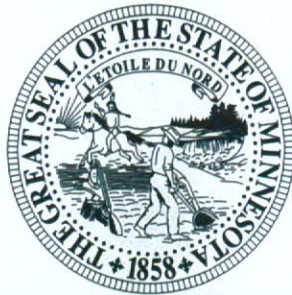

MINNESOTA STATE BOARD OF INVESTMENT

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
June 8, 2011



Governor Mark Dayton
State Auditor Rebecca Otto
Secretary of State Mark Ritchie
Attorney General Lori Swanson

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

June 8, 2011

AGENDA
STATE BOARD OF INVESTMENT MEETING
Wednesday, June 8, 2011
9:00 A.M. – Room 123
State Capitol, St. Paul

- | | |
|---|------------|
| 1. Approval of Minutes of March 3, 2011 | TAB |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2011 – March 31, 2011) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Legislative Update | |
| 3. Update on Sudan | |
| 4. Update on Iran | |
| 5. Litigation Update | |
| 6. Staff Report on meeting with Break the Bonds Organization | |
| 3. Report from the SBI Administrative Committee (H. Bicker) | C |
| A. Review of Executive Director's Proposed Workplan for FY12. | |
| B. Review of Budget Plan for FY12. | |
| C. Review of Continuing Fiduciary Education Plan. | |
| D. Review of Executive Director's Evaluation Process. | |
| E. Update of Disaster Recovery Plan. | |
| 4. Investment Advisory Council Report (J. Bailey) | |
| A. Stock and Bond Report | D |
| 1. Review of manager performance for the period ending
March 31, 2011 | |
| B. Alternative Investment Report | E |
| 1. Review of current strategy | |
| 2. Consideration of new fund investments with two existing
resource managers, and consideration of an increased
investment commitment to an investment that was approved in
a prior quarter with an existing private equity manager. | |
| 5. Other items | |

**Minutes
State Board of Investment
March 3, 2011**

The State Board of Investment (SBI) met at 9:00 A.M. Thursday, March 3, 2011 in Room 318, State Capitol, St. Paul, Minnesota. Governor Mark Dayton; State Auditor Rebecca Otto; Secretary of State Mark Ritchie and Attorney General Lori Swanson were present.

The minutes of the December 1, 2010 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 outperformed its Composite Index over the ten year period ending December 31, 2010 (Combined Funds 4.9% vs. Composite 4.7%), and had provided a real rate of return over the latest 20 year period (Combined Funds 9.0% vs. CPI 2.5%).

Mr. Bicker reported that the Combined Funds' assets increased 6.0% for the quarter ending December 31, 2010 due to positive market performance. He said that domestic stocks were slightly overweighted and had been rebalanced. He reported that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 7.1% vs. Composite 6.6%) and for the year (Combined Funds 14.4% vs. Composite 13.3%). In response to questions from Governor Dayton, Mr. Bicker briefly reviewed the updated actuarial data as presented in Tab A of the meeting materials. Mr. Bicker confirmed that he would contact the three retirement systems with the Governor's request to provide him with additional information on the funded status of the plans.

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 11.9% vs. Domestic Equity Asset Class Target 11.6%) and for the year (Domestic Stocks 17.1% vs. Domestic Equity Asset Class Target 16.9%). He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 7.1% vs. International Equity Asset Class Target 7.2%) and outperformed for the year (International Stocks 12.3% vs. International Equity Asset Class Target 11.2%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds -0.7% vs. Fixed Income Asset Class Target -1.3%) and for the year (Bonds 9.0% vs. Fixed Income Asset Class Target 6.5%). He stated that the alternative investments returned 13.9% for the year. He concluded his report with the comment that, as of December 31, 2010, the SBI was responsible for over \$58 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 stated that the Legislative Auditor is in the final stages of its financial audit of SBI operations and that members will each receive a copy of the final report when it becomes available. Mr. Bicker noted that there has not been much pension related legislation introduced, and he said that the Pension Commission

membership has not been fully appointed yet. He stated that legislation passed in 2010 directed the State Auditor to establish a task force to review potential changes to the SBI's investment authority under *Minnesota Statutes*, 11A.24. He said legislation may be introduced and that the changes are technical in nature. He added that this was an opportunity to clean up some outdated language and inconsistencies in various sections of statutes.

Mr. Bicker stated that updated information on Sudan and Iran is included in Tab B. Ms. Eller stated that there is nothing new to report regarding litigation.

Mr. Bicker referred members to Tab C of the meeting materials and stated that the first recommendation is to reauthorize the Proxy Voting Committee and that the second recommendation is to reaffirm the proxy voting guidelines. Governor Dayton stated that Micah Hines would be his designee on the Committee, replacing Kristin Hanson. Ms. Otto moved approval of both recommendations, as stated in Tab C, which reads: **“The Executive Director recommends that the SBI adopt the resolution in Attachment A which reauthorizes the Proxy Voting Committee and delegates proxy voting responsibilities according to established guidelines. The Proxy Voting Committee recommends that the Board reaffirm the Proxy Voting Guidelines as shown in Attachment B.”** The motion passed (see **Attachment A.**)

Investment Advisory Council

Governor Dayton thanked Mr. Bailey and the other members of the IAC for their service. Mr. Bailey referred members to Tab D of the meeting materials and stated that staff and the IAC are recommending the termination of AllianceBernstein as a domestic equity manager. Ms. Otto moved approval of the recommendation, as stated in Tab D, which reads: **“Due to portfolio manager turnover, loss of assets, and underperformance, SBI staff and the IAC recommend that the SBI terminate the relationship with AllianceBernstein for investment management services for the Domestic Equity Large Cap Growth product.”** The motion passed.

Mr. Bailey referred members to Tab E of the meeting materials and stated that there are no new commitments being recommended at this time.

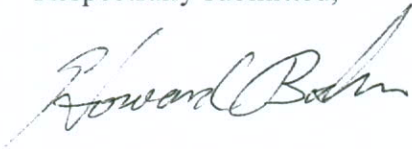
Mr. Bailey noted that staff has been working on a draft of a manual regarding investment policies and management practices and that the IAC also reviewed it with staff and is very supportive of documenting these policies. Ms. Otto agreed.

In response to questions from Governor Dayton, Mr. Bailey and Mr. Bicker discussed the structure of the SBI's alternative investment program and how it compares to other public pension plans. In response to questions from Ms. Swanson, Mr. Bicker discussed the impact of having an 8.5% assumed rate of return, and he briefly reviewed the SBI's long-term performance and changes that have been made through the years regarding benefit increase levels and contribution rates. Ms. Otto added that she believes Minnesota has one of the better systems in place, and she noted the recent pension reform legislation that was passed in 2010.

Several members of the organization Minnesota Break the Bonds addressed the Board about their concerns regarding some investments in Israeli bonds held in the SBI's portfolios. In response to a question from Ms. Otto, Ms. Swanson said she would need time to review documentation distributed to members at the meeting before she could comment on it. The Governor asked the Attorney General to review the letter and respond. In response to a question from Governor Dayton, Mr. Bicker stated that the SBI has investments in three fixed income securities from Israel with a total market value of approximately \$18 million. Governor Dayton commented that the SBI has a fiduciary responsibility to maximize the investment returns for the beneficiaries of the funds. Ms. Otto made a motion to have leaders of the group engage with SBI staff and to give the Attorney General's office an opportunity to review statutory authority and to report back to the Board at its next meeting. Ms. Swanson agreed. Mr. Ritchie seconded the motion. The motion passed.

The meeting adjourned at 9:55 A.M.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Howard Bicker".

Howard Bicker
Executive Director

**RESOLUTION OF THE
MINNESOTA BOARD OF INVESTMENT
CONCERNING PROXY VOTING**

WHEREAS, as a stockholder, the Minnesota State Board of Investment (SBI) is entitled to sponsor and cosponsor shareholder resolutions and participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings; and

WHEREAS, the SBI has previously established a Proxy Committee:

NOW THEREFORE, BE IT RESOLVED THAT:

1. To advise and assist the SBI in the implementation of proxy voting guidelines previously adopted by the Board the SBI hereby authorizes and reaffirms the establishment of the SBI Proxy Committee composed of a representative selected by each member of the SBI to be chaired by the designee of the Governor and convened as necessary in accord with the Guidelines.
2. The SBI further authorizes the SBI Proxy Committee to review the Guidelines periodically and report to the SBI as necessary.
3. The SBI further directs its staff to advise and assist the Proxy Committee in the implementation of this resolution and directs its Executive Director to obtain such consulting and reporting services as may be necessary.
4. This resolution shall take effect immediately.

Adopted this 3rd day
of March, 2011



Governor Mark Dayton
Chair, Minnesota
State Board of Investment

TAB

A

LONG TERM OBJECTIVES
Period Ending 3/31/2011

COMBINED FUNDS: \$47.5 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>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.</p>	6.1% (1)	0.1 percentage point above the target
<p>Provide Real Return (20 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	8.7%	6.2 percentage points above CPI

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS**Eight Plans of MSRS, PERA and TRA****July 1, 2010****Liabilities**

Actuarial Accrued Liabilities \$57.5 billion

Assets

Current Actuarial Value \$46.2 billion

Funding RatioCurrent Actuarial Value divided by
Accrued Liabilities 80.3%**Actuarial Assumptions:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate: 8.5%
4. Full Funding Target Date:
 - 2040 – MSRS General
 - 2031 – PERA General
 - 2037 – TRA

EXECUTIVE SUMMARY
Combined Funds (Net of Fees)

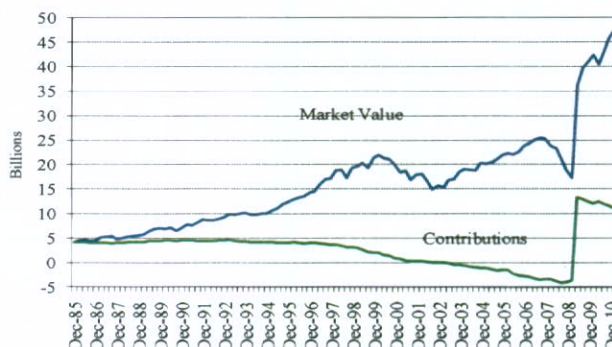
Asset Growth

The market value of the Combined Funds increased 3.3% during the first quarter of 2011. Positive investment returns caused the increase in market value.

Asset Growth
During First Quarter 2011
(Millions)

Beginning Value	\$ 45,978
Net Contributions	-498
Investment Return	2,017
Ending Value	\$ 47,497

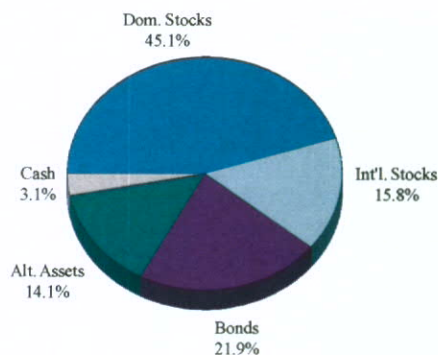
Note: The significant increase in market value and contributions in June 2009 was due to the merger of the Basics and Post Funds.



Asset Mix

Strong domestic equity returns caused the domestic equity allocation to increase. A rebalance during the quarter brought the allocation in line with policy and increased the fixed income allocation.

	Policy Targets	Actual Mix 3/31/2011	Actual Market Value (Millions)
Domestic Stocks	45.0%	45.1%	\$21,433
Int'l. Stocks	15.0	15.8	7,486
Bonds	18.0	21.9	10,376
Alternative Assets*	20.0	14.1	6,715
Unallocated Cash	2.0	3.1	1,487
	100.0%	100.0%	\$47,497

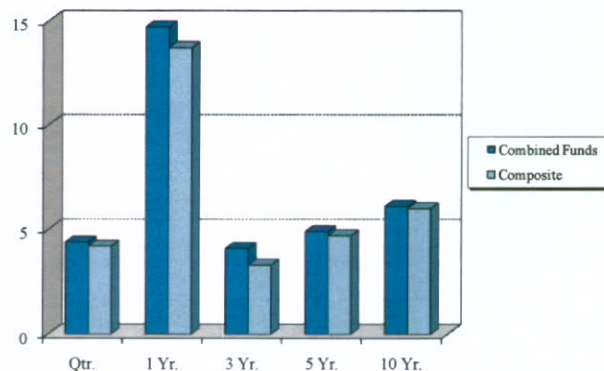


* Any uninvested allocation is held in domestic bonds.

Fund Performance (Net of Fees)

The Combined Funds outperformed its target for the quarter and outperformed for the year.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	4.4%	14.7%	4.1%	4.9%	6.1%
Composite	4.2	13.7	3.3	4.7	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) outperformed its target for the quarter and for 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 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	6.5%	17.6%	3.6%	2.7%	4.0%
Asset Class Target*	6.4	17.4	3.4	2.9	4.2

* 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.

International Stocks

The international stock manager group (active, semi-passive and passive combined) underperformed its target for the quarter and outperformed for 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 45 countries included in this index. It does not include the United States.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	2.9%	13.7%	-0.5%	3.8%	7.5%
Asset Class Target*	3.4	13.1	-0.8	3.7	7.3

* Since 6/1/08 the International Equity Asset Class Target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08 the benchmark was 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) + 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.

Bonds

The bond manager group (active and semi-passive combined) outperformed its target for the quarter and for the year.

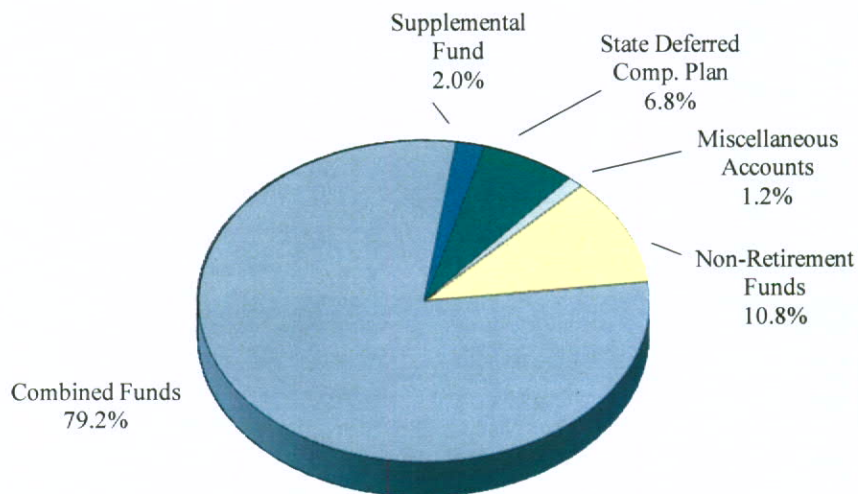
Barclays Capital Aggregate: The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	0.9%	7.1%	6.4%	6.1%	5.8%
Asset Class Target	0.4	5.1	5.3	6.0	5.6

Alternative Investments

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	4.9%	15.6%	1.7%	10.0%	12.0%

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2011 Market Value (Billions)
Retirement Funds	
Combined Funds	\$47.5
Supplemental Investment Fund	1.2
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.1
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.8
Environmental Trust Fund	0.6
State Cash Accounts	4.8
Miscellaneous Accounts	0.7
Total	\$60.0

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2011
(January 1, 2011 - March 31, 2011)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	6.4%	17.7%	3.7%	3.2%	4.6%
Dow Jones Industrials	7.1	16.5	3.1	4.9	4.7
S&P 500	5.9	15.6	2.4	2.6	3.3
Russell 3000 (broad market)	6.4	17.4	3.4	2.9	4.1
Russell 1000 (large cap)	6.2	16.7	3.0	2.9	3.8
Russell 2000 (small cap)	7.9	25.8	8.6	3.3	7.9
Domestic Fixed Income					
Barclays Capital Aggregate (1)	0.4	5.1	5.3	6.0	5.6
Barclays Capital Gov't./Corp.	0.3	5.3	4.8	5.8	5.5
3 month U.S. Treasury Bills	0.0	0.1	0.4	2.0	2.1
International					
EAFE (2)	3.4	10.4	-3.0	1.3	5.4
Emerging Markets Free (3)	2.1	18.8	4.6	11.0	17.1
ACWI Free ex-U.S. (4)	3.5	13.6	-0.4	4.1	7.8
World ex-U.S. (5)	3.8	11.6	-2.2	2.0	6.0
Salomon Non U.S. Gov't. Bond	1.0	8.5	3.3	7.8	8.1
Inflation Measure					
Consumer Price Index CPI-U (6)	2.0	2.7	1.5	2.3	2.3
Consumer Price Index CPI-W (7)	2.2	3.0	1.7	2.4	2.5

(1) Barclays Capital 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 6.4% return during the first quarter of 2011. Despite the turmoil in the Middle East and the disruptions caused by the earthquake in Japan, the equity markets performed well. The slow and steady recovery of the US economy continued in the first quarter with strong profits from corporate America, a rebound in the manufacturing sector and a decline in the unemployment rate. Within the Russell 3000, the Energy sector had the strongest return, up 16.9% for the quarter. Consumer Staples sector was the worst performing sector with a 3.6% return for the quarter. Small cap companies outperformed large cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	6.0%
Large Value	Russell 1000 Value	6.5%
Small Growth	Russell 2000 Growth	9.2%
Small Value	Russell 2000 Value	6.6%

The Russell 3000 index returned 17.4% for the year ending March 31, 2011.

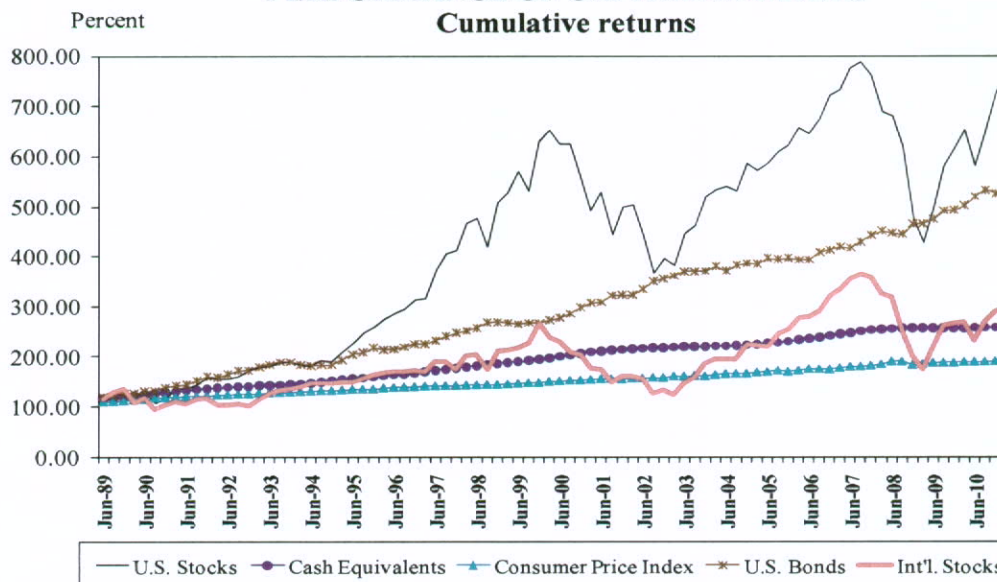
DOMESTIC BONDS

The U.S. bond market, as measured by the Barclay's Capital Aggregate Index, returned 0.4% for the quarter. Yields on U.S. Treasuries rose amid signs of economic recovery in the U.S., and concern that higher commodity prices and the Federal Reserve's second round of quantitative easing might spark inflation. The U.S. Treasury yield curve flattened as intermediate-term rates rose slightly more than long-term rates. Agency mortgage-backed securities (MBS) outperformed Treasuries in the first quarter as higher mortgage rates and favorable prepayment reports helped performance. Non-Agency MBS and commercial-backed mortgage securities (CMBS) also outperformed Treasuries. Corporate bonds outperformed Treasuries as improving U.S. growth prospects and stronger corporate balance sheets were factors supporting the corporate sector. Treasury Inflation-Protected Securities (TIPS) outperformed Treasuries in the first quarter as investors considered the impact of accommodative monetary policies and volatile commodity prices.

The major sector returns for the Barclays Capital Aggregate Index for the quarter were:

U.S. Treasury	-0.2%
Agency	0.3
Corporates	0.9
Agency MBS	0.6
Commercial Mortgages	2.1
Asset-backed	0.6

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 net) provided a return of 3.8% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	-4.9%
United Kingdom	3.8
Canada	7.7
France	10.8
Australia	4.5
Germany	7.5

The World ex U.S. index returned 11.6% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 23 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 gross) provided a return of 2.1% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	2.9%
Brazil	2.7
Korea	7.6
Taiwan	-4.3
India	-5.1
South Africa	-1.9

The Emerging Markets Free index returned 18.8% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 21 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 74% of the value of the international markets in the index.

REAL ESTATE

During the first quarter of 2011, real estate posted its fifth consecutive quarter of positive returns with the NCREIF Property Index posting a return of 3.4%. Even with accommodative monetary and fiscal policies, the real estate outlook for 2011 continues to be one of caution due to continued weakness in employment.

PRIVATE EQUITY

Several forces have driven the rebound in private equity deals this year, most notably a recovery in the credit markets. Also, private equity firms that spent the past two years improving their portfolio companies are finally ready and able to cash in on their strongest performers because strategic buyers are awash with cash, after putting away capital on their balance sheets during the recent economic contraction.

RESOURCE FUNDS

During the first quarter of 2011, crude oil traded between \$84/bbl and \$106/bbl. The average price for the first quarter of 2011 was \$95/bbl which is approximately \$10/bbl more than the average price for the fourth quarter of 2010. Improved economic growth and unrest in the Middle East should continue to provide strength to oil prices.

COMBINED FUNDS

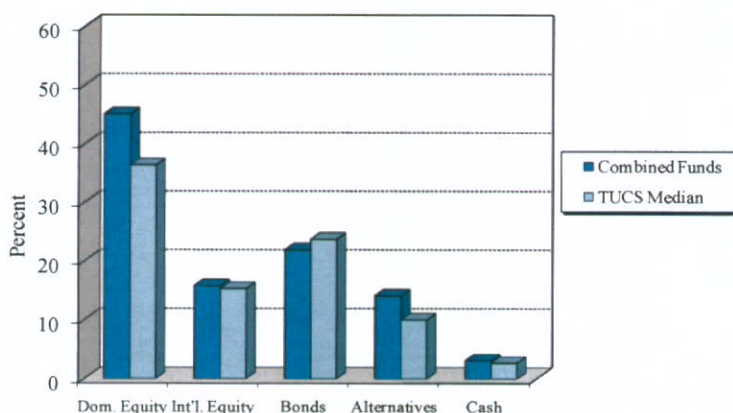
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2011, the asset mix of the Combined Funds was:

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:

	\$ Millions	%
Domestic Stocks	\$21,433	45.1%
International Stocks	7,486	15.8
Bonds	10,376	21.9
Alternative Assets	6,715	14.1
Unallocated Cash	1,487	3.1
Total	\$47,497	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	45.1%	15.8%	21.9%	14.1%	3.1%
Median Allocation in TUCS*	36.4	15.3	23.7	10.0**	2.7

* Public and corporate plans over \$1 billion.

** May include assets other than alternatives.

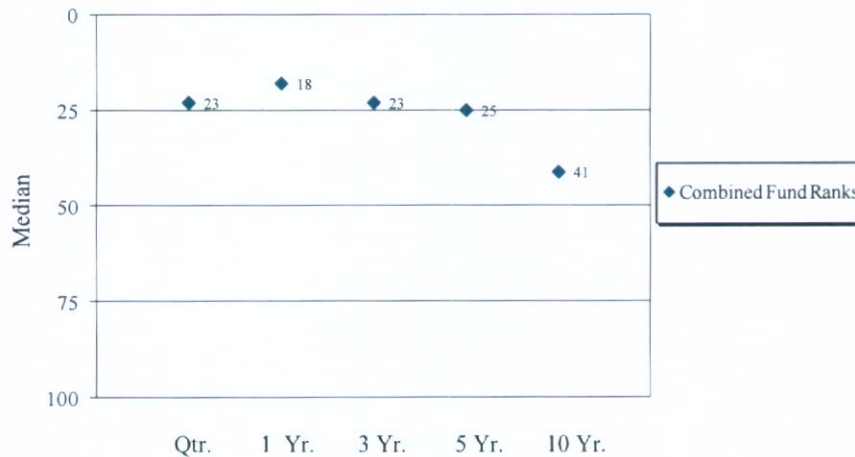
**COMBINED FUNDS
Performance Compared to Other Pension Funds**

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 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	23rd	18th	23rd	25th	41st

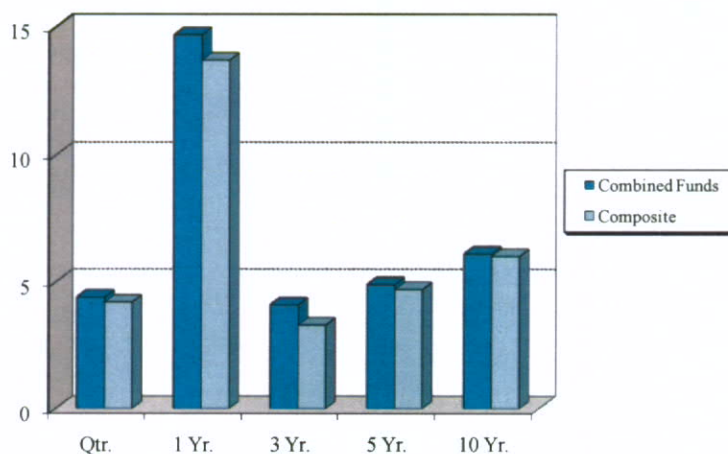
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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* 1Q11
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	23.8*
Alternative Investments	Alternative Investments	14.2*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

* Alternative asset and fixed income 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 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	4.4%	14.7%	4.1%	4.9%	6.1%
Composite Index	4.2	13.7	3.3	4.7	6.0

** Actual returns are reported net of fees.

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STOCK AND BOND MANAGERS
Performance of Asset Pools (Net of Fees)

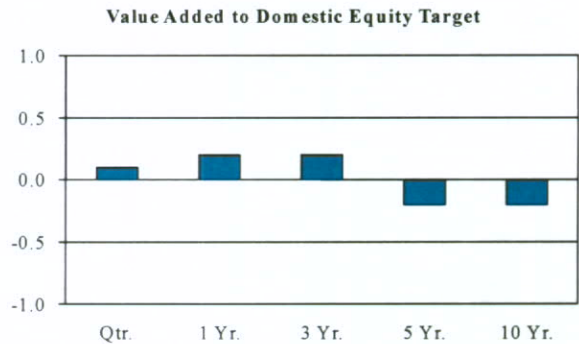
Domestic Stocks

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 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	6.5%	17.6%	3.6%	2.7%	4.0%
Asset Class Target*	6.4	17.4	3.4	2.9	4.2

* 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.



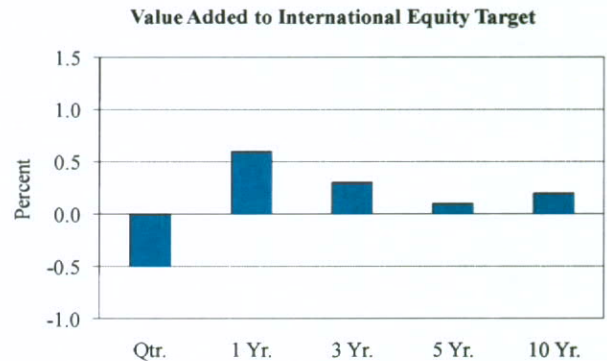
International Stocks

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

Expectation: If at least one-third of the pool is managed actively, no more than one-third is semi-passively managed, and at least one-quarter is passively managed, the entire pool is expected to exceed the target by .25% - .75% annualized, over time.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	2.9%	13.7%	-0.5%	3.8%	7.5%
Asset Class Target*	3.4	13.1	-0.8	3.7	7.3

* 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.

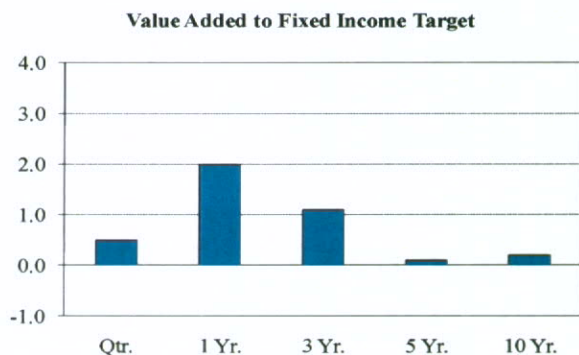


Bonds

Target: Barclays Capital 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 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	0.9%	7.1%	6.4%	6.1%	5.8%
Asset Class Target	0.4	5.1	5.3	6.0	5.6



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 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	4.9%	15.6%	1.7%	10.0%	12.0%
Inflation	2.0%	2.7%	1.5%	2.3%	2.3%

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 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	1.8%	12.3%	-11.8%	-0.6%	5.6%

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 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	8.0%	19.7%	4.3%	11.1%	11.1%

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 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	-2.4%	5.1%	4.4%	17.1%	23.1%

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 3/31/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	0.6%	10.1%	4.1%	12.7%	15.2%

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, Hennepin County Supplemental Retirement Plan, and Health Care Savings 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.
4. It serves as the investment vehicle for the Voluntary Statewide Volunteer Firefighter Plan.

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. All returns are net of investment management fees.

On March 31, 2011 the market value of the entire Fund was \$1.2 billion.

Investment Options

	3/31/2011 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$256
Growth Share Account – an actively managed, all common stock portfolio.	\$132
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$258
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$132
Bond Market Account – an actively managed, all bond portfolio.	\$144
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$181
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.	\$143
Volunteer Firefighter Account – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$3

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%	60.3%
Bonds	35.0	35.0
Unallocated Cash	5.0	4.7
	100.0%	100.0%

Period Ending 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.2%	13.0%	5.4%	4.8%	5.1%
Benchmark*	4.0	12.6	3.9	4.0	4.8

* 60% Russell 3000/35% Barclays Capital Aggregate Bond Index/5% T-Bills Composite since 10/1/03. 60% Wilshire 5000/35% Barclays Capital 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 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.6%	17.6%	3.6%	2.5%	3.8%
Benchmark*	6.4	17.4	3.4	2.9	4.2

* Russell 3000 since 10/1/03. 100% Wilshire 5000 Investable from July 1999 to September 2003.

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 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.2%	17.6%	3.6%	3.1%	4.3%
Benchmark*	6.4	17.4	3.4	2.9	4.2

* 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 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	2.9%	13.7%	-0.4%	3.9%	7.6%
Benchmark*	3.4	13.1	-0.8	3.7	7.3

* 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.

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.

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.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.9%	7.1%	6.4%	6.1%	5.9%
Barclays Capital Aggregate	0.4	5.1	5.3	6.0	5.6

MONEY MARKET ACCOUNT**Investment Objective**

The investment objective of the Money Market Account is to protect principal by investing in short-term, liquid U.S. Government securities.

Asset Mix

The Account is invested entirely in high quality, short-term U.S. Treasury and Agency securities. The average maturity of the portfolios is less than 90 days.

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	0.3%	0.8%	2.5%	2.4%
3 month T-Bills	0.0	0.1	0.4	2.0	2.1

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.

Asset Mix

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

	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.9%	4.0%	4.4%	4.5%	4.7%
Benchmark*	0.4	1.4	1.9	3.0	3.3

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

VOLUNTEER FIREFIGHTER ACCOUNT

The investment objective of the Volunteer Firefighter Account is to maximize long-term returns while limiting short-term portfolio return volatility.

The Account is invested in a balanced portfolio:

	Target	Actual
Domestic Stocks	35.0	35.8%
International Stocks	15.0	14.8
Bonds	45.0	42.9
Cash	5.0	6.5
	100.0%	100.0%

	Period Ending 3/31/2011	
	Qtr.	1 Yr.
Total Account	3.0%	11.6%
Benchmark*	2.9	10.8

* The benchmark for this account is 35% Russell 3000, 15% MSCI ACWI Free ex U.S. (net), 45% Barclays Capital Aggregate, 5% 3 month T-Bills.

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

	3/31/2011 Market Value (in Millions)
Vanguard Institutional Index (passive)	\$455
Janus Twenty (active)	\$419
Legg Mason Appreciation I (active)	\$131
Vanguard Mid Cap Index (passive)	\$230
T. Rowe Price Small Cap (active)	\$464
Fidelity Diversified International (active)	\$250
Vanguard Institutional Developed Markets (passive)	\$103
Dodge & Cox Balanced Fund (active)	\$289
Vanguard Balanced Fund (passive)	\$196
Dodge & Cox Income Fund (active)	\$151
Vanguard Total Bond Market Fund (passive)	\$135
SIF Money Market Account	\$74
SIF Fixed Interest Account	\$1,199

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

- A passive domestic stock portfolio that tracks the S&P 500.

		Period Ending 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	5.9%	15.6%	2.4%	2.7%
		5.9	15.6	2.4	2.6

Janus Twenty (active)

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

		Period Ending 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	1.1%	4.2%	-1.5%	5.9%
		5.9	15.6	2.4	2.6

Legg Mason Partners Appreciation I (active)

- A diversified fund of large cap stocks which is expected to outperform the S&P 500, over time.

		Period Ending 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	5.1%	13.2%	2.6%	4.2%
		5.9	15.6	2.4	2.6

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 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI US	8.2%	25.1%	7.5%	4.6%
	Mid-Cap 450	8.2	25.2	7.5	4.5

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 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Russell 2000	9.1%	31.9%	14.4%	5.9%
		7.9	25.8	8.6	3.3

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 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	3.2%	12.5%	-3.3%	1.2%
		3.4	10.4	-3.0	1.3

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 3/31/2011			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	3.1%	10.7%	-2.8%	1.5%
		3.4	10.4	-3.0	1.3

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% Barclays Capital Aggregate, over time.

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	4.9%	11.5%	3.0%	2.3%
Benchmark	3.7	11.8	4.0	4.3

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% Barclays Capital Aggregate.

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	3.9%	12.8%	5.0%	4.8%
Benchmark	4.0	13.0	4.9	4.7

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 Barclays Capital Aggregate, over time.

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	1.4%	6.2%	7.7%	6.7%
Barclays Capital Agg.	0.4	5.1	5.3	6.0

Vanguard Total Bond Market Fund (passive)

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

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	0.3%	5.1%	5.3%	6.1%
Barclays Capital Agg.	0.4	5.1	5.3	6.0

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.

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	0.1%	0.3%	0.8%	2.5%
3-Mo. Treas.	0.0	0.1	0.4	2.0

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.

Fund	Period Ending 3/31/2011			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	0.9%	4.0%	4.4%	4.5%
Benchmark	0.4	1.4	1.9	3.0

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.

	3/31/2011 Target	3/31/2011 Actual
Stocks	20.0%	22.6%
Bonds	80.0	77.4
Total	100.0%	100.0%

Investment Management

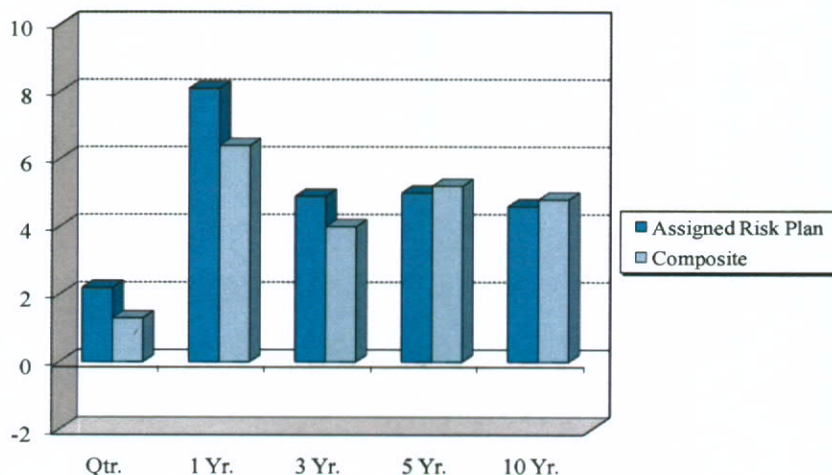
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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, 2011 the market value of the Assigned Risk Plan was \$311 million.



Period Ending 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	2.2%	8.1%	4.9%	5.0%	4.6%
Composite	1.3	6.4	4.0	5.2	4.8
Equity Segment*	5.8	11.6	3.2	3.9	3.3
Benchmark	5.9	15.6	2.4	2.6	3.3
Bond Segment*	1.2	6.8	5.1	5.2	4.6
Benchmark	0.2	3.9	4.0	5.6	5.0

* 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.

	3/31/2011 Target	3/31/2011 Actual
Stocks	50.0%	49.9%
Bond	48.0	48.2
Cash	2.0	1.9
Total	100.0%	100.0%

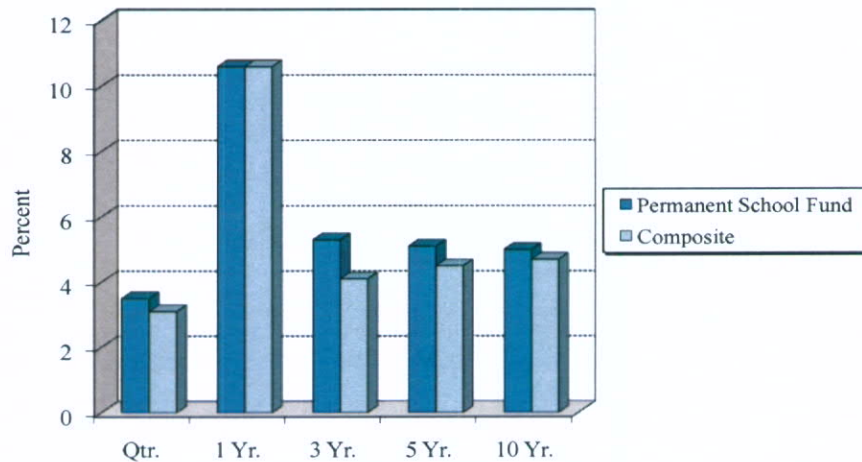
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

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, 2011 the market value of the Permanent School Fund was \$777 million.



Period Ending 3/31/2011
Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	3.5%	10.6%	5.3%	5.1%	5.0%
Composite	3.1	10.6	4.1	4.5	4.7
Equity Segment*	6.0	15.7	2.4	2.7	3.3
S&P 500	5.9	15.6	2.4	2.6	3.3
Bond Segment*	0.7	5.2	6.9	6.8	6.2
Barclays Capital Agg.	0.4	5.1	5.3	6.0	5.6

* Actual returns are calculated net of fees.

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.

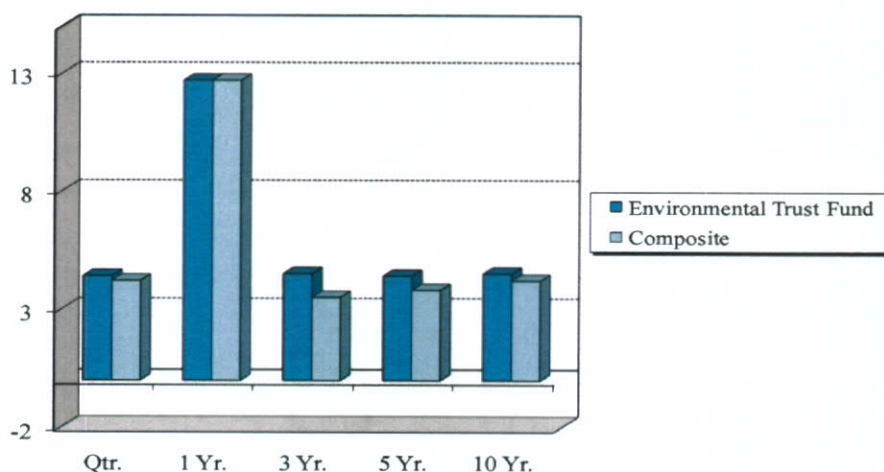
Investment Management

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, 2011 the market value of the Environmental Trust Fund was \$570 million.

	3/31/2011 Target	3/31/2011 Actual
Stocks	70.0%	71.1%
Bonds	28.0	27.1
Cash	2.0	1.8
Total	100.0%	100.0%



	Period Ending 3/31/2011				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	4.4%	12.7%	4.5%	4.4%	4.5%
Composite	4.2	12.7	3.5	3.8	4.2
Equity Segment*	6.0	15.7	2.5	2.7	3.4
S&P 500	5.9	15.6	2.4	2.6	3.3
Bond Segment*	0.7	5.2	6.9	6.8	6.2
Barclays Capital Agg.	0.4	5.1	5.3	6.0	5.6

* 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

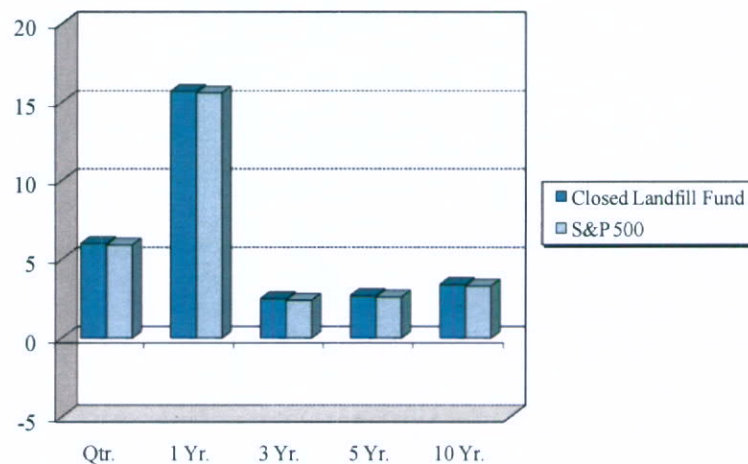
Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.

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, 2011, the market value of the Closed Landfill Investment Fund was \$0.8 million. During the 2010 legislative session, \$48 million was withdrawn for budget purposes.



Period Ending 3/31/2011

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1)	6.0%	15.7%	2.5%	2.7%	3.4%
S&P 500	5.9	15.6	2.4	2.6	3.3

(1) Actual returns are calculated net of fees.

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.

	Market Value (Millions)	Period Ending 3/31/2011				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	\$4,664	0.1%	0.6%	1.8%	3.1%	2.8%
Custom Benchmark**		0.0	0.0	0.5	2.1	2.1
Trust Fund Cash Pool*	\$132	0.1	0.3	0.8	2.4	2.4
Custom Benchmark		0.0	0.0	0.5	2.1	1.9
3 month T-Bills		0.0	0.1	0.4	2.0	2.1

* 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 Barclays Capital 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.

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MINNESOTA STATE BOARD OF INVESTMENT
Composition of State Investment Portfolios By Type of Investment
Market Value March 31, 2011 (in Thousands)

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	534,346 3.10%	0	3,760,558 21.85%	0	7,768,422 45.14%	2,713,277 15.77%	2,433,734 14.14%	17,210,337 100%
Public Employees Retirement Fund	415,894 3.10%	0	2,927,923 21.85%	0	6,048,396 45.14%	2,112,523 15.77%	1,894,875 14.14%	13,399,611 100%
State Employees Retirement Fund	292,412 3.22%	0	1,984,670 21.82%	0	4,099,859 45.09%	1,431,958 15.75%	1,284,426 14.12%	9,093,325 100%
Public Employees Police & Fire	163,156 3.10%	0	1,148,627 21.85%	0	2,372,792 45.14%	828,745 15.77%	743,361 14.14%	5,256,681 100%
Highway Patrol Retirement Fund	18,196 3.21%	0	123,526 21.83%	0	255,176 45.09%	89,126 15.75%	79,943 14.12%	565,967 100%
Judges Retirement Fund	5,007 3.40%	0	32,083 21.78%	0	66,276 45.00%	23,148 15.72%	20,763 14.10%	147,277 100%
Correctional Employees Retirement	21,121 3.33%	0	138,129 21.80%	0	285,341 45.03%	99,661 15.73%	89,393 14.11%	633,645 100%
Public Employees Correctional	8,341 3.10%	0	58,717 21.85%	0	121,296 45.14%	42,365 15.77%	38,000 14.14%	268,719 100%
Legislative Retirement Fund	612 3.11%	0	4,305 21.85%	0	8,893 45.14%	3,106 15.76%	2,786 14.14%	19,702 100%
PERA Minneapolis Retirement	27,986 3.10%	0	197,012 21.85%	0	406,982 45.14%	142,147 15.77%	127,502 14.14%	901,629 100%
TOTAL COMBINED FUNDS	1,487,071 3.13%	0	10,375,550 21.84%	0	21,433,433 45.13%	7,486,056 15.76%	6,714,783 14.14%	47,496,893 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	11,928 4.67%	89,690 35.07%	0	0	154,108 60.26%	0	0	255,726 100%
Growth Share Account	0	0	0	0	132,282 100.00%	0	0	132,282 100%
Money Market Account	181,211 100.00%	0	0	0	0	0	0	181,211 100%
Common Stock Index	0	0	0	0	257,922 100.00%	0	0	257,922 100%
Bond Market Account	0	0	144,396 100.00%	0	0	0	0	144,396 100%
International Share Account	0	0	0	0	0	131,835 100.00%	0	131,835 100%
Stable Value Fund	0	0	142,463 100.00%	0	0	0	0	142,463 100%
Volunteer Firefighters Account	222 6.51%	0	1,462 42.87%	0	1,221 35.81%	505 14.81%	0	3,410 100%
TOTAL SUPPLEMENTAL FUNDS	193,361 15.48%	89,690 7.18%	288,321 23.08%	0	545,533 43.67%	132,340 10.59%	0	1,249,245 100%
MN DEFERRED COMP PLAN	89,266 2.18%	0	1,623,072 39.62%	0	2,030,746 49.57%	353,366 8.63%	0	4,096,450 100%
TOTAL RETIREMENT FUNDS	1,769,698 3.35%	89,690 0.17%	12,286,943 23.25%	0	24,009,712 45.44%	7,971,762 15.08%	6,714,783 12.71%	52,842,588 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
ASSIGNED RISK PLAN	2,272 0.73%	0	238,434 76.63%	0	70,443 22.64%	0	0	311,149 100%
ENVIRONMENTAL FUND	10,279 1.80%	154,378 27.06%	0	405,829 71.14%	0	0	0	570,486 100%
PERMANENT SCHOOL FUND	15,188 1.95%	374,280 48.17%	0	387,616 49.88%	0	0	0	777,084 100%
CLOSED LANDFILL INVESTMENT	0	0	0	775 100.00%	0	0	0	775 100%
TREASURERS CASH	4,664,330 100.00%	0	0	0	0	0	0	4,664,330 100%
25 HOUSING FINANCE AGENCY	0	73,672 100.00%	0	0	0	0	0	73,672 100%
MINNESOTA DEBT SERVICE FUND	0	66,100 100.00%	0	0	0	0	0	66,100 100%
MISCELLANEOUS ACCOUNTS	163,888 24.04%	285,874 41.94%	0	231,851 34.02%	0	0	0	681,613 100%
TOTAL CASH AND NON-RETIREMENT	4,855,957 67.96%	954,304 13.35%	238,434 3.34%	1,026,071 14.36%	70,443 0.99%	0	0	7,145,209 100%
GRAND TOTAL	6,625,655 11.05%	1,043,994 1.74%	12,525,377 20.88%	1,026,071 1.71%	24,080,155 40.14%	7,971,762 13.29%	6,714,783 11.19%	59,987,797 100%

TAB

B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: June 1, 2011

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, 2011 is included as **Attachment A**.

A report on travel for the period from February 5, 2011 – May 5, 2011 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 *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with operations in Sudan. Staff receives periodic reports from the Conflict Risk Network (CRN) 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 CRN. 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 CRN list and writes letters as required by law.

If after 90 days following the SBI's communication, a company continues to have active business operations in Sudan, 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.

SBI managers divested 2,147,500 shares in two companies in the first quarter.

Attachment D is a copy of the March 10, 2011 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.

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

4. Update on Iran

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.244 that requires SBI actions concerning companies with operations in Iran.

SBI subscribes to the Iran service provided by ISS, a unit of MSCI (formerly Risk Metrics), and regularly receives a list of companies with operations in Iran. Staff receives monthly reports from the SBI's custodian bank concerning SBI holdings of companies on the restricted list and writes letters as required by law.

According to the law, if after 90 days from the SBI's communication with the company, the company continues to have scrutinized business operations, the SBI must divest all publicly traded securities of the company according to following schedule:

- at least 50 percent shall be sold within nine months after the company appeared on the scrutinized list.
- 100 percent, within fifteen months after the company appeared on the scrutinized list.

SBI managers divested approximately 1,656,000 shares in the first quarter, and no longer hold shares in any company on the divestment list.

Attachment F is a copy of the March 10, 2011 letter sent to each international and domestic equity manager and fixed income manager containing the end of quarter restricted list and the list of companies to be divested.

5. Litigation Update

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on June 8, 2011.

6. Staff Report on Break the Bonds Organization

At the March 3, 2011 meeting of the SBI Board, several members of the Minnesota Break the Bonds organization presented their concerns regarding investments in Israeli bonds. Staff was directed to meet with the members of the organization and to report back to the Board at its next meeting. **Attachment G** is the staff's report.

ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2011 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR TO DATE THROUGH APRIL 30, 2011**

ITEM	FISCAL YEAR 2011 BUDGET	FISCAL YEAR 2011 4/30/2011
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,845,000	\$ 2,139,124
PART TIME EMPLOYEES	\$ 69,000	\$ 53,413
SEVERENCE PAYOFF	0	6,763
WORKERS COMPENSATION INSURANCE	600	569
MISCELLANEOUS PAYROLL	0	0
SUBTOTAL	\$ 2,914,600	\$ 2,199,869
STATE OPERATIONS		
RENTS & LEASES	200,000	170,889
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	5,677
PRINTING & BINDING	4,000	3,016
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	10,517
COMMUNICATIONS	29,000	17,658
TRAVEL, IN-STATE	900	316
TRAVEL, OUT-STATE	40,000	21,749
SUPPLIES	30,000	19,963
EQUIPMENT	10,000	0
EMPLOYEE DEVELOPMENT	5,000	5,840
OTHER OPERATING COSTS	9,000	40,719
SUBTOTAL	\$ 357,900	\$ 296,344
TOTAL ADMINISTRATIVE BUDGET	\$ 3,272,500	\$ 2,496,213

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ATTACHMENT B

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 5, 2011 – May 5, 2011

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Investment Education Symposium sponsored by: Opal Financial Group	H. Bicker	New Orleans, LA 2/28-3/2	\$698.85
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen S. Gleeson	Nashville, TN 4/12-4/15	3,726.53
Manager Monitoring: Alternative Investment Managers: ENCAP, Energy and Minerals Group (EMG); Merit Energy Annual Meeting, NGP	J. Griebenow J. Kirby	Dallas/Ft. Worth, TX Houston, TX 4/18-4/19	2,340.83
Manager Monitoring: Master Custodian: State Street Bank & Trust Co.	P. Anderson	Boston, MA 4/20-4/22	894.55
Conference: State Street Institutional Investor Services (IIS) Client Advisory Council Meeting	H. Bicker	Boston, MA 5/3-5/5	746.55

ATTACHMENT C

**Bills of Interest to the Minnesota State Board of Investment
2011 Legislative Session
Includes Action Through 5/24/11**

Description of Bill	HF/SF # and Author	Current Status
SBI Budget in State Department's Budget Bill	SF 1047 (Parry) See Section 8	Vetoed by Governor Chapter 40
E-verify Requirement for contracts - SBI exempted	See SF 1047, Article 3, Section 40	
Consolidating IT Services - SBI exempted	See SF 1047, Article 4, Sections 1 and 2	
Minneapolis Police and Fire Consolidation into PERA	HF 1647 (Lanning) SF 1369 (Rosen) See SF 1369, Articles 7, 8	Did Not Pass Did Not Pass
State Auditor Investment Study Bill	SF 927 (Rosen) HF 1555 (Murphy, M.)	Referred to State Government Innovation and Veterans Referred to Government Operations and Elections

ATTACHMENT D

Letter to SBI International Equity Managers and Domestic Equity Managers

March 10, 2011

Regarding: Sudan Companies

Dear Manager:

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 equity portfolios managed by your organization and replaces all prior communications. This communication also applies to all depository receipts or ADR's of any of the listed companies.**

Minnesota Statutes, section 11A.243 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 changes to the List of Restricted Sudan Stocks that was attached to the December 13, 2010 letter you received. **This new list is effective March 15, 2011.**

- The following companies have been added to the restricted list:
 - Kunlun Energy Company Limited (Hong Kong)
 - Petronas Chemicals Group Berhad (Malaysia)

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

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.**

Attachment 3 is a list of security identifiers for the companies on the List of Restricted Sudan Stocks (**Attachment 1**) that your organization may use. Please note that the list of security identifiers has information on companies not on the restricted list.

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
AviChina Industry & Technology Company Limited	China
Daqing Huake Group Company Limited	China
Dongfeng Motor Group Company Limited	China
Hafei Aviation Industry Company	China
Harbin Dongan Auto Engine Company	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Jinan Diesel Company Limited	China
PetroChina	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Wuhan Boiler Company.	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Limited	China
Sichuan Nitrocell Company Limited	China
China North Optical-Electrical Technology Company Limited	China
AKM Industrial Company Limited	China
Sinopec Kanton Holdings Limited	Hong Kong
Kunlun Energy Company Limited	Hong Kong
Chennai Petroleum Corporation Ltd. AKA CPCL	India
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Mangalore Refinery and Petrochemical Limited	India
Mercator Lines	India
Oil and Natural Gas Company AKA ONGC	India
Alstom Projects India Limited	India
Oil India Limited	India
Egypt Kuwaiti Holding Company	Egypt
Kingdream PLC	Egypt/China
AREF Energy Holding Company	Kuwait
ONA S.A.	Morocco
Managem	Morocco
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Gas Berhad	Malaysia
Petronas Dagangan Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Ranhill Berhad	Malaysia

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
PTT Public Company AKA PTT	Thailand
PTT Exploration & Production PCL	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
JX Holdings, Inc.	Japan
Minara Resources Limited	Switzerland
Chemoil Energy Limited	Switzerland

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

Source: Genocide Intervention Network

SBI Effective Date:

March 15, 2011

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
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
PTT Public Company Limited	Thailand	August 31, 2010	February 28, 2011
Dongfeng Motor Group Company Limited	China	March 31, 2011	September 30, 2011
JX Holdings, Inc.	Japan	March 31, 2011	September 30, 2011
PTT Exploration & Production PCL	Thailand	March 31, 2011	September 30, 2011

Note: AKA means "Also Known As"

Source: Conflict Risk Network

SBI Effective Date:

March 15, 2011

Conflict Risk Network

Security Identifiers for "Scrutinized" Stocks

February 28, 2011

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED.

STOCKS ADDED SINCE LAST REPORT ARE HIGHLIGHTED

ATTACHMENT 3

Company	Primary Company / Affiliates	Exchange	Security Type	Security Name	Ticker	WEA/COGIC	SECD	ICUS	SEC ID	ICR	ICR2	ICR3	ICR4	ICR5	ICR6	ICR7	ICR8	ICR9	ICR10	ICR11	ICR12	ICR13	ICR14	ICR15	ICR16	ICR17	ICR18	ICR19	ICR20	ICR21	ICR22	ICR23	ICR24	ICR25	ICR26	ICR27	ICR28	ICR29	ICR30	ICR31	ICR32	ICR33	ICR34	ICR35	ICR36	ICR37	ICR38	ICR39	ICR40	ICR41	ICR42	ICR43	ICR44	ICR45	ICR46	ICR47	ICR48	ICR49	ICR50	ICR51	ICR52	ICR53	ICR54	ICR55	ICR56	ICR57	ICR58	ICR59	ICR60	ICR61	ICR62	ICR63	ICR64	ICR65	ICR66	ICR67	ICR68	ICR69	ICR70	ICR71	ICR72	ICR73	ICR74	ICR75	ICR76	ICR77	ICR78	ICR79	ICR80	ICR81	ICR82	ICR83	ICR84	ICR85	ICR86	ICR87	ICR88	ICR89	ICR90	ICR91	ICR92	ICR93	ICR94	ICR95	ICR96	ICR97	ICR98	ICR99	ICR100	ICR101	ICR102	ICR103	ICR104	ICR105	ICR106	ICR107	ICR108	ICR109	ICR110	ICR111	ICR112	ICR113	ICR114	ICR115	ICR116	ICR117	ICR118	ICR119	ICR120	ICR121	ICR122	ICR123	ICR124	ICR125	ICR126	ICR127	ICR128	ICR129	ICR130	ICR131	ICR132	ICR133	ICR134	ICR135	ICR136	ICR137	ICR138	ICR139	ICR140	ICR141	ICR142	ICR143	ICR144	ICR145	ICR146	ICR147	ICR148	ICR149	ICR150	ICR151	ICR152	ICR153	ICR154	ICR155	ICR156	ICR157	ICR158	ICR159	ICR160	ICR161	ICR162	ICR163	ICR164	ICR165	ICR166	ICR167	ICR168	ICR169	ICR170	ICR171	ICR172	ICR173	ICR174	ICR175	ICR176	ICR177	ICR178	ICR179	ICR180	ICR181	ICR182	ICR183	ICR184	ICR185	ICR186	ICR187	ICR188	ICR189	ICR190	ICR191	ICR192	ICR193	ICR194	ICR195	ICR196	ICR197	ICR198	ICR199	ICR200	ICR201	ICR202	ICR203	ICR204	ICR205	ICR206	ICR207	ICR208	ICR209	ICR210	ICR211	ICR212	ICR213	ICR214	ICR215	ICR216	ICR217	ICR218	ICR219	ICR220	ICR221	ICR222	ICR223	ICR224	ICR225	ICR226	ICR227	ICR228	ICR229	ICR230	ICR231	ICR232	ICR233	ICR234	ICR235	ICR236	ICR237	ICR238	ICR239	ICR240	ICR241	ICR242	ICR243	ICR244	ICR245	ICR246	ICR247	ICR248	ICR249	ICR250	ICR251	ICR252	ICR253	ICR254	ICR255	ICR256	ICR257	ICR258	ICR259	ICR260	ICR261	ICR262	ICR263	ICR264	ICR265	ICR266	ICR267	ICR268	ICR269	ICR270	ICR271	ICR272	ICR273	ICR274	ICR275	ICR276	ICR277	ICR278	ICR279	ICR280	ICR281	ICR282	ICR283	ICR284	ICR285	ICR286	ICR287	ICR288	ICR289	ICR290	ICR291	ICR292	ICR293	ICR294	ICR295	ICR296	ICR297	ICR298	ICR299	ICR300	ICR301	ICR302	ICR303	ICR304	ICR305	ICR306	ICR307	ICR308	ICR309	ICR310	ICR311	ICR312	ICR313	ICR314	ICR315	ICR316	ICR317	ICR318	ICR319	ICR320	ICR321	ICR322	ICR323	ICR324	ICR325	ICR326	ICR327	ICR328	ICR329	ICR330	ICR331	ICR332	ICR333	ICR334	ICR335	ICR336	ICR337	ICR338	ICR339	ICR340	ICR341	ICR342	ICR343	ICR344	ICR345	ICR346	ICR347	ICR348	ICR349	ICR350	ICR351	ICR352	ICR353	ICR354	ICR355	ICR356	ICR357	ICR358	ICR359	ICR360	ICR361	ICR362	ICR363	ICR364	ICR365	ICR366	ICR367	ICR368	ICR369	ICR370	ICR371	ICR372	ICR373	ICR374	ICR375	ICR376	ICR377	ICR378	ICR379	ICR380	ICR381	ICR382	ICR383	ICR384	ICR385	ICR386	ICR387	ICR388	ICR389	ICR390	ICR391	ICR392	ICR393	ICR394	ICR395	ICR396	ICR397	ICR398	ICR399	ICR400	ICR401	ICR402	ICR403	ICR404	ICR405	ICR406	ICR407	ICR408	ICR409	ICR410	ICR411	ICR412	ICR413	ICR414	ICR415	ICR416	ICR417	ICR418	ICR419	ICR420	ICR421	ICR422	ICR423	ICR424	ICR425	ICR426	ICR427	ICR428	ICR429	ICR430	ICR431	ICR432	ICR433	ICR434	ICR435	ICR436	ICR437	ICR438	ICR439	ICR440	ICR441	ICR442	ICR443	ICR444	ICR445	ICR446	ICR447	ICR448	ICR449	ICR450	ICR451	ICR452	ICR453	ICR454	ICR455	ICR456	ICR457	ICR458	ICR459	ICR460	ICR461	ICR462	ICR463	ICR464	ICR465	ICR466	ICR467	ICR468	ICR469	ICR470	ICR471	ICR472	ICR473	ICR474	ICR475	ICR476	ICR477	ICR478	ICR479	ICR480	ICR481	ICR482	ICR483	ICR484	ICR485	ICR486	ICR487	ICR488	ICR489	ICR490	ICR491	ICR492	ICR493	ICR494	ICR495	ICR496	ICR497	ICR498	ICR499	ICR500	ICR501	ICR502	ICR503	ICR504	ICR505	ICR506	ICR507	ICR508	ICR509	ICR510	ICR511	ICR512	ICR513	ICR514	ICR515	ICR516	ICR517	ICR518	ICR519	ICR520	ICR521	ICR522	ICR523	ICR524	ICR525	ICR526	ICR527	ICR528	ICR529	ICR530	ICR531	ICR532	ICR533	ICR534	ICR535	ICR536	ICR537	ICR538	ICR539	ICR540	ICR541	ICR542	ICR543	ICR544	ICR545	ICR546	ICR547	ICR548	ICR549	ICR550	ICR551	ICR552	ICR553	ICR554	ICR555	ICR556	ICR557	ICR558	ICR559	ICR560	ICR561	ICR562	ICR563	ICR564	ICR565	ICR566	ICR567	ICR568	ICR569	ICR570	ICR571	ICR572	ICR573	ICR574	ICR575	ICR576	ICR577	ICR578	ICR579	ICR580	ICR581	ICR582	ICR583	ICR584	ICR585	ICR586	ICR587	ICR588	ICR589	ICR590	ICR591	ICR592	ICR593	ICR594	ICR595	ICR596	ICR597	ICR598	ICR599	ICR600	ICR601	ICR602	ICR603	ICR604	ICR605	ICR606	ICR607	ICR608	ICR609	ICR610	ICR611	ICR612	ICR613	ICR614	ICR615	ICR616	ICR617	ICR618	ICR619	ICR620	ICR621	ICR622	ICR623	ICR624	ICR625	ICR626	ICR627	ICR628	ICR629	ICR630	ICR631	ICR632	ICR633	ICR634	ICR635	ICR636	ICR637	ICR638	ICR639	ICR640	ICR641	ICR642	ICR643	ICR644	ICR645	ICR646	ICR647	ICR648	ICR649	ICR650	ICR651	ICR652	ICR653	ICR654	ICR655	ICR656	ICR657	ICR658	ICR659	ICR660	ICR661	ICR662	ICR663	ICR664	ICR665	ICR666	ICR667	ICR668	ICR669	ICR670	ICR671	ICR672	ICR673	ICR674	ICR675	ICR676	ICR677	ICR678	ICR679	ICR680	ICR681	ICR682	ICR683	ICR684	ICR685	ICR686	ICR687	ICR688	ICR689	ICR690	ICR691	ICR692	ICR693	ICR694	ICR695	ICR696	ICR697	ICR698	ICR699	ICR700	ICR701	ICR702	ICR703	ICR704	ICR705	ICR706	ICR707	ICR708	ICR709	ICR710	ICR711	ICR712	ICR713	ICR714	ICR715	ICR716	ICR717	ICR718	ICR719	ICR720	ICR721	ICR722	ICR723	ICR724	ICR725	ICR726	ICR727	ICR728	ICR729	ICR730	ICR731	ICR732	ICR733	ICR734	ICR735	ICR736	ICR737	ICR738	ICR739	ICR740	ICR741	ICR742	ICR743	ICR744	ICR745	ICR746	ICR747	ICR748	ICR749	ICR750	ICR751	ICR752	ICR753	ICR754	ICR755	ICR756	ICR757	ICR758	ICR759	ICR760	ICR761	ICR762	ICR763	ICR764	ICR765	ICR766	ICR767	ICR768	ICR769	ICR770	ICR771	ICR772	ICR773	ICR774	ICR775	ICR776	ICR777	ICR778	ICR779	ICR780	ICR781	ICR782	ICR783	ICR784	ICR785	ICR786	ICR787	ICR788	ICR789	ICR790	ICR791	ICR792	ICR793	ICR794	ICR795	ICR796	ICR797	ICR798	ICR799	ICR800	ICR801	ICR802	ICR803	ICR804	ICR805	ICR806	ICR807	ICR808	ICR809	ICR810	ICR811	ICR812	ICR813	ICR814	ICR815	ICR816	ICR817	ICR818	ICR819	ICR820	ICR821	ICR822	ICR823	ICR824	ICR825	ICR826	ICR827	ICR828	ICR829	ICR830	ICR831	ICR832	ICR833	ICR834	ICR835	ICR836	ICR837	ICR838	ICR839	ICR840	ICR841	ICR842	ICR843	ICR844	ICR845	ICR846	ICR847	ICR848	ICR849	ICR850	ICR851	ICR852	ICR853	ICR854	ICR855	ICR856	ICR857	ICR858	ICR859	ICR860	ICR861	ICR862	ICR863	ICR864	ICR865	ICR866	ICR867	ICR868	ICR869	ICR870	ICR871	ICR872	ICR873	ICR874	ICR875	ICR876	ICR877	ICR878	ICR879	ICR880	ICR881	ICR882	ICR883	ICR884	ICR885	ICR886	ICR887	ICR888	ICR889	ICR890	ICR891	ICR892	ICR893	ICR894	ICR895	ICR896	ICR897	ICR898	ICR899	ICR900	ICR901	ICR902	ICR903	ICR904	ICR905	ICR906	ICR907	ICR908	ICR909	ICR910	ICR911	ICR912	ICR913	ICR914	ICR915	ICR916	ICR917	ICR918	ICR919	ICR920	ICR921	ICR922	ICR923	ICR924	ICR925	ICR926	ICR927	ICR928	ICR929	ICR930	ICR931	ICR932	ICR933	ICR934	ICR935	ICR936	ICR937	ICR938	ICR939	ICR940	ICR941	ICR942	ICR943	ICR944	ICR945	ICR946	ICR947	ICR948	ICR949	ICR950	ICR951	ICR952	ICR953	ICR954	ICR955	ICR956	ICR957	ICR958	ICR959	ICR960	ICR961	ICR962	ICR963	ICR964	ICR965	ICR966	ICR967	ICR968	ICR969	ICR970	ICR971	ICR972	ICR973	ICR974	ICR975	ICR976	ICR977	ICR978	ICR979	ICR980	ICR981	ICR982	ICR983	ICR984	ICR985	ICR986	ICR987	ICR988	ICR989	ICR990	ICR991	ICR992	ICR993	ICR994	ICR995	ICR996	ICR997	ICR998	ICR999	ICR1000	ICR1001	ICR1002	ICR1003	ICR1004	ICR1005	ICR1006	ICR1007	ICR1008	ICR1009	ICR1010	ICR1011	ICR1012	ICR1013	ICR1014	ICR1015	ICR1016	ICR1017	ICR1018	ICR1019	ICR1020	ICR1021	ICR1022	ICR1023	ICR1024	ICR1025	ICR1026	ICR1027	ICR1028	ICR1029	ICR1030	ICR1031	ICR1032	ICR1033	ICR1034	ICR1035	ICR1036	ICR1037	ICR1038	ICR1039	ICR1040	ICR1041	ICR1042	ICR1043	ICR1044	ICR1045	ICR1046	ICR1047	ICR1048	ICR1049	ICR1050	ICR1051	ICR1052	ICR1053	ICR1054	ICR1055	ICR1056	ICR1057	ICR1058	ICR1059	ICR1060	ICR1061	ICR1062	ICR1063	ICR1064	ICR1065	ICR1066	ICR1067	ICR1068	ICR1069	ICR1070	ICR1071	ICR1072	ICR1073	ICR1074	ICR1075	ICR1076	ICR1077	ICR1078	ICR1079	ICR1080	ICR1081	ICR1082	ICR1083	ICR1084	ICR1085	ICR1086	ICR1087	ICR1088	ICR1089	ICR1090	ICR1091	ICR1092	ICR1093	ICR1094	ICR1095	ICR1096	ICR1097	ICR1098	ICR1099	ICR1100	ICR1101	ICR1102	ICR1103	ICR1104	ICR1105	ICR1106	ICR1107	ICR1108	ICR1109	ICR1110	ICR1111	ICR1112	ICR1113	ICR1114	ICR1115	ICR1116	ICR1117	ICR1118	ICR1119	ICR1120	ICR1121	ICR1122	ICR1123	ICR1124	ICR1125	ICR1126	ICR1127	ICR1128	ICR1129	ICR1130	ICR1131	ICR1132	ICR1133	ICR1134	ICR1135	ICR1136	ICR1137	ICR1138	ICR1139	ICR1140	ICR1141	ICR1142	ICR1143	ICR1144	ICR1145	ICR1146	ICR1147	ICR1148	ICR1149	ICR1150	ICR1151	ICR1152	ICR1153	ICR1154	ICR1155	ICR1156	ICR1157	ICR1158	ICR1159	ICR1160	ICR1161	ICR1162	ICR1163	ICR1164	ICR1165	ICR1166	ICR1167	ICR1168	ICR1169	ICR1170	ICR1171	ICR1172	ICR1173	ICR1174	ICR1175	ICR1176	ICR1177	ICR1178	ICR1179	ICR1180	ICR1181	ICR1182	ICR1183	ICR1184	ICR1185	ICR1186	ICR1187	ICR1188	ICR1189	ICR1190	ICR1191	ICR1192	ICR1193
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ATTACHMENT E

Conflict Risk Network List of "Srutinized" Companies in Sudan, formerly "Highest Offenders" Companies List Effective Through May 31, 2011

Company Name	Country of Origin
China National Petroleum Corporation AKA CNPC	China
Jinan Diesel Co. Ltd.	China
Daqing Huake Group Co. Ltd.	China
PetroChina	China
Petronas Gas Berhad	Malaysia
Petronas Dagangan	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd.	India
Sinopec Group AKA China Petrochemical Corporation	China
Kingdream PLC	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Kanton Holdings	China
Sinopec Yizheng Chemical Fibre Company, Ltd.	China
AREF Energy Holding Company	Kuwait
Egypt Kuwaiti Holding Company	Egypt
Ranhill Berhad	Malaysia
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
Sichuan Nitrocell Company Limited	China
China North Optical-Electrical Technology Company Limited	China
AKM Industrial Company Limited	China
AviChina Industry & Technology Company, Ltd.	China
Hafei Aviation Industry	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Harbin Dongan Auto Engine Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Mercator Lines	India
Mercator Lines Singapore	Singapore
Dongfeng Motor Group Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Oil India Limited	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Alstom	France
Alstom Projects India Ltd	India
Wuhan Boiler Company	France
Electricity Generating Company Limited AKA EGCO	Thailand
ONA S.A.	Morocco
Managem	Morocco
PTT Public Company, Limited AKA PTT	Thailand
PTT Exploration & Production PCL	Thailand
JX Holdings, Inc.	Japan
Minara Resources Limited	Switzerland
Chemoil Energy Limited	Switzerland
Kunlun Energy Company, Limited	Hong Kong

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

**Genocide Intervention Network List of Companies in Sudan for "Substantial Action or
Business Operations" formerly "Ongoing Engagement"
List Effective Through May 31, 2011**

Company Name	Country of Origin
Shanghai Electric Group Company, Ltd..	China
Harbin Power Equipment Company Limited	China
China Poly Group Corporation	China
Bharat Electronics Limited	India
Bharat Heavy Electricals	India
Citadel Capital	Egypt
Lundin International SA	France
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Lundin Petroleum AB	Sweden
Andritz VA Tech Hydro	Austria
Man SE	Germany
GAZ Group	Russia
Yaroclavsky Diesel Equipment Plant Oao	Russia
Kamaz	Russia

**Conflict Risk Network List of Companies in Sudan with No Publicly Traded Equity or Relevant only to CRN
Formerly No Publicly Traded Equity
List Effective Through May 31, 2011**

<u>Company Name</u>	<u>Country of Origin</u>
Africa Energy	Nigeria
Al-Qahtani & Sons Group of Companies	Saudi Arabia
Ansan Wikfs/Shaher Trading Company	Yemen
APS Engineering Company	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
China International Water & Electric Corp AKA CWE	China
China National Machinery and Equipment Import Export Corporation (CMEC)	China
China National United Oil Company	China
China Petroleum Engineering Company AKA CPEC	China
Coyne et Bellier	France
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
Glencore International AG	Switzerland
Harbin Power Engineering AKA HPE	China
Hi Tech Petroleum Group Co. Ltd.	Sudan
HTC Yemen International Limited	Yemen
JX Nippon Oil & Energy Corporation	Japan
K & K Capital Group AKA KKCG	Czech Republic
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer International	Germany
Mott MacDonald	UK
Petrolin	Gabon
Petronneeds Service International Company	Sudan
PT Pertamina Persero AKA Pertamina	Indonesia
Shandong Electric Power Construction Corporation AKA Shandong Electric Power Group	China
Snowy Mountain Engineering Corporation	Australia
Star Petroleum	Spain
Sudan Petroleum Company AKA Sudapet	Sudan
Tamoil	Libya
Trafigura Beheer	Netherlands
Vitol Group	Switzerland
Zaver Petroleum Corporation Ltd.	Pakistan

Source: Conflict Risk Network: CRN is a project of the merger November 10, 2010 of Save Darfur Coalition and Genocide Intervention Network

March 4, 2011

ATTACHMENT F

Letter to SBI International Equity Managers and Domestic Equity Managers

March 10, 2011

Regarding: Iran Companies

Dear Manager:

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

Minnesota Statutes, section 11A.244, requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction.

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the January 5, 2011 letter you received. **This new list is effective March 15, 2011.**

- The following companies have been removed from the restricted list:
 - Edison SpA
 - INA-Industrija nafte d.d
 - Indian Oil Corporation Limited
 - Liquefied Natural Gas Ltd
 - Oil & Natural Gas Corporation Limited
 - OMV Aktiengesellschaft
 - SGS SA
 - Technip

- The following companies have been added to the restricted list:
 - GS Holdings
 - Petronas Chemicals Group Berhad

Attachment 2 is the List of Iran Companies Requiring Divestment.

- The following company has been removed from the divestment list:
 - Technip

If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your company manages, then you must divest those holdings according to the schedule 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.

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1
RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO

ISSUER	ISSUER ID	TICKER	CUSIP	SEDOL	ISIN	COUNTRY
China Petroleum & Chemical Corporation	IID000000002161850	600028	16941R108	6373728	CNE0000018G1	China
CNOOC Ltd	IID000000002140797	883	126132109	B00G055	HK0883013259	Hong Kong
Costain Group PLC	IID000000002133808	COST		B64NSP7	GB00B64NSP76	UK
Daelim Industrial Company Limited	IID000000002163524	000210		6249584	KR7000210005	South Korea
Energetiki i Elektrifikatsii OAO AKA Mosenergo	IID000000002127313	MSNG	037376308	B59MBC0	RU0008958863	Russia
Gazprom OAO	IID000000002167503	GAZP	368287207	B59L4L7	RU0007661625	Russia
Gazprom neft OAO	IID000000002145433	SIBN	36829G107	B59L417	RU0009062467	Russia
GS Engineering & Construction Corporation	IID000000002135460	006360		6537096	KR7006360002	South Korea
GS Holdings	IID000000002126597	078930		B01RJV3	KR7078930005	South Korea
KunLun Energy Company Limited	IID000000002160624	135	50126A101	6340078	BMG5320C1082	Hong Kong
L'Air Liquide SA	IID000000002124820	AI	009126202	B1YXBJ7	FR0000120073	France
Lanka IOC PLC	IID000000002146118	LIOC.N0000		B0591G4	LK0345N00005	Sri Lanka
Malaysia International Shipping Company AKA MISC Berhad	IID000000002174397	MISC		6557997	MYL38160O005	Malaysia
Malaysia Marine and Heavy Engineering Holdings Bhd	IID000000002602213	MHB		B3W5NN7	MYL5186O0001	Malaysia
Mangalore Refinery and Petrochemicals Ltd	IID000000002135609	500109		6121530	INE103A01014	India
OMV Petrom S.A.	IID000000002128221	SNP		7180411	ROSNPPACNOR9	Romania
PetroChina Company Limited	IID000000002179403	601857	71646E100	B28SLD9	CNE1000007Q1	China
Petrofac Limited	IID000000002179416	PFC		B0H2K53	GB00B0H2K534	UK
Petronas Chemicals Group Bhd	IID000000002603699	PCHEM		B5KQGT3	MYL5183O0008	Malaysia
Petronas Dagangan Bhd	IID000000002179442	PETDAG		6695938	MYL5681O0001	Malaysia
Petronas Gas Berhad	IID000000002178591	PETGAS		6703972	MYL6033O0004	Malaysia
Petrovietnam Fertilizer And Chemicals Corp	IID000000002179451	DPM		B291F68	VN000000DPM1	Vietnam
Petrovietnam Investment Consultancy And Engineering Joint Stock Co	IID000000002179453	PVE		B2Nfy69	VN000000PVE0	Vietnam
PetroVietnam Southern Gas Joint Stock Company	IID000000002179409	PGS		B2988V5	VN000000PGS1	Vietnam
Petrovietnam Transportation Corporation	IID000000002148121	PVT		B1LB990	VN000000PVT8	Vietnam
PTT Exploration and Production Public Company Limited	IID000000002178717	PTTEP	69364V106	B1359K1	TH0355A10Z04	Thailand
Sasol Limited	IID000000002129090	SOL	803866102	6777450	ZAE000006896	Switzerland
Sinopec Kantons Holdings Ltd.	IID000000002149237	934	82934W207	6162692	BMG8165U1009	HK
Sinopec Shanghai Petrochemical Company Limited	IID000000002133087	600688	82935M109	6802794	CNE000000BB2	China
Sinopec Yizheng Chemical Fibre Company Limited	IID000000002125077	600871		6986740	CNE000000HS3	China

Effective Date: March 15, 2011

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this Date
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L' Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
PTT Exploration and Production Public Company Limited	Thailand	January 28, 2011	July 28, 2011

Effective Date: March 15, 2011

March 10, 2011

Regarding Iran Companies

Dear Manager:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Iran. **This communication applies to the SBI fixed income portfolio managed by your organization.**

Minnesota Statutes, section 11A.244, requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction.

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the January 5, 2011 letter you received. **This new list is effective March 15, 2011.**

- The following companies have been removed from the restricted list:
 - Edison SpA
 - INA-Industrija nafte d.d
 - Indian Oil Corporation Limited
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 - Oil & Natural Gas Corporation Limited
 - OMV Aktiengesellschaft
 - SGS SA
 - Technip

- The following companies have been added to the restricted list:
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 - Petronas Chemicals Group Berhad

Attachment 2 is the List of Iran Companies Requiring Divestment.

- The following company has been removed from the divestment list:
 - Technip

If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your company manages, then you must divest those holdings according to the schedule 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.

If you have any questions about this matter, please contact Michael J. Menssen, Manager, Long-Term Debt or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

cc.: James E. Heidelberg, Manager, Public Programs
Steve Kuettel, Manager, Short-Term Debt
Michael J. Menssen, Manager, Long-Term Debt

ATTACHMENT 1
RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO

ISSUER	COUNTRY
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Energetiki i Elektrifikatsii OAO AKA Mosenergo	Russia
Gazprom OAO	Russia
Gazprom neft OAO	Russia
GS Engineering & Construction Corporation	South Korea
GS Holdings	South Korea
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Lanka IOC PLC	Sri Lanka
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Malaysia Marine and Heavy Engineering Holdings Bhd	Malaysia
Mangalore Refinery and Petrochemicals Ltd	India
OMV Petrom S.A.	Romania
PetroChina Company Limited	China
Petrofac Limited	UK
Petronas Chemicals Group Bhd	Malaysia
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
Petrovietnam Fertilizer And Chemicals Corp	Vietnam
Petrovietnam Investment Consultancy And Engineering Joint Stock Co	Vietnam
PetroVietnam Southern Gas Joint Stock Company	Vietnam
Petrovietnam Transportation Corporation	Vietnam
PTT Exploration and Production Public Company Limited	Thailand
Sasol Limited	Switzerland
Sinopec Kantons Holdings Ltd.	HK
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China

Effective Date: March 15, 2011

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this Date
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L' Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011

PTT Exploration and Production Public Company Limited	Thailand	January 28, 2011	July 28, 2011
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Effective Date: March 15, 2011

ATTACHMENT G

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

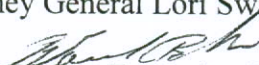
Howard J. Bicker

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

An Equal Opportunity
Employer

DATE: June 1, 2011

TO: Members, State Board of Investment
Governor Mark Dayton
State Auditor Rebecca Otto
Secretary of State Mark Ritchie
Attorney General Lori Swanson

FROM: 
Howard Bicker, Executive Director

**SUBJECT: Response to Board Request Related to the Minnesota
Break the Bonds Organization**

At the March 3, 2011 meeting of the SBI Board, several members of the organization Minnesota Break the Bonds presented their concerns regarding investment in Israeli Bonds. Their objections to the investments focus on two general themes:

- The investments were not authorized by law.
- The Board should not invest in the bonds based on moral and ethical grounds.

After the organization completed its presentations, a motion was made to have the leaders of the group engage with SBI staff and to give the Attorney General's Office an opportunity to review statutory authority, and to report back to the Board at its next meeting.

On March 18, a meeting was held in the offices of the SBI staff to allow the organization an opportunity to state the rationale for their request that the SBI divest of Israeli bonds. Staff is providing to the Board the following information related to the two issues discussed with the Minnesota Break the Bonds organization.

The first issue is the legality of the investments. It has been determined by the Attorney General's Office that the investments are legal.

The second issue is the Board should not invest in the bonds based upon moral and ethical grounds. The SBI is governed by *Minnesota Statutes* which state that the Board has a fiduciary responsibility related to the assets under its control and all investments shall be made for the exclusive benefit of the members.

TAB

C

SBI ADMINISTRATIVE COMMITTEE REPORT

DATE: June 1, 2011

TO: Members, State Board of Investment

FROM: SBI Administrative Committee

The Administrative Committee met on May 13, 2011 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY12
- Review of Budget Plan for FY12
- 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 FY12.

The Executive Director's Proposed Workplan for FY12 was presented. As in previous workplans, the FY12 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 2011 as part of the FY12 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY12 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY12.

2. FY12 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 2011 as part of the FY12 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY12 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 FY11. The Committee members agreed that the performance reviews should be completed prior to the September 2011 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 FY11 performance evaluation:

- **The evaluation will be completed prior to the September 2011 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY11.**

- **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.**
- **Minnesota Management and Budget 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.

ATTACHMENT A

STATE BOARD OF INVESTMENT
Executive Director's Proposed Workplan

FY12

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

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Review Management Structure of the Fixed Interest Account	Jul – Dec
2. Fixed Income Asset Class Target	Jul – Jun
3. Municipal Bond Pool	Jul – Oct
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or Exceed the Performance Objectives	Ongoing
2. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing
3. Investments with New/Existing Alternative Asset Managers	Ongoing
4. Manager Search Process	Ongoing
5. Implement State Law Concerning Iran	Ongoing
6. Implement State Law Concerning Sudan	Ongoing
C. REVIEW AND CONTROL OF INVESTMENT POLICIES	
1. Monitor and Evaluate Investment Manager Performance	Ongoing
2. Review Foreign Exchange Practices of the SBI's International Equity Managers	Jul - Sep
3. Review Various Tax and Legal Issues Associated with Investing in Emerging Markets	Jul – Sep
4. Manager Guidelines	Ongoing

- | | | |
|----|---|-----------|
| 5. | Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives | Jul - Jun |
| 6. | Monitor Implementation of Northern Ireland Mandate | Oct - Mar |

D. ADMINISTRATION AND MANAGEMENT OF STAFF OPERATIONS

- | | | |
|----|--|-----------|
| 1. | Internal Control and Evaluation | Apr – Jul |
| 2. | Coordinate Financial Audit by Legislative Auditor | Jul – Dec |
| 3. | Prepare 2012 Legislative Package | Jul – May |
| 4. | RFP for Custodial Services | Jan - Jun |
| 5. | RFP for Investment Consultant(s) | Jul – Dec |
| 6. | RFP for Accounting System | Jan – Jun |
| 7. | Internal Cash Management RFP for Major Revenue Banking Services and Custodial Services | Nov – Jun |
| 8. | Prepare FY12 Management and Budget Plan | Jul – Jun |
| 9. | Annual Update of Disaster Recovery/Pandemic Plan | Apr – Jun |

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. | Define the Performance Data Needs of the SBI | Jul – Aug |
| 6. | Prepare FY 2011 Annual Report | Jul - Jan |
| 7. | Prepare Annual SIF Investment Options Prospectus and VSVF Plan Information Booklet | May – Sep |
| 8. | Coordinate Public Pension Plan Performance Reporting Disclosure | Ongoing |
| 9. | Conduct Manager Round Tables | Periodic |

ATTACHMENT B

**Administrative Budget
FY 12 – 13 Budget Plan
Overview**

The FY 12 – 13 budget request is based on budget procedures instituted by Department of Minnesota Management and Budget.

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 authority was used to generate the fiscal year 2011 budget and also is the basis for the 2012 – 2013 budget projections.

	FY11 Budget	FY11 Projected	FY12 Request	FY13 Request
Personnel Services	\$2,914,600	\$2,840,369	\$2,914,600	\$2,914,600
Operating Expense	357,900	364,900	347,900	347,900
	\$3,272,500	\$3,205,269	\$3,262,500	\$3,262,500

Personnel Services: **89% of the budget**
Salaries, retirement, insurance, FICA, severance

Operating Expenses: **11% of the budget**
Rents, leases, printing, data processing
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2012 BUDGET PLAN**

DESCRIPTION	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 PROJECTED	FY2012 BUDGET
PERSONAL SERVICES					
FULL TIME EMPLOYEES	\$ 1,989,699	\$ 2,653,441	\$ 2,826,734	\$ 2,764,000	\$ 2,845,000
PART TIME EMPLOYEES	76,761	75,111	68,752	69,000	69,000
SEVERENCE PAYOFF	58,035	11,150	-	6,800	-
WORKERS COMPENSATION INSURANCE	653	504	568	569	600
MISCELLANEOUS PAYROLL	-	-	-	-	-
SUBTOTAL	\$ 2,125,148	\$ 2,740,206	\$ 2,896,054	\$ 2,840,369	\$ 2,914,600
STATE OPERATIONS					
RENTS & LEASES	186,859	194,138	199,940	200,000	200,000
REPAIRS/ALTERATIONS/MAINTENANCE	58,652	4,908	8,624	8,500	10,000
PRINTING & BINDING	2,788	11,625	2,861	4,000	4,000
PROFESSIONAL/TECHNICAL SERVICES	-	-	-	-	-
COMPUTER SYSTEMS SERVICES	22,519	9,251	17,513	16,000	18,000
COMMUNICATIONS	25,689	27,811	29,793	26,000	28,000
TRAVEL, IN-STATE	910	1,540	172	600	900
TRAVEL, OUT-STATE	44,085	29,479	34,084	32,000	38,000
SUPPLIES	35,255	28,783	33,922	28,000	30,000
EQUIPMENT	87,556	5,762	18,098	-	5,000
EMPLOYEE DEVELOPMENT	15,983	15,748	9,440	8,800	5,000
OTHER OPERATING COSTS	11,288	13,912	8,474	41,000	9,000
SUBTOTAL	\$ 491,584	\$ 342,957	\$ 362,921	\$ 364,900	\$ 347,900
TOTAL MSBI OPERATING FUND	\$ 2,616,732	\$ 3,083,163	\$ 3,258,975	\$ 3,205,269	\$ 3,262,500
PERCENT INCREASE OVER PRIOR YEAR		17.8%	5.7%	-1.6%	1.8%

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 Roundtables

The SBI intends to convene small groups of its external money managers to discuss issues related to investment management and the financial markets. These roundtable 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 2-3 roundtables 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, 2011

2010 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

D

INVESTMENT ADVISORY COUNCIL REPORT

DATE: June 1, 2011

TO: Members, State Board Investment

FROM: Members, Investment Advisory Council

The Investment Advisory Council met on Tuesday, May 24, 2011 to consider the following agenda items:

- Review the manager performance for the period ending March 31, 2011.

INFORMATION ITEMS:

1. Review the manager performance for the period ending March 31, 2011.

- *Domestic Equity Program*

For the period ending March 31, 2011, the **Domestic Equity Program** outperformed the benchmark for the quarter, year and three year periods and trailed over the five- year time period.

Time period	Total Program	Russell 3000
Quarter	6.5%	6.4%
1 Year	17.6%	17.4%
3 Years	3.6%	3.4%
5 Years	2.7%	2.9%

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, 2011, the **Fixed Income Program** outperformed over all time periods.

Time period	Total Program	Barclays Capital Aggregate
Quarter	0.9%	0.4%
1 Year	7.1%	5.1%
3 Years	6.4%	5.3%
5 Years	6.1%	6.0%

The performance evaluation reports for the fixed income managers start on the **blue page A-57** of this Tab.

- ***International Equity Program***

For the period ending March 31, 2011, the **International Equity Program** underperformed the benchmark for the quarter and outperformed over the one, three and five-year time periods.

Time Period	Total Program	Int'l Equity Asset Class Target*
Quarter	2.9%	3.4%
1 Year	13.7%	13.1%
3 Year	-0.5%	-0.8%
5 Year	3.8%	3.7%

* Since 6/1/08 the International Equity asset class target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08, the International Equity asset class target was 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).

The performance evaluation reports for the international equity managers start on the **blue page A-71** of this Tab.



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

First Quarter, 2011

Domestic Equity

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending March, 2011

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	5.7	6.2	14.0	16.7	1.2	3.0	0.9	2.9
Russell 1000 Growth Aggregate	7.5	6.0	23.2	18.3	7.1	5.2	4.1	4.3
Russell 1000 Value Aggregate	7.1	6.5	15.0	15.2	1.9	0.6	1.9	1.4
Russell 2000 Growth Aggregate	11.2	9.2	33.1	31.0	7.1	10.2	3.2	4.3
Russell 2000 Value Aggregate	8.0	6.6	27.4	20.6	9.4	6.8	1.8	2.2
Active Manager Aggregate	7.8	6.8	21.2	19.1	4.8	4.2	2.7	3.1
Semi-Passive Aggregate	6.1	6.2	15.5	16.7	2.8	3.0	2.5	2.9
Passive Manager (BlackRock)	6.2	6.4	17.5	17.4	3.5	3.4	3.0	2.9
Total Aggregate	6.5	6.4	17.6	17.4	3.6	3.4	2.7	2.9
Russell 3000 Index		6.4		17.4		3.4		2.9

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	13.3	16.1	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5
Russell 1000 Growth Aggregate	19.3	16.7	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1
Russell 1000 Value Aggregate	15.0	15.5	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2
Russell 2000 Growth Aggregate	29.1	29.1	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3
Russell 2000 Value Aggregate	30.5	24.5	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5
Active Manager Aggregate	19.7	18.7	32.3	27.9	-40.5	-36.9	6.3	4.2	11.5	15.8
Semi-Passive Aggregate	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5
Passive Manager (BlackRock)	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7
Total Aggregate	17.1	16.9	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7
Russell 3000 Index		16.9		28.3		-37.3		5.1		15.7

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS**

Periods Ending March, 2011

Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
LARGE CAP												
Russell 1000 Core												
New Amsterdam Partners	7.0	6.2	19.0	16.7	3.5	3.0	1.9	2.9	10.4	9.4	\$399.5	1.8%
UBS Global	4.2	6.2	9.2	16.7	2.4	3.0	1.4	2.9	8.5	8.5	\$374.8	1.7%
Aggregate	5.7	6.2	14.0	16.7	1.2	3.0	0.9	2.9			\$774.2	3.5%
Russell 1000 Growth												
INTECH	6.5	6.0	21.4	18.3	3.9	5.2	2.4	4.3	3.8	4.8	\$350.9	1.6%
Jacobs Levy	9.6	6.0	23.3	18.3	4.9	5.2	2.2	4.3	3.0	4.8	\$318.6	1.4%
Knelman Asset Mgmt.	5.4	6.0	19.9	18.3	3.8	5.2	3.4	4.3	4.6	4.8	\$66.5	0.3%
Sands Capital	4.6	6.0	28.3	18.3	11.3	5.2	6.0	4.3	6.3	4.8	\$291.4	1.3%
Winslow-Large Cap	7.7	6.0	21.4	18.3	6.6	5.2	6.2	4.3	7.4	4.8	\$147.4	0.7%
Zevenbergen Capital	9.2	6.0	29.1	18.3	12.9	5.2	8.1	4.3	10.1	7.8	\$362.0	1.6%
Aggregate	7.5	6.0	23.2	18.3	7.1	5.2	4.1	4.3			\$1,536.8	7.0%
Russell 1000 Value												
Barrow, Hanley	7.1	6.5	11.8	15.2	2.3	0.6	1.5	1.4	5.1	4.6	\$457.3	2.1%
Earnest Partners	4.7	6.5	15.0	15.2	3.4	0.6	2.6	1.4	4.8	4.7	\$196.7	0.9%
LSV Asset Mgmt.	8.5	6.5	15.8	15.2	1.1	0.6	1.4	1.4	5.7	4.6	\$435.6	2.0%
Systematic Financial Mgmt.	6.8	6.5	17.2	15.2	1.5	0.6	2.2	1.4	5.5	4.6	\$326.7	1.5%
Aggregate	7.1	6.5	15.0	15.2	1.9	0.6	1.9	1.4			\$1,416.3	6.4%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	6.7	9.2	28.0	31.0	2.3	10.2	-0.2	4.3	3.8	7.4	\$235.2	1.1%
Next Century Growth	14.4	9.2	38.1	31.0	8.1	10.2	5.1	4.3	2.1	1.8	\$307.6	1.4%
Turner Investment Partners	11.6	9.2	32.4	31.0	10.2	10.2	5.0	4.3	8.2	7.4	\$307.0	1.4%
Aggregate	11.2	9.2	33.1	31.0	7.1	10.2	3.2	4.3			\$849.8	3.9%
Russell 2000 Value												
Goldman Sachs	7.9	6.6	25.2	20.6	9.8	6.8	5.2	2.2	8.4	6.9	\$167.4	0.8%
Hotchkis & Wiley	7.7	6.6	33.3	20.6	13.4	6.8	1.8	2.2	7.1	6.9	\$154.0	0.7%
Martingale Asset Mgmt.	7.5	6.6	26.2	20.6	5.0	6.8	-1.3	2.2	5.1	6.9	\$134.4	0.6%
Peregrine Capital	8.6	6.6	26.0	20.6	10.1	6.8	1.8	2.2	10.8	10.0	\$235.9	1.1%
Aggregate	8.0	6.6	27.4	20.6	9.4	6.8	1.8	2.2			\$691.7	3.1%
Active Mgr. Aggregate (2)	7.8	6.8	21.2	19.1	4.8	4.2	2.7	3.1			\$5,268.9	24.0%

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

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

Note: All aggregates include the performance of terminated managers.

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending March, 2011
Versus Manager Benchmarks**

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		%
SEMI-PASSIVE MANAGERS (2)												
BlackRock Institutional	5.4	6.2	14.1	16.7	2.1	3.0	1.7	2.9	8.3	8.2	\$2,220.1	10.1%
INTECH	6.6	6.2	16.6	16.7					16.6	16.7	\$1,411.2	6.4%
JP Morgan	6.0	6.2	16.6	16.7	4.3	3.0	3.8	2.9	8.4	8.2	\$2,696.3	12.3%
Mellon Capital	7.1	6.2	15.0	16.7	1.7	3.0	1.8	2.9	7.6	8.2	\$1,440.9	6.6%
Semi-Passive Aggregate (R1000)	6.1	6.2	15.5	16.7	2.8	3.0	2.5	2.9			\$7,768.6	35.3%
PASSIVE MANAGER (R3000)												
BlackRock Institutional	6.2	6.4	17.5	17.4	3.5	3.4	3.0	2.9	7.9	7.8	\$8,941.3	40.7%
Total Aggregate (3)	6.5	6.4	17.6	17.4	3.6	3.4	2.7	2.9	10.0	10.2	\$21,979.0	100.0%
Russell 3000		6.4		17.4		3.4		2.9		10.6		
Russell 1000		6.2		16.7		3.0		2.9		10.7		
Russell 2000		7.9		25.8		8.6		3.3		9.4		

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

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

(3) The Total Aggregate benchmark 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.

Note: All aggregates include the performance of terminated managers.

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

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
New Amsterdam Partners	16.2	16.1	24.8	28.4	-36.7	-37.6	5.0	5.8	9.3	15.5
UBS Global	10.3	16.1	41.3	28.4	-41.3	-37.6	0.8	5.8	16.8	15.5
Aggregate	13.3	16.1	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5
Russell 1000 Growth										
INTECH	19.5	16.7	34.0	37.2	-42.8	-38.4	11.4	11.8	7.4	9.1
Jacobs Levy	19.5	16.7	37.1	37.2	-44.9	-38.4	8.4	11.8	6.1	9.1
Knelman Asset Mgmt.	18.1	16.7	31.1	37.2	-39.9	-38.4	18.0	11.8	7.1	9.1
Sands Capital	26.8	16.7	71.6	37.2	-48.6	-38.4	19.5	11.8	-5.5	9.1
Winslow-Large Cap	16.8	16.7	40.9	37.2	-39.1	-38.4	22.0	11.8	7.6	9.1
Zevenbergen Capital	22.9	16.7	57.4	37.2	-43.2	-38.4	24.0	11.8	6.2	9.1
Aggregate	19.3	16.7	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1
Russell 1000 Value										
Barrow, Hanley	10.4	15.5	23.2	19.7	-35.2	-36.8	2.6	-0.2	15.4	22.2
Earnest Partners	18.5	15.5	31.6	19.7	-39.8	-36.8	6.5	-0.2	13.8	22.2
LSV Asset Mgmt.	14.0	15.5	24.0	19.7	-39.3	-36.8	1.3	-0.2	21.7	22.2
Systematic Financial Mgmt.	18.1	15.5	23.2	19.7	-40.6	-36.8	8.3	-0.2	17.9	22.2
Aggregate	15.0	15.5	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	28.5	29.1	28.0	34.5	-49.1	-38.5	16.2	7.0	12.5	13.3
Next Century Growth	29.6	29.1	35.0	34.5	-49.3	-38.5	34.2	7.0	12.4	13.3
Turner Investment Partners	29.0	29.1	36.9	34.5	-41.9	-38.5	14.8	7.0	13.6	13.3
Aggregate	29.1	29.1	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3
Russell 2000 Value										
Goldman Sachs	27.0	24.5	27.8	20.6	-26.8	-28.9	-5.0	-9.8	17.8	23.5
Hotchkis & Wiley	43.4	24.5	62.5	20.6	-44.1	-28.9	-18.8	-9.8	3.0	23.5
Martingale Asset Mgmt.	27.4	24.5	19.4	20.6	-33.8	-28.9	-16.8	-9.8	14.8	23.5
Peregrine Capital	27.3	24.5	45.8	20.6	-39.4	-28.9	-13.4	-9.8	14.3	23.5
Aggregate	30.5	24.5	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5
Active Mgr. Aggregate (1)	19.7	18.7	32.3	27.9	-40.5	-36.9	6.3	4.2	11.5	15.8

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

Note: All aggregates include the performance of terminated managers. Returns shown are 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
Calendar Year Returns Versus
Manager Benchmarks**

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS										
BlackRock Institutional	14.0	16.1	27.6	28.4	-37.1	-37.6	2.2	5.8	15.6	15.5
JP Morgan	16.8	16.1	32.1	28.4	-37.1	-37.6	5.1	5.8	16.5	15.5
Mellon Capital	13.7	16.1	25.6	28.4	-37.6	-37.6	2.5	5.8	16.5	15.5
Semi-Passive Aggregate (R1000)	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5
PASSIVE MANAGER (R3000)										
BlackRock Institutional	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7
Total Aggregate	17.1	16.9	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7
Russell 3000		16.9		28.3		-37.3		5.1		15.7
Russell 1000		16.1		28.4		-37.6		5.8		15.5
Russell 2000		26.9		27.2		-33.8		-1.6		18.4

Note: All aggregates include the performance of terminated managers. Returns shown are full-year returns only.
Performance of managers hired during a calendar year are reported beginning with the following calendar year.

Large Cap Core (R1000)

Large Cap Core (R1000)

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NEW AMSTERDAM PARTNERS
Periods Ending March, 2011

Portfolio Manager: Michelle Clayman

Assets Under Management: \$399,466,075

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

No comment at this time.

Quantitative Evaluation

	Actual	Russell Index
Last Quarter	7.0%	6.2%
Last 1 year	19.0	16.7
Last 2 years	26.8	33.0
Last 3 years	3.5	3.0
Last 4 years	0.4	0.8
Last 5 years	1.9	2.9
Since Inception (1) (4/94)	10.4	9.4

Recommendation

No action required.

- (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
Rolling Five Year VAM vs. Russell Index (1)



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

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2011

Portfolio Manager: John Leonard

Assets Under Management: \$374,768,156

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

UBS underperformed the benchmark for the quarter and for the year. Both periods were impacted by negative stock selection, especially in the Consumer Discretionary sector. An underweight to the Energy sector also detracted from performance for the quarter and the year.

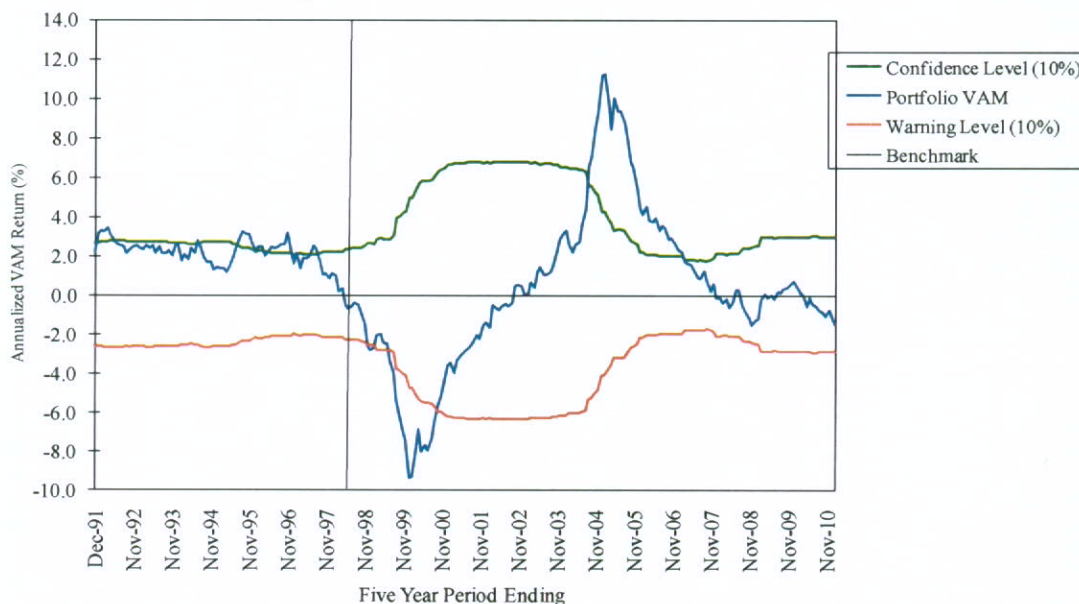
Quantitative Evaluation

	Actual	(R1000 Core)
Last Quarter	4.2%	6.2%
Last 1 year	9.2	16.7
Last 2 years	35.3	33.0
Last 3 years	2.4	3.0
Last 4 years	-1.0	0.8
Last 5 years	1.4	2.9
Since Inception (7/93)	8.5	8.5

Recommendation

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC.
Rolling Five Year VAM vs. Russell 1000 Core



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)

Large Cap Growth (R1000 Growth)

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INTECH INVESTMENT MANAGEMENT LLC
Periods Ending March, 2011

Portfolio Manager: Adrian Banner

Assets Under Management: \$350,909,802

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.

Staff Comments

No comment at this time.

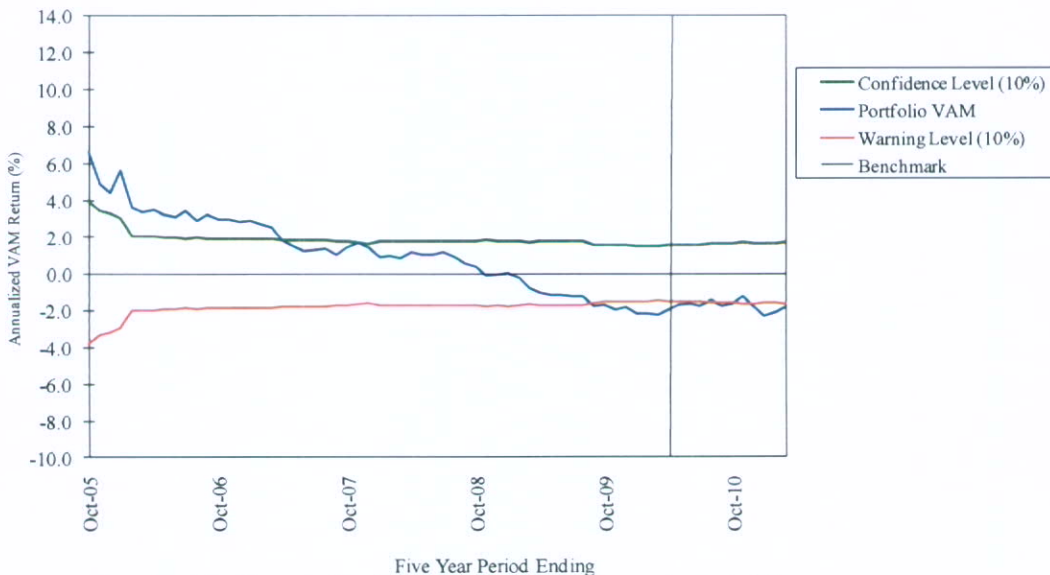
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	6.5%	6.0%
Last 1 year	21.4	18.3
Last 2 years	33.8	33.1
Last 3 years	3.9	5.2
Last 4 years	1.7	3.7
Last 5 years	2.4	4.3
Since Inception (1/05)	3.8	4.8

Recommendation

No action required.

INTECH INVESTMENT MANAGEMENT LLC
Rolling Five Year VAM vs. Russell 1000 Growth



JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$318,570,920

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.

Staff Comments

Jacobs Levy outperformed the benchmark for the quarter and for the year. Strong stock selection helped both time periods, particularly in the Consumer Discretionary sector.

Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	9.6%	6.0%
Last 1 year	23.3	18.3
Last 2 years	38.1	33.1
Last 3 years	4.9	5.2
Last 4 years	1.9	3.7
Last 5 years	2.2	4.3
Since Inception (1/05)	3.0	4.8

Recommendation

No action required.

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



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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending March, 2011

Portfolio Manager: Kip Knelman

Assets Under Management: \$66,465,206

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

Knelman lagged the quarterly benchmark and exceeded the one year benchmark. An overweight to the Consumer Discretionary sector detracted from performance in both periods. For the year, that was offset by overall strong stock selection, with the Producer Durable stocks leading the outperformance.

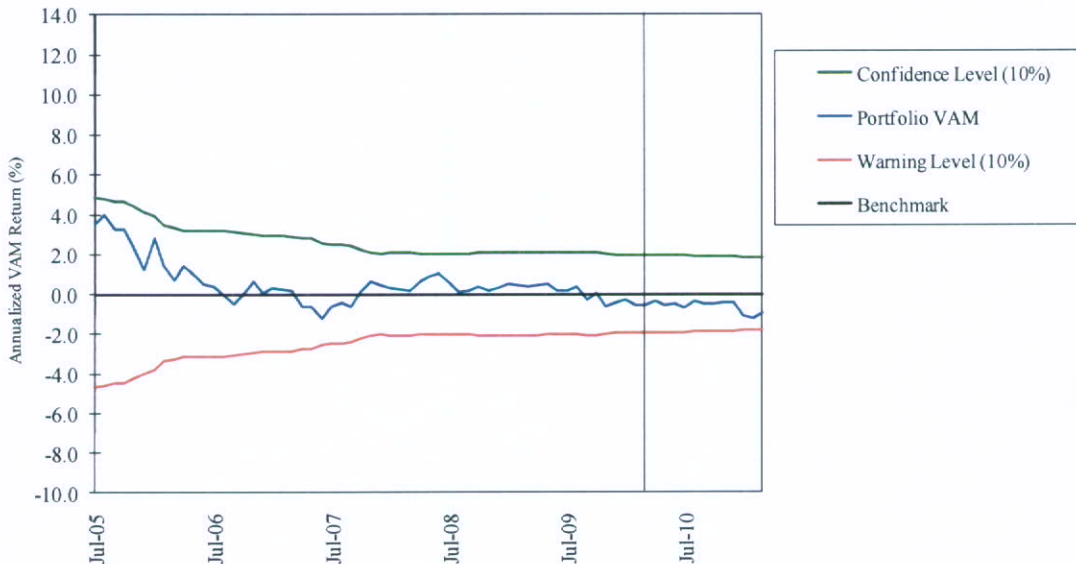
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	5.4%	6.0%
Last 1 year	19.9	18.3
Last 2 years	30.8	33.1
Last 3 years	3.8	5.2
Last 4 years	2.9	3.7
Last 5 years	3.4	4.3
Since Inception (1/05)	4.6	4.8

Recommendation

No action required.

KNELMAN ASSET MANAGEMENT, LLC.
 Rolling Five Year VAM vs. Russell 1000 Growth



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2011

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$291,417,922

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

Sands trailed the benchmark for the quarter and outperformed for the year. Stock selection in the Technology sector was the largest detractor from quarterly performance and biggest contributor to the one year performance. The one year return also benefited from stock selection in the Energy sector.

Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	4.6%	6.0%
Last 1 year	28.3	18.3
Last 2 years	47.2	33.1
Last 3 years	11.3	5.2
Last 4 years	8.0	3.7
Last 5 years	6.0	4.3
Since Inception (1/05)	6.3	4.8

Recommendation

No action required.

SANDS CAPITAL MANAGEMENT, LLC
Rolling Five Year VAM vs. Russell 1000 Growth



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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2011

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$147,449,057

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

No comment at this time.

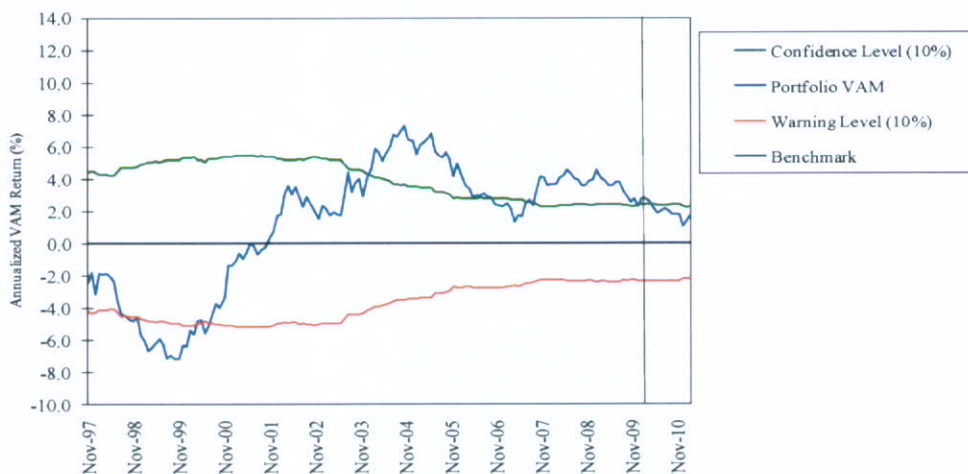
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	7.7%	6.0%
Last 1 year	21.4	18.3
Last 2 years	33.4	33.1
Last 3 years	6.6	5.2
Last 4 years	6.7	3.7
Last 5 years	6.2	4.3
Since Inception (1/05)	7.4	4.8

Recommendation

No action required.

WINSLOW CAPITAL MANAGEMENT, INC.
Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending
 Note: Area to the left of vertical line includes performance prior to retention by the SBI

ZEVENBERGEN CAPITAL LLC
Periods Ending March, 2011

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$362,035,392

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 outperformed the benchmark for the quarter and for the year due to overall stock selection. Both periods were helped by strong stock selection in the Technology and Consumer Discretionary sectors as Netflix and OpenTable both experienced significant increases.

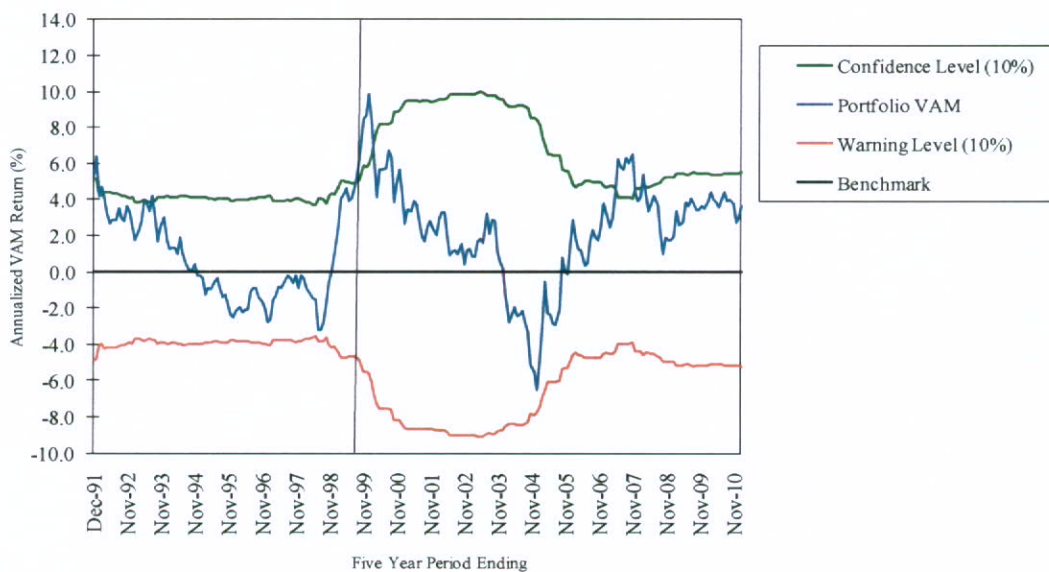
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	9.2%	6.0%
Last 1 year	29.1	18.3
Last 2 years	46.8	33.1
Last 3 years	12.9	5.2
Last 4 years	9.1	3.7
Last 5 years	8.1	4.3
Since Inception (4/94)	10.1	7.8

Recommendation

No action required.

ZEVENBERGEN CAPITAL INVESTMENTS LLC
Rolling Five Year VAM vs. Russell 1000 Growth



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Large Cap Value (R1000 Value)

Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC
Periods Ending March 2011

Portfolio Manager: Tim Culler

Assets Under Management: \$457,284,794

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.

Staff Comments

No comments at this time.

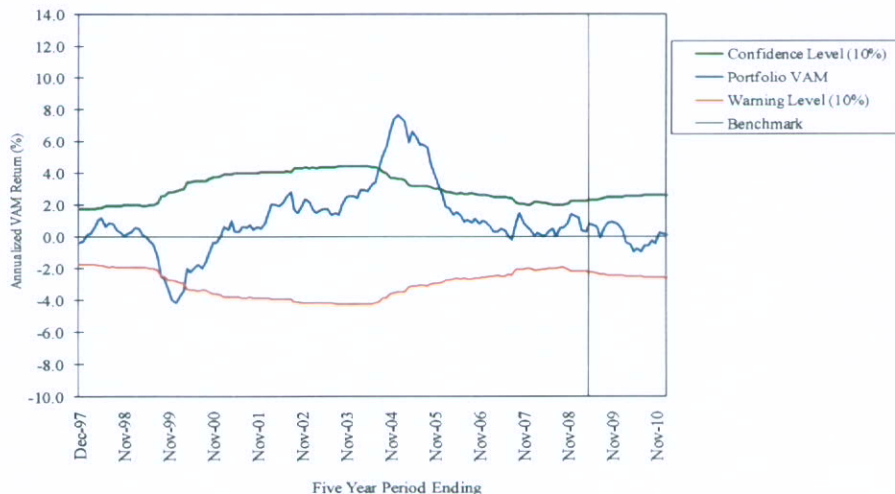
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	7.1%	6.5%
Last 1 year	11.8	15.2
Last 2 years	30.9	33.0
Last 3 years	2.3	0.6
Last 4 years	-1.3	-2.2
Last 5 years	1.5	1.4
Since Inception (4/04)	5.1	4.6

Recommendation

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC
 Rolling Five Year VAM vs. Russell 1000 Value



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

EARNEST PARTNERS, LLC
Periods Ending March, 2011

Portfolio Manager: Paul Viera

Assets Under Management: \$196,749,807

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

Earnest Partners underperformed the quarterly benchmark and slightly trailed the one year benchmark. The quarterly return was hurt by overall stock selection.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	4.7%	6.5%
Last 1 year	15.0	15.2
Last 2 years	34.3	33.0
Last 3 years	3.4	0.6
Last 4 years	0.8	-2.2
Last 5 years	2.6	1.4
Since Inception (7/00)	4.8	4.7

Recommendation

No action required.

EARNEST PARTNERS
Rolling Five Year VAM vs. Russell 1000 Value



Five Year Period Ending
 Note: Area to left of vertical line includes performance prior to retention by the SBI

LSV ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$435,603,261

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.

Staff Comments

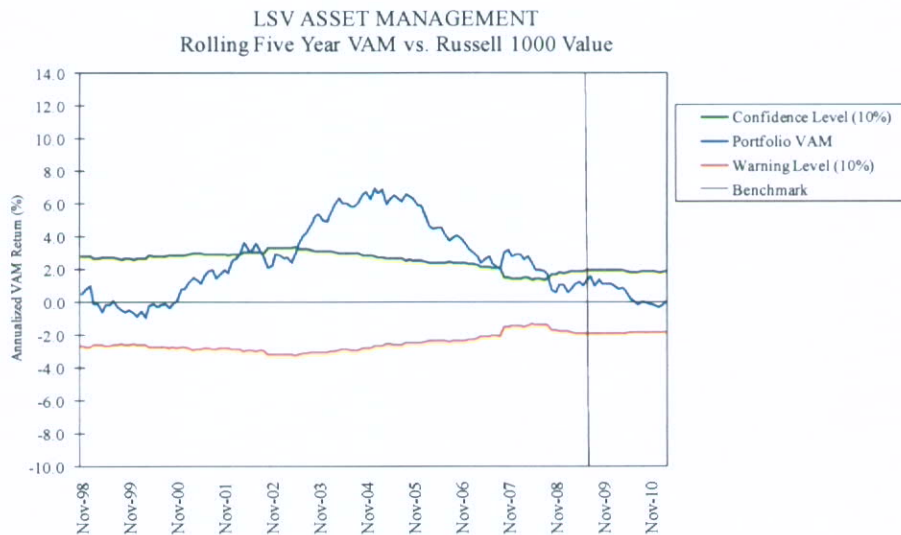
LSV exceeded the benchmark for both the quarter and the year. Strong stock selection helped, especially the underweights to some underperforming stocks in the Healthcare sector.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	8.5%	6.5%
Last 1 year	15.8	15.2
Last 2 years	35.3	33.0
Last 3 years	1.1	0.6
Last 4 years	-2.1	-2.2
Last 5 years	1.4	1.4
Since Inception (4/04)	5.7	4.6

Recommendation

No action required.



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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2011

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$326,702,590

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.

Staff Comments

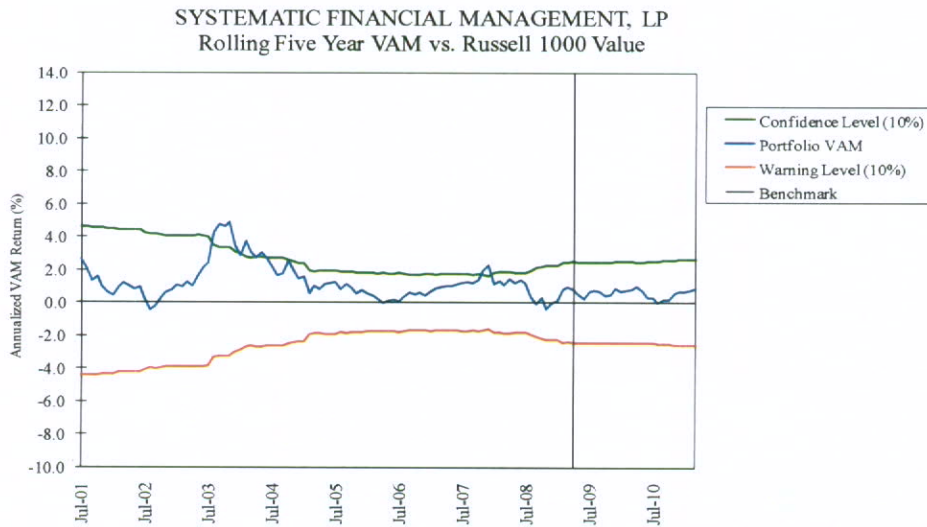
Systematic outperformed the benchmark for the quarter and for the year. Stock selection in Technology had the biggest impact on the quarterly performance. Stock selection in the Producer Durables and Utilities sectors led the one year outperformance.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	6.8%	6.5%
Last 1 year	17.2	15.2
Last 2 years	33.9	33.0
Last 3 years	1.5	0.6
Last 4 years	-0.8	-2.2
Last 5 years	2.2	1.4
Since Inception (4/04)	5.5	4.6

Recommendation

No action required.



Five Year Period Ending
 Note: Area to the left of the vertical line 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, 2011

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$235,180,418

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.

Staff Comments

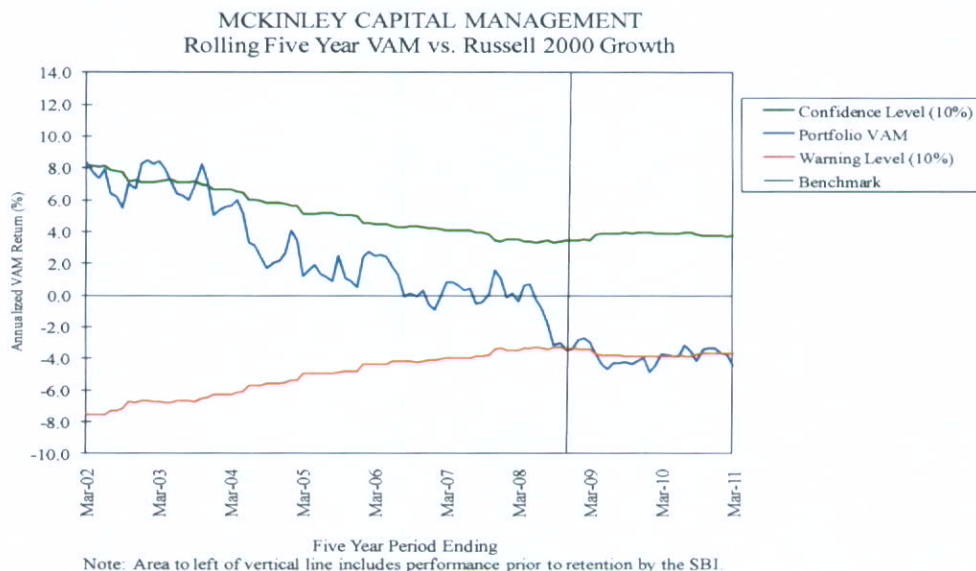
McKinley trailed the quarterly and one year benchmark. For the quarter, stock selection was negative, led by the Technology sector. The one-year return had mixed stock selection, with the detractors outweighing the positive security selections. The biggest drag on performance was selection within the Producer Durables sector.

Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	6.7%	9.2%
Last 1 year	28.0	31.0
Last 2 years	36.8	44.9
Last 3 years	2.3	10.2
Last 4 years	-0.5	5.0
Last 5 years	-0.2	4.3
Since Inception (1/04)	3.8	7.4

Recommendation

No action required.



NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2011

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$307,624,811

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

No comment at this time.

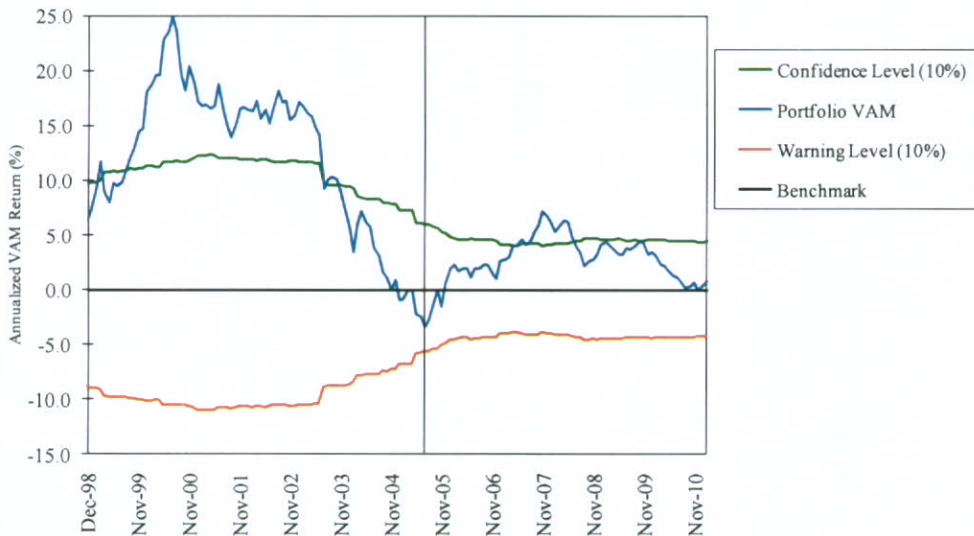
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	14.4%	9.2%
Last 1 year	38.1	31.0
Last 2 years	47.2	44.9
Last 3 years	8.1	10.2
Last 4 years	7.0	5.0
Last 5 years	5.1	4.3
Since Inception (7/00)	2.1	1.8

Recommendation

No action required.

NEXT CENTURY GROWTH INVESTORS, LLC
Rolling Five Year VAM vs. Russell 2000 Growth



Five Year Period Ending

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

TURNER INVESTMENT PARTNERS
Periods Ending March, 2011

Portfolio Manager: William McVail

Assets Under Management: \$306,953,081

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.

Staff Comments

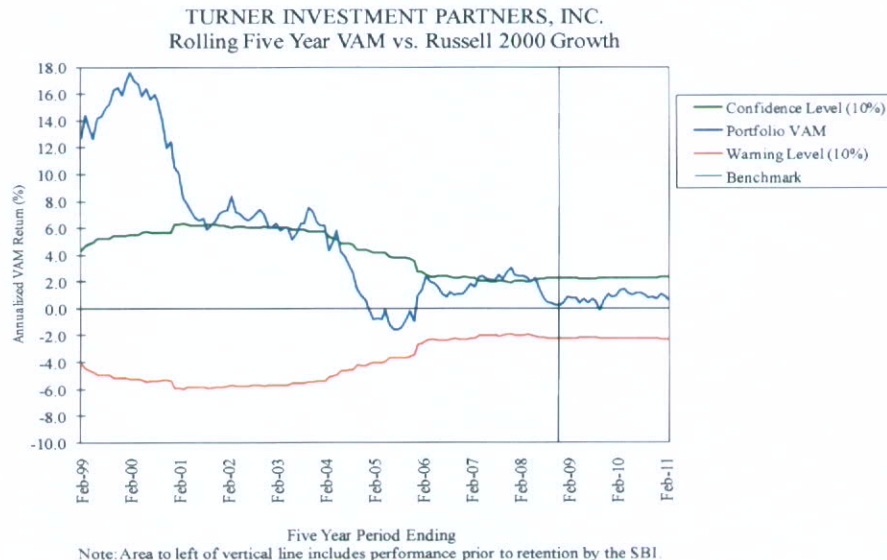
No comment at this time.

Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	11.6%	9.2%
Last 1 year	32.4	31.0
Last 2 years	47.3	44.9
Last 3 years	10.2	10.2
Last 4 years	6.1	5.0
Last 5 years	5.0	4.3
Since Inception (1/04)	8.2	7.4

Recommendation

No action required.



Small Cap Value (R2000 Value)

Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Chip Otnes

Assets Under Management: \$167,392,582

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.

Staff Comments

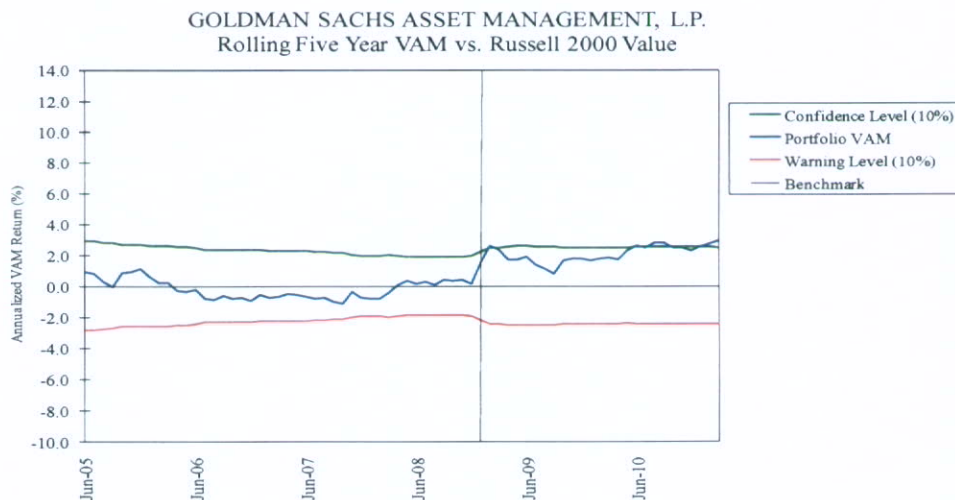
No comment at this time.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	7.9%	6.6%
Last 1 year	25.2	20.6
Last 2 years	41.7	41.1
Last 3 years	9.8	6.8
Last 4 years	4.4	0.3
Last 5 years	5.2	2.2
Since Inception (1/04)	8.4	6.9

Recommendation

No action required.



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$154,047,026

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

Hotchkis & Wiley outperformed for the quarter and for the year. Stock selection was strong for both time periods. For the quarter, stock selection in the Energy and Autos & Transportation sectors contributed to the outperformance. For the year, stock selection was positive across most sectors, with individual contributors Stone Energy, Noranda Aluminum and MI Development adding to the outperformance.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	7.7%	6.6%
Last 1 year	33.3	20.6
Last 2 years	71.3	41.1
Last 3 years	13.4	6.8
Last 4 years	2.6	0.3
Last 5 years	1.8	2.2
Since Inception (1/04)	7.1	6.9

Recommendation

No action required.

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Russell 2000 Value



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

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: William Jacques

Assets Under Management: \$134,405,066

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.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	7.5%	6.6%
Last 1 year	26.2	20.6
Last 2 years	42.8	41.1
Last 3 years	5.0	6.8
Last 4 years	-2.7	0.3
Last 5 years	-1.3	2.2
Since Inception (1/04)	5.1	6.9

Recommendation

No action required.

MARTINGALE ASSET MANAGEMENT, L.P.
 Rolling Five Year VAM vs. Russell 2000 Value



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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$235,855,833

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.

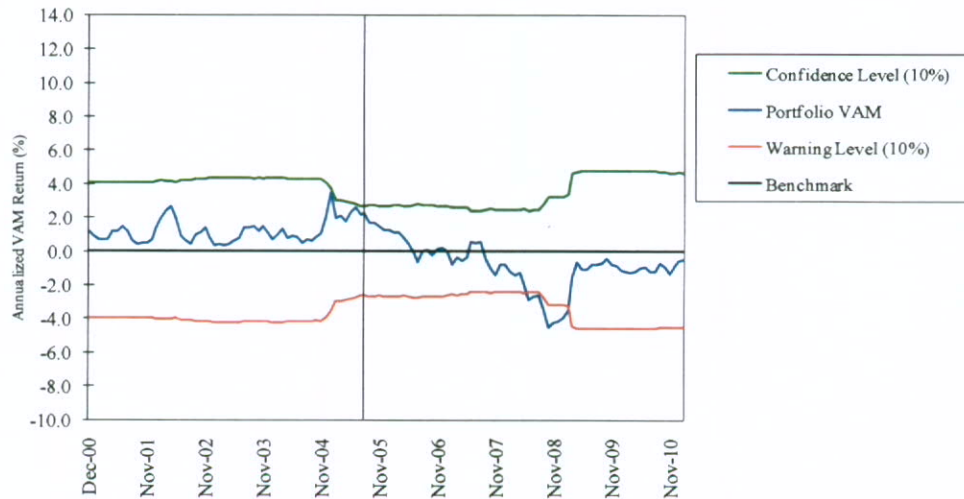
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	8.6%	6.6%
Last 1 year	26.0	20.6
Last 2 years	57.0	41.1
Last 3 years	10.1	6.8
Last 4 years	0.9	0.3
Last 5 years	1.8	2.2
Since Inception (7/00)	10.8	10.0

Recommendation

No action required.

PEREGRINE CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Russell 2000 Value



Five Year Period Ending
 Note: Area to left of vertical line includes performance prior to retention by SBI.

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Semi-Passive and Passive

Semi-Passive and Passive

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BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2011

Portfolio Manager: Raffaele Savi

Assets Under Management: \$2,220,135,156

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

BlackRock underperformed the benchmark for the quarter and the year. For the quarter, negative stock selection in Producer Durables and Consumer Staples was the primary detractor. For the year, negative stock selection in Technology and Consumer Discretionary accounted for most of the underperformance relative to the benchmark.

Quantitative Evaluation

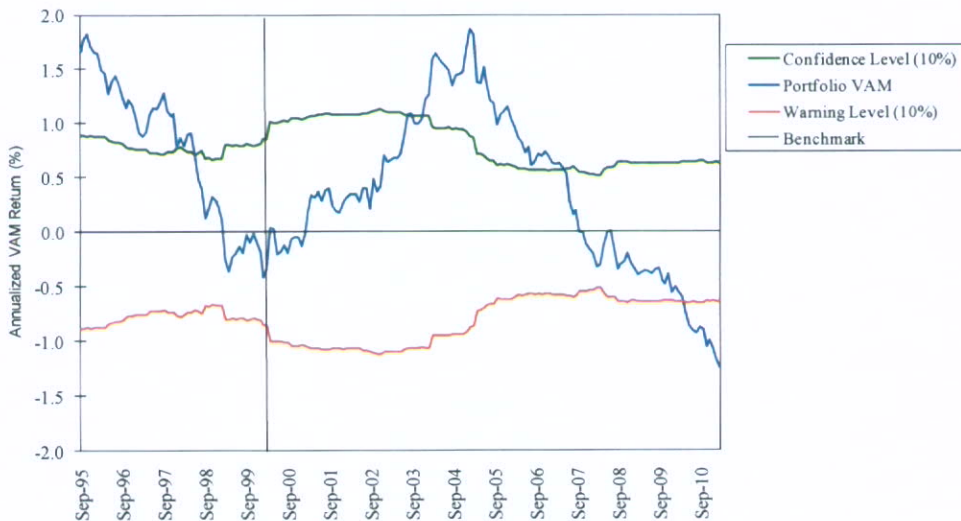
	Actual	Manager Benchmark*
Last Quarter	5.4%	6.2%
Last 1 year	14.1	16.7
Last 2 years	31.1	33.0
Last 3 years	2.1	3.0
Last 4 years	-0.6	0.8
Last 5 years	1.7	2.9
Since Inception (1/95)	8.3	8.2

Recommendation

No action required.

* Russell 1000 since 1/1/04. Completeness Fund through 12/31/03.

BLACKROCK INSTITUTIONAL TRUST CO.- SEMI-PASSIVE
Rolling Five Year VAM vs. Manager Benchmark



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

INTECH INVESTMENT MANAGEMENT LLC
Periods Ending March, 2011

Portfolio Manager: Adrian Banner

Assets Under Management: \$1,411,224,991

Investment Philosophy – Semi-Passive Style

Staff Comments

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 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 1.0% or 8 times maximum index security weight, 3) beta equal to or less than benchmark beta, and 4) constraining the weighted average capital distribution to be roughly equal to the capital distribution of the benchmark. Target security positions are established using a weekly optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six (6) business days.

No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Russell 1000
Last Quarter	6.6%	6.2%
Last 1 year	16.6	16.7
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/10)	16.6	16.7

No action required.

VAM Graph will be drawn for period ending 6/30/12.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2011

Portfolio Manager: Ralph Zingone and Scott Blasdell Assets Under Management: \$2,696,276,210

Investment Philosophy – Semi-Passive Style

Staff Comments

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.

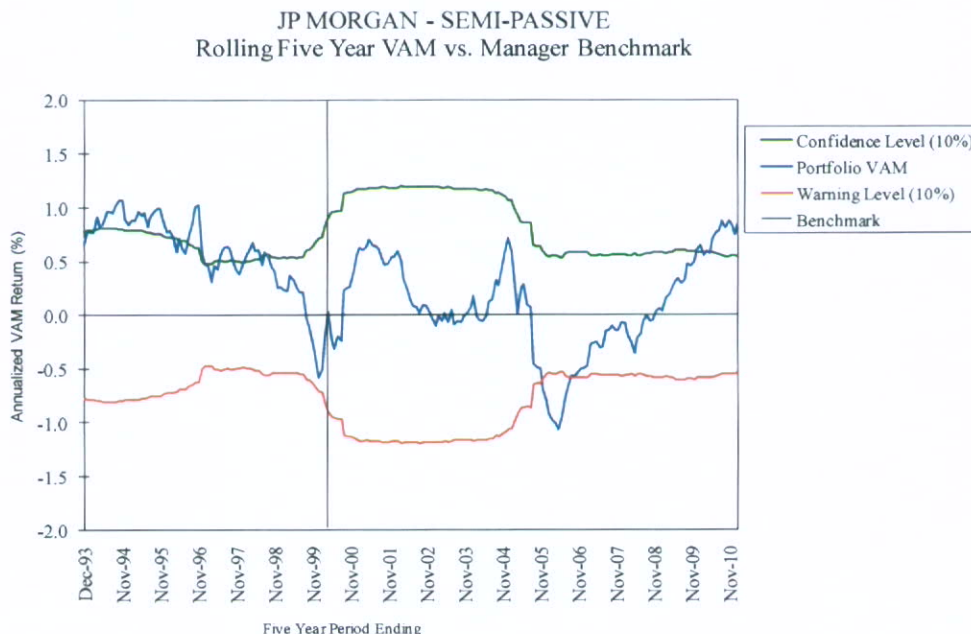
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Manager Benchmark*	
Last Quarter	6.0%	6.2%	No action required.
Last 1 year	16.6	16.7	
Last 2 years	34.5	33.0	
Last 3 years	4.3	3.0	
Last 4 years	1.6	0.8	
Last 5 years	3.8	2.9	
Since Inception (1/95)	8.4	8.2	

* Russell 1000 since 1/1/04. Completeness Fund through 12/31/03.



MELLON CAPITAL MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Tony Garvin

Assets Under Management: \$1,440,945,665

Investment Philosophy – Semi-Passive Style

Mellon believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Mellon 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

Mellon outperformed the quarterly benchmark and trailed for the year. The quarterly performance was helped by overall stock selection and Mellon's earnings quality theme. For the year, stock selection in the Technology sector was the biggest detractor as Seagate and Microsoft trailed their peers.

Quantitative Evaluation

	Actual	Manager Benchmark*
Last Quarter	7.1%	6.2%
Last 1 year	15.0	16.7
Last 2 years	31.7	33.0
Last 3 years	1.7	3.0
Last 4 years	-0.9	0.8
Last 5 years	1.8	2.9
Since Inception (1/95)	7.6	8.2

Recommendation

No action required.

* Russell 1000 since 1/1/04. Completeness Fund through 12/31/03.

MELLON CAPITAL MANAGEMENT- SEMI-PASSIVE
Rolling Five Year VAM vs. Manager Benchmark



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

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2011

Portfolio Manager: Amy Schioldager

Assets Under Management: \$8,941,281,588

Investment Philosophy – Passive Style

Staff Comments

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.

No comment at this time.

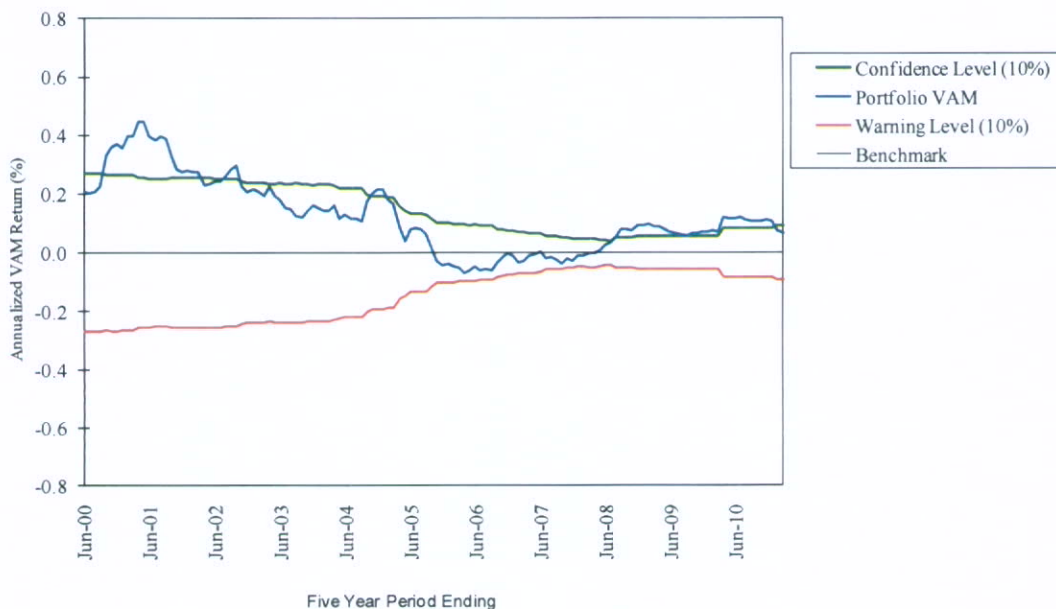
Quantitative Evaluation

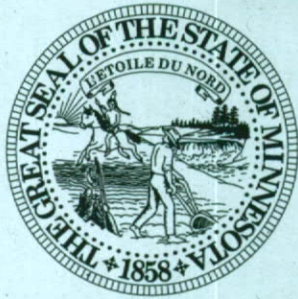
Recommendation

	Actual	Manager Benchmark*
Last Quarter	6.2%	6.4%
Last 1 year	17.5	17.4
Last 2 years	33.8	33.8
Last 3 years	3.5	3.4
Last 4 years	1.1	1.0
Last 5 years	3.0	2.9
Since Inception (7/95)	7.9	7.8

No action required.

BLACKROCK INSTITUTIONAL TRUST CO.- PASSIVE
Rolling Five Year VAM vs. Manager Benchmark





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

First Quarter, 2011

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Bond Managers

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**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2011**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Aberdeen	1.4	0.4	8.4	5.1	4.6	5.3	4.7	6.0	6.0	6.3	\$895.0	8.5%
Columbia (RiverSource)	0.9	0.4	6.6	5.1	5.7	5.3	5.8	6.0	5.9	6.1	\$948.5	9.0%
Dodge & Cox	1.4	0.4	6.7	5.1	8.2	5.3	7.2	6.0	7.4	6.3	\$1,121.0	10.7%
PIMCO	1.3	0.4	9.6	5.1					11.7	7.0	\$1,128.7	10.7%
Western	0.8	0.4	8.4	5.1	6.9	5.3	6.4	6.0	9.5	8.4	\$1,144.1	10.9%
Active Mgr. Aggregate	1.2	0.4	8.0	5.1	6.6	5.3	6.0	6.0			\$5,237.2	49.8%
Semi-Passive Managers												
BlackRock	0.5	0.4	5.1	5.1	4.7	5.3	5.4	6.0	6.2	6.2	\$1,545.7	14.7%
Goldman	0.7	0.4	6.2	5.1	6.3	5.3	6.2	6.0	6.4	6.1	\$1,893.7	18.0%
Neuberger	0.6	0.4	6.6	5.1	7.0	5.3	6.6	6.0	7.4	7.2	\$1,844.6	17.5%
Semi-Passive Mgr. Aggregate	0.6	0.4	6.0	5.1	6.0	5.3	6.1	6.0			\$5,284.1	50.2%
Historical Aggregate (2)	0.9	0.4	7.1	5.1	6.4	5.3	6.1	6.0	8.5	8.4	\$10,521.3	100.0%
Barclays Capital Aggregate (3)		0.4		5.1		5.3		6.0		8.4		

(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**

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	10.7	6.5	18.4	5.9	-14.7	5.2	5.6	7.0	4.8	4.3
Columbia (RiverSource)	8.1	6.5	14.0	5.9	-4.9	5.2	6.6	7.0	4.7	4.3
Dodge & Cox	7.8	6.5	16.5	5.9	0.1	5.2	5.3	7.0	5.5	4.3
PIMCO	12.1	6.5	15.5	5.9						
Western	10.9	6.5	17.5	5.9	-6.8	5.2	5.4	7.0	5.4	4.3
Active Mgr. Aggregate	10.0	6.5	16.5	5.9	-7.3	5.2	5.8	7.0	5.0	4.3
Semi-Passive Managers										
BlackRock	6.5	6.5	9.6	5.9	-1.1	5.2	6.8	7.0	4.3	4.3
Goldman	8.0	6.5	12.0	5.9	-1.2	5.2	7.0	7.0	4.5	4.3
Neuberger	9.1	6.5	14.3	5.9	-1.9	5.2	6.3	7.0	4.5	4.3
Semi-Passive Mgr. Aggregate	7.9	6.5	12.0	5.9	-1.4	5.2	6.7	7.0	4.5	4.3
Historical Aggregate	9.0	6.5	14.3	5.9	-4.2	5.2	6.3	7.0	4.7	4.3
Barclays Capital Aggregate		6.5		5.9		5.2		7.0		4.3

ABERDEEN ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Neil Moriarty

Assets Under Management: \$894,981,150

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

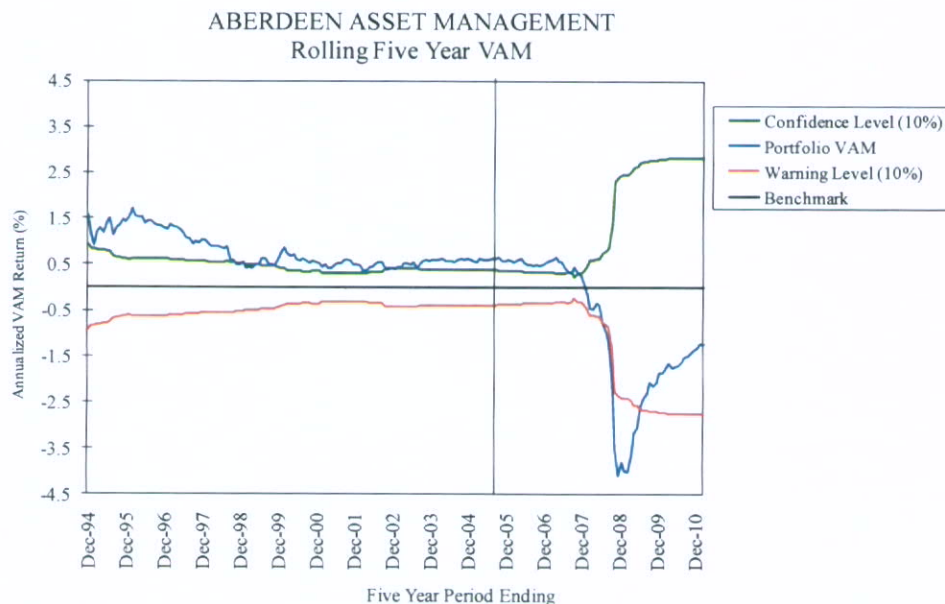
Aberdeen outperformed the benchmark by 96 bps in 1Q11 and 324 bps over the last 12 months. One year performance was driven by overweight exposure to the investment grade corporate, CMBS, and non-Agency MBS sectors. Security selection within the taxable municipal, ABS, and Agency MBS sectors also contributed to quarterly and annual performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.4%	0.4%
Last 1 year	8.4	5.1
Last 2 years	14.7	6.4
Last 3 years	4.6	5.3
Last 4 years	4.2	5.9
Last 5 years	4.7	6.0
Since Inception (2/00)	6.0	6.3

Recommendations

No action required.



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

COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC
(Formerly RiverSource Investments)
Periods Ending March, 2011

Portfolio Manager: Colin Lundgren

Assets Under Management: \$948,460,865

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

Columbia outperformed the benchmark by 48 bps in 1Q11 and 147 bps over the last 12 months. Sector overweights to investment grade corporate bonds and commercial mortgages added to performance over the quarter and full year periods as spreads tightened, driving positive excess returns. An overweight position in the high-yield sector and security selection in MBS and investment grade credit were also positive contributors to performance in the past quarter and year.

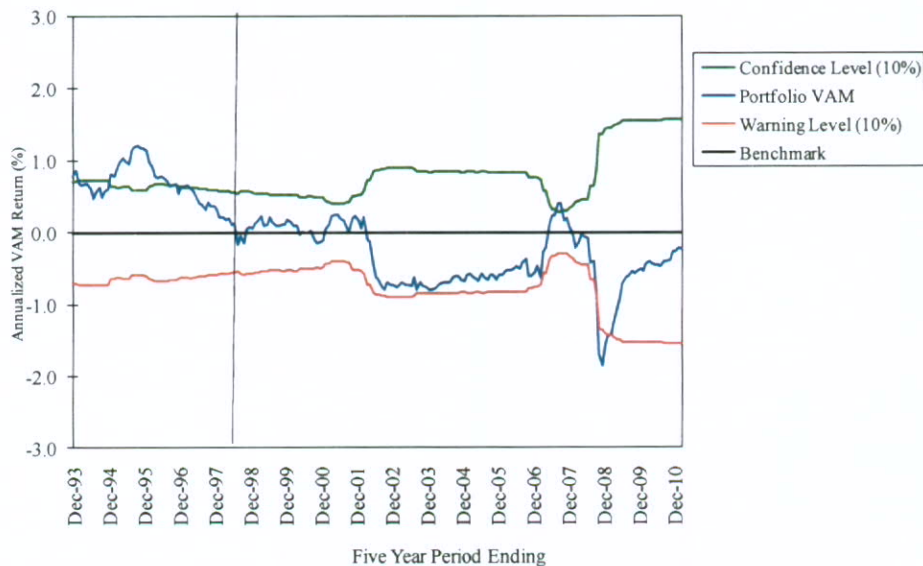
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.9%	0.4%
Last 1 year	6.6	5.1
Last 2 years	10.2	6.4
Last 3 years	5.7	5.3
Last 4 years	5.6	5.9
Last 5 years	5.8	6.0
Since Inception (7/93)	5.9	6.1

Recommendations

No action required.

COLUMBIA MANAGEMENT - FIXED INCOME
Rolling Five Year VAM



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

DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2011

Portfolio Manager: Dana Emery

Assets Under Management: \$1,121,043,736

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

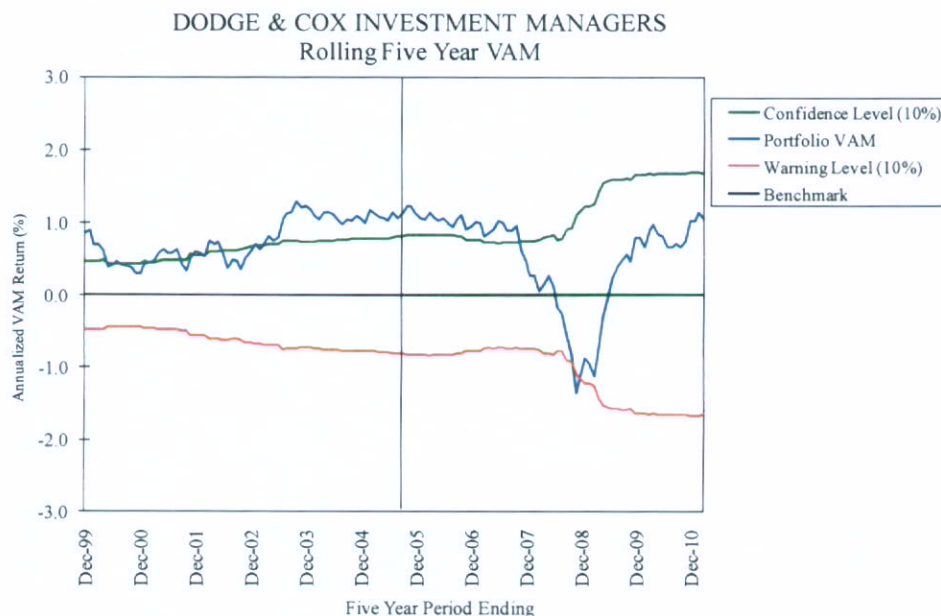
Dodge & Cox outperformed the benchmark by 94 bps in 1Q11 and 156 bps over the last 12 months. An overweight position in the corporate sector added to positive excess returns for the quarter and year, and the portfolio's nominal yield advantage benefited relative returns. Security selection within the Agency MBS and taxable municipal sectors also contributed to quarterly and annual performance. A portfolio duration underweight to the benchmark added value during the quarter, but detracted from yearly performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.4%	0.4%
Last 1 year	6.7	5.1
Last 2 years	13.0	6.4
Last 3 years	8.2	5.3
Last 4 years	7.2	5.9
Last 5 years	7.2	6.0
Since Inception (2/00)	7.4	6.3

Recommendations

No action required.



PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)
Periods Ending March, 2011

Portfolio Manager: Bill Gross

Assets Under Management: \$1,128,661,445

Investment Philosophy

PIMCO's investment approach seeks to outperform a client's benchmark on a consistent basis, while maintaining overall risk similar to the index. PIMCO's approach to investing has three key principles: the utilization of multiple strategies, a long-term orientation and bond selection from a broad universe. PIMCO's investment process starts with an annual Secular Forum. The goal of this Forum is to look beyond the current business cycle and determine how secular forces will play out over the next 3 to 5 years. Quarterly, PIMCO holds Economic Forums to evaluate growth and inflation over the next 6 to 9 months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) develops key portfolio strategies. They consider both the "top-down" conclusions emanating from PIMCO's Forum, as well as the "bottom-up" market intelligence provided by PIMCO's teams of sector specialist portfolio managers. Through an interactive series of meetings, the IC defines a set of consistent strategies that are then implemented.

Staff Comments

PIMCO outperformed the benchmark by 91 bps in 1Q11 and 448 bps over the last 12 months. A longer duration portfolio relative to the benchmark for most of 2010 added to performance while a shorter duration during the quarter added further to returns. An overweight to the investment grade corporate sector with a focus on financials and an overweight to high-yield corporate bonds was also positive for both quarterly and annual performance.

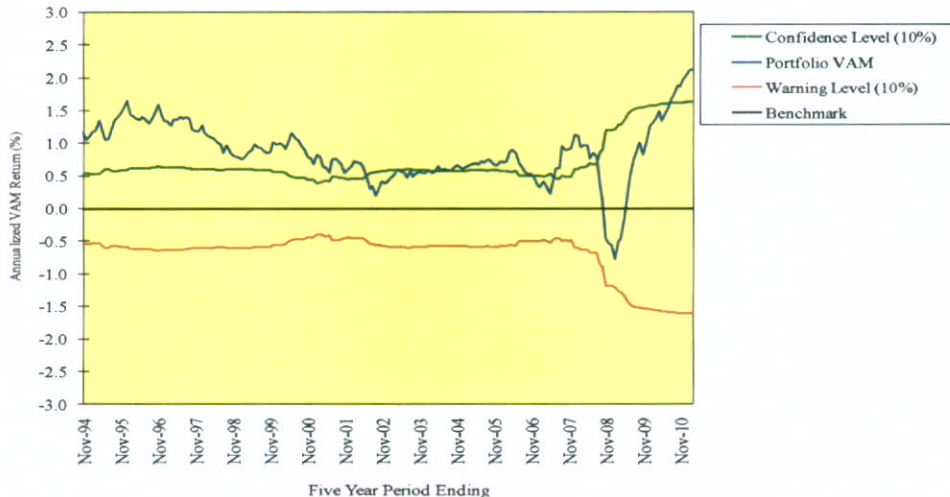
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.3%	0.4%
Last 1 year	9.6	5.1
Last 2 years	14.3	6.4
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	11.7	7.0

Recommendations

No action required.

PACIFIC INVESTMENT MANAGEMENT CO.
 Rolling Five Year VAM



Note: Graph includes performance of the manager prior to retention by SBI.

WESTERN ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,144,097,492

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 outperformed the benchmark by 39 bps in 1Q11 and 328 bps over the last 12 months. The largest contributor to annual and quarterly performance was overweight exposure to the non-Agency MBS sector. Allocation to high-yield bonds, TIPS, and corporate bonds also contributed to quarterly and annual performance. For the quarter and year, an underweight to CMBS detracted from performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	0.4%
Last 1 year	8.4	5.1
Last 2 years	13.6	6.4
Last 3 years	6.9	5.3
Last 4 years	6.1	5.9
Last 5 years	6.4	6.0
Since Inception (7/84)	9.5	8.4

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending March, 2011

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,545,732,799

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

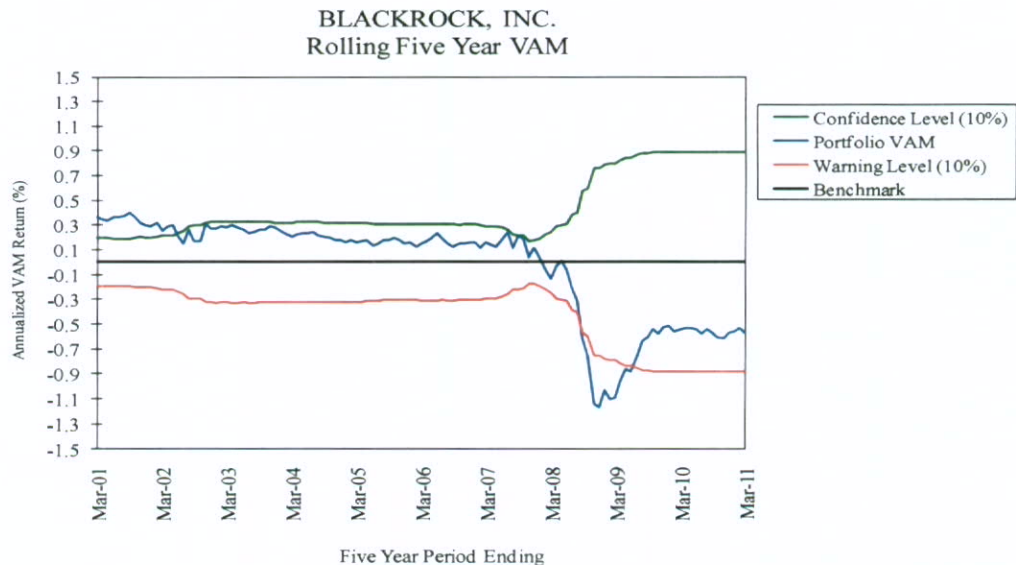
Blackrock outperformed the benchmark by 8 bps in 1Q11 and 1 bp over the last 12 months. One year performance was driven by overweight positions in the ABS and CMBS sectors. Positive contributors to first quarter performance, which included an overweight position in the CMBS sector and security selection within the corporate bond sector were offset by an underweight to Agency MBS and security selection in CMBS.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.5%	0.4%
Last 1 year	5.1	5.1
Last 2 years	8.1	6.4
Last 3 years	4.7	5.3
Last 4 years	5.2	5.9
Last 5 years	5.4	6.0
Since Inception (4/96)	6.2	6.2

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,893,729,578

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

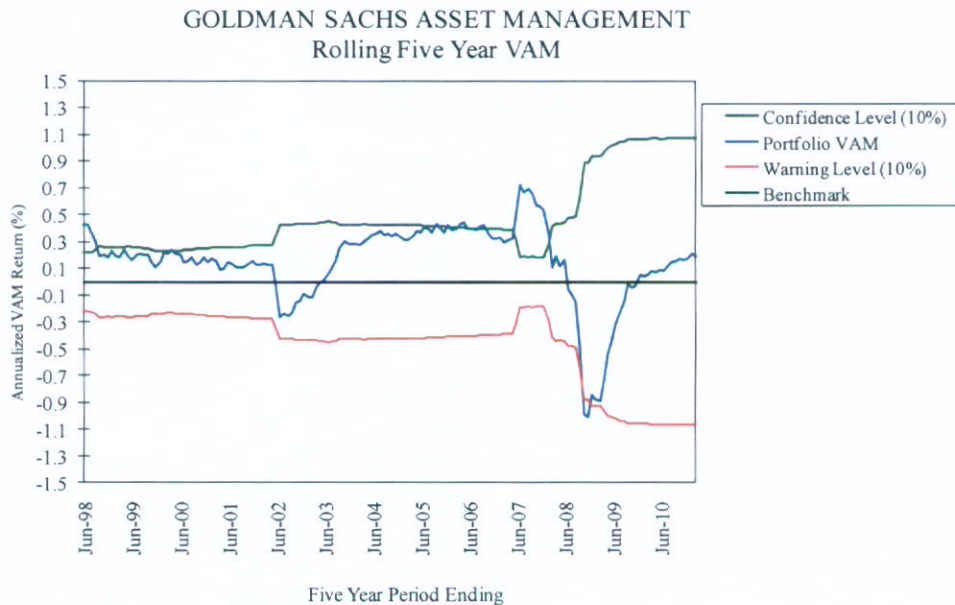
Goldman Sachs outperformed the benchmark by 25 bps in 1Q11 and 110 bps over the last 12 months. Quarterly and one year performance were driven by the portfolio's allocation to non-Agency MBS. Security selection within the corporate sector also added to annual and quarterly performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.7%	0.4%
Last 1 year	6.2	5.1
Last 2 years	9.8	6.4
Last 3 years	6.3	5.3
Last 4 years	6.1	5.9
Last 5 years	6.2	6.0
Since Inception (7/93)	6.4	6.1

Recommendations

No action required.



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,844,625,253

Investment Philosophy

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclay's Capital Aggregate. Neuberger'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. Neuberger 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. Neuberger was retained by the SBI in July 1988.

Staff Comments

Neuberger outperformed the benchmark by 16 bps in 1Q11 and 147 bps over the last 12 months. Quarterly and one year performance were driven by overweight positions in CMBS and residential mortgage securities. The portfolio's floating rate notes also added value, whereas an overweight position to investment grade corporate bonds was a modest contributor to performance for the year.

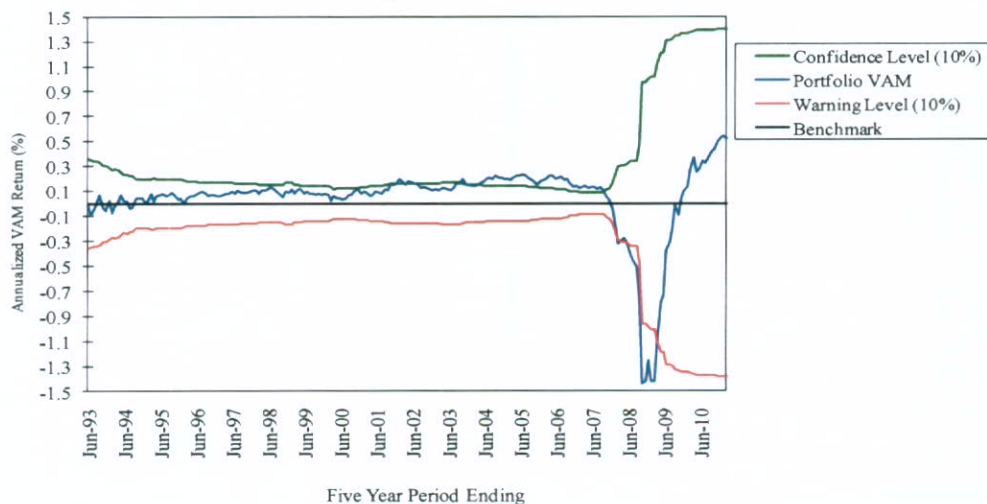
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0.4%
Last 1 year	6.6	5.1
Last 2 years	11.9	6.4
Last 3 years	7.0	5.3
Last 4 years	6.5	5.9
Last 5 years	6.6	6.0
Since Inception (7/88)	7.4	7.2

Recommendations

No action required.

NEUBERGER INVESTMENT MANAGEMENT
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2011

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**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2011**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active Developed Markets (2)												
Acadian	3.0	3.8	14.8	11.6	-6.1	-2.2	-0.5	2.0	4.9	5.9	\$293.8	3.9%
Columbia (RiverSource)	3.6	3.8	16.9	11.6	0.2	-2.2	2.8	2.0	1.0	2.8	\$285.9	3.8%
Invesco	2.6	3.8	6.7	11.6	-0.7	-2.2	1.9	2.0	4.3	2.8	\$241.6	3.2%
J.P. Morgan	4.6	3.8	12.2	11.6	-0.1	-2.2	2.0	2.0	5.8	5.9	\$252.3	3.3%
Marathon	3.7	3.8	13.6	11.6	0.9	-2.2	5.0	2.0	8.8	5.5	\$567.7	7.5%
McKinley	1.6	3.8	12.2	11.6	-6.5	-2.2	-0.3	2.0	4.5	5.9	\$245.5	3.2%
Pyramis (Fidelity)	3.3	3.8	13.5	11.6	-0.5	-2.2	3.3	2.0	7.4	5.9	\$279.3	3.7%
Aggregate	3.3	3.8	13.0	11.6	-1.3	-2.2	2.4	2.0			\$2,166.1	28.4%
Active Emerging Markets (3)												
AllianceBernstein	1.3	2.1	16.2	18.5	1.2	4.4	8.1	10.8	13.3	14.7	\$190.3	2.5%
Capital International	1.5	2.1	16.1	18.5	6.1	4.4	13.1	10.8	14.0	14.7	\$806.0	10.6%
Morgan Stanley	-1.1	2.1	16.2	18.5	2.6	4.4	9.6	10.8	14.3	14.7	\$741.9	9.7%
Aggregate	0.4	2.1	16.2	18.5	3.4	4.4	10.3	10.8			\$1,738.2	22.8%
Semi-Passive Developed Markets (2)												
AQR	4.0	3.8	14.1	11.6	-0.8	-2.2	2.0	2.0	6.2	5.9	\$282.1	3.7%
Pyramis (Fidelity)	4.0	3.8	14.7	11.6	-2.5	-2.2	2.9	2.0	6.9	5.9	\$422.2	5.5%
State Street	4.7	3.8	12.1	11.6	-2.6	-2.2	1.1	2.0	5.4	5.9	\$268.9	3.5%
Aggregate	4.2	3.8	13.7	11.6	-2.0	-2.2	2.0	2.0			\$973.1	12.8%
Passive Developed Markets (2)												
State Street	3.8	3.8	12.5	11.6	-1.8	-2.2	2.4	2.0	6.9	6.6	\$2,740.8	36.0%
Since 10/1/92												
Equity Only (4) (6)	2.9	3.4	13.7	13.1	-0.5	-0.8	3.8	3.7	7.6	7.1	\$7,618.4	100.0%
Total Program (5) (6)	2.9	3.4	13.7	13.1	-0.5	-0.8	3.8	3.7	7.8	7.1	\$7,618.4	100.0%
SBI Int'l Equity Target (6)		3.4		13.1		-0.8		3.7		7.1		
MSCI ACWI Free ex. U.S. (7)		3.4		13.1		-0.8		3.6		7.4		
MSCI World ex U.S. (net)		3.8		11.6		-2.2		2.0		6.8		
MSCI EAFE Free (net)		3.4		10.4		-3.0		1.3		6.4		
MSCI Emerging Markets Free (8)		2.1		18.5		4.3		10.7		10.1		

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

(2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was 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 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was 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 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was 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**

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	13.9	8.9	28.8	33.7	-50.5	-43.5	10.0	12.6	31.9	25.7
Columbia (RiverSource)	15.2	8.9	29.3	33.7	-40.8	-43.5	12.4	12.6	23.6	25.7
Invesco	5.8	8.9	32.0	33.7	-38.8	-43.5	8.4	12.6	26.0	25.7
J.P. Morgan	7.6	8.9	37.5	33.7	-41.5	-43.5	8.8	12.6	23.1	25.7
Marathon	14.4	8.9	29.8	33.7	-38.0	-43.5	15.4	12.6	27.5	25.7
McKinley	11.8	8.9	24.1	33.7	-48.5	-43.5	20.4	12.6	25.4	25.7
Pyramis (Fidelity)	11.7	8.9	35.1	33.7	-42.9	-43.5	17.7	12.6	22.7	25.7
Aggregate	11.9	8.9	31.9	33.7	-42.8	-43.5	13.0	12.6	25.8	25.7
Active Emerging Markets (2)										
AllianceBernstein	15.8	18.9	78.4	78.5	-56.0	-53.2	38.8	39.9	30.4	32.2
Capital International	16.1	18.9	83.1	78.5	-48.9	-53.2	38.4	39.9	35.6	32.2
Morgan Stanley	18.4	18.9	71.7	78.5	-54.5	-53.2	43.0	39.9	37.6	32.2
Aggregate	17.1	18.9	77.3	78.5	-53.0	-53.2	40.0	39.9	34.4	32.2
Semi-Passive Developed Markets (1)										
AQR	11.4	8.9	36.0	33.7	-44.0	-43.5	9.0	12.6	25.2	25.7
Pyramis (Fidelity)	11.5	8.9	30.2	33.7	-44.0	-43.5	18.2	12.6	26.8	25.7
State Street	8.7	8.9	34.9	33.7	-45.3	-43.5	9.1	12.6	27.1	25.7
Aggregate	10.6	8.9	33.6	33.7	-44.4	-43.5	12.1	12.6	26.4	25.7
Passive Developed Markets (1)										
State Street	9.9	8.9	34.0	33.7	-43.4	-43.5	12.9	12.6	26.0	25.7
Equity Only (3) (5)	12.3	11.2	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7
Total Program (4) (5)	12.3	11.2	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7
SBI Int'l Equity Target (5)		11.2	41.5		-45.5		16.9		26.7	
MSCI ACWI Free ex. U.S. (6)		11.2	41.5		-45.5		16.7		26.7	
MSCI World ex U.S. (net)		8.9	33.7		-43.6		12.4		25.7	
MSCI EAFE Free (net)		7.7	31.8		-43.4		11.2		26.3	
MSCI Emerging Markets Free (7)		18.9	78.5		-53.3		39.4		32.2	

- (1) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was 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 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was 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 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was 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, 2011

Portfolio Manager: John Chisholm

Assets Under Management: \$293,796,302

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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	3.8%
Last 1 year	14.8	11.6
Last 2 years	32.8	31.9
Last 3 years	-6.1	-2.2
Last 4 years	-5.6	-1.9
Last 5 years	-0.5	2.0
Since Inception (7/05)	4.9	5.9

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



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

COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC
(Formerly RiverSource Investments)
Periods Ending March, 2011

Portfolio Manager: Esther Perkins

Assets Under Management: \$285,914,367

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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.6%	3.8%
Last 1 year	16.9	11.6
Last 2 years	31.5	31.9
Last 3 years	0.2	-2.2
Last 4 years	-0.2	-1.9
Last 5 years	2.8	2.0
Since Inception (3/00)	1.0	2.8

Recommendations

No action required.

COLUMBIA MANAGEMENT INVESTMENT ADVISORS
Rolling Five Year VAM



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

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: W. Lindsay Davidson

Assets Under Management: \$241,615,779

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

Invesco's overweight to Japan was a significant contributor to the portfolio's underperformance during the quarter. As a result of the earthquake and tsunami on March 11, Japan was one of the few markets that had negative performance during the recent period. Stock selection in the industrials and financials sectors contributed negatively over both the quarter and the year.

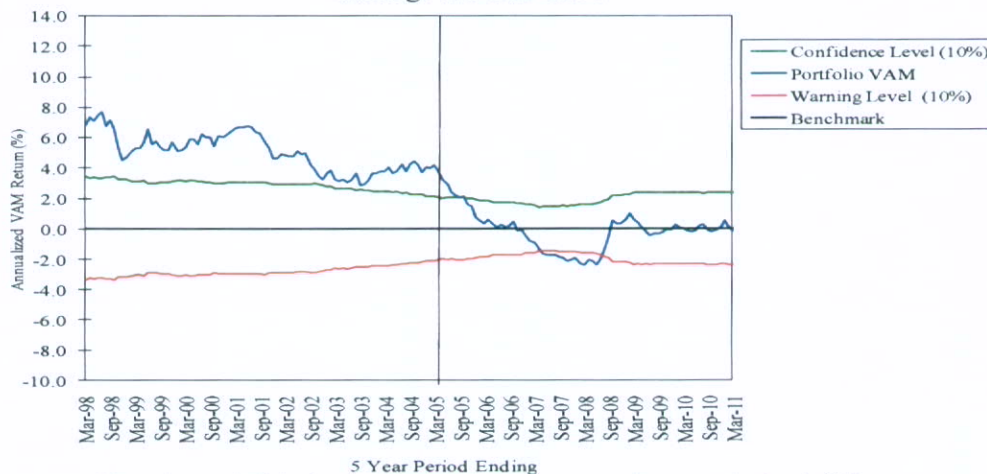
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.6%	3.8%
Last 1 year	6.7	11.6
Last 2 years	28.3	31.9
Last 3 years	-0.7	-2.2
Last 4 years	-2.2	-1.9
Last 5 years	1.9	2.0
Since Inception (3/00)	4.3	2.8

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



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, 2011

Portfolio Manager: James Fisher

Assets Under Management: \$252,287,392

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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.6%	3.8%
Last 1 year	12.2	11.6
Last 2 years	32.6	31.9
Last 3 years	-0.1	-2.2
Last 4 years	-0.9	-1.9
Last 5 years	2.0	2.0
Since Inception (7/05)	5.8	5.9

Recommendations

No action required.

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



MARATHON ASSET MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: William Arah

Assets Under Management: \$567,699,957

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

No comment at this time.

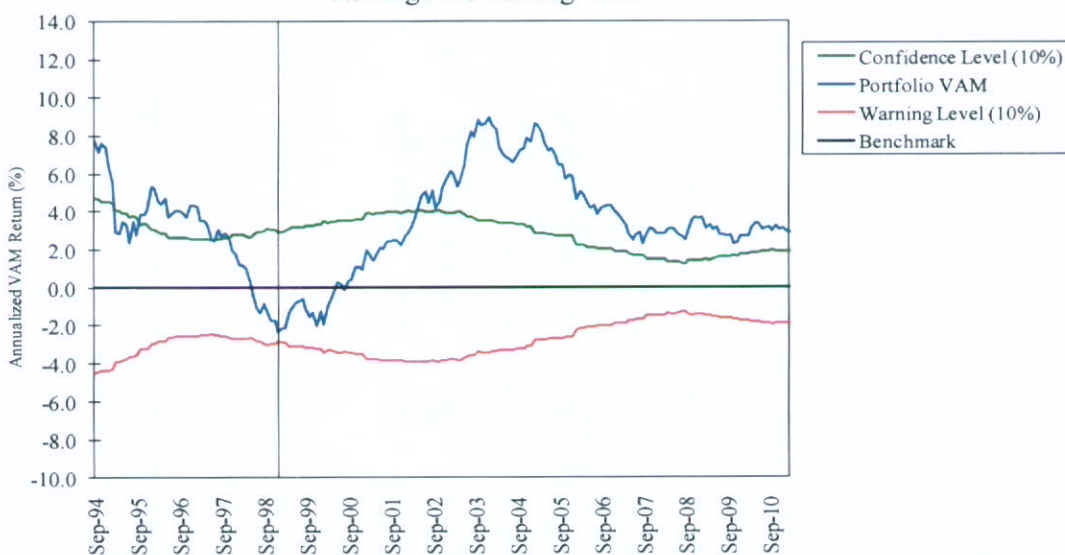
Quantitative Evaluation

	Custom	
	Actual	Benchmark
Last Quarter	3.7%	3.8%
Last 1 year	13.6	11.6
Last 2 years	33.0	31.9
Last 3 years	0.9	-2.2
Last 4 years	1.0	-1.9
Last 5 years	5.0	2.0
Since Inception (11/93)	8.8	5.5

Recommendations

No action required.

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending March, 2011

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$245,476,779

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

McKinley's growth bias contributed positively to the portfolio's performance during the year as growth outperformed value, but detracted from performance over the quarter when value outperformed growth. While McKinley's stock selection in Japan was positive during the quarter, the portfolio's underweight to energy, the best performing sector, together with stock selection in the materials and industrials sectors detracted from returns.

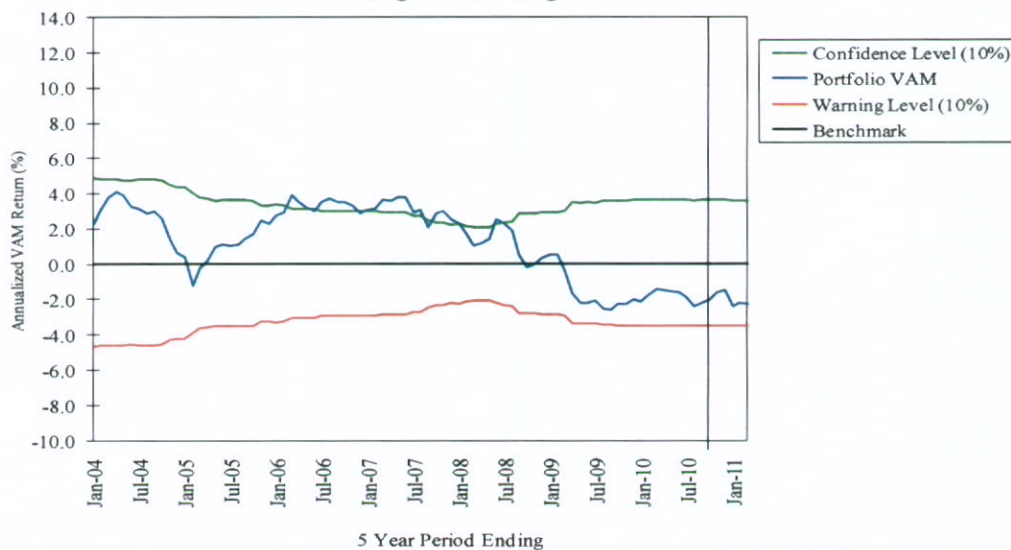
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	3.8%
Last 1 year	12.2	11.6
Last 2 years	26.8	31.9
Last 3 years	-6.5	-2.2
Last 4 years	-4.8	-1.9
Last 5 years	-0.3	2.0
Since Inception (7/05)	4.5	5.9

Recommendations

No action required.

McKINLEY CAPITAL MANAGEMENT, INC.
 Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2011

Portfolio Manager: Michael Strong

Assets Under Management: \$279,300,269

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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.3%	3.8%
Last 1 year	13.5	11.6
Last 2 years	32.7	31.9
Last 3 years	-0.5	-2.2
Last 4 years	0.5	-1.9
Last 5 years	3.3	2.0
Since Inception (7/05)	7.4	5.9

Recommendations

No action required.

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



5 Year Period Ending
 Note: Area to the left of vertical line includes performance prior to retention by the SBI

ALLIANCEBERNSTEIN L.P.
Periods Ending March, 2011

Portfolio Manager: Steve Beinhacker

Assets Under Management: \$190,303,403

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

Over both the quarter and the year, stock selection in Taiwan and in India contributed to the portfolio's underperformance. During the quarter, an underweight position to the energy sector, the best performing sector in both developed and emerging markets, also detracted from returns.

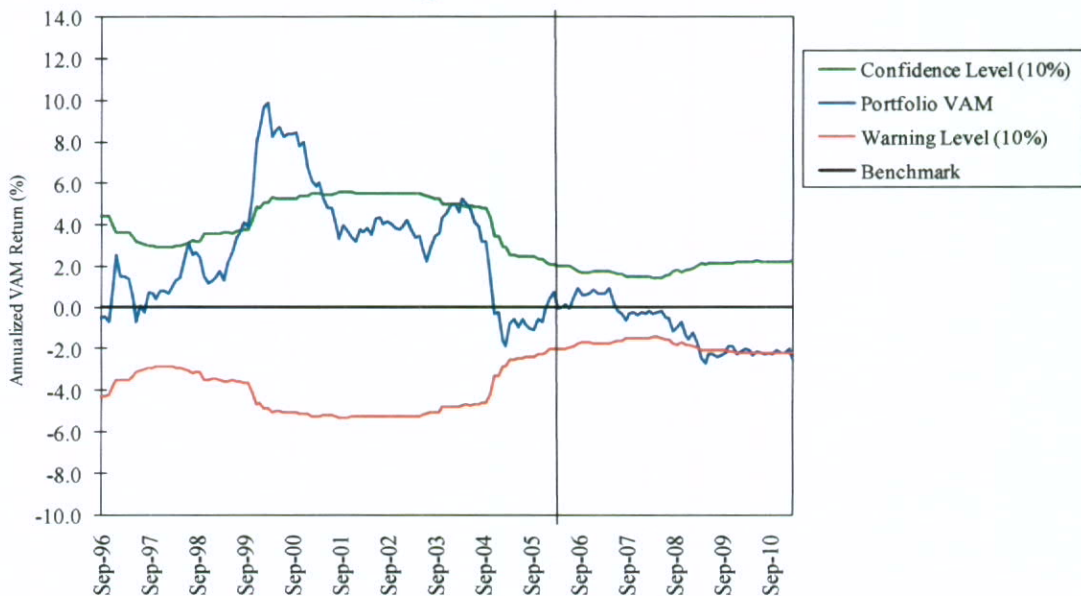
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.3%	2.1%
Last 1 year	16.2	18.5
Last 2 years	44.3	46.4
Last 3 years	1.2	4.4
Last 4 years	5.5	8.5
Last 5 years	8.1	10.8
Since Inception (3/01)	13.3	14.7

Recommendations

No action required.

ALLIANCEBERNSTEIN L.P.
Rolling Five Year VAM



5 Year Period Ending

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

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2011

Portfolio Manager: Victor Kohn

Assets Under Management: \$805,996,506

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

Stock selection in India, China, and in the consumer staples and consumer discretionary sectors contributed significantly to the portfolio's underperformance for the quarter and the year.

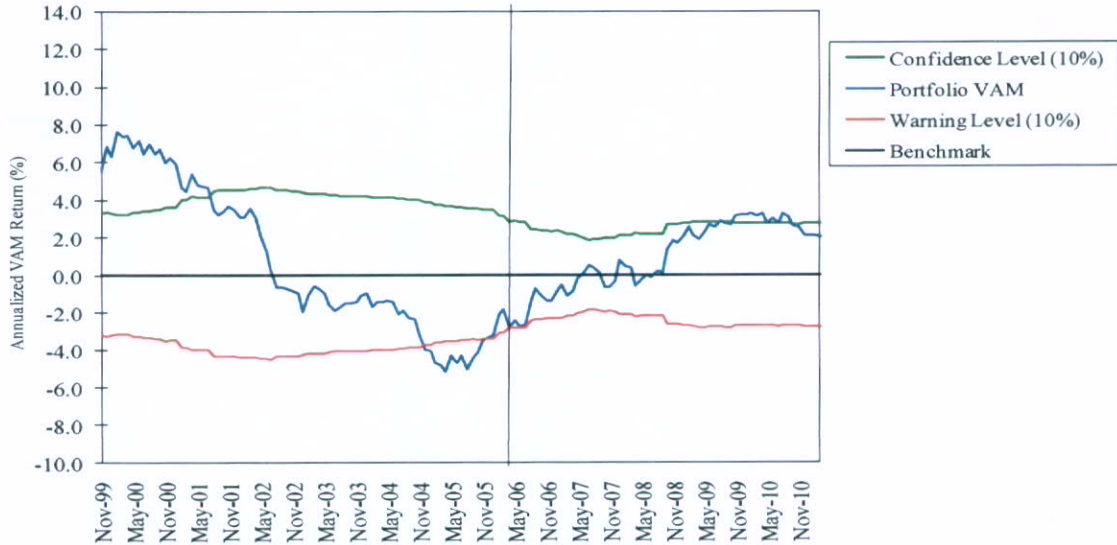
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	2.1%
Last 1 year	16.1	18.5
Last 2 years	44.7	46.4
Last 3 years	6.1	4.4
Last 4 years	10.0	8.5
Last 5 years	13.1	10.8
Since Inception (3/01)	14.0	14.7

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



5 Year Period Ending

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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2011

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$741,916,407

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

The portfolio's underweight position in the energy sector, a top performer over the quarter and the year, detracted significantly from returns over both periods.

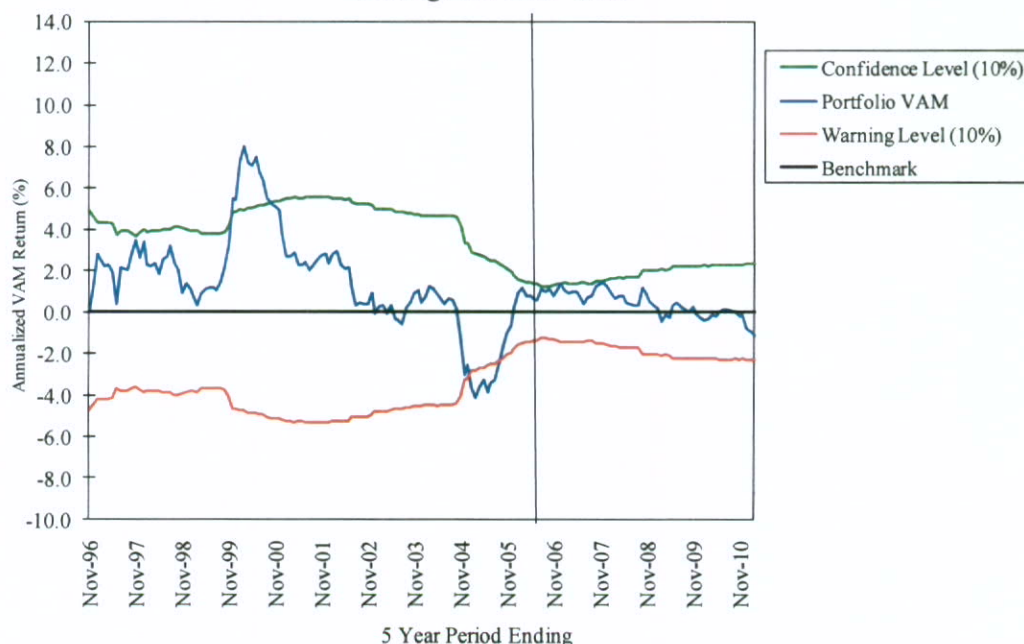
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.1%	2.1%
Last 1 year	16.2	18.5
Last 2 years	44.1	46.4
Last 3 years	2.6	4.4
Last 4 years	6.3	8.5
Last 5 years	9.6	10.8
Since Inception (3/01)	14.3	14.7

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



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

AQR CAPITAL MANAGEMENT, LLC
Periods Ending March, 2011

Portfolio Manager: Cliff Asness

Assets Under Management: \$282,083,545

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

No comment at this time.

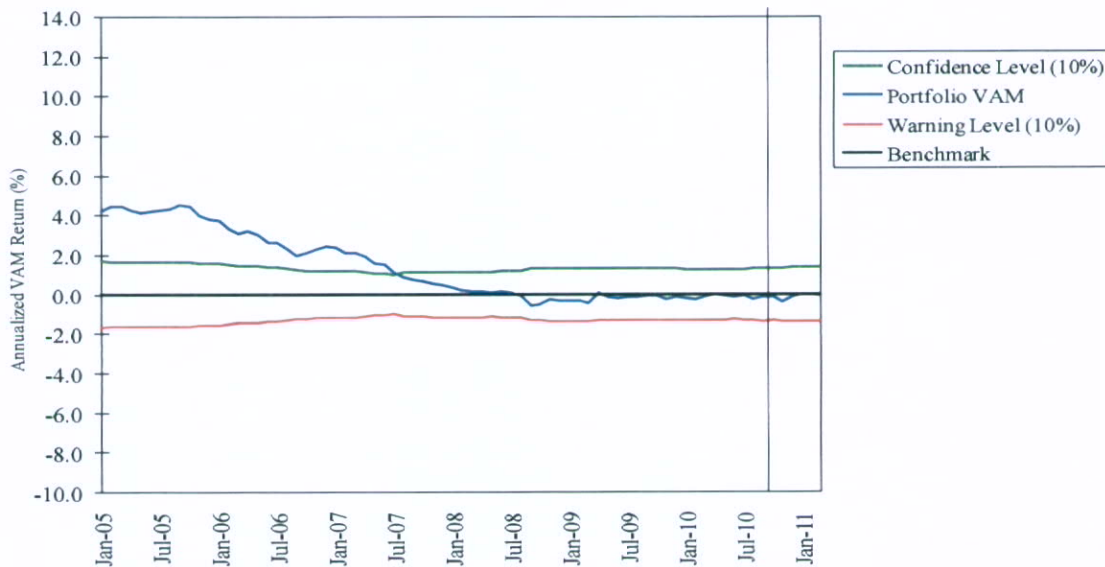
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.0%	3.8%
Last 1 year	14.1	11.6
Last 2 years	34.7	31.9
Last 3 years	-0.8	-2.2
Last 4 years	-1.7	-1.9
Last 5 years	2.0	2.0
Since Inception (7/05)	6.2	5.9

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



5 Year Period Ending

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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2011

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$422,152,149

Investment Philosophy

Select International combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmark 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

No comment at this time.

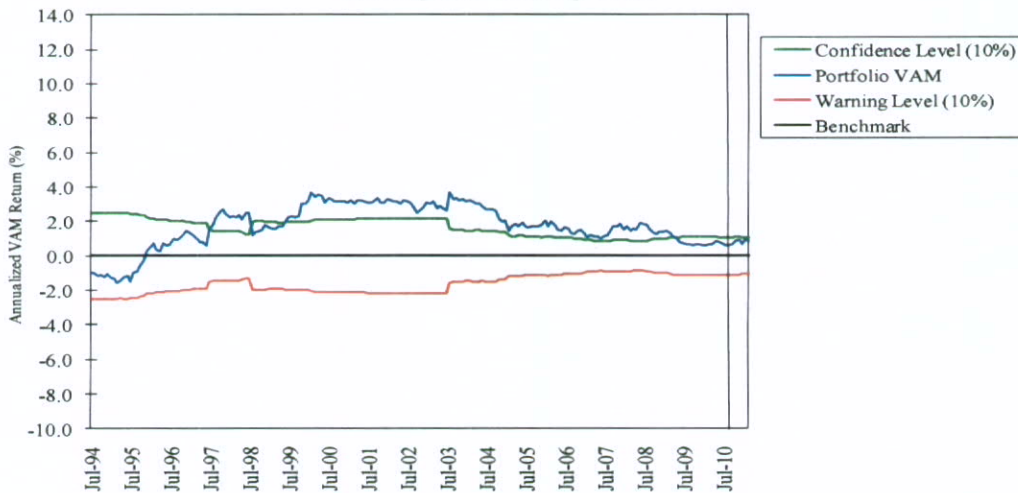
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.0%	3.8%
Last 1 year	14.7	11.6
Last 2 years	31.7	31.9
Last 3 years	-2.5	-2.2
Last 4 years	-1.1	-1.9
Last 5 years	2.9	2.0
Since Inception (7/05)	6.9	5.9

Recommendations

No action required.

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



5 Year Period Ending

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

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2011

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$268,880,692

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

No comment at this time.

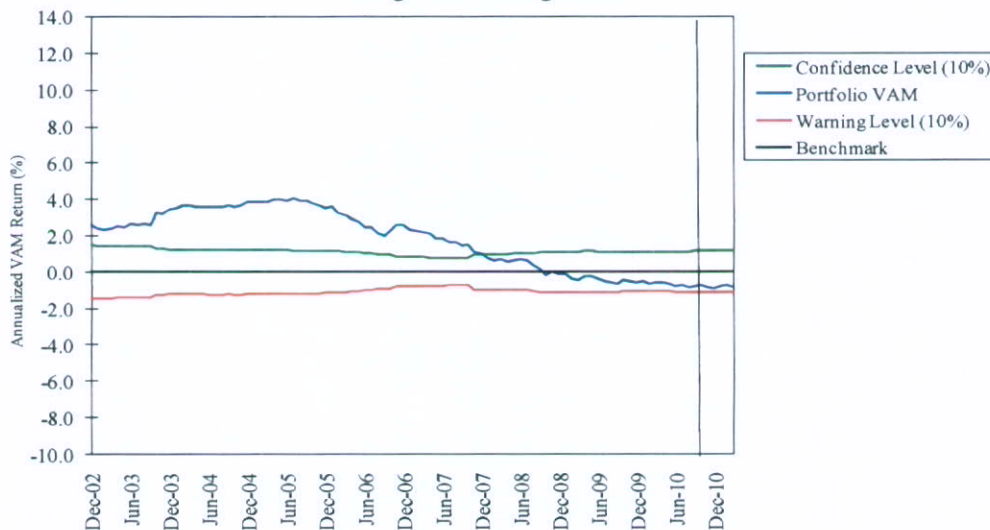
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.7%	3.8%
Last 1 year	12.1	11.6
Last 2 years	32.9	31.9
Last 3 years	-2.6	-2.2
Last 4 years	-3.1	-1.9
Last 5 years	1.1	2.0
Since Inception (7/05)	5.4	5.9

Recommendations

No action required.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Rolling VAM



5 Year Period Ending
 Note: Area to the left of vertical line includes performance prior to retention by the SBI

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2011

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,740,760,953

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 portfolio's positive tracking error for the year was impacted by withholding tax rate differences and the timing of cash flows into the portfolio. Not holding BP, which fell by almost 40% in June and which is on the SBI's Iran Restricted List, also contributed to the positive tracking error for the year.

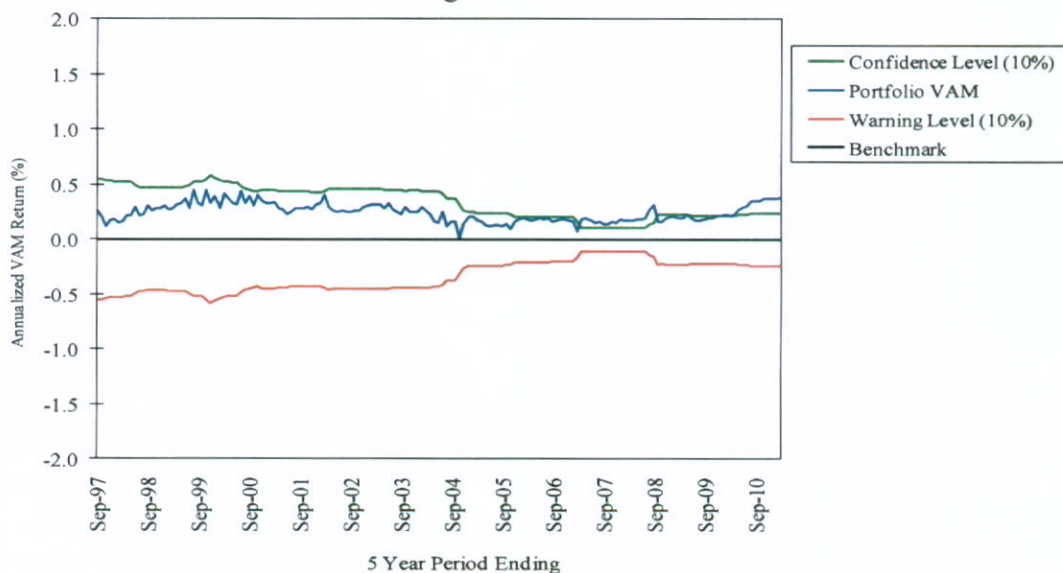
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.8%	3.8%
Last 1 year	12.5	11.6
Last 2 years	32.7	31.9
Last 3 years	-1.8	-2.2
Last 4 years	-1.5	-1.9
Last 5 years	2.4	2.0
Since Inception (10/92)	6.9	6.6

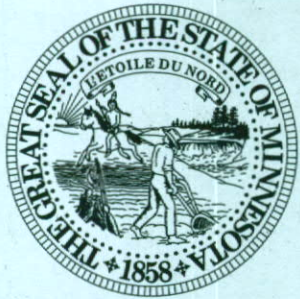
Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2011

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Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending March, 2011

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Asset Management (S&P 500 Index)	5.8	5.9	11.6	15.6	3.2	2.4	3.9	2.6	9.4	8.7	\$71.2
RBC Global Asset Management (Custom Benchmark)	1.2	0.2	6.8	3.9	5.1	4.0	5.2	5.6	6.0	6.2	\$240.0
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.9	0.4	4.0	1.4	4.4	1.9	4.5	3.0	5.4	4.4	\$1,341.5
Internal Stock Pool (S&P 500 Index)	5.9	5.9	15.7	15.6	2.5	2.4	2.7	2.6	8.4	8.3	\$1,024.7
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	0.8	0.4	5.6	5.1	6.9	5.3	6.6	6.0	7.7	7.2	\$89.7
Internal Bond Pool - Trust (Barclays Capital Aggregate)	0.8	0.4	5.2	5.1	6.9	5.3	6.8	6.0	7.1	6.6	\$645.1

(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

	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	10.7	15.1	32.3	26.5	-35.6	-37.0	8.5	5.5	16.4	15.8
RBC Global Asset Management (Custom Benchmark)	8.4	5.0	8.3	0.9	-2.4	9.5	5.8	7.9	4.5	4.3
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	4.1	1.5	4.7	1.9	4.7	2.6	4.8	4.7	4.6	5.2
Internal Stock Pool (S&P 500 Index)	15.1	15.1	26.3	26.5	-36.7	-37.0	5.5	5.5	15.9	15.8
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	7.0	6.5	12.9	5.9	1.3	5.2	6.4	7.0	5.0	4.3
Internal Bond Pool - Trust (Barclays Capital Aggregate)	6.3	6.5	12.2	5.9	2.6	5.2	7.1	7.0	5.1	4.3

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2011

Portfolio Manager: Dave Carlson

Assets Under Management: \$71,166,823

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	5.8%	5.9%
Last 1 year	11.6	15.6
Last 2 years	29.1	31.6
Last 3 years	3.2	2.4
Last 4 years	2.0	0.4
Last 5 years	3.9	2.6
Since Inception (1/95)	9.4	8.7

Recommendation

No action required.

GE ASSET MANAGEMENT
Rolling Five Year VAM



RBC GLOBAL ASSET MANAGEMENT (U.S.) - Assigned Risk Plan
Periods Ending March, 2011

Portfolio Manager: John Huber

Assets Under Management: \$239,982,052

Investment Philosophy
Assigned Risk Plan

RBC 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

No comment at this time.

Quantitative Evaluation

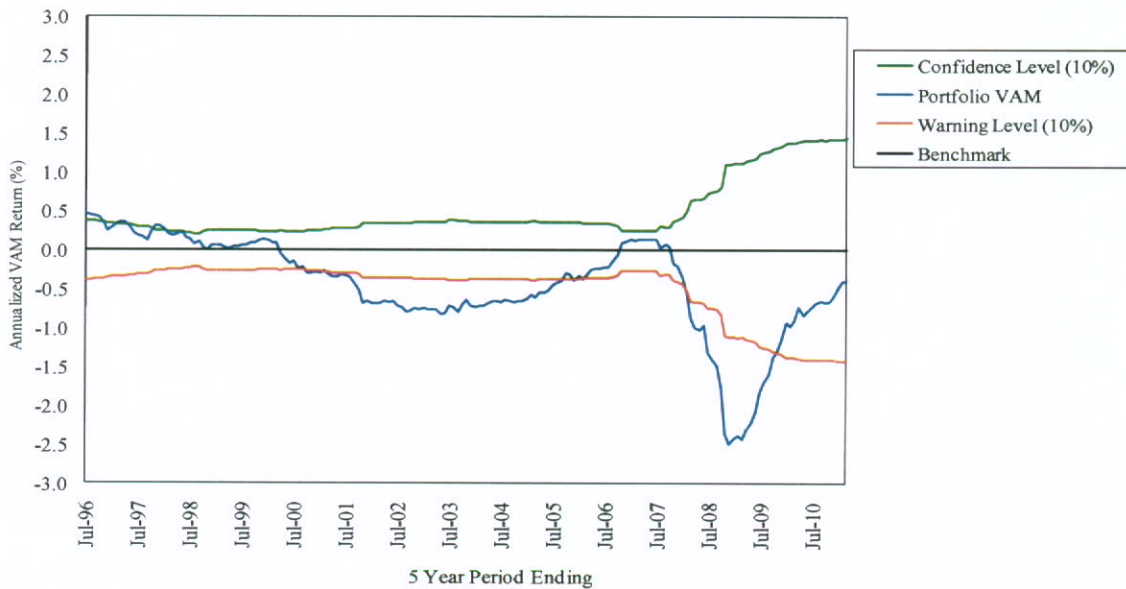
	Actual	Benchmark*
Last Quarter	1.2%	0.2%
Last 1 year	6.8	3.9
Last 2 years	8.7	2.8
Last 3 years	5.1	4.0
Last 4 years	4.8	5.4
Last 5 years	5.2	5.6
Since Inception (7/91)	6.0	6.2

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.

RBC GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



GALLIARD CAPITAL MANAGEMENT
Periods Ending June, 2010

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,341,458,355

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.

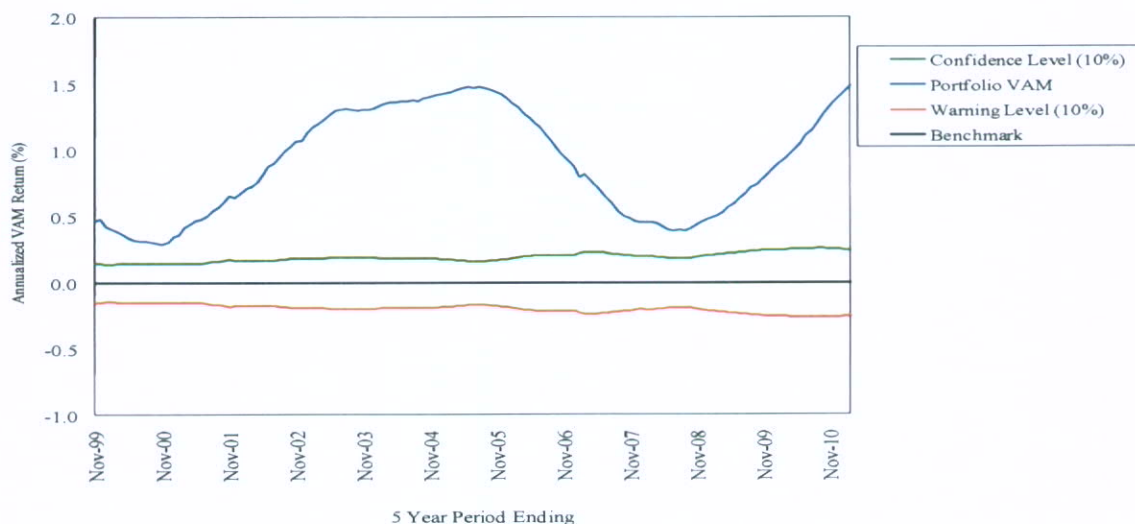
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.9%	0.4%
Last 1 year	4.0	1.4
Last 2 years	4.3	1.7
Last 3 years	4.4	1.9
Last 4 years	4.5	2.4
Last 5 years	4.5	3.0
Since Inception (11/94)	5.4	4.4

Recommendation

No action required.

Galliard Capital Management
 Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2011

Portfolio Manager: Mike Messen

Assets Under Management: \$1,024,691,470

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

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.

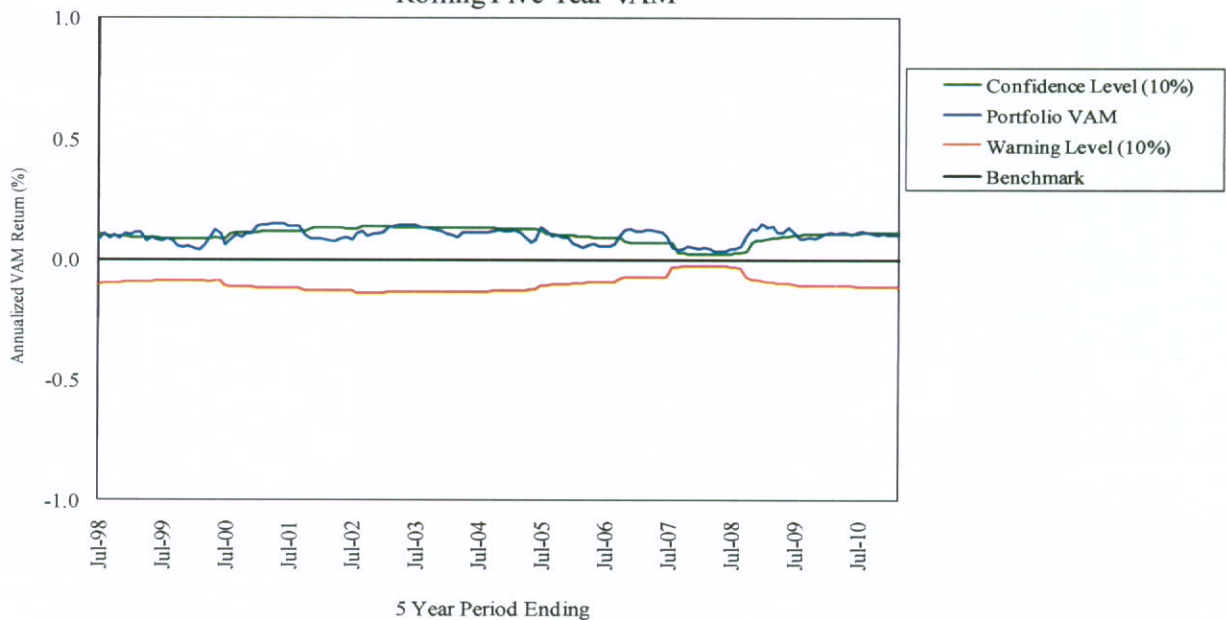
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	5.9%	5.9%	No action required.
Last 1 year	15.7	15.6	
Last 2 years	31.5	31.6	
Last 3 years	2.5	2.4	
Last 4 years	0.6	0.4	
Last 5 years	2.7	2.6	
Since Inception (7/93)	8.4	8.3	

INTERNAL STOCK POOL
Trust/Non-Retirement Assets
Rolling Five Year VAM



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2011

Portfolio Manager: Mike Messen

Assets Under Management: \$89,690,134

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%	0.4%
Last 1 year	5.6	5.1
Last 2 years	9.1	6.4
Last 3 years	6.9	5.3
Last 4 years	6.6	5.9
Last 5 years	6.6	6.0
Since Inception (7/86)	7.7	7.2

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2011

Portfolio Manager: Mike Messen

Assets Under Management: \$645,138,360

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

Staff Comments

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.

No comment at this time.

Quantitative Evaluation

Recommendation

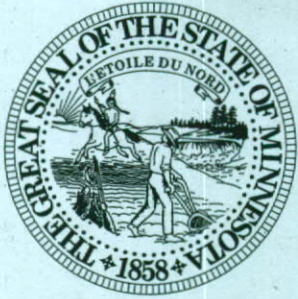
	Actual	Benchmark	
Last Quarter	0.8%	0.4%	No action required.
Last 1 year	5.2	5.1	
Last 2 years	8.2	6.4	
Last 3 years	6.9	5.3	
Last 4 years	6.7	5.9	
Last 5 years	6.8	6.0	
Since Inception (7/94)*	7.1	6.6	

* Date started managing the pool against the Barclays Capital Aggregate.

INTERNAL BOND POOL - TRUST/NON-RETIREMENT ASSETS
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

First Quarter, 2011

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Mutual Fund Managers

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MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending March, 2011

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by SBI *		State's Participation
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	In Fund (\$ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	1.1	5.9	4.2	15.6	-1.5	2.4	5.9	2.6	1.5	1.5	\$418.8
Legg Mason Partners Appr I (S&P 500)	5.1	5.9	13.2	15.6	2.6	2.4	4.2	2.6	6.0	5.2	\$131.5
Vanguard Institutional Index Plus (S&P 500)	5.9	5.9	15.6	15.6	2.4	2.4	2.7	2.6	1.6	1.5	\$455.1
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	8.2	8.2	25.1	25.2	7.5	7.5	4.6	4.5	8.8	8.8	\$229.6
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	9.1	7.9	31.9	25.8	14.4	8.6	5.9	3.3	9.7	6.7	\$464.1
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	4.9	3.7	11.5	11.8	3.0	4.0	2.3	4.3	6.0	5.8	\$289.5
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	3.9	4.0	12.8	13.0	5.0	4.9	4.8	4.7	6.1	6.0	\$195.6
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	1.4	0.4	6.2	5.1	7.7	5.3	6.7	6.0	6.6	6.0	\$151.2
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	0.3	0.4	5.1	5.1	5.3	5.3	6.1	6.0	5.1	5.1	\$135.1
International:											
Fidelity Diversified International (MSCI EAFE-Free)	3.2	3.4	12.5	10.4	-3.3	-3.0	1.2	1.3	7.3	3.7	\$250.1
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	3.1	3.4	10.7	10.4	-2.8	-3.0	1.5	1.3	7.8	7.7	\$103.3

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	2010		2009		2008		2007		2006	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Large Cap Equity:										
Janus Twenty (S&P 500)	7.0	15.1	43.3	26.5	-42.0	-37.0	35.9	5.5	12.3	15.8
Legg Mason Partners Appr I (S&P 500)	12.7	15.1	21.8	26.5	-28.8	-37.0	8.6	5.5	15.0	15.8
Vanguard Institutional Index Plus (S&P 500)	15.1	15.1	26.7	26.5	-36.9	-37.0	5.5	5.5	15.8	15.8
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	25.7	25.7	40.5	40.5	-41.8	-41.8	6.2	6.2	13.8	13.7
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	32.5	26.9	38.5	27.2	-33.4	-33.8	-1.7	-1.6	12.8	18.4
Balanced:										
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	12.2	12.1	28.4	18.4	-33.6	-22.4	1.7	6.2	13.8	11.1
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	13.3	13.5	20.2	19.7	-22.1	-22.4	6.3	6.3	11.1	11.1
Bond:										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	7.2	6.5	16.1	5.9	-0.3	5.2	4.7	7.0	5.3	4.3
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	6.6	6.5	6.1	5.9	5.2	5.2	7.0	7.0	4.4	4.3
International:										
Fidelity Diversified International (MSCI EAFE-Free)	9.7	7.7	31.8	31.8	-45.2	-43.4	16.0	11.2	22.5	26.3
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	8.7	7.7	28.2	31.8	-41.5	-43.4	11.0	11.2	26.3	26.3

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, 2011**

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$418,784,702
Total Assets in Fund: \$9,000,000,000**

**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

The manager's performance for the year ending March 2011 was primarily due to negative stock selection in the financial sector, an overweight in financials that underperformed the benchmark, and an underweight in the industrials. The manager remains committed to the fund's current positioning.

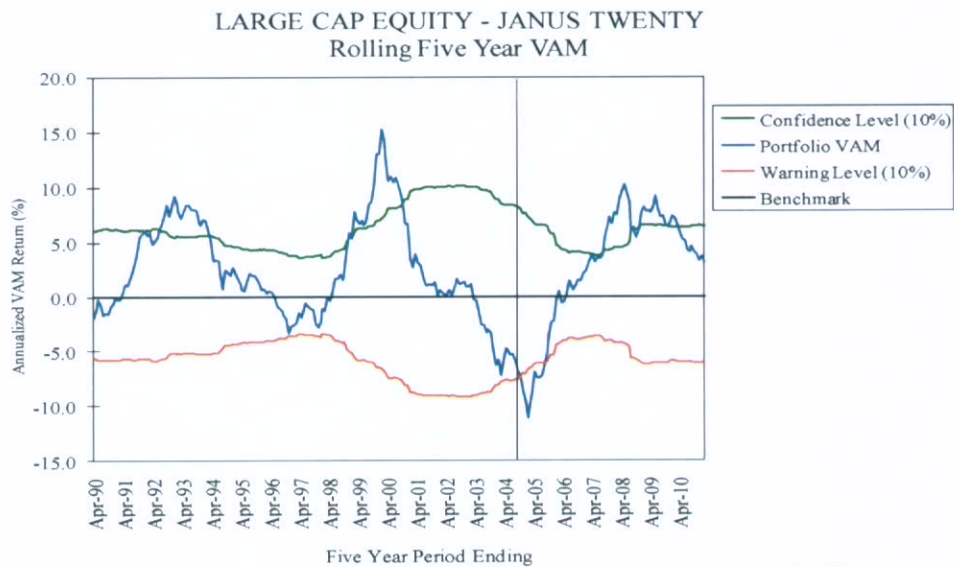
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	1.1%	5.9%
Last 1 year	4.2	15.6
Last 2 years	24.4	31.6
Last 3 years	-1.5	2.4
Last 4 years	4.5	0.4
Last 5 years	5.9	2.6
Since Retention by SBI (7/99)	1.5	1.5

Recommendation

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I
Periods Ending March, 2011**

Portfolio Manager: Scott Glasser

**State's Participation in Fund: \$131,474,169
Total Assets in Fund: \$4,536,150,628**

**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.

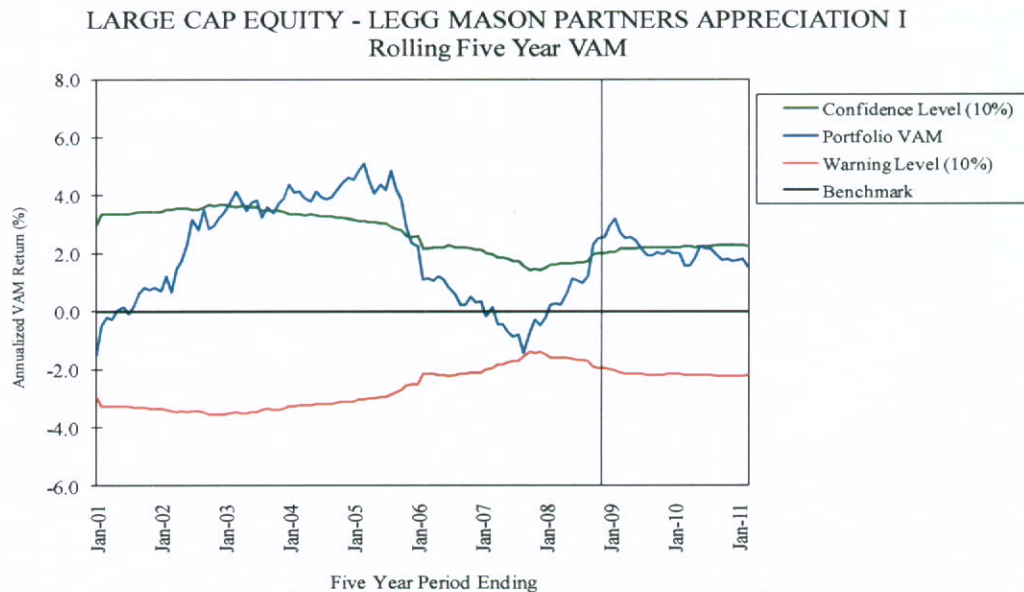
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	5.1%	5.9%
Last 1 year	13.2	15.6
Last 2 years	26.6	31.6
Last 3 years	2.6	2.4
Last 4 years	2.8	0.4
Last 5 years	4.2	2.6
Since Retention by SBI (12/03)	6.0	5.2

Recommendation

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2011**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$455,113,047
Total Assets in Fund: \$37,575,000,000**

**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

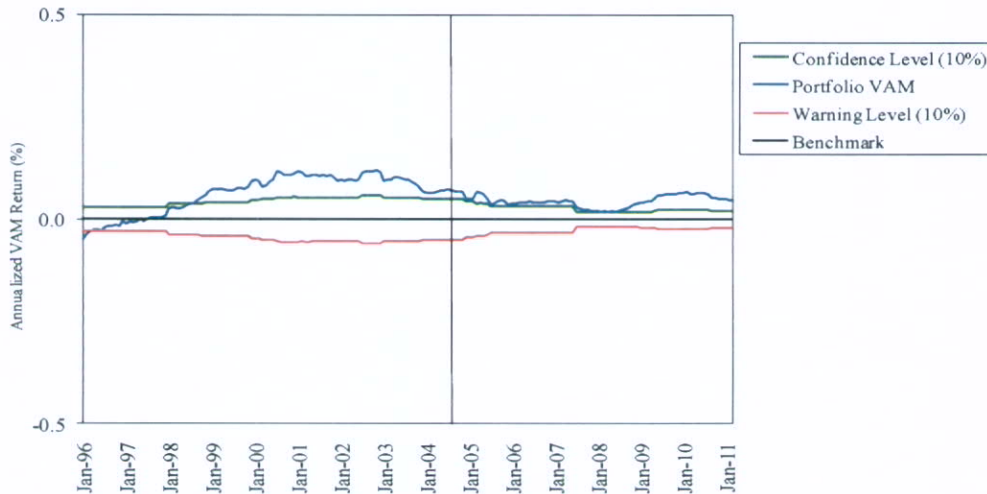
	Actual	Benchmark*
Last Quarter	5.9%	5.9%
Last 1 year	15.6	15.6
Last 2 years	31.7	31.6
Last 3 years	2.4	2.4
Last 4 years	0.5	0.4
Last 5 years	2.7	2.6
Since Retention by SBI (7/99)	1.6	1.5

Recommendation

No action required.

*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS
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
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending March, 2011**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$229,600,061
Total Assets in Fund: \$7,732,000,000**

**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.

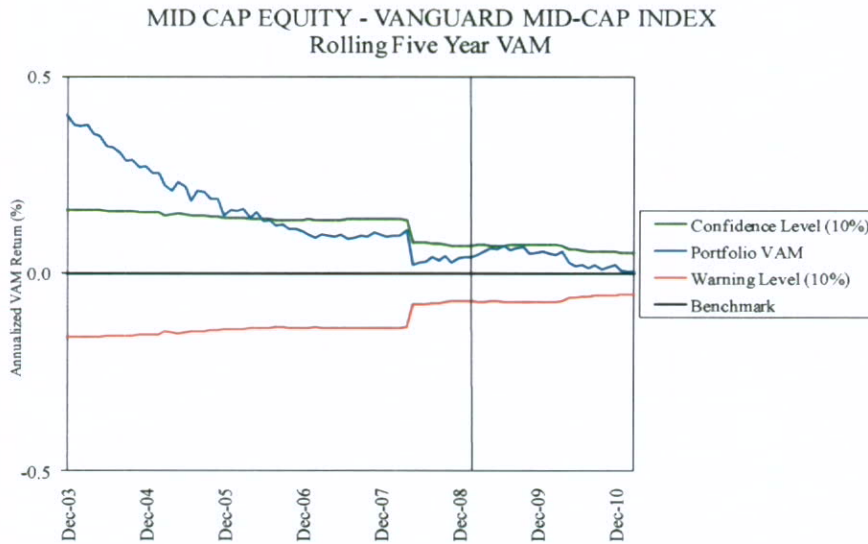
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	8.2%	8.2%
Last 1 year	25.1	25.2
Last 2 years	44.4	44.5
Last 3 years	7.5	7.5
Last 4 years	3.1	3.1
Last 5 years	4.6	4.5
Since Retention by SBI (1/04)	8.8	8.8

Recommendation

No action required.

*Benchmark is the MSCI US Mid Cap 450.



**MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2011**

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund: \$464,090,181
	Total Assets in Fund: \$7,589,000,000

**Investment Philosophy
T. Rowe Price Small Cap Equity Fund**

Staff Comments

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.

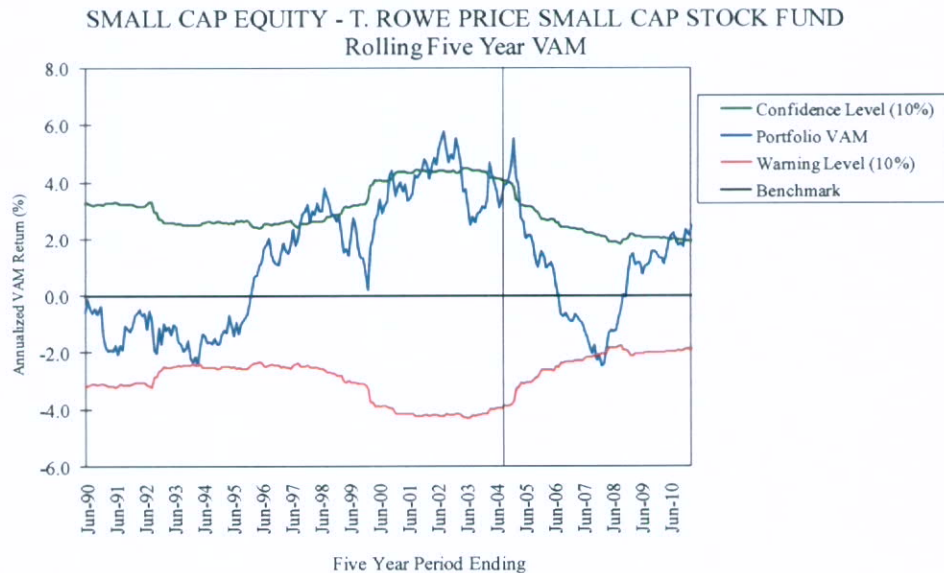
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	9.1%	7.9%	No action required.
Last 1 year	31.9	25.8	
Last 2 years	48.8	43.1	
Last 3 years	14.4	8.6	
Last 4 years	6.3	2.7	
Last 5 years	5.9	3.3	
Since Retention by SBI (7/99)	9.7	6.7	

*Benchmark is the Russell 2000.



**STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending March, 2011**

Portfolio Manager: John Gunn

**State's Participation in Fund: \$289,459,197
Total Assets in Fund: \$15,300,000,000**

**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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	4.9%	3.7%
Last 1 year	11.5	11.8
Last 2 years	29.8	21.3
Last 3 years	3.0	4.0
Last 4 years	0.1	3.0
Last 5 years	2.3	4.3
Since Retention By SBI (10/03)	6.0	5.8

Recommendation

No action required.

*Benchmark is 60% S&P 500, 40% Barclays Capital Aggregate.

**BALANCED - DODGE & COX BALANCED FUND
Rolling Five Year VAM**



**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2011**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$195,637,777
Total Assets in Fund: \$3,713,000,000**

**Investment Philosophy
Vanguard Balanced Index Fund**

Staff Comments

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 Barclays Capital Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

No comment at this time.

Quantitative Evaluation

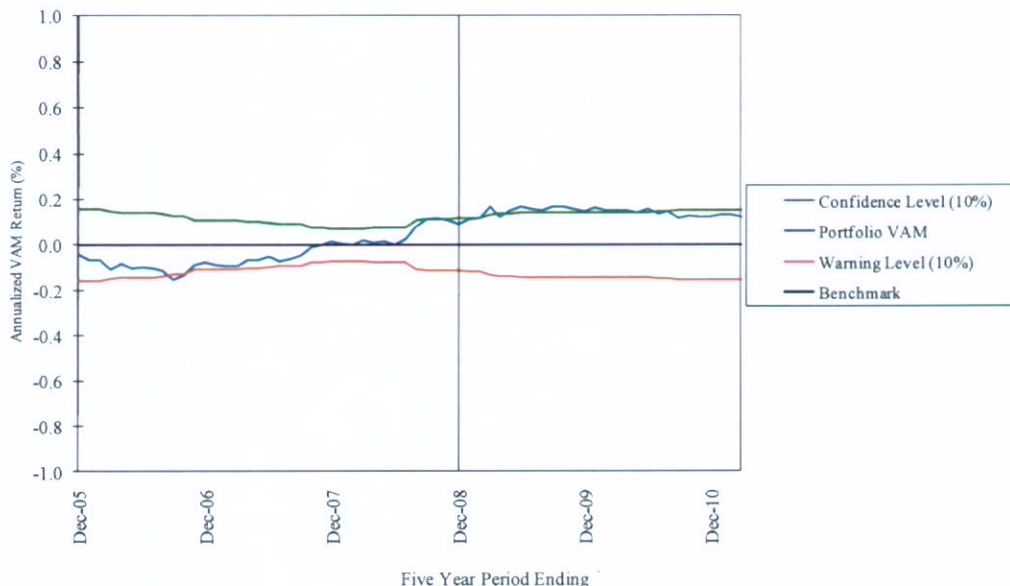
Recommendation

	Actual	Benchmark*
Last Quarter	3.9%	4.0%
Last 1 year	12.8	13.0
Last 2 years	22.7	22.7
Last 3 years	5.0	4.9
Last 4 years	3.7	3.5
Last 5 years	4.8	4.7
Since Retention by SBI (12/03)	6.1	6.0

No action required.

*Benchmark is 60% MSCI US Broad Market, 40% Barclays Capital Aggregate.
Equity benchmark was Wilshire 5000 prior to April 1, 2005.

**BALANCED - VANGUARD BALANCED INDEX
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 – DODGE & COX INCOME FUND
Periods Ending March, 2011**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$151,229,192
Total Assets in Fund: \$22,900,000,000**

**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

No comment at this time.

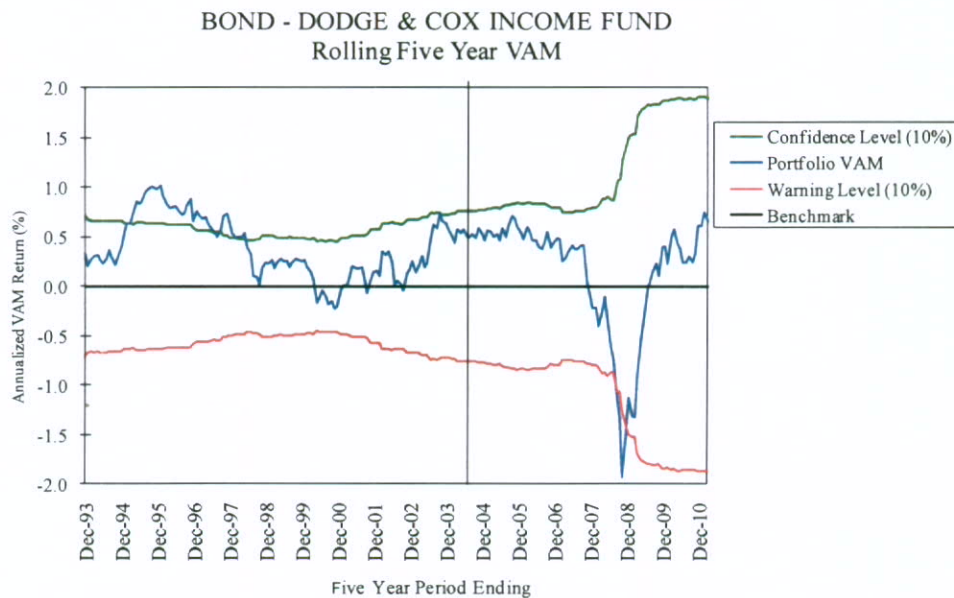
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	1.4%	0.4%
Last 1 year	6.2	5.1
Last 2 years	12.1	6.4
Last 3 years	7.7	5.3
Last 4 years	6.7	5.9
Last 5 years	6.7	6.0
Since Retention By SBI (7/99)	6.6	6.0

Recommendation

No action required.

*Benchmark is the Barclays Capital Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending March, 2011**

Portfolio Manager: Kenneth Volpert

**State's Participation in Fund: \$135,135,981
Total Assets in Fund: \$20,439,000,000**

**Investment Philosophy
Vanguard Total Bond Market Index
Institutional**

Staff Comments

The fund attempts to track the performance of the Barclays Capital 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.

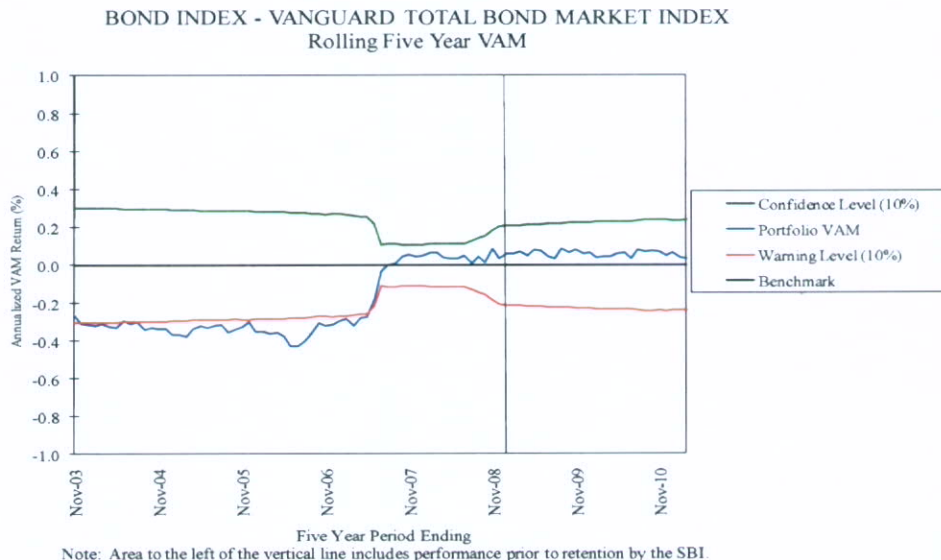
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	0.3%	0.4%	No action required.
Last 1 year	5.1	5.1	
Last 2 years	6.3	6.4	
Last 3 years	5.3	5.3	
Last 4 years	5.9	5.9	
Last 5 years	6.1	6.0	
Since Retention by SBI (12/03)	5.1	5.1	

*Benchmark is the Barclays Capital Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2011**

Portfolio Manager: William Bower

**State's Participation in Fund: \$250,079,704
Total Assets in Fund: \$35,049,760,000**

**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.

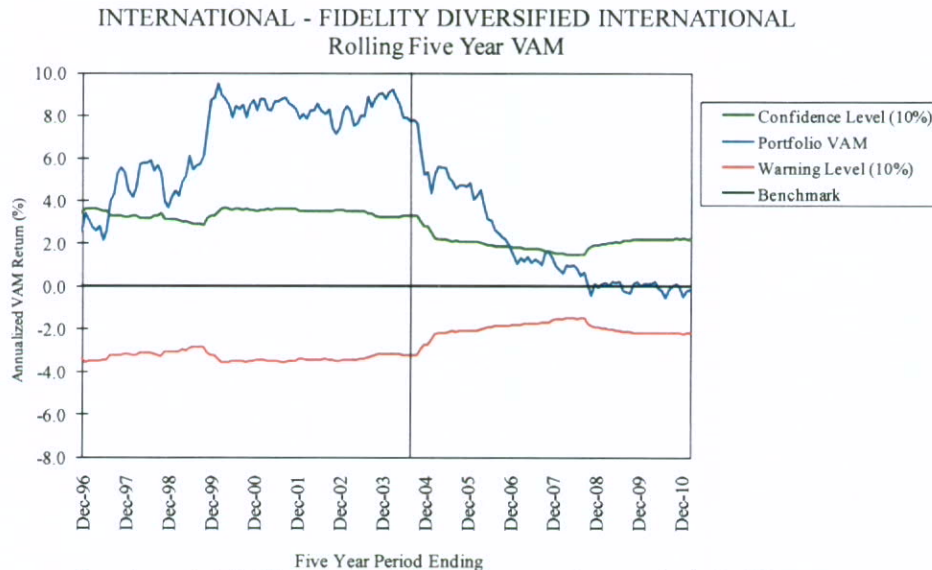
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	3.2%	3.4%
Last 1 year	12.5	10.4
Last 2 years	30.1	30.6
Last 3 years	-3.3	-3.0
Last 4 years	-2.1	-2.9
Last 5 years	1.2	1.3
Since Retention By SBI (7/99)	7.3	3.7

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.



**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending March, 2011**

Portfolio Manager: Duane Kelly and Michael Buek	State's Participation in Fund: \$103,285,802
	Total Assets in Fund: \$5,813,000,000

**Investment Philosophy
Vanguard Institutional Developed Market
Index**

Staff Comments

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.

No comment at this time.

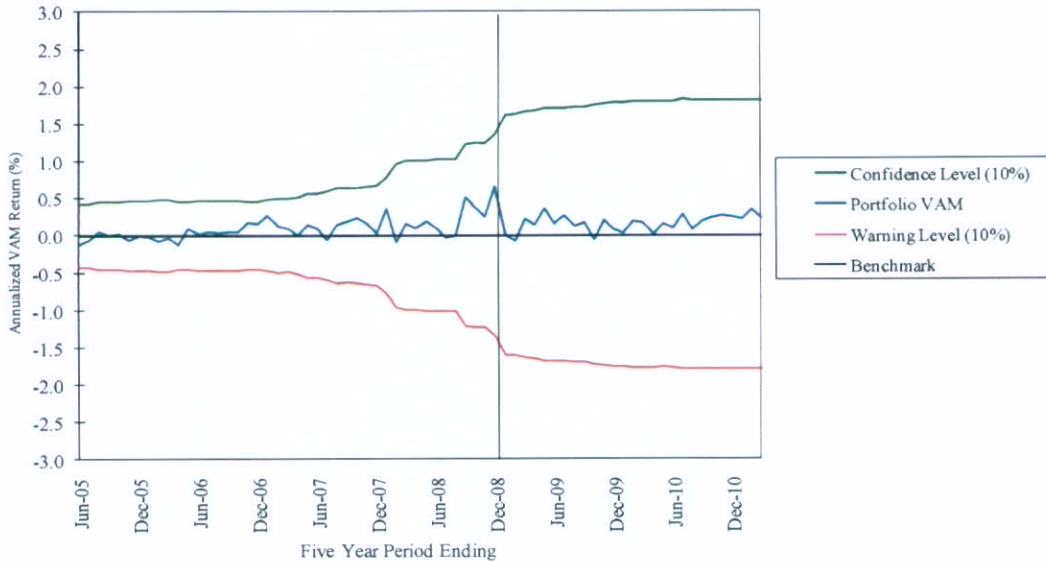
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	3.1%	3.4%	No action required.
Last 1 year	10.7	10.4	
Last 2 years	30.7	30.6	
Last 3 years	-2.8	-3.0	
Last 4 years	-2.7	-2.9	
Last 5 years	1.5	1.3	
Since Retention by SBI (12/03)	7.8	7.7	

*Benchmark is the MSCI EAFE International

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX
Rolling Five Year VAM



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

TAB

E

INVESTMENT ADVISORY COUNCIL REPORT

DATE: June 1, 2011

TO: Members, State Board of Investment

FROM: Members, Investment Advisory Council

The Investment Advisory Council met on May 24, 2011 and reviewed the following information and action agenda items:

1. Review of current strategy.
2. New investments with two existing resource managers, EMG and NGP and an increased investment with an existing private equity manager, Lexington.

Board action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 20% of the Combined Funds are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments in which 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**).

- a. The real estate investment strategy is to establish and maintain 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.
- b. 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.

- c. 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.
- d. The strategy for yield-oriented investments is to 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.

ACTION ITEMS:

1) Investment with an existing resource manager, the Energy and Minerals Group (EMG), in The Energy & Minerals Group Fund II, L.P. (EMG Fund II)

EMG is seeking investors for a new \$2.5 billion resource fund, EMG Fund II. This fund is a successor to one resource fund managed by EMG. The SBI has invested in that prior resource fund with EMG. Like the other resource fund, this fund will seek to earn attractive returns through a portfolio of resource and minerals investments.

In addition to reviewing the attractiveness of the EMG Fund II investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on EMG Fund II is included as **Attachment C**.

RECOMMENDATION:

The Investment Advisory Council 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% of EMG Fund II, whichever is less. 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 Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by EMG 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 EMG or reduction or termination of the commitment.

2) Investment with an existing resource manager, Natural Gas Partners (NGP), in NGP Natural Resources X, L.P.

NGP is seeking investors for a new \$4.0 billion resource fund. This fund is a successor to nine other resource funds managed by NGP. The SBI has invested in the prior fund. The Fund will continue the primary focus of the prior NGP funds, which have targeted investments in businesses in the oil and natural gas production, energy midstream and oilfield service industries. In addition, the Fund intends to pursue attractive opportunities to invest in businesses in the food and agriculture industry and water resources and services industry.

In addition to reviewing the attractiveness of the NGP Natural Resources X, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund.

More information on NGP Natural Resources X, L.P. is included as **Attachment D**.

RECOMMENDATION:

The Investment Advisory Council 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 \$150 million, or 20% of NGP Natural Resources X, L.P., whichever is less. 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 Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by NGP 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 NGP or reduction or termination of the commitment.

3) Increased investment with an existing private equity manager, Lexington Capital Partners, in Lexington Capital Partners VII, L.P.

In the second half of 2009, the SBI approved and closed on a \$100 million commitment to Lexington Capital Partners VII, L.P. This fund is a successor to six other similar private equity funds managed by Lexington Capital Partners. The SBI has invested \$100 million in the prior fund, Fund VI. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity, mezzanine, and venture capital investments through secondary transactions.

After an extended fundraising cycle due to challenging market and fundraising conditions, Lexington is finishing fundraising for Fund VII which will ultimately

reach the original target of \$5 billion. The strength in the overall market since 2009 has provided additional flexibility in the Board's allocation to alternative investments. In addition, Lexington has made for the Fund, and is considering, many attractive investment opportunities. Staff is, therefore, recommending an additional investment of \$100 million to Lexington Capital Partners VII, L.P. for a total of \$200 million.

In addition to reviewing the attractiveness of the Lexington Capital Partners VII, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund VII.

More information on Lexington Capital Partners VII, L.P. is included as **Attachment E**.

RECOMMENDATION:

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute an additional commitment of up to \$100 million in Lexington Capital Partners VII, L.P. This would increase the SBI's total commitment from \$100 million to \$200 million or 20% of Lexington Capital Partners VII, L.P., whichever is less. Approval by the SBI of this potential additional 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 Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Lexington Capital 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 Lexington Capital Partners or reduction or termination of the commitment.

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Funds
March 31, 2011

Combined Funds Market Value	\$47,496,891,651
Amount Available for Investment	\$2,822,336,639

	Current Level	Target Level	Difference
Market Value (MV)	\$6,677,041,691	\$9,499,378,330	\$2,822,336,639
MV +Unfunded	\$9,676,863,063	\$14,249,067,495	\$4,572,204,432

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,042,140,919	\$1,455,760,748	\$5,497,901,667
Real Estate	\$979,366,518	\$168,842,540	\$1,148,209,058
Resource	\$670,255,620	\$669,906,177	\$1,340,161,797
Yield-Oriented	\$985,278,634	\$705,311,907	\$1,690,590,541
Total	\$6,677,041,691	\$2,999,821,372	\$9,676,863,063

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ATTACHMENT B

Minnesota State Board of Investment
Alternative Investments
As of March 31, 2011

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
I. REAL ESTATE								
Blackstone								
<i>Blackstone Real Estate V</i>	100,000,000	91,825,941	77,403,542	23,165,945	9,378,453	1.79	1.10	4.92
<i>Blackstone Real Estate VI</i>	100,000,000	72,107,813	69,883,211	637,561	30,150,285	-3.53	0.98	4.00
Colony Capital Investors III	100,000,000	100,000,000	4,225,600	167,834,385	0	14.63	1.72	13.25
CSFB/ DLJ								
<i>CSFB Strategic Partners III RE</i>	25,000,000	25,166,647	11,599,867	568,588	398,070	-22.75	0.48	5.75
<i>CS Strategic Partners IV RE</i>	50,000,000	45,302,263	29,110,994	2,210,508	5,285,950	-15.48	0.69	2.78
Prime Property Fund	40,000,000	40,000,000	216,734,794	0	0	5.92	5.42	29.47
Silverpeak Real Estate Partners (Lehman)								
<i>Silverpeak Legacy Pension Partners II</i>	75,000,000	70,256,048	43,533,164	22,008,951	10,355,294	-2.35	0.93	5.75
<i>Silverpeak Legacy Pension Partners III</i>	150,000,000	66,143,137	31,388,953	0	83,274,488	-27.45	0.47	2.86
T.A. Associates Realty								
<i>Realty Associates Fund V</i>	50,000,000	50,000,000	13,912,857	79,498,194	0	10.60	1.87	11.85
<i>Realty Associates Fund VI</i>	50,000,000	50,000,000	35,424,745	44,690,577	0	11.58	1.60	8.76
<i>Realty Associates Fund VII</i>	75,000,000	75,000,000	50,719,758	19,280,331	0	-1.73	0.93	6.37
<i>Realty Associates Fund VIII</i>	100,000,000	100,000,000	65,833,100	4,754,831	0	-10.72	0.71	4.75
<i>Realty Associates Fund IX</i>	100,000,000	70,000,000	71,654,730	90,239	30,000,000	3.57	1.02	2.60
UBS-Trumbull Property Fund	42,376,529	42,376,529	257,941,202	0	0	6.89	6.09	28.92
Real Estate Total	1,057,376,529	898,178,378	979,366,518	364,740,110	168,842,540		1.50	
II. RESOURCE								
Apache Corp III	30,000,000	30,000,000	3,061,530	55,369,565	0	12.14	1.95	24.25
EnCap Energy								
<i>EnCap Energy Capital Fund VII</i>	100,000,000	63,106,462	59,449,126	20,318,581	37,446,281	16.09	1.26	3.75
<i>EnCap Energy Capital Fund VIII</i>	100,000,000	3,150,000	3,304,873	0	96,850,000	5.86	1.05	0.50
Energy and Minerals Group I	100,000,000	89,268,848	81,153,866	29,635,948	11,042,175	12.13	1.24	4.00
Energy Capital Partners II-A	100,000,000	24,816,757	26,214,308	3,955,190	79,123,776	22.09	1.22	0.70
First Reserve								
<i>First Reserve Fund X</i>	100,000,000	100,000,000	70,127,985	122,963,396	0	36.79	1.93	6.41
<i>First Reserve Fund XI</i>	150,000,000	116,130,833	87,893,627	32,250,628	33,869,167	1.10	1.03	4.27
<i>First Reserve Fund XII</i>	150,000,000	78,614,626	59,553,093	6,339,490	71,385,374	-10.77	0.84	2.41
Natural Gas Partners IX	150,000,000	91,456,234	92,425,114	3,396,316	55,883,575	3.48	1.05	3.44
Sheridan								
<i>Sheridan Production Partners I</i>	100,000,000	81,002,260	101,859,981	17,000,000	19,000,000	18.34	1.47	4.00
<i>Sheridan Production Partners II</i>	100,000,000	2,000,000	1,276,000	0	98,000,000	-57.30	0.64	0.50
T. Rowe Price	74,064,672	74,064,672	3,033,336	97,346,757	0	28.10	1.36	N/A
Trust Company of the West								
<i>TCW Energy Partners XIV</i>	100,000,000	87,557,607	72,386,565	43,377,166	27,055,829	16.25	1.32	3.95
<i>TCW Energy Partners XV</i>	150,000,000	9,750,000	8,516,216	0	140,250,000	-15.66	0.87	0.81
Resource Total	1,504,064,672	850,918,298	670,255,620	431,953,037	669,906,177		1.30	
III. YIELD-ORIENTED								
Audax Mezzanine Fund III	100,000,000	5,652,532	5,652,532	0	94,347,468	0.00	1.00	0.99
Citicorp Mezzanine III	100,000,000	88,029,296	596,675	132,134,651	0	15.62	1.51	11.41
DLJ Investment Partners								
<i>DLJ Investment Partners II</i>	27,375,168	23,164,217	1,347,995	33,726,419	4,955,172	10.47	1.51	11.24
<i>DLJ Investment Partners III</i>	100,000,000	38,220,759	14,266,827	20,720,152	63,778,530	-8.99	0.92	4.77
Gold Hill Venture Lending								
<i>Gold Hill Venture Lending</i>	40,000,000	40,000,000	20,246,549	30,600,333	0	6.62	1.27	6.51
<i>Gold Hill 2008</i>	25,852,584	15,253,025	15,840,159	871,268	10,599,559	7.64	1.10	2.75
GS Mezzanine Partners								
<i>GS Mezzanine Partners II</i>	100,000,000	100,000,000	5,527,465	126,330,924	0	7.12	1.32	11.08
<i>GS Mezzanine Partners III</i>	75,000,000	75,000,000	20,682,643	72,097,129	0	6.45	1.24	7.72
<i>GS Mezzanine Partners 2006</i>	100,000,000	74,999,888	62,327,720	30,484,857	25,000,112	4.51	1.24	4.98
<i>GS Mezzanine Partners V</i>	150,000,000	49,964,442	42,155,749	22,328,192	91,019,545	7.92	1.29	3.44
GTCR Capital Partners	80,000,000	69,589,422	350,578	106,814,249	10,410,585	10.81	1.54	11.38
Merit Capital Partners								
<i>William Blair Mezzan. Cap. Fd. III</i>	60,000,000	56,958,000	6,359,938	95,643,470	3,042,000	14.66	1.79	11.24
<i>Merit Mezzanine Fund IV</i>	75,000,000	68,406,593	62,750,049	18,212,461	6,593,407	5.39	1.18	6.29
<i>Merit Mezzanine Fund V</i>	75,000,000	9,918,367	9,614,776	0	65,081,633	-4.13	0.97	1.28
Merit Energy Partners								
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	57,138,158	106,950,204	0	24.75	6.84	14.75
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	152,423,754	232,040,755	0	31.35	7.69	12.42
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	116,505,296	167,312,892	0	23.75	4.00	9.85
<i>Merit Energy Partners E</i>	100,000,000	39,983,197	57,888,814	31,692,081	0	16.88	2.24	6.46
<i>Merit Energy Partners F</i>	100,000,000	51,633,900	56,871,682	7,116,986	48,366,101	9.05	1.24	5.02
<i>Merit Energy Partners H</i>	100,000,000	0	0	0	100,000,000	N/A	0.00	0.16

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Prudential Capital Partners								
<i>Prudential Capital Partners I</i>	100,000,000	97,100,859	30,495,823	112,472,520	7,642,577	11.03	1.47	9.95
<i>Prudential Capital Partners II</i>	100,000,000	93,268,236	76,759,872	44,895,462	7,133,732	8.58	1.30	5.75
<i>Prudential Capital Partners III</i>	100,000,000	63,348,475	60,752,844	5,580,216	39,557,992	6.08	1.05	1.95
Quadrant Real Estate Advisors ICM V	37,200,000	37,200,000	6,865,321	53,014,466	0	7.96	1.61	11.66
Summit Partners								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	80,800	31,406,578	2,000,000	30.55	1.75	17.00
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	2,030,563	86,223,399	4,500,000	56.28	2.18	13.66
<i>Summit Subordinated Debt Fund III</i>	45,000,000	42,690,965	22,780,837	28,420,376	2,850,000	8.58	1.20	7.12
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	10,500,000	10,837,460	0	39,500,000	4.95	1.03	3.01
T. Rowe Price	55,800,931	55,800,931	0	55,217,895	0	-3.31	0.99	N/A
TCW/Crescent Mezzanine III	75,000,000	68,835,264	10,782,724	146,404,160	29,733,857	36.16	2.28	10.00
Windjammer Capital Investors								
<i>Windjammer Mezzanine & Equity Fund II</i>	66,708,861	52,076,514	11,343,944	62,778,946	14,378,980	7.93	1.42	11.00
<i>Windjammer Senior Equity Fund III</i>	75,000,000	42,770,751	44,001,088	23,749,330	34,820,659	16.83	1.58	5.24
Yield-Oriented Total	2,339,937,544	1,573,803,937	985,278,634	1,885,240,373	705,311,907		1.82	
IV. PRIVATE EQUITY								
Adams Street Partners								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,880	9,440,295	0	13.22	2.50	22.89
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	54,629	37,988,511	0	24.09	1.90	20.34
Advent International GPE VI-A	50,000,000	27,500,000	28,194,478	1,500,000	22,500,000	6.55	1.08	3.00
Affinity Ventures								
<i>Affinity Ventures IV</i>	4,000,000	3,191,847	1,873,873	762,818	200,000	-7.12	0.83	6.75
<i>Affinity Ventures V</i>	5,000,000	3,300,000	3,115,685	115,993	1,700,000	-1.58	0.98	2.74
Banc Fund								
<i>Banc Fund VII</i>	45,000,000	45,000,000	24,353,640	812,725	0	-13.50	0.56	6.00
<i>Banc Fund VIII</i>	98,250,000	26,527,500	27,493,950	0	71,722,500	3.17	1.04	2.93
Blackstone								
<i>Blackstone Capital Partners IV</i>	70,000,000	69,863,496	50,341,356	119,105,602	4,407,812	40.37	2.43	8.72
<i>Blackstone Capital Partners V</i>	140,000,000	122,049,528	113,184,524	8,304,237	19,873,177	-0.97	1.00	5.16
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	0.00	2.68
BLUM Capital Partners								
<i>Blum Strategic Partners I</i>	50,000,000	49,158,307	494,839	99,450,576	2,009,928	12.74	2.03	12.27
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	14,536,023	73,919,825	2,127,584	22.91	2.20	9.70
<i>Blum Strategic Partners III</i>	75,000,000	74,806,485	31,705,813	54,513,310	193,515	3.30	1.15	5.83
<i>Blum Strategic Partners IV</i>	150,000,000	148,496,870	114,309,004	24,656,730	13,930,449	-2.80	0.94	3.36
Carval Investors								
<i>CVI Global Value Fund</i>	200,000,000	190,000,000	235,476,497	2,376,251	10,000,000	7.52	1.25	4.21
<i>CarVal Credit Value Fund I</i>	100,000,000	45,000,000	45,000,000	63,000	55,000,000	0.19	1.00	0.50
Chicago Growth Partners (William Blair)								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	9,823,680	63,343,842	1,650,000	10.12	1.52	10.06
<i>Chicago Growth Partners I</i>	50,000,000	49,291,998	41,051,751	18,593,098	3,450,000	7.21	1.21	5.68
<i>Chicago Growth Partners II</i>	60,000,000	30,278,587	31,064,499	1,968,000	29,469,413	6.58	1.09	3.05
Coral Partners								
<i>Coral Partners IV</i>	15,000,000	15,000,000	1,453,773	13,538,879	0	-0.04	1.00	16.69
<i>Coral Partners V</i>	15,000,000	15,000,000	1,430,933	7,854,144	0	-5.70	0.62	12.79
Court Square Capital								
<i>Court Square Capital Partners</i>	100,000,000	80,223,910	24,653,954	152,173,956	10,576,235	29.36	2.20	9.30
<i>Court Square Capital Partners II</i>	175,000,000	114,876,461	139,268,357	2,506,660	61,763,745	10.05	1.23	4.57
Crescendo								
<i>Crescendo III</i>	25,000,000	25,000,000	1,384,931	9,321,908	0	-16.71	0.43	12.40
<i>Crescendo IV</i>	101,500,000	101,500,000	24,989,975	20,124,650	0	-9.33	0.44	11.06
CSFB/ DLJ								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	120,896,617	47,857,910	203,343,338	4,103,383	18.51	2.08	10.50
<i>DLJ Strategic Partners</i>	100,000,000	93,493,319	13,873,723	154,881,101	4,956,681	22.62	1.80	10.19
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,148,722	15,073,152	142,489,971	11,051,278	35.93	1.89	7.70
<i>CSFB Strategic Partners III-B</i>	100,000,000	76,197,900	86,569,333	4,762,919	16,960,004	4.97	1.20	5.83
<i>CSFB Strategic Partners III VC</i>	25,000,000	22,565,579	16,581,500	10,659,230	2,434,421	6.02	1.21	5.83
<i>CS Strategic Partners IV-B</i>	100,000,000	66,679,261	75,743,739	9,102,714	33,320,739	13.02	1.27	3.01
<i>CS Strategic Partners IV VC</i>	40,500,000	27,731,248	31,055,344	2,475,811	12,603,858	9.87	1.21	2.78
CVC European Equity Partners V	136,520,076	71,923,369	79,387,334	4,746,913	45,828,762	12.67	1.17	3.01
Diamond Castle Partners IV	100,000,000	87,485,963	78,874,768	14,220,493	12,554,522	1.97	1.06	4.56
DSV Partners IV	10,000,000	10,000,000	32,434	39,196,082	0	10.61	3.92	25.97
EBF and Associates								
<i>Merced Partners II</i>	75,000,000	63,768,881	46,933,027	63,717,919	0	25.17	1.74	4.00
<i>Merced Partners III</i>	100,000,000	40,000,000	47,743,960	0	60,000,000	49.72	1.19	0.90
Elevation Partners	75,000,000	67,565,778	43,819,144	36,623,438	13,519,812	6.50	1.19	5.87
Fox Paine Capital Fund II	50,000,000	45,534,856	35,086,690	46,170,294	12,717,982	20.60	1.78	10.75

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GHJM Marathon Fund								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	3,385,314	55,127,488	949,000	8.68	1.50	11.96
<i>GHJM Marathon Fund V</i>	50,000,000	48,668,903	57,913,257	14,848,567	1,407,808	11.81	1.50	6.49
Golder, Thoma, Cressey, Rauner								
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	196,096	42,160,456	0	25.06	2.12	17.16
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	720,541	53,955,241	0	11.00	1.82	14.75
GS Capital Partners								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	13,818,109	94,641,290	0	22.92	2.17	10.58
<i>GS Capital Partners V</i>	100,000,000	66,390,364	71,876,311	63,917,462	26,041,099	16.86	2.05	6.00
<i>GS Capital Partners VI</i>	100,000,000	53,574,317	39,126,763	9,951,647	38,592,677	-5.48	0.92	4.16
GTCR Golder Rauner								
<i>GTCR VI</i>	90,000,000	90,000,000	4,002,544	75,082,762	0	-4.65	0.88	12.75
<i>GTCR VII</i>	175,000,000	159,249,989	838,149	387,322,726	15,750,001	25.31	2.44	11.14
<i>GTCR IX</i>	75,000,000	60,121,274	54,690,392	5,535,603	14,878,726	0.11	1.00	4.75
<i>GTCR X</i>	100,000,000	0	0	0	100,000,000	N/A	0.00	0.30
Hellman & Friedman								
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	133,967,494	21,692,802	353,483,051	15,365,585	34.65	2.80	11.24
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	144,724,902	133,612,345	200,068,512	17,308,120	29.02	2.31	6.33
<i>Hellman & Friedman Capital Partners VI</i>	175,000,000	152,994,089	152,236,586	27,744,143	23,128,530	6.42	1.18	4.00
<i>Hellman & Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	0.00	1.94
Kohlberg Kravis Roberts								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	1,652,371	396,223,778	0	8.71	2.74	23.35
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	674,776	308,173,269	0	16.74	2.06	17.28
<i>KKR 1996 Fund</i>	200,000,000	199,902,841	13,953,737	359,556,113	97,159	13.15	1.87	14.58
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	161,400,883	201,036,977	0	17.99	1.81	8.31
<i>KKR 2006 Fund</i>	200,000,000	171,125,198	158,138,677	37,740,790	42,179,000	3.27	1.14	4.51
Lexington Capital Partners								
<i>Lexington Capital Partners VI-B</i>	100,000,000	94,901,597	74,080,892	31,705,742	5,098,403	4.63	1.11	5.26
<i>Lexington Capital Partners VII</i>	100,000,000	33,845,663	36,041,874	39,636	66,154,337	14.55	1.07	1.80
RWI Ventures								
<i>RWI Group III</i>	616,430	616,430	121,861	330,192	0	-13.37	0.73	4.75
<i>RWI Ventures I</i>	7,603,265	7,603,265	1,269,748	4,025,809	0	-15.59	0.70	4.75
Sightline Healthcare								
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	301,540	5,635,402	0	-7.22	0.59	14.08
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	3,403,109	4,856,820	0	-10.89	0.41	12.19
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,598,598	2,049,802	4,621,834	155,075	-4.16	0.88	7.51
Silver Lake Partners								
<i>Silver Lake Partners II</i>	100,000,000	88,740,757	70,676,290	61,936,091	12,255,111	10.30	1.49	6.75
<i>Silver Lake Partners III</i>	100,000,000	52,889,124	60,616,393	4,226,478	47,846,303	10.84	1.23	4.00
Split Rock Partners								
<i>Split Rock Partners</i>	50,000,000	39,000,000	28,960,619	428,377	11,000,000	-9.30	0.75	5.91
<i>Split Rock Partners II</i>	60,000,000	14,340,000	11,545,234	0	44,960,000	-18.71	0.81	2.92
Summit Ventures V	25,000,000	24,125,000	363,143	32,736,823	875,000	8.02	1.37	13.00
T. Rowe Price	875,647,360	875,647,360	34,038,836	909,424,055	0	8.51	1.08	N/A
Thoma Cressey								
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	3,817,029	28,671,225	1,085,000	-0.54	0.96	12.61
<i>Thoma Cressey Fund VII</i>	50,000,000	50,000,000	21,453,923	65,410,727	0	22.38	1.74	10.60
<i>Thoma Cressey Fund VIII</i>	70,000,000	68,932,574	92,168,317	6,405,229	770,000	9.98	1.43	4.91
Thomas, McNerney & Partners								
<i>Thomas, McNerney & Partners I</i>	30,000,000	27,225,000	16,851,548	10,504,694	2,775,000	0.13	1.00	8.40
<i>Thomas, McNerney & Partners II</i>	50,000,000	30,000,000	22,395,323	4,357,621	20,000,000	-4.96	0.89	4.75
Varde Fund								
<i>Varde Fund IX</i>	100,000,000	100,000,000	150,175,900	0	0	17.86	1.50	2.77
<i>Varde Fund X</i>	150,000,000	75,000,000	80,148,750	0	75,000,000	9.79	1.07	0.94
Vestar Capital Partners								
<i>Vestar Capital Partners IV</i>	55,000,000	52,586,908	28,593,184	64,138,882	921,531	14.22	1.76	11.29
<i>Vestar Capital Partners V</i>	75,000,000	72,073,026	68,607,453	15,100,119	3,252,203	5.32	1.16	5.28
Warburg Pincus								
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	429,198	256,193,050	0	49.21	5.13	16.25
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	10,196,116	149,353,690	0	9.88	1.60	12.76
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	97,296,525	108,355,728	0	16.18	2.06	8.96
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	101,349,535	31,173,742	0	7.47	1.33	5.68
<i>Warburg Pincus Private Equity X</i>	150,000,000	106,710,914	103,694,495	5,892,777	43,350,000	1.48	1.03	3.43
Wayzata								
<i>Wayzata Opportunities Fund</i>	100,000,000	92,300,000	132,684,883	21,739,109	7,700,000	11.30	1.67	5.28
<i>Wayzata Opportunities Fund II</i>	150,000,000	97,950,000	155,485,144	429,900	52,050,000	15.41	1.59	3.44

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Welsh, Carson, Anderson & Stowe								
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	13,605,865	110,257,293	0	2.66	1.24	12.68
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	120,000,000	33,352,057	155,682,172	5,000,000	11.17	1.58	10.76
<i>Welsh, Carson, Anderson & Stowe X</i>	100,000,000	94,578,466	79,517,730	15,288,784	6,000,000	0.07	1.00	5.29
<i>Welsh, Carson, Anderson & Stowe XI</i>	100,000,000	36,810,720	32,988,847	0	63,189,280	-13.55	0.90	2.69
<i>Private Equity Total</i>	8,396,510,783	6,917,726,796	4,042,140,919	6,250,317,109	1,455,760,748		1.49	
<i>Alternatives Total</i>	13,297,889,527	10,240,627,409	6,677,041,690	8,932,250,629	2,999,821,373		1.52	

* None of the data presented herein has been reviewed or approved by either the general partner or investment manager. The performance and valuation data presented herein is not a guarantee or prediction of future results. Ultimately, the actual performance and value of any investment is not known until final liquidation. Because there is no industry-standardized method for valuation or reporting, comparisons of performance and valuation data among different investments is difficult.

** MOIC: Multiple of Invested Capital

ATTACHMENT C

RESOURCE MANAGER SUMMARY PROFILE

I. Background Data

<i>Name of Fund:</i>	The Energy & Minerals Group Fund II, L.P. (“EMG II”)
<i>Type of Fund:</i>	Resource Limited Partnership
<i>Total Fund Size:</i>	\$2.5 billion
<i>Fund Manager:</i>	The Energy and Minerals Group, LP
<i>Manager Contact:</i>	John Raymond 811 Main Street Houston TX 77002 P: 713-579-5000

II. Organization and Staff

In 2006, EMG’s Co-Founders, John T. Raymond and John G. Calvert, formed a joint venture with Natural Gas Partners, an energy-focused private equity firm, to assist in fund-raising efforts for Fund I. Fund I had its final close in November 2007 on \$1.4 billion in capital commitments. In May 2009, EMG was formed by the Co-Founders as the management company to manage all investment activities of Fund I and all subsequent funds, including the Follow on Funds which were raised during 2009. Concurrent with the formation of EMG, Lee R. Raymond, retired Chairman of the Board and CEO of ExxonMobil, joined the Firm as a Senior Partner.

Prior to co-founding EMG, John Raymond served as CEO of Vulcan Energy Corp. (the private company successor to Plains Resources, Inc. where he also served as CEO), President and COO of Plains Exploration and Production and Director of Plains All American Pipeline, L.P. Mr. John Calvert, Chief Operating Officer of EMG, has spent his entire career in the natural resources sector. Prior to co-founding EMG, he provided strategic counsel and transaction execution advice to some of the world’s largest mining and metals companies while serving as a Managing Director at Deutsche Bank Securities and as Managing Director and global head of mining investment banking at Credit Suisse First Boston.

The Firm’s Investment Committee will be comprised of the Co-Founders and Mr. Lee Raymond. The members of the Investment Committee are supported by, amongst others, two experienced Managing Directors, Jeffrey C. Rawls and Patrick G. Wade, each of whom has served as an operator of energy assets earlier in their careers. In the aggregate, the EMG team is comprised of eight investment professionals and a five-person tax, finance and reporting team that has considerable expertise in structuring investments in a tax-efficient manner. In addition, the Firm expects to augment the team throughout the life of Fund II.

III. Investment Strategy

EMG pursues investments across the global natural resources industry with a focus on the entire energy complex and all facets of the mining, minerals and metals industry, with a particular

focus on the non-substitutable, industrial commodities. In order to generate what EMG believes are the most attractive risk-adjusted returns across the natural resources industry, the Firm utilizes an investment strategy with “three dimensional” diversity by geography, commodity and business function. The Firm will continue to utilize this three-dimensional investment approach for Fund II. As a focused investor with a global network of relationships and capability to pursue opportunities in multiple jurisdictions, EMG has executed transactions in the United States, Canada, South Africa and Australia. In addition, EMG has deep expertise across the entire energy value chain and spectrum of steel industry inputs, coal, platinum group metals, and base metals to understand current sub-sector dynamics and identify areas of interest appropriately. Unlike most energy-related private equity firms, EMG is not solely focused on one subsector of the industry in one region (e.g. North American upstream oil and gas) and therefore it can allocate capital to what the Firm believes are the most attractive risk-adjusted opportunities globally across the entire natural resources industry.

To execute on the Firm’s broad investment mandate, EMG has a consistent, highly disciplined investment thesis and approach. Specifically, the Firm seeks to identify investments that represent each of the following three key tenets:

- 1) Low cost sources of supply and/or production – EMG believes businesses with low cost sources of supply and/or production, either direct or underlying, will be able to compete effectively on a through-cycle basis in the global natural resources industry. For example, realized Fund I portfolio company, INR Energy, LLC (“INR”), a diversified coal business, believes it had costs in the lowest decile compared to other major Appalachian coal producers.
- 2) High quality commodity based products – The Firm targets companies with high quality commodity based products, either direct or derivatives thereof, in order to maximize margins and achieve superior profitability. For example, the platinum group metals (“PGM”) business of Fund I portfolio company, Pallinghurst Resources Ltd. (“Pallinghurst”), typically commands premium prices due to the high quality of its concentrate.
- 3) Strategic proximal locations – EMG seeks to ensure that its portfolio companies are strategically located near their direct end user(s) or key export points in order to have the ability to deliver the respective products to market on a cost competitive basis. For example, MarkWest Liberty Midstream & Resources, LLC (“Liberty”), Fund I’s joint venture with MarkWest Energy Partners, L.P. (“MarkWest”), is a midstream operation in the Marcellus Shale, which is located in the northeast United States, a region that has historically experienced the highest price realizations in the country.

In pursuing its disciplined investment thesis and approach, EMG also adheres to certain guiding investment principles. The Firm focuses on investment opportunities with hard assets that are integral to existing and growing markets and, generally, does not rely on rising commodity prices to generate returns. Due to its team’s extensive experience operating assets, EMG has a strong emphasis on risk identification, management and mitigation. As such, EMG’s portfolio companies typically have long-term contracts with key counterparties and utilize little or no leverage which provides protection from unexpected events. EMG leverages its significant principal investing and operating expertise across the natural resources industry at all stages of the investment lifecycle. The Firm’s deep industry relationships and network provide differentiated access to deal flow, as all six of the Fund I investments were sourced and

negotiated on an exclusive basis. Notably, since 2006, EMG has reviewed over 500 investment opportunities, of which 63% were originated via a personal contact, referral or portfolio company. In conducting due diligence, EMG analyzes opportunities through the lens of an operator rather than an agent. Given its approach of pursuing investments in multiple jurisdictions, EMG has dedicated, in-house resources focused on structuring investments in a tax-efficient manner. Post-acquisition, EMG provides investors and portfolio companies with access to highly accomplished management teams and industry executives and seeks to create value through (i) strategic planning and implementation of operating efficiencies; (ii) accessing growth initiatives; (iii) identifying and executing bolt-on acquisitions; and (iv) positioning the company for exit.

IV. Investment Performance

The historical investment performance of EMG as of March 31, 2011 is presented below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception *
EMG Fund I	2007	\$1.4 billion	\$100 million	16%	1.3x

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by EMG.

V. General Partner's Investment

The General Partner will commit 2% of total commitments, up to \$40 million.

VI. Takedown Schedule

Commitments are expected to be drawn as needed, with not less than 10 business days' prior written notice.

VII. Management Fee

During the Investment Period, (i) 1.75% of Total Commitments up to and including \$1,500,000,000, (ii) 1.4% of Total Commitments in excess of \$1,500,000,000 up to and including \$2,500,000,000 and (iii) 1.0% of Total Commitments in excess of \$2,500,000,000. After the Investment Period, the annual fee shall be reduced to 1.4% of the Fee Capital Base (defined below) and will reduce to 1.0% of the Fee Capital Base after dissolution of the Fund. "Fee Capital Base" shall mean (A) the aggregate Capital Contributions made by the Partners to the Partnership as of the end of the Initial Period to fund Investments, increased by (B) additional Capital Contributions made by the Partners to the Partnership after the Initial Period to fund Investments, and reduced by (but not below zero) (C) amounts distributed to the Partners to the extent such amounts constitute a Return of Capital and any writedown or writeoff of an Investment where the General Partner has determined that part or all of such Investment will not be repaid or recouped by the Partnership.

The General Partner will apply 100% of all fees received in connection with the Fund's investments in portfolio companies first to offset unreimbursed expenses associated with the transaction, then to general reimbursed expenses associated with the transaction, then to general reimbursable expenses of the Fund, and then to reduce the management fee.

VIII. Distributions

Generally, distributions shall be made to the General Partner and the Limited Partners as follows in respect of each Partnership investment: (a) First, to all the Partners (other than to the General Partner with respect to the Carried Interest) in an amount equal to (i) the amount that the Fund has received as a return of part or all of its capital invested in such investment, plus (ii) capital contributed by the Partners for investments that have been previously disposed of or otherwise written off and abandoned ("Realized Investments"), to the extent that the Partners have not previously received a return of capital invested in such Realized Investments, plus (iii) all capital contributed by the Partners in payment of Management Fees and reimbursable expenses, to the extent that the Partners have not previously received a return of such fees and expenses; (b) Second, to all the Partners (other than to the General Partner with respect to the Carried Interest), until the cumulative amount distributed to Limited Partners equals an 8% preferred rate of return on the cumulative unreturned capital contributed by the Limited Partners; (c) Third, in the event that the General Partner has theretofore received distributions with respect to its Carried Interest in excess of 20% of the cumulative amount distributed to the Partners other than with respect to clause (a) (such cumulative amount, "Total Net Income"), to all the Partners (other than to the General Partner with respect to the Carried Interest) until the aggregate cumulative distributions to the General Partner with respect to its Carried Interest equals 20% of Total Net Income; (d) Fourth, (i) 20% to all Partners (other than the General Partner with respect to the Carried Interest) and (ii) 80% to the General Partner until the aggregate cumulative distributions to the General Partner from such investment and the Realized Investments pursuant to subclause (ii) of this clause (d) equal 20% of the total amounts distributed to all Partners pursuant to clause (b) and this clause (d); and (e) The balance, if any, 80% to all the Partners and 20% to the General Partner with respect to the Carried Interest.

IX. Investment Period and Term

The Investment Period will begin the first date on or as of which a limited partner is admitted to the Fund and end on the earliest to occur of: (i) five years from the final closing; (ii) the date that the Fund's aggregate commitments have been drawn, committed for investment or reserved by the General Partner for future payments of management fees; and (iii) the date on which the General Partner has obtained approval from its advisory board to terminate the investment period.

The term will be ten years, subject to two one-year extensions, unless earlier terminated.

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RESOURCE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	NGP Natural Resources X, L.P.
Type of Fund:	Resource Limited Partnership
Total Fund Size:	\$4.0 billion
Fund Manager:	NGP Energy Capital Management L.L.C.
Manager Contact:	Tony Weber NGP 125 East John Carpenter Freeway, #600 Irving, TX 75062 P: (972) 432-1447

II. Organization and Staff

NGP's first Natural Gas Partners investment partnership was formed in November 1988, and eight additional funds along with two co-investment funds were formed as necessary through February 2008. To date, the aggregate committed capital for the Prior NGP Funds and co-investment funds exceeds \$7.2 billion.

The Fund's senior management team includes the same individuals who have managed the prior NGP funds, with the addition of senior team members who possess the necessary industry expertise to engage in Food & Agriculture and Water Resources & Services investments. The Fund's senior investment team is led by Kenneth A. Hersh, Chief Executive Officer, and consists of David R. Albin, Richard L. Covington, Robert A. Edwards, John S. Foster, Scott A. Gieselman, Craig S. Glick, David W. Hayes, A. Judson Hill, William J. Quinn, Christopher D. Ray, Tony R. Weber and Mark N. Zenuk. In addition, Murray P. Starkel and John A. Weinzierl will serve as Managing Directors and Operating Partners for the Fund, a role in which they may devote significant time to the direct assistance and oversight of the Fund's portfolio company management teams in addition to assisting the investment team with sourcing, evaluating, structuring and executing investments.

In addition to the key management members, NGP's "Management Team" includes a staff of senior investment, accounting and administrative professionals who assist in sourcing and monitoring NGP's growing number of portfolio companies and provide accounting, tax, legal and other management services. The Management Team is assisted by additional investment, accounting and tax professionals and by an administrative staff. In total, NGP employs over 60 persons, over 30 of which are investment management professionals, and it has experienced virtually no turnover in its post-graduate level investment professionals during the 22-year period since inception.

III. Investment Strategy

NGP employs classic private equity governing principles in lower risk segments of the natural resources sector, typically investing in start-up and early stage companies that grow using buy-and-

build techniques. This approach allows NGP to invest, build and exit its portfolio companies during all stages of commodity price and capital market cycles.

The Fund will continue the primary focus of the prior NGP funds, which have targeted investments in businesses in the oil and natural gas production, energy midstream and oilfield service industries. In addition, the Fund intends to pursue attractive opportunities to invest in businesses in the food and agriculture industry and water resources and services industry. NGP believes these industries have many characteristics supporting investment that are similar to the favorable characteristics of the energy industry. All investments made by the Fund must satisfy the same investment criteria, and no specified minimum amount of the Fund is allocated to any particular industry. However, the aggregate amount invested in the food & agriculture and water resources & services industries will be limited to no more than 10% of the Fund's committed capital. Consistent with the Prior NGP Funds, NGP intends to invest the majority of the Fund's capital in North America, but the Fund will be opportunistic globally should quality transactions arise.

NGP's goal is to generate superior returns through investments in high-quality companies without having to rely on timing its investments in conjunction with unpredictable commodity price and capital market cycles. NGP believes the foundation to support achievement of this goal is its proprietary deal sourcing efforts combined with a disciplined investment process employed by experienced investment professionals. NGP conducts extensive research and analysis of investment opportunities, carefully evaluates the abilities of potential portfolio company management teams, and provides continuing support to portfolio companies during the life of each investment.

IV. Investment Performance

The historical investment performance of NGP as of March 31, 2011 is presented below:

Fund	Inception Date	Total Commitments (in millions)	MSBI Investment (in millions)	Net IRR from Inception*	Net MOIC from Inception *
NGP Fund IX	2007	\$4,000	\$150	16%	1.2x
NGP Fund VIII	2005	\$1,300	\$0	9%	1.3x
NGP Fund VII	2003	\$600	\$0	23%	2.0x
NGP Fund VI	2000	\$370	\$0	73%	5.5x
NGP Fund V	1998	\$320	\$0	25%	2.0x
NGP Fund IV	1996	\$150	\$0	10%	1.4x
NGP Fund III	1995	\$30	\$0	10%	1.5x
NGP Fund II	1994	\$34	\$0	16%	1.9x
NGP Fund I	1988	\$155	\$0	22%	2.2x

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by NGP.

V. General Partner's Investment

2% of the total of all commitments to the Partnership will be funded by the owners of the General Partner and its employees. In addition to the General Partner commitment, management and employees of NGP and/or their affiliates will invest as limited partners, an additional 0.8% of the aggregate commitments, or up to \$32,000,000.

VI. Takedown Schedule

Commitments are expected to be drawn as needed, with not less than 10 days' prior written notice.

VII. Management Fee

The Partnership will pay the General Partner an annual management fee equal to 1.5% of a base amount, which during the investment period will be equal to the aggregate commitments, minus the amount of invested capital returned upon liquidation of investments, unless such returns of capital are derived from the liquidation of short-term investments and are reinstated to commitments. From and after the end of the investment period, the management fee base will be reduced by the portion of the aggregate commitments reserved for payment of future management fees and expense contributions, until the effective date of dissolution of the Partnership (whether by expiration of its full term, including the permitted extensions thereof, or otherwise). At the effective date of dissolution the 1.5% fee rate shall be reduced to 1%. The management fee will be payable quarterly in advance.

The General Partner will apply all fees that it or its affiliates receive (such as directors' fees, monitoring fees, advisory fees, investment banking fees, structuring fees, commitment fees, break-up fees and success fees) first to offset reimbursable expenses and then to reduce the Management Fee.

VIII. Distributions

Generally, distributions will be made as follows:

- (a) First, to all the Partners (other than to the General Partner with respect to the Carried Interest) in an amount equal to (i) the aggregate Capital Contributions invested in investments that have been liquidated or otherwise transferred or disposed of by the Partnership, in whole or in part, plus (ii) all Capital Contributions by the Partners in payment of Management Fees and reimbursable expenses, plus (iii) Capital Contributions by the Partners for investments that have been written off and abandoned;
- (b) Second, to all the Partners (other than to the General Partner with respect to the Carried Interest), until the cumulative amount distributed to them equals an 8.0% preferred rate of return on the cumulative unreturned capital contributed by the Partners;
- (c) Third, to the extent that the cumulative amount previously distributed to the General Partner with respect to the Carried Interest exceeds 20% of the total value of cash and securities distributed by the Partnership in excess of amounts distributed pursuant to (a) above, 100% to all Partners, until such time as the cumulative amount previously distributed to the General Partner with respect to the Carried Interest equals 20% of the total value of cash and

securities distributed by the Partnership in excess of amounts distributed pursuant to (a) above;

- (d) Fourth, 20% to all the Partners and 80% to the General Partner with respect to the Carried Interest until the General Partner shall have received aggregate cumulative distributions with respect to the Carried Interest equal to 20% of the total value of cash and securities distributed by the Partnership in excess of amounts distributed pursuant to (a) above; and
- (e) The balance, if any, 80% to all the Partners and 20% to the General Partner with respect to the Carried Interest.

IX. Investment Period and Term

Generally, the investment period will be five years.

The Partnership will continue through the close of business on December 31, 2021, unless the Partnership is terminated sooner pursuant to the Partnership Agreement, or unless the term is extended, at the General Partner's discretion, for no more than two one-year periods.

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Lexington Capital Partners VII, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	\$5.0 billion
Fund Manager:	Lexington Partners Advisors L.P.
Manager Contact:	Jennifer Kheng 3000 Sand Hill Rd. Building 1, Ste 220 Menlo Park, CA 94025 650-561-9600

II. Organization and Staff

During the period 1990 to 1995, several principals of what is now Lexington Partners helped organize secondary interest funds (Co-Managed Funds) as part of another secondary firm, Landmark Partners Inc. In early 1996, Lexington Partners spun-out from Landmark Partners Inc. to form a separate and independent secondary interest investment entity. Collectively, since 1990, through the Lexington and Co-Managed Funds, Lexington has committed to invest approximately \$12.5 billion, acquiring a total of over 1,650 interests in more than 1,100 partnerships.

Lexington currently employs 67 people and has offices in New York, Boston, Menlo Park, London and Hong Kong.

III. Investment Strategy

Historically, between 4% - 5% of commitments to private equity funds have been sold on the secondary market by original investors. Original investors have sold their commitments in response to various factors including pruning of managers, excess commitments, regulatory changes, and general liquidity needs. The most significant catalysts for record transaction volumes in the secondary market over the last 18 months have been sweeping reforms to the U.S. and European financial services industries. In 2010, President Obama signed into law the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the "Dodd-Frank Act"), which includes the "Volcker Rule," legislation designed to dramatically reduce bank investment in private equity and hedge funds in the United States. Also in 2010, the Basel Committee on Banking Supervision established higher capital and liquidity requirements for internationally active banks under the new Basel III accord. Due to the changing regulatory environments in the U.S. and Europe, banks have been selling their private equity interests and are expected to continue as the largest

secondary market sellers over the next several years. In addition, endowments, foundations and pension funds have also been active sellers as they begin once again to address residual over-commitment and liquidity concerns. In addition to a record \$20.9 billion in secondary transaction volume in 2010, the supply of private equity commitments on the secondary market is estimated to be \$80 billion supporting future transaction volumes in the secondary market of up to \$20 billion per year for the next 3-4 years. Meanwhile, the available capital in the hands of secondary managers is anticipated to be approximately \$25 billion, assuming funds that are currently being raised achieve their targeted capitalizations. Therefore, the combination of greater supply of interests and more modest available capital is likely to allow experienced secondary market participants, such as Lexington, to continue to achieve attractive portfolio returns.

Lexington Capital Partners VII, L.P. (“LCP VII” or the “Partnership”) has been formed to seek to generate superior returns for its investors primarily by acquiring a diversified portfolio of interests in established global buyout, mezzanine and venture capital funds (“private equity funds”) through secondary transactions. Lexington expects the Partnership to provide investors an opportunity to achieve higher returns at lower levels of risk as compared to investments in newly formed private equity funds. Lexington’s investment strategy targets the entire spectrum of secondary transactions, from complex, multi-billion dollar portfolio transactions to individual private equity fund interests. While LCP VII is expected to concentrate on acquiring portfolios of global buyout, mezzanine and venture capital fund interests, the Partnership will also consider opportunities to acquire direct company investments and other private equity fund interests through secondary transactions. Lexington’s broad, opportunistic investment strategy will allow LCP VII to deploy capital to the segments of the secondary market offering the most attractive risk-adjusted returns. LCP VII may also invest up to 5% of its capital in newly formed private equity funds. Over the past 10 years, Lexington has committed approximately \$1.2 billion to 200 global buyout, mezzanine and venture capital partnerships. The ability to invest in newly formed private equity funds has been beneficial in generating returns as well as establishing or strengthening relationships between the Lexington principals and leading private equity sponsors. Investment relationships with these private equity sponsors have helped Lexington source and analyze potential secondary transactions.

IV. Investment Performance

Previous fund performance as of December 31, 2010 for the Lexington Secondary Funds is shown below:

Fund	Inception Date	Total Commitments (in millions)	SBI Investment (in millions)	Net IRR from Inception	Net MOIC from Inception *
Lexington Capital Partners VII	2010	\$5,000	\$100	NM	1.3
Lexington Middle Market Investors II	2008	\$650	\$0	11%	1.1
Lexington Capital Partners VI	2006	\$3,774	\$100	5%	1.1

Lexington Middle Market Investors	2004	\$556	\$0	8%	1.2
Lexington Capital Partners V	2002	\$2,004	\$0	20%	1.6
Lexington Capital Partners IV	2000	\$606	\$0	20%	1.7
Lexington Capital Partners III	1999	\$657	\$0	9%	1.2
Lexington Capital Partners II	1998	\$1,111	\$0	8%	1.3
Lexington Capital Partners I	1996	\$240	\$0	13%	1.3
3 Co-Managed Buyout and Mezzanine Funds	1993-1995	\$565	\$0	31%	2.2
3 Co-Managed Venture Capital Funds	1990-1995	\$440	\$0	25%	1.6

* Net IRR and Multiple of Invested Capital (MOIC) were provided by Lexington. Previous fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

The general partner will commit to invest at least 1% of aggregate capital commitments to the Partnership.

VI. Takedown Schedule

Capital will be called from the limited partners, as needed, with ten business days notice.

VII. Management Fee

During the investment period: the effective blended rate equal to 1.0% per annum of commitments up to \$4.5 billion and 0.75% on commitments in excess of \$4.5 billion; provided that the fee with respect to amounts invested in Primary Entities (interests in new private equity funds) shall be 0.5% per annum. Thereafter: The sum of (a) 0.85% per annum of the sum of (i) the "reported value" of interests in all portfolio investments, other than interests in Primary Entities and (ii) unfunded commitments that are committed to or reserved for investment in Secondary Entities; plus (b) 0.5% per annum of the sum of (i) the reported value of interests in Primary Entities and (ii) unfunded commitments committed for investment in Primary Entities.

VIII. Distributions

Proceeds from Secondary Entities (interests in established private equity funds and direct or indirect interests in operating companies acquired through secondary market

purchases) otherwise allocable to limited partners will be distributed as follows: First, 100% to the limited partner until it has received distributions of such proceeds equal to the aggregate amount of capital contributions made by such limited partner in respect of investments in Secondary Entities and fees and expenses allocable thereto; and Second, 90% to such limited partner and 10% to the general partner; provided, that to the extent that after giving effect to any distribution to the General Partner pursuant to this clause, the Preferred Return Test (as defined below) would not be satisfied with respect to such Limited Partner, such distribution shall be made 100% to such Limited Partner Proceeds from investments in Primary Entities will be made pro rata based on each partner's percentage interest in such investments.

The "Preferred Return Test" with respect to any Limited Partner shall be satisfied to the extent such Limited Partner has received a 7% per annum compounded internal rate of return on its Secondary Capital and Costs calculated based on all distributions of Secondary Proceeds to such Limited Partner and assuming all remaining Portfolio Investments in Secondary Entities were sold for their fair market values and distributed to such Limited Partner.

IX. Investment Period and Term

The Partnership will have an investment period of the earliest to occur of: (a) the date when all Capital Commitments have been invested or (b) March 12, 2015. The Partnership's term will be ten years from March 12, 2009, subject to extension by the general partner (unless a majority of limited partners disapprove) for up to three years to permit orderly dissolution.

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