

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, May 18, 2010
12:00 Noon
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

- | | |
|---|------------|
| 1. Approval of Minutes of February 16, 2010 | TAB |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2010 – March 31, 2010) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Legislative Update | |
| 3. Update on Sudan | |
| 4. Update on Iran | |
| 5. Update on Cash Management | |
| 6. Litigation Update | |
| 3. Report from the SBI Administrative Committee (K. Kardell) | C |
| A. Review of Executive Director's Proposed Workplan for FY11. | |
| B. Review of Budget Plan for FY11. | |
| C. Review of Continuing Fiduciary Education Plan. | |
| D. Review of Executive Director's Evaluation Process. | |
| E. Update of Disaster Recovery Plan. | |
| 4. Review of manager performance for the period ending
March 31, 2010 (H. Bicker) | D |
| 5. Review of Semi-Passive investing in the Fixed Income, International
Equity, and Domestic Equity programs (H. Bicker) | E |
| 6. Consideration of implementing customized MSCI benchmarks in
the International Equity program (H. Bicker) | F |
| 7. Alternative Investment Report (H. Bicker) | G |
| A. Review of current strategy. | |
| B. Consideration of investment commitments to new funds with two
existing resource managers, one existing private equity manager,
and one new resource manager. | |
| C. Review of timberland asset class. | |
| 8. Other items | |

INVESTMENT ADVISORY COUNCIL

MINUTES

May 18, 2010

**Minutes
Investment Advisory Council
February 16, 2010**

MEMBERS PRESENT: Jeff Bailey, Dave Bergstrom, John Bohan, Kerry Brick, Dennis Duerst, Doug Gorence, Laurie Hacking, Heather Johnston, Kathy Kardell (for Tom Hanson), P. Jay Kiedrowski, LeRoy Koppendrayer, Judy Mares, Gary Martin, Malcolm McDonald, Gary Norstrem, and Mary Vanek.

MEMBERS ABSENT: Frank Ahrens.

SBI STAFF: Howard Bicker, Teri Richardson, Jim Heidelberg, Tammy Brusehaver, Patricia Ammann, Stephanie Gleeson, John Griebenow, Michael McGirr, Mike Menssen, J.J. Kirby, Steve Schugel, Debbie Griebenow, Carol Nelson, and Charlene Olson.

OTHERS ATTENDING: Ann Posey, Nuveen Investments; Celeste Grant, Jim Gelbmann, Christie Eller, and John Plotnicky.

The Investment Advisory Council (IAC) met at 12:00 noon on Tuesday, February 16, 2010 in the Board Room, First Floor, 60 Empire Drive, St. Paul, MN. The minutes of the November 18, 2009 meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and reported that the Combined Funds had outperformed its Composite Index over the ten year period ending December 31, 2009 (Combined Funds 3.2% vs. Composite 3.1%) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.2% vs. CPI 2.7%.) He stated that the Combined Funds' market value increased 3.5% during the quarter ending December 31, 2009 due to strong investment returns. He said that the asset mix was rebalanced during the quarter, and he reported that the Combined Funds outperformed its target for the quarter (Combined Funds 4.6% vs. Composite 4.1%) and for the year (Combined Funds 20.3% vs. Composite 17.8%.)

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 6.0% vs. Domestic Equity Asset Class Target 5.9%) and for the year (Domestic Stocks 29.6% vs. Domestic Equity Asset Class Target 28.3%.) He said the International Stock manager group outperformed its Composite Index for the quarter (International Stocks 4.0% vs. International Equity Asset Class Target 3.7%) and

underperformed it for the year (International Stocks 41.2% vs. International Equity Asset Class Target 41.5%.) Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 1.3% vs. Fixed Income Asset Class Target 0.2%) and for the year (Bonds 14.3% vs. Fixed Income Asset Class Target 5.9%.) He noted that alternative investments returned 6.1% for the quarter, and he noted that there is a one quarter lag in reporting for the alternative returns relative to the other markets. He concluded his report with the comment that, as of December 31, 2009, the SBI was responsible for \$53.5 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. Mr. Bicker noted that the SBI's audit is finished and that members will receive a final copy as soon as it becomes available.

Mr. Bicker stated that there are several legislative items that affect the SBI. He said that later in the meeting, the three statewide retirement system directors would be presenting information related to legislative proposals they are proposing to improve the funding levels of their plans. He reported that there will also be a bill introduced for an administrative merger of the Minneapolis Employees Retirement Fund (MERF) with the Public Employees Retirement Association (PERA.) He noted that if the merger is approved, MERF would become a subaccount within PERA and would then be eligible to participate in the SBI's alternative investment pool. Mr. Bicker briefly reviewed the implementation status of the Sudan and Iran divestment legislation that was passed during the last couple of years. He stated that the Sudan legislation resulted in the divestment of ten companies with a market value of approximately \$28 million. He reported that the Iran divestment is still in the early stages of implementation, and he briefly reviewed the timeline for that process. He noted that staff may need to consider developing a customized benchmark for the international asset class target because the impact of the various investment restrictions is becoming more significant. Mr. Bicker noted that there had recently been a recommendation for a 6% budget cut for all state agencies.

Ms. Eller, Deputy State Attorney General, stated that there was no significant action regarding the Lehman bankruptcy proceedings.

Review of Manager Performance

Mr. Bicker referred members to Tab C of the meeting materials and noted that BlackRock had acquired Barclays and that, so far, there had been no personnel changes related to either the passive or semi-passive accounts managed by the firm for the SBI.

Domestic Equity Semi-Passive Program

Mr. Bicker referred members to Tab D of the meeting materials and stated that staff had conducted a semi-passive manager review to update the short list of managers. He noted that currently the SBI has approximately \$7 billion in the semi-passive program and utilizes three semi-passive managers. He stated that after an extensive review five firms were considered for the short list.

Mr. Bicker stated that Mellon (formerly Franklin) is working through some organizational changes, and he stated that staff would prefer to have four semi-passive managers rather than three in order to avoid any one manager's portfolio from becoming too large in case a manager needed to be terminated. He said that staff is recommending that INTECH Investment Management be considered as an addition to the semi-passive manager program.

In response to several questions from various members of the IAC, Mr. Bicker discussed INTECH's performance history, succession planning for retiring senior people, and the firm's quantitative investment approach. In response to a question from Mr. Bailey, Mr. Bicker stated that staff currently plans to keep approximately 25% of the domestic stock segment actively managed. Ms. Posey stated that she is supportive of additional managers as long as the new manager's process is sufficiently different enough from the SBI's existing semi-passive managers. She noted that she would encourage staff to continue to add managers in the semi-passive area. Mr. Bergstrom moved approval of staff's recommendation, as stated in Tab D. Mr. McDonald seconded the motion. In response to a question from Mr. Martin, Mr. Bicker stated that staff did not consider a fixed income based enhanced equity strategy. The motion passed.

Alternative Investment Report

Mr. Griebenow referred members to Tab E of the meeting materials and briefly reviewed performance for the quarter. He stated that staff is recommending new investments with two existing private equity managers, EBF and Värde; one existing resource manager, TCW Energy; and one new yield-oriented manager, Audax. Mr. McDonald moved approval of staff's recommendation regarding new investments with the three existing managers, EBF, Värde and TCW Energy, as stated in Tab E of the meeting materials. Mr. Gorence seconded the motion. The motion passed.

Mr. Bicker stated that the new manager under consideration, Audax would make a presentation to members, and Mr. Griebenow provided some brief background information on Audax. A presentation by Kevin Magid and Peter Gummesson from Audax followed. Mr. McDonald moved approval of staff's recommendation regarding a new investment with Audax, as stated in Tab E of the meeting materials. Mr. Gorence seconded the motion. The motion passed.

Review of Performance Based Fees

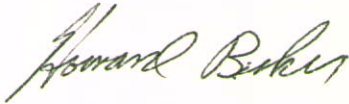
Mr. Bicker referred members to Tab F of the meeting materials, and Ms. Brusehaver gave a presentation on performance based fees and how they are calculated. A discussion followed.

Retirement System Presentation on Funding Updates

Ms. Vanek, Mr. Bergstrom and Ms. Hacking each gave brief presentations on the funding status of their respective systems and some proposed legislative changes to the plans (see **Attachment A.**) A discussion followed.

The meeting adjourned at 2:36 P.M.

Respectfully submitted,

A handwritten signature in cursive script that reads "Howard Bicker".

Howard Bicker
Executive Director



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Statewide Retirement Systems Funding Updates



Mary Vanek, PERA Executive Director
Dave Bergstrom, MSRS Executive Director
Laurie Hacking, TRA Executive Director

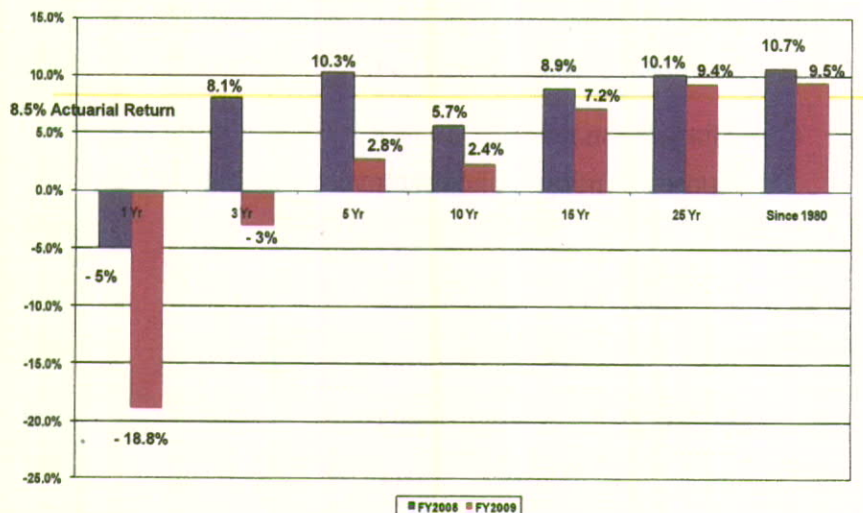


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Why Are We Having These Discussions?

Comparison of SBI Average Returns – for periods ending 6/30/2008 and 6/30/2009





Basic Pension Funding Principle

$$C + I = B + E$$

Contributions + Investments = Benefits + Expenses

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Common Modifications to Address Funding

Elements of funding principle the Boards and Legislature could modify to address recent investment losses

- C – Contribution rates
 - Proposed employee and employer contribution rate adjustments
- B – Benefits
 - annual retiree increases
 - prospective deferred augmentation interest rate
 - interest on future lump sum refunds
 - interest on re-employed retiree accounts

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Financial Status of PERA General Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	69.99 %	53.81 %
Current Contributions*	12.88 % of pay	12.88 % of pay
Contributions Needed	15.55 % of pay	19.61 % of pay
Contribution Deficiency	(2.67) % of pay	(6.73) % of pay

* Employee rate = 6%; Employer rate = 7% (effective 01/01/10)

Source: Mercer Consulting, FY 09 annual actuarial valuation

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Financial Status of PERA P&F Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	83.22 %	63.55 %
Current Contributions*	23.50 % of pay	23.50 % of pay
Contributions Needed	29.99 % of pay	39.13 % of pay
Contribution Deficiency	(6.49) % of pay	(15.63) % of pay

*Employee rate = 9.4%; Employer rate = 14.1%

Source: Mercer Consulting, FY 09 annual actuarial valuation

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Financial Status of PERA Correctional Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	94.85 %	72.93 %
Current Contributions*	14.58 % of pay	14.58 % of pay
Contributions Needed	14.03 % of pay	16.77 % of pay
Contribution Deficiency	0.55 % of pay	(2.19) % of pay

*Employee rate = 5.83%; Employer rate = 8.75%

Source: Mercer Consulting, FY 09 annual actuarial valuation

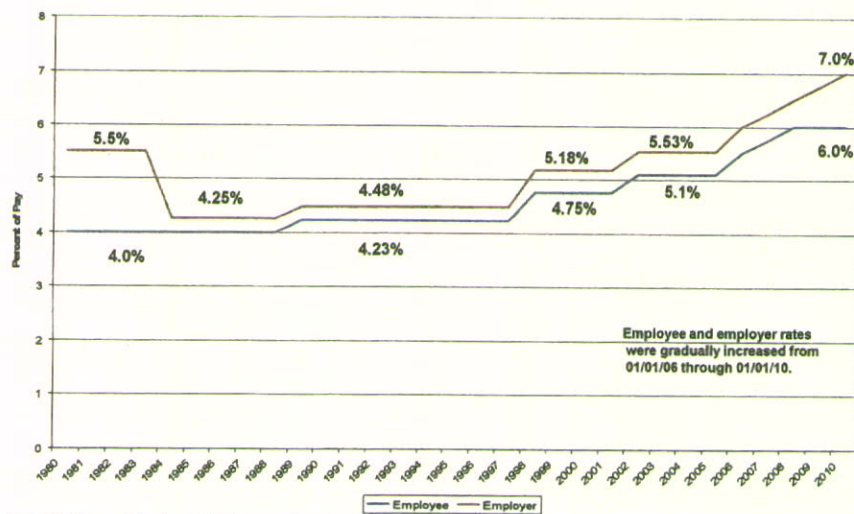
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History of PERA General's Contribution Rates



The PERA General Plan's contribution rates have been adjusted several times since the employer additional contribution rate, assuming the plan was adequately funded at 78 percent at the time, was reduced in 1984. Two adjustments thereafter accompanied benefit modifications; more recent rate changes did not.

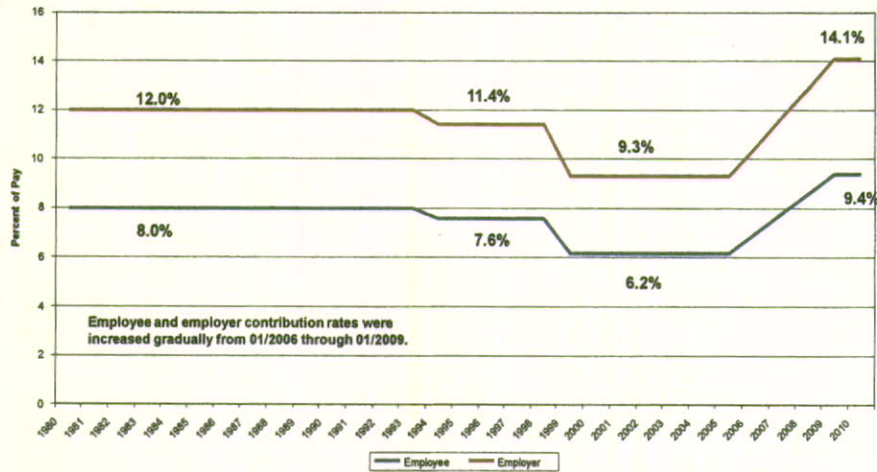
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History of Police and Fire Plan's Contribution Rates



Employee and employer contribution rates were increased gradually from 01/2006 through 01/2009. Contribution rates were reduced because the plan was over 100 percent funded, but the rates were reduced below the actual cost of the benefits, so when the markets eroded the excess assets and created an unfunded liability the rates had to be significantly increased to bring them back up to the annual cost of the benefits plus additional to pay unfunded portion.



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Path to PERA Long-Term Sustainability

Where do we go from here?

- ❑ *Shared responsibility and sacrifice*— active members, employers, deferred members and benefit recipients will need to be part of the solution.
 - ✓ Reduce annual benefit recipient adjustment
 - Decrease annual adjustment from 2.5 percent to 1 percent until plans are again at least 90 percent funded (market value).
 - ✓ Increase contributions 0.5 percent
 - Coordinated Plan shared equally between employees & employers
 - Police & Fire Plan – shared between employees and employers
 - ✓ Reduce certain active and former member benefits
 - Reduce interest rate on refunds from 6 percent to 4 percent
 - Reduce deferred interest for current deferred members and future terminated vested members to 1 percent –currently 3 percent to age 55 and 5 percent thereafter for those hired prior to July 1, 2006 or 2.5 percent for all years for those hired after July 1, 2006.
 - Increase vesting to five years
 - Eliminate interest on re-employed retiree accounts .



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Path to PERA Long-Term Sustainability

What do we save if Board's recommendations are adopted?

	PERA General	PERA P & F
Modify annual increase: 1.0 percent for future yrs. *	3.6 %	9.45 %
Reduce deferred interest	0.45 %	0.45 %
Increase contributions	0.50 %	0.50 %
Cost Change/adoption of assumption changes	(0.40) %	N/A
Expected savings/revenue from proposals	4.15%	10.40%
Actuarial value contribution deficiency	(2.67) %	(6.49) %
Resulting actuarial value contribution sufficiency after proposals	1.48 %	3.91 %
Projected market value contribution deficiency	(6.73)%	(15.63)%
Remaining market value contribution deficiency after proposals	(2.58)%	(5.23)%

* Until plans are 90 percent funded.

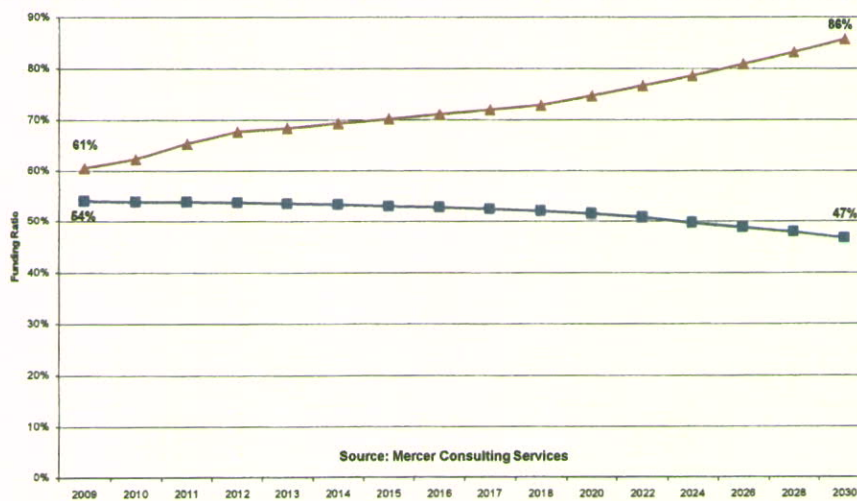
Source: Mercer Consulting Services



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Path to PERA Long-Term Sustainability



Source: Mercer Consulting Services

Assumes no benefit changes, no contribution increases and 8.5 percent annual return.
Assumes reduction in deficiency of 3.65 percent; contribution increase of 0.5 percent of pay; 11 percent return for three years; 8.5 percent each year thereafter

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Financial Status of MSRS General Plan

Fiscal Year 2009	July 1, 2009 Actuarial Value 30 Year Amortization (5 yr smoothing of investment losses)	July 1, 2009 Market Value 30 Year Amortization (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	85.9 %	65.61%
Current Contributions	10 % of pay	10 % of pay
Contributions Needed**	11.5 % of pay	16.25 % of pay
Contribution Deficiency**	(1.5) % of pay	(6.25) % of pay

*Source: Mercer Consulting, FY 09 annual actuarial valuation - EE rate = 5%; ER rate = 5% (eff. 07/01/10)
** 2010 Legislation to propose 30 year amortization; amounts estimated using FY09 valuation results

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Financial Status of State Patrol Plan

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	80.58 %	62.05 %
Current Contributions	26.0 % of pay	26.0 % of pay
Contributions Needed	38.16 % of pay	50.21 % of pay
Contribution Deficiency	(12.16) % of pay	(24.21) % of pay

* Source: Mercer Consulting, FY 09 annual actuarial valuation - EE rate = 10.4%; ER rate = 15.6%

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Financial Status of MSRS Correctional Fund

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	71.88 %	55.62 %
Current Contributions	20.70 % of pay	20.70 % of pay
Contributions Needed	24.85 % of pay	28.57 % of pay
Contribution Deficiency	(4.15) % of pay	(7.87) % of pay

* Source: Mercer Consulting, FY 09 annual actuarial valuation – EE rate = 8.60%; ER rate = 12.10% eff. 7/1/2010

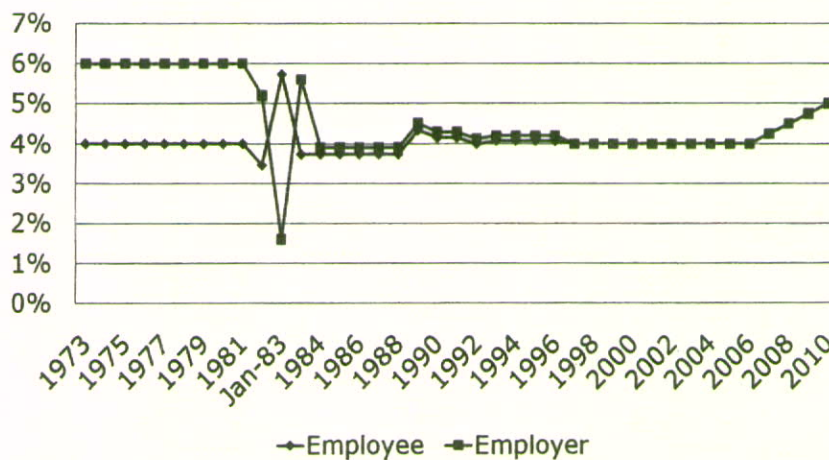
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General Plan Contribution History



2010 Contribution Rates: 5.0% Employee & 5.0% Employer Contribution

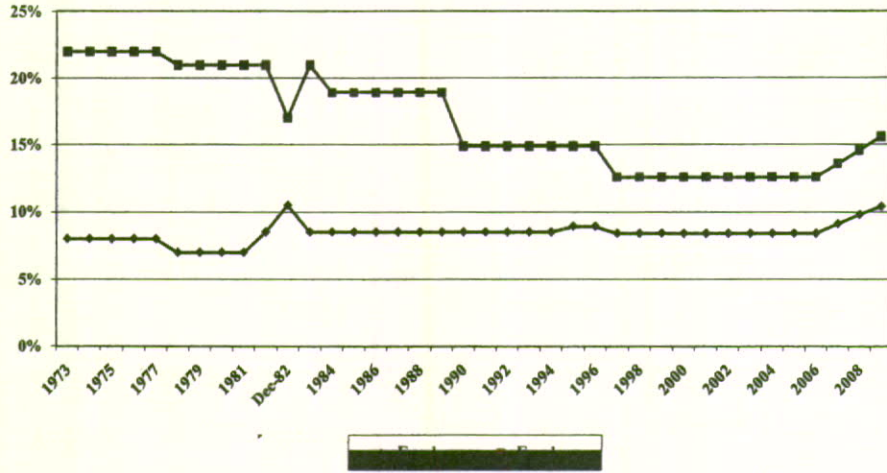
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State Patrol Contribution History



2009 Contribution Rates: 10.4% Employee & 15.6% Employer Contribution

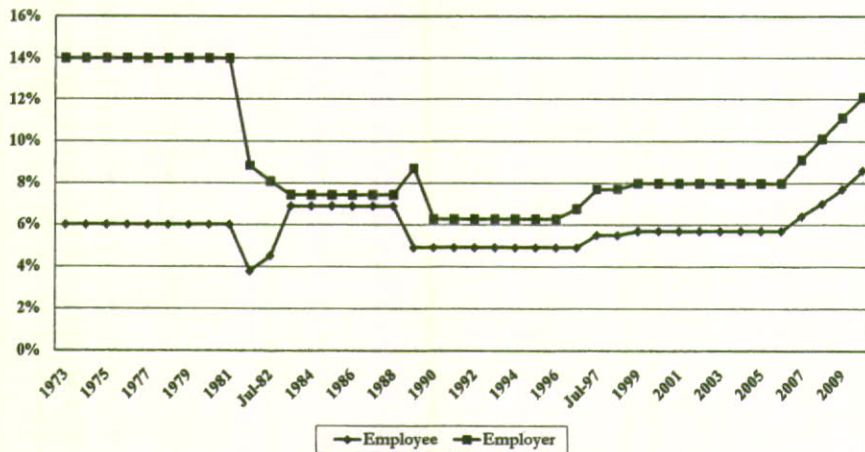
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Correctional Plan Contribution History



2010 Contribution Rates: 8.6% Employee & 12.1% Employer

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Path to MSRS Long-Term Sustainability

Where do we go from here?

- *Shared responsibility*— active members, employers, deferred members and benefit recipients will need to be part of the solution.
 - ✓ Reduce annual benefit recipient adjustment
 - Decrease annual adjustment from 2.5 percent to 2 percent until plans are again at least 90 percent funded (market value).
 - ✓ Extend amortization to 30 years and modify some actuarial assumptions.
 - ✓ Reduce certain active and former member benefits
 - Reduce interest rate on refunds from 6 percent to 4 percent
 - Reduce deferred interest for current deferred members and future terminated vested members to 2 percent --currently 3 percent to age 55 and 5 percent thereafter for those hired prior to July 1, 2006 or 2.5 percent for all years for those hired after July 1, 2006.
 - Increase vesting to five years
 - Eliminate interest on re-employed retiree accounts .

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Source: Mercer Consulting Services

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Path to MSRS Long-Term Sustainability

Contribution rate impact of the Board's recommendations

Proposals	General	Correctional	State Patrol
Modify annual increase: 2.0 percent for future yrs. *	0.9%	1.7%	4.10%
Reduce deferred interest	0.7%	1.2%	0.20%
Increase contributions	0.0%	0.0%	12.00%
Cost Change/adoption of assumption changes	1.10%	N/A	N/A
Expected savings/revenue from proposals	2.70%	2.9%	16.3%
Actuarial value contribution deficiency	(1.5) %	(4.15) %	(12.16) %
Resulting actuarial value contribution sufficiency after proposals	1.20%	(1.25)%**	4.14%
Projected market value contribution deficiency	(6.25)%	(7.87)%	(24.21)%
Remaining market value contribution deficiency after proposals	(3.55)%	(4.97)%	(7.91)% 20

* Until 90% funded

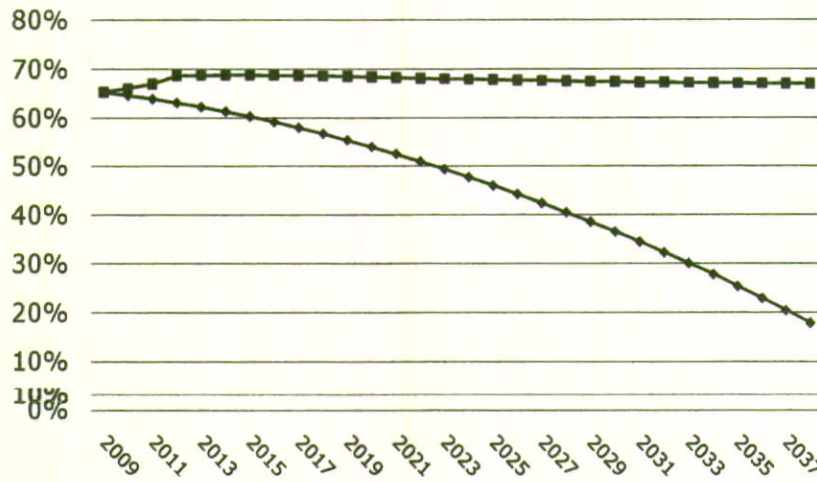
**Future savings from longer vesting and benefit reductions



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Path to long-term sustainability



*Assumes no benefit changes, contribution changes & 8.5% investment return ²¹

*Assume a 3.25% reduction in deficiency & three years of 11% returns; 8.5% thereafter



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Financial Status of TRA

Fiscal Year 2009	July 1, 2009 Actuarial Value (5 yr smoothing of investment losses)	July 1, 2009 Market Value (no smoothing of investment losses)
Funding Ratio (Assets as % of Liabilities)	77 %	60 %
Current Contributions	11.69 % of pay	11.69 % of pay
Contributions Needed	16.81 % of pay	22.76 % of pay
Contribution Deficiency	(5.12) % of pay	(11.07) % of pay

* Source: Mercer Consulting, FY 09 valuation - EE rate = 5.5%; ER rate = 5.5%

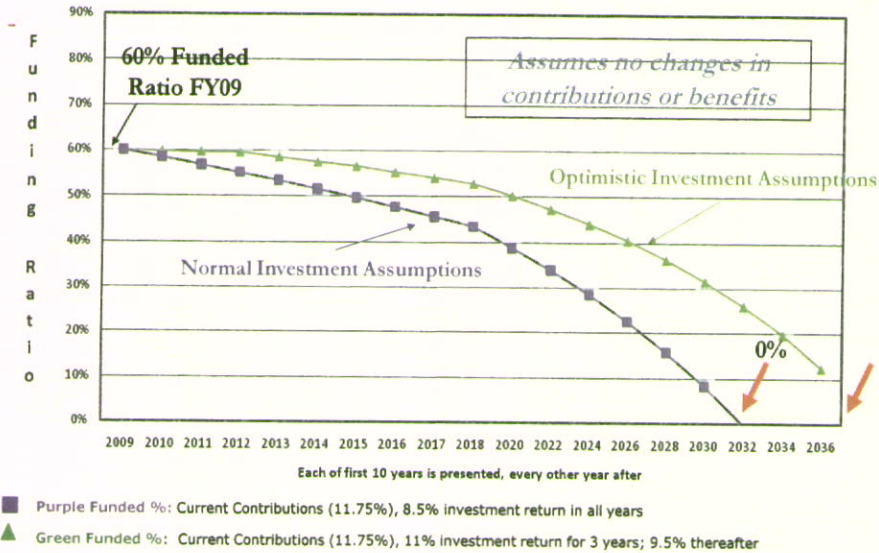
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What if we do nothing?



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How did we get here?

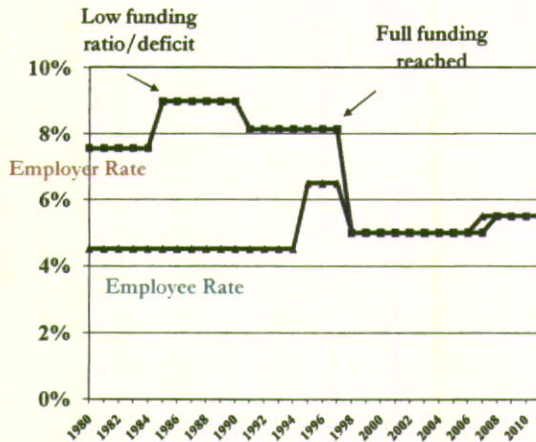
- Severe market downturns in 2000's
 - ✓ Market declines in 2001-2002 – down 15%+
 - ✓ Market plummets in 2008-2009 – down 24%
- Extra investment returns of 1990's not retained in TRA Fund –
 - ✓ Large increases in retiree annual increases – 9.7%/year, 1997-2000; 3/4th of current unfunded liability is due to Post Fund; over 60% of TRA liabilities are for retirees
 - ✓ Precipitous rollback in TRA's employER & employEE contributions
 - EmployER rate cut from 8.14% to 5.0%
 - EmployEE rate cut from 6.5% to 5.0%
 - Rate cut = to \$176 million/year



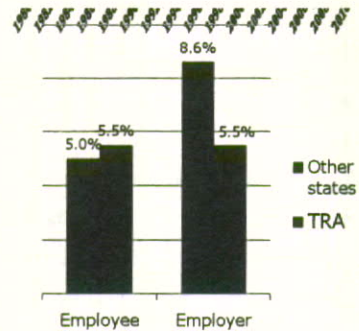
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TRA Contributions Higher in Past



Employer / Employee Contributions in Other States



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Path to TRA Long-Term Sustainability

Where do we go from here?

- **Shared sacrifice** – active members, employers, deferred members and benefit recipients will need to be part of the solution.
 - ✓ Reduce annual benefit recipient adjustment
 - Temporary 2-year suspension (Jan. 2011 and Jan. 2012)
 - 2 percent annual increase thereafter until plan is stabilized
 - ✓ Increase employee and employer contributions - phased in over 4 years
 - 2 percent for employers – phased in 0.5% per year, July 1, 2011 – July 1, 2014
 - 2 percent for employees – phased in 0.5% per year, July 1, 2011 – July 1, 2014
 - ✓ Reduce certain active and former member benefits
 - Reduce interest rate on refunds to 4%; reduce deferred interest for current deferred members and future terminated vested members to 2%; eliminate interest on re-employed retiree accounts.
- **Re-evaluation of all elements in 5 years** – Investment returns will have a major impact (unknown).

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Path to TRA Long-Term Sustainability

TRA Board Recommendations

Proposals	Savings/revenue estimate
Modify annual increase: 2 percent for future years until fund stabilized	2.0%
Suspend annual increase for two years (2011-12)	1.0 %
Increase contributions: 2% employers, phased in 0.5%/yr, 2011-2014	2.0 %
Increase contributions: 2% employees; phased in 0.5%/yr, 2011 - 2014	2.0 %
Reduce deferred interest rate to 2%, reduce refund rate to 4% and ELSA rate to 0%	0.55 %
Savings from assumption changes	0.20 %
Expected revenue/savings from proposals	7.75 %
Actuarial value contribution deficiency	(5.12%)
Resulting actuarial value contribution sufficiency after proposals	2.63%
Market value contribution deficiency	(11.07%)
Remaining market value contribution deficiency after proposals	(3.32%)

Source: Mercer Consulting Services

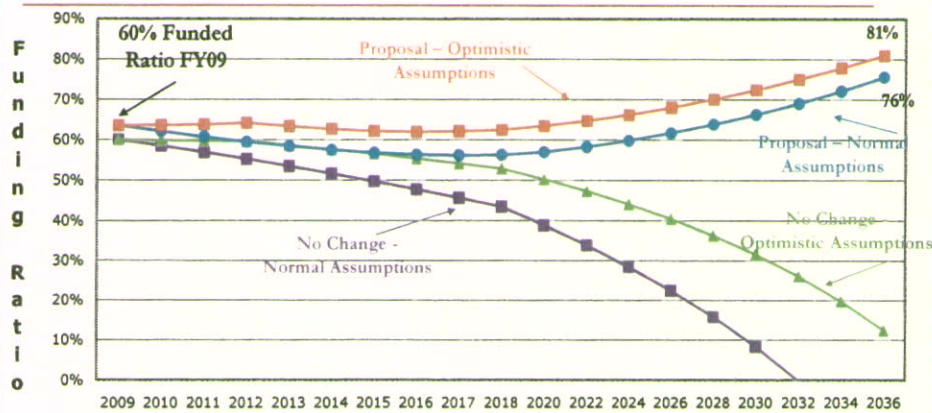
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Path to TRA Long-Term Sustainability



Each of first 10 years is presented, every other year after

- Purple: Current Contributions (11.69%), no changes in contributions/benefits, 8.5% return in all years
- Green: Current Contributions (11.69%), no changes in contributions/benefits, 11% return for 3 yrs; 9.5% thereafter
- Blue: Higher Contributions (15.69%), 2 year COLA suspension with 2% thereafter, reset amortization period in 2016, 8.5% return in all yrs
- Red: Higher Contributions (15.69%), 2 year COLA suspension with 2% thereafter, reset amortization period in 2016, 11% return for 3 yrs; 8.5% thereafter

* Source: Mercer Consulting actuarial projections, 12/16/09, 1/22/10

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MN Public Pensions Important to State

- ❑ MN's public pension systems serve nearly one-half million persons, 1 in 10 Minnesotans
- ❑ More than 90 percent of the systems' benefit recipients reside in Minnesota
- ❑ Systems paid out over \$2.5 billion in benefits which added \$3.3 billion on state economy and led to 22,500 additional jobs statewide
- ❑ State/local taxes paid by recipients and holders of new jobs exceeded public employer pension contributions to the systems by \$80 million annually
- ❑ Economic impact of pension benefits was larger than the gross state product from mining and 92% of agricultural (crop/animal) production.

Source: Lubov, Andrea. "Measuring the Impact of Minnesota's Retirement Systems, March 2008

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What are other states considering?

Actions Taken or Under consideration	State or Local Government
Contributions/Revenues	
Contribution increases	California, Cincinnati, Colorado, Illinois, Iowa, Louisiana, Missouri, Montana, Nebraska, New Hampshire, New Mexico, Ohio, Oklahoma, Oregon, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, Wyoming
Contribution cuts/ holiday	New Jersey
Change actuarial techniques	California, Louisiana, Massachusetts, Missouri, Oregon, Vermont, Washington
Pension Obligation Bonds	Illinois, Pennsylvania
Taxes – on pension income	Illinois, Indiana, Philadelphia, Montana
Benefits	
COLA cuts	Colorado, Georgia, Illinois, Louisiana, Massachusetts, Montana, Nevada, New York, Ohio, Rhode Island, South Dakota, Wisconsin, Virginia
Increase normal retirement age or minimum eligibility age, steepen early retirement penalty	California, Cincinnati, Colorado, Kansas, Kentucky, Illinois, Massachusetts, Montana, Nevada, New Mexico, New York, Ohio, Rhode Island, Texas, Vermont, Virginia
Lower benefit tier/ lower formula for future service/new hires	California, Illinois, Nevada, New Mexico, New York, Rhode Island
Switch to DC or hybrid DB/DC	Georgia, Kansas, Louisiana, Massachusetts, Montana, New Jersey, Orange County, Rhode Island, Utah, Virginia
Increase vesting period	Iowa, Massachusetts, New York
Increase high-X salary period	California, Colorado, Iowa, Massachusetts, Montana, Ohio, Rhode Island, Texas
Early retirement incentives to reduce workforce	Connecticut, Iowa, Maine, Vermont

30

Tab A

LONG TERM OBJECTIVES
Period Ending 3/31/2010

COMBINED FUNDS: \$42.3 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.</p>	3.3% (1)	0.1 percentage point above the target
<p>Provide Real Return (20 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	8.6%	6.0 percentage points above CPI

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS**Eight Plans of MSRS, PERA and TRA****July 1, 2009****Liabilities**

Actuarially Accrued Liabilities \$60.7 billion

Assets

Current Actuarial Value \$46.8 billion

Funding RatioCurrent Actuarial Value divided by
Accrued Liabilities 77.1%**Actuarial Assumptions:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate: 8.5%
4. Full Funding Target Date:
 - 2020 – MSRS General
 - 2031 – PERA General
 - 2037 – TRA

EXECUTIVE SUMMARY
Combined Funds (Net of Fees)

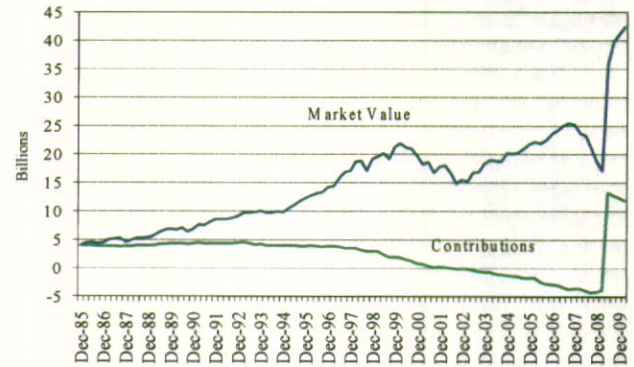
Asset Growth

The market value of the Combined Funds increased 3.0% during the first quarter of 2010. Strong investment returns accounted for the increase.

Asset Growth
During First Quarter 2010
(Millions)

Beginning Value	\$ 41,079
Net Contributions	-439
Investment Return	1,679
Ending Value	\$ 42,319

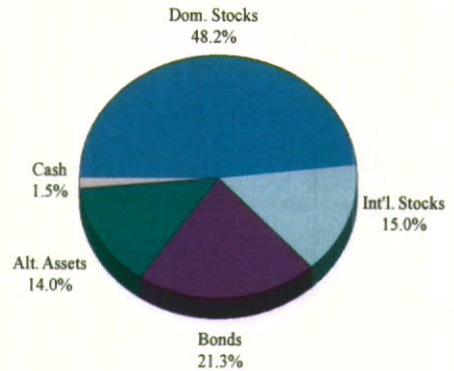
Note: June 2009 increase in market value and contributions due to the merger of the Basics and Post Funds.



Asset Mix

The allocation to domestic stocks increased due to a strong equity market. The cash allocation decreased due to payments made to retirees.

	Policy Targets	Actual Mix 3/31/2010	Actual Market Value (Millions)
Domestic Stocks	45.0%	48.2%	\$20,375
Int'l. Stocks	15.0	15.0	6,357
Bonds	18.0	21.3	9,031
Alternative Assets*	20.0	14.0	5,933
Unallocated Cash	2.0	1.5	623
	100.0%	100.0%	\$42,319

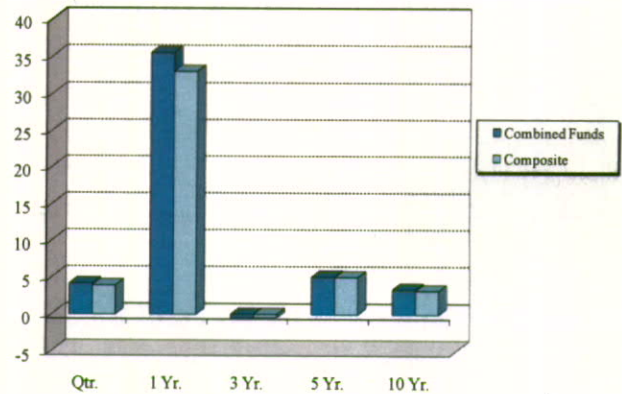


* Any uninvested allocation is held in domestic bonds.

Fund Performance (Net of Fees)

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

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	4.1%	35.5%	-0.4%	5.1%	3.3%
Composite	3.9	33.0	-0.4	5.0	3.2



EXECUTIVE SUMMARY

Stock and Bond Manager Performance (Net of Fees)

Domestic Stocks

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

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	6.0%	53.4%	-4.2%	2.1%	-0.5%
Asset Class Target*	5.9	52.4	-4.0	2.4	-0.4

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.

International Stocks

The international stock manager group (active, semi-passive and passive combined) was even with its target for the quarter and underperformed for the year.

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	1.6%	60.4%	-4.0%	6.3%	3.1%
Asset Class Target*	1.6	60.9	-4.1	6.2	2.7

MSCI ACWI Free ex U.S. (net): The Morgan Stanley Capital International All Country World Index is a free float-adjusted market capitalization Index that is designed to measure equity market performance in the global developed and emerging markets. There are 45 countries included in this index. It does not include the United States.

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

Bonds

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

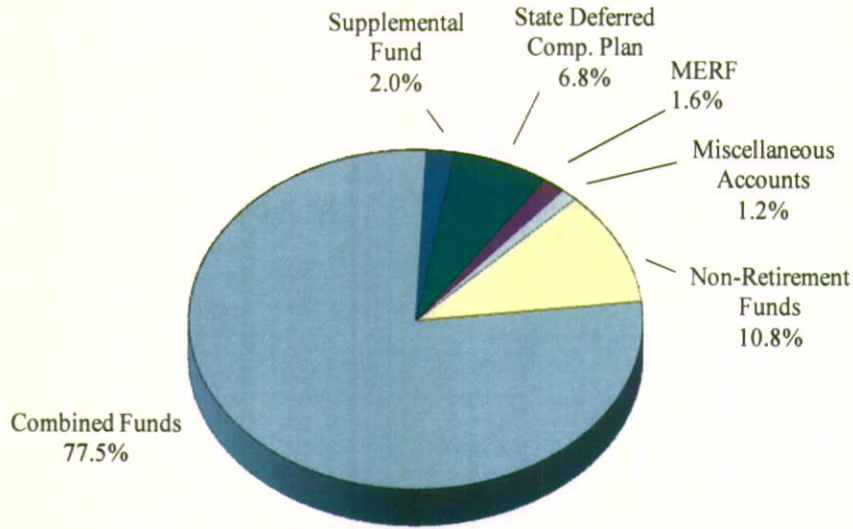
	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	2.7%	16.4%	5.6%	5.2%	6.4%
Asset Class Target	1.8	7.7	6.1	5.4	6.3

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

Alternative Investments

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.3%	2.5%	3.5%	14.1%	12.3%

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2010 Market Value (Billions)
Retirement Funds	
Combined Funds	\$42.3
Supplemental Investment Fund	1.1
State Deferred Compensation Plan Non-SIF Assets	3.7
Minneapolis Employees Retirement Fund (MERF)	0.9
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	4.4
Miscellaneous Accounts	0.7
Total	\$54.6

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2010
(January 1, 2010 - March 31, 2010)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	6.2%	52.6%	-3.7%	2.7%	0.0%
Dow Jones Industrials	4.8	46.9	-1.5	3.3	2.3
S&P 500	5.4	49.8	-4.2	1.9	-0.7
Russell 3000 (broad market)	5.9	52.4	-4.0	2.4	-0.1
Russell 1000 (large cap)	5.7	51.6	-4.0	2.3	-0.4
Russell 2000 (small cap)	8.9	62.8	-4.0	3.4	3.7
Domestic Fixed Income					
Barclays Capital Aggregate (1)	1.8	7.7	6.1	5.4	6.3
Barclays Capital Gov't./Corp.	1.5	7.5	5.8	5.2	6.2
3 month U.S. Treasury Bills	0.0	0.1	1.7	2.7	2.7
International					
EAFE (2)	0.9	54.4	-7.0	3.8	1.3
Emerging Markets Free (3)	2.5	81.6	5.5	16.0	10.1
ACWI Free ex-U.S. (4)	1.7	61.7	-3.7	6.6	3.2
World ex-U.S. (5)	1.3	56.0	-6.2	4.3	1.7
Salomon Non U.S. Gov't. Bond	-2.1	8.4	7.5	4.7	6.5
Inflation Measure					
Consumer Price Index CPI-U (6)	0.8	2.3	2.0	2.2	2.4
Consumer Price Index CPI-W (7)	0.9	3.0	2.1	2.5	2.4

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 5.9% return during the first quarter of 2010. The equity market rally, which began around a year ago off of the market low, continued in the first quarter as the balance of economic data showed continuing gradual improvement, especially in corporate profits. The absence of new market shocks, accommodative monetary policies and improvement in consumer demand helped to improve consumer confidence. Within the Russell 3000, the "Other" sector, which includes multi-sector companies, reported the strongest return, up 15.8% for the quarter. The Utilities sector was the worst performing sector with a -2.9% return for the quarter. Small cap companies outperformed large cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	4.7%
Large Value	Russell 1000 Value	6.8%
Small Growth	Russell 2000 Growth	7.6%
Small Value	Russell 2000 Value	10.0%

The Russell 3000 index returned 52.4% for the year ending March 31, 2010.

DOMESTIC BONDS

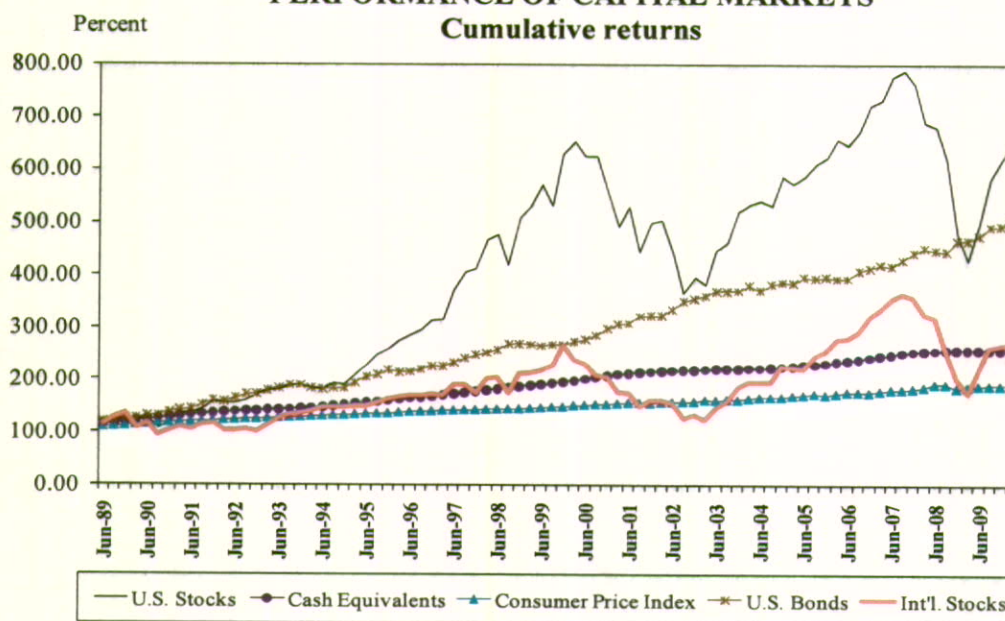
The rally in the spread sectors that started in 2Q09 continued in 1Q10, though at a slower pace. All spread sectors once again outperformed Treasuries. The Barclays Capital Aggregate Index returned 1.8% for the quarter and 7.7% for the last 12 months.

The Treasury Yield Curve was little changed during the quarter, though it is much steeper on a year-over-year basis. Corporate bonds continued to outperform, as investor demand continued for new corporate bond issuance. CMBS and ABS performed well (due to support from the government's TALF program which ended March 31) and increased investor demand for yield. The Fed has ended its support of the Agency MBS market after purchasing a total of \$1.25 trillion in Agency MBS from January 2009 through March 2010. This activity helped Agency MBS outperform Treasuries in 13 of those 15 months.

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

U.S. Treasury	1.1%
Agency	1.2
Corporates	2.3
Agency MBS	1.5
Commercial Mortgages	9.1
Asset-backed	2.2

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 1.3% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	8.2%
United Kingdom	-0.6
France	-3.9
Canada	6.0
Germany	-2.7
Switzerland	4.0

The World ex U.S. index returned 56.0% 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 2.5% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-1.6%
Brazil	-0.1
Korea	4.0
Taiwan	-3.8
India	4.9
South Africa	4.6

The Emerging Markets Free index returned 81.6% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 22 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 73% of the value of the international markets in the index.

REAL ESTATE

After a very difficult 2009, real estate returns turned positive for the first quarter of 2010 with the NCREIF Property Index posting a positive return of 0.76%. Optimism on future expected real estate returns may be premature with continued high unemployment rates in the US as well as abroad and \$1.4 trillion of commercial real estate debt coming due by the end of 2012. The outlook for 2010 continues to be one of caution.

PRIVATE EQUITY

Global merger and acquisition activity was up 14% for the first quarter of 2010 compared with the same time period a year earlier. Deal activity for the first quarter of 2010 was much stronger than the first quarter of 2009 as both the overall economy and credit markets have continued to improve. During the first quarter of 2010, initial public offerings were down from the previous quarter, but were higher than the same quarter in 2009. The total number of IPO's continues to be much lower than historical averages, but there is considerable optimism that the IPO market will pick up significantly in the coming quarters. IPO activity in North American and Europe has remained fairly sluggish while the Asian markets continue the trend of seeing the largest number of new issuances.

RESOURCE FUNDS

During the first quarter of 2010, crude oil prices remained relatively stable, hovering in the \$80/bbl range. Crude ended the quarter at \$83.76/bbl, representing a slight 3% gain since the end of 2009. The price stability was due to demand from developing Asian countries and continued concerns over global inflation, coupled with weakness of the U.S. dollar. Natural gas prices saw a downward trend throughout the first quarter of 2010, ending the quarter slightly below \$4/mmmbtu. M&A activity among exploration and production companies was strong in the first quarter of 2010 compared to the first quarter of 2009 as the capital markets continue to generally loosen.

COMBINED FUNDS

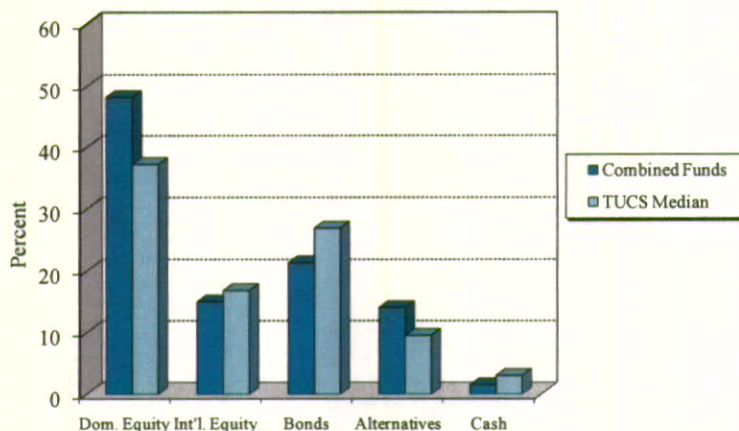
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2010, the actual asset mix of the Combined Funds was:

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

	\$ Millions	%
Domestic Stocks	\$20,375	48.2%
International Stocks	6,357	15.0
Bonds	9,031	21.3
Alternative Assets	5,933	14.0
Unallocated Cash	623	1.5
Total	\$42,319	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	48.2%	15.0%	21.3%	14.0%	1.5%
Median Allocation in TUCS*	37.2	16.8	26.9	9.5**	3.0

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

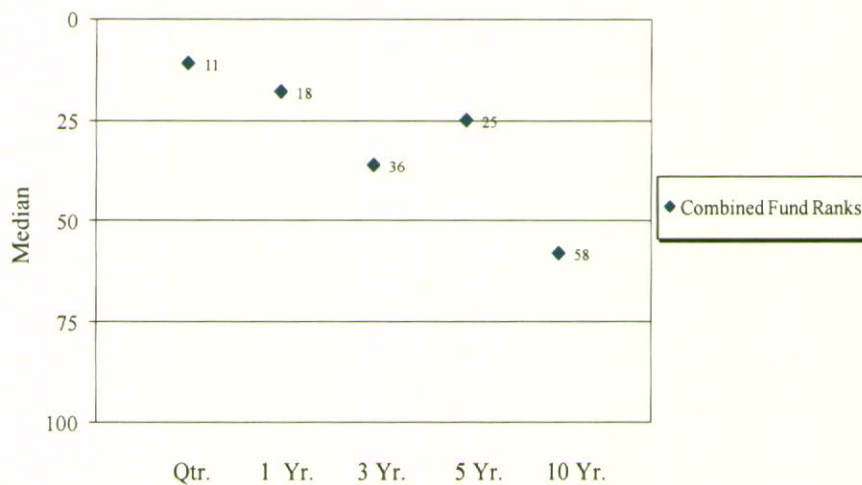
COMBINED FUNDS
Performance Compared to Other Pension Funds

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

- **Differing Allocations.** Asset allocation will have a dominant effect on return. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.
- **Differing Goals/Liabilities.** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This will result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking is not relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

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

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



	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	11th	18th	36th	25th	58th

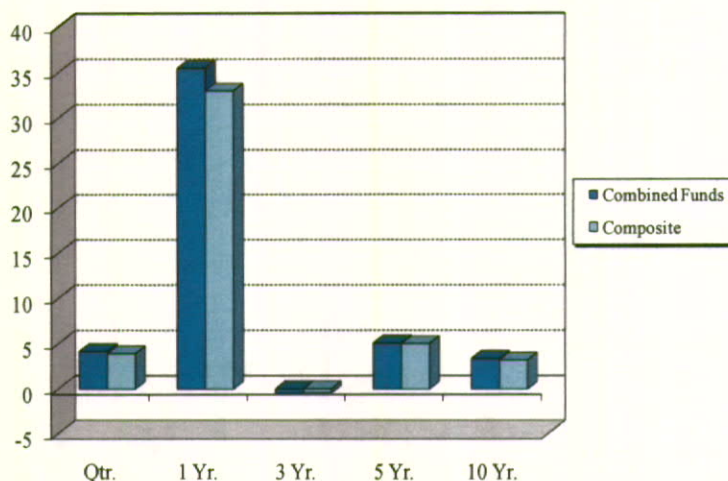
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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* 1Q10
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	24.8*
Alternative Investments	Alternative Investments	14.2*
Unallocated Cash	3 Month T-Bills	1.0
		100.0%

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



	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr. Annualized	10 Yr.
Combined Funds**	4.1%	35.5%	-0.4%	5.1%	3.3%
Composite Index	3.9	33.0	-0.4	5.0	3.2

** Actual returns are reported net of fees.

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STOCK AND BOND MANAGERS

Performance of Asset Pools (Net of Fees)

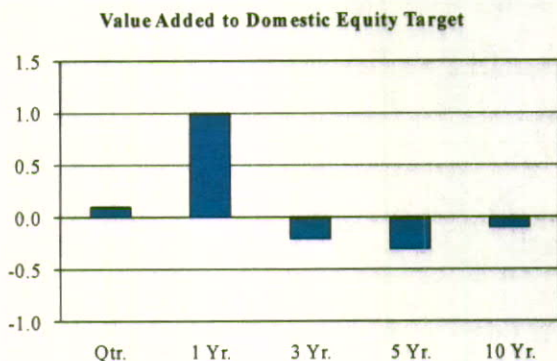
Domestic Stocks

Target: Russell 3000

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

	Period Ending 3/31/2010				
		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	6.0%	53.4%	-4.2%	2.1%	-0.5%
Asset Class Target*	5.9	52.4	-4.0	2.4	-0.4

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



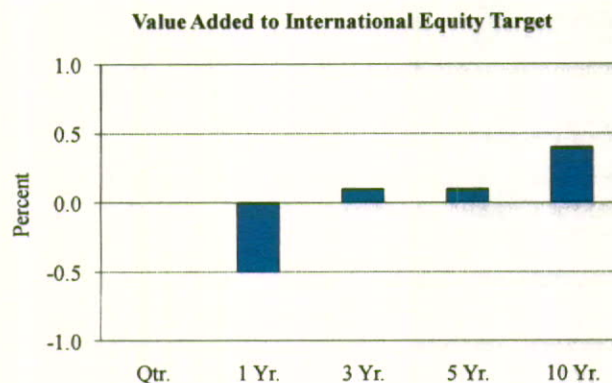
International Stocks

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

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

	Period Ending 3/31/2010				
		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	1.6%	60.4%	-4.0%	6.3%	3.1%
Asset Class Target*	1.6	60.9	-4.1	6.2	2.7

* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) effective 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap.

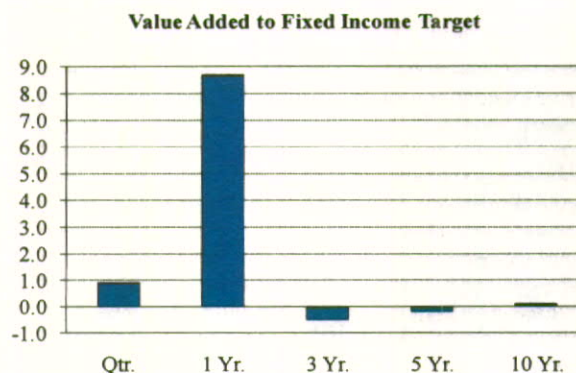


Bonds

Target: Barclays Capital Aggregate Bond Index

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

	Period Ending 3/31/2010				
		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	2.7%	16.4%	5.6%	5.2%	6.4%
Asset Class Target	1.8	7.7	6.1	5.4	6.3



ALTERNATIVE INVESTMENTS
Performance of Asset Categories
(Net of Fees)

Alternative Investments

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

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.3%	2.5%	3.5%	14.1%	12.3%
Inflation	0.8%	2.3%	2.0%	2.2%	2.4%

Real Estate Investments (Equity emphasis)

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

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

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	-7.2%	-32.5%	-10.6%	1.3%	6.2%

Private Equity Investments (Equity emphasis)

Expectation: Private equity investments are expected to exceed the rate of inflation by 10% annualized, over the life of the investment.

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

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	5.2%	15.6%	5.1%	13.8%	10.7%

Resource Investments (Equity emphasis)

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

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

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	9.5%	0.1%	5.8%	35.6%	27.2%

Yield Oriented Investments (Debt emphasis)

Expectation: Yield oriented investments are expected to exceed the rate of inflation by 5.5% annualized, over the life of the investment.

The SBI began its yield oriented program in 1994. Some of the existing investments are relatively immature and returns may not be indicative of future returns.

	Period Ending 3/31/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	2.5%	2.4%	10.0%	18.8%	16.0%

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.
4. It serves as the investment vehicle for the Voluntary Statewide Volunteer Firefighter Plan.

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

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

On March 31, 2010 the market value of the entire Fund was \$1.1 billion.

Investment Options

	3/31/2010 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$233
Growth Share Account – an actively managed, all common stock portfolio.	\$112
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$226
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$120
Bond Market Account – an actively managed, all bond portfolio.	\$123
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$160
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.	\$116
Volunteer Firefighters Account – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$1

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

	Target	Actual
Stocks	60.0%	60.8%
Bonds	35.0	35.3
Unallocated Cash	5.0	3.9
	100.0%	100.0%

Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.5%	34.7%	0.7%	4.3%	2.6%
Benchmark*	4.3	32.6	-0.3	3.5	2.2

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

GROWTH SHARE ACCOUNT

Investment Objective

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

Asset Mix

The Growth Share Account is invested primarily in the common stocks of US companies. The managers in the account also hold varying levels of cash.

Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.0%	53.6%	-4.4%	1.9%	-0.7%
Benchmark*	5.9	52.4	-4.0	2.4	-0.4

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

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

The investment objective of the Common Stock Index Account is to generate returns that track those of the U.S. stock market as a whole. The Account is designed to track the performance of the Russell 3000, a broad-based equity market indicator.

The Account is invested 100% in common stock.

Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.0%	52.6%	-3.8%	2.6%	-0.2%
Benchmark*	5.9	52.4	-4.0	2.4	-0.4

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

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix

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

Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.6%	60.6%	-3.9%	6.4%	3.2%
Benchmark*	1.6	60.9	-4.1	6.2	2.7

* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) since 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap.

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

Investment Objective

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

Asset Mix

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

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	2.7%	16.5%	5.6%	5.3%	6.4%
Barclays Capital Aggregate	1.8	7.7	6.1	5.4	6.3

MONEY MARKET ACCOUNT

Investment Objective

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

Asset Mix

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

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.0%	0.2%	2.4%	3.1%	3.1%
3 month T-Bills	0.0	0.1	1.7	2.7	2.7

FIXED INTEREST ACCOUNT

Investment Objectives

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

Asset Mix

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

	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.0%	4.5%	4.7%	4.6%	5.0%
Benchmark*	0.5	1.9	2.8	3.6	3.7

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

VOLUNTEER FIREFIGHTER ACCOUNT

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

The Account is invested in a balanced portfolio:

	Target	Actual
Domestic Stocks	35.0	36.2%
International Stocks	15.0	15.1
Bonds	45.0	45.5
Cash	5.0	3.2
	100.0%	100.0%

	Period Ending 3/31/2010	
	Qtr.	1 Yr.
Total Account	3.6	N/A
Benchmark*	3.2	

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	3/31/2010 Market Value (in Millions)
Vanguard Institutional Index (passive)	\$391
Janus Twenty (active)	\$446
Legg Mason Appreciation Y (active)	\$119
Vanguard Mid Cap Index (passive)	\$162
T. Rowe Price Small Cap (active)	\$361
Fidelity Diversified International (active)	\$237
Vanguard Institutional Developed Markets (passive)	\$75
Dodge & Cox Balanced Fund (active)	\$265
Vanguard Balanced Fund (passive)	\$169
Dodge & Cox Income Fund (active)	\$131
Vanguard Total Bond Market Fund (passive)	\$104
SIF Money Market Account	\$85
SIF Fixed Interest Account	\$1,112

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	5.4%	49.9%	-4.1%	2.0%
		5.4	49.8	-4.2	1.9

Janus Twenty (active)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	3.9%	48.5%	4.6%	9.2%
		5.4	49.8	-4.2	1.9

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 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	4.6%	41.6%	-0.4%	3.5%
		5.4	49.8	-4.2	1.9

MID CAP EQUITY

Vanguard Mid Cap Index (passive)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI US	8.7%	66.6%	-3.3%	4.2%
	Mid-Cap 450	8.7	66.7	-3.4	4.2

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Russell 2000	9.6%	67.7%	-1.1%	4.7%
		8.9	62.8	-4.0	3.4

INTERNATIONAL EQUITY

Fidelity Diversified International (active)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	0.6%	50.4%	-6.5%	3.9%
		0.9	54.4	-7.0	3.7

Vanguard Institutional Developed Markets (passive)

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

		Period Ending 3/31/2010			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	2.2%	55.5%	-6.6%	4.1%
		0.9	54.4	-7.0	3.7

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

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

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	5.6%	51.2%	-3.4%	2.1%
Benchmark	4.0	31.7	0.2	3.6

Vanguard Balanced Fund (passive)

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

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	4.4%	33.4%	0.8%	4.2%
Benchmark	4.4	33.3	0.6	4.1

FIXED INCOME

Dodge & Cox Income Fund (active)

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

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	2.2%	18.4%	6.9%	6.0%
Barclays Capital Aggregate	1.8	7.7	6.1	5.4

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.

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	1.7%	7.5%	6.2%	5.5%
Barclays Capital Aggregate	1.8	7.7	6.1	5.4

Money Market Account

- A fund that invests in short-term debt instruments which is expected to outperform the return on 3-month U.S. Treasury Bills.

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	0.0%	0.2%	2.4%	3.1%
3-Mo. Treas.	0.0	0.1	1.7	2.7

FIXED INTEREST ACCOUNT

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

Fund	Period Ending 3/31/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Annualized			
	1.0%	4.5%	4.7%	4.6%
Benchmark	0.5	1.9	2.8	3.6

MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Investment Objectives

On October 1, 2008 the MERF Board appointed the SBI to be the investment manager of all MERF assets as authorized by Minnesota Statutes, Chapter 422A.05. The MERF Board retains the responsibility for all administrative issues and establishes the Funds's investment objectives and asset allocation policy. On December 31, 2009, the market value of the Fund was \$922 million.

Asset Allocation

As noted above, the MERF Board is responsible for setting the asset allocation policy for the Fund. The target allocation and actual allocation information as of December 31, 2009 is shown below.

Asset Mix 3/31/10

	\$ Thousands	% Target Allocation	% Actual Allocation
U.S. Equities	433,316	45.0	47.1
Non-U.S. Equities	182,445	20.0	19.8
Bonds	282,299	30.0	30.7
Cash	21,437	5.0	2.3
Total	919,496	100.0	100.0

Investment Management

The SBI serves as an investment manager for the Fund. MERF participates in the same investment pools that are used by the Combined Funds, with the exception of the alternative investment pool. State law does not allow MERF to invest in the alternative investment pool. The bond and equity segments are managed to add incremental value through sector and security selection.

Performance

	Period Ending 3/31/2010	
	Qtr.	1 Year
Fund	4.0%	40.9%
Benchmark	3.6%	38.2%

ASSIGNED RISK PLAN

Investment Objectives

The Assigned Risk Plan has two investment objectives: to minimize the mismatch between assets and liabilities and to provide sufficient liquidity for the payment of on-going claims and operating expenses.

Asset Mix

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

	3/31/2010 Target	3/31/2010 Actual
Stocks	20.0%	19.7%
Bonds	80.0	80.3
Total	100.0%	100.0%

Investment Management

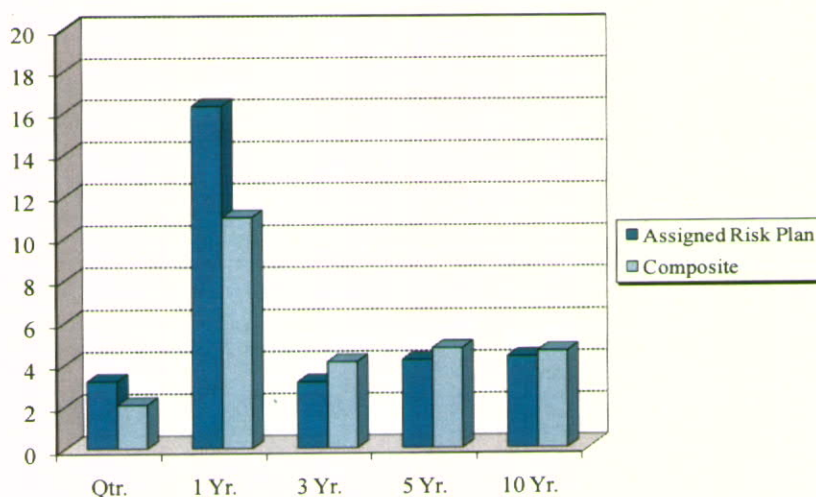
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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 March 31, 2010 the market value of the Assigned Risk Plan was \$323 million.



Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	3.2%	16.3%	3.2%	4.2%	4.3%
Composite	2.1	11.0	4.1	4.7	4.6
Equity Segment*	5.0	49.3	-1.0	3.4	1.0
Benchmark	5.4	49.8	-4.2	1.9	-0.7
Bond Segment*	2.8	10.6	4.2	4.3	4.9
Benchmark	1.2	1.7	5.9	5.2	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.

	3/31/2010 Target	3/31/2010 Actual
Stocks	50.0%	50.9%
Bond	48.0	47.7
Cash	2.0	1.4
Total	100.0%	100.0%

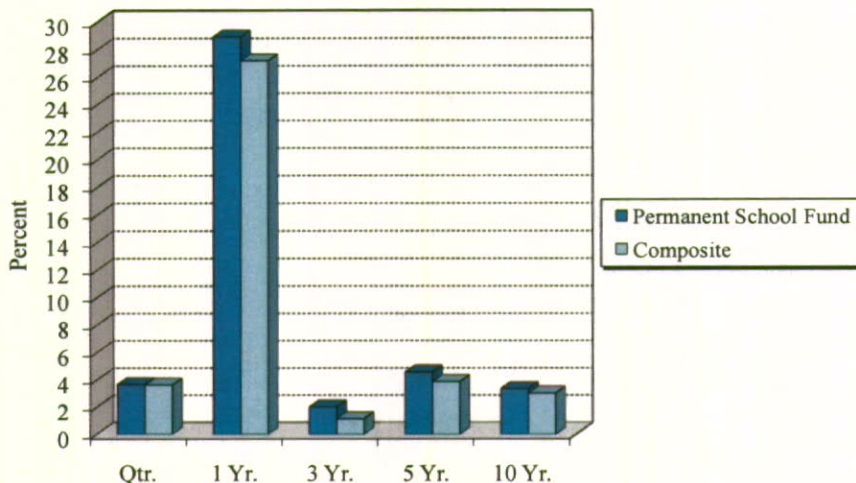
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

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

Market Value

On March 31, 2010 the market value of the Permanent School Fund was \$706 million.



Period Ending 3/31/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	3.6%	28.9%	2.0%	4.6%	3.3%
Composite	3.6	27.2	1.1	3.9	3.0
Equity Segment*	5.4	49.5	-4.1	2.0	-0.6
S&P 500	5.4	49.8	-4.2	1.9	-0.7
Bond Segment*	1.8	11.2	7.3	6.4	6.8
Barclays Capital Agg.	1.8	7.7	6.1	5.4	6.3

* Actual returns are calculated net of fees.

ENVIRONMENTAL TRUST FUND

Investment Objective

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

Asset Mix

The Environmental Trust Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification. As of July 1, 1999, the asset

allocation changed from 50% stocks/50% fixed income to 70% stocks /30% fixed income.

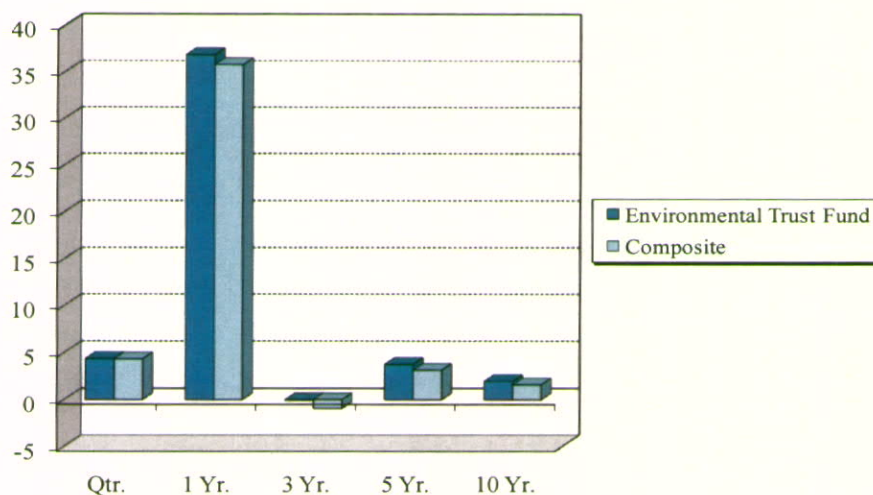
Investment Management

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

Market Value

On March 31, 2010 the market value of the Environmental Trust Fund was \$501 million.

	3/31/2010 Target	3/31/2010 Actual
Stocks	70.0%	70.8%
Bonds	28.0	27.6
Cash	2.0	1.6
Total	100.0%	100.0%



	Period Ending 3/31/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	4.3%	36.9%	-0.1%	3.7%	2.0%
Composite	4.3	35.8	-0.9	3.1	1.6
Equity Segment*	5.4	49.5	-4.0	2.0	-0.5
S&P 500	5.4	49.8	-4.2	1.9	-0.7
Bond Segment*	1.8	11.2	7.2	6.4	6.9
Barclays Capital Agg.	1.8	7.7	6.1	5.4	6.3

* 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.

Investment Management

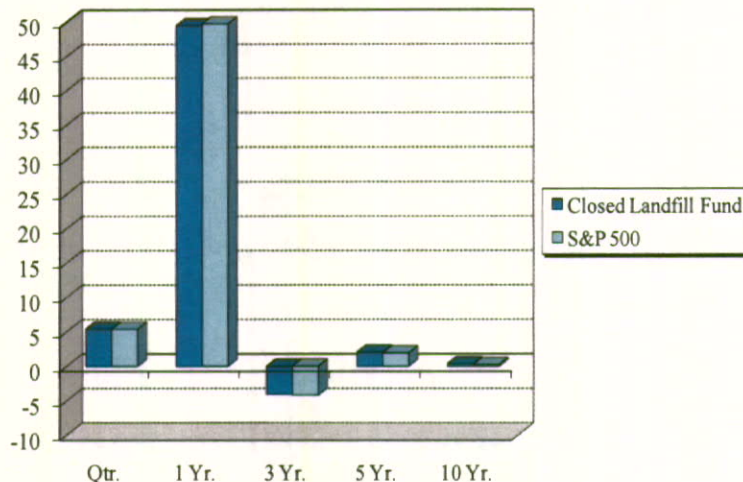
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On March 31, 2010, the market value of the Closed Landfill Investment Fund was \$48.6 million.

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.



Period Ending 3/31/2010

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1)	5.4%	49.5%	-4.0%	2.0%	-0.5%
S&P 500	5.4	49.8	-4.2	1.9	-0.7

(1) Actual returns are calculated net of fees.

STATE CASH ACCOUNTS

Description

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

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

1. Trust Fund Pool contains the temporary cash balances of certain trusts and retirement-related accounts.
2. Treasurer’s Cash Pool contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non dedicated cash in the State Treasury.

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

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

Investment Objectives

Safety of Principal. To preserve capital.

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

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

Asset Mix

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

Investment Management

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

	Market Value (Millions)	Period Ending 3/31/2010				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer’s Cash Pool*	\$4,314	0.2%	2.8%	3.3%	3.8%	3.5%
Custom Benchmark**		0.0	0.1	1.9	2.7	2.7
Trust Fund Cash Pool*	\$134	0.1	1.2	2.2	3.1	3.0
Custom Benchmark		0.0	0.1	1.9	2.7	2.5
3 month T-Bills		0.0	0.1	1.7	2.7	2.7

* Actual returns are calculated net of fees.

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

MINNESOTA STATE BOARD OF INVESTMENT
Composition of State Investment Portfolios By Type of Investment
Market Value March 31, 2010 (in Thousands)

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	245,135 1.53%	0	3,411,821 21.33%	0	7,697,345 48.12%	2,401,637 15.01%	2,241,195 14.01%	15,997,133 100%
Public Employees Retirement Fund	183,815 1.53%	0	2,560,066 21.33%	0	5,775,715 48.12%	1,802,072 15.01%	1,681,684 14.01%	12,003,352 100%
State Employees Retirement Fund	103,699 1.27%	0	1,742,870 21.38%	0	3,932,046 48.25%	1,226,836 15.05%	1,144,869 14.05%	8,150,320 100%
Public Employees Police & Fire	72,365 1.53%	0	1,007,862 21.33%	0	2,273,817 48.12%	709,451 15.01%	662,055 14.01%	4,725,550 100%
23 Highway Patrol Retirement Fund	5,178 1.00%	0	111,565 21.44%	0	251,700 48.38%	78,532 15.09%	73,286 14.09%	520,261 100%
Judges Retirement Fund	1,576 1.18%	0	28,564 21.40%	0	64,443 48.29%	20,107 15.07%	18,764 14.06%	133,454 100%
Correctional Employees Retirement	8,143 1.48%	0	117,718 21.34%	0	265,581 48.14%	82,863 15.02%	77,328 14.02%	551,633 100%
Public Employees Correctional	3,310 1.53%	0	46,094 21.33%	0	103,993 48.12%	32,446 15.01%	30,279 14.01%	216,122 100%
Legislative Retirement Fund	7 0.03%	0	4,656 21.64%	0	10,514 48.86%	3,276 15.23%	3,065 14.24%	21,518 100%
TOTAL COMBINED FUNDS	623,228 1.47%	0	9,031,216 21.34%	0	20,375,154 48.15%	6,357,220 15.02%	5,932,525 14.02%	42,319,343 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
Mpls EE Retirement Plan	18,318 2.24%	0	251,056 30.78%	0	383,491 47.02%	162,775 19.96%	0	815,640 100%
Mpls EE Retirement Active	3,119 3.00%	0	31,243 30.08%	0	49,825 47.98%	19,670 18.94%	0	103,857 100%
Mpls EE Retirement Deposit Acct	1,439 100.00%	0	0	0	0	0	0	1,439 100%
TOTAL MERF FUNDS	22,876 2.49%	0	282,299 30.65%	0	433,316 47.05%	182,445 19.81%	0	920,936 100%
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	9,104 3.92%	82,121 35.31%	0	0	141,334 60.77%	0	0	232,559 100%
Growth Share Account	0	0	0	0	111,757 100.00%	0	0	111,757 100%
24 Money Market Account	160,055 100.00%	0	0	0	0	0	0	160,055 100%
Common Stock Index	0	0	0	0	226,273 100.00%	0	0	226,273 100%
Bond Market Account	0	0	122,672 100.00%	0	0	0	0	122,672 100%
International Share Account	0	0	0	0	0	120,009 100.00%	0	120,009 100%
Stable Value Fund	0	0	115,828 100.00%	0	0	0	0	115,828 100%
Volunteer Firefighters Account	26 3.24%	0	365 45.45%	0	291 36.24%	121 15.07%	0	803 100%
TOTAL SUPPLEMENTAL FUNDS	169,185 15.52%	82,121 7.53%	238,865 21.92%	0	479,655 44.01%	120,130 11.02%	0	1,089,956 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MN DEFERRED COMP PLAN	93,753 2.56%	0	1,476,465 40.37%	0	1,775,272 48.54%	312,031 8.53%	0	3,657,521 100%
TOTAL RETIREMENT FUNDS	909,042 1.90%	82,121 0.17%	11,028,845 22.98%	0	23,063,397 48.06%	6,971,826 14.53%	5,932,525 12.36%	47,987,756 100%
ASSIGNED RISK PLAN	853 0.27%	0	258,872 80.17%	0	63,165 19.56%	0	0	322,890 100%
ENVIRONMENTAL FUND	8,054 1.61%	138,199 27.59%	0	354,673 70.80%	0	0	0	500,926 100%
PERMANENT SCHOOL FUND	9,997 1.42%	336,465 47.66%	0	359,490 50.92%	0	0	0	705,952 100%
CLOSED LANDFILL INVESTMENT	0	0	0	48,642 100.00%	0	0	0	48,642 100%
TREASURERS CASH	4,311,577 100.00%	0	0	0	0	0	0	4,311,577 100%
HOUSING FINANCE AGENCY	0	107,879 100.00%	0	0	0	0	0	107,879 100%
MINNESOTA DEBT SERVICE FUND	0	51,874 100.00%	0	0	0	0	0	51,874 100%
MISCELLANEOUS ACCOUNTS	170,824 28.17%	251,418 41.45%	0	184,261 30.38%	0	0	0	606,503 100%
TOTAL CASH AND NON-RETIREMENT	4,501,305 67.62%	885,835 13.31%	258,872 3.89%	947,066 14.23%	63,165 0.95%	0	0	6,656,243 100%
GRAND TOTAL	5,410,347 9.90%	967,956 1.77%	11,287,717 20.66%	947,066 1.73%	23,126,562 42.32%	6,971,826 12.76%	5,932,525 10.86%	54,643,999 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 11, 2010

TO: Members, State Board of Investment

FROM: **Howard Bicker**

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the period ending April 30, 2009 is included as **Attachment A**.

A report on travel for the period from February 5, 2009 – May 4, 2009 is included as **Attachment B**.

2. Legislative Update

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

3. Update on Sudan

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with operations in Sudan.

Staff has received periodic reports from the Sudan Divestment Task Force about the status of companies with operations in Sudan. The Sudan Divestment Task Force was recently reorganized as part of the Conflict Risk Network (CRN). The reports staff has received from the Task Force now come from the Conflict Risk Network in somewhat different form. Until further notice, staff will continue to receive the reports free of charge.

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

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

- at least 50% shall be sold within nine months after the company appeared on the Task Force list; and
- 100% shall be sold within fifteen months after the company appeared on the list.

There was no divestment activity required in the first quarter of 2010.

Attachment D is a copy of the March 18, 2010 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

4. Update on Iran

Each quarter, staff provides a report to the Board on steps taken to implement Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, that requires SBI actions concerning companies with operations in Iran.

SBI subscribes to the Iran service provided by RiskMetrics and regularly receives a list of companies with operations in Iran. SBI received a new list of scrutinized companies for April 2010. See **Attachment F** for this list. Staff sent a letter dated April 28, 2010 (see **Attachment G**) to each domestic and international equity manager and fixed income manager with instructions that the managers may not purchase additional publicly traded securities of the companies.

Staff also wrote to the companies new to the list. The letters requested a written response within 90 days. Staff will review the responses in order to determine if any of these companies new to the list must be placed on the divestment list. The first divestments of holdings must be made by July 31, 2010.

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

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

As required by the law, the SBI provided a status report in January 2010 to the legislative committees having jurisdiction over the SBI.

5. Update on Cash Management

For years, the SBI has utilized repurchase agreements (repo) with several dealer counterparties as a low risk means of meeting the State's short term liquidity needs. Existing repo documents date back as far as 1988. As a matter of good business practice and to ensure compliance with current State statutes, staff has attempted to update the existing repo documents with the dealer counterparties and their respective custodian banks.

Staff has focused on completing the documents for certain dealer counterparties as a means of establishing a template with which to start negotiating with the other dealers. Of the counterparties contacted, all dealers and/or their respective custodial banks have balked at the State's updated terms or have demanded terms to which the State cannot legally agree. Two of the contacted dealers no longer allow the State to enter repo transactions with them due to the outdated agreements.

Staff is exploring options to address the state's liquidity needs. This may require the services of an external vendor. Staff will keep the Board informed related to this matter.

6. Litigation Update

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on June 2, 2010.

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ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2010 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR TO DATE THROUGH APRIL 30, 2010**

ITEM	FISCAL YEAR 2010 BUDGET	FISCAL YEAR 2010 4/30/2010
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,923,000	\$ 2,351,376
PART TIME EMPLOYEES	\$ 75,000	\$ 57,284
SEVERENCE PAYOFF	20,000	0
WORKERS COMPENSATION INSURANCE	1,000	568
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	\$ 3,023,000	\$ 2,409,228
STATE OPERATIONS		
RENTS & LEASES	205,000	166,028
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	7,635
PRINTING & BINDING	10,000	2,739
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	16,232
COMMUNICATIONS	30,000	22,430
TRAVEL, IN-STATE	3,000	172
TRAVEL, OUT-STATE	60,000	31,779
SUPPLIES	40,000	21,772
EQUIPMENT	25,000	1,711
EMPLOYEE DEVELOPMENT	20,000	3,670
OTHER OPERATING COSTS	10,000	8,279
SUBTOTAL	\$ 433,000	\$ 282,447
TOTAL ADMINISTRATIVE BUDGET	\$ 3,456,000	\$ 2,691,675

ATTACHMENT B

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 5, 2010 – May 4, 2010

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Investment Education Symposium sponsored by: Opal Financial Group	H. Bicker	New Orleans, LA 2/8-2/10	\$523.89
Manager Monitoring: Fixed Income Managers: Dodge & Cox; PIMCO; Western Asset Mgmt. Manager Search: Fixed Income Manager: BGI (BlackRock)	M. Menssen J. J. Kirby	San Francisco, CA Pasadena, CA Newport Beach, CA 2/23-2/26	3,107.64
Manager Monitoring: Alternative Investment Manager: Diamond Castle	M. McGirr	New York, NY 2/25-2/26	571.33
Manager Monitoring: Master Custodian: State Street Bank & Trust Co. Accounting Services: Financial Control Systems	T. Richardson S. Schugel	Boston, MA Philadelphia, PA 3/1-3/2	1,622.30
Manager Monitoring: Domestic Equity Managers: Sands Capital Mgmt; Turner Investment Partners	T. Brusehaver Patricia Ammann	Philadelphia, PA Washington, D.C. 3/17-3/19	1,941.68
Manager Monitoring: Master Custodian: State Street's Institutional Investor Services (IIS) Client Advisory Council Meeting	H. Bicker	Boston, MA 4/7-4/9	1,182.40

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Wilshire Compass 2010 Investment Technology Seminar	S. Gleeson	Hilton Head, SC 4/12-4/14	\$1,432.02
Manager Monitoring: Alternative Investment Managers: EnCap Investments; Sheridan Production Partners	M. McGirr	Houston, TX 4/12-4/13	1,365.02
Manager Monitoring: Alternative Investment Manager: Warburg Pincus Manager Search: Alternative Investment Manager: Energy Capital Partners	M. McGirr	New York, NY Short Hills, NJ 4/20-4/22	1,449.27
Manager Monitoring: Alternative Investment Manager: Merit Energy	T. Richardson	Dallas, TX 4/21-4/22	536.53
Manager Monitoring: Alternative Investment Manager: Banc Fund; GTCR Annual Meeting	J. Griebenow	Chicago, IL 4/27-4/28	508.18

Purpose	Name(s)	Destination and Date	Total Cost
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen	Seattle, WA 4/27-4/30	\$1,798.40
Conference: National Association of State Investment Professionals (NASIP) Manager Monitoring: Domestic Equity Manager: Zevenbergen Capital Investments	T. Brusehaver	Seattle, WA 4/27-4/30	2,004.15

ATTACHMENT C

**Bills of Interest to the Minnesota State Board of Investment
2010 Legislative Session
Includes Action Through May 5**

Description of Bill	HF/SF # and Author	Current Status
Pension Funds' Financial Sustainability Bill	HF 2952 (Murphy, M.)	Referred to Finance
	SF 2573 (Betzold)	4/28 Amended and Passed; Referred to Floor
Omnibus Pension Bill - contains pensions funds' financial sustainability measures	HF 3281 (Murphy, M.)	Senate File substituted on General Register 5/5 Senate amended and passed
	SF 2918 (Betzold)	
MERF Consolidation Bill	HF 2922 (Thissen)	Referred to Finance; Hearing 5/10
	SF 2644 (Betzold)	4/28 Finance Amended and Passed; Referred to Floor
SBI Budget - in Supplemental Budget Bill	HF 1671 (Carlson)	Signed by Governor Chapter 215
See Article 12, Sec. 9		
Assigned Risk Plan Withdrawal See Article 4, Sec. 7	HF 1671 (Carlson)	Signed by Governor Chapter 215

ATTACHMENT D

Letter to SBI International Equity Managers

March 18, 2010

Regarding: Sudan Companies

Dear Manager:

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

Laws of Minnesota 2007, Chapter 117, codified as *Minnesota Statutes*, section 11A.243, requires the SBI to implement a Sudan restriction.

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the December 8, 2009 letter you received. **This new list is effective March 22, 2010.**

- The following company has been added to the restricted list:
 - Nippon Oil Corporation

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- The following companies have been added to the divestment list:
 - PTT Public Company Limited
 - Seadrill Limited

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

Letter to SBI Domestic Equity Managers

March 18, 2010

Regarding: Sudan Companies

Dear Manager:

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

Laws of Minnesota 2007, Chapter 117, codified as *Minnesota Statutes*, section 11A.243, requires the SBI to implement a Sudan restriction.

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the December 8, 2009 letter you received. **This new list is effective March 22, 2010.**

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 - Nippon Oil Corporation

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	Country of Origin
AviChina Industry & Technology Company Limited	China
Daqing Huake Group Company Limited	China
Dongfeng Automotive Company Limited	China
Hafei Aviation Industry Company	China
Harbin Dongan Auto Engine Company	China
Jiangxi Changhe Automobile Company Limited	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Jinan Diesel Company Limited	China
PetroChina	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Wuhan Boiler Company.	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Limited	China
CNPC Hong Kong	Hong Kong
Sinopec Kanton Holdings Limited	Hong Kong
Bongaigaon Refinery & Petrochemicals Limited AKA BRPL	India
Chennai Petroleum Corporation Ltd. AKA CPCL	India
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Mangalore Refinery and Petrochemical Limited	India
Mercator Lines	India
Oil and Natural Gas Company AKA ONGC	India
Alstom Projects India Limited	India
Oil India Limited	India
Egypt Kuwaiti Holding Company	Egypt
Kingdream PLC	Egypt/China
AREF Energy Holding Company	Kuwait
ONA S.A.	Morocco
Managem	Morocco
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
Petronas Gas Berhad	Malaysia
Petronas Dagangan Berhad	Malaysia
Ranhill Berhad	Malaysia
Scomi Group Berhad	Malaysia

ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	Country of Origin
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
PTT Public Company AKA PTT	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
Seadrill Limited	Bermuda
Nippon Oil Corporation	Japan

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

Source: Genocide Intervention Network

March 17, 2010

ATTACHMENT 2

Sudan Stocks Requiring Divestment			
Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this date
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
PTT Public Company Limited	Thailand	August 31, 2010	February 28, 2011
Seadrill Limited	Bermuda	August 31, 2010	February 28, 2011

Note: AKA means "Also Known As"

Source: Genocide Intervention Network

March 17, 2010

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CNS	Fondscode	CATS Code
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OOTS)	ADR	CNPC HONG KONG LTD-JHSR ADR	CRKHY US		B3L2612 US			US12620P1083				
DAGANG HUAIKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAGANG HUAIKE GROUP CO-A	000668 CH		6277948 CN			CNE000001402				
JINAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	JINAN DIESEL ENGINE CO-A	000617 CH		6486109 CN			CNE000002453				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (DCHK)	Common Stock	PETROCHINA CO LTD-H	857 HK		6226576 HK			CNE100000306	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	PETROCHINA CO LTD	PC6 GR		5839507 DE			CNE100000306	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (OOTS)	Common Stock	PETROCHINA CO LTD	PCOYF US		6010481 US			CNE100000306	011014674			Y0885Q104
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	801857 CH		828SLD9 CN			CNE100000306	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	London Int'l (XLON)	Common Stock	PETROCHINA CO LTD-H	PCA LI		B17H0R7 GB			CNE100000306	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AB TS (CHX)	Common Stock	PETROCHINA CO LTD	PCGO IX		5839507 DE			CNE100000306	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTFR US		5286841 US			CNE100000306	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PCSA GR		4633327 DE			CNE100000306	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Aires (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR	PTFR AR		815CSR2 AR			ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Aires (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR BLK	PTFR AR		815CSR2 AR			ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Aires (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR C/E	PTFR AR		815CSR2 AR			ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AB TS (CHX)	ADR	PETROCHINA CO LTD-ADR	PTFR IX		5286841 US			CNE100000306	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AB TS (CHX)	Common Stock	PETROCHINA CO LTD-H	LO857 IX		5286841 US			CNE100000306	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Aires (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR \$	PTDR AR		815CSR2 AR			ARDEUT113958				
NORINCO INTERNATIONAL COOPERATION LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000655 CH		6112125 CN			CNE000000V29				
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (DCHK)	Common Stock	CHINA PETROCHEMICAL & CHEMICAL-H	386 HK		6291819 HK			CNE100000202	012150504			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROCHEMICAL & CHEMICAL -H	CHU GR		7027756 DE			CNE100000202	012150504			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	CHINA PETROCHEMICAL & CHEMICAL-H	SNPMF US		801XKRA US			CNE100000202	012150504			Y15010104
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROCHEMICAL & CHEMICAL-A	60028 CH		8337328 CN			CNE100000202				
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	CHINA PETROCHEMICAL & CHEMICAL-A	SNPAF US		80028 CH			CNE0000018G1				Y15010112
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	CHINA PETROCHEMICAL & CHEMICAL-ADR	SNP US		578971			US18941R1086	011899374			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Munich (XMUN)	ADR	CHINA PETROCHEMICAL & CHEMICAL-ADR	CHUA GR		578971			BORSW00 DE	011899374			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Int'l (XLON)	ADR	CHINA PETROCHEMICAL & CHEMICAL-ADR	SNP LI		2654375 GB			US18941R1086	011899374			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Aires (XBUE)	Receipt	CHINA PETROCHEMICAL & CHEMICAL-CEDEA	SNP AR		81CSSX8			US18941R1086	011899374			
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Aires (XBUE)	Receipt	CHINA PETROCHEMICAL & CHEMICAL-CEDBL	SNP AR		81CSSX8			ARDEUT114071				
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Aires (XBUE)	Receipt	CHINA PETROCHEMICAL & CHEM-C OE	SNPC AR		81CSSX8			ARDEUT114071				
CHINA PETROCHEMICAL & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Aires (XBUE)	Receipt	CHINA PETROCHEMICAL & CHEM-CED \$	SNPD AR		81CSSX8			ARDEUT114071				
KINGDREAM PLC (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shenzhen (XSHE)	Common Stock	KINGDREAM PUBLIC LIMITED-A	000852 US		6136385 CN			CNE0000000X7				
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (DCHK)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK		6162692 HK			BM80185U1009	011563384			
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	BAK GR		4801197 DE			BM80185U1009	011563384			
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	SINOPEC KANTONS HOLDINGS	SKNHF US		823923			BM80185U1009	011563384			G8165U100
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	ADR	SINOPEC KANTONS-UNSPON ADR	8PKOY US		83KRT60 US			US82934V2070				
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600688 CH		6802794 CN			CNE0000002B2				
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Int'l (XLON)	Common Stock	SHANGHAI PETROCHEMICAL-H SHR	SNH LI		817KWS1 GB			CN1000004C8	005096182			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR		5888632 DE			CNE1000004C8	005096182			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (DCHK)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	338 HK		6797458 HK			CNE1000004C8	005096182			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	8HTJF US		801XTO6 US			CNE1000004C8	005096182			Y80373106
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	8PI US		887189			US82935M1099	012248750			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	8HI GR		5734638 DE			US82935M1099	012248750			
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SINFF US		80376V0 US			CNE1000004C8				Y80373114
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (DCHK)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK		6984889 HK			CNE1000004D6	008096662			
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTS)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCFF US		801XVLS US			CNE1000004D6	008096662			Y8841W106
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YIZH GR		4303675 DE			CNE1000004D6	008096662			
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	800871 CH		698740 CN			CNE0000002H3				
POLY HONG KONG INVESTMENT LIMITED	CHINA POLY GROUP CORPORATION	Hong Kong (DCHK)	Common Stock	POLY HONG KONG INVESTMENT LTD	119 HK		885548			HK0118000674	004580702			
POLY HONG KONG INVESTMENT LIMITED	CHINA POLY GROUP CORPORATION	Berlin (XBER)	Common Stock	POLY HONG KONG INVESTMENT LTD	CMU GR		885548			HK0118000674	004580702			
POLY HONG KONG INVESTMENT LIMITED	CHINA POLY GROUP CORPORATION	OTC US (OOTS)	Common Stock	POLY HONG KONG INVESTMENT LTD	PKHJF US		885548			HK0118000674	004580702			Y70620102
CITADEL CAPITAL CORP	CITADEL CAPITAL CORP	Egypt (EGX)	Common Stock	CITADEL CAPITAL CORP-CADRO	CAJBY		8407381 EG			EG03734A1012				
DONGFENG AUTOMOBILE CO LTD (CHINA)	DONGFENG AUTOMOBILE CO LTD	Shanghai (XSHG)	Common Stock	DONGFENG AUTOMOBILE CO LTD-A	800008 CH		6163833 CN			CNE0000002C1				
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Cairo (XCAI)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO EY		800M000			EG03734A1012				
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Kuwait (XKWE)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO EY		800M000			CNE0000002C1				
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EKHO EY		8058815 KVV			EG03082C013				
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OOTS)	Common Stock	ELECTRICITY GENERATING PCL	EGYH US		8304832 TH			TH0465010005	008148990			Y22834108
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGYH US		8304832 TH			TH0465010013	008148939			
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OOTS)	Common Stock	ELECTRICITY GENERATING PCL	EGYH US		8304832 TH			TH0465010013	008148939			Y22834116
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGYH US		8304832 TH			TH0465010013	008148939			
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OOTS)	Common Stock	ELECTRICITY GENERATING PCL	EGYH US		8304832 TH			TH0465010013	008148939			Y22834124
ESSAR OIL (INDIA)	ESSAR OIL LTD	Mumbai (XMBU)	Common Stock	ELECTRICITY GENERATING PCL	EVYUF US		676043			TH0465010013	008148939			
ESSAR OIL (INDIA)	ESSAR OIL LTD	OTC US (OOTS)	Common Stock	ELECTRICITY GENERATING PCL	EVYUF US		676043			TH0465010013	008148939			
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS	GAZA RU		903426			RU0009034268				Y2297G113
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS	GAZA RU		903426			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	OTC US (OOTS)	Common Stock	GAZ-CLS	GAZA RU		903426			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				X3121U105
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283			RU0009034268				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS-PFD	GAZAP RU		910283							

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDCO	GUSIP	Sicovam	ISIN	COMMON	CNS	Fondscode	CATS Code
PIT PCL (THAILAND)	PIT PCL	Frankfurt (XFR)	Common Stock	PIT PCL/FOREIGN	PTOP GR	81192	8182043 DE							
PIT PCL (THAILAND)	PIT PCL	Bangkok (XBKK)	Receipt	PIT PCL-NVDR	PTT-RB	754704	842040 TH				013973369			
PIT PCL (THAILAND)	PIT PCL	OTC US (OQTC)	Common Stock	PIT PCL-NVDR	PTRF US	754704	803058 US				TH0846010R18	013920307		
PIT PCL (THAILAND)	PIT PCL	Frankfurt (XFR)	Receipt	PIT PCL-NVDR	NVAL GR	754704	8011793 DE				TH0846010R18	013920307	Y6883U121	
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	Kuala Lumpur (XKLS)	Common Stock	RANHILL BHD	RANHILL BHD	832817 MY	8020000000				MYL503000001		5030	
RANHILL BERHAD (MALAYSIA)	RANHILL BERHAD	OTC US (OQTC)	Common Stock	RANHILL BHD	RANHILL US	832817 MY	8020000000				MYL503000001		5030	
SARAS SPA (ITALY)	SARAS SPA	Braştiliana (BITAA)	Common Stock	SARAS SPA	SRS IM	804679 IT	804679 IT				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Munch (XDMN)	Common Stock	SARAS SPA	SRS GR	8156429 DE	8156429 DE				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Euro Comp (XLON)	Common Stock	SARAS SPA	SRS EU	828LQ22 GB	828LQ22 GB				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	PLUS Mkt Grp (XPLU)	Common Stock	SARAS SPA	SRS PZ	818R1J5 US	818R1J5 US				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	OTC US (OQTC)	Common Stock	SARAS SPA	SAAFF US	818R1J5 US	818R1J5 US				IT0000433307	025251687		T83058106
SARAS SPA (ITALY)	SARAS SPA	Euro OTC (XLON)	Common Stock	SARAS SPA	SRS EO	828LQ22 GB	828LQ22 GB				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Euro OTC (XLON)	Common Stock	SARAS SPA	SRS GBX EU	828LQ22 GB	828LQ22 GB				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Euro OTC (XLON)	Common Stock	SARAS SPA	SRS GBX EO	828LQ22 GB	828LQ22 GB				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Euro OTC (XLON)	Common Stock	SARAS SPA	SRS GPB EO	828LQ22 GB	828LQ22 GB				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	Turquoise (TRQX)	Common Stock	SARAS SPA	SRS TQ	804679 IT	804679 IT				IT0000433307	025251687		
SARAS SPA (ITALY)	SARAS SPA	NYSE ARCA EU (XHEF)	Common Stock	SARAS SPA	SRS NR	804679 IT	804679 IT				IT0000433307	025251687		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	New York (XNYS)	Common Stock	SCHLUMBERGER LTD	SLB US	853390	277207 US				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	EN Amsterdam (XAMS)	Common Stock	SCHLUMBERGER LTD	SLB NA	853390	4779232 NL				AN808571086	010104491	45433	
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Frankfurt (XFR)	Common Stock	SCHLUMBERGER LTD	SCL GR	853390	4779351 DE				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	EN Paris (XPAR)	Common Stock	SCHLUMBERGER LTD	SLB FP	853390	4779208 FR				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Mexico (XMEX)	Common Stock	SCHLUMBERGER LTD	SLB MX	853390	804356 MX				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EU	853390	804356 MX				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR C/E	SIBC AR	853390	452385 CH				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	SIX Swiss Ex (XSWX)	Common Stock	SCHLUMBERGER LTD	SLB SW	853390	452385 CH				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EU	853390	4779203 GB				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR	SLB AR	853390	452385 CH				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	London Int (XLON)	Common Stock	SCHLUMBERGER LTD	SCL LI	853390	0779203 GB				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EO	853390	0779203 GB				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	PLUS Mkt Grp (XPLU)	Common Stock	SCHLUMBERGER LTD	SCL PZ	853390	0779203 GB				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EUR EO	853390	0779203 GB				AN808571086	010104491		
SCHLUMBERGER LTD (NETHERLAND ANTIILLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR S/B	SIBD AR	853390	0779203 GB				AN808571086	010104491		
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM GROUP BHD	SM1F US	120745	805PR31 US				MYL718000008	024633128	Y7677108	
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOM ENGINEERING BHD	SEB MK	903056	809M452 MY				MYL736600007		7368	
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM ENGINEERING BHD	BLR US	903056	809M452 MY				MYL736600007		7368	
SCOM GROUP BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOM GROUP BHD	SGB MK	120745	800PKJ3 MY				MYL718000008	024633128	Y7451G108	7158
SEADRILL LTD	SEADRILL LTD	OSLO (XOSL)	Common Stock	SEADRILL LTD	SORL NO	807455	807455 NO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	OTC US (OQTC)	Common Stock	SEADRILL LTD	SORL US	807455	807455 US				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Frankfurt (XFR)	Common Stock	SEADRILL LTD	SORL GR	807455	807455 GR				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	CH-X AIR TS (CHIX)	Common Stock	SEADRILL LTD	SORL IX	807455	807455 IX				BMG79455E1057	022416162		G745E105
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORL EO	807455	807455 EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORL EU	807455	807455 EU				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORLEUR EU	807455	807455 EUR				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORL GBX EU	807455	807455 GBX				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORL GBX EO	807455	807455 GBX				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	PLUS Mkt Grp (XPLU)	Common Stock	SEADRILL LTD	SORL US EO	807455	807455 US EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORL US EO	807455	807455 US EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORL US EO	807455	807455 US EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EUR (XNRO)	Common Stock	SEADRILL LTD	SORL US EO	807455	807455 US EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EU (XHEF)	Common Stock	SEADRILL LTD	SORL US EO	807455	807455 US EO				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Stockholm (XSTO)	Common Stock	SEADRILL LTD	SORL SE	807455	807455 SE				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Turquoise (TRQX)	Common Stock	SEADRILL LTD	SORL TS	807455	807455 TS				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	Bourundy (BURG)	Common Stock	SEADRILL LTD	SORL BQ	807455	807455 BQ				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	QUOTE MTF (GMTF)	Common Stock	SEADRILL LTD	SORL BY	807455	807455 BY				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	LSB EuropeQ3 (XLON)	Common Stock	SEADRILL LTD	SORL CM	807455	807455 CM				BMG79455E1057	022416162		
SEADRILL LTD	SEADRILL LTD	OTC US (OQTC)	ADR	SEADRILL LTD	SORL US	807455	807455 US				BMG79455E1057	022416162		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Hong Kong (XHKG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	2727 HK	ADM4YX	807455 HK				CNE10000437	021854387		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Frankfurt (XFR)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	USR GR	ADM4YX	8072010 DE				CNE10000437	021854387		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	SIEF US	ADM4YX	8072010 DE				CNE10000437	021854387	Y76824104	
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	601727 CH	ADM4YX	8072010 DE				CNE10000055	021854387		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	ADR	SHANGHAI ELECTRIC-UNSP ADR	SIEF US	ADM4YX	8072010 DE				CNE10000055	021854387		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND EL-B	900925 CH	ADM3UQ	8079436 CN				CNE00000039	021854387		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI MECHANICAL AND EL-B	SHMEF US	ADM3UQ	8079436 CN				CNE0000039	021854387	Y76911108	
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND EL-B	SHEF US	ADM3UQ	8079436 CN				CNE0000039	021854387		
TANJUNG OFFSHORE BERHAD (MALAYSIA)	TANJUNG OFFSHORE SERVICES SDN BHD	Kuala Lumpur (XKLS)	Common Stock	TANJUNG OFFSHORE BHD	TOFF MK	ADM3AS	8090810 MY				CNE00000891	021854387	Y78911118	
TOTAL SA (FRANCE)	TOTAL SA	EN Paris (XPAR)	Common Stock	TOTAL SA	FP FR	850727	815C587 FR				FR0000120271	001179616		7228
TOTAL SA (FRANCE)	TOTAL SA	Xtra Etr Strs (XETR)	Common Stock	TOTAL SA	TOFF GR	850727	815C587 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	EN Brussels (XBRL)	Common Stock	TOTAL SA	FPB BB	850727	815C580 BE				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	EN Amsterdam (XAMS)	Common Stock	TOTAL SA	PFA NA	850727	815C702 NL				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	OTC US (OQTC)	Common Stock	TOTAL SA	TFNF US	850727	815C702 NL				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	Milan (MTAA)	Common Stock	TOTAL SA	TOF MI	850727	815C702 NL				FR0000120271	001179616	00532	F92124100
TOTAL SA (FRANCE)	TOTAL SA	CH-X AIR TS (CHIX)	Common Stock	TOTAL SA	TOF IX	850727	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	SWX Elss (XSWX)	Common Stock	TOTAL SA	TOF SW	850727	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	TOF EU	850727	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	EN Brussels (XBRL)	Misc	TOTAL SA-STRIP VVPR	TOTS BB	850727	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	New York (XNYS)	ADR	TOTAL SA-SPON ADR	TOT US	848113	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	Frankfurt (XFR)	ADR	TOTAL SA-SPON ADR	TOT GR	848113	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FRANCE)	TOTAL SA	Buenos Aires (XBUE)	Receipt	TOTAL SA-CEDEAR	TOT AR	848113	815C557 FR				FR0000120271	001179616	00532	
TOTAL SA (FR														

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	GINS	Fondscode	CATS Code
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OTC)	Common Stock	WARTSILA OYJ-A SHS	WRTAF US	88242	B1JV851 US			FI0009003719	003021416	X98155108		
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OTC)	Common Stock	WARTSILA OYJ	WRTBF US	881050	B08MMZ8		980070	FI0009003727	004174488	X98155108		
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTIV EO	881050	B28N651 GB			FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTIV EU	881050	B28N651 GB			FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTIVGBXEU	881050	B28N651 GB			FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTIVGBXED	881050	B28N651 GB			FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTIVGBPEO	881050				FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Turquoise (TRQX)	Common Stock	WARTSILA OYJ	WRTIV TQ	881050	4525189 FI		980070	FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	NSDQ OMX Eur (NURC)	Common Stock	WARTSILA OYJ	WRTIV NQ	881050	4525189 FI		980070	FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	BATS Europe (BATE)	Common Stock	WARTSILA OYJ	WRTIV EB	881050	4525189 FI		980070	FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	OTC US (OTC)	ADR	WARTSILA OYJ-UNSPON ADR	WRTBY US		B3F0CN2 US			US98365441057				
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro OTC (XLON)	Common Stock	WARTSILA OYJ	WRTIVUSDEO	881050				FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	Euro Comp (XLON)	Common Stock	WARTSILA OYJ	WRTIVUSDEU	881050				FI0009003727	004174488			
WARTSILA OYJ (FINLAND)	WARTSILA OYJ	NYSE ARCA Eu (XHTT)	Common Stock	WARTSILA OYJ	WRTIV NR	881050	4525189 FI		980070	FI0009003727	004174488			

ATTACHMENT E

Genocide Intervention Network List of "Highest Offenders" Companies in Sudan List Effective Through May 31, 2010

<u>Company Name</u>	<u>Country of Origin</u>
China National Petroleum Corporation AKA CNPC	China
Jinan Diesel Co. Ltd.	China
Daqing Huake Group Co. Ltd.	China
PetroChina	China
CNPC Hong Kong	Hong Kong
Petronas Gas Berhad	Malaysia
Petronas Dagangan	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd.	India
Sinopec Group AKA China Petrochemical Corporation	China
Kingdream PLC	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Kanton Holdings	China
Sinopec Yizheng Chemical Fibre Company, Ltd.	China
AREF Energy Holding Company	Kuwait
Egypt Kuwaiti Holding Company	Egypt
Ranhill Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
AviChina Industry & Technology Company, Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Hafei Aviation Industry	China
Jiangxi Changhe Automobile Co.	China
Harbin Dongan Auto Engine Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Mercator Lines	India
Mercator Lines Singapore	Singapore
Dongfeng Automotive Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Bongaigaon Refinery & Petrochemicals Limited AKA BRPL	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Oil India Limited	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Alstom	France
Alstom Projects India Ltd	India
Wuhan Boiler Company	France
Electricity Generating Company Limited AKA EGCO	Thailand
ONA S.A.	Morocco
Managem	Morocco
PTT Public Company, Limited AKA PTT	Thailand
Seadrill Limited	Bermuda
Nippon Oil Corporation	Japan

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

Genocide Intervention Network List of Companies in Sudan for "Ongoing Engagement"
List Effective Through May 31, 2010

<u>Company Name</u>	<u>Country of Origin</u>
Shanghai Electric Group Company, Ltd..	China
Harbin Power Equipment Company Limited	China
China Poly Group Corporation	China
Bharat Electronics Limited	India
Bharat Heavy Electricals	India
Essar Oil	India
Citadel Capital	Egypt
Tanjung Offshore Services	Malaysia
Nam Fatt Corporation Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Kejuruteraan Samundra Timur Bhd	Malaysia
Total SA	France
Lundin International SA	France
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Lundin Petroleum AB	Sweden
Andritz VA TECH HYDRO	Austria
Man SE	Germany
GAZ Group	Russia
Kamaz	Russia

Genocide Intervention Network List of Companies in Sudan with No Publicly Traded Equity
List Effective Through May 31, 2010

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

Source: Genocide Intervention Network

March 2, 2010

ATTACHMENT F
LIST OF SCRUTINIZED IRAN COMPANIES

COMPANY	COUNTRY
BP PLC	United Kingdom
Chevron Corporation	US
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	United Kingdom
DAELIM INDUSTRIAL CO.,LTD.	South Korea
E.ON AG	Germany
Edison SpA	Italy
GAIL (India) Limited	India
Gazprom Neft Oao	Russia
Gazprom Oao	Russia
Hyundai Engineering & Construction Co., Ltd.	South Korea
Indian Oil Corporation Ltd.	India
JGC CORPORATION	Japan
KANEMATSU CORPORATION	Japan
KunLun Energy Company Ltd (frmly CNPC Hong Kong Ltd.)	Hong Kong
L'Air Liquide SA	France
Liquefied Natural Gas Ltd	Australia
Oil and Natural Gas Corporation Limited	India
OMV Aktiengesellschaft	Austria
Persian Gold Plc	United Kingdom
PetroChina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
PTT Exploration and Production Public Company Limited	Thailand
PTT Public Company Limited	Thailand
Royal Dutch Shell Plc	Netherlands
Saipem S.p.A.	Italy
Sasol Limited	South Africa
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	China
Statoil ASA	Norway
Technip	France
Total SA	France
The Siam Cement Public Company Limited	Thailand
Trevi-Finanziaria Industriale S.p.A.	Italy
Union Resources Limited	Australia
Welspun Gujarat Stahl Rohren Limited	India

April 28, 2010

ATTACHMENT G

Letter to SBI Equity Managers

April 28, 2010

Regarding: Iran Companies

Dear Manager:

Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction. **This communication applies to all SBI domestic equity portfolios managed by your organization. This communication also applies to ADR's of any of the listed companies.**

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the March 5, 2010 letter you received. **This new list is effective April 30, 2010.**

- The following companies have been added to the restricted list:
 - BP Plc
 - Chevron Corporation
 - E.ON AG
 - GAIL Limited
 - Hyundai Engineering & Construction Co., Ltd.
 - JGC Corporation
 - Kanematsu Corporation
 - KunLun Energy Company Ltd (formerly CNPC Hong Kong Ltd.)
 - Liquefied Natural Gas Ltd
 - Gazprom Neft Oao
 - Persian Gold Plc
 - Petronas Gas Berhad
 - PTT Exploration and Production Public Company Limited
 - PTT Public Company Limited
 - Saipem SpA
 - Sinopec Kantons Holdings Ltd.
 - Sinopec Shanghai Petrochemical Company Limited
 - Technip
 - The Siam Cement Public Company Limited
 - Trevi-Finanziaria Industriale SpA
 - Union Resources Limited
 - Welspun Gujarat Stahl Rohren Limited

- The following companies have been removed from the restricted list:
 - Aker Solutions ASA
 - Dubai Islamic Bank Ltd.
 - ENI SpA
 - Finmeccanica SpA
 - GS Engineering & Construction Ltd
 - GS Holdings Corporation
 - Inpex Corporation
 - Lukoil Oao

Attachment 1 has select company security identifiers that may help your organization identify prohibited securities. However, this list does not include all identifiers for the restricted companies. It is your organization's responsibility to identify all listings of the companies on the Restricted List and not to purchase any listing of these companies.

Attachment 2 is the List of Iran Companies Requiring Divestment.

- The following companies have been removed from the divestment list:
 - ENI SpA
 - Finmeccanica SpA
 - GS Engineering & Construction Ltd
 - Inpex Corporation
 - Lukoil Oao

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1
RESTRICTED IRAN COMPANIES

COMPANY	TICKER	CUSIP	SEDOL	ISIN	COUNTRY
BP PLC	BP.		0798059	GB0007980591	United Kingdom
Chevron Corporation	CVX	166764100	2838555	US1667641005	US
China Petroleum & Chemical Corporation	600028	16941R108	6373728	CNE0000018G1	China
CNOOC Ltd	883	126132109	B00G0S5	HK0883013259	Hong Kong
Costain Group PLC	CSGFF	G24472162	0227218	GB0002272184	United Kingdom
DAELIM INDUSTRIAL CO.,LTD.	000210	Y1860N109	6249584	KR7000210005	South Korea
E.ON AG	EOAN		4942904	DE000ENAG999	Germany
Edison SpA	EDN	T3552V114	7513578	IT0003152417	Italy
GAIL (India) Limited	532155		6133405	INE129A01019	India
Gazprom Neft Oao	SIBN		B59L417	RU0009062467	Russia
Gazprom Oao	GAZP	X7204C106	B59L4L7	RU0007661625	Russia
Hyundai Engineering & Construction Co., Ltd.	000720		6450988	KR7000720003	South Korea
Indian Oil Corporation Ltd.	530965	Y3925Y112	6253767	INE242A01010	India
JGC CORPORATION	1963		6473468	JP3667600005	Japan
KANEMATSU CORPORATION	8020		6483467	JP3217100001	Japan
KunLun Energy Company Ltd (frmly CNPC Hong Kong Ltd.)	135	G2237F100	6340078	BMG5320C1082	Hong Kong
L'Air Liquide SA	AI	009126202	B1YXBJ7	FR0000120073	France
Liquefied Natural Gas Ltd	LNG		B02L5H2	AU000000LNG0	Australia
Oil and Natural Gas Corporation Limited	500312	Y64606117	6139362	INE213A01011	India
OMV Aktiengesellschaft	OMVKF		4651459	AT0000743059	Austria
Persian Gold Plc	PNG		B09WLX6	GB00B09WLX62	United Kingdom
PetroChina Company Limited	601857	71646E100	B28SLD9	CNE1000007Q1	China
Petronas Dagangan Bhd	PETDAG	Y6885A107	6695938	MYL5681OO001	Malaysia
Petronas Gas Berhad	6033s		6703972	MYL6033OO004	Malaysia
PTT Exploration and Production Public Company Limited	PTTEP-F		B1359K1	TH0355A10Z04	Thailand
PTT Public Company Limited	PTT-F		6420390	TH0646010015	Thailand
Royal Dutch Shell Plc	RDSB	780259206	B03MLX2	GB00B03MLX29	Netherlands
Saipem S.p.A.	SPMR		4768768	IT0000068525	Italy
Sasol Limited	SSL	803866300	6777450	ZAE000006896	South Africa
Sinopec Kantons Holdings Ltd.	934	G8165U100	6162692	BMG8165U1009	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	600688		6802794	CNE000000BB2	China
Statoil ASA	STL	85771P102	7133608	NO0010096985	Norway
Technip	TEC		4874160	FR0000131708	France
The Siam Cement Public Company Limited	SCC-F		6609906	TH0003010Z12	Thailand
Trevi-Finanziaria Industriale S.p.A.	TFI		5731446	IT0001351383	Italy
Union Resources Limited	UCL		6913577	AU000000UCL4	Australia
Welspun Gujarat Stahl Rohren Limited	532144		B07PYG1	INE191B01025	India

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this Date
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L'Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Royal Dutch Shell PLC	U.K.	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Statoil Hydro ASA	Norway	July 31, 2010	January 31, 2011

April 28, 2010

Letter to SBI Fixed Income Managers

April 28, 2010

Regarding Iran Companies

Dear Manager:

Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, required the Minnesota State Board of Investment (SBI) to implement an Iran restriction. **This communication applies to the SBI fixed income portfolio managed by your organization.**

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. Please note that the attached List makes no changes to the List of Restricted Iran Companies that was attached to the March 5, 2010 letter you received. **This new list is effective April 30, 2010.**

- The following companies have been added to the restricted list:
 - BP Plc
 - Chevron Corporation
 - E.ON AG
 - GAIL Limited
 - Hyundai Engineering & Construction Co., Ltd.
 - JGC Corporation
 - Kanematsu Corporation
 - KunLun Energy Company Ltd (formerly CNPC Hong Kong Ltd.)
 - Liquefied Natural Gas Ltd
 - Gazprom Neft Oao
 - Persian Gold Plc
 - Petronas Gas Berhad
 - PTT Exploration and Production Public Company Limited
 - PTT Public Company Limited
 - Saipem SpA
 - Sinopec Kantons Holdings Ltd.
 - Sinopec Shanghai Petrochemical Company Limited
 - Technip
 - The Siam Cement Public Company Limited
 - Trevi-Finanziaria Industriale SpA
 - Union Resources Limited
 - Welspun Gujarat Stahl Rohren Limited

- The following companies have been removed from the restricted list:
 - Aker Solutions ASA
 - Dubai Islamic Bank Ltd.
 - ENI SpA
 - Finmeccanica SpA
 - GS Engineering & Construction Ltd
 - GS Holdings Corporation
 - Inpex Corporation
 - Lukoil Oao

Attachment 2 is the List of Iran Companies Requiring Divestment.

- The following companies have been removed from the divestment list:
 - ENI SpA
 - Finmeccanica SpA
 - GS Engineering & Construction Ltd
 - Inpex Corporation
 - Lukoil Oao

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

cc.: James E. Heidelberg, Manager, Public Programs
J. J. Kirby, Portfolio Manager, Long-Term Debt

ATTACHMENT 1
RESTRICTED IRAN COMPANIES

COMPANY

BP PLC
Chevron Corporation
China Petroleum & Chemical Corporation
CNOOC Ltd
Costain Group PLC
DAELIM INDUSTRIAL CO.,LTD.
E.ON AG
Edison SpA
GAIL (India) Limited
Gazprom Neft Oao
Gazprom Oao
Hyundai Engineering & Construction Co., Ltd.
Indian Oil Corporation Ltd.
JGC CORPORATION
KANEMATSU CORPORATION
KunLun Energy Company Ltd (frmly CNPC Hong Kong Ltd.)
L'Air Liquide SA
Liquefied Natural Gas Ltd
Oil and Natural Gas Corporation Limited
OMV Aktiengesellschaft
Persian Gold Plc
PetroChina Company Limited
Petronas Dagangan Bhd
Petronas Gas Berhad
PTT Exploration and Production Public Company Limited
PTT Public Company Limited
Royal Dutch Shell Plc
Saipem S.p.A.
Sasol Limited
Sinopec Kantons Holdings Ltd.
Sinopec Shanghai Petrochemical Company Limited
Statoil ASA
Technip
The Siam Cement Public Company Limited
Trevi-Finanziaria Industriale S.p.A.
Union Resources Limited
Welspun Gujarat Stahl Rohren Limited

COUNTRY

United Kingdom
US
China
Hong Kong
United Kingdom
South Korea
Germany
Italy
India
Russia
Russia
South Korea
India
Japan
Japan
Hong Kong
France
Australia
India
Austria
United Kingdom
China
Malaysia
Malaysia
Thailand
Thailand
Netherlands
Italy
South Africa
Hong Kong
China
Norway
France
Thailand
Italy
Australia
India

April 28, 2010

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this Date
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L' Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Royal Dutch Shell PLC	U.K.	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Statoil Hydro ASA	Norway	July 31, 2010	January 31, 2011

April 28, 2010

Tab C

SBI ADMINISTRATIVE COMMITTEE REPORT

DATE: May 11, 2010

TO: Members, State Board of Investment

FROM: **SBI Administrative Committee**

The Administrative Committee met on May 4, 2010 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY11
- Review of Budget Plan for FY11
- Review of Continuing Fiduciary Education Plan
- Review of Executive Director's Evaluation Process
- Update of Disaster Recovery Plan

Action is required by the SBI on the first four items.

1. Review of Executive Director's Proposed Workplan for FY11.

The Executive Director's Proposed Workplan for FY11 was presented. As in previous workplans, the FY11 plan follows the same category order found in the Executive Director's position description. The plan is a compilation of on-going responsibilities as well as the new initiatives the Executive Director will undertake during the next fiscal year.

A summary of the proposed plan is shown in **Attachment A** on **page 5** of this Tab. Supporting information was sent to each Board member in May 2010 as part of the FY11 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY11 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY11.

2. FY11 Administrative Budget Plan.

The SBI's Administrative budget is set annually by the Board with direct charge back to entities that invest with the SBI. The general fund appropriation for the management of general fund assets is appropriated by the Legislature.

An overview of the budget is **Attachment B** on **page 9** of this tab. Supporting information was sent to each Board member in May 2010 as part of the FY11 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY11 Administrative Budget Plan, as presented to the Committee, and that the Executive Director have the flexibility to reallocate funds between budget categories if the Executive Director deems necessary.

3. Review of Continuing Fiduciary Education Plan.

Minnesota Statutes Chapter, 356A requires each public pension plan to establish a continuing education plan for its fiduciaries. The plan approved by the Committee is in **Attachment C** on **page 11** of this Tab. Please note that the travel allocation policy for Board members and their designees is included in the plan.

RECOMMENDATION:

The Committee recommends that the SBI adopt the attached Continuing Fiduciary Education Plan.

4. Review of Executive Director's Evaluation Process.

The Committee discussed the process that will be used by the Board to evaluate the Executive Director for FY10. The Committee members agreed that the performance reviews should be completed prior to the September 2010 meeting of the SBI and should follow the process used in the past.

RECOMMENDATION:

The Committee recommends that the SBI adopt the following process for the Executive Director's FY10 performance evaluation:

- **The evaluation will be completed prior to the September 2010 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY10.**

- **The SBI deputies/designees will develop an appropriate evaluation form for use by each member, which will reflect the categories in the Executive Director's position description and workplan.**
- **The Governor's representative (Department of Finance) will coordinate distribution and collection of the evaluation forms and will forward the completed forms to the Executive Director. Board members are encouraged to meet individually with the Executive Director to review their own evaluation.**

5. Update of Disaster Recovery Plan.

Staff updated the Committee regarding the SBI's Disaster Recovery Plan. The plan provides information and procedures required to respond to an emergency.

ATTACHMENT A

STATE BOARD OF INVESTMENT Executive Director's Proposed Workplan

FY11

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

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. New Alternative Investment Asset Classes	Ongoing
2. Update SBI Policy Manual and Review/Rewrite Policy Papers	Jul – Nov
3. Review of Asset Class Targets	Jul – Oct
4. Conduct a Review of Derivatives Usage within the Fixed Income Program	Jul – Jun
5. Review of Transition Managers	Jul – Mar
6. State Auditor Investment Authority Review	
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or Exceed the Performance Objectives	Ongoing
2. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing
3. Investments with New/Existing Alternative Asset Managers	Ongoing
4. Short Term Liquidity Review	Jul – Dec
5. Review Investment Options Structure in DCP	Jul – Jun
6. Manager Search Process	Ongoing
7. Implement State Law Concerning Iran	Ongoing
8. Implement State Law Concerning Sudan	Ongoing
9. Investment Commitment Modeling	Ongoing

C. REVIEW AND CONTROL OF INVESTMENT POLICIES

- | | |
|--|-----------|
| 1. Review the Domestic Equity Semi-Passive Program | Oct – Dec |
| 2. Review Proxy Services Vendor | Jul – Dec |
| 3. Review of Securities Lending Program | Jun – Sep |
| 4. Manager Guidelines | Ongoing |
| 5. Review Asset Allocation for Closed Landfill Investment Fund | Jul – Oct |
| 6. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives | Jul – Jun |
| 7. Monitor Implementation of Northern Ireland Mandate | Oct – Mar |

D. ADMINISTRATION AND MANAGEMENT OF STAFF OPERATIONS

- | | |
|--|-----------|
| 1. Coordinate Financial Audit by Legislative Auditor | Jul – Dec |
| 2. Prepare 2011 Legislative package | Jul – May |
| 3. Prepare FY11 Management and Budget Plan | Jul – Jun |
| 4. Annual Update of Disaster Recovery/Pandemic Plan | Apr – Jun |

E. COMMUNICATION AND REPORTING

- | | |
|---|--------------|
| 1. Prepare reports on investment results | Qtly |
| 2. Prepare status reports | As requested |
| 3. Meet with SBI and IAC | Qtly |
| 4. Meet with Board's designees | Qtly |
| 5. Prepare FY 2010 Annual Report | Jul - Jan |
| 6. Prepare Annual SIF Investment Options Prospectus and VSVF Plan Information Booklet | May – Sep |

- | | |
|--|-----------|
| 7. Coordinate Public Pension Plan Performance Reporting Disclosure | Ongoing |
| 8. Archive Performance Source Documents | Jul – Dec |
| 9. Document Performance Procedure | Jul – Aug |
| 10. Conduct Manager Round Tables | Periodic |

ATTACHMENT B

Administrative Budget FY 11 – 12 Budget Plan Overview

The FY 11 – 12 budget request is based on budget procedures instituted by Department of Minnesota Management and Budget.

New statutory authority was passed during the 2006 legislative session to establish a fixed amount from the General Fund and to have the balance of the MSBI's budget billed to organizations that use the MSBI's services. This authority was used to generate the fiscal year 2010 budget and also is the basis for the 2011 – 2012 budget projections.

	FY10 Budget	FY10 Projected	FY11 Request	FY12 Request
Personnel Services	\$3,023,000	\$2,910,568	\$2,914,600	\$2,914,600
Operating Expense	433,000	367,000	357,900	357,900
	\$3,456,000	\$3,277,568	\$3,272,500	\$3,272,500

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

Operating Expenses: **13% of the budget**
Rents, leases, printing, data processing
Professional/technical contracts
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2011 BUDGET PLAN**

DESCRIPTION	FY2007 ACTUAL	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 PROJECTED	FY2011 BUDGET
PERSONAL SERVICES					
FULL TIME EMPLOYEES	\$ 1,892,995	\$ 1,989,699	\$ 2,653,441	\$ 2,841,000	\$ 2,845,000
PART TIME EMPLOYEES	48,246	76,761	75,111	69,000	69,000
SEVERENCE PAYOFF	33,929	58,035	11,150	-	-
WORKERS COMPENSATION INSURANCE	777	653	504	568	600
MISCELLANEOUS PAYROLL	-	-	-	-	-
SUBTOTAL	\$ 1,975,947	\$ 2,125,148	\$ 2,740,206	\$ 2,910,568	\$ 2,914,600
STATE OPERATIONS					
RENTS & LEASES	202,087	186,859	194,138	200,000	200,000
REPAIRS/ALTERATIONS/MAINTENANCE	5,700	58,652	4,908	10,500	10,000
PRINTING & BINDING	6,693	2,788	11,625	4,000	4,000
PROFESSIONAL/TECHNICAL SERVICES	-	-	-	-	-
COMPUTER SYSTEMS SERVICES	12,532	22,519	9,251	20,000	20,000
COMMUNICATIONS	23,628	25,689	27,811	29,000	29,000
TRAVEL, IN-STATE	365	910	1,540	500	900
TRAVEL, OUT-STATE	43,173	44,085	29,479	38,000	40,000
SUPPLIES	23,875	35,255	28,783	30,000	30,000
EQUIPMENT	46,334	87,556	5,762	20,000	10,000
EMPLOYEE DEVELOPMENT	10,797	15,983	15,748	5,000	5,000
OTHER OPERATING COSTS	8,642	11,288	13,912	10,000	9,000
SUBTOTAL	\$ 383,826	\$ 491,584	\$ 342,957	\$ 367,000	\$ 357,900
TOTAL GENERAL FUND	\$ 2,359,773	\$ 2,616,732	\$ 3,083,163	\$ 3,277,568	\$ 3,272,500
PERCENT INCREASE OVER PRIOR YEAR		10.9%	17.8%	6.3%	-0.2%

ATTACHMENT C

CONTINUING FIDUCIARY EDUCATION PLAN

REQUIRED BY MS 356A.13

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

1. Briefing for New Board/IAC Members

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

2. Development and Review of Investment Policies

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

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

3. Input from Board's Consultants

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

4. Manager Round Tables

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

5. Travel Allocation

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

Date: May, 2010

2008 Minnesota Statutes

356A.13. CONTINUING FIDUCIARY EDUCATION.

Subdivision 1. **Obligation of fiduciaries.** A fiduciary of a covered pension plan shall make reasonable effort to obtain knowledge and skills sufficient to enable the fiduciary to perform fiduciary activities adequately. At a minimum, a fiduciary of a covered pension plan shall comply with the program established in accordance with subdivision 2.

Subd. 2. **Continuing fiduciary education program.** The governing boards covered pension plans shall each develop and periodically revise a program for the continuing education of any of their board members and any of their chief administrative officers who are not reasonably considered to be experts with respect to their activities as fiduciaries. The program must be designed to provide those persons with knowledge and skills sufficient to enable them to perform their fiduciary activities adequately.

Tab D



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

First Quarter, 2010

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Domestic Equity

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending March, 2010

	Quarter		1 Year		3 Years		5 Years			
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Russell 1000 Core Aggregate	4.9	5.7	46.5	51.6	-6.5	-4.0	0.8	2.3		
Russell 1000 Growth Aggregate	4.2	4.6	54.6	49.8	-0.8	-0.8	2.8	3.4		
Russell 1000 Value Aggregate	7.1	6.8	55.0	53.6	-5.6	-7.3	1.3	1.0		
Russell 2000 Growth Aggregate	7.8	7.6	56.0	60.3	-3.8	-2.4	2.8	3.8		
Russell 2000 Value Aggregate	10.7	10.0	81.4	65.1	-6.4	-5.7	0.9	2.8		
Active Manager Aggregate	6.4	6.4	55.4	53.7	-4.4	-4.1	1.7	2.4		
Semi-Passive Aggregate	5.8	5.7	52.3	51.6	-4.6	-4.0	2.0	2.3		
Passive Manager (BlackRock)	6.0	5.9	52.5	52.4	-3.9	-4.0	2.5	2.4		
Total Domestic Equity Aggregate	6.0	6.0	53.4	52.5	-4.2	-4.0	2.1	2.4		
SBI DE Asset Class Target		5.9		52.4		-4.0		2.4		
Russell 3000 Index		5.9		52.4		-4.0		2.4		

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3
Russell 1000 Growth Aggregate	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3
Russell 1000 Value Aggregate	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1
Russell 2000 Growth Aggregate	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2
Russell 2000 Value Aggregate	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7
Active Manager Aggregate	32.3	27.9	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0
Semi-Passive Aggregate	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3
Passive Manager (BlackRock)	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
Total Domestic Equity Aggregate	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000 Index		28.3		-37.3		5.1		15.7		6.1

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS**

Periods Ending March, 2010

Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
LARGE CAP												
Russell 1000 Core												
New Amsterdam Partners	4.6	5.7	35.2	51.6	-5.1	-4.0	0.5	2.3	9.9	8.9	\$335.7	1.6%
UBS Global	5.3	5.7	67.6	51.6	-4.2	-4.0	2.8	2.3	8.5	8.0	\$343.2	1.6%
Aggregate	4.9	5.7	46.5	51.6	-6.5	-4.0	0.8	2.3			\$679.0	3.2%
Russell 1000 Growth												
Alliance Capital	2.9	4.6	46.7	49.8	-1.0	-0.8	3.5	3.4	12.3	9.5	\$268.2	1.3%
INTECH	4.8	4.6	47.4	49.8	-4.1	-0.8	1.1	3.4	0.7	2.4	\$289.0	1.4%
Jacobs Levy	6.2	4.6	54.8	49.8	-4.4	-0.8	0.4	3.4	-0.5	2.4	\$258.4	1.2%
Knelman Asset Mgmt.	3.8	4.6	42.7	49.8	-2.2	-0.8	2.8	3.4	1.9	2.4	\$55.4	0.3%
Sands Capital	3.3	4.6	69.0	49.8	2.0	-0.8	4.7	3.4	2.6	2.4	\$227.1	1.1%
Winslow-Large Cap	3.6	4.6	46.7	49.8	2.2	-0.8	6.3	3.4	5.0	2.4	\$121.5	0.6%
Zevenbergen Capital	4.0	4.6	67.0	49.8	3.2	-0.8	7.5	3.4	9.0	7.2	\$280.5	1.3%
Aggregate	4.2	4.6	54.6	49.8	-0.8	-0.8	2.8	3.4			\$1,500.2	7.0%
Russell 1000 Value												
Barrow, Hanley	5.7	6.8	53.2	53.6	-5.3	-7.3	1.5	1.0	4.0	3.0	\$408.9	1.9%
Earnest Partners	7.9	6.8	56.8	53.6	-3.5	-7.3	3.0	1.0	3.8	3.7	\$171.1	0.8%
Lord Abbett & Co.	8.6	6.8	54.6	53.6	-4.6	-7.3	1.8	1.0	2.9	3.0	\$291.9	1.4%
LSV Asset Mgmt.	6.8	6.8	58.0	53.6	-7.4	-7.3	1.9	1.0	4.2	3.0	\$376.1	1.8%
Systematic Financial Mgmt.	7.7	6.8	52.9	53.6	-6.2	-7.3	1.9	1.0	3.7	3.0	\$278.7	1.3%
Aggregate	7.1	6.8	55.0	53.6	-5.6	-7.3	1.3	1.0			\$1,526.8	7.2%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	7.0	7.6	46.2	60.3	-8.5	-2.4	0.0	3.8	0.4	4.1	\$183.7	0.9%
Next Century Growth	7.3	7.6	56.8	60.3	-1.7	-2.4	7.0	3.8	-1.1	-0.8	\$222.8	1.0%
Turner Investment Partners	8.8	7.6	63.8	60.3	-1.5	-2.4	5.2	3.8	4.8	4.1	\$231.9	1.1%
Aggregate	7.8	7.6	56.0	60.3	-3.8	-2.4	2.8	3.8			\$638.3	3.0%
Russell 2000 Value												
Goldman Sachs	9.4	10.0	60.4	65.1	-1.7	-5.7	4.6	2.8	5.9	4.9	\$133.7	0.6%
Hotchkis & Wiley	15.9	10.0	120.0	65.1	-6.0	-5.7	-0.4	2.8	3.4	4.9	\$115.6	0.5%
Martingale Asset Mgmt.	8.5	10.0	61.7	65.1	-10.7	-5.7	-2.3	2.8	2.1	4.9	\$106.5	0.5%
Peregrine Capital	9.7	10.0	95.6	65.1	-6.3	-5.7	1.5	2.8	9.4	8.9	\$187.2	0.8%
Aggregate	10.7	10.0	81.4	65.1	-6.4	-5.7	0.9	2.8			\$542.9	2.4%
Active Mgr. Aggregate (2)	6.4	6.4	55.4	53.7	-4.4	-4.1	1.7	2.4			\$4,887.2	22.8%

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

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

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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
New Amsterdam Partners	24.8	28.4	-36.7	-37.6	5.0	5.8	9.3	15.5	7.6	6.3
UBS Global	41.3	28.4	-41.3	-37.6	0.8	5.8	16.8	15.5	8.6	6.3
Aggregate	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3
Russell 1000 Growth										
Alliance Capital	38.4	37.2	-40.3	-38.4	15.4	11.8	-0.4	9.1	14.2	5.3
INTECH	34.0	37.2	-42.8	-38.4	11.4	11.8	7.4	9.1	7.8	5.3
Jacobs Levy	37.1	37.2	-44.9	-38.4	8.4	11.8	6.1	9.1	5.3	5.3
Knelman Asset Mgmt.	31.1	37.2	-39.9	-38.4	18.0	11.8	7.1	9.1	6.6	5.3
Sands Capital	71.6	37.2	-48.6	-38.4	19.5	11.8	-5.5	9.1	10.9	5.3
Winslow-Large Cap	40.9	37.2	-39.1	-38.4	22.0	11.8	7.6	9.1	10.5	5.3
Zevenbergen Capital	57.4	37.2	-43.2	-38.4	24.0	11.8	6.2	9.1	9.0	5.3
Aggregate	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3
Russell 1000 Value										
Barrow, Hanley	23.2	19.7	-35.2	-36.8	2.6	-0.2	15.4	22.2	9.6	7.1
Earnest Partners	31.6	19.7	-39.8	-36.8	6.5	-0.2	13.8	22.2	15.6	7.1
Lord Abbett & Co.	20.5	19.7	-36.3	-36.8	4.4	-0.2	18.6	22.2	3.5	7.1
LSV Asset Mgmt.	24.0	19.7	-39.3	-36.8	1.3	-0.2	21.7	22.2	12.5	7.1
Systematic Financial Mgmt.	23.2	19.7	-40.6	-36.8	8.3	-0.2	17.9	22.2	10.3	7.1
Aggregate	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	28.0	34.5	-49.1	-38.5	16.2	7.0	12.5	13.3	0.2	4.2
Next Century Growth	35.0	34.5	-49.3	-38.5	34.2	7.0	12.4	13.3	25.2	4.2
Turner Investment Partners	36.9	34.5	-41.9	-38.5	14.8	7.0	13.6	13.3	6.2	4.2
Aggregate	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2
Russell 2000 Value										
Goldman Sachs	27.8	20.6	-26.8	-28.9	-5.0	-9.8	17.8	23.5	4.1	4.7
Hotchkis & Wiley	62.5	20.6	-44.1	-28.9	-18.8	-9.8	3.0	23.5	10.4	4.7
Martingale Asset Mgmt.	19.4	20.6	-33.8	-28.9	-16.8	-9.8	14.8	23.5	6.2	4.7
Peregrine Capital	45.8	20.6	-39.4	-28.9	-13.4	-9.8	14.3	23.5	10.1	4.7
Aggregate	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7
Active Mgr. Aggregate (1)	32.3	27.9	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0

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

Note: 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 March, 2010
Versus Manager Benchmarks**

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
SEMI-PASSIVE MANAGERS (2)												
BlackRock Institutional	5.3	5.7	50.7	51.6	-5.1	-4.0	1.7	2.3	8.0	7.7	\$2,878.0	10.6%
JP Morgan	6.2	5.7	55.3	51.6	-3.0	-4.0	3.0	2.3	7.9	7.7	\$2,649.1	12.4%
Mellon Capital (3)	5.9	5.7	50.8	51.6	-5.7	-4.0	1.3	2.3	7.1	7.7	\$2,249.6	13.5%
Semi-Passive Aggregate (R1000)	5.8	5.7	52.3	51.6	-4.6	-4.0	2.0	2.3			\$7,776.7	36.5%
PASSIVE MANAGER (R3000)												
BlackRock Institutional	6.0	5.9	52.5	52.4	-3.9	-4.0	2.5	2.4	7.3	7.1	\$8,624.2	40.5%
Historical Aggregate (4)	6.0	6.0	53.4	52.5	-4.2	-4.0	2.1	2.4	9.7	10.0	\$21,288.1	100.0%
SBI DE Asset Class Target (5)		5.9		52.4		-4.0		2.4		9.9		
Russell 3000		5.9		52.4		-4.0		2.4		10.3		
Russell 1000		5.7		51.6		-4.0		2.3		10.5		
Russell 2000		8.9		62.8		-4.0		3.4		8.8		

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

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

(3) Includes approximately \$1B that was being transitioned out of the account during the last four days of the quarter. The assets were transferred to INTECH's new account on April 1, 2010.

(4) Includes the performance of terminated managers. The aggregate benchmark is the weighted average of the manager benchmarks and is not the Russell 3000.

(5) 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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS										
BlackRock Institutional	27.6	28.4	-37.1	-37.6	2.2	5.8	15.6	15.5	7.6	6.3
JP Morgan	32.1	28.4	-37.1	-37.6	5.1	5.8	16.5	15.5	4.7	6.3
Mellon Capital	25.6	28.4	-37.6	-37.6	2.5	5.8	16.5	15.5	6.1	6.3
Semi-Passive Aggregate (R1000)	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3
PASSIVE MANAGER (R3000)										
BlackRock Institutional	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
Historical Aggregate (1)	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000		28.3		-37.3		5.1		15.7		6.1
Russell 1000		28.4		-37.6		5.8		15.5		6.3
Russell 2000		27.2		-33.8		-1.6		18.4		4.6

(1) Includes the performance of terminated managers.

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

Large Cap Core (R1000)

Large Cap Core (R1000)

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NEW AMSTERDAM PARTNERS
Periods Ending March, 2010

Portfolio Manager: Michelle Clayman

Assets Under Management: \$335,730,088

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell Index
Last Quarter	4.6%	5.7%
Last 1 year	35.2	51.6
Last 2 years	-3.5	-3.3
Last 3 years	-5.1	-4.0
Last 4 years	-1.9	-0.2
Last 5 years	0.5	2.3
Since Inception (1) (4/94)	9.9	8.9

Calendar Year Returns

	Actual	Russell Index (1)
2009	24.8%	28.4%
2008	-36.7	-37.6
2007	5.0	5.8
2006	9.3	15.5
2005	7.6	6.3

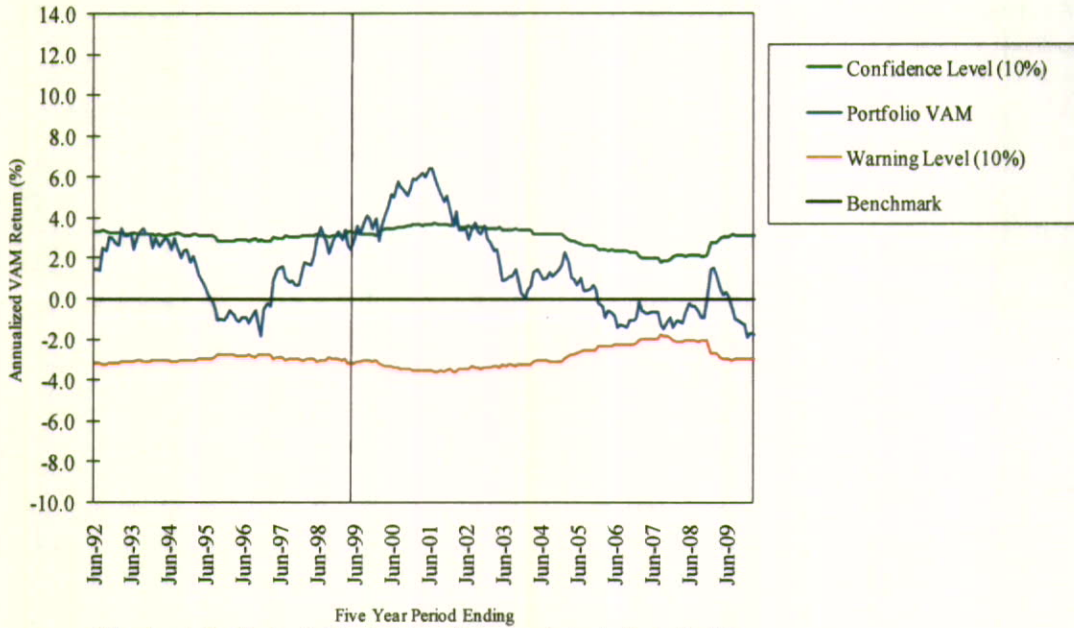
- (1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

NEW AMSTERDAM PARTNERS
Periods Ending March, 2010

Portfolio Manager: Michelle Clayman

Assets Under Management: \$335,730,088

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



UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: John Leonard

Assets Under Management: \$343,237,699

Investment Philosophy

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

Staff Comments

UBS underperformed for the quarter and outperformed for the year. Stock selection in the Utilities and Materials and Processing sectors contributed to the quarterly underperformance. Sector allocation and stock selection, particularly in the Technology sector, had positive effects for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	5.3%	5.7%
Last 1 year	67.6	51.6
Last 2 years	-0.8	-3.3
Last 3 years	-4.2	-4.0
Last 4 years	-0.4	-0.2
Last 5 years	2.8	2.3
Since Inception (7/93)	8.5	8.0

Calendar Year Returns

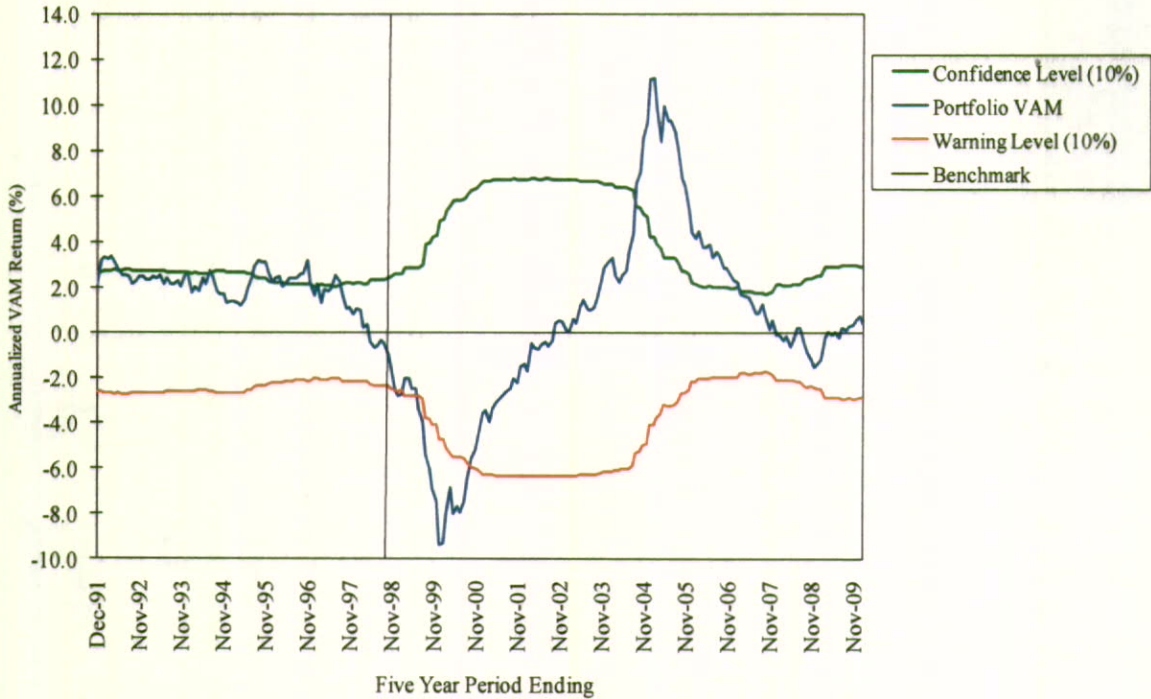
	Actual	Russell 1000 Core
2009	41.3%	28.4%
2008	-41.3	-37.6
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: John Leonard

Assets Under Management: \$343,237,699

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



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

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Large Cap Growth (R1000 Growth)

Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Stephanie Simon

Assets Under Management: \$268,248,297

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.

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	2.9%	4.6%
Last 1 year	46.7	49.8
Last 2 years	-0.8	-0.8
Last 3 years	-1.0	-0.8
Last 4 years	-0.7	1.1
Last 5 years	3.5	3.4
Since Inception (1/84)	12.3	9.5

Calendar Year Returns

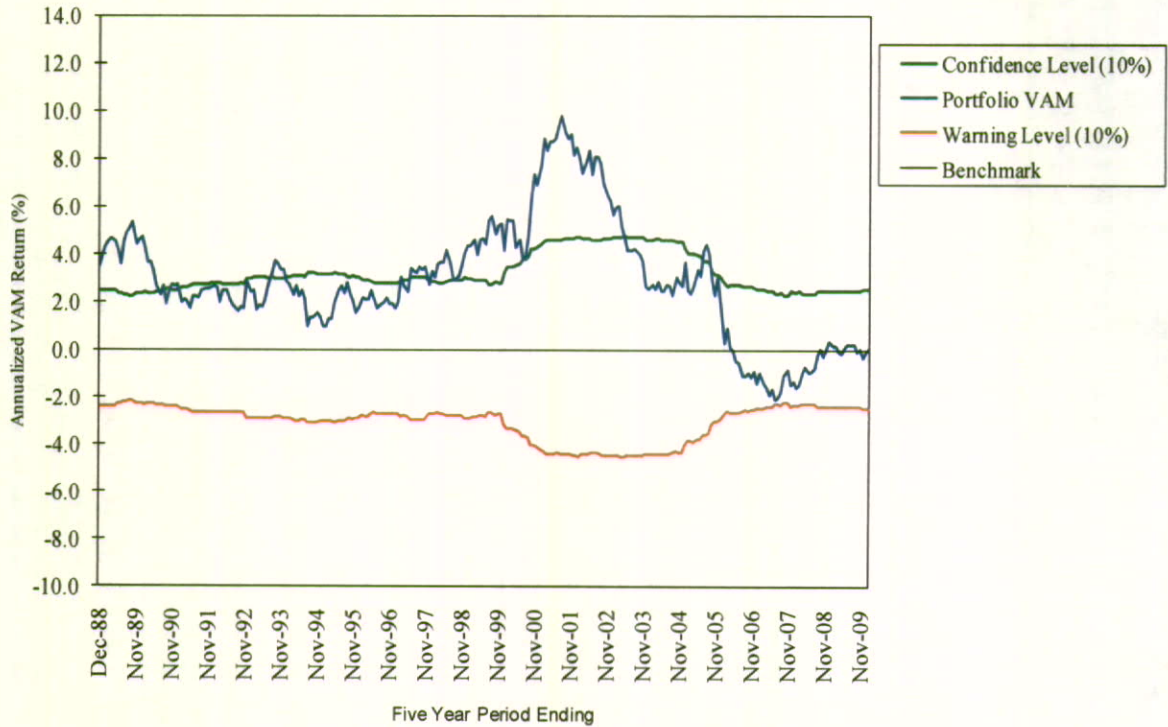
	Actual	Russell 1000 Growth
2009	38.4%	37.2%
2008	-40.3	-38.4
2007	15.4	11.8
2006	-0.4	9.1
2005	14.2	5.3

ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Stephanie Simon

Assets Under Management: \$268,248,297

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Russell 1000 Growth



INTECH INVESTMENT MANAGEMENT LLC
Periods Ending March, 2010

Portfolio Manager: Robert Fernholz

Assets Under Management: \$289,021,882

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	4.8%	4.6%
Last 1 year	47.4	49.8
Last 2 years	-3.9	-0.8
Last 3 years	-4.1	-0.8
Last 4 years	-1.9	1.1
Last 5 years	1.1	3.4
Since Inception (1/05)	0.7	2.4

Calendar Year Returns

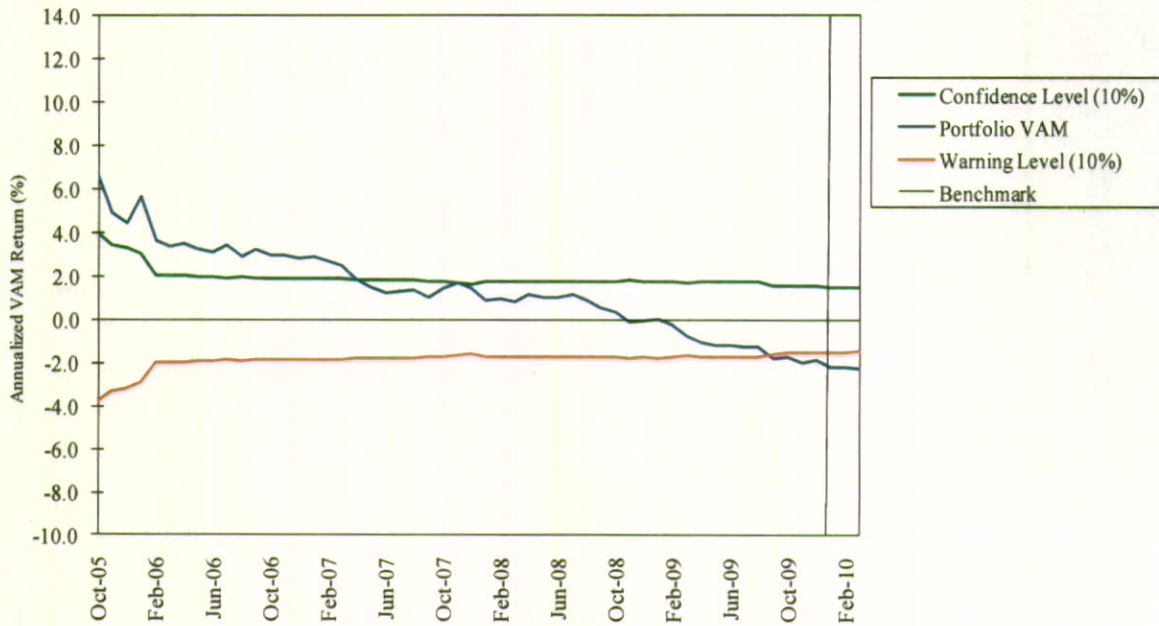
	Actual	Russell 1000 Growth
2009	34.0%	37.2%
2008	-42.8	-38.4
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3

INTECH INVESTMENT MANAGEMENT LLC
Periods Ending March, 2010

Portfolio Manager: Robert Fernholz

Assets Under Management: \$289,021,882

INTECH Investment Management LLC
 Rolling Five Year VAM vs. Russell 1000 Growth



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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$258,366,812

Investment Philosophy

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

Staff Comments

Jacobs Levy outperformed for the quarter and for the year. Overall sector allocation and stock selection helped both periods.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	6.2%	4.6%
Last 1 year	54.8	49.8
Last 2 years	-3.3	-0.8
Last 3 years	-4.4	-0.8
Last 4 years	-2.5	1.1
Last 5 years	0.4	3.4
Since Inception (1/05)	-0.5	2.4

Calendar Year Returns

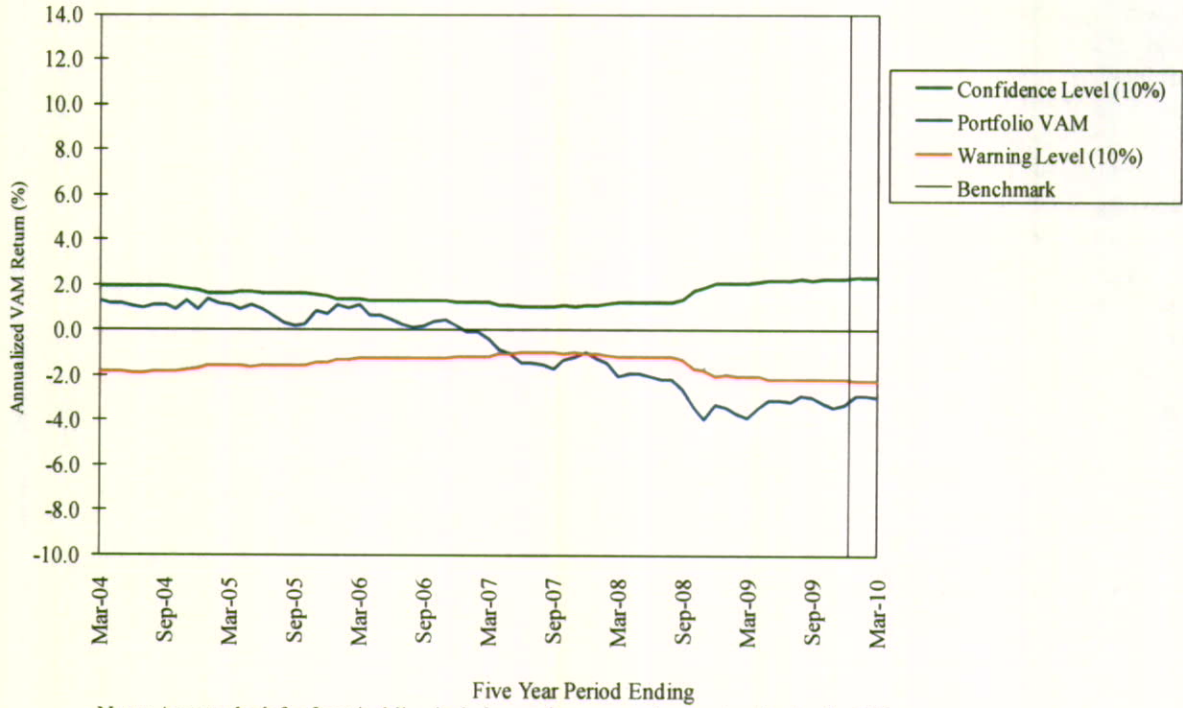
	Actual	Russell 1000 Growth
2009	37.1%	37.2%
2008	-44.9	-38.4
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$258,366,812

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



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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending March, 2010

Portfolio Manager: Kip Knelman

Assets Under Management: \$55,448,140

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	3.8%	4.6%
Last 1 year	42.7	49.8
Last 2 years	-3.5	-0.8
Last 3 years	-2.2	-0.8
Last 4 years	-0.4	1.1
Last 5 years	2.8	3.4
Since Inception (1/05)	1.9	2.4

Calendar Year Returns

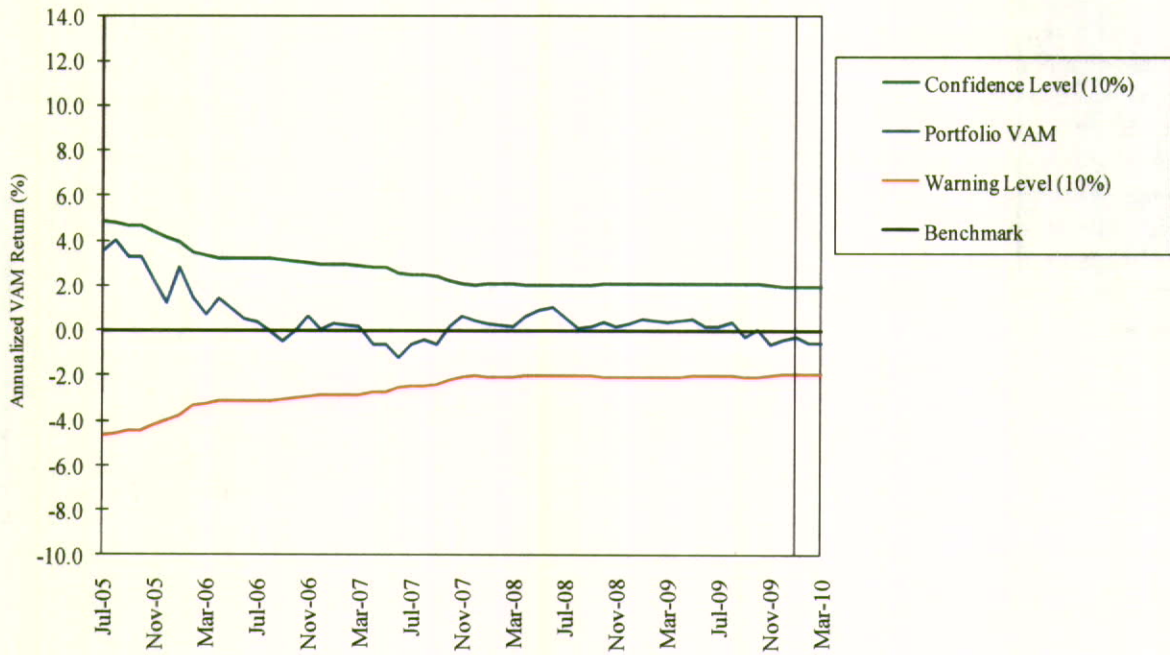
	Actual	Russell 1000 Growth
2009	31.1%	37.2%
2008	-39.9	-38.4
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending March, 2010

Portfolio Manager: Kip Knelman

Assets Under Management: \$55,448,140

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



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2010

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$227,134,896

Investment Philosophy

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

Staff Comments

Sands lagged the quarterly benchmark and outperformed for the year. The portfolio trailed the quarterly benchmark due to sector allocation and overall stock selection. The one-year return was helped by strong stock selection across most sectors, especially Consumer Discretionary.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	3.3%	4.6%
Last 1 year	69.0	49.8
Last 2 years	3.6	-0.8
Last 3 years	2.0	-0.8
Last 4 years	1.1	1.1
Last 5 years	4.7	3.4
Since Inception (1/05)	2.6	2.4

Calendar Year Returns

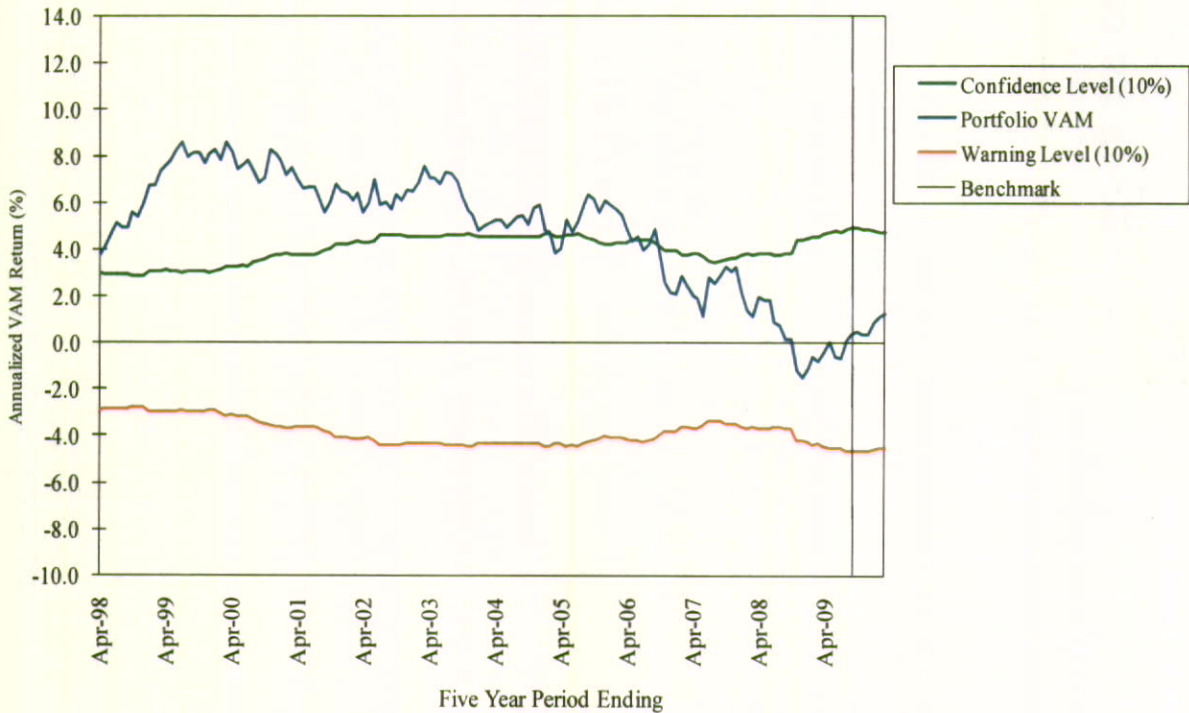
	Actual	Russell 1000 Growth
2009	71.6%	37.2%
2008	-48.6	-38.4
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3

SANDS CAPITAL MANAGEMENT LLC
Periods Ending March, 2010

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$227,134,896

Sands Capital Management, LLC
 Rolling Five Year VAM vs. Russell 1000 Growth



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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$121,454,607

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	3.6%	4.6%
Last 1 year	46.7	49.8
Last 2 years	-0.2	-0.8
Last 3 years	2.2	-0.8
Last 4 years	2.7	1.1
Last 5 years	6.3	3.4
Since Inception (1/05)	5.0	2.4

Calendar Year Returns

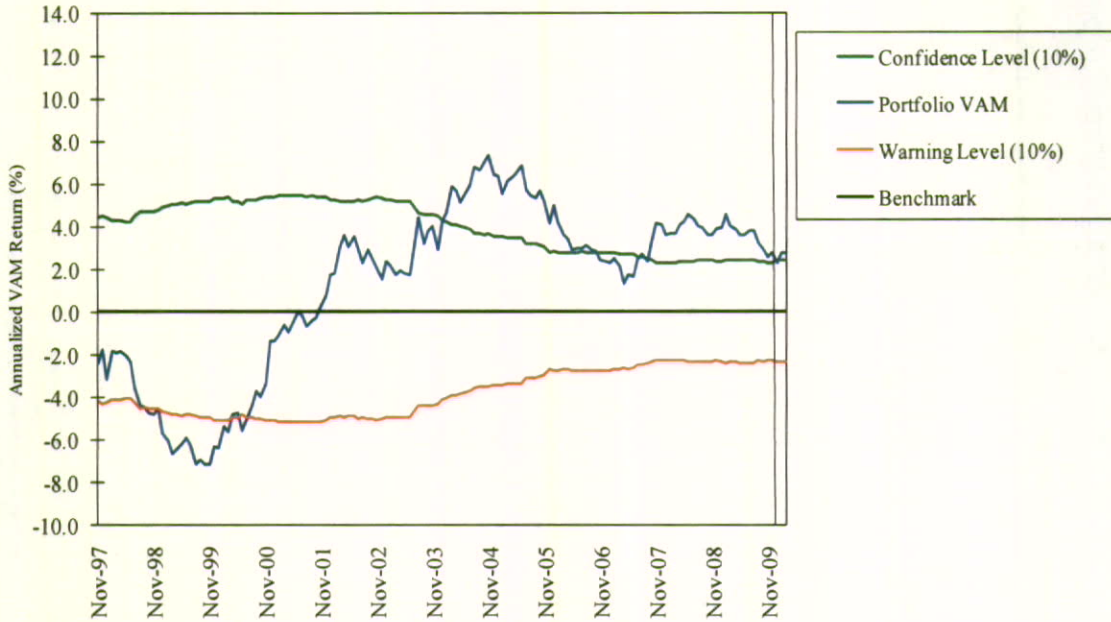
	Actual	Russell 1000 Growth
2009	40.9%	37.2%
2008	-39.1	-38.4
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$121,454,607

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



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

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2010

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$280,535,017

Investment Philosophy

Zevenbergen is an equity growth manager. The investment philosophy is based on the belief that earnings drive stock prices while quality provides capital protection. Hence, portfolios are constructed with companies showing above-average earnings growth prospects and strong financial characteristics. They consider diversification for company size, expected growth rates and industry weightings to be important risk control factors. Zevenbergen uses a bottom-up fundamental approach to security analysis. Research efforts focus on finding companies with superior products or services showing consistent profitability. Attractive buy candidates are reviewed for sufficient liquidity and potential diversification. The firm emphasizes that they are not market timers.

Staff Comments

Zevenbergen trailed the quarterly benchmark and outperformed for the year. An overweight to the Utilities sector and stock selection in the Consumer Discretionary sector hurt the quarterly return. The one-year return was helped by strong stock selection, particularly in the Consumer Discretionary and Technology sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	4.0%	4.6%
Last 1 year	67.0	49.8
Last 2 years	5.6	-0.8
Last 3 years	3.2	-0.8
Last 4 years	3.4	1.1
Last 5 years	7.5	3.4
Since Inception (4/94)	9.0	7.2

Calendar Year Returns

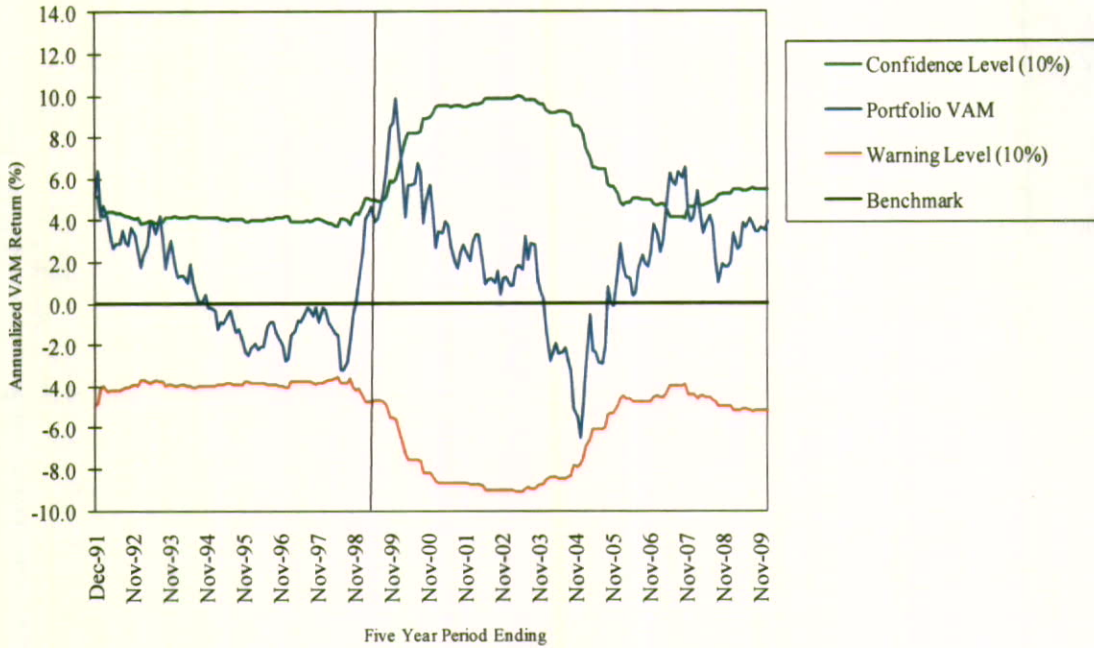
	Actual	Russell 1000 Growth
2009	57.4%	37.2%
2008	-43.2	-38.4
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2010

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$280,535,017

Zevenbergen Capital Management
 Rolling Five Year VAM vs. Russell 1000 Growth



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

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Large Cap Value (R1000 Value)

Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March 2010

Portfolio Manager: Tim Culler

Assets Under Management: \$408,906,779

Investment Philosophy

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

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

Staff Comments

Barrow Hanley trailed the quarterly and one-year benchmark. An underweight and weak stock selection in the Financial sector was the biggest detractor for the quarter. The underweight to Financial Services had the largest negative impact to the one-year return.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	5.7%	6.8%
Last 1 year	53.2	53.6
Last 2 years	-2.2	-6.0
Last 3 years	-5.3	-7.3
Last 4 years	-0.9	-1.8
Last 5 years	1.5	1.0
Since Inception (4/04)	4.0	3.0

Calendar Year Returns

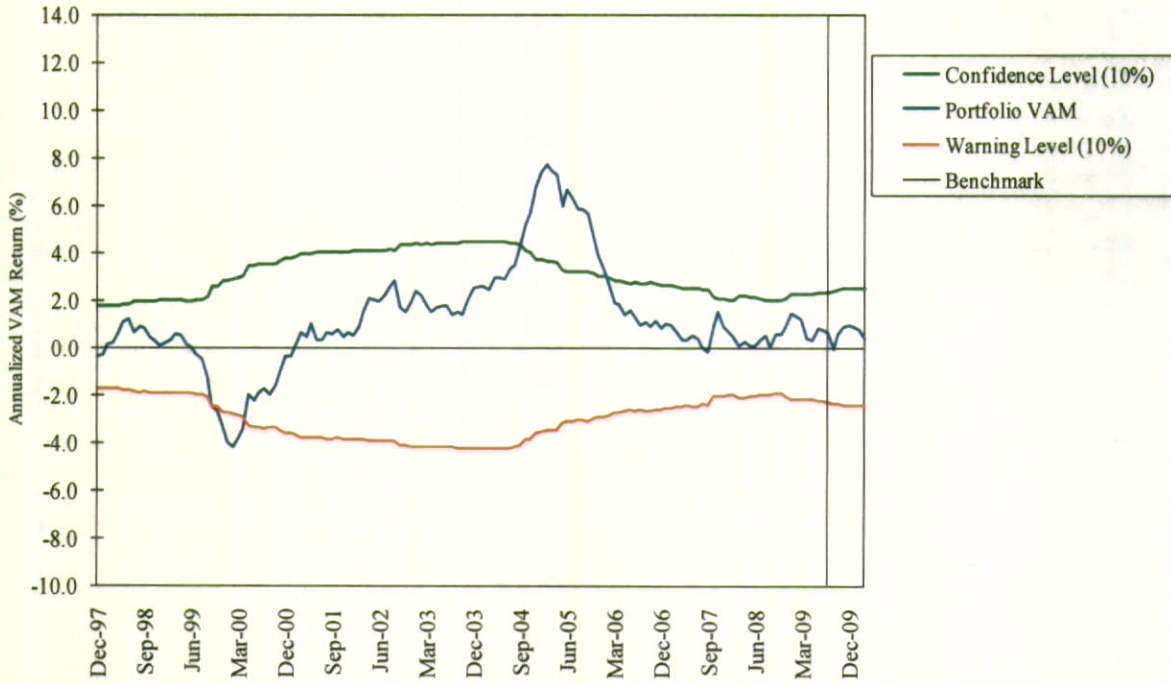
	Actual	Russell 1000 Value
2009	23.2%	19.7%
2008	-35.2	-36.8
2007	2.6	-0.2
2006	15.4	22.2
2005	9.6	7.1

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March, 2010

Portfolio Manager: Tim Culler

Assets Under Management: \$408,906,779

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



Five Year Period Ending

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

EARNEST PARTNERS, LLC
Periods Ending March, 2010

Portfolio Manager: Paul Viera

Assets Under Management: \$171,089,700

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	7.9%	6.8%
Last 1 year	56.8	53.6
Last 2 years	-2.0	-6.0
Last 3 years	-3.5	-7.3
Last 4 years	-0.3	-1.8
Last 5 years	3.0	1.0
Since Inception (7/00)	3.8	3.7

Calendar Year Returns

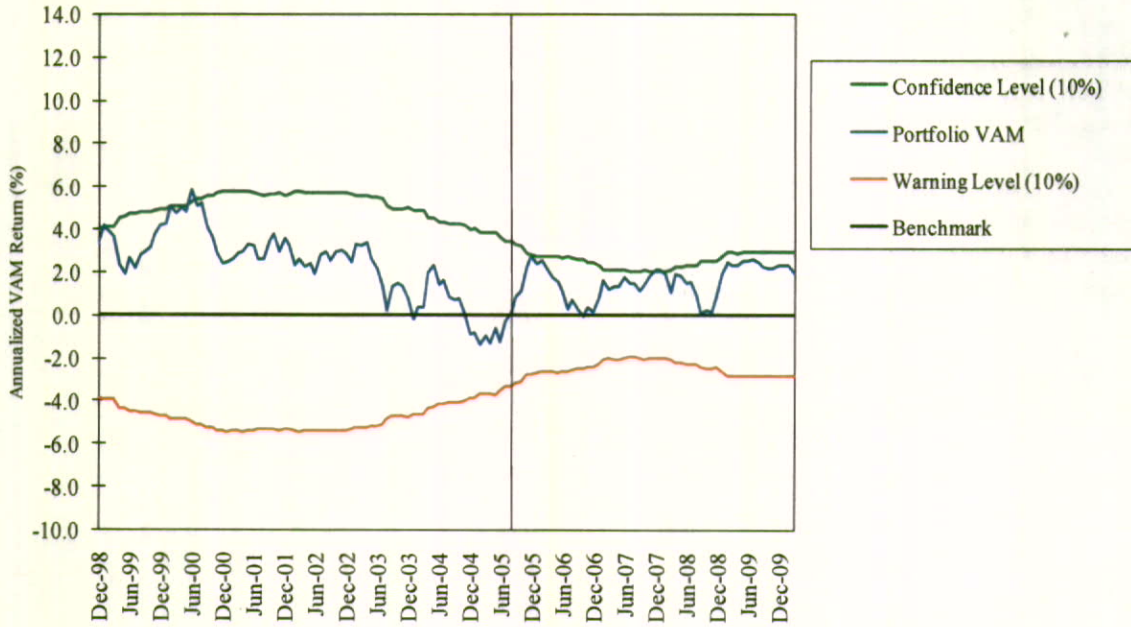
	Actual	Russell 1000 Value
2009	31.6%	19.7%
2008	-39.8	-36.8
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1

EARNEST PARTNERS, LLC
Periods Ending March, 2010

Portfolio Manager: Paul Viera

Assets Under Management: \$171,089,700

Earnest Partners
 Rolling Five Year VAM vs. Russell 1000 Value



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

LORD ABBETT & CO. LLC
Periods Ending March, 2010

Portfolio Manager: Eli Salzmann

Assets Under Management: \$291,935,898

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

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	8.6%	6.8%
Last 1 year	54.6	53.6
Last 2 years	-4.4	-6.0
Last 3 years	-4.6	-7.3
Last 4 years	-0.6	-1.8
Last 5 years	1.8	1.0
Since Inception (4/04)	2.9	3.0

Calendar Year Returns

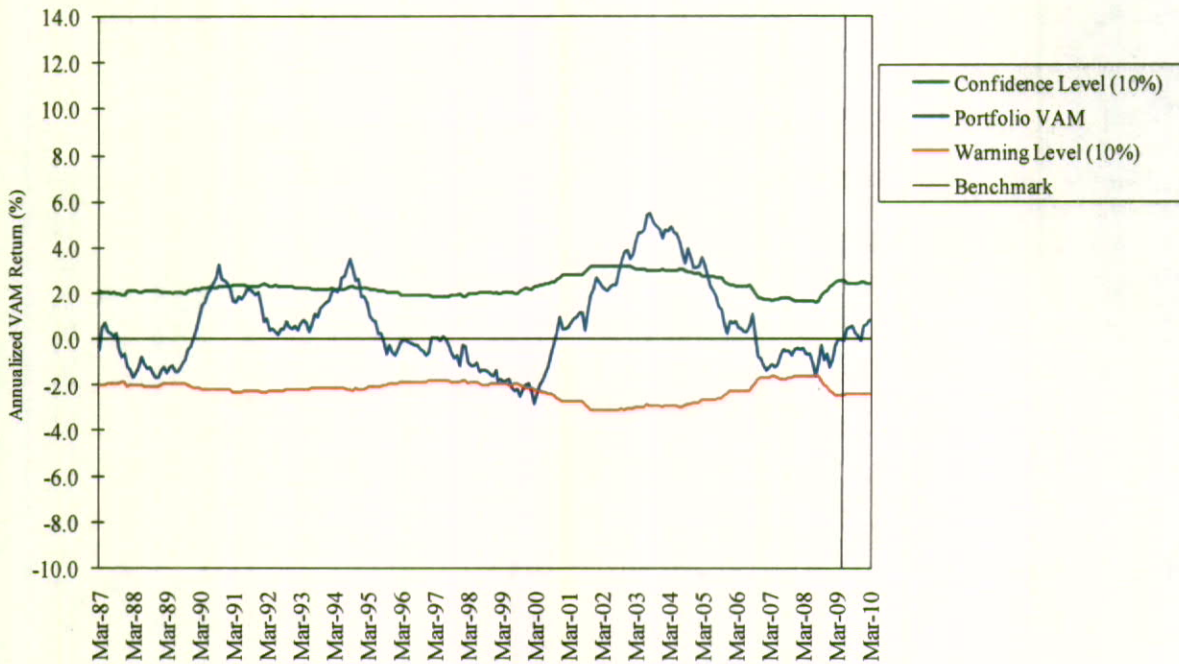
	Actual	Russell 1000 Value
2009	20.5%	19.7%
2008	-36.3	-36.8
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1

LORD ABBETT & CO. LLC
Periods Ending March, 2010

Portfolio Manager: Eli Salzmann

Assets Under Management: \$291,935,898

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



Five Year Period Ending

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

LSV ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$376,122,888

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.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	6.8%	6.8%
Last 1 year	58.0	53.6
Last 2 years	-5.6	-6.0
Last 3 years	-7.4	-7.3
Last 4 years	-1.9	-1.8
Last 5 years	1.9	1.0
Since Inception (4/04)	4.2	3.0

Calendar Year Returns

	Actual	Russell 1000 Value
2009	24.0%	19.7%
2008	-39.3	-36.8
2007	1.3	-0.2
2006	21.7	22.2
2005	12.5	7.1

Staff Comments

No comment at this time.

Recommendation

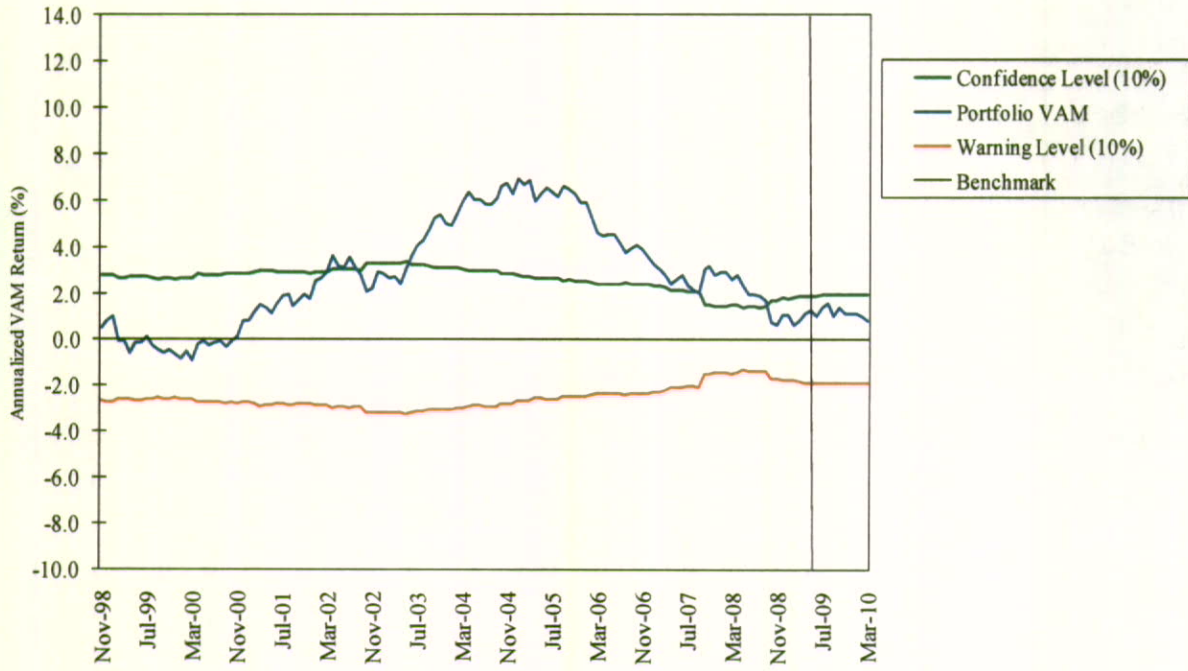
No action required.

LSV ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$376,122,888

LSV ASSET MANAGEMENT
 Rolling Five Year VAM vs. Russell 1000 Value



Five Year Period Ending

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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2010

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$278,736,648

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	7.7%	6.8%
Last 1 year	52.9	53.6
Last 2 years	-5.5	-6.0
Last 3 years	-6.2	-7.3
Last 4 years	-1.2	-1.8
Last 5 years	1.9	1.0
Since Inception (4/04)	3.7	3.0

Calendar Year Returns

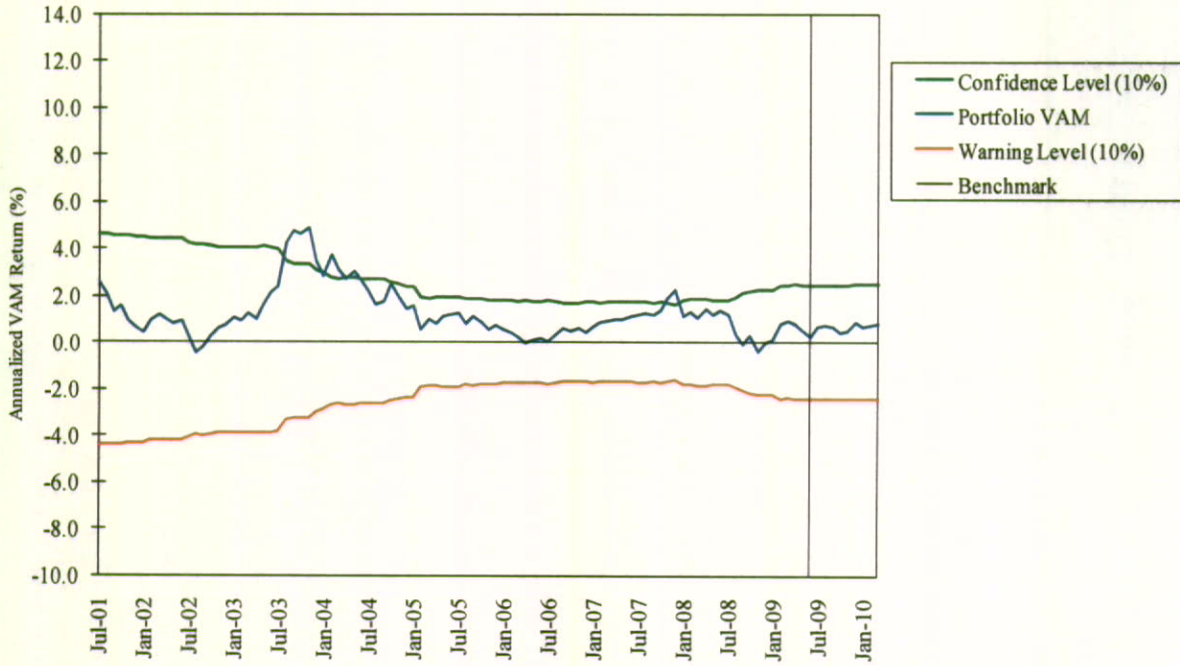
	Actual	Russell 1000 Value
2009	23.2%	19.7%
2008	-40.6	-36.8
2007	8.3	-0.2
2006	17.9	22.2
2005	10.3	7.1

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2010

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$278,736,648

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



Five Year Period Ending

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

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Small Cap Growth (R2000 Growth)

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$183,708,810

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	7.0%	7.6%
Last 1 year	46.2	60.3
Last 2 years	-8.6	1.0
Last 3 years	-8.5	-2.4
Last 4 years	-6.2	-1.4
Last 5 years	0.0	3.8
Since Inception (1/04)	0.4	4.1

Calendar Year Returns

	Actual	Russell 2000 Growth
2009	28.0%	34.5%
2008	-49.1	-38.5
2007	16.2	7.0
2006	12.5	13.3
2005	0.2	4.2

Staff Comments

McKinley trailed the benchmark for the quarter and for the year. Overall sector allocation and stock selection in the Materials and Processing sector hurt the quarterly return. For the year, negative stock selection across several sectors hurt performance.

Recommendation

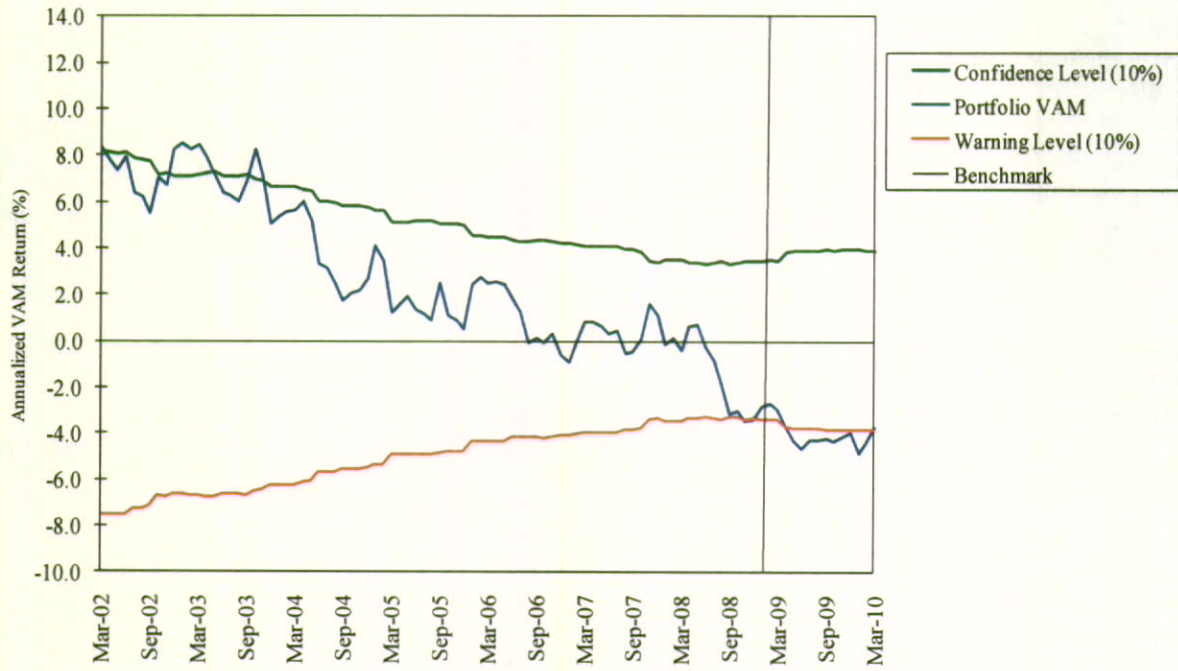
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MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$183,708,810

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



Five Year Period Ending

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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2010

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$222,751,618

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	7.3%	7.6%
Last 1 year	56.8	60.3
Last 2 years	-4.4	1.0
Last 3 years	-1.7	-2.4
Last 4 years	-1.8	-1.4
Last 5 years	7.0	3.8
Since Inception (7/00)	-1.1	-0.8

Calendar Year Returns

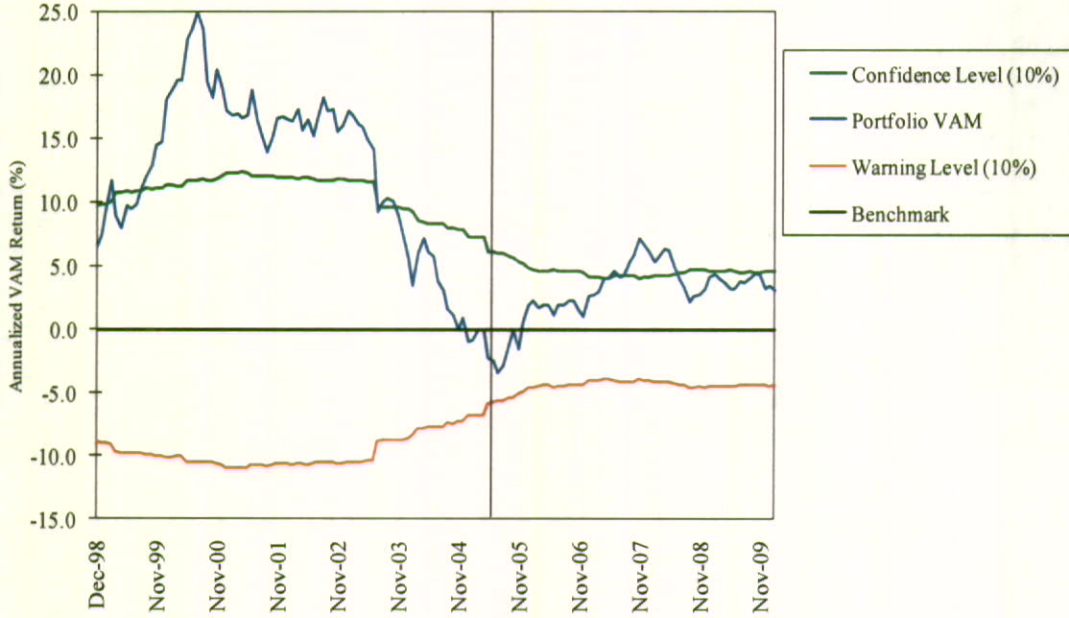
	Actual	Russell 2000 Growth
2009	35.0%	34.5%
2008	-49.3	-38.5
2007	34.2	7.0
2006	12.4	13.3
2005	25.2	4.2

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2010

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$222,751,618

Next Century Growth Investors
Rolling Five Year VAM vs. Russell 2000 Growth



Five Year Period Ending

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

TURNER INVESTMENT PARTNERS
Periods Ending March, 2010

Portfolio Manager: William McVail

Assets Under Management: \$231,874,792

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	8.8%	7.6%
Last 1 year	63.8	60.3
Last 2 years	0.6	1.0
Last 3 years	-1.5	-2.4
Last 4 years	-0.9	-1.4
Last 5 years	5.2	3.8
Since Inception (1/04)	4.8	4.1

Calendar Year Returns

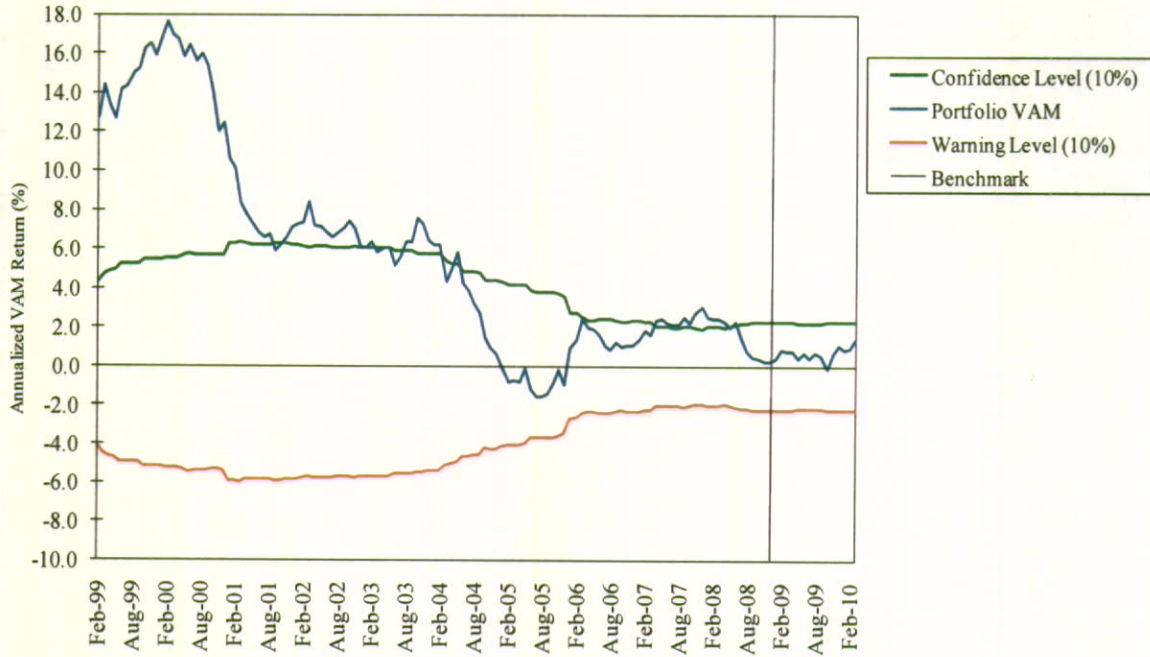
	Actual	Russell 2000 Growth
2009	36.9%	34.5%
2008	-41.9	-38.5
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2

TURNER INVESTMENT PARTNERS
Periods Ending March, 2010

Portfolio Manager: William McVail

Assets Under Management: \$231,874,792

TURNER INVESTMENT PARTNERS
 Rolling Five Year VAM vs. Russell 2000 Growth



Five Year Period Ending

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

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Small Cap Value (R2000 Value)

Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Chip Otness

Assets Under Management: \$133,668,003

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	9.4%	10.0%
Last 1 year	60.4	65.1
Last 2 years	2.9	0.4
Last 3 years	-1.7	-5.7
Last 4 years	0.8	-1.9
Last 5 years	4.6	2.8
Since Inception (1/04)	5.9	4.9

Calendar Year Returns

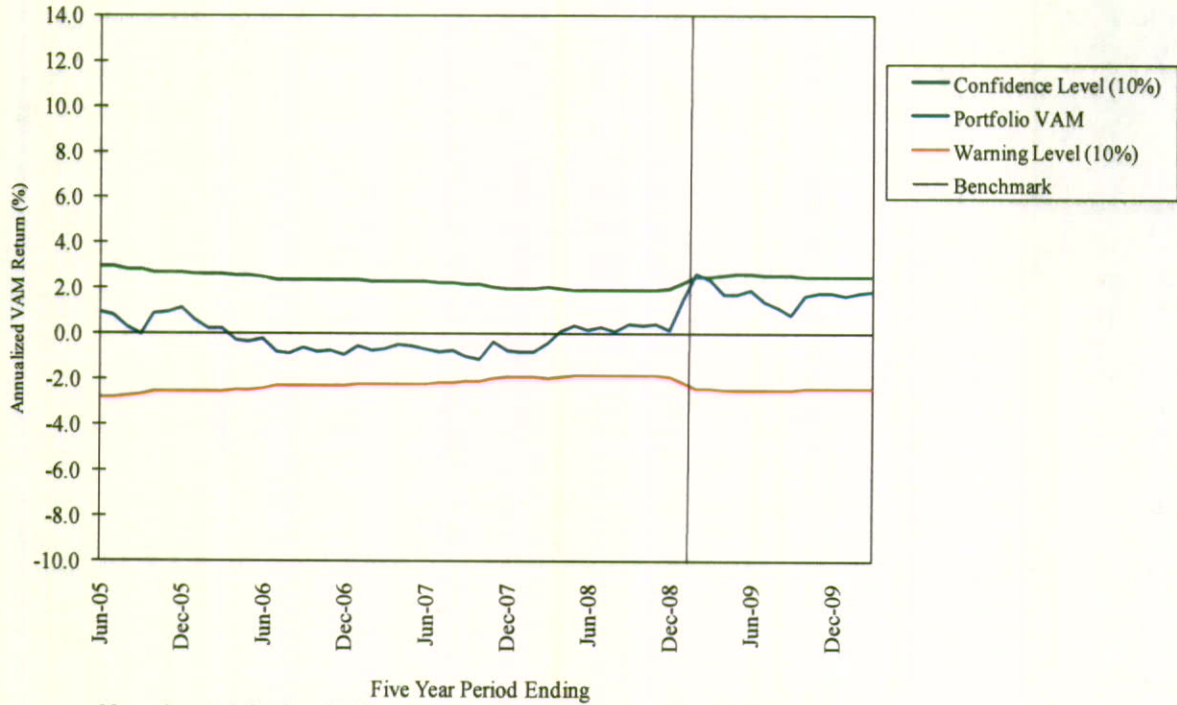
	Actual	Russell 2000 Value
2009	27.8%	20.6%
2008	-26.8	-28.9
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Chip Otness

Assets Under Management: \$133,668,003

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM vs. Russell 2000 Value



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$115,575,635

Investment Philosophy

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

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

Staff Comments

Hotchkis & Wiley exceeded the benchmark for the quarter and for the year. Overall stock selection helped both periods. The overweight and strong stock selection in the Consumer Discretionary sector, primarily media and retail companies, was the largest contributor to the return for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	15.9%	10.0%
Last 1 year	120.0	65.1
Last 2 years	4.6	0.4
Last 3 years	-6.0	-5.7
Last 4 years	-4.8	-1.9
Last 5 years	-0.4	2.8
Since Inception (1/04)	3.4	4.9

Calendar Year Returns

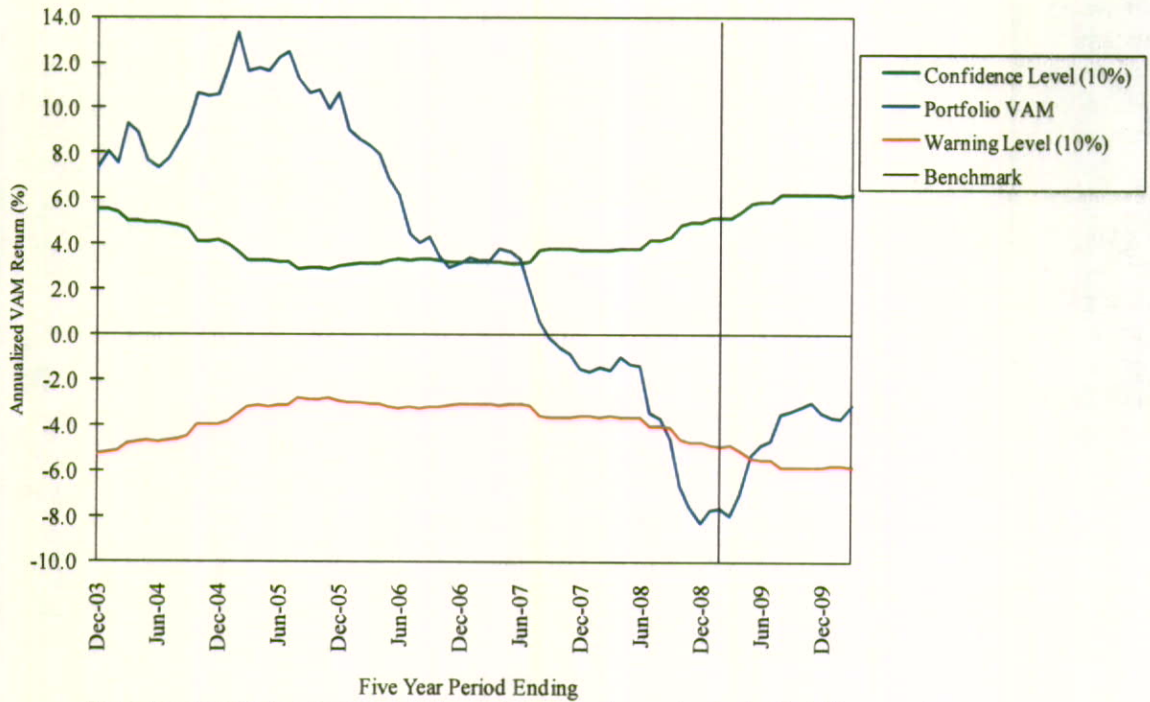
	Actual	Russell 2000 Value
2009	62.5%	20.6%
2008	-44.1	-28.9
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$115,575,635

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



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

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: William Jacques

Assets Under Management: \$106,494,562

Investment Philosophy

Martingale's investment process seeks to exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. Martingale has a long history of employing sound quantitative methods.

The valuation process is comprised of well-researched valuation indicators that have stood the test of time, with improvements made only after careful evaluation, testing and analysis. Multiple characteristics of quality, value and momentum are examined. The quality of company management is assessed by reviewing commitment to R&D, accounting practices with regard to earnings and cash flow from operations, and the ability to manage inventory.

The average holding period of a stock is typically one year. Every holding is approached as an investment in the business, with the intention of holding it until either objectives are reached, or it becomes apparent that there are better opportunities in other stocks.

Staff Comments

Martingale lagged the benchmark for the quarter and for the year. The quarterly performance was hurt by overall stock selection. Martingale's model avoided the low-priced, high-risk companies that performed well in 2009. This resulted in negative stock selection across several sectors for the past twelve months.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	8.5%	10.0%
Last 1 year	61.7	65.1
Last 2 years	-4.2	0.4
Last 3 years	-10.7	-5.7
Last 4 years	-7.2	-1.9
Last 5 years	-2.3	2.8
Since Inception (1/04)	2.1	4.9

Calendar Year Returns

	Actual	Russell 2000 Value
2009	19.4%	20.6%
2008	-33.8	-28.9
2007	-16.8	-9.8
2006	14.8	23.5
2005	6.2	4.7

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: William Jacques

Assets Under Management: \$106,494,562

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



Five Year Period Ending

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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$187,189,355

Investment Philosophy

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

Staff Comments

Peregrine trailed the quarterly benchmark and outperformed for the year. Stock selection within the Technology sector was the largest detractor for the quarter. The one-year return benefited from strong stock selection across most sectors, especially the Financial Services sector.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	9.7%	10.0%
Last 1 year	95.6	65.1
Last 2 years	2.9	0.4
Last 3 years	-6.3	-5.7
Last 4 years	-3.5	-1.9
Last 5 years	1.5	2.8
Since Inception (7/00)	9.4	8.9

Calendar Year Returns

	Actual	Russell 2000 Value
2009	45.8%	20.6%
2008	-39.4	-28.9
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$187,189,355

Peregrine Capital Management
 Rolling Five Year VAM vs. Russell 2000 Value



Five Year Period Ending

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

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Semi-Passive and Passive

Semi-Passive and Passive

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BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2010

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,877,981,182

Investment Philosophy – Semi-Passive Style

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	5.3%	5.7%
Last 1 year	50.7	51.6
Last 2 years	-3.4	-3.3
Last 3 years	-5.1	-4.0
Last 4 years	-1.2	-0.2
Last 5 years	1.7	2.3
Since Inception (1/95)	8.0	7.7

Calendar Year Returns

	Actual	Manager Benchmark
2009	27.6%	28.4%
2008	-37.1	-37.6
2007	2.2	5.8
2006	15.6	15.5
2005	7.6	6.3

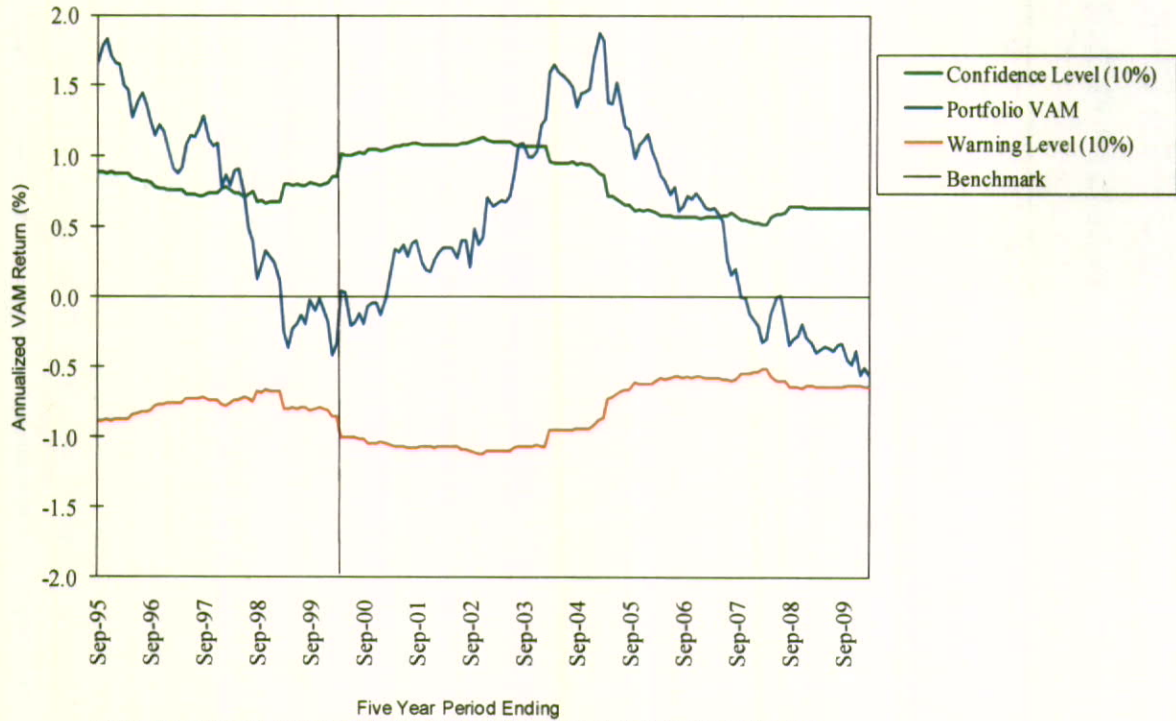
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2010

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,877,981,182

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



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

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: Ralph Zingone and Scott Blasdell Assets Under Management: \$2,649,054,557

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

JP Morgan outperformed for the quarter and for the year. Both periods were helped by positive stock selection across most sectors. The one-year return had the biggest impact from stock selection in the Materials and Processing sector.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	6.2%	5.7%
Last 1 year	55.3	51.6
Last 2 years	-1.4	-3.3
Last 3 years	-3.0	-4.0
Last 4 years	0.8	-0.2
Last 5 years	3.0	2.3
Since Inception (1/95)	7.9	7.7

Calendar Year Returns

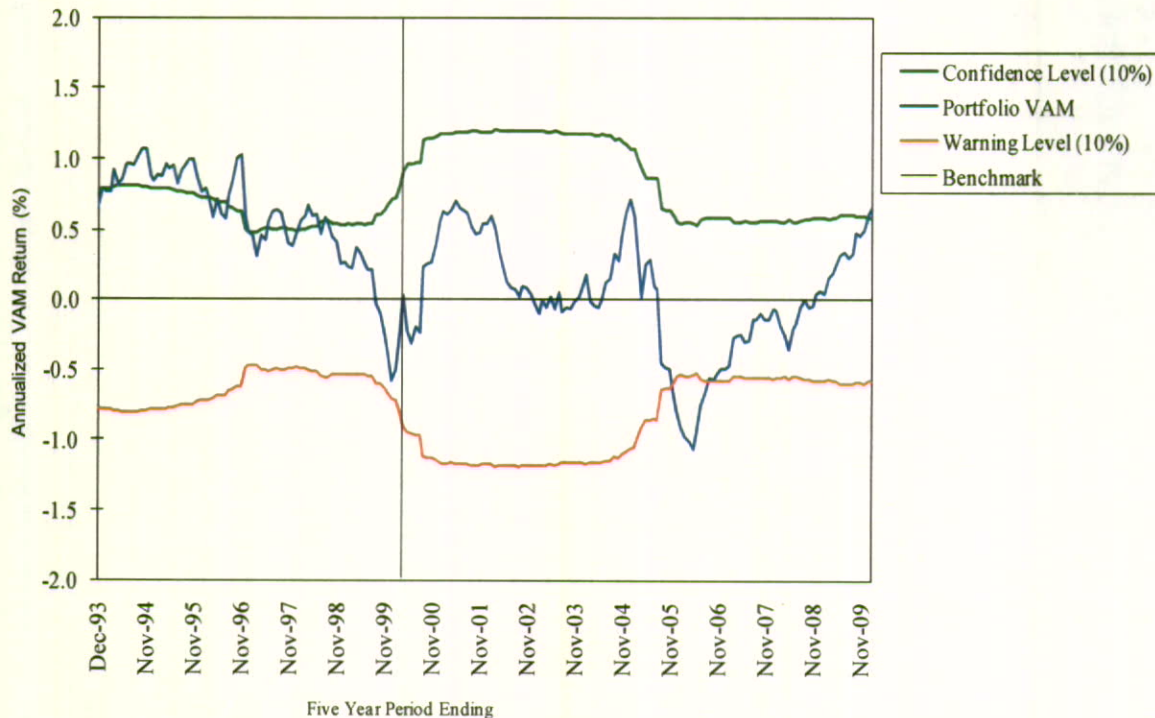
	Actual	Manager Benchmark
2009	32.1%	28.4%
2008	-37.1	-37.6
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3

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

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: Ralph Zingone and Scott Blasdell Assets Under Management: \$2,649,054,557

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



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

MELLON CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Tony Garvin

Assets Under Management: \$2,249,647,420

Investment Philosophy – Semi-Passive Style

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

Staff Comments

Mellon outperformed for the quarter and underperformed for the year. The quarterly performance was helped by stock selection in the Consumer Staples and Consumer Discretionary sectors. The one-year return was hurt by overall sector allocation.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	5.9%	5.7%
Last 1 year	50.8	51.6
Last 2 years	-4.3	-3.3
Last 3 years	-5.7	-4.0
Last 4 years	-1.3	-0.2
Last 5 years	1.3	2.3
Since Inception (1/95)	7.1	7.7

Calendar Year Returns

	Actual	Manager Benchmark
2009	25.6%	28.4%
2008	-37.6	-37.6
2007	2.5	5.8
2006	16.5	15.5
2005	6.1	6.3

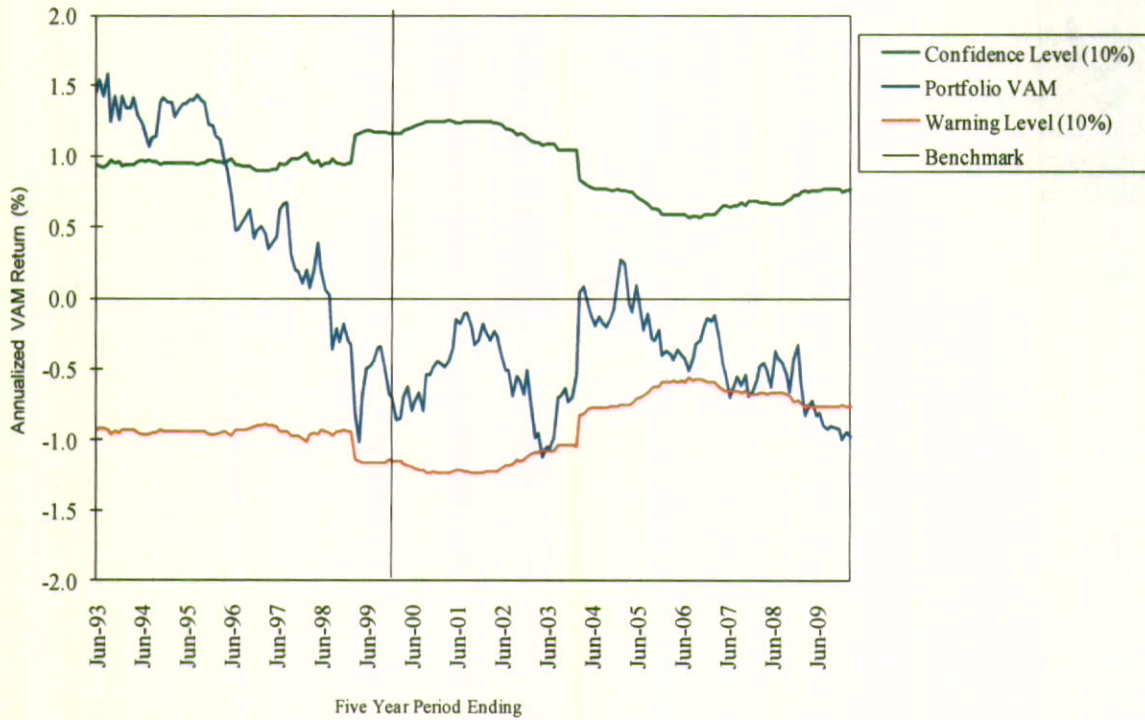
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

MELLON CAPITAL MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Tony Garvin

Assets Under Management: \$2,249,647,420

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



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

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2010

Portfolio Manager: Amy Schioldager

Assets Under Management: \$8,624,207,194

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	6.0%	5.9%
Last 1 year	52.5	52.4
Last 2 years	-2.8	-2.9
Last 3 years	-3.9	-4.0
Last 4 years	-0.3	-0.4
Last 5 years	2.5	2.4
Since Inception (7/95)	7.3	7.1

Calendar Year Returns

	Actual	Manager Benchmark
2009	28.2%	28.3%
2008	-37.1	-37.3
2007	5.1	5.1
2006	15.8	15.7
2005	6.2	6.1

* 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.

BLACKROCK INSTITUTIONAL TRUST CO., N.A.
Periods Ending March, 2010

Portfolio Manager: Amy Schioldager

Assets Under Management: \$8,624,207,194

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



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STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

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Bond Managers

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**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2010**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Aberdeen	3.5	1.8	21.4	7.7	2.8	6.1	3.6	5.4	5.7	6.4	\$924.1	9.8%
Dodge & Cox	2.4	1.8	19.7	7.7	7.4	6.1	6.4	5.4	7.5	6.4	\$956.6	10.1%
PIMCO	3.7	1.8	19.2	7.7					13.1	8.3	\$838.9	8.9%
RiverSource	2.4	1.8	14.0	7.7	5.2	6.1	5.0	5.4	5.9	6.2	\$790.7	8.4%
Western	3.1	1.8	19.1	7.7	5.4	6.1	5.4	5.4	9.6	8.5	\$1,239.8	13.1%
Active Mgr. Aggregate	3.0	1.8	18.8	7.7	5.0	6.1	5.0	5.4			\$4,750.2	50.3%
Semi-Passive Managers												
BlackRock	1.8	1.8	11.2	7.7	5.2	6.1	4.9	5.4	6.3	6.3	\$1,559.6	16.5%
Goldman	2.4	1.8	13.5	7.7	6.1	6.1	5.5	5.4	6.4	6.2	\$1,588.1	16.8%
Neuberger	2.9	1.8	17.4	7.7	6.5	6.1	5.7	5.4	7.5	7.3	\$1,538.7	16.3%
Semi-Passive Mgr. Aggregate	2.4	1.8	14.0	7.7	5.9	6.1	5.4	5.4			\$4,686.4	49.7%
Historical Aggregate (2)	2.7	1.8	16.4	7.7	5.6	6.1	5.2	5.4	8.6	8.6	\$9,436.55	100.0%
Barclays Capital Aggregate (3)		1.8		7.7		6.1		5.4		8.5		

(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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	18.4	5.9	-14.7	5.2	5.6	7.0	4.8	4.3	2.7	2.4
Dodge & Cox	16.5	5.9	0.1	5.2	5.3	7.0	5.5	4.3	2.5	2.4
RiverSource	14.0	5.9	-4.9	5.2	6.6	7.0	4.7	4.3	2.6	2.4
Western	17.5	5.9	-6.8	5.2	5.4	7.0	5.4	4.3	2.7	2.4
Active Mgr. Aggregate	16.5	5.9	-7.3	5.2	5.8	7.0	5.0	4.3	2.9	2.4
Semi-Passive Managers										
BlackRock	9.6	5.9	-1.1	5.2	6.8	7.0	4.3	4.3	2.7	2.4
Goldman	12.0	5.9	-1.2	5.2	7.0	7.0	4.5	4.3	2.8	2.4
Neuberger	14.3	5.9	-1.9	5.2	6.3	7.0	4.5	4.3	2.5	2.4
Semi-Passive Mgr. Aggregate	12.0	5.9	-1.4	5.2	6.7	7.0	4.5	4.3	2.6	2.4
Historical Aggregate	14.3	5.9	-4.2	5.2	6.3	7.0	4.7	4.3	2.8	2.4
Barclays Capital Aggregate		5.9		5.2		7.0		4.3		2.4

ABERDEEN ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Neil Moriarty

Assets Under Management: \$924,097,610

Investment Philosophy

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

Staff Comments

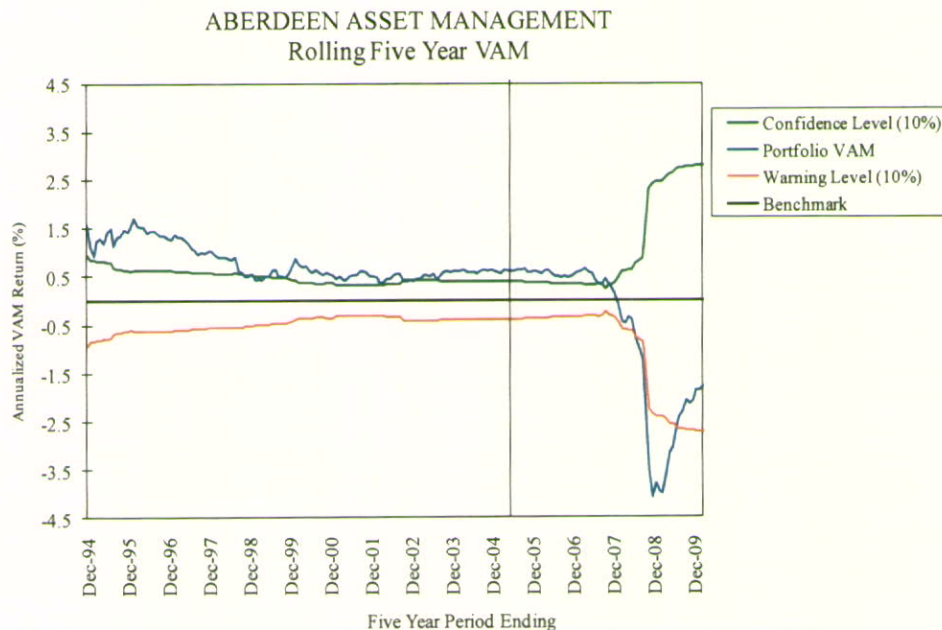
Aberdeen outperformed the benchmark by 170 bps in 1Q10 and by 1,370 bps over the last 12 months. Corporate bond security selection/sector overweight and non-Agency MBS holdings were the main drivers of 1Q10 excess return. Over the last year, outperformance was driven by allocations to non-Agency MBS, security selection in CMBS and ABS, and a corporate bond sector overweight.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.5%	1.8%
Last 1 year	21.4	7.7
Last 2 years	2.8	5.4
Last 3 years	2.8	6.1
Last 4 years	3.8	6.3
Last 5 years	3.6	5.4
Since Inception (2/00)	5.7	6.4

Recommendations

No action required.



DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2010

Portfolio Manager: Dana Emery

Assets Under Management: \$956,593,339

Investment Philosophy

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

Staff Comments

Dodge & Cox outperformed the benchmark by 60 bps in 1Q10 and by 1,200 bps over the last 12 months. The portfolio's significant corporate bond sector overweight was the main driver of returns in 1Q10 and over the last 12 months. Agency MBS holdings also contributed to returns in 1Q10 and over the last 12 months.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.4%	1.8%
Last 1 year	19.7	7.7
Last 2 years	8.9	5.4
Last 3 years	7.4	6.1
Last 4 years	7.3	6.3
Last 5 years	6.4	5.4
Since Inception (2/00)	7.5	6.4

Recommendations

No action required.

DODGE & COX INVESTMENT MANAGERS
Rolling Five Year VAM



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

PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)
Periods Ending March, 2010

Portfolio Manager: Bill Gross

Assets Under Management: \$838,863,768

Investment Philosophy

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

Staff Comments

PIMCO outperformed the benchmark by 190 bps in 1Q10 and by 1,150 bps over the last 12 months. Legacy non-Agency MBS added to excess returns, as did an overweight to the corporate bond sector in 1Q10. An overweight to the CMBS sector generated excess returns throughout the last 12 months, as did corporate bond overweight/security selection and non-Agency MBS legacy holdings.

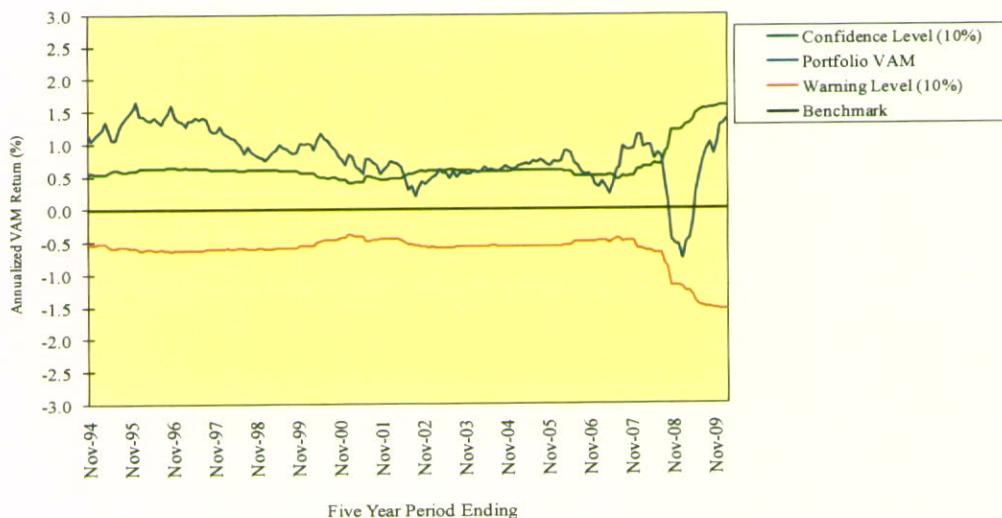
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.7%	1.8%
Last 1 year	19.2	7.7
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	13.1	8.3

Recommendations

No action required.

PACIFIC INVESTMENT MANAGEMENT CO.
 Rolling Five Year VAM



RIVERSOURCE INVESTMENTS
Periods Ending March, 2010

Portfolio Manager: Colin Lundgren

Assets Under Management: \$790,749,647

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 outperformed the benchmark by 60 bps in 1Q10 and by 630 bps over the last 12 months. Quarterly and one year performance was driven by overweights to investment grade and high yield corporate bond sectors as well as the CMBS sector.

On April 30, 2010, Ameriprise Financial finalized its purchase of Columbia Investment Management. Additionally, the combined firm has assumed the name Columbia Management Investment Advisers, LLC. SBI's portfolio manager at RiverSource, Colin Lundgren, has been promoted to Head of Fixed Income of the combined firm. Lundgren will remain heavily involved with the SBI portfolio.

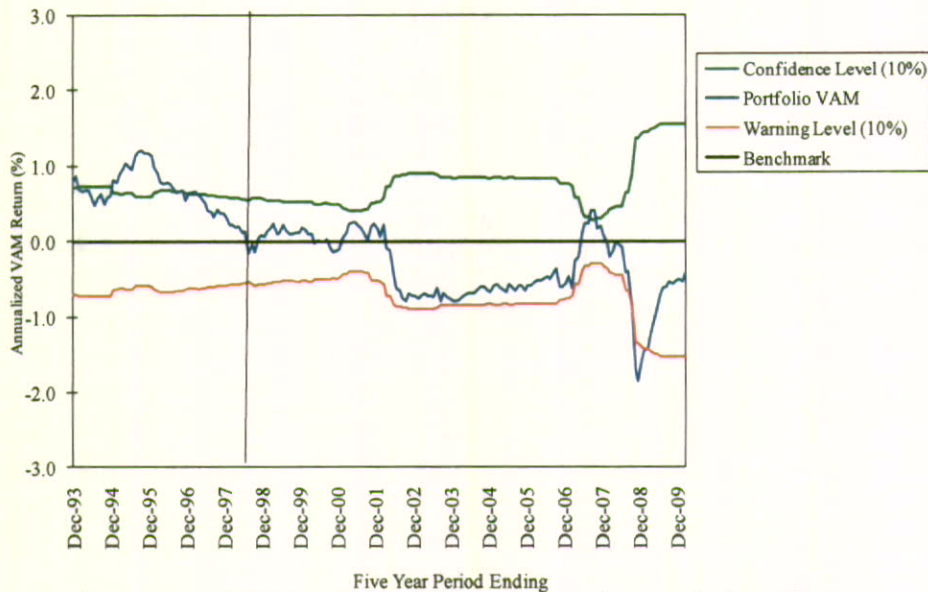
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.4%	1.8%
Last 1 year	14.0	7.7
Last 2 years	5.3	5.4
Last 3 years	5.2	6.1
Last 4 years	5.6	6.3
Last 5 years	5.0	5.4
Since Inception (7/93)	5.9	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 March, 2010

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,239,849,582

Investment Philosophy

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

Staff Comments

Western outperformed the benchmark by 130 bps in 1Q10 and by 1,140 bps over the last 12 months. Quarterly and one year performance were driven by non-Agency MBS holdings, while an underweight to Agency MBS was a slight detractor from quarterly performance as the Fed continued to support this part of the market. An overweight to Corporate bonds was also a significant contributor to performance during 1Q10 and the last 12 months.

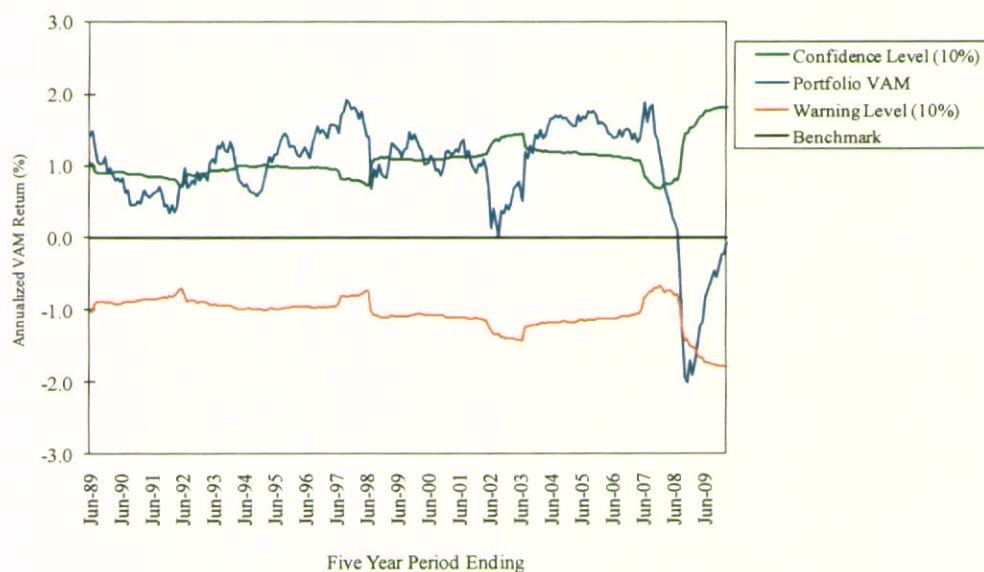
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.1%	1.8%
Last 1 year	19.1	7.7
Last 2 years	6.2	5.4
Last 3 years	5.4	6.1
Last 4 years	5.9	6.3
Last 5 years	5.4	5.4
Since Inception (7/84)	9.6	8.5

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending March, 2010

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,559,634,326

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

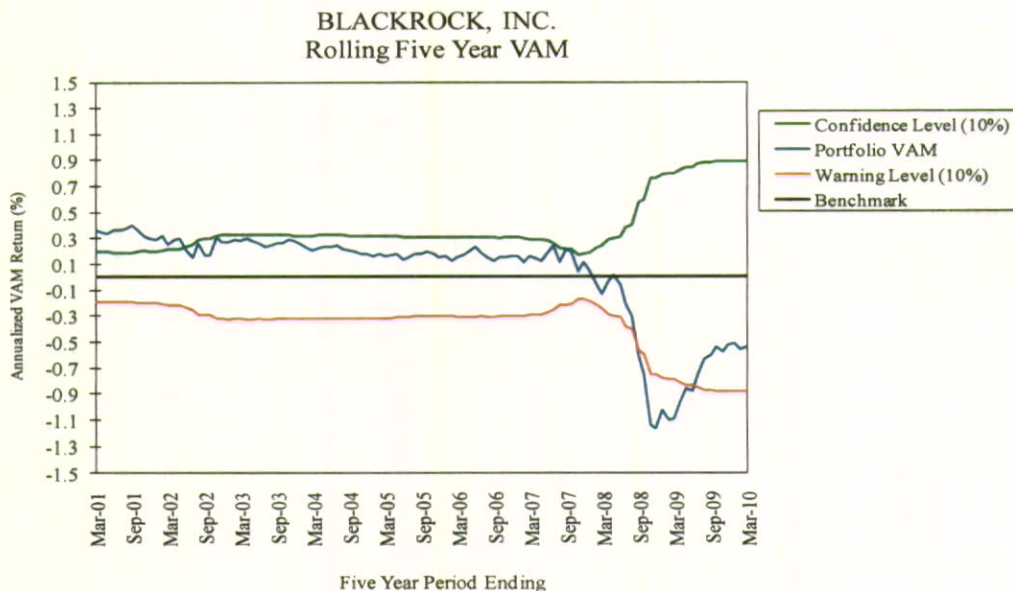
Blackrock was even with the benchmark in 1Q10 and outperformed by 350 bps over the last 12 months. Non-Agency MBS holdings contributed to excess returns, as did overweights to the CMBS, ABS and financial corporate bond sectors during the quarter and last 12 months. An underweight to Agency MBS was a slight detractor during 1Q10.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.8%	1.8%
Last 1 year	11.2	7.7
Last 2 years	4.6	5.4
Last 3 years	5.2	6.1
Last 4 years	5.5	6.3
Last 5 years	4.9	5.4
Since Inception (4/96)	6.3	6.3

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,588,081,136

Investment Philosophy

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

Staff Comments

Goldman Sachs outperformed the benchmark by 60 bps in 1Q10 and by 580 bps over the last 12 months. Non-Agency mortgage holdings performed well in 1Q10 and for the year, generating significant excess returns for both periods. Corporate bond security selection also added to 1Q10 and one year excess returns.

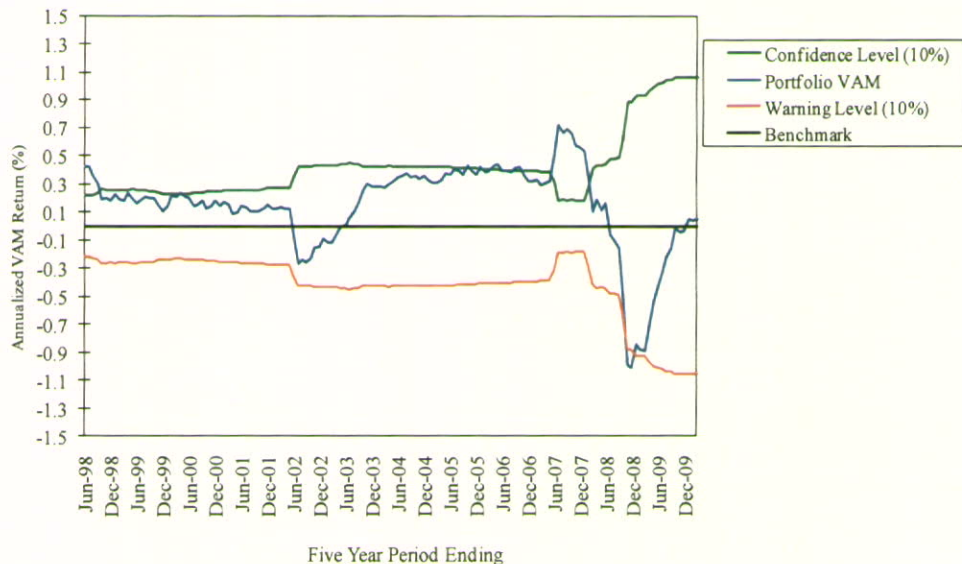
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.4%	1.8%
Last 1 year	13.5	7.7
Last 2 years	6.3	5.4
Last 3 years	6.1	6.1
Last 4 years	6.2	6.3
Last 5 years	5.5	5.4
Since Inception (7/93)	6.4	6.2

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,538,682,030

Investment Philosophy

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

Staff Comments

Neuberger outperformed the benchmark by 110 bps in 1Q10 and by 970 bps over the last 12 months. Corporate bond and CMBS sector overweights drove performance during 1Q10 and the last 12 months. Investments in non-Agency Hybrid ARM MBS also contributed to returns in both periods.

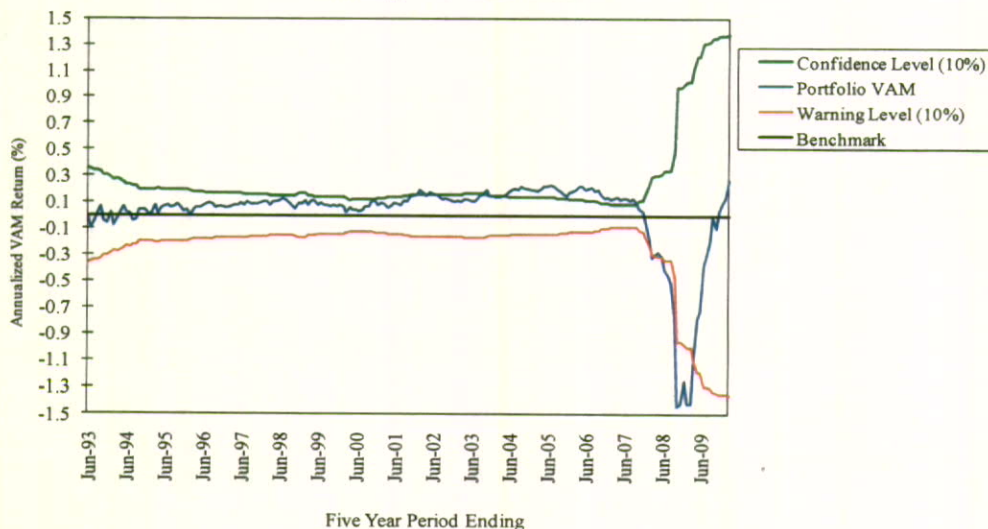
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.9%	1.8%
Last 1 year	17.4	7.7
Last 2 years	7.3	5.4
Last 3 years	6.5	6.1
Last 4 years	6.6	6.3
Last 5 years	5.7	5.4
Since Inception (7/88)	7.5	7.3

Recommendations

No action required.

NEUBERGER INVESTMENT MANAGEMENT
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

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**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2010**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active Developed Markets (2)												
Acadian	2.2	1.3	53.5	55.9	-11.6	-6.1			2.9	4.8	\$309.1	4.6%
Invesco	1.7	1.3	54.3	55.9	-4.9	-6.1	4.4	4.4	4.0	2.0	\$280.4	4.2%
J.P. Morgan	0.3	1.3	56.9	55.9	-4.9	-6.1			4.5	4.8	\$224.9	3.4%
Marathon	4.4	1.3	55.6	55.9	-2.9	-6.1	7.2	4.4	8.5	5.1	\$499.8	7.5%
McKinley	1.2	1.3	43.3	55.9	-9.9	-6.1			2.9	4.8	\$218.8	3.3%
Pyramis (Fidelity)	1.6	1.3	55.1	55.9	-3.5	-6.1			6.1	4.8	\$246.1	3.7%
RiverSource	2.2	1.3	47.9	55.9	-5.3	-6.1	4.6	4.4	-0.4	2.0	\$244.6	3.7%
Aggregate	2.3	1.3	53.5	55.9	-5.7	-6.1	4.5	4.4			\$2,023.7	30.4%
Active Emerging Markets (3)												
AllianceBernstein	1.0	2.4	79.3	81.1	2.2	5.4	13.4	15.8	13.0	14.3	\$167.2	2.5%
Capital International	1.6	2.4	80.3	81.1	8.0	5.4	19.4	15.8	13.8	14.3	\$675.4	10.1%
Morgan Stanley	0.8	2.4	78.6	81.1	3.1	5.4	15.5	15.8	14.1	14.3	\$621.3	9.3%
Aggregate	1.2	2.4	79.0	81.1	4.6	5.4	16.1	15.8			\$1,464.0	22.0%
Semi-Passive Developed Markets (2)												
AQR	1.6	1.3	59.0	55.9	-6.4	-6.1			4.6	4.8	\$247.3	3.7%
Pyramis (Fidelity)	1.2	1.3	51.3	55.9	-5.8	-6.1			5.3	4.8	\$255.3	3.8%
State Street	1.7	1.3	57.7	55.9	-7.6	-6.1			4.0	4.8	\$240.0	3.6%
Aggregate	1.5	1.3	55.9	55.9	-6.6	-6.1					\$742.5	11.1%
Passive Developed Markets (2)												
State Street	1.4	1.3	56.5	55.9	-5.8	-6.1	4.6	4.4	6.6	6.4	\$2,429.4	36.5%
									Since 10/1/92			
Equity Only (4) (6)	1.6	1.6	60.4	60.9	-4.0	-4.1	6.3	6.2	7.2	6.8	\$6,659.8	100.0%
Total Program (5) (6)	1.6	1.6	60.4	60.9	-4.0	-4.1	6.3	6.2	7.4	6.8	\$6,659.8	100.0%
SBI Int'l Equity Target (6)		1.6		60.9		-4.1		6.2		6.8		
MSCI ACWI Free ex. U.S. (7)		1.6		60.9		-4.2		6.1		7.1		
MSCI World ex U.S. (net)		1.3		55.9		-6.2		4.3		6.5		
MSCI EAFE Free (net)		0.9		54.4		-7.0		3.7		6.1		
MSCI Emerging Markets Free (8)		2.4		81.1		5.2		15.6		9.6		

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

**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Calendar Year Returns**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	28.8	33.7	-50.5	-43.5	10.0	12.6	31.9	25.7		
Invesco	32.0	33.7	-38.8	-43.5	8.4	12.6	26.0	25.7	10.6	14.5
J.P. Morgan	37.5	33.7	-41.5	-43.5	8.8	12.6	23.1	25.7		
Marathon	29.8	33.7	-38.0	-43.5	15.4	12.6	27.5	25.7	16.4	14.5
McKinley	24.1	33.7	-48.5	-43.5	20.4	12.6	25.4	25.7		
Pyramis (Fidelity)	35.1	33.7	-42.9	-43.5	17.7	12.6	22.7	25.7		
RiverSource	29.3	33.7	-40.8	-43.5	12.4	12.6	23.6	25.7	14.2	14.5
Aggregate	31.9	33.7	-42.8	-43.5	13.0	12.6	25.8	25.7	13.6	14.5
Active Emerging Markets (2)										
AllianceBernstein	78.4	78.5	-56.0	-53.2	38.8	39.9	30.4	32.2	32.7	34.0
Capital International	83.1	78.5	-48.9	-53.2	38.4	39.9	35.6	32.2	38.4	34.0
Morgan Stanley	71.7	78.5	-54.5	-53.2	43.0	39.9	37.6	32.2	34.3	34.0
Aggregate	77.3	78.5	-53.0	-53.2	40.0	39.9	34.4	32.2	34.9	34.0
Semi-Passive Developed Markets (1)										
AQR	36.0	33.7	-44.0	-43.5	9.0	12.6	25.2	25.7		
Pyramis (Fidelity)	30.2	33.7	-44.0	-43.5	18.2	12.6	26.8	25.7		
State Street	34.9	33.7	-45.3	-43.5	9.1	12.6	27.1	25.7		
Aggregate	33.6	33.7	-44.4	-43.5	12.1	12.6	26.4	25.7		
Passive Developed Markets (1)										
State Street	34.0	33.7	-43.4	-43.5	12.9	12.6	26.0	25.7	14.6	14.5
Equity Only (3) (5)	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6
Total Program (4) (5)	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6
SBI Int'l Equity Target (5)		41.5		-45.5		16.9		26.7		16.6
MSCI ACWI Free ex. U.S. (6)		41.5		-45.5		16.7		26.7		16.6
MSCI World ex U.S. (net)		33.7		-43.6		12.4		25.7		14.5
MSCI EAFE Free (net)		31.8		-43.4		11.2		26.3		13.5
MSCI Emerging Markets Free (7)		78.5		-53.3		39.4		32.2		34.0

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

ACADIAN ASSET MANAGEMENT LLC
Periods Ending March, 2010

Portfolio Manager: John Chisholm

Assets Under Management: \$309,065,496

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

Over the quarter, the portfolio added value relative to the index return. An underweight position in Spain, and an overweight position in Japan together with stock selection in that market contributed positively to performance. Over the year, the portfolio trailed the index as the junk rally of 2009 outperformed the portfolio's higher quality positions.

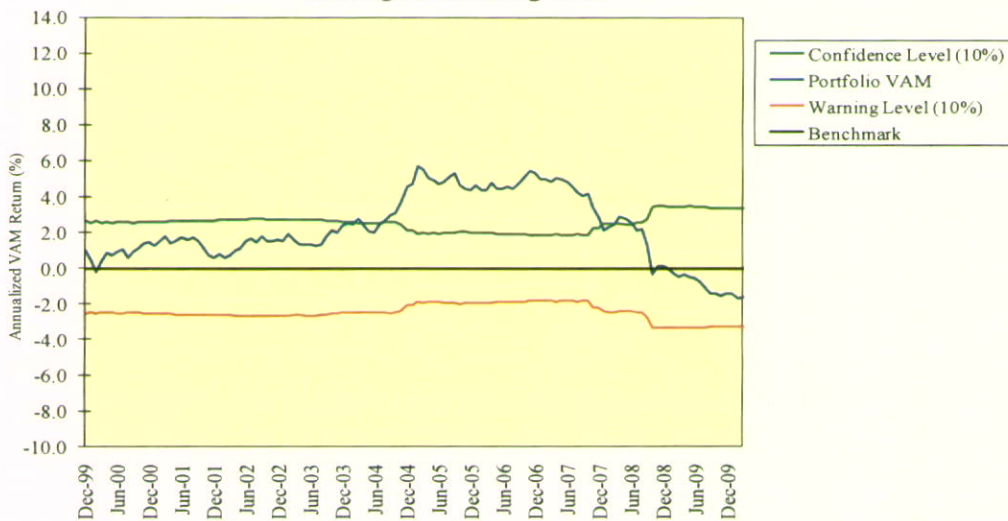
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.2%	1.3%
Last 1 year	53.5	55.9
Last 2 years	-15.0	-8.4
Last 3 years	-11.6	-6.1
Last 4 years	-3.9	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	2.9	4.8

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 MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Erik Granade

Assets Under Management: \$280,352,836

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 Japan, Canada and Hong Kong, together with weighting decisions in those markets contributed to the portfolio's outperformance during the quarter. For the year, stock selection in the United Kingdom contributed significantly to the portfolio's underperformance relative to the index return.

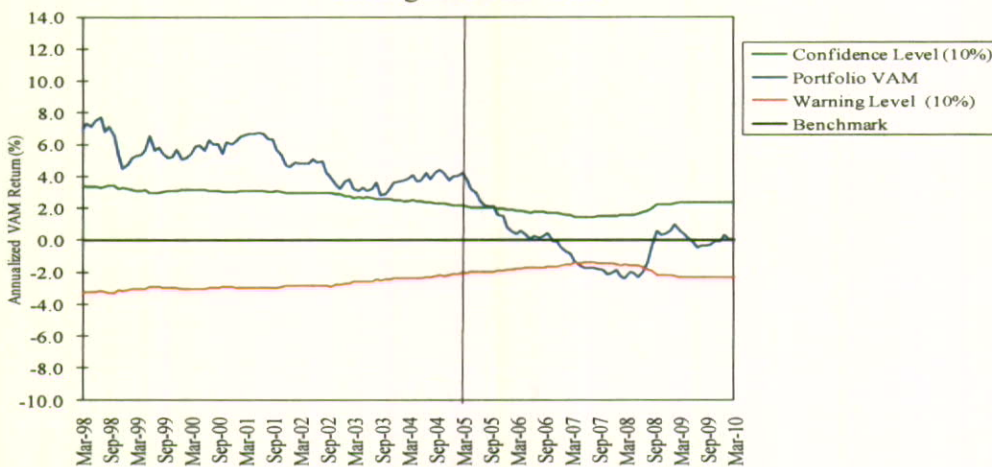
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.7%	1.3%
Last 1 year	54.3	55.9
Last 2 years	-4.2	-8.4
Last 3 years	-4.9	-6.1
Last 4 years	0.7	-0.2
Last 5 years	4.4	4.4
Since Inception (3/00)	4.0	2.0

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



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

J.P. MORGAN INVESTMENT MANAGEMENT INC.
Periods Ending March, 2010

Portfolio Manager: James Fisher

Assets Under Management: \$224,908,524

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

The portfolio underperformed during the quarter. Stock selection in the financials, energy and healthcare sectors detracted from returns. Over the year, the portfolio added value in large part due to strong stock selection in the consumer discretionary sector.

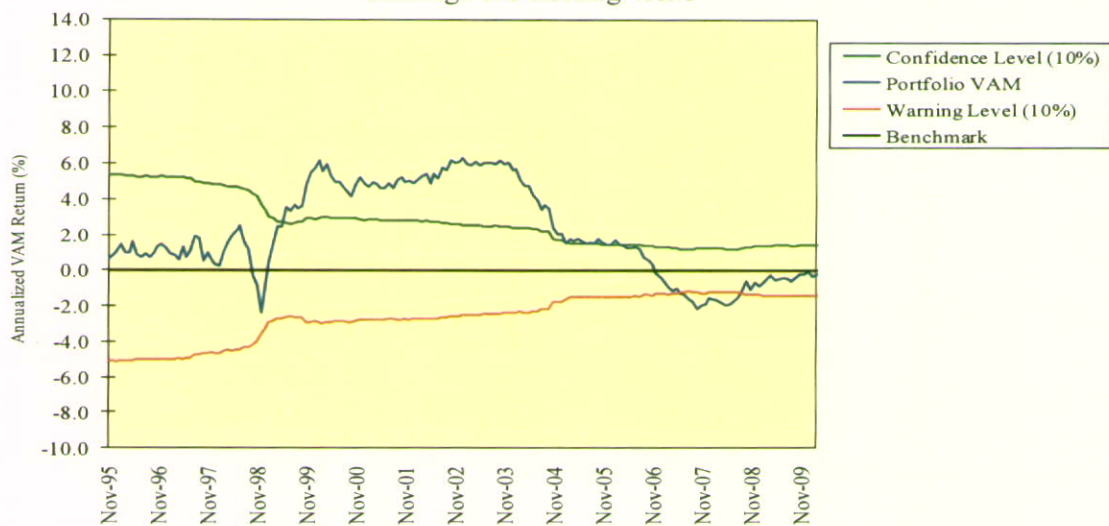
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.3%	1.3%
Last 1 year	56.9	55.9
Last 2 years	-5.7	-8.4
Last 3 years	-4.9	-6.1
Last 4 years	-0.4	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	4.5	4.8

Recommendations

No action required.

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



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

MARATHON ASSET MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: William Arah

Assets Under Management: \$499,842,404

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

The portfolio outperformed over the quarter and narrowly underperformed for the year. During the quarter, an overweight position to the industrials sector and stock selection in the consumer discretionary and energy sectors added value. Over the year, the portfolio's overweight position in Japan and stock selection within that market detracted from returns.

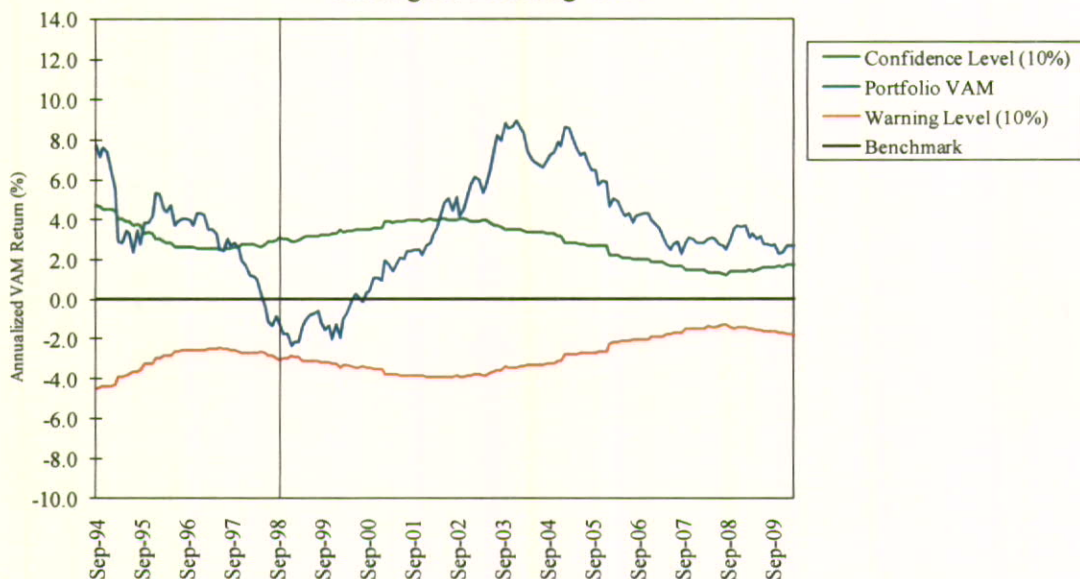
Quantitative Evaluation

	Custom	
	Actual	Benchmark
Last Quarter	4.4%	1.3%
Last 1 year	55.6	55.9
Last 2 years	-4.9	-8.4
Last 3 years	-2.9	-6.1
Last 4 years	2.9	-0.2
Last 5 years	7.2	4.4
Since Inception (11/93)	8.5	5.1

Recommendations

No action required.

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending March, 2010

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$218,827,584

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

The portfolio underperformed over the quarter and the year. Stock selection in Japan and in the consumer discretionary and consumer staples sectors negatively impacted returns for the quarter. An underweight to and stock selection in the financials sector detracted from returns for the year.

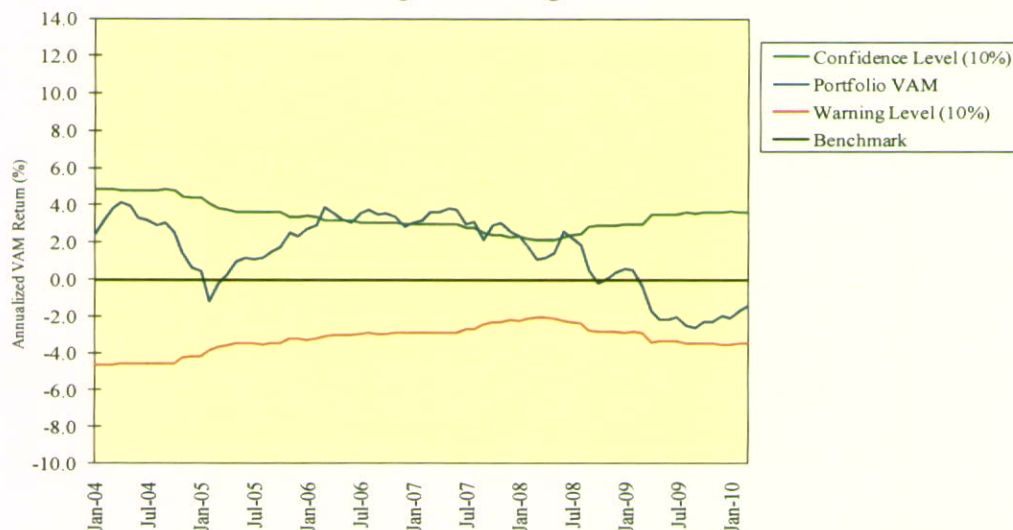
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.2%	1.3%
Last 1 year	43.3	55.9
Last 2 years	-14.7	-8.4
Last 3 years	-9.9	-6.1
Last 4 years	-3.2	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	2.9	4.8

Recommendations

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.
 Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2010

Portfolio Manager: Michael Strong

Assets Under Management: \$246,133,463

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

Over the quarter stock selection in the consumer discretionary, healthcare and industrials sectors contributed to the portfolio's outperformance. During the year, stock selection in the financials and telecommunications sectors detracted from returns.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	1.3%
Last 1 year	55.1	55.9
Last 2 years	-6.8	-8.4
Last 3 years	-3.5	-6.1
Last 4 years	0.9	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	6.1	4.8

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 March, 2010

Portfolio Manager: Esther Perkins

Assets Under Management: \$244,573,370

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 industrials, consumer discretionary and healthcare sectors contributed to the portfolio's outperformance over the quarter. For the year, stock selection in Japan and in the financials sector detracted from returns.

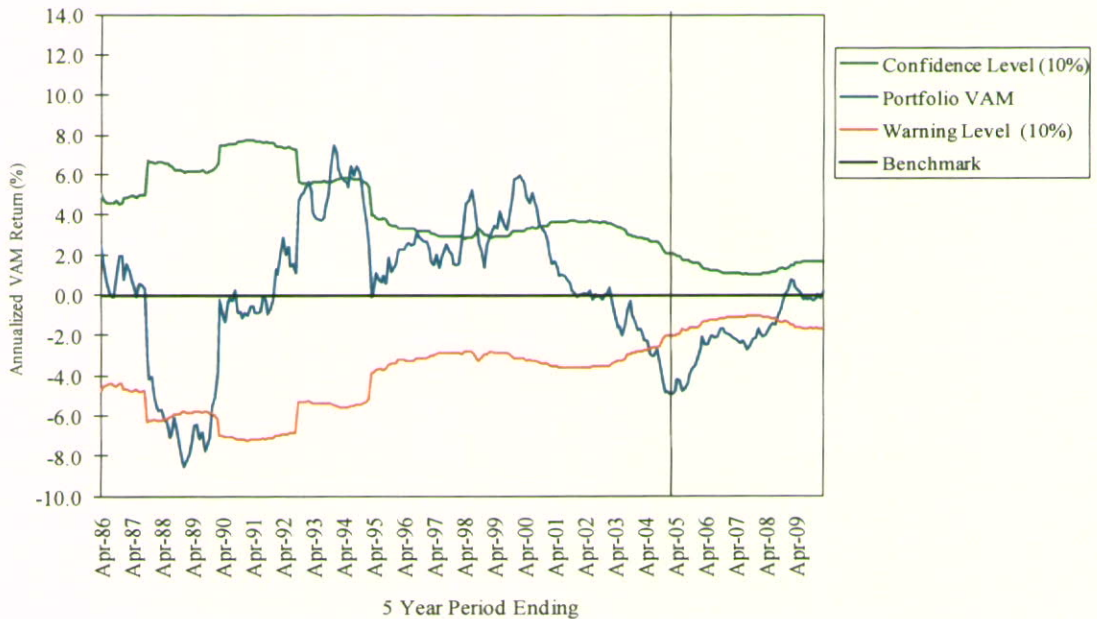
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.2%	1.3%
Last 1 year	47.9	55.9
Last 2 years	-7.2	-8.4
Last 3 years	-5.3	-6.1
Last 4 years	-0.4	-0.2
Last 5 years	4.6	4.4
Since Inception (3/00)	-0.4	2.0

Recommendations

No action required.

RIVERSOURCE INVESTMENTS
Rolling Five Year VAM



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

ALLIANCEBERNSTEIN L.P.
Periods Ending March, 2010

Portfolio Manager: Steve Beinhacker

Assets Under Management: \$167,246,831

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

Stock selection in Taiwan, Russia as well as in the financials and information technology sectors contributed to the portfolio's underperformance over the quarter and the year.

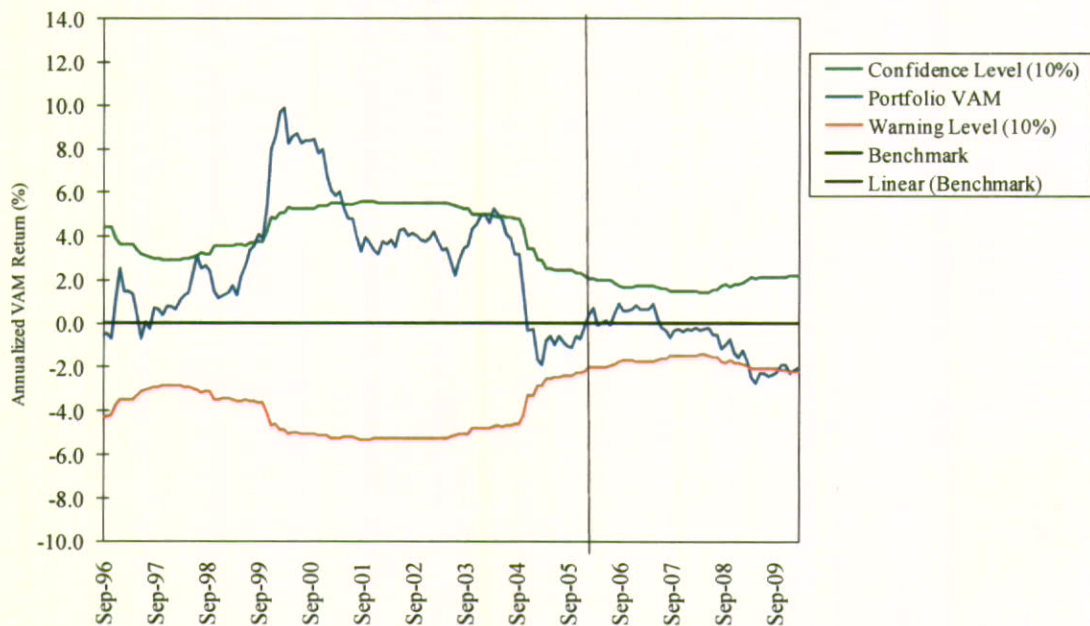
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	2.4%
Last 1 year	79.3	81.1
Last 2 years	-5.5	-2.0
Last 3 years	2.2	5.4
Last 4 years	6.2	9.0
Last 5 years	13.4	15.8
Since Inception (3/01)	13.0	14.3

Recommendations

No action required.

ALLIANCEBERNSTEIN L.P.
Rolling Five Year VAM



5 Year Period Ending

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

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2010

Portfolio Manager: Victor Kohn

Assets Under Management: \$675,421,426

Investment Philosophy

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

Staff Comments

Stock selection in South Africa, India and Russia contributed to the portfolio's underperformance over both the quarter and the year.

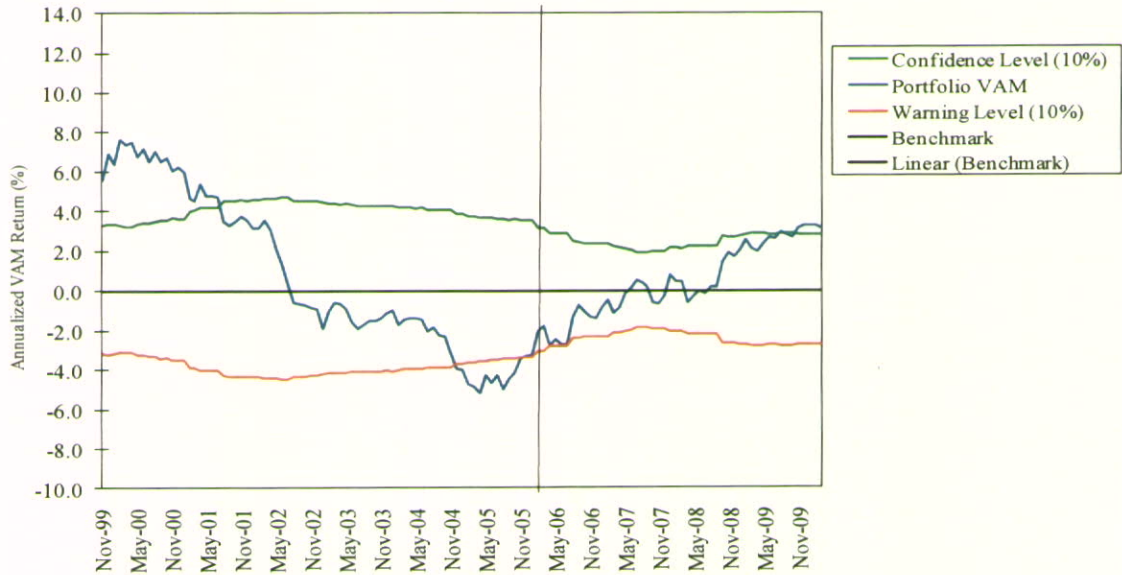
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	2.4%
Last 1 year	80.3	81.1
Last 2 years	1.4	-2.0
Last 3 years	8.0	5.4
Last 4 years	12.3	9.0
Last 5 years	19.4	15.8
Since Inception (3/01)	13.8	14.3

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



5 Year Period Ending

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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2010

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$621,298,036

Investment Philosophy

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

Staff Comments

The portfolio's underweight position in Russia, and stock selection in that market, contributed significantly to the portfolio's underperformance for the quarter and the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	2.4%
Last 1 year	78.6	81.1
Last 2 years	-3.7	-2.0
Last 3 years	3.1	5.4
Last 4 years	8.1	9.0
Last 5 years	15.5	15.8
Since Inception (3/01)	14.1	14.3

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



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

AQR CAPITAL MANAGEMENT, LLC
Periods Ending March, 2010

Portfolio Manager: Cliff Asnes

Assets Under Management: \$247,287,583

Investment Philosophy

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

Staff Comments

Stock selection in Continental Europe and in Canada contributed to the portfolio's outperformance over both the quarter and the year.

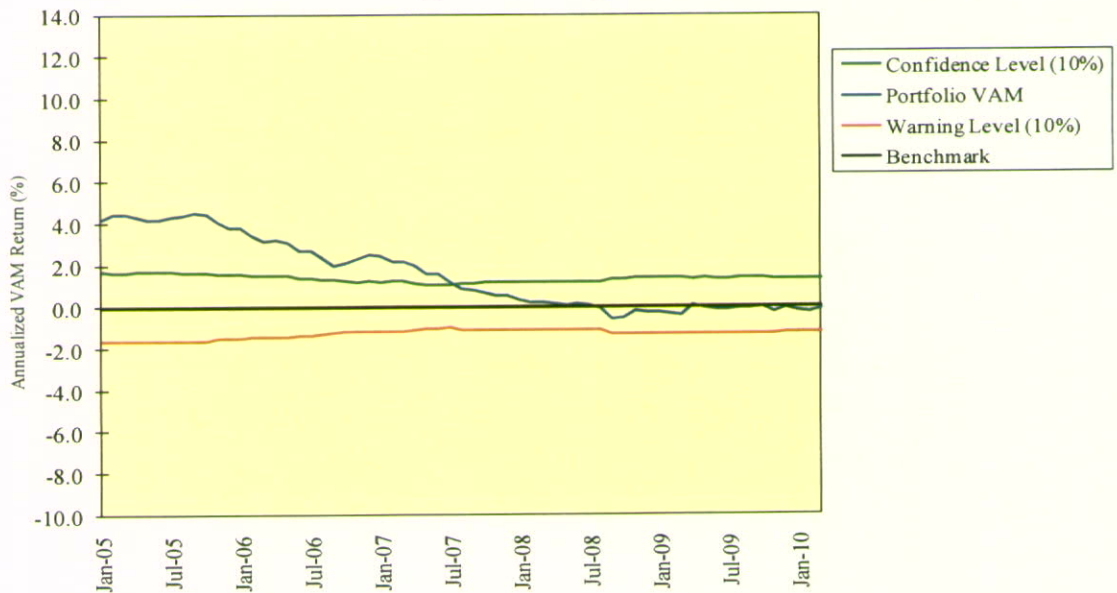
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	1.3%
Last 1 year	59.0	55.9
Last 2 years	-7.4	-8.4
Last 3 years	-6.4	-6.1
Last 4 years	-0.8	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	4.6	4.8

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



5 Year Period Ending

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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending March, 2010

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$255,252,866

Investment Philosophy

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

Staff Comments

Negative stock selection in the United Kingdom, Greece and in the information technology sector contributed to the portfolio's underperformance over the quarter and the year.

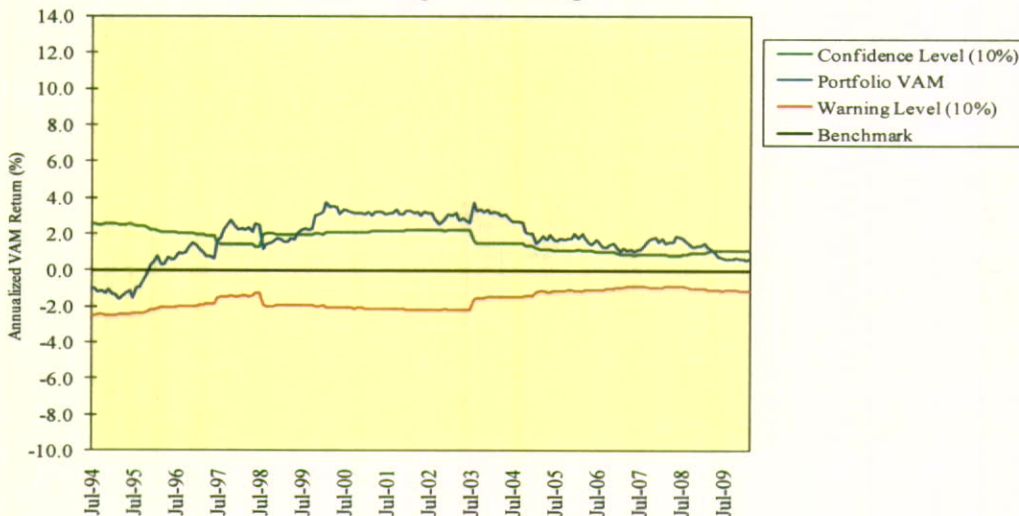
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.2%	1.3%
Last 1 year	51.3	55.9
Last 2 years	-10.2	-8.4
Last 3 years	-5.8	-6.1
Last 4 years	0.2	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	5.3	4.8

Recommendations

No action required.

PYRAMIS GLOBAL ADVISORS TRUST Co. - SELECT INTL
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 March, 2010

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$239,961,243

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

The portfolio added value relative to the benchmark index return over the quarter and the year. Stock selection in the United Kingdom and in the financials and materials sectors contributed positively over both periods.

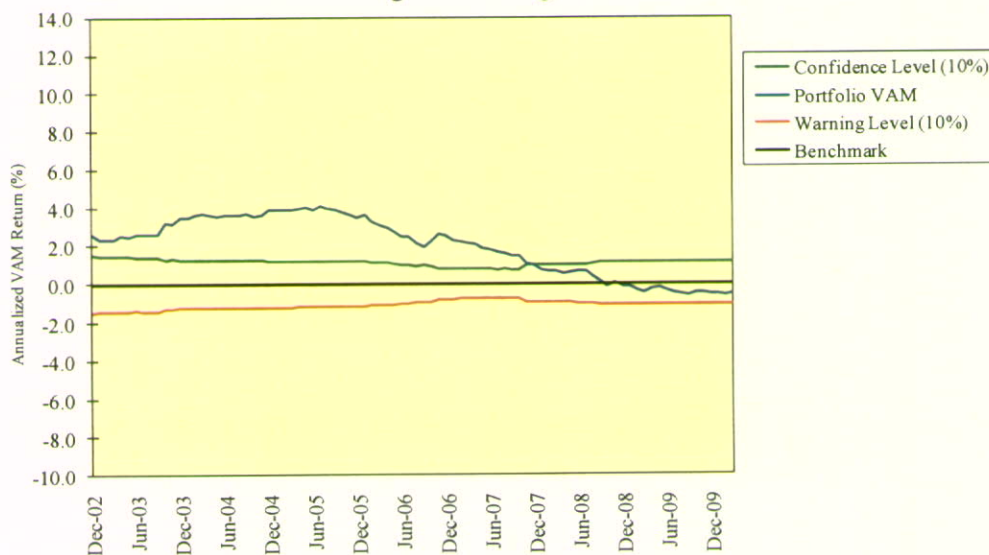
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.7%	1.3%
Last 1 year	57.7	55.9
Last 2 years	-9.1	-8.4
Last 3 years	-7.6	-6.1
Last 4 years	-1.4	-0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	4.0	4.8

Recommendations

No action required.

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 March, 2010

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,429,408,762

Investment Philosophy

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

Staff Comments

The portfolio's tracking error is within expectation over all time periods.

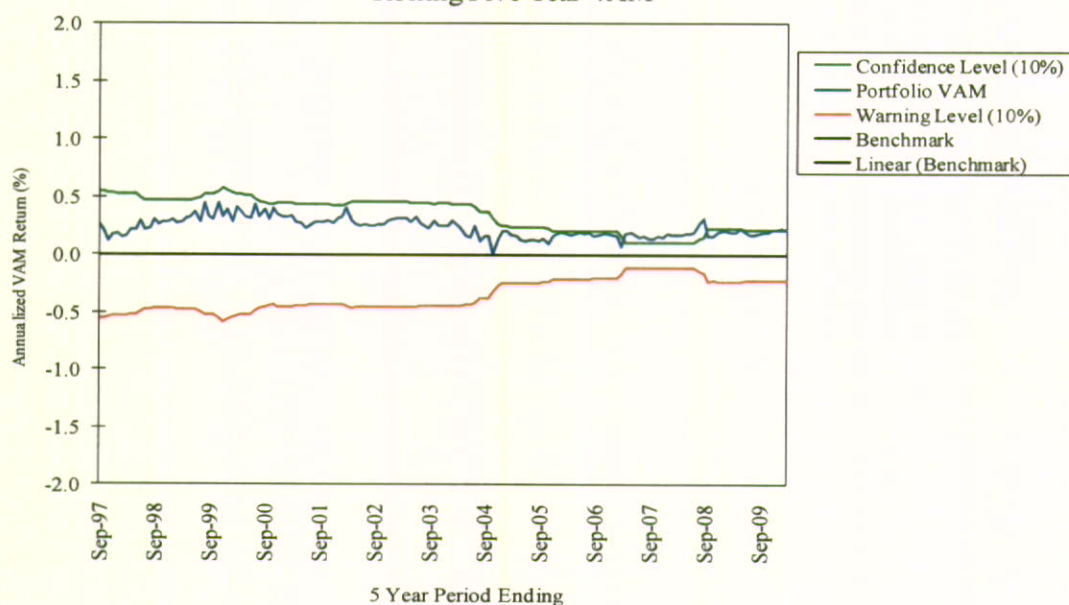
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.4%	1.3%
Last 1 year	56.5	55.9
Last 2 years	-8.2	-8.4
Last 3 years	-5.8	-6.1
Last 4 years	0.0	-0.2
Last 5 years	4.6	4.4
Since Inception (10/92)	6.6	6.4

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2010

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Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending March, 2010

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Asset Management (S&P 500 Index)	5.0	5.4	49.3	49.8	-1.0	-4.2	3.4	1.9	9.3	8.3	\$63.7
RBC Global Asset Management (Custom Benchmark)	2.8	1.2	10.6	1.7	4.2	5.9	4.3	5.2	6.0	6.3	\$259.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.0	0.5	4.5	1.9	4.7	2.8	4.6	3.6	5.5	4.6	\$1,227.3
Internal Stock Pool (S&P 500 Index)	5.4	5.4	49.5	49.8	-4.0	-4.2	2.0	1.9	8.0	7.9	\$945.8
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	2.1	1.8	12.8	7.7	6.9	6.1	6.1	5.4	7.7	7.3	\$82.1
Internal Bond Pool - Trust (Barclays Capital Aggregate)	1.8	1.8	11.2	7.7	7.3	6.1	6.4	5.4	7.2	6.6	\$588.8

(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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	32.3	26.5	-35.6	-37.0	8.5	5.5	16.4	15.8	2.6	4.9
RBC Global Asset Management (Custom Benchmark)	8.3	0.9	-2.4	9.5	5.8	7.9	4.5	4.3	2.5	2.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	4.7	1.9	4.7	2.6	4.8	4.7	4.6	5.2	4.3	4.4
Internal Stock Pool (S&P 500 Index)	26.3	26.5	-36.7	-37.0	5.5	5.5	15.9	15.8	4.9	4.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	12.9	5.9	1.3	5.2	6.4	7.0	5.0	4.3	2.7	2.4
Internal Bond Pool - Trust (Barclays Capital Aggregate)	12.2	5.9	2.6	5.2	7.1	7.0	5.1	4.3	2.8	2.4

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2010

Portfolio Manager: Dave Carlson

Assets Under Management: \$63,740,555

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

No comment at this time.

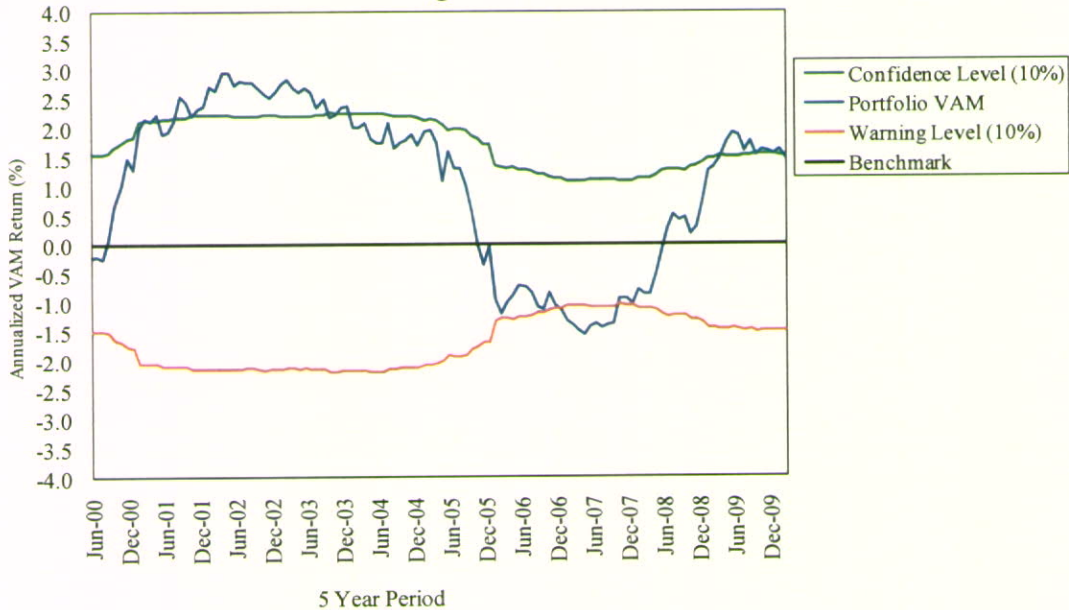
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.0%	5.4%
Last 1 year	49.3	49.8
Last 2 years	-0.8	-3.7
Last 3 years	-1.0	-4.2
Last 4 years	2.0	-0.4
Last 5 years	3.4	1.9
Since Inception (1/95)	9.3	8.3

Recommendation

No action required.

GE ASSET MANAGEMENT
Rolling Five Year VAM



RBC GLOBAL ASSET MANAGEMENT (U.S.) - Assigned Risk Plan
Periods Ending March, 2010

Portfolio Manager: John Huber

Assets Under Management: \$259,149,816

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

No comment at this time.

Quantitative Evaluation

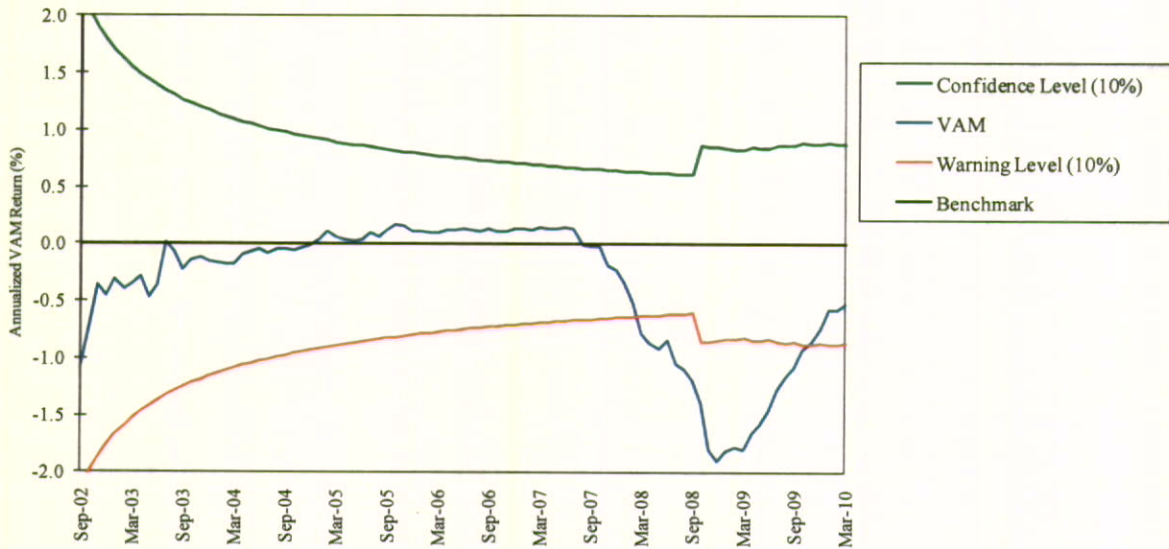
	Actual	Benchmark*
Last Quarter	2.8%	1.2%
Last 1 year	10.6	1.7
Last 2 years	4.2	4.0
Last 3 years	4.2	5.9
Last 4 years	4.8	6.0
Last 5 years	4.3	5.2
Since Inception (7/91)	6.0	6.3

Recommendation

No action required.

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

RBC GLOBAL ASSET MANAGEMENT
 Cumulative VAM



GALLIARD CAPITAL MANAGEMENT
Periods Ending July, 2009

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,227,339,684

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.

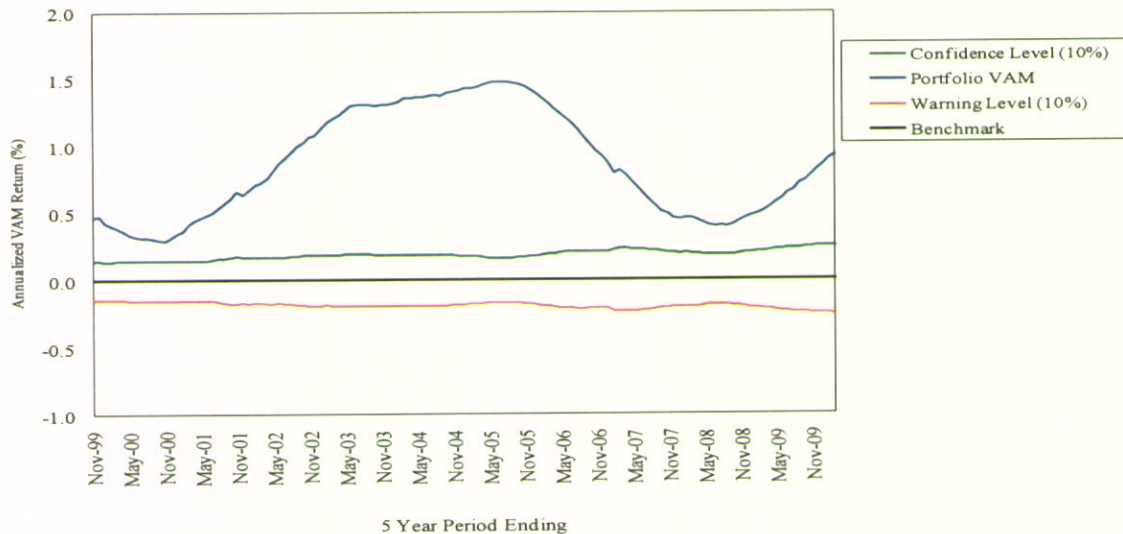
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	0.5%
Last 1 year	4.5	1.9
Last 2 years	4.6	2.2
Last 3 years	4.7	2.8
Last 4 years	4.7	3.4
Last 5 years	4.6	3.6
Since Inception (11/94)	5.5	4.6

Recommendation

No action required.

GALLIARD CAPITAL MANAGEMENT
Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2010

Portfolio Manager: Mike Messen

Assets Under Management: \$945,813,281

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

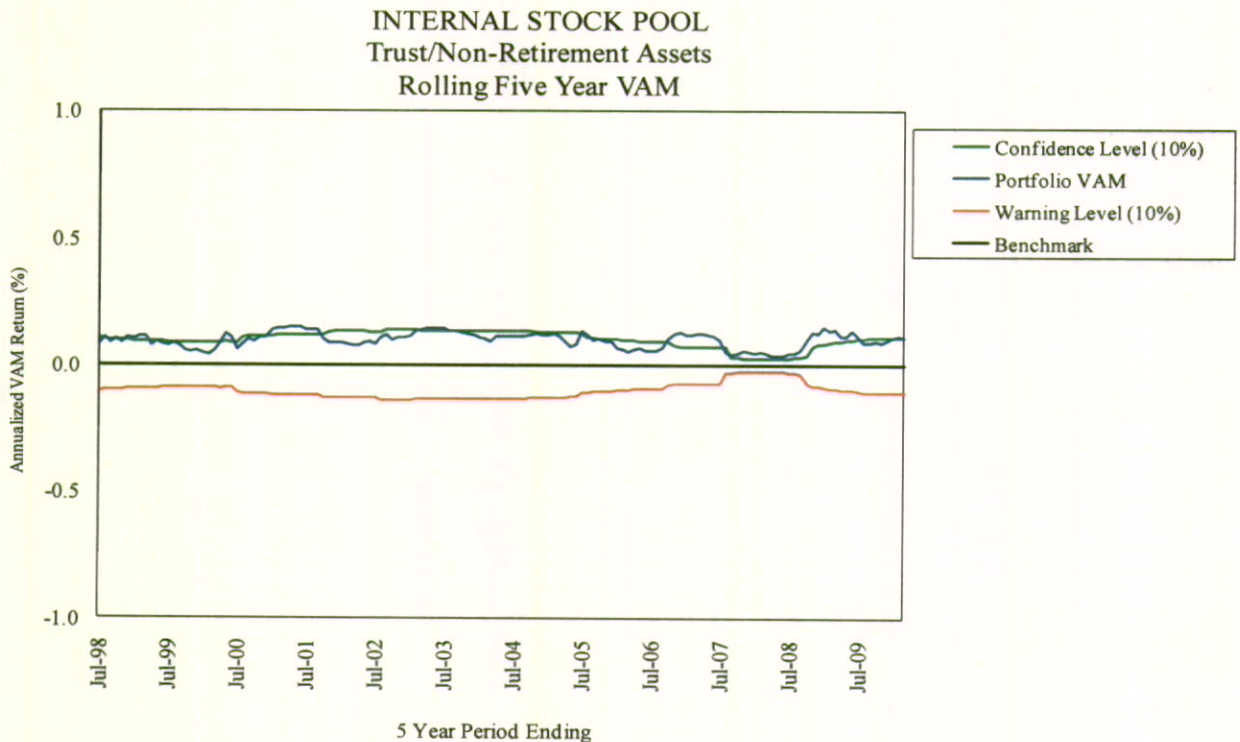
The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per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

No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	5.4%	5.4%	No action required.
Last 1 year	49.5	49.8	
Last 2 years	-3.5	-3.7	
Last 3 years	-4.0	-4.2	
Last 4 years	-0.3	-0.4	
Last 5 years	2.0	1.9	
Since Inception (7/93)	8.0	7.9	



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2010

Portfolio Manager: Mike Messen

Assets Under Management: \$82,120,579

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.

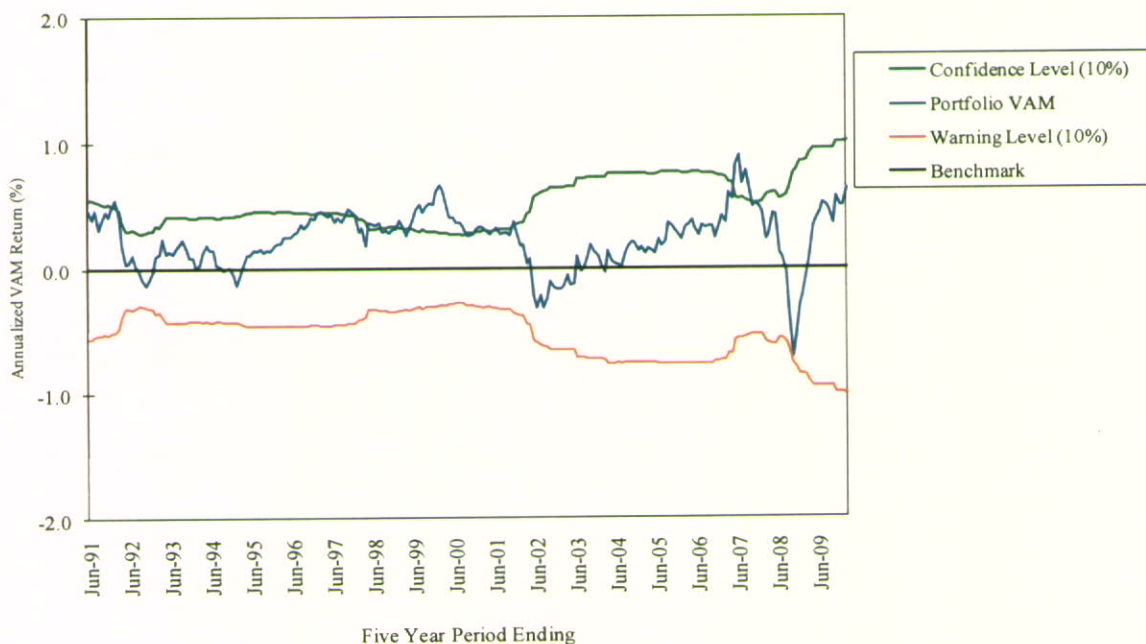
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.1%	1.8%
Last 1 year	12.8	7.7
Last 2 years	7.6	5.4
Last 3 years	6.9	6.1
Last 4 years	6.9	6.3
Last 5 years	6.1	5.4
Since Inception (7/86)	7.7	7.3

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2010

Portfolio Manager: Mike Messen

Assets Under Management: \$588,785,956

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

Staff Comments

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

No comment at this time.

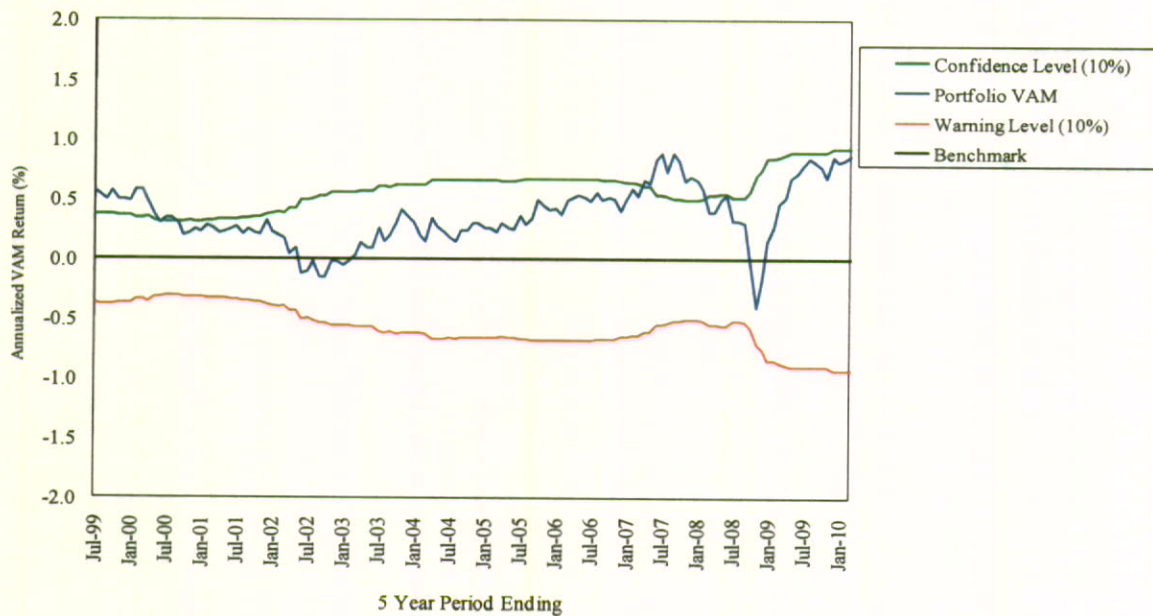
Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	1.8%	1.8%	No action required.
Last 1 year	11.2	7.7	
Last 2 years	7.7	5.4	
Last 3 years	7.3	6.1	
Last 4 years	7.2	6.3	
Last 5 years	6.4	5.4	
Since Inception (7/94)*	7.2	6.6	

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

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



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

First Quarter, 2010

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Mutual Fund Managers

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**MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending March, 2010**

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by SBI *		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	
Large Cap Equity:											
Janus Twenty (S&P 500)	3.9	5.4	48.5	49.8	4.6	-4.2	9.2	1.9	1.2	0.3	\$446.0
Legg Mason Partners Appr I (S&P 500)	4.6	5.4	41.6	49.8	-0.4	-4.2	3.5	1.9	4.9	3.7	\$118.9
Vanguard Institutional Index Plus (S&P 500)	5.4	5.4	49.9	49.8	-4.1	-4.2	2.0	1.9	0.4	0.3	\$391.0
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	8.7	8.7	66.6	66.7	-3.3	-3.4	4.2	4.2	6.4	6.4	\$162.4
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	9.6	8.9	67.7	62.8	-1.1	-4.0	4.7	3.4	7.9	5.1	\$361.3
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	5.6	4.0	51.2	31.7	-3.4	0.2	2.1	3.6	5.1	4.9	\$265.3
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	4.4	4.4	33.4	33.3	0.8	0.6	4.2	4.1	5.0	4.9	\$169.0
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	2.2	1.8	18.4	7.7	6.9	6.1	6.0	5.4	6.6	6.1	\$130.7
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	1.7	1.8	7.5	7.7	6.2	6.1	5.5	5.4	5.1	5.1	\$104.4
International:											
Fidelity Diversified International (MSCI EAFE-Free)	0.6	0.9	50.4	54.4	-6.5	-7.0	3.9	3.7	6.8	3.1	\$237.2
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	2.2	0.9	55.5	54.4	-6.6	-7.0	4.1	3.7	7.5	7.2	\$74.8

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

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

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

457 Mutual Funds	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Large Cap Equity:										
Janus Twenty (S&P 500)	43.3	26.5	-42.0	-37.0	35.9	5.5	12.3	15.8	9.4	4.9
Legg Mason Partners Appr I (S&P 500)	21.8	26.5	-28.8	-37.0	8.6	5.5	15.0	15.8	4.6	4.9
Vanguard Institutional Index Plus (S&P 500)	26.7	26.5	-36.9	-37.0	5.5	5.5	15.8	15.8	5.0	4.9
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	40.5	40.5	-41.8	-41.8	6.2	6.2	13.8	13.7	14.1	13.9
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	38.5	27.2	-33.4	-33.8	-1.7	-1.6	12.8	18.4	8.4	4.6
Balanced:										
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	28.4	18.4	-33.6	-22.4	1.7	6.2	13.8	11.1	6.6	4.0
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	20.2	19.7	-22.1	-22.4	6.3	6.3	11.1	11.1	4.8	4.8
Bond:										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	16.1	5.9	-0.3	5.2	4.7	7.0	5.3	4.3	2.0	2.4
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	6.1	5.9	5.2	5.2	7.0	7.0	4.4	4.3	2.5	2.4
International:										
Fidelity Diversified International (MSCI EAFE-Free)	31.8	31.8	-45.2	-43.4	16.0	11.2	22.5	26.3	17.2	13.5
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	28.2	31.8	-41.5	-43.4	11.0	11.2	26.3	26.3	13.6	13.5

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

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending March, 2010**

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$446,038,133
Total Assets in Fund: \$9,900,000,000**

**Investment Philosophy
Janus Twenty**

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

Staff Comments

No comment at this time.

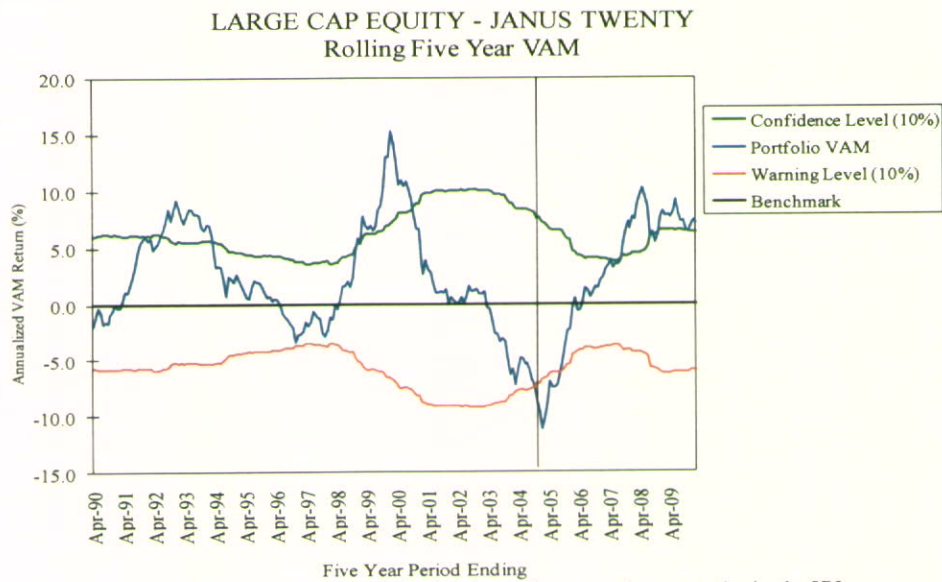
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	3.9%	5.4%
Last 1 year	48.5	49.8
Last 2 years	-4.2	-3.7
Last 3 years	4.6	-4.2
Last 4 years	6.4	-0.4
Last 5 years	9.2	1.9
Since Retention by SBI (7/99)	1.2	0.3

Recommendation

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I
Periods Ending March, 2010**

Portfolio Manager: Scott Glasser

**State's Participation in Fund: \$118,876,723
Total Assets in Fund: \$4,332,602,314**

**Investment Philosophy
Legg Mason Partners Appreciation I**

Staff Comments

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.

No comment at this time.

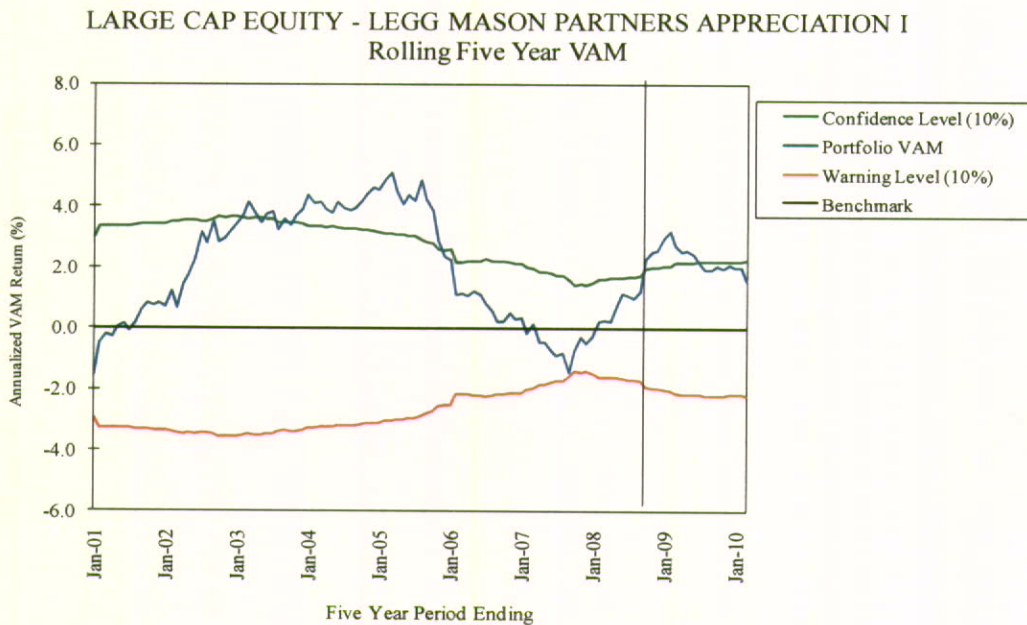
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	4.6%	5.4%
Last 1 year	41.6	49.8
Last 2 years	-2.4	-3.7
Last 3 years	-0.4	-4.2
Last 4 years	2.1	-0.4
Last 5 years	3.5	1.9
Since Retention by SBI (12/03)	4.9	3.7

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2010**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$390,973,598
Total Assets in Fund: \$26,416,000,000**

**Investment Philosophy
Vanguard Institutional Index**

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

Staff Comments

No comment at this time.

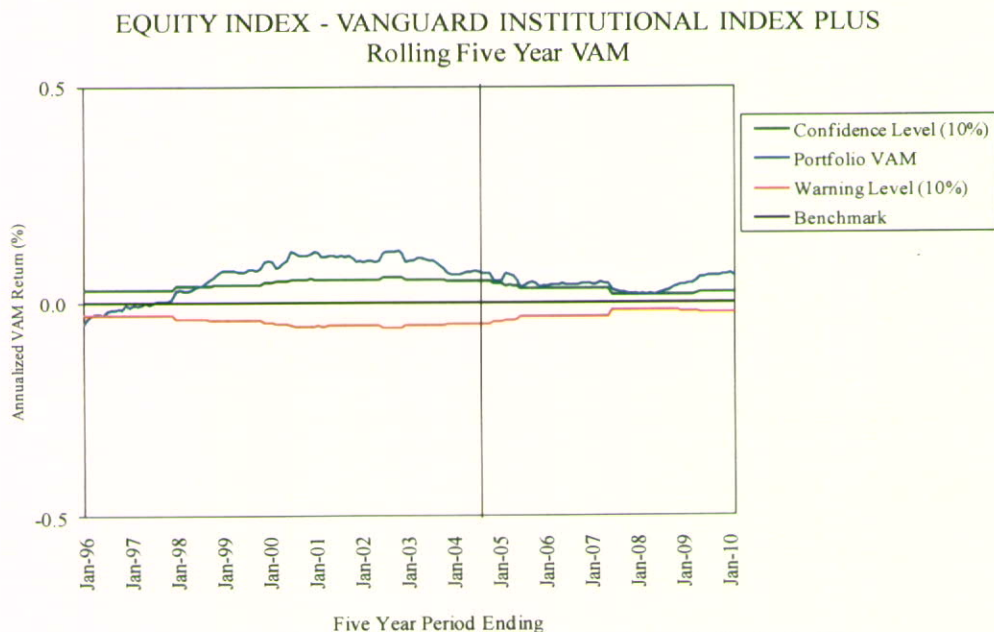
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	5.4%	5.4%
Last 1 year	49.9	49.8
Last 2 years	-3.6	-3.7
Last 3 years	-4.1	-4.2
Last 4 years	-0.3	-0.4
Last 5 years	2.0	1.9
Since Retention by SBI (7/99)	0.4	0.3

Recommendation

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending March, 2010**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$162,401,512
Total Assets in Fund: \$6,617,000,000**

**Investment Philosophy
Vanguard Mid-Cap Index**

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

Staff Comments

No comment at this time.

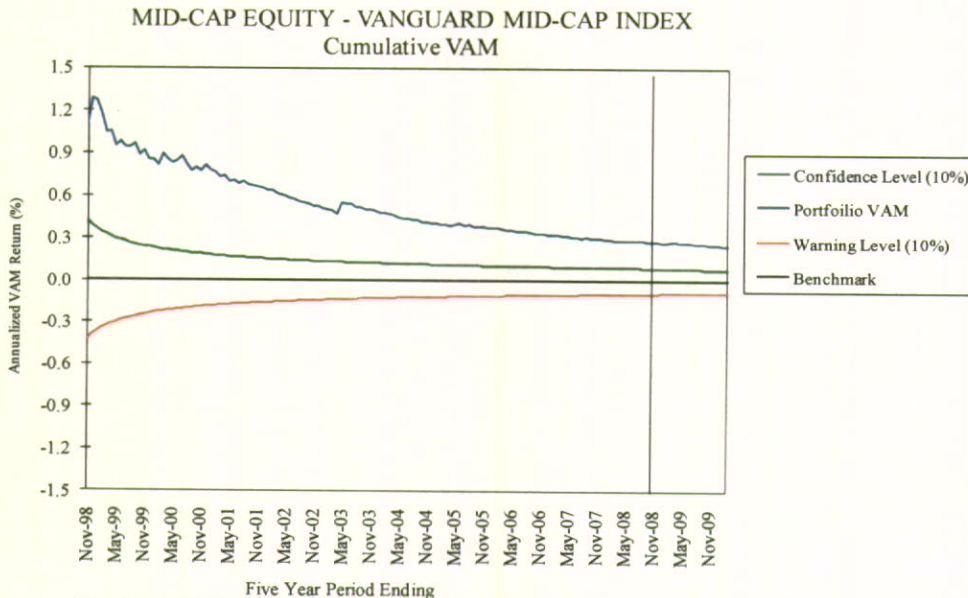
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	8.7%	8.7%
Last 1 year	66.6	66.7
Last 2 years	-0.3	-0.4
Last 3 years	-3.3	-3.4
Last 4 years	0.0	-0.1
Last 5 years	4.2	4.2
Since Retention by SBI (1/04)	6.4	6.4

Recommendation

No action required.

*Benchmark is the MSCI US Mid Cap 450.



**MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2010**

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund:	\$361,268,233
	Total Assets in Fund:	\$5,707,639,750

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

Staff Comments

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

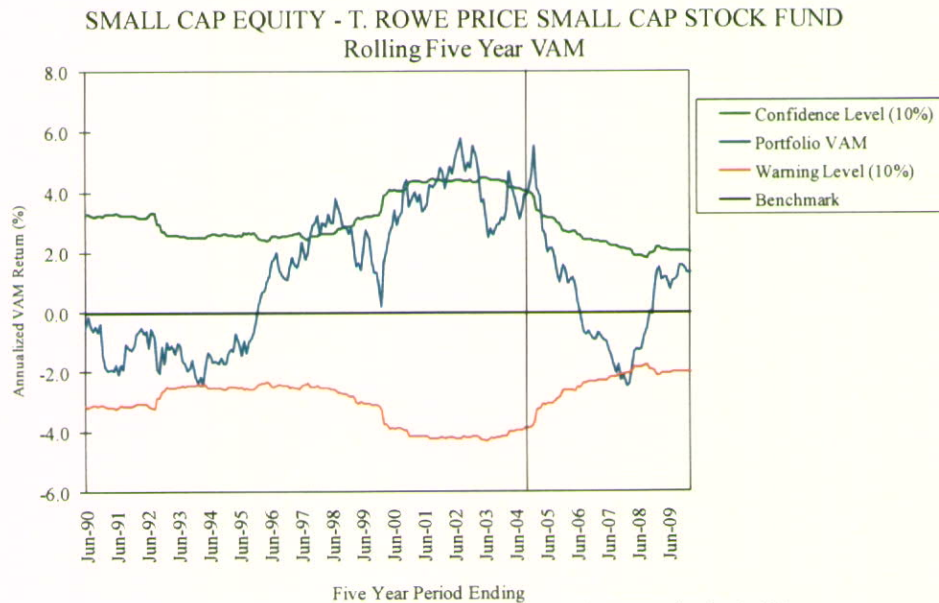
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	9.6%	8.9%	No action required.
Last 1 year	67.7	62.8	
Last 2 years	6.5	0.9	
Last 3 years	-1.1	-4.0	
Last 4 years	0.2	-1.6	
Last 5 years	4.7	3.4	
Since Retention by SBI (7/99)	7.9	5.1	

*Benchmark is the Russell 2000.



**STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending March, 2010**

Portfolio Manager: John Gunn

**State's Participation in Fund: \$265,254,863
Total Assets in Fund: \$15,739,874,375**

**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

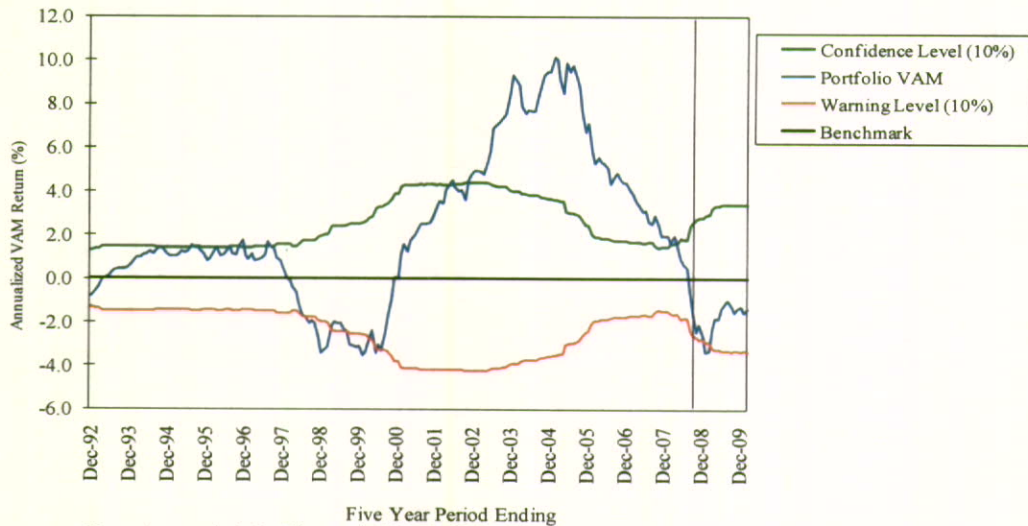
	Actual	Benchmark*
Last Quarter	5.6%	4.0%
Last 1 year	51.2	31.7
Last 2 years	-1.1	0.2
Last 3 years	-3.4	0.2
Last 4 years	0.2	2.5
Last 5 years	2.1	3.6
Since Retention By SBI (10/03)	5.1	4.9

Recommendation

No action required.

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

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



**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2010**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$169,041,683
Total Assets in Fund: \$3,313,000,000**

**Investment Philosophy
Vanguard Balanced Index Fund**

Staff Comments

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

No comment at this time.

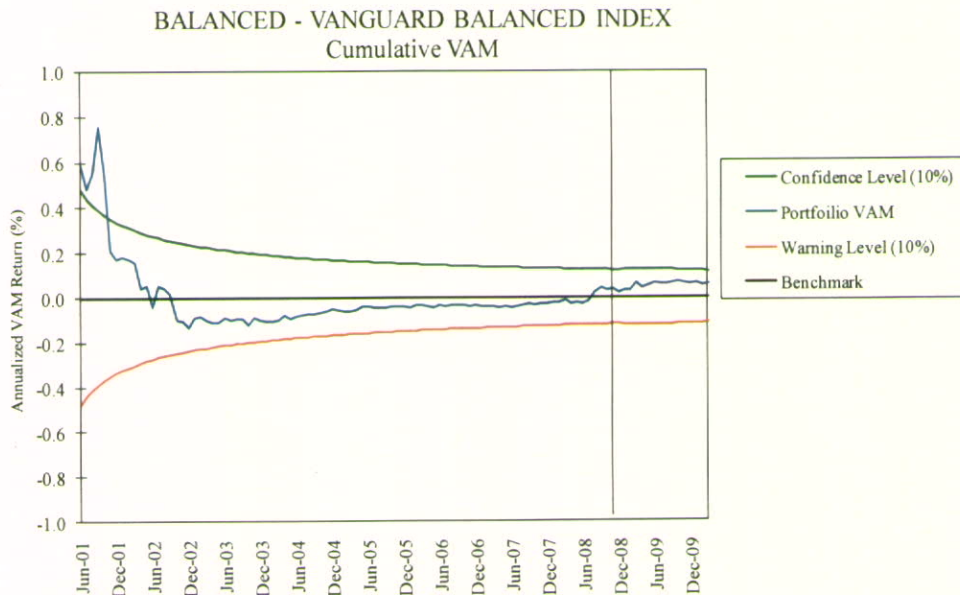
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	4.4%	4.4%
Last 1 year	33.4	33.3
Last 2 years	1.3	1.0
Last 3 years	0.8	0.6
Last 4 years	2.9	2.7
Last 5 years	4.2	4.1
Since Retention by SBI (12/03)	5.0	4.9

No action required.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending March, 2010**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$130,726,562
Total Assets in Fund: \$20,653,568,465**

**Investment Philosophy
Dodge & Cox Income Fund**

Staff Comments

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.

No comment at this time.

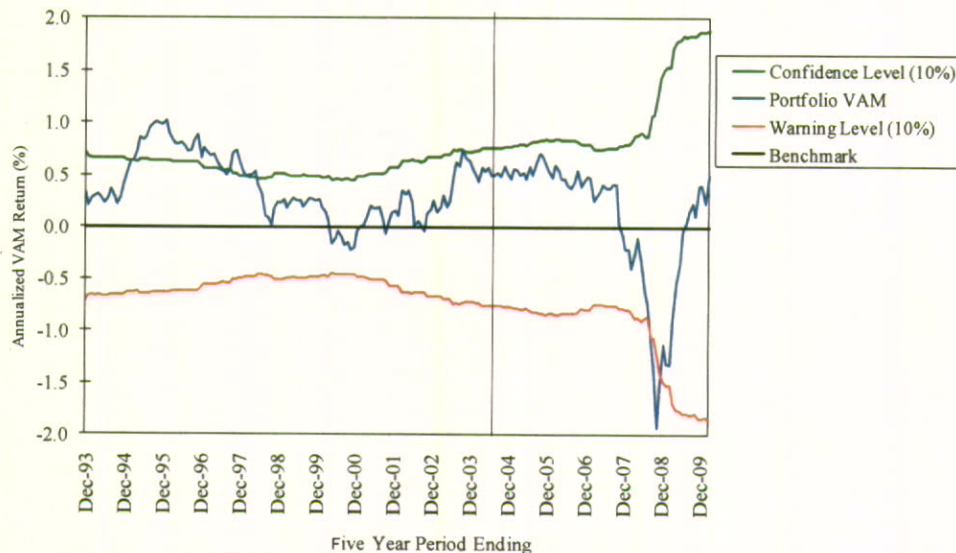
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	2.2%	1.8%	No action required.
Last 1 year	18.4	7.7	
Last 2 years	8.5	5.4	
Last 3 years	6.9	6.1	
Last 4 years	6.8	6.3	
Last 5 years	6.0	5.4	
Since Retention By SBI (7/99)	6.6	6.1	

*Benchmark is the Barclays Capital Aggregate.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending March, 2010**

Portfolio Manager: Kenneth Volpert

**State's Participation in Fund: \$104,428,869
Total Assets in Fund: \$4,361,000,000**

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

Staff Comments

The fund attempts to track the performance of the Barclays Capital Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

No comment at this time.

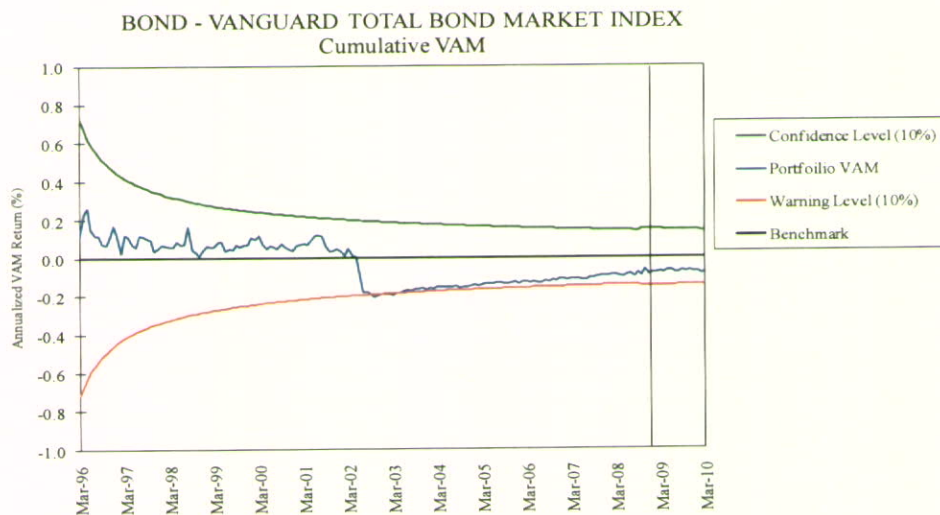
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	1.7%	1.8%
Last 1 year	7.5	7.7
Last 2 years	5.4	5.4
Last 3 years	6.2	6.1
Last 4 years	6.3	6.3
Last 5 years	5.5	5.4
Since Retention by SBI (12/03)	5.1	5.1

No action required.

*Benchmark is the Barclays Capital Aggregate.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2010**

Portfolio Manager: William Bower

**State's Participation in Fund: \$237,233,645
Total Assets in Fund: \$37,776,370,000**

**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.

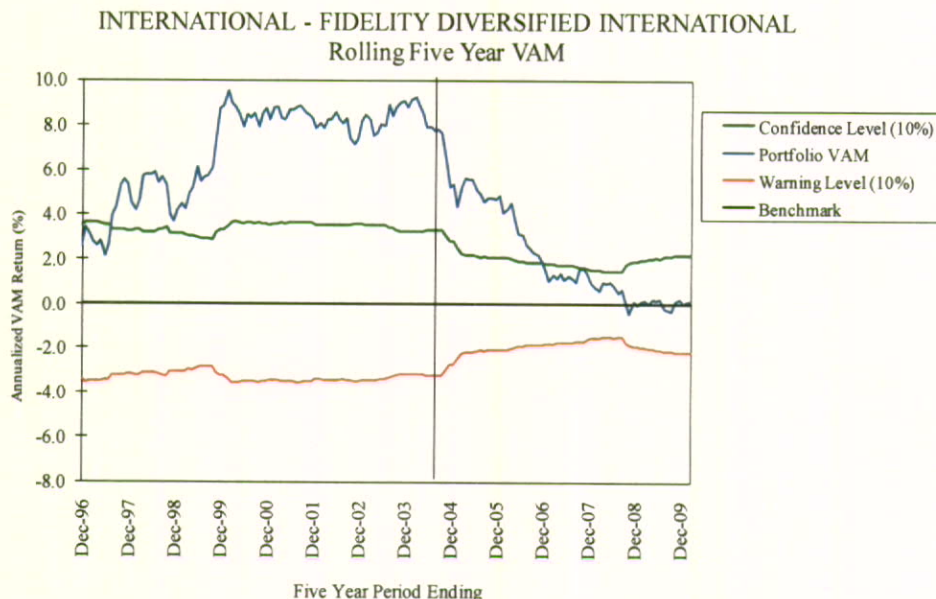
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.6%	0.9%
Last 1 year	50.4	54.4
Last 2 years	-10.3	-9.1
Last 3 years	-6.5	-7.0
Last 4 years	-1.5	-0.9
Last 5 years	3.9	3.7
Since Retention By SBI (7/99)	6.8	3.1

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.



**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending March, 2010**

Portfolio Manager: Duane Kelly and Michael Buek	State's Participation in Fund: \$74,797,310
	Total Assets in Fund: \$6,184,000,000

**Investment Philosophy
Vanguard Institutional Developed Market
Index**

Staff Comments

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

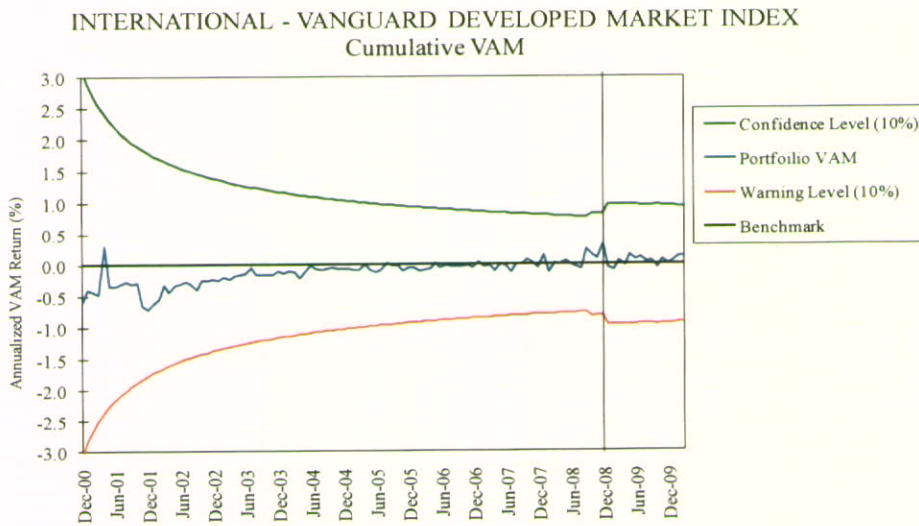
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	2.2%	0.9%	No action required.
Last 1 year	55.5	54.4	
Last 2 years	-8.6	-9.1	
Last 3 years	-6.6	-7.0	
Last 4 years	-0.4	-0.9	
Last 5 years	4.1	3.7	
Since Retention by SBI (12/03)	7.5	7.2	

*Benchmark is the MSCI EAFE International



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

Tab E

DATE: May 11, 2010

TO: Members, Investment Advisory Council

FROM: Howard Bicker

Attached are reviews of semi-passive investments for the Fixed Income (**page 3**), International Equity (**page 13**), and Domestic Equity (**page 37**) programs. This has been done as part of the Board's on-going review of its overall investment program. At this time, there are no recommendations to alter the programs.

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Minnesota State Board of Investment

Fixed Income Semi-Passive Management Review

May 2010

I. Introduction

Since July 1988, the SBI's Fixed Income Program has employed the use of semi-passive management to compliment the actively managed portion of the program. The current policy is to maintain a balanced allocation between active and semi-passive management. *At least* half of the assets in the Fixed Income Program must be managed semi-passively at all times. This paper includes a review of the features, benefits, and goals of semi-passive management, along with an analysis of the effectiveness of semi-passive management in the SBI's Fixed Income Program since its inception in July 1988, and recommended changes, if any, to the Fixed Income Program.

II. Description of the Current Program

Background

There are two primary goals of the SBI's Fixed Income Program:

- 1) Serve as a diversifier to offset the volatility generated by the equity programs
- 2) Serve as a deflation hedge in times of falling asset prices within the constraints of the asset class target

The risk level of the Fixed Income Program is managed by setting an allocation among the active and semi-passive management styles, and by controlling the degree of active risk in the managers' portfolios through the use of investment guidelines. Passive management is not currently employed in the program because it is reasonable to expect that the bond market's structural inefficiencies will persist and provide opportunity for the continued relative outperformance of the semi-passive management style compared to a passive approach. Staff

continues to favor these strategies over passive management given the long-term success of more active, risk-controlled styles in adding value to the asset class target with low tracking error.

Active Management

The SBI's group of *active* bond managers is retained for its blend of investment styles. There are structural inefficiencies within the bond market that can be exploited by active managers. These inefficiencies include the lack of transparency, a diversity of investment objectives among market participants, and the vast number of unique investable securities available. Each active manager has the goal of adding value relative to the Program's benchmark, the Barclays Capital Aggregate Bond Index (BC Agg), by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, on the emphasis they place on interest rate anticipation and in the manner in which they make security selection and sector weighting decisions. The active bond managers focus on high quality (rated BBB or better) U.S. Dollar denominated bonds. Some managers have been granted authority to invest up to 15% of their portfolios in BB and B rated dollar denominated corporate bond issues, as well as up to 15% in non-dollar denominated, investment-grade issues. The total exposure to these sectors is limited to 20% of the portfolio. The managers use this authority on a tactical basis.

Semi-Passive Management

Semi-passive management, or Enhanced Indexing, has many of the same aspects as a passive management (or indexing) strategy. In a passive strategy, the portfolio manager tries to match the return of the index by either fully replicating it or by using a stratified sampling process. A semi-passive strategy adds an incremental amount of risk by allowing the portfolio

manager to overweight or underweight securities and sectors in the portfolio in order to add value relative to the index.

Like the Active managers, the SBI's *semi-passive* managers attempt add incremental value to the BC Agg through superior bond selection and sector allocation. Unlike the Active managers, they do not seek to add value with interest rate forecasts and the semi-passive managers' are constrained to limit risk relative to the benchmark. The following are the constraints for the Semi-Passive managers:

- Maintain portfolio duration within +/- 0.20 years of the benchmark's total duration
- Remain within +/- 50% of the benchmark's contribution to duration in the Treasury/Agency, Mortgage, and Corporate bond sectors
- Remain within +/- 75% of the benchmark's AAA/AA credit quality spread (on a contribution to duration basis)
- Remain within +/- 50% of the benchmark's A/BBB credit quality spread (on a contribution to duration basis).

These restrictions are to ensure that the semi-passive managers do not deviate excessively from the benchmark's sector and credit quality weightings. One manager has been granted authority to invest up to 5% of their portfolio in BB and B rated dollar denominated debt and up to 5% of the portfolio in non-dollar denominated, investment grade issues. The total exposure to these sectors is limited to 10% of the portfolio. The manager uses this additional authority on a tactical basis.

Another aspect of semi-passive management is the fee structure. Semi-passive managers charge lower fees than active managers because the alpha targets are lower (corresponding with a

lower risk budget). While this is a secondary feature of semi-passive management, it should be recognized when considering passive, semi-passive, and active management strategies.

III. Analysis of Fixed Income Program Results

The goals of semi-passive management are to diversify the management style and risk generated in a fixed income portfolio and to add value to an asset class target. The following is an evaluation the effectiveness of the SBI's Semi-Passive Fixed Income Program in achieving the strategy's stated objectives. This will be done by providing a statistical analysis of the Fixed Income Program's Active and Semi-Passive component's risk-adjusted returns and correlations in relation to the asset class target.

Excess Returns and Tracking Error

For the purposes of our analysis, we will use July 1988 as the inception of the Current Fixed Income Program. The Program's aggregate return series, which includes current and terminated bond managers, has outperformed the benchmark by 13 basis points per year with 125 basis points of tracking error. The actively managed portion added 20 bps of alpha while generating 173 bps of tracking error. The semi-passive portion added 11 bps of alpha since inception while generating 93 bps of tracking error. The results of each style are presented in Figure 1a.

Figure 1a. SBI bond program results 7/1/88 - 12/31/09.

Style	Excess Return Objective	Maximum Tracking Error	Actual Excess Return	Actual Tracking Error
Active	25 bps	250 bps	20 bps	173 bps
Semi-Passive	10 bps	50 bps	11 bps	93 bps
Total Program*			13 bps	125 bps

**Includes the performance of terminated managers*

Figure 1b. SBI bond program 19-year results 7/1/88 – 6/30/07.

Style	Excess Return Objective	Maximum Tracking Error	Actual Excess Return	Actual Tracking Error
Active	25 bps	250 bps	46 bps	106 bps
Semi-Passive	10 bps	50 bps	18 bps	36 bps
Total Program*			30 bps	60 bps

**Includes the performance of terminated managers*

Figure 1b shows the Fixed Income Program's 19-year performance through June 2007, which was just prior to the sub-prime crisis that began in July 2007. This data, when compared to Figure 1a, highlights the material impact of the sub-prime crisis of 2007 (and impending financial crisis of 2008) on the Fixed Income Program's long-term results, particularly in terms of tracking error. From 1988 to 2007, the Total Program generated 30 bps of excess return and 60 bps of tracking error. The Actively managed portion generated 46 bps of excess return and 106 bps of tracking error. The Semi-Passively managed portion generated 18 bps of excess return and 36 bps of tracking error. As Figure 1b also shows, the Fixed Income Program's 19-year results were well within its tracking error targets and achieved the excess return goals.

As figures 1a and 1b show, even with the 2008 financial crisis, the active program almost met the excess return objective while maintaining tracking error within expectations. The semi-passive program also met its excess return expectations, but with tracking error that exceeded expectations.

Effectiveness of the Program as a Diversifier

The primary goal of the Fixed Income Program is to diversify the mix of Total Plan Assets. In order to quantify the Fixed Income Program's diversification, a correlation matrix has been produced. The various correlations will show the effectiveness of the following three alternative fixed income options to accomplish the goals set for the Fixed Income asset class target.

- 1) 100% of the Fixed Income Program weighted to Passive management—for the purposes of this analysis, the Blackrock Fixed Income Index Fund A will be used as a proxy, since SBI has never used Passive management.
- 2) 100% of the Fixed Income Program weighted to Semi-Passive management—in our analysis, we will use the returns (starting in July 1988) of the SBI's Semi-Passive fixed income manager aggregate. Currently, this includes three (3) semi-passive managers.
- 3) 100% of the Fixed Income Program weighted to Active management—in our analysis, we will use the returns (starting in July 1988) of the SBI's Active fixed income manager aggregate. Currently, this includes five (5) active managers.

Figure 2. Correlations to the Asset Class Target

Correlation Coefficients to the Asset Class Target July 1988 to December 2009	
	Fixed Income Asset Class Target
100% Passive Fixed Income*	1.000
100% Semi-Passive Fixed Income	0.972
Current Fixed Income Program	0.950
100% Active Fixed Income	0.914

***Blackrock's Fixed Income Index Fund A used as a proxy for Passive Fixed Income**

The three scenarios show that as active risk increases, the correlation with the asset class target decreases. The next step is to determine if the increase in active risk and lower correlation to the asset class target adds value relative to the Program's benchmark.

Figure 3. Return and Risk-adjusted return information (July 1988 – December 2009)

	Return (%)	Excess Return (%)	Annualized Tracking Error (%)	Information Ratio
100% Active	7.55	0.20	1.73	0.116
100% Semi-Passive	7.45	0.10	0.93	0.108
Current Fixed Income Program	7.48	0.14	1.25	0.112
100% Passive*	7.36	0.02	0.12	0.167

***Blackrock's Fixed Income Index Fund A used as a proxy for a Passive Fund**

On a risk-adjusted basis, the performance of the current Fixed Income Program is comparable to the alternative scenarios. This can be determined by comparing the Information Ratio of the various options to that of the Current Program. The Information Ratio is the Excess Return divided by the Annualized Standard Deviation of the excess returns (tracking error). This ratio illustrates the risk-adjusted return profile of each option. Figure 3 shows that the three options generate nearly identical risk-adjusted returns to that of the current Fixed Income Program. Therefore, a shift in strategy to any one of the three alternatives would yield no material improvement in risk-adjusted returns.

IV. Conclusions

The current Program relative to the three alternative options presented in this paper show that there is minimal difference between them on a correlation and risk-adjusted return basis. One must also consider the survivorship bias that is inherent in these figures. The Current Fixed

Income Program's return history includes that of terminated managers, while the three hypothetical scenarios do not. They are the aggregates of the Current Program's Active and Semi-Passive managers and the Passive scenario is a third-party index fund. This skews the Current Program's return figures downward, while having no effect on the three hypothetical scenarios.

Based on this information, Staff concludes that the current Fixed Income Program reflects the Fixed Income Asset Class Target, while providing an acceptable risk-adjusted return profile when compared to the hypothetical scenarios. Staff further concludes that because of the reduced tracking error and comparable risk-adjusted return profile, the Semi-passive portion of the Fixed Income Program is operating efficiently and meeting the goals of reducing the volatility of the Fixed Income Program while providing risk-adjusted returns comparable to those of the Active manager aggregate. Additionally, Staff maintains its preference of risk-controlled, actively managed styles to passive styles based on the belief that structural inefficiencies will continue to exist in the bond market which should allow these styles to outperform passive styles.

Recommendation

Given the information presented and the stated goals of the Fixed Income Program, Staff concludes that the Program is operating efficiently and recommends no changes at this time.

Minnesota State Board of Investment

International Equity Semi-Passive Management Review

May 2010

Background of International Equity Program & Semi-Passive Mandates

The SBI approved the addition of international equities as an asset class in the retirement funds in September 1991. It was felt that the case for international investing lay in three areas: increased investment opportunity, greater diversification, and potential for higher return. The first international equity manager, a passive developed markets portfolio (State Street Global Advisors) was funded in October 1992. Active developed markets mandates were funded in 1993, with the purpose of enhancing returns. The Board initially approved an allocation of 10% of the Basic Funds to international equity. In October 1995, the Board increased its long term international equity allocation from 10% to 15% of the Combined Funds, where it stands today.

In October 1995, the SBI approved an allocation of 2% of the Combined Funds to emerging markets. It was argued that the emerging markets offered the potential for higher growth and returns, with the diversification benefits of low correlation to the developed markets. Today, the SBI maintains a market cap weight in emerging markets as they are represented in the International Equity Program's asset class target, the MSCI All Country World ex US index (ACWI ex US). As of March 31, 2010, emerging markets represented approximately 22.7% of the MSCI ACWI ex US index (which equates to approximately 3.4% of the Combined Funds).

At inception in 1992, to gain the broadest market exposure while controlling the active risk of the overall program, the SBI's International Equity Program was created with a structure that required at least 50% passive management and up to 50% active management. In 1995, when emerging markets equity investments were added to the Program, it was decided that they should be entirely actively managed based on the belief that the inefficiencies in these markets should allow opportunities for active managers to add value. In 1999, due to the success to date of the SBI's developed and emerging markets active managers in adding value relative to their respective benchmark indexes, the Program's policy weights changed to at least 33% active management and at least 33% passive management. The SBI has sought to mitigate the risk of the active manager program by hiring a set of managers that are diversified by process (fundamental vs. quantitative) and by style (growth tilt vs. value tilt). Certain active managers will also take market capitalization bets relative to the index when they view that small, mid, or large capitalization securities offer better investment potential. All managers are permitted to hedge currency risk, but are not required to do so.

In September 2003, the SBI approved a policy allocation of up to 10% to semi-passive management for the International Equity Program, following a recommendation of the 2003 Asset Allocation Committee. While semi-passive management had been used for some time in both the Domestic Equity and Fixed Income Programs to add incremental value over passive management at lower levels of risk than active management, it was a new allocation to the International Equity Program. Previously, there had been few institutional product offerings in the international equity semi-passive, or enhanced index, space. Staff updated product information in 2003 and determined that, due to increased interest in international equity enhanced index mandates, there were now a sufficient number of product offerings with established track records and appropriate levels of asset under management.

In 2003, an optimization study, which proposed an allocation of 10% to semi-passive mandates (together with 65% to active mandates, and 25% to passive mandates), resulted in a modest increase in total program expected returns with a corresponding modest decrease in total program expected risk versus the expected return/risk profile of the total program's then current allocation of 66.7% to active mandates and 33.3% to passive mandates (see APPENDIX 1). The analysis was based on the historical performance of the SBI's active and passive managers and the track record of a potential semi-passive mandate. The 10% allocation was recommended as a starting point, with a view to possibly increasing the policy allocation in the future based on the success of the actual track record. Following the completion of several Domestic Equity Program searches, the SBI conducted a search and in June 2005 hired the following three semi-passive managers in the International Equity Program: AQR Capital Management LLC, Pyramis Global Advisors Trust Company (formerly Fidelity), State Street Global Advisors. These three managers remain current today, with an SBI portfolio inception date of July 2005.

In March 2007, based on the successful performance to date of the SBI's international equity semi-passive managers, an updated optimization study (see APPENDIX 2) and a need for program rebalancing flexibility, the Board established the current policy range for semi-passive, passive, and active management in the International Equity Program, as follows:

“No more than 33% to semi-passive management. At least 25% of the program will be passively managed and at least 33% will be actively managed.”

As of March 31, 2010 the SBI's International Equity Program had an actual weight of 52.37% in active mandates (developed and emerging markets), 36.48% in passive mandates (developed markets), and 11.15% in semi-passive mandates (developed markets).

Analysis of International Equity Semi-Passive Mandates

International Equity Semi-Passive Objectives: Enhance Program returns / Decrease Program risk

Background

Semi-passive mandates were added to the SBI's International Equity Program with the objective of adding incremental value over passive management at a slightly lower risk level than active management, thereby improving the total program's risk/return profile. The semi-passive inception date of July 2005 provides a relatively short time frame (4 $\frac{3}{4}$ years, or 19 quarters) over which to conduct a meaningful analysis. In addition, this period of time includes the global financial crisis of 2008. Returns from July 2007 through December 2008 are significantly influenced by the series of market crises which unfolded over this time frame, further challenging a short-term analysis of the semi-passive program. It should also be noted that the performance of quantitative strategies was particularly hard hit by the rapid deleveraging in the fall of 2007 and the flight to quality in the fall of 2008. Two of the SBI's semi-passive managers employ quantitative strategies, and did not escape the consequences of these market environments. It may be instructive to examine the semi-passive program's returns over three distinct periods, pre financial crisis (July 2005-June 2007), during the financial crisis (July 2007-December 2008), and during the junk rally following the financial crisis (January 2009-December 2009), in addition to since inception, so that the analysis is not overwhelmed by the effects on returns of the unprecedented market events and their undue negative impact on quantitative strategies.

The targeted portfolio tracking error ranges and information ratio expectations for the international equity semi-passive portfolios, indicated in **Figure 6** below, are stated in the investment guidelines of each manager's account. Every portfolio has its own targeted tracking error range based on the historical range realized by the product in which the SBI is invested. The value of active management (vam), or excess return relative to the benchmark, expectations

indicated below are not explicitly stated in the guidelines, but are a product of the tracking error and information ratio expectations. The information ratio is the excess return (vam) divided by the standard deviation of the excess return (tracking error). The expectations for the international equity semi-passive managers (and the passive and active mandates) are as follows:

Figure 6.

SBI Manager Investment Guidelines			
	Vam Expectations	Tracking Error	Info Ratio
AQR	0.4 – 0.8	2-4%	> 0.2
Pyramis	0.2 – 0.6	1-3%	> 0.2
SSgA	0.2 – 0.8	1-4%	> 0.2
Passive (Dev Mkt)	NA	< 0.60	Annual excess return >0.10%
Active (Dev Mkt)	0.6 – 1.8	Varies by mgr (3-9%)	> 0.2
Active (Emg Mkt)	1 - 2	5-10%	> 0.2

While there is some overlap of vam expectations and targeted tracking error ranges between the active and semi-passive managers, on the whole, the SBI's semi-passive mandates take a different approach to portfolio management than the active mandates. The SBI's active portfolios are typically concentrated in a small number of holdings and take large bets across a fewer number of names, whereas the semi-passive portfolios hold many more stocks and take small bets across a large number of names. Active portfolios typically have broad risk controls in place (ex. plus or minus two times the benchmark weight for any country or sector, maximum individual position sizes, etc) allowing greater flexibility for active bets while ensuring diversification, whereas semi-passive portfolios tend to be close to benchmark neutral at the region, country, sector, market capitalization and/or fundamental characteristics level.

The SBI has a diverse set of semi-passive managers. Two are quantitative managers (AQR and SSgA), and one is a fundamental manager (Pyramis). Figure 7 shows the correlation of each manager's excess return (vam) over the longest time period over which they have return history in common. While AQR and SSgA's excess return shows a significant positive correlation, Pyramis' excess return has a low correlation to each of the other two managers, and therefore provides diversification benefits.

Figure 7. Correlation of VAM Matrix: From 2/2000 to 3/2010

Correlations are statistically significant at the 95% level when they are greater than 0.14962.

	AQR vam	Pyramis-Select vam	SSgA-Alpha vam
AQR vam	1		
Pyramis-Select vam	0.019	1	
SSgA-Alpha vam	0.627	0.185	1

Semi-Passive Program Historical Performance Analysis

The performance of the SBI’s semi-passive managers has been mixed over the since inception time frame (July 2005 – March 2010). Therefore, we will examine the performance over distinct market environments during this period. We will seek to answer two questions to ensure that the semi-passive mandates have met their objectives: in aggregate, were the semi-passive mandates within the tracking error and information ratio expectations of the investment guidelines, and did they add incremental value over passive management at a slightly lower risk level than active management.

Pre-Financial Crisis (July 2005-June 2007)

The international equity markets saw strong returns in the second half of 2005 through mid-2007 (3Q05-2Q07). For the eight quarters ending June 2007, the MSCI Emerging Markets index returned 40.1%, the MSCI World ex US index (developed markets) returned 27.0%, and the MSCI ACWI ex US index (developed & emerging markets) returned 28.8%. As indicated in **Figure 8**, in aggregate, the semi-passive managers met their investment guidelines. They far exceeded their information ratio expectation at 0.95 vs. 0.20 and did so with a tracking error of 0.84%, below the range of 1-4% established for these mandates. These mandates added incremental value over passive, at a marginally higher risk level (tracking error) than the active developed markets managers, but at a significantly lower risk level than the active emerging markets managers. In other words, during this time frame, the SBI would have enjoyed the best risk/return trade-off by having all of its developed markets international equity investments in semi-passive mandates.

Figure 8.

Pre-Financial Crisis			
7/05 - 6/07	VAM	Tracking Error	Information Ratio
Semi-Passive	0.95	0.84	1.14
Passive	0.15	0.14	1.09
Active Dev Mkt	0.30	0.72	0.42
Active Emg Mkt	1.44	1.91	0.75
Total	0.36	0.48	0.75

Financial Crisis (July 2007-December 2008)

After four years of strong returns, the second half of 2007 marked a turning point for both U.S. and international markets. Equity performance was strong at the beginning of the year, but concerns about the weakness of mortgage-related fixed income securities led to a liquidity crisis beginning in August 2007. Equities were sold en masse to raise liquidity to compensate for losses in fixed income investments. Value was suddenly seen as being too vulnerable to deteriorating credit and economic conditions. Stocks that were ranked highly by various valuation metrics performed poorly. Quantitative managers suffered from the rapid deleveraging and panic selling of highly levered quantitative equity hedge funds and broker proprietary trading desks. While the SBI's portfolios were not levered, they were impacted by the forced sell-off of equities. In 2007, two of the SBI's three semi-passive managers (AQR & SSgA), both quantitative managers with an emphasis on valuation factors, experienced their worst relative performance in any calendar year since inception (see APPENDIX 4 & 6) and to date. Their performance was almost fully offset by the third semi-passive manager (Pyramis), who has an investment process based on fundamental growth-oriented research and quantitatively optimized portfolio construction.

Over 2008, as the uncertainty around complex and highly illiquid mortgage assets increased making reasonable business transactions by many firms impossible, there was an unprecedented series of takeovers, bankruptcies, and government interventions followed by economic recession. These events represented the most significant financial dislocation since the Great Depression. Following the bankruptcy of Lehman Brothers in the fall of 2008, there was a flight to quality market environment that left value managers exposed. Investors dumped equities outright, without regard for price, growth, etc. One of the few things that did well was quality stocks and

high dividends. However, for most quantitative managers, the strength of their growth or quality factors could not offset the underperformance of valuation signals over this time. All three of the semi-passive managers underperformed somewhat during 2008 (see APPENDIX 4, 5 & 6).

The market declined significantly from July 2007 through December of 2008. For the six quarters ending December 2008, the MSCI Emerging Markets index returned -32.6%, the MSCI World ex US index (developed markets) returned -31.2%, and the MSCI ACWI ex US index (developed & emerging markets) returned -31.6%. As indicated in **Figure 9**, in aggregate, the semi-passive managers did not meet their information ratio expectation at -0.79 vs. 0.20, but, at 2.14%, remained within the targeted tracking error range of 1-4%. These mandates added significantly less value than passive (and every other category as well) at a higher risk level (tracking error) than the active developed markets managers, but at a lower risk level than the active emerging markets managers. The semi-passive mandates had the worst information ratio of all categories. During this time frame, the SBI would have enjoyed the best risk/return trade-off by having all of its developed markets international equity investments in passive and active mandates.

Figure 9.

Financial Crisis			
7/07 - 12/08	VAM	Tracking Error	Information Ratio
Semi-Passive	-1.69	2.14	-0.79
Passive	0.24	0.68	0.36
Active Dev Mkt	0.55	1.46	0.38
Active Emg Mkt	-0.04	4.16	-0.01
Total	-0.05	0.88	-0.06

Junk Rally (January 2009-December 2009)

After six consecutive quarters of loss, where long-term equity valuations reached quarter-century lows, markets rebounded in the second quarter of 2008. Improving economic data and corporate earnings suggested an emergence from recession, tempered by high unemployment and the tentative flow of credit. The equity rally was led by low-quality, previously beaten-down stocks with poor fundamentals. Any focus on quality, earnings, or momentum was not rewarded. Investors referred to this period as the “dash for trash”. In 2009, one of the SBI’s fundamental semi-passive managers (Pyramis) experienced its worst relative performance in any calendar

year since inception (see APPENDIX 5) and to date. The portfolio’s focus on quality growth and longer-term fundamentals was penalized, but was almost fully offset by the relative outperformance of the SBI’s other two semi-passive managers – a reversal of the performance of the second half of 2007.

For the four quarters ending December 2009, the MSCI Emerging Markets index returned 78.5%, the MSCI World ex US index (developed markets) returned 33.7%, and the MSCI ACWI ex US index (developed & emerging markets) returned 41.5%. As indicated in **Figure 10**, in aggregate, the semi-passive managers did not meet their information ratio expectation at -0.05 vs. 0.20, but, at 1.13%, remained within the targeted tracking error range of 1-4%. These mandates added less value than passive (but lost less than active managers), but at a lower risk level than the active developed and emerging markets managers. From an information ratio perspective, the semi-passive mandates were less attractive than the passive option, but offered a better risk/return trade-off than active developed and emerging markets managers.

Figure 10.

Junk Rally			
1/09 - 12/09	VAM	Tracking Error	Information Ratio
Semi-Passive	-0.05	1.13	-0.05
Passive	0.28	0.13	2.13
Active Dev Mkt	-1.35	2.32	-0.58
Active Emg Mkt	-0.69	3.19	-0.22
Total	-0.21	1.28	-0.17

Since Inception of Semi-Passive Mandates (July 2005 – March 2010)

For the nineteen full quarters since inception of the international equity semi-passive program, the MSCI Emerging Markets index returned 15.5%, the MSCI World ex US index (developed markets) returned 4.7%, and the MSCI ACWI ex US index (developed & emerging markets) returned 6.5%. It is not surprising that over this time, a period of extreme market volatility and rotation, that the passive mandate has offered the highest excess return (vam) and the most attractive information ratio as seen in **Figure 11**. A passive portfolio seeks to own the market, taking no bets and expressing no biases. The performance of the semi-passive mandates since inception is not compelling – in fact it is the least attractive category from a risk/return, or

information ratio, perspective. However, in breaking down this performance over the market environments that occurred during this time frame, we have shown that the effects of the unprecedented financial crisis and resulting sell-off in equities overwhelmingly influenced these returns. Looking at the performance of the semi-passive managers in a less volatile time period, pre-financial crisis, one draws a different conclusion – they offered the best risk/return trade-off. Over this entire time period, the semi-passive program operated within its established risk range, however it did not achieve its intended excess return and information ratio objectives. It would be premature for the SBI to draw long-term conclusions regarding the international equity semi-passive program from such a short and volatile period of return history. As markets begin to normalize, over time the SBI should expect to see a contribution from the semi-passive program that is in line with its previously-demonstrated record of adding value in excess of the passive mandate at a lower risk level than the active (developed and emerging) mandates.

Figure 11.

Since Inception: Semi-Passive

7/05 - 3/10	VAM	Tracking Error	Information Ratio
Semi-Passive	-0.13	1.44	-0.09
Passive	0.22	0.39	0.56
Active Dev Mkt	0.21	1.47	0.14
Active Emg Mkt	0.19	2.99	0.06
Total	0.10	0.82	0.12

Semi-Passive Program Optimal Policy Weight Range

As of March 31, 2010, the SBI's actual weight in semi-passive mandates was 11.15%. The current policy range, established in March 2007, allows for no more than 33% of the International Equity Program to be invested in semi-passive mandates, at least 25% in passive mandates, and at least 33% in active mandates. In addition, the program maintains a benchmark weight in developed and emerging markets as they are represented in the MSCI ACWI ex US (net) index. Given that the emerging markets mandates are actively managed only, what are the optimal policy ranges for active, semi-passive, and passive (developed markets) mandates within the SBI's International Equity Program?

In **Figure 11**, we have already established that over the time period since inception of the international equity semi-passive program (4 ¾ years, beginning July 2005), passive management offered both the highest excess return (vam) as well as the best risk-return trade-off (information ratio). To look over a slightly longer period, we can use the history of the semi-passive managers prior to inception of the SBI's accounts to create a slightly longer return history for the semi-passive manager aggregate. If we combine the representative account return history plus the actual history of the SBI's semi-passive mandates, to create an equal-weighted combined return of these three portfolios, we get an aggregate (combined) return history going back almost nine years to February 2000 (the earliest time frame these manager's return histories have in common). Using this as a new semi-passive aggregate, **Figure 12** shows a comparison of the returns, vams (excess returns), tracking errors and information ratios of different active, semi-passive, and passive options.

Figure 12.

2/2000 - 3/2010	Return	VAM	Tracking Error	Information Ratio
100% Active (DM)	2.48	0.23	1.54	0.15
50% Active / 50% Passive	2.48	0.29	0.86	0.34
Actual: (52.4% Act / 35.5% Pass / 11.1% SP)	2.63	0.44	0.95	0.47
100% Passive (DM)	2.47	0.22	0.40	0.54
Current Policy: (25% Pass / 33% SP / 42% Act)	2.93	0.74	1.01	0.73
50% Active / 50% Semi-Passive	3.16	0.97	1.32	0.73
33.3% Active / 33.4% Semi-Passive / 33.3% Passive	2.93	0.74	0.91	0.81
100% Semi-Passive (DM)	3.84	1.63	1.64	0.99
50% Semi-Passive / 50% Passive	3.16	0.96	0.86	1.11

Over the time period of February 2000-March 2010 (approximately 9 years), semi-passive mandates have more attractive realized vam (excess return) and risk-return (information ratio) characteristics than either active or passive mandates on their own. However, this semi-passive return history includes performance that the SBI's accounts did not actually experience. In addition, they are returns of accounts that were not subject to the SBI's tobacco, Iran and Sudan restrictions, which are now in place. The results for the current actual SBI weights appear to be at the lower end of the information ratio scale, and the results for the current policy ranges, while better than the results for the actual weights, are not the most optimal. The category that has the highest realized excess return (vam) is the 100% Semi-Passive option, whereas the category that

realized the highest risk-return trade-off (information ratio) is the 50% Semi-Passive / 50% Passive option. Clearly, based on this data over this time period, including a higher weight to semi-passive mandates appears to be better.

Conclusions & Recommendations

The time period over which one measures performance and risk has a very significant impact on results. It is difficult to draw conclusions from either of the relatively short periods of returns that have been examined (July 2005-March 2010 and February 2000-March 2010), other than to say that over a longer market cycle, semi-passive mandates have historically looked attractive, on an absolute and risk-adjusted basis, relative to the active and passive options. In terms of the actual performance of the SBI's international semi-passive program since inception (July 2005 – March 2010), it has not achieved its objectives of adding incremental value over passive management at a slightly lower risk level than active management and thereby improving the risk-return profile of the SBI's International Equity Program. However, looking at the least volatile market environment during that since inception time period (Pre-Financial Crisis: July 2005-June 2007), the program met and exceeded those expectations.

The current International Equity Program's policy ranges for active, passive and semi-passive mandates allow sufficient flexibility to increase the semi-passive allocation from its current actual weight of 11.15% (as of 3/31/10) to up to 33%, which longer-term history in normal market environments suggests would be a more optimal weighting. However, the returns and risk of the International Equity Program's semi-passive mandates should be observed over a longer time period before recommending any changes to the semi-passive program such as new policy weight ranges. No other changes to the SBI's International Equity Program's semi-passive mandates are recommended at this time.

APPENDIX 1

2003 ASSET ALLOCATION REVIEW - OPTIMIZATION

Staff conducted an optimization exercise to construct a quantitative basis for a recommendation to add enhanced EAFE management to the Program. As inputs, Staff used the historical excess returns (vam) and risk of excess returns (tracking error) for the Program's aggregate active and passive developed markets managers, along with the actual excess returns and risk of excess returns of one of the enhanced index managers (BGI) as a proxy for enhanced EAFE. In the "Portfolio Statistics" chart below, the optimization results show that the Program would be expected to gain 5 basis points of return, and lower the tracking error by 8 basis points, by adding a 10% allocation to Enhanced EAFE management.

Portfolio Statistics: Historical Data (cap Enhanced at 10%)		
	Proposed	Current
Active EAFE (SBI Agg)	65.0%	66.7%
Enhanced EAFE (BGI)	10%	0%
Passive EAFE (SSgA)	25.0%	33.3%
Expected Return	1.47	1.42
Standard Deviation	2.32	2.4

Inputs: Long Run Historical Returns, Risk, and Correlations					
	Vam	Tracking Error	Correlation w/Active	Correlation w/Enh	Correlation w/Passive
Active EAFE Aggregate	2.01	3.45	1		
Enhanced EAFE (BGI)	1.06	1.49	0.04	1	
Passive EAFE (SSgA)	0.25	0.86	0.287	-0.012	1

The correlations outlined in the previous "Inputs" chart demonstrate that over this time period, the Enhanced EAFE vam process was uncorrelated with the active and passive EAFE vam process. Vam correlations of zero are good. They indicate that when one set of managers added value, another set did not and vice versa. This gives program structure diversification. Adding Enhanced EAFE should therefore increase the risk/reward relationship, or information ratio, of the FE Program.

APPENDIX 2

2007 SBI INTERNATIONAL EQUITY PROGRAM - OPTIMIZATION

Staff has developed an updated analysis through December 2006. The semi-passive input to the updated analysis was based upon an equal weighted composite of return histories of the three SBI semi-passive managers which included the SBI's actual performance and manager performance prior to being hired by the SBI. The analysis reveals that increasing the allocation to semi-passive could result in an increase expected return and decrease overall risk for the International Equity Program.

Optimization Inputs: Long-Run Historical Vam, Tracking Error, & Correlation of Vam						
	VAM	Trackin g Error	Vam Corr. w/ Active	Vam Corr. w/ Semi- Passive	Vam Corr. w/ Passive	Inception Date
SBI Active DM Mgr Aggr	1.06	2.96	1			Nov-93
SBI Semi-Passive DM Mgr Aggr (History + Actual)	2.59	1.53	0.301	1		Feb-00
SBI Passive DM Mgr	0.22	0.73	0.008	-0.077	1	Oct-92

Optimization Results: Based on Historical Monthly Return Data			
	Current	Proposed	Unconstrained
Constraints:	Max 10% Semi-Passive / Min 25% Passive	Max 33% Semi-Passive / Min 25% Passive	None
SBI Active DM Mgr Aggr.	41%	25.5%	0%
SBI Semi-Passive DM Mgr Aggr. (History + Actual)	10%	33%	70.5%
SBI Passive DM Mgr	49%	41.5%	29.5%
Expected Vam	0.80	1.22	1.89
Expected Tracking Error	1.32	1.06	1.08

APPENDIX 3

Periods Ending March, 2010

Name	3Q05 & 4Q05	CY 2006	CY 2007	CY 2008	CY 2009	1Y	2Y	3Y	4Y	5Y	Since inception	Inception date
ACTIVE DEVELOPED MARKETS AGGREGATE	14.95	25.80	12.96	-42.76	31.86	53.54	-7.73	-5.71	-0.04	4.53	6.05	October, 1993
ACTIVE DEVELOPED MARKETS AGGREGATE BENCHMARK	15.29	25.70	12.61	-43.52	33.66	55.94	-8.45	-6.08	-0.23	4.38	5.09	October, 1993
ACTIVE EMERGING MARKETS AGGREGATE	27.14	34.36	40.05	-52.99	77.26	79.04	-2.45	4.56	8.89	16.12	7.72	April, 1996
ACTIVE EMERGING MARKETS AGGREGATE BENCHMARK	26.42	32.17	39.89	-53.21	78.50	81.06	-1.98	5.37	9.00	15.79	7.77	April, 1996
SEMI-PASSIVE AGGREGATE	16.23	26.38	12.15	-44.41	33.59	55.86	-8.94	-6.62	-0.68		4.65	June, 2005
SEMI-PASSIVE AGGREGATE BENCHMARK	15.29	25.70	12.61	-43.52	33.66	55.94	-8.45	-6.08	-0.23		4.79	June, 2005
PASSIVE AGGREGATE (SSgA)	15.23	25.96	12.90	-43.38	34.04	56.49	-8.21	-5.81	0.05	4.61	6.60	September, 1992
PASSIVE AGGREGATE (SSgA) BENCHMARK	15.29	25.70	12.61	-43.52	33.66	55.94	-8.45	-6.08	-0.23	4.38	6.36	September, 1992
TOTAL INTERNATIONAL EQUITY	16.58	26.95	17.10	-45.34	41.17	60.36	-6.94	-4.02	1.46	6.28	7.44	September, 1992
TOTAL INTERNATIONAL EQUITY BENCHMARK	16.61	26.65	16.89	-45.47	41.47	60.93	-7.11	-4.07	1.41	6.18	6.78	September, 1992
MSCI ACWI ex-US FREE (GD thru 12/00, then ND)	16.61	26.65	16.66	-45.52	41.47	60.93	-7.18	-4.16	1.34	6.12	7.11	September, 1992
MSCI WORLD EX US (ND)	15.29	25.70	12.44	-43.56	33.66	55.94	-8.49	-6.16	-0.29	4.33	6.50	September, 1992
MSCI EMERGING MARKETS - FREE	26.42	32.17	39.38	-53.33	78.50	81.06	-2.10	5.16	8.83	15.65	9.65	September, 1992

APPENDIX 4

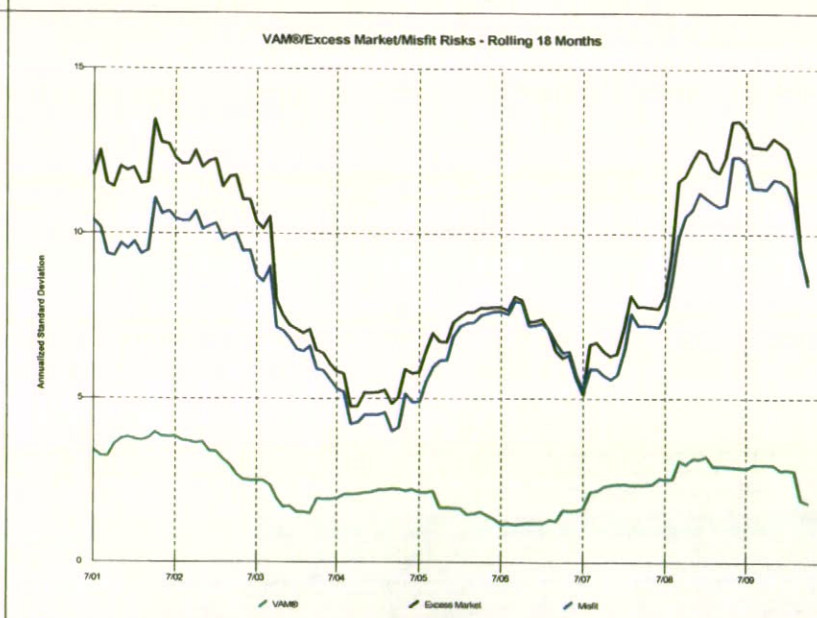
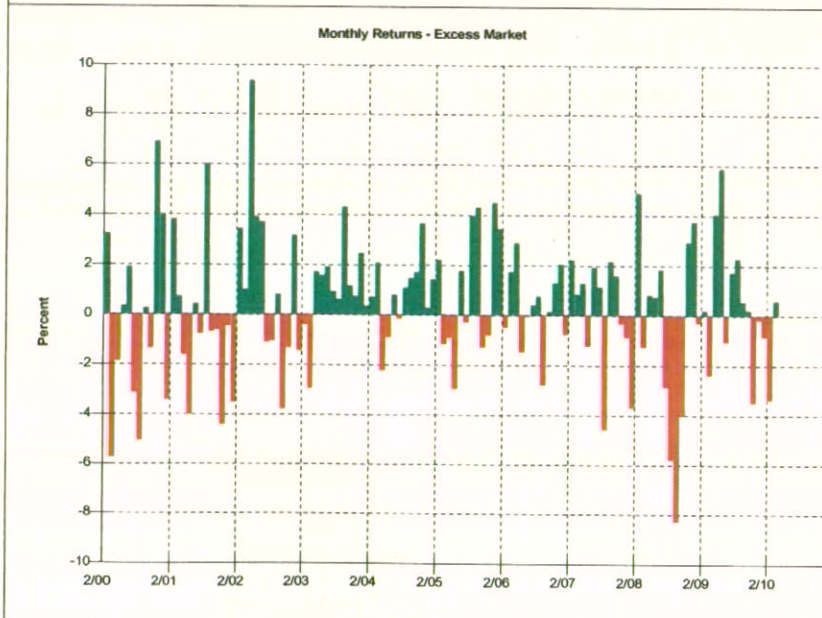
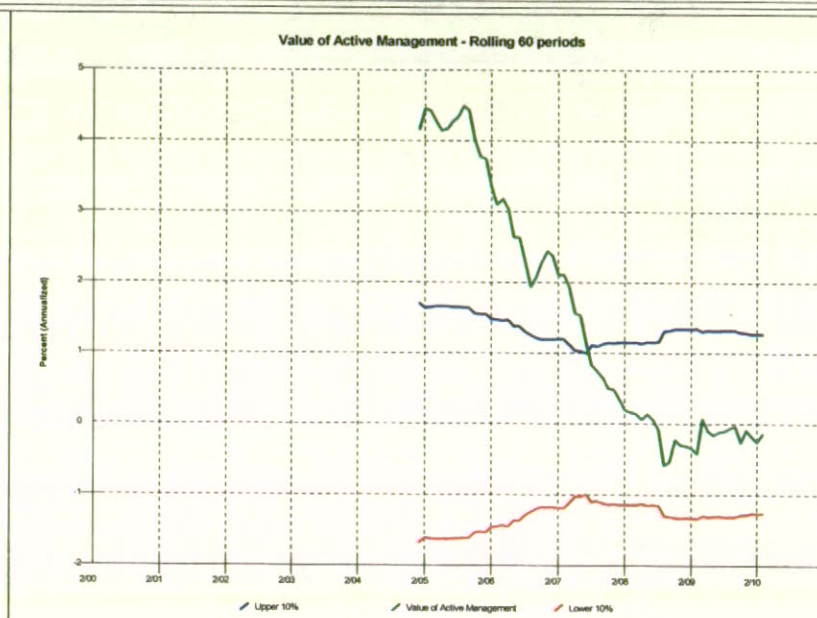
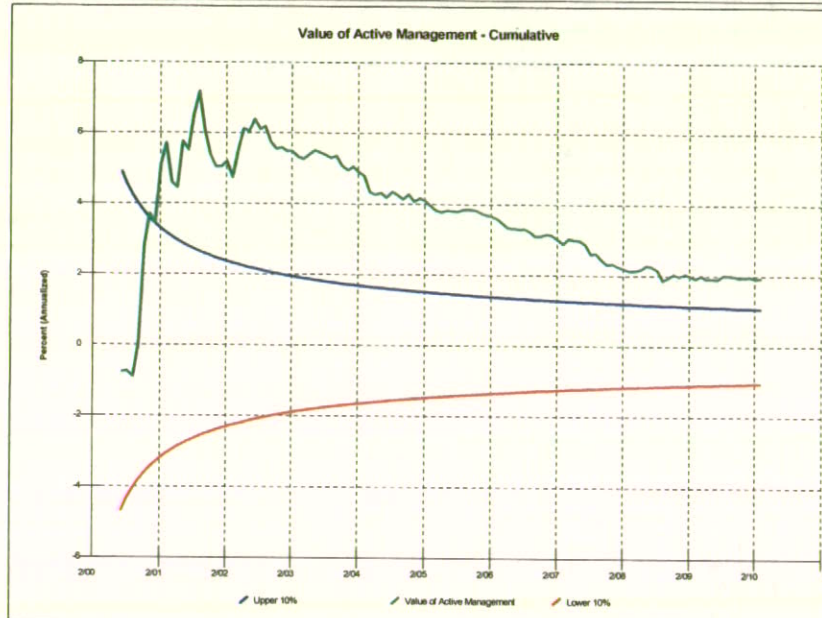
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Benchmark: MSCI WORLD ex U.S. Index (net)						
	PORTFOLIO		BENCHMARK		VAM	
	Quarterly Return	Annual Return	Quarterly Return	Annual Return	Quarterly Return	Annual Return
2005 Q3	12.1		10.9		1.0	
Q4	4.5	17.1	3.9	15.3	0.5	1.6
2006 Q1	9.2		9.3		-0.1	
Q2	-0.1		0.7		-0.8	
Q3	3.9		3.7		0.2	
Q4	10.5	25.2	10.1	25.7	0.3	-0.4
2007 Q1	2.9		4.0		-1.0	
Q2	8.4		7.0		1.4	
Q3	0.6		2.7		-2.0	
Q4	-2.9	9.0	-1.5	12.6	-1.5	-3.2
2008 Q1	-9.6		-8.7		-1.0	
Q2	0.7		-1.1		1.8	
Q3	-23.0		-20.7		-2.9	
Q4	-20.0	-44.0	-21.1	-43.5	1.5	-0.8
2009 Q1	-13.1		-13.1		0.0	
Q2	26.4		25.9		0.4	
Q3	20.9		19.4		1.3	
Q4	2.5	36.0	2.4	33.7	0.0	1.7
2010 Q1	1.6		1.3		0.2	

	PORTFOLIO	BENCHMARK	VAM
1 yr	59.0	55.9	2.0
2 yr	-7.4	-8.4	1.1
3 yr	-6.4	-6.1	-0.3
4 yr	-0.8	-0.2	-0.6
Since Inception	4.6	4.8	-0.2
STD. DEV.	21.5	21.2	

VAM® Graphs - MINNESOTA STATE BOARD OF INVESTMENT

AQR ACTUAL vs AQR BMARK

Monthly from period ending February, 2000 to period ending March, 2010 (122 periods)



APPENDIX 5

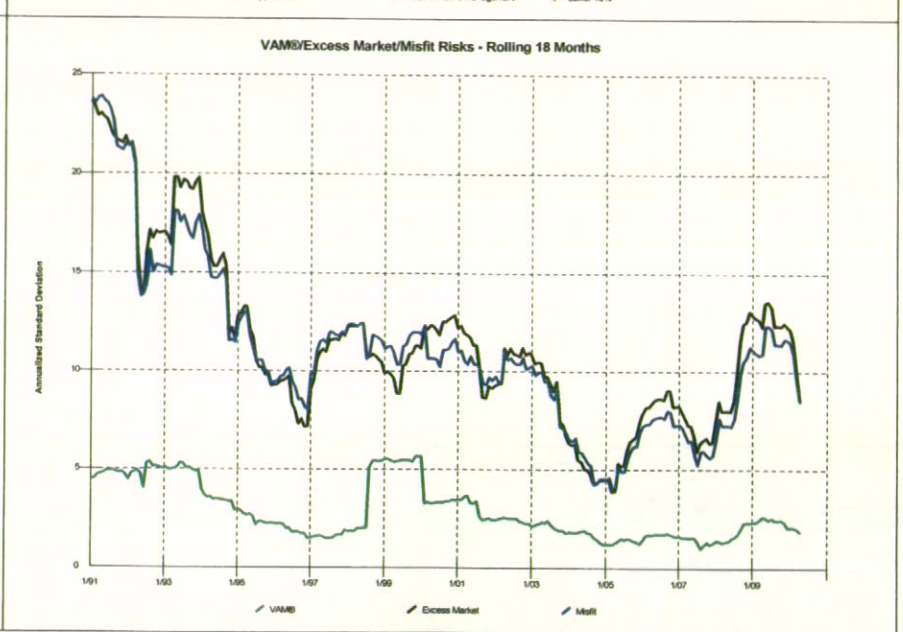
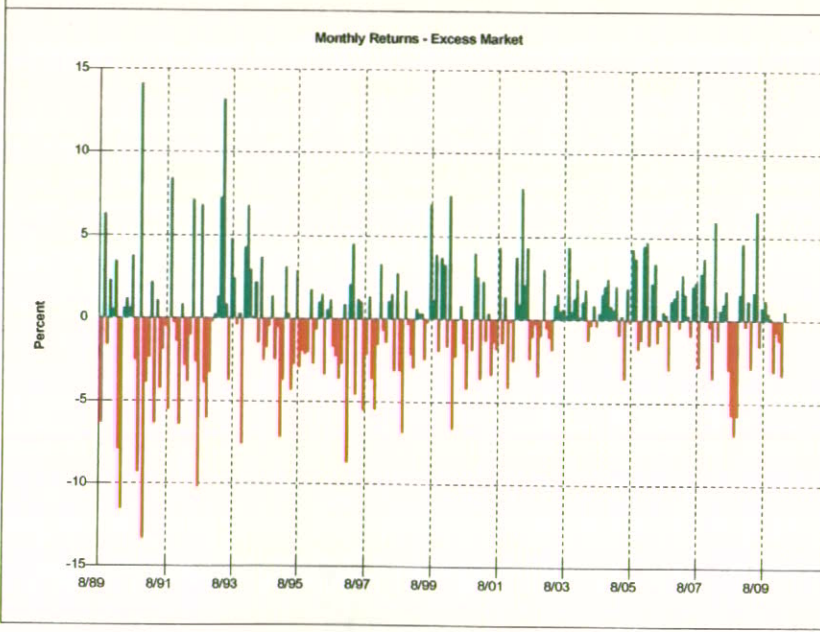
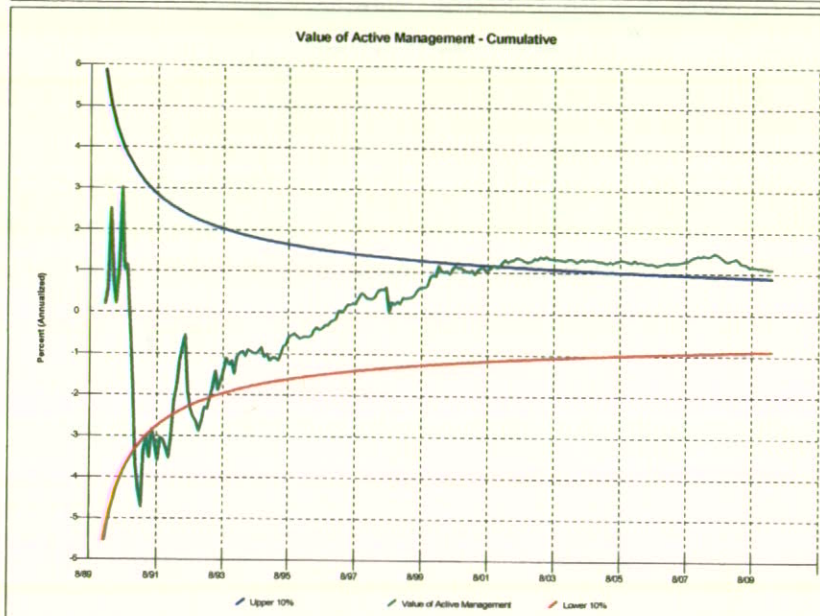
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Benchmark: MSCI WORLD ex U.S. Index (net)						
	PORTFOLIO		BENCHMARK		VAM	
	Quarterly Return	Annual Return	Quarterly Return	Annual Return	Quarterly Return	Annual Return
2005 Q3	11.9		10.9		0.9	
Q4	3.5	15.8	3.9	15.3	-0.5	0.4
2006 Q1	9.9		9.3		0.5	
Q2	0.2		0.7		-0.4	
Q3	3.3		3.7		-0.4	
Q4	11.5	26.8	10.1	25.7	1.2	0.9
2007 Q1	4.5		4.0		0.5	
Q2	7.7		7.0		0.7	
Q3	4.2		2.7		1.5	
Q4	0.8	18.2	-1.5	12.6	2.3	5.0
2008 Q1	-8.6		-8.7		0.1	
Q2	0.6		-1.1		1.7	
Q3	-22.0		-20.7		-1.7	
Q4	-21.9	-44.0	-21.1	-43.5	-0.9	-0.9
2009 Q1	-12.9		-13.1		0.2	
Q2	23.6		25.9		-1.8	
Q3	18.4		19.4		-0.8	
Q4	2.2	30.2	2.4	33.7	-0.2	-2.6
2010 Q1	1.2		1.3		-0.2	

	PORTFOLIO	BENCHMARK	VAM
1 yr	51.3	55.9	-3.0
2 yr	-10.2	-8.4	-1.9
3 yr	-5.8	-6.1	0.3
4 yr	0.2	-0.2	0.4
Since Inception	5.3	4.8	0.5
STD. DEV.	21.5	21.2	

VAM® Graphs - MINNESOTA STATE BOARD OF INVESTMENT

PYRAMIS-SELECT ACTUAL vs PYRAMIS-SELECT BMARK

Monthly from period ending August, 1989 to period ending March, 2010 (248 periods)



APPENDIX 6

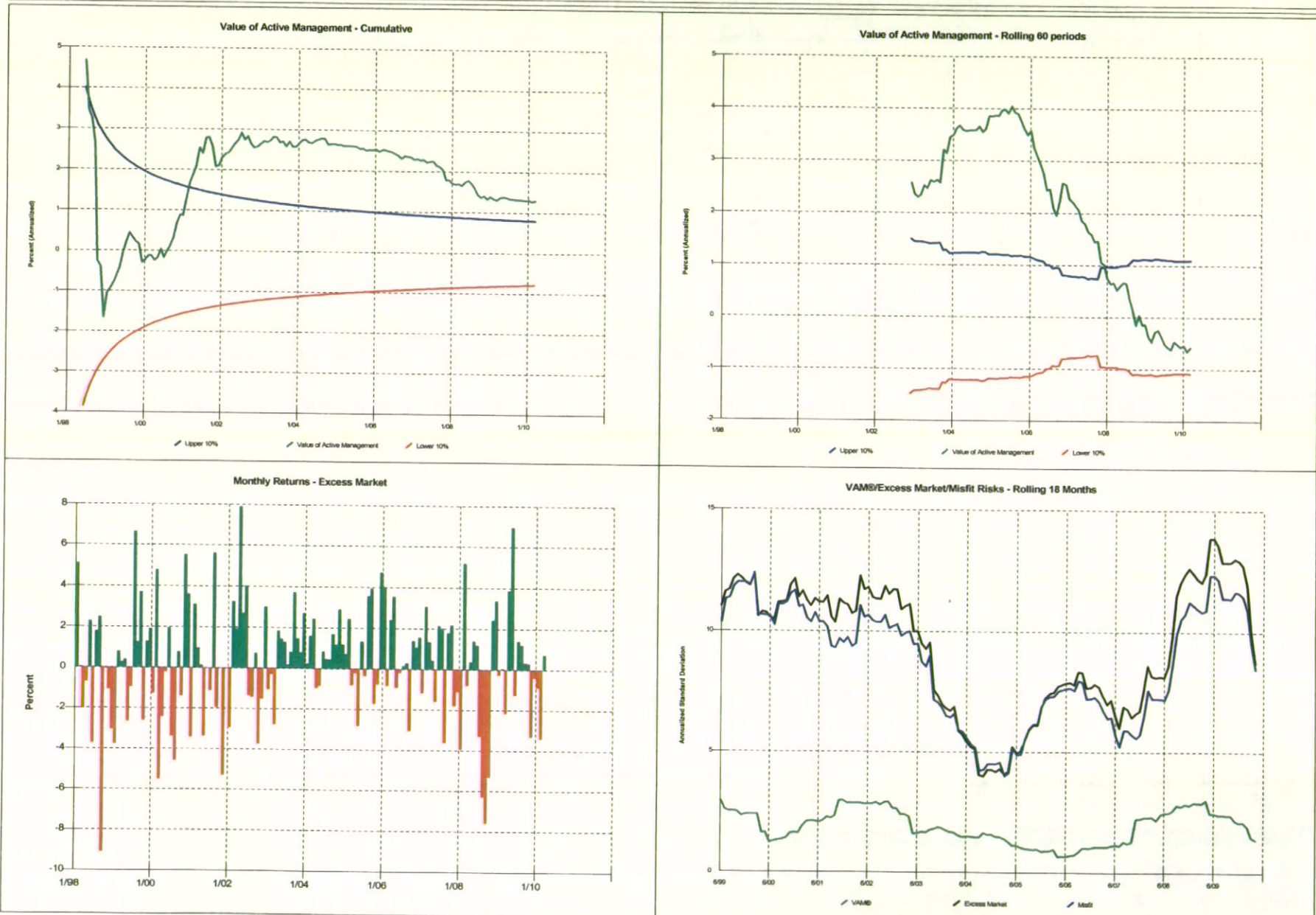
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Benchmark: MSCI WORLD ex U.S. Index (net)						
	PORTFOLIO		BENCHMARK		VAM	
	Quarterly Return	Annual Return	Quarterly Return	Annual Return	Quarterly Return	Annual Return
2005 Q3	11.2		10.9		0.2	
Q4	4.3	15.9	3.9	15.3	0.3	0.6
2006 Q1	10.1		9.3		0.7	
Q2	0.9		0.7		0.3	
Q3	2.9		3.7		-0.8	
Q4	11.1	27.1	10.1	25.7	0.9	1.1
2007 Q1	3.9		4.0		-0.1	
Q2	7.3		7.0		0.3	
Q3	2.1		2.7		-0.6	
Q4	-4.1	9.1	-1.5	12.6	-2.7	-3.1
2008 Q1	-9.2		-8.7		-0.5	
Q2	0.2		-1.1		1.3	
Q3	-23.2		-20.7		-3.2	
Q4	-21.8	-45.3	-21.1	-43.5	-0.8	-3.2
2009 Q1	-13.1		-13.1		0.1	
Q2	27.2		25.9		1.1	
Q3	19.0		19.4		-0.3	
Q4	2.5	34.9	2.4	33.7	0.1	0.9
2010 Q1	1.7		1.3		0.3	

	PORTFOLIO	BENCHMARK	VAM
1 yr	57.7	55.9	1.1
2 yr	-9.1	-8.4	-0.7
3 yr	-7.6	-6.1	-1.7
4 yr	-1.4	-0.2	-1.2
Since Inception	4.0	4.8	-0.7
STD. DEV.	21.9	21.2	

VAM® Graphs - MINNESOTA STATE BOARD OF INVESTMENT

SSGA-ALPHA ACTUAL vs SSGA-ALPHA BMARK

Monthly from period ending January, 1998 to period ending March, 2010 (147 periods)



APPENDIX 7

Investment Manager: SBI INT'L EQUITY SEMI-PASSIVE AGGREGATE						
Benchmark: MSCI WORLD ex U.S. Index (net)						
	PORTFOLIO		BENCHMARK		VAM	
	Quarterly Return	Annual Return	Quarterly Return	Annual Return	Quarterly Return	Annual Return
2005 Q3	11.7		10.9		0.7	
Q4	4.1	16.2	3.9	15.3	0.1	0.8
2006 Q1	9.7		9.3		0.4	
Q2	0.4		0.7		-0.3	
Q3	3.4		3.7		-0.3	
Q4	11.0	26.4	10.1	25.7	0.8	0.5
2007 Q1	3.8		4.0		-0.2	
Q2	7.8		7.0		0.8	
Q3	2.3		2.7		-0.4	
Q4	-2.0	12.1	-1.5	12.6	-0.6	-0.4
2008 Q1	-9.1		-8.7		-0.5	
Q2	0.5		-1.1		1.6	
Q3	-22.7		-20.7		-2.6	
Q4	-21.2	-44.4	-21.1	-43.5	-0.1	-1.6
2009 Q1	-13.0		-13.1		0.1	
Q2	25.7		25.9		-0.2	
Q3	19.4		19.4		0.0	
Q4	2.4	33.6	2.4	33.7	0.0	-0.1
2010 Q1	1.5		1.3		0.1	

	PORTFOLIO	BENCHMARK	VAM
1 yr	55.9	55.9	-0.1
2 yr	-8.9	-8.4	-0.5
3 yr	-6.6	-6.1	-0.6
4 yr	-0.7	-0.2	-0.4
Since Inception	4.7	4.8	-0.1
STD. DEV.	21.6	21.2	

Minnesota State Board of Investment

Domestic Equity Semi-Passive Management Review

May 2010

Introduction

The Domestic Equity Program began in 1984 with an allocation to active management. Allocations to passive and semi-passive management were added to the Domestic Equity Program in 1995. Over time, there have been changes to the program, including its Asset Class Target and its overall range allocations for the three mandates. Today, the program continues to have allocations to active, passive and semi-passive management. This paper will review the role and purpose of semi-passive management and recommend changes, if any, for the domestic equity program.

Domestic Equity Portfolio

When the program was implemented in 1984, the only viable options were passive management and active management. Rather than managing to add value relative to a benchmark, passive management involves buying and holding securities that will closely follow the returns of a specified benchmark. The passive manager's primary job is to manage the tradeoff between transaction costs, tracking error and management fees. Active management entails buying and selling securities in an asset class with the intention of outperforming a specified benchmark. The State Board of Investment (SBI) expects to earn incremental return from active management as it offers the potential to outperform the asset class target at a higher level of risk. To outperform the benchmark, the securities held in an active portfolio may differ substantially from the composition of the benchmark. Active management offers the potential to outperform the specified benchmark, but the plan sponsor also assumes the risk that an active manager may underperform the benchmark. The program was 100% active in 1984.

From 1984 through June 1999, the program was benchmarked to the Wilshire 5000. In 1990, the Dynamic Completeness Fund (DCF) benchmark approach was incorporated into the domestic equity program to manage dispersion between the active manager portfolios and the asset class target. Each manager had a custom benchmark based on their investment style. The Semi-passive management allocation was added to the Domestic Equity Program in 1995 to manage assets to the DCF benchmark. Each quarter, the semi-passive managers would be given a list of stocks to “complete” the Wilshire 5000 benchmark to help control misfit risk. In late 2003, the Domestic Equity Program transitioned from the Wilshire 5000 benchmark to the Russell 3000 benchmark and discontinued the DCF benchmark approach. Since January 2004, the semi-passive managers have been benchmarked against the Russell 1000 Index.

Semi-Passive management overview

Semi-passive management strategies, also referred to as enhanced indexing, are designed to consistently achieve modest levels of excess return, by specifically addressing the risk of that excess return. They do not attempt to achieve excess return levels as high as those in traditional active strategies, but they are generally more consistent at generating modest excess returns.

The State Board of Investment (SBI) incorporated the active/semi-passive/passive strategy in 1995 taking into consideration the amount of assets in the domestic equity portfolio, return objectives, risk tolerance, and cost of active management and expense of trading. The total domestic equity program is expected to earn the market return.

Role/Expectations of Semi Passive Strategy

The active, semi-passive, and passive strategies are expected to provide diversification so that one manager segment does not determine the performance of the whole program. Currently, the program is structured with the following allocation and expectations:

Table 1. Total Domestic Equity Policy Allocation, Return and Risk Expectations as of March 31, 2010.

Mandate	Policy Range Allocation	3/31/10 Actual Allocation	Target Excess Return¹	5 Year Target Tracking Error Ranges²
Active	0-50%	25%	+0.50 to 1.0%	2-13%
Semi-Passive	0-50%	33%	+0.15 to 0.30%	1-3%
Passive	25-100%	42%	-0.10%	0.1%
Total DE Portfolio		100%	+0.16 to 0.46%	

¹Nuveen analysis

² Tracking Error is the annualized standard deviation of excess return. Tracking error ranges vary by manager and depend on the manager's investment process and published Russell style mandate.

The current policy range allocation for the Domestic Equity Program is wide to allow for long-term flexibility. At one time, the policy was one-third active, one-third semi-passive, one-third passive, and it was difficult to keep policy weights within a tight range. The current semi-passive allocation is approximately 33% of the overall program. The target excess return for the semi-passive managers is in between active and passive management. The top of its target excess return range is below the start of the range for the active managers.

The SBI's semi-passive aggregate matched the performance of its asset class target since inception of the strategy, and slightly underperformed the asset class target for five years ending March 31, 2010. From 1995-2004 a custom benchmark was used as the asset class target for each manager due to the role semi-passive managers had in the DCF program to control misfit risk. Since January 2004, the Russell 1000 has been the semi-passive aggregate's asset class

target. The tracking error for the semi-passive management group since inception is in line with the target range of 1-3%, but is slightly under the range for five years ending March 31, 2010. A low tracking error range reflects the goal to moderately outperform the Russell 1000 net of fees and expenses over long time periods.

Table 2. Total Domestic Equity Relative Return Net of Fees and Portfolio Risk as of March 31, 2010

Manager Segment	3 Yr Relative Return	3Yr Tracking Error	5 Yr Relative Return	5 Year Tracking Error	Since Inception Relative Return	Since Inception Tracking Error	Inception Dates
Active	-0.3	2.2	-0.7	1.9	-0.7	1.8	10/2003
Semi-Passive	-0.6	0.8	-0.3	0.7	0.0	1.1	1/1995
Passive	0.1	0.1	0.1	0.1	0.2	0.3	7/1995
Total DE Portfolio	-0.2	0.7	-0.3	0.6	-0.3	0.9	1/1984

As shown in Table 3 below, the semi passive segment has shown lower risk than active management, 0.67 versus 1.77, yet higher risk than passive management with a 0.09 standard deviation. This is to be expected as semi-passive management is a hybrid approach that incorporates characteristics from both passive and active management. In addition, there is low correlation between the semi-passive excess returns and active (0.08) and passive (0.03) excess returns.

Table 3. Total Domestic Equity Portfolio Correlation Matrix of Monthly Excess Returns for the Period October 2003-March 2010

	Active Aggregate	Semi-Passive Aggregate	Passive Aggregate	Domestic Equity Portfolio
Active	1.00			
Semi-Passive	0.08	1.00		
Passive	-0.13	0.03	1.00	
Total Domestic Equity Portfolio	0.91	0.47	-0.06	
Annualized Standard Deviation	1.77	0.67	0.09	0.57

Performance has been in line with expectations. Recent markets have been challenging for all managers across all mandates. Calendar 2007 performance was an exceptionally poor year for the SBI's semi-passive managers, which underperformed the Russell 1000 by 2.6%. Quantitative fund managers, who use computer models to pick stocks, found the economic environment extremely difficult. There was massive de-leveraging of risk by investors which forced hedge funds and quantitative managers to sell their long positions to cover their short positions. Portfolios with investment themes such as value and quality, which have a record of paying off over the long term, suffered losses as investors liquidated similar portfolios.

Table 4. Semi-Passive Managers Calendar and Since Inception Returns Net of Fees

Portfolio	Calendar Year						Since Inception ¹
	2004	2005	2006	2007	2008	2009	
BlackRock	11.7	7.6	15.6	2.2	-37.1	27.6	8.0
JPMorgan	11.7	4.7	16.5	5.1	-37.1	32.1	7.9
Mellon	11.7	6.1	16.5	2.5	-37.6	25.6	7.1
Semi Passive Aggregate	11.7	6.2	16.1	3.2	-37.2	28.5	7.7
Semi-Passive Benchmark	11.4	6.3	15.5	5.8	-37.6	28.4	7.7

¹ Inception date: January 1, 1995

Table 5. Total Domestic Equity Portfolio Calendar Returns Net of Fees

Portfolio	Calendar Year					
	2004	2005	2006	2007	2008	2009
Active Manager Aggregate	12.5	6.5	11.5	6.3	-40.5	32.3
Active Manager Benchmark	12.3	6.0	15.8	4.2	-36.9	27.9
Semi Passive Manager Aggregate	11.7	6.2	16.1	3.2	-37.2	28.5
Semi Passive Manager Benchmark	11.4	6.3	15.5	5.8	-37.6	28.4
Passive Aggregate	12.0	6.2	15.8	5.1	-37.1	28.2
Passive Manager Benchmark	11.9	6.1	15.7	5.1	-37.3	28.3
Total Domestic Equity Portfolio	12.2	6.4	14.5	4.9	-38.1	29.6
Total Domestic Equity Portfolio Benchmark	11.9	6.1	15.7	5.1	-37.3	28.3

Style Bias

The active and semi-passive benchmarks are plotted on the style graph, Attachment A. Combined, the style coordinate of the active and semi-passive segment match up with the style coordinate of the asset class target. This would be expected as the domestic equity portfolio is structured to minimize unwanted style bias (misfit risk) relative to its asset class target and maintain overall return potential.

Current Semi-Passive Program

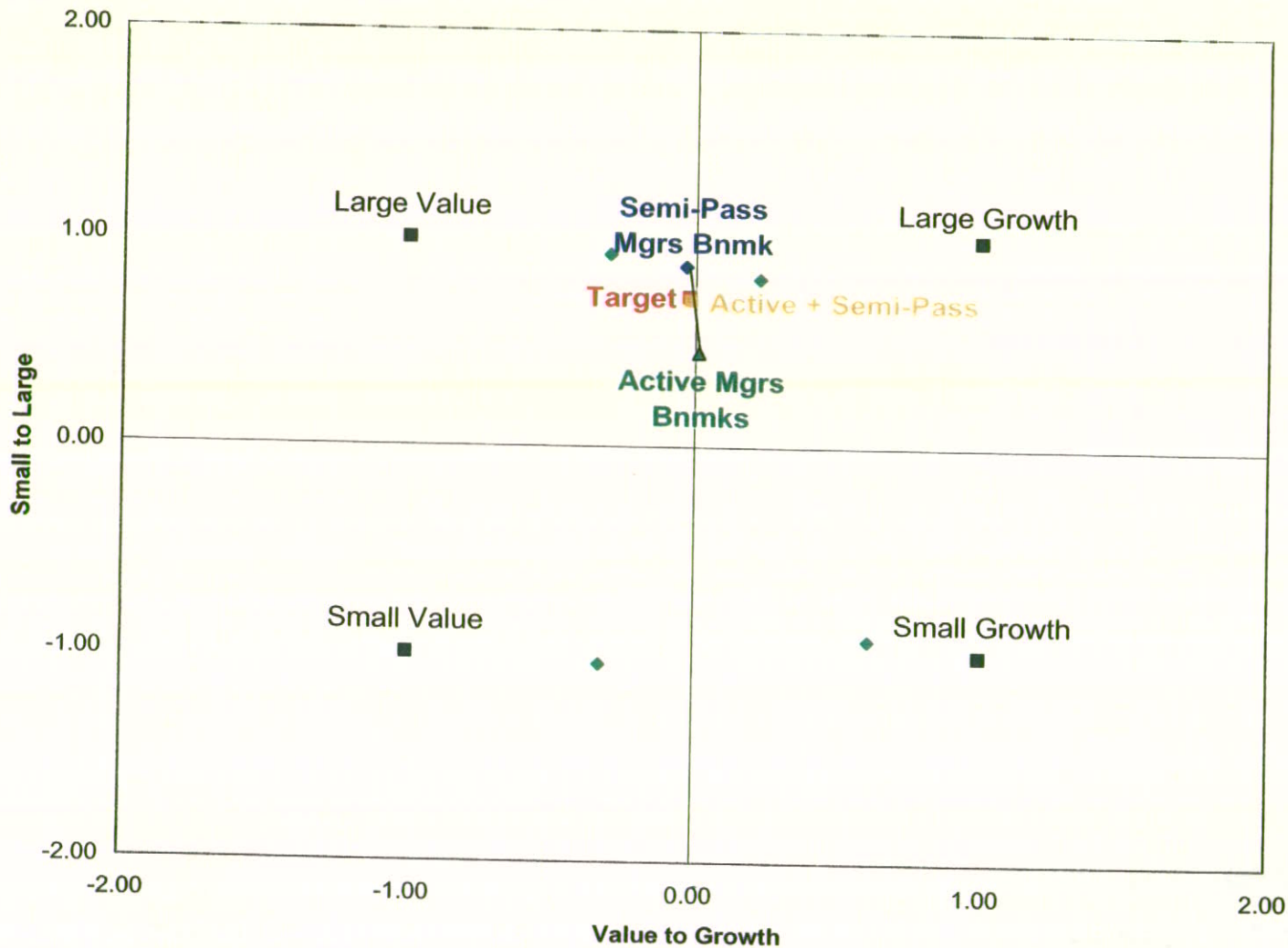
When the semi-passive mandate was funded in 1995, three managers were hired. They were BlackRock Institutional Trust Co., N.A. (formerly Barclay's Global Investors), J. P. Morgan Investment Management, and Mellon Capital Management (formerly Franklin Portfolio Associates). All three managers remain in the semi-passive program. As the assets under management increased and two managers experienced organizational changes, staff reviewed the opportunities to add diversification, capacity, and flexibility to the program. As a result of the evaluation, staff recommended hiring a fourth manager for the program. The recommendation was approved and INTECH Investment Management was added to the program on April 1, 2010.

The inclusion of a semi-passive strategy in the domestic equity portfolio has successfully provided asset class return net of fees to the domestic equity portfolio since inception with low tracking error. The allocation to this strategy continues to be within its policy range and has been successful in managing and controlling style bias or misfit risk.

Recommendation

Staff recommends to continue with the current semi-passive management strategy and structure at this time.

Domestic Equity Managers Benchmark Style Coordinates at 12/31/2009



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ATTACHMENT A

Tab F

DATE: May 11, 2010

TO: Members, Investment Advisory Council

FROM: Stephanie Gleeson

SUBJECT: Consideration of implementing customized MSCI benchmarks in the International Equity Program.

The retirement assets under the control of the SBI are subject to certain Board-mandated or legislatively-mandated investment restrictions including tobacco companies, and companies with activities in Sudan and Iran. In some cases, these companies represent large percentages of indexes against which the performance of the SBI's asset class investments and the individual investment managers are being benchmarked/measured, but in which the SBI may not invest. The SBI staff is considering whether or not to recommend the use of customized market indices as the asset class target, and as individual investment manager benchmarks.

The asset class target for the SBI's International Equity Program is the Morgan Stanley Capital International All Country World Index (MSCI ACWI) ex U.S. (net), which includes both developed and emerging markets outside of the United States. The SBI's active, semi-passive and passive developed markets managers are benchmarked to the MSCI World ex US index (net), which includes all developed markets outside of the United States. The SBI's active emerging markets managers are benchmarked to the MSCI Emerging Market index (net), which includes all emerging markets outside of the United States.

The SBI's Sudan and Iran restrictions disproportionately impact the international equity benchmarks since the vast majority of the restricted companies are foreign. The SBI's tobacco restrictions impact both the U.S. equity and international equity benchmarks. The Iran restrictions represent the largest proportion of the international equity indexes and these restrictions are concentrated in the Energy sector. The concentration of the Iran restrictions leaves managers with fewer options to replace a restricted stock with an un-restricted one in the same sector. Companies are added to or removed from the lists of restricted securities (tobacco, Iran, & Sudan) based on updated research the SBI frequently receives from its third-party vendors (RiskMetrics-Iran & tobacco lists, Genocide Intervention Network-Sudan list). Currently, managers may not purchase any Iran-restricted stocks. They will have to divest 50% of the names by July 31, 2010 and the remaining 50% by January 31, 2011. Additions to the Iran-restricted list, provided they remain on the list, will be divested according to a different schedule defined in the legislation. Therefore, managers have not yet felt the full impact of the Iran restrictions. The Sudan and tobacco restrictions have been fully implemented.

Over the one-year period ending March 31, 2010, the SBI's tobacco, Sudan and Iran restrictions represented on average approximately 6.6% of the market capitalization of the developed markets MSCI World ex US index (see **Appendix 1**), of which 5.3% were the Iran restrictions, 1.0% were the tobacco restrictions and 0.3% were the Sudan restrictions. Over the same time frame, these restrictions represented on average an additional 6.7% of the market capitalization of the emerging markets MSCI Emerging Markets index (see **Appendix 2**), of which 6.1% were the Iran restrictions, 0.6% were the tobacco restrictions and 0.04% were the Sudan restrictions. Over the one-year period ending March 31, 2010, these restrictions contributed approximately 2.9% to the MSCI World ex U.S. index 55.9% return, and contributed approximately 4.4% to the MSCI Emerging Markets index 81.1% return, per Factset attribution. A summary of the weight of these restrictions and their contribution to the index return in the developed and emerging markets indexes annually over the last ten years is included in **Appendix 3 & 4**, respectively.

Several issues need to be considered:

- 1.) The third-party provider of the Iran and tobacco restricted lists, RiskMetrics, recently merged with KLD, another provider of this type of research. The two entities are in the process of merging their research platforms. The most recent Iran-restricted list received by the SBI reflected a dramatic number of changes as a result of this merger. The RiskMetrics list included 24 names. The combined list has 37 names. In addition, the SBI has received questions from its investment managers about certain Iran-restricted securities, which to their knowledge do not have operations in Iran. The SBI would like to resolve what we view to be serious questions about RiskMetrics' research, such as what inclusion criteria are used, and how does RiskMetrics substantiate a company's business activities in Iran.
- 2.) Do the SBI's international equity investment managers want to be officially measured against an MSCI index customized for the SBI's investment restrictions?

Active Developed & Emerging Markets Managers

None of the ten active developed and emerging markets managers have a preference for being measured against a custom MSCI index. Several explicitly stated they did not want to be benchmarked to a custom MSCI index.

Semi-Passive Developed Markets Managers

Two of the three semi-passive developed markets managers expressed a preference for being benchmarked to a custom MSCI index. One manager indicated that in a low tracking error strategy, these restrictions will use a lot of the tracking error "budget". The second manager manages the portfolio regionally and would have fewer substitutions for the Iran restrictions in the energy sector which are highly concentrated in the European region. However, the third semi-passive manager explicitly stated that they did not want to be measured against a custom MSCI index. They feel that given the breadth of their research, alpha generation will not be impaired by the restrictions.

Passive Developed Markets Manager

The passive portfolio manager (SSgA) did not express a preference to manage the portfolio against a custom MSCI index. SSgA indicated that this is a policy decision for the SBI. If the portfolio is benchmarked to a standard (non-restricted) index, an un-optimized portfolio will have a predicted tracking error of +/-70 bps, and an optimized portfolio will have a predicted tracking error of +/- 40 bps (before consideration of withholding tax differences).

- 3.) The cost of MSCI custom indexes and the administrative issues involved have been investigated by the SBI, but need to be further clarified. MSCI would give the SBI a 50% reduction in price versus what an asset manager would be charged for custom indexes, however, the SBI would not be entitled to share that index data with its managers. If the SBI mandated the use of MSCI custom indexes, each manager would have to purchase the MSCI custom index data at twice the price, and almost every manager has indicated that they would bill the SBI for the cost. This would be a significant expense (potentially in excess of \$350,000). The SBI feels that at the very least, having the MSCI custom index data (while not necessarily mandating custom indexes as manager benchmarks) would provide the SBI with returns against which to evaluate manager and program performance in the event that these restrictions begin to have a significantly adverse effect on performance.

RECOMMENDATION:

The SBI staff recommends further analysis before recommending the use of custom MSCI indexes. The SBI staff would like to first clarify its concerns related to the research of RiskMetrics and its list of Iran-restricted securities, the largest SBI restriction by market capitalization. The SBI staff will also further clarify the costs and administrative issues associated with MSCI custom indexes. At this time, the Iran divestment schedule does not mandate full divestment of restricted securities until January 31, 2011 and therefore the SBI has some time to gain further clarity on these issues.

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APPENDIX 1

Performance Attribution

MSCI World Ex-United States vs. MSCI World Ex-United States, U.S. Dollar
3/31/2009 to 3/31/2010

MNSBI Sector	Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
Consumer Discretionary	9.31	54.44	5.29	4.35
Consumer Staples	9.30	54.18	4.82	3.88
Beverages	1.65	71.06	1.05	0.91
Food & Staples Retailing	2.40	43.71	1.11	0.72
Food Products	3.30	55.47	1.71	1.44
Household Products	0.56	55.67	0.29	0.25
Personal Products	0.33	52.63	0.16	0.15
Tobacco	1.06	50.81	0.51	0.42
JAPAN	0.14	42.83	0.05	0.04
Japan Tobacco Inc.	0.14	42.83	0.05	0.04
SWEDEN	0.05	70.53	0.03	0.02
Swedish Match AB	0.05	70.53	0.03	0.02
UNITED KINGDOM	0.88	51.17	0.43	0.36
British American Tobacco	0.59	56.11	0.32	0.27
Imperial Tobacco Group P	0.28	41.13	0.12	0.09
Energy	10.08	42.86	4.63	3.06
Energy Equipment & Services	0.49	114.60	0.42	0.38
AUSTRALIA	0.03	93.02	0.03	0.01
CANADA	0.03	109.23	0.03	0.02
FRANCE	0.09	139.32	0.09	0.09
CGG Veritas	0.03	144.71	0.03	0.03
Technip S.A.	0.06	136.95	0.06	0.06
ITALY	0.08	122.86	0.07	0.07
Saipem S.p.A.	0.08	122.86	0.07	0.07
NETHERLANDS	0.06	87.07	0.04	0.04
NORWAY	0.00	40.18	0.01	0.00
UNITED KINGDOM	0.06	82.04	0.03	0.03
[Unassigned]	0.13	129.27	0.12	0.11
Tenaris S.A.	0.08	117.25	0.07	0.07
Seadrill Ltd.	0.05	150.31	0.05	0.04
Oil & Gas	0.10	56.24	0.16	0.10
Oil Gas & Consumable Fuels	9.50	39.33	4.05	2.58
AUSTRALIA	0.46	51.35	0.22	0.06
AUSTRIA	0.06	15.70	0.01	0.01
OMV AG	0.06	15.70	0.01	0.01
CANADA	2.35	56.79	1.34	0.68
FINLAND	0.02	38.96	0.01	0.01
FRANCE	1.21	21.91	0.33	0.27
GREECE	0.01	27.11	0.00	0.00
HONG KONG	0.01	59.96	0.00	0.01
ITALY	0.62	27.19	0.23	0.18
JAPAN	0.22	1.23	0.01	-0.01
Idemitsu Kosan Co. Ltd.	0.02	3.33	0.00	-0.00
Cosmo Oil Co. Ltd.	0.02	-17.12	-0.00	-0.01
Showa Shell Sekiyu K.K.	0.02	-22.59	-0.00	-0.00
TonenGeneral Sekiyu K.K.	0.03	-9.87	-0.00	-0.01
NIPPON OIL CORP NPV	0.07	#N/A	0.01	0.00
Japan Petroleum Explorat	0.01	27.22	0.00	0.00
Inpex Corp.	0.06	6.85	0.01	-0.00
NORWAY	0.25	37.49	0.12	0.07
Statoil ASA	0.25	37.09	0.11	0.06
Frontline Ltd.	0.00	78.86	0.01	0.00
PORTUGAL	0.02	48.37	0.01	0.01
SPAIN	0.17	43.66	0.09	0.08
SWEDEN	0.02	57.14	0.01	0.01
UNITED KINGDOM	4.06	39.21	1.66	1.21
Tullow Oil PLC	0.14	65.94	0.08	0.07
Cairn Energy PLC	0.06	102.90	0.05	0.04
BG Group PLC	0.58	15.78	0.13	0.06
BP PLC	1.61	49.28	0.78	0.61
Royal Dutch Shell PLC (C	0.96	35.82	0.35	0.25
Royal Dutch Shell PLC (C	0.71	33.96	0.26	0.18
Financials	26.02	74.88	18.13	14.49
Health Care	7.61	36.24	2.73	2.12
Industrials	10.87	63.77	6.72	5.58
Aerospace & Defense	0.67	62.04	0.42	0.34
Air Freight & Logistics	0.32	66.83	0.19	0.17
Airlines	0.23	44.70	0.11	0.08
Building Products	0.52	82.14	0.37	0.33
Commercial Services & Supplies	0.47	49.12	0.25	0.17
Construction & Engineering	0.87	55.07	0.52	0.42
AUSTRALIA	0.04	175.42	0.04	0.03
AUSTRIA	0.00	13.89	0.00	0.00
CANADA	0.06	93.85	0.05	0.03
DENMARK	0.00	45.19	0.01	0.01
FRANCE	0.35	54.97	0.21	0.19
GERMANY	0.03	128.63	0.03	0.03
JAPAN	0.14	15.33	0.03	0.02
Chiyoda Corp.	0.00	88.21	0.00	0.00
Shimizu Corp.	0.02	2.54	0.00	-0.00
JGC Corp.	0.04	59.93	0.02	0.02
Kajima Corp.	0.02	2.18	0.00	0.00

MNSBI Sector	Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
Taisei Corp.	0.02	18.15	0.01	0.00
Kinden Corp.	0.01	10.01	0.00	0.00
Obayashi Corp.	0.03	-6.54	-0.00	-0.01
NETHERLANDS	0.02	102.21	0.01	0.01
SPAIN	0.14	33.66	0.08	0.06
SWEDEN	0.05	122.81	0.05	0.04
UNITED KINGDOM	0.03	12.72	0.01	0.00
Electrical Equipment	1.34	55.14	0.77	0.64
DENMARK	0.13	24.14	0.06	0.04
FRANCE	0.38	61.54	0.23	0.21
LeGrand S.A.	0.03	88.60	0.02	0.02
Alstrom S.A.	0.14	23.12	0.05	0.04
Schneider Electric S.A.	0.22	84.85	0.16	0.15
GERMANY	0.02	-30.67	0.01	0.00
ITALY	0.02	105.04	0.02	0.01
JAPAN	0.34	72.83	0.22	0.19
NORWAY	0.02	-37.78	-0.01	-0.02
SPAIN	0.03	8.38	0.02	0.01
SWITZERLAND	0.39	60.59	0.23	0.19
Industrial Conglomerates	1.41	79.41	1.03	0.93
Machinery	1.90	82.17	1.37	1.16
Marine	0.32	56.26	0.19	0.16
Professional Services	0.34	56.94	0.19	0.16
Road & Rail	1.15	37.88	0.47	0.31
Trading Companies & Distributors	1.00	78.74	0.66	0.58
Transportation Infrastructure	0.34	44.82	0.16	0.12
Information Technology	4.97	52.91	2.69	2.14
Materials	10.57	76.30	7.15	5.56
Chemicals	3.10	64.13	1.89	1.56
AUSTRALIA	0.12	112.26	0.10	0.06
BELGIUM	0.09	66.49	0.06	0.05
CANADA	0.38	57.42	0.22	0.11
DENMARK	0.04	54.67	0.02	0.02
FRANCE	0.26	51.94	0.13	0.12
Air Liquide S.A.	0.25	51.94	0.13	0.12
GERMANY	0.72	96.68	0.59	0.56
JAPAN	0.90	47.04	0.43	0.34
NETHERLANDS	0.18	62.04	0.11	0.10
NORWAY	0.06	102.78	0.05	0.04
SWITZERLAND	0.29	47.25	0.14	0.11
UNITED KINGDOM	0.05	80.50	0.04	0.03
Construction Materials	0.65	62.56	0.37	0.31
Containers & Packaging	0.11	62.00	0.06	0.04
Metals & Mining	6.45	84.32	4.61	3.47
Paper & Forest Products	0.27	83.27	0.21	0.17
Telecommunication Services	5.63	31.76	1.97	1.47
Utilities	5.62	26.82	1.83	1.39
Electric Utilities	3.31	21.93	0.92	0.69
AUSTRALIA	0.01	47.20	0.00	0.00
AUSTRIA	0.03	7.71	0.01	0.00
CANADA	0.04	66.94	0.02	0.01
FINLAND	0.11	40.90	0.05	0.04
FRANCE	0.12	42.73	0.05	0.04
GERMANY	0.70	39.41	0.36	0.30
E.ON AG	0.70	39.41	0.36	0.30
GREECE	0.02	-2.58	0.00	0.00
HONG KONG	0.23	7.02	0.01	0.01
ITALY	0.39	42.93	0.17	0.15
JAPAN	0.99	6.50	0.05	-0.03
NEW ZEALAND	0.01	45.36	0.01	0.00
PORTUGAL	0.07	19.36	0.02	0.02
SPAIN	0.40	25.22	0.14	0.12
SWITZERLAND	0.01	5.08	0.00	-0.00
UNITED KINGDOM	0.16	11.58	0.03	0.01
Gas Utilities	0.41	35.59	0.16	0.13
Independent Power Producers & Energy Traders	0.23	25.50	0.08	0.05
Multi-Utilities	1.63	35.01	0.65	0.51
Water Utilities	0.04	35.96	0.02	0.01
[Unassigned]	0.00	27.21	0.01	0.01
Total	100.00	55.96	55.96	44.06

Holdings Data As Of
MSCI World Ex-United States 4/01/2009 through 3/31/2010

Iran	5.31	2.30
Sudan	0.25	0.11
Tobacco	1.06	0.51
	<u>6.62</u>	<u>2.92</u>

SOURCE: FACTSET

APPENDIX 2

Performance Attribution

MSCI Emerging Markets vs. MSCI Emerging Markets, U.S. Dollar
3/31/2009 to 3/31/2010

MNSBI Sector	Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
Consumer Discretionary	5.20	115.55	5.25	3.87
Consumer Staples	5.44	87.06	4.36	3.11
Beverages	1.18	92.61	1.01	0.70
Food & Staples Retailing	1.29	104.09	1.19	0.86
Food Products	1.70	101.42	1.45	1.13
Household Products	0.38	58.63	0.23	0.15
Personal Products	0.32	91.90	0.25	0.19
Tobacco	0.58	33.44	0.22	0.08
BRAZIL	0.09	96.95	0.08	0.05
Souza Cruz S.A.	0.09	96.95	0.08	0.05
INDIA	0.19	63.64	0.12	0.09
ITC Ltd.	0.19	63.64	0.12	0.09
KOREA	0.23	3.92	0.00	-0.06
KT&G Corp.	0.23	3.92	0.00	-0.06
MALAYSIA	0.07	14.51	0.01	0.00
British American Tobacco (Malaysia) Bhd	0.07	14.51	0.01	0.00
Energy	15.35	69.95	11.89	7.82
Energy Equipment & Services	0.09	134.67	0.09	0.09
Oil & Gas	0.05	42.64	0.07	0.06
Oil Gas & Consumable Fuels	15.21	69.69	11.73	7.68
BRAZIL	4.28	65.09	3.30	1.50
CHINA	2.19	66.83	1.65	1.54
Inner Mongolia Yitai Coal Co. Ltd.	0.07	101.28	0.05	0.05
China Coal Energy Co. Ltd.	0.17	115.30	0.17	0.16
PetroChina Co. Ltd.	0.87	51.39	0.55	0.51
Yanzhou Coal Mining Co. Ltd.	0.11	248.92	0.16	0.15
China Shenhua Energy Co. Ltd.	0.47	95.60	0.44	0.41
China Petroleum & Chemical Corp.	0.48	31.37	0.28	0.26
COLOMBIA	0.18	82.83	0.16	0.08
HONG KONG	0.97	80.42	0.72	0.69
CNOOC Ltd.	0.89	72.06	0.62	0.59
Kunlun Energy Co. Ltd.	0.08	244.96	0.10	0.10
HUNGARY	0.15	129.65	0.16	0.12
INDIA	1.31	61.93	0.98	0.69
Oil & Natural Gas Corp. Ltd.	0.22	63.53	0.17	0.13
Reliance Industries Ltd.	1.01	60.17	0.75	0.52
Bharat Petroleum Corp. Ltd.	0.03	57.86	0.02	0.01
Cairn India Ltd.	0.05	87.62	0.04	0.03
INDONESIA	0.22	273.45	0.28	0.21
ISRAEL-DOMESTIC	0.00	10.64	0.00	0.00
KOREA	0.33	58.27	0.20	0.10
MALAYSIA	0.02	33.51	0.01	0.00
Petronas Dagangan Bhd	0.02	33.51	0.01	0.00
POLAND	0.19	81.82	0.16	0.09
RUSSIA	3.86	69.01	2.96	1.99
Transneft	0.01	325.55	0.01	0.00
Tatneft	0.21	117.41	0.21	0.16
Rosneft	0.32	85.30	0.27	0.19
Lukoil Holdings	0.89	56.29	0.64	0.41
Gazprom OAO	1.90	56.64	1.32	0.82
Gazprom Neft	0.05	121.76	0.05	0.04
Surgutneftegaz JSC	0.21	60.16	0.14	0.09
Surgutneftegaz Prf	0.10	154.96	0.12	0.09
NOVATEK JT STK CO SPON GDR REG S	0.17	224.96	0.21	0.20
SOUTH AFRICA	0.79	46.82	0.46	0.11
Sasol Ltd.	0.79	46.82	0.46	0.11
TAIWAN	0.11	38.86	0.06	0.04
THAILAND	0.55	110.25	0.54	0.44
Banpu PCL	0.07	223.14	0.09	0.08
Thai Oil PCL	0.04	127.11	0.04	0.03
IRPC PCL	0.04	182.93	0.05	0.04
PTT Aromatics & Refining PCL	0.03	257.27	0.04	0.04
PTT Exploration & Production PCL	0.17	70.42	0.12	0.09
PTT PCL	0.21	94.57	0.20	0.16
TURKEY	0.07	157.39	0.08	0.07
Financials	23.92	96.11	21.61	16.52
Banks	0.05	28.89	0.09	0.07
Capital Markets	0.79	41.45	0.48	0.28
EGYPT	0.08	112.86	0.07	0.07
EFG Hermes Holding S.A.E.	0.04	118.33	0.04	0.03
Egypt Kuwait Holding Co. S.A.E.	0.04	107.55	0.04	0.03
KOREA	0.38	24.62	0.18	0.05
SOUTH AFRICA	0.05	114.71	0.05	0.03
TAIWAN	0.28	40.83	0.18	0.13
Commercial Banks	16.57	111.02	16.15	12.40
Consumer Finance	0.06	96.34	0.07	0.05
Diversified Financial Services	1.58	118.39	1.67	1.16
Insurance	2.65	59.27	1.72	1.42
Real Estate Management & Development	1.84	46.57	0.99	0.79
Thriffs & Mortgage Finance	0.39	120.21	0.43	0.34
Health Care	2.32	57.17	1.32	0.84
Industrials	7.00	70.87	5.40	3.86
Aerospace & Defense	0.14	63.27	0.12	0.08
Air Freight & Logistics	0.02	-16.96	0.01	-0.00
Airlines	0.28	89.39	0.24	0.19
Building Products	0.09	62.42	0.09	0.05
Commercial Services & Supplies	0.04	21.98	0.01	0.01
Construction & Engineering	1.57	54.71	1.09	0.74
CHINA	0.40	-3.02	0.06	0.05
EGYPT	0.13	107.34	0.11	0.10
INDIA	0.22	176.45	0.28	0.23
KOREA	0.54	63.83	0.38	0.21

MNSBI Sector	Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
Daewoo Engineering & Construction Co. Ltd.	0.05	40.13	0.03	0.02
Hyundai Engineering & Construction Co. Ltd.	0.10	29.64	0.04	0.01
Kumho Industrial Co. Ltd.	0.01	-53.83	0.00	0.00
Daelim Industrial Co. Ltd.	0.06	74.83	0.04	0.03
Samsung Engineering Co. Ltd.	0.09	150.87	0.11	0.08
Doosan Heavy Industries & Construction Co. Ltd.	0.07	63.85	0.05	0.02
GS Engineering & Construction Corp.	0.10	96.83	0.08	0.05
Hyundai Development Co.	0.07	21.19	0.04	0.01
MALAYSIA	0.10	76.09	0.08	0.06
MEXICO	0.01	13.58	0.01	0.00
POLAND	0.03	40.85	0.02	0.01
SOUTH AFRICA	0.14	69.50	0.13	0.06
TURKEY	0.01	92.26	0.01	0.01
Electrical Equipment	0.61	69.02	0.46	0.36
Industrial Conglomerates	1.93	89.94	1.71	1.27
Machinery	0.89	69.14	0.63	0.39
Marine	0.49	58.19	0.35	0.28
CHINA	0.22	102.40	0.22	0.21
KOREA	0.07	63.18	0.05	0.02
MALAYSIA	0.10	19.11	0.03	0.01
MISC Bhd	0.00	#N/A	0.00	0.00
MISC (F)	0.10	#N/A	0.03	0.01
TAIWAN	0.10	37.18	0.05	0.04
Road & Rail	0.14	80.29	0.11	0.07
Trading Companies & Distributors	0.27	86.61	0.22	0.13
Transportation Infrastructure	0.53	66.07	0.38	0.32
Information Technology	12.91	79.70	9.92	7.53
Materials	14.37	107.12	13.51	9.43
Chemicals	2.34	87.99	1.97	1.49
BRAZIL	0.07	128.24	0.08	0.05
CHILE	0.12	44.89	0.08	0.05
CHINA	0.07	39.44	0.03	0.03
China BlueChemical Ltd.	0.03	21.86	0.00	0.01
SINOPEC Shanghai Petrochemical Co. Ltd.	0.03	60.95	0.03	0.03
CZECH REPUBLIC	0.00	5.24	0.00	0.00
EGYPT	0.02	83.43	0.01	0.01
HONG KONG	0.08	43.53	0.03	0.03
INDIA	0.02	-3.61	-0.00	-0.00
ISRAEL-DOMESTIC	0.31	72.38	0.22	0.15
KOREA	0.59	121.52	0.63	0.43
MEXICO	0.05	338.56	0.09	0.08
RUSSIA	0.10	78.86	0.07	0.05
TAIWAN	0.88	78.32	0.69	0.57
THAILAND	0.02	268.00	0.04	0.03
TURKEY	0.01	74.28	0.01	0.01
Construction Materials	1.17	71.88	0.93	0.67
CHINA	0.20	23.03	0.11	0.10
COLOMBIA	0.13	168.91	0.15	0.10
INDIA	0.12	97.01	0.12	0.09
INDONESIA	0.08	206.64	0.10	0.07
MALAYSIA	0.02	87.73	0.02	0.01
MEXICO	0.32	69.96	0.24	0.16
SOUTH AFRICA	0.07	49.84	0.05	0.01
TAIWAN	0.17	18.93	0.08	0.05
THAILAND	0.06	203.06	0.08	0.07
Siam Cement (F)	0.06	203.06	0.08	0.07
Containers & Packaging	0.03	156.69	0.04	0.03
Metals & Mining	10.45	114.77	10.17	6.94
Paper & Forest Products	0.38	153.01	0.39	0.30
Telecommunication Services	9.75	40.70	5.31	3.44
Utilities	3.74	60.09	2.51	1.58
Electric Utilities	2.16	73.33	1.67	1.04
Gas Utilities	0.35	88.98	0.28	0.19
HONG KONG	0.02	1.35	0.00	0.00
INDIA	0.10	91.59	0.09	0.07
GAIL (India) Ltd.	0.10	91.59	0.09	0.07
INDONESIA	0.14	154.01	0.16	0.11
KOREA	0.03	46.45	0.02	0.01
MALAYSIA	0.05	18.56	0.01	0.00
Petronas Gas Bhd	0.05	18.56	0.01	0.00
Independent Power Producers & Energy Traders	1.00	31.60	0.45	0.28
Multi-Utilities	0.06	23.96	0.02	0.01
Water Utilities	0.16	48.40	0.10	0.06
Total	100.00	81.08	81.08	58.00

Holdings Data As Of
MSCI Emerging Markets 4/01/2009 through 3/31/2010

Iran	(includes blue only & blue-green)	6.08	4.16
Sudan	(includes green only)	0.04	0.04
Tobacco		0.58	0.22
		<u>6.70</u>	<u>4.42</u>

SOURCE: FACTSET

Contribution to Return

MSCI World Ex-United States, U.S. Dollar

Holdings Data As Of: MSCI World Ex-United States 4/30/2003 through 4/27/2010

Ticker	MNSBI Sector	12/31/1999 to 12/29/2000				12/29/2000 to 12/31/2001				12/31/2001 to 12/31/2002						
		Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return
	Total	100.00	-11.93	-11.93	-11.93	-11.93	100.00	-21.18	-21.18	-30.58	-30.58	100.00	-16.18	-16.18	-41.81	-41.81
	Iran	3.50		-0.33	-0.33	-0.33	4.38		-0.34	-0.60	-0.60	4.83		-0.30	-0.80	-0.80
	Sudan	0.15		-0.01	-0.01	-0.01	0.19		-0.10	-0.11	-0.11	0.14		-0.02	-0.11	-0.11
	Tobacco	0.27		0.07	0.07	0.07	0.42		0.05	0.11	0.11	0.65		0.13	0.22	0.22
		3.92		-0.27	-0.27	-0.27	4.98		-0.39	-0.60	-0.60	5.62		-0.19	-0.69	-0.69

12/31/2002 to 12/31/2003					12/31/2003 to 12/31/2004					12/31/2004 to 12/30/2005					12/30/2005 to 12/29/2006					
Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	
100.00	40.15	40.15	-18.45	-18.45	100.00	20.99	20.99	-1.34	-1.34	100.00	15.07	15.07	13.53	13.53	100.00	26.21	26.21	43.29	43.29	
4.37	1.21	0.08	4.35	1.18	1.28	5.18	1.02	2.49	5.20	1.05	4.20	0.11	-0.02	-0.17	0.17	0.07	0.14	4.37	1.21	
0.11	-0.02	-0.17	0.12	0.01	-0.19	0.15	0.05	-0.17	0.17	0.07	-0.14	0.68	0.21	0.51	0.70	0.28	0.90	0.85	0.17	1.20
5.17	1.40	0.43	5.17	1.47	1.99	6.17	1.24	3.53	6.26	1.45	5.90									

12/29/2006 to 12/31/2007					12/31/2007 to 12/31/2008					12/31/2008 to 12/31/2009					Total				
Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return
100.00	13.01	13.01	61.93	61.93	100.00	-43.23	-43.23	-8.07	-8.07	100.00	34.26	34.26	23.42	23.42	100.00	23.42	23.42	23.42	23.42
4.72	1.23	5.97	5.53	-1.82	1.57	5.50	1.67	3.78	4.76	3.78	0.23	0.09	-0.09	0.26	0.18	-0.09	0.18	0.18	0.18
0.89	0.30	0.27	0.27	-0.12	-0.16	0.26	0.13	-0.09	0.18	-0.09	0.89	0.30	0.94	-0.31	1.04	1.09	0.21	1.60	1.60
5.84	1.62	8.28	6.74	-2.25	2.45	6.85	2.01	5.29	5.67	5.29									

SOURCE: FACTSET

Contribution to Return

MSCI Emerging Markets, U.S. Dollar

Holdings Data As Of: MSCI Emerging Markets 4/30/2003 through 4/27/2010

Ticker	MNSBI Sector	12/31/1999 to 12/29/2000					12/29/2000 to 12/31/2001					12/31/2001 to 12/31/2002				
		Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return
	Total	100.00	-25.19	-25.19	-25.19	-25.19	100.00	-6.53	-6.53	-30.07	-30.07	100.00	-10.76	-10.76	-37.59	-37.59
	Iran	0.85		-0.17	-0.17	-0.17	1.78		0.21	0.05	0.05	2.38		0.60	0.64	0.64
	Sudan	0.05		-0.01	-0.01	-0.01	0.08		-0.01	-0.02	-0.02	0.07		0.00	-0.02	-0.02
	Tobacco	0.66		-0.08	-0.08	-0.08	0.80		0.01	-0.06	-0.06	0.89		0.04	-0.01	-0.01
		1.55		-0.26	-0.26	-0.26	2.66		0.21	-0.03	-0.03	3.35		0.64	0.61	0.61

12/31/2002 to 12/31/2003					12/31/2003 to 12/31/2004					12/31/2004 to 12/30/2005					12/30/2005 to 12/29/2006				
Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return
100.00	52.41	52.41	-4.89	-4.89	100.00	27.13	27.13	20.92	20.92	100.00	30.56	30.56	57.87	57.87	100.00	31.94	31.94	108.29	108.29
2.84		2.49	3.47	3.47	3.86		0.85	5.26	5.26	4.01		1.96	8.83	8.83	6.27		1.81	13.46	13.46
0.09		0.07	0.03	0.03	0.09		-0.04	0.00	0.00	0.06		-0.01	-0.01	-0.01	0.05		0.01	0.00	0.00
0.98		0.52	0.50	0.50	0.99		0.38	1.02	1.02	0.86		0.39	1.72	1.72	0.74		0.24	2.51	2.51
3.90		3.08	4.01	4.01	4.94		1.18	6.28	6.28	4.93		2.34	10.54	10.54	7.06		2.06	15.97	15.97

12/29/2006 to 12/31/2007					12/31/2007 to 12/31/2008					12/31/2008 to 12/31/2009					Total				
Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return	Average Weight	Total Return	Contribution To Return	Cumulative Port. Total Return	Cumulative Port. Contribution To Return
100.00	40.23	40.23	192.10	192.10	100.00	-52.47	-52.47	38.85	38.85	100.00	78.37	78.37	147.65	147.65	100.00	147.65	147.65	147.65	147.65
7.30		2.05	20.93	20.93	7.24		-4.60	5.35	5.35	4.51		1.93	11.47	11.47	4.11		11.47	11.47	11.47
0.06		0.03	0.03	0.03	0.01		0.00	0.01	0.01	0.00		0.00	0.02	0.02	0.06		0.02	0.02	0.02
0.61		0.22	3.74	3.74	0.64		-0.17	1.60	1.60	0.68		0.11	2.97	2.97	0.78		2.97	2.97	2.97
7.96		2.29	24.69	24.69	7.90		-4.78	6.96	6.96	5.19		2.05	14.46	14.46	4.95		14.46	14.46	14.46

SOURCE: FACTSET

Tab G

DATE: May 11, 2010

TO: Members, Investment Advisory Council

FROM: **John Griebenow**
Michael McGirr

Staff has reviewed the following information and action agenda items:

1. Review of current strategy.
2. New investments with one existing private equity manager, CarVal, two existing resource managers, Encap and Sheridan, and one new resource manager, Energy Capital.

IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

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

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

- c. The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
- d. The strategy for yield-oriented investments 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 an existing private equity manager, CarVal, in CVI Credit Value Fund A LP.

CarVal is seeking investors for a new \$2.0 billion private equity fund, the CVI Credit Value Fund A LP. This fund is a successor to one other private equity fund managed by CarVal, the CarVal Global Value Fund (the Global Value Fund was a successor to a proprietary pool of investment capital managed by CarVal for Cargill Inc.) The SBI has invested in the Global Value Fund. Like the other fund, this fund will seek to earn attractive returns through a portfolio of public and private investments.

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

More information on CVI Credit Value Fund A LP. is included as **Attachment C**.

RECOMMENDATION:

Staff recommends a commitment of \$100 million, or 20% of CVI Credit Value Fund A LP, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by CarVal 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 CarVal or reduction or termination of the commitment.

2) Investment with an existing resource manager, Encap, in Encap Energy Capital Fund VIII, L.P.

Encap is seeking investors for a new \$2.5 billion resource fund. This fund is a successor to seven other prior resource private equity funds managed by Encap. The SBI has invested in fund VII. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of resource investments.

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

More information on Encap Energy Capital Fund VIII, L.P. is included as **Attachment D**.

RECOMMENDATION:

Staff recommends a commitment of \$100 million, or 20% of Encap Energy Capital Fund VIII, L.P, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by 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.

3) Investment with an existing resource manager, Sheridan, in Sheridan Production Partners II, L.P.

Sheridan is seeking investors for a new \$1.3 billion resource fund. This fund is a successor to one other resource fund managed by Sheridan. The SBI has invested in fund I. Like the prior fund, this fund will seek to earn attractive returns through a diversified portfolio of resource investments.

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

More information on Sheridan Production Partners II, L.P. is included as **Attachment E**.

RECOMMENDATION:

Staff recommends a commitment of \$100 million, or 20% of Sheridan Production Partners II, L.P, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Sheridan 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 Sheridan or reduction or termination of the commitment.

4) Investment with a new resource manager, Energy Capital, in Energy Capital Partners II, L.P.

Energy Capital is seeking investors for a new \$3.5 billion resource fund. This fund is a successor to one other resource fund managed by Energy Capital. Like the prior fund, this fund will seek to earn attractive returns through a diversified portfolio of resource investments.

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

More information on Energy Capital Partners II, L.P is included as **Attachment F**.

RECOMMENDATION:

Staff recommends a commitment of \$100 million, or 20% of Energy Capital Partners II, L.P, whichever is less. Approval by the Investment Advisory Council of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Energy 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 Energy Capital or reduction or termination of the commitment.

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Funds
March 31, 2010

Combined Funds Market Value	\$42,319,341,891
Amount Available for Investment	\$2,632,436,690

	Current Level	Target Level	Difference
Market Value (MV)	\$5,831,431,688	\$8,463,868,378	\$2,632,436,690
MV +Unfunded	\$8,749,227,514	\$12,695,802,567	\$3,946,575,053

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$3,455,895,473	\$1,627,129,241	\$5,083,024,714
Real Estate	\$765,703,459	\$274,300,767	\$1,040,004,227
Resource	\$546,235,363	\$371,594,455	\$917,829,818
Yield-Oriented	\$1,063,597,392	\$644,771,363	\$1,708,368,755
Total	\$5,831,431,688	\$2,917,795,826	\$8,749,227,514

ATTACHMENT B

Minnesota State Board of Investment - Alternative Investments -

As of March 31, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<u>I. Real Estate</u>								
Blackstone								
<i>Blackstone Real Estate V</i>	100,000,000	86,444,362	53,395,059	23,165,945	13,555,638	-6.14	0.89	3.92
<i>Blackstone Real Estate VI</i>	100,000,000	46,483,065	22,070,113	46,623	53,516,935	-31.94	0.48	3.00
Colony Capital								
<i>Colony Investors III</i>	100,000,000	100,000,000	5,205,100	167,834,385	0	14.73	1.73	12.25
CSFB								
<i>CSFB Strategic Partners III RE</i>	25,000,000	24,351,647	10,506,612	568,588	648,353	-34.49	0.45	4.75
<i>CS Strategic Partners IV RE</i>	50,000,000	41,097,283	25,841,330	474,802	8,902,717	-26.66	0.64	1.79
Lehman Brothers Real Estate Partners								
<i>Lehman Brothers Real Estate Partners II</i>	75,000,000	65,568,548	34,218,640	22,008,951	9,431,452	-6.33	0.86	4.75
<i>Lehman Brothers Real Estate Partners III</i>	150,000,000	61,754,328	32,087,240	0	88,245,672	-35.31	0.52	1.86
Prime Property Fund	40,000,000	40,000,000	188,221,143	0	0	5.59	4.71	28.47
T.A. Associates Realty								
<i>Realty Associates Fund V</i>	50,000,000	50,000,000	16,674,821	77,840,751	0	10.95	1.89	10.85
<i>Realty Associates Fund VI</i>	50,000,000	50,000,000	37,289,694	41,573,953	0	12.34	1.58	7.76
<i>Realty Associates Fund VII</i>	75,000,000	75,000,000	52,332,907	19,266,693	0	-1.43	0.95	5.37
<i>Realty Associates Fund VIII</i>	100,000,000	100,000,000	65,535,800	4,659,636	0	-15.27	0.70	3.75
<i>Realty Associates Fund IX</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.60
UBS Trumbull Property Fund	42,376,529	42,376,529	222,325,000	0	0	6.56	5.25	27.92
Real Estate Total	1,057,376,529	783,075,762	765,703,459	357,440,327	274,300,767		1.43	
<u>II. Resource</u>								
Apache Corp III	30,000,000	30,000,000	4,001,730	54,596,956	0	12.17	1.95	23.25
EnCap Energy Capital Fund VII	100,000,000	42,351,968	39,548,460	1,234,124	57,648,032	-3.19	0.96	2.75
First Reserve								
<i>First Reserve Fund VIII</i>	100,000,000	100,000,000	662,003	203,073,861	0	15.86	2.04	11.92
<i>First Reserve Fund IX</i>	100,000,000	100,000,000	343,000	299,472,865	0	48.12	3.00	8.97
<i>First Reserve Fund X</i>	100,000,000	100,000,000	67,749,649	116,762,523	0	39.34	1.85	5.41
<i>First Reserve Fund XI</i>	150,000,000	116,787,561	116,581,945	7,676,200	33,212,439	3.10	1.06	3.27
<i>First Reserve Fund XII</i>	150,000,000	57,363,074	44,049,596	15,865	92,636,926	-21.80	0.77	1.42
NGP								
<i>NGP Midstream & Resources</i>	100,000,000	63,647,909	68,745,166	1,924,364	36,352,091	6.73	1.11	3.00
<i>Natural Gas Partners IX</i>	150,000,000	43,502,440	39,084,107	365,317	106,497,560	-7.83	0.91	2.44
Sheridan Production Partners I	100,000,000	83,502,260	99,478,523	9,750,000	16,497,740	21.73	1.31	3.00
Simmons								
<i>SCF-IV</i>	47,626,265	47,626,265	3,562,413	156,756,576	0	24.52	3.37	12.00
T. Rowe Price	71,002,692	71,002,692	0	97,346,757	0	28.11	1.37	N/A
TCW Energy Partners XIV	100,000,000	71,250,334	62,428,772	21,787,266	28,749,666	12.01	1.18	2.95
Resource Total	1,298,628,957	927,034,503	546,235,363	970,762,673	371,594,455		1.64	
<u>III. Yield-Oriented</u>								
Carbon Capital	46,184,308	46,184,308	418,072	61,178,042	0	15.58	1.33	7.88
Citicorp Mezzanine								
<i>Citicorp Mezzanine I</i>	40,000,000	40,000,000	115,818	61,049,740	0	11.50	1.53	15.25
<i>Citicorp Mezzanine III</i>	100,000,000	88,029,296	4,996,357	123,930,438	0	15.11	1.46	10.41
DLJ Investment Partners								
<i>DLJ Investment Partners II</i>	27,375,168	23,164,173	3,879,500	30,724,844	4,210,995	10.32	1.49	10.25
<i>DLJ Investment Partners III</i>	100,000,000	25,427,801	12,774,326	4,927,934	74,572,199	-22.69	0.70	3.77
Gold Hill Venture Lending								
<i>Gold Hill Venture Lending</i>	40,000,000	40,000,000	31,033,413	16,787,877	0	5.73	1.20	5.51
<i>Gold Hill 2008</i>	25,852,584	8,789,879	8,969,561	0	17,062,705	2.58	1.02	1.75
GS Mezzanine Partners								
<i>GS Mezzanine Partners II</i>	100,000,000	100,000,000	24,569,027	107,381,881	0	7.38	1.32	10.08
<i>GS Mezzanine Partners III</i>	75,000,000	75,000,000	25,776,674	61,227,636	0	5.51	1.16	6.72
<i>GS Mezzanine Partners 2006 Institutional</i>	100,000,000	73,999,888	44,752,040	19,747,828	26,000,112	-7.07	0.87	3.98
<i>GS Mezzanine Partners V</i>	150,000,000	58,483,987	62,756,418	10,914,357	91,516,013	14.54	1.26	2.44
GTCR Capital Partners	80,000,000	69,589,422	360,546	106,814,249	10,410,578	10.82	1.54	10.38
KB Mezzanine Fund II	25,000,000	25,000,000	40,488	12,632,685	0	-12.96	0.51	14.50
Merit Capital Partners (fka William Blair)								
<i>William Blair Mezzan. Cap. Fd. III</i>	60,000,000	56,958,000	12,270,129	91,003,489	3,042,000	15.03	1.81	10.25
<i>Merit Mezzanine Fund IV</i>	75,000,000	65,616,758	59,788,691	13,420,440	9,383,242	4.46	1.12	5.29
<i>Merit Mezzanine Fund V</i>	75,000,000	0	0	0	75,000,000	N/A	N/A	0.28
Merit Energy Partners								
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	60,560,490	94,910,710	0	24.96	6.48	13.75
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	184,440,427	197,301,868	0	32.50	7.63	11.42
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	152,360,331	136,565,965	17,061,697	25.55	4.07	8.85
<i>Merit Energy Partners E</i>	100,000,000	39,983,197	57,632,086	22,657,983	60,016,803	16.84	2.01	5.46
<i>Merit Energy Partners F</i>	100,000,000	38,959,831	31,784,902	3,327,931	61,040,169	-3.50	0.90	4.02
Prudential Capital Partners								
<i>Prudential Capital Partners I</i>	100,000,000	96,826,150	35,337,504	105,331,272	3,173,850	11.25	1.45	8.95
<i>Prudential Capital Partners II</i>	100,000,000	91,902,444	89,514,407	25,151,009	8,097,556	9.42	1.25	4.75
<i>Prudential Capital Partners III</i>	100,000,000	27,371,565	24,293,451	3,234,166	72,628,435	1.22	1.01	0.96

Minnesota State Board of Investment
- Alternative Investments -

As of March 31, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
Quadrant Real Estate Advisors								
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	12,964,445	46,537,626	0	8.07	1.60	10.66
Summit Partners								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	82,791	31,406,578	2,000,000	30.55	1.75	16.00
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	3,100,551	84,344,930	4,500,000	56.28	2.16	12.66
<i>Summit Subordinated Debt Fund III</i>	45,000,000	41,115,965	27,802,897	19,320,888	3,884,035	8.40	1.15	6.12
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	3,250,000	3,250,000	0	46,750,000	0.00	1.00	2.01
T. Rowe Price	55,800,931	55,800,931	360,000	54,744,943	0	-4.28	0.99	N/A
TCW/Crescent Mezzanine								
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	12,853,414	141,348,082	6,164,736	36.26	2.24	9.00
Windjammer Capital Investors								
<i>Windjammer Mezzanine & Equity Fund II</i>	66,708,861	51,821,574	28,931,807	41,687,969	14,887,287	7.47	1.36	10.00
<i>Windjammer Senior Equity Fund III</i>	75,000,000	41,631,049	45,826,831	4,192,368	33,368,951	8.79	1.20	4.24
Yield-Oriented Total	2,251,121,852	1,594,379,785	1,063,597,392	1,733,805,729	644,771,363		1.75	
IV. Private Equity								
Adams Street Partners								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,239	9,440,295	0	13.23	2.50	21.89
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	52,954	37,988,511	0	24.09	1.90	19.34
Advent International GPE VI-A	50,000,000	13,250,000	12,621,065	1,000,000	36,750,000	2.61	1.03	2.00
Affinity Ventures								
<i>Affinity Ventures IV</i>	4,000,000	2,711,847	1,109,249	735,493	1,288,153	-16.89	0.68	5.75
<i>Affinity Ventures V</i>	5,000,000	2,000,000	1,710,276	115,993	3,000,000	-9.29	0.91	1.74
Banc Fund								
<i>Banc Fund VII</i>	45,000,000	45,000,000	23,307,750	812,725	0	-18.94	0.54	5.00
<i>Banc Fund VIII</i>	98,250,000	15,720,000	15,780,758	0	82,530,000	0.63	1.00	1.93
Blackstone								
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	4,291,061	95,379,217	0	34.06	2.11	16.35
<i>Blackstone Capital Partners IV</i>	70,000,000	68,524,319	48,432,344	102,708,433	1,475,681	40.65	2.21	7.72
<i>Blackstone Capital Partners V</i>	140,000,000	112,296,167	81,567,246	5,787,541	27,703,833	-10.97	0.78	4.16
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.68
BLUM Capital Partners								
<i>Blum Strategic Partners I</i>	50,000,000	49,158,307	0	99,450,576	841,693	12.68	2.02	11.27
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	11,041,582	73,919,825	9,814,111	22.76	2.11	8.70
<i>Blum Strategic Partners III</i>	75,000,000	74,591,097	34,251,074	46,801,594	408,903	2.47	1.09	4.83
<i>Blum Strategic Partners IV</i>	150,000,000	137,030,203	116,689,758	8,262,263	12,969,797	-5.26	0.91	2.36
CVI Global Value Fund	200,000,000	190,000,000	198,596,361	2,087,004	10,000,000	2.66	1.06	3.21
Chicago Growth Partners (William Blair)								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	8,359,661	60,347,764	1,850,000	9.10	1.43	9.06
<i>Chicago Growth Partners I</i>	50,000,000	47,441,998	37,654,931	15,789,143	2,558,002	5.88	1.13	4.68
<i>Chicago Growth Partners II</i>	60,000,000	15,253,064	14,880,859	0	44,746,936	-3.82	0.98	2.05
Coral Partners								
<i>Coral Partners IV</i>	15,000,000	15,000,000	1,021,256	13,538,879	0	-0.72	0.97	15.69
<i>Coral Partners V</i>	15,000,000	15,000,000	1,245,224	7,748,717	0	-6.24	0.60	11.79
Court Square Capital								
<i>Court Square Capital Partners</i>	100,000,000	80,084,837	24,203,914	129,861,886	19,915,163	27.72	1.92	8.30
<i>Court Square Capital Partners II</i>	175,000,000	81,954,749	68,075,508	1,902,382	93,045,251	-8.76	0.85	3.57
Crescendo								
<i>Crescendo III</i>	25,000,000	25,000,000	1,429,604	9,321,908	0	-17.60	0.43	11.40
<i>Crescendo IV</i>	101,500,000	101,500,000	41,699,157	5,627,888	0	-9.82	0.47	10.06
CSFB/ DLJ								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	120,572,572	76,316,079	168,508,995	4,427,428	18.87	2.03	9.50
<i>DLJ Strategic Partners</i>	100,000,000	93,424,448	18,312,720	148,452,792	6,575,552	22.80	1.79	9.19
<i>CSFB Strategic Partners II-B</i>	100,000,000	84,590,532	36,955,340	119,008,165	15,409,468	37.05	1.84	6.70
<i>CSFB Strategic Partners III VC</i>	25,000,000	23,711,543	18,004,230	9,742,629	1,288,457	6.56	1.17	4.83
<i>CSFB Strategic Partners III-B</i>	100,000,000	78,518,666	79,718,777	2,265,414	21,481,334	1.46	1.04	4.83
<i>CS Strategic Partners IV-B</i>	100,000,000	48,557,116	49,536,968	4,556,353	51,442,884	7.67	1.11	2.01
<i>CS Strategic Partners IV VC</i>	40,500,000	21,802,697	22,117,876	161,361	18,697,303	1.09	1.02	1.79
CVC European Equity Partners V	135,309,941	32,019,157	26,921,237	3,629,900	103,290,784	-4.31	0.95	2.01
Diamond Castle Partners IV	100,000,000	74,238,865	53,603,660	13,465,525	25,761,135	-5.12	0.90	3.56
DSV Partners IV	10,000,000	10,000,000	32,941	39,196,082	0	10.61	3.92	24.97
EBF Merced Partners II	75,000,000	63,768,881	70,023,447	18,750,000	11,231,120	19.33	1.39	3.00
Elevation Partners	75,000,000	57,896,969	42,102,030	14,244,712	17,103,031	-2.13	0.97	4.87
Fox Paine Capital Fund								
<i>Fox Paine Capital Fund II</i>	50,000,000	45,408,133	21,096,705	45,397,941	4,591,867	17.48	1.46	9.75
GHJM Marathon Fund								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	6,595,894	53,984,488	949,000	9.44	1.55	10.96
<i>GHJM Marathon Fund V</i>	50,000,000	47,885,516	46,087,470	13,636,048	2,114,484	8.16	1.25	5.49
Golder, Thoma, Cressey, Rauner								
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	169,931	42,160,456	0	25.01	2.12	16.16
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	697,836	53,955,241	0	11.01	1.82	13.75
GS Capital Partners								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	23,100,656	82,563,958	0	23.15	2.11	9.58
<i>GS Capital Partners V</i>	100,000,000	66,390,364	88,251,731	41,406,524	33,609,636	18.96	1.95	5.00
<i>GS Capital Partners VI</i>	100,000,000	39,166,994	28,307,279	2,082,010	60,833,006	-11.19	0.78	3.16

Minnesota State Board of Investment
- Alternative Investments -

As of March 31, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
GTCR Golder Rauner								
<i>GTCR VI</i>	90,000,000	90,000,000	7,368,697	75,082,762	0	-2.95	0.92	11.75
<i>GTCR VII</i>	175,000,000	159,249,989	3,507,524	383,622,078	15,750,011	25.28	2.43	10.14
<i>GTCR IX</i>	75,000,000	37,631,920	26,742,476	4,741,730	37,368,080	-13.37	0.84	3.75
Hellman & Friedman								
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	133,967,494	23,729,389	351,026,979	16,032,506	34.84	2.80	10.25
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	143,397,351	145,683,943	147,579,270	16,602,649	29.14	2.05	5.33
<i>Hellman & Friedman Capital Partners VI</i>	175,000,000	124,106,077	116,638,590	7,647,229	50,893,923	0.07	1.00	3.00
<i>Hellman & Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	N/A	0.94
Kohlberg Kravis Roberts								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	1,436,573	396,121,354	0	8.71	2.73	22.35
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	580,036	308,173,269	0	16.74	2.06	16.28
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	22,244,696	342,386,524	0	12.96	1.82	13.58
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	169,698,653	162,500,900	0	17.88	1.66	7.31
<i>KKR 2006 Fund</i>	200,000,000	160,811,528	141,568,699	13,323,902	39,188,472	-2.62	0.96	3.51
Lexington Capital Partners								
<i>Lexington Capital Partners VI-B</i>	100,000,000	81,679,099	56,039,012	19,649,152	18,320,901	-3.98	0.93	4.26
<i>Lexington Capital Partners VII</i>	100,000,000	1,468,705	1,468,705	586	98,531,295	0.06	1.00	0.80
RWI Ventures								
<i>RWI Ventures I</i>	7,603,265	7,603,265	1,613,813	4,025,809	0	-14.49	0.74	3.75
<i>RWI Group III</i>	616,430	616,430	125,281	330,192	0	-15.25	0.74	3.75
Sightline Healthcare								
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	1,256,828	4,883,002	0	-6.85	0.61	13.08
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	6,333,136	3,620,472	0	-9.13	0.50	11.19
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,365,988	3,001,582	4,008,034	334,012	-1.87	0.95	6.51
Silver Lake Partners								
<i>Silver Lake Partners II</i>	100,000,000	88,740,757	76,609,181	32,954,779	11,259,243	6.54	1.23	5.75
<i>Silver Lake Partners III</i>	100,000,000	36,433,533	35,243,326	984,960	63,566,467	-0.88	0.99	3.00
Split Rock Partners								
<i>Split Rock Partners</i>	50,000,000	33,381,821	27,757,241	428,377	16,618,179	-6.73	0.84	4.91
<i>Split Rock Partners II</i>	60,000,000	7,560,000	6,135,288	0	52,440,000	-26.54	0.81	1.92
Summit Partners								
<i>Summit Ventures II</i>	30,000,000	28,500,000	166,366	74,524,292	1,500,000	28.82	2.62	21.88
<i>Summit Ventures V</i>	25,000,000	24,125,000	572,634	32,460,571	875,000	8.00	1.37	12.00
T. Rowe Price	849,215,177	849,215,177	63,988,071	838,930,706	0	7.69	1.06	N/A
Thoma Cressey								
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	12,373,986	15,876,781	1,085,000	-2.43	0.83	11.61
<i>Thoma Cressey Fund VII</i>	50,000,000	50,000,000	22,673,302	61,861,701	0	23.01	1.69	9.60
<i>Thoma Cressey Fund VIII</i>	70,000,000	66,832,574	77,183,335	0	3,167,426	5.11	1.15	3.92
Thomas, McNerney & Partners								
<i>Thomas, McNerney & Partners I</i>	30,000,000	26,925,000	15,632,085	10,504,694	3,075,000	-0.98	0.97	7.40
<i>Thomas, McNerney & Partners II</i>	50,000,000	24,625,000	18,842,040	768,885	25,375,000	-12.32	0.80	3.75
Varde Fund IX	100,000,000	100,000,000	125,584,700	0	0	16.72	1.26	1.77
Vestar Capital Partners								
<i>Vestar Capital Partners IV</i>	55,000,000	52,438,110	25,719,488	60,796,212	2,561,890	13.67	1.65	10.29
<i>Vestar Capital Partners V</i>	75,000,000	57,386,789	62,782,511	5,321,047	17,613,211	6.75	1.19	4.28
Warburg Pincus								
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	5.13	15.25
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	18,382,468	131,442,977	0	9.08	1.50	11.76
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	80,530,658	95,141,562	0	14.35	1.76	7.96
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	96,386,535	15,852,200	0	3.85	1.12	4.68
<i>Warburg Pincus Private Equity X</i>	150,000,000	66,810,914	53,986,394	502,077	83,189,086	-12.36	0.82	2.43
Wayzata								
<i>Wayzata Opportunities Fund I</i>	100,000,000	80,500,000	125,475,914	339,109	19,500,000	10.82	1.56	4.28
<i>Wayzata Opportunities Fund II</i>	150,000,000	108,750,000	141,888,844	429,900	41,250,000	13.91	1.31	2.44
Welsh, Carson, Anderson & Stowe								
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	30,778,974	85,714,525	0	1.97	1.16	11.69
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	120,000,000	65,859,146	131,421,497	5,000,000	12.55	1.64	9.76
<i>Welsh, Carson, Anderson & Stowe X</i>	100,000,000	85,578,466	82,229,096	0	14,421,534	-1.35	0.96	4.29
<i>Welsh, Carson, Anderson & Stowe XI</i>	100,000,000	6,093,657	3,574,594	0	93,906,343	-68.20	0.59	1.69
Zell/ Chilmark Fund	30,000,000	30,000,000	36,254	77,129,496	0	17.71	2.57	19.72
Private Equity Total	8,026,139,655	6,399,010,414	3,455,895,473	5,763,899,272	1,627,129,241		1.44	
Alternatives Total	12,633,266,993	9,703,500,463	5,831,431,688	8,825,908,001	2,917,795,826		1.51	

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

** MOIC: Multiple of Invested Capital

PRIVATE EQUITY MANAGER SUMMARY PROFILE
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I. Background Data

Name of Fund:	CarVal Credit Value Fund LP
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	\$2 billion
Fund Manager:	CarVal Investors
Manager Contact:	Ryan Savell CarVal Investors 12700 Whitewater Drive Minnetonka, MN 55343 P: 952-984-3548

II. Organization and Staff

Founded in 1987, Cargill Value Investment ("CVI") originally operated as a business unit of Cargill Inc. To operate as an independent firm, CVI completed a spinout from Cargill in September 2006 and rebranded the firm as CarVal Investors. CarVal Investors formed this Fund to continue and expand upon its 22-year track record of investing approximately \$32.7 billion in over 3,900 distressed and credit-intensive investments including opportunistic investments in loan portfolios, corporate securities, real estate and real estate loans and special opportunities.

CarVal Investors employs more than 340 people worldwide, including approximately 120 investment professionals and approximately 220 professionals dedicated to operational, accounting and administrative functions. The investment activities of CarVal Investors are overseen by six principals who lead the investment strategies and geographic locations, as well as its chief financial officer. The principals average 13 years of service with CarVal Investors and its predecessor, and are assisted by a team of four senior managing directors, 32 managing directors and additional investment professionals. CarVal Investors' headquarters are in Minneapolis, with affiliated operations in Barbados, Beijing, Buenos Aires, Cobham, Delhi, Luxembourg, Mauritius, Paris, São Paulo, Shanghai, Singapore and Tokyo.

III. Investment Strategy

The Fund will implement an investment program focused on the following main strategies: loan portfolios, corporate securities, loan origination, real estate loans and special opportunities each as described below.

The "Loan Portfolio Strategy" centers on investments in performing, sub-performing, non-performing or write-off loans; slow paying, partially paying or delinquent loans; loans being paid

under a modification agreement or bankruptcy plan; loan portfolios that include real estate owned and other receivables; and non-uniform or non-conforming loans.

The "Corporate Securities Strategy" centers on investments in obligations of leveraged and/or financially troubled corporations. These investments typically extend to mispriced or undervalued bonds, bank debt, trade claims, liquidation claims, credit default swaps and equities, but may also extend to other similar investment types or assets. The Fund will also opportunistically purchase high yield loans and debtor-in-possession financings.

The "Loan Origination Strategy" centers on the Fund opportunistically originating and participating in high yield loans made to acquirers of distressed assets, obligors who need cash quickly to take advantage of an opportunity, and obligors who are asset rich and liquidity poor. In addition, the Fund may provide debtor-in-possession financing to borrowers in bankruptcy and originate loans backed by commercial real estate.

The "Real Estate Loans Strategy" centers on the Fund opportunistically originating and purchasing investments in loan transactions that are secured by commercial real estate.

The "Special Opportunities Strategy" utilizes the core competencies, skills and methods of the investment professionals of CarVal Investors to identify new investment opportunities that the Fund believes to be attractive and profitable. Examples from prior funds include aviation assets, vessel assets, oil and gas related assets and commercial mortgage and asset backed securities.

CarVal, with its 22-year history, believes it is uniquely positioned to take advantage of an environment where the availability of credit and liquidity across asset classes globally has significantly diminished. Their view of the current and projected economic environment presents a strong opportunity for the Fund to exploit capital vacuums and distressed sellers. The key investment strategies where CarVal anticipates capitalizing on the most attractive risk-adjusted returns include European liquidation claims, European and US corporate restructurings, US C&I and Consumer loan portfolios, and distressed real estate loans especially in Japan. CarVal expects to concentrate its focus on opportunities in its developed markets (US, Europe, and Japan)

The Fund may borrow and utilize various lines of credit, swaps, repurchase agreements, forward purchases and other forms of leverage to a significant degree, for any purpose, including for liquidity purposes, to enhance returns and to finance assets acquired for the benefit of the Fund.

IV. Investment Performance

The historical investment performance of CarVal Investors as of December 31, 2009 for the Global Value Fund (GVF) and September 30, 2009 for the Cargill Managed Account (within areas that will generally comprise the Fund's investment strategy) is presented below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception *
Global Value Fund (GVF)	2006	\$7.7 billion	\$200 million	.3%	1.0x
Cargill Managed Account	1989	\$10.8 billion		20%	1.3x

* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by CarVal. The performance figures for the Cargill Managed Account relate to the investment of a proprietary pool of capital from Cargill by CVI. A simulated fund structure was used to provide the hypothetical net IRR and MOIC for the Cargill Managed Account.

V. General Partner's Investment

The General Partner will commit to invest up to 1% of the aggregate Commitments of the Fund.

VI. Takedown Schedule

The General Partner will provide Investors no less than five days advance notice prior to the drawdown in respect of the Initial Closing or any Additional Closing and ten days advance notice of any drawdown in respect of Capital Contributions to fund Investments and to meet expenses or other obligations of the Fund.

VII. Management Fee

The Management Fee will be paid, quarterly in arrears, at a rate determined as follows:

- during the Investment Period, one point two five percent (1.25%) *per annum* of each Investor's Capital Contributions, as may be adjusted in connection with an Additional Closing, and
- thereafter, one point two five percent (1.25%) *per annum* of the net asset value of each Investor's Capital Account as of the beginning of the quarter; provided, that for purposes of calculating the Management Fee, after the end of the Investment Period, the Management Fee shall not exceed an amount equal to one point two five percent (1.25%) *per annum* multiplied by the Investor's Capital Commitment.

Any deal fees received by the General Partner, the Manager, or any of their affiliates from third parties related to the Partnership's investments will be applied 80% to reduce the Management Fee.

VIII. Distributions

Amounts of Investment Gain, Distributable Cash and Partnership Expenses initially allocated to an Investor will then be reapportioned as between such Investor and the General Partner as follows:

First, one hundred percent (100%) to such Investor until such Investor has received (without duplication) an amount equal to such Investor's Capital Contributions made to the Fund prior to the date of distribution;

Second, one hundred percent (100%) to such Investor (without duplication) until the excess of (A) the cumulative distributions to such Investor to date over (B) such Investor's Capital Contributions to date equals an eight percent (8%) *per annum* compounded cumulative return on such amounts, calculated from the date of such Capital Contributions until the date such amounts were distributed (the "Preferred Return");

Third, one hundred percent (100%) to the General Partner until cumulative distributions to the General Partner in respect of such Investor equal twenty percent (20%) of the sum of the cumulative distributions to such Investor in excess of its Capital Contributions to date plus the cumulative distributions to the General Partner in respect of such Investor;

Thereafter, (A) eighty percent (80%) to such Investor and (B) twenty percent (20%) to the General Partner.

IX. Investment Period and Term

Generally, the Capital Commitment of each Investor will be available to be drawn and invested until the first day of the month following the second anniversary of the Final Closing.

The Fund's term will end on the six (6) year anniversary of the Final Closing, subject to extension in the General Partner's sole and absolute discretion for two (2) one (1) year periods and can be extended by the consent of the majority-in-interest of the Investors thereafter.

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

RESOURCE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	EnCap Energy Capital Fund VIII, L.P.
Type of Fund:	Resource Limited Partnership
Total Fund Size:	\$2.5 billion
Fund Manager:	EnCap Investments L.P.
Manager Contact:	Gary Petersen 1100 Louisiana, Suite 3150 Houston, Texas 77002 713.659.6100 phone

II. Organization and Staff

The Partnership is being formed by EnCap Investments L.P. ("EnCap" or the "Firm"), a leading provider of private equity capital to the independent sector of the oil and gas industry in North America. Founded in 1988, EnCap has focused solely on oil and gas investments over its 22-year history and has consistently generated superior returns across multiple industry and hydrocarbon price cycles by applying a lower-risk, disciplined philosophy that balances capital preservation and value creation.

EnCap is controlled and managed by David B. Miller, Gary R. Petersen, D. Martin Phillips and Robert L. Zorich (the "Principals"), who collectively have over 140 years of oil and gas investment experience and have worked together for more than 30 years. In addition to the Principals, EnCap has a highly-qualified team of 15 oil and gas investment professionals (including three petroleum engineers) with the 13 most senior professionals having an average of 15 years of related experience (collectively with the Principals, the "Investment Professionals").

Since its inception, EnCap has raised 14 institutional oil and gas investment funds totaling over \$7 billion of capital commitments. The first six funds, raised between 1988 and 1993, comprised three reserve acquisition funds and three mezzanine debt funds. In 1994, the Firm transitioned into private equity based on the belief that it offered a more attractive risk/return equation and better alignment of interest with the management teams of EnCap's portfolio companies. The last seven oil and gas funds (EnCap Energy Capital Funds I, II, III, IV, V, VI and VII) have concentrated on providing equity growth capital to small to mid-sized independents and represent over 96% of total capital commitments that the Firm has made since 1988. To date, EnCap has invested over \$4.5 billion in 169 different companies. Since inception, EnCap has experienced realized losses of less than \$15 million in aggregate. In addition, EnCap will not invest in speculative situations dependent on inflated hydrocarbon price assumptions or high-risk exploration success to achieve its return objectives.

III. Investment Strategy

EnCap Energy Capital Fund VIII, L.P. (“Fund VIII” or the “Partnership”) is seeking capital commitments of \$2.5 billion to make privately-negotiated equity investments in the independent sector of the oil and gas industry. The Partnership will primarily focus on providing growth capital, typically making commitments of \$50 million to \$200 million per transaction, to proven management teams whose principal objective is value creation through the acquisition and exploitation of oil and gas reserves, the development of low-risk drilling opportunities in known producing regions and/or the application of advanced drilling and completion technologies to conventional and unconventional reservoirs in the United States and Canada.

EnCap has focused solely on oil and gas investments over its 22-year history and has consistently generated superior returns across multiple industry and hydrocarbon price cycles by applying a lower-risk, disciplined philosophy that balances capital preservation and value creation. Since inception, EnCap has experienced realized losses of less than \$15 million in aggregate.

In investing Fund VIII, EnCap intends to adhere to the same core tenets that have served its investors well since 1988:

- Balancing capital preservation and value creation;
- Partnering with seasoned management teams that possess demonstrable track records of success and solid value creation strategies;
- Structurally aligning the interests of management and Fund VIII;
- Funding capital commitments over a four- to five-year period to reduce exposure to any one economic or hydrocarbon price cycle;
- Controlling the boards of a large majority of its portfolio companies;
- Employing modest levels of leverage at the portfolio company level;
- Monitoring investments closely and managing risk proactively;
- Adapting its investment approach to exploit market and industry inefficiencies; and
- Exiting opportunistically.

IV. Investment Performance

Previous fund performance as of February 28, 2010 for EnCap is shown below (\$ in millions):

EnCap Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception*	Net MOIC from Inception*
Private Equity Fund VII	2007	\$2,500	\$100 million	-8.4%	0.90x
Private Equity Fund VI	2006	\$1,500		15.4%	1.26x
Private Equity Fund V	2004	\$825		27.9%	1.66x
Private Equity Fund IV	2001	\$525		67.3%	2.11x
Private Equity Fund III	1997	\$480		23.5%	2.42x
Private Equity Fund II	1996	\$115		3.6%	1.12x
Reserve Acquisition Fund III	1994	\$73		41.4%**	1.67x
Private Equity Fund I	1994	\$104		24.8%	1.85x
Mezzanine Debt Fund III	1993	\$100		16.1%**	1.28x
Mezzanine Debt Fund II	1992	\$115		16.3%**	1.47x
Reserve Acquisition Fund II	1990	\$53		29.8%**	2.24x
Mezzanine Debt Fund I	1989	\$100		15.7%**	1.42x
Reserve Acquisition Fund I	1988	\$21		17.3%**	1.90x

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

**Gross IRRs are provided for the mezzanine debt and reserve acquisition funds. Net IRRs are unavailable due to these funds' limited partners' ability to invest on a deal-by-deal basis.

V. General Partner's Investment

The General Partner will make an aggregate cash commitment equal to 2.0% of the aggregate Commitments.

VI. Takedown Schedule

Takedown of investor commitments will be, as needed, on 10 days' notice.

VII. Fees

The management fee during the investment period will be 1.75% per annum of aggregate commitments; thereafter, 1.5% per annum of funded commitments. After offsetting expenses associated with such transactions, transaction and break-up fees will be credited 100% against the management fee.

VIII. Distributions

In general, the Partners first will receive

- i) A return of all investment costs, fees and expenses; plus
- ii) An 8% preferred return on the above amounts.

After which, distributions will be made

- i) 80% to the General Partner and 20% to all Partners in proportion to funded Commitments as a “catch-up” provision until the General Partner has received a 20% carried interest; and thereafter;

- ii) 80% to all Partners in proportion to funded Commitments and 20% to the General Partner.

IX. Commitment Period and Term

The commitment period is five years from the final closing. The term of the Fund is ten years, subject to two consecutive one-year extensions at the election of the General Partner and 66 and 2/3 percent in interest of the Limited Partners.

** This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the “PPM”). It is qualified in its entirety by the more detailed information provided in the PPM.*

RESOURCE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Sheridan Production Partners II-B, L.P. ("Sheridan" or the "Partnership")
Type of Fund:	Resource Limited Partnership
Total Fund Size:	\$1.3 billion
Fund Manager:	Sheridan Production Partners Manager, LLC
Manager Contact:	Lisa A. Stewart 9 Greenway Plaza, Suite 1300 Houston, TX 77046 713.548.1000

II. Organization and Staff

Sheridan Production Partners II-A, L.P. ("Fund II-A"), and Sheridan Production Partners II-B, L.P. ("Fund II-B" and, together with Fund II-A, "Sheridan II" or the "Partnership"), are being established by Sheridan Production Partners Manager, LLC ("Sheridan" or the "Manager"), to make investments in oil and gas properties in the United States with the objective of providing investors attractive, relatively low risk returns, strong cash distributions and long-term exposure to oil and gas prices. Sheridan II will be the second series of oil and gas investment partnerships formed by Sheridan. Sheridan II will be under common management with the initial series of oil and gas investment partnerships established in 2007 ("Sheridan I") and has the same investment strategy.

Sheridan was formed in 2006 when Lisa A. Stewart and other senior executives of Sheridan joined with Warburg Pincus LLC ("Warburg Pincus" and, together with the executive officers of Sheridan, the "Sponsors") with the long-term plan to create a premier oil and gas operator that would implement the Sheridan investment strategy. Prior to the formation of Sheridan in 2006, Ms. Stewart was President of El Paso Exploration and Production Company (2004-2006) where she had overall responsibility for oil and gas operations. While there, Ms. Stewart had overall responsibility for a large and diverse exploration and production company that generated operating revenue of \$1.8 billion and earnings of \$699 million. Prior to her time at El Paso, Ms. Stewart spent 20 years at Apache Corporation, leaving in January 2004 as Executive Vice President.

In 2007, Sheridan raised \$1.3 billion of commitments from investors to capitalize Sheridan I. By December 31, 2009, Sheridan I had called \$1.1 billion of limited partner capital and completed \$1.6 billion of acquisitions of domestic oil and gas properties. Since its formation in 2007, Sheridan has grown into an independent oil and gas company with more than 230 employees consisting of highly skilled financial, technical and operating personnel, many of whom have a history of working with Sheridan

management in prior organizations. Sheridan's headquarters are in Houston, Texas with district offices in Midland, Texas and Tulsa, Oklahoma, as well as multiple field offices throughout Texas and Oklahoma. Sheridan II will benefit from Sheridan's existing, fully operational E&P company. As Sheridan II acquires properties, additional personnel will be recruited as necessary.

III. Investment Strategy

Sheridan II will execute a balanced strategy to acquire a diverse portfolio of mature, predictable oil and gas producing properties within various U.S. basins, to optimize the operation of those properties to aggressively control costs and judiciously invest capital to accelerate production and enhance recoveries, to hedge production for several years after an acquisition in order to protect cash flows and base rates of return, and to enhance total returns through the use of prudent leverage. Given Sheridan's hedging strategy, Sheridan II's anticipated returns should have limited sensitivity to near-term volatility in oil and gas prices, but should retain exposure to commodity prices over the longer term. Sheridan II will target a pre-tax net internal rate of return ("IRR") to limited partners in the mid-teens and a net multiple of two times invested capital.

Sheridan believes that today's market continues to offer an excellent opportunity to acquire and enhance mature oil and gas producing properties. The U.S. contains substantial reserves of oil and gas situated in some of the most secure producing basins in the world. The vast majority of those reserves are currently owned by public companies, which tend to focus on properties with high growth potential and under-invest in properties that exhibit the declining base production inherent in mature oil and gas fields. Consequently, there has been and will likely continue to be an imbalance between the number of mature properties offered for sale, and the number of well-capitalized buyers who desire to own these assets. Additionally, the long production history of mature properties allows for more accurate estimation of reserves, production, and cash flows, and this predictability allows Sheridan to hedge cash flows and prudently leverage acquisitions. In focusing on increasing share prices, public companies tend to devote their most talented people, technical resources and capital budgets to growth projects rather than mature properties. Sheridan has demonstrated the ability to acquire mature properties and improve returns by actively managing operations and targeting low risk, high rate of return reinvestment opportunities.

IV. Investment Performance

Previous fund performance as of December 31, 2009 for Sheridan Production Partners I 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 *	Net MOIC from Inception *
Sheridan Production Partners I	2007	\$1.3 billion	\$100 million	26 %	1.32x

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

V. General Partner's Investment

Members of Sheridan management and Warburg Pincus LLC will commit for at least \$50 million of Capital Commitments.

VI. Takedown Schedule

The General Partner will draw capital as needed to fund investments and operations and will provide Limited Partners 10 business days prior written notice.

VII. Fees

The Partnership will pay a management fee to the Manager semi-annually in advance during the term of the Partnership starting on the date of the initial closing, at the following rate:

- (i) during the Investment Period, 1.50% per annum of Capital Commitments;
- (ii) from the end of the Investment Period through the 12th anniversary of the initial closing, 1.25% per annum of Capital Commitments; and
- (iii) after the 12th anniversary of the initial closing, 1.25% per annum of the lesser of Capital Commitments and the fair value of the Partnership's properties as of the last day of the immediately preceding semi-annual measurement period.

All transaction fees or other fees received by the General Partner, the Manager, Warburg Pincus or any of their affiliates from third parties related to the Partnership's investments will be applied to reduce the Management Fee.

VIII. Distributions

Distributions will be made in the following order and priority:

First, 100% to such Limited Partner until the Limited Partner receives 100% of its capital contributions (including capital contributions for Partnership Expenses, Organizational Expenses and Management Fees) and a 6% per annum preferred return thereon.

Thereafter, a “90/10 catch-up” in favor of the General Partner, followed by a 20% Carried Interest.

During the Investment Period, the Partnership may generally retain, rather than distribute, net cash otherwise available for distribution, subject to the payment of amounts sufficient to discharge tax liabilities in respect of income allocated to taxable partners (including the General Partner). No new properties will in any event be acquired after the end of the Investment Period other than as Follow-on Investments.

IX. Investment Period and Term

The Investment Period terminates six years after the initial closing of the Partnership. The Partnership’s term will be 15 years from the initial closing date, subject to extension for up to two years in the discretion of the General Partner with the consent of a majority in interest of Limited Partners.

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RESOURCE MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Energy Capital Partners II, L.P.
Type of Fund:	Resource Limited Partnership
Total Fund Size:	\$3.5 billion
Fund Manager:	Energy Capital Partners
Manager Contact:	Douglas Kimmelman 51 JFK Parkway, Suite 200 Short Hills, NJ 07078 Phone: 973-671-6080

II. Organization and Staff

Energy Capital was established in 2005 by former Goldman Sachs partner and energy industry veteran Douglas Kimmelman, whose entire 22-year professional career at Goldman Sachs focused on the electric power, gas utility and related industry sectors. The Energy Capital team currently consists of 28 investment professionals and three senior advisors. Fund II will be managed by Energy Capital Partners GP II, LP (the "General Partner"), the principals of which are Douglas Kimmelman, Scott Helm, Peter Labbat, Thomas Lane and Andrew Singer (the "Principals"). The senior members of the Energy Capital team have worked with one another over the past 13 years and the team collectively has over 350 years of energy industry experience and a track record of successful energy infrastructure investments. In addition, the team has had primary responsibility for investing and managing Energy Capital Partners I, LP (together with each affiliated investment vehicle formed to invest in, or co-invest therewith, "Fund I"), and a \$2.25 billion private investment fund formed in January 2006. As of March 31, 2010, Fund I has committed and reserved all of its available equity capital across 13 investments, all of which are in the natural gas and electric power sectors and many of which include a clean or renewable energy component. Three monetizations have been closed or announced resulting in a return of approximately \$1 billion of the \$1.6 billion called to date and achieving a 2.4x and 48% IRR on these exits.

III. Investment Strategy

Energy Capital intends to utilize a disciplined investment approach focused on acquiring and developing interests in high quality assets, contracts and businesses in the power and midstream gas and related sectors. Specifically, the Firm intends to primarily focus on the power generation (fossil and renewable), electric transmission, gas storage and pipeline, electric and gas distribution and coal infrastructure sectors. Energy Capital expects to focus Fund II's investment efforts predominantly on control opportunities in the North American marketplace. Energy Capital plans to pursue both the purchase of existing assets, contracts and businesses and the development and construction of new ones. The Firm intends to remain opportunistic in evaluating the proportion of investment activity devoted to existing assets relative to development and construction of new assets. Energy Capital intends to enhance the value of its assets and businesses with the following strategies

- i. Optimizing the project and corporate capital structures of its investments;
- ii. Structuring and restructuring contractual arrangements related to equipment purchases, engineering and design services, fuel purchases and energy output sales;
- iii. Monetizing optionality and differing revenue streams embedded in assets and contracts;
- iv. Expanding asset capacity where economically justified;
- v. Pursuing new build development activity while attempting to mitigate early stage development risk, including working with capital constrained developers of attractive projects;
- vi. Actively managing assets and businesses in conjunction with management teams to reduce costs, improve efficiencies and expand revenue opportunities;
- vii. Combining asset investments into operating companies to create going-concern value and companies with critical mass and diversity, thereby increasing potential exit opportunities; and
- viii. Building management teams and portfolio companies to continue to pursue new growth areas in the energy sector, including, but not limited to Energy Capital's solar, carbon credits, and gas storage platforms.

In addition, Energy Capital will seek to identify, actively manage and hedge commodity price exposures in its investments related to fuel procurement and energy production. Energy Capital intends to accomplish this by targeting assets that carry long-term contracts with creditworthy counterparties for their energy inputs, outputs and capacity; seeking long term contractual commitments that will support the development and construction of new energy facilities; or strategically contracting with industry participants and financial intermediaries to hedge commodity exposure. Notwithstanding these strategies, certain risks cannot be economically or otherwise contracted or hedged, and the Firm may opportunistically choose to accept certain exposures consistent with existing and projected market dynamics.

Energy Capital intends to continue to utilize the debt markets, where appropriate, to implement its investment strategies and optimize its projected investment returns. Energy Capital's investments generally offer a combination of asset security and predictable revenue contract arrangements that should allow for meaningful leverage. As a result, the Firm believes its portfolio investments and overall returns have been less impacted by the current constrained credit environment than the investments of other more buyout-focused funds.

The Energy industry in North America is undergoing a dramatic transformation which is driven by several factors:

- Necessary replacement of an enormous base of aged generating assets over the next 10 years (average plant age over 40 years, required capital in excess of \$1 trillion)
- Public policy and state laws require new build of various types of renewable generation (solar, wind, biomass, etc.)
- New transmission lines (~\$25 billion/year) needed to connect remote renewable power projects and to optimize the system
- Distressed owners of generation dealing with excessive leverage from the credit boom and declining cash flow driven by declining natural gas and power prices
- New gas gathering pipeline and storage assets needed to integrate large production of natural gas from new shale basins

Energy Capital believes that it has the sector expertise, reputation, relationships and capital to effectively play a leading role in solving these most pressing needs while earning attractive targeted returns of 20-30%.

IV. Investment Performance

Previous investment performance as of March 31, 2010 for Energy Capital funds is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception *	Net MOIC from Inception *
Energy Capital Partners Fund I	2006	\$2.25 billion		13.66%	1.2x
Pre-Fund track record at Goldman Sachs	1997-2008	\$2.07 billion		58.0%	2.0x

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

V. General Partner's Investment

At least \$75 million, assuming aggregate Commitments of at least \$3.5 billion.

VI. Takedown Schedule

Commitments generally will be drawn in proportion to Commitments on an as-needed basis, with a minimum of ten business days' prior written notice to the Limited Partners.

VII. Management Fee

Commitment Period: The management fee will be 1.75% per year on commitments up to \$3.0 billion. 1.5% on commitments over \$3.0 billion. Fee drops to 1.25% if successor fund of \$2.0 billion or greater begins to accrue management fees. Fee drops to 1.0% if successor fund reaches \$4.0 billion.

Post Commitment Period: 1.25% on called and unreturned capital (reduced by write-offs). Fee drops to 1.0% if successor fund of \$2.0 billion or greater begins to accrue management fees.

80% of any transaction, monitoring and break up fees and other similar fees received in connection with consummated or prospective investments will be applied to reduce the Management Fee.

VIII. Distributions

- a) First, 100% to such Limited Partner until the amount distributed equals the aggregate of the following (to the extent not previously distributed):
 - (i) the funded Commitments of such Limited Partner in respect of all Portfolio Investments and such Limited Partner's proportionate share of Fund II Expenses and Organizational Expenses; and
 - (ii) a preferred return on amounts included in (i) above at the rate of 8% per annum, compounded annually (the "Preferred Return");
- b) Second, 100% to such Limited Partner, until the amount distributed under this clause b) equals the net realized loss, if any, from bridge financings previously disposed of;
- c) Third, 100% to the General Partner until the General Partner has received 20% of the sum of all distributions made pursuant to paragraph (a)(ii) and this paragraph c) with respect to amounts initially apportioned to such Limited Partner; and
- d) Thereafter, 80% to such Limited Partner and 20% to the General Partner (the distributions to the General Partner in paragraph c) and this paragraph d) being referred to collectively as the "Carried Interest").

IX. Investment Period and Term

Commitments may be drawn to make Portfolio Investments at any time up to December 31, 2014 (the "Commitment Period").

Fund II's term will expire on December 31, 2019; provided that Fund II's term may be extended by the General Partner for up to one additional one-year period or, beyond that, with the approval of the LP Advisory Committee or Limited Partners holding a majority of the aggregate Commitments, for up to two additional two-year periods.

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