MINNESOTA STATE BOARD OF INVESTMENT

Governor Tim Pawlenty

State Auditor Rebecca Otto

Secretary of State Mark Ritchie

Attorney General Lori Swanson

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
March 10, 2008

&

INVESTMENT ADVISORY
COUNCIL MEETING
March 4, 2008

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

March 10, 2008

AGENDA
STATE BOARD OF INVESTMENT MEETING
Monday, March 10, 2008
1:00 P.M. - Room 318
State Capitol – St. Paul

	TAB
1. Approval of Minutes of December 5, 2007	
2. Report from the Executive Director (Howard Bicker)	**A**
A. Quarterly Investment Review (October 1, 2007 – December 31, 2007)	
B. Administrative Report	**B**
1. Reports on budget and travel.	
2. Results of FY07 Financial Audit.	
3. Legislative Update.	
4. Educational Investment Roundtable.	
5. Update on Sudan Legislation.	
6. Update on 529 Plan.	
3. Reports from the Investment Advisory Council (Judy Mares)	
A. Stock and Bond Manager Committee	**C**
1. Review of manager performance.	
2. Review of Domestic Equity Manager Benchmarks.	
3. Recommendation to hire a passive manager for the domestic equity mandates.	
4. Review of UBS Global Asset Management, an international equity manager.	
B. Alternative Investment Committee	**D**
1. Review of current strategy.	
2. Recommendation of new investments with one new private equity manager, five existing private equity managers and two existing yield-oriented managers:	

- Advent International
- Credit Suisse Strategic Partners
- The Banc Funds Company
- Gold Hill Capital
- Chicago Growth
- Summit Partners
- Split Rock Partners
- Affinity Capital

Minutes
State Board of Investment
December 5, 2007

The State Board of Investment (SBI) met at 9:00 A.M., Wednesday, December 5, 2007 in Room 123, State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Rebecca Otto; Secretary of State Mark Ritchie and Attorney General Lori Swanson were present. The minutes of the October 15, 2007 were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had exceeded its Composite Index over the ten year period ending September 30, 2007 (Combined Funds 7.8% vs. Composite 7.7%), and had provided a real rate of return over the latest 20 year period (Combined Funds 9.9% vs. CPI 3.0%). He stated that the Basic Funds have outperformed its Composite Index (Basic Funds 8.0% vs. Composite 7.9%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 7.7% vs. Composite 7.6%).

Mr. Bicker reported that the Basic Fund's assets increased 1.5% for the quarter ending September 30, 2007 due to positive investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly underperformed its Composite Index for the quarter (Basic Funds 2.6% vs. Composite 2.8%) and outperformed it for the year (Basic Funds 17.0% vs. Composite 16.7%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 1.9% for the quarter ending September 30, 2007, also due to positive investment returns. He said that the Post Fund's asset mix is also on target. He stated that the Post Fund slightly underperformed its Composite Index for the quarter (Post Fund 2.6% vs. Composite 2.7%) and outperformed it for the year (Post Fund 16.6% vs. Composite 16.2%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stock 1.4% vs. Domestic Equity Asset Class Target 1.5%) and for the year (Domestic Stocks 16.3% vs. Domestic Equity Asset Class Target 16.5%). He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 4.2% vs. International Equity Asset Class Target 4.6%) but outperformed it for the year (International Stocks 30.6% vs. International Equity Asset Class Target 30.5%). Mr. Bicker stated that the bond segment underperformed its target for the quarter (Bonds 2.6% vs. Fixed Income Asset Class Target 2.8%) and matched it for the year (Bonds 5.1% vs. Fixed Income Asset Class Target 5.1%). He noted that the alternative investments had also performed strongly for the year (Alternatives 29.2%). He concluded his report with the comment that as of September 30, 2007, the SBI was responsible for over $63 billion in assets. In response to a question from Governor Pawlenty, Mr. Bicker stated that to the best of staff's knowledge, the SBI does not have any direct exposure in any subprime investments but he noted that the SBI does have some indirect exposure through its stock holdings in the financial sector of the market.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He reported that the Post Retirement benefit increase for fiscal year 2007 will be 2.5%. He noted that the increase will be payable effective January 1, 2008.

Mr. Bicker presented a brief legislative update. He stated that the SBI currently does not have plans to sponsor any bills; however, he noted that there are three issues staff will be monitoring: potential changes to the Post Retirement Fund benefit formula, a statewide version of an Other Post Employment Benefits (OPEB) bill, and the possibility of legislation regarding consolidation of state volunteer fire relief associations.

Mr. Bicker reported that members will be notified soon as to the results of the SBI's FY07 audit. He noted that he is not aware of any major findings. He stated that the draft of the SBI's FY07 Annual Report had been distributed and that the final report is expected to be available by year-end. He noted the tentative SBI dates for calendar year 2008 and said that staff expects to change the date of the September 2008 meeting to avoid meeting during the Republican National Convention.

Compensation Review Committee
Ms. Vanek referred members to Tab C of the meeting materials and reported that the Committee is recommending that the SBI approve an increase of 3.50% for the salary of the Executive Director. She noted that this amount is equal to the CPI-U increase effective January 1, 2008. Mr. Ritchie moved approval of the recommendation as stated in the Committee Report which reads: **"The Compensation Review Committee recommends that the SBI approve an increase of 3.5% for the salary of the Executive Director, effective January 1, 2008."** The motion passed.

Deferred Compensation Review Committee Report
Mr. Sausen referred members to Tab D of the meeting materials and stated that the Committee had met during the quarter to consider a proposal to combine the Supplemental Investment Fund (SIF) Fixed Interest Account and the Minnesota Fixed Fund Option for the State Deferred Compensation Plan. He stated that the funds are almost identical in duration and returns, and that the Fixed Fund has a trade restriction whereby a participant can only move 20% of their assets out of the fund within a year.

He noted that combining the two funds would eliminate the trade restriction. Mr. Sausen stated that staff had contacted eight firms about a request for information. He explained the process of how the transaction to the stable value investment approach would be accomplished. Ms. Otto moved approval of the Committee's recommendation to consolidate the two investment options and to retain Galliard Capital Management, as stated in the Committee Report which reads: **"The Committee recommends the proposed consolidation of the two investment options, the retention of Galliard Capital Management to manage the expanded new option, the termination of the existing three insurance companies, the cancelling of the December Fixed Fund bid and subsequent rollover of that cashflow into the liquidity buffer account, and the proposal to eliminate the monthly portion of the SIF Fixed Interest."** The motion passed.

Proxy Voting Committee
Mr. Sausen referred members to Tab E of the meeting materials and stated that staff had updated the Committee on the SBI's investments in Sudan, as mandated by the Sudan legislation enacted this past year. He briefly reviewed the process staff had used and referred members to the updated lists included in Tab E. He noted that two more companies were identified as having active operations. Mr. Sausen noted that no action on this item is required. In response to a question from Governor Pawlenty, Mr. Bicker confirmed that U.S. law prohibits U.S. companies from having investments or operations in Sudan.

Stock and Bond Manager Committee Report
Mr. Troutman referred members to Tab F of the meeting materials and briefly reviewed the performance of the various asset classes. He stated that staff had provided the Committee with an update on Cohen, Klingenstein & Marks, and he said that no action is required at this time. He noted that staff will continue to monitor the organization closely.

Mr. Troutman also reported that the Committee had re-interviewed AllianceBernstein due to recent departures of portfolio managers. He said that the Committee took no action at this time and requested that staff provide an update of the firm in one year.

Alternative Investment Committee Report
Mr. Troutman referred members to Tab G of the meeting materials and briefly reviewed the proposed investments with Lehman Brothers, an existing real estate manager; EnCap, a new resource manager; and CVC Capital Partners, a new private equity manager. In response to a question from Ms. Swanson, Mr. Troutman and Mr. Bicker explained the SBI's strategy of dollar cost averaging into the alternative investments and the importance of focusing on quality managers rather than trying to utilize market timing among the alternative investment asset classes. Mr. Bicker also reminded members that the SBI is on target for increasing the alternative asset allocation that was approved approximately three years ago. In response to a question from Governor Pawlenty, Mr. Bicker stated that the investment with CVC is in Euros, but that the money will be

invested over a long period of time and the currency issue is not that relevant over the long term. Mr. Ritchie moved approval of the Committee's recommendations, as stated in the Committee Report which reads: **"The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $150 million or 20%, whichever is less, in Lehman Brothers Real Estate Partners III L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Lehman Brothers 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 Lehman Brothers or reduction or termination of the commitment.**

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

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to €100 million Euros or 20%, whichever is less, in CVC European Equity Partners V, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by CVC Capital Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on CVC Capital Partners or reduction or termination of the commitment." The motion passed.

Mr. Shane Allers, Executive Director of the Service Employees International Union (SEIU) Local 24, addressed the Board and distributed a handout to members regarding some concerns about the SBI's investments with Kohlberg, Kravis & Roberts (KKR). The letter is attached as **Attachment A**. A discussion followed. Ms. Swanson made a motion to have staff send a letter to KKR requesting that they become a leader in promoting toy safety and implementing measures to protect the public from harmful toys. The motion passed. After further discussion, Mr. Allers agreed to meet with staff and the Proxy Committee at a future date to discuss the other issues raised in the handout.

The meeting adjourned at 9:58 A.M.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

Statement to the Minnesota State Board of Investment
Private Equity, KKR and Fiduciary Risk
December 5, 2007

Good morning. My name is Shane Allers and I'm President of the SEIU Local 284. My local represents school employees who work in a range of occupations and all of them have earned and enjoy the benefit of participating in the Public Employee Retirement Assocation, the assets of which are invested by this Board.

I am here today to raise concerns about the risks to investors created by private equity firms, namely Kohlberg, Kravis and Roberts, or KKR as their commonly known. The State Board of Investment has a long history of partnering with KKR. The partnership dates back to the mid 1980s and includes approximately $900 million in commitments.

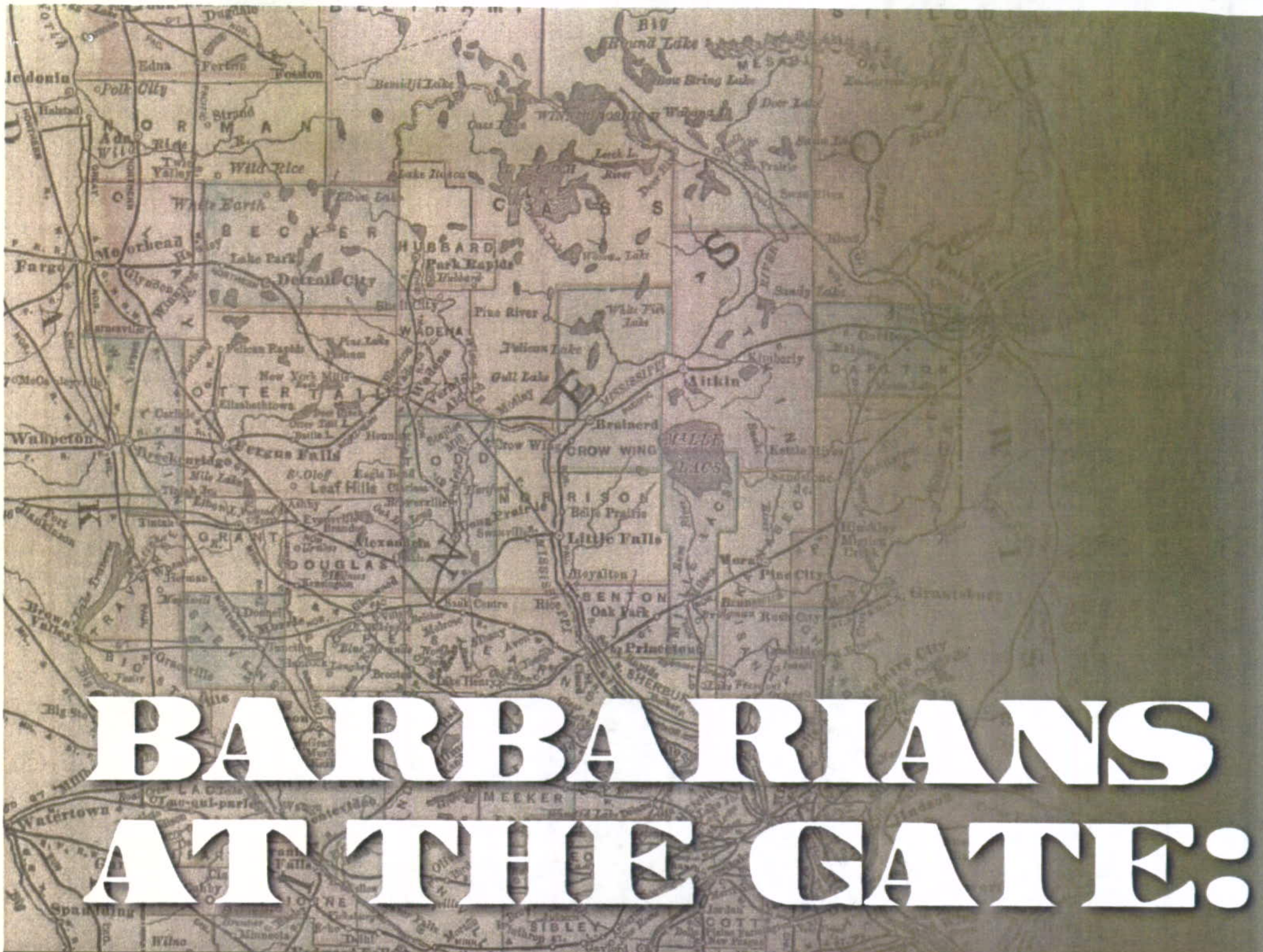
I'm not unaware of the returns that our members have experienced as a result of these investments. We know these have been substantial at times. We are not opposed to investing in private equity. That being said, we are seriously concerned about the risks that some of KKRs practices have created for investors.

One of the better illustrations of the risk is the case of Toys R Us and Dollar General. The SBI is an investor in both KKR buyouts. Just in the last year, the Consumer Products Safety Commission has announced that nearly 200,000 toys have been recalled from Toys "R" Us shelves for lead concerns alone, with more than a million more recalled because of various other safety concerns. Despite being warned about the dangers of some of their toys, Toys "R" Us has so far refused to take all the steps that would be necessary to guarantee that the toys they sell are safe. Dollar General has also been caught up in the problems with toxic toys. In the last year, over 1 million products have been recalled from the shelves of Dollar General because of lead paint concerns.[i ii iii iv v] In August, one month after the sale of Dollar General to KKR and other private equity investors was completed,[vi] Dollar General received a request for information and an invitation to a September 19th hearing on lead safety from the House Subcommittee on Commerce, Trade and Consumer Protection.[vii] According to news reports, the newly KKR-owned Dollar General failed to appear at the hearing, eliciting a sharp response from panel chair Bobby Rush (D-IL): "If a company like Dollar General can sell their products to my constituents, and make money off my constituents, one would think at a minimum they would appear before this subcommittee."[viii]

In general, private equity's top executives are coming under intense public scrutiny for engaging in practices that undermine workers, taxpayers, consumers and communities. In so far as these practices create fiduciary risk for us as investors, we believe that that SBI has an important role to play to work with the general partners to mitigate those risks.

For these reasons, SEIU and its community and labor allies are urging the SBI to join us in holding KKR accountable by asking them to:

1. immediately eliminate the sale of contaminated toys and other products sold in their Toys "R" us and Dollar General stores and agree to a code of conduct that will help protect public's safety;
2. provide the public with information about the amount of government-paid revenue their portfolio companies are receiving, and their impact on workers' wages and compensation; and
3. take steps to minimize the state tax impact of their buyout activity.



BARBARIANS AT THE GATE:

KKR in Minnesota

Prepared by the
Service Employees
International Union

December 2007

SEIU

EXECUTIVE SUMMARY

Since 1984, the Minnesota State Board of Investment (SBI) has invested more than $900 million in Kohlberg Kravis Roberts & Co. (KKR) in six separate buyouts. KKR is one of the largest private equity—or leveraged buyout—firms in the world. One KKR buyout fund, the Millennium Fund, has been used to purchase stakes in Toys "R" Us[1], Jostens,[2] and Sealy Corp.[3]

Increasingly, leveraged buyout firms such as KKR are coming under public scrutiny for engaging in business practices that create costs for ordinary Americans and workers. Private equity executives pay unfairly low tax bills and structure their deals to minimize their tax share. Layoffs at portfolio companies are also common, and some portfolio companies profit from the sale of toxic and dangerous products.

KKR and other buyout firms often attempt to deflect scrutiny by citing the positive returns they generate for their investors, including the SBI. However, as this report demonstrates, the negative impact of KKR's practices on workers, consumers and taxpayers may very well outweigh the benefits. Moreover, KKR's business practices create risk for its investors, including thousands of SEIU members in Minnesota whose retirement assets are invested by SBI. SEIU members, whose pensions are invested by the SBI, work in a range of occupations, principally in Minnesota schools.

For these reasons, SEIU and its community and labor allies are urging the SBI to join us in holding KKR accountable by asking it to:

1. immediately eliminate the sale of contaminated toys and other products by its portfolio companies, Toys "R" us and Dollar General, and agree to a code of conduct that will help protect the public's safety;
2. provide the public with information about the amount of government-paid revenue its portfolio companies are receiving, and its impact on workers' wages and compensation; and
3. take steps to minimize the state tax impact of its buyout activity.

KKR: The Deals

KKR focuses on large deals, and was the fourth most active dealmaker in 2006—it closed on 13 deals worth an estimated $78 billion.[79] KKR's largest deals include:[80]

TXU:
$45 billion
2007 (pending), (with TPG, Goldman Sachs Capital Partners)
Electricity generation company[81]

HCA:
$33 billion
2006, (with Bain Capital, Merrill Lynch)
For-profit hospital chain

RJR Nabisco:
$31 billion
1989
Consumer goods manufacturer

First Data:
$28 billion
2007 (pending),
Credit card processor

VNU Group (Nielsen):
$10 billion
2006, (with Carlyle, Blackstone, Thomas H. Lee Partners, Hellman & Friedman, AlpInvest Partners),
Information and media company[82]

Biomet:
$10.9 billion
2006, (with Blackstone, Goldman Sachs Capital Partners, TPG)
Orthopedic devices maker[83]

SunGard Data Systems:
$11.4 billion
2005, (with Silver Lake Partners, Bain Capital, Goldman Sachs Capital Partners, Blackstone, Providence Equity Partners)
Corporate data and security[84]

Who is KKR?

Kohlberg Kravis Roberts & Co. (KKR) is one of the oldest private equity firms having been founded in 1976, and is known for high-profile deals such as the hostile takeover of RJR Nabisco for $31 billion in 1989, inspiring the bestseller, *Barbarians at the Gate*. KKR continues to make headlines with announcements of leveraged buyouts of well-known companies such as First Data and Dollar General. In the first quarter of 2007, KKR has announced more buyouts globally than any of its competitors.[4]

KKR has invested in 150 deals with a total aggregate value of $279 billion.[5] In 2006, KKR invested $6.9 billion in 12 companies and participated in deals worth about $104 billion.[6] It is raising $20 billion for its global buyout fund and related entities. It owns 35 companies with a combined $95 billion in annual revenue and more than 500,000 employees.[7] If KKR's portfolio constituted one publicly traded corporation, it would hold spot No. 10 on the Fortune 500 list.

The Money Makers

The two remaining founding partners,[8] Henry R. Kravis and George Roberts, are cousins and make all the key decisions about company transactions. *Forbes* lists them both as being worth $5.5 billion, tied for No. 57 among the richest Americans.[9]

Source: Rick Maiman/Bloomberg News/Landov

Henry Kravis

Kravis is credited with being one of the key architects of the leveraged buyout where substantial amounts of debt are used to purchase companies. James B. Lee Jr. of JPMorgan Chase characterizes him as "the Roger Clemens of the industry. He was a winner when he was 20 years old, and he is a winner in his 60s."[10]

About SEIU

SEIU in Minnesota unites more than 28,000 members of four local unions and the state council to build power and win real improvements in the lives of working people and their families. All of the local unions are governed by either a board of directors or leadership council comprised of member leaders of the union.

The membership and leadership of SEIU in Minnesota is organized as follows:

Local 26: Unites almost 6,000 members who are office building and window cleaners, private security officers, and workers in a variety of other industries. Javier Morillo-Alicea is the elected president.

Local 63: Includes 400 members who are building maintenance workers in the Minneapolis public schools. Frank Miskowiec is the elected president.

Local 113: Unifies 14,000 hospital, clinic, nursing home and home care workers in Minnesota and western Wisconsin. Julie Schnell is the elected president.

Local 284: Joins together more than 8,000 public school service employees who work as paraprofessionals, office clerical staff, bus drivers, custodians, and school food service workers. Shane Allers is the elected executive director.

KKR's Practices Under Scrutiny

- **Avoiding Tax.** KKR and other leveraged buyout firms make money in part by reducing, and sometimes even eliminating, the amount of corporate income taxes that their portfolio companies pay. By loading companies up with debt, increasing the leverage sometimes from 30 percent to 70 percent or more, portfolio companies often are left with extremely high debt interest payments. Often the buyout firms will take out more debt through dividend recaps that only serve to pay the firms, themselves, a fee. The interest payments on this debt are often tax deductible and can substantially reduce or even cancel out their corporate tax payments.
- **Laying off workers.** KKR buyouts have led to layoffs for thousands of workers. These include nearly 1,000 workers who lost their jobs at Evenflo[11], 3,000 workers at Toys "R" Us,[12] and 1,250 workers laid off at Nielsen.[13]
- **Putting consumers at risk.** Under KKR's watch, companies have profited—and continue to profit—from the sale of tainted and potentially dangerous products. Companies owned by KKR, or those in which KKR has had a significant stake, have endangered children by selling hazardous products. Just this year alone, KKR portfolio companies Toys "R" Us and Dollar General have had to pull hundreds of thousands of lead-tainted toys from store shelves.

Spotlight on Minnesota

The Minnesota State Board of Investment (SBI) is responsible for investing the pension assets, trust funds, and cash accounts for the state. In total, the SBI manages more than $55 billion.[14] Among the public employees whose retirement assets are invested by the SBI are approximately 9,000 SEIU members. SEIU members who participate in the fund work in a range of occupations, principally in Minnesota schools.

SBI began investing with KKR back in 1984 when it invested approximately $25 million in one of its original buyout funds.[15] Since then, the SBI has invested more than $900 million in assets in six separate buyout funds[16]

KKR buyout activity has had a negative impact on Minnesota consumers and workers. Ironically, the SBI has been an investor in the very buyouts that have harmed Minnesotans. For example, SBI invested in KKR's Millennium Fund, the fund that purchased stakes in Jostens and Toys "R" Us[17]. The SBI is also invested in the KKR 2006 buyout fund that recently purchased a stake in Dollar General, which has 16 locations in Minnesota.[18] The remainder of this report elaborates on the impact of KKR's investment in four companies with a substantial presence in Minnesota: Jostens, Toys "R" Us, Dollar General, and Creamette.

Jostens

KKR's acquisition of Jostens, a Minnesota company founded in 1897[19], exemplifies KKR's slash and burn business model and its impact on Minnesotans. With $788 million in sales for the 2003-2004 fiscal year,[20] Jostens employed Minnesotans at both its headquarters and a manufacturing facility before the buyout.

KKR later merged Jostens with several other companies to become part of the new KKR-owned Visant Corp. According to news reports, Jostens announced the closure of its last Minnesota manufacturing facility (with 147 full-time jobs) just weeks before the deal was announced. Then less than a year later, Jostens announced another 40 layoffs, some of which impacted the Twin Cities, as a result of a new management structure.

Dollar General

Dollar General is a discount retailer purchased by KKR in July 2007. With some 16 stores[26] in Minnesota, Dollar General is an important part of the community. However, communities across the country are concerned that because of the KKR acquisition these stores will close. In SEC filings, Dollar General announced plans to close 400 stores by the end of 2007. It is unclear whether these store closures will impact the Minnesotans who work and shop at Dollar General stores.

Furthermore, Dollar General has also been caught up in the problems with toxic toys. Over the last year, more than 1 million products have been recalled from the shelves of Dollar General because of lead concerns.[27 28 29 30 31] In August, one month after the sale of Dollar General to KKR and other private equity investors was completed.[32] Dollar General received a request for information and an invitation to a Sept. 19 hearing on lead safety from the House Subcommittee on Commerce, Trade and Consumer Protection.[33] According to news reports, the newly KKR-owned Dollar General failed to appear at the hearing, eliciting a sharp response from panel chair Bobby Rush (D-Ill.): "If a company like Dollar General can sell their products to my constituents, and make money off my constituents, one would think at a minimum they would appear before this subcommittee."[34]

Toys "R" Us

Following the buyout by KKR, the pressure to generate cash was intense. According to news reports, Toys "R" Us had to pay $537 million in interest on its debt and another $15 million per year to its private equity owners for "management and advisory services." [21]

KKR and other private equity investors installed new management at Toys "R" Us. Armed with a 100-day plan to cut costs and generate cash, the new team closed more than 70 Toys "R" Us stores—including two Minnesota locations (at Duluth and Woodbury)[22]—costing 3,000 workers in the United States their jobs.[23]

In addition to these layoffs and store closings, Toys "R" Us has come under scrutiny in the recent toxic toy scandal. In the last year alone, more than 300,000 toys imported by and sold at Toys "R" Us have been recalled from the company's shelves.[24] And there is reason to be concerned, more generally, that the retail industry's race to the bottom in terms of prices leads to inadequate manufacturing safeguards. Recently, the BBC ran an account written by manufacturing employee in China who blamed the pressure from big brand name companies to cut costs for the influx of shoddy and dangerous products. "The result is that there is a huge difference in the quality of products manufactured under strict quality controls abroad and those made in China," wrote Shubham Agnihotri, who works for a company in Guangdong province. " [I]f the big brand comes back to us and asks us to cut costs, oor only option is to compromise on materials. You cannot reduce the cost of the process of applying the paint, for example. But you can choose lower quality paint, that's produced locally and costs less."[25]

Despite being warned about the dangers of some of their toys, Toys "R" Us has so far refused to take steps sufficient to guarantee that the toys it sells are safe.

Creamette

When KKR, through KKR Associates[35], announced the purchase of Borden in September 1994, many Minnesotans had great hope that this would mean good times were back for Borden's subsidiary Creamette, a long-time Minnesota employer. Some 18 months earlier a struggling Borden had moved its pasta headquarters from Minnesota to Columbus, Ohio, just seven months after promising to expand in the state, causing the loss of some 80 good jobs according to news reports. Minneapolis had been Borden's pasta headquarters since 1979 after purchasing Creamette, a company founded in Minnesota in 1916.[36] When KKR purchased the company in 1994, many speculated that KKR would invest in the pasta group which still had roughly 300 sales and production workers in Minnesota.[37] Some had speculated that the acquisition of Borden by KKR would have a positive impact on Creamette stating "If KKR adheres to a strategy of investing in Borden's most promising areas it could bode well for Creamette." Borden had identified its pasta business as a growth area.[38] However, in March of 1997 the company announced instead that it would *close* the two remaining Minnesota pasta factories. This came as a great shock to Twin City area employees and managers. Even though the New Hope, Minn., facility was the top performing plant in the pasta division, the KKR subsidiary had planned to close it. The plants were only saved by a management-orchestrated buyout of Creamette.[39]

Endnotes

1 Toys "R" Us Inc Form 10K , filing date 4/28/2006 http://sec.edgar-online.com/2006/04/28/0001193125-06-093096/Section35.asp

2 Jostens IH Corp., Form S-4A, filing date 2-13-2005. http:// sec.edgar-online.com/2005/02/14/0001047469-05-003464/Section26.asp

3 http://www.secinfo.com/d11MXs.u3qf.htm.

4 "KKR racks up $104.5 B in "07 buyouts", *BusinessWeek*, April 3, 2007, http://www.businessweek.com/ap/financialnews/D8O97S8G2.htm

5 http://www.kkr.com/investments/current-invest.html

6 Henny Sender. "Inside the Minds of Kravis, Roberts." *The Wall Street Journal*. 01/03/07. P C1

7 Henny Sender. "Inside the Minds of Kravis, Roberts." *The Wall Street Journal*. 01/03/07. P C1

8 Jerome Kohlberg, the other founding partner left in 1985.

9 http://www.forbes.com/lists/2007/54/richlist07_The-400-Richest-Americans_Rank_3.html.

10 Thomas, Landon, op.cit.

11 See attached references for each individual case.

12 Toys "R" Us SEC Form 10-K, filed May 15, 2007, p2, p67 (http://www.sec.gov/Archives/edgar/data/1005414/000119312507115768/d10k.htm#tx95007_31).

13 Flaherty, Michael, "Nielsen cuts 1,250 service jobs worldwide", *Reuters*, Oct. 1, 2007.

14 Minnesota State Board of Investment 2006.

15 April 29, 1993, *Star Tribune*, "Questions about Empi remain despite surge in sales and net income."

16 (Minnesota State Board of Investment Annual Report 2006).

17 Minnesota State Board of Investment 2006...

18 . http://www.dollargeneral.com/ourstores/map.aspx

19 "Wall Street investment firms are new owners of Jostens", *Star Tribune*, July 22, 2004. p. 1D.

20 http://www.tcbmag.com/companies/privatecompanies/jostensinc.aspx

21 http://cachef.ft.com/cms/s/0/6555c2b4-0252-11dc-ac32-000b5df10621.html)

22 Passi, Peter, "Toys "R" Gone: Duluth store to close;" *Duluth News-Tribune*, Jan. 10, 2006.

23 Toys "R" Us SEC Form 10-K, filed May 15, 2007, p2, p67 , (http://www.sec.gov/Archives/edgar/data/1005414/000119312507115768/d10k.htm#tx95007_31).

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Importer/Retailer	*Product Recalled*	*Date of Recall*	*Number of Products*	*Notes*
Toys "R" Us	Military-style toy sets[1]	October 31, 2007	16,000	
	Decorating sets[2]	October 4, 2007	15,000	Sets made by CKI Toys, imported by Toys "R" Us[3]
	Vinyl bibs[4]	August 2007	160,000	Recall not CPSC-mandated; Lead levels up to 1,800 ppm[5] (600 ppm is the fed limit for paint)[6]
	Paint sets[7]	August 30, 2007	27,000	
	Military-style toy sets[8]	March 13, 2007	128,700	"Elite Operations" brand, imported by TRU
			Total 346,700	

[1] Consumer Product Safety Commission "Toys "R" Us Recalls "Elite Operations" Toy Sets Due to Violation of Lead Paint Standard," October 31, 2007 (http://www.cpsc.gov/cpscpub/prerel/prhtml08/08057.html).
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34 Katy Byron, "More lead-paint toy recalls coming, source says," *CNN*, Sept. 20, 2007 (http://www.cnn.com/2007/US/09/20/toy.safety/index.html).

35 Borden Chemical Form 10-K, Filing date 3/29/2004 http://sec.edgar-online.com/2004/03/29/0000013239-04-000007/Section25.asp

36 "Borden changes mind on expansion, will move operation to Ohio instead; Minneapolis plans scraped after 50 people hired at local headquarters." *Star Tribune*, Feb. 19, 1993.

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SEIU

106265-2051/ 12.04.07 jk

INVESTMENT ADVISORY COUNCIL

AGENDA AND MINUTES

March 4, 2008

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, March 4, 2008
2:00 P.M. - Board Room – First Floor
60 Empire Drive, St. Paul, MN

	TAB
1. Approval of Minutes of December 3, 2007	
2. Report from the Executive Director (Howard Bicker)	**A**
A. Quarterly Investment Review (October 1, 2007 – December 31, 2007)	
B. Administrative Report	**B**
1. Reports on budget and travel.	
2. Results of FY07 Financial Audit.	
3. Legislative Update.	
4. Educational Investment Roundtable.	
5. Update on Sudan Legislation.	
6. Update on 529 Plan.	
3. Reports from the Investment Advisory Council	
A. Stock and Bond Manager Committee (Jay Kiedrowski)	**C**
1. Review of manager performance.	
2. Review of Domestic Equity Manager Benchmarks.	
3. Recommendation to hire a passive manager for the domestic equity mandates.	
4. Review of UBS Global Asset Management, an international equity manager.	
B. Alternative Investment Committee (Malcolm McDonald)	**D**
1. Review of current strategy.	
2. Recommendation of new investments with one new private equity manager, five existing private equity managers and two existing yield-oriented managers:	
• Advent International	
• Credit Suisse Strategic Partners	
• The Banc Funds Company	
• Gold Hill Capital	
• Chicago Growth	
• Summit Partners	
• Split Rock Partners	
• Affinity Capital	
4. General Discussion	

Minutes
Investment Advisory Council
December 3, 2007

MEMBERS PRESENT:	Jeff Bailey; Dave Bergstrom; John Bohan; Kerry Brick; Doug Gorence; Laurie Hacking; P. Jay Kiedrowski; Malcolm McDonald; Gary Norstrem; Mike Troutman; and Mary Vanek.
MEMBERS ABSENT:	Frank Ahrens; Tom Hanson; Heather Johnston; Judy Mares; and Daralyn Peifer.
SBI STAFF:	Howard Bicker; Mansco Perry; Jim Heidelberg; Mike Menssen; Tammy Brusehaver-Derby; Patricia Ammann; Stephanie Gleeson; John Griebenow; Andy Christensen; Debbie Griebenow; Carol Nelson; and Charlene Olson.
OTHERS ATTENDING:	Ann Posey, Richards & Tierney; Peter Sausen; Christie Eller; Celeste Grant; Tom Durand; and Jerry Irsfeld, REAM.

Mr. Troutman called the meeting to order and the minutes of the September 4, 2007 meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had exceeded its Composite Index over the ten year period ending September 30, 2007 (Combined Funds 7.8% vs. Composite 7.7%), and had provided a real rate of return over the latest 20 year period (Combined Funds 9.9% vs. CPI 3.0%). He stated that the Basic Funds have outperformed its Composite Index (Basic Funds 8.0% vs. Composite 7.9%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 7.7% vs. Composite 7.6%).

Mr. Bicker reported that the Basic Fund's assets increased 1.5% for the quarter ending September 30, 2007 due to positive investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly underperformed its Composite Index for the quarter (Basic Funds 2.6% vs. Composite 2.8%) and outperformed it for the year (Basic Funds 17.0% vs. Composite 16.7%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 1.9% for the quarter ending September 30, 2007, also due to positive investment returns. He said that the Post Fund's asset mix is also on target. He stated that the Post Fund slightly underperformed its Composite Index for the quarter (Post Fund 2.6% vs. Composite 2.7%) and outperformed it for the year (Post Fund 16.6% vs. Composite 16.2%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stock 1.4% vs. Domestic Equity Asset Class Target 1.5%) and for the year (Domestic Stocks 16.3% vs. Domestic Equity Asset Class Target 16.5%). He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 4.2% vs. International Equity Asset Class Target 4.6%) but outperformed it for the year (International Stocks 30.6% vs. International Equity Asset Class Target 30.5%). Mr. Bicker stated that the bond segment underperformed its target for the quarter (Bonds 2.6% vs. Fixed Income Asset Class Target 2.8%) and matched it for the year (Bonds 5.1% vs. Fixed Income Asset Class Target 5.1%). He noted that the alternative investments had also performed strongly for the year (Alternatives 29.2%). He concluded his report with the comment that as of September 30, 2007, the SBI was responsible for over $63 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He reported that the Post Retirement benefit increase for fiscal year 2007 will be 2.5%. He noted that the increase will be payable effective January 1, 2008.

Mr. Bicker presented a brief legislative update. He stated that the SBI currently does not have plans to sponsor any bills; however, he noted that there are three issues staff will be monitoring: potential changes to the Post Retirement Fund benefit formula, a statewide version of an Other Post Employment Benefits (OPEB) bill, and the possibility of legislation regarding consolidation of state volunteer fire relief associations.

Mr. Bicker reported that members will be notified soon as to the results of the SBI's FY07 audit. He noted that he is not aware of any major findings. He stated that the draft of the SBI's FY07 Annual Report had been distributed and that the final report is expected to be available by year-end. He noted the tentative IAC dates for calendar year 2008 and said that staff expects to change the date of the September 2008 meeting to avoid meeting during the Republican National Convention.

In response to a question from Mr. Bailey, Mr. Bicker spoke briefly about issues related to subprime investments. He discussed the differences in the impact of both the pension asset investments and investments made for the state cash accounts. He stated that staff is monitoring the situation very closely and that the SBI does not have any problems regarding this issue. A brief discussion followed regarding the different levels of risk tolerance between pension and non-pension related assets.

Compensation Review Committee

Ms. Vanek referred members to Tab C of the meeting materials and reported that the Committee is recommending that the SBI approve an increase of 3.50% for the salary of the Executive Director. She noted that this amount is equal to the CPI-U increase effective January 1, 2008. Mr. Kiedrowski moved approval of the recommendation as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed.

Deferred Compensation Review Committee Report

Mr. Sausen referred members to Tab D of the meeting materials and stated that the Committee had met during the quarter to consider a proposal to combine the Supplemental Investment Fund (SIF) Fixed Interest Account and the Minnesota Fixed Fund Option for the State Deferred Compensation Plan. Mr. Bergstrom explained that there has been confusion for participants between the two funds, the funds are almost identical in duration and returns, and that the Fixed Fund has a trade restriction whereby a participant can only move 20% of their assets out of the fund within a year. He noted that combining the two funds would eliminate the trade restriction and that MSRS believes it is a good change for participants. Mr. Bicker added that there are also fewer insurance companies providing this type of investment option and that the move would also result in reduced fees. Mr. Sausen stated that staff had contacted eight firms about a request for information. He explained the process of how the transition to the stable value investment approach would be accomplished. Mr. Norstrem moved to endorse the Committee's recommendation to consolidate the two investment options and to retain Galliard Capital Management, as stated in the Committee Report. Mr. Bergstrom seconded the motion. The motion passed with Mr. Kiedrowski noting his abstention due to a conflict of interest. In response to a question from Mr. Brick, Mr. Bicker stated that staff expects that it will take 2-3 years before additional managers may be needed in this area.

Proxy Voting Committee

Mr. Sausen referred members to Tab E of the meeting materials and stated that staff had updated the Committee on the SBI's investments in Sudan, as mandated by the Sudan legislation enacted this past year. He briefly reviewed the process staff had used and referred members to the updated lists included in Tab E. In response to a question from Mr. Bohan, Mr. Bicker stated that currently, approximately $20 million in assets is affected by the legislation. Mr. Sausen noted that no action on this item is required.

Stock and Bond Manager Committee Report

Mr. Gorence referred members to Tab F of the meeting materials and briefly reviewed the performance of the various asset classes. He noted that the Committee is considering taking another look at currency hedging at a future date. He stated that staff had provided the Committee with an update on Cohen, Klingenstein & Marks and he said that no action is required at this time. He noted that staff will continue to monitor the organization closely.

Mr. Gorence also reported that the Committee had re-interviewed AllianceBernstein due to recent departures of portfolio managers. He said that the Committee took no action at this time and requested that staff provide an update of the firm in one year. In response to a question from Mr. Bohan, Mr. Bicker confirmed that UBS is scheduled to be reviewed during the next quarter.

Alternative Investment Committee Report
Mr. McDonald referred members to Tab G of the meeting materials and asked John Griebenow to update members on staff's recent manager visits in London. In response to a question from Mr. Troutman, Mr. Griebenow confirmed that the proposed investment with CVC is primarily European but also includes some global private equity opportunities. Mr. McDonald briefly reviewed the proposed investments with Lehman Brothers, an existing real estate manager; EnCap, a new resource manager; and CVC Capital Partners, a new private equity manager, and moved approval of the Committee's recommendations, as state in the Committee Report. Mr. Kiedrowski seconded the motion. In response to a question and comment from Mr. Kiedrowski, Mr. Bicker reminded members that the alternative assets allocation was increased about three years ago and that the SBI is right on target for reaching the higher allocation level within the five year time horizon originally planned for. In response to comments from Mr. Gorence, a brief discussion followed on the changing environment in the asset allocation area. The motion made earlier passed.

The remainder of the meeting was a presentation by Ms. Vanek, Mr. Bergstrom and Ms. Hacking regarding the Post Retirement Fund. Presentation materials are attached in **Attachment A**.

The meeting adjourned at 3:25 P.M.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

Tab A

LONG TERM OBJECTIVES
Period Ending 12/31/2007

COMBINED FUNDS: $50.3 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.	**7.6% (1)**	0 percentage point matched target
Provide Real Return (20 yr.) Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	**10.7%**	7.7 percentage points above CPI

BASIC RETIREMENT FUNDS: $25.3 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 10 year period.	**7.7%**	0 percentage point matched target

POST RETIREMENT FUND: $25.0 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Post Fund over the latest 10 year period.	**7.5%**	0.1 percentage point above target

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

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

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

Notes:

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years for Basics.

Actuarial Assumptions:

Interest/Discount Rate:

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

Full Funding Target Date:

2020 – MSRS General

2031 – PERA General

2037 – TRA

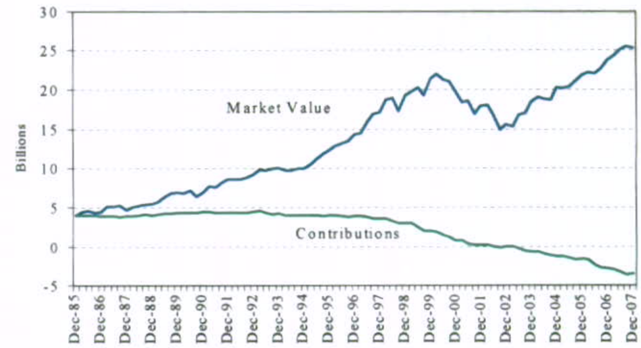
EXECUTIVE SUMMARY
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds decreased 0.5% during the fourth quarter of 2007. Negative investment returns accounted for the decrease.

Asset Growth During Fourth Quarter 2007 (Millions)

Beginning Value	$ 25,439
Net Contributions	73
Investment Return	-211
Ending Value	$ 25,301

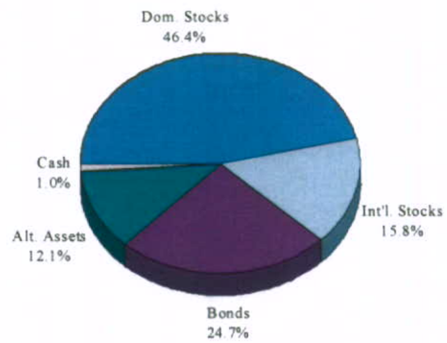


Asset Mix

The allocation to domestic equity decreased over the period due to negative investment returns. Allocation to bonds and alternative investments increased over the quarter due to positive investment returns and rebalancing.

	Policy Targets	Actual Mix 12/31/2007	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	46.4%	$11,750
Int'l. Stocks	**15.0**	15.8	3,991
Bonds	**24.0**	24.7	6,256
Alternative Assets*	**15.0**	12.1	3,072
Unallocated Cash	**1.0**	1.0	232
	100.0%	100.0%	$25,301

* Any uninvested allocation is held in domestic stocks

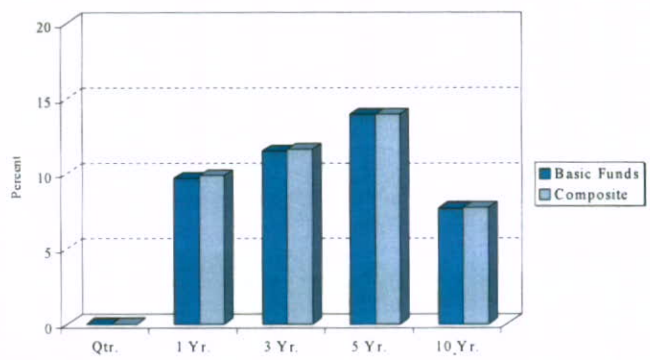


Fund Performance (Net of Fees)

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

Period Ending **12/31/2007**

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Basics	**-0.8%**	**9.7%**	**11.5%**	**13.9%**	**7.7%**
Composite	-0.6	9.8	11.6	13.9	7.7

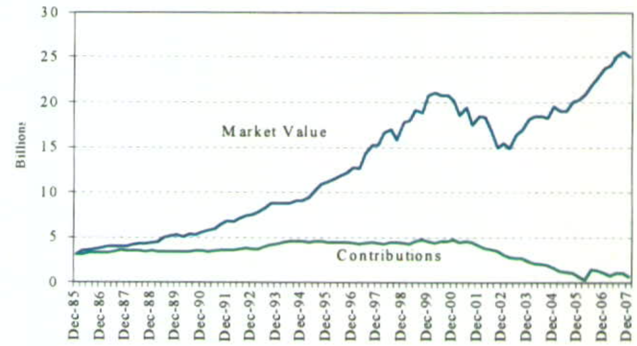


EXECUTIVE SUMMARY
Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased 2.6% during the fourth quarter of 2007. The decrease was a result of negative net contributions and net returns.

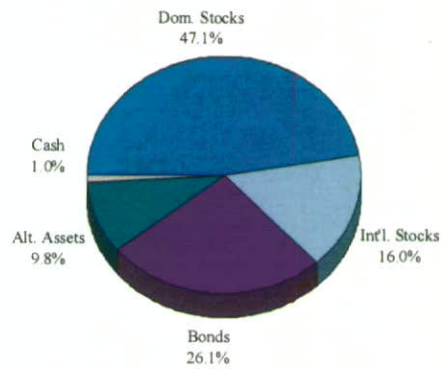
	Asset Growth During Fourth Quarter 2007 (Millions)
Beginning Value	$25,653
Net Contributions	-437
Investment Return	-218
Ending Value	$24,998



Asset Mix

The allocation to domestic equity and international equity showed little change, though domestic equity did slightly decrease due to negative investment returns. The allocation to alternative investments and bonds increased due to positive investment returns and rebalancing from cash.

	Policy Targets	Actual Mix 12/31/2007	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	47.1%	$11,792
Int'l. Stocks	**15.0**	16.0	3,989
Bonds	**25.0**	26.1	6,520
Alternative Assets*	**12.0**	9.8	2,451
Unallocated Cash	**3.0**	1.0	246
	100.0%	100.0%	$24,998



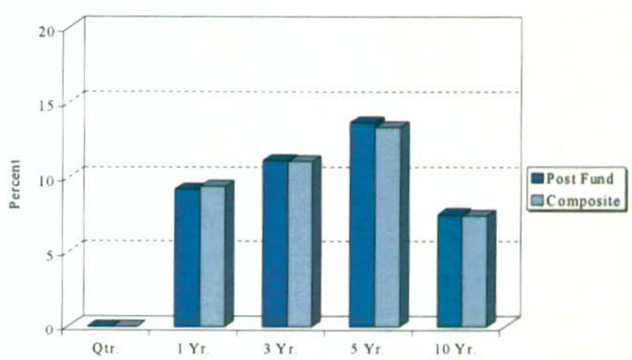
* Any uninvested allocation is held in domestic stocks.

Fund Performance (Net of Fees)

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

Period Ending **12/31/2007**

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
			Annualized		
Post	**-0.9%**	**9.2%**	**11.1%**	**13.6%**	**7.5%**
Composite	-0.6	9.4	11.0	13.4	7.4



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

Domestic Stocks

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

Period Ending 12/31/2007

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	**-3.5%**	**4.9%**	**8.5%**	**13.4%**	**5.6%**
Asset Class Target*	-3.3	5.1	8.9	13.7	5.9

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

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

International Stocks

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

Period Ending 12/31/2007

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	**-0.4%**	**17.1%**	**20.1%**	**23.5%**	**9.7%**
Asset Class Target*	-0.5	16.9	20.0	23.9	9.6

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

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

Bonds

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

Period Ending 12/31/2007

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Bonds	**2.4%**	**6.3%**	**4.6%**	**4.9%**	**6.2%**
Asset Class Target*	3.0	7.0	4.6	4.4	6.0

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

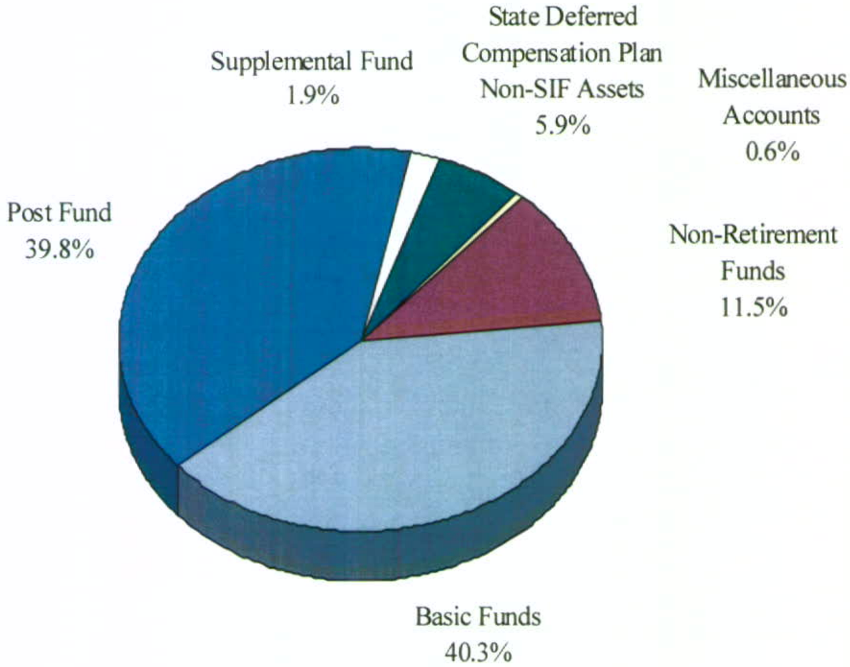
* The Fixed Income Asset Class Target is the Lehman Aggregate, effective 7/1/1994. Prior to 7/1/1994, the fixed income target was the Salomon BIG.

Alternative Investments

Period Ending 12/31/2007

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Alternatives	**3.0%**	**29.5%**	**31.7%**	**25.5%**	**16.0%**

EXECUTIVE SUMMARY
Funds Under Management



	12/31/2007 Market Value (Billions)
Retirement Funds	
Basic Retirement Funds	$25.3
Post Retirement Fund	25.0
Supplemental Investment Fund	1.2
State Deferred Compensation Plan Non-SIF Assets	3.7
Non-Retirement Funds*	
Assigned Risk Plan	0.4
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	5.6
Miscellaneous Accounts	0.4
Total	$62.8

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Fourth Quarter 2007

(October 1, 2007 - December 31, 2007)

Table of Contents

VARIOUS CAPITAL MARKET INDICES

	Period Ending 12/31/2007				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	-3.2%	5.6%	9.2%	14.0%	6.3%
Dow Jones Industrials	-3.9	8.9	9.7	12.3	7.5
S&P 500	-3.3	5.5	8.6	12.8	5.9
Russell 3000 (broad market)	-3.3	5.1	8.9	13.6	6.2
Russell 1000 (large cap)	-3.2	5.8	9.1	13.4	6.2
Russell 2000 (small cap)	-4.6	-1.6	6.8	16.2	7.1
Domestic Fixed Income					
Lehman Aggregate (1)	3.0	7.0	4.6	4.4	6.0
Lehman Gov't./Corp.	3.1	7.2	4.4	4.4	6.0
3 month U.S. Treasury Bills	0.9	4.6	4.2	3.0	3.6
International					
EAFE (2)	-1.8	11.2	16.8	21.6	8.7
Emerging Markets Free (3)	3.7	39.8	35.6	37.5	14.5
ACWI Free ex-U.S. (4)	-0.6	17.1	20.4	24.5	10.1
World ex-U.S. (5)	-1.6	12.4	17.4	22.1	9.0
Salomon Non U.S. Gov't. Bond	3.9	11.5	2.7	7.5	6.3
Inflation Measure					
Consumer Price Index CPI-U (6)	0.7	4.1	3.1	2.9	2.6
Consumer Price Index CPI-W (7)	0.9	4.3	3.4	3.1	2.7

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index reported a -3.3% return during the fourth quarter of 2007. Uncertainty seemed to rule the market during the period and volatility returned. Investors were concerned over the outlook for the U.S. economy due to a steady stream of discouraging headlines on the unfolding credit crisis, disclosures of large mortgage-related losses by major investment banks, and the spiraling cost of oil. Over all, growth stocks outperformed value stocks and within the style groups, large capitalization stocks outperformed small capitalization stocks. The energy sector generated the largest total return within the Russell 3000 index. The financial sector generated the lowest total return.

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

Large Growth	Russell 1000 Growth	-0.8%
Large Value	Russell 1000 Value	-5.8%
Small Growth	Russell 2000 Growth	-2.1%
Small Value	Russell 2000 Value	-7.3%

The Russell 3000 index returned 5.1% for the year ending December 31, 2007.

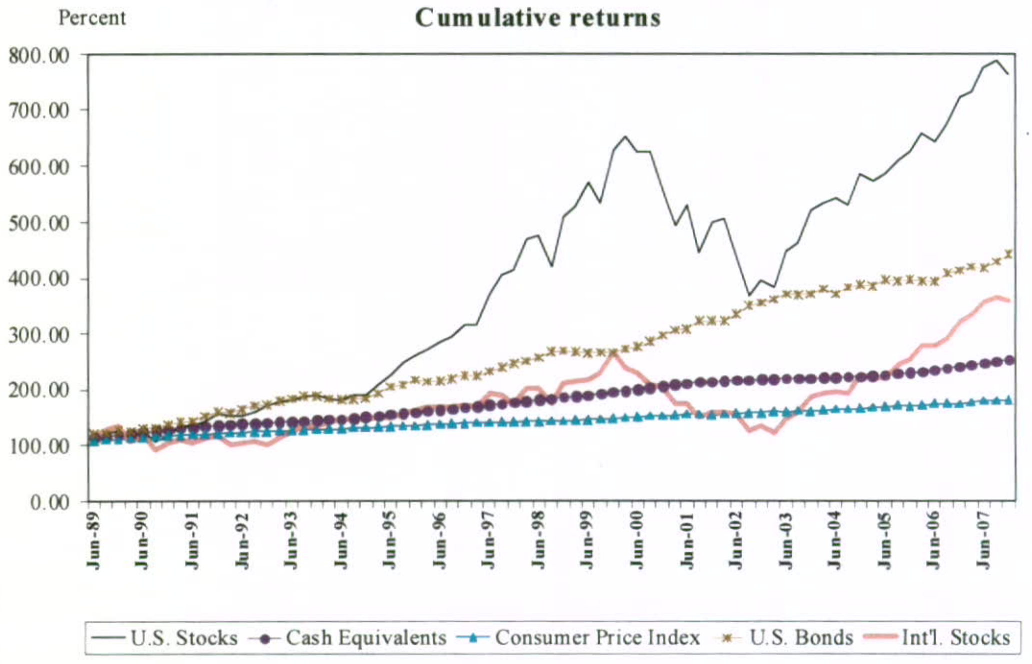
DOMESTIC BONDS

The bond market followed up one of the most volatile quarters in history in 3Q07 with another fairly volatile quarter in 4Q07. Further declines in the mortgage sector, along with a growing fear of a recession in the U.S. economy caused market-wide sell-offs. The resulting forced selling caused an ongoing supply/demand imbalance throughout the quarter. The resulting high demand for treasuries caused yields to drop significantly across the yield curve, but more so the short-end, causing the yield curve to steepen. The U.S. bond market returned 3.0% for the fourth quarter and posted a gain of 7.0% for the year.

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

U.S. Treasury	4.0%
Agency	3.2
Credit	2.0
Mortgages	3.1

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of -1.6% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	-2.4%
Japan	-6.1
France	0.7
Switzerland	-1.9
Germany	5.1
Canada	-0.2

The World ex U.S. index increased by 12.4% during the last year.

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

EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index) provided a return of 3.7% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below:

Korea	-4.6%
Taiwan	-7.7
South Africa	1.3
Mexico	-2.1
Brazil	13.3

The Emerging Markets Free index increased by 39.8% during the last year.

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

REAL ESTATE

The residential sub-prime mortgage melt down has introduced some uncertainty in the capital markets. Indicators point to the possibility of a slowing economy. Coupled with the prospect of changing credit requirements, this leads to uncertain property pricing.

PRIVATE EQUITY

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

RESOURCE FUNDS

During the fourth quarter of 2007, crude oil averaged $90.50 per barrel, up from the average price of $75.15 during the prior quarter. Prices remain high relative to historical levels and continue to reflect the instability in the Middle East.

COMBINED FUNDS

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

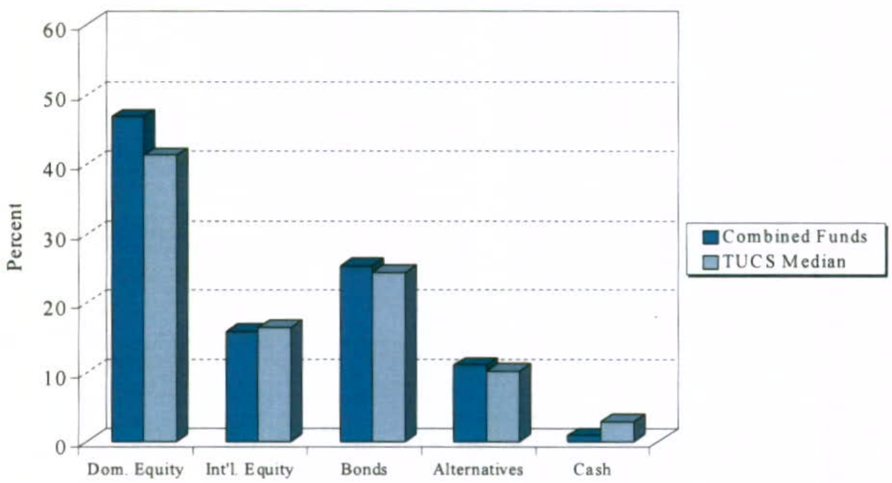
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over $1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On December 31, 2007, the actual asset mix of the Combined Funds was:

	$ Millions	%
Domestic Stocks	$23,543	46.8%
International Stocks	7,979	15.9
Bonds	12,776	25.4
Alternative Assets	5,523	11.0
Unallocated Cash	478	0.9
Total	$50,299	100.0%

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



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	**46.8%**	**15.9%**	**25.4%**	**11.0%**	**0.9%**
Median Allocation in TUCS*	41.3	16.4	24.5	10.1**	2.9

* Public and corporate plans over $1 billion.
** May include assets other than alternatives.

COMBINED FUNDS
Performance Compared to Other Pension Funds

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

— **Differing Allocations.** Asset allocation will have a dominant effect on return. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.

— **Differing Goals/Liabilities.** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This will result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking is not relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

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

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

	Period Ending 12/31/2007				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	63rd	33rd	24th	31st	58th

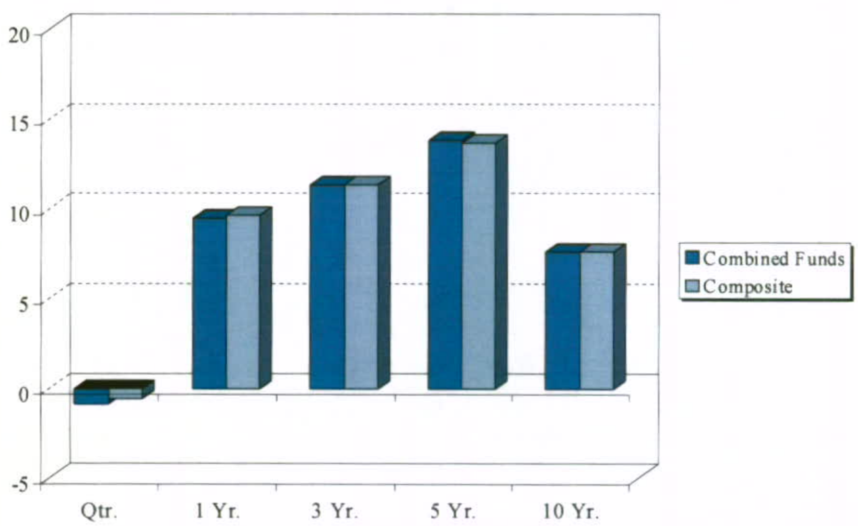
* Compared to public and corporate plans greater than $1 billion, gross of fees.

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* 4Q07
Domestic Stocks	Russell 3000	48.4%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	10.1*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

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



Period Ending 12/31/2007

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Combined Funds**	**-0.9%**	**9.5%**	**11.3%**	**13.8%**	**7.6%**
Composite Index	-0.6	9.6	11.3	13.6	7.6

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

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BASIC RETIREMENT FUNDS
Investment Objectives

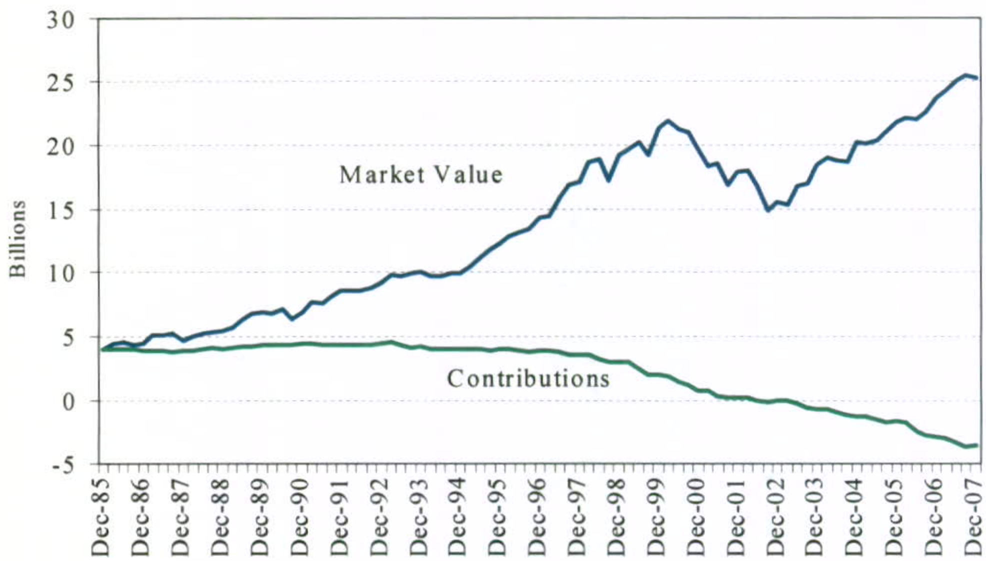
The Basic Retirement Funds are composed of the retirement assets for currently working participants in eight statewide retirement funds. The Funds serve as accumulation pools for the pension contributions of public employees and their employers during the employees' years of active service. Approximately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

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

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

Asset Growth

The market value of the Basic Funds decreased 0.5% during the fourth quarter of 2007. Negative investment returns accounted for the decrease.



Last Five Years
In Millions

	12/02	12/03	12/04	12/05	12/06	3/07	6/07	9/07	Latest Qtr. 12/07
Beginning Value	$17,874	$15,561	$18,435	$20,201	$21,816	$23,694	$24,241	$25,062	$25,439
Net Contributions	-247	-592	-577	-411	-1,219	-87	-377	-271	73
Investment Return	-2,066	3,466	2,343	2,026	3,097	634	1,198	648	-211
Ending Value	$15,561	$18,435	$20,201	$21,816	$23,694	$24,241	$25,062	$25,439	$25,301

BASIC RETIREMENT FUNDS
Asset Mix

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

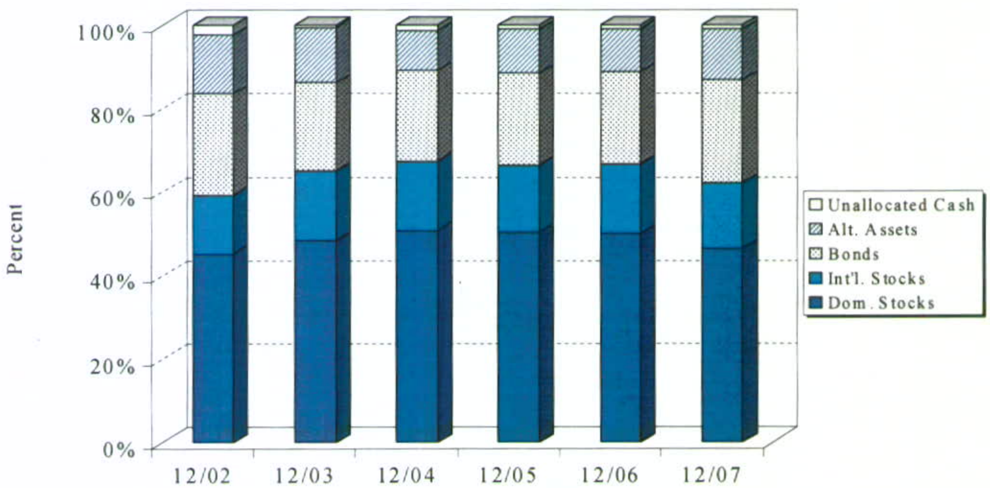
Domestic Stocks	45.0%
Int'l. Stocks	15.0
Bonds	24.0
Alternative Assets*	15.0
Unallocated Cash	1.0

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

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

Over the last year, the allocation to alternative assets increased due to strong returns. The allocation to international and domestic equity declined due to negative investment returns. The allocation to bonds increased due to performance in the first half of the year and rebalancing from equities.

During the quarter, the allocation to domestic equities decreased due to poor performance in the U.S. equities market. Allocation to alternatives and bonds increased due to positive returns.



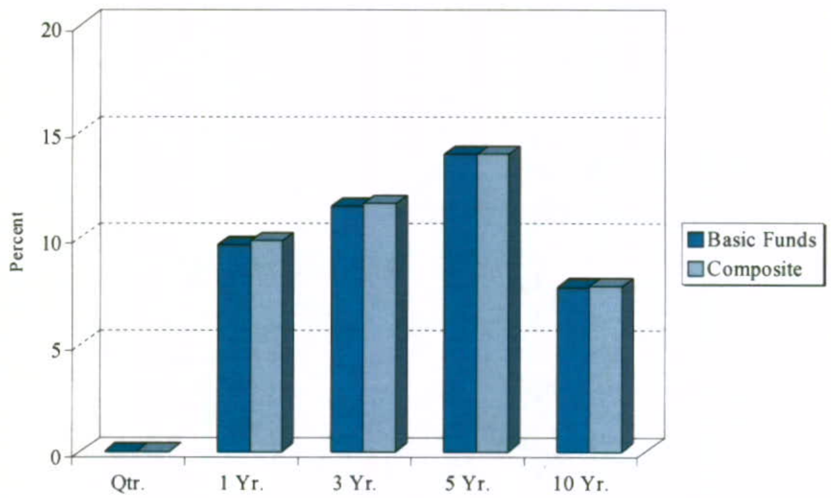
	Last Five Years								Latest Qtr.
	12/02	**12/03**	**12/04**	**12/05**	**12/06**	**3/07**	**6/07**	**9/07**	**12/07**
Domestic Stocks	45.3%	48.5%	50.9%	50.3%	50.1%	49.2%	49.6%	48.1%	46.4%
Int'l. Stocks	14.1	16.6	16.6	16.3	16.6	15.6	16.3	15.7	15.8
Bonds	24.2	21.2	21.8	22.1	22.2	23.2	22.1	23.8	24.7
Alternative Assets	10.4	13.3	9.4	10.4	10.3	10.7	10.9	11.2	12.1
Unallocated Cash	2.3	0.4	1.3	0.9	0.8	1.3	1.1	1.2	1.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

BASIC RETIREMENT FUNDS
Total Fund Performance (Net of Fees)

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

	Basics Target	Market Index	Basics Composite* 4Q07
Domestic Stocks	45.0%	Russell 3000	48.7%*
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Investments	15.0	Alternative Investments	11.3*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

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



Period Ending 12/31/2007

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Basic Funds**	**-0.8%**	**9.7%**	**11.5%**	**13.9%**	**7.7%**
Composite Index	-0.6	9.8	11.6	13.9	7.7

**Returns are reported net of fees.

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

POST RETIREMENT FUND

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

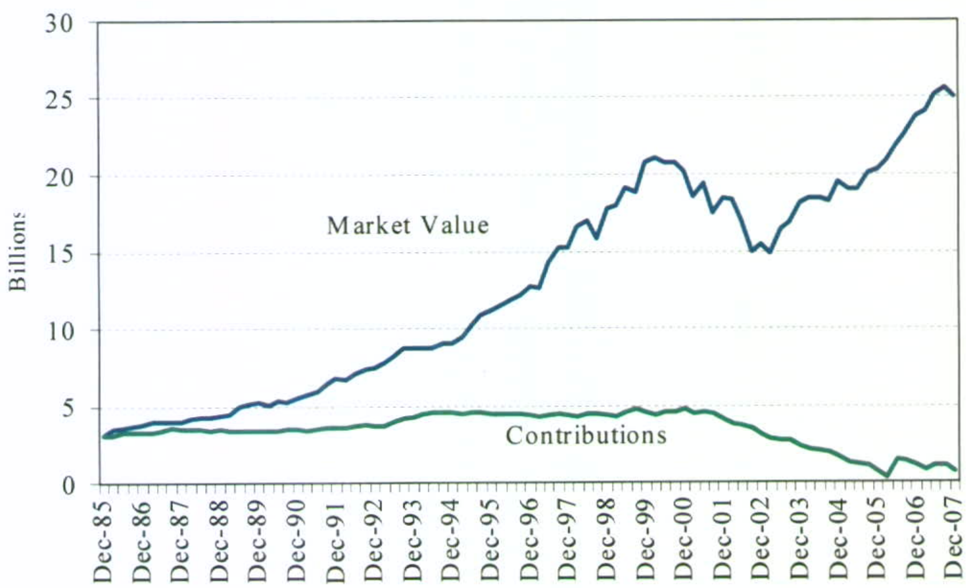
Upon an employee's retirement, a sum of money sufficient to finance the fixed monthly annuity is transferred from accumulation pools in the Basic Funds to the Post Fund. In order to support promised benefits, the Post Fund must "earn" at least 6% on its invested assets on an annualized basis. If the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

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

Asset Growth

The market value of the Post Fund decreased 2.6% during the fourth quarter of 2007.

The decrease was a result of negative net contributions and net returns.



Last Five Years In Millions / **Latest Qtr.**

	12/02	12/03	12/04	12/05	12/06	3/07	6/07	9/07	12/07
Beginning Value	$18,475	$15,403	$18,162	$19,480	$22,678	$23,733	$24,036	$25,176	$25,653
Net Contributions	-1,000	-719	-749	-984	-240	-300	11	-160	-437
Investment Return	-2,072	3,478	2,067	1,799	1,295	603	1,129	637	-218
Ending Value	$15,403	$18,162	$19,480	$20,295	$23,733	$24,036	$25,176	$25,653	$24,998

POST RETIREMENT FUND
Asset Mix

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

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

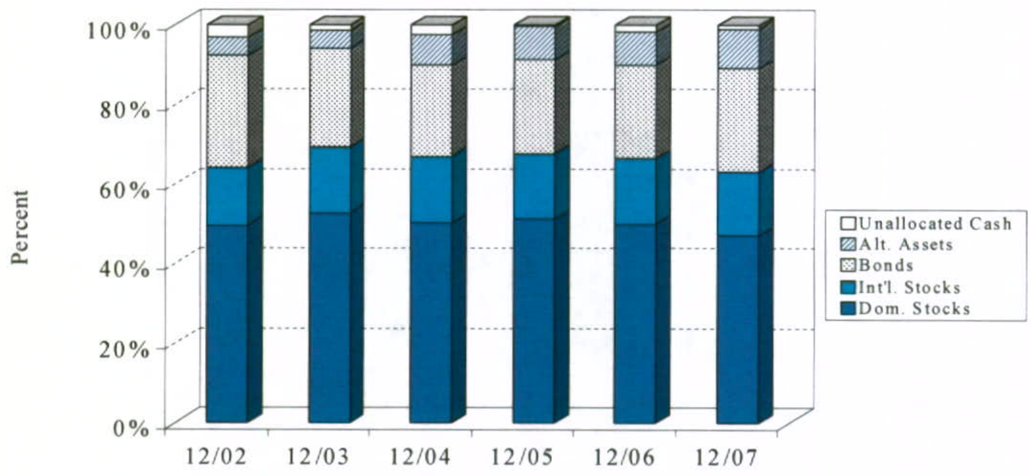
* Alternative assets include equity-oriented real estate, venture capital, resource, and yield-oriented funds. Any uninvested allocation is held in domestic stocks.

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

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

Over the last year, the allocation to alternative assets increased due to strong returns. The allocation to fixed income increased due to positive investment returns and a rebalancing from domestic and international equities.

During the quarter, the allocation to domestic equity decreased slightly due to a battered U.S. equities market. Cash decreased due to rebalancing to bonds and alternatives increased due to positive investment returns.



	Last Five years								Latest Qtr.
	12/02	12/03	12/04	12/05	12/06	3/07	6/07	9/07	12/07
Dom. Stocks	49.6%	52.7%	50.2%	51.1%	49.9%	48.7%	49.4%	47.4%	47.1%
Int'l. Stocks	14.4	16.7	16.8	16.6	16.7	15.7	16.4	15.8	16.0
Bonds	28.3	24.6	22.9	23.5	23.3	24.4	23.4	25.0	26.1
Alt. Assets	4.5	4.4	7.6	8.5	8.3	8.7	8.5	9.0	9.8
Unallocated Cash	3.2	1.6	2.5	0.3	1.8	2.5	2.3	2.8	1.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

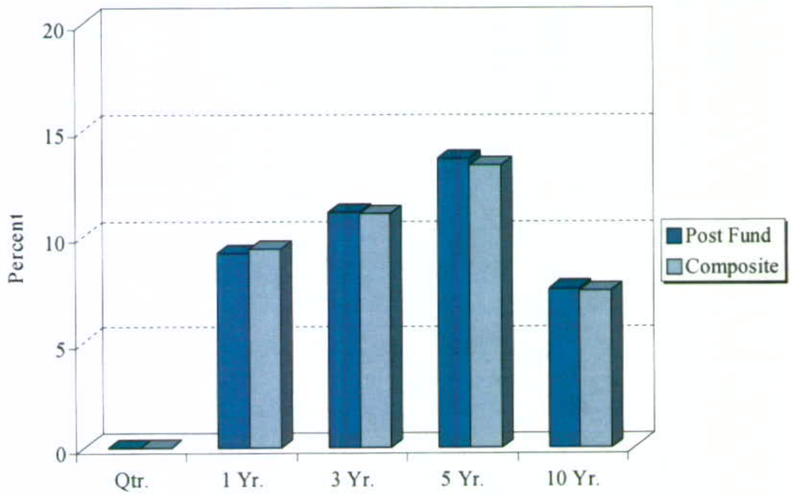
POST RETIREMENT FUND

Total Fund Performance (Net of Fees)

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

Asset Class	Post Target	Market Index	Post Composite* 4Q07
Domestic Stocks	45.0%	Russell 3000	48.0%
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	25.0	Lehman Aggregate	25.0
Alternative Investments	12.0	Alternative Investments	9.0*
Unallocated Cash	3.0	3 Month T-Bills	3.0
	100.0%		100.0%

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



Period Ending 12/31/2007

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Post Fund**	**-0.9%**	**9.2%**	**11.1%**	**13.6%**	**7.5%**
Composite Index	-0.6	9.4	11.0	13.4	7.4

** Returns are reported net of fees.

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

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

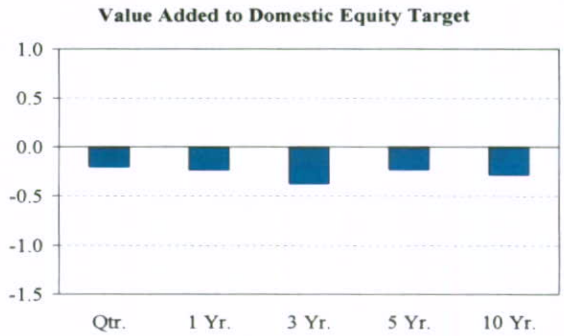
Domestic Stocks

Target: Russell 3000
Expectation: If one-third of the pool is actively managed, one-third is semi-passively managed, and one-third is passively managed, the entire pool is expected to exceed the target by +.18 - .40% annualized, over time.

Period Ending 12/31/2007

		Annualized			
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Domestic Stocks	**-3.5%**	**4.9%**	**8.5%**	**13.4%**	**5.6%**
Asset Class Target*	-3.3	5.1	8.9	13.7	5.9

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



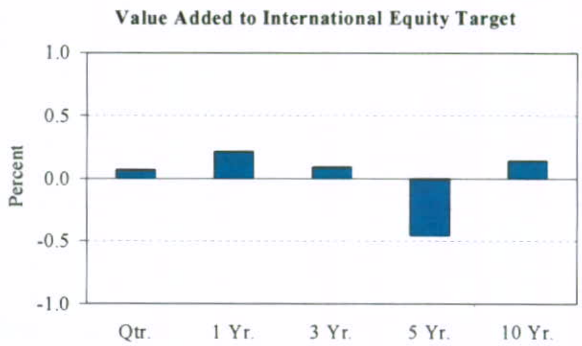
International Stocks

Target: MSCI ACWI Free ex U.S. (net)
Expectation: If at least one-third of the pool is managed actively and at least one-third is passively managed, the entire pool is expected to exceed the target by +.25%-.75% annualized, over time.

Period Ending 12/31/2007

		Annualized			
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Int'l. Stocks	**-0.4%**	**17.1%**	**20.1%**	**23.5%**	**9.7%**
Asset Class Target*	-0.5	16.9	20.0	23.9	9.6

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

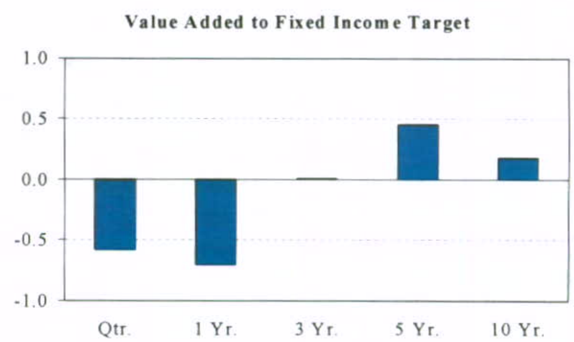


Bonds

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

Period Ending 12/31/2007

		Annualized			
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Bonds	**2.4%**	**6.3%**	**4.6%**	**4.9%**	**6.2%**
Asset Class Target	3.0	7.0	4.6	4.4	6.0



ALTERNATIVE INVESTMENTS
Performance of Asset Categories
(Net of Fees)

Alternative Investments

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

	Period Ending 12/31/2007		Annualized		
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.0%	29.5%	31.7%	25.5%	16.0%
Inflation	0.7%	4.1%	3.1%	2.9%	2.6%

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 12/31/2007		Annualized		
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	2.5%	23.8%	21.6%	17.9%	12.7%

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 12/31/2007		Annualized		
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	2.8%	33.7%	32.6%	26.3%	16.8%

Resource Investments (Equity emphasis)

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

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

	Period Ending 12/31/2007		Annualized		
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	-0.1%	33.7%	73.2%	49.4%	19.8%

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 12/31/2007		Annualized		
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	4.5%	22.5%	28.1%	24.1%	17.7%

SUPPLEMENTAL INVESTMENT FUND

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

1. It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.
2. It is one investment vehicle offered to employees as part of Minnesota State Colleges and University's Individual Retirement Account Plan and College Supplemental Retirement Plan.
3. It serves as an external money manager for a portion of some local police and firefighter retirement plans.

A wide diversity of investment goals exists among the Fund's participants. In order to meet those needs, the Fund has been structured much like a "family of mutual funds." Participants may allocate their investments among one or more accounts that are appropriate for their needs, within the statutory requirements and rules established by the participating organizations. Participation in the Fund is accomplished through the purchase or sale of shares in each account.

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

On December 31, 2007 the market value of the entire Fund was $1.2 billion.

Investment Options

	12/31/2007 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	$259
Growth Share Account – an actively managed, all common stock portfolio.	$119
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	$341
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	$118
Bond Market Account – an actively managed, all bond portfolio.	$161
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	$102
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.	$64

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.

Period Ending 12/31/2007	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-1.2%**	**5.7%**	**7.5%**	**10.2%**	**6.2%**
Benchmark*	-0.9	5.9	7.2	9.9	6.2

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

Asset Mix

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

	Target	Actual
Stocks	60.0%	61.3%
Bonds	35.0	35.8
Unallocated Cash	5.0	2.9
	100.0%	100.0%

GROWTH SHARE ACCOUNT

Investment Objective

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

Period Ending 12/31/2007	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-3.7%**	**4.7%**	**8.2%**	**13.2%**	**5.3%**
Benchmark*	-3.3	5.1	8.9	13.7	5.9

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

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.

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 12/31/2007	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-3.3%**	**5.2%**	**9.0%**	**13.7%**	**6.1%**
Benchmark*	-3.3	5.1	8.9	13.7	6.0

* 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 12/31/2007	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)	10 Yr. (Annualized)
Total Account	**-0.4%**	**17.2%**	**20.2%**	**23.6%**	**9.8%**
Benchmark*	-0.5	16.9	20.0	23.9	9.6

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

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

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

Period Ending 12/31/2007					
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	**2.4%**	**6.3%**	**4.6%**	**4.9%**	**6.2%**
Lehman Agg.	3.0	7.0	4.6	4.4	6.0

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

MONEY MARKET ACCOUNT

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

Period Ending 12/31/2007					
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	**1.3%**	**5.2%**	**4.4%**	**3.2%**	**4.0%**
3 month T-Bills	0.9	4.6	4.2	3.0	3.6

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

FIXED INTEREST ACCOUNT

Investment Objectives
The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market account.

Period Ending 12/31/2007					
			Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	**1.2%**	**4.7%**	**4.5%**	**4.5%**	**5.3%**
Benchmark*	0.9	4.7	4.8	4.0	4.5

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

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	12/31/2007 Market Value (in Millions)
Vanguard Institutional Index (passive)	$478
Janus Twenty (active)	$490
Legg Mason Appreciation Y (active)	$131
Vanguard Mid Cap Index (passive)	$145
T. Rowe Price Small Cap (active)	$370
Fidelity Diversified International (active)	$319
Vanguard Institutional Developed Markets (passive)	$93
Dodge & Cox Balanced Fund (active)	$311
Vanguard Balanced Fund (passive)	$180
Dodge & Cox Income Fund (active)	$98
Vanguard Total Bond Market Fund (passive)	$63
Money Market Account	$91
Fixed Interest Account	$146
Fixed Fund	$782

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

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

	Period Ending 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-3.3%**	**5.5%**	**8.6%**	**12.9%**
S&P 500	-3.3	5.5	8.6	12.8

Janus Twenty (active)

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

	Period Ending 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**8.1%**	**35.9%**	**18.7%**	**21.0%**
S&P 500	-3.3	5.5	8.6	12.8

Legg Mason Partners Appreciation Y (active)

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

	Period Ending 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-0.7%**	**8.6%**	**9.3%**	**10.4%**
S&P 500	-3.3	5.5	8.6	10.4

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 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 1/1/04
Fund	**-3.4%**	**6.2%**	**11.3%**	**13.5%**
MSCI US Mid-Cap 450	-3.4	6.2	11.2	13.5

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)

- A fund that invests primarily in companies with small market capitalizations and is expected to outperform the Russell 2000.

	Period Ending 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-6.1%**	**-1.7%**	**6.3%**	**13.6%**
Russell 2000	-4.6	-1.6	6.8	16.2

INTERNATIONAL EQUITY

Fidelity Diversified International (active)

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

	Period Ending 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**-0.4%**	**16.0%**	**18.6%**	**23.2%**
MSCI EAFE	-1.8	11.2	16.8	21.6

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 12/31/2007			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-2.2%**	**11.0%**	**16.8%**	**19.5%**
MSCI EAFE	-1.8	11.2	16.8	19.5

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% Lehman Aggregate, over time.

Period Ending 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	Since 10/1/03
Fund	**-2.8%**	**1.7%**	**7.3%**	**10.6%**
Benchmark	-0.8	6.2	7.1	8.7

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% Lehman Aggregate.

Period Ending 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**-0.8%**	**6.3%**	**7.4%**	**8.5%**
Benchmark	-0.8	6.3	7.3	8.5

FIXED INCOME

Dodge & Cox Income Fund (active)

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

Period Ending 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**1.3%**	**4.7%**	**4.0%**	**4.3%**
Lehman Agg.	3.0	7.0	4.6	4.4

Vanguard Total Bond Market Fund (passive)

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

Period Ending 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	**3.1%**	**7.0%**	**4.6%**	**4.7%**
Lehman Agg.	3.0	7.0	4.6	4.7

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 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**1.3%**	**5.2%**	**4.4%**	**3.2%**
3-Mo. Treas.	0.9	4.6	4.2	3.0

FIXED INTEREST ACCOUNT

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

Period Ending 12/31/2007				
			Annualized	
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	**1.2%**	**4.8%**	**4.6%**	**4.5%**
Benchmark	0.9	4.7	4.8	4.0

FIXED FUND

- The Fixed Fund invests participant balances in the general accounts of three insurance companies that have been selected by the SBI. The three insurance companies provide a new rate each quarter. A blended yield rate is calculated and then credited to the participants.

Period Ending 12/31/2007

The quarterly blended rate is: 4.54%

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.

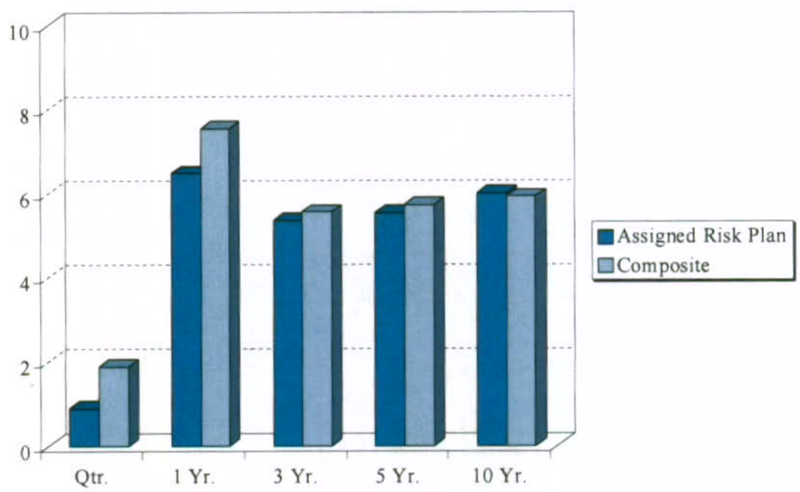
Asset Mix
The Assigned Risk Plan is invested in a portfolio of common stocks and bonds. The actual asset mix will fluctuate in response to changes in the Plan's liability stream.

	12/31/2007 Target	12/31/2007 Actual
Stocks	20.0%	24.7%
Bonds	80.0	75.3
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 December 31, 2007 the market value of the Assigned Risk Plan was $355 million.



Period Ending 12/31/2007

		Annualized			
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund*	**0.9%**	**6.5%**	**5.3%**	**5.5%**	**6.0%**
Composite	1.9	7.5	5.6	5.7	5.9
Equity Segment*	**-2.2**	**8.5**	**9.0**	**11.8**	**6.7**
Benchmark	-3.3	5.5	8.6	12.8	5.9
Bond Segment*	**1.9**	**5.8**	**4.3**	**3.7**	**5.2**
Benchmark	3.2	7.9	4.7	3.9	5.7

* 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.

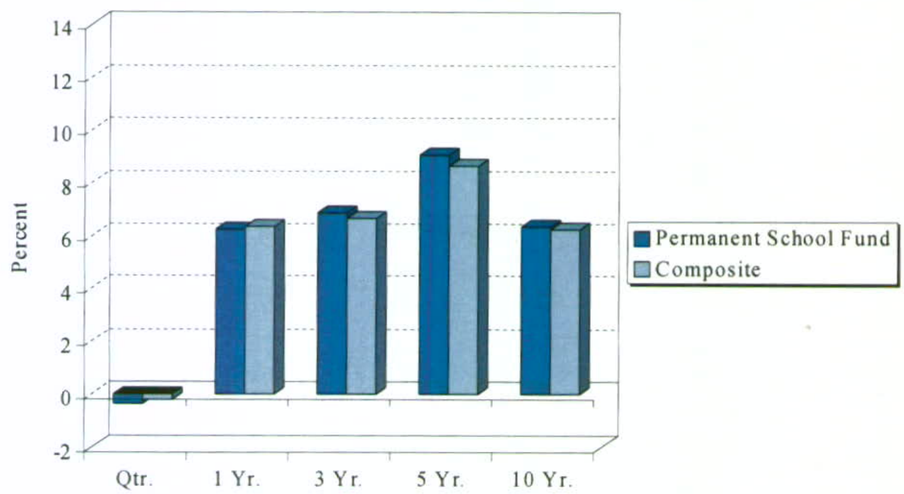
Asset Mix
Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	12/31/2007 Target	12/31/2007 Actual
Stocks	50.0%	50.2%
Bond	48.0	48.0
Unallocated Cash	2.0	1.8
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 December 31, 2007 the market value of the Permanent School Fund was $728 million.



Period Ending 12/31/2007

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
		Annualized			
Total Fund (1) (2)	**-0.4%**	**6.3%**	**6.8%**	**9.0%**	**6.4%**
Composite	-0.2	6.3	6.7	8.6	6.2
Equity Segment (1) (2)	**-3.3**	**5.5**	**8.7**	**12.9**	**6.0**
S&P 500	-3.3	5.5	8.6	12.8	5.9
Bond Segment (1)	**2.8**	**7.1**	**4.9**	**5.1**	**6.3**
Lehman Aggregate	3.0	7.0	4.6	4.4	6.0

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

ENVIRONMENTAL TRUST FUND

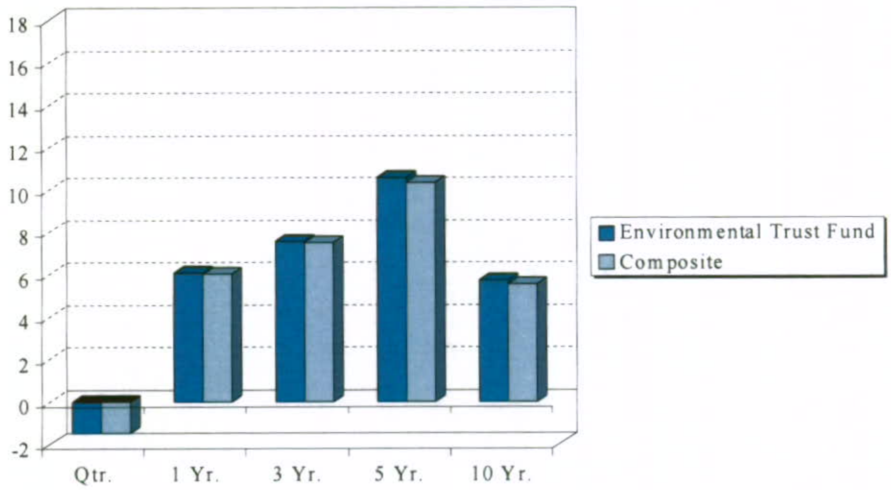
Investment Objective
The objective of the Environmental Trust Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

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

	12/31/2007 Target	12/31/2007 Actual
Stocks	70.0%	68.7%
Bonds	28.0	30.7
Unallocated Cash	2.0	0.6
Total	100.0%	100.0%

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 December 31, 2007 the market value of the Environmental Trust Fund was $500 million.



Period Ending 12/31/2007

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr.	10 Yr.
Total Fund*	**-1.5%**	**6.1%**	**7.6%**	**10.6%**	**5.7%**
Composite	-1.5	6.0	7.5	10.3	5.5
Equity Segment*	**-3.3**	**5.5**	**8.7**	**12.9**	**6.0**
S&P 500	-3.3	5.5	8.6	12.8	5.9
Bond Segment*	**2.8**	**7.1**	**4.9**	**5.2**	**6.3**
Lehman Agg.	3.0	7.0	4.6	4.4	6.0

* Actual returns are calculated net of fees.

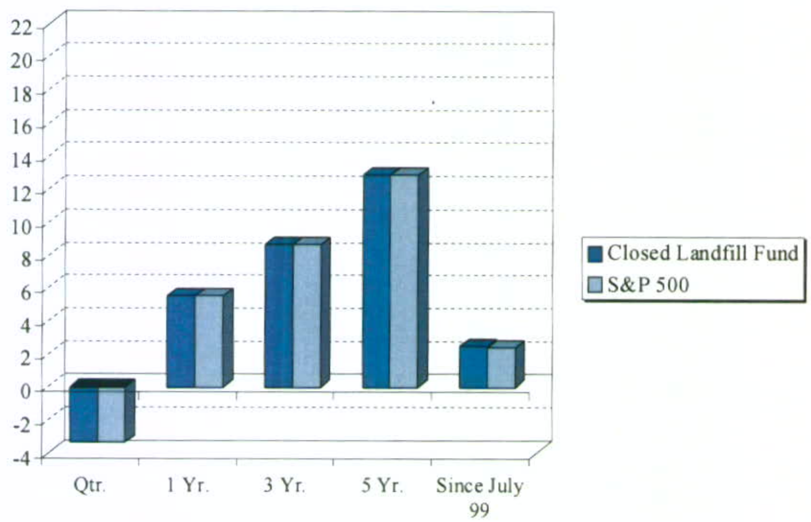
CLOSED LANDFILL INVESTMENT FUND

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

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

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

Market Value
On December 31, 2007, the market value of the Closed Landfill Investment Fund was $55.9 million.



Period Ending 12/31/2007

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	Since 7/1/1999
Total Fund (1)	**-3.3%**	**5.5%**	**8.7%**	**12.9%**	**2.5%**
S&P 500 (2)	-3.3	5.5	8.6	12.8	2.4

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

STATE CASH ACCOUNTS

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

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

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

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

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

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

Investment Objectives

Safety of Principal. To preserve capital.

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

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

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

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

Period Ending 12/31/2007

	Market Value (Millions)	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	**$5,512**	**1.3%**	**5.4%**	**4.6%**	**3.3%**	**4.2%**
Custom Benchmark**		1.1	4.7	3.9	2.6	3.6
Trust Fund Cash Pool*	**$26**	**1.2**	**5.1**	**4.5**	**3.2**	**4.0**
Custom Benchmark***		1.1	4.7	3.9	2.6	3.4
3 month T-Bills		0.9	4.6	4.2	3.0	3.6

* Actual returns are calculated net of fees.

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

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

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment
Market Value December 31, 2007 (in Thousands)

BASIC RETIREMENT FUNDS:	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
Teachers Retirement Fund	133,720	0	2,046,093	0	4,098,975	1,047,072	1,003,077	8,328,937
	1.61%		24.57%		49.21%	12.57%	12.04%	100%
Public Employees Retirement Fund	41,104	0	1,790,190	0	3,361,832	1,141,586	878,421	7,213,133
	0.57%		24.82%		46.61%	15.82%	12.18%	100%
State Employees Retirement Fund	33,047	0	1,438,095	0	2,701,001	917,286	706,294	5,795,723
	0.57%		24.81%		46.60%	15.83%	12.19%	100%
Public Employees Police & Fire	18,166	0	789,407	0	1,482,986	503,728	388,280	3,182,567
	0.57%		24.80%		46.60%	15.83%	12.20%	100%
Highway Patrol Retirement Fund	1,431	0	60,016	0	113,365	38,674	30,573	244,059
	0.59%		24.59%		46.45%	15.84%	12.53%	100%
Judges Retirement Fund	326	0	13,569	0	25,664	8,765	6,971	55,295
	0.59%		24.54%		46.41%	15.85%	12.61%	100%
Correctional Employees Retirement	1,742	0	75,773	0	142,323	48,336	37,227	305,401
	0.57%		24.81%		46.60%	15.83%	12.19%	100%
Public Employees Correctional	2,002	0	43,623	0	81,909	27,811	21,385	176,730
	1.13%		24.68%		46.35%	15.74%	12.10%	100%
TOTAL BASIC FUNDS	231,538	0	6,256,766	0	12,008,055	3,733,258	3,072,228	25,301,845
	0.92%		24.73%		47.46%	14.75%	12.14%	100%
POST RETIREMENT FUND	246,087	0	6,521,060	0	11,792,237	3,988,531	2,451,250	24,999,165
	0.98%		26.09%		47.17%	15.95%	9.81%	100%
TOTAL BASIC AND POST	477,625	0	12,777,826	0	23,800,292	7,721,789	5,523,478	50,301,010
	0.95%		25.40%		47.32%	15.35%	10.98%	100%

	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	7,365	92,684	0	0	158,622	0	0	258,671
	2.85%	35.83%			61.32%			100%
Growth Share Account	0	0	0	0	118,710	0	0	118,710
					100.00%			100%
Money Market Account	102,200	0	0	0	0	0	0	102,200
	100.00%							100%
Common Stock Index	0	0	0	0	341,148	0	0	341,148
					100.00%			100%
Bond Market Account	0	0	160,674	0	0	0	0	160,674
			100.00%					100%
International Share Account	0	0	0	0	0	117,909	0	117,909
						100.00%		100%
Stable Value Fund Monthly	1,685	0	62,562	0	0	0	0	64,247
	2.62%		97.38%					100%
TOTAL SUPPLEMENTAL FUNDS	111,250	92,684	223,236	0	618,480	117,909	0	1,163,559
	9.56%	7.97%	19.19%		53.15%	10.13%		100%
MN DEFERRED COMP PLAN *	90,559	0	1,406,821	0	1,786,506	411,765	0	3,695,651
	2.45%		38.07%		48.34%	11.14%		100%
TOTAL RETIREMENT FUNDS	679,434	92,684	14,407,883	0	26,205,278	8,251,463	5,523,478	55,160,220
	1.23%	0.17%	26.12%		47.51%	14.96%	10.01%	100%

* includes assets in the MN Fixed Fund, which are invested with three insurance cos.

	Cash and Short Term Securities	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
ASSIGNED RISK PLAN	6,858 1.93%	0	261,520 73.67%	0	86,594 24.40%	0	0	354,972 100%
ENVIRONMENTAL FUND	2,980 0.59%	153,373 30.66%	0	343,948 68.75%	0	0	0	500,301 100%
PERMANENT SCHOOL FUND	12,614 1.73%	349,535 48.04%	0	365,433 50.23%	0	0	0	727,582 100%
CLOSED LANDFILL INVESTMENT	115 0.21%	0	0	55,780 99.79%	0	0	0	55,895 100%
TREASURERS CASH	5,392,659 100.00%	0	0	0	0	0	0	5,392,659 100%
HOUSING FINANCE AGENCY	2,018 1.18%	169,476 98.82%	0	0	0	0	0	171,494 100%
MINNESOTA DEBT SERVICE FUND	0	26,369 100.00%	0	0	0	0	0	26,369 100%
MISCELLANEOUS ACCOUNTS	32,628 7.86%	249,211 60.05%	0	133,145 32.09%	0	0	0	414,984 100%
TOTAL CASH AND NON-RETIREMEN'	5,449,872 71.30%	947,964 12.40%	261,520 3.42%	898,306 11.75%	86,594 1.13%	0	0	7,644,256 100%
GRAND TOTAL	6,129,306 9.76%	1,040,648 1.66%	14,669,403 23.36%	898,306 1.43%	26,291,872 41.86%	8,251,463 13.14%	5,523,478 8.79%	62,804,476 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: February 26, 2008

TO: Members, State Board of Investment

FROM: Howard Bicker

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the period ending January 31, 2008 is included as **Attachment A**.

A report on travel for the period from November 16, 2007 - February 15, 2008 is included as **Attachment B**.

2. Results of FY07 Financial Audit

The Office of the Legislative Auditor has completed its audit of SBI operations for Fiscal Year 2007. I am pleased to report that the SBI received a "clean opinion" on its financial statements. See **Attachment C**.

3. Legislative Update

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

4. Educational Investment Roundtable

Staff will be organizing an Educational Investment Roundtable. The roundtable will take place in the second quarter and staff will inform the Board and the IAC of the details.

5. Update on Sudan Legislation

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

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

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

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

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

Attachment D is a copy of the January 11, 2008 letter sent to each international equity manager containing the updated restricted list and the list of stocks to be divested.

As required in the law, the SBI also provided a status report in January 2008 to the legislative committees having jurisdiction over the SBI and sent a copy of the report to the U.S. Presidential Special Envoy to Sudan.

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

6. Update on 529 Plan

The manager of the state's College Savings Plan, TIAA-CREF, has requested approval of minor changes in allocation across several mutual funds in the Plan's options. Staff has reviewed and concurs with the proposed changes. This is an information item for the Board.

STATE BOARD OF INVESTMENT
FISCAL YEAR 2008 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH JANUARY 31, 2008

ITEM	FISCAL YEAR 2008 BUDGET	FISCAL YEAR 2008 ACTUAL
PERSONAL SERVICES		
FULL TIME EMPLOYEES	$ 2,150,000	$ 1,052,419
PART TIME EMPLOYEES		$ 41,560
SEVERENCE PAYOFF	20,000	4,541
WORKERS COMPENSATION INSURANCE	1,000	499
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	**$ 2,175,000**	**$ 1,099,019**
STATE OPERATIONS		
RENTS & LEASES	205,000	108,950
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	4,971
PRINTING & BINDING	10,000	2,215
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	10,000	8,546
COMMUNICATIONS	30,000	11,855
TRAVEL, IN-STATE	1,000	659
TRAVEL, OUT-STATE	50,000	22,626
SUPPLIES	35,000	3,259
EQUIPMENT	15,000	4,758
EMPLOYEE DEVELOPMENT	15,000	7,225
OTHER OPERATING COSTS	9,000	6,426
SUBTOTAL	**$ 390,000**	**$ 181,490**
ORIGINAL BUDGET	**$ 2,565,000**	**$ 1,280,509**
ADJUSTMENTS TO ORIGINAL BUDGET	**$ 0**	
TOTAL GENERAL FUND	**$ 2,565,000**	**$ 1,280,509**

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STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel November 16, 2007 – February 15, 2008

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring: **Alternative Investment Managers:** Blackstone Real Estate; CSFB Strategic Partners: Diamond Castle; Goldman Sachs (Mezzanine and Capital Partners); KKR; Welsh Carson	A. Christensen	New York, NY 1/15-1/17	$1,230.80
Conference: Public Funds Summit sponsored by: Opal Financial Group	J. Heidelberg	Phoenix, AZ 1/15-1/18	1,397.65
Manager Monitoring: **Alternative Investment Managers:** Banc Fund; Chicago Growth; GTCR Golder Rauner, LLC; Merit Capital; Prudential Capital Group	J. Griebenow	Chicago, IL 1/22-1/23	452.75
Conference: Investment Education Symposium sponsored by: Opal Financial Group	H. Bicker	New Orleans, LA 1/29-2/1	766.70
Manager Monitoring: **Alternative Investment Managers:** Gold Hill Venture Lending; Summit Partners; TA Realty; Wayzata Opportunities Fund **Master Custodian:** State Street Bank	A. Christensen	Boston, MA 1/29-1/30	845.99

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Global Organizer of Institutional Finance & Investment Conferences sponsored by: Information Management Network	S. Kuettel	San Diego, CA 2/3-2/6	$1,404.68

OLA **OFFICE OF THE LEGISLATIVE AUDITOR**
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Minnesota State Board of Investment

Mr. Howard J. Bicker, Executive Director
Minnesota State Board of Investment

In auditing the Minnesota State Board of Investment's (SBI) basic financial statements for the year ended June 30, 2007, we considered its internal controls over financial reporting. We also tested SBI's compliance with significant legal provisions impacting the basic financial statements. Given the limited nature of our audit work, we do not express an overall opinion on the effectiveness of SBI's internal controls over financial reporting or its compliance with legal provisions. In addition, our work may not have identified all significant control deficiencies or instances of noncompliance with legal provisions.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. According to auditing standards, a control deficiency is significant if there is more than a remote likelihood that a consequential misstatement to the financial statements could occur and not be prevented or detected by SBI's internal control. A significant control deficiency elevates to a material weakness if there is more than a remote likelihood that a material misstatement would not be detected. In addition, the results of our tests of legal provisions disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Tel: 651/296-4708 • Fax: 651/296-4712
E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

This report is intended solely for the information and use of the Legislative Audit Commission and the Minnesota State Board of Investment's management and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 22, 2008.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

End of Fieldwork: December 21, 2007

Report Signed On: February 19, 2008

January 11, 2008

Manager

Regarding: Sudan Companies

Dear________:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Sudan. That communication has been confusing, and we apologize for the confusion. **Please disregard the prior January 2008 letters. This new communication replaces them and applies to all SBI international equity portfolios managed by your organization.**

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

Attachment 1 is the List of Restricted Sudan Stocks. **These securities <u>may not be purchased</u> for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks attached to the October 17, 2007 letter you received.

- The following companies have been removed from the restricted list, effective immediately:
  - Mitsui Engineering & Shipbuilding Ltd.
  - Weatherford International Ltd.
  - Weir Group

- The following companies have been added to the restricted list, effective immediately:
  - Bauer AG
  - Ranhill Berhad

Attachment 2 is the List of Sudan Stocks Requiring Divestment. **If you own securities of companies on the List of Sudan Stocks Requiring Divestment in the SBI portfolio that your organization manages, then you must divest those holdings according to the following schedule:**

- **At least 50 percent of a company's holdings must be sold by April 30, 2008, and**

- **At least 100 percent of a company's holdings must be sold by October 31, 2008.**

We enclose for your assistance a spreadsheet with SEDOL, ISIN and other information for the companies under consideration. Please recognize that this listing of identifiers may not be exhaustive. You are responsible for making your best efforts to identify all listings of each security.

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

Sincerely,

Mansco Perry III
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

Restricted Sudan Stocks		
Company Name	**Country of Origin**	**ISIN**
AviChina Industry & Technology Co. Ltd.	China	CN0005926851
Dongfeng Automotive Company Ltd.	China	CN0009239293
Hafei Aviation Industry Co.	China	CN0005910301
Harbin Dongan Auto Engine Co. Ltd.	China	CN0009169466
Harbin Power Equipment	China	CN0008935511
Jiangxi Changhe Automobile Co. Ltd.	China	CN0006938061
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China	CN0005899793
PetroChina	China	CN0009365379
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China	CN0005789556
Sinopec Shanghai Petrochemical Co. Ltd.	China	CN0009137414
Wuhan Boiler Co.	China	CN0009136697
CNPC Hong Kong	Hong Kong	BMG2237F1005
Sinopec Kanton Holdings, Ltd.	Hong Kong	BMG8165U1009
Bharat Heavy Electricals Ltd.	India	INE257A01018
Bongaigaon Refinery & Petrochemicals Limited (BRPL)	India	INE241A01012
Chennai Petroleum Corporation Ltd. (CPCL)	India	INE178A01016
Indian Oil Corporation Ltd. AKA IOCL	India	INE242A01010
Lanka IOC Ltd.	India	LK0345N00005
Mangalore Refinery and Petrochemical Ltd.	India	INE103A01014
Oil and Natural Gas Company, AKA ONGC	India	INE213A01011
AREF Investment Group	Kuwait	KW0EQ0200398
Kejuruteraan Samudra Timur Bhd	Malaysia	MYL7185OO001
Kencana Petroleum Berhad	Malaysia	MYL5122OO006
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	MYL3816OO005
Muhibbah Engineering Berhad	Malaysia	MYL5703OO003
PECD Berhad	Malaysia	MYL5093OO009
Petronas Gas, Bhd.	Malaysia	MYL6033OO004
Petronas Dagangan, Bhd.	Malaysia	MYL568100001
Ranhill Berhad	Malaysia	MYL503000001
Scomi Group Bhd	Malaysia	MYL715800008
Scomi Engineering Bhd	Malaysia	MYL736600007
Electricity Generating PCL AKA EGCO	Thailand	TH0465010005
Wartsila Oyj	Finland	FI0009003719
Alstom	France	FR0010220475

ATTACHMENT 1

Restricted Sudan Stocks		
Company Name	**Country of Origin**	**ISIN**
Areva SA	France	FR0004275832
Lundin International SA	France	FR0000074171
Bauer AG	Germany	DE0005168108
Lundin Petroleum AB	Sweden	SE0000825820
Petrofac, Ltd.	UK	GB00B0H2K534

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

Source: Sudan Divestment Task Force

January 8, 2008

ATTACHMENT 2

Sudan Stocks Requiring Divestment		
Company Name	**Country of Origin**	**ISIN**
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	CN0005789556
PetroChina Company	China	CN0009365379
Bharat Heavy Electricals Ltd.	India	INE257A01018
Oil and Natural Gas Corp AKA ONGC	India	INE213A01011
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	MYL3816OO005
Alstrom	France	FR0010220475
Lundin Petroleum	Sweden	SE0000825820
Petrofac Ltd.	UK	GB00B0H2K534

Note: List contains parent companies and subsidiaries publicly traded.

AKA means "Also Known As"

Source: Sudan Divestment Task Force **January 2008**

The following security identifiers correlate with the November 30th issue of the *Sudan Company Report*. This list will be updated along with the *Sudan Company Report* on February 29th, 2008.

Exchange	Security Type	Security Name	Ticker	Security ID: WPK Number	SEDOL1	CUSIP	Sicovam	ISIN	COMMON	CINS	CATS Code
ALSTOM (FRANCE)											
EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
OTC US (XOTC)	Common Stock	ALSTOM RGPT	AOMFF US	A0F7BK	B0GLY93 US			FR0010220475	008792569	F0259M475	
Frankfurt (XFRA)	Common Stock	ALSTOM RGPT	AOMD GR	A0F7BK	B0G0412 DE			FR0010220475	008792569		
Virt-x (XVTX)	Common Stock	ALSTOM RGPT	ALS VX	A0F7BK	B0DJ8Q5 FR			FR0010220475	008792569		
PLUS Mket Grp (XPLU)	Common Stock	ALSTOM	ALO PZ	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
Chi-X Alt TS (CHIX)	Common Stock	ALSTOM RGPT	AOMG IX	A0F7BK	B0G0412 DE			FR0010220475	008792569		
Chi-X Alt TS (CHIX)	Common Stock	ALSTOM	ALSP IX	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
WUHAN BOILER CO	**(Majority-owned, publicly-traded subsidiary of Alstom)**										
Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO-B	200770 CH	913669	6111928 CN			CNE000000VM7			
AREF INVESTMENT GROUP CO (KUWAIT)											
Kuwait (XKUW)	Common Stock	AREF INVESTMENT GROUP CO	AIG KK	A0JDFG	6131335 KW			KW0EQ0200398			
AVICHINA INDUSTRY & TECHNOLOGY CO LTD (CHINA)											
Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	A0M4WY	6707899 HK			CNE1000001Y8			
Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	A0M4WY	B1BJK68 DE			CNE1000001Y8			
OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVIJF US	A0M4WY	B01W4B3 US			CNE1000001Y8		Y0485Q109	
Bauer AG (Germany)											
Euro Comp (XLON)	Common Stock	BAUER AG	B5A EU	516810	B28FCM6 GB			DE0005168108	025794311		
Xetra (XETR)	Common Stock	BAUER AG	B5A GR	516810	B17M2N2 DE			DE0005168108	025794311		
HAFEI AVIATION INDUSTRY CO (CHINA)		**Majority-Owned, Publicly-Traded Subsidiary of Harbin Aviation Industry Group Co. Ltd., the Majority-Owned Subsidiary of AviChina Industry & Technology Co. Ltd.**									
Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600038 CH	A0M4ER	6306586 CN			CNE0000015V6			
HARBIN DONGAN AUTO ENGINE CO LTD (CHINA)		**Majority-Owned, Publicly-Traded Subsidiary of AviChina Industry & Technology Ltd.**									
Shanghai (XSHG)	Common Stock	Harbin Dongan Auto Engine Co., Ltd.	600178 CH	A0M369	6128519 CN			CNE000000XJ9			
JIANGXI CHANGHE AUTOMOBILE CO, LTD (CHINA)		**Majority-Owned, Publicly-Traded Subsidiary of Changhe Aviation Industry Group Co. Ltd., Wholly-Owned Subsidiary of AviChina Industry & Technology Co., Ltd.**									
Shanghai (XSHG)	Common Stock	JIANGXI CHANGHE AUTOMOBILE-A	600372 CH	A0M4G1	6371896 CN			CNE0000018CO			
JIANGXI HONGDU AVIATION INDUSTRY CO, LTD (CHINA)		**Majority-Owned, Publicly-Traded Subsidiary of AviChina Industry & Technology Ltd.**									
Shanghai (XSHG)	Common Stock	JIANGXI HONGDU AVIATION-A	600316 CH	A0M4Ek	6304375 CN			CNE0000015N3			
OTC US (XOTC)	Common Stock	JIANGXI HONGDU AVIATION-A	JNXIF US	A0M4Ek	B1MT2Q1 US			CNE0000015N3		Y4445M109	
BHARAT HEAVY ELECTRICALS LTD (INDIA)											
Mumbai (XBOM)	Common Stock	BHARAT HEAVY ELECTRICALS	BHEL IN	946065	6129523 IN			INE257A01018			
Natl India (XNSA)	Common Stock	BHARAT HEAVY ELECTRICALS	NBHEL IN	946065	6129523 IN			INE257A01018			
OTC US (XOTC)	Common Stock	BHARAT HEAVY ELECTRICALS	BHHEF US	946065	B1N31W1 US			INE257A01018		Y0882L117	
CNPC HONG KONG LTD (BERMUDA)		**Majority-Owned, Publicly-Traded Subsidiary of China National Petroleum Corp.**									
Hong Kong (XHKG)	Common Stock	CNPC HONG KONG LIMITED	135 HK	888613	6340078 HK		952131	BMG2237F1005	007779755		
Frankfurt (XFRA)	Common Stock	CNPC HONG KONG LIMITED	CTJ GR	888613	5387753 DE		952131	BMG2237F1005	007779755		
OTC Exchange (XOTC)	Common Stock	CNPC HONG KONG LIMITED	CKKHF US	888613	B01DDZ3 US		952131	BMG2237F1005	007779755		
PETROCHINA CO LTD (CHINA)		**Majority-Owned, Publicly-Traded Subsidiary of China National Petroleum Corp.**									
Hong Kong (XHKG)	Common Stock	PETROCHINA CO LTD-H	857 HK	A0M4YQ	6226576 HK			CNE1000003w8	011014674		
Frankfurt (XFRA)	Common Stock	PETROCHINA CO LTD	PC6 GR	A0M4YQ	5939507 DE			CNE1000003w8	011014674		
OTC US (XOTC)	Common Stock	PETROCHINA CO LTD	PCCYF US	A0M4YQ	B01DNL9 US			CNE1000003w8	011014674	Y6883Q104	
Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	601857 CH		B28SLD9 CN			CNE1000007Q1			
London Intl (XLON)	Common Stock	PETROCHINA CO LTD-H	PCA LI	A0M4YQ	B17H0R7 GB			CNE1000003w8	011014674		
Chi-X Alt TS (CHIX)	Common Stock	PETROCHINA CO LTD	PCGG IX	A0M4YQ	5939507 DE			CNE1000003w8	011014674		
New York (XNYS)	ADR	PETROCHINA CO LTD -ADR	PTR US	936983	2568841 US			US71646E1001	011511449		
Frankfurt (XFRA)	ADR	PETROCHINA CO LTD -ADR	PC6A GR	936983	4633327 DE	71646E100		US71646E1001	011511449		
Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR	PTR AR		B1C5SR2 AR			ARDEUT113958			
Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR BLK	PTRB AR					ARDEUT113958			
Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR C/E	PTRC AR					ARDEUT113958			
Chi-X Alt TS (CHIX)	ADR	PETROCHINA CO LTD -ADR	PRTY1 IX	936983	4633327 DE	71646E100		US71646E1001	011511449		
DONGFENG AUTOMOBILE CO. LTD (CHINA)											
Shanghai (XSHG)	Common Stock	DONGFENG AUTOMOBILE CO LTD-A	600006 CH	923929	6163833 CN			CNE000000ZT3			
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)											

The following security identifiers correlate with the November 30th issue of the *Sudan Company Report*. This list will be updated along with the *Sudan Company Report* on February 29th, 2008.

					Security ID							
	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL1	CUSIP	Sicovam	ISIN	COMMON	CINS	CATS Code
	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TB	893182	6304632 TH		929726	TH0465010005	006148590		
	OTC US (XOTC)	Common Stock	ELECTRICITY GENERATING PCL	EYGGF US	893182			929726	TH0465010005	006148590	Y22834108	
	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCO/F TB	893183	6304643 TH		930467	TH0465010013	006149839		
	Frankfurt (XFRA)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF FR	893183	5336799 DE		930467	TH0465010013	006149839		
	OTC US (XOTC)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EYGPF US	893183			930467	TH0465010013	006149839	Y22834116	
	Bangkok (XBKK)	Receipt	ELECTRICITY GENERA PCL-NVDR	EGCO-R TB	676043	6368553 TH			TH0465010R13	015662883		
	OTC US (XOTC)	Receipt	ELECTRICITY GENERA PCL-NVDR	EYUUF US	676043	B05PBX9 US			TH0465010R13	015662883	Y22834124	
	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	NVAE GR	676043	B01LYC1 DE			TH0465010R13	015662883		
HARBIN POWER EQUIPMENT CO LTD (CHINA)												
	Hong Kong (XHKG)	Common Stock	HARBIN POWER EQUIPMENT CO-H	1133 HK	A0M4X8	6422761 HK		930709	CNE10000003CO	011043780		
	Frankfurt (XFRA)	Common Stock	HARBIN POWER EQUIPMENT CO-H	HP6H FR	A0M4X8	B1HJDX0 DE		930709	CNE10000003CO	011043780		
	OTC US (XOTC)	Common Stock	HARBIN POWER EQUIPMENT CO-H	HBPWF US	A0M4X8			930709	CNE10000003CO	011043780	Y30683109	
INDIAN OIL CORP LTD (INDIA)												
	Mumbai (XBOM)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A0B9FM	6253767 IN			INE242A01010			
	Natl India (XNSA)	Common Stock	INDIAN OIL CORPORATION LTD	NIOCL IN	A0B9FM	6253767 IN			INE242A01010			
BONGAIGAON REFINERY & PETROCHEMICALS LTD (INDIA)			**Majority-Owned, Publicly-Traded Subsidiary of Indian Oil Corp. Ltd.**									
	Mumbai (XBOM)	Common Stock	BONGAIGAON REFINERY & PETRO	BRPL IN	A0DKQE	6313939 IN			INE241A01012			
	Natl India (XNSA)	Common Stock	BONGAIGAON REFINERY & PETRO	NBRPL IN	A0DKQE	6313939 IN			INE241A01012			
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)			**Majority-Owned, Publicly-Traded Subsidiary of Indian Oil Corp. Ltd.**									
	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A0B968	6121563 IN			INE178A01016			
	Natl India (XNSA)	Common Stock	CHENNAI PETROLEUM CORP LTD	NMRL IN	A0B968	6121563 IN			INE178A01016			
Lanka IOC Ltd (SRI LANKA)			**Majority-Owned, Publicly-Traded Subsidiary of Indian Oil Co. Ltd.**									
	Colombo (XCOL)	Common Stock	LANKA IOC LTD	LIOC SL	A0D83L	B0591G4 LK			LK0345N00005			
KEJURUTERAAN SAMUDRA TIMUR BHD, aka KSTB (MALAYSIA)												
	Kuala Lumpur (XKLS)	Common Stock	KEJURUTERAAN SAMUDRA TIMUR	KSTB MK		B0M9M97 MY			MYL7185OO001			7185
KENCANA PETROLEUM BHD (MALAYSIA)												
	Kuala Lumpur (XKLS)	Common Stock	KENCANA PETROLEUM BHD	KEPB MK	A0MVSV	B1L72X3 MY			MYL5122OO006			5122
LUNDIN PETROLEUM AB (SWEDEN)												
	Stockholm (XOME)	Common Stock	LUNDIN PETROLEUM AB	LUPE SS	729364	7187627 SE			SE0000825820	013489424		
	OTC US (XOTC)	Common Stock	LUNDIN PETROLEUM AB	LNDNF US	729364	B02V5S3 US			SE0000825820	013489424	W64566107	
	Euro Comp (XLON)	Common Stock	LUNDIN PETROLEUM AB	LUPE EU	729364	B2909K7 GB			SE0000825820	013489424		
	Frankfurt (XFRA)	Common Stock	LUNDIN PETROLEUM AB	LYV GR	729364	B0MQ168 DE			SE0000825820	013489424		
	Chi-X Alt TS (CHIX)	Common Stock	LUNDIN PETROLEUM AB	LUPE IX	729364	7187627 SE			SE0000825820	013489424		
LUNDIN INTERNATIONAL SA (FRANCE)			**Majority-Owned, Publicly-Traded Subsidiary of Lundin Petroleum AB**									
	EN Paris (XPAR)	Common Stock	LUNDIN INTERNATIONAL SA	MLCOP FP	865032	5828865 FR		007414	FR0000074171	010349281		
MUHIBBAH ENGINEERING (M) BHD (MALAYSIA)												
	Kuala Lumpur (XKLS)	Common Stock	MUHIBBAH ENGINEERING (M) BHD	MUHI MK	894787	6609304 MY			MYL5703OO003			5703
	OTC US (XOTC)	Common Stock	MUHIBBAH ENGINEERING (M) BHD	MUHBF US	894787	B1MYQD1 US			MYL5703OO003		Y6151L100	
OIL & NATURAL GAS CORP LTD (INDIA)												
	Mumbai (XBOM)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	779547	6139362 IN			INE213A01011			
	Natl India (XNSA)	Common Stock	OIL & NATURAL GAS CORP LTD	NONGC IN	779547	6139362 IN			INE213A01011			
	OTC US (XOTC)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGCF US	779547	B0JQ0D1 US			INE213A01011		Y64606117	
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)			**Majority-Owned, Publicly-Traded Subsidiary of Oil and Natural Gas Corp. Ltd.**									
	Mumbai (XBOM)	Common Stock	MANGALORE REFINERY & PETRO	MRPL IN		6121530 IN			INE103A01014			
	Natl India (XNSA)	Common Stock	MANGALORE REFINERY & PETRO	NMRPL IN		6121530 IN			INE103A01014			
PECD BHD (MALAYSIA)												
	Kuala Lumpur (XKLS)	Common Stock	PECD BHD	PECD MK		B033B13 MY			MYL5093OO009			5093
	OTC US (XOTC)	Common Stock	PECD BHD	PCDBF US		B05PZGO US			MYL5093OO009			

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					Security ID							
	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL1	CUSIP	Sicovam	ISIN	COMMON	CINS	CATS Code
PETROFAC LTD (Jersey, UK)												
	London (XLON)	Common Stock	PETROFAC LTD	PFC LN	A0HF9Y	B0H2K53 GB			GB00B0H2K534	023209284		
	Stuttgart (XSTU)	Common Stock	PETROFAC LTD	P2F GR	A0HF9Y	B0LWHB4 DE			GB00B0H2K534	023209284		
	Virt-x (XVTX)	Common Stock	PETROFAC LTD	PFC VX	A0HF9Y	B0H2K53 GB			GB00B0H2K534	023209284		
	Euro Comp (XLON)	Common Stock	PETROFAC LTD	PFC EU	A0HF9Y	B0H2K53 GB			GB00B0H2K534	023209284		
	OTC US (XOTC)	Common Stock	PETROFAC LTD	POFCF US	A0HF9Y	B11B6G6 US			GB00B0H2K534	023209284	G7052T101	
	Chi-X Alt TS (CHIX)	Common Stock	PETROFAC LTD	PFC IX	A0HF9Y	B0H2K53 GB			GB00B0H2K534	023209284		
	PLUS Mkt Grp (XPLU)	Common Stock	PETROFAC LTD	PFC PZ	A0HF9Y				GB00B0H2K534	023209284		
PETRONAS DAGANGAN BHD (MALAYSIA)			**Majority-Owned, Publicly-Traded Subsidiary of Petroliam Nasional Bhd. (Petronas)**									
	Kuala Lumpur (XKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695938 MY			MYL5681OO001	005378044		5681
PETRONAS GAS BHD (MALAYSIA)			**Majority-Owned, Publicly-Traded Subsidiary of Petroliam Nasional Bhd. (Petronas)**									
	Kuala Lumpur (XKLS)	Common Stock	PETRONAS GAS BHD	PTG MK	896633	6703972 MY			MYL6033OO004			6033
	Munich (XMUN)	Common Stock	PETRONAS GAS BERHAD	PTR GR	896633	5330694 DE			MYL6033OO004	007076959		
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAYS			**Majority-Owned, Publicly-Traded Subsidiary of Petroliam Nasional Bhd.**									
	Kuala Lumpur (XKLS)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY		905279	MYL3816OO005	003527883		3816
	Kuala Lumpur (XKLS)	Common Stock	MISC BHD-FRGN	MISF MK	883081	6558031 MY		908550	MYF3816O1005	006039111		3816F
RANHILL BERHAD (Malaysia)												
	Kuala Lampur (XKLS)	Common Stock	Ranhill BHD	RANH MK	A0B9G6	6328717 MY			MYL503000001			5030
SCOMI GROUP BERHAD (MALAYSIA)												
	Kuala Lumpur (XKLS)	Common Stock	SCOMI GROUP BHD	SGB MK	120745	B00PKJ3			MYL7158OO008			7158
SCOMI ENGINEERING BERHAD (MALAYSIA)			**Majority-Owned Publicly-Traded Subsidiary of Scomi Group Berhad**									
	Kuala Lumpur (XKLS)	Common Stock	SCOMI ENGINEERING BHD	SEB MK	903056	6098452 MY			MYL7366OO007			7366
SINOPEC CORP (CHINA)			**A.K.A. China Petroleum and Chemical Corp**									
	Hong Kong (XHKG)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	386 HK	A0M4XN	6291819 HK			CNE1000002Q2	012150504		
	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU GR	A0M4XN	7027756 DE			CNE1000002Q2			
	OTC US (XOTC)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	SNPMF US	A0M4XN	B01XKR4 US			CNE1000002Q2	012150504	Y15010104	
	Shanghai (XSHUE)	Common Stock	CHINA PETROLEUM & CHEMICAL-A	600028 CH	AOM4G4	6373728 CN			CNE1000002Q2			
	OTC US (XOTC)	Common Stock	CHINA PETROLEUM & CHEMICAL-A	SNPAF US	AOM4G4				CNE0000018G1		Y15010112	
	New York (XNYS)	ADR	CHINA PETROLEUM & CHEMICAL-ADF	SNP US	578971	2639189 US	16941R108		US16941R1086	011899374		
	Munich (XMUN)	ADR	CHINA PETROLEUM & CHEMICAL-ADF	CHUA GR	578971	BORSWOO DE	16741R108		US16941R1086	011899374		
	London Intl (XLON)	ADR	CHINA PETROLEUM & CHEMICAL-ADF	SNP LI		2654375 GB	16941R108		US16941R1086	011899374		
	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEI	SNP AR		B1C5SX8			ARDEUT114071			
	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEI	SNPB AR					ARDEUT114071			
	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-C C	SNPC AR					ARDEUT114071			
Sinopec Kanton Holdings Ltd (China)			**Majority-Owned Publicly-Traded Subsidiary of Sinopec Corp**									
	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162692 HK			BMG8165U1009	011563384		
	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE			BMG8165U1009	011563384		
Sinopec Shanghai Petrochemical Co Ltd (China)			**Majority-Owned Publicly-Traded Subsidiary of Sinopec Corp**									
	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600688 CH	A0M3RA	6802794 CN			CNE000000BB2			
	London Intl (XLON)	Common Stock	SHANGHAI PETROCHEMICAL-H SHR	SNH LI	A0M4Y5	B17KWS1 GB			CN0008871674	005096162		
	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR	A0M4Y5	5888632 DE		908303	CNE1000004C8	005096162		
	Hong Kong (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	338 HK	A0M4Y5	6797458 HK		908303	CNE1000004C8	005096162		
	OTC US (XOTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SPTJF US	A0M4Y5	B01XTG6 US			CNE1000004C8	005096162	Y80373106	
	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI US	887169	2800059 US	82935M109	908289	US82935M1099	012248750		
	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI FR	887169	5734638 DE	82935M109	908289	US82935M1099	012248750		
Warsila Oyj (Finland)												
	Helsinki (XHEL)	Common Stock	WARTSILA OYJ-A SHS	WRTAV FH	888242	4525178 FI			FI0009003719	003021416		
	Euro Comp (XLON)	Common Stock	WARTSILA OYJ-A SHS	WRTAV EU	888242	B28N640 GB			FI0009003719	003021416		
	Euro Comp (XLON)	Common Stock	WARTSILA OYJ-B SHARES	WRTBV EU	881050	B28N651 GB			FI0009003727	004174488		
	Helsinki (XHEL)	Common Stock	WARTSILA OYJ-B SHARES	WRTBV FH	881050	4525189 FI		980070	FI0009003727	004174488		
	Stuttgart (XSTU)	Common Stock	WARTSILA OYJ-B SHARES	MTA GR	881050	B06KRC4 DE		980070	FI0009003727	004174488		

ATTACHMENT E

Sudan Divestment Task Force List of "Highest Offenders" Companies in Sudan
Task Force List Effective Through February 29, 2008
Companies Ranked from Worst to Least Problematic

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

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

Sudan Divestment Task Force List of Companies in Sudan for Ongoing Engagement
Task Force List Effective Through February 29, 2008
Companies Ranked from Worst to Least Problematic

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

Sudan Divest.Task Force List of Companies in Sudan with No Publicly Traded Equity
Task Force List Effective Through February 29, 2008

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

3-Jan-07

Tab C

COMMITTEE REPORT

DATE: February 26, 2008

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

FROM: Stock and Bond Manager Committee

The Stock and Bond Manager Committee met on Wednesday, February 13th, 2008 to consider the following agenda items:

- Review the manager performance for the period ending December 31, 2007.
- Review of Domestic Equity Manager Benchmarks.
- Recommendation to hire a passive manager for the domestic equity mandates.
- Review of UBS Global Asset Management, an international equity manager.

Action is required by the SBI / IAC on the last two items.

INFORMATION ITEMS:

1. Review the manager performance for the period ending December 31, 2007.

- ***Domestic Equity Program***

For the period ending December 31, 2007, the **Domestic Equity Program** underperformed over all time periods.

Time period	Total Program	DE Asset Class Target*
Quarter	-3.5%	-3.3 %
1 Year	4.9%	5.1%
3 Years	8.5%	8.9%
5 Years	13.4%	13.7%

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

The performance evaluation reports for the domestic equity managers start on the **blue page A-3** of this Tab.

- *Fixed Income Program*

For the period ending December 31, 2007, the **Fixed Income Program** underperformed for the quarter and the year, matched the benchmark for the three-year time period, and outperformed over five years.

Time period	Total Program	Lehman Aggregate
Quarter	2.4%	3.0%
1 Year	6.3%	7.0%
3 Years	4.6%	4.6%
5 Years	4.9%	4.4%

The performance evaluation reports for the fixed income managers start on the **blue page A-95** of this Tab.

- *International Equity Program*

For the period ending December 31, 2007, the **International Equity Program** outperformed the composite index over all time periods except five years.

Time Period	Total* Program	Int'l Equity Asset Class Target**
Quarter	-0.4%	-0.5%
1 Year	17.1%	16.9%
3 Year	20.1%	20.0%
5 Year	23.5%	23.9%

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

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

The performance evaluation reports for the international equity managers start on the **blue page A-109** of this Tab.

2. Review of Domestic Equity Manager Benchmarks.

The SBI's Manager Continuation Policy requires staff to conduct an annual review of all domestic stock manager benchmarks. The purpose of this review is to determine whether each benchmark adequately reflects the managers' investment style.

Staff has reviewed each manager's benchmark. They believe that each of the manager's benchmarks is appropriate for the manager's investment style. Relative style coordinates for each active and semi passive manager is included beginning on **page 7** of this tab.

ACTION ITEMS:

3. Recommendation to hire a passive manager for the domestic equity mandates.

The domestic equity program has five active mandates. When a manager is terminated or when assets are rebalanced, the number of managers in each mandate could potentially limit the options of allocating assets. Although there are currently ample managers in the active program, a situation might arise where staff could have difficulty allocating sufficient assets to a specific mandate. Having a passive option for each mandate would add flexibility in the allocation of assets. The passive account could be temporary or longer term if there are other structural changes occurring.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute a contract with State Street Global Advisors to passively manage assets against the appropriate Russell mandates, subject to inclusion of a provision which provides for immediate termination.

4. Review of UBS Global Asset Management, an international equity manager.

UBS was hired by the SBI in April 1993 for a developed markets mandate. From April 1993 through September 1999, the portfolio was managed as an active country / passive stock mandate. In October of 1999, the portfolio converted to a fully active mandate. The SBI's portfolio is a concentrated version of UBS' model Global (ex-U.S.) equity portfolio. In addition, active currency strategies are developed by a separate team of people at UBS and expressed in the portfolio via currency forward contracts.

UBS, formerly known as Brinson Partners, was acquired by Swiss Bank Corporation in 1995, and in 1998 Swiss Bank Corp merged with Union Bank of Switzerland. Since 2002, the firm has adopted the globally unified brand name by which they are known today, UBS Global Asset Management.

Throughout these ownership changes, UBS' philosophy & process has remained constant. Bottom-up fundamental analysts worldwide estimate future free cash flows for each company they cover, discount them to a present value and then compare that value to the stock's current price. Stocks are ranked according to this "alpha" and analysts use these rankings to construct global sector portfolios. The global sector portfolios are the buy list from which the portfolio management team makes purchase decisions. UBS has just over 100 analysts worldwide. Analysts belong to one of 12 global industry teams. The Global Equity Portfolio Management Team (PM Team) is responsible for managing the SBI's int'l equity portfolio.

There has been significant turnover of Global Equity investment staff at UBS over the last few years. From 2004-2005, the PM Team, led by Tom Madsen, grew from 10 to 15 people, 11 of whom have since left the team. In 2Q07, UBS announced that Tom Madsen was leaving the PM Team for a purely business role. In October 2007, UBS hired Nick Melhuish from Nicholas-Applegate to lead the PM Team going forward. He has since announced significant changes to the roles of the remaining team members, namely that Bruno Bertocci will no longer manage Global Equities and Illario di Bon, the SBI's portfolio manager, will no longer manage Global ex US mandates and will be replaced in March 2008 by Nick Irish, who was recruited from HSBC in January. The portfolio manager with direct responsibility for the SBI's portfolio has changed 4 times in the last 4 years.

UBS has replaced 80% of their European analysts over the last two years. These changes were made because European research "was not what it needed to be". In Japan, where stock selection has been the major contributor to the portfolio's underperformance over the last five years, UBS has lost key analysts. The remaining analysts simply follow consensus, and therefore their output is not relied upon by the portfolio management team. The issue with Japanese research is not resolved and could continue to be an issue in the portfolio for the foreseeable future.

In recent meetings, UBS indicated that the PM Team has grown too much over time, been geographically fragmented in three locations (Chicago, London and Zurich), responsibilities have been ill-defined, and inexperienced people were running portfolios. In addition, they said that the communication between portfolio managers and analysts has been poor in every global region. Portfolio managers and analysts have not interacted, as they do in Chicago on the U.S. equity portfolio, to arrive at what stocks should go into and out of portfolios. Nick Melhuish's role, according to UBS, will be to "help integrate research and portfolio management" and to "get the research to where it needs to be in different locations". These are serious issues which are fundamental to the investment process.

The portfolio has underperformed consistently in recent time periods, namely in each of the last five calendar years, and in nine out of fifteen calendar years since inception (the portfolio was funded in 2Q of 1993). In the rolling five-year vam chart, the portfolio vam has plotted below the benchmark line since approximately March 2006 and has plotted below the lower warning level since approximately September 2006. In four out of the last five calendar years, stock selection in Japan has been the primary negative contributor, by far, to the portfolio's underperformance. As previously stated, UBS' issue with Japanese analysis is not resolved. In the last two years, the portfolio's underweight to and stock selection in the materials sector has also been a significant negative contributor. UBS acknowledges that "they got behind the curve on the equilibrium prices of metals" which feed into the analyst's company models and therefore UBS did not accurately estimate company earnings. Materials have impacted the global equity portfolio more than the U.S. equity portfolio simply because the sector is larger outside the U.S.

RECOMMENDATION:

The Stock & Bond Manager Committee recommends reviewing this manager again in twelve months. In the meantime, the Committee stressed that both the portfolio's performance and the new investment teams should be closely monitored to ensure that they are making progress.

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Russell 1000 Core

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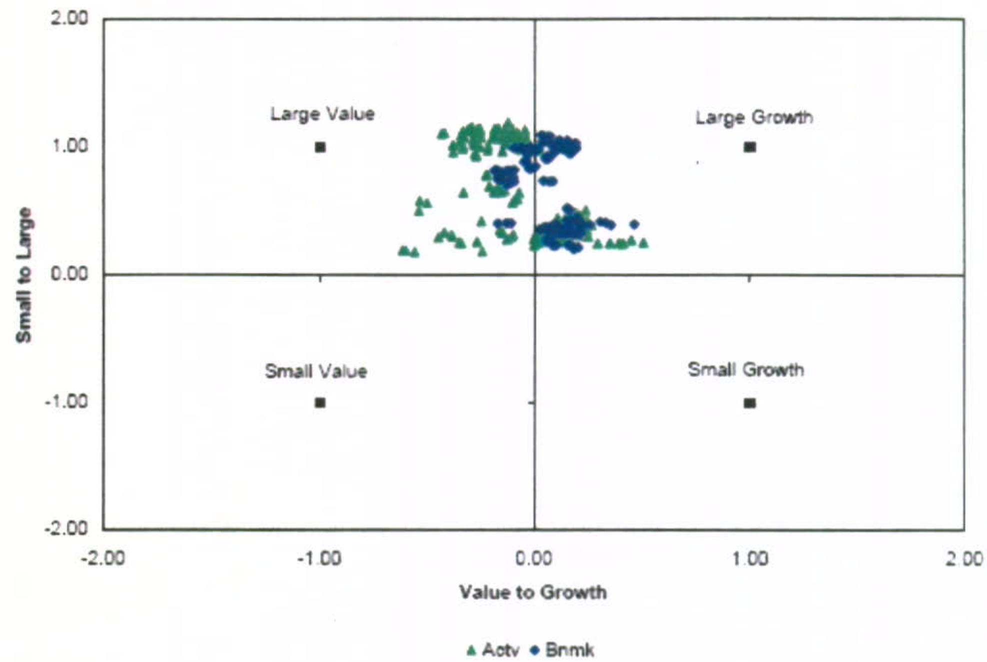
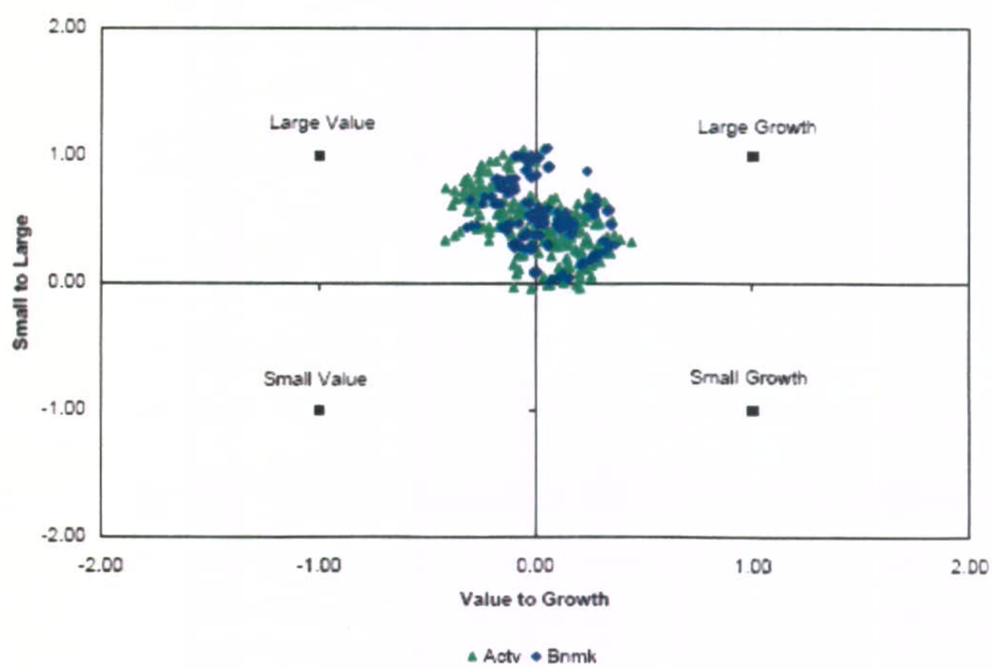
UBS Global
Style Coordinates (199308 - 200709)

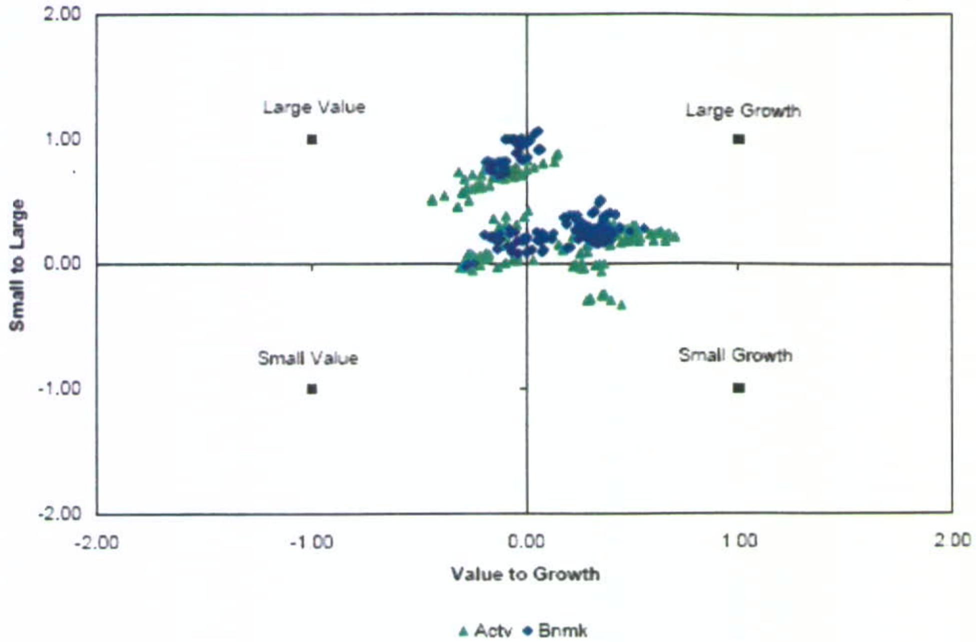


Richards & Tierney

Franklin Portfolio Associates
Style Coordinates (198905 - 200709)



New Amsterdam Partners
Style Coordinates (199405 - 200709)



Richards & Tierney

Russell 1000 Growth

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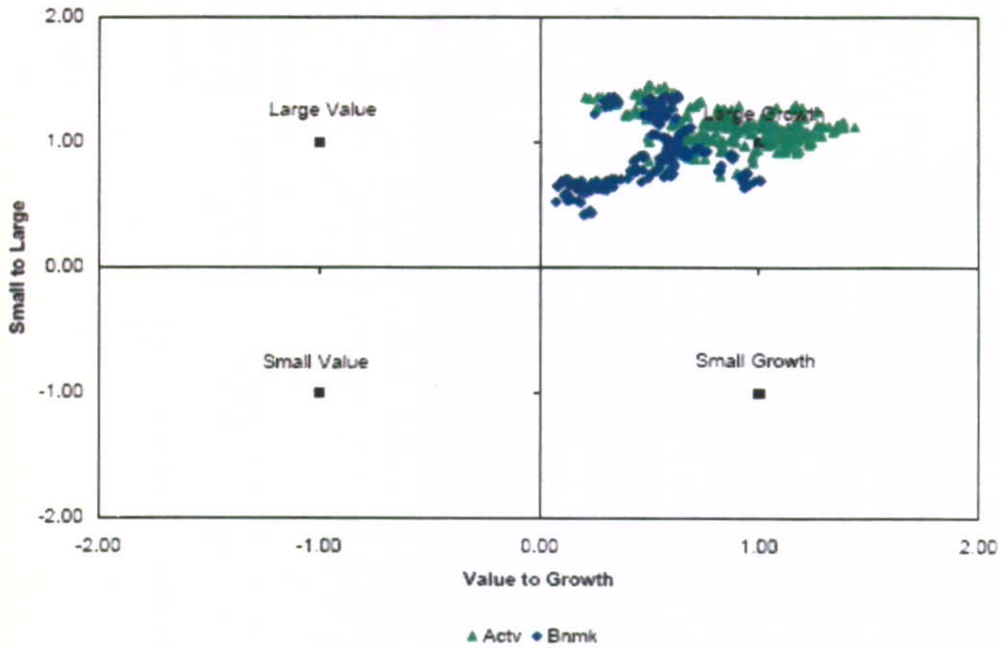
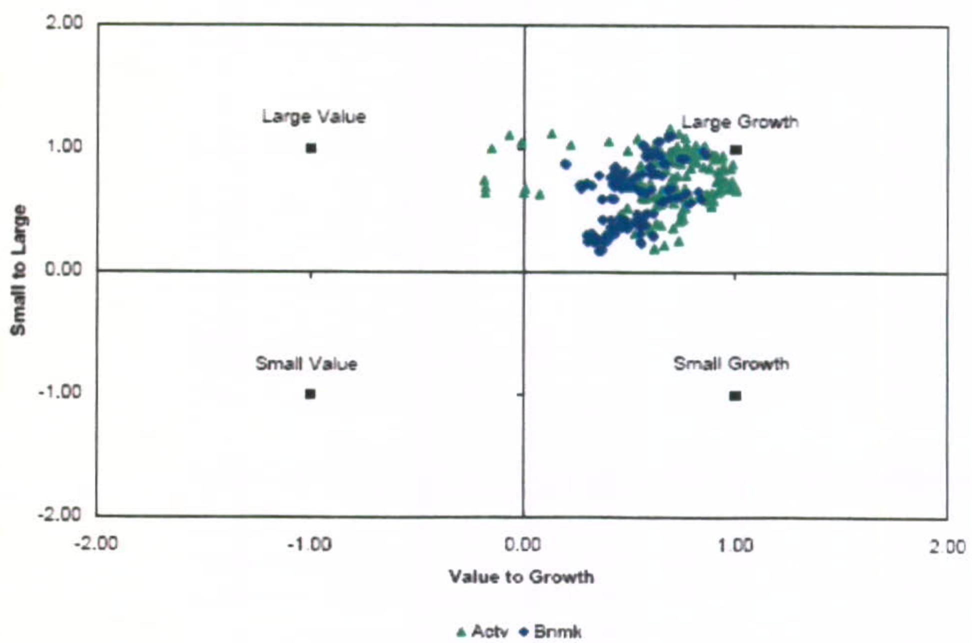
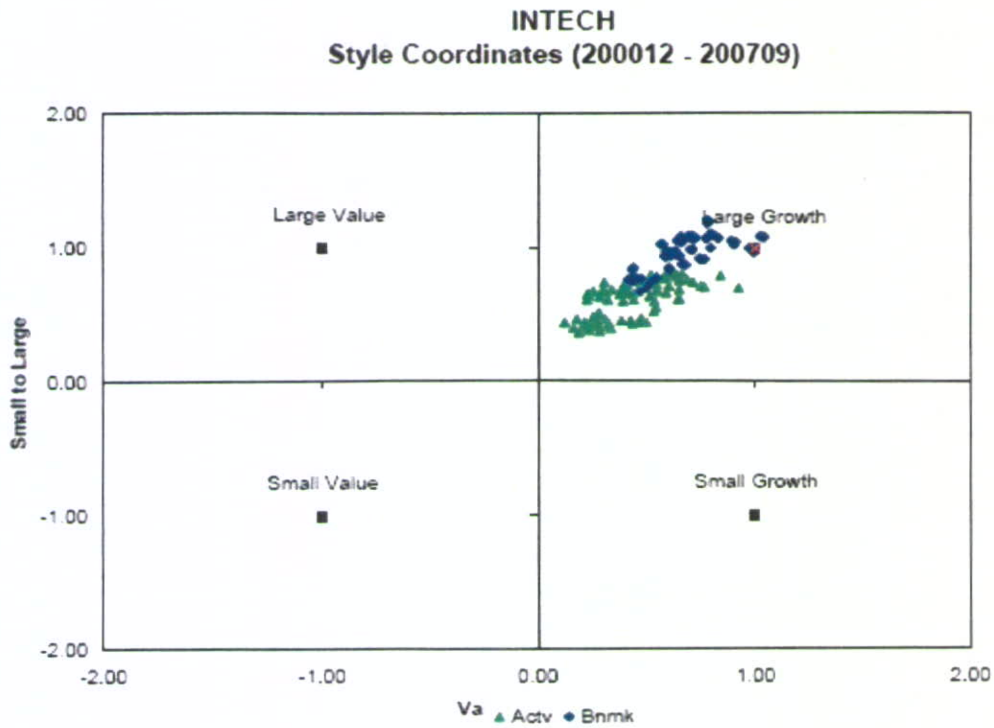
Alliance Capital
Style Coordinates (198601 - 200709)



Cohen Klingenstein & Marks
Style Coordinates (199405 - 200709)




INTECH
Style Coordinates (200012 - 200709)
Large Value
Large Growth
Small Value
Small Growth
Small to Large
2.00
1.00
0.00
-1.00
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-2.00
-1.00
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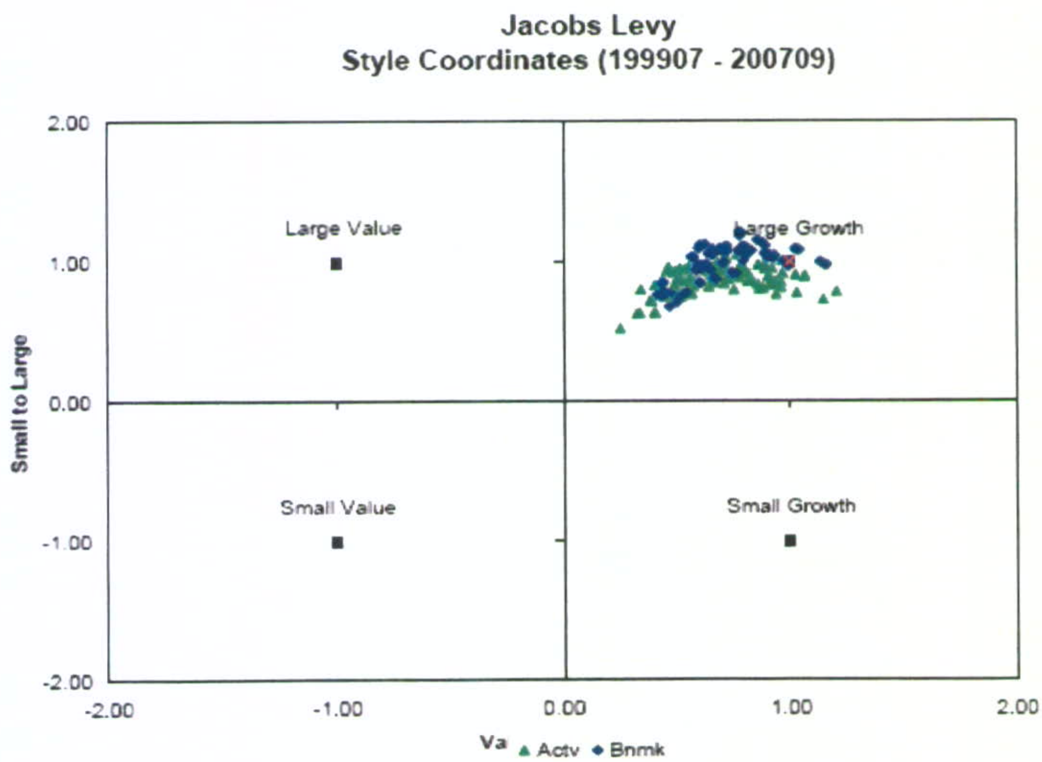
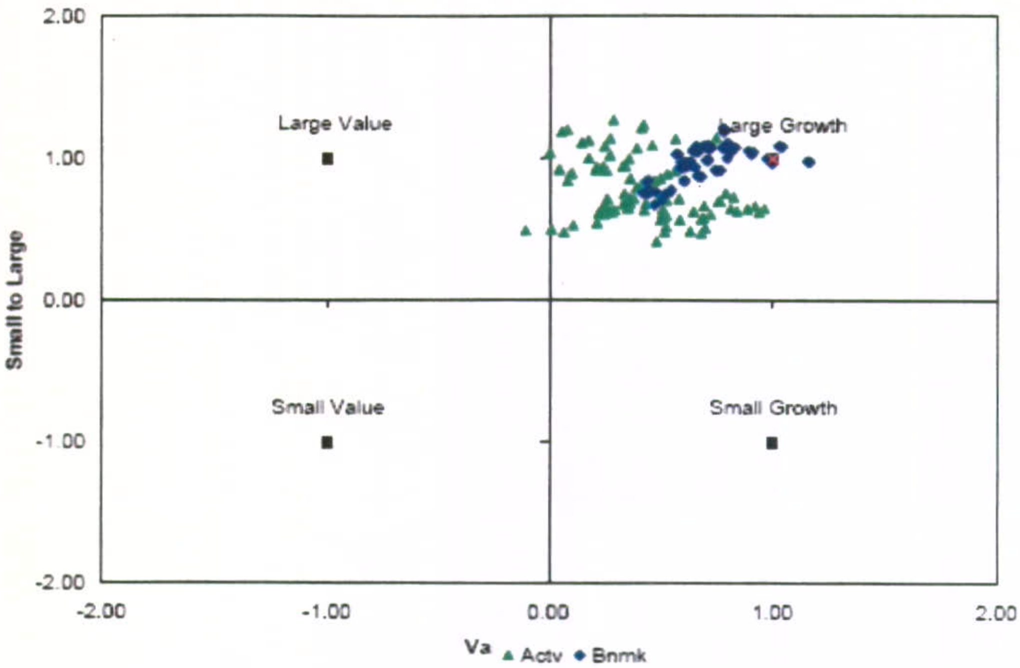
1.00
2.00
Va
Actv
Bnmk

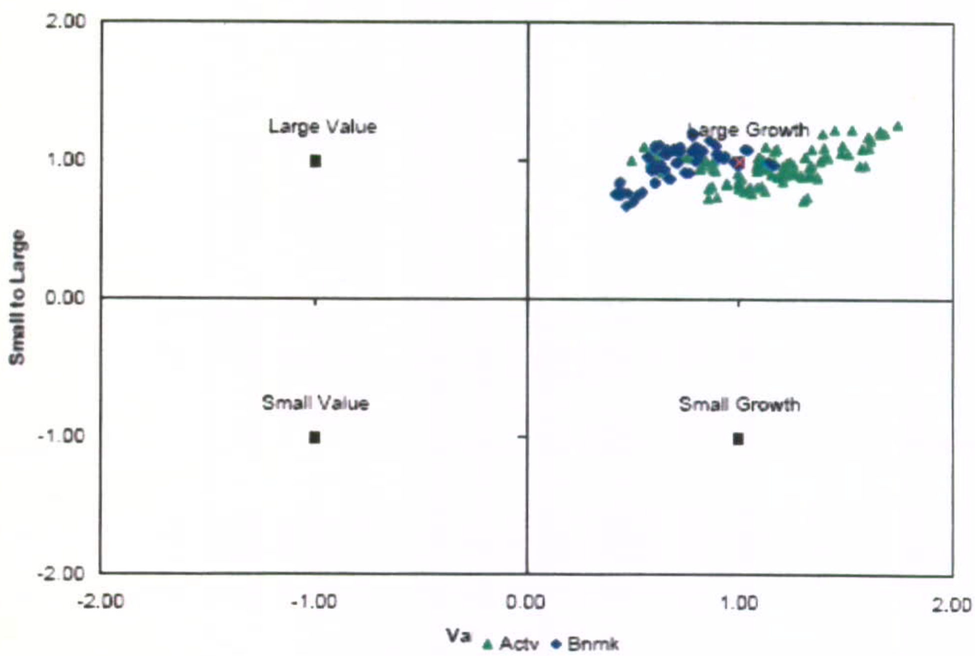

Jacobs Levy
Style Coordinates (199907 - 200709)
Large Value
Large Growth
Small Value
Small Growth
Small to Large
2.00
1.00
0.00
-1.00
-2.00
-2.00
-1.00
0.00
1.00
2.00
Va
Actv
Bnmk

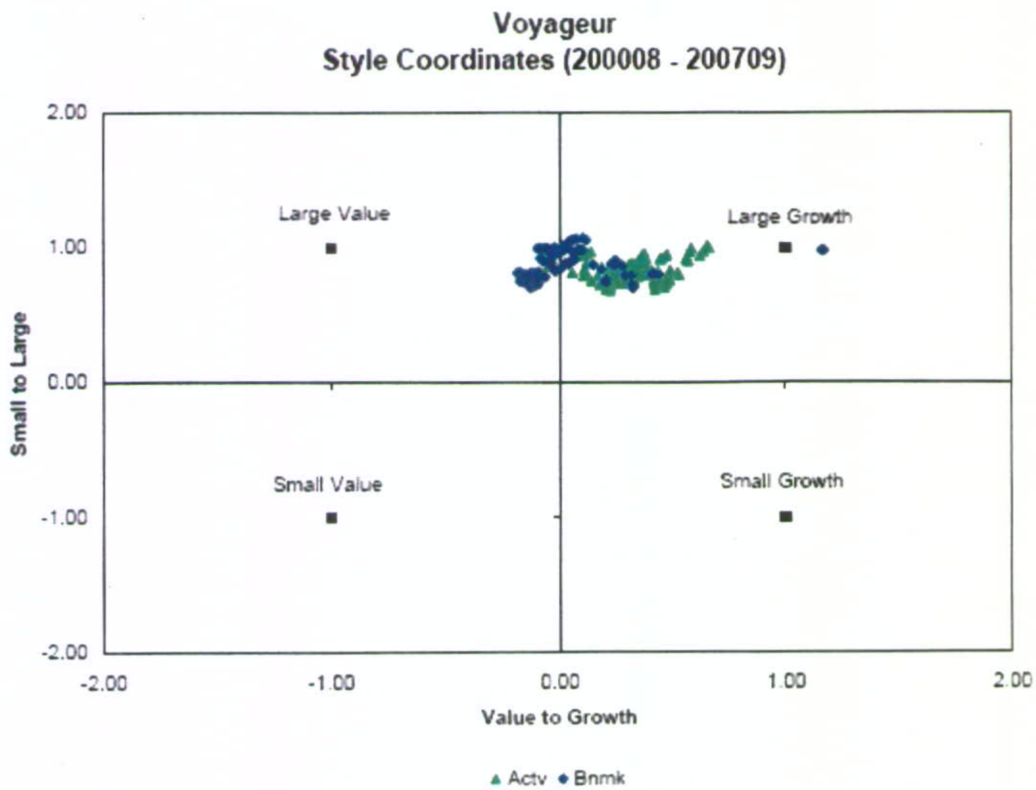
Knelman Asset Mgmt
Style Coordinates (200008 - 200709)



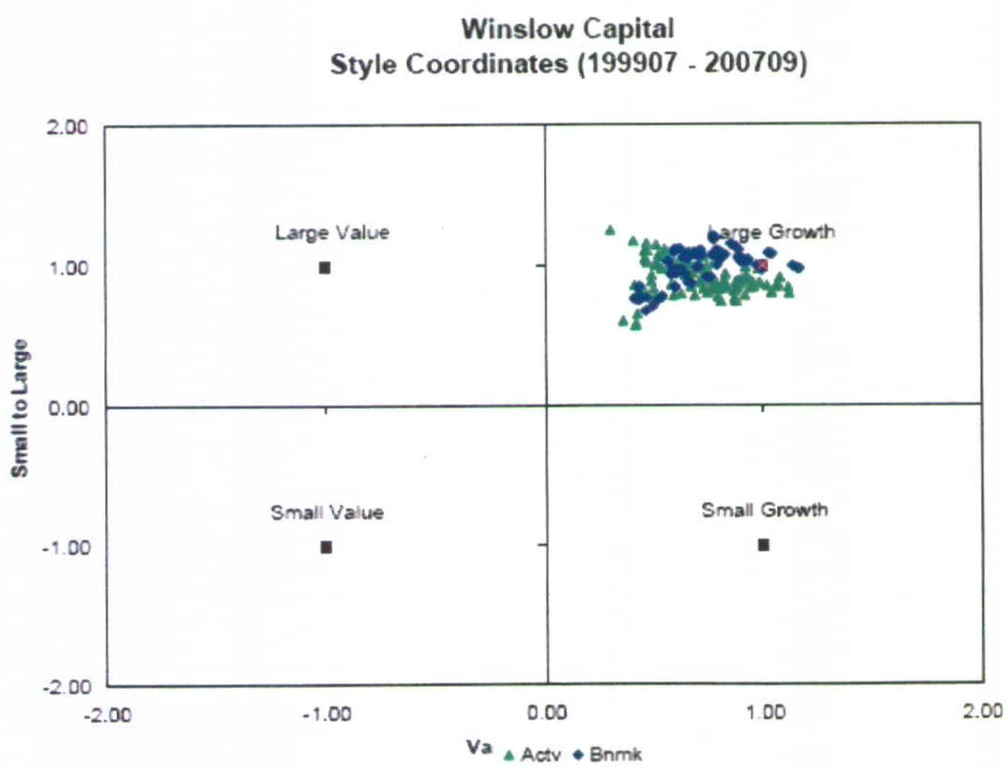
Richards & Tierney

Sands Capital
Style Coordinates (199907 - 200709)

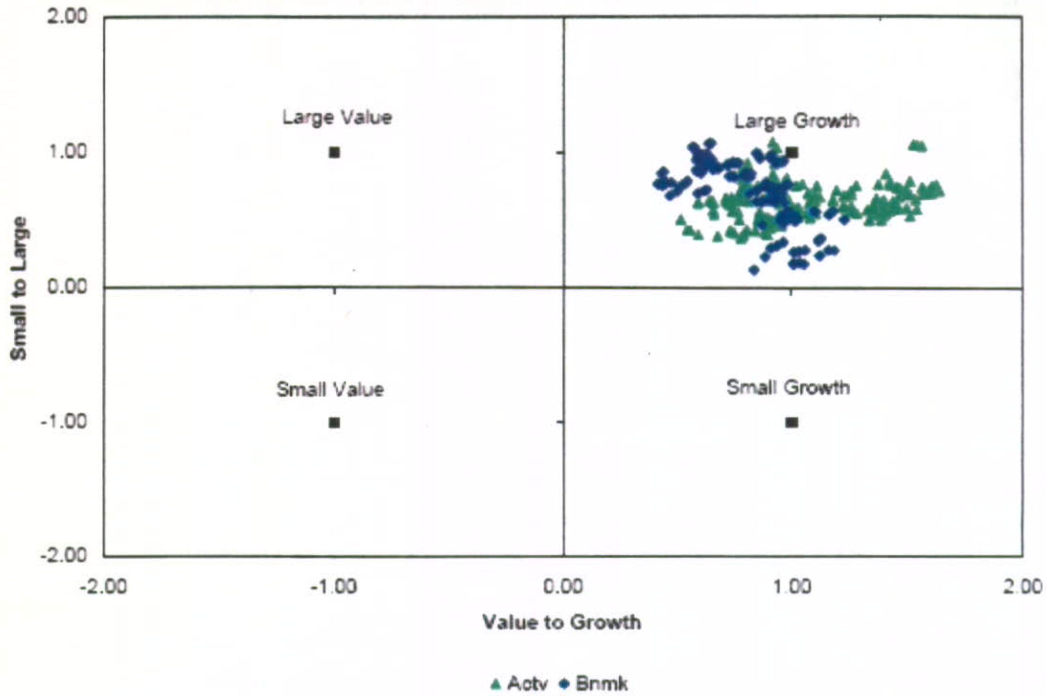




Richards & Tierney



Zevenbergen Capital
Style Coordinates (199405 - 200709)



Richards & Tierney

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Russell 1000 Value

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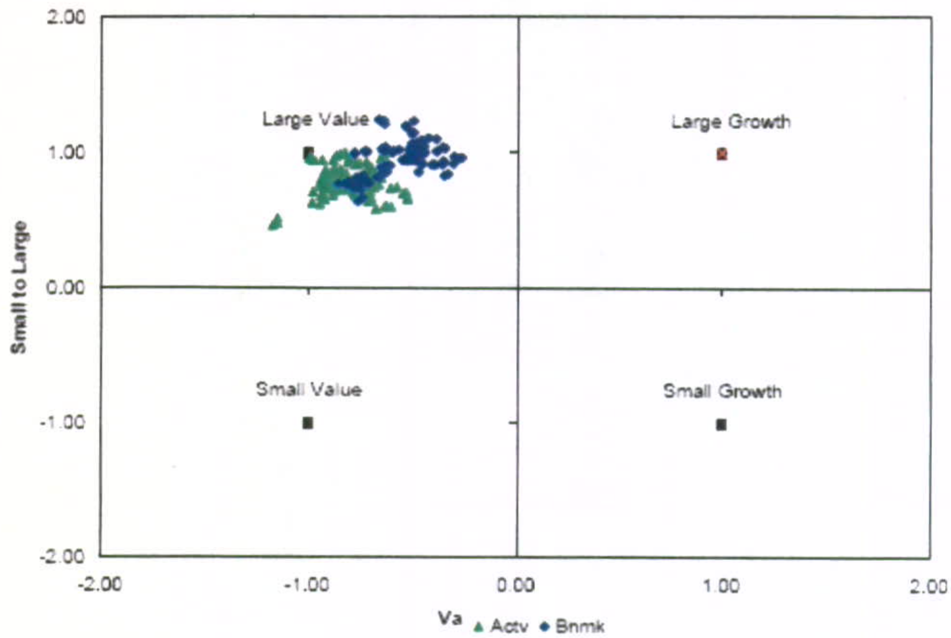
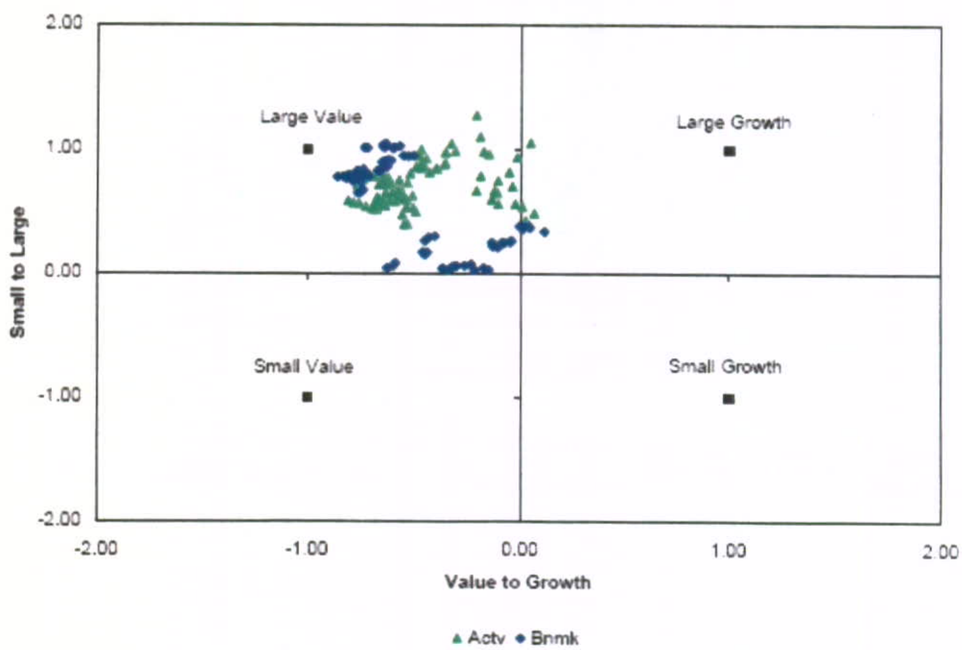
Barrow Hanley
Style Coordinates (199902 - 200709)

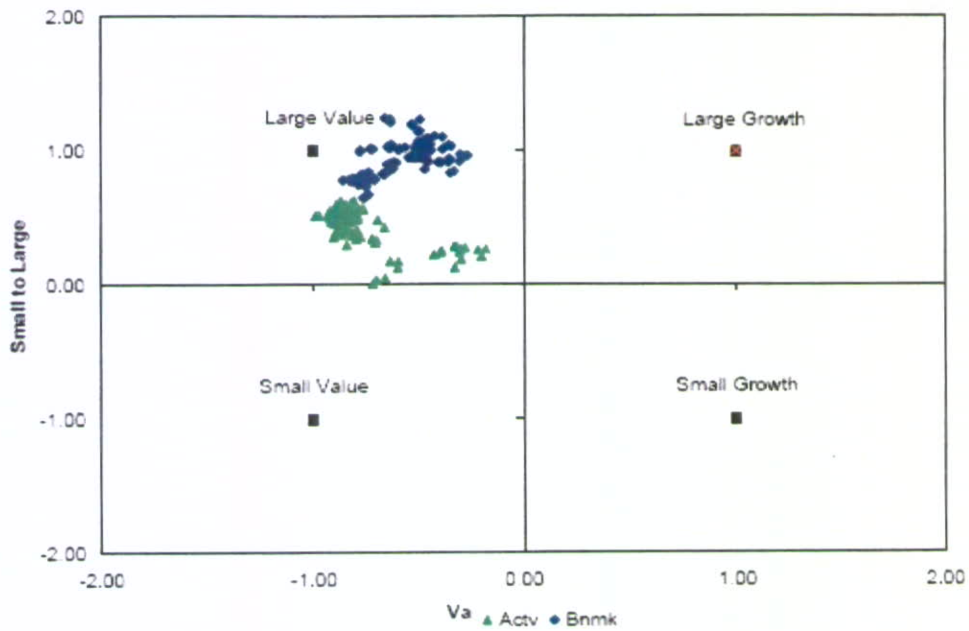


Richards & Tierney

Earnest Partners
Style Coordinates (200008 - 200709)

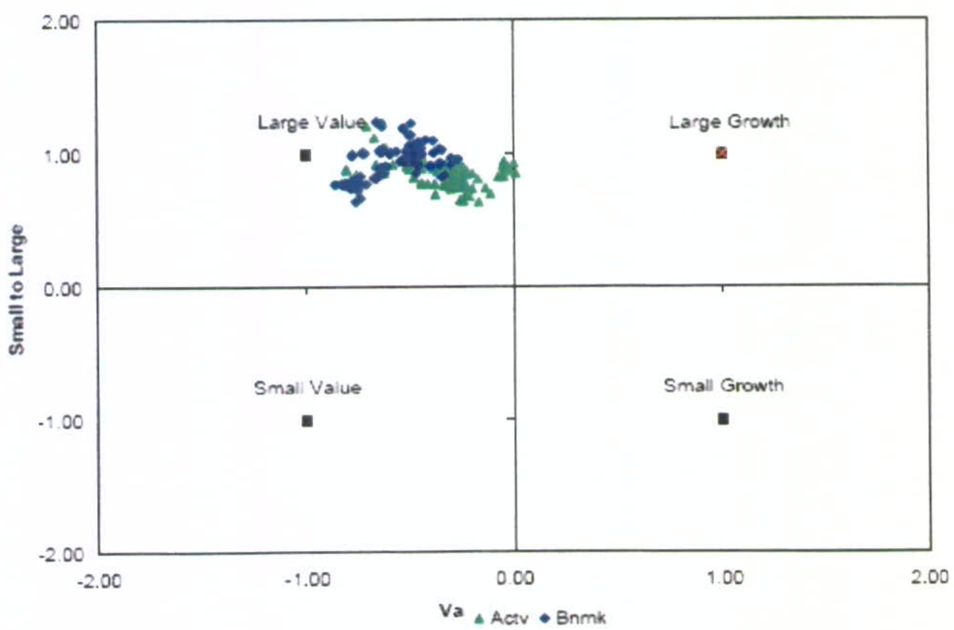


LSV Asset Mgmt
Style Coordinates (199902 - 200709)

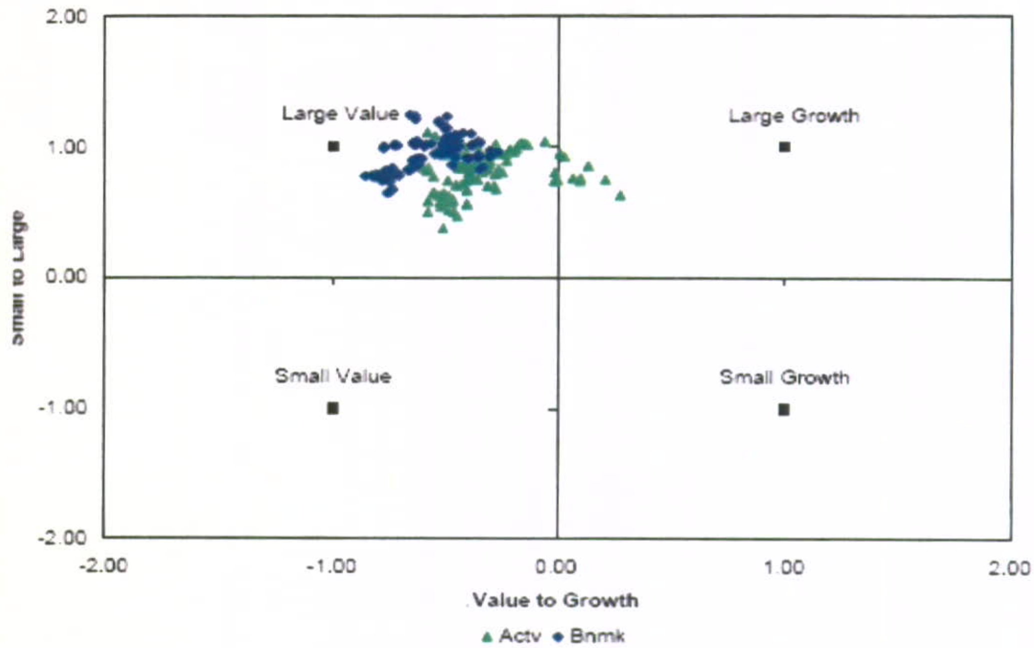


Richards & Tierney

Lord Abbett
Style Coordinates (199902 - 200709)



Systematic Financial
Style Coordinates (199902 - 200709)



Richards & Tierney

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Russell 2000 Growth

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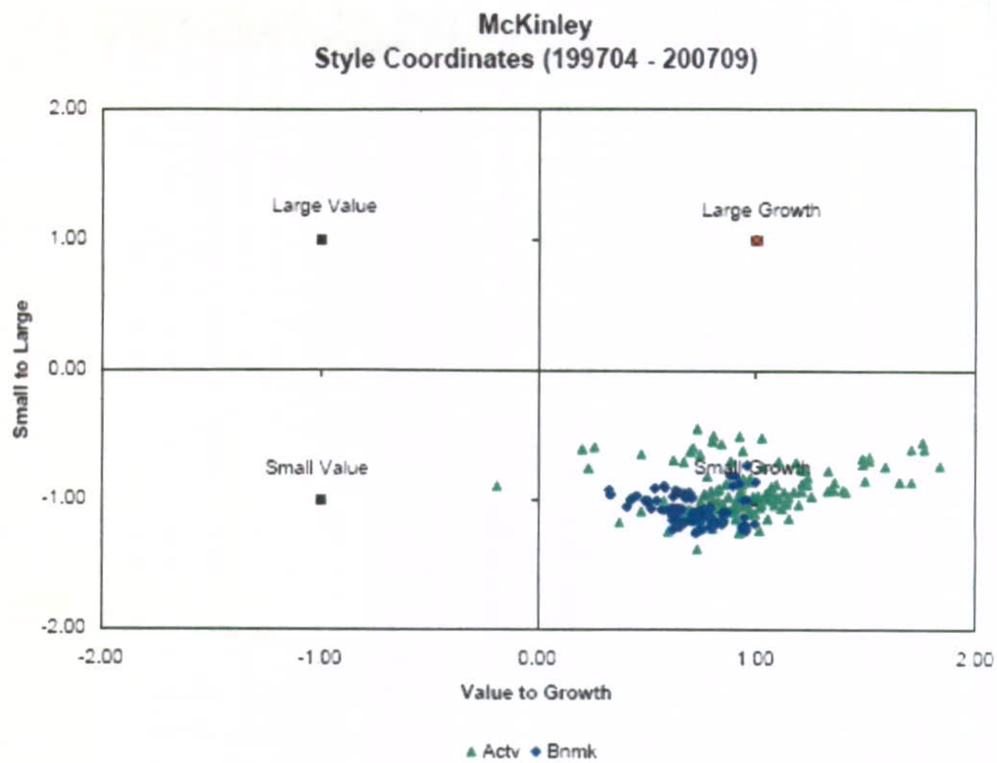
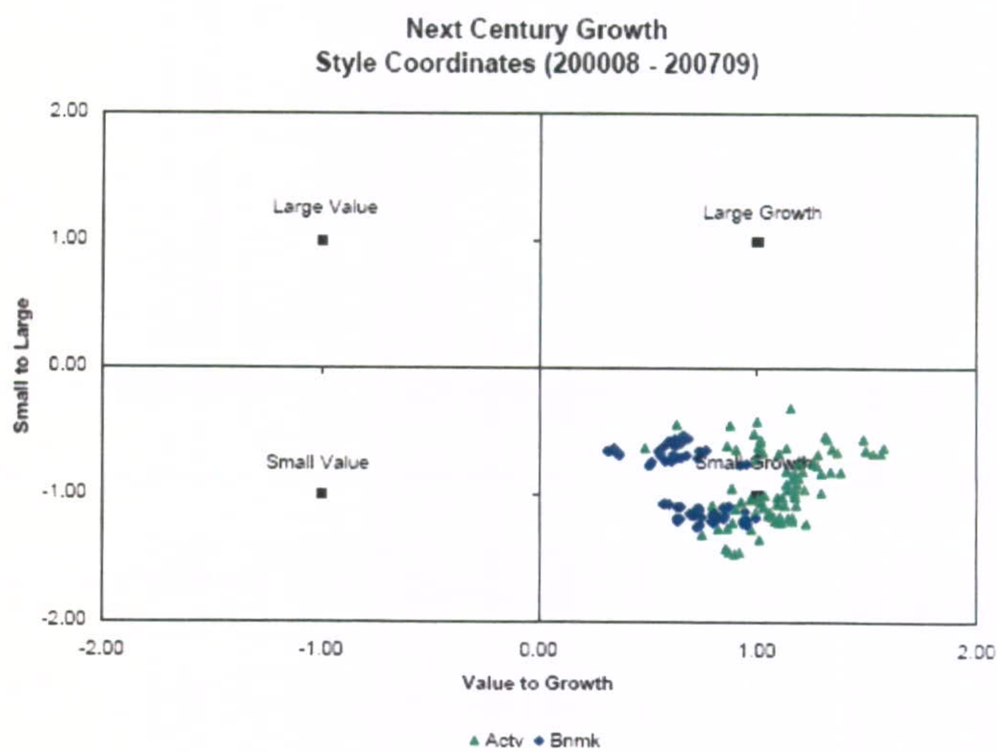
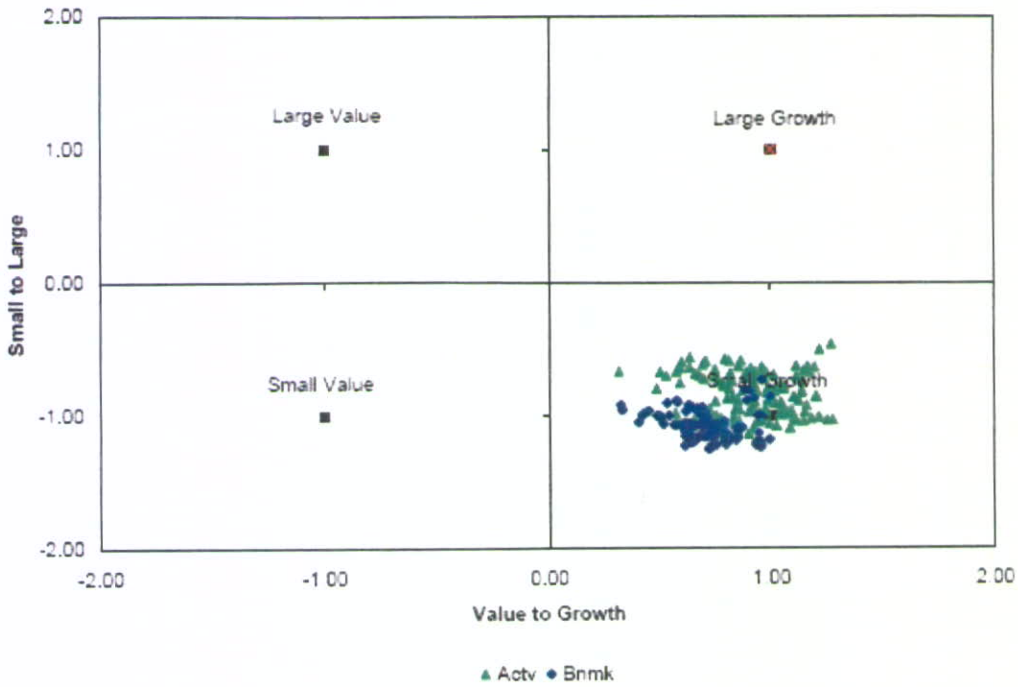


Richards & Tierney



Richards & Tierney

Turner
Style Coordinates (199609 - 200709)



Richards & Tierney

Russell 2000 Value

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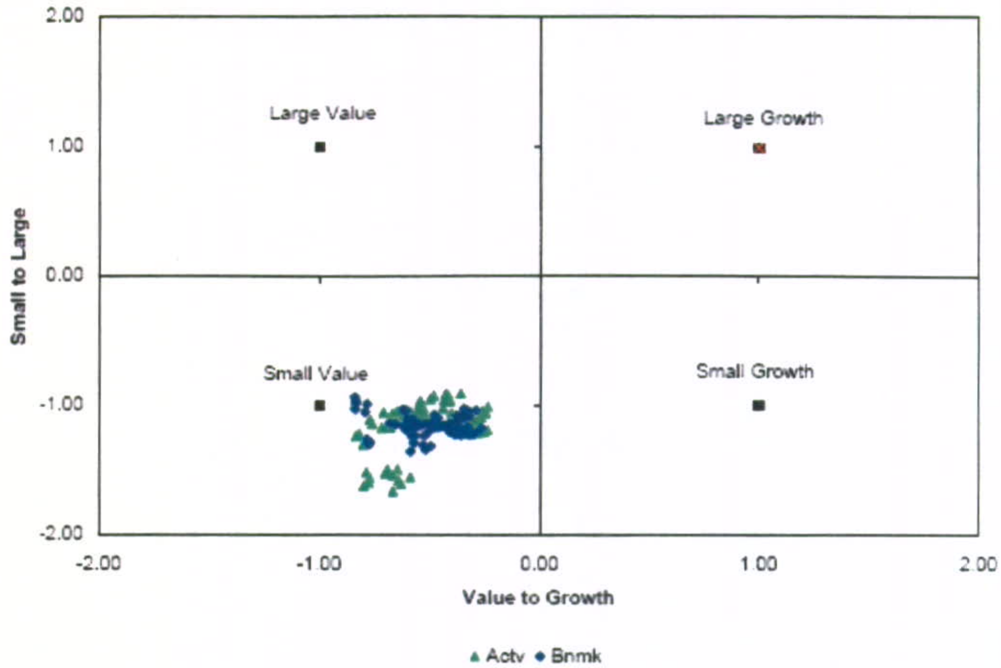
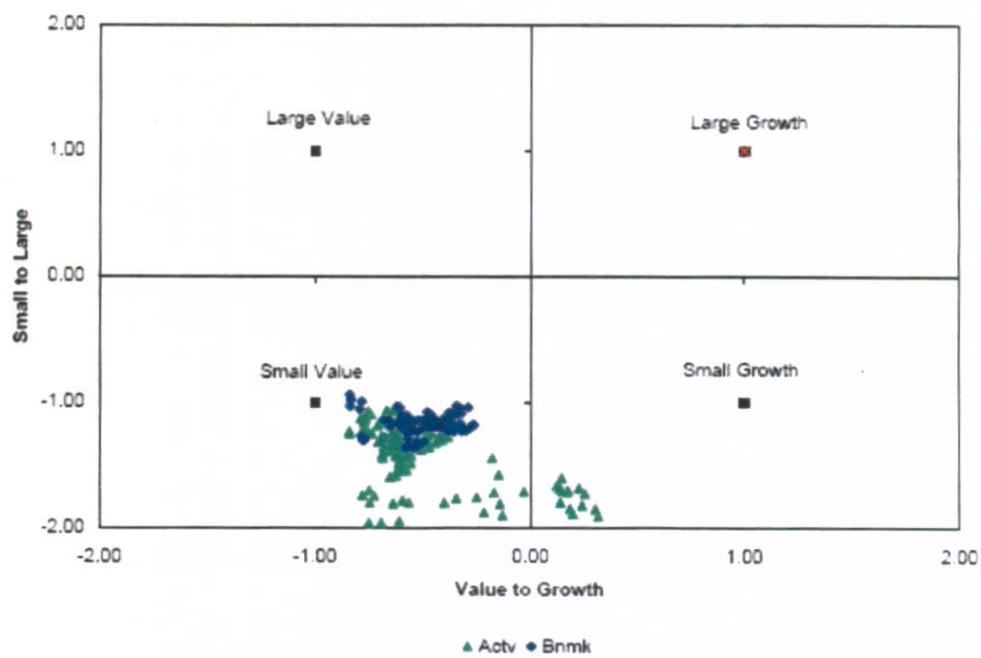
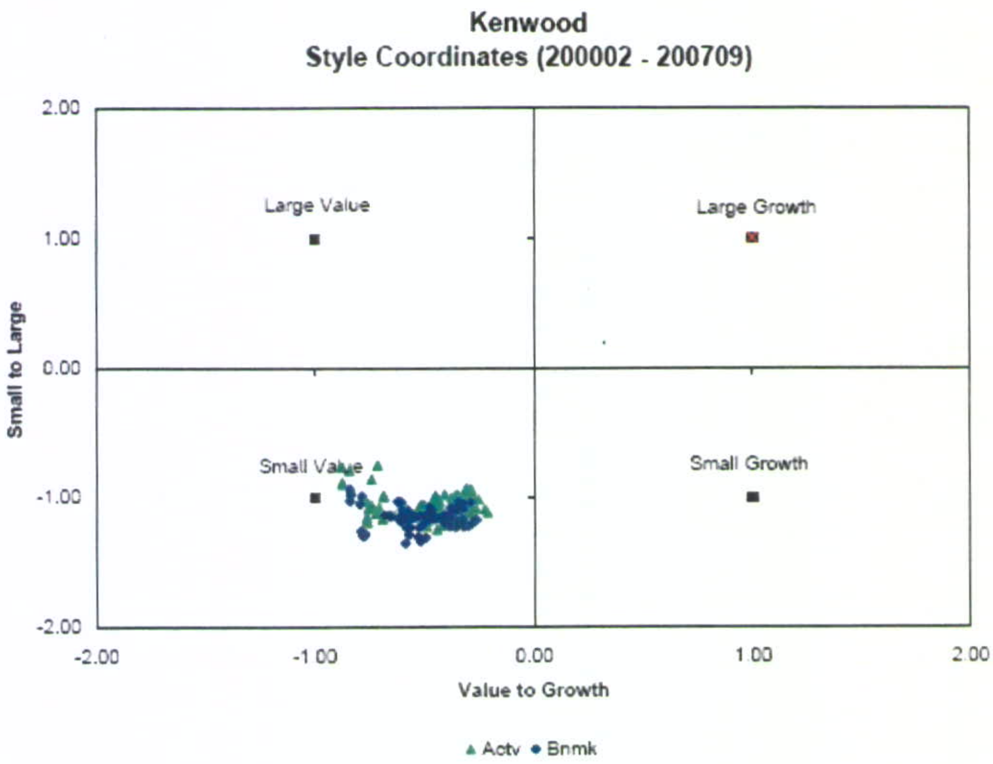
Goldman Sachs
Style Coordinates (200002 - 200709)



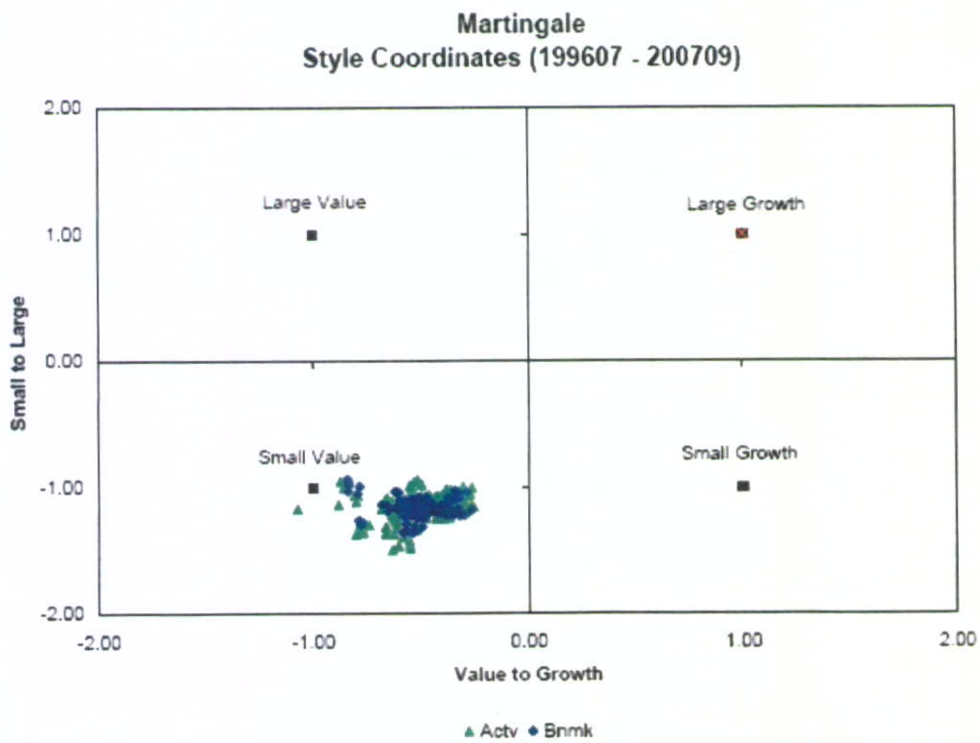
Richards & Tierney

Hotchkiss & Wiley
Style Coordinates (199802 - 200709)

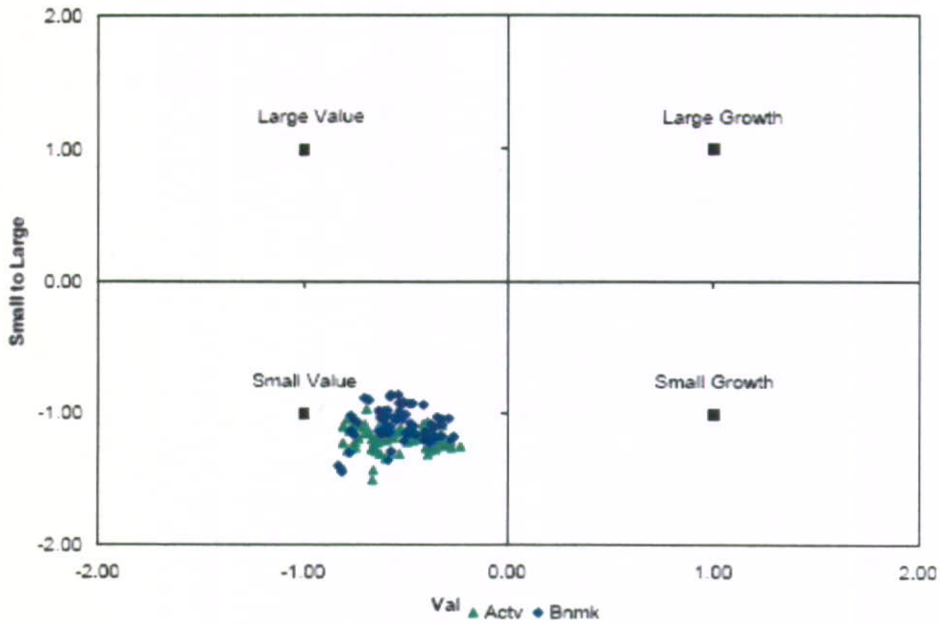




Richards & Tierney



Peregrine
Style Coordinates (200008 - 200709)



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Semi-passive

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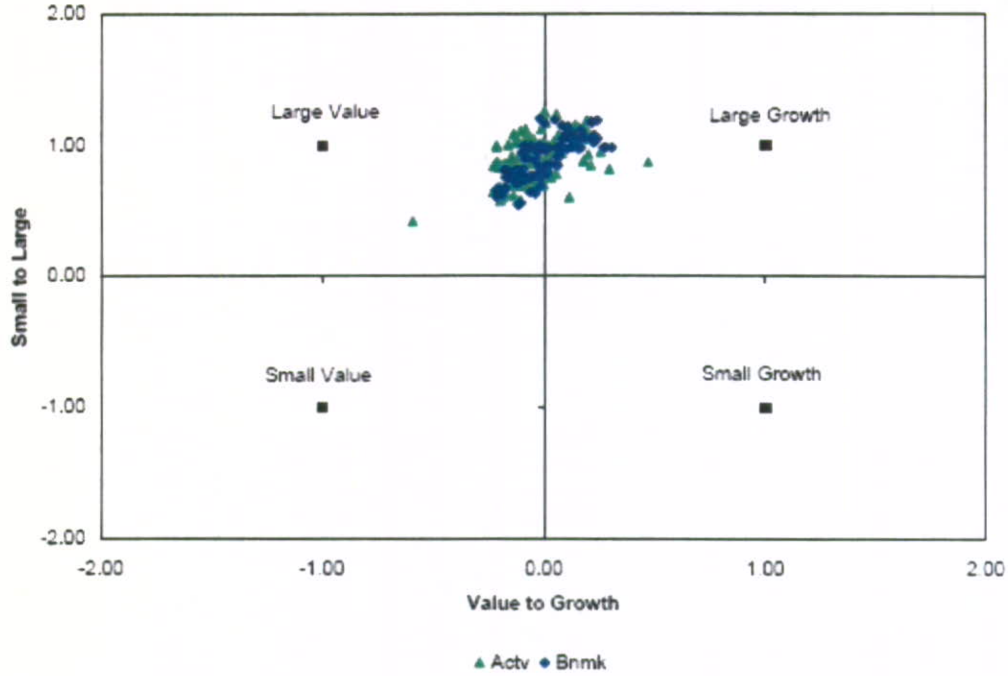
JP Morgan Semi-Passive
Style Coordinates (199501 - 200709)



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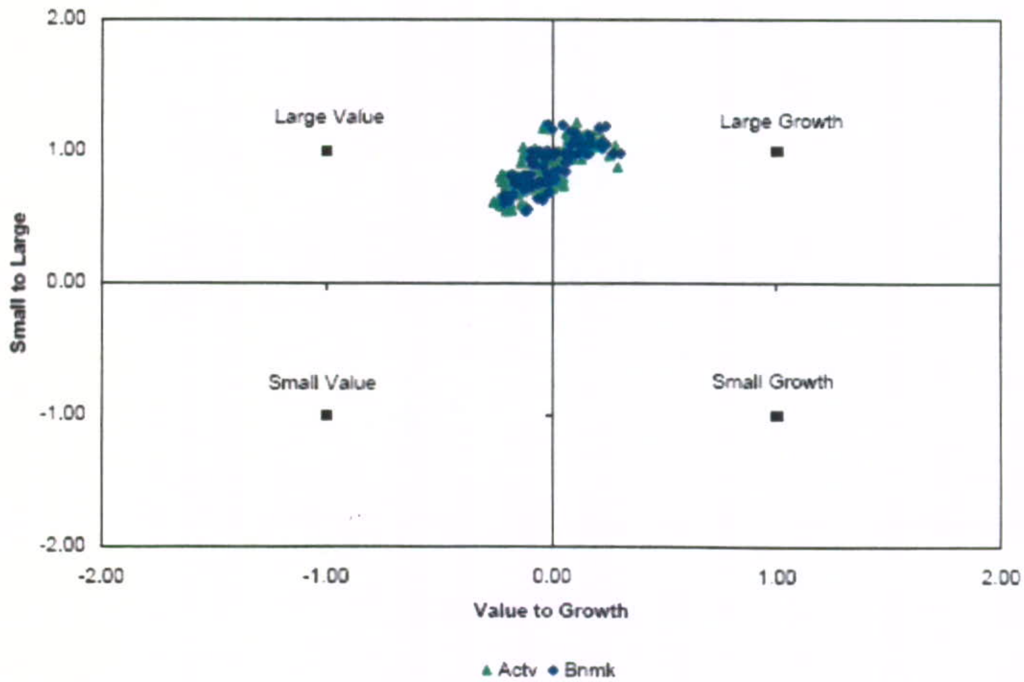
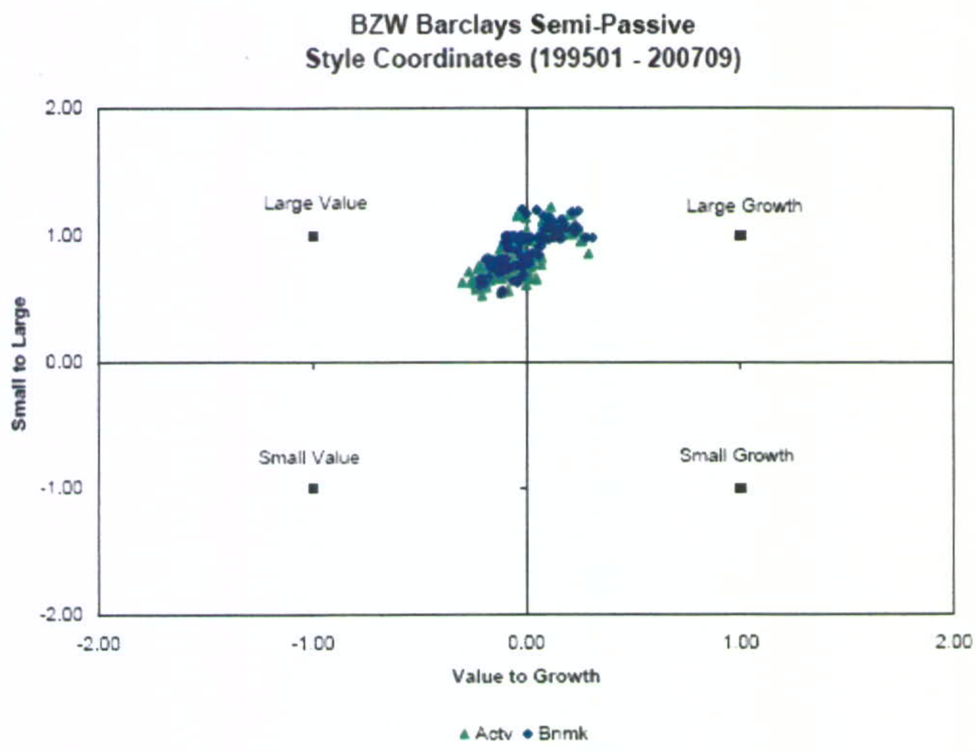
Franklin Portfolio Semi-Passive
Style Coordinates (199501 - 200709)



Richards & Tierney



Richards & Tierney

STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

Fourth Quarter, 2007

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Domestic Equity

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending December, 2007

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-4.2	-3.2	2.4	5.8	8.0	9.1		
Russell 1000 Growth Aggregate	0.8	-0.8	14.9	11.8	8.0	8.7		
Russell 1000 Value Aggregate	-4.4	-5.8	3.6	-0.2	8.8	9.3		
Russell 2000 Growth Aggregate	0.6	-2.1	21.6	7.0	11.9	8.1		
Russell 2000 Value Aggregate	-10.0	-7.3	-13.4	-9.8	1.8	5.3		
Active Manager Aggregate	**-2.9**	**-3.5**	**6.3**	**4.2**	**8.1**	**8.5**		
Semi-Passive Aggregate	**-4.2**	**-3.2**	**3.2**	**5.8**	**8.4**	**9.1**		
Passive Manager (BGI)	**-3.3**	**-3.3**	**5.1**	**5.1**	**8.9**	**8.9**		
Total Domestic Equity Aggregate	**-3.5**	**-3.4**	**4.9**	**5.1**	**8.5**	**8.9**		
SBI DE Asset Class Target		**-3.3**		**5.1**		**8.9**		
Russell 3000 Index		**-3.3**		**5.1**		**8.9**		

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

COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending December, 2007
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
LARGE CAP												
Russell 1000 Core												
Franklin Portfolio	-4.6	-3.2	2.4	5.8	8.4	9.1	14.4	13.4	11.7	11.5	$510.5	2.1%
New Amsterdam Partners (2)	-2.5	-3.2	5.0	5.8	7.3	9.1	13.7	14.8	13.1	11.8	$542.0	2.2%
UBS Global	-5.0	-3.2	0.8	5.8	8.5	9.1	13.6	13.4	10.9	10.6	$820.6	3.4%
Aggregate	**-4.2**	**-3.2**	**2.4**	**5.8**	**8.0**	**9.1**					**$1,873.1**	**7.8%**
Russell 1000 Growth												
Alliance Capital	1.3	-0.8	15.4	11.8	9.5	8.7	11.2	12.1	14.3	11.0	$315.7	1.3%
Cohen, Klingenstein & Marks	-4.9	-0.8	7.4	11.8	3.6	8.7	10.7	12.1	8.6	9.4	$156.4	0.6%
INTECH	1.4	-0.8	11.4	11.8	8.8	8.7			8.8	8.7	$359.4	1.5%
Jacobs Levy	0.8	-0.8	8.4	11.8	6.6	8.7			6.6	8.7	$321.7	1.3%
Lazard Asset Mgmt.	0.1	-0.8	18.0	11.8	10.4	8.7			10.4	8.7	$67.8	0.3%
Sands Capital	1.7	-0.8	19.5	11.8	7.8	8.7			7.8	8.7	$249.2	1.0%
Voyageur-Chicago Equity (4)	-0.9	-0.8	10.9	11.8	5.6	8.7	9.9	12.1	1.1	-3.7	$55.3	0.2%
Winslow-Large Cap	2.7	-0.8	22.0	11.8	13.2	8.7			13.2	8.7	$136.6	0.6%
Zevenbergen Capital	1.4	-0.8	24.0	11.8	12.8	8.7	19.4	12.1	11.1	9.4	$301.9	1.2%
Aggregate	**0.8**	**-0.8**	**14.9**	**11.8**	**8.0**	**8.7**					**$1,963.8**	**8.1%**
Russell 1000 Value												
Barrow, Hanley	-5.1	-5.8	2.6	-0.2	9.1	9.3			11.4	11.0	$484.4	2.0%
Earnest Partners	-2.6	-5.8	6.5	-0.2	11.9	9.3	17.0	14.6	7.2	7.9	$200.3	0.8%
Lord Abbett & Co.	-4.1	-5.8	4.4	-0.2	8.6	9.3			9.8	11.0	$349.9	1.4%
LSV Asset Mgmt.	-5.8	-5.8	1.3	-0.2	11.5	9.3			13.1	11.0	$467.6	1.9%
Systematic Financial Mgmt.	-3.3	-5.8	8.3	-0.2	12.1	9.3			13.0	11.0	$353.7	1.5%
Aggregate	**-4.4**	**-5.8**	**3.6**	**-0.2**	**8.8**	**9.3**					**$1,855.9**	**7.7%**
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	-1.6	-2.1	16.2	7.0	9.4	8.1			10.1	9.6	$263.2	1.1%
Next Century Growth	3.3	-2.1	34.2	7.0	23.6	8.1	24.8	16.5	2.8	0.5	$303.1	1.3%
Turner Investment Partners	-0.2	-2.1	14.8	7.0	11.5	8.1			11.5	9.6	$267.9	1.1%
Aggregate	**0.6**	**-2.1**	**21.6**	**7.0**	**11.9**	**8.1**					**$834.1**	**3.5%**
Russell 2000 Value												
Goldman Sachs	-7.4	-7.3	-5.0	-9.8	5.2	5.3			8.7	9.3	$130.7	0.5%
Hotchkis & Wiley	-9.4	-7.3	-18.8	-9.8	-2.6	5.3			4.1	9.3	$109.7	0.5%
Martingale Asset Mgmt.	-10.9	-7.3	-16.8	-9.8	0.5	5.3			7.3	9.3	$124.2	0.5%
Peregrine Capital	-12.1	-7.3	-13.4	-9.8	2.9	5.3	14.2	15.8	12.9	12.6	$193.1	0.8%
RiverSource/Kenwood	-7.7	-7.3	-11.8	-9.8	3.4	5.3			8.6	9.3	$58.2	0.2%
Aggregate	**-10.0**	**-7.3**	**-13.4**	**-9.8**	**1.8**	**5.3**					**$615.8**	**2.5%**
Active Mgr. Aggregate (3)	**-2.9**	**-3.5**	**6.3**	**4.2**	**8.1**	**8.5**					**$7,142.8**	**29.6%**

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

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

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

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

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

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

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

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

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

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

COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending December, 2007
Versus Manager Benchmarks

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	%
SEMI-PASSIVE MANAGERS (1)												
Barclays Global Investors	-4.3	-3.2	2.2	5.8	8.3	9.1	13.0	13.2	10.9	10.4	$3,405.3	14.1%
Franklin Portfolio	-4.8	-3.2	2.5	5.8	8.2	9.1	12.4	13.2	9.9	10.4	$2,446.0	10.1%
JP Morgan	-3.7	-3.2	5.1	5.8	8.6	9.1	13.0	13.2	10.4	10.4	$2,736.7	11.3%
Semi-Passive Aggregate (R1000)	**-4.2**	**-3.2**	**3.2**	**5.8**	**8.4**	**9.1**	**12.9**	**13.2**	**10.4**	**10.4**	**$8,588.0**	**35.5%**
PASSIVE MANAGER (R3000)												
Barclays Global Investors	-3.3	-3.3	5.1	5.1	8.9	8.9	13.6	13.7	10.0	9.9	$8,430.4	34.9%
									Since 1/1/84			
Historical Aggregate (3)	**-3.5**	**-3.4**	**4.9**	**5.1**	**8.5**	**8.9**	**13.4**	**13.6**	**11.4**	**11.7**	**$24,161.2**	**100.0%**
SBI DE Asset Class Target (4)		-3.3		5.1		8.9		13.7		11.6		
Russell 3000		-3.3		5.1		8.9		13.6		12.1		
Wilshire 5000		-3.2		5.6		9.2		14.0		12.0		
Russell 1000		-3.2		5.8		9.1		13.4		12.3		
Russell 2000		-4.6		-1.6		6.8		16.2		10.1		

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

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

(3) Includes the performance of terminated managers.

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

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

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

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

(2) Includes the performance of terminated managers.

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

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

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Large Cap Core (R1000)

Large Cap Core (R1000)

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FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2007

Portfolio Manager: John Cone | **Assets Under Management: $510,462,898**

Investment Philosophy – Active Style

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

Staff Comments

Later this year, John Cone, President and CEO will relinquish some of his duties but will continue in his role as Chairman of the board. Oliver Buckley, CIO, will take over as CEO. Paul Healy will become President and continue as Chief Operating Officer.

Recommendation

No action required

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

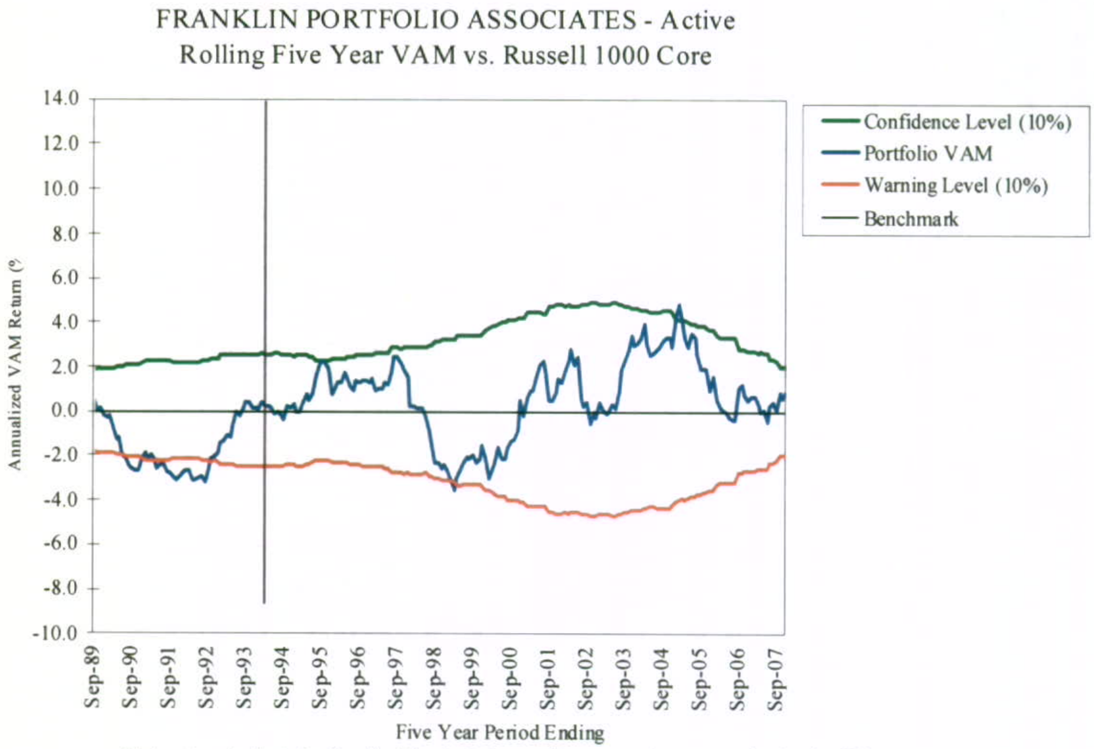
	Actual	Russell 1000 Core
Last Quarter	-4.6%	-3.2%
Last 1 year	2.4	5.8
Last 2 years	11.0	10.5
Last 3 years	8.4	9.1
Last 4 years	10.2	9.7
Last 5 years	14.4	13.4
Since Inception (4/89)	11.7	11.5

Calendar Year Returns

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

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2007

Portfolio Manager: John Cone **Assets Under Management: $510,462,898**



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

NEW AMSTERDAM PARTNERS
Periods Ending December, 2007

Portfolio Manager: Michelle Clayman | **Assets Under Management: $542,046,137**

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

The portfolio outperformed the benchmark by 0.7% during the quarter aided by a somewhat defensive portfolio during this down market. Positive stock selection in health care, producer durables and consumer discretionary sectors helped returns for the quarter.

The portfolio underperformed the benchmark by 0.8% during the year. Positive returns as a result of the underweight in autos & transportation and financial sectors were offset by poor stock selection in these sectors. Poor stock selection in addition to an underweight in integrated oils also hurt returns during the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell Index (1)
Last Quarter	-2.5%	-3.2%
Last 1 year	5.0	5.8
Last 2 years	7.1	10.5
Last 3 years	7.3	9.1
Last 4 years	9.1	9.7
Last 5 years	13.7	14.8
Since Inception (4/94)	13.1	11.8

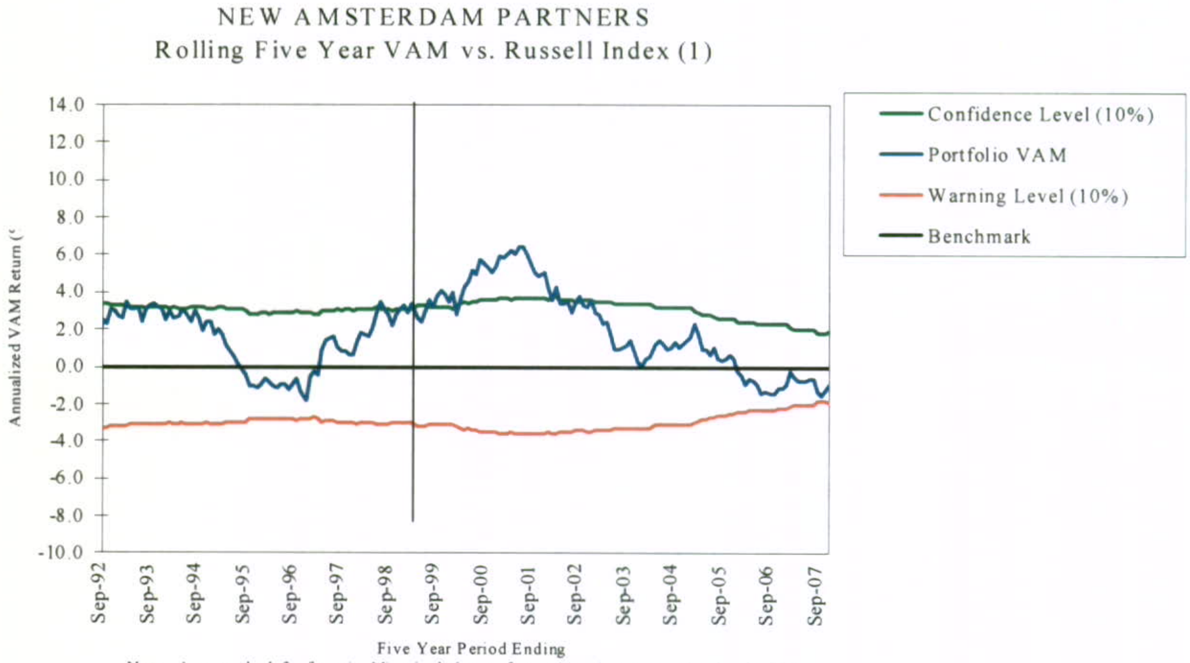
Calendar Year Returns

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

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

NEW AMSTERDAM PARTNERS
Periods Ending December, 2007

Portfolio Manager: Michelle Clayman **Assets Under Management: $542,046,137**



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

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: John Leonard **Assets Under Management: $820,609,307**

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.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	-5.0%	-3.2%
Last 1 year	0.8	5.8
Last 2 years	8.5	10.5
Last 3 years	8.5	9.1
Last 4 years	9.7	9.7
Last 5 years	13.6	13.4
Since Inception (7/93)	10.9	10.6

Calendar Year Returns

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

Staff Comments

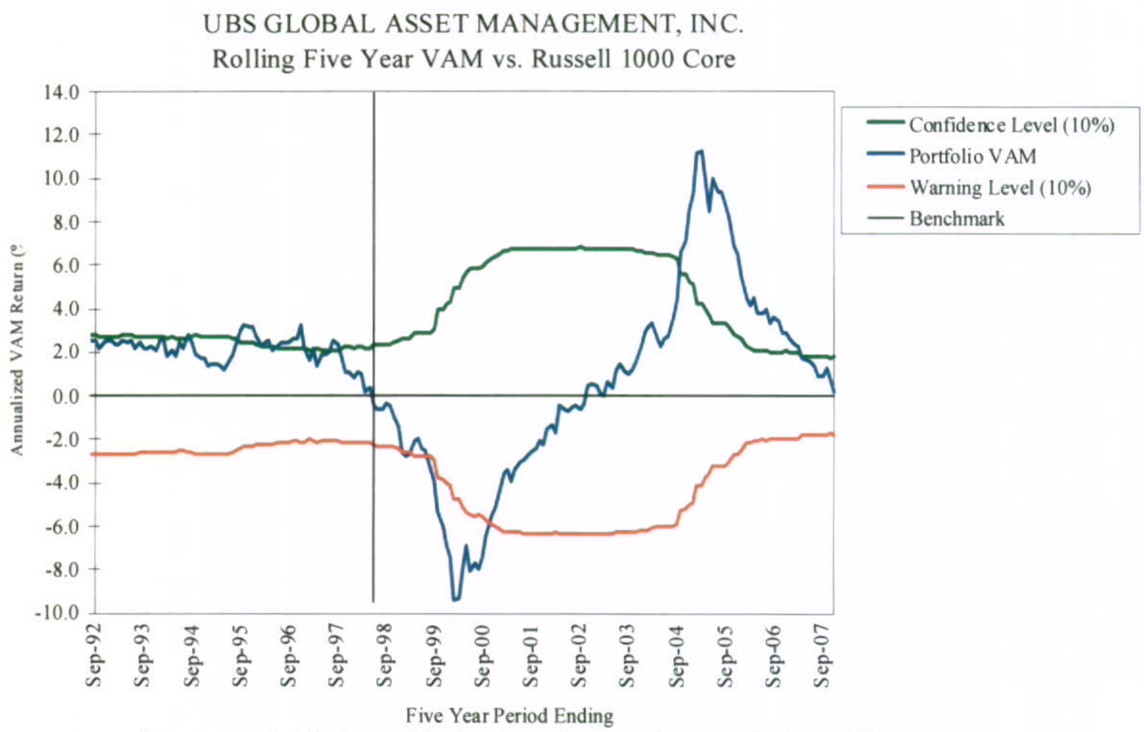
No comment at this time.

Recommendation

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: John Leonard **Assets Under Management: $820,609,307**



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

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Large Cap Growth (R1000 Growth)

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Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Stephanie Simon **Assets Under Management: $315,653,414**

Investment Philosophy

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

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	1.3%	-0.8%
Last 1 year	15.4	11.8
Last 2 years	7.2	10.4
Last 3 years	9.5	8.7
Last 4 years	8.6	8.1
Last 5 years	11.2	12.1
Since Inception (1/84)	14.3	11.0

Calendar Year Returns

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

Staff Comments

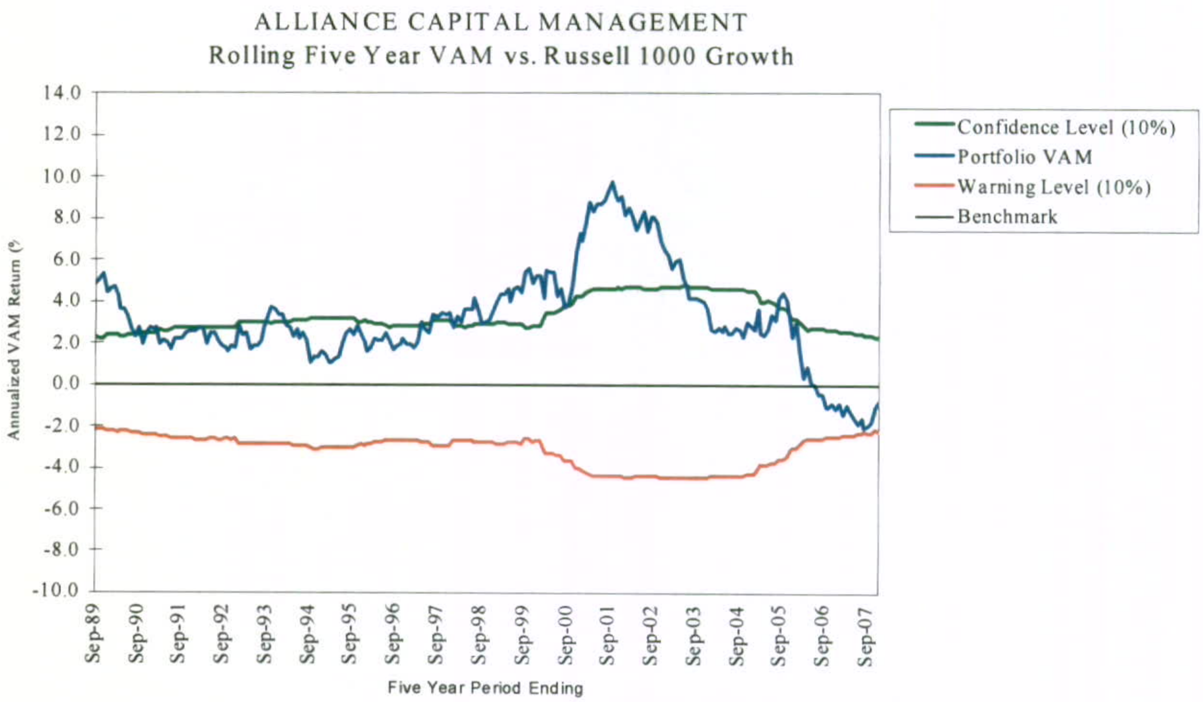
No comment at this time.

Recommendation

No action required.

ALLIANCE CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Stephanie Simon **Assets Under Management: $315,653,414**



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending December, 2007

Portfolio Manager: George Cohen | **Assets Under Management: $156,386,422**

Investment Philosophy

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

Staff Comments

The portfolio underperformed during the quarter by 4.1%. For the year, the portfolio underperformed by 4.4%. Stock selection in both healthcare and technology hurt performance for both periods.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

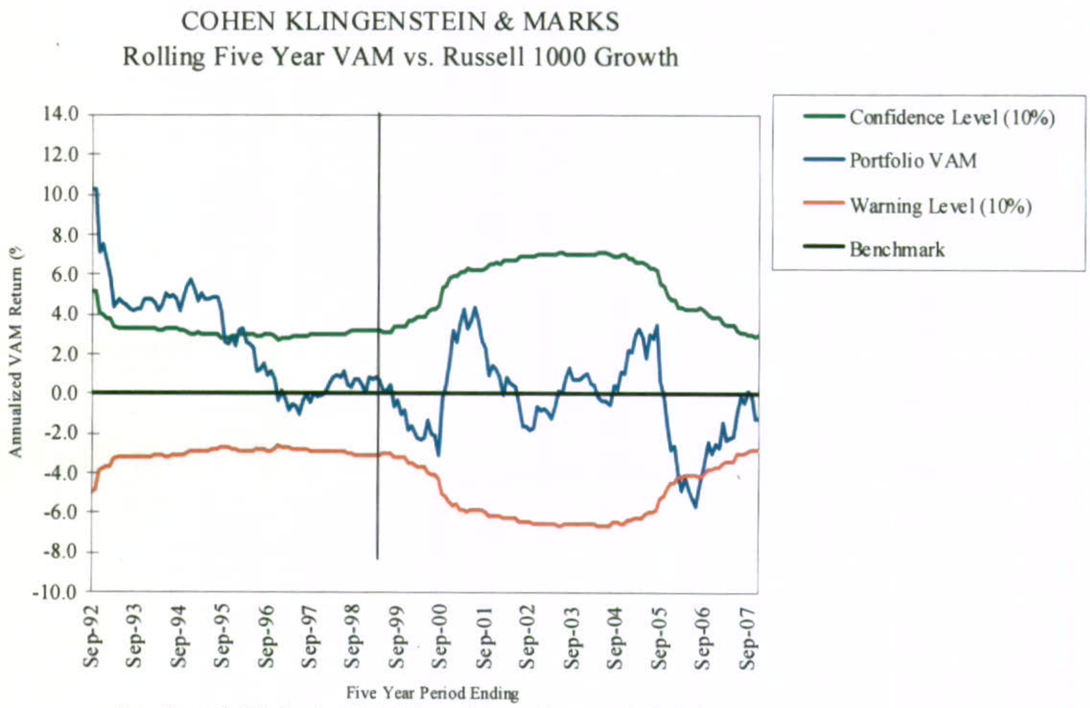
	Actual	Russell 1000 Growth
Last Quarter	-4.9%	-0.8%
Last 1 year	7.4	11.8
Last 2 years	5.9	10.4
Last 3 years	3.6	8.7
Last 4 years	4.2	8.1
Last 5 years	10.7	12.1
Since Inception (4/94)	8.6	9.4

Calendar Year Returns

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

COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending December, 2007

Portfolio Manager: George Cohen **Assets Under Management: $156,386,422**



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

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending December, 2007

Portfolio Manager: Robert Fernholz **Assets Under Management: $ 359,380,267**

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

INTECH has promoted Dr. Cary Maguire to Co-Chief Investment Officer, effective January 2008. Dr. Robert Fernholz, current CIO and founder of INTECH, will assume a co-CIO role along with Dr. Maguire. This is part of their ongoing succession plan.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

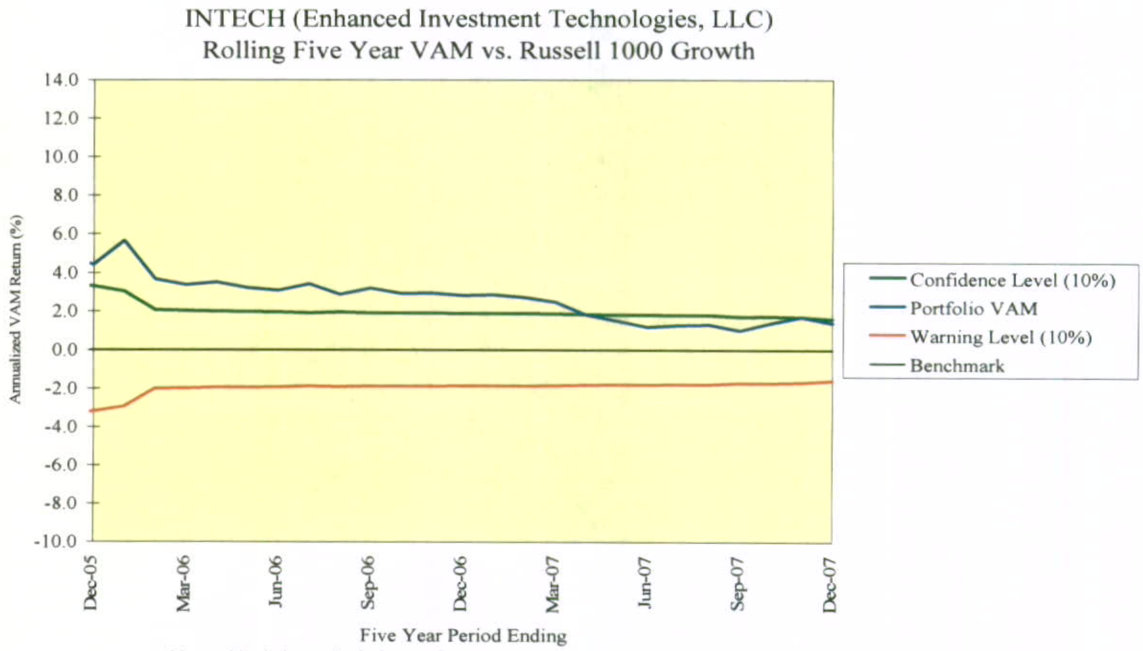
	Actual	Russell 1000 Growth
Last Quarter	1.4%	-0.8%
Last 1 year	11.4	11.8
Last 2 years	9.4	10.4
Last 3 years	8.8	8.7
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	8.8	8.7

Calendar Year Returns

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

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending December, 2007

Portfolio Manager: Robert Fernholz **Assets Under Management: $359,380,267**



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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Bruce Jacobs and Ken Levy **Assets Under Management: $321,746,709**

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.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

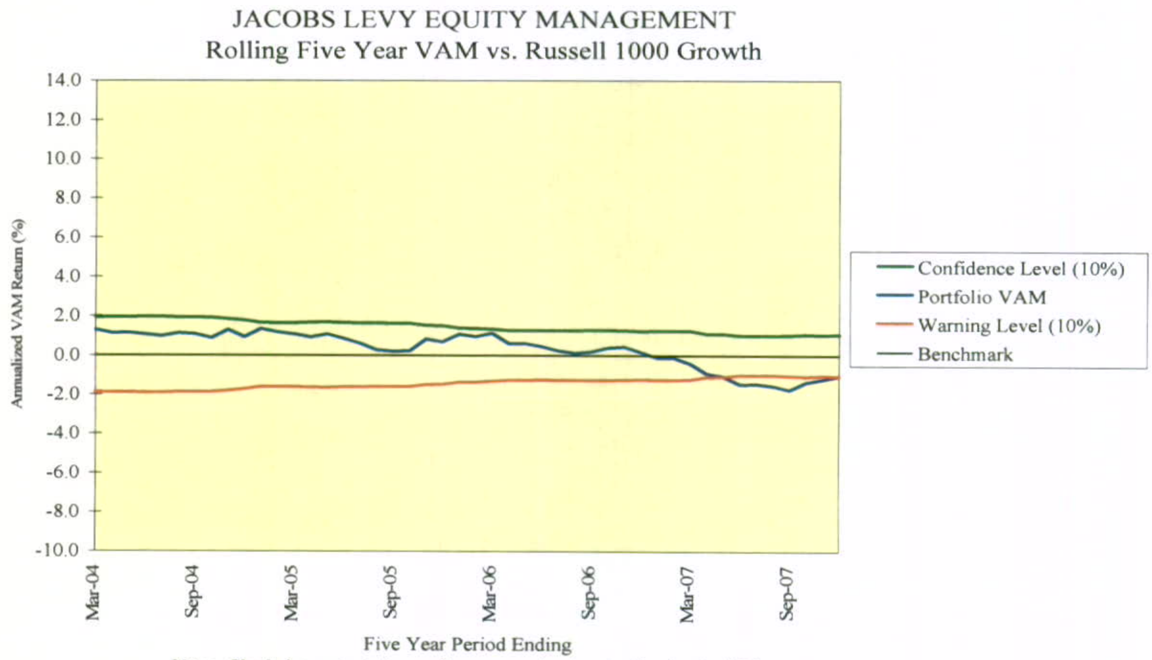
	Actual	Russell 1000 Growth
Last Quarter	0.8%	-0.8%
Last 1 year	8.4	11.8
Last 2 years	7.3	10.4
Last 3 years	6.6	8.7
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	6.6	8.7

Calendar Year Returns

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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Bruce Jacobs and Ken Levy **Assets Under Management: $321,746,709**



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

LAZARD ASSET MANAGEMENT LLC
Periods Ending December, 2007

Portfolio Manager: Jim Tatera | **Assets Under Management: $67,775,319**

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

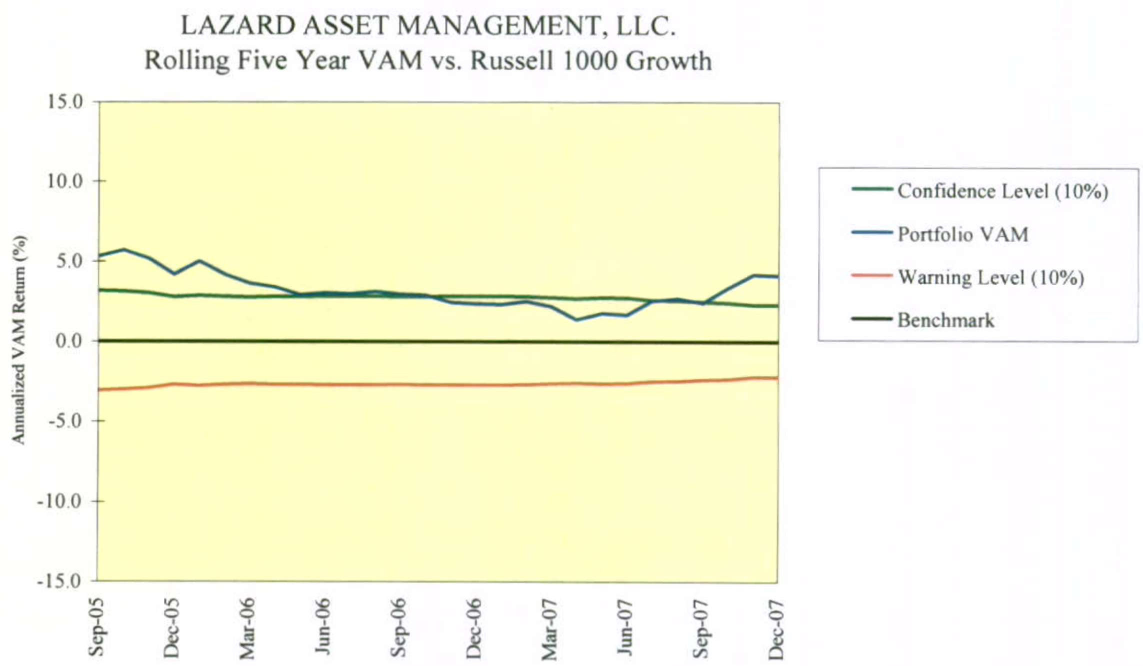
	Actual	Russell 1000 Growth
Last Quarter	0.1%	-0.8%
Last 1 year	18.0	11.8
Last 2 years	12.4	10.4
Last 3 years	10.4	8.7
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	10.4	8.7

Calendar Year Returns

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

LAZARD ASSET MANAGEMENT LLC
Periods Ending December, 2007

Portfolio Manager: Jim Tatera **Assets Under Management: $67,775,319**



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending December, 2007

Portfolio Manager: Frank Sands, Sr. **Assets Under Management: $249,180,511**

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

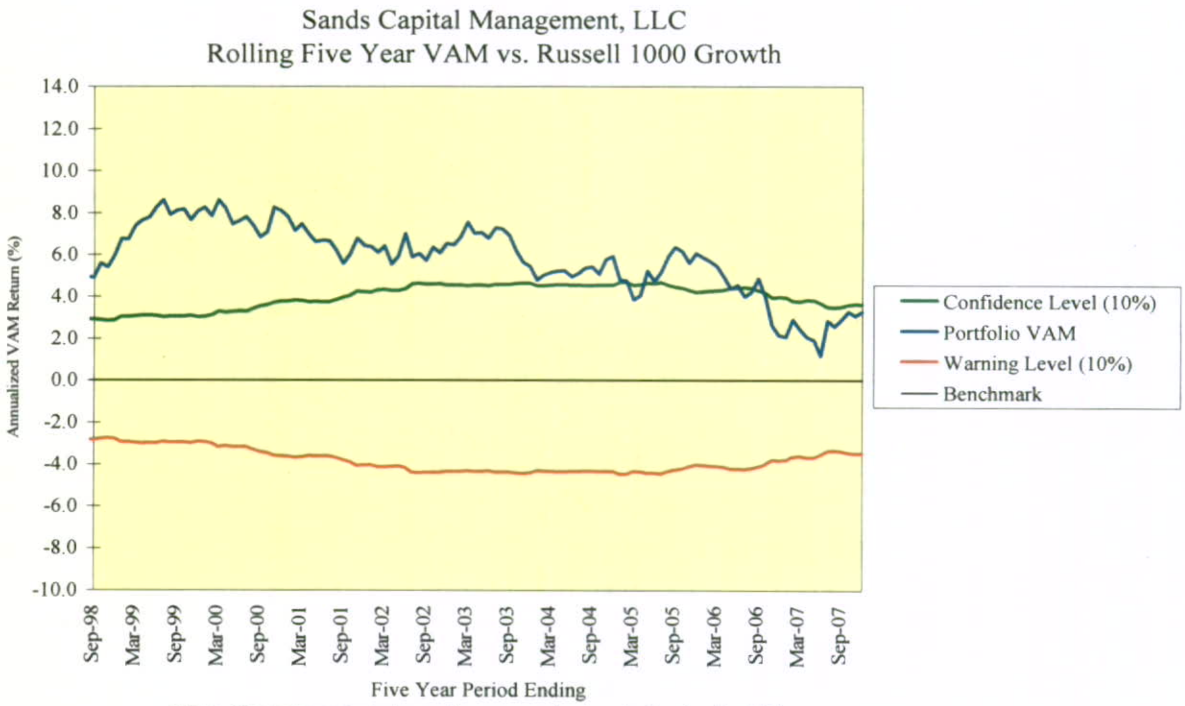
	Actual	Russell 1000 Growth
Last Quarter	1.7%	-0.8%
Last 1 year	19.5	11.8
Last 2 years	6.3	10.4
Last 3 years	7.8	8.7
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	7.8	8.7

Calendar Year Returns

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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending December, 2007

Portfolio Manager: Frank Sands, Sr. **Assets Under Management: $249,180,511**



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

VOYAGEUR ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: David Cox and Nancy Scinto **Assets Under Management: $55,262,991**

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

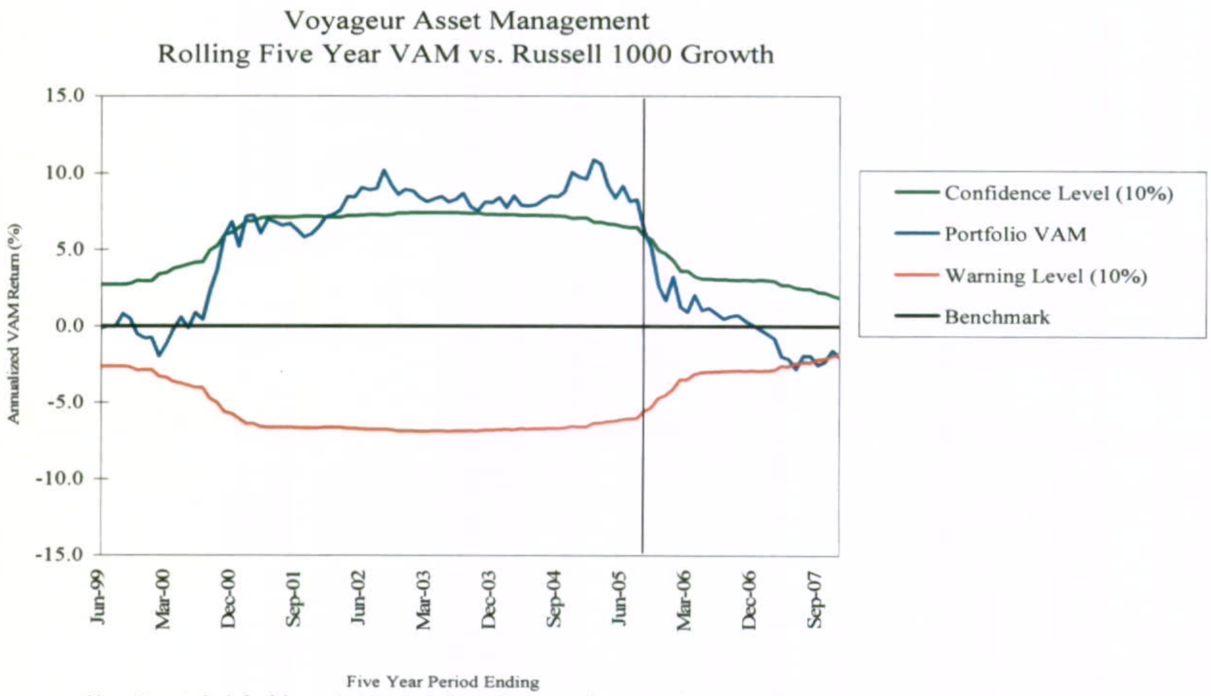
	Actual	Russell 1000 Growth
Last Quarter	-0.9%	-0.8%
Last 1 year	10.9	11.8
Last 2 years	6.4	10.4
Last 3 years	5.6	8.7
Last 4 years	6.8	8.1
Last 5 years	9.9	12.1
Since Inception (7/00)	1.1	-3.7

Calendar Year Returns

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

VOYAGEUR ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: David Cox and Nancy Scinto | **Assets Under Management: $55,262,991**



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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: Clark Winslow | **Assets Under Management: $136,588,166**

Investment Philosophy

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

Staff Comments

Winslow exceeded the quarterly benchmark by 3.5% and the one-year benchmark by 10.2%. Quarterly performance was helped by stock selection in information technology, energy, healthcare, and industrials sectors. Over the year, the contribution to return in the portfolio was positive in every sector except consumer discretionary.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	2.7%	-0.8%
Last 1 year	22.0	11.8
Last 2 years	14.6	10.4
Last 3 years	13.2	8.7
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (1/05)	13.2	8.7

Calendar Year Returns

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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: Clark Winslow **Assets Under Management: $136,588,166**

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

ZEVENBERGEN CAPITAL INC.
Periods Ending December, 2007

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $301,868,039**

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.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	1.4%	-0.8%
Last 1 year	24.0	11.8
Last 2 years	14.7	10.4
Last 3 years	12.8	8.7
Last 4 years	12.9	8.1
Last 5 years	19.4	12.1
Since Inception (4/94)	11.1	9.4

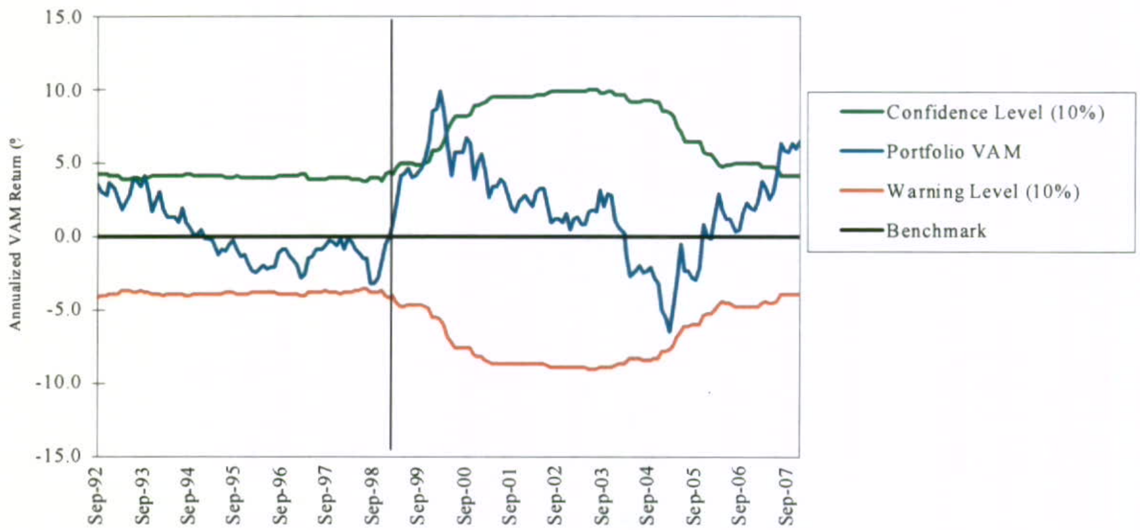
Calendar Year Returns

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

ZEVENBERGEN CAPITAL INC.
Periods Ending December, 2007

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $301,868,039**

Zevenbergen Capital 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.

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Large Cap Value (R1000 Value)

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Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending December, 2007

Portfolio Manager: Tim Culler | **Assets Under Management: $484,364,613**

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-5.1%	-5.8%
Last 1 year	2.6	-0.2
Last 2 years	8.8	10.5
Last 3 years	9.1	9.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/04)	11.4	11.0

Calendar Year Returns*

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

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

Staff Comments

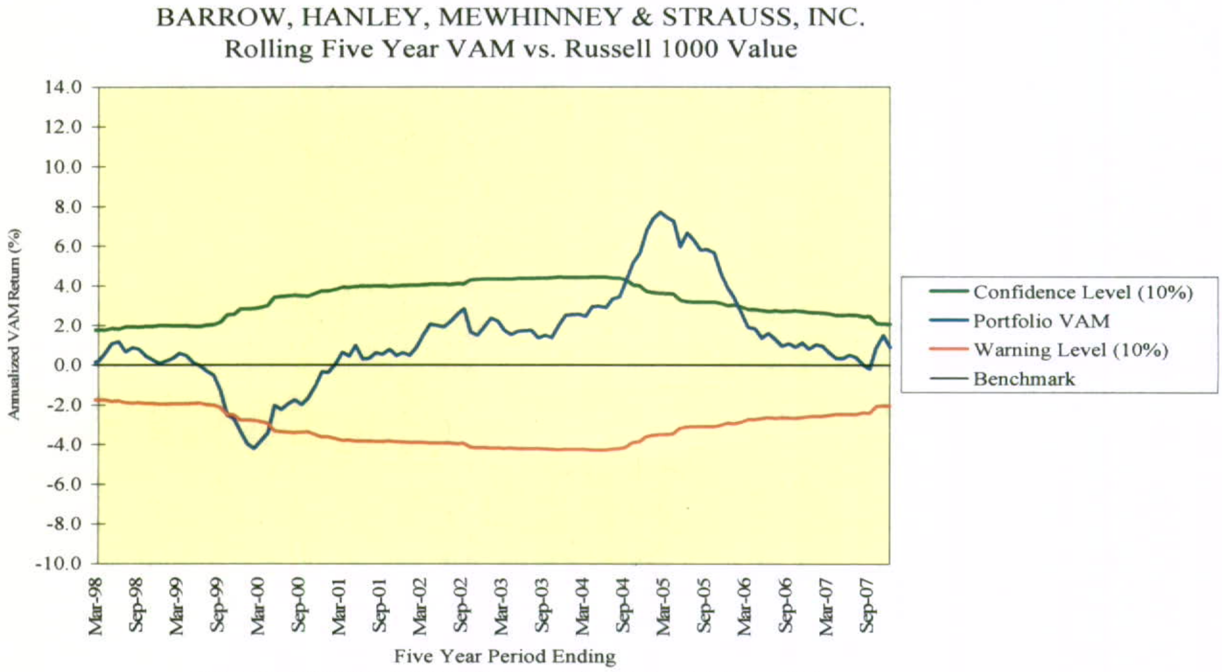
No comment at this time.

Recommendation

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending December, 2007

Portfolio Manager: Tim Culler **Assets Under Management: $484,364,613**



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

EARNEST PARTNERS, LLC
Periods Ending December, 2007

Portfolio Manager: Paul Viera **Assets Under Management: $200,268,994**

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

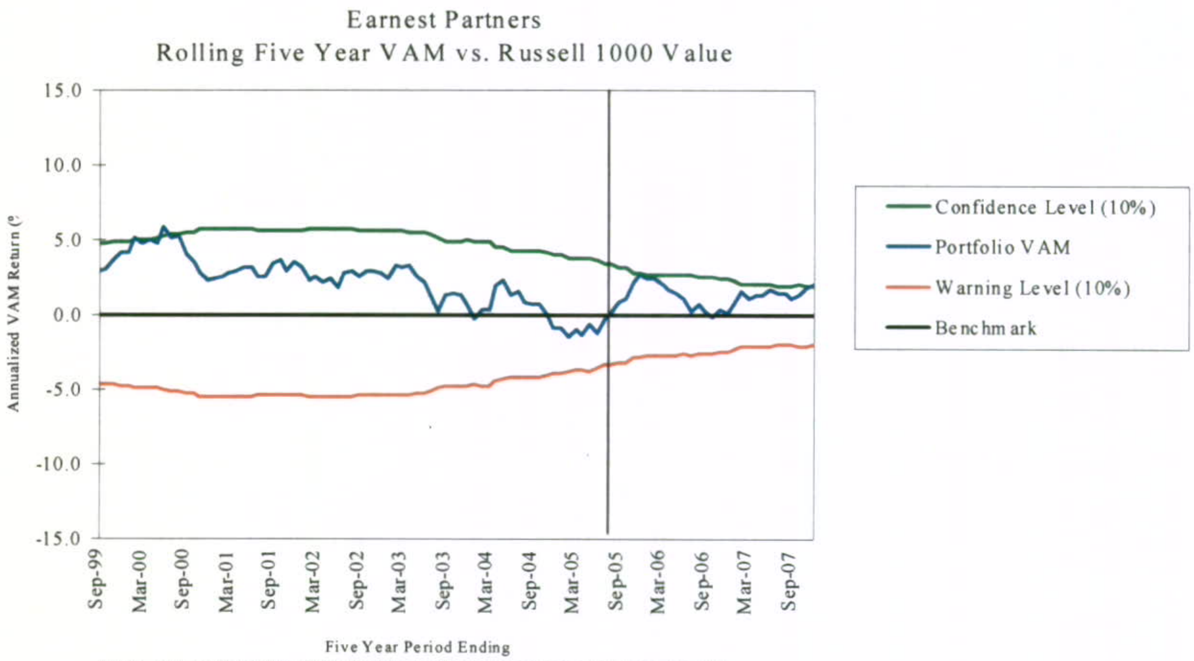
	Actual	Russell 1000 Value
Last Quarter	-2.6%	-5.8%
Last 1 year	6.5	-0.2
Last 2 years	10.1	10.5
Last 3 years	11.9	9.3
Last 4 years	13.6	11.1
Last 5 years	17.0	14.6
Since Inception (7/00)	7.2	7.9

Calendar Year Returns

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

EARNEST PARTNERS, LLC
Periods Ending December, 2007

Portfolio Manager: Paul Viera **Assets Under Management: $200,268,994**



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

LORD ABBETT & CO. LLC
Periods Ending December, 2007

Portfolio Manager: Eli Saltzmann **Assets Under Management: $349,946,657**

Investment Philosophy

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

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

Staff Comments

Lord Abbett announced that Stan Dinsky, a Partner and Portfolio Manager, will be retiring from the firm effective March 31, 2008. Eli Salzmann will continue to be the lead Portfolio Manager on the team.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-4.1%	-5.8%
Last 1 year	4.4	-0.2
Last 2 years	11.3	10.5
Last 3 years	8.6	9.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/04)	9.8	11.0

Calendar Year Returns*

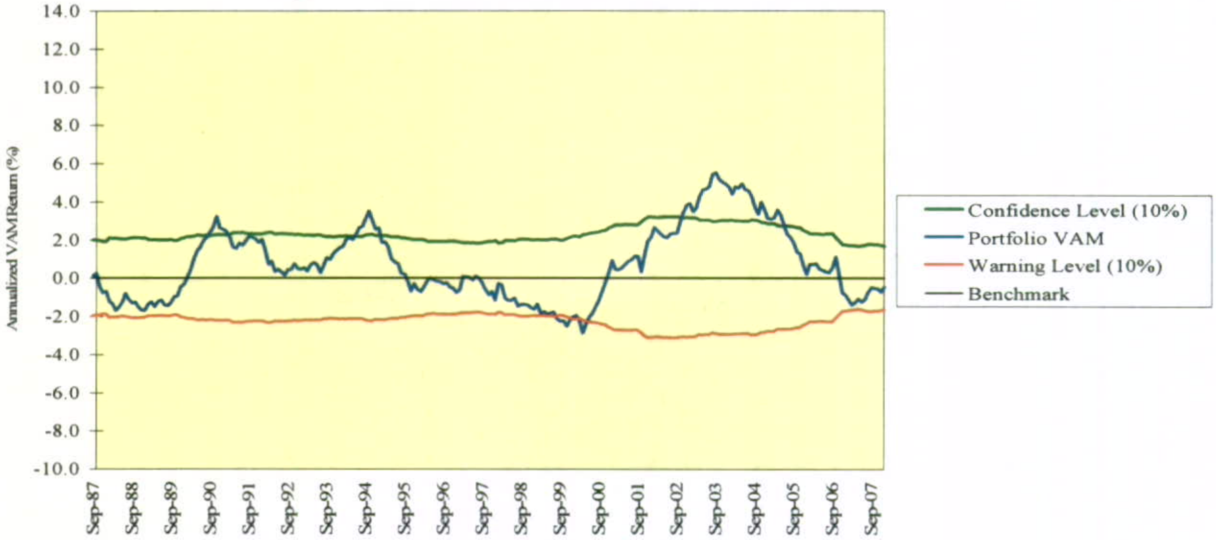
	Actual	Russell 1000 Value
2007	4.4%	-0.2%
2006	18.6	22.2
2005	3.5	7.1
2004	N/A	N/A
2003	N/A	N/A

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

LORD ABBETT & CO. LLC
Periods Ending December, 2007

Portfolio Manager: Eli Saltzmann **Assets Under Management: $349,946,657**

LORD ABBETT & CO. LLC
Rolling Five Year VAM vs. Russell 1000 Value



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

LSV ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Josef Lakonishok **Assets Under Management: $467,649,472**

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.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-5.8%	-5.8%
Last 1 year	1.3	-0.2
Last 2 years	11.0	10.5
Last 3 years	11.5	9.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/04)	13.1	11.0

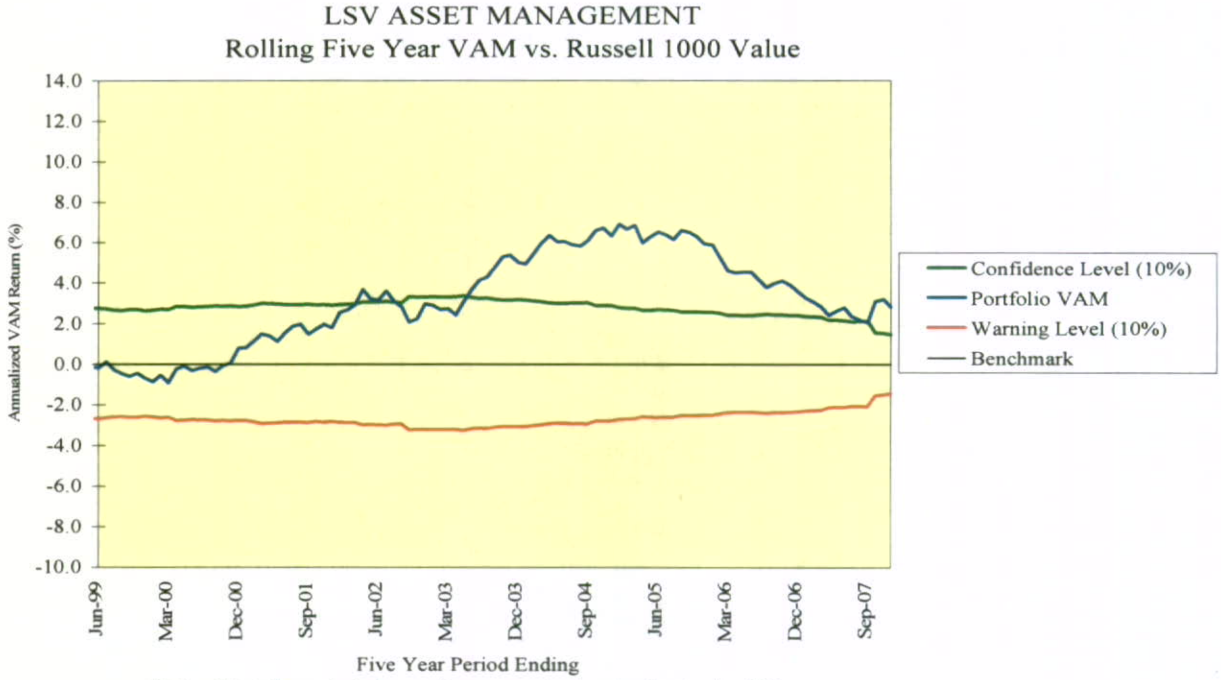
Calendar Year Returns*

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

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

LSV ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Josef Lakonishok **Assets Under Management: $467,649,472**



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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending December, 2007

Portfolio Manager: Kevin McCreesh | **Assets Under Management: $353,699,972**

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.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	-3.3%	-5.8%
Last 1 year	8.3	-0.2
Last 2 years	13.0	10.5
Last 3 years	12.1	9.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/04)	13.0	11.0

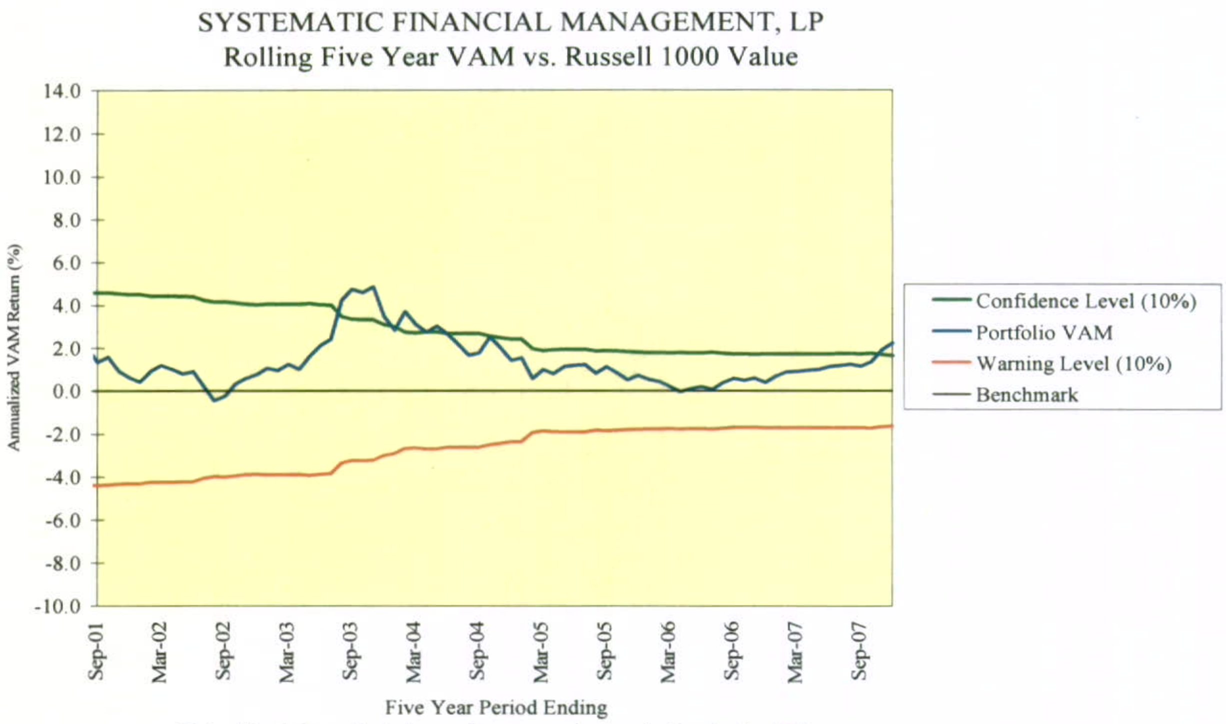
Calendar Year Returns*

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

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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending December, 2007

Portfolio Manager: Kevin McCreesh **Assets Under Management: $353,699,972**



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

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Small Cap Growth (R2000) Growth

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Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Robert Gillam, Sr. **Assets Under Management: $263,210,851**

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	-1.6%	-2.1%
Last 1 year	16.2	7.0
Last 2 years	14.3	10.2
Last 3 years	9.4	8.1
Last 4 years	10.1	9.6
Last 5 years	N/A	N/A
Since Inception (1/04)	10.1	9.6

Calendar Year Returns

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

Staff Comments

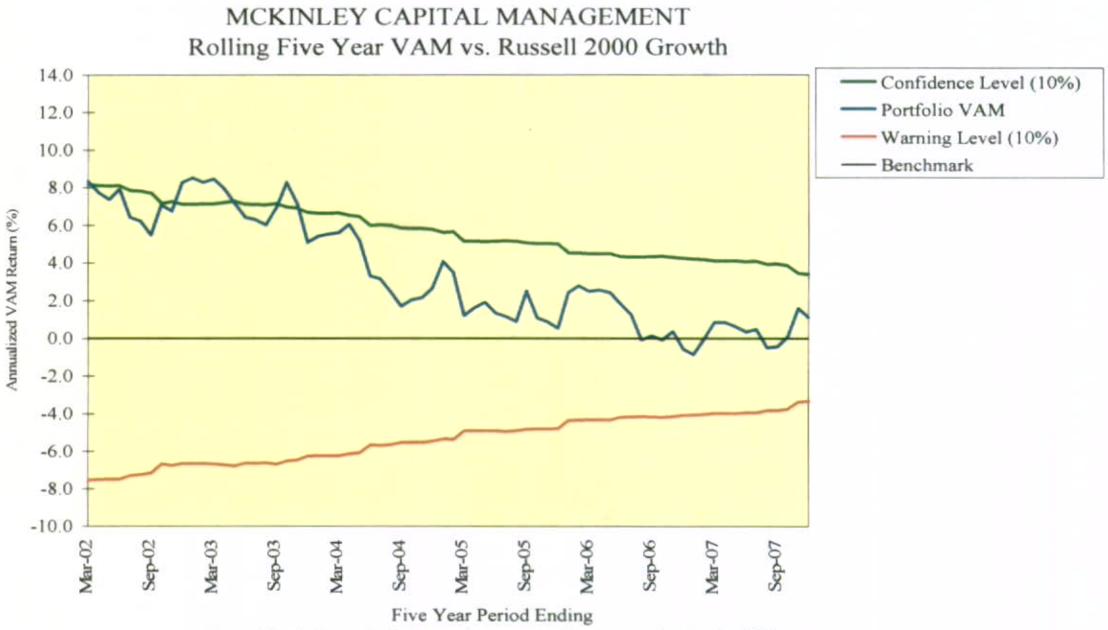
McKinley has named Robert A. Gillam Chief Investment Officer, effective January 1, 2008. This is in addition to his duties as Director of Global Equities.

Recommendation

No action required.

MCKINLEY CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Robert Gillam, Sr. **Assets Under Management: $263,210,851**



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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending December, 2007

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $303,058,827**

Investment Philosophy

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass consensus earnings estimates, which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets, and are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent.

Staff Comments

The portfolio outperformed by 5.4% for the quarter and 27.2% for the year. Stock selection in the producer durables and financial services sectors benefited returns for both time periods.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

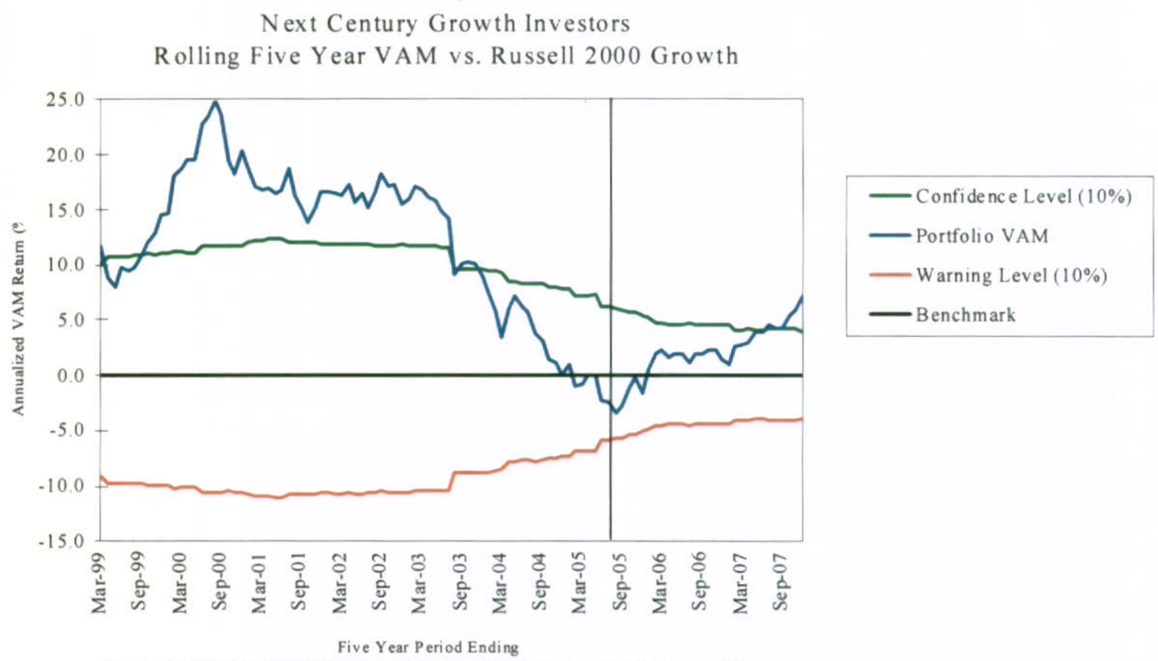
	Actual	Russell 2000 Growth
Last Quarter	3.3%	-2.1%
Last 1 year	34.2	7.0
Last 2 years	22.8	10.2
Last 3 years	23.6	8.1
Last 4 years	19.1	9.6
Last 5 years	24.8	16.5
Since Inception (7/00)	2.8	0.5

Calendar Year Returns

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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending December, 2007

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $303,058,827**



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

TURNER INVESTMENT PARTNERS
Periods Ending December, 2007

Portfolio Manager: William McVail **Assets Under Management: $267,851,867**

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	-0.2%	-2.1%
Last 1 year	14.8	7.0
Last 2 years	14.2	10.2
Last 3 years	11.5	8.1
Last 4 years	11.5	9.6
Last 5 years	N/A	N/A
Since Inception (1/04)	11.5	9.6

Calendar Year Returns

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

Staff Comments

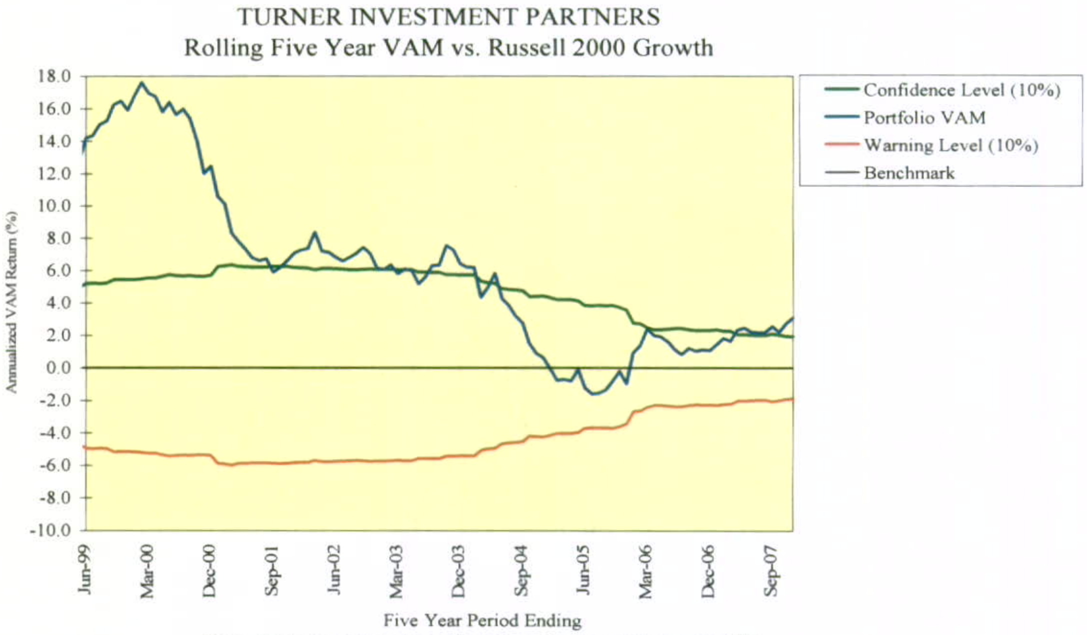
No comment at this time.

Recommendation

No action required.

TURNER INVESTMENT PARTNERS
Periods Ending December, 2007

Portfolio Manager: William McVail **Assets Under Management: $267,851,867**



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

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Small Cap Value (R2000 Value)

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Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Chip Otness **Assets Under Management: $130,651,804**

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	-7.4%	-7.3%
Last 1 year	-5.0	-9.8
Last 2 years	5.8	5.5
Last 3 years	5.2	5.3
Last 4 years	8.7	9.3
Last 5 years	N/A	N/A
Since Inception (1/04)	8.7	9.3

Calendar Year Returns

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

Staff Comments

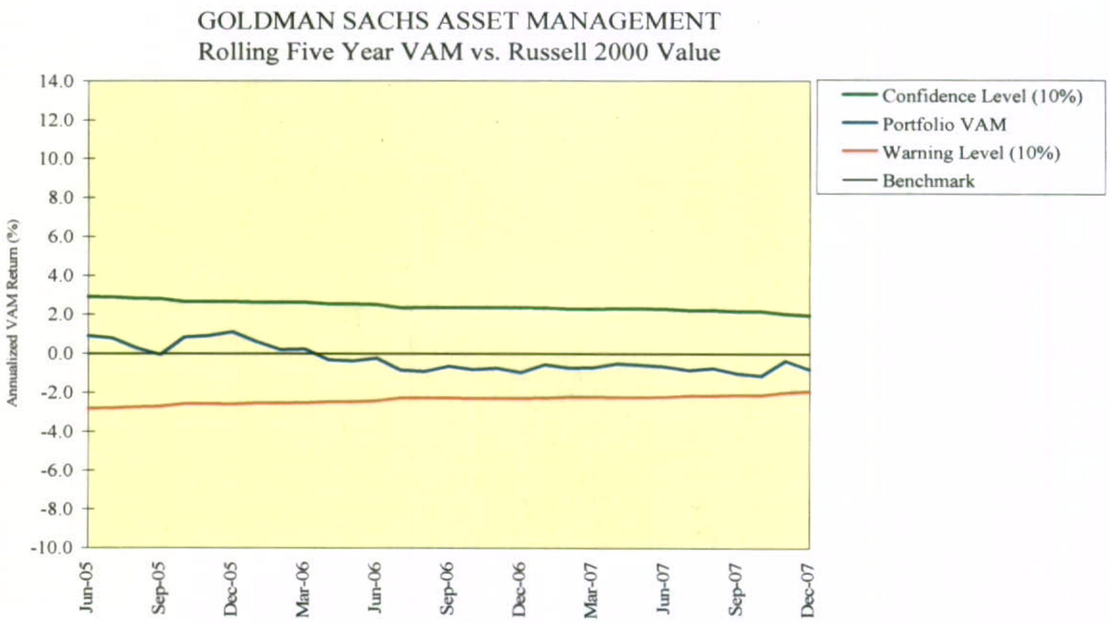
No comment at this time.

Recommendation

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Chip Otness **Assets Under Management: $130,651,804**



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Jim Miles and David Green — **Assets Under Management: $109,682,749**

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.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	-9.4%	-7.3%
Last 1 year	-18.8	-9.8
Last 2 years	-8.6	5.5
Last 3 years	-2.6	5.3
Last 4 years	4.1	9.3
Last 5 years	N/A	N/A
Since Inception (1/04)	4.1	9.3

Calendar Year Returns

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

Staff Comments

No comment at this time.

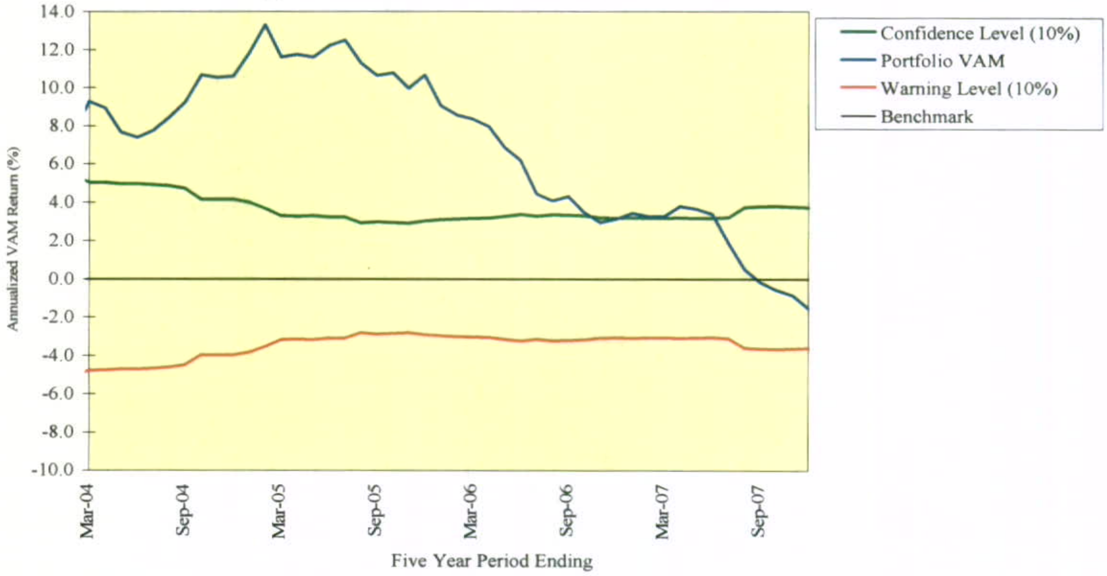
Recommendation

No action required.

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Jim Miles and David Green **Assets Under Management: $109,682,749**

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



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

MARTINGALE ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: William Jacques | **Assets Under Management: $124,156,712**

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.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	-10.9%	-7.3%
Last 1 year	-16.8	-9.8
Last 2 years	-2.2	5.5
Last 3 years	0.5	5.3
Last 4 years	7.3	9.3
Last 5 years	N/A	N/A
Since Inception (1/04)	7.3	9.3

Calendar Year Returns

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

Staff Comments

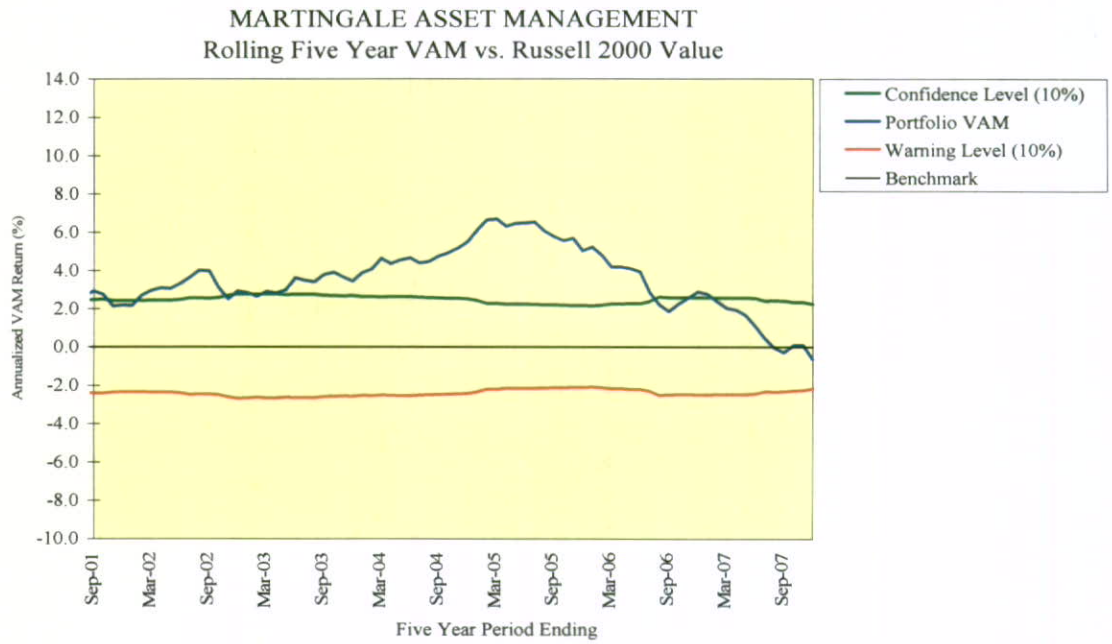
Martingale trailed the quarterly benchmark by 3.6% and the year by 7.0%. Quarterly performance was hurt by stock selection in the financial services, healthcare, and materials processing sectors. The one-year return was negatively impacted by stock selection in the financial services and other energy sectors.

Recommendation

No action required.

MARTINGALE ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: William Jacques **Assets Under Management: $124,156,712**



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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $193,077,836**

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.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	-12.1%	-7.3%
Last 1 year	-13.4	-9.8
Last 2 years	-0.5	5.5
Last 3 years	2.9	5.3
Last 4 years	7.7	9.3
Last 5 years	14.2	15.8
Since Inception (7/00)	12.9	12.6

Calendar Year Returns

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

Staff Comments

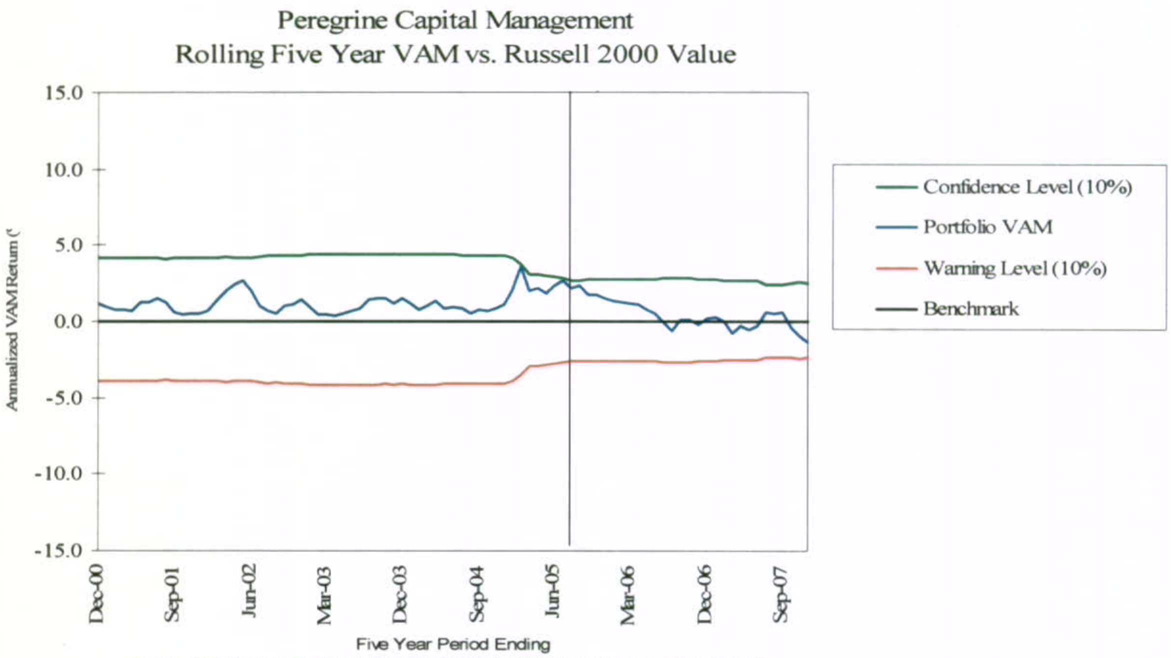
Peregrine underperformed the quarterly benchmark by 4.8% and 3.6% for the year. Stock selection in the financial sector accounted for nearly 50% of the total underperformance in the fourth quarter. Most of the one-year underperformance was due to stock selection in the financial sector.

Recommendation

No action required.

PEREGRINE CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $193,077,836**



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

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Jacob Hurwitz and Kent Kelley **Assets Under Management: $58,180,946**

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

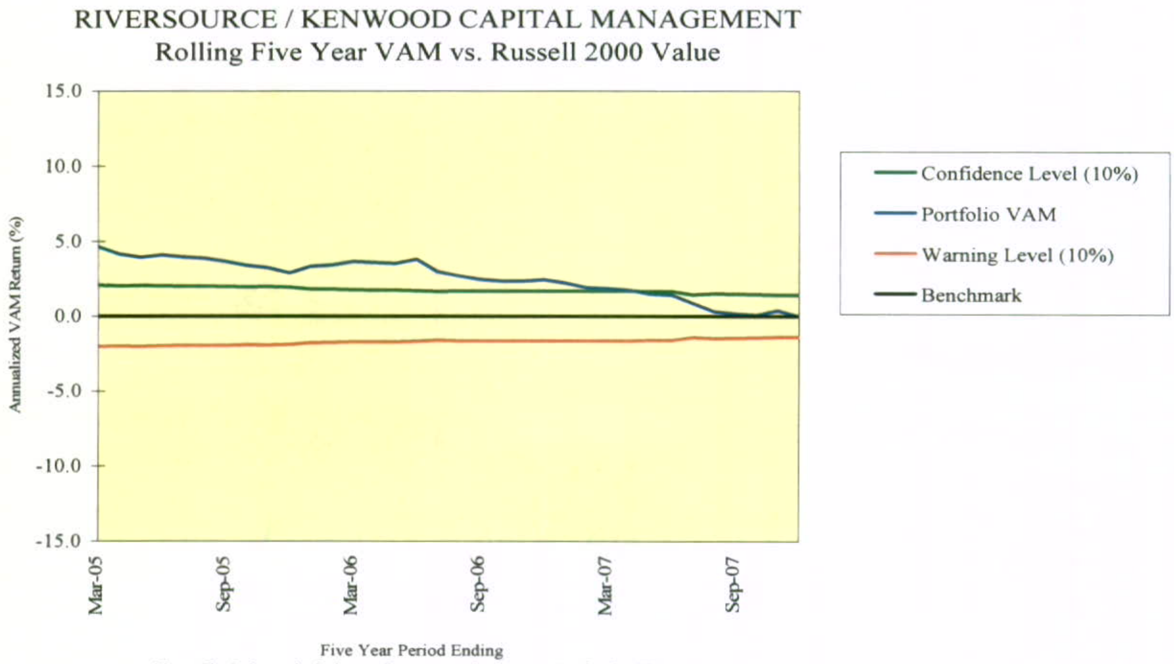
	Actual	Russell 2000 Value
Last Quarter	-7.7%	-7.3%
Last 1 year	-11.8	-9.8
Last 2 years	2.6	5.5
Last 3 years	3.4	5.3
Last 4 years	8.6	9.3
Last 5 years	N/A	N/A
Since Inception (1/04)	8.6	9.3

Calendar Year Returns

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

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Jacob Hurwitz and Kent Kelley **Assets Under Management: $58,180,946**



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

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Semi-Passive and Passive

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Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2007

Portfolio Manager: Russ Koesterich **Assets Under Management: $3,405,322,564**

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.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-4.3%	-3.2%
Last 1 year	2.2	5.8
Last 2 years	8.7	10.5
Last 3 years	8.3	9.1
Last 4 years	9.2	9.7
Last 5 years	13.0	13.2
Since Inception (1/95)	10.9	10.4

Calendar Year Returns

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

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

Staff Comments

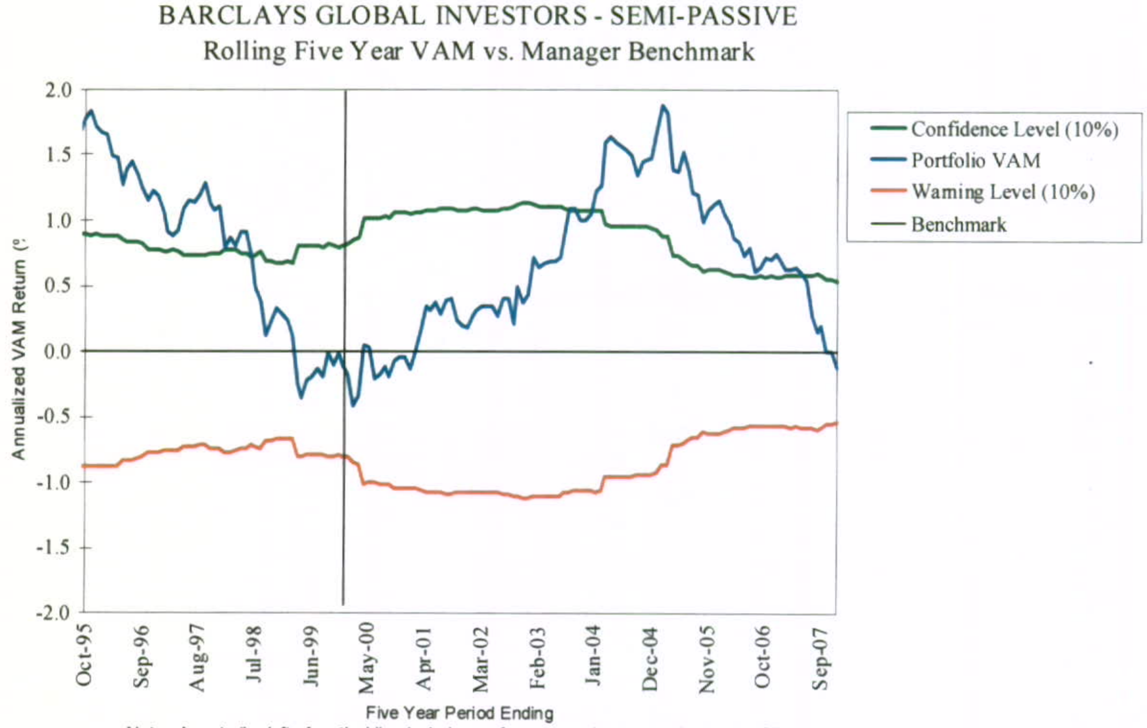
The portfolio underperformed the benchnmark by 1.1% during the quarter and 3.6% for the year. The largest detractor for both time periods was weak stock selection in the financial and consumer discretionary sectors.

Recommendation

No action required.

BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2007

Portfolio Manager: Russ Koesterich **Assets Under Management: $3,405,322,564**



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

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2007

Portfolio Manager: John Cone **Assets Under Management: $2,446,048,580**

Investment Philosophy – Semi-Passive Style

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

Staff Comments

Franklin underperformed the benchmark by 1.6% during the quarter. Weak stock selection in the financial and consumer staples sectors hurt performance. For the year the portfolio underperformed the benchmark by 3.3%. Weak stock selection in the financial and health care sectors hurt returns.

Later this year, John Cone, President and CEO will relinquish some of his duties but will continue in his role as Chairman of the board. Oliver Buckley, CIO, will take over as CEO. Paul Healy will become President and continue as Chief Operating Officer.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-4.8%	-3.2%
Last 1 year	2.5	5.8
Last 2 years	9.3	10.5
Last 3 years	8.2	9.1
Last 4 years	9.1	9.7
Last 5 years	12.4	13.2
Since Inception (1/95)	9.9	10.4

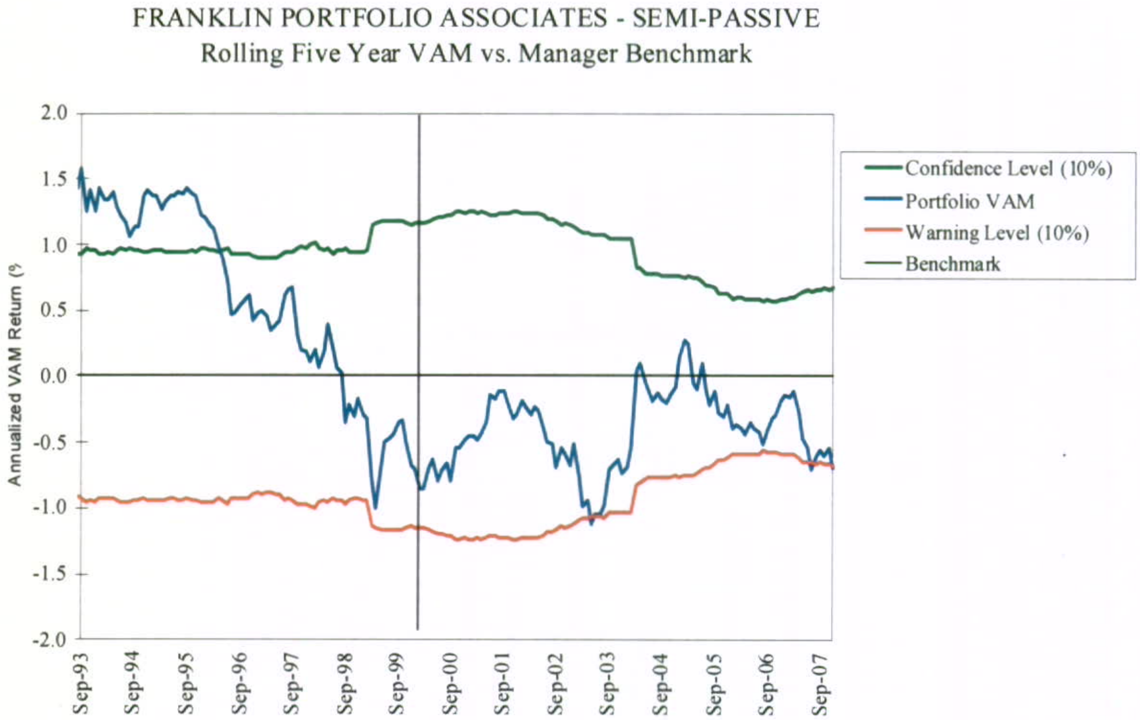
Calendar Year Returns

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

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

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2007

Portfolio Manager: John Cone | **Assets Under Management: $2,446,048,580**



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

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: Ralph Zingone and Terance Chen **Assets Under Management: $2,736,654,012**

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

The portfolio underperformed the benchmark by 0.5% and 0.7% during the quarter and the year respectively. JPMorgan's underperformance for both the quarter and year is largely attributed to weak stock selection, primarily in the financial sector. Weak stock returns in the energy and materials & processing sectors also detracted for the quarter and year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-3.7%	-3.2%
Last 1 year	5.1	5.8
Last 2 years	10.6	10.5
Last 3 years	8.6	9.1
Last 4 years	9.4	9.7
Last 5 years	13.0	13.2
Since Inception (1/95)	10.4	10.4

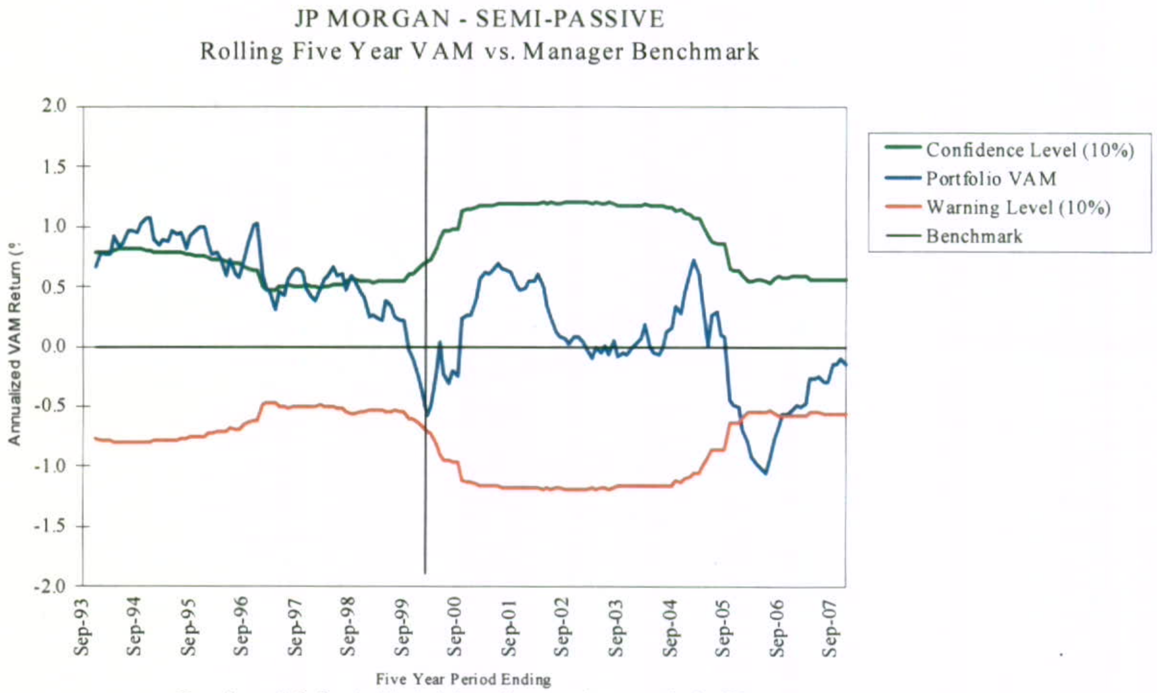
Calendar Year Returns

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

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

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: Ralph Zingone and Terance Chen   Assets Under Management: $2,736,654,012



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

BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2007

Portfolio Manager: Amy Schioldager **Assets Under Management: $8,430,438,438**

Investment Philosophy – Passive Style

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns
(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-3.3%	-3.3%
Last 1 year	5.1	5.1
Last 2 years	10.3	10.3
Last 3 years	8.9	8.9
Last 4 years	9.7	9.6
Last 5 years	13.6	13.7
Since Inception (7/95)	10.0	9.9

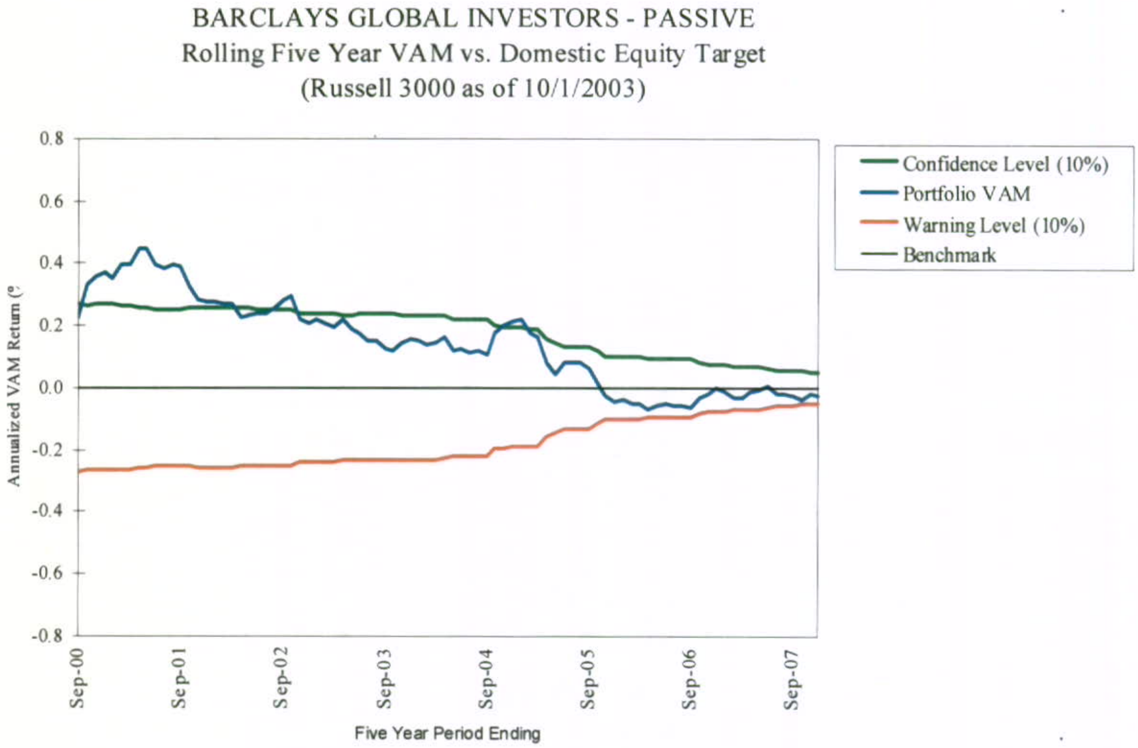
Calendar Year Returns

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

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

BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2007

Portfolio Manager: Amy Schioldager **Assets Under Management: $8,430,438,438**



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STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Fourth Quarter, 2007

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Bond Managers

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COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending December, 2007

	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	2.0	3.0	5.6	7.0	4.4	4.6	4.7	4.4	6.8	6.5	$1,250.5	9.7%
Dodge & Cox	1.7	3.0	5.3	7.0	4.4	4.6	4.9	4.4	7.2	6.5	$1,271.1	9.8%
Morgan Stanley	2.0	3.0	6.3	7.0	4.9	4.6	4.9	4.4	9.1	8.8	$1,050.3	8.1%
RiverSource	2.5	3.0	6.6	7.0	4.6	4.6	4.6	4.4	6.1	6.2	$1,078.8	8.3%
Western	2.1	3.0	5.4	7.0	4.5	4.6	5.8	4.4	10.0	8.8	$1,638.9	12.7%
Active Mgr. Aggregate	**2.0**	**3.0**	**5.8**	**7.0**	**4.5**	**4.6**	**5.1**	**4.4**	**9.2**	**8.7**	**$6,289.6**	**48.6%**
Semi-Passive Managers												
BlackRock	3.0	3.0	6.8	7.0	4.6	4.6	4.5	4.4	6.6	6.4	$2,184.6	16.9%
Goldman	2.8	3.0	7.0	7.0	4.8	4.6	5.0	4.4	6.5	6.2	$2,191.4	16.9%
Lehman	2.5	3.0	6.3	7.0	4.4	4.6	4.5	4.4	7.6	7.5	$2,271.0	17.6%
Semi-Passive Mgr. Aggregate	**2.8**	**3.0**	**6.7**	**7.0**	**4.6**	**4.6**	**4.7**	**4.4**	**7.7**	**7.5**	**$6,647.0**	**51.4%**
									Since 7/1/84			
Historical Aggregate (2)	**2.4**	**3.0**	**6.3**	**7.0**	**4.6**	**4.6**	**4.9**	**4.4**	**8.9**	**8.8**	**$12,936.60**	**100.0%**
Lehman Aggregate (3)		3.0		7.0		4.6		4.4		8.8		

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

COMBINED RETIREMENT FUNDS
BOND MANAGERS
Calendar Year Returns

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

ABERDEEN ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Warren Davis | **Assets Under Management: $1,250,542,862**

Investment Philosophy

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

Staff Comments

Aberdeen underperformed the benchmark for both the quarter and the past 12 months. The quarterly performance can be primarily attributed to spreads widening in the CMBS, RMBS and ABS sectors, as Aberdeen holds an overweight exposure to these sectors. However, considerable holdings in U.S. Treasury and Agency debt bolstered returns. For the year, a significant overweight in CMBS added in the middle part of the year detracted significantly from returns. Holdings in prime hybrid ARMs (RMBS) also detracted significantly from 2007 returns.

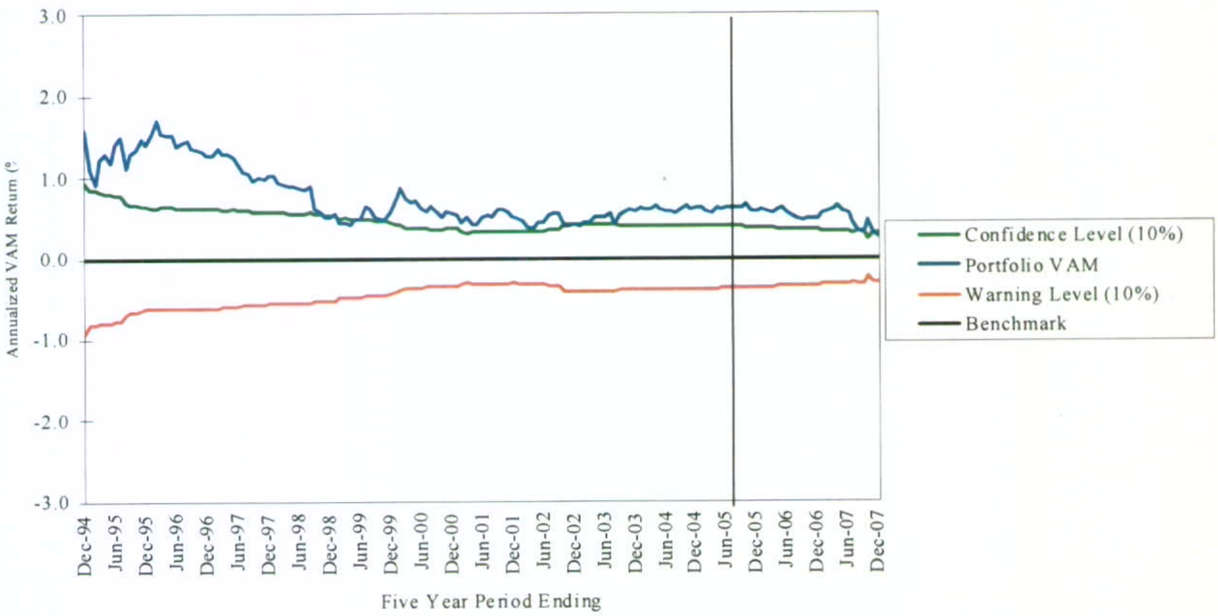
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.0%	3.0%
Last 1 year	5.6	7.0
Last 2 years	5.2	5.6
Last 3 years	4.4	4.6
Last 4 years	4.6	4.5
Last 5 years	4.7	4.4
Since Inception (2/00)	6.8	6.5

Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT
Rolling Five Year VAM



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

DODGE & COX INVESTMENT MANAGERS
Periods Ending December, 2007

Portfolio Manager: Dana Emery **Assets Under Management: $1,271,094,079**

Investment Philosophy

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

Staff Comments

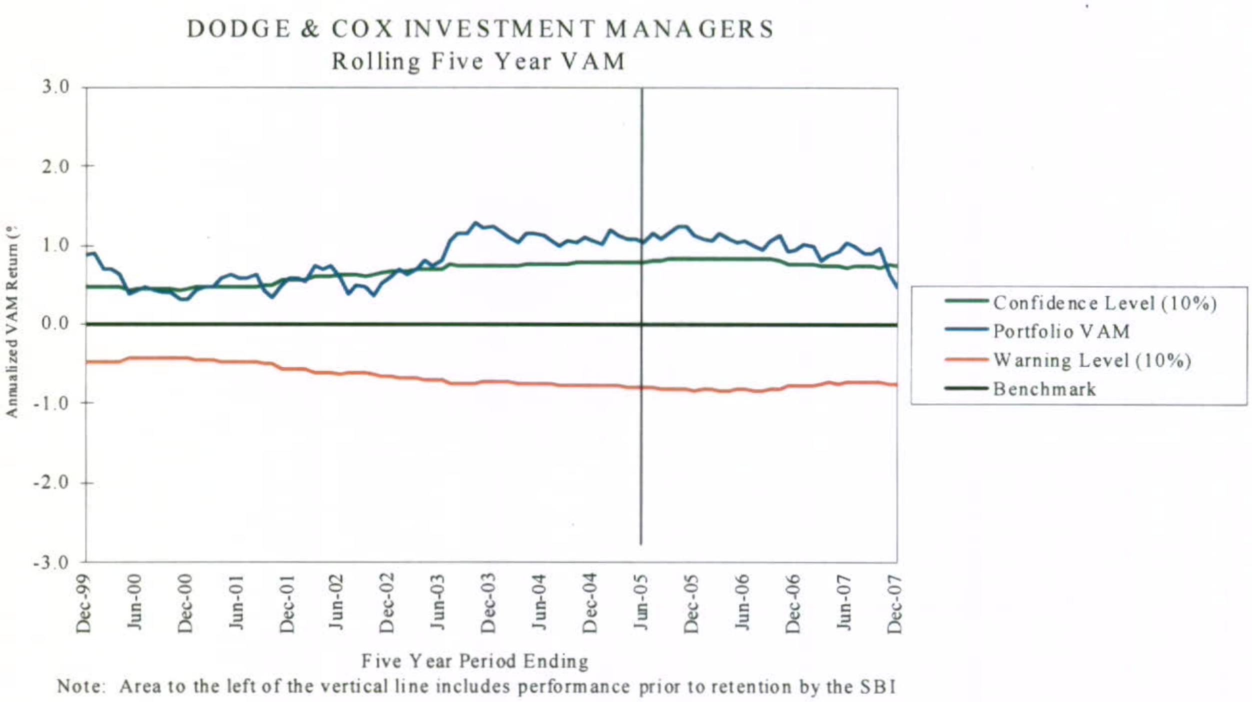
Dodge & Cox underperformed the benchmark for the fourth quarter and for the year. Detractors of performance for the quarter include overweights to corporate and mortgage-backed securities as well as a shorter relative duration. This holds true for yearly performance as well, as the Treasury sector outperformed all other sectors in 2007. The portfolio's nominal yield advantage added to relative returns for the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.7%	3.0%
Last 1 year	5.3	7.0
Last 2 years	5.4	5.6
Last 3 years	4.4	4.6
Last 4 years	4.3	4.5
Last 5 years	4.9	4.4
Since Inception (2/00)	7.2	6.5

Recommendations

No action required.



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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: David Armstrong **Assets Under Management: $1,050,295,575**

Investment Philosophy

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

Staff Comments

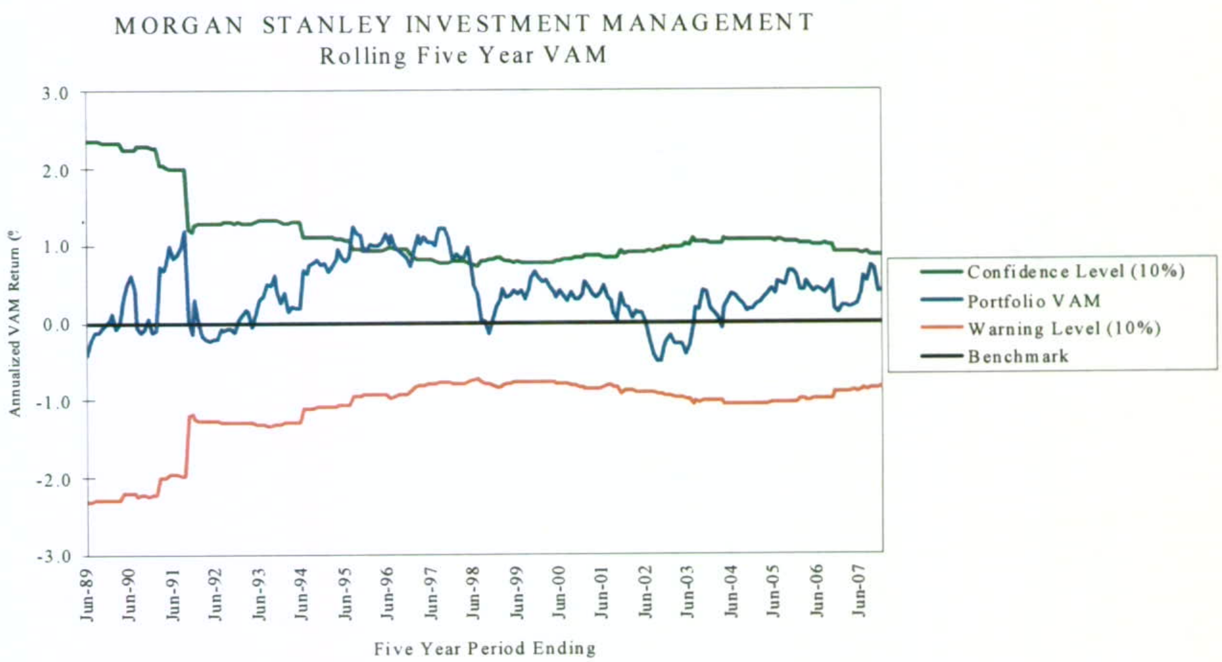
Morgan Stanley underperformed the benchmark for the quarter and the last 12 months. Quarterly performance was adversely affected by over weights in non-Agency MBS, but a defensive credit posture had a favorable impact. The use of non-Agency MBS had a large negative impact throughout 2007, but as in 4Q07, returns were helped by a defensive credit posture as credit spreads widened throughout the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.0%	3.0%
Last 1 year	6.3	7.0
Last 2 years	5.3	5.6
Last 3 years	4.9	4.6
Last 4 years	4.8	4.5
Last 5 years	4.9	4.4
Since Inception (7/84)	9.1	8.8

Recommendations

No action required.



RIVERSOURCE INVESTMENTS
Periods Ending December, 2007

Portfolio Manager: Colin Lundgren **Assets Under Management: $1,078,764,055**

Investment Philosophy

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

Staff Comments

Riversource underperformed the benchmark for the quarter and for the year. The quarterly performance was a result of poor performance in non-Treasury sectors, particularly High Yield corporate bonds. Overweights in both residential and commercial mortgage-backed securities also detracted from quarterly return. On the full year, security selection in corporate bonds, as well as U.S. Agency debt, contributed positively to performance, but performance was adversely affected by the portfolio's duration and yield curve positioning.

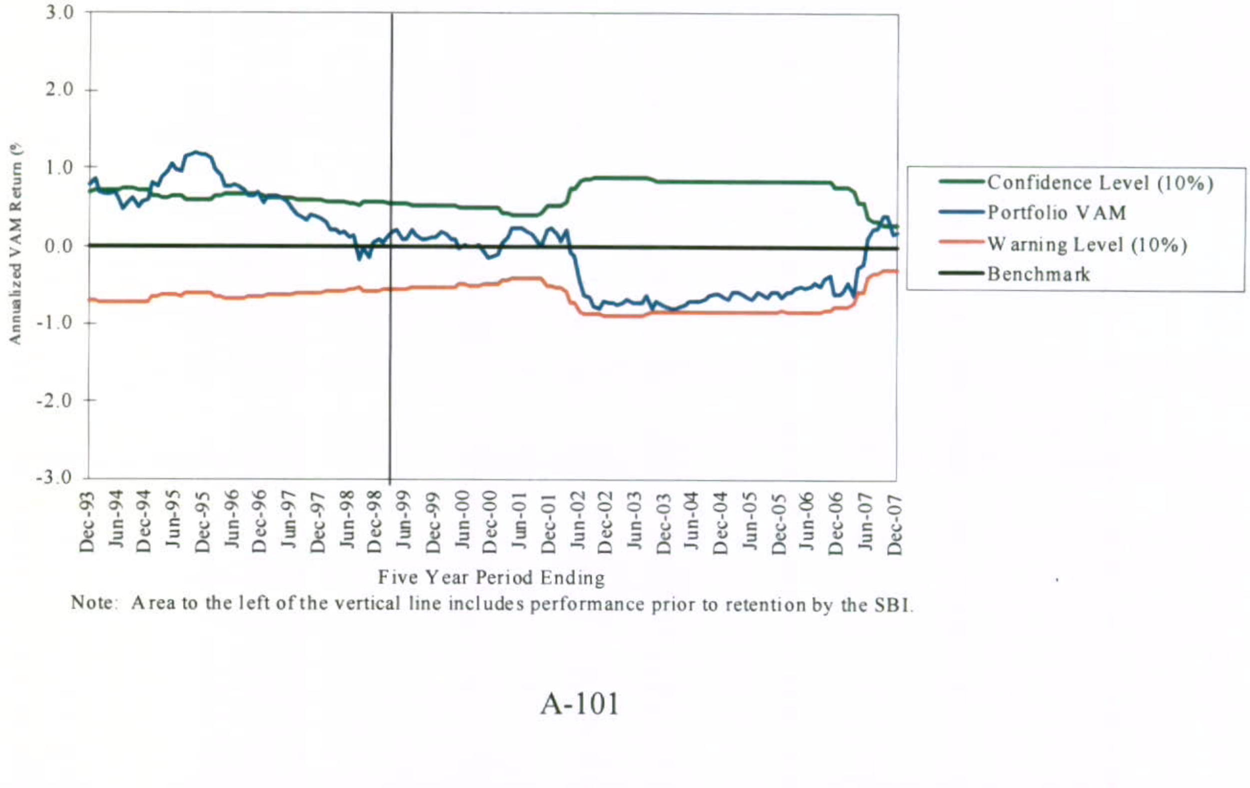
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.5%	3.0%
Last 1 year	6.6	7.0
Last 2 years	5.6	5.6
Last 3 years	4.6	4.6
Last 4 years	4.7	4.5
Last 5 years	4.6	4.4
Since Inception (7/93)	6.1	6.2

Recommendations

No action required.

RIVERSOURCE INVESTMENTS - FIXED INCOME
Rolling Five Year VAM



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

WESTERN ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Ken Leech **Assets Under Management: $1,638,894,008**

Investment Philosophy

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

Staff Comments

Western underperformed the benchmark for both the quarter and the last 12 months. Overweight exposure to the mortgage-backed sector detracted from quarterly and yearly returns significantly as spreads widened and volatility surged. An emphasis on lower-quality credits was also a detractor as spreads spiked. Duration posture contributed modestly to quarterly and yearly returns, as did a yield curve-steepening strategy.

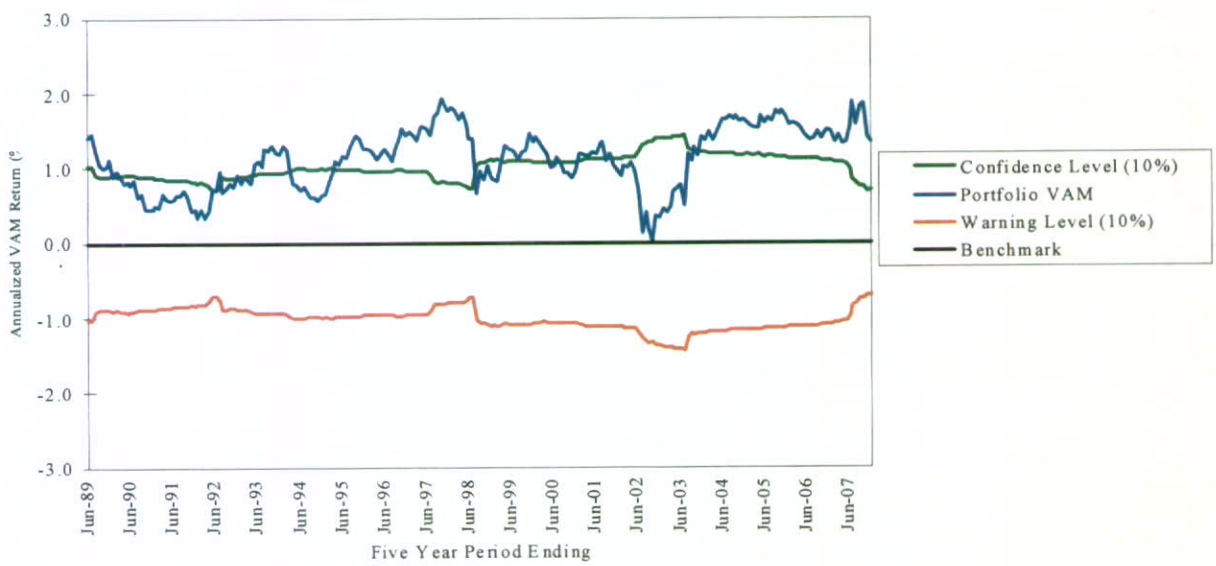
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.1%	3.0%
Last 1 year	5.4	7.0
Last 2 years	5.4	5.6
Last 3 years	4.5	4.6
Last 4 years	5.0	4.5
Last 5 years	5.8	4.4
Since Inception (7/84)	10.0	8.8

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending December, 2007

Portfolio Manager: Keith Anderson **Assets Under Management: $2,184,596,690**

Investment Philosophy

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

Staff Comments

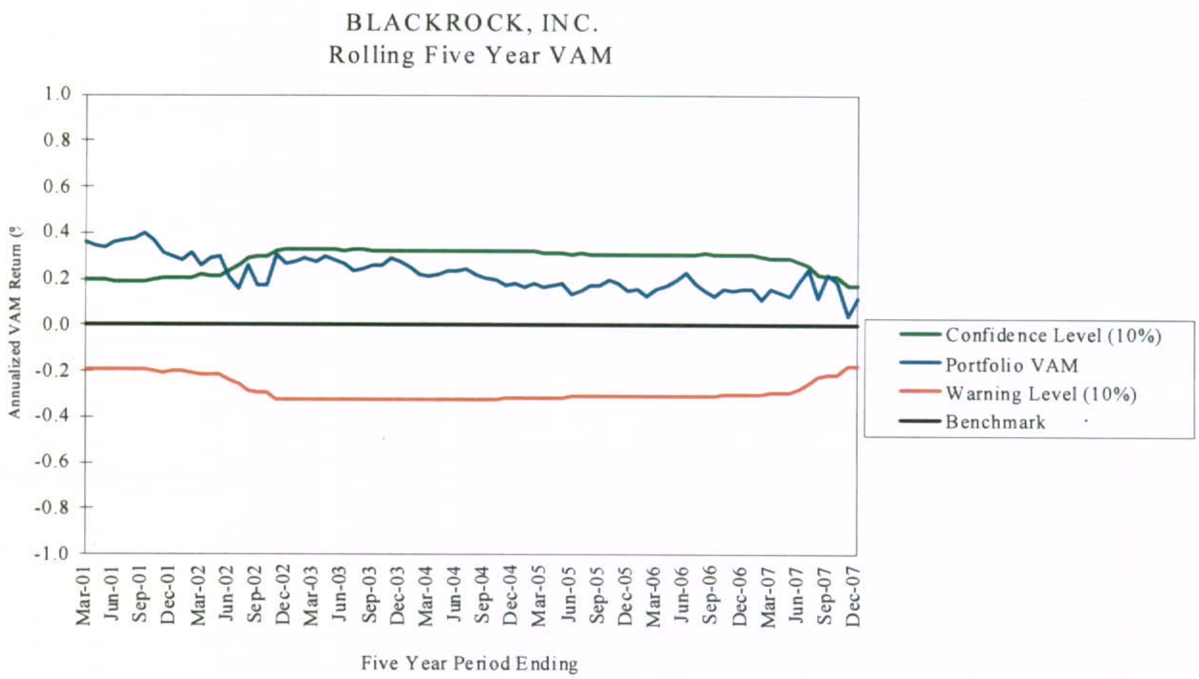
Blackrock was even with benchmark for the quarter, and slightly underperformed for the year. Quarterly performance was helped by a credit underweight, a yield curve-steepening bias, and ABS security selection. However, quarterly performance was adversely affected by CMBS and MBS over weights as both sectors underperformed Treasuries. Yearly performance was helped by an Agency underweight, but CMBS and MBS over weights detracted from yearly returns.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	3.0%
Last 1 year	6.8	7.0
Last 2 years	5.6	5.6
Last 3 years	4.6	4.6
Last 4 years	4.6	4.5
Last 5 years	4.5	4.4
Since Inception (4/96)	6.6	6.4

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Jonathon Beinner **Assets Under Management: $2,191,411,566**

Investment Philosophy

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

Staff Comments

Goldman underperformed the benchmark slightly for the quarter and equaled the benchmark over the last 12 months. The quarterly performance was hurt by an overall overweight to non-Agency mortgage securities. Conversely, an underweight to corporate securities added value, as spreads in that sector widened in 4Q07. For the year, an underweight to corporates and mortgages added value. This helped offset the negative impact of wider CMBS spreads.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.8%	3.0%
Last 1 year	7.0	7.0
Last 2 years	5.8	5.6
Last 3 years	4.8	4.6
Last 4 years	4.8	4.5
Last 5 years	5.0	4.4
Since Inception (7/93)	6.5	6.2

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM

LEHMAN BROTHERS ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Andrew Johnson **Assets Under Management: $2,270,998,105**

Investment Philosophy

Lehman (formerly Lincoln) manages an enhanced index portfolio closely tracking the Lehman Aggregate. Lehman's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Lehman uses proprietary risk exposure measures to analyze 25 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Lehman was retained by the SBI in July 1988.

Staff Comments

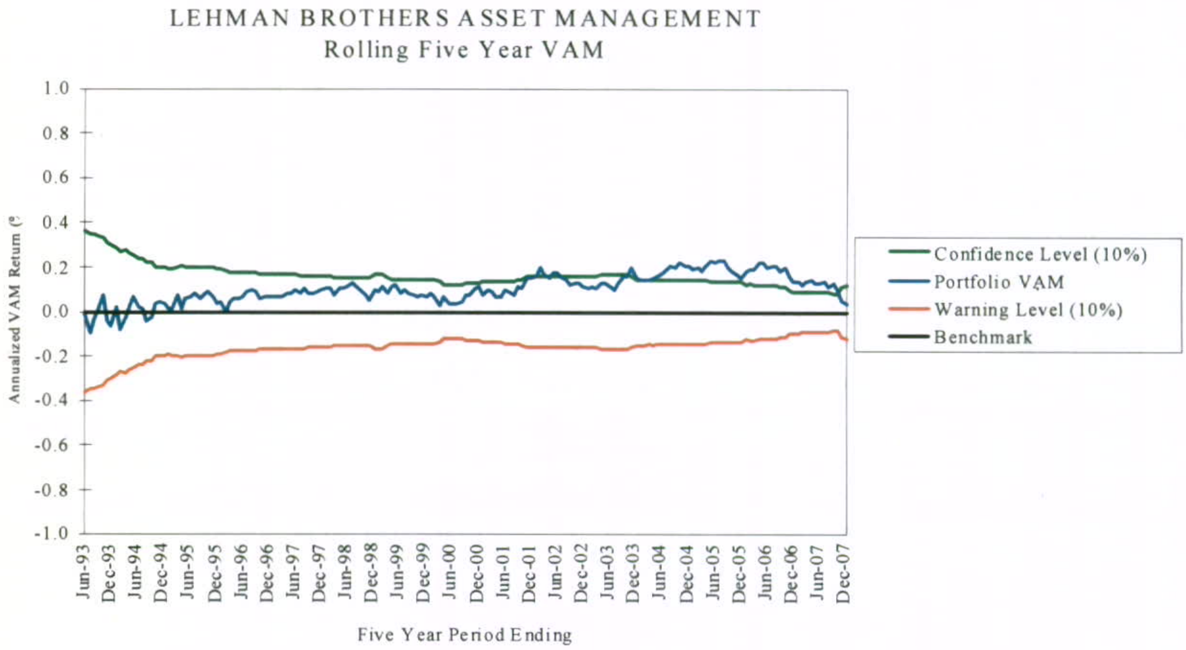
Lehman underperformed the benchmark for the quarter and the last 12 months. The quarterly performance was the result of price declines in AAA-rated floating rate securities and a wave of risk aversion that affected all spread sectors. Yearly performance was adversely affected by an overweight to mortgage-backed securities, but was helped by an underweight to corporate bonds.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.5%	3.0%
Last 1 year	6.3	7.0
Last 2 years	5.4	5.6
Last 3 years	4.4	4.6
Last 4 years	4.5	4.5
Last 5 years	4.5	4.4
Since Inception (7/88)	7.6	7.5

Recommendations

No action required.



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Fourth Quarter, 2007

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International Managers

Table of Contents

COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending December, 2007

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value	Pool
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	(in millions)	%
Active Developed Markets (2)												
Acadian	-6.2	-1.5	10.0	12.6					25.2	21.6	$346.8	4.3%
Invesco	-2.6	-1.5	8.4	12.6	14.7	17.5	19.5	22.0	7.9	6.1	$325.7	4.0%
J.P. Morgan	-1.1	-1.5	8.8	12.6					18.4	21.6	$278.8	3.4%
Marathon	-0.2	-1.5	15.4	12.6	19.6	17.5	25.7	22.0	11.3	7.9	$595.0	7.3%
McKinley	0.6	-1.5	20.4	12.6					25.7	21.6	$338.3	4.2%
Pyramis (Fidelity)	0.8	-1.5	17.7	12.6					23.3	21.6	$313.8	3.9%
RiverSource	0.4	-1.5	12.4	12.6	16.6	17.5	19.4	22.0	2.6	6.1	$312.9	3.9%
UBS Global	-2.3	-1.5	7.7	12.6	14.2	17.5	18.8	22.0	9.8	9.0	$322.3	4.0%
Aggregate	**-1.3**	**-1.5**	**13.0**	**12.6**	**17.3**	**17.5**	**21.0**	**22.0**	**9.0**	**7.9**	**$2,833.5**	**35.0%**
Active Emerging Markets (3)												
AllianceBernstein	4.0	4.0	38.8	39.9	33.9	35.3	36.6	37.1	21.5	22.1	$493.2	6.1%
Capital International	3.1	4.0	38.4	39.9	37.4	35.3	36.7	37.1	19.5	22.1	$494.0	6.1%
Morgan Stanley	6.0	4.0	43.0	39.9	38.2	35.3	39.1	37.1	23.2	22.1	$547.8	6.8%
Aggregate	**4.4**	**4.0**	**40.0**	**39.9**	**36.4**	**35.3**	**37.2**	**37.1**	**10.9**	**10.8**	**$1,535.1**	**19.0%**
Semi-Passive Developed Markets (2)												
AQR	-2.9	-1.5	9.0	12.6					20.6	21.6	$313.8	3.9%
Pyramis (Fidelity)	0.8	-1.5	18.2	12.6					24.7	21.6	$346.0	4.3%
State Street	-4.1	-1.5	9.1	12.6					20.9	21.6	$320.0	4.0%
Aggregate	**-2.0**	**-1.5**	**12.1**	**12.6**					**22.1**	**21.6**	**$979.8**	**12.1%**
Passive Developed Markets (2)												
State Street	-1.4	-1.5	12.9	12.6	17.7	17.5	22.2	22.0	9.5	9.2	$2,748.4	33.9%
									Since 10/1/92			
Equity Only (4) (6)	-0.4	-0.5	17.1	16.9	20.1	20.0	23.5	23.9	10.1	9.6	$8,097.1	100.0%
Total Program (5) (6)	**-0.4**	**-0.5**	**17.1**	**16.9**	**20.1**	**20.0**	**23.5**	**23.9**	**10.3**	**9.6**	**$8,097.1**	**100.0%**
SBI Int'l Equity Target (6)		-0.5		16.9		20.0		23.9		9.6		
MSCI ACWI Free ex. U.S. (7)		-0.7		16.7		19.9		24.0		10.0		
MSCI World ex U.S. (net)		-1.6		11.5		17.1		21.9		9.3		
MSCI EAFE Free (net)		-1.8		11.2		16.8		21.6		9.1		
MSCI Emerging Markets Free (8)		3.6		39.4		35.1		37.0		12.3		

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

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

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

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

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

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

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

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

COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Calendar Year Returns

	2007		2006		2005		2004		2003	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	10.0	12.6	31.9	25.7						
Invesco	8.4	12.6	26.0	25.7	10.6	14.5	21.4	20.4	33.0	38.5
J.P. Morgan	8.8	12.6	23.1	25.7						
Marathon	15.4	12.6	27.5	25.7	16.4	14.5	24.6	20.4	47.2	38.5
McKinley	20.4	12.6	25.4	25.7						
Pyramis (Fidelity)	17.7	12.6	22.7	25.7						
RiverSource	12.4	12.6	23.6	25.7	14.2	14.5	17.5	20.4	30.2	38.5
UBS Global	7.7	12.6	25.6	25.7	10.0	14.5	20.1	20.4	32.3	38.5
Aggregate	**13.0**	**12.6**	**25.8**	**25.7**	**13.6**	**14.5**	**19.0**	**20.4**	**35.1**	**38.5**
Active Emerging Markets (2)										
AllianceBernstein	38.8	39.9	30.4	32.2	32.7	34.0	28.6	25.5	54.1	55.8
Capital International	38.4	39.9	35.6	32.2	38.4	34.0	19.5	25.5	54.2	55.8
Morgan Stanley	43.0	39.9	37.6	32.2	34.3	34.0	24.2	25.5	58.8	55.8
Aggregate	**40.0**	**39.9**	**34.4**	**32.2**	**34.9**	**34.0**	**22.9**	**25.5**	**56.0**	**55.8**
Semi-Passive Developed Markets (1)										
AQR	9.0	12.6	25.2	25.7						
Pyramis (Fidelity)	18.2	12.6	26.8	25.7						
State Street	9.1	12.6	27.1	25.7						
Aggregate	**12.1**	**12.6**	26.4	25.7						
Passive Developed Markets (1)										
State Street	12.9	12.6	26.0	25.7	14.6	14.5	20.6	20.4	38.6	38.5
									Since 10/1/92	
Equity Only (3) (5)	17.1	16.9	27.0	26.7	16.4	16.6	20.0	20.9	38.2	40.1
Total Program (4) (5)	**17.1**	**16.9**	**27.0**	**26.7**	**16.4**	**16.6**	**20.0**	**20.9**	**38.2**	**40.1**
SBI Int'l Equity Target (5)		16.9		26.7		16.6		20.9		40.1
MSCI ACWI Free ex. U.S. (6)		16.7		26.7		16.6		20.9		40.8
MSCI World ex U.S. (net)		11.5		25.7		14.5		20.4		39.4
MSCI EAFE Free (net)		11.2		26.3		13.5		20.2		38.6
MSCI Emerging Markets Free (7)		39.4		32.2		34.0		25.5		55.8

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

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

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

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

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

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

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

ACADIAN ASSET MANAGEMENT LLC
Periods Ending December, 2007

Portfolio Manager: John Chisholm | **Assets Under Management: $346,782,177**

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

The value and smaller market capitalization emphasis of the portfolio detracted from returns during the recent time period. Holdings in the United Kingdom and in the financials sector did not add value during the quarter or the year.

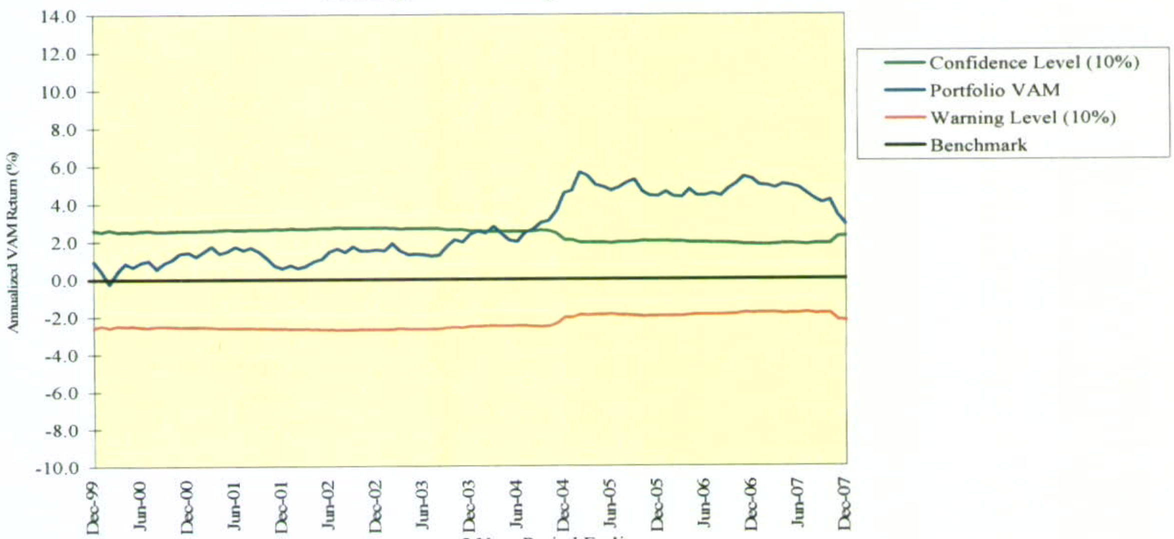
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.2%	-1.5%
Last 1 year	10.0	12.6
Last 2 years	20.4	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	25.2	21.6

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



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

INVESCO GLOBAL ASSET MANAGMENT
Periods Ending December, 2007

Portfolio Manager: Erik Granade **Assets Under Management: $325,653,938**

Investment Philosophy

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

Staff Comments

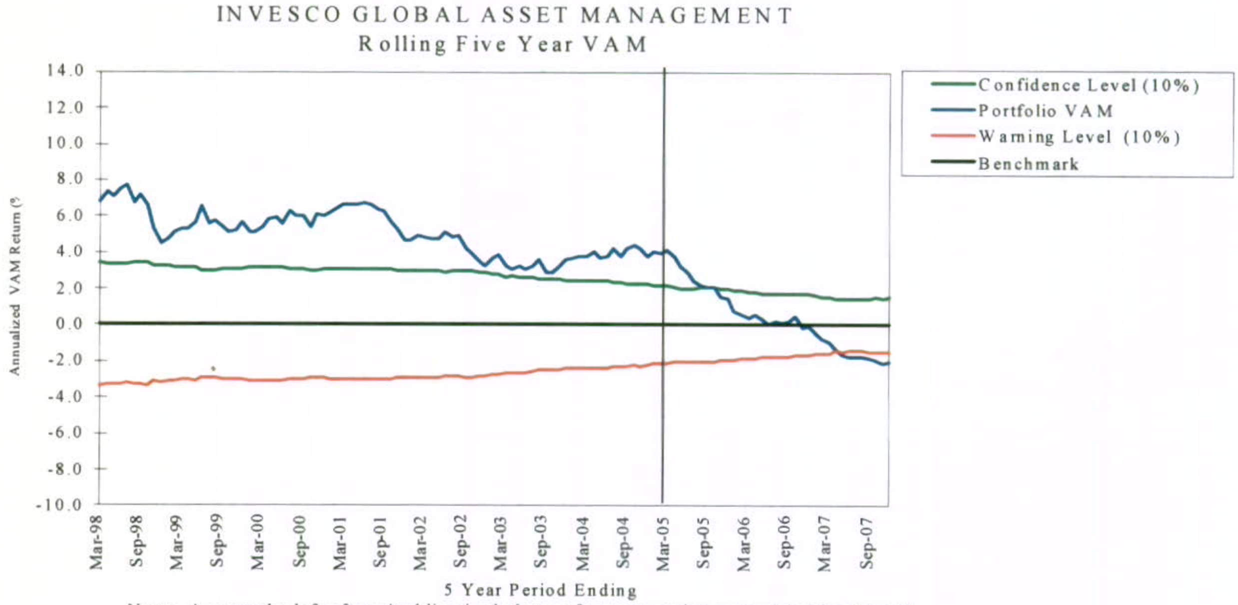
Stock selection in Sweden, Germany and France detracted from returns over both the quarter and the year. The portfolio's overweight of higher quality companies has hurt performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.6%	-1.5%
Last 1 year	8.4	12.6
Last 2 years	16.9	19.0
Last 3 years	14.7	17.5
Last 4 years	16.4	18.2
Last 5 years	19.5	22.0
Since Inception (3/00)	7.9	6.1

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 December, 2007

Portfolio Manager: James Fisher **Assets Under Management: $278,781,765**

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

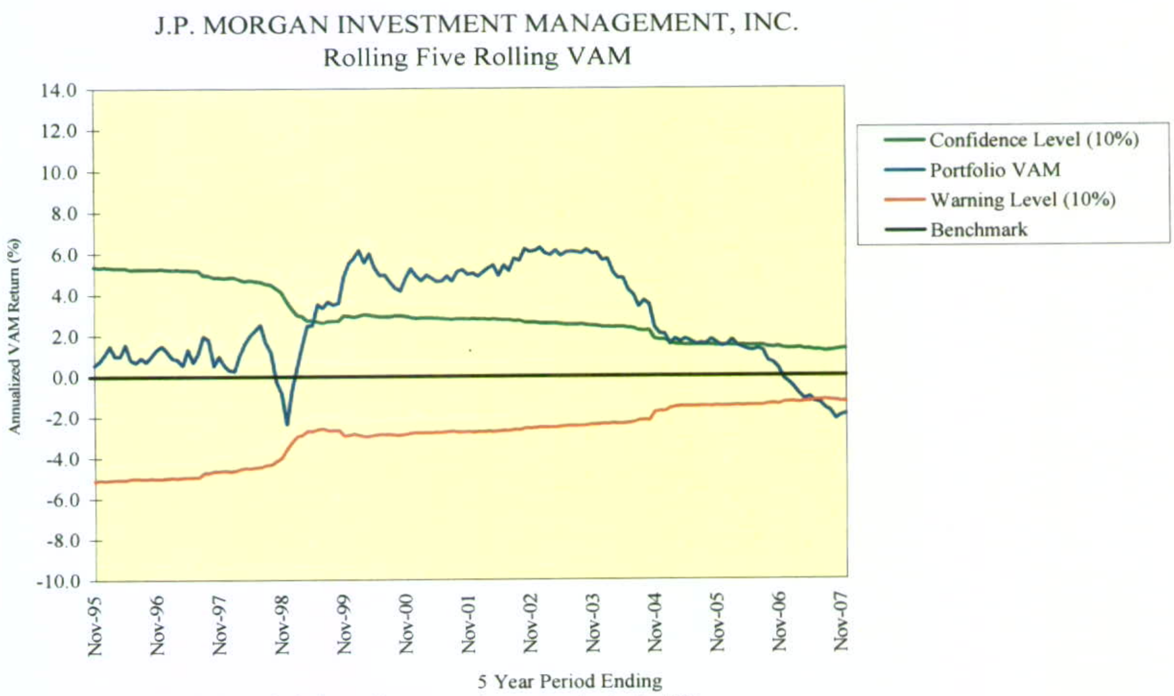
While stock selection in the financials and materials sectors detracted from returns for the year, they added value during the quarter.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.1%	-1.5%
Last 1 year	8.8	12.6
Last 2 years	15.8	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	18.4	21.6

Recommendations

No action required.



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

MARATHON ASSET MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: William Arah **Assets Under Management: $594,999,311**

Investment Philosophy

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

Staff Comments

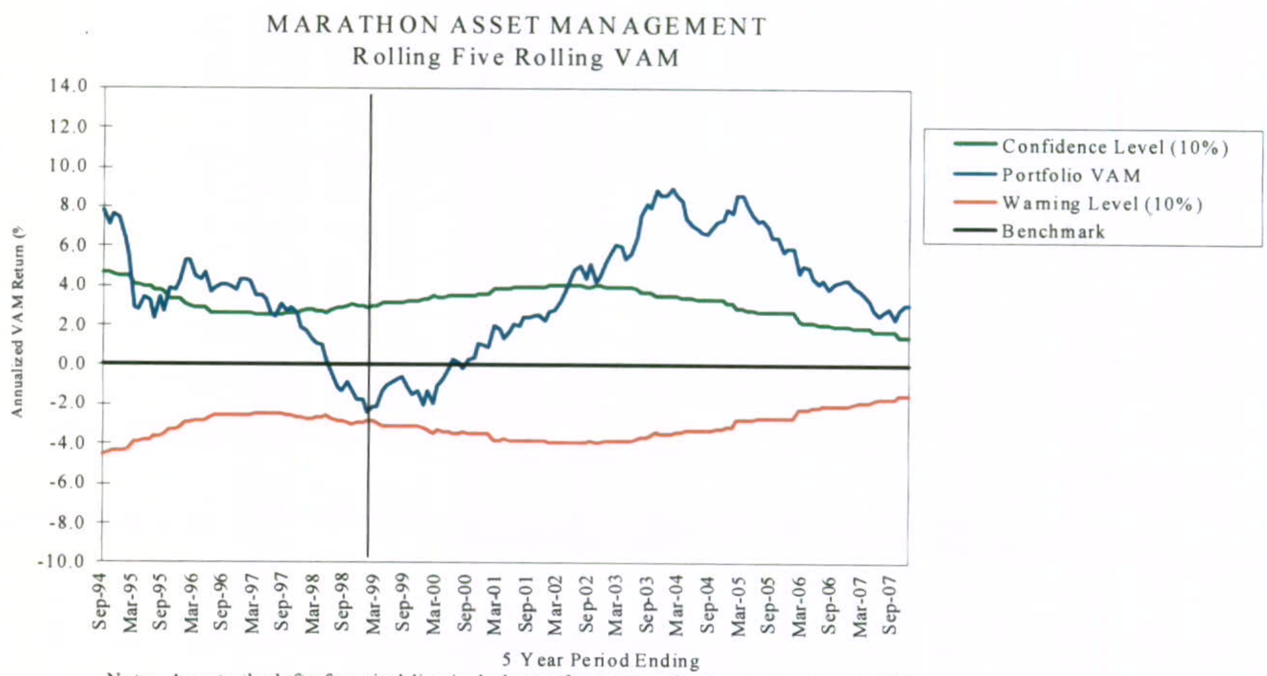
Stock selection in the financials and industrials sectors contributed positively to performance during the quarter and the year.

Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	-0.2%	-1.5%
Last 1 year	15.4	12.6
Last 2 years	21.3	19.0
Last 3 years	19.6	17.5
Last 4 years	20.9	18.2
Last 5 years	25.7	22.0
Since Inception (11/93)	11.3	7.9

Recommendations

No action required.



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

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: **Robert Gillam, Jr.** **Assets Under Management: $338,290,516**

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

Stock selection in Japan, the United Kingdom and Canada contributed to the portfolio's relative outperformance during the quarter and the year.

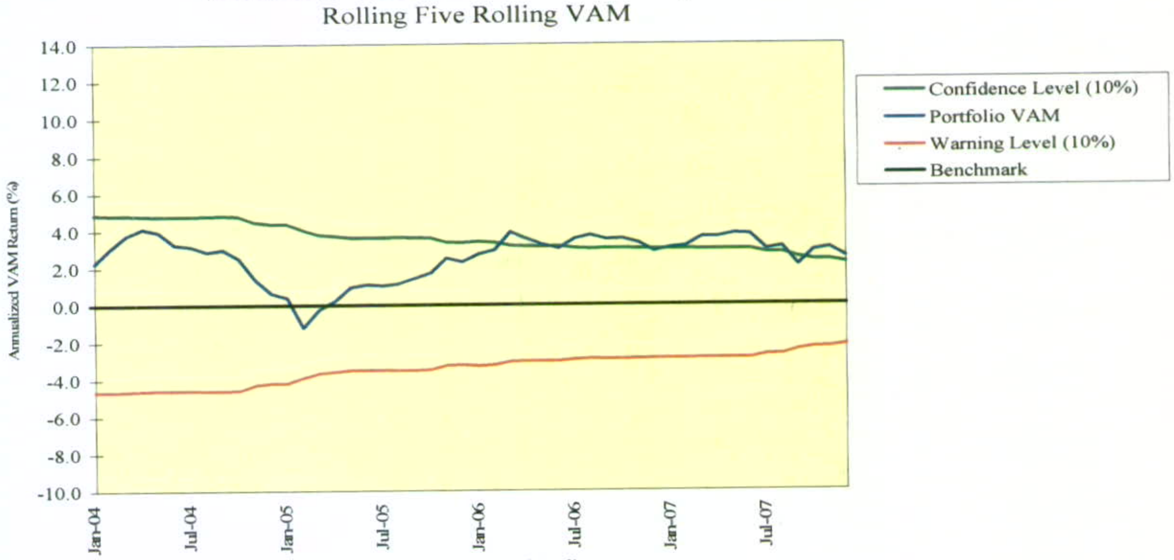
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	-1.5%
Last 1 year	20.4	12.6
Last 2 years	22.9	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	25.7	21.6

Recommendations

No action required.

McKINLEY CAPITAL MANAGEMENT, INC.
Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending December, 2007

Portfolio Manager: Michael Strong | **Assets Under Management: $313,788,104**

Investment Philosophy

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

Staff Comments

Stock selection in Germany and the United Kingdom as well as in the financials sector contributed positively to performance during the quarter and the year.

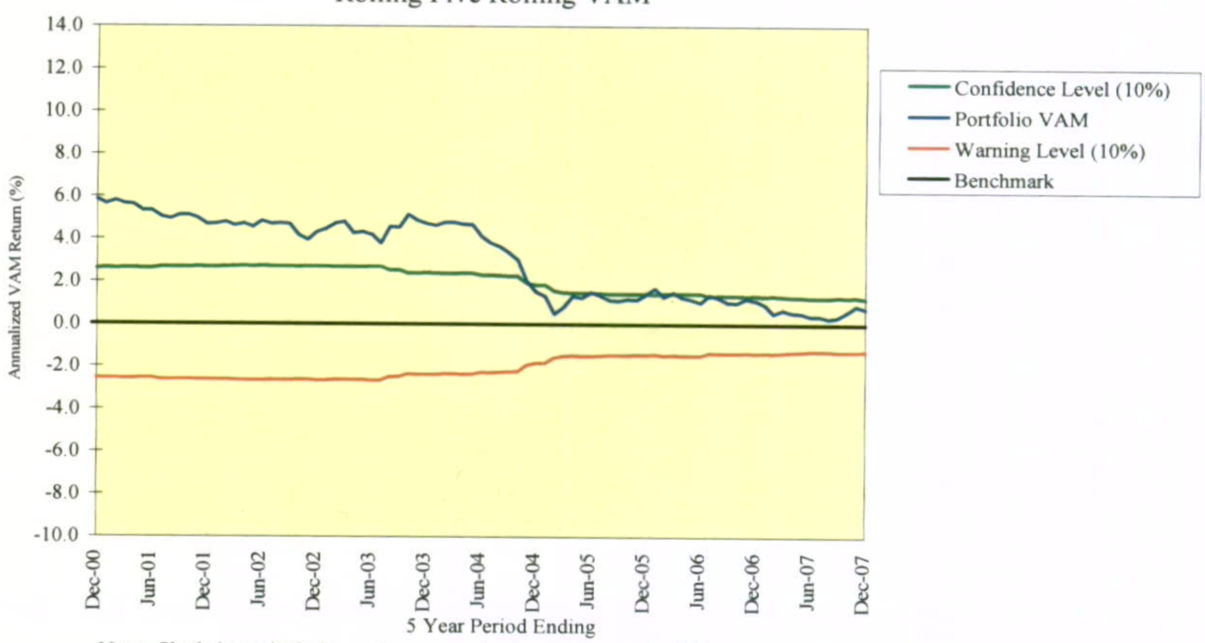
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	-1.5%
Last 1 year	17.7	12.6
Last 2 years	20.2	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	23.3	21.6

Recommendations

No action required.

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



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

RIVERSOURCE INVESTMENTS
Periods Ending December, 2007

Portfolio Manager: Alex Lyle **Assets Under Management: $312,891,342**

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 financials and energy sectors contributed positively to recent performance.

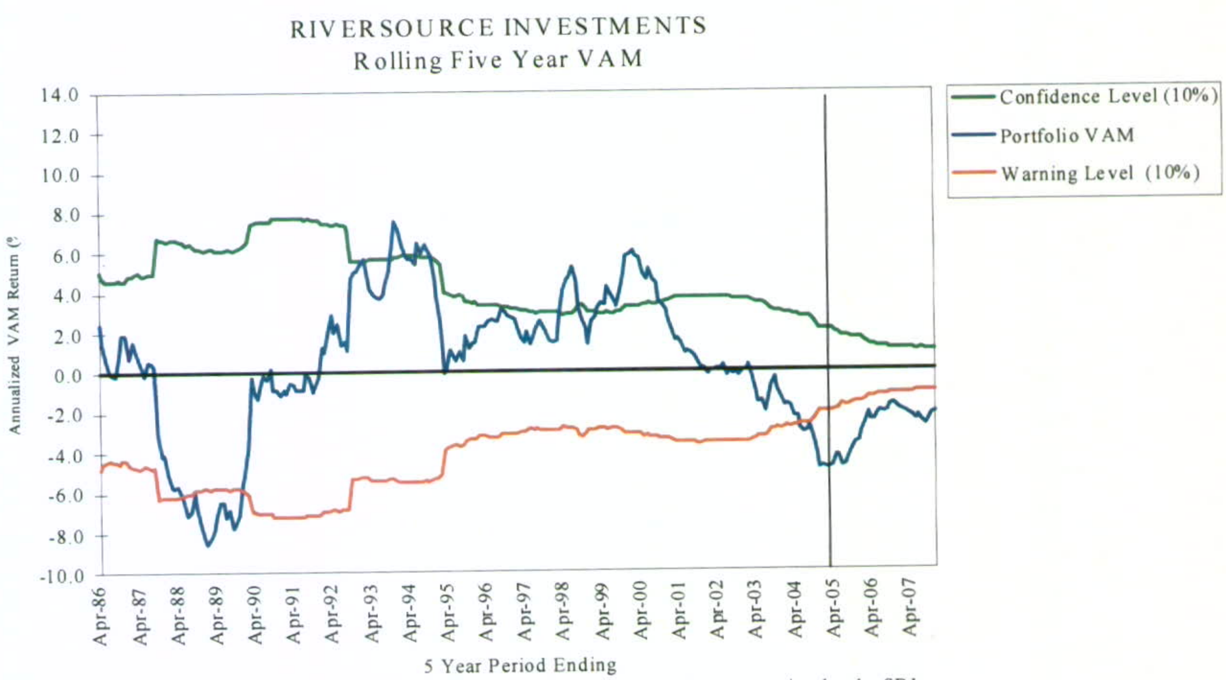
During the quarter, Riversource announced that Ed Gaunt, the portfolio manager for Japan and Joint Head of EAFE strategies, has left the firm. Alex Lyle has taken over sole responsibility as Head of EAFE strategies. Riversource's remaining Japan team is actively managing that portion of the SBI's portfolio while the firm searches for a replacement to head up the team.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.4%	-1.5%
Last 1 year	12.4	12.6
Last 2 years	17.9	19.0
Last 3 years	16.6	17.5
Last 4 years	16.8	18.2
Last 5 years	19.4	22.0
Since Inception (3/00)	2.6	6.1

Recommendations

No action required.



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

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending December, 2007

Portfolio Manager: Nick Melhuish **Assets Under Management: $322,337,297**

Investment Philosophy

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

Staff Comments

Stock selection in the information technology and consumer discretionary sectors contributed to the portfolio's underperformance during the quarter and the year.

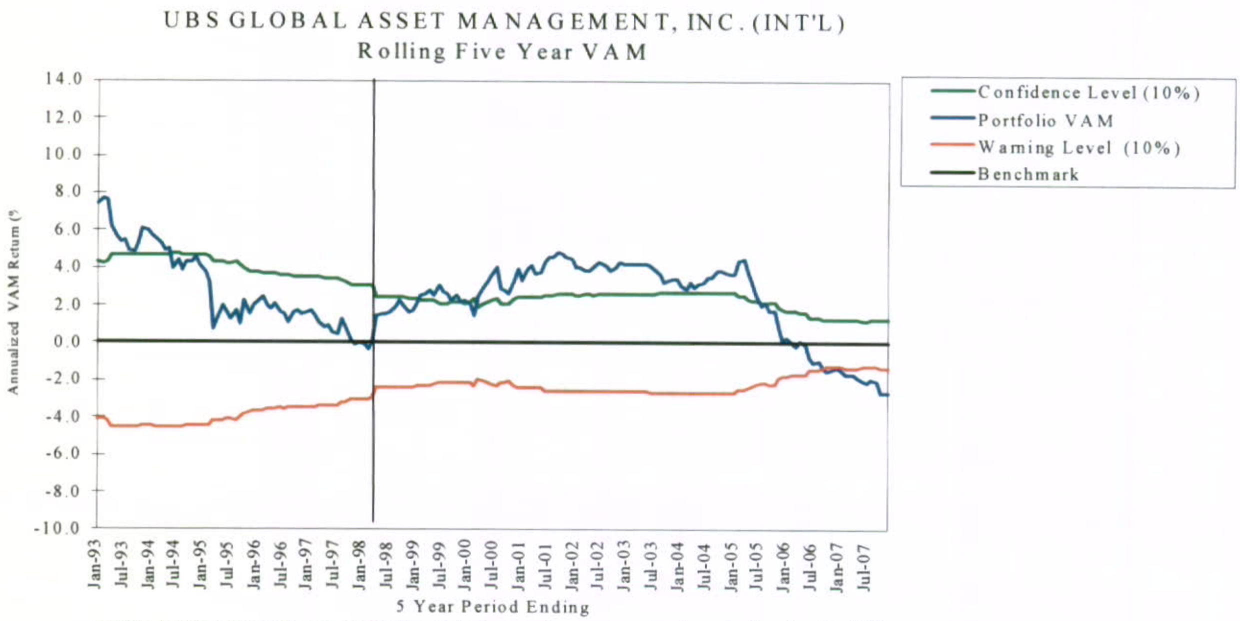
Last quarter, UBS announced that Nick Melhuish joined the firm as Head of the Global Equity Team, replacing Tom Madsen. In addition, five of the remaining ten Global Equity Team members left the team. This quarter, UBS has announced that Nick Irish will join the Global Equity Team in mid-March as portfolio manager for the Global ex-U.S. strategy, replacing Illario di Bon the SBI's previous portfolio manager.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.3%	-1.5%
Last 1 year	7.7	12.6
Last 2 years	16.3	19.0
Last 3 years	14.2	17.5
Last 4 years	15.6	18.2
Last 5 years	18.8	22.0
Since Inception (4/93)	9.8	9.0

Recommendations

The Stock and Bond Manager Committee will re-interview UBS at its February 13, 2008 meeting.



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

ALLIANCEBERNSTEIN L.P.
Periods Ending December, 2007

Portfolio Manager: Steve Beinhacker **Assets Under Management: $493,221,195**

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

The portfolio matched the benchmark for the quarter and trailed for the year. While stock selection in Russia contributed to performance over both periods, stock selection in Taiwan and Indonesia as well as in the financials sector detracted over recent periods.

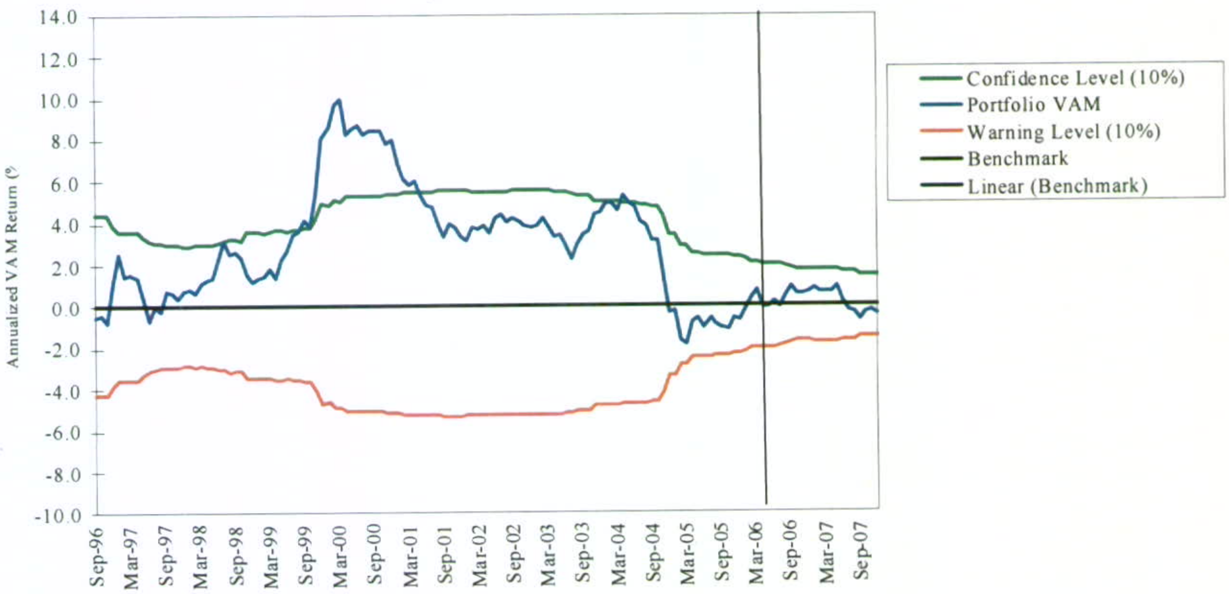
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.0%	4.0%
Last 1 year	38.8	39.9
Last 2 years	34.5	36.0
Last 3 years	33.9	35.3
Last 4 years	32.6	32.8
Last 5 years	36.6	37.1
Since Inception (3/01)	21.5	22.1

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 December, 2007

Portfolio Manager: Victor Kohn **Assets Under Management: $494,021,797**

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

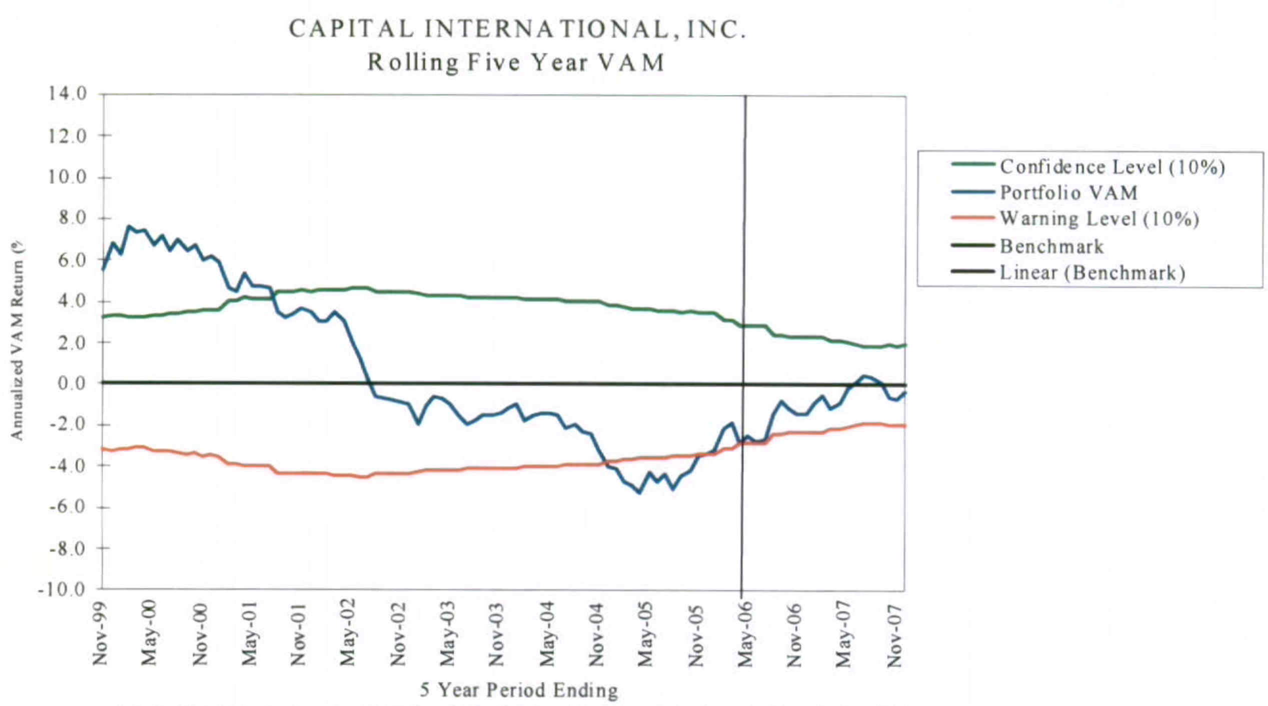
Stock selection in Brazil and India as well as in the telecommunications sector detracted from performance over the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.1%	4.0%
Last 1 year	38.4	39.9
Last 2 years	36.9	36.0
Last 3 years	37.4	35.3
Last 4 years	32.7	32.8
Last 5 years	36.7	37.1
Since Inception (3/01)	19.5	22.1

Recommendations

No action required.



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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Ruchir Sharma **Assets Under Management: $547,822,205**

Investment Philosophy

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

Staff Comments

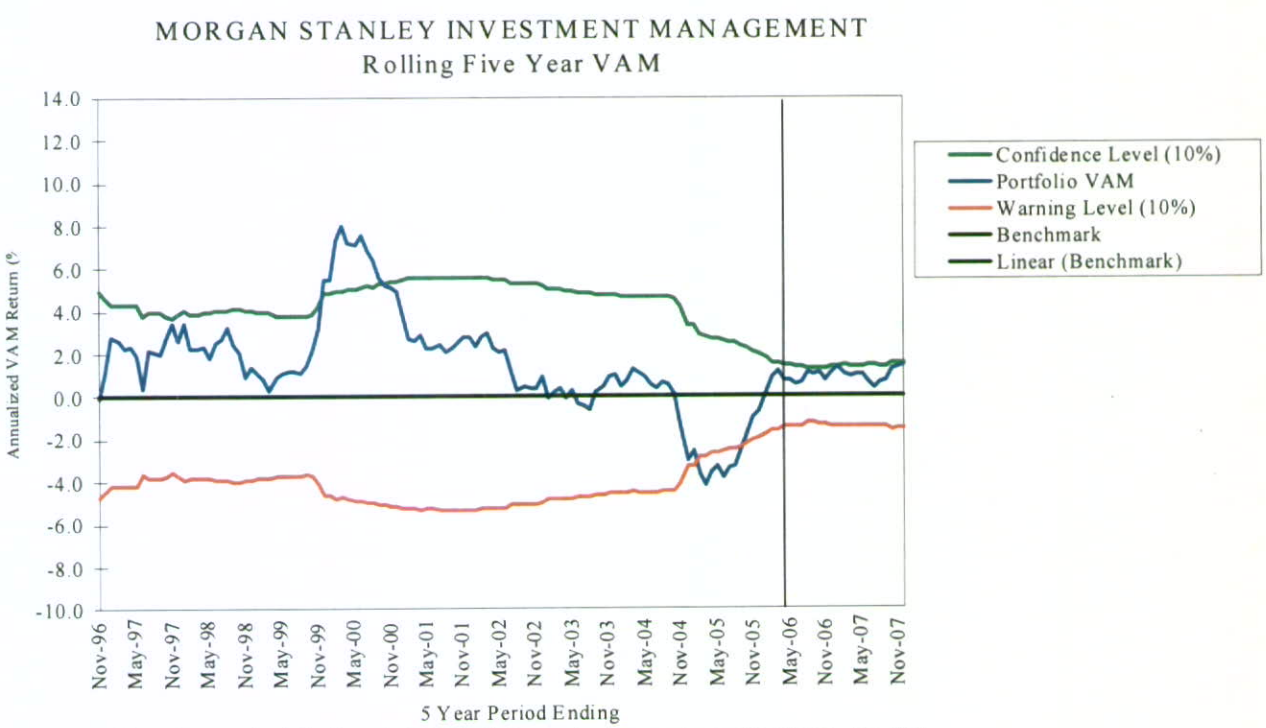
Stock selection in the information technology and industrials sectors contributed positively to performance over the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	6.0%	4.0%
Last 1 year	43.0	39.9
Last 2 years	40.3	36.0
Last 3 years	38.2	35.3
Last 4 years	34.6	32.8
Last 5 years	39.1	37.1
Since Inception (3/01)	23.2	22.1

Recommendations

No action required.



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

AQR CAPITAL MANAGEMENT, LLC
Periods Ending December, 2007

Portfolio Manager: Cliff Asness **Assets Under Management: $313,794,178**

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

During the quarter, stock selection in Germany, Japan and in the materials sector detracted from returns. While for the year, selection in the telecommunications and industrials sectors contributed to the portfolio's underperformance.

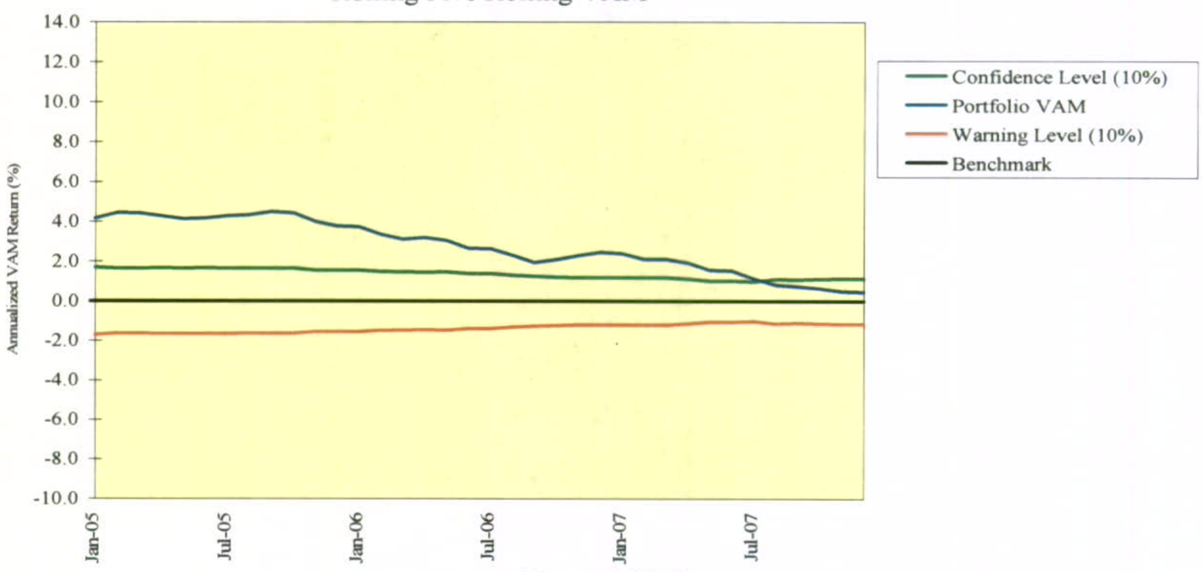
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.9%	-1.5%
Last 1 year	9.0	12.6
Last 2 years	16.8	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	20.6	21.6

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending December, 2007

Portfolio Manager: Cesar Hernandez **Assets Under Management: $345,977,829**

Investment Philosophy

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

Staff Comments

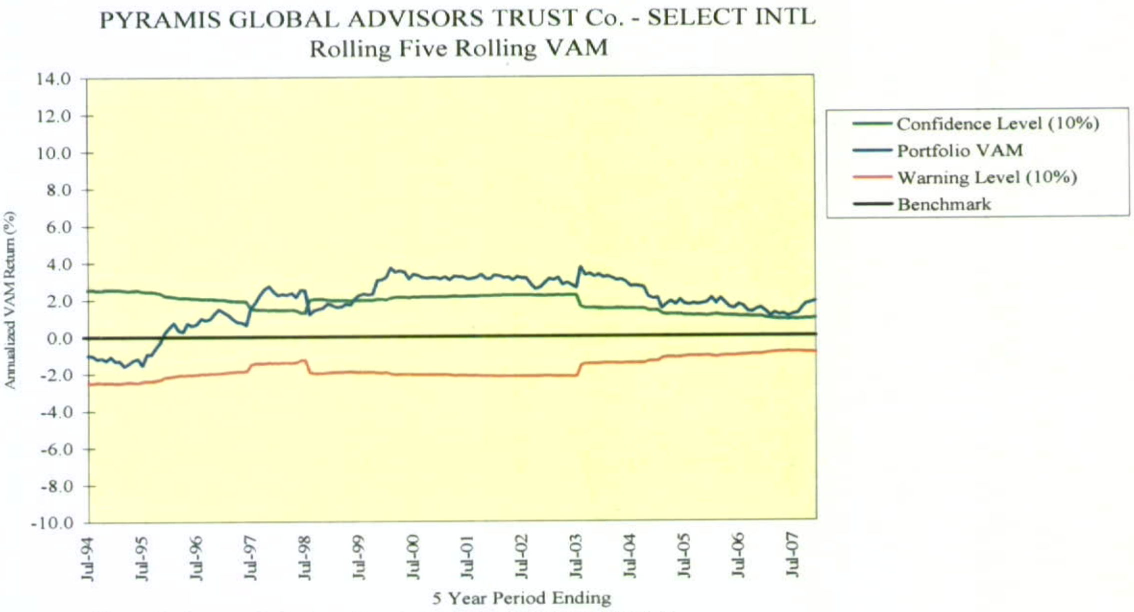
Stock selection in Germany, Canada and the United Kingdom added value during the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	-1.5%
Last 1 year	18.2	12.6
Last 2 years	22.5	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	24.7	21.6

Recommendations

No action required.



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

STATE STREET GLOBAL ADVISORS
Periods Ending December, 2007

Portfolio Manager: Didier Rosenfeld **Assets Under Management: $319,986,120**

Investment Philosophy

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

Staff Comments

Stock selection in the United Kingdom, Germany and the financials sector detracted from performance for the quarter and the year.

During the quarter, SSgA announced that eight people were lifted out of the SSgA Alpha team by Lazard. This lift-out included Paul Moghtader, previously listed as the SBI's portfolio manager. In practice, the portfolio is still managed according to the established quantitative process by three regional teams with bench strength. Didier Rosenfeld has been named head of the Boston-based Alpha team. He is charged with coordinating the investment activities of the regional teams on behalf of U.S.-based clients. In addition, in January 2008, the CEO of SSgA resigned.

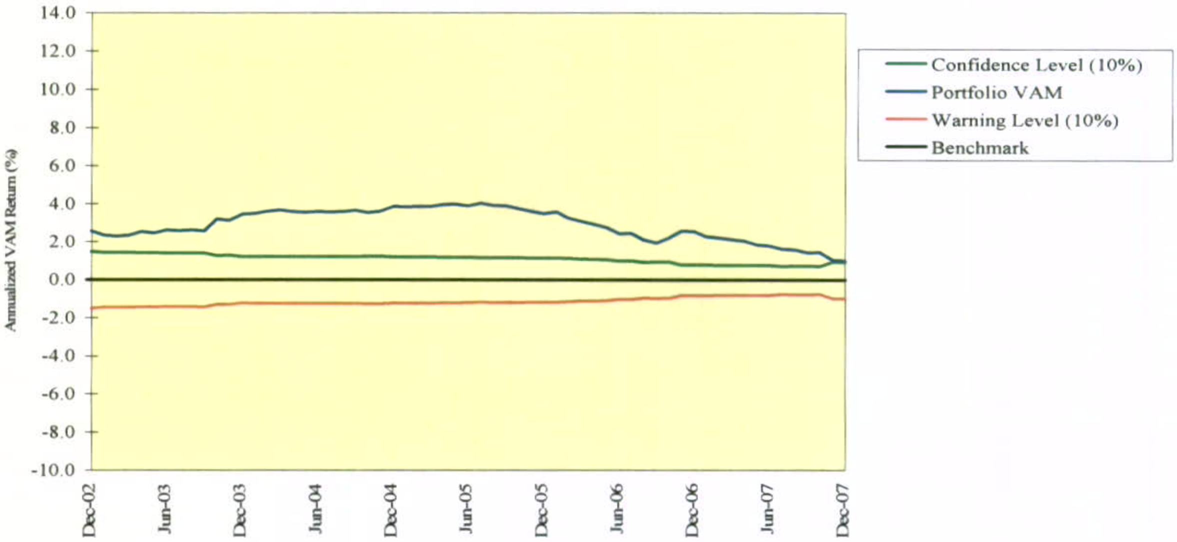
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-4.1%	-1.5%
Last 1 year	9.1	12.6
Last 2 years	17.8	19.0
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (7/05)	20.9	21.6

Recommendations

Staff will monitor SSgA closely over the next four quarters to see what impact the changes to the investment team have on the portfolio.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Rolling VAM



5 Year Period Ending

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

STATE STREET GLOBAL ADVISORS
Periods Ending December, 2007

Portfolio Manager: Lynn Blake | **Assets Under Management: $2,748,438,421**

Investment Philosophy

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

Staff Comments

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

In January 2008 William Hunt, the CEO of SSgA, resigned. James Phalen, Executive Vice President and Head of International Operations, was named interim CEO while SSgA conducts a global search for a permanent replacement.

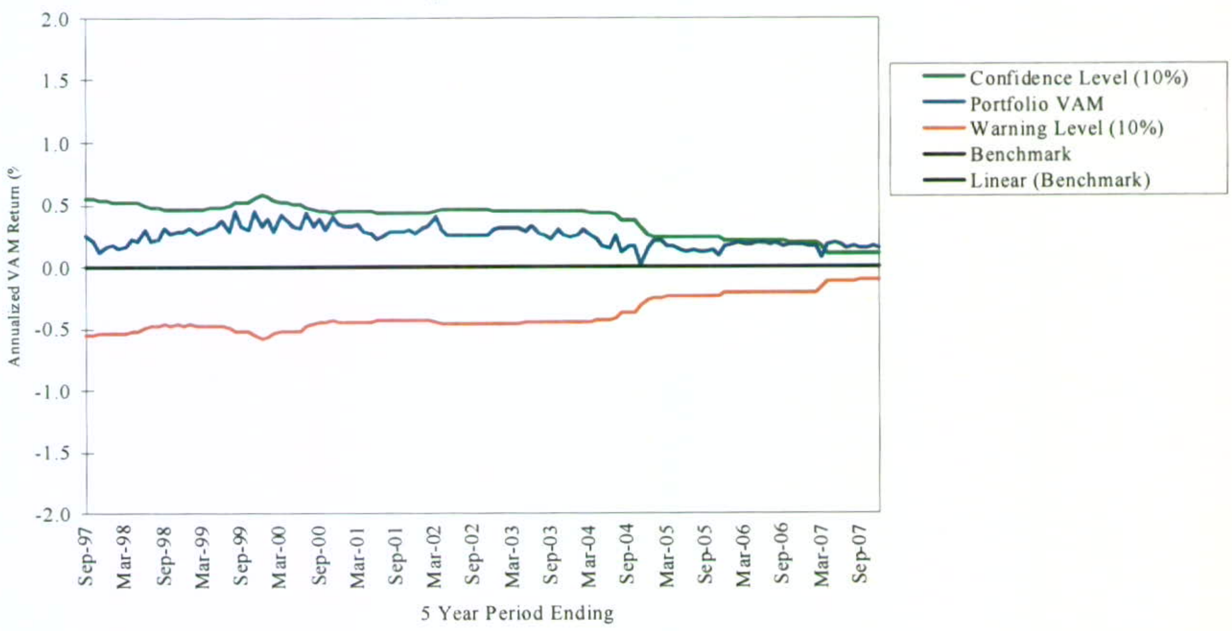
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.4%	-1.5%
Last 1 year	12.9	12.6
Last 2 years	19.3	19.0
Last 3 years	17.7	17.5
Last 4 years	18.4	18.2
Last 5 years	22.2	22.0
Since Inception (10/92)	9.5	9.2

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
Rolling Five Year VAM



STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Fourth Quarter, 2007

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Non-Retirement Managers

Table of Contents

NON - RETIREMENT MANAGERS
Periods Ending December, 2007

	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)*	-2.2	-3.3	8.5	5.5	9.0	8.6	11.8	12.8	11.9	11.3	$87.7
Voyageur Asset Management (Custom Benchmark)*	1.9	3.2	5.8	7.9	4.3	4.7	3.7	3.9	6.3	6.5	$267.3
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)*	1.2	0.9	4.7	4.7	4.5	4.8	4.5	4.0	5.7	5.0	$210.5
Internal Stock Pool (S&P 500 Index)*	-3.3	-3.3	5.5	5.5	8.7	8.6	12.9	12.8	10.6	10.5	$898.3
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	2.6	3.0	6.4	7.0	4.7	4.6	5.0	4.4	7.8	7.5	$92.7
Internal Bond Pool - Trust (Lehman Aggregate)*	2.8	3.0	7.1	7.0	4.9	4.6	5.2	4.4	7.2	6.8	$560.5

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

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

NON - RETIREMENT MANAGERS
Calendar Year Returns

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

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

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

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending December, 2007

Portfolio Manager: Dave Carlson **Assets Under Management: $87,687,001**

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.

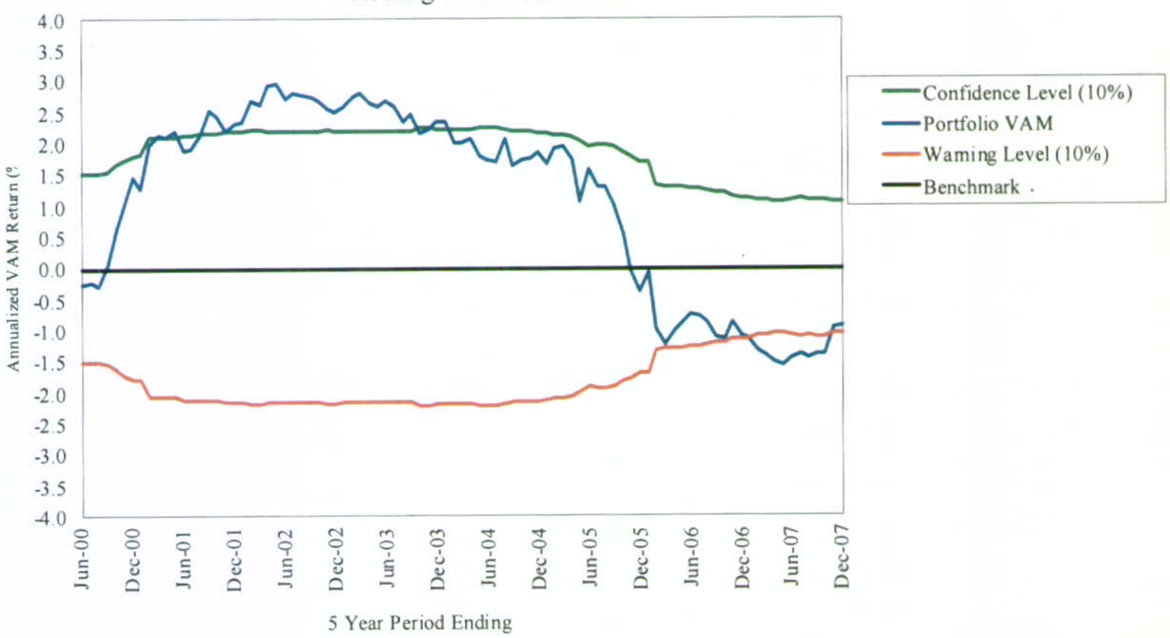
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.2%	-3.3%
Last 1 year	8.5	5.5
Last 2 years	12.4	10.5
Last 3 years	9.0	8.6
Last 4 years	9.0	9.2
Last 5 years	11.8	12.8
Since Inception (1/95)	11.9	11.3

Recommendation

No recommendation at this time.

GE ASSET MANAGEMENT
Rolling Five Year VAM



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending December, 2007

Portfolio Manager: John Huber **Assets Under Management: $267,284,268**

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

No comment at this time.

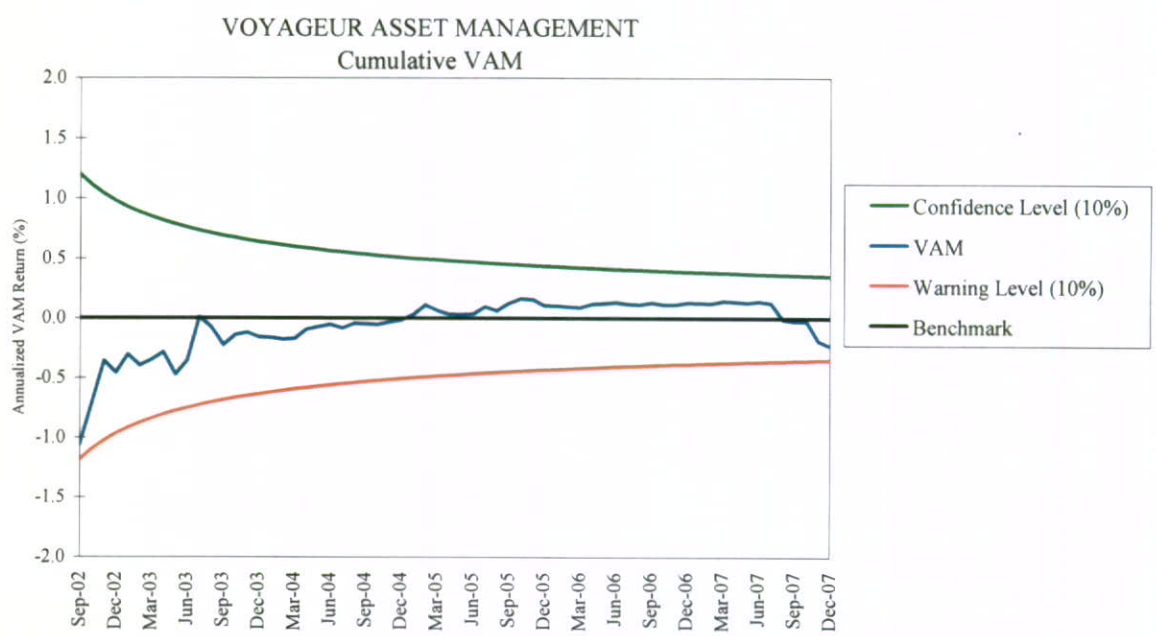
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	1.9%	3.2%
Last 1 year	5.8	7.9
Last 2 years	5.2	6.1
Last 3 years	4.3	4.7
Last 4 years	4.0	4.3
Last 5 years	3.7	3.9
Since Inception (7/91)	6.3	6.5

*Custom benchmark since inception date.

Recommendation

No action required.



GALLIARD CAPITAL MANAGEMENT
Periods Ending December, 2007

Portfolio Manager: Karl Tourville **Assets Under Management: $210,464,162**

Investment Philosophy

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

Staff Comments

No comment at this time.

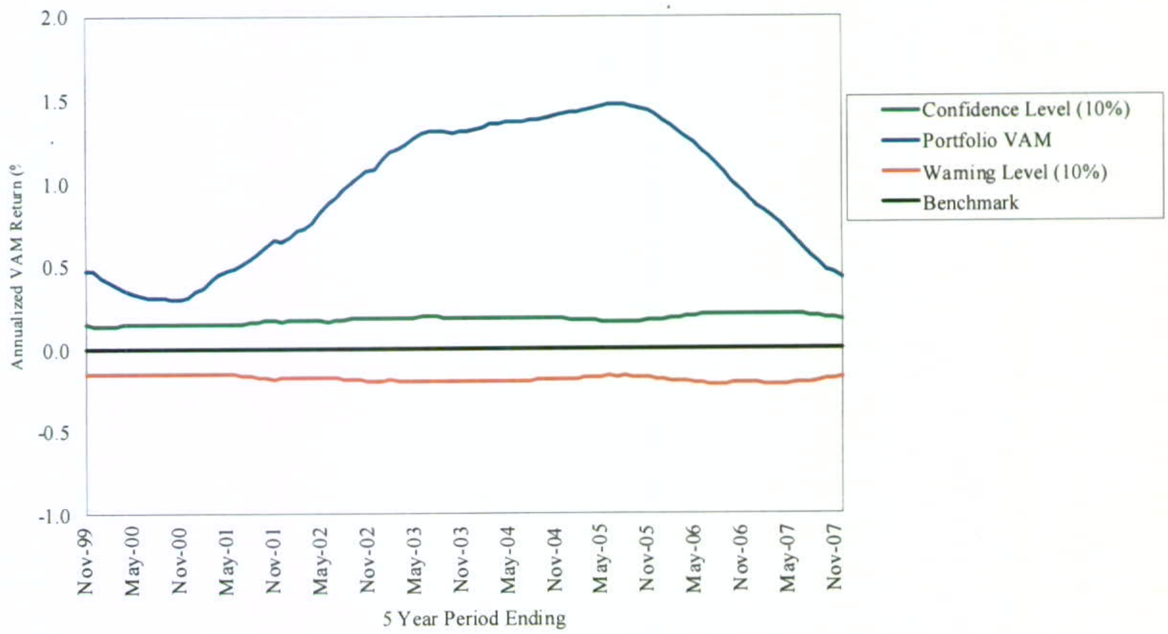
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.2%	0.9%
Last 1 year	4.7	4.7
Last 2 years	4.6	5.0
Last 3 years	4.5	4.8
Last 4 years	4.4	4.4
Last 5 years	4.5	4.0
Since Inception (11/94)	5.7	5.0

Recommendation

No action required.

Galliard Capital Management
Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending December, 2007

Portfolio Manager: Mike Menssen | **Assets Under Management: $898,304,908**

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

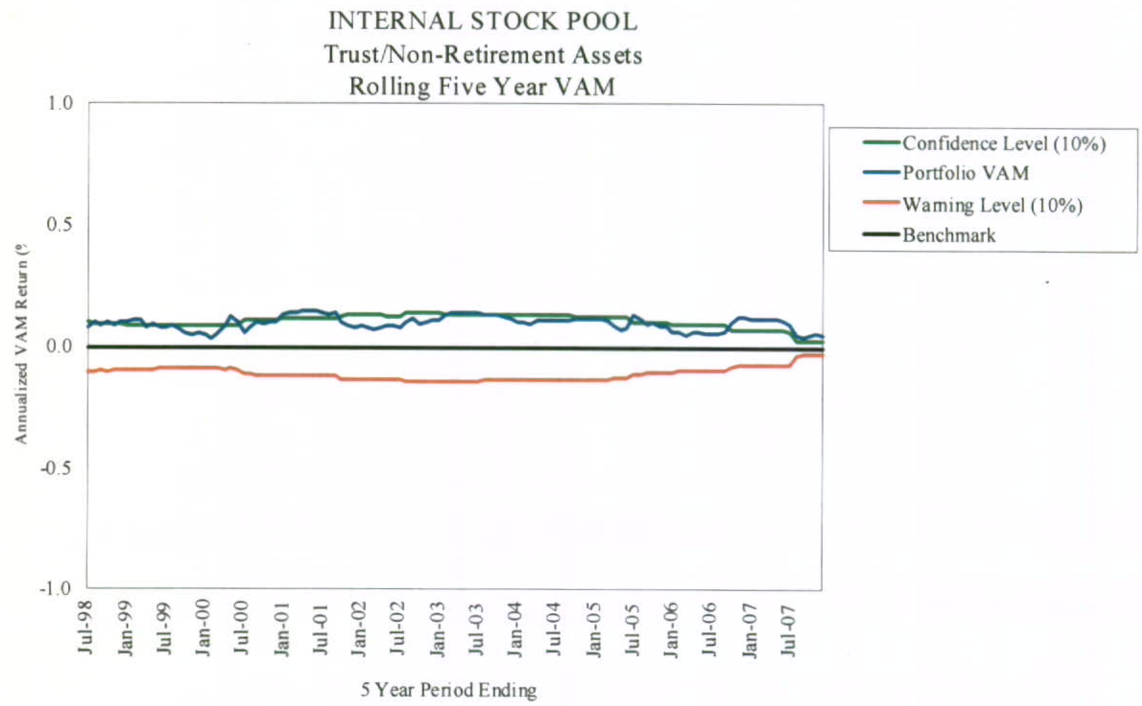
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-3.3%	-3.3%
Last 1 year	5.5	5.5
Last 2 years	10.6	10.5
Last 3 years	8.7	8.6
Last 4 years	9.2	9.2
Last 5 years	12.9	12.8
Since Inception (7/93)	10.6	10.5

Recommendation

No action required.



INTERNAL BOND POOL - Income Share Account
Periods Ending December, 2007

Portfolio Manager: Mike Menssen **Assets Under Management: $92,684,179**

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

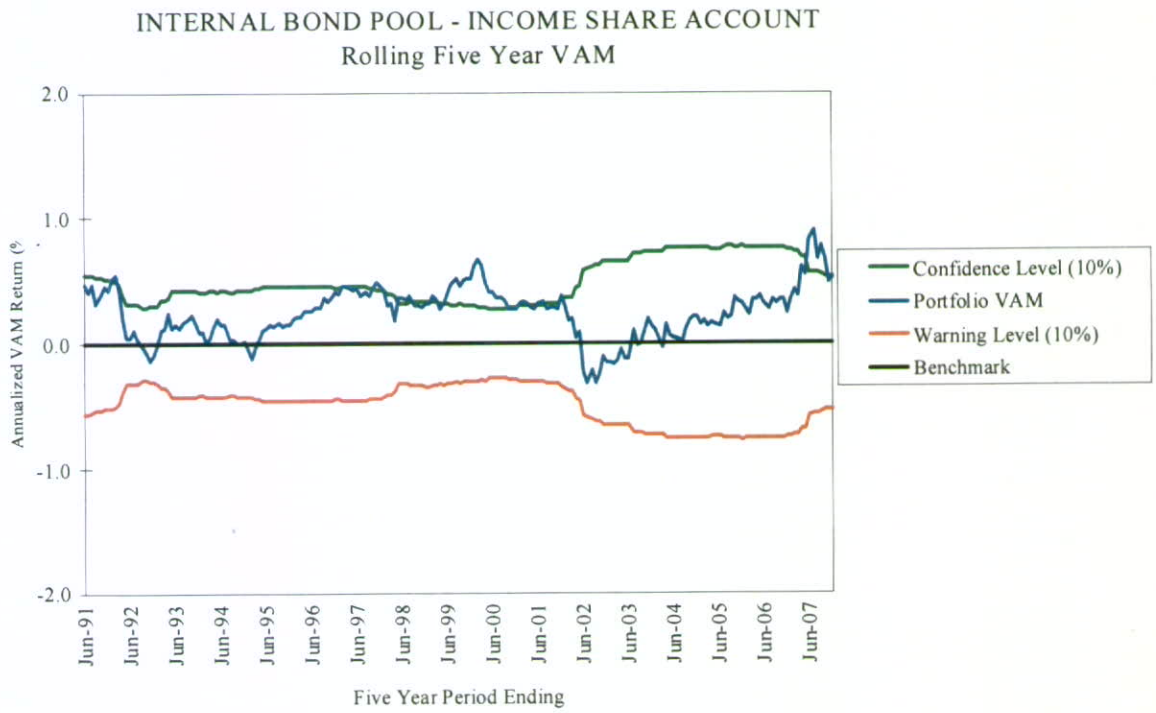
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.6%	3.0%
Last 1 year	6.4	7.0
Last 2 years	5.7	5.6
Last 3 years	4.7	4.6
Last 4 years	4.8	4.5
Last 5 years	5.0	4.4
Since Inception (7/86)	7.8	7.5

Recommendation

No action required.



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending December, 2007

Portfolio Manager: Mike Menssen | **Assets Under Management: $560,456,236**

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.

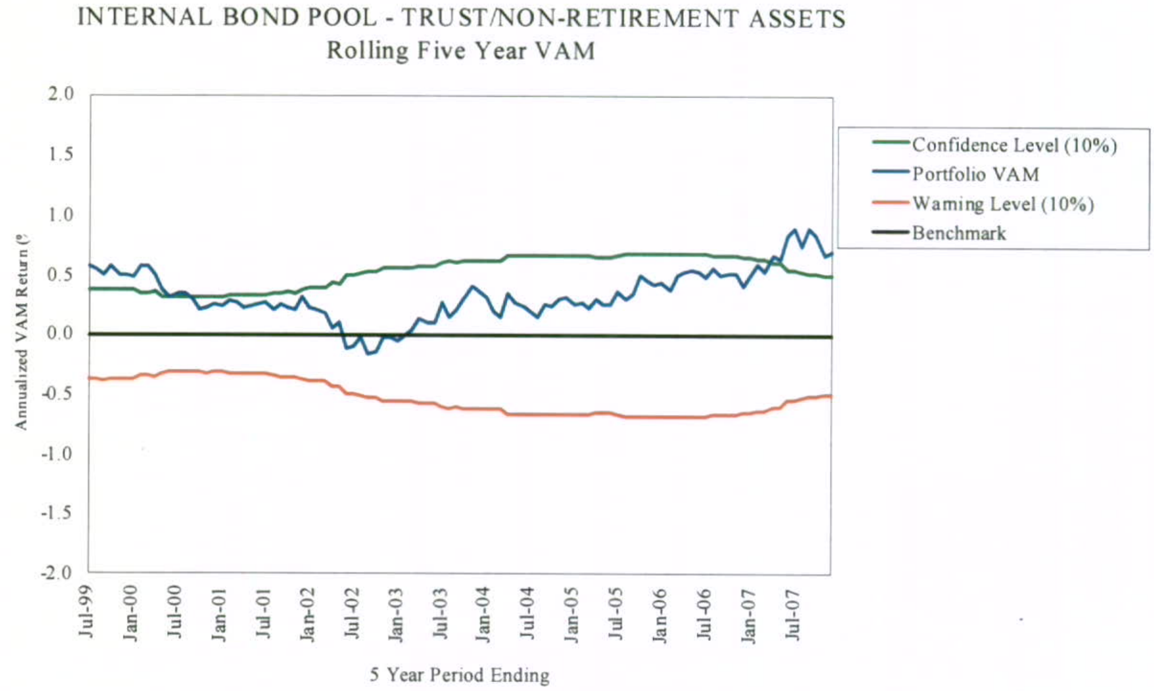
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.8%	3.0%
Last 1 year	7.1	7.0
Last 2 years	6.0	5.6
Last 3 years	4.9	4.6
Last 4 years	5.0	4.5
Last 5 years	5.2	4.4
Since Inception (7/94)*	7.2	6.8

* Date started managing the pool against the Lehman Aggregate.

Recommendation

No action required.



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

Fourth Quarter, 2007

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Mutual Fund Managers

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MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending December, 2007

457 Mutual Funds	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 Years Actual %	3 Years Bmk %	5 Years Actual %	5 Years Bmk %	Since Retention by SBI * %	Since Retention by SBI * %	State's Participation In Fund ($ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	8.1	-3.3	35.9	5.5	18.7	8.6	21.0	12.8	3.3	2.5	$489.8
Legg Mason Partners Appr I (S&P 500)	-0.7	-3.3	8.6	5.5	9.3	8.6	12.3	12.8	10.4	10.4	$130.6
Vanguard Institutional Index Plus (S&P 500)	-3.3	-3.3	5.5	5.5	8.6	8.6	12.9	12.8	2.5	2.5	$478.1
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-3.4	-3.4	6.2	6.2	11.3	11.2	17.4	17.3	13.5	13.5	$145.2
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	-6.1	-4.6	-1.7	-1.6	6.3	6.8	13.6	16.2	9.9	7.6	$369.9
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-2.8	-0.8	1.7	6.2	7.3	7.1	11.7	9.5	10.6	8.7	$311.0
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	-0.8	-0.8	6.3	6.3	7.4	7.3	10.2	10.2	8.5	8.5	$179.8
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)	1.3	3.0	4.7	7.0	4.0	4.6	4.3	4.4	6.3	6.2	$97.9
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	3.1	3.0	7.0	7.0	4.6	4.6	4.5	4.4	4.7	4.7	$62.6
International:											
Fidelity Diversified International (MSCI EAFE-Free)	-0.4	-1.8	16.0	11.2	18.6	16.8	23.2	21.6	12.9	7.5	$319.1
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-2.2	-1.8	11.0	11.2	16.8	16.8	21.6	21.6	19.5	19.5	$92.6

Numbers in black are returns **since** retention by SBI.
Numbers in blue include returns **prior** to retention by SBI.
Benchmarks for the Funds are noted in parentheses below the Fund names.

* 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.

Fixed Fund:	%
Blended Yield Rate for current quarter***:	4.5
Bid Rates for current quarter:	
Great West Life	4.5
Minnesota Life	5.1
Principal Life	5.3

***The Blended Yield Rate for the current quarter includes the return on the existing porfolio assets and the Liquidity Buffer Account (money market). The Bid Rates for the current quarter determine the allocation of new cash flow.

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

	2007		2006		2005		2004		2003	
457 Mutual Funds	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**
Large Cap Equity:										
Janus Twenty (S&P 500)	35.9	5.5	12.3	15.8	9.4	4.9	23.9	10.9	25.3	28.7
Legg Mason Partners Appr I (S&P 500)	8.6	5.5	15.0	15.8	4.6	4.9	9.3	10.9	25.1	28.7
Vanguard Institutional Index Plus (S&P 500)	5.5	5.5	15.8	15.8	5.0	4.9	10.9	10.9	28.7	28.7
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	6.2	6.2	13.8	13.7	14.1	13.9	20.5	20.5	34.3	33.8
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	-1.7	-1.6	12.8	18.4	8.4	4.6	18.8	18.3	32.3	47.3
Balanced:										
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	1.7	6.2	13.8	11.1	6.6	4.0	13.3	8.3	24.5	18.5
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	6.3	6.3	11.1	11.1	4.8	4.8	9.5	9.3	20.1	20.1
Bond:										
Dodge & Cox Income Fund (Lehman Aggregate)	4.7	7.0	5.3	4.3	2.0	2.4	3.8	4.3	6.0	4.1
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	7.0	7.0	4.4	4.3	2.5	2.4	4.4	4.3	4.1	4.1
International:										
Fidelity Diversified International (MSCI EAFE-Free)	16.0	11.2	22.5	26.3	17.2	13.5	19.7	20.2	42.4	38.6
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	11.0	11.2	26.3	26.3	13.6	13.5	20.3	20.2	38.9	38.6

Numbers in black are returns **since** retention by SBI.

Numbers in blue include returns **prior** to retention by SBI.

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

MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending December, 2007

Portfolio Manager: Ron Sachs

State's Participation in Fund: $489,824,733
Total Assets in Fund: $12,650,559,687

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

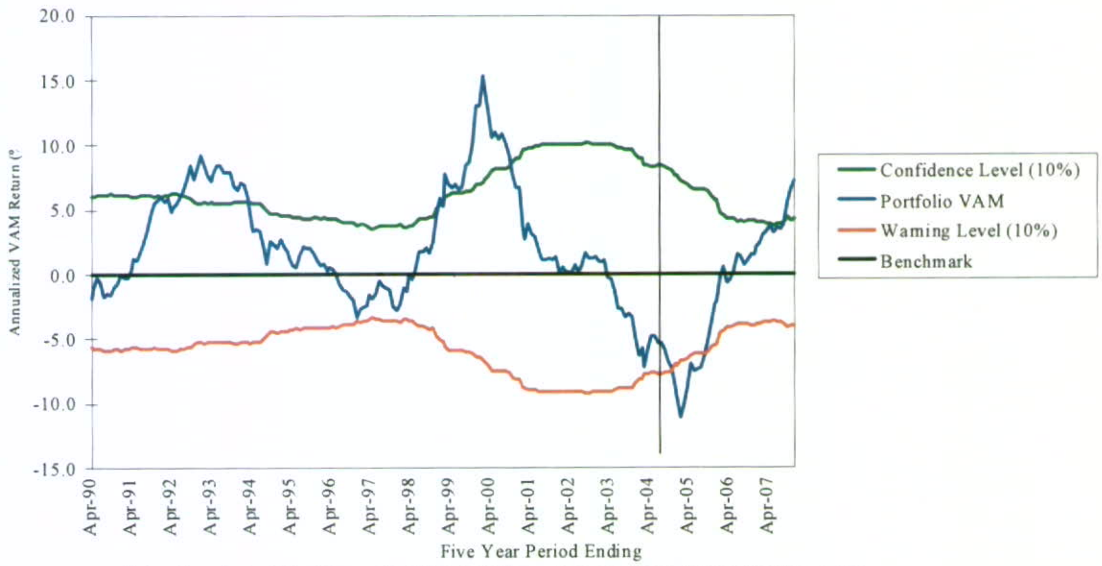
	Actual	Benchmark*
Last Quarter	8.1%	-3.3%
Last 1 year	35.9	5.5
Last 2 years	23.6	10.5
Last 3 years	18.7	8.6
Last 4 years	19.9	9.2
Last 5 years	21.0	12.8
Since Retention by SBI (7/99)	3.3	2.5

*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 December, 2007

		State's Participation in Fund:	**$130,645,092**
Portfolio Manager:	**Scott Glasser**	**Total Assets in Fund:**	**$5,908,841,000**

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.

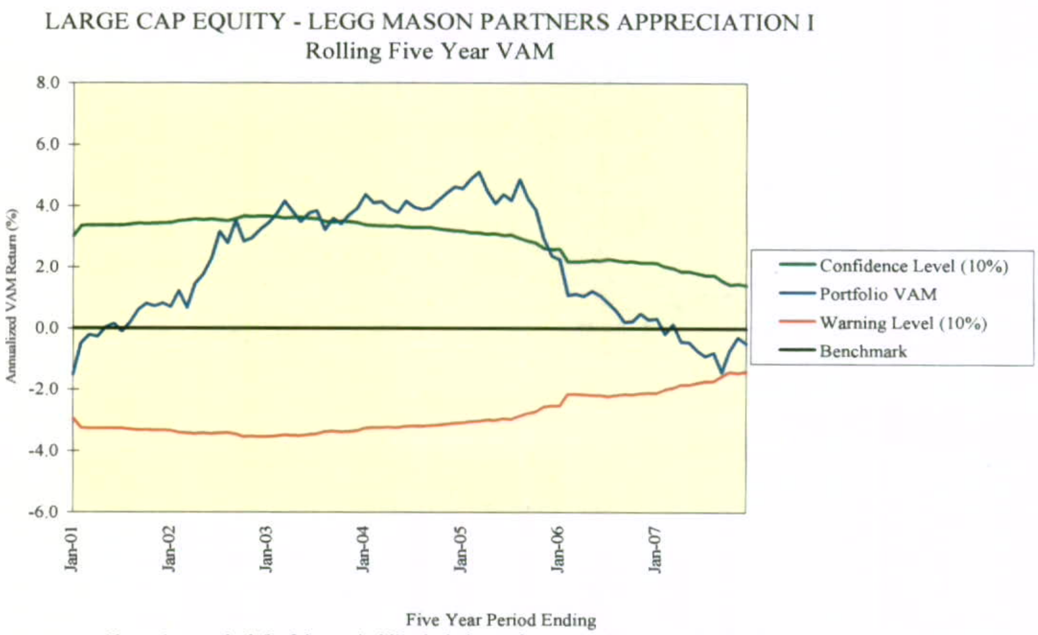
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-0.7%	-3.3%
Last 1 year	8.6	5.5
Last 2 years	11.7	10.5
Last 3 years	9.3	8.6
Last 4 years	9.3	9.2
Last 5 years	12.3	12.8
Since Retention by SBI (12/03)	10.36	10.36

*Benchmark is the S&P 500.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



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 December, 2007

State's Participation in Fund: $478,120,505
Portfolio Manager: Donald Butler **Total Assets in Fund: $25,776,000,000**

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.

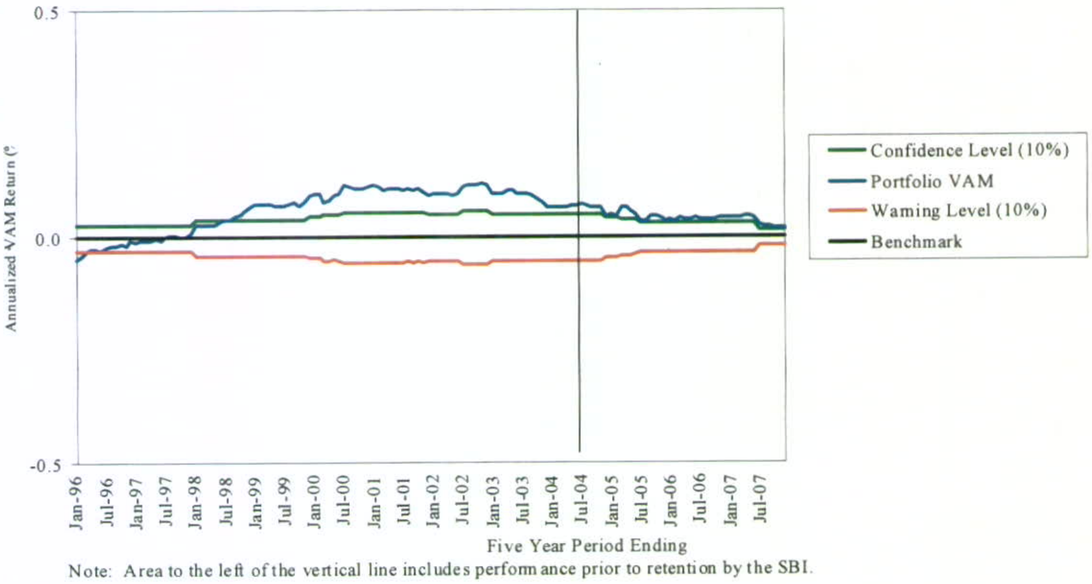
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-3.3%	-3.3%
Last 1 year	5.5	5.5
Last 2 years	10.5	10.5
Last 3 years	8.6	8.6
Last 4 years	9.2	9.2
Last 5 years	12.9	12.8
Since Retention by SBI (7/99)	2.5	2.5

*Benchmark is the S&P 500.

Recommendation

No action required.



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

MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending December, 2007

Portfolio Manager: Donald Butler

State's Participation in Fund: $145,234,858
Total Assets in Fund: $6,162,000,000

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.

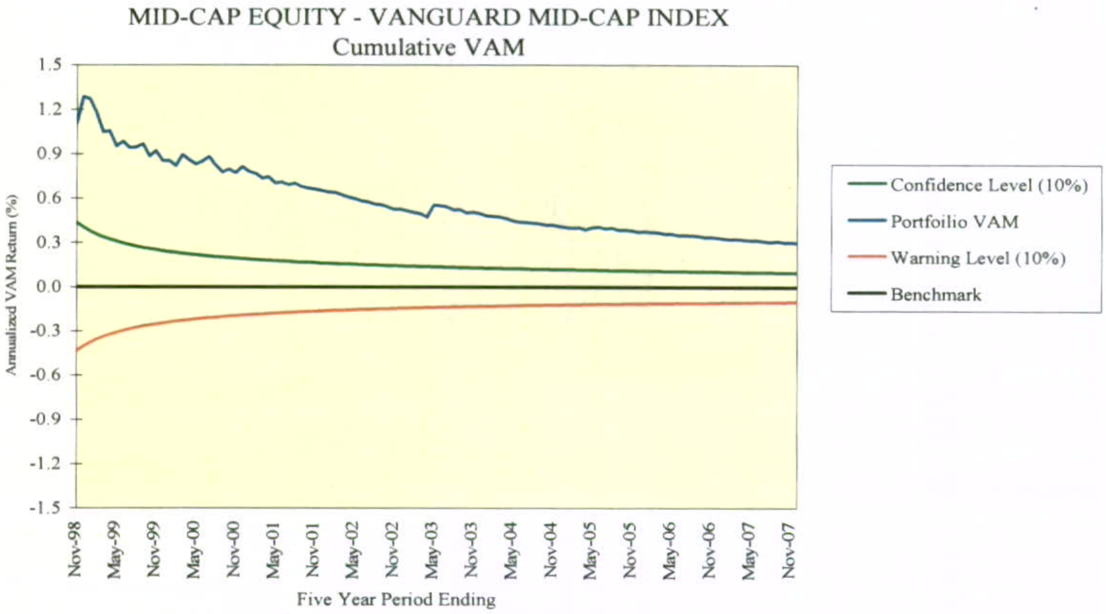
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-3.4%	-3.4%
Last 1 year	6.2	6.2
Last 2 years	9.9	9.9
Last 3 years	11.3	11.2
Last 4 years	13.5	13.5
Last 5 years	17.4	17.3
Since Retention by SBI (1/04)	13.5	13.5

*Benchmark is the MSCI US Mid Cap 450.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending December, 2007

		State's Participation in Fund:	**369,856,449**
Portfolio Manager:	**Gregory A. McCrickard**	**Total Assets in Fund:**	**6,575,787,940**

Investment Philosophy
T. Rowe Price Small Cap Equity Fund

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

Staff Comments

Five year performance numbers reflect a tough 2006, shared by many managers, and 2003 in which illiquid securities, not held by the manager, performed well. The manager continues to implement the same disciplined strategy and process employed for years.

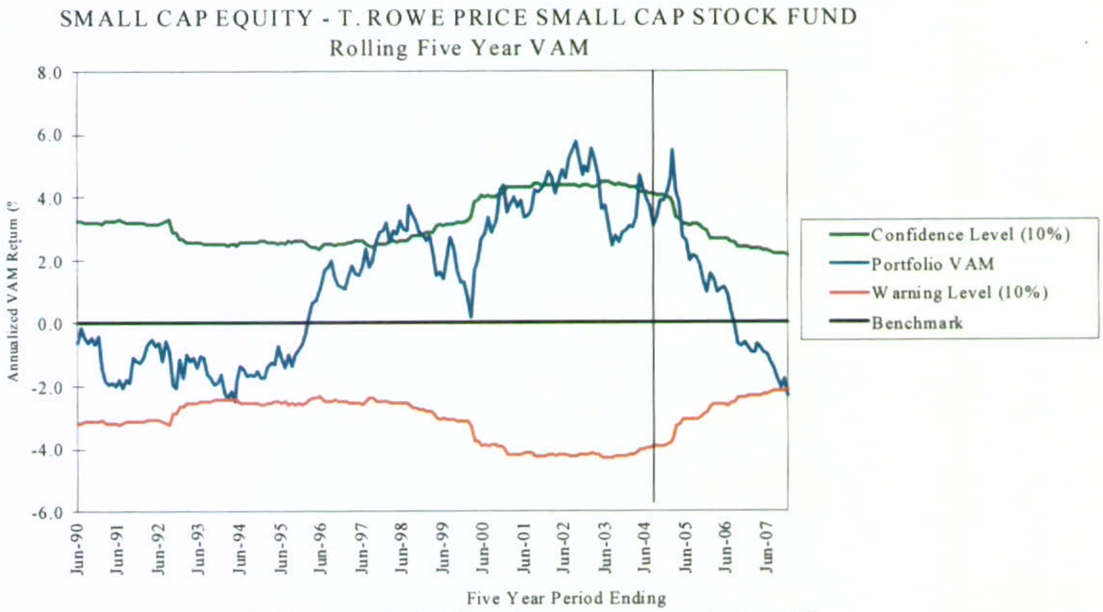
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-6.1%	-4.6%
Last 1 year	-1.7	-1.6
Last 2 years	5.3	7.9
Last 3 years	6.3	6.8
Last 4 years	9.3	9.6
Last 5 years	13.6	16.2
Since Retention by SBI (7/99)	9.9	7.6

*Benchmark is the Russell 2000.

Recommendation

No action required.



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

STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending December, 2007

Portfolio Manager: John Gunn

State's Participation in Fund: $310,994,902
Total Assets in Fund: $26,932,373,197

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.

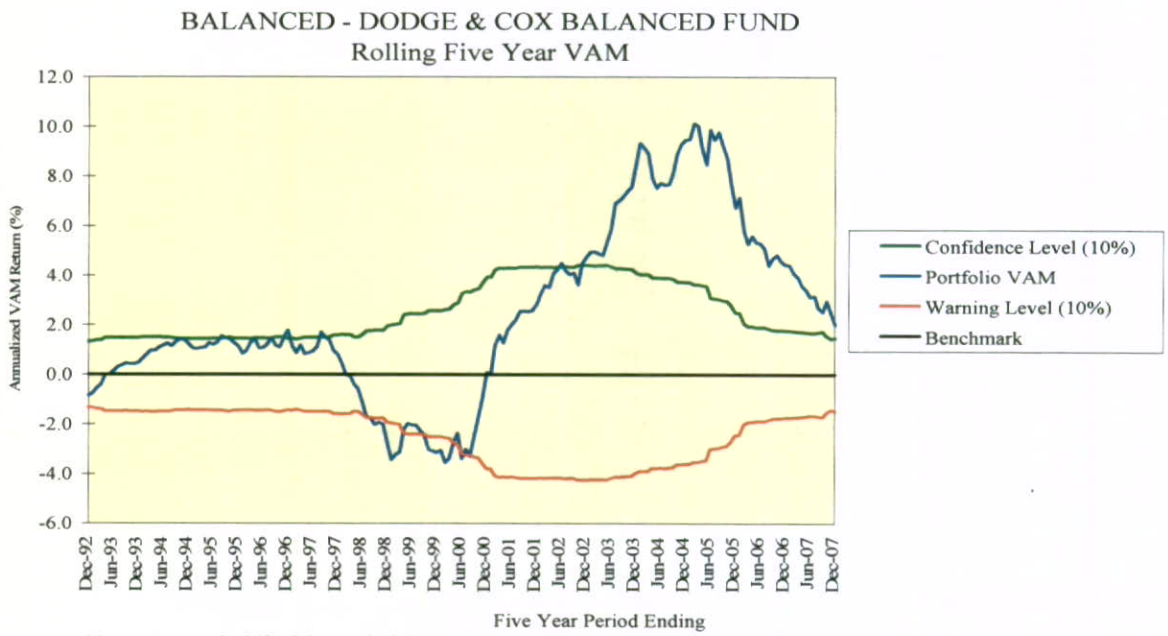
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-2.8%	-0.8%
Last 1 year	1.7	6.2
Last 2 years	7.6	8.6
Last 3 years	7.3	7.1
Last 4 years	8.7	7.4
Last 5 years	11.7	9.5
Since Retention By SBI (10/03)	10.6	8.7

*Benchmark is 60% S&P 500, 40% Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



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

MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending December, 2007

State's Participation in Fund: $179,823,701
Portfolio Manager: Michael Perre | **Total Assets in Fund: $2,901,000,000**

Investment Philosophy
Vanguard Balanced Index Fund

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

Staff Comments

No comment at this time.

Quantitative Evaluation

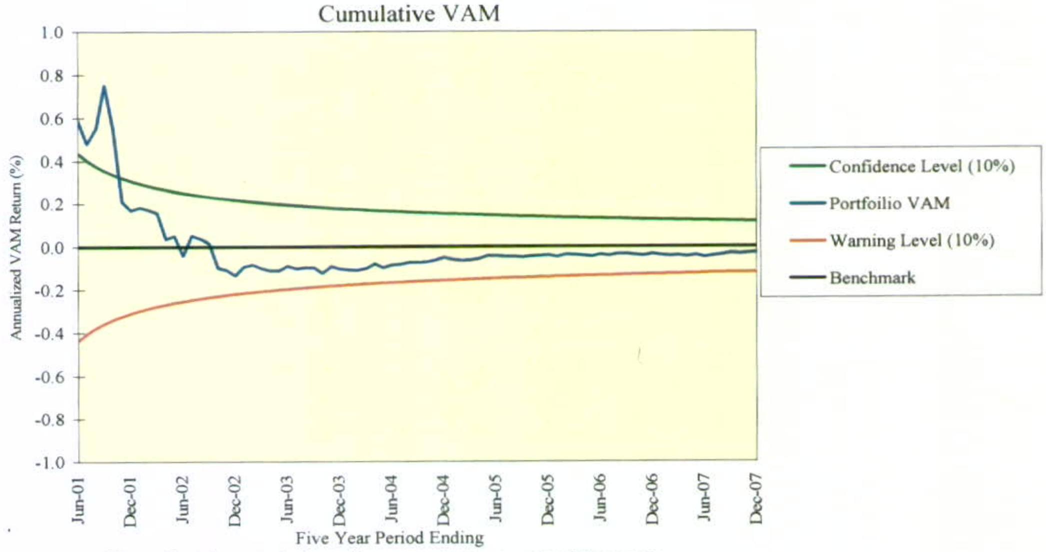
	Actual	Benchmark*
Last Quarter	-0.8%	-0.8%
Last 1 year	6.3	6.3
Last 2 years	8.7	8.7
Last 3 years	7.4	7.3
Last 4 years	7.9	7.8
Last 5 years	10.2	10.2
Since Retention by SBI (12/03)	8.5	8.5

*Benchmark is 60% MSCI US Broad Market, 40% Lehman Aggregate.
Equity benchmark was Wilshire 5000 prior to April 1, 2005.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

BALANCED - VANGUARD BALANCED INDEX
Cumulative VAM



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending December, 2007

		State's Participation in Fund:	**$97,898,408**
Portfolio Manager:	**Dana Emery**	**Total Assets in Fund:**	**$15,932,389,833**

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.

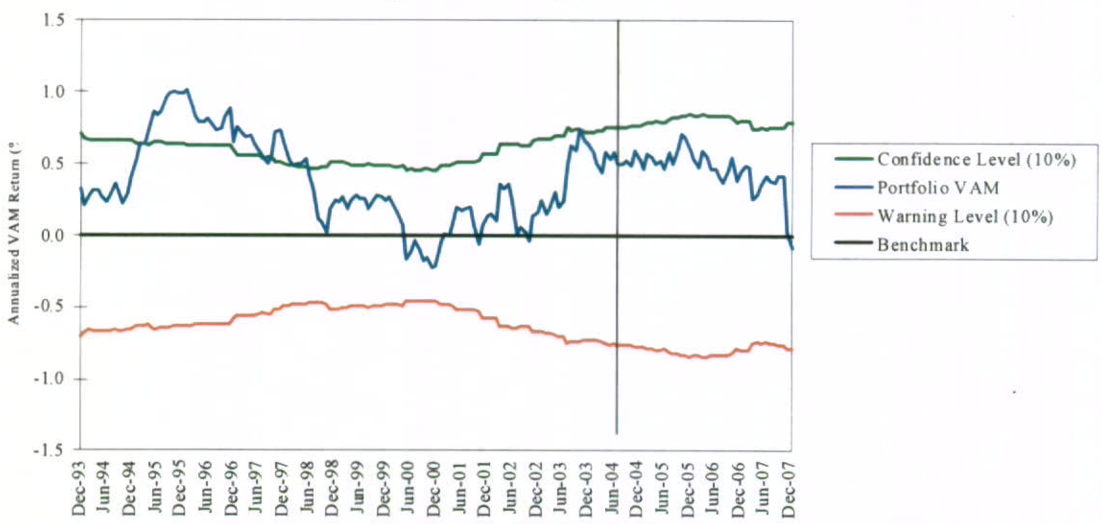
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	1.3%	3.0%
Last 1 year	4.7	7.0
Last 2 years	5.0	5.6
Last 3 years	4.0	4.6
Last 4 years	3.9	4.5
Last 5 years	4.3	4.4
Since Retention By SBI (7/99)	6.3	6.2

*Benchmark is the Lehman Aggregate.

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
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending December, 2007

		State's Participation in Fund:	**$62,599,275**
Portfolio Manager:	**Kenneth Volpert**	**Total Assets in Fund:**	**$9,492,000,000**

Investment Philosophy
Vanguard Total Bond Market Index Institutional

The fund attempts to track the performance of the Lehman Brothers Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

Staff Comments

No comment at this time.

Quantitative Evaluation

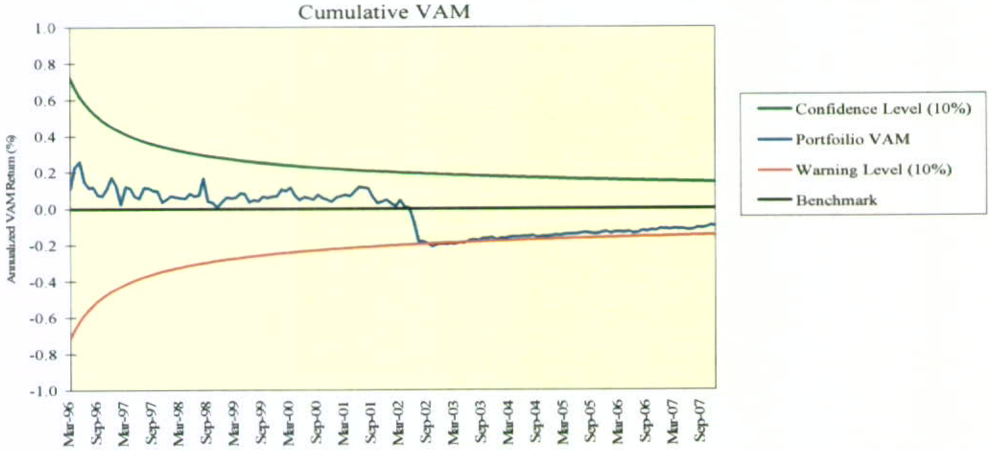
	Actual	Benchmark*
Last Quarter	3.1%	3.0%
Last 1 year	7.0	7.0
Last 2 years	5.7	5.6
Last 3 years	4.6	4.6
Last 4 years	4.6	4.5
Last 5 years	4.5	4.4
Since Retention by SBI (12/03)	4.7	4.7

*Benchmark is the Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

BOND - VANGUARD TOTAL BOND MARKET INDEX
Cumulative VAM



Five Year Period Ending
Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending December, 2007

State's Participation in Fund: $319,149,703
Portfolio Manager: William Bower **Total Assets in Fund: $56,764,960,000**

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	-0.4%	-1.8%
Last 1 year	16.0	11.2
Last 2 years	19.2	18.5
Last 3 years	18.6	16.8
Last 4 years	18.8	17.7
Last 5 years	23.2	21.6
Since Retention By SBI (7/99)	12.9	7.5

*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 December, 2007

		State's Participation in Fund:	**$92,615,725**
Portfolio Manager:	**Duane Kelly and Michael Buek**	**Total Assets in Fund:**	**$4,755,000,000**

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

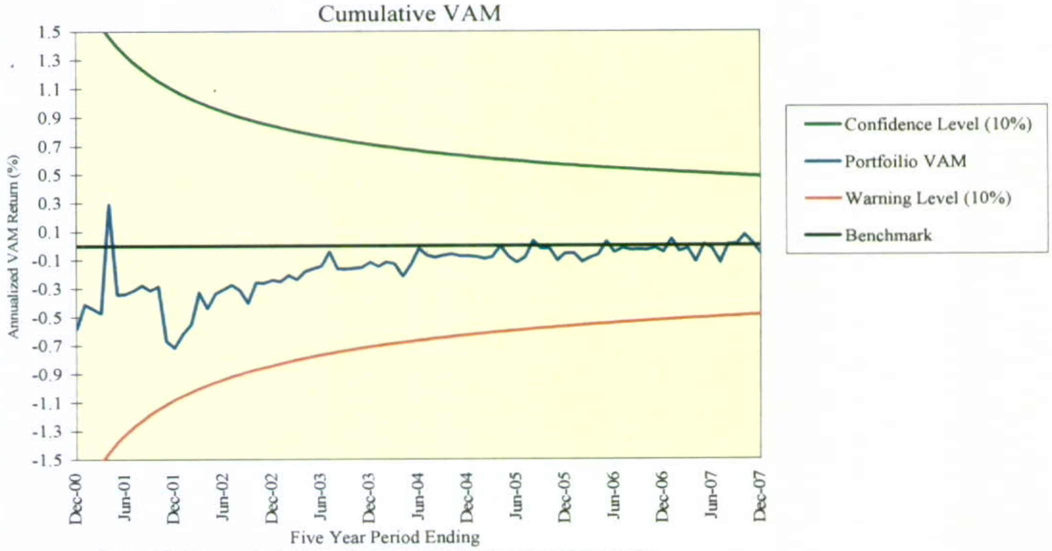
	Actual	Benchmark*
Last Quarter	-2.2%	-1.8%
Last 1 year	11.0	11.2
Last 2 years	18.4	18.5
Last 3 years	16.8	16.8
Last 4 years	17.7	17.7
Last 5 years	21.6	21.6
Since Retention by SBI (12/03)	19.5	19.5

*Benchmark is the MSCI EAFE International
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX
Cumulative VAM



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending December, 2007

Total Assets in MN Fixed Fund: $782,111,688 *
*Includes $14-18M in Liquidity Buffer Account

Principal Life

Ratings:	Moody's	Aa2
	S&P	AA
	A.M. Best	A+
	Duff & Phelps	AA+

Assets in MN Fixed Fund: $372,533,381

Investment Philosophy

The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes and an emphasis on industrial properties minimizes commercial loan risk.

Minnesota Life

Ratings:	Moody's	Aa2
	S&P	AA
	A.M. Best	A++
	Duff & Phelps	AA+

Assets in MN Fixed Fund: $163,931,189

Assets in Prior MN 457 Plan: $0

Total Assets: $163,931,189

Investment Philosophy

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

Great-West Life

Ratings:	Moody's	Aa2
	S&P	AA+
	A.M. Best	A++
	Duff & Phelps	AAA

Assets in MN Fixed Fund: $213,514,617

Assets in Prior MN 457 Plan: $ 0

Total Assets: $213,514,617

Investment Philosophy

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria.

MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending December, 2007

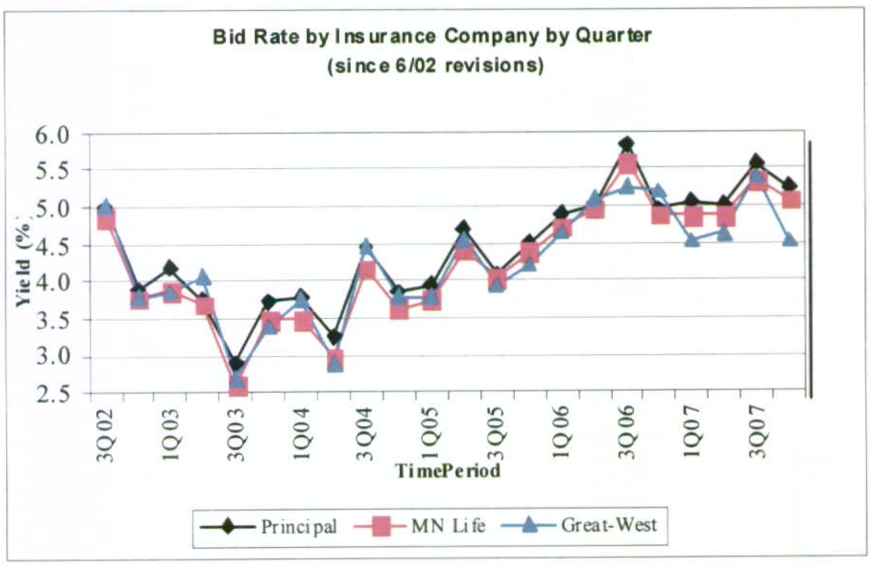
Current Quarter

Dollar Amount of Bid: $52,100,000 **Blended Rate: 4.54%**

Bid Rates:

Principal Life	5.25%
Minnesota Life	5.07%
Great-West Life	4.52%

Contracts were renewed in June 2002. Under these contracts, bid rates are effective for five years on the quarterly cash flows, the bid rate bands were narrowed to 8 b.p. from 10 b.p., and additional bid scenarios were added. All changes were effective for 3Q 2002 bids. The separate portfolio managed by Minnesota Life (previously referred to as the "existing portfolio") no longer exits. All assets of that portfolio matured in June 2004 and have been rolled into the Fixed Fund.



Staff Comments on Bid Rates

The graph indicates bid rates for the new cash flows which are effective for five year periods. Prior to that, the bids were effective for a quarter for the total portfolio.

	1Q07	2Q07	3Q07	4Q07
Principal Life	75.0%	60.0%	60.0%	75.0%
Minnesota Life	25.0%	40.0%	20.0%	25.0%
Great-West Life	0.0%	0.0%	20.0%	0.0%

Staff Comments

Principal received 75% of the bid dollars and MN Life received 25%.

Tab D

COMMITTEE REPORT

DATE: February 26, 2008

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

FROM: Alternative Investment Committee

The Alternative Investment Committee met on February 13, 2008 to review the following information and action agenda items:

1. Review of current strategy.
2. New investments with one new private equity manager, five existing private equity managers and two existing yield-oriented managers:

    - Advent International
    - Credit Suisse Strategic Partners
    - The Banc Funds Company
    - Gold Hill Capital
    - Chicago Growth
    - Summit Partners
    - Split Rock Partners
    - Affinity Capital

Board/IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 12% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

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

- 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.

- 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.

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

ACTION ITEMS:

1) Investment with a new private equity manager, Advent International, in Advent International GPE VI, L.P.

Advent International is seeking investors for a new €5 billion private equity fund. This fund is a successor to other prior private equity funds managed by Advent International. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of primarily European and North American private equity investments.

More information on Advent International is included as **Attachment C**.

RECOMMENDATION:

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

2) **Investment with an existing private equity manager, Credit Suisse, in Credit Suisse Strategic Partners IV L.P., Credit Suisse Strategic Partners IV RE (Real Estate) L.P. and Credit Suisse Strategic Partners IV VC (Venture Capital), L.P.**

Credit Suisse Strategic Partners is seeking investors for three new alternative investment funds. These funds are successors to three prior alternative investment funds managed by Credit Suisse Strategic Partners in which the SBI has invested an aggregate of $350 million. Like the prior funds, the new funds will seek to earn attractive returns by focusing on investing in existing limited partnership interests purchased from limited partners desiring liquidity prior to the termination of those funds (secondary interests).

More information on Credit Suisse Strategic Partners IV L.P., Credit Suisse Strategic Partners IV RE (Real Estate) L.P. and Credit Suisse Strategic Partners IV VC (Venture Capital) L.P. is included as **Attachment D**.

RECOMMENDATION:

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

3) **Investment with an existing private equity manager, The Banc Funds Company, in Banc Fund VIII, L.P.**

The Banc Funds Company is seeking investors for a new $650 million private equity fund. This fund is a successor to seven other prior private equity funds managed by The Banc Funds Company. The SBI is an investor in 4 prior funds with The Banc Funds Company for a total of $138 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of financial services company private equity investments.

More information on Banc Fund VIII, L.P. is included as **Attachment E**.

RECOMMENDATION:

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

4) **Investment with an existing yield-oriented manager, Gold Hill Capital, in Gold Hill Capital 2008, L.P.**

Gold Hill Capital is seeking investors for a new $225 million yield-oriented fund. This fund is a successor to one other prior yield-oriented funds managed by Gold Hill Capital in which the SBI invested $40 million. Like the prior fund, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

More information on, Gold Hill Capital 2008, L.P. is included as **Attachment F.**

RECOMMENDATION:

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

5) **Investment with an existing private equity manager, Chicago Growth, in Chicago Growth Partners II, L.P.**

Chicago Growth is seeking investors for a new $500 million private equity fund. This fund is a successor to two other prior private equity funds managed by Chicago Growth. The SBI is an investor in both prior funds with Chicago Growth for a total of $100 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity investments.

More information on Chicago Growth Partners II, L.P. is included as **Attachment G.**

RECOMMENDATION:

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

6) **Investment with an existing yield-oriented manager, Summit Partners, in Summit Partners Subordinated Debt Fund IV, L.P.**

Summit Partners is seeking investors for a new $750 million yield-oriented fund. This fund is a successor to three other prior yield-oriented funds managed by Summit Partners. The SBI is an investor in all three prior funds with Summit Partners for a total of $110 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

More information on Summit Partners Subordinated Debt Fund IV, L.P. is included as **Attachment H.**

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $75 million or 20%, whichever is less, in Summit Partners Subordinated Debt Fund IV, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the

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

7) **Investment with an existing private equity manager, Split Rock Partners, in Split Rock Partners II, L.P.**

Split Rock Partners is seeking investors for a new $300 million private equity fund. This fund is a successor to two other prior private equity funds managed by Split Rock Partners. The SBI invested $50 million in the latest prior fund with Split Rock Partners. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of venture capital and private equity investments.

More information on Split Rock Partners II, L.P. is included as **Attachment I.**

RECOMMENDATION:

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

8) **Investment with an existing private equity manager, Affinity Capital, in Affinity Ventures V, L.P.**

Affinity Capital is seeking investors for a new $40 million private equity fund. This fund is a successor to four other prior private equity funds managed by Affinity Capital. The SBI invested $4 million in latest prior fund with Affinity Capital. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of venture capital and private equity investments.

More information on Affinity Ventures V, L.P. is included as **Attachment J.**

RECOMMENDATION:

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

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Minnesota State Board of Investment

Pooled Alternative Investments
Combined Retirement Funds
December 31, 2007

Basic Retirement Funds Market Value	$25,300,924,625
Post Retirement Fund Market Value	$24,998,205,179
Amount Available for Investment	**$1,289,651,229**

	Current Level	Target Level	Difference
Market Value (MV)	$5,505,272,086	$6,794,923,315	$1,289,651,229
MV +Unfunded	$8,764,861,286	$10,192,384,973	$1,427,523,687

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	$3,115,468,739	$1,676,643,627	$4,792,112,367
Real Estate	$1,075,438,324	$285,313,522	$1,360,751,846
Resource	$262,411,578	$586,213,063	$848,624,641
Yield-Oriented	$1,051,953,446	$711,418,987	$1,763,372,433
Total	$5,505,272,086	$3,259,589,200	$8,764,861,286

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ATTACHMENT B

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Real Estate							
Blackstone							
Blackstone Real Estate V	100,000,000	78,252,703	107,851,586	21,863,764	21,747,297	62.9	1.7
Blackstone Real Estate VI	100,000,000	39,260,471	45,854,817	0	60,739,529	N/A	0.8
Colony Investors III	100,000,000	100,000,000	11,065,367	167,674,385	0	15.4	10.0
CSFB Strategic Partners III RE	25,000,000	12,051,928	12,197,550	220,945	12,948,072	3.6	2.5
Lehman Brothers Real Estate							
Lehman Brothers Real Estate Partners II	75,000,000	65,121,376	62,292,245	22,008,951	9,878,624	27.1	2.5
Lehman Brothers Real Estate Partners III	150,000,000	0	0	0	150,000,000	N/A	0.0
Morgan Stanley (Lend Lease)	40,000,000	40,000,000	289,966,500	0	0	8.0	26.2
T.A. Associates Realty							
Realty Associates Fund V	50,000,000	50,000,000	32,132,986	68,007,887	0	12.6	8.6
Realty Associates Fund VI	50,000,000	50,000,000	55,122,873	31,042,153	0	19.2	5.5
Realty Associates Fund VII	75,000,000	75,000,000	80,209,821	13,613,955	0	13.9	3.1
Realty Associates Fund VIII	100,000,000	70,000,000	69,532,120	420,374	30,000,000	-0.2	1.5
UBS Realty	42,376,529	42,376,529	309,212,458	0	0	8.7	25.7
Real Estate Total	907,376,529	622,063,007	1,075,438,324	324,852,414	285,313,522		
Resource							
Apache Corp III	30,000,000	30,000,000	7,441,770	52,564,798	0	12.4	21.0
EnCap Energy Capital Fund VII	100,000,000	4,070,000	4,070,000	0	95,930,000	N/A	0.0
First Reserve							
First Reserve Fund VII	40,000,000	40,000,000	864,997	60,016,961	0	10.2	11.5
First Reserve Fund VIII	100,000,000	100,000,000	1,527,998	201,883,104	0	15.9	9.7
First Reserve Fund IX	100,000,000	100,000,000	836,396	298,659,472	0	48.1	6.7
First Reserve Fund X	100,000,000	94,764,194	71,639,685	90,489,073	5,235,806	52.6	3.2
First Reserve Fund XI	150,000,000	28,707,977	26,899,977	0	121,292,023	-13.2	1.0
NGP							
Natural Gas Partners IX	150,000,000	7,043,828	7,043,828	0	142,956,172	N/A	0.0
NGP Midstream & Resources	100,000,000	18,198,678	18,195,515	48,213	81,801,322	N/A	0.8
Sheridan Production Partners I	100,000,000	39,002,260	37,857,505	0	60,997,740	N/A	0.8
Simmons							
SCF II	14,706,629	14,706,629	110,001	31,979,667	0	9.3	16.4
SCF IV	47,626,265	47,626,265	53,469,517	115,830,302	0	26.2	9.8
T. Rowe Price	58,467,289	58,467,289	12,873,737	69,928,774	N/A	27.5	N/A
TCW Energy Partners XIV	100,000,000	22,000,000	19,580,651	2,409,768	78,000,000	N/A	0.7
Resource Total	1,190,800,184	604,587,121	262,411,578	923,810,133	586,213,063		

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Yield-Oriented							
Carbon Capital	50,000,000	46,184,308	1,603,981	59,522,956	3,815,692	15.6	5.6
Citicorp Mezzanine							
Citicorp Mezzanine I	40,000,000	40,000,000	51,453	59,964,518	0	11.2	13.0
Citicorp Mezzanine III	100,000,000	88,029,296	16,950,793	119,873,281	11,970,704	17.4	8.2
DLJ Investment Partners							
DLJ Investment Partners II	50,000,000	21,026,211	2,971,944	30,122,449	28,973,789	11.2	8.0
DLJ Investment Partners III	100,000,000	9,642,599	9,236,075	228,259	90,357,401	-1.1	1.5
Gold Hill Venture Lending	40,000,000	32,400,000	29,180,198	7,927,615	7,600,000	6.8	3.3
GMAC Institutional Advisors							
Institutional Commercial Mortgage Fd III	21,275,052	21,275,052	1,384,373	33,911,019	0	8.2	11.1
Institutional Commercial Mortgage Fd IV	14,300,000	14,300,000	3,422,294	19,485,782	0	8.4	10.0
Institutional Commercial Mortgage Fd V	37,200,000	37,200,000	22,621,318	34,267,345	0	8.3	8.4
GS Mezzanine Partners							
GS Mezzanine Partners 2006	100,000,000	51,845,263	51,993,800	9,767,865	48,154,737	21.9	1.7
GS Mezzanine Partners II	100,000,000	83,092,437	39,414,900	79,072,441	16,907,563	9.5	7.8
GS Mezzanine Partners III	75,000,000	52,896,411	38,176,286	39,124,047	22,103,589	17.5	4.5
GS Mezzanine Partners V	150,000,000	21,000,000	21,000,000	0	129,000,000	N/A	0.0
GTCR Capital Partners	80,000,000	69,589,422	5,014,219	103,489,166	10,410,578	11.2	8.1
KB Mezzanine Fund II	25,000,000	25,000,000	443,567	12,218,730	0	-13.2	12.2
Merit Capital Partners							
Merit Mezzanine Fund IV	75,000,000	46,248,626	47,395,454	0	28,751,374	2.0	3.0
William Blair Mezz. III	60,000,000	56,958,000	15,419,023	87,028,222	3,042,000	15.7	8.0
Merit Energy Partners							
Merit Energy Partners B	24,000,000	24,000,000	62,374,233	60,332,483	0	24.9	11.5
Merit Energy Partners C	50,000,000	50,000,000	208,523,660	105,467,791	0	34.9	9.2
Merit Energy Partners D	88,000,000	70,938,303	204,316,618	56,569,755	17,061,697	30.8	6.6
Merit Energy Partners E	100,000,000	36,489,813	56,184,235	5,194,347	63,510,187	18.9	3.2
Merit Energy Partners F	100,000,000	17,103,529	18,801,524	662,221	82,896,471	8.1	1.8
Prudential Capital Partners							
Prudential Capital Partners I	100,000,000	95,856,253	36,684,022	92,880,457	4,143,747	10.8	6.7
Prudential Capital Partners II	100,000,000	59,978,742	56,061,463	6,806,131	40,021,258	3.4	2.5
Summit Partners							
Summit Subordinated Debt Fund I	20,000,000	18,000,000	85,931	31,406,578	2,000,000	30.6	13.8
Summit Subordinated Debt Fund II	45,000,000	40,500,000	7,104,083	82,081,400	4,500,000	56.5	10.4
Summit Subordinated Debt Fund III	45,000,000	35,100,000	21,712,631	16,559,260	9,900,000	6.5	3.9
T. Rowe Price	53,394,449	53,394,449	281,799	52,072,531	N/A	-9.5	N/A
TCW/Crescent Mezzanine							
TCW/Crescent Mezzanine Partners I	40,000,000	37,130,039	3,410,912	57,050,388	2,869,961	14.8	11.7
TCW/Crescent Mezzanine Partners II	100,000,000	87,479,046	1,855,982	134,950,360	12,520,954	13.4	9.1
TCW/Crescent Mezzanine Partners III	75,000,000	68,835,264	14,724,404	139,785,151	6,164,736	37.7	6.8
Windjammer Capital Investors							
Windjammer Mezzanine & Equity Fund II	66,708,861	50,104,865	37,950,201	37,273,258	16,603,996	11.6	7.7
Windjammer Senior Equity Fund III	67,974,684	19,836,130	15,602,070	2,525,975	48,138,554	-11.2	2.0
Yield-Oriented Total	2,142,853,047	1,435,249,752	1,050,349,464	1,518,098,825	707,603,295		

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity							
Adams Street Partners							
Adams Street VPAF Fund I	3,800,000	3,800,000	89,891	9,387,104	0	13.2	19.6
Adams Street VPAF Fund II	20,000,000	20,000,000	108,872	37,898,512	0	24.1	17.1
Affinity Ventures	4,000,000	1,791,847	1,130,358	405,436	2,208,153	-11.8	3.5
Banc Fund VII	45,000,000	37,800,000	32,776,229	812,725	7,200,000	-8.1	2.7
Blackstone							
Blackstone Capital Partners II	47,271,190	47,271,190	4,855,990	95,379,217	0	34.2	14.1
Blackstone Capital Partners IV	70,000,000	63,046,740	60,807,783	83,657,295	6,953,260	52.6	5.5
Blackstone Capital Partners V	140,000,000	79,123,424	79,028,810	5,029,255	60,876,576	7.6	1.9
BLUM Capital Partners							
Blum Strategic Partners I	50,000,000	49,001,812	18,351,423	89,408,820	998,188	14.7	9.0
Blum Strategic Partners II	50,000,000	40,081,967	19,320,567	72,627,180	9,918,033	26.2	6.5
Blum Strategic Partners III	75,000,000	73,976,127	64,866,044	24,239,937	1,023,873	12.8	2.6
Blum Strategic Partners IV	150,000,000	14,705,882	14,705,882	0	135,294,118	N/A	0.0
CVI Global Value Fund	125,000,000	106,250,000	114,059,003	23,001	18,750,000	12.7	1.0
Chicago Growth Partners							
Chicago Growth Partners VIII	50,000,000	35,741,998	33,139,419	9,731,193	14,258,002	22.1	2.4
William Blair Capital Partners VII	50,000,000	47,750,000	35,858,961	37,235,979	2,250,000	12.2	6.8
Coral Partners							
Coral Partners II	10,000,000	10,000,000	333,444	36,632,559	0	24.9	17.4
Coral Partners IV	15,000,000	15,000,000	1,606,848	13,538,879	0	0.2	13.4
Coral Partners V	15,000,000	15,000,000	2,875,768	3,106,198	0	-14.3	9.5
Court Square Capital							
Citigroup Venture Capital Equity	100,000,000	79,682,733	35,862,303	120,313,917	20,317,267	30.8	6.1
Court Square Capital Partners II	175,000,000	42,547,743	38,112,443	1,060,206	132,452,257	-13.4	1.3
Crescendo							
Crescendo III	25,000,000	25,000,000	1,378,279	9,321,908	0	-20.6	9.2
Crescendo IV	101,500,000	101,500,000	43,652,570	4,018,614	0	-13.5	7.8
CSFB/ DLJ							
CSFB/DLJ Strategic Partners	100,000,000	87,368,100	34,270,199	126,107,195	12,631,900	24.5	6.9
CSFB Strategic Partners II	100,000,000	75,068,734	55,641,941	99,067,040	24,931,266	47.5	4.5
CSFB Strategic Partners III VC	25,000,000	18,778,681	20,372,112	2,131,223	6,221,319	17.9	2.6
CSFB Strategic Partners III	100,000,000	77,357,977	83,334,888	13,952,681	22,642,023	39.7	2.6
DLJ Merchant Banking Partners III	125,000,000	117,664,141	66,583,141	159,260,901	7,335,860	20.1	7.3
Diamond Castle Partners IV	100,000,000	46,318,250	46,833,772	331,777	53,681,750	1.7	1.3
DSV Partners	10,000,000	10,000,000	5,226,350	30,718,222	0	10.3	22.7
EBF Merced Partners II	75,000,000	18,750,000	20,113,219	0	56,250,000	N/A	0.8
Elevation Partners	75,000,000	41,911,897	43,528,410	244,445	33,088,103	1.9	2.6
First Century Partners III	10,000,000	10,000,000	2,591	15,226,240	0	7.5	23.0
Fox Paine Capital Fund							
Fox Paine Capital Fund I	40,000,000	40,000,000	4,771,049	39,288,122	0	1.6	9.7
Fox Paine Capital Fund II	50,000,000	37,598,342	28,221,278	45,038,976	12,401,658	27.8	7.5

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
GHJM Marathon Fund							
GHJM Marathon Fund IV	40,000,000	39,051,000	9,348,105	44,201,952	949,000	7.6	8.7
GHJM Marathon Fund V	50,000,000	36,769,382	36,277,675	5,862,155	13,230,618	9.5	3.2
Golder,Thoma, Cressey, Rauner							
Golder, Thoma, Cressey & Rauner Fund III	14,000,000	14,000,000	178,389	78,123,015	0	30.9	20.2
Golder, Thoma, Cressey & Rauner Fund V	30,000,000	30,000,000	3,325,809	52,565,908	0	11.4	11.5
GTCR Golder Rauner							
GTCR VI	90,000,000	90,000,000	23,526,493	73,737,932	0	2.4	9.5
GTCR VII	175,000,000	154,109,374	47,917,723	317,380,840	20,890,626	25.2	7.9
GTCR IX	75,000,000	13,266,704	11,151,443	4,741,730	61,733,296	52.4	1.5
GS Capital Partners							
GS Capital Partners 2000	50,000,000	50,000,000	30,044,363	76,071,789	0	26.0	7.3
GS Capital Partners V	100,000,000	66,390,364	112,670,968	13,787,485	33,609,636	44.3	2.7
GS Capital Partners VI	100,000,000	29,000,000	27,864,476	0	71,000,000	N/A	0.9
Hellman & Friedman							
Hellman & Friedman Capital Partners IV	150,000,000	133,967,494	24,145,634	341,637,107	16,032,506	35.2	8.0
Hellman & Friedman Capital Partners V	160,000,000	141,981,656	253,220,793	26,572,756	18,018,344	49.5	3.1
Hellman & Friedman Capital Partners VI	175,000,000	60,860,497	61,583,415	141,777	114,139,503	N/A	0.8
Kohlberg Kravis Roberts							
KKR 1987 Fund	145,373,652	145,373,652	6,038,363	395,916,506	0	8.8	20.1
KKR 1993 Fund	150,000,000	150,000,000	2,601,209	308,083,297	0	16.8	14.0
KKR 1996 Fund	200,000,000	200,000,000	41,038,754	331,271,116	0	13.6	11.3
KKR Millennium Fund	200,000,000	196,315,009	214,814,617	147,430,796	3,684,991	32.3	5.1
KKR 2006 Fund	200,000,000	136,947,528	129,560,135	5,873,251	63,052,472	-2.3	1.3
Lexington Capital Partners VI	100,000,000	48,422,511	44,813,341	7,910,634	51,577,489	12.6	2.0
RWI Ventures							
RWI Group III	616,430	616,430	325,176	259,070	0	-5.0	1.5
RWI Ventures I	7,603,265	7,198,265	6,407,666	2,790,233	405,000	20.4	1.5
Sightline Healthcare							
Sightline Healthcare Fund II	10,000,000	10,000,000	2,221,670	4,883,002	0	-5.0	10.8
Sightline Healthcare Fund III	20,000,000	20,000,000	6,914,435	3,288,320	0	-11.3	8.9
Sightline Healthcare Fund IV	7,700,000	6,590,622	3,603,574	3,612,034	1,109,378	3.2	4.3
Silver Lake Partners							
Silver Lake Partners II	100,000,000	85,891,206	98,592,087	15,302,051	14,108,794	17.7	3.5
Silver Lake Partners III	100,000,000	10,117,942	9,080,102	586,157	89,882,058	N/A	0.8
Split Rock Partners	50,000,000	19,000,002	16,319,615	428,377	30,999,998	-9.4	2.7
Summit Partners							
Summit Ventures II	30,000,000	28,500,000	168,189	74,524,292	1,500,000	28.8	19.6
Summit Ventures V	25,000,000	24,000,000	1,383,741	32,030,884	1,000,000	8.4	9.7
T. Rowe Price	778,334,864	778,334,864	84,389,738	743,025,502	N/A	8.8	N/A

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Thoma Cressey							
Thoma Cressey Fund VI	35,000,000	33,915,000	8,976,087	15,371,225	1,085,000	-5.2	9.4
Thoma Cressey Fund VII	50,000,000	48,605,000	33,272,800	46,489,614	1,395,000	28.1	7.3
Thoma Cressey Fund VIII	70,000,000	52,500,000	51,109,380	0	17,500,000	-3.0	1.7
Thomas, McNerney & Partners							
Thomas, McNerney & Partners I	30,000,000	22,350,000	16,818,084	4,776,632	7,650,000	-1.5	5.2
Thomas, McNerney & Partners II	50,000,000	11,875,000	10,309,543	768,885	38,125,000	-11.2	1.5
Vestar Capital Partners							
Vestar Capital Partners IV	55,000,000	51,540,460	28,666,573	54,477,273	3,459,540	15.5	8.0
Vestar Capital Partners V	75,000,000	38,583,639	37,727,955	3,665,481	36,416,361	7.5	2.0
Warburg Pincus							
Warburg, Pincus Ventures	50,000,000	50,000,000	643,317	254,294,300	0	49.2	13.0
Warburg Pincus Equity Partners	100,000,000	100,000,000	28,269,770	128,426,894	0	10.4	9.5
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	119,774,009	71,923,353	0	22.2	5.7
Warburg Pincus Private Equity IX	100,000,000	88,405,208	95,690,321	4,011,000	11,594,792	10.9	2.4
Warburg Pincus Private Equity X	150,000,000	18,060,914	18,060,914	0	131,939,086	N/A	0.2
Wayzata Investment Partners							
Wayzata Opportunities Fund	100,000,000	95,800,000	119,711,965	339,109	4,200,000	16.0	2.0
Wayzata Opportunities Fund II	150,000,000	16,500,000	16,500,000	0	133,500,000	N/A	0.2
Welsh, Carson, Anderson & Stowe							
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	57,438,038	80,127,336	0	4.5	9.4
Welsh, Carson, Anderson & Stowe IX	125,000,000	116,250,000	84,299,776	122,638,925	8,750,000	16.5	7.5
Welsh, Carson, Anderson & Stowe X	100,000,000	67,578,466	66,819,222	0	32,421,534	-1.1	2.0
Zell/ Chilmark	30,000,000	30,000,000	33,454	77,129,496	0	17.7	17.5
Private Equity Total	6,935,199,401	5,258,555,774	3,115,468,739	5,161,674,250	1,676,643,627		

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Advent International GPE VI Limited Partnership ("GPE VI" or the "Fund")
Type of Fund:	Private Equity
Total Fund Size:	€5 billion
Fund Manager:	Advent International Corporation
Manager Contact:	Bruce Barclay 111 Buckingham Palace Road London SW1SW 0SR +44 20 7333 0800

II. Organization and Staff

Advent has offices focusing on buyouts in 15 countries, the most extensive global coverage in the mid-market. The Firm has been operating internationally since its inception in 1984 and has wide-ranging experience in winning deals through this differentiation and in helping companies grow and improve their strategic positions by expanding internationally.

Advent has 110 investment professionals across its four buyout programs representing 22 nationalities. GPE VI will be invested by a dedicated team focused on the European and North American middle markets. The GPE team comprises 68 investment professionals with a mix of operating, strategic consulting and financial backgrounds. Its 23 partners average 17 years in private equity and have worked with Advent on average for 12 years. Primarily consisting of local nationals, the team works out of seven long-established offices in London, Frankfurt, Paris, Madrid, Milan, Amsterdam and Boston.

III. Investment Strategy

Advent will pursue the same successful sector-focused investment strategy employed in GPE's five predecessor funds, investing primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. Taking advantage of its position as the most global mid-market buyout firm, its long-established sector focus and its significant operating resources and expertise, Advent plans to build a portfolio of differentiated opportunities comprising three types of investments:

- Buyouts that have a high degree of international complexity already or are leveraging Advent's global platform to expand intra-regionally or overseas;

- High-growth opportunities in targeted sub-sectors; and

- Companies requiring significant restructuring or turnarounds.

The Fund will focus on companies with enterprise values between €200 million and €1 billion – the "middle market" to the "upper middle market" and expects to make 30 to 35 investments in GPE VI, primarily across the following five core sectors: (1) Business and Financial Services; (2) Retail, Consumer and Leisure (RCL); (3) Technology, Media and Telecom (TMT); (4) Healthcare; and (5) Industrial. Within these sectors, GPE VI will focus on sub-sectors that are undergoing substantial change, have outstanding growth potential or are otherwise attractive.

IV. Investment Performance

Previous fund performance as of September 30, 2007 for Advent International is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR* from Inception
GPE V	2005	€2.5 billion	--	150%
GPE IV	2001	$1.5 billion	--	48%
GPE III	1997	$1 billion	--	13%
GPE II	1993	$315 million	--	24%

* IRR's and other data contained in this report are provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will contribute a minimum of €100 million.

VI. Takedown Schedule

Capital contributions will be payable upon 10 calendar days' prior written notice.

VII. Management Fee

During the Investment Period, the Fund Manger will receive an annual management fee, payable quarterly in advance, equal to 1.50% of all capital committed to the Fund. After the Investment Period, the Management Fee will be reduced to 1.5% of the difference between (i) the aggregate contributed capital minus (ii) all contributed capital invested in realized investments and in any investments carried on the Fund's books at substantially no value, determined quarterly in advance. The Management Fee will also step down to the post-Investment Period rate if the Fund manager starts receiving management fees from a successor fund with capital commitments equal to at least 75% of the capital commitments to the GPE VI Program.

The Fund Manger or its affiliates may occasionally earn merchant banking fees, directors' fees and deal monitoring fees in connection with investments by the Fund. Management fees otherwise payable to the General Partners will be reduced by 80% of the amount of any merchant banking fees attributable to an investment by the Fund, and by 100% of the amount of any fees or other compensation received in connection with uncompleted investments proposed to be made by the Fund (i.e., break-up fees).

VIII. Distributions

Net Income will be allocated such that Limited Partners will be entitled to receive first a compounded preferred return of 8% on their contributed capital, computed annually (the "Preferred Return"). Net Income above the Preferred Return will be allocated 100% to the General Partner until the General Partner has received 20% of cumulative Net Income. All Net Income thereafter will be allocated 80% to the Limited Partners and 20% to the General Partner.

IX. Investment Period and Term

The term of the Fund will be 10 years from the inception date, but may be extended for two consecutive one-year periods with the consent of the General Partner and the Advisory Committee in order to facilitate the orderly liquidation of the portfolio.

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	CS Strategic Partners IV (SP IV or "The Fund") CS Strategic Partners IV RE (SP IV RE) CS Strategic Partners IV VC (SP IV VC) (Collectively, "The Funds")
Type of Fund:	Private Equity
Total Fund Size:	$3.0 billion
Fund Manager:	CS Strategic Associates IV
Manager Contact:	Stephen H. Can Eleven Madison Ave. New York, NY 10010 212-538-7680

II. Organization and Staff

The Funds will be managed by the dedicated team of 19 investment professionals which comprises Strategic Partners. Strategic Partners is led by Stephen H. Can, who has significant expertise in secondary investing. As Head of Strategic Partners, Mr. Can has been responsible for establishing SP I, SP II, SP II RE, SP III, SP III RE, and SP III VC, and for managing their investment activities.

From its inception in 2000 through September 30, 2007, Strategic Partners has executed 366 transactions aggregating over $5 billion in secondary interests, having analyzed 1,500 transactions involving over $53 billion in secondary interests. Strategic Partners has called down $3.05 billion to fund its acquisitions and has returned $2.89 billion, which represents 95% of capital called, and holds interests in 706 underlying funds with over 5,000 portfolio companies.

SP IV will capitalize on the unique, global resources of Credit Suisse ("CS"), a leading global financial services company with a public market capitalization of $74 billion and total assets of $1.18 trillion as of September 30, 2007. CS, which operates through three divisions: Investment Banking, Private Banking and Asset Management, has a worldwide network of offices in 50 countries and employs approximately 47,000 people. CS has strong relationships with companies and private equity managers, with investment bankers covering 30 industries and most top financial sponsors. Consequently, in assessing potential transactions, Strategic Partners has access to a deep global base of investment bankers and research analysts. In addition, Strategic Partners expects to benefit from the investment experience and industry insights of CS's private equity franchise, which has more than $36 billion of assets under management.

III. Investment Strategy

Strategic Partners IV

SP IV's objective is to maximize risk-adjusted investment returns to investors, while taking advantage of the accelerated return of capital associated with secondary investing. The Fund will continue the strategy of pursuing secondary opportunities primarily in leveraged buyout and mezzanine funds, although real estate, venture capital, distressed securities and fund of funds will also be considered. The Fund may also, to a lesser extent, make investments in direct equity, equity-like, or debt investments. Building on the success of SP II RE, SP III RE, and SP III VC, Strategic Partners will establish separate co-investment vehicles focused specifically on real estate and venture capital secondary investments for those investors in the Fund who wish to increase their exposure to either investment class. The Fund will invest opportunistically in investments where the seller's original commitment may range in size from $100,000 for a single fund holding to $1 billion or more for a portfolio of holdings. While the Fund has a global investment mandate, it is anticipated that most of its commitments will be made to funds managed by U.S. and Western European sponsors.

SP IV will aggressively seek opportunities in non-competitive and competitive transactions and will invest both individually and, where appropriate, as part of a larger syndicate. The Fund will pursue individual fund investments as well as portfolios of investments. Strategic Partners has developed a significant sourcing network through its relationships with fund sponsors, all classes of private equity investors – from institutions to high net worth individuals – and referral agents. In addition, because of Strategic Partners' substantial presence in the secondary market, it has the opportunity to evaluate many of the major competitive transactions. Strategic Partners' sourcing capabilities are further augmented by CS's relationships with private equity sponsors and investors.

Investment decisions for SP IV will be based on a disciplined approach, with each potential opportunity's risk/return profile examined from a variety of perspectives, including its impact on the Fund's portfolio. The Fund will also consider qualitative factors, including managers' reputations, investment philosophies and capabilities. In addition, all investments are approved by the Investment Committee of the Fund, which consists of CS professionals with extensive experience in private equity investing.

Strategic Partners IV RE

CS Strategic Partners IV RE, L.P. ("SP IV RE") is being organized as a separate fund to permit investors in SP IV the opportunity to increase their exposure to real estate-related secondary investments above SP IV's targeted 5% allocation to real estate. SP IV RE intends to co-invest with SP IV in all real estate-related secondary investments in the ratio of total available commitments in the case of SP IV RE to 5% of total available commitments in the case of SP IV.

SP IV RE is the successor fund to SP III RE, which was formed at the same time as SP III with $315 million of capital commitments to co-invest alongside SP III exclusively in real estate-related investments. Strategic Partners believes that secondary real estate investments continue to be attractive for the following reasons:

- Shorter Holding Periods. In sixteen quarters of operation, SP II RE has returned $328.7 million to investors on $283.1 million called, or 116.1%. In 9 quarters of operation, SP III RE has returned $12.6 million to investors on $118.8 million called, or 10.6%.
- Reduction of Blind Pool Risk. Through September 30, 2007, SP II RE has invested in funds that have been, on average, over 84.5% invested while SP III RE has invested in funds that have been, on average, 60.5% invested.
- Diversification. SP II RE's and SP III RE's portfolios are diversified across a wide range of real estate asset types. SP II RE and SP III RE are also well diversified by vintage. SP II RE holds underlying funds established from 1996 through 2005, with a weighted average vintage year of 2000, while SP III RE holds underlying funds with as widely ranging vintage years as 1991 and 2007, with a weighted average vintage year of 2005.
- Significant Commitments to Real Estate. From 1996 to 2006, over $215 billion of capital commitments have been made to U.S. private equity real estate funds.

Strategic Partners IV VC

CS Strategic Partners IV VC, L.P. ("SP IV VC") is being organized as a separate fund to permit investors in SP IV the opportunity to increase their exposure to venture capital-related secondary investments above SP IV's targeted 5% allocation to venture capital. Strategic Partners will employ the same high level of due diligence and rigorous financial and business analysis to SP IV VC as it has with respect to the SP Funds. Strategic Partners will consider venture investments in a broad range of industries including, but not limited to, software, communications, biotechnology, medical devices, electronics, and services, as well as investments ranging from early to expansion stage.

IV. Investment Performance

Previous fund performance as of September 30, 2007 for CS Strategic Partners and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net Fund IRR from Inception
CSFB Strategic Partners III	2005	$1,900 million	$100 million	48%
CSFB Strategic Partners III VC	2005	$210 million	$25 million	21%
CSFB Strategic Partners III RE	2005	$315 million	$25 million	4%
CSFB Strategic Partners II RE	2003	$300 million	--	30%
CSFB Strategic Partners II	2003	$1,625 million	$100 million	46%
DLJ Strategic Partners I	2001	$832 million	$100 million	20%

Previous Fund investments (SP III, SP III RE, and SP III VC) may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

CS, its affiliates and employees will make aggregate capital commitments to the Fund, no later than the final closing of the Funds, of at least $125 million (the "CS Commitment").

VI. Takedown Schedule

It is anticipated that the Commitments will generally be drawn down pro rata during the Investment Period on an "as needed" basis, with a minimum of ten business days' prior written notice to the Limited Partners.

VII. Management Fees & Allocation and Distribution

Strategic Partners IV
Each Limited Partner in SP IV will pay an annual management fee, payable semi-annually to the Investment Manager during the term of the Partnership. During the Investment Period, the management fee will be equal to 1.0% per annum of such Limited Partner's Commitment, effective upon the Initial Closing. After the Investment Period, the management fee will be equal to 1.0% per annum of the reported value of the Fund's investments. For Limited Partners with capital commitments of at least $150 million (across SP IV, SP IV RE, and SP IV VC), the management fee will be .75%.

All Partnership distributions will be divided among the Partners as follows:

(i) First, to all Partners pro rata, until the cumulative amount distributed to all Partners is equal to the total capital contributions applied to investments;

(ii) Second, to all Partners pro rata, to provide an 8% compound annual internal rate of return on the amount described in (i) above (the "Priority Return");

(iii) Third, 100% to the General Partner until the General Partner has received in the aggregate 12.5% of the total amount distributed pursuant to clause (ii) and this clause (iii); and

(iv) Thereafter, 87.5% to all Partners pro rata and 12.5% to the General Partner (the amounts distributed to the General Partner pursuant to clause (iii) and this clause (iv), the "Carried Interest").

Each purchase by the Fund of an investment in a Portfolio Partnership shall be treated as a separate Portfolio Investment for purposes of the distribution provisions as outlined above. All distributions not directly attributable to a particular Portfolio Investment generally will be made to the Partners in proportion to their capital contributions used to acquire the investment giving rise to the distribution.

Strategic Partners IV RE and Strategic Partners IV VC

Each Limited Partner in SP IV RE and SP IV VC will pay an annual management fee, payable semi-annually to the Investment Manager during the term of the Partnership. During the Investment Period, the management fee will be equal to 1.0% per annum of such Limited Partner's Commitment, effective upon the Initial Closing. After the Investment Period, the management fee will be equal to 1.0% per annum of the reported value of the Fund's investments. See above for fee reduction on commitments of $150 million or more.

All Partnership distributions will be divided among the Partners as follows:

(i) First, to all Partners pro rata, until the cumulative amount distributed to all Partners is equal to the total capital contributions applied to investments;

(ii) Second, to all Partners pro rata, to provide an 8% compound annual internal rate of return on the amount described in (i) above (the "Priority Return");

(iii) Third, 100% to the General Partner until the General Partner has received in the aggregate 12.5% of the total amount distributed pursuant to clause (ii) and this clause (iii); and

(iv) Thereafter, 87.5% to all Partners pro rata and 12.5% to the General Partner (the amounts distributed to the General Partner pursuant to clause (iii) and this clause (iv), the "Carried Interest")

VIII. Investment Period and Term

The Partnership will have an investment period of four years from the date of the final closing of the Partnership (the "Investment Period"), which may be extended for up to one additional year in the discretion of the General Partner with the consent of the Advisory Committee.

The Partnership will terminate ten years from the final closing, but may be extended (i) for up to two successive one-year periods in the discretion of the General Partner and (ii) for up to two additional one-year periods in the discretion of the General Partner with the consent of the Advisory Committee or Limited Partners representing at least a majority of aggregate commitments to the Partnership (the "Commitments").

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PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Banc Fund VIII L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	$650 million
Fund Manager:	The Banc Funds Company, L.L.C.
Manager Contact:	Charles Moore 20 North Wacker Drive, Ste. 3300. Chicago Ill. 60606 Phone: 312-855-6202 Fax: 312-855-6610

II. Organization and Staff

The Banc Funds Company (TBFC), a company organized and controlled by Charles Moore, will manage Banc Fund VIII.

The Fund management team is lead by eight senior managers, three of whom have worked together since the inception of Fund I in 1986 while the other five have been with TBFC for 10 years.

TBFC has significant prior banking operations, professional accounting and banking regulatory experience. Fund management will be responsible for the day-to-day operations of Banc Fund VIII, including researching, negotiating and making investments, and managing the Fund's portfolio. The Fund will have a Valuation Committee composed of experienced investors with expertise in investment management and banking.

III. Investment Strategy

While Fund VIII will have a broad charter to invest in financial services companies, the principal investment areas that the Fund contemplates are:

1. Subregional depository companies (commercial banks and thrifts) with assets ranging from about $0.5 billion to $7.0 billion. This is the historical investment focus of the predecessor funds.

2. Other depository companies with assets ranging from about $7 billion to $12 billion. This is an emerging tier of acquisition targets that bankers sometimes refer to as supercommunity banks. A supercommunity bank is a collection of small, local subregional banks that have been acquired and operate under one holding company. They differ from subregionals only in asset size, in having a greater resource base, and in operating somewhat more broadly geographically.

3. Mutually organized thrifts and insurance companies that may undertake mutual-to-stock conversions, as well as other small and medium-sized non-depositories, including investment banks, securities broker/dealers, consumer finance, mortgage companies, investment advisers, and life and property-casualty insurance companies.

4. Business service companies that provide outsourcing, transaction processing, and other information management services to U.S. financial service companies.

Currently, Fund VIII is expected to invest most of its capital in banking companies as described in points one and two above.

IV. Investment Performance

Previous investment performance as of September 30, 2007 for Banc Funds is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*
Fund VII	2005	$450 million	$45 million	-8.1%
Fund VI	2002	$320 million		9.3%
Fund V (liquidated by 2007)	1998	$300 million	$48 million	15.4%
Fund IV (liquidated by 2004)	1996	$150 million	$25 million	16.4%
Fund III (liquidated by 2001)	1992	$125 million	$20 million	18.5%
Fund II (liquidated by 1997)	1989	$60 million		20.6%
Fund I (liquidated by 1994)	1986	$51 million		15.4%

* Net IRR's were provided by SBI Staff and the SBI's master custodian, State Street Bank for Funds III, IV, V and VII. Fund I, II and VI IRR's were provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will invest approximately 2% of the capital contributed by all Limited Partners on the same schedule as the Limited Partners' capital contributions are made.

VI. Takedown Schedule

1% of committed capital at closing with the balance called as needed on 10 days' notice in amounts equal to at least 2% of committed capital.

VII. Management Fee

The management fee will be based on capital called, not committed capital. The Fund will pay the Fund Manager 5% of the first $20 million of Fund VIII's capital that is taken down and 1.79% of the next $280 million of capital that is taken down, and 2% of amounts, if any, over $300 million. When all capital is called, the management fee will set at 2% of contributed capital. Any investment banking fees will be credited 100% to fund investors.

VIII. Distributions

The Fund Manager will have 20% carried interest in Fund net capital gains, and in certain types of high-yield income. The Fund Manager will not receive carried interest until the General Partner has returned to the Limited Partners 100% of their capital contributions.

IX. Investment Period and Term

The Fund will be established with a 9.5 year life. The first eight years will be devoted to building and managing the portfolio and the last one and one half years will concentrate on maximizing value and liquidating the portfolio.

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YIELD-ORIENTED MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Gold Hill Capital 2008, L.P. ("The Fund")
Type of Fund:	Venture Debt
Total Fund Size:	$225 million
Fund Manager:	Gold Hill Capital, LLC
Manager Contact:	Dave Fischer Two Newton Executive Park, Ste. 203 Newton MA 02462 ph: 617-243-2616 dfischer@goldhillcapital.com

II. Organization and Staff

The Gold Hill Venture Lending Partners - David Fischer, Sean Lynden, Frank Tower and Tim Waterson - reside in the two geographic areas with the highest concentration of venture capital investment in the U.S. Mr. Fischer and Mr. Tower are located in Boston, Massachusetts. Mr. Lynden and Mr. Waterson are located in Santa Clara, California.

The Partners have over 75 years of collective experience in sourcing loan opportunities, and underwriting, structuring, negotiating, closing and monitoring loans to early-stage, venture-backed technology and life science companies. The Partners have cultivated strong and deep relationships with venture capitalists and have gained significant knowledge and skills for carefully underwriting financing risk across market cycles. The Partners have worked closely together at Gold Hill's first fund for the past 5 years, during which they have reviewed over $4 billion in opportunities and have made loan and equity commitments of over $500 million. Additionally, prior to launching Gold Hill, each Partner had been with Silicon Valley Bank ("SVB") for at least eight years during which they were involved in the origination and management of over $2 billion of venture loans. The same team of four partners will manage this second fund.

In addition to their own substantial experience, relationships, resources and deal flow, the Gold Hill team has a strong partnership with SVB. As it did in the first fund, SVB will provide the Fund with a $20 million commitment and proprietary deal flow.

III. Investment Strategy

GHC '08 will seek to make loans to, and direct investments in, companies across the U.S. that have been funded by successful venture capitalists. Loans will be made to companies at the pre-revenue, early revenue and rapid growth stages of their development. The Fund's portfolio will be balanced by industry with a focus on the following sub-sectors: business services, communications, electronics, healthcare services, information services, medical devices, semiconductors, and software.

GHC '08 offers investors a vehicle with historical returns that show a low correlation to equity indices in declining markets due to the attractive interest income and the fees generated from the loan portfolio and a positive correlation in rising markets due to the capital appreciation component of the return from warrants and direct investments. To maximize returns the Partners intend to:

- Build a strong loan portfolio
  - Provides double digit loan-only cash returns
  - Proven low loss rates
  - A floor on returns
- Build an attractive portfolio of warrant and direct equity positions
  - Direct equity acts as an embedded VC portfolio
  - Provides for strong potential upside to loan-only return
- Recycle and leverage to accelerate returns
  - Doubles the amount of capital put to work
  - Increases diversity of loan and warrant portfolios

IV. Investment Performance

Previous investment performance as of September 30, 2007 for Gold Hill is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR* from Inception
Gold Hill Venture Lending	2004	$214 million	$40 million	7%

* IRR's and other data contained in this report are provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will commit a total of 5% of the aggregate LP Commitments to the Fund.

VI. Takedown Schedule

Fund Investors will be required to deliver their capital commitment on an as-needed basis with at least 10 days notice.

VII. Management Fee

The Fund will pay a management fee (the "Management Fee") to Gold Hill Capital Management, LLC (the "Management Company") at the rate of 1.65% per annum of the total committed Fund capital through the fourth anniversary of the Fund closing date. From the 1st day after the fourth anniversary through the life of the Fund, the Management Fee shall equal 1.10% of the aggregate principal amount of all outstanding loans made by the Fund. The Management Fee is payable quarterly in advance.

The normal operating expenses of the Fund will be paid by the Management Company from the Management Fee, including the salaries of Management Company employees (including the Partners), rent, communications, travel, consulting, and other expenses incurred in investigating, evaluating or managing investments or investment opportunities including the cost of servicing and administering any loans made to Portfolio Companies. Any placement fees incurred during fundraising will be paid by the Fund, on behalf of the Management Company, and will be reflected as credit to the Management Fee due the following quarter. The Fund will pay all other expenses including: (i) legal, accounting, audit and custodial fees and expenses; (ii) brokerage, broker dealer, registration, qualification, depository and similar fees or commissions; (iii) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Fund assets, including repossessed collateral for any loan; (iv) costs of investor meetings, financial statements and other reports; and (v) the costs of organizing the Fund, provided that such organizational costs will not exceed $500,000.

VIII. Distributions

Distributions will be made to the Fund Investors on a cumulative basis in the following order and priority:

First, 100% to all Fund Investors in proportion to paid-in capital contributions until distributed proceeds from investments equal the following:

(i) The aggregate amount of capital contributions made to date; and

(ii) A preferred return on unreturned paid-in capital contributions at the rate of 8% per annum from the date each contribution was made (the "Preferred Return");

Second, 100% to the General Partner until such time as the General Partner has received additional distributions (its "Carried Interest") equal to 20%* of the sum of the distributed Preferred Return and distributions made pursuant to this paragraph Second; and

Third, thereafter, 80% to all Fund Investors in proportion to paid-in capital contributions and 20%* to the General Partner as additional Carried Interest.

*Note: The Fund has a 15% IRR threshold that must be met for the General Partner to earn 20% carry. If the General Partner is in a situation where it has earned carry, but the 15% IRR threshold has not been met, the General Partner will be allocated carry at 15%.

All short-term interest income from temporary investments will be distributed in proportion to paid-in capital contributions, and will not be taken into account in determining the General Partner's Carried Interest.

In addition, the General Partner will have an interest in distributions if the General Partner ceases to be the General Partner.

IX. Investment Period and Term

The Fund will have a life of 10 years, subject to up to two one-year extensions in the sole discretion of the General Partner, and one further one-year extension with the consent of the Advisory Board.

The Fund's Investment Period will be four years, during which the General Partner will make loan commitments to, and acquire equity investment rights in, its portfolio companies. As the portfolio companies draw down on these commitments, the General Partner will call capital, utilize leverage, and recycle principal to fund these loans and exercise the related warrants and equity investment rights. It is anticipated that the majority of loans will be funded by the end of the fifth year of the Fund, and that after year 5, principal recycling will decrease significantly as it is distributed back to the investors.

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Chicago Growth Partners II, L.P. ("CGP II" or the "Fund")
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	$400 million
Fund Manager	Chicago Growth Management II, L.P.
Manager Contact:	Bob Blank Chicago Growth Partners 303 West Madison Street Suite 2500 Chicago, IL 60606 Phone: (312) 698-6322 Fax: (312) 201-0703

II. Organization and Staff

Chicago Growth Partners ("CGP") was founded in July 2004 by the team that had previously managed William Blair Capital Partners. CGP is a Chicago-based private equity firm focused on investing in small to medium sized growth companies. Chicago Growth Partners, LP ("CGP I") was established in 2005 with $270 million of committed capital. The Partners include Robert D. Blank, David G. Chandler, Robert P. Healy, Dr. Arda Minocherhomjee, Timothy M. Murray and Robert M. Powers (the "Partners"), collectively having over one hundred years of experience investing in, advising or managing growth businesses and will manage CGP II. In total, the CGP team is comprised of 23 individuals (the "Team"), including 15 investment professionals. The Partners have achieved consistently superior returns over many years of investing. Since 1984, the Partners have invested $823 million and led 73 investments, of which, 51 investments have been fully realized, returning $1.4 billion on $499 million of invested capital.

III. Investment Strategy

Consistent with the strategy in CGP I, CGP will employ an investment philosophy that focuses on sourcing attractive investments in companies participating in growing markets rather than utilizing aggressive leverage as the primary driver of returns. CGP will seek to build capital structures around our target companies' growth plans utilizing leverage conservatively, often over-equitizing the balance sheet, particularly early in a given transaction, in order to allow the target to focus on its growth prospects and business process improvement rather than the reduction of debt. This time-tested approach to building flexible capital structures appropriate for each investment's unique situation and growth strategy continues to be an integral part of their philosophy.

CGP will focus on small to medium sized growth companies with EBITDA between $3 million and $15 million and enterprise values less than $100 million. The population of companies in this market sector is very large. A considerably larger pool of opportunities and add-on acquisitions exist in the lower end of the buyout market, presenting a greater opportunity to source deals directly. Smaller transactions tend to be less highly marketed than larger, auction-based transactions, which can lead to better valuations and more favorable transaction terms and structures. This is evidenced by the fact that purchase price multiples have remained more attractive on the smaller end of the market since 2002.

CGP will invest primarily in small to medium sized leveraged buyouts in growth-oriented businesses in three primary sectors: business and consumer services, growth-oriented industrials and healthcare generally based in the U.S. While approximately 80% or more of our transactions are expected to be buyouts, we expect to also invest in growth capital transactions in healthcare due to our extensive experience in that sector.

IV. Investment Performance

Previous fund performance as of September 30, 2007 for the two prior funds is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception*
CGP I	2005	$270 million	$50 million	23 %
WBCP VII	2001	$403 million	$50 million	13 %

* Net IRR's were provided by SBI Staff and the SBI's master custodian, State Street Bank.

Previous fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will commit approximately 5% of the Fund's aggregate commitments.

VI. Takedown Schedule

Each Partner's commitment will be payable when called by the General Partner upon at least 10 business days notice to meet anticipated Fund expenses and to make investments.

VII. Management Fee

Prior to the sixth anniversary of the Effective Date, the Fund will pay the General Partner an annual management fee equal to 2% of aggregate commitments. Commencing with the first management fee due date after the sixth anniversary, the management fee will equal 2% of (i) the aggregate funded commitments, less (ii) distributions constituting returns of capital and the aggregate amount of permanent writeoffs. In addition, the management fee will be reduced by: (i) 80% of any directors' fees, financial consulting fees or advisory fees earned by the General Partner from portfolio companies; (ii) 80% of any transaction fees paid by portfolio companies to the General Partner; and (iii) 80% of any break-up fees from transactions not completed that are paid to the General Partner.

VIII. Distributions

Net proceeds from dispositions of investments in portfolio companies, together with any dividends or interest income received with respect to investments in portfolio companies, generally will be distributed in the following order of priority:

(a) first, 100% to all Partners in proportion to commitments until the cumulative amount distributed equals the following: (i) funded commitments attributable to all realized investments plus the amount of any write-downs; (ii) funded commitments attributable to all organizational expenses, management fees and other expenses paid to date and allocated to realized investments and unrealized investments to the extent they are written down as of that time; and (iii) a preferred return on amounts included in (i) and (ii) above at rate of 8% per annum compounded annually from the last day of each month in which there is a drawdown;

(b) second, 100% to the General Partner until such time as the General Partner has received, as its carried interest, 20% of the sum of the distributed 8% preferred return and distributions made pursuant to this paragraph (b); and

(c) thereafter, 80% to all partners in proportion to commitments and 20% to the General Partner.

IX. Investment Period and Term

The Fund Term will be ten years from the Effective Date, subject to extension by the General Partner for up to three additional one year terms. The Investment Period will be six years.

YIELD-ORIENTED MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Summit Partners Subordinated Debt Fund IV, L.P. (the "Fund")
Type of Fund:	Yield-Oriented
Total Fund Size:	$750 million
Fund Manager:	Summit Partners SD IV, L.P.
Manager Contact:	Marty Mannion 222 Berkeley St., 18th Floor Boston MA 02116 617-824-1010

II. Organization and Staff

Summit Partners ("Summit" or the "Firm") is a global private equity and venture capital firm that invests principally in private and profitable growth companies. The General Partners of Summit have managed nine private equity and venture capital funds with combined capital of approximately $8.0 billion, and three subordinated debt funds with combined capital of $941.0 million.

Summit's Managing Partners have been with Summit for an average of 19 years, with the average tenure of all active partners being 14 years. Summit currently has a staff of more than 80 investment professionals.

III. Investment Strategy

The objective of the Fund is to continue the investment strategy implemented by Summit Subordinated Debt Fund, L.P., Summit Subordinated Debt Fund II, L.P., and Summit Subordinated Debt Fund III, L.P. Investments by the Fund will generally be made in connection with the acquisition or recapitalization of growing middle-market private companies or divisions/subsidiaries of larger companies. In general, these acquisitions or recapitalizations will use a prudent amount of leverage to enhance potential returns to investors. Typically, the financial structure of these transactions will include senior debt, subordinated debt, and equity. Summit has significant experience developing capital structures to satisfy the long-term strategic and financial goals of portfolio companies while optimizing the risk/reward characteristics of its investments.

Banks and other financial institutions will typically provide the senior debt portion of the capital structure. The collateral value of the company's assets and the level of annual operating cash flow available to service senior debt will often determine the amount of senior debt. Senior lenders more often are entitled to receive principal and interest payments before most other creditors, and the portfolio company's assets will generally secure senior debt. Senior lenders will occasionally have a small equity interest in the portfolio company.

The subordinated debt layer of the capital structure of a portfolio company will typically consist of unsecured subordinated debt, preferred securities, or similar interests carrying a current coupon, together with equity participation rights. The subordinated debt or similar security instrument will generally receive higher interest rates and substantially more equity than senior lenders. The equity component may be in the form of common stock, warrants, or, oftentimes, convertible securities. The terms and specific risk/return profiles of the subordinated debt securities are likely to vary from transaction to transaction. On occasion, the Fund may invest in preferred stock with dividends paid currently or accrued and paid at maturity.

IV. Investment Performance

Previous fund performance as of September 30, 2007 for Summit Partners Subordinated Debt and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR* from Inception
Summit Subordinated Debt Fund III	2004	$465 million	$45 million	8%
Summit Subordinated Debt Fund II	1997	$335 million	$45 million	55%
Summit Subordinated Debt Fund I	1994	$141 million	$20 million	31%

* IRR's and other data contained in this report are provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner (together with its affiliates) will contribute a minimum of $15 million, either directly or through parallel funds.

VI. Takedown Schedule

Limited Partners will make their capital contributions in installments as called by the General Partner on not less then 10 business days' notice.

VII. Management Fee

The Fund will pay the General Partner an annual management fee equal to 0.5 percent of the aggregate committed capital of the Fund plus 1.0 percent of the aggregate capital contributed to the Fund in years 1 through 7. In years 8, 9, and 10, the annual management fee will be reduced by 10 percent each year. These fees will be reduced by directors' fees, consulting fees, or any transaction fees paid by portfolio companies to the General Partner. Summit Partners, L.P. (the "Management Company"), an affiliate of the General Partner, will provide management and administrative services to the Fund.

VIII. Distributions

Distributions will generally be made to the Limited Partners and the General Partner (collectively "Partners") in the following order of priority:

First, 100 percent to the Partners in proportion to their paid-in capital contributions until they have received distributions equal in value to a return of 8 percent per annum, calculated as simple interest from the relevant draw-down dates to the dates of distribution, on their paid-in capital contributions (the "Preferential Return");

Second, 100 percent to the Partners in proportion to their paid-in capital contributions until they have received distributions equal in value to the sum of (i) the Fund's cost basis in any investments disposed of at or before the date of distribution, (ii) any write-downs below cost of investments held by the Fund as of the date of distribution, net of any write-ups (determined on a portfolio basis), and (iii) the aggregate amount of paid-in capital contributions used to meet expenses or liabilities of the Fund;

Third, 100 percent to the General Partner until it has received additional distributions (its "Carried Interest") equal to 20 percent of the aggregate amounts distributed to Partners other than distributions made to Partners pursuant to clause Second; and

Fourth, thereafter, 80 percent to the Partners in accordance with their paid-in capital contributions and 20 percent to the General Partner as Carried Interest distributions.

Distributions relating to the Fund's disposition of only a part of an investment will be subject to the formula set forth above, based on the original cost of the disposed portion of that investment. The Fund may make distributions to all Partners in amounts intended to defray the tax liabilities attributable to their interests in the Fund, to the extent that the other distributions described above are insufficient.

IX. Investment Period and Term

The term of the Partnership will be 10 years, with an option to extend for two additional periods consisting of two years each, at the General Partner's discretion with the consent of two-thirds in interest of the Limited Partners.

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. *Background Data*

Name of Fund:	Split Rock Partners II, LP
Type of Fund:	Venture Capital
Total Fund Size:	$300 million
Fund Manager:	Split Rock Partners II Management, LLC
Manager Contact:	Michael Gorman 10400 Viking Dr. , Ste 550 Minneapolis, MN 55344 ph: 952-995-7474 fax: 952-995-7475

II. *Organization and Staff*

Split Rock Partners II, LP (the "Fund," or "Partnership") and Split Rock Partners II Management, LLC, the general partner of the Fund (the "General Partner") are based in Minneapolis, Minnesota, and Menlo Park, California. The General Partner is led by Joshua Baltzell, Michael Gorman, James Simons, David Stassen and Allan Will (the "Managing Directors," "our," "team," or "we,"). Other staff includes an additional associate investment professional, a Chief Financial Officer and 7 operations professionals. The Fund is seeking $275 million in commitments to make early-stage investments in healthcare and software companies.

Split Rock Partners, LLC ("Split Rock Partners") was founded in July 2004 through the transition of St. Paul Venture Capital ("SPVC") into two new firms, Split Rock Partners (healthcare, software and internet services) and Vesbridge Partners, LLC (networking and telecommunications). Split Rock Partners closed an independent early-stage venture fund, Split Rock Partners, LP ("Fund I"), in April 2005 with $275 million in Commitments.

Prior to Split Rock Partners, the Managing Directors managed the healthcare, software and internet services investments for SPVC. From its inception in 1988, SPVC was consistently one of the most active early-stage venture capital investors in the United States. Solely funded initially by The St. Paul Companies (now The Travelers Companies), SPVC directly invested $1.3 billion in healthcare, software, telecommunications, consumer products and services across six venture capital funds. SPVC was the leading early-stage venture capital investor in Minnesota, investing over $268 million in 44 Minnesota-based companies. In addition, SPVC was a very active investor nationally and developed a national reputation in targeted industry sectors. SPVC VI - the last SPVC fund - was capitalized at $675 million.

III. Investment Strategy

Split Rock Partners has continued the successful investment strategy the Managing Directors employed during Fund I and at SPVC. This strategy focuses on investments in early-stage healthcare, software and internet services companies.

The following chart summarizes the expected investment profile for the Fund:

Industry sector	Approximately 60% healthcare and 40% software
Geography	Approximately 40% Minnesota and Upper Midwest and 60% California
Stage	Approximately 80% early-stage and 20% expansion stage
New investment model	\$2 to \$5 million average initial investment \$5 to \$12 million in reserve on average
Fund investment plan	1.5 to 2.0 deals/partner/year 20 to 25 companies in the Fund
Ownership targets	20% to 30% in early-stage rounds 10% to 20% in expansion rounds
Role	Lead or co-lead Board seats in 90% or more of investments

IV. Investment Performance

Previous investment performance as of September 30, 2007 for Split Rock Partners is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*
Split Rock Partners I	2005	$275 million	$50 million	-10%
Split Rock Team prior Investments	1990	$382 million	--	29%

* Net IRR's were provided by SBI Staff and the SBI's master custodian, State Street Bank for Split Rock Partners I. The Split Rock Team Prior Investments IRR was provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will invest an amount equal to 1% of the capital contributed by all Limited Partners on the same schedule as the Limited Partners' capital contributions are made.

VI. Takedown Schedule

Each Limited Partner will contribute capital in installments as requested by the General Partner upon 10 business days' prior written notice.

VII. Management Fee

Commencing upon the first capital call, the General Partner will receive a management fee, payable quarterly in advance, equal to 2.5% of the Fund's committed capital. The annual management fee will be reduced to equal (a) 1.5% of the Fund's committed capital, upon the sixth anniversary of the first capital call, (b) 0.5% of the Fund's committed capital, upon the ninth anniversary of the first capital call and (c) 1.5% of the lesser of (i) the cost basis of the Fund's portfolio securities, and (ii) the fair market value of Fund's assets upon the tenth anniversary of the first capital call.
Management fees will be reduced by 100% directors' fees, consulting or advisory fees, or any transaction, commitment, breakup or similar fees paid in cash.

VIII. Distributions

The General Partner may make distributions of cash or marketable securities from time to time in its discretion as provided below. Such distributions will be made 80% to the Partners (General and Limited), pro rata in proportion to their respective capital commitments, and 20% to the General Partner, so long as (a) immediately following such distribution (i) there are no Contingent Losses in the Partners' capital accounts that have not been previously restored or are not restored by adjustments to such distribution, (ii) the value of the remaining Fund portfolio securities will equal or exceed 120% of the cost basis of such securities, and (iii) the General Partner's capital account will equal or exceed 1% of the sum of the balances of the capital accounts of all Partners, or (b) a Majority in Interest of the Limited Partners have consented to the distribution. In addition, the General Partner may make discretionary distributions to all Partners in accordance with capital commitments, to the Limited Partners in accordance with capital commitments or, to the extent that carried interest distributions to the General Partner are less than 20% of net cumulative portfolio gain, to the General Partner. Concurrent with any distribution of marketable securities to the General Partner in respect of its 20% interest in the net capital gains of the Fund, the General Partner will be obligated to contribute to the Fund, in cash an amount equal to the cost basis of the securities distributed to the General Partner or decline distribution of a portion such securities of equal value.

IX. Investment Period and Term

The Fund's investment period shall commence as of the initial capital contribution to the Fund and continue for six years (the "Investment Period").
The Partnership term will be 10 years following the initial capital call but may be extended by the General Partner for up to 2 additional one-year periods in its sole discretion to facilitate the orderly liquidation of investments. Additional one-year extensions may be made with the consent of a Majority in Interest of the Limited Partners.

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. *Background Data*

Name of Fund:	Affinity Ventures V, L.P. ("AV V" or "The Fund")
Type of Fund:	Venture Capital
Total Fund Size:	$40 million
Fund Manager:	Affinity Capital
Manager Contact:	Edson W. Spencer Jr. 901 Marquette Avenue Minneapolis, MN 55402 phone: 612-252-9896 fax: 612-252-9911

II. *Organization and Staff*

The General Partners of AV V will be Edson W. Spencer, Jr. and B. Kristine Johnson. These Principals are also the General Partners of AV IV, a $50 million venture fund formed in 2004. Mr. Spencer and Ms. Johnson are also the General Partners of AV III, a $75 million venture fund formed in 2000. Both AV IV and AV III are focused primarily on investing in private health care companies, with an emphasis on companies in the medical technology sector.

In addition to its General Partners, Affinity Capital Management has three other investment professionals with experience in various operating company and financial services roles.

Overall, the principals of Affinity Capital have been investing as a team since 2000, have over 50 years of combined experience working in leadership roles in the health care sector and approximately 30 years of venture capital investing experience. In over a decade of investing, Affinity has developed a network of co-investors that has provided and will continue to provide, the Fund with good access to quality late stage investment opportunities.

III. *Investment Strategy*

The Fund will invest primarily in late-stage private health care companies in the medical technology sector. In addition to investing in new opportunities, AV V will invest selectively in existing portfolio companies from Affinity Ventures III, L.P. (AV "III") and Affinity Ventures IV, L.P. ("AV IV"), two prior investment funds managed by the Principals.

AV V will target companies with excellent growth opportunities in large markets with modest remaining clinical and technology risk, established intellectual property portfolios and strong management teams. These companies will have good prospects for a liquidity event within three to five years from the time of AV V's initial investment. The Principals expect the IPO market to be good for well-established medical technology companies that are generating revenue. In addition, the large, diversified medical technology companies continue to be active in acquiring new products and technologies to supplement their internal growth.

The Principals believe this strategy and focus will produce attractive returns for the Fund. Key considerations are as follows:

1. There are a significant number of late-stage private companies in need of additional capital that have compelling investment characteristics and substantially reduced risks as compared to early-stage startups. In the face of stringent regulatory approval requirements and extended reimbursement challenges, the time to market for medical technology companies has been extended. While the IPO market continues to be available to health care companies and M&A activity in the sector is strong, the timing from company initiation to exit has grown steadily over the past decade and the amount of capital required has increased substantially.

2. New sources of capital, including hedge funds and private equity investors, are increasingly active in late-stage deals in the health care sector. Affinity's extensive knowledge of the space and experience in health care investing will provide the Fund the opportunity to partner with larger investors in late-stage financings.

3. The Principals believe that there will be attractive opportunities to invest in existing portfolio companies from earlier funds (AV III and AV IV). Because of limitations on the availability of SBA capital for A IV and the lengthening of the time between start-up and exit described above, the potential investment opportunities in several of these companies will be greater than can be supported by those funds.

4. In over a decade of investing, Affinity has developed a network of co-investors that will provide the Fund with good access to other high-potential opportunities in new companies. Also, the extensive experience of the Affinity team in health care investing will be valuable in implementing an effective process for assessing opportunities, determining risk and investing at attractive valuations.

IV. Investment Performance

Previous fund performance as of December 31, 2007 for Affinity Capital Management is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*
Affinity Ventures IV	2004	$50 million	$4 million	-7.6%
Affinity Ventures III	2000	$75 million	--	1.8%
Affinity Ventures II	1997	$11 million	--	9.5%
PSF Healthcare Fund	1993	$4 million	--	13.0%

* IRR's and other data contained in this report are provided by the General Partner. Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The Managing Partners, Edson W. Spencer, Jr. and B. Kristine Johnson, intend to invest approximately $2 million in the Fund as Limited Partners.

VI. Takedown Schedule

Capital calls will be made when necessary to fund investments and pay expenses of the Fund. No more than one-third of committed capital may be called in any one year. The General Partner will give at least twenty days' prior notice of capital calls.

VII. Management Fee

For the first five years of the Fund's existence, the Manager will receive a maximum annual management fee of 2.5% of the total committed capital. Thereafter, the amount of each succeeding year's annual maximum management fee will decline by 10%.

VIII. Distributions

Cash distributions and in-kind distributions of securities of portfolio companies may be made to the Limited Partners of the Fund. Distributions will be allocated 100% to the Limited Partners until each partner has been distributed an amount equal to the paid-in-capital of the Fund. Once Limited Partners have received their paid-in-capital, distributions will be allocated 80% to the Limited Partners and 20% to the General Partner.

IX. Investment Period and Term

AV V's term will be eight (8) years. The General Partner may extend the term of the fund for up to two, two-year periods, and additional extensions may be available with the consent of the Limited Partners.