AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, August 23, 2011
12:00 Noon
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

	TAB
1. Approval of Minutes of May 24, 2011	
2. Report from the Executive Director (H. Bicker)	**A**
A. Quarterly Investment Review (April 1, 2011 – June 30, 2011)	
B. Administrative Report	**B**
1. Reports on budget and travel	
2. Legislative Update	
3. Update on Sudan	
4. Update on Iran	
5. Review of SBI's CD Program	
6. Litigation Update	
3. Review of manager performance for the period ending June 30, 2011 (H. Bicker)	**C**
4. Alternative Investment Report (H. Bicker)	**D**
A. Review of current strategy.	
B. Consideration of new fund investments with two existing real estate managers.	
5. Other items	
State of Minnesota's Actuarial Interest Rate Assumption.	**E**

INVESTMENT ADVISORY COUNCIL

MINUTES

August 23, 2011

Minutes
Investment Advisory Council
May 24, 2011

MEMBERS PRESENT:	Jeff Bailey, Dave Bergstrom, John Bohan, Kerry Brick, Dennis Duerst, Doug Gorence, Laurie Hacking, Kristin Hanson (for Jim Schowalter), Judy Mares, Gary Martin and Mary Vanek.
MEMBERS ABSENT:	Jay Kiedrowski, Malcolm McDonald and Gary Norstrem.
SBI STAFF:	Howard Bicker, Teri Richardson, Jim Heidelberg, Tammy Brusehaver, Patricia Ammann, Stephanie Gleeson, Mike Menssen, Ryan Hill, John Griebenow, J.J. Kirby, Aaron Griga, Debbie Griebenow, Carol Nelson, and Charlene Olson.
OTHERS ATTENDING:	Ann Posey, Nuveen Investment Solutions; Celeste Grant, Rebecca Spartz, Christie Eller, Micah Hines and Edgar Hernandez, SEIU.

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

Executive Director's Report
Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials, and he reported that the Combined Funds had outperformed its Composite Index over the ten year period ending March 31, 2011 (Combined Funds 6.1% vs. Composite 6.0%,) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.7% vs. CPI 2.5%.)

Mr. Bicker reported that the Combined Funds' assets increased 3.3% for the quarter ending March 31, 2011 due to positive market performance. He said that the asset mix was on target. He reported that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 4.4% vs. Composite 4.2%) and for the year (Combined Funds 14.7% vs. Composite 13.7%.)

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 6.5% vs. Domestic Equity Asset Class Target 6.4%) and for the year (Domestic Stocks 17.6% vs. Domestic Equity Asset Class Target 17.4%.) He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 2.9% vs. International Equity Asset Class Target 3.4%) and outperformed for the year (International Stocks 13.7% vs. International Equity Asset Class Target 13.1%.) Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.9% vs. Fixed Income Asset Class Target 0.4%) and for the year (Bonds 7.1% vs. Fixed Income Asset Class Target 5.1%.) He stated that the alternative investments returned 15.6% for the year. He concluded his report with the comment that, as of March 31, 2011, the SBI was responsible for over $60 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 briefly reviewed the legislative items pertaining to the SBI. He stated that the SBI's budget has been passed, but the State Departments bill is likely to be vetoed. He reported that in the bill the SBI has been exempted from the E-verify requirement for contracts and has also been exempted from being required to consolidate our IT services. He stated that the State Auditor Investment Study bill was never heard by the Pension Commission, so it will be addressed during the interim and next session.

Mr. Bicker reported that there has also been recent legislative action concerning a negotiated plan to merge the Minneapolis Police and Fire with the Public Employees Retirement Association (PERA). He stated that none of these legislative issues have been signed into law and that they may be included in a special session. He noted that at this point, a shutdown of state government is a distinct possibility. A brief discussion followed on how the SBI may be affected by a shutdown. In response to questions from Mr. Duerst, Mr. Bicker confirmed that the Minneapolis Police and Fire assets are under $1 billion, and Ms. Vanek clarified that PERA is not assuming their unfunded liability.

Mr. Bicker stated that updated information on Sudan and Iran is also included in Tab B. Ms. Eller stated that the Lehman bankruptcy continues to proceed.

SBI Administrative Committee Report
Mr. Bicker referred members to Tab C of the meeting materials and briefly reviewed the Executive Director's Proposed Workplan for FY12, the Budget Plan for FY12 and the Continuing Fiduciary Education Plan. A brief discussion followed on potential topics for the IAC's consideration in the coming year. Mr. Bicker noted that there will need to be discussions on potentially changing the assumed rate of return for the retirement plans, and a brief discussion followed.

Mr. Bicker referred members to Tab D for a review of manager performance. In response to a question from Ms. Mares, Mr. Bicker stated that staff is planning to have a review of semi-passive management in the near future. In response to a question from Mr. Brick, Mr. Bicker reviewed the reasons and limitations behind the different asset allocations to various managers.

Mr. Griebenow referred members to Tab E of the meeting materials and stated that staff is recommending new investments with two existing resource managers, EMG and NGP, and an increased investment with an existing private equity manager, Lexington Capital Partners. In response to questions from Mr. Bohan, Mr. Griebenow explained some timing differences in cash flows that can result in differences in returns between what the manager shows and what the SBI reports. A brief discussion followed concerning various aspects of the proposed investments. Ms. Vanek moved approval of the three recommendations, as stated in Tab E. Mr. Gorence seconded the motion. The motion passed.

The meeting adjourned at 1:30 P.M. The IAC meeting was followed by a roundtable presentation by Merit Energy on the energy market.

Respectfully submitted,

Howard Bicker
Executive Director

TAB

A

LONG TERM OBJECTIVES
Period Ending 6/30/2011

COMBINED FUNDS: $47.8 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.	**5.9% (1)**	0.1 percentage point above the target
Provide Real Return (20 yr.) Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	**8.8%**	6.3 percentage points above CPI

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

Eight Plans of MSRS, PERA and TRA
July 1, 2010

Liabilities	
Actuarial Accrued Liabilities	$57.5 billion
Assets	
Current Actuarial Value	$46.2 billion
Funding Ratio	
Current Actuarial Value divided by Accrued Liabilities	80.3%

Actuarial Assumptions:

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate: 8.5%
4. Full Funding Target Date:

   2040 – MSRS General

   2031 – PERA General

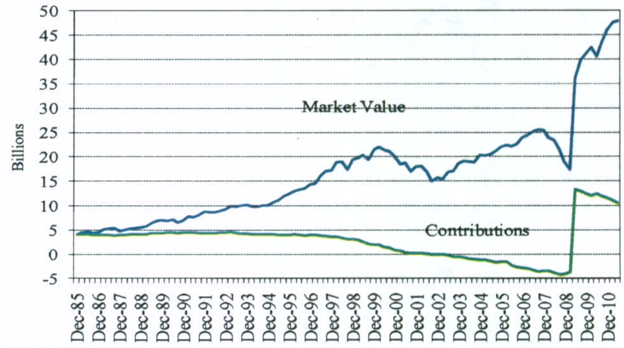
   2037 – TRA

EXECUTIVE SUMMARY

Combined Funds (Net of Fees)

Asset Growth

The market value of the Combined Funds increased 0.6% during the second quarter of 2011. Positive investment returns accounted for the increase in market value.



Asset Growth
During Second Quarter 2011
(Millions)

Beginning Value	$ 47,497
Net Contributions	-465
Investment Return	753
Ending Value	$ 47,785

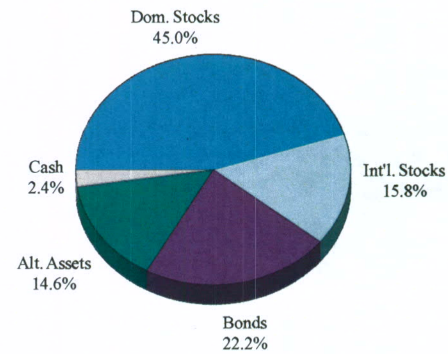
Note: The significant increase in market value and contributions in June 2009 was due to the merger of the Basics and Post Funds.

Asset Mix

The allocation to alternative investments and fixed income increased due to their outperformance relative to the other asset classes.

	Policy Targets	Actual Mix 6/30/2011	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	45.0%	$21,481
Int'l. Stocks	**15.0**	15.8	7,547
Bonds	**18.0**	22.2	10,590
Alternative Assets*	**20.0**	14.6	7,012
Unallocated Cash	**2.0**	2.4	1,155
	100.0%	100.0%	$47,785

* Any uninvested allocation is held in domestic bonds.

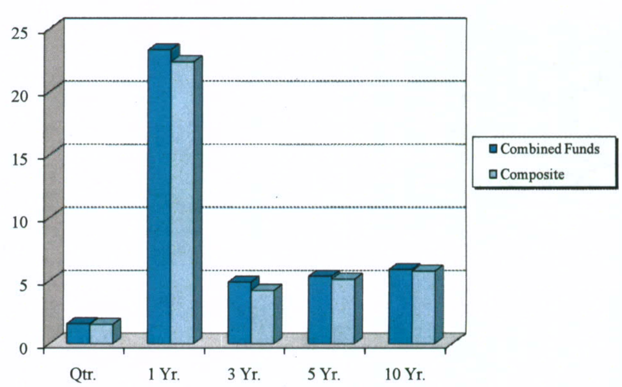


Fund Performance (Net of Fees)

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

Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Combined Funds	**1.6%**	**23.3%**	**4.9%**	**5.3%**	**5.9%**
Composite	1.5	22.4	4.2	5.1	5.8



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

Domestic Stocks

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

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

	Period Ending 6/30/2011				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	**0.2%**	**33.1%**	**4.0%**	**3.2%**	**3.2%**
Asset Class Target*	0.0	32.4	4.0	3.4	3.4

* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index.

International Stocks

The international stock manager group (active, semi-passive and passive combined) outperformed its target for the quarter and slightly underperformed 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 6/30/2011				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	**0.8%**	**29.6%**	**-0.1%**	**4.0%**	**7.5%**
Asset Class Target*	0.4	29.7	-0.3	3.7	7.4

* 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) underperformed its target for the quarter and outperformed for the year.

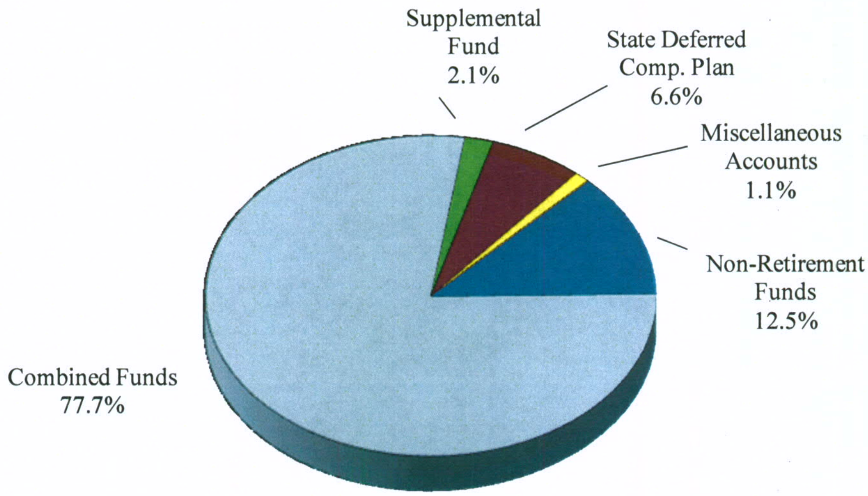
Barclays Capital Aggregate: The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 6/30/2011				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	**2.1%**	**5.5%**	**7.4%**	**6.5%**	**6.0%**
Asset Class Target	2.3	3.9	6.5	6.5	5.7

Alternative Investments

	Period Ending 6/30/2011				
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	**6.5%**	**18.6%**	**3.8%**	**9.8%**	**13.0%**

EXECUTIVE SUMMARY
Funds Under Management



	6/30/2011 Market Value (Billions)
Retirement Funds	
Combined Funds	$47.8
Supplemental Investment Fund	1.3
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.1
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.8
Environmental Trust Fund	0.6
State Cash Accounts	6.0
Miscellaneous Accounts	0.7
Total	**$61.6**

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Second Quarter 2011
(April 1, 2011 - June 30, 2011)

Table of Contents

VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2011				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	0.0%	32.4%	4.2%	3.6%	3.8%
Dow Jones Industrials	1.4	30.4	6.1	5.0	4.2
S&P 500	0.1	30.7	3.3	2.9	2.7
Russell 3000 (broad market)	0.0	32.4	4.0	3.4	3.4
Russell 1000 (large cap)	0.1	31.9	3.7	3.3	3.2
Russell 2000 (small cap)	-1.6	37.4	7.8	4.1	6.3
Domestic Fixed Income					
Barclays Capital Aggregate (1)	2.3	3.9	6.5	6.5	5.7
Barclays Capital Gov't./Corp.	2.3	3.7	6.2	6.3	5.7
3 month U.S. Treasury Bills	0.0	0.1	0.3	1.8	2.0
International					
EAFE (2)	1.6	30.4	-1.8	1.5	5.7
World ex-U.S. (3)	0.9	30.3	-1.6	2.0	6.1
Emerging Markets Free (4)	-1.0	28.2	4.5	11.8	16.5
ACWI Free ex-U.S. (5)	0.6	30.3	0.1	4.1	7.9
Salomon Non U.S. Gov't. Bond	3.7	13.9	6.2	7.8	8.7
Inflation Measure					
Consumer Price Index CPI-U (6)	1.0	3.6	1.0	2.2	2.3
Consumer Price Index CPI-W (7)	1.1	4.1	1.1	2.3	2.5

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 0.0% return during the second quarter of 2011. The U.S. equity markets declined for six straight weeks in May and early June prior to the quarter end rally. During the quarter, the effects of the Japan earthquake and tsunami lingered, economic data in the U.S. was weaker than expected and debt problems in Europe continued. Within the Russell 3000, the Healthcare sector had the strongest return, up 6.8% for the quarter. Energy was the worst performing sector with a -5.2% return for the quarter. Large cap companies outperformed small cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	0.8%
Large Value	Russell 1000 Value	-0.5%
Small Growth	Russell 2000 Growth	-0.6%
Small Value	Russell 2000 Value	-2.6%

The Russell 3000 index returned 32.4% for the year ending June 30, 2011.

DOMESTIC BONDS

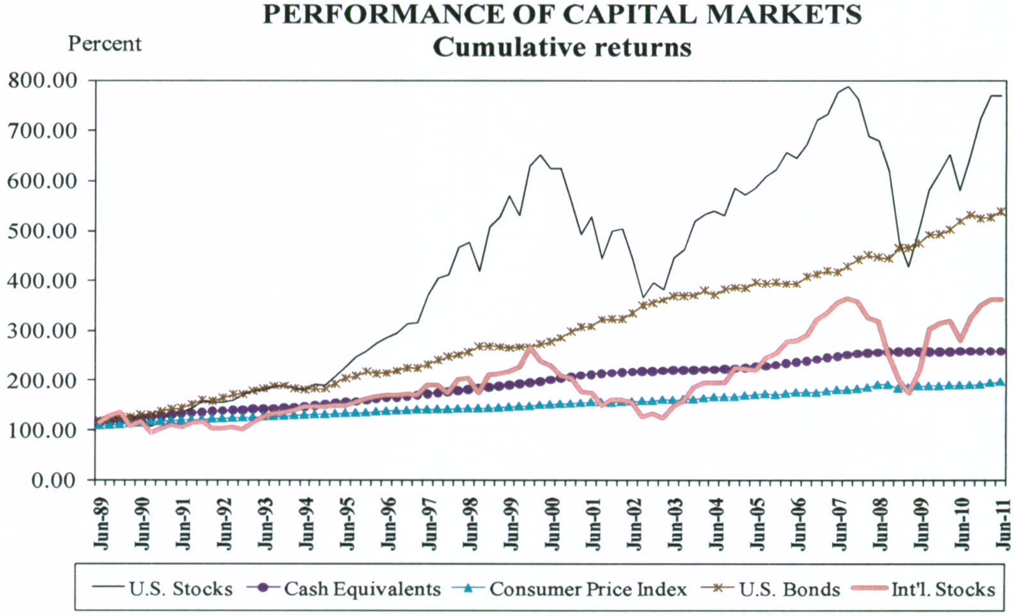
The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, returned 2.3% for the quarter. All sectors of the bond market had positive total returns. Yields on U.S. Treasuries declined overall, as signs of deteriorating economic conditions and concerns surrounding Eurozone debt boosted demand for Treasuries. The 5-Year Treasury ended the second quarter 52 basis points lower at 1.8%, the 10-Year yield fell 31 basis points to 3.2%, and the 30-year was down 14 basis points to end the quarter at 4.4%. Agency MBS performed particularly well during the quarter, driven by a broad desire for risk-aversion and muted prepayment risk. Investment grade corporate bonds also performed well, as corporate balance sheets and fundamentals continued to improve.

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

U.S. Treasury	2.4%
Agency	1.6
Corporates	2.3
Agency MBS	2.3
Commercial Mortgages	1.6
Asset-backed	1.8

PERFORMANCE OF CAPITAL MARKETS

Cumulative returns



FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index net) provided a return of 0.9% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	1.7%
Japan	0.2
Canada	-4.7
France	4.5
Australia	-0.6
Germany	6.3

The World ex U.S. index returned 30.3% during the last year.

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

EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index gross) provided a return of -1.0% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-1.8%
Brazil	-4.0
Korea	0.9
Taiwan	1.7
India	-3.6
South Africa	-2.0

The Emerging Markets Free index returned 28.2% 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 73% of the value of the international markets in the index.

REAL ESTATE

During the second quarter of 2011, real estate posted its sixth consecutive quarter of positive returns with the NCREIF Property Index posting a return of 3.9%. Even with accommodative monetary and fiscal policies, the real estate outlook for 2011 continues to be one of caution due to continued weakness in employment.

PRIVATE EQUITY

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

RESOURCE FUNDS

During the second quarter of 2011, crude oil traded between \$91/bbl and \$114/bbl. The average price for the second quarter of 2011 was \$102/bbl which is approximately \$7/bbl more than the average price for the first quarter of 2011. Improved economic growth and unrest in the Middle East should continue to provide strength to oil prices.

COMBINED FUNDS

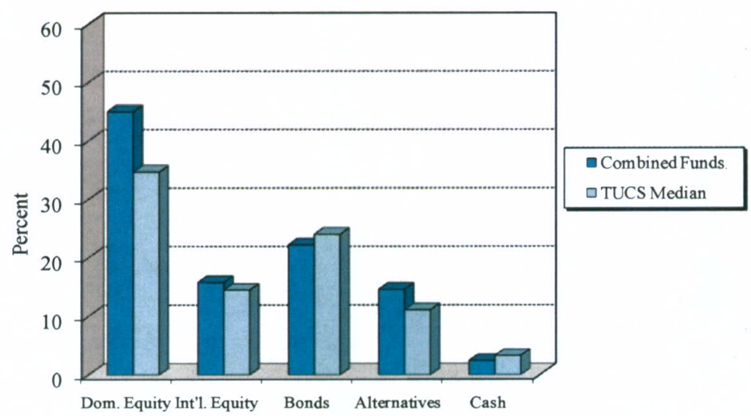
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over $1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On June 30, 2011, the asset mix of the Combined Funds was:

	$ Millions	%
Domestic Stocks	$21,481	45.0%
International Stocks	7,547	15.8
Bonds	10,590	22.2
Alternative Assets	7,012	14.6
Unallocated Cash	1,155	2.4
Total	$47,785	100.0%

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



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	**45.0%**	**15.8%**	**22.2%**	**14.6%**	**2.4%**
Median Allocation in TUCS*	34.7	14.5	24.0	11.1**	3.3

* Public and corporate plans over $1 billion.

** May include assets other than alternatives.

COMBINED FUNDS
Performance Compared to Other Pension Funds

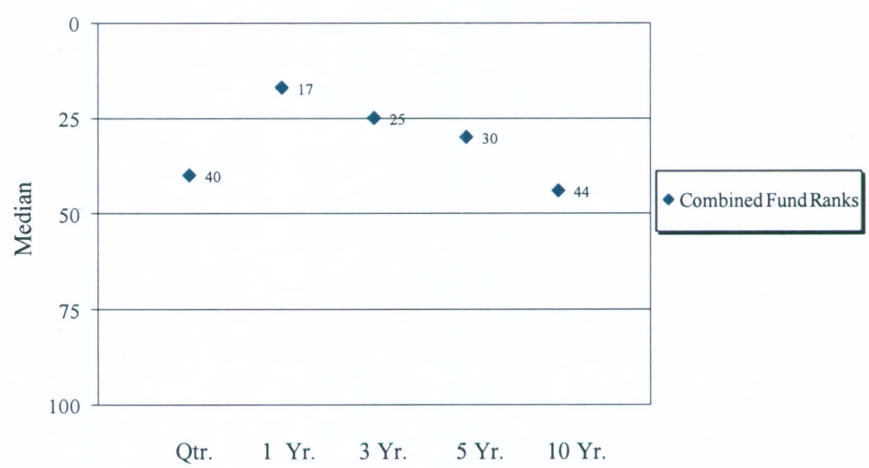
While the SBI is concerned with how its returns compare to other pension investors, universe comparisons should be used with great care. There are several reasons why such comparisons will provide an "apples to oranges" look at performance:

— **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 6/30/2011

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	40th	17th	25th	30th	44th

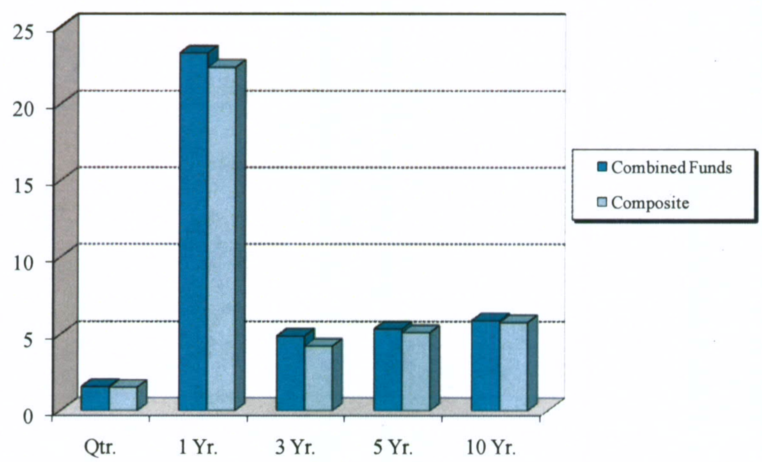
* Compared to public and corporate plans greater than $1 billion, gross of fees.

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* 2Q11
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	23.9*
Alternative Investments	Alternative Investments	14.1*
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 6/30/2011

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	**1.6%**	**23.3%**	**4.9%**	**5.3%**	**5.9%**
Composite Index	1.5	22.4	4.2	5.1	5.8

** Actual returns are reported net of fees.

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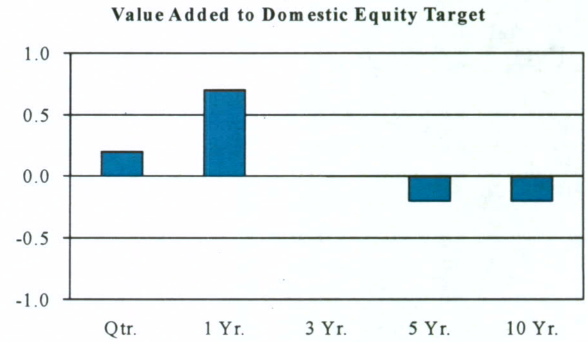
STOCK AND BOND MANAGERS

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 6/30/2011

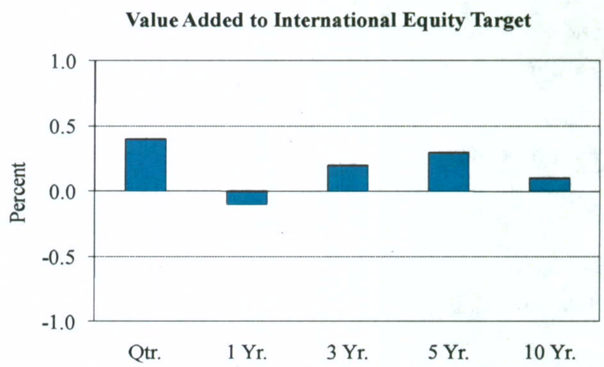
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Domestic Stocks	**0.2%**	**33.1%**	**4.0%**	**3.2%**	**3.2%**
Asset Class Target*	0.0	32.4	4.0	3.4	3.4

* The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index.

International Stocks

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

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



Period Ending 6/30/2011

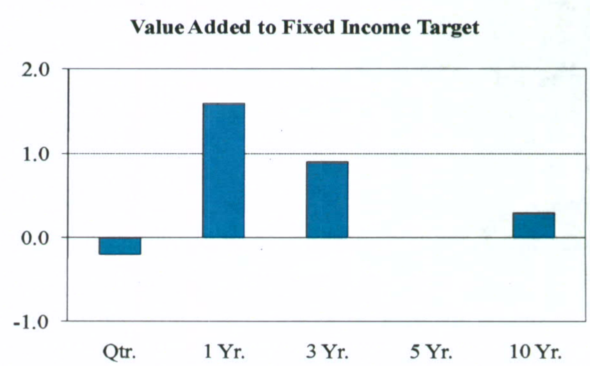
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Int'l. Stocks	**0.8%**	**29.6%**	**-0.1%**	**4.0%**	**7.5%**
Asset Class Target*	0.4	29.7	-0.3	3.7	7.4

* 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 6/30/2011

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Bonds	**2.1%**	**5.5%**	**7.4%**	**6.5%**	**6.0%**
Asset Class Target	2.3	3.9	6.5	6.5	5.7

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 6/30/2011	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Alternatives	6.5%	18.6%	3.8%	9.8%	13.0%
Inflation	1.0%	3.6%	1.0%	2.2%	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 6/30/2011	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Real Estate	6.9%	18.7%	-10.2%	0.0%	6.0%

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 6/30/2011	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Private Equity	5.0%	20.0%	6.5%	10.9%	12.7%

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 6/30/2011	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Resource	16.1%	19.8%	8.8%	17.4%	24.3%

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 6/30/2011	Qtr.	Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Yield Oriented	6.4%	12.7%	5.4%	11.5%	15.4%

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 June 30, 2011 the market value of the entire Fund was $1.3 billion.

Investment Options

	6/30/2011 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	$258
Growth Share Account – an actively managed, all common stock portfolio.	$131
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	$254
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	$133
Bond Market Account – an actively managed, all bond portfolio.	$148
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	$184
Fixed Interest Account – a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.	$151
Volunteer Firefighter Account – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	$3

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

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

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

	Target	Actual
Stocks	60.0%	59.6%
Bonds	35.0	35.2
Unallocated Cash	5.0	5.2
	100.0%	100.0%

Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**0.5%**	**20.6%**	**5.9%**	**5.2%**	**4.7%**
Benchmark*	0.8	20.3	4.6	4.4	4.4

* 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 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**0.4%**	**33.8%**	**4.1%**	**3.1%**	**3.0%**
Benchmark*	0.0	32.4	4.0	3.4	3.4

* 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 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-0.1%**	**32.0%**	**4.1%**	**3.5%**	**3.5%**
Benchmark*	0.0	32.4	4.0	3.4	3.4

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

INTERNATIONAL SHARE ACCOUNT

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

Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**0.8%**	**29.6%**	**0.1%**	**4.1%**	**7.6%**
Benchmark*	0.4	29.7	-0.3	3.7	7.4

* 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 6/30/2011					
			Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Account	**2.1%**	**5.5%**	**7.4%**	**6.6%**	**6.0%**
Barclays Capital Aggregate	2.3	3.9	6.5	6.5	5.7

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 6/30/2011					
			Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Account	**0.1%**	**0.3%**	**0.6%**	**2.3%**	**2.3%**
3 month T-Bills	0.0	0.1	0.3	1.8	2.0

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 6/30/2011					
			Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Account	**0.8%**	**3.8%**	**4.3%**	**4.5%**	**4.7%**
Benchmark*	0.3	1.3	1.8	2.8	3.2

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

VOLUNTEER FIREFIGHTER ACCOUNT

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

The Account is invested in a balanced portfolio:

	Target	**Actual**
Domestic Stocks	35.0	35.8%
International Stocks	15.0	14.9
Bonds	45.0	43.7
Cash	5.0	5.6
	100.0%	100.0%

Period Ending 6/30/2011					
			Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Account	**1.0%**	**17.5%**	**N/A**	**N/A**	**N/A**
Benchmark*	1.1	17.1	N/A	N/A	N/A

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	6/30/2011 Market Value (in Millions)
Vanguard Institutional Index (passive)	$457
Janus Twenty (active)	$403
Legg Mason Appreciation I (active)	$129
Vanguard Mid Cap Index (passive)	$235
T. Rowe Price Small Cap (active)	$460
Fidelity Diversified International (active)	$250
Vanguard Institutional Developed Markets (passive)	$107
Dodge & Cox Balanced Fund (active)	$283
Vanguard Balanced Fund (passive)	$202
Dodge & Cox Income Fund (active)	$160
Vanguard Total Bond Market Fund (passive)	$139
SIF Money Market Account	$72
SIF Fixed Interest Account	$1,222

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

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

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**0.1%**	**30.7%**	**3.4%**	**3.0%**
S&P 500	0.1	30.7	3.3	2.9

Janus Twenty (active)

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

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**0.0%**	**22.5%**	**-4.0%**	**6.4%**
S&P 500	0.1	30.7	3.3	2.9

Legg Mason Partners Appreciation I (active)

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

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**0.1%**	**26.2%**	**3.0%**	**4.4%**
S&P 500	0.1	30.7	3.3	2.9

MID CAP EQUITY

Vanguard Mid Cap Index (passive)

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

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-0.1%**	**38.7%**	**6.4%**	**5.1%**
MSCI US Mid-Cap 450	-0.1	38.7	6.4	5.1

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.

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-0.5%**	**43.9%**	**13.9%**	**6.8%**
Russell 2000	-1.6	37.4	7.8	4.1

INTERNATIONAL EQUITY

Fidelity Diversified International (active)

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

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**0.1%**	**30.5%**	**-3.3%**	**1.4%**
MSCI EAFE	1.6	30.4	-1.8	1.5

Vanguard Institutional Developed Markets (passive)

- A fund that passively invests in stocks of companies located outside the United States that tracks the MSCI EAFE index.

Period Ending 6/30/2011				
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**2.1%**	**32.3%**	**-1.4%**	**1.8%**
MSCI EAFE	1.6	30.4	-1.8	1.5

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

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

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**0.7%**	**24.2%**	**4.5%**	**2.4%**
Benchmark	1.0	19.6	5.0	4.7

Vanguard Balanced Fund (passive)

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

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**1.0%**	**20.5%**	**5.8%**	**5.3%**
Benchmark	0.9	20.6	5.6	5.1

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.

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**1.8%**	**6.0%**	**8.5%**	**7.1%**
Barclays Capital Agg.	2.3	3.9	6.5	6.5

Vanguard Total Bond Market Fund (passive)

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

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**2.3%**	**3.7%**	**6.4%**	**6.6%**
Barclays Capital Agg.	2.3	3.9	6.5	6.5

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.

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**0.1%**	**0.3%**	**0.6%**	**2.3%**
3-Mo. Treas.	0.0	0.1	0.3	1.8

FIXED INTEREST ACCOUNT

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

Period Ending 6/30/2011	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Fund	**0.8%**	**3.8%**	**4.3%**	**4.5%**
Benchmark	0.3	1.3	1.8	2.8

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.

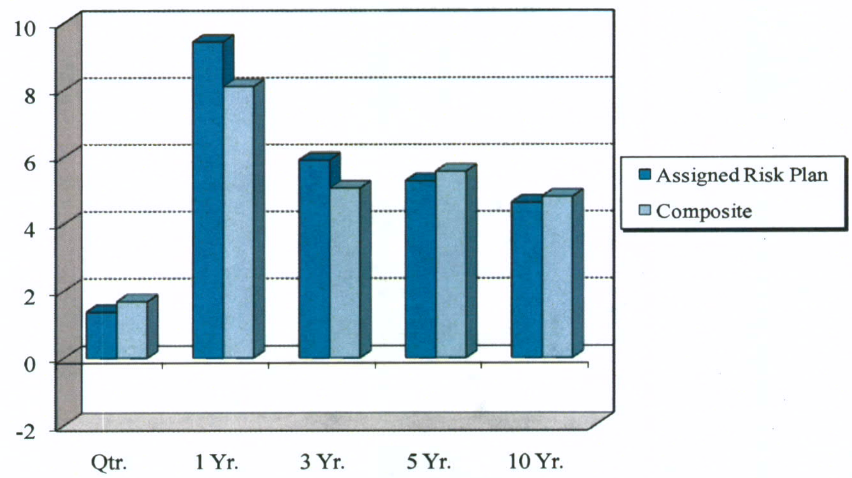
Asset Mix
The Assigned Risk Plan is invested in a portfolio of common stocks and bonds. The actual asset mix will fluctuate in response to changes in the Plan's liability stream.

	6/30/2011 Target	6/30/2011 Actual
Stocks	20.0%	22.3%
Bonds	80.0	77.7
Total	100.0%	100.0%

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

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

Market Value
On June 30, 2011 the market value of the Assigned Risk Plan was $311 million.



Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Fund*	**1.4%**	**9.4%**	**5.9%**	**5.3%**	**4.6%**
Composite	1.7	8.1	5.1	5.6	4.8
Equity Segment*	**-1.3**	**27.6**	**2.8**	**3.8**	**2.8**
Benchmark	0.1	30.7	3.3	2.9	2.7
Bond Segment*	**2.2**	**5.3**	**6.5**	**5.5**	**4.8**
Benchmark	2.1	2.9	5.1	5.9	5.1

* 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.

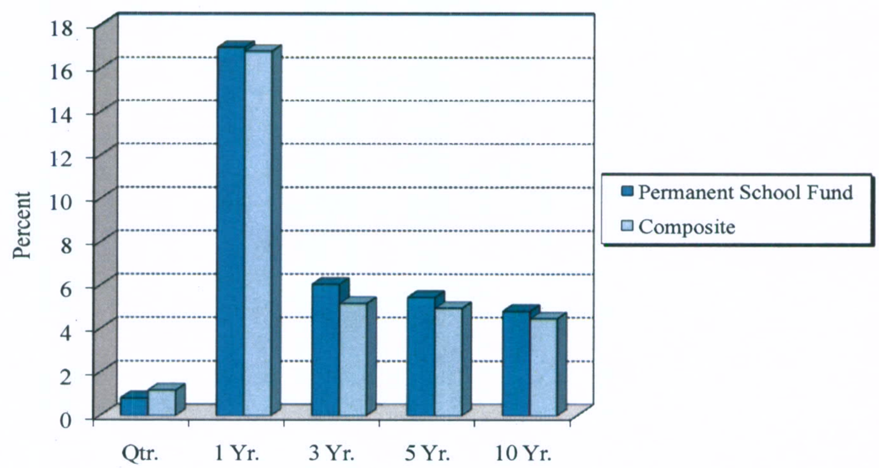
Asset Mix
Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	6/30/2011 Target	6/30/2011 Actual
Stocks	50.0%	49.7%
Bond	48.0	48.3
Cash	2.0	2.0
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 June 30, 2011 the market value of the Permanent School Fund was $785 million.



Period Ending 6/30/2011

	Qtr.	1 Yr. (Annualized)	3 Yr.	5 Yr.	10 Yr.
Total Fund*	**0.8%**	**17.0%**	**6.0%**	**5.4%**	**4.8%**
Composite	1.2	16.8	5.2	4.9	4.5
Equity Segment*	**0.1**	**30.8**	**3.4**	**3.0**	**2.8**
S&P 500	0.1	30.7	3.3	2.9	2.7
Bond Segment*	**1.5**	**4.3**	**7.4**	**7.1**	**6.3**
Barclays Capital Agg.	2.3	3.9	6.5	6.5	5.7

* Actual returns are calculated net of fees.

ENVIRONMENTAL TRUST FUND

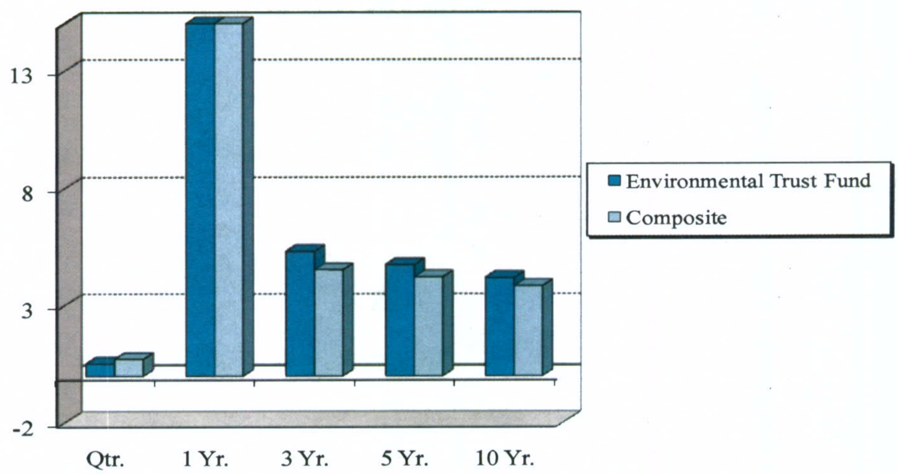
Investment Objective
The objective of the Environmental Trust Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

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 June 30, 2011 the market value of the Environmental Trust Fund was $575 million.

	6/30/2011 Target	6/30/2011 Actual
Stocks	70.0%	70.0%
Bonds	28.0	28.0
Cash	2.0	2.0
Total	100.0%	100.0%



Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Fund*	**0.5%**	**22.1%**	**5.3%**	**4.7%**	**4.2%**
Composite	0.7	22.2	4.5	4.2	3.8
Equity Segment*	**0.1**	**30.8**	**3.5**	**3.1**	**2.8**
S&P 500	0.1	30.7	3.3	2.9	2.7
Bond Segment*	**1.5**	**4.3**	**7.4**	**7.1**	**6.3**
Barclays Capital Agg.	2.3	3.9	6.5	6.5	5.7

* Actual returns are calculated net of fees.

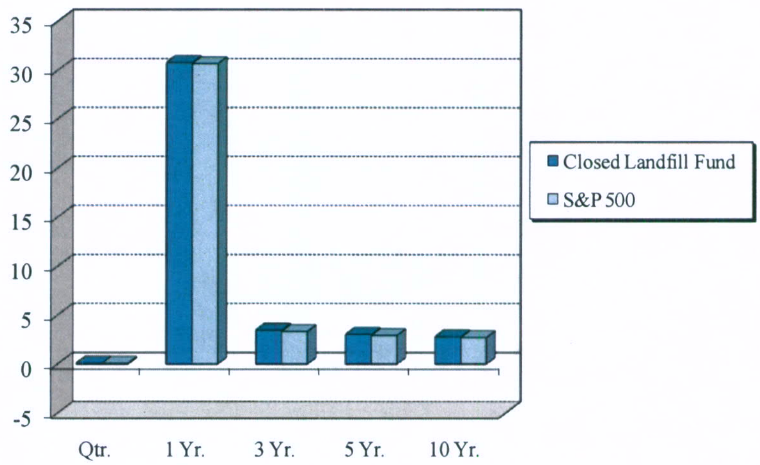
CLOSED LANDFILL INVESTMENT FUND

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

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

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

Market Value
On June 30, 2011, the market value of the Closed Landfill Investment Fund was $0.7 million. During the 2010 legislative session, $48 million was withdrawn for budget purposes.



Period Ending 6/30/2011

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Total Fund (1)	**0.1%**	**30.8%**	**3.5%**	**3.1%**	**2.8%**
S&P 500	0.1	30.7	3.3	2.9	2.7

(1) Actual returns are calculated net of fees.

STATE CASH ACCOUNTS

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

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

1. Trust Fund Pool contains the temporary cash balances of certain trusts and retirement-related accounts.

2. Treasurer's Cash Pool contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non dedicated cash in the State Treasury.

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

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

Investment Objectives

Safety of Principal. To preserve capital.

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

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

Asset Mix
The SBI maximizes current income while preserving capital by investing all cash accounts in high quality, liquid short term investments. These include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, and certificates of deposit.

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

Period Ending 6/30/2011

	Market Value (Millions)	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	**$5,908**	**0.2%**	**0.6%**	**1.6%**	**2.9%**	**2.7%**
Custom Benchmark**		0.0	0.0	0.3	1.9	2.0
Trust Fund Cash Pool*	**$137**	**0.1**	**0.3**	**0.6**	**2.2**	**2.3**
Custom Benchmark		0.0	0.0	0.3	1.9	1.8
3 month T-Bills		0.0	0.1	0.3	1.8	2.0

* Actual returns are calculated net of fees.

** Beginning in January 2003, the Treasurer's Cash Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From January 1997 to December 2002 the fund was measured against a blended benchmark consisting of the Barclays Capital 1-3 year Government Index and the iMoneyNet, All Taxable Money Fund Report Average. The proportion of each component of the blended benchmark is adjusted periodically as the asset allocation of the Cash Pool is modified.

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MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment

Market Value June 30, 2011 (in Thousands)

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	411,673	0	3,821,522	0	7,751,891	2,723,272	2,530,478	17,238,836
	2.39%		22.17%		44.97%	15.79%	14.68%	100%
Public Employees Retirement Fund	323,195	0	3,001,635	0	6,088,764	2,139,009	1,987,577	13,540,180
	2.38%		22.17%		44.97%	15.80%	14.68%	100%
State Employees Retirement Fund	230,067	0	2,029,888	0	4,117,592	1,446,527	1,344,120	9,168,194
	2.51%		22.14%		44.91%	15.78%	14.66%	100%
Public Employees Police & Fire	126,555	0	1,175,361	0	2,384,200	837,580	778,283	5,301,979
	2.38%		22.17%		44.97%	15.80%	14.68%	100%
Highway Patrol Retirement Fund	14,141	0	125,526	0	254,628	89,452	83,119	566,866
	2.50%		22.14%		44.92%	15.78%	14.66%	100%
Judges Retirement Fund	3,966	0	32,657	0	66,243	23,272	21,624	147,762
	2.68%		22.10%		44.83%	15.75%	14.64%	100%
Correctional Employees Retirement	16,839	0	142,227	0	288,504	101,353	94,178	643,101
	2.62%		22.12%		44.86%	15.76%	14.64%	100%
Public Employees Correctional	6,631	0	61,581	0	124,916	43,883	40,777	277,788
	2.38%		22.17%		44.97%	15.80%	14.68%	100%
Legislative Retirement Fund	449	0	4,172	0	8,462	2,973	2,762	18,818
	2.38%		22.17%		44.97%	15.80%	14.68%	100%
PERA Minneapolis Retirement	21,037	0	195,364	0	396,296	139,220	129,364	881,281
	2.38%		22.17%		44.97%	15.80%	14.68%	100%
TOTAL COMBINED FUNDS	1,154,553	0	10,589,933	0	21,481,496	7,546,541	7,012,282	47,784,805
	2.42%		22.16%		44.95%	15.79%	14.68%	100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	13,314	90,999	0	0	154,004	0	0	258,317
	5.15%	35.23%			59.62%			100%
Growth Share Account	0	0	0	0	131,447	0	0	131,447
					100.00%			100%
Money Market Account	183,687	0	0	0	0	0	0	183,687
	100.00%							100%
Common Stock Index	0	0	0	0	254,099	0	0	254,099
					100.00%			100%
Bond Market Account	0	0	148,466	0	0	0	0	148,466
			100.00%					100%
International Share Account	0	0	0	0	0	132,728	0	132,728
						100.00%		100%
Stable Value Fund	0	0	150,838	0	0	0	0	150,838
			100.00%					100%
Volunteer Firefighters Account	191	0	1,493	0	1220	509	0	3,413
	5.60%		43.74%		35.75%	14.91%		100%
TOTAL SUPPLEMENTAL FUNDS	197,192	90,999	300,797	0	540,770	133,237	0	1,262,995
	15.61%	7.20%	23.82%		42.82%	10.55%		100%
MN DEFERRED COMP PLAN	85,213	0	1,663,442	0	2,012,944	356,685	0	4,118,284
	2.07%		40.39%		48.88%	8.66%		100%
TOTAL RETIREMENT FUNDS	1,436,958	90,999	12,554,172	0	24,035,210	8,036,463	7,012,282	53,166,084
	2.70%	0.17%	23.61%		45.21%	15.12%	13.19%	100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
ASSIGNED RISK PLAN	7,352 2.36%	0	234,837 75.38%	0	69,337 22.26%	0	0	311,526 100%
ENVIRONMENTAL FUND	11,578 2.01%	161,324 28.06%	0	401,983 69.93%	0	0	0	574,885 100%
PERMANENT SCHOOL FUND	15,776 2.01%	379,269 48.31%	0	390,081 49.68%	0	0	0	785,126 100%
CLOSED LANDFILL INVESTMENT	0	0	0	776 100.00%	0	0	0	776 100%
TREASURERS CASH	5,908,252 100.00%	0	0	0	0	0	0	5,908,252 100%
HOUSING FINANCE AGENCY	0	78,697 100.00%	0	0	0	0	0	78,697 100%
MINNESOTA DEBT SERVICE FUND	0	63,135 100.00%	0	0	0	0	0	63,135 100%
MISCELLANEOUS ACCOUNTS	167,311 24.27%	285,292 41.38%	0	236,838 34.35%	0	0	0	689,441 100%
TOTAL CASH AND NON-RETIREMENT	6,110,269 72.64%	967,717 11.50%	234,837 2.79%	1,029,678 12.24%	69,337 0.83%	0	0	8,411,838 100%
GRAND TOTAL	7,547,227 12.26%	1,058,716 1.72%	12,789,009 20.77%	1,029,678 1.67%	24,104,547 39.14%	8,036,463 13.05%	7,012,282 11.39%	61,577,922 100%

TAB

B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: August 16, 2011

TO: Members, State Board of Investment

FROM: Howard Bicker

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the Fiscal Year 2011 is included as **Attachment A**. A report on the SBI's administrative budget for the Fiscal Year 2012 Year to Date is included as **Attachment B**.

A report on travel for the period from May 5, 2011 – August 4, 2011 is included as **Attachment C**.

2. Legislative Update

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

3. Update on Sudan

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with operations in Sudan. Staff receives periodic reports from the Conflict Risk Network (CRN) about the status of companies with operations in Sudan.

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

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

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

- 100% shall be sold within fifteen months after the company appeared on the list.

SBI managers divested 1,085,400 shares in two companies in the second quarter.

Attachment E is a copy of the June 9, 2011 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

4. Update on Iran

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

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

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

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

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

Attachment G is a copy of the June 9, 2011 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. Update of the SBI's Certificate of Deposit (CD) Program

For over 30 years the SBI has had a program whereby it purchases CD's from financial institutions throughout the State of Minnesota. The CD's are backed by FDIC insurance. Until 2008, the maximum insurance was $100,000. The SBI invests the assets of eight retirement plans; therefore, the Board could purchase CD's up to $750,000 and still maintain a margin of safety.

During the financial crisis of 2008-2009, the FDIC increased the insurance to $250,000. Staff is reviewing the possibility of increasing the maximum CD purchase to $1.5 million. Before a final decision is reached, a review of the new FDIC regulations must be completed by legal counsel.

6. Litigation Update

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on September 7, 2011.

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ATTACHMENT A

STATE BOARD OF INVESTMENT
FISCAL YEAR 2011 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR 2011 FINAL

ITEM	FISCAL YEAR 2011 BUDGET	FISCAL YEAR 2011 ACTUAL
PERSONAL SERVICES		
FULL TIME EMPLOYEES	$ 2,845,000	$ 2,771,646
PART TIME EMPLOYEES	$ 69,000	$ 68,582
SEVERENCE PAYOFF	0	17,705
WORKERS COMPENSATION INSURANCE	600	569
MISCELLANEOUS PAYROLL	0	0
SUBTOTAL	**$ 2,914,600**	**$ 2,858,502**
STATE OPERATIONS		
RENTS & LEASES	200,000	205,788
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	12,601
PRINTING & BINDING	4,000	3,198
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	13,234
COMMUNICATIONS	29,000	24,569
TRAVEL, IN-STATE	900	385
TRAVEL, OUT-STATE	40,000	29,109
SUPPLIES	30,000	30,219
EQUIPMENT	10,000	3,570
EMPLOYEE DEVELOPMENT	5,000	14,580
OTHER OPERATING COSTS	9,000	42,144
SUBTOTAL	**$ 357,900**	**$ 379,397**
TOTAL ADMINISTRATIVE BUDGET	**$ 3,272,500**	**$ 3,237,899**

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ATTACHMENT B

STATE BOARD OF INVESTMENT
FISCAL YEAR 2012 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR TO DATE THROUGH JULY 31, 2011

ITEM	FISCAL YEAR 2012 BUDGET	FISCAL YEAR 2012 7/31/2011
PERSONAL SERVICES		
FULL TIME EMPLOYEES	$ 2,845,000	$ 222,478
PART TIME EMPLOYEES	$ 69,000	$ 5,657
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	600	0
MISCELLANEOUS PAYROLL	0	0
SUBTOTAL	**$ 2,914,600**	**$ 228,135**
STATE OPERATIONS		
RENTS & LEASES	200,000	17,450
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	0
PRINTING & BINDING	4,000	0
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	18,000	0
COMMUNICATIONS	28,000	0
TRAVEL, IN-STATE	900	0
TRAVEL, OUT-STATE	38,000	0
SUPPLIES	30,000	198
EQUIPMENT	5,000	0
EMPLOYEE DEVELOPMENT	5,000	0
OTHER OPERATING COSTS	9,000	243
SUBTOTAL	**$ 347,900**	**$ 17,891**
TOTAL ADMINISTRATIVE BUDGET	**$ 3,262,500**	**$ 246,026**

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ATTACHMENT C

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel May 5, 2011 – August 4, 2011

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring **Domestic Equity Managers:** BlackRock, Hotchkis & Wiley, Mellon Capital Mgmt. **Manager Monitoring** **Master Custodian:** State Street Investment Analytics Client Advisory Board Meeting	T. Richardson	Los Angeles, CA San Francisco, CA 5/9-5/12	$1,097.91
Manager Monitoring **Domestic Equity Managers** LSV Asset Mgmt., UBS Global Asset Mgmt. **Conference:** Wilshire Compass Technology Seminar sponsored by: Wilshire	P. Ammann	Chicago, IL 5/16-5/18	$635.94
Manager Monitoring **Domestic Equity Managers:** Martingale Asset Mgmt., Mellon Capital Mgmt. **Manager Monitoring** **Master Custodian:** State Street Global Markets Annual Research Retreat	T. Brusehaver	Boston, MA 5/18-5/20	$1,553.85
Manager Monitoring **Alternative Investment Managers:** GTCR, The Banc Funds **Conference:** ILPA Institute Level 1 Private Equity Education sponsored by: ILPA Chicago Booth School of Business	J. Kirby	Chicago, IL 6/6-6/9	$3,071.01

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring Fixed Income Manager: Neuberger Berman	M. Menssen R. Hill	Chicago, IL 6/21	$431.90
Conference: Public Fund Summit East sponsored by: Opal Financial Group	H. Bicker	Newport, RI 7/18-7/20	$932.39
Manager Monitoring Alternative Investment Managers: Advent International, Audax, Blackstone, Court Square, Credit Suisse, Goldman Sachs Capital Partners, KKR, Summit Partners, TA Realty, Vestar Capital Partners, Warburg Pincus **Manager Monitoring Master Custodian:** State Street Private Edge Group	J. Kirby	New York, NY Boston, MA 7/25-7/29	1,895.41
Conference: Badger/Gopher Roundtable sponsored by: Sentry Insurance Company	J. Griebenow	Stevens Point, WI 7/28-7/29	$305.00

Bills of Interest to the Minnesota State Board of Investment
2011 Legislative Session
Includes Action Through 7/15/11

Description of Bill	HF/SF # and Author	Current Status
SBI Budget in State Department's Budget Bill	SF 12 (Parry) See Article 1, Section 8	Laws of Minnesota 2011, 1st Special Session, Chapter 10
E-verify Requirement for contracts - SBI exempted	SF 12 (Parry) See Article 3, Section 29	Laws of Minnesota 2011, 1st Special Session, Chapter 10
Consolidating IT Services - Study required about adding SBI and retirement systems	SF 12 (Parry) See Article 4, Section 7	Laws of Minnesota 2011, 1st Special Session, Chapter 10
Minneapolis Fire and Police Consolidation into PERA	HF 14 (Lanning) See Articles 6, 7	Laws of Minnesota 2011, 1st Special Session, Chapter 8
State Auditor Investment Study Bill	SF 927 (Rosen)	Referred to State Government Innovation and Veterans
	HF 1555 (Murphy, M.)	Referred to Government Operations and Elections

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Letter to SBI International Equity Managers and Domestic Equity Managers

June 9, 2011

Regarding: Sudan Companies

Dear Manager:

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

Minnesota Statutes, section 11A.243 requires the SBI to implement a Sudan restriction.

Attachment 1 is the List of Restricted Sudan Stocks. **These securities <u>may not be purchased</u> for the SBI portfolio that your organization manages**. Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the March 10, 2011 letter you received. **<u>This new list is effective June 14, 2011.</u>**

- The following companies have been added to the restricted list:
    - Biopetrol Industries AG (Switzerland)
    - China Gezhouba Group Company Limited (China)
    - Glencore International PLC (Switzerland)
    - KEPCO Plant Service & Engineering Company Limited (South Korea)
    - LS Industrial Systems (South Korea)
    - PTT Aromatics & Refinery (Thailand)
    - PTT Chemical PCL (Thailand)

Attachment 2 is the List of Sudan Stocks Requiring Divestment. There were no changes.

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

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

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

ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	**Country of Origin**
Ranhill Berhad	Malaysia
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
PTT Public Company AKA PTT	Thailand
PTT Exploration & Production PCL	Thailand
PTT Aromatics & Refinery	Thailand
PTT Chemical PCL	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
JX Holdings, Inc.	Japan
Glencore International PLC	Switzerland
Biopetrol Industries AG	Switzerland
Chemoil Energy Limited	Switzerland
Minara Resources Limited	Switzerland
KEPCO Plant Service & Engineering Company Limited	South Korea
LS Industrial Systems	South Korea

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

Source: Genocide Intervention Network

SBI Effective Date: June 14, 2011

ATTACHMENT 2

Sudan Stocks Requiring Divestment			
Company Name	**Country of Origin**	**Divest 50 Percent By this Date**	**Divest 100 Percent By this date**
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
PTT Public Company Limited	Thailand	August 31, 2010	February 28, 2011
Dongfeng Motor Group Company Limited	China	March 31, 2011	September 30, 2011
JX Holdings, Inc.	Japan	March 31, 2011	September 30, 2011
PTT Exploration & Production PCL	Thailand	March 31, 2011	September 30, 2011

Note: AKA means "Also Known As"

Source: Conflict Risk Network

SBI Effective Date: June 14, 2011

Security Identifiers for "Scrutinized" Stocks

ATTACHMENT 3

The following security identifiers correlate with the May 31, 2011 issue of the Sudan Company Report

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED.

STOCKS ADDED SINCE LAST REPORT ARE HIGHLIGHTED

Company	Primary Company (Affiliate Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CINS	Fondscode
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	OTC US (XOTC)	Common Stock	ALSTOM	AOMFF US	A0F7BK	B0GLY93 US			FR0010220475	022581074	F0259M475	
ALSTOM (FRANCE)	ALSTOM	Frankfurt (XFRA)	Common Stock	ALSTOM	AOMD GR	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	PLUS Mket Grp (XPLU)	Common Stock	ALSTOM	ALO PZ	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Chi-X Alt TS (CHIX)	Common Stock	ALSTOM	ALSP IX	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBX EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBX EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBP EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOUSD EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOUSD EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Turquoise (TRQX)	Common Stock	ALSTOM	ALO TQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Equiduct (XEQT)	Common Stock	ALSTOM	ALO BQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	BATS Europe (BATE)	Common Stock	ALSTOM	ALO EB	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALO EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOCHF EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOCHF EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALONOK EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALONOK EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOAUD EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOAUD EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Quote MTF (QMTF)	Common Stock	ALSTOM	ALO QM	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	LSE EuropeQS (XLON)	Common Stock	ALSTOM	ALO LI	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Tradegate (XGAT)	Common Stock	ALSTOM	AOMD TH	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALONV FP		B5Q4ST5 FR			FR0010978791	061361090		
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO S1	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM PROJECTS INDIA LTD (INDIA)	ALSTOM	Natl India (XNSE)	Common Stock	ALSTOM PROJECTS INDIA LTD	ABBAP IN	A0EAYM	6230834 IN			INE878A01011			
WUHAN BOILER CO (CHINA)	ALSTOM	Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO-B	200770 CH	913669	6111928 CN			CNE000000VM7			
AREF ENERGY HOLDING COMPANY (KUWAIT)	AREF ENERGY HOLDING COMPANY	Kuwait (XKUW)	Common Stock	AREF ENERGY HOLDING CO KSCC	AREFENRGKK	A0KD4C	B13BW99 KW			KW0EQ0601801			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	A0M4WY	6707899 HK			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	A0M4WY	B1BJK68 DE			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVIJF US	A0M4WY	B01W4B3 US			CNE1000001Y8		Y0485Q109	
HAFEI AVIATION INDUSTRY CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600038 CH	A0M4ER	6306586 CN			CNE0000015V6			
HARBIN DONGAN AUTO ENGINE CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HARBIN DONGAN AUTO ENGINE-A	600178 CH	A0M369	6128519 CN			CNE000000XJ9			
CHINA GEZHOUBA GROUP COMPANY LTD (CHINA)	CHINA GEZHOUBA GROUP COMPANY LTD	Shanghai (XSHG)	Common Stock	CHINA GEZHOUBA GROUP CO LT-A	600068 CH	A0M31Z	6377214 CN			CNE000000QF1			
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAQING HUAKE GROUP CO-A	000985 CH	A0M4C2	6277949 CN			CNE000001402			
JINAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	JINAN DIESEL ENGINE CO-A	000617 CH	A0M3ZT	6486109 CN			CNE000000MS3			
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	KUNLUN ENERGY CO LTD	135 HK	A1CV3E	6340078 HK		952131	BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 GR	A1CV3E	5387753 DE		952131	BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	Common Stock	KUNLUN ENERGY CO LTD	KUNUF US	A1CV3E	B01DDZ3 US		952131	BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OOTC)	ADR	CNPC HONG KONG LTD-UNSP ADR	KLYCY US		B3L2812 US			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	601857 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		
NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000065 CH	A0M35W	6112125 CN			CNE000000VZ9			
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CH	A0M30T	6796143 CN			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			CNE100000BW7			
CHINA NORTH OPTICAL-ELECTRICAL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CH	A0M4L5	6649946 CN			CNE000001F88			
CHINA NORTH OPTICAL-ELECTRICAL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CG	A0M4L5	6649946 CN			CNE000001F88			
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Hong Kong (XHKG)	Common Stock	AKM INDUSTRIAL CO LTD	8298 HK	A0D86T	B02J0J3 HK			HK8298013897			
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIQ 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	SNPMF US	A0M4XN	B01XKR4 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-CEDBL	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 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		
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	SPKOY US		B3KRT60 US			US82934W2070			
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	600688 CH	A0M3RA	6802794 CN			CNE000000BB2			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR	A0M4Y5	5888632 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	A0M4Y6	6984669 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	A0M4Y6	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	A0M4Y6	4303675 DE		917709	CNE1000004D6	008069662		
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	600871 CH	A0M3V6	6986740 CN			CNE000000HS3			
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Hong Kong (XHKG)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	489 HK	A0M4XY	B0PH5N3 HK			CNE100000312	023857456		
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US (OOTC)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	DNFGF US	A0M4XY	B0XZY65 US			CNE100000312	023857456	Y21042109	
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Frankfurt (XFRA)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D GR	A0M4XY	B0TBB66 DE			CNE100000312	023857456		
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Tradegate (XGAT)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D TH	A0M4XY	B0TBB66 DE			CNE100000312	023857456		
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US	ADR	DONGFENG MOTOR GRP-H-UNS ADR	DNFGY US		B3SQPT4 US			US2577382037			
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Cairo (XCAI)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHO EY	A0H1G7	B0QMD00						
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Kuwait (XKUW)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHOLDINKK	A0H1G7	B0S8H15 KW			EG69082C013			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TB	893182	6304632 TH		929726	TH0465010005	006148590		

Company	Primary Company (Affiliate Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CINS	Fondscode
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCO/F TB	893183	6304643 TH		930467	TH0465010013	006149839		
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Frankfurt (XFRA)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF GR	893183	5336799 DE		930467	TH0465010013	006149839		
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Receipt	ELECTRICITY GENERA PCL-NVDR	EGCO-R TB	676043	6368553 TH			TH0465010R13	015662883		
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (XOTC)	Receipt	ELECTRICITY GENERA PCL-NVDR	EYUUF US	676043	B05PBX9 US			TH0465010R13	015662883	Y22834124	
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	NVAE GR	676043	B01LYC1 DE			TH0465010R13	015662883		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Hong Kong (XHKG)	Common Stock	Glencore International PLC	805 HK	A1JAGV	B3NFYS8			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	London Intl (XLON)	Common Stock	Glencore International PLC	GLEN LN	A1JAGV	B4T3BW6 GB			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Stuttgart (XSTU)	Common Stock	Glencore International PLC	8GC GR	A1JAGV	B55NST3 DE			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	BATS Europe (BATE)	Common Stock	Glencore International PLC	GLEN EB	A1JAGV	B4T3BW6 GB			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Tradegate (XGAT)	Common Stock	Glencore International PLC	8GC TH	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Quote MTF (QMTF)	Common Stock	Glencore International PLC	GLEN QM	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Glencore International PLC	GLEN EO	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLEN EU	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLENEUR EU	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Turquoise (TRQX)	Common Stock	Glencore International PLC	GLEN TQ	A1JAGV	B4T3BW6 GB			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Chi-X Alt TS (CHIX)	Common Stock	Glencore International PLC	GLEN IX	A1JAGV	B4T3BW6 GB			JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Equiduct (XEQT)	Common Stock	Glencore International PLC	GLEN BQ	A1JAGV				JE00B4T3BW64	063082236		
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	PLUS Mket Grp (XPLU)	Common Stock	Glencore International PLC	GLEN PZ	A1JAGV				JE00B4T3BW64	063082236		
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Xetra (XETR)	Common Stock	Biopetrol Industries AG	B2I GR	A0HNQ5	B0Q9VP2 DE			CH0023225938	023647729		
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	Biopetrol Industries AG	BIOPF US	A0HNQ5	B1FDC93 US			CH0023225938	023647729	H0978P112	
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Biopetrol Industries AG	B2I EO	A0HNQ5				CH0023225938	023647729		
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Tradegate (XGAT)	Common Stock	Biopetrol Industries AG	B2I TH	A0HNQ5	B0Q9VP2 DE			CH0023225938	023647729		
MINARA RESOURCES LTD	GLENCORE INTERNATIONAL PLC	ASE (ASE)	Common Stock	MINARA RESOURCES LTD	MRE AU	A0BK97	6031855 AU		934507	AU000000MRE4	018276445		
MINARA RESOURCES LTD	GLENCORE INTERNATIONAL PLC	Frankfurt (XFRA)	Common Stock	MINARA RESOURCES LTD	AQB GR	A0BK97	B1BCMR2 DE			AU000000MRE4	018276445		
MINARA RESOURCES LTD	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	MINARA RESOURCES LTD	MREJF US	A0BK97	B02P358 US			AU000000MRE4	018276445		
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Singapore (XSES)	Common Stock	CHEMOIL ENERGY LTD	CHEME SP	A0LBTC	B1DL5V2 SG			HK0000035819	027111866		
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Berlin (XBER)	Common Stock	CHEMOIL ENERGY LTD	LHT GR	A0LBTC	B1L6R79 DE			HK0000035819	027111866		
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	CHEMOIL ENERGY LTD	CLRGF US	A0LBTC	B1L97F6 US			HK0000035813	027111866	Y1306Z104	
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	ADR	CHEMOIL ENERGY LTD-UNSPN ADR	CLRGY US		B3L34K6 US	16383N102		US16383N1028			
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD aka IOCL	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A0B968	6121563 IN			INE178A01016			
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Natl India (XNSE)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A0B9FM	6253767 IN			INE242A01010			
LANKA IOC LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Colombo (XCOL)	Common Stock	LANKA IOC LTD	LIOC SL	A0D83L	B0591G4 LK			LK0345N00005			
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	JIANGXI HONGDU AVIATION INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	JIANGXI HONGDU AVIATION-A	600316 CH	A0M4EK	6304375 CN			CNE0000015N3			
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	JIANGXI HONGDU AVIATION INDUSTRY CO LTD	OTC US (XOTC)	Common Stock	JIANGXI HONGDU AVIATION-A	JNXIF US	A0M4EK	B1MT2Q1 US			CNE0000015N3		Y4445M109	
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Tokyo (XTKS)	Common Stock	JX HOLDINGS INC	5020 JP	A1CS9H	B627LW9 JP			JP3386450005	049326777		
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Stuttgart (XSTU)	Common Stock	JX HOLDINGS INC	JHJ GR	A1CS9H	B55WTCO DE			JP3386450005	049326777		
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	ADR	JX HOLDINGS INC - UNSPON ADR	JXHLY US	A1CVU3	B588TZ8 US		968503	US4662951023			
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD	Korea (XKRX)	Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KS	A0Q15P	B29ZGV2 KR			KR7051600005			
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD	Korea (XKRX)	Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KP	A0Q15P	B29ZGV2 KR			KR7051600005			
LS INDUSTRIAL SYSTEMS CO., LTD (SOUTH KOREA)	LS INDUSTRIAL SYSTEMS CO., LTD	Korea (XKRX)	Common Stock	LS INDUSTRIAL SYSTEMS	010120 KS	895497	6378217 KR			KR7010120004			
MANAGEM (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNG MC	165414	6287454 MA			MA0000011058			
SOCIETE METALLURGIQUE D'IMITER (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	SOCIETE METALLURGI D'IMITER	SMI MC	256307	6007759 MA			MA0000010068			
MERCATOR LINES (INDIA)	MERCATOR LINES	Natl India (XNSE)	Common Stock	MERCATOR LINES LIMITED	MRLN IN	A0LG0H	B05H3T5 IN			INE934B01028			
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR LINES	Berlin (XBER)	Common Stock	MERCATOR LINES SINGAPORE LTD	3KD GR	A0M91H	B2NBMJ6 DE			SG1W39939069	033670079		
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR LINES	Singapore (XSES)	Common Stock	MERCATOR LINES SINGAPORE LTD	MRLN SP	A0M91H	B29Y4W6 SG			SG1W39939069	033670079		
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	MANGALORE REFINERY & PETRO	MRPL IN	A0NANW	6121530 IN			INE103A01014			
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	A1H6P4	6139362 IN			INE213A01029			
OIL INDIA LTD (INDIA)	OIL INDIA LTD	Natl India (XNSE)	Common Stock	OIL INDIA LTD	OINL IN	A0X9PF	B409HQ9 IN			INE274J01014			
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KPYHF US	A0DJ6E	B08HSK8 US			MYL5089OO007		Y4804V104	
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KLCC MK	A0DJ6E	B02FW17			MYL5089OO007			5089
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY		905279	MYL3816OO005	003527883		3816
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695938 MY			MYL5681OO001	005378044		5681
PETRONAS CHEMICALS GROUP BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS CHEMICALS GROUP BHD	PCHEM MK	A1C891	B5KQGT3			MYL5183OO008	055800235		5183
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS GAS BHD	PTG MK	896633	6703972 MY			MYL6033OO004	007076959		6033
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Munich (XMUN)	Common Stock	PETRONAS GAS BERHAD	PTR GR	896633	5330694 DE			MYL6033OO004	007076959		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL	PTT TB	983094	6420389 TH			TH0646010007	015040319		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL	PETTF	983094	B05PCH0 US			TH0646010007	015040319	Y6883U105	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL-FOREIGN	PETFF US	811962	B1G40G8 US			TH0646010015	013973369	Y6883U113	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL/FOREIGN	PTT/F TB	811962	6420390 TH			TH0646010015	013973369		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT PCL/FOREIGN	PTOF GR	811962	B1BDGH3 DE			TH0646010015	013973369		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT PCL-NVDR	PTT-R TB	754704	6420408 TH			TH0646010R18	016320307		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Receipt	PTT PCL-NVDR	PUTRF US	754704	B0305R8 US			TH0646010R18	016320307		
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT PCL-NVDR	NVA3 GR	754704	B01LYK9 DE			TH0646010R18	016320307	Y6883U121	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLOR & PROD PUBLIC CO	PTTEP TB	A0JKZ6	B1359K1 TH		907061	TH0355A10Z04	025513029		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLORATION & PROD-FOR	PTTEP/F TB	A0JKZV	B1359JO TH		904717	TH0355A10Z12	025257804		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT EXPLORATION & PROD-FOR	PTTG GR	A0JKZV	B13B738 DE		904717	TH0355A10Z12	025257804		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT EXPLORATION & PROD-FOR	PTXLF US	A0JKZV	B13JK44 US		904717	TH0355A10Z12	025257804	Y7145P165	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	ADR	PTT EXPLORATION & PR-SP ADR	PEXNY US	A0RGRM	2408806 US			US69364V1061			
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT EXPLOR & PROD PCL-NVDR	PTTEP-R TB	676051	B1359L2 TH			TH0355010R16	016049000		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT EXPLOR & PROD PCL-NVDR	NVAL GR	676051	B13BP45 DE			TH0355010R16	016049000		
PTT AROMATICS & REFINING PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock		PTTAR TB	A0NAKG	B2B3324 TH			TH0968010007	039410451		
PTT AROMATICS & REFINING PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock		PTTAR/F	A0NAJ2	B2NBM63 TH			TH0968010015	033648995		
PTT AROMATICS & REFINING PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock		3J7 GR	A0NAJ2	B2NFMF4 DE			TH0968010015	033648995		
PTT AROMATICS & REFINING PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt		PTTAR-R TB	A0NAG2	B2NBMH4 TH			TH0968010R16	033649207		
PTT AROMATICS & REFINING PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Berlin (XBER)	Receipt		3J71 GR	A0NAG2	B2NSR81 DE			TH0968010R16	033649207		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock		PTTCH TB	A0ESY5	B0T9JT9 TH			TH0882010000	026590264		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock		PTTCH/F TB	A0HNJL	B0T9TM2 TH			TH0882010018	023822326		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Stuttgart (XSTU)	Common Stock		P7T GR	A0HNJL	B0TLG61 DE			TH0882010018	023822326		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock		PCHUF US	A0HNJL	B16FRQ0 US			TH0882010018	023822326		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD		Common Stock		PTTB IX	A0HNJL	B0T9TM2 TH			TH0882010018	023822326		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt		PTTCH-R TB	A0HNJL	B0T9TY4 TH			TH0882010R19	023822407		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt		P7T1 GR	A0HNJH	B11XRS1 DE			TH0882010R19	023822407		
PTT CHEMICAL PCL (THAILAND)	PTT PUBLIC COMPANY LTD		Receipt		PTTYF US	A0HNJH	B2Q5S75 US			TH0882010R19	023822407		
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	Kuala Lumpur (XKLS)	Common Stock	RANHILL BHD	RANH MK	A0B9G6	6328717 MY			MYL503000001			5030
SCOMI ENGINEERING BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI ENGINEERING BHD	SEB MK	903056	6098452 MY			MYL7366OO007			7366
SCOMI GROUP BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI GROUP BHD	SGB MK	120745	B00PKJ3 MY			MYL7158OO008			7158

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ATTACHMENT F

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

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

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

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

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

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

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

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

June 6, 2011

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June 9, 2011

Regarding: Iran Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the April 18, 2011 letter you received. **This new list is effective June 14, 2011.**

- The following companies have been removed from the restricted list:
    - Lanka IOC PLC
    - OMV Petrom S.A.

The following companies have been added to the restricted list.

- Hyundai Heavy Industries Company Ltd.
- Siemens Aktiengesellschaft
- Welspun Corporation Limited

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

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

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

ISSUER_NAME	ID	TICKER	CUSIP	SEDOL	ISIN	COUNTRY
China Petroleum & Chemical Corporation	IID000000002161850	600028	16941R108	6373728	CNE0000018G1	China
CNOOC Ltd	IID000000002140797	883	126132109	B00G0S5	HK0883013259	Hong Kong
Costain Group PLC	IID000000002133808	COST		B64NSP7	GB00B64NSP76	UK
Daelim Industrial Company Limited	IID000000002163524	000210		6249584	KR7000210005	South Korea
Energetiki i elektrifikatsii OAO AKA Mosenerg	IID000000002127313	MSNG	037376308	B59MBC0	RU0008958863	Russia
Gazprom neft OAO	IID000000002145433	SIBN	36829G107	B59L417	RU0009062467	Russia
Gazprom OAO	IID000000002167503	GAZP	368287207	B59L4L7	RU0007661625	Russia
Hyundai Heavy Industries Co., Ltd.	IID000000002135061	009540		6446620	KR7009540006	South Korea
KunLun Energy Company Limited	IID000000002160624	135	50126A101	6340078	BMG5320C1082	Hong Kong
L'Air Liquide SA	IID000000002124820	AI	009126202	B1YXBJ7	FR0000120073	France
Malaysia International Shipping Company AKA MISC Berhad	IID000000002174397	MISC		6557997	MYL3816OO005	Malaysia
Malaysia Marine and Heavy Engineering Holdings Berhad	IID000000002602213	MHB		B3W5NN7	MYL5186OO001	Malaysia
PetroChina Company Limited	IID000000002179403	601857	71646E100	B28SLD9	CNE1000007Q1	China
Petronas Chemicals Group Berhad	IID000000002603699	PCHEM		B5KQGT3	MYL5183OO008	Malaysia
Petronas Dagangan Bhd	IID000000002179442	PETDAG		6695938	MYL5681OO001	Malaysia
Petronas Gas Berhad	IID000000002178591	PETGAS		6703972	MYL6033OO004	Malaysia
Petrovietnam Fertilizer And Chemicals Corp	IID000000002179451	DPM		B291F68	VN000000DPM1	Vietnam
Petrovietnam Investment Consultancy And Engineering Joint Stock Co	IID000000002179453	PVE		B2NFY69	VN000000PVE0	Vietnam
PetroVietnam Southern Gas Joint Stock Company	IID000000002179409	PGS		B2988V5	VN000000PGS1	Vietnam
Petrovietnam Transportation Corporation	IID000000002148121	PVT		B1LB990	VN000000PVT8	Vietnam
Sasol Limited	IID000000002129090	SOL	803866102	6777450	ZAE000006896	Switzerland
Siemens Aktiengesellschaft	IID000000002183691	SIE	826197501	5727973	DE0007236101	Germany
Sinopec Kantons Holdings Ltd.	IID000000002149237	934	82934W207	6162692	BMG8165U1009	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	IID000000002133087	600688	82935M109	6802794	CNE000000BB2	China
Sinopec Yizheng Chemical Fibre Company Limited	IID000000002125077	600871		6986740	CNE000000HS3	China
Welspun Corp Limited	IID000000002129541	WELCORP		B07PYG1	INE191B01025	India

Effective Date: June 14, 2011

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

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

Effective Date: June 14, 2011

June 9, 2011

Regarding Iran Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the April 18, 2011 letter you received. **This new list is effective June 14, 2011.**

- The following companies have been removed from the restricted list:
    - Lanka IOC PLC
    - OMV Petrom S.A.

The following companies have been added to the restricted list.

- Hyundai Heavy Industries Company Ltd.
- Siemens Aktiengesellschaft
- Welspun Corporation Limited

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

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

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

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

If you have any questions about this matter, please contact Ryan Hill, Portfolio Manager, Long-Term Debt or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

cc.: James E. Heidelberg, Manager, Public Programs
Steve Kuettel, Manager, Short-Term Debt
Ryan Hill, Portfolio Manager, Long-Term Debt

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

ISSUER_NAME	COUNTRY
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Energetiki i elektrifikatsii OAO AKA Mosenerg	Russia
Gazprom neft OAO	Russia
Gazprom OAO	Russia
Hyundai Heavy Industries Co., Ltd.	South Korea
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Malaysia Marine and Heavy Engineering Holdings Berhad	Malaysia
PetroChina Company Limited	China
Petronas Chemicals Group Berhad	Malaysia
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
Petrovietnam Fertilizer And Chemicals Corp	Vietnam
Petrovietnam Investment Consultancy And Engineering Joint Stock Co	Vietnam
PetroVietnam Southern Gas Joint Stock Company	Vietnam
Petrovietnam Transportation Corporation	Vietnam
Sasol Limited	Switzerland
Siemens Aktiengesellschaft	Germany
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Welspun Corp Limited	India

Effective Date: June 14, 2011

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

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

Effective Date: June 14, 2011

TAB

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STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

Second Quarter, 2011

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Domestic Equity

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

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	0.3	0.1	31.9	31.9	1.7	3.7	1.3	3.3
Russell 1000 Growth Aggregate	1.2	0.8	40.4	35.0	6.3	5.0	5.9	5.3
Russell 1000 Value Aggregate	-0.1	-0.5	32.1	28.9	3.4	2.3	1.9	1.2
Russell 2000 Growth Aggregate	-1.1	-0.6	46.2	43.5	4.6	8.4	4.5	5.8
Russell 2000 Value Aggregate	-2.0	-2.6	36.7	31.4	9.9	7.1	2.4	2.2
Active Manager Aggregate	**-0.1**	**-0.3**	**37.1**	**33.5**	**4.9**	**4.5**	**3.4**	**3.5**
Semi-Passive Aggregate	**0.7**	**0.1**	**32.1**	**31.9**	**3.6**	**3.7**	**3.0**	**3.3**
Passive Manager (BlackRock)	**-0.1**	**0.0**	**32.1**	**32.4**	**4.1**	**4.0**	**3.4**	**3.4**
Total Aggregate	**0.2**	**0.0**	**33.1**	**32.4**	**4.0**	**4.0**	**3.2**	**3.4**
Russell 3000 Index		**0.0**		**32.4**		**4.0**		**3.4**

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

COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending June, 2011
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	Pool %
LARGE CAP												
Russell 1000 Core												
New Amsterdam Partners	0.6	0.1	36.3	31.9	3.6	3.7	2.3	3.3	10.2	9.2	$401.8	1.8%
UBS Global	-0.1	0.1	27.5	31.9	3.5	3.7	1.9	3.3	8.4	8.4	$374.6	1.7%
Aggregate	**0.3**	**0.1**	**31.9**	**31.9**	**1.7**	**3.7**	**1.3**	**3.3**			**$776.4**	**3.5%**
Russell 1000 Growth												
INTECH	2.3	0.8	37.2	35.0	4.1	5.0	3.8	5.3	4.0	4.7	$359.1	1.6%
Jacobs Levy	2.1	0.8	40.8	35.0	4.8	5.0	3.7	5.3	3.2	4.7	$325.2	1.5%
Knelman Asset Mgmt.	1.1	0.8	38.1	35.0	3.4	5.0	5.0	5.3	4.6	4.7	$67.2	0.3%
Sands Capital	3.4	0.8	46.2	35.0	10.8	5.0	8.5	5.3	6.6	4.7	$301.4	1.4%
Winslow-Large Cap	0.2	0.8	40.1	35.0	4.8	5.0	7.3	5.3	7.2	4.7	$147.8	0.7%
Zevenbergen Capital	-2.2	0.8	41.8	35.0	10.3	5.0	9.1	5.3	9.8	7.8	$354.1	1.6%
Aggregate	**1.2**	**0.8**	**40.4**	**35.0**	**6.3**	**5.0**	**5.9**	**5.3**			**$1,554.8**	**7.1%**
Russell 1000 Value												
Barrow, Hanley	1.8	-0.5	33.6	28.9	3.9	2.3	1.9	1.2	5.2	4.4	$465.5	2.1%
Earnest Partners	-1.9	-0.5	29.0	28.9	4.4	2.3	2.2	1.2	4.5	4.5	$193.0	0.9%
LSV Asset Mgmt.	-1.0	-0.5	29.5	28.9	3.0	2.3	0.9	1.2	5.4	4.4	$431.4	2.0%
Systematic Financial Mgmt.	-0.4	-0.5	34.7	28.9	2.1	2.3	2.2	1.2	5.3	4.4	$325.4	1.5%
Aggregate	**-0.1**	**-0.5**	**32.1**	**28.9**	**3.4**	**2.3**	**1.9**	**1.2**			**$1,415.3**	**6.4%**
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	0.0	-0.6	42.4	43.5	1.7	8.4	1.0	5.8	3.7	7.1	$235.2	1.1%
Next Century Growth	-2.1	-0.6	49.0	43.5	4.2	8.4	5.6	5.8	1.8	1.7	$301.0	1.4%
Turner Investment Partners	-0.8	-0.6	46.6	43.5	7.5	8.4	6.6	5.8	7.8	7.1	$304.5	1.4%
Aggregate	**-1.1**	**-0.6**	**46.2**	**43.5**	**4.6**	**8.4**	**4.5**	**5.8**			**$840.7**	**3.8%**
Russell 2000 Value												
Goldman Sachs	-0.8	-2.6	35.9	31.4	10.5	7.1	6.0	2.2	8.0	6.3	$166.1	0.8%
Hotchkis & Wiley	-2.8	-2.6	41.3	31.4	12.8	7.1	3.0	2.2	6.5	6.3	$149.7	0.7%
Martingale Asset Mgmt.	-2.9	-2.6	35.6	31.4	4.5	7.1	-1.2	2.2	4.5	6.3	$130.5	0.6%
Peregrine Capital	-1.9	-2.6	35.0	31.4	11.8	7.1	2.3	2.2	10.4	9.5	$231.4	1.1%
Aggregate	**-2.0**	**-2.6**	**36.7**	**31.4**	**9.9**	**7.1**	**2.4**	**2.2**			**$677.7**	**3.1%**
Active Mgr. Aggregate (2)	**-0.1**	**-0.3**	**37.1**	**33.5**	**4.9**	**4.5**	**3.4**	**3.5**			**$5,264.8**	**23.9%**

(1) Since retention by the SBI. Time period varies for each manager.
(2) The Active Manager Aggregate Benchmark is the aggregate of the weighted average of the active manager benchmarks and is not the Russell 3000.

Note: All aggregates include the performance of terminated managers.

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

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	Pool %
SEMI-PASSIVE MANAGERS (2)												
BlackRock Institutional	1.1	0.1	31.8	31.9	2.6	3.7	2.2	3.3	8.3	8.1	$2,243.9	10.2%
INTECH	0.9	0.1	32.3	31.9					13.9	13.3	$1,423.9	6.5%
JP Morgan	0.1	0.1	32.2	31.9	5.2	3.7	4.3	3.3	8.3	8.1	$2,699.0	12.3%
Mellon Capital	1.0	0.1	32.2	31.9	2.8	3.7	2.2	3.3	7.5	8.1	$1,455.2	6.6%
Semi-Passive Aggregate (R1000)	**0.7**	**0.1**	**32.1**	**31.9**	**3.6**	**3.7**	**3.0**	**3.3**			**$7,822.0**	**35.5%**
PASSIVE MANAGER (R3000)												
BlackRock Institutional	-0.1	0.0	32.1	32.4	4.1	4.0	3.4	3.4	7.7	7.6	$8,935.4	40.6%
									Since 1/1/84			
Total Aggregate (3)	**0.2**	**0.0**	**33.1**	**32.4**	**4.0**	**4.0**	**3.2**	**3.4**	**9.9**	**10.1**	**$22,022.3**	**100.0%**
Russell 3000		0.0		32.4		4.0		3.4		10.4		
Russell 1000		0.1		31.9		3.7		3.3		10.6		
Russell 2000		-1.6		37.4		7.8		4.1		9.2		

(1) Since retention by the SBI. Time period varies for each manager.
(2) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.
(3) The Total Aggregate benchmark is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

Note: All aggregates include the performance of terminated managers.

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

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

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

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

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

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

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

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Large Cap Core (R1000)

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Large Cap Core (R1000)

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NEW AMSTERDAM PARTNERS
Periods Ending June, 2011

Portfolio Manager: Michelle Clayman **Assets Under Management: $401,836,418**

Investment Philosophy

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Russell Index
Last Quarter	0.6%	0.1%
Last 1 year	36.3	31.9
Last 2 years	20.9	23.3
Last 3 years	3.6	3.7
Last 4 years	-0.8	-0.6
Last 5 years	2.3	3.3
Since Inception (1) (4/94)	10.2	9.2

Recommendation

No action required.

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

NEW AMSTERDAM PARTNERS
Rolling Five Year VAM vs. Russell Index (1)

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

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

Portfolio Manager: John Leonard **Assets Under Management: $374,558,458**

Investment Philosophy

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

Staff Comments

UBS underperformed the benchmark for the quarter and for the year. Both periods were impacted by negative stock selection, especially in the Financial sector as large diversified financials in the portfolio fell with concern over proposed financial regulation. Negative stock selection in the Energy, Technology, and Consumer Discretionary sectors also detracted from performance for the year.

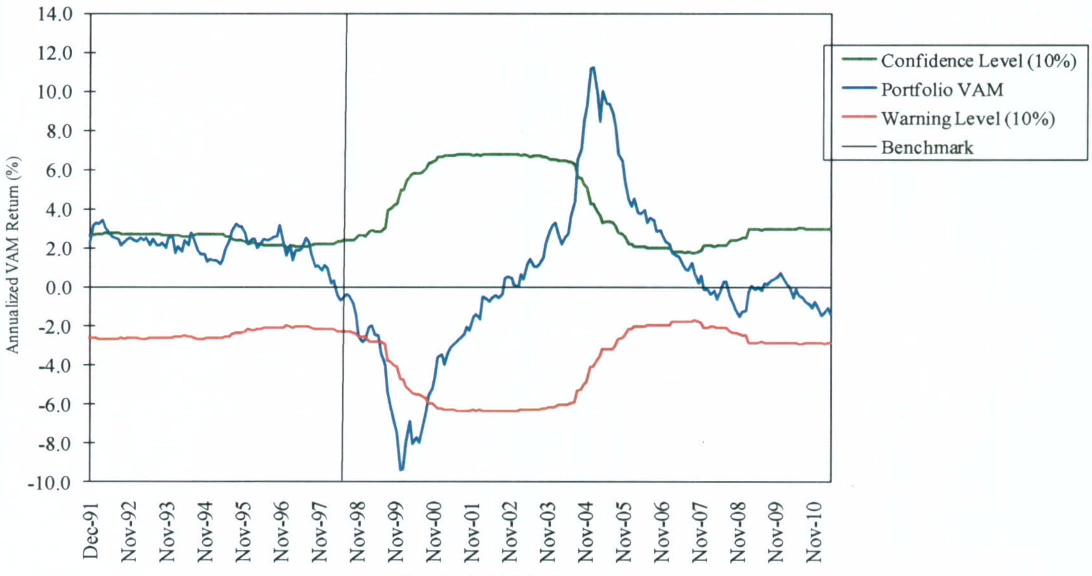
Quantitative Evaluation

	Actual	(R1000 Core)
Last Quarter	-0.1%	0.1%
Last 1 year	27.5	31.9
Last 2 years	21.5	23.3
Last 3 years	3.5	3.7
Last 4 years	-2.6	-0.6
Last 5 years	1.9	3.3
Since Inception (7/93)	8.4	8.4

Recommendation

No action required.

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



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

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Large Cap Growth (R1000 Growth)

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Large Cap Growth (R1000 Growth)

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INTECH INVESTMENT MANAGEMENT LLC
Periods Ending June, 2011

Portfolio Manager: Adrian Banner | **Assets Under Management: $359,141,247**

Investment Philosophy

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	2.3%	0.8%
Last 1 year	37.2	35.0
Last 2 years	26.3	23.9
Last 3 years	4.1	5.0
Last 4 years	1.2	2.2
Last 5 years	3.8	5.3
Since Inception (1/05)	4.0	4.7

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
Periods Ending June, 2011

Portfolio Manager: Bruce Jacobs and Ken Levy **Assets Under Management: $325,184,866**

Investment Philosophy

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

Staff Comments

No comment at this time.

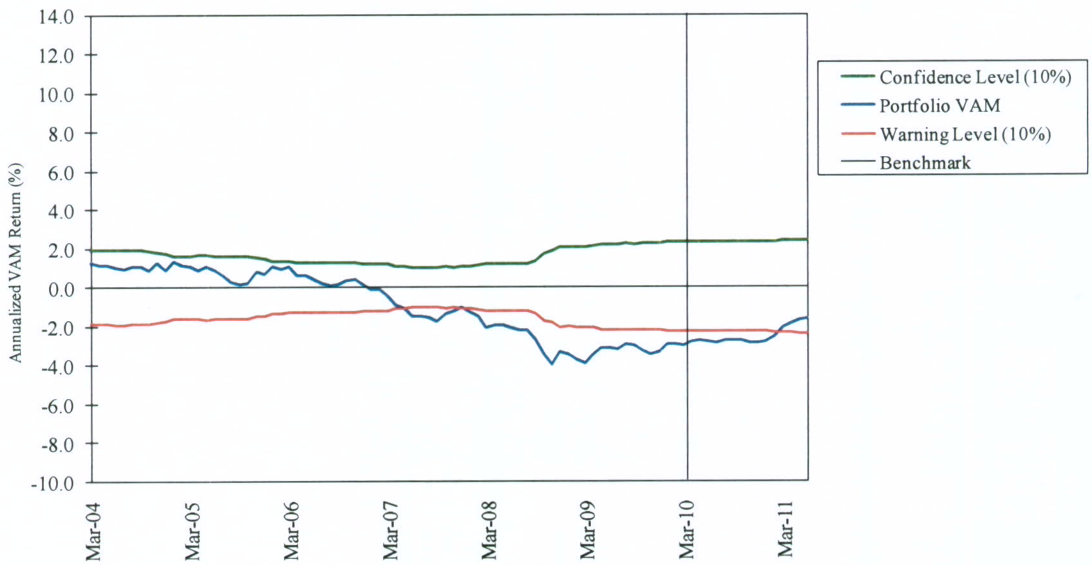
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	2.1%	0.8%
Last 1 year	40.8	35.0
Last 2 years	27.8	23.9
Last 3 years	4.8	5.0
Last 4 years	1.0	2.2
Last 5 years	3.7	5.3
Since Inception (1/05)	3.2	4.7

Recommendation

No action required.

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



Five Year Period Ending

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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending June, 2011

Portfolio Manager: Kip Knelman | **Assets Under Management: $67,194,699**

Investment Philosophy

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

Staff Comments

No comment at this time.

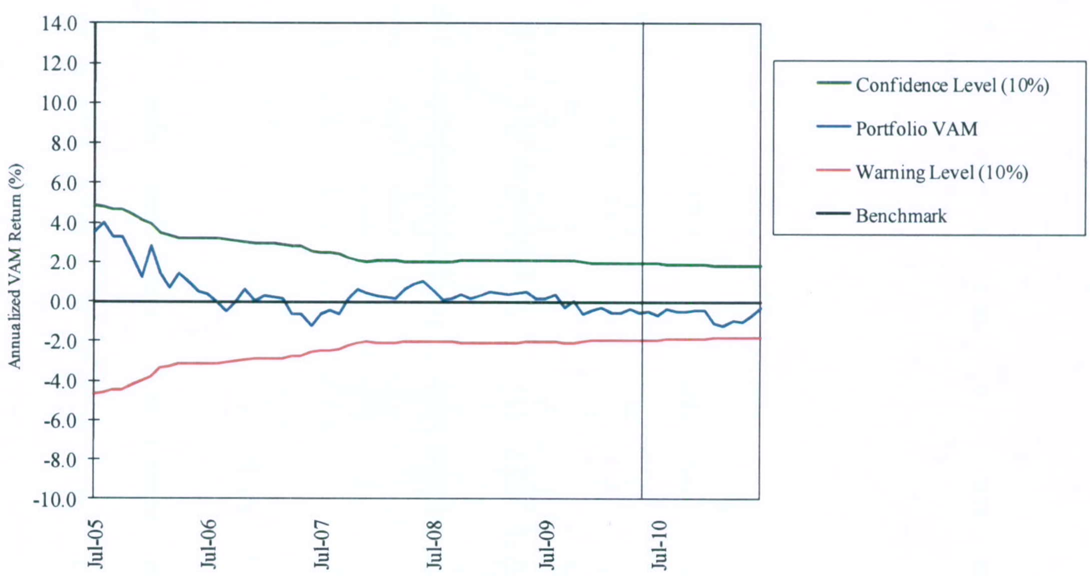
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	1.1%	0.8%
Last 1 year	38.1	35.0
Last 2 years	23.5	23.9
Last 3 years	3.4	5.0
Last 4 years	1.3	2.2
Last 5 years	5.0	5.3
Since Inception (1/05)	4.6	4.7

Recommendation

No action required.

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



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending June, 2011

Portfolio Manager: Frank Sands, Jr. **Assets Under Management: $301,354,530**

Investment Philosophy

The manager invests in high-quality, seasoned and growing businesses. Bottom-up, company-focused, long-term oriented research is the cornerstone of the investment process. The strategy focuses on six (6) key investment criteria: 1) sustainable above average earnings growth; 2) leadership position in a promising business space; 3) significant competitive advantages or unique business franchise; 4) management with a clear mission and value added focus; 5) financial strength; and 6) rational valuation relative to the overall market and the company's business prospects.

Staff Comments

Sands outperformed the benchmark for the quarter and the year. Both periods benefited from positive stock selection in the Consumer Discretionary sector. The strong outperformance for the one year return was primarily attributed to stock selection in the Health Care, Energy, and Technology sectors. The largest individual contributors for the year were National Oilwell Varco, Amazon, and Salesforce.com.

Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	3.4%	0.8%
Last 1 year	46.2	35.0
Last 2 years	35.7	23.9
Last 3 years	10.8	5.0
Last 4 years	7.8	2.2
Last 5 years	8.5	5.3
Since Inception (1/05)	6.6	4.7

Recommendation

No action required.

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

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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending June, 2011

Portfolio Manager: Bart Wear and Justin Kelly | **Assets Under Management: $147,800,855**

Investment Philosophy

The strategy identifies companies that can grow earnings above consensus expectations to build portfolios with forward weighted earnings growth in the range of 15-20% annually. A quantitative screen is employed for factors such as revenue and earnings growth, return on invested capital, earnings consistency, earnings revisions, low financial leverage and high free cash flow rates relative to net income. Resulting companies are subjected to a qualitative assessment within the context of industry sectors. Detailed examination of income statements, cash flow and balance sheet projections is conducted, along with a judgment on the quality of management. Attractively valued stocks are chosen based on P/E relative to the benchmark, sector peers, the company's sustainable future growth rate and return on invested capital. Final portfolio construction includes diversification by economic sectors, earnings growth rates, price/earnings ratios and market capitalizations.

Staff Comments

No comment at this time.

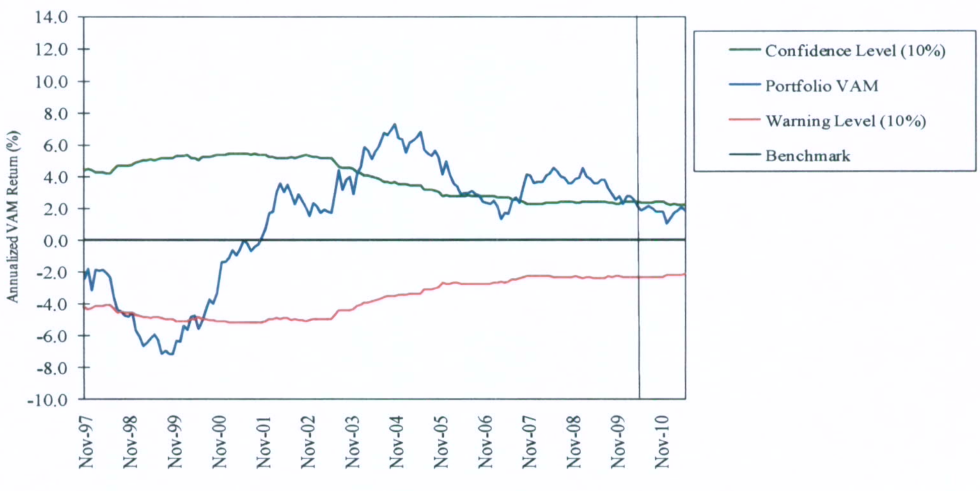
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	0.2%	0.8%
Last 1 year	40.1	35.0
Last 2 years	25.2	23.9
Last 3 years	4.8	5.0
Last 4 years	4.5	2.2
Last 5 years	7.3	5.3
Since Inception (1/05)	7.2	4.7

Recommendation

No action required.

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



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

ZEVENBERGEN CAPITAL LLC
Periods Ending June, 2011

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $354,082,217**

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

No comment at this time.

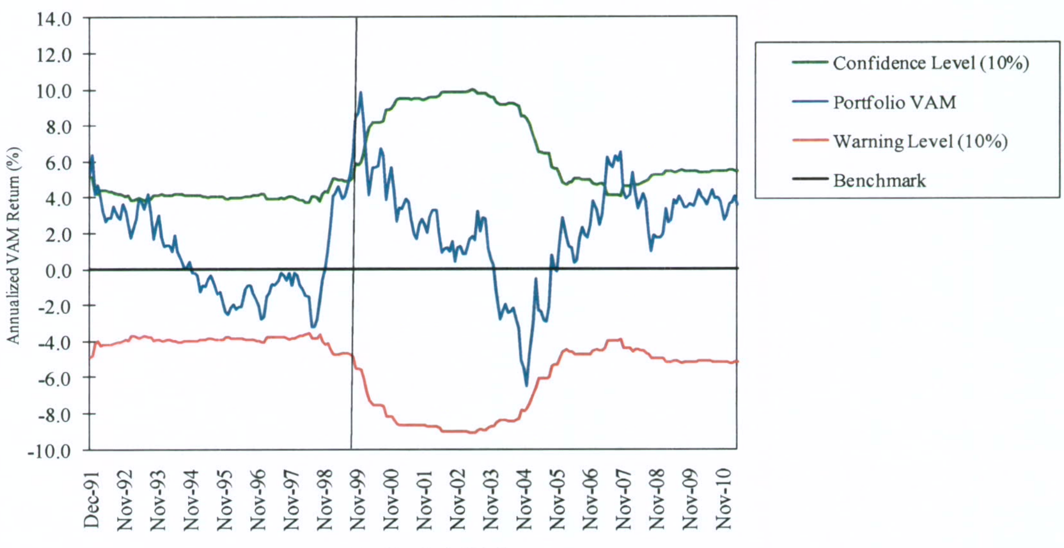
Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-2.2%	0.8%
Last 1 year	41.8	35.0
Last 2 years	30.7	23.9
Last 3 years	10.3	5.0
Last 4 years	6.3	2.2
Last 5 years	9.1	5.3
Since Inception (4/94)	9.8	7.8

Recommendation

No action required.

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



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

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Large Cap Value (R1000 Value)

Large Cap Value (R1000 Value)

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

Portfolio Manager: Tim Culler | **Assets Under Management: $465,506,453**

Investment Philosophy

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

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

Staff Comments

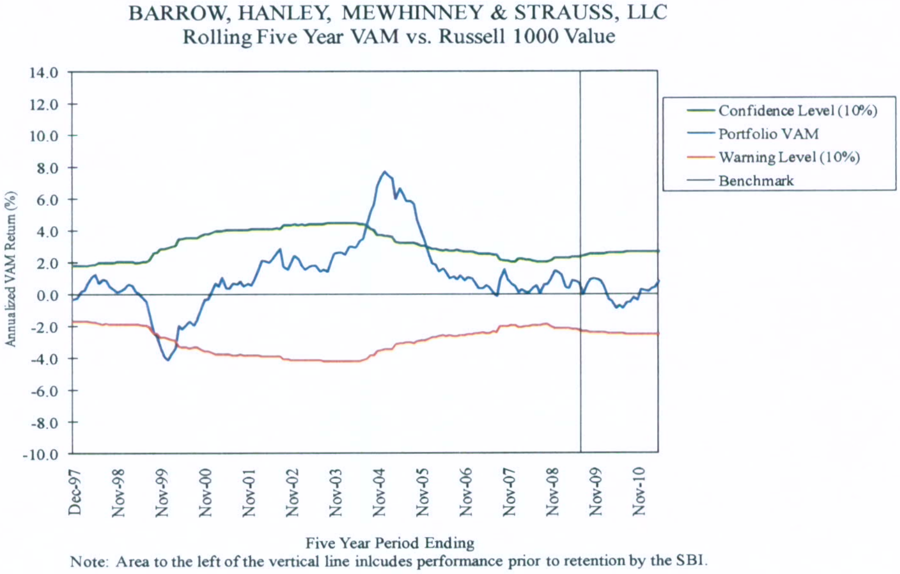
No comments at this time.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	1.8%	-0.5%
Last 1 year	33.6	28.9
Last 2 years	22.4	22.8
Last 3 years	3.9	2.3
Last 4 years	-2.5	-3.4
Last 5 years	1.9	1.2
Since Inception (4/04)	5.2	4.4

Recommendation

No action required.



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

EARNEST PARTNERS, LLC
Periods Ending June, 2011

Portfolio Manager: Paul Viera **Assets Under Management: $192,970,394**

Investment Philosophy

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

Staff Comments

No comment at this time.

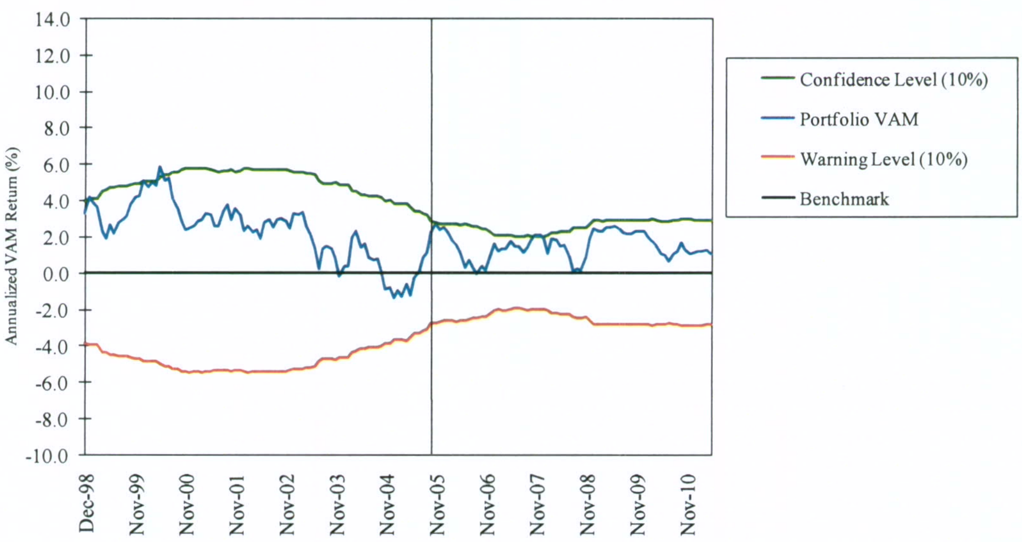
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	-1.9%	-0.5%
Last 1 year	29.0	28.9
Last 2 years	22.0	22.8
Last 3 years	4.4	2.3
Last 4 years	-1.5	-3.4
Last 5 years	2.2	1.2
Since Inception (7/00)	4.5	4.5

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 June, 2011

Portfolio Manager: Josef Lakonishok **Assets Under Management: $431,409,872**

Investment Philosophy

The fundamental premise on which LSV's investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. These include: the tendency to extrapolate the past too far into the future, wrongly equating a good company with a good investment irrespective of price, ignoring statistical evidence and developing a "mindset" about a company.

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

Staff Comments

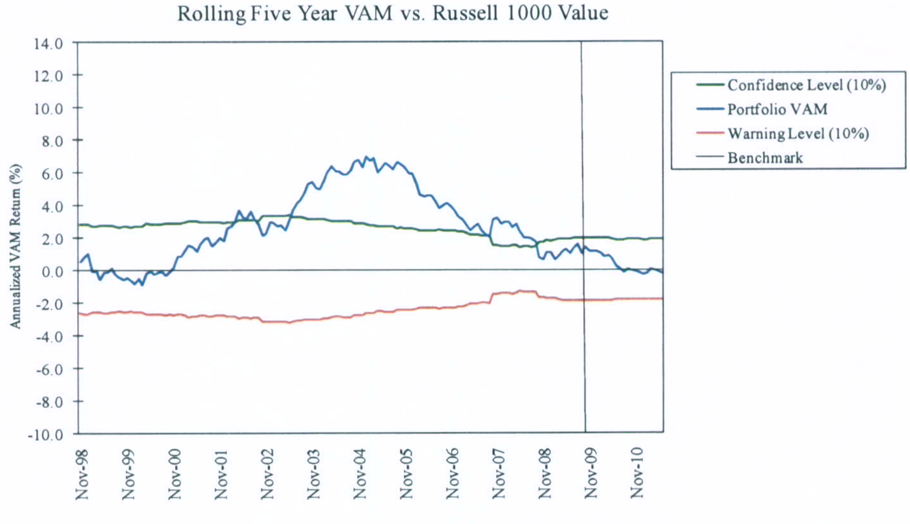
No comment at this time.

Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	-1.0%	-0.5%
Last 1 year	29.5	28.9
Last 2 years	23.4	22.8
Last 3 years	3.0	2.3
Last 4 years	-3.9	-3.4
Last 5 years	0.9	1.2
Since Inception (4/04)	5.4	4.4

Recommendation

No action required.



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

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

Portfolio Manager: Kevin McCreesh **Assets Under Management: $325,374,643**

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

No comment at this time.

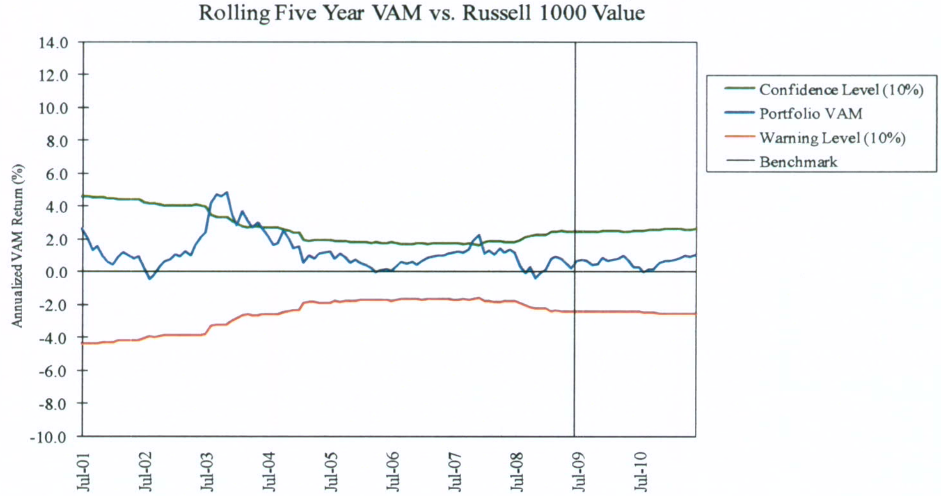
Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	-0.4%	-0.5%
Last 1 year	34.7	28.9
Last 2 years	25.7	22.8
Last 3 years	2.1	2.3
Last 4 years	-2.3	-3.4
Last 5 years	2.2	1.2
Since Inception (4/04)	5.3	4.4

Recommendation

No action required.

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



Five Year Period Ending

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

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Small Cap Growth (R2000 Growth)

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Robert A. Gillam | **Assets Under Management: $235,165,687**

Investment Philosophy

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

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

Staff Comments

McKinley outperformed the benchmark for the quarter and lagged for the year. For the quarter, stock selection in the Consumer Discretionary, Technology, and Financial sectors added to relative performance. Performance for the year trailed due to negative stock selection in the Consumer Staples and Producer Durables sectors along with non-benchmark positions.

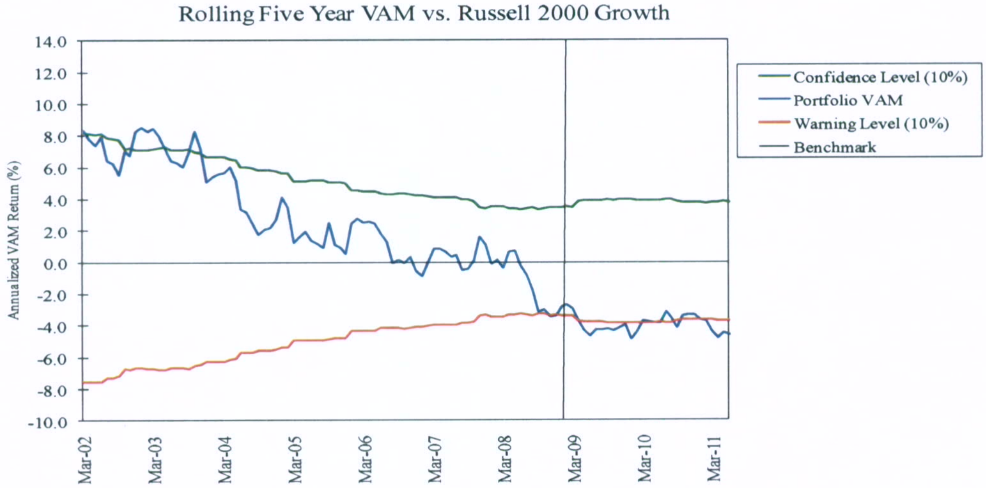
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	0.0%	-0.6%
Last 1 year	42.4	43.5
Last 2 years	30.8	30.1
Last 3 years	1.7	8.4
Last 4 years	-2.5	3.2
Last 5 years	1.0	5.8
Since Inception (1/04)	3.7	7.1

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 June, 2011

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $301,036,940**

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 underperformed the benchmark for the quarter and outperformed for the year. Stock selection in the Producer Durables sector along with an overweight in Technology detracted from the quarterly return. For the year, performance benefited from the overweight and stock selection in the Technology sector and strong stock selection in the Consumer Staples sector.

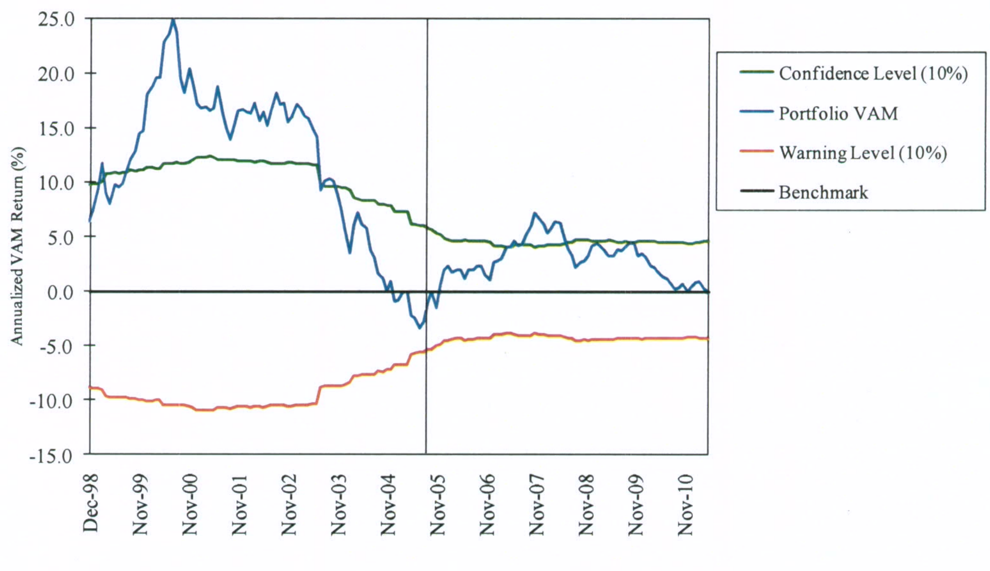
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	-2.1%	-0.6%
Last 1 year	49.0	43.5
Last 2 years	33.3	30.1
Last 3 years	4.2	8.4
Last 4 years	2.8	3.2
Last 5 years	5.6	5.8
Since Inception (7/00)	1.8	1.7

Recommendation

No action required.

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



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

TURNER INVESTMENT PARTNERS
Periods Ending June, 2011

Portfolio Manager: William McVail | **Assets Under Management: $304,495,165**

Investment Philosophy

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

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

Staff Comments

No comment at this time.

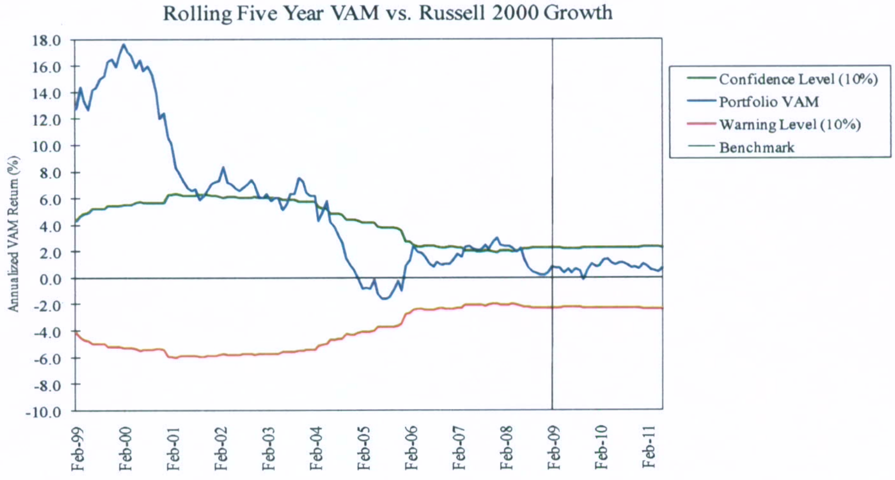
Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	-0.8%	-0.6%
Last 1 year	46.6	43.5
Last 2 years	31.8	30.1
Last 3 years	7.5	8.4
Last 4 years	3.9	3.2
Last 5 years	6.6	5.8
Since Inception (1/04)	7.8	7.1

Recommendation

No action required.

TURNER INVESTMENT PARTNERS, INC.
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.

Small Cap Value (R2000 Value)

Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Chip Otness **Assets Under Management: $166,103,377**

Investment Philosophy

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

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

Staff Comments

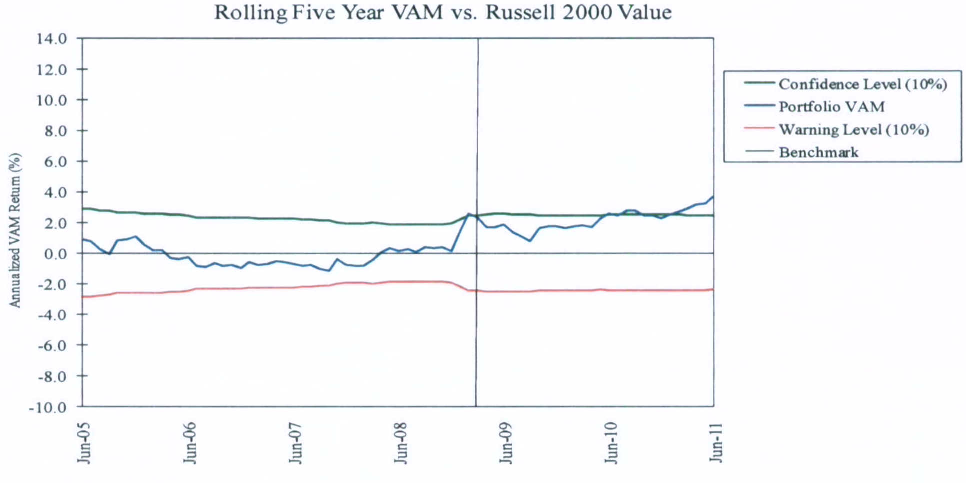
No comment at this time.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-0.8%	-2.6%
Last 1 year	35.9	31.4
Last 2 years	31.2	28.2
Last 3 years	10.5	7.1
Last 4 years	3.3	-1.0
Last 5 years	6.0	2.2
Since Inception (1/04)	8.0	6.3

Recommendation

No action required.



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Jim Miles and David Green **Assets Under Management: $149,702,414**

Investment Philosophy

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

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

Staff Comments

Hotchkis & Wiley slightly underperformed for the quarter and outperformed for the year. Positive sector allocation for the quarter was offset by negative stock selection in Energy, Producer Durables, and Consumer Staples. For the year, overall stock selection and sector allocation added to relative outperformance.

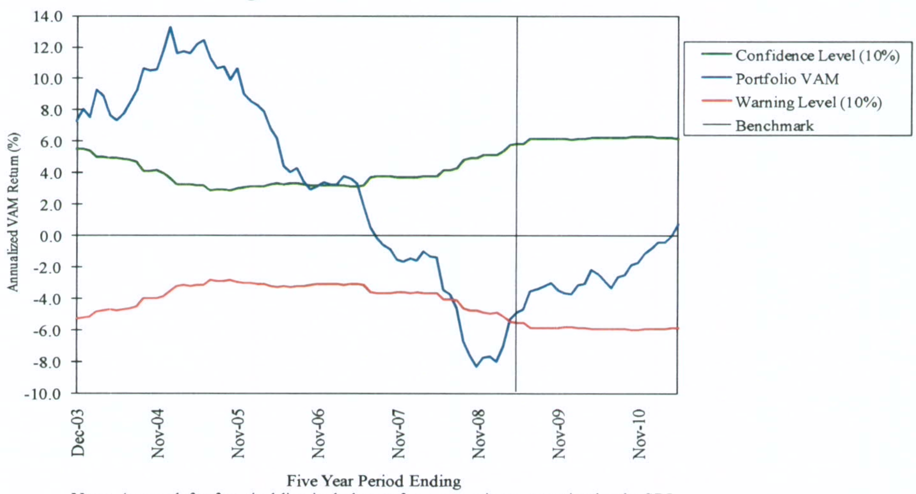
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-2.8%	-2.6%
Last 1 year	41.3	31.4
Last 2 years	44.2	28.2
Last 3 years	12.8	7.1
Last 4 years	0.4	-1.0
Last 5 years	3.0	2.2
Since Inception (1/04)	6.5	6.3

Recommendation

No action required.

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



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

MARTINGALE ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: William Jacques **Assets Under Management: $130,495,282**

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

Martingale underperformed the benchmark for the quarter and outperformed for the year. For the quarter, an overweight and stock selection in the Energy sector detracted from relative return. For the year, the portfolio benefited from the overweight and stock selection in Energy along with strong stock selection in the Financial, Consumer Discretionary, and Technology sectors.

Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-2.9%	-2.6%
Last 1 year	35.6	31.4
Last 2 years	27.9	28.2
Last 3 years	4.5	7.1
Last 4 years	-3.6	-1.0
Last 5 years	-1.2	2.2
Since Inception (1/04)	4.5	6.3

Recommendation

No action required.

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

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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $231,385,264**

Investment Philosophy

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

Staff Comments

No comment at this time.

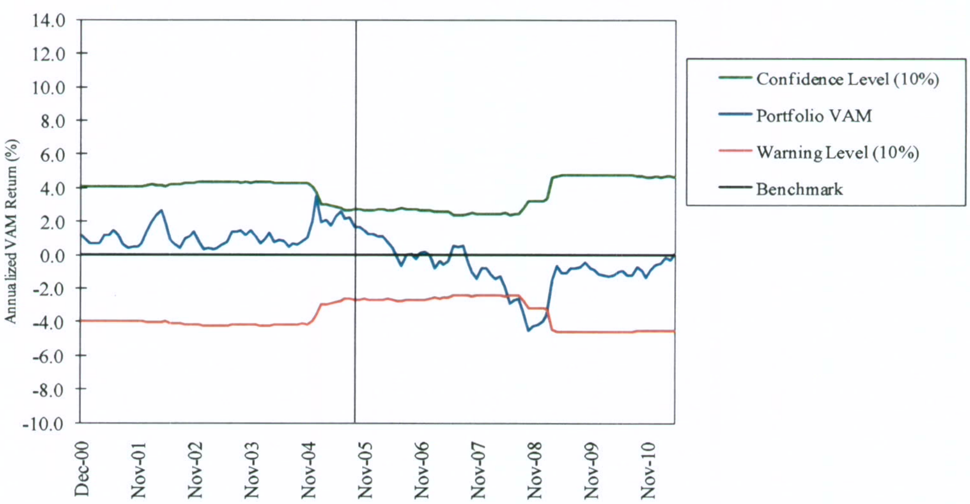
Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-1.9%	-2.6%
Last 1 year	35.0	31.4
Last 2 years	33.9	28.2
Last 3 years	11.8	7.1
Last 4 years	-0.5	-1.0
Last 5 years	2.3	2.2
Since Inception (7/00)	10.4	9.5

Recommendation

No action required.

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



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

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Semi-Passive and Passive

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Semi-Passive and Passive

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

Portfolio Manager: Raffaele Savi | **Assets Under Management: $2,243,879,996**

Investment Philosophy – Semi-Passive Style

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

Staff Comments

BlackRock outperformed the benchmark for the quarter and slightly underperformed for the year. For the quarter, positive stock selection in Consumer Discretionary, Consumer Staples, and Health Care sectors were the primary contributors. For the year, negative stock selection in Technology and a cash drag from a rebalance during the first quarter accounted for most of the underperformance.

BlackRock repurchased Bank of America's roughly 7% stake in the company during the quarter. The shares will be retired.

Quantitative Evaluation

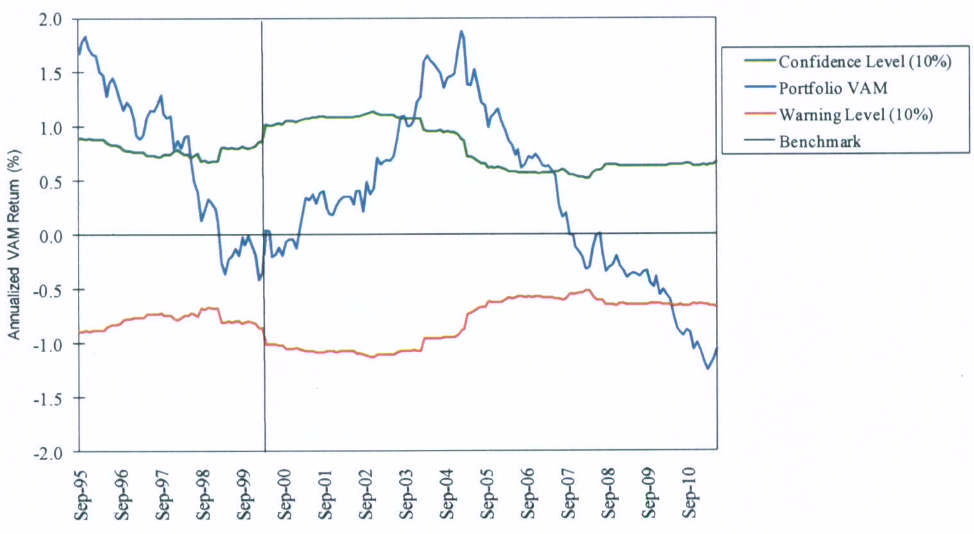
	Actual	Manager Benchmark*
Last Quarter	1.1%	0.1%
Last 1 year	31.8	31.9
Last 2 years	22.1	23.3
Last 3 years	2.6	3.7
Last 4 years	-1.6	-0.6
Last 5 years	2.2	3.3
Since Inception (1/95)	8.3	8.1

Recommendation

No action required.

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

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



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

INTECH INVESTMENT MANAGEMENT LLC
Periods Ending June, 2011

Portfolio Manager: Adrian Banner **Assets Under Management: $1,423,894,954**

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

No comment at this time.

Quantitative Evaluation

	Actual	Russell 1000
Last Quarter	0.9%	0.1%
Last 1 year	32.3	31.9
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/10)	13.9	13.3

Recommendation

No action required.

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

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

Portfolio Manager: Ralph Zingone and Scott Blasdell   Assets Under Management: $2,699,021,495

Investment Philosophy – Semi-Passive Style

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Manager Benchmark*
Last Quarter	0.1%	0.1%
Last 1 year	32.2	31.9
Last 2 years	24.2	23.3
Last 3 years	5.2	3.7
Last 4 years	0.2	-0.6
Last 5 years	4.3	3.3
Since Inception (1/95)	8.3	8.1

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

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

MELLON CAPITAL MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Tony Garvin — **Assets Under Management: $1,455,177,141**

Investment Philosophy – Semi-Passive Style

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Manager Benchmark*
Last Quarter	1.0%	0.1%
Last 1 year	32.2	31.9
Last 2 years	22.7	23.3
Last 3 years	2.8	3.7
Last 4 years	-1.6	-0.6
Last 5 years	2.2	3.3
Since Inception (1/95)	7.5	8.1

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

Recommendation

No action required.

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

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

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

Portfolio Manager: Amy Schioldager **Assets Under Management: $8,935,388,834**

Investment Philosophy – Passive Style

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

Staff Comments

The passive portfolio slightly underperformed for the quarter and for the year. For the year, the underperformance reflects the impact of raising cash for a rebalance during the first quarter.

BlackRock repurchased Bank of America's roughly 7% stake in the company during the quarter. The shares will be retired.

Quantitative Evaluation

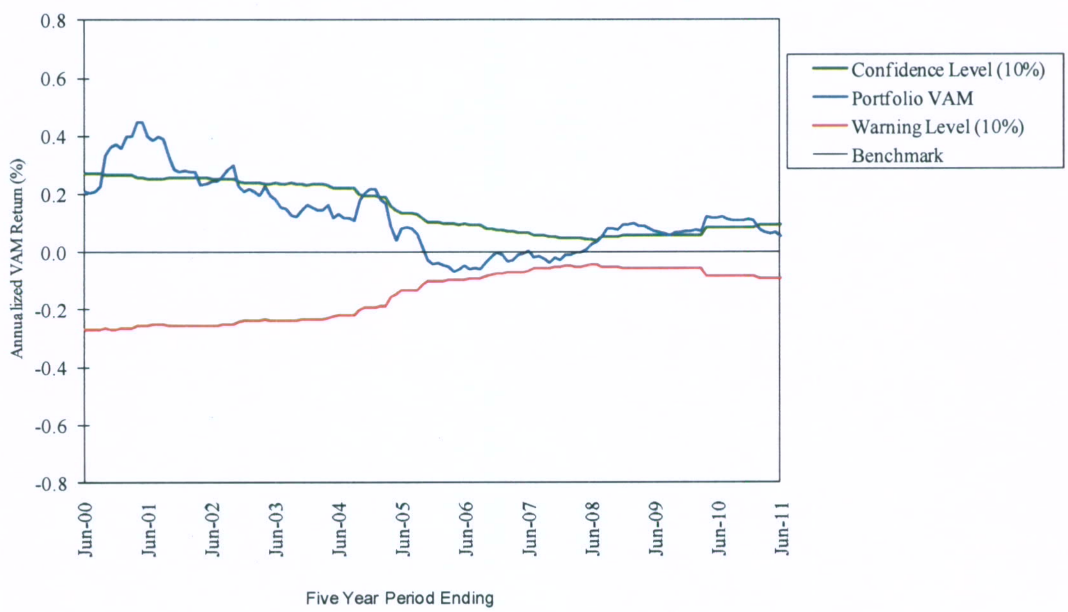
	Actual	Manager Benchmark*
Last Quarter	-0.1%	0.0%
Last 1 year	32.1	32.4
Last 2 years	23.8	23.8
Last 3 years	4.1	4.0
Last 4 years	-0.4	-0.4
Last 5 years	3.4	3.4
Since Inception (7/95)	7.7	7.6

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

Recommendation

No action required.

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



STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Second Quarter, 2011

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Bond Managers

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COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending June, 2011

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
Active Managers												
Aberdeen	2.1	2.3	6.4	3.9	5.4	6.5	5.1	6.5	6.0	6.3	$913.3	8.5%
Columbia (RiverSource)	2.3	2.3	5.7	3.9	6.6	6.5	6.3	6.5	6.0	6.2	$970.5	9.0%
Dodge & Cox	2.0	2.3	6.4	3.9	8.9	6.5	7.6	6.5	7.4	6.3	$1,143.6	10.6%
PIMCO	1.1	2.3	6.6	3.9					11.0	7.3	$1,141.3	10.6%
Western	2.0	2.3	6.6	3.9	8.3	6.5	6.9	6.5	9.5	8.4	$1,167.2	10.9%
Active Mgr. Aggregate	**1.9**	**2.3**	**6.4**	**3.9**	**7.6**	**6.5**	**6.4**	**6.5**			**$5,335.9**	**49.7%**
Semi-Passive Managers												
BlackRock	2.3	2.3	4.0	3.9	5.7	6.5	5.9	6.5	6.2	6.3	$1,581.6	14.7%
Goldman	2.3	2.3	4.7	3.9	7.1	6.5	6.7	6.5	6.4	6.2	$1,937.2	18.0%
Neuberger	2.2	2.3	5.2	3.9	8.1	6.5	7.0	6.5	7.5	7.3	$1,885.1	17.6%
Semi-Passive Mgr. Aggregate	**2.3**	**2.3**	**4.6**	**3.9**	**7.0**	**6.5**	**6.6**	**6.5**			**$5,403.9**	**50.3%**
									Since 7/1/84			
Historical Aggregate (2)	**2.1**	**2.3**	**5.5**	**3.9**	**7.4**	**6.5**	**6.5**	**6.5**	**8.5**	**8.4**	**$10,739.8**	**100.0%**
Barclays Capital Aggregate (3)		2.3		3.9		6.5		6.5		8.4		

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

COMBINED RETIREMENT FUNDS
BOND MANAGERS
Calendar Year Returns

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

ABERDEEN ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Neil Moriarty | **Assets Under Management: $913,349,828**

Investment Philosophy

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

Staff Comments

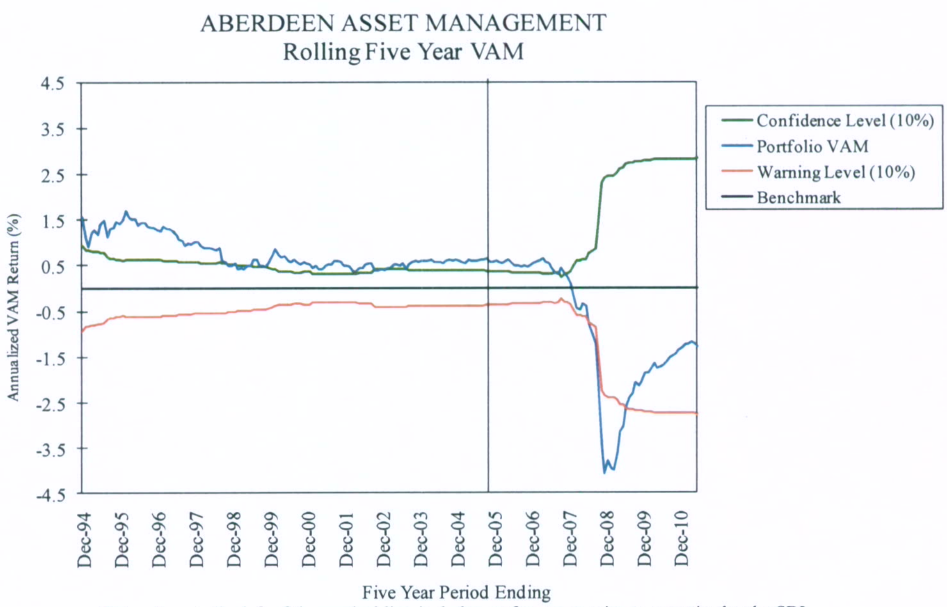
Aberdeen underperformed the benchmark by 24 bps in 2Q11 and outperformed the benchmark by 253 bps over the last 12 months. One year performance was driven by overweight exposure to and security selection within the investment grade corporate, CMBS, and non-Agency MBS sectors. Yield curve steepening and the overweight exposure to non-Agency MBS and CMBS securities negatively impacted quarterly performance, as average spreads widened.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.1%	2.3%
Last 1 year	6.4	3.9
Last 2 years	12.0	6.7
Last 3 years	5.4	6.5
Last 4 years	4.8	6.6
Last 5 years	5.1	6.5
Since Inception (2/00)	6.0	6.3

Recommendations

No action required.



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

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

Portfolio Manager: Colin Lundgren | **Assets Under Management: $970,475,264**

Investment Philosophy

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

Staff Comments

Columbia outperformed the benchmark by 3 bps in 2Q11 and 183 bps over the last 12 months. Overweight positions in investment grade corporate bonds and CMBS added to performance over the full year period; however they detracted from performance during the quarter. Security selection in MBS and investment grade corporate bonds also added value over the last 12 months. Overall, active interest rate positions detracted from performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.3%	2.3%
Last 1 year	5.7	3.9
Last 2 years	9.0	6.7
Last 3 years	6.6	6.5
Last 4 years	6.2	6.6
Last 5 years	6.3	6.5
Since Inception (7/93)	6.0	6.2

Recommendations

No action required.

COLUMBIA MANAGEMENT - FIXED INCOME
Rolling Five Year VAM

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

DODGE & COX INVESTMENT MANAGERS
Periods Ending June, 2011

Portfolio Manager: Dana Emery **Assets Under Management: $1,143,551,846**

Investment Philosophy

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in market sectors and individual securities. The firm combines this fundamental research with a disciplined program of risk analysis. To seek superior returns over the long-term, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

Staff Comments

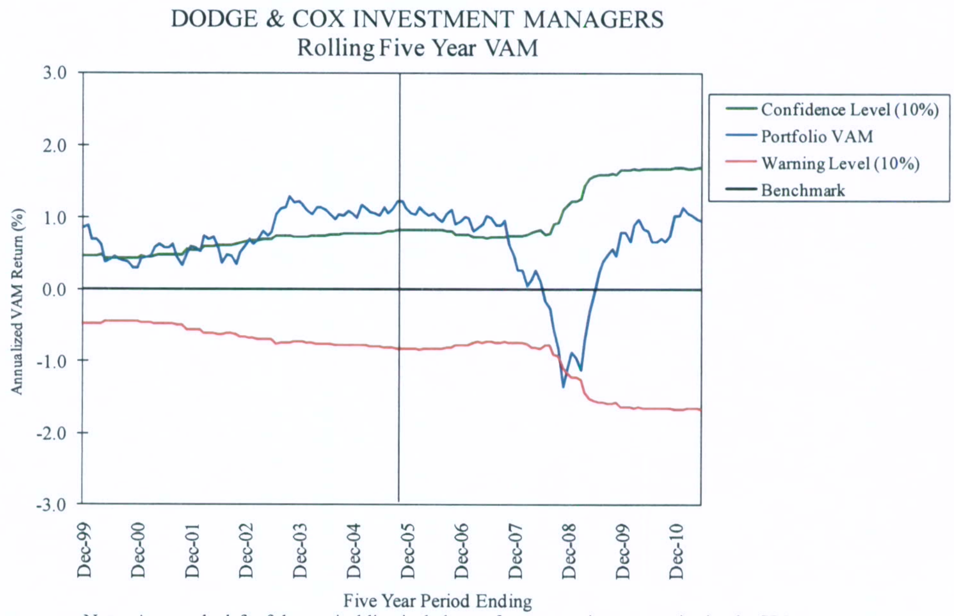
Dodge & Cox underperformed the benchmark by 28 bps in 2Q11 and outperformed the benchmark by 247 bps over the last 12 months. Overweight positions in the investment grade corporate and Agency MBS sectors contributed to excess returns for the year, and the portfolio's nominal yield advantage benefited relative returns. Security selection within the taxable municipal sector also contributed to quarterly and annual performance. The portfolio's shorter duration position and significant overweight to investment grade corporate bonds detracted from relative returns in the quarter.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.0%	2.3%
Last 1 year	6.4	3.9
Last 2 years	9.9	6.7
Last 3 years	8.9	6.5
Last 4 years	7.8	6.6
Last 5 years	7.6	6.5
Since Inception (2/00)	7.4	6.3

Recommendations

No action required.



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

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

Portfolio Manager: Bill Gross **Assets Under Management: $1,141,326,360**

Investment Philosophy

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

Staff Comments

PIMCO underperformed the benchmark by 117 bps in 2Q11 and outperformed the benchmark by 267 bps over the last 12 months. U.S. duration positioning during the second half of 2010 (overweight in 3Q and underweight in 4Q) contributed to annual returns. An overweight to investment grade corporate bonds with a focus on financials was positive for performance during 1Q11 and most of 2010; however these positions detracted from returns in the second quarter. Exposure to high-yield corporate bonds also added to performance for the year, while holdings of non-Agency MBS positively contributed to performance for the year but detracted from the most recent quarterly returns. An underweight to Agency MBS produced detracted from returns for the quarter and year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	2.3%
Last 1 year	6.6	3.9
Last 2 years	11.7	6.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	11.0	7.3

Recommendations

No action required.

PACIFIC INVESTMENT MANAGEMENT CO.
Rolling Five Year VAM

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

WESTERN ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Steve Walsh **Assets Under Management: $1,167,225,025**

Investment Philosophy

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining interest rate risk. Multiple strategies are proportioned so that results do not depend on one or two opportunities. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, and market valuation. Western believes that successful interest rate forecasting is extremely difficult and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

Staff Comments

Western underperformed the benchmark by 27 bps in 2Q11 and outperformed the benchmark by 274 bps over the last 12 months. The largest contributor to annual performance was overweight exposure to investment grade corporate bonds, especially within the financial sector. Overweight exposure to non-Agency MBS and security selection within the Agency MBS sector also contributed to annual returns. Exposure to non-Agency MBS and investment grade corporate bonds detracted from performance during the quarter, as did a bias toward the back end of the steepening yield curve.

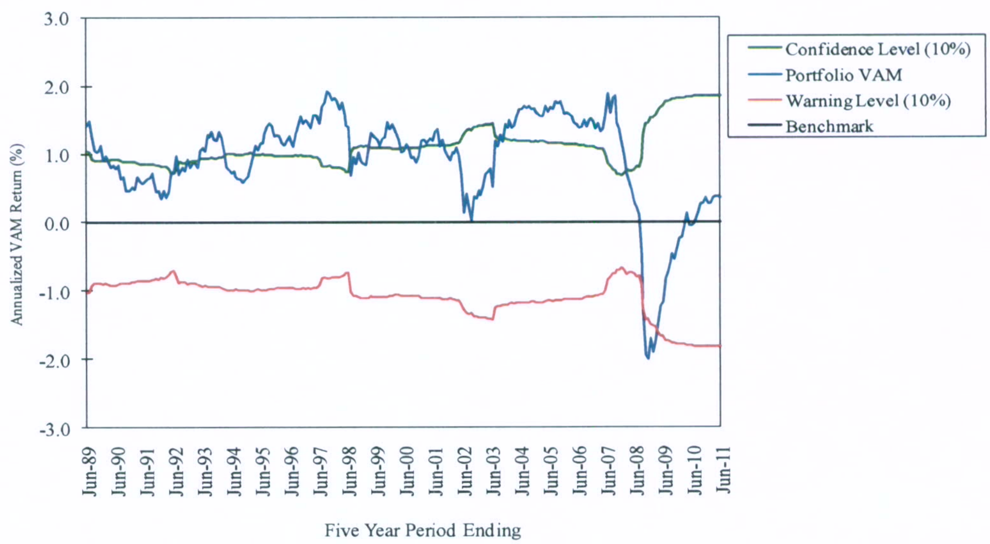
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.0%	2.3%
Last 1 year	6.6	3.9
Last 2 years	11.6	6.7
Last 3 years	8.3	6.5
Last 4 years	6.9	6.6
Last 5 years	6.9	6.5
Since Inception (7/84)	9.5	8.4

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending June, 2011

Portfolio Manager: Keith Anderson **Assets Under Management: $1,581,559,106**

Investment Philosophy

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

Staff Comments

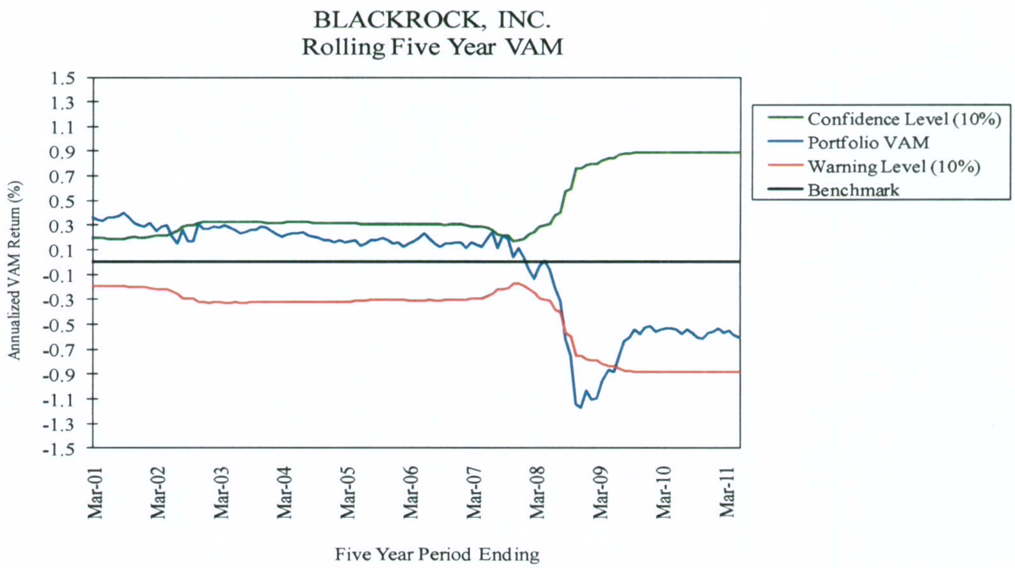
Blackrock outperformed the benchmark by 3 bps in 2Q11 and 9 bps over the last 12 months. One year performance was driven by overweight positions in the ABS and CMBS sectors and security selection within the investment grade corporate sector. Positive contributors to quarterly performance included security selection within the investment grade corporate and CMBS sectors, whereas the overweight position to CMBS detracted from performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.3%	2.3%
Last 1 year	4.0	3.9
Last 2 years	7.7	6.7
Last 3 years	5.7	6.5
Last 4 years	5.9	6.6
Last 5 years	5.9	6.5
Since Inception (4/96)	6.2	6.3

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Jonathon Beinner **Assets Under Management: $1,937,226,988**

Investment Philosophy

Goldman manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. Goldman's process can be viewed as active management within a very risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return. To a lesser degree, term structure strategies are also implemented. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

Staff Comments

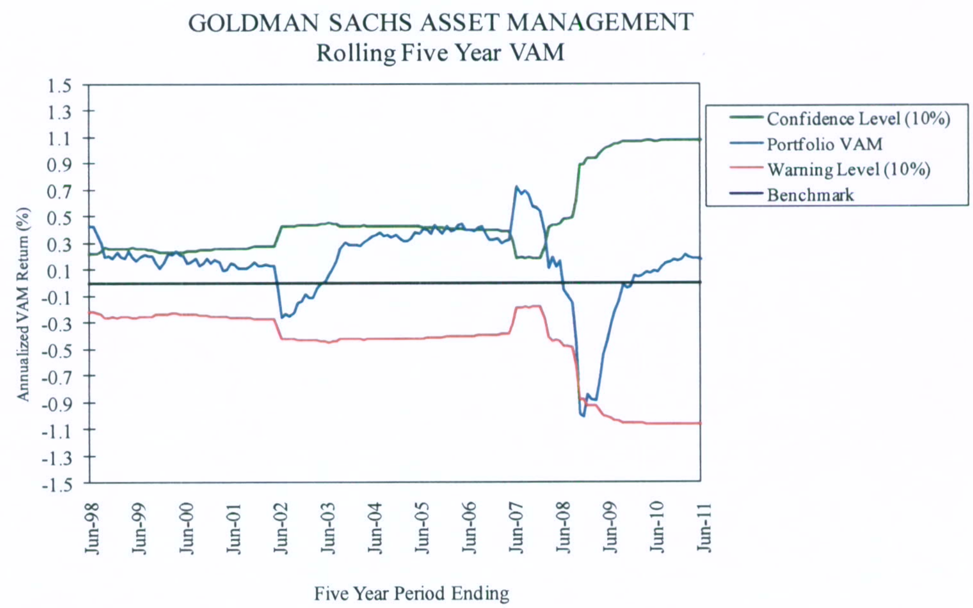
Goldman Sachs outperformed the benchmark by 1 bp in 2Q11 and 77 bps over the last 12 months. One year performance was driven by an overweight position in non-Agency MBS and security selection within the corporate space. Security selection in the corporate and government sectors (primarily TIPS) contributed to quarterly returns. An overweight position in non-Agency MBS was the largest detractor to returns during the quarter.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.3%	2.3%
Last 1 year	4.7	3.9
Last 2 years	8.7	6.7
Last 3 years	7.1	6.5
Last 4 years	6.8	6.6
Last 5 years	6.7	6.5
Since Inception (7/93)	6.4	6.2

Recommendations

No action required.



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Andrew Johnson — **Assets Under Management: $1,885,103,492**

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 25 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

Staff Comments

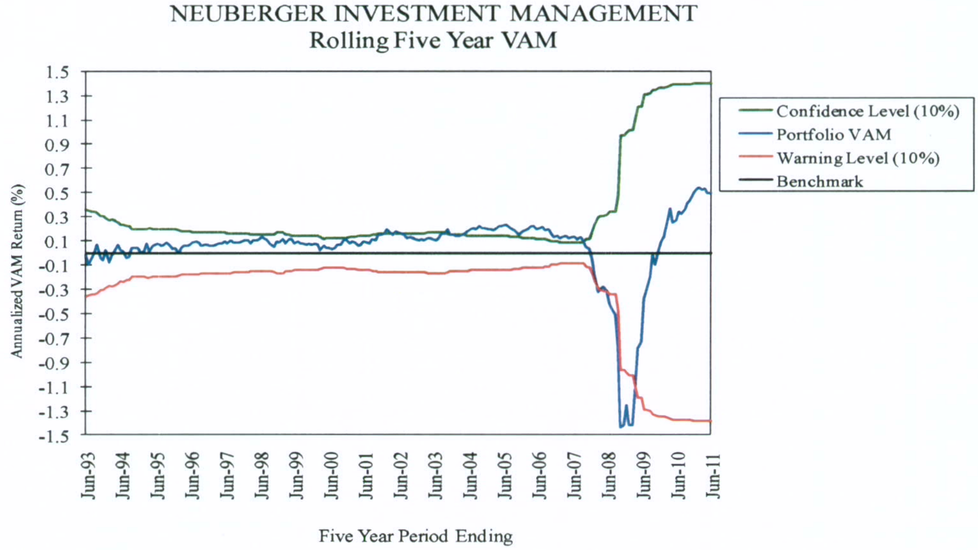
Neuberger Berman underperformed the benchmark by 10 bps in 2Q11 and outperformed the benchmark by 127 bps over the last 12 months. One year performance was driven by overweight positions in CMBS, RMBS and investment grade corporate bonds. Security selection within the corporate sector also contributed to annual performance. Quarterly performance was negatively impacted by overweight positions within the investment grade credit sector, primarily within the banking and cyclical industrial space.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.2%	2.3%
Last 1 year	5.2	3.9
Last 2 years	10.2	6.7
Last 3 years	8.1	6.5
Last 4 years	7.3	6.6
Last 5 years	7.0	6.5
Since Inception (7/88)	7.5	7.3

Recommendations

No action required.



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Second Quarter, 2011

International Managers

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COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending June, 2011

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
Active Developed Markets (2)												
Acadian	2.9	0.9	32.7	30.3	-5.2	-1.6	-0.3	2.1	5.2	5.8	$302.3	3.9%
Columbia (RiverSource)	1.6	0.9	36.1	30.3	0.6	-1.6	3.1	2.1	1.1	2.8	$290.6	3.8%
Invesco	0.9	0.9	26.8	30.3	0.4	-1.6	1.7	2.1	4.2	2.8	$243.8	3.2%
J.P. Morgan	1.5	0.9	32.2	30.3	0.8	-1.6	2.3	2.1	5.8	5.8	$256.1	3.3%
Marathon	2.3	0.9	29.2	30.3	1.8	-1.6	5.2	2.1	8.8	5.4	$580.5	7.6%
McKinley	1.3	0.9	30.8	30.3	-6.9	-1.6	-0.1	2.1	4.5	5.8	$248.7	3.2%
Pyramis (Fidelity)	1.6	0.9	31.8	30.3	-0.6	-1.6	3.7	2.1	7.3	5.8	$283.9	3.7%
Aggregate	**1.8**	**0.9**	**31.2**	**30.3**	**-0.6**	**-1.6**	**2.7**	**2.1**			**$2,205.9**	**28.7%**
Active Emerging Markets (3)												
AllianceBernstein	-1.8	-1.1	24.9	27.8	0.5	4.2	9.1	11.6	12.7	14.2	$186.9	2.4%
Capital International	-1.9	-1.1	22.5	27.8	6.4	4.2	13.6	11.6	13.4	14.2	$790.8	10.3%
Morgan Stanley	-0.1	-1.1	25.2	27.8	2.9	4.2	10.6	11.6	13.9	14.2	$741.2	9.7%
Aggregate	**-1.1**	**-1.1**	**23.9**	**27.8**	**3.4**	**4.2**	**11.2**	**11.6**			**$1,718.9**	**22.4%**
Semi-Passive Developed Markets (2)												
AQR	1.7	0.9	34.0	30.3	-0.4	-1.6	2.4	2.1	6.2	5.8	$286.9	3.7%
Pyramis (Fidelity)	1.2	0.9	32.1	30.3	-2.4	-1.6	3.1	2.1	6.8	5.8	$427.1	5.6%
State Street	0.6	0.9	30.9	30.3	-2.4	-1.6	1.1	2.1	5.2	5.8	$270.4	3.5%
Aggregate	**1.2**	**0.9**	**32.3**	**30.3**	**-1.7**	**-1.6**	**2.2**	**2.1**			**$984.3**	**12.8%**
Passive Developed Markets (2)												
State Street	1.1	0.9	31.1	30.3	-1.1	-1.6	2.5	2.1	6.9	6.6	$2,770.4	36.1%
									Since 10/1/92			
Equity Only (4) (6)	0.8	0.4	29.6	29.7	-0.1	-0.3	4.0	3.7	7.5	7.0	$7,679.8	100.0%
Total Program (5) (6)	**0.8**	**0.4**	**29.6**	**29.7**	**-0.1**	**-0.3**	**4.0**	**3.7**	**7.7**	**7.0**	**$7,679.8**	**100.0%**
SBI Int'l Equity Target (6)		0.4		29.7		-0.3		3.7		7.0		
MSCI ACWI Free ex. U.S. (7)		0.4		29.7		-0.3		3.7		7.4		
MSCI World ex U.S. (net)		0.9		30.3		-1.6		2.0		6.7		
MSCI EAFE Free (net)		1.6		30.4		-1.8		1.5		6.4		
MSCI Emerging Markets Free (8)		-1.1		27.8		4.2		11.4		9.9		

(1) Since retention by the SBI. Time period varies for each manager.
(2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).
(3) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).
(4) Equity managers only. Includes impact of terminated managers.
(5) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.
(6) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.
(7) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.
(8) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.

COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Calendar Year Returns

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

(1) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).

(2) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).

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

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

(5) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.

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

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

ACADIAN ASSET MANAGEMENT LLC
Periods Ending June, 2011

Portfolio Manager: John Chisholm | **Assets Under Management: $302,286,069**

Investment Philosophy

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

Staff Comments

Stock selection in the industrials and the materials sectors added value over both the quarter and the year.

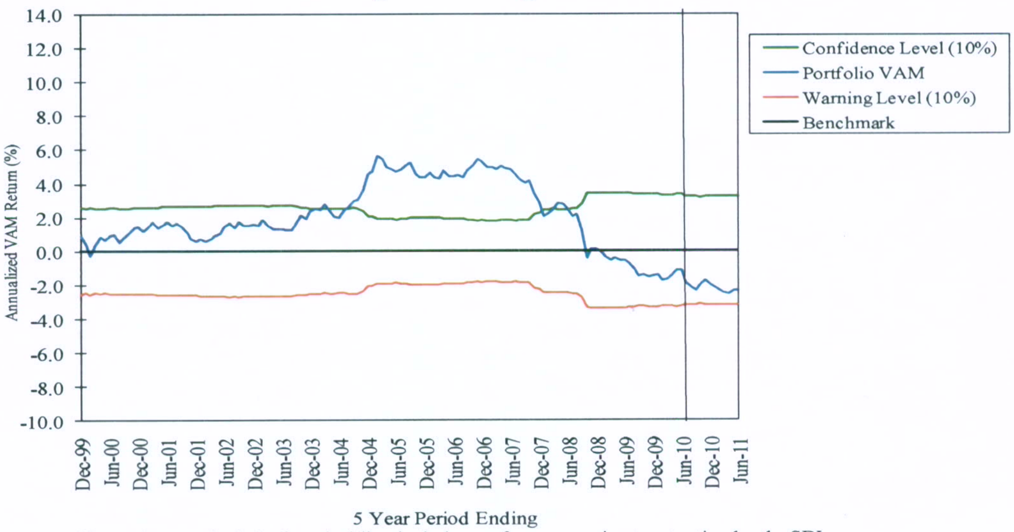
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.9%	0.9%
Last 1 year	32.7	30.3
Last 2 years	20.7	18.1
Last 3 years	-5.2	-1.6
Last 4 years	-7.4	-3.4
Last 5 years	-0.3	2.1
Since Inception (7/05)	5.2	5.8

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



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

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

Portfolio Manager: Esther Perkins **Assets Under Management: $290,552,908**

Investment Philosophy

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

Staff Comments

Stock selection in the consumer discretionary and the industrials sectors added value over both the quarter and the year.

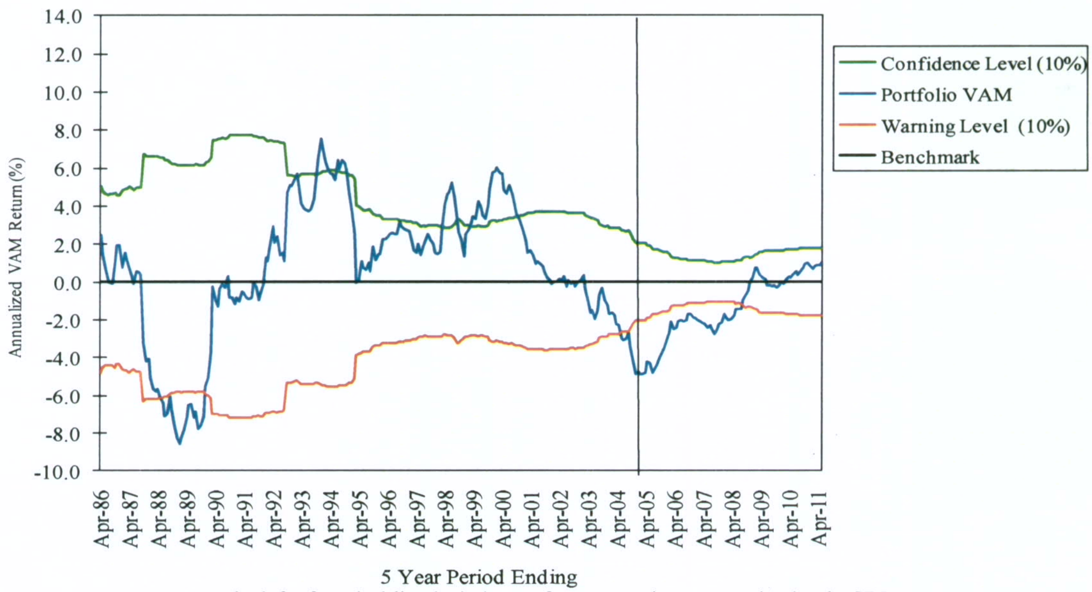
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	0.9%
Last 1 year	36.1	30.3
Last 2 years	20.6	18.1
Last 3 years	0.6	-1.6
Last 4 years	-1.3	-3.4
Last 5 years	3.1	2.1
Since Inception (3/00)	1.1	2.8

Recommendations

No action required.

COLUMBIA MANAGEMENT INVESTMENT ADVISORS
Rolling Five Year VAM



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

INVESCO GLOBAL ASSET MANAGMENT
Periods Ending June, 2011

Portfolio Manager: W. Lindsay Davidson **Assets Under Management: $243,801,637**

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

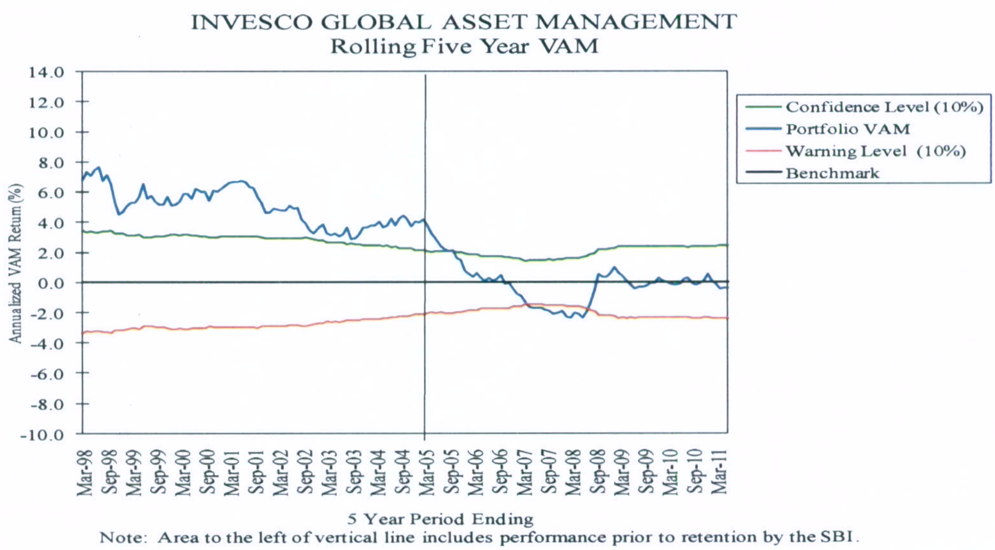
During the quarter, positive stock selection in the consumer discretionary sector was offset by negative stock selection in the financials and the industrials sectors which also detracted from the one-year performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.9%	0.9%
Last 1 year	26.8	30.3
Last 2 years	15.4	18.1
Last 3 years	0.4	-1.6
Last 4 years	-3.4	-3.4
Last 5 years	1.7	2.1
Since Inception (3/00)	4.2	2.8

Recommendations

No action required.



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

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

Portfolio Manager: James Fisher **Assets Under Management: $256,137,884**

Investment Philosophy

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

Staff Comments

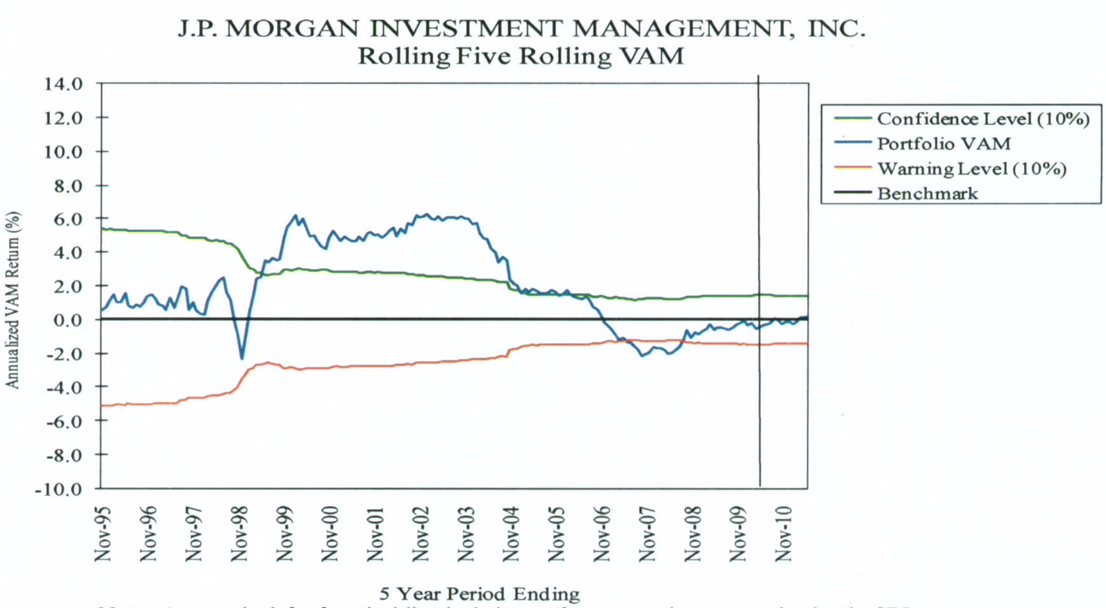
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	0.9%
Last 1 year	32.2	30.3
Last 2 years	19.6	18.1
Last 3 years	0.8	-1.6
Last 4 years	-2.2	-3.4
Last 5 years	2.3	2.1
Since Inception (7/05)	5.8	5.8

Recommendations

No action required.



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

MARATHON ASSET MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: **William Arah** **Assets Under Management: $580,507,722**

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

During the quarter, an underweight position to and stock selection in the materials, energy and financials sectors contributed positively to performance. During the year, stock selection in the telecommunications, consumer staples, and utilities sectors detracted from returns.

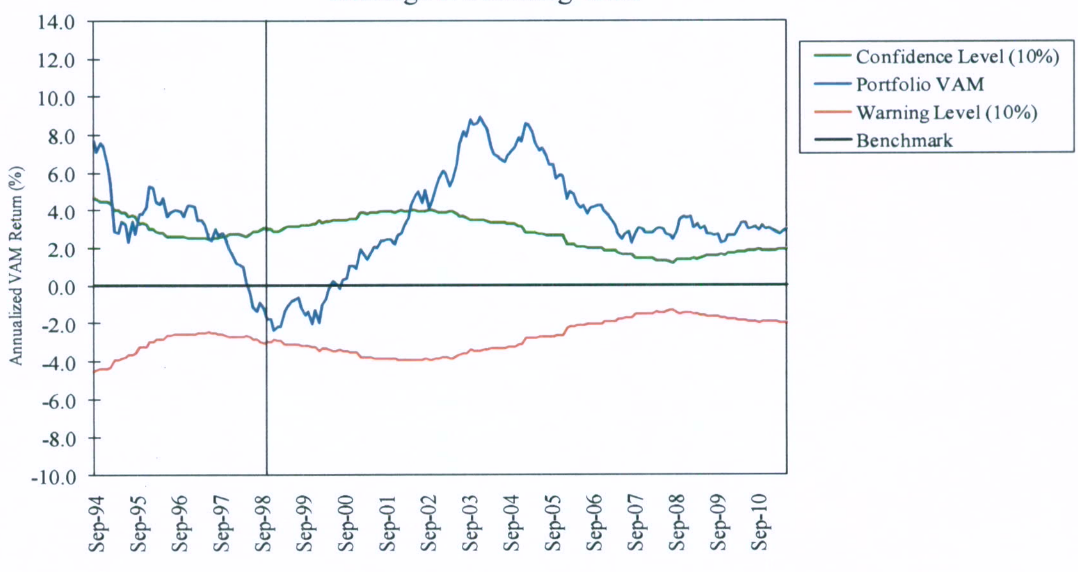
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	2.3%	0.9%
Last 1 year	29.2	30.3
Last 2 years	19.8	18.1
Last 3 years	1.8	-1.6
Last 4 years	-0.2	-3.4
Last 5 years	5.2	2.1
Since Inception (11/93)	8.8	5.4

Recommendations

No action required.

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending June, 2011

Portfolio Manager: Robert A. Gillam **Assets Under Management: $248,694,202**

Investment Philosophy

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

Staff Comments

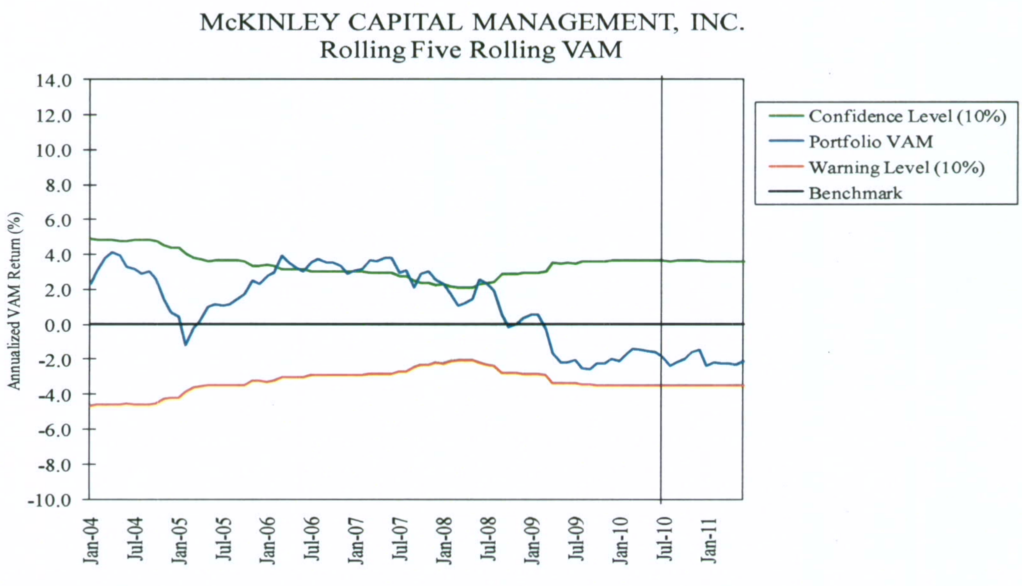
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.3%	0.9%
Last 1 year	30.8	30.3
Last 2 years	19.2	18.1
Last 3 years	-6.9	-1.6
Last 4 years	-6.6	-3.4
Last 5 years	-0.1	2.1
Since Inception (7/05)	4.5	5.8

Recommendations

No action required.



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

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

Portfolio Manager: Michael Strong | **Assets Under Management: $283,902,473**

Investment Philosophy

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	0.9%
Last 1 year	31.8	30.3
Last 2 years	20.1	18.1
Last 3 years	-0.6	-1.6
Last 4 years	-1.1	-3.4
Last 5 years	3.7	2.1
Since Inception (7/05)	7.3	5.8

Recommendations

No action required.

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

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

ALLIANCEBERNSTEIN L.P.
Periods Ending June, 2011

Portfolio Manager: Steve Beinhacker **Assets Under Management: $186,932,382**

Investment Philosophy

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

Staff Comments

Over both the quarter and the year, stock selection in Brazil, Taiwan, Mexico and China, and in the consumer staples sector detracted from the portfolio's returns.

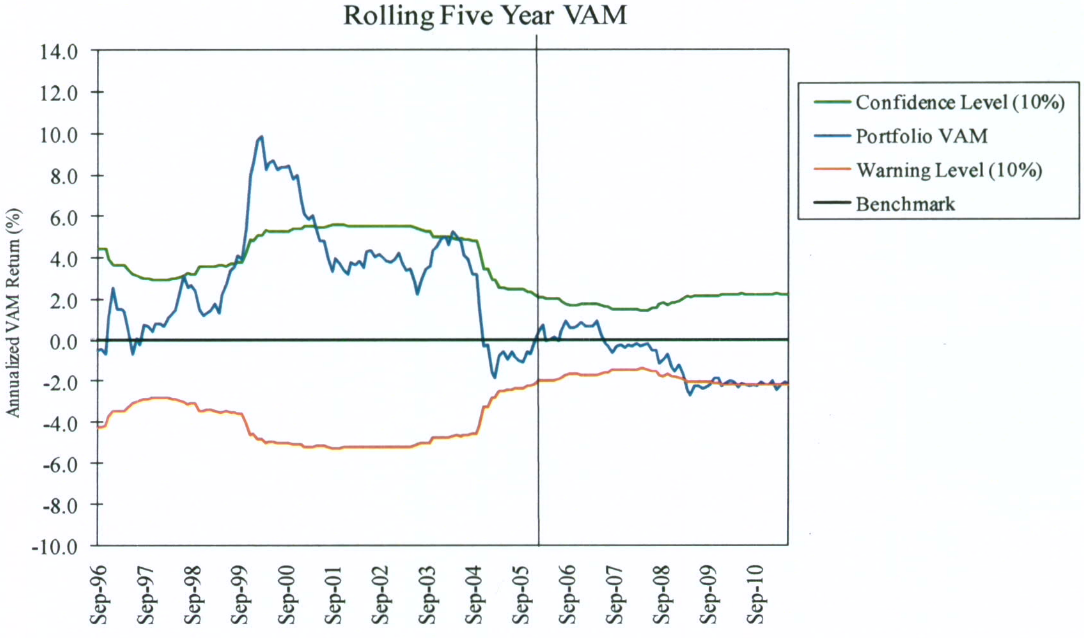
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.8%	-1.1%
Last 1 year	24.9	27.8
Last 2 years	24.7	25.4
Last 3 years	0.5	4.2
Last 4 years	1.6	4.5
Last 5 years	9.1	11.6
Since Inception (3/01)	12.7	14.2

Recommendations

No action required.

ALLIANCEBERNSTEIN L.P.
Rolling Five Year VAM



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

CAPITAL INTERNATIONAL, INC.
Periods Ending June, 2011

Portfolio Manager: Victor Kohn **Assets Under Management: $790,770,754**

Investment Philosophy

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

Staff Comments

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

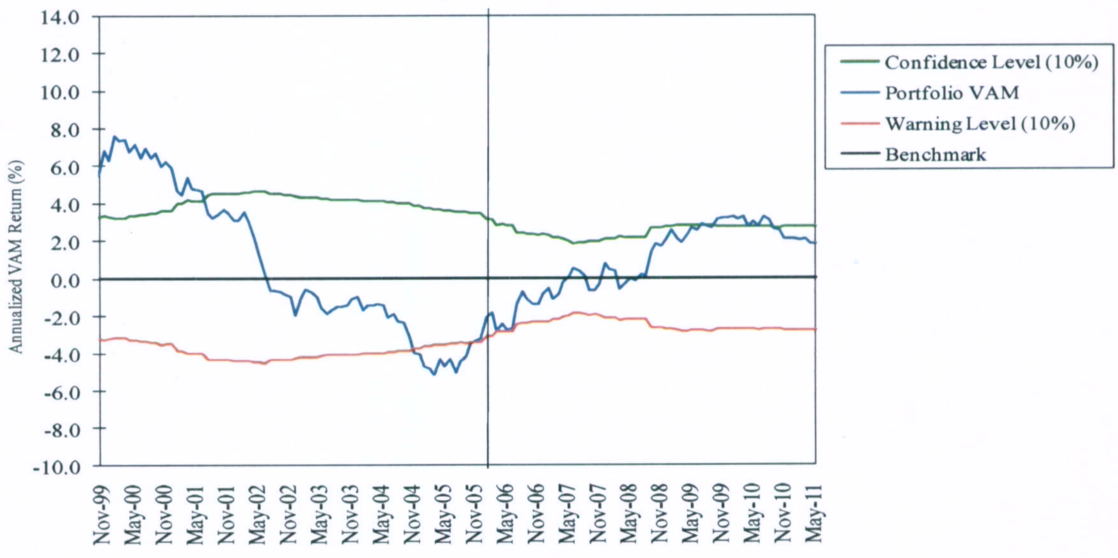
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.9%	-1.1%
Last 1 year	22.5	27.8
Last 2 years	23.3	25.4
Last 3 years	6.4	4.2
Last 4 years	5.7	4.5
Last 5 years	13.6	11.6
Since Inception (3/01)	13.4	14.2

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending June, 2011

Portfolio Manager: Ruchir Sharma | **Assets Under Management: $741,201,151**

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

During the quarter, stock selection in the consumer staples sector and in Brazil, India and Turkey contributed to the portfolio's outperformance relative to the benchmark. An underweight position and stock selection in the energy sector was a significant drag on performance for the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.1%	-1.1%
Last 1 year	25.2	27.8
Last 2 years	23.3	25.4
Last 3 years	2.9	4.2
Last 4 years	2.8	4.5
Last 5 years	10.6	11.6
Since Inception (3/01)	13.9	14.2

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM

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

AQR CAPITAL MANAGEMENT, LLC
Periods Ending June, 2011

Portfolio Manager: Cliff Asness **Assets Under Management: $286,919,713**

Investment Philosophy

AQR employs a disciplined quantitative approach emphasizing both top-down country/currency allocation and bottom-up security selection decisions to generate excess returns. AQR's investment philosophy is based on the fundamental concepts of value and momentum. AQR's international equity product incorporates stock selection, country selection, and currency selection models as the primary alpha sources. Dynamic strategy allocation (between the three primary alpha sources) and style weighting are employed as secondary alpha sources.

Staff Comments

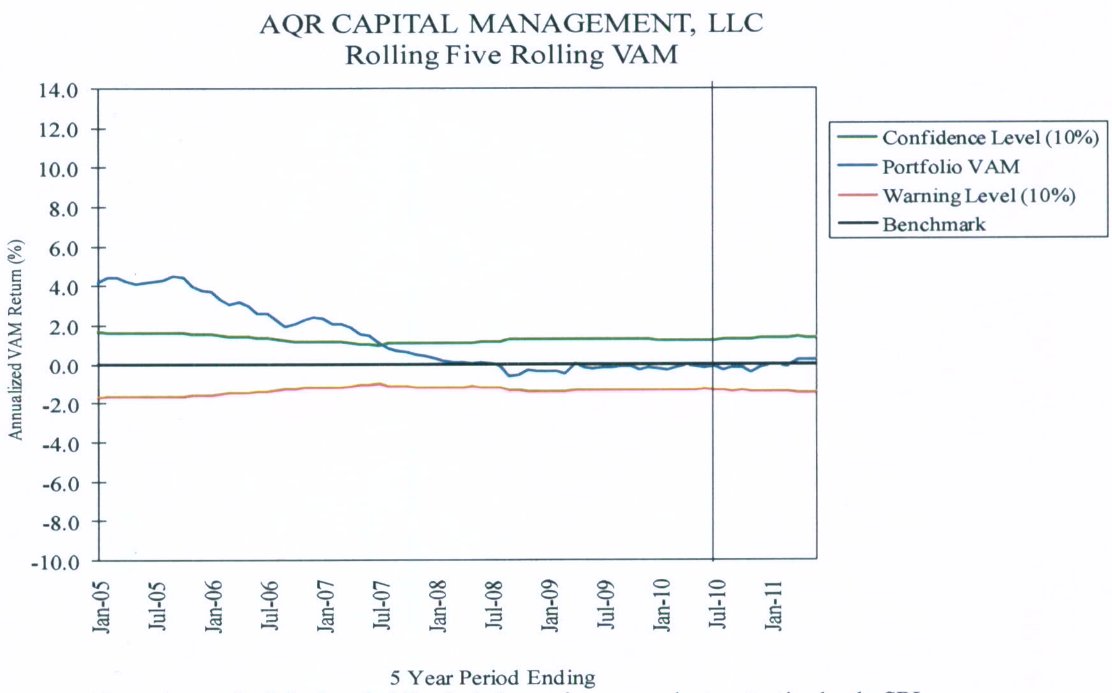
Stock selection in the financials and the industrials sectors added value over both the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.7%	0.9%
Last 1 year	34.0	30.3
Last 2 years	20.8	18.1
Last 3 years	-0.4	-1.6
Last 4 years	-3.2	-3.4
Last 5 years	2.4	2.1
Since Inception (7/05)	6.2	5.8

Recommendations

No action required.



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

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

Portfolio Manager: Cesar Hernandez **Assets Under Management: $427,059,423**

Investment Philosophy

Select International combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmartk while minimizing relative volatility and risk. By combining five regional sub-portfolios in the U.K., Canada, Continental Europe, Japan, and the Pacific Basin ex Japan, the portfolio manager produces a portfolio made up of the best ideas of the firm's research analysts. Each regional portfolio is created so that stock selection is the largest contributor to active return while systematic, sector, and factor risks are minimized. The portfolio manager uses a combination of proprietary and third-party optimization models to monitor and control risk within each regional module. Resulting portfolios typically contain between 275-325 holdings.

Staff Comments

No comment at this time.

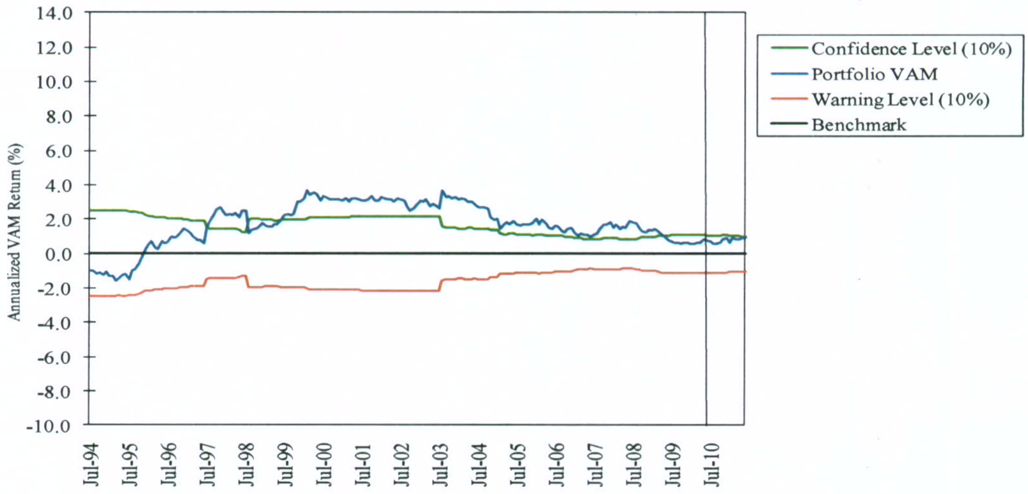
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.2%	0.9%
Last 1 year	32.1	30.3
Last 2 years	19.1	18.1
Last 3 years	-2.4	-1.6
Last 4 years	-2.6	-3.4
Last 5 years	3.1	2.1
Since Inception (7/05)	6.8	5.8

Recommendations

No action required.

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



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

STATE STREET GLOBAL ADVISORS
Periods Ending June, 2011

Portfolio Manager: Didier Rosenfeld **Assets Under Management: $270,370,376**

Investment Philosophy

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

Staff Comments

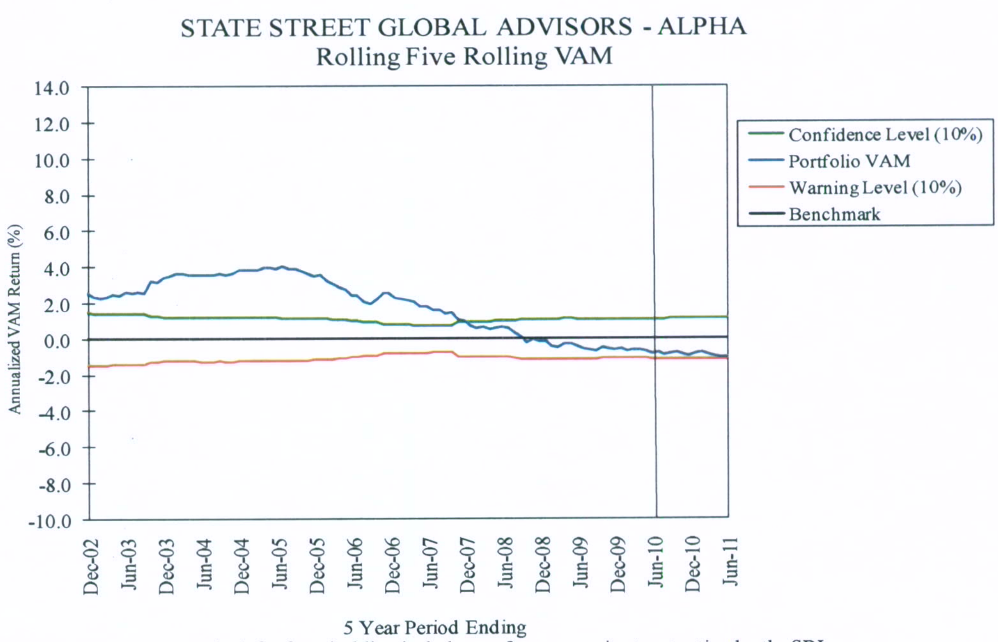
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0.9%
Last 1 year	30.9	30.3
Last 2 years	18.2	18.1
Last 3 years	-2.4	-1.6
Last 4 years	-4.6	-3.4
Last 5 years	1.1	2.1
Since Inception (7/05)	5.2	5.8

Recommendations

No action required.



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

STATE STREET GLOBAL ADVISORS
Periods Ending June, 2011

Portfolio Manager: Lynn Blake **Assets Under Management: $2,770,411,381**

Investment Philosophy

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

Staff Comments

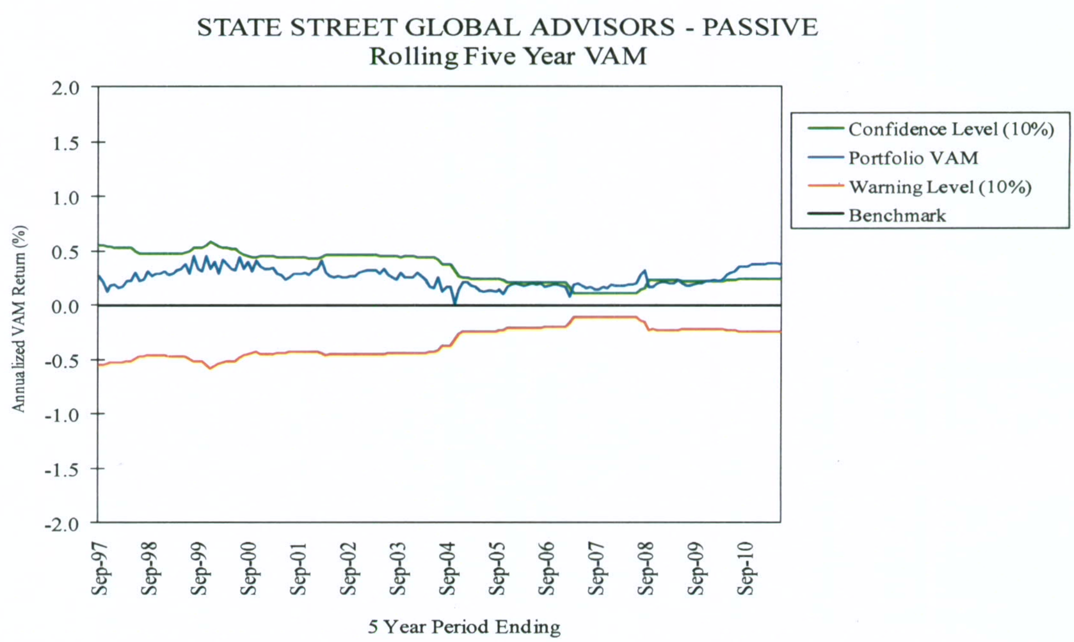
The portfolio's positive tracking error is within expectation.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	0.9%
Last 1 year	31.1	30.3
Last 2 years	18.8	18.1
Last 3 years	-1.1	-1.6
Last 4 years	-3.0	-3.4
Last 5 years	2.5	2.1
Since Inception (10/92)	6.9	6.6

Recommendation

No action required.



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STATE BOARD
OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Second Quarter, 2011

Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending June, 2011

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	(in millions)
GE Asset Management (S&P 500 Index)	-1.3	0.1	27.6	30.7	2.8	3.3	3.8	2.9	9.2	8.6	$70.2
RBC Global Asset Management (Custom Benchmark)	2.2	2.1	5.3	2.9	6.5	5.1	5.5	5.9	6.1	6.2	$241.3
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.8	0.3	3.8	1.3	4.3	1.8	4.5	2.8	5.4	4.3	$1,372.6
Internal Stock Pool (S&P 500 Index)	0.1	0.1	30.8	30.7	3.5	3.3	3.0	2.9	8.3	8.2	$1,028.2
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	1.5	2.3	4.4	3.9	7.4	6.5	7.0	6.5	7.6	7.3	$91.0
Internal Bond Pool - Trust (Barclays Capital Aggregate)	1.5	2.3	4.2	3.9	7.4	6.5	7.1	6.5	7.1	6.6	$654.7

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

(2) Prior to July 1994, the benchmark was the Salomon BIG.

NON - RETIREMENT MANAGERS
Calendar Year Returns

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

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

Portfolio Manager: Dave Carlson **Assets Under Management: $70,241,530**

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

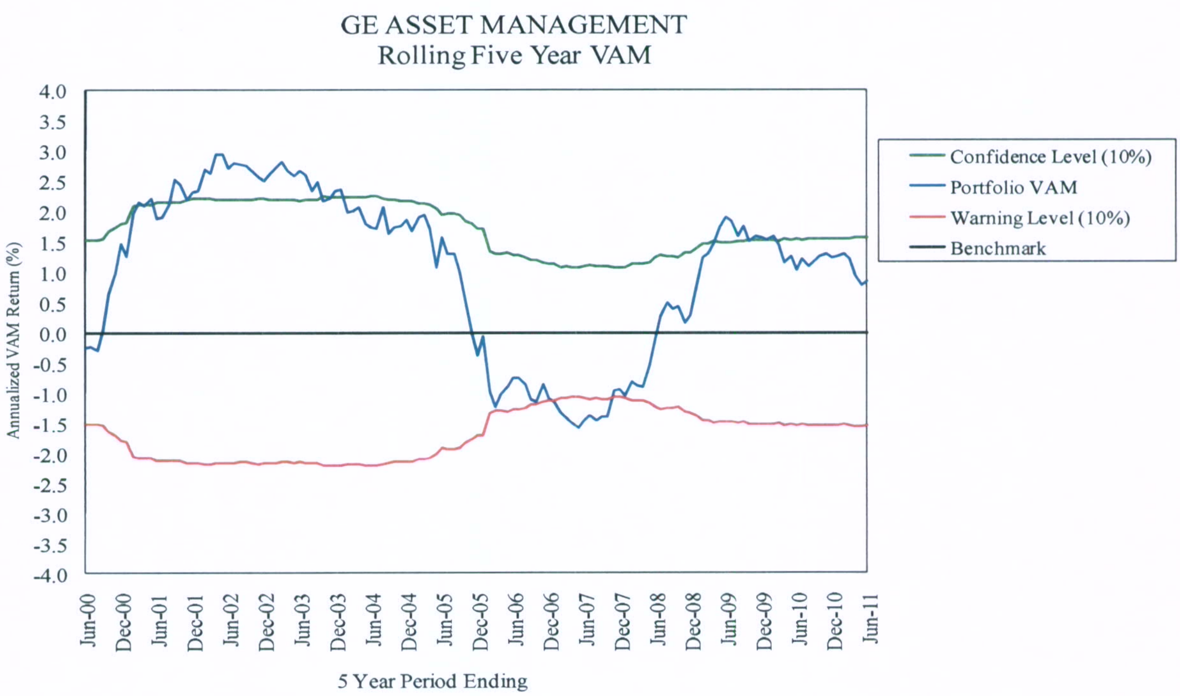
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.3%	0.1%
Last 1 year	27.6	30.7
Last 2 years	17.7	22.3
Last 3 years	2.8	3.3
Last 4 years	0.0	-1.0
Last 5 years	3.8	2.9
Since Inception (1/95)	9.2	8.6

Recommendation

No action required.



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

Portfolio Manager: John Huber **Assets Under Management: $241,283,512**

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

No comment at this time.

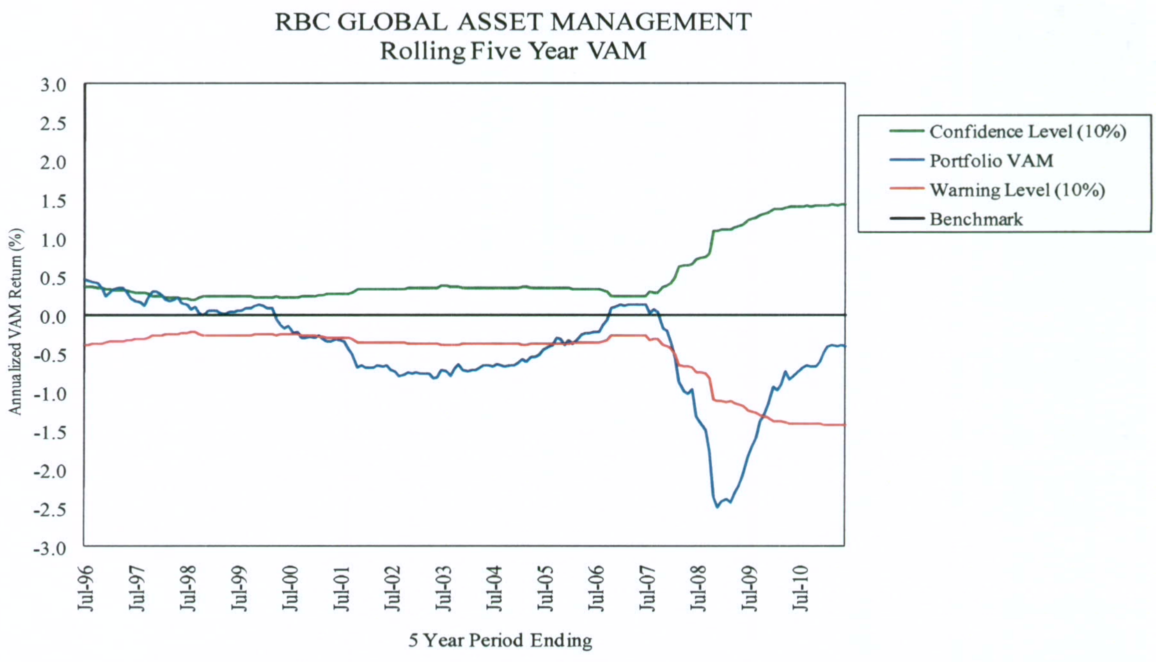
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.2%	2.1%
Last 1 year	5.3	2.9
Last 2 years	9.3	4.4
Last 3 years	6.5	5.1
Last 4 years	5.4	6.0
Last 5 years	5.5	5.9
Since Inception (7/91)	6.1	6.2

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

Recommendation

No action required.



GALLIARD CAPITAL MANAGEMENT
Periods Ending June, 2010

Portfolio Manager: Karl Tourville | **Assets Under Management: $1,372,618,399**

Investment Philosophy

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional investment contracts and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes.

Staff Comments

No comment at this time.

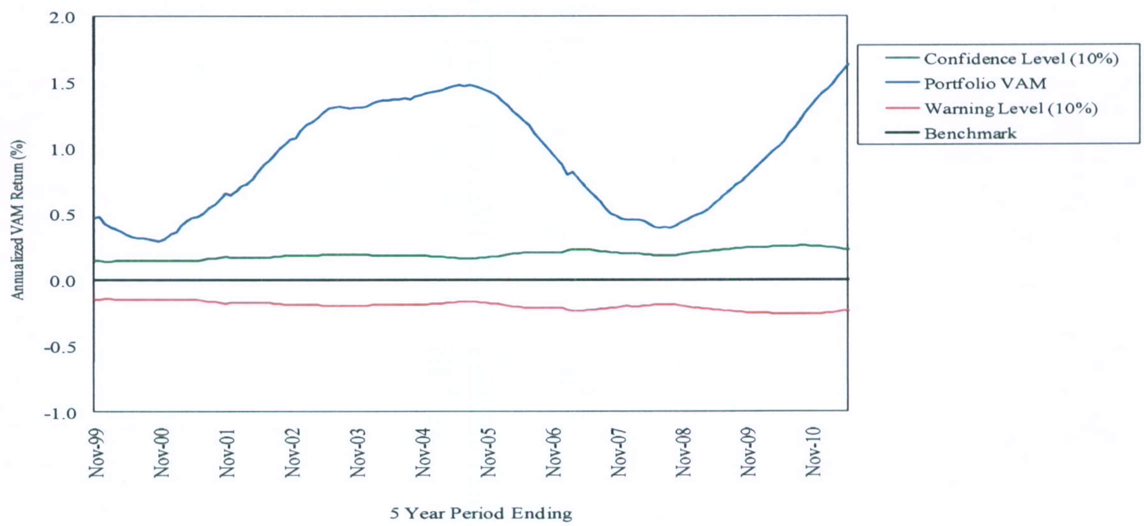
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	0.3%
Last 1 year	3.8	1.3
Last 2 years	4.1	1.6
Last 3 years	4.3	1.8
Last 4 years	4.4	2.2
Last 5 years	4.5	2.8
Since Inception (11/94)	5.4	4.3

Recommendation

No action required.

Galliard Capital Management
Rolling Five Year VAM



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

Portfolio Manager: Mike Menssen **Assets Under Management: $1,028,173,379**

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per year.

Staff Comments

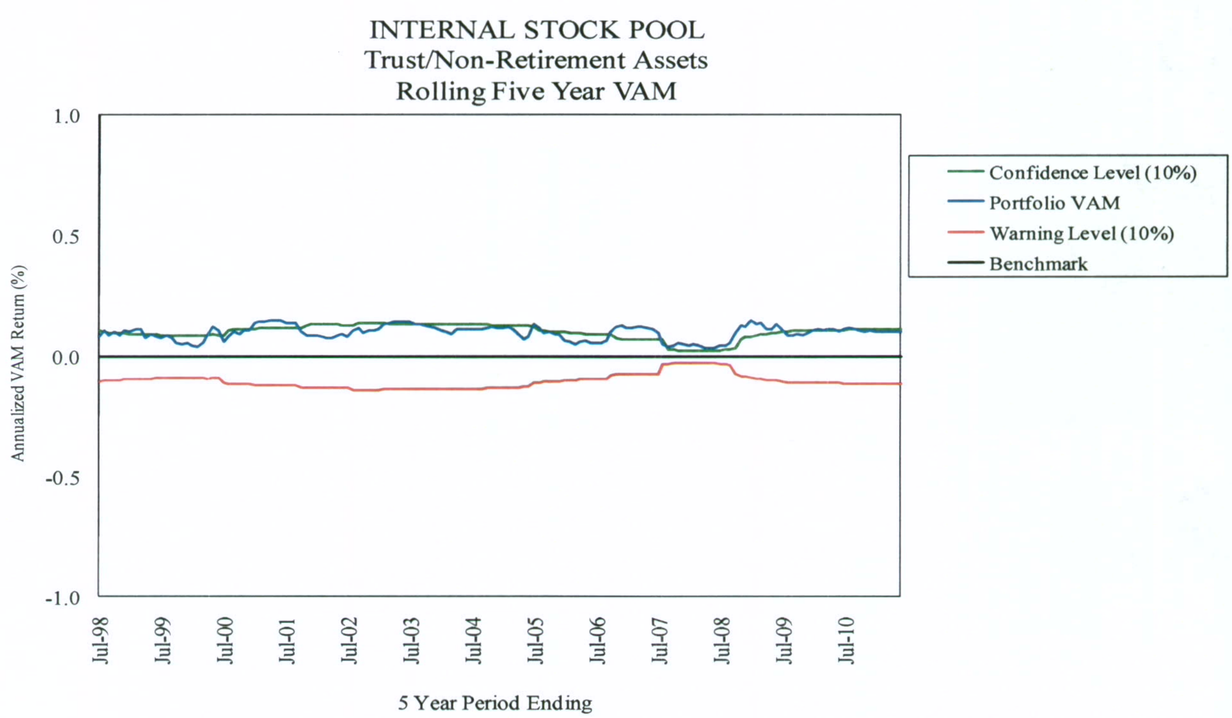
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	0.1%
Last 1 year	30.8	30.7
Last 2 years	22.2	22.3
Last 3 years	3.5	3.3
Last 4 years	-0.9	-1.0
Last 5 years	3.0	2.9
Since Inception (7/93)	8.3	8.2

Recommendation

No action required.



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

Portfolio Manager: Mike Menssen **Assets Under Management: $90,999,153**

Investment Philosophy
Income Share Account

The investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

Staff Comments

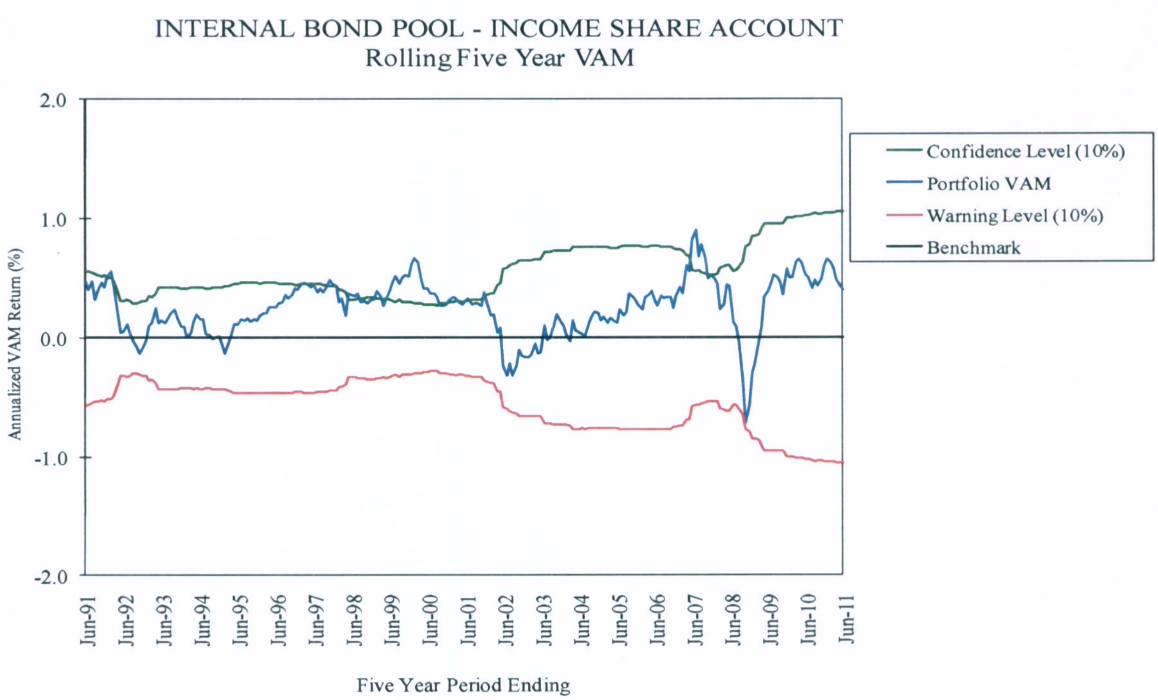
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	2.3%
Last 1 year	4.4	3.9
Last 2 years	7.5	6.7
Last 3 years	7.4	6.5
Last 4 years	7.1	6.6
Last 5 years	7.0	6.5
Since Inception (7/86)	7.6	7.3

Recommendation

No action required.



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

Portfolio Manager: Mike Menssen | **Assets Under Management: $654,677,029**

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

The internal bond portfolio's investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

Staff Comments

No comment at this time.

Quantitative Evaluation

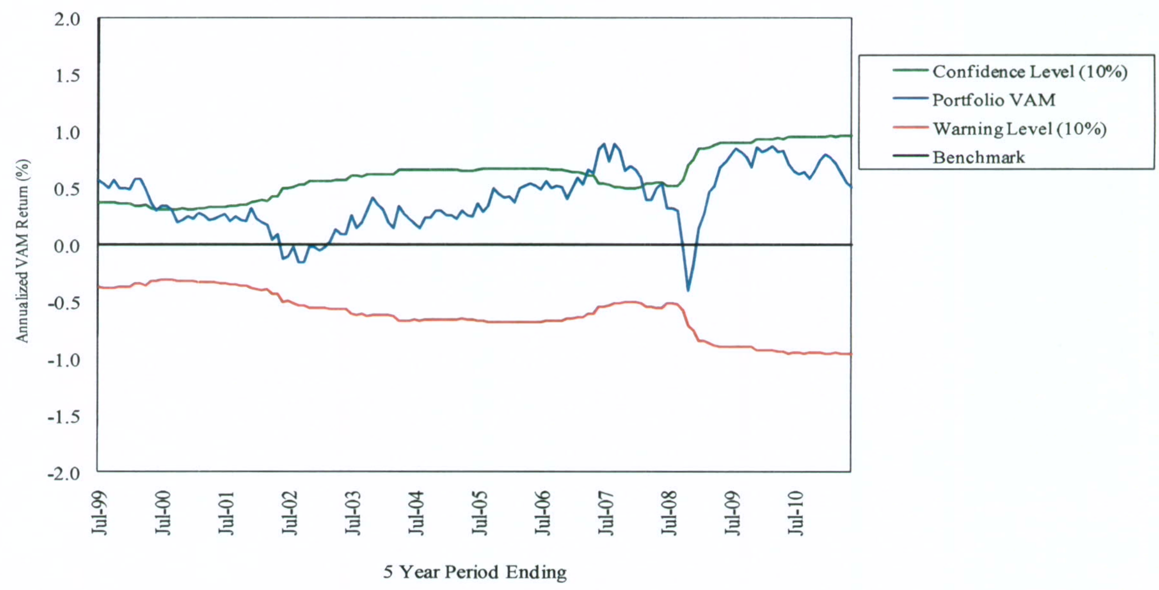
	Actual	Benchmark
Last Quarter	1.5%	2.3%
Last 1 year	4.2	3.9
Last 2 years	6.9	6.7
Last 3 years	7.4	6.5
Last 4 years	7.3	6.6
Last 5 years	7.1	6.5
Since Inception (7/94)*	7.1	6.6

Recommendation

No action required.

* 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

Second Quarter, 2011

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Mutual Fund Managers

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

457 Mutual Funds	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 Years Actual %	3 Years Bmk %	5 Years Actual %	5 Years Bmk %	Since Retention by SBI * Actual %	Since Retention by SBI * Bmk %	State's Participation In Fund ($ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	0.0	0.1	22.5	30.7	-4.0	3.3	6.4	2.9	1.4	1.5	$402.9
Legg Mason Partners Appr I (S&P 500)	0.1	0.1	26.2	30.7	3.0	3.3	4.4	2.9	5.8	5.1	$129.0
Vanguard Institutional Index Plus (S&P 500)	0.1	0.1	30.7	30.7	3.4	3.3	3.0	2.9	1.5	1.5	$457.1
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-0.1	-0.1	38.7	38.7	6.4	6.4	5.1	5.1	8.5	8.5	$234.8
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	-0.5	-1.6	43.9	37.4	13.9	7.8	6.8	4.1	9.5	6.4	$460.1
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	0.7	1.0	24.2	19.6	4.5	5.0	2.4	4.7	5.8	5.7	$282.6
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	1.0	0.9	20.5	20.6	5.8	5.6	5.3	5.1	6.0	5.9	$202.3
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	1.8	2.3	6.0	3.9	8.5	6.5	7.1	6.5	6.6	6.1	$159.7
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	2.3	2.3	3.7	3.9	6.4	6.5	6.6	6.5	5.2	5.2	$139.1
International:											
Fidelity Diversified International (MSCI EAFE-Free)	0.1	1.6	30.5	30.4	-3.3	-1.8	1.4	1.5	7.1	3.7	$249.9
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	2.1	1.6	32.3	30.4	-1.4	-1.8	1.8	1.5	7.9	7.6	$106.8

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

* Vanguard Mid-Cap Index Fund retained January 2004; Legg Mason, Vanguard Inst. Dev. Mkt., Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; Dodge & Cox Balanced Fund retained in October 2003; all others, July 1999.

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Calendar Year Returns

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

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

MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending June, 2011

Portfolio Manager: Ron Sachs

State's Participation in Fund: $402,909,307
Total Assets in Fund: $8,700,000,000

Investment Philosophy
Janus Twenty

The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in a core position of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential.

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.0%	0.1%
Last 1 year	22.5	30.7
Last 2 years	13.5	22.3
Last 3 years	-4.0	3.3
Last 4 years	2.2	-1.0
Last 5 years	6.4	2.9
Since Retention by SBI (7/99)	1.4	1.5

*Benchmark is the S&P 500.

Recommendation

No action required.

LARGE CAP EQUITY - JANUS TWENTY
Rolling Five Year VAM

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

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

	State's Participation in Fund: $128,979,161
Portfolio Manager: Scott Glasser	**Total Assets in Fund: $4,400,000,000**

Investment Philosophy
Legg Mason Partners Appreciation I

The Fund invests in U.S. growth and value stocks, primarily blue-chip companies that are dominant in their industries. Investments are selected from among a core base of stocks with a strong financial history, recognized industry leadership, and effective management teams that strive to earn consistent returns for shareholders. The portfolio manager looks for companies that he believes are undervalued with the belief that a catalyst will occur to unlock these values.

Staff Comments

No comment at this time.

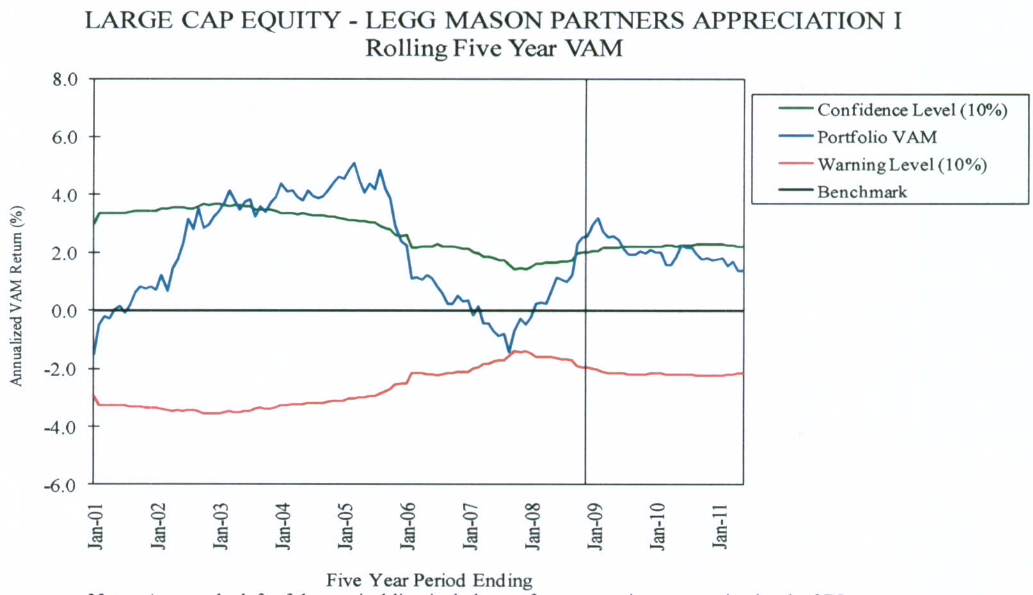
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.1%	0.1%
Last 1 year	26.2	30.7
Last 2 years	18.7	22.3
Last 3 years	3.0	3.3
Last 4 years	1.3	-1.0
Last 5 years	4.4	2.9
Since Retention by SBI (12/03)	5.8	5.1

*Benchmark is the S&P 500.

Recommendation

No action required.



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

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

Portfolio Manager: Donald Butler

State's Participation in Fund: $457,124,915
Total Assets in Fund: $37,511,000,000

Investment Philosophy
Vanguard Institutional Index

This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index. The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stock.

Staff Comments

No comment at this time.

Quantitative Evaluation

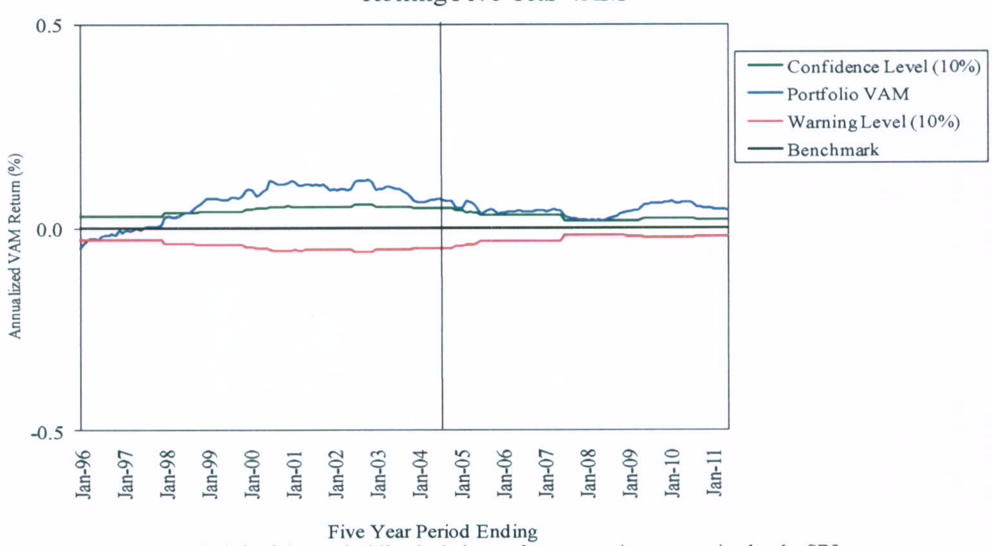
	Actual	Benchmark*
Last Quarter	0.1%	0.1%
Last 1 year	30.7	30.7
Last 2 years	22.3	22.3
Last 3 years	3.4	3.3
Last 4 years	-1.0	-1.0
Last 5 years	3.0	2.9
Since Retention by SBI (7/99)	1.5	1.5

*Benchmark is the S&P 500.

Recommendation

No action required.

EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS
Rolling Five Year VAM



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

MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending June, 2011

		State's Participation in Fund:	**$234,798,172**
Portfolio Manager:	**Donald Butler**	**Total Assets in Fund:**	**$7,479,000,000**

Investment Philosophy
Vanguard Mid-Cap Index

The fund employs a "passive management"- or indexing- investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

Staff Comments

No comment at this time.

Quantitative Evaluation

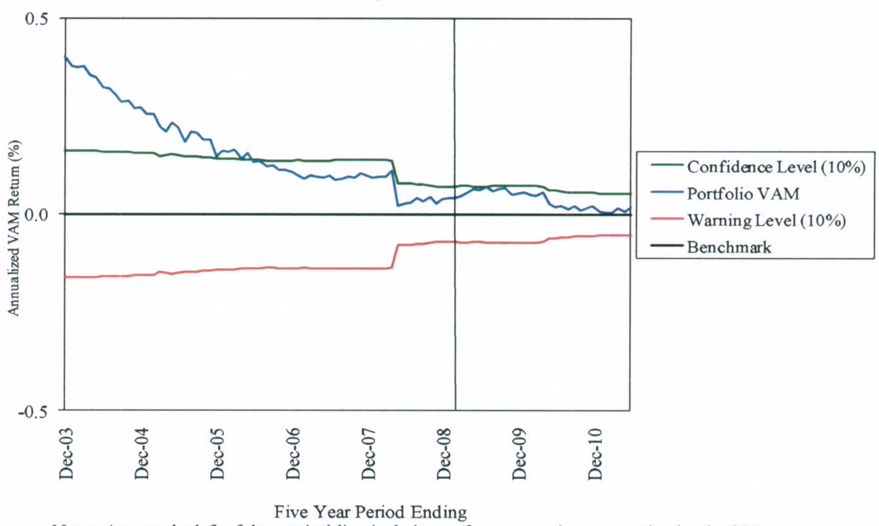
	Actual	Benchmark*
Last Quarter	-0.1%	-0.1%
Last 1 year	38.7	38.7
Last 2 years	32.7	32.7
Last 3 years	6.4	6.4
Last 4 years	1.6	1.5
Last 5 years	5.1	5.1
Since Retention by SBI (1/04)	8.5	8.5

*Benchmark is the MSCI US Mid Cap 450.

Recommendation

No action required.

MID CAP EQUITY - VANGUARD MID-CAP INDEX
Rolling Five Year VAM



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

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

		State's Participation in Fund:	**$460,110,532**
Portfolio Manager:	**Gregory A. McCrickard**	**Total Assets in Fund:**	**$7,598,000,000**

Investment Philosophy
T. Rowe Price Small Cap Equity Fund

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

Staff Comments

No comment at this time.

Quantitative Evaluation

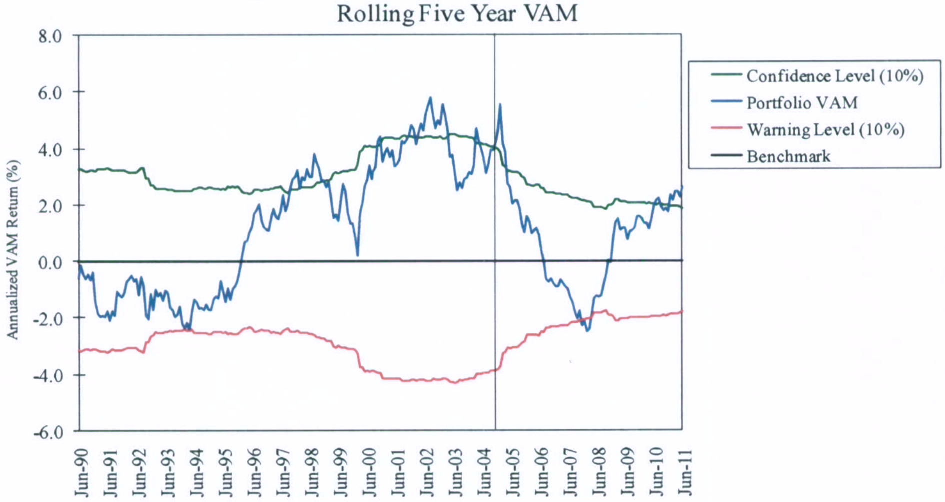
	Actual	Benchmark*
Last Quarter	-0.5%	-1.6%
Last 1 year	43.9	37.4
Last 2 years	34.8	29.2
Last 3 years	13.9	7.8
Last 4 years	5.0	1.2
Last 5 years	6.8	4.1
Since Retention by SBI (7/99)	9.5	6.4

*Benchmark is the Russell 2000.

Recommendation

No action required.

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.

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

State's Participation in Fund: $282,568,500

Portfolio Manager: John Gunn **Total Assets in Fund: $14,700,000,000**

Investment Philosophy
Dodge & Cox Balanced Fund

The Fund seeks regular income, conservation of principal and an opportunity for long-term growth of principal and income. The Fund invests in a diversified portfolio of common stocks preferred stocks and fixed income securities.

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.7%	1.0%
Last 1 year	24.2	19.6
Last 2 years	19.5	16.1
Last 3 years	4.5	5.0
Last 4 years	-0.6	2.3
Last 5 years	2.4	4.7
Since Retention By SBI (10/03)	5.8	5.7

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

Recommendation

No action required.

BALANCED - DODGE & COX BALANCED 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 June, 2011

State's Participation in Fund: $202,288,607

Portfolio Manager: Michael Perre | **Total Assets in Fund: $3,841,000,000**

Investment Philosophy
Vanguard Balanced Index Fund

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

Staff Comments

No comment at this time.

Quantitative Evaluation

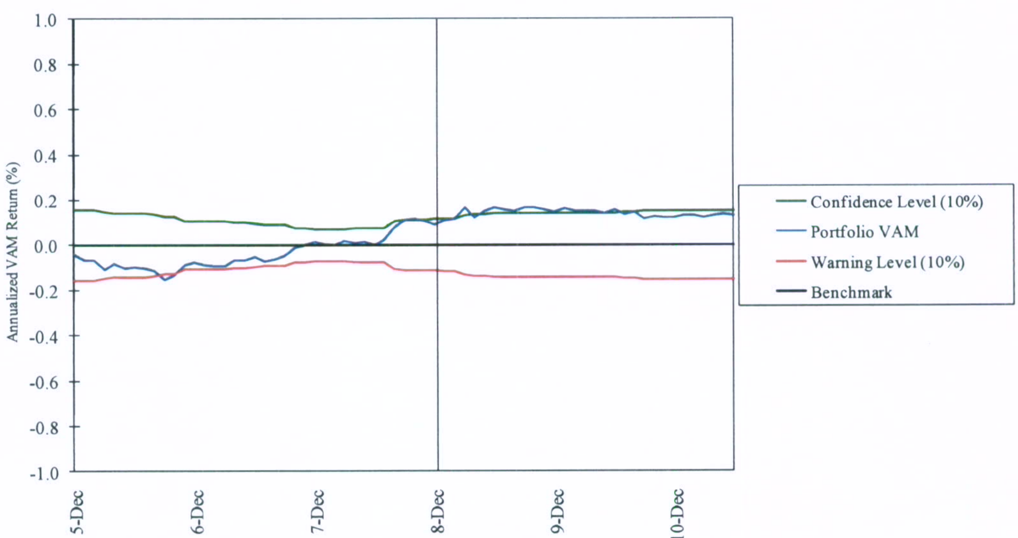
	Actual	Benchmark*
Last Quarter	1.0%	0.9%
Last 1 year	20.5	20.6
Last 2 years	17.1	17.2
Last 3 years	5.8	5.6
Last 4 years	3.1	2.9
Last 5 years	5.3	5.1
Since Retention by SBI (12/03)	6.0	5.9

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

Recommendation

No action required.

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

	State's Participation in Fund: $159,717,277
Portfolio Manager: Dana Emery	**Total Assets in Fund: $23,900,000,000**

Investment Philosophy
Dodge & Cox Income Fund

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While the fund invests primarily in the U.S. bond market, it may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole.

Staff Comments

No comment at this time.

Quantitative Evaluation

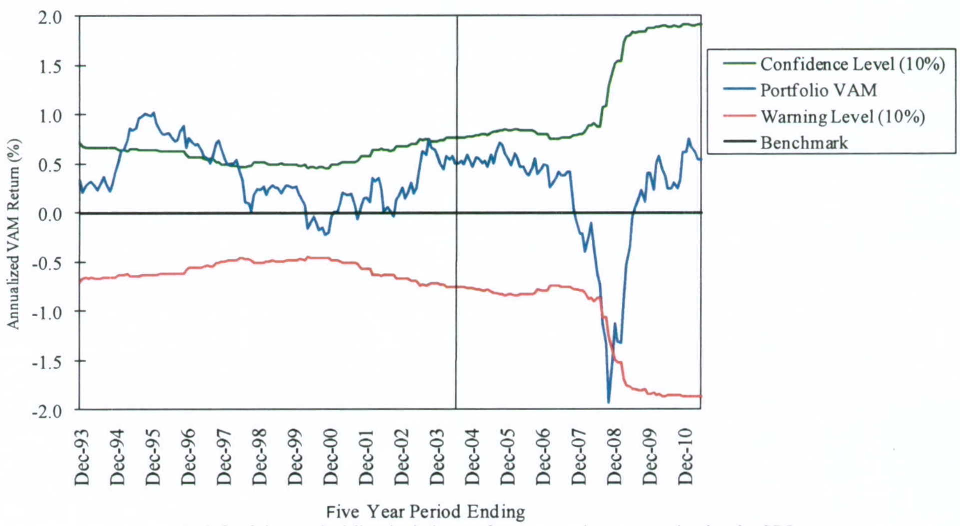
	Actual	Benchmark*
Last Quarter	1.8%	2.3%
Last 1 year	6.0	3.9
Last 2 years	9.1	6.7
Last 3 years	8.5	6.5
Last 4 years	7.3	6.6
Last 5 years	7.1	6.5
Since Retention By SBI (7/99)	6.6	6.1

*Benchmark is the Barclays Capital Aggregate.

Recommendation

No action required.

BOND - DODGE & COX INCOME FUND
Rolling Five Year VAM



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

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

State's Participation in Fund: $139,070,716
Portfolio Manager: Kenneth Volpert **Total Assets in Fund: $20,930,000,000**

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 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

Staff Comments

No comment at this time.

Quantitative Evaluation

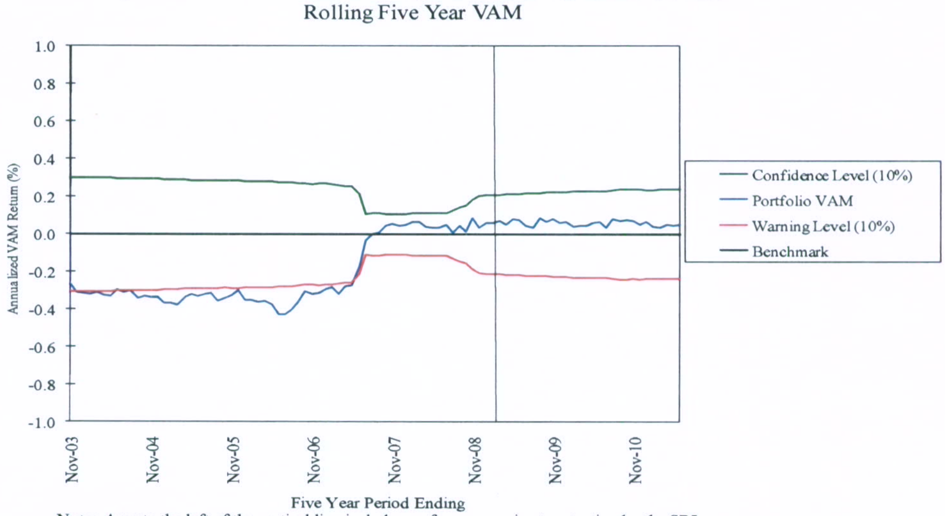
	Actual	Benchmark*
Last Quarter	2.3%	2.3%
Last 1 year	3.7	3.9
Last 2 years	6.5	6.7
Last 3 years	6.4	6.5
Last 4 years	6.7	6.6
Last 5 years	6.6	6.5
Since Retention by SBI (12/03)	5.2	5.2

*Benchmark is the Barclays Capital Aggregate.

Recommendation

No action required.

BOND INDEX - VANGUARD TOTAL BOND MARKET INDEX
Rolling Five Year VAM



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

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

Portfolio Manager: William Bower

State's Participation in Fund: $249,923,134
Total Assets in Fund: $22,741,360,000

Investment Philosophy
Fidelity Diversified International

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of $100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations.

Staff Comments

No comment at this time.

Quantitative Evaluation

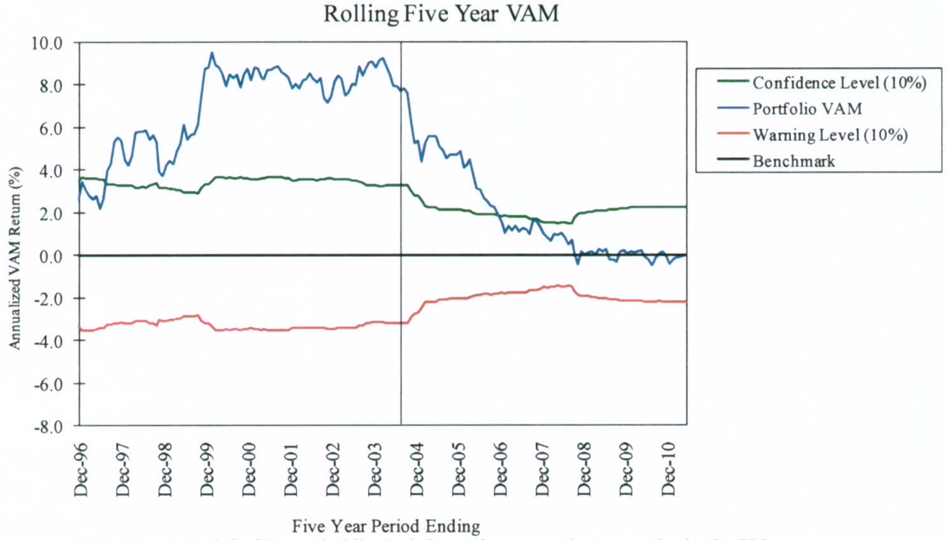
	Actual	Benchmark*
Last Quarter	0.1%	1.6%
Last 1 year	30.5	30.4
Last 2 years	17.4	17.5
Last 3 years	-3.3	-1.8
Last 4 years	-3.9	-4.1
Last 5 years	1.4	1.5
Since Retention By SBI (7/99)	7.1	3.7

*Benchmark is the MSCI EAFE-Free.

Recommendation

No action required.

INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
Rolling Five Year VAM



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

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

State's Participation in Fund: $106,761,973

Portfolio Manager: Duane Kelly and Michael Buek **Total Assets in Fund: $5,381,000,000**

Investment Philosophy
Vanguard Institutional Developed Market Index

The fund seeks to track the performance of the MSCI EAFE Index by passively investing in two other Vanguard funds—the European Stock Index Fund and the Pacific Stock Index Fund. The combination of the two underlying index funds, in turn, seeks to track the investment results of the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index. The MSCI EAFE Index includes approximately 1,000 common stocks of companies located in Europe, Australia, Asia, and the Far East.

Staff Comments

No comment at this time.

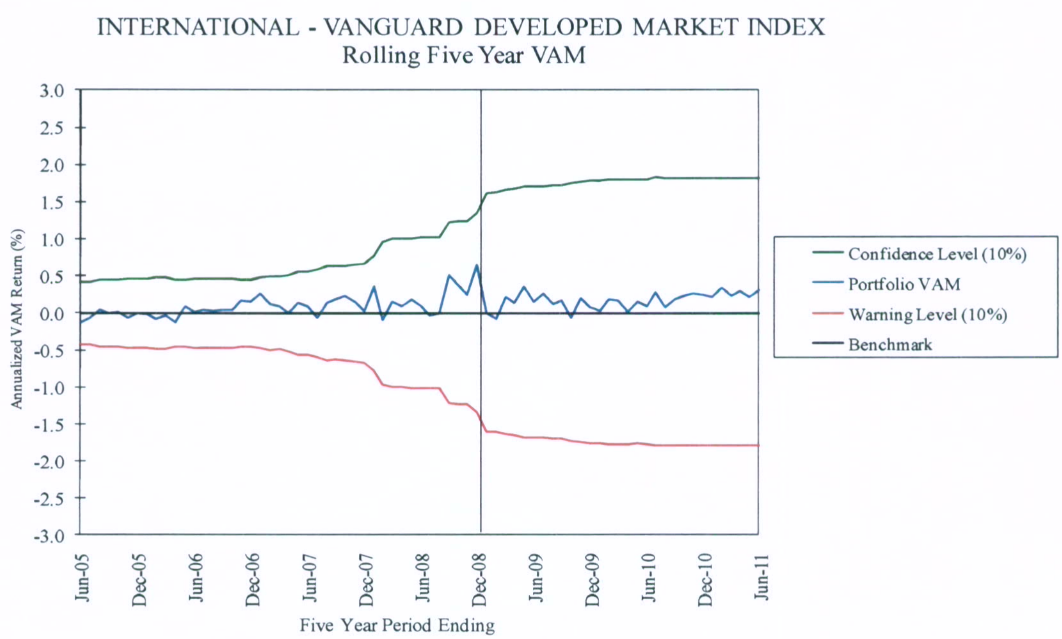
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.1%	1.6%
Last 1 year	32.3	30.4
Last 2 years	17.8	17.5
Last 3 years	-1.4	-1.8
Last 4 years	-3.7	-4.1
Last 5 years	1.8	1.5
Since Retention by SBI (12/03)	7.9	7.6

*Benchmark is the MSCI EAFE International

Recommendation

No action required.



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

TAB

D

DATE: August 16, 2011

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 two existing real estate managers, TA Associates Realty and Blackstone Real Estate Partners.

IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 20% of the Combined Funds are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments in which Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

a. The real estate investment strategy is to establish and maintain a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified, more focused (specialty) commingled funds and REITs.

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

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

d. The strategy for yield-oriented investments is to target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

ACTION ITEMS:

1) Investment with an existing real estate manager, TA Associates Realty (TA Realty) in The Realty Associates Fund X, L.P. (TA Realty X)

TA Realty is seeking investors for a new $1.25 billion real estate fund, TA Realty X. This fund is a successor to nine real estate funds managed by TA Realty. The SBI has invested in five prior real estate funds with TA Realty. Like the other real estate funds, this fund will seek to earn attractive returns through a diversified portfolio of income producing real estate assets.

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

More information on The Realty Associates Fund X, L.P. is included as **Attachment C**.

RECOMMENDATION:

Staff recommends a commitment of $100 million, or 20% of TA Realty X, 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 TA Realty upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on TA Realty or reduction or termination of the commitment.

2) **Investment with an existing real estate manager, Blackstone Real Estate Partners (BREP), in Blackstone Real Estate Partners VII L.P. (BREP VII).**

   BREP is seeking investors for a new $10 billion real estate fund. This fund is a successor to six other real estate funds managed by BREP. The SBI has invested in the prior two funds. The Fund will continue the primary focus of the prior BREP funds, which have targeted a broad range of opportunistic real estate-related investments primarily in the U.S. and Canada.

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

   More information on Blackstone Real Estate Partners VII L.P. is included as **Attachment D**.

   RECOMMENDATION:

   Staff recommends a commitment of $100 million, or 20% of BREP VII, 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 BREP 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 BREP or reduction or termination of the commitment.

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Minnesota State Board of Investment

Pooled Alternative Investments
Combined Funds
June 30, 2011

Combined Funds Market Value	$47,784,802,231
Amount Available for Investment	**$2,613,652,102**

	Current Level	Target Level	Difference
Market Value (MV)	$6,943,308,344	$9,556,960,446	$2,613,652,102
MV +Unfunded	$9,975,170,065	$14,335,440,669	$4,360,270,604

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	$4,121,320,976	$1,603,946,158	$5,725,267,134
Real Estate	$1,067,434,201	$139,862,508	$1,207,296,709
Resource	$728,493,585	$645,441,278	$1,373,934,863
Yield-Oriented	$1,026,059,582	$642,611,777	$1,668,671,359
Total	$6,943,308,344	$3,031,861,721	$9,975,170,065

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ATTACHMENT B

Minnesota State Board of Investment
- Alternative Investments -
As of June 30, 2011

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC **	Period Years
I. REAL ESTATE								
Blackstone								
Blackstone Real Estate V	100,000,000	92,507,161	98,270,130	25,135,272	8,697,233	7.81	1.33	5.17
Blackstone Real Estate VI	100,000,000	86,380,924	103,131,789	3,447,145	15,877,174	7.59	1.23	4.25
Colony Capital								
Colony Investors II	80,000,000	78,482,328	1,800	90,022,404	1,517,672	4.68	1.15	16.25
Colony Investors III	100,000,000	100,000,000	4,199,200	167,834,385	0	14.62	1.72	13.49
CSFB/ DLJ								
CSFB Strategic Partners III RE	25,000,000	25,166,647	11,829,471	568,588	398,070	-20.56	0.49	6.00
CS Strategic Partners IV RE	50,000,000	45,845,636	27,944,179	3,678,747	4,742,577	-14.51	0.69	3.03
Prime Property Fund	40,000,000	40,000,000	225,007,114	0	0	6.01	5.63	29.72
Silverpeak Real Esate Partners								
Silverpeak Legacy Pension Partners II	75,000,000	70,256,048	45,793,756	22,008,951	10,355,294	-1.13	0.97	6.00
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	32,126,582	0	83,274,488	-24.39	0.49	3.11
T.A. Associates Realty								
Realty Associates Fund V	50,000,000	50,000,000	12,623,438	81,031,780	0	10.59	1.87	12.10
Realty Associates Fund VI	50,000,000	50,000,000	34,111,231	47,072,611	0	11.61	1.62	9.00
Realty Associates Fund VII	75,000,000	75,000,000	52,007,921	19,340,000	0	-1.21	0.95	6.62
Realty Associates Fund VIII	100,000,000	100,000,000	66,354,600	4,782,330	0	-9.80	0.71	5.00
Realty Associates Fund IX	100,000,000	85,000,000	87,838,150	857,304	15,000,000	5.61	1.04	2.84
UBS- Trumbull Property Fund	42,376,529	42,376,529	266,194,842	0	0	6.95	6.28	29.17
Real Estate Total	**1,137,376,529**	**1,007,158,410**	**1,067,434,201**	**465,779,517**	**139,862,508**		1.52	
II. RESOURCE								
Apache Corp III	30,000,000	30,000,000	4,791,210	55,595,774	0	12.24	2.01	24.50
EnCap Energy								
EnCap Energy Capital Fund VII	100,000,000	68,657,182	64,545,728	23,340,704	31,895,561	16.29	1.28	4.00
EnCap Energy Capital Fund VIII	100,000,000	5,228,572	5,368,907	0	94,771,428	4.36	1.03	0.74
Energy and Minerals Group I	100,000,000	86,183,859	82,979,582	32,957,928	14,127,164	14.80	1.35	4.25
Energy Capital Partners II-A	100,000,000	22,864,210	24,448,892	3,955,190	81,076,323	23.20	1.24	0.95
First Reserve								
First Reserve Fund X	100,000,000	100,000,000	69,898,989	122,963,396	0	35.90	1.93	6.66
First Reserve Fund XI	150,000,000	118,876,282	97,468,420	34,699,812	31,123,718	3.45	1.11	4.52
First Reserve Fund XII	150,000,000	87,335,702	69,310,065	6,339,490	62,664,298	-8.57	0.87	2.66
Natural Gas Partners IX	150,000,000	86,862,853	109,500,411	5,098,952	60,476,956	17.26	1.32	3.69
Sheridan								
Sheridan Production Partners I	100,000,000	89,502,260	115,455,007	19,500,000	10,500,000	19.44	1.51	4.25
Sheridan Production Partners II	100,000,000	8,500,000	7,282,001	0	91,500,000	-34.71	0.86	0.74
T. Rowe Price	74,064,672	74,064,672	645,600	99,814,376	0	28.09	1.36	N/A
Trust Company of the West								
TCW Energy Partners XIV	100,000,000	87,557,607	68,589,185	44,899,475	27,055,829	14.00	1.30	4.20
TCW Energy Partners XV	150,000,000	9,750,000	8,209,588	0	140,250,000	-18.27	0.84	1.06
Resource Total	**1,504,064,672**	**875,383,198**	**728,493,585**	**449,165,098**	**645,441,278**		1.35	
III. YIELD-ORIENTED								
Audax Mezzanine Fund III	100,000,000	5,652,532	5,288,967	0	94,347,468	-6.94	0.94	1.23
Citicorp Mezzanine III	100,000,000	88,029,296	622,113	132,134,651	0	15.62	1.51	11.66
DLJ Investment Partners								
DLJ Investment Partners II	27,375,168	23,164,217	1,394,097	33,886,457	4,955,172	10.55	1.52	11.49
DLJ Investment Partners III	100,000,000	44,543,022	20,491,795	22,550,816	57,456,267	-5.96	0.97	5.02
Gold Hill Venture Lending								
Gold Hill Venture Lending	40,000,000	40,000,000	16,509,841	35,731,266	0	7.16	1.31	6.75
Gold Hill 2008	25,852,584	19,130,912	23,801,763	1,272,656	6,721,672	23.60	1.31	3.00
GS Mezzanine Partners								
GS Mezzanine Partners II	100,000,000	100,000,000	4,053,230	128,064,866	0	7.15	1.32	11.33
GS Mezzanine Partners III	75,000,000	75,000,000	16,875,254	79,484,867	0	7.74	1.28	7.97
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	60,183,347	36,649,311	25,000,112	5.77	1.29	5.23
GS Mezzanine Partners V	150,000,000	54,542,693	51,403,652	23,906,444	86,441,294	11.03	1.38	3.69
Merit Capital Partners								
William Blair Mezzan. Cap. Fd. III	60,000,000	56,958,000	6,309,674	95,643,470	3,042,000	14.63	1.79	11.49
Merit Mezzanine Fund IV	75,000,000	69,230,769	55,639,467	28,715,010	5,769,231	6.06	1.22	6.54
Merit Mezzanine Fund V	75,000,000	10,653,061	10,267,175	0	64,346,939	-4.68	0.96	1.53
Merit Energy Partners								
Merit Energy Partners B	24,000,000	24,000,000	59,657,058	109,046,407	0	24.80	7.03	15.00
Merit Energy Partners C	50,000,000	50,000,000	156,526,544	238,545,241	0	31.35	7.90	12.67
Merit Energy Partners D	88,000,000	70,938,303	117,368,796	172,165,932	0	23.72	4.08	10.10
Merit Energy Partners E	100,000,000	39,983,197	61,672,008	32,607,537	0	17.38	2.36	6.70
Merit Energy Partners F	100,000,000	57,841,607	63,225,405	7,116,986	42,158,394	8.38	1.22	5.27
Merit Energy Partners H	100,000,000	2,630,064	2,630,064	0	97,369,936	0.00	1.00	0.41
Prudential Capital Partners								
Prudential Capital Partners I	100,000,000	97,100,859	31,466,192	112,801,586	7,642,577	11.10	1.49	10.20
Prudential Capital Partners II	100,000,000	93,307,126	64,104,364	60,619,287	7,094,842	8.99	1.34	6.00
Prudential Capital Partners III	100,000,000	69,628,574	68,545,475	7,133,299	33,277,893	9.37	1.09	2.20
Quadrant Real Estate Advisors								
Institutional Commercial Mortgage Fd V	37,200,000	37,200,000	4,647,492	55,379,258	0	7.96	1.61	11.91
Summit Partners								
Summit Subordinated Debt Fund I	20,000,000	18,000,000	80,518	31,406,578	2,000,000	30.55	1.75	17.25
Summit Subordinated Debt Fund II	45,000,000	40,500,000	2,218,963	86,223,399	4,500,000	56.28	2.18	13.91
Summit Subordinated Debt Fund III	45,000,000	42,690,965	23,320,881	28,420,376	2,850,000	8.62	1.21	7.37
Summit Subordinated Debt Fund IV	50,000,000	21,500,000	22,141,904	0	28,500,000	5.68	1.03	3.26

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Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC **	Period Years
T. Rowe Price	55,800,931	55,800,931	0	55,217,895	0	-3.31	0.99	N/A
TCW/Crescent Mezzanine Partners III	75,000,000	68,835,264	9,465,295	148,415,166	29,733,857	36.12	2.29	10.25
Windjammer Capital Investors								
Windjammer Mezzanine & Equity Fund II	66,708,861	52,076,514	11,066,639	65,115,211	14,378,980	8.39	1.46	11.24
Windjammer Senior Equity Fund III	75,000,000	52,566,265	55,081,611	24,271,759	25,025,145	16.78	1.51	5.49
Yield-Oriented Total	**2,259,937,544**	**1,556,504,061**	**1,026,059,582**	**1,852,525,734**	**642,611,777**		1.85	
IV. PRIVATE EQUITY								
Adams Street Partners								
Adams Street VPAF Fund I	3,800,000	3,800,000	42,305	9,440,295	0	13.22	2.50	23.14
Adams Street VPAF Fund II	20,000,000	20,000,000	49,455	37,988,511	0	24.09	1.90	20.59
Advent International GPE VI-A	50,000,000	27,500,000	28,373,488	1,500,000	22,500,000	5.90	1.09	3.24
Affinity Ventures								
Affinity Ventures IV	4,000,000	3,800,000	2,392,443	1,423,858	200,000	0.17	1.00	7.00
Affinity Ventures V	5,000,000	3,300,000	3,097,960	115,993	1,700,000	-1.69	0.97	2.99
Banc Fund								
Banc Fund VII	45,000,000	45,000,000	25,961,265	812,725	0	-11.44	0.59	6.25
Banc Fund VIII	98,250,000	32,422,500	34,362,306	0	65,827,500	5.11	1.06	3.18
Blackstone								
Blackstone Capital Partners II	47,271,190	47,271,190	63,458	100,012,939	0	34.04	2.12	17.60
Blackstone Capital Partners IV	70,000,000	69,863,496	52,849,188	119,244,981	4,407,812	40.17	2.46	8.97
Blackstone Capital Partners V	140,000,000	124,750,575	118,151,328	9,310,176	17,172,130	-0.13	1.02	5.40
Blackstone Capital Partners VI	100,000,000	0	0	0	100,000,000	N/A	0.00	2.93
BLUM Capital Partners								
Blum Strategic Partners I	50,000,000	49,158,307	419,162	99,450,576	2,009,928	12.73	2.03	12.52
Blum Strategic Partners II	50,000,000	40,185,889	12,313,447	78,945,586	2,127,584	23.08	2.27	9.95
Blum Strategic Partners III	75,000,000	74,806,485	37,138,734	54,513,310	193,515	5.00	1.23	6.08
Blum Strategic Partners IV	150,000,000	148,496,870	127,299,658	24,656,730	13,930,449	0.70	1.02	3.61
Carval Investors								
CVI Global Value Fund	200,000,000	190,000,000	225,585,494	16,321,454	10,000,000	7.50	1.27	4.46
CarVal Credit Value Fund I	100,000,000	45,000,000	45,000,000	63,000	55,000,000	0.16	1.00	0.75
Chicago Growth Partners (William Blair)								
William Blair Capital Partners VII	50,000,000	48,150,000	8,468,957	63,343,842	1,650,000	9.71	1.49	10.31
Chicago Growth Partners I	50,000,000	49,291,998	40,710,303	18,593,098	3,450,000	6.59	1.20	5.93
Chicago Growth Partners II	60,000,000	30,278,587	31,649,792	1,968,000	29,469,413	6.76	1.11	3.30
Coral Partners								
Coral Partners IV	15,000,000	15,000,000	1,734,032	13,538,879	0	0.35	1.02	16.94
Coral Partners V	15,000,000	15,000,000	1,579,043	7,854,144	0	-5.46	0.63	13.03
Court Square Capital								
Court Square Capital Partners	100,000,000	80,223,910	24,704,881	152,364,190	10,576,235	29.26	2.21	9.55
Court Square Capital Partners II	175,000,000	114,876,461	139,381,880	2,645,238	61,763,745	9.13	1.24	4.82
Crescendo								
Crescendo III	25,000,000	25,000,000	1,374,976	9,321,908	0	-16.49	0.43	12.65
Crescendo IV	101,500,000	101,500,000	24,724,917	20,124,650	0	-9.24	0.44	11.30
CSFB/ DLJ								
DLJ Merchant Banking Partners III	125,000,000	121,335,666	53,887,481	205,825,296	3,664,334	18.87	2.14	10.75
DLJ Strategic Partners	100,000,000	93,493,319	12,842,830	156,515,113	4,956,681	22.60	1.81	10.44
CSFB Strategic Partners II-B	100,000,000	83,234,943	14,233,119	144,213,242	10,965,057	35.87	1.90	7.95
CSFB Strategic Partners III VC	25,000,000	22,753,367	15,910,945	11,915,988	2,246,633	6.19	1.22	6.08
CSFB Strategic Partners III-B	100,000,000	76,224,058	85,191,984	10,698,445	16,933,846	5.98	1.26	6.08
CS Strategic Partners IV-B	100,000,000	70,554,261	84,303,076	10,602,714	29,445,739	15.19	1.35	3.26
CS Strategic Partners IV VC	40,500,000	31,339,981	35,766,567	4,515,169	8,995,125	13.23	1.29	3.03
CVC European Equity Partners V	144,984,900	70,887,240	74,978,777	10,260,837	55,329,715	9.63	1.20	3.26
Diamond Castle Partners IV	100,000,000	87,689,766	84,090,505	18,410,655	12,350,719	4.96	1.17	4.81
DSV Partners IV	10,000,000	10,000,000	32,305	39,196,082	0	10.61	3.92	26.22
EBF and Associates								
Merced Partners II	75,000,000	63,768,881	46,859,070	66,079,064	0	25.05	1.77	4.25
Merced Partners III	100,000,000	55,000,000	54,881,475	0	45,000,000	-0.44	1.00	1.15
Elevation Partners	75,000,000	67,653,776	48,168,728	36,623,438	13,431,814	8.09	1.25	6.12
Fox Paine Capital Fund II	50,000,000	45,534,856	35,923,946	46,170,294	12,717,982	20.40	1.80	11.00
GHJM Marathon Fund								
GHJM Marathon Fund IV	40,000,000	39,051,000	2,670,515	55,127,488	949,000	8.45	1.48	12.21
GHJM Marathon Fund V	50,000,000	48,668,903	59,628,056	14,848,567	1,407,808	11.84	1.53	6.74
Golder,Thoma, Cressey, Rauner								
Golder, Thoma, Cressey & Rauner Fund IV	20,000,000	20,000,000	56,701	42,300,018	0	25.06	2.12	17.41
Golder, Thoma, Cressey & Rauner Fund V	30,000,000	30,000,000	720,541	53,955,241	0	11.00	1.82	15.00
GS Capital Partners								
GS Capital Partners 2000	50,000,000	50,000,000	13,530,456	94,641,290	0	22.79	2.16	10.83
GS Capital Partners V	100,000,000	66,390,364	77,108,861	68,747,521	26,041,099	18.16	2.20	6.25
GS Capital Partners VI	100,000,000	53,574,317	43,770,127	9,951,647	38,592,677	-1.41	1.00	4.41
GTCR Golder Rauner								
GTCR VI	90,000,000	90,000,000	999,730	77,813,800	0	-4.79	0.88	13.00
GTCR VII	175,000,000	159,249,989	826,099	387,322,726	15,750,001	25.31	2.44	11.39
GTCR IX	75,000,000	68,002,159	63,882,854	5,535,603	6,997,841	1.23	1.02	5.00
GTCR X	100,000,000	0	0	0	100,000,000	N/A	0.00	0.55
Hellman & Friedman								
Hellman & Friedman Capital Partners III	32,113,684	32,113,684	0	72,930,553	0	34.45	2.27	16.78
Hellman & Friedman Capital Partners IV	150,000,000	133,967,494	22,535,806	353,483,051	15,365,585	34.63	2.81	11.49
Hellman & Friedman Capital Partners V	160,000,000	144,729,318	127,364,218	222,192,907	17,303,704	29.42	2.42	6.58
Hellman & Friedman Capital Partners VI	175,000,000	154,305,705	159,051,298	28,494,089	21,816,914	7.22	1.22	4.25
Hellman & Friedman Capital Partners VII	50,000,000	0	0	0	50,000,000	N/A	0.00	2.19

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Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC **	Period Years
Kohlberg Kravis Roberts								
KKR 1987 Fund	145,373,652	145,373,652	1,923,060	396,223,778	0	8.72	2.74	23.60
KKR 1993 Fund	150,000,000	150,000,000	793,676	308,173,269	0	16.75	2.06	17.52
KKR 1996 Fund	200,000,000	199,902,841	8,381,691	366,258,556	97,159	13.18	1.87	14.83
KKR Millennium Fund	200,000,000	200,000,000	172,205,915	207,933,653	0	18.68	1.90	8.56
KKR 2006 Fund	200,000,000	172,106,198	161,970,780	41,954,384	41,198,000	4.18	1.18	4.76
Lexington Capital Partners								
Lexington Capital Partners VI-B	100,000,000	95,970,081	71,994,944	35,150,482	4,029,919	4.43	1.12	5.51
Lexington Capital Partners VII	200,000,000	37,061,420	42,830,808	147,376	162,938,580	24.83	1.16	2.05
RWI Ventures								
RWI Group III	616,430	616,430	120,278	330,192	0	-13.06	0.73	5.00
RWI Ventures I	7,603,265	7,603,265	1,133,888	4,137,987	0	-15.30	0.69	5.00
Sightline Healthcare								
Sightline Healthcare Fund II	10,000,000	10,000,000	289,188	5,635,402	0	-7.24	0.59	14.33
Sightline Healthcare Fund III	20,000,000	20,000,000	3,101,246	4,856,820	0	-11.25	0.40	12.44
Sightline Healthcare Fund IV	7,700,000	7,598,598	1,894,632	4,621,834	155,075	-4.81	0.86	7.76
Silver Lake Partners								
Silver Lake Partners II	100,000,000	88,740,757	68,166,359	71,823,141	12,255,111	11.30	1.58	7.00
Silver Lake Partners III	100,000,000	55,934,635	56,108,098	14,615,183	44,800,792	11.92	1.26	4.25
Split Rock Partners								
Split Rock Partners	50,000,000	39,000,000	27,135,554	428,377	11,000,000	-10.52	0.71	6.16
Split Rock Partners II	60,000,000	14,340,000	12,344,646	0	44,960,000	-10.73	0.86	3.17
Summit Partners								
Summit Ventures V	25,000,000	24,125,000	394,440	32,736,823	875,000	8.03	1.37	13.25
Summit Ventures VIII	100,000,000	0	0	0	100,000,000	N/A	0.00	0.20
T. Rowe Price	886,388,666	886,388,666	35,482,780	921,706,564	0	8.67	1.08	N/A
Thoma Cressey								
Thoma Cressey Fund VI	35,000,000	33,915,000	4,103,760	28,671,225	1,085,000	-0.42	0.97	12.86
Thoma Cressey Fund VII	50,000,000	50,000,000	20,346,588	69,209,289	0	22.75	1.79	10.84
Thoma Cressey Fund VIII	70,000,000	68,932,574	79,150,073	28,640,522	770,000	11.73	1.56	5.16
Thomas, McNerney & Partners								
Thomas, McNerney & Partners I	30,000,000	28,050,000	16,584,193	10,504,694	1,950,000	-0.95	0.97	8.65
Thomas, McNerney & Partners II	50,000,000	32,250,000	25,268,780	5,132,263	17,750,000	-2.52	0.94	5.00
Varde Fund								
Varde Fund IX	100,000,000	100,000,000	151,683,100	0	0	16.53	1.52	3.02
Varde Fund X	150,000,000	75,000,000	80,799,450	0	75,000,000	8.42	1.08	1.19
Vestar Capital Partners								
Vestar Capital Partners IV	55,000,000	52,586,908	28,295,228	67,518,284	921,531	14.61	1.82	11.54
Vestar Capital Partners V	75,000,000	73,190,583	65,139,306	18,995,008	2,134,646	4.69	1.15	5.53
Warburg Pincus								
Warburg, Pincus Ventures	50,000,000	50,000,000	227,303	256,193,050	0	49.21	5.13	16.50
Warburg Pincus Equity Partners	100,000,000	100,000,000	6,536,146	154,764,955	0	10.01	1.61	13.01
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	97,435,402	114,220,153	0	16.38	2.12	9.21
Warburg Pincus Private Equity IX	100,000,000	100,000,000	95,849,924	41,824,867	0	8.10	1.38	5.93
Warburg Pincus Private Equity X	150,000,000	118,110,914	116,976,935	7,726,527	31,950,000	2.95	1.06	3.68
Wayzata								
Wayzata Opportunities Fund	100,000,000	92,300,000	138,389,994	21,739,109	7,700,000	11.59	1.73	5.52
Wayzata Opportunities Fund II	150,000,000	91,350,000	153,227,384	429,900	58,650,000	15.16	1.68	3.69
Welsh, Carson, Anderson & Stowe								
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	14,089,194	114,068,902	0	3.05	1.28	12.93
Welsh, Carson, Anderson & Stowe IX	125,000,000	120,000,000	32,663,164	160,012,266	5,000,000	11.42	1.61	11.01
Welsh, Carson, Anderson & Stowe X	100,000,000	96,578,466	87,317,259	15,288,784	4,000,000	1.65	1.06	5.54
Welsh, Carson, Anderson & Stowe XI	100,000,000	37,515,240	34,321,268	0	62,484,760	-8.62	0.91	2.94
Private Equity Total	**8,695,101,787**	**7,068,740,542**	**4,121,320,976**	**6,623,598,541**	**1,603,946,158**		1.52	
Alternatives Total	**13,596,480,531**	**10,507,786,210**	**6,943,308,343**	**9,391,068,891**	**3,031,861,722**		1.55	

* 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

(Blank)

ATTACHMENT C

REAL ESTATE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	The Realty Associates Fund X, L.P.
Type of Fund:	Real Estate Limited Partnership
Total Fund Size:	$1.25 billion
Fund Manager:	TA Realty
Manager Contact:	Michael A. Ruane TA Associates Realty 28 State Street Boston, MA 02109 Phone: 617.476.2700

II. Organization and Staff

TA Associates Realty ("TA Realty" or the "Firm") is a Boston-based private real estate investment management firm established in 1982. Since that time, the Firm has invested and managed in excess of $17.0 billion of capital on behalf of endowments, foundations, public and private pension funds and other institutional investors. During its three decades in the business, TA Realty has acquired over 720 commercial (office, industrial and retail) and multifamily properties located in more than 35 markets throughout the U.S.

The Firm has successfully implemented its investment strategy through a series of nine value-added, closed-end, commingled funds, as well as a select number of customized core separate accounts for certain large institutions.

The Firm employs 63 professionals with extensive experience in property acquisitions, asset management, portfolio management, valuations, dispositions, finance and accounting.

III. Investment Strategy

TA Realty is a value investor focused on pursuing the intrinsic growth of income produced by real estate investments, while minimizing the associated downside risk. Since the Firm's inception, it has maintained a consistent investment philosophy during multiple real estate and economic cycles. The Firm is focused on creating diversified real estate portfolios that will generate strong cash flow, benefit from an active asset management approach, and result in the long-term creation of value over the life of the Fund. TA Realty seeks to construct highly diversified portfolios of real estate investments with characteristics that allow us to dynamically add value over time, maximizing both income and property value while also protecting cash flow and moderating overall portfolio risk.

TA Realty believes there are clear benefits to diversifying across property type, geography and investment size. Various markets and property types perform differently during real estate and economic cycles, thus diversification helps enhance risk-adjusted returns. It has been the Firm's experience that, by not putting "all its eggs in one basket," it can offset the effects of underperforming markets, property types or individual investments with better-performing markets, property types and investments. By targeting an average investment size of $25-$30 million, TA Realty also acquires more individual assets to further diversify the Fund's investment risk.

In the current environment, TA Realty believes looming debt maturities will continue to force owners to bring quality assets to market, giving those investing with a long-term outlook a unique opportunity to acquire quality commercial real estate assets at favorable prices. TA Realty's deep relationships with banks and other lending institutions are expected to yield significant investment opportunities during the acquisition period for the Fund. At TA Realty, favorable pricing is a key tenet of the Firm's acquisition strategy, which it applies consistently across all market environments and at every stage of the real estate cycle.

TA Realty seeks to buy assets at below replacement cost and to identify those assets with attributes that have become more common in today's environment, including:

- Under-leased assets with good fundamentals
- Below market in-place rents
- Supply-constrained locations
- Assets in need of repositioning
- High-quality assets burdened by distressed ownership

Using its broad network of third-party local market relationships cultivated over nearly three decades, TA Realty aims to identify opportunities to acquire such assets before they become known to the general market. The Firm's ability to source investments like these is aided by its reputation as all-cash buyers who can act quickly to close transactions.

TA Realty has successfully applied this philosophy in nine other funds across a wide variety of markets and real estate cycles. As a result, the Firm is confident that, together with its low leverage discipline, its focus on income and real estate investment fundamentals, it can generate positive results for investors in this, TA Realty's tenth fund.

IV. Investment Performance

The historical investment performance of TA Realty as of June 30, 2011 is presented below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception *
Advent Realty L.P.	1987	$163 million	$0	2.4%	1.2
Advent Realty II L.P.	1990	$332 million	$0	11.6%	2.1
Realty Associates Fund III	1994	$487 million	$40 million	10.9%	2.1
Realty Associates Fund IV	1996	$450 million	$50 million	12.8%	2.1
Realty Associates Fund V	1999	$562 million	$50 million	10.5%	1.8
Realty Associates Fund VI	2002	$738 million	$50 million	11.0%	1.6
Realty Associates Fund VII	2004	$917 million	$75 million	-0.9%	1.0
Realty Associates Fund VIII	2006	$1,742 million	$100 million	-9.5%	0.7
Realty Associates Fund IX	2008	$1,492 million	$100 million	11.3%	1.1

* 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 TA Realty.

V. General Partner's Investment

The Sponsor General Partner's Capital Commitment to the Fund shall be equal to two-tenths of one percent (0.2%) of the total Capital Commitments of the investors in the Fund.

VI. Takedown Schedule

Commitments are expected to be drawn as needed, with a minimum of 30 days' prior written notice; provided that not less than 10 business days' prior written notice will be required for the Fund's first draw down and any other draw down for which the Advisory Committee has consented to such shorter notice period.

VII. Management Fee

The Management fee shall be 0.5% in year 1, 0.8% in year 2, 1.1% in year 3, all based upon total committed capital; then 1.2% in year 4, 1.25% in year 5, 1.2% in year 6, 1.0% in year 7 and 0.6% thereafter, all based upon Aggregate Invested Equity plus related reserves.

VIII. Distributions

Generally, distributions of cash from operations and disposition proceeds shall be made to the Partners of the Operating Partnership in the following order and priority: To return inflation adjusted contributed capital to the Partners, 95% to the Partners and 5% to the Sponsor General Partner until the Partners (which includes the Sponsor General Partner in respect of its contributed capital) have been distributed an amount equal to a 1% real return (i.e. an inflation adjusted, 1% IRR, computed under the formula in the Partnership Agreement), 94% to the

Partners and 6% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 2% real return, 92.5% to the Partners and 7.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 3% real return, 90.5% to the Partners and 9.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 4% real return, 88.5% to the Partners and 11.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 5% real return, 86.5% to the Partners and 13.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 6% real return, 84.5% to the Partners and 15.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to a 7% real return, 82.5% to the Partners and 17.5% to the Sponsor General Partner until the Partners have been distributed an amount equal to a to an 8% real return, and thereafter, 80% to the investors and 20% to the Sponsor General Partner.

IX. Investment Period and Term

Generally, the investment period will be two years from the final closing, subject to possible extension.

The term of the Partnerships will continue for a period of seven years from the date when at least 90% of all Capital Commitments of the Operating Partnership have been invested, or committed for investment in Real Estate Investments. The term may be extended by up to three one-year extensions..

** 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.*

ATTACHMENT D

REAL ESTATE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Blackstone Real Estate Partners VII L.P. ("BREP VII")
Type of Fund:	Real Estate Limited Partnership
Total Fund Size:	$10 billion
Fund Manager:	Blackstone
Manager Contact:	Alexandra Hill 345 Park Avenue New York, NY 10154 Phone (212) 583-5366

II. Organization and Staff

Blackstone's Real Estate group was founded in 1991 and is the largest opportunistic real estate investment manager in the world, having invested or committed to invest $26.6 billion of equity in over 260 investments since inception. Blackstone is raising its seventh global real estate opportunity fund, Blackstone Real Estate Partners VII L.P. ("BREP").

Jonathan Gray and Chad Pike, Senior Managing Directors, are Co-Heads of the Real Estate group. Gary Sumers is the Global Chief Operating Officer of the group and William Stein is its Global Head of Asset Management. Blackstone currently has 178 professionals in the Real Estate group (89 located in the United States, 43 located in Europe and 46 located in Asia). All investment and disposition decisions of BREP VII will be reviewed and approved by the Investment Committee of its General Partner, which currently is co-chaired by Stephen Schwarzman and John Schreiber. Hamilton ("Tony") James, President of Blackstone, is also a member of the Investment Committee.

III. Investment Strategy

Blackstone intends to continue to focus on acquiring high quality assets by targeting large, complicated situations where competition is limited and its ability to move quickly is an advantage. Blackstone's goal is to acquire distressed and/or undermanaged properties at below market prices, execute a strategy to fix the issues, and thereby create assets that can be sold to core real estate owners at higher values. At this time, investment themes are expected to be:

Purchase Debt in Order to Gain Control of Assets. Blackstone expects to invest in debt securities at or near the position in the capital stack deemed to be the "fulcrum," or the cutoff point for current value, in order to position the fund to take control of the assets or company through a debt restructure.

Equity Investment in Restructuring / Recapitalization. Blackstone expects to be a capital provider to overleveraged owners of real estate who need capital to pay down debt and restructure their investments.

Dispositions by Motivated Sellers. Blackstone expects to make investments where financial institutions and owners of real estate need to de-lever, clean up their balance sheets or sell non-core assets.

Bankruptcy Situations. Blackstone is one of few real estate investors with the expertise to wade through lengthy and complex bankruptcy processes. Blackstone benefits not only from the Real Estate group's extensive experience, but also from the Blackstone Advisory & Restructuring team's intellectual capital.

Public-to-Private Transactions. Blackstone has a highly successful track record of converting publicly traded companies to private companies and subsequently creating value through a number of different avenues. The team has cultivated significant expertise through 13 privatizations of public companies and Blackstone believes it can apply its "technology" to create significant value in the underlying assets. Publicly traded companies often are comprised of hybrid assets that together are worth less than their valuations on an individual basis. Once a company is taken private, the individual assets can be sold separately to operators that are interested in specific aspects of the company, rather than the entire company. Furthermore, many public companies are not capable of undertaking growth initiatives that can be pursued in a privately held portfolio. Blackstone has unlocked value in public real estate and real estate-related companies it privatized by selling individual assets and/or geographically concentrated portfolios, trimming corporate overhead expenditures, borrowing more flexible and cost effective debt capital, implementing more efficient tax structures, and uncovering "hidden assets" in the form of undervalued land or money losing assets. In addition, during its ownership Blackstone improves operations and refocuses companies on long term value creation.

International Investments. BREP VII is expected to benefit from international diversification due to Blackstone's presence in Europe and Asia. Blackstone anticipates that, consistent with its history, BREP VII will focus primarily on investments in the U.S. Since inception, 91% of the BREP global funds' capital has been invested or committed in the U.S.

IV. *Investment Performance*

The historical investment performance of Blackstone Real Estate (BREP) as of June 30, 2011 is presented below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception *
BREP Fund I	1994	$284.7 million	$0	39.7%	2.4
BREP Fund II	1996	$1,076 million	$0	18.7%	1.8
BREP Fund III	1999	$1,382 million	$0	21.5%	2.0
BREP Fund IV	2003	$2,000 million	$0	16.1%	1.4
BREP Fund V	2006	$5,202 million	$100 million	9.5%	1.3
BREP Fund VI	2007	$10,128 million	$100 million	9.0%	1.2

* 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 BREP.

V. *General Partner's Investment*

Blackstone investment will be at least $300 million, plus up to an additional 10% in each Investment on a side-by-side basis (based on an annual election).

VI. *Takedown Schedule*

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

VII. *Management Fee*

BREP VII's management fees are 1.5% per annum if such Limited Partner has aggregate Capital Commitments of less than $300 million, 1.25% per annum if such Limited Partner has aggregate Capital Commitments equal to or greater than $300 million, and 1.15% per annum if such Limited Partner has aggregate Capital Commitments equal to or greater than $500 million.

Management Fees will be generally reduced by an amount equal to the sum of 80% of any Additional Fees. Acquisition fees can be offset by 70%, but the offset shall not apply to any acquisition fees equal to 0.30% or less of the total acquisition price payable in connection with the acquisition of an investment.

VIII. *Distributions*

Upon disposition of an Investment (calculated separately for each Limited Partner with respect to its *pro rata* share):

- First, 100% to the Limited Partner until it receives a return of contributions for the Investment that has been disposed of, Allocated Fees and Expenses that have not been recouped on all Investments that have been disposed of, unrecouped losses on

Investments previously disposed of, unrealized losses on Investments not disposed of, and an 8% compound annual return on contributions with respect to Investments disposed of, plus Allocated Fees and Expenses;

- Second, 80% to the General Partner and 20% to the Limited Partner until the General Partner receives its 20% carried interest with respect to Investments that have been disposed of; and
- Thereafter, 80% to the Limited Partner and 20% to the General Partner.

Current Income is generally distributed as described above, except that distributions are made on an Investment-by-Investment basis and will not take into account a return of capital contributions or any writedowns, but will take into account actual unrecouped losses from prior dispositions.

IX. Investment Period and Term

The Investment Period will be five years from the last equalization date. The Term will be five years from the last day of the Investment Period, subject to two one year extensions unless the L.P. Advisory Committee objects.

* *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.*

TAB

E

DATE: August 16, 2011

TO: Members, Investment Advisory Council

FROM: Howard Bicker

SUBJECT: State of Minnesota's Actuarial Interest Rate Assumption

At the IAC's May 2011 meeting, the directors of the three statewide retirement systems requested that the committee review the return assumptions currently used by the State of Minnesota.

The retirement fund directors will start the discussion by providing the committee background leading up to their requested review.

I have attached three items to help provide you with information related to the discussion.

1) SBI's staff survey of expected returns.

2) Memo from Laurie Hacking to the TRA Board related to actuarial interest rates.

3) A draft report on GASB's proposed accounting changes that could have a significant effect on the reported liabilities of public pension plans.

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Total Portfolio
3% Inflation Rate

	Real Rate of Return	Nominal Return	Volatility
2008 Asset Allocation Study	6.36%	9.36%	13.41%
Current Study Average	5.36	8.36	13.43
BlackRock	5.56	8.56	14.35
PCA	5.59	8.59	13.16
Wilshire	4.27	7.27	12.84
Credit Suisse	6.49	9.49	14.19
Goldman	5.12	8.12	14.05
JP Morgan	4.34	7.34	13.02
UBS	6.32	9.32	11.78
State Street	4.03	7.03	13.26
Inflation		3.00	

Real Rate

	Credit Suisse	Nuveen	Blackrock	Fidelity	Goldman	Mellon	PCA	Wilshire	JP Morgan	UBS	State Street	Vanguard
U.S. Equity	7.10	5.74	5.50	3.20	5.05	8.05	6.00	4.00	4.75	6.15	4.25	6.40
U.S. Small Cap	–	7.74	6.25	1.60	5.35	8.70	–	–	5.25	–	4.65	–
Developed International	7.10	6.44	5.50	5.00	4.75	8.70	6.25	4.00	4.25	6.05	4.25	6.60
Emerging International	9.50	–	7.00	6.20	6.25	10.70	–	4.00	6.00	7.60	5.75	–
U.S. Fixed Income	–	3.24	1.75	0.70	1.75	2.05	0.55	1.50	0.75	2.75	0.75	1.80
Real Estate	4.80	7.44	4.50	1.00	4.75	–	4.25	4.05	4.00	4.45	1.35	4.70
Private Equity	9.70	–	8.50	–	7.65	–	9.25	7.45	5.25	9.75	5.75	–
Commodities	5.80	6.24	1.00	3.20	4.25	–	–	2.00	4.00	–	2.55	–
U.S. Cash	0.00	1.04	0.50	0.70	–	0.30	0.25	0.25	-0.50	2.45	0.25	0.50
Inflation	2.20	1.26	2.00	2.10	2.25	2.20	2.75	2.25	3.00	2.25	2.75	3.00
Time Frame	–	10 yr	10 yr	10 yr	10 yr	10yr	10 yr	10 yr	10-15 yr	20-30 yr	30 yr	30 yr

EXHIBIT 5

Teachers Retirement Association

60 Empire Drive • Suite 400 • St Paul MN 55103-4000
651.296.2409 • 800.657.3669 • 651.297.5999 FAX • 800.627.3529 TTY

Date: August 4, 2011

To: TRA Board of Trustees

From: Laurie Fiori Hacking
Executive Director

Subject: Should the 8.5% actuarial interest assumption be lowered?

This memo provides background information about proposals to lower the 8.5% actuarial investment earnings/interest assumption used to discount TRA's future benefit liabilities. The board should plan to develop a position on this issue for the upcoming legislative session.

The Legislative Commission on Pensions and Retirement (LCPR) has scheduled four meetings this fall on: September 21, September 22, October 19, and October 20. We anticipate the LCPR will consider the 8.5% investment assumption issue at one of these hearings, but agendas have not yet been developed. Additionally, the State Board of Investment's (SBI) Investment Advisory Council (IAC) meets on August 23rd and is expected to discuss this issue.

The Minnesota State Retirement System (MSRS) Board heard presentations about the investment assumption issue at its July 21st meeting and signaled that it is likely to support lowering the assumption from 8.5% to 8.0% in a phased approach, gradually over the next 2 to 3 years. MSRS expects to take an official vote on the issue at its September 15th meeting. The Public Employees Retirement Association (PERA) Board meets August 11th to discuss this issue.

What is the investment earnings/interest assumption and why is it important?

The current 8.5% investment earnings or interest assumption is set in state statute, specifically in Minnesota Statutes Section 356.215 Subd. 8, and applies to all three statewide systems as well as to Duluth and St. Paul Teachers. This section of the statute covers a number of important actuarial assumptions, including projected payroll growth and salary increases, which MN system actuaries are required to use when preparing annual valuations.

The investment earnings assumption is one of the most important economic assumptions because it has a major impact on estimated benefit payment costs and contributions required to support the system in the future. The interest assumption allows the actuary to assume that future assets will increase at the projected rate (currently 8.5% annually) so that benefit payment liabilities can be discounted (or reduced) at that same rate. A lowering of the 8.5% assumption translates into higher present value benefit liabilities. The specific financial impact on TRA of a lower assumption is detailed in a later section of this memo (see pages 7-8).

What is the history of Minnesota's investment/interest assumption? What have our recent actuarial experience studies shown?

The investment earnings assumption was increased from 8.0% to 8.5% in 1989 as part of a major pension package. (Previously, it had been set at 3.5% until 1984 when it was raised to 8.0%.) The assumption has been regularly reviewed at least every four years since, by law, the system actuaries are required to complete quadrennial experience studies which test the reasonableness of all actuarial assumptions. The quadrennial experience studies along with any recommended changes in assumptions are reviewed by the retirement system boards and by the LCPR. In some cases, recommended changes require LCPR action.

In TRA's last experience study, which was issued in October 2009 covering the 2004-2008 period, Mercer reviewed all economic assumptions and recommended that the interest assumption be lowered to 8.0%. (In the same study, Mercer also recommended lowering payroll and salary growth assumptions. Ultimately the LCPR authorized a decrease in TRA's payroll growth assumption from 4.5% to 3.75%.) The relevant excerpt from Mercer's experience study relating to the interest assumption follows:

> *To develop our recommended investment return assumption, we use Mercer Investment Consulting's long-term return assumptions for each of the asset classes in which the plan is invested ... These assumptions are not based on historical returns, but instead are based on a forward-looking economic model.... The result of our best estimate investment return calculation is 8.1%, and we would be comfortable using that assumption. However, such an assumption implies far more precision than is possible. Rates are frequently rounded to the nearest quarter percent, and as such* ***we suggest that 8.0% be adopted as the investment return assumption.*** (Mercer Consulting, Experience Study 2004 - 2008 Teachers Retirement Association Fund, October 30, 2009)

In December 2009, all three statewide retirement system boards transmitted letters to the LCPR with recommendations for a number of assumption changes based on their experience studies. The retirement systems' transmittal letters stated that the investment return assumption needed attention and careful study. At that time, the boards stopped short of recommending a change in the investment assumption. TRA's December 10, 2009 letter to the LCPR stated:

> *The TRA Board believes that lowering the investment return assumption needs additional careful study, including comment and input from the State Board of Investment. Any lowering of the investment return assumption should be phased in gradually in the future to allow planning for the significant effects it will have on future required contribution rates.* (Letter to LCPR Executive Director Larry Martin from Laurie Hacking, December 10, 2009)

In late 2009, the LCPR directed its actuary, Milliman, to review and issue a written report on the quadrennial experience studies completed by the system actuaries. The LCPR held a hearing on July 8, 2010 to discuss this written report. At that hearing, the LCPR authorized most of the actuarial assumption changes recommended by the actuaries. They took no action on the interest assumption change, however, with several Commission members signaling that they wanted further study. A relevant excerpt from the LCPR actuary's report on the investment assumption issue follows:

The current assumption of 8.5% is within the "best estimate" range that must be developed under actuarial standards issued by the American Academy of Actuaries. However, there is a significant difference in where the 8.5% lies within that range using the capital market assumptions developed by Mercer, Milliman and the State Board of Investment (SBI). The net expected rate of return (50th percentile) using the capital market assumptions developed by Mercer and Milliman is 8.2% and 7.8% respectively. Note that these are based on the current (2010) capital market assumptions, but the results don't vary significantly if we use assumptions in place when the experience study was issued. The expected rate of return using SBI's assumptions was 9.1%. Given the importance of this assumption and the significant difference in results, we recommend there be further discussion on the subject. (Milliman, Experience Study Review of MSRS, PERA, and TRA for the MN LCPR, June 22, 2010)

TRA's new actuaries, Patrice Beckham and Brent Banister with Cavanaugh Macdonald, will attend the board's retreat and have been asked to share their insights and comments with the board on this assumption change issue. Pat and Brent were working for Milliman and serving as the LCPR actuaries last year when the Commission received Milliman's written review of the quadrennial experience studies.

Has there been discussion of the investment/interest assumption during the 2011 legislative session?

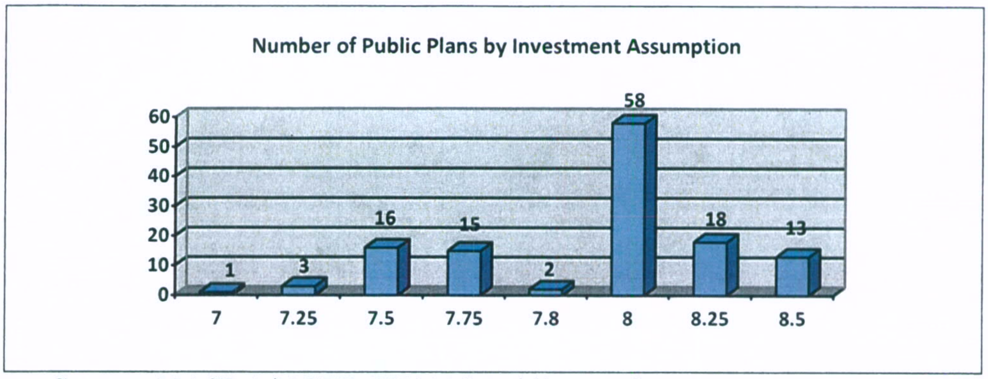
The topic of the 8.5% assumption has been raised a number of times during the most recent legislative session. During hearings on pension issues, LCPR Chair Morrie Lanning, along with several of his colleagues, asked the fund directors and Howard Bicker probing questions about the investment assumption and whether it is overly optimistic. During these hearings, some legislators commented that they believed the 8.5% assumption is too high. In some of our individual meetings with legislators, a number of them mentioned their concerns about the 8.5% assumption being too high.

In February of this year, the retirement systems received a pointed letter from nine members of House and Senate leadership, including Rep. Lanning, asking for our rationale for maintaining the interest assumption at 8.5%. That letter and our joint response are attached as Exhibit 5A.

In April, Reps. Banaian (R-St. Cloud), Stensrud (R-Eden Prairie) and Mike Benson (R-Rochester) introduced HF 1507 which would lower the interest assumption to 7.5% immediately upon enactment. There is no Senate companion to the bill.

How does MN's interest assumption compare with what is used by other public pension systems?

Minnesota's 8.5% assumption is higher than what is found in most other states. The National Association of State Retirement Administrators (NASRA) and the National Council on Teacher Retirement (NCTR) jointly conduct an annual survey of public plans. The most recent survey data (FY 09) showed that the most common investment assumption was 8.0%. The distribution of systems by investment assumptions is shown in the chart below.



Source: NASRA/NCTR FY2009 Public Pension Fund Survey

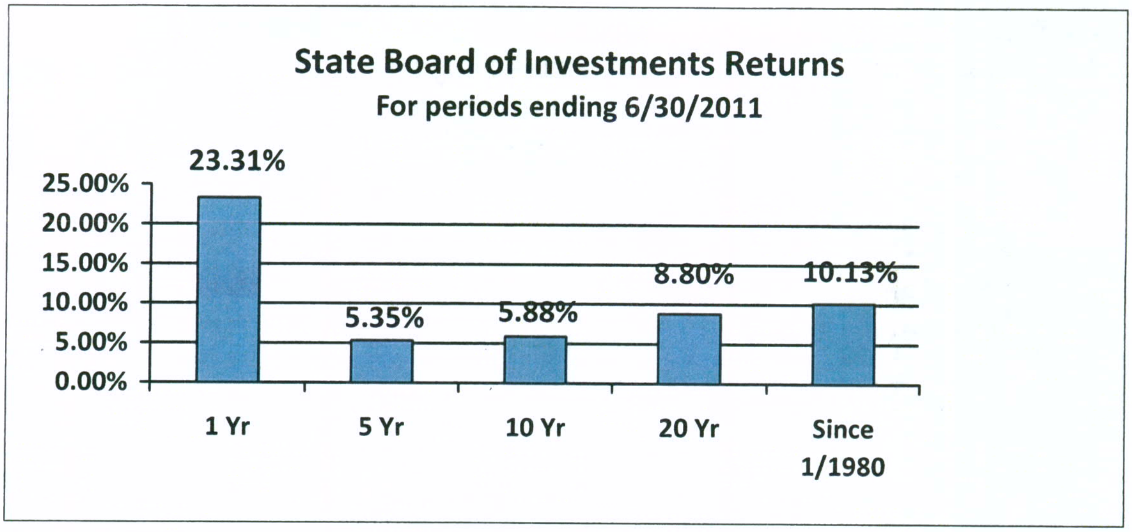
In the most recent year (after completion of the 2009 NASRA/NCTR survey), however, there has been a marked trend among systems to reduce their return assumptions. A few examples recently compiled by NASRA include:

- Colorado PERA, 8.5 to 8.0
- Pennsylvania PSRS, 8.5 to 8.25 effective 6/30/08, then to 8.0 effective 6/30/09
- Pennsylvania SERS, 8.5 to 8.0
- Virginia RS, 7.5 to 7.0
- NY Common, 8.0 to 7.5
- Indiana TRF, 7.5 to 7.0
- Indiana PERF, 7.25 to 7.0
- District of Columbia Retirement Board, 7.5 to 7.0
- Illinois SERS and SURS, 8.5 to 7.75
- CalSTRS, 8.0 to 7.5

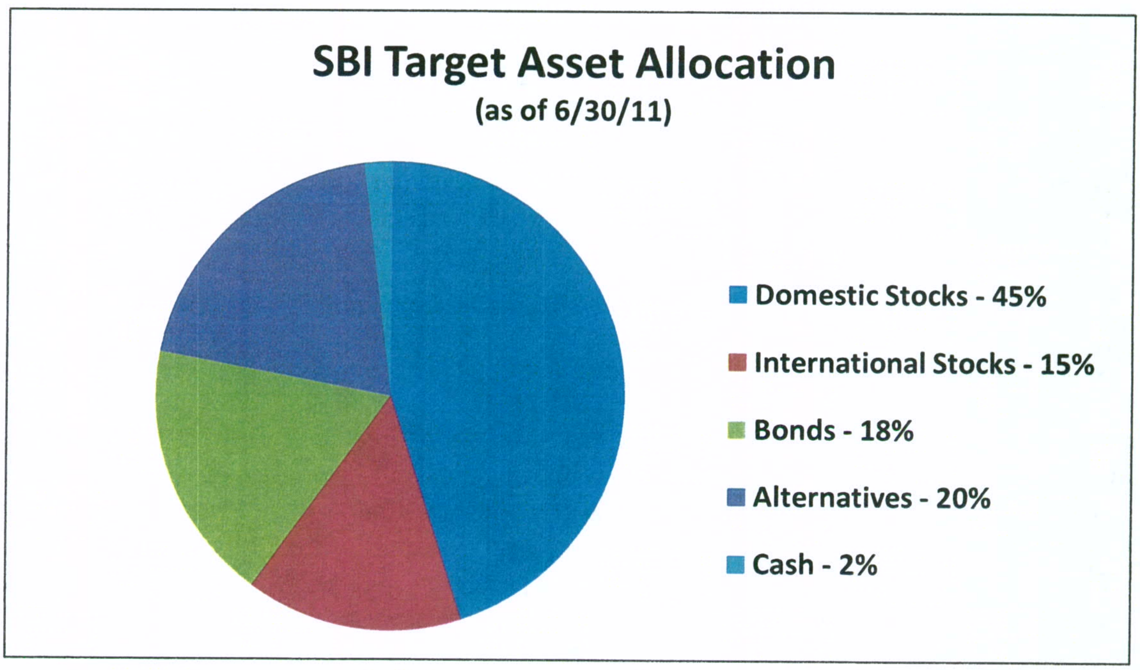
While some analysts have argued that public funds' return expectations are too rosy and thus understate plan liabilities (see attached Exhibit 5B, *Wall Street Journal* article, "Pension Gaps Loom Larger"), a study of return assumptions conducted last year by Callan Associates (see Attachment 5C) showed that the return assumptions for public plans have been in line with historical experience.

What has been the history of SBI's investment returns?

The State Board of Investment's (SBI) actual returns, both short-term and long-term, are shown in the chart are the next page. Note that these are updated return numbers through June 30, 2011. While SBI has exceeded the 8.5% return assumption in the most recent two-year period and over long periods of time (20+ years), SBI returns have fallen below the 8.5% required return in the most recent decade due to two severe market downturns in 2001-2002 and in 2008-2009. SBI's returns over various time periods are displayed in the chart on the next page.



SBI has secured relatively high rates of return over the long-term because it maintains a well-diversified, equity-oriented investment portfolio that is designed to maximize returns within acceptable levels of risk. While this asset allocation yields higher long-term returns, it does carry with it the potential for short-term volatility and losses when equity markets decline. SBI's target asset allocation for the pension funds is displayed below. SBI does not anticipate changing its asset allocation if the investment assumption is lowered to 8.0%.



How do SBI's returns compare with other pension funds?

When compared to other large pension funds, SBI's returns have been favorable. SBI often ranks above the median or in the upper quartiles when compared to 161 public and corporate plans with assets over $1 billion, as measured by the Trust Universe Comparison Service (TUCS). For example, for the one-year period ending March 31, 2011, SBI ranked in the upper 18th percentile, meaning that it was among the top 18% of funds for investment performance. SBI's TUCS rankings among pension funds with over $1 billion in assets are shown in the table below.

SBI Rankings in TUCS Universe*
(for periods ending 3/31/11)

	1 Yr	3 Yr	5 Yr	10 Yr
SBI Pension Fund – Percentile Rank in TUCS	**18th**	**23rd**	**25th**	**41st**

*Source: State Board of Investment, Quarterly Investment Report, 6/8/11

When compared to other public pension funds, SBI's performance has also been favorable. The table below compares SBI's returns to the returns of 128 public funds reported in the NASRA/NCTR FY 2009 annual survey, which contains the latest available comparative data for public funds. The FY 2010 NASRA/NCTR survey is due to be released in November 2011. When compared to other public pension funds, SBI's returns have exceeded other funds' returns as shown in the table below.

SBI Compared to Other Public Pension Funds
(for periods ending 12/31/09)

	1 Yr	3 Yr	5 Yr
SBI Pension Fund*	**20.3%**	**-0.9%**	**4.1%**
Median public fund (NASRA)**	**19.5%**	**-1.3%**	**3.5%**

*Source: State Board of Investment, Quarterly Investment Report, 2/25/10
**Source: NASRA/NCTR Public Fund Survey Summary of Findings for FY 2009, November 2010.

What are the projections for SBI's future returns?

SBI Executive Director Howard Bicker will attend the August 17th retreat to review his estimates of future returns for SBI's portfolio. Howard and his staff have compiled capital market return projections developed by numerous large financial firms such as Goldman Sachs, JP Morgan, State Street, etc. SBI staff uses those firms' capital market projections to estimate future returns of SBI's portfolio weighted according to SBI's specific target asset allocation for US stocks, international stocks, bonds, alternatives and cash.

Due to a number of economic factors, these firms are projecting lower returns than they did a few years ago. Based on the more up-to-date assumptions, SBI portfolio is expected to generate an annual return of 8.36%. This is considerably lower than the projected return of 9.36%, which was estimated by SBI in 2008 using a similar methodology. Based on these lower projected returns, it is our understanding that Howard is leaning in favor of lowering the current 8.5% assumption. SBI's Investment Advisory Council meets on August 23rd and is expected to discuss this issue.

How might the investment return assumption be affected by GASB's recently proposed changes in pension accounting and financial reporting standards?

Last month, GASB released its Exposure Draft proposing significant changes in pension accounting and financial reporting standards for governmental pension plans. (More detailed information about these proposed changes will be provided by TRA's new actuaries, Cavanaugh Macdonald, at the board's retreat.)

Similar to current standards, GASB's proposal allows a pension system to use an interest assumption that is based on its long-term expected investment return. GASB does not prescribe what the rate is or place any limitations on it. However, GASB introduces a new wrinkle in the investment assumption process. If a system projects that its assets will be insufficient to pay current projected benefits and the fund depleted or exhausted at some future date, then the benefit liabilities projected after that projected depletion date must be discounted at a much lower rate, a 30-year AA/Aa or equivalent tax-exempt municipal bond rate. If a system has a projected depletion date, then the discount rate would be a blended rate composed of the long-term return assumption which is used up to the date when assets are sufficient to cover liabilities, and the lower municipal bond rate for liabilities accruing after the depletion date.

You may recall that before the 2010 legislation was enacted, TRA was projected to have a depletion date of 2032. We are hopeful that given recent returns and the 2010 benefit reforms, TRA would not be projected to have a depletion date, using an 8.5% assumption. The actuary is expected to give us an update of our projected financial situation at the retreat.

What would be the financial impact on TRA if the investment return assumption is lowered? What are the financial effects on PERA and MSRS?

Earlier this year, TRA asked its actuary to estimate the actuarial impact of lowering the investment assumption from 8.5% to 8.0%. That analysis is included in the attached joint system response to legislators dated February 25, 2011. For TRA, lowering the assumption to 8.0% would have the following impacts (note these estimates are based on old data, FY2010 valuation results):

- $1.26 billion (or 6%) increase in TRA's total liabilities
- 4% decline in TRA's funding ratio from 78% to 74% measured on an actuarial basis; on a market value basis, the funding ratio would decline from 68% to 64%
- An increase in the normal cost rate from 8.4% to 9.5% of payroll
- An increase of 2.6% of pay in required contribution levels, from 15.7% to 18.3% (measured on an actuarial value basis). This translates into a 2.6% increase in TRA's deficiency.

To put these numbers in relative perspective, lowering the assumption to 8.0% would increase benefit costs by roughly the same amount that benefit cost savings were gained as a result of the 2010 COLA change (two-year freeze followed by 2.0% COLA thereafter).

For PERA's General Plan, the financial effects are similar:

- $1 billion (or 6%) increase in total liabilities
- 4% decline in PERA's funding ratio from 76% to 72% measured on an actuarial basis (market value basis estimates not available)
- An increase in the normal cost rate from 6.5% to 7.2% of payroll
- An increase of 1.8% of pay in the required contribution levels, from 12.5% to 14.3%.

For MSRS's General Plan, the effects are:

- $0.6 billion (or 6%) increase in total liabilities
- 5% decline in MSRS's funding ratio from 87% to 82% measured on an actuarial basis (market value basis estimates not available)
- An increase in the normal cost rate from 7.8% to 8.7% of payroll
- An increase of 2.1% of pay in the required contribution levels, from 11.0% to 13.1%.

Note that, relative to PERA and MSRS, the impact on TRA is somewhat larger due to the larger size of our unfunded liabilities and contribution deficiency.

What are the potential advantages and disadvantages of lowering the investment assumption?

Potential Disadvantages:

1. Lowering the assumption would increase TRA's benefit costs and required contributions at a time when the fund is still recovering from the severe market downturn.
2. A lower investment assumption will make it even more difficult to attain a 90% funding ratio, the trigger level for resuming the higher 2.5% annual COLA.
3. Lowering the assumption increases the likelihood that either contribution rates will rise and/or benefits will need to be reduced, undermining the continued viability of TRA's DB structure.
4. Lowering the investment assumption could cause TRA to be facing a depletion point again. Lowering the assumption to 8.0% increases benefit costs by roughly the same amount of benefit savings resulting from the 2010 COLA change.
5. It is difficult and inexact to predict future returns. SBI's long-term track record shows returns comfortably above the 8.5% target. It also shows that SBI's returns have usually exceeded the returns of other large state pension systems.
6. The timing is bad as GASB's new rules are likely to add pressure on costs and contribution levels.

Potential Advantages:

1. Lowering the investment assumption is justified based on SBI's updated financial analysis and the actuary's recent recommendations. It is also consistent with the board's fiduciary role.
2. Assuming a lower investment rate would be financially more conservative and less speculative, compelling the system to accumulate more assets to cover its liabilities and thus improving its long-term stability.
3. Strategically it is best to be proactive and advocate (rather than resist) a change so as to better influence the legislative process and avoid an even lower assumption being forced on the systems.
4. MN is an outlier compared to other states, which generally use lower investment assumptions. Many states have recently lowered their assumptions.
5. A lower interest assumption blunts the criticism that we are understating plan liabilities.
6. Lowering the rate could be phased-in gradually over a period of years to help the systems plan for adverse financial impacts.

Does staff have a recommendation?

In the past, I have favored retaining our current 8.5% assumption mainly because the history of our long-term returns justified it. Given the changed decision making environment, however, I agree that it would be best for the systems to be proactive on this issue and have a well-reasoned position.

On July 7, 2011, Howard Bicker and the five system directors (including St. Paul and Duluth Teachers) met to discuss this issue and receive SBI's updated projections. The directors came to a rough consensus that the 8.5% assumption could be lowered in two stages:

- 8.25% effective with the July 1, 2012 valuation
- 8.0% effective with the July 1, 2014 valuation

This phased approach would give the systems more time to observe the favorable impact of the investment market recovery. It would also give the system boards time to consider any additional changes in benefits or contribution rates that may be needed. Given the heavy retiree liability load which the teacher systems (TRA, Duluth and St. Paul) are currently carrying, the financial impact of using a lower interest assumption will be more significant for the teacher systems than for MSRS and PERA.

We look forward to the board's discussion of the investment assumption and any feedback or direction it has to offer on this issue which could be taken up as early as the LCPR's first hearings on September 21-22.

Attachments:
Exhibit 5A - *Wall Street Journal* article, "Pension Gaps Loom Larger", September 18-19, 2010
Exhibit 5B – Callan Associates, "Investment Return Assumptions for Public Funds" June 2010
Exhibit 5C - Feb. 9, 2011 legislator letter to retirement systems and response

Cc: Patrice Beckham and Brent Banister, Cavanaugh Macdonald

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GRS INSIGHT

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The GASB's Exposure Drafts on Pension Accounting and Financial Reporting

By Paul Zorn and James Rizzo[1]

On July 8, 2011, the Governmental Accounting Standards Board (GASB) issued two Exposure Drafts (EDs) on proposed changes to pension accounting and financial reporting standards for state and local governments. The first, *Accounting and Financial Reporting for Pensions* (amending GASB Statement No. 27), details proposed standards that would apply to certain financial statements of governments that provide pension benefits. The second, *Financial Reporting for Pension Plans* (amending GASB Statement No. 25), details proposed standards for the financial statements of plans that administer the benefits. Readers should note that all of the GASB's decisions are considered tentative until approved as final. In addition, while the GASB's authority extends to accounting and financial reporting, it does not extend to the actuarial valuations performed for funding purposes.

The EDs are being issued after a lengthy deliberative process that included the issuance of an Invitation to Comment in 2009 and a Preliminary Views document in 2010. If adopted, the EDs would significantly change pension accounting and financial reporting for state and local governments by:

- Disconnecting state and local governmental pension accounting measures from the funding measures used to determine pension contributions;
- Requiring employers to recognize an unfunded pension obligation (i.e., the "net pension liability") as a balance sheet liability in their basic financial statements based on the market value of assets;
- Requiring employers to recognize a new measure of the pension expense in their basic financial statements that may have no relation to the actuarially determined contribution; and
- Replacing most of the current note disclosures and required supplementary information with information based on the new measures and removing disclosures showing the actuarial funded status of the benefits.

This article focuses on the GASB's proposed changes. However, to present the changes in context, the article begins by providing background on state and local government pensions and summarizing the GASB's current pension standards.

In This Issue

The GASB's Exposure Drafts set out proposed changes in pension accounting and financial reporting standards for state and local government employers and plans that provide pension benefits.

Exposure Drafts are usually the last public documents that the GASB issues before issuing the final statements, and so provide one last opportunity for public comment.

The GASB is requesting comments on the Exposure Drafts by September 30, 2011, and will hold public hearings in October. It is important for stakeholders to review the proposed changes, consider their impact, and provide comments.

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[1] Paul Zorn is director of governmental research for GRS and James Rizzo is a senior consultant and actuary. The authors would like to thank Alan Sonnanstine, David Kausch and Mary Ann Vitale at GRS for their comments and suggestions. However, the authors retain full responsibility for the accuracy of the information provided.

Single, Agent and Cost-Sharing Employers

A key distinction that the GASB makes in both the current and proposed standards is the distinction between single employers, agent employers and cost-sharing employers. As defined by the GASB:

- A "single employer plan" is a defined benefit pension plan used to provide pensions to employees of only one employer. The employer in such a plan is referred to as a "single employer."
- An "agent multiple-employer plan" is a defined benefit pension plan that pools the assets of multiple employers for investment purposes, but each employer's share of the pooled assets is legally available to pay pensions for only that employer's employees. Employers participating in such plans are referred to as "agent employers."
- A "cost-sharing multiple-employer plan" is a defined benefit pension plan that pools the assets and obligations of multiple employers and can use the assets to pay the pensions of any of the employers' employees. Employers in these plans are referred to as "cost-sharing employers."

These distinctions are important since, in both the current and proposed GASB standards, single and agent employers are subject to different pension accounting standards than cost-sharing employers.

Qualified Trusts or Equivalent Arrangements

Generally, state and local government pension benefits are provided through trusts or other arrangements that (1) receive actuarially determined contributions from employers, (2) invest the assets and contributions, and (3) pay benefits from the accumulated assets and investment earnings. The trusts are used to protect the assets and hold them for the exclusive benefit of the covered members.

Although trusts are formal legal arrangements, they have not been specifically defined in the accounting standards for state and local government pensions.[2] In the new EDs, the proposed standards would apply to defined benefit pensions or defined contribution pensions that are administered by "qualified trusts, or equivalent arrangements." Borrowing from its work in GASB Statement No. 45, the GASB defines such arrangements as those in which:

- Employer contributions to the plan and investment earnings are irrevocable;
- Plan assets are dedicated to providing pensions to plan members in accordance with plan terms;
- Plan assets are legally protected from the creditors of: (1) the employer, (2) nonemployer entities that contribute to the plan, or (3) the plan administrator. In addition, to meet the GASB's definition, assets would also have to be protected from the creditors of plan members.[3]

Apparently, to the extent pension benefits are not provided through qualified trusts, the GASB's proposed standards would not apply. Plan documents and state law should be consulted to determine if the plan constitutes a qualified trust or similar arrangement. Future guidance is expected from the GASB for pension funds that do not satisfy the conditions for a qualified trust or similar arrangement.

Defined Benefit Pensions

Most of the GASB's proposed changes apply to "defined benefit" (DB) pensions, i.e., pensions for which income and other benefits are defined by the benefit terms, including those stated as a specific dollar amount or as amounts based on age, years of service, or compensation. The GASB distinguishes DB pensions from "defined contribution" (DC) programs, which: (1) provide an individual account for each employee, (2) define the required employer contributions, and (3) provide that the employee's benefit depends only on the amounts accumulated in the employee's individual account (with adjustments for forfeitures and administrative costs).[4] While the EDs include proposed standards for DC pensions, they are essentially the same as the current standards.

The GASB also distinguishes DB pensions from other postemployment retirement benefits (OPEBs), including retiree health care. To the extent the DB pension plan provides postemployment benefits other than retirement income (such as death benefits, life insurance and disability benefits), they would be considered DB pension benefits under the proposed standards.

However, such benefits provided outside of the DB pension plan, or any retiree health care benefits, would not be subject to the proposed pension standards. Instead, they would be subject to the current OPEB standards. (Note that the GASB has begun to review the OPEB standards and may propose changes that are similar to those provided in the pension EDs.)

The GASB's Current Standards for DB Pensions

Generally speaking, accounting and reporting standards establish how financial items are defined and measured (e.g., what constitutes an "expense" or a "liability") and where the items are displayed in the government's financial report (e.g., the basic financial statements, notes to the financial

[2] However, qualified trusts are defined in the GASB's accounting standards for "other postemployment benefits" (OPEBs).

[3] *Accounting and Financial Reporting for Pensions*, paragraph 4.

[4] *Accounting and Financial Reporting for Pensions*, paragraph 8.

statements, or other sections of the financial report). Items recognized in the basic financial statements (e.g., the balance sheet and operating statement) are seen as having greater weight than those disclosed in the notes to the financial statements or in required supplementary information.

Current Standards for Single and Agent Employers

The GASB's current standards set constraints on the actuarial methods and assumptions that may be used for accounting and reporting purposes, which include requiring:

- One of six approved actuarial cost methods be used to determine pension costs and liabilities. For the most part, these methods include the projection of salary and certain other factors in determining the normal cost of benefits;[5]
- The long-term expected rate of investment return be used to project future investment earnings and to discount the present value of future benefits; and
- The period for amortizing unfunded actuarial liabilities be limited to 30 years.

The current standards also allow the actuarial value of assets to reflect investment gains and losses that are averaged over time to smooth the impact of investment volatility on funded levels and contribution rates.

Under current standards, pension accounting measures are closely related to pension funding measures. For single and agent employers, the employer's "pension expense" is the "annual pension cost" (APC) determined using the same actuarial methods and assumptions used to determine the contributions necessary to fund the plan.[6] It may or may not equal the actual employer contribution made to the plan, depending on the actual funding policy in place. In any event, the APC would usually be a reasonable and actuarially-based funding amount.

The APC consists of the employer's "annual required contribution" (ARC) plus certain adjustments if the employer has contributed more or less than the ARC over time. The ARC, in turn, is the actuarially determined cost of the benefits allocated to a given year (i.e., the "normal cost" or "service cost") plus the amortization of any unfunded actuarial accrued liabilities.

Also under current standards, a single or agent employer's balance sheet liability for pensions is the "net pension obligation" (NPO). It is calculated as the accumulated difference between the employer's annual pension cost and the employer's actual contributions to the plan since the effective date of GASB Statement No. 27 (i.e., for reporting periods beginning after June 15, 1997).

Current Standards for Cost-Sharing Employers

For cost-sharing employers, the current measure of pension expense is the employer's contractually required contributions to the plan, which may or may not be actuarially determined. The cost-sharing employer's balance sheet liability is the accumulated difference between the employer's contractually required contributions and the employer's actual contributions. Since the vast majority of cost-sharing employers pay their contractually required contributions, their current pension liabilities are generally zero (whether or not the employer's contractually required contribution was actuarially determined to fund the plan).

Disclosures and Required Supplementary Information

The current standards also require employers to disclose information about pension benefits in the notes to the financial statements and in other sections of the employer's financial report. Generally, these disclosures include, but are not limited to a description of the plan, annual required contributions and actual contributions. In addition, single employers and agent employers must also disclose: the actuarial value of plan assets, actuarial accrued liability, unfunded actuarial accrued liability, funded status, and related actuarial methods and assumptions.

The GASB's New Framework

As a result of its deliberations, the GASB applied its new conceptual framework to pension accounting and reporting. While the current standards are based on the employer's funding costs of providing pension benefits (i.e., the annual required contributions), the new proposed standards are based more on the GASB's view of the employer's pension liability. Several of the GASB's underlying concepts include:

- The employer incurs a pension obligation as a result of the exchange of employee services for compensation (referred to as the "employment exchange");
- The employment exchange should be viewed as an ongoing, career-long relationship;
- The pension plan is primarily responsible for paying pension benefits to the extent it has sufficient assets;

[5] The six actuarial cost methods are entry age, frozen entry age, attained age, frozen attained age, projected unit credit, and aggregate. A seventh method, the unit credit cost method, is only acceptable for plans in which accumulated benefits are not affected by future salary levels, since this method does not include projections of either salary or service.

[6] GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

- The employer is primarily responsible for paying benefits to the extent the plan does not have sufficient assets; and
- The unfunded pension obligation meets the definition of liability under GASB Concepts Statement No. 4 and is measurable with sufficient reliability to be recognized in the basic financial statements.

The Net Pension Liability

Based on the new concepts, the GASB decided that the employer's basic financial statement liability for pension benefits should be a measure of the employer's unfunded pension obligation. Referred to as the "net pension liability" (NPL), it would be calculated as the employer's "total pension liability" (TPL) minus the employer's "plan net position" (PNP). Plan net position is essentially the fair (market) value of plan assets at the end of the employer's fiscal year.

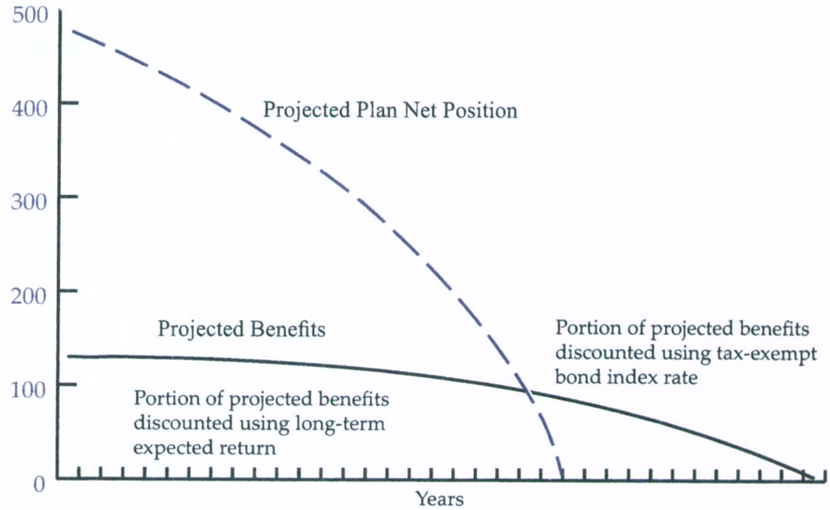
The total pension liability is calculated by:

- Projecting future benefits arising from automatic COLAs (and ad hoc COLAs, to the extent they are substantively automatic[7]), as well as projected service and projected salaries;
- Discounting the present value of future benefits using a single discount rate (discussed further in the next section); and
- Allocating the cost of pension benefits over past, present, and future periods using the traditional entry age actuarial cost method with service costs determined as a level percent of projected payroll on an employee-by-employee basis.

The Single Discount Rate

Under the proposed standards the discount rate would be a single rate based on: (1) the long-term expected investment return to the extent current and expected future assets are sufficient to pay projected benefits, otherwise (2) a 30-year AA/Aa tax-exempt muncipal bond index rate. Chart 1 may be helpful in illustrating the process for determining the proposed new single discount rate. (Note that the graph is intended as an illustration and does not represent an actual pension plan.)

Chart 1: Illustrative Projected Benefits and Projected Plan Net Position



In Chart 1, the solid line shows the benefits that are projected to be paid to current pension plan members (employees and retirees) over time. The dashed line shows the current market value of plan assets plus projected future contributions and investment earnings – minus benefits paid to current members. Note that plan assets become insufficient to pay current projected benefits after about 22 years (i.e., the cross-over point).

To determine the GASB's proposed discount rate for a plan with a cross-over point as illustrated in Chart 1, we would start by calculating two present values: (1) the present value of benefits up to the cross-over point would be discounted using the long-term expected return on plan investments (since these benefits would be covered by projected assets); and (2) the present value of the benefits after the cross-over point would be discounted using a 30-year AA/Aa (or equivalent rated) tax-exempt municipal bond index rate (since these benefits would not be covered by projected assets).

The new GASB discount rate would be the single discount rate that results in the present value of all benefit payments being equal to the sum of the present values in steps (1) and (2). This rate would then be used to calculate the total pension liability and, by extension, the net pension liability. Note that if current assets and projected future contributions and earnings are sufficient to cover all of the projected pension payments, the long-term expected return on plan investments would be used.

A key issue for many plans is how they will project contributions for current members. As provided in *Accounting and Financial Reporting for Pensions*, the projection of future contributions should be based on current contribution policies and practices and include all employer contributions intended to fund benefits of current or former employees and all contributions of current employees. However, it should not include:

[7] In determining whether or not an ad hoc COLA is substantively automatic, the GASB suggests examining (1) the historical pattern of granting the COLAs, (2) consistency in the COLA amounts, and (3) whether there is evidence to conclude the COLAs might not be granted in the future.

(1) employer contributions intended to fund the service costs of future employees, or (2) contributions of future employees.[8] For most plans that receive actuarially calculated employer contributions, the plan assets should be sufficient to pay the promised benefits and there would be no cross-over point. These plans would use the long-term expected rate of return for all liability measurement purposes.

The Pension Expense

The GASB's new measure of pension expense (PE) is also a significant change. Rather than reflecting the employer's actuarially determined annual required contributions, it essentially reflects the change in the employer's net pension liability, with deferred recognition of certain elements. Components of the new pension expense include:

- Service cost (i.e., normal cost);
- Interest on the total pension liability as of the beginning of the year;
- Changes in the total pension liability over the year (with certain deferrals);
- Differences between actual and projected earnings over the year (with certain deferrals);
- Projected investment returns over the year;
- Employee contributions; and
- Other changes in plan net position.

In calculating the new pension expense, "deferred outflows of resources" and "deferred inflows of resources" are used to defer recognition of certain changes in the total pension liability and to defer differences between actual and projected investment earnings over the year. The framework for these deferrals was established under Concepts Statement No. 4.

Under this framework, an increase in the net pension liability would be considered a "consumption" of net assets, and a decrease in the net pension liability would be considered an "acquisition" of net assets. In determining what constitutes the pension expense in this context, the GASB had to decide which portions of the change in net pension liability are applicable to the current reporting period and which portions are applicable to future reporting periods. If the change is applicable to the current period, it is recognized in the current period. If it is applicable to future periods, it is characterized as a deferred outflow of resources (or a deferred inflow of resources) and recognized over future years, with a portion recognized in the current period.

For any given year, the remaining unrecognized portions of current or prior changes in the net pension liability would be presented in the basic financial statements. These portions would be included in the deferred outflows of resources account, appearing just below the net assets, or the deferred inflows of resources, appearing just below the net liabilities.

Items Immediately Recognized in the Pension Expense

In considering which items of the pension expense are applicable to the current period, the GASB concluded that the service cost, annual interest on the total pension liability, and projected investment returns over the year should be immediately recognized in the pension expense. Moreover, any changes in the total pension liability due to changes in plan terms (i.e., benefits) should be immediately recognized.

In addition, the GASB decided that any changes in the total pension liability related to inactive employees (including retirees) should also be immediately recognized in the pension expense. This includes any changes in actuarial assumptions or differences between assumed and actual actuarial experience related to inactive members.

Items Deferred and Recognized in the Pension Expense

The GASB concluded that certain changes in the total pension liability due to active employees should be deferred and recognized over a closed period equal to the weighted average remaining service lives of active members. These include changes in actuarial assumptions and actuarial gains or losses related to active employees.

The weighting would be designed to approximate the result that would occur if the changes in total pension liability were recognized for each employee individually over the employee's own expected remaining service life. This may be calculated using weights equal to each employee's own total pension liability.

In addition, differences between actual investment earnings and projected earnings would be deferred and recognized over a five-year closed period. The amortization would be accomplished using a systematic and rational method (e.g., straight line or other systematic amortization methods).

Changes Related to Cost-Sharing Employers

The GASB's EDs would also substantially change the way cost-sharing employers account for and report their pension liabilities and pension expenses. As mentioned above, in the discussion of current standards, cost-sharing employers report their contractually required contribution as their pension expense. In addition, they report the accumulated difference between their contractually required contributions

[8] *Accounting and Financial Reporting for Pensions,* paragraph 23. See also Appendix C, Illustration 1, Table 1.

and their actual contributions as their pension liability on their balance sheet.

Under the GASB's proposed standards, cost-sharing employers would recognize their "proportionate share" of the cost-sharing plan's collective net pension liability, pension expense, and deferred outflows and inflows of resources. Cost-sharing plans would calculate these values for all employers collectively using the same methods as single-employer and agent plans.

A cost-sharing employer's proportionate share would be based on the employer's long-term contributions relative to the total long-term contributions of all employers in the plan. In addition, certain other differences would be deferred and recognized in the employer's pension expense over the weighted average remaining service lives of the plan's collective active employees. These include changes in an employer's net pension liability due to changes in the employer's proportionate share (compared to the prior period) and differences between the employer's actual contribution and its proportionate share of collective employer contributions.

Special Funding Situations

The GASB's proposed standards also establish new rules for "special funding situations." These situations occur when an entity other than a participating employer (i.e., a "nonemployer entity") has a legal responsibility to make contributions to the plan. This legal obligation can be either:

- **Conditional** - based on events or circumstances unrelated to the pensions or
- **Unconditional** - based on a fixed percent of the employing government's payroll, or on a fixed percent of the contribution requirement.

If the nonemployer's legal responsibility is conditional, the contribution is treated as an "on-behalf" contribution (similar to a grant). The employer recognizes its full net pension liability, pension expense, and related deferrals in its financial statements. In addition, the employer also recognizes the nonemployer's contribution as revenue. The nonemployer recognizes the contribution as a non-pension expense.

If the nonemployer's legal responsibility is unconditional, the nonemployer would recognize its proportionate share of the net pension liability, pension expense, and related deferred inflows and outflows of resources in its basic financial statements. If the nonemployer assumes a "substantial" portion of the pension liability, it would provide note disclosures and required supplementary information as if it were a participating employer. The employer would reflect the nonemployer's involvement in financing the pension benefits.

Frequency & Timing of Measures

Under the GASB's proposed standards, a full measurement of the employer's total pension liability should be made at least every two years. While the total pension liability measurement need not be at fiscal year end, it should be done no more than 24 months before the fiscal year end. If the full measurement is not done at fiscal year end, it should be projected to that date and updated to reflect all significant changes. The value of plan assets should reflect plan net position at fiscal year end.

Implications of the GASB's Changes

The GASB's proposed standards intentionally disconnect the pension accounting measures from the pension funding measures. Consequently, information about the actuarial funded status of the plan will no longer be available in the employer's financial statements. While information about the actuarially determined contributions to the plan will be available (for most employers) in the required supplementary information, a measure of the actuarial funded status of benefits will not.

The net pension liability will be included in the employer's balance sheet. Given current economic conditions, this measure of the unfunded liability will likely be quite large. Moreover, since it will be based on the fair (market) value of plan assets (and potentially on tax-exempt municipal bond yields) it will likely be very volatile.

With regard to the pension expense, changes in pension liabilities will be amortized over shorter periods, increasing the amount and volatility of the pension expense. Moreover, the pension expense will be significantly different from the actuarially determined contributions, likely causing confusion about the contributions that are required to fund the plan.

Employers participating in cost-sharing plans will need to recognize a proportionate share of the plan's net pension liability, pension expense, and deferred outflows and inflows of resources. Nonemployer entities with unconditional legal responsibility for plan funding will also need to recognize a proportionate share of the plan's net pension liability, pension expense, and deferred outflows and inflows.

Effective Dates and Transition

The effective dates for the proposed standards would be reporting periods beginning after June 15, 2012, for large single employers with a plan net position of $1 billion or more in the first period ended after June 15, 2010. For all others, it would be reporting periods beginning after June 15, 2013.

(continued on page 8)

Summary of Current GASB Pension Standards for Governmental Employers Compared with Proposed Changes Presented in the GASB's Exposure Drafts			
For Employers in Single Employer and Agent Multiple-Employer Plans			
	Current Standards	**Exposure Drafts**	**Implications**
Pension Liability **Recognized in the Employer's Financial Statements (Balance Sheet)**	**Net Pension Obligation (NPO)** - measured as the cumulative difference between the employer's annual required contributions and actual contributions.	**Net Pension Liability (NPL)** - measured as the difference between the total pension liability (TPL) and the plan's net position (PNP) based on the fair (market) value of assets, with both determined as of the employer's fiscal year end.	Including the NPL on the employer's balance sheet is a major change. The NPL would likely be more volatile than the current unfunded accrued liability, causing confusion about the funded status of the benefits.
Pension Expense **Recognized in the Employer's Financial Statements (Income Statement)**	**Annual Pension Cost (APC)** - measured as the employer's "annual required contribution" (ARC) adjusted for interest on the NPO. The ARC is measured as the normal cost (i.e., "service cost") plus amortization of the unfunded actuarial accrued liability over a maximum of 30 years.	**Pension Expense (PE)** - measured as the current period service cost (based on the traditional entry age normal cost method and the "single discount rate"), plus: Immediate recognition of changes in the TPL due to: (1) interest on the TPL, (2) changes in plan benefits, (3) changes related to inactive members (including retirees), and (4) expected investment earnings; Deferred recognition over the remaining service lives of active members of: (1) changes in the TPL due to changes in assumptions for active employees and (2) differences between assumed and actual actuarial experience for active employees; and Deferred recognition over a closed 5-year period of the difference between actual and expected investment earnings.	The new measure of pension expense would be largely disconnected from the actuarial measure used to fund the benefits. The shorter deferral and recognition periods would increase the volatility of the new pension expense.
Allowed Actuarial Cost Methods	Entry age, Attained age, Projected unit credit, Aggregate, Frozen entry age, Frozen attained age.	Traditional entry age, with allocation of service costs as a level percentage of payroll over the employees' expected service starting at entry age.	Restrictions placed on the use of the entry age actuarial cost method could result in differences between the service cost used for accounting purposes and the normal cost used for funding purposes.
Discount Rate	Long-term expected rate of investment return on plan investments.	A single rate based on: (1) the long-term expected rate of return to the extent current and expected future assets are sufficient to pay projected benefits, (2) or otherwise a 30-year AA/Aa tax-exempt municipal bond index rate.	If tax-exempt municipal bond index rates are incorporated into the single discount rate, the accounting measures of the pension liability will be larger (under current economic conditions) and more volatile than the funding measures of the pension liability.
Asset Valuation Method	Market value or smoothed market value.	Fair (market) value of plan net assets.	Use of the fair (market) value would likely add volatility to the net pension liability and pension expense.
For Employers in Cost-Sharing Multiple-Employer Plans			
Pension Liability	**Pension Liability** - measured as the difference between the employer's contractually required contribution and the actual contribution.	**Pension Liability** - measured as the employer's proportionate share of the cost-sharing plan's collective net pension liability. The employer's proportionate share is based on the employer's long-term contributions relative to the collective long-term contributions of all employers in the plan.	Cost-sharing employers (and nonemployer entities with unconditional legal responsibility for plan funding) would show a new and significantly more volatile measure of the pension liability on their balance sheets.
Pension Expense	**Contractually Required Contribution** - measured as the employer's contractual contribution to the cost-sharing plan.	**Pension Expense** - measured as the employer's proportionate share of the cost-sharing plan's collective pension expense.	Cost-sharing employers (and nonemployer entities with unconditional legal responsibility for plan funding) would show a new pension expense that would be more volatile than their contractually required contributions.

In transitioning from current standards to the proposed new standards, the GASB states that the new standards should be reported as adjustments of prior periods, with restatement of financial statements for the affected periods. However, the GASB recognizes that it may not be practical for some governments to restate the deferred inflows and deferred outflows. If so, the GASB would not require beginning balances for the deferred inflows and outflows to be reported.

However, the GASB does expect the cumulative effect of applying the new statement to be reported as a restatement of beginning net position for the earliest period restated. Also, the financial statements should disclose the nature of any restatement and its effect in the period that the new standards are first applied. If the prior periods are not restated, the reasons should be explained.

Conclusion

The GASB has requested public comments on the Exposure Drafts by September 30, 2011, and will hold three public hearings in October. The final statements are expected to be released in June, 2012. Given that this is likely to be the last opportunity to comment on the GASB's proposed changes to public pension accounting and financial reporting standards, it is important for stakeholders to review the proposed changes, consider their impact, and provide comments.

The Exposure Drafts are on the GASB's website (www.gasb.org), under the Projects tab, on the "Documents for Public Comment" page.

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Since its inception, GRS has placed special emphasis on services to the public sector. From our network of offices, we serve over 700 clients nationwide, including retirement systems, employers, employee organizations, and government agencies. We have worked with many of our clients for more than 30 years - some for more than 60 years. The far-ranging locations of our clients and the long associations we have enjoyed reflect the quality of the services we provide. Services offered by GRS include:

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