

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, May 22, 2012
12:00 Noon
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

- | | |
|--|------------|
| | TAB |
| 1. Approval of Minutes of February 21, 2011 | |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2012 – March 31, 2012) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Legislative Update | |
| 3. Update on Sudan | |
| 4. Update on Iran | |
| 5. Litigation Update | |
| 3. Report from the SBI Administrative Committee (H. Bicker) | C |
| A. Review of Executive Director's Proposed Workplan FY13. | |
| B. Review of Budget Plan for FY12, FY13, and FY14. | |
| C. Review of Continuing Fiduciary Education Plan. | |
| D. Review of Executive Director's Evaluation Process. | |
| E. Update of Disaster Recovery Plan. | |
| 4. Review of manager performance for the period ending
March 31, 2012 (H. Bicker) | D |
| 5. Alternative Investment Report (J. Griebenow) | E |
| A. Review of current strategy | |
| 6. Review of Fixed Income Asset Class Target (H. Bicker) | F |
| 7. Review of Emerging Markets Equity Operational
Issues (H. Bicker) | G |
| 8. Other items | |

INVESTMENT ADVISORY COUNCIL

MINUTES

May 22, 2012

INVESTMENT ADVISORY COUNCIL

Minutes Investment Advisory Council February 21, 2012

The Investment Advisory Council (IAC) met at 12:00 Noon Tuesday, February 21, 2012 in the Board Room – First Floor, 60 Empire Drive, St. Paul, Minnesota.

MEMBERS PRESENT: Jeff Bailey, Dave Bergstrom, John Bohan, Kerry Brick, Dennis Duerst, Laurie Hacking, Kristin Hanson (for Jim Schowalter), Judy Mares-Lazar, Gary Martin, Malcolm McDonald, Denise Anderson, LeaAnn Stagg, Mary Vanek and Elaine Voss.

MEMBERS ABSENT: Doug Gorence and Jay Kiedrowski.

SBI STAFF: Howard Bicker, Teri Richardson, Jim Heidelberg, Paul Anderson, Tammy Brusehaver, Patricia Ammann, Stephanie Gleeson, Mike Menssen, Ryan Hill, John Griebenow, J.J. Kirby, Aaron Griga, Debbie Griebenow, Charlene Olson and Melissa Mader.

OTHERS ATTENDING: Ann Posey, Callan Associates Inc.; Celeste Grant, Christie Eller, Micah Hines, Jim Gelbmann, Margaret Martin, House Majority Research; Edgar Hernandez, SEIU; John Fischer, REAM; Jerry Irsfeld, REAM; Bob Myers and Harold Kaupang, private citizens.

The minutes of the November 22, 2011 meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had matched its Composite Index over the ten year period ending December 31, 2011 (Combined Funds 5.7% vs. Composite 5.7%) and had provided a real rate of return over the latest 20 year period (Combined Funds 7.8% vs. CPI 2.5%).

Mr. Bicker reported that the Combined Funds' assets increased 5.6% for the quarter ending December 31, 2011 due primarily to positive market performance. He said that the asset mix is essentially on target after being rebalanced, and he stated that the Combined Funds underperformed its Composite Index for the quarter (Combined Funds 5.5% vs. Composite 5.8%) and for the year (Combined Funds 1.5% vs. Composite 2.1%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stocks 12.0% vs. Domestic Equity Asset Class Target 12.1%) and for the year (Domestic Stock 0.4% vs. Domestic Equity Asset Class Target 1.0%). He said the international stock manager group underperformed for the quarter (International Stock 3.4% vs. International Equity Asset Class Target 3.7%) and for the year (International Stock -14.2% vs. International Equity Asset Class Target -13.7%). Mr. Bicker stated that the bond segment outperformed for

the quarter (Bonds 1.4% vs. Fixed Income Asset Class Target 1.1%) but underperformed for the year (Bonds 7.2% vs. Fixed Income Asset Class Target 7.8%). He stated that the alternative investments returned -2.9% for the quarter. He concluded his report with the comment that, as of December 31, 2011, the SBI was responsible for over \$57 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. Mr. Bicker stated that the Legislative Auditor is working on the financial audit of SBI operations for FY11 and that a copy of the audit report will be distributed as soon as it is available. He reported that the Pension Commission had met several times during the quarter, and he noted that at its next meeting the Commission is scheduled to discuss proposed technical corrections to legislation that originated from the State Auditor's working group that would make housekeeping changes to the investment authority for Duluth and St. Paul Teachers and to parts of 11A.

Mr. Bicker asked the retirement directors to discuss select and ultimate actuarial assumptions, which were recently discussed by the Pension Commission. Ms. Hacking explained that the idea is to capture a lower return expectation for a shorter select period and then resume the higher return expectation for the longer term. A lengthy discussion followed.

Mr. Bicker referred members to Attachment C in Tab B of the meeting materials and reviewed the transfer of assets for the consolidation of Minneapolis Police and Fire, Virginia Fire and seventeen local fire plans that took place on December 30, 2011. He briefly discussed the various procedures and statutory mandates for the various types of consolidations. He noted several difficulties staff faced in identifying and communicating with the various entities, getting instructions to them on proper handling of the assets and receiving proper amounts on time. A discussion followed and Mr. Bicker said that staff will continue to evaluate procedures to improve the process for future consolidations. Ms. Vanek stated that many more plans may choose to merge if legislation passes that allows them to make supplemental contributions. Mr. Bicker stated that updated information on Sudan and Iran is also included in Tab B.

Ms. Eller stated that the Lehman bankruptcy continues to proceed but is starting to wind down. She reported that the SBI is a defendant in some reverse class action cases regarding Tribune Co. and Lyondell, and she briefly described a reverse class action. Ms. Eller stated that the SBI was sued by the Break the Bonds organization about the SBI's investment in Israel bonds. She said the SBI moved to dismiss the lawsuit and the plaintiffs brought a summary judgment motion. She noted that those motions will be heard on March 5, 2012.

Mr. Bicker referred members to Tab C of the meeting materials and stated that the Consultant Review Committee had met during the quarter to evaluate seven responses staff had received for the RFP for consulting services. Ms. Hacking stated that the Committee reviewed the responses from both a cost perspective and a service perspective and that the Committee recommends that Callan Associates Inc. be retained as the SBI's general consultant and that Pension Consulting Alliance be retained as the SBI's special projects consultant. Mr. Bergstrom moved approval of the recommendation, as stated in Tab C of the meeting materials. Ms. Posey briefly discussed the expanded resources available to the SBI at Callan. Ms. Mares also noted several strengths of

the Callan organization. In response to a question from Mr. Brick, Mr. Bicker stated that PCA has done some salary related work for the SBI in the past, and he noted that the firm works with several other large public funds on a variety of issues. Mr. Bicker referred members to Tab D for individual manager performance.

Mr. Griebenow introduced John Sokoloff from Leonard Green and Partners, and Mr. Sokoloff gave a brief presentation on his firm and on the new private equity investment being recommended with his firm. After the presentation, Mr. Griebenow briefly described the other new investments being recommended with three existing managers, Court Square Capital Partners, Wayzata Investment Partners and Adams Street Partners. Mr. McDonald moved approval of all four recommendations as stated in Tab E of the meeting materials. Ms. Voss seconded the motion. A brief discussion followed on the specifics regarding each of the new investments. The motion passed.

A presentation by Bon French of Adams Street Partners followed on the private equity markets in general.

Ms. Richardson presented follow-up information on hedge funds (see **Attachment A**) and a discussion followed. It was decided that no further action was needed at this time.

The meeting adjourned at 2:34 P.M.

Respectfully submitted,

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

Howard Bicker
Executive Director

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**MINNESOTA
STATE
BOARD OF
INVESTMENT**



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Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

Howard J. Bicker

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DATE: February 21, 2012

TO: Members of the Investment Advisory Council

FROM: Teri Richardson

SUBJECT: Follow-up to Hedge Fund Discussion at November 22, 2011 Meeting

During the November 22, 2011 Investment Advisory Council (IAC) meeting, the IAC and SBI staff held a lengthy discussion on the use of hedge funds. The discussion began with some brief background on the size of the hedge fund market, and the broad categories of hedge fund strategies. The discussion then moved to the definition of "hedge fund" and the philosophies of the IAC members about the use of hedge funds.

The group agreed that hedge funds are not an asset class and are better understood in the context of active management strategies. The funds can be used with the objective of improving the active implementation risk/reward characteristics of an asset class.

The group concluded that the SBI needs to research the following for additional discussion with the IAC:

1. Determine if an acceptable program could be implemented within the constitutional and statutory requirements of the state of Minnesota, and
2. Determine if there are funds that meet the legal requirements and the objective of improving the active management risk/reward characteristics of the SBI's equity and fixed income portfolios.

Also, the SBI recognizes it does not have the resources needed to implement a hedge fund program. The SBI would need additional personnel, legal review resources, consulting expertise, risk management tools, and monitoring and reporting capabilities. To determine the resources needed, the SBI would first need to evaluate the alternatives available to use to implement a hedge fund program.

Constitutional and Statutory Requirements

The constitution and statutes of Minnesota prohibit the SBI from engaging in any activity which creates general liability. The use of leverage within a portfolio, which is common in many hedge fund strategies, could violate this requirement. The SBI typically invests in separately managed accounts that are managed for the SBI only (the assets are not commingled with the assets of other investors), and the SBI owns the securities in the accounts. This structure would not meet constitutional requirements for strategies that use leverage. Excluding strategies that incorporate leverage, or restricting the hedge fund investment managers use of leverage would severely limit the options available to the SBI.

Many hedge funds are structured as limited partnerships. In this structure, investors own units of the fund which is invested on behalf of multiple investors. This structure limits the liability to the investors and is a structure that would comply with the requirements of the Minnesota constitution. (SBI invests in private equity via limited partnerships.) However, limited partnerships are subject to additional statutory requirements. The participation of the SBI in a limited partnership is limited to 20% and there must be at least four other unrelated investors in the fund. Additional advantages and disadvantages of limited partnerships relative to separately managed accounts are shown in **Exhibit A**.

The requirements of the laws and constitution of the State of Minnesota present a challenge to investing in hedge funds, but these requirements do not prevent such investments.

Hedge Fund Strategies

Strategies with the objective of improving the risk/reward characteristics of equity and fixed income portfolios are common. Examples include long/short equity funds and distressed debt funds. In preliminary research, we found examples of managers of funds with the desired objectives that offered limited partnership structures. Additional research is needed to determine if the universe of managers that meet structure and objective criteria is sufficient.

Buy vs. Build Implementation

As mentioned, the SBI would need to add resources to be able to establish a hedge fund program. The amount and type of resources is dependent on how the SBI would implement this program. The options range from complete outsourcing or "buying" the resources for all aspects of building and maintaining the program to "building" the infrastructure needed to manage all aspects of the program internally. **Exhibit B** is a summary of some of the options listed in order of ease of implementation. The three options shown represent the easiest option, the most involved option and one option (not the only option) between the extremes. The ease of implementation and need for resources are dependent on which aspects will be outsourced.

Summary and Next Steps

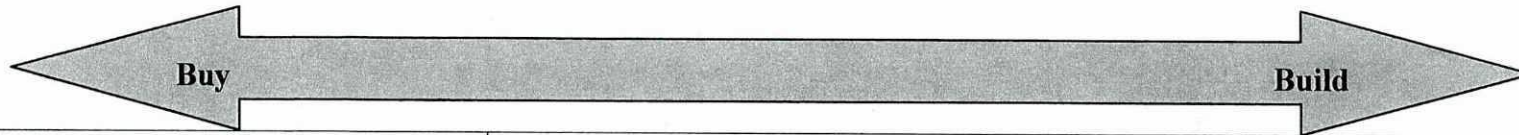
The SBI staff believes that the state constitution and statutes do not prohibit the SBI from investing in hedge fund strategies, and strategies that meet the investment objectives are available. The next steps are to assess the available universe, and to further explore the infrastructure needed to implement a program, and research the alternatives available to the SBI. The following information will be provided at the next IAC meeting:

1. Information about funds that would meet SBI criteria
2. A more detailed description of the resources needed to manage a hedge fund program, and the advantages and disadvantages of outsourcing vs. internal
3. Information on consultants and vendors that provide the services related to managing the program
4. Estimated relative costs of implementation options
5. The potential for these strategies to make a meaningful contribution to the overall SBI portfolio
6. Assessment of the issues related to public fund investment in these strategies

Exhibit A

	Commingled Limited Partnership Funds	Separately Managed Accounts
Description	<ul style="list-style-type: none"> • Investor owns units of the fund • The fund is invested on behalf of several investors 	<ul style="list-style-type: none"> • Investor owns the securities directly • Fund is invested on behalf of a single investor and is customized to reflect the requirements of the investor
Advantages	<ul style="list-style-type: none"> • Complies with Minnesota constitution due to limited liability • Audited financial statements are prepared annually • Standardized reporting process • May offer better liquidity 	<ul style="list-style-type: none"> • Most transparency to holdings • Ability to customize terms and fees • Ability to customize strategy • No risk of redemptions by other investors • Not subject to statutory requirements for limited partnerships
Disadvantages	<ul style="list-style-type: none"> • No customization of terms or guidelines • Less transparency • Risk of redemptions by other fund investors • Subject to statutory requirement to be no more than 20% of fund and at least four other investors (SBI must have the right to liquidate investments if it becomes more than 20% of the fund or if there are less than four other investors) 	<ul style="list-style-type: none"> • Generally will not meet requirements of Minnesota constitution

Exhibit B



Fund of Funds	Outsourced Consultant/Management	Internally Managed Program
<p>All aspects of fund selection, legal, monitoring, risk management, custody and reporting are the responsibility of the fund of funds manager</p>	<p>Consultant is responsible for legal, monitoring, risk management, reporting and manager selection based on direction of investor</p>	<p>Staff is responsible for all aspects of fund selection, legal, manager monitoring, risk management, custody, and reporting</p>
<ul style="list-style-type: none"> • Requires the least development of internal resources • Could be implemented in the least amount of time • Can be used to learn with the intent of transitioning responsibilities to more customized solutions and staff input • Offers little or no flexibility to customize to client specifications • Little control over ongoing management of the funds • The most expensive – 40bps to 100 bps plus incentive fees of 5% to 10% of profits over a cash benchmark (in addition to fees of underlying funds) 	<ul style="list-style-type: none"> • Offers some customization and flexibility • Requires some development of internal resources to approve, administer and monitor the hedge fund portfolio holdings • Could also serve as learning opportunity for internal staff • Estimated cost of 30bps to 50 bps (in addition to fees of underlying funds) 	<ul style="list-style-type: none"> • Offers the most flexibility • Requires substantial development of internal resources • Requires the largest number of staff with the most specialized skills

TAB

A

LONG TERM OBJECTIVES
Period Ending 3/31/2012

COMBINED FUNDS: \$48.8 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>	<p>6.5% (1)</p>	<p>0.1 percentage point above the target</p>
<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>	<p>8.3%</p>	<p>5.8 percentage points above CPI</p>

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS**Eight Plans of MSRS, PERA and TRA
July 1, 2011****Liabilities**

Actuarial Accrued Liabilities	\$60.4 billion
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Assets

Current Actuarial Value	\$47.5 billion
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Funding Ratio

Current Actuarial Value divided by Accrued Liabilities	78.7%
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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)

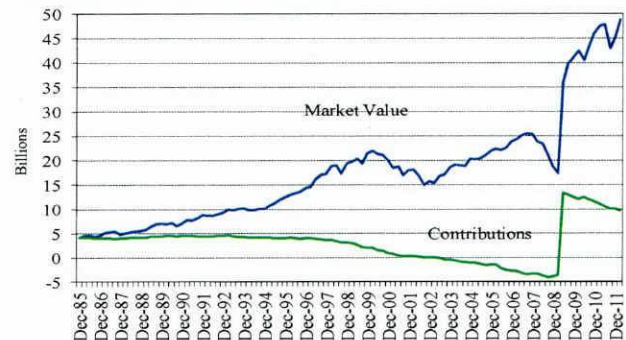
Asset Growth

The market value of the Combined Funds increased 7.8% during the first quarter of 2012. Positive investment returns caused the increase in market value.

Asset Growth
During First Quarter 2012
(Millions)

Beginning Value	\$ 45,228
Net Contributions	-374
Investment Return	3,918
Ending Value	\$ 48,772

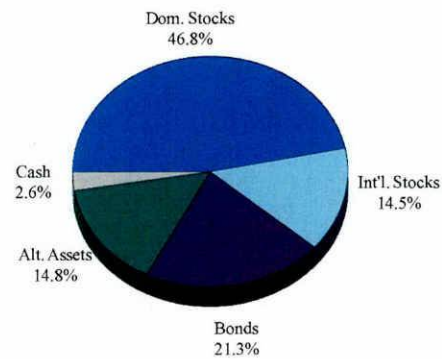
Note: The significant increase in market value and contributions in June 2009 was due to the merger of the Basics and Post Funds.



Asset Mix

Strong equity returns increased the allocations to domestic and international equities relative to the other asset classes. The cash allocation increased with a rebalance from domestic equities.

	Policy Targets	Actual Mix 3/31/2012	Actual Market Value (Millions)
Domestic Stocks	45.0%	46.8%	\$22,821
Int'l. Stocks	15.0	14.5	7,085
Bonds	18.0	21.3	10,379
Alternative Assets*	20.0	14.8	7,234
Cash	2.0	2.6	1,253
	100.0%	100.0%	\$48,772

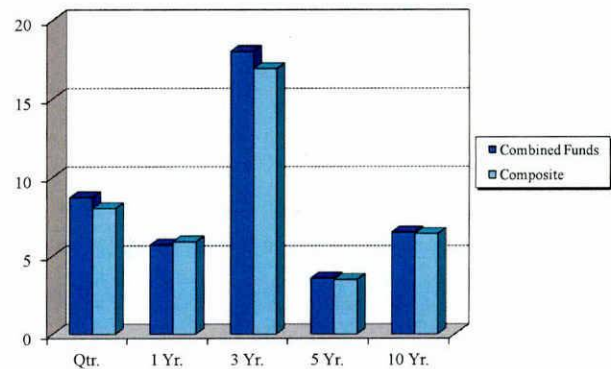


* Any uninvested allocation is held in domestic bonds.

Fund Performance (Net of Fees)

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

	Period Ending 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	8.7%	5.7%	18.0%	3.6%	6.5%
Composite	8.0	5.9	16.9	3.5	6.4



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 underperformed 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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	13.6%	7.1%	24.6%	2.1%	4.5%
Asset Class Target*	12.9	7.2	24.3	2.2	4.7

* 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) outperformed its target for the quarter and matched its target 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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	11.3%	-7.2%	19.2%	-1.4%	7.2%
Asset Class Target*	11.2	-7.2	19.1	-1.5	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 for the quarter and matched its target for the year.

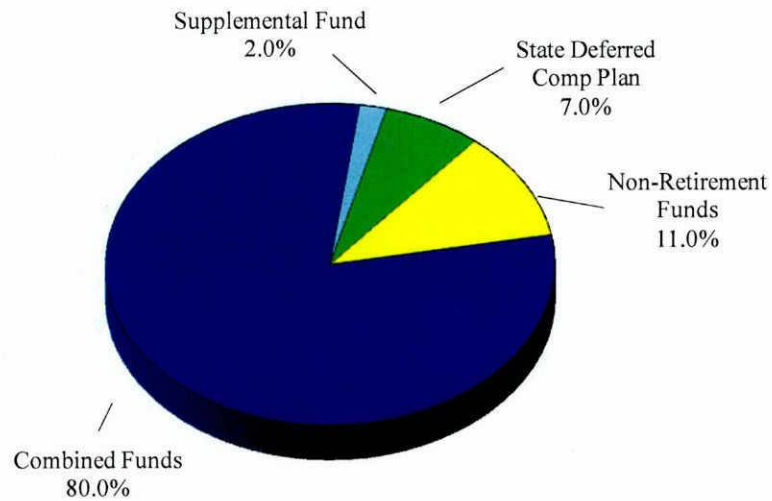
Barclays Capital Aggregate: The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	1.4%	7.7%	10.3%	6.3%	6.0%
Asset Class Target	0.3	7.7	6.8	6.2	5.8

Alternative Investments

	Period Ending 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.7%	11.3%	9.7%	7.4%	13.8%

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2012 Market Value (Billions)
Retirement Funds	
Combined Funds	\$48.8
Supplemental Investment Fund	1.2
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.3
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.8
Environmental Trust Fund	0.6
Miscellaneous Trust Accounts	0.1
Other Post Employment Benefits Accounts	0.3
State Cash Accounts	4.7
Total	\$61.1

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2012
(January 1, 2012 - March 31, 2012)

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VARIOUS CAPITAL MARKET INDICES

	Qtr.	Period Ending 3/31/2012			
		Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	12.9%	7.3%	24.5%	2.4%	5.0%
Dow Jones Industrials	8.8	10.2	23.5	4.2	5.0
S&P 500	12.6	8.5	23.4	2.0	4.1
Russell 3000 (broad market)	12.9	7.2	24.3	2.2	4.7
Russell 1000 (large cap)	12.9	7.9	24.0	2.2	4.5
Russell 2000 (small cap)	12.4	-0.2	26.9	2.1	6.4
Domestic Fixed Income					
Barclays Capital Aggregate (1)	0.3	7.7	6.8	6.2	5.8
Barclays Capital Gov't./Corp.	0.1	8.5	7.1	6.3	5.9
3 month U.S. Treasury Bills	0.0	0.0	0.1	1.0	1.8
International					
EAFE (2)	10.9	-5.8	17.1	-3.5	5.7
World ex-U.S. (3)	10.4	-6.7	17.6	-2.9	6.1
Emerging Markets Free (4)	14.1	-8.5	25.4	5.0	14.5
ACWI Free ex-U.S. (5)	11.3	-6.7	19.6	-1.1	7.7
Salomon Non U.S. Gov't. Bond	-0.2	3.9	6.9	6.9	8.5
Inflation Measure					
Consumer Price Index CPI-U (6)	1.6	2.7	2.5	2.2	2.4
Consumer Price Index CPI-W (7)	1.9	2.9	3.0	2.4	2.6

(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 World Ex-U.S. Index (Developed Markets) (Net index)

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

(5) Morgan Stanley Capital International All Country World Index Ex-U.S. (Gross 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 12.9% return during the first quarter of 2012. During the quarter, the market responded favorably to a number of positive economic signals, such as the falling unemployment rate, increased consumer confidence, improving automobile sales and positive capital goods spending. The economy was also supported by on-going accommodating interest rate policies from the Federal Reserve. Within the Russell 3000, Technology reported the highest return for quarter at 21.5%. Utilities was the worst performing sector with a 0.04% return for the quarter. Large cap companies outperformed small cap companies and growth stocks outperformed their value counterparts.

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

Large Growth	Russell 1000 Growth	14.7%
Large Value	Russell 1000 Value	11.1%
Small Growth	Russell 2000 Growth	13.3%
Small Value	Russell 2000 Value	11.6%

The Russell 3000 index returned 7.2% for the year ending March 31, 2012.

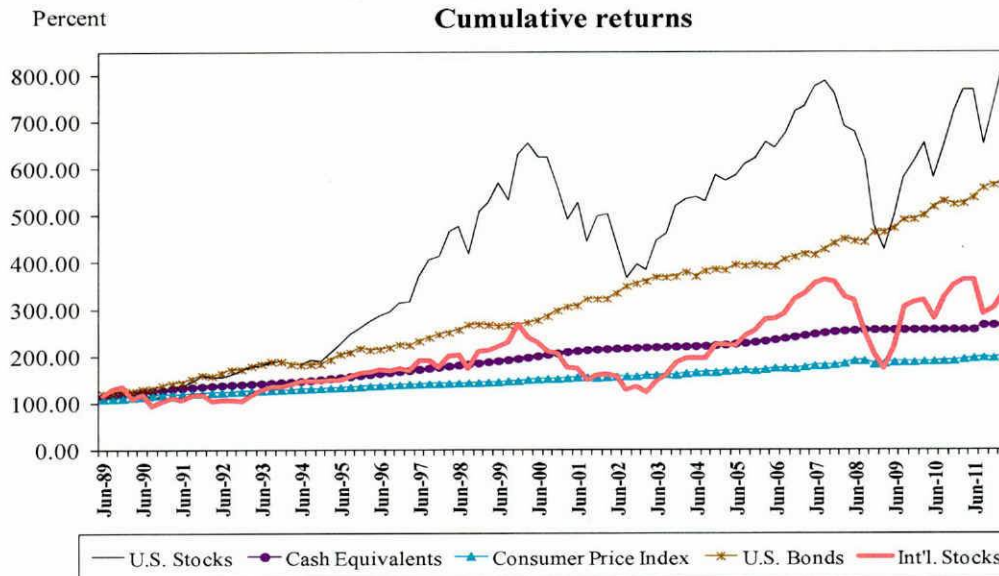
DOMESTIC BONDS

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, produced a total return of 0.3% for the quarter. Yields on U.S. Treasuries rose as economic data suggested that the recovery was strengthening, prompting investors to take more risk. The 2-year U.S. Treasury ended the first quarter nine basis points higher at 0.3%, the 10-year yield rose by 33 basis points to 2.2%, and the 30-year increased by 45 basis points to 3.3%. Lower quality investment grade corporate bonds and high-quality commercial mortgage-backed securities significantly outperformed the benchmark during the first quarter, while U.S. Treasuries and Agency bonds underperformed.

The major sector returns for the Barclays Capital U.S. Aggregate Bond Index for the quarter were:

U.S. Treasury	-1.3%
Agency	0.2
Corporates	2.1
Agency MBS	0.6
Commercial Mortgages	3.5
Asset-backed	0.8

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 10.4% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	7.6%
Japan	11.3
Canada	6.4
France	12.2
Australia	9.0
Germany	20.9

The World ex U.S. index returned -6.7% 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 74% 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 14.1% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	9.9%
Brazil	13.8
Korea	15.5
Taiwan	14.5
India	20.1
South Africa	11.2

The Emerging Markets Free index returned -8.5% 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 72% of the value of the international markets in the index.

REAL ESTATE

During the first quarter of 2012, real estate posted its ninth consecutive quarter of positive returns with the NCREIF Property Index posting a return of 2.6%. Even with accommodative monetary and fiscal policies, the real estate outlook for 2012 continues to be one of caution due to continued weakness in employment and weak demand.

PRIVATE EQUITY

Private equity firms that spent the past two years shoring up their portfolio companies are finally ready and able to cash in on their strongest performers. Strategic buyers are also awash with cash, after putting away capital on their balance sheets during the recent economic contraction. Deal volume has steadily increased over the last two years, and private equity firms still maintain healthy levels of dry powder for deal-making. Because of the increased transaction volume, private equity performance has rebounded over the last two years.

RESOURCE FUNDS

During the first quarter of 2012, crude oil traded between a range of \$97/bbl and \$110/bbl. The average price for the first quarter of 2012 was \$104/bbl which is approximately \$10/bbl more than the average price for the fourth quarter of 2011. Improved economic growth and unrest in the Middle East should continue to provide strength to oil prices.

COMBINED FUNDS

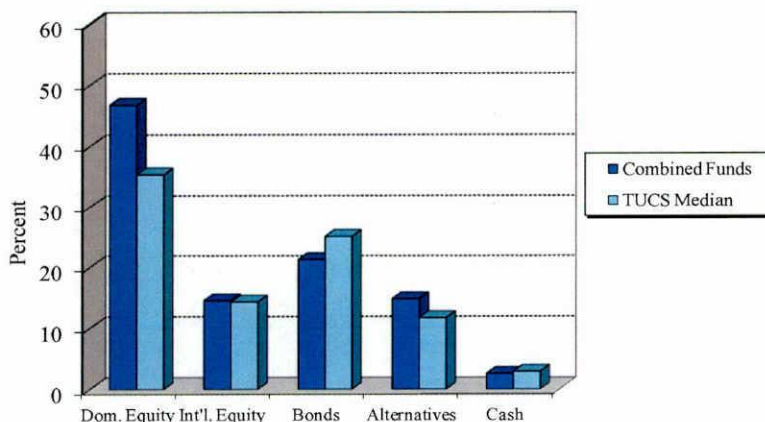
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2012, 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	\$22,821	46.8%
International Stocks	7,085	14.5
Bonds	10,379	21.3
Alternative Assets	7,234	14.8
Unallocated Cash	1,253	2.6
Total	\$48,772	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	46.8%	14.5%	21.3%	14.8%	2.6%
Median Allocation in TUCS*	35.4	14.3	25.1	11.7**	2.9

* Public and corporate plans over \$1 billion.

** May include assets other than alternatives.

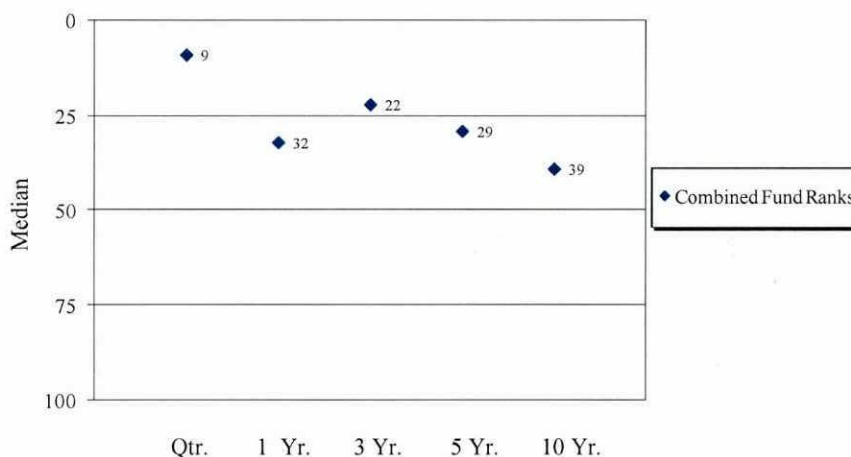
**COMBINED FUNDS
Performance Compared to Other Pension Funds**

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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	9th	32nd	22nd	29th	39th

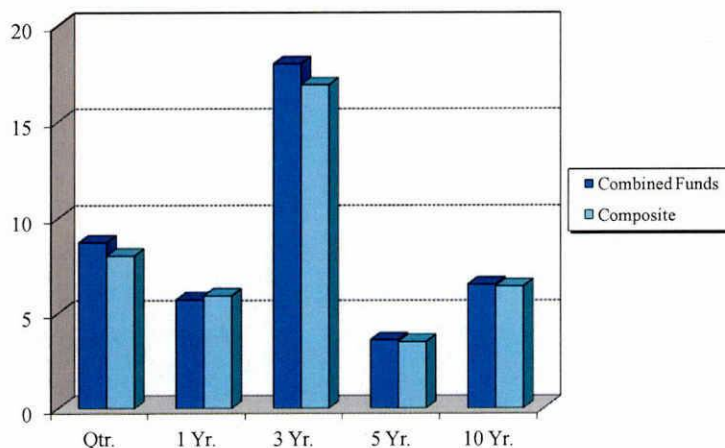
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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* 1Q12
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	22.4*
Alternative Investments	Alternative Investments	15.6*
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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds**	8.7%	5.7%	18.0%	3.6%	6.5%
Composite Index	8.0	5.9	16.9	3.5	6.4

** Actual returns are reported net of fees.

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

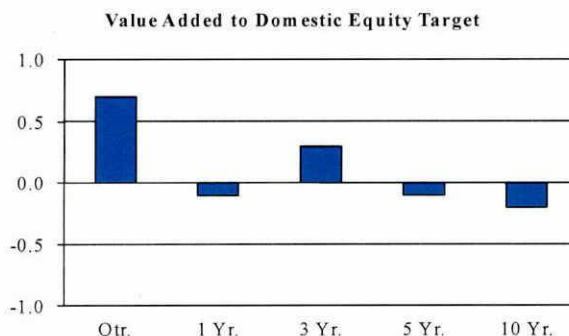
Domestic Stocks

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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	13.6%	7.1%	24.6%	2.1%	4.5%
Asset Class Target*	12.9	7.2	24.3	2.2	4.7

* 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.



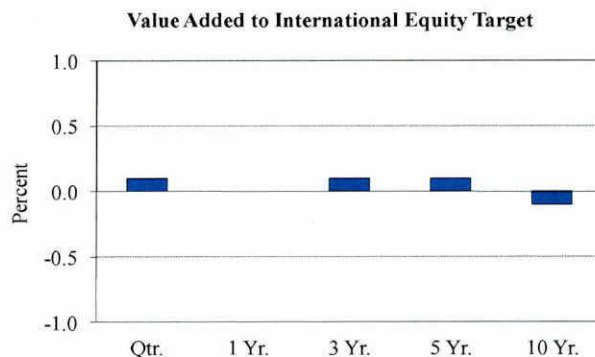
International Stocks

Target: Standard 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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	11.3%	-7.2%	19.2%	-1.4%	7.2%
Asset Class Target*	11.2	-7.2	19.1	-1.5	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.

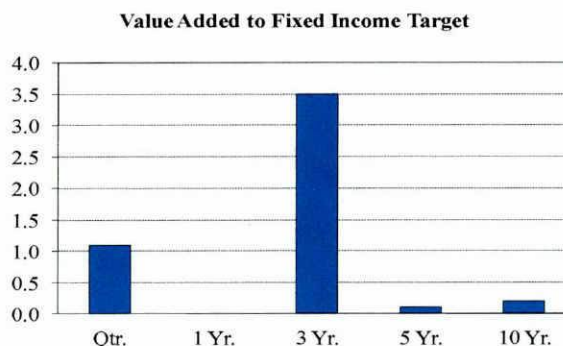


Bonds

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 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	1.4%	7.7%	10.3%	6.3%	6.0%
Asset Class Target	0.3	7.7	6.8	6.2	5.8



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 3/31/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.7%	11.3%	9.7%	7.4%	13.8%
Inflation	1.6%	2.7%	2.5%	2.2%	2.4%

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 3/31/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	0.7%	14.0%	-4.7%	-1.7%	6.5%

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 3/31/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	4.2%	7.3%	14.1%	8.3%	13.8%

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 3/31/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	4.2%	26.7%	10.0%	9.5%	26.5%

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 3/31/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	4.7%	15.4%	9.2%	11.1%	15.8%

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, 2012 the market value of the entire Fund was \$1.2 billion.

Investment Options

	3/31/2012 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$263
Growth Share Account – an actively managed, all common stock portfolio.	\$138
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$172
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$80
Bond Market Account – an actively managed, all bond portfolio.	\$128
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$211
Fixed Interest Account – a portfolio of stable value instruments, including security backed contracts and insurance company and bank investment contracts.	\$178
Volunteer Firefighter Account – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$7

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%	61.2%
Bonds	35.0	34.3
Cash	5.0	4.5
	100.0%	100.0%

Period Ending 3/31/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	8.5%	7.2%	17.7%	4.3%	5.5%
Benchmark*	7.7	7.4	17.0	3.7	5.1

* 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 3/31/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	14.1%	7.1%	24.6%	1.9%	4.3%
Benchmark*	12.9	7.2	24.3	2.2	4.7

* 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 3/31/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	12.8%	7.1%	24.3%	2.3%	4.8%
Benchmark*	12.9	7.2	24.3	2.2	4.7

* 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 no more than 33% of the Account is "semi-passively managed." These portions of the Account are designed to track and modestly outperform, respectively, the return of 23 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 3/31/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.3%	-7.2%	19.2%	-1.3%	7.3%
Benchmark*	11.2	-7.2	19.1	-1.5	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 3/31/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.4%	7.7%	10.4%	6.3%	6.0%
Barclays Capital Aggregate	0.3	7.7	6.8	6.2	5.8

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 3/31/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	0.2%	0.2%	1.5%	2.1%
3 month T-Bills	0.0	0.0	0.1	1.0	1.8

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 3/31/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.7%	3.3%	3.9%	4.2%	4.4%
Benchmark*	0.2	1.0	1.4	2.2	3.0

* 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	35.4%
International Stocks	15.0	14.3
Bonds	45.0	45.0
Cash	5.0	5.3
	100.0%	100.0%

	Period Ending 3/31/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.6%	4.7%	N/A	N/A	N/A
Benchmark*	6.2	5.3	N/A	N/A	N/A

* 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 4 actively managed mutual funds
5 passively managed mutual funds and 11 target retirement

fund options. The SBI also offers a money market option and a stable value 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 July 1, 2011. The investment options and objectives are outlined below.

Investment Options

	3/31/2012 Market Value (in Millions)
Vanguard Index Institutional Plus Shares (passive)	\$610
Janus Twenty (active)	\$413
Vanguard Mid Cap Index Institutional Shares (passive)	\$235
T. Rowe Price Small-Cap Stock (active)	\$450
Fidelity Diversified International (active)	\$221
Vanguard Total International Stock Index Institutional Plus (passive)	\$101
Vanguard Balanced Index Institutional Shares (passive)	\$497
Dodge & Cox Income Fund (active)	\$175
Vanguard Total Bond Market Index Institutional Shares (passive)	\$175
SIF Money Market Account	\$70
SIF Fixed Interest Account (stable value)	\$1,279
State Street Global Advisors MN Target Retirement Funds	
Income Fund	\$9
2015 Fund	\$13
2020 Fund	\$14
2025 Fund	\$8
2030 Fund	\$6
2035 Fund	\$3
2040 Fund	\$2
2045 Fund	<\$1
2050 Fund	<\$1
2055 Fund	<\$1
2060 Fund	<\$1

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Index Institutional Plus (passive)

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

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	12.6%	8.5%	23.5%	2.1%
S&P 500	12.6	8.5	23.4	2.0

Janus Twenty (active)

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

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	20.1%	9.0%	19.0%	5.4%
S&P 500	12.6	8.5	23.4	2.0

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.

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	13.4%	2.8%	28.9%	3.0%
MSCI US	13.4	2.8	29.0	3.0
Mid-Cap 450				

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.

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	13.5%	3.9%	32.0%	5.8%
Russell 2000	12.4	-0.2	26.9	2.1

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.

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	12.6%	-5.9%	16.8%	-2.8%
MSCI EAFE	10.9	-5.8	17.1	-3.5

Vanguard Total International Stock Index (passive)

- A fund that seeks to track the investment performance of the MSCI All Country World ex USA Investable Market Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States.

Fund	Period Ending 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
	12.0%	N/A	N/A	N/A
ACWI ex US IMI	11.6	N/A	N/A	N/A

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED**Vanguard Balanced Index (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 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	7.7%	8.1%	17.6%	4.6%
Benchmark	7.8	7.9	17.6	4.4

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 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	3.0%	6.4%	10.2%	6.7%
Barclays Capital Agg.	0.3	7.7	6.8	6.2

Vanguard Total Bond Market Index (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 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.3%	7.7%	6.8%	6.3%
Barclays Capital Agg.	0.3	7.7	6.8	6.2

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 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.1%	0.2%	0.2%	1.5%
3-Mo. Treas.	0.0	0.0	0.1	1.0

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 3/31/2012			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.7%	3.3%	3.9%	4.2%
Benchmark	0.2	1.0	1.4	2.2

MN TARGET RETIREMENT ACCOUNTS

- Target retirement funds offer a mix of investments that are adjusted over time to reduce risk and become more conservative as the target retirement date approaches.

See Page A-107 for returns.

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.

	3/31/2012 Target	3/31/2012 Actual
Stocks	20.0%	26.6%
Bonds	80.0	73.4
Total	100.0%	100.0%

Investment Management

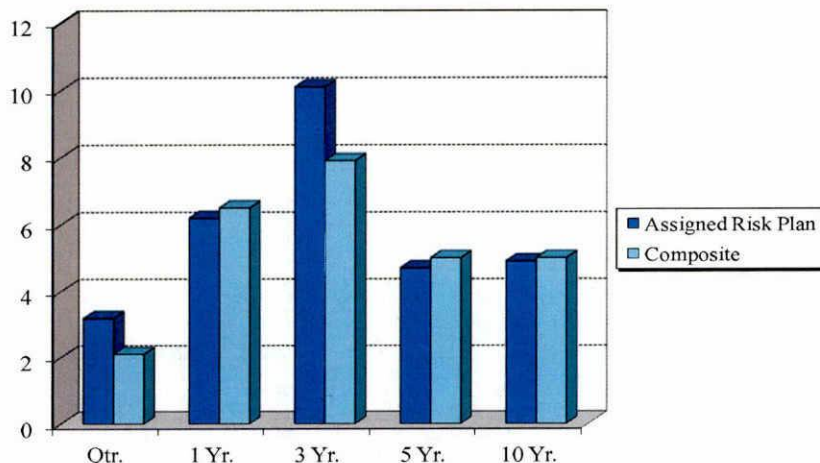
RBC Global Asset Management (US) manages the bond segment of the Fund. GE Investment Management manages the equity segment.

Performance Benchmarks

Since July 1, 2011, the fixed income benchmark has been the Barclays Capital Intermediate Government Index. 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, 2012 the market value of the Assigned Risk Plan was \$283 million.



Period Ending 3/31/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	3.2%	6.2%	10.1%	4.7%	4.9%
Composite	2.1	6.5	7.9	5.0	5.0
Equity Segment*	14.4	5.7	20.8	2.7	3.7
Benchmark	12.6	8.5	23.4	2.0	4.1
Bond Segment*	-0.3	5.4	7.6	5.0	4.8
Benchmark	-0.4	5.6	3.7	5.5	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.

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.

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.

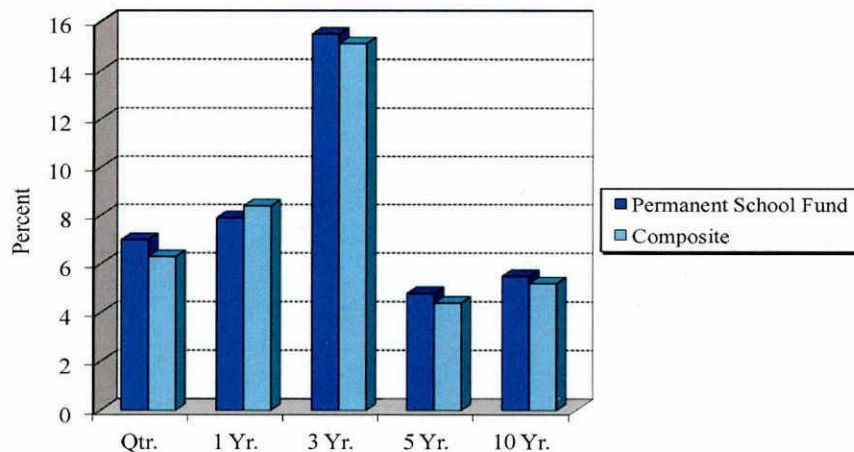
Investment Management

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, 2012 the market value of the Permanent School Fund was \$831 million.

	3/31/2012 Target	3/31/2012 Actual
Stocks	50.0%	51.3%
Bond	48.0	46.8
Cash	2.0	1.9
Total	100.0%	100.0%



Period Ending 3/31/2012
Annualized
Qtr. 1 Yr. 3 Yr. 5 Yr. 10 Yr.

Total Fund*	7.0%	7.9%	15.5%	4.8%	5.5%
Composite	6.3	8.4	15.1	4.4	5.2
Equity Segment*	12.5	8.6	23.4	2.1	4.2
S&P 500	12.6	8.5	23.4	2.0	4.1
Bond Segment*	1.5	6.3	7.6	6.7	6.3
Barclays Capital Agg.	0.3	7.7	6.8	6.2	5.8

* 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.

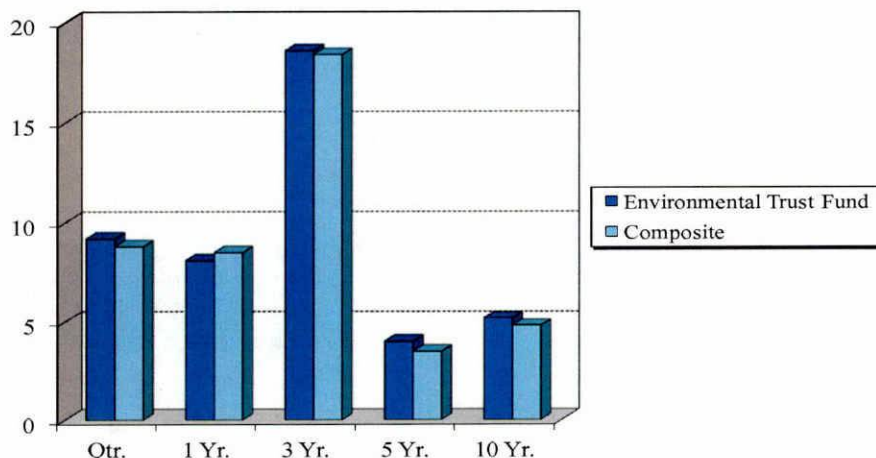
Investment Management

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, 2012 the market value of the Environmental Trust Fund was \$620 million.

	3/31/2012 Target	3/31/2012 Actual
Stocks	70.0%	72.1%
Bonds	28.0	26.1
Cash	2.0	1.8
Total	100.0%	100.0%



	Period Ending 3/31/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	9.2%	8.1%	18.6%	4.0%	5.2%
Composite	8.8	8.5	18.4	3.5	4.8
Equity Segment*	12.5	8.6	23.4	2.1	4.2
S&P 500	12.6	8.5	23.4	2.0	4.1
Bond Segment*	1.5	6.3	7.6	6.7	6.3
Barclays Capital Agg.	0.3	7.7	6.8	6.2	5.8

* 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 vary greatly in size.

Most accounts are invested by SBI staff through a short-term pooled fund referred to as the Treasurer's Cash Pool. The Pool has an average daily balance of about \$5.0 billion. It contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non-dedicated cash in the State Treasury.

In addition, each State of Minnesota bond sale requires two additional pools, one for bond proceeds and one for 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.

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

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

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 SBI investment staff. As noted above, most of the assets of the cash accounts are invested through the large commingled investment pool.

	Market Value (Millions)	Period Ending 3/31/2012				
		Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Treasurer's Cash Pool*	\$4,466	0.3%	0.6%	1.3%	2.2%	2.5%
Custom Benchmark**		0.0	0.0	0.1	1.1	1.7
3 month T-Bills		0.0	0.0	0.1	1.0	1.8

* 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.

Note: Effective March 6, 2012 the Trust Fund Cash Pool was dissolved. The Trust Fund Cash Pool which invested temporary cash balances of retirement related accounts was no longer needed with the adoption of daily transfers to the SBI's custodian bank.

MINNESOTA STATE BOARD OF INVESTMENT
Composition of State Investment Portfolios By Type of Investment
Market Value March 31, 2012 (in Thousands)

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	429,973 2.51%	0	3,655,230 21.29%	0	8,036,889 46.82%	2,495,118 14.54%	2,547,727 14.84%	17,164,937 100%
Public Employees Retirement Fund	369,083 2.67%	0	2,944,547 21.26%	0	6,474,284 46.74%	2,009,994 14.51%	2,052,371 14.82%	13,850,279 100%
State Employees Retirement Fund	236,832 2.55%	0	1,980,698 21.29%	0	4,355,033 46.80%	1,352,055 14.53%	1,380,561 14.84%	9,305,179 100%
Public Employees Police & Fire	151,401 2.57%	0	1,257,857 21.28%	0	2,765,697 46.79%	858,633 14.53%	876,736 14.83%	5,910,324 100%
Highway Patrol Retirement Fund	14,401 2.54%	0	120,553 21.29%	0	265,064 46.80%	82,291 14.53%	84,026 14.84%	566,335 100%
Judges Retirement Fund	4,358 2.94%	0	31,437 21.20%	0	69,121 46.61%	21,459 14.47%	21,912 14.78%	148,287 100%
Correctional Employees Retirement	18,647 2.79%	0	142,185 21.23%	0	312,627 46.69%	97,057 14.49%	99,103 14.80%	669,619 100%
Public Employees Correctional	8,924 2.92%	0	64,833 21.21%	0	142,550 46.62%	44,256 14.47%	45,189 14.78%	305,752 100%
Legislative Retirement Fund	358 2.27%	0	3,367 21.35%	0	7,403 46.93%	2,298 14.57%	2,347 14.88%	15,773 100%
PERA Minneapolis Retirement	19,266 2.31%	0	177,907 21.34%	0	391,174 46.91%	121,443 14.57%	124,004 14.87%	833,794 100%
PERA Virginia Fire	41 2.28%	0	383 21.32%	0	843 46.94%	262 14.59%	267 14.87%	1,796 100%
TOTAL COMBINED FUNDS	1,253,284 2.57%	0	10,378,997 21.28%	0	22,820,685 46.79%	7,084,866 14.53%	7,234,243 14.83%	48,772,075 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	11,931 4.53%	90,123 34.25%	0	0	161,137 61.22%	0	0	263,191 100%
Growth Share Account	0	0	0	0	137,549 100.00%	0	0	137,549 100%
Money Market Account	211,329 100.00%	0	0	0	0	0	0	211,329 100%
Common Stock Index	0	0	0	0	171,831 100.00%	0	0	171,831 100%
Bond Market Account	0	0	127,541 100.00%	0	0	0	0	127,541 100%
International Share Account	0	0	0	0	0	80,210 100.00%	0	80,210 100%
Fixed Interest Account	0	0	178,132 100.00%	0	0	0	0	178,132 100%
Volunteer Firefighters Account	370 5.33%	0	3,120 44.98%	0	2,452 35.35%	995 14.34%	0	6,937 100%
TOTAL SUPPLEMENTAL FUNDS	223,630 19.00%	90,123 7.66%	308,793 26.24%	0	472,969 40.20%	81,205 6.90%	0	1,176,720 100%
MN DEFERRED COMP PLAN	75,501 1.76%	0	1,844,408 43.08%	0	2,033,744 47.51%	327,609 7.65%	0	4,281,262 100%
TOTAL RETIREMENT FUNDS	1,552,415 2.86%	90,123 0.17%	12,532,198 23.11%	0	25,327,398 46.70%	7,493,680 13.82%	7,234,243 13.34%	54,230,057 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
ASSIGNED RISK PLAN	4,172 1.48%	0	204,390 72.17%	0	74,631 26.35%	0	0	283,193 100%
ENVIRONMENTAL FUND	10,977 1.77%	161,988 26.14%	0	446,828 72.09%	0	0	0	619,793 100%
PERMANENT SCHOOL FUND	15,753 1.90%	388,790 46.77%	0	426,672 51.33%	0	0	0	831,215 100%
Miscellaneous Trust Funds	264 0.24%	54,463 49.01%	0	56,389 50.75%	0	0	0	111,116 100%
Other Post Employment Funds (OPEB's)	29,575 9.47%	66,170 21.19%	0	216,500 69.34%	0	0	0	312,245 100%
23 TREASURERS CASH	4,466,012 100.00%	0	0	0	0	0	0	4,466,012 100%
MISCELLANEOUS ACCOUNTS	0	274,578 100.00%	0	0	0	0	0	274,578 100%
TOTAL CASH AND NON-RETIREMENT	4,526,753 65.62%	945,989 13.71%	204,390 2.96%	1,146,389 16.62%	74,631 1.08%	0	0	6,898,152 100%
GRAND TOTAL	6,079,168 9.94%	1,036,112 1.69%	12,736,588 20.84%	1,146,389 1.88%	25,402,029 41.56%	7,493,680 12.26%	7,234,243 11.83%	61,128,209 100%

TAB

B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 15, 2012

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, 2012 is included as **Attachment A**.

A report on travel for the period from February 7, 2012 – May 5, 2012 is included as **Attachment B**.

2. Legislative Update

I will present a verbal update on any legislation activity of interest to the SBI.

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.

According to the law, 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.

In the first quarter, SBI managers held no shares in companies on the divestment list.

Attachment C is a copy of the March 12, 2012 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 D 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 receives information on companies with Iran operations from IW Financial, through Glass Lewis. 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 the law.

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

In the first quarter, SBI managers held no shares in companies on the divestment list.

Attachment E is a copy of the March 12, 2012 letter sent to each international equity manager 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 6, 2012.

ATTACHMENT A

STATE BOARD OF INVESTMENT
 FISCAL YEAR 2012 ADMINISTRATIVE BUDGET REPORT
 FISCAL YEAR TO DATE THROUGH APRIL 30, 2012

ITEM	FISCAL YEAR 2012 BUDGET	FISCAL YEAR 2012 4/30/2012
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,837,000	\$ 2,198,206
PART TIME EMPLOYEES	\$ 69,000	\$ 53,152
MISCELLANEOUS PAYROLL	600	25,312
SUBTOTAL	\$ 2,906,600	\$ 2,276,670
STATE OPERATIONS		
RENTS & LEASES	200,000	172,123
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	6,884
PRINTING & BINDING	4,000	2,930
PROFESSIONAL/TECHNICAL SERVICES	0	550
COMPUTER SYSTEMS SERVICES	18,000	14,154
COMMUNICATIONS	28,000	16,069
TRAVEL, IN-STATE	900	168
TRAVEL, OUT-STATE	38,000	44,217
SUPPLIES	30,000	18,693
EQUIPMENT	13,000	13,150
EMPLOYEE DEVELOPMENT	5,000	4,264
OTHER OPERATING COSTS	9,000	11,556
SUBTOTAL	\$ 355,900	\$ 304,758
TOTAL ADMINISTRATIVE BUDGET	\$ 3,262,500	\$ 2,581,428

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ATTACHMENT B

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 7, 2012 – May 5, 2012

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Investment Education Symposium sponsored by: Opal Financial Group	H. Bicker	New Orleans, LA 2/15-2/17	\$848.34
Manager Monitoring Domestic Equity Managers: Hotchkis & Wiley; Mellon Capital Mgmt.; BlackRock; Zevenbergen Manager Search Domestic Equity Manager: LA Capital	T. Brusehaver P. Ammann	Los Angeles, CA San Francisco, CA Seattle, WA 3/5-3/8	\$2,872.87
Conference: Money Market Expo Investors' Summit sponsored by: iMoneyNet	A. Griga	Orlando, FL 3/11-3/14	\$1,410.37
Manager Monitoring Fixed Income Managers: Dodge & Cox; Western Asset Mgmt.; PIMCO	M. Menssen R. Hill	San Francisco, CA Pasadena, CA Newport Beach, CA 3/12-3/14	\$3,194.95
Conference: Institutional Limited Partners Association (ILPA)	J. Griebenow J. Kirby	Atlanta, GA 3/27-3/29	\$3,443.10
Manager Monitoring Alternative Investments Manager: First Reserve Corporation	H. Bicker	Dallas, TX 3/28-3/30	\$1,378.92

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring Alternative Investments Manager: Merit Energy Annual Meeting	J. Griebenow	Dallas, TX 4/23-4/24	\$473.37
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen T. Brusehaver	Austin, TX 4/24-4/27	\$3,723.90
Manager Monitoring Alternative Investments Managers: Prudential Real Estate; Morgan Stanley Prime Property; Warburg Pincus	J. Kirby	Parsippany, NJ New York, NY 4/25-4/27	\$1,829.74

ATTACHMENT C

Letter to SBI International Equity Managers and Domestic Equity Managers

March 12, 2012

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 9, 2011 letter you received. **This new list is effective March 15, 2012.**

- The following companies have been removed from the restricted list:
 - Nuinsco Resources Limited (Canada)
 - Ranhill Berhad (Malaysia)

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- There were no changes to the divestment list.

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

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

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 may have 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
China Gezhouba Group 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

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
KEPCO Plant Service & Engineering Company Limited	South Korea
LS Industrial Systems	South Korea

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

Source: Conflict Risk Network

SBI Effective Date:

March 15, 2012

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
Dongfeng Motor Group Company Limited	China	March 31, 2011	September 30, 2011

Note: AKA means "Also Known As"

Source: Conflict Risk Network

SBI Effective Date:

March 15, 2012

**CONFLICT
RISK
NETWORK**

ATTACHMENT 3

Security Identifiers for "Scrutinized" Stocks

The following security identifiers correlate with the February 29, 2012 issue of the Sudan

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED.

STOCKS ADDED SINCE LAST REPORT ARE HIGHLIGHTED

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CINS	indscd
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	OTC US (XOTC)	Common Stock	ALSTOM	AOMFF US	A0F7BK	B0GLY93 US			FR0010220475	022581074	F0259M475	
ALSTOM (FRANCE)	ALSTOM	Frankfurt (XFRA)	Common Stock	ALSTOM	AOMD GR	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Chi-X Alt TS (CHIX)	Common Stock	ALSTOM	ALSP IX	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBX EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBX EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBP EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOUSD EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOUSD EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Turquoise (TRQX)	Common Stock	ALSTOM	ALO TQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Equiduct (XEQT)	Common Stock	ALSTOM	ALO BQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	BATS Europe (BATE)	Common Stock	ALSTOM	ALO EB	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALO EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOCHE EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOCHE EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALONOK EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALONOK EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOAUO EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOAUO EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Quote MTF (QMTF)	Common Stock	ALSTOM	ALO QM	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	LSE EuropeQS (XLON)	Common Stock	ALSTOM	ALO LI	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Tradegate (XGAT)	Common Stock	ALSTOM	AOMD TH	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	AOMD S1	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM PROJECTS INDIA LTD (INDIA)	ALSTOM	Natl India (XNSE)	Common Stock	ALSTOM PROJECTS INDIA LTD	ABBAP IN	A0EAYM	6230834 IN			INE878A01011			
AREVA T&S INDIA LTD	ALSTOM	Natl India (XNSE)	Common Stock	AREVA T&S INDIA LTD	ATD IN	A0R987	6139980 IN			INE200A01026			
WUHAN BOILER CO (CHINA)	ALSTOM	Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO-B	200770 CH	913669	6111928 CN			CNE000000VM7			
AREF ENERGY HOLDING COMPANY (KUWAIT)	AREF ENERGY HOLDING COMPANY	Kuwait (XKUW)	Common Stock	AREF ENERGY HOLDING CO KSCC	AREFENRGKK	A0KD4C	B13BW99 KW			KW0EQ0601801			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	A0M4WY	6707899 HK			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	A0M4WY	B1BJK68 DE			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVJF US	A0M4WY	B01W4B3 US			CNE1000001Y8		Y0485Q109	
HAFEI AVIATION INDUSTRY CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600038 CH	A0M4ER	6306586 CN			CNE0000015V6			
HARBIN DONGAN AUTO ENGINE CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HARBIN DONGAN AUTO ENGINE-A	600178 CH	A0M369	6128519 CN			CNE000000XJ9			
CATERPILLAR INC	CATERPILLAR INC	New York (XNYS)	Common Stock	CATERPILLAR INC	CAT US	850598	2180201 US		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Frankfurt (XFRA)	Common Stock	CATERPILLAR INC	CAT1 GR	850598	5626520		919161	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	EN Paris (XPAR)	Common Stock	CATERPILLAR INC	CAT FP	950598	4180254 FR		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	LIMA (XLIM)	Common Stock	CATERPILLAR INC	CAT PE	850598	2743778		919161	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	London Intl (XLON)	Common Stock	CATERPILLAR INC	CTA LN	850598	0180162 GB		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC		Common Stock	CATERPILLAR INC	CAT ES	850598	7151600 BE		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Mexico (XMEX)	Common Stock	CATERPILLAR INC	CAT* MM	850598	2665979 MX		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC		Common Stock	CATERPILLAR INC	CATG IX	850598	5626520 DE		919161	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CAT EO	850598	0180162 GB			US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CAT EU	850598	0180162 GB			US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATGBX EU	850598	0180162 GB			US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATGBX EO	850598	0180162 GB			US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATEUR EU	850598	0180162 GB			US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC		Common Stock	CATERPILLAR INC	CATR PZ	850598	0180162 GB		005976	US1491231015	009986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATEUR EO	850598	0180162 GB			US1491231015	009986537		

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CATERPILLAR INC	CATERPILLAR INC	EuroTLX (ETLX)	Common Stock	CATERPILLAR INC	CAT TE	850598		005976	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Turquoise (TRQX)	Common Stock	CATERPILLAR INC	CAT TQ	850598	2180201 US	005976	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	NYSE ARCA Eu (XHFT)	Common Stock	CATERPILLAR INC	CAT NR	850598	2180201 US	005976	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Tradegate (XGAT)	Common Stock	CATERPILLAR INC	CAT1 TH	850598	5626520 DE	919161	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Bolsa Colomb (XBOG)	Common Stock	CATERPILLAR INC	CAT CB	850598	8631975 CO	005976	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATCH EO	850598			US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATCHF EU	850598			US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	BATS Europe (BATE)	Common Stock	CATERPILLAR INC	CAT EB	850598	2180201 US	005976	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CED	CAT AR	2378277 AR			ARDEUT110079	033876874
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CED	CATD AR	2378277 AR			ARDEUT110079	033876874
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CED	CATC AR	2378277 AR			ARDEUT110079	033876874
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CE B	CATB AR	2378277 AR			ARDEUT110079	
CATERPILLAR INC	CATERPILLAR INC	Soma (BVMF)	Receipt	CATERPILLAR-BDR	CATP11B BZ	8463G79 BR			BRCATPBDR003	
CATERPILLAR INC	CATERPILLAR INC	SIX Swiss Ex (XSWX)	Receipt	CATERPILLAR INC	CAT SW	850598	4516310 CH	919161	US1491231015	009986537
CATERPILLAR INC	CATERPILLAR INC	EN Brussels (XBRU)	Receipt	CATERPILLAR INC	CATER BB	A1JULH	8752850 BE		BE0004610516	002789370
CHINA GEZHOUBA GROUP COMPANY LTD (CHINA)	CHINA GEZHOUBA GROUP COMPANY LTD	Shanghai (XSHG)	Common Stock	CHINA GEZHOUBA GROUP CO LT-A	600068 CH	A0M31Z	6377214 CN		CNE000000QF1	
SINOHYDRO GROUP (CHINA)	CHINA HYDRAULIC AND HYDROELECTRIC CONSTRUCTION GROUP (SINOHYDRO)	Shanghai (XSHG)	Common Stock	SINOHYDRO GROUP LTD-A	601689 CH		84TH690 CN			
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAQING HUAKE GROUP CO-A	000985 CH	A0M4C2	6277949 CN		CNE000001402	
JINAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	JINAN DIESEL ENGINE CO-A	000617 CH	A0M3ZT	6486109 CN		CNE000000M33	
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	KUNLUN ENERGY CO LTD	135 HK	A1CV3E	6340078 HK	952131	BMG5320C1082	050092003
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 GR	A1CV3E	5387753 DE	952131	BMG5320C1082	050092003
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	Common Stock	KUNLUN ENERGY CO LTD	KUNUF US	A1CV3E	801DD23 US	952131	BMG5320C1082	050092003
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OOTC)	ADR	CNPC HONG KONG LTD-UNSP ADR	KLYCY US		B3L2812 US		US0126A1016	
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 TH	A1CV3E	5387753 DE	952131	BMG5320C1082	050092003
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	PETROCHINA CO LTD-H	857 HK	A0M4YQ	6226576 HK		CNE1000003W8	011014674
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	PETROCHINA CO LTD	PC6 GR	A0M4YQ	5939507 DE		CNE1000003W8	011014674
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (XOTC)	Common Stock	PETROCHINA CO LTD	PCCYF US	A0M4YQ	801DNL9 US		CNE1000003W8	011014674
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	601857 CH		B28SLD9 CN		CNE1000007Q1	Y6883Q104
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD -ADR	PTR US	936983	2568841 US		US71646E1001	011511449
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD -ADR	PC6A GR	936983	4633327 DE		US71646E1001	011511449
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR	PTR AR		B1C5SR2 AR		ARDEUT113958	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR BLK	PTRB AR				ARDEUT113958	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR C/E	PTRC AR				ARDEUT113958	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR \$	PTRD AR				ARDEUT113958	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	Common Stock	PETROCHINA CO LTD-H	PC6 TH	A0M4YQ	5939507 DE		CNE1000003W8	011014674
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	ADR	PETROCHINA CO LTD -ADR	PC6A TH	936983			US71646E1001	011511449
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Singapore (XSSE)	ADR	PETROCHINA CO LTD -ADR	PTR SP	936983	83KTK63		US71646E1001	011511449
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Mexico (XMEX)	ADR	PETROCHINA CO LTD -ADR	PTRN MM	936983	8569834 MX		US71646E1001	011511449
NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000065 CH	A0M35W	6112125 CN		CNE000000VZ9	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CH	A0M30T	6796143 CN		CNE000000N99	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CS	A0M30T	6796143 CN		CNE000000N99	
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002246 CH	A0RPGJ	839G5K4 CN		CNE100000BW7	
CHINA NORTH OPTICAL-ELECTRICAL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CH	A0M4L5	6649946 CN		CNE000001F88	
CHINA NORTH OPTICAL-ELECTRICAL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CG	A0M4L5	6649946 CN		CNE000001F88	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Hong Kong (XHKG)	Common Stock	AKM INDUSTRIAL CO LTD	8298 HK	A0D86T	802J0J3 HK		HK8298013897	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIQ GR	A0D86T	806L0H3 DE		HK8298013897	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Hong Kong (XHKG)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	386 HK	A0M4XN	6291819 HK		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU GR	A0M4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	OTC US (XOTC)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	SNPMF US	A0M4XN	801XKR4 US		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROLEUM & CHEMICAL-A	600028 CH	A0M4G4	6373728 CN		CNE1000002Q2	Y15010104
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	New York (XNYS)	ADR	CHINA PETROLEUM & CHEM-ADR	SNP US	578971	2639189 US		US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Munich (XMUN)	ADR	CHINA PETROLEUM & CHEM-ADR	CHUA GR	578971	80RSW00 DE		US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	London Intl (XLON)	ADR	CHINA PETROLEUM & CHEM-ADR	SNP LI		2654375 GB		US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CEDEA	SNP AR		B1C5SX8		ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CEDBL	SNPB AR				ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-C C/E	SNPC AR				ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CED \$	SNPD AR				ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Tradegate (XGAT)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU TH	A0M4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Mexico (XMEX)	ADR	CHINA PETROLEUM & CHEM - ADR	SNPN MM	578971	84QSP22 MX		US16941R1086	011899374

KINGDREAM PLC	GROUP	Shenzhen (XSHE)	Common Stock	KINGDREAM PUBLIC LIMITED - A	000852 CH	A0M37A	6136385 CN		CNE000000KK7
SINOPEC KANTON HOLDINGS LTD (CHINA)	GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162692 HK		BMG8165U1009 011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE		BMG8165U1009 011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	GROUP	OTC US (OOTC)	ADR	SINOPEC KANTONS-UNSPON ADR	SPKOY US		33KR160 US		US82934W2070
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	Singapore (XSES)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI SP	887169	B3MNGN2	908289	US82935M1099 012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600688 CH	A0M3RA	6802794 CN		CNE000000B82
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR	A0M4Y5	5888632 DE	908303	CNE1000004C8 005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	338 HK	A0M4Y5	6797458 HK	908303	CNE1000004C8 005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	OTC US (XOTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SPTJF US	A0M4Y5	801XTG6 US		CNE1000004C8 005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI US	887169	2800059 US	908289	US82935M1099 012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	5734638 DE	908289	US82935M1099 012248750
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK	A0M4Y6	6984669 HK	917709	CNE1000004D6 008069662
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	GROUP	OTC US (OOTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCFF US	A0M4Y6	801XVL5 US		CNE1000004D6 008069662
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YIZH GR	A0M4Y6	4303675 DE	917709	CNE1000004D6 008069662
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	GROUP	Tradedgate	ADR	CHINA PETROLEUM & CHEM-ADR	CHUA TH	578971			US16941R1086 011899374
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	600871 CH	A0M3V6	6986740 CN		CNE000000HS3
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Hong Kong (XHKG)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	489 HK	A0M4XY	80PH5N3 HK		CNE100000312 023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US (OOTC)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	DNFGF US	A0M4XY	80XZY65 US		CNE100000312 023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Frankfurt (XFRA)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D GR	A0M4XY	80TBB66 DE		CNE100000312 023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Tradedgate (XGAT)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D TH	A0M4XY	80TBB66 DE		CNE100000312 023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US	ADR	DONGFENG MTR GRP-H-UNS ADR	DNFGY US		83SQPT4 US		US2577382037
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Cairo (XCAJ)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHO EY	A0H1G7	80QMD00		
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Kuwait (XKLUW)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHOLDIN KK	A0H1G7	80S8H15 KW		EG69082C013
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TH	893182	6304632 TH	929726	TH0465010005 006148590
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCO/F TB	893183	6304643 TH	930467	TH0465010013 006149839
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Frankfurt (XFRA)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF GR	893183	5336799 DE	930467	TH0465010013 006149839
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Receipt	ELECTRICITY GENERA PCL-NVDR	EGCO-R TB	676043	6368553 TH		TH0465010R13 015662883
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (XOTC)	Receipt	ELECTRICITY GENERA PCL-NVDR	EYUUF US	676043	805PBX9 US		TH0465010R13 015662883
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	NVAE GR	676043	801LYC1 DE		TH0465010R13 015662883
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Hong Kong (XHKG)	Common Stock	Glencore International PLC	805 HK	A1JAGV	B3NFYS8		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	London Intl (XLON)	Common Stock	Glencore International PLC	GLEN LN	A1JAGV	B4T3BW6 GB		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Stuttgart (XSTU)	Common Stock	Glencore International PLC	8GC GR	A1JAGV	B55NST3 DE		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	BATS Europe (BATE)	Common Stock	Glencore International PLC	GLEN EB	A1JAGV	B4T3BW6 GB		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Tradedgate (XGAT)	Common Stock	Glencore International PLC	8GC TH	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Quote MTF (QMTF)	Common Stock	Glencore International PLC	GLEN QM	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Glencore International PLC	GLEN EO	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLEN EU	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLENEUR EU	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Turquoise (TRQX)	Common Stock	Glencore International PLC	GLEN TX	A1JAGV	B4T3BW6 GB		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Chi-X All TS (CHIX)	Common Stock	Glencore International PLC	GLEN IX	A1JAGV	B4T3BW6 GB		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Equiduct (XEQT)	Common Stock	Glencore International PLC	GLEN BQ	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	NYSE ARCA Eu (XHFT)	Common Stock	Glencore International PLC	GLEN NR	A1JAGV	B4T3BW6 GB		JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	Glencore International PLC	GLCNF US	A1JAGV			JE00B4T3BW64 063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	ADR	Glencore Intl PLC-UNSP ADR	GLNCY US		86Q2367 US		US3782731067
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Xetra (XETR)	Common Stock	Biopetrol Industries AG	B2I GR	A0HNQ5	80Q9VP2 DE		CH0023225938 023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	Biopetrol Industries AG	BIOPF US	A0HNQ5	81FDC93 US		CH0023225938 023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Biopetrol Industries AG	B2I EO	A0HNQ5	80Q9VP2 DE		CH0023225938 023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Tradedgate (XGAT)	Common Stock	Biopetrol Industries AG	B2I TH	A0HNQ5	80Q9VP2 DE		CH0023225938 023647729
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Singapore (XSES)	Common Stock	CHEMOIL ENERGY LTD	CHEME SP	A0LBTC	B1DL5V2 SG		HK0000035819 027111866
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Berlin (XBER)	Common Stock	CHEMOIL ENERGY LTD	LHT GR	A0LBTC	B1L6R79 DE		HK0000035819 027111866
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	CHEMOIL ENERGY LTD	CLRGF US	A0LBTC	B1L97F6 US		HK0000035813 027111866
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	ADR	CHEMOIL ENERGY LTD-UNSPN ADR	CLRGY US		B3L34K6 US	16383N102	US16383N1028
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD aka IOCL	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A0B968	6121563 IN		INE178A01016
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Natl India (XNSE)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A0B9FM	6253767 IN		INE242A01010
LANKA IOC LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Colombo (XCOL)	Common Stock	LANKA IOC LTD	LIOC SL	A0D83L	B0591G4 LK		LK0345N00006
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	JIANGXI HONGDU AVIATION INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	JIANGXI HONGDU AVIATION-A	600316 CH	A0M4EK	6304375 CN		CNE0000015N3
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Tokyo (XTKS)	Common Stock	JX HOLDINGS INC	5020 JP	A1CS9H	B627LW9 JP		JP3386450005 049326777
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Stuttgart (XSTU)	Common Stock	JX HOLDINGS INC	JHJ GR	A1CS9H	B55WTC0 DE		JP3386450005 049326777
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	ADR	JX HOLDINGS INC - UNSPON ADR	JXHLY US	A1CVU3	B588T28 US	968503	US4662951023
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	Common Stock	JX HOLDINGS INC	JXHGF US	A1CS9H	B6R59M4 US		JP3386450005 049326777
NIPPO CORP (JAPAN)	JX HOLDINGS INC	Tokyo (XTKS)	Common Stock	NIPPO CORP	1881 JP	857846	6640789 JP	968503	JP3750200002 001227858
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD Korea (XKRX)		Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KS	A0Q15P	B29ZGV2 KR		KR7051600005
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD Korea (XKRX)		Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KP	A0Q15P	B29ZGV2 KR		KR7051600005

LS INDUSTRIAL SYSTEMS CO., LTD (SOUTH KOREA)	LS INDUSTRIAL SYSTEMS CO., LTD	Korea (KRX)	Common Stock	LS INDUSTRIAL SYSTEMS	010120 KS	895497	6378217 KR		KR7010120004
MANAGEM (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNG MC	165414	6287454 MA		MA0000011058
MANAGEM (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNG21 MC		86Q8F55 MA		MA0000012098
SOCIETE METALLURGIQUE D'IMITER (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	SOCIETE METALLURGI D'IMITER	SMI MC	256307	6007759 MA		MA0000010068
MERCATOR LTD (INDIA)	MERCATOR	Natl India (XNSE)	Common Stock	MERCATOR LINES LIMITED	MRLN IN	A0LGOH	805H3T5 IN		INE934810028
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR	Berlin (XBER)	Common Stock	MERCATOR LINES SINGAPORE LTD	3KD GR	A0M91H	B2NBMJ6 DE		SG1W39939069 033670079
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR	Singapore (XSES)	Common Stock	MERCATOR LINES SINGAPORE LTD	MRLN SP	A0M91H	B29Y4W6 SG		SG1W39939069 033670079
NUINSCO RESOURCES LIMITED (CANADA)	NUINSCO RESOURCES LTD	Toronto (XTSE)	Common Stock	NUINSCO RESOURCES LTD	NWI CN	A0MKNE	2651257 CA	900548	CA6709024021 028633327
NUINSCO RESOURCES LIMITED (CANADA)	NUINSCO RESOURCES LTD	OTC US (OOTC)	Common Stock	NUINSCO RESOURCES LTD	NWIFF US	A0MKNE	B1QSFH6 US	900548	CA6709024021 028633327
NUINSCO RESOURCES LIMITED (CANADA)	NUINSCO RESOURCES LTD	Frankfurt (XFRA)	Common Stock	NUINSCO RESOURCES LTD	NJX GR	A0MKNE	B1YVMS7 DE	900548	028633327
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	MANGALORE REFINERY & PETRO	MRPL IN	A0NANW	6121530 IN		INE103A01014
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	A1H6PA	6139362 IN		INE213A01029
OIL INDIA LTD (INDIA)	OIL INDIA LTD	Natl India (XNSE)	Common Stock	OIL INDIA LTD	OINL IN	A0X9PF	B409HQ9 IN		INE274J01014
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KPYHF US	A0DJ6E	B08H8K8 US		MYL508900007 Y4804V104
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KLCC MK	A0DJ6E	802FW17		MYL508900007
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY	905279	MYL381600005 003527883 3816
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695938 MY		MYL568100001 005378044 5681
PETRONAS CHEMICALS GROUP BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS CHEMICALS GROUP BHD	PCHEM MK	A1C891	85KQG73		MYL518300008 055800235 5183
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS GAS BHD	PTG MK	896633	6703972 MY		MYL603300004 007076959 6033
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Munich (XMUN)	Common Stock	PETRONAS GAS BERHAD	PTR GR	896633	5330694 DE		MYL603300004 007076959
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL	PTT TB	983094	6420389 TH		TH0646010007 015040319
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL	PETTF	983094	B05PCH0 US		TH0646010007 015040319 Y6883U105
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL-FOREIGN	PETFF US	811962	B1G40G8 US		TH0646010015 013973369 Y6883U113
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL/FOREIGN	PTT/F TB	811962	6420390 TH		TH0646010015 013973369
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT PCL/FOREIGN	PTOF GR	811962	B1BDGH3 DE		TH0646010015 013973369
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT PCL-NVDR	PTT-R TB	754704	6420408 TH		TH0646010R18 016320307
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Receipt	PTT PCL-NVDR	PUTRF US	754704	80305R8 US		TH0646010R18 016320307 Y6883U121
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT PCL-NVDR	NVA3 GR	754704	801LYK9 DE		TH0646010R18 016320307
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	ADR	PTT PCL-UNSP ADR	PUTRY US		86Z7G76 US	69367C105	US69367C1053
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLOR & PROD PUBLIC CO	PTTEP TB	A0JKZ6	B1359K1 TH	907061	TH0355A10204 025513029
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLOR & PROD-FOR	PTTEP/F TB	A0JKZV	B1359J0 TH	904717	TH0355A10212 025257804
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT EXPLORATION & PROD-FOR	PTTG GR	A0JKZV	B13B738 DE	904717	TH0355A10212 025257804
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT EXPLORATION & PROD-FOR	PTXL F US	A0JKZV	B13JK44 US	904717	TH0355A10212 025257804 Y7145P165
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	ADR	PTT EXPLORATION & PR-SP ADR	PEXNY US	A0RGRM	2408806 US		US69364V1061
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT EXPLOR & PROD PCL-NVDR	PTTEP-R TB	676051	B1359L2 TH		TH0355010R16 016049000
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT EXPLOR & PROD PCL-NVDR	NVAL GR	676051	B13BP45 DE		TH0355010R16 016049000
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	Kuala Lumpur (XKLS)	Common Stock	RANHILL BHD	RANH MK	A0B9G6	6328717 MY		MYL503000001 5030
RELIANCE INDUSTRIES LTD (INDIA)	RELIANCE INDUSTRIES LTD	Natl India (XNSE)	Common Stock	RELIANCE INDUSTRIES LTD	RIL IN	946078	6099626 IN	964067	INE002A01018
RELIANCE INDUSTRIES LTD (INDIA)	RELIANCE INDUSTRIES LTD	SIGMA	GDR	RELIANCE INDUSTRIES LTD	RIGD S1	884241	B16CYP9 GB	759470107 964066	US7594701077 010146160
SCOMI ENGINEERING BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI ENGINEERING BHD	SEB MK	903056	6098452 MY		MYL736600007 7366
SCOMI GROUP BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI GROUP BHD	SGB MK	120745	B00PKJ3 MY		MYL715800008 7158

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ATTACHMENT D

Conflict Risk Network List of "Scrutinized" Companies in Sudan, formerly "Highest Offenders" Companies List Effective Through May 31, 2012

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
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 Limited (formerly 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
Kunlun Energy Company, Limited	Hong Kong
China Gezhouba Group Company Limited	China
KEPCO Plant Service & Engineering Company Limited	South Korea
LS Industrial Systems	South Korea
Caterpillar Inc.	US

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, 2012**

Company Name	Country of Origin
Shanghai Electric Group Company, Ltd..	China
Harbin Electric Company Limited (formerly 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
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, 2012**

<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 Machinery Engineering Company (CMEC)	China
China National United Oil Company	China
China Petroleum Engineering Company AKA CPEC	China
Coyne et Bellier	France
Daedong Industrial machinery Company Limited	South Korea
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
Harbin Power Engineering AKA HPE	China
Hi Tech Petroleum Group Co. Ltd.	Sudan
HTC Yemen International Limited	Yemen
JX Nippon Oil & Energy Corporation	Japan
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer International	Germany
Mott MacDonald	UK
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PT Pertamina Persero AKA Pertamina	Indonesia
Ranhill Berhad	Malaysia
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
UAE for Gold Minerals and Investment Company Limited	Canada
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

December 6, 2011

ATTACHMENT E

Letter to SBI International Equity Managers and Domestic Equity Managers

March 12, 2012

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 December 9, 2011 letter you received. **This new list is effective March 15, 2012.**

- The following company has been removed from the restricted list:
 - KBR, Inc. United States

Attachment 2 is the List of Iran Companies Requiring Divestment. There are no changes.

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.

Attachment 3 is a list of security identifiers for the companies on the List of Restricted Iran Companies (**Attachment 1**) that your organization may use. The SBI does not represent that this is a complete list of identifiers. The manager is responsible for identifying all listings.

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

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

COMPANY_NAME	COUNTRY
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	Korea South
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Tecnicas Reunidas	Spain
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: March 15, 2012

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
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011

Effective Date: March 15, 2012

ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	CUSIP_3	COUNTRY
Bharat Petroleum Corporation Ltd.	6099723	INE029A01011	500547				India
China Petroleum & Chemical Corp	B0RSW00	US16941R1086	386	16941R108			China
China Petroleum & Chemical Corp	2654375	US16941R1086	386	16941R108			China
China Petroleum & Chemical Corp	2639189	US16941R1086	386	16941R108			China
China Petroleum & Chemical Corp	B01XKR4	CNE1000002Q2	386	16941R108			China
China Petroleum & Chemical Corp	7027756	CNE1000002Q2	386	16941R108			China
China Petroleum & Chemical Corp	6291819	CNE1000002Q2	386	16941R108			China
China Petroleum & Chemical Corp	6373728	CNE0000018G1	386	16941R108			China
China Petroleum & Chemical Corp	B1C5SX8	ARDEUT114071	386	16941R108			China
Daelim Industrial	6246604	KR7000211003	A000210				Korea South
Daelim Industrial	B1T52M8	KR7000211003	A000210				Korea South
Daelim Industrial	6249584	KR7000210005	A000210				Korea South
Gail (India) Ltd.	B2NTDN1	US36268T2069	532155	36268T206			India
Gail (India) Ltd.	B033102	US36268T2069	532155	36268T206			India
Gail (India) Ltd.	3235520	US36268T2069	532155	36268T206			India
Gail (India) Ltd.	B1HJ0L7	US36268T2069	532155	36268T206			India
Gail (India) Ltd.	2498517	US36268T1079	532155	36268T206			India
Gail (India) Ltd.	3235490	US36268T1079	532155	36268T206			India
Gail (India) Ltd.	6133405	INE129A01019	532155	36268T206			India
Gazprom	B0338T0	US3682873068	GAZP	368287108	368287306	368287207	Russia
Gazprom	5385003	US3682873068	GAZP	368287108	368287306	368287207	Russia
Gazprom	5140989	US3682872078	GAZP	368287108	368287306	368287207	Russia
Gazprom	5259528	US3682872078	GAZP	368287108	368287306	368287207	Russia
Gazprom	2016629	US3682872078	GAZP	368287108	368287306	368287207	Russia
Gazprom	2398899	US3682871088	GAZP	368287108	368287306	368287207	Russia
Gazprom	3313181	US3682871088	GAZP	368287108	368287306	368287207	Russia
Gazprom	4364928	RU0007661625	GAZP	368287108	368287306	368287207	Russia
Gazprom	B2NH841	ARDEUT114261	GAZP	368287108	368287306	368287207	Russia
GS Engineering & Construction Corp	6537096	KR7006360002	A006360				Korea South
GS Engineering & Construction Corp	B06ZHC9	KR7006360002	A006360				Korea South
GS Holdings	B02FVX2	KR7078931003	A078930	Y2901P103			Korea South
GS Holdings	B01RJV3	KR7078930005	A078930	Y2901P103			Korea South
Gubre Fabrikalari T.A.S.	B188YV1	TRAGUBRF91E2	GUBRF				Turkey

**ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers**

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	CUSIP_3	COUNTRY
Gubre Fabrikalari T.A.S.	B03MTC7	TRAGUBRF91E2	GUBRF				Turkey
Ina-Industrija Nafta DD	B1L1YV7	US45325E2019	INA-R-A	45325E102	45325E201		Croatia
Ina-Industrija Nafta DD	B1HJKC8	US45325E2019	INA-R-A	45325E102	45325E201		Croatia
Ina-Industrija Nafta DD	B1L56D5	US45325E2019	INA-R-A	45325E102	45325E201		Croatia
Ina-Industrija Nafta DD	B1L5RN2	US45325E1029	INA-R-A	45325E102	45325E201		Croatia
Ina-Industrija Nafta DD	B1HJKF1	US45325E1029	INA-R-A	45325E102	45325E201		Croatia
Ina-Industrija Nafta DD	B1JMYF6	HRINA0RA0007	INA-R-A	45325E102	45325E201		Croatia
Indian Oil Corporation Ltd.	6253767	INE242A01010	530965				India
L G International	B02PV43	KR7001120005	A001120				Korea South
L G International	6537115	KR7001120005	A001120				Korea South
Liquefied Natural Gas Ltd	B2RHN19	AU000000LNG0	LNG	Q5570T107			Australia
Liquefied Natural Gas Ltd	B05KKL5	AU000000LNG0	LNG	Q5570T107			Australia
Liquefied Natural Gas Ltd	B02L5H2	AU000000LNG0	LNG	Q5570T107			Australia
Maire Tecnimont S.p.A.	B298VS3	IT0004251689	MT				Italy
Maire Tecnimont S.p.A.	B2N7CX8	IT0004251689	MT				Italy
Maire Tecnimont S.p.A.	B29M561	IT0004251689	MT				Italy
Mitsui & Co. Ltd	4597058	XS0029348686	8031	606827202			Japan
Mitsui & Co. Ltd	B1HHX89	US6068272029	8031	606827202			Japan
Mitsui & Co. Ltd	2597061	US6068272029	8031	606827202			Japan
Mitsui & Co. Ltd	B03KWZ5	JP3893600001	8031	606827202			Japan
Mitsui & Co. Ltd	4594071	JP3893600001	8031	606827202			Japan
Mitsui & Co. Ltd	5736463	JP3893600001	8031	606827202			Japan
Mitsui & Co. Ltd	B0ZGPX0	JP3893600001	8031	606827202			Japan
Mitsui & Co. Ltd	6597302	JP3893600001	8031	606827202			Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	6597380	JP3891600003	7003	J44776128			Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	5822351	JP3891600003	7003	J44776128			Japan
MOL Magyar Olaj-es Gazipari Nyrt	5981616	US6084642023	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B0337L5	US6084642023	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	0531522	US6084642023	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B11JTL6	US6084642023	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	4743549	US6084642023	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	2587017	US6084641033	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	5357950	HU0000068952	MOL	608464202	608464103		Hungary

ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	CUSIP_3	COUNTRY
MOL Magyar Olaj-es Gazipari Nyrt	5076880	HU0000068952	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B01YTX6	HU0000068952	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B0590W3	HU0000068952	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	4742494	HU0000068952	MOL	608464202	608464103		Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B28K243	HU0000068952	MOL	608464202	608464103		Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	6628644	INE580A01013	500075				India
Oil & Natural Gas Corporation Ltd.	6139362	INE213A01011	500312	Y64606117			India
PetroChina Co. Ltd.	4633327	US71646E1001	857	71646E100			China
PetroChina Co. Ltd.	2568841	US71646E1001	857	71646E100			China
PetroChina Co. Ltd.	B28SLD9	CNE1000007Q1	857	71646E100			China
PetroChina Co. Ltd.	B01DNL9	CNE1000003W8	857	71646E100			China
PetroChina Co. Ltd.	B17H0R7	CNE1000003W8	857	71646E100			China
PetroChina Co. Ltd.	5939507	CNE1000003W8	857	71646E100			China
PetroChina Co. Ltd.	6226576	CNE1000003W8	857	71646E100			China
PetroChina Co. Ltd.	B1C5SR2	ARDEUT113958	857	71646E100			China
Petrofac	B0H2K53	GB00B0H2K534	PFC	G7052T101			United Kingdom
Petrofac	B11B6G6	GB00B0H2K534	PFC	G7052T101			United Kingdom
Petrofac	B0LWHB4	GB00B0H2K534	PFC	G7052T101			United Kingdom
Punj Lloyd Ltd.	B1VJSG4	INE701B01021	532693				India
Saipem Spa	2209076	US79376W1099	SPM	79376W208			Italy
Saipem Spa	4768779	IT0000068533	SPM	79376W208			Italy
Saipem Spa	B28LP70	IT0000068533	SPM	79376W208			Italy
Saipem Spa	B02ZP63	IT0000068533	SPM	79376W208			Italy
Saipem Spa	B020R51	IT0000068525	SPM	79376W208			Italy
Saipem Spa	4769103	IT0000068525	SPM	79376W208			Italy
Saipem Spa	4765996	IT0000068525	SPM	79376W208			Italy
Saipem Spa	B28LP69	IT0000068525	SPM	79376W208			Italy
Saipem Spa	4768768	IT0000068525	SPM	79376W208			Italy
Sasol Ltd	B03NQB8	ZAE000006896	SAOA	803866300	803866102		South Africa
Sasol Ltd	5734304	ZAE000006896	SAOA	803866300	803866102		South Africa
Sasol Ltd	6777450	ZAE000006896	SAOA	803866300	803866102		South Africa
Sasol Ltd	2777294	US8038663006	SAOA	803866300	803866102		South Africa
Sasol Ltd	4776910	US8038663006	SAOA	803866300	803866102		South Africa

ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	CUSIP_3	COUNTRY
Technip	2811620	US8785462099	TEC	878546209	F90676101		France
Technip	2878658	US8785461000	TEC	878546209	F90676101		France
Technip	B2NG4D9	FR0010565044	TEC	878546209	F90676101		France
Technip	B1MD4Y5	FR0010412353	TEC	878546209	F90676101		France
Technip	B0WC5Z3	FR0010273250	TEC	878546209	F90676101		France
Technip	B05K6W8	FR0010150342	TEC	878546209	F90676101		France
Technip	7328482	FR0000206039	TEC	878546209	F90676101		France
Technip	B28MSJ6	FR0000131708	TEC	878546209	F90676101		France
Technip	4122018	FR0000131708	TEC	878546209	F90676101		France
Technip	4874160	FR0000131708	TEC	878546209	F90676101		France
Technip	B06PC80	FR0000131708	TEC	878546209	F90676101		France
Tecnicas Reunidas	B16FTB9	ES0178165017	T5R	E9055J108	87875V100		Spain
Tecnicas Reunidas	B28MSQ3	ES0178165017	T5R	E9055J108	87875V100		Spain
Tecnicas Reunidas	B17MPB1	ES0178165017	T5R	E9055J108	87875V100		Spain
Tecnicas Reunidas	B1BL633	ES0178165017	T5R	E9055J108	87875V100		Spain
Toyo Engineering Corporation	6899718	JP3607800004	6330	J91343103			Japan
Toyo Engineering Corporation	B02MHK2	JP3607800004	6330	J91343103			Japan
Toyota Tsusho Corporation	6900580	JP3635000007	8015	J92719111			Japan

Effective Date: March 15, 2012

Letter to SBI Fixed Income Managers

March 12, 2012

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 December 9, 2011 letter you received. **This new list is effective March 15, 2012.**

- The following company has been removed from the restricted list:
 - KBR, Inc. United States

Attachment 2 is the List of Iran Companies Requiring Divestment. There are no changes.

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 Ryan Hill, Portfolio 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

COMPANY_NAME	COUNTRY
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	Korea South
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Tecnicas Reunidas	Spain
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: March 15, 2012

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
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011

Effective Date: March 15, 2012

TAB

C

SBI ADMINISTRATIVE COMMITTEE REPORT

DATE: May 15, 2012

TO: Members, State Board of Investment

FROM: SBI Administrative Committee

The Administrative Committee met on May 3, 2012 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY13
- Review of Budget Plan for FY12, FY13, and FY14
- 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 FY13.

The Executive Director's Proposed Workplan for FY13 was presented. As in previous workplans, the FY13 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 2012 as part of the FY13 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY13 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY13.

2. 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 9** of this tab. Supporting information was sent to each Board member in May 2012 as part of the FY13 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY12, FY13, and FY14 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 13** 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 FY12. The Committee members agreed that the performance reviews should be completed prior to the September 2012 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 FY12 performance evaluation:

- **The evaluation will be completed prior to the September 2012 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY12.**

- **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

FY13

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

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Municipal Bond Pool	Jun – Oct
2. Derivatives in Fixed Income Program	Jul – Jun
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
7. Investment Commitment Modeling	Ongoing
8. Conduct a Review of Open-ended Real Estate Fund Investments in the Alternative Investments Program	Jul – Jun

C. REVIEW AND CONTROL OF INVESTMENT POLICIES	Projected Time Frame
1. Monitor and Evaluate Investment Manager Performance	Ongoing
2. Manager Guidelines	Ongoing
3. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives	Jul – Jun
4. Monitor Implementation of Northern Ireland Mandate	Oct – Mar
5. Provide Staff Support for Corporate Actions and Miscellaneous Legal Issues	Jul – Jun
6. Assess Impact of Pending SEC Rule 2a7 Amendments	Jul – Jun
7. Review Transferring Investment Authority of Emerging Markets Equity Investments from Separate Accounts to Comingled Funds	Jul – Sep
8. Research the Growth and Use of Exchange Traded Funds (ETF's)	Jul – Jun
 D. ADMINISTRATION AND MANAGEMENT	
1. Coordinate Financial Audit by Legislative Auditor	Jul – Dec
2. Prepare 2013 Legislative Package	Jul – May
3. RFP for Custodial Services	Mar – Jun
4. RFP for Trading and Internal Control Services	Mar – Jun
5. Internal Cash Management RFP for Major Revenue Banking Services and Custodial Services	Jul – Jan
6. Prepare FY13 Management and Budget Plan	Jul – Jun
7. Annual Update of Disaster Recovery/Pandemic Plan	Apr – Jun
8. Internal Control and Evaluation	Mar – Dec

E. COMMUNICATION AND REPORTING

**Projected
Time Frame**

- | | |
|--|--------------|
| 1. Prepare reports on investment results | Qtly |
| 2. Prepare Status Reports | As requested |
| 3. Meet with SBI and IAC | Qtly |
| 4. Meet with Board's designees | Qtly |
| 5. Prepare FY 2012 Annual Report | Jul – Jan |
| 6. Prepare Annual SIF Investment Options Prospectus and Information Booklet for the Voluntary Statewide Volunteer Firefighter Plan (VSVFP) | May – Sep |
| 7. Review and Revise Procedures for Transferring Assets of Local Fire Plans Joining Voluntary Statewide Volunteer Firefighter Plan | Jul – Oct |
| 8. Coordinate Public Pension Plan Performance Reporting Disclosure | Ongoing |
| 9. Conduct Manager Roundtables | Periodic |

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ATTACHMENT B

Minnesota State Board of Investment

2012 Budget Amendment

May 22, 2012

Original 2012 Approved Budget:	\$3,262,500
Requested Budget Increase:	<u>40,000</u>
Amended Budget 2012:	<u>\$3,302,500</u>

Background:

- Other Benefit payments (severance) for staff departures \$40,000.

**Administrative Budget
Fiscal Year 2013 & 2014 Budget Plan
Overview**

The Fiscal Year 2013/2014 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 2012 budget and also is the basis for the 2013 & 2014 budget projections.

	Amended FY2012 Budget	FY2012 Projected	FY2013 Request	FY2014 Request
Personnel Services	\$2,939,600	\$2,937,600	\$3,038,500	\$3,056,000
Operating Expense	362,900	361,000	362,900	362,900
Total	\$3,302,500	\$3,298,600	\$3,401,400	\$3,418,900

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 YEARS 2013 AND 2014 BUDGET PLAN
MSBI OPERATING FUND SUMMARY**

DESCRIPTION	FY2012 AMENDED BUDGET	FY2012 PROJECTED	FY2013 PROPOSED	FY2014 PROPOSED
PERSONAL SERVICES				
FULL TIME EMPLOYEES	\$ 2,815,000	\$ 2,813,000	\$ 2,964,500	\$ 2,981,000
PART TIME EMPLOYEES	69,000	69,000	69,000	70,000
OTHER BENEFITS	55,600	55,600	5,000	5,000
SUBTOTAL	\$ 2,939,600	\$ 2,937,600	\$ 3,038,500	\$ 3,056,000
STATE OPERATIONS				
RENTS & LEASES	200,000	207,800	200,000	200,000
PRINTING & BINDING	4,000	3,900	4,000	4,000
PROFESSIONAL/TECHNICAL SERVICES	-	800	-	-
COMPUTER SYSTEMS SERVICES	18,000	14,900	23,000	23,000
COMMUNICATIONS	28,000	21,000	26,000	26,000
TRAVEL, IN-STATE	900	200	900	900
TRAVEL, OUT-STATE	46,000	47,000	42,000	42,000
EMPLOYEE DEVELOPMENT	5,000	4,100	5,000	5,000
SUPPLIES	30,000	25,900	28,000	28,000
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	8,900	10,000	10,000
OTHER OPERATING COSTS	9,000	14,500	12,000	12,000
EQUIPMENT	12,000	12,000	12,000	12,000
SUBTOTAL	\$ 362,900	\$ 361,000	\$ 362,900	\$ 362,900
TOTAL MSBI OPERATING FUND	\$ 3,302,500	\$ 3,298,600	\$ 3,401,400	\$ 3,418,900
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR BUDGET			2.99%	0.5%

ATTACHMENT C

CONTINUING FIDUCIARY EDUCATION PLAN

REQUIRED BY MS 356A.13

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

1. Briefing for New Board/IAC Members

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

2. Development and Review of Investment Policies

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

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

3. Input from Board's Consultants

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

4. **Manager Round Tables**

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

5. **Travel Allocation**

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

Date Adopted: May, 2010

2008 Minnesota Statutes

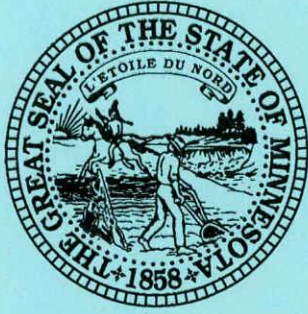
356A.13. CONTINUING FIDUCIARY EDUCATION.

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



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

First Quarter, 2012

Domestic Equity

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC EQUITY MANAGERS
Periods Ending March, 2012

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	15.5	12.9	5.4	7.9	20.8	24.0	-0.3	2.2
Russell 1000 Growth Aggregate	17.9	14.7	9.2	11.0	27.6	25.3	5.6	5.1
Russell 1000 Value Aggregate	12.8	11.1	3.1	4.8	22.5	22.8	-0.1	-0.8
Russell 2000 Growth Aggregate	13.9	13.3	-3.3	0.7	26.2	28.4	2.8	4.2
Russell 2000 Value Aggregate	14.1	11.6	0.9	-1.1	32.6	25.4	1.1	0.0
Active Manager Aggregate	15.0	12.8	3.9	5.6	25.1	24.6	2.0	2.1
Semi-Passive Aggregate	13.5	12.9	9.4	7.9	24.4	24.0	1.9	2.2
Passive Manager (BlackRock)	12.9	12.9	7.2	7.2	24.3	24.3	2.3	2.2
Total Aggregate	13.6	12.9	7.1	7.2	24.6	24.3	2.1	2.2
Russell 3000 Index		12.9		7.2		24.3		2.2

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-3.5	1.5	13.3	16.1	27.6	28.4	-39.6	-37.6	2.4	5.8
Russell 1000 Growth Aggregate	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4	14.9	11.8
Russell 1000 Value Aggregate	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8	3.6	-0.2
Russell 2000 Growth Aggregate	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5	21.6	7.0
Russell 2000 Value Aggregate	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9	-13.4	-9.8
Active Manager Aggregate	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9	6.3	4.2
Semi-Passive Aggregate	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8
Passive Manager (BlackRock)	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1
Total Aggregate	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3	4.9	5.1
Russell 3000 Index		1.0		16.9		28.3		-37.3		5.1

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC EQUITY MANAGERS**

Periods Ending March, 2012

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	13.8	12.9	3.2	7.9	18.4	24.0	1.0	2.2	10.0	9.3	\$412.3	1.8%
UBS Global	17.2	12.9	7.8	7.9	25.4	24.0	0.7	2.2	8.5	8.5	\$404.1	1.7%
Aggregate	15.5	12.9	5.4	7.9	20.8	24.0	-0.3	2.2			\$816.4	3.5%
Russell 1000 Growth												
INTECH	15.8	14.7	8.8	11.0	24.9	25.3	3.1	5.1	4.4	5.7	\$381.8	1.6%
Jacobs Levy	14.3	14.7	11.2	11.0	28.5	25.3	3.7	5.1	4.1	5.7	\$354.1	1.5%
Knelman Asset Mgmt.	18.8	14.7	9.0	11.0	23.1	25.3	4.1	5.1	5.2	5.7	\$72.5	0.3%
Sands Capital	24.5	14.7	22.2	11.0	38.4	25.3	10.7	5.1	8.4	5.7	\$356.1	1.5%
Winslow-Large Cap	17.5	14.7	9.2	11.0	24.8	25.3	7.2	5.1	7.7	5.7	\$161.1	0.7%
Zevenbergen Capital	17.6	14.7	-3.0	11.0	27.9	25.3	6.6	5.1	9.3	8.0	\$351.3	1.5%
Aggregate	17.9	14.7	9.2	11.0	27.6	25.3	5.6	5.1			\$1,676.8	7.2%
Russell 1000 Value												
Barrow, Hanley	10.8	11.1	5.2	4.8	21.7	22.8	0.0	-0.8	5.1	4.7	\$481.1	2.1%
Earnest Partners	12.2	11.1	2.1	4.8	22.6	22.8	1.1	-0.8	4.5	4.7	\$200.9	0.9%
LSV Asset Mgmt.	13.4	11.1	3.7	4.8	23.8	22.8	-0.9	-0.8	5.5	4.7	\$451.6	1.9%
Systematic Financial Mgmt.	15.2	11.1	-0.2	4.8	21.4	22.8	-0.7	-0.8	4.8	4.7	\$326.1	1.4%
Aggregate	12.8	11.1	3.1	4.8	22.5	22.8	-0.1	-0.8			\$1,459.7	6.3%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	14.9	13.3	-0.8	0.7	22.9	28.4	-0.5	4.2	3.2	6.6	\$233.3	1.0%
Next Century Growth	14.6	13.3	-4.4	0.7	27.5	28.4	4.6	4.2	1.5	1.7	\$294.2	1.3%
Turner Investment Partners	12.4	13.3	-4.1	0.7	27.6	28.4	3.9	4.2	6.6	6.6	\$294.3	1.3%
Aggregate	13.9	13.3	-3.3	0.7	26.2	28.4	2.8	4.2			\$821.8	3.5%
Russell 2000 Value												
Goldman Sachs	11.6	11.6	4.8	-1.1	28.1	25.4	4.5	0.0	7.9	5.9	\$175.4	0.8%
Hotchkis & Wiley	15.3	11.6	-4.5	-1.1	40.9	25.4	1.1	0.0	5.6	5.9	\$147.1	0.6%
Martingale Asset Mgmt.	12.9	11.6	-0.5	-1.1	26.6	25.4	-2.2	0.0	4.4	5.9	\$133.7	0.6%
Peregrine Capital	16.0	11.6	2.5	-1.1	36.2	25.4	1.2	0.0	10.1	9.0	\$241.7	1.0%
Aggregate	14.1	11.6	0.9	-1.1	32.6	25.4	1.1	0.0			\$697.8	3.0%
Active Mgr. Aggregate (2)	15.0	12.8	3.9	5.6	25.1	24.6	2.0	2.1			\$5,472.5	23.5%

(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 EQUITY MANAGERS
Periods Ending March, 2012
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	15.0	12.9	10.9	7.9	24.0	24.0	1.6	2.2	8.5	8.2	\$2,461.5	10.6%
INTECH	11.8	12.9	7.9	7.9					12.2	12.2	\$1,756.7	7.5%
JP Morgan	13.0	12.9	7.8	7.9	25.0	24.0	2.8	2.2	8.4	8.2	\$2,906.8	12.5%
Mellon Capital	14.1	12.9	11.4	7.9	24.5	24.0	1.4	2.2	7.8	8.2	\$1,846.0	7.9%
Semi-Passive Aggregate (R1000)	13.5	12.9	9.4	7.9	24.4	24.0	1.9	2.2			\$8,971.0	38.5%
PASSIVE MANAGER (R3000)												
BlackRock Institutional	12.9	12.9	7.2	7.2	24.3	24.3	2.3	2.2	7.8	7.7	\$8,850.0	38.0%
Total Aggregate (3)	13.6	12.9	7.1	7.2	24.6	24.3	2.1	2.2	9.9	10.1	\$23,293.7	100.0%
Russell 3000		12.9		7.2		24.3		2.2		10.4		
Russell 1000		12.9		7.9		24.0		2.2		10.6		
Russell 2000		12.4		-0.2		26.9		2.1		9.0		

(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 EQUITY MANAGERS
Calendar Year Returns Versus
Russell Style Benchmarks for All Periods

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
New Amsterdam Partners	-3.0	1.5	16.2	16.1	24.8	28.4	-36.7	-37.6	5.0	5.8
UBS Global	-4.1	1.5	10.3	16.1	41.3	28.4	-41.3	-37.6	0.8	5.8
Aggregate	-3.5	1.5	13.3	16.1	27.6	28.4	-39.6	-37.6	2.4	5.8
Russell 1000 Growth										
INTECH	0.1	2.6	19.5	16.7	34.0	37.2	-42.8	-38.4	11.4	11.8
Jacobs Levy	6.6	2.6	19.5	16.7	37.1	37.2	-44.9	-38.4	8.4	11.8
Knelman Asset Mgmt.	-3.3	2.6	18.1	16.7	31.1	37.2	-39.9	-38.4	18.0	11.8
Sands Capital	2.7	2.6	26.8	16.7	71.6	37.2	-48.6	-38.4	19.5	11.8
Winslow-Large Cap	0.1	2.6	16.8	16.7	40.9	37.2	-39.1	-38.4	22.0	11.8
Zevenbergen Capital	-9.8	2.6	22.9	16.7	57.4	37.2	-43.2	-38.4	24.0	11.8
Aggregate	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4	14.9	11.8
Russell 1000 Value										
Barrow, Hanley	1.7	0.4	10.4	15.5	23.2	19.7	-35.2	-36.8	2.6	-0.2
Earnest Partners	-4.7	0.4	18.5	15.5	31.6	19.7	-39.8	-36.8	6.5	-0.2
LSV Asset Mgmt.	-0.8	0.4	14.0	15.5	24.0	19.7	-39.3	-36.8	1.3	-0.2
Systematic Financial Mgmt.	-7.4	0.4	18.1	15.5	23.2	19.7	-40.6	-36.8	8.3	-0.2
Aggregate	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8	3.6	-0.2
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	-7.9	-2.9	28.5	29.1	28.0	34.5	-49.1	-38.5	16.2	7.0
Next Century Growth	-4.5	-2.9	29.6	29.1	35.0	34.5	-49.3	-38.5	34.2	7.0
Turner Investment Partners	-4.8	-2.9	29.0	29.1	36.9	34.5	-41.9	-38.5	14.8	7.0
Aggregate	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5	21.6	7.0
Russell 2000 Value										
Goldman Sachs	1.3	-5.5	27.0	24.5	27.8	20.6	-26.8	-28.9	-5.0	-9.8
Hotchkis & Wiley	-10.8	-5.5	43.4	24.5	62.5	20.6	-44.1	-28.9	-18.8	-9.8
Martingale Asset Mgmt.	-5.2	-5.5	27.4	24.5	19.4	20.6	-33.8	-28.9	-16.8	-9.8
Peregrine Capital	-4.1	-5.5	27.3	24.5	45.8	20.6	-39.4	-28.9	-13.4	-9.8
Aggregate	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9	-13.4	-9.8
Active Mgr. Aggregate (1)	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9	6.3	4.2

(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 EQUITY MANAGERS
Calendar Year Returns Versus
Manager Benchmarks**

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS										
BlackRock Institutional	1.6	1.5	14.0	16.1	27.6	28.4	-37.1	-37.6	2.2	5.8
INTECH	2.9	1.5								
JP Morgan	1.1	1.5	16.8	16.1	32.1	28.4	-37.1	-37.6	5.1	5.8
Mellon Capital	4.6	1.5	13.7	16.1	25.6	28.4	-37.6	-37.6	2.5	5.8
Semi-Passive Aggregate (R1000)	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8
PASSIVE MANAGER (R3000)										
BlackRock Institutional	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1
Total Aggregate	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3	4.9	5.1
Russell 3000		1.0		16.9		28.3		-37.3		5.1
Russell 1000		1.5		16.1		28.4		-37.6		5.8
Russell 2000		-4.2		26.9		27.2		-33.8		-1.6

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, 2012

Portfolio Manager: Michelle Clayman

Assets Under Management: \$412,298,152

Investment Philosophy

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

Staff Comments

New Amsterdam outperformed the benchmark for the quarter and underperformed for the year. For the quarter, stock selection in the Health Care sector was strong. For the year, stock selection was a drag on performance, particularly in the Utilities, Energy, Consumer Staples and Technology sectors.

Quantitative Evaluation

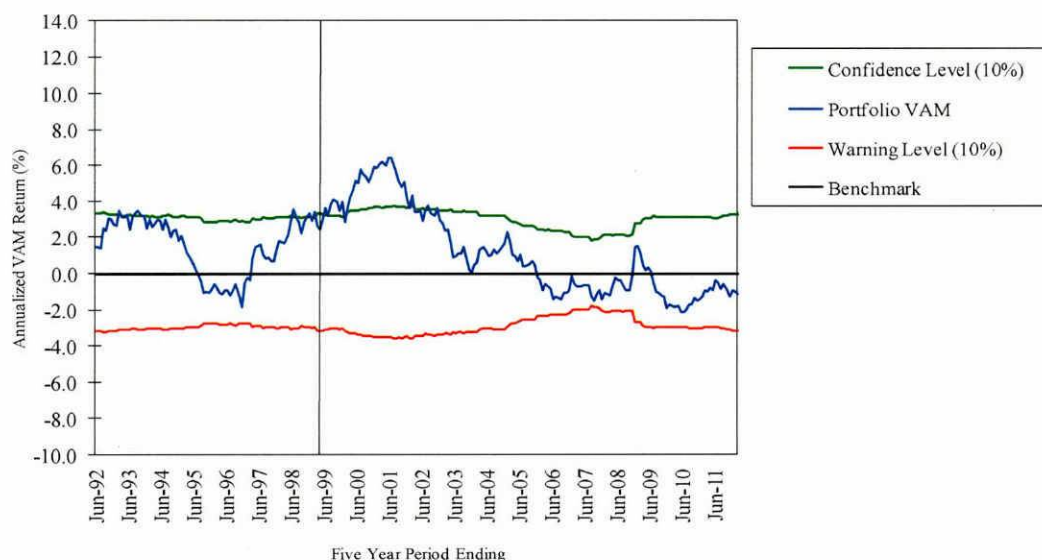
	Actual	Russell Index
Last Quarter	13.8%	12.9%
Last 1 year	3.2	7.9
Last 2 years	10.8	12.2
Last 3 years	18.4	24.0
Last 4 years	3.4	4.2
Last 5 years	1.0	2.2
Since Inception (1) (4/94)	10.0	9.3

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, 2012

Portfolio Manager: John Leonard

Assets Under Management: \$404,073,151

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 outperformed the benchmark for the quarter and trailed for the year. Stock selection in the Technology and Financial Services sectors benefited the quarterly return. For the year, stock selection in the Energy and Consumer Discretionary sectors detracted from performance.

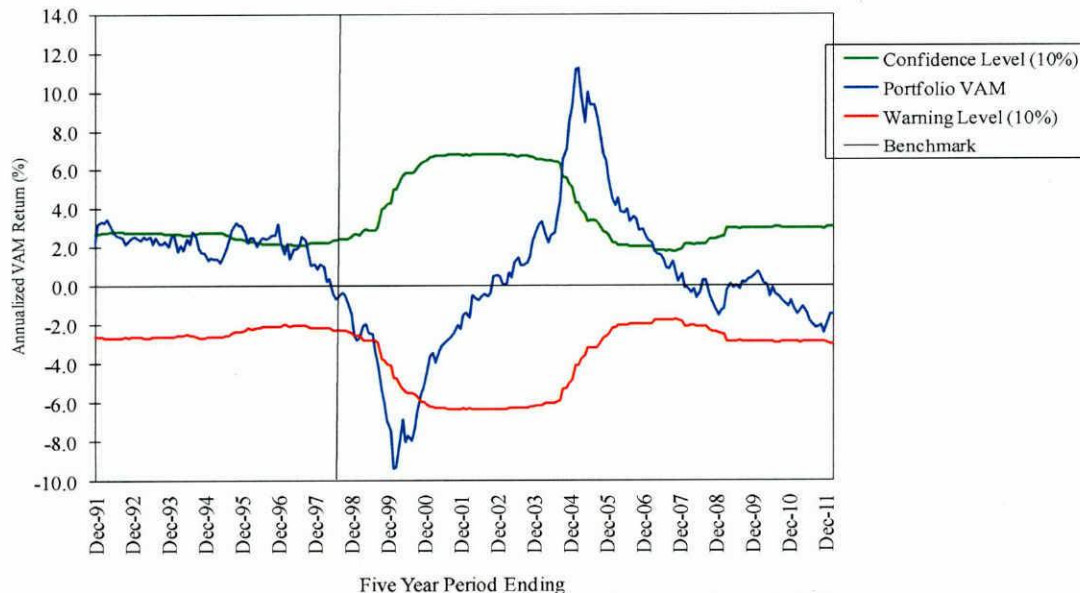
Quantitative Evaluation

	Actual	(R1000 Core)
Last Quarter	17.2%	12.9%
Last 1 year	7.8	7.9
Last 2 years	8.5	12.2
Last 3 years	25.4	24.0
Last 4 years	3.7	4.2
Last 5 years	0.7	2.2
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, 2012

Portfolio Manager: Adrian Banner

Assets Under Management: \$381,806,564

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.

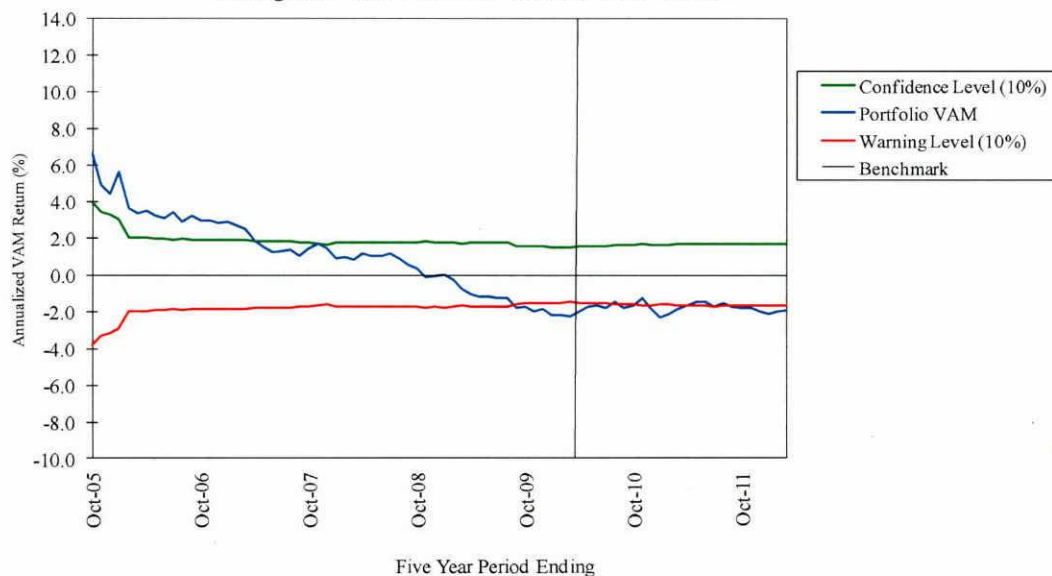
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	15.8%	14.7%
Last 1 year	8.8	11.0
Last 2 years	14.9	14.6
Last 3 years	24.9	25.3
Last 4 years	5.1	6.6
Last 5 years	3.1	5.1
Since Inception (1/05)	4.4	5.7

Recommendation

No action required.

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



JACOBS LEVY EQUITY MANAGEMENT

Periods Ending March, 2012

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$354,104,982

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

No comment at this time.

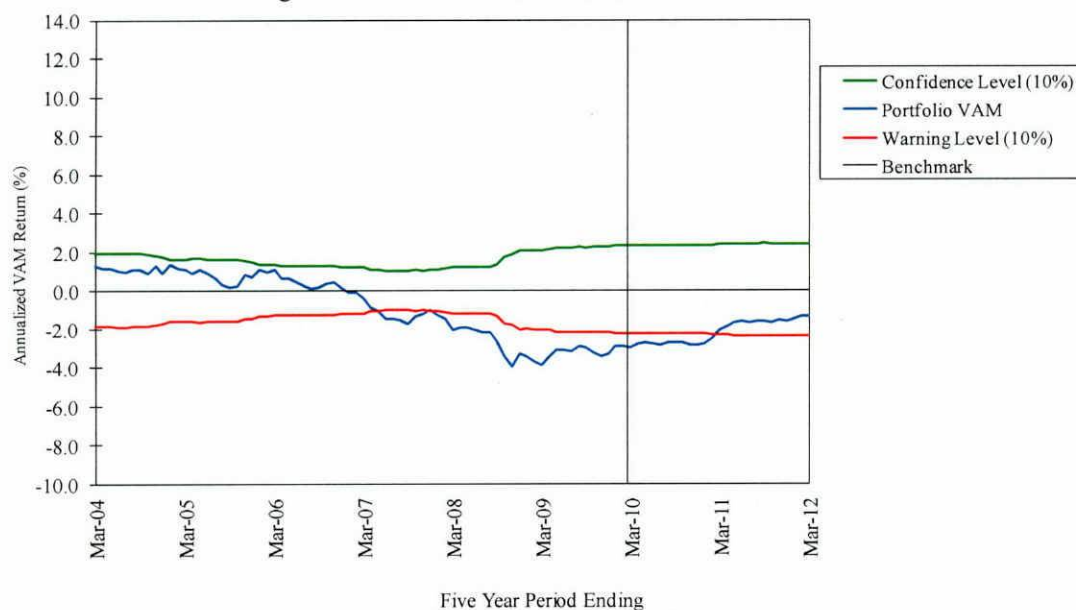
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	14.3%	14.7%
Last 1 year	11.2	11.0
Last 2 years	17.1	14.6
Last 3 years	28.5	25.3
Last 4 years	6.4	6.6
Last 5 years	3.7	5.1
Since Inception (1/05)	4.1	5.7

Recommendation

No action required.

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



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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending March, 2012

Portfolio Manager: Kip Knelman

Assets Under Management: \$72,454,574

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 outperformed for the quarter and trailed the one-year benchmark. Quarterly performance was helped by strong stock selection, particularly in the Consumer Discretionary, Consumer Staples and Technology sectors. The one-year performance was hurt by stock selection in the Energy, Producer Durables and Financial Services sectors.

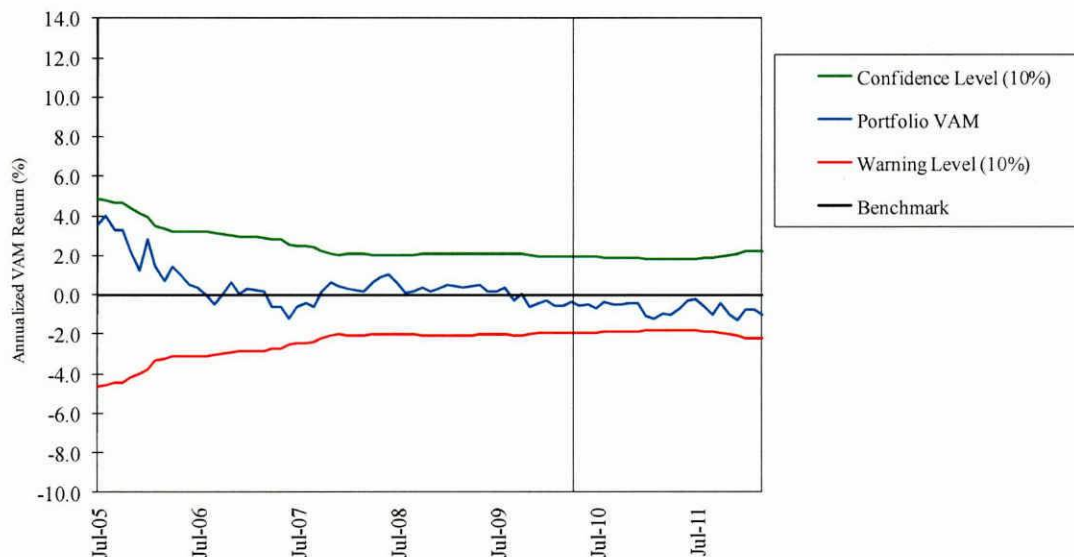
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	18.8%	14.7%
Last 1 year	9.0	11.0
Last 2 years	14.3	14.6
Last 3 years	23.1	25.3
Last 4 years	5.0	6.6
Last 5 years	4.1	5.1
Since Inception (1/05)	5.2	5.7

Recommendation

No action required.

KNELMAN ASSET MANAGEMENT, LLC.
 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.

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2012

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$356,098,267

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 outperformed for the quarter and the year. Stock selection in Health Care, Consumer Discretionary and Technology sectors helped the quarterly performance. For the year, stock selection in the Health Care, Producer Durables, and Financial Services sectors drove the outperformance.

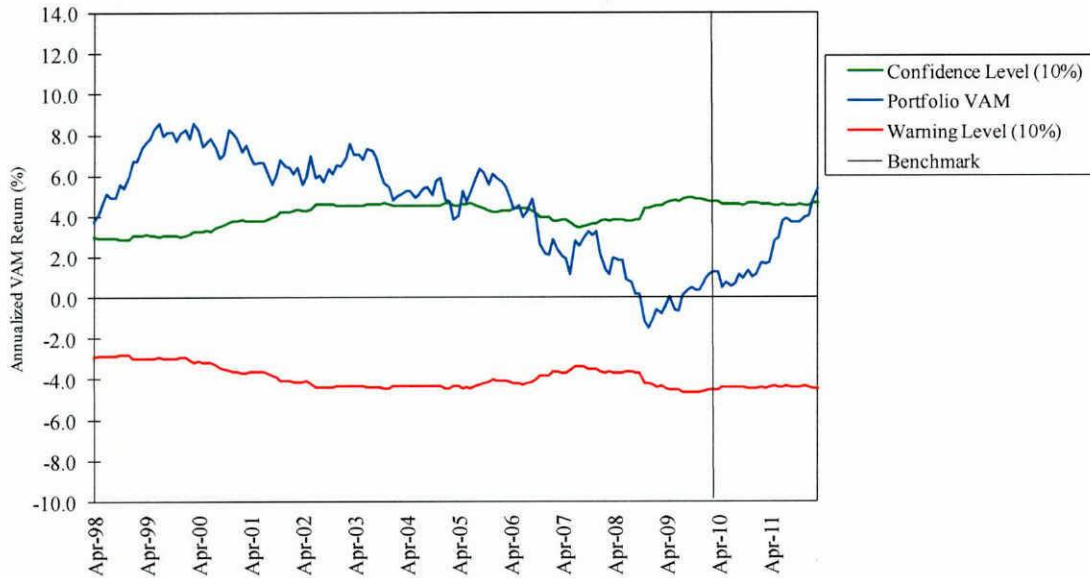
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	24.5%	14.7%
Last 1 year	22.2	11.0
Last 2 years	25.2	14.6
Last 3 years	38.4	25.3
Last 4 years	13.9	6.6
Last 5 years	10.7	5.1
Since Inception (1/05)	8.4	5.7

Recommendation

No action required.

SANDS CAPITAL MANAGEMENT, LLC
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.

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2012

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$161,077,024

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.

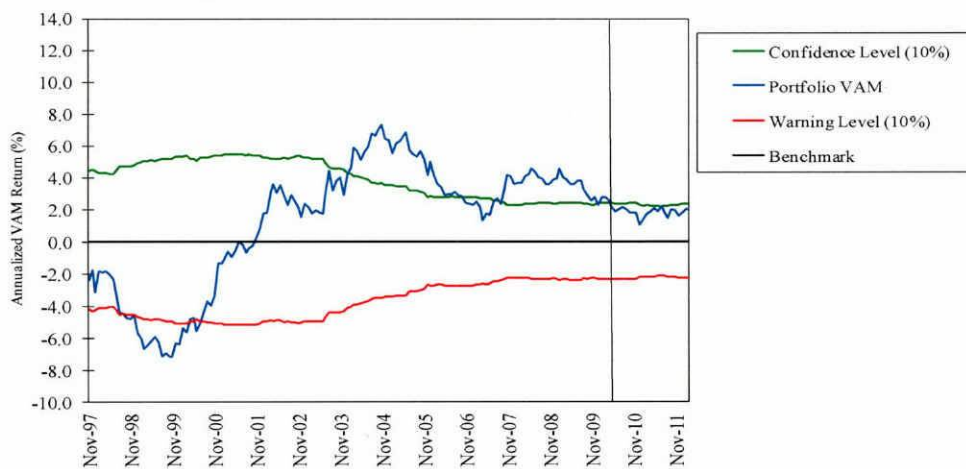
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	17.5%	14.7%
Last 1 year	9.2	11.0
Last 2 years	15.2	14.6
Last 3 years	24.8	25.3
Last 4 years	7.2	6.6
Last 5 years	7.2	5.1
Since Inception (1/05)	7.7	5.7

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, 2012

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$351,287,512

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 lagged for the year. Stock selection in Consumer Discretionary and Energy sectors, along with names outside the benchmark, helped returns exceed the benchmark. For the year, stock selection accounted for the weak relative performance. Positions in the Technology, Consumer Discretionary, and Financial Services sectors were responsible for the majority of the relative underperformance.

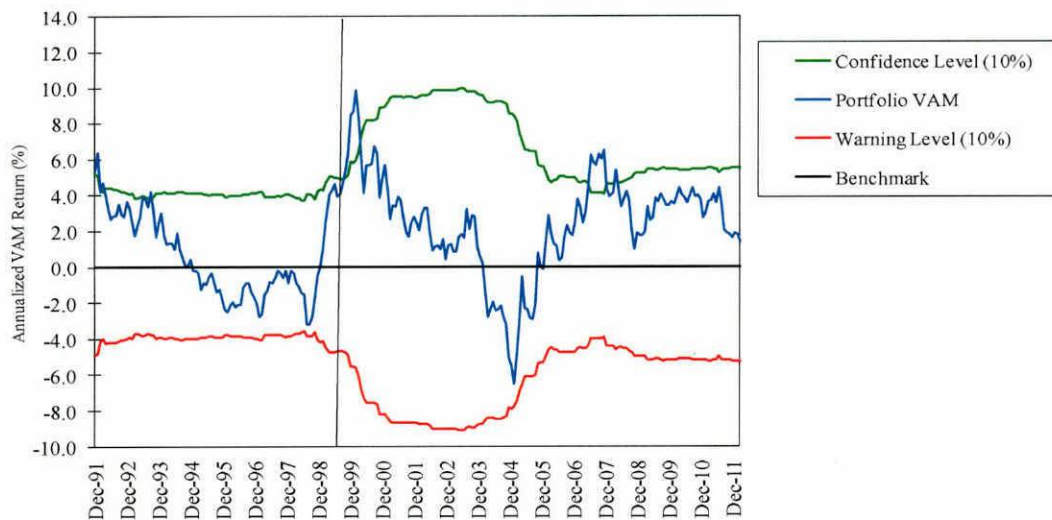
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	17.6%	14.7%
Last 1 year	-3.0	11.0
Last 2 years	11.9	14.6
Last 3 years	27.9	25.3
Last 4 years	8.7	6.6
Last 5 years	6.6	5.1
Since Inception (4/94)	9.3	8.0

Recommendation

No action required.

ZEVENBERGEN CAPITAL INVESTMENTS LLC
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.

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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, 2012

Portfolio Manager: Tim Culler

Assets Under Management: \$481,062,404

Investment Philosophy

Staff Comments

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.

No comment at this time.

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

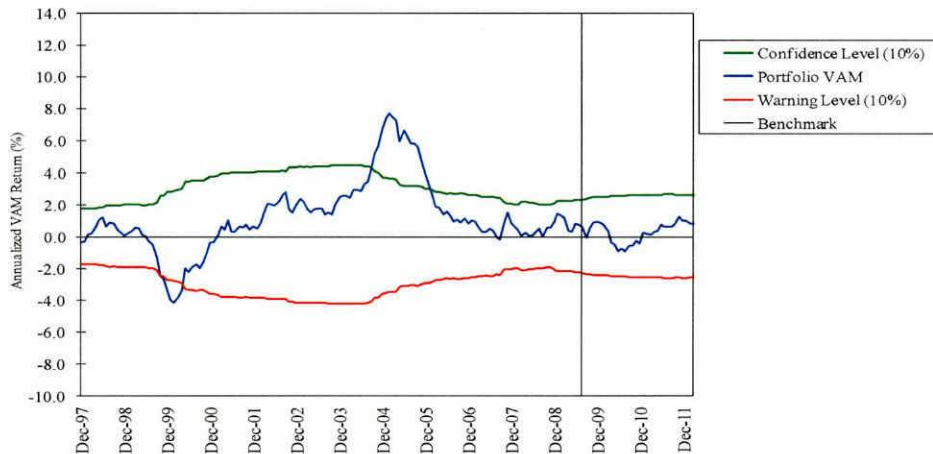
Quantitative Evaluation

Recommendation

	Actual	R1000 Value
Last Quarter	10.8%	11.1%
Last 1 year	5.2	4.8
Last 2 years	8.5	9.8
Last 3 years	21.7	22.8
Last 4 years	3.0	1.6
Last 5 years	0.0	-0.8
Since Inception (4/04)	5.1	4.7

No action required.

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



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

EARNEST PARTNERS, LLC
Periods Ending March, 2012

Portfolio Manager: Paul Viera

Assets Under Management: \$200,889,777

Investment Philosophy

Earnest Partners utilizes its proprietary Return Pattern Recognition model and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures. Extensive research is conducted to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical program designed to measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups.

Staff Comments

No comment at this time.

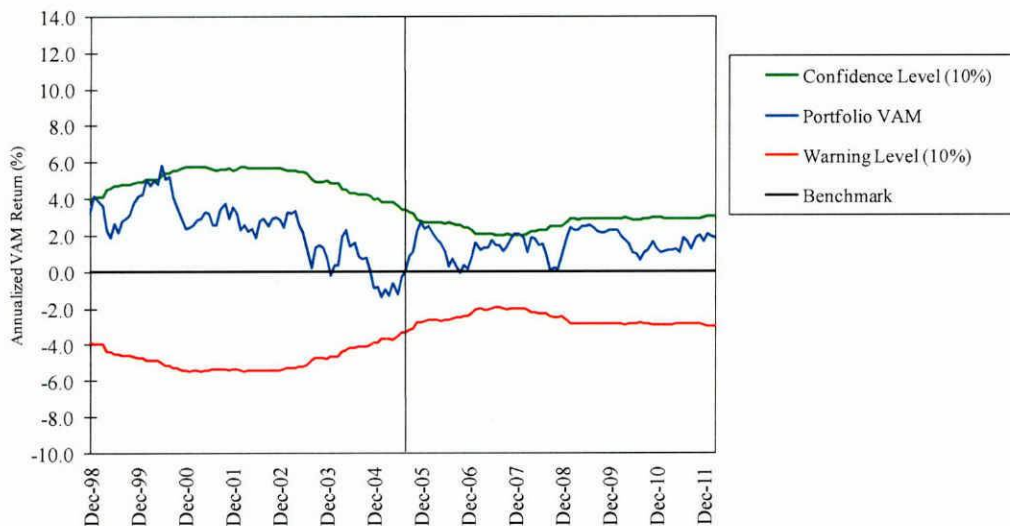
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	12.2%	11.1%
Last 1 year	2.1	4.8
Last 2 years	8.4	9.8
Last 3 years	22.6	22.8
Last 4 years	3.1	1.6
Last 5 years	1.1	-0.8
Since Inception (7/00)	4.5	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, 2012

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$451,632,021

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

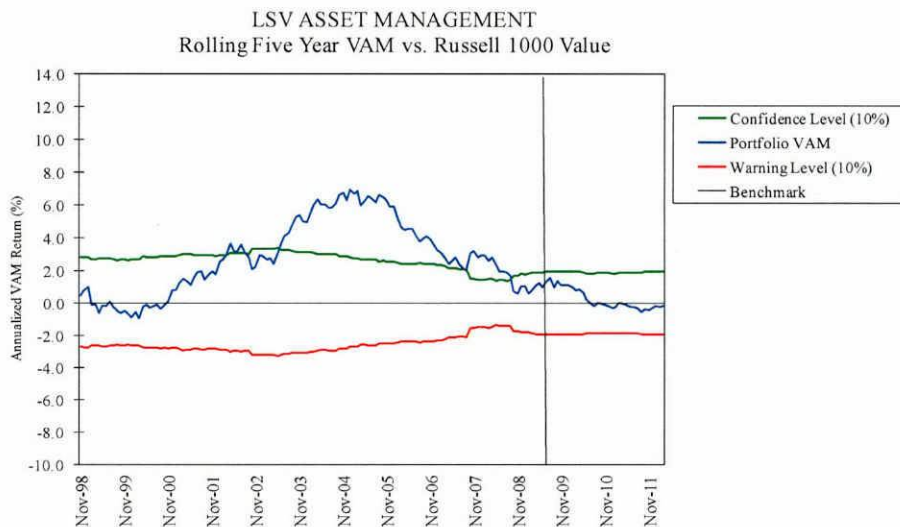
No comment at this time.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	13.4%	11.1%
Last 1 year	3.7	4.8
Last 2 years	9.6	9.8
Last 3 years	23.8	22.8
Last 4 years	1.7	1.6
Last 5 years	-0.9	-0.8
Since Inception (4/04)	5.5	4.7

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, 2012

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$326,094,525

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 underperformed for the year. Stock selection in Consumer Discretionary and an underweight to Utilities helped the quarterly return. For the year, stock selection in Materials & Processing, Technology, and Energy was the largest detractor to performance.

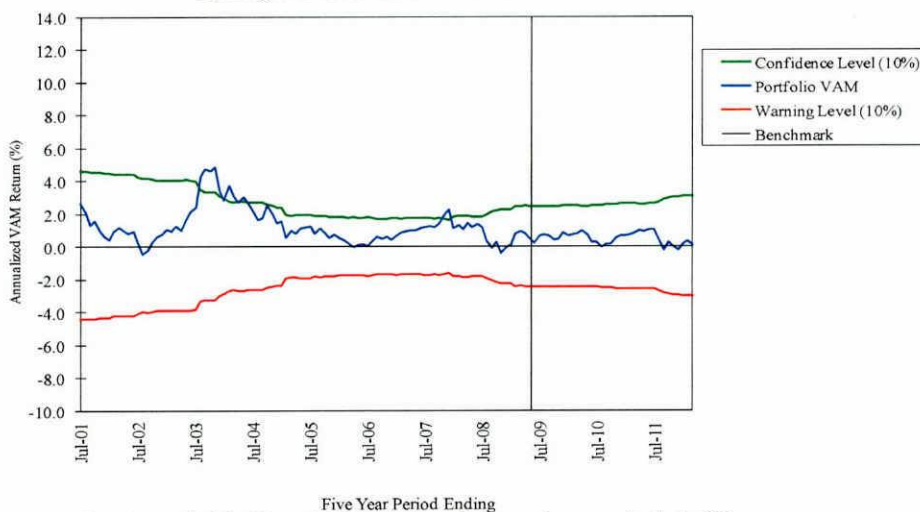
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	15.2%	11.1%
Last 1 year	-0.2	4.8
Last 2 years	8.2	9.8
Last 3 years	21.4	22.8
Last 4 years	1.1	1.6
Last 5 years	-0.7	-0.8
Since Inception (4/04)	4.8	4.7

Recommendation

No action required.

SYSTEMATIC FINANCIAL MANAGEMENT, LP
 Rolling Five Year VAM vs. Russell 1000 Value



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, 2012

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$233,265,759

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

No comment at this time.

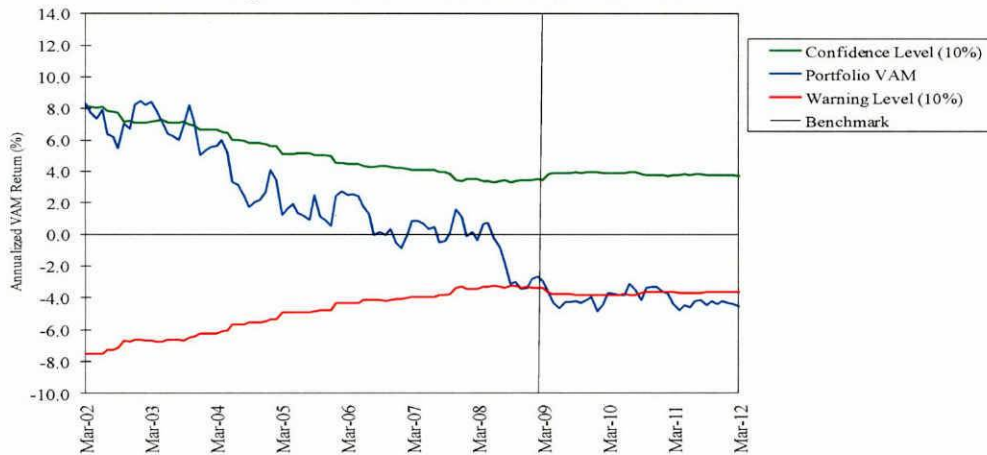
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	14.9%	13.3%
Last 1 year	-0.8	0.7
Last 2 years	12.7	14.9
Last 3 years	22.9	28.4
Last 4 years	1.5	7.7
Last 5 years	-0.5	4.2
Since Inception (1/04)	3.2	6.6

Recommendation

No action required.

MCKINLEY CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Russell 2000 Growth



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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2012

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$294,220,043

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.

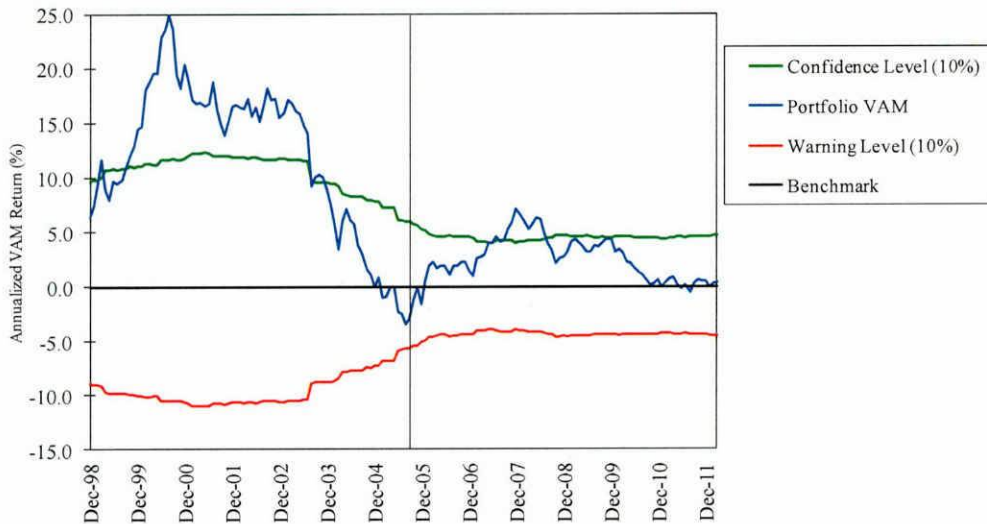
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	14.6%	13.3%
Last 1 year	-4.4	0.7
Last 2 years	14.9	14.9
Last 3 years	27.5	28.4
Last 4 years	4.8	7.7
Last 5 years	4.6	4.2
Since Inception (7/00)	1.5	1.7

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, 2012

Portfolio Manager: William McVail

Assets Under Management: \$294,303,544

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	12.4%	13.3%
Last 1 year	-4.1	0.7
Last 2 years	12.7	14.9
Last 3 years	27.6	28.4
Last 4 years	6.5	7.7
Last 5 years	3.9	4.2
Since Inception (1/04)	6.6	6.6

Recommendation

No action required.



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

Small Cap Value (R2000 Value)

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Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Sally Pope-Davis and Rob Crystal Assets Under Management: \$175,373,906

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.

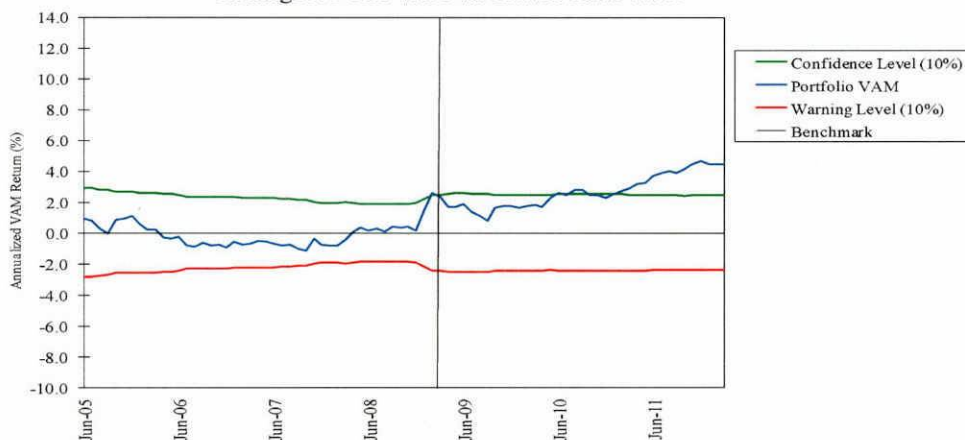
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	11.6%	11.6%
Last 1 year	4.8	-1.1
Last 2 years	14.5	9.2
Last 3 years	28.1	25.4
Last 4 years	8.5	4.7
Last 5 years	4.5	0.0
Since Inception (1/04)	7.9	5.9

Recommendation

No action required.

GOLDMAN SACHS ASSET MANAGEMENT, L.P.
 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 the SBI.

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$147,050,284

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

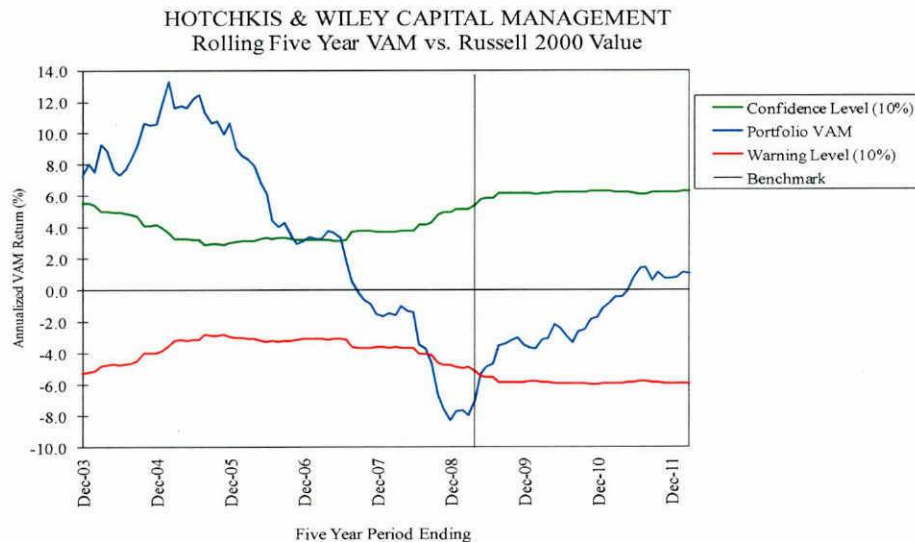
Hotchkis & Wiley outperformed the benchmark for the quarter and underperformed for the year. Stock selection in the Energy and Financial Services sectors helped the quarterly performance. For the year, an overweight allocation and weak stock selection in the Producer Durables sector, along with stock selection in Consumer Discretionary, were the primary detractors to performance.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	15.3%	11.6%
Last 1 year	-4.5	-1.1
Last 2 years	12.8	9.2
Last 3 years	40.9	25.4
Last 4 years	8.6	4.7
Last 5 years	1.1	0.0
Since Inception (1/04)	5.6	5.9

Recommendation

No action required.



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

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: William Jacques

Assets Under Management: \$133,726,046

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.

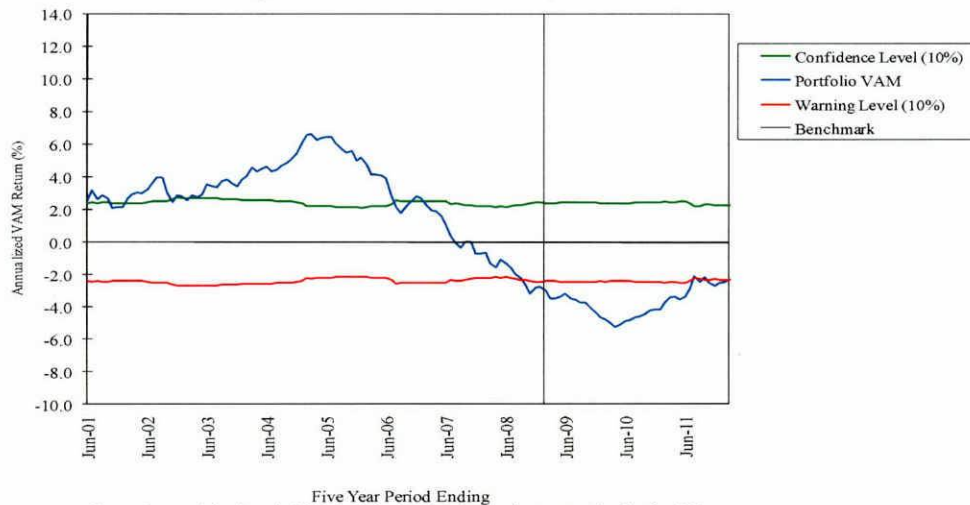
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	12.9%	11.6%
Last 1 year	-0.5	-1.1
Last 2 years	12.1	9.2
Last 3 years	26.6	25.4
Last 4 years	3.6	4.7
Last 5 years	-2.2	0.0
Since Inception (1/04)	4.4	5.9

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, 2012

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$241,685,904

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

Peregrine outperformed for the quarter and for the year. Stock selection in the Technology, Consumer Discretionary and Energy sectors helped both periods.

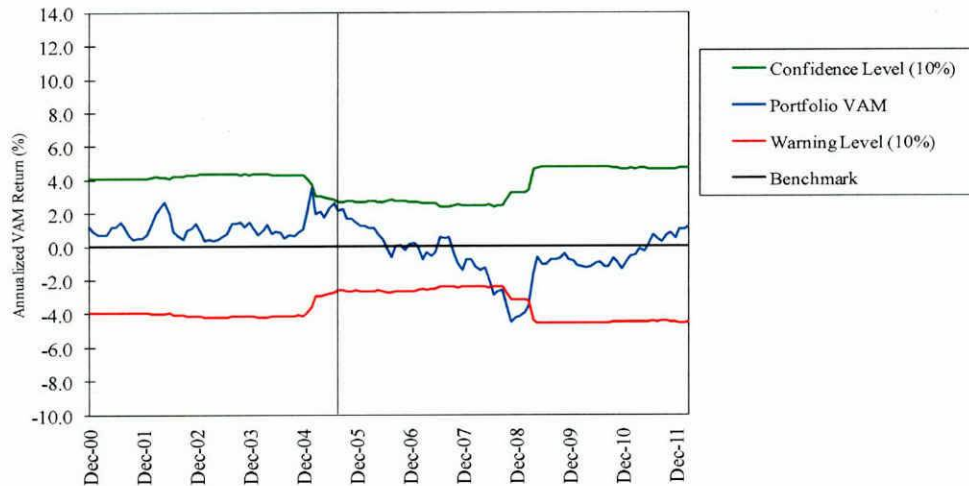
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	16.0%	11.6%
Last 1 year	2.5	-1.1
Last 2 years	13.6	9.2
Last 3 years	36.2	25.4
Last 4 years	8.1	4.7
Last 5 years	1.2	0.0
Since Inception (7/00)	10.1	9.0

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

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Semi-Passive and Passive

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BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2012

Portfolio Manager: Raffaele Savi

Assets Under Management: \$2,461,490,480

Investment Philosophy – Semi-Passive Style

Staff Comments

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.

BlackRock outperformed for the quarter and for the year. Strong stock selection across most sectors helped performance in both periods.

Quantitative Evaluation

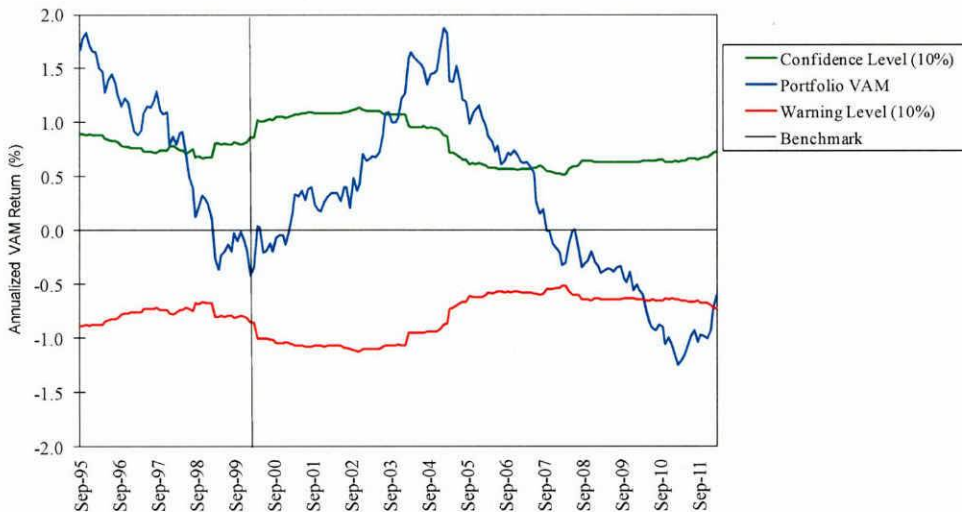
Recommendation

	Actual	Manager Benchmark*
Last Quarter	15.0%	12.9%
Last 1 year	10.9	7.9
Last 2 years	12.5	12.2
Last 3 years	24.0	24.0
Last 4 years	4.2	4.2
Last 5 years	1.6	2.2
Since Inception (1/95)	8.5	8.2

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, 2012

Portfolio Manager: Adrian Banner

Assets Under Management: \$1,756,716,530

Investment Philosophy – Semi-Passive Style

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.

Staff Comments

INTECH lagged the quarterly benchmark and matched for the year. For the quarter, INTECH was negatively impacted by sector weights.

Quantitative Evaluation

	Actual	Russell 1000
Last Quarter	11.8%	12.9%
Last 1 year	7.9	7.9
Last 2 years	12.2	12.2
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)	12.2	12.2

Recommendation

No action required.

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

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2012

Portfolio Manager: Ralph Zingone and Scott Blasdel **Assets Under Management: \$2,906,831,570**

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.

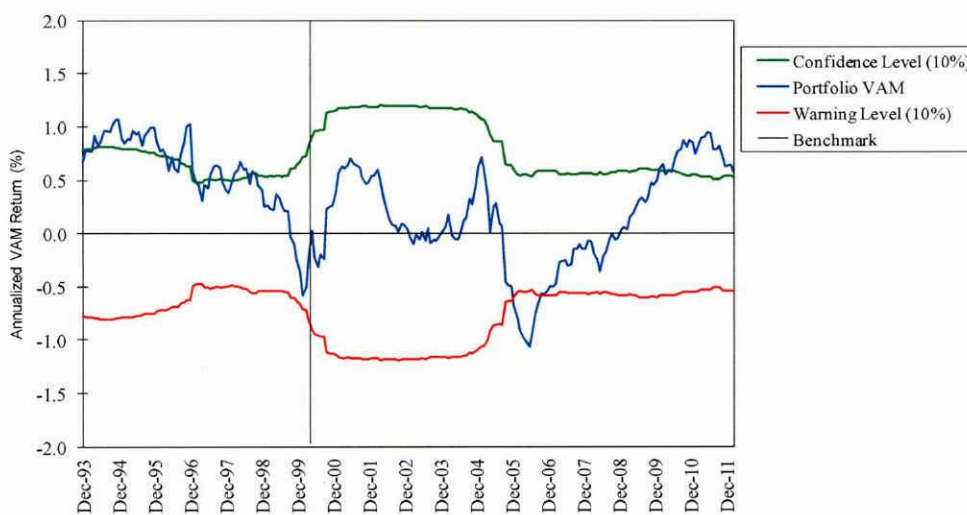
Quantitative Evaluation

Recommendation

	Actual	Manager Benchmark*	
Last Quarter	13.0%	12.9%	No action required.
Last 1 year	7.8	7.9	
Last 2 years	12.1	12.2	
Last 3 years	25.0	24.0	
Last 4 years	5.1	4.2	
Last 5 years	2.8	2.2	
Since Inception (1/95)	8.4	8.2	

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

JP MORGAN - SEMI-PASSIVE
Rolling Five Year VAM vs. Manager Benchmark



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

MELLON CAPITAL MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Warren Chiang

Assets Under Management: \$1,845,980,228

Investment Philosophy – Semi-Passive Style

Staff Comments

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.

No comment at this time.

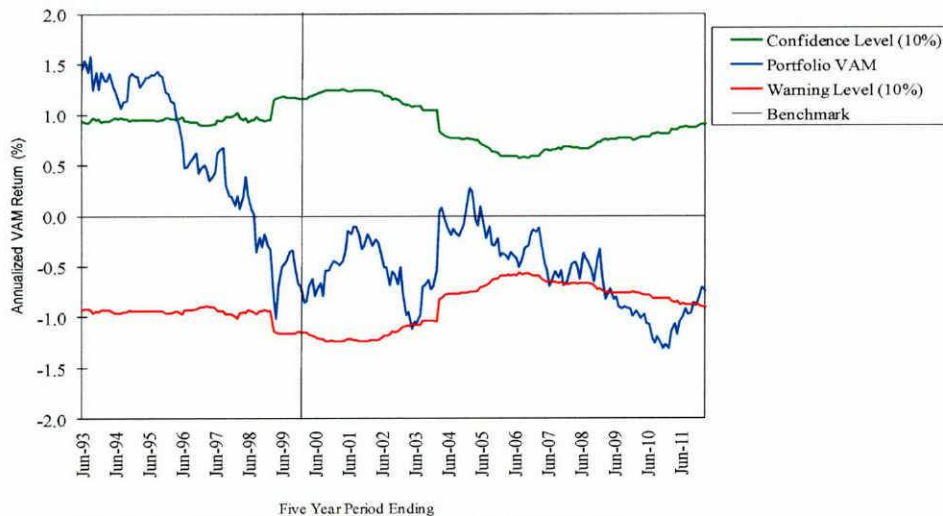
Quantitative Evaluation

Recommendation

	Actual	Manager Benchmark*	
Last Quarter	14.1%	12.9%	No action required.
Last 1 year	11.4	7.9	
Last 2 years	13.2	12.2	
Last 3 years	24.5	24.0	
Last 4 years	4.0	4.2	
Last 5 years	1.4	2.2	
Since Inception (1/95)	7.8	8.2	

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

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



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

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2012

Portfolio Manager: Amy Schioldager

Assets Under Management: \$8,849,959,113

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

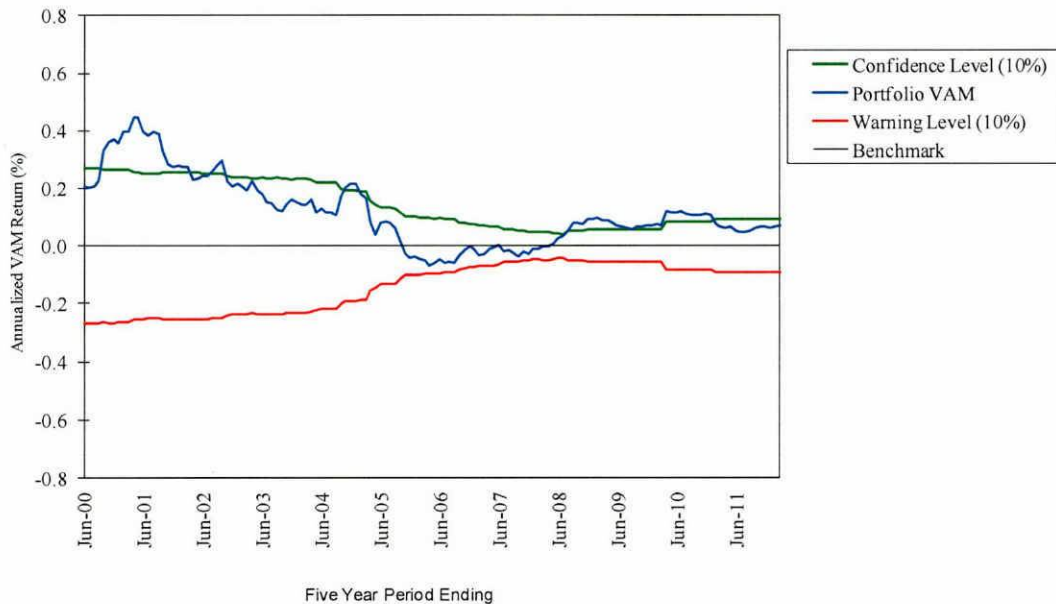
Recommendation

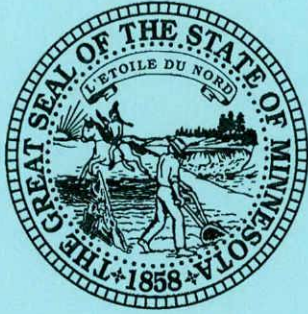
	Actual	Manager Benchmark*
Last Quarter	12.9%	12.9%
Last 1 year	7.2	7.2
Last 2 years	12.2	12.2
Last 3 years	24.3	24.3
Last 4 years	4.4	4.3
Last 5 years	2.3	2.2
Since Inception (7/95)	7.8	7.7

No action required.

* Russell 3000 since 10/1/03, Wilshire 5000 through 7/1/95.

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





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

First Quarter, 2012

Bond Managers

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**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2012**

	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	1.8	0.3	8.5	7.7	12.6	6.8	5.0	6.2	6.2	6.4	\$814.9	7.8%
Columbia (RiverSource)	1.5	0.3	8.8	7.7	9.7	6.8	6.2	6.2	6.1	6.2	\$927.1	8.8%
Dodge & Cox	3.0	0.3	6.8	7.7	10.9	6.8	7.1	6.2	7.3	6.4	\$1,093.0	10.4%
PIMCO	2.4	0.3	5.6	7.7	11.3	6.8			9.9	7.2	\$1,192.1	11.3%
Western	1.6	0.3	7.9	7.7	11.7	6.8	6.5	6.2	9.5	8.4	\$1,235.0	11.8%
Active Mgr. Aggregate	2.1	0.3	7.4	7.7	11.3	6.8	6.1	6.2			\$5,262.2	50.1%
Semi-Passive Managers												
BlackRock	0.5	0.3	8.0	7.7	8.1	6.8	5.7	6.2	6.3	6.3	\$1,669.2	15.9%
Goldman	0.6	0.3	8.3	7.7	9.3	6.8	6.5	6.2	6.5	6.2	\$1,793.0	17.1%
Neuberger	0.9	0.3	8.0	7.7	10.6	6.8	6.8	6.2	7.5	7.3	\$1,785.2	17.0%
Semi-Passive Mgr. Aggregate	0.7	0.3	8.1	7.7	9.3	6.8	6.4	6.2			\$5,247.4	49.9%
Historical Aggregate (2)	1.4	0.3	7.7	7.7	10.3	6.8	6.3	6.2	8.5	8.4	\$10,509.5	100.0%
Barclays Capital Aggregate (3)		0.3		7.7		6.8		6.2		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 Solomon BIG.

COMBINED RETIREMENT FUNDS
BOND MANAGERS
Calendar Year Returns

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	8.0	7.8	10.7	6.5	18.4	5.9	-14.7	5.2	5.6	7.0
Columbia (RiverSource)	8.1	7.8	8.1	6.5	14.0	5.9	-4.9	5.2	6.6	7.0
Dodge & Cox	5.0	7.8	7.8	6.5	16.5	5.9	0.1	5.2	5.3	7.0
PIMCO	4.5	7.8	12.1	6.5	15.5	5.9				
Western	7.1	7.8	10.9	6.5	17.5	5.9	-6.8	5.2	5.4	7.0
Active Mgr. Aggregate	6.4	7.8	10.0	6.5	16.5	5.9	-7.3	5.2	5.8	7.0
Semi-Passive Managers										
BlackRock	8.0	7.8	6.5	6.5	9.6	5.9	-1.1	5.2	6.8	7.0
Goldman	8.3	7.8	8.0	6.5	12.0	5.9	-1.2	5.2	7.0	7.0
Neuberger	7.6	7.8	9.1	6.5	14.3	5.9	-1.9	5.2	6.3	7.0
Semi-Passive Mgr. Aggregate	8.0	7.8	7.9	6.5	12.0	5.9	-1.4	5.2	6.7	7.0
Historical Aggregate	7.2	7.8	9.0	6.5	14.3	5.9	-4.2	5.2	6.3	7.0
Barclays Capital Aggregate		7.8		6.5		5.9		5.2		7.0

The benchmark for the Fixed Income Asset Class is the Barclays Capital U.S. Aggregate Bond Index.

ABERDEEN ASSET MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Neil Moriarty

Assets Under Management: \$814,941,019

Investment Philosophy

Aberdeen (formerly Deutsche) believes there are pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent outperformance 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 151 bps for the quarter and 74 bps over the last 12 months. Quarterly and one-year performance was driven by security selection within the taxable municipal sector and overweight positions in CMBS and ABS. Exposure to non-Agency MBS and Agency MBS were detractors from performance for the year.

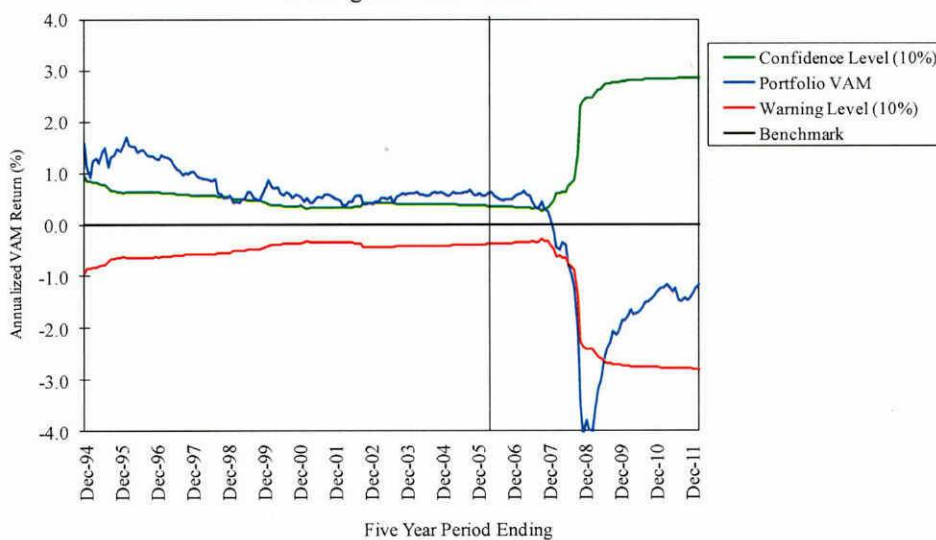
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.8%	0.3%
Last 1 year	8.5	7.7
Last 2 years	8.4	6.4
Last 3 years	12.6	6.8
Last 4 years	5.6	5.9
Last 5 years	5.0	6.2
Since Inception (2/00)	6.2	6.4

Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT
Rolling Five Year VAM



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, 2012

Portfolio Manager: Colin Lundgren

Assets Under Management: \$927,071,633

Investment Philosophy

Columbia (formerly American Express and RiverSource) 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. Columbia was retained by the SBI in July 1993.

Staff Comments

Columbia outperformed the benchmark by 118 bps for the quarter and 104 bps over the last 12 months. Overweight positions in CMBS and investment grade corporate bonds contributed to performance for the quarter. Security selection within the MBS and investment grade corporate sectors added to performance over the full year period. Interest rate decisions detracted from performance for the year.

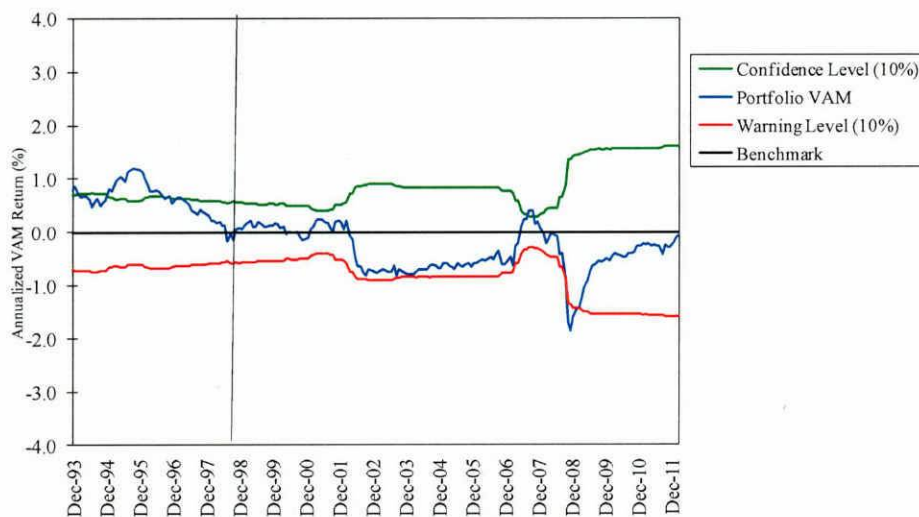
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	0.3%
Last 1 year	8.8	7.7
Last 2 years	7.7	6.4
Last 3 years	9.7	6.8
Last 4 years	6.5	5.9
Last 5 years	6.2	6.2
Since Inception (7/93)	6.1	6.2

Recommendations

No action required.

COLUMBIA MANAGEMENT - FIXED INCOME
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.

DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2012

Portfolio Manager: Dana Emery

Assets Under Management: \$1,093,033,524

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

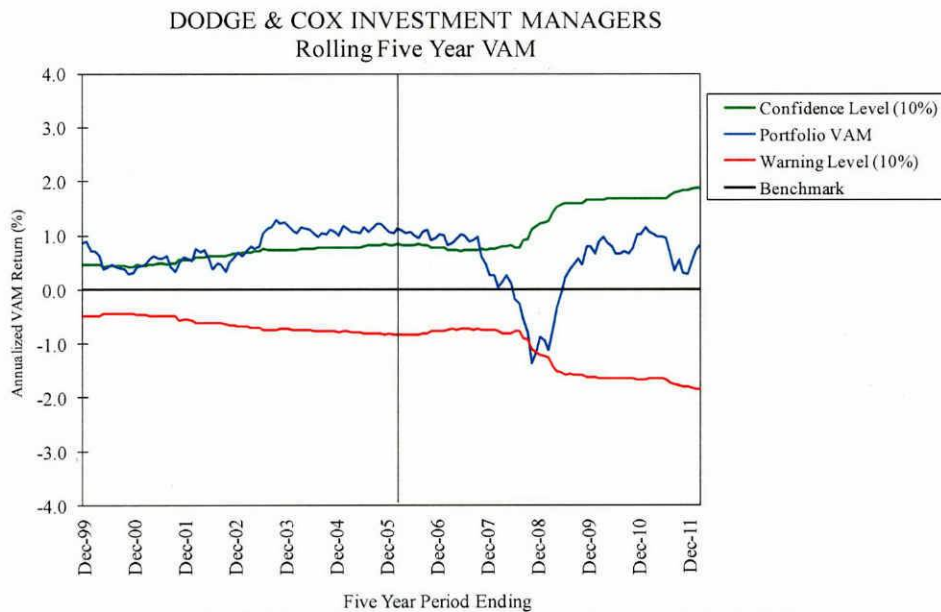
Dodge & Cox outperformed the benchmark by 274 bps for the quarter and underperformed the benchmark by 92 bps over the last 12 months. Overweight exposure to investment grade corporate bonds, particularly financials, and an underweight position in Treasuries contributed to quarterly returns. Security selection within the taxable municipal sector added to performance for the quarter and year. A shorter relative duration position, an overweight to investment grade corporate securities, and an underweight to U.S. Treasury securities detracted from one-year performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	0.3%
Last 1 year	6.8	7.7
Last 2 years	6.7	6.4
Last 3 years	10.9	6.8
Last 4 years	7.8	5.9
Last 5 years	7.1	6.2
Since Inception (2/00)	7.3	6.4

Recommendations

No action required.



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

PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)
Periods Ending March, 2012

Portfolio Manager: Bill Gross

Assets Under Management: \$1,192,064,861

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 214 bps for the quarter and underperformed the benchmark by 210 bps over the last 12 months. Overweight positions in Agency MBS, CMBS, and the financials sub-sector of the investment grade corporate sector added to performance for the quarter while a slight overweight to U.S. duration and underweight to corporate bonds detracted from quarterly performance. An underweight position in U.S. Treasuries detracted from performance for the year.

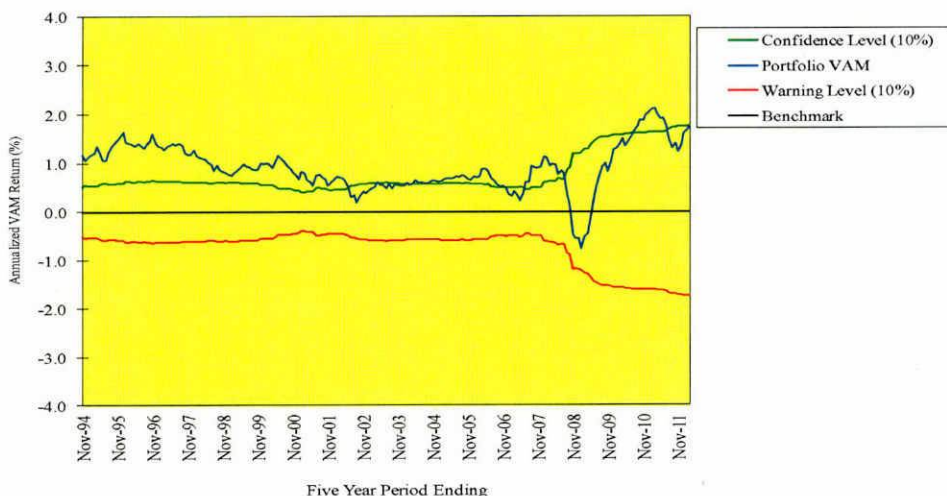
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.4%	0.3%
Last 1 year	5.6	7.7
Last 2 years	7.6	6.4
Last 3 years	11.3	6.8
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	9.9	7.2

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, 2012

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,235,041,148

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 130 bps for the quarter and 24 bps over the last 12 months. An overweight to investment grade corporate bonds, particularly financials, and exposure to non-Agency MBS, high-yield corporate bonds, and TIPS were the largest positive contributors to performance for the quarter. Exposure to high-yield corporate bonds and security selection within the Agency MBS sector added to performance for the year. A bias toward longer-dated securities detracted from quarterly performance, while an overweight position in investment grade corporate bonds negatively impacted one-year performance.

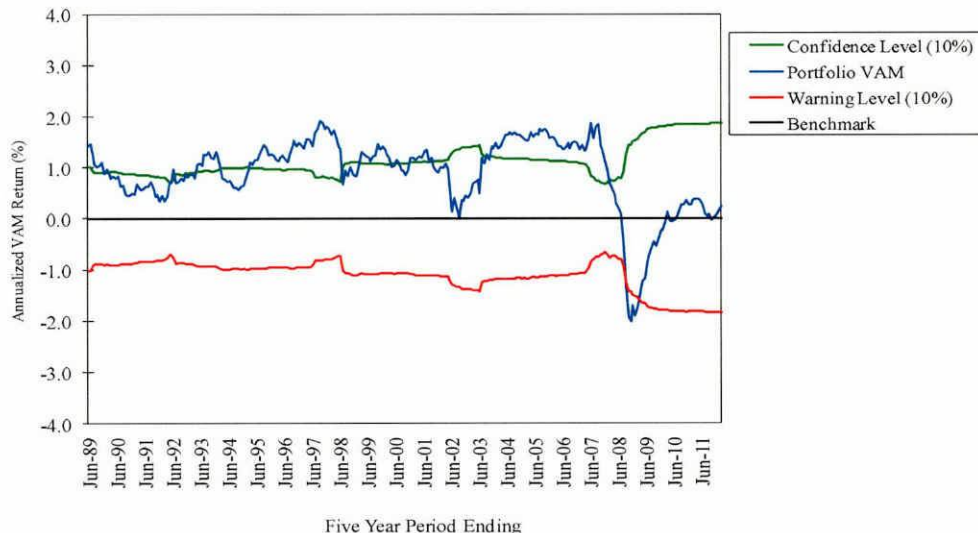
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	0.3%
Last 1 year	7.9	7.7
Last 2 years	8.2	6.4
Last 3 years	11.7	6.8
Last 4 years	7.2	5.9
Last 5 years	6.5	6.2
Since Inception (7/84)	9.5	8.4

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending March, 2012

Portfolio Manager: Brian Weinstein

Assets Under Management: \$1,669,228,261

Investment Philosophy

BlackRock manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. 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

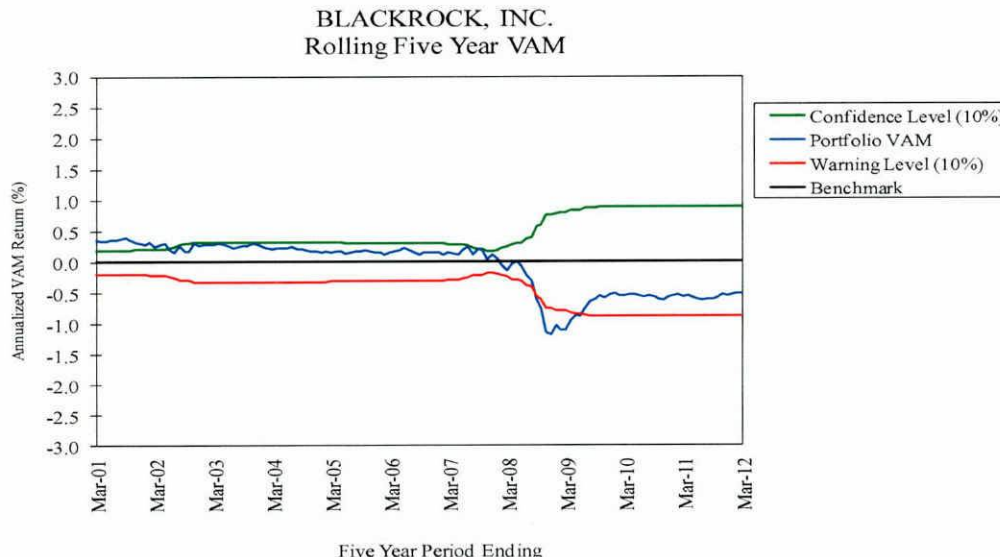
Blackrock outperformed the benchmark by 21 bps for the quarter and 28 bps over the last 12 months. An overweight position in CMBS, an allocation to TIPS, and security selection within the investment grade corporate sector contributed to positive quarterly performance. Positive contributors to one-year performance included an overweight position in ABS, yield curve positioning, and security selection within the investment grade corporate and ABS sectors. An underweight position to investment grade corporate bonds negatively impacted quarterly performance, as the sector outperformed U.S. Treasuries.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.5%	0.3%
Last 1 year	8.0	7.7
Last 2 years	6.6	6.4
Last 3 years	8.1	6.8
Last 4 years	5.5	5.9
Last 5 years	5.7	6.2
Since Inception (4/96)	6.3	6.3

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Jonathon Beinrer

Assets Under Management: \$1,792,955,323

Investment Philosophy

Goldman manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. 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 30 bps for the quarter and 54 bps over the last 12 months. Quarterly performance was driven by an overweight to non-Agency MBS and security selection within the investment grade corporate and Agency MBS sectors. Security selection within Agency and non-Agency MBS and CMBS were the largest positive contributors to one-year performance, while an overweight position in non-Agency MBS was the largest detractor.

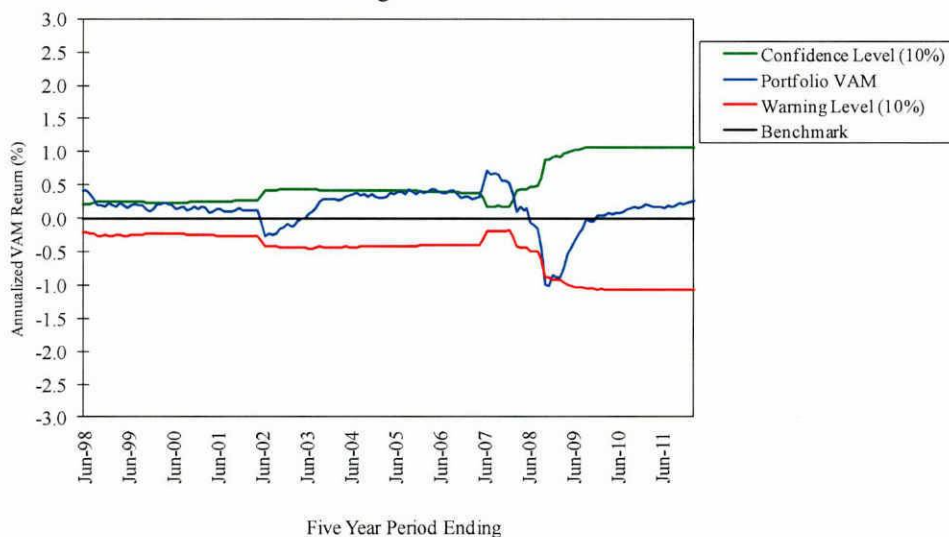
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0.3%
Last 1 year	8.3	7.7
Last 2 years	7.2	6.4
Last 3 years	9.3	6.8
Last 4 years	6.8	5.9
Last 5 years	6.5	6.2
Since Inception (7/93)	6.5	6.2

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,785,207,386

Investment Philosophy

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. 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 24 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 Berman outperformed the benchmark by 63 bps for the quarter and 27 bps over the last 12 months. Quarterly results were driven by security selection within the investment grade corporate bond sector and overweight positions in the CMBS, corporate, and Agency MBS sectors. One-year performance was driven by overweight positions in CMBS and Agency MBS. An overweight position in investment grade corporate bonds detracted from one-year performance.

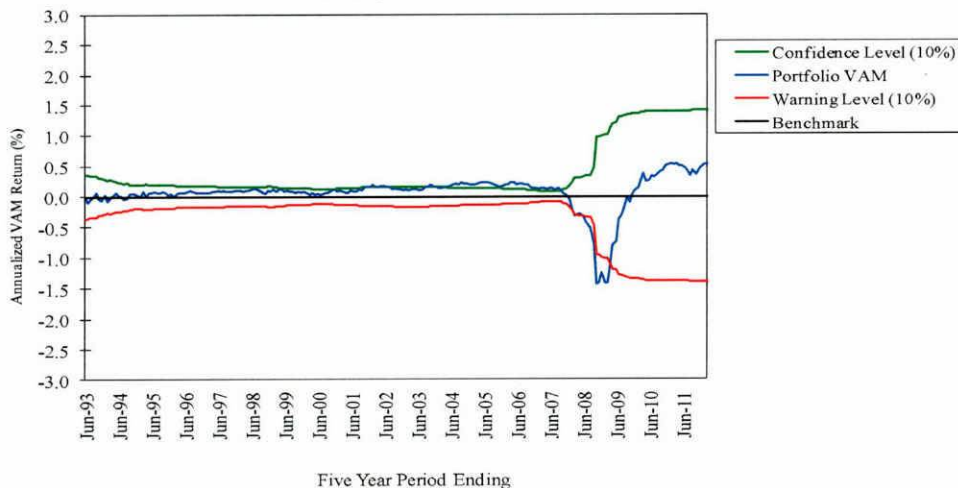
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.9%	0.3%
Last 1 year	8.0	7.7
Last 2 years	7.3	6.4
Last 3 years	10.6	6.8
Last 4 years	7.3	5.9
Last 5 years	6.8	6.2
Since Inception (7/88)	7.5	7.3

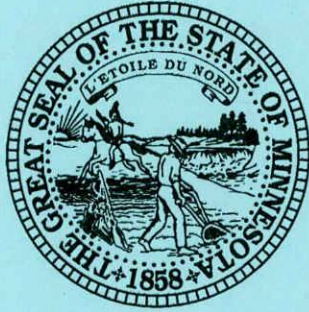
Recommendations

No action required.

NEUBERGER INVESTMENT MANAGEMENT
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2012

International Managers

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**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2012**

	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	10.8	10.4	-6.3	-6.6	18.2	17.6	-5.7	-2.9	3.1	4.0	\$275.2	3.8%
Columbia (RiverSource)	13.2	10.4	-4.0	-6.6	18.4	17.6	-1.0	-2.9	0.6	2.0	\$274.6	3.8%
Invesco	7.4	10.4	-8.9	-6.6	14.5	17.6	-3.5	-2.9	3.1	2.0	\$220.2	3.1%
J.P. Morgan	11.3	10.4	-4.5	-6.6	18.9	17.6	-1.6	-2.9	4.2	4.0	\$240.8	3.4%
Marathon	11.4	10.4	-2.4	-6.6	19.9	17.6	0.3	-2.9	8.2	4.8	\$554.0	7.7%
McKinley	10.9	10.4	-7.8	-6.6	14.0	17.6	-5.4	-2.9	2.5	4.0	\$226.4	3.2%
Pyramis (Fidelity)	11.9	10.4	-4.5	-6.6	18.9	17.6	-0.5	-2.9	5.5	4.0	\$266.9	3.7%
Aggregate	11.1	10.4	-5.0	-6.6	18.1	17.6	-2.1	-2.9			\$2,058.2	28.7%
Active Emerging Markets (3)												
Capital International	13.0	14.1	-14.0	-8.8	21.6	25.1	4.7	4.8	11.2	12.4	\$737.5	10.3%
Morgan Stanley	13.2	14.1	-5.9	-8.8	25.0	25.1	3.7	4.8	12.3	12.4	\$743.8	10.4%
Aggregate	13.1	14.1	-10.5	-8.8	23.0	25.1	3.5	4.8			\$1,481.3	20.7%
Semi-Passive Developed Markets (2)												
AQR	10.7	10.4	-8.4	-6.6	18.5	17.6	-3.0	-2.9	3.9	4.0	\$258.4	3.6%
Pyramis (Fidelity)	11.5	10.4	-6.3	-6.6	17.6	17.6	-2.2	-2.9	4.8	4.0	\$395.5	5.5%
State Street	11.0	10.4	-10.6	-6.6	16.5	17.6	-4.6	-2.9	2.8	4.0	\$240.3	3.4%
Aggregate	11.1	10.4	-8.1	-6.6	17.6	17.6	-3.2	-2.9			\$894.3	12.5%
Passive Emerging & Developed Markets (2) (3)												
State Street (Emerging Mkts.)	13.5	14.1							13.5	14.1	\$164.0	2.3%
State Street (Developed Mkts.)	10.4	10.4	-6.3	-6.6	18.2	17.6	-2.5	-2.9	6.2	5.9	\$2,568.3	35.8%
Since 10/1/92												
Equity Only (4) (6)	11.3	11.2	-7.2	-7.2	19.2	19.1	-1.4	-1.5	6.8	6.3	\$7,166.1	100.0%
Total Program (5) (6)	11.3	11.2	-7.2	-7.2	19.2	19.1	-1.4	-1.5	6.9	6.3	\$7,166.1	100.0%
SBI Int'l Equity Target (6)		11.2		-7.2		19.1		-1.5		6.3		
MSCI ACWI Free ex. U.S. (7)		11.2		-7.2		19.1		-1.6		6.6		
MSCI World ex U.S. (net)		10.4		-6.6		17.6		-2.9		6.0		
MSCI EAFE Free (net)		10.9		-5.8		17.1		-3.5		5.7		
MSCI Emerging Markets Free (8)		14.1		-8.8		25.1		4.7		9.0		

- (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**

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	-12.9	-12.2	13.9	8.9	28.8	33.7	-50.5	-43.5	10.0	12.6
Columbia (RiverSource)	-12.1	-12.2	15.2	8.9	29.3	33.7	-40.8	-43.5	12.4	12.6
Invesco	-13.0	-12.2	5.8	8.9	32.0	33.7	-38.8	-43.5	8.4	12.6
J.P. Morgan	-10.2	-12.2	7.6	8.9	37.5	33.7	-41.5	-43.5	8.8	12.6
Marathon	-9.2	-12.2	14.4	8.9	29.8	33.7	-38.0	-43.5	15.4	12.6
McKinley	-15.5	-12.2	11.8	8.9	24.1	33.7	-48.5	-43.5	20.4	12.6
Pyramis (Fidelity)	-11.9	-12.2	11.7	8.9	35.1	33.7	-42.9	-43.5	17.7	12.6
Aggregate	-11.7	-12.2	11.9	8.9	31.9	33.7	-42.8	-43.5	13.0	12.6
Active Emerging Markets (2)										
Capital International	-22.8	-18.4	16.1	18.9	83.1	78.5	-48.9	-53.2	38.4	39.9
Morgan Stanley	-17.8	-18.4	18.4	18.9	71.7	78.5	-54.5	-53.2	43.0	39.9
Aggregate	-20.6	-18.4	17.1	18.9	77.3	78.5	-53.0	-53.2	40.0	39.9
Semi-Passive Developed Markets (1)										
AQR	-13.9	-12.2	11.4	8.9	36.0	33.7	-44.0	-43.5	9.0	12.6
Pyramis (Fidelity)	-12.6	-12.2	11.5	8.9	30.2	33.7	-44.0	-43.5	18.2	12.6
State Street	-15.6	-12.2	8.7	8.9	34.9	33.7	-45.3	-43.5	9.1	12.6
Aggregate	-13.8	-12.2	10.6	8.9	33.6	33.7	-44.4	-43.5	12.1	12.6
Passive Developed Markets (1)										
State Street	-11.9	-12.2	9.9	8.9	34.0	33.7	-43.4	-43.5	12.9	12.6
Equity Only (4) (5)	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5	17.1	16.9
Total Program (5)	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5	17.1	16.9
SBI Int'l Equity Target (5)		-13.7		11.2		41.5		-45.5		16.9
MSCI ACWI Free ex. U.S. (net)		-13.7		11.2		41.5		-45.5		16.7
MSCI World ex U.S. (net)		-12.2		8.9		33.7		-43.6		12.4
MSCI EAFE Free (net)		-12.1		7.7		31.8		-43.4		11.2
MSCI Emerging Markets Free (net)		-18.4		18.9		78.5		-53.3		39.4

(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).

(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).

(3) Manager terminated effective 12/12/11. A transition manager managed the portfolio through 12/27/11. On 12/28/11 SSgA began managing the account as a MSCI Emerging Markets index passive portfolio.

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

(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).

ACADIAN ASSET MANAGEMENT LLC
Periods Ending March, 2012

Portfolio Manager: John Chisholm

Assets Under Management: \$275,241,834

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.

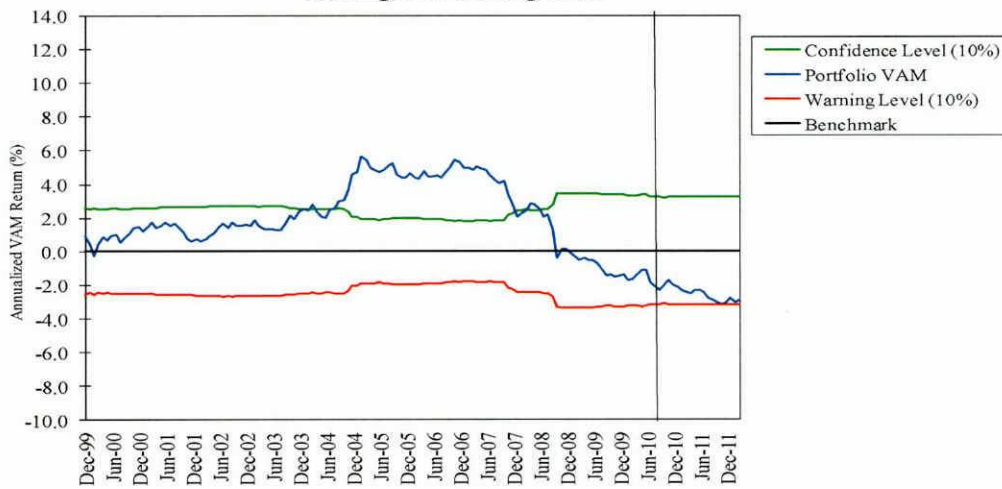
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.8%	10.4%
Last 1 year	-6.3	-6.6
Last 2 years	3.7	2.1
Last 3 years	18.2	17.6
Last 4 years	-6.1	-3.3
Last 5 years	-5.7	-2.9
Since Inception (7/05)	3.1	4.0

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, 2012

Portfolio Manager: Esther Perkins

Assets Under Management: \$274,612,198

Investment Philosophy

RiverSource's philosophy focuses on key forces of change in markets and the companies that will benefit. The firm believes that in a global marketplace, where sustainable competitive advantage is rare, their research should focus on the dynamics of change. A good understanding of the likely impact of these changes at a company level, complemented with an appreciation of the ability of management to exploit these changes, creates significant opportunities to pick winners and avoid losers.

Staff Comments

Stock selection overall added value during the quarter and the year, particularly in the industrials, information technology and consumer discretionary sectors.

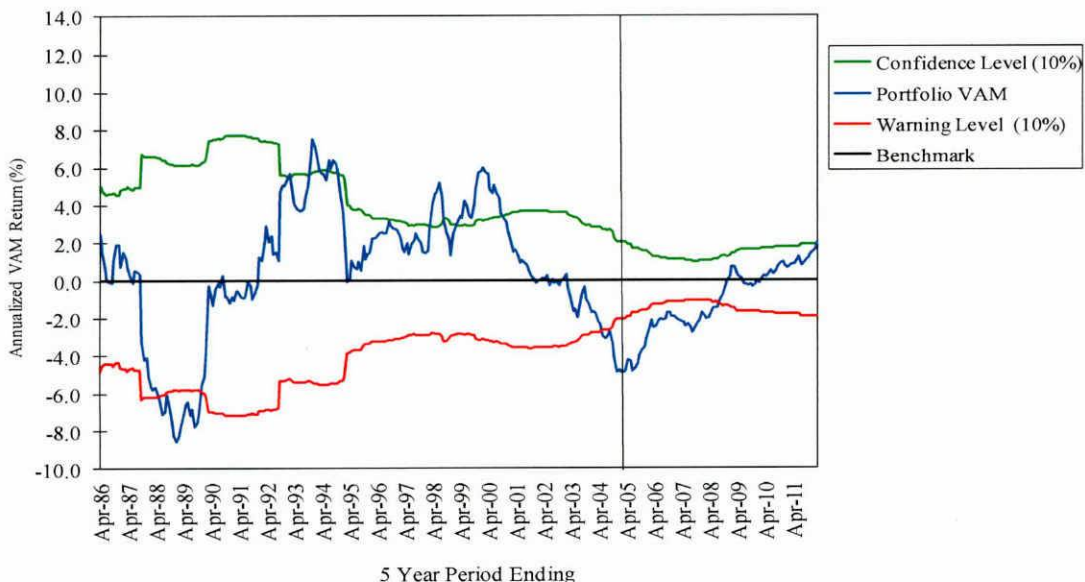
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.2%	10.4%
Last 1 year	-4.0	-6.6
Last 2 years	6.0	2.1
Last 3 years	18.4	17.6
Last 4 years	-0.8	-3.3
Last 5 years	-1.0	-2.9
Since Inception (3/00)	0.6	2.0

Recommendations

No action required.

COLUMBIA MANAGEMENT INVESTMENT ADVISERS
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, 2012

Portfolio Manager: W. Lindsay Davidson

Assets Under Management: \$220,185,809

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

Negative stock selection in the industrials, consumer discretionary, and information technology sectors contributed significantly to the portfolio's underperformance during the quarter and the year.

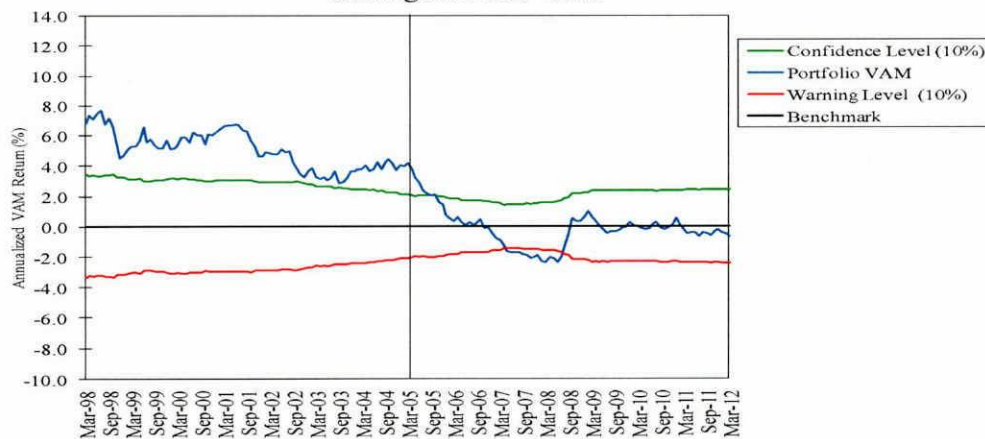
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.4%	10.4%
Last 1 year	-8.9	-6.6
Last 2 years	-1.4	2.1
Last 3 years	14.5	17.6
Last 4 years	-2.8	-3.3
Last 5 years	-3.5	-2.9
Since Inception (3/00)	3.1	2.0

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



5 Year Period Ending
 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, 2012

Portfolio Manager: James Fisher

Assets Under Management: \$240,834,950

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

Positive stock selection in the consumer discretionary sector as well as an underweight to and positive stock selection in the utilities sector contributed to the portfolio's outperformance during the quarter and the year.

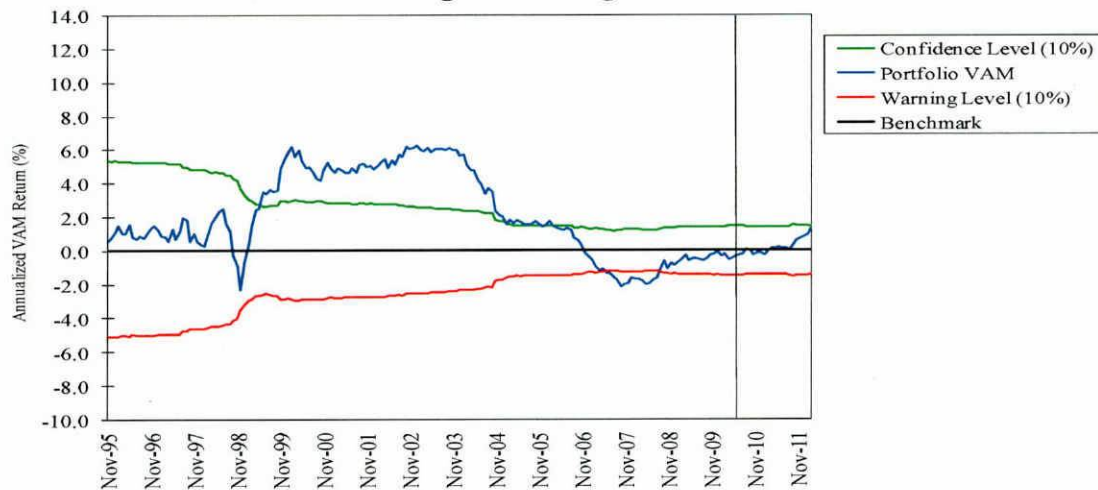
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.3%	10.4%
Last 1 year	-4.5	-6.6
Last 2 years	3.5	2.1
Last 3 years	18.9	17.6
Last 4 years	-1.2	-3.3
Last 5 years	-1.6	-2.9
Since Inception (7/05)	4.2	4.0

Recommendations

No action required.

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



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

MARATHON ASSET MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: William Arah

Assets Under Management: \$553,984,308

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

Positive stock selection in the energy, materials and healthcare sectors contributed to the portfolio's outperformance during the quarter and the year.

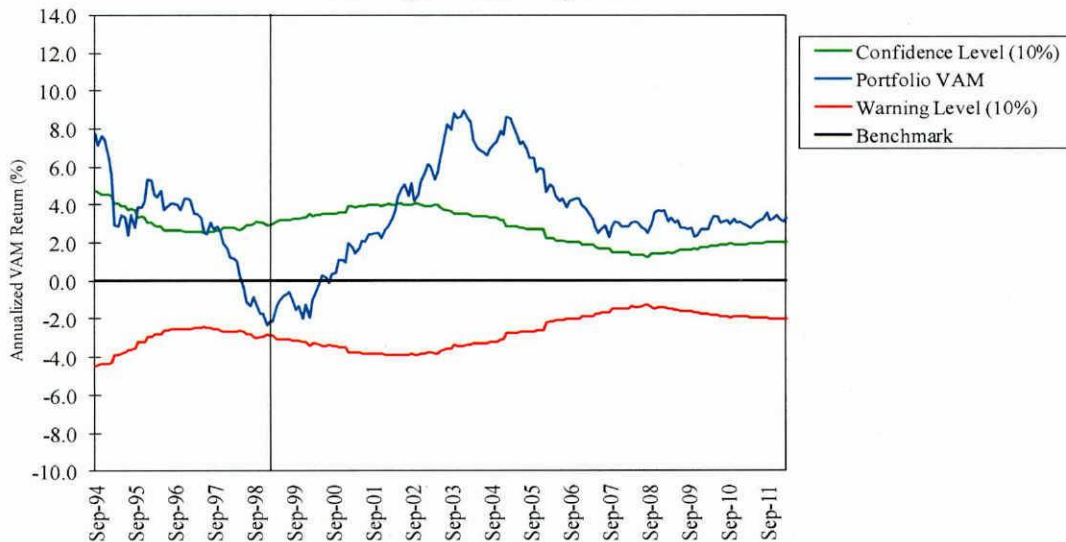
Quantitative Evaluation

	Custom	
	Actual	Benchmark
Last Quarter	11.4%	10.4%
Last 1 year	-2.4	-6.6
Last 2 years	5.3	2.1
Last 3 years	19.9	17.6
Last 4 years	0.1	-3.3
Last 5 years	0.3	-2.9
Since Inception (11/93)	8.2	4.8

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, 2012

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$226,432,675

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

No comment at this time.

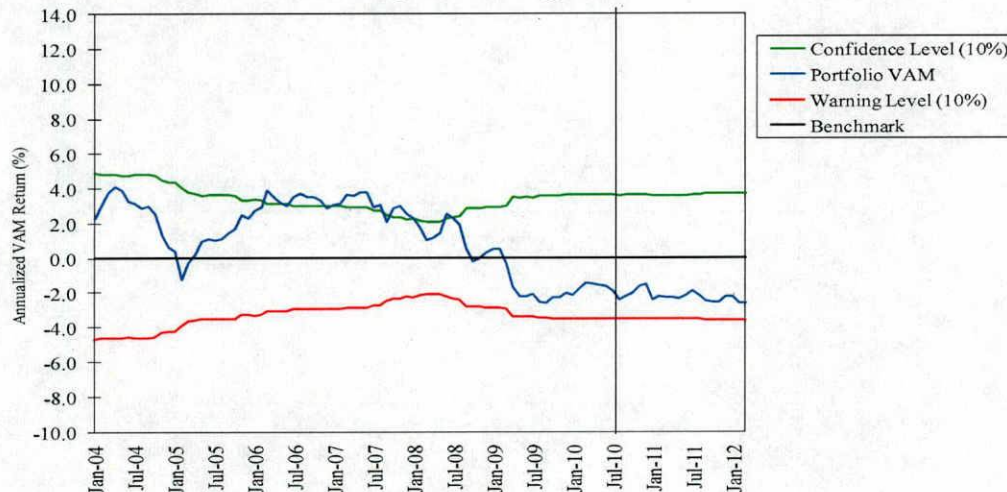
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.9%	10.4%
Last 1 year	-7.8	-6.6
Last 2 years	1.7	2.1
Last 3 years	14.0	17.6
Last 4 years	-6.8	-3.3
Last 5 years	-5.4	-2.9
Since Inception (7/05)	2.5	4.0

Recommendations

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.
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 (Active)
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2012

Portfolio Manager: Michael Strong

Assets Under Management: \$266,866,203

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

Stock selection overall added value in recent time periods, particularly in the industrials, information technology and telecommunications sectors.

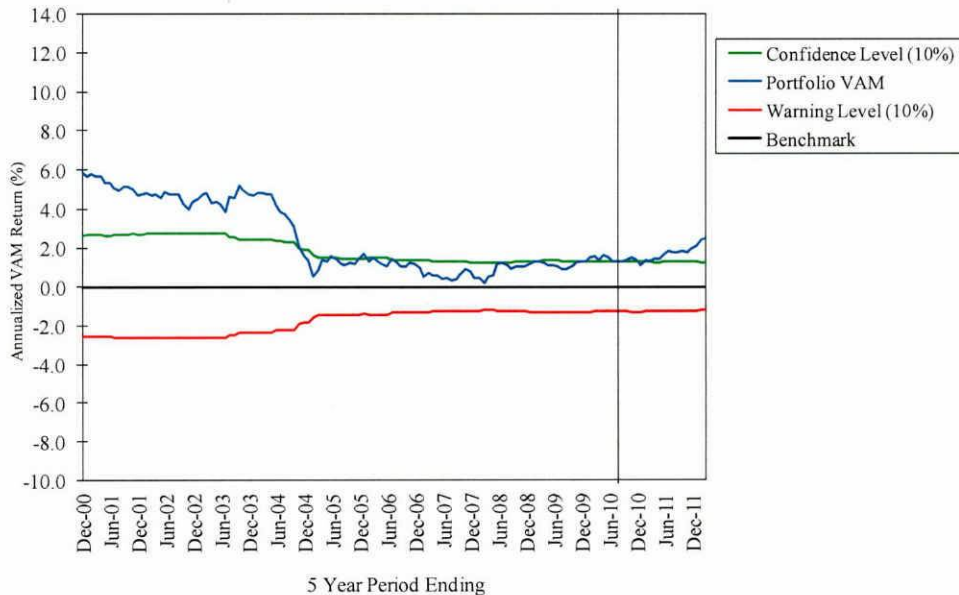
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.9%	10.4%
Last 1 year	-4.5	-6.6
Last 2 years	4.1	2.1
Last 3 years	18.9	17.6
Last 4 years	-1.5	-3.3
Last 5 years	-0.5	-2.9
Since Inception (7/05)	5.5	4.0

Recommendations

No action required.

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



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

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2012

Portfolio Manager: Victor Kohn

Assets Under Management: \$737,491,262

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 South Africa and in the materials and industrials sectors contributed negatively to performance during both the quarter and the year.

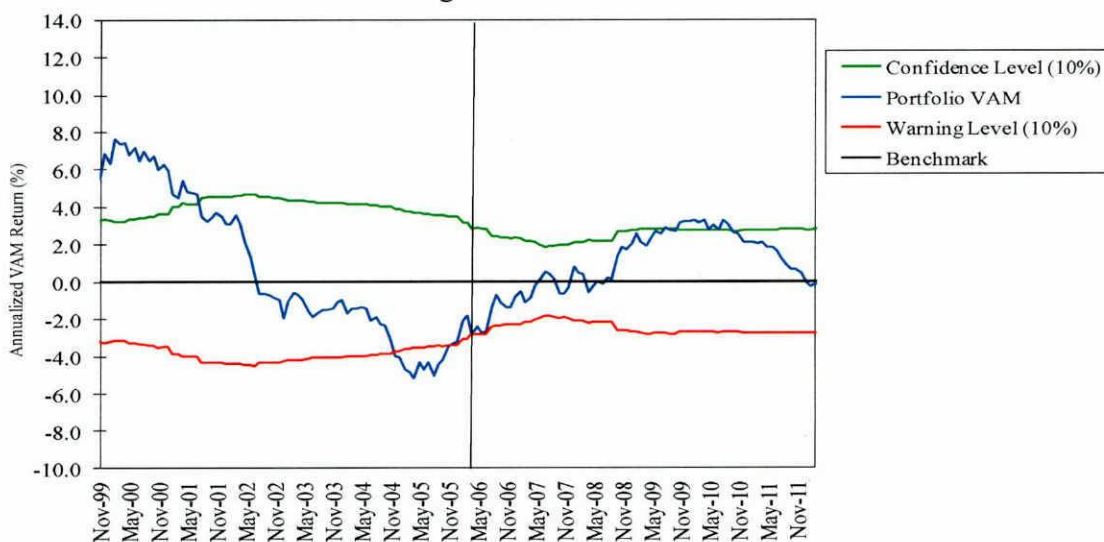
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.0%	14.1%
Last 1 year	-14.0	-8.8
Last 2 years	-0.1	3.9
Last 3 years	21.6	25.1
Last 4 years	0.6	0.9
Last 5 years	4.7	4.8
Since Inception (3/01)	11.2	12.4

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, 2012

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$743,806,168

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

While having added value over the year, stock selection in Brazil and Korea and an overweight position in the consumer staples sector detracted from the portfolio's quarterly returns.

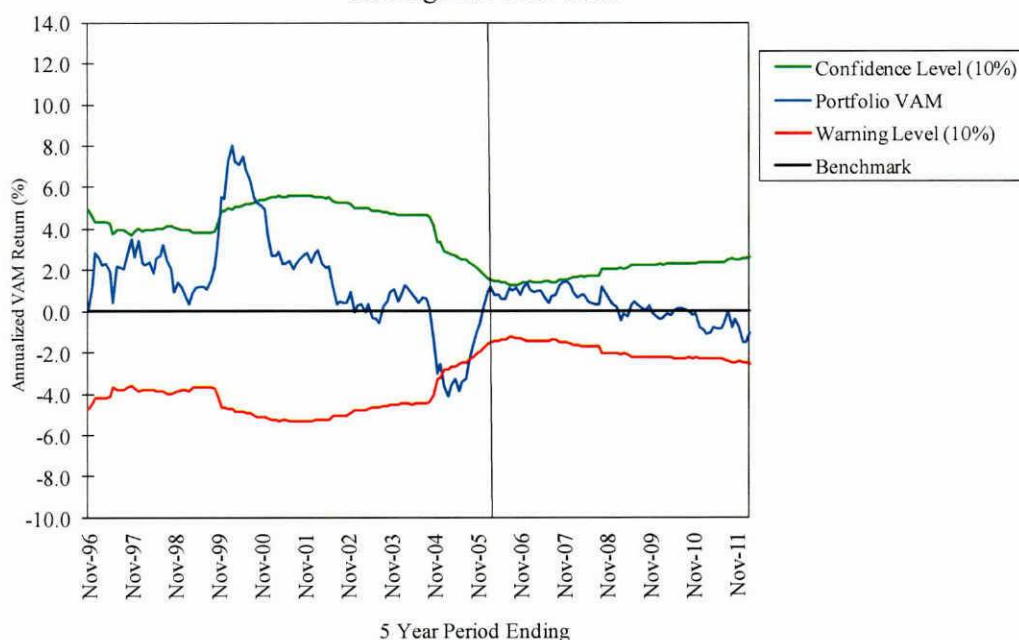
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.2%	14.1%
Last 1 year	-5.9	-8.8
Last 2 years	4.6	3.9
Last 3 years	25.0	25.1
Last 4 years	0.4	0.9
Last 5 years	3.7	4.8
Since Inception (3/01)	12.3	12.4

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



AQR CAPITAL MANAGEMENT, LLC
Periods Ending March, 2012

Portfolio Manager: Cliff Asness

Assets Under Management: \$258,439,311

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.

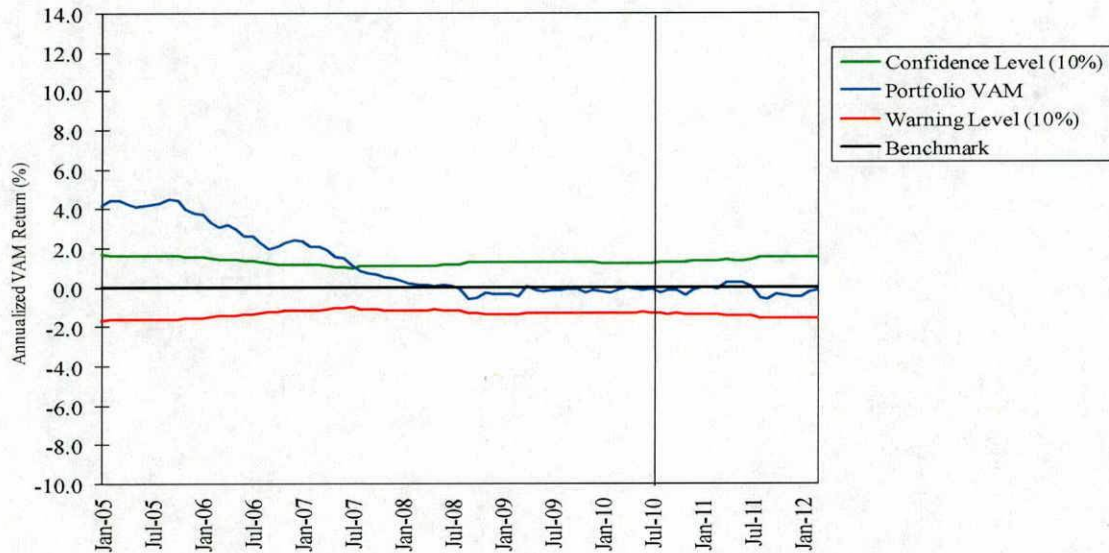
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.7%	10.4%
Last 1 year	-8.4	-6.6
Last 2 years	2.2	2.1
Last 3 years	18.5	17.6
Last 4 years	-2.7	-3.3
Last 5 years	-3.0	-2.9
Since Inception (7/05)	3.9	4.0

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 (Semi-Passive)
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2012

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$395,539,429

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

Stock selection overall added value in recent time periods, particularly in the materials and telecommunications sectors.

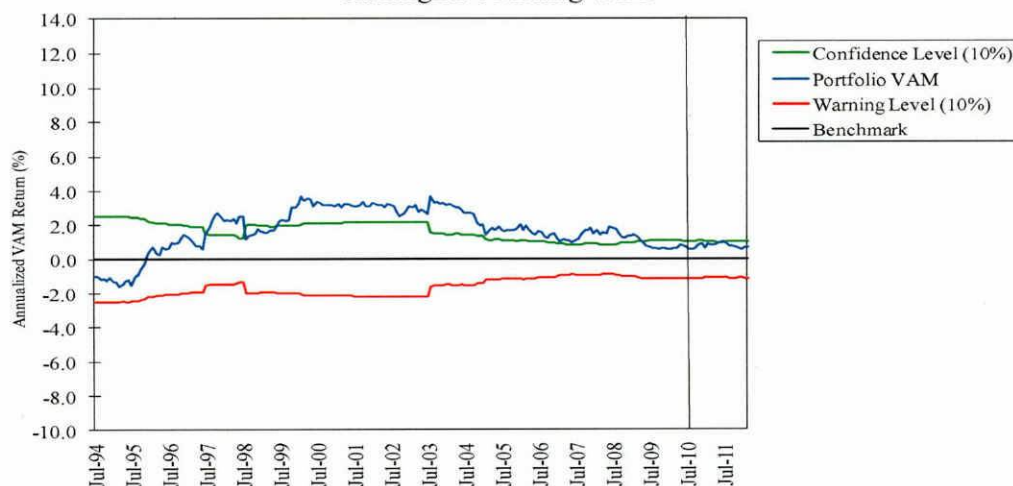
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.5%	10.4%
Last 1 year	-6.3	-6.6
Last 2 years	3.7	2.1
Last 3 years	17.6	17.6
Last 4 years	-3.5	-3.3
Last 5 years	-2.2	-2.9
Since Inception (7/05)	4.8	4.0

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 (Semi-Passive)
Periods Ending March, 2012

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$240,330,752

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.

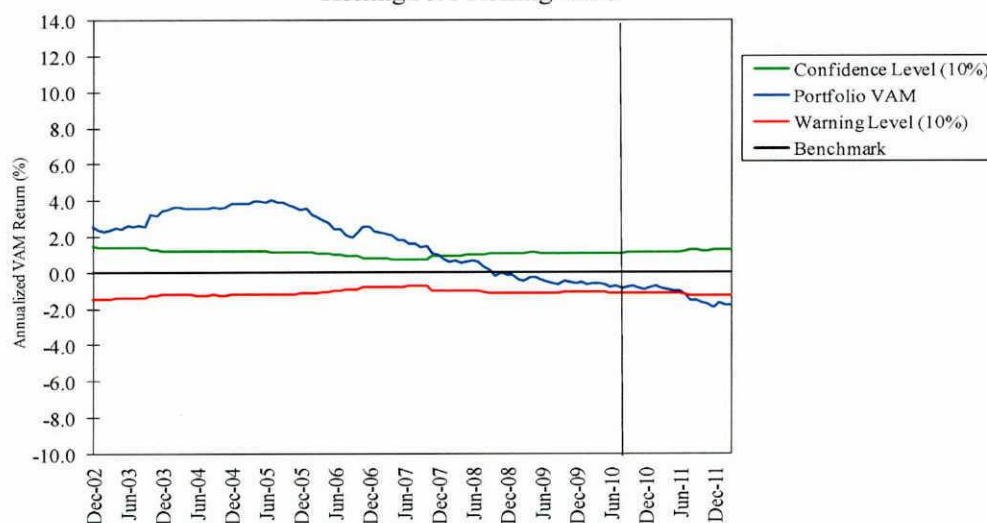
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.0%	10.4%
Last 1 year	-10.6	-6.6
Last 2 years	0.1	2.1
Last 3 years	16.5	17.6
Last 4 years	-4.6	-3.3
Last 5 years	-4.6	-2.9
Since Inception (7/05)	2.8	4.0

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 (Passive Emerging Markets)
Periods Ending March, 2012

Portfolio Manager: Tom Coleman

Assets Under Management: \$164,031,721

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) Emerging Markets. index of 21 markets located in the emerging markets outside of the United States. SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs.

Staff Comments

SSgA began managing the passive emerging markets equity portfolio at the end of 2011, following the termination of AllianceBernstein. The portfolio realized negative tracking error relative to the index during the first quarter primarily due to underweights to restricted securities (Iran and Sudan restrictions) and subsequent overweights that resulted from holding higher-than-benchmark-weights in other names.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.5%	14.1%
Last 1 year	N/A	N/A
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 (12/11)	13.5	14.1

Recommendation

No action required.

VAM Graph will be drawn for period ending 3/31/14.

**STATE STREET GLOBAL ADVISORS (Passive Developed Markets)
Periods Ending March, 2012**

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,568,276,291

Investment Philosophy

State Street Global Advisors (SSgA) passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 23 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 is within expectation over all time periods.

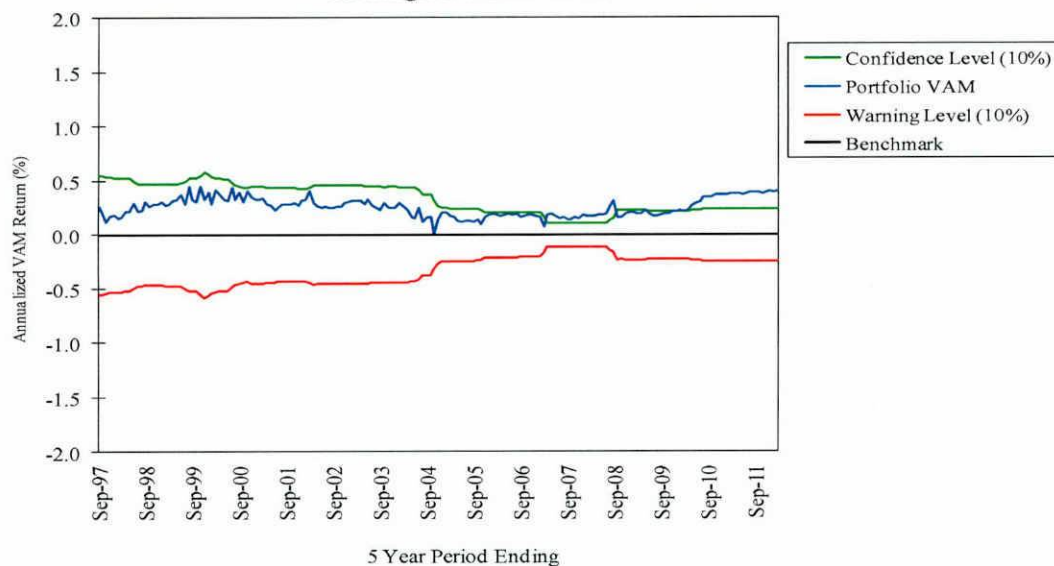
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.4%	10.4%
Last 1 year	-6.3	-6.6
Last 2 years	2.7	2.1
Last 3 years	18.2	17.6
Last 4 years	-2.9	-3.3
Last 5 years	-2.5	-2.9
Since Inception (10/92)	6.2	5.9

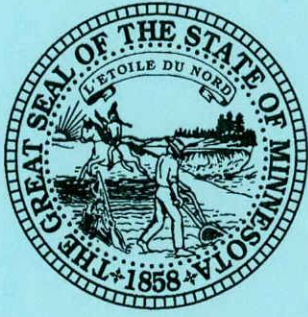
Recommendation

No action required.

**SSGA - PASSIVE DEVELOPED MARKETS
Rolling Five Year VAM**



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STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2012

Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending March, 2012

	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)	14.4	12.6	5.7	8.5	20.8	23.4	2.7	2.0	9.2	8.7	\$75.2
RBC Global Asset Management (2) (Barclays Capital Intermediate Government)	-0.3	-0.4	5.4	5.6	7.6	3.7	5.0	5.5	6.0	6.2	\$207.9
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.7	0.2	3.3	1.0	3.9	1.4	4.2	2.2	5.3	4.2	\$1,456.8
Internal Stock Pool (S&P 500 Index)	12.5	12.6	8.6	8.5	23.4	23.4	2.1	2.0	8.4	8.3	\$1,144.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (3)	1.7	0.3	6.3	7.7	8.2	6.8	6.5	6.2	7.6	7.2	\$90.1
Internal Bond Pool - Trust (Barclays Capital Aggregate)	1.5	0.3	6.3	7.7	7.6	6.8	6.6	6.2	7.1	6.6	\$669.1

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

(2) Prior to July 2011, a blended benchmark consisting 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, and 10% ML 91 day T-Bill was utilized.

(3) Prior to July 1994, the benchmark was the Solomon BIG.

NON - RETIREMENT MANAGERS
Calendar Year Returns

	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	-2.2	2.1	10.7	15.1	32.3	26.5	-35.6	-37.0	8.5	5.5
RBC Global Asset Management (1) (Barclays Capital intermediate Government)	7.1	6.2	8.4	5.0	8.3	0.9	-2.4	9.5	5.8	7.9
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	3.4	1.2	4.1	1.5	4.7	1.9	4.7	2.6	4.8	4.7
Internal Stock Pool (S&P 500 Index)	2.2	2.1	15.1	15.1	26.3	26.5	-36.7	-37.0	5.5	5.5
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	5.3	7.8	7.0	6.5	12.9	5.9	1.3	5.2	6.4	7.0
Internal Bond Pool - Trust (Barclays Capital Aggregate)	5.6	7.8	6.3	6.5	12.2	5.9	2.6	5.2	7.1	7.0

(1) Prior to July 2011, a blended benchmark consisting 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, and 10% ML 91 day T-Bill was utilized.

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2012

Portfolio Manager: Dave Carlson

Assets Under Management: \$75,246,885

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	14.4%	12.6%
Last 1 year	5.7	8.5
Last 2 years	8.6	12.0
Last 3 years	20.8	23.4
Last 4 years	3.8	3.9
Last 5 years	2.7	2.0
Since Inception (1/95)	9.2	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, 2012

Portfolio Manager: John Huber

Assets Under Management: \$207,946,174

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

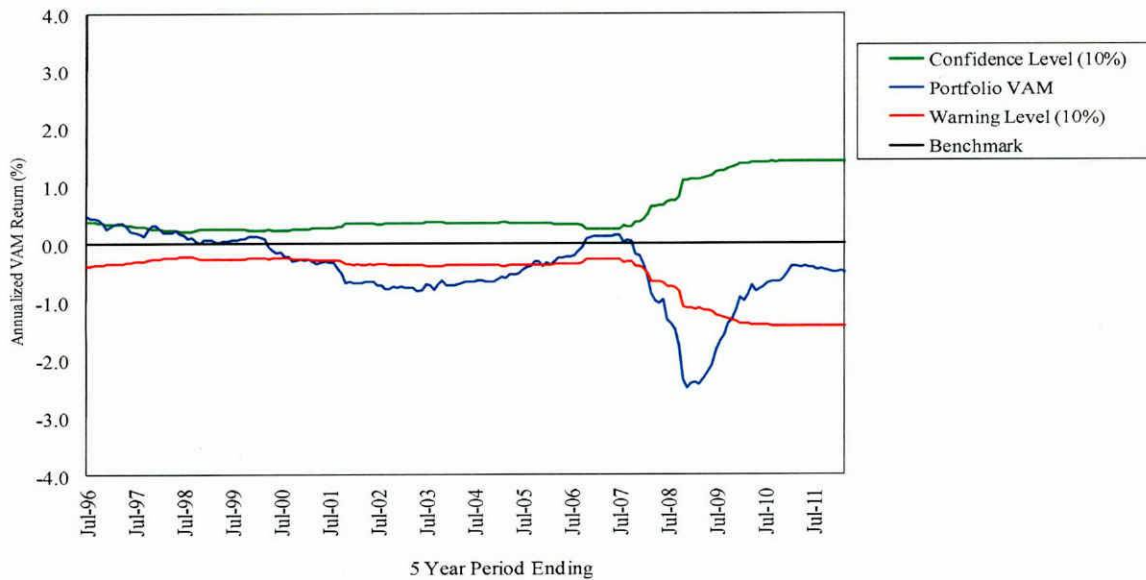
	Actual	Benchmark*
Last Quarter	-0.3%	-0.4%
Last 1 year	5.4	5.6
Last 2 years	6.1	4.8
Last 3 years	7.6	3.7
Last 4 years	5.1	4.4
Last 5 years	5.0	5.5
Since Inception (7/91)	6.0	6.2

Recommendation

No action required.

* From 4/1/02-6/30/11, blended benchmark consisted 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. Effective 7/1/11, Barclays Capital Intermediate Government Index.

RBC GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



GALLIARD CAPITAL MANAGEMENT
Periods Ending March, 2012

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,456,778,994

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.

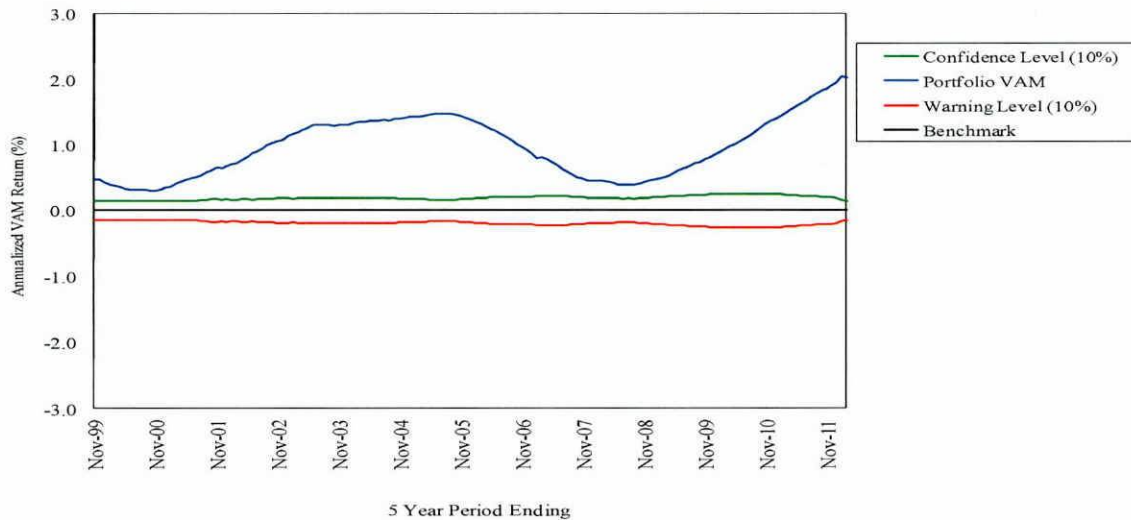
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.7%	0.2%
Last 1 year	3.3	1.0
Last 2 years	3.6	1.2
Last 3 years	3.9	1.4
Last 4 years	4.1	1.7
Last 5 years	4.2	2.2
Since Inception (11/94)	5.3	4.2

Recommendation

No action required.

Galliard Capital Management
 Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2012

Portfolio Manager: Mike Messen

Assets Under Management: \$1,144,860,153

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.

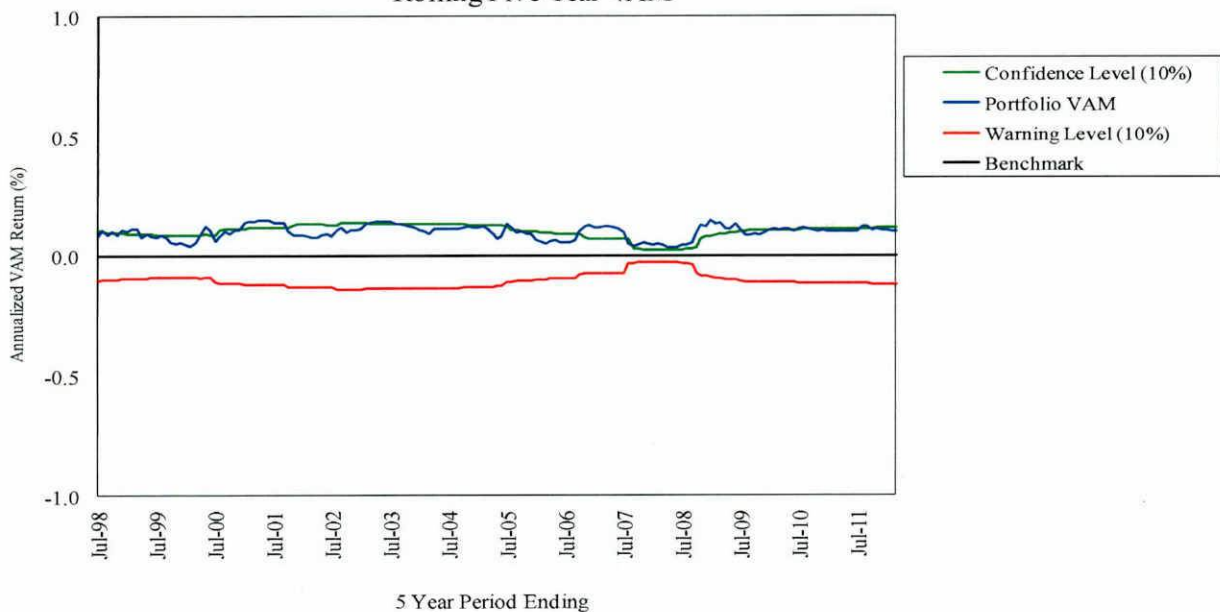
Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	12.5%	12.6%
Last 1 year	8.6	8.5
Last 2 years	12.1	12.0
Last 3 years	23.4	23.4
Last 4 years	4.0	3.9
Last 5 years	2.1	2.0
Since Inception (7/93)	8.4	8.3

No action required.

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



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2012

Portfolio Manager: Mike Messen

Assets Under Management: \$90,122,870

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.

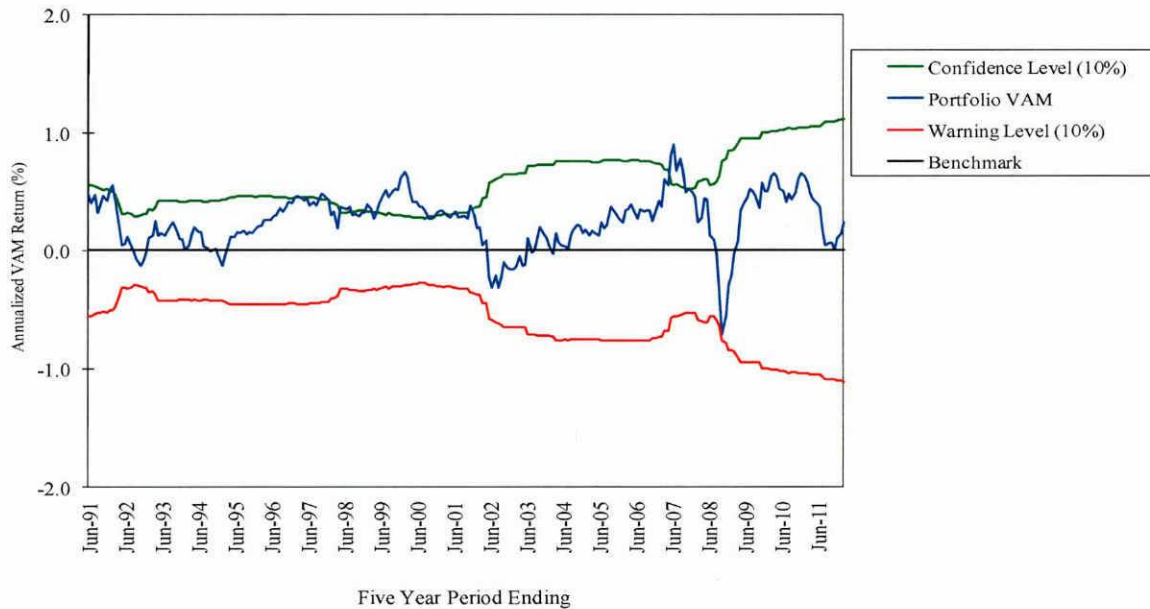
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.7%	0.3%
Last 1 year	6.3	7.7
Last 2 years	5.9	6.4
Last 3 years	8.2	6.8
Last 4 years	6.8	5.9
Last 5 years	6.5	6.2
Since Inception (7/86)	7.6	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, 2012**

Portfolio Manager: Mike Messen

Assets Under Management: \$669,058,377

**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.

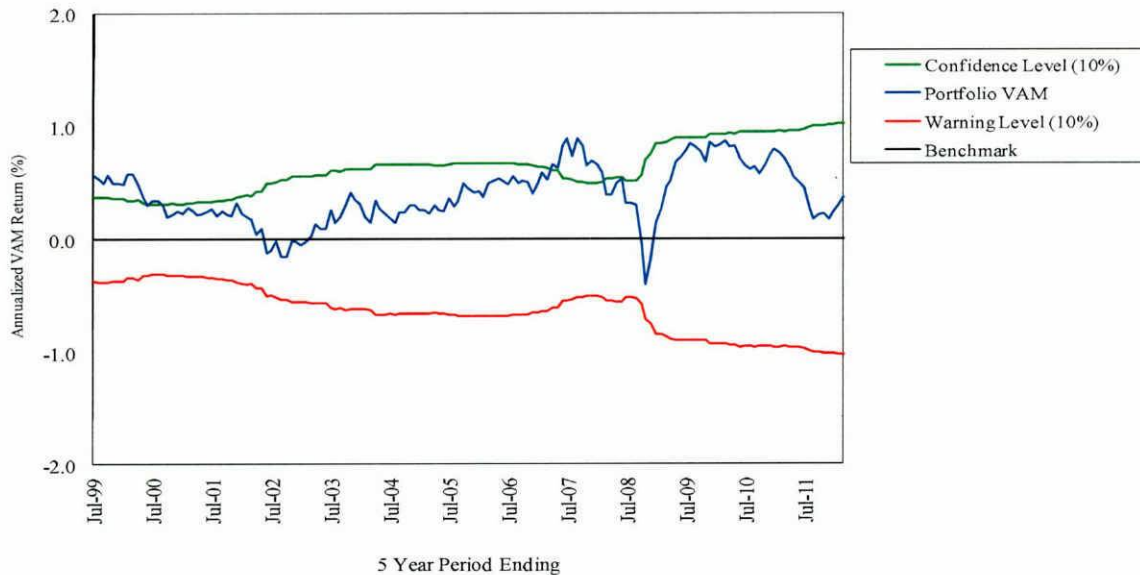
Quantitative Evaluation

Recommendation

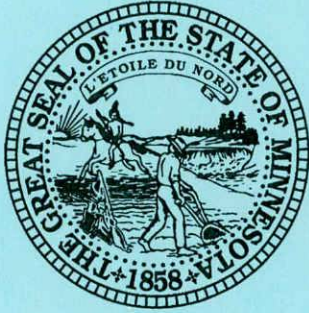
	Actual	Benchmark	
Last Quarter	1.5%	0.3%	No action required.
Last 1 year	6.3	7.7	
Last 2 years	5.8	6.4	
Last 3 years	7.6	6.8	
Last 4 years	6.7	5.9	
Last 5 years	6.6	6.2	
Since Inception (7/94)*	7.1	6.6	

* 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, 2012

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Deferred Compensation Plan

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MN STATE 457 DEFERRED COMPENSATION PLAN
FUND OPTIONS (1)
Periods Ending March, 2012

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since (2) Retention by SBI		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	
Large Cap Equity:											
Janus Twenty (S&P 500)	20.1	12.6	9.0	8.5	19.0	23.4	5.4	2.0	2.0	2.0	\$412.7
Vanguard Institutional Index Plus (S&P 500)	12.6	12.6	8.5	8.5	23.5	23.4	2.1	2.0	2.1	2.0	\$610.3
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	13.4	13.4	2.8	2.8	28.9	29.0	3.0	3.0	8.1	8.1	\$235.4
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	13.5	12.4	3.9	-0.2	32.0	26.9	5.8	2.1	9.3	6.2	\$450.0
Balanced:											
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	7.7	7.8	8.1	7.9	17.6	17.6	4.6	4.4	6.3	6.2	\$496.8
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	3.0	0.3	6.4	7.7	10.2	6.8	6.7	6.2	6.6	6.2	\$175.1
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	0.3	0.3	7.7	7.7	6.8	6.8	6.3	6.2	5.4	5.4	\$174.6
International:											
Fidelity Diversified International (MSCI EAFE-Free)	12.6	10.9	-5.9	-5.8	16.8	17.1	-2.8	-3.5	6.2	2.9	\$220.5
Vanguard Total International Stock Index (ACWI ex US IMI) (3)	12.0	11.6	-7.1	-7.3	18.7	18.7	-2.0	-2.0	-7.7	-7.6	\$100.6

Numbers in blue include returns prior to retention by SBI.

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

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts is reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Vanguard Total International retained July 2011; Vanguard Mid-Cap Index Fund retained January 2004; Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; all others, July 1999.
- (3) Benchmark is the MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**MN STATE 457 DEFERRED COMPENSATION PLAN
FUND OPTIONS
Periods Ending March, 2012**

SSgA Target Retirement Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by the SBI*		State Participation in Fund (\$ millions)
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	
	%	%	%	%	%	%	%	%	%	%	
Income Fund	4.9	5.0	6.9	7.1	12.3	12.6	4.9	4.9	5.4	5.5	\$9.2
2015 Fund	5.2	5.3	9.3	9.5	15.6	15.5	5.1	4.8	7.6	7.7	\$13.0
2020 Fund	6.0	6.1	10.1	10.2	18.2	18.2	4.7	4.5	8.7	8.8	\$13.6
2025 Fund	7.4	7.5	9.4	9.5	19.7	19.6	4.4	4.1	8.4	8.5	\$8.1
2030 Fund	8.1	8.2	8.8	8.9	20.8	20.8	3.9	3.7	8.0	8.2	\$5.9
2035 Fund	8.9	9.0	7.8	8.0	21.7	21.7	3.5	3.2	7.2	7.4	\$3.1
2040 Fund	9.8	9.9	6.2	6.4	22.2	22.3	2.8	2.7	5.8	6.0	\$2.0
2045 Fund	10.5	10.6	5.2	5.3	22.2	22.2	2.8	2.7	4.9	5.1	\$0.9
2050 Fund	10.5	10.6	5.2	5.3	22.1	22.2	2.8	2.7	4.9	5.1	\$0.4
2055 Fund	10.5	10.6	5.2	5.3	22.1	22.2			4.9	5.1	\$0.3
2060 Fund	10.5	10.6							4.9	5.1	\$0.2

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

SSgA Index Funds	Quarter		1 Year		3 Years		5 Years			
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%		
S&P 500 Index Fund (S&P 500)	12.6	12.6	8.5	8.5	23.4	23.4	2.1	2.0	8.4	8.4
S&P Mid Cap Index Fund (S&P 400)	13.5	13.5	2.0	2.0	28.5	28.5	4.8	4.8	2.8	2.7
Russell Small Cap Index Fund (Russell 2000)	12.4	12.4	-0.2	-0.2	26.7	26.9	2.1	2.1	1.4	1.4
Global All Cap Equity ex US Index Fund (MSCI ACWI ex U.S. IMI)	11.5	11.6	-7.1	-7.3					-7.5	-7.6
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	12.8	12.7	3.8	3.0					0.7	0.1
Long Government Bond Index Fund (Barclays Capital Long Government)	-5.6	-5.6	23.0	23.0	7.4	7.4	9.3	9.3	19.1	19.1
Bond Index Fund (Barclays Capital Aggregate)	0.3	0.3	7.7	7.7	7.0	6.8	6.4	6.2	5.3	5.3
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	0.8	0.9	12.1	12.2	8.7	8.7	7.5	7.6	8.2	8.2
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	5.1	5.2	7.0	7.3					6.2	6.4
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	3.0	0.4	4.4	1.8					3.6	0.9

Numbers in blue include returns prior to retention by SBI.

Benchmarks for the Funds are noted in parenthesis below the Fund names.

*Target Retirement Funds inception date is July 2011.

MN STATE 457 DEFERRED COMPENSATION PLAN
FUND OPTIONS (1)
Calendar Year Returns

457 Mutual Funds	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Large Cap Equity:										
Janus Twenty (S&P 500)	-8.2	2.1	7.0	15.1	43.3	26.5	-42.0	-37.0	35.9	5.5
Vanguard Institutional Index Plus (S&P 500)	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0	5.5	5.5
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-2.0	-1.9	25.7	25.7	40.5	40.5	-41.8	-41.8	6.2	6.2
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	-0.1	-4.2	32.5	26.9	38.5	27.2	-33.4	-33.8	-1.7	-1.6
Balanced:										
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	4.3	4.1	13.3	13.5	20.2	19.7	-22.1	-22.4	6.3	6.3
Bond:										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	4.8	7.8	7.2	6.5	16.1	5.9	-0.3	5.2	4.7	7.0
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	7.7	7.8	6.6	6.5	6.1	5.9	5.2	5.2	7.0	7.0
International:										
Fidelity Diversified International (MSCI EAFE-Free)	-13.8	-12.1	9.7	7.7	31.8	31.8	-45.2	-43.4	16.0	11.2
Vanguard Total International Stock Index (ACWI ex US IMI) (2)	-14.6	-14.3	11.1	10.7	36.7	40.4	-44.1	-45.5	15.5	15.9

Numbers in blue include returns prior to retention by SBI.

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

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts are reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Benchmark is the MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**MN STATE 457 DEFERRED COMPENSATION PLAN
FUND OPTIONS
Calendar Year Returns**

SSgA Target Retirement Funds	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
Income Fund	4.6	4.8	9.6	10.1	14.8	15.0	-12.9	-13.2	6.4	6.7
2015 Fund	6.9	7.1	12.1	12.5	15.3	14.4	-16.7	-17.6	6.9	7.2
2020 Fund	7.3	7.4	13.6	13.9	18.3	17.5	-22.2	-23.1	7.2	7.4
2025 Fund	5.9	6.0	14.6	14.7	20.3	19.6	-25.2	-26.1	7.6	7.7
2030 Fund	4.9	5.0	15.1	15.3	21.9	21.4	-28.1	-29.0	7.7	7.8
2035 Fund	3.5	3.6	15.7	15.8	24.3	23.9	-30.9	-31.6	7.8	7.9
2040 Fund	1.5	1.6	15.9	16.1	26.7	26.5	-33.6	-34.1	7.8	7.9
2045 Fund	0.0	0.1	16.2	16.2	27.2	27.0	-33.7	-34.1	8.1	8.2
2050 Fund	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1	8.5	8.5
2055 Fund	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1		
2060 Fund										

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

SSgA Index Funds	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
S&P 500 Index Fund (S&P 500)	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0	5.5	5.5
S&P Mid Cap Index Fund (S&P 400)	-1.7	-1.7	26.6	26.6	37.3	37.4	-36.1	-36.2	8.0	8.0
Russell Small Cap Index Fund (Russell 2000)	-4.1	-4.2	26.7	26.9	26.8	27.2	-33.6	-33.8	-1.7	-1.6
Global All Cap Equity ex U.S. Index Fund (MSCI ACWI ex U.S. IMI)										
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	-5.4	-5.8	19.1	18.4						
Long Government Bond Index Fund (Barclays Capital Long Government)	29.2	29.1	9.5	9.4	-12.2	-12.2	22.6	22.7	9.6	9.6
Bond Index Fund (Barclays Capital Aggregate)	7.8	7.8	6.6	6.5	6.4	5.9	5.6	5.2	7.0	7.0
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	13.5	13.6	6.2	6.3	11.3	11.4	-2.4	-2.4	11.6	11.6
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	5.7	6.1	12.5	15.1						
U.S. Short-Term Govt/Credit Bond Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	1.5	1.6	2.4	2.8						

Numbers in blue include returns prior to retention by SBI.

Benchmarks for the Funds are noted in parenthesis below the Fund names.

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending March, 2012**

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$412,670,561
Total Assets in Fund: \$8,700,000,000**

**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

No comment at this time.

Quantitative Evaluation

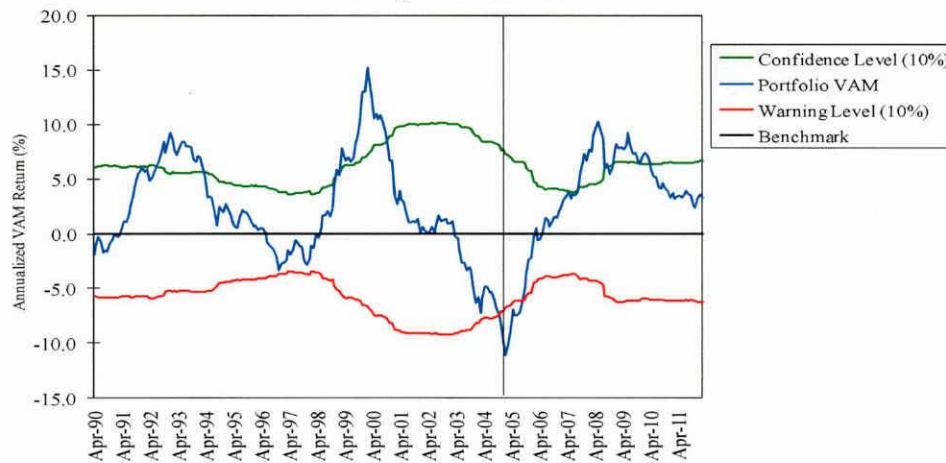
	Actual	Benchmark*
Last Quarter	20.1%	12.6%
Last 1 year	9.0	8.5
Last 2 years	6.6	12.0
Last 3 years	19.0	23.4
Last 4 years	1.1	3.9
Last 5 years	5.4	2.0
Since Retention by SBI (7/99)	2.0	2.0

Recommendation

No action required.

*Benchmark is the S&P 500.

**LARGE CAP EQUITY - JANUS TWENTY
Rolling Five Year VAM**



Five Year Period Ending

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

**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2012**

Portfolio Manager: Mike Buek

**State's Participation in Fund: \$610,304,895
Total Assets in Fund: \$43,246,000,000**

**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

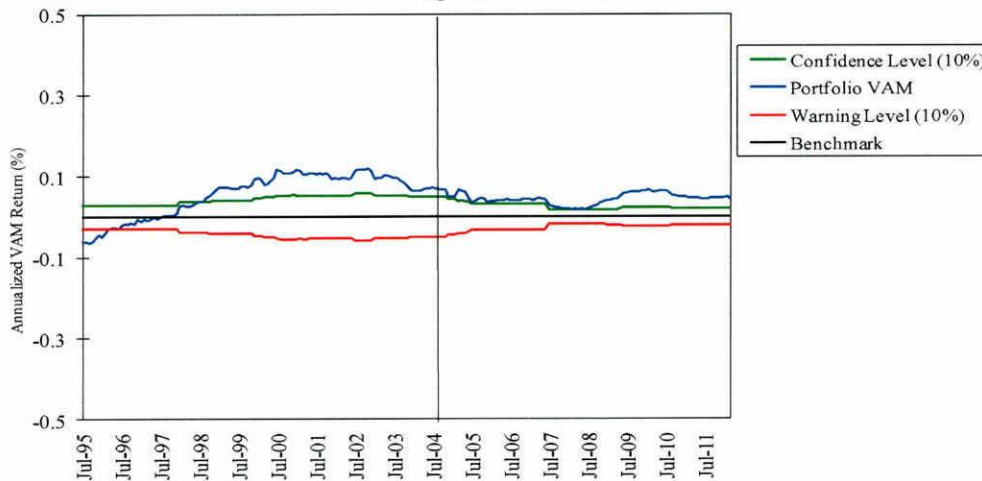
	Actual	Benchmark*
Last Quarter	12.6%	12.6%
Last 1 year	8.5	8.5
Last 2 years	12.0	12.0
Last 3 years	23.5	23.4
Last 4 years	3.9	3.9
Last 5 years	2.1	2.0
Since Retention by SBI (7/99)	2.1	2.0

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, 2012**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$235,369,532
Total Assets in Fund: \$6,869,000,000**

**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.

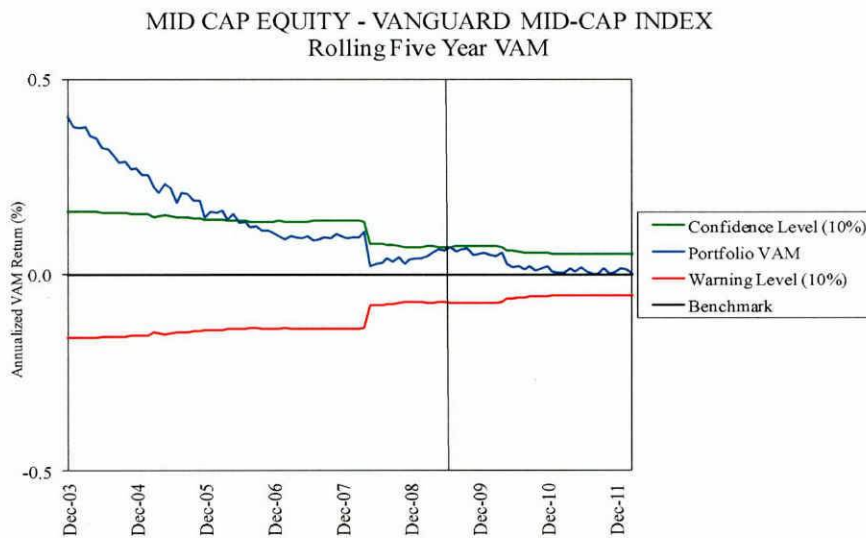
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	13.4%	13.4%
Last 1 year	2.8	2.8
Last 2 years	13.4	13.4
Last 3 years	28.9	29.0
Last 4 years	6.3	6.3
Last 5 years	3.0	3.0
Since Retention by SBI (1/04)	8.1	8.1

Recommendation

No action required.

*Benchmark is the MSCI US Mid Cap 450.



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
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2012**

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund: \$450,018,400	Total Assets in Fund: \$7,132,670,000
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**Investment Philosophy
T. Rowe Price Small Cap Equity Fund**

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities of small companies in the Russell 2000 or S&P Small-Cap 600. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds.

Staff Comments

No comment at this time.

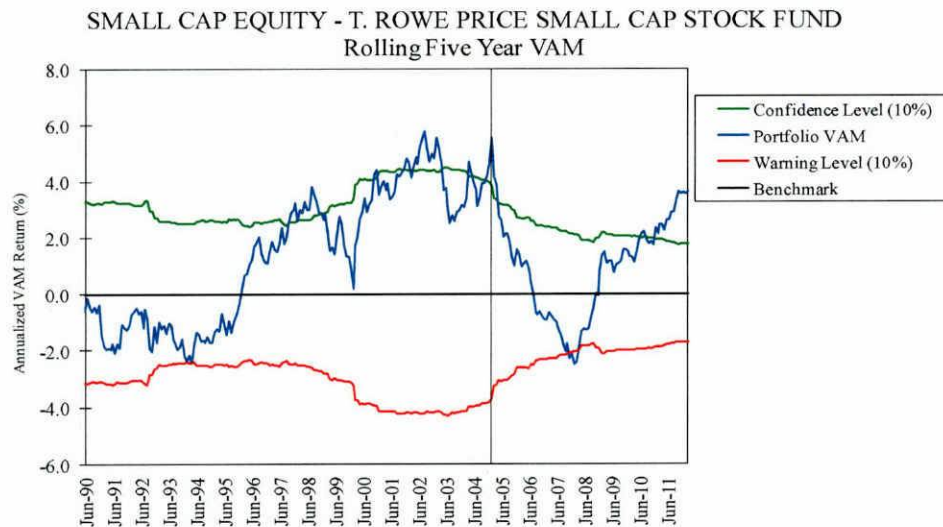
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	13.5%	12.4%
Last 1 year	3.9	-0.2
Last 2 years	17.1	12.1
Last 3 years	32.0	26.9
Last 4 years	11.7	6.3
Last 5 years	5.8	2.1
Since Retention by SBI (7/99)	9.3	6.2

Recommendation

No action required.

*Benchmark is the Russell 2000.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2012**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$496,764,542
Total Assets in Fund: \$4,883,000,000**

**Investment Philosophy
Vanguard Balanced Index Fund**

The fund's assets are divided between stocks and bonds, with an average of 60% of its assets in stocks and 40% in bonds. The fund's stock segment attempts to track the performance of the MSCI US Broad Market Index, an unmanaged index representing the overall U.S. equity market. The fund's bond segment attempts to track the performance of the Barclays Capital Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

Staff Comments

No comment at this time.

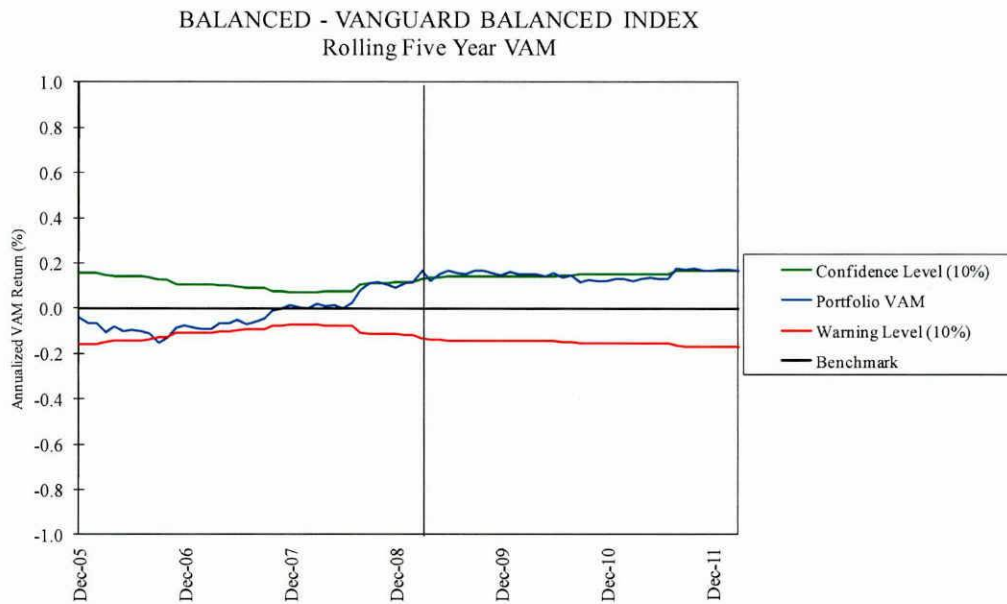
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	7.7%	7.8%
Last 1 year	8.1	7.9
Last 2 years	10.4	10.4
Last 3 years	17.6	17.6
Last 4 years	5.8	5.6
Last 5 years	4.6	4.4
Since Retention by SBI (12/03)	6.3	6.2

Recommendation

No action required.

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



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, 2012**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$175,050,730
Total Assets in Fund: \$25,143,799,487**

**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

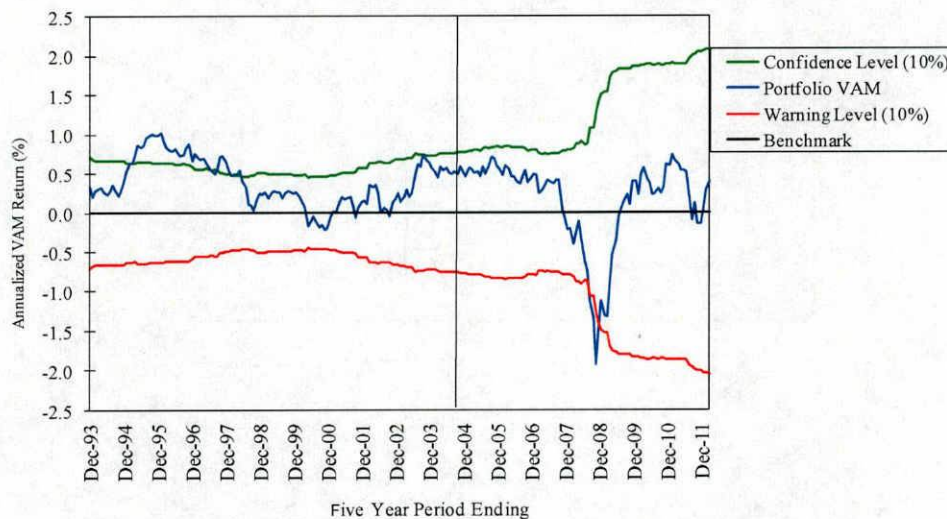
	Actual	Benchmark*
Last Quarter	3.0%	0.3%
Last 1 year	6.4	7.7
Last 2 years	6.3	6.4
Last 3 years	10.2	6.8
Last 4 years	7.4	5.9
Last 5 years	6.7	6.2
Since Retention By SBI (7/99)	6.6	6.2

Recommendation

No action required.

*Benchmark is the Barclays Capital Aggregate.

**BOND - DODGE & COX INCOME FUND
Rolling Five Year VAM**



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

MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending March, 2012

Portfolio Manager: Kenneth Volpert

State's Participation in Fund: \$174,551,589
Total Assets in Fund: \$22,945,000,000

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 7,800 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

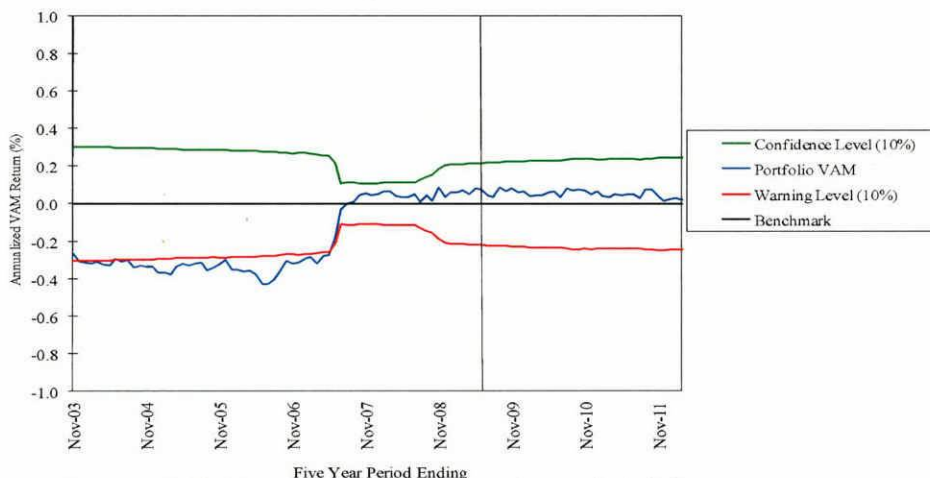
Recommendation

	Actual	Benchmark*
Last Quarter	0.3%	0.3%
Last 1 year	7.7	7.7
Last 2 years	6.4	6.4
Last 3 years	6.8	6.8
Last 4 years	5.9	5.9
Last 5 years	6.3	6.2
Since Retention by SBI (12/03)	5.4	5.4

No action required.

*Benchmark is the Barclays Capital Aggregate.

BOND INDEX - VANGUARD TOTAL BOND MARKET 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
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2012**

Portfolio Manager: William Bower

**State's Participation in Fund: \$220,506,684
Total Assets in Fund: \$14,895,340,000**

**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

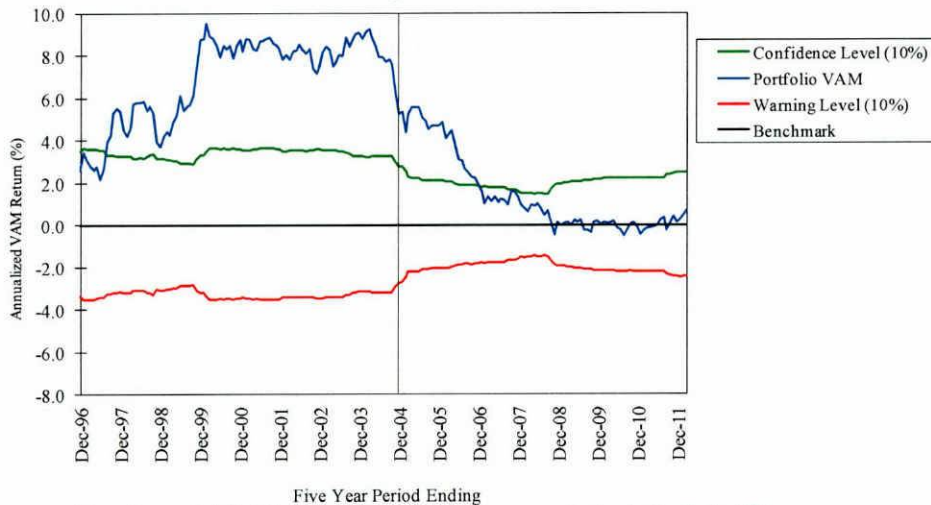
	Actual	Benchmark*
Last Quarter	12.6%	10.9%
Last 1 year	-5.9	-5.8
Last 2 years	2.9	2.0
Last 3 years	16.8	17.1
Last 4 years	-4.0	-3.7
Last 5 years	-2.8	-3.5
Since Retention By SBI (7/99)	6.2	2.9

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.

INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
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
INTERNATIONAL – VANGUARD TOTAL INTERNATIONAL STOCK INDEX
Periods Ending March, 2012**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$100,589,946
Total Assets in Fund: \$10,912,000,000**

**Investment Philosophy
Vanguard Total International Stock Index**

The fund seeks to track the performance of the MSCI All Country World ex USA Investable Market Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund assets are invested in the small, mid, and large cap common stocks included in the target index. The fund assets are allocated based on each region's weighting in the index.

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	12.0%	11.6%
Last 1 year	-7.1	-7.3
Last 2 years	2.3	2.3
Last 3 years	18.7	18.7
Last 4 years	-2.8	-2.8
Last 5 years	-2.0	-2.0
Since Retention by SBI (7/11)	-7.7	-7.6

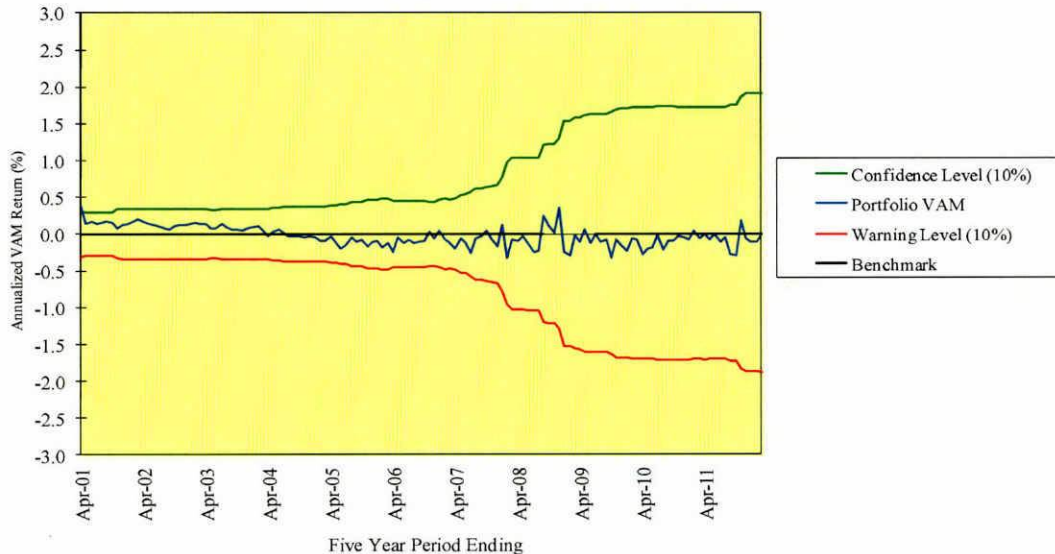
Recommendation

No action required.

Numbers in blue include returns prior to retention by SBI.

* Benchmark is the MSCI ACWI ex US IMI Index beginning December 2010; MSCI EAFE + Emerging Markets Index beginning August 2006. Prior to that date it was the Total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**INTERNATIONAL - VANGUARD TOTAL INTERNATIONAL INDEX
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
TARGET RETIREMENT FUNDS – STATE STREET GLOBAL ADVISORS (SSgA)
Periods Ending March, 2012**

State's Participation in Fund: \$56,713,951

Portfolio Manager: Various Index Fund Managers **Total Assets in Fund: \$818,501,591**

**Investment Philosophy
Target Retirement Funds**

The most important factor in determining the asset allocation mix is the time horizon of each fund. Funds with longer time horizons are assigned initial risk and return objectives which reflect the need to outpace inflation, the ability to take on more short-term volatility, and a reduced need for regular income. This results in larger starting equity allocations. Funds with shorter time horizons are assigned risk and return objectives that reflect a lower tolerance for volatility and an increased need for regular income, and therefore lower equity allocations.

The broad equity/fixed allocations are driven by the risk and return objectives for each fund. In determining the mix, the following factors are considered:

- The time horizon of each fund, which translates into a specific risk/return objective.
- SSgA current capital market assumptions and their impact on the forward looking risk/return of the portfolio.
- The need to differentiate the risk/return profiles for each portfolio so as to offer distinctly different options for plan participants.

Staff Comments

No comment at this time.

Recommendation

No action required.

Targeted Asset Allocations: Rebalanced Quarterly

Fund	Total Equity	Total Fixed Income	US									
			1-3 Yr Gov't Credit	US TIPS	US Agg - Bonds	US High Yield Bonds	Long-Term Gov't Bonds	Large US Stocks	Mid-Cap Stocks	Small US Stocks	Non-US Stocks	Global REITs
2060	90.0	10.0	0.0	0.0	0.0	0.0	10.0	45.0	10.0	10.0	25.0	0.0
2055	90.0	10.0	0.0	0.0	0.0	0.0	10.0	45.0	10.0	10.0	25.0	0.0
2050	90.0	10.0	0.0	0.0	0.0	0.0	10.0	45.0	10.0	10.0	25.0	0.0
2045	90.0	10.0	0.0	0.0	0.0	0.0	10.0	45.0	10.0	10.0	25.0	0.0
2040	86.0	14.0	0.0	0.0	0.0	0.0	14.0	45.0	9.0	9.0	23.0	0.0
2035	81.0	19.0	0.0	0.0	0.0	0.0	19.0	45.0	7.8	7.8	20.5	0.0
2030	74.0	26.0	0.0	2.0	2.0	2.0	20.0	43.0	6.9	6.1	18.0	0.0
2025	66.5	33.5	0.0	4.5	4.5	4.5	20.0	39.7	6.1	4.3	15.5	1.0
2020	55.0	45.0	0.0	7.0	13.0	5.0	20.0	33.1	4.5	3.0	11.0	3.5
2015	42.5	57.5	7.5	17.5	17.5	5.0	10.0	26.8	2.8	1.9	6.0	5.0
Income	35.0	65.0	20.0	20.0	20.0	5.0	0.0	21.8	2.5	1.7	4.0	5.0

Note: Totals may not add due to rounding.

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TAB

E

DATE: May 15, 2012

TO: Members, Investment Advisory Council

FROM: **John Griebenow**
J.J. Kirby

Staff has reviewed the following information agenda items:

1. Review of current strategy.

INFORMATION ITEM:

1) Review of Current Strategy.

To increase overall portfolio diversification, 20% of the Combined Funds is 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.

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Funds
March 31, 2012

Combined Funds Market Value \$48,772,074,040

Amount Available for Investment \$2,562,528,204

	Current Level	Target Level	Difference
Market Value (MV)	\$7,191,886,604	\$9,754,414,808	\$2,562,528,204
MV +Unfunded	\$10,529,204,630	\$14,631,622,212	\$4,102,417,582

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,109,958,885	\$1,589,922,317	\$5,699,881,202
Real Estate	\$1,152,962,664	\$295,977,124	\$1,448,939,788
Resource	\$918,284,917	\$683,886,958	\$1,602,171,875
Yield-Oriented	\$1,010,680,138	\$767,531,627	\$1,778,211,765
Total	\$7,191,886,604	\$3,337,318,026	\$10,529,204,630

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ATTACHMENT B
Minnesota State Board of Investment
- Alternative Investments -

As of March 31, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
I. REAL ESTATE								
Blackstone								
Blackstone Real Estate Partners V	100,000,000	96,510,534	105,725,720	27,029,063	4,693,860	7.51	1.38	5.92
Blackstone Real Estate Partners VI	100,000,000	92,463,658	110,981,931	6,354,078	9,794,440	6.83	1.27	5.00
Blackstone Real Estate Partners VII	100,000,000	20,599,489	20,490,213	109,276	79,400,511	-3.34	1.00	0.43
Colony Capital								
Colony Investors II	80,000,000	78,482,328	2,600	90,022,404	1,517,672	4.68	1.15	17.00
Colony Investors III	100,000,000	100,000,000	4,344,900	167,834,385	0	14.60	1.72	14.25
CSFB/ DLJ								
CSFB Strategic Partners III RE.	25,000,000	25,166,647	12,638,811	568,588	398,070	-15.42	0.52	6.75
CS Strategic Partners IV RE.	50,000,000	47,547,631	32,299,638	4,345,414	3,040,582	-8.45	0.77	3.79
Silverpeak Real Estate Partners								
Silverpeak Legacy Pension Partners II	75,000,000	70,753,841	35,972,105	31,758,951	9,857,501	-1.23	0.96	6.75
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	30,473,334	0	83,274,488	-20.67	0.46	3.86
PRIME Property Fund	40,000,000	40,000,000	252,134,023	0	0	6.27	6.30	30.47
PRISA Real Estate Fund	9,111,000	9,111,000	9,192,297	86,001	0	1.84	1.02	0.25
T.A. Associates Realty								
Realty Associates Fund V	50,000,000	50,000,000	297,295	90,653,530	0	10.20	1.82	12.85
Realty Associates Fund VI	50,000,000	50,000,000	27,581,204	55,099,055	0	11.39	1.65	9.76
Realty Associates Fund VII	75,000,000	75,000,000	52,074,608	21,189,954	0	-0.53	0.98	7.37
Realty Associates Fund VIII	100,000,000	100,000,000	68,619,300	4,861,979	0	-7.41	0.73	5.75
Realty Associates Fund IX	100,000,000	96,000,000	100,837,728	7,890,388	4,000,000	9.35	1.13	3.60
Realty Associates Fund X	100,000,000	0	0	0	100,000,000	N/A	N/A	0.08
UBS- Trumbull Property Fund	42,376,529	42,376,529	289,296,957	0	0	7.07	6.83	29.92
Real Estate Total	1,346,487,529	1,060,154,794	1,152,962,664	507,803,066	295,977,124		1.57	
II. RESOURCE								
Apache Corp III	30,000,000	30,000,000	4,086,840	56,264,633	0	12.21	2.01	25.25
EnCap Energy								
EnCap Energy Capital Fund VII	100,000,000	78,237,935	73,030,815	42,842,295	22,314,808	21.85	1.48	4.75
EnCap Energy Capital Fund VIII	100,000,000	24,825,346	25,641,206	23,155	75,174,654	7.36	1.03	1.50
Energy & Minerals Group								
NGP Midstream & Resources	100,000,000	91,062,949	66,636,044	64,239,065	9,248,074	15.39	1.44	5.00
The Energy & Minerals Group Fund II	100,000,000	3,230,363	3,230,363	0	96,769,637	-1.18	1.00	0.52
Energy Capital Partners II-A	100,000,000	45,057,438	51,829,817	5,080,856	58,883,095	23.63	1.26	1.70
First Reserve								
First Reserve Fund X	100,000,000	100,000,000	50,711,368	134,222,597	0	32.80	1.85	7.41
First Reserve Fund XI	150,000,000	141,518,715	114,996,881	41,957,303	8,481,285	3.34	1.11	5.27
First Reserve Fund XII	150,000,000	108,815,226	103,329,527	6,942,147	41,184,774	0.68	1.01	3.42
NGP								
Natural Gas Partners IX	150,000,000	117,850,862	145,541,215	12,116,957	29,488,947	16.21	1.34	4.44
NGP Natural Resources X	150,000,000	5,828,163	5,828,163	0	144,171,837	0.00	1.00	N/A
Sheridan								
Sheridan Production Partners I	100,000,000	100,002,260	119,595,994	29,000,000	0	15.93	1.49	5.00
Sheridan Production Partners II	100,000,000	13,250,000	11,007,000	0	86,750,000	-20.84	0.83	1.50
EIG Global Energy Partners								
TCW Energy Partners XIV	100,000,000	97,693,590	80,396,170	48,922,934	16,919,846	13.49	1.32	4.95
Energy Partners XV	150,000,000	55,500,000	62,423,514	0	94,500,000	20.44	1.12	1.82
Resource Total	1,680,000,000	1,012,872,846	918,284,917	441,611,943	683,886,958		1.34	
III. YIELD-ORIENTED								
Audax Mezzanine Fund III	100,000,000	18,959,076	18,390,910	569,779	81,040,924	0.01	1.00	1.99
Citicorp Mezzanine III	100,000,000	88,029,296	432,086	132,324,719	0	15.61	1.51	12.41
DLJ Investment Partners								
DLJ Investment Partners II	27,375,168	23,164,217	543,117	34,655,236	4,955,172	10.52	1.52	12.25
DLJ Investment Partners III	100,000,000	47,015,541	19,463,641	27,751,979	54,983,748	-3.82	1.00	5.77
Gold Hill Venture Lending								
Gold Hill Venture Lending	40,000,000	40,000,000	12,143,080	41,989,773	0	7.66	1.35	7.51
Gold Hill 2008	25,852,584	20,940,593	23,313,372	2,638,806	4,911,991	12.66	1.24	3.75
GS Mezzanine Partners								
GS Mezzanine Partners II	100,000,000	100,000,000	3,780,968	128,064,866	0	7.07	1.32	12.08
GS Mezzanine Partners III	75,000,000	75,000,000	17,926,550	79,484,867	0	7.77	1.30	8.72
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	44,203,318	46,285,208	25,000,112	1.04	1.21	5.98
GS Mezzanine Partners V	150,000,000	58,465,770	49,163,973	29,217,542	82,518,217	8.53	1.34	4.44
Merit Capital Partners								
William Blair Mezzan. Cap. Fd. III	60,000,000	57,633,241	5,915,591	102,802,072	2,366,759	15.25	1.89	12.25
Merit Mezzanine Fund IV	75,000,000	69,807,692	36,627,966	56,924,377	5,192,308	8.15	1.34	7.29
Merit Mezzanine Fund V	75,000,000	24,734,694	22,220,833	0	50,265,306	-11.39	0.90	2.28
Merit Energy Partners								
Merit Energy Partners B	24,000,000	24,000,000	61,662,885	116,304,315	0	24.77	7.42	15.75
Merit Energy Partners C	50,000,000	50,000,000	154,778,622	260,968,067	0	31.13	8.31	13.42
Merit Energy Partners D	88,000,000	70,938,303	113,288,287	186,995,827	0	23.40	4.23	10.85
Merit Energy Partners E	100,000,000	39,983,197	59,990,157	40,326,332	0	17.14	2.51	7.46
Merit Energy Partners F	100,000,000	57,841,607	59,587,711	12,807,125	42,158,394	7.60	1.25	6.02
Merit Energy Partners H	100,000,000	18,848,793	18,678,946	182,279	81,151,207	0.13	1.00	1.16

**Minnesota State Board of Investment
- Alternative Investments -**

As of March 31, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
Prudential Capital Partners								
<i>Prudential Capital Partners I</i>	100,000,000	97,244,439	33,312,755	112,945,166	7,498,997	11.01	1.50	10.95
<i>Prudential Capital Partners II</i>	100,000,000	93,307,126	46,316,377	85,628,630	7,094,842	9.76	1.41	6.75
<i>Prudential Capital Partners III</i>	100,000,000	82,836,514	84,865,300	10,967,555	20,069,953	10.97	1.16	2.96
<i>Prudential Capital Partners IV</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.20
Summit Partners								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	79,905	31,406,578	2,000,000	30.54	1.75	18.00
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	2,570,241	86,849,598	4,500,000	56.28	2.21	14.66
<i>Summit Subordinated Debt Fund III</i>	45,000,000	42,690,965	20,724,300	32,867,580	2,850,000	8.84	1.26	8.12
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	26,750,000	30,182,250	1,974,506	23,250,000	17.87	1.20	4.01
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,868,042	6,715,235	152,168,789	29,701,079	36.02	2.31	11.00
Windjammer Capital Investors								
<i>Windjammer Mezzanine & Equity Fund II</i>	66,708,861	52,064,413	9,630,600	65,388,707	14,391,081	7.98	1.44	12.00
<i>Windjammer Senior Equity Fund III</i>	75,000,000	55,959,872	54,171,160	37,905,919	21,631,538	18.10	1.65	6.24
<i>Windjammer Senior Equity Fund IV</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.10
Yield-Oriented Total	2,366,936,613	1,538,583,280	1,010,680,138	1,918,396,196	767,531,627		1.90	
IV. PRIVATE EQUITY								
Adams Street Partners								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	42,305	9,440,295	0	13.22	2.50	23.89
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	49,455	37,988,511	0	24.09	1.90	21.34
<i>Advent International GPE VI-A</i>	50,000,000	36,625,000	39,272,218	2,100,000	13,375,000	7.29	1.13	4.00
Affinity Ventures								
<i>Affinity Ventures IV</i>	4,000,000	4,000,000	2,588,045	1,423,858	0	0.10	1.00	7.75
<i>Affinity Ventures V</i>	5,000,000	3,550,000	3,074,663	814,728	1,450,000	4.51	1.10	3.74
Banc Fund								
<i>Banc Fund VII</i>	45,000,000	45,000,000	23,607,855	812,725	0	-11.50	0.54	7.00
<i>Banc Fund VIII</i>	98,250,000	41,265,000	41,841,142	0	56,985,000	0.88	1.01	3.93
Blackstone								
<i>Blackstone Capital Partners IV</i>	70,000,000	71,100,328	49,632,535	122,415,936	3,170,980	38.71	2.42	9.72
<i>Blackstone Capital Partners V</i>	140,000,000	128,773,195	121,848,298	12,741,212	13,149,510	0.45	1.05	6.16
<i>Blackstone Capital Partners VI</i>	100,000,000	11,844,346	11,252,804	0	88,155,654	-32.68	0.95	3.68
BLUM Capital Partners								
<i>Blum Strategic Partners I</i>	50,000,000	49,158,307	309,000	99,450,576	2,009,928	12.72	2.03	13.27
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	7,037,342	80,886,033	2,127,584	22.36	2.19	10.70
<i>Blum Strategic Partners III</i>	75,000,000	74,806,485	19,994,422	54,876,520	193,515	-1.10	1.00	6.83
<i>Blum Strategic Partners IV</i>	150,000,000	153,163,538	86,472,635	31,336,439	9,263,781	-8.56	0.77	4.36
Carval Investors								
<i>CVI Global Value Fund</i>	200,000,000	190,000,000	194,700,058	51,363,754	10,000,000	6.71	1.30	5.22
<i>CarVal Credit Value Fund I</i>	100,000,000	95,000,000	101,739,775	63,000	5,000,000	8.77	1.07	1.50
Chicago Growth Partners (William Blair)								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	8,386,371	63,343,842	1,650,000	9.55	1.49	11.06
<i>Chicago Growth Partners I</i>	50,000,000	50,791,998	32,387,351	30,540,179	1,950,000	6.73	1.24	6.68
<i>Chicago Growth Partners II</i>	60,000,000	34,112,261	31,481,024	11,973,833	25,635,739	12.52	1.27	4.05
Coral Partners								
<i>Coral Partners IV</i>	15,078,665	15,078,665	672,463	13,538,879	0	-1.45	0.94	17.69
<i>Coral Partners V</i>	15,000,000	15,000,000	1,067,099	8,125,294	0	-5.73	0.61	13.79
Court Square Capital								
<i>Court Square Capital Partners</i>	100,000,000	80,223,910	23,155,070	153,076,138	10,576,235	28.87	2.20	10.30
<i>Court Square Capital Partners II</i>	175,000,000	133,179,802	152,399,966	11,195,735	43,460,404	7.66	1.23	5.57
Crescendo								
<i>Crescendo III</i>	25,000,000	25,000,000	758,812	10,804,457	0	-13.21	0.46	13.40
<i>Crescendo IV</i>	101,500,000	101,500,000	23,705,353	20,124,650	0	-9.05	0.43	12.06
CSFB/ DLJ								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	121,435,226	26,433,207	243,916,307	3,564,774	19.18	2.23	11.50
<i>DLJ Strategic Partners</i>	100,000,000	94,677,908	9,000,961	162,919,099	3,772,092	22.57	1.82	11.20
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,764,787	11,506,437	147,637,152	10,435,213	35.54	1.90	8.70
<i>CSFB Strategic Partners III VC</i>	25,000,000	23,492,488	14,727,613	13,964,621	1,507,512	5.63	1.22	6.83
<i>CSFB Strategic Partners III-B</i>	100,000,000	76,342,785	75,914,604	24,911,284	16,815,119	6.31	1.32	6.83
<i>CS Strategic Partners IV-B</i>	100,000,000	80,280,343	83,080,753	29,632,224	19,719,657	14.87	1.40	4.01
<i>CS Strategic Partners IV VC</i>	40,500,000	36,339,353	39,275,593	8,266,413	3,995,753	11.93	1.31	3.79
<i>CS Strategic Partners V</i>	100,000,000	8,716,215	13,289,273	0	91,283,785	57.61	1.52	0.62
<i>CVC European Equity Partners V</i>	133,169,978	87,115,455	93,617,837	11,337,943	27,286,578	7.82	1.20	4.01
Diamond Castle Partners IV	100,000,000	88,059,040	86,595,103	23,449,033	11,981,445	6.13	1.25	5.56
DSV Partners IV	10,000,000	10,000,000	32,113	39,196,082	0	10.61	3.92	26.97
EBF and Associates								
<i>Merced Partners II</i>	75,000,000	63,768,881	20,426,345	100,001,458	0	25.62	1.89	5.00
<i>Merced Partners III</i>	100,000,000	70,000,000	69,697,950	0	30,000,000	-0.40	1.00	1.90
<i>Elevation Partners</i>	75,000,000	68,168,928	57,366,636	36,623,438	12,916,662	10.06	1.38	6.87
Fox Paine Capital Fund II	50,000,000	45,685,414	43,159,160	46,170,294	12,567,424	20.72	1.96	11.75
GHJM Marathon Fund								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	506,518	57,012,488	949,000	8.36	1.47	12.96
<i>GHJM Marathon Fund V</i>	50,000,000	49,041,460	54,739,050	30,194,717	1,035,251	13.31	1.73	7.50
<i>TrailHead Fund</i>	20,000,000	600,000	600,000	0	19,400,000	0.00	1.00	0.10
Golder, Thoma, Cressey, Rauner								
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	77,624	42,300,018	0	25.06	2.12	18.16
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	719,011	53,955,241	0	10.99	1.82	15.75

**Minnesota State Board of Investment
- Alternative Investments -**

As of March 31, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
GS Capital Partners								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	10,319,883	97,216,786	0	22.47	2.15	11.58
<i>GS Capital Partners V</i>	100,000,000	66,390,364	62,978,374	82,778,595	26,041,099	16.20	2.20	7.00
<i>GS Capital Partners VI</i>	100,000,000	63,033,118	48,857,308	11,577,721	29,133,876	-3.07	0.96	5.16
GTCR Golder Rauner								
<i>GTCR VI</i>	90,000,000	90,000,000	810,305	77,813,800	0	-4.89	0.87	13.75
<i>GTCR VII</i>	175,000,000	159,249,989	747,361	387,322,726	15,750,001	25.30	2.44	12.15
<i>GTCR IX</i>	75,000,000	68,002,159	62,924,987	11,044,356	6,997,841	3.58	1.09	5.75
<i>GTCR X</i>	100,000,000	27,698,605	26,348,963	0	72,301,395	-7.59	0.95	1.31
Hellman & Friedman								
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	133,967,494	229,494	383,769,706	15,365,585	34.67	2.87	12.25
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	144,929,257	123,704,664	234,292,422	17,103,765	28.17	2.47	7.33
<i>Hellman & Friedman Capital Partners VI</i>	175,000,000	167,020,318	133,846,440	61,818,061	9,102,301	4.99	1.17	5.00
<i>Hellman & Friedman Capital Partners VII</i>	50,000,000	10,525,772	9,715,614	0	39,474,228	-10.46	0.92	2.95
Kohlberg Kravis Roberts								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	77,221	398,846,165	0	8.73	2.74	24.35
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	139,975	309,264,018	0	16.75	2.06	18.28
<i>KKR 1996 Fund</i>	200,000,000	199,902,841	2,271,371	372,364,247	0	13.17	1.87	15.58
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	138,117,796	221,671,299	0	16.27	1.80	9.31
<i>KKR 2006 Fund</i>	200,000,000	199,026,411	173,775,115	56,900,019	14,277,787	3.48	1.16	5.51
Green Equity Investors VI	200,000,000	0	0	0	200,000,000	N/A	N/A	0.04
Lexington Capital Partners								
<i>Lexington Capital Partners VI-B</i>	100,000,000	99,448,180	69,808,052	43,102,194	551,820	4.41	1.14	6.26
<i>Lexington Capital Partners VII</i>	200,000,000	82,711,713	85,634,848	14,133,054	117,288,287	23.64	1.21	2.80
RWI Ventures								
<i>RWI Ventures I</i>	7,603,265	7,603,265	590,111	5,974,262	0	-5.12	0.86	5.75
<i>RWI Group III</i>	616,430	616,430	34,868	526,806	0	-3.31	0.91	5.75
Sightline Healthcare								
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	307,221	5,635,402	0	-7.13	0.59	15.08
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	2,223,198	5,465,766	0	-11.29	0.38	13.19
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,598,598	1,711,116	4,621,834	155,075	-5.38	0.83	8.51
Silver Lake Partners								
<i>Silver Lake Partners II</i>	100,000,000	88,839,084	57,620,537	75,962,515	12,156,784	9.44	1.50	7.75
<i>Silver Lake Partners III</i>	100,000,000	64,581,338	54,306,671	41,456,038	36,154,089	18.40	1.48	5.00
Split Rock Partners								
<i>Split Rock Partners</i>	50,000,000	42,454,544	31,002,992	555,384	7,545,456	-7.96	0.74	6.92
<i>Split Rock Partners II</i>	60,000,000	20,860,000	16,498,112	475,376	38,440,000	-13.39	0.81	3.92
Summit Partners								
<i>Summit Ventures V</i>	25,000,000	24,125,000	245,636	32,936,046	875,000	8.04	1.38	14.00
<i>Summit Partners Growth Equity Fund VIII</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.91
T. Rowe Price	35,181,333	35,181,333	16,621,895	14,261,639	0	-8.26	0.88	7.12
Thoma Cressey								
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	4,297,857	29,371,225	1,085,000	-0.09	0.99	13.61
<i>Thoma Cressey Fund VII</i>	50,000,000	50,000,000	18,594,942	75,110,517	0	22.91	1.87	11.60
<i>Thoma Cressey Fund VIII</i>	70,000,000	68,932,574	74,781,476	56,926,700	770,000	14.59	1.91	5.92
Thomas, McNerney & Partners								
<i>Thomas, McNerney & Partners I</i>	30,000,000	28,350,000	13,273,872	10,504,694	1,650,000	-4.53	0.84	9.40
<i>Thomas, McNerney & Partners II</i>	50,000,000	39,375,000	32,102,330	5,132,263	10,625,000	-2.25	0.95	5.75
Varde Fund								
<i>Varde Fund IX</i>	100,000,000	100,000,000	148,718,100	0	0	12.10	1.49	3.77
<i>Varde Fund X</i>	150,000,000	127,500,000	134,527,800	0	22,500,000	4.74	1.06	1.94
Vestar Capital Partners								
<i>Vestar Capital Partners IV</i>	55,000,000	52,731,036	18,794,776	74,452,603	777,403	13.70	1.77	12.29
<i>Vestar Capital Partners V</i>	75,000,000	73,586,279	57,124,417	22,488,956	1,738,950	2.26	1.08	6.28
<i>Vestar Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.52
Warburg Pincus								
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	4,902,546	155,167,955	0	9.88	1.60	13.76
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	92,289,354	126,480,852	0	16.07	2.19	9.96
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	95,425,601	51,686,202	0	8.69	1.47	6.68
<i>Warburg Pincus Private Equity X</i>	150,000,000	141,660,914	141,524,508	8,622,147	8,400,000	2.67	1.06	4.44
Wayzata								
<i>Wayzata Opportunities Fund</i>	100,000,000	93,180,000	119,841,746	41,939,109	6,820,000	10.46	1.74	6.28
<i>Wayzata Opportunities Fund II</i>	150,000,000	84,000,000	161,607,096	429,900	66,000,000	15.03	1.93	4.44
Welsh, Carson, Anderson & Stowe								
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	1,153,210	127,849,708	0	3.12	1.29	13.69
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	122,500,000	38,002,236	161,169,232	2,500,000	11.51	1.63	11.76
<i>Welsh, Carson, Anderson & Stowe X</i>	100,000,000	96,578,466	88,875,215	17,966,260	4,000,000	2.35	1.11	6.29
<i>Welsh, Carson, Anderson & Stowe XI</i>	100,000,000	51,042,019	54,409,822	0	48,957,981	4.60	1.07	3.69
Private Equity Total	8,122,773,323	6,510,338,761	4,109,958,885	5,817,008,968	1,589,922,317		1.52	
Alternatives Total	13,516,197,465	10,121,949,681	7,191,886,604	8,684,820,173	3,337,318,025		1.57	

* 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

TAB

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DATE: May 15, 2012

TO: Members, Investment Advisory Council

FROM: Mike Menssen, Manager, Long-Term Debt
Ryan Hill, Portfolio Manager, Long-Term Debt

SUBJECT: Fixed Income Asset Class Target

The asset class target for the MSBI Fixed Income Program is the Barclays Capital U.S. Aggregate Bond Index, which is a broad U.S. bond index. As part of the MSBI Fiscal Year 2012 Executive Director's Work Plan, staff evaluated the current fixed income asset class target and various alternative fixed income indices to determine which index is best suited to reflect the Fixed Income Program's objectives going forward. Staff's findings and recommendations are presented in the enclosed paper.

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Fixed Income Asset Class Target

**Minnesota State Board of Investment
May 2012**

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Executive Summary

The asset class target for the MSBI Fixed Income Program is the Barclays Capital U.S. Aggregate Bond Index ("Barclays Agg"). The asset class target history of the Fixed Income Program is provided in Appendix A. Given the increase in market volatility in recent years; the relatively large exposure to equity asset classes in the total MSBI portfolio; and the changing composition of the Barclays Agg, staff conducted an analysis to determine whether the Barclays Agg or an alternative fixed income index is best suited to reflect the Fixed Income Program's objectives going forward. As part of the analysis, staff reviewed various fixed income asset class targets (i.e. "indices" or "benchmarks") relative to the Fixed Income Program's stated objectives. To determine whether the current fixed income benchmark is best positioned to meet the Program objectives relative to alternative fixed income indices; staff analyzed the following data during periods of varying equity market returns:

- (1) historical portfolio return and risk, including the current fixed income portfolio and prospective portfolios using substitute benchmarks (diversification);
- (2) historical return correlations between the fixed income indices reviewed and the total MSBI portfolio and each individual asset class within the MSBI portfolio (diversification);
- (3) probability of a 5% loss in the current total MSBI portfolio and in the MSBI portfolio with an alternative fixed income benchmark (diversification); and
- (4) excess returns generated by the current Fixed Income Program (returns).

Staff concludes the current benchmark, the Barclays Capital U.S. Aggregate Bond Index, most accurately reflects the MSBI's objectives for the Fixed Income Program. Consequently, staff believes that no modifications to the Fixed Income Program are necessary at this time. The basis for staff's recommendation is discussed in subsequent sections.

Staff utilized historical return and standard deviation information for the actual MSBI portfolio and fixed income benchmarks under review. Results were based on returns during the time period covering July 1988 to March 2012 to determine model portfolio returns, risk, loss probabilities, and correlations with the individual domestic equity, international equity, and alternatives asset classes. (The SBI introduced the semi-passive strategy into the fixed income portfolio in July 1988.) Model portfolios utilized in this analysis are further described below. Staff used the policy weights assigned to each asset class over the July 1988 through March 2012 time period. The policy weights and timeframes are shown in Tables 1 through 4 below.

Table 1 – MSBI Portfolio, July 1988 – September 1992

Asset Class		Weight
MSBI Equity		75%
	<i>Domestic Equity</i>	60%
	<i>International Equity</i>	0%
	<i>Alternatives</i>	15%
Active Fixed Income		12.5%
Semi-Passive Fixed Income		12.5%
		100%

Table 2 – MSBI Portfolio, October 1992 – March 1996

Asset Class		Weight
MSBI Equity		75%
	<i>Domestic Equity</i>	50%
	<i>International Equity</i>	10%
	<i>Alternatives</i>	15%
Active Fixed Income		12.5%
Semi-Passive Fixed Income		12.5%
		100%

Table 3 – MSBI Portfolio, April 1996 – June 2008

Asset Class		Weight
MSBI Equity		75%
	<i>Domestic Equity</i>	45%
	<i>International Equity</i>	15%
	<i>Alternatives</i>	15%
Active Fixed Income		12.5%
Semi-Passive Fixed Income		12.5%
		100%

Table 4 – MSBI Portfolio, July 2008 – Present

Asset Class		Weight
MSBI Equity		80%
	<i>Domestic Equity</i>	45%
	<i>International Equity</i>	15%
	<i>Alternatives</i>	20%
Active Fixed Income		10%
Semi-Passive Fixed Income		10%
		100%

Fixed Income Program Objectives

The Fixed Income Program's primary objectives are to provide diversification to MSBI's equity (i.e. domestic, international, and alternative investments) exposure; realize appropriate risk-adjusted returns over the long-term; and serve as a deflation hedge.

Fixed Income Asset Class Target

The asset class target for the MSBI Fixed Income Program should meet the following criteria:

- Represent a broad range of investment opportunities available to institutional investors in the fixed income marketplace.
- Reflect the constraints an institutional investor experiences in the marketplace.
- Embody the fixed income program's return objectives and risk tolerance.
- Provide a passive representation of the investment process or style of the fixed income manager(s).
- Be unambiguous and transparent regarding inclusion criteria and methodology for security-weighting.
- Provide a measurable performance standard which can be used to evaluate both the investment results and risk characteristics of the program.
- Be investable by allowing investors to replicate the benchmark using constituent securities that are liquid, suffer a low level of turnover, and benefit from low transaction costs.

Fixed Income Asset Class Targets and Characteristics

As part of the analysis, staff reviewed several fixed income asset class targets. Each of the benchmarks has varying attributes, such as sector weightings, average maturity, and interest rate and spread risks. A list of those indices, including the general characteristics of each, is as follows:

- **Barclays Capital U.S. Aggregate:** A benchmark that measures the investment grade, USD-denominated, fixed-rate taxable bond market, including Treasuries, government-related, and corporate securities, mortgage-backed securities ("MBS"), asset-backed securities ("ABS"), and commercial mortgage-backed securities ("CMBS").
- **Barclays Capital U.S. Long Credit:** A benchmark that measures the investment grade, USD-denominated corporate bond market and a non-corporate component that includes foreign agencies, sovereigns, supranationals, and local authorities. The benchmark is limited to securities with maturities of ten years or greater.
- **Barclays Capital U.S. Corporate Investment Grade:** A benchmark that measures the investment grade, fixed-rate, taxable corporate bond market, including USD-denominated securities publicly issued by U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.
- **Bank of America Merrill Lynch 3-Month T-Bill:** A benchmark that measures the Treasury bond market, limited to maturities of 90 days or less.
- **Barclays Capital U.S. Long Government:** A benchmark that measures the Treasury, agency, and quasi-federal corporate bond market, limited to maturities of ten years or greater.
- **Barclays Capital U.S. Intermediate Government:** A benchmark that measures the Treasury, agency, and quasi-federal corporate bond market, limited to maturities of 1-10 years.

- **Barclays Capital Global Aggregate:** A benchmark that measures the global investment grade fixed-rate debt market, including Treasuries, government-related, corporate securities, MBS, ABS, and CMBS.
- **Barclays Capital U.S. Long Government / Credit:** A benchmark that measures the investment grade, USD-denominated Treasury, government-related and corporate bond market, limited to maturities of ten years or greater.

The above indices meet each of the criteria for an acceptable fixed income asset class target. The next step in the analysis was to determine whether and to what extent these indices could meet the objectives of the MSBI Fixed Income Program.

Model Portfolio Return and Risk

The model portfolios used in the analysis are comprised of the policy weights assigned to each asset class in the MSBI portfolio during the time period of July 1988 through March 2012, using a fixed income index as a proxy for the fixed income allocation. Staff divided the historical sample period into three periods: low equity markets, mid equity markets, and high equity markets. Periods of low equity markets are defined as the months during which the investment return of MSBI's domestic equity program benchmark was negative. Periods of mid equity markets are defined as the months during which the investment return of MSBI's domestic equity program benchmark was equal to zero or greater, but less than three percent. Periods of high equity markets are defined as the months during which the investment return of MSBI's domestic equity program benchmark was greater than or equal to three percent. Table 5 provides the average annualized return and standard deviations of each model portfolio during the review period.

Table 5 – Total Portfolio Return and Risk During Periods of Low, Mid, and High Equity Markets

	Low Equity (n = 104)		Mid Equity (n = 95)		High Equity (n = 86)		Full Sample (n = 285)	
	Avg. Ann. Returns	Std. Dev.	Avg. Ann. Returns	Std. Dev.	Avg. Ann. Returns	Std. Dev.	Avg. Ann. Returns	Std. Dev.
U.S. Aggregate	-20.49%	5.94%	16.84%	3.20%	49.84%	5.65%	9.75%	10.03%
U.S. Long Gov't	-19.55%	6.11%	17.16%	3.58%	49.74%	5.82%	10.29%	10.04%
U.S. Interm. Gov't	-20.17%	5.81%	16.46%	3.17%	48.80%	5.53%	9.55%	9.82%
U.S. Long Gov/Credit	-20.44%	6.25%	17.46%	3.55%	51.00%	5.98%	10.24%	10.33%
U.S. Long Credit	-21.37%	6.45%	17.81%	3.55%	52.31%	6.26%	10.18%	10.68%
U.S. Corp. Inv. Grade	-21.10%	6.19%	17.22%	3.25%	51.21%	5.99%	9.89%	10.37%
Global Agg.	-21.20%	6.26%	16.46%	3.65%	50.49%	6.33%	9.68%	10.40%
BofA 3Mo. T-Bill	-20.72%	5.85%	16.12%	3.17%	47.81%	5.54%	8.95%	9.82%

Staff observed that standard deviation is generally lower for all indices in which exposure to treasury and other government-related securities exists. Moreover, average annual returns for indices carrying exposure to treasury and government-related securities outperform indices with spread exposure during low equity periods

and underperform during mid and high equity periods. Over the full sample period, long duration indices outperformed shorter duration indices to some degree. However this took place during a time period that experienced an unprecedented secular decline in interest rates.

Return Correlations

To observe whether the fixed income portfolio provided diversification to the MSBI's equity portfolios, staff measured historical correlations of investment returns between each fixed income benchmark and the equity portfolios. Tables 6 through 9 illustrate the correlation of investment returns between each fixed income benchmark analyzed and the MSBI Domestic Equity, International Equity, Alternatives, and Total Equity Programs during each return period and during the full review period (July 1988 – March 2012).

Table 6 – Low Equity

	Domestic Equity	International Equity	Alternatives	MSBI Total Equity
U.S. Aggregate	0.03	0.14	0.05	0.07
U.S. Long Gov't	-0.09	-0.05	0.07	-0.06
U.S. Interm. Gov't	-0.18	-0.09	0.04	-0.14
U.S. Long Gov/Credit	0.07	0.17	0.06	0.11
U.S. Long Credit	0.28	0.41	0.02	0.32
U.S. Corp. Inv. Grade	0.25	0.41	-0.02	0.29
Global Agg.	0.13	0.35	0.12	0.21
BofA 3Mo. T-Bill	0.12	0.07	0.10	0.15

Table 7 – Mid Equity

	Domestic Equity	International Equity	Alternatives	MSBI Total Equity
U.S. Aggregate	-0.10	-0.02	-0.10	-0.14
U.S. Long Gov't	-0.14	-0.06	-0.11	-0.18
U.S. Interm. Gov't	-0.10	-0.02	-0.06	-0.12
U.S. Long Gov/Credit	-0.11	-0.04	-0.16	-0.19
U.S. Long Credit	-0.08	-0.02	-0.20	-0.18
U.S. Corp. Inv. Grade	-0.08	-0.01	-0.15	-0.16
Global Agg.	0.04	0.32	-0.07	0.09
BofA 3Mo. T-Bill	0.10	0.02	0.07	0.08

Table 8 – High Equity

	Domestic Equity	International Equity	Alternatives	MSBI Total Equity
U.S. Aggregate	0.02	-0.28	0.00	-0.10
U.S. Long Gov't	-0.11	-0.40	0.06	-0.22
U.S. Interm. Gov't	-0.02	-0.39	-0.01	-0.17
U.S. Long Gov/Credit	-0.03	-0.25	0.04	-0.11
U.S. Long Credit	0.07	-0.01	0.01	0.04
U.S. Corp. Inv. Grade	0.11	0.01	-0.02	0.06
Global Agg.	0.22	0.27	-0.19	0.20
BofA 3Mo. T-Bill	-0.06	-0.47	0.10	-0.15

Table 9 – Full Sample

	Domestic Equity	International Equity	Alternatives	MSBI Total Equity
U.S. Aggregate	0.12	0.03	-0.03	0.11
U.S. Long Gov't	-0.07	-0.18	0.00	-0.08
U.S. Interm. Gov't	-0.08	-0.18	-0.02	-0.09
U.S. Long Gov/Credit	0.10	0.04	-0.04	0.09
U.S. Long Credit	0.28	0.27	-0.08	0.28
U.S. Corp. Inv. Grade	0.31	0.30	-0.08	0.30
Global Agg.	0.17	0.31	-0.05	0.20
BofA 3-Mo. T-Bill	0.03	-0.06	0.09	0.03

Staff observed that negative correlation with equity asset classes generally exists only with the U.S. Long Government and U.S. Intermediate Government indices. Over the full sample period, the U.S. Aggregate, 3-Month T-Bill, and U.S. Long Government/Credit indices exhibit weak correlation with equity asset classes, whereas fixed income indices with high credit and international exposure showed somewhat stronger correlation. Overall, the correlation of the current asset class target is not materially different from the alternative fixed income benchmarks.

Loss Probabilities

To observe whether the fixed income portfolio realizes appropriate risk-adjusted returns over the long-term, staff examined the probability of loss in the actual MSBI total portfolio and each of the model portfolios during the full review period. The analysis included each one-year period of twelve continuous months. The probability of loss is calculated by dividing the number of one-year periods in which the portfolio fell below the 5% threshold level by the total number of periods reviewed. Probability of loss at the end of the time horizon measures only the likelihood that an investment will depreciate to a particular level from inception to the end of the horizon. Probability of loss within the time horizon measures the likelihood that an investment will depreciate to a particular level from inception to any point during the specified horizon. Table 10 provides the

probability of a 5% loss for the MSBI portfolio and each model portfolio during a one-year time horizon. Table 11 provides the probability of a 5% loss for the MSBI portfolio and each model portfolio during a one-year time horizon during a turbulent period. For purposes of this analysis, turbulent periods comprise the 20% most volatile months based on the current MSBI total portfolio over the July 1988 to March 2012 time period.

Table 10 – Probability of a 5% Loss, 1-Year Time Horizon

	MSBI Actual Total Portfolio	U.S. Agg	U.S. Long Gov't	U.S. Interm. Gov't	U.S. Long Gov/Credit	U.S. Long Credit	U.S. Corp. Inv. Grade	Global Agg	BofA 3-Mo. T-Bill
End of Horizon	13.1%	12.8%	13.1%	12.8%	13.1%	12.8%	13.5%	13.1%	13.5%
Within Horizon	23.0%	22.6%	21.9%	22.6%	21.9%	23.0%	23.4%	21.5%	22.6%

Table 11 – Probability of a 5% Loss, 1-Year Time Horizon, Turbulent Period

	MSBI Actual Total Portfolio	U.S. Agg	U.S. Long Gov't	U.S. Interm. Gov't	U.S. Long Gov/Credit	U.S. Long Credit	U.S. Corp. Inv. Grade	Global Agg	BofA 3-Mo. T-Bill
End of Horizon	45.7%	45.7%	45.7%	43.5%	45.7%	45.7%	45.7%	41.3%	45.7%
Within Horizon	50.0%	50.0%	47.8%	50.0%	47.8%	50.0%	50.0%	50.0%	50.0%

Staff concludes that the current Fixed Income Program benchmark is generally equal or superior to other potential fixed income indices in both sample types.

Excess Returns of the MSBI Fixed Income Portfolio

To observe whether the fixed income portfolio realizes appropriate risk-adjusted returns over the long-term, staff examined the excess returns of the fixed income portfolio during the review period. Table 12 provides the annualized excess return, or alpha, standard deviation, batting average, and win/loss ratio during the review period for the MSBI fixed income portfolio. Batting average is calculated by dividing the number of months with positive excess return by the total number of months in the review period. The win/loss ratio is calculated by dividing the average amount of positive excess returns by the average amount of negative excess returns.

Table 12 – Excess Returns, Fixed Income Portfolio

	Low Equity	Mid Equity	High Equity	Full Sample
Annualized Excess Return	-1.60%	0.73%	1.99%	0.25%
Standard Deviation of Excess Return	1.59%	0.57%	1.06%	1.25%
Batting Average	39.42%	72.63%	73.26%	60.70%
Win/Loss Ratio	0.45	1.06	2.88	0.80
Avg. Annualized Return	3.80%	7.65%	12.32%	7.60%
Standard Deviation	4.28%	3.81%	4.13%	4.20%

The MSBI's Fixed Income Program generates excess returns over the long term. However, because the majority of the active bets are made in the credit portion of the portfolio, the correlation of the excess returns to the economic cycle is very high. Negative alpha was realized during the low equity period only, and both batting average and the win/loss ratio were quite low during this period. The fixed income portfolio experienced positive alpha and a high batting average during the mid and high equity periods. As evidenced by the win/loss ratio, positive excess returns were larger than negative excess returns during the high equity periods and about equal during the mid equity periods.

Summary and Recommendation

Staff concludes the current benchmark, the Barclays Capital U.S. Aggregate Bond Index, most accurately reflects the MSBI's objectives for the Fixed Income Program. Consequently, staff believes that no modifications to the Fixed Income Program asset class target are necessary at this time.

The Barclays Agg consists of approximately 7,800 constituent securities and represents a broad range of investment opportunities available to institutional investors in the fixed income marketplace. The index is measurable, has clear inclusion criteria and methodology for security-weighting, is investable, and is representative of the MSBI's asset allocation strategy and risk tolerance.

The Fixed Income Program acts primarily as diversification to the total MSBI equity exposure, which is 80% of the total portfolio on a target basis. Historical correlation of returns between the Barclays Agg and the MSBI equity portfolios over the full sample period is modestly positive, but is only slightly better or worse than various alternative fixed income benchmarks. With an historical correlation of 0.11, the Barclays Agg has exhibited weak correlation with MSBI's equity portfolio and therefore offers diversification to MSBI's total equity portfolio.

In addition to providing diversification, the Fixed Income Program attempts to realize an appropriate risk-adjusted rate of return over the long-term. Despite having significant exposure to spread sectors, the average annualized returns and standard deviation of the Barclays Agg compare favorably to other benchmarks.

Furthermore, staff believes the diversification of sectors¹ within the Barclays Agg provides opportunities to add alpha to the fixed income portfolio over time, and such opportunities may be limited in benchmarks and portfolios that are proxied to an index that is more concentrated in only certain parts of the fixed income market. Some long duration benchmarks provided somewhat better absolute returns (approximately 40-50 basis points); however these returns occurred during a time of prolonged secular declines in interest rates that benefited a long duration benchmark over a medium duration benchmark such as the Barclays Aggregate.

This paper is intended to analyze and review published fixed income benchmarks and their use within the SBI total portfolio. Analysis of the use of TIPS, gold, emerging market debt, high-yield debt, distressed debt, or other alternative fixed income assets could be issues that the IAC and SBI staff may review in the future.

¹ As of 12/31/2011, the sectors and float-adjusted weights of the Barclays Capital U.S. Aggregate Bond Index are U.S. Treasury (37.4%), Government-Related (11.0%), Investment Grade Corporates (21.2%), U.S. Mortgage-Backed Securities (27.9%), Asset-Backed Securities (0.2%), and Commercial Mortgage-Backed Securities (2.2%).

Appendix A

Fixed Income Program Asset Class Target History

7/1/1984 – 6/30/1994	Solomon Brothers Broad Investment Grade Index
7/1/1994 – Present	Barclays Capital U.S. Aggregate Bond Index ²

² From 7/1/1994 – 9/18/2008, index was the Lehman Brothers Aggregate Bond Index. Barclays Capital purchased the Lehman Brothers family of indices after Lehman Brothers filed for bankruptcy protection in September 2008.

TAB

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DATE: May 15, 2012

TO: Members, Investment Advisory Council

FROM: Stephanie Gleeson, Manager, International Equities

SUBJECT: Issues related to the management of emerging markets equity using separate accounts.

Background

The Minnesota State Board of Investment (SBI) uses separate accounts for the publicly traded asset classes of the Combined Funds. A separate account allows the SBI to control the investment guidelines by which the manager invests the account, to negotiate favorable fees to administer various investment restrictions (as mandated by the Board or by law), and to segregate and control securities lending. When the SBI invested in emerging markets in 1995, it did so via separate accounts with external investment managers.

Equity markets outside of the United States follow different procedures in their tax and legal treatment of foreign investors. In a separate account, the State is the registered foreign investor in each market that requires documentation. As a result, the SBI is required to comply with all local registration, legal and tax requirements which, in the emerging markets in particular, have become increasingly complicated.

Issue: India Tax Filings

The SBI is required to file annually a tax return in India which it must review and sign. To meet this requirement, the SBI must retain an accounting firm in India to complete and file the return. The negotiations for renewal of this contract have become increasingly difficult, and the SBI does not have leverage to negotiate reasonable terms. The accounting firm has significantly limited the scope of their liability and has sought, unsuccessfully so far, not to be held responsible for the completeness and accuracy of their work product.

Background on the Indian tax issue.

Despite being qualified as a tax exempt (non-ERISA) defined benefit plan in the U.S., the SBI's Indian equity assets are subject to local capital gains taxes. At this time, India is the only major foreign market which imposes capital gains taxes on qualified U.S. tax-exempt plans. In 2010 the Indian government proposed significant increases to their capital gains tax rates in draft legislation of a new Direct Tax Code (DTC) intended to replace India's existing Direct Law Laws. Public comments regarding these proposals were solicited, and SBI staff submitted a response to the Indian authorities. See attached **Exhibit A**.

Staff investigated whether the SBI should dispute the basis for paying capital gains taxes in the Indian market. The United States addresses tax rates and jurisdiction on specified types of income (including capital gains and income tax on dividend income) arising in a country to a tax resident of another country in bilateral Double Taxation Avoidance Agreements (DTAA's). The U.S. has entered into treaties with many, but not all, foreign countries. Article 13 (Gains) of the U.S.-India DTAA provides that each country may tax capital gains (associated with the sale of shares) in accordance with the provisions of its own domestic law rather than in accordance with the laws of the country of residence of the shareholder (the model, or pro-forma, treaty language). This provision means that gains realized by U.S.-residents on the sale of shares in India will be taxed in accordance with Indian law. Article 26 (Non-Discrimination) of the Treaty provides that "nationals" of each country shall not be subjected in the other country to any taxation which is more burdensome than the taxation to which nationals of that other country in the same circumstance are subjected. India does not assess capital gains taxes on its own government pension funds. Finally, Article 27 (Mutual Agreement Procedure) of the Treaty provides that where "a person" considers that the actions of either country results in taxation not in accordance with the provisions of the treaty, "he" may present "his" case to the competent authority of the country of which he is a resident. The Internal Revenue Service is the competent authority in the U.S.

Resolving tax disputes by filing a grievance with the U.S. competent authority (IRS) typically takes many years and would not allow a timely resolution to the issue of India's discriminatory tax practices. Alternatively, seeking remedy in local Indian courts is an expensive, time consuming and, in the vast majority of cases, unsuccessful endeavor. Local Indian courts, in actions related to tax discrimination, have commonly held that the Indian and non-Indian entities are not "in the same circumstance", typically on the basis of a variety of very inconsequential differences, and therefore cannot claim treaty non-discrimination benefits. In addition, if a case is successful in local court, it is typically "reversed" by the Indian Parliament via the subsequent passage of a law which is made retroactive to 1961, the date of India's Income-tax Act. Therefore, SBI staff concluded that the most productive option would be to urge the U.S. authorities to update the language of the U.S.-India DTAA to provide a specific exemption from capital gains taxes for U.S.-based public pension funds. Exemption language is currently included in the DTAA's that the United States has entered into with other countries. Renegotiating a treaty is a time consuming process and is a long term not an immediate solution. However, it offers the possibility of absolute clarity on this tax issue (to the extent that clarity on tax issues is ever possible in India). A number of other large U.S. public pension funds signed on to the SBI's letters to the U.S. Treasury and the U.S. Congressional Committee on Joint Taxation. See attached **Exhibits B & C**. In the final version of the DTC legislation presented to the Indian Parliament, there were no changes to the rates of capital gains taxes which still stand, effectively, at 15% for short term capital gains and 0% for long term capital gains. However, U.S. pension funds remain subject to future rate changes in law or in annual budget announcements.

Issue: Taiwan Tax Filing Agent

The SBI is encountering significant difficulties in entering into a contract with a local tax filing agent in Taiwan. They are demanding total indemnification (which the SBI cannot give) and other terms to which the SBI cannot legally agree.

Background on the Taiwan Tax Filing Agent Requirement

In Taiwan, income tax is withheld at source on dividend income. Investors are permitted to withdraw all "net remitted-in principal", which is total contributions minus total redemptions, from the market prior to appointing a local Tax Filing Agent (TFA). To repatriate realized earnings over and above the "net remitted-in principal", the investor is required to appoint a TFA to perform an audit of all of the client's transactions to ensure that the correct amount of taxes have been withheld. This requirement means that the SBI must engage a local Taiwanese accounting firm to perform an audit before the SBI can repatriate any amounts other than the net value of its contributions into that market. A foreign investor may wait until its first repatriation of earnings to make the TFA appointment. The SBI has reached the point at which it needs to appoint a TFA in Taiwan.

Issue: Tax on Dividends

Many foreign markets in which the SBI invests withhold income tax on distributed dividends. Certain markets refund all or a portion of those retained income taxes based on provisions agreed to in the U.S.'s DTAA's with each individual market. The SBI's custodian files for these tax refunds in the various markets. The processes for applying for withheld income recently changed in Indonesia, the Philippines, and Switzerland. Staff is often required to review and assist in completing the relevant paperwork. While Staff is prepared to continue to assist in this process, considerable staff time is allocated to accomplish this task.

Issue: Ongoing Changes in Emerging Market Countries

As discussed, local emerging market registration, legal and tax requirements, examples of which have been provided above, have become increasingly complicated and a significant issue for the SBI. These issues are expected to potentially become more complex, in particular as MSCI, the index provider, "graduates" other markets into their emerging markets index.

Potential Solutions:

- 1.) Convert separately managed accounts into commingled funds.
- 2.) Require managers to gain market exposure in certain countries through depository receipts traded in either London or New York.
- 3.) Invest in only those emerging markets in which the SBI can meet all the regulatory and administrative requirements.
- 4.) Eliminate the emerging markets program.
- 5.) Other.

Background on issues related to converting Emerging Markets Equity Holdings to Commingled Funds.

Preliminary examination by staff has pointed to a number of issues associated with converting the SBI's emerging markets equity separate accounts to comingled funds with existing managers. These issues include the following:

1. Transaction Costs. In many emerging markets, assets cannot be transferred between beneficial owners. In a separate account, the State of Minnesota is the beneficial owner (with individual manager sub-accounts), whereas in a comingled fund the manager is the beneficial owner (with individual client sub-accounts). One of the SBI's existing emerging markets equity managers has conservatively estimated that in order to transition the state's separate account portfolio to the manager's comingled fund, the state would have to sell over fifty percent of the assets currently in the account. The average commission costs alone for this trade would be approximately eighteen basis points (0.18%) of the value of the traded assets. This amount does not include any costs associated with market impact or local taxes and fees. With \$1.6 billion U.S. dollars in emerging markets equities as of March 31, 2012, the transaction costs would be significant.
2. Control of Investment Guidelines. In a separate account, the state establishes the investment guidelines of the account. In a comingled fund, the manager establishes the investment guidelines of the fund which are uniform across all investors in the fund and cannot be customized to one investor's needs.
3. Operational Issues – Daily Valuation. The SBI's assets are valued daily by the custodian, State Street Bank. This allows for daily liquidity in the Supplemental Investment Funds which invest in the unitized asset class pools. In order for the SIF International Share Account to maintain daily liquidity for participants, the emerging market comingled fund investments would have to be able to provide a daily valuation (NAV) to State Street Bank by 6 p.m. ET.
4. Operational Issues – Liquidity. While a comingled fund might be able to provide a daily valuation, it might only allow weekly or monthly "openings" for contributions and redemptions. The SBI has rebalancing policies and periodic needs to raise cash to pay participant benefits and would therefore require monthly liquidity at a minimum.
5. Operational Issues – Holdings Transparency. The SBI uses external vendors for a variety of analytics, including performance attribution. The most accurate analytics are based on holdings (versus returns only) information. Currently, all of the SBI's emerging markets equity holdings are custodied at State Street Bank. As a result, State Street can send daily holdings feeds to Factset and regularly provide holdings information to the SBI's consultant and to State Street's own Performance & Analytics department for the purpose of creating attribution analytics. However, investments in a comingled fund would be custodied at a different bank, and the SBI would have access to holdings information on a much less frequent basis, possibly with a lag and, perhaps not at all.

6. Securities Lending. If the SBI moved its emerging markets equity assets into comingled funds, it would require the funds to be non-lending. This requirement might restrict the fund options that the SBI has available to it and it will reduce the securities lending income which the SBI currently earns on these assets.

ACTION:

Staff requests IAC input and suggestions related to the SBI's Emerging Markets Program.

Staff will request that the Board authorize staff to make necessary modifications to the Emerging Markets Program to ensure that it can operate effectively.

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EXHIBIT A

From: Stephanie Gleeson [stephanie.gleeson@pop3.state.mn.us]
Sent: Wednesday, June 30, 2010 4:40 PM
To: 'directtaxescode-rev@nic.in'
Cc: 'Howard.Bicker@state.mn.us'; 'Teri.Richardson@state.mn.us'
Subject: U.S. pension fund's Comments regarding the proposed Indian Direct Taxes Code Bill (DTC)

To Whom it may concern:

I am writing on behalf of a U.S. based public pension fund, the Minnesota State Board of Investment. We are responsible for investing the pension assets on behalf of all of the teachers, and state and public employees in the State of Minnesota. As of March 31, 2010, our fund was the 30th largest among both public and corporate pension funds in the United States with over \$40 billion (USD) in pension assets under its control. Our fund has been a registered FII in India since March 2004. As of June 29, 2010, our fund had the Indian Rupee equivalent of over \$157 million (USD) invested locally in the Indian equity market.

Our Executive Director would like to make the following comments to the proposed changes to the taxation of capital gains as outlined in the Revised Discussion Paper (RDP) on the proposed Direct Taxes Code Bill (DTC):

1. Our understanding is that the stated intent of the Government of India (GOI) in the DTC is to simplify the tax code, lower tax rates, and broaden the tax base. In our opinion, none of these goals are accomplished with the proposed changes to the taxation of capital gains, which have become more complex and with significantly higher tax rates.

2. If the GOI ultimately decide to raise the tax rate to 30% for all capital gains (short and long term, with an unspecified percentage reduction on long term gains), we will no longer invest locally in India.

The cost, complication, and time commitment will, at that point, outweigh the potential investment benefits. Every other foreign market, developed and emerging, in which we invest recognizes the tax exempt status of U.S. pension assets. India is the only market in which we are subject to capital gains taxes on such assets.

Our Executive Director will discuss this issue and solicit the opinions of the heads of all of the other U.S. state pension funds, among whom are two of the largest institutional investors in the world, at a meeting this fall. The best solution would be for India to adopt the same practice as other countries of not subjecting the pension funds of foreign governmental entities to capital gains taxes. Alternatively, we hope that the Government of India will continue with the present tax regime for capital gains or have a moderate tax rate for capital gains which is concessional for long-term holdings.

Thank you.

Stephanie Gleeson, Manager, International Equities
Minnesota State Board of Investment | 60 Empire Drive | Ste 355 | St. Paul | MN 55103
Tel: 651-296-9336 | **Fax:** 651-296-9572

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EXHIBIT B

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Tim Pawlenty

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

Howard J. Bicker

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October 21, 2010

U.S. Department of the Treasury
Assistant Secretary (Tax Policy)
1500 Pennsylvania Avenue, N.W., Room 3120
Washington, D.C. 20220

RE: U.S. Tax Convention With The Republic of India and the treatment of gains of
U.S. pension funds

Dear Sir or Madam,

We represent a group of the largest U.S. based state (public) pension funds, who administer and direct the investment of the pension assets of various statewide public pension systems. As of June 30, 2010, together we controlled over \$784 billion (USD) in pension assets with significant investments in publically-traded securities in foreign markets.

We would like to bring to your attention a tax issue which we hope will be clarified when the U.S. Tax Convention With The Republic of India is renegotiated in the future. India is the only large foreign market which reserves the right to tax capital gains in accordance with the provisions of its domestic law. While India's domestic tax laws exempt from tax the Indian Government's pension scheme together with other approved local pension schemes, the Indian Government does not extend that right to foreign government pension schemes. U.S. pension funds that register to invest locally in India are required to pay capital gains taxes. The Indians also argue (in similar cases which have been upheld in local courts) that the treaty's non-discrimination clause does not apply since, in their opinion, we are not strictly speaking "in the same circumstance". Further, India feels that U.S. state governmental entities do not meet the definition of "person" under the Treaty, and therefore are not entitled to claim relief per the Treaty's provisions. We understand that other U.S. tax treaties have special treatment for foreign pension funds. We urge you to renegotiate the U.S. Tax Convention With The Republic of India, which is now twenty years old, and to include the treatment of gains realized by U.S. state/government pension funds among the negotiation points.

This issue has come to the fore recently because the Indian Government is proposing to re-write the tax code of that country. Originally, the government proposed significantly increasing the capital gains tax rates, raising short-term rates, on investment held less than one year, from 15% to 30% and raising long-term rates, on investments held longer than one year, from 0% to 30%. However,

in the bill submitted to their parliament on August 30, 2010, their proposal is to keep capital gains tax rates at current levels (15% on short term gains, 0% on long-term gains).

U.S. pension funds remain subject to whatever local law the Indian Government decides to pass now, or in the future. Should Indian capital gains tax rates ever rise to uncompetitive levels each of our funds will seriously consider no longer investing locally in India. Despite the fact that India represents a large and important market, the cost, complication, and time commitment may, at that point, outweigh the potential investment benefits.

Thank you for your consideration of this matter.

Signed,

Bruce H. Cundick
Chief Investment Officer
Utah Retirement Systems

Craig Slaughter
Executive Director
West Virginia Investment
Management Board

Clifford W. Doherty
State Investment Officer
Nebraska Investment Council

Christopher A. Ilman
Chief Investment Officer
Calif. State Teachers
Retirement System CalSTRS

Louis Stenge
Chief Investment Officer
Public Employees Retirement
of Mississippi

John A. Dean
Chief Investment Officer
California Public Employees
Retirement System

Walt Dwyer
Assistant Chief Investment Officer
Service Division of Investment
Service

Paul C. Kuhl
Chief Investment Officer
Iowa Public Employees'
Retirement System

Jennifer Paquette
Chief Investment Officer
Colorado PERA

[Signature]
Chief Investment Officer
Louisiana State Employees

Bob Jacobs
Chief Investment Officer
New Mexico ERB

[Signature]
Deputy CIO
SC Retirement System Investment Comm.

Quahty
Chief Investment Officer
Missouri PSRS/PEERS

Matthew L. Clark
State Investment Officer
S.D. Investment Council

Ash Williams
Exec Dir / CIO
Florida State Board of Ad-
ministration

Richelle [Signature]
Investment Officer
Public Employee Ret Sys of IL

Manuel Lopez
Chief Investment Officer
Maryland State Retirement Agency

Howard Baker
Executive Director
Minnesota State Board of Investments

EXHIBIT C

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Tim Pawlenty

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

Howard J. Bicker

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October 21, 2010

The Joint Committee on Taxation
Chief of Staff & Committee Chairperson
1015 Longworth House Office Building
Washington, D.C., 20515

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Calif. State Teachers
Retirement System CalSTRS

Louis Stungile
Chief Investment Officer
Public Employees Retirement
System of Mississippi

Mark Payne
Asst. Chief Investment Officer
Legis. Division of Investment
Services

Jennifer Paguete
Chief Investment Officer
Colorado PERA

Karl C. Koch
Chief Investment Officer
Iowa Public Employees'
Retirement System

Cynthia
Chief Investment Officer
Missouri PSRS/PERS

Mancoley T
Chief Investment Officer
Maryland State Retirement Agency

Ash Williams
Executive Director & CFO
Florida State Board of Ad-
ministration

Hershel Harper
Deputy CIO
SC Retirement System Investment Com.

[Signature]
Chief Investment Officer
Louisiana State Employees

Matthew L. Clark
State Investment Officer
South Dakota Investment Council

Rebecca L. [Signature]
Investment Officer
Public Emp Ret Sys of CO

[Signature]
[Signature]
Minnesota State Board of Govt

