

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Thursday, May 16, 2013
10:00 A.M.
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

- | | |
|--|------------|
| | TAB |
| 1. Approval of Minutes of February 19, 2013 | |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2013 – March 31, 2013) | |
| B. Administrative Report | B |
| 1. Reports on Budget and Travel | |
| 2. Legislative Update | |
| 3. Update on Sudan | |
| 4. Update on Iran | |
| 5. Litigation Update | |
| 6. SBI Policy Book | |
| 7. Update on Search Process | |
| 3. Report from the SBI Administrative Committee (H. Bicker) | C |
| A. Review of Executive Director's Proposed Workplan FY14 | |
| B. Review of Budget Plan for FY13, FY14, and FY15 | |
| C. Review of Continuing Fiduciary Education Plan | |
| D. Review of Executive Director's Evaluation and Salary Process | |
| E. Update of Disaster Recovery Plan | |
| 4. Review of manager performance for the period ending
 March 31, 2013 (H. Bicker) | D |
| 5. Review of Investment Managers (H. Bicker) | E |
| 6. Alternative Investment Report (J. Griebenow) | F |
| A. Review of current strategy | |
| B. Consideration of investment commitments to three existing
private equity managers | |
| C. Extend the fund raising time deadline for a fund that was
previously approved by the Board | |
| D. Review of alternative investment allocation | |
| 7. Other items | |

INVESTMENT ADVISORY COUNCIL

MINUTES

May 16, 2013

INVESTMENT ADVISORY COUNCIL

Minutes Investment Advisory Council February 19, 2013

The Investment Advisory Council (IAC) met at 12:00 Noon Tuesday, February 19, 2013 in the Board Room – First Floor, 60 Empire Drive, St. Paul, Minnesota.

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

MEMBERS ABSENT: Jay Kiedrowski.

SBI STAFF: Howard Bicker, Jim Heidelberg, LeaAnn Stagg, 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.; Micah Hines, Bert Black, John Mule; Celeste Grant; Margaret Martin, House Majority Research.

The minutes of the November 20, 2013 meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had outperformed its Composite Index over the ten year period ending December 31, 2012 (Combined Funds 8.4% vs. Composite 8.2%) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.2% vs. CPI 2.4%).

Mr. Bicker reported that the Combined Funds' assets increased 0.7% for the quarter ending December 31, 2012 due to positive market performance. He said that staff had completed a rebalancing and that the asset mix is now essentially on target. He stated that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 1.7% vs. Composite 1.5%) and for the year (Combined Funds 13.7% vs. Composite 12.9%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stocks 0.3% vs. Domestic Equity Asset Class Target 0.2%) and for the year (Domestic Stock 16.6% vs. Domestic Equity Asset Class Target 16.4%). He said the international stock manager group matched its target for the quarter (International Stock 5.9% vs. International Equity Asset Class Target 5.9%) and outperformed for the year (International Stock 17.6% vs. International Equity Asset Class Target 16.8%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.6% vs. Fixed Income Asset Class Target 0.2%) and for the year (Bonds 6.7% vs. Fixed Income Asset Class Target 4.2%). He

stated that the alternative investments returned 3.3% for the quarter and 12.8% for the year. He concluded his report with the comment that, as of December 31, 2012, the SBI was responsible for over \$62 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He reported that the Legislative Auditor has completed the financial audit of the SBI's operations for FY12 and that members will receive a copy of their report when it becomes available. He added that the report did not have any written findings. Mr. Bicker stated that it is still very early in the legislative process, and he noted that the Pension Commission has several new members. He stated that updated information on Sudan and Iran is also included in Tab B.

Mr. Bicker asked John Mule of the Attorney General's Office for an update on litigation. Mr. Mule reported that the Break the Bonds group had filed a petition with the Minnesota Supreme Court and that the court denied the petition, so the case is concluded.

Mr. Bicker gave a brief update to members on the upcoming search for a new Executive Director. He stated that the Board has established a Search Committee made up of seven members. He stated that the committee is reviewing a potential RFP for the retention of an executive search firm and has reviewed the position description for the Executive Director. He noted that the search will likely take place over the summer with Board approval coming at the September 2013 meeting.

Mr. Bicker referred members to Tab C of the meeting materials for updated performance on the various asset class managers. He noted that staff had no action items this quarter regarding the stock and bond managers.

Mr. Griebenow referred members to Tab D of the meeting materials and stated that staff is recommending a new investment with a new private equity manager, Apax Partners. He noted that the firm would make a brief presentation to members later in the meeting. He also noted that staff would make a presentation later in the meeting regarding the SBI's core open-end real estate fund holdings. Mr. Bicker stated that a discussion on the swap paper and the risk management paper would follow after the alternative presentations.

A presentation was given by Martin Halusa and David Kim of Apax and a brief discussion followed. Mr. McDonald moved approval of staff's recommendation for an investment with Apax Partners, as stated in Tab D of the meeting materials. Ms. Faust seconded the motion. The motion passed.

Mr. Kirby gave a presentation on the proposed divestment of three open-end core real estate holdings and a discussion followed regarding the time frame of the divestment process. Mr. Bergstrom moved approval of staff's recommendation as stated in Tab D of the meeting materials, with the recommendation being amended to state that the divestment should take place over a time period of up to three years. Ms. Mares seconded the motion. The motion passed.

Ms. Stagg and Mr. Menssen referred members to Tab E of the materials and presented a review of the swap market for potential legislative action. Ms. Mares made a motion to have the IAC support staff's efforts to seek additional investment authority to invest in swaps. Mr. McDonald seconded the motion. The motion passed.

Ms. Stagg stated that in response to a request from the IAC, staff had consolidated the discussion of its overall risk management approach in the Risk Management Paper included in Tab F of the meeting materials. She noted that this paper represents an integration of the risk management strategies and procedures that occur in the SBI's entire investment process that had been previously documented in separate policy papers.

Mr. Bicker stated that staff has also been revising the draft of the SBI's operational manual and that a final version will be distributed to members upon completion.

The meeting adjourned at 1:53 P.M.

Respectfully submitted,

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

Howard Bicker
Executive Director

TAB

A

LONG TERM OBJECTIVES
Period Ending 3/31/2013

COMBINED FUNDS: \$51.9 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>	9.2% (1)	0.2 percentage point above the target
<p>Provide Real Return (20 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	8.2%	5.8 percentage points above CPI

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS**Nine Plans of MSRS, PERA and TRA
July 1, 2012****Liabilities**

Actuarial Accrued Liabilities \$63.7 billion

Assets

Current Actuarial Value \$47.9 billion

Funding RatioCurrent Actuarial Value divided by
Accrued Liabilities 75.3%**Actuarial Assumptions:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate – 5-Year Select and Ultimate Rates:

July 1, 2012 – June 30, 2017	8%
July 1, 2017 – and later	8.5%
4. Full Funding Target Date:

2040 – MSRS General
2031 – PERA General
2037 – TRA

EXECUTIVE SUMMARY

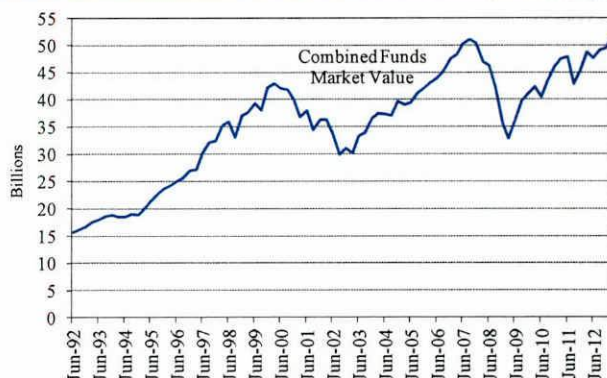
Combined Funds (Net of Fees)

Asset Growth

The market value of the Combined Funds increased 0.7% during the fourth quarter of 2013. Positive investment returns caused the increase in market value.

Asset Growth During First Quarter 2013 (Millions)

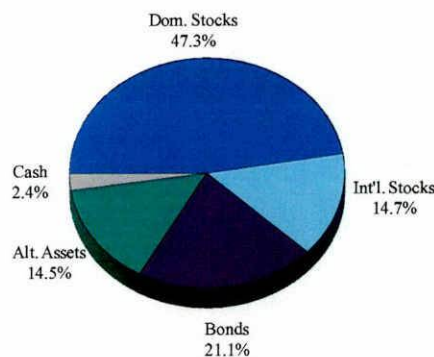
Beginning Value	\$ 49,469
Net Contributions	-551
Investment Return	2,993
Ending Value	\$ 51,911



Asset Mix

The allocation to international equity decreased due to a rebalance into cash and domestic equity increased due to outperformance relative to other asset classes.

	Policy Targets	Actual Mix 3/31/2013	Actual Market Value (Millions)
Domestic Stocks	45.0%	47.3%	\$24,575
Int'l. Stocks	15.0	14.7	7,631
Bonds	18.0	21.1	10,935
Alternative Assets*	20.0	14.5	7,538
Cash	2.0	2.4	1,232
	100.0%	100.0%	\$51,911

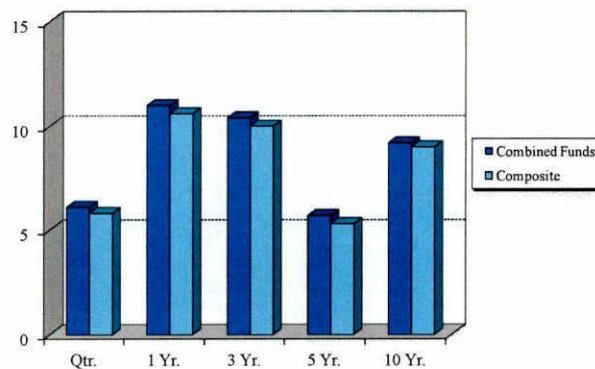


* Any uninvested allocation is held in bonds.

Fund Performance (Net of Fees)

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

	Period Ending 3/31/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	6.1%	11.0%	10.4%	5.7%	9.2%
Composite	5.8	10.6	10.0	5.3	9.0



EXECUTIVE SUMMARY

Stock and Bond Manager Performance (Net of Fees)

Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) matched 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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	11.1%	14.1%	12.8%	6.3%	8.9%
Asset Class Target*	11.1	14.6	13.0	6.3	9.1

* 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 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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	4.1%	9.9%	5.1%	0.1%	11.0%
Asset Class Target*	3.2	8.4	4.4	-0.4	11.0

* Since 6/1/08 the International Equity Asset Class Target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap.

Bonds

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

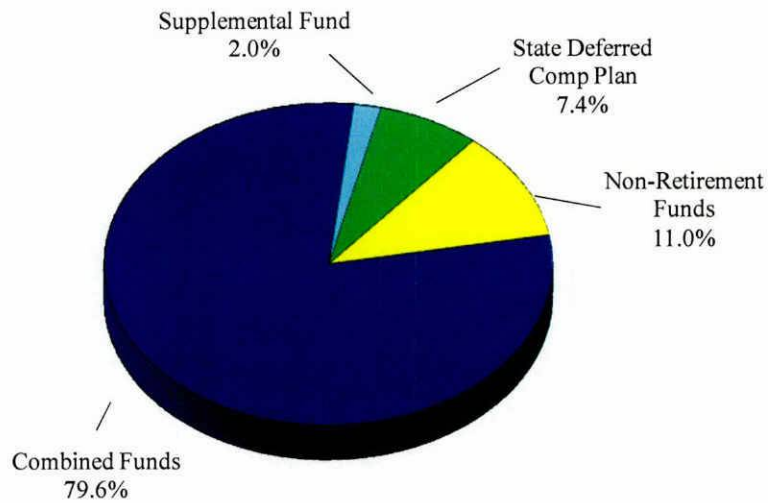
Barclays Capital Aggregate: The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	0.1%	5.4%	6.7%	6.5%	5.5%
Asset Class Target	-0.1	3.8	5.5	5.5	5.0

Alternative Investments

	Period Ending 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	2.7%	11.7%	12.9%	5.5%	15.3%

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2013 Market Value (Billions)
Retirement Funds	
Combined Funds	\$51.9
Supplemental Investment Fund	1.3
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.8
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.9
Environmental Trust Fund	0.7
Miscellaneous Trust Accounts	0.1
Other Post Employment Benefits Accounts	0.4
State Cash Accounts	4.8
Total	\$65.2

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2013
(January 1, 2013 - March 31, 2013)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Russell 3000 (broad market)	11.1%	14.6%	13.0%	6.3%	9.2%
Russell 1000 (large cap)	11.0	14.4	12.9	6.2	9.0
Russell 2000 (small cap)	12.4	16.3	13.5	8.2	11.5
Dow Jones Wilshire Composite	11.1	14.5	13.1	6.5	9.4
Dow Jones Industrials	12.0	13.3	13.3	6.5	9.0
S&P 500	10.6	14.0	12.7	5.8	8.5
Domestic Fixed Income					
Barclays Capital Aggregate (1)	-0.1	3.8	5.5	5.5	5.0
Barclays Capital Gov't./Corp. 3 month U.S. Treasury Bills	-0.2 0.0	4.6 0.1	6.1 0.1	5.5 0.3	5.1 1.8
International					
Emerging Markets Free (2)	-1.6	2.0	3.3	1.1	17.0
ACWI Free ex-U.S. (3)	3.2	8.4	4.4	-0.4	10.9
EAFE (4)	5.1	11.3	5.0	-0.9	9.7
World ex-U.S. (5)	4.7	10.4	4.8	-0.7	10.0
Salomon Non U.S. Gov't. Bond	-3.8	-2.2	3.3	2.3	5.6
Inflation Measure					
Consumer Price Index CPI-U (6)	1.4	1.5	2.3	1.7	2.3
Consumer Price Index CPI-W (7)	1.5	1.3	2.4	1.9	2.4

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

(2) Morgan Stanley Capital International Emerging Markets Free index. (Net index)

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted an 11.1% return during the first quarter of 2013. Investors were encouraged by the continuing housing recovery, improving job growth, and durable goods orders as the US economic recovery continued its slow and steady march forward. Within the Russell 3000, all economic sectors reported positive returns for the quarter. Health Care was the best performing sector with a 15.8% return while Technology was the laggard with a 4.3% return for the quarter. Small cap stocks, as measured by the Russell 2000, outpaced the large cap stocks held in the Russell 1000 for the quarter.

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

Large Growth	Russell 1000 Growth	9.5%
Large Value	Russell 1000 Value	12.3%
Small Growth	Russell 2000 Growth	13.2%
Small Value	Russell 2000 Value	11.6%

The Russell 3000 index returned 14.6% for the year ending March 31, 2013.

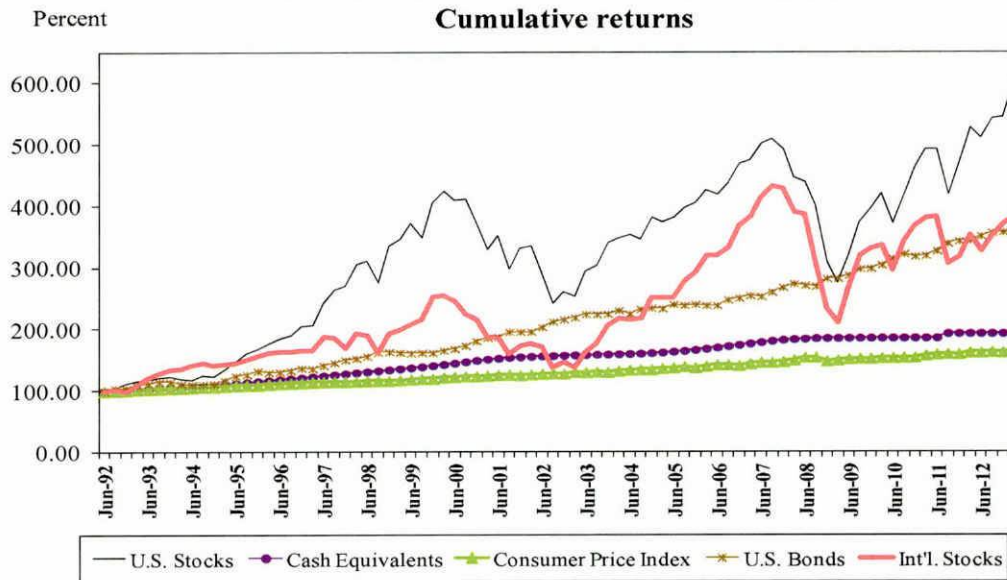
DOMESTIC BONDS

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, produced a total return of -0.12% for the quarter. Yields on U.S. Treasuries rose during the quarter. The 2-year U.S. Treasury ended the first quarter lower by less than one basis point at 0.24%, the 5-year yield increased by four basis points to 0.76%, the 10-year yield increased by nine basis points to 1.85%, and the 30-year increased by 15 basis points to 3.10%. U.S. Treasuries underperformed the benchmark during the quarter, while all other sectors slightly outperformed the broader benchmark.

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

U.S. Treasury	-0.19%
Agency	-0.03
Corporates	-0.11
Agency MBS	-0.05
Commercial Mortgages	0.13
Asset-backed	0.05

**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 4.7% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	2.5%
Japan	11.6
Canada	0.9
France	0.6
Australia	9.1
Germany	0.2

The World ex U.S. index returned 10.4% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 23 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 73% of the value of the international markets in the index.

EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index net) provided a return of -1.6% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-4.5%
Brazil	-0.8
Korea	-3.4
Taiwan	-0.2
India	-2.6
South Africa	-9.0

The Emerging Markets Free index returned 2.0% 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 70% of the value of the international markets in the index.

REAL ESTATE

During the first quarter of 2013, real estate posted its 13th consecutive quarter of positive returns with the NCREIF Property Index posting a return of 2.6%. Real Estate markets have seen a healthy recovery since the 2008-2009 crash. However, the real estate outlook for 2013 continues to be one of caution due to continued weakness in employment.

PRIVATE EQUITY

The buyout industry posted its most robust quarter in terms of aggregate value of deals (\$87 billion) in 1Q13 since the boom year of 2007. The number of buyout deals announced, however, was the lowest since 1Q10 at 665. Capital markets have been accommodative, as average debt and EBITDA multiples increased for LBOs in 2012 vs. 2011. 2013 looks to be a crowded fundraising market for GPs as over 1,900 private equity funds were fundraising as of the end of 1Q13 (source: Prequin).

RESOURCE FUNDS

During the first quarter of 2013, crude oil traded between a range of \$90/bbl and \$98/bbl. The average price for the first quarter of 2013 was \$94/bbl which is approximately \$6/bbl more than the average price for the fourth quarter of 2012. Strong global energy demand and unrest in the Middle East should continue to provide strength to oil prices.

COMBINED FUNDS

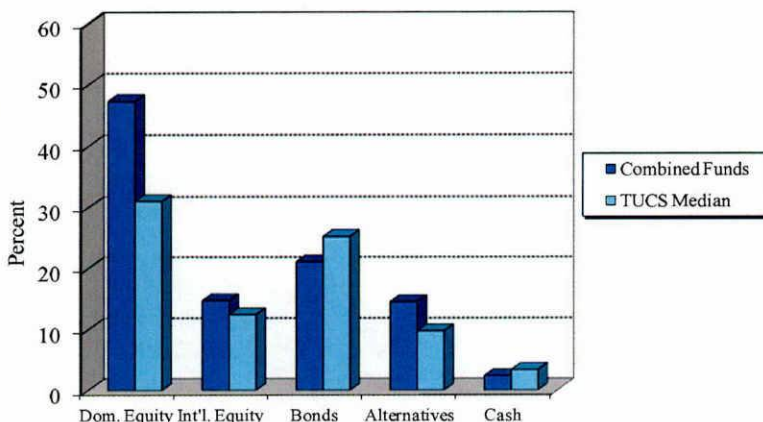
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2013, 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	\$24,575	47.3%
International Stocks	7,631	14.7
Bonds	10,935	21.1
Alternative Assets	7,538	14.5
Unallocated Cash	1,232	2.4
Total	\$51,911	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	47.3%	14.7%	21.1%	14.5%	2.4%
Median Allocation in TUCS*	31.1	12.5	25.2	9.8**	3.4

* Public and corporate plans over \$1 billion.

** May include assets other than alternatives.

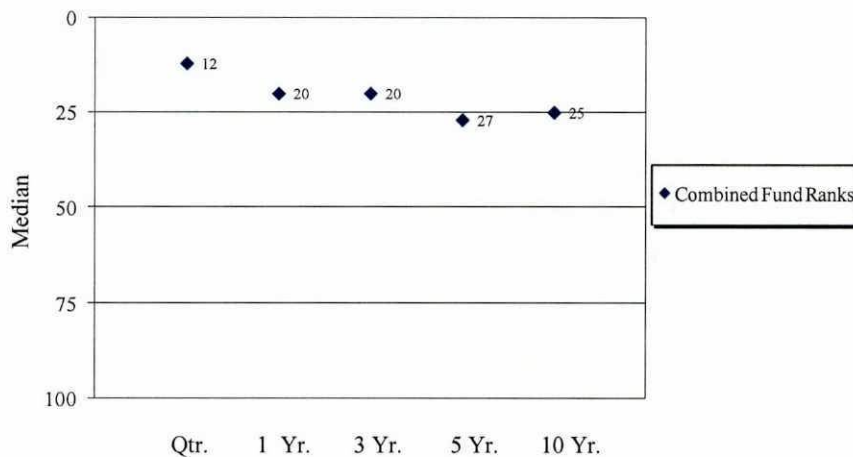
**COMBINED FUNDS
Performance Compared to Other Pension Funds**

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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	12th	20th	20th	27th	25th

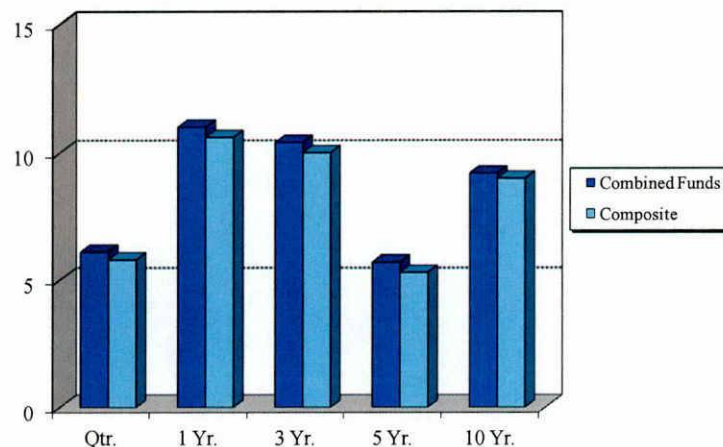
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

**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* 1Q13
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	22.9*
Alternative Investments	Alternative Investments	15.1*
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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	6.1%	11.0%	10.4%	5.7%	9.2%
Composite Index	5.8	10.6	10.0	5.3	9.0

** Actual returns are reported net of fees.

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

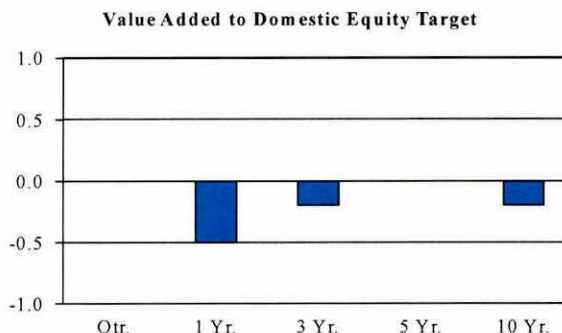
Domestic Stocks

Target: Russell 3000

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

	Period Ending 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	11.1%	14.1%	12.8%	6.3%	8.9%
Asset Class Target*	11.1	14.6	13.0	6.3	9.1

* 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.



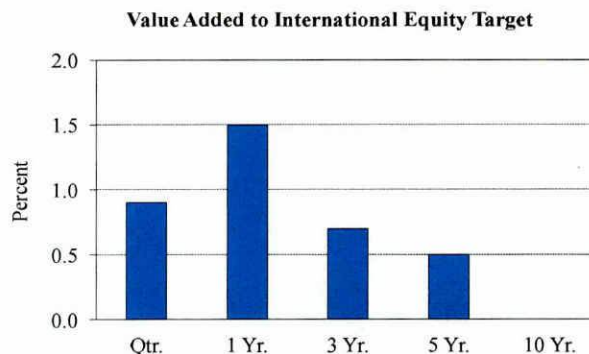
International Stocks

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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	4.1%	9.9%	5.1%	0.1%	11.0%
Asset Class Target*	3.2	8.4	4.4	-0.4	11.0

* 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.

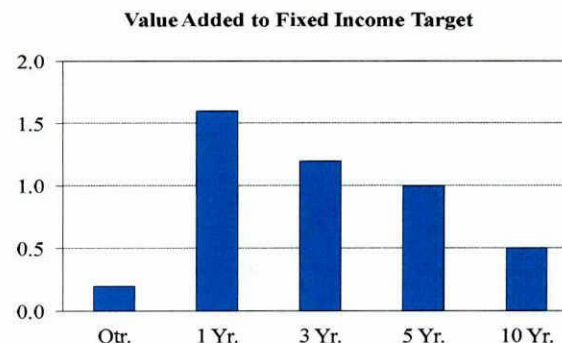


Bonds

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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	0.1%	5.4%	6.7%	6.5%	5.5%
Asset Class Target	-0.1	3.8	5.5	5.5	5.0



ALTERNATIVE INVESTMENTS
Performance of Asset Categories
(Net of Fees)

Alternative Investments

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

	Period Ending 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
	Annualized				
Alternatives	2.7%	11.7%	12.9%	5.5%	15.3%
Inflation	1.4%	1.5%	2.3%	1.7%	2.3%

Real Estate Investments (Equity emphasis)

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

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

	Period Ending 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
	Annualized				
Real Estate	1.1%	8.6%	11.6%	-3.2%	7.0%

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 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
	Annualized				
Private Equity	2.8%	13.5%	13.4%	6.7%	16.3%

Resource Investments (Equity emphasis)

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

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

	Period Ending 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
	Annualized				
Resource	2.2%	5.3%	11.9%	8.7%	26.9%

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 3/31/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
	Annualized				
Yield Oriented	4.6%	14.5%	13.3%	8.3%	16.8%

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, 2013 the market value of the entire Fund was \$1.3 billion.

Investment Options

	3/31/2013 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$294
Growth Share Account – an actively managed, all common stock portfolio.	\$156
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$198
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$89
Bond Market Account – an actively managed, all bond portfolio.	\$132
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$213
Fixed Interest Account – a portfolio of stable value instruments, including security backed contracts and insurance company and bank investment contracts.	\$189
Volunteer Firefighter Account – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$16

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%	62.9%
Bonds	35.0	32.4
Cash	5.0	4.7
	100.0%	100.0%

Period Ending 3/31/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	7.1%	10.8%	10.3%	6.8%	8.0%
Benchmark*	6.5	10.1	10.0	5.8	7.4

* 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 3/31/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.1%	13.8%	12.8%	6.3%	8.7%
Benchmark*	11.1	14.6	13.0	6.3	9.1

* 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 3/31/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.1%	14.6%	13.0%	6.4%	9.2%
Benchmark*	11.1	14.6	13.0	6.3	9.1

* 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 3/31/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.1%	9.9%	5.1%	0.2%	11.1%
Benchmark*	3.2	8.4	4.4	-0.4	11.0

* 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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	5.4%	6.7%	6.5%	5.5%
Barclays Capital Aggregate	-0.1	3.8	5.5	5.5	5.0

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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	0.3%	0.3%	0.6%	2.0%
3 month T-Bills	0.0	0.1	0.1	0.3	1.7

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 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.6%	2.7%	3.3%	3.8%	4.2%
Benchmark*	0.2	0.8	1.1	1.5	2.8

* 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	37.1%
International Stocks	15.0	15.7
Bonds	45.0	42.3
Cash	5.0	4.9
	100.0%	100.0%

	Period Ending 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.6%	9.6%	8.6	N/A	N/A
Benchmark*	4.2	8.2	8.1	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

	3/31/2013 Market Value (in Millions)
Vanguard Index Institutional Plus Shares (passive)	\$724
Janus Twenty (active)	\$432
Vanguard Mid Cap Index Institutional Shares (passive)	\$280
T. Rowe Price Small-Cap Stock (active)	\$505
Fidelity Diversified International (active)	\$245
Vanguard Total International Stock Index Institutional Plus (passive)	\$118
Vanguard Balanced Index Institutional Shares (passive)	\$552
Dodge & Cox Income Fund (active)	\$211
Vanguard Total Bond Market Index Institutional Shares (passive)	\$190
SIF Money Market Account	\$65
SIF Fixed Interest Account (stable value)	\$1,357
State Street Global Advisors MN Target Retirement Funds	
Income Fund	\$20
2015 Fund	\$28
2020 Fund	\$33
2025 Fund	\$22
2030 Fund	\$12
2035 Fund	\$8
2040 Fund	\$5
2045 Fund	\$3
2050 Fund	\$2
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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	10.6%	14.0%	12.7%	5.9%
S&P 500	10.6	14.0	12.7	5.8

Janus Twenty (active)

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

Fund	Period Ending 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	5.1%	7.0%	6.7%	2.2%
S&P 500	10.6	14.0	12.7	5.8

MID CAP EQUITY

Vanguard Mid Cap Index (passive)

- A fund that passively invests in companies with medium market capitalizations that tracks the CRSP US Mid-Cap Index.

Fund	Period Ending 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	12.9%	15.5%	14.1%	8.1%
CRSP US Mid-Cap	12.7	15.3	14.1	8.1

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	12.5%	17.0%	17.1%	12.7%
Russell 2000	12.4	16.3	13.5	8.2

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	4.4%	10.7%	5.4%	-1.2%
MSCI EAFE	5.1	11.3	5.0	-0.9

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	2.9%	8.7%	N/A	N/A
ACWI ex US IMI	3.6	8.6	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% CRSP US Total Market Index/40% Barclays Capital Aggregate.

Fund	Period Ending 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	6.5%	10.3%	10.4%	6.7%
Benchmark	6.5	10.3	10.4	6.5

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.5%	5.4%	6.0%	7.0%
Barclays Capital Agg.	-0.1	3.8	5.5	5.5

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	-0.1%	3.8%	5.5%	5.5%
Barclays Capital Agg.	-0.1	3.8	5.5	5.5

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.1%	0.3%	0.3%	0.6%
3-Mo. Treas.	0.0	0.1	0.1	0.3

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 3/31/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			Annualized	
	0.6%	2.7%	3.3%	3.8%
Benchmark	0.2	0.8	1.1	1.5

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.

	3/31/2013 Target	3/31/2013 Actual
Stocks	20.0%	21.0%
Bonds	80.0	79.0
Total	100.0%	100.0%

Investment Management

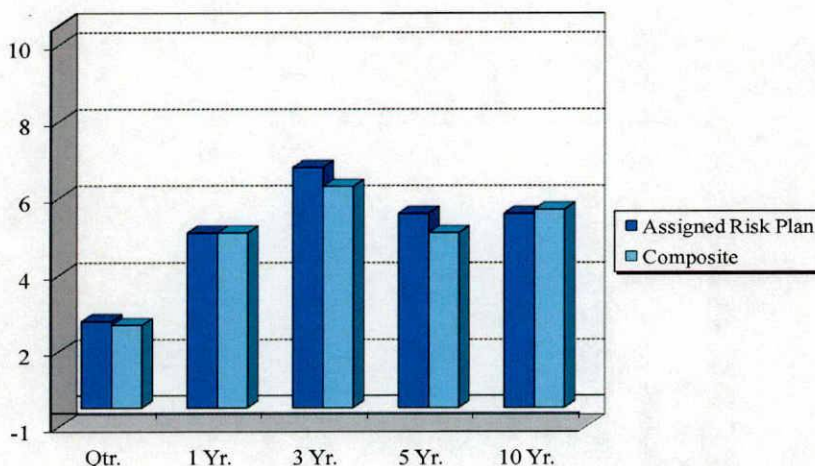
RBC Global Asset Management (US) manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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, 2013 the market value of the Assigned Risk Plan was \$282 million.



Period Ending 3/31/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	2.3%	4.6%	6.3%	5.1%	5.1%
Composite	2.2	4.6	5.8	4.6	5.2
Equity Segment*	11.0	13.3	10.2	5.6	8.0
Benchmark	10.6	14.0	12.7	5.8	8.5
Bond Segment*	0.1	2.3	4.8	4.6	4.1
Benchmark	0.1	2.3	3.9	3.9	4.2

* Actual returns are calculated net of fees.

PERMANENT SCHOOL FUND

Investment Objectives

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

Asset Mix

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

	3/31/2013 Target	3/31/2013 Actual
Stocks	50.0%	52.1%
Bond	48.0	46.0
Cash	2.0	1.9
Total	100.0%	100.0%

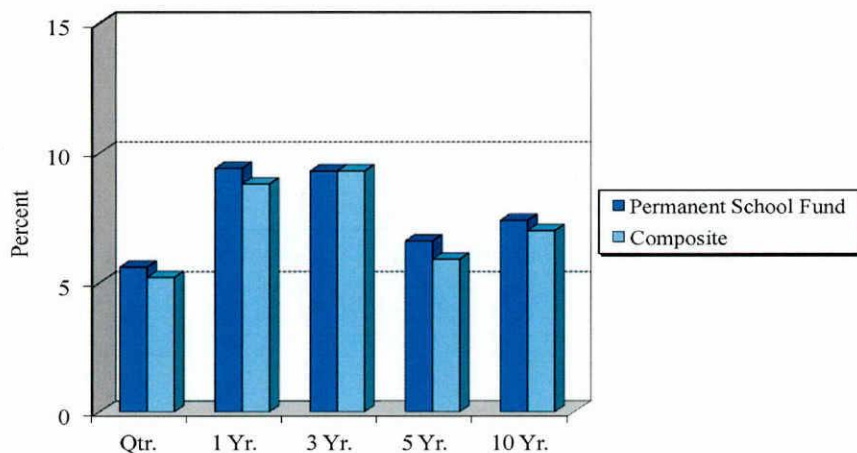
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

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

Market Value

On March 31, 2013 the market value of the Permanent School Fund was \$931 million.



Period Ending 3/31/2013

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	5.6%	9.4%	9.3%	6.6%	7.4%
Composite	5.2	8.8	9.3	5.9	7.0
Equity Segment*	10.5	13.9	12.7	5.9	8.6
S&P 500	10.6	14.0	12.7	5.8	8.5
Bond Segment*	0.7	5.0	5.5	6.4	5.7
Barclays Capital Agg.	-0.1	3.8	5.5	5.5	5.0

* 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.

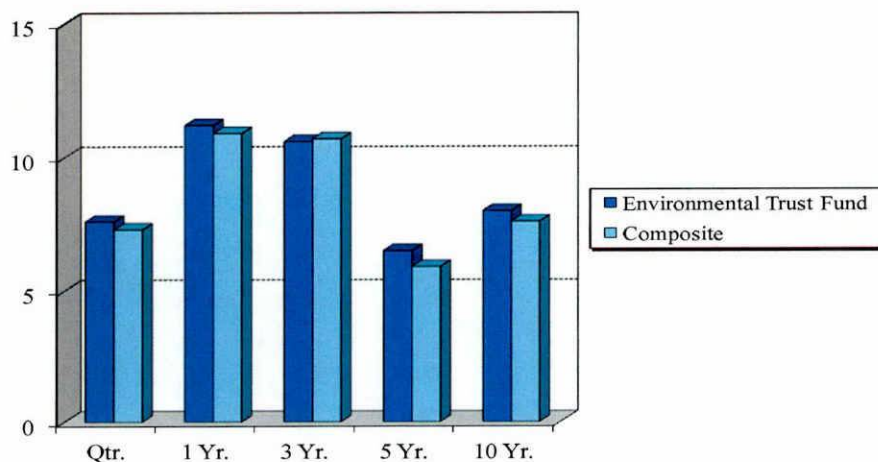
Investment Management

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, 2013 the market value of the Environmental Trust Fund was \$701 million.

	3/31/2013 Target	3/31/2013 Actual
Stocks	70.0%	71.7%
Bonds	28.0	26.5
Cash	2.0	1.8
Total	100.0%	100.0%



	Period Ending 3/31/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	7.6%	11.2%	10.6%	6.5%	8.0%
Composite	7.3	10.9	10.7	5.9	7.6
Equity Segment*	10.5	13.9	12.7	5.9	8.6
S&P 500	10.6	14.0	12.7	5.8	8.5
Bond Segment*	0.7	5.0	5.5	6.4	5.7
Barclays Capital Agg.	-0.1	3.8	5.5	5.5	5.0

* 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 3/31/2013				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer’s Cash Pool*	\$4,823	0.1%	0.6%	0.6%	1.3%	2.4%
Custom Benchmark**		0.0	0.0	0.0	0.3	1.5
3 month T-Bills		0.0	0.1	0.1	0.3	1.7

* 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, 2013 (in Thousands)

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	423,732 2.36%	0	3,789,457 21.07%	0	8,516,137 47.35%	2,644,424 14.70%	2,612,150 14.52%	17,985,900 100%
Public Employees Retirement Fund	366,619 2.45%	0	3,149,417 21.05%	0	7,077,758 47.30%	2,197,780 14.69%	2,170,957 14.51%	14,962,531 100%
State Employees Retirement Fund	230,941 2.32%	0	2,100,281 21.08%	0	4,720,010 47.37%	1,465,654 14.71%	1,447,766 14.53%	9,964,652 100%
Public Employees Police & Fire	148,741 2.36%	0	1,329,490 21.07%	0	2,987,795 47.35%	927,767 14.70%	916,445 14.52%	6,310,238 100%
Highway Patrol Retirement Fund	13,435 2.27%	0	125,003 21.09%	0	280,921 47.39%	87,231 14.72%	86,167 14.54%	592,757 100%
Judges Retirement Fund	3,740 2.41%	0	32,665 21.06%	0	73,409 47.32%	22,795 14.69%	22,516 14.51%	155,125 100%
Correctional Employees Retirement	17,328 2.36%	0	155,229 21.07%	0	348,849 47.35%	108,325 14.70%	107,002 14.52%	736,733 100%
Public Employees Correctional	9,286 2.61%	0	75,050 21.02%	0	168,662 47.23%	52,373 14.67%	51,734 14.49%	357,105 100%
Legislative Retirement Fund	268 2.14%	0	2,641 21.11%	0	5,935 47.45%	1,843 14.73%	1,821 14.56%	12,508 100%
PERA Minneapolis Retirement	18,003 2.16%	0	175,932 21.11%	0	395,381 47.44%	122,773 14.73%	121,275 14.55%	833,364 100%
TOTAL COMBINED FUNDS	1,232,093 2.37%	0	10,935,165 21.07%	0	24,574,857 47.34%	7,630,965 14.700%	7,537,833 14.52%	51,910,913 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	13,906 4.73%	95,076 32.39%	0	0	184,613 62.88%	0	0	293,595 100%
Growth Share Account	0	0	0	0	156,328 100.00%	0	0	156,328 100%
Money Market Account	212,816 100.00%	0	0	0	0	0	0	212,816 100%
Common Stock Index	0	0	0	0	197,815 100.00%	0	0	197,815 100%
Bond Market Account	0	0	132,352 100.00%	0	0	0	0	132,352 100%
International Share Account	0	0	0	0	0	88,906 100.00%	0	88,906 100%
Fixed Interest Account	0	0	188,973 100.00%	0	0	0	0	188,973 100%
Volunteer Firefighters Account	781 4.94%	0	6,674 42.28%	0	5,854 37.09%	2,476 15.69%	0	15,785 100%
TOTAL SUPPLEMENTAL FUNDS	227,503 17.68%	95,076 7.39%	327,999 25.49%	0	544,610 42.34%	91,382 7.10%	0	1,286,570 100%
MN DEFERRED COMP PLAN	72,622 1.51%	0	2,026,819 42.11%	0	2,329,890 48.41%	383,777 7.97%	0	4,813,108 100%
TOTAL RETIREMENT FUNDS	1,532,218 2.64%	95,076 0.16%	13,289,983 22.91%	0	27,449,357 47.32%	8,106,124 13.97%	7,537,833 12.99%	58,010,591 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
ASSIGNED RISK PLAN	5,442 1.94%	0	217,048 77.07%	0	59,136 21.00%	0	0	281,626 100%
ENVIRONMENTAL FUND	12,805 1.83%	185,929 26.53%	0	502,064 71.64%	0	0	0	700,798 100%
PERMANENT SCHOOL FUND	17,231 1.85%	428,729 46.05%	0	485,097 52.10%	0	0	0	931,057 100%
Miscellaneous Trust Funds	304 0.26%	54,586 47.32%	0	60,460 52.41%	0	0	0	115,350 100%
Other Post Employment Funds (OPEB's)	61,474 16.08%	59,611 15.59%	0	261,247 68.33%	0	0	0	382,332 100%
TREASURERS CASH	4,595,089 100.00%	0	0	0	0	0	0	4,595,089 100%
MISCELLANEOUS ACCOUNTS	0	227,815 100.00%	0	0	0	0	0	227,815 100%
TOTAL CASH AND NON-RETIREMENT	4,692,345 64.86%	956,670 13.22%	217,048 3.00%	1,308,868 18.09%	59,136 0.82%	0	0	7,234,067 100%
GRAND TOTAL	6,224,563 9.54%	1,051,746 1.61%	13,507,031 20.70%	1,308,868 2.01%	27,508,493 42.16%	8,106,124 12.42%	7,537,833 11.55%	65,244,658 100%

TAB

B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 9, 2013

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, 2013 is included as **Attachment A**.

A report on travel for the period from February 2, 2013 – May 4, 2013 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 13, 2013 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 divested 519,308 shares in companies on the divestment list.

Attachment E is a copy of the March 13, 2013 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 5, 2013.

ATTACHMENT A

STATE BOARD OF INVESTMENT
 FISCAL YEAR 2013 ADMINISTRATIVE BUDGET REPORT
 FISCAL YEAR TO DATE THROUGH APRIL 30, 2013

ITEM	FISCAL YEAR 2013 BUDGET	FISCAL YEAR 2013 4/30/2013
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 3,124,500	\$ 2,311,362
PART TIME EMPLOYEES	\$ 69,000	\$ 53,712
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	0	0
MISCELLANEOUS PAYROLL	5,000	858
SUBTOTAL	\$ 3,198,500	\$ 2,365,932
STATE OPERATIONS		
RENTS & LEASES	203,000	162,167
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	8,250
PRINTING & BINDING	4,000	3,617
PROFESSIONAL/TECHNICAL SERVICES	350,000	17,502
COMPUTER SYSTEMS SERVICES	23,000	11,911
COMMUNICATIONS	26,000	16,583
TRAVEL, IN-STATE	900	423
TRAVEL, OUT-STATE	42,000	31,127
SUPPLIES	28,000	16,013
EQUIPMENT	62,000	36,959
EMPLOYEE DEVELOPMENT	5,000	8,070
OTHER OPERATING COSTS	73,000	8,345
SUBTOTAL	\$ 826,900	\$ 320,967
TOTAL ADMINISTRATIVE BUDGET	\$ 4,025,400	\$ 2,686,899

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ATTACHMENT B

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 3, 2013 – May 4, 2013

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring: Fixed Income Managers: Aberdeen Asset Mgmt; BlackRock; Goldman Sachs	R. Hill	Philadelphia, PA New York, NY 3/11-3/14	\$1,402.78
Manager Monitoring: Alternative Investment Manager: CVC Capital Partners	J. Kirby	New York, NY 3/25-3/26	\$1,553.34
Manager Monitoring: Alternative Investment Manager: Merit Energy 2013 Annual Partner Meeting	J. Griebenow	Dallas, TX 4/16-4/19	\$631.44
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen S. Gleeson	Raleigh, NC 4/23-4/26	\$3,542.09
Manager Monitoring: Alternative Investment Managers: GTCR Annual Meeting; Prudential Insurance Company	J. Griebenow	Chicago, IL 4/30-5/1	\$680.14
Conference: State Street Institutional Investor Services (IIS) Client Advisory Council Meeting	H. Bicker	Boston, MA 5/1-5/2	\$1,226.92

ATTACHMENT C

Letter to SBI International Equity Managers and Domestic Equity Managers

March 13, 2013

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.** 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 Sudan Companies that was attached to the December 11, 2012 letter you received. **This new list is effective March 15, 2013.**

- The following company has been **added** to the list:
 - **Wartsila Oyj** Finland

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 Companies Requiring Divestment in the SBI portfolio that your organization 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 Sudan Stocks (**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. 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 me.

Sincerely,

James E. Heidelberg
Assistant Executive Director

Enclosures

cc: LeaAnn M. Stagg, 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
Statesman Resources Limited	Canada
Wuhan Boiler Company	China
AviChina Industry & Technology Limited	China
Hafei Aviation Industry Company	China
Harbin Dongan Auto Engine Company	China
China Gezhouba Group Company Limited	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro Group	China
Daqing Huake Group Company Limited	China
Jinan Diesel Company Limited	China
PetroChina	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Ltd	China
Liaoning Huajin Tongda Chemical Co. Ltd.	China
Sichuan Nitrocell Co. Ltd	China
North Navigation Control Technology Co. Ltd (formerly China North Optical-Electrical Technology Company Limited)	China
AKM Industrial Company Limited	China
China Petroleum and Chemical Corporation AKA Sinopec Corp.	China
Kingdream PLC	China
Sinopec Shanghai Petrochemicals Ltd	China
Sinopec Yizheng Chemical Fibre Co Ltd	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Dongfeng Motor Group Company Limited	China
Egypt Kuwait Holding Company	Egypt
Wartsila Oyj	Finland
Alstom	France
Kunlun Energy Co. Ltd	Hong Kong
Sinopec Kanton Holdings Limited	Hong Kong
Alstom India Ltd	India
Areva T&D India	India
Indian Oil Corporation Ltd. AKA IOCL	India
Chennai Petroleum Corporation Ltd. AKA CPCL	India
Lanka IOC Limited	India
Mercator Ltd	India
Oil and Natural Gas Company AKA ONGC	India
Mangalore Refinery and Petrochemicals Limited	India
Oil India Limited	India
AREF Energy Holding Company	Kuwait
Managem	Morocco
Societe Metallurgique D'imiter	Morocco
Petroliam Nasional Berhad AKA Petronas	Malaysia
KLCC Property Holdings Bhd	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Gas Berhad	Malaysia

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
Petronas Dagangan Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Mercator Lines Singapore	Singapore
LS Industrial Systems	South Korea
Electricity Generating PCL AKA EGCO	Thailand

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

Source: Conflict Risk Network

SBI Effective Date: March 15, 2013

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, 2013

KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	Common Stock	KUNLUN ENERGY CO LTD	KUNUF US	A1CV3E	B01D023 US	952131	BMG5320C1082	050092003	
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OOTC)	ADR	CNCP HONG KONG LTD-UNSP ADR	KLYCY US		B3L2812 US		US50126A1016		
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	B01DNL9 US		CNE1000003w8	011014674	Y6883Q104
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	601657 CH		B28SLD9 CN		CNE1000007Q1		
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 (XSES)	ADR	PETROCHINA CO LTD-ADR	PTR SP	936983	B3KTK63		US71646E1001	011511449	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Mexico (XMEX)	ADR	PETROCHINA CO LTD-ADR	PTRN MM	936983	B569834 MX		US71646E1001	011511449	
NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000085 CH	A0M35W	6112125 CN		CNE000000V29		
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		CNE000000NY9		
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		CNE000000NY9		
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002246 CH	A0RPGJ	B39G5K4 CN		CNE100000BVW7		
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CH	A0M4L5	6648946 CN		CNE000001F88		
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CG	A0M4L5	6648946 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	B02J0J3 HK		HK8298013897		
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIG GR	A0D86T	B06L0H3 DE		HK8298013897		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC 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)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU GR	A0M4XN	7027756 DE		CNE1000002Q2	012150504	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (XOTC)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	SINPMF US	A0M4XN	B01XXR4 US		CNE1000002Q2	012150504	Y15010104
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROLEUM & CHEMICAL-A	600028 CH	A0M4G4	6373728 CN		CNE1000002Q2		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	SNP US	578971	2639189 US		US16941R1086	011899374	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Munich (XMUN)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	CHUA GR	578971	B0RSW00 DE		US16941R1086	011899374	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Intl (XLON)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	SNP LI		2654375 GB		US16941R1086	011899374	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDEA	SNP AR		B1C5SX8		ARDEUT114071		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDEA	SNPB AR				ARDEUT114071		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-C/E	SNPC AR				ARDEUT114071		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CED \$	SNPD AR				ARDEUT114071		
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Tradegate (XGAT)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU TH	A0M4XN	7027756 DE		CNE1000002Q2	012150504	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Mexico (XMEX)	ADR	CHINA PETROLEUM & CHEM - ADR	SNPN MM	578971	B4QSP22 MX		US16941R1086	011899374	
KINGDREAM PLC	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shenzhen (XSHE)	Common Stock	KINGDREAM PUBLIC LIMITED - A	000852 CH	A0M37A	6136385 CN		CNE000000XK7		
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162692 HK		BMG8165U1009	011563384	
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE		BMG8165U1009	011563384	
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	ADR	SINOPEC KANTONS-UNSPON ADR	SPKQY US		B3KRT60 US		US82934VQ2070		
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Singapore (XSES)	ADR	SINOPEC SHANGHAI -SPONS ADR	SHI SP	887169	B3MNGN2	908289	US82935M1099	012248750	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600686 CH	A0M3RA	6802794 CN		CNE000000BB2		
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI-PETROCHEM	SQJH GR	A0M4Y5	5886332 DE	908303	CNE1000004C8	005096162	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	338 HK	A0M4Y5	6797458 HK	908303	CNE1000004C8	005096162	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (XOTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SPTJF US	A0M4Y5	B01XTG6 US		CNE1000004C8	005096162	Y80373106
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI US	887169	2800059 US	908289	US82935M1099	012248750	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	5734638 DE	908289	US82935M1099	012248750	
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK	A0M4YE	8984689 HK	917709	CNE1000004D6	008069662	
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCFF US	A0M4YE	B01XVL5 US		CNE1000004D6	008069662	Y9841W106
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YIZH GR	A0M4YE	4303675 DE	917709	CNE1000004D6	008069662	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Tradegate	ADR	CHINA PETROLEUM & CHEM-ADR	CHUA TH	578971		16941R108	US16941R1086	011899374	

STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR CN EQUITY	SRR CN	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	OTC US (OOTC)	Common Stock	SRRHF US EQUITY	SRRHF US	A1J2NC	B6SCJ24 US	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR CV EQUITY	SRR CV	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR CJ EQUITY	SRR CJ CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR DV EQUITY	SRR DV CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TG EQUITY	SRR TG CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TJ EQUITY	SRR TJ CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TK EQUITY	SRR TK CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TN EQUITY	SRR TN CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TV EQUITY	SRR TV CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TW EQUITY	SRR TW CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	Venture (XTSX)	Common Stock	SRR TY EQUITY	SRR TY CS	A1J2NC	B80L116 CA	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	OTC US (OOTC)	Common Stock	SRRHF PQ EQUITY	SRRHF PQ	A1J2NC	B6SCJ24 US	857652200		CAB576522004	25302885
STATESMAN RESOURCES LIMITED	STATESMAN RESOURCES LIMITED	OTC US (OOTC)	Common Stock	SRRHF UV EQUITY	SRRHF UV \$	A1J2NC	B6SCJ24 US	857652200		CAB576522004	25302885
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Burgundy (BURG)	Common Stock	WARTSILA OYJ	WRTV BY	881050			980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Healink (HELI)	Common Stock	WARTSILA OYJ	WRTV FH	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Stulgan (XSTU)	Common Stock	WARTSILA OYJ-B SHARES	MTA GR	881050	936KRC4 DE		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Chi-X Air TS (CHIX)	Common Stock	WARTSILA OYJ-B SHARES	WRTB IX	881050	452169 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OOTC)	Common Stock	WARTSILA OYJ	WRTBF US	881050	B06MMZ8		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTV ED	881050	B28N651 GB			F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTV EU	881050	B28N651 GB			F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTVGBPEO	881050				F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Turquoise (TRQX)	Common Stock	WARTSILA OYJ	WRTV TQ	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	BATS Europe (BATE)	Common Stock	WARTSILA OYJ	WRTV EB	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OOTC)	ADR	WARTSILA OYJ-UNSPON ADR	WRTBY US	881050	837PCN2 US			US9398441057	
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	NYSE ARCA EU (XHFT)	Common Stock	WARTSILA OYJ	WRTV NR	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTVGBXEU	881050	B28N651 GB			F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTVGBXEO	881050	B28N651 GB			F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTVUSDEU	881050				F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTVUSDEU	881050				F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	LSE EuropeQS (XLON)	Common Stock	WARTSILA OYJ	WRTV LI	881050	B28N651 GB		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	QUOTE MTF (GMTF)	Common Stock	WARTSILA OYJ	WRTV QM	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	XetraInBM (XETB)	Common Stock	WARTSILA OYJ	WRTV GK	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Equiduct (XEQT)	Common Stock	WARTSILA OYJ-ABP	WRTV BD	881050	4525189 FI		980070	F10009003727	004174488
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Sigma X (SGMX)	Common Stock	WARTSILA OYJ	WRTV S1	881050	4525189 FI		980070	F10009003727	004174488

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ATTACHMENT D

Conflict Risk Network (CRN) List of "Scrutinized" Companies in Sudan
List Effective Through May 31, 2013

Company Name	Country of Origin
Alstom	France
Alstom India Ltd	India
Areva T&D India Ltd.	India
Wuhan Boiler Company	China
AREF Energy Holding Company	Kuwait
AviChina Industry & Technology Ltd.	China
Hafei Aviation Industry Co.	China
Harbin Dongan Auto Engine Co.	China
Caterpillar Inc.	US
China Gezhouba Group Company Ltd.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Sichuan Power Development Co., Ltd.	China
Sinohydro Bureau 7 Co., Ltd.	China
Sinohydro Group Ltd.	China
China National Petroleum Corporation AKA CNPC	China
Daqing Huake Group Co., Ltd.	China
Jinan Diesel Co., Ltd.	China
Kunlun Energy Co., Ltd.	China
PetroChina Co., Ltd.	Hong Kong
China North Industries Group Corporation AKA CNGC/NORINCO	China
AKM Industrial Co., Ltd.	Hong Kong
China North Industries Corporation AKA NORINCO	China
Liaoning Huajin Tongda Chemicals	China
NORINCO International Cooperation Ltd.	China
North Navigation Control Technology Co., Ltd	China
Sichuan Nitrocell Co., Ltd	China
China Petrochemical Corporation AKA Sinopec Group	China
China Petroleum and Chemical Corporation AKA Sinopec Corp	China
Kingdream PLC	China
Sinopec Kanton Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemicals Ltd.	China
Sinopec Yizheng Chemical Fibre Co., Ltd.	China
Dongfeng Motor Group Co. Ltd.	China
Egypt Kuwait Holding Company	Egypt
Electricity Generating Company AKA EGCO	Thailand
Glencore International PLC	Switzerland
Biopetrol Industries	Switzerland
Chemoil Energy Ltd	Singapore
Viterra Inc.	Canada
Indian Oil Corporation Ltd. AKA IOCL	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Lanka IOC Ltd	India
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
JX Holdings	Japan
Nippo Corporation	Japan
LS Industrial Systems	South Korea
Managem	Morocco
ONA S.A.	Morocco
Societe Metallurgique D'imiter	Morocco
Mercator Ltd	India
Mercator Lines Singapore	Singapore
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd. AKA MRPL	India
Oil India Ltd.	India
Petroleum Nasional Berhad AKA Petronas	Malaysia
KLCC Property Holdings Bhd	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Petronas Dagangan Bhd	Malaysia
Petronas Gas Bhd	Malaysia
PT Pertamina Persero	Indonesia
Ranhill Berhad	Malaysia
Reliance Industries Ltd.	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Statesman Resources Limited	Canada
Trafigura Beheer	Netherlands
Wartsila Oyj	Finland

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

Conflict Risk Network (CRN) List of Companies in Sudan for "Substantial Action"
List Effective Through May 31, 2013

<u>Company Name</u>	<u>Country of Origin</u>
Mott MacDonald	UK
Petrofac LTD	UK
Schlumberger LTD	Netherlands
Wartsila OYJ	Finland

**Conflict Risk Network (CRN) List of Companies in Sudan with "No Publicly Traded Equity"
or "Not Relevant under the CRN Targeted Divestment Model"
List Effective Through May 31, 2013**

Company Name	Country of Origin
Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies	Saudi Arabia
Africa Energy	Nigeria
Andritz AG	Austria
Andritz Hydro	Austria
Ansan Wikfs Investments Ltd.	Yemen
APS Engineering Company S.p.A.	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
Atlas Copco AB	Sweden
Bharat Electronics Ltd.	India
Bharat Heavy Electricals Ltd.	India
China International Water & Electric Corp AKA CWE	China
China Machinery Engineering Company (CMEC)	China
China Poly Group Corporation	China
Poly Investment Ltd.	Hong Kong
Citadel Capital	Egypt
Daedong Industrial Machinery Co., Ltd	South Korea
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GAZ Group	Russia
Avtodizel OAO	Russia
GAZ Auto Plant	Russia
Pavlovsky Bus Plant	Russia
Tverskoy Excavator OSJC	Russia
Yaroclavsky Diesel Equipment Plant OAO	Russia
GIAD Industrial City	Sudan
Harbin Electric Co. Ltd	China
Harbin Power Engineering AKA HPE	China
Hi-Tech Petroleum Group Co., Ltd.	Sudan
HTC Yemen International Ltd.	Yemen
Kamaz	Russia
Neftekamsky Avtozavod AKA NEFAZ	Russia
Kuwait Foreign Petroleum Exploration Company AKA KUFPEC	Kuwait
La Mancha Resources	Canada
Lahmeyer International	Germany
MAN SE	Germany
MTN Group	South Africa
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PTT Public Company Ltd.	Thailand
PTT Exploration & Production PCL	Thailand
PTTEP Australia International Finance Proprietary Ltd	Thailand
PTTEP Canada International Finance Ltd.	Thailand
Saras S.p.A.	Italy
Shandong Electric Power Construction Corporation	China
Shanghai Electric Group Co.	China
Shanghai Power Transmission and Distribution Co. Ltd.	China
Shark Minerals Inc.	Canada
Snowy Mountain Engineering Corporation	Australia
Star Petroleum S.A.	Spain
Sudan Petroleum Corporation AKA Sudapet	Sudan
Tamoil	Libya
Total SA (several locations)	Belgium
Rosier S.A.	US
Sunpower Corporation	Canada
Total Gabon	Africa
Total Kenya Ltd.	Africa
Total Nigeria PLC	Africa
UAE for Gold Minerals and Investment Company Ltd.	United Arab Emirates
Vitol Group	Switzerland
Zain Group	Kuwait
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

ATTACHMENT E

Letter to SBI International Equity Managers and Domestic Equity Managers

March 13, 2013

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. **These securities 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 11, 2012 letter you received. **This new list is effective March 15, 2013.**

- The following company has been **removed** from the restricted list:
 - **Petronet LNG Ltd.** India

Attachment 2 is the List of Iran Companies Requiring Divestment.

- There were no changes to the Divestment List.

If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your organization 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 me.

Sincerely,

James E. Heidelberg
Assistant Executive Director

Enclosures

cc: LeaAnn M. Stagg, 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 Nafte DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
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
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: March 15, 2013

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
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Saipem SA	Italy	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: March 15, 2013

**ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers**

COMPANY NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Bharat Petroleum Corporation Ltd.	6099723	INE029A01011	500547			India
China Petroleum & Chemical Corp	2654375	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	BORSW00	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.	B1HJ0L7	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235520	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B2NTDN1	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B033102	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	2498517	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235490	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	6133405	INE129A01019	532155	36268T206	36268T107	India
Gazprom	B0338T0	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	5385003	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	2016629	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5259528	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5140989	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	2398899	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	3313181	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	4364928	RU0007661625	GAZP	368287207	368287108	Russia
Gazprom	B2NH841	ARDEUT114261	GAZP	368287207	368287108	Russia
GS Engineering & Construction Corp	B06ZHC9	KR7006360002	A006360			Korea South
GS Engineering & Construction Corp	6537096	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.	B03MTC7	TRAGUBRF91E2	GUBRF			Turkey
Gubre Fabrikalari T.A.S.	B188YV1	TRAGUBRF91E2	GUBRF			Turkey

**ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers**

COMPANY NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Ina-Industrija Nafta DD	B1L56D5	US45325E2019	INA-R-A	45325E102	45325E201	Croatia
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	B1HJKF1	US45325E1029	INA-R-A	45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1L5RN2	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	B05KKL5	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B2RHN19	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B02L5H2	AU000000LNG0	LNG			Australia
Mitsui & Co. Ltd	4597058	XS0029348686	8031	606827202		Japan
Mitsui & Co. Ltd	2597061	US6068272029	8031	606827202		Japan
Mitsui & Co. Ltd	B1HHX89	US6068272029	8031	606827202		Japan
Mitsui & Co. Ltd	B0ZGPX0	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	B03KWZ5	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	5736463	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	4594071	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	6597302	JP3893600001	8031	606827202		Japan
Nagarjuna Fertilizers & Chemicals Ltd.	6628644	INE580A01013	500075			India
Oil & Natural Gas Corporation Ltd.	6139362	INE213A01011	500312	Y64606117		India
PetroChina Co. Ltd.	2568841	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	4633327	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	B28SLD9	CNE1000007Q1	857	71646E100		China
PetroChina Co. Ltd.	B17HOR7	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	5939507	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B01DNL9	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	6226576	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B1C5SR2	ARDEUT113958	857	71646E100		China
Petrofac	B0H2K53	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac	B11B6G6	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac	B0LWHB4	GB00B0H2K534	PFC	716473103		United Kingdom
Punj Lloyd Ltd.	B1VJSG4	INE701B01021	532693			India

**ATTACHMENT 3
IRAN RESTRICTED COMPANIES
Security Identifiers**

COMPANY NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Saipem Spa	2209076	US79376W1099	SPM	79376W208	79376W109	Italy
Saipem Spa	B28LP70	IT0000068533	SPM	79376W208	79376W109	Italy
Saipem Spa	B02ZP63	IT0000068533	SPM	79376W208	79376W109	Italy
Saipem Spa	4768779	IT0000068533	SPM	79376W208	79376W109	Italy
Saipem Spa	4769103	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	B020R51	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	4765996	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	4768768	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	B28LP69	IT0000068525	SPM	79376W208	79376W109	Italy
Sasol Ltd	B03NQB8	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	5734304	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	6777450	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	4776910	US8038663006	SAOA	803866300		South Africa
Sasol Ltd	2777294	US8038663006	SAOA	803866300		South Africa
Technip	2811620	US8785462099	TEC	878546209		France
Technip	2878658	US8785461000	TEC	878546209		France
Technip	B2NG4D9	FR0010565044	TEC	878546209		France
Technip	B1MD4Y5	FR0010412353	TEC	878546209		France
Technip	B0WC5Z3	FR0010273250	TEC	878546209		France
Technip	B05K6W8	FR0010150342	TEC	878546209		France
Technip	7328482	FR0000206039	TEC	878546209		France
Technip	B06PC80	FR0000131708	TEC	878546209		France
Technip	4122018	FR0000131708	TEC	878546209		France
Technip	4874160	FR0000131708	TEC	878546209		France
Technip	B28MSJ6	FR0000131708	TEC	878546209		France
Toyo Engineering Corporation	6899718	JP3607800004	6330			Japan
Toyo Engineering Corporation	B02MHK2	JP3607800004	6330			Japan
Toyota Tsusho Corporation	6900580	JP3635000007	8015	89240C106		Japan

Letter to SBI Fixed Income Managers

March 13, 2013

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. **These securities 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 11, 2012 letter you received. **This new list is effective March 15, 2013.**

- The following company has been **removed** from the restricted list:
 - **Petronet LNG Ltd.** India

Attachment 2 is the List of Iran Companies Requiring Divestment.

- There have been no changes to the Divestment List.

If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your organization 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 me.

Sincerely,

James E. Heidelberg
Assistant Executive Director

Enclosures

cc.: LeaAnn M. Stagg, Manager, Public Programs
Ryan Hill, Portfolio Manager, Long-Term Debt
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 Nafte DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
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
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: March 15, 2013

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
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Saipem SA	Italy	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: March 15, 2013

TAB

C

SBI ADMINISTRATIVE COMMITTEE REPORT

DATE: May 9, 2013

TO: Members, State Board of Investment

FROM: SBI Administrative Committee

The Administrative Committee met on May 6, 2013 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY14
- Review of Budget Plan for FY13, FY14, and FY15
- 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 FY14.

The Executive Director's Proposed Workplan for FY14 was presented. As in previous workplans, the FY14 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 2013 as part of the FY14 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY14 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY14.

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 2013 as part of the FY14 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY13, FY14, and FY15 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 11** 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 and Salary Process.

The Committee discussed the process that will be used by the Board to evaluate the Executive Director for FY13. The Committee members agreed that the performance reviews should be completed prior to the September 2013 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 FY13 performance evaluation:

- **The evaluation will be completed prior to the September 2013 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY13.**

- **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.**
- **The Office of Minnesota Management and Budget has approved a new compensation plan for managerial employees. If approved by the Administrative Committee and the Board, the adjustments in the plan can be awarded to the SBI's executive director. The plan calls for a three percent performance merit increase effective January 1, 2012, two percent general increase effective January 1, 2013, and performance merit increase of three percent effective January 1, 2013.**

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**

FY14

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

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Review of Transition Managers	Jul – Mar
2. Using Swaps	Ongoing
3. Derivatives in Fixed Income Program	Jul – Jun
4. Municipal Bond Pool	Jul – Jul
5. Review of Investment Options for Unclassified Employees Plan	Jul – Jul
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or Exceed the Performance Objectives	Ongoing
2. Investments with New/Existing Alternative Asset Managers	Ongoing
3. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing
4. Manager Search Process	Ongoing
5. Implement State Law Concerning Iran	Ongoing
6. Implement State Law Concerning Sudan	Ongoing

C. REVIEW AND CONTROL OF INVESTMENT POLICIES	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 Tri-Party Repo Market Reform	Jul – Jun
 D. ADMINISTRATION AND MANAGEMENT	
1. Coordinate Financial Audit by Legislative Auditor	Jul – Dec
2. Prepare 2014 Legislative Package	Jul – May
3. Prepare FY14 Management and Budget Plan	Jul – Jun
4. Annual Update of Disaster Recovery/Pandemic Plan	Apr – Jun
5. Implement New Custodian Services Contract	Jan – Ongoing
6. Conversion to New Trading and Internal Control System	Jan – Dec
7. Prepare Annual SIF Investment Options Prospectus and Information Booklet for the Voluntary Statewide Volunteer Firefighter Plan (VSVFP)	May – Sep

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. Convert Performance Reporting System	Jul – Jun
6. Prepare FY 2013 Annual Report	Jul – Jan
7. Review and Revise Procedures for Transferring Assets of Local Fire Plans Joining Voluntary Statewide Volunteer Firefighter Plan	Ongoing
8. Coordinate Public Pension Plan Performance Reporting Disclosure	Ongoing
9. Conduct Manager Roundtables	Periodic

ATTACHMENT B

**Administrative Budget
Fiscal Year 2014 & 2015 Budget Plan
Overview**

The Fiscal Year 2014/2015 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 2013 budget and also is the basis for the 2014 & 2015 budget projections.

	Amended FY2013 Budget	FY2013 Projected	FY2014 Request	FY2015 Request
Personnel Services	\$3,196,500	\$3,069,600	\$3,593,000	\$3,351,000
Operating Expense	826,900	580,400	747,000	493,100
Total	\$4,023,400	\$3,650,000	\$4,340,000	\$3,844,100

Personnel Services: **83% of the budget FY2014, 87% of the budget FY2015**
Salaries, retirement, insurance, FICA, severance

Operating Expenses: **17% of the budget FY2014, 13% of the budget FY15**
Rents, leases, printing, data processing
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies
Wells Fargo Custodian Fees

**STATE BOARD OF INVESTMENT
FISCAL YEARS 2014 AND 2015 BUDGET PLAN
MSBI OPERATING FUND SUMMARY**

DESCRIPTION	FY2013 AMENDED BUDGET	FY2013 PROJECTED	FY2014 PROPOSED	FY2015 PROPOSED
PERSONAL SERVICES				
FULL TIME EMPLOYEES	\$ 3,124,500	\$ 2,991,800	\$ 3,286,000	\$ 3,272,000
PART TIME EMPLOYEES	67,000	69,500	72,000	74,000
OTHER BENEFITS	5,000	8,300	235,000	5,000
SUBTOTAL	\$ 3,196,500	\$ 3,069,600	\$ 3,593,000	\$ 3,351,000
STATE OPERATIONS				
RENTS & LEASES	203,000	194,500	200,000	202,000
PRINTING & BINDING	4,000	4,800	5,000	5,100
PROFESSIONAL/TECHNICAL SERVICES	350,000	150,000	250,000	-
COMPUTER SYSTEMS SERVICES	23,000	15,900	23,000	25,000
COMMUNICATIONS	26,000	22,000	26,000	28,000
TRAVEL, IN-STATE	900	600	1,000	1,000
TRAVEL, OUT-STATE	42,000	36,000	42,000	42,000
EMPLOYEE DEVELOPMENT	5,000	10,100	10,000	10,000
SUPPLIES	28,000	20,800	20,000	15,000
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	10,400	10,000	10,000
OTHER OPERATING COSTS	73,000	64,800	140,000	135,000
EQUIPMENT	62,000	50,500	20,000	20,000
SUBTOTAL	\$ 826,900	\$ 580,400	\$ 747,000	\$ 493,100
TOTAL MSBI OPERATING FUND	\$ 4,023,400	\$ 3,650,000	\$ 4,340,000	\$ 3,844,100
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR BUDGET			18.9%	-11.4%

CONTINUING FIDUCIARY EDUCATION PLAN

REQUIRED BY MS 356A.13

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

1. Briefing for New Board/IAC Members

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

2. Development and Review of Investment Policies

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

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

3. Input from Board's Consultants

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

4. Manager Roundtables

The SBI intends to convene small groups of its external money managers to discuss issues related to investment management and the financial markets. These roundtable discussions will be held periodically throughout the year and will be open to Board members and their designees, IAC members and other interested parties. It is anticipated that 2-3 roundtables will be held each year.

5. Travel Allocation

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

2012 Minnesota Statutes

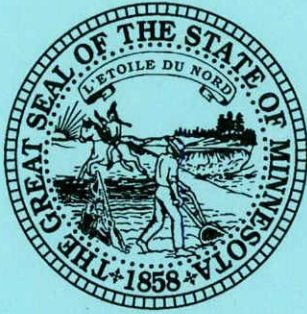
356A.13. CONTINUING FIDUCIARY EDUCATION.

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, 2013

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A-2

Domestic Equity

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**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC EQUITY MANAGERS
Periods Ending March, 2013**

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	10.5	11.0	7.5	14.4	8.9	12.9	3.3	6.2
Russell 1000 Growth Aggregate	9.1	9.5	7.0	10.1	12.9	13.1	7.5	7.3
Russell 1000 Value Aggregate	11.8	12.3	15.9	18.8	11.2	12.7	4.8	4.8
Russell 2000 Growth Aggregate	12.9	13.2	10.9	14.5	12.6	14.7	5.7	9.0
Russell 2000 Value Aggregate	13.2	11.6	18.6	18.1	15.1	12.1	9.4	7.3
Active Manager Aggregate	11.1	11.3	11.5	14.7	12.0	13.0	5.9	6.5
Semi-Passive Aggregate	11.1	11.0	15.2	14.4	13.3	12.9	6.5	6.2
Passive Manager (BlackRock)	11.1	11.1	14.6	14.6	13.0	13.0	6.4	6.3
Total Aggregate	11.1	11.1	14.1	14.6	12.8	13.0	6.3	6.3
Russell 3000 Index		11.1		14.6		13.0		6.3

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	12.4	16.4	-3.5	1.5	13.3	16.1	27.6	28.4	-39.6	-37.6
Russell 1000 Growth Aggregate	15.5	15.3	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4
Russell 1000 Value Aggregate	16.9	17.5	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8
Russell 2000 Growth Aggregate	12.0	14.6	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5
Russell 2000 Value Aggregate	19.6	18.1	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9
Active Manager Aggregate	15.4	16.3	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9
Semi-Passive Aggregate	17.7	16.4	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6
Passive Manager (BlackRock)	16.4	16.4	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3
Total Aggregate	16.6	16.4	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3
Russell 3000 Index		16.4		1.0		16.9		28.3		-37.3

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC EQUITY MANAGERS**

Periods Ending March, 2013

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	8.4	11.0	3.1	14.4	8.2	12.9	3.4	6.2	9.6	9.5	\$425.0	1.7%
UBS Global	12.5	11.0	12.0	14.4	9.7	12.9	5.4	6.2	8.7	8.8	\$452.7	1.8%
Aggregate	10.5	11.0	7.5	14.4	8.9	12.9	3.3	6.2			\$877.7	3.5%
Russell 1000 Growth												
INTECH	8.2	9.5	10.1	10.1	13.3	13.1	6.1	7.3	5.1	6.2	\$420.3	1.7%
Jacobs Levy	10.1	9.5	9.0	10.1	14.3	13.1	6.9	7.3	4.6	6.2	\$385.8	1.5%
Knelman Asset Mgmt.	5.7	9.5	3.7	10.1	10.7	13.1	4.8	7.3	5.0	6.2	\$75.1	0.3%
Sands Capital	7.2	9.5	7.0	10.1	18.8	13.1	12.5	7.3	8.2	6.2	\$381.0	1.5%
Winslow-Large Cap	9.4	9.5	5.8	10.1	12.0	13.1	6.9	7.3	7.5	6.2	\$170.5	0.7%
Zevenbergen Capital	11.9	9.5	2.8	10.1	8.8	13.1	7.5	7.3	9.0	8.1	\$361.0	1.4%
Aggregate	9.1	9.5	7.0	10.1	12.9	13.1	7.5	7.3			\$1,793.8	7.1%
Russell 1000 Value												
Barrow, Hanley	11.3	12.3	16.0	18.8	10.9	12.7	5.5	4.8	6.2	6.1	\$557.8	2.2%
Earnest Partners	9.6	12.3	8.2	18.8	8.3	12.7	4.1	4.8	4.8	5.8	\$217.3	0.9%
LSV Asset Mgmt.	13.4	12.3	20.4	18.8	13.1	12.7	5.2	4.8	7.0	6.1	\$543.9	2.2%
Systematic Financial Mgmt.	11.4	12.3	14.3	18.8	10.2	12.7	3.6	4.8	5.8	6.1	\$372.9	1.5%
Aggregate	11.8	12.3	15.9	18.8	11.2	12.7	4.8	4.8			\$1,691.9	6.7%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	12.3	13.2	20.4	14.5	15.2	14.7	5.0	9.0	5.0	7.4	\$280.9	1.1%
Next Century Growth	14.5	13.2	1.8	14.5	10.4	14.7	4.2	9.0	1.5	2.7	\$299.4	1.2%
Turner Investment Partners	11.9	13.2	12.6	14.5	12.6	14.7	7.7	9.0	7.3	7.4	\$331.4	1.3%
Aggregate	12.9	13.2	10.9	14.5	12.6	14.7	5.7	9.0			\$911.7	3.6%
Russell 2000 Value												
Goldman Sachs	12.8	11.6	17.9	18.1	15.6	12.1	10.4	7.3	9.0	7.2	\$206.7	0.8%
Hotchkis & Wiley	15.7	11.6	24.5	18.1	16.6	12.1	11.6	7.3	7.5	7.2	\$183.1	0.7%
Martingale Asset Mgmt.	12.8	11.6	20.1	18.1	14.7	12.1	6.7	7.3	6.0	7.2	\$160.6	0.6%
Peregrine Capital	12.0	11.6	14.6	18.1	14.0	12.1	9.4	7.3	10.5	9.7	\$277.0	1.1%
Aggregate	13.2	11.6	18.6	18.1	15.1	12.1	9.4	7.3			\$827.4	3.3%
Active Mgr. Aggregate (2)	11.1	11.3	11.5	14.7	12.0	13.0	5.9	6.5			\$6,102.6	24.3%

(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, 2013

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	10.7	11.0	14.5	14.4	13.1	12.9	6.2	6.2	8.8	8.5	\$2,819.3	11.2%
INTECH	10.8	11.0	15.6	14.4	13.3	12.9			13.3	12.9	\$2,030.0	8.1%
JP Morgan	11.3	11.0	15.8	14.4	13.3	12.9	7.2	6.2	8.8	8.5	\$3,364.9	13.4%
Mellon Capital	11.7	11.0	14.9	14.4	13.7	12.9	6.1	6.2	8.1	8.5	\$2,120.2	8.4%
Semi-Passive Aggregate (R1000)	11.1	11.0	15.2	14.4	13.3	12.9	6.5	6.2			\$10,334.4	41.1%
PASSIVE MANAGER (R3000)												
BlackRock Institutional	11.1	11.1	14.6	14.6	13.0	13.0	6.4	6.3	8.2	8.1	\$8,682.5	34.6%
Total Aggregate (3)	11.1	11.1	14.1	14.6	12.8	13.0	6.3	6.3	10.0	10.2	\$25,119.5	100.0%
Russell 3000		11.1		14.6		13.0		6.3		10.6		
Russell 1000		11.0		14.4		12.9		6.2		10.7		
Russell 2000		12.4		16.3		13.5		8.2		9.3		

(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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
New Amsterdam Partners	8.2	16.4	-3.0	1.5	16.2	16.1	24.8	28.4	-36.7	-37.6
UBS Global	16.7	16.4	-4.1	1.5	10.3	16.1	41.3	28.4	-41.3	-37.6
Aggregate	12.4	16.4	-3.5	1.5	13.3	16.1	27.6	28.4	-39.6	-37.6
Russell 1000 Growth										
INTECH	17.8	15.3	0.1	2.6	19.5	16.7	34.0	37.2	-42.8	-38.4
Jacobs Levy	13.0	15.3	6.6	2.6	19.5	16.7	37.1	37.2	-44.9	-38.4
Knelman Asset Mgmt.	16.6	15.3	-3.3	2.6	18.1	16.7	31.1	37.2	-39.9	-38.4
Sands Capital	24.2	15.3	2.7	2.6	26.8	16.7	71.6	37.2	-48.6	-38.4
Winslow-Large Cap	13.7	15.3	0.1	2.6	16.8	16.7	40.9	37.2	-39.1	-38.4
Zevenbergen Capital	8.0	15.3	-9.8	2.6	22.9	16.7	57.4	37.2	-43.2	-38.4
Aggregate	15.5	15.3	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4
Russell 1000 Value										
Barrow, Hanley	15.5	17.5	1.7	0.4	10.4	15.5	23.2	19.7	-35.2	-36.8
Earnest Partners	10.7	17.5	-4.7	0.4	18.5	15.5	31.6	19.7	-39.8	-36.8
LSV Asset Mgmt.	20.4	17.5	-0.8	0.4	14.0	15.5	24.0	19.7	-39.3	-36.8
Systematic Financial Mgmt.	18.2	17.5	-7.4	0.4	18.1	15.5	23.2	19.7	-40.6	-36.8
Aggregate	16.9	17.5	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	23.2	14.6	-7.9	-2.9	28.5	29.1	28.0	34.5	-49.1	-38.5
Next Century Growth	1.9	14.6	-4.5	-2.9	29.6	29.1	35.0	34.5	-49.3	-38.5
Turner Investment Partners	13.1	14.6	-4.8	-2.9	29.0	29.1	36.9	34.5	-41.9	-38.5
Aggregate	12.0	14.6	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5
Russell 2000 Value										
Goldman Sachs	16.6	18.1	1.3	-5.5	27.0	24.5	27.8	20.6	-26.8	-28.9
Hotchkis & Wiley	24.1	18.1	-10.8	-5.5	43.4	24.5	62.5	20.6	-44.1	-28.9
Martingale Asset Mgmt.	20.1	18.1	-5.2	-5.5	27.4	24.5	19.4	20.6	-33.8	-28.9
Peregrine Capital	18.8	18.1	-4.1	-5.5	27.3	24.5	45.8	20.6	-39.4	-28.9
Aggregate	19.6	18.1	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9
Active Mgr. Aggregate (1)	15.4	16.3	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9

(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**

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS										
BlackRock Institutional	19.0	16.4	1.6	1.5	14.0	16.1	27.6	28.4	-37.1	-37.6
INTECH	16.6	16.4	2.9	1.5						
JP Morgan	17.6	16.4	1.1	1.5	16.8	16.1	32.1	28.4	-37.1	-37.6
Mellon Capital	17.3	16.4	4.6	1.5	13.7	16.1	25.6	28.4	-37.6	-37.6
Semi-Passive Aggregate (R1000)	17.7	16.4	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6
PASSIVE MANAGER (R3000)										
BlackRock Institutional	16.4	16.4	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3
Total Aggregate	16.6	16.4	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3
Russell 3000		16.4		1.0		16.9		28.3		-37.3
Russell 1000		16.4		1.5		16.1		28.4		-37.6
Russell 2000		16.3		-4.2		26.9		27.2		-33.8

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 LLC
Periods Ending March, 2013

Portfolio Manager: Michelle Clayman

Assets Under Management: \$425,048,888

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

Performance for this portfolio has trailed its benchmark for all periods shown, except for since inception. New Amsterdam has had negative stock and sector selection over several time periods.

Quantitative Evaluation

	Actual	Russell Index
Last Quarter	8.4%	11.0%
Last 1 year	3.1	14.4
Last 2 years	3.2	11.1
Last 3 years	8.2	12.9
Last 4 years	14.4	21.6
Last 5 years	3.4	6.2
Since Inception (1) (4/94)	9.6	9.5

Recommendation

A review and recommendation for New Amsterdam is provided in Tab E.

- (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)



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

UBS GLOBAL ASSET MANAGEMENT (AMERICAS) INC.
Periods Ending March, 2013

Portfolio Manager: John Leonard

Assets Under Management: \$452,680,231

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

Short term performance relative to the Russell 1000 improved as stock selection had a positive impact. Longer term performance continues to lag the benchmark. Over time, UBS has experienced significant personnel changes due to staff reduction.

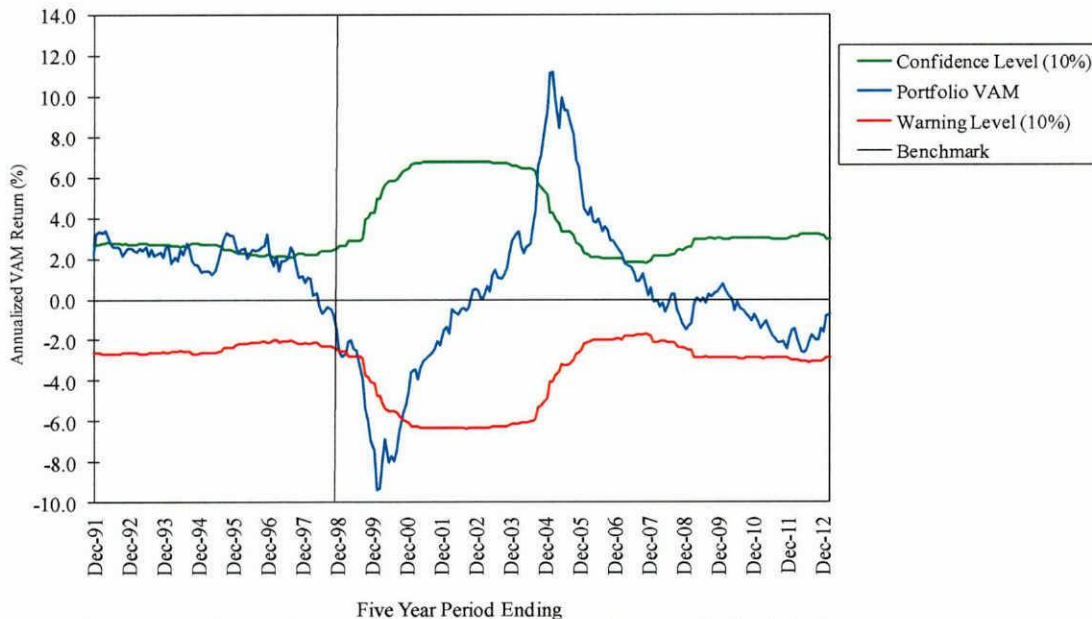
Quantitative Evaluation

	Actual	(R1000 Core)
Last Quarter	12.5%	11.0%
Last 1 year	12.0	14.4
Last 2 years	9.9	11.1
Last 3 years	9.7	12.9
Last 4 years	21.9	21.6
Last 5 years	5.4	6.2
Since Inception (7/93)	8.7	8.8

Recommendation

A review and recommendation for UBS is provided in Tab E.

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)

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Large Cap Growth (R1000 Growth)

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INTECH INVESTMENT MANAGEMENT LLC
Periods Ending March, 2013

Portfolio Manager: Adrian Banner

Assets Under Management: \$420,335,599

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

Staff continues to monitor for any organizational or portfolio impact as a result of a CEO change during the fourth quarter of 2012. Adrian Banner replaced Jennifer Young as CEO effective November 2012.

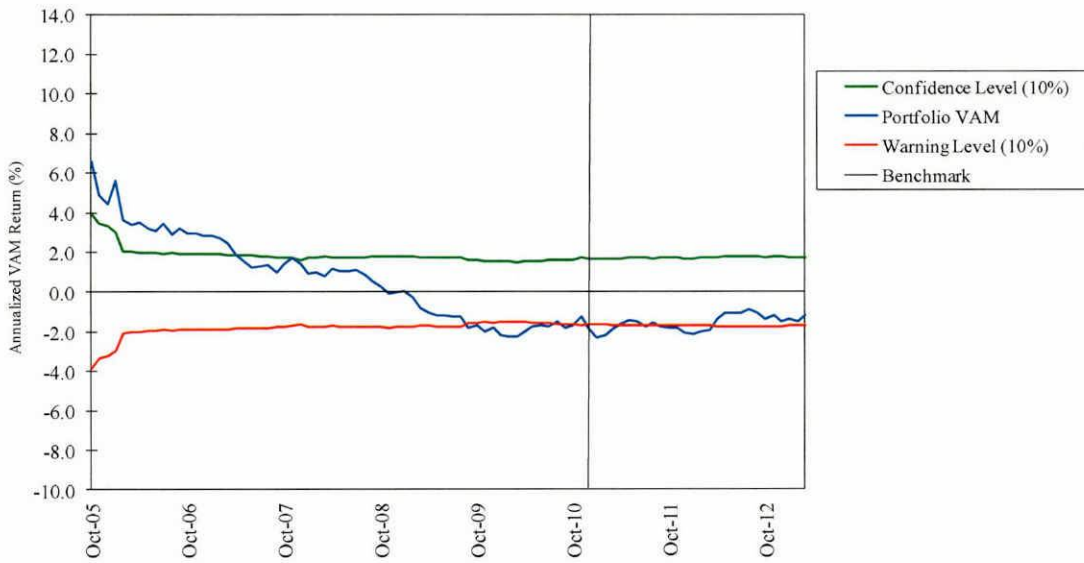
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	8.2%	9.5%
Last 1 year	10.1	10.1
Last 2 years	9.4	10.6
Last 3 years	13.3	13.1
Last 4 years	21.0	21.3
Last 5 years	6.1	7.3
Since Inception (1/05)	5.1	6.2

Recommendation

No action required.

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



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

JACOBS LEVY EQUITY MANAGEMENT, INC.

Periods Ending March, 2013

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$385,838,992

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

The portfolio performance relative to the Russell 1000 Growth was mixed for various time periods ending March 2013. There have been no owner or personnel changes and the investment process remains the same.

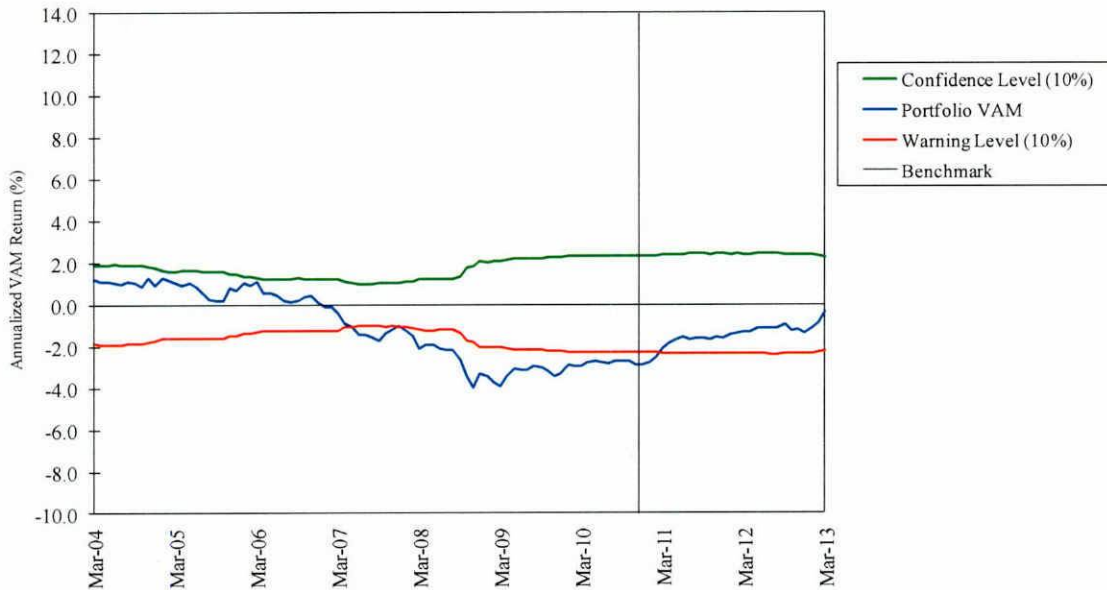
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	10.1%	9.5%
Last 1 year	9.0	10.1
Last 2 years	10.1	10.6
Last 3 years	14.3	13.1
Last 4 years	23.3	21.3
Last 5 years	6.9	7.3
Since Inception (1/05)	4.6	6.2

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 GROUP, LLC
Periods Ending March, 2013

Portfolio Manager: Kip Knelman

Assets Under Management: \$75,145,302

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

The portfolio performance relative to the Russell 1000 Growth has lagged all time periods shown. Knelman's portfolio had negative stock selection and is underweight in the defensive sectors of Healthcare, Consumer Staples, and Utilities, which reported strong returns.

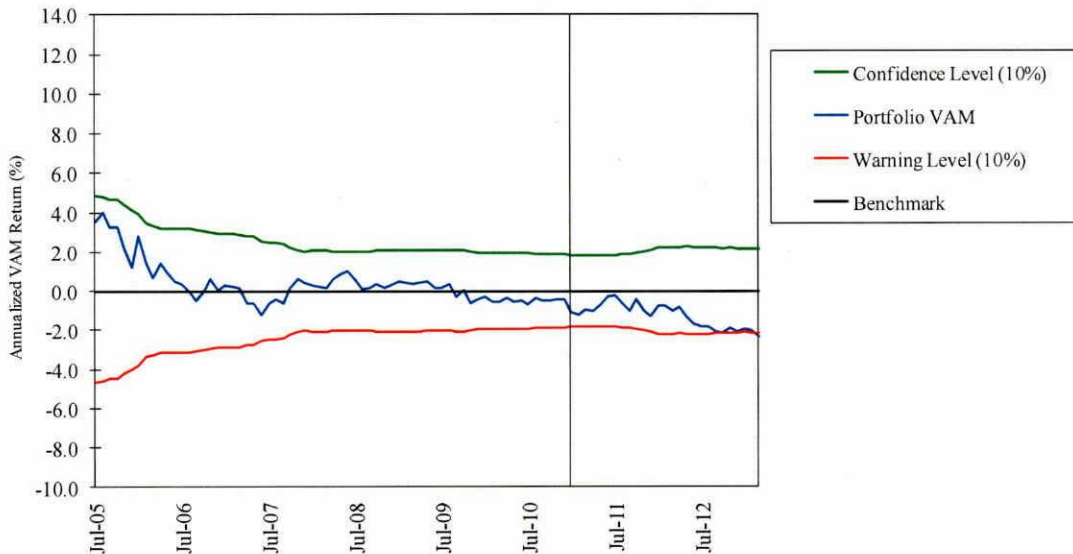
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	5.7%	9.5%
Last 1 year	3.7	10.1
Last 2 years	6.3	10.6
Last 3 years	10.7	13.1
Last 4 years	17.9	21.3
Last 5 years	4.8	7.3
Since Inception (1/05)	5.0	6.2

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, 2013

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$381,046,740

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

Sand's relative performance lagged for the quarter and the year and outperformed for all time periods over one year. Sands remains focused on the underlying fundamentals and long-term growth prospects of the businesses, not short-term stock price movements.

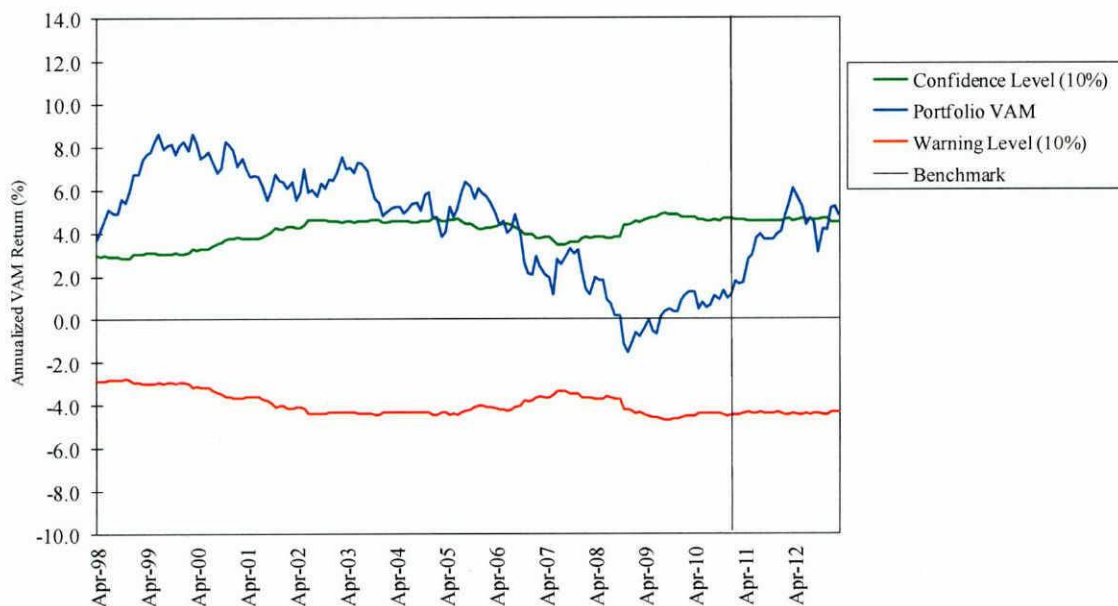
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	7.2%	9.5%
Last 1 year	7.0	10.1
Last 2 years	14.3	10.6
Last 3 years	18.8	13.1
Last 4 years	29.8	21.3
Last 5 years	12.5	7.3
Since Inception (1/05)	8.2	6.2

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, LLC
Periods Ending March, 2013

Portfolio Manager: Justin Kelly and Patrick Burton

Assets Under Management: \$170,487,834

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

During the first quarter of 2013 Patrick Burton replaced Bart Wear as the co-portfolio manager.

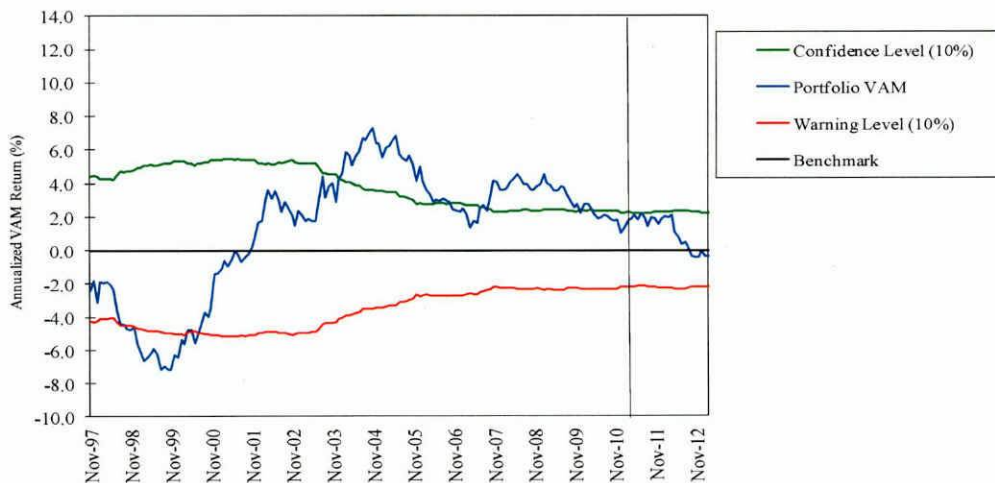
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	9.4%	9.5%
Last 1 year	5.8	10.1
Last 2 years	7.5	10.6
Last 3 years	12.0	13.1
Last 4 years	19.8	21.3
Last 5 years	6.9	7.3
Since Inception (1/05)	7.5	6.2

Recommendation

No action required.

WINSLOW 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.

ZEVENBERGEN CAPITAL INVESTMENTS LLC
Periods Ending March, 2013

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$360,992,686

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 for the quarter and trailed the Russell 1000 Growth for the one-year period. Stock selection in health care and energy accounted for the bulk of the underperformance over the last year.

There have been no owner or personnel changes and the investment process remains the same. Staff will continue to monitor their performance.

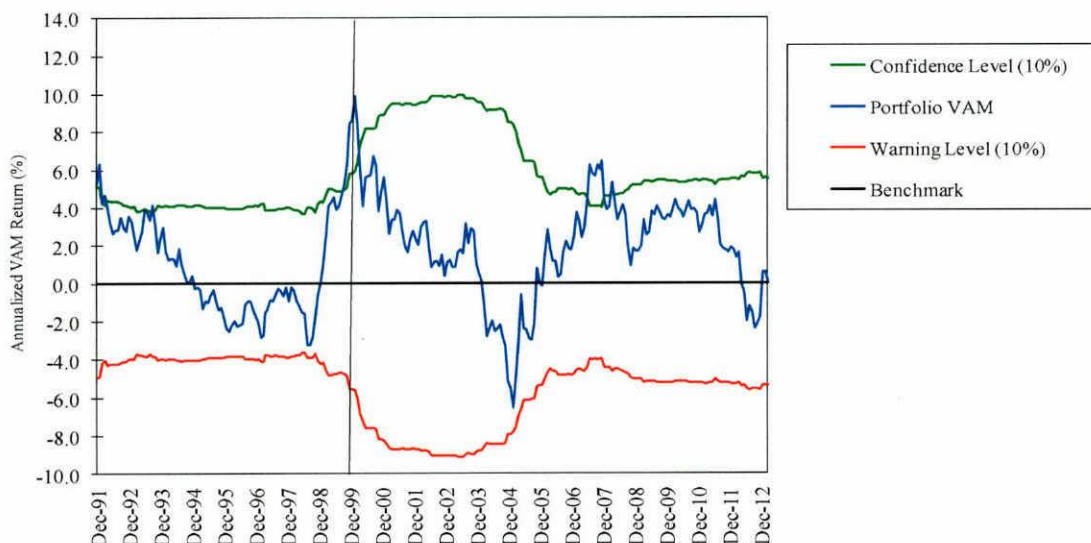
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	11.9%	9.5%
Last 1 year	2.8	10.1
Last 2 years	-0.1	10.6
Last 3 years	8.8	13.1
Last 4 years	21.1	21.3
Last 5 years	7.5	7.3
Since Inception (4/94)	9.0	8.1

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, INC.
Periods Ending March, 2013

Portfolio Manager: Tim Culler

Assets Under Management: \$557,830,262

Investment Philosophy

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

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

Staff Comments

Staff has no concerns with Barrow Hanley at this time.

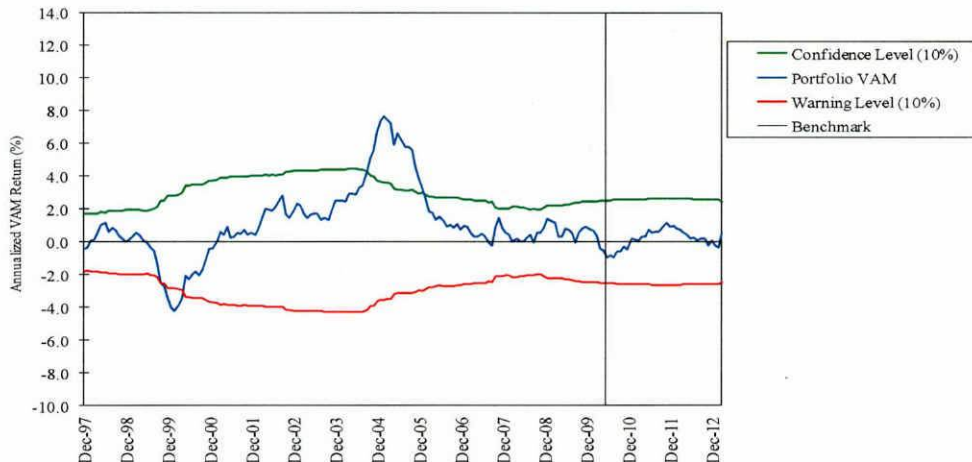
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	11.3%	12.3%
Last 1 year	16.0	18.8
Last 2 years	10.4	11.6
Last 3 years	10.9	12.7
Last 4 years	20.2	21.8
Last 5 years	5.5	4.8
Since Inception (4/04)	6.2	6.1

Recommendation

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
 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, 2013

Portfolio Manager: Paul Viera

Assets Under Management: \$217,312,633

Investment Philosophy

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

Staff Comments

Earnest's performance has trailed over all time periods. During the quarter, stock selection in healthcare was the biggest detractor to performance. For the year, stock selection across most sectors hurt performance, especially in healthcare and energy. The organization is stable and the process remains the same.

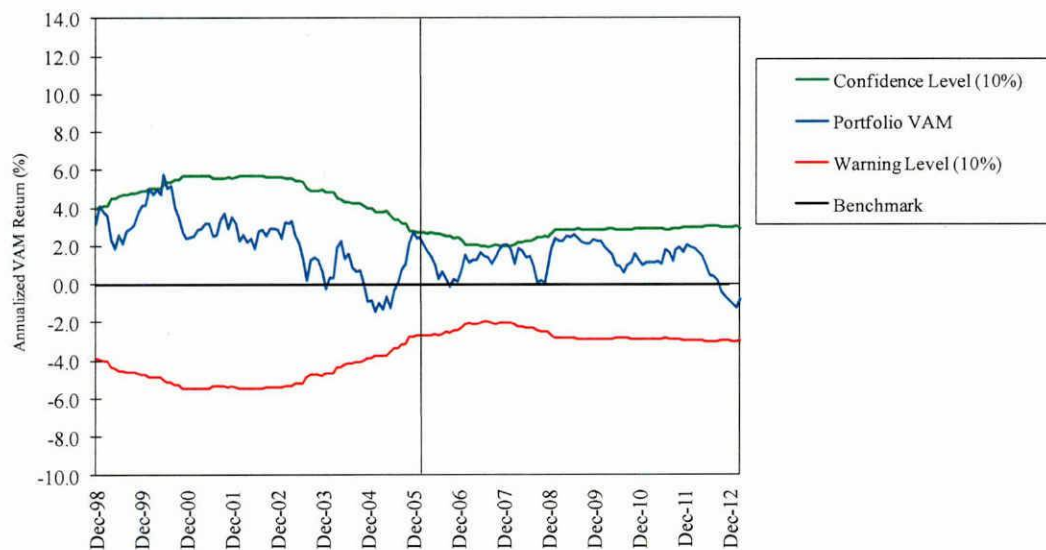
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	9.6%	12.3%
Last 1 year	8.2	18.8
Last 2 years	5.1	11.6
Last 3 years	8.3	12.7
Last 4 years	18.8	21.8
Last 5 years	4.1	4.8
Since Inception (7/00)	4.8	5.8

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, 2013

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$543,922,079

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

Staff has no concerns with LSV at this time.

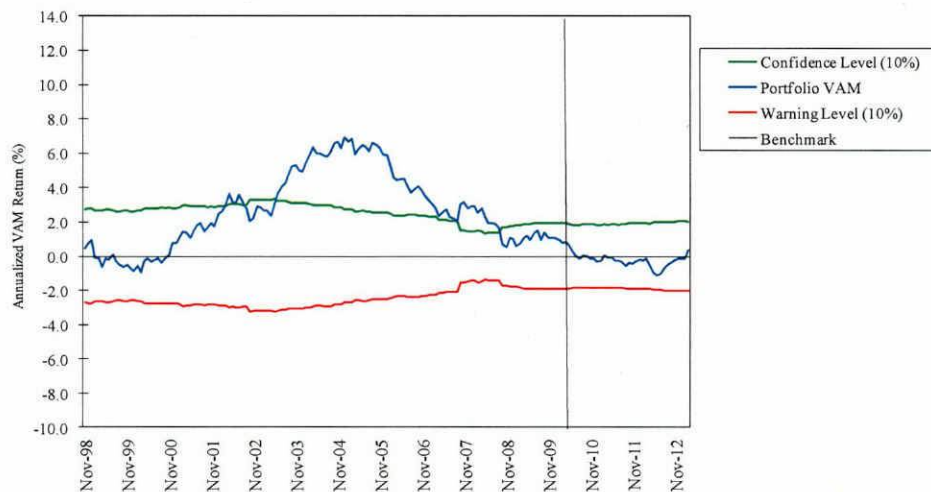
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	13.4%	12.3%
Last 1 year	20.4	18.8
Last 2 years	11.7	11.6
Last 3 years	13.1	12.7
Last 4 years	22.9	21.8
Last 5 years	5.2	4.8
Since Inception (4/04)	7.0	6.1

Recommendation

No action required.

LSV ASSET MANAGEMENT
 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.

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2013

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$372,876,595

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

Staff has no concerns with Systematic at this time.

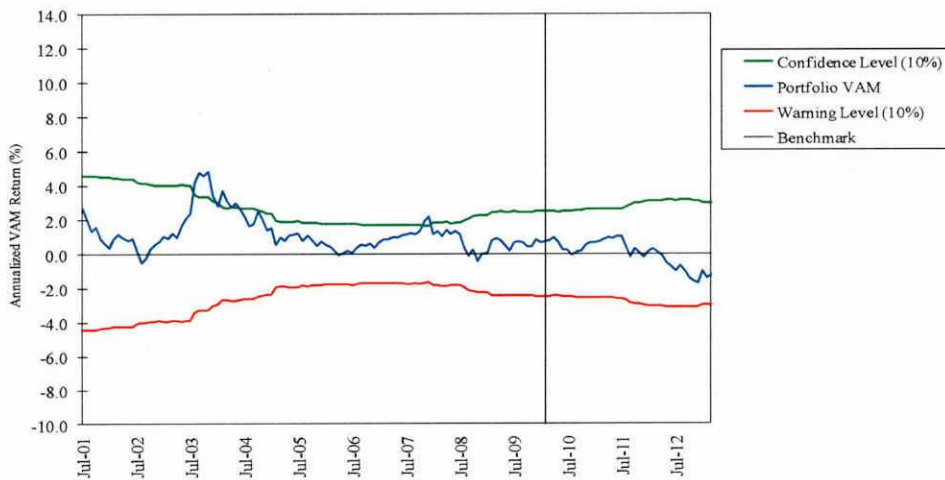
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	11.4%	12.3%
Last 1 year	14.3	18.8
Last 2 years	6.8	11.6
Last 3 years	10.2	12.7
Last 4 years	19.6	21.8
Last 5 years	3.6	4.8
Since Inception (4/04)	5.8	6.1

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)

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Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT, LLC.

Periods Ending March, 2013

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$280,880,118

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 its initial universe. The remaining candidates are tested for liquidity and strength of earnings. In the final portfolio construction process, qualitative aspects are examined, including economic factors, Wall Street research, and specific industry themes.

Staff Comments

McKinley trailed the quarterly benchmark and outperformed for the year. McKinley has been consistent with their investment process and the organization has remained stable. Staff is monitoring the portfolio closely.

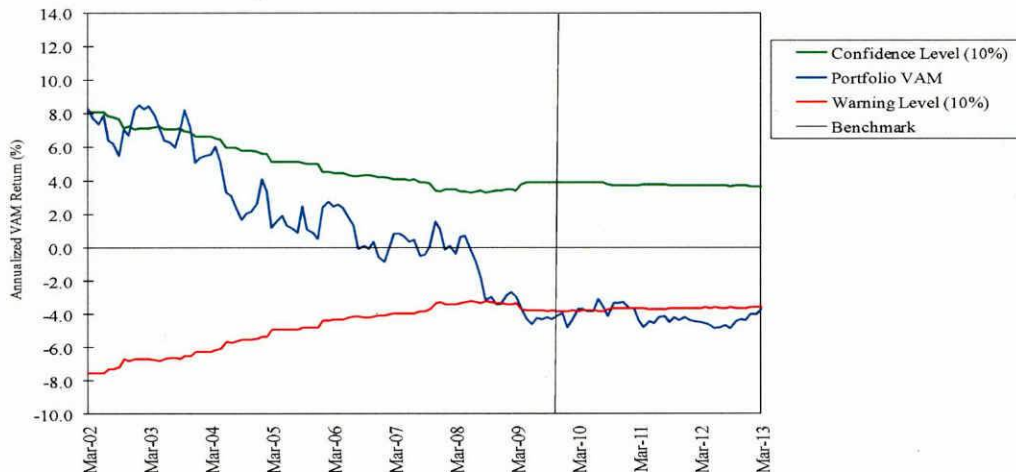
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	12.3%	13.2%
Last 1 year	20.4	14.5
Last 2 years	9.3	7.4
Last 3 years	15.2	14.7
Last 4 years	22.3	24.8
Last 5 years	5.0	9.0
Since Inception (1/04)	5.0	7.4

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, 2013

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$299,445,390

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

Next Century's performance rebounded this quarter and underperformed in all longer time periods shown. Next Century has been consistent with their investment process and the organization has remained stable. Staff will continue to track their performance.

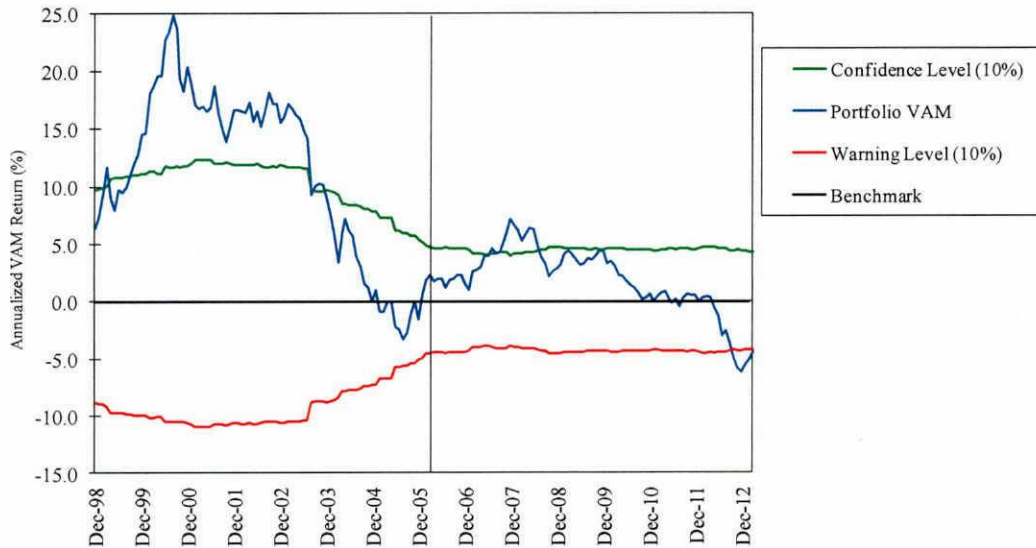
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	14.5%	13.2%
Last 1 year	1.8	14.5
Last 2 years	-1.3	7.4
Last 3 years	10.4	14.7
Last 4 years	20.5	24.8
Last 5 years	4.2	9.0
Since Inception (7/00)	1.5	2.7

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, INC.
Periods Ending March, 2013

Portfolio Manager: William McVail

Assets Under Management: \$331,402,979

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

Turner's performance continues to lag the benchmark. Stock selection is a key driver of performance and has struggled as Turner looks for companies that have high earnings growth. Turner has been consistent with their investment process and the organization has remained stable. Staff will continue to monitor Turner's performance.

Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	11.9%	13.2%
Last 1 year	12.6	14.5
Last 2 years	3.9	7.4
Last 3 years	12.6	14.7
Last 4 years	23.7	24.8
Last 5 years	7.7	9.0
Since Inception (1/04)	7.3	7.4

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, L.P.
Periods Ending March, 2013

Portfolio Manager: Sally Pope-Davis and Rob Crystal Assets Under Management: \$206,709,938

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

Staff has no concerns with Goldman at this time.

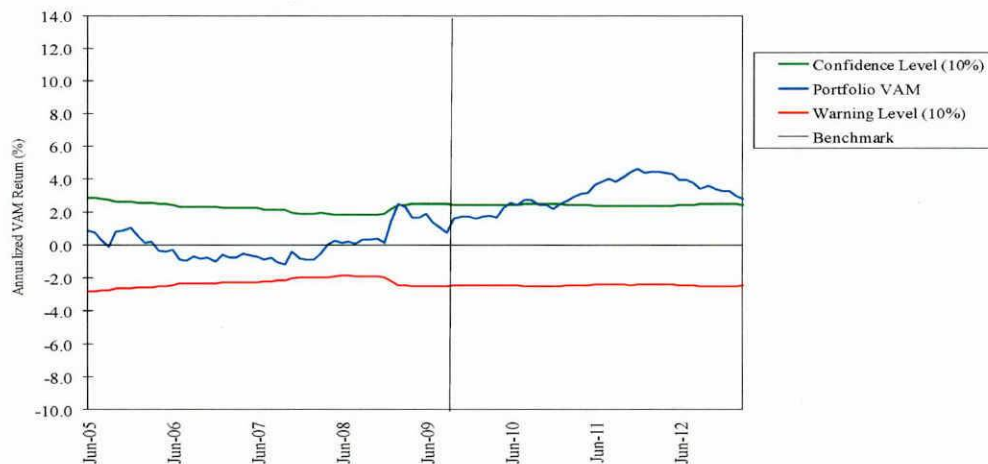
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	12.8%	11.6%
Last 1 year	17.9	18.1
Last 2 years	11.1	8.1
Last 3 years	15.6	12.1
Last 4 years	25.5	23.5
Last 5 years	10.4	7.3
Since Inception (1/04)	9.0	7.2

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, 2013

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$183,093,092

Investment Philosophy

The firm seeks to exploit mispriced 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

Staff has no concerns with Hotchkis at this time.

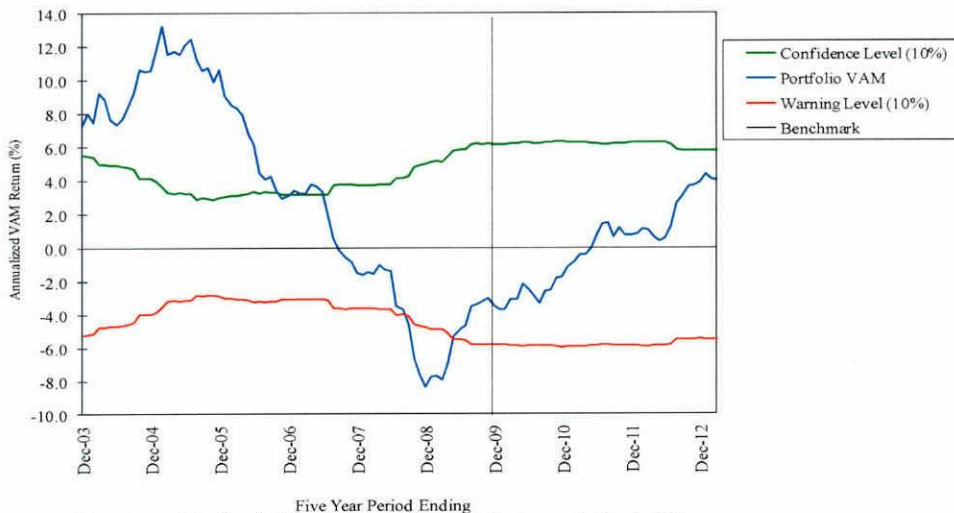
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	15.7%	11.6%
Last 1 year	24.5	18.1
Last 2 years	9.0	8.1
Last 3 years	16.6	12.1
Last 4 years	36.6	23.5
Last 5 years	11.6	7.3
Since Inception (1/04)	7.5	7.2

Recommendation

No action required.

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



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

MARTINGALE ASSET MANAGEMENT, L.P.
Periods Ending March, 2013

Portfolio Manager: William Jacques

Assets Under Management: \$160,557,741

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

Staff has no concerns with Martingale at this time.

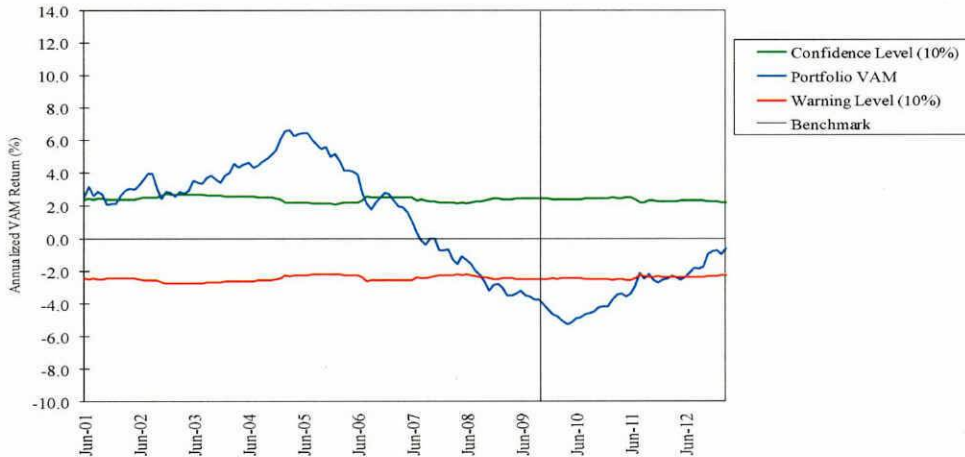
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	12.8%	11.6%
Last 1 year	20.1	18.1
Last 2 years	9.3	8.1
Last 3 years	14.7	12.1
Last 4 years	25.0	23.5
Last 5 years	6.7	7.3
Since Inception (1/04)	6.0	7.2

Recommendation

No action required.

MARTINGALE 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.

PEREGRINE CAPITAL MANAGEMENT, INC
Periods Ending March, 2013

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$277,030,484

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

Staff has no concerns with Peregrine at this time.

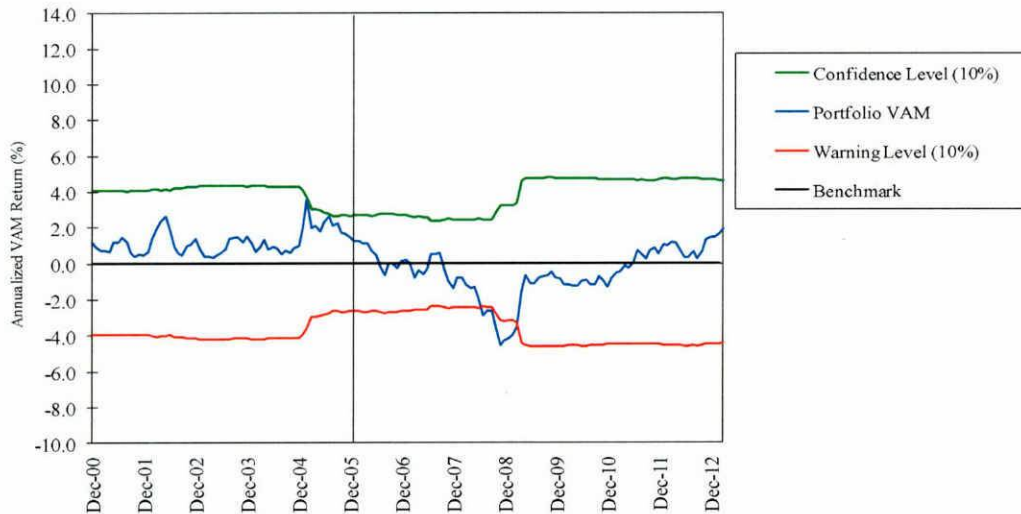
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	12.0%	11.6%
Last 1 year	14.6	18.1
Last 2 years	8.4	8.1
Last 3 years	14.0	12.1
Last 4 years	30.4	23.5
Last 5 years	9.4	7.3
Since Inception (7/00)	10.5	9.7

Recommendation

No action required.

PEREGRINE CAPITAL MANAGEMENT, INC.
 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, 2013

Portfolio Manager: Raffaele Savi

Assets Under Management: \$2,819,294,733

Investment Philosophy – Semi-Passive Style

Staff Comments

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

Staff has no concerns with BlackRock at this time.

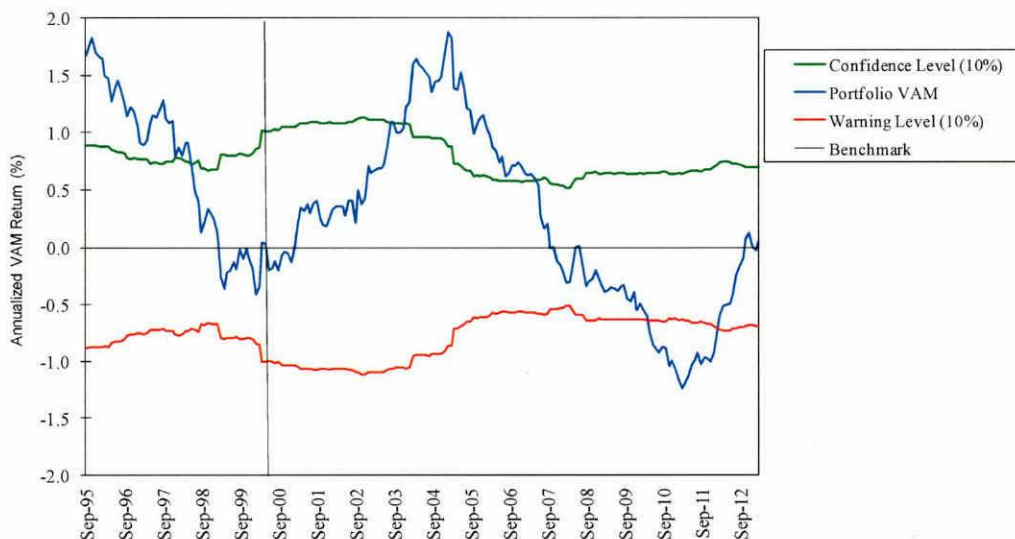
Quantitative Evaluation

Recommendation

	Actual	Manager Benchmark*	
Last Quarter	10.7%	11.0%	No action required.
Last 1 year	14.5	14.4	
Last 2 years	12.7	11.1	
Last 3 years	13.1	12.9	
Last 4 years	21.5	21.6	
Last 5 years	6.2	6.2	
Since Inception (1/95)	8.8	8.5	

* 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, 2013

Portfolio Manager: Adrian Banner

Assets Under Management: \$2,030,008,983

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

Staff continues to monitor for any organizational or portfolio impact as a result of a CEO change during the fourth quarter of 2012. Adrian Banner replaced Jennifer Young as CEO effective November 2012.

Quantitative Evaluation

	Actual	Russell 1000
Last Quarter	10.8%	11.0%
Last 1 year	15.6	14.4
Last 2 years	11.7	11.1
Last 3 years	13.3	12.9
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/10)	13.3	12.9

Recommendation

No action required.

INTECH Investment Management LLC - Semi-Passive
 Rolling Five Year VAM vs. Russell 1000



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

J.P. MORGAN INVESTMENT MANAGEMENT INC.
Periods Ending March, 2013

Portfolio Manager: Ralph Zingone and Scott Blasdell Assets Under Management: \$3,364,877,760

Investment Philosophy – Semi-Passive Style

J.P. Morgan believes that superior stock selection is necessary to achieve excellent investment results. To accomplish this objective, they use fundamental research and a systematic valuation model. Analysts forecast the earnings and dividends for the 650 stock universe and enter them into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sectors. The most undervalued stocks are placed in the first quintile. The portfolio includes stocks from the first four quintiles, always favoring the highest ranked stocks whenever possible. Stocks in the fifth quintile are sold. In addition, the portfolio closely approximates the sector, style, and security weightings of the index chosen by the plan sponsor. The firm remains fully invested at all times.

Staff Comments

Effective second quarter of this year, Ralph Zingone will be the lead portfolio manager on the SBI's account. Scott will be transitioning to the lead portfolio manager position for the large cap value product.

Quantitative Evaluation

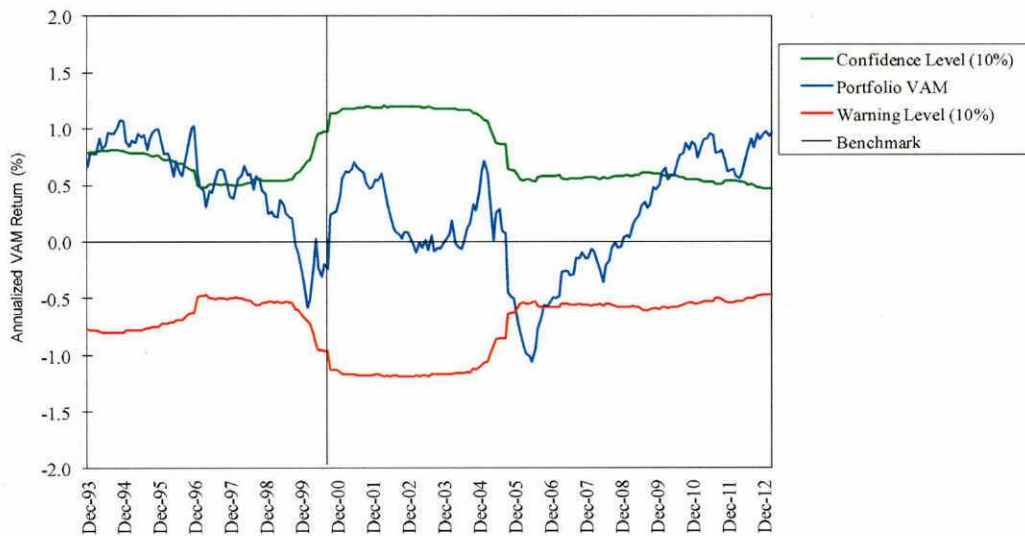
	Actual	Manager Benchmark*
Last Quarter	11.3%	11.0%
Last 1 year	15.8	14.4
Last 2 years	11.7	11.1
Last 3 years	13.3	12.9
Last 4 years	22.6	21.6
Last 5 years	7.2	6.2
Since Inception (1/95)	8.8	8.5

Recommendation

No action required.

* 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 CORPORATION
Periods Ending March, 2013

Portfolio Manager: Warren Chiang

Assets Under Management: \$2,120,177,062

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.

Staff has no concerns with Mellon at this time.

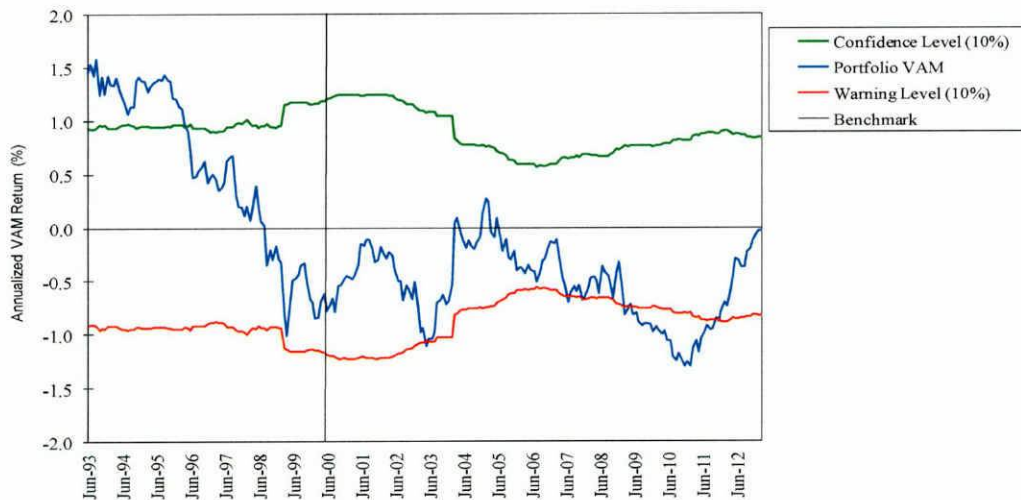
Quantitative Evaluation

Recommendation

	Actual	Manager Benchmark*	
Last Quarter	11.7%	11.0%	No action required.
Last 1 year	14.9	14.4	
Last 2 years	13.1	11.1	
Last 3 years	13.7	12.9	
Last 4 years	22.0	21.6	
Last 5 years	6.1	6.2	
Since Inception (1/95)	8.1	8.5	

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

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



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

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2013

Portfolio Manager: Peter Sietsema

Assets Under Management: \$8,682,472,173

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.

Staff has no concerns with BlackRock at this time.

Quantitative Evaluation

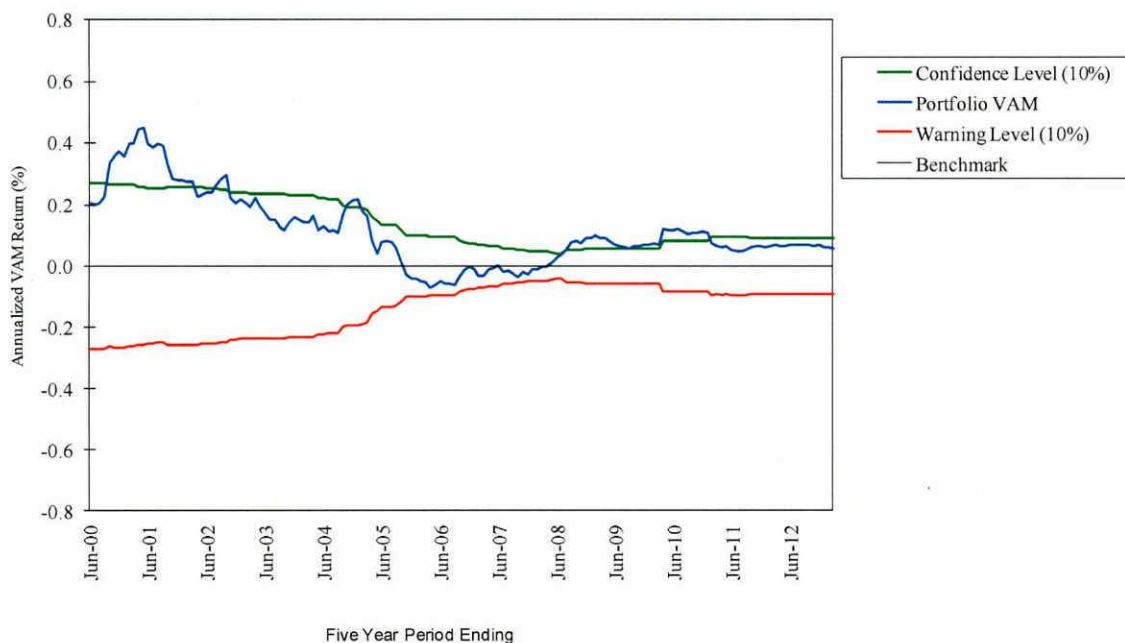
Recommendation

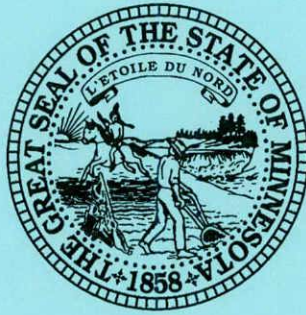
	Actual	Manager Benchmark*
Last Quarter	11.1%	11.1%
Last 1 year	14.6	14.6
Last 2 years	10.8	10.8
Last 3 years	13.0	13.0
Last 4 years	21.8	21.8
Last 5 years	6.4	6.3
Since Inception (7/95)	8.2	8.1

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, 2013

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Bond Managers

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**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2013**

	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	0.2	-0.1	6.1	3.8	7.6	5.5	5.7	5.5	6.2	6.2	\$864.4	7.8%
Columbia (RiverSource)	0.2	-0.1	5.6	3.8	7.0	5.5	6.3	5.5	6.1	6.1	\$978.9	8.8%
Dodge & Cox	0.7	-0.1	6.0	3.8	6.5	5.5	7.4	5.5	7.2	6.2	\$1,158.4	10.5%
PIMCO	0.6	-0.1	7.3	3.8	7.5	5.5			9.3	6.5	\$1,279.2	11.6%
Western	0.2	-0.1	6.3	3.8	7.5	5.5	7.0	5.5	9.4	8.2	\$1,312.4	11.9%
Active Mgr. Aggregate	0.4	-0.1	6.3	3.8	7.2	5.5	6.7	5.5			\$5,593.3	50.5%
Semi-Passive Managers												
BlackRock	-0.1	-0.1	4.3	3.8	5.8	5.5	5.3	5.5	6.2	6.1	\$1,741.6	15.7%
Goldman	0.0	-0.1	4.7	3.8	6.4	5.5	6.4	5.5	6.4	6.1	\$1,878.0	17.0%
Neuberger	-0.2	-0.1	4.3	3.8	6.3	5.5	6.7	5.5	7.3	7.1	\$1,861.2	16.8%
Semi-Passive Mgr. Aggregate	-0.1	-0.1	4.4	3.8	6.2	5.5	6.1	5.5			\$5,480.8	49.5%
Historical Aggregate (2)	0.1	-0.1	5.4	3.8	6.7	5.5	6.5	5.5	8.4	8.2	\$11,074.1	100.0%
Barclays Capital Aggregate (3)		-0.1		3.8		5.5		5.5		8.2		

(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**

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	7.7	4.2	8.0	7.8	10.7	6.5	18.4	5.9	-14.7	5.2
Columbia (RiverSource)	6.9	4.2	8.1	7.8	8.1	6.5	14.0	5.9	-4.9	5.2
Dodge & Cox	8.5	4.2	5.0	7.8	7.8	6.5	16.5	5.9	0.1	5.2
PIMCO	9.3	4.2	4.5	7.8	12.1	6.5	15.5	5.9		
Western	7.8	4.2	7.1	7.8	10.9	6.5	17.5	5.9	-6.8	5.2
Active Mgr. Aggregate	8.1	4.2	6.4	7.8	10.0	6.5	16.5	5.9	-7.3	5.2
Semi-Passive Managers										
BlackRock	5.0	4.2	8.0	7.8	6.5	6.5	9.6	5.9	-1.1	5.2
Goldman	5.4	4.2	8.3	7.8	8.0	6.5	12.0	5.9	-1.2	5.2
Neuberger	5.4	4.2	7.6	7.8	9.1	6.5	14.3	5.9	-1.9	5.2
Semi-Passive Mgr. Aggregate	5.3	4.2	8.0	7.8	7.9	6.5	12.0	5.9	-1.4	5.2
Historical Aggregate	6.7	4.2	7.2	7.8	9.0	6.5	14.3	5.9	-4.2	5.2
Barclays Capital Aggregate		4.2		7.8		6.5		5.9		5.2

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

ABERDEEN ASSET MANAGEMENT INC.
Periods Ending March, 2013

Portfolio Manager: Neil Moriarty

Assets Under Management: \$864,385,955

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

Paul Griffiths, Global Co-Head of Fixed Income, left the firm during the first quarter. Brad Crombie, Global Co-Head of Fixed Income, assumed sole responsibility as Global Head of Fixed Income. The organizational change should not impact the SBI portfolio. Staff has no additional significant organizational or performance issues to note.

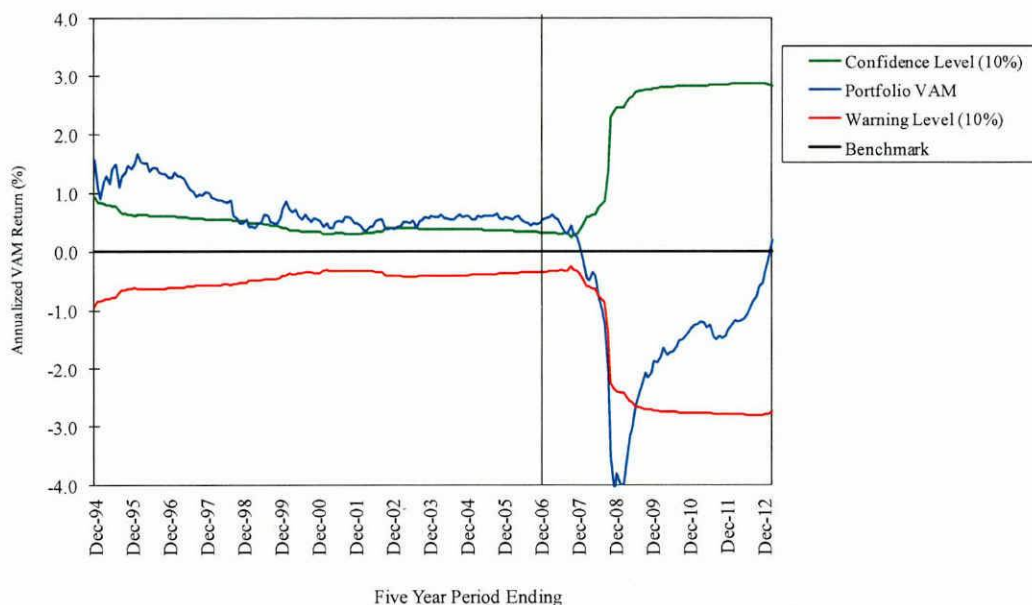
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	-0.1%
Last 1 year	6.1	3.8
Last 2 years	7.3	5.7
Last 3 years	7.6	5.5
Last 4 years	10.9	6.1
Last 5 years	5.7	5.5
Since Inception (2/00)	6.2	6.2

Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT
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.

COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC
Periods Ending March, 2013

Portfolio Manager: Colin Lundgren

Assets Under Management: \$978,861,849

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

Staff has no significant organizational or performance issues to note.

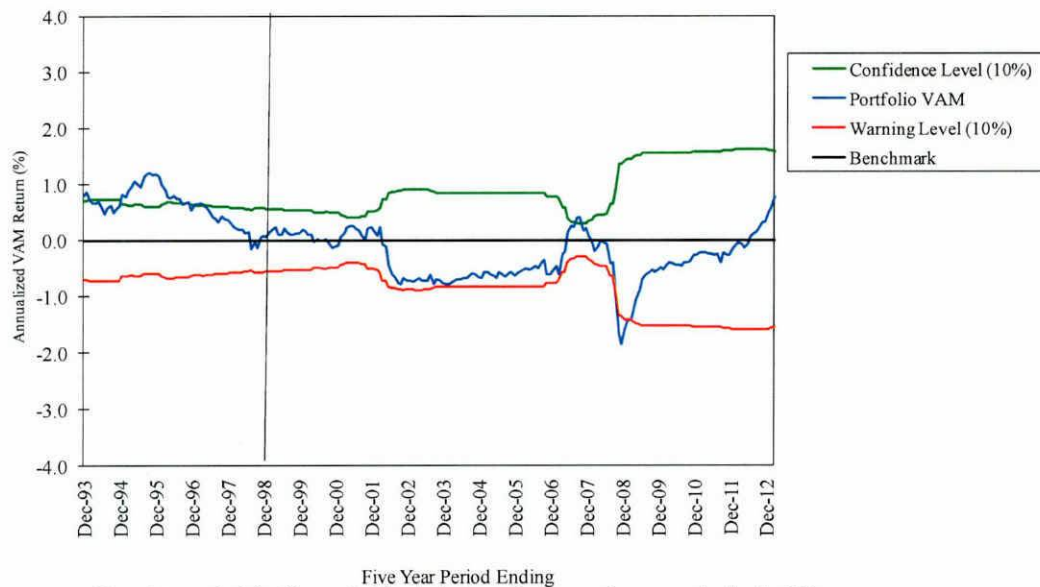
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	-0.1%
Last 1 year	5.6	3.8
Last 2 years	7.2	5.7
Last 3 years	7.0	5.5
Last 4 years	8.7	6.1
Last 5 years	6.3	5.5
Since Inception (7/93)	6.1	6.1

Recommendations

No action required.

COLUMBIA MANAGEMENT - FIXED INCOME
Rolling Five Year VAM



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

DODGE & COX, INC.
Periods Ending March, 2013

Portfolio Manager: Dana Emery

Assets Under Management: \$1,158,373,642

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

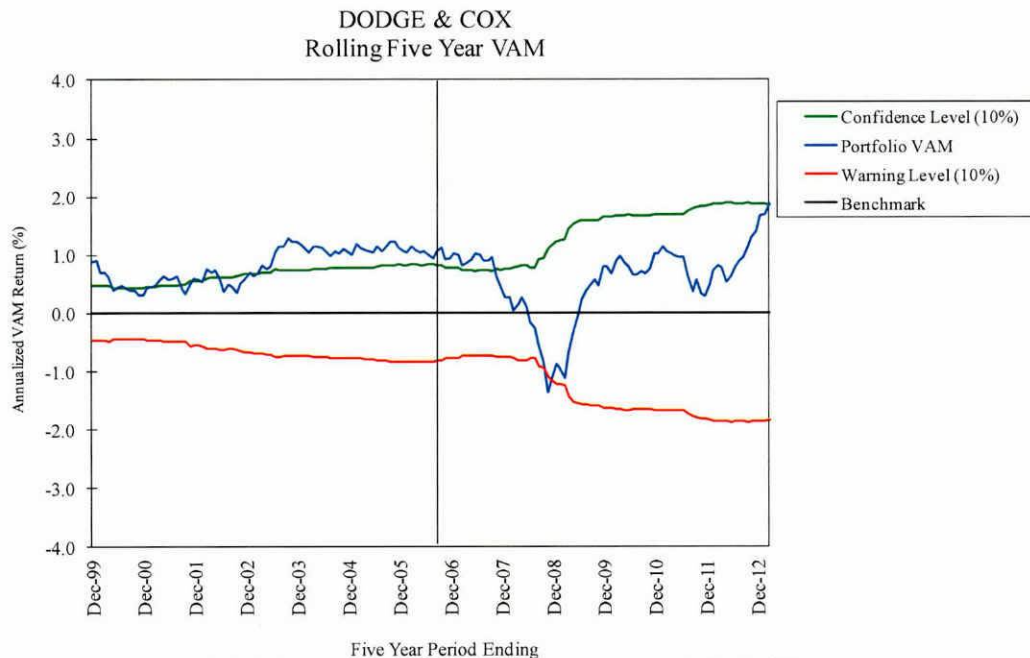
Kenneth Oliver, Chairman and Chief Executive Officer, will assume the role of Chairman Emeritus on May 14, 2013. Dana Emery will assume the role of Chief Executive Officer and President. Ms. Emery will continue in her role as Director of Fixed Income. Charles Pohl will assume the role of Chairman. The organizational change should not impact the SBI portfolio. Staff has no additional significant organizational or performance issues to note.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.7%	-0.1%
Last 1 year	6.0	3.8
Last 2 years	6.4	5.7
Last 3 years	6.5	5.5
Last 4 years	9.6	6.1
Last 5 years	7.4	5.5
Since Inception (2/00)	7.2	6.2

Recommendations

No action required.



PACIFIC INVESTMENT MANAGEMENT COMPANY LLC (PIMCO)
Periods Ending March, 2013

Portfolio Manager: Bill Gross

Assets Under Management: \$1,279,240,898

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. PIMCO was retained by the SBI in September 2008.

Staff Comments

SBI staff expressed concern to PIMCO in early 2012 regarding the dispersion of returns across accounts within the Core Plus Constrained composite and has since implemented additional reporting requirements for all fixed income managers. Staff has no additional organizational or performance issues to note.

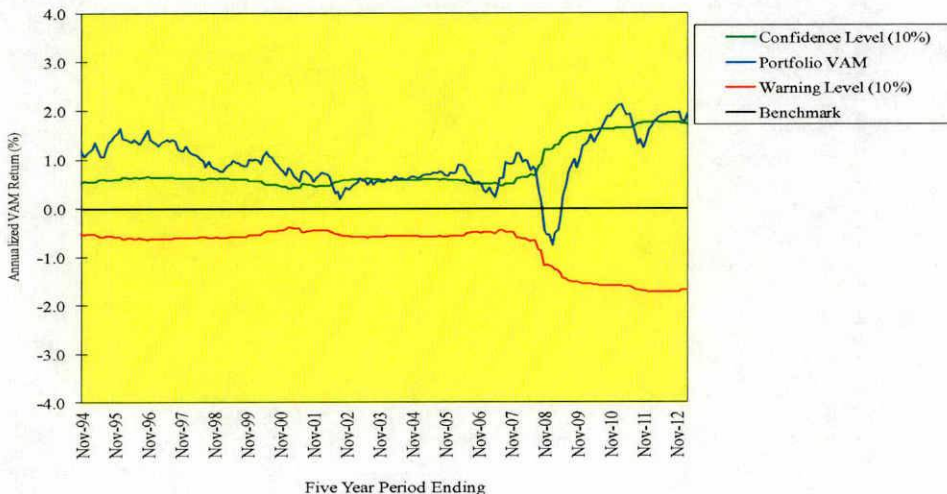
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	-0.1%
Last 1 year	7.3	3.8
Last 2 years	6.5	5.7
Last 3 years	7.5	5.5
Last 4 years	10.3	6.1
Last 5 years	N/A	N/A
Since Inception (9/08)	9.3	6.5

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 COMPANY
Periods Ending March, 2013

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,312,433,607

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

Steve Walsh, Chief Investment Officer (CIO), plans to retire in March 2014. Ken Leech will become CIO effective March 31, 2014. Mr. Leech previously served as Western's CIO from 1998 to 2008, and since that time has served as Chairman of Western's Global Investment Strategy Committee. The organizational change should not impact the SBI portfolio. Staff has no additional significant organizational or performance issues to note.

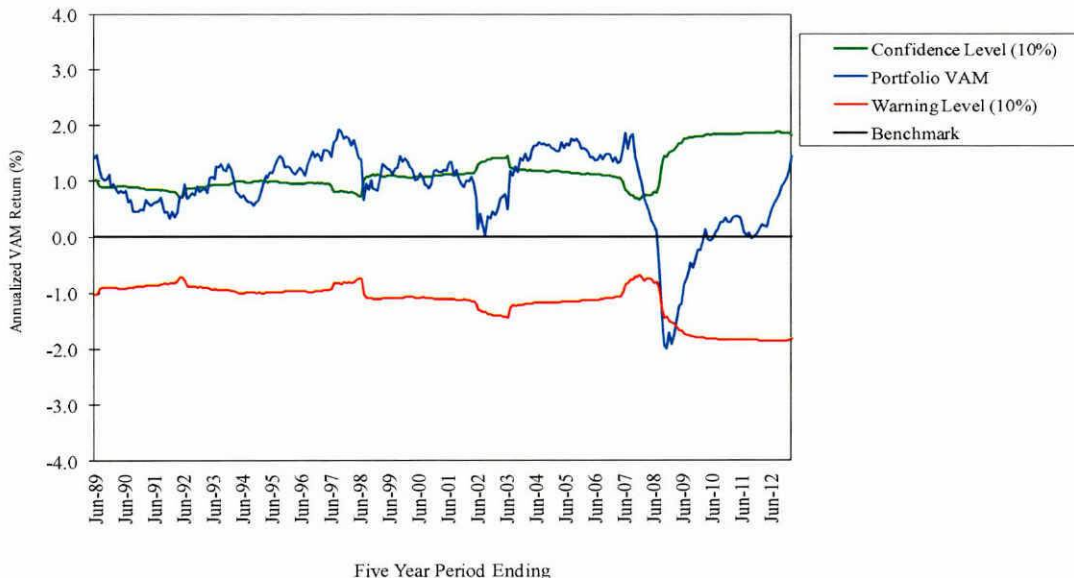
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	-0.1%
Last 1 year	6.3	3.8
Last 2 years	7.1	5.7
Last 3 years	7.5	5.5
Last 4 years	10.3	6.1
Last 5 years	7.0	5.5
Since Inception (7/84)	9.4	8.2

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK FINANCIAL MANAGEMENT
Periods Ending March, 2013

Portfolio Manager: Brian Weinstein

Assets Under Management: \$1,741,588,566

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 continues to have significant organizational changes at the top level in the firm. However, the portfolio management team assigned to the SBI fixed income portfolio has been stable during that time. Staff will continue to monitor and provide updates as necessary. Staff has no additional organizational or performance issues to note.

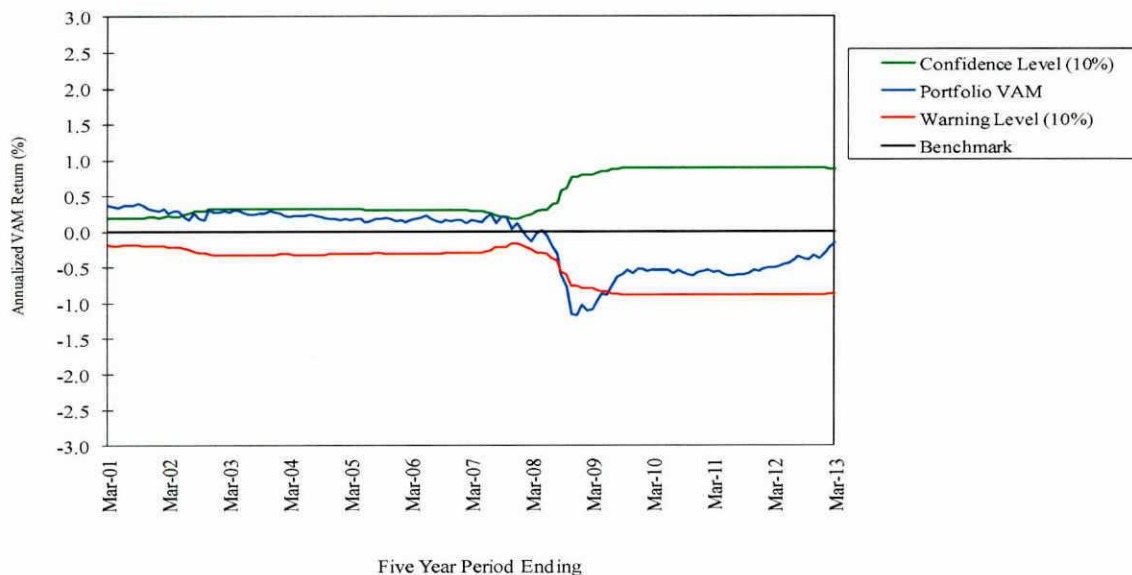
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.1%	-0.1%
Last 1 year	4.3	3.8
Last 2 years	6.1	5.7
Last 3 years	5.8	5.5
Last 4 years	7.1	6.1
Last 5 years	5.3	5.5
Since Inception (4/96)	6.2	6.1

Recommendation

No action required.

BLACKROCK, INC.
Rolling Five Year VAM



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2013

Portfolio Manager: Jonathon Beinler

Assets Under Management: \$1,877,991,252

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

Staff has no significant organizational or performance issues to note.

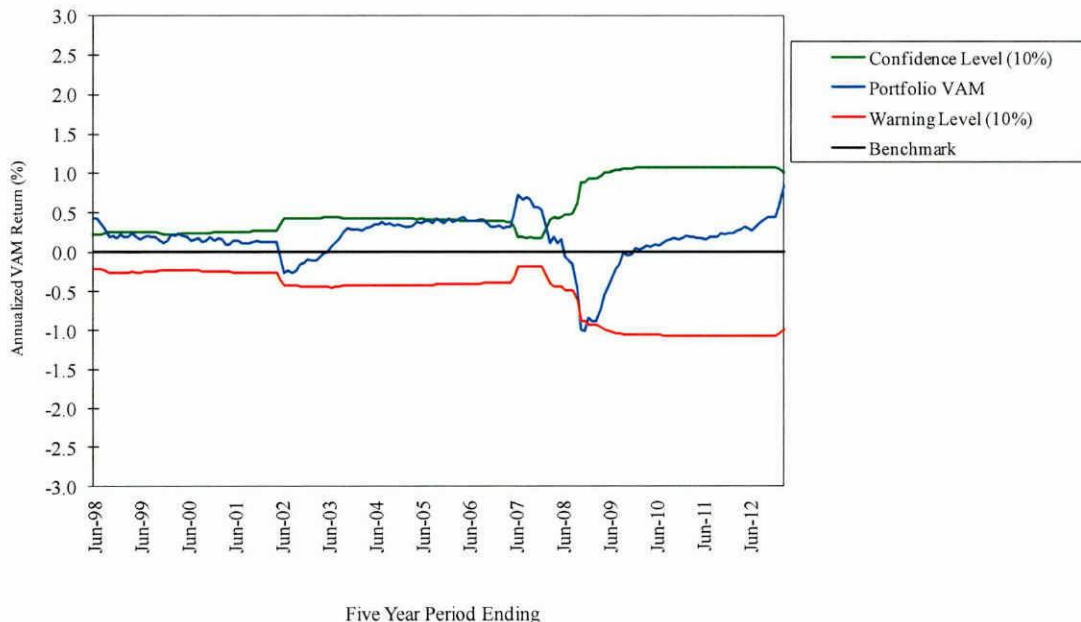
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.0%	-0.1%
Last 1 year	4.7	3.8
Last 2 years	6.5	5.7
Last 3 years	6.4	5.5
Last 4 years	8.1	6.1
Last 5 years	6.4	5.5
Since Inception (7/93)	6.4	6.1

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



NEUBERGER BERMAN FIXED INCOME LLC
Periods Ending March, 2013

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,861,205,885

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

Staff has no significant organizational or performance issues to note.

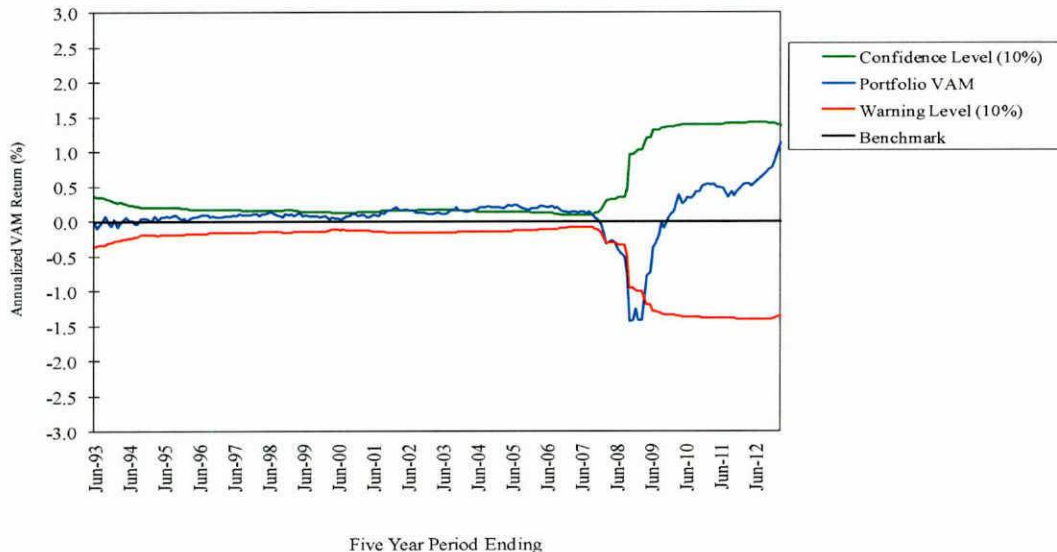
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.2%	-0.1%
Last 1 year	4.3	3.8
Last 2 years	6.1	5.7
Last 3 years	6.3	5.5
Last 4 years	9.0	6.1
Last 5 years	6.7	5.5
Since Inception (7/88)	7.3	7.1

Recommendations

No action required.

NEUBERGER BERMAN
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2013

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International Managers

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**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2013**

	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	7.2	4.7	13.8	10.4	7.0	4.8	-2.4	-0.7	4.5	4.8	\$313.3	4.1%
Columbia	6.3	4.7	11.7	10.4	7.8	4.8	1.6	-0.7	1.4	2.6	\$306.7	4.0%
Invesco	2.3	4.7	9.5	10.4	2.1	4.8	-0.5	-0.7	3.6	2.6	\$241.1	3.1%
J.P. Morgan	3.7	4.7	10.3	10.4	5.7	4.8	1.0	-0.7	5.0	4.8	\$265.7	3.4%
Marathon	7.8	4.7	14.1	10.4	8.1	4.8	2.7	-0.7	8.5	5.0	\$632.1	8.2%
McKinley	8.4	4.7	14.3	10.4	5.8	4.8	-2.9	-0.7	4.0	4.8	\$258.9	3.4%
Pyramis (Fidelity)	5.9	4.7	13.8	10.4	7.2	4.8	1.4	-0.7	6.5	4.8	\$303.6	3.9%
Aggregate	6.3	4.7	12.8	10.4	6.6	4.8	0.6	-0.7			\$2,321.4	30.1%
Active Emerging Markets (3)												
Capital International	-0.2	-1.6	0.5	2.0	0.1	3.3	0.6	1.1	10.2	11.5	\$741.2	9.6%
Morgan Stanley	1.1	-1.6	8.2	2.0	5.8	3.3	1.9	1.1	12.0	11.5	\$804.8	10.4%
Aggregate	0.2	-1.6	4.1	2.0	2.6	3.3	0.6	1.1			\$1,546.0	20.0%
Semi-Passive Developed Markets (2)												
AQR	5.6	4.7	15.2	10.4	6.4	4.8	0.6	-0.7	5.3	4.8	\$297.8	3.9%
Pyramis (Fidelity)	4.3	4.7	11.7	10.4	6.3	4.8	-0.6	-0.7	5.7	4.8	\$442.0	5.7%
State Street	4.6	4.7	10.6	10.4	3.5	4.8	-1.8	-0.7	3.8	4.8	\$265.7	3.4%
Aggregate	4.8	4.7	12.4	10.4	5.5	4.8	-0.5	-0.7			\$1,005.5	13.0%
Passive Emerging & Developed Markets (2) (3)												
State Street (Emerging Mkts.)	-2.1	-1.6	2.2	2.0					12.6	12.8	\$239.6	3.1%
State Street (Developed Mkts.)	4.7	4.7	10.6	10.4	5.3	4.8	-0.3	-0.7	6.4	6.1	\$2,610.0	33.8%
Since 10/1/92												
Equity Only (4) (6)	4.1	3.2	9.9	8.4	5.1	4.4	0.1	-0.4	6.9	6.4	\$7,722.3	100.0%
Total Program (5) (6)	4.1	3.2	9.9	8.4	5.1	4.4	0.1	-0.4	7.1	6.4	\$7,722.3	100.0%
SBI Int'l Equity Target (6)		3.2		8.4		4.4		-0.4		6.4		
MSCI ACWI Free ex. U.S. (7)		3.2		8.4		4.4		-0.4		6.7		
MSCI World ex U.S. (net)		4.7		10.4		4.8		-0.7		6.2		
MSCI EAFE Free (net)		5.1		11.3		5.0		-0.9		6.0		
MSCI Emerging Markets Free (8)		-1.6		2.0		3.3		1.1		8.7		

- (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**

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	17.6	16.4	-12.9	-12.2	13.9	8.9	28.8	33.7	-50.5	-43.5
Columbia	19.0	16.4	-12.1	-12.2	15.2	8.9	29.3	33.7	-40.8	-43.5
Invesco	15.0	16.4	-13.0	-12.2	5.8	8.9	32.0	33.7	-38.8	-43.5
J.P. Morgan	18.4	16.4	-10.2	-12.2	7.6	8.9	37.5	33.7	-41.5	-43.5
Marathon	17.9	16.4	-9.2	-12.2	14.4	8.9	29.8	33.7	-38.0	-43.5
McKinley	16.9	16.4	-15.5	-12.2	11.8	8.9	24.1	33.7	-48.5	-43.5
Pyramis (Fidelity)	20.3	16.4	-11.9	-12.2	11.7	8.9	35.1	33.7	-42.9	-43.5
Aggregate	17.9	16.4	-11.7	-12.2	11.9	8.9	31.9	33.7	-42.8	-43.5
Active Emerging Markets (2)										
Capital International	13.8	18.2	-22.8	-18.4	16.1	18.9	83.1	78.5	-48.9	-53.2
Morgan Stanley	21.1	18.2	-17.8	-18.4	18.4	18.9	71.7	78.5	-54.5	-53.2
Aggregate	17.6	18.2	-20.6	-18.4	17.1	18.9	77.3	78.5	-53.0	-53.2
Semi-Passive Developed Markets (1)										
AQR	20.8	16.4	-13.9	-12.2	11.4	8.9	36.0	33.7	-44.0	-43.5
Pyramis (Fidelity)	19.4	16.4	-12.6	-12.2	11.5	8.9	30.2	33.7	-44.0	-43.5
State Street	17.3	16.4	-15.6	-12.2	8.7	8.9	34.9	33.7	-45.3	-43.5
Aggregate	19.2	16.4	-13.8	-12.2	10.6	8.9	33.6	33.7	-44.4	-43.5
Passive Developed Markets (1)										
State Street	16.7	16.4	-11.9	-12.2	9.9	8.9	34.0	33.7	-43.4	-43.5
Equity Only (3) (4)	17.6	16.8	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5
Total Program (4)	17.6	16.8	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5
SBI Int'l Equity Target (5)		16.8		-13.7		11.2		41.5		-45.5
MSCI ACWI Free ex. U.S. (net)		16.8		-13.7		11.2		41.5		-45.5
MSCI World ex U.S. (net)		16.4		-12.2		8.9		33.7		-43.6
MSCI EAFE Free (net)		17.3		-12.1		7.7		31.8		-43.4
MSCI Emerging Markets Free (net)		18.2		-18.4		18.9		78.5		-53.3

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

(4) 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, 2013

Portfolio Manager: John Chisholm

Assets Under Management: \$313,316,333

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

Acadian has a stable organization and team with mixed performance. The SBI has confidence that the strategy will add value over time.

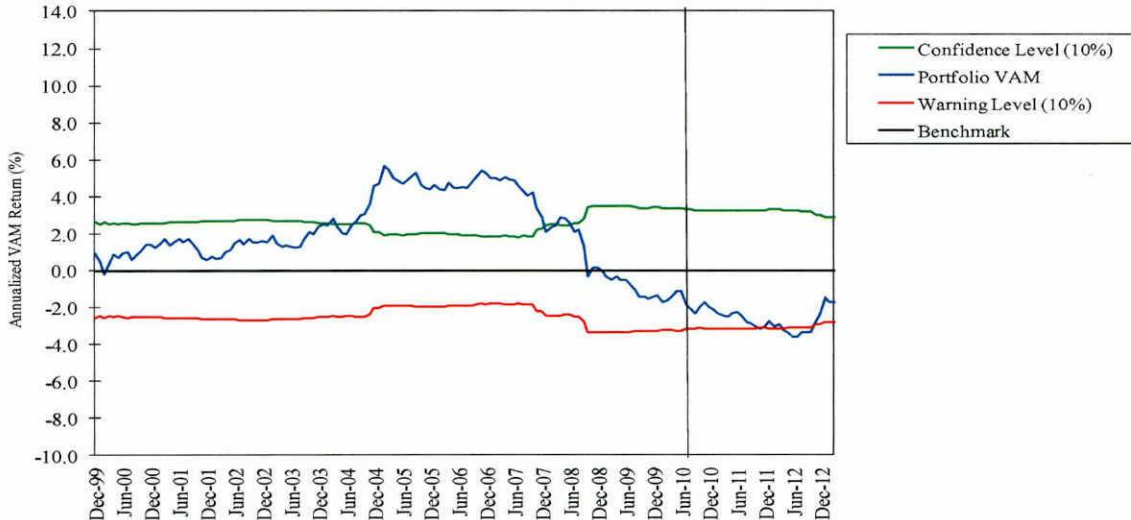
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.2%	4.7%
Last 1 year	13.8	10.4
Last 2 years	3.3	1.5
Last 3 years	7.0	4.8
Last 4 years	17.1	15.7
Last 5 years	-2.4	-0.7
Since Inception (7/05)	4.5	4.8

Recommendations

No action required.

ACADIAN 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.

COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC
Periods Ending March, 2013

Portfolio Manager: Esther Perkins

Assets Under Management: \$306,704,705

Investment Philosophy

Staff Comments

Columbia'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.

Columbia has a stable organization and team.

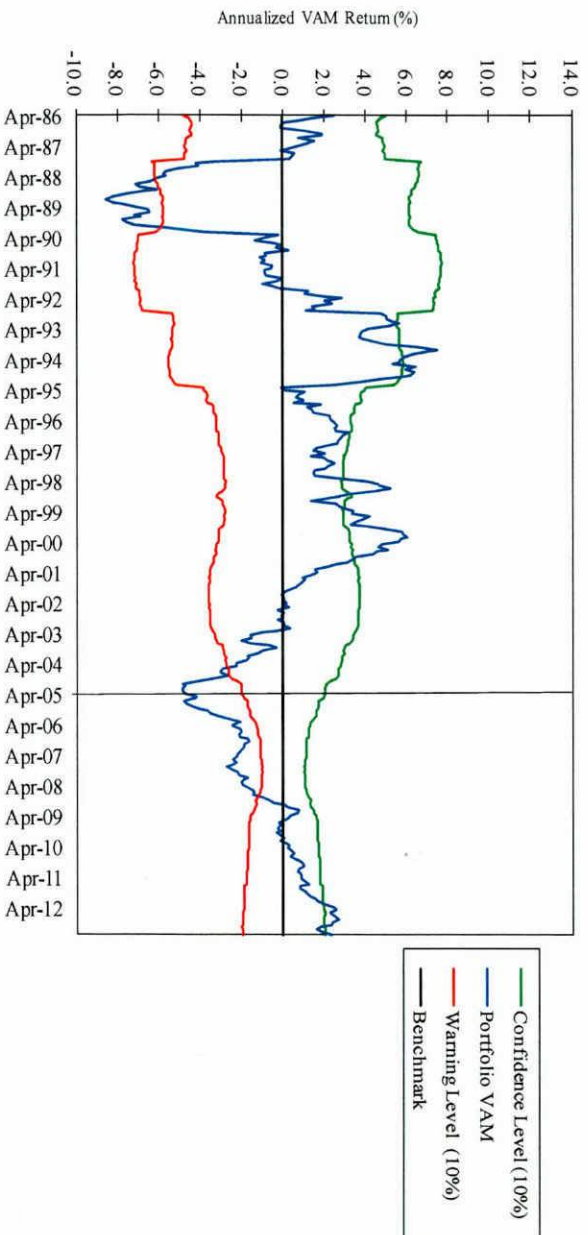
Quantitative Evaluation

Recommendations

	Actual	Benchmark
Last Quarter	6.3%	4.7%
Last 1 year	11.7	10.4
Last 2 years	3.6	1.5
Last 3 years	7.8	4.8
Last 4 years	16.7	15.7
Last 5 years	1.6	-0.7
Since Inception (3/00)	1.4	2.6

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.
 5 Year Period Ending

INVESCO GLOBAL ASSET MANAGEMENT (N.A.), INC.
Periods Ending March, 2013

Portfolio Manager: W. Lindsay Davidson

Assets Under Management: \$241,058,743

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

In April 2013, INVESCO announced that Sargent McGowan, a portfolio manager, will be leaving INVESCO in June 2013. There has been significant turnover on the investment team and limited value added in recent years.

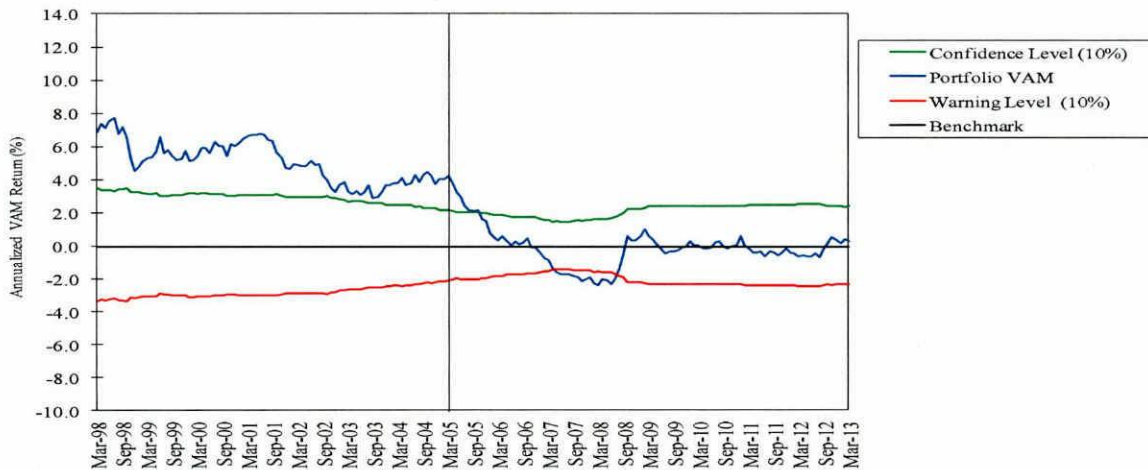
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.3%	4.7%
Last 1 year	9.5	10.4
Last 2 years	-0.1	1.5
Last 3 years	2.1	4.8
Last 4 years	13.2	15.7
Last 5 years	-0.5	-0.7
Since Inception (3/00)	3.6	2.6

Recommendations

Staff is recommending termination.

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, 2013

Portfolio Manager: James Fisher

Assets Under Management: \$265,663,916

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

J.P. Morgan has a stable organization and team.

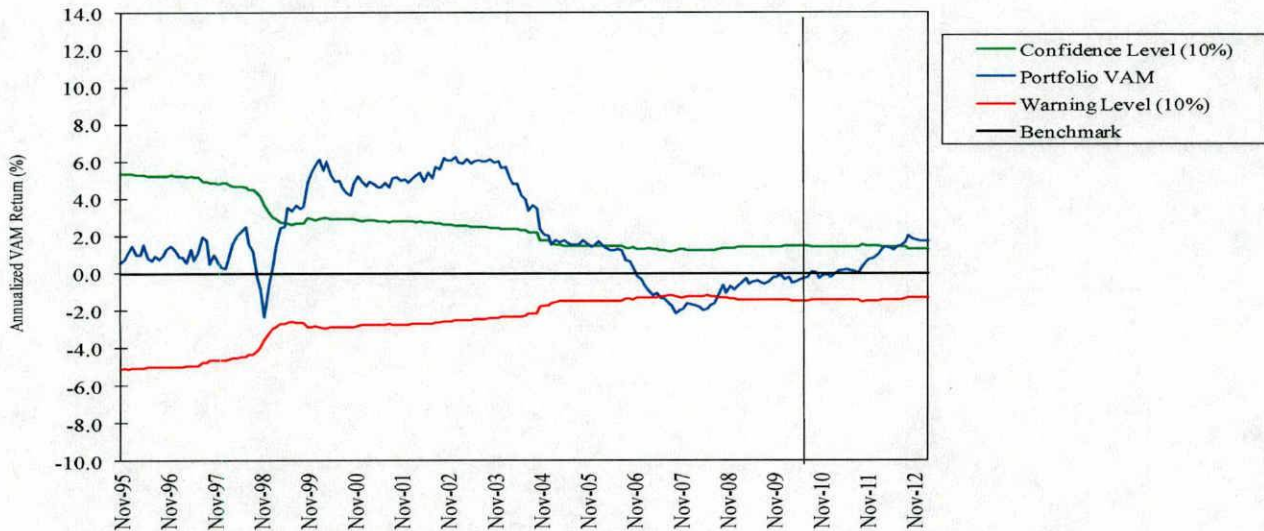
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.7%	4.7%
Last 1 year	10.3	10.4
Last 2 years	2.6	1.5
Last 3 years	5.7	4.8
Last 4 years	16.7	15.7
Last 5 years	1.0	-0.7
Since Inception (7/05)	5.0	4.8

Recommendations

No action required.

J.P. MORGAN INVESTMENT MANAGEMENT, 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

MARATHON ASSET MANAGEMENT LLP
Periods Ending March, 2013

Portfolio Manager: William Arah

Assets Under Management: \$632,136,028

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

Recent changes to the investment team, do not materially impact the management of the SBI's portfolio and are not expected to affect the significant long-term added value in the strategy. The SBI will closely monitor any potential further changes to the investment team.

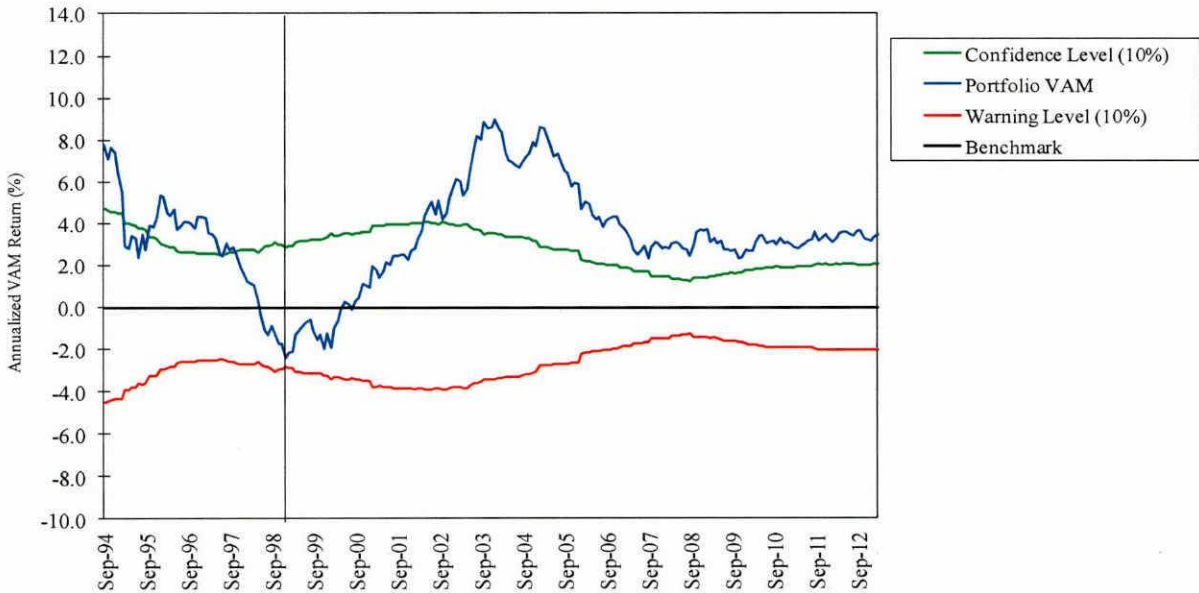
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	7.8%	4.7%
Last 1 year	14.1	10.4
Last 2 years	5.5	1.5
Last 3 years	8.1	4.8
Last 4 years	18.4	15.7
Last 5 years	2.7	-0.7
Since Inception (11/93)	8.5	5.0

Recommendations

No action required.

MARATHON 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.

MCKINLEY CAPITAL MANAGEMENT LLC
Periods Ending March, 2013

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$258,850,572

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

Stable organization and process with mixed returns. The SBI has confidence in the strategy to add value when growth is being rewarded in the market.

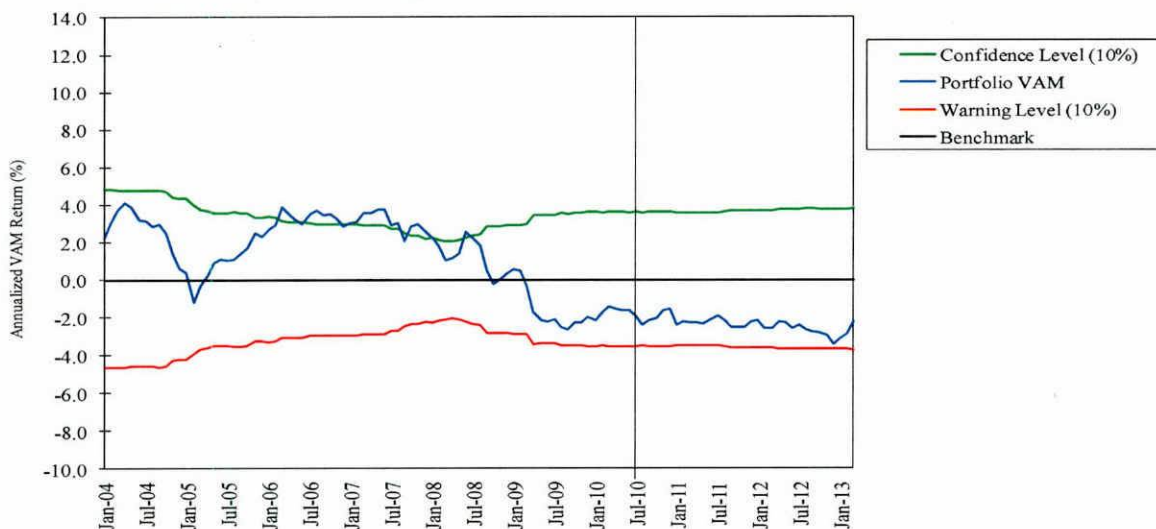
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	8.4%	4.7%
Last 1 year	14.3	10.4
Last 2 years	2.7	1.5
Last 3 years	5.8	4.8
Last 4 years	14.1	15.7
Last 5 years	-2.9	-0.7
Since Inception (7/05)	4.0	4.8

Recommendations

No action required.

MCKINLEY CAPITAL 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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY (Active)
Periods Ending March, 2013

Portfolio Manager: Michael Strong

Assets Under Management: \$303,642,217

Investment Philosophy

Pyramis' 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, Smithfield Rhode Island, and Toronto 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

In March 2013, Pyramis announced that Michael Strong, lead portfolio manager, will retire at the end of September 2013. His duties, which include regional allocation and cash flow allocation, will be assumed by Chris Steward and Brian Hoesly who currently assist Michael Strong. Stock selection remains the responsibility of the four regional portfolio managers. SBI staff expects a seamless transition which will not negatively impact the management of the state's portfolio.

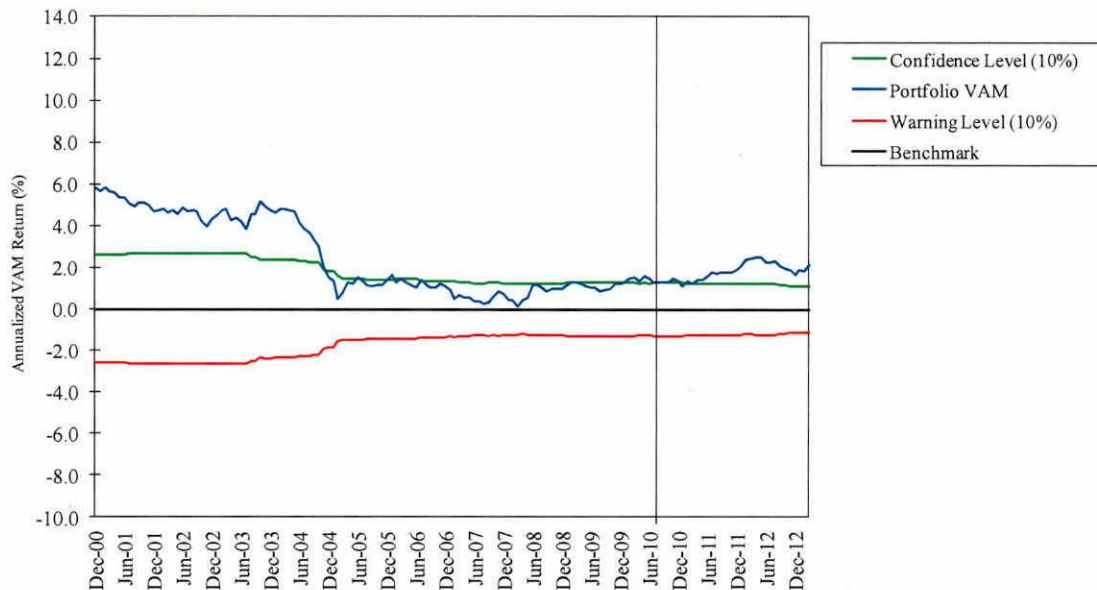
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.9%	4.7%
Last 1 year	13.8	10.4
Last 2 years	4.3	1.5
Last 3 years	7.2	4.8
Last 4 years	17.6	15.7
Last 5 years	1.4	-0.7
Since Inception (7/05)	6.5	4.8

Recommendations

No action required.

PYRAMIS GLOBAL ADVISORS TRUST CO. - INTL GROWTH
Rolling Five Year VAM



5 Year Period Ending

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

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2013

Portfolio Manager: Victor Kohn

Assets Under Management: \$741,170,366

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

Stable organization and team.

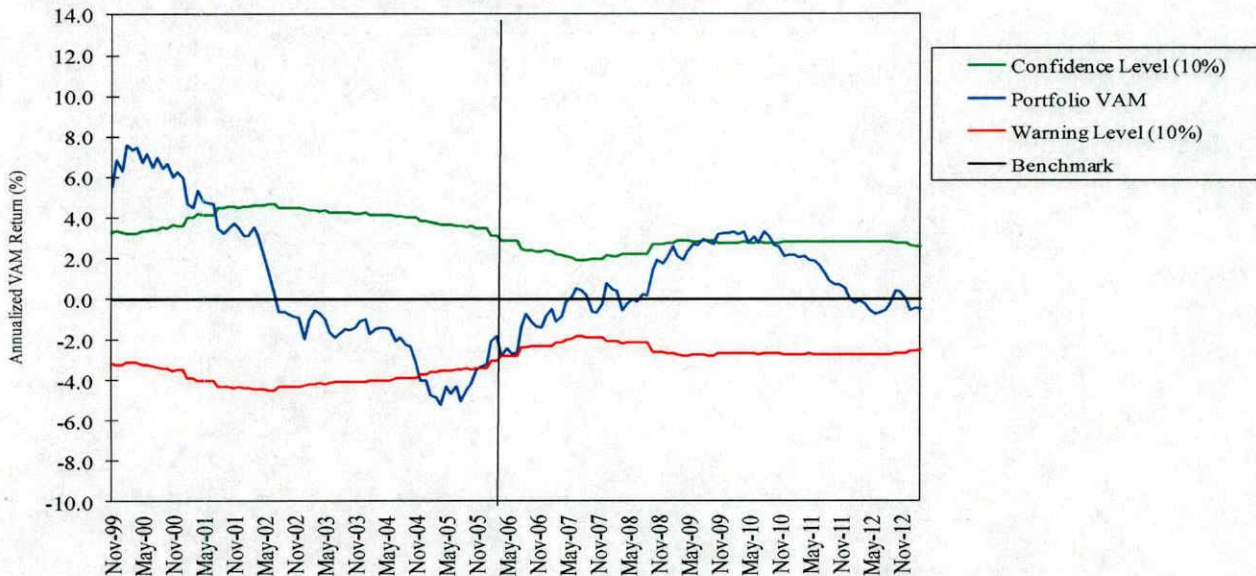
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.2%	-1.6%
Last 1 year	0.5	2.0
Last 2 years	-7.0	-3.6
Last 3 years	0.1	3.3
Last 4 years	16.0	18.8
Last 5 years	0.6	1.1
Since Inception (3/01)	10.2	11.5

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 INC.
Periods Ending March, 2013

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$804,782,731

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

Stable organization and team.

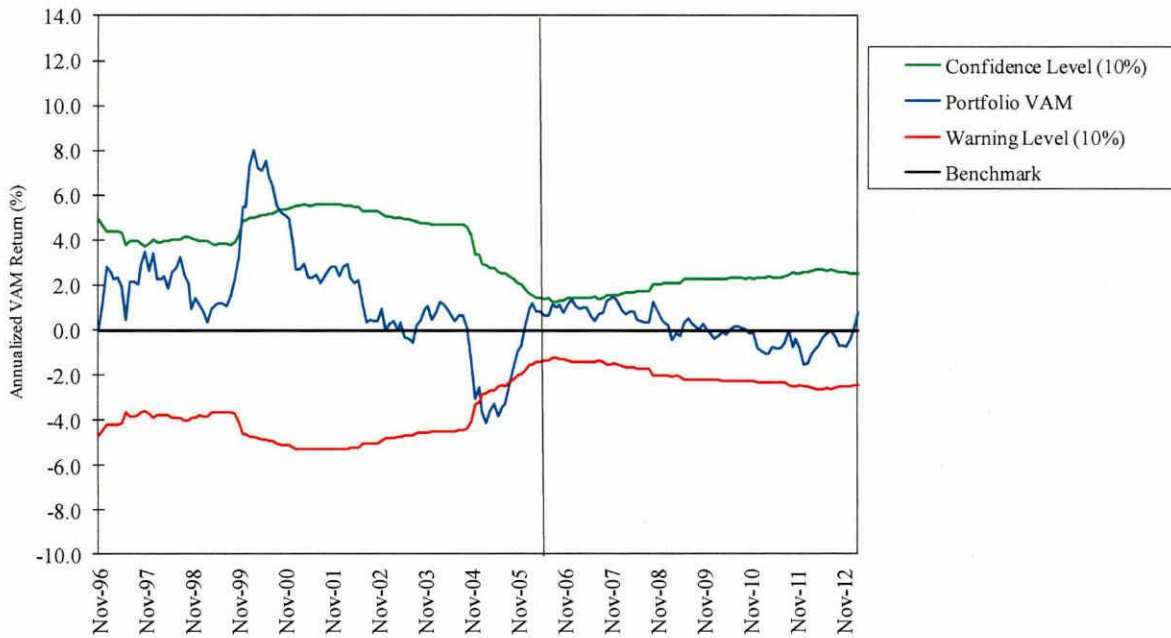
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	-1.6%
Last 1 year	8.2	2.0
Last 2 years	0.9	-3.6
Last 3 years	5.8	3.3
Last 4 years	20.6	18.8
Last 5 years	1.9	1.1
Since Inception (3/01)	12.0	11.5

Recommendations

No action required.

MORGAN STANLEY INVESTMENT 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.

AQR CAPITAL MANAGEMENT, LLC
Periods Ending March, 2013

Portfolio Manager: Cliff Asnes

Assets Under Management: \$297,760,637

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

AQR has a stable organization and investment process.

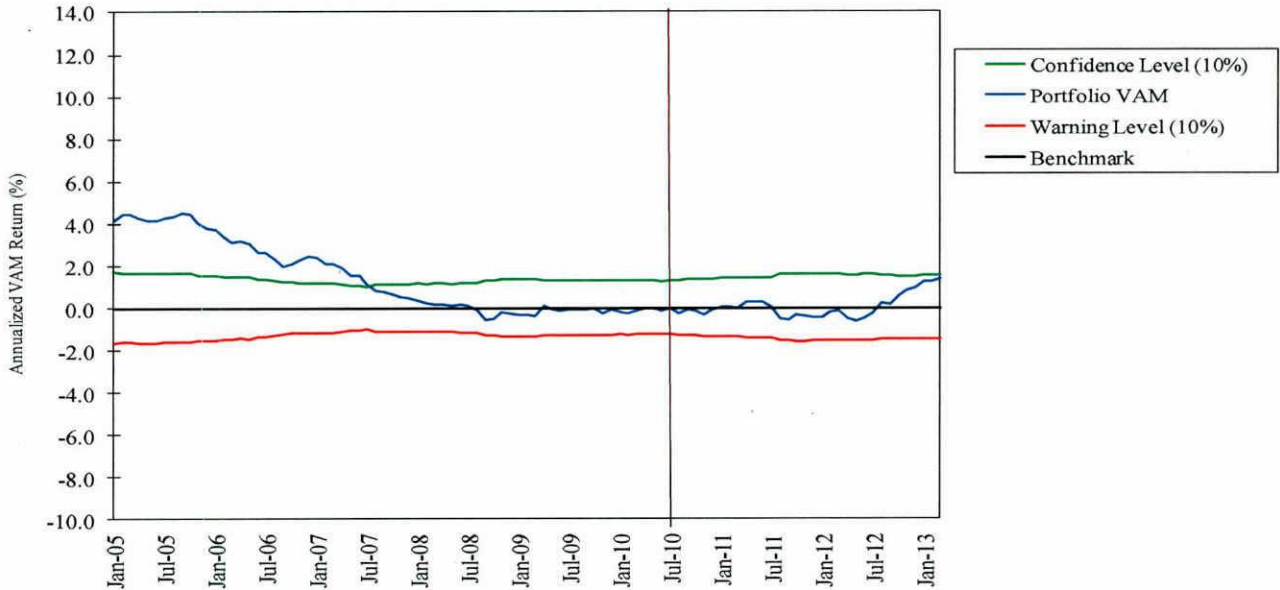
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.6%	4.7%
Last 1 year	15.2	10.4
Last 2 years	2.7	1.5
Last 3 years	6.4	4.8
Last 4 years	17.6	15.7
Last 5 years	0.6	-0.7
Since Inception (7/05)	5.3	4.8

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Year 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)
Periods Ending March, 2013

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$441,996,150

Investment Philosophy

Pyramis' Select International strategy 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 and 325 holdings.

Staff Comments

Stable organization and team.

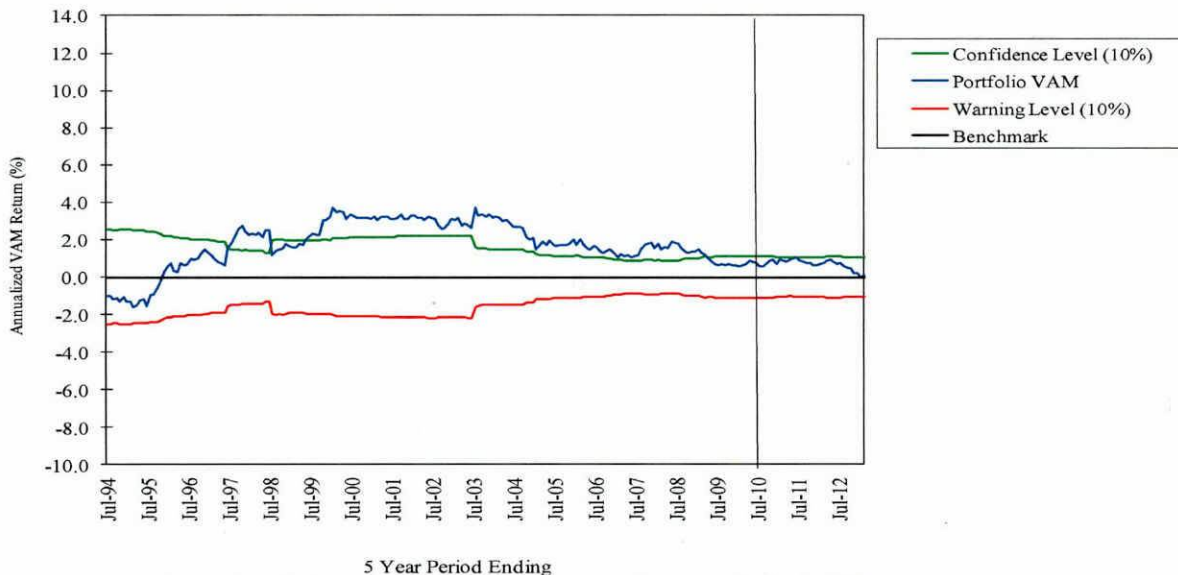
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.3%	4.7%
Last 1 year	11.7	10.4
Last 2 years	2.3	1.5
Last 3 years	6.3	4.8
Last 4 years	16.1	15.7
Last 5 years	-0.6	-0.7
Since Inception (7/05)	5.7	4.8

Recommendations

No action required.

PYRAMIS GLOBAL ADVISORS TRUST Co. - SELECT INTL
Rolling Five Year 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, 2013

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$265,732,429

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 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

Significant changes to the team shortly after inception of the account. There have been significant changes to the investment process recently. The SBI is monitoring this strategy closely due to persistent underperformance.

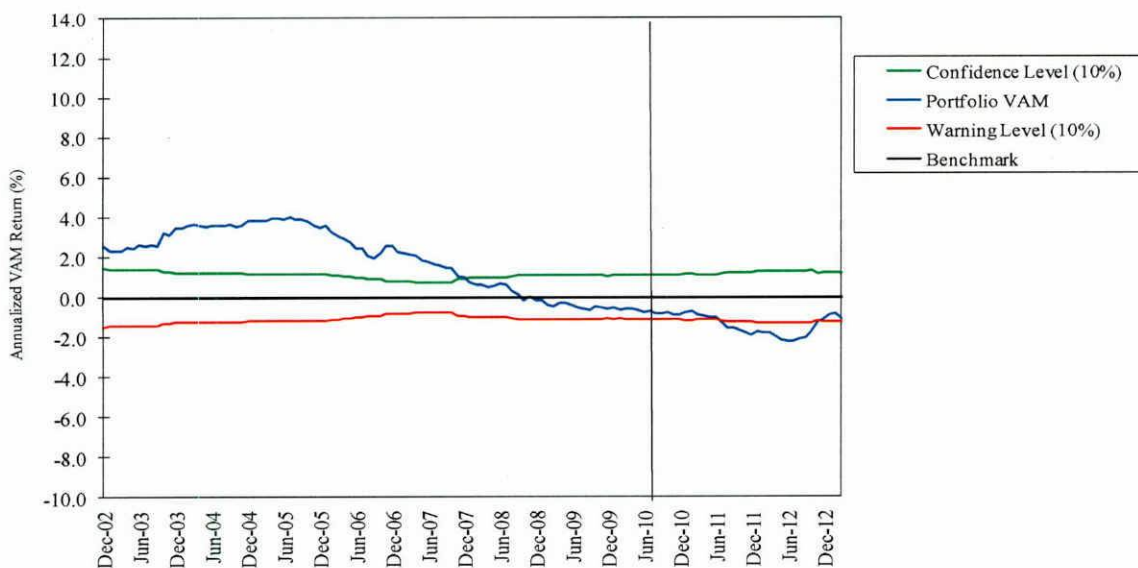
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.6%	4.7%
Last 1 year	10.6	10.4
Last 2 years	-0.6	1.5
Last 3 years	3.5	4.8
Last 4 years	15.0	15.7
Last 5 years	-1.8	-0.7
Since Inception (7/05)	3.8	4.8

Recommendations

No action required.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Year 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, 2013**

Portfolio Manager: Tom Coleman

Assets Under Management: \$239,553,846

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

Retained at the beginning of 2012. Stable team with tracking error within expectation.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.1%	-1.6%
Last 1 year	2.2	2.0
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)	12.6	12.8

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, 2013**

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,609,978,061

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

Very stable investment team with consistent tracking error within expectation over time.

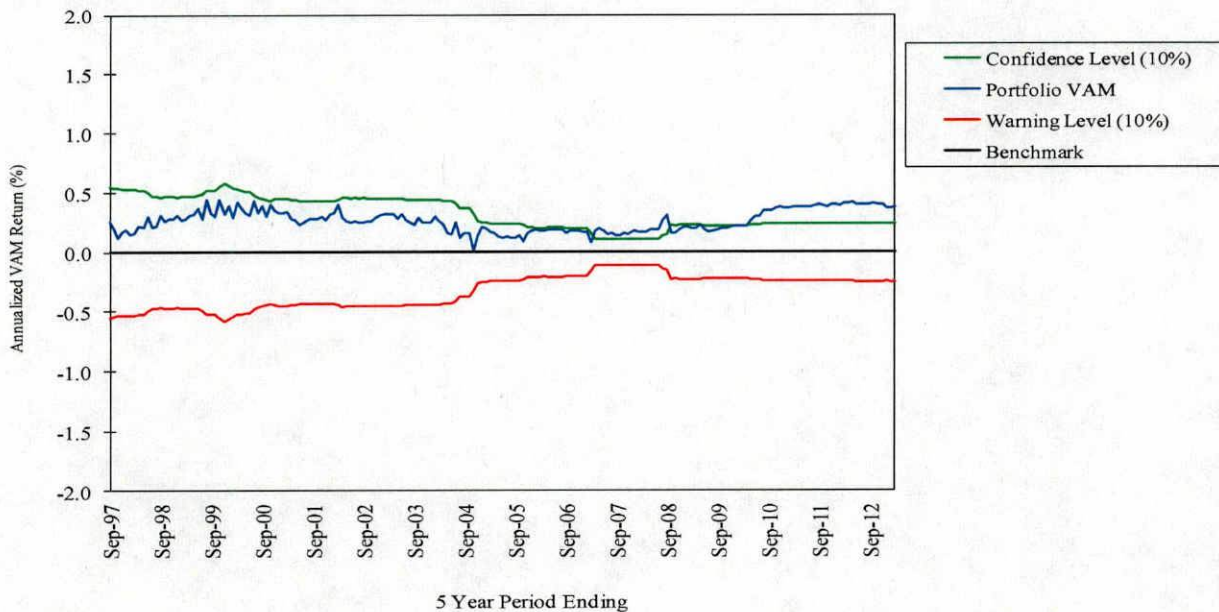
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.7%	4.7%
Last 1 year	10.6	10.4
Last 2 years	1.8	1.5
Last 3 years	5.3	4.8
Last 4 years	16.2	15.7
Last 5 years	-0.3	-0.7
Since Inception (10/92)	6.4	6.1

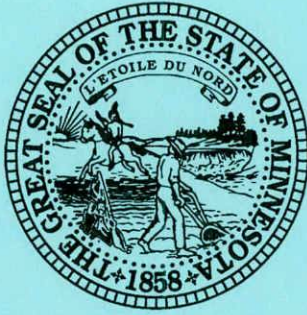
Recommendation

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, 2013

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Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending March, 2013

	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)	11.0	10.6	13.3	14.0	10.2	12.7	5.6	5.8	9.4	9.0	\$60.5
RBC Global Asset Management (2) (Barclays Capital Intermediate Government)	0.1	0.1	2.3	2.3	4.8	3.9	4.6	3.9	5.8	6.0	\$221.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.6	0.2	2.7	0.8	3.3	1.1	3.8	1.5	5.2	4.0	\$1,545.9
Internal Stock Pool (S&P 500 Index)	10.5	10.6	13.9	14.0	12.7	12.7	5.9	5.8	8.7	8.6	\$1,307.2
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (3)	1.0	-0.1	5.5	3.8	5.8	5.5	6.5	5.5	7.5	7.1	\$95.1
Internal Bond Pool - Trust (Barclays Capital Aggregate)	0.7	-0.1	5.0	3.8	5.5	5.5	6.4	5.5	7.0	6.5	\$726.8

(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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	16.8	16.0	-2.2	2.1	10.7	15.1	32.3	26.5	-35.6	-37.0
RBC Global Asset Management (1) (Barclays Capital intermediate Government)	1.8	1.7	7.1	6.2	8.4	5.0	8.3	0.9	-2.4	9.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	2.8	0.8	3.4	1.2	4.1	1.5	4.7	1.9	4.7	2.6
Internal Stock Pool (S&P 500 Index)	16.0	16.0	2.2	2.1	15.1	15.1	26.3	26.5	-36.7	-37.0
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	6.2	4.2	5.3	7.8	7.0	6.5	12.9	5.9	1.3	5.2
Internal Bond Pool - Trust (Barclays Capital Aggregate)	5.8	4.2	5.6	7.8	6.3	6.5	12.2	5.9	2.6	5.2

(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 INC. - Assigned Risk Plan
Periods Ending March, 2013

Portfolio Manager: Dave Carlson

Assets Under Management: \$60,529,615

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

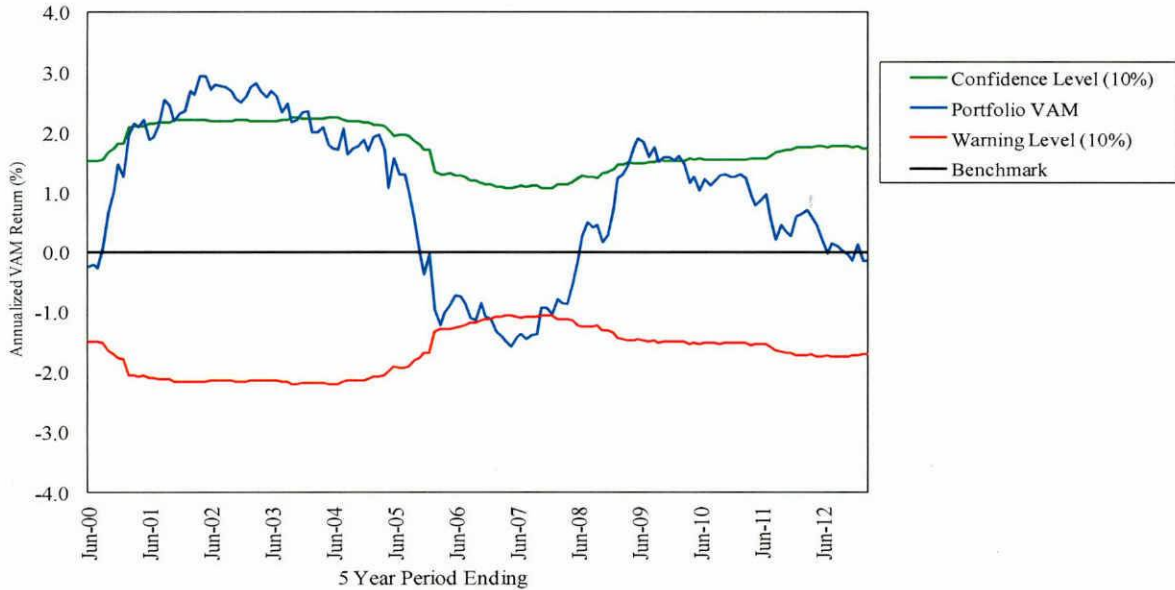
No long-term performance concerns. No organizational concerns.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	11.0%	10.6%	No action required.
Last 1 year	13.3	14.0	
Last 2 years	9.4	11.2	
Last 3 years	10.2	12.7	
Last 4 years	18.9	21.0	
Last 5 years	5.6	5.8	
Since Inception (1/95)	9.4	9.0	

Recommendation

GE ASSET MANAGEMENT
Rolling Five Year VAM



RBC GLOBAL ASSET MANAGEMENT (U.S.) INC. - Assigned Risk Plan
Periods Ending March, 2013

Portfolio Manager: Brian Svendahl

Assets Under Management: \$221,096,185

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 long-term performance concerns. No organizational concerns.

Quantitative Evaluation

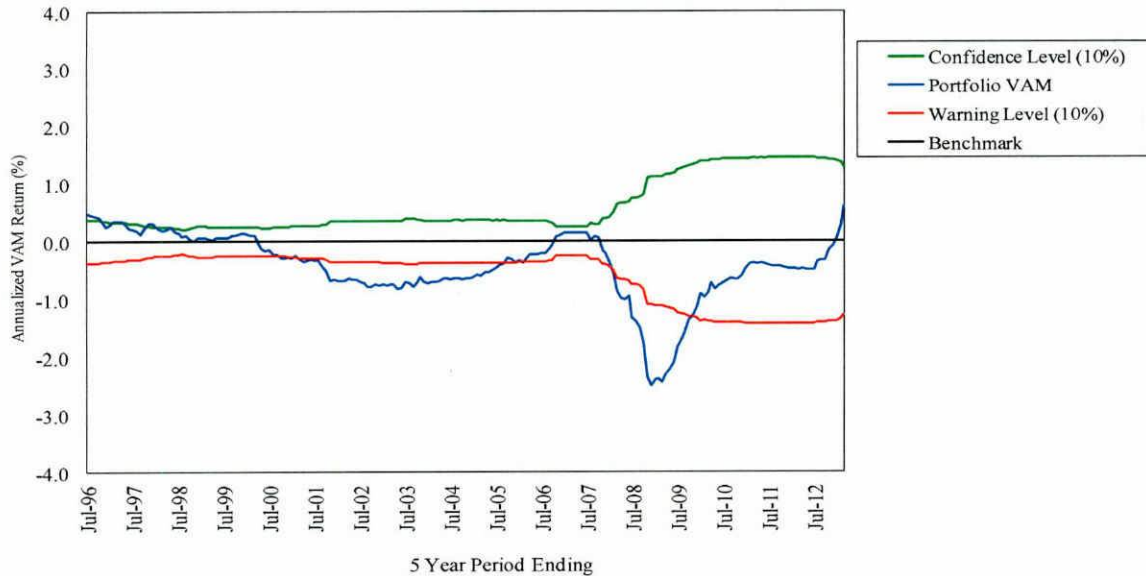
	Actual	Benchmark*
Last Quarter	0.1%	0.1%
Last 1 year	2.3	2.3
Last 2 years	3.8	3.9
Last 3 years	4.8	3.9
Last 4 years	6.2	3.4
Last 5 years	4.6	3.9
Since Inception (7/91)	5.8	6.0

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, INC.
Periods Ending March, 2013

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,545,908,664

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 fixed income securities and 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 long-term performance concerns. No organizational concerns.

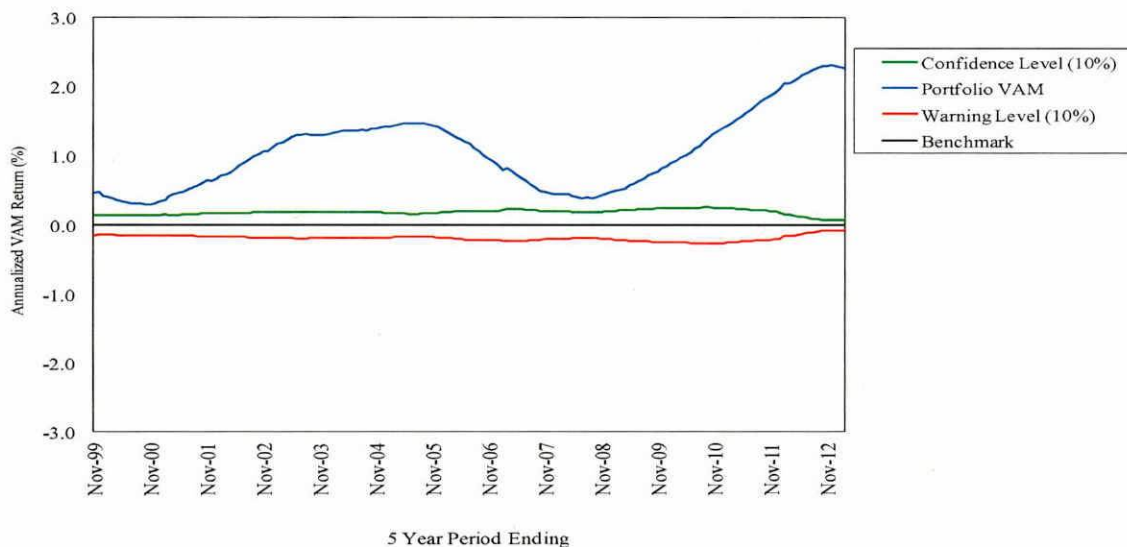
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0.2%
Last 1 year	2.7	0.8
Last 2 years	3.0	0.9
Last 3 years	3.3	1.1
Last 4 years	3.6	1.3
Last 5 years	3.8	1.5
Since Inception (11/94)	5.2	4.0

Recommendation

No action required.

Galliard Capital Management
 Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2013

Portfolio Manager: Mike Menssen

Assets Under Management: \$1,307,199,119

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 tracking issues.

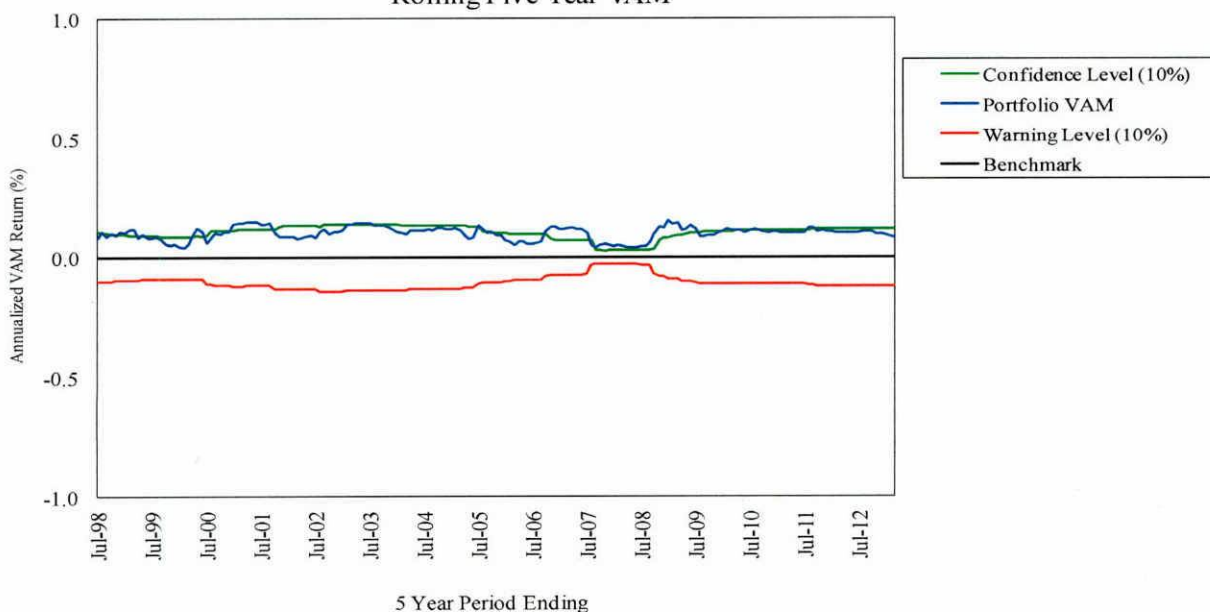
Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	10.5%	10.6%
Last 1 year	13.9	14.0
Last 2 years	11.2	11.2
Last 3 years	12.7	12.7
Last 4 years	20.9	21.0
Last 5 years	5.9	5.8
Since Inception (7/93)	8.7	8.6

No action required.

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



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2013

Portfolio Manager: Mike Messen

Assets Under Management: \$95,076,163

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 long-term performance concerns.

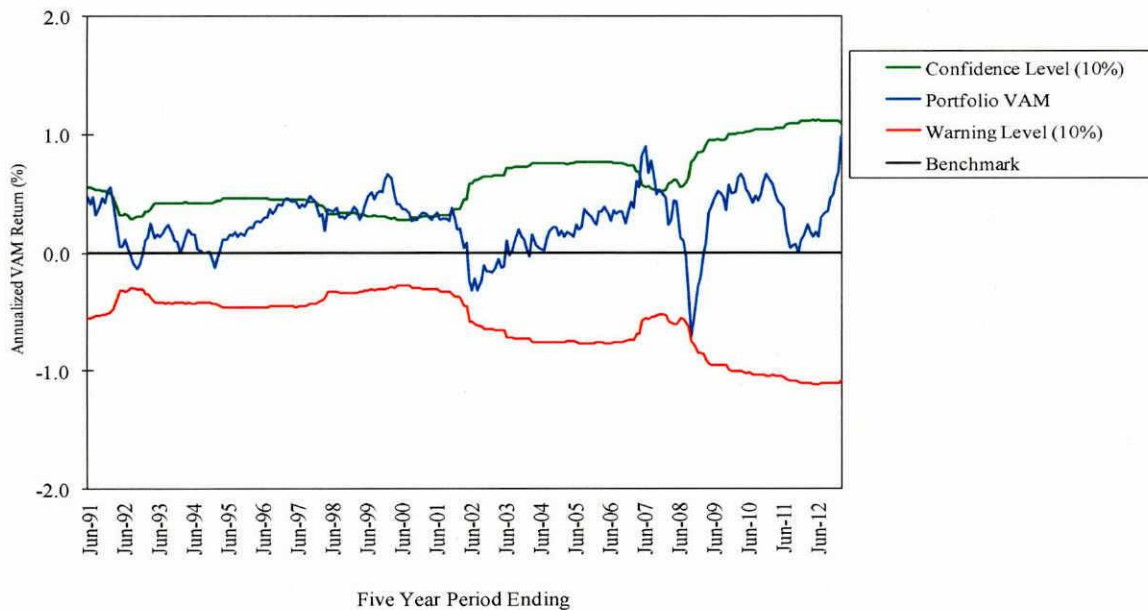
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	-0.1%
Last 1 year	5.5	3.8
Last 2 years	5.9	5.7
Last 3 years	5.8	5.5
Last 4 years	7.5	6.1
Last 5 years	6.5	5.5
Since Inception (7/86)	7.5	7.1

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2013

Portfolio Manager: Mike Messen

Assets Under Management: \$726,821,906

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 long-term performance concerns.

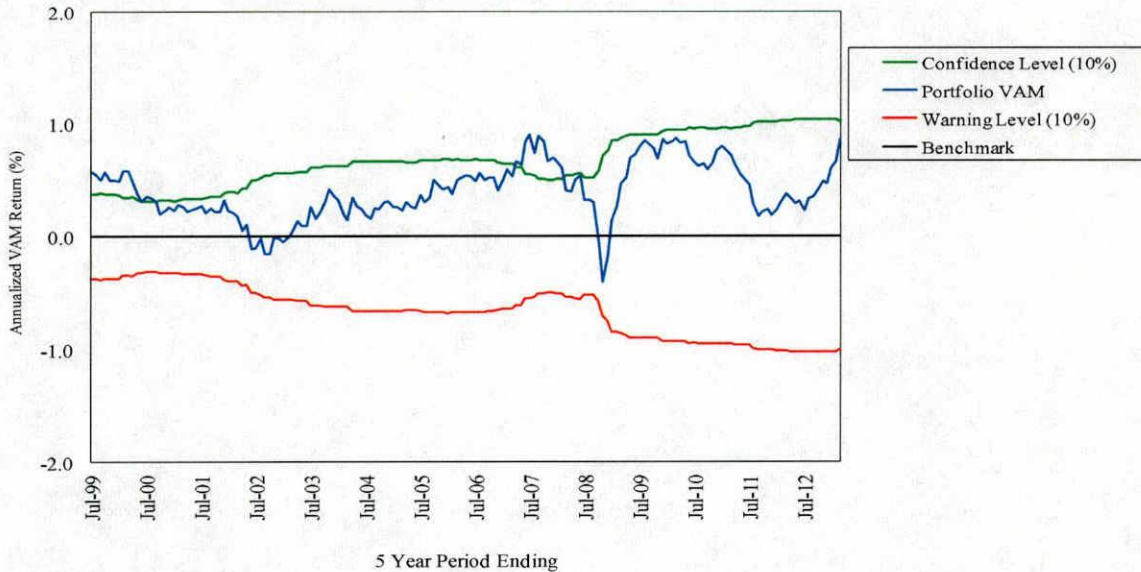
Quantitative Evaluation

Recommendation

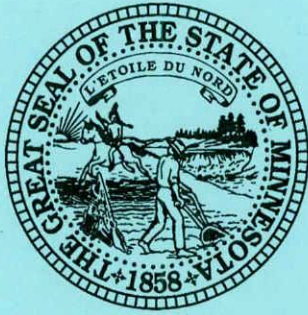
	Actual	Benchmark	
Last Quarter	0.7%	-0.1%	No action required.
Last 1 year	5.0	3.8	
Last 2 years	5.6	5.7	
Last 3 years	5.5	5.5	
Last 4 years	6.9	6.1	
Last 5 years	6.4	5.5	
Since Inception	7.0	6.5	
(7/94)*			

* 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, 2013

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Deferred Compensation Plan

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MN STATE 457 DEFERRED COMPENSATION PLAN
FUND OPTIONS (1)
Periods Ending March, 2013

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)	5.1	10.6	7.0	14.0	6.7	12.7	2.2	5.8	2.4	2.9	\$432.4	
Vanguard Institutional Index Plus (S&P 500)	10.6	10.6	14.0	14.0	12.7	12.7	5.9	5.8	2.9	2.9	\$724.2	
Mid Cap Equity:												
Vanguard Mid-Cap Index (CRSP US Mid-Cap) (3)	12.9	12.7	15.5	15.3	14.1	14.1	8.1	8.1	8.9	8.8	\$279.9	
Small Cap Equity:												
T. Rowe Price Small-Cap Stock (Russell 2000)	12.5	12.4	17.0	16.3	17.1	13.5	12.7	8.2	9.8	6.9	\$505.4	
Balanced:												
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Agg) (4)	6.5	6.5	10.3	10.3	10.4	10.4	6.7	6.5	6.7	6.6	\$552.1	
Bond:												
Dodge & Cox Income Fund (Barclays Capital Aggregate)	0.5	-0.1	5.4	3.8	6.0	5.5	7.0	5.5	6.5	6.0	\$210.5	
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	-0.1	-0.1	3.8	3.8	5.5	5.5	5.5	5.5	5.2	5.2	\$189.7	
International:												
Fidelity Diversified International (MSCI EAFE-Free)	4.4	5.1	10.7	11.3	5.4	5.0	-1.2	-0.9	6.5	3.5	\$244.8	
Vanguard Total International Stock Index (ACWI ex US IMI) (5)	2.9	3.6	8.7	8.6	4.4	4.3	-0.6	-0.6	0.2	0.2	\$117.8	

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 CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (4) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (5) 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, 2013**

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	2.5	2.7	7.2	7.4	8.0	8.2	5.5	5.7	7.2	7.4	\$20.1
2015 Fund	2.9	3.0	8.5	8.6	9.9	10.1	6.3	6.1	9.2	9.4	\$27.9
2020 Fund	3.7	3.9	10.1	10.2	11.2	11.3	6.6	6.4	10.8	10.9	\$32.7
2025 Fund	4.8	5.1	11.1	11.1	11.7	11.8	6.7	6.4	11.2	11.3	\$21.9
2030 Fund	5.5	5.7	11.5	11.5	11.8	11.9	6.5	6.2	11.2	11.3	\$11.9
2035 Fund	6.0	6.3	11.9	11.9	11.8	11.9	6.2	6.0	11.0	11.1	\$7.8
2040 Fund	6.5	6.7	11.9	12.0	11.4	11.5	5.8	5.6	10.2	10.3	\$5.1
2045 Fund	6.9	7.2	12.1	12.2	11.2	11.3	5.7	5.6	9.7	9.9	\$2.9
2050 Fund	6.9	7.2	12.1	12.2	11.2	11.3	5.7	5.6	9.7	9.9	\$1.6
2055 Fund	6.9	7.2	12.1	12.2	11.2	11.3	5.8	5.6	9.7	9.9	\$0.8
2060 Fund	6.9	7.2	12.1	12.2					9.7	9.9	\$1.1

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)	10.6	10.6	14.0	14.0	12.7	12.7	5.9	5.8	12.9	12.9
DJ-UBS Roll Select Commodity Index Fund (DJ-UBS Roll Select Commodity Index)	-1.4	-1.3							2.6	2.8
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)	12.9	12.9							22.8	22.8
Global All Cap Equity ex US Index Fund (MSCI ACWI ex U.S. IMI)	2.8	3.6	8.9	8.6					0.4	0.2
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	4.8	5.2	19.8	19.0	13.7	13.1			11.3	10.5
Long Government Bond Index Fund (Barclays Capital Long Government)	-2.3	-2.3	7.4	7.4	12.4	12.4	8.3	8.3	15.1	15.1
Bond Index Fund (Barclays Capital Aggregate)	-0.1	-0.1	3.7	3.8	5.5	5.5	5.6	5.5	5.2	5.2
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	-0.4	-0.4	5.6	5.7	8.5	8.6	5.8	5.9	7.9	8.0
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	2.4	2.4	11.9	12.3	11.2	11.4			10.3	10.7
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	0.2	0.2	1.0	1.1	2.5	1.6			2.6	1.1

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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
457 Mutual Funds										
Large Cap Equity:										
Janus Twenty (S&P 500)	22.3	16.0	-8.2	2.1	7.0	15.1	43.3	26.5	-42.0	-37.0
Vanguard Institutional Index Plus (S&P 500)	16.0	16.0	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0
Mid Cap Equity:										
Vanguard Mid-Cap Index (CRSP US Mid-Cap) (2)	16.0	16.0	-2.0	-1.9	25.7	25.7	40.5	40.5	-41.8	-41.8
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	18.0	16.3	-0.1	-4.2	32.5	26.9	38.5	27.2	-33.4	-33.8
Balanced:										
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Agg) (3)	11.5	11.6	4.3	4.1	13.3	13.5	20.2	19.7	-22.1	-22.4
Bond:										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	8.0	4.2	4.8	7.8	7.2	6.5	16.1	5.9	-0.3	5.2
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	4.2	4.2	7.7	7.8	6.6	6.5	6.1	5.9	5.2	5.2
International:										
Fidelity Diversified International (MSCI EAFE-Free)	19.4	17.3	-13.8	-12.1	9.7	7.7	31.8	31.8	-45.2	-43.4
Vanguard Total International Stock Index (ACWI ex US IMI) (4)	18.3	17.0	-14.6	-14.3	11.1	10.7	36.7	40.4	-44.1	-45.5

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 CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (3) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (4) 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	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
Income Fund	9.7	9.8	4.6	4.8	9.6	10.1	14.8	15.0	-12.9	-13.2
2015 Fund	11.0	11.0	6.9	7.1	12.1	12.5	15.3	14.4	-16.7	-17.6
2020 Fund	12.5	12.5	7.3	7.4	13.6	13.9	18.3	17.5	-22.2	-23.1
2025 Fund	13.7	13.7	5.9	6.0	14.6	14.7	20.3	19.6	-25.2	-26.1
2030 Fund	14.3	14.1	4.9	5.0	15.1	15.3	21.9	21.4	-28.1	-29.0
2035 Fund	14.9	14.7	3.5	3.6	15.7	15.8	24.3	23.9	-30.9	-31.6
2040 Fund	15.5	15.3	1.5	1.6	15.9	16.1	26.7	26.5	-33.6	-34.1
2045 Fund	16.0	15.8	0.0	0.1	16.2	16.2	27.2	27.0	-33.7	-34.1
2050 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2055 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2060 Fund	16.0	15.8								

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	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
S&P 500 Index Fund (S&P 500)	16.0	16.0	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0
DJ-UBS Roll Sheet Commodity Index Fund (DJ-UBS Roll Select Commodity Index)										
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)										
Global All Cap Equity ex U.S. Index Fund (MSCI ACWI ex U.S. IMI)	18.2	17.0								
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	28.9	27.5	-5.4	-5.8	19.1	18.4				
Long Government Bond Index Fund (Barclays Capital Long Government)	3.8	3.8	29.2	29.1	9.5	9.4	-12.2	-12.2	22.6	22.7
Bond Index Fund (Barclays Capital Aggregate)	4.2	4.2	7.8	7.8	6.6	6.5	6.4	5.9	5.6	5.2
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	6.9	7.0	13.5	13.6	6.2	6.3	11.3	11.4	-2.4	-2.4
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	14.8	15.4	5.7	6.1	12.5	15.1				
U.S. Short-Term Govt/Credit Bond Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	3.9	1.3	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, 2013**

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$432,385,307
Total Assets in Fund: \$8,500,000,000**

**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 long-term performance concerns. Janus Capital Group announced the appointment of Enrique Chang as the Chief Investment Officer of Equities and Asset Allocation effective September 2013. Chang will replace Jonathan Coleman who will focus solely on portfolio management. Chang has spent the last six years as CIO and Executive VP at American Century Investments.

Quantitative Evaluation

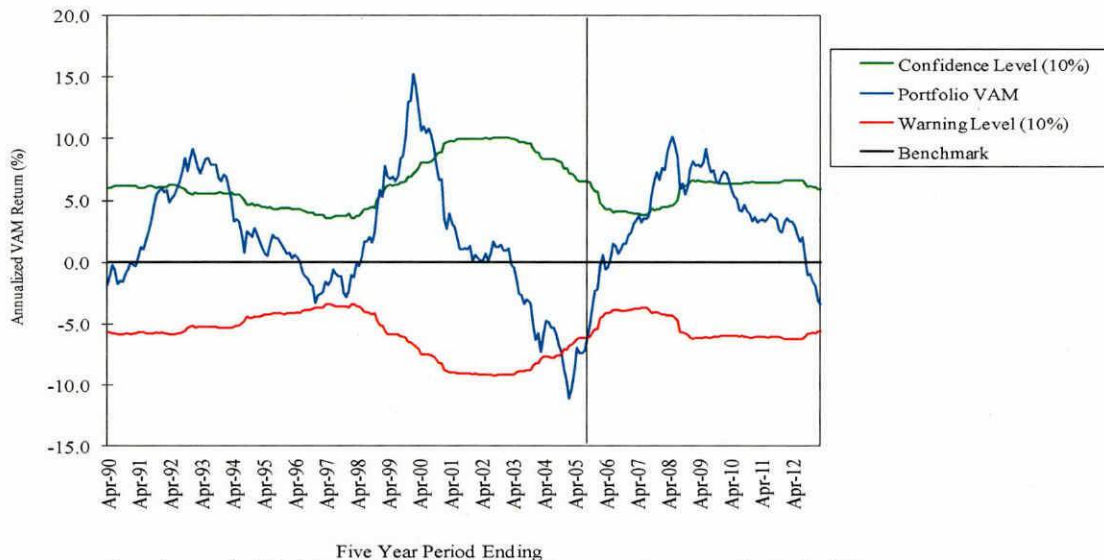
	Actual	Benchmark*
Last Quarter	5.1%	10.6%
Last 1 year	7.0	14.0
Last 2 years	8.0	11.2
Last 3 years	6.7	12.7
Last 4 years	15.9	21.0
Last 5 years	2.2	5.8
Since Retention by SBI (7/99)	2.4	2.9

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, 2013**

Portfolio Manager: Mike Buek

**State's Participation in Fund: \$724,214,232
Total Assets in Fund: \$56,766,000,000**

**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

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

Quantitative Evaluation

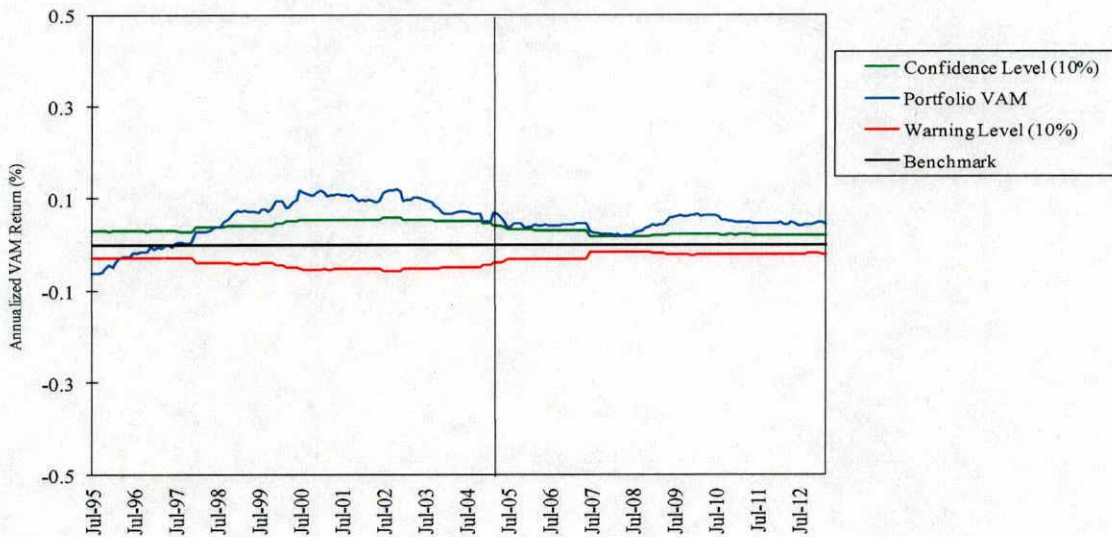
	Actual	Benchmark*
Last Quarter	10.6%	10.6%
Last 1 year	14.0	14.0
Last 2 years	11.2	11.2
Last 3 years	12.7	12.7
Last 4 years	21.0	21.0
Last 5 years	5.9	5.8
Since Retention by SBI (7/99)	2.9	2.9

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, 2013**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$279,879,328
Total Assets in Fund: \$7,635,000,000**

**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

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

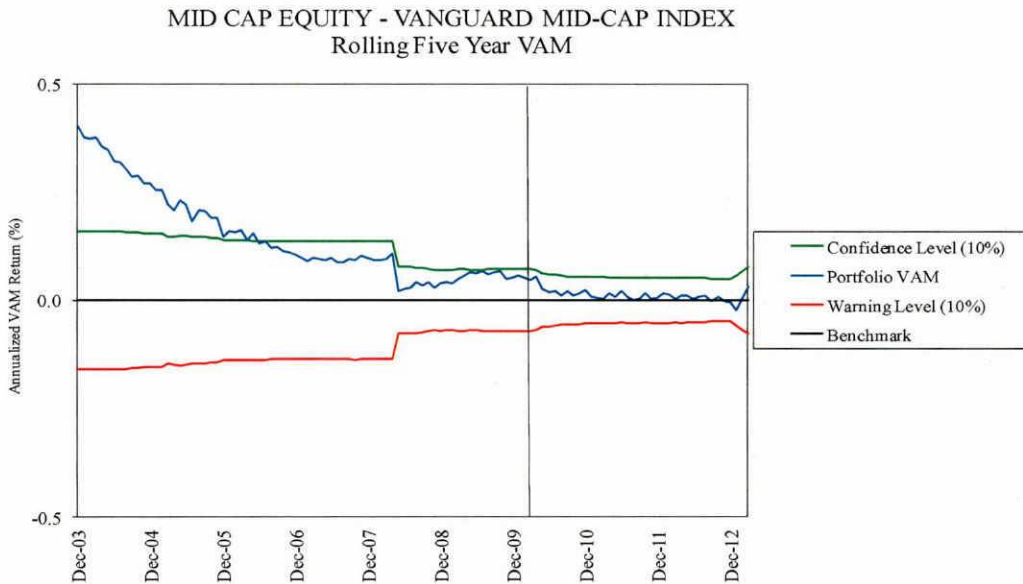
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	12.9%	12.7%
Last 1 year	15.5	15.3
Last 2 years	8.9	8.9
Last 3 years	14.1	14.1
Last 4 years	25.4	25.4
Last 5 years	8.1	8.1
Since Retention by SBI (1/04)	8.9	8.8

Recommendation

No action required.

*Benchmark is the CRSP US Mid-Cap Index.



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, 2013**

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund: \$505,394,609
	Total Assets in Fund: \$8,540,685,254

**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 long-term performance concerns. No organizational concerns.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	12.5%	12.4%
Last 1 year	17.0	16.3
Last 2 years	10.3	7.7
Last 3 years	17.1	13.5
Last 4 years	28.1	24.2
Last 5 years	12.7	8.2
Since Retention by SBI (7/99)	9.8	6.9

Recommendation

No action required.

*Benchmark is the Russell 2000.

**SMALL CAP EQUITY - T. ROWE PRICE SMALL CAP STOCK FUND
 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
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2013**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$552,146,675
Total Assets in Fund: \$6,117,000,000**

**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

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

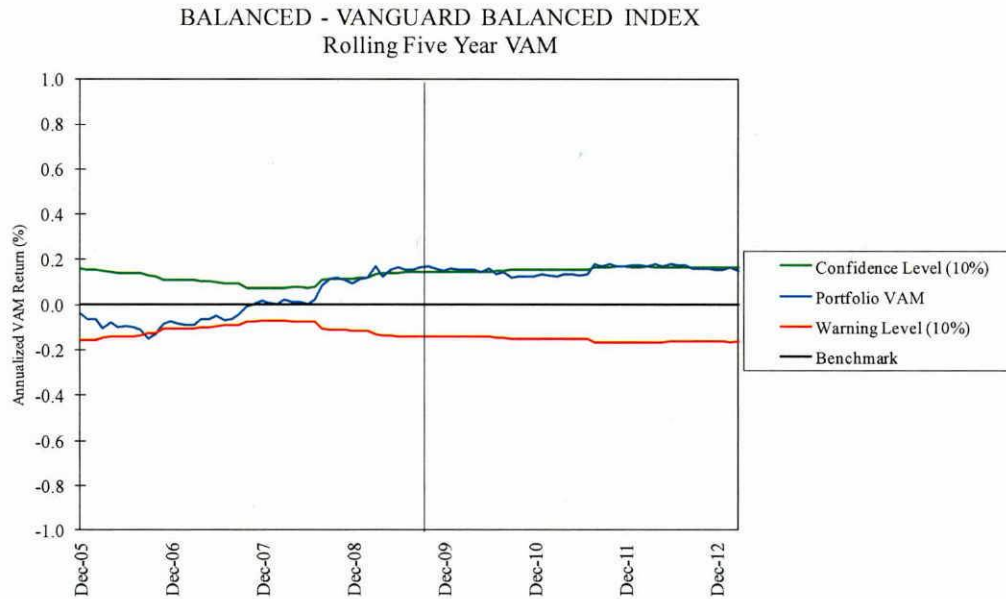
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	6.5%	6.5%
Last 1 year	10.3	10.3
Last 2 years	9.2	9.1
Last 3 years	10.4	10.4
Last 4 years	15.7	15.7
Last 5 years	6.7	6.5
Since Retention by SBI (12/03)	6.7	6.6

Recommendation

No action required.

*Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index.



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
BOND – DODGE & COX INCOME FUND
Periods Ending March, 2013**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$210,543,931
Total Assets in Fund: \$26,634,057,178**

**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 long-term performance concerns. Dana Emery, currently co-President, was named Chief Executive Officer and President at Dodge and Cox. She will also continue as the Director of Fixed Income and Portfolio Manager for the Dodge and Cox Income Fund. Charles Pohl, currently co-President and Chief Investment Officer, was named Chairman at Dodge and Cox. These changes will become effective May 14, 2013.

Quantitative Evaluation

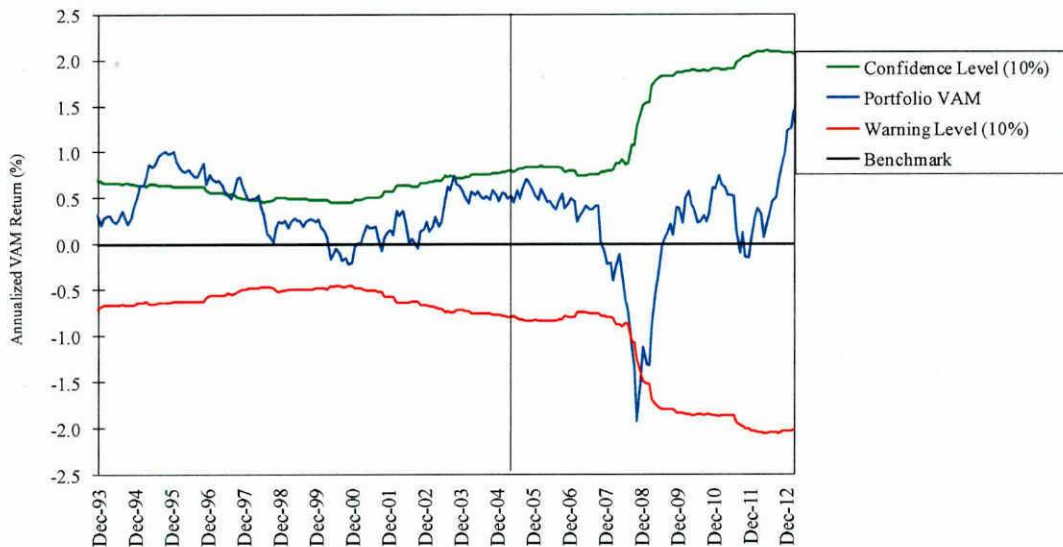
	Actual	Benchmark*
Last Quarter	0.5%	-0.1%
Last 1 year	5.4	3.8
Last 2 years	5.9	5.7
Last 3 years	6.0	5.5
Last 4 years	9.0	6.1
Last 5 years	7.0	5.5
Since Retention By SBI (7/99)	6.5	6.0

Recommendation

No action required.

*Benchmark is the Barclays Capital Aggregate.

**BOND - DODGE & COX INCOME FUND
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
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
 Periods Ending March, 2013

Portfolio Manager: Kenneth Volpert

State's Participation in Fund: \$189,652,613
Total Assets in Fund: \$21,424,000,000

Investment Philosophy
Vanguard Total Bond Market Index
Institutional

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.

Staff Comments

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

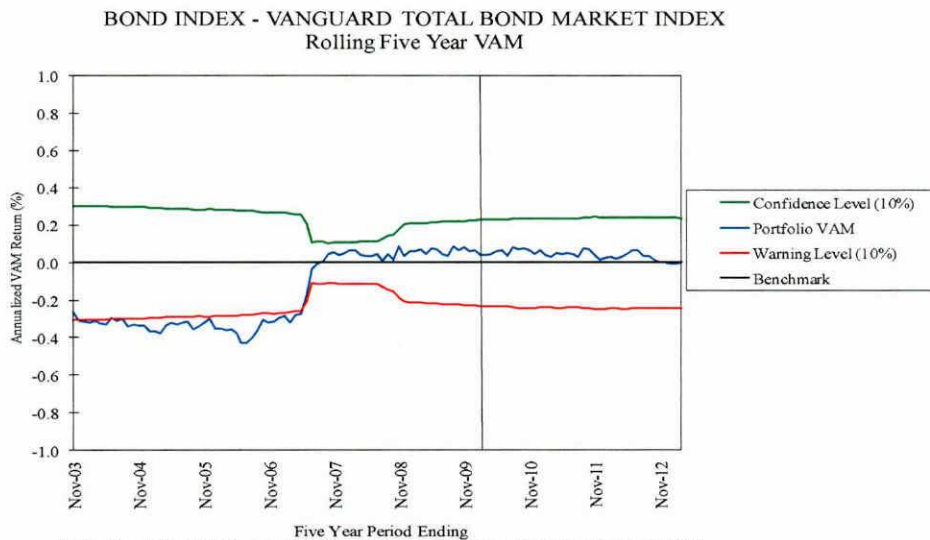
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-0.1%	-0.1%
Last 1 year	3.8	3.8
Last 2 years	5.8	5.7
Last 3 years	5.5	5.5
Last 4 years	6.0	6.1
Last 5 years	5.5	5.5
Since Retention by SBI (12/03)	5.2	5.2

Recommendation

No action required.

*Benchmark is the Barclays Capital Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2013**

Portfolio Manager: William Bower

**State's Participation in Fund: \$244,841,180
Total Assets in Fund: \$13,330,600,000**

**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 manager uses fundamental analysis of companies supplemented by relevant economic and regulatory factors and computer-aided quantitative analysis. The manager rarely invests in currency to protect the account from exchange fluctuations.

Staff Comments

No long-term performance concerns. No organizational concerns.

Quantitative Evaluation

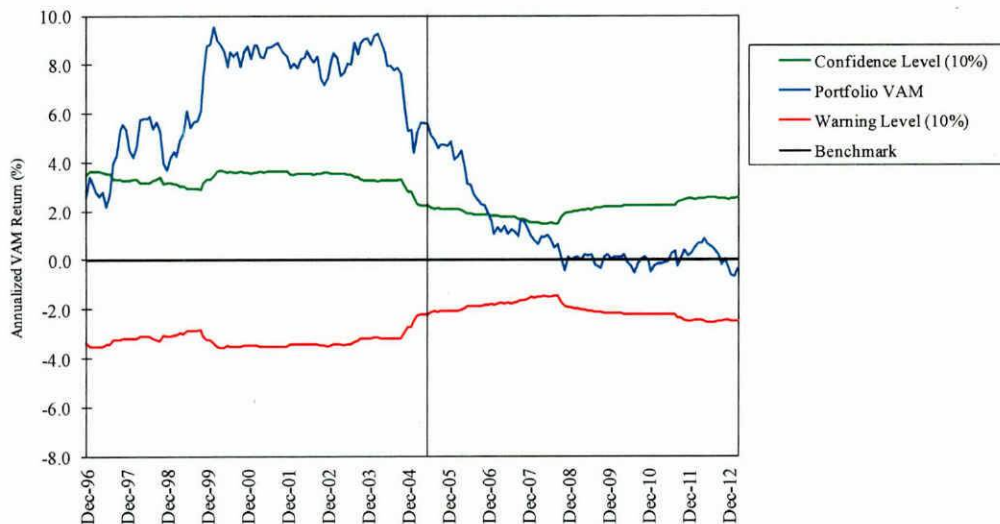
	Actual	Benchmark*
Last Quarter	4.4%	5.1%
Last 1 year	10.7	11.3
Last 2 years	2.0	2.4
Last 3 years	5.4	5.0
Last 4 years	15.2	15.6
Last 5 years	-1.2	-0.9
Since Retention By SBI (7/99)	6.5	3.5

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.

INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
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
INTERNATIONAL – VANGUARD TOTAL INTERNATIONAL STOCK INDEX
Periods Ending March, 2013**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$117,792,736
Total Assets in Fund: \$16,237,000,000**

**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

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. Tracking error due to fair value pricing.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.9%	3.6%
Last 1 year	8.7	8.6
Last 2 years	0.5	0.3
Last 3 years	4.4	4.3
Last 4 years	16.1	16.1
Last 5 years	-0.6	-0.6
Since Retention by SBI (7/11)	0.2	0.2

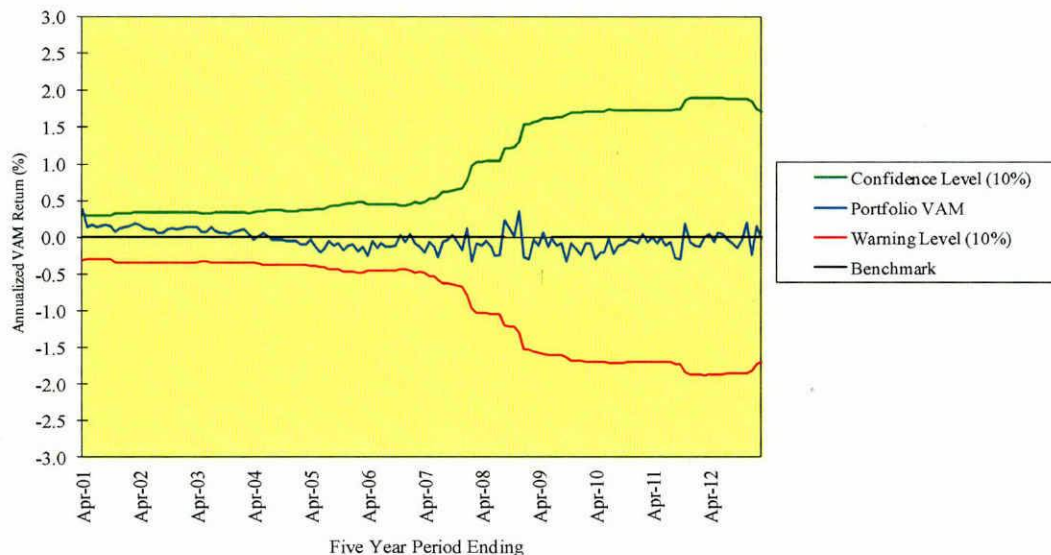
Recommendation

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, 2013**

Portfolio Manager: Various Index Fund Managers **State's Participation in Fund: \$133,858,381**
Total Assets in Fund: \$1,582,137,399

**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 tracking issues. No organizational concerns.

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	US Long-Term Gov't Bonds	Large US Stocks	Small/Mid Cap Stocks	Commodities	Non-US Stocks	Global REITs
2060	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2055	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2050	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2045	89.8	10.2	0.0	0.0	0.2	0.0	10.0	38.9	17.2	3.5	30.2	0.0
2040	84.7	15.3	0.0	0.0	5.3	0.0	10.0	38.4	14.8	3.5	28.0	0.0
2035	79.6	20.4	0.0	0.0	10.3	0.1	10.0	37.8	12.5	3.5	25.8	0.0
2030	72.1	27.9	0.0	2.2	12.6	3.1	10.0	35.3	10.3	3.5	23.0	0.0
2025	64.4	35.6	0.0	4.3	15.5	5.8	10.0	31.7	7.9	3.5	19.7	1.6
2020	51.9	48.1	0.0	7.1	25.0	6.0	10.0	24.8	5.3	3.5	14.2	4.1
2015	39.3	60.7	11.3	18.0	21.0	7.0	3.4	18.7	3.1	3.5	9.0	5.0
Income	35.0	65.0	20.0	18.0	20.0	7.0	0.0	15.8	3.0	3.5	7.7	5.0

Note: Totals may not add due to rounding.

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DATE: May 9, 2013

TO: Members, Investment Advisory Council

FROM: Stephanie Gleeson

SUBJECT: Review of INVESCO Global Asset Management (N.A.), Inc., an international equity manager

Staff is recommending the termination of INVESCO due to organizational change and continued underperformance of the State Board of Investment's (SBI) portfolio.

INVESCO was hired in March 2000 to manage a developed markets equity account. Since that date, the portfolio has been managed by a U.S.-based team of portfolio manager/analysts in Atlanta, Georgia. INVESCO employs a bottom-up investment process combining a proprietary valuation screen, and fundamental research. Since inception of the strategy, the resulting portfolios have focused on a limited number of companies that demonstrate above average return on equity, attractive valuations, and are diversified across both countries and sectors.

Investment Team

On April 8, 2013, INVESCO announced that Sargent McGowan, a portfolio manager and the head of the developed markets committee with final say over stock selection in the state's portfolio, will be leaving the firm at the end of June 2013. In the last three years, four of the five senior developed markets portfolio managers have left the team. Erik Granade, CIO Global Equities, left in August 2010, followed by Michele Garren, Portfolio Manager, in March 2012, and finally Kent Stark, a founder of the product and Portfolio Manager, in June 2012. The CEO of the Global Equity Team, Kirk Holland, also left INVESCO in June 2012 and was replaced by Karen Dunn Kelley, Senior Managing Director, Investments. The investment team members who have departed had long tenures on INVESCO's global equity team ranging from fourteen to twenty years.

Performance

The portfolio has underperformed relative to the benchmark over time. Quarterly performance and value of active management (vam) charts are included at the end of this report. INVESCO's portfolio, net of fees, has underperformed the benchmark in seven out of the ten most recent calendar years and in the four most recent annualized time periods (1Y, 2Y, 3Y, 4Y). The rolling five-year vam chart has plotted around or below the benchmark since September 2009 after a drop in September 2005.

Assets Under Management

In the last two and a half years, INVESCO has lost \$3.8 billion in assets from the strategy. As of March 31, 2013, the assets under management in the product were \$2.5 billion.

Recommendation:

Staff recommends the termination of INVESCO from the International Equity Program due to organizational change of key investment personnel, continued underperformance and asset loss.

Investment Manager: INVESCO GLOBAL ASSET MANAGEMENT						
Benchmark: INVESCO GLOBAL ASSET MANAGEMENT BENCHMARK*						
	PORTFOLIO		BENCHMARK		DIFFERENCE	
	Quarterly Return	Annual Return	Quarterly Return	Annual Return	Quarterly Return	Annual Return
2000 Q1**	2.9		3.9		-0.9	
Q2	1.0		-4.0		4.9	
Q3	-5.8		-8.1		2.2	
Q4***	-0.4	-2.5	-2.7	-10.7	2.3	8.2
2001 Q1	-8.8		-13.7		4.9	
Q2	1.5		-1.0		-0.2	
Q3	-13.6		-14.0		0.4	
Q4	6.2	-15.0	6.8	-21.6	-0.5	6.6
2002 Q1	4.5		0.6		4.0	
Q2	1.4		-1.8		3.3	
Q3	-20.6		-19.7		-0.8	
Q4	6.4	-10.3	6.5	-15.6	0.0	5.3
2003 Q1	-8.2		-8.2		0.0	
Q2	17.5		19.3		-1.8	
Q3	5.7		8.1		-2.4	
Q4	16.8	33.0	17.0	38.5	-0.3	-5.5
2004 Q1	3.3		4.2		-0.9	
Q2	2.9		0.1		2.8	
Q3	-0.1		0.2		-0.3	
Q4	14.2	21.4	15.2	20.4	-0.9	1.0
2005 Q1	0.0		0.1		-0.1	
Q2	-1.8		-0.8		-1.0	
Q3	9.1		10.9		-1.9	
Q4	3.3	10.6	3.9	14.5	-0.6	-3.9
2006 Q1	9.1		9.3		-0.2	
Q2	1.8		0.7		1.1	
Q3	5.1		3.7		1.4	
Q4	7.9	26.0	10.1	25.7	-2.2	0.3
2007 Q1	3.7		4.0		-0.3	
Q2	6.1		7.0		-0.9	
Q3	1.1		2.7		-1.6	
Q4	-2.6	8.4	-1.5	12.6	-1.1	-4.2
2008 Q1	-10.4		-8.7		-1.7	
Q2	-2.3		-1.1		-1.2	
Q3	-14.9		-20.7		5.8	
Q4	-17.9	-38.8	-21.1	-43.5	3.2	4.7
2009 Q1	-12.9		-13.1		0.2	
Q2	24.7		25.9		-1.2	
Q3	18.0		19.4		-1.3	
Q4	3.0	32.0	2.4	33.7	0.6	-1.6
2010 Q1	1.7		1.3		0.4	
Q2	-15.1		-13.6		-1.5	
Q3	14.5		16.1		-1.7	
Q4	7.1	5.8	7.2	8.9	-0.1	-3.1
2011 Q1	2.6		3.8		-1.2	
Q2	0.9		0.9		0.0	
Q3	-18.2		-19.0		0.8	
Q4	2.7	-13.0	3.5	-12.2	-0.8	-0.8
2012 Q1	7.4		10.4		-2.9	
Q2	-8.0		-7.2		-0.8	
Q3	7.9		7.3		0.6	
Q4	7.8	15.0	5.9	16.4	1.9	-1.4
2013 Q1	2.3		4.7		-2.4	

	PORTFOLIO	BENCHMARK	DIFFERENCE
1 yr	9.5	10.4	-0.9
2 yr	-0.1	1.5	-1.6
3 yr	2.1	4.8	-2.7
4 yr	13.2	15.7	-2.5
5 yr	-0.5	-0.7	0.2
Since Inception	3.6	2.6	1.0
Since Inception Information Ratio			0.25

* INVESCO Benchmark:

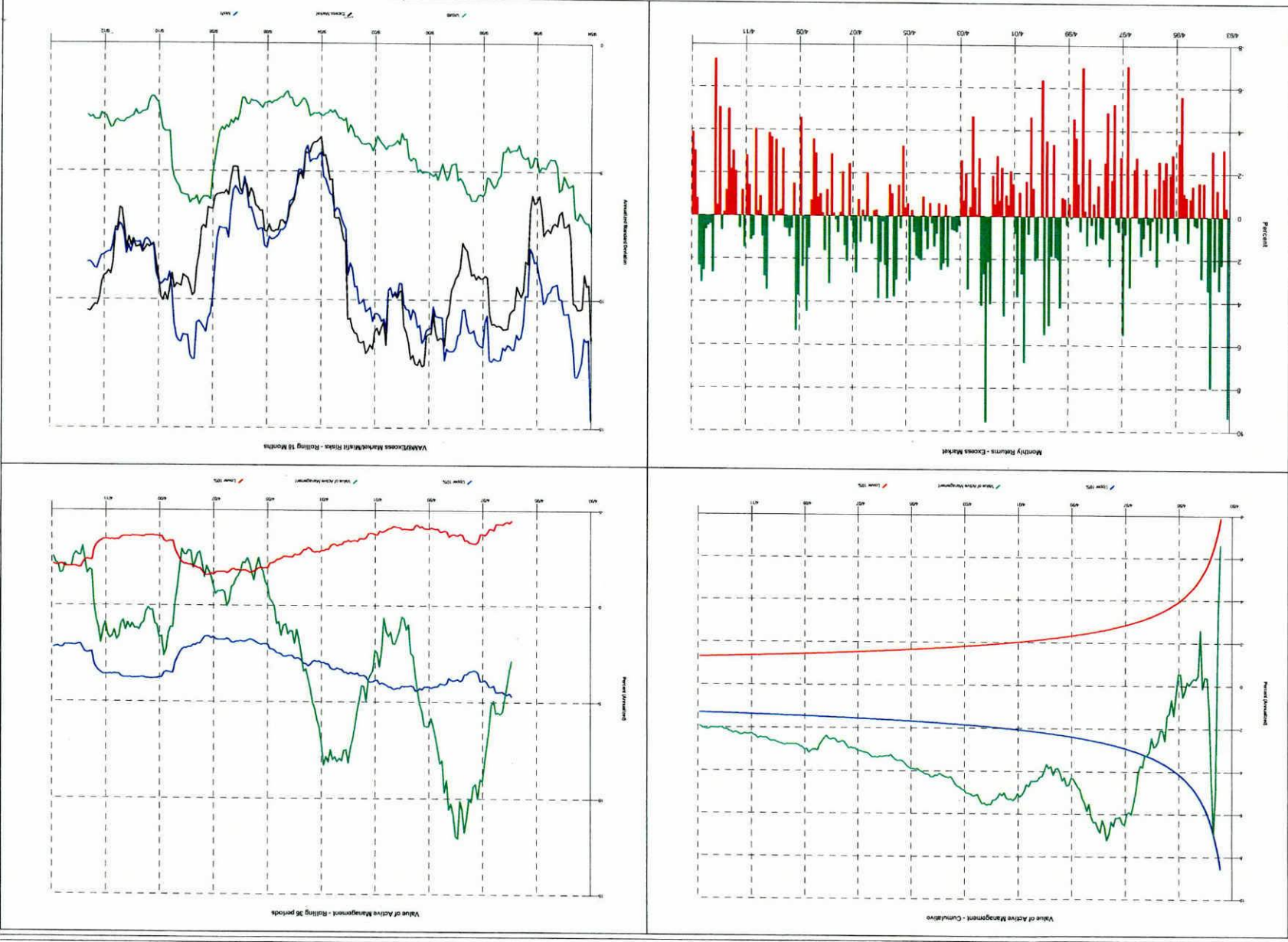
03/01/00-09/30/03 MSCI EAFE Free (net)
10/01/03-09/30/07 MSCI World ex US (net)
10/01/07-05/31/08 Provisional (Standard) MSCI World ex US (net)
06/01/08-03/31/13 (Standard) MSCI World ex US (net)

** One month return.

*** Ten month return.

VAM® Graphs - MINNESOTA STATE BOARD OF INVESTMENT

INVESCO GLOBAL ASSET MANAGEMENT VS INVESCO GLOBAL ASSET MANAGEMENT BENCHMARK
 Monthly from period ending April, 1993 to period ending March, 2013 (240 periods)



Richards & Tierney Rate of Return Toolbox

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DATE: May 9, 2013

TO: Members, Investment Advisory Council

FROM: Tammy Brusehaver
PatC Ammann

SUBJECT: Review of UBS Global Asset Management Inc., a domestic equity manager

Organization

The SBI hired UBS Global Asset Management Inc. July 1993 to manage a large cap portfolio. UBS transitioned to a large cap core portfolio when the domestic equity program was restructured with Russell benchmarks in 2003.

Senior Investment Team

The US Equity Team has had several significant restructures. The most recent is the appointment of Tom Digenan as the Head of U.S. Equities Core/Value, Scott Wilkin as Director of Research for U.S. Equities Core/Value, and Mike Lammers as the Senior Strategist. Tom Digenan and Scott Wilkins had replaced Tom Cole who left in early 2012 after 27 years with the firm. Previously, Tom Digenan was the U.S. Equity Strategist and Scott Wilkins was the health care analyst. Tom Cole stepped down as director of research in 2011.

John Leonard continues to be the Portfolio Manager for the SBI's account, and, since the beginning of 2008, has been the Global Head of U.S. Equities. Leonard heads the portfolio construction team, which also includes the strategist and head of U.S. Equities. This strategy relies heavily on the research performed by the analysts. Leonard spends approximately one-third of his time on administrative/business items and two-thirds on investment related issues.

Analyst Team

The U.S. Equity analyst team has also seen a substantial decline in numbers. There has been a 47% overall reduction since June 30, 2011. The team lost a total of five people in FY2012 with four departures and one promoted to Director of Research. Three analysts were let go December 2012. The restructuring began when Tom Cole stepped down from research director in the second quarter of 2011.

Assets

As of December 2012, UBS managed approximately \$2.9 billion in institutional assets across five U.S. large cap strategies. Institutional assets have consistently declined since 2008, primarily from net outflows with existing accounts. The SBI's large cap value portfolio was valued at \$402.4 million as of December 31, 2012.

UBS U.S. Large Cap Equity Strategies

Time Period Ending	4Q12	FY2012	FY2011	FY2010
AUM (In \$Billions)*	\$2.9	\$3.9	\$8.2	\$10.2
Number of Analysts on Team	9	12	17	17

*Institutional assets only

Performance

As of December 2012, the portfolio has underperformed its benchmark for all time periods shown, except for the one-year time period.

As of December 31, 2012

	One year	Two years	Three years	Four years	Five years	Since inception
UBS	16.7	5.8	7.3	14.9	0.5	8.1
Russell 1000	16.4	8.7	11.1	15.2	1.9	8.3
Net performance	0.3	-2.9	-3.8	-0.3	-1.4	-0.2

Calendar Year Ending

	2012	2011	2010	2009	2008
UBS	16.7	-4.1	10.3	41.3	-41.3
Russell 1000	16.4	1.5	16.1	28.4	-37.6
Net performance	0.3	-5.6	-5.8	12.8	-3.7

RECOMMENDATION:

Due to the turnover in senior management, the significant reduction in the analyst team, loss of institutional assets, and underperformance staff recommends that the SBI terminate the relationship with UBS Global Asset Management Inc. Staff also recommends eliminating the large cap core allocation in domestic equity.

DATE: May 9, 2013

TO: Members, Investment Advisory Council

FROM: Tammy Brusehaver
PatC Ammann

SUBJECT: Review of New Amsterdam Partners, LLC, a domestic equity manager

Organization

The SBI hired New Amsterdam Partners LLC in 1994 to manage a large cap portfolio. New Amsterdam has maintained a consistent investment philosophy and process throughout its history with the SBI.

The portfolio managers, Michelle Clayman and Nathaniel Paull, have provided stable leadership and investment discipline to the firm. Michelle is majority owner of the firm, Managing Partner and CIO of New Amsterdam, which she started twenty-six years ago. Nathaniel is a Senior Portfolio Manager who has been with the firm for sixteen years. He has the second largest ownership interest. There are four partners at New Amsterdam: Michelle; Nathaniel; Christopher Bowen; Head of Operations; and William Lynch, Head of Marketing and Client Service.

Assets

As of December 2012, New Amsterdam managed approximately \$466 million in large cap active equity strategies. Institutional assets have steadily declined since 2008, primarily from net outflows with existing accounts.

New Amsterdam Large Cap Active Equity Strategies

	2012	2011	2010	2009	2008
Assets	\$639	\$980	\$894	\$1,201	\$1,794
Accounts	11	19	22	26	34

Periods ending June 30th

Performance

Performance for this portfolio as of December 2012 has trailed its benchmark for all periods shown, except for since inception. New Amsterdam has had negative stock and sector selection over several time periods. The Fed's accommodative monetary policy and rising GDP forecasts, along with the market not rewarding fundamentals, have been challenging for New Amsterdam's investment discipline, which is best described as growth at a reasonable price.

As of December 31, 2012

	One year	Two years	Three years	Four years	Five years	Since inception
New Amsterdam	8.2	2.5	6.9	11.1	-0.7	9.2
R1000	16.4	8.7	11.1	15.2	1.9	9.1
Net Performance	-8.2	-6.2	-4.2	-4.1	-2.6	0.2

Calendar Year
Ending

	2012	2011	2010	2009	2008
New Amsterdam	8.2	-3.0	16.2	24.8	-36.7
R1000	16.4	1.5	16.1	28.4	-37.6
Net performance	-8.2	-4.5	0.1	-3.6	0.9

Mandate Modification

When the SBI transitioned to the R3000 style benchmarks, the large cap core allocation was established to accommodate some managers that didn't fit into other allocations. There are currently two managers in the large cap core mandate, UBS and New Amsterdam. The recommendation to terminate UBS would leave one manager in the large cap core mandate. Since this mandate was created to retain existing managers and is not needed to complete the R3000 coverage, it is no longer of value to have a large cap core allocation. The recommendation to eliminate this mandate, in addition to asset loss and performance concerns, requires the termination of New Amsterdam.

RECOMMENDATION:

Due to the continued loss of institutional assets, the long-term performance issues, and the recommendation to eliminate the large core mandate, staff recommends that the SBI terminate the relationship with New Amsterdam Partners, LLC.

TAB

F

DATE: May 9, 2013

TO: Members, Investment Advisory Council

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

Staff has reviewed the following information and action agenda items:

1. Review of current strategy.
2. New investments with three existing private equity managers: CVC Capital Partners, EBF & Associates and Varde Partners.
3. Recommendation to extend the fundraising time deadline for the SBI's commitment to Public Pension Capital. The original investment was approved at the SBI meeting on December 6, 2012.
4. Review of alternative investment allocation.

IAC action is required on items 2 and 3.

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.

ACTION ITEMS:

1) Investment with an existing private equity manager, CVC Capital Partners (CVC), in CVC Capital Partners VI, L.P. (CVC VI)

CVC is seeking investors for a new €9 billion private equity fund, CVC VI. This fund is a successor to five flagship buyout funds managed by CVC. The SBI invested in the most recent fund. Like the prior private equity funds, this fund will focus on buyouts in Europe and the U.S. in targeted sectors.

In addition to reviewing the attractiveness of the CVC VI investment offering, staff has conducted on-site due diligence, reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on the CVC VI fund is included as **Attachment C**.

RECOMMENDATION:

Staff recommends a commitment of €250 million, or 20% of CVC VI, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by CVC upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on CVC or reduction or termination of the commitment.

2) **Investment with an existing private equity manager, EBF & Associates (EBF), in Merced Partners IV, L.P. (Merced IV)**

EBF is seeking investors for a new \$750 million private equity fund, Merced Partners IV. This fund is a successor to three flagship distressed/opportunistic funds managed by EBF. The SBI invested in the two most recent funds. Like the prior private equity funds, this fund will focus on opportunistic investments in various segments of the market.

In addition to reviewing the attractiveness of the Merced IV investment offering, staff has conducted on-site due diligence, reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on the Merced IV fund is included as **Attachment D**.

RECOMMENDATION:

Staff recommends a commitment of \$125 million, or 20% of Merced IV, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by EBF upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on EBF or reduction or termination of the commitment.

3) **Investment with an existing private equity manager, Varde Partners (Varde), in The Varde Fund XI (Varde XI).**

Varde is seeking investors for a new \$2 billion private equity fund, Varde XI. This fund is a successor to ten flagship distressed/opportunistic funds managed by Varde. The SBI invested in the two most recent funds. Like the prior private equity funds, this fund will focus on opportunistic investments in various segments of the market.

In addition to reviewing the attractiveness of the Varde XI investment offering, staff has conducted on-site due diligence, reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on the Varde XI fund is included as **Attachment E**.

RECOMMENDATION:

Staff recommends a commitment of \$200 million, or 20% of Varde XI, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Varde upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Varde or reduction or termination of the commitment.

4) **Extend the fundraising time deadline for the SBI's commitment to Public Pension Capital PPC Fund.**

At its December 6, 2012 meeting the State Board of Investment approved a \$100 million commitment to a new \$500 million private equity fund, The PPC Fund. The proposed PPC Fund is a new fund bringing together experienced investors in a new management organization utilizing a modified fund model designed to enhance the alignment of interest between investors and Fund management. The Fund will build upon the extensive private equity investment experience of Perry Golkin and Michael T. Tokarz who were employed by Kohlberg Kravis Roberts & Co. ("KKR") for 25 and 17 years, respectively and they worked there together for 16 years. The SBI has invested with KKR in multiple fund investments since 1984. This fund will focus on investing in conservatively priced businesses with sustainable competitive advantages and favorable industry dynamics in the middle-market.

The original SBI approved recommendation was for a commitment of \$100 million, or 20% of the PPC Fund, whichever is less. Additionally, the commitment is contingent on PPC obtaining at least \$500 million in signed and finalized Limited Partner commitments to the Fund from at least four (4) other Limited Partner investors in the Fund by June 30, 2013.

So far, PPC has approximately \$300 million in likely commitments. Several potential limited partners are in the process of performing additional due diligence, but may not be able to commit by June 30, 2013. Given the slower than expected fundraising for the PPC fund, staff feels that allowing PPC additional time, until December 31, 2013, to raise the minimum amount of \$500 million for the fund is warranted.

RECOMMENDATION:

Staff recommends a commitment of \$100 million, or 20% of the PPC Fund, whichever is less. Additionally, the commitment is contingent on PPC obtaining at least \$500 million in signed and finalized Limited Partner commitments to the Fund from at least four (4) other Limited Partner investors in the Fund by December 31, 2013. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by PPC upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on PPC or reduction or termination of the commitment.

INFORMATION ITEM:

Review of Alternative Investment asset allocation.

Periodically, staff and the Investment Advisory Council discuss the SBI's allocation to alternative investments and examine how different market and investment scenarios impact the SBI's alternative investment allocation. Recommendations regarding changes to the SBI's alternative investment allocation targets may be considered and presented to the Board for approval, if necessary.

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Funds
March 31, 2013

Combined Funds Market Value \$51,910,912,659
 Amount Available for Investment **\$3,007,342,936**

	Current Level	Target Level	Difference
Market Value (MV)	\$7,374,839,596	\$10,382,182,532	\$3,007,342,936
MV +Unfunded	\$11,090,882,435	\$15,573,273,798	\$4,482,391,363

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,011,959,372	\$2,286,546,392	\$6,298,505,764
Real Estate	\$1,248,929,881	\$246,773,318	\$1,495,703,199
Resource	\$1,087,956,384	\$501,250,504	\$1,589,206,888
Yield-Oriented	\$1,025,993,960	\$681,472,624	\$1,707,466,584
Total	\$7,374,839,596	\$3,716,042,839	\$11,090,882,435

ATTACHMENT B

Minnesota State Board of Investment - Alternative Investments -

As of March 31, 2013

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	96,786,582	114,448,116	34,242,120	4,417,812	8.54	1.54	6.92
Blackstone Real Estate Partners VI	100,000,000	97,086,037	113,525,260	21,325,349	5,172,061	7.77	1.39	6.00
Blackstone Real Estate Partners VII	100,000,000	43,686,783	44,962,670	4,338,248	56,313,217	10.74	1.13	1.34
Colony Capital								
Colony Investors II	80,000,000	78,482,328	2,600	90,022,404	1,517,672	4.68	1.15	18.00
Colony Investors III	100,000,000	100,000,000	4,356,400	167,834,385	0	14.57	1.72	15.25
CSFB/ DLJ								
CSFB Strategic Partners III RE	25,000,000	25,166,647	11,843,817	617,398	398,070	-13.55	0.50	7.75
CS Strategic Partners IV RE	50,000,000	48,765,716	31,585,962	7,971,836	1,822,497	-5.55	0.81	4.79
Prime Property Fund	40,000,000	40,000,000	281,577,412	0	0	6.45	7.04	31.47
PRISA Real Estate	9,111,000	9,111,000	9,569,803	488,394	0	8.38	1.10	1.25
Retail Properties of America								
Retail Properties of America A Common St	3,723	3,723	1,598	994	0	-51.34	0.70	1.03
Retail Properties of America, Class B2	1,864	1,864	1,598	72	0	-10.35	0.90	1.03
Retail Properties of America, Class B3	1,864	1,864	1,598	72	0	-10.35	0.90	1.03
Silverpeak Real Estate Partners								
Silverpeak Legacy Pension Partners II	75,000,000	70,753,841	35,039,997	34,070,874	9,857,501	-0.57	0.98	7.75
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	26,987,590	0	83,274,488	-18.61	0.41	4.86
T.A. Associates Realty								
Realty Associates Fund V	50,000,000	50,000,000	7,674	90,962,198	0	10.20	1.82	13.85
Realty Associates Fund VI	50,000,000	50,000,000	23,617,662	58,887,150	0	10.83	1.65	10.76
Realty Associates Fund VII	75,000,000	75,000,000	47,649,245	28,613,620	0	0.26	1.02	8.37
Realty Associates Fund VIII	100,000,000	100,000,000	68,256,600	5,176,684	0	-6.07	0.73	6.75
Realty Associates Fund IX	100,000,000	96,000,000	99,820,868	20,574,211	4,000,000	10.43	1.25	4.60
Realty Associates Fund X	100,000,000	20,000,000	20,000,000	1,557	80,000,000	0.01	1.00	1.08
UBS-Trumbull Property Fund	42,376,529	42,376,529	315,673,409	0	0	7.14	7.45	30.92
Real Estate Total	1,346,494,979	1,109,366,050	1,248,929,881	565,127,565	246,773,318		1.64	
II. RESOURCE								
Apache Corp III								
EnCap Energy	30,000,000	30,000,000	4,967,850	56,557,240	0	12.24	2.05	26.25
EnCap Energy Capital Fund VII								
EnCap Energy Capital Fund VII	100,000,000	85,985,821	31,707,573	97,433,963	14,566,922	20.06	1.50	5.75
EnCap Energy Capital Fund VIII	100,000,000	40,934,186	43,291,714	4,155,159	59,065,814	16.07	1.16	2.50
EnCap Energy Capital Fund IX	100,000,000	1,094,700	1,094,700	0	98,905,300	0.00	1.00	0.31
Energy & Minerals Group								
NGP Midstream & Resources	100,000,000	95,846,813	100,638,681	67,449,205	4,464,210	20.06	1.75	6.00
The Energy & Minerals Group Fund II	100,000,000	46,086,153	43,671,239	89,997	53,913,847	-8.90	0.95	1.52
Energy Capital Partners II-A	100,000,000	65,927,313	74,099,788	5,080,856	38,013,220	13.06	1.20	2.70
First Reserve								
First Reserve Fund X	100,000,000	100,000,000	18,390,316	160,960,703	0	30.73	1.79	8.41
First Reserve Fund XI	150,000,000	149,805,301	120,051,379	50,459,892	194,699	3.56	1.14	6.27
First Reserve Fund XII	150,000,000	120,523,264	121,327,293	8,895,980	29,476,736	2.91	1.08	4.42
NGP								
Natural Gas Partners IX	150,000,000	129,111,388	143,749,168	24,268,243	18,228,421	10.62	1.30	5.44
NGP Natural Resources X	150,000,000	39,151,431	41,102,347	53,200	110,848,569	8.25	1.05	1.47
Sheridan								
Sheridan Production Partners I	100,000,000	100,002,260	83,376,986	60,250,000	0	11.72	1.44	6.00
Sheridan Production Partners II	100,000,000	91,750,000	85,734,962	0	8,250,000	-15.82	0.93	2.50
EIG Global Energy Partners								
TCW Energy Partners XIV	100,000,000	100,083,499	66,530,973	63,996,214	14,529,937	10.46	1.30	5.95
Energy Partners XV	150,000,000	99,207,172	108,221,416	9,947,049	50,792,828	16.78	1.19	2.81
Resource Total	1,780,000,000	1,295,509,300	1,087,956,384	609,597,702	501,250,504		1.31	
III. YIELD-ORIENTED								
Audax Mezzanine Fund III								
Citicorp Mezzanine III	100,000,000	44,832,249	41,198,629	6,307,319	55,167,751	6.22	1.06	2.99
DLJ Investment Partners								
DLJ Investment Partners II	27,375,168	23,164,217	506,392	34,731,888	4,955,172	10.51	1.52	13.25
DLJ Investment Partners III	100,000,000	48,886,706	18,894,262	36,519,461	53,112,583	1.72	1.13	6.77
Gold Hill Venture Lending								
Gold Hill Venture Lending	40,000,000	40,000,000	6,330,160	50,491,994	0	8.44	1.42	8.51
Gold Hill 2008	25,852,584	23,525,851	23,931,037	8,506,138	2,326,732	14.50	1.38	4.75
GS Mezzanine Partners								
GS Mezzanine Partners II	100,000,000	100,000,000	323,516	131,871,972	0	7.09	1.32	13.08
GS Mezzanine Partners III	75,000,000	74,934,629	8,256,582	90,965,966	65,371	8.07	1.32	9.72
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	42,333,806	70,298,857	25,000,112	1.33	1.50	6.98
GS Mezzanine Partners V	150,000,000	61,390,770	49,218,532	26,784,000	79,593,217	10.15	1.24	5.44
Merit Capital Partners								
William Blair Mezzan. Cap. Fd. III	60,000,000	57,243,241	3,622,754	104,659,304	2,756,759	15.17	1.89	13.25
Merit Mezzanine Fund IV	75,000,000	69,807,692	35,846,045	59,324,562	5,192,308	7.84	1.36	8.29
Merit Mezzanine Fund V	75,000,000	39,734,694	37,385,522	899,907	35,265,306	-2.70	0.96	3.28

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

As of March 31, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
Merit Energy Partners								
Merit Energy Partners B	24,000,000	24,000,000	58,155,297	131,551,910	0	24.73	7.90	16.75
Merit Energy Partners C	50,000,000	50,000,000	174,527,472	298,940,061	0	31.33	9.47	14.42
Merit Energy Partners D	88,000,000	70,938,303	116,158,649	212,329,786	0	23.53	4.63	11.85
Merit Energy Partners E	100,000,000	39,983,197	54,087,046	48,310,681	0	16.08	2.56	8.46
Merit Energy Partners F-II	100,000,000	57,841,607	43,182,565	19,273,487	42,158,394	2.10	1.08	7.02
Merit Energy Partners H	100,000,000	32,547,044	30,274,609	1,385,483	67,452,956	-2.92	0.97	2.16
Prudential Capital Partners								
Prudential Capital Partners I	100,000,000	97,529,508	30,848,665	118,161,636	7,213,928	10.92	1.53	11.95
Prudential Capital Partners II	100,000,000	93,781,950	39,395,893	91,717,567	6,620,018	8.72	1.40	7.75
Prudential Capital Partners III	100,000,000	90,470,829	85,041,080	30,292,688	12,435,638	12.17	1.27	3.96
Prudential Capital Partners IV	100,000,000	2,979,662	2,979,662	738	97,020,338	0.02	1.00	1.20
Summit Partners								
Summit Subordinated Debt Fund I	20,000,000	18,000,000	78,348	31,406,578	2,000,000	30.54	1.75	19.00
Summit Subordinated Debt Fund II	45,000,000	40,500,000	3,452,446	87,489,642	4,500,000	56.28	2.25	15.66
Summit Subordinated Debt Fund III	45,000,000	42,690,965	17,554,216	37,319,362	2,850,000	8.65	1.29	9.12
Summit Subordinated Debt Fund IV	50,000,000	29,355,902	31,951,817	1,540,745	20,644,098	6.97	1.14	5.01
TCW/Crescent Mezzanine Partners III	75,000,000	68,868,042	5,340,591	156,103,491	29,701,079	36.08	2.34	12.00
Windjammer Capital Investors								
Windjammer Mezzanine & Equity Fund II	66,708,861	52,082,565	9,995,609	67,156,653	14,372,929	8.27	1.48	13.00
Windjammer Senior Equity Fund III	75,000,000	64,451,545	53,784,010	48,555,258	13,139,865	15.83	1.59	7.24
Windjammer Senior Equity Fund IV	100,000,000	2,071,928	827,362	0	97,928,072	-75.50	0.40	1.10
Yield-Oriented Total	2,366,936,613	1,624,642,282	1,025,993,960	2,135,221,853	681,472,624		1.95	
IV. PRIVATE EQUITY								
Adams Street Global Secondary Fund 5	100,000,000	4,700,000	5,060,974	0	95,300,000	6.13	1.08	0.78
Advent International								
Advent International GPE VI-A	50,000,000	47,450,005	55,239,762	9,084,035	2,549,995	14.29	1.36	5.00
Advent International GPE VII	90,000,000	19,350,000	18,713,269	0	70,650,000	-4.83	0.97	0.53
Affinity Ventures								
Affinity Ventures IV	4,000,000	4,000,000	2,124,663	1,541,970	0	-2.57	0.92	8.75
Affinity Ventures V	5,000,000	3,800,000	2,933,052	814,728	1,200,000	-0.52	0.99	4.74
APAX Partners VIII	200,000,000	0	0	0	200,000,000	N/A	0.00	0.06
Banc Fund								
Banc Fund VII	45,000,000	45,000,000	28,658,295	812,725	0	-6.77	0.65	8.00
Banc Fund VIII	98,250,000	70,740,000	79,272,093	0	27,510,000	6.68	1.12	4.93
Blackstone								
Blackstone Capital Partners IV	70,000,000	71,910,169	38,195,488	143,003,483	2,361,139	37.92	2.52	10.72
Blackstone Capital Partners V	140,000,000	129,671,768	121,220,648	27,859,243	12,250,937	2.33	1.15	7.16
Blackstone Capital Partners VI	100,000,000	22,416,703	25,870,713	110,230	77,583,297	5.72	1.16	4.68
BLUM Capital Partners								
Blum Strategic Partners I	50,000,000	49,158,307	117,191	99,450,576	2,009,928	12.69	2.03	14.27
Blum Strategic Partners II	50,000,000	40,185,889	42,960	89,708,870	2,127,584	22.42	2.23	11.70
Blum Strategic Partners III	75,000,000	74,806,485	14,751,245	56,282,692	193,515	-2.84	0.95	7.83
Blum Strategic Partners IV	150,000,000	147,168,674	68,864,485	45,508,385	15,258,645	-6.15	0.78	5.36
Carval Investors								
CVI Global Value Fund	200,000,000	190,000,000	132,600,002	143,284,378	10,000,000	8.35	1.45	6.21
CarVal Credit Value Fund I	100,000,000	95,000,000	134,499,955	63,000	5,000,000	20.94	1.42	2.50
CarVal Credit Value Fund II	150,000,000	30,000,000	30,000,000	0	120,000,000	0.00	1.00	0.42
Chicago Growth Partners (William Blair)								
William Blair Capital Partners VII	50,000,000	48,150,000	6,422,429	63,741,199	1,650,000	9.03	1.46	12.06
Chicago Growth Partners I	50,000,000	52,441,998	33,718,676	32,588,932	300,000	6.56	1.26	7.68
Chicago Growth Partners II	60,000,000	51,256,645	46,144,165	23,416,224	8,491,355	15.71	1.36	5.05
Court Square Capital								
Court Square Capital Partners	100,000,000	80,271,218	2,436,723	179,484,646	10,528,927	28.99	2.27	11.30
Court Square Capital Partners II	175,000,000	158,692,575	176,302,877	41,134,229	17,947,631	10.19	1.37	6.57
Court Square Capital Partners III	175,000,000	28,063,627	27,906,602	1,106,977	146,936,373	1.30	1.03	0.83
Crescendo								
Crescendo III	25,000,000	25,000,000	703,301	10,854,713	0	-12.93	0.46	14.40
Crescendo IV	101,500,000	101,500,000	17,940,897	28,270,880	0	-8.33	0.46	13.06
CSFB/ DLJ								
DLJ Merchant Banking Partners III	125,000,000	121,724,861	23,126,723	251,678,041	3,275,139	19.16	2.26	12.50
DLJ Strategic Partners	100,000,000	94,982,875	6,927,566	166,104,158	3,467,125	22.50	1.82	12.19
CSFB Strategic Partners II-B	100,000,000	83,928,600	7,316,221	152,608,315	10,271,400	35.31	1.91	9.70
CSFB Strategic Partners III VC	25,000,000	23,937,480	13,145,252	17,837,817	1,062,520	6.49	1.29	7.83
CSFB Strategic Partners III-B	100,000,000	76,386,415	64,573,414	41,546,063	16,771,489	6.49	1.39	7.83
CS Strategic Partners IV-B	100,000,000	87,190,276	69,979,598	57,356,092	12,809,724	13.71	1.46	5.01
CS Strategic Partners IV VC	40,500,000	37,342,166	32,395,291	17,891,260	2,992,940	10.23	1.35	4.79
CS Strategic Partners V	100,000,000	46,826,526	54,172,837	9,071,117	53,173,474	53.84	1.35	1.62
CVC European Equity Partners V	128,409,926	96,750,483	91,908,532	35,851,202	12,891,498	11.84	1.32	5.01
Diamond Castle Partners IV	100,000,000	89,086,053	82,319,367	23,831,659	10,954,432	3.94	1.19	6.56
DSV Partners IV	10,000,000	10,000,000	32,194	39,196,082	0	10.61	3.92	27.97
EBF and Associates								
Merced Partners II	75,000,000	63,768,881	18,436,357	103,167,143	0	24.75	1.91	6.00
Merced Partners III	100,000,000	75,000,000	86,670,900	0	25,000,000	7.61	1.16	2.90
Elevation Partners	75,000,000	68,675,344	26,339,560	66,276,013	12,410,246	8.19	1.35	7.87
Fox Paine Capital Fund II	50,000,000	45,770,013	15,524,624	73,394,027	12,482,825	19.80	1.94	12.75
GHJM Marathon Fund								
GHJM Marathon Fund IV	40,000,000	39,051,000	180,226	57,282,488	949,000	8.33	1.47	13.96
GHJM Marathon Fund V	50,000,000	49,285,596	47,744,006	36,880,654	791,115	11.58	1.72	8.50
TrailHead Fund	20,000,000	6,282,720	5,786,461	0	13,717,280	-11.99	0.92	1.10

Minnesota State Board of Investment
- Alternative Investments -

As of March 31, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
Golder, Thoma, Cressey, Rauner Fund IV	20,000,000	20,000,000	77,624	42,300,018	0	25.06	2.12	19.16
Green Equity Investors VI	200,000,000	19,263,524	19,013,984	508,257	180,736,476	1.47	1.01	1.04
GS Capital Partners								
GS Capital Partners 2000	50,000,000	50,000,000	5,967,979	103,043,781	0	22.45	2.18	12.58
GS Capital Partners V	100,000,000	66,390,364	47,263,580	117,822,264	26,041,099	16.41	2.49	8.00
GS Capital Partners VI	100,000,000	66,705,766	39,040,847	37,690,720	25,461,228	1.70	1.15	6.16
GTCR Golder Rauner								
GTCR VI	90,000,000	90,000,000	700,411	77,813,800	0	-4.94	0.87	14.75
GTCR VII								
GTCR Fund VII	131,250,000	129,390,615	542,782	306,551,141	1,859,375	21.93	2.37	13.14
GTCR Fund VII-A	43,750,000	29,859,374	174,717	80,771,585	13,890,626	82.03	2.71	12.19
GTCR IX	75,000,000	69,539,933	63,633,336	31,590,915	5,460,067	10.28	1.37	6.75
GTCR X	100,000,000	61,448,604	64,779,917	0	38,551,396	5.56	1.05	2.31
Hellman & Friedman								
Hellman & Friedman Capital Partners V	160,000,000	145,614,094	75,632,642	295,677,034	16,418,928	27.28	2.55	8.33
Hellman & Friedman Capital Partners VI	175,000,000	167,750,142	102,347,164	121,966,827	8,372,477	6.95	1.34	6.00
Hellman & Friedman Capital Partners VII	50,000,000	14,833,976	12,239,709	1,388,758	35,166,024	-6.87	0.92	3.95
Kohlberg Kravis Roberts								
KKR 1996 Fund	200,000,000	199,902,841	126,241	374,566,859	0	13.17	1.87	16.58
KKR Millennium Fund	200,000,000	200,000,000	98,534,181	278,056,201	0	16.07	1.88	10.31
KKR 2006 Fund	200,000,000	200,595,411	151,189,775	115,762,645	12,708,787	6.44	1.33	6.51
Lexington Capital Partners								
Lexington Capital Partners VI-B	100,000,000	96,653,773	61,974,679	61,379,415	3,346,227	7.00	1.28	7.26
Lexington Capital Partners VII	200,000,000	124,512,758	118,766,073	35,565,055	75,487,242	18.39	1.24	3.80
RWI Ventures								
RWI Group III	616,430	616,430	34,868	526,806	0	-3.23	0.91	6.75
RWI Ventures I	7,603,265	7,603,265	541,361	5,974,262	0	-5.23	0.86	6.75
Sightline Healthcare								
Sightline Healthcare Fund III	20,000,000	20,000,000	1,950,325	5,465,766	0	-11.34	0.37	14.19
Sightline Healthcare Fund IV	7,700,000	7,753,673	2,465,178	4,621,834	0	-2.43	0.91	9.51
Silver Lake Partners								
Silver Lake Partners II	100,000,000	89,314,415	54,523,757	89,150,935	11,681,453	10.01	1.61	8.75
Silver Lake Partners III	100,000,000	73,401,330	61,301,228	43,976,513	27,334,097	14.81	1.43	6.00
Silver Lake Partners IV	100,000,000	0	0	0	100,000,000	N/A	0.00	0.51
Split Rock Partners								
Split Rock Partners	50,000,000	44,799,999	32,345,037	597,892	5,200,001	-6.83	0.74	7.92
Split Rock Partners II	60,000,000	28,160,000	23,073,362	479,262	31,140,000	-9.09	0.84	4.92
Summit Partners								
Summit Ventures V	25,000,000	24,125,000	304,825	32,936,046	875,000	8.06	1.38	15.00
Summit Partners Growth Equity Fund VIII	100,000,000	7,000,000	6,586,433	0	93,000,000	-7.24	0.94	1.91
T. Rowe Price	38,818,586	38,818,586	22,966,963	11,216,585	0	-9.42	0.88	6.68
Thoma Cressey								
Thoma Cressey Fund VI	35,000,000	33,915,000	2,537,662	32,320,670	1,085,000	0.32	1.03	14.61
Thoma Cressey Fund VII	50,000,000	50,000,000	11,800,474	87,519,190	0	23.27	1.99	12.60
Thoma Cressey Fund VIII	70,000,000	68,932,574	73,518,099	81,527,810	770,000	16.04	2.25	6.92
Thomas, Mc Nerney & Partners								
Thomas, Mc Nerney & Partners I	30,000,000	28,950,000	12,139,158	10,504,694	1,050,000	-5.74	0.78	10.40
Thomas, Mc Nerney & Partners II	50,000,000	42,875,000	37,080,846	6,240,826	7,125,000	0.33	1.01	6.75
Varde Fund								
Varde Fund IX	100,000,000	100,000,000	96,397,682	74,799,777	0	13.24	1.71	4.77
Varde Fund X	150,000,000	150,000,000	179,254,350	0	0	9.83	1.20	2.94
Vestar Capital Partners								
Vestar Capital Partners IV	55,000,000	52,761,494	10,176,354	84,094,802	746,945	13.46	1.79	13.29
Vestar Capital Partners V	75,000,000	74,186,946	53,523,540	22,488,956	1,138,283	0.61	1.02	7.28
Vestar Capital Partners VI	100,000,000	2,295,848	2,295,848	0	97,704,152	0.00	1.00	1.52
Warburg Pincus								
Warburg Pincus Equity Partners	100,000,000	100,000,000	3,670,098	157,951,853	0	9.96	1.62	14.76
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	74,637,561	148,816,716	0	15.57	2.23	10.96
Warburg Pincus Private Equity IX	100,000,000	100,000,000	69,540,879	94,283,208	0	9.82	1.64	7.68
Warburg Pincus Private Equity X	150,000,000	146,910,914	142,671,589	28,603,047	3,150,000	5.14	1.17	5.43
Warburg Pincus Private Equity XI	200,000,000	44,383,377	44,383,377	0	155,616,623	0.11	1.00	0.27
Wayzata								
Wayzata Opportunities Fund I	100,000,000	93,180,000	77,406,456	89,939,109	6,820,000	10.11	1.80	7.28
Wayzata Opportunities Fund II	150,000,000	57,450,000	141,864,836	11,529,900	92,550,000	14.82	2.67	5.44
Wayzata Opportunities Fund III	150,000,000	4,800,000	4,800,000	0	145,200,000	0.00	1.00	0.79
Welsh, Carson, Anderson & Stowe								
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	187,101	128,500,208	0	3.09	1.29	14.69
Welsh, Carson, Anderson & Stowe IX	125,000,000	123,750,000	30,821,021	170,516,976	1,250,000	11.29	1.63	12.76
Welsh, Carson, Anderson & Stowe X	100,000,000	97,578,466	84,088,952	40,848,848	3,000,000	4.96	1.28	7.29
Welsh, Carson, Anderson & Stowe XI	100,000,000	66,259,646	74,744,920	4,310,834	33,740,354	9.19	1.19	4.69
Private Equity Total	8,747,398,207	6,439,006,490	4,011,959,372	5,700,292,847	2,286,546,392		1.51	
Alternatives Total	14,240,829,798	10,468,524,122	7,374,839,596	9,010,239,967	3,716,042,839		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

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	CVC Capital Partners VI
Type of Fund:	Private Equity
Target Fund Size:	€9 billion
Fund Manager:	CVC Capital Partners, L.P.
Manager Contact:	Marc St John CVC Capital Partners Limited 111 Strand London WC2R 0AG UK Telephone:+44 207 420 4200

II. Organization and Staff

Established in 1981, CVC Capital Partners is a global leader in the private equity marketplace with one of the most geographically diverse and longest-established office networks of any private equity firm worldwide. As of 31 December 2012, CVC's international network comprised local offices in 21 countries, with 13 offices throughout Europe and North America, and eight in the Asia-Pacific region. CVC believes that the breadth and depth of this global platform provide the Firm with a strong competitive advantage to originate and bring to bear its collective resources for the benefit of CVC Funds' portfolio company investments.

The Fund will be managed by a highly-experienced and stable senior team, and substantially the same group of senior investment professionals responsible for investing the prior CVC Europe Private Equity Funds. Led by CVC's 27 Managing Partners and Partners, the investment team has completed 128 CVC investments and has sourced, acquired and divested companies in each of the major European geographies and the United States. The Firm believes that the continuity and depth of experience across the CVC investment team is fundamental to its capacity to replicate past investment performance and positions the Firm strongly for the future.

III. Investment Strategy

The investment strategy of CVC's private equity activities has remained largely unchanged since the late 1980's.

The strategy for Fund VI is summarized as follows:

- A. **Geography Focus**; Europe with capped exposure to North America.
- B. **Type of investment**; Control and co-control investments.
- C. **Segment**; Upper middle market.
- D. **Targets**; Fundamentally sound, well-managed and cash-generative businesses.
- E. **Acceptable sale process**; Processes allowing comprehensive access and sufficient time to complete due diligence.
- F. **Investment thesis**; Cautious pricing and validated improvement program to protect downside.
- G. **Return criteria**; typically 20% to 30% Gross IRR, 2x to 3x Gross MoM, subject to risk assessment of each investment.
- H. **Portfolio composition**; Diversification of exposure by investment size, sector, geographic region and team.

IV. Investment Performance

Previous fund performance as of September 30, 2012 for CVC and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*
Fund V	2008	€10.7 billion	€100 million	12.3%	1.3
Tandem Fund **	2007	€4.1 billion		8.2%	1.3
Fund IV	2005	€6.0 billion		15.7%	1.7
Fund III	2001	\$3.7 billion		41.7%	2.9
Fund II	1998	\$2.5 billion		19.0%	2.3
Fund I	1996	\$630 million		22.9%	2.6

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

**The Tandem Fund was an interim fund raised to invest alongside funds IV and V.

V. General Partner's Investment

The General Partner will invest 3% of total Commitments.

VI. Management Fee

1.5% of capital committed to the Fund, declining after the investment period as the portfolio is liquidated.

VII. Distributions

80% of realized profits to the Limited Partners and 20% to the General Partner, subject to an 8% preferred return to the Limited Partners.

VIII. Investment Period and Term

The Fund will have a term of 10 years, subject to possible extension.

The Investment Period will last for a period of six years, subject to possible extension.

** This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

<i>Name of Fund:</i>	Merced Partners IV ("the Fund")
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	\$750 million
<i>Fund Manager:</i>	EBF & Associates, L.P.
<i>Administrative Contact:</i>	Dave Ericson 601 Carlson Parkway, Ste. 200 Minnetonka MN 55305 952-476-7236

II. Organization and Staff

Merced Partners IV, L.P. (the "Fund") is being formed by EBF & Associates, L.P. ("EBF" or the "Firm") to make opportunistic investments in financial instruments and assets. EBF was founded in 1988 as the first investment group spin-out from Cargill's Financial Markets Department. Since 2005, the Firm has raised five multi-year lock-up funds with \$1.6 billion in aggregate commitments. One of these lock-up funds made its final distribution in February 2011, three are in their harvest periods, and one continues to invest and reinvest. EBF also manages Merced Partners Limited Partnership ("Merced"), an annual liquidity fund that was formed in 1990. The Firm's current six person partner group averages over 20 years' experience in alternatives investing and has been working together at EBF for approximately the past decade. In addition to the six partners, EBF employs 30 other investment, legal, financial and administrative professionals.

III. Investment Strategy

The Fund expects to pursue investments where the General Partner believes there is strong downside protection from asset value and/or counter-party credit and compelling return potential from some combination of current income, secondary market financial instrument appreciation (if long) or depreciation (if short), and asset or enterprise value appreciation.

The Fund may make investments directly in operating and real property assets through fee simple transactions and debt and equity investments. The General Partner currently expects the Fund's investments to include, without limitation, corporate debt and equity (including long and short investments in the secondary market debt and equity of below-investment-grade or financially distressed entities – that is, issuers that are in or near default or are otherwise struggling to meet their financial obligation), municipal debt, direct financings of film distribution receivables and projected receivables, and assets of various types, including aircraft and aircraft sale leaseback transactions and other transportation-related assets, power generation equipment, residential and commercial real estate (assets, debt and equity), hotels and other types of operating companies, investments in debt and equity instruments that allow life insurance-related risk to be transferred to investors (these instruments may be issued by life insurance or

reinsurance companies, by special purpose vehicles such companies establish, or by other entities involved in a life insurance-related business), and investments in debt and equity instruments that allow credit-related and other risks to be transferred to investors.

IV. Investment Performance

Previous fund performance as of March 31, 2013 for EBF & Associates and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception *	Net MOIC from Inception*
Merced III	2010	\$567 million	\$100 million	9.0%	1.2
ILS	2009	\$240 million	--	20.8%	1.5
MNC	2009	\$76 million	--	43.5%	1.6
Merced II	2007	\$474 million	\$75 million	25.0%	1.8
Harrington	2005	\$279 million	--	4.7%	1.3
Merced I	1990	\$356 million	--	13.5%	18.6

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

V. General Partner's Investment

The General Partner will invest a minimum of 2% of aggregate committed capital.

VI. Management Fees

During the Commitment Period, 0.75% of aggregate capital commitments or 1.50% of invested capital, whichever is greater. Thereafter, 1.50% of invested capital.

VII. Distributions

Generally, the General Partner will receive 20% of all distributed profits with respect to the Fund's investments after the Limited Partners receive a return of all of their invested capital plus a preferred return thereon equal to 6% per annum.

VIII. Investment Period and Term

The Fund will have a term of six years, subject to possible extension.

The Investment Period will last for a period of three years.

** This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Värde Fund XI, L.P.
Type of Fund:	Private Equity Limited Partnership
Target Fund Size:	\$2 billion
Fund Manager:	Värde Partners
Manager Contact:	Kirsten Voss 8500 Normandale Lake Blvd., Ste 1500 Minneapolis, MN 55437 Phone: 952-646-2061

II. Organization and Staff

Värde Partners, Inc. is forming The Värde Fund XI (Master), L.P. and certain parallel funds (collectively, the Fund) to continue its 20-year history of successful investing in distressed assets. The Fund is seeking \$2 billion in capital commitments.

Värde was founded in Minneapolis, Minnesota in 1993 and today manages more than \$7 billion on behalf of a global investor base. Värde's investment activities are also global in scope. Having opened its London office in 2004, the Firm has significant resources and exposure in Europe and is well positioned for continued European distressed opportunities. Värde opened its Singapore office in 2008 and has made important strides in Australia, New Zealand and Japan.

Värde is managed by the Firm's Founders and Managing Partners, George G. Hicks and Marcia L. Page, together with Managing Partners Jeremy D. Hedberg and Jason R. Spaeth, and Partners Rick J. Noel, Andrew P. Lenk, Ilfryn C. Carstairs, Ali M. Haroon and Bradley P. Bauer (collectively, the Principals).

Värde is headquartered in Minneapolis, Minnesota. Globally, the Firm employs more than 150 individuals. Värde's London office opened in 2004 and currently has over 35 employees. In 2008, the Firm opened its Singapore office, which currently has nine employees. Värde anticipates that its Asian operations will remain a small segment of its investment activities for the next several years but expects its Asian investing activities to grow over time. The Firm's professionals comprise over 20 nationalities and are fluent in over 15 languages.

III. Investment Strategy

Värde is a leading investor in distressed assets, investing in non-performing and under-performing corporate, consumer and real estate loans, structured products, high-yield debt and certain equity securities and derivatives. The Firm has a global investment strategy, although most of its transactions to date have been in the U.S. and Europe. The Principals believe that Värde's flexible investing approach and the strength of its platform ideally position it to capitalize on opportunities in the current market and beyond.

The Firm's activities encompass investments in a broad array of segments, including:

- Public distressed opportunities - corporate securities and loans, structured products, capital structure arbitrage and European sovereign debt instruments; and
- Private distressed opportunities - illiquid corporate securities and loans, pools of small balance loans, lease and collateral backed assets, and real estate related loans and assets.

IV. Investment Performance

Previous fund performance as of December 31, 2012 for Värde and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*
Fund X	2010	\$1.9 billion	\$150 million	8.4%	1.1
Fund IX	2008	\$2.3 billion	\$100 million	13.1%	1.7
Fund VII-B, VIII	2006	\$997 million		3.0%	1.2
Fund V-B	2005	\$89 million		3.8%	1.2
Private Fund	2005	\$351 million		-1.8%	0.9
Fund VII, VII-A	2003	\$147 million		3.3%	1.2
Fund VI	2001	\$48 million		17.9%	2.3
Fund V	2000	\$83 million		20.8%	2.8
Select Fund	1998	\$52 million		6.0%	1.3

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

V. General Partner's Investment

The General Partner will invest, at least, 1% of total Commitments.

VI. Management Fee

1.75% on an annual basis of the lesser of (x) such Limited Partner's Capital Account balance and (y) such Limited Partner's Commitment, declining after the investment period as the portfolio is liquidated.

VII. Distributions

Generally, 80% of realized profits to the Limited Partners and 20% to the General Partner, subject to an 8% preferred return to the Limited Partners.

VIII. Investment Period and Term

The Fund will have a term of 10 years, subject to possible extension.

The Investment Period will last for a period of four years, subject to possible extension.

** This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*

