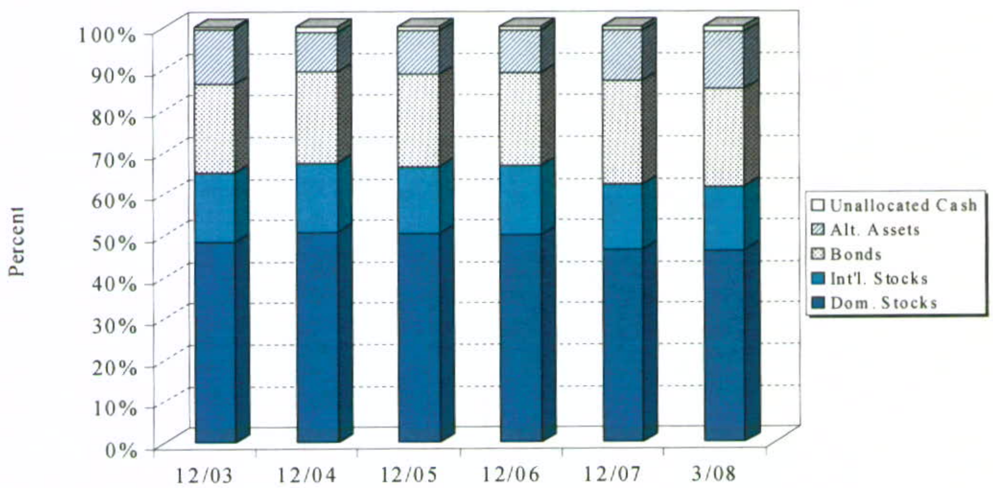
Domestic Stocks	45.0%
Int'l. Stocks	15.0
Bonds	24.0
Alternative Assets*	15.0
Unallocated Cash	1.0

* Alternative assets include equity-oriented real estate, venture capital, resource, and yield-oriented funds. Any uninvested allocation is held in domestic stocks.

In October 2003, the Board provisionally revised its long term asset allocation targets for the Basic Funds, increasing the allocation for alternative investments from 15% to 20% and decreasing fixed income from 24% to 19%.

Over the last year, the allocation to alternative assets increased due to strong returns. The allocation to fixed income increased due to positive investment returns. Domestic and International equities decreased in allocation mainly due to poor performance by stock markets.

During the quarter, the allocation to stocks decreased slightly over the first quarter of 2008 due to negative investment returns. The bond allocation decreased due to negative returns and rebalancing into cash and domestic equity. The allocation to alternative investments continues to grow due to strong investment returns.



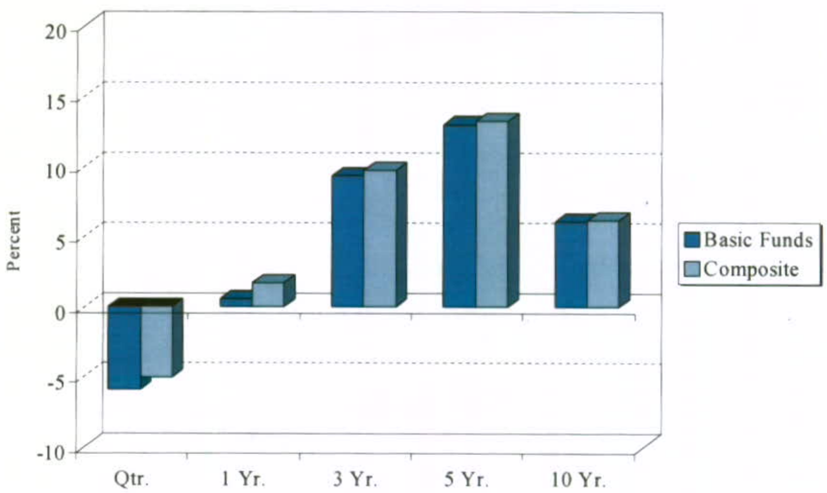
	Last Five Years					Latest Qtr.
	12/03	**12/04**	**12/05**	**12/06**	**12/07**	**3/08**
Domestic Stocks	48.5%	50.9%	50.3%	50.1%	46.4%	46.3%
Int'l. Stocks	16.6	16.6	16.3	16.6	15.8	15.3
Bonds	21.2	21.8	22.1	22.2	24.7	23.4
Alternative Assets	13.3	9.4	10.4	10.3	12.1	13.7
Unallocated Cash	0.4	1.3	0.9	0.8	1.0	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

BASIC RETIREMENT FUNDS
Total Fund Performance (Net of Fees)

The Basic Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the long-term asset allocation of the Funds:

	Basics Target	Market Index	Basics Composite* 1Q08
Domestic Stocks	45.0%	Russell 3000	47.8%*
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Investments	15.0	Alternative Investments	12.2*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

* Alternative asset and domestic stock weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets. The above Basic Funds Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Basic Funds**	**-5.8%**	**0.6%**	**9.4%**	**13.0%**	**6.1%**
Composite Index	-5.0	1.8	9.7	13.2	6.3

**Returns are reported net of fees.

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers. See page 15 for the performance of these asset pools. Effective July 1, 2003, the Basic and Post Funds share the same alternative pool. Performance of the alternative assets is on page 16.

POST RETIREMENT FUND

The Post Retirement Investment Fund contains the pension assets of retired public employees covered by statewide retirement plans. Approximately 114,000 retirees receive monthly annuities from the assets of the Fund.

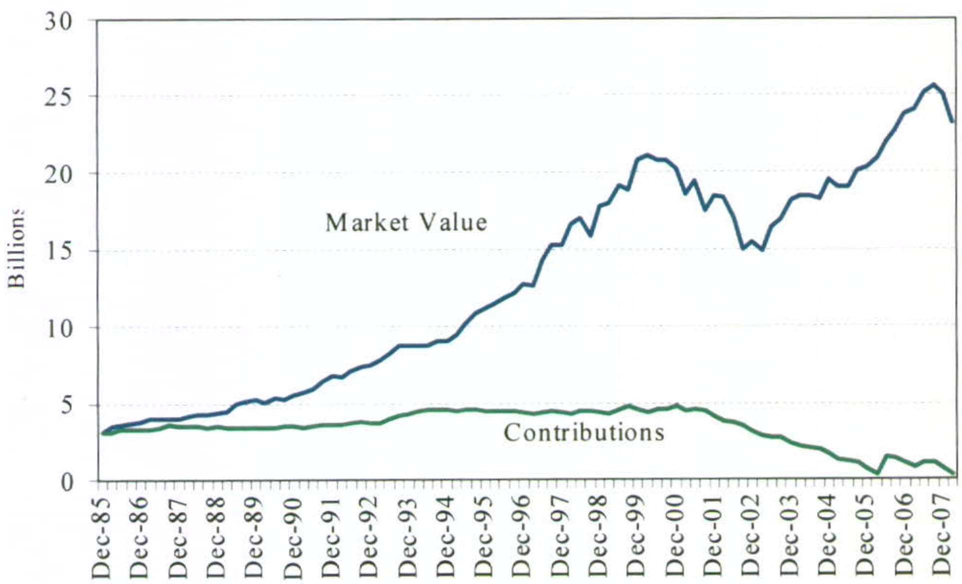
Upon an employee's retirement, a sum of money sufficient to finance the fixed monthly annuity is transferred from accumulation pools in the Basic Funds to the Post Fund. In order to support promised benefits, the Post Fund must "earn" at least 6% on its invested assets on an annualized basis. If the Post Fund exceeds this earnings rate, excess earnings are used to finance permanent benefit increases for eligible retirees.

The post retirement benefit increase formula is based on the total return of the Fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

Asset Growth

The market value of the Post Fund decreased 7.4% during the first quarter of 2008.

Negative investment returns as well as negative contributions accounted for the decrease.



	Last Five Years In Millions					Latest Qtr.
	12/03	12/04	12/05	12/06	12/07	3/08
Beginning Value	$15,403	$18,162	$19,480	$20,295	$23,733	$24,998
Net Contributions	-719	-749	-984	-240	-886	-366
Investment Return	3,478	2,067	1,799	1,295	2,151	-1,469
Ending Value	$18,162	$19,480	$20,295	$23,733	$24,998	$23,163

POST RETIREMENT FUND

Asset Mix

The Board adopted an asset allocation strategy for the Post Fund in fiscal year 1993 which reflects the post retirement benefit increase formula enacted by the Legislature. Throughout fiscal year 1993, the actual asset mix of the Post Fund moved toward a 50% allocation to common stocks. In fiscal year 1994, the Board added allocations to international stocks and alternative investments.

Domestic Stocks	45.0%
Int'l. Stocks	15.0
Bonds	25.0
Alternative Assets*	12.0
Unallocated Cash	3.0
	100.0%

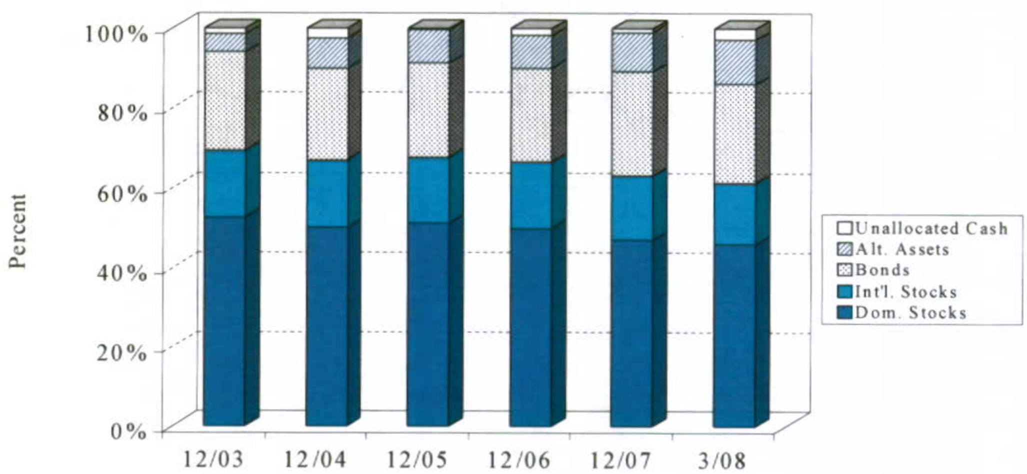
* Alternative assets include equity-oriented real estate, venture capital, resource, and yield-oriented funds. Any uninvested allocation is held in domestic stocks.

The large allocation to common stocks allows the Fund to increase the long-term earning power of its assets and allow the Fund to focus on generating higher long-term total rates of return.

In October 2003, the Board revised its long term asset allocations for the Post Fund, increasing alternative investments from 5% to 12% and decreasing domestic equity from 50% to 45% and decreasing fixed income from 27% to 25%.

Over the last year, the allocation to alternative assets increased due to strong returns. The allocation to fixed income increased due to positive investment returns. Domestic and International equities decreased in allocation mainly due to poor performance by stock markets.

During the quarter, the allocation to stocks decreased due to negative investment returns. The bond allocation decreased due to negative returns and rebalancing into domestic equity and cash. Alternative investments continue to gain allocation due to strong investment returns.



	Last Five years					Latest Qtr.
	12/03	12/04	12/05	12/06	12/07	3/08
Dom. Stocks	52.7%	50.2%	51.1%	49.9%	47.1%	45.9%
Int'l. Stocks	16.7	16.8	16.6	16.7	16.0	15.4
Bonds	24.6	22.9	23.5	23.3	26.1	24.6
Alt. Assets	4.4	7.6	8.5	8.3	9.8	11.1
Unallocated Cash	1.6	2.5	0.3	1.8	1.0	3.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

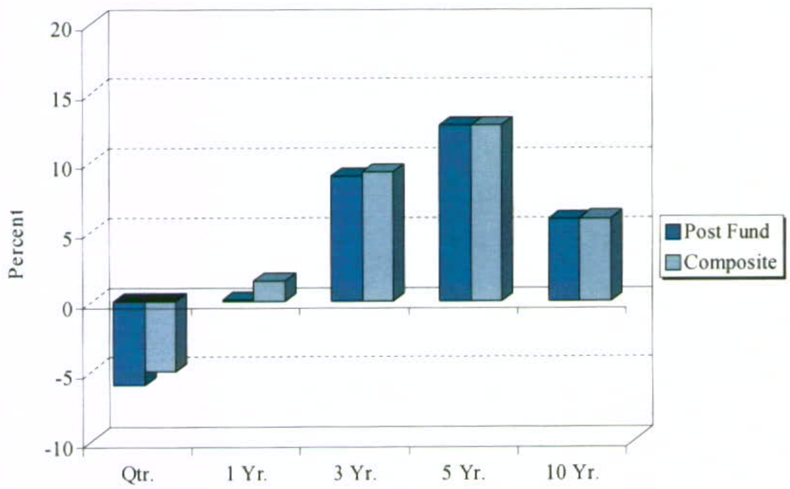
POST RETIREMENT FUND

Total Fund Performance (Net of Fees)

The Post Fund's performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the long-term asset allocation of the Fund:

Asset Class	Post Target	Market Index	Post Composite* 1Q08
Domestic Stocks	45.0%	Russell 3000	47.2%
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	25.0	Lehman Aggregate	25.0
Alternative Investments	12.0	Alternative Investments	9.8*
Unallocated Cash	3.0	3 Month T-Bills	3.0
	100.0%		100.0%

* Alternative assets and domestic stock weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets. The above Post Fund Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Post Fund**	**-5.9%**	**0.2%**	**9.0%**	**12.7%**	**5.9%**
Composite Index	-5.0	1.5	9.3	12.7	6.0

** Returns are reported net of fees.

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers. See page 15 for the performance of these asset pools. Effective July 1, 2003, the Basic and Post Funds share the same alternative pool. Performance of the alternative assets is on page 16.

STOCK AND BOND MANAGERS

Performance of Asset Pools (Net of Fees)

Domestic Stocks

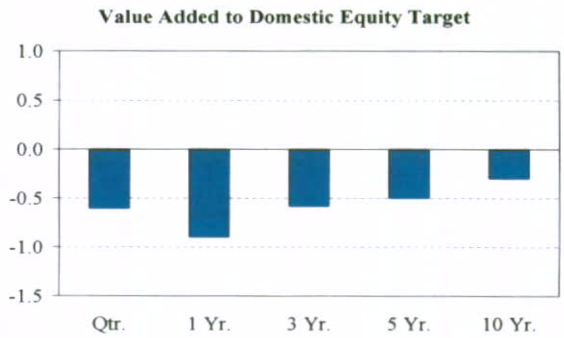
Target: Russell 3000

Expectation: If one-third of the pool is actively managed, one-third is semi-passively managed, and one-third is passively managed, the entire pool is expected to exceed the target by +.18 - .40% annualized, over time.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Domestic Stocks	**-10.1%**	**-7.0%**	**5.5%**	**11.6%**	**3.2%**
Asset Class Target*	-9.5	-6.1	6.1	12.1	3.5

* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.



International Stocks

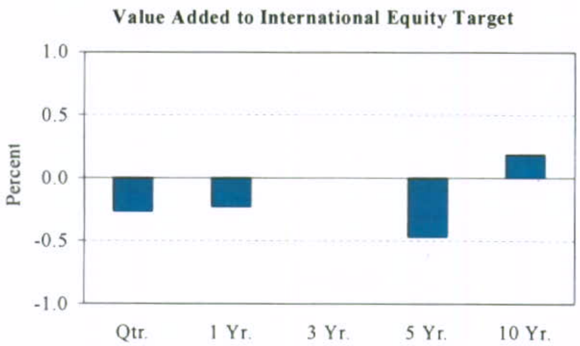
Target: MSCI ACWI Free ex U.S. (net)

Expectation: If at least one-third of the pool is managed actively and at least one-third is passively managed, the entire pool is expected to exceed the target by +.25%-.75% annualized, over time.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Int'l. Stocks	**-9.5%**	**2.1%**	**16.1%**	**23.1%**	**7.3%**
Asset Class Target*	-9.2	2.3	16.1	23.6	7.1

* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) effective 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.



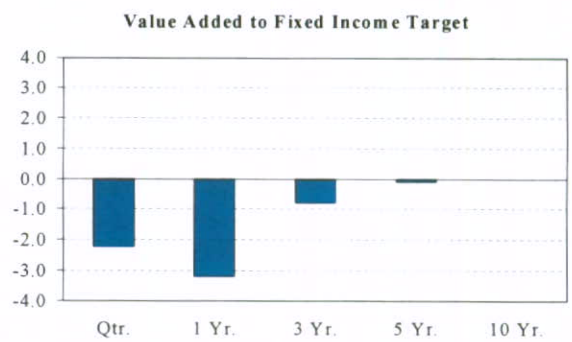
Bonds

Target: Lehman Brothers Aggregate Bond Index

Expectation: If half of the pool is actively managed and half is managed semi-passively, the entire pool is expected to exceed the target by +.20-.35% annualized, over time.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Bonds	**-0.1%**	**4.5%**	**4.7%**	**4.5%**	**6.0%**
Asset Class Target	2.2	7.7	5.5	4.6	6.0



ALTERNATIVE INVESTMENTS
Performance of Asset Categories
(Net of Fees)

Alternative Investments

Expectation: The alternative investments are measured against themselves using actual portfolio returns.

Period Ending 3/31/2008

	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Alternatives	3.5%	22.0%	28.5%	26.1%	16.2%
Inflation	1.7%	4.0%	3.1%	2.8%	2.7%

Real Estate Investments (Equity emphasis)

Expectation: Real estate investments are expected to exceed the rate of inflation by 5% annualized, over the life of the investment.

The SBI began its real estate program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

Period Ending 3/31/2008

	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Real Estate	3.2%	17.0%	20.4%	18.2%	12.9%

Private Equity Investments (Equity emphasis)

Expectation: Private equity investments are expected to exceed the rate of inflation by 10% annualized, over the life of the investment.

The SBI began its private equity program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

Period Ending 3/31/2008

	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Private Equity	1.2%	22.4%	26.2%	26.9%	16.3%

Resource Investments (Equity emphasis)

Expectation: Resource investments are expected to exceed the rate of inflation by 5% annualized, over the life of the investment.

The SBI began its resource program in the mid-1980's and periodically makes new investments. Some of the existing investments are relatively immature and returns may not be indicative of future results.

Period Ending 3/31/2008

	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Resource	3.5%	9.3%	61.8%	48.1%	22.7%

Yield Oriented Investments (Debt emphasis)

Expectation: Yield oriented investments are expected to exceed the rate of inflation by 5.5% annualized, over the life of the investment.

The SBI began its yield oriented program in 1994. Some of the existing investments are relatively immature and returns may not be indicative of future returns.

Period Ending 3/31/2008

	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Yield Oriented	11.1%	30.0%	32.2%	26.0%	18.3%

SUPPLEMENTAL INVESTMENT FUND

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The different participating groups use the Fund for a variety of purposes:

1. It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.

2. It is one investment vehicle offered to employees as part of Minnesota State Colleges and University's Individual Retirement Account Plan and College Supplemental Retirement Plan.

3. It serves as an external money manager for a portion of some local police and firefighter retirement plans.

A wide diversity of investment goals exists among the Fund's participants. In order to meet those needs, the Fund has been 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 the statutory requirements and rules established by the participating organizations. Participation in the Fund is accomplished through the purchase or sale of shares in each account.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. They are net of investment management fees.

On March 31, 2008 the market value of the entire Fund was $2.1 billion.

Investment Options

	3/31/2008 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	$241
Growth Share Account – an actively managed, all common stock portfolio.	$105
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	$283
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	$131
Bond Market Account – an actively managed, all bond portfolio.	$167
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	$111
Fixed Interest Account – a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.	$1,017

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

Investment Objective
The primary investment objective of the Income Share Account is similar to that of the Combined Funds. The Account seeks to maximize long-term real rates of return, while limiting short-run portfolio return volatility.

Asset Mix
The Income Share Account is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification.

	Target	Actual
Stocks	60.0%	59.5%
Bonds	35.0	38.8
Unallocated Cash	5.0	1.7
	100.0%	100.0%

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Total Account	**-5.5%**	**-1.6%**	**6.0%**	**9.2%**	**4.7%**
Benchmark*	-5.0	-0.8	5.9	9.1	4.8

* 60% Russell 3000/35% Lehman Aggregate Bond Index/5% T-Bills Composite since 10/1/03. 60% Wilshire 5000/35% Lehman Aggregate Bond Index/5% T-Bills composite through 9/30/03.

GROWTH SHARE ACCOUNT

Investment Objective
The Growth Share Account's investment objective is to generate above-average returns from capital appreciation on common stocks.

Asset Mix
The Growth Share Account is invested primarily in the common stocks of US companies. The managers in the account also hold varying levels of cash.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Total Account	**-10.4%**	**-7.6%**	**5.1%**	**11.3%**	**2.8%**
Benchmark*	-9.5	-6.1	6.1	12.1	3.5

* Russell 3000 since 10/1/03. 100% Wilshire 5000 Investable from July 1999 to September 2003. 100% Wilshire 5000 from November 1996 to June 1999. 95% Wilshire 5000/5% T-Bills Composite through October 1996.

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix
The investment objective of the Common Stock Index Account is to generate returns that track those of the U.S. stock market as a whole. The Account is designed to track the performance of the Russell 3000, a broad-based equity market indicator.

The Account is invested 100% in common stock.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Total Account	**-9.4%**	**-5.9%**	**6.2%**	**12.1%**	**3.8%**
Benchmark*	-9.5	-6.1	6.1	12.1	3.6

* Russell 3000 since 10/1/03. Wilshire 5000 Investable from 7/1/00 to 9/30/03. Wilshire 5000 through 6/30/00.

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix
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. At least twenty-five percent of the Account is "passively managed" and up to 10% of the Account is "semi-passively managed." These portions of the Account are designed to track and modestly outperform, respectively, the return of 22 developed markets included in the Morgan Stanley Capital International World ex U.S. Index. The remainder of the Account is "actively managed" by several international managers and emerging markets specialists who buy and sell stocks in an attempt to maximize market value.

Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Total Account	**-9.5%**	**2.1%**	**16.2%**	**23.3%**	**7.4%**
Benchmark*	-9.2	2.3	16.1	23.6	7.1

* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) since 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap. From 12/31/96 to 6/30/99 the target was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio transitioned from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

Investment Objective

The investment objective of the Bond Market Account is to exceed the return of the broad domestic bond market by investing in fixed income securities.

Period Ending 3/31/2008	Qtr.	1 Yr. (Annualized)	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-0.1%**	**4.6%**	**4.7%**	**4.5%**	**6.0%**
Lehman Agg.	2.2	7.7	5.5	4.6	6.0

Asset Mix

The Bond Market Account invests primarily in high-quality, government and corporate bonds that have intermediate to long-term maturities, usually 3 to 20 years.

MONEY MARKET ACCOUNT

Investment Objective

The investment objective of the Money Market Account is to purchase short-term, liquid debt securities that pay interest rates that are competitive with those available in the money market.

Period Ending 3/31/2008	Qtr.	1 Yr. (Annualized)	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**1.0%**	**4.9%**	**4.5%**	**3.3%**	**3.9%**
3 month T-Bills	0.6	4.0	4.2	3.1	3.6

Asset Mix

The Money Market Account is invested entirely in high quality short-term investments such as U.S. Treasury Bills, bank certificates of deposit, repurchase agreements, and high grade commercial paper. The average maturity of these investments is 30 to 60 days.

FIXED INTEREST ACCOUNT

Investment Objectives

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.

Period Ending 3/31/2008	Qtr.	1 Yr. (Annualized)	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**1.2%**	**4.7%**	**4.6%**	**4.5%**	**5.3%**
Benchmark*	0.6	4.0	4.6	4.0	4.4

* The Fixed Interest Benchmark is the 3 year Constant Maturity Treasury Bill +45 basis points.

Asset Mix

The assets in the Account are **invested primarily in stable value instruments** such as insurance company investment contracts, bank investment contracts, and security backed contracts. These instruments are issued by highly rated U.S. financial institutions, typically have maturities of 3-6 years and are rated "A" or better at the time of purchase. The interest rate credited will change, reflecting the blended interest rate available from all investments in the account including cash reserves which are maintained to provide liquidity. The Fixed Interest Benchmark in the 3 year Constant Maturity Treasury Bill +45 basis points.

DEFERRED COMPENSATION PLAN ACCOUNTS

The Deferred Compensation Plan provides public employees with a tax-sheltered retirement savings plan that is a supplement to their primary retirement plan. (In most cases, the primary plan is a defined benefit plan administered by TRA, PERA, or MSRS.)

Participants choose from 6 actively managed mutual funds and 5 passively managed mutual funds.

The SBI also offers a money market option, a fixed interest option, and a fixed fund option. All provide for daily pricing needs of the plan administrator. Participants may also choose from hundreds of funds in a mutual fund window. The current plan structure became effective March 1, 2004. The investment options and objectives are outlined below.

Investment Options

	3/31/2008 Market Value (in Millions)
Vanguard Institutional Index (passive)	$463
Janus Twenty (active)	$463
Legg Mason Appreciation Y (active)	$123
Vanguard Mid Cap Index (passive)	$130
T. Rowe Price Small Cap (active)	$320
Fidelity Diversified International (active)	$287
Vanguard Institutional Developed Markets (passive)	$82
Dodge & Cox Balanced Fund (active)	$279
Vanguard Balanced Fund (passive)	$171
Dodge & Cox Income Fund (active)	$102
Vanguard Total Bond Market Fund (passive)	$76
Money Market Account	$104
Fixed Interest Account	$949

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)
- A passive domestic stock portfolio that tracks the S&P 500.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-9.4%**	**-5.1%**	**5.9%**	**11.3%**
S&P 500	-9.4	-5.1	5.9	11.3

Janus Twenty (active)
- A concentrated fund of large cap stocks which is expected to outperform the S&P 500, over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-6.0%**	**24.5%**	**19.2%**	**19.6%**
S&P 500	-9.4	-5.1	5.9	11.3

Legg Mason Partners Appreciation Y (active)
- A diversified fund of large cap stocks which is expected to outperform the S&P 500, over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-4.8%**	**3.7%**	**7.7%**	**8.5%**
S&P 500	-9.4	-5.1	5.9	7.2

MID CAP EQUITY

Vanguard Mid Cap Index (passive)
- A fund that passively invests in companies with medium market capitalizations that tracks the Morgan Stanley Capital International (MSCI) U.S. Midcap 450 index.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 1/1/04
Fund	**-10.5%**	**-9.2%**	**7.4%**	**9.8%**
MSCI US Mid-Cap 450	-10.5	-9.2	7.3	9.7

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)
- A fund that invests primarily in companies with small market capitalizations and is expected to outperform the Russell 2000.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-10.8%**	**-14.6%**	**3.5%**	**12.1%**
Russell 2000	-9.9	-13.0	5.1	14.9

INTERNATIONAL EQUITY

Fidelity Diversified International (active)
- A fund that invests primarily in stocks of companies located outside the United States and is expected to outperform the MSCI index of Europe, Australasia and the Far East (EAFE), over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-9.6%**	**1.7%**	**14.6%**	**22.2%**
MSCI EAFE	-8.9	-2.7	13.3	21.4

Vanguard Institutional Developed Markets (passive)
- A fund that passively invests in stocks of companies located outside the United States that tracks the MSCI EAFE index.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-8.4%**	**-2.4%**	**13.5%**	**15.9%**
MSCI EAFE	-8.9	-2.7	13.3	15.7

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

A fund that invests in a mix of stock and bonds. The fund invests in mid-to large-cap stocks and in high quality bonds, and is expected to outperform a weighted benchmark of 60% S&P 500/40% Lehman Aggregate, over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 10/1/03
Fund	**-8.0%**	**-7.9%**	**4.3%**	**8.0%**
Benchmark	-4.9	0.0	5.8	7.0

Vanguard Balanced Fund (passive)

- A fund that passively invests in a mix of domestic stocks and bonds. The fund is expected to track a weighted benchmark of 60% MSCI US Broad Market Index/40% Lehman Aggregate.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-4.8%**	**-0.2%**	**6.2%**	**6.8%**
Benchmark	-4.9	-0.4	6.1	6.7

FIXED INCOME

Dodge & Cox Income Fund (active)

- A fund that invests primarily in investment grade securities in the U.S. bond market which is expected to outperform the Lehman Aggregate, over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**0.6%**	**3.8%**	**4.3%**	**4.2%**
Lehman Agg.	2.2	7.7	5.5	4.6

Vanguard Total Bond Market Fund (passive)

- A fund that passively invests in a broad, market-weighted bond index that is expected to track the Lehman Aggregate.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**2.2%**	**7.8%**	**5.6%**	**4.9%**
Lehman Agg.	2.2	7.7	5.5	4.9

Money Market Account

- A fund that invests in short-term debt instruments which is expected to outperform the return on 3-month U.S. Treasury Bills.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**1.0%**	**4.9%**	**4.5%**	**3.3%**
3-Mo. Treas.	0.6	4.0	4.2	3.1

FIXED INTEREST ACCOUNT

- A portfolio composed of stable value instruments which are primarily investment contracts and security backed contracts. The account is expected to outperform the return of the 3 year Constant Maturity Treasury + 45 basis points, over time.

	Period Ending 3/31/2008			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**1.2%**	**4.8%**	**4.7%**	**4.5%**
Benchmark	0.6	4.0	4.6	4.0

ASSIGNED RISK PLAN

Investment Objectives
The Assigned Risk Plan has two investment objectives: to minimize the mismatch between assets and liabilities and to provide sufficient liquidity for the payment of on-going claims and operating expenses.

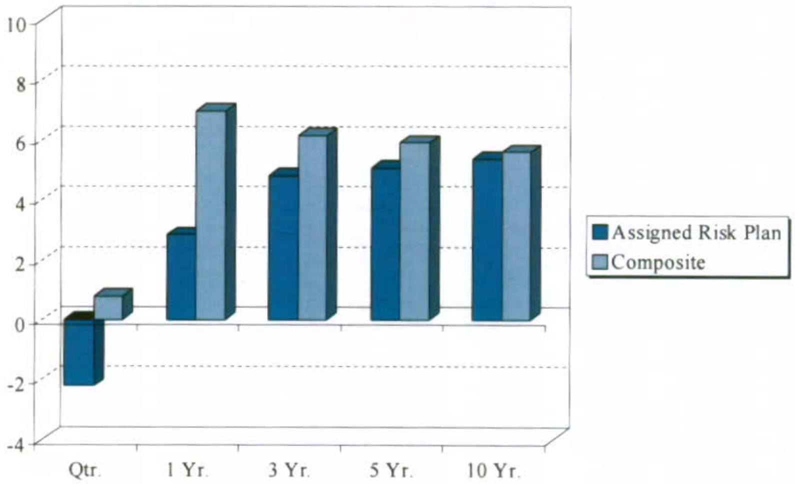
Asset Mix
The Assigned Risk Plan is invested in a portfolio of common stocks and bonds. The actual asset mix will fluctuate in response to changes in the Plan's liability stream.

	3/31/2008 Target	3/31/2008 Actual
Stocks	20.0%	22.9%
Bonds	80.0	77.1
Total	100.0%	100.0%

Investment Management
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

Performance Benchmarks
A custom benchmark has been established for the fixed income portfolio. It reflects the duration of the liability stream and the long-term sector allocation of Voyageur Asset Management. Since July 1, 1994, the equity benchmark has been the S&P 500 index. The total fund benchmark is a combination of the fixed income and equity benchmarks, weighted according to the total fund asset allocation targets.

Market Value
On March 31, 2008 the market value of the Assigned Risk Plan was $347 million.



Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr.	10 Yr.
Total Fund*	**-2.2%**	**2.8%**	**4.8%**	**5.1%**	**5.3%**
Composite	0.8	6.9	6.1	5.9	5.6
Equity Segment*	**-9.1**	**-1.5**	**6.3**	**10.4**	**4.5**
Benchmark	-9.4	-5.1	5.9	11.3	3.5
Bond Segment*	**0.0**	**4.2**	**4.4**	**3.5**	**5.0**
Benchmark	3.4	10.0	6.1	4.4	5.8

* Actual returns are calculated net of fees.

PERMANENT SCHOOL FUND

Investment Objectives
The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity. The income from the portfolio is used to offset expenditures on school aid payments to local school districts.

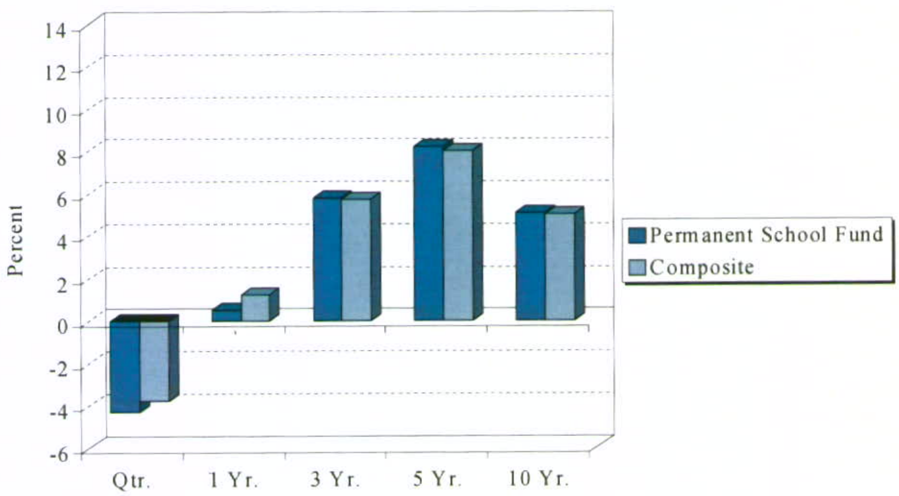
Asset Mix
Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	3/31/2008 Target	3/31/2008 Actual
Stocks	50.0%	48.7%
Bond	48.0	49.6
Unallocated Cash	2.0	1.7
Total	100.0%	100.0%

Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management
SBI staff manages all assets of the Permanent School Fund. The stock segment is passively managed to track the performance of the S&P 500. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions.

Market Value
On March 31, 2008 the market value of the Permanent School Fund was $703 million.



Period Ending 3/31/2008

	Qtr.	1 Yr. (Annualized)	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Fund (1) (2)	**-4.3%**	**0.5%**	**5.8%**	**8.2%**	**5.1%**
Composite	-3.8	1.2	5.8	8.0	5.0
Equity Segment (1) (2)	**-9.4**	**-5.0**	**5.9**	**11.3**	**3.6**
S&P 500	-9.4	-5.1	5.9	11.3	3.5
Bond Segment (1)	**1.0**	**6.3**	**5.5**	**4.9**	**6.2**
Lehman Aggregate	2.2	7.7	5.5	4.6	6.0

(1) Actual returns are calculated net of fees.
(2) Equities were added to the asset mix for FY98. Prior to that date the fund was invested entirely in bonds. The composite Index has been weighted accordingly.

ENVIRONMENTAL TRUST FUND

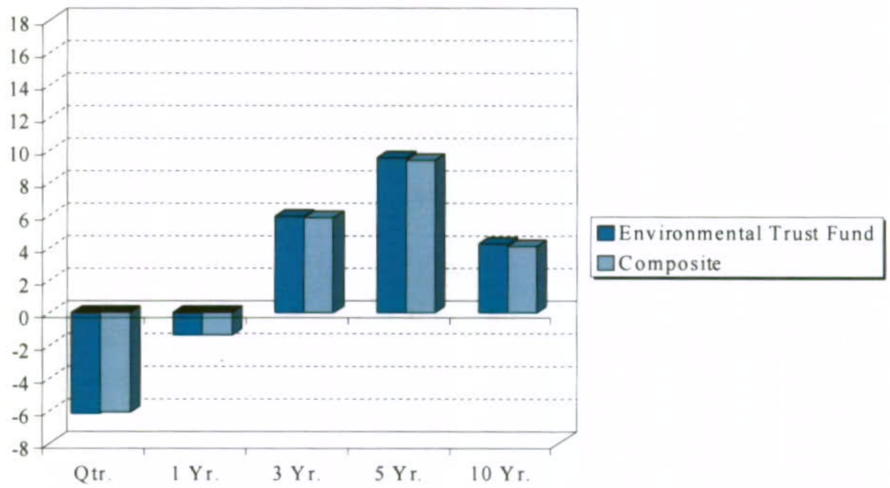
Investment Objective
The objective of the Environmental Trust Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

Asset Mix
The Environmental Trust Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification. As of July 1, 1999, the asset allocation changed from 50% stocks/50% fixed income to 70% stocks /30% fixed income.

Investment Management
SBI staff manage all assets of the Environmental Trust Fund. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions. The stock segment is passively managed to track the performance of the S&P 500.

Market Value
On March 31, 2008 the market value of the Environmental Trust Fund was $471 million.

	3/31/2008 Target	3/31/2008 Actual
Stocks	70.0%	66.3%
Bonds	28.0	33.1
Unallocated Cash	2.0	0.6
Total	100.0%	100.0%



Period Ending 3/31/2008

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Fund*	**-6.1%**	**-1.4%**	**5.9%**	**9.5%**	**4.2%**
Composite	-6.1	-1.3	5.8	9.3	4.1
Equity Segment*	**-9.4**	**-5.0**	**5.9**	**11.4**	**3.6**
S&P 500	-9.4	-5.1	5.9	11.3	3.5
Bond Segment*	**1.0**	**6.3**	**5.5**	**5.0**	**6.3**
Lehman Agg.	2.2	7.7	5.5	4.6	6.0

* Actual returns are calculated net of fees.

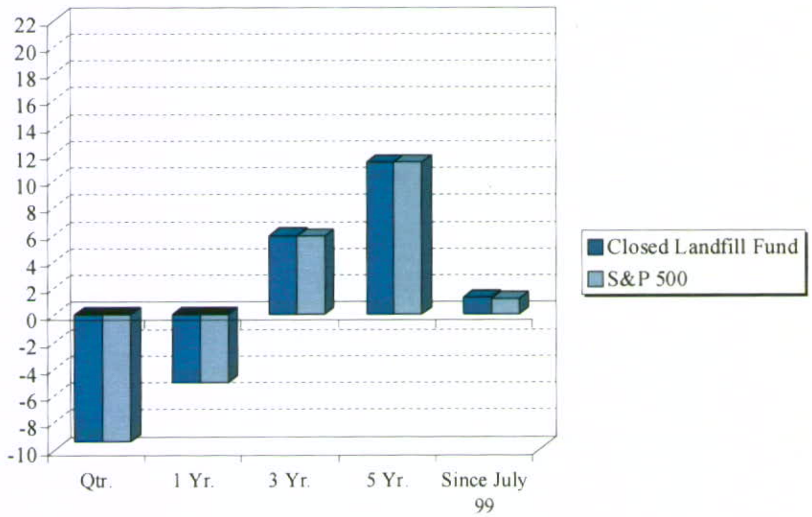
CLOSED LANDFILL INVESTMENT FUND

Investment Objectives
The investment objective of the Closed Landfill Investment Fund is to generate high returns from capital appreciation. The Fund will be used by the Commissioner of the PCA (Pollution Control Agency) to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. However, by statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

Asset Mix
Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.

Investment Management
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value
On March 31, 2008, the market value of the Closed Landfill Investment Fund was $52.3 million.



Period Ending 3/31/2008

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	Since 7/1/1999
Total Fund (1)	**-9.4%**	**-5.0%**	**5.9%**	**11.4%**	**1.3%**
S&P 500 (2)	-9.4	-5.1	5.9	11.3	1.1

(1) Actual returns are calculated net of fees.
(2) The benchmark of the fund is the S&P 500. The portfolio was initially invested in mid July 1999. The benchmark was adjusted to reflect this mid month starting period.

STATE CASH ACCOUNTS

Description
State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts range in size from $5,000 to over $400 million.

Most accounts are invested by SBI staff through two short-term pooled funds:

1. Trust Fund Pool contains the temporary cash balances of certain trusts and retirement-related accounts.
2. Treasurer's Cash Pool 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.

In addition, each State of Minnesota bond sale requires two additional pools; one for bond proceeds and one for the debt reserve transfer.

Because of special legal restrictions, a small number of cash accounts cannot be commingled. These accounts are invested separately.

Investment Objectives

Safety of Principal. To preserve capital.

Competitive Rate of Return. To provide a high level of current income.

Liquidity. To meet cash needs without the forced sale of securities at a loss.

Asset Mix
The SBI maximizes 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, and certificates of deposit.

Investment Management
All state cash accounts are managed by the SBI investment staff. As noted above, most of the assets of the cash accounts are invested through two large commingled investment pools.

Period Ending 3/31/2008

	Market Value (Millions)	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	**$5,128**	**0.8%**	**4.9%**	**4.7%**	**3.4%**	**4.1%**
Custom Benchmark**		0.8	4.3	4.0	2.8	3.5
Trust Fund Cash Pool*	**$29**	**0.7**	**4.5**	**4.5**	**3.3**	**3.9**
Custom Benchmark***		0.8	4.3	4.0	2.8	3.3
3 month T-Bills		0.6	4.0	4.2	3.1	3.6

* Actual returns are calculated net of fees.

** Beginning in January 2003, the Treasurer's Cash Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From January 1997 to December 2002 the fund was measured against a blended benchmark consisting of the Lehman Brother's 1-3 year Government Index and the iMoneyNet, All Taxable Money Fund Report Average. The proportion of each component of the blended benchmark is adjusted periodically as the asset allocation of the Cash Pool is modified. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% Lehman Brothers 1-3 Year Treasury Index.

*** Beginning in January 1997, the Trust Fund Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% 1-3 year Treasuries.

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment
Market Value March 31, 2008 (in Thousands)

	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	112,216	0	1,841,212	0	3,641,177	1,199,298	1,075,996	7,869,899
	1.43%		23.40%		46.27%	15.24%	13.66%	100%
Public Employees Retirement Fund	91,458	0	1,590,190	0	3,144,608	1,035,792	929,308	6,791,356
	1.35%		23.41%		46.30%	15.25%	13.69%	100%
State Employees Retirement Fund	60,273	0	1,270,100	0	2,511,682	827,372	742,610	5,412,037
	1.11%		23.47%		46.41%	15.29%	13.72%	100%
Public Employees Police & Fire	33,310	0	701,339	0	1,386,968	456,921	410,291	2,988,829
	1.11%		23.47%		46.41%	15.29%	13.72%	100%
Highway Patrol Retirement Fund	2,560	0	53,943	0	106,674	35,137	31,524	229,838
	1.11%		23.47%		46.41%	15.29%	13.72%	100%
Judges Retirement Fund	561	0	11,825	0	23,384	7,702	6,910	50,382
	1.11%		23.47%		46.41%	15.29%	13.72%	100%
Correctional Employees Retirement	3,198	0	67,392	0	133,267	43,896	39,384	287,137
	1.11%		23.47%		46.41%	15.29%	13.72%	100%
Public Employees Correctional	3,883	0	39,642	0	78,392	25,821	23,165	170,903
	2.27%		23.20%		45.87%	15.11%	13.55%	100%
TOTAL BASIC FUNDS	307,459	0	5,575,643	0	11,026,152	3,631,939	3,259,188	23,800,381
	1.29%		23.43%		46.33%	15.26%	13.69%	100%
POST RETIREMENT FUND	686,659	0	5,706,942	0	10,640,461	3,568,455	2,561,087	23,163,604
	2.96%		24.64%		45.94%	15.41%	11.05%	100%
TOTAL BASIC AND POST	994,118	0	11,282,585	0	21,666,613	7,200,394	5,820,275	46,963,985
	2.12%		24.02%		46.13%	15.33%	12.40%	100%

	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	4,188	93,459	0	0	143,612	0	0	241,259
	1.73%	38.74%			59.53%			100%
Growth Share Account	0	0	0	0	104,522	0	0	104,522
					100.00%			100%
Money Market Account	110,693	0	0	0	0	0	0	110,693
	100.00%							100%
Common Stock Index	0	0	0	0	282,814	0	0	282,814
					100.00%			100%
Bond Market Account	0	0	166,573	0	0	0	0	166,573
			100.00%					100%
International Share Account	0	0	0	0	0	131,418	0	131,418
						100.00%		100%
Stable Value Fund Monthly	3,080	0	64,828	0	0	0	0	67,908
	4.54%		95.46%					100%
TOTAL SUPPLEMENTAL FUNDS	117,961	93,459	231,401	0	530,948	131,418	0	1,105,187
	10.67%	8.46%	20.94%		48.04%	11.89%		100%
MN DEFERRED COMP PLAN	103,803	0	1,411,207	0	1,627,847	369,505	0	3,512,362
	2.95%		40.18%		46.35%	10.52%		100%
TOTAL RETIREMENT FUNDS	1,215,882	93,459	12,925,193	0	23,825,408	7,701,317	5,820,275	51,581,534
	2.36%	0.18%	25.06%		46.19%	14.93%	11.28%	100%

	Cash and Short Term Securities	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
ASSIGNED RISK PLAN	6,525	0	261,941	0	78,888	0	0	347,354
	1.88%		75.41%		22.71%			100%
ENVIRONMENTAL FUND	2,827	155,927	0	312,462	0	0	0	471,216
	0.60%	33.09%		66.31%				100%
PERMANENT SCHOOL FUND	12,389	348,174	0	341,992	0	0	0	702,555
	1.76%	49.56%		48.68%				100%
CLOSED LANDFILL INVESTMENT	91	0	0	52,169	0	0	0	52,260
	0.17%			99.83%				100%
TREASURERS CASH	5,147,198	0	0	0	0	0	0	5,147,198
	100.00%							100%
HOUSING FINANCE AGENCY	2,015	138,971	0	0	0	0	0	140,986
	1.43%	98.57%						100%
MINNESOTA DEBT SERVICE FUND	0	26,909	0	0	0	0	0	26,909
		100.00%						100%
MISCELLANEOUS ACCOUNTS	30,511	240,724	0	123,101	0	0	0	394,336
	7.74%	61.04%		31.22%				100%
TOTAL CASH AND NON-RETIREMENT	5,201,556	910,705	261,941	829,724	78,888	0	0	7,282,814
	71.42%	12.51%	3.60%	11.39%	1.08%			100%
GRAND TOTAL	6,417,438	1,004,164	13,187,134	829,724	23,904,296	7,701,317	5,820,275	58,864,348
	10.90%	1.71%	22.40%	1.41%	40.61%	13.08%	9.89%	100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 27, 2008

TO: Members, State Board of Investment

FROM: Howard Bicker

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the period ending April 30, 2008 is included as **Attachment A**.

A report on travel for the period from February 16, 2008 – May 15, 2008 is included as **Attachment B**.

2. Legislative Update

A summary of legislative activity of interest to the SBI is in **Attachment C**.

3. Update on Sudan

Each quarter staff provides a report to the Board on steps taken to implement Laws of Minnesota 2007, Chapter 117 that requires SBI actions concerning companies with operations in Sudan.

Staff receives periodic reports from the Sudan Divestment Task Force about the status of companies with operations in Sudan. The SBI is restricted from purchasing stock in the companies designated as highest offenders by the Task Force. Accordingly, staff updates the list of restricted stocks and notifies investment managers that they may not purchase shares in companies on the restricted list. Staff receives monthly reports from the SBI's custodian bank concerning SBI holdings of companies on the Task Force list and writes letters as required by law.

If after 90 days following the SBI's communication with a company and it continues to have active business operations, then the SBI must divest holdings of the company according to the following schedule:

- at least 50% shall be sold within nine months after the company appeared on the Task Force list; and
- 100% shall be sold within fifteen months after the company appeared on the list.

In the three month period from January 31, 2008 through April 30, 2008, SBI's managers divested more than 1.8 million of 2.16 million shares of companies on the list of stocks to be divested.

Attachment D is a copy of the May 1, 2008 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

New List of Companies
Attachment E is an updated list of companies with operations in Sudan.

STATE BOARD OF INVESTMENT
FISCAL YEAR 2008 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH APRIL 30, 2008

ITEM	FISCAL YEAR 2008 BUDGET	FISCAL YEAR 2008 ACTUAL
PERSONAL SERVICES		
FULL TIME EMPLOYEES	$ 2,150,000	$ 1,591,862
PART TIME EMPLOYEES		$ 58,535
SEVERENCE PAYOFF	20,000	4,778
WORKERS COMPENSATION INSURANCE	1,000	499
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	**$ 2,175,000**	**$ 1,655,674**
STATE OPERATIONS		
RENTS & LEASES	205,000	156,541
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	6,183
PRINTING & BINDING	10,000	2,716
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	10,000	15,880
COMMUNICATIONS	30,000	19,040
TRAVEL, IN-STATE	1,000	852
TRAVEL, OUT-STATE	50,000	38,822
SUPPLIES	35,000	14,359
EQUIPMENT	15,000	28,290
EMPLOYEE DEVELOPMENT	15,000	11,630
OTHER OPERATING COSTS	9,000	9,851
SUBTOTAL	**$ 390,000**	**$ 304,164**
ORIGINAL BUDGET	**$ 2,565,000**	**$ 1,959,838**
ADJUSTMENTS TO ORIGINAL BUDGET	**$ 0**	
TOTAL GENERAL FUND	**$ 2,565,000**	**$ 1,959,838**

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STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 16, 2008 – May 15, 2008

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring: Domestic Bond Managers: Dodge & Cox Investment Managers; Western Asset Management Co.	M. Menssen John J. Kirby	San Francisco, CA Pasadena, CA 3/3-3/4	$2,653.50
Manager Monitoring: Alternative Investment Manager: First Reserve 2008 Annual Meeting	H. Bicker J. Griebenow	Houston, TX 3/12-3/14	2,084.00
Conference: ILPA Conference **Manager Search: Alternative Investment Manager:** H.I.G. Capital	A. Christensen	Miami, FL 3/25-3/27	2,011.98
Conference: Government Investment Officers' Association (GIOA) Conference	S. Kuettel	Las Vegas, NV 3/25-3/28	1,524.71
Manager Monitoring: Alternative Investment Manager: Merit Energy Annual Meeting	J. Griebenow	Dallas, TX 4/7-4/8	537.00
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen T. Brusehaver	San Diego, CA 4/15-4/18	4,170.28

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Hedge Fund Institutional Forum Public Fund Roundtable sponsored by: Institutional Investor, Inc.	H. Bicker	New Orleans, LA 4/23-4/25	$1,860.93
Manager Monitoring: Alternative Investment Manager: GTCR Annual Meeting	A. Christensen	Chicago, IL 4/29-4/30	594.99

Bills of Interest to the Minnesota State Board of Investment
2008 Legislative Session
Includes Action Through 5/18/08

Description of Bill	HF/SF # and Author	Current Status
Statewide Other Post Retirement Employee Benefits - Provision in Tax Bill - SBI is an investment option for local units of government	**HF 3201 (Lenczewski)** Chapter 154 See Article 10, section 18	Signed by Governor
Post Retirement Fund Possible merger of Post and Basic Funds - in Omnibus Pension Bill	**HF 3082 (M. Murphy)** SF 2720 (Betzold) See Articles 1 and 2	House and Senate passed Conference Committee report 5/16
Statewide Volunteer Firefighter Plan - in Omnibus Pension Bill - Study group to develop Plan	**HF 3082 (Murphy)** SF 2720 (Saxhaug) See Article 14 Section 12	House and Senate passed Conference Committee report 5/16
Assigned Risk Plan - Withdraw surplus assets	**HF 3569 (Rukavina)** Chapter 248	Signed by Governor

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May 1, 2008

Manager

Regarding: Sudan Companies

Dear _________:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Sudan. **This new communication applies to all SBI international equity portfolios managed by your organization and replaces all prior communications.**

Laws of Minnesota 2007, Chapter 117 requires the SBI to implement a Sudan restriction.

Attachment 1 is the List of Restricted Sudan Stocks. **These securities <u>may not be purchased</u> for the SBI portfolio that your organization manages.** Please note that the attached List makes a change to the List of Restricted Sudan Stocks that was attached to the March 19, 2008 letter you received. **<u>This new list is effective May 5, 2008.</u>**

- The following company has been deleted from the restricted list:
    - Bauer AG

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- There has been no change to the divestment list:

If you own securities of companies on the List of Sudan Stocks Requiring Divestment in the SBI portfolio that your organization manages, then you must <u>divest</u> those holdings according to the schedules provided in the Attachment:

- **At least 50 percent of a company's holdings must be sold by the date indicated, and**
- **At least 100 percent of a company's holdings must be sold by the date indicated.**

Please recognize that you are responsible for identifying all listings of each security.

If you have any questions about this matter, please contact Stephanie Gleeson, International Equities; or James E. Heidelberg, Manager Public Programs.

Sincerely,

Howard Bicker
Executive Director

Enclosures

cc: James E. Heidelberg, Manager, Public Programs
Stephanie Gleeson, International Equities

May 1, 2008

Manager

Regarding: Sudan Companies

Dear _________:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Sudan. **This new communication applies to all SBI domestic equity portfolios managed by your organization and replaces all prior communications. This communication applies to ADR's of any of the listed companies.**

Laws of Minnesota 2007, Chapter 117 requires the SBI to implement a Sudan restriction.

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages**. Please note that the attached List makes a change to the List of Restricted Sudan Stocks that was attached to the March 20, 2008 letter you received. **This new list is effective May 5, 2008.**

- The following company has been deleted from the restricted list.
    - Bauer AG

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- There has been no change to the divestment list.

If you own securities of companies on the List of Sudan Stocks Requiring Divestment in the SBI portfolio that your organization manages, then you must divest those holdings according to the schedules provided in the Attachment:

- **At least 50 percent of a company's holdings must be sold by the date indicated, and**

- **At least 100 percent of a company's holdings must be sold by the date indicated.**

Please recognize that you are responsible for identifying all listings of each security.

If you have any questions about this matter, please contact Tammy Brusehaver, or Patricia Ammann, Domestic Equities; or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Howard Bicker
Executive Director

Enclosures

cc: James E. Heidelberg, Manager, Public Programs
Tammy Brusehaver, Domestic Equities
Patricia Ammann, Domestic Equities

ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	**Country of Origin**
AviChina Industry & Technology Co. Ltd.	China
Dongfeng Automotive Company Ltd.	China
Hafei Aviation Industry Co.	China
Harbin Dongan Auto Engine Co. Ltd.	China
Harbin Power Equipment	China
Jiangxi Changhe Automobile Co. Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
PetroChina	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Wuhan Boiler Co.	China
CNPC Hong Kong	Hong Kong
Sinopec Kanton Holdings, Ltd.	Hong Kong
Bharat Heavy Electricals Ltd.	India
Bongaigaon Refinery & Petrochemicals Limited (BRPL)	India
Chennai Petroleum Corporation Ltd. (CPCL)	India
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Ltd.	India
Mangalore Refinery and Petrochemical Ltd.	India
Oil and Natural Gas Company, AKA ONGC	India
AREF Investment Group	Kuwait
Kejuruteraan Samudra Timur Bhd	Malaysia
Kencana Petroleum Berhad	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
PECD Berhad	Malaysia
Petronas Gas, Bhd.	Malaysia
Petronas Dagangan, Bhd.	Malaysia
Ranhill Berhad	Malaysia
Scomi Group Bhd	Malaysia
Scomi Engineering Bhd	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Wartsila Oyj	Finland
Alstom	France

ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	**Country of Origin**
Areva SA	France
Dietswell Engineering	France
Lundin International SA	France
Lundin Petroleum AB	Sweden
Petrofac, Ltd.	UK

Note: List contains parent companies and subsidiaries publicly traded.
AKA means "Also Known As"

Source: Sudan Divestment Task Force April 29, 2008

ATTACHMENT 2

Sudan Stocks Requiring Divestment			
Company Name	**Country of Origin**	**Divest 50 Percent By this Date**	**Divest 100 Percent By this date**
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Bharat Heavy Electricals Ltd.	India	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
Lundin Petroleum	Sweden	April 30, 2008	October 31, 2008
Petrofac Ltd.	UK	April 30, 2008	October 31, 2008
Wartsila Oyj	Finland	May 31, 2008	November 30, 2008

Note: AKA means "Also Known As"

Source: Sudan Divestment Task Force

April 29, 2008

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ATTACHMENT E

Sudan Divestment Task Force List of "Highest Offenders" Companies in Sudan
Task Force List Effective Through May 31, 2008
Companies Ranked from Worst to Least Problematic

Company Name	Country of Origin
China National Petroleum Corporation AKA CNPC	China
PetroChina	China
CNPC Hong Kong	Hong Kong
Petronas Gas	Malaysia
Petronas Dagangan	Malaysia
MISC Berhad AKA Malaysia International Shipping Company	Malaysia
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd.	India
Sinopec Group AKA China Petrochemical Corporation	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Kanton Holdings	China
Lundin Petroleum AB	Sweden
Lundin International SA	France
AREF Investment Group	Kuwait
Ranhill Berhad	Malaysia
Ranhill International Inc.	Malaysia
Dietswell Engineering	France
Muhibbah Engineering Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Kejuruteraan Samundra Timur Bhd	Malaysia
AviChina Industry & Technology Company, Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Hafei Aviation Industry	China
Harbin Dongan Auto Engine Co.	China
Jiangxi Changhe Automobile Co.	China
Harbin Power Equipment Company Limited	China
Alstom	France
Wuhan Boiler Company	France
Wartsila Oyj	Finland
Bharat Heavy Electricals	India
Dongfeng Automotive Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Bongaigaon Refinery & Petrochemicals Limited (BRPL)	India
Chennai Petroleum Corporation Limited (CPCL)	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
PECD Berhad	Malaysia
Electricity Generating Company Limited AKA EGCO	Thailand

Note: List contains parent companies and subsidiaries publicly traded
AKA means "also known as"

Sudan Divestment Task Force List of Companies in Sudan for Ongoing Engagement
Task Force List Effective Through May 31, 2008
Companies Ranked from Worst to Least Problematic

Company Name	Country of Origin
Bharat Electronics Limited	India
Norinco AKA China North Industries Corporation	China
Sudan Telecommunications Company AKA Sudatel	Sudan
Saras S.p.A.	Italy
Man AG	Germany
Kamaz	Russia
Total SA	France
Rolls Royce PLC	UK
Nippon Oil	Japan
Suez SA	France
Shanghai Power Transmission and Distribution Co. Ltd.	China
Bousted Heavy Industries Corporation	Malaysia
Atlas Copco AB	Sweden
Sumatec Resources Berhad	Malaysia
Nam Fatt Corporation Berhad	Malaysia
Reliance Industries Limited AKA RIL	India
Schlumberger	France
La Mancha Resources	Canada
Mitsui Engineering & Shipbuilding Company Limited	Japan
Mercator Lines	India
Concordia Maritime	Sweden
Bollore Group	France
UMW Holdings	Malaysia

Sudan Divest.Task Force List of Companies in Sudan with No Publicly Traded Equity
Task Force List Effective Through May 31, 2008

Company Name	Country of Origin
Africa Energy	Nigeria
Al-Qahtani & Sons Group of Companies	Saudi Arabia
Al-Thani Investment	United Arab Emirates
Ansan Wikfs/Shaher Trading Company	Yemen
APS Engineering Company	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
China International Water & Electric Corp AKA CWE	China
Delta Petrol/Tower Holdings	Turkey/Luxembourg
Dindir Petroleum/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
Hi Tech Petroleum	Sudan
K & K Capital Group AKA KKCG	Czech Republic
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer	Germany
Mohan Energy Corp.	India
Mott MacDonald	UK
Peschaud & Cie International	France
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PetroSA	South Africa
PT Pertamina Persero AKA Pertamina	Indonesia
Shandong Electric Power Construction Corporation AKA Shandong Electric Power Group	China
Snowy Mountain Engineering Corporation	Australia
Sudan Petroleum Company AKA Sudapet	Sudan
Tamoil	Libya
Trafigura Beheer	Netherlands
Vitol Group	Switzerland
Zaver Petroleum Company	Pakistan

16-May-08

Tab C

COMMITTEE REPORT

DATE: May 27, 2008

TO: Members, State Board of Investment

FROM: IAC Membership Review Committee

The terms of four members of the Investment Advisory Council expired in January 2008. The four members are as follows:

Jeffery Bailey	Director-Benefits Finance Target Corporation
Douglas Gorence	Chief Investment Officer U of M Foundation Investment Advisors
P. Jay Kiedrowski	Senior Fellow Humphrey Institute University of MN
Judith Mares	Chief Investment Officer Alliant Techsystems Inc.

Each of the above named have submitted an application for reappointment to the IAC. The above named applicants have extensive professional plan sponsor and institutional investor experience, which are meaningful characteristics for service on the IAC.

The Committee also received one additional application for membership to the Council.

David Edwin Wright	Project Consultant Minnesota State Retirement System

After reviewing all the applications the Committee is making the following recommendation.

RECOMMENDATION:

The Committee recommends that the Board reappoint the following as members of the Investment Advisory Council, with terms expiring in January 2012:

Jeffery Bailey
Douglas Gorence
P. Jay Kiedrowski
Judith Mares

Tab D

COMMITTEE REPORT

DATE: May 27, 2008

TO: Members, State Board of Investment

FROM: SBI Administrative Committee

The Administrative Committee met on May 21, 2008 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY09
- Review of Budget Plan for FY09
- Review of Continuing Fiduciary Education Plan
- Review of Executive Director's Evaluation Process
- Update of Disaster Recovery Plan

Action is required by the SBI on the first four items.

1. Review of Executive Director's Proposed Workplan for FY09.

The Executive Director's Proposed Workplan for FY09 was presented. As in previous workplans, the FY09 plan follows the same category order found in the Executive Director's position description. The plan is a compilation of on-going responsibilities as well as the new initiatives the Executive Director will undertake during the next fiscal year.

A summary of the proposed plan is shown in **Attachment A** on **page 5** of this Tab. Supporting information was sent to each Board member in May 2008 as part of the FY09 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY09 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY09.

2. **FY09 Administrative Budget Plan.**

The SBI's Administrative budget is set annually by the Board with direct charge back to entities that invest with the SBI. The general fund appropriation for the management of general fund assets is appropriated by the Legislature.

An overview of the budget is **Attachment B** on **page 7** of this tab. Supporting information was sent to each Board member in May 2008 as part of the FY09 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY09 Administrative Budget Plan, as presented to the Committee, and that the Executive Director have the flexibility to reallocate funds between budget categories if the Executive Director deems necessary.

3. **Review of Continuing Fiduciary Education Plan.**

Minnesota Statutes Chapter 356A requires each public pension plan to establish a continuing education plan for its fiduciaries. The plan approved by the Committee is in **Attachment C** on **page 9** of this Tab. Please note that the travel allocation policy for Board members and their designees is included in the plan.

RECOMMENDATION:

The Committee recommends that the SBI adopt the attached Continuing Fiduciary Education Plan.

4. **Review of Executive Director's Evaluation Process.**

The Committee discussed the process that will be used by the Board to evaluate the Executive Director for FY08. The Committee members agreed that the performance reviews should be completed prior to the September 2008 meeting of the SBI and should follow the process used in the past.

RECOMMENDATION:

The Committee recommends that the SBI adopt the following process for the Executive Director's FY08 performance evaluation:

- **The evaluation will be completed prior to the September 2008 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY08.**

- **The SBI deputies/designees will develop an appropriate evaluation form for use by each member, which will reflect the categories in the Executive Director's position description and workplan.**

- **As the Chair of the Board, the Governor's representative (Department of Finance), will coordinate distribution and collection of the evaluation forms and will forward the completed forms to the Executive Director. Board members are encouraged to meet individually with the Executive Director to review their own evaluation.**

5. Update of Disaster Recovery Plan.

Staff updated the Committee regarding the SBI's Disaster Recovery Plan. The plan provides information and procedures required to respond to an emergency.

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STATE BOARD OF INVESTMENT
Executive Director's Proposed Workplan

FY09
(Categories A, B, C, D, E correspond to the position description)

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Asset Allocation Study for the Basic and Post Retirement Funds	Jul – Dec
2. Review SBI Credit Enhancement Program	Jul – Dec
3. Develop Plan to Manage Assets to Support Local Government Other Post Retirement Employee Benefit Plans	Jul - Sep
4. Research Global Equity Investment Options	Oct - Mar
5. Research Currency Management	Jan – May
6. Research Portable Alpha Strategies	Jul - Jun
7. Research the Use of Long-Short Portfolios	Jul - Jun
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or exceed the performance objectives	Ongoing
2. Implement State Law Concerning Sudan	Ongoing
3. Review Investment Options Structures in DCP	Sep – Jan
4. Conduct Search for 529 College Savings Plan Provider	Aug – Mar
5. Manager Search Process	Ongoing
6. Investments with New/Existing Alternative Asset Managers	On-going
7. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing

C. REVIEW AND CONTROL OF INVESTMENT POLICIES

1. Monitor and Evaluate Investment Manager Performance	On-going
2. Manager Guidelines	On-going
3. Monitor Implementation of Northern Ireland Mandate	Oct - Mar
4. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives	Jul - Jun

D. ADMINISTRATION AND MANAGEMENT OF STAFF OPERATIONS

1. Coordinate Financial Audit by Legislative Auditor	Jul - Dec
2. Prepare 2009 Legislative package	Jul - May
3. Prepare FY10 Management and Budget Plan	Jan - Jun
4. Update Disaster Recovery Plan	Apr

E. COMMUNICATION AND REPORTING

1. Prepare reports on investment results	Qtly
2. Prepare status reports	As requested
3. Meet with SBI and IAC	Qtly
4. Meet with Board's designees	Qtly
5. Prepare FY 2008 Annual Report	Jul - Jan
6. Prepare Annual SIF Investment Options Prospectus	May - Aug
7. Fire Relief Association Reporting and Communication	Jul – Jan
8. Coordinate Public Pension Plan Performance Reporting Disclosure	On-going
9. Conduct Manager Round Tables	Periodic

Administrative Budget
FY 09 – 10 Budget Plan
Overview

The FY 09 – 10 budget request is based on budget procedures instituted by the Department of Finance.

New statutory authority was passed during the 2006 legislative session to establish a fixed amount from the General Fund and to have the balance of the MSBI's budget billed to organizations that use the MSBI's services. This new authority was used to generate the fiscal year 2008 budget and also is the basis for the 2009 – 2010 budget projections.

	FY08 Budget	**FY08 Projected**	**FY09 Request**	**FY10 Request**
Personal Services	$2,061,000	$2,024,277	$2,080,000	$2,230,000
Operating Expense	374,000	363,560	386,000	390,000
	$2,435,000	**$2,387,837**	**$2,466,000**	**$2,620,000**

Personal Services: **85% of the budget**
Salaries, retirement, insurance, FICA, severance

Operating Expenses: **15% of the budget**
Rents, leases, printing, data processing
Professional/technical contracts
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies

STATE BOARD OF INVESTMENT
FISCAL YEAR 2009 BUDGET PLAN

DESCRIPTION	FY2005 ACTUAL	FY2006 ACTUAL	FY2007 ACTUAL	FY2008 PROJECTED	FY2009 BUDGET
PERSONAL SERVICES					
FULL TIME EMPLOYEES	$ 1,703,189	$ 1,765,555	$ 1,892,995	$ 1,900,000	$ 2,000,000
PART TIME EMPLOYEES		-	48,246	71,000	50,000
SEVERENCE PAYOFF	-	-	33,929	52,778	25,000
WORKERS COMPENSATION INSURANCE	860	994	777	499	1,000
MISCELLANEOUS PAYROLL	-	-	-	-	4,000
SUBTOTAL	$ 1,704,049	$ 1,766,549	$ 1,975,947	$ 2,024,277	$ 2,080,000
STATE OPERATIONS					
RENTS & LEASES	199,898	205,851	202,087	205,000	205,000
REPAIRS/ALTERATIONS/MAINTENANCE	7,484	5,628	5,700	8,060	10,000
PRINTING & BINDING	4,968	5,040	6,693	7,000	10,000
PROFESSIONAL/TECHNICAL SERVICES	-	-	-	-	-
COMPUTER SYSTEMS SERVICES	10,229	10,642	12,532	22,000	10,000
COMMUNICATIONS	20,641	20,828	23,628	20,000	30,000
TRAVEL, IN-STATE	441	468	365	1,000	1,000
TRAVEL, OUT-STATE	30,035	30,952	43,173	43,500	45,000
SUPPLIES	31,327	24,025	23,875	18,000	35,000
EQUIPMENT	23,509	43,210	46,334	15,000	20,000
EMPLOYEE DEVELOPMENT	10,244	12,580	10,797	13,000	13,000
OTHER OPERATING COSTS	5,558	6,503	8,642	11,000	7,000
SUBTOTAL	$ 344,334	$ 365,727	$ 383,826	$ 363,560	$ 386,000
TOTAL GENERAL FUND	$ 2,048,383	$ 2,132,276	$ 2,359,773	$ 2,387,837	$ 2,466,000
PERCENT INCREASE OVER PRIOR YEAR		4.1%	10.7%	1.2%	3.3%

CONTINUING FIDUCIARY EDUCATION PLAN

REQUIRED BY MS 356A.13

The State Board of Investment (SBI) undertakes the following activities related to fiduciary education. Taken as a group, these activities shall constitute the plan for continuing fiduciary education required by Minnesota Statutes 356A.13 (copy attached). In addition, pursuant to statutory requirements of qualification, the SBI executive director and many members of the Board's Investment Advisory Council (IAC) can be reasonably considered to be experts with respect to their duties as fiduciaries.

1. Briefing for New Board/IAC Members

Shortly after election to the Board or appointment to the IAC, each new member is briefed on SBI operations and policies. As part of the briefing, SBI's legal counsel will review the member's fiduciary obligations and responsibilities as specified in Minnesota Statutes Chapters 11A and 356A.

2. Development and Review of Investment Policies

The SBI adopts comprehensive investment policies for each fund under its control. The policies cover investment objectives, asset allocation, management structure and performance evaluation. Policy papers or reports on these topics are developed and written by SBI staff in conjunction with the IAC and consultants. Relevant research and analyses from the academic and professional investment fields are used to formulate these policy guidelines.

After the Board formally adopts them, these written policies guide the management of all assets under the SBI's control. The SBI intends to review its stated investment policies periodically. This review may occur within the framework of the SBI's regular quarterly meetings or may take place at special meetings or seminars specifically designated for this purpose.

3. Input from Board's Consultants

The SBI retains outside investment consultants to advise the Board members on a wide variety of investment management issues. As part of their contracts with the SBI, the consultants offer to meet with the Board members or their designees to discuss investment-related issues. These individual consultations occur throughout the year. In addition, the general consultant is available at each meeting of the Board and IAC. These meetings are supplemented by quarterly reports on investment performance prepared by the general consultant.

4. Manager Round Tables

The SBI intends to convene small groups of its external money managers to discuss issues related to investment management and the financial markets. These round table discussions will be held periodically throughout the year and will be open to Board members and their designees, IAC members and other interested parties. It is anticipated that 1-2 round tables will be held each year.

5. Travel Allocation

The SBI allocates $4,000 annually to each Board member (or their designee) for costs associated with attendance at investment-related seminars and conferences. This allocation is used at the discretion of each Board member.

Date: May, 2008

1996 Minnesota Statutes

356A.13. CONTINUING FIDUCIARY EDUCATION.

Subdivision 1. **Obligation of fiduciaries**. A fiduciary of a covered pension plan shall make reasonable effort to obtain knowledge and skills sufficient to enable the fiduciary to perform fiduciary activities adequately. At a minimum, a fiduciary of a covered pension plan shall comply with the program established in accordance with subdivision 2.

Subd. 2. **Continuing fiduciary education program**. The governing boards covered pension plans shall each develop and periodically revise a program for the continuing education of any of their board members and any of their chief administrative officers who are not reasonably considered to be experts with respect to their activities as fiduciaries. The program must be designed to provide those persons with knowledge and skills sufficient to enable them to perform their fiduciary activities adequately.

Tab E

COMMITTEE REPORT

DATE: May 27, 2008

TO: Members, State Board Investment
Members, Investment Advisory Council

FROM: Stock and Bond Manager Committee

The Stock and Bond Manager Committee met on Tuesday, May 13, 2008 to consider the following agenda items:

- Review the manager performance for the period ending March 31, 2008.
- A review of the transition of the MN Fixed Fund in the State's 457 Deferred Compensation Plan.
- Other items.

Action is not required by the SBI / IAC on any item.

INFORMATION ITEMS:

1. Review the manager performance for the period ending March 31, 2008.

- ***Domestic Equity Program***

For the period ending March 31, 2008, the **Domestic Equity Program** underperformed over all time periods.

Time period	Total Program	DE Asset Class Target*
Quarter	-10.1%	-9.5%
1 Year	-7.0%	-6.1%
3 Years	5.5%	6.1%
5 Years	11.6%	12.1%

* The DE Asset Class Target is the Russell 3000 since 10/1/03, the Wilshire 5000 Investable from 7/1/99 to 9/30/03, and the Wilshire 5000 prior to 7/1/99.

The performance evaluation reports for the domestic equity managers start on the **blue page A-1** of this Tab.

- *Fixed Income Program*

For the period ending March 31, 2008, the **Fixed Income Program** underperformed over all time periods.

Time period	Total Program	Lehman Aggregate
Quarter	-0.1%	2.2%
1 Year	4.5%	7.7%
3 Years	4.7%	5.5%
5 Years	4.5%	4.6%

The performance evaluation reports for the fixed income managers start on the **blue page A-93** of this Tab.

- *International Equity Program*

For the period ending March 31, 2008, the **International Equity Program** underperformed the composite index over the quarter, year and five-year time periods and matched the index over three years.

Time Period	Total* Program	Int'l Equity Asset Class Target**
Quarter	-9.5%	-9.2%
1 Year	2.1%	2.3%
3 Year	16.1%	16.1%
5 Year	23.1%	23.6%

* Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.

** Since 10/1/07 the International Equity asset class target is the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07, the target was the MSCI ACWI Free ex. U.S. (net). From 7/1/99 to 9/30/03 the target was the MSCI EAFE-Free plus Emerging Markets Free index. The weighting of each index fluctuated with market capitalization. From 12/31/96 to 6/30/99, the target was fixed at 87% EAFE-Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE-Free to the 12/31/96 fixed weights. Prior to 5/1/96, the target was 100% EAFE-Free.

The performance evaluation reports for the international equity managers start on the **blue page A-107** of this Tab.

2. A review of the transition of the MN Fixed Fund in the State's 457 Deferred Compensation Plan.

The Board approved at its December 2007 meeting a recommendation to combine the Minnesota Fixed Fund option with the Supplemental Investment Fund (SIF) Fixed Interest Account for the State Deferred Compensation Plan (the Plan).

The SBI has the responsibility in state statutes to select and review investment options for the Plan. Prior to the combination, the Plan, a $3.6 billion 457(b) plan, offered eleven mutual fund choices, a money market option, the Fixed Interest Account stable value option, and an insurance company fixed return option. Minnesota State Retirement System (MSRS) has the statutory responsibility to administer the Plan.

The insurance company fixed return option, called the Minnesota Fixed Fund (Fixed Fund), and the stable value option, called the Supplemental Investment Fund Fixed Interest Account (SIF Fixed Interest), looked very similar to participants. Both were conservative investment options with similar durations and similar yields. Because the Fixed Fund invested in the general accounts of three insurance companies, participants faced restrictions on transferring money out of the option.

With the combination of the two fixed options into one, Plan communications are more understandable and the 20 percent transfer restriction is eliminated. Galliard, the manager of the SIF Fixed Interest, has been retained to manage the combined option. Assets from the insurance contracts within the Fixed Fund will mature each quarter over the next five years and will be invested by Galliard in the stable value manner within the SIF Fixed Interest structure.

MSRS, staff, the recordkeeper, and Galliard jointly agreed that the combination would take place at the close of business March 24. The transition went smoothly.

STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

First Quarter, 2008

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Domestic Equity

Table of Contents

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending March, 2008

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-11.0	-9.5	-10.0	-5.4	4.6	6.2		
Russell 1000 Growth Aggregate	-13.5	-10.2	-2.2	-0.7	4.9	6.3		
Russell 1000 Value Aggregate	-10.6	-8.7	-8.7	-10.0	5.0	6.0		
Russell 2000 Growth Aggregate	-17.0	-12.8	-3.4	-8.9	7.7	5.7		
Russell 2000 Value Aggregate	-6.3	-6.5	-20.2	-16.9	0.5	4.3		
Active Manager Aggregate	**-11.9**	**-9.6**	**-7.9**	**-7.1**	**4.6**	**5.8**		
Semi-Passive Aggregate	**-9.3**	**-9.5**	**-7.6**	**-5.4**	**5.5**	**6.2**		
Passive Manager (BGI)	**-9.5**	**-9.5**	**-6.0**	**-6.1**	**6.1**	**6.1**		
Total Domestic Equity Aggregate	**-10.1**	**-9.5**	**-7.0**	**-6.1**	**5.5**	**6.1**		
SBI DE Asset Class Target		**-9.5**		**-6.1**		**6.1**		
Russell 3000 Index		**-9.5**		**-6.1**		**6.1**		

	2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	2.4	5.8	15.8	15.5	6.4	6.3	14.5	11.4
Russell 1000 Growth Aggregate	14.9	11.8	2.2	9.1	7.3	5.3	6.1	6.3
Russell 1000 Value Aggregate	3.6	-0.2	17.4	22.2	6.0	7.1	14.3	16.5
Russell 2000 Growth Aggregate	21.6	7.0	10.0	13.3	4.7	4.2	9.7	14.3
Russell 2000 Value Aggregate	-13.4	-9.8	13.1	23.5	7.7	4.7	25.0	22.2
Active Manager Aggregate	6.3	4.2	11.5	15.8	6.5	6.0	12.5	12.3
Semi-Passive Aggregate	3.2	5.8	16.1	15.5	6.2	6.3	11.7	11.4
Passive Manager (BGI)	5.1	5.1	15.8	15.7	6.2	6.1	12.0	11.9
Total Domestic Equity Aggregate	4.9	5.1	14.5	15.7	6.4	6.1	12.2	11.9
SBI DE Asset Class Target		5.1		15.7		6.1		11.9
Russell 3000 Index		5.1		15.7		6.1		11.9

COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending March, 2008
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
LARGE CAP												
Russell 1000 Core												
Franklin Portfolio	-10.1	-9.5	-10.8	-5.4	5.3	6.2	13.1	11.9	10.9	10.7	$458.7	2.1%
New Amsterdam Partners (2)	-11.3	-9.5	-8.2	-5.4	3.2	6.2	11.7	13.1	11.9	10.8	$480.8	2.2%
UBS Global	-11.2	-9.5	-10.6	-5.4	5.2	6.2	11.8	11.9	9.8	9.7	$728.4	3.3%
Aggregate	**-11.0**	**-9.5**	**-10.0**	**-5.4**	**4.6**	**6.2**					**$1,667.9**	**7.5%**
Russell 1000 Growth												
Alliance Capital	-13.7	-10.2	-1.3	-0.7	6.4	6.3	8.2	10.0	13.4	10.3	$272.5	1.2%
Cohen, Klingenstein & Marks	-8.1	-10.2	-1.9	-0.7	2.3	6.3	8.9	10.0	7.8	8.4	$143.8	0.6%
INTECH	-12.9	-10.2	-4.4	-0.7	4.6	6.3			3.6	4.5	$313.1	1.4%
Jacobs Levy	-14.2	-10.2	-6.5	-0.7	2.8	6.3			1.2	4.5	$276.1	1.2%
Lazard Asset Mgmt.	-12.2	-10.2	0.3	-0.7	7.3	6.3			5.3	4.5	$59.5	0.3%
Sands Capital	-15.1	-10.2	-1.1	-0.7	5.5	6.3			1.9	4.5	$211.6	1.0%
Voyageur-Chicago Equity (4)	-10.7	-10.2	-1.1	-0.7	3.1	6.3	8.2	10.0	-0.4	-4.9	$49.3	0.2%
Winslow-Large Cap	-10.8	-10.2	7.0	-0.7	10.8	6.3			8.2	4.5	$121.9	0.5%
Zevenbergen Capital	-16.7	-10.2	-1.5	-0.7	8.8	6.3	14.5	10.0	9.5	8.4	$251.5	1.1%
Aggregate	**-13.5**	**-10.2**	**-2.2**	**-0.7**	**4.9**	**6.3**					**$1,699.3**	**7.7%**
Russell 1000 Value												
Barrow, Hanley	-11.8	-8.7	-11.2	-10.0	4.0	6.0			7.2	7.8	$427.3	1.9%
Earnest Partners	-11.1	-8.7	-6.6	-10.0	6.5	6.0	14.9	13.7	5.3	6.3	$178.0	0.8%
Lord Abbett & Co.	-8.7	-8.7	-5.0	-10.0	6.2	6.0			6.7	7.8	$319.5	1.4%
LSV Asset Mgmt.	-9.8	-8.7	-10.9	-10.0	7.2	6.0			9.4	7.8	$421.6	1.9%
Systematic Financial Mgmt.	-11.7	-8.7	-7.4	-10.0	7.2	6.0			8.7	7.8	$312.3	1.4%
Aggregate	**-10.6**	**-8.7**	**-8.7**	**-10.0**	**5.0**	**6.0**					**$1,658.7**	**7.5%**
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	-16.5	-12.8	-8.3	-8.9	6.2	5.7			4.9	5.6	$219.7	1.0%
Next Century Growth	-19.6	-12.8	3.8	-8.9	15.3	5.7	20.3	14.2	-0.2	-1.2	$243.8	1.1%
Turner Investment Partners	-14.5	-12.8	-5.5	-8.9	8.4	5.7			6.8	5.6	$229.1	1.0%
Aggregate	**-17.0**	**-12.8**	**-3.4**	**-8.9**	**7.7**	**5.7**					**$692.6**	**3.1%**
Russell 2000 Value												
Goldman Sachs	-3.3	-6.5	-10.3	-16.9	5.8	4.3			7.3	7.0	$126.3	0.6%
Hotchkis & Wiley	-3.8	-6.5	-24.2	-16.9	-3.7	4.3			2.9	7.0	$105.5	0.5%
Martingale Asset Mgmt.	-6.6	-6.5	-22.5	-16.9	-1.1	4.3			5.2	7.0	$116.0	0.5%
Peregrine Capital	-8.4	-6.5	-22.2	-16.9	0.7	4.3	14.1	15.4	11.2	11.2	$176.9	0.8%
RiverSource/Kenwood	-10.0	-6.5	-20.9	-16.9	0.9	4.3			5.4	7.0	$52.3	0.2%
Aggregate	**-6.3**	**-6.5**	**-20.2**	**-16.9**	**0.5**	**4.3**					**$577.1**	**2.6%**
Active Mgr. Aggregate (3)	**-11.9**	**-9.6**	**-7.9**	**-7.1**	**4.6**	**5.8**					**$6,295.6**	**28.4%**

(1) Since retention by the SBI. Time period varies for each manager.
(2) New Amsterdam Partners' published benchmark is the Russell 1000 core index beginning 10/1/03. Prior to that date it was the Russell Midcap Index.
(3) The Active Manager Aggregate Benchmark is the aggregate of the weighted average of the active manager benchmarks and is not the Russell 3000.
(4) Voyageur's benchmark was changed to the Russell 1000 Growth for all time periods on 1/1/2007.

COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Calendar Year Returns Versus
Russell Style Benchmarks for All Periods

	2007		2006		2005		2004		2003	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
Franklin Portfolio	2.4	5.8	20.4	15.5	3.4	6.3	15.7	11.4	32.9	29.9
New Amsterdam Partners (1)	5.0	5.8	9.3	15.5	7.6	6.3	14.8	11.4	34.2	38.0
UBS Global	0.8	5.8	16.8	15.5	8.6	6.3	13.4	11.4	30.7	29.9
Aggregate	**2.4**	**5.8**	**15.8**	**15.5**	**6.4**	**6.3**				
Russell 1000 Growth										
Alliance Capital	15.4	11.8	-0.4	9.1	14.2	5.3	5.7	6.3	22.4	29.7
Cohen, Klingenstein & Marks	7.4	11.8	4.4	9.1	-0.9	5.3	6.1	6.3	41.2	29.7
INTECH	11.4	11.8	7.4	9.1	7.8	5.3				
Jacobs Levy	8.4	11.8	6.1	9.1	5.3	5.3				
Lazard Asset Mgmt.	18.0	11.8	7.1	9.1	6.6	5.3				
Sands Capital	19.5	11.8	-5.5	9.1	10.9	5.3				
Voyageur-Chicago Equity (3)	10.9	11.8	2.1	9.1	3.9	5.3	10.6	6.3	23.2	29.7
Winslow-Large Cap	22.0	11.8	7.6	9.1						
Zevenbergen Capital	24.0	11.8	6.2	9.1	9.0	5.3	13.1	6.3	49.3	29.7
Aggregate	**14.9**	**11.8**	**2.2**	**9.1**	**7.3**	**5.3**				
Russell 1000 Value										
Barrow, Hanley	2.6	-0.2	15.4	22.2	9.6	7.1				
Earnest Partners	6.5	-0.2	13.8	22.2	15.6	7.1	18.9	16.5	32.0	30.0
Lord Abbett & Co.	4.4	-0.2	18.6	22.2	3.5	7.1				
LSV Asset Mgmt.	1.3	-0.2	21.7	22.2	12.5	7.1				
Systematic Financial Mgmt.	8.3	-0.2	17.9	22.2	10.3	7.1				
Aggregate	**3.6**	**-0.2**	**17.4**	**22.2**	**6.0**	**7.1**				
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	16.2	7.0	12.5	13.3	0.2	4.2	12.2	14.3		
Next Century Growth	34.2	7.0	12.4	13.3	25.2	4.2	6.4	14.3	50.7	48.5
Turner Investment Partners	14.8	7.0	13.6	13.3	6.2	4.2	11.6	14.3		
Aggregate	**21.6**	**7.0**	**10.0**	**13.3**	**4.7**	**4.2**				
Russell 2000 Value										
Goldman Sachs	-5.0	-9.8	17.8	23.5	4.1	4.7	19.9	22.2		
Hotchkis & Wiley	-18.8	-9.8	3.0	23.5	10.4	4.7	27.1	22.2		
Martingale Asset Mgmt.	-16.8	-9.8	14.8	23.5	6.2	4.7	30.8	22.2		
Peregrine Capital	-13.4	-9.8	14.3	23.5	10.1	4.7	23.6	22.2	44.2	46.0
RiverSource/Kenwood	-11.8	-9.8	19.4	23.5	4.8	4.7				
Aggregate	**-13.4**	**-9.8**	**13.1**	**23.5**	**7.7**	**4.7**				
Active Mgr. Aggregate (2)	**6.3**	**4.2**	**11.5**	**15.8**	**6.5**	**6.0**				

(1) New Amsterdam Partners' published benchmark is the Russell 1000 core index beginning 10/1/03. Prior to that date it was the Russell Midcap Index.

(2) The Active Manager Aggregate Benchmark is the aggregate of the weighted average of the active manager benchmarks and is not the Russell 3000.

(3) Voyageur's benchmark was changed to the Russell 1000 Growth for all time periods on 1/1/2007.

Note: Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending March, 2008
Versus Manager Benchmarks

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	(in millions)	%
SEMI-PASSIVE MANAGERS (1)												
Barclays Global Investors	-9.4	-9.5	-8.3	-5.4	5.3	6.2	11.3	11.6	9.8	9.4	$3,085.0	13.9%
Franklin Portfolio	-9.3	-9.5	-8.4	-5.4	5.3	6.2	11.1	11.6	8.9	9.4	$2,459.8	11.1%
JP Morgan	-9.3	-9.5	-6.1	-5.4	6.0	6.2	11.5	11.6	9.4	9.4	$2,724.3	12.3%
Semi-Passive Aggregate (R1000)	**-9.3**	**-9.5**	**-7.6**	**-5.4**	**5.5**	**6.2**	**11.3**	**11.6**	**9.4**	**9.4**	**$8,269.1**	**37.3%**
PASSIVE MANAGER (R3000)												
Barclays Global Investors	-9.5	-9.5	-6.0	-6.1	6.1	6.1	12.1	12.1	8.9	8.8	$7,632.7	34.4%
									Since 1/1/84			
Historical Aggregate (3)	**-10.1**	**-9.5**	**-7.0**	**-6.1**	**5.5**	**6.1**	**11.6**	**12.0**	**10.8**	**11.1**	**$22,197.4**	**100.0%**
SBI DE Asset Class Target (4)		-9.5		-6.1		6.1		12.1		11.1		
Russell 3000		-9.5		-6.1		6.1		12.1		11.5		
Wilshire 5000		-9.5		-5.8		6.4		12.5		11.4		
Russell 1000		-9.5		-5.4		6.2		11.9		11.7		
Russell 2000		-9.9		-13.0		5.1		14.9		9.5		

(1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.

(2) Since retention by the SBI. Time period varies for each manager.

(3) Includes the performance of terminated managers.

(4) The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Calendar Year Returns Versus
Manager Benchmarks

	2007		2006		2005		2004		2003	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS (1)										
Barclays Global Investors	2.2	5.8	15.6	15.5	7.6	6.3	11.7	11.4	30.0	28.5
Franklin Portfolio	2.5	5.8	16.5	15.5	6.1	6.3	11.7	11.4	26.9	28.5
JP Morgan	5.1	5.8	16.5	15.5	4.7	6.3	11.7	11.4	28.9	28.5
Semi-Passive Aggregate (R1000)	**3.2**	**5.8**	**16.1**	**15.5**	**6.2**	**6.3**	**11.7**	**11.4**	**28.8**	**28.5**
PASSIVE MANAGER (R3000)										
Barclays Global Investors	5.1	5.1	15.8	15.7	6.2	6.1	12.0	11.9	30.9	31.2
Historical Aggregate (2)	**4.9**	**5.1**	**14.5**	**15.7**	**6.4**	**6.1**	**12.2**	**11.9**	**31.0**	**31.4**
SBI DE Asset Class Target (3)		5.1		15.7		6.1		11.9		31.2
Russell 3000		5.1		15.7		6.1		11.9		31.1
Wilshire 5000		5.6		15.8		6.4		12.5		31.6
Russell 1000		5.8		15.5		6.3		11.4		29.9
Russell 2000		-1.6		18.4		4.6		18.3		47.3

(1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.

(2) Includes the performance of terminated managers.

(3) The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03.
From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index.
From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.
Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

Note: Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

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Large Cap Core (R1000)

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Large Cap Core (R1000)

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FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2008

Portfolio Manager: John Cone | **Assets Under Management: $458,707,682**

Investment Philosophy – Active Style

Franklin believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Franklin builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting relative attractiveness. Stocks that fall below the median ranking are sold and proceeds are reinvested in stocks from the top deciles in the ranking system. Franklin uses the BARRA E3 risk model to monitor the portfolio's systematic risk and industry weightings, relative to the selected benchmark, to achieve a residual risk of 4.0 to 4.5 percent for the active portfolio.

Staff Comments

No comment at this time.

Recommendation

No action required

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	-10.1%	-9.5%
Last 1 year	-10.8	-5.4
Last 2 years	2.2	2.9
Last 3 years	5.3	6.2
Last 4 years	6.7	6.5
Last 5 years	13.1	11.9
Since Inception (4/89)	10.9	10.7

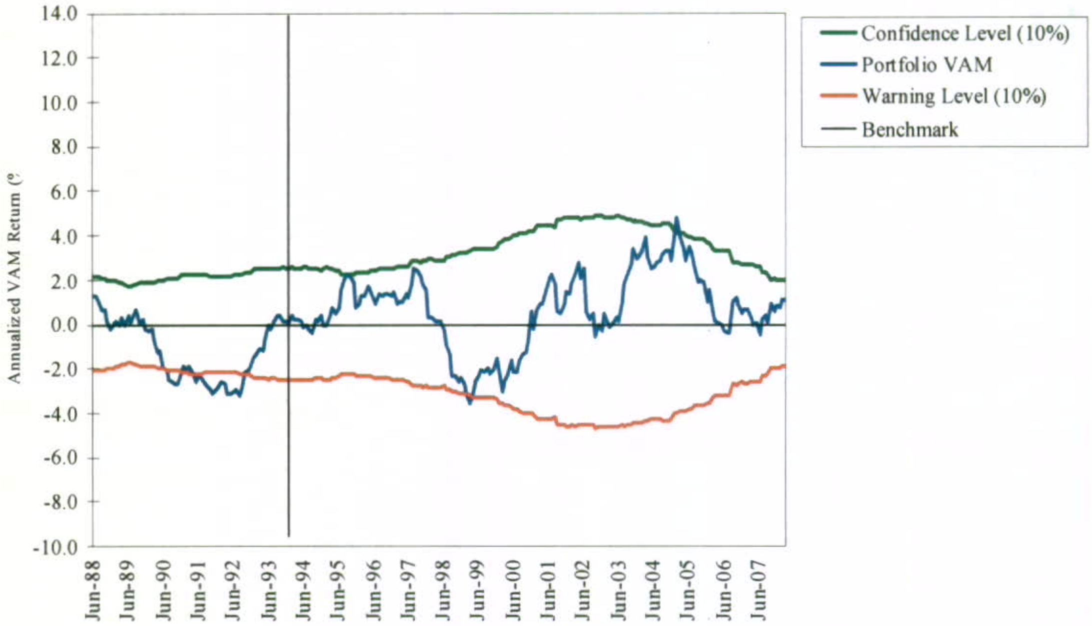
Calendar Year Returns

	Actual	Russell 1000 Core
2007	2.4%	5.8%
2006	20.4	15.5
2005	3.4	6.3
2004	15.7	11.4
2003	32.9	29.9

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2008

Portfolio Manager: John Cone — **Assets Under Management: $458,707,682**

FRANKLIN PORTFOLIO ASSOCIATES - Active
Rolling Five Year VAM vs. Russell 1000 Core



Note: Area to the left of vertical line includes perfomance prior to retention by the SBI.

NEW AMSTERDAM PARTNERS
Periods Ending March, 2008

Portfolio Manager: Michelle Clayman **Assets Under Management: $480,771,556**

Investment Philosophy

New Amsterdam Partners believes that investment results are evaluated by actual return, and therefore, investment opportunities should be evaluated by expected return. They believe that all valid techniques depend on forecasts of the amounts and timing of future cash flows. Thus, the firm focuses on forecasted earnings growth, yield, price-to-book ratio, and forecasted return on equity. They believe that the disciplined application of their valuation techniques, in conjunction with sound financial analysis of companies, is the key to understanding and maximizing investment returns.

Staff Comments

New Amsterdam underperformed their benchmark by 1.8% during the quarter due to weak stock selection.

The portfolio underperformed its benchmark by 2.8% during the year. Weak stock selection, along with overweight positions in health services and commercial services hurt performance.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell Index (1)
Last Quarter	-11.3%	-9.5%
Last 1 year	-8.2	-5.4
Last 2 years	-0.3	2.9
Last 3 years	3.2	6.2
Last 4 years	5.0	6.5
Last 5 years	11.7	13.1
Since Inception (4/94)	11.9	10.8

Calendar Year Returns

	Actual	Russell Index (1)
2007	5.0%	5.8%
2006	9.3	15.5
2005	7.6	6.3
2004	14.8	11.4
2003	34.2	38.0

(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

NEW AMSTERDAM PARTNERS
Periods Ending March, 2008

Portfolio Manager: Michelle Clayman **Assets Under Management: $480,771,556**

Note: Area to the left of vertical line includes performance prior to retention by the SBI.

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: John Leonard **Assets Under Management: $728,443,131**

Investment Philosophy

UBS uses a relative value approach to equity investing. They believe that the market price will ultimately reflect the present value of the cash flows the security will generate for the investor. They focus on a bottom-up stock selection process to provide insight into finding opportunistic investments. UBS uses a proprietary discounted free cash flow model as the primary analytical tool for estimating the intrinsic value of a company.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	-11.2%	-9.5%
Last 1 year	-10.6	-5.4
Last 2 years	0.0	2.9
Last 3 years	5.2	6.2
Last 4 years	6.2	6.5
Last 5 years	11.8	11.9
Since Inception (7/93)	9.8	9.7

Calendar Year Returns

	Actual	Russell 1000 Core
2007	0.8%	5.8%
2006	16.8	15.5
2005	8.6	6.3
2004	13.4	11.4
2003	30.7	29.9

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: John Leonard | **Assets Under Management: $728,443,131**

Note: Area to the left of vertical line includes performance prior to retention by the SBI.

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Large Cap Growth (R1000 Growth)

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Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Stephanie Simon **Assets Under Management: $272,488,535**

Investment Philosophy

Alliance searches for companies likely to experience high rates of earnings growth, on either a cyclical or secular basis. Alliance invests in a range of medium to large growth and cyclically sensitive companies. There is no clear distinction on the part of the firm as to an emphasis on one particular type of growth company over another. However, the firm's decision-making process appears to be much more oriented toward macroeconomic considerations than is the case with most other growth managers. Accordingly, cyclical earnings prospects, rather than secular, appear to play a larger role in terms of stock selection. Alliance is not an active market timer, rarely raising cash above minimal levels.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	-13.7%	-10.2%
Last 1 year	-1.3	-0.7
Last 2 years	-0.7	3.1
Last 3 years	6.4	6.3
Last 4 years	4.7	5.0
Last 5 years	8.2	10.0
Since Inception (1/84)	13.4	10.3

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	15.4%	11.8%
2006	-0.4	9.1
2005	14.2	5.3
2004	5.7	6.3
2003	22.4	29.7

Staff Comments

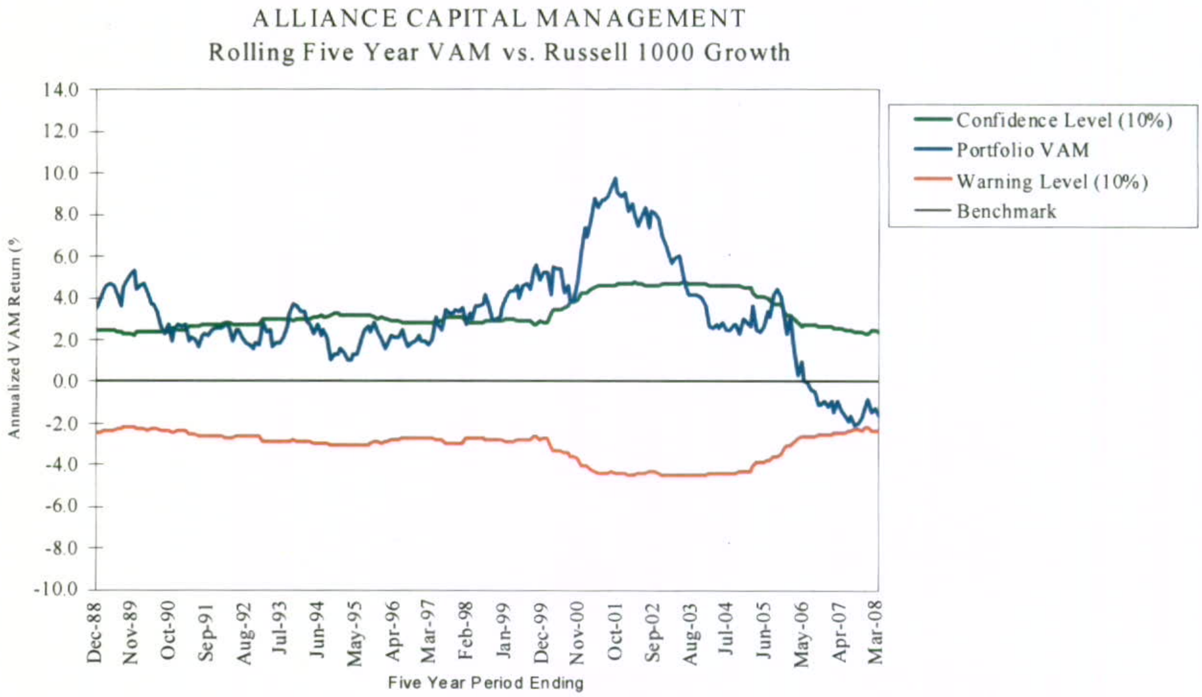
No comment at this time.

Recommendation

No action required.

ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Stephanie Simon **Assets Under Management: $272,488,535**



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending March, 2008

Portfolio Manager: George Cohen — **Assets Under Management: $143,779,560**

Investment Philosophy

Cohen Klingenstein & Marks Inc. (CKM) seeks to outperform the market by focusing on two variables: 1) economic cycles; and 2) security valuation. Within economic cycles, they believe that stocks exhibit predictable patterns that reflect changing expectations of corporate profits and interest rates. Similarly, they believe that stock prices normally reflect earnings expectations. CKM exploits short run inefficiencies through an unbiased process that relates the price of a stock to the consensus earnings expectations.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	-8.1%	-10.2%
Last 1 year	-1.9	-0.7
Last 2 years	1.2	3.1
Last 3 years	2.3	6.3
Last 4 years	1.5	5.0
Last 5 years	8.9	10.0
Since Inception (4/94)	7.8	8.4

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	7.4%	11.8%
2006	4.4	9.1
2005	-0.9	5.3
2004	6.1	6.3
2003	41.2	29.7

Staff Comments

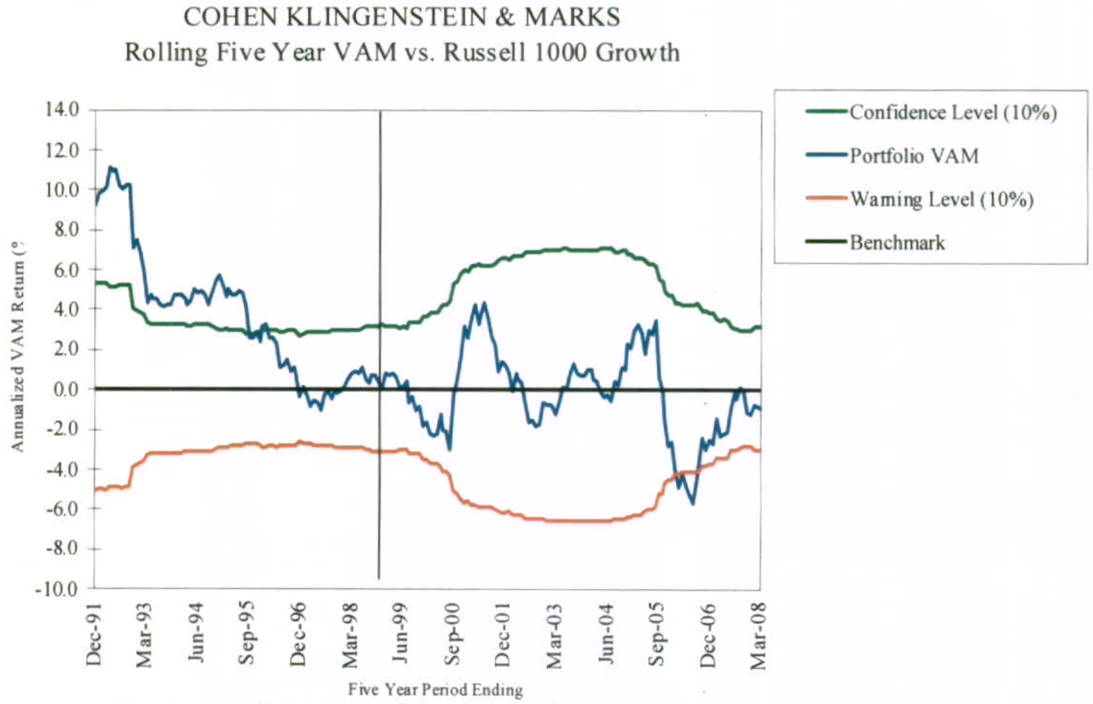
The portfolio outperformed during the quarter by 2.1%. The quarterly performance was helped by overall stock selection, particularly in the healthcare sector. For the year, the portfolio underperformed by 1.2%. Stock selection within Technology was a detractor for the one-year period.

Recommendation

No action required.

COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending March, 2008

Portfolio Manager: George Cohen **Assets Under Management: $143,779,560**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending March, 2008

Portfolio Manager: Robert Fernholz **Assets Under Management: $ 313,113,008**

Investment Philosophy

Through the application of a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 Growth benchmark. No specific sector or security selection decisions based on fundamentals are required. Risk parameters include: 1) minimize absolute standard deviation or maximize information ratio, 2) security positions limited to lesser of 2.5% or 10 times maximum index security weight, and 3) beta equal to or less than benchmark beta. Target security positions are established using an optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six (6) business days, and partial re-optimization occurs weekly.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	-12.9%	-10.2%
Last 1 year	-4.4	-0.7
Last 2 years	0.2	3.1
Last 3 years	4.6	6.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	3.6	4.5

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	11.4%	11.8%
2006	7.4	9.1
2005	7.8	5.3
2004	N/A	N/A
2003	N/A	N/A

Staff Comments

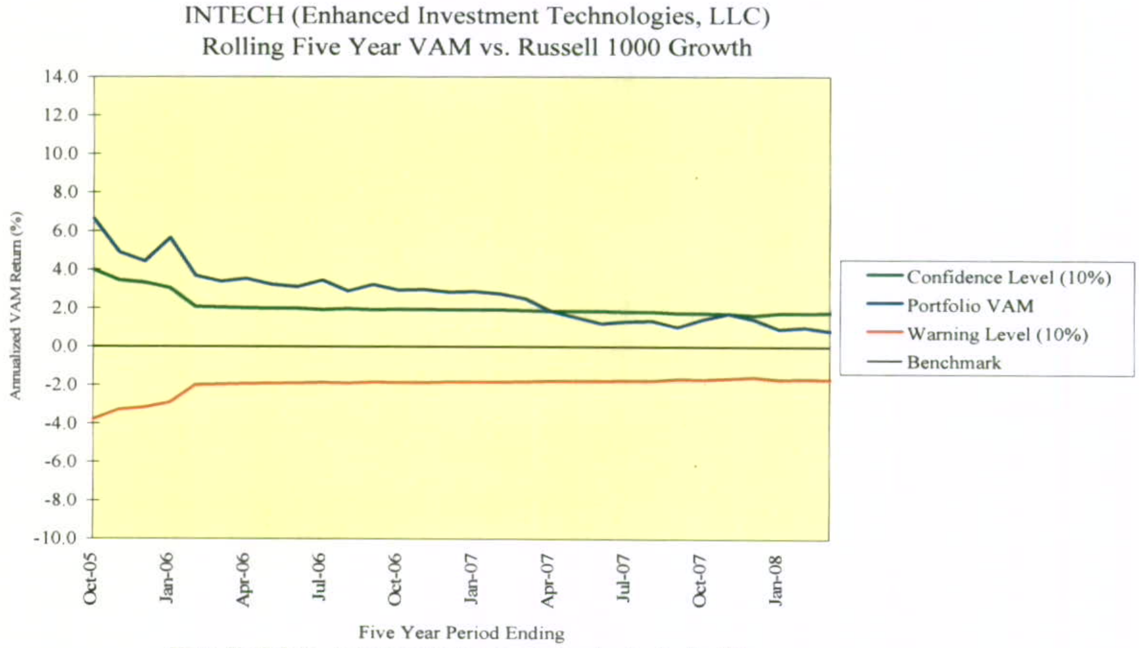
INTECH announced that Dr. Cary Maguire, Co-Chief Investment Officer, has resigned from the firm. INTECH's mathematical risk-managed investment process is not dependent upon individual portfolio managers. Staff does not anticipate any impact on the portfolio as a result of this departure.

Recommendation

No action required.

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending March, 2008

Portfolio Manager: Robert Fernholz **Assets Under Management: $313,113,008**



Note: Shaded area includes performance prior to retention by the SBI.

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Bruce Jacobs and Ken Levy **Assets Under Management: $276,054,338**

Investment Philosophy

The strategy combines human insight and intuition, finance and behavioral theory, and state-of-the-art quantitative and statistical methods. Security expected returns generated from numerous models become inputs for the firm's proprietary portfolio optimizer. The optimizer is run daily with the objective of maximizing the information ratio, while ensuring proper diversification across market inefficiencies, securities, industries, and sectors. Extensive data scrubbing is conducted on a daily basis using both human and technology resources. Liquidity, trading costs, and investor guidelines are incorporated within the optimizing process.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	-14.2%	-10.2%
Last 1 year	-6.5	-0.7
Last 2 years	-1.8	3.1
Last 3 years	2.8	6.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	1.2	4.5

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	8.4%	11.8%
2006	6.1	9.1
2005	5.3	5.3
2004	N/A	N/A
2003	N/A	N/A

Staff Comments

Jacobs Levy trailed the quarterly benchmark by 4.0%. The one-year return lagged the benchmark by 5.8%. Stock selection in healthcare, technology and energy hurt the portfolio over both periods.

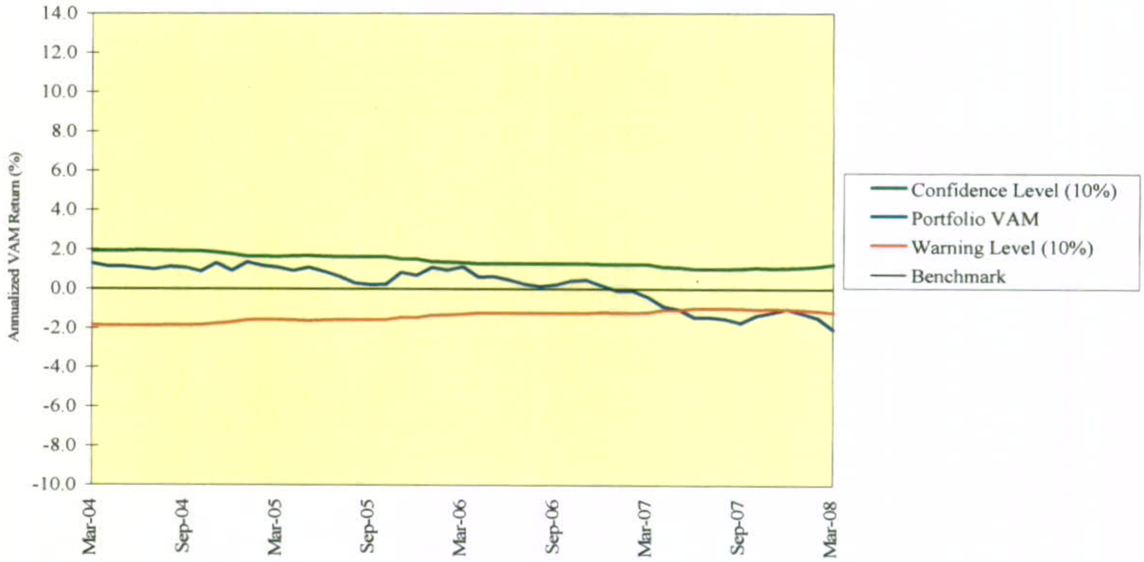
Recommendation

No action required.

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Bruce Jacobs and Ken Levy **Assets Under Management: $276,054,338**

JACOBS LEVY EQUITY MANAGEMENT
Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending
Note: Shaded area includes performance prior to retention by the SBI.

LAZARD ASSET MANAGEMENT LLC
Periods Ending March, 2008

Portfolio Manager: Kip Knelman **Assets Under Management: $59,497,476**

Investment Philosophy

The strategy invests in companies exhibiting substantial growth opportunities, strong business models, solid management teams, and the probability for positive earnings surprises. The approach emphasizes earnings growth as the fundamental driver of stock prices over time. The process combines quantitative, qualitative and valuation criteria. The quantitative component addresses fundamentals and is focused on operating trends. Qualitative analysis involves confirmation of company fundamentals through discussions with company contacts and related parties. Valuation models focus on relative rankings of the fundamentals within the industry, the market overall and the company itself.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

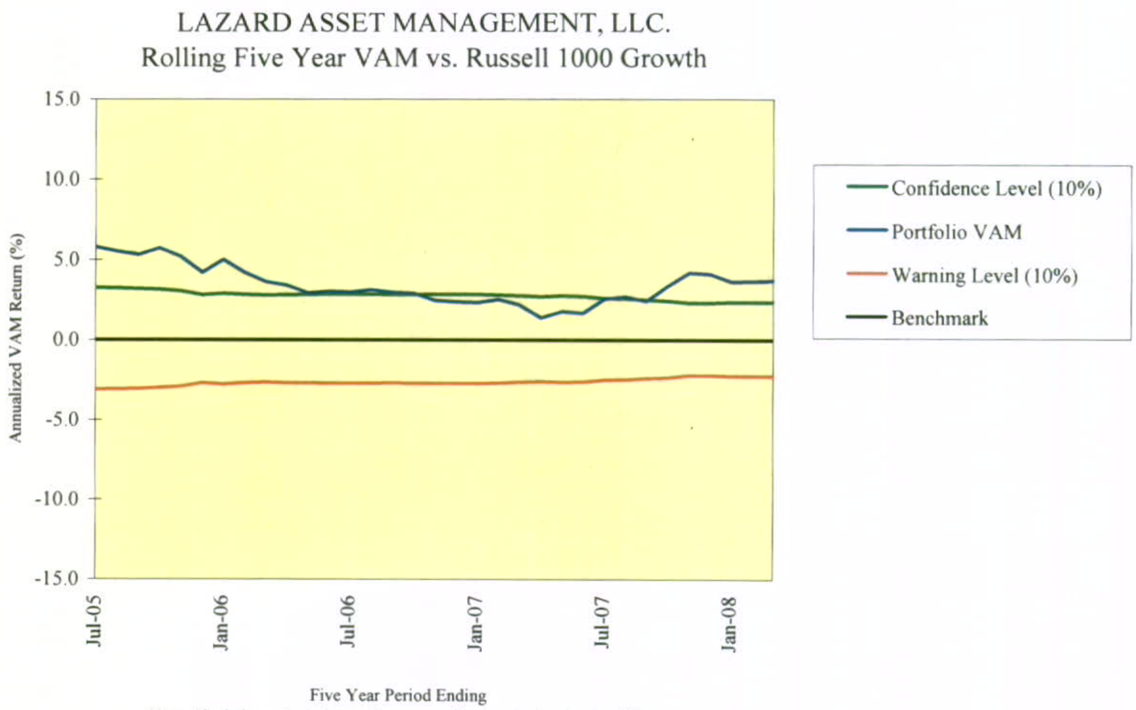
	Actual	Russell 1000 Growth
Last Quarter	-12.2%	-10.2%
Last 1 year	0.3	-0.7
Last 2 years	2.8	3.1
Last 3 years	7.3	6.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	5.3	4.5

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	18.0%	11.8%
2006	7.1	9.1
2005	6.6	5.3
2004	N/A	N/A
2003	N/A	N/A

LAZARD ASSET MANAGEMENT LLC
Periods Ending March, 2008

Portfolio Manager: Kip Knelman **Assets Under Management: $59,497,476**



Note: Shaded area includes performance prior to retention by the SBI.

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2008

Portfolio Manager: Frank Sands, Sr. **Assets Under Management: $211,635,681**

Investment Philosophy

The manager invests in high-quality, seasoned and growing businesses. Bottom-up, company-focused, long-term oriented research is the cornerstone of the investment process. The strategy focuses on six (6) 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.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

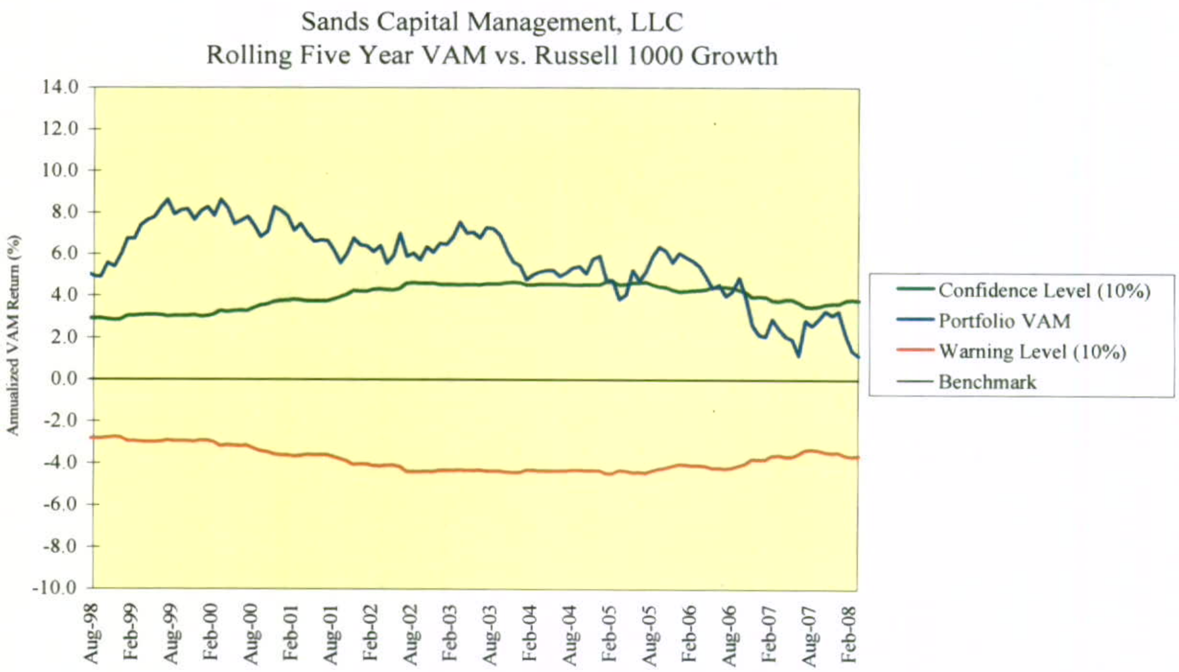
	Actual	Russell 1000 Growth
Last Quarter	-15.1%	-10.2%
Last 1 year	-1.1	-0.7
Last 2 years	-1.3	3.1
Last 3 years	5.5	6.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	1.9	4.5

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	19.5%	11.8%
2006	-5.5	9.1
2005	10.9	5.3
2004	N/A	N/A
2003	N/A	N/A

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2008

Portfolio Manager: Frank Sands, Sr. **Assets Under Management: $211,635,681**



Note: Shaded area includes performance prior to retention by the SBI.

VOYAGEUR ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: David Cox and Nancy Scinto **Assets Under Management: $49,327,086**

Investment Philosophy

Voyageur's Large Cap Growth Equity strategy is focused on achieving consistent, superior performance with near-benchmark risk. They seek high quality growth companies with exceptional financial strength and proven growth characteristics. They believe that sound fundamental analysis reveals those companies with superior earnings achievement and potential. Their screening process identifies companies that over the past five years have had higher growth in sales, earnings, return on equity, earnings stability and have lower debt ratios relative to their benchmark. Because they focus on diversification and sector limitations, they believe they can continue to outperform as different investment styles move in and out of favor.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

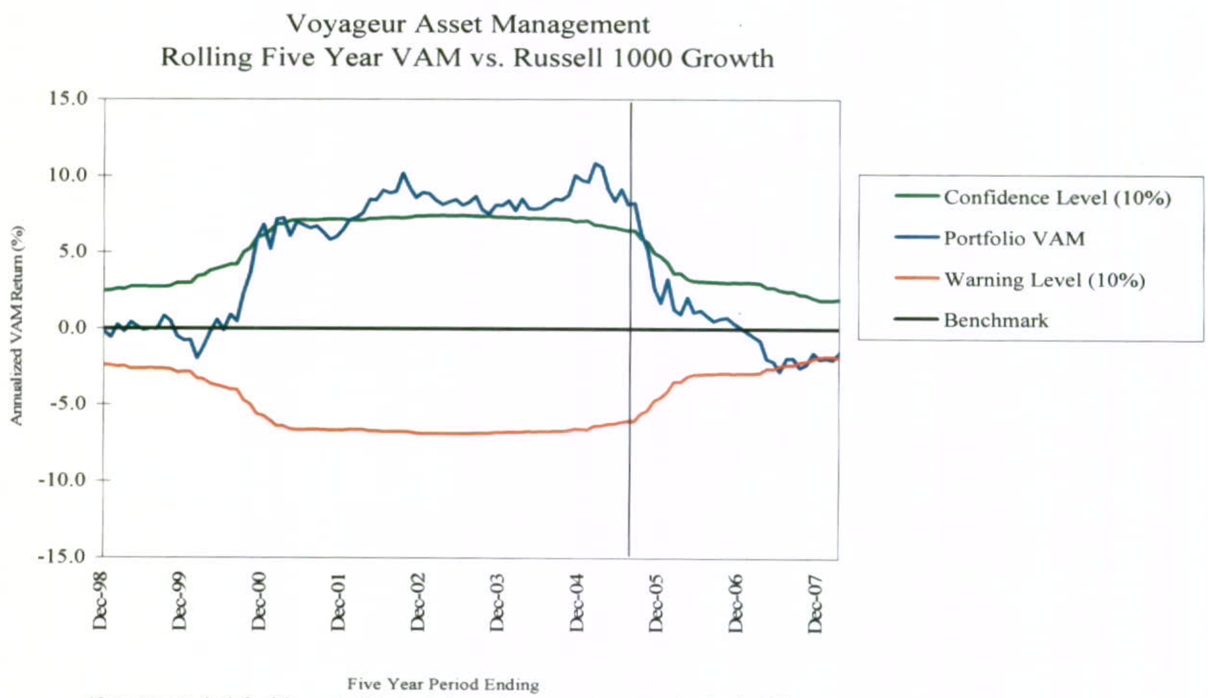
	Actual	Russell 1000 Growth
Last Quarter	-10.7%	-10.2%
Last 1 year	-1.1	-0.7
Last 2 years	-0.6	3.1
Last 3 years	3.1	6.3
Last 4 years	2.9	5.0
Last 5 years	8.2	10.0
Since Inception (7/00)	-0.4	-4.9

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	10.9%	11.8%
2006	2.1	9.1
2005	3.9	5.3
2004	10.6	6.3
2003	23.2	29.7

VOYAGEUR ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: David Cox and Nancy Scinto **Assets Under Management: $49,327,086**



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Clark Winslow

Assets Under Management: $121,860,308

Investment Philosophy

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 for factors such as revenue and earnings 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.

Staff Comments

Winslow trailed the quarterly benchmark by 0.6% and exceeded the one-year benchmark by 6.3%. Quarterly performance was hurt by stock selection in information technology. Over the year, the contribution to return in the portfolio was positive in seven of nine industry sectors, especially information technology, healthcare, and energy.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

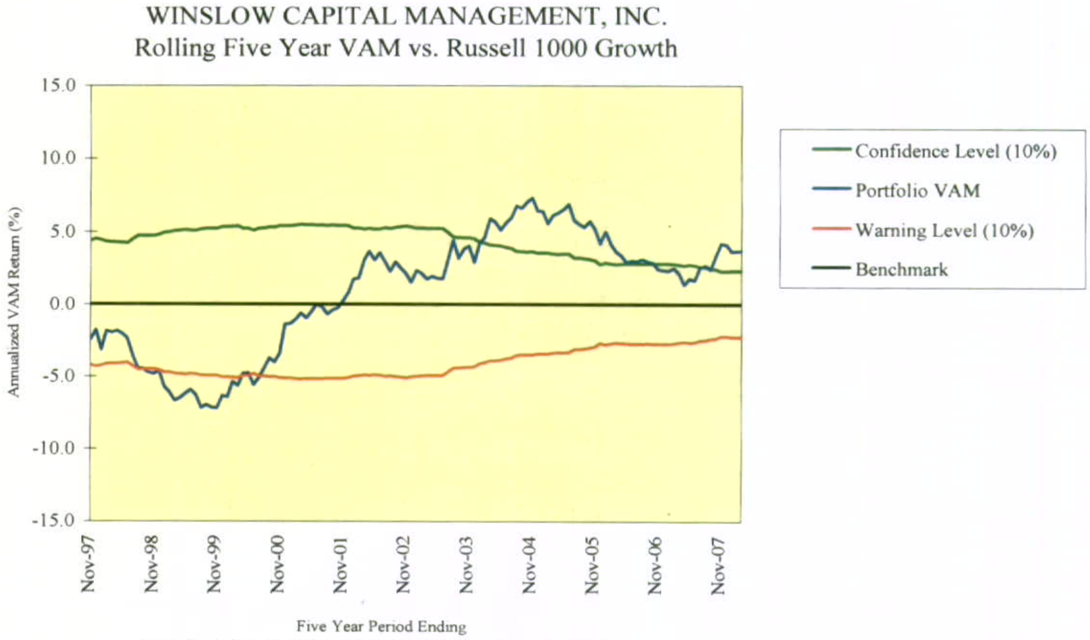
	Actual	Russell 1000 Growth
Last Quarter	-10.8%	-10.2%
Last 1 year	7.0	-0.7
Last 2 years	5.6	3.1
Last 3 years	10.8	6.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	8.2	4.5

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	22.0%	11.8%
2006	7.6	9.1
2005	10.5	5.3
2004	N/A	N/A
2003	N/A	N/A

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Clark Winslow **Assets Under Management: $121,860,308**



Note: Shaded area includes performance prior to retention by the SBI.

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2008

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $251,546,233**

Investment Philosophy

Zevenbergen is an equity growth manager. The investment philosophy is based on the belief that earnings drive stock prices while quality provides capital protection. Hence, portfolios are constructed with companies showing above-average earnings growth prospects and strong financial characteristics. They consider diversification for company size, expected growth rates and industry weightings to be important risk control factors. Zevenbergen uses a bottom-up fundamental approach to security analysis. Research efforts focus on finding companies with superior products or services showing consistent profitability. Attractive buy candidates are reviewed for sufficient liquidity and potential diversification. The firm emphasizes that they are not market timers.

Staff Comments

Zevenbergen trailed the quarterly benchmark by 6.5%, and the one-year benchmark by 0.8%. An overweight to technology, in addition to consumer and telecom holdings, detracted from quarterly performance. Stock selection and an overweight position in utilities negatively impacted the one-year return.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

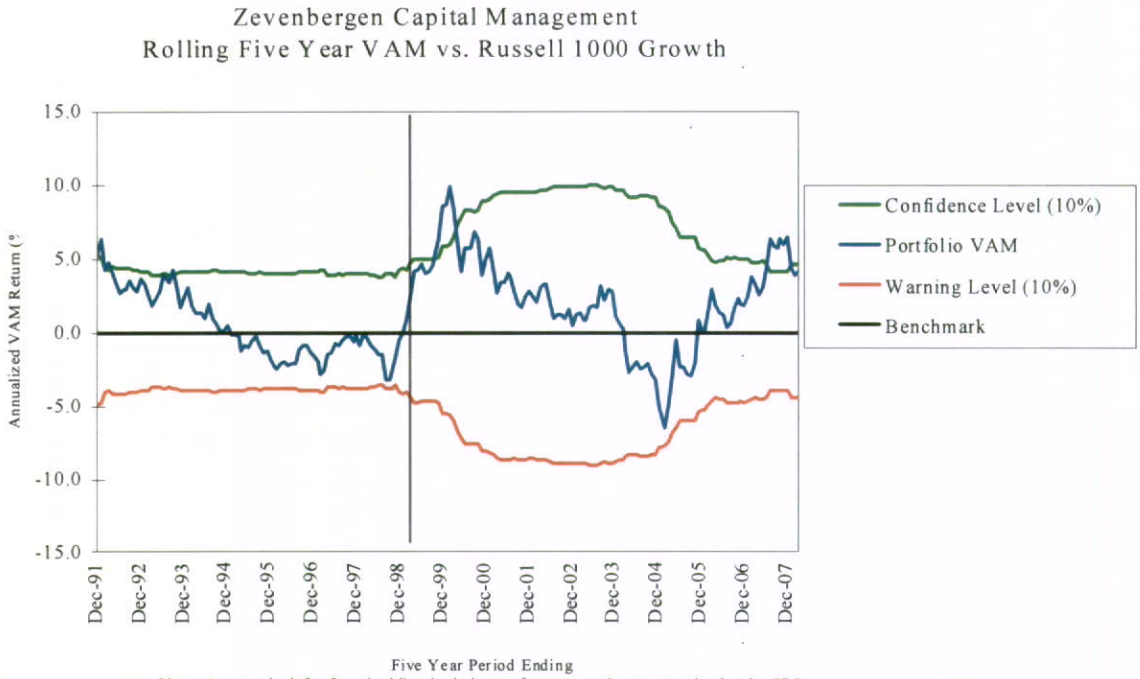
	Actual	Russell 1000 Growth
Last Quarter	-16.7%	-10.2%
Last 1 year	-1.5	-0.7
Last 2 years	1.3	3.1
Last 3 years	8.8	6.3
Last 4 years	7.2	5.0
Last 5 years	14.5	10.0
Since Inception (4/94)	9.5	8.4

Calendar Year Returns

	Actual	Russell 1000 Growth
2007	24.0%	11.8%
2006	6.2	9.1
2005	9.0	5.3
2004	13.1	6.3
2003	49.3	29.7

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2008

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $251,546,233**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

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Large Cap Value (R1000 Value)

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Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March, 2008

Portfolio Manager: Tim Culler | **Assets Under Management: $427,348,401**

Investment Philosophy

The manager's approach is based on the underlying philosophy that markets are inefficient. Inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. The team does not attempt to time the market or rotate in and out of broad market sectors.

The manager remains fully invested with a defensive, conservative orientation based on the belief that superior returns can be achieved while taking below average risks. This strategy is implemented by constructing portfolios of individual stocks that exhibit price/earnings and price/book ratios significantly *below* the market and dividend yields significantly *above* the market. Risk control is achieved by limiting sector weights to 35% and industry weights to 15%. In periods of economic recovery and rising equity markets, profitability and earnings growth are rewarded by the expansion of price/earnings ratios and the generation of excess returns.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-11.8%	-8.7%
Last 1 year	-11.2	-10.0
Last 2 years	0.4	2.5
Last 3 years	4.0	6.0
Last 4 years	7.2	7.8
Last 5 years	N/A	N/A
Since Inception (4/04)	7.2	7.8

Calendar Year Returns*

	Actual	Russell 1000 Value
2007	2.6%	-0.2%
2006	15.4	22.2
2005	9.6	7.1
2004	N/A	N/A
2003	N/A	N/A

* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

Staff Comments

Barrow Hanley trailed the quarterly benchmark by 3.1%. The largest negative impact during the quarter was in the healthcare sector where two of the holdings in the managed care area performed poorly, Wellpoint and UnitedHealth Group.

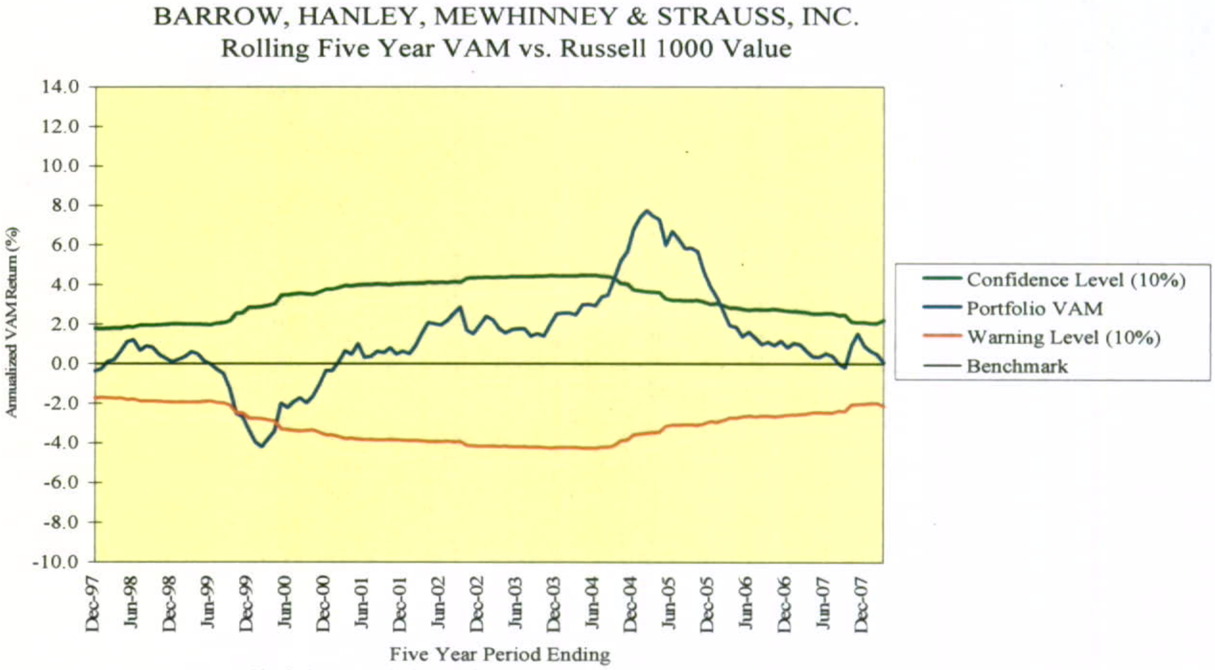
The one-year return underperformed the benchmark by 1.2%. Performance was hurt by the healthcare and financial sectors.

Recommendation

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March, 2008

Portfolio Manager: Tim Culler | **Assets Under Management: $427,348,401**



Note: Shaded area includes performance prior to retention by the SBI.

EARNEST PARTNERS, LLC
Periods Ending March, 2008

Portfolio Manager: Paul Viera **Assets Under Management: $177,972,137**

Investment Philosophy

Earnest Partners utilizes its proprietary Return Pattern Recognition 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. Extensive research is conducted to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical program designed to measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

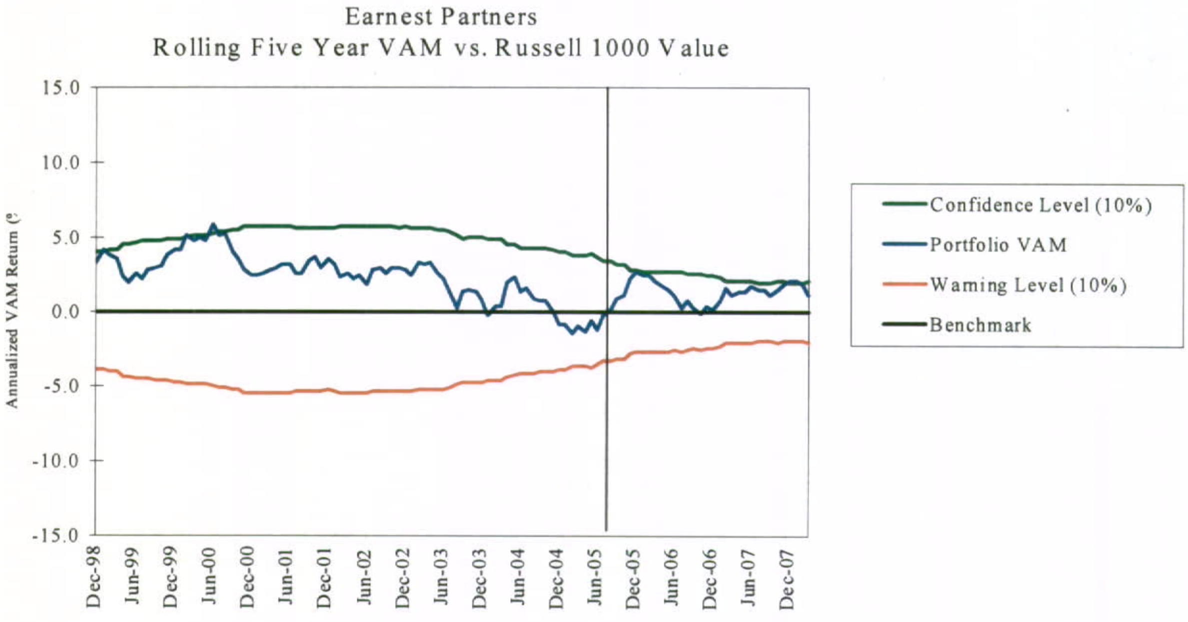
	Actual	Russell 1000 Value
Last Quarter	-11.1%	-8.7%
Last 1 year	-6.6	-10.0
Last 2 years	1.4	2.5
Last 3 years	6.5	6.0
Last 4 years	9.1	7.8
Last 5 years	14.9	13.7
Since Inception (7/00)	5.3	6.3

Calendar Year Returns

	Actual	Russell 1000 Value
2007	6.5%	-0.2%
2006	13.8	22.2
2005	15.6	7.1
2004	18.9	16.5
2003	32.0	30.0

EARNEST PARTNERS, LLC
Periods Ending March, 2008

Portfolio Manager: Paul Viera | **Assets Under Management: $177,972,137**



Note: Area to left of vertical line includes performance prior to retention by the SBI.

LORD ABBETT & CO. LLC
Periods Ending March, 2008

Portfolio Manager: Eli Saltzmann **Assets Under Management: $319,509,952**

Investment Philosophy

Utilizing a value-based, disciplined investment process that employs both informed judgment and quantitative analysis, Lord Abbett seeks to invest in companies with improving business fundamentals that are attractively valued. This process is implemented via a traditional fundamental active stock selection approach.

As a value manager, Lord Abbett believes that the market systematically misprices stocks. By coupling valuation criteria with thorough research of corporate and industry fundamentals, informed judgments can be made about where the market would price these stocks at fair value. The portfolio is constructed to exploit pricing discrepancies where it is perceived that: 1) these price differences will be closed over a reasonable period of time, or 2) there may be a catalyst for price appreciation. This process is implemented while maintaining sensitivity to both benchmark and macro-economic risk exposures.

Staff Comments

The portfolio matched the benchmark return for the quarter and outperformed by 5.0% for the year. Strong stock selection within healthcare and utilities helped to mitigate the negative stock selection in the finance sector for the quarter. For the year, the finance sector was a large contributor to positive relative performance through stock selection and a significant underweight position. Strong stock selection in materials and processing also aided returns for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-8.7%	-8.7%
Last 1 year	-5.0	-10.0
Last 2 years	3.3	2.5
Last 3 years	6.2	6.0
Last 4 years	6.7	7.8
Last 5 years	N/A	N/A
Since Inception (4/04)	6.7	7.8

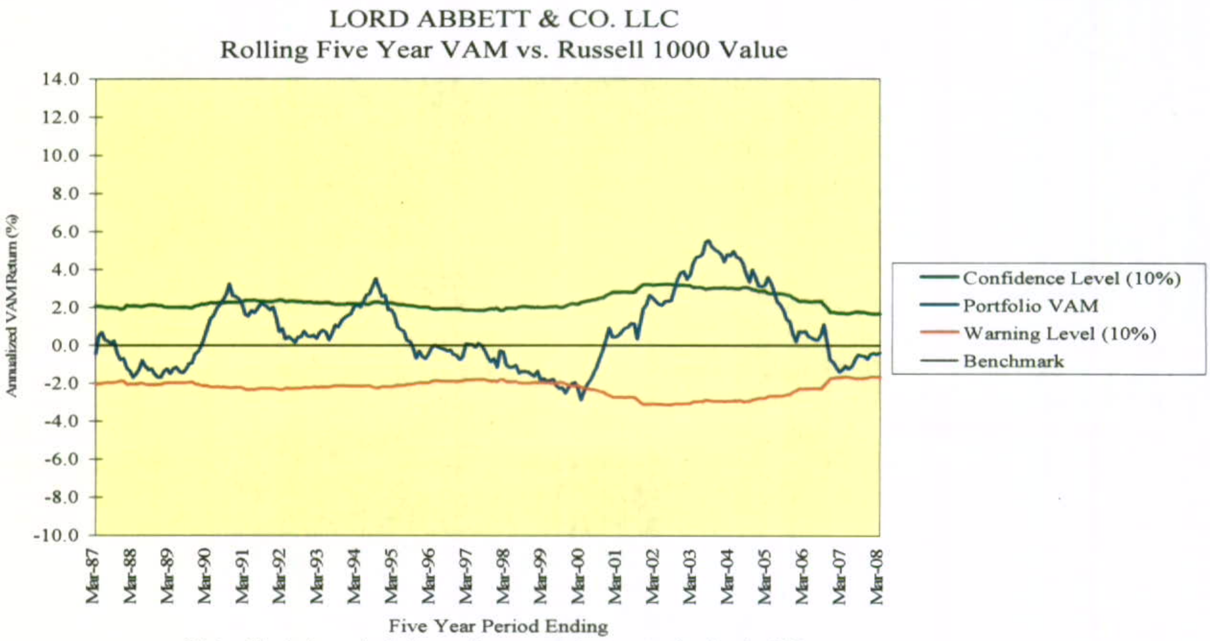
Calendar Year Returns*

	Actual	Russell 1000 Value
2007	4.4%	-0.2%
2006	18.6	22.2
2005	3.5	7.1
2004	N/A	N/A
2003	N/A	N/A

* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

LORD ABBETT & CO. LLC
Periods Ending March, 2008

Portfolio Manager: Eli Saltzmann **Assets Under Management: $319,509,952**



Note: Shaded area includes performance prior to retention by the SBI.

LSV ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Josef Lakonishok **Assets Under Management: $421,633,450**

Investment Philosophy

The fundamental premise on which LSV's investment philosophy is based 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. These include: the tendency to extrapolate the past too far into the future, wrongly equating a good company with a good investment irrespective of price, ignoring statistical evidence and developing a "mindset" about a company.

The strategy's primary emphasis is the use of quantitative techniques to select individual securities in what would be considered a bottom-up approach. Value factors and security selection dominate sector/industry factors as explanatory variables of performance. The competitive strength of this strategy is that it avoids introducing to the process any judgmental biases and behavioral weaknesses that often influence investment decisions.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-9.8%	-8.7%
Last 1 year	-10.9	-10.0
Last 2 years	1.9	2.5
Last 3 years	7.2	6.0
Last 4 years	9.4	7.8
Last 5 years	N/A	N/A
Since Inception (4/04)	9.4	7.8

Calendar Year Returns*

	Actual	Russell 1000 Value
2007	1.3%	-0.2%
2006	21.7	22.2
2005	12.5	7.1
2004	N/A	N/A
2003	N/A	N/A

* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

Staff Comments

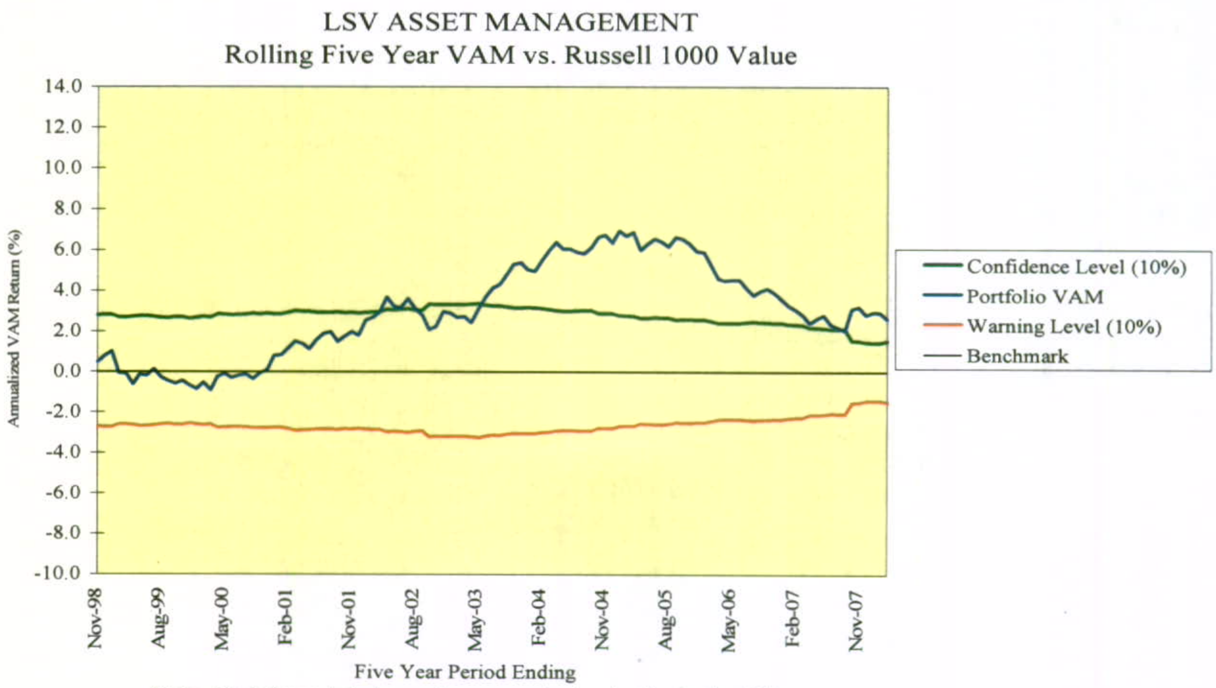
No comment at this time.

Recommendation

No action required.

LSV ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Josef Lakonishok **Assets Under Management: $421,633,450**



Note: Shaded area includes performance prior to retention by the SBI.

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2008

Portfolio Manager: Kevin McCreesh **Assets Under Management: $312,275,533**

Investment Philosophy

Systematic's investment strategy favors companies with low forward P/E multiples and a positive earnings catalyst. Cash flow is analyzed to confirm earnings and to avoid companies that may have employed accounting gimmicks to report earnings in excess of Wall Street expectations. The investment strategy attempts to avoid stocks in the "value trap" by focusing only on companies with confirmed fundamental improvement as evidenced by a genuine positive earnings surprise.

The investment process begins with quantitative screening that ranks the universe based on: 1) low forward P/E, and 2) a positive earnings catalyst, which is determined by a proprietary 16-factor model that is designed to be predictive of future positive earnings surprises. The screening process generates a research focus list of 150 companies, sorted by sector, upon which rigorous fundamental analysis is conducted to confirm each stock's value and catalysts for appreciation.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-11.7%	-8.7%
Last 1 year	-7.4	-10.0
Last 2 years	3.4	2.5
Last 3 years	7.2	6.0
Last 4 years	8.7	7.8
Last 5 years	N/A	N/A
Since Inception (4/04)	8.7	7.8

Calendar Year Returns*

	Actual	Russell 1000 Value
2007	8.3%	-0.2%
2006	17.9	22.2
2005	10.3	7.1
2004	N/A	N/A
2003	N/A	N/A

* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

Staff Comments

The portfolio underperformed by 3.0% for the quarter. Weak stock selection within the healthcare and energy sectors were the main detractors for the quarter.

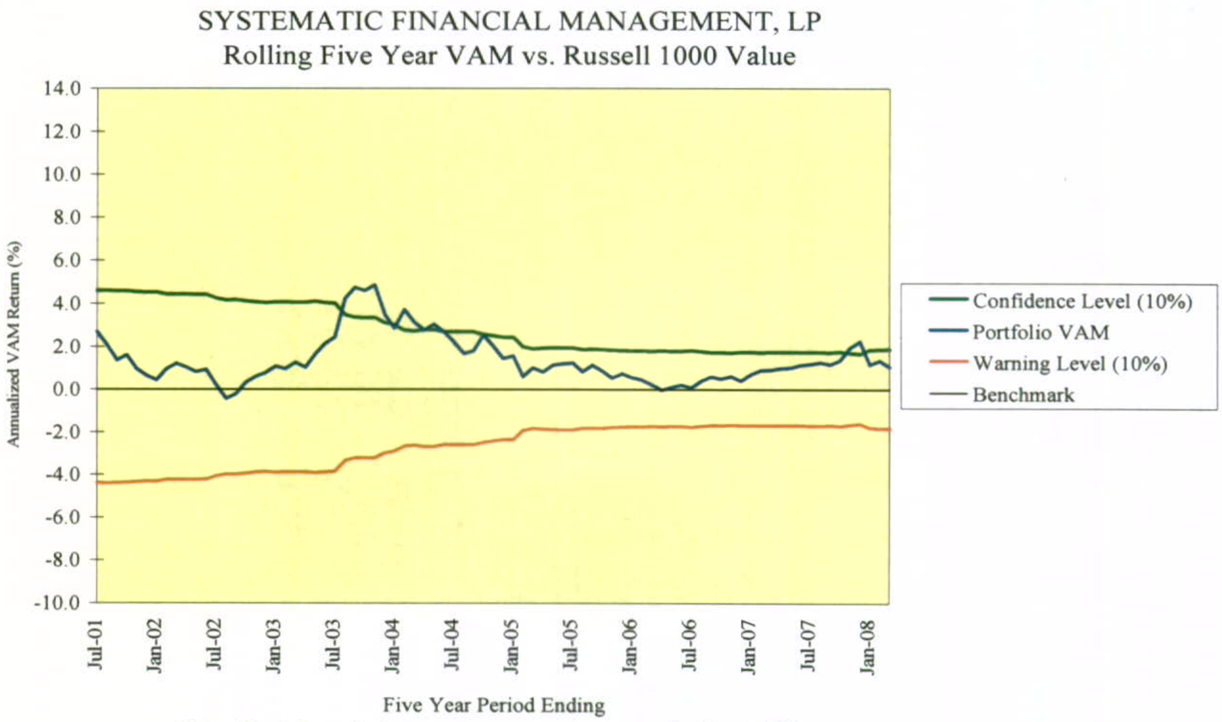
For the year, the portfolio outperformed by 2.6%. Strong stock selection and an underweight position in the finance sector contributed the most to the one year return.

Recommendation

No action required.

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2008

Portfolio Manager: Kevin McCreesh | **Assets Under Management: $312,275,533**



Note: Shaded area includes performance prior to retention by the SBI.

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Small Cap Growth (R2000) Growth

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Robert Gillam, Sr. **Assets Under Management: $219,694,535**

Investment Philosophy

The team believes that excess market returns can be achieved through the construction and management of a diversified, fundamentally sound portfolio of inefficiently priced securities whose earnings growth rates are accelerating above market expectations. Using proprietary quantitative models, the team systematically searches for and identifies early signs of accelerating growth. The initial universe consists of growth and value stocks from all capitalization categories.

The primary model includes a linear regression model to identify common stocks that are inefficiently priced relative to the market while adjusting each security for standard deviation. The ratio of alpha to standard deviation is the primary screening value and is used to filter out all but the top 10% of stocks in our initial universe. The remaining candidates are tested for liquidity and strength of earnings. In the final portfolio construction process, qualitative aspects are examined, including economic factors, Wall Street research, and specific industry themes.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	-16.5%	-12.8%
Last 1 year	-8.3	-8.9
Last 2 years	-3.9	-3.8
Last 3 years	6.2	5.7
Last 4 years	3.4	4.5
Last 5 years	N/A	N/A
Since Inception (1/04)	4.9	5.6

Calendar Year Returns

	Actual	Russell 2000 Growth
2007	16.2%	7.0%
2006	12.5	13.3
2005	0.2	4.2
2004	12.2	14.3
2003	N/A	N/A

Staff Comments

The portfolio underperformed by 3.7% for the quarter. Stock selection within the technology and finance sectors detracted from performance.

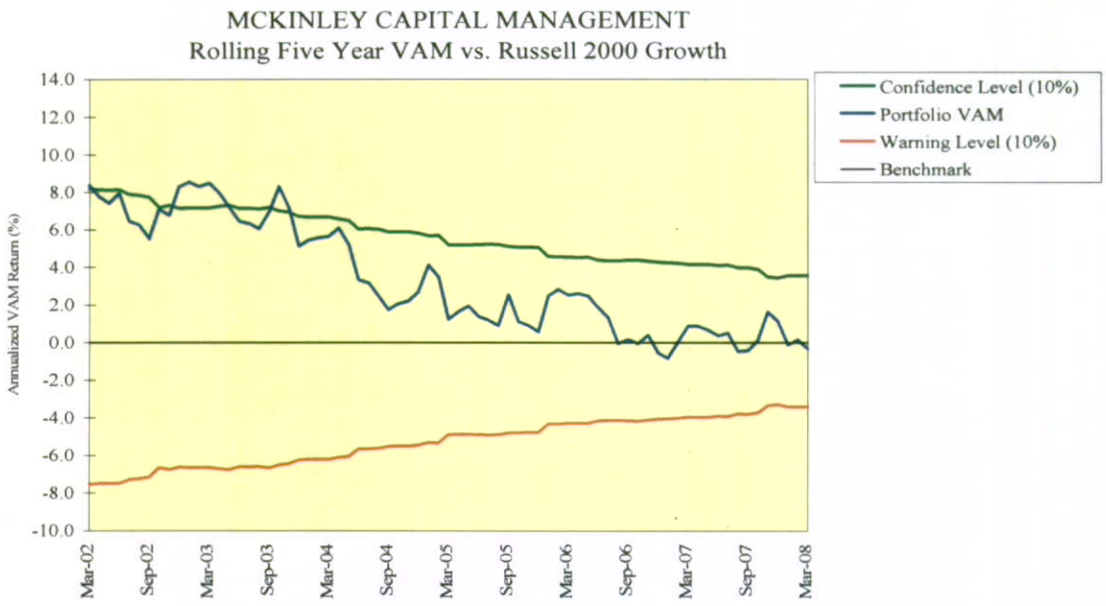
The portfolio outperformed over the last 12 months by 0.6% due to strong stock selection across several sectors, primarily within health care and consumer discretionary. Only two sectors, technology and finance, had negative relative stock selection for the year.

Recommendation

No action required.

MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Robert Gillam, Sr. **Assets Under Management: $219,694,535**



Note: Shaded area includes performance prior to retention by the SBI.

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2008

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $243,760,200**

Investment Philosophy

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, which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets, and are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent.

Staff Comments

The portfolio underperformed by 6.8% for the quarter. Stock selection in the technology, financial, and materials & processing sectors were the main detractors for the quarter.

The portfolio outperformed by 12.7% for the year. Stock selection, in addition to positive sector bets within healthcare, producer durables, consumer discretionary and energy, were the main contributors to the portfolio's strong relative performance for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

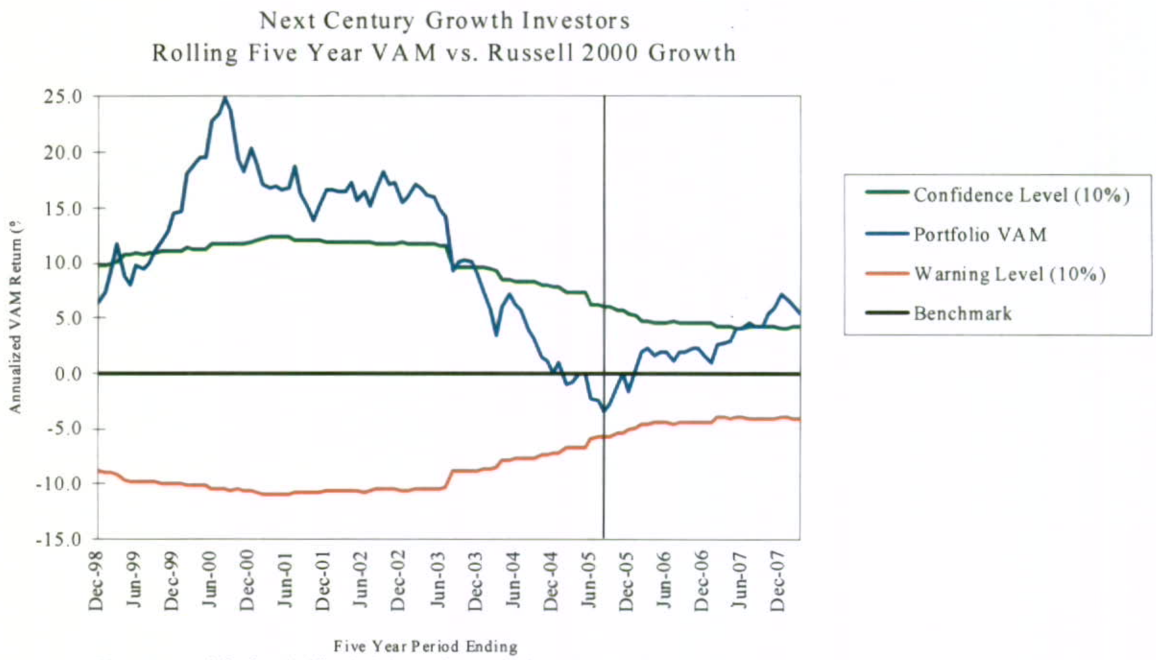
	Actual	Russell 2000 Growth
Last Quarter	-19.6%	-12.8%
Last 1 year	3.8	-8.9
Last 2 years	0.8	-3.8
Last 3 years	15.3	5.7
Last 4 years	12.7	4.5
Last 5 years	20.3	14.2
Since Inception (7/00)	-0.2	-1.2

Calendar Year Returns

	Actual	Russell 2000 Growth
2007	34.2%	7.0%
2006	12.4	13.3
2005	25.2	4.2
2004	6.4	14.3
2003	50.7	48.5

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2008

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $243,760,200**



Note: Area to left of vertical line includes performance prior to the retention by the SBI.

TURNER INVESTMENT PARTNERS
Periods Ending March, 2008

Portfolio Manager: William McVail **Assets Under Management: $229,100,998**

Investment Philosophy

The team's investment philosophy is based on the belief that earnings expectations drive stock prices. The team adds value primarily through stock selection and pursues a bottom-up strategy. Ideal candidates for investment are growth companies that have above average earnings prospects, reasonable valuations, favorable trading volume, and price patterns. Each security is subjected to three separate evaluation criteria: fundamental analysis (80%), quantitative screening (10%), and technical analysis (10%).

Proprietary computer models enable the team to assess the universe based on multiple earnings growth and valuation factors. The factors are specific to each economic sector. Fundamental analysis is the heart of the stock selection process and helps the team determine if a company will exceed, meet or fall short of consensus earnings expectations. Technical analysis is used to evaluate trends in trading volume and price patterns for individual stocks as the team searches for attractive entry and exit points.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	-14.5%	-12.8%
Last 1 year	-5.5	-8.9
Last 2 years	-2.4	-3.8
Last 3 years	8.4	5.7
Last 4 years	6.3	4.5
Last 5 years	N/A	N/A
Since Inception (1/04)	6.8	5.6

Calendar Year Returns

	Actual	Russell 2000 Growth
2007	14.8%	7.0%
2006	13.6	13.3
2005	6.2	4.2
2004	11.6	14.3
2003	N/A	N/A

Staff Comments

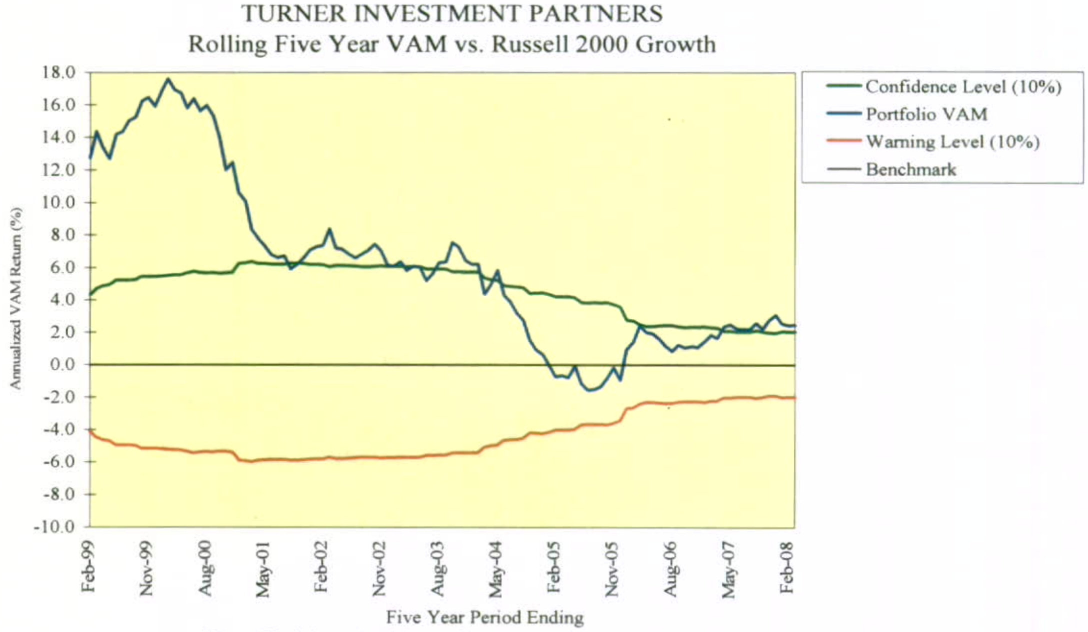
No comment at this time.

Recommendation

No action required.

TURNER INVESTMENT PARTNERS
Periods Ending March, 2008

Portfolio Manager: William McVail **Assets Under Management: $229,100,998**



Note: Shaded area includes performance prior to retention by the SBI.

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Small Cap Value (R2000 Value)

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Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Chip Otness **Assets Under Management: $126,319,551**

Investment Philosophy

The firm's value equity philosophy is based on the belief that all successful investing begins with fundamental stock selection that should thoughtfully weigh a stock's price and prospects. A company's prospective ability to generate high cash flow returns on capital will strongly influence investment success. The team follows a strong valuation discipline to purchase well-positioned, cash generating businesses run by shareholder-oriented management teams.

Through extensive proprietary research, the team confirms that a candidate company's long-term competitive advantage and earnings power are intact. The team seeks to purchase a stock at a price that encompasses a healthy margin of safety. The investment process involves three steps: 1) prioritizing research, 2) analyzing fundamentals, and 3) portfolio construction. The independent Risk and Performance Analytics Group (RPAG) monitors daily portfolio management risk, adherence to client guidelines and general portfolio strategy.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	-3.3%	-6.5%
Last 1 year	-10.3	-16.9
Last 2 years	-1.3	-4.2
Last 3 years	5.8	4.3
Last 4 years	6.7	5.7
Last 5 years	N/A	N/A
Since Inception (1/04)	7.3	7.0

Calendar Year Returns

	Actual	Russell 2000 Value
2007	-5.0%	-9.8%
2006	17.8	23.5
2005	4.1	4.7
2004	19.9	22.2
2003	N/A	N/A

Staff Comments

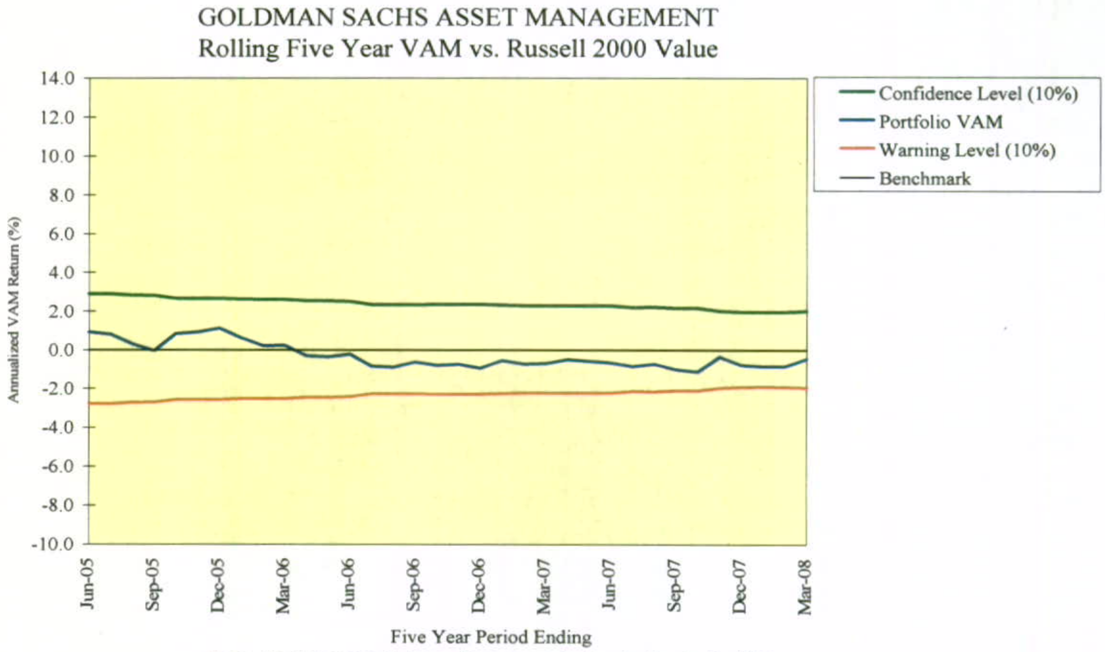
The portfolio outperformed by 3.2% for the quarter and outperformed by 6.6% for the year. Stock selection in the energy and finance sectors contributed to strong relative performance for the quarter. For the year, stock selection was strong across several sectors including consumer discretionary, technology, energy and finance.

Recommendation

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Chip Otness **Assets Under Management: $126,319,551**



Note: Shaded area includes performance prior to retention by the SBI.

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Jim Miles and David Green **Assets Under Management: $105,540,779**

Investment Philosophy

The firm seeks to exploit mis-priced securities in the small cap market by investing in "undiscovered" or "out of favor" companies. The team invests in stocks where the present value of the company's future cash flows exceeds the current market price. This approach exploits equity market inefficiencies created by irrational investor behavior and lack of Wall Street research coverage of smaller capitalization stocks. The team employs a disciplined, bottom-up investment process that emphasizes internally generated fundamental research.

The investment process begins with a quantitative screen based on market capitalization, trading liquidity and enterprise value/normalized EBIT, supplemented with ideas generated from the investment team. Internal research is then utilized to identify the most attractive valuation opportunities within this value universe. The primary focus of the research analyst is to determine a company's "normal" earnings power, which is the basis for security valuation.

Staff Comments

The portfolio outperformed by 2.7% for the quarter. Stock selection in producer durables and consumer discretionary contributed to positive relative performance. Homebuilders M.D.C. Holdings and Beazer Homes, in addition to apparel manufacturer Warnaco Group were the top contributors. Since last quarter, the portfolio continues to be significantly overweight in the consumer discretionary sector and underweight in the finance and technology sectors.

The portfolio underperformed by 7.3% for the year. Most of the underperformance was a result of weak stock selection in the materials & processing and consumer discretionary sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

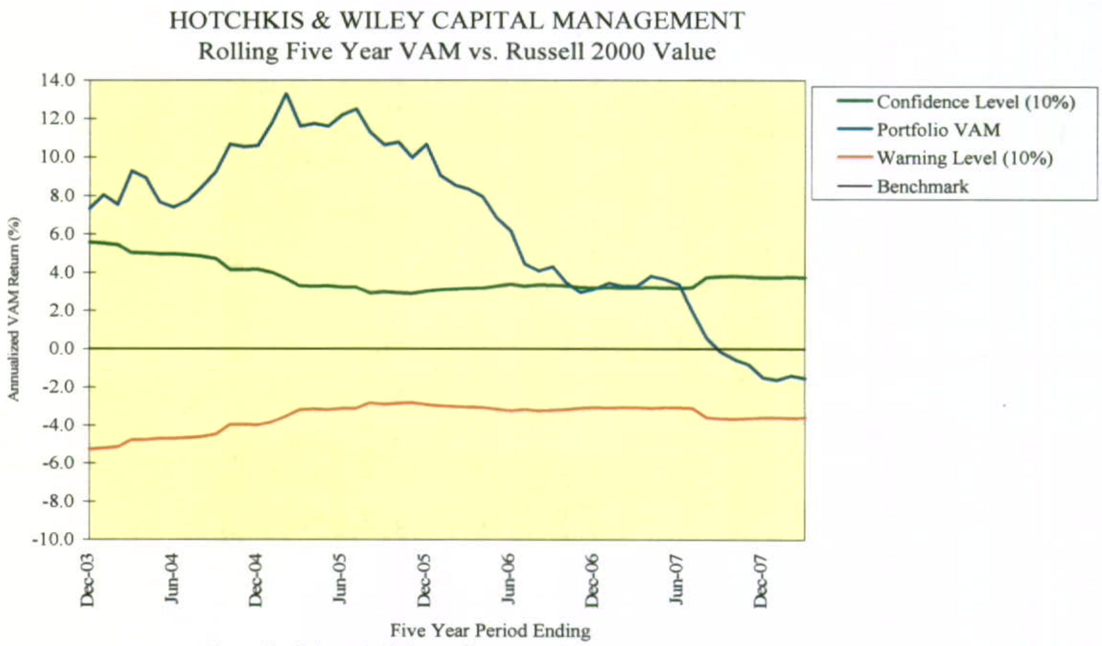
	Actual	Russell 2000 Value
Last Quarter	-3.8%	-6.5%
Last 1 year	-24.2	-16.9
Last 2 years	-13.4	-4.2
Last 3 years	-3.7	4.3
Last 4 years	0.3	5.7
Last 5 years	N/A	N/A
Since Inception (1/04)	2.9	7.0

Calendar Year Returns

	Actual	Russell 2000 Value
2007	-18.8%	-9.8%
2006	3.0	23.5
2005	10.4	4.7
2004	27.1	22.2
2003	N/A	N/A

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Jim Miles and David Green **Assets Under Management: $105,540,779**



Note: Shaded area includes performance prior to retention by the SBI.

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: William Jacques **Assets Under Management: $116,016,140**

Investment Philosophy

Martingale's investment process seeks to exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. Martingale has a long history of employing sound quantitative methods.

The valuation process is comprised of well-researched valuation indicators that have stood the test of time, with improvements made only after careful evaluation, testing and analysis. Multiple characteristics of quality, value and momentum are examined. The quality of company management is assessed by reviewing commitment to R&D, accounting practices with regard to earnings and cash flow from operations, and the ability to manage inventory.

The average holding period of a stock is typically one year. Every holding is approached as an investment in the business, with the intention of holding it until either objectives are reached, or it becomes apparent that there are better opportunities in other stocks.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

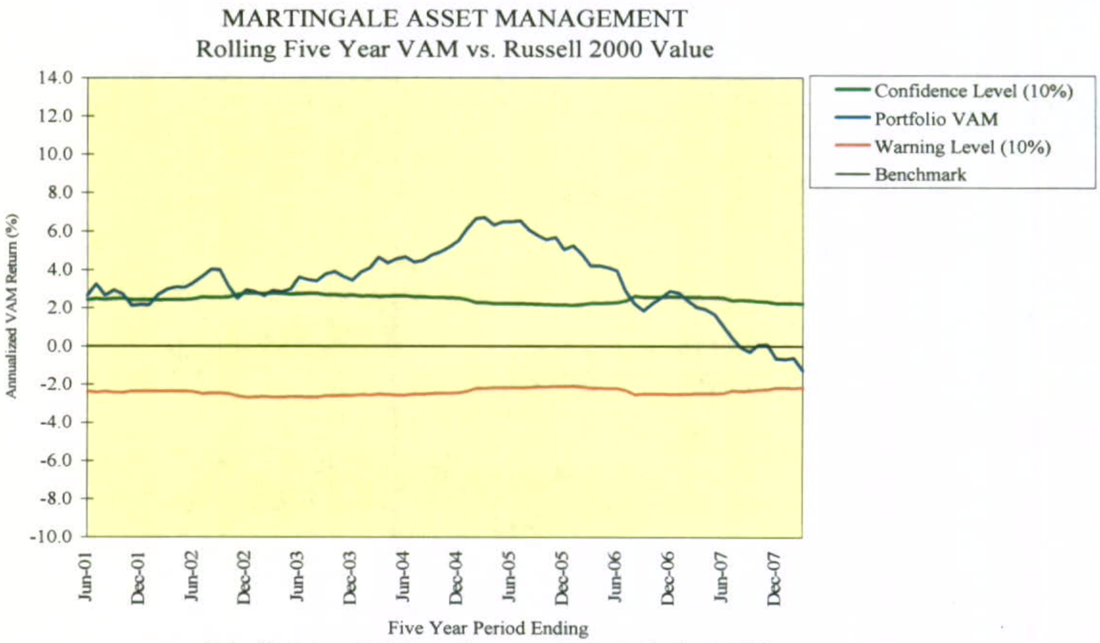
	Actual	Russell 2000 Value
Last Quarter	-6.6%	-6.5%
Last 1 year	-22.5	-16.9
Last 2 years	-10.0	-4.2
Last 3 years	-1.1	4.3
Last 4 years	3.0	5.7
Last 5 years	N/A	N/A
Since Inception (1/04)	5.2	7.0

Calendar Year Returns

	Actual	Russell 2000 Value
2007	-16.8%	-9.8%
2006	14.8	23.5
2005	6.2	4.7
2004	30.8	22.2
2003	N/A	N/A

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: William Jacques | **Assets Under Management: $116,016,140**



Note: Shaded area includes performance prior to retention by the SBI.

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $176,874,678**

Investment Philosophy

Peregrine's Small Cap Value investment process begins with the style's proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most under-priced securities on a sector-by-sector basis. Drawing on thirty years of data, the analysis looks at different combinations of sixty fundamental factors most relevant in each independent sector to identify stocks that offer significant value relative to the companies' underlying fundamentals. 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 short-term problems, unrecognized assets, take-over potential, and catalysts for change. The portfolio is diversified and sector weights are aligned closely with the benchmark. This allows stock selection to drive performance.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

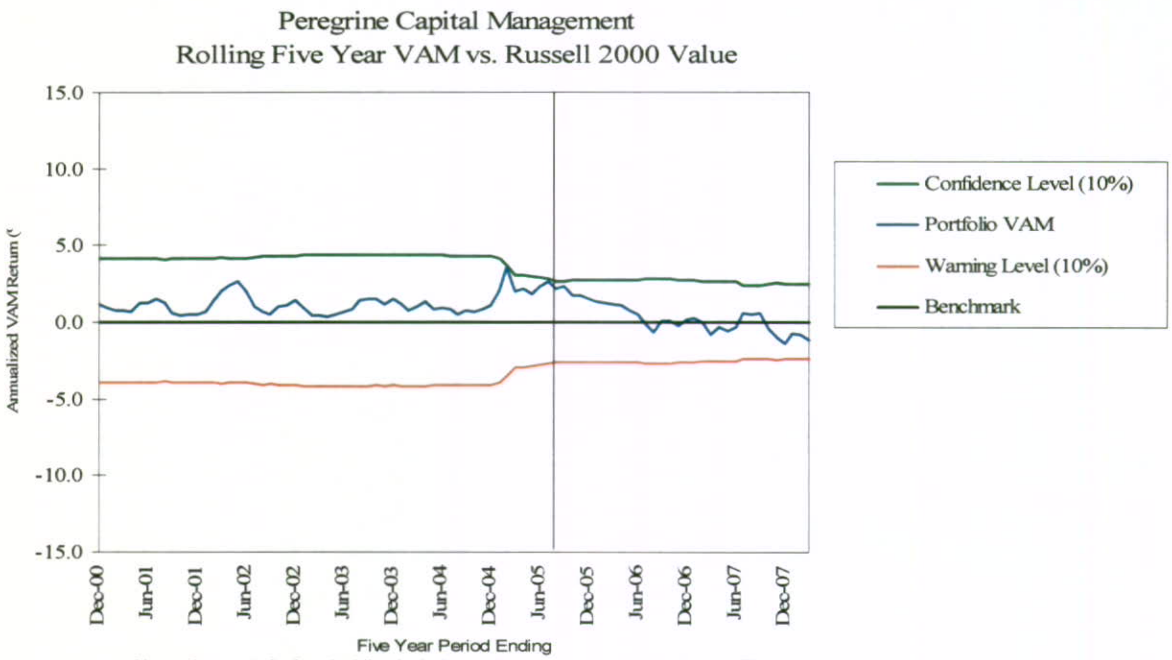
	Actual	Russell 2000 Value
Last Quarter	-8.4%	-6.5%
Last 1 year	-22.2	-16.9
Last 2 years	-9.5	-4.2
Last 3 years	0.7	4.3
Last 4 years	4.1	5.7
Last 5 years	14.1	15.4
Since Inception (7/00)	11.2	11.2

Calendar Year Returns

	Actual	Russell 2000 Value
2007	-13.4%	-9.8%
2006	14.3	23.5
2005	10.1	4.7
2004	23.6	22.2
2003	44.2	46.0

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $176,874,678**



Note: Area to left of vertical line includes performance prior to retention by SBI.

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Jacob Hurwitz and Kent Kelley **Assets Under Management: $52,346,082**

Investment Philosophy

The portfolio management team relies primarily on quantitative appraisal; fundamental analysis supplements the model-based stock selection discipline. The goal is to systematically tilt client portfolios toward stocks that offer a superior return-to-risk tradeoff. In order to achieve consistency of performance, risk management is integrated into all aspects of the investment process. Risk is monitored at the security, sector, and portfolio level.

The centerpiece of the stock selection process is a quantitative model that ranks stocks based upon potential excess return. Key elements of the model include assessments of valuation, earnings, and market reaction. Models are created for twelve sectors using sector-specific criteria. Qualitative analysis assesses liquidity, litigation/regulatory risk, and event risk. The team focuses on bottom up stock selection within a sector neutral framework.

Staff Comments

The portfolio underperformed by 3.5% for the quarter. Stock selection within the consumer discretionary, finance and technology sectors had the largest negative impact on performance for the quarter.

The portfolio underperformed by 4.0% for the year. Stock selection in the finance sector hurt performance for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

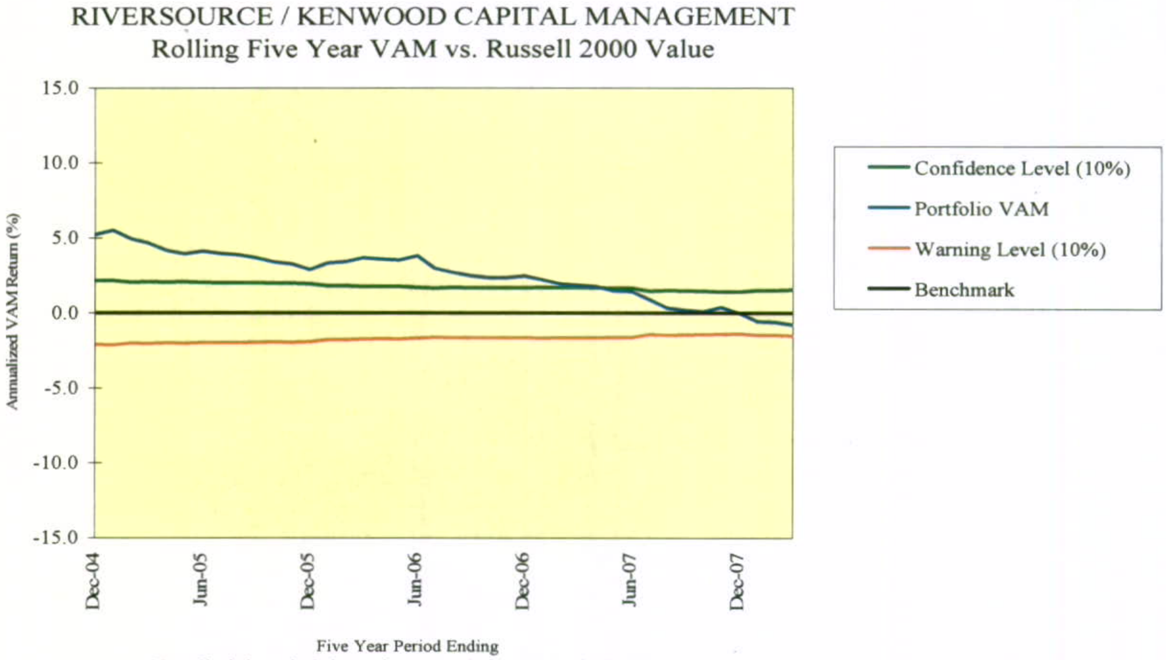
	Actual	Russell 2000 Value
Last Quarter	-10.0%	-6.5%
Last 1 year	-20.9	-16.9
Last 2 years	-8.4	-4.2
Last 3 years	0.9	4.3
Last 4 years	3.4	5.7
Last 5 years	N/A	N/A
Since Inception (1/04)	5.4	7.0

Calendar Year Returns

	Actual	Russell 2000 Value
2007	-11.8%	-9.8%
2006	19.4	23.5
2005	4.8	4.7
2004	25.8	22.2
2003	N/A	N/A

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Jacob Hurwitz and Kent Kelley **Assets Under Management: $52,346,082**



Note: Shaded area includes performance prior to retention by the SBI.

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Semi-Passive and Passive

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Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2008

Portfolio Manager: Russ Koesterich **Assets Under Management: $3,084,999,812**

Investment Philosophy – Semi-Passive Style

The Core Alpha Model desegregates individual equity returns for each of the 3500 stocks in their universe into fundamental, expectational, and technical components. The fundamental factors look at measures of underlying company value including earnings, book value, cash flow, and sales. These factors help identify securities that trade at prices below their true economic value. The expectational factors incorporate future earnings and growth rate forecasts made by over 2500 security analysts. The technical factors provide a measure of recent changes in company fundamentals, consensus expectations, and performance. Estimated alphas are then calculated and are used in a portfolio optimization algorithm to identify the optimal portfolio.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-9.4%	-9.5%
Last 1 year	-8.3	-5.4
Last 2 years	1.0	2.9
Last 3 years	5.3	6.2
Last 4 years	5.9	6.5
Last 5 years	11.3	11.6
Since Inception (1/95)	9.8	9.4

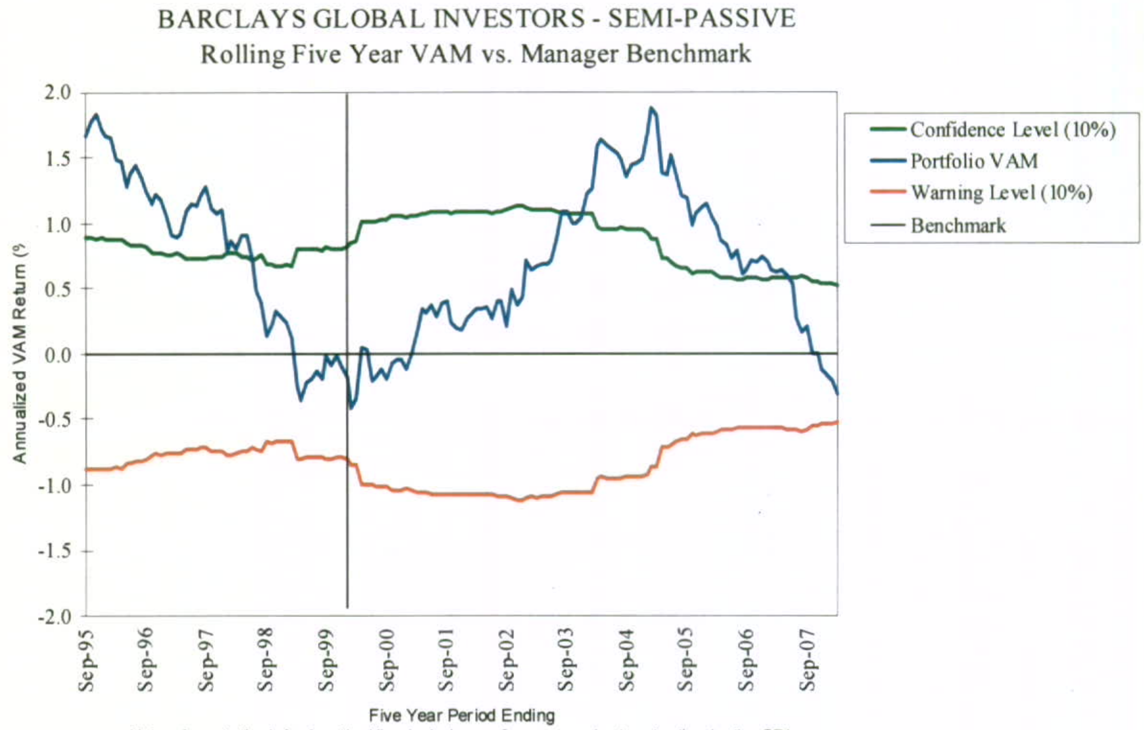
Calendar Year Returns

	Actual	Manager Benchmark*
2007	2.2%	5.8%
2006	15.6	15.5
2005	7.6	6.3
2004	11.7	11.4
2003	30.0	28.5

* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04.

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2008

Portfolio Manager: Russ Koesterich | **Assets Under Management: $3,084,999,812**



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2008

Portfolio Manager: John Cone **Assets Under Management: $2,459,823,291**

Investment Philosophy – Semi-Passive Style

Franklin believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Franklin builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting their relative attractiveness. Stocks that fall below the median ranking are sold, and proceeds are reinvested in stocks from the top deciles in the ranking system. They use the BARRA risk model to monitor the portfolio's systematic risk and industry weightings relative to the selected benchmark. For this semi-passive mandate, they seek to achieve a residual risk of 1.5% or less. The firm remains fully invested at all times.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-9.3%	-9.5%
Last 1 year	-8.4	-5.4
Last 2 years	1.9	2.9
Last 3 years	5.3	6.2
Last 4 years	5.8	6.5
Last 5 years	11.1	11.6
Since Inception (1/95)	8.9	9.4

Calendar Year Returns

	Actual	Manager Benchmark*
2007	2.5%	5.8%
2006	16.5	15.5
2005	6.1	6.3
2004	11.7	11.4
2003	26.9	28.5

* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04.

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2008

Portfolio Manager: John Cone **Assets Under Management: $2,459,823,291**

FRANKLIN PORTFOLIO ASSOCIATES - SEMI-PASSIVE
Rolling Five Year VAM vs. Manager Benchmark

Note: Area to the left of vertical line includes performance prior to retention by the SBI.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Ralph Zingone and Terance Chen **Assets Under Management: $2,724,271,158**

Investment Philosophy – Semi-Passive Style

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 the earnings and dividends for the 650 stock universe and enter them into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sectors. The most undervalued stocks are placed in the first quintile. The portfolio includes stocks from the first four quintiles, always favoring the highest ranked stocks whenever possible. Stocks in the fifth quintile are sold. In addition, the portfolio closely approximates the sector, style, and security weightings of the index chosen by the plan sponsor. The firm remains fully invested at all times.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-9.3%	-9.5%
Last 1 year	-6.1	-5.4
Last 2 years	3.1	2.9
Last 3 years	6.0	6.2
Last 4 years	6.1	6.5
Last 5 years	11.5	11.6
Since Inception (1/95)	9.4	9.4

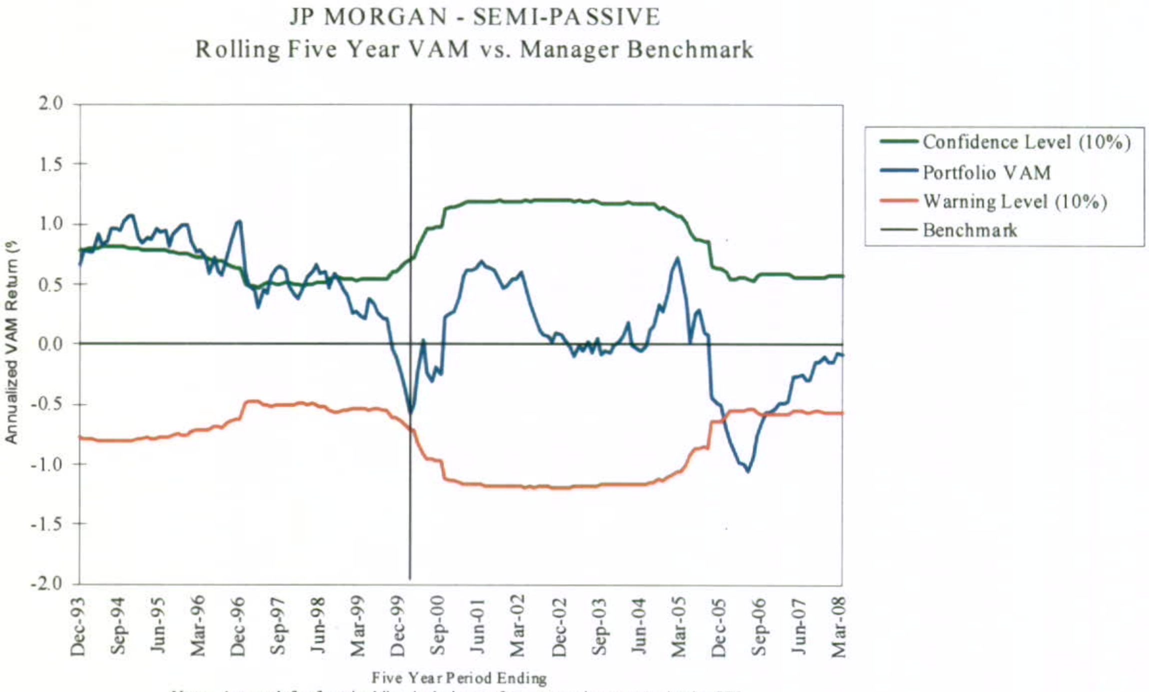
Calendar Year Returns

	Actual	Manager Benchmark*
2007	5.1%	5.8%
2006	16.5	15.5
2005	4.7	6.3
2004	11.7	11.4
2003	28.9	28.5

* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Ralph Zingone and Terance Chen   Assets Under Management: $2,724,271,158



Note: Area to left of vertical line includes performance prior to retention by SBI.

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2008

Portfolio Manager: Amy Schioldager | **Assets Under Management: $7,632,653,816**

Investment Philosophy – Passive Style

Barclays Global Investors seeks to minimize 1) tracking error, 2) transaction costs, and 3) investment and operational risks. The portfolio is passively managed against the asset class target using a proprietary optimization process that integrates a transaction cost model. The resulting portfolio closely matches the characteristics of the benchmark with less exposure to illiquid stocks.

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-9.5%	-9.5%
Last 1 year	-6.0	-6.1
Last 2 years	2.3	2.2
Last 3 years	6.1	6.1
Last 4 years	6.4	6.3
Last 5 years	12.1	12.1
Since Inception (7/95)	8.9	8.8

Calendar Year Returns

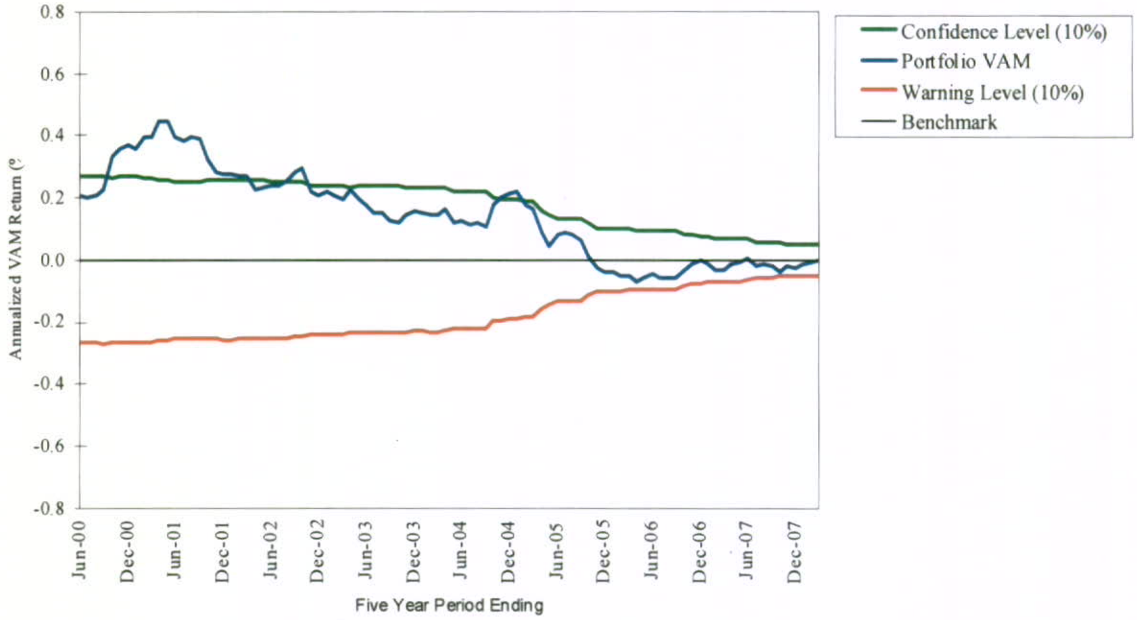
	Actual	Manager Benchmark*
2007	5.1%	5.1%
2006	15.8	15.7
2005	6.2	6.1
2004	12.0	11.9
2003	30.9	31.2

* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03.
From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2008

Portfolio Manager: Amy Schioldager **Assets Under Management: $7,632,653,816**

BARCLAYS GLOBAL INVESTORS - PASSIVE
Rolling Five Year VAM vs. Domestic Equity Target
(Russell 3000 as of 10/1/2003)



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STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

First Quarter, 2008

Bond Managers

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COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2008

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
Active Managers												
Aberdeen	-1.1	2.2	2.8	7.7	4.1	5.5	4.1	4.6	6.5	6.6	$1,119.0	9.8%
Dodge & Cox	0.7	2.2	4.4	7.7	4.7	5.5	4.6	4.6	7.1	6.6	$1,160.4	10.1%
Morgan Stanley	-4.0	2.2	0.3	7.7	3.4	5.5	3.7	4.6	8.8	8.8	$913.1	8.0%
RiverSource	0.2	2.2	5.2	7.7	4.8	5.5	4.4	4.6	6.0	6.3	$981.8	8.6%
Western	0.2	2.2	3.8	7.7	4.8	5.5	5.3	4.6	9.9	8.8	$1,483.6	13.0%
Active Mgr. Aggregate	**-0.7**	**2.2**	**3.4**	**7.7**	**4.4**	**5.5**	**4.5**	**4.6**	**9.0**	**8.8**	**$5,657.8**	**49.4%**
Semi-Passive Managers												
BlackRock	1.0	2.2	6.4	7.7	5.1	5.5	4.4	4.6	6.5	6.4	$1,908.5	16.7%
Goldman	0.3	2.2	5.6	7.7	5.0	5.5	4.7	4.6	6.4	6.3	$1,901.6	16.6%
Lehman	0.3	2.2	5.1	7.7	4.7	5.5	4.2	4.6	7.5	7.5	$1,980.9	17.3%
Semi-Passive Mgr. Aggregate	**0.5**	**2.2**	**5.7**	**7.7**	**4.9**	**5.5**	**4.5**	**4.6**	**7.6**	**7.5**	**$5,791.0**	**50.6%**
									Since 7/1/84			
Historical Aggregate (2)	**-0.1**	**2.2**	**4.5**	**7.7**	**4.7**	**5.5**	**4.5**	**4.6**	**8.8**	**8.8**	**$11,448.78**	**100.0%**
Lehman Aggregate (3)		2.2		7.7		5.5		4.6		8.8		

(1) Since retention by the SBI. Time period varies for each manager.
(2) Includes performance of terminated managers.
(3) Prior to July 1994, this index reflects the Salomon BIG.

COMBINED RETIREMENT FUNDS
BOND MANAGERS
Calendar Year Returns

	2007		2006		2005		2004		2003	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	5.6	7.0	4.8	4.3	2.7	2.4	5.1	4.3	5.2	4.1
Dodge & Cox	5.3	7.0	5.5	4.3	2.5	2.4	4.1	4.3	7.4	4.1
Morgan Stanley	6.3	7.0	4.2	4.3	4.1	2.4	4.6	4.3	5.1	4.1
RiverSource	6.6	7.0	4.7	4.3	2.6	2.4	5.1	4.3	4.3	4.1
Western	5.4	7.0	5.4	4.3	2.7	2.4	6.6	4.3	9.2	4.1
Active Mgr. Aggregate	**5.8**	**7.0**	**5.0**	**4.3**	**2.9**	**2.4**	**5.3**	**4.3**	**6.6**	**4.1**
Semi-Passive Managers										
BlackRock	6.8	7.0	4.3	4.3	2.7	2.4	4.5	4.3	4.4	4.1
Goldman	7.0	7.0	4.5	4.3	2.8	2.4	5.1	4.3	5.7	4.1
Lehman	6.3	7.0	4.5	4.3	2.5	2.4	4.6	4.3	4.4	4.1
Semi-Passive Mgr. Aggregate	**6.7**	**7.0**	**4.5**	**4.3**	**2.6**	**2.4**	**4.7**	**4.3**	**4.8**	**4.1**
Historical Aggregate	**6.3**	**7.0**	**4.7**	**4.3**	**2.8**	**2.4**	**5.0**	**4.3**	**5.7**	**4.1**
Lehman Aggregate		7.0		4.3		2.4		4.3		4.1

ABERDEEN ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Warren Davis **Assets Under Management: $1,118,978,250**

Investment Philosophy

Aberdeen (formerly Deutsche) believes there are significant 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 avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's valued added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom-up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

Staff Comments

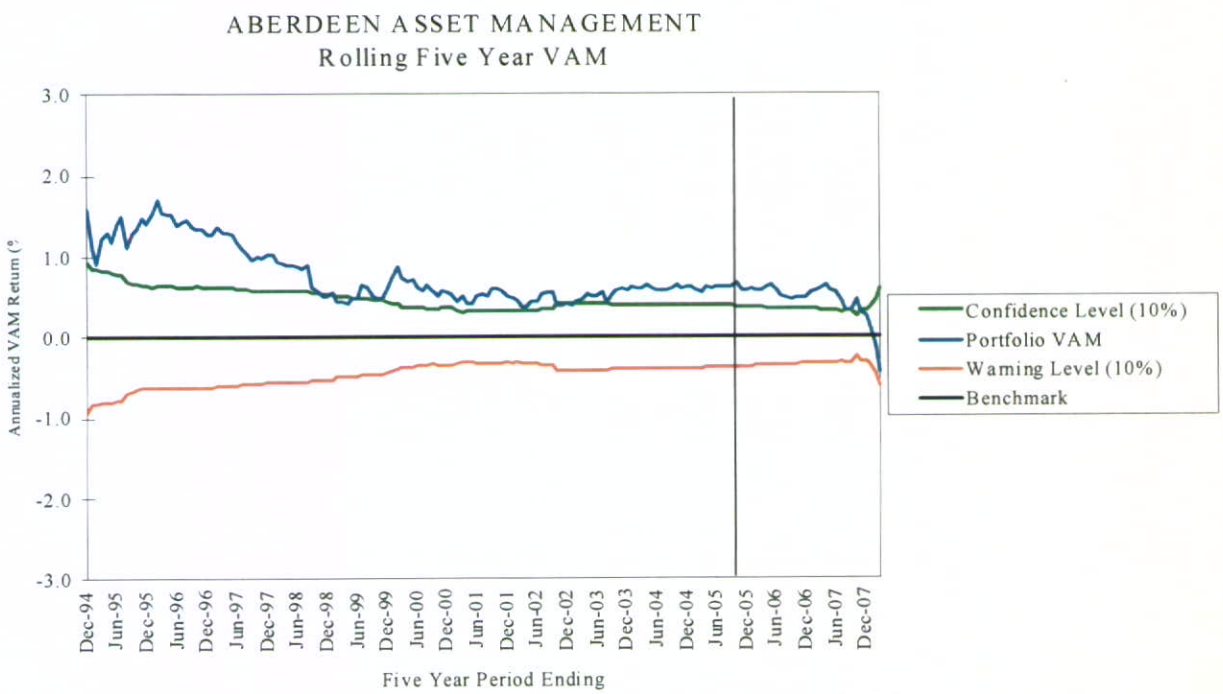
Aberdeen underperformed the benchmark for the quarter and the last 12 months. Prime mortgage hybrid ARMs completely dislocated from fundamental value in March and were the worst performing bonds in 1Q08. In addition, holdings in CMBS detracted meaningfully from quarterly and yearly returns. For the year, overweights in all spread sectors detracted from returns, as all spread sectors widened.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.1%	2.2%
Last 1 year	2.8	7.7
Last 2 years	4.8	7.1
Last 3 years	4.1	5.5
Last 4 years	3.5	4.4
Last 5 years	4.1	4.6
Since Inception (2/00)	6.5	6.6

Recommendations

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2008

Portfolio Manager: Dana Emery **Assets Under Management: $1,160,395,065**

Investment Philosophy

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in market sectors and individual securities. The firm combines this fundamental research with a disciplined program of risk analysis. To seek superior returns over the long-term, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that 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.

Staff Comments

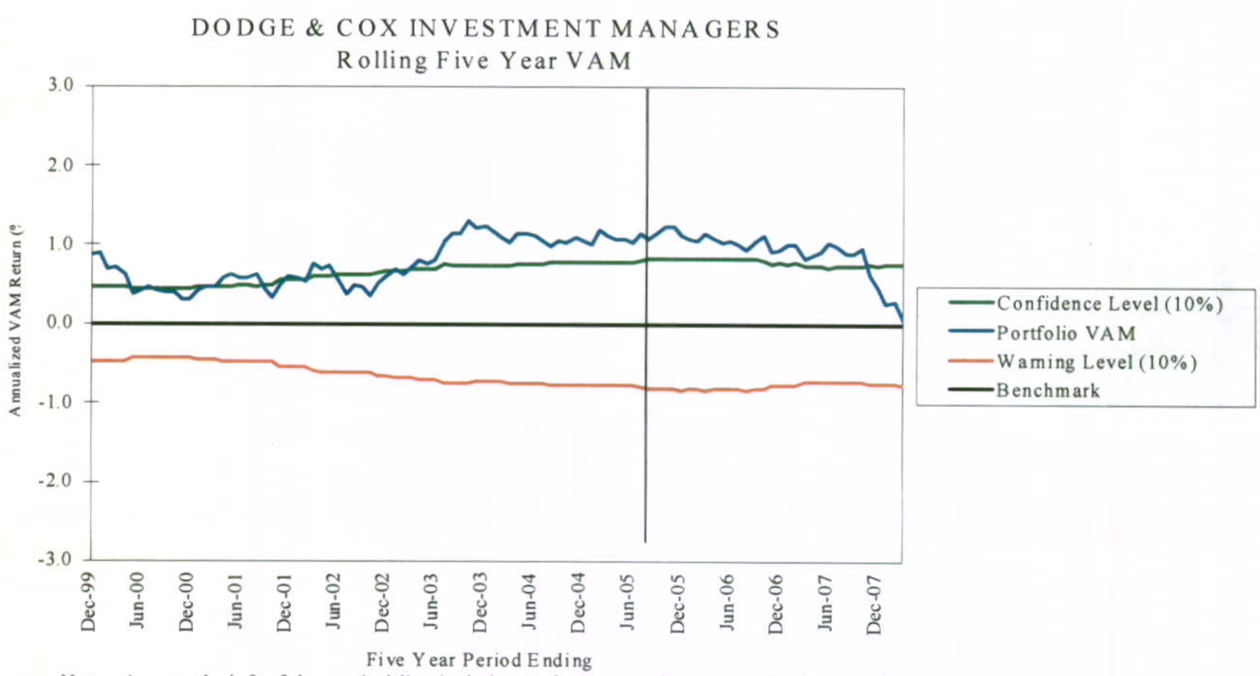
Dodge & Cox underperformed the benchmark for the quarter and the year. The underperformance of the bank/finance sector of the corporate market was a significant source of underperformance, as Dodge & Cox held an overweight exposure to that sector in 1Q08. The same can be said for the MBS sector, as Dodge & Cox had overweighted that sector and it also meaningfully underperformed. The portfolio was also short-duration, detracting from returns, but added value through its nominal yield advantage. These same factors were also the primary sources of 12-month underperformance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.7%	2.2%
Last 1 year	4.4	7.7
Last 2 years	5.7	7.1
Last 3 years	4.7	5.5
Last 4 years	4.0	4.4
Last 5 years	4.6	4.6
Since Inception (2/00)	7.1	6.6

Recommendations

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: David Armstrong | **Assets Under Management: $913,073,516**

Investment Philosophy

Morgan Stanley focuses on four key portfolio decisions: interest-rate sensitivity, yield-curve exposure, credit quality, and prepayment risk. The firm is a value investor, purchasing securities they believe are relatively cheap and holding them until relative values change or until other securities are identified which are better values. In developing interest-rate strategy, the firm relies on value-based criteria to determine when markets are offering generous compensation for bearing interest-rate risk, rather than trying to anticipate interest rates. Value is added in the corporate sector by selecting the cheapest bonds and controlling credit risk through diversification. Morgan Stanley has developed significant expertise in mortgage securities, which are often used to replace U.S. Treasuries in portfolios. Morgan Stanley was retained by the SBI in July 1984.

Staff Comments

Morgan Stanley underperformed the benchmark for the quarter and the last 12 months. Quarterly and yearly returns suffered from sharp underperformance in non-Agency, Alt-A option ARM holdings. Forced selling by levered investors caused these holdings to be marked down with no regard to fundamental value. A yield curve-steepening strategy had a positive impact on quarterly and yearly performance, as well as underweights in corporates and Agency debentures, but this was overwhelmed by underperformance in non-Agency mortgage holdings.

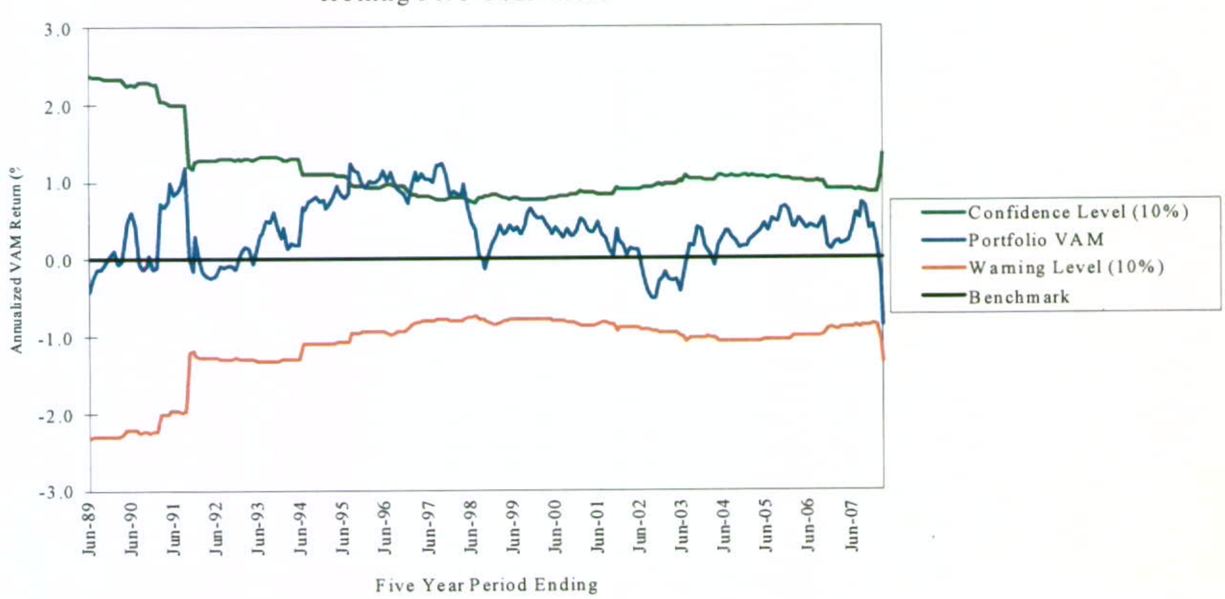
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-4.0%	2.2%
Last 1 year	0.3	7.7
Last 2 years	3.3	7.1
Last 3 years	3.4	5.5
Last 4 years	3.2	4.4
Last 5 years	3.7	4.6
Since Inception (7/84)	8.8	8.8

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



RIVERSOURCE INVESTMENTS
Periods Ending March, 2008

Portfolio Manager: Colin Lundgren | **Assets Under Management: $981,777,938**

Investment Philosophy

RiverSource (formerly American Express) manages portfolios using a top-down approach culminating with in-depth fundamental research and credit analysis. Five portfolio components are actively managed: duration, maturity structure, sector selection, industry emphasis, and security selection. Duration and maturity structure are determined by the firm's economic analysis and interest rate outlook. This analysis also identifies sectors and industries expected to produce the best risk adjusted return. In-depth fundamental research and credit analysis combined with proprietary valuation disciplines is used to identify attractive individual securities. RiverSource was retained by the SBI in July 1993.

Staff Comments

Riversource underperformed the benchmark for the quarter and the last 12 months. The portfolio maintained a short-duration relative to the benchmark and this detracted from quarterly and yearly performance as Treasury yields plummeted to near-historic lows. Sector allocation decisions (overweights to CMBS and RMBS, underweight Treasuries) detracted from returns for the quarter and year. Individual security selection in RMBS also detracted from quarterly and yearly performance.

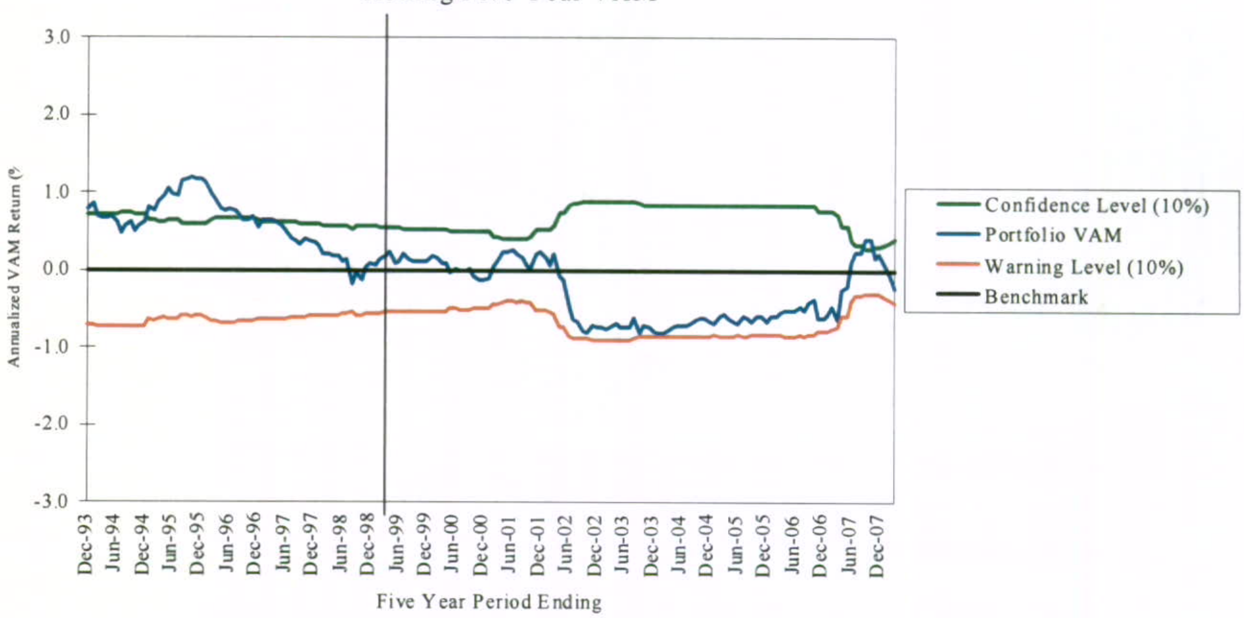
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	2.2%
Last 1 year	5.2	7.7
Last 2 years	5.9	7.1
Last 3 years	4.8	5.5
Last 4 years	4.1	4.4
Last 5 years	4.4	4.6
Since Inception (7/93)	6.0	6.3

Recommendations

No action required.

RIVERSOURCE INVESTMENTS - FIXED INCOME
Rolling Five Year VAM



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

WESTERN ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Ken Leech **Assets Under Management: $1,483,604,991**

Investment Philosophy

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining interest rate risk. Multiple strategies are proportioned so that results do not depend on one or two opportunities. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western'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, and market valuation. Western believes that successful interest rate forecasting is extremely difficult and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

Staff Comments

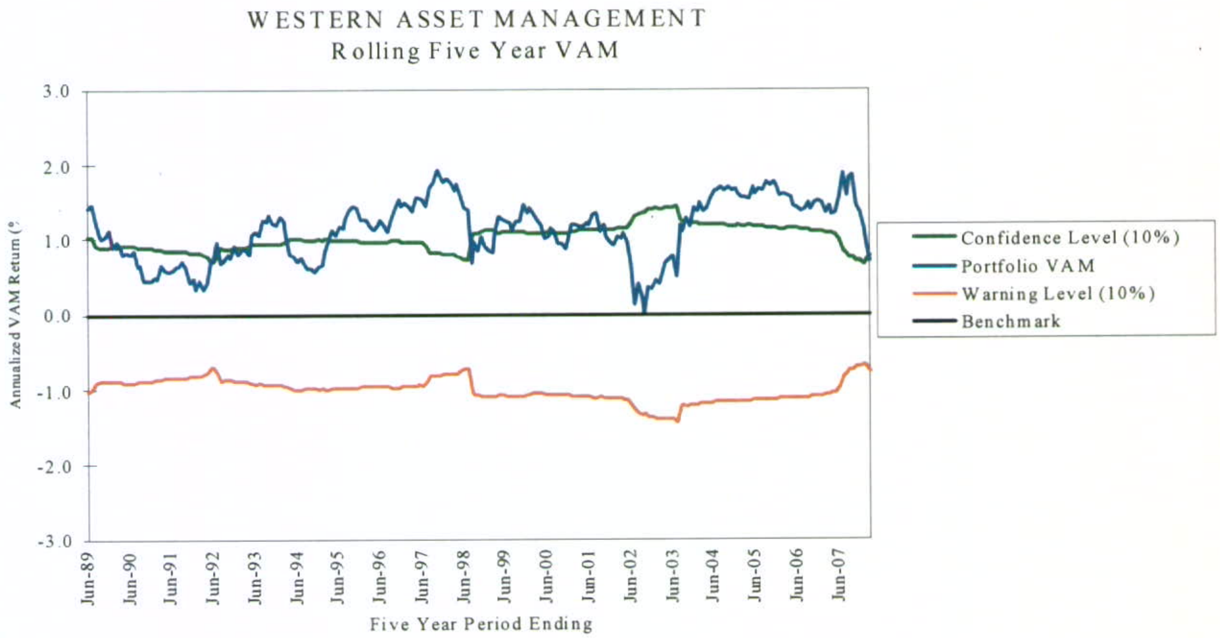
Western underperformed the benchmark for both the quarter and the last 12 months. A large overweight exposure to the mortgage-backed sector, particularly the non-Agency (prime and Alt-A) structured products, was a meaningful detractor as this sector was hit hard by the credit and liquidity crunch. A slightly long-duration strategy and moderate exposure to TIPS had positive impacts on quarterly and yearly performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	2.2%
Last 1 year	3.8	7.7
Last 2 years	5.6	7.1
Last 3 years	4.8	5.5
Last 4 years	4.3	4.4
Last 5 years	5.3	4.6
Since Inception (7/84)	9.9	8.8

Recommendations

No action required.



BLACKROCK, INC.
Periods Ending March, 2008

Portfolio Manager: Keith Anderson **Assets Under Management: $1,908,450,681**

Investment Philosophy

BlackRock manages an enhanced index portfolio closely tracking the Lehman Aggregate. The firm's enhanced index strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: (i) controlling portfolio duration within a narrow band relative to the benchmark, (ii) relative value sector/sub-sector rotation and security selection, (iii) rigorous quantitative analysis to the valuation of each security and of the portfolio as a whole, (iv) intense credit analysis and review, and (v) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

Staff Comments

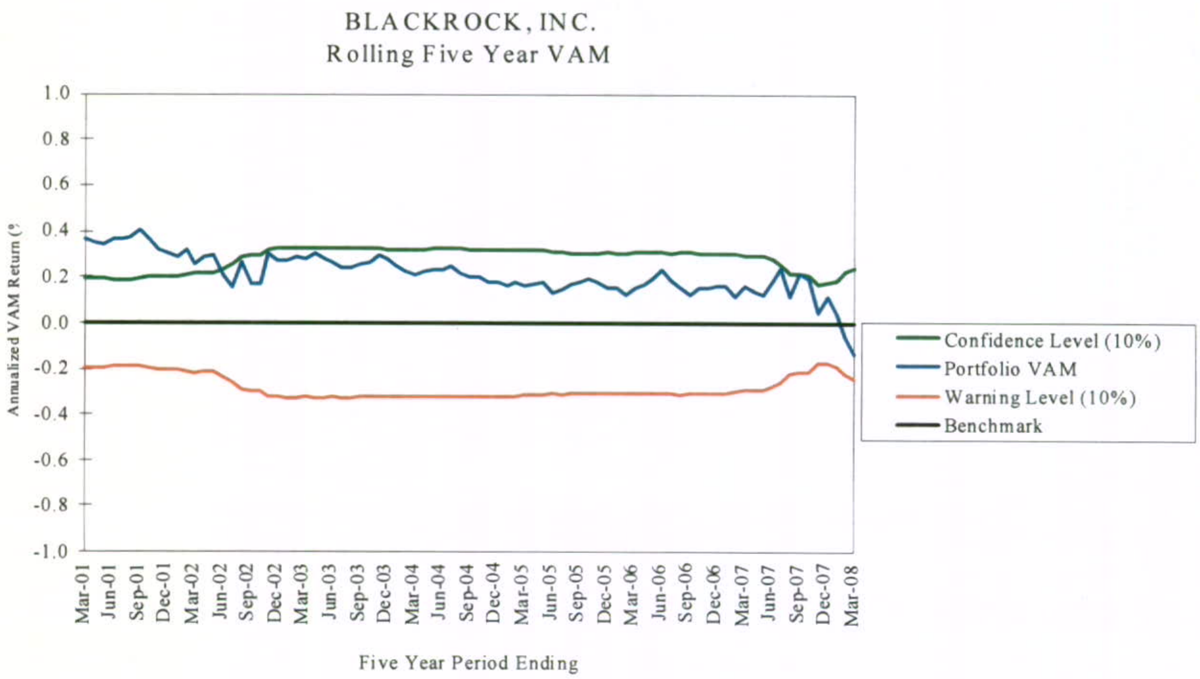
Blackrock underperformed for the quarter and the last 12 months. MBS pass-through selection positively contributed to returns for the quarter, but overall CMBS and RMBS sector overweights detracted meaningfully from quarterly and yearly performance. Corporate security selection and yield curve positioning also hurt quarterly performance, as corporate spreads widened throughout the quarter. For the year, an underweight to Treasuries hurt performance, while an Agency underweight contributed positively.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	2.2%
Last 1 year	6.4	7.7
Last 2 years	6.4	7.1
Last 3 years	5.1	5.5
Last 4 years	4.2	4.4
Last 5 years	4.4	4.6
Since Inception (4/96)	6.5	6.4

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Jonathon Beinner **Assets Under Management: $1,901,586,764**

Investment Philosophy

Goldman manages an enhanced index portfolio closely tracking the Lehman Aggregate. Goldman's process can be viewed as active management within a very risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return. To a lesser degree, term structure strategies are also implemented. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts 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.

Staff Comments

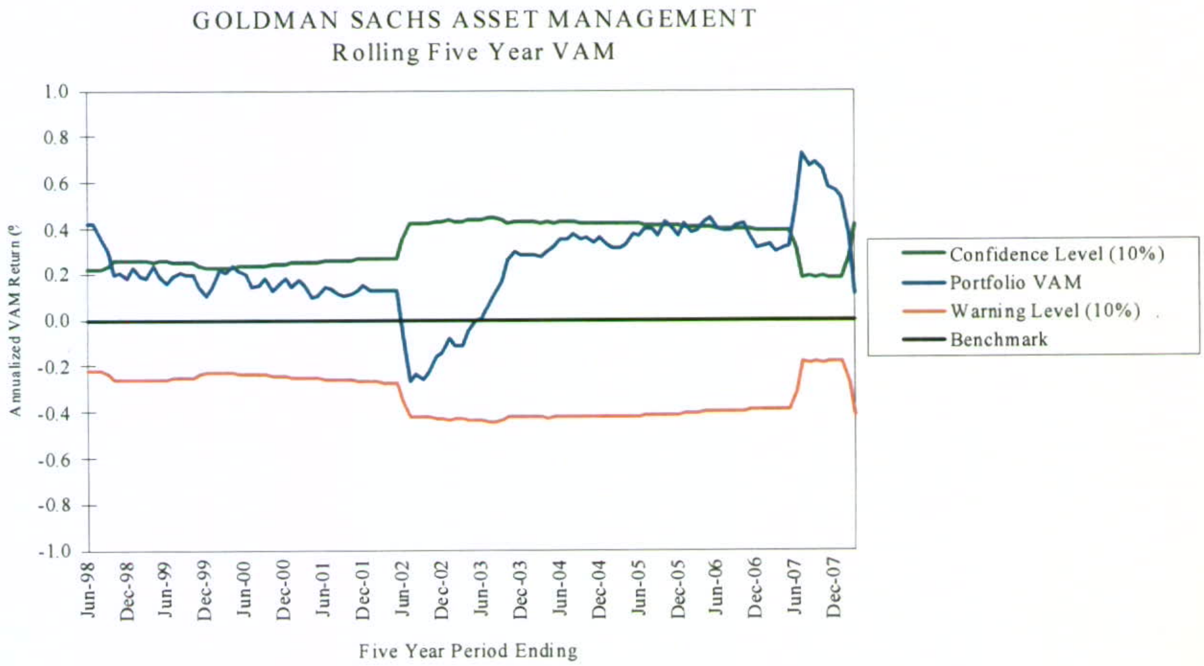
Goldman underperformed the benchmark for the quarter and the last 12 months. Extreme technical pressures in the market (de-leveraging and illiquidity) caused Goldman's holdings in AAA-rated non-Agency ARM (non-subprime) securities to reach depressed levels. This detracted meaningfully from quarterly returns. An underweight exposure to corporate bonds positively impacted returns as credit spreads widened throughout the first quarter. These same factors primarily influenced Goldman's performance over the last 12 months.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.3%	2.2%
Last 1 year	5.6	7.7
Last 2 years	6.2	7.1
Last 3 years	5.0	5.5
Last 4 years	4.2	4.4
Last 5 years	4.7	4.6
Since Inception (7/93)	6.4	6.3

Recommendations

No action required.



LEHMAN BROTHERS ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Andrew Johnson | **Assets Under Management: $1,980,915,832**

Investment Philosophy

Lehman (formerly Lincoln) manages an enhanced index portfolio closely tracking the Lehman Aggregate. Lehman's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Lehman uses proprietary risk exposure measures to analyze 25 interest rate factors, and over 30 spread-related factors. 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. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Lehman was retained by the SBI in July 1988.

Staff Comments

Lehman underperformed the benchmark in the 1st quarter of 2008 and over the last 12 month period. This underperformance can be attributed to three areas: 1) exposure to floating-rate securities collateralized with sub-prime mortgage loans, 2) positioning in hybrid adjustable-rate securities (non-subprime), and 3) an overweight to CMBS. Some encouragement came in March when the CMBS market generated a +2.65% return. All this, combined with an underweight exposure to Treasuries (by far the best performing sector in 1Q08), led to underperformance.

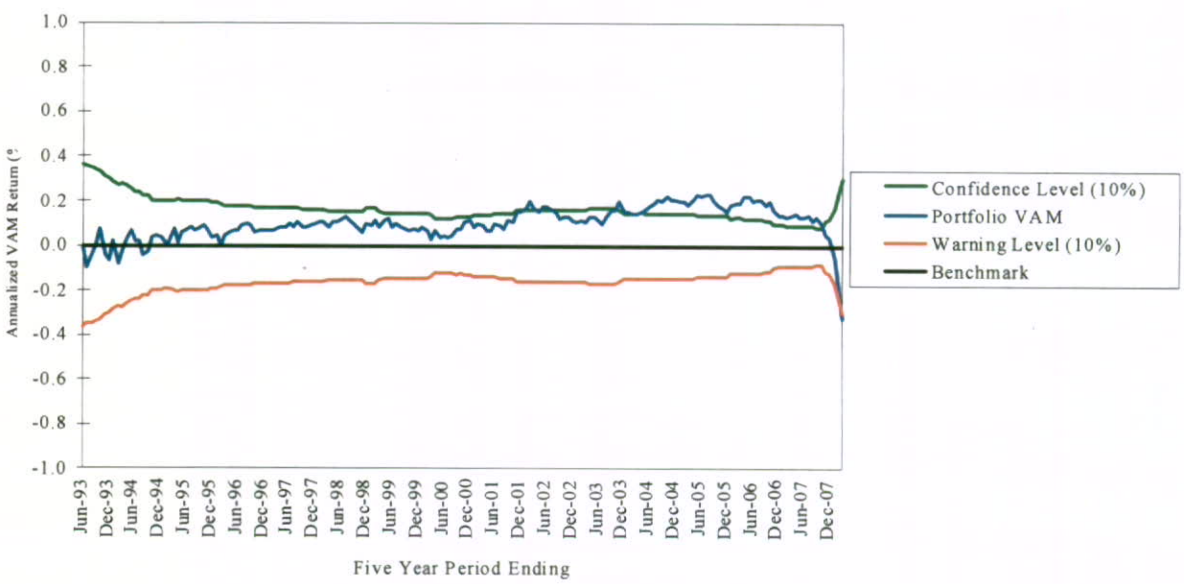
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.3%	2.2%
Last 1 year	5.1	7.7
Last 2 years	5.9	7.1
Last 3 years	4.7	5.5
Last 4 years	3.9	4.4
Last 5 years	4.2	4.6
Since Inception (7/88)	7.5	7.5

Recommendations

No action required.

LEHMAN BROTHERS ASSET MANAGEMENT
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2008

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International Managers

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COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2008

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	(in millions)	%
Active Developed Markets (2)												
Acadian	-9.7	-8.7	-4.2	-1.2					18.3	15.6	$313.2	4.3%
Invesco	-10.4	-8.7	-6.3	-1.2	10.6	13.9	18.9	21.9	6.2	4.8	$291.8	4.0%
J.P. Morgan	-9.2	-8.7	-3.1	-1.2					12.6	15.6	$253.1	3.5%
Marathon	-7.1	-8.7	1.4	-1.2	16.1	13.9	25.3	21.9	10.5	7.1	$552.5	7.5%
McKinley	-11.2	-8.7	0.4	-1.2					17.9	15.6	$300.4	4.1%
Pyramis (Fidelity)	-9.7	-8.7	3.5	-1.2					16.6	15.6	$283.4	3.9%
RiverSource	-9.3	-8.7	-1.5	-1.2	13.2	13.9	19.4	21.9	1.3	4.8	$283.8	3.9%
UBS Global	-9.8	-8.7	-4.8	-1.2	10.5	13.9	18.8	21.9	8.8	8.2	$290.8	4.0%
Aggregate	**-9.3**	**-8.7**	**-1.5**	**-1.2**	**13.6**	**13.9**	**20.8**	**21.9**	**8.1**	**7.1**	**$2,569.2**	**35.0%**
Active Emerging Markets (3)												
AllianceBernstein	-11.2	-11.0	19.6	21.8	28.2	29.4	35.4	35.6	18.7	19.3	$438.0	6.0%
Capital International	-7.5	-11.0	22.7	21.8	33.3	29.4	36.2	35.6	17.5	19.3	$456.8	6.2%
Morgan Stanley	-15.1	-11.0	18.2	21.8	30.3	29.4	36.5	35.6	19.6	19.3	$465.3	6.3%
Aggregate	**-11.4**	**-11.0**	**20.1**	**21.8**	**30.4**	**29.4**	**35.9**	**35.6**	**9.5**	**9.5**	**$1,360.2**	**18.6%**
Semi-Passive Developed Markets (2)												
AQR	-9.6	-8.7	-4.3	-1.2					14.3	15.6	$283.6	3.9%
Pyramis (Fidelity)	-8.6	-8.7	3.4	-1.2					18.3	15.6	$316.2	4.3%
State Street	-9.2	-8.7	-4.6	-1.2					14.8	15.6	$290.6	4.0%
Aggregate	**-9.1**	**-8.7**	**-1.8**	**-1.2**					**15.8**	**15.6**	**$890.3**	**12.1%**
Passive Developed Markets (2)												
State Street	-8.6	-8.7	-0.8	-1.2	14.1	13.9	22.1	21.9	8.7	8.4	$2,511.9	34.3%
									Since 10/1/92			
Equity Only (4) (6)	-9.5	-9.2	2.1	2.3	16.1	16.1	23.1	23.6	9.2	8.7	$7,331.8	100.0%
Total Program (5) (6)	**-9.5**	**-9.2**	**2.1**	**2.3**	**16.1**	**16.1**	**23.1**	**23.6**	**9.4**	**8.7**	**$7,331.8**	**100.0%**
SBI Int'l Equity Target (6)		-9.2		2.3		16.1		23.6		8.7		
MSCI ACWI Free ex. U.S. (7)		-9.1		2.2		16.0		23.5		9.1		
MSCI World ex U.S. (net)		-8.7		-1.3		13.9		21.8		8.6		
MSCI EAFE Free (net)		-8.9		-2.7		13.3		21.4		8.3		
MSCI Emerging Markets Free (8)		-11.0		21.3		29.2		35.5		11.3		

(1) Since retention by the SBI. Time period varies for each manager.
(2) Since 10/1/07 the developed markets managers benchmark is the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).
(3) Since 10/1/07 the emerging markets managers benchmark is the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).
(4) Equity managers only. Includes impact of terminated managers.
(5) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.
(6) Since 10/1/07 the International Equity asset class target is the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.
(7) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.
(8) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.

COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Calendar Year Returns

	2007		**2006**		**2005**		**2004**		**2003**	
	Actual	**Bmk**	**Actual**	**Bmk**	**Actual**	**Bmk**	**Actual**	**Bmk**	**Actual**	**Bmk**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Active Developed Markets (1)										
Acadian	10.0	12.6	31.9	25.7						
Invesco	8.4	12.6	26.0	25.7	10.6	14.5	21.4	20.4	33.0	38.5
J.P. Morgan	8.8	12.6	23.1	25.7						
Marathon	15.4	12.6	27.5	25.7	16.4	14.5	24.6	20.4	47.2	38.5
McKinley	20.4	12.6	25.4	25.7						
Pyramis (Fidelity)	17.7	12.6	22.7	25.7						
RiverSource	12.4	12.6	23.6	25.7	14.2	14.5	17.5	20.4	30.2	38.5
UBS Global	7.7	12.6	25.6	25.7	10.0	14.5	20.1	20.4	32.3	38.5
Aggregate	**13.0**	**12.6**	**25.8**	**25.7**	**13.6**	**14.5**	**19.0**	**20.4**	**35.1**	**38.5**
Active Emerging Markets (2)										
AllianceBernstein	38.8	39.9	30.4	32.2	32.7	34.0	28.6	25.5	54.1	55.8
Capital International	38.4	39.9	35.6	32.2	38.4	34.0	19.5	25.5	54.2	55.8
Morgan Stanley	43.0	39.9	37.6	32.2	34.3	34.0	24.2	25.5	58.8	55.8
Aggregate	**40.0**	**39.9**	**34.4**	**32.2**	**34.9**	**34.0**	**22.9**	**25.5**	**56.0**	**55.8**
Semi-Passive Developed Markets (1)										
AQR	9.0	12.6	25.2	25.7						
Pyramis (Fidelity)	18.2	12.6	26.8	25.7						
State Street	9.1	12.6	27.1	25.7						
Aggregate	**12.1**	**12.6**	**26.4**	**25.7**						
Passive Developed Markets (1)										
State Street	12.9	12.6	26.0	25.7	14.6	14.5	20.6	20.4	38.6	38.5
									Since 10/1/92	
Equity Only (3) (5)	17.1	16.9	27.0	26.7	16.4	16.6	20.0	20.9	38.2	40.1
Total Program (4) (5)	**17.1**	**16.9**	**27.0**	**26.7**	**16.4**	**16.6**	**20.0**	**20.9**	**38.2**	**40.1**
SBI Int'l Equity Target (5)		16.9		26.7		16.6		20.9		40.1
MSCI ACWI Free ex. U.S. (6)		16.7		26.7		16.6		20.9		40.8
MSCI World ex U.S. (net)		12.4		25.7		14.5		20.4		39.4
MSCI EAFE Free (net)		11.2		26.3		13.5		20.2		38.6
MSCI Emerging Markets Free (7)		39.4		32.2		34.0		25.5		55.8

(1) Since 10/1/07 the developed markets managers benchmark is the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).

(2) Since 10/1/07 the emerging markets managers benchmark is the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).

(3) Equity managers only. Includes impact of terminated managers.

(4) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.

(5) Since 10/1/07 the International Equity asset class target is the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.

(6) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.

(7) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.

ACADIAN ASSET MANAGEMENT LLC
Periods Ending March, 2008

Portfolio Manager: John Chisholm **Assets Under Management: $313,236,550**

Investment Philosophy

Acadian believes there are inefficiencies in the global equity markets that can be exploited by a disciplined quantitative investment process. In evaluating markets and stocks, Acadian believes it is most effective to use a range of measures, including valuation, price trends, financial quality and earnings information. Risk control is a critical part of the Acadian approach. Acadian's process seeks to capture value-added at both the stock and the sector/country level. The process is active and bottom-up, but each stock forecast also contains a sector/country forecast. Selection is made from a very broad investment universe using disciplined, factor-driven quantitative models. Portfolios are constructed with an optimizer and are focused on targeting a desired level of active risk relative to a client's chosen benchmark index.

Staff Comments

Stock selection in Japan, France and the United Kingdom detracted from returns during the quarter and the year.

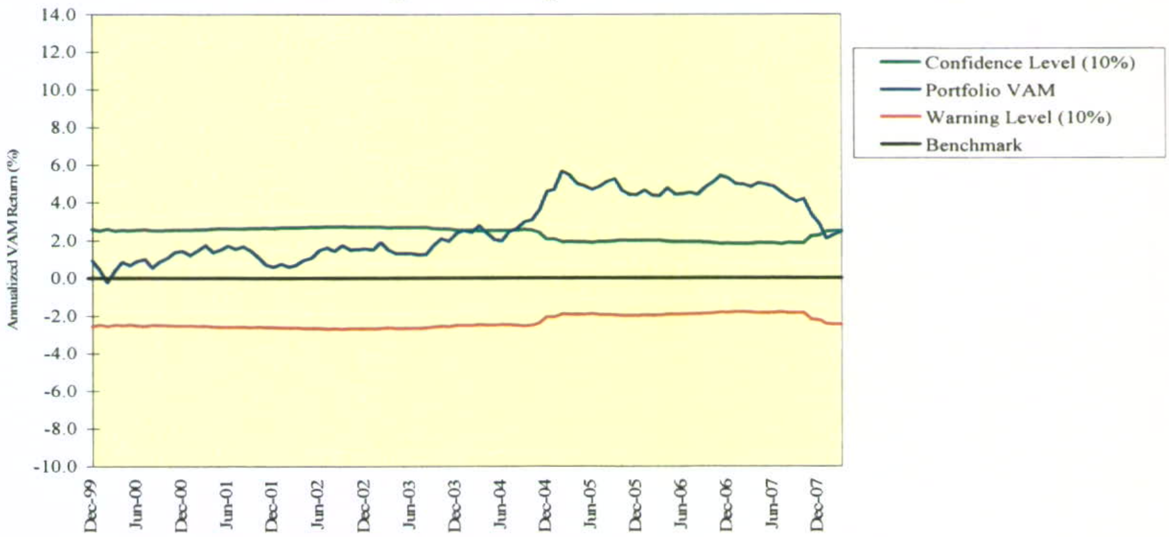
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.7%	-8.7%
Last 1 year	-4.2	-1.2
Last 2 years	8.6	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	18.3	15.6

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

Note: Shaded area includes performance prior to retention by the SBI.

INVESCO GLOBAL ASSET MANAGMENT
Periods Ending March, 2008

Portfolio Manager: Erik Granade | **Assets Under Management: $291,836,387**

Investment Philosophy

INVESCO believes they can add value by identifying and investing in companies whose share price does not reflect the proven and sustainable growth of the company's earnings and assets. They also believe that a systematic process that identifies mis-valued companies, combined with a consistently applied portfolio design process, can control the predictability and consistency of returns. Portfolios are constructed on a bottom-up basis; they select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies whose key financial data is adjusted to be comparable across borders and currencies. Third, Invesco believes that using local investment professionals enhances fundamental company research. Finally, they manage risk and assure broad diversification relative to clients' benchmarks through a statistics-based portfolio construction approach rather than resorting to country or industry constraints.

Staff Comments

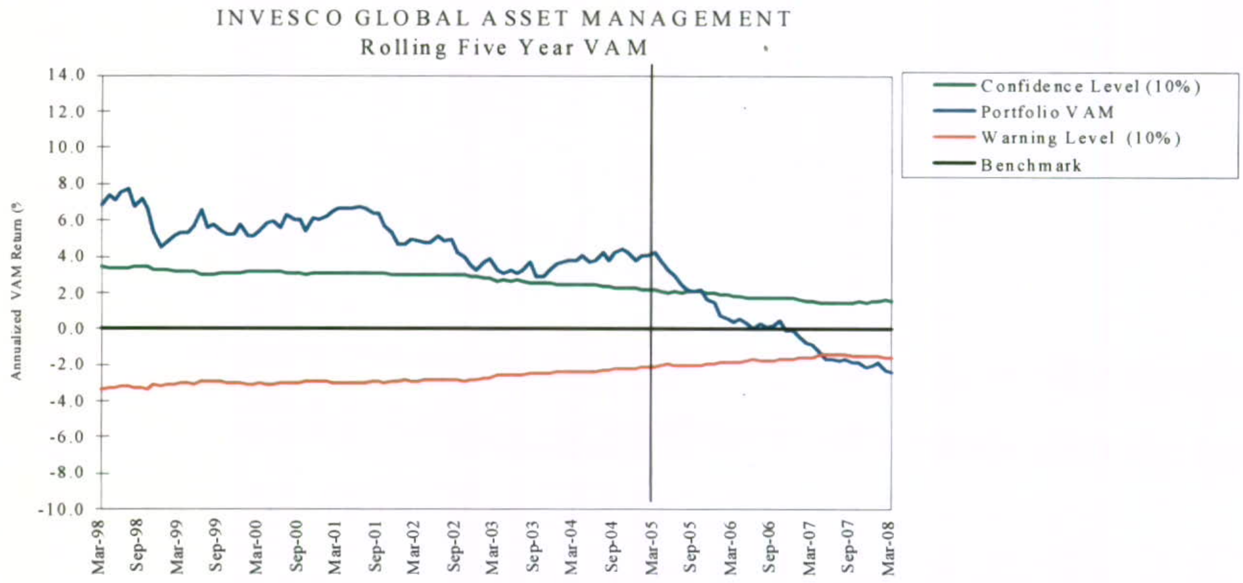
Stock selection in the consumer discretionary sector and an underweight to the materials sector detracted from performance over the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-10.4%	-8.7%
Last 1 year	-6.3	-1.2
Last 2 years	5.9	8.7
Last 3 years	10.6	13.9
Last 4 years	12.3	14.3
Last 5 years	18.9	21.9
Since Inception (3/00)	6.2	4.8

Recommendations

No action required.



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

J.P. MORGAN INVESTMENT MANAGEMENT INC.
Periods Ending March, 2008

Portfolio Manager: James Fisher **Assets Under Management: $253,101,064**

Investment Philosophy

JP Morgan's international equity strategy seeks to add value through active stock selection, while remaining diversified by both sector and region. The portfolio displays a large capitalization size bias and a slight growth orientation. Stock selection decisions reflect the insights of approximately 150 locally based investors, ranking companies within their respective local markets. The most attractive names in each region are then further validated by a team of Global Sector Specialists who seek to take the regional team rankings and put these into a global context. The team of six senior portfolio managers draws together the insights of both the regional and global specialists, constructing a portfolio of the most attractive names.

Staff Comments

Stock selection in Canada and in the consumer staples sector detracted from performance during the quarter and the year.

During the quarter, J.P. Morgan Chase & Co. announced its intent to acquire The Bear Stearns Companies Inc. pending share holder approval.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.2%	-8.7%
Last 1 year	-3.1	-1.2
Last 2 years	5.2	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	12.6	15.6

Recommendations

No action required.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Rolling Five Rolling VAM

Note: Shaded area includes performance prior to retention by the SBI.

MARATHON ASSET MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: William Arah | **Assets Under Management: $552,542,984**

Investment Philosophy

Marathon uses a blend of flexible, qualitative disciplines to construct portfolios which exhibit a value bias. Style and emphasis will vary over time and by market, depending on Marathon's perception of lowest risk opportunity. Since they believe that competition determines profitability, Marathon is attracted to industries where the level of competition is declining and they will hold a sector position as long as the level of competition does not increase. At the stock level, Marathon tracks a company's competitive position versus the attractiveness of their products or services and attempts to determine whether the company is following an appropriate reinvestment strategy for their current competitive position.

Staff Comments

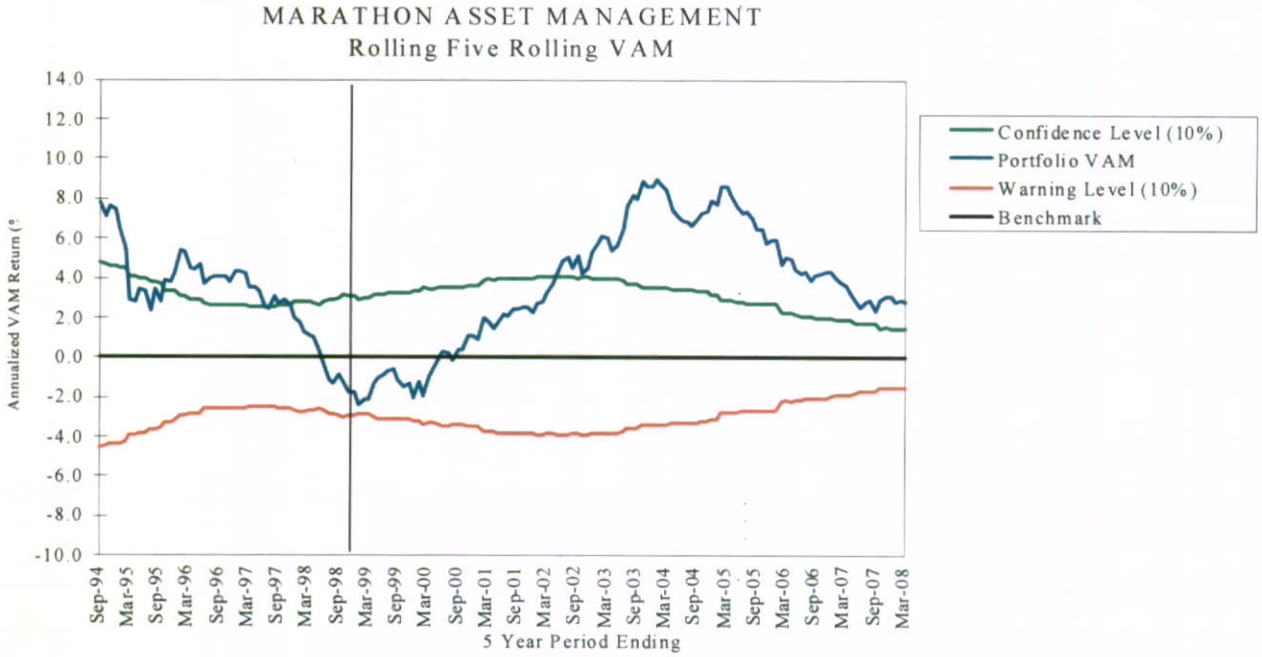
Stock selection in the United Kingdom, Japan and in the industrials sector added value over both the quarter and the year.

Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	-7.1%	-8.7%
Last 1 year	1.4	-1.2
Last 2 years	11.4	8.7
Last 3 years	16.1	13.9
Last 4 years	16.5	14.3
Last 5 years	25.3	21.9
Since Inception (11/93)	10.5	7.1

Recommendations

No action required.



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Robert Gillam, Jr. **Assets Under Management: $300,411,606**

Investment Philosophy

At McKinley Capital, investment decisions are based on the philosophy that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations. A disciplined quantitative investment process drives all product strategies. The firm can be described as a bottom-up growth manager. They employ both a systematic screening process and a qualitative overview to construct and manage portfolios. Investment ideas are initially generated by the quantitative investment process. The balance of the qualitative overlay seeks to identify securities with earnings estimates that are reasonable and sustainable. All portfolios managed by McKinley Capital use the same investment process and construction methodology to manage portfolios.

Staff Comments

During the quarter, stock selection in the financials sector detracted significantly from returns. For the year, selection in the industrials and consumer discretionary sectors contributed to the portfolio's underperformance.

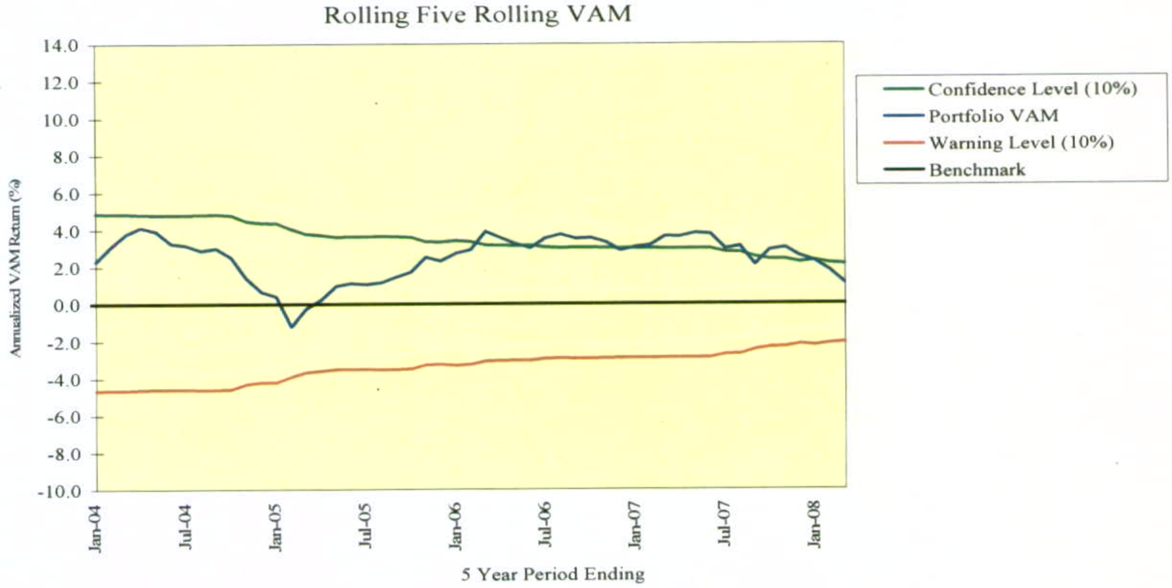
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-11.2%	-8.7%
Last 1 year	0.4	-1.2
Last 2 years	9.8	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	17.9	15.6

Recommendations

No action required.

McKINLEY CAPITAL MANAGEMENT, INC.
Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2008

Portfolio Manager: Michael Strong **Assets Under Management: $283,430,100**

Investment Philosophy

International Growth is a core, growth-oriented strategy that provides diversified exposure to the developed international markets. The investment process combines active stock selection and regional asset allocation. Four portfolio managers in London, Tokyo, Hong Kong, and Boston construct regional sub-portfolios, selecting stocks based on Fidelity analysts' bottom-up research and their own judgment and expertise. 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 200-250 holdings.

Staff Comments

Holdings in the financial sector detracted from quarterly returns, but added value during the year. Stock selection in the United Kingdom and in Germany also contributed to the portfolio's outperformance during the year.

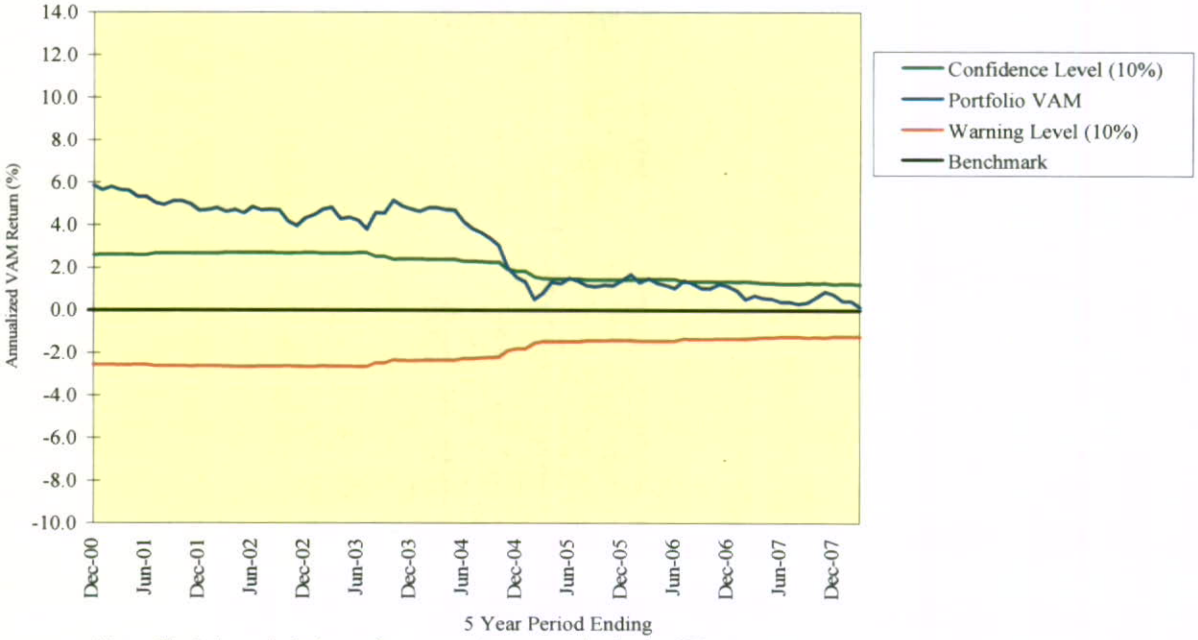
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.7%	-8.7%
Last 1 year	3.5	-1.2
Last 2 years	9.3	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	16.6	15.6

Recommendations

No action required.

PYRAMIS GLOBAL ADVISORS TRUST Co. - INTL GROWTH
Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

RIVERSOURCE INVESTMENTS
Periods Ending March, 2008

Portfolio Manager: Esther Perkins — **Assets Under Management: $283,817,142**

Investment Philosophy

RiverSource's philosophy focuses on key forces of change in markets and the companies that will benefit. The firm believes that in a global marketplace, where sustainable competitive advantage is rare, their research should focus on the dynamics of change. 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.

Staff Comments

Stock selection in Japan detracted from performance over both the quarter and the year.

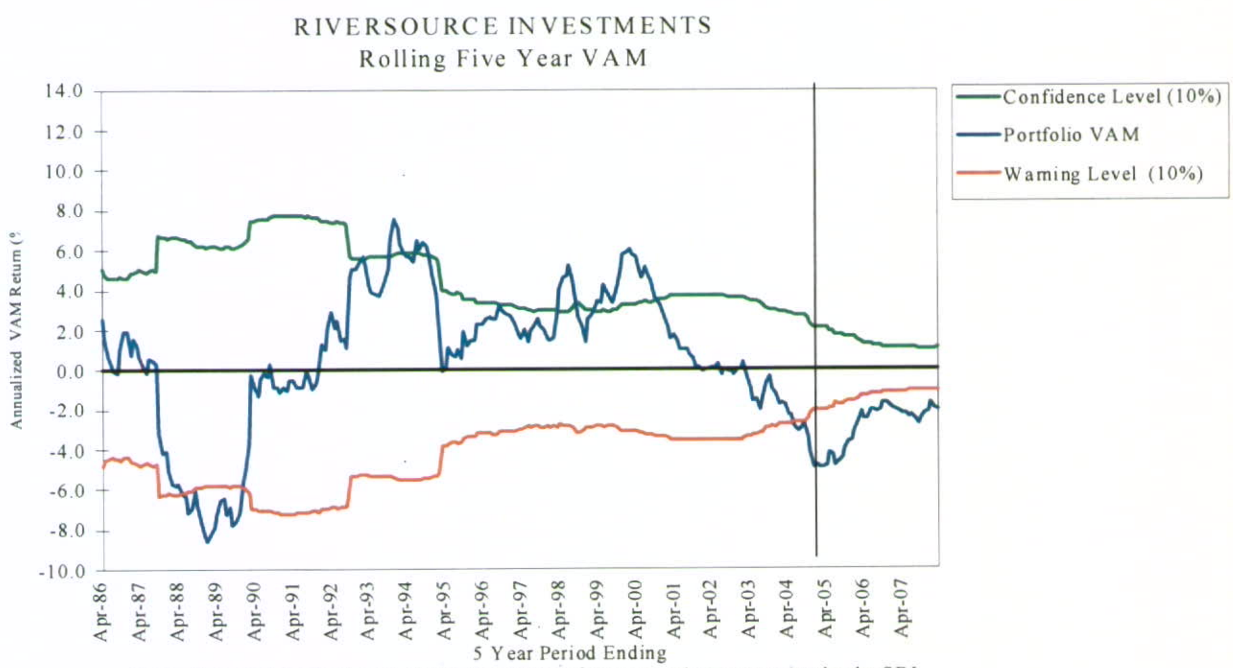
In March, Riversource announced the addition of Esther Perkins to the Threadneedle team. She will be the new portfolio manager for all EAFE mandates, replacing Alex Lyle.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.3%	-8.7%
Last 1 year	-1.5	-1.2
Last 2 years	6.9	8.7
Last 3 years	13.2	13.9
Last 4 years	13.1	14.3
Last 5 years	19.4	21.9
Since Inception (3/00)	1.3	4.8

Recommendations

No action required.



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2008

Portfolio Manager: Nick Irish **Assets Under Management: $290,820,091**

Investment Philosophy

UBS's investment research process focuses on identifying discrepancies between a security's fundamental or intrinsic value and its observed market price both across and within international equity markets. UBS exploits these discrepancies using a disciplined fundamental approach. The research analysts evaluate companies in their markets around the world and assign relative price/intrinsic value rankings based on the present value of the future cash flows. The portfolio management team draws upon the analysts' stock and industry-level research and synthesizes it with the firm's macro analysis of the global economy, country specific views and various market-driven issues to systematically develop portfolio strategy. UBS develops currency strategies separately and in coordination with country allocations. They utilize currency equilibrium bands to determine which currencies are over or under valued.

Staff Comments

Stock selection in the United Kingdom and in Germany contributed significantly to the portfolio's underperformance over both the quarter and the year.

As announced last quarter, Nick Irish joined UBS' Global Equity team in March. He is portfolio manager for the Global ex-U.S. strategy in which the SBI is invested.

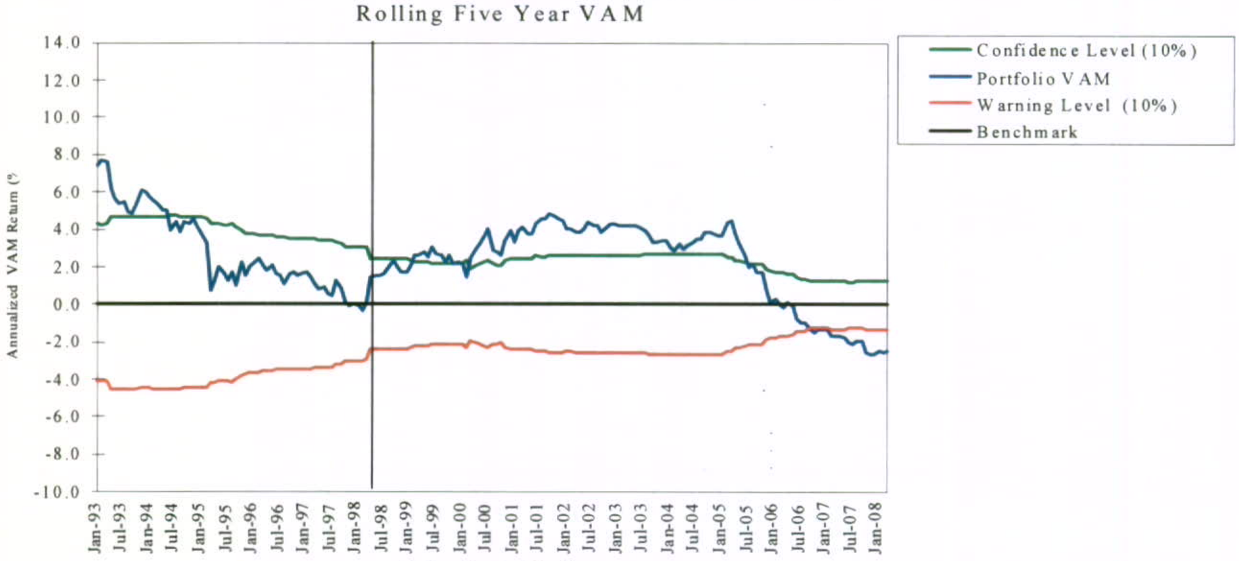
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.8%	-8.7%
Last 1 year	-4.8	-1.2
Last 2 years	5.8	8.7
Last 3 years	10.5	13.9
Last 4 years	11.7	14.3
Last 5 years	18.8	21.9
Since Inception (4/93)	8.8	8.2

Recommendations

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC. (INT'L)
Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

ALLIANCEBERNSTEIN L.P.
Periods Ending March, 2008

Portfolio Manager: Steve Beinhacker **Assets Under Management: $437,982,557**

Investment Philosophy

Alliance employs a growth style of investment management. They believe that fundamental research-driven stock selection, structured by industries within regions, will produce superior investment performance. Their strategy emphasizes bottom-up, large capitalization stock selection. Country and industry exposures are a by-product of stock selection. Alliance looks for companies with the best combination of forward-looking growth and valuation attractiveness.

Staff Comments

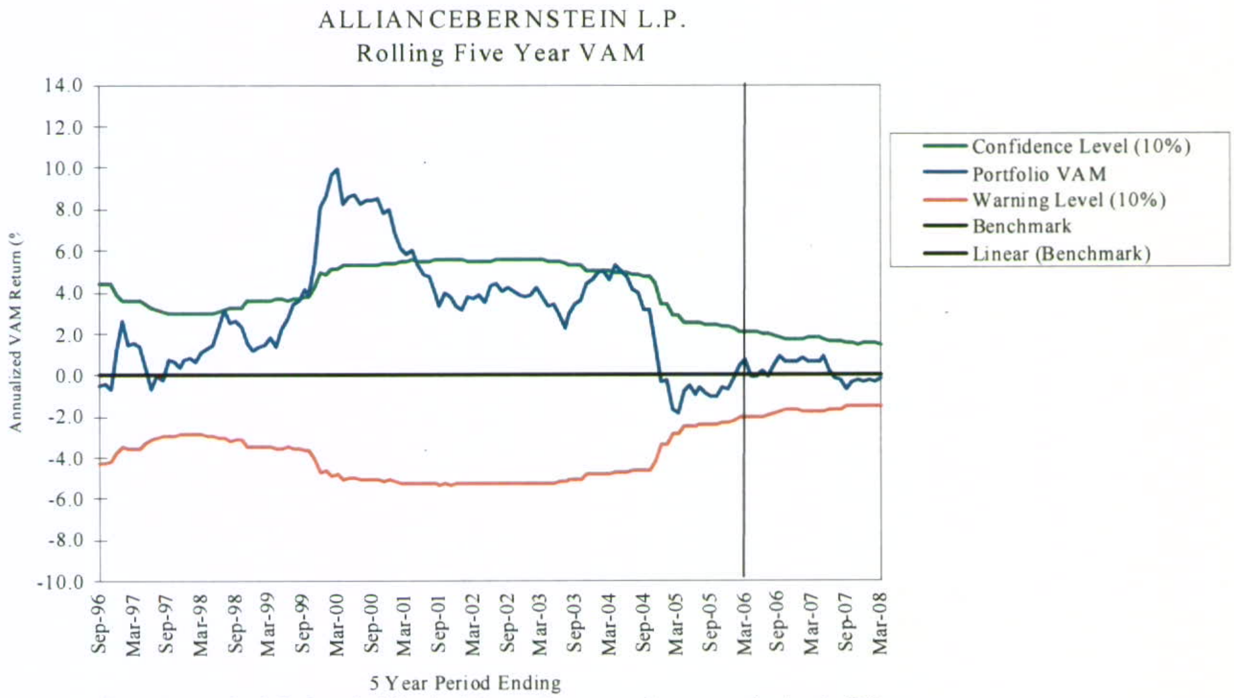
Stock selection in Korea detracted from returns over both the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-11.2%	-11.0%
Last 1 year	19.6	21.8
Last 2 years	19.4	21.2
Last 3 years	28.2	29.4
Last 4 years	25.4	26.1
Last 5 years	35.4	35.6
Since Inception (3/01)	18.7	19.3

Recommendations

No action required.



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2008

Portfolio Manager: Victor Kohn **Assets Under Management: $456,838,250**

Investment Philosophy

Capital International's philosophy is value-oriented, as they focus on identifying the difference between the underlying value of a company and the price of its securities in its home market. Capital International's basic, fundamental, bottom-up approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. The team of portfolio managers and analysts each select stocks for the portfolio based on extensive field research and direct company contact.

Staff Comments

The portfolio's underweight position in China and overweight position in Egyptian infrastructure stocks added value over both the quarter and the year.

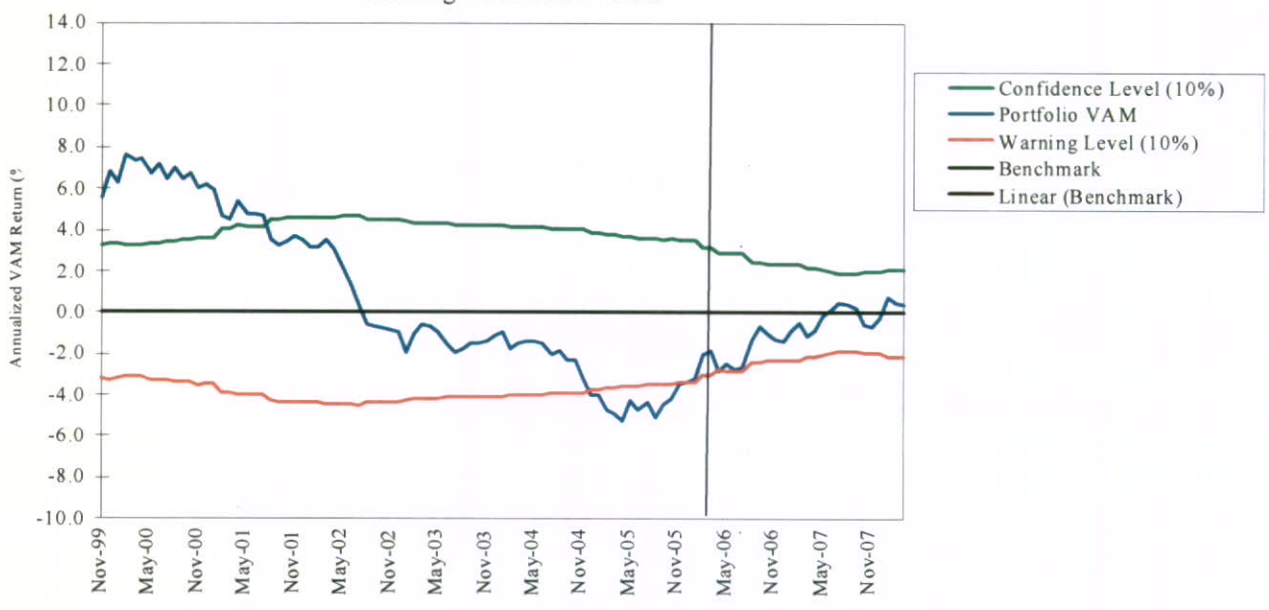
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-7.5%	-11.0%
Last 1 year	22.7	21.8
Last 2 years	24.5	21.2
Last 3 years	33.3	29.4
Last 4 years	27.1	26.1
Last 5 years	36.2	35.6
Since Inception (3/01)	17.5	19.3

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Ruchir Sharma **Assets Under Management: $465,337,038**

Investment Philosophy

Morgan Stanley's style is core with a growth bias. They follow a top-down approach to country allocation and a bottom-up approach to stock selection. Morgan Stanley's macro-economic and stock selection analyses are qualitative as well as quantitative, concentrating on fundamentals. Their top-down analysis highlights countries with improving fundamentals and attractive valuations. Their bottom-up approach to stock selection focuses on purchasing companies with strong operating earnings potential at attractive valuations.

Staff Comments

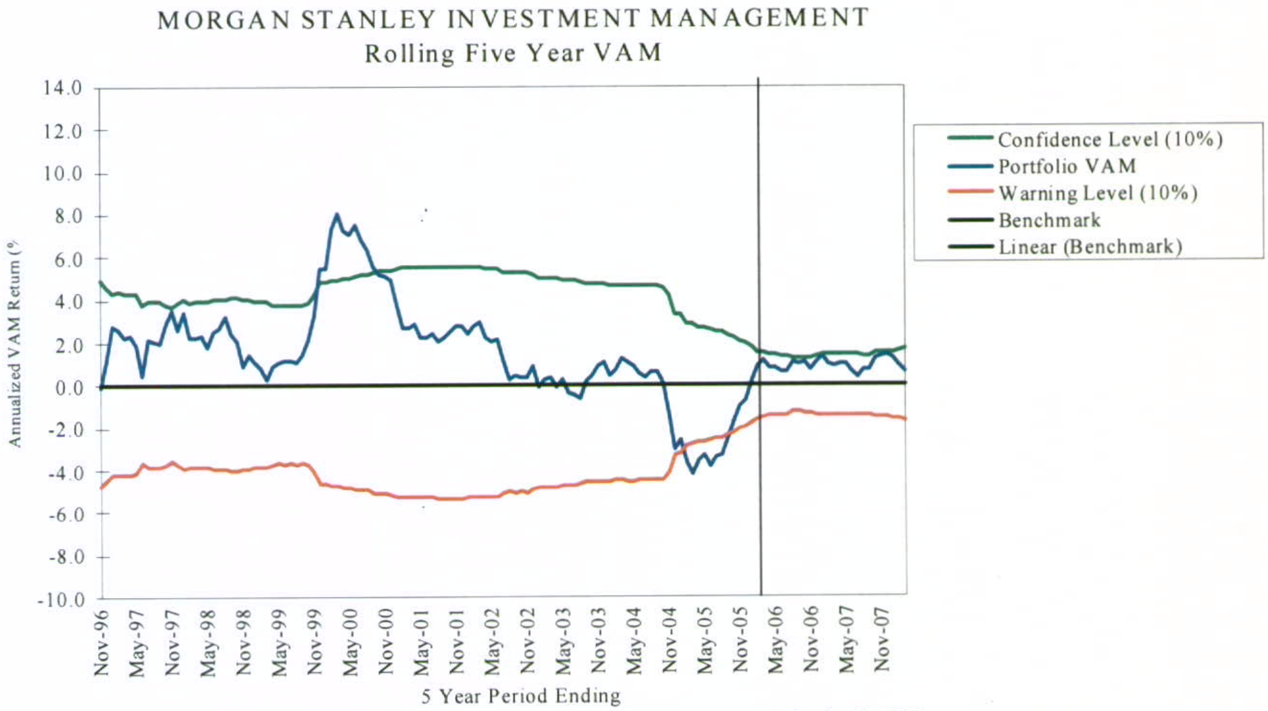
Stock selection in Brazil and Taiwan detracted significantly from performance over the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-15.1%	-11.0%
Last 1 year	18.2	21.8
Last 2 years	21.2	21.2
Last 3 years	30.3	29.4
Last 4 years	26.0	26.1
Last 5 years	36.5	35.6
Since Inception (3/01)	19.6	19.3

Recommendations

No action required.



Note: Area to the left of vertical line includes performance prior to retention by the SBI.

AQR CAPITAL MANAGEMENT, LLC
Periods Ending March, 2008

Portfolio Manager: Cliff Asness **Assets Under Management: $283,561,226**

Investment Philosophy

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.

Staff Comments

Stock selection in the United Kingdom, Spain and Finland contributed to the portfolio's underperformance over both the quarter and the year.

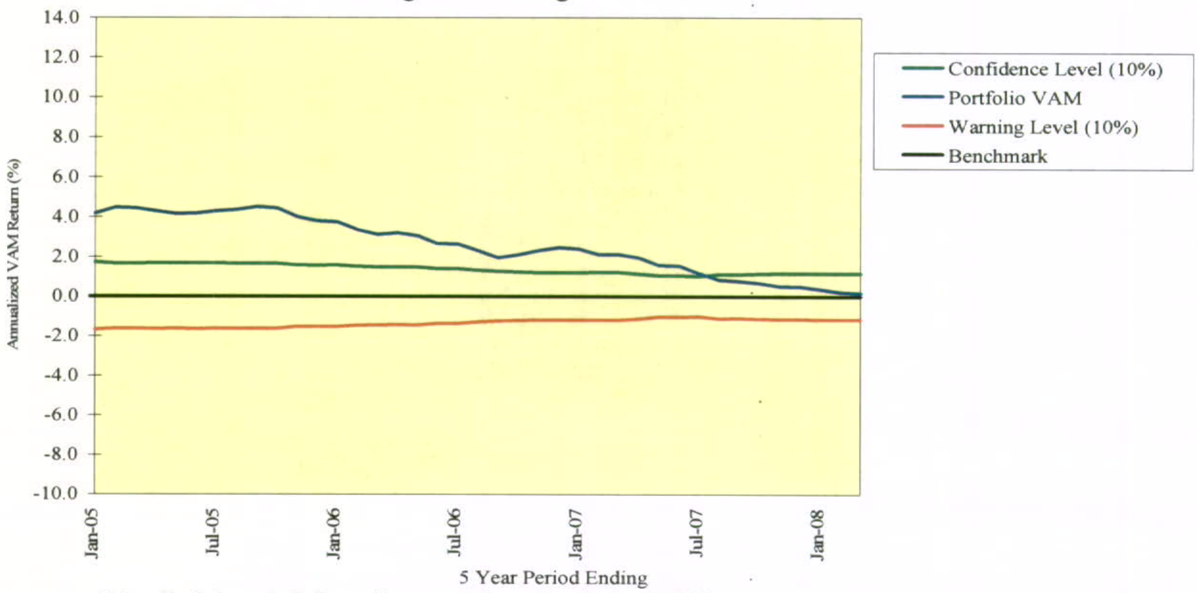
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.6%	-8.7%
Last 1 year	-4.3	-1.2
Last 2 years	6.3	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	14.3	15.6

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2008

Portfolio Manager: Cesar Hernandez **Assets Under Management: $316,186,255**

Investment Philosophy

Select International combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmartk while minimizing relative volatility and risk. 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. 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 and control risk within each regional module. Resulting portfolios typically contain between 275-325 holdings.

Staff Comments

Stock selection in the United Kingdom, Switzerland and Germany added value during the quarter and the year.

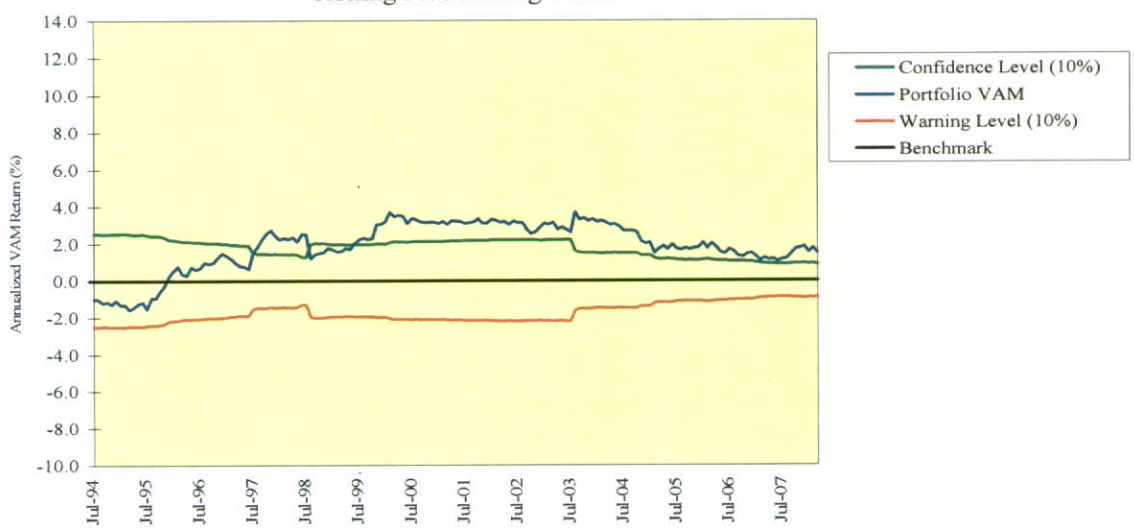
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-8.6%	-8.7%
Last 1 year	3.4	-1.2
Last 2 years	11.7	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	18.3	15.6

Recommendations

No action required.

PYRAMIS GLOBAL ADVISORS TRUST Co. - SELECT INTL
Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2008

Portfolio Manager: Didier Rosenfeld **Assets Under Management: $290,568,464**

Investment Philosophy

SSgA's Alpha strategy is managed using a quantitative process. Stock selection provides the best opportunity to add consistent value. Industry factors have come to dominate country factors and an approach that uses industry weights to add incremental value complements stock selection. Unwanted biases are controlled for through disciplined risk-control techniques. Country and regional allocations are a result of the security selection process but are managed to remain with +/- 5% of the benchmarks allocation. Sector and industry allocations are managed to be within +/- 3% of the benchmarks allocation. The portfolio managers on this team have extensive experience and insight, which is used in conjunction with the models to create core portfolios.

Staff Comments

Stock selection in the financials sector detracted from performance over both the quarter and the year.

During the quarter, SSgA announced that it named Scott Powers, previously from Old Mutual, CEO of SSgA.

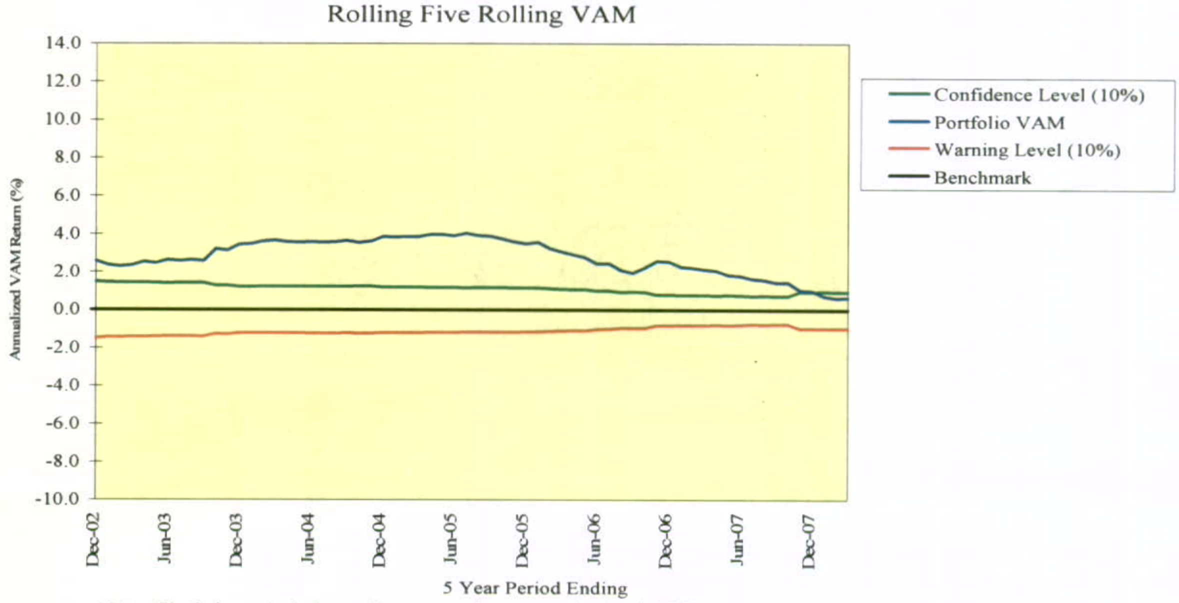
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.2%	-8.7%
Last 1 year	-4.6	-1.2
Last 2 years	7.0	8.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	14.8	15.6

Recommendations

No action required.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Rolling VAM



Note: Shaded area includes performance prior to retention by the SBI.

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2008

Portfolio Manager: Lynn Blake | **Assets Under Management: $2,511,851,213**

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 22 markets located in the developed markets outside of the United States (including Canada). SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI World ex U.S. (net) index reinvests dividends assuming a withholding tax on dividends, according to the Luxembourg tax rate. Whereas the portfolio reinvests dividends using all available reclaims and tax credits available to a U.S. pension fund, which should result in modest positive tracking error, over time.

Staff Comments

The tracking error of the passive portfolio is within expectation over all time periods.

During the quarter, SSgA announced that it named Scott Powers, previously from Old Mutual, CEO of SSgA.

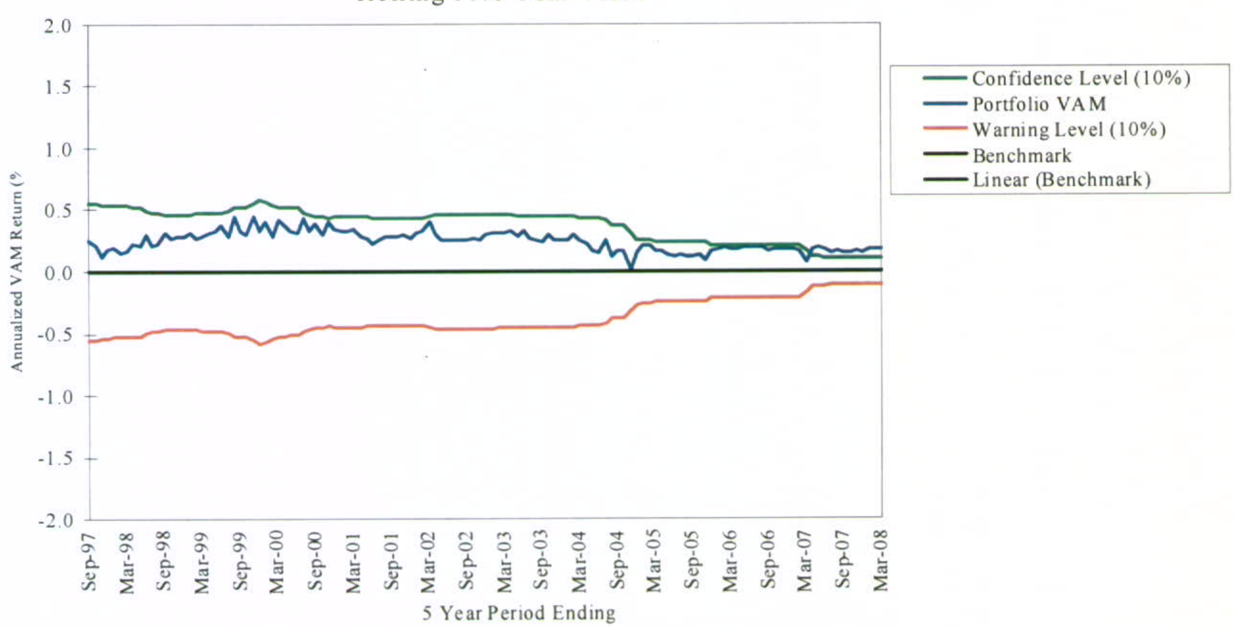
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-8.6%	-8.7%
Last 1 year	-0.8	-1.2
Last 2 years	9.0	8.7
Last 3 years	14.1	13.9
Last 4 years	14.6	14.3
Last 5 years	22.1	21.9
Since Inception (10/92)	8.7	8.4

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
Rolling Five Year VAM



STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2008

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Non-Retirement Managers

Table of Contents

NON - RETIREMENT MANAGERS
Periods Ending March, 2008

	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 Years Actual %	3 Years Bmk %	5 Years Actual %	5 Years Bmk %	Since (1) Inception Actual %	Since (1) Inception Bmk %	Market Value (in millions)
GE Asset Management (S&P 500 Index)*	-9.1	-9.4	-1.5	-5.1	6.3	5.9	10.4	11.3	10.9	10.2	$79.7
Voyageur Asset Management (Custom Benchmark)*	0.0	3.4	4.2	10.0	4.4	6.1	3.5	4.4	6.2	6.6	$267.7
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)*	1.2	0.6	4.8	4.0	4.6	4.6	4.5	4.0	5.7	4.9	$1,016.8
Internal Stock Pool (S&P 500 Index)*	-9.4	-9.4	-5.0	-5.1	5.9	5.9	11.4	11.3	9.7	9.6	$831.2
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	0.8	2.2	5.5	7.7	5.1	5.5	4.8	4.6	7.8	7.5	$93.5
Internal Bond Pool - Trust (Lehman Aggregate)*	1.0	2.2	6.3	7.7	5.5	5.5	5.0	4.6	7.2	6.8	$564.5

* Benchmarks for the Funds are noted in parentheses below the Fund names.

(1) Since retention by the SBI. Time period varies by manager.
(2) Prior to July 1994, the benchmark was the Salomon BIG.

NON - RETIREMENT MANAGERS
Calendar Year Returns

	2007		2006		2005		2004		2003	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)*	8.5	5.5	16.4	15.8	2.6	4.9	8.8	10.9	23.7	28.7
Voyageur Asset Management (Custom Benchmark)*	5.8	7.9	4.5	4.3	2.5	2.1	3.2	3.0	2.6	2.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)*	4.8	4.7	4.6	5.2	4.3	4.4	4.2	3.3	4.7	2.6
Internal Stock Pool (S&P 500 Index)*	5.5	5.5	15.9	15.8	4.9	4.9	10.9	10.9	28.9	28.7
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	6.4	7.0	5.0	4.3	2.7	2.4	5.1	4.3	5.8	4.1
Internal Bond Pool - Trust (Lehman Aggregate)*	7.1	7.0	5.1	4.3	2.8	2.4	5.0	4.3	5.9	4.1

* Benchmarks for the Funds are noted in parentheses below the Fund names.

(1) Since retention by the SBI. Time period varies by manager.
(2) Prior to July 1994, the benchmark was the Salomon BIG.

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2008

Portfolio Manager: Dave Carlson **Assets Under Management: $79,689,023**

Investment Philosophy
Assigned Risk Plan

GE's Multi-Style Equity program attempts to outperform the S&P 500 consistently while controlling overall portfolio risk through a multiple manager approach. A value portfolio, a growth portfolio and a research portfolio are combined to create a well diversified equity portfolio while maintaining low relative volatility and a style-neutral position between growth and value. All GE managers focus on stock selection from a bottom-up perspective.

Staff Comments

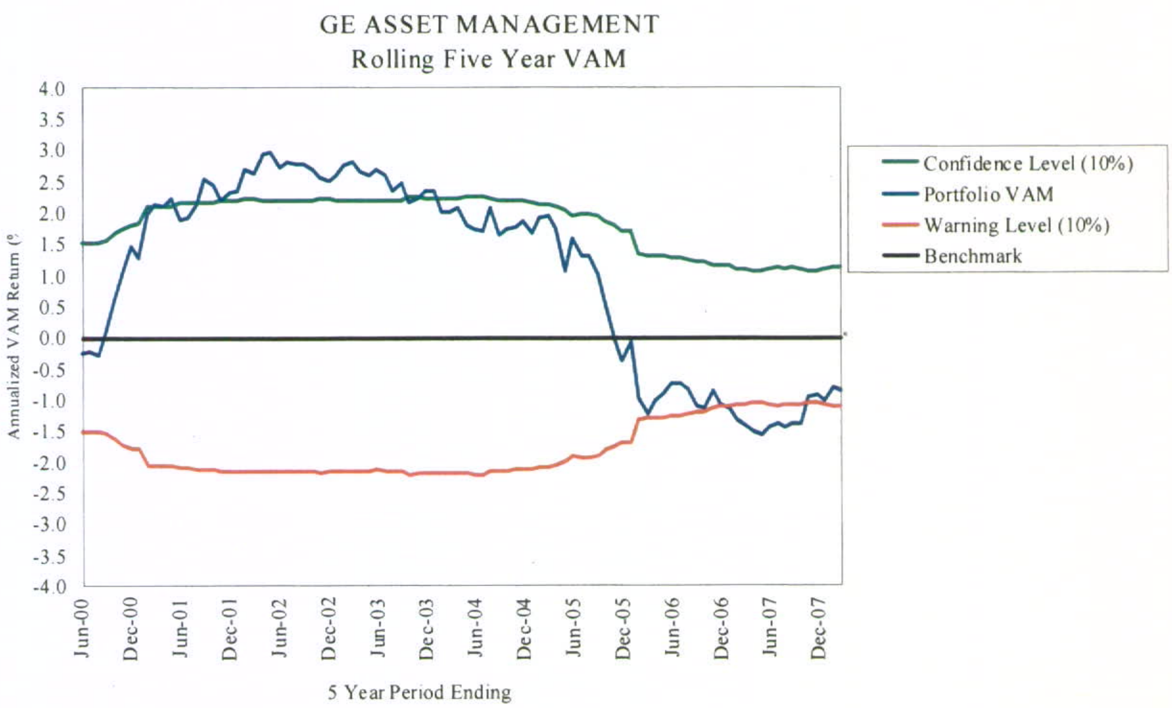
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.1%	-9.4%
Last 1 year	-1.5	-5.1
Last 2 years	4.9	3.0
Last 3 years	6.3	5.9
Last 4 years	6.1	6.1
Last 5 years	10.4	11.3
Since Inception (1/95)	10.9	10.2

Recommendation

No action required.



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2008

Portfolio Manager: John Huber **Assets Under Management: $267,667,272**

Investment Philosophy
Assigned Risk Plan

Voyageur uses a top-down approach to fixed income investing. Their objective is to obtain superior long-term investment returns over a pre-determined benchmark that reflects the quality constraints and risk tolerance of the Assigned Risk Plan. Due to the specific liability requirement of the plan, return enhancement will focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations.

Staff Comments

Underperformance in the past year is the result of overweights in the mortgage, taxable municipals and asset backed securities sectors which have underperformed Treasuries.

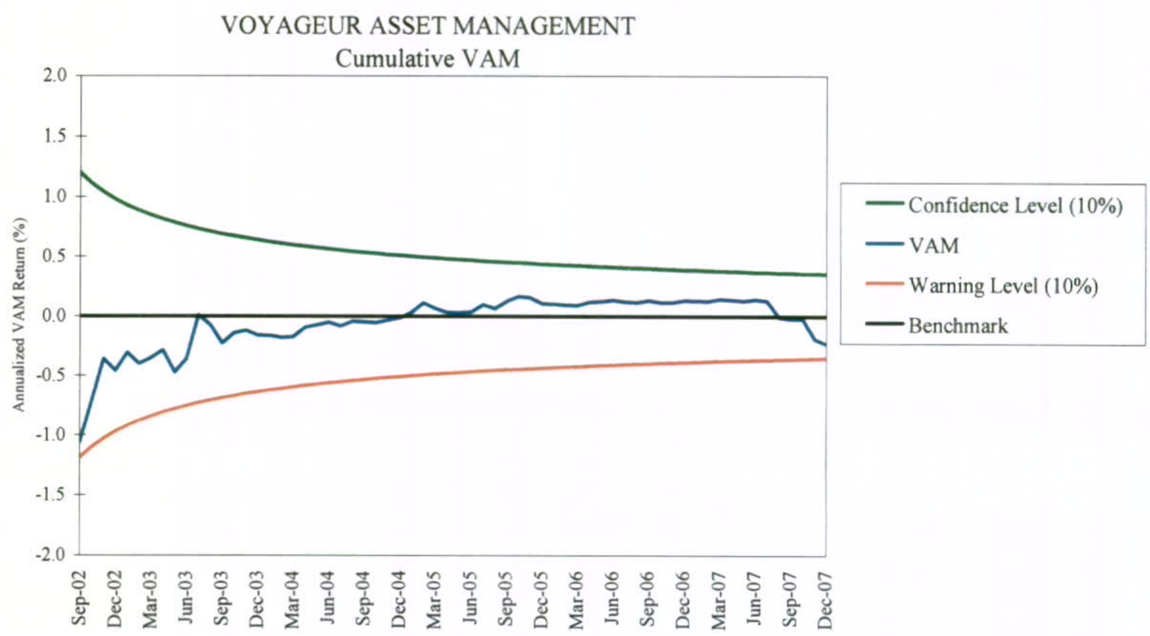
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.0%	3.4%
Last 1 year	4.2	10.0
Last 2 years	5.3	8.0
Last 3 years	4.4	6.1
Last 4 years	3.5	4.6
Last 5 years	3.5	4.4
Since Inception (7/91)	6.2	6.6

Recommendation

No action required.

*Effective 4/1/02 blended benchmark consists of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, 10% ML 91 day T-Bill.



GALLIARD CAPITAL MANAGEMENT
Periods Ending March, 2008

Portfolio Manager: Karl Tourville **Assets Under Management: $1,016,783,523**

Investment Philosophy

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 cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional investment contracts and alternative investment contracts with U.S. and non-U.S. financial institutions. 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.

Staff Comments

No comment at this time.

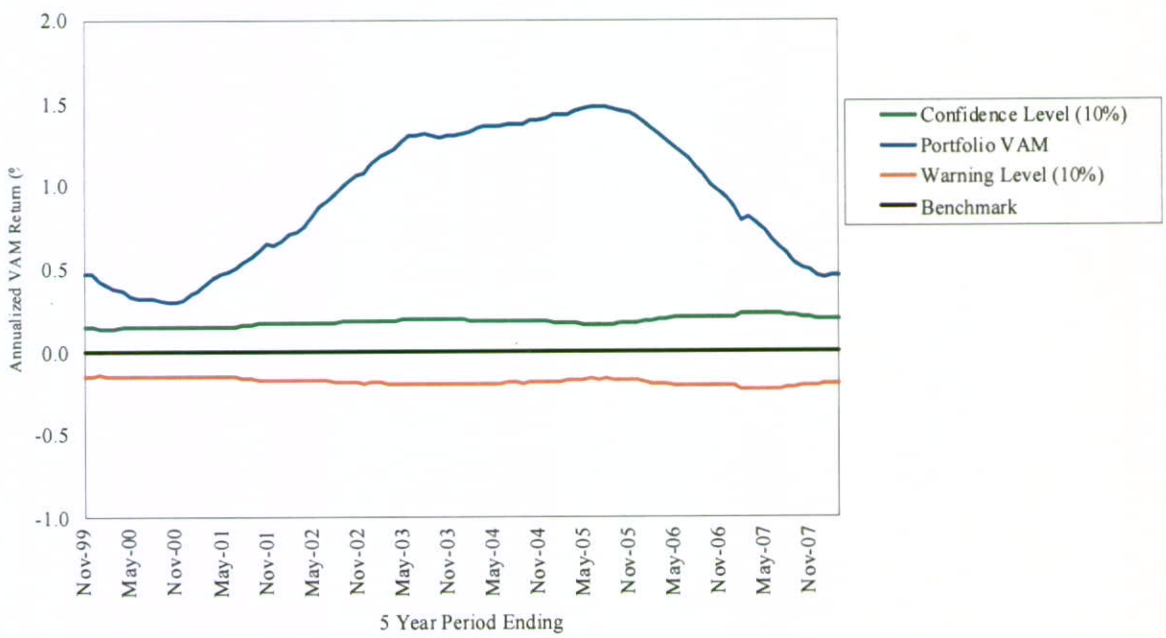
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.2%	0.6%
Last 1 year	4.8	4.0
Last 2 years	4.8	4.6
Last 3 years	4.6	4.6
Last 4 years	4.5	4.4
Last 5 years	4.5	4.0
Since Inception (11/94)	5.7	4.9

Recommendation

No action required.

Galliard Capital Management
Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2008

Portfolio Manager: Mike Menssen **Assets Under Management: $831,165,309**

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per year.

Staff Comments

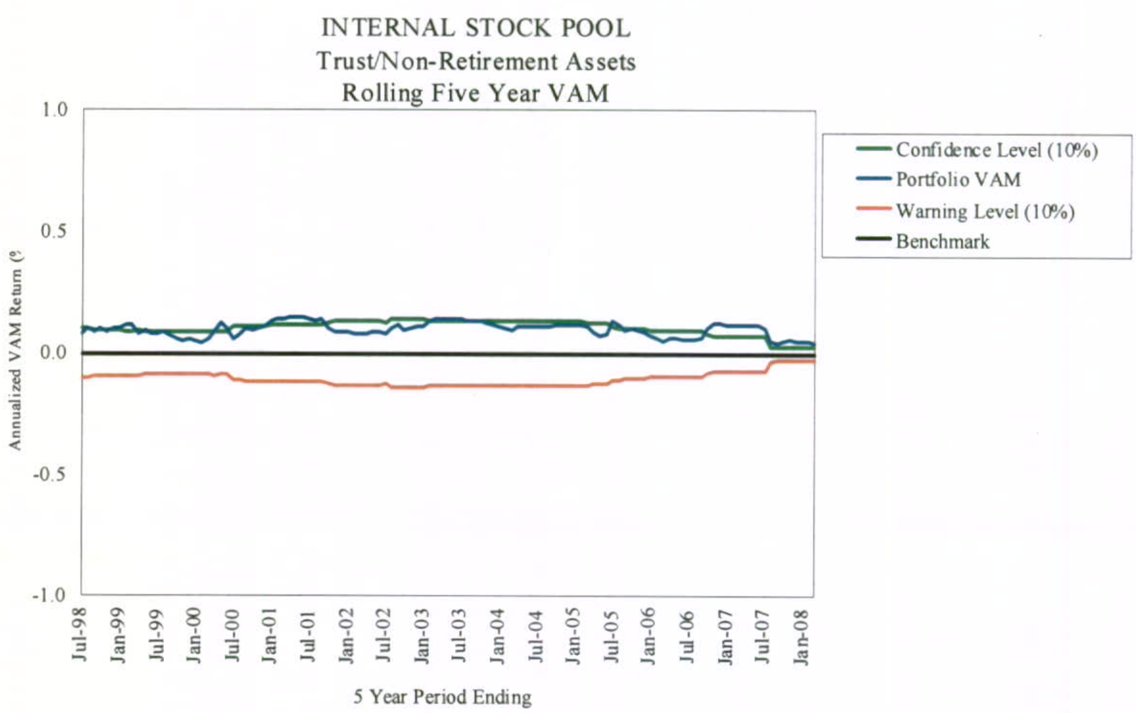
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.4%	-9.4%
Last 1 year	-5.0	-5.1
Last 2 years	3.1	3.0
Last 3 years	5.9	5.9
Last 4 years	6.1	6.1
Last 5 years	11.4	11.3
Since Inception (7/93)	9.7	9.6

Recommendation

No action required.



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2008

Portfolio Manager: Mike Menssen | **Assets Under Management: $93,458,866**

Investment Philosophy
Income Share Account

The investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

Staff Comments

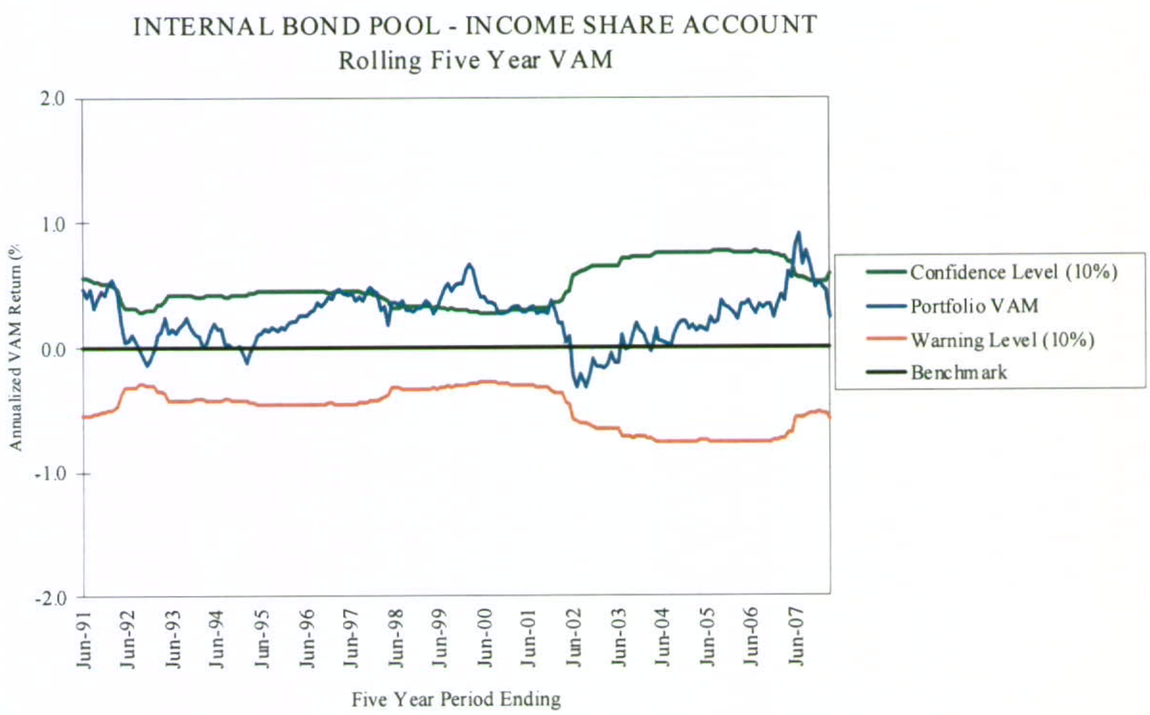
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	2.2%
Last 1 year	5.5	7.7
Last 2 years	6.2	7.1
Last 3 years	5.1	5.5
Last 4 years	4.5	4.4
Last 5 years	4.8	4.6
Since Inception (7/86)	7.8	7.5

Recommendation

No action required.



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2008

Portfolio Manager: Mike Menssen | **Assets Under Management: $564,459,913**

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

The internal bond portfolio's investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

Staff Comments

No comment at this time.

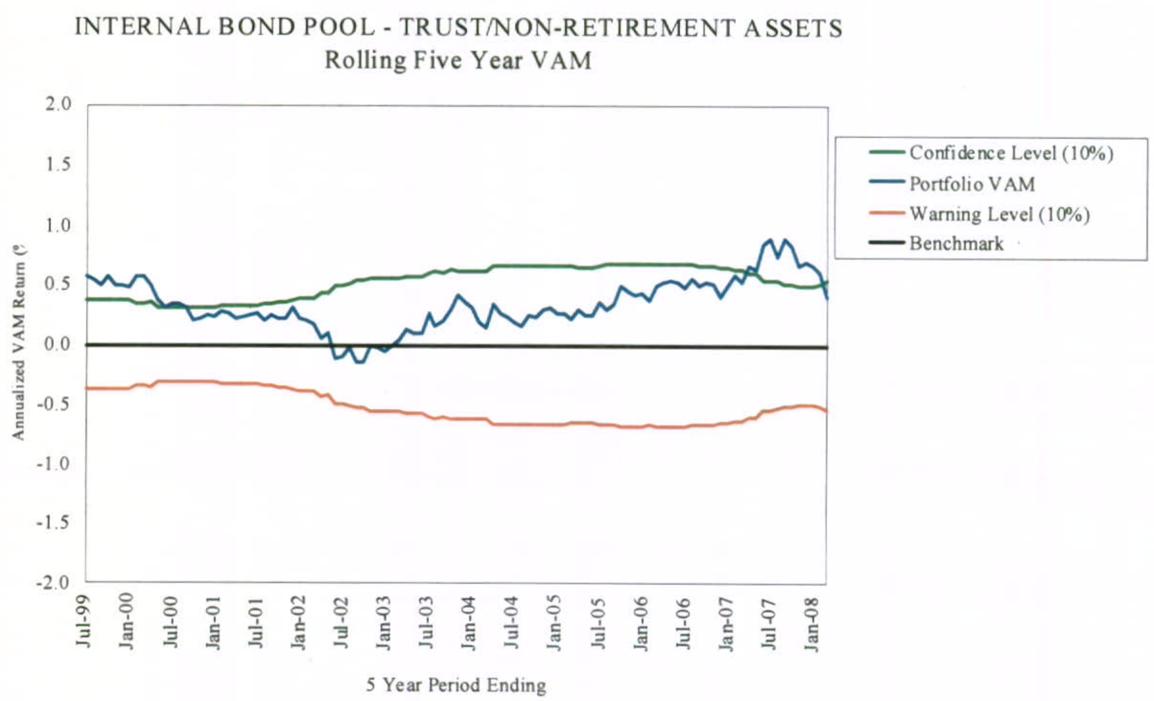
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	2.2%
Last 1 year	6.3	7.7
Last 2 years	6.7	7.1
Last 3 years	5.5	5.5
Last 4 years	4.7	4.4
Last 5 years	5.0	4.6
Since Inception (7/94)*	7.2	6.8

* Date started managing the pool against the Lehman Aggregate.

Recommendation

No action required.



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

First Quarter, 2008

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Mutual Fund Managers

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MN STATE 457 DEFERRED COMPENSATION PLAN

MUTUAL FUND MANAGERS

Periods Ending March, 2008

457 Mutual Funds	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 Years Actual %	3 Years Bmk %	5 Years Actual %	5 Years Bmk %	Since Retention by SBI * %	Since Retention by SBI * %	State's Participation In Fund ($ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	-6.0	-9.4	24.5	-5.1	19.2	5.9	19.6	11.3	2.5	1.2	$462.6
Legg Mason Partners Appr I (S&P 500)	-4.8	-9.4	3.7	-5.1	7.7	5.9	11.6	11.3	8.5	7.2	$123.4
Vanguard Institutional Index Plus (S&P 500)	-9.4	-9.4	-5.1	-5.1	5.9	5.9	11.3	11.3	1.3	1.2	$462.8
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-10.5	-10.5	-9.2	-9.2	7.4	7.3	15.9	15.8	9.8	9.7	$129.9
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	-10.8	-9.9	-14.6	-13.0	3.5	5.1	12.1	14.9	8.2	6.1	$320.0
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-8.0	-4.9	-7.9	0.0	4.3	5.8	10.5	8.7	8.0	7.0	$279.3
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	-4.8	-4.9	-0.2	-0.4	6.2	6.1	9.4	9.4	6.8	6.7	$170.7
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)	0.6	2.2	3.8	7.7	4.3	5.5	4.2	4.6	6.2	6.3	$102.0
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	2.2	2.2	7.8	7.7	5.6	5.5	4.7	4.6	4.9	4.9	$75.6
International:											
Fidelity Diversified International (MSCI EAFE-Free)	-9.6	-8.9	1.7	-2.7	14.6	13.3	22.2	21.4	11.2	6.1	$287.1
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-8.4	-8.9	-2.4	-2.7	13.5	13.3	21.6	21.4	15.9	15.7	$82.4

Numbers in black are returns **since** retention by SBI.

Numbers in blue include returns **prior** to retention by SBI.

Benchmarks for the Funds are noted in parentheses below the Fund names.

* Vanguard Mid-Cap Index Fund retained January 2004; Legg Mason, Vanguard Inst. Dev. Mkt., Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; Dodge & Cox Balanced Fund retained in October 2003; all others, July 1999.

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Calendar Year Returns

457 Mutual Funds	2007 Actual %	2007 Bmk %	2006 Actual %	2006 Bmk %	2005 Actual %	2005 Bmk %	2004 Actual %	2004 Bmk %	2003 Actual %	2003 Bmk %
Large Cap Equity:										
Janus Twenty (S&P 500)	35.9	5.5	12.3	15.8	9.4	4.9	23.9	10.9	25.3	28.7
Legg Mason Partners Appr I (S&P 500)	8.6	5.5	15.0	15.8	4.6	4.9	9.3	10.9	25.1	28.7
Vanguard Institutional Index Plus (S&P 500)	5.5	5.5	15.8	15.8	5.0	4.9	10.9	10.9	28.7	28.7
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	6.2	6.2	13.8	13.7	14.1	13.9	20.5	20.5	34.3	33.8
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	-1.7	-1.6	12.8	18.4	8.4	4.6	18.8	18.3	32.3	47.3
Balanced:										
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	1.7	6.2	13.8	11.1	6.6	4.0	13.3	8.3	24.5	18.5
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	6.3	6.3	11.1	11.1	4.8	4.8	9.5	9.3	20.1	20.1
Bond:										
Dodge & Cox Income Fund (Lehman Aggregate)	4.7	7.0	5.3	4.3	2.0	2.4	3.8	4.3	6.0	4.1
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	7.0	7.0	4.4	4.3	2.5	2.4	4.4	4.3	4.1	4.1
International:										
Fidelity Diversified International (MSCI EAFE-Free)	16.0	11.2	22.5	26.3	17.2	13.5	19.7	20.2	42.4	38.6
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	11.0	11.2	26.3	26.3	13.6	13.5	20.3	20.2	38.9	38.6

Numbers in black are returns **since** retention by SBI.

Numbers in blue include returns **prior** to retention by SBI.

Benchmarks for the Funds are noted in parentheses below the Fund names.

MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending March, 2008

State's Participation in Fund: $462,563,185
Portfolio Manager: Ron Sachs **Total Assets in Fund: $11,808,200,000**

Investment Philosophy
Janus Twenty

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 a core position of between twenty to 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.

Staff Comments

Quarterly outperformance was driven by stock selection with the materials and healthcare sectors making the largest positive contributions.

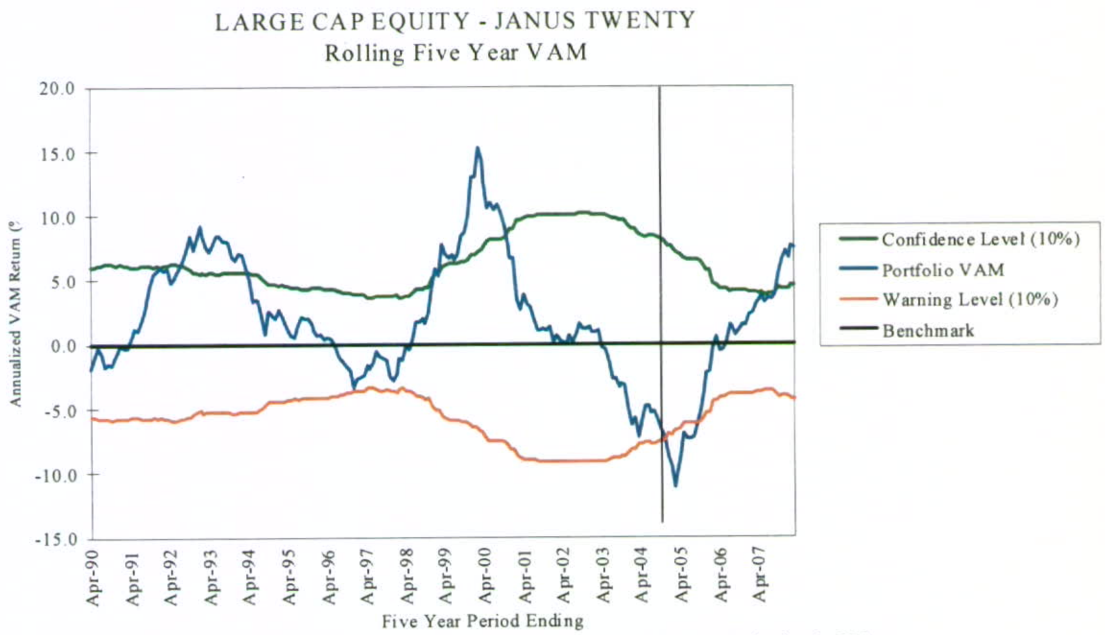
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-6.0%	-9.4%
Last 1 year	24.5	-5.1
Last 2 years	18.1	3.0
Last 3 years	19.2	5.9
Last 4 years	16.5	6.1
Last 5 years	19.6	11.3
Since Retention by SBI (7/99)	2.5	1.2

*Benchmark is the S&P 500.

Recommendation

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I
Periods Ending March, 2008

	State's Participation in Fund:	**$123,377,560**
Portfolio Manager: Scott Glasser	**Total Assets in Fund:**	**$5,440,471,000**

Investment Philosophy
Legg Mason Partners Appreciation I

The Fund invests in U.S. growth and value stocks, primarily blue-chip companies that are dominant in their industries. Investments are selected from among a core base of stocks with a strong financial history, recognized industry leadership, and effective management teams that strive to earn consistent returns for shareholders. The portfolio manager looks for companies that he believes are undervalued with the belief that a catalyst will occur to unlock these values.

Staff Comments

No comment at this time.

Quantitative Evaluation

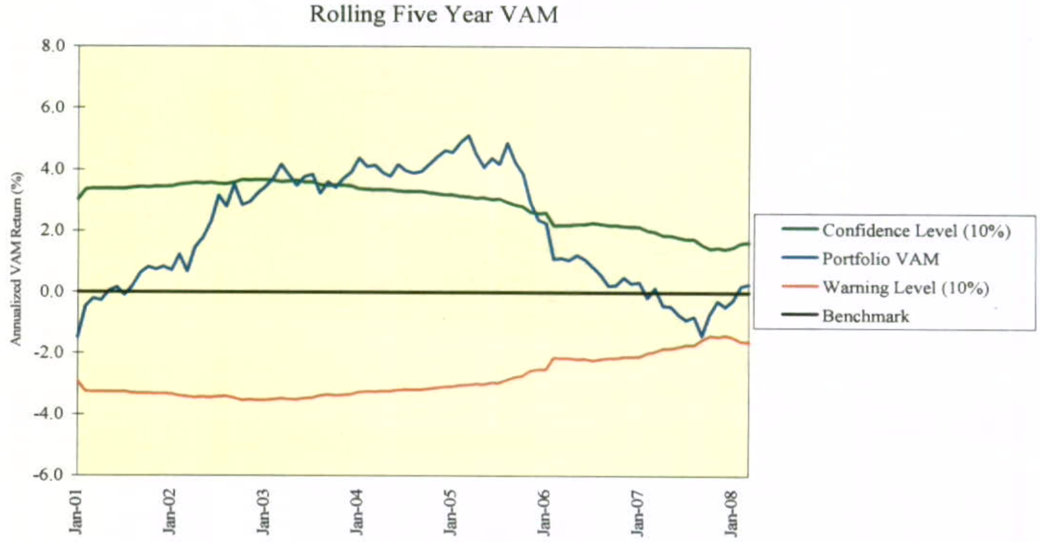
	Actual	Benchmark*
Last Quarter	-4.8%	-9.4%
Last 1 year	3.7	-5.1
Last 2 years	6.7	3.0
Last 3 years	7.7	5.9
Last 4 years	7.4	6.1
Last 5 years	11.6	11.3
Since Retention by SBI (12/03)	8.5	7.2

*Benchmark is the S&P 500.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

LARGE CAP EQUITY - LEGG MASON PARTNERS APPRECIATION I
Rolling Five Year VAM



Five Year Period Ending
Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2008

State's Participation in Fund: $462,801,771
Portfolio Manager: Donald Butler **Total Assets in Fund: $24,558,000,000**

Investment Philosophy
Vanguard Institutional 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 listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stock.

Staff Comments

No comment at this time.

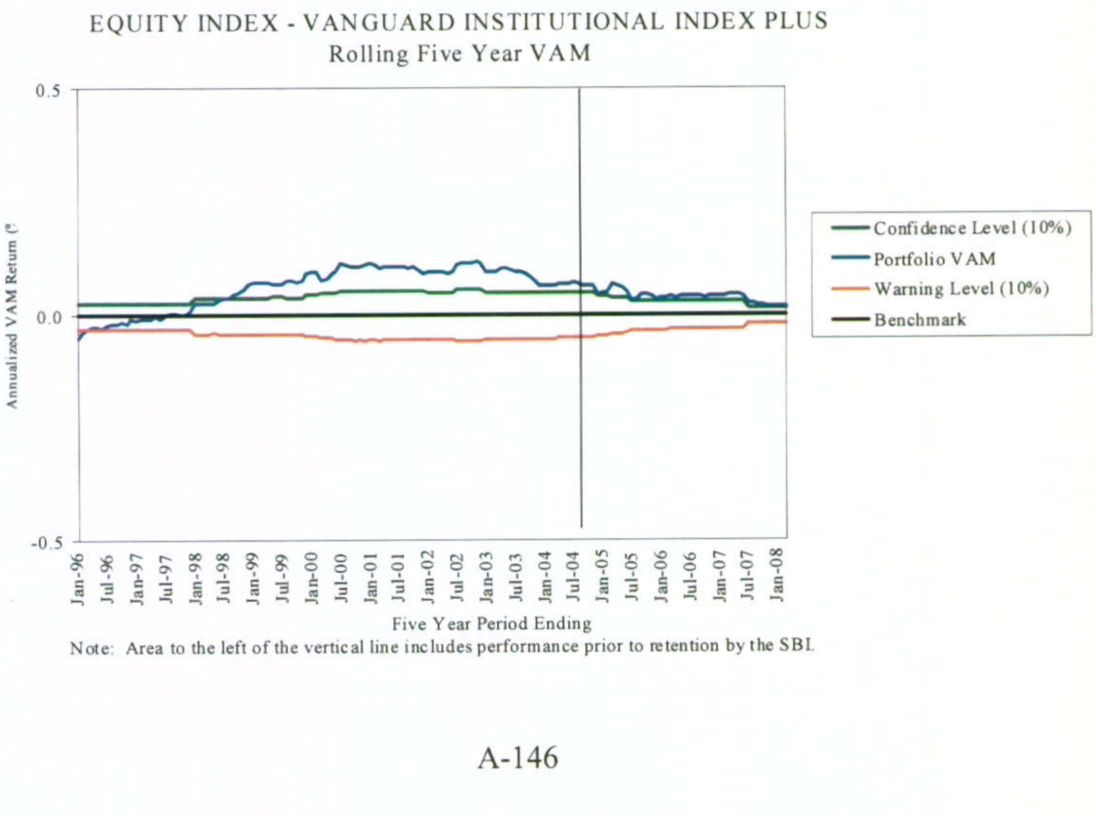
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-9.4%	-9.4%
Last 1 year	-5.1	-5.1
Last 2 years	3.0	3.0
Last 3 years	5.9	5.9
Last 4 years	6.1	6.1
Last 5 years	11.3	11.3
Since Retention by SBI (7/99)	1.3	1.2

*Benchmark is the S&P 500.

Recommendation

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending March, 2008

Portfolio Manager: Donald Butler

State's Participation in Fund: $129,881,538
Total Assets in Fund: $5,630,000,000

Investment Philosophy
Vanguard Mid-Cap Index

The fund employs a "passive management"- or indexing- investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

Staff Comments

No comment at this time.

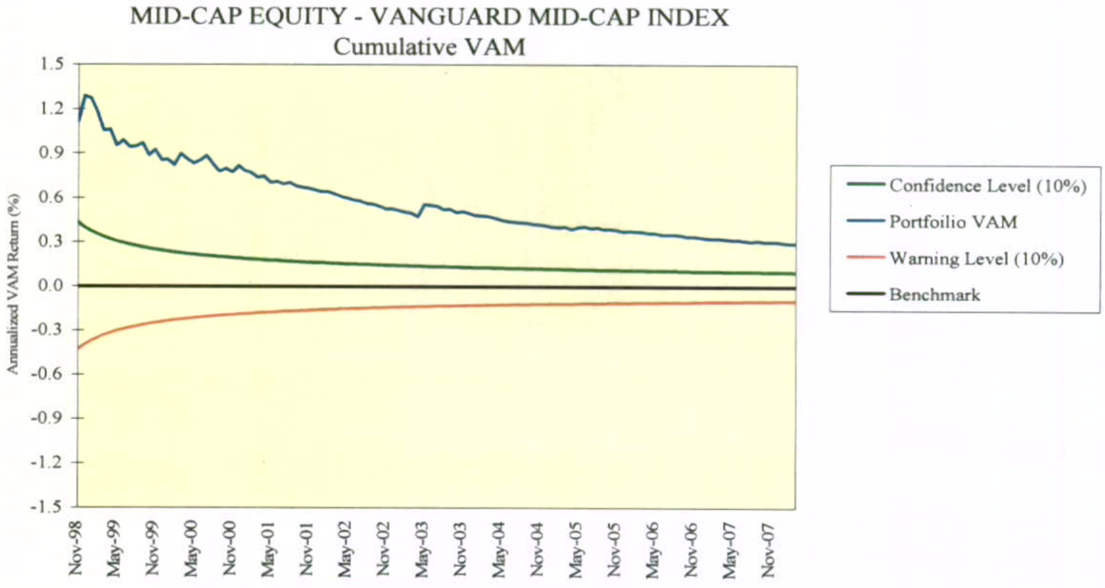
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-10.5%	-10.5%
Last 1 year	-9.2	-9.2
Last 2 years	0.2	0.2
Last 3 years	7.4	7.3
Last 4 years	9.1	9.1
Last 5 years	15.9	15.8
Since Retention by SBI (1/04)	9.8	9.7

*Benchmark is the MSCI US Mid Cap 450.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2008

		State's Participation in Fund:	**319,981,843**
Portfolio Manager:	**Gregory A. McCrickard**	**Total Assets in Fund:**	**5,639,237,761**

Investment Philosophy
T. Rowe Price Small Cap Equity Fund

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that 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.

Staff Comments

Five year performance numbers reflect a tough 2006, shared by many managers, and 2003 in which illiquid securities, not held by the manager, performed well. The manager continues to implement the same disciplined strategy and process employed for years.

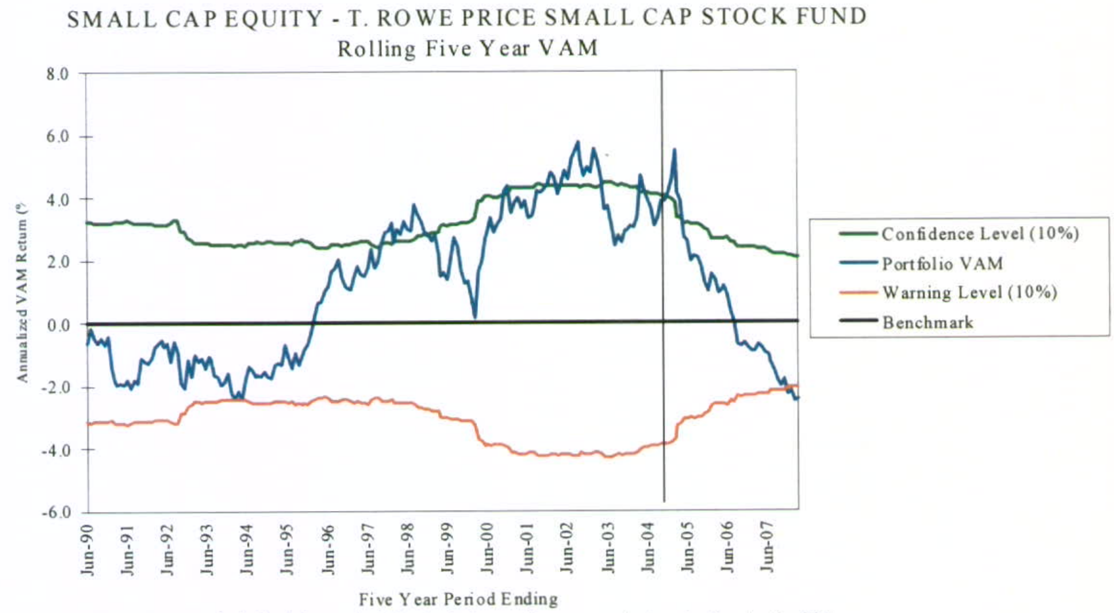
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-10.8%	-9.9%
Last 1 year	-14.6	-13.0
Last 2 years	-5.7	-4.0
Last 3 years	3.5	5.1
Last 4 years	5.0	5.1
Last 5 years	12.1	14.9
Since Retention by SBI (7/99)	8.2	6.1

*Benchmark is the Russell 2000.

Recommendation

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending March, 2008

State's Participation in Fund: $279,311,131
Portfolio Manager: John Gunn | **Total Assets in Fund: $23,936,849,328**

Investment Philosophy
Dodge & Cox Balanced Fund

The Fund seeks regular income, conservation of principal and an opportunity for long-term growth of principal and income. The Fund invests in a diversified portfolio of common stocks preferred stocks and fixed income securities.

Staff Comments

One year underperformance resulted from a 9 percent higher equity weighting than the combined index, coupled with underperformance in both the equity and fixed income sectors of the portfolio.

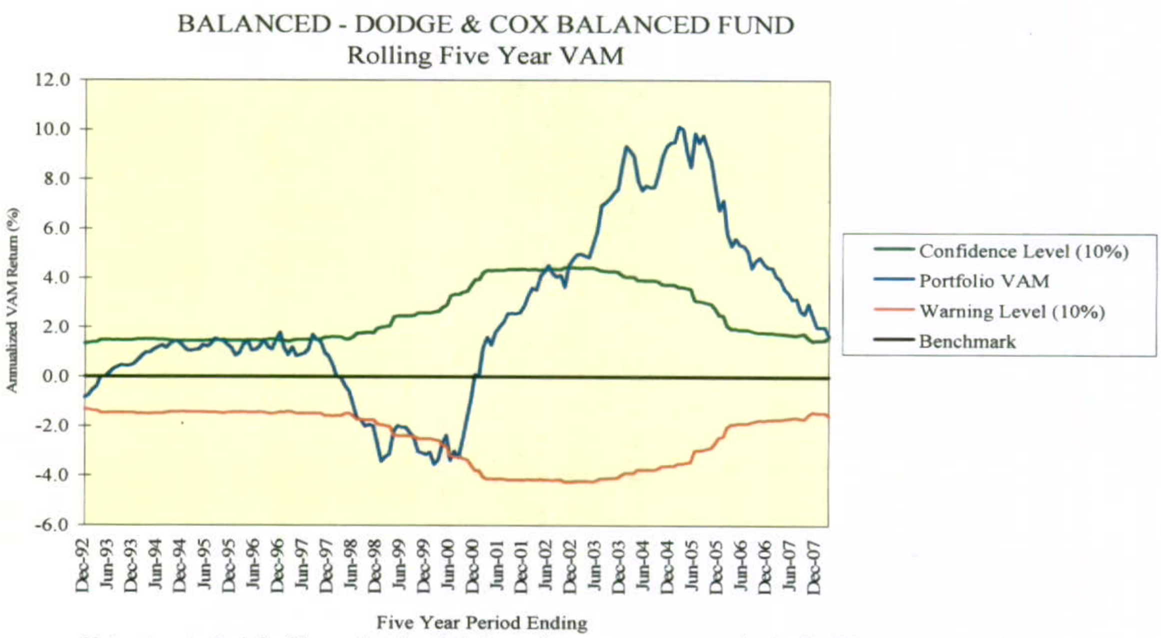
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-8.0%	-4.9%
Last 1 year	-7.9	0.0
Last 2 years	1.4	4.8
Last 3 years	4.3	5.8
Last 4 years	5.4	5.5
Last 5 years	10.5	8.7
Since Retention By SBI (10/03)	8.0	7.0

*Benchmark is 60% S&P 500, 40% Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2008

Portfolio Manager: Michael Perre	**State's Participation in Fund: $170,662,830**
	Total Assets in Fund: $2,756,000,000

Investment Philosophy
Vanguard Balanced Index Fund

The fund's assets are divided between stocks and bonds, with an average of 60% of its assets in stocks and 40% in bonds. The fund's stock segment attempts to track the performance of the MSCI US Broad Market Index, an unmanaged index representing the overall U.S. equity market. The fund's bond segment attempts to track the performance of the Lehman Brothers Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

Staff Comments

No comment at this time.

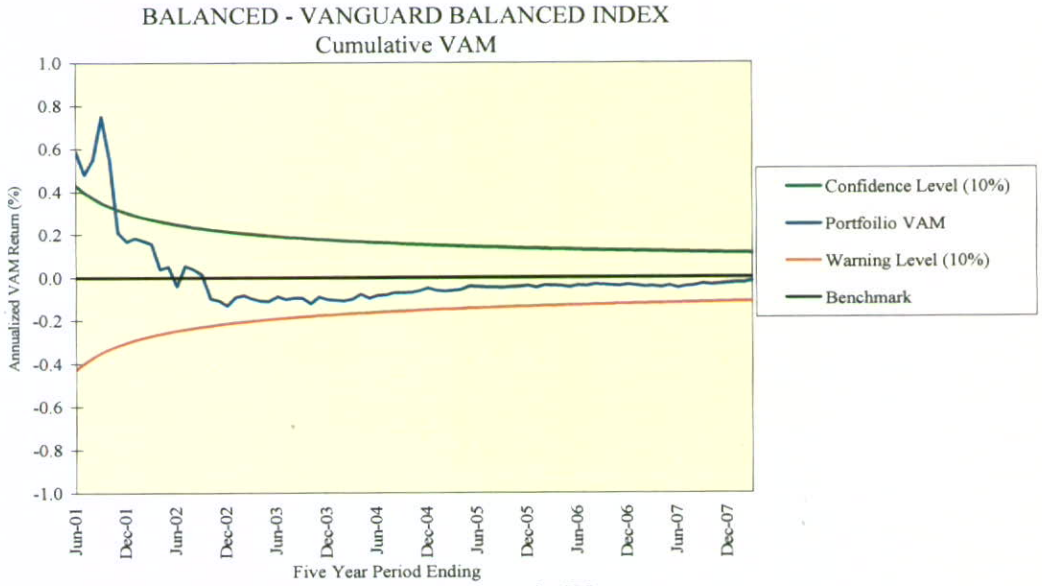
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-4.8%	-4.9%
Last 1 year	-0.2	-0.4
Last 2 years	4.5	4.4
Last 3 years	6.2	6.1
Last 4 years	5.9	5.8
Last 5 years	9.4	9.4
Since Retention by SBI (12/03)	6.8	6.7

*Benchmark is 60% MSCI US Broad Market, 40% Lehman Aggregate.
Equity benchmark was Wilshire 5000 prior to April 1, 2005.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending March, 2008

State's Participation in Fund: $101,984,251

Portfolio Manager: Dana Emery **Total Assets in Fund: $16,146,287,565**

Investment Philosophy
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 is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While the fund invests primarily in the U.S. bond market, it may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole.

Staff Comments

Underperformance over the past year resulted from a short duration position in the longer end of the yield curve and overweights in the corporate sector and in the mortgage sector.

Quantitative Evaluation

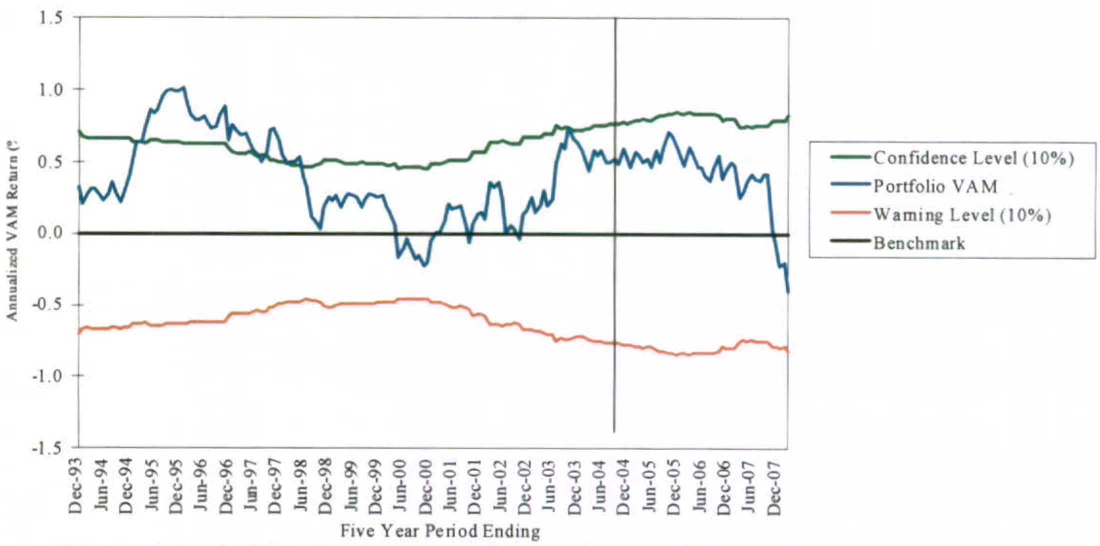
	Actual	Benchmark*
Last Quarter	0.6%	2.2%
Last 1 year	3.8	7.7
Last 2 years	5.2	7.1
Last 3 years	4.3	5.5
Last 4 years	3.6	4.4
Last 5 years	4.2	4.6
Since Retention By SBI (7/99)	6.2	6.3

*Benchmark is the Lehman Aggregate.

Recommendation

No action required.

BOND - DODGE & COX INCOME FUND
Rolling Five Year VAM



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending March, 2008

		State's Participation in Fund:	**$75,614,586**
Portfolio Manager:	**Kenneth Volpert**	**Total Assets in Fund:**	**$10,703,000,000**

Investment Philosophy
Vanguard Total Bond Market Index Institutional

The fund attempts to track the performance of the Lehman Brothers Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

Staff Comments

No comment at this time.

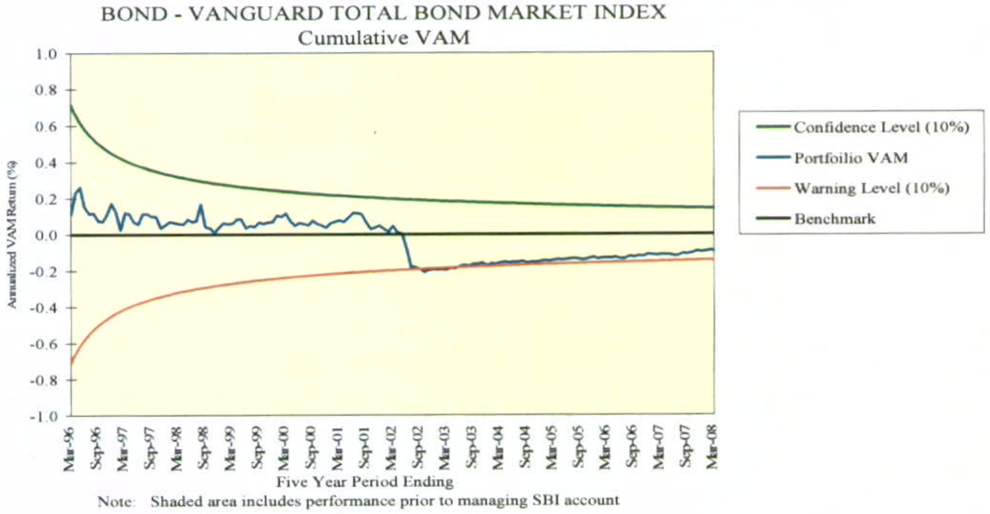
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.2%	2.2%
Last 1 year	7.8	7.7
Last 2 years	7.3	7.1
Last 3 years	5.6	5.5
Last 4 years	4.4	4.4
Last 5 years	4.7	4.6
Since Retention by SBI (12/03)	4.9	4.9

*Benchmark is the Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2008

Portfolio Manager: William Bower

State's Participation in Fund: $287,080,442
Total Assets in Fund: $50,274,950,000

Investment Philosophy
Fidelity Diversified International

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of $100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations.

Staff Comments

No comment at this time.

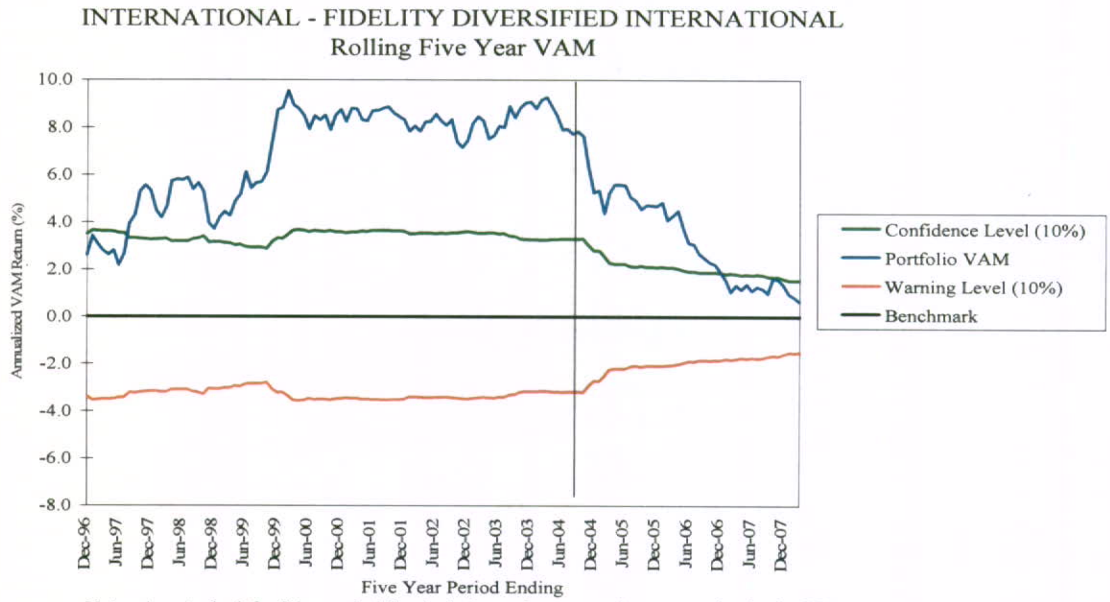
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-9.6%	-8.9%
Last 1 year	1.7	-2.7
Last 2 years	8.2	8.1
Last 3 years	14.6	13.3
Last 4 years	14.0	13.7
Last 5 years	22.2	21.4
Since Retention By SBI (7/99)	11.2	6.1

*Benchmark is the MSCI EAFE-Free.

Recommendation

No action required.



Note: Area to the left of the vertical line includes performance prior to retention by the SBI.

MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending March, 2008

	State's Participation in Fund:	**$82,424,669**
Portfolio Manager: Duane Kelly and Michael Buek	**Total Assets in Fund:**	**$4,443,000,000**

Investment Philosophy
Vanguard Institutional Developed Market Index

The fund seeks to track the performance of the MSCI EAFE Index by passively investing in two other Vanguard funds—the European Stock Index Fund and the Pacific Stock Index Fund. The combination of the two underlying index funds, in turn, seeks to track the investment results of the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index. The MSCI EAFE Index includes approximately 1,000 common stocks of companies located in Europe, Australia, Asia, and the Far East.

Staff Comments

No comment at this time.

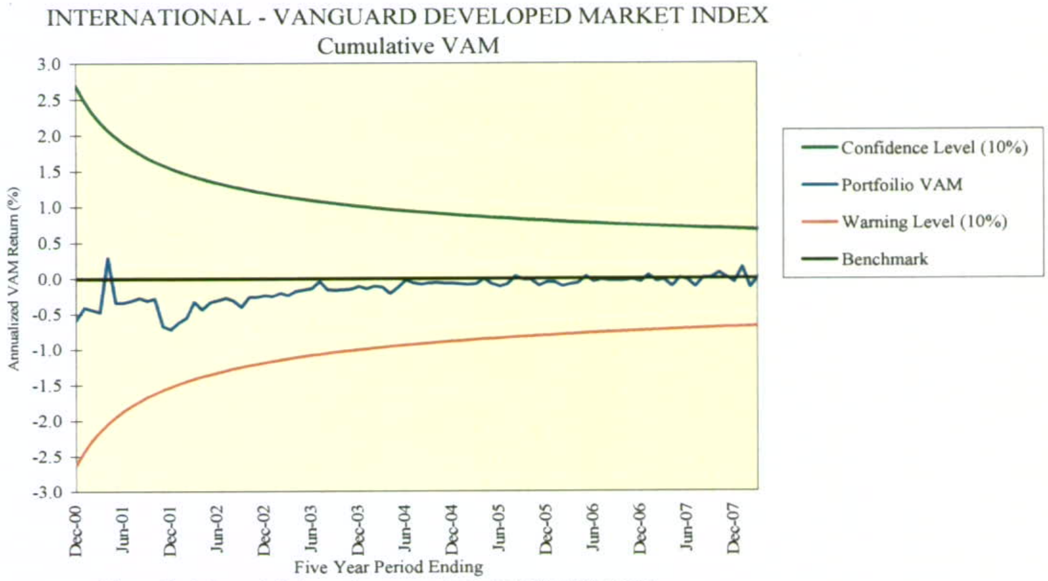
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-8.4%	-8.9%
Last 1 year	-2.4	-2.7
Last 2 years	8.5	8.1
Last 3 years	13.5	13.3
Last 4 years	13.9	13.7
Last 5 years	21.6	21.4
Since Retention by SBI (12/03)	15.9	15.7

*Benchmark is the MSCI EAFE International
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Shaded area includes performance prior to managing SBI account

Tab F

COMMITTEE REPORT

DATE: May 27, 2008

TO: Members, State Board of Investment
Members, Investment Advisory Council

FROM: Alternative Investment Committee

The Alternative Investment Committee met on May 13, 2008 to review the following information and action agenda items:

1. Review of current strategy.
2. Implementation of the increase in the alternative investment allocation target for the Basic Retirement Funds from the current 15% level to a 20% allocation.
3. New investments with one new private equity manager, two existing private equity managers and one existing real estate manager:

    - Värde Partners
    - Welsh, Carson, Anderson & Stowe
    - Blackstone
    - TA Associates Realty

Board/IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 12% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

1. 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 component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified; more focused (specialty) commingled funds and REITs.

2. The private equity investment strategy, which includes leveraged buyouts and venture capital, 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.

3. 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, energy service industry investments and other investments that are diversified geographically and by type.

4. The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

2) Implementation of the increase in the alternative investment allocation target for the Basic Retirement Fund from the current 15% level to a 20% allocation.

At its meeting on September 3, 2003 the SBI approved the following: "Increase the allocation for alternative investments in the Basic Retirement Funds from 15% to 20%. The allocation to alternative investments shall not exceed the current target of 15% in the Basic Retirement Funds until the proposed target allocation of 12% for the alternative investments in the Post Retirement Fund is reached. At that time, staff will notify the Board of the status of the respective alternative investment allocations before the allocation for the Basic Retirement Funds alternative investments would be raised from the current 15% level to the proposed 20% allocation."

Using March 31, 2008 market values for alternative investments, current and pending unfunded commitments to alternative assets plus new alternative investment recommendations for the second quarter of 2008, the Post Fund will exceed its target allocation during the second quarter of 2008. Therefore, the Committee is notifying the Board that the target allocation for the Post Retirement Fund will be reached during the second quarter of 2008 and the allocation target for the Basic Retirement Fund will be raised during the second quarter of 2008 from the current 15% level to the proposed 20% allocation.

ACTION ITEMS:

1) **Investment with a new private equity manager, Värde Partners, in Värde Fund IX, L.P.**

Värde Partners is seeking investors for a new $2 billion private equity fund. This fund is a successor to other prior private equity funds managed by Värde Partners. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of distressed and/or mispriced private and public investments.

More information on Värde Fund IX, L.P. is included as **Attachment C**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $100 million or 20%, whichever is less, in Värde Fund IX, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Värde Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Värde Partners or reduction or termination of the commitment.

2) **Investment with an existing private equity manager, Welsh, Carson, Anderson & Stowe, in Welsh, Carson, Anderson & Stowe XI, L.P.**

Welsh, Carson, Anderson & Stowe is seeking investors for a new $4.5 billion private equity fund. This fund is a successor to ten other prior private equity funds managed by Welsh, Carson, Anderson & Stowe. The SBI is an investor in 3 prior funds with Welsh, Carson, Anderson & Stowe for a total of $325 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity investments.

More information on Welsh, Carson, Anderson & Stowe Strategic Partners XI, L.P. is included as **Attachment D**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute commitments of up to $100 million or 20%, whichever is less, in Welsh, Carson, Anderson & Stowe XI, L.P. Approval by the SBI of this potential commitment is not intended

to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Welsh, Carson, Anderson & Stowe upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Welsh, Carson, Anderson & Stowe or reduction or termination of the commitment.

3) **Investment with an existing private equity manager, Blackstone, in Blackstone Capital Partners VI, L.P.**

Blackstone is seeking investors for a new $20 billion private equity fund. This fund is a successor to five other prior private equity funds managed by Blackstone. The SBI is an investor in 3 prior funds with Blackstone for a total of $260 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity investments.

More information on Blackstone Capital Partners VI, L.P. is included as **Attachment E**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $100 million or 20%, whichever is less, in Blackstone Capital Partners VI, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Blackstone upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Blackstone or reduction or termination of the commitment.

4) Investment with an existing real estate manager, TA Associates Realty, in The Realty Associates Fund IX

TA Associates Realty is seeking investors for a new $1.75 billion real estate fund. This fund is a successor to eight other prior real estate funds managed by TA Associates Realty in which the SBI invested in six prior funds with TA Associates Realty for a total of $365 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of real estate investments.

More information on, The Realty Associates Fund IX is included as **Attachment F.**

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $100 million or 20%, whichever is less, in The Realty Associates Fund IX. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by TA Associates Realty upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on TA Associates Realty or reduction or termination of the commitment.

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Minnesota State Board of Investment

Pooled Alternative Investments
Combined Retirement Funds
March 31, 2008

Basic Retirement Funds Market Value	$23,800,197,448
Post Retirement Fund Market Value	$23,163,416,488
Amount Available for Investment	**$412,605,417**

	Current Level	Target Level	Difference
Market Value (MV)	$5,705,222,141	$6,349,639,596	$644,417,455
MV +Unfunded	$9,111,853,977	$9,524,459,394	$412,605,417

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	$3,154,572,890	$1,869,604,036	$5,024,176,926
Real Estate	$1,113,467,043	$270,719,041	$1,384,186,084
Resource	$292,864,693	$541,374,156	$834,238,849
Yield-Oriented	$1,144,317,515	$724,934,602	$1,869,252,117
Total	$5,705,222,141	$3,406,631,836	$9,111,853,977

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ATTACHMENT B

Minnesota State Board of Investment

- Alternative Investments -

As of March 31 2008

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Real Estate							
Blackstone							
Blackstone Real Estate V	100,000,000	81,466,158	110,264,294	22,751,431	18,533,842	50.1	1.9
Blackstone Real Estate VI	100,000,000	41,348,726	47,027,023	0	58,651,274	15.9	1.0
Colony Capital							
Colony Investors II	80,000,000	78,482,328	78,204	89,843,193	1,517,672	4.7	13.0
Colony Investors III	100,000,000	100,000,000	11,387,800	167,674,385	0	15.4	10.2
CSFB Strategic Partners III RE	25,000,000	12,862,371	13,072,169	416,063	12,137,629	4.7	2.7
Lehman Brothers Real Estate							
Lehman Brothers Real Esate Partners II	75,000,000	65,121,376	62,222,793	22,008,951	9,878,624	22.9	2.7
Lehman Brothers Real Esate Partners III	150,000,000	0	0	0	150,000,000	N/A	0.0
Morgan Stanley (Lend Lease)	40,000,000	40,000,000	295,574,337	5,827,664	0	8.1	26.5
T.A. Associates Realty							
Realty Associates Fund V	50,000,000	50,000,000	33,059,255	70,166,895	0	12.9	8.9
Realty Associates Fund VI	50,000,000	50,000,000	55,918,488	38,040,101	0	20.6	5.8
Realty Associates Fund VII	75,000,000	75,000,000	88,010,119	16,076,654	0	17.3	3.4
Realty Associates Fund VIII	100,000,000	80,000,000	82,471,920	1,523,602	20,000,000	8.6	1.7
UBS Trumbull Property Fund	42,376,529	42,376,529	314,380,641	0	0	8.6	25.9
Real Estate Total	987,376,529	716,657,488	1,113,467,043	434,328,939	270,719,041		
Resource							
Apache Corp III	30,000,000	30,000,000	8,215,050	52,658,159	0	12.4	21.3
EnCap Energy Capital Fund VII	100,000,000	6,057,440	5,445,390	0	93,942,560	N/A	0.8
First Reserve							
First Reserve Fund VII	40,000,000	40,000,000	872,998	60,016,961	0	10.2	11.7
First Reserve Fund VIII	100,000,000	100,000,000	1,705,002	201,883,104	0	15.9	9.9
First Reserve Fund IX	100,000,000	100,000,000	940,000	298,659,472	0	48.1	7.0
First Reserve Fund X	100,000,000	96,598,255	77,187,223	97,102,008	3,401,745	53.8	3.4
First Reserve Fund XI	150,000,000	70,772,005	75,677,028	0	79,227,995	21.5	1.3
NGP							
Natural Gas Partners IX	150,000,000	10,547,260	9,517,226	365,317	139,452,740	N/A	0.4
NGP Midstream & Resources	100,000,000	18,648,624	17,201,511	48,213	81,351,376	-10.3	1.0
Sheridan Production Partners I	100,000,000	39,002,260	43,797,392	2,000,000	60,997,740	38.1	1.0
Simmons - SCF IV	47,626,265	47,626,265	43,247,390	115,830,302	0	25.0	10.0
T. Rowe Price	58,467,289	58,467,289	0	83,624,627	0	27.7	N/A
TCW Energy Partners XIV	100,000,000	17,000,000	9,058,482	2,409,768	83,000,000	N/A	1.0
Resource Total	1,176,093,554	634,719,398	292,864,693	914,597,931	541,374,156		

Minnesota State Board of Investment

- Alternative Investments -

As of March 31 2008

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Yield-Oriented							
Carbon Capital	46,184,308	46,184,308	1,493,601	59,522,956	0	15.5	5.9
Citicorp Mezzanine							
Citicorp Mezzanine I	40,000,000	40,000,000	164,786	59,964,518	0	11.3	13.2
Citicorp Mezzanine III	100,000,000	88,029,296	16,380,130	120,074,597	11,970,704	17.2	8.4
DLJ Investment Partners							
DLJ Investment Partners II	50,000,000	21,026,211	3,094,345	30,122,449	28,973,789	11.2	8.2
DLJ Investment Partners III	100,000,000	10,068,926	9,870,538	228,259	89,931,074	0.2	1.8
Gold Hill Venture Lending	40,000,000	32,400,000	28,190,509	9,469,684	7,600,000	6.9	3.5
GS Mezzanine Partners							
GS Mezzanine Partners II	100,000,000	83,092,437	38,556,064	81,663,174	16,907,563	9.7	8.1
GS Mezzanine Partners III	75,000,000	52,896,411	38,975,653	39,124,047	22,103,589	17.0	4.7
GS Mezzanine Partners 2006	100,000,000	61,660,451	59,031,019	12,957,060	38,339,549	17.7	2.0
GS Mezzanine Partners V	150,000,000	21,000,000	20,894,916	0	129,000,000	N/A	0.4
GTCR Capital Partners	80,000,000	69,589,422	4,385,184	103,648,466	10,410,578	11.1	8.4
KB Mezzanine Fund II	25,000,000	25,000,000	217,314	12,218,730	0	-13.8	12.5
Merit Capital Partners							
William Blair Mezz. III	60,000,000	56,958,000	13,496,307	87,851,529	3,042,000	15.3	8.2
Merit Mezzanine Fund IV	75,000,000	47,896,978	45,788,537	6,308,952	27,103,022	6.1	3.3
Merit Energy Partners							
Merit Energy Partners B	24,000,000	24,000,000	78,223,151	65,964,888	0	26.3	11.7
Merit Energy Partners C	50,000,000	50,000,000	249,902,606	118,388,592	0	36.6	9.4
Merit Energy Partners D	88,000,000	70,938,303	214,818,578	69,011,644	17,061,697	31.6	6.9
Merit Energy Partners E	100,000,000	36,489,813	61,659,825	7,981,887	63,510,187	22.1	3.5
Merit Energy Partners F	100,000,000	17,879,492	17,536,887	1,770,831	82,120,508	4.3	2.0
Prudential Capital Partners							
Prudential Capital Partners I	100,000,000	95,856,253	36,442,939	92,880,457	4,143,747	10.5	7.0
Prudential Capital Partners II	100,000,000	70,389,582	66,386,917	9,881,142	29,610,418	6.4	2.8
Quadrant Real Estate Advisors							
Institutional Commercial Mortgage Fd III	21,275,052	21,275,052	867,936	34,448,831	0	8.2	11.3
Institutional Commercial Mortgage Fd IV	14,300,000	14,300,000	3,378,569	19,580,687	0	8.3	10.3
Institutional Commercial Mortgage Fd V	37,200,000	37,200,000	22,193,841	35,117,697	0	8.3	8.7
Summit Partners							
Summit Subordinated Debt Fund I	20,000,000	18,000,000	86,120	31,406,578	2,000,000	30.6	14.0
Summit Subordinated Debt Fund II	45,000,000	40,500,000	6,662,792	83,140,047	4,500,000	56.5	10.7
Summit Subordinated Debt Fund III	45,000,000	35,100,000	22,543,820	16,559,260	9,900,000	7.4	4.1
Summit Subordinated Debt Fund IV	50,000,000	0	0	0	50,000,000	N/A	0.0
T. Rowe Price	53,553,749	53,553,749	146,142	52,409,711	0	-8.7	N/A
TCW/Crescent Mezzanine							
TCW/Crescent Mezzanine Partners I	40,000,000	37,130,039	3,758,827	57,050,388	2,869,961	14.8	12.0
TCW/Crescent Mezzanine Partners II	100,000,000	87,479,046	2,186,456	134,950,360	12,520,954	13.4	9.4
TCW/Crescent Mezzanine Partners III	75,000,000	68,835,264	14,742,733	139,785,151	6,164,736	37.4	7.0
Windjammer Capital Investors							
Windjammer Mezzanine & Equity Fund II	66,708,861	50,104,865	37,262,477	37,473,258	16,603,996	11.1	8.0
Windjammer Senior Equity Fund III	67,974,684	29,428,153	24,977,996	2,525,975	38,546,531	-10.6	2.2
Yield Oriented Total	2,239,196,654	1,514,262,052	1,144,317,515	1,633,481,805	724,934,602		

Minnesota State Board of Investment

- Alternative Investments -

As of March 31 2008

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity							
Adams Street Partners							
Adams Street VPAF Fund I	3,800,000	3,800,000	89,891	9,387,104	0	13.2	19.9
Adams Street VPAF Fund II	20,000,000	20,000,000	108,872	37,898,512	0	24.1	17.3
Advent International GPE VI	50,000,000	0	0	0	50,000,000	N/A	0.0
Affinity Ventures IV	4,000,000	2,111,847	1,415,165	405,436	1,888,153	-11.6	3.7
Banc Fund VII	45,000,000	39,600,000	31,066,992	812,725	5,400,000	-13.1	3.0
Blackstone							
Blackstone Capital Partners II	47,271,190	47,271,190	3,683,129	95,379,217	0	34.1	14.4
Blackstone Capital Partners IV	70,000,000	63,046,740	54,279,417	83,657,295	6,953,260	48.5	5.7
Blackstone Capital Partners V	140,000,000	81,893,945	82,288,273	5,029,255	58,106,055	6.4	2.2
BLUM Capital Partners							
Blum Strategic Partners I	50,000,000	49,001,812	14,392,412	89,408,820	998,188	14.0	9.3
Blum Strategic Partners II	50,000,000	40,187,230	17,342,990	72,627,180	9,812,770	25.4	6.7
Blum Strategic Partners III	75,000,000	73,976,127	65,963,776	24,239,937	1,023,873	12.2	2.8
Blum Strategic Partners IV	150,000,000	56,975,851	55,384,914	0	93,024,149	N/A	0.4
CVC European Equity V	157,880,000	0	0	0	157,880,000	N/A	0.0
CVI Global Value Fund	125,000,000	106,250,000	112,308,889	2,087,004	18,750,000	9.4	1.2
Chicago Growth Partners (William Blair)							
William Blair Capital Partners VII	50,000,000	47,850,000	34,694,321	39,727,039	2,150,000	12.3	7.1
Chicago Growth Partners VIII	50,000,000	36,741,998	33,968,001	10,648,312	13,258,002	19.9	2.7
Chicago Growth Partners IX	60,000,000	0	0	0	60,000,000	N/A	0.0
Coral Partners							
Coral Partners II	10,000,000	10,000,000	232,442	36,632,559	0	24.9	17.7
Coral Partners IV	15,000,000	15,000,000	1,574,254	13,538,879	0	0.1	13.7
Coral Partners V	15,000,000	15,000,000	2,829,443	3,106,198	0	-14.1	9.8
Court Square Capital							
Citigroup Venture Capital Equity	100,000,000	79,682,733	34,350,488	121,044,924	20,317,267	30.2	6.3
Court Square Capital Partners II	175,000,000	42,587,303	38,089,733	1,060,206	132,412,697	-9.8	1.6
Crescendo							
Crescendo III	25,000,000	25,000,000	1,388,077	9,321,908	0	-20.3	9.4
Crescendo IV	101,500,000	101,500,000	45,483,330	4,018,614	0	-12.3	8.1
Credit Suisse							
DLJ Merchant Banking Partners III	125,000,000	117,664,141	81,894,980	159,260,901	7,335,860	21.4	7.5
DLJ Strategic Partners	100,000,000	88,208,332	36,971,491	128,675,584	11,791,668	24.9	7.2
CSFB Strategic Partners II-B	100,000,000	81,114,926	52,884,242	108,603,313	18,885,074	46.2	4.7
CSFB Strategic Partners III VC	25,000,000	21,064,395	21,762,216	3,695,774	3,935,605	17.1	2.8
CSFB Strategic Partners III-B	100,000,000	79,473,871	88,379,237	16,068,575	20,526,129	36.7	2.8
CS Strategic Partners IV-B	100,000,000	0	0	0	100,000,000	N/A	0.0
Diamond Castle Partners IV	100,000,000	46,318,250	49,091,879	331,777	53,681,750	5.1	1.6
EBF Merced Partners II	75,000,000	18,750,000	20,094,281	0	56,250,000	9.6	1.0
Elevation Partners	75,000,000	42,092,505	32,605,306	14,244,241	32,907,495	6.5	2.9
First Century Partners III	10,000,000	10,000,000	55,561	15,226,240	0	7.6	23.3
Fox Paine Capital Fund							
Fox Paine Capital Fund I	40,000,000	40,000,000	1,158,584	42,764,225	0	1.6	9.9
Fox Paine Capital Fund II	50,000,000	37,598,342	28,221,278	45,038,976	12,401,658	27.1	7.7

Minnesota State Board of Investment

- Alternative Investments -

As of March 31 2008

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
GHJM Marathon Fund							
GHJM Marathon Fund IV	40,000,000	39,051,000	9,194,895	44,201,952	949,000	7.4	9.0
GHJM Marathon Fund V	50,000,000	37,219,679	37,177,365	5,862,155	12,780,321	8.9	3.5
GolderThoma Cressey Rauner							
Golder Thoma Cressey & Rauner Fund III	14,000,000	14,000,000	185,019	78,123,015	0	30.9	20.4
Golder Thoma Cressey & Rauner Fund IV	20,000,000	20,000,000	28,060	42,160,456	0	25.0	14.2
Golder Thoma Cressey & Rauner Fund V	30,000,000	30,000,000	2,846,423	53,129,031	0	11.4	11.7
GS Capital Partners							
GS Capital Partners 2000	50,000,000	50,000,000	32,109,696	76,071,789	0	26.1	7.6
GS Capital Partners V	100,000,000	66,390,364	118,322,589	13,787,485	33,609,636	41.6	3.0
GS Capital Partners VI	100,000,000	31,000,000	28,000,006	0	69,000,000	-17.3	1.2
GTCR Golder Rauner							
GTCR VI	90,000,000	90,000,000	22,670,506	73,737,932	0	2.1	9.7
GTCR VII	175,000,000	154,437,499	46,513,545	322,671,686	20,562,501	25.2	8.1
GTCR IX	75,000,000	17,495,471	15,174,460	4,741,730	57,504,529	32.4	1.7
Hellman & Friedman							
Hellman & Friedman Capital Partners IV	150,000,000	133,967,494	35,930,321	341,637,107	16,032,506	35.8	8.2
Hellman & Friedman Capital Partners V	160,000,000	141,981,656	164,732,341	123,476,132	18,018,344	45.5	3.3
Hellman & Friedman Capital Partners VI	175,000,000	86,441,458	78,241,621	141,777	88,558,542	-16.0	1.0
Kohlberg Kravis Roberts							
KKR 1987 Fund	145,373,652	145,373,652	3,225,316	395,916,506	0	8.7	20.4
KKR 1993 Fund	150,000,000	150,000,000	1,365,678	308,083,297	0	16.8	14.3
KKR 1996 Fund	200,000,000	200,000,000	37,697,798	333,040,611	0	13.5	11.6
KKR Millennium Fund	200,000,000	196,315,009	197,528,869	147,783,336	3,684,991	28.2	5.3
KKR 2006 Fund	200,000,000	144,985,528	137,015,325	5,873,251	55,014,472	-2.1	1.5
Lexington Capital Partners VI-B	100,000,000	50,693,041	45,393,939	9,633,002	49,306,959	9.7	2.3
RWI Ventures							
RWI Group III	616,430	616,430	238,368	259,070	0	-17.3	1.8
RWI Ventures I	7,603,265	7,303,265	5,478,472	2,790,233	300,000	8.9	1.8
Sightline Healthcare							
Sightline Healthcare Fund II	10,000,000	10,000,000	2,374,106	4,883,002	0	-4.6	11.1
Sightline Healthcare Fund III	20,000,000	20,000,000	7,704,542	3,288,320	0	-9.7	9.2
Sightline Healthcare Fund IV	7,700,000	6,590,622	3,742,355	3,612,034	1,109,378	3.8	4.5
Silver Lake Partners							
Silver Lake Partners II	100,000,000	85,919,166	101,748,828	17,255,765	14,080,834	18.1	3.7
Silver Lake Partners III	100,000,000	12,251,117	11,089,248	586,157	87,748,883	-11.4	1.0
Split Rock Partners	50,000,000	21,363,638	19,189,352	428,377	28,636,362	-6.0	2.9
Summit Partners							
Summit Ventures II	30,000,000	28,500,000	169,146	74,524,292	1,500,000	28.8	19.9
Summit Ventures V	25,000,000	24,000,000	2,760,257	32,030,884	1,000,000	9.2	10.0
T. Rowe Price	792,733,653	792,733,653	75,968,690	749,740,281	0	6.6	N/A

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Thoma Cressey							
Thoma Cressey Fund VI	35,000,000	33,915,000	12,317,220	15,371,225	1,085,000	-3.1	9.6
Thoma Cressey Fund VII	50,000,000	49,104,075	35,969,571	46,489,614	895,925	28.1	7.6
Thoma Cressey Fund VIII	70,000,000	55,002,574	54,878,378	0	14,997,426	-0.7	1.9
Thomas McNerney & Partners							
Thomas McNerney & Partners I	30,000,000	22,350,000	14,979,748	10,504,694	7,650,000	5.4	5.4
Thomas McNerney & Partners II	50,000,000	12,375,000	10,527,017	768,885	37,625,000	-11.0	1.7
Vestar Capital Partners							
Vestar Capital Partners IV	55,000,000	51,660,023	29,571,560	54,477,273	3,339,977	15.4	8.3
Vestar Capital Partners V	75,000,000	53,131,614	51,962,994	3,665,481	21,868,386	5.2	2.3
Warburg Pincus							
Warburg Pincus Ventures	50,000,000	50,000,000	451,376	255,979,300	0	49.2	13.2
Warburg Pincus Equity Partners	100,000,000	100,000,000	25,314,368	128,432,094	0	10.0	9.8
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	118,475,379	73,719,002	0	21.3	6.0
Warburg Pincus Private Equity IX	100,000,000	94,405,208	104,051,010	4,011,000	5,594,792	10.8	2.7
Warburg Pincus Private Equity X	150,000,000	25,110,914	24,554,733	0	124,889,086	N/A	0.4
Wayzata Investment Partners							
Wayzata Opportunities Fund	100,000,000	97,600,000	116,368,285	339,109	2,400,000	10.9	2.3
Wayzata Opportunities Fund II	150,000,000	46,500,000	45,524,151	0	103,500,000	N/A	0.4
Welsh, Carson, Anderson & Stowe							
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	50,626,743	80,127,336	0	3.7	9.7
Welsh, Carson, Anderson & Stowe IX	125,000,000	118,750,000	91,458,003	122,638,925	6,250,000	16.7	7.8
Welsh, Carson, Anderson & Stowe X	100,000,000	69,578,466	79,636,590	0	30,421,534	10.9	2.3
Zell/ Chilmark	30,000,000	30,000,000	34,765	77,129,496	0	17.7	17.7
Private Equity Total	7,327,478,190	5,457,874,154	3,154,572,890	5,337,064,831	1,869,604,036		

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Värde Fund IX, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	$2 billion
Fund Manager:	Värde Partners
Manager Contact:	Kirsten Voss 8500 Normandale Lake Blvd., Ste 1500 Minneapolis, MN 55437 Phone: 952-646-2061 Fax: 952-893-9613

II. Organization and Staff

Värde, controlled by George G. Hicks, Marcia L. Page, Jeremy D. Hedberg, Jason R. Spaeth and Rick J. Noel (together, the "Principals"), has extensive experience in the origination, acquisition and workout of a wide variety of assets which are, for various reasons, mispriced or relatively cheap. The founders have been investing in these types of assets since the 1980's. Since its founding in late 1993, Värde has grown in depth and experience. Värde has a staff of 78, including an experienced investment team of 35 individuals, including the five Principals. Assets under management have grown to over $3.5 billion. In addition, Värde works with a proprietary network of asset managers which has leveraged the firm's ability to originate and workout assets across a wide range of industries and geographies.

III. Investment Strategy

The Fund is being organized to invest in a wide variety of U.S. and non- U.S. financial assets, debt obligations and securities that are inefficiently priced as a result of business, financial, market or legal uncertainties. The Fund's investments will extend to Public Investments and Private Investments.

Based on the investment experience of the Principals and their expectations of future opportunities, Private Investments are initially anticipated to represent more than 50% of the Commitments of the Fund. A matrix of characteristics describing these Private Investments is as follows:

- Purchased or financed as a single asset or as a portfolio of loans;
- Collateralized by various types of collateral or unsecured;
- Consumer, corporate or real estate related assets; and

- Nonperforming, subperforming or "stressed" assets or involve new assets in situations which allow for excess return for risk assumed, on account of special circumstances.

In addition to the Private Investments described above, the Fund is expected to invest in publicly traded indebtedness of bankrupt or financially-troubled companies and tranches of asset backed securities. Such investments will consist primarily of distressed assets and noninvestment grade obligations, including special situations and capital structure arbitrage trades.

Changing financial conditions will mean that the opportunities for acquiring Public Investments and Private Investments will vary over time. It is expected that defaults in publicly traded distressed corporate debt will increase at some point during the term of the Fund.

The Fund may leverage its investments from time to time with recourse and non-recourse borrowings, primarily from banks, securities firms and other providers of capital, in such amounts and on such terms and conditions as the General Partner, in its sole discretion, deems appropriate.

IV. Investment Performance

Previous investment performance as of December 31, 2007 for Värde closed end commingled funds ("Lock-Up Funds") is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*
Värde Fund VIII	2006	$940 million		22.2%
Private Värde Fund	2005	$348 million		13.0%
Värde Fund VII, VII-A	2003	$145 million		15.9%
Värde Fund VI-A	2001	$125 million		21.2%
Värde Fund VI	2001	$47 million		22.5%
Värde Fund V	2000	$82.5 million		21.9%
Värde Select Fund	1998	$51.5 million		5.8%

* Net IRR's were provided by the General Partner. Past performance is not necessarily indicative of future results.

V. General Partner's Investment

The General Partner will commit to invest at least 1% of the aggregate Commitments of the Fund.

VI. Takedown Schedule

Each Limited Partner will be obligated to make capital contributions as called by the General Partner from time to time; provided, that any such capital call shall be equal to at least 5% of such Limited Partner's Commitment. All drawdowns shall be made on not less than five days prior written notice to the Limited Partners.

VII. Management Fee

The management fee will be 1.75% per year on the lesser of beginning of month capital or committed capital during the Investment Period. Upon expiration of the Investment Period, the fee will be 1.5% on the lesser of beginning of month capital or commitment amount.

VIII. Distributions

Any distributions to the Partners shall be made in the following order: (i) to pay Management Fees; (ii) to all Partners in an amount equal to their unrecovered capital contributions; (iii) to all Partners in an amount equal to their unrecovered 6% Preferred Return; (iv) 40% to the General Partner and 60% to the Limited Partners until such time as the aggregate amount distributed to the General Partner shall be equal to 20% of the aggregate amounts distributed pursuant to clause (iii) above and this clause (iv); and, thereafter, (v) 80% to such Limited Partner and 20% to the General Partner..

IX. Investment Period and Term

A Limited Partner's Commitment will be available for draw-downs and the reinvestment of portfolio proceeds will be authorized through the fourth anniversary of the Final Closing Date (the "Investment Period"), unless terminated earlier by the General Partner in its sole discretion.

The term of the Fund will be ten years, subject to extension for an additional one-year period by the General Partner, in its sole discretion, and thereafter for two additional consecutive one-year periods by the General Partner with the consent of the majority-in-interest of the Limited Partners.

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Welsh, Carson, Anderson & Stowe XI, L.P.
Type of Fund:	Private Equity Limited Partnership (Buyout)
Total Fund Size:	$4.0-$4.5 billion
Fund Manager:	Welsh, Carson, Anderson & Stowe 320 Park Avenue Suite 2500 New York, NY 10022-6815 Phone: (212) 893-9500 Fax: (212) 893-9575
Manager Contact:	Tony de Nicola- 212-893-9521
	Paul Queally - 212-893-9523
	Jonathan Rather - 212-893-9570

II. Organization and Staff

Welsh, Carson, Anderson & Stowe ("WCAS" or the "Firm") has organized and managed 14 limited partnerships with total capital of over $14 billion, consisting of ten Equity Partnerships and four Subordinated Debt Partnerships. The Firm was established in 1979.

WCAS's strategy is to buy leading growth businesses in its two target industries, information/business services and healthcare, and generate capital appreciation through internal growth strategies and acquisitions. WCAS differentiates itself from other private equity firms by its industry specialization, investment track record, growth oriented and operational investment focus, proprietary deal flow, repeat management teams and the continuity and financial commitment of its investment team. These WCAS traits allow the Firm to generate new investment opportunities and add significant strategic and operational value to its portfolio companies.

The General Partner of Welsh, Carson, Anderson & Stowe XI, L.P. ("WCAS XI") is WCAS XI Associates, LLC, a limited liability company formed under the laws of the state of Delaware. The individual General Partners and other investment professionals own 100% of WCAS XI Associates, LLC.

The management company, WCAS Management Corporation ("WCAS"), is a corporation formed under the laws of the state of Delaware. The General Partners own 100% of WCAS, which will provide the day-to-day managerial and administrative service to the Partnership.

WCAS's investment professionals are led by 15 General Partners who combine strategic, operational and financial experience with extensive relationships and expertise within the Firm's target industries. The General Partners average 19 years of relevant experience in private equity and 15 years of tenure at WCAS.

In addition to the investment professionals, the WCAS Resources Group works under the direction of the General Partners and is comprised of senior operating executives who have strong industry expertise and relationships. They participate in the investment process by assisting with deal sourcing, due diligence, and implementation of operational initiatives within portfolio companies. They also serve on portfolio company boards.

III. Investment Strategy

WCAS's strategy is to invest in growth-oriented companies within the healthcare and information/business services industries. The Firm's General Partners understand the fundamentals of growth companies and have deep experience investing in various business cycles. WCAS focuses on both organic growth and expansion acquisitions to grow its businesses.

WCAS's investment strategy is deal size agnostic. The Firm's activities include (i) conceiving and creating new market opportunities, (ii) providing capital to meet the needs of growing businesses and (iii) investing in later-stage buyouts and special situations where growth is a key aspect of the investment thesis. For both small and large investments, WCAS focuses on producing capital gains and attractive multiples of capital in addition to strong internal rates of return.

WCAS's investment strategy combines a consistent and disciplined investment approach, domain industry knowledge, strong proprietary deal flow, and reliance on repeat management teams. This strategy combined with the conservative use of leverage enables the Firm to deliver risk-adjusted outperformance.

WCAS is the largest investor in its two target industries: healthcare and information/ business services. These two industries represent over 25% of the U.S. economy and are noncyclical, fragmented and growth-oriented.

In its target industries, WCAS has demonstrated a consistent and outstanding track record. In information/business services ("IBS"), WCAS has invested a total of $5.5 billion of equity in 89 portfolio companies and has generated a 35% internal rate of return and a 2.5 times investment multiple on the 76 realized or publicly traded investments. In healthcare, WCAS has invested a total of $5.4 billon of equity in 70 portfolio companies and has produced a 33% internal rate of return and a 2.5 times investment multiple on the 61 realized or publicly traded investments. The last six WCAS Partnerships are all first quartile performers within the Firm's two target industries as measured by Venture Economics.

IV. Investment Performance

Previous fund performance as of December 31, 2007 for WCAS is shown below:

Fund Name	Inception Date	Total Capital Commitments (millions)	SBI Investment (millions)	Net IRR from Inception
WCAS X	2005	$3,272	$100	15%
WCAS IX	2000	$3,781	$125	17%
WCAS VIII	1998	$3,000	$100	4%
WCAS VII	1995	$1,426		18%
WCAS VI	1993	$604		14%
WCAS V	1989	$371		33%
WCAS IV	1985	$178		14%
WCAS III	1983	$81		9%
WCAS II	1980	$32		14%
WCAS I	1979	$33		19%

* Net IRR's were provided by the General Partner. Past performance is not necessarily indicative of future results.

V. General Partner's Investment

The WCAS General Partners and investment professionals will make a substantial commitment to the Partnership of the lesser of 8% of WCAS XI's total capital commitments or $400 million, doubling their $200 million investment in WCAS X. The WCAS General Partners and investment professionals were the second largest investor in WCAS X and expect to be one of the largest investors in WCAS XI.

In terms of the General Partner's commitment, each of the three founders (Welsh, Carson and Anderson) will be investing $50 million and the Co-Presidents (de Nicola and Queally) will be investing $75 million each. The remaining commitment will be allocated among the other General Partners based on their individual WCAS XI carried interest.

VI. Takedown Schedule

The first closing is scheduled for late May 2008. There will not be any capital calls upon the first closing.

VII. Fees

The WCAS XI Partnership will pay to WCAS Management Corporation an annual fee totaling 1.50% of total capital commitments during the investment period. The management fee will step down to 1.00% upon the sixth anniversary of the Partnership. The 1.00% will be based upon committed capital less the cost basis of securities that have been sold, distributed or written-off.

80% of all transaction, monitoring or "break-up" fees resulting from investment activities will be applied to reduce the quarterly management fee.

The expenses of this offering, including fees payable to legal counsel, will be borne by the WCAS XI Partnership and will not exceed $3.5 million.

VIII. Allocation and Distributions

Carried interest is widely spread amongst the General Partners based on experience and contributions to the Firm. In addition, all professionals down to the Associate level share in the profits and co-investment requirements of the Firm.

The Partnership will establish and maintain a capital account for each Partner. All items of income, gains and losses will be allocated to the Partners' capital accounts in a manner generally consistent with the distribution procedures stated below.

Net proceeds attributable to a portfolio company investment, including distributions in kind of securities, generally will be distributed in the following order of priority:

(a) Return of Realized Capital and Costs: First, 100% to the Partners in accordance with their respective commitments until the cumulative distributions to the Partners under this paragraph (a) equal the aggregate of the following:

(i) the capital contributions used to acquire such investment and all other investments previously sold or otherwise disposed of for cash, distributed in kind, written off or written down (net of write-ups of any investments); and

(ii) all organizational expenses, other Partnership expenses and Management Fees allocated to the investments included in subparagraph (i);

(b) Preferred Return: Second, 100% to the Partners in accordance with their respective commitments until the cumulative distributions to the Partners equal a preferred return on the amounts included in paragraph (a) above at the rate of 7% per annum, compounded annually (the "Preferred Return");

(c) Catch-Up: Third, 100% to the General Partner until the General Partner has received 20% of the sum of the distributed Preferred Return and distributions made to the Partners and the General Partner pursuant to this paragraph (c); and

(d) 80/20 Split: Thereafter, 80% to the Partners in accordance with their respective commitments and 20% to the General Partner.

Amounts distributable to the General Partner described in paragraphs (c) and (d) above are referred to collectively as the General Partner's "Carried Interest".

Distributions of certain short-term investment income will be made to the Partners in accordance with their respective commitments.

IX. Investment Period and Term

The Partnership will terminate twelve years from the closing, subject to an extension for up to four additional one-year periods with the consent of a majority of the Limited Partnership Interests. The investment period will be six years from the initial closing but expects to be fully invested over a 4-5 year period.

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Blackstone Capital Partners VI L.P. ("BCP VI")
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	Approximately $20 billion
Fund Manager:	The Blackstone Group
Manager Contact:	Kenneth C. Whitney 345 Park Ave. New York, NY 10154 Phone: (212) 583-5316 e-mail: Whitney@blackstone.com

II. Organization and Staff

The Blackstone Group is a leading global alternative asset manager and provider of financial advisory services based in New York, with offices in Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Palo Alto, San Francisco, London, Paris, Mumbai, Hong Kong, and Tokyo. Its alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, mezzanine debt funds, senior debt vehicles, multi-strategy credit hedge fund, opportunistic hedge funds, proprietary hedge funds, and closed-end mutual funds. The firm also provides various financial advisory services, including corporate and mergers and acquisition advisory, restructuring and reorganization advisory and fund placement services. The firm was founded in 1985 by its current Senior Chairman, Peter G. Peterson (former Chairman and CEO of Lehman Brothers and a former U.S. Secretary of Commerce) and by its current Chairman and CEO, Stephen A. Schwarzman (former Chairman of Lehman Brothers' Mergers & Acquisitions Committee). Hamilton E. James serves as President and Chief Operating Officer, and J. Tomilson Hill serves as Vice Chairman.

The Blackstone Group has a distinguished record as both investor and advisor. Through its different investment businesses, Blackstone has raised committed capital of over $72 billion for discretionary private investment funds focused on alternative asset classes. Blackstone also manages approximately $29 billion in discretionary marketable alternative asset programs, approximately $4 billion in proprietary hedge funds, and approximately $2 billion in mutual funds. (This excludes Blackstone's March 2008 acquisition of GSO Capital Partners, a premier credit focused alternative asset manager with approximately $10 billion under management.)

There are 21 Senior Managing Directors in the private equity group, with an average tenure at Blackstone of 9 years. Including the Senior Managing Directors, Blackstone currently has 106 professionals in the private equity group, which include 54 in New York, 26 in London, 12 in Mumbai, and 14 in Hong Kong.

III. Investment Strategy

While Blackstone will continue to consider all manner and form of investing on an opportunistic basis, the firm will seek to rely on essentially the same core competencies that have underpinned its past success:

Flexible Capital Focused on Strategically Transforming Investments. Blackstone takes a flexible, opportunistic investment approach that is not anchored to any single geography, industry, transaction structure, or size. Rather, it opportunistically and selectively directs capital to the most attractive investment prospects, united by a common focus on situations where its investment can facilitate value-creating strategic transformation at a business. Blackstone has developed over time a multi-dimensional approach with respect to transaction structures, which include Classic Buyouts, Corporate Partnerships, Platform Buildups/Industry Consolidations, Strategic Minority Stakes, Growth Equity, Distressed Investments, and Rescue Financings. This versatility has and Blackstone believes will continue to allow it to maintain a robust level of investment activity and capital deployment globally irrespective of the environment for "mega" deals. Blackstone seeks to direct its capital towards situations where in connection with its investment it can both influence and support its companies to drive change that maximizes their strategic and operational potential.

Disciplined, Value-Oriented Investment Approach. The hallmark of Blackstone's approach to private equity investing will continue to be a clear value orientation and focus on risk-adjusted returns applied through a rigorous internal investment process. Blackstone was recognized in a recent survey (Source: Citigroup Investment Research: Chief Investment Officer Survey, September 25, 2007) as the firm ranked highest among chief investment officers against the critical factors of investment process and risk management. Blackstone has demonstrated the ability to both recognize value and carefully navigate dynamic market conditions. In BCP IV, it capitalized on and recognized value at the bottom of economic and commodity cycles, and in BCP V it recognized that the investment environment demanded investment discipline and a willingness to be outbid given rising company valuation levels and the threat of an economic slowdown. This approach has led to outstanding returns for its investors.

Global Reach with Differentiated Positioning in India and Asia Pacific. Having a global perspective and footprint is now a fundamental dimension to large scale private equity investing, both because the most attractive opportunity set is increasingly global in nature, and because most large-scale, market-leading businesses have significant international operations and markets. Blackstone adheres to a simple but rigorous strategy for geographic expansion in its private equity business, which has informed its growth in Europe over the last decade, including the opening of a London office in 2000, and the establishment of local offices in India and Hong Kong over the last two years. Fourteen of the 32 investments by BCP V that have been invested/committed to date, have been in European or Asian companies (or companies with a significant European component), including seven in Europe, six in India, and one in China/Asia Pacific. With its strong established presence and investing track record, the firm believes it is well-positioned to capitalize on the growing private equity investment opportunity in India and Asia, along with Europe.

Deep Multi-Industry Sector Expertise. Blackstone brings to its investment approach significant expertise in every sector of relevance to private equity investment within the global economy. Its long history of investing in and current ownership of major assets across these sectors, the experience and specialization of its senior investment professionals in these sectors, and its active use of its network of industry experts/affiliates combine to give it the ability to identify value amid often complex and dynamic industry conditions, and enhances its ability to source, assess, and add value to investments, as well as to optimize the timing of its exits. In each key sector Blackstone believes it is well positioned to access the most interesting and proprietary opportunity flow, which enables it to see substantially every significant transaction in the market. Blackstone has relationships with many former CEOs and COOs of industrial companies to extend its sector expertise and to assist its operating group in the monitoring of its portfolio companies. Importantly, its breadth of capability across sectors allows it to allocate capital and resources to the most promising opportunities and affords it maximum flexibility in pursuing those opportunities.

Leading Operational Value Creation Capabilities. Blackstone believes that the ability to consistently and systematically add value operationally to portfolio companies is not just an opportunity but a mission-critical core competence, as indeed investment outperformance in private equity can no longer rely on simply "making money on the buy" or financial engineering. In 2004, Blackstone hired James Quella, former Senior Operating Partner of DLJ Merchant Banking Partners and CSFB Private Equity, as a Senior Managing Director to established a dedicated Portfolio Operations Group within the firm to assist the deal teams with their portfolio oversight. This group has expanded to include 2 Senior Managing Directors (James Quella in New York and Gerry Murphy in London), 9 Executive Directors, 13 Independent Advisors, and 2 Analysts. Blackstone has developed an approach to internal operational value creation that has been deployed at a significant number of its portfolio companies with great success. It is a strategy based on a functional approach where it has built a team of industry leaders in the key, specific areas of operational improvement where the vast majority of value creation usually resides: lean process redesign, supply chain and procurement, pricing/sales force optimization, healthcare benefits, business systems/financial controls, IT/operations, and supply chain tax optimization.

Distressed Investing Expertise. Blackstone believes its distressed investing capabilities gives it a distinctive ability to capitalize on economic and capital market dislocations, utilizing its industry expertise and leveraging Blackstone's capabilities and relationships in the distressed investing and corporate restructuring market. Blackstone has deployed capital across a number of distressed investments in both the early 1990s and then the early 2000s, to capitalize on periods of severe capital market dislocation, when the debt securities for many quality companies in industries it knew well were trading at significant discounts. Blackstone has the ability to leverage its internal expertise, take positions of influence in the restructuring process, and source proprietary deal flow given its relationships with the key players in the restructuring community.

Corporate Partnerships. Corporate partnership transactions historically have represented a signature form of private equity investing for Blackstone, having invested/committed $7 billion of equity capital in 46 corporate partnership transactions, representing approximately 24% of total corporate private equity capital invested/committed since 1988. While various factors have contributed to a decline in corporate participation in the M&A market in recent years (e.g., an increased level of leverage afforded to private equity buyers and a deliberate shift to more conservative M&A activity by company boards), a potential increase in levels of corporate M&A activity may spur increased corporate partnership opportunities for Blackstone. Corporate partnerships represent an attractive way to broaden the set of investment opportunities, provide an attractive platform to capture operational synergies, and provide significant downside protection.

Blackstone's experience and expertise with corporate partnerships, enhanced by the firm's brand name, global reach, and deep industry knowledge, make it the partner of choice for many leading global corporations.

IV. Investment Performance

Previous fund performance as of December 31, 2007 for Blackstone and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Capital Commitments	SBI Commitment	Net IRR from Inception *
Blackstone Capital Partners V	2005/2006**	$21.7 billion	$140 million	8%
Blackstone Capital Partners IV	2002	$6.45 billion	$70 million	49%
Blackstone Capital Partners III	1997	$3.8 billion	--	14%
Blackstone Capital Partners II	1993	$1.3 billion	$50 million	32%
Blackstone Capital Partners I	1987	$810 million	--	19%

* Net IRR's were provided by the General Partner. Past performance is not necessarily indicative of future results.

** BCP V's average investment life as of December 31, 2007 was approximately 10 months.

V. General Partner's Investment

Blackstone will make a minimum Capital Commitment to BCP VI in an amount equal to 5% of Capital Commitments up to $10 billion and 2.5% thereafter (or $750 million on a $20 billion total fund), plus up to an additional 7.5% in each investment on a side-by-side basis (based on an annual election).

VI. Takedown Schedule

The General Partner will give at least ten days' written notice prior to any takedown of unused Capital Commitments, which, in the case of a takedown notice for an Investment, will include a brief description of the Investment and the business to which it relates. Funds will be taken down as needed *pro rata* based generally on unused Capital Commitments to make Investments, to pay Partnership Expenses (further defined within the PPM), to make follow-on investments to existing Investments, to repay borrowings, or to satisfy guarantees or other obligations of the Partnership (further defined within the PPM).

VII. Fees

BCP VI Management Fees are payable quarterly in advance based on the following:

- During the Investment Period: 1.5% per annum of the aggregate capital commitments up to $10 billion and 1.0% of the aggregate capital commitments above $10 billion. A Limited Partner with a capital commitment in excess of $1 billion may be entitled to a reduction in respect of Management Fees applicable to such excess amount.
- After the Investment Period: 0.75% of invested capital.

Management Fees will be reduced by:

- 100% of net breakup, topping, commitment, transaction, monitoring, director, and organizational fees up to the amount of Broken Deal Expenses;
- 80% of net breakup, topping, and commitment fees in excess of Broken Deal Expenses; and
- 50% of net monitoring, directors and organization fees in excess of Broken Deal Expenses.

VIII. Allocations and Distributions

Upon disposition of an Investment (calculated separately for each Limited Partner with respect to its *pro rata* share):

- First, 100% to the Limited Partner until it has received a return of capital and Allocated Fees and Expenses for the investment that has been disposed of, unrecouped losses on investments previously disposed of, unrealized losses on investments not disposed of, and an 8% compound annual return on capital contributions with respect to investments that have been disposed of;
- Second, 80% to the General Partner and 20% to the Limited Partner until the General Partner receives its 20% carried interest; and
- Thereafter, 80% to the Limited Partner and 20% to the General Partner.

Current Income is generally distributed as described above, except that distributions are made on an investment-by-investment basis and will not take into account a return of capital or any writedowns, but will take into account actual unrecouped losses from prior dispositions.

IX. Investment Period and Term

The Fund's Investment Period is six years. The Fund's term is eleven years, subject to two one-year extensions if approved by the L.P. Advisory Committee.

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REAL ESTATE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	The Realty Associates Fund IX
Type of Fund:	Real Estate Investment Trust
Total Fund Size:	\$1,750 million
Fund Manager:	TA Associates Realty 28 State Street Boston MA 02109
Manager Contact:	Mike Ruane 617-476-2700

II. Organization and Staff

TA Associates Realty ("TA") was formed in 1982. TA currently has 31 investment professionals and a total staff of 69 in the primary functional areas of acquisitions, asset management, portfolio management, finance and accounting. Property management at the local level is typically administered through third party property managers. These property managers are responsible for all aspects of the day to day operations and are overseen by the asset management group at TA. The Realty Associates Fund IX is the ninth commingled, closed-end fund for TA. Total real estate assets under management, including both commingled and separate accounts, exceeds \$12.4 billion.

III. Investment Strategy

The investment strategy of The Realty Associates Fund IX is to create portfolios that are diversified as to property type, location, age, lease, structure, tenant size, credit and type of business. The portfolios will primarily consist of office, industrial, multifamily and retail properties.

There will be not more than 35% of the Capital Commitments in any one market, nor more than 20% in any one property. Small to medium-sized properties generally ranging from \$10 to \$50 million per property are the planned typical investment. Leverage is expected not to exceed 50-55% of the value of the real estate investments in the Fund.

IV. Investment Performance

Previous fund performance as of March 31, 2008 for the SBI's investments with TA Realty is shown below :

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception
Realty Assoc. VIII	2006	$1742 million	$100 million	8.6%
Realty Assoc. VII	2004	$917 million	$75 million	17.3%
Realty Assoc. VI	2002	$738 million	$50 million	20.6%
Realty Assoc. V	1999	$562 million	$50 million	12.9%
Realty Assoc. IV	1996	$450 million	$50 million	13.4%
Realty Assoc. III	1994	$487 million	$40 million	10.9%

* IRR's were provided by SBI Staff and the SBI's master custodian, State Street Bank. Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

The Principals intend to contribute .2% of total capital commitments.

VI. Takedown Schedule

Takedown of investor commitments will be as needed with a minimum of 30 calendar days notice

VII. Fees

Specifically, 0.5% in year 1, 0.8% in year 2, 1.1% in year 3, all based upon total committed capital; then 1.2% in year 4, 1.2% in year 5, 1.125% in year 6, 1.0% in year 7 and .60% thereafter, all based upon aggregate invested equity plus related reserves

VIII. Allocation and Distributions

100% to all investors in proportion to their investments until they have received a return of capital and an annual compounded preferred return representing inflation as measured by annual changes in the core Consumer Price Index (CPI-U). Additional distributions will initially be shared 95% to investors and 5% to the Sponsor General Partner. After a 1% real rate of return, distributions are divided 94% to the investors and 6% to the Sponsor General Partner; after a 2% real rate of return, distributions are divided 92.5% to the investors and 7.5% to the Sponsor General Partner; after a 3% real rate of return, distributions are divided 90.5% to the investors and 9.5% to the Sponsor General Partner; after a 4% real rate of return, distributions are divided 88.5% to the investors and 11.5% to the Sponsor General Partner; after a 5% real rate of return, distributions are divided 86.5% to the investors and 13.5% to the Sponsor General Partner; after a 6% real rate of return, distributions are divided 84.5% to the investors and 15.5% to the Sponsor General Partner; after a 7% real rate of return, distributions are divided 82.5% to the investors and 17.5% to the Sponsor General Partner; and after an 8% real rate of return, all further distributions are divided 80% to the investors and 20% to the Sponsor General Partner.

IX. Investment Period and Term

The acquisition period will last between eighteen and thirty months depending on the ultimate size of the fund and the state of the real estate markets during the acquisition phase. Liquidation is expected within ten years from being fully invested.