

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
June 8, 2005

&

INVESTMENT ADVISORY
COUNCIL MEETING
June 7, 2005

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

June 8, 2005

AGENDA
STATE BOARD OF INVESTMENT MEETING
Wednesday, June 8, 2005
9:00 A.M. - Room 123
State Capitol – St. Paul

- | | |
|---|------------|
| 1. Approval of Minutes of March 2, 2005 | TAB |
| 2. Report from the Executive Director (Howard Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2005 – March 31, 2005) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Legislative Update | |
| 3. Litigation Update | |
| 4. Update Concerning Pharmaceutical Company Shareholder Resolutions | |
| 5. Reauthorization of the Proxy Voting Committee | |
| 6. Approval of Vendor Contract for Historical Society Retirement Plan | |
| 3. Report from the SBI Administrative Committee (Peter Sausen) | C |
| 1. Review of Executive Director's Proposed Workplan for FY06 | |
| 2. Review of Budget Plan for FY06 | |
| 3. Review of Continuing Fiduciary Education Plan | |
| 4. Recommendation to develop SBI Compensation Plan | |
| 5. Review of Executive Director's Evaluation Process | |
| 4. Report from the International Equity Active Developed Markets
 Manager Search Committee (Peter Sausen) | D |
| 5. Report from the International Equity Enhanced Developed Markets
 Index Manager Search Committee (Peter Sausen) | E |
| 6. Reports from the Investment Advisory Council (Mike Troutman) | |
| A. Stock and Bond Manager Committee | F |
| 1. Review of manager performance | |
| 2. Update on the International Equity Active Developed Markets
Manager Search | |
| 3. Update on the International Equity Enhanced Developed Markets
Index Manager Search | |
| 4. Review of American Express (Threadneedle) in the International
Equity Program | |
| 5. Recommendation to renew Emerging Markets Manager Contracts | |
| 6. Recommendation to terminate Transamerica Investment Management
from the Domestic Equity Program | |
| 7. Recommendation to terminate Britannic Asset Management and
T. Rowe Price from the International Equity Program | |
| 8. Recommendation for Transition Management Services | |
| B. Alternative Investment Committee | G |
| 1. Review of current strategy | |
| 2. Review of public stock distributions from alternative investment managers | |
| 3. Recommendation of one new investment manager: | |
| • Lehman Brothers | |
| 4. Recommendation of new investments with two existing managers: | |
| • Windjammer Capital | |
| • Warburg Pincus | |

**Minutes
State Board of Investment
March 2, 2005**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, March 2, 2005 in Room 318 State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Patricia Anderson; Secretary of State Mary Kiffmeyer; and Attorney General Mike Hatch were present. The minutes of the December 8, 2004 Board 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 exceeded its Composite Index over the ten year period ending December 31, 2004 (Combined Funds 10.3% vs. Composite 9.9%), and had provided a real rate of return over the latest 20 year period (Combined Funds 11.1% vs. CPI 3.0%). He stated that the Basic Funds have slightly outperformed its composite index (Basic Funds 10.4% vs. Composite 10.2%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 10.1% vs. Composite 9.7%).

Mr. Bicker reported that the Basic Fund's assets increased 7.9% for the quarter ending December 31, 2004 due to positive investment returns. He said that the international component was over weighted at the end of the quarter and has been rebalanced. He reported that the Basic Funds outperformed its composite index for the quarter (Basic Funds 8.3% vs. Composite 8.1%) and outperformed it for the year (Basic Funds 13.0% vs. Composite 12.7%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 6.5% for the quarter ending December 31, 2004, also due to positive investment returns. He said the Post Fund assets mix had also been rebalanced. He stated that the Post Fund outperformed its composite index for the quarter (Post Fund 8.1% vs. Composite 8.0%) and for the year (Post Fund 11.8% vs. Composite 11.4%).

Mr. Bicker reported that the domestic stock manager group matched its target for the quarter (Domestic Stock 10.2% vs. Domestic Equity Asset Class Target 10.2%) and outperformed it for the year (Domestic Stocks 12.2% vs. Domestic Equity Asset Class Target 11.9%). He said the International Stock manager group underperformed its composite index for the quarter (International Stocks 15.0% vs. International Equity Asset Class Target 15.4%) and for the year (International Stocks 20.0% vs. International Equity Asset Class Target 20.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 1.1% vs. Fixed Income Asset Class Target 1.0%) and outperformed it for the year (Bonds 5.0% vs. Fixed Income Asset Class Target 4.3%). He concluded his report with the comment that as of December 31, 2004, the SBI was responsible for over \$48 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel. He said that the Legislative Auditor had completed its audit of the SBI and that the SBI had received a "clean opinion" on its financial statements.

Mr. Bicker referred members to the legislative update he distributed at the start of the meeting (see **Attachment A**). He reported that the Data Privacy bill regarding the SBI's alternative investments had been introduced in both the House and the Senate and has passed Governmental Operations in the House and is now in Civil Law. He said that the bill that smoothes the benefit increases for the Post Retirement Fund had also been introduced in both the Senate and the House and is awaiting the meeting of the Pension Commission. Mr. Bicker stated that a bill has been introduced that would give counties the option of having the SBI invest their local environmental trust funds. He added that the SBI already has investment vehicles in place to handle the addition of these potential funds. He reported that the SBI's compensation bill has been introduced in both bodies. He noted that some technical changes need to be made and that the bill may be re-introduced which would change the file numbers of the bills. He said that the SBI's budget had a hearing in the Senate but not in the House.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of litigation. She stated that the case involving AOL Time Warner is in the beginning stages of discovery and that the SBI staff has been assisting in that process. She said that the State has requested a delay in the BroadCom case due to an issue related to attorney/client privilege. She noted that the trial date is now set for September 13, 2005 and that some mediation has begun. Ms. Eller stated that the opt-out cases against WorldCom and McKesson continue to proceed. She noted that the McKesson case has been delayed due to the criminal cases which started in January 2005

Mr. Bicker updated members on the pharmaceutical shareholder resolutions. He said the SBI was successful in getting the resolution on the ballot at Eli Lilly, Merck and Pfizer. He noted that the SBI's resolution at Wyeth was omitted by the SEC because a similar proposal had already been filed with the company.

Mr. Bicker stated that SBI staff will be organizing an Investment Roundtable focusing on China during the upcoming quarter and that members will receive more information at a later date.

Stock and Bond Manager Committee Report

Mr. Troutman referred members to Tab C of the meeting materials and briefly reviewed the recent rebalancing of the international equity program. He stated that as part of the SBI's asset allocation review in 2003, the Board approved an allocation to enhanced developed markets index management. He added that staff and the search committee will conduct that search during the upcoming quarter. He noted that staff will also be reviewing several of the SBI's current active developed markets managers.

Mr. Troutman stated that the Committee had approved staff's recommendation that Goldman Sachs and Dodge & Cox be given increased non-dollar and below investment grade debt authority. He reminded members that the Board approved such authority in 2002. He stated that Dodge & Cox will be given authority to invest up to 15% of its portfolio in the below investment grade sector and that Goldman Sachs will be allowed to invest 5% of its portfolio in the below investment grade sector and 5% in the non-dollar sector.

Mr. Troutman stated that the Committee is recommending that the emerging markets managers be allowed to cross-hedge currencies. He explained the existing hedging policy and noted that Morgan Stanley has requested this increased authority so they can hedge back to the euro. In response to questions from Mr. Hatch, Mr. Bicker stated that he does not anticipate hedges being needed with other currencies, but that the recommendation would allow the flexibility for staff to consider other requests without coming back to the Board at each occurrence. Mr. Hatch moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: **"The Committee recommends that the SBI allow emerging markets managers to hedge foreign currency exposure of underlying equity investments to the U.S. Dollar or to the Euro, and upon written authorization from Staff, to hedge the currency exposure of underlying equity investments to the currencies of other eligible market currencies."** The motion passed.

Alternative Investment Committee Report

Mr. Troutman referred members to Tab D of the meeting materials and briefly reviewed the current performance and strategy of the alternative investment program. He stated that the Committee is recommending new investments with four existing managers, Merit Energy, Chicago Growth Partners, Blum Capital Partners, The Banc Funds Company, and one new manager, Elevation Associates. He briefly reviewed each of the proposed investments. Ms. Kiffmeyer moved approval of all five of the Committee's recommendations, as stated in the Committee Report, which reads: **"The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$100 million or 20%, whichever is less, in Merit Energy Partners F, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Merit Energy Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Merit Energy Partners or reduction or termination of the commitment."**

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Banc Fund VII, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by The Banc Funds Company upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on The Banc Funds Company or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$75 million or 20%, whichever is less, in Blum Strategic Partners III, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Blum Capital Partners upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Blum Capital Partners or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$50 million or 20%, whichever is less, in Chicago Growth Partners VIII, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Chicago Growth Management VIII upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Chicago Growth Management VIII or reduction or termination of the commitment.

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$75 million or 20%, whichever is less, in Elevation Partners, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Elevation

Associates 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 Elevation Associates or reduction or termination of the commitment.” Mr. Hatch commented that he has difficulty evaluating these types of investments and he said he believes in being conservative in this area. Mr. Troutman stated the importance of being well diversified and in having a disciplined approach in how the alternative investment portfolio is structured. The motion passed.

The meeting adjourned at 9:32 A.M.

Respectfully submitted,

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

Howard Bicker
Executive Director

**Bills of Interest to the Minnesota State Board of Investment
2005 Legislative Session
Includes Action Through 2/25/05**

Description of Bill	HF/SF # and Author	Current Status
Data Privacy Defined for Alternative Investments	H.F. 674 (Knoblach)	2/17 Passed Gov't Op. and Vet. Affairs; referred to Civil Law
	S.F. 708 (D. Johnson)	Referred to State and Local Gov't Op.
Limit on Post Fund Benefit Increase	H.F. 40 (Smith)	Referred to Gov't Op. and Vet. Affairs
	S.F. 70 (Betzold)	Referred to State and Local Gov't Op.
SBI May Invest County Environmental Trust Funds	H.F. 303 (Rukavina)	Referred to State Government Finance
	S.F. 418 (Tomassoni)	2/14 Passed Environment and Natural Resources On Senate Consent Calendar
SBI Compensation Plan	H.F. 1341 (N. Peterson)	Referred to Gov't Op and Vet. Affairs
	S.F. 1269 (Metzen)	Referred to State and Local Gov't Op

INVESTMENT ADVISORY COUNCIL

AGENDA AND MINUTES

June 7, 2005

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, June 7, 2005
1:00 P.M. - Board Room – First Floor
60 Empire Drive, St. Paul, MN

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| 1. Approval of Minutes of March 1, 2005 | TAB |
| 2. Report from the Executive Director (Howard Bicker) | A |
| A. Quarterly Investment Review
(January 1, 2005 – March 31, 2005) | |
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| 1. Reports on budget and travel | |
| 2. Legislative Update | |
| 3. Litigation Update | |
| 4. Update Concerning Pharmaceutical Company Shareholder Resolutions | |
| 5. Reauthorization of the Proxy Voting Committee | |
| 6. Approval of Vendor Contract for Historical Society Retirement Plan | |
| 3. Report from the SBI Administrative Committee (Peter Sausen) | C |
| 1. Review of Executive Director's Proposed Workplan for FY06 | |
| 2. Review of Budget Plan for FY06 | |
| 3. Review of Continuing Fiduciary Education Plan | |
| 4. Recommendation to develop SBI Compensation Plan | |
| 5. Review of Executive Director's Evaluation Process | |
| 4. Report from the International Equity Active Developed Markets
 Manager Search Committee (Peter Sausen) | D |
| 5. Report from the International Equity Enhanced Developed Markets
 Index Manager Search Committee (Peter Sausen) | E |
| 6. Reports from the Investment Advisory Council (Jay Kiedrowski) | |
| A. Stock and Bond Manager Committee | F |
| 1. Review of manager performance | |
| 2. Update on the International Equity Active Developed Markets
Manager Search | |
| 3. Update on the International Equity Enhanced Developed Markets
Index Manager Search | |
| 4. Review of American Express (Threadneedle) in the International
Equity Program | |
| 5. Recommendation to renew Emerging Markets Manager Contracts | |
| 6. Recommendation to terminate Transamerica Investment Management
from the Domestic Equity Program | |
| 7. Recommendation to terminate Britannic Asset Management and
T. Rowe Price from the International Equity Program | |
| 8. Recommendation for Transition Management Services | |
| B. Alternative Investment Committee (Judy Mares) | G |
| 1. Review of current strategy | |
| 2. Review of public stock distributions from alternative investment managers | |
| 3. Recommendation of one new investment manager: | |
| • Lehman Brothers | |
| 4. Recommendation of new investments with two existing managers: | |
| • Windjammer Capital | |
| • Warburg Pincus | |

**Minutes
Investment Advisory Council
March 1, 2005**

MEMBERS PRESENT: Gary Austin; Dave Bergstrom; Kerry Brick; Heather Johnston; P. Jay Kiedrowski; Hon. Ken Maas; Malcolm McDonald; Mike Troutman; and Mary Vanek.

MEMBERS ABSENT: Frank Ahrens; John Bohan; Doug Gorence; Ken Gudorf; Peggy Ingison; Judy Mares; Gary Norstrem; Daralyn Peifer.

SBI STAFF: Howard Bicker; Mansco Perry; Jim Heidelberg; Tammy Brusehaver-Derby; Stephanie Gleeson; Debbie Griebenow; John Griebenow; Mike Menssen; Susan Sutton; Carol Nelson; and Charlene Olson.

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Christie Eller; Carla Heyl; Alberto Quintela; and Jerry Irsfeld, John Fisher, Susan Mills-Moriarty, REAM;

The minutes of the December 7, 2004 IAC 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 exceeded its Composite Index over the ten year period ending December 31, 2004 (Combined Funds 10.3% vs. Composite 9.9%), and had provided a real rate of return over the latest 20 year period (Combined Funds 11.1% vs. CPI 3.0%). He stated that the Basic Funds have slightly outperformed its composite index (Basic Funds 10.4% vs. Composite 10.2%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 10.1% vs. Composite 9.7%).

Mr. Bicker reported that the Basic Fund's assets increased 7.9% for the quarter ending December 31, 2004 due to positive investment returns. He said that the international component was over weighted at the end of the quarter and has been rebalanced. He reported that the Basic Funds outperformed its composite index for the quarter (Basic Funds 8.3% vs. Composite 8.1%) and outperformed it for the year (Basic Funds 13.0% vs. Composite 12.7%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 6.5% for the quarter ending December 31, 2004, also due to positive investment returns. He said the Post Fund assets mix had also been rebalanced. He stated that the Post Fund outperformed its composite index for the quarter (Post Fund 8.1% vs. Composite 8.0%) and for the year (Post Fund 11.8% vs. Composite 11.4%).

Mr. Bicker reported that the domestic stock manager group matched its target for the quarter (Domestic Stock 10.2% vs. Domestic Equity Asset Class Target 10.2%) and outperformed it for the year (Domestic Stocks 12.2% vs. Domestic Equity Asset Class Target 11.9%). He said the International Stock manager group underperformed its composite index for the quarter (International Stocks 15.0% vs. International Equity Asset Class Target 15.4%) and for the year (International Stocks 20.0% vs. International Equity Asset Class Target 20.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 1.1% vs. Fixed Income Asset Class Target 1.0%) and outperformed it for the year (Bonds 5.0% vs. Fixed Income Asset Class Target 4.3%). He concluded his report with the comment that as of December 31, 2004, the SBI was responsible for over \$48 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel. He said that the Legislative Auditor had completed its audit of the SBI and that the SBI had received a "clean opinion" on its financial statements.

Mr. Bicker referred members to the legislative update he distributed at the start of the meeting (see **Attachment A**). He reported that the Data Privacy bill regarding the SBI's alternative investments had been introduced in both the House and the Senate and has passed Governmental Operations in the House and is now in Civil Law. He said that the bill that smoothes the benefit increases for the Post Retirement Fund had also been introduced in both the Senate and the House and is awaiting the meeting of the Pension Commission. Mr. Bicker stated that a bill has been introduced that would give counties the option of having the SBI invest their local environmental trust funds. He noted that these funds are separate from the Environmental Trust Fund monies the SBI already invests. He said that these funds come from land sales by certain counties. In response to a question from Mr. Troutman, he added that the SBI already has investment vehicles in place to handle the addition of these potential funds. He reported that the SBI's compensation bill has been introduced in both bodies. He noted that some technical changes need to be made and that the bill may be re-introduced, which could change the file numbers of the bills. He said that the SBI's budget had a hearing in the Senate but not in the House.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of litigation. She said that the State has requested a delay in the BroadCom case due to an issue related to attorney/client privilege. She noted that the trial date is now set for September 2005 and that some mediation has begun. She stated that the case involving AOL Time Warner is in the beginning stages of discovery and that the SBI staff has been assisting in that process. Ms. Eller stated that the opt-out cases against WorldCom and McKesson continue to proceed. She noted that the McKesson case has been delayed due to the criminal cases which started in January 2005

Mr. Bicker updated members on the pharmaceutical shareholder resolutions. He said the SBI was successful in getting the resolution on the ballot at Eli Lilly, Merck and Pfizer. He noted that the SBI's resolution at Wyeth was omitted by the SEC because a similar proposal had already been filed with the company.

Mr. Bicker stated that SBI staff will be organizing an Investment Roundtable focusing on China during the upcoming quarter and that members will receive more information at a later date.

Stock and Bond Manager Committee Report

Mr. Bergstrom referred members to Tab C of the meeting materials and briefly reviewed the performance of the stock and bond managers. He noted that staff will be reviewing several of the SBI's current international active developed markets managers during the upcoming quarter.

Mr. Bergstrom stated that the Committee had approved staff's recommendation that Goldman Sachs and Dodge & Cox be given increased non-dollar and below investment grade debt authority.

Mr. Bergstrom stated that the Committee is recommending that the emerging markets managers be allowed to cross-hedge currencies. Mr. Kiedrowski moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. McDonald seconded the motion. In response to a question from Mr. Troutman, Mr. Bicker stated that Morgan Stanley had a situation where they wanted to hedge back to the euro, a currency that did not exist when the hedging policy was originally established. Mr. Bicker spent a few minutes explaining in more detail the recent and upcoming work being done with the international equity program. He said that three active international managers will be reviewed next quarter and that new managers could be funded in part with assets from a potentially terminated manager in order to minimize trading costs. In response to a question from Mr. Troutman, Mr. Perry confirmed the current ranges for active/enhanced/passive management for the international component. Mr. Perry also clarified that the recommendation regarding the cross-hedging was for all the emerging managers, and not just Morgan Stanley and Mr. Troutman confirmed that clarification.

In response to a question from Ms. Johnston regarding Capital International, Mr. Bicker stated that he is more concerned when a manager has structural changes and poor performance than when a manager has poor performance but their organizational structure is solid and intact, which appears to be the case so far with Capital International. In response to questions from Mr. Troutman, Mr. Bicker said that Britannic and T. Rowe Price will be re-evaluated because of performance and organizational issues and that the Committee is recommending that American Express also be re-evaluated. In response to a question from Mr. Kiedrowski, Mr. Bicker and Mr. Perry confirmed that the one year returns for the semi-passive managers reported on page A-8 of Tab C are correct and that they ended up being identical because of the rounding to one decimal place. In response to a question from Mr. Brick, Mr. Bicker confirmed the new large cap growth managers

had been funded. Mr. Bicker also stated that there are still Committee spots open on the International Search Committee and to let staff know of any interest by members on serving on that Committee. The motion to allow managers to cross-hedge passed.

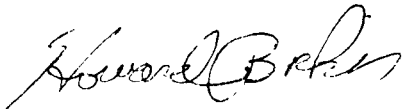
Alternative Investment Committee Report

Mr. McDonald referred members to Tab D of the meeting materials and briefly reviewed the current performance and strategy of the alternative investment program. He stated that the Committee is recommending new investments with four existing managers, Merit Energy, Chicago Growth Partners, Blum Capital Partners, The Banc Funds Company, and one new manager, Elevation Associates. He briefly reviewed each of the proposed investments and he moved approval of all five of the Committee's recommendations, as stated in the Committee Report. Mr. Kiedrowski seconded the motion. In response to a question from Mr. Troutman, Mr. Bicker stated that Chicago Growth is a spin off from the William Blair group with whom the SBI has previously invested. The motion passed.

In response to questions from Mr. Kiedrowski and Mr. Troutman, Mr. Bicker referred members to pages 9 and 10 of the Committee Report for more detailed performance information for the alternative investments. Mr. Bicker noted that the listing only includes the current active partnerships. A brief discussion followed regarding the investment strategy of Elevation Partners.

The meeting adjourned at 2:45 P.M.

Respectfully submitted,



Howard Bicker
Executive Director

**Bills of Interest to the Minnesota State Board of Investment
2005 Legislative Session
Includes Action Through 2/25/05**

Description of Bill	HF/SF # and Author	Current Status
Data Privacy Defined for Alternative Investments	H.F. 674 (Knoblach)	2/17 Passed Gov't Op. and Vet. Affairs; referred to Civil Law
	S.F. 708 (D. Johnson)	Referred to State and Local Gov't Op.
Limit on Post Fund Benefit Increase	H.F. 40 (Smith)	Referred to Gov't Op. and Vet. Affairs
	S.F. 70 (Betzold)	Referred to State and Local Gov't Op.
SBI May Invest County Environmental Trust Funds	H.F. 303 (Rukavina)	Referred to State Government Finance
	S.F. 418 (Tomassoni)	2/14 Passed Environment and Natural Resources On Senate Consent Calendar
SBI Compensation Plan	H.F. 1341 (N. Peterson)	Referred to Gov't Op and Vet. Affairs
	S.F. 1269 (Metzen)	Referred to State and Local Gov't Op

Tab A

LONG TERM OBJECTIVES

Period Ending 3/31/2005

COMBINED FUNDS: \$39.1 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.</p>	9.6% (1)	0.3 percentage point above 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>	10.7%	7.7 percentage points above CPI

BASIC RETIREMENT FUNDS: \$20.1 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 Basic Funds over the latest 10 year period.</p>	9.8%	0.3 percentage point above target

POST RETIREMENT FUND: \$19.0 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 Post Fund over the latest 10 year period.</p>	9.4%	0.5 percentage point above target

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

All Eight Plans of MSRS, PERA and TRA Including Post Fund July 1, 2004

	Active (Basics)	Retired (Post)	Total (Combined)
Liability Measures			
1. Current and Future Benefit Obligation	\$32.5 billion	\$22.5 billion	\$55.0 billion
2. Accrued Liabilities	23.9	22.5	46.4
Asset Measures			
3. Current and Future Actuarial Value	\$30.8 billion	\$22.5 billion	\$53.3 billion
4. Current Actuarial Value	20.4	22.5	42.9
Funding Ratios			
Future Assets vs. Future Obligations (3 ÷ 1)	95%	100%	97%
Current Actuarial Value vs. Accrued Liabilities (4 ÷ 2)	85%	100%	93%*

* Ratio most frequently used by the Legislature and Retirement Systems.

Notes:

1. Present value of projected benefits that will be due to all current participants.
2. Liabilities attributed to past service calculated using entry age normal cost method.
3. Present value of future statutory contributions plus current actuarial value
4. Same as required reserves for Post; Difference between actual returns and actuarially expected returns spread over five years for Basics.

Actuarial Assumptions:

Salary Growth: 6.5%, resulting from a graded rate future increase assumption

Interest/Discount Rate: 8.5% Basics, 6.0% Post

Full Funding Target Date: 2031

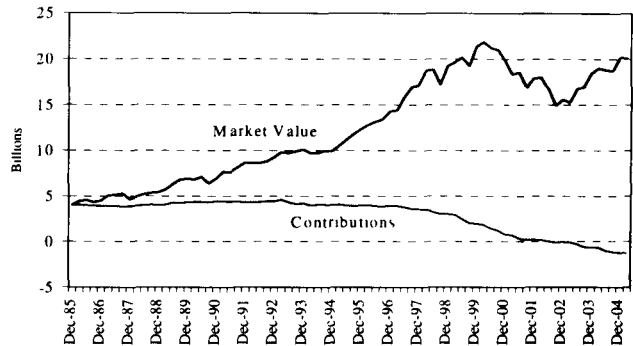
EXECUTIVE SUMMARY
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds decreased 0.6% during the first quarter of 2005. Negative investment returns and contributions accounted for the decrease.

Asset Growth
During First Quarter 2005
(Millions)

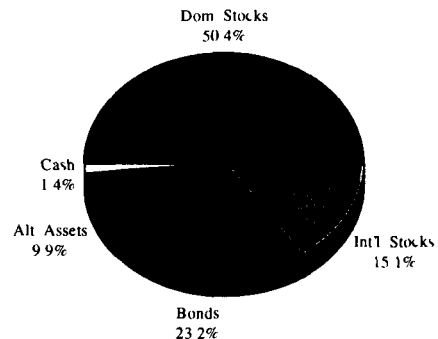
Beginning Value	\$ 20,201
Net Contributions	-75
Investment Return	-51
Ending Value	\$ 20,075



Asset Mix

The allocation to domestic stocks decreased slightly over the quarter due to negative returns. The allocation to alternative assets increased due to positive returns.

	Policy Targets	Actual Mix 3/31/2005	Actual Market Value (Millions)
Domestic Stocks	45.0%	50.4%	\$10,116
Int'l. Stocks	15.0	15.1	3,038
Bonds	24.0	23.2	4,647
Alternative Assets*	15.0	9.9	1,991
Unallocated Cash	1.0	1.4	283
	100.0%	100.0%	\$20,075

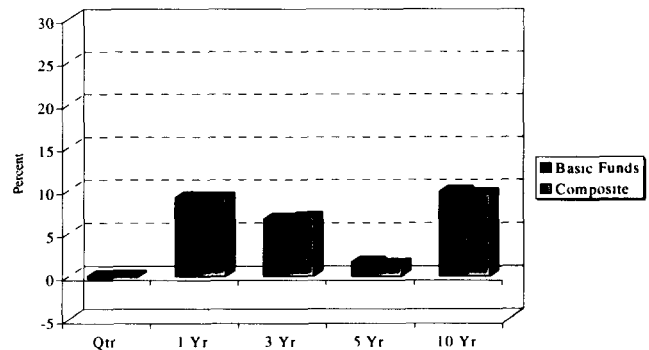


* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

The Basic Funds trailed its composite market index for the quarter and outperformed for the one-year time period

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basics	-0.3%	9.1%	6.6%	1.6%	9.8%
Composite	-0.1	9.0	6.8	1.4	9.5



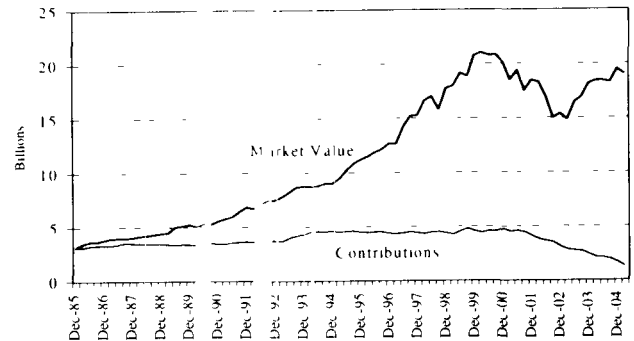
EXECUTIVE SUMMARY
 Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased 2.3% during the first quarter of 2005. Negative investment returns and contributions accounted for the decrease.

Asset Growth
During First Quarter 2005
 (Millions)

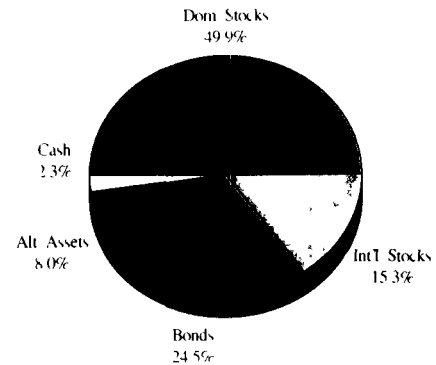
Beginning Value	\$19,480
Net Contributions	-365
Investment Return	82
Ending Value	\$19,033



Asset Mix

The allocation to domestic stocks decreased slightly over the quarter due to negative returns. The allocation to alternative assets increased due to positive returns.

	Policy Targets	Actual Mix 3/31/2005	Actual Market Value (Millions)
Domestic Stocks	45.0%	49.9%	\$9,492
Int'l Stocks	15.0	15.3	2,923
Bonds	25.0	24.5	4,657
Alternative Assets*	12.0	8.0	1,532
Unallocated Cash	3.0	2.3	429
	100.0%	100.0%	\$19,033



* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

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

	Period Ending 3/31/2005				
	Qtr	1 Yr	3 Yr	5 Yr	10 Yr
Post	-0.4%	8.2%	6.5%	1.7%	9.4%
Composite	-0.3	8.0	6.6	1.4	8.9



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

Domestic Stocks

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

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

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	-2.3%	7.1%	3.6%	-3.1%	10.2%
Asset Class Target*	-2.2	7.1	3.8	-3.1	10.3

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

International Stocks

The international stock manager group (active and passive combined) underperformed its target for the quarter and one-year time periods.

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 48 countries included in this index. It does not include the United States.

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	0.1%	14.8%	11.7%	-0.1%	6.6%
Asset Class Target*	0.2	15.7	12.5	-0.6	5.3

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

Bonds

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

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

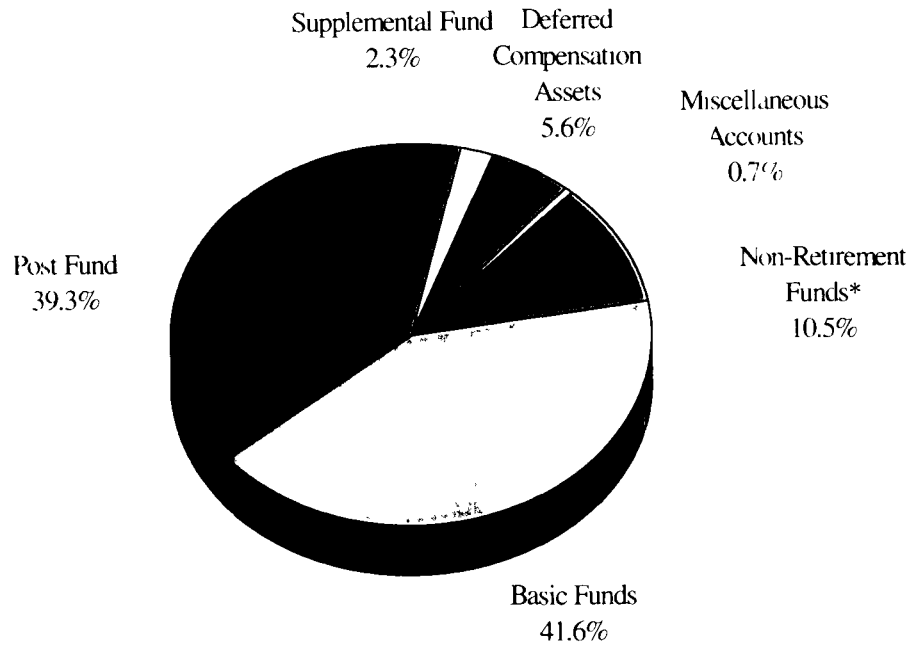
	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	-0.4%	1.9%	6.3%	7.5%	7.5%
Asset Class Target*	-0.5	1.1	6.0	7.1	7.1

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

Alternative Investments

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	11.4%	28.2%	13.6%	10.5%	15.0%

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2005 Market Value (Billions)
Retirement Funds	
Basic Retirement Funds	\$20.
Post Retirement Fund	19.0
Supplemental Investment Fund	1.
State Deferred Compensation Plan Non-SIF Assets	2.7
Non-Retirement Funds*	
Assigned Risk Plan	0.3
Permanent School Fund	0.6
Environmental Trust Fund	0.4
State Cash Accounts	3.8
Miscellaneous Accounts	
	0.5
Total	\$48.4

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

First Quarter 2005
(January 1, 2005 - March 31, 2005)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	-2.2%	7.2%	4.3%	-2.6%	10.7%
Dow Jones Industrials	-2.1	3.8	2.6	1.3	11.9
S&P 500	-2.1	6.7	2.7	-3.2	10.8
Russell 3000 (broad market)	-2.2	7.1	3.7	-2.5	10.8
Russell 1000 (large cap)	-1.9	7.2	3.4	-3.0	10.9
Russell 2000 (small cap)	-5.3	5.4	8.0	4.0	10.4
Domestic Fixed Income					
Lehman Aggregate (1)	-0.5	1.1	6.0	7.1	7.1
Lehman Gov't./Corp.	-0.7	0.4	6.5	7.3	7.2
3 month U.S. Treasury Bills	0.6	1.7	1.4	2.6	3.9
International					
EAFE (2)	-0.2	15.1	11.6	-1.1	5.4
Emerging Markets Free (3)	1.9	17.0	19.2	4.5	4.9
ACWI Free ex-U.S. (4)	0.3	16.1	13.1	-0.1	6.0
World ex-U.S. (5)	0.1	15.6	12.0	-0.9	5.7
Salomon Non U.S. Gov't. Bond	-3.1	7.0	17.0	8.3	5.6
Inflation Measure					
Consumer Price Index (6)	1.6	3.1	2.6	2.5	2.5

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, declined 2.2% during the first quarter of 2005. Higher oil prices, rising interest rates, and inflation fears plagued investors during the quarter. Concerns regarding possible declines in corporate earnings and the US trade deficit weighed on the equity market. Large capitalization stocks outperformed small capitalization stocks, and value stocks outperformed growth stocks. The energy minerals sector generated the largest total return within the Russell 3000 index, while technology services provided the lowest sector return.

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

Large Growth	Russell 1000 Growth	-4.1%
Large Value	Russell 1000 Value	0.1%
Small Growth	Russell 2000 Growth	-6.8%
Small Value	Russell 2000 Value	-4.0%

The Russell 3000 returned 7.1% for the year ending March 31, 2005.

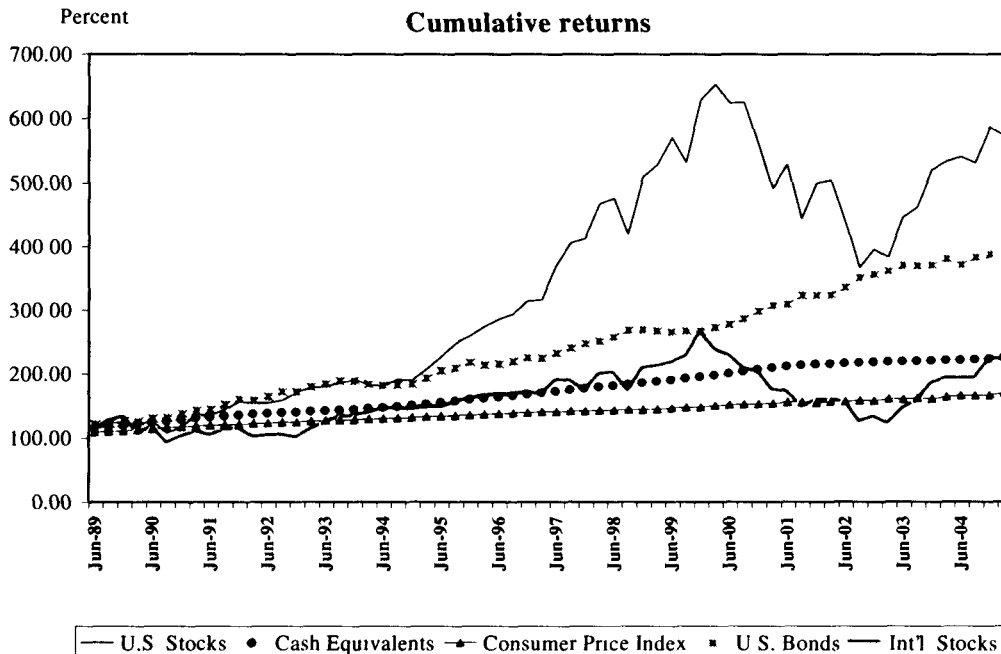
DOMESTIC BONDS

The bond market generated a negative return of 0.5% for the quarter and posted a gain of 1.1% for the year. The quarterly return was primarily impacted by the corporate sector. A reassessment of risk was triggered by the much-reduced earnings forecast by General Motors and widespread expectation of an eventual downgrade to below investment grade. In all, investment grade credit markets posted its worst single month excess return (March) and worst quarterly performance since late 2002.

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

Treasury/Agency	-0.4%
Credit	-1.1
Mortgages	-0.1

PERFORMANCE OF CAPITAL MARKETS



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 0.1% for the quarter. The quarterly performance of the six largest stock markets is shown below

United Kingdom	1.4%
Japan	-2.4
France	1.8
Switzerland	-0.3
Germany	-2.3
Canada	3.6

The World ex U.S. index increased by 15.6% 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 1.9% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below:

Korea	12.1%
Taiwan	-3.4
South Africa	-7.3
Mexico	-2.4
Brazil	4.9

The Emerging Markets Free index increased by 17.0% during the last year

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 26 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 66% of the value of the international markets in the index

REAL ESTATE

The latter half of 2004 saw relative improvement in real estate market fundamentals. Supply remains in check and recovering demand is expected to contribute to continued improving fundamentals through the first half of 2005

PRIVATE EQUITY

U.S. private equity firms raised \$85 billion for private equity limited partnerships of all types, from venture capital to buyouts in 2004. This represents a 72% increase relative to the revised 2003 total of \$49 billion. First quarter 2005 saw \$13.7 billion in funds raised

RESOURCE FUNDS

During the first quarter of 2005, crude oil averaged \$50.03 per barrel, higher than an average price of \$48.29 during the fourth quarter of 2004. The sustained high oil prices continue to reflect the relative instability in the Middle East

COMBINED FUNDS

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

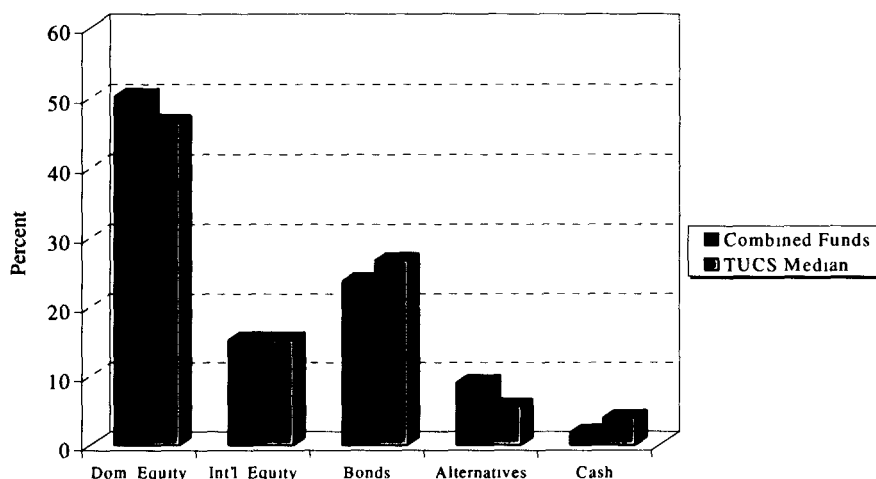
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2005, the actual asset mix of the Combined Funds was:

	\$ Millions	%
Domestic Stocks	\$19,608	50.2%
International Stocks	5,962	15.2
Bonds	9,304	23.8
Alternative Assets	3,523	9.0
Unallocated Cash	712	1.8
Total	\$39,109	100.0%

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



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	50.2%	15.2%	23.8%	9.0%	1.8%
Median Allocation in TUCS*	46.5	15.2	26.7	5.6**	3.9

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

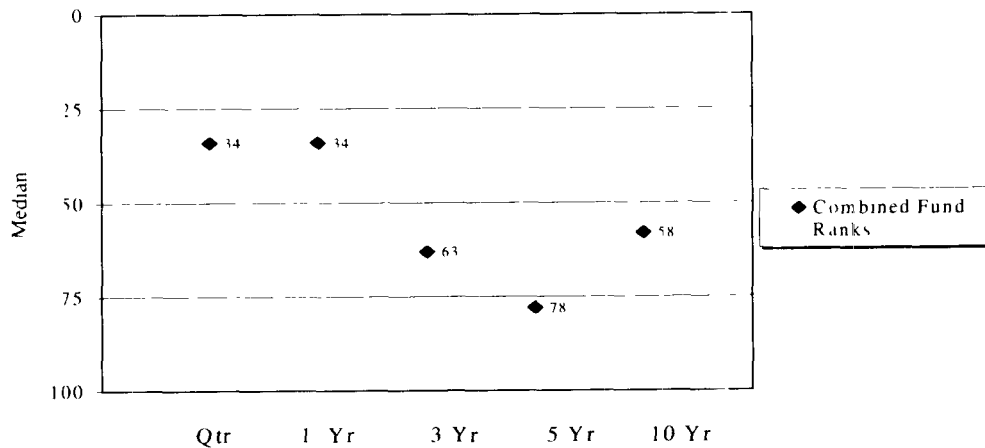
COMBINED FUNDS
Performance Compared to Other Pension Funds

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

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

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

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



	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	34th	34th	63rd	78th	58th

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

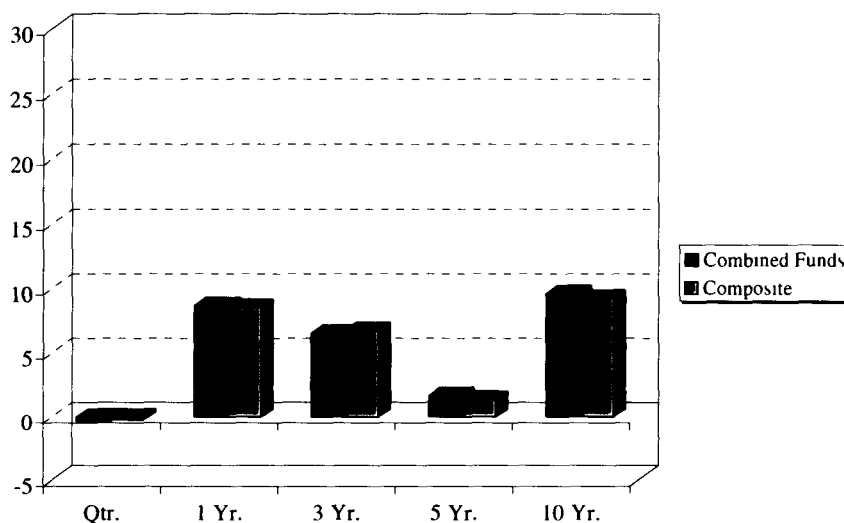
**COMBINED FUNDS
Performance Compared to Composite Index**

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* 1Q05
Domestic Stocks	Russell 3000	50.0%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	8.5*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

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



Period Ending 3/31/2005

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds**	-0.3%	8.6%	6.5%	1.7%	9.6%
Composite Index	-0.2	8.5	6.7	1.4	9.3

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

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BASIC RETIREMENT FUNDS

Investment Objectives

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

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these

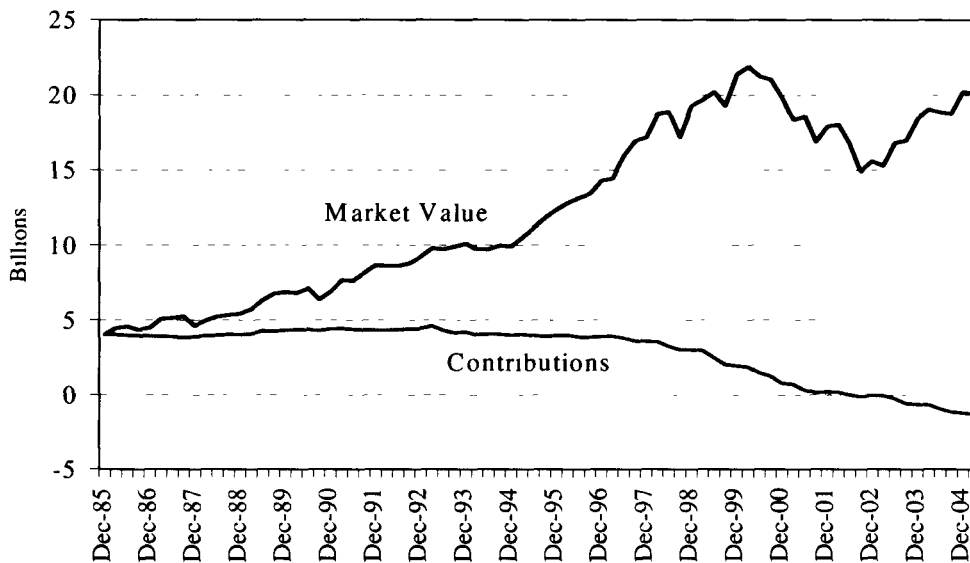
projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

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

Asset Growth

The market value of the Basic Funds decreased 0.6% during the first quarter of 2005.

Negative investment returns and contributions accounted for the decrease.



	Last Five Years					Latest Qtr.
	12/00	12/01	12/02	12/03	12/04	
Beginning Value	\$21,365	\$19,807	\$17,874	\$15,561	\$18,435	\$20,201
Net Contributions	-1,186	-572	-247	-592	-577	-75
Investment Return	-372	-1,361	-2,066	3,466	2,343	-51
Ending Value	\$19,807	\$17,874	\$15,561	\$18,435	\$20,201	\$20,075

BASIC RETIREMENT FUNDS
Asset Mix

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

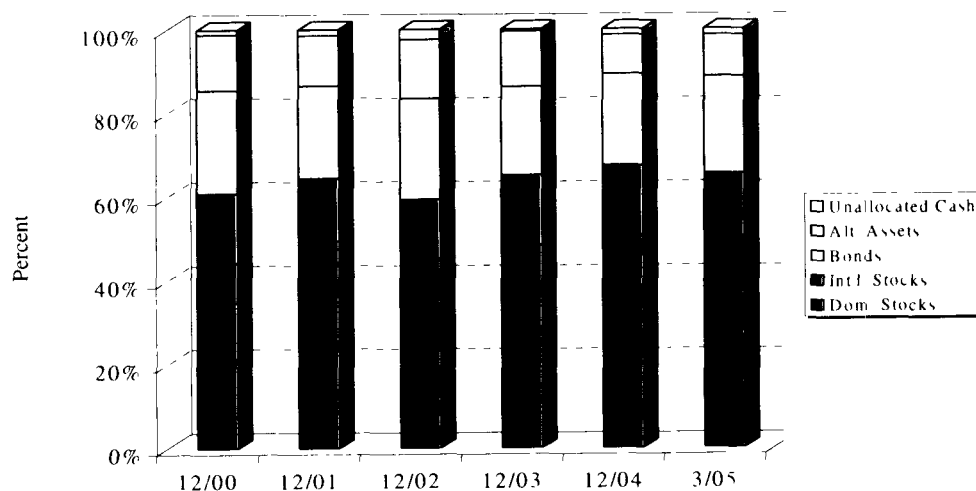
In October 2003, the Board provisionally revised its long term asset allocation targets for the Basic Funds, increasing the allocation for alternative investments from 15% to 20% and decreasing fixed income from 24% to 19%.

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

Over the last year, the allocation to domestic equities increased due to rebalancing and positive returns. The allocation to alternative investments decreased due to rebalancing.

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

During the quarter, the domestic equity allocation decreased due to negative returns.



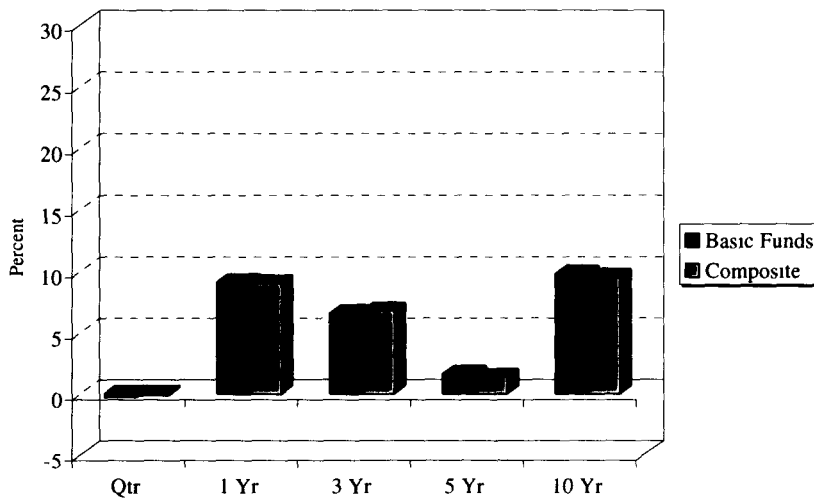
	Last Five Years					Latest Qtr.
	12/00	12/01	12/02	12/03	12/04	3/05
Domestic Stocks	44.3%	49.5%	45.3%	48.5%	50.9%	50.4%
Int'l Stocks	16.6	15.0	14.1	16.6	16.6	15.1
Bonds	24.7	22.1	24.2	21.2	21.8	23.2
Alternative Assets	12.1	14.1	13.3	13.3	9.4	9.9
Unallocated Cash	1.1	1.3	2.3	0.4	1.3	1.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

BASIC RETIREMENT FUNDS
Total Fund Performance (Net of Fees)

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

	Basics Target	Market Index	Basics Composite* 1Q05
Domestic Stocks	45.0%	Russell 3000	50.6%*
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Investments	15.0	Alternative Investments	9.4*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

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



Period Ending 3/31/2005

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basic Funds**	-0.3%	9.1%	6.6%	1.6%	9.8%
Composite Index	-0.1	9.0	6.8	1.4	9.5

**Returns are reported net of fees.

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

POST RETIREMENT FUND

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

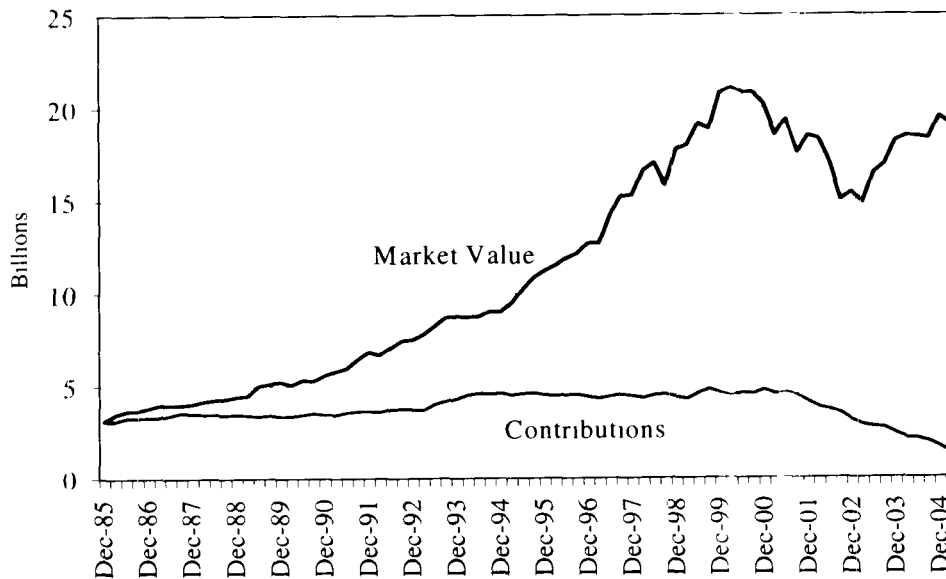
The post retirement benefit increase formula is based on the total return of the fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

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

Asset Growth

The market value of the Post Fund decreased 2.3% during the first quarter of 2005.

Negative investment returns and contributions accounted for the decrease.



	Last Five Years					Latest Qtr.
	12/00	12/01	12/02	12/03	12/04	3/05
Beginning Value	\$20,768	\$20,153	\$18,475	\$15,403	\$18,162	\$19,480
Net Contributions	167	-647	-1,000	-719	-749	365
Investment Return	-782	-1,031	-2,072	3,478	2,067	82
Ending Value	\$20,153	\$18,475	\$15,403	\$18,162	\$19,480	\$19,033

POST RETIREMENT FUND
Asset Mix

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

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

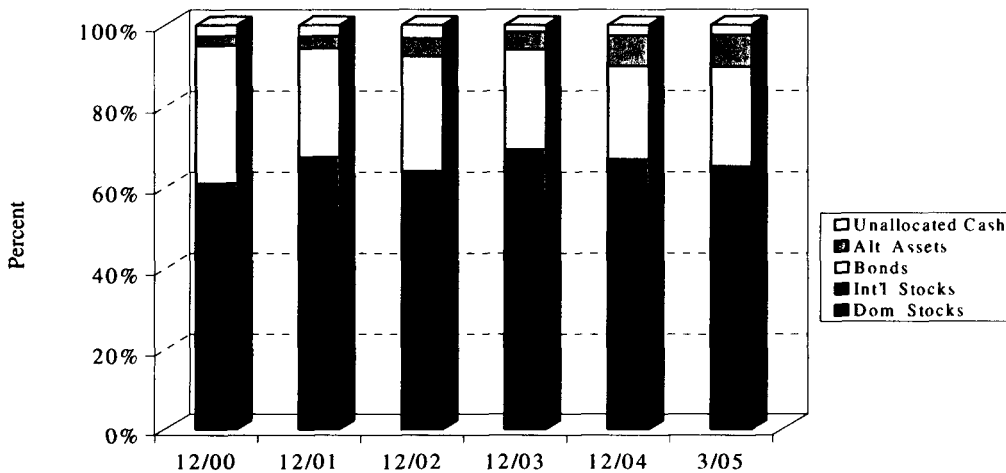
In October 2003, the Board revised its long term asset allocations for the Post Fund, increasing alternative investments from 5% to 12% and decreasing domestic equity from 50% to 45% and decreasing fixed income from 27% to 25%.

Over the last year, the allocation to domestic stocks decreased due to rebalancing. The allocation to alternative assets increased due to rebalancing and positive returns.

During the quarter, the allocation to international equities and alternative assets increased over the quarter due to rebalancing.

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

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



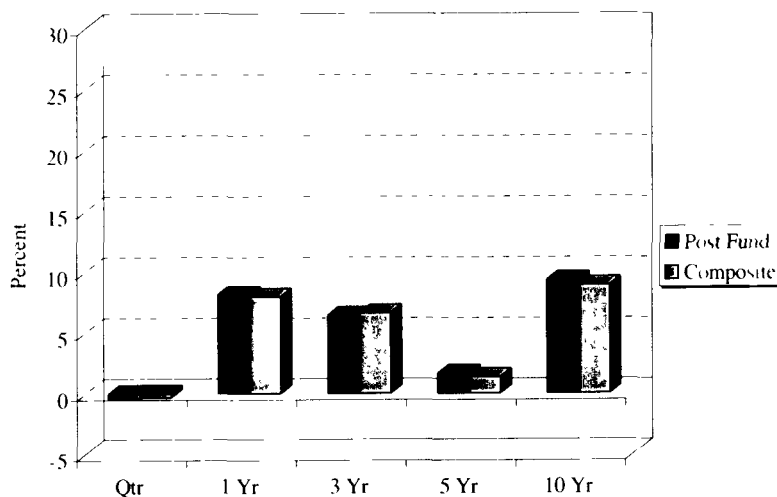
	Last Five years					Latest Qtr.
	12/00	12/01	12/02	12/03	12/04	3/05
Dom. Stocks	47.5%	52.4%	49.6%	52.7%	50.2%	49.9%
Int'l. Stocks	13.5	15.1	14.4	16.7	16.8	15.3
Bonds	34.0	26.7	28.3	24.6	22.9	24.5
Alt. Assets	2.3	3.1	4.5	4.4	7.6	8.0
Unallocated Cash	2.7	2.7	3.2	1.6	2.5	2.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

POST RETIREMENT FUND
Total Fund Performance (Net of Fees)

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

Asset Class	Post Target	Market Index	Post Composite* 1Q05
Domestic Stocks	45.0%	Russell 3000	49.5%
Int'l Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	25.0	Lehman Aggregate	25.0
Alternative Investments	12.0	Alternative Investments	7.5*
Unallocated Cash	3.0	3 Month T-Bills	3.0
	100.0%		100.0%

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



Period Ending 3/31/2005

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Post Fund**	-0.4%	8.2%	6.5%	1.7%	9.4%
Composite Index	-0.3	8.0	6.6	1.4	8.9

** Returns are reported net of fees

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

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

Domestic Stocks

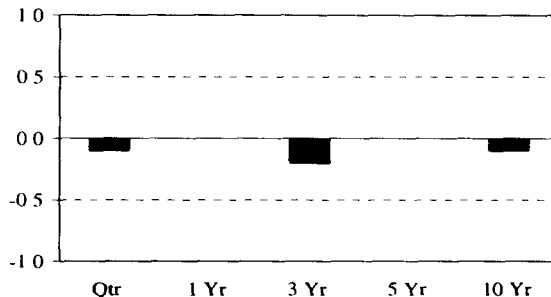
Target: Russell 3000

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

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	-2.3%	7.1%	3.6%	-3.1%	10.2%
Asset Class Target*	-2.2	7.1	3.8	-3.1	10.3

* 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.

Value Added to Domestic Equity Target



International Stocks

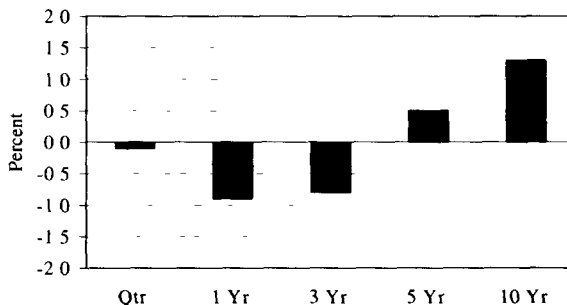
Target: MSCI ACWI Free ex U.S. (net)

Expectation: If at least one-third of the pool is managed actively and at least one-third is passively managed, the entire pool is expected to exceed the target by +.25%-.75% annualized, over time.

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	0.1%	14.8%	11.7%	-0.1%	6.6%
Asset Class Target*	0.2	15.7	12.5	-0.6	5.3

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

Value Added to International Equity Target



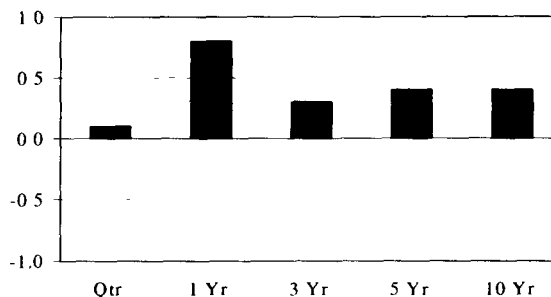
Bonds

Target: Lehman Brothers Aggregate Bond Index

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

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	-0.4%	1.9%	6.3%	7.5%	7.5%
Asset Class Target	-0.5	1.1	6.0	7.1	7.1

Value Added to Fixed Income Target



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 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	11.4%	28.2%	13.6%	10.5%	15.0%
Inflation	1.6%	3.1%	2.6%	2.5%	2.5%

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 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	6.5%	16.0%	11.3%	11.3%	11.7%

Private Equity Investments (Equity emphasis)

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

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

	Period Ending 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	17.4%	35.9%	14.1%	7.6%	17.2%

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 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	26.8%	46.6%	19.6%	19.2%	16.2%

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 3/31/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	1.0%	19.9%	13.0%	13.3%	13.6%

SUPPLEMENTAL INVESTMENT FUND

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

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

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

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

On March 31, 2005 the market value of the entire Fund was \$1.1 billion.

Investment Options

	3/31/2005 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$495
Growth Share Account – an actively managed, all common stock portfolio.	\$137
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$192
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$72
Bond Market Account – an actively managed, all bond portfolio.	\$110
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$51
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.	\$62

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

	Target	Actual
Stocks	60.0%	61.7%
Bonds	35.0	34.9
Unallocated Cash	5.0	3.4
	100.0%	100.0%

Period Ending 3/31/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-1.5%	5.4%	4.5%	0.9%	9.4%
Benchmark*	-1.4	4.8	4.8	1.1	9.3

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

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 3/31/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-2.3%	7.1%	3.3%	-3.3%	9.9%
Benchmark*	2.2	7.1	3.8	-3.1	10.2

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

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 3/31/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-2.2%	7.2%	3.8%	-2.9%	10.5%
Benchmark*	2.2	7.1	3.8	-3.1	10.4

* 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 is designed to track the return of 22 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 3/31/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	14.9%	11.9%	0.1%	6.7%
Benchmark*	0.2	15.7	12.5	-0.6	5.3

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

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

Investment Objective

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

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 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-0.4%	1.9%	6.3%	7.5%	7.5%
Lehman Agg.	-0.5	1.1	6.0	7.1	7.1

MONEY MARKET ACCOUNT

Investment Objective

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

Asset Mix

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

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.6%	1.9%	1.7%	3.0%	4.3%
3 month T-Bills	0.6	1.7	1.4	2.6	3.9

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

	Period Ending 3/31/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.0%	4.1%	4.7%	5.3%	6.0%
Benchmark*	1.0	3.6	3.0	3.8	5.0

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

DEFERRED COMPENSATION PLAN ACCOUNTS

DESCRIPTION

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.

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
S&P 500	-2.1%	6.7%	2.8%	-3.1%
	-2.1	6.7	2.7	-3.2

Janus Twenty (active)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
S&P 500	-4.4%	9.9%	5.4%	-12.9%
	-2.1	6.7	2.7	-3.2

Smith Barney Appreciation Y (active)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 12/1/03
S&P 500	-0.4%	6.6%	N/A	10.4%
	-2.1	6.7	N/A	10.5

MID CAP EQUITY

Vanguard Mid Cap Index (passive)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 1/1/04
MSCI US Mid-Cap 450	-0.3%	14.7%	N/A	15.8%
	0.4	14.7	N/A	15.8

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.
Russell 2000	-3.4%	9.5%	7.7%	8.4%
	-5.3	5.4	8.0	4.0

DEFERRED COMPENSATION PLAN ACCOUNTS

INTERNATIONAL EQUITY

Fidelity Diversified International (active)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
MSCI EAFE	0.1%	12.3%	14.7%	4.1%
	-0.2	15.0	11.7	-1.1

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.

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 12/1/03
MSCI EAFE	-0.2%	15.2%	N/A	21.5%
	-0.2	15.0	N/A	21.3

BALANCED

Dodge & Cox Balanced Fund (active)

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

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 10/1/03
Benchmark	-0.1%	8.8%	N/A	15.7%
	-1.5	4.5	N/A	9.5

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% Wilshire 5000/40% Lehman Aggregate.

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 12/1/03
Benchmark	-1.7%	4.9%	N/A	8.1%
	-1.6	4.8	N/A	8.1

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 Lehman Aggregate, over time.

Fund	Period Ending 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Lehman Agg.	-0.5%	1.4%	6.3%	7.7%
	-0.5	1.1	6.0	7.1

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 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	Annualized Since 12/1/03
Lehman Agg.	-0.4%	1.1%	N/A	3.6%
	-0.5	1.1	N/A	3.6

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 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
3-Mo. Treas.	0.6%	1.9%	1.7%	3.0%
	0.6	1.7	1.4	2.6

DEFERRED COMPENSATION PLAN ACCOUNTS

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 3/31/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Benchmark	1.0%	4.1%	4.7%	5.3%
	1.0	3.6	3.0	3.8

FIXED FUND

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

The quarterly blended rate is 4.64%

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.

	3/31/2005 Target	3/31/2005 Actual
Stocks	20.0%	22.7%
Bonds	80.0	77.3
Total	100.0%	100.0%

Investment Management

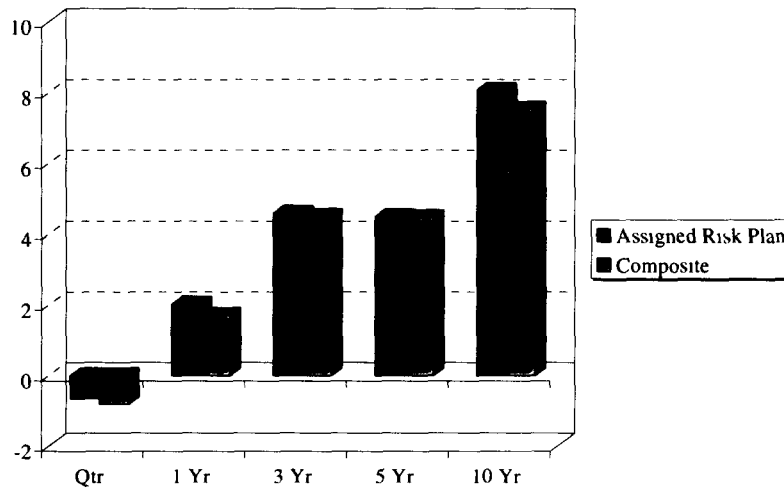
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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, 2005 the market value of the Assigned Risk Plan was \$292 million.



Period Ending 3/31/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	-0.7%	2.0%	4.6%	4.5%	8.1%
Composite	-0.8	1.7	4.5	4.5	7.5
Equity Segment*	-2.0	5.6	1.1	-1.3	11.6
Benchmark	-2.1	6.7	2.7	-3.2	10.8
Bond Segment*	-0.3	1.0	4.7	5.5	6.2
Benchmark	-0.5	0.4	4.7	6.1	6.4

* Actual returns are calculated net of fees

PERMANENT SCHOOL FUND

Investment Objectives

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

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

Asset Mix

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

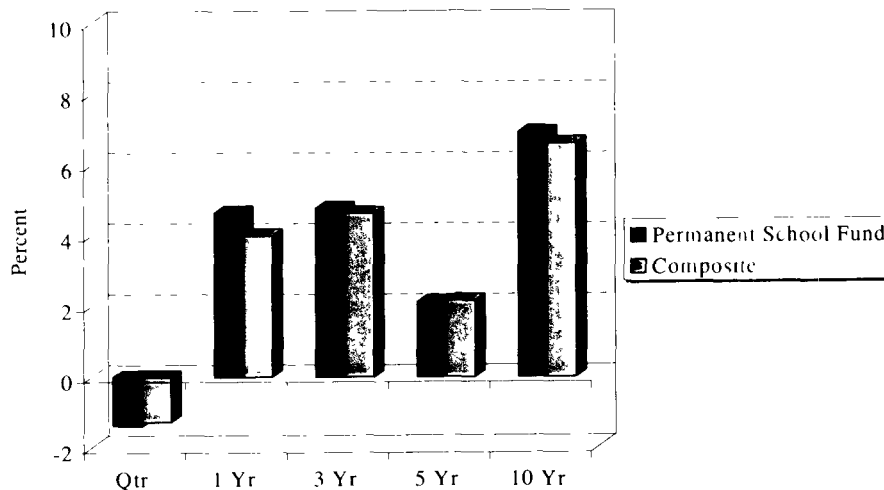
Investment Management

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

Market Value

On March 31, 2005 the market value of the Permanent School Fund was \$599 million.

	3/31/2005 Target	3/31/2005 Actual
Stocks	50.0%	53.0%
Bond	48.0	45.6
Unallocated Cash	2.0	1.4
Total	100.0%	100.0%



Period Ending 3/31/2005
Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1) (2)	-1.4%	4.7%	4.8%	2.1%	6.9%
Composite	-1.3	4.0	4.6	2.2	6.6
Equity Segment (1) (2)	-2.2	6.7	2.9	-3.1	N/A
S&P 500	-2.1	6.7	2.7	-3.2	N/A
Bond Segment (1)	-0.5	2.4	6.4	7.3	7.7
Lehman Aggregate	-0.5	1.1	6.0	7.1	7.1

(1) Actual returns are calculated net of fees.
 (2) Equities were added to the asset mix effective July 28, 1997. Prior to that date the fund was invested entirely in bonds. The composite Index has been weighted accordingly.

ENVIRONMENTAL TRUST FUND

Investment Objective

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

Asset Mix

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

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

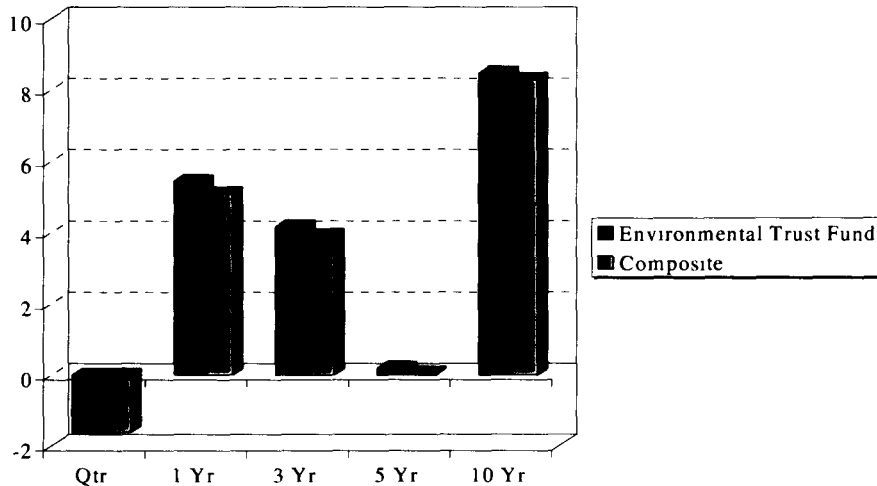
Investment Management

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, 2005 the market value of the Environmental Trust Fund was \$369 million.

	3/31/2005 Target	3/31/2005 Actual
Stocks	70.0%	69.9%
Bonds	28.0	29.5
Unallocated Cash	2.0	0.6
Total	100.0%	100.0%



Period Ending 3/31/2005

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	-1.7%	5.4%	4.2%	0.2%	8.5%
Composite	-1.6	5.1	3.9	0.1	8.3
Equity Segment*	-2.2	6.7	2.9	-3.0	10.9
S&P 500	-2.1	6.7	2.7	-3.2	10.8
Bond Segment*	-0.5	2.4	6.5	7.4	7.6
Lehman Agg.	-0.5	1.1	6.0	7.1	7.1

* 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

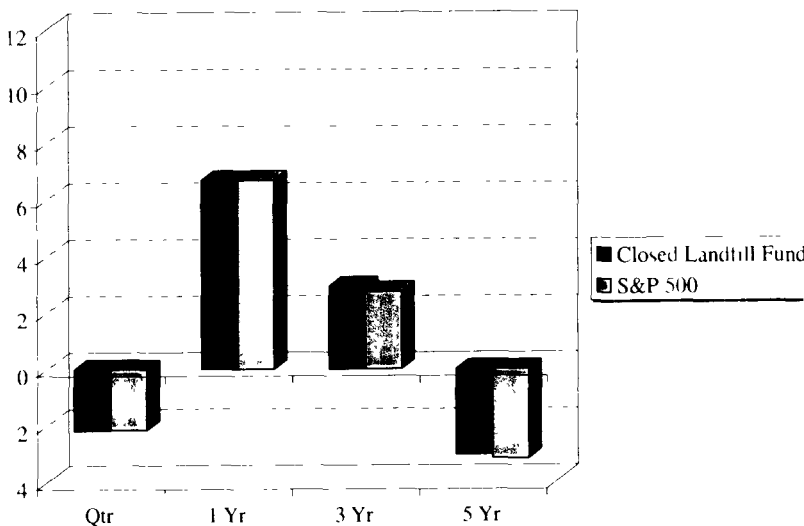
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On March 31, 2005, the market value of the Closed Landfill Investment Fund was \$39.0 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 3/31/2005

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund (1)	-2.2%	6.7%	2.9%	-3.0%
S&P 500 (2)	-2.1	6.7	2.7	-3.2

(1) Actual returns are calculated net of fees.

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

STATE CASH ACCOUNTS

Description

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

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

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

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

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

Investment Objectives

Safety of Principal. To preserve capital.

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

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

Asset Mix

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

Investment Management

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

	Market Value (Millions)	Period Ending 3/31/2005				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	\$3,402	0.6%	1.7%	1.7%	3.3%	4.4%
Custom Benchmark**		0.4	1.1	1.1	2.7	4.1
Trust Fund Cash Pool*	\$157	0.6	1.7	1.5	2.9	4.3
Custom Benchmark***		0.4	1.1	0.9	2.3	3.8
3 month T-Bills		0.6	1.7	1.4	2.6	3.9

* Actual returns are calculated net of fees.

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

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

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment

Market Value March 31, 2005 (in Thousands)

	Cash and Short term Securities	Bonds		Stocks		External Int'l	Alternative Assets	Total
		Internal	External	Internal	External			
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	110,931 1.51%	0	1,702,381 23.12%	0	3,705,643 50.34%	1,113,029 15.12%	729,287 9.91%	7,361,271 100%
Public Employees Retirement Fund	76,745 1.46%	0	1,212,684 23.14%	0	2,639,818 50.36%	792,861 15.13%	519,480 9.91%	5,241,588 100%
State Employees Retirement Fund	55,322 1.26%	0	1,019,010 23.18%	0	2,218,222 50.47%	666,236 15.16%	436,431 9.93%	4,395,221 100%
Public Employees Police & Fire	31,078 1.26%	0	572,505 23.18%	0	1,246,486 50.46%	374,404 15.16%	245,619 9.94%	2,470,092 100%
Highway Patrol Retirement Fund	2,970 1.26%	0	54,789 23.18%	0	119,267 50.47%	35,822 15.16%	23,471 9.93%	236,319 100%
Judges Retirement Fund	473 1.26%	0	8,726 23.18%	0	18,995 50.47%	5,705 15.16%	3,738 9.93%	37,637 100%
Correctional Employees Retirement	3,059 1.27%	0	55,964 23.18%	0	121,825 50.47%	36,589 15.16%	23,946 9.92%	241,383 100%
Public Employees Correctional	2,622 2.88%	0	20,732 22.80%	0	45,131 49.64%	13,555 14.91%	8,883 9.77%	90,923 100%
TOTAL BASIC FUNDS	283,200 1.41%	0	4,646,791 23.15%	0	10,115,387 50.39%	3,038,201 15.13%	1,990,855 9.92%	20,074,434 100%
POST RETIREMENT FUND	428,309 2.25%	0	4,656,736 24.47%	0	9,492,118 49.87%	2,923,328 15.36%	1,531,942 8.05%	19,032,433 100%
TOTAL BASIC AND POST	711,509 1.82%	0	9,303,527 23.79%	0	19,607,505 50.14%	5,961,529 15.24%	3,522,797 9.01%	39,106,867 100%

	Cash and Short term Securities		Bonds Internal		Bonds External		Stocks Internal		Stocks External		External Int'l		Alternative Assets		Total	
MINNESOTA SUPPLEMENTAL FUNDS:																
Income Share Account	16,730	172,649	0	0	0	0	0	0	0	305,595	0	0	0	0	494,974	100%
	3.38%	34.88%								61.74%					100%	
Growth Share Account	0	0	0	0	0	0	0	0	0	136,972	0	0	0	0	136,972	100%
Money Market Account	51,417	0	0	0	0	0	0	0	0	0	0	0	0	0	51,417	100%
	100.00%														100%	
Common Stock Index	0	0	0	0	0	0	0	0	0	192,334	0	0	0	0	192,334	100%
										100.00%					100%	
Bond Market Account	0	0	0	0	110,213	0	0	0	0	0	0	0	0	0	110,213	100%
					100.00%										100%	
International Share Account	0	0	0	0	0	0	0	0	0	0	72,057	0	0	72,057	100%	
											100.00%			100%		
Fixed Interest Account	82	0	0	0	61,846	0	0	0	0	0	0	0	0	0	61,928	100%
	0.13%				99.87%										100%	
TOTAL SUPPLEMENTAL FUNDS	68,229	172,649	172,059	0	172,059	0	0	0	0	634,901	72,057	0	0	0	1,119,895	100%
	6.09%	15.42%	15.36%		15.36%					56.69%	6.44%				100%	
MN DEFERRED COMP PLAN *	49,170	0	1,132,320	0	1,132,320	0	0	0	0	1,337,982	186,665	0	0	0	2,706,137	100%
	1.82%		41.84%		41.84%					49.44%	6.90%				100%	
TOTAL RETIREMENT FUNDS	828,908	172,649	10,607,906	0	10,607,906	0	0	0	0	21,580,388	6,220,251	3,522,797	0	0	42,932,899	100%
	1.93%	0.40%	24.71%		24.71%					50.27%	14.49%	8.20%			100%	

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

	Cash and Short Term Securities	Bond		Stock		External Int'l	Alternative Assets	Total
		Internal	External	Internal	External			
ASSIGNED RISK PLAN	24,864 8.52%	0	200,937 68.84%	0	66,076 22.64%	0	0	291,877 100%
ENVIRONMENTAL FUND	2,201 0.60%	108,857 29.51%	0	257,846 69.89%	0	0	0	368,904 100%
PERMANENT SCHOOL FUND	8,723 1.46%	272,755 45.55%	0	317,281 52.99%	0	0	0	598,759 100%
CLOSED LANDFILL INVESTMENT	64 0.16%	0	0	39,166 99.84%	0	0	0	39,230 100%
TREASURERS CASH	3,404,344 100.00%	0	0	0	0	0	0	3,404,344 100%
HOUSING FINANCE AGENCY	48,664 24.56%	149,492 75.44%	0	0	0	0	0	198,156 100%
MINNESOTA DEBT SERVICE FUND	0	201,000 100.00%	0	0	0	0	0	201,000 100%
MISCELLANEOUS ACCOUNTS	177,962 56.31%	101,075 31.99%	0	36,984 11.70%	0	0	0	316,021 100%
TOTAL CASH AND NON-RETIREMENT	3,666,822 67.67%	833,179 15.38%	200,937 3.71%	651,277 12.02%	66,076 1.22%	0	0	5,418,291 100%
GRAND TOTAL	4,495,730 9.30%	1,005,828 2.08%	10,808,843 22.35%	651,277 1.35%	21,646,464 44.77%	6,220,251 12.86%	3,522,797 7.29%	48,351,190 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 31, 2005

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, 2005 is included as **Attachment A**.

A report on travel for the period from February 16, 2005 - May 15, 2005 is included as **Attachment B**.

2. Legislative Update

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

3. Litigation Update

The SBI is involved in class action and securities litigation suits. SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on June 8, 2005.

4. Update Concerning Pharmaceutical Company Shareholder Resolutions

Wyeth did not include the proposal in its proxy materials. The SEC concurred with Wyeth's action. Members of staff attended the annual meetings of the other three companies to fulfill the SEC requirement that a shareholder must be present to introduce a resolution. The resolution received 28.45% of total votes cast at Pfizer; 13.89%, at Eli Lilly; and 24.53%, at Merck.

5. Reauthorization of the Proxy Voting Committee

In March 1982, the Board established the Proxy Voting Committee to carry out the SBI's voting responsibilities. Each Board member has one designee on the Committee. The current membership is:

Peter Sausen	Governor's designee
Carla Heyl	State Auditor's designee
Alberto Quintela	Secretary of State's designee
Ken Peterson	Attorney General's designee

According to statute, committees of this nature must be re-authorized every two years (the last authorization was in June 2003). A resolution to accomplish this is in **Attachment D**.

RECOMMENDATION:

The Executive Director recommends that the SBI adopt the resolution in Attachment D which reauthorizes the Proxy Voting Committee and delegates proxy voting responsibilities according to established guidelines. The proxy voting guidelines are attached for Board review and approval.

6. Approval of Vendor Contract for Historical Society Retirement Plan

Minnesota Statutes, section 354D.08 authorizes the Minnesota Historical Society employees to participate in the Minnesota State Colleges and Universities (MnSCU) Retirement Plan. The law provides that the Historical Society will administer the plan for their employees. The law provides that the Historical Society choose up to two investment product providers that may be used by MnSCU in the MnSCU plan. The law sets forth certain SBI responsibilities among which is the requirement that the SBI must approve any contract.

This authority was first enacted in 1996. At that time, MnSCU's defined contribution plan retained four insurance companies to provide a range of investment options to participants in addition to the investment options of the SBI's Supplemental Investment Fund (SIF). The Historical Society chose TIAA-CREF as their product provider. Staff worked with the Historical Society on contract terms, and brought the issue of approval to the Board. The Board approved the original contract between the Historical Society and TIAA-CREF at its June 1996 meeting. Since that time staff has periodically reviewed TIAA-CREF investment options and performance and discussed with TIAA-CREF its willingness to separate investment option offerings from recordkeeping services.

Since the original law was enacted, MnSCU has restructured its plan and no longer uses four investment product providers. Their current plan structure has TIAA-CREF and Wells Fargo offering a range of options and each providing recordkeeping and education services to participants. MnSCU has indicated that it is reviewing its plan structure and hopes to move to a single recordkeeper that provides support for one integrated array of investment options. This integration would allow MnSCU to offer some but not all the investment options of the SIF and TIAA-CREF, for example, rather than having multiple, full-service organizations retained for their plan. (MnSCU has legislation in the 2005 session to allow the flexibility to choose some but not all SIF accounts.) Their review would have the MnSCU plan resemble the state Deferred Compensation Plan with its centralized structure.

In order to provide time to adequately perform its review and to put in place a new structure, MnSCU is in the process of signing a one year contract extension with its two product providers, moving the expiration dates out one year to June 30, 2006. MnSCU would then sign five year contracts with the entities it chooses to retain.

The Historical Society's current contract with TIAA-CREF expires June 30, 2005. The Historical Society wishes to continue with TIAA-CREF who has provided excellent service for its members. However, given the changes MnSCU has made and plans to make, the statutory language having the Historical Society choose among product providers used by MnSCU no longer serves the Historical Society well. Legal counsel suggests that the Board approve a one-year extension of the current Historical Society contract to allow the Historical Society time to seek appropriate statutory changes. A copy of a letter from the Historical Society requesting approval of a one-year extension is included as **Attachment E**.

RECOMMENDATION:

Staff recommends that the Board approve a one-year extension of the Historical Society contract under similar terms and conditions.

ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2005 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH APRIL 30, 2005**

ITEM	FISCAL YEAR 2005 BUDGET	FISCAL YEAR 2005 EXPENDITURES
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 1,800,000	\$ 1,359,173
SEVERENCE PAYOFF	37,000	0
WORKERS COMPENSATION INSURANCE	1,000	860
MISCELLANEOUS PAYROLL	2,000	0
SUBTOTAL	\$ 1,840,000	\$ 1,360,033
STATE OPERATIONS		
RENTS & LEASES	196,000	165,993
REPAIRS/ALTERATIONS/MAINTENANCE	15,000	5,905
PRINTING & BINDING	10,000	3,336
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	10,000	7,671
COMMUNICATIONS	20,000	15,720
TRAVEL, IN-STATE	1,000	441
TRAVEL, OUT-STATE	35,000	22,036
SUPPLIES	20,000	19,721
EQUIPMENT	0	9,431
EMPLOYEE DEVELOPMENT	10,000	6,987
OTHER OPERATING COSTS	10,000	4,354
SUBTOTAL	\$ 327,000	\$ 261,595
ORIGINAL BUDGET	\$ 2,167,000	\$ 1,621,628
BALANCE FORWARD FROM FY 2004	\$ 137,000	
TOTAL GENERAL FUND	\$ 2,304,000	\$ 1,621,628

ATTACHMENT B**STATE BOARD OF INVESTMENT****Travel Summary by Date
SBI Travel February 16, 2005 –May 15, 2005**

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Conference: Alternative Investments XII sponsored by: World Pension Forum	H. Bicker	W. Palm Beach, FL 2/11-2/15	\$936.81
Conference: Institutional Limited Partners Association (ILPA) Manager Monitoring: Alternative Investment Managers: First Reserve; SCF Partners	A. Christensen	Austin, TX 3/1-3/3	\$1,464.93
Conference: National Association of State Investment Professionals (NASIP)	M. Menssen T. Brusehaver	New Orleans, LA 3/8-3/11	\$3,720.80
Manager Monitoring: Alternative Investment Managers: Blackstone Capital Partners; Carbon Capital; Citicorp Mezzanine Partners; Citigroup Venture Capital Partners; CSFB/DLJ Merchant Banking Partners; CSFB/DLJ Investment Partners; CSFB Strategic Partners; CT Mezzanine Partners; Goldman Sachs Capital Partners; Goldman Sachs Mezzanine Partners; KKR; Vestar Capital Partners; Warburg Pincus Annual Meeting; Welsh Carson Anderson Stowe; Manager Search: Alternative Investment Manager: Lehman Brothers Real Estate	A. Christensen	New York, NY 3/28-4/1	\$1,550.90
Conference: 2005 State Street Client Conference	M. Perry	Tucson, AZ 4/2-4/6	\$537.40

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Other: Eli Lilly Annual Meeting	D. Griebenow	Indianapolis, IN 4/17-4/18	\$615.54
Manager Monitoring: Domestic Bond Managers: Dodge & Cox Investment Managers; Western Asset Mgmt.	M. Menssen T. Brusehaver	San Francisco, CA Pasadena, CA Coronado, CA 4/25-4/27	\$2,531.45
Manager Search: Domestic Bond Managers: Barclays Global Investors; Seneca			
Other: Pfizer Annual Meeting			
Manager Monitoring: Domestic Equity Managers: Alliance Capital Mgmt.; Cohen, Klingenstein & Marks; Goldman Sachs Asset Mgmt.; J.P. Morgan Investment Mgmt.; Jacobs Levy Equity Mgmt.; Oppenheimer Capital; Systematic Financial Mgmt.	M. Perry	New York, NY North Branch, NJ Florham Park, NJ Teaneck, NJ 4/25-4/27	\$997.19
Other: Merck Annual Meeting			
Manager Monitoring: Domestic Equity Managers: Franklin Portfolio Associates; Martingale Asset Mgmt.; Sands Capital Mgmt.; Turner Investment Partners	S. Sutton	Boston, MA Philadelphia, PA Baltimore, MD Arlington, VA 5/2-5/5	\$1,155.84
Manager Search: Domestic Equity Managers: Fidelity Mgmt. Trust Co.; Legg Mason Capital Mgmt.; State Street Global Advisors; T. Rowe Price Associates; Wellington Mgmt. Co.			
Conference: KKR Annual Meeting	A. Christensen	San Diego, CA 5/15-5/17	\$797.40

ATTACHMENT C

**Bills of Interest to the Minnesota State Board of Investment
2005 Legislative Session
Includes Action Through 5/23/05**

Description of Bill	HF/SF # and Author	Current Status
Data Privacy Defined for Alternative Investments	H.F. 225 (Holberg) S.F. 361 (Skoglund)	5/23 Conference Committee report passed by both Houses
SBI Investments in Minnesota Venture Capital in Environmental Trust Fund - Data Privacy Language Included - See Article 2, sections 8,9,41 of Senate bill	H.F. 902 (Ozment) S.F. 2276 (Cohen)	Omnibus Env'l/Ag Econ Dev budget bill in conference
SBI Compensation Plan	H.F. 1692 (N. Peterson) S.F. 1598 (Metzen)	5/16 Signed by Governor; Chapter 55
SBI Budget - change in budget process	H.F. 1481 (Seifert)	Provision deleted in conference
Consolidating Minneapolis Teachers into TRA -2 different bills	H.F. 1120 (Powell) S.F. 1057 (Pogemiller)	Referred to Gov't Op and Vet. Affairs 5/19 Passed Senate
	---- H.F. 1481 (Seifert)	---- Provision deleted in conference
MnSCU plan use of SIF Accounts changed	H.F. 2092 (Smith)	5/23 On General Register
-In Omnibus Pension Bill	S.F. 427 (Betzold)	4/27 Passed Senate

Description of Bill	HF/SF # and Author	Current Status
SBI May Invest County Environmental Trust Funds	H.F. 303 (Rukavina)	On General Register
	S.F. 418 (Tomassoni)	2/17 Passed Senate
Limit on Post Fund Benefit Increase	H.F. 40 (Smith)	Referred to Gov't Op. and Vet. Affairs
	No Hearing	
	S.F. 70 (Betzold)	Referred to State and Local Gov't Op.

ATTACHMENT D

**RESOLUTION OF THE
MINNESOTA BOARD OF INVESTMENT
CONCERNING PROXY VOTING**

WHEREAS, as a stockholder, the Minnesota State Board of Investment (SBI) is entitled to sponsor and cosponsor shareholder resolutions and participate in corporate annual meetings by casting its votes by proxy or through direct attendance at the meetings; and

WHEREAS, the SBI has previously established a Proxy Committee:

NOW THEREFORE, BE IT RESOLVED THAT:

1. To advise and assist the SBI in the implementation of proxy voting guidelines previously adopted by the Board the SBI hereby authorizes and reaffirms the establishment of the SBI Proxy Committee composed of a representative selected by each member of the SBI to be chaired by the designee of the Governor and convened as necessary in accord with the Guidelines.
2. The SBI further authorizes the SBI Proxy Committee to review the Guidelines periodically and report to the SBI as necessary.
3. The SBI further directs its staff to advise and assist the Proxy Committee in the implementation of this resolution and directs its Executive Director to obtain such consulting and reporting services as may be necessary.
4. This resolution shall take effect immediately.

Adopted this 8th day
of June, 2005

Governor Tim Pawlenty
Chair, Minnesota State
Board of Investment



MINNESOTA HISTORICAL SOCIETY

May 20, 2005

State Board of Investment
Howard J. Bicker
Executive Director
60 Empire Drive
Suite 355
St. Paul, MN
55103-3555

Dear Howard:

The Minnesota Historical Society offers its employees an individual retirement program (IRAP) under the provisions of Chapter 354D. Those provisions link the selection of the Society's IRAP provider to the process used by the Minnesota State Colleges and University (MnSCU) system under Chapter 354B.

We recently learned that MnSCU plans to update the language of Chapter 354B during the 2006 legislative session. These MnSCU language changes would require that the Society also seek language changes to Chapter 354D during the 2006 session. We anticipate being successful when requesting the language changes during the 2006 session.

The Society's current contract with its IRAP vendor (TIAA-CREF) expires June 30, 2005. Rather than request approval of our customary five-year extension to that contract, we ask that you approve a one-year extension. This will allow the Society to put in place a longer-term contract one year from now, when these language revisions would be in place.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads 'Pat Gaarder'. The signature is written in a cursive, flowing style.

Pat Gaarder
Director of Human Resources
651-297-1905
pat.gaarder@mnhs.org

Tab C

COMMITTEE REPORT

DATE: May 31, 2005

TO: Members, State Board of Investment

FROM: **SBI Administrative Committee**

The Administrative Committee met on May 24, 2005 to consider the following agenda items:

- Review of Executive Director's Proposed Workplan for FY06.
- Review of Budget Plan for FY06.
- Review of Continuing Fiduciary Education Plan.
- Recommendation to develop SBI Compensation Plan.
- Review of Executive Director's Evaluation Process.

Action is required by the SBI on these items.

1. Review of Executive Director's proposed workplan for FY06.

The Executive Director's Proposed Workplan for FY06 was presented. As in previous workplans, the FY06 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 2005 as part of the FY06 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY06 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY06.

2. FY06 Administrative Budget Plan.

The SBI's Administrative budget is funded by a legislative appropriation from the general fund. All expenditures are billed back to the various funds under the supervision of the SBI and the receipts are deposited in the general fund as non-dedicated revenue.

An overview of the budget is in **Attachment B** on **page 7** of this tab. Supporting information was sent to each Board member in May 2005 as part of the FY06 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY06 Administrative Budget Plan, as presented to the Committee, and that the Executive Director has 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 9** 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. Recommendation to develop SBI Compensation Plan.

At the December 2004 SBI meeting, the Board approved a recommendation by the Investment Advisory Council and the retirement systems to seek authority for the SBI to establish its own compensation.

Legislation was passed during the 2005 Legislative Session which authorizes the SBI to establish its own compensation plan for non represented employees. The bill provides for the following process:

- The Board approves a compensation plan.
- The compensation plan is submitted to the Commissioner of Employee Relations for review and comment.

- The compensation plan is submitted to the Legislative Coordinating Committee for final approval.

To begin the process of establishing a compensation plan the Committee recommends the Board establish a Compensation Plan Subcommittee to develop a compensation plan to be presented to the Board at a future meeting. It is suggested that the members of the Compensation Plan Subcommittee be the chair and vice-chair of the IAC and two retirement systems directors.

RECOMMENDATION:

The Committee recommends that the SBI establish a Compensation Plan Subcommittee to develop and present a compensation plan to the Board for its consideration at its September 2005 meeting.

5. 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 FY05. The Committee members agreed that the performance reviews should be completed prior to the September 2005 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 FY05 performance evaluation:

- **The evaluation will be completed prior to the September 2005 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY05.**
- **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.**
- **As the Chair of the Board, 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.**

ATTACHMENT A

STATE BOARD OF INVESTMENT Executive Director's Proposed Workplan

FY06

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

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Review of Investment Advisory Council Governance Policies	Jul-Jun
2. Investigate International Investing Options For the Non-Retirement Assets	Jul-Jun
3. Review of Non-Retirement Trust Fund Investment Policies	Oct-Jun
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or exceed the performance objectives	Ongoing
2. Conduct Investment Manager Compliance Review of Guidelines and Contracts	Ongoing
3. Maintain External Investment Manager Short Lists	Ongoing
4. Investments with New/Existing Alternative Asset Managers	On-going
C. REVIEW AND CONTROL OF INVESTMENT POLICIES	
1. Monitor and Evaluate Investment Manager Performance	On-going
2. Annual Review of Investment Manager Guidelines	Mar-Jun
3. Monitor Implementation of Northern Ireland Mandate	Aug-Mar
4. Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives	Jul-Jun
5. Update country guidelines	Oct-May
6. Review of SBI's Futures Agreements with existing managers	Jul-Dec

**D. ADMINISTRATION AND MANAGEMENT
OF STAFF OPERATIONS**

- | | |
|--|---------|
| 1. Coordinate Financial Audit by Legislative Auditor | Jul-Dec |
| 2. Prepare 2006 Legislative package | Sep-May |
| 3. Prepare FY07 Management and Budget Plan | Jan-Jun |
| 4. Update Disaster Recovery Plan | April |

E. COMMUNICATION AND REPORTING

- | | |
|---|--------------|
| 1. Develop Small Fund Reporting Vehicles | Jan-Mar |
| 2. Performance Measurement Audit | Jul-Jun |
| 3. Prepare reports on investment results | Qtly |
| 4. Prepare status reports | As requested |
| 5. Meet with SBI and IAC | Qtly |
| 6. Meet with Board's designees | Qtly |
| 7. Prepare FY 2005 Annual Report | Jul-Jan |
| 8. Prepare Annual SIF Investment Options
Prospectus | May-Aug |
| 9. Coordinate Public Pension Plan Performance
Reporting Disclosure | On-going |
| 10. Conduct Manager Round Tables | Periodic |

ATTACHMENT B

Administrative Budget FY 06 - 07 Budget Plan Overview

The FY 06 – 07 budget request is based on budget procedures instituted by the Department of Finance.

A bill was introduced in the Legislature to establish a fixed amount from the General Fund and to have the balance of the MSBI's budget billed to organizations who use the MSBI's services. The Legislature failed to pass this budget request and instead passed a "same level budget"

The budget as passed will not allow the MSBI to implement House File 1692; the MSBI compensation plan bill.

	FY05 Budget	FY05 Projected	FY06 Request	FY07 Request
Personal Services	\$1,850,000	\$1,701,829	\$1,850,000	\$1,850,000
Operating Expense	317,000	354,166	317,000	317,000
Balance Forward	107,000			
	\$2,235,000	\$2,055,995	\$2,167,000	\$2,167,000

Personal Services: **85% of the budget**
Salaries, retirement, insurance, FICA, severance

During the next biennium the MSBI will not be able to replace the three Investment Analyst positions it has lost to budget cuts.

Operating Expenses: **15% of the budget**
Rents, leases, printing, data processing
Professional/technical contracts
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies

Overall, operating expenses will have to be decreased.

**STATE BOARD OF INVESTMENT
FISCAL YEARS 2006 AND 2007 BUDGET PLAN
GENERAL FUND SUMMARY**

DESCRIPTION	FY2003 ACTUAL	FY2004 ACTUAL	FY2005 PROJECTED	FY2006 BUDGET	FY2007 BUDGET
PERSONAL SERVICES					
FULL TIME EMPLOYEES	\$ 1,965,879	\$ 1,747,375	\$ 1,700,819	\$ 1,825,000	\$ 1,825,000
PART TIME EMPLOYEES	-	-	-	-	-
SEVERENCE PAYOFF	231	38,414	-	20,000	20,000
WORKERS COMPENSATION INSURANCE	876	860	860	1,000	1,000
MISCELLANEOUS PAYROLL	-	148	150	4,000	4,000
SUBTOTAL	\$ 1,966,986	\$ 1,786,797	\$ 1,701,829	\$ 1,850,000	\$ 1,850,000
STATE OPERATIONS					
RENTS & LEASES	188,101	193,919	199,811	195,000	195,000
REPAIRS/ALTERATIONS/MAINTENANCE	15,870	14,527	13,709	15,000	15,000
PRINTING & BINDING	8,221	5,381	5,123	10,000	10,000
PROFESSIONAL/TECHNICAL SERVICES	-	-	-	-	-
COMPUTER SYSTEMS SERVICES	10,825	10,100	10,000	10,000	10,000
COMMUNICATIONS	19,899	19,903	26,344	20,000	20,000
TRAVEL, IN-STATE	261	252	219	2,000	2,000
TRAVEL, OUT-STATE	17,289	28,920	32,950	25,000	25,000
SUPPLIES	36,670	22,919	27,010	30,000	30,000
EQUIPMENT	-	-	15,000	-	-
EMPLOYEE DEVELOPMENT	8,641	6,780	11,000	5,000	5,000
OTHER OPERATING COSTS	8,149	7,705	13,000	5,000	5,000
SUBTOTAL	\$ 313,926	\$ 310,406	\$ 354,166	\$ 317,000	\$ 317,000
TOTAL GENERAL FUND	\$ 2,280,912	\$ 2,097,203	\$ 2,055,995	\$ 2,167,000	\$ 2,167,000
PERCENT INCREASE OVER PRIOR YEAR		-8.1%	-2.0%	5.4%	0.0%

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 they are formally adopted by the Board, 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.

Tab D

COMMITTEE REPORT

DATE: May 31, 2005

TO: Members, State Board of Investment

FROM: **Members, International Equity Active Developed Markets Manager Search Committee**

An international equity active developed markets manager search was conducted to review several of the SBI's current active developed markets managers, due to organizational change and performance issues, and to conduct a search for new managers.

The Search Committee met on April 7th, 2005 to select active developed markets managers to interview as candidates for the International Equity Program. The members of the Search Committee included:

Name	Representing
Peter Sausen	Governor Pawlenty
Carla Heyl	State Auditor Anderson
Alberto Quintela	Secretary of State Kiffmeyer
Christie Eller	State Attorney General Hatch
John Bohan	Investment Advisory Council
Judith Mares	Investment Advisory Council

Process

To initiate this search, Staff requested information from 21 active developed markets managers. Staff focused the active manager search primarily on products with a core to growth style. The current SBI managers under review provide this type of exposure to the SBI's International Equity Program. The prospective managers came from Staff recommendations, as well as recommendations from Richard's & Tierney and others. Staff also screened databases seeking candidates with sufficient return history, assets under management, and an acceptable risk and return profile relative to the MSCI developed markets index. Each of these candidates was asked to respond to a questionnaire, provide a monthly return history for its composite and five separate accounts, and provide monthly country weights and country returns for a representative account.

Staff reviewed each manager's response to the questionnaire and eliminated the managers that do not fit the SBI's needs. Important considerations included investment philosophy and process, organizational and investment team stability, and composition of the firm's client base. Staff also looked for risk awareness and presence of appropriate risk controls. Richards & Tierney provided portfolio analysis for each candidate.

The Search Committee interviewed six prospective candidates, and re-interviewed two existing managers, T. Rowe Price and American Express, on April 28th and 29th, 2005. Based on the interviews, questionnaire responses, and other information provided, the Search Committee recommends that four (4) firms be retained by the SBI in the International Equity Program. These firms will replace both Britannic Asset Management and T. Rowe Price, two current managers who, in the Stock & Bond Manager Committee Report, are being recommended for termination. Information regarding each of the recommended prospective firms is provided starting on page 3 of this Tab.

RECOMMENDATION:

The International Equity Active Developed Markets Manager Search Committee recommends that the following firms be retained for the International Equity Program:

Active Developed Markets Managers	Location of Investment Team
Acadian	Boston, MA
Fidelity (Int'l Growth)	London, Tokyo, Hong Kong, Boston
J. P. Morgan (EAFE Plus)	London, England
McKinley	Anchorage, Alaska

The Search Committee further recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a contract with each firm.

MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February, 2005

Firm's Name: Acadian Asset Management

Name of Product: Non-U.S. Equity Strategy

Investment Style: Bottom-up Investment approach, Enhanced Value Investment Style

Investment Philosophy:

Our investment philosophy is based on the belief that markets are inefficient, creating price anomalies that can be exploited by a disciplined, objective investment process. However we recognize that markets and stocks are multi-faceted, and therefore require multiple factors, such as growth trends and price characteristics, to thoroughly describe the unique attributes driving markets and stocks. By combining fundamental value and earnings growth measures in a composite valuation methodology, we believe that some of the shortfalls of a valuation framework structured solely around value or growth can be avoided.

Investment Process:

Acadian uses a disciplined investment approach, employing structured valuation models to distill a broad range of relevant characteristics such as value, growth, and price-related factors and produce an explicit return forecast for each of the 20,000 stocks in our data universe.

Country selection/allocation:

Country allocations are determined primarily through bottom-up stock selection rather than through a strategic selection of countries. However, the stock selection process does incorporate, on a stock by stock basis, measures of overall country/sector attractiveness. The overall country allocations for the portfolio are also influenced by such considerations as desired benchmark-relative residual risk, expected transaction costs, and any portfolio constraints.

Sector selection/allocation:

Sector weights are also a result of the stock selection process. As mentioned above, stock forecasts incorporate a combined country/sector forecast; therefore sector weights incorporate both a top-down and bottom-up element.

Stock selection:

Stock selection is a result of our bottom-up stock valuation process, which is designed to capture the complete picture of a stock's potential. Our valuation models evaluate a broad

range of fundamental predictive factors, including price to value, earnings growth and price momentum.

To forecast a security's return relative to its country/sector, Acadian's process considers valuation characteristics (such as price/earnings and enterprise value/EBITDA ratios), earnings and analysts measures (including trends in earnings estimates and recommendation changes) and pricing anomalies (such as momentum and reversion). Each country/sector combination is also evaluated in aggregate in order to predict how well each stock's sector/country zone will perform relative to others. The bottom-up, stock components and the top-down country outlooks are combined to arrive at a return expectation for each company in our security universe.

Portfolio Construction:

Our portfolio optimization process assesses the security forecasts under the constraints of the individual portfolio's mandate. Our optimization tools, which include proprietary software as well as the BARRA Aegis system, balance the expected return of the stocks with such considerations as the index, desired level of risk, expected transaction costs, and available security liquidity. This determines the ideal combination of securities that provide the highest level of expected return, subject to these other investment objectives. Less attractive securities are removed from the portfolio while more attractive securities are added, as long as the cost of the buy and sell does not exceed the expected value-added to be gained. The last step of the process is a careful quality control review of optimized portfolios by the investment team before trading, to ensure that each portfolio is based on accurate information and fully meets individual client investment goals.

Currency:

The impact of currency movements is carefully considered in our investment process. First, our country-valuation framework focuses directly on projecting U.S.-dollar-based equity returns for each emerging market (to provide a common currency numeraire). As a result, projected movements of local currencies are included in our return forecasts. These dollar-based country-level return projections in turn form an integral component of the projected excess return for each of the individual securities in Acadian's emerging markets database.

Second, estimated currency and equity volatilities are specifically considered in the models that Acadian uses to estimate and control risk, such as the BARRA fundamental risk models. Our optimization process uses this information to manage the absolute and benchmark-relative risk level of the portfolio. Because of this optimization process, countries and securities with higher equity and currency risks are unlikely to form a significant part of the final portfolio unless they promise commensurately higher returns.

Ownership:

Acadian is a wholly owned subsidiary of Old Mutual plc. Our direct affiliation is with Old Mutual's U.S.-based institutional asset management arm, Old Mutual Asset Management (OMAM), which includes 19 other investment management firms representing a diverse mix of asset classes and manager styles. Each of the OMAM firms

exercises complete discretion over its investment philosophy, people, and process, and Acadian is operated as a single independent entity.

Working with Old Mutual, Acadian has structured a program under which over half of Acadian's employees hold a 20% equity interest in the future growth of the firm. This serves as a key component of executive and staff motivation and retention. The ownership stake granted to individual employees can vary widely based on the employee's job level, seniority, and individual contribution to company goals.

Quarter ending 12/31/04:

Firm's total assets under management:	<u>\$12.6 billion</u>
Total & Tax-exempt assets under management in this product:	<u>\$2.3 billion</u>
Number of tax-exempt accounts in this product:	<u>16 accounts</u>
Number of Portfolio Managers on this product:	<u>9</u>
Number of Analysts on this product:	<u>4</u>
Number of Traders on this product:	<u>9</u>

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

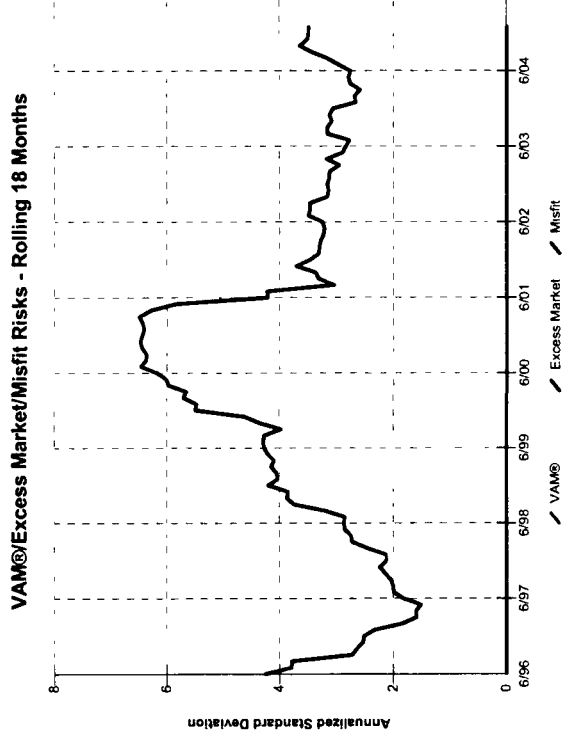
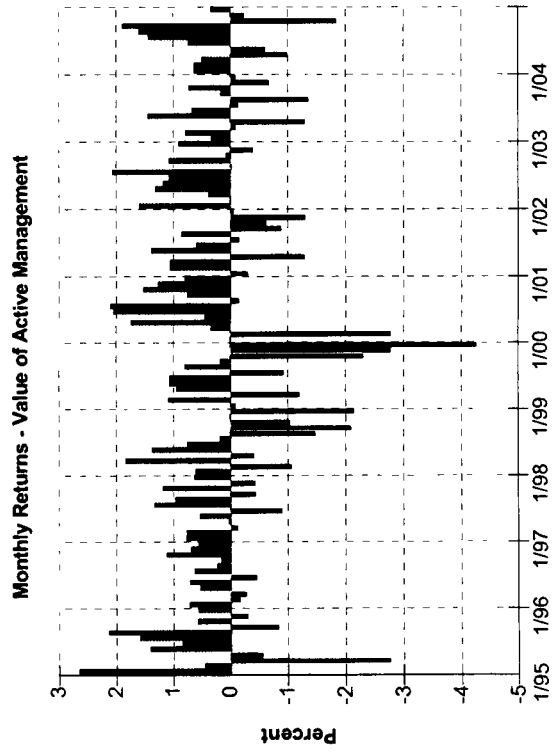
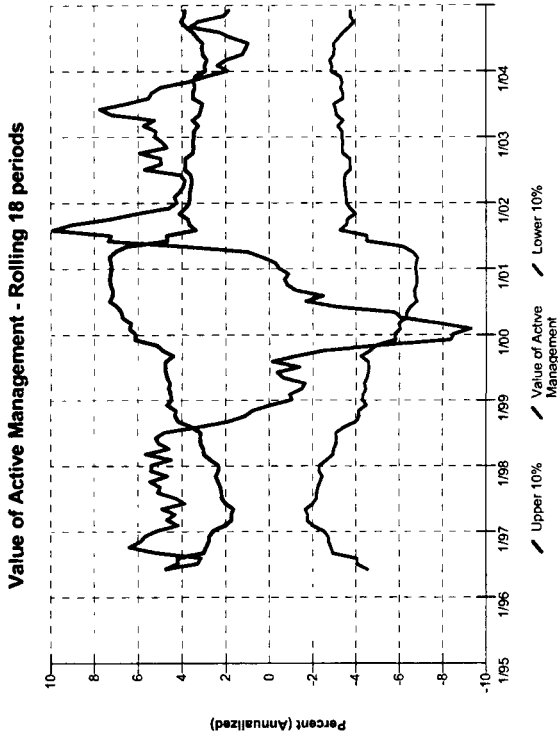
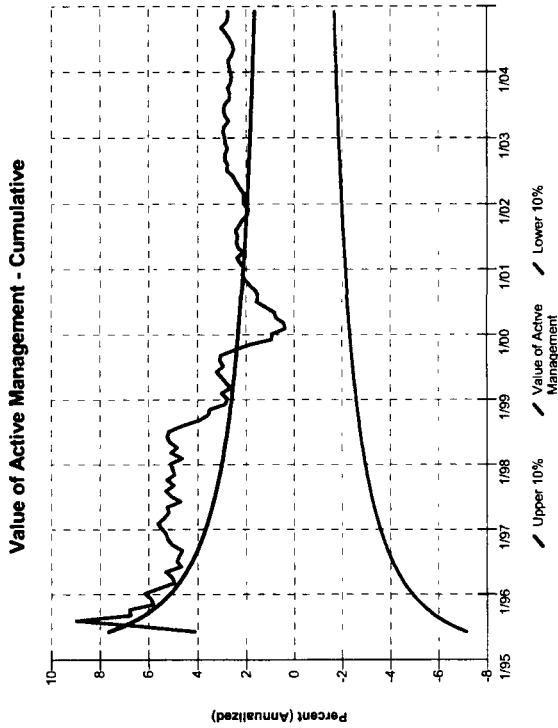
Tax-Exempt Non-U.S. Equity Separate Accounts	12-31-04 AUM
Oregon Public Employees' Retirement	819,152,316
Northrop Grumman	723,644,145
OMAM EAFE Equity Fund	380,427,081
Confidential U.S. Corporate Pension Plan	132,101,712
Confidential U.S. Foundation	77,635,232

		Investment Manager: ACADIAN - COMPOSITE		Benchmark: MSCI EAFE			
		---PORTFOLIO---		---BENCHMARK---		---VAM---	
		Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
95	Q1	2.18		1.86		0.31	
	Q2	2.46		0.73		1.72	
	Q3	7.21		4.17		2.92	
	Q4	4.95	17.81	4.05	11.21	0.87	5.93
96	Q1	3.19		2.89		0.29	
	Q2	2.41		1.58		0.81	
	Q3	0.94		-0.13		1.06	
	Q4	4.05	10.99	1.59	6.05	2.43	4.66
97	Q1	-0.14		-1.57		1.45	
	Q2	12.64		12.98		0.30	
	Q3	1.19		-0.70		1.91	
	Q4	-6.52	6.41	-7.83	1.78	1.43	4.55
98	Q1	16.32		14.71		1.40	
	Q2	2.84		1.06		1.76	
	Q3	-17.07		-14.21		3.33	
	Q4	16.89	15.96	20.66	20.00	3.12	-3.37
99	Q1	1.19		1.39		0.20	
	Q2	5.77		2.54		3.15	
	Q3	4.45		4.39		0.06	
	Q4	6.39	18.94	16.99	26.96	9.06	-6.32
00	Q1	-2.52		-0.11		2.42	
	Q2	0.21		-3.96		4.34	
	Q3	-5.53		-8.07		2.76	
	Q4	0.89	-6.90	-2.68	-14.17	3.67	8.47
01	Q1	-12.12		-13.71		1.83	
	Q2	-0.35		-1.04		0.70	
	Q3	-14.13		-14.00		0.16	
	Q4	4.88	-21.14	6.97	-21.44	-1.96	0.39
02	Q1	2.54		0.51		2.02	
	Q2	1.44		-2.12		3.64	
	Q3	-17.19		-19.73		3.16	
	Q4	7.10	-7.75	6.45	-15.94	0.61	9.75
03	Q1	-7.25		-8.21		1.05	
	Q2	20.25		19.27		0.82	
	Q3	6.71		8.13		1.31	
	Q4	17.06	39.33	17.08	38.59	-0.01	0.54
04	Q1	6.22		4.34		1.80	
	Q2	-0.63		0.22		0.84	
	Q3	4.74		-0.28		5.03	
	Q4	13.32	25.27	15.32	20.25	-1.73	4.18
Latest							
1 yr			25.27		20.25		4.18
3 yr			17.21		11.89		4.75
5 yr			3.41		-1.13		4.59
Cumulative 9501-0412			8.54		5.62		2.76
Std Dev			14.15		15.17		4.05
Info Ratio							0.68

VAM® Graphs - MN SBI Active Developed Markets Search

Acadian - Composite vs EAFE (ND)

Monthly from period ending January, 1995 to period ending December, 2004 (120 periods)



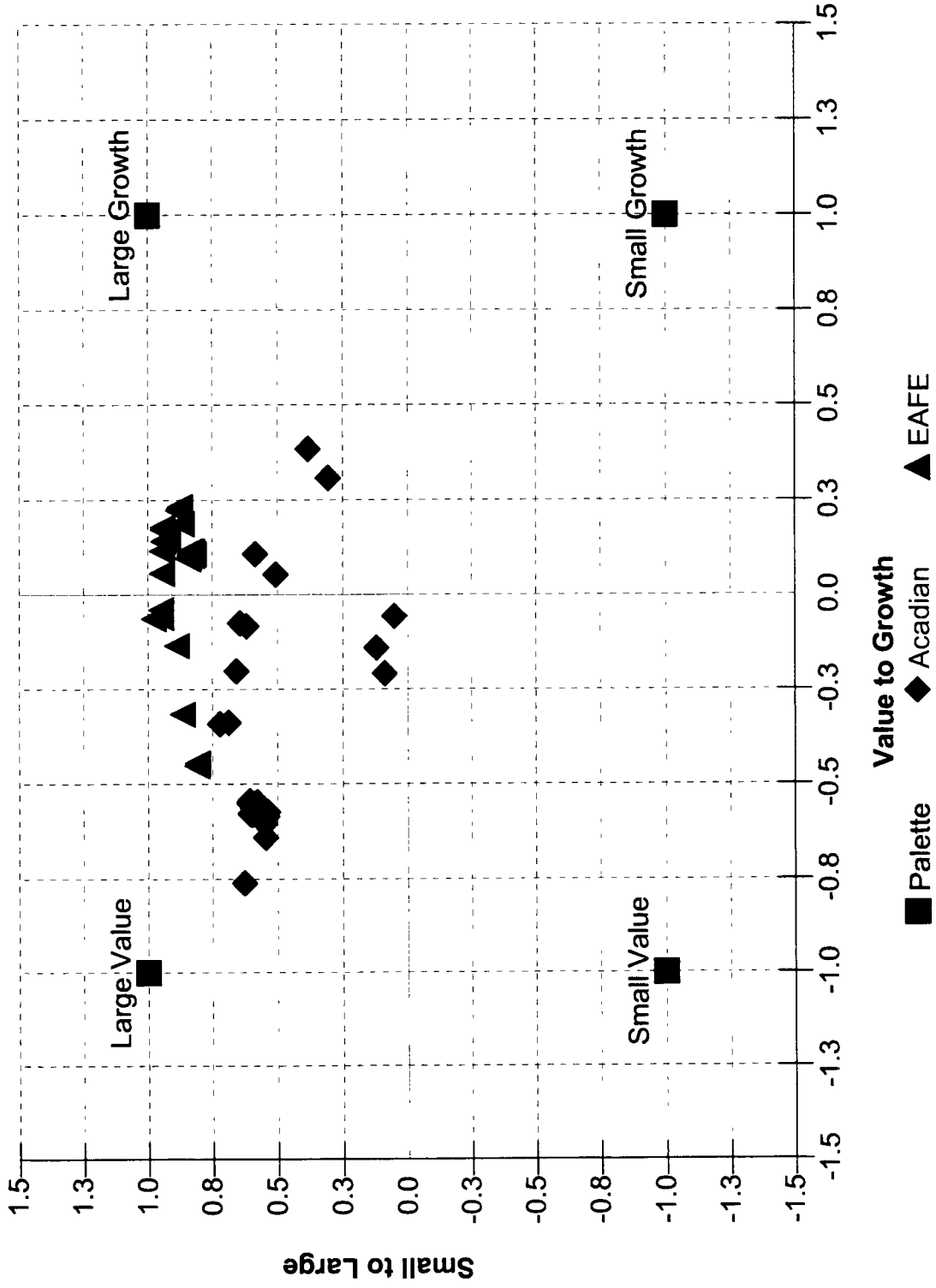
Acadian
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	152	1116
Price/Book	2.06	2.09
Price/Earnings	14.19	17.35
Price/Cash Earnings	7.37	8.68
Dividend Yield	2.33	2.50
Market Capitalization	(US\$mm)	(US\$mm)
Wtd Average	\$35,877,938	\$45,161,231
Minimum	\$106.225	\$19.049
Median	\$6,919.856	\$3,132,450
Maximum	\$211,772,000	\$211,772,000
Distribution of Capitalization (US\$mm)	Wt (%)	Wt (%)
Up To \$100	0.00%	0.00%
\$100 - \$300	1.05%	0.03%
\$300 - \$500	0.86%	0.10%
\$500 - \$1,000	2.21%	0.84%
\$1,000 - \$3,000	9.98%	8.09%
\$3,000 - \$5,000	10.92%	6.90%
\$5,000 - \$10,000	13.78%	14.93%
\$10,000 - \$15,000	12.69%	10.32%
\$15,000 - \$25,000	6.37%	10.42%
\$25,000 - \$50,000	15.52%	18.98%
\$50,000 - \$100,000	17.53%	13.64%
Above \$100,000	9.11%	15.75%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	10.27%	7.59%
Consumer Discretionary	9.32%	12.35%
Energy	9.27%	8.05%
Financials	33.87%	27.47%
Health Care	6.70%	7.99%
Industrials	10.99%	9.39%
Materials	5.87%	7.45%
Staples	4.44%	8.10%
Info Technology	6.79%	6.35%
Utilities	2.47%	5.26%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
ING GROEP NV CVA EUR0.24	3.05	
CANON INC NPV	2.87	
WESTPAC BKG CORP NPV	2.85	
TELIASONERA AB SEK3.2	2.80	
BARCLAYS ORD GBP0.25	2.63	
GLAXOSMITHKLINE ORD GBP0.25	2.39	
HBOS ORD GBP0.25	2.32	
DEXIA NPV	2.26	
BNP PARIBAS EUR2	1.87	
ROYAL BK SCOT GRP ORD GBP0.25	1.83	
	24.87	

Style (quadrant) graph - MN SBI Interational Search

Salomon Brothers Indices

Using monthly data from period ending February, 1997 to period ending February, 2005 (97 periods, used in groups of 3)



MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February 28, 2005

Firm's Name: Fidelity Management Trust Company (FMTC)

Name of Product: International Growth Discipline

Investment Style:

International Growth utilizes bottom-up stock selection based on fundamental research.

Investment Philosophy:

International Growth is a core, growth-oriented strategy that provides diversified exposure to the developed international markets. We believe these markets are semi-efficient and pricing anomalies exist. This is evident in the frequent revisions of forecasts following company earnings results, announcements, profit warnings, and in the variation of forecasts among market participants. The International Growth philosophy is to exploit these inefficiencies through bottom-up stock selection based on fundamental company research. The International Growth philosophy and process have not changed since the discipline's inception in 1995.

Investment Process:

The investment process combines active stock selection and regional asset allocation. Four portfolio managers in London, Tokyo, Hong Kong, and Canada construct regional sub-portfolios, selecting stocks based on Fidelity analysts' bottom-up research and their own judgment and expertise. Managers have full discretion over selecting and weighting stocks within policy guidelines.

Country selection/allocation:

Country allocations are a residual of the stock selection process. Country active weights relative to the benchmark are constrained to within ± 5 percentage points of the benchmark weight.

Sector selection/allocation:

Industry group weights are a residual of the stock selection process. Sector active weights relative to the benchmark are constrained to within ± 5 percentage points of the benchmark weight.

Stock selection:

Regional portfolio managers are individually responsible for constructing their sub-portfolio within broad policy guidelines. Portfolio managers select stocks based on Fidelity analysts' research and ratings input and their own judgment and expertise. Fidelity's extensive research ensures that there is no shortage of buy ideas. The challenge

for portfolio managers is to narrow the universe of buy ideas to those stocks best suited for the portfolio.

While analyst recommendations are a key input to the buy/sell decision, portfolio managers may override a recommendation based on market knowledge or expertise. The regional portfolio managers determine the size of each stock's active position, and industry group and country relative active weights are a residual of the stock selection process.

An stock's full active weighting of ± 3 percentage points occurs when both the analyst and the portfolio manager have strong conviction. Such full weightings tend to be a small minority of portfolio holdings.

Portfolio Construction:

Using their experience and judgment, regional portfolio managers build the Europe, Japan, Pacific ex Japan, and Canada sub-portfolios from the analysts' buy-rated stock universe. Portfolio guidelines seek to ensure risk is commensurate with the performance target and to focus active risk on stock selection. The regional portfolios are combined in the asset allocation process.

Currency:

Currency exposure is limited to the value of the underlying securities. The portfolio manager does not engage in currency hedging, or use forward contracts, or options. In the portfolio construction process, currency exposures are neutralized by adopting the same regional weights as the benchmark.

Ownership:

FMTC is a wholly owned subsidiary of FMR Corp., working very closely with Fidelity Management & Research Company (FMR Co.), the investment management division of Fidelity. FMR Corp. is fully owned by active employees (51%) and the founding Johnson family (49%). Fidelity's ownership has been consistent since its founding and no ownership changes are anticipated in the future. Private ownership has provided Fidelity with a stable platform to pursue long-term business goals.

Quarter ending 12/31/04:

Firm's total assets under management (\$M):	<u>\$102,344.01</u>
Total assets under management in this product(\$M):	<u>\$ 14,027.71</u>
Tax-exempt assets under management in this product(\$M):	<u>\$ 13,020.53</u>
Number of tax-exempt accounts in this product:	<u>76</u>
Number of Portfolio Managers on this product:	<u>7</u>
Number of Research Professionals* on this product:	<u>111</u>
Number of Traders on this product:	<u>26</u>

*Research Professionals include analysts and associates.

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

The following table provides the five largest tax-exempt International Growth EAFE accounts as of December 31, 2004. Due to client confidentiality, we are unable to disclose these client names.

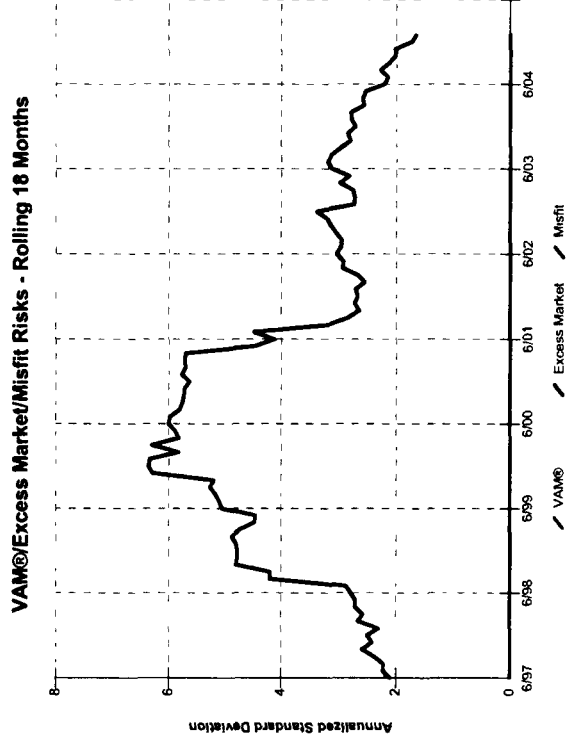
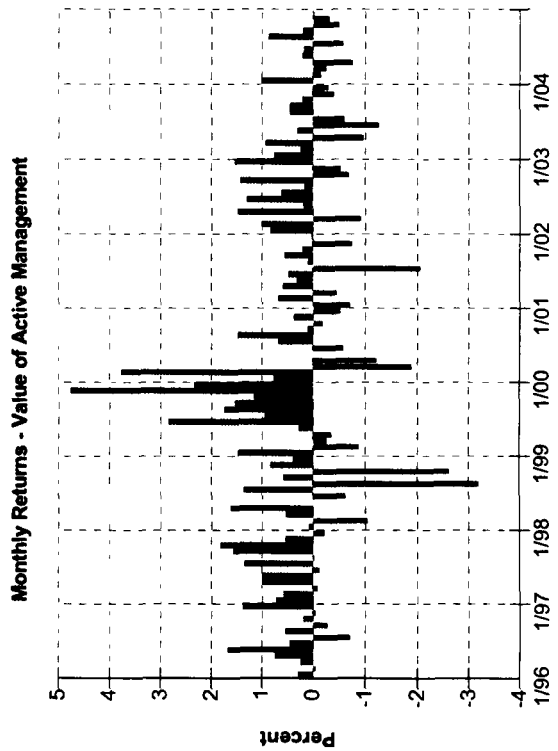
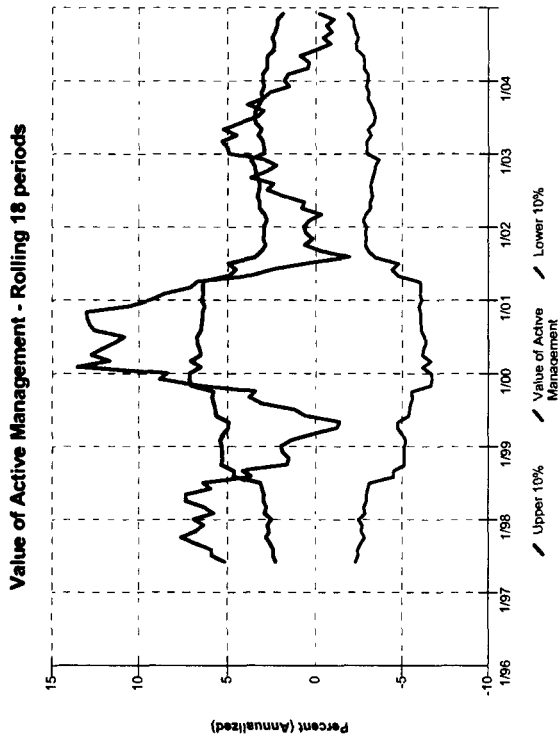
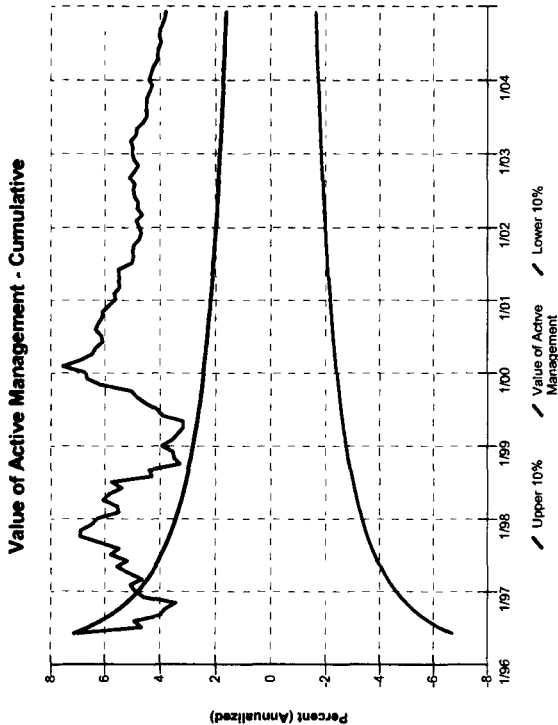
Client Type	Size of Account (\$ mil)	Inception Date
Public Plan	\$1,355.69	8/20/2001
Public Plan	\$741.63	3/28/2003
Public Plan	\$693.00	6/16/2003
Corporate Client	\$577.34	2/24/1999
Public Plan	\$577.03	6/22/2004

		Investment Manager: FIDELITY - REP 3					
		Benchmark: MSCI EAFE					
		---PORTFOLIO---		---BENCHMARK---		---VAM---	
		Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
96	Q1	3.40		2.89		0.50	
	Q2	4.55		1.58		2.92	
	Q3	-0.56		-0.13		-0.43	
	Q4	3.16	10.90	1.59	6.05	1.55	4.58
97	Q1	-0.36		-1.57		1.22	
	Q2	15.11		12.98		1.89	
	Q3	2.20		-0.70		2.93	
	Q4	-5.85	10.37	-7.83	1.78	2.15	8.44
98	Q1	14.22		14.71		-0.43	
	Q2	2.07		1.06		1.00	
	Q3	-15.35		-14.21		-1.32	
	Q4	18.96	17.40	20.66	20.00	-1.41	-2.16
99	Q1	1.74		1.39		0.34	
	Q2	5.40		2.54		2.79	
	Q3	8.89		4.39		4.31	
	Q4	26.88	48.16	16.99	26.96	8.46	16.69
00	Q1	2.49		-0.11		2.60	
	Q2	-5.68		-3.96		-1.79	
	Q3	-5.98		-8.07		2.27	
	Q4	-3.00	-11.84	-2.68	-14.17	-0.32	2.72
01	Q1	-14.12		-13.71		-0.48	
	Q2	0.31		-1.04		1.37	
	Q3	-15.21		-14.00		-1.41	
	Q4	6.42	-22.27	6.97	-21.44	-0.52	-1.05
02	Q1	1.44		0.51		0.93	
	Q2	0.81		-2.12		2.99	
	Q3	-17.96		-19.73		2.21	
	Q4	6.78	-10.42	6.45	-15.94	0.31	6.57
03	Q1	-6.43		-8.21		1.95	
	Q2	17.01		19.27		-1.90	
	Q3	8.46		8.13		0.30	
	Q4	16.49	38.33	17.08	38.59	-0.50	-0.18
04	Q1	4.98		4.34		0.61	
	Q2	-0.16		0.22		0.37	
	Q3	0.21		-0.28		0.49	
	Q4	14.38	20.13	15.32	20.25	0.82	-0.10
Latest							
1 yr			20.13		20.25		-0.10
3 yr			14.18		11.89		2.05
5 yr			0.40		-1.13		1.55
Cumulative 9601-0412			9.00		5.01		3.80
Std Dev			15.83		15.46		3.78
Info Ratio							1.00

VAM® Graphs - MN SBI Active Developed Markets Search

Fidelity- Rep 3 vs EAFE (ND)

Monthly from period ending January, 1996 to period ending December, 2004 (108 periods)



Fidelity Investments Growth Portfolio

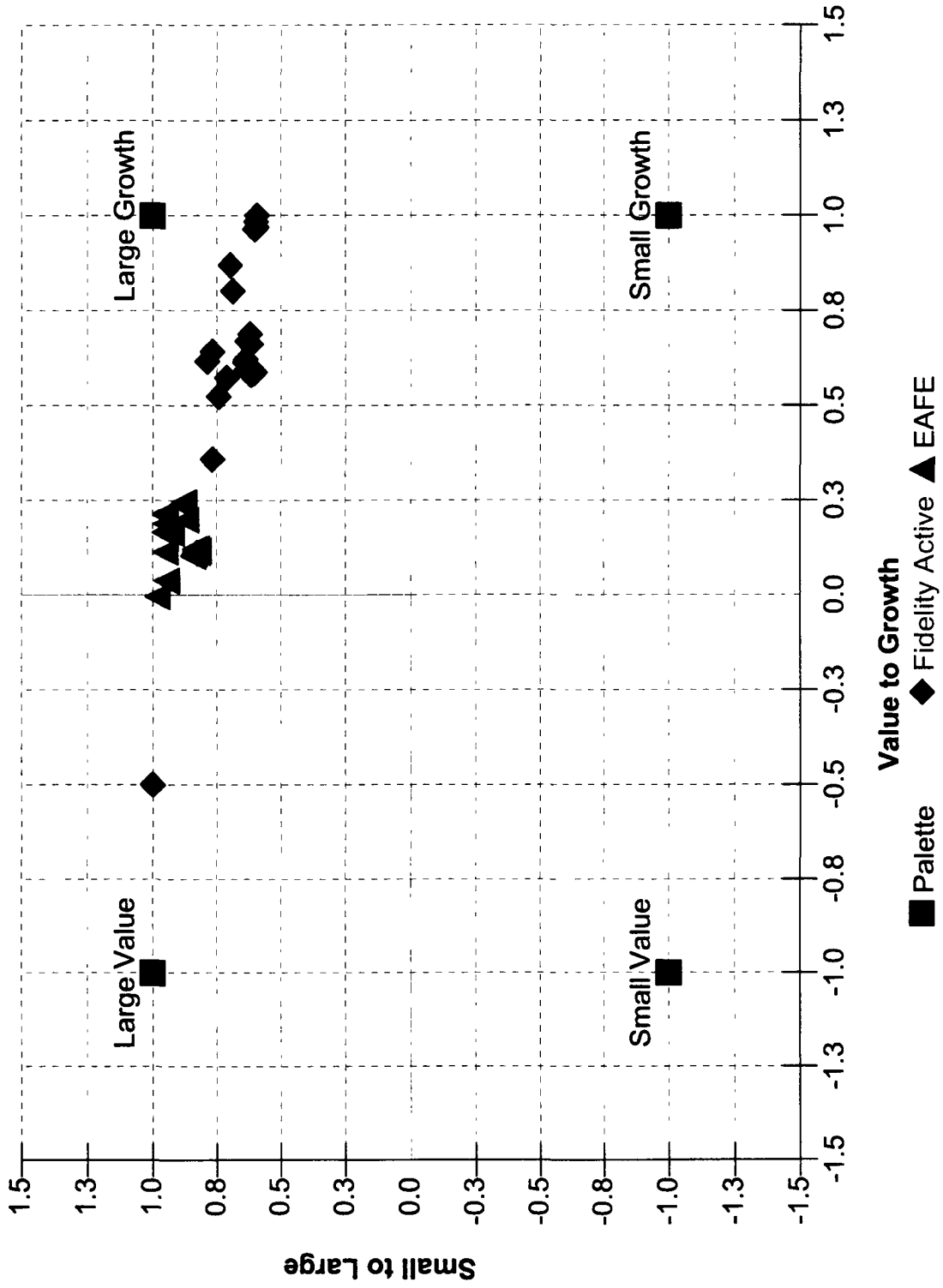
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	216	1116
Price/Book	2.27	2.09
Price/Earnings	18.25	17.35
Price/Cash Earnings	9.99	8.68
Dividend Yield	2.05	2.50
Market Capitalization	(US\$mm)	(US\$mm)
Wtd. Average	\$45,542.169	\$45,161.231
Minimum	\$214.847	\$19.049
Median	\$6,828.329	\$3,132.450
Maximum	\$211,772.000	\$211,772.000
Distribution of Capitalization (US\$mm)	Wt (%)	Wt (%)
Up To \$100	0.00%	0.00%
\$100 - \$300	0.32%	0.03%
\$300 - \$500	0.37%	0.10%
\$500 - \$1,000	1.61%	0.84%
\$1,000 - \$3,000	9.92%	8.09%
\$3,000 - \$5,000	3.13%	6.90%
\$5,000 - \$10,000	19.72%	14.93%
\$10,000 - \$15,000	12.35%	10.32%
\$15,000 - \$25,000	8.41%	10.42%
\$25,000 - \$50,000	14.59%	18.98%
\$50,000 - \$100,000	13.47%	13.64%
Above \$100,000	16.09%	15.75%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	9.72%	7.59%
Consumer Discretionary	15.56%	12.35%
Energy	9.71%	8.05%
Financials	30.16%	27.47%
Health Care	8.04%	7.99%
Industrials	6.63%	9.39%
Materials	4.63%	7.45%
Staples	6.58%	8.10%
Info Technology	6.61%	6.35%
Utilities	2.37%	5.26%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
VODAFONE GROUP ORD USD0.10	3.05	
BP ORD USD0.25	2.59	
TOTAL EUR10	2.36	
ALTADIS SA EUR0.6(REGD)	2.15	
SHELL TRNSPT&TRDG ORD GBP0.25(REGD)	2.03	
HSBC HLDGS ORD USD0.50(UK REG)	1.98	
TOYOTA MOTOR CORP NPV	1.91	
NOVARTIS AG CHF0.50(REGD)	1.85	
ERICSSON(LM)TEL SEK1 SER'B'	1.67	
VIVENDI UNIVERSAL EUR5.50	1.63	
	21.24	

Style (quadrant) graph - MN SBI Interational Search

Salomon Brothers Indices

Using monthly data from period ending February, 1998 to period ending February, 2005 (85 periods, used in groups of 3)



MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February 25, 2004

Firm's Name: JPMorgan Fleming Asset Management

Name of Product: EAFE Plus

Investment Style: Bottom-up, core

Investment Philosophy:

The EAFE Plus strategy is predicated upon strongly held beliefs:

- Active managers can add value over time.
- Stocks are driven by both local factors and global sector factors.
- Our locally based team of regional specialists provide us with a local edge. Only their preferred stocks should be given consideration in building portfolios.
- Risk is best managed at a total portfolio level rather than within each geographic region.
- A team is more productive than a collection of individuals.
- All clients' should benefit from our best investment thinking – portfolios with the same benchmark are managed identically.

Investment Process:

The chart below outlines the three steps of our investment process for the EAFE Plus strategy, the combination of which is designed to unlock the inherent value of our regional specialists, within a risk – contained framework.



- | | | |
|--|---|---|
| • Provide local market insights | • Provide global industry insights | • Construct risk controlled portfolios |
| • 1300 stocks analyzed | • Build on local market analysis | • Capture best thinking from local and global teams |
| • All stocks ranked 1(best) to 5 (worst) | • All stocks ranked A (best) to D (worst) | • Emphasis on bottom-up stock picking |

Country selection/allocation:

As bottom-up stock selectors, any regional or country allocation occurs primarily as a result of our bottom-up stock selection decisions.

Sector selection/allocation:

As bottom-up stock selectors, any sector allocation occurs primarily as a result of our bottom-up stock selection decisions.

Stock selection:

The approximately 150 investment professionals that make up our regional asset management teams conduct primary research. Based on this research and their knowledge of local market conditions, these regional specialists rank all the stocks within their respective universes from a 1 (strong buy) to a 5 (strong sell).

Within the Global Portfolios Group we have a team of ten global sector specialists who serve as clearing-houses for the ideas generated by the approximately 150 regional specialists. The role of the sector specialists is to take regional team rankings and put these into a global context. Ranking companies A (attractive) to D (unattractive).

The portfolio construction team draws together the thinking of the global sector specialists within a risk-contained framework to construct a model portfolio.

Portfolio Construction:

The portfolio construction team draws together the thinking of the global sector specialists within a risk-contained framework to construct a model portfolio. This model portfolio serves as the basis for all global and international portfolios, subject to differences in client guidelines and specified benchmarks. All portfolios with the same benchmark are managed identically.

In constructing the portfolios, portfolio managers strive to ensure that at least 70% of the risk in the final portfolio is stock risk. Geographic, sector and style biases form a low proportion of the total risk.

Currency:

We do not attempt to add value from currency management, as we believe our key strength is stock selection. Consequently we are not inclined to hedge or make large market timing judgments. We have not used a currency hedge over the past five years in this product.

When building the portfolio, however, we do take great care to ensure that the final portfolio is not over-exposed to movement in one currency. So, for example, we would want to ensure that as far as possible, our Japanese holdings include a mix of both exporting and domestic companies.

Ownership:

JPMorgan Chase & Co. is a publicly held firm. Specific ownership shares are unavailable for disclosure. Employees own 5.3% of JPMorgan Chase common stock as of Dec. 31, 2004. This number excludes outstanding stock options.

Quarter ending 12/31/04:

Firm's total assets under management:	\$791,185 million
Total assets under management in this product:	\$13,726.0 million
Tax-exempt assets under management in this product:	\$8,408.5 million
Number of tax-exempt accounts in this product:	30
Number of Portfolio Managers on this product:	6
Number of Analysts on this product:	10*
Number of Traders on this product:	13

***Please note that we also use the research produced by approximately 150 members of our regional investment teams located around the world.**

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Type of Account	Assets (as at 12/31/04)
Commingled Fund	\$1,967,932,400
Public Sector Pension Fund	\$ 546,178,524
Public Authority Pension Fund	\$ 536,022
Pension Fund	\$ 504,632,219
Pension Fund	467,363,325

Source JPMorgan Fleming Asset Management

		Investment Manager: JP MORGAN - REP 1					
		Benchmark: MSCI EAFE					
		---PORTFOLIO---		---BENCHMARK---		---VAM---	
		Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
90	Q4	-1.37 *	-1.37 *	1.63 *	1.63 *	-2.95 *	-2.95 *
91	Q1	8.16		7.43		0.67	
	Q2	-2.61		-5.46		3.01	
	Q3	8.89		8.57		0.29	
	Q4	1.13	16.00	1.68	12.13	-0.53	3.45
92	Q1	-8.33		-11.87		4.01	
	Q2	4.53		2.11		2.37	
	Q3	-4.73		1.51		-6.14	
	Q4	1.11	-7.70	-3.86	-12.17	5.17	5.09
93	Q1	8.40		11.99		-3.20	
	Q2	4.18		10.06		-5.34	
	Q3	11.25		6.63		4.33	
	Q4	19.56	50.22	0.86	32.56	18.53	13.32
94	Q1	-10.72		3.50		-13.73	
	Q2	-1.65		5.11		-6.43	
	Q3	4.40		0.10		4.30	
	Q4	-3.19	-11.24	-1.02	7.78	-2.19	-17.65
95	Q1	1.93		1.86		0.07	
	Q2	4.70		0.73		3.95	
	Q3	5.92		4.17		1.69	
	Q4	0.78	13.93	4.05	11.21	-3.14	2.45
96	Q1	4.78		2.89		1.83	
	Q2	3.74		1.58		2.12	
	Q3	-0.30		-0.13		0.17	
	Q4	4.89	13.66	1.59	6.05	3.25	7.18
97	Q1	-0.80		-1.57		0.78	
	Q2	14.83		12.98		1.64	
	Q3	-1.65		-0.70		0.95	
	Q4	-8.85	2.13	-7.83	1.78	-1.10	0.34
98	Q1	13.92		14.71		0.69	
	Q2	1.57		1.06		0.50	
	Q3	-15.31		-14.21		1.27	
	Q4	19.93	17.52	20.66	20.00	-0.61	-2.06
99	Q1	6.00		1.39		4.55	
	Q2	5.99		2.54		3.37	
	Q3	8.73		4.39		4.15	
	Q4	25.81	53.69	16.99	26.96	7.55	21.05
00	Q1	0.29		-0.11		0.40	
	Q2	-3.04		-3.96		0.96	
	Q3	-9.25		-8.07		1.29	
	Q4	-1.43	-13.01	-2.68	-14.17	1.29	1.35
01	Q1	-13.42		-13.71		0.34	
	Q2	-0.35		-1.04		0.70	
	Q3	-12.28		-14.00		2.00	
	Q4	10.06	-16.70	6.97	-21.44	2.89	6.04

	---PORTFOLIO---		---BENCHMARK---		---VAM---	
	Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
02 Q1	2.45		0.51		1.93	
Q2	0.15		-2.12		2.31	
Q3	-19.70		-19.73		0.04	
Q4	7.70	-11.28	6.45	-15.94	1.17	5.55
03 Q1	-9.68		-8.21		-1.59	
Q2	20.63		19.27		1.14	
Q3	6.48		8.13		-1.52	
Q4	16.43	35.07	17.08	38.59	-0.56	-2.53
04 Q1	4.48		4.34		0.13	
Q2	-0.69		0.22		-0.91	
Q3	1.29		-0.28		1.57	
Q4	14.64	20.48	15.32	20.25	-0.59	0.19
Latest						
1 yr		20.48		20.25		0.19
3 yr		13.02		11.89		1.01
5 yr		0.91		-1.13		2.07
Cumulative 9012-0412		9.35		6.63		2.55
Std.Dev		15.90		15.35		6.29
Info. Ratio						0.41

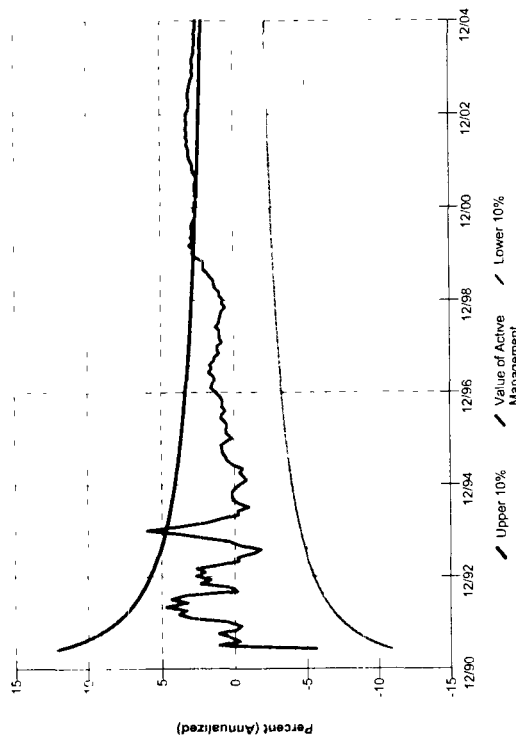
*Fourth Quarter 1990 includes one month of performance, December.

VAM® Graphs - MN SBI Active Developed Markets Search

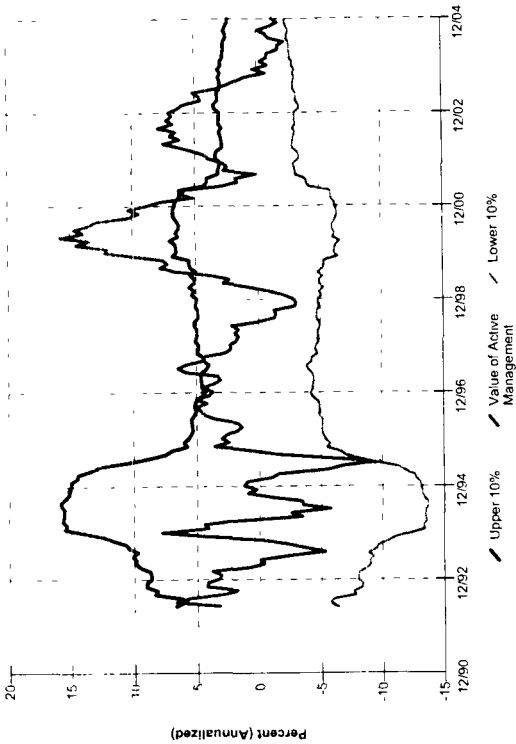
JP Morgan - Rep 1 vs EAFE (ND)

Monthly from period ending December, 1990 to period ending December, 2004 (169 periods)

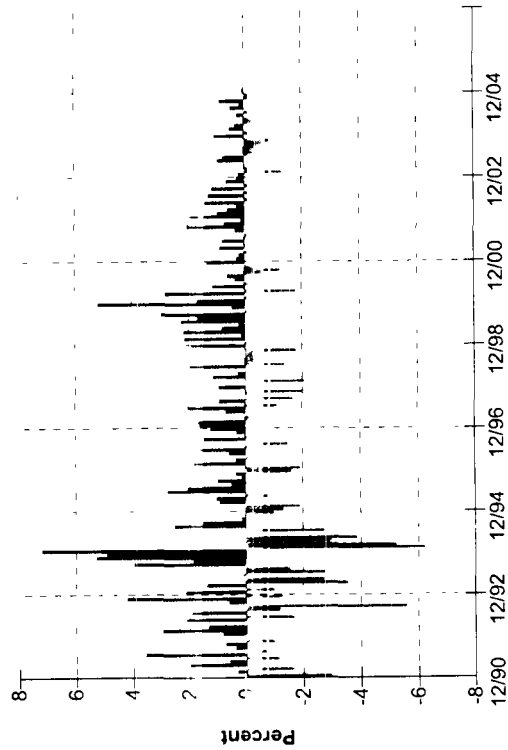
Value of Active Management - Cumulative



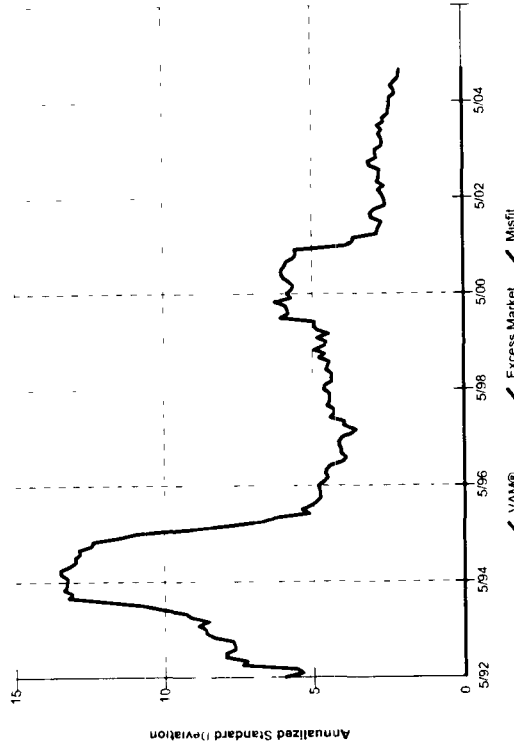
Value of Active Management - Rolling 18 periods



Monthly Returns - Value of Active Management



VAM®/Excess Market/Misfit Risks - Rolling 18 Months



JP Morgan Active Intl Equity

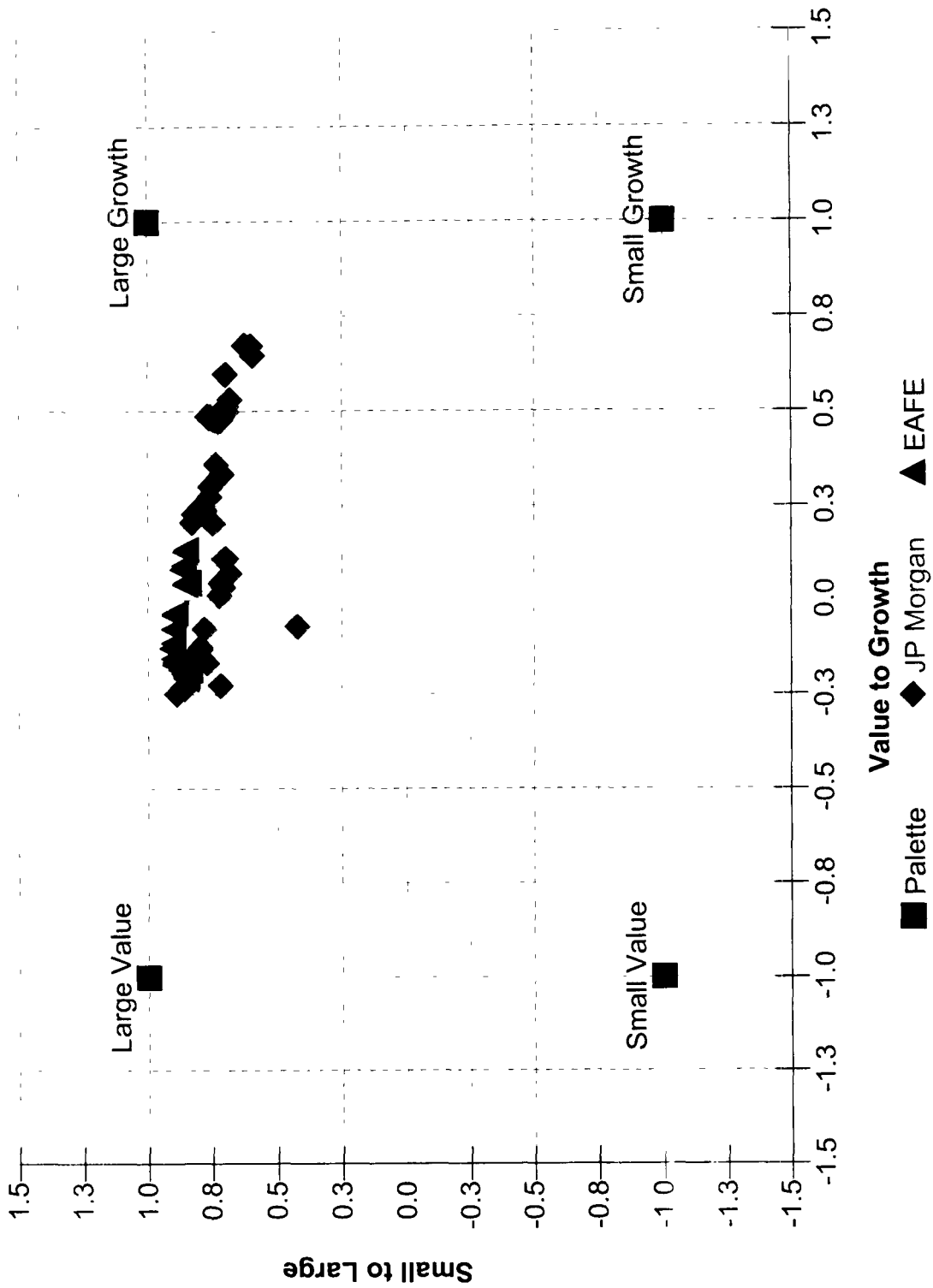
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	87	1116
Price/Book	2.23	2.09
Price/Earnings	15.08	17.35
Price/Cash Earnings	9.50	8.68
Dividend Yield	2.44	2.50
Market Capitalization		
	(US\$m)	(US\$m)
Wtd. Average	\$50,202.826	\$45,161.231
Minimum	\$363.507	\$19.049
Median	\$14,731.435	\$3,132.450
Maximum	\$191,150.888	\$211,772.000
Distribution of Capitalization (US\$m)		
	Wt (%)	Wt (%)
Up To \$100	0.00%	0.00%
\$100 - \$300	0.00%	0.03%
\$300 - \$500	0.02%	0.10%
\$500 - \$1,000	0.18%	0.84%
\$1,000 - \$3,000	2.53%	8.09%
\$3,000 - \$5,000	2.52%	6.90%
\$5,000 - \$10,000	16.09%	14.93%
\$10,000 - \$15,000	15.39%	10.32%
\$15,000 - \$25,000	12.11%	10.42%
\$25,000 - \$50,000	16.82%	18.98%
\$50,000 - \$100,000	15.52%	13.64%
Above \$100,000	18.81%	15.75%
	100.00%	100.00%
Economic Sector Allocation		
	Wt (%)	Wt (%)
Telecom Services	5.43%	7.59%
Consumer Discretionary	9.14%	12.35%
Energy	9.20%	8.05%
Financials	25.94%	27.47%
Health Care	10.05%	7.99%
Industrials	11.89%	9.39%
Materials	9.13%	7.45%
Staples	9.50%	8.10%
Info Technology	8.01%	6.35%
Utilities	1.73%	5.26%
	100.00%	100.00%
Top 10 Holdings		
	Wt (%)	Wt (%)
TOTAL EUR10	4.14	
ENI EUR1	3.62	
VODAFONE GROUP ORD USD0.10	3.40	
HSBC HLDGS USD0.50(HONGKONG REG)	2.87	
GLAXOSMITHKLINE ORD GBP0.25	2.74	
UBS AG CHF0.80(REGD)	2.20	
NOVARTIS AG CHF0.50(REGD)	2.04	
TESCO ORD GBP0.05	2.00	
BARCLAYS ORD GBP0.25	1.89	
NESTLE SA CHF1(REGD)	1.84	
	26.75	

Style (quadrant) graph - MN SBI Interational Search

Salomon Brothers Indices

Using monthly data from period ending January, 1994 to period ending December, 2004 (132 periods, used in groups of 3)



MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: 02/25/2005

Firm's Name: McKinley Capital Management, Inc.

Name of Product: International Growth

Investment Style: Quantitative, Bottom-up

Investment Philosophy:

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.

Investment Process:

Investment ideas are initially generated by our quantitative investment process. The balance of our 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.

Country selection/allocation:

Subject to diversification and risk controls, country weights are a residual of the investment process. Diversification and risk control guidelines include 2 times the country benchmark weight or 10% whichever is greater. In practice, we will be country balanced to the benchmark index.

Sector selection/allocation:

Subject to diversification and risk controls, sector weights are a residual of the investment process. Diversification and risk control guidelines include 2 times the sector benchmark weight or 10% whichever is greater. In practice, we will be sector balanced to the benchmark index.

Stock selection:

Using proprietary quantitative models, we search for and identify signs of accelerating growth. Our initial universe consists of 30,000 publicly traded non U.S. stocks, from all capitalization categories in more than 60 countries. The primary model includes a linear regression model to identify stocks that are inefficiently priced relative to the market while adjusting each security for standard deviation. The ratio of alpha to standard deviation (risk adjusted relative return) is the primary screening value.

The remaining candidates then pass through liquidity and strength of earnings tests. Our earnings test identifies securities with strong earnings acceleration.

In the final portfolio construction process, we examine a variety of qualitative factors which could ultimately impact earnings. These include qualitative data, economic factors, street research overview, and specific industry themes and company fundamentals. The final portfolio will hold between 35-50 stocks, providing diversification and risk control by issue, industry, sector and country.

Portfolio Construction:

Our universe consists of 30,000 non-US publicly traded stocks from all capitalization categories in more than 60 countries. Subject to diversification and risk controls, country/sector weights are a residual of the investment process. In practice, we are country/sector balanced to the index. We run concentrated portfolios of 35-50 securities and seek equal actively weighted positions.

Currency:

We manage unhedged portfolios. The currency decision is a residual of the investment process, but currency impact is an integral factor in the overall investment process. The currency component may be removed should the client employ a currency overlay strategy.

Ownership:

100% employee owned.

McKinley Capital is an independently owned private corporation. In 1998, the firm adopted and implemented an Incentive Stock Option ("ISO") Plan to facilitate future growth by attracting, retaining and rewarding selected employees. The ISO Plan provides a mechanism through the ownership of non-voting stock for succession planning and enhancement of the firm's overall compensation structure. As of 12/31/04, thirty-three professionals participate in the firm's ISO Plan. On a fully diluted basis, these employees hold options to purchase approximately 25% of the firm's common stock. Robert B. Gillam serves in a representative capacity for two separate trusts which presently are the sole shareholders.

Quarter ending 12/31/04:

Firm's total assets under management:	\$6,588 million
Total assets under management in this product:	\$3,318 million
Tax-exempt assets under management in this product:	\$3,278 million
Number of tax-exempt accounts in this product:	17
Number of Portfolio Managers on this product:	7*
Number of Analysts on this product:	6**
Number of Traders on this product:	2

* We employ a team approach to the management of all products. Robert B. Gillam, CIO, oversees the implementation of the investment strategy and process on a firm wide basis. Robert A. (Rob) Gillam, CFA, Portfolio Manager, Director of Global

Equities, oversees portfolio construction and implementation. Each product is assigned to a specified member of the portfolio team who also serves as the primary portfolio/investment contact responsible for security selection and portfolio construction within the confines of McKinley Capital's systematic, disciplined investment process under the oversight of the Chief Investment Officer, and in accordance with the client's investment objectives and guidelines.

- ** Our quantitative research team plays an essential role in the portfolio management process. We do not carry out research in the traditional sense of site visits and meetings with company management. Instead, our dedicated quantitative research staff and systems support the portfolio team by providing them with meaningful investment data, linked and coordinated from a wide variety of sources.

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Type	Dollar Amount (\$M)
Corporate Retirement	608.58
Corporate Retirement	403.36
Sub-Advisory	393.86
Public	372.67
Corporate Retirement	360.85

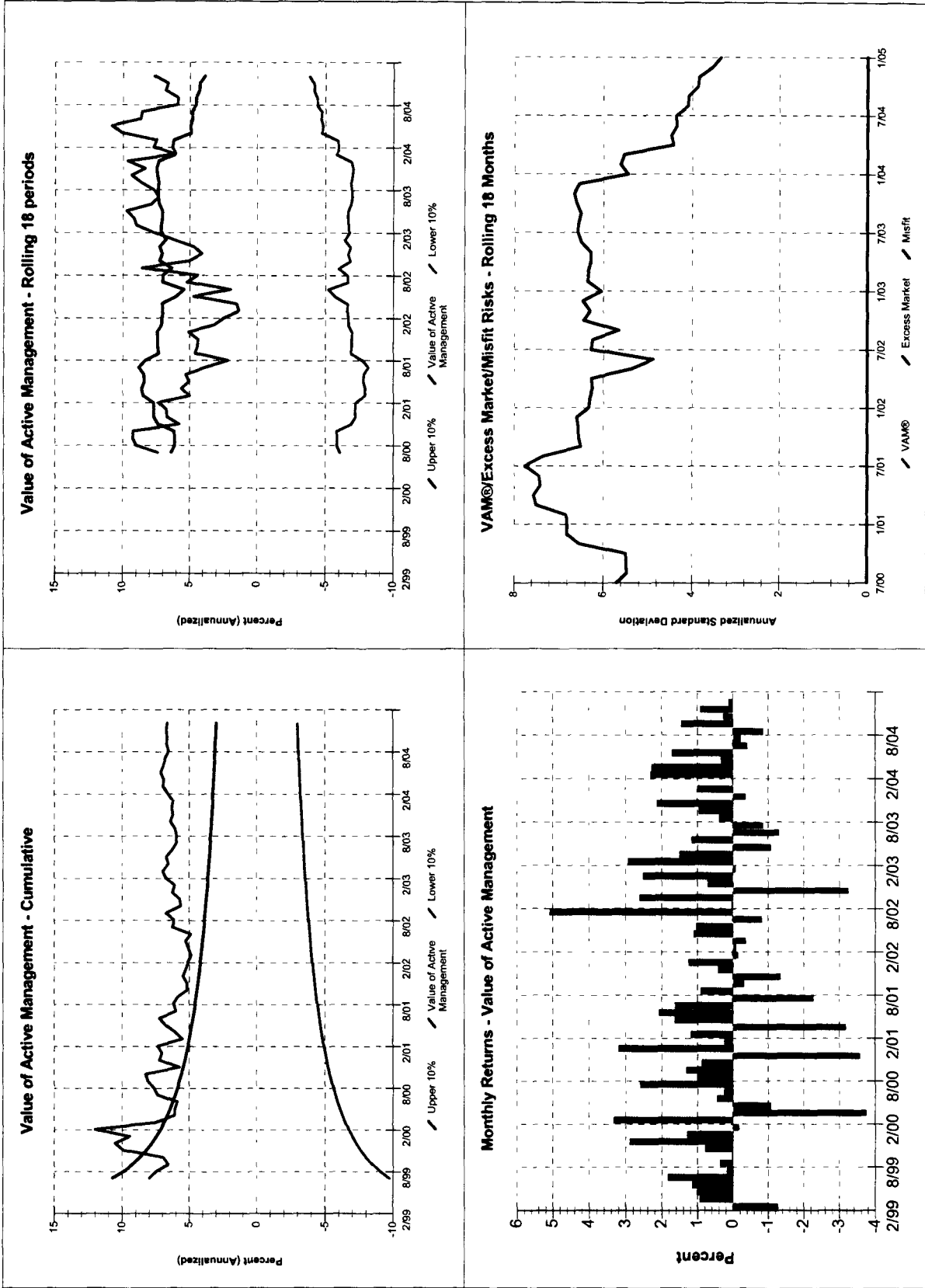
		Investment Manager: MCKINLEY - REP 1		Benchmark: MSCI AC WORLD EX-US FREE Growth (GD)			
		---PORTFOLIO---		---BENCHMARK---		---VAM---	
		Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
99	Q1	-1.15 *		-0.83 *		-0.32 *	
	Q2	7.32		3.12		4.07	
	Q3	3.79		3.20		0.58	
	Q4	33.86	47.38	27.40	34.44	5.07	9.62
00	Q1	2.43		3.16		-0.70	
	Q2	-9.11		-8.78		-0.36	
	Q3	-7.22		-11.65		5.01	
	Q4	-9.25	-21.62	-9.61	-24.85	0.39	4.31
01	Q1	-18.14		-16.65		-1.79	
	Q2	3.70		-1.69		5.48	
	Q3	-18.10		-16.70		-1.68	
	Q4	12.55	-21.76	12.18	-23.43	0.33	2.18
02	Q1	0.20		0.76		-0.55	
	Q2	-1.23		-2.53		1.33	
	Q3	-12.28		-18.69		7.88	
	Q4	6.66	-7.40	6.77	-14.73	-0.10	8.60
03	Q1	-3.07		-7.17		4.42	
	Q2	15.62		17.03		-1.20	
	Q3	7.99		7.45		0.50	
	Q4	18.79	43.77	15.58	34.91	2.78	6.57
04	Q1	9.32		4.45		4.66	
	Q2	-0.65		-2.25		1.64	
	Q3	0.10		-0.28		0.38	
	Q4	16.49	26.65	14.99	17.07	1.31	8.18
Latest							
1 yr			26.65		17.07		8.18
3 yr			19.02		10.43		7.78
5 yr			0.67		-4.97		5.94
Cumulative 9902-0412			7.38		0.70		6.64
Std Dev			18.24		17.36		5.57
Info Ratio							1.19

*First Quarter 1999 has two months of performance, February & March

VAM® Graphs - MN SBI Active Developed Markets Search

McKinley vs AC WORLD EX-US FREE Growth (GD)

Monthly from period ending February, 1999 to period ending December, 2004 (71 periods)



Richards & Tierney Rate of Return Toolbox

McKinley Active Intl Equity

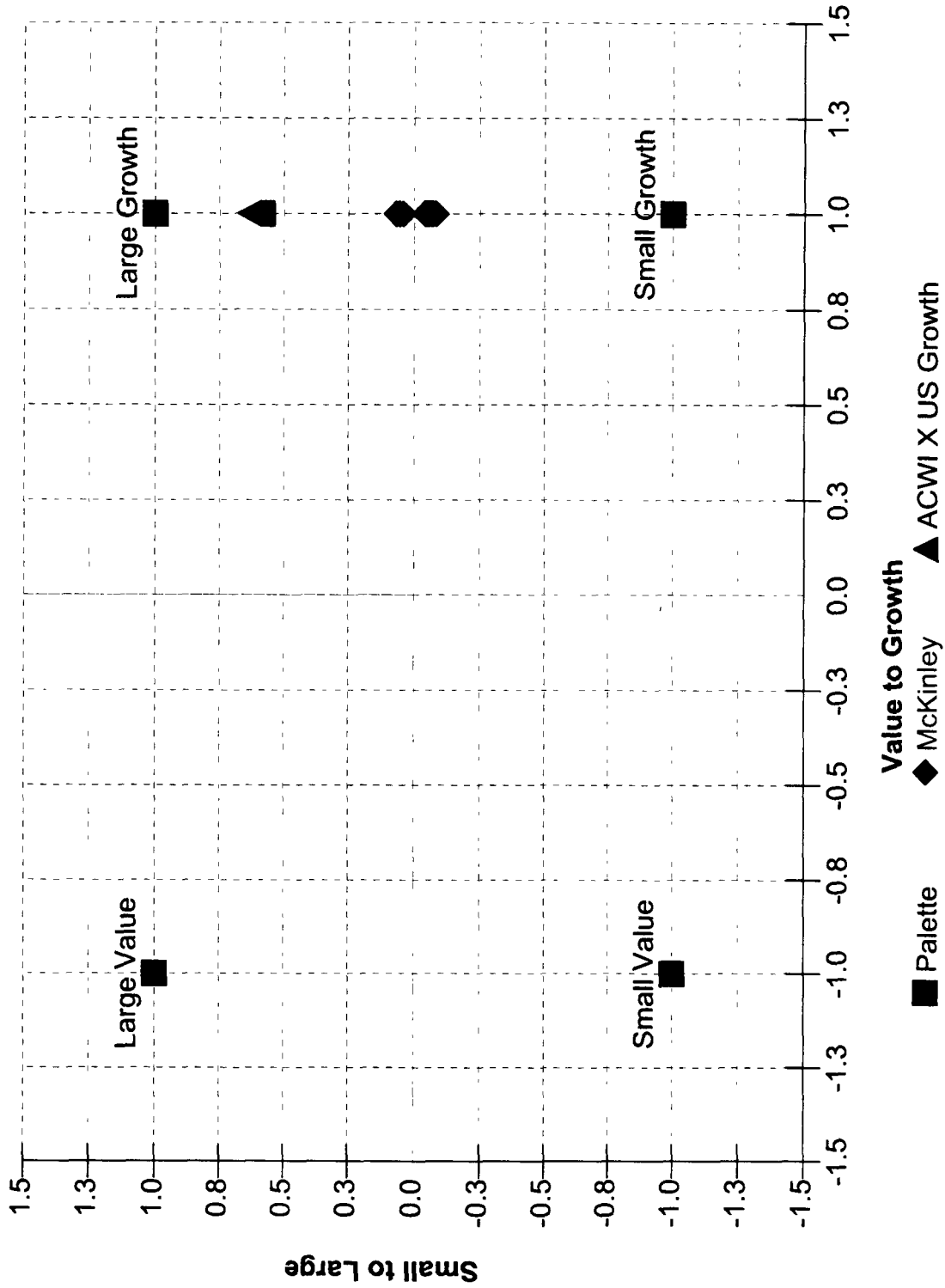
as of December 31, 2004

Characteristic	Actual	EAFE plus Canada
Number of securities in portfolio	48	1210
Price/Book	2.91	2.10
Price/Earnings	21.06	17.34
Price/Cash Earnings	10.32	8.69
Dividend Yield	1.64	2.43
Market Capitalization	(US\$mm)	(US\$mm)
Wtd. Average	\$28,559.841	\$43,413.923
Minimum	\$1,198.527	\$4.550
Median	\$9,105.657	\$3,262.022
Maximum	\$138,189.957	\$211,772.000
Distribution of Capitalization (US\$mm)	Wt (%)	Wt (%)
Up To \$100	0.00%	0.00%
\$100 - \$300	0.00%	0.03%
\$300 - \$500	0.00%	0.09%
\$500 - \$1,000	0.00%	0.81%
\$1,000 - \$3,000	12.61%	8.22%
\$3,000 - \$5,000	6.65%	6.91%
\$5,000 - \$10,000	31.14%	15.15%
\$10,000 - \$15,000	11.24%	10.63%
\$15,000 - \$25,000	9.50%	11.37%
\$25,000 - \$50,000	10.80%	19.19%
\$50,000 - \$100,000	9.32%	12.81%
Above \$100,000	8.74%	14.79%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	10.69%	7.27%
Consumer Discretionary	13.57%	11.94%
Energy	8.23%	8.86%
Financials	14.89%	28.11%
Health Care	13.59%	7.57%
Industrials	9.69%	9.20%
Materials	6.99%	7.99%
Staples	8.78%	7.83%
Info Technology	13.58%	6.26%
Utilities	0.00%	4.97%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
MITSUBISHI TOKYO F NPV	3.82	
ROCHE HLDGS AG GENUSSSCHEINE NPV	3.46	
RECKITT BENCKISER ORD GBP0.105263	3.16	
TELEFONICA SA EUR1	2.99	
ANGLO IRISH BANK ORD EUR0.32(DUBLIN LISTING)	2.89	
SIEMENS AG NPV(REGD)	2.87	
ERICSSON(LM)TEL SEK1 SER'B'	2.86	
BOUYGUES EUR1	2.81	
LAGARDERE SCA EUR6.10(REGD)	2.76	
NOVARTIS AG CHF0.50(REGD)	2.73	
	30.35	

Style (quadrant) graph - MN SBI Interational Search

Salomon Brothers Indices

Using monthly data from period ending March, 2002 to period ending December, 2004 (34 periods, used in groups of 3)



Tab E

COMMITTEE REPORT

DATE: May 31, 2005

TO: Members, State Board of Investment

FROM: **Members, International Equity Enhanced Developed Markets Index
Manager Search Committee**

An international equity enhanced developed markets index manager search was conducted as a result of the decision by the Minnesota State Board of Investment (SBI), at its September 2003 meeting, to add up to a 10% allocation of the International Equity Program to enhanced index management. This decision was made as a result of the recommendations from the 2003 Asset Allocation Committee review. Since the September 2003 SBI meeting, the Board, IAC and Staff have been focused on several Domestic Equity searches that are now complete and funded.

The Search Committee met on April 7th, 2005 to select enhanced developed markets index managers to interview as candidates for the International Equity Program. The members of the Search Committee included:

Name	Representing
Peter Sausen	Governor Pawlenty
Carla Heyl	State Auditor Anderson
Alberto Quintela	Secretary of State Kiffmeyer
Christie Eller	State Attorney General Hatch
John Bohan	Investment Advisory Council
Kerry Brick	Investment Advisory Council

Process

To initiate this search, Staff requested information from 12 enhanced developed markets index managers. The number of firms offering enhanced developed markets index products with sufficient assets under management to be considered by the SBI is more limited than in other asset classes. The prospective managers came from Staff recommendations, as well as recommendations from Richard's & Tierney and others. Staff also screened databases seeking candidates with sufficient return history, assets under management, and an acceptable risk and return profile relative to the MSCI developed markets index. Each of these candidates was asked to respond to a questionnaire, provide a monthly return history for its composite and five separate accounts, and provide monthly country weights and country returns for a representative account.

Staff reviewed each manager's response to the questionnaire and eliminated the managers that do not fit the SBI's needs. Important considerations included investment philosophy and process, organizational and investment team stability, and composition of the firm's client base. Staff also looked for risk awareness and presence of appropriate risk controls. Richards & Tierney provided portfolio analysis for each candidate.

The Search Committee interviewed five prospective candidates on May 3rd, 2005. Based on the interviews, questionnaire responses, and other information provided, the Search Committee recommends that three (3) firms be retained by the SBI in the International Equity Program. Information regarding each of the recommended prospective firms is provided starting on page 3 of this Tab.

RECOMMENDATION:

The International Equity Enhanced Developed Markets Index Manager Search Committee recommends that the following firms be retained for the International Equity Program:

Active Developed Markets Managers	Location of Investment Team
AQR	Greenwich, CT
Fidelity (Int'l Select)	Boston, MA
SSgA (Int'l Alpha)	Boston, London, Paris, Sydney, Hong Kong and Tokyo

The Search Committee further recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a contract with each firm.

MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February 22, 2005

Firm's Name: AQR Capital Management

Name of Product: Global Equity

Investment Style:

Both top-down country/currency allocation and bottom-up security selection.

Investment Philosophy:

Our investment philosophy is based on the fundamental concepts of value and momentum. Value investing is simply buying cheap securities and selling expensive ones. Momentum investing is simply buying securities that are getting better and selling ones getting worse. We apply both concepts through the use of numerous proprietary indicators across many markets. We consider ourselves fundamental investors who use quantitative models to maintain diversified portfolios that are overweight cheap securities with good momentum and underweight expensive securities with poor momentum. We believe that applying this basic valuation and momentum philosophy across multiple strategies and markets, putting tremendous effort into minimizing transactions costs, and incorporating disciplined risk-control will lead to attractive long-term results.

Investment Process:

AQR employs a disciplined approach emphasizing both top-down country/currency allocation and bottom-up security selection decisions to generate excess returns. We utilize a set of valuation and momentum factors to generate an aggregate baseline long/short portfolio within each model that reflects the views inherent in that model's underlying factors. Our global equity process uses both halves of this long/short portfolio, but applies the information in a constrained fashion, resulting in over and underweight securities relative to the benchmark.

Country selection/allocation:

Our equity country selection strategy seeks to identify differences in expected returns across global equity markets and then tactically over and under weight the portfolio's exposure to up to 13 developed equity markets. The strategy only makes relative country assessments and takes no view on the absolute attractiveness of global equity markets as a whole (i.e., it avoids market timing). A mix of fundamental and technical factors is considered for all markets. Fundamental factors such as valuation and yield vs interest rates account for roughly half the weight in the model. The

balance is spread over various momentum/growth/catalyst factors including price momentum and analyst estimate revisions. Some of the signals/factors used include:

Valuation	Momentum
B/P	Price and Earnings momentum
E/P	Interest Rate Momentum
Equity Yield vs. Interest Rates:	FX Momentum
CF/P, Div yld and E/P vs. Lcl short rts	Earnings Estimate Revisions

This strategy is generally implemented with country index futures (which provide country exposure in a currency hedged manner).

Sector selection/allocation:

Industry selection view – each industry is ranked relative to how its industry average investment signal compares to the other industries in a particular region. Industry classifications for each region (U.S., Europe, United Kingdom, and Japan) are based in part on the BARRA risk model for that region along with proprietary enhancements and overrides. Inter-industry views explicitly make bets on industries as a whole. Approximately 15-25% of each model is based on industry/sector views. The major themes (composites) represented include industry value, momentum and earnings growth. The industry momentum theme receives the majority of the weight in the model, due to the better comparability of momentum across industries.

Our process gives more weight to intra-industry views than inter-industry views due to the better comparability of factors within industries versus across industries. Long-term historical evidence supports this intuition. The intra- and inter-industry composites are combined within each region to arrive at an overall portfolio and the regions are then combined at roughly capitalization weights.

Stock selection:

We utilize separate regional stock selection strategies to over and underweight individual stocks relative to the benchmark. The regional models use similar investment signals, but with small variations in factor weights. The process reflects our fundamental philosophy of value and momentum and captures a wide variety of both security and industry selection indicators.

We see the world in “views”, which are simply long/short portfolios normally containing every stock in the investment universe. The stocks in the view are arrayed from most to least attractive on that particular investment signal and the portfolio weights are assigned to reflect each stock’s degree of attractiveness. Each view has an associated forecasted volatility (as measured using the relevant BARRA country/region risk model) that is used when combined with other factors. There are two main types of views, one is used to select stocks within an industry and the other is used to select industries within a region.

Stock selection view – each stock is ranked on its raw investment signal relative to its industry’s average investment signal. Stock selection views are designed to be approximately industry-neutral. These views account for 75-85% of the model weight as we believe the investment signals used perform significantly better when measured industry relative than when measured either raw or across industries. The following major themes – representing multiple factors – are employed in AQR’s models:

Valuation Measures

Price and Fundamental Momentum

Sentiment

Earnings Quality

Sustainable Growth

Portfolio Construction:

Approximately 90% of the final portfolio typically consists of underlying equity securities that are held roughly in proportion to the country allocations in the benchmark. Approximately 10% of the final portfolio is in cash; this allocation represents margin to collateralize equity index futures and FX forwards in the country and currency overlays. We use futures to tactically overweight and underweight country stock markets as opposed to using physicals, as futures are significantly cheaper to trade. We employ currency forwards to tactically adjust foreign currency exposure.

Currency:

Our global currency selection strategy seeks to identify differences in expected returns across global currencies and based on these differences, tactically over and under weight the portfolio’s exposure in eleven developed market currencies. We believe that “purchasing power parity” holds over time, but it and other currency valuation indicators must be pursued in a highly diversified manner (i.e., PPP can deviate for any one currency for a very long time) and in combination with a diverse set of momentum/catalyst variables that prevent a “value trap” from occurring. We also believe that tactical opportunities exist, as currencies are predictable over shorter horizons.

Ownership:

AQR is majority owned by its principals who are also full-time employees of the firm. In November 2004, Affiliated Managers Group (NYSE: AMG) purchased a modest minority stake in AQR. AQR principals/employees continue to own the majority of AQR (i.e., greater than 75%) and maintain independence of the investment process and the management of the firm.

Quarter ending 12/31/04:

Firm's total assets under management:	\$12 billion
Total assets under management in this product:	\$4.5 billion
Tax-exempt assets under management in this product:	\$4.1 billion
Number of tax-exempt accounts in this product:	11
Number of Portfolio Managers on this product:	3
Number of Analysts on this product:	29*
Number of Traders on this product:	29*

* Please note that we do not distinguish between analysts and traders.

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Type	Market Value
Corporation	\$1.1 billion
Public	\$900 million
Sub-advised	\$600 million
Endowment	\$300 million
Corporation	\$300 million

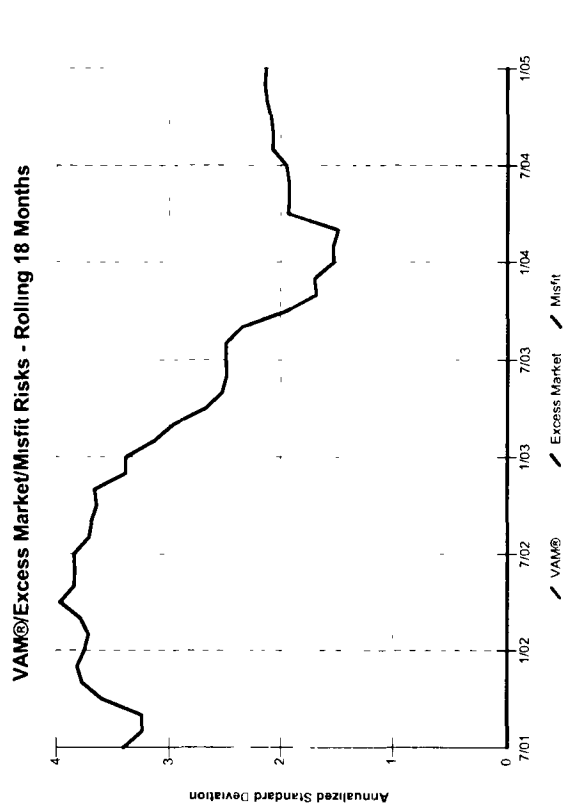
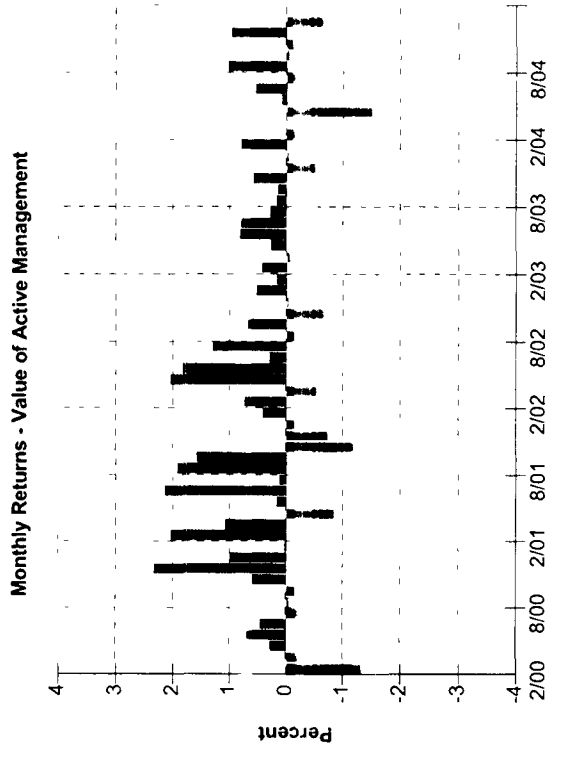
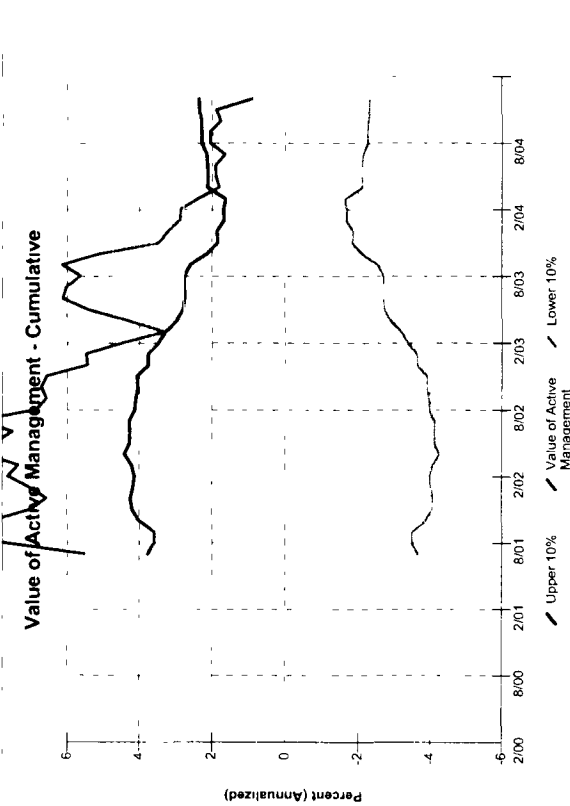
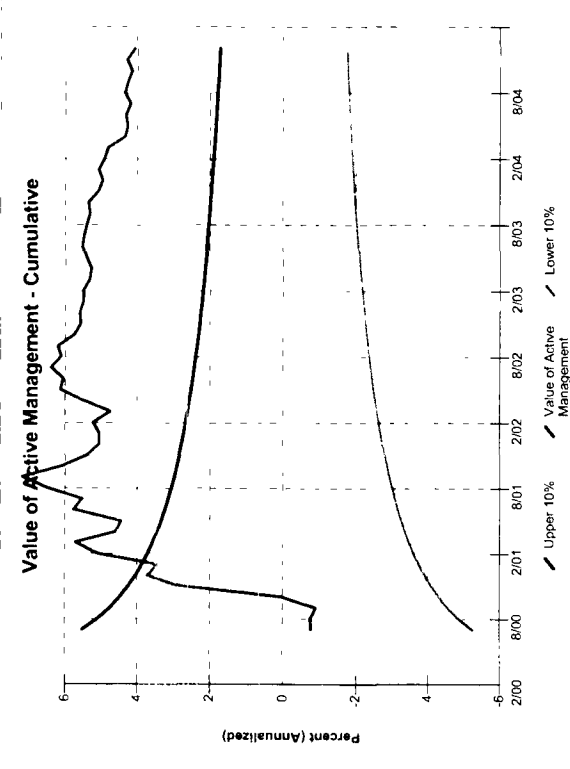
Investment Manager: AQR - Rep 1						
Benchmark: MSCI EAFE						
	---PORTFOLIO---		---BENCHMARK---		---VAM---	
	Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
00 Q1	5.03 *		6.67 *		-1.54 *	
Q2	-2.55		-3.96		1.47	
Q3	-8.53		-8.07		-0.50	
Q4	1.22	-5.23	-2.68	-8.34	4.01	3.39
01 Q1	-10.95		-13.71		3.19	
Q2	0.40		-1.04		1.46	
Q3	-10.83		-14.00		3.69	
Q4	4.73	-16.50	6.97	-21.44	-2.10	6.29
02 Q1	1.11		0.51		0.60	
Q2	2.04		-2.12		4.25	
Q3	-18.25		-19.73		1.85	
Q4	6.28	-10.36	6.45	-15.94	-0.16	6.64
03 Q1	-7.70		-8.21		0.56	
Q2	21.56		19.27		1.92	
Q3	8.80		8.13		0.62	
Q4	17.08	42.92	17.08	38.59	0.00	3.13
04 Q1	4.98		4.34		0.61	
Q2	-0.66		0.22		-0.87	
Q3	0.51		-0.28		0.79	
Q4	15.51	21.09	15.32	20.25	0.17	0.70
Latest						
1 yr		21.09		20.25		0.70
3 yr		15.76		11.89		3.46
5 yr		N/A		N/A		N/A
Cumulative 0002-0412		4.26		0.17		4.08
Std.Dev		15.09		15.96		2.93
Info Ratio						1.39

*First Quarter 2000 includes two months of performance, February and March.

VAM® Graphs - MN SBI Active Developed Markets Search

AQR vs EAFA (ND)

Monthly from period ending February, 2000 to period ending December, 2004 (59 periods)



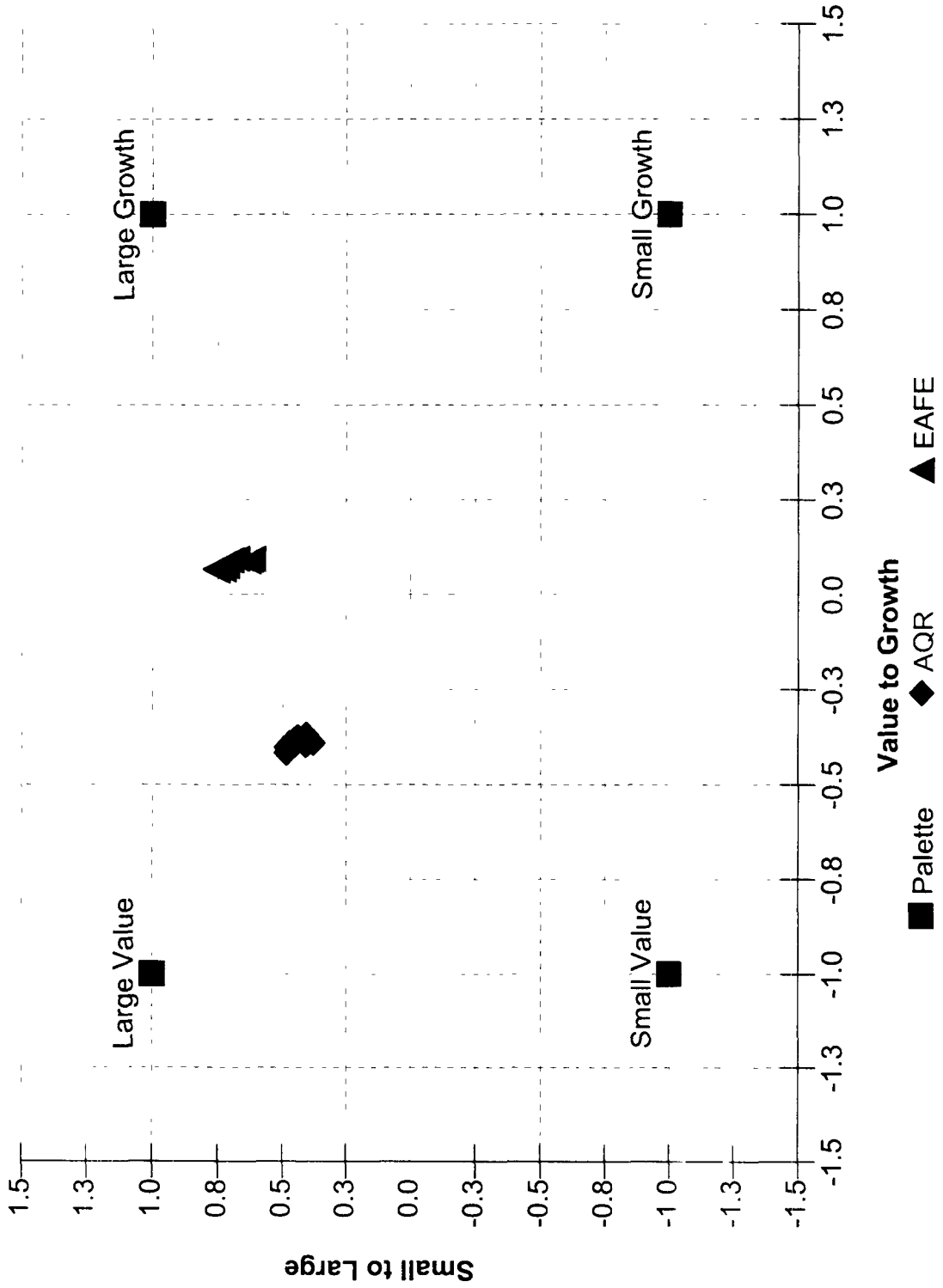
AQR
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	557	1116
Price/Book	1.91	2.09
Price/Earnings	15.71	17.35
Price/Cash Earnings	7.64	8.68
Dividend Yield	2.64	2.50
Market Capitalization	(US\$mm)	(US\$mm)
Wtd. Average	\$39,634.028	\$45,161.231
Minimum	\$56.447	\$19.049
Median	\$4,463.885	\$3,132.450
Maximum	\$211,772.000	\$211,772.000
Distribution of Capitalization (US\$mm)	Wt (%)	Wt (%)
Up To \$100	0.01%	0.00%
\$100 - \$300	0.15%	0.03%
\$300 - \$500	0.27%	0.10%
\$500 - \$1,000	2.36%	0.84%
\$1,000 - \$3,000	15.99%	8.09%
\$3,000 - \$5,000	8.76%	6.90%
\$5,000 - \$10,000	13.63%	14.93%
\$10,000 - \$15,000	9.07%	10.32%
\$15,000 - \$25,000	6.71%	10.42%
\$25,000 - \$50,000	16.57%	18.98%
\$50,000 - \$100,000	13.54%	13.64%
Above \$100,000	12.92%	15.75%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	6.79%	7.59%
Consumer Discretionary	15.66%	12.35%
Energy	8.01%	8.05%
Financials	27.84%	27.47%
Health Care	6.60%	7.99%
Industrials	12.24%	9.39%
Materials	8.51%	7.45%
Staples	4.90%	8.10%
Info Technology	4.80%	6.35%
Utilities	4.66%	5.26%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
BP ORD USD0.25	2.14	
HSBC HLDGS ORD USD0.50(UK REG)	1.91	
VODAFONE GROUP ORD USD0.10	1.79	
TOTAL EUR10	1.56	
TELEFONICA SA EUR1	1.54	
UBS AG CHF0.80(REGD)	1.42	
BNP PARIBAS EUR2	1.38	
TOYOTA MOTOR CORP NPV	1.38	
GLAXOSMITHKLINE ORD GBP0.25	1.30	
BARCLAYS ORD GBP0.25	1.28	
	15.70	

Style (quadrant) graph - MN SBI International Search

AQR

Using monthly data from period ending March, 2002 to period ending February, 2005 (36 periods, used in groups of 3)



MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February 22, 2005

Firm's Name: Fidelity Management Trust Company (FMTC)

Name of Product: Select International

Investment Style:

Bottom-up fundamental, risk-controlled core, style neutral

Investment Philosophy:

Our investment philosophy is based on the premise that international markets are semi-efficient and pricing anomalies exist. This is evident in the frequent revisions of forecasts following company earnings results, announcements, profit warnings, and in the variation of forecasts among market participants.

The strategy seeks to exploit these inefficiencies through bottom-up stock selection based on fundamental company research, implemented within a framework of quantitative risk control.

By combining active, bottom-up stock selection with quantitative risk controls, the portfolio manager seeks to achieve a highly efficient portfolio that delivers consistent excess return with low tracking error.

Investment Process:

The portfolio manager uses proprietary and third-party optimization models to create a risk-controlled portfolio comprising Fidelity's best fundamental stock ideas. Constraints on the portfolio's active positions relative to the benchmark at the country, industry group, and individual security level ensure stock selection is the primary contributor to active return and risk.

Country selection/allocation:

The portfolio is region neutral relative to the benchmark and country weights are maintained within ± 3.0 percentage points of the benchmark weight. Active under/over weights by country within Europe ex UK and Pacific ex Japan regions are a residual of the security selection process.

Sector selection/allocation:

The industry group (as defined by MSCI's classification of 24 industry groups) allocation is constrained to within ± 2.5 percentage points of the benchmark weight. Active under/over weights by industry group are a residual of the stock selection process.

Stock selection:

The portfolio manager constructs five regional modules that are combined in proportion to the benchmark's regional weights. Using proprietary and third-party optimization models, he controls risk within each regional module and makes buy and sell decisions as appropriate to realign the portfolio with the benchmark.

Quantitative models are used to capture the highest-rated stocks that will result in a regional portfolio with the targeted tracking error and alpha. The process starts with those stocks in which the analysts have the highest degree of conviction, namely those the analysts rate a "1" and are included in the analyst-managed industry portfolios. The quantitative models are re-run until the regional portfolios satisfy all risk constraints.

The portfolio will contain buy-rated stocks and some stocks rated as a hold or even a sell. The latter will be held for risk control purposes only and are always underweight relative to their weighting in the benchmark.

Portfolio Construction:

Regional sub-portfolios are constructed using quantitative models and are combined in direct proportion to the regional weights of the international benchmark. Security, industry group, and country active weights are constrained to achieve targeted risk/reward objectives. The result is a well-diversified portfolio that achieves consistent incremental returns through active stock selection.

Currency:

Currency exposure is limited to the value of the underlying securities. The portfolio manager does not engage in currency hedging, or use forward contracts, or options. In the portfolio construction process, currency exposures are neutralized by adopting the same regional weights as the benchmark.

Ownership:

FMTC is a wholly owned subsidiary of FMR Corp., working very closely with Fidelity Management & Research Company (FMR Co.), the investment management division of Fidelity. FMR Corp. is fully owned by active employees (51%) and the founding Johnson family (49%). Fidelity's ownership has been consistent since its founding and no ownership changes are anticipated in the future. Private ownership has provided Fidelity with a stable platform to pursue long-term business goals.

Quarter ending 12/31/04:

Firm's total assets under management (\$M):	<u>\$102,344.01</u>
Total assets under management in this product(\$M):	<u>\$ 14,955.31 *</u>
Tax-exempt assets under management in this product(\$M):	<u>\$ 13,025.96 *</u>
Number of tax-exempt accounts in this product:	<u>43</u>
Number of Portfolio Managers on this product:	<u>1</u>
Number of Analysts** on this product:	<u>100</u>
Number of Traders on this product:	<u>26</u>

**Analysts also includes Associates

*Includes assets managed in EAFE, regional, and global mandates.

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

The following table provides the five largest tax-exempt separate accounts managed in EAFE mandates:

Client Type	Size of Account (\$ mil)	Inception Date
Public Plan	\$937.00	12/1/2004
Corporate Client	\$515.45	9/1/2000
Public Plan	\$328.53	6/27/2000
Public Plan	\$289.39	8/4/2003
Corporate Client	\$274.98	2/12/2003

Investment Manager: FIDELITY EAFE - REP 3
Benchmark: MSCI EAFE

	---PORTFOLIO---		---BENCHMARK---		-----VAM-----	
	Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
89 Q3	1.04 *		-0.15 *		1.19 *	
Q4	3.15	4.23	4.53	4.37	1.32	-0.14
90 Q1	-18.32		-19.77		1.81	
Q2	8.82		9.55		0.67	
Q3	-20.94		-21.20		0.33	
Q4	3.48	-27.28	10.53	-23.45	-6.38	-5.01
91 Q1	6.95		7.43		0.45	
Q2	-5.28		-5.46		0.19	
Q3	7.29		8.57		1.18	
Q4	-0.34	8.33	1.68	12.13	1.98	-3.39
92 Q1	-8.22		-11.87		4.14	
Q2	5.27		2.11		3.09	
Q3	-4.97		1.51		6.39	
Q4	-4.80	-12.59	-3.86	-12.17	0.97	-0.47
93 Q1	13.62		11.99		1.46	
Q2	10.37		10.06		0.28	
Q3	9.65		6.63		2.83	
Q4	-1.11	35.97	0.86	32.56	1.96	2.57
94 Q1	5.84		3.50		2.27	
Q2	4.86		5.11		0.24	
Q3	-0.05		0.10		0.14	
Q4	-1.69	9.05	-1.02	7.78	0.68	1.18
95 Q1	1.08		1.86		0.77	
Q2	2.15		0.73		1.42	
Q3	5.70		4.17		1.47	
Q4	3.40	12.85	4.05	11.21	-0.63	1.47
96 Q1	2.95		2.89		0.06	
Q2	3.09		1.58		1.48	
Q3	0.22		-0.13		0.35	
Q4	2.41	8.93	1.59	6.05	0.81	2.71
97 Q1	-0.06		-1.57		1.53	
Q2	14.55		12.98		1.39	
Q3	0.70		-0.70		1.41	
Q4	-7.82	6.27	-7.83	1.78	0.01	4.41
98 Q1	15.24		14.71		0.46	
Q2	2.69		1.06		1.61	
Q3	-16.44		-14.21		2.59	
Q4	20.37	19.03	20.66	20.00	-0.24	-0.81
99 Q1	2.80		1.39		1.39	
Q2	4.42		2.54		1.83	
Q3	5.46		4.39		1.03	
Q4	20.86	36.82	16.99	26.96	3.32	7.76
00 Q1	1.09		-0.11		1.20	
Q2	-4.35		-3.96		0.40	
Q3	-6.32		-8.07		1.90	
Q4	-3.36	-12.46	-2.68	-14.17	0.70	1.99

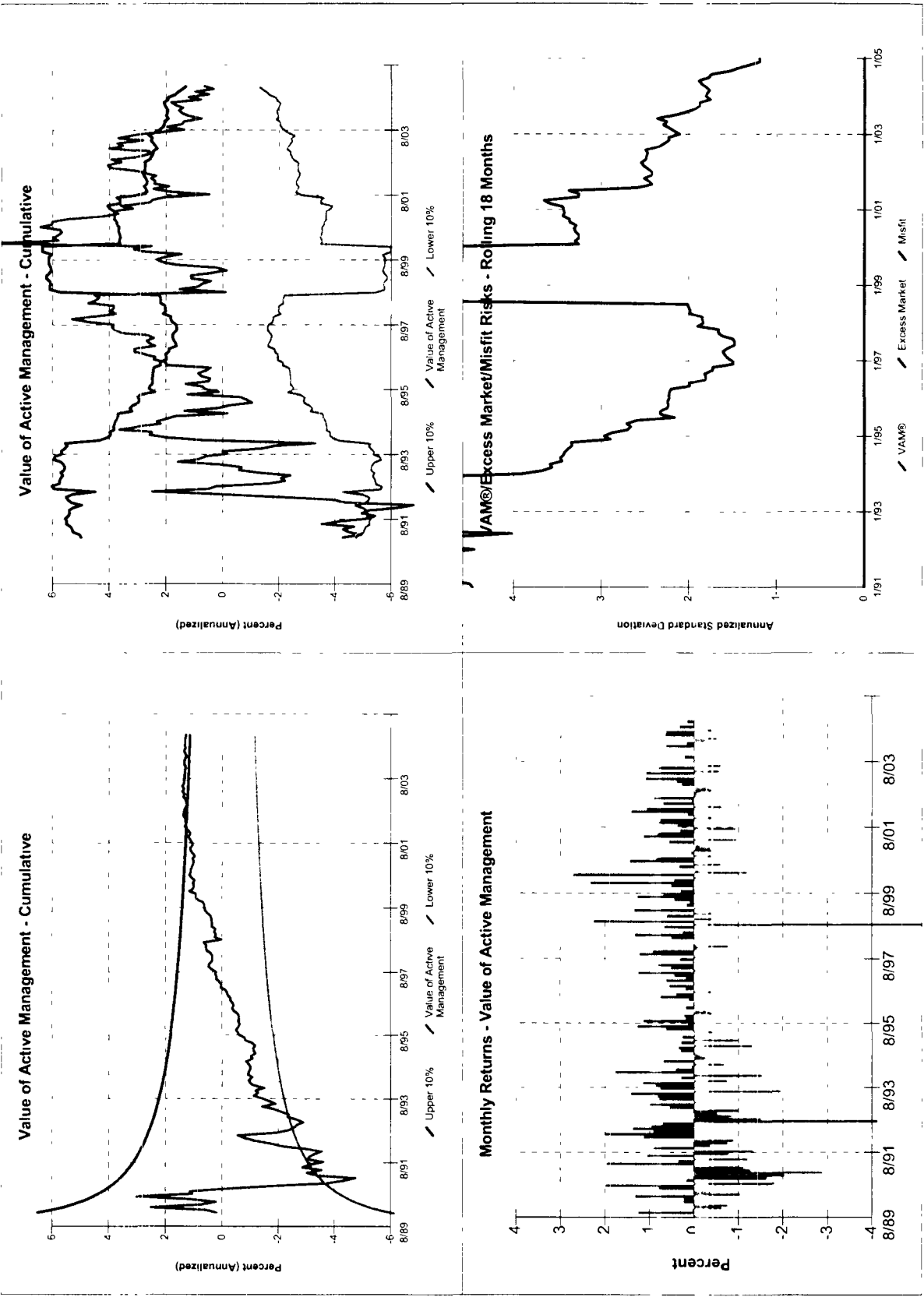
	---PORTFOLIO---		---BENCHMARK---		---VAM---	
	Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
01 Q1	-14.20		-13.71		-0.57	
Q2	1.23		-1.04		2.30	
Q3	-13.80		-14.00		0.23	
Q4	7.43	-19.57	6.97	-21.44	0.43	2.39
02 Q1	2.35		0.51		1.83	
Q2	-0.48		-2.12		1.67	
Q3	-20.24		-19.73		-0.64	
Q4	6.82	-13.22	6.45	-15.94	0.35	3.23
03 Q1	-6.50		-8.21		1.87	
Q2	18.86		19.27		-0.34	
Q3	8.15		8.13		0.02	
Q4	16.92	40.53	17.08	38.59	-0.13	1.40
04 Q1	4.91		4.34		0.55	
Q2	0.96		0.22		0.74	
Q3	-0.38		-0.28		-0.11	
Q4	15.19	21.55	15.32	20.25	-0.11	1.08
Latest						
1 yr		21.55		20.25		1.08
3 yr		14.02		11.89		1.90
5 yr		0.86		-1.13		2.02
Cumulative 8908 - 0412		5.74		4.40		1.28
Std.Dev		17.22		16.75		3.47
Info. Ratio						0.37

*Third Quarter 1989 includes two months of performance, August and September.

VAM® Graphs - MN SBI Active Developed Markets Search

Fidelity EAFE Rep 3 vs EAFE (ND)

Monthly from period ending August, 1989 to period ending December, 2004 (185 periods)



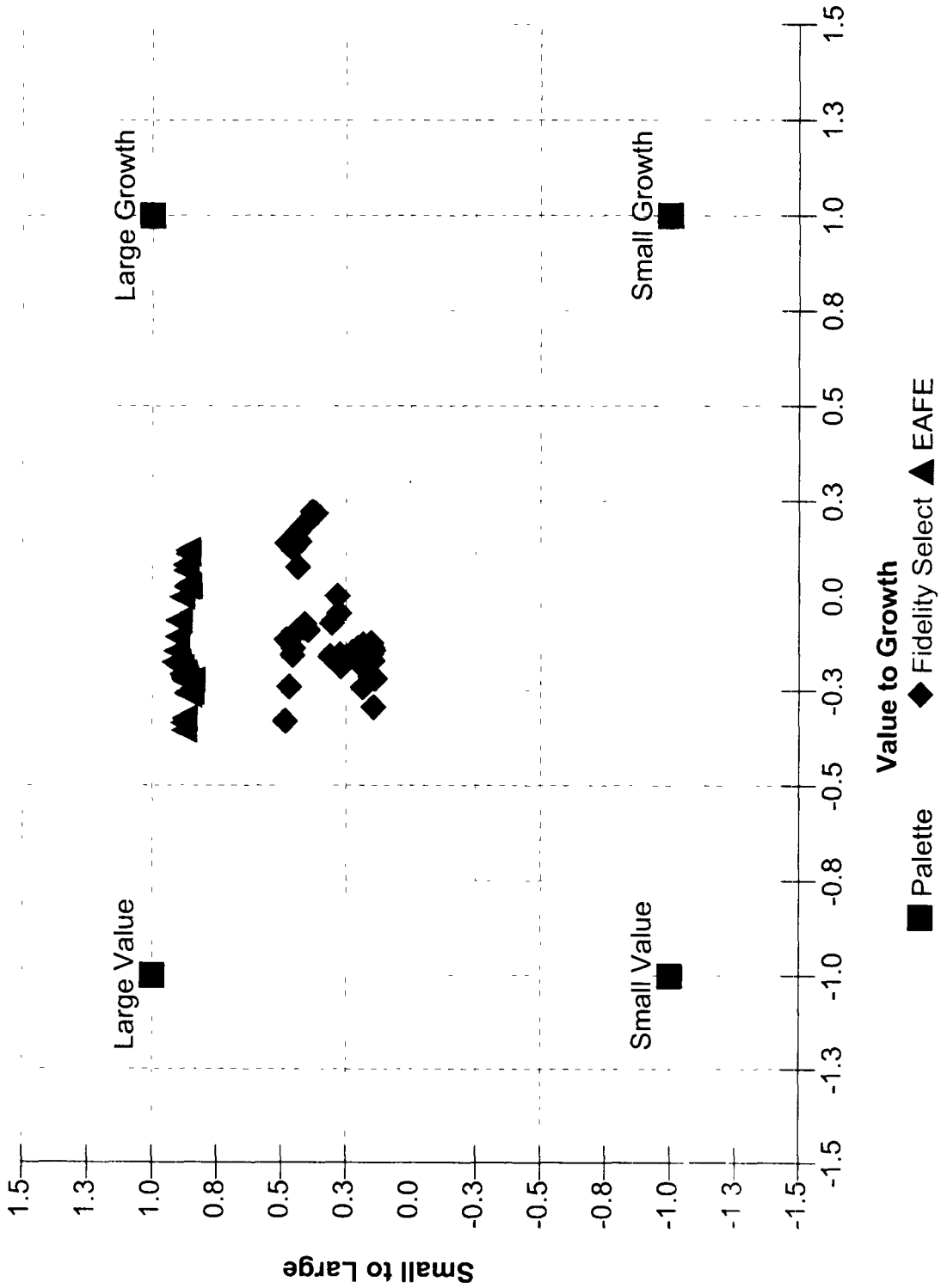
Fidelity Investments
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	277	1116
Price/Book	2.20	2.09
Price/Earnings	17.54	17.35
Price/Cash Earnings	9.09	8.68
Dividend Yield	2.25	2.50
Market Capitalization	(US\$mm)	(US\$mm)
Wtd. Average	\$44,464.880	\$45,161.231
Minimum	\$140.839	\$19.049
Median	\$8,222.339	\$3,132.450
Maximum	\$211,772.000	\$211,772.000
Distribution of Capitalization (US\$mm)	Wt (%)	Wt (%)
Up To \$100	0.00%	0.00%
\$100 - \$300	0.08%	0.03%
\$300 - \$500	0.51%	0.10%
\$500 - \$1,000	1.43%	0.84%
\$1,000 - \$3,000	10.58%	8.09%
\$3,000 - \$5,000	5.74%	6.90%
\$5,000 - \$10,000	17.88%	14.93%
\$10,000 - \$15,000	8.81%	10.32%
\$15,000 - \$25,000	9.97%	10.42%
\$25,000 - \$50,000	15.63%	18.98%
\$50,000 - \$100,000	13.45%	13.64%
Above \$100,000	15.92%	15.75%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	7.27%	7.59%
Consumer Discretionary	14.17%	12.35%
Energy	8.63%	8.05%
Financials	27.87%	27.47%
Health Care	8.20%	7.99%
Industrials	8.97%	9.39%
Materials	7.05%	7.45%
Staples	6.81%	8.10%
Info Technology	6.83%	6.35%
Utilities	4.20%	5.26%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
BP ORD USD0.25	2.70	
VODAFONE GROUP ORD USD0.10	2.48	
HSBC HLDGS ORD USD0.50(UK REG)	2.21	
TOTAL EUR10	1.85	
NOVARTIS AG CHF0.50(REGD)	1.58	
TOYOTA MOTOR CORP NPV	1.55	
ENI EUR1	1.48	
ROCHE HLDGS AG GENUSSSCHEINE NPV	1.30	
TELEFONICA SA EUR1	1.23	
ROYAL BK SCOT GRP ORD GBP0.25	1.23	
	17.59	

Style (quadrant) graph - MN SBI International Search

Fidelity Select

Using monthly data from period ending September, 1991 to period ending December, 2004 (160 periods, used in groups of 3)



MINNESOTA STATE BOARD OF INVESTMENT
SUMMARY INFORMATION

Date of response submission: February 18, 2005

Firm's Name: State Street Global Advisors (SSgA)

Name of Product: International Alpha

Investment Style: Core/Bottom-up

Investment Philosophy:

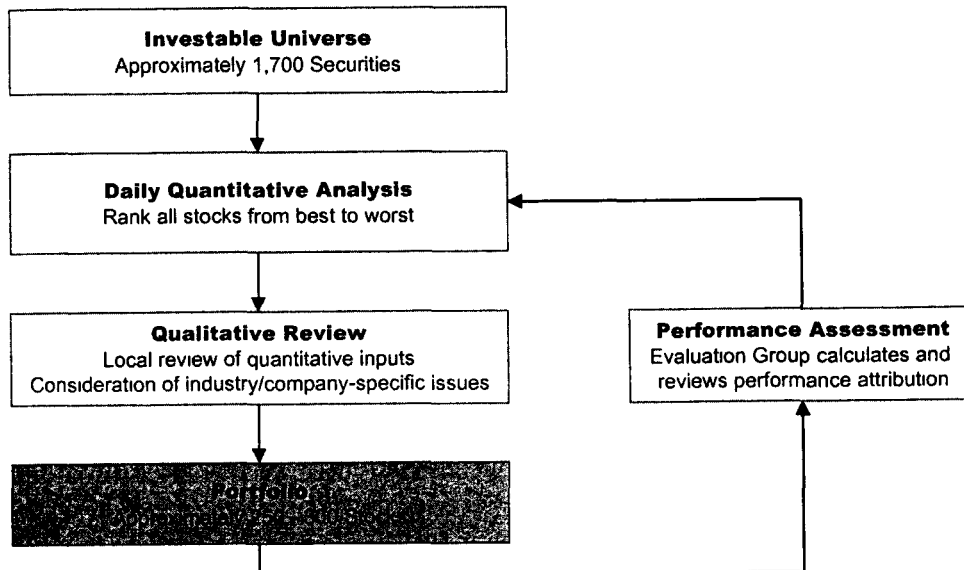
Investors are best served by the consistent compounding of returns. SSgA's responsibility as an active manager is to consistently outperform the client's benchmark. Our research shows that consistency is best achieved through a core approach that emphasizes stock selection.

Regional investment teams manage the stock selection process from SSgA's London, Paris, Boston, Tokyo, Sydney, and Hong Kong offices. These teams use a systematic approach that evaluates company and market fundamentals, processes information objectively, and constructs portfolios that leverage our stock selection insights.

The combination of this experienced team and rigorous process creates core portfolios designed to outperform in most market environments.

Investment Process:

Our process is a blend of quantitative analysis and qualitative assessments. We start with an investable universe of 1,700 securities, rank each stock on a daily basis, qualitatively



assess the suggested buys and sells, and construct a diversified portfolio of approximately 300 stocks.

Country selection/allocation:

The Strategy does not make country allocations and selects stocks on a bottom-up basis. Any country weights that differ from the benchmark are not expected to either add or detract value. We control European country weights to be within 5% of the benchmark as a risk control measure. Asian country exposures are similar to the benchmark.

Sector selection/allocation:

The Strategy does not make sector allocations and selects stocks on a bottom-up basis. Any sector weights that differ from the benchmark are not expected to either add or detract value. We control sector weights to be within 3% of the benchmark weight.

Stock selection:

Stocks are selected on the basis of a company's value and growth characteristics relative to that company's industry and country peers. The portfolio management team's research process creates a stock ranking model that incorporates balance sheet, income statement, earnings estimate, and market data.

The global stock selection team in Paris, London, Boston, Tokyo, Hong Kong, and Sydney uses this model to select the best stocks within each region. Ultimate control of the stock selection process and portfolio is the responsibility of the Boston team.

Portfolio Construction:

Stocks weighted to combine our view of that stock's outperformance potential with the degree that the stock increases benchmark-relative risk. Stock weights are restrained to be within 3% of the stock's weight in the benchmark. The result is a portfolio designed to outperform the benchmark while maintaining similar risk.

Currency:

The Strategy does not make separate currency allocations. The management of currency risk is incorporated into our stock selection model and portfolio construction process. However, SSgA can include currency hedging if desired by the client. Our dedicated currency team provides passive and active overlays.

Ownership:

SSgA is a division of State Street Bank and Trust Company, a wholly-owned subsidiary of State Street Corporation. State Street Corporation is a publicly traded bank holding company whose shares are traded on the New York Stock Exchange under the symbol "STT"

Quarter ending 12/31/04:

Firm's total assets under management:	<u>\$1,354 billion</u>
Total assets under management in this product:	<u>\$2,070.8 million</u>
Tax-exempt assets under management in this product:	<u>\$1,745.8 million</u>
	<u>\$334(mm) (Canada)</u>
Number of tax-exempt accounts in this product:	<u>69 accounts</u>
	<u>14 (Canada)</u>

Number of Portfolio Managers on this product:

23 Portfolio Managers

Number of Analysts on this product:

0 Analysts

Number of Traders on this product:

6 Traders

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

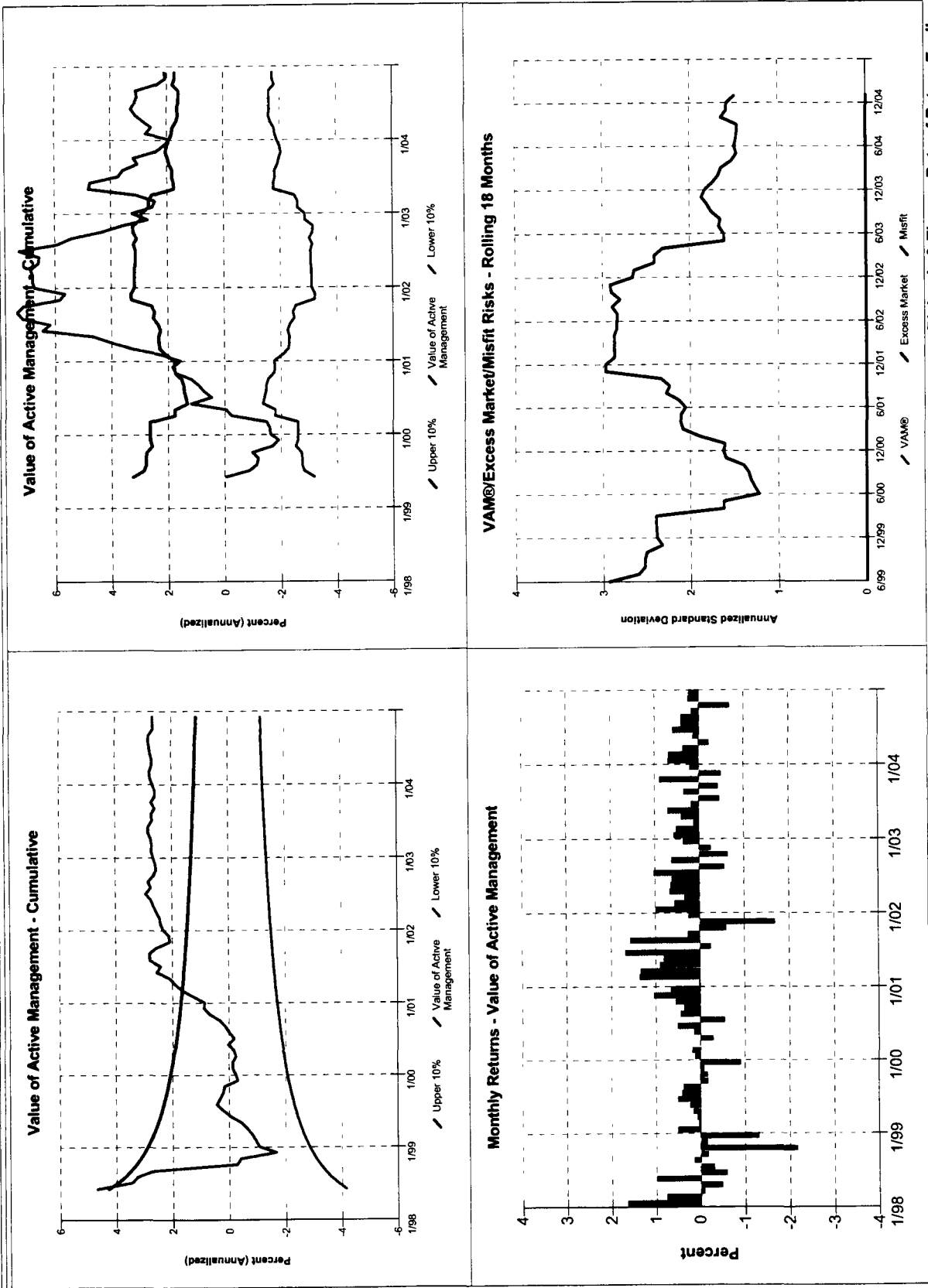
1. Confidential Corporate Account \$277.86 million
2. Confidential Religious Account \$67.06 million
3. Confidential Public Account \$29.64 million
4. Confidential Endowment Account \$28.12 million
5. Confidential Public Fund Client \$103 (mm) (Passive Canada Country Fund)

		Investment Manager: STATE STREET ALPH - COMPOSITE					
		Benchmark: MSCI EAFE					
		---PORTFOLIO---		---BENCHMARK---		-----VAM-----	
		Qrtly Return	Annual Return	Qrtly Return	Annual Return	Qrtly Return	Annual Return
98	Q1	17.44		14.71		2.38	
	Q2	1.00		1.06		0.07	
	Q3	-14.49		-14.21		0.32	
	Q4	16.35	18.01	20.66	20.00	-3.57	-1.66
99	Q1	2.07		1.39		0.67	
	Q2	3.50		2.54		0.93	
	Q3	5.06		4.39		0.65	
	Q4	15.64	28.34	16.99	26.96	1.15	1.08
00	Q1	0.21		-0.11		0.31	
	Q2	-3.59		-3.96		0.39	
	Q3	-7.82		-8.07		0.27	
	Q4	-0.45	-11.35	-2.68	-14.17	2.29	3.29
01	Q1	-11.32		-13.71		2.77	
	Q2	2.38		-1.04		3.46	
	Q3	-12.62		-14.00		1.60	
	Q4	4.83	-16.84	6.97	-21.44	-2.01	5.86
02	Q1	2.43		0.51		1.91	
	Q2	-0.19		-2.12		1.97	
	Q3	-18.85		-19.73		1.10	
	Q4	5.89	-12.15	6.45	-15.94	-0.53	4.51
03	Q1	-7.09		-8.21		1.23	
	Q2	20.82		19.27		1.30	
	Q3	7.54		8.13		0.55	
	Q4	17.79	42.19	17.08	38.59	0.61	2.60
04	Q1	6.16		4.34		1.75	
	Q2	0.72		0.22		0.50	
	Q3	0.72		-0.28		1.00	
	Q4	15.09	23.94	15.32	20.25	0.20	3.07
Latest							
1 yr			23.94		20.25		3.07
3 yr			15.69		11.89		3.39
5 yr			2.68		-1.13		3.86
Cumulative 9801 - 0412			8.13		5.34		2.65
Std Dev			15.72		16.31		2.30
Info Ratio							1.15

VAM® Graphs - MN SBI Active Developed Markets Search

State Street Alpha Composite vs EAFE (ND)

Monthly from period ending January, 1998 to period ending December, 2004 (84 periods)



SSGA International Alpha Strategy

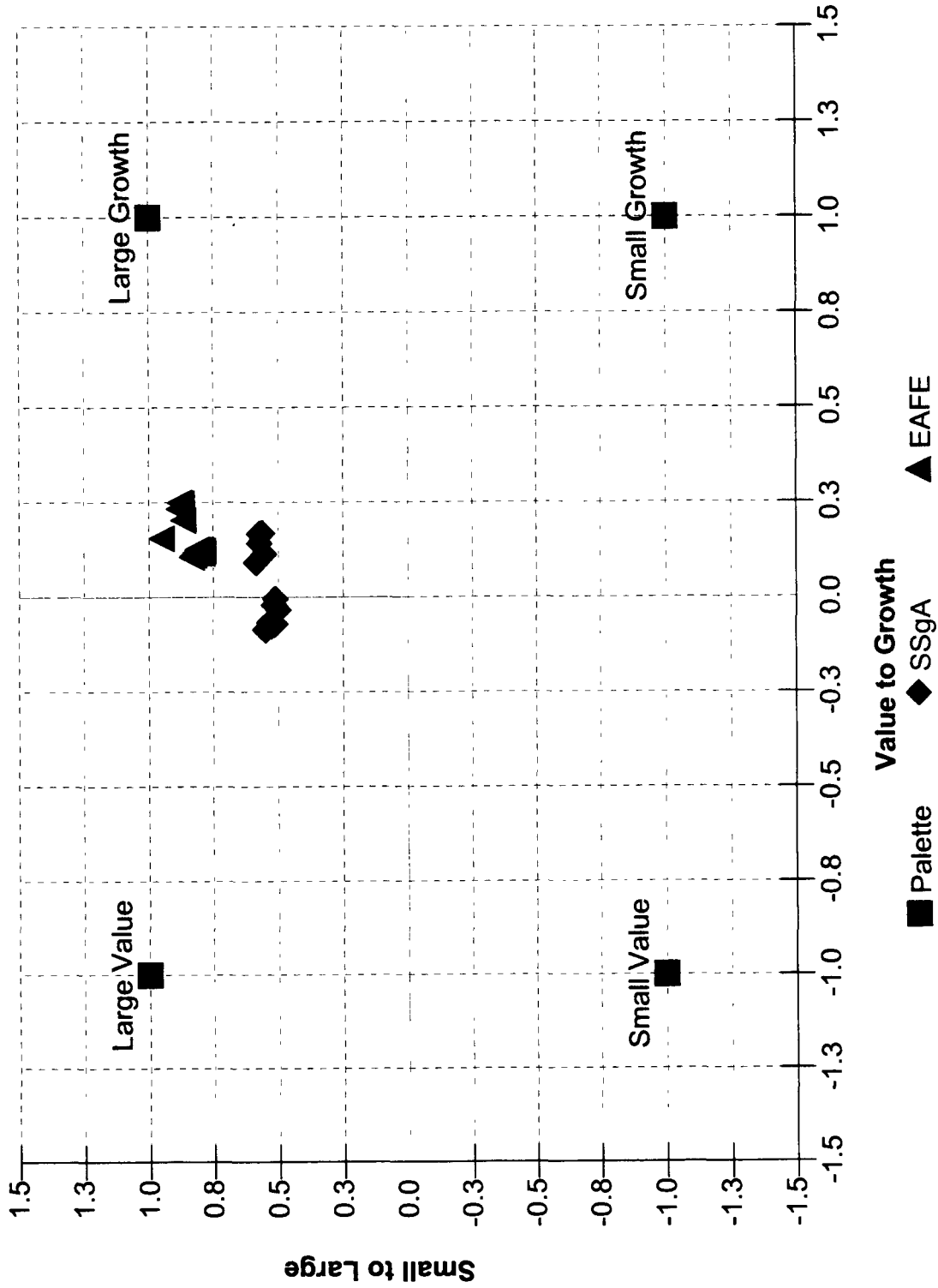
as of December 31, 2004

Characteristic	Actual	EAFE
Number of securities in portfolio	323	1116
Price/Book	1.99	2.09
Price/Earnings	15.31	17.35
Price/Cash Earnings	7.57	8.68
Dividend Yield	2.68	2.50
Market Capitalization	(US\$m)	(US\$m)
Wtd. Average	\$36,551.763	\$45,161.231
Minimum	\$28.369	\$19.049
Median	\$5,919.444	\$3,132.450
Maximum	\$191,150.888	\$211,772.000
Distribution of Capitalization (US\$m)	Wt (%)	Wt (%)
Up To \$100	0.04%	0.00%
\$100 - \$300	0.06%	0.03%
\$300 - \$500	0.87%	0.10%
\$500 - \$1,000	1.64%	0.84%
\$1,000 - \$3,000	12.13%	8.09%
\$3,000 - \$5,000	10.46%	6.90%
\$5,000 - \$10,000	12.21%	14.93%
\$10,000 - \$15,000	7.78%	10.32%
\$15,000 - \$25,000	12.48%	10.42%
\$25,000 - \$50,000	15.38%	18.98%
\$50,000 - \$100,000	16.06%	13.64%
Above \$100,000	10.89%	15.75%
	100.00%	100.00%
Economic Sector Allocation	Wt (%)	Wt (%)
Telecom Services	7.42%	7.59%
Consumer Discretionary	12.03%	12.35%
Energy	9.14%	8.05%
Financials	27.35%	27.47%
Health Care	8.07%	7.99%
Industrials	9.60%	9.39%
Materials	7.65%	7.45%
Staples	7.84%	8.10%
Info Technology	6.03%	6.35%
Utilities	4.87%	5.26%
	100.00%	100.00%
Top 10 Holdings	Wt (%)	Wt (%)
ENI EUR1	2.13	
GLAXOSMITHKLINE ORD GBP0.25	2.04	
TOTAL EUR10	1.98	
BARCLAYS ORD GBP0.25	1.90	
ING GROEP NV CVA EUR0.24	1.82	
BNP PARIBAS EUR2	1.76	
E ON AG NPV	1.59	
ABN-AMRO HLDGS NV EUR0.56	1.47	
ERICSSON(LM)TEL SEK1 SER'B'	1.46	
REPSOL YPF SA EUR1	1.38	
	17.54	

Style (quadrant) graph - MN SBI International Search

SSgA

Using monthly data from period ending February, 2000 to period ending December, 2004 (59 periods, used in groups of 3)



Tab F

COMMITTEE REPORT

DATE: May 31, 2005

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

FROM: **Stock and Bond Manager Committee**

The Stock and Bond Manager Committee met on Wednesday, May 18, 2005 to consider the following agenda items:

- Review the manager performance for the period ending March 31, 2005.
- Update on the International Equity Active Developed Markets Manager Search.
- Update on the International Equity Enhanced Developed Markets Index Manager Search.
- Review of American Express (Threadneedle) in the International Equity Program.
- Recommendation to renew Emerging Markets Manager contracts.
- Recommendation to terminate Transamerica Investment Management from the Domestic Equity Program.
- Recommendation to terminate Britannic Asset Management and T. Rowe Price from the International Equity Program.
- Recommendation for Transition Management Services.

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

INFORMATION ITEMS:

1. Review of manager performance for the period ending March 31, 2005.

- *Domestic Equity Managers*

For the period ending March 31, 2005, the **Domestic Equity Manager Program** underperformed the asset class target* for the quarter, matched for the year and five-year time periods, and underperformed for the three-year time period.

Time period	Total Program	Domestic Equity Asset Class Target ¹
Quarter	-2.3%	-2.2%
1 Year	7.1	7.1
3 Years	3.6	3.8
5 Years	-3.1	-3.1

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

The performance evaluation reports for the domestic equity managers start on the **blue page A-1** of this Tab.

- **Fixed Income Managers**

For the period ending March 31, 2005, the **Fixed Income Manager Program** outperformed the Lehman Aggregate over all time periods.

Time period	Total Program	Fixed Income Asset Class Target ²
Quarter	-0.4%	-0.5%
1 Year	1.9	1.1
3 Years	6.3	6.0
5 Years	7.5	7.1

² The Fixed Income Asset Class Target is the Lehman Aggregate Bond Index.

The performance evaluation reports for the fixed income managers start on the **blue page A-101** of this Tab.

- **International Equity Managers**

For the period ending March 31, 2005, the **International Equity Program** and the **equity managers** (excluding the currency overlay) underperformed the composite index over the quarter, year and three-year time periods and outperformed over the five-year time period.

Time Period	Total Program ³	Int'l Equity Asset Class Target ⁴	Equity Mgrs. Only ⁵
Quarter	0.1%	0.2%	0.1%
1 Year	14.8	15.7	14.8
3 Year	11.7	12.5	11.7
5 Year	-0.1	-0.6	-0.1

³ Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.

⁴ Since 10/1/03, the International Equity Asset Class Target is the MSCI ACWI Free ex U S (net). From 7/1/99 to 9/30/03 the target was the MSCI EAFE-Free plus Emerging Markets Free index. The weighting of each index fluctuated with market capitalization. From 12/31/96 to 6/30/99, the target was fixed at 87% EAFE-Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE-Free to the 12/31/96 fixed weights. Prior to 5/1/96, the target was 100% EAFE-Free.

⁵ Includes impact of terminated managers, but excludes impact of currency overlay.

The performance evaluation reports for the international equity managers start on the **blue page A-113** of this Tab.

2. Update on the International Equity Active Developed Markets Manager Search.

An international equity active developed markets manager search was conducted to review several of the SBI's current active developed markets managers, due to organizational change and performance issues, and to conduct a search for new active managers. Staff focused the search primarily on products with a core to growth style because the current SBI managers under review provide this type of exposure to the SBI's Int'l Equity Program.

The Search Committee interviewed six (6) prospective candidates on April 28th and 29th, 2005. Based on the interviews, questionnaire responses, and other information provided, the Search Committee is recommending to the Board that the following four (4) firms be retained by the SBI in the International Equity Program:

Acadian Asset Management
Fidelity Management Trust Company (Int'l Growth product)
JP Morgan Fleming Asset Management
McKinley Capital Management, Inc.

The results and recommendations from the Search Committee appear in **Tab D**.

3. Update on the International Equity Enhanced Developed Markets Index Manager Search.

An international equity enhanced developed markets index manager search was conducted as a result of the decision by the Board at its September 2003 meeting, to add up to a 10% allocation of the Int'l Equity Program to enhanced index management. This decision was made as a result of the recommendations from the 2003 Asset Allocation Committee review. Since the September 2003 SBI meetings, the Board, IAC and Staff have been focused on several Domestic Equity searches that are now complete and funded.

The Search Committee interviewed five (5) prospective candidates on May 3rd, 2005. Based on the interviews, questionnaire responses, and other information provided, the Search Committee is recommending that the following three (3) firms be retained by the SBI:

AQR Capital Management
Fidelity Management Trust Company (Select Int'l product)
State Street Global Advisors (SSgA)

The results and recommendations from the Search Committee appear in **Tab E**.

4. Review of American Express (Threadneedle) in the International Equity Program.

American Express (Threadneedle)

American Express was hired by the SBI in March 2000 as an active developed markets equity manager. The firm acquired Threadneedle Asset Management at the end of September 2003. On November 7th, 2003, the Threadneedle team assumed management of the SBI's portfolio from the former American Express team in London. Threadneedle is the third largest retail mutual fund manager in the United Kingdom, with a very stable investment team. The firm's process combines top down views on macroeconomics and trends in global sectors with bottom-up fundamental analysis. Threadneedle has a dynamic style, with a flexible approach to growth & value biases. The firm has established long track records managing regional mutual funds on behalf of non-US clients. The SBI's portfolio however has under-performed over the one-year time period that Threadneedle has been managing it.

At the request of the Stock and Bond Committee, American Express was re-interviewed by the Search Committee on April 28th, 2005. The Search Committee met with Ted Truscott, CEO American Express, Sarah Arkle, CIO Threadneedle, and Alex Lyle, Head of Managed Funds at Threadneedle. The Search Committee expressed that one-year is an insufficient period of time over which to analyze the performance and value-added process of an investment firm. The Stock and Bond Committee concurred and requested that Staff present another review of American Express at the end of fiscal year 2006.

ACTION ITEMS:

5. Recommendation to renew Emerging Markets Manager contracts.

The contracts of three (3) managers will expire in the next few quarters. Currently, the standing of each of these managers is satisfactory. Staff recommends renewal of each of these contracts for a five-year period with an immediate termination clause. All other terms and conditions of the contracts are expected to remain unchanged.

RECOMMENDATION

The Committee recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute five year contract extensions with the following firms, subject to inclusion of a provision which provides for immediate termination:

Emerging Markets Equity Managers

Alliance Capital

Capital Guardian Trust

Morgan Stanley

6. Recommendation to terminate Transamerica Investment Management from the Domestic Equity Program.

Staff recommends termination of Transamerica Investment Management, LLC due to the loss of the portfolio management team, which left Transamerica to join Delaware Investments.

The SBI hired Transamerica Investment Management, LLC in December 2004 for Large Cap Growth. Though the firm stated that a team process was used to manage the Large Cap Growth product, it was clear to Staff based on multiple meetings during the search process that Jeff Van Harte, the lead portfolio manager, clearly drove the process.

Gary Rolle, CIO, assumed management of the Large Cap Growth product, while maintaining portfolio management responsibilities for the Large Cap Core product.

Staff is very concerned that the departure of Jeff Van Harte and the rest of the portfolio management team materially changes the nature of the product and threatens its integrity. In addition, Staff is not convinced that Gary Rolle, with his significantly expanded duties, will be able to devote the same time and attention to the Large Cap Growth product.

RECOMMENDATION:

The Committee recommends that the SBI terminate the relationship with Transamerica Investment Management, LLC for investment management services.

7. Recommendation to terminate Britannic Asset Management and T. Rowe Price from the International Equity Program.

Britannic Asset Management

The Board hired Britannic Asset Management (formerly Blairlogie Capital) in March 2000 as an active developed markets equity manager. Since that time, the firm has undergone several ownership changes, culminating in their acquisition by Britannic Asset Management, the investment advisory unit of a Scottish insurance company. The acquisition by Britannic required the firm to integrate their investment team and top down model into Britannic's existing regional teams and fundamental process, as well as move their office from Edinburgh to Glasgow. Since that time, there have been changes to the members of the investment team, and continued underperformance of the SBI's portfolio. The Committee is recommending termination due to the adverse affects of organizational change on the SBI's portfolio.

T. Rowe Price International

The firm was hired by the SBI in November 1993 as an active developed markets equity manager. Since that time, the firm has experienced significant organizational change. From 1993 through 2000, T. Rowe Price had a joint venture with Fleming whereby the T. Rowe Price portfolio managers in London had access to the research of Fleming's local regional analysts located worldwide. In August 2000, the joint venture ended and T. Rowe Price has had to build an internal analyst base. The firm has expressed that this has been a long and difficult process, which continues to this day.

Additionally, T. Rowe Price International has changed the management approach of the SBI's portfolio over time. Three portfolio managers originally ran the portfolio as three regional sub-portfolios. A sector portfolio run by a separate portfolio manager and supported by a separate team of sector analysts was later added to the regional portfolio. Finally, after sustained underperformance of the sector portfolio, the firm reverted to the regional portfolio only, supported by both the regional and the sector analysts. The CIO left the firm at that time, and more recently T. Rowe Price has replaced the European regional portfolio manager.

At the request of the Stock and Bond Committee, T. Rowe Price was re-interviewed by the International Equity Active Developed Markets Manager Search Committee on April 28th, 2005. The Search Committee believes that T. Rowe Price International has not successfully addressed the organizational issues that it has faced. The Stock and Bond Committee concurred and is recommending termination due to the adverse affects of organizational change on the SBI's portfolio.

RECOMMENDATION:

The Committee recommends that the SBI terminate its relationship with Britannic Asset Management and with T. Rowe Price International for investment management services in the International Equity Program.

8. Recommendation for Transition Management Services.

Review of Transition Management Services.

It is the current policy of the SBI to authorize its investment managers to direct the SBI custodian bank, State Street Bank and Trust Company, to open and maintain brokerage accounts for securities and other property, including financial and commodity futures and commodities and options thereon. In order to minimize transactions costs, Staff is seeking authority to direct the custodian bank to use crossing networks to the maximum extent possible and to open and maintain such brokerage accounts to provide for the best execution of trades for which crossing is not feasible. The essence of such authority would be to use the custodian to provide what is known as transition management services.

Currently, Staff works with the SBI's investment managers and custodian to transition portfolios from one manager to another. Staff has concluded that some form of transition management services would be beneficial in some cases. The use of transition management services would provide the SBI with an opportunity to better control costs and manage risks when transferring assets from one portfolio to another in some situations. Transition management service providers could work with Staff to identify efficient methods of transitioning securities from one portfolio to another. Additionally, some transition managers have the ability to "cross-trade" securities with other client portfolios. Such cross trading would result in portions of an SBI portfolio being transitioned with no commission costs being incurred by the SBI. Staff lacks the access and resources to perform cross-trading activities at the cost levels available to many transition managers.

Currently, when Staff transitions a portfolio, Staff works closely with the custodian to move securities among accounts. In some cases, The Staff will instruct the investment managers to sell securities and the transfer cash; or Staff will sell the securities and transfer cash; or Staff will transfer the securities and the receiving investment manager will trade the securities. Staff believes that engaging a transition manager, at times, may be more efficient than the current approaches available to Staff to transfer assets from one portfolio to another.

When Staff transitions portfolios, it relies on the investment managers involved selecting the brokerage firms that will buy and sell securities. In these cases, the SBI absorbs all trading costs involved in a transaction. By using a transition manager, Staff assumes the investment manager responsibility in selecting the transition manager to use crossing networks to the extent possible in effect as the primary broker. The transition manager may then also use other brokers to execute some of the trades in order to complete the transition. Coupled with the transition manager's use of crossing opportunities, the transition generally is completed at less cost to the SBI than is currently the case. The only direct compensation to the transition manager comes in the form of brokerage commissions. The commission rate is stipulated in the transition agreement, thus providing Staff the ability to ascertain that the transition manager's compensation is relatively competitive.

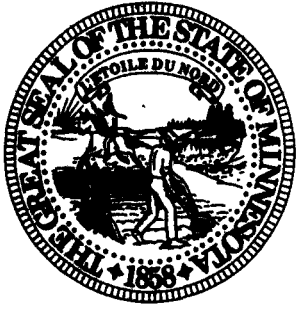
In addition to the potential cost savings afforded by using transition management services, transitions would be performed in a more efficient manner. Under our current approach, transitions absorb significant amounts of time and expose the portfolio to market timing risk. Staff believes that having transition management services available would enable some transitions to be done in a more timely fashion than is now possible. Current transitions are labor intensive, requiring Staff to spend large chunks of time communicating with and coordinating the participants in a transition. Transition managers are set up to handle large portfolio transactions and have more resources to handle multi-manager communications than is available to Staff. Transitioning portfolios is their business. Staff transitions are infrequent, albeit extremely important, projects.

The need to transition investment portfolios is infrequent and it is not necessary to use a transition manager for all portfolio transitions Staff believes that in the near term it would be beneficial to amend the SBI custodial contract with State Street Bank and

Trust to access the transition management services available from their organization. Staff also recommends that the Board authorize the Executive Director to initiate search for transition management service providers in order to establish a stable of transition management relationships going forward.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director to negotiate and execute, with the assistance of legal counsel, an amendment to the SBI's existing custodial contract with State Street Bank and Trust Company to include transition management services. Additionally, the Committee recommends that the Executive Director be authorized to initiate a search for transition management services.



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

First Quarter, 2005

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending March, 2005
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
LARGE CAP										
Russell 1000 Core										
Franklin Portfolio	-1.9	-1.9	10.8	7.2	2.8	3.4	0.8	-3.0	12.0	11.6
New Amsterdam Partners (2)	-0.4	-1.9	10.7	7.2	7.6	6.6	5.0	3.2	14.4	12.1
UBS Global	-2.5	-1.9	9.3	7.2	6.2	3.4	7.9	-3.0	11.0	10.6
Voyageur-Chicago Equity	-4.1	-1.9	2.4	7.2	1.0	3.4			2.5	-2.4
Aggregate	-1.9	-1.9	10.0	7.2						
Russell 1000 Growth										
Alliance Capital	-5.8	-4.1	-0.4	1.2	-2.6	-0.7	-9.1	-11.3	4.4	10.9
Cohen, Kligenstein & Marks	-4.7	-4.1	-1.1	1.2	-1.2	-0.7	-8.4	-11.3	9.4	9.0
Holt-Smith & Yates	-3.3	-4.1	2.5	1.2	-1.8	-0.7			3.7	-11.3
INTECH	-1.8	-4.1								
Jacobs Levy	-4.4	-4.1								
Lazard Asset Mgmt	-4.1	-4.1								
Sands Capital	-9.4	-4.1								
Transamerica	-4.3	-4.1								
Winslow-Large Cap	-4.9	-4.1								
Zevenbergen Capital	-7.1	-4.1	2.6	1.2	2.2	-0.7	-15.6	-11.3	9.7	9.0
Aggregate	-5.4	-4.1	-0.6	1.2						
Russell 1000 Value										
Barrow, Hanley	1.9	0.1	17.6	13.2					17.6	13.2
Earnest Partners	2.9	0.1	17.4	13.2	10.1	7.2			4.5	6.5
Lord Abbett & Co	-2.4	0.1	8.0	13.2					8.0	13.2
LSV Asset Mgmt	1.7	0.1	16.3	13.2					16.3	13.2
Oppenheimer	-2.3	0.1	7.8	13.2	5.8	7.2	4.0	5.2	13.0	11.9
Systematic Financial Mgmt	1.0	0.1	13.3	13.2					13.3	13.2
Aggregate	-0.5	0.1	11.3	13.2						
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	-8.6	-6.8	-4.5	0.9					2.0	5.2
Next Century Growth	-1.0	-6.8	5.3	0.9	4.2	4.0			-8.9	-5.4
Turner Investment Partners	-7.1	-6.8	0.2	0.9					2.9	5.2
Winslow-Small Cap	-5.6	-6.8	0.7	0.9	1.8	4.0			-2.4	-5.4
Aggregate	-6.9	-6.8	-1.4	0.9						
Russell 2000 Value										
AEAM/Kenwood	-3.3	-4.0	11.4	9.8					17.0	13.7
Goldman Sachs	-5.0	-4.0	9.4	9.8					11.0	13.7
Hotchkis & Wiley	-0.6	-4.0	13.2	9.8					20.5	13.7
Martingale Asset Mgmt	-2.1	-4.0	16.3	9.8					21.9	13.7
Peregrine Capital	-2.1	-4.0	15.3	9.8	11.5	11.5			18.3	15.8
Aggregate	-2.5	-4.0	13.5	9.8						
Active Mgr. Aggregate	-2.9	-2.5	6.8	6.9						

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

(2) New Amsterdam Partners' published benchmark is the Russell 1000 core index beginning 10/1/03

Prior to that date it was the Russell Midcap Index

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Calendar Year Returns Versus (1)
Russell Style Benchmarks for All Periods**

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
Franklin Portfolio	15.7	11.4	32.9	29.9	-25.4	-21.7	-6.6	-12.5	-1.6	-7.8
New Amsterdam Partners (2)	14.8	11.4	34.2	38.0	-17.5	-16.2	-3.3	-5.6	15.0	8.2
UBS Global	13.4	11.4	30.7	29.9	-14.7	-21.7	5.2	-12.5	3.6	-7.8
Voyageur-Chicago Equity	10.6	11.4	23.2	29.9	-20.6	-21.7	-19.4	-12.5		
Aggregate	14.5	11.4								
Russell 1000 Growth										
Alliance Capital	5.7	6.3	22.4	29.7	-26.8	-27.9	-13.7	-20.4	-13.7	-22.4
Cohen, Klingenstein & Marks	6.1	6.3	41.2	29.7	-35.0	-27.9	-25.0	-20.4	-6.0	-22.4
Holt-Smith & Yates	7.3	6.3	22.1	29.7	-28.0	-27.9	-1.7	-20.4		
INTECH (1)										
Jacobs Levy (1)										
Lazard Asset Mgmt. (1)										
Sands Capital (1)										
Transamerica (1)										
Winslow-Large Cap (1)										
Zevenbergen Capital	13.1	6.3	49.3	29.7	-36.2	-27.9	-29.0	-20.4	-38.2	-22.4
Aggregate	6.1	6.3								
Russell 1000 Value										
Barrow, Hanley (1)										
Earnest Partners	18.9	16.5	32.0	30.0	-18.1	-15.5	-0.4	-5.6		
Lord Abbett & Co. (1)										
LSV Asset Mgmt. (1)										
Oppenheimer	12.0	16.5	28.9	30.0	-15.5	-15.5	-7.0	-5.6	11.2	7.0
Systematic Financial Mgmt. (1)										
Aggregate	14.3	16.5								
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	12.2	14.3								
Next Century Growth	6.4	14.3	50.7	48.5	-33.3	-30.3	-22.8	-9.2		
Turner Investment Partners	11.6	14.3								
Winslow-Small Cap	8.9	14.3	37.6	48.5	-25.0	-30.3	-6.1	-9.2		
Aggregate	9.7	14.3								
Russell 2000 Value										
AEAM/Kenwood	25.8	22.2								
Goldman Sachs	19.9	22.2								
Hotchkis & Wiley	27.1	22.2								
Martingale Asset Mgmt.	30.8	22.2								
Peregrine Capital	23.6	22.2	44.2	46.0	-8.1	-11.4	12.6	14.0		
Aggregate	25.0	22.2								
Active Mgr. Aggregate	12.5	12.3								

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

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

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending March, 2005
Versus Manager Benchmarks (1)**

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		%
ACTIVE MANAGERS												
Large Cap Core (R1000)												
Franklin Portfolio	-1.9	-1.9	10.8	7.2	2.8	5.3	0.8	2.1	12.0	11.7	\$733.9	3.6%
New Amsterdam Partners	-0.4	-1.9	10.7	7.2	7.6	4.3	5.0	3.0	14.4	13.6	\$437.4	2.2%
UBS Global	-2.5	-1.9	9.3	7.2	6.2	3.9	7.9	-1.6	11.0	10.6	\$777.7	3.8%
Voyageur-Chicago Equity	-4.1	-1.9	2.4	7.2	1.0	2.6			-2.5	-2.0	\$45.0	0.2%
Aggregate	-1.9	-1.9	10.0	7.2								
Large Cap Growth (R1000 Growth)												
Alliance Capital	-5.8	-4.1	-0.4	1.2	-2.6	0.0	-9.1	-7.0	14.4	10.9	\$435.9	2.2%
Cohen, Klingenstein & Marks	-4.7	-4.1	-1.1	1.2	-1.2	2.1	-8.4	-5.3	9.4	10.9	\$404.3	2.0%
Holt-Smith & Yates	-3.3	-4.1	2.5	1.2	-1.8	1.3			-3.7	2.2	\$42.4	0.2%
INTECH	-1.8	-4.1									\$195.1	1.0%
Jacobs Levy	-4.4	-4.1									\$112.8	0.6%
Lazard Asset Mgmt	-4.1	-4.1									\$24.9	0.1%
Sands Capital	-9.4	-4.1									\$180.4	0.9%
Transamerica	-4.3	-4.1									\$112.1	0.6%
Winslow-Large Cap	-4.9	-4.1									\$24.7	0.1%
Zevenbergen Capital	-7.1	-4.1	2.6	1.2	2.2	1.0	-15.6	-6.6	9.7	12.4	\$195.4	1.0%
Aggregate	-5.4	-4.1	-0.6	1.2								
Large Cap Value (R1000 Value)												
Barrow, Hanley	1.9	0.1	17.6	13.2					17.6	13.2	\$290.1	1.4%
Earnest Partners	2.9	0.1	17.4	13.2	10.1	11.1			4.5	13.9	\$62.2	0.3%
Lord Abbett & Co	-2.4	0.1	8.0	13.2					8.0	13.2	\$266.4	1.3%
LSV Asset Mgmt	1.7	0.1	16.3	13.2					16.3	13.2	\$342.7	1.7%
Oppenheimer	-2.3	0.1	7.8	13.2	5.8	5.8	4.0	3.0	13.0	12.5	\$752.0	3.7%
Systematic Financial Mgmt	1.0	0.1	13.3	13.2					13.5	13.2	\$167.3	0.8%
Aggregate	-0.5	0.1	11.3	13.2								
Small Cap Growth (R2000 Growth)												
McKinley Capital	-8.6	-6.8	-4.5	0.9					2.0	5.2	\$174.3	0.9%
Next Century Growth	-1.0	-6.8	5.3	0.9	4.2	5.2			-8.9	-2.9	\$32.6	0.2%
Turner Investment Partners	-7.1	-6.8	0.2	0.9					2.9	5.2	\$131.8	0.7%
Winslow-Small Cap	-5.6	-6.8	0.7	0.9	1.8	5.3			-2.4	0.1	\$131.4	0.6%
Aggregate	-6.9	-6.8	-1.4	0.9								
Small Cap Value (R2000 Value)												
AEAM/Kenwood	-3.3	-4.0	11.4	9.8					17.0	13.7	\$51.0	0.3%
Goldman Sachs	-5.0	-4.0	9.4	9.8					11.0	13.7	\$106.5	0.5%
Hotchkis & Wiley	-0.6	-4.0	13.2	9.8					20.5	13.7	\$118.1	0.6%
Martingale Asset Mgmt	-2.1	-4.0	16.3	9.8					21.9	13.7	\$119.8	0.6%
Peregrine Capital Mgmt	-2.1	-4.0	15.3	9.8	11.5	12.6			18.3	18.8	\$173.4	0.9%
Aggregate	-2.5	-4.0	13.5	9.8								
Active Mgr. Aggregate	-2.9	-2.5	6.8	6.9								

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Calendar Year Returns Versus
Manager Benchmarks (1)**

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
ACTIVE MANAGERS										
Large Cap Core (R1000)										
Franklin Portfolio	15.7	11.4	32.9	36.9	-25.4	-19.8	-6.6	-5.4	-1.6	0.3
New Amsterdam Partners	14.8	11.4	34.2	37.1	-17.5	-22.2	-3.3	3.7	15.0	3.1
UBS Global	13.4	11.4	30.7	30.8	-14.7	-20.6	5.2	-11.0	3.6	-1.0
Voyageur-Chicago Equity	10.6	11.4	23.2	28.9	-20.6	-20.7	-19.4	-12.0		
Aggregate	14.5	11.4								
Large Cap Growth (R1000 Growth)										
Alliance Capital	5.7	6.3	22.4	26.3	-26.8	-24.0	-13.7	-15.3	-13.7	-11.4
Cohen, Klingenstein & Marks	6.1	6.3	41.2	39.3	-35.0	-23.8	-25.0	-11.2	-6.0	-12.1
Holt-Smith & Yates	7.3	6.3	22.1	31.3	-28.0	-19.0	-1.7	4.6		
INTECH (1)										
Jacobs Levy (1)										
Lazard Asset Mgmt (1)										
Sands Capital (1)										
Transamerica (1)										
Winslow-Large Cap (1)										
Zevenbergen Capital	13.1	6.3	49.3	31.3	-36.2	-24.2	-29.0	-3.2	-38.2	-16.6
Aggregate	6.1	6.3								
Large Cap Value (R1000 Value)										
Barrow, Hanley (1)										
Earnest Partners	18.9	16.5	32.0	41.8	-18.1	-11.6	-0.4	11.5		
Lord Abbett & Co (1)										
LSV Asset Mgmt. (1)										
Oppenheimer	12.0	16.5	28.9	31.4	-15.5	-20.7	-7.0	-9.5	11.2	10.3
Systematic Financial Mgmt. (1)										
Aggregate	14.3	16.5								
Small Cap Growth (R2000 Growth)										
McKinley Capital	12.2	14.3								
Next Century Growth	6.4	14.3	50.7	48.5	-33.3	-27.8	-22.8	-5.5		
Turner Investment Partners	11.6	14.3								
Winslow-Small Cap	8.9	14.3	37.6	51.3	-25.0	-26.7	-6.1	4.6		
Aggregate	9.7	14.3								
Small Cap Value (R2000 Value)										
AEAM/Kenwood	25.8	22.2								
Goldman Sachs	19.9	22.2								
Hotchkis & Wiley	27.1	22.2								
Martingale Asset Mgmt	30.8	22.2								
Peregrine Capital Mgmt.	23.6	22.2	44.2	44.2	-8.1	-6.9	12.6	22.9		
Aggregate	25.0	22.2								
Active Mgr. Aggregate	12.5	12.3								

(1) 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, 2005
Versus Manager Benchmarks (1)**

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
SEMI-PASSIVE MANAGERS												
Barclays Global Investors	-1.5	-1.9	7.4	7.2	4.7	3.9	-1.7	-3.5	11.2	10.4	\$2,640.1	13.0%
Franklin Portfolio	-1.5	-1.9	7.4	7.2	3.5	3.9	-3.2	-3.5	10.0	10.4	\$1,902.1	9.4%
JP Morgan	-2.4	-1.9	6.5	7.2	3.0	3.9	-2.9	-3.5	10.4	10.4	\$2,222.8	11.0%
Semi-Passive Aggregate (R1000)	-1.8	-1.9	7.1	7.2	3.8	3.9	-2.5	-3.5	10.6	10.4		
PASSIVE MANAGER (R3000)												
Barclays Global Investors	-2.2	-2.2	7.2	7.1	3.8	3.8	-3.0	-3.1	9.8	9.6	\$6,835.9	33.8%
Historical Aggregate (3)	-2.3	-2.2	7.1	7.1	3.6	4.0	-3.1	-2.6	11.6	11.9	\$20,242.5	100.0% *
SBI DE Asset Class Target (4)		-2.2	7.1		3.8		-3.1			11.8		
Russell 3000		-2.2	7.1		3.7		-2.5			12.2		
Wilshire 5000		-2.4	7.1		4.3		-2.6			12.1		
Russell 1000		-1.9	7.2		3.4		-3.0			12.5		
Russell 2000		-5.3	5.4		8.0		4.0			10.1		

(1) Active and emerging manager benchmarks are Russell Style Indexes beginning 10/1/03, and were custom benchmarks prior to 10/1/03

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

(3) Includes the performance of terminated managers

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

* Total market value and pool % includes \$684.8 million in transition to large capitalization growth managers, which is not shown separately above

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Calendar Year Returns Versus
Manager Benchmarks (1)**

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS										
Barclays Global Investors	11.7	11.4	30.0	28.5	-19.1	-19.7	-7.8	-9.7	-13.8	-16.3
Franklin Portfolio	11.7	11.4	26.9	28.5	-20.2	-19.7	-9.0	-9.7	-15.9	-16.3
JP Morgan	11.7	11.4	28.9	28.5	-21.8	-19.7	-8.7	-9.7	-13.6	-16.3
Semi-Passive Aggregate (R1000)	11.7	11.4	28.8	28.5	-20.3	-19.7	-8.5	-9.7	-14.4	-16.3
PASSIVE MANAGER (R3000)										
Barclays Global Investors	12.0	11.9	30.9	31.2	-21.4	-21.5	-11.8	-11.7	-9.8	-11.0
Historical Aggregate (2)	12.2	11.9	31.0	31.4	-22.4	-21.1	-11.1	-9.9	-11.0	-10.7
SBI DE Asset Class Target (3)		11.9		31.2		-21.5		-11.7		-10.8
Russell 3000		11.9		31.1		-21.5		-11.5		-7.5
Wilshire 5000		12.6		31.6		-20.9		-11.0		-10.9
Russell 1000		11.4		29.9		-21.7		-12.5		-7.8
Russell 2000		18.3		47.3		-20.5		2.5		-3.0

(1) Active and Emerging Manager benchmarks are Russell Style Indexes beginning 10/1/03, and were custom benchmarks prior to 10/1/03

(2) Includes the performance of terminated managers.

(3) The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03
From 7/1/9 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

(4) 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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FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2005

Portfolio Manager: John Cone

Assets Under Management: \$733,923,787

Investment Philosophy – Active Style

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

Staff Comments

The portfolio matched the Russell 1000 index return during the quarter. An overweight allocation to energy minerals proved beneficial, as this was the best performing sector within the index. However, an overweight position in technology services coupled with weak stock selection detracted from performance.

For the year, the portfolio outperformed the Russell 1000 index by 3.6 percentage points. Strong stock selection contributed to performance and was particularly effective within the health technology and retail trade sectors. Factor tilts toward earnings yield and momentum proved beneficial.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	-1.9%	-1.9%	-1.9%
Last 1 year	10.8	7.2	7.2
Last 2 years	26.0	20.9	24.0
Last 3 years	2.8	3.4	5.3
Last 4 years	3.2	2.7	5.3
Last 5 years	0.8	-3.0	2.1
Since Inception (4/89)	12.0	11.6	11.7

Calendar Year Returns

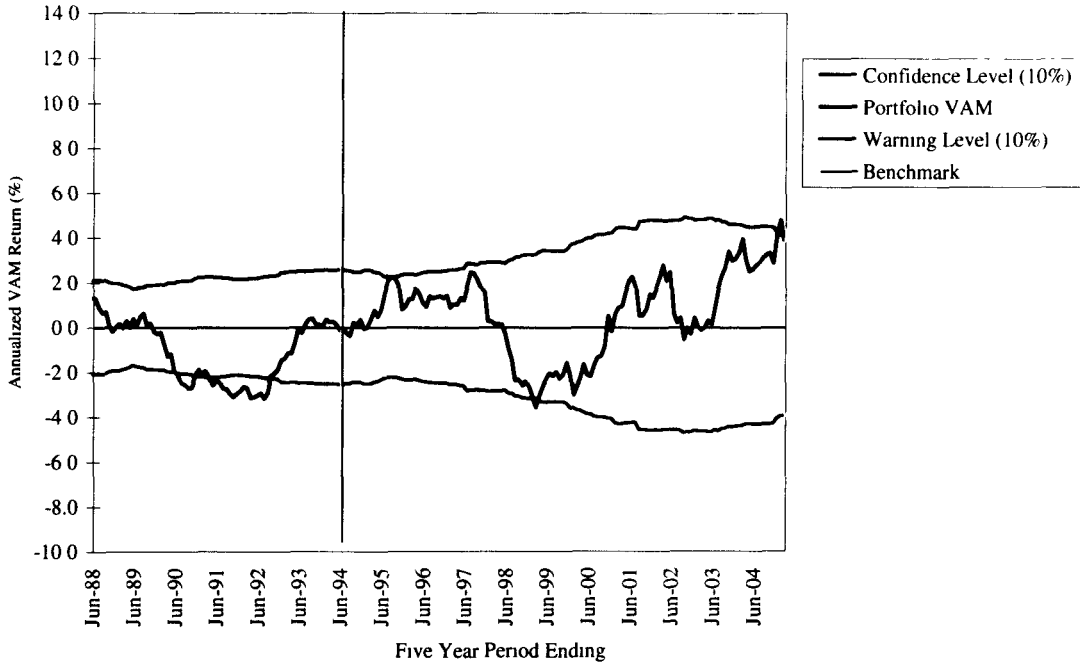
	Actual	Russell 1000 Core	Manager Benchmark
2004	15.7%	11.4%	11.4%
2003	32.9	29.9	36.9
2002	-25.4	-21.7	-19.8
2001	-6.6	-12.5	-5.4
2001	-1.6	-7.8	0.3

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2005

Portfolio Manager: John Cone

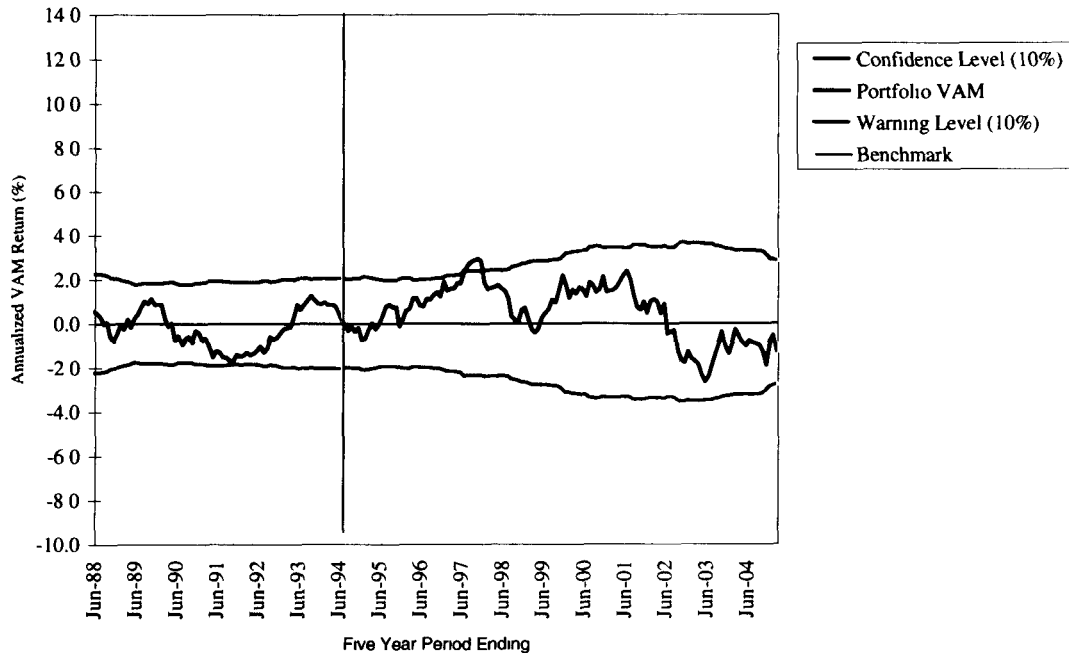
Assets Under Management: \$733,923,787

FRANKLIN PORTFOLIO ASSOCIATES - Active
Rolling Five Year VAM vs. Russell 1000 Core



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

FRANKLIN PORTFOLIO ASSOCIATES - Active
Rolling Five Year VAM vs. Manager Benchmark



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

NEW AMSTERDAM PARTNERS
Periods Ending March, 2005

Portfolio Manager: Michelle Clayman

Assets Under Management: \$437,368,085

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 1000 index by 1.5 percentage points (ppt) during the quarter. An overweight allocation to energy minerals coupled with strong stock selection aided returns. For the year, the portfolio outperformed the Russell 1000 index by 3.5 ppt. Strong stock selection, particularly within health technology and technology services, positively impacted performance.

Staff conducted a site visit, reviewing in detail philosophy, process, people, etc. Two new products were added, large growth and mid growth, in response to client requests. A small cap product was seeded with partner's money; it now has a 12-month history and has been warmly received by consultants. David Lubell, head of marketing, was made a partner in the firm.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell Index (1)	Manager Benchmark
Last Quarter	-0.4%	-1.9%	-1.9%
Last 1 year	10.7	7.2	7.2
Last 2 years	25.9	24.3	24.5
Last 3 years	7.6	6.6	4.3
Last 4 years	6.8	7.4	7.4
Last 5 years	5.0	3.2	3.0
Since Inception (4/94)	14.4	12.1	13.6

Calendar Year Returns

	Actual	Russell Index (1)	Manager Benchmark
2004	14.8%	11.4%	11.4%
2003	34.2	38.0	37.1
2002	-17.5	-16.2	-22.2
2001	-3.3	-5.6	3.7
2000	15.0	8.2	3.1

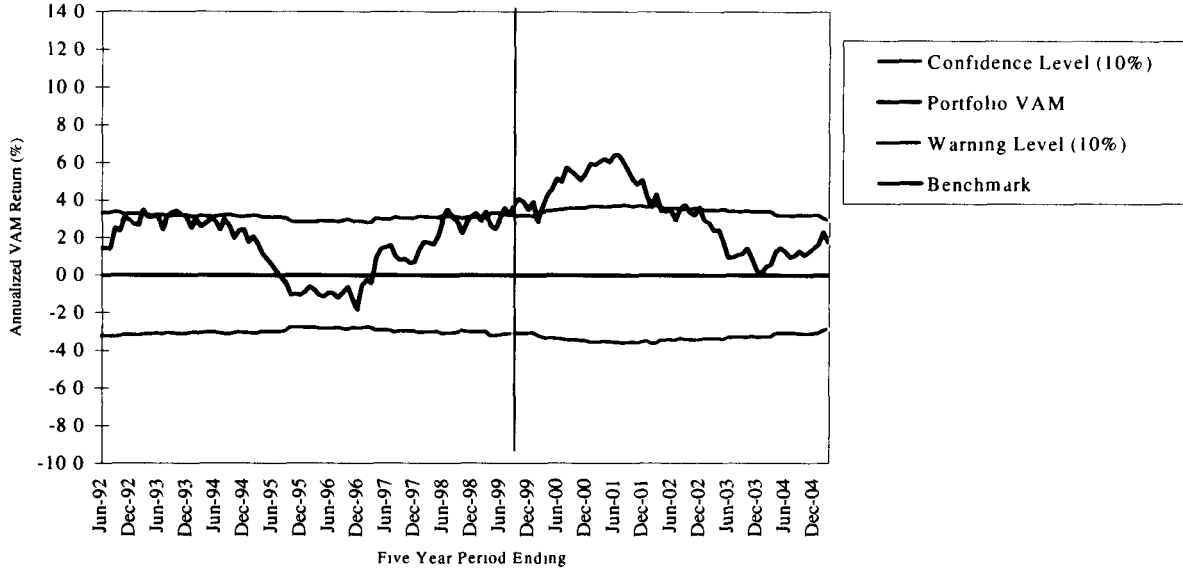
(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

NEW AMSTERDAM PARTNERS
Periods Ending March, 2005

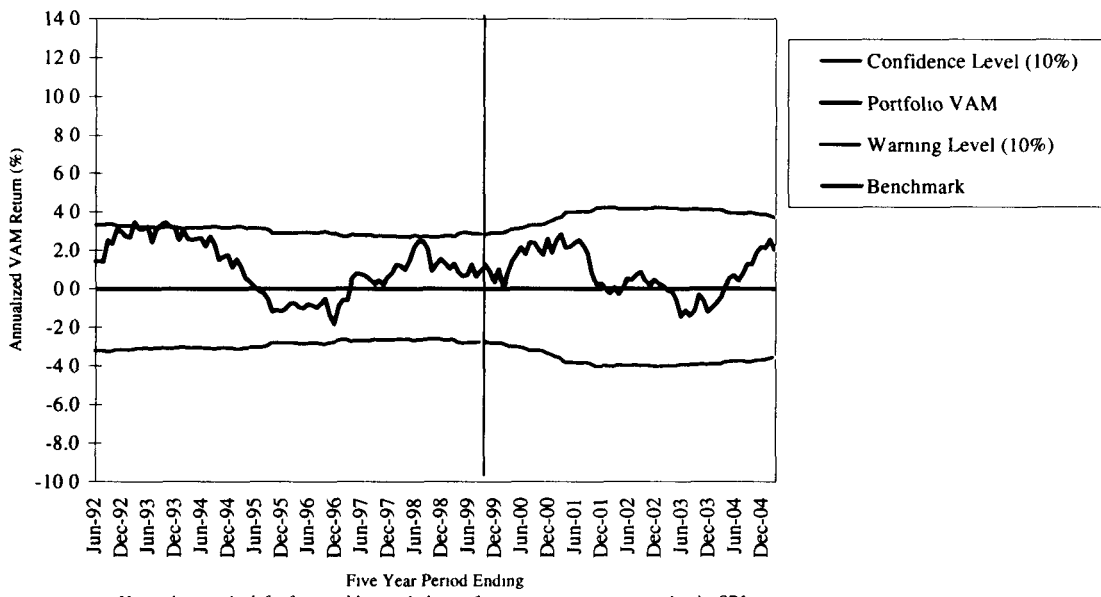
Portfolio Manager: Michelle Clayman

Assets Under Management: \$437,368,085

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



NEW AMSTERDAM PARTNERS
Rolling Five Year VAM vs. Manager Benchmark



UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: John Leonard

Assets Under Management: \$777,685,429

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

The portfolio underperformed the Russell 1000 index for the quarter by 0.6 percentage point (ppt). Strong overall stock selection was not enough to mitigate the negative impact of weak sector allocation decisions. An underweight position in energy minerals represented a missed opportunity as this was the best performing sector within the index.

For the year, the portfolio outperformed the Russell 1000 index by 2.1 ppts. Strong overall stock selection contributed to performance. An underweight allocation to electronic technology coupled with effective stock selection positively impacted performance. An overweight position in transportation coupled with strong stock selection aided returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	-2.5%	-1.9%	-1.9%
Last 1 year	9.3	7.2	7.2
Last 2 years	22.4	20.9	21.5
Last 3 years	6.2	3.4	3.9
Last 4 years	7.3	2.7	3.6
Last 5 years	7.9	-3.0	-1.6
Since Inception (7/93)	11.0	10.6	10.6

Calendar Year Returns

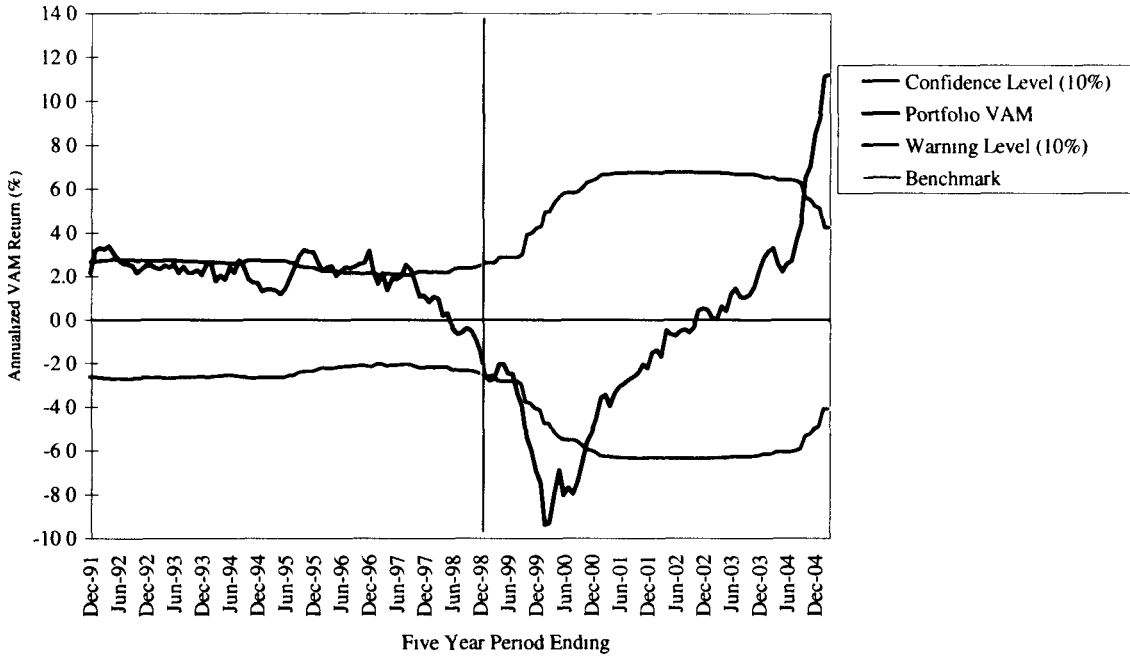
	Actual	Russell 1000 Core	Manager Benchmark
2004	13.4%	11.4%	11.4%
2003	30.7	29.9	30.8
2002	-14.7	-21.7	-20.6
2001	5.2	-12.5	-11.0
2000	3.6	-7.8	-1.0

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: John Leonard

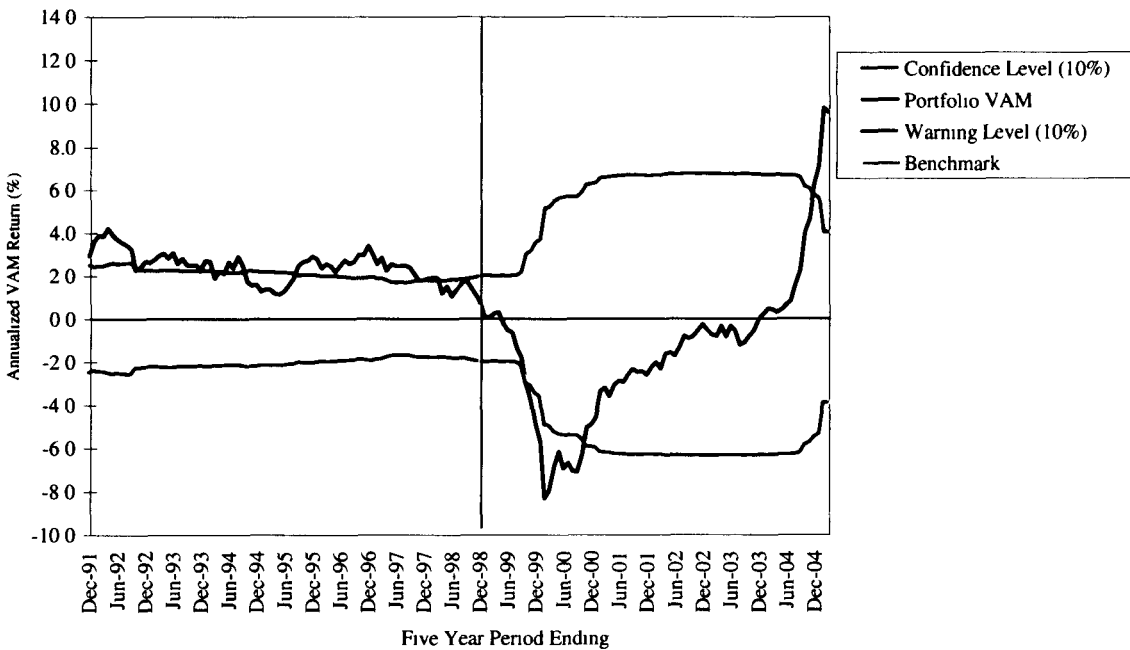
Assets Under Management: \$777,685,429

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

UBS GLOBAL ASSET MANAGEMENT, INC.
Rolling Five Year VAM vs. Manager Benchmark



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

VOYAGEUR ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Charles Henderson

Assets Under Management: \$45,044,317

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Index by 2.2 percentage points (ppt) during the quarter. An overweight position in consumer services coupled with weak stock selection detracted from performance. An underweight allocation to energy minerals represented a missed opportunity as this was the best performing sector within the Index.

For the year, the portfolio underperformed the Russell 1000 Index by 4.8 ppt. An overweight position in distribution services coupled with ineffective stock selection hindered returns. Strong stock selection within energy minerals was not enough to offset the negative impact of underexposure to the sector.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	-4.1%	-1.9%	-1.9%
Last 1 year	2.4	7.2	7.2
Last 2 years	16.5	20.9	20.7
Last 3 years	1.0	3.4	2.6
Last 4 years	0.6	2.7	3.7
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	-2.5	-2.4	-2.0

Calendar Year Returns

	Actual	Russell 1000 Core	Manager Benchmark
2004	10.6%	11.4%	11.4%
2003	23.2	29.9	28.9
2002	-20.6	-21.7	-20.7
2001	-19.4	-12.5	-12.0
2000	N/A	N/A	N/A

VOYAGEUR ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Charles Henderson

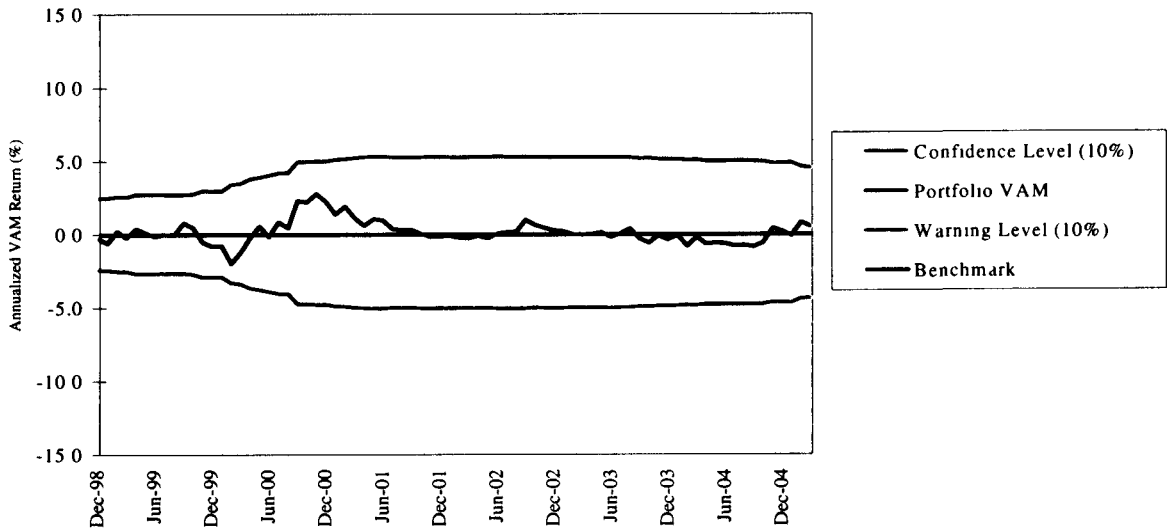
Assets Under Management: \$45,044,317

Voyageur Asset Management
 Rolling Five Year VAM vs. Russell 1000 Core



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

Voyageur Asset Management
 Rolling Five Year VAM vs. Manager Benchmark



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

Large Cap Growth (R1000 Growth)

Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jack Koltes

Assets Under Management: \$435,907,407

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

The portfolio underperformed the Russell 1000 Growth Index by 1.7 percentage points (ppt) during the quarter. Weak sector allocation decisions proved detrimental. Overweight positions in consumer services and consumer durables coupled with ineffective stock selection detracted from performance.

For the year, the portfolio underperformed the Russell 1000 Growth Index by 1.6 ppt. Strong overall stock selection was not enough to overcome the negative impact of sector allocation decisions, including an overweight position in finance. Weak stock selection within the health technology sector pressured returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-5.8%	-4.1%	-4.1%
Last 1 year	-0.4	1.2	1.2
Last 2 years	10.9	15.6	15.5
Last 3 years	-2.6	-0.7	0.0
Last 4 years	-2.5	-1.0	-0.5
Last 5 years	-9.1	-11.3	-7.0
Since Inception (1/84)	14.4	10.9	10.9

Calendar Year Returns

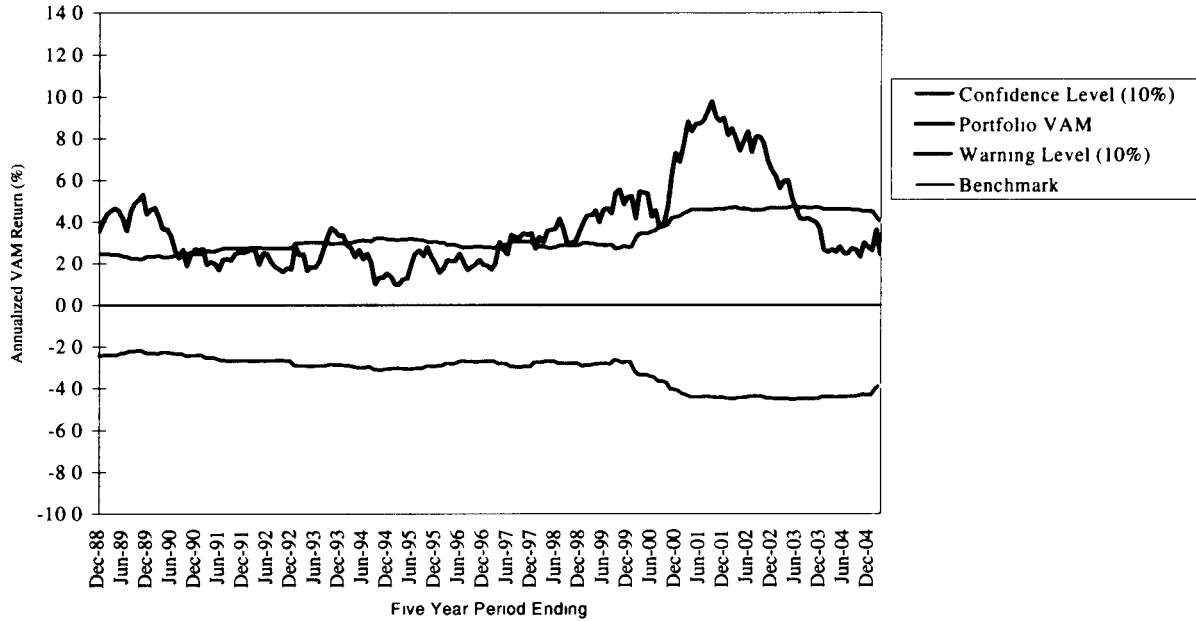
	Actual	Russell 1000 Growth	Manager Benchmark
2004	5.7%	6.3%	6.3%
2003	22.4	29.7	26.3
2002	-26.8	-27.9	-24.0
2001	-13.7	-20.4	-15.3
2000	-13.7	-22.4	-11.4

ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2005

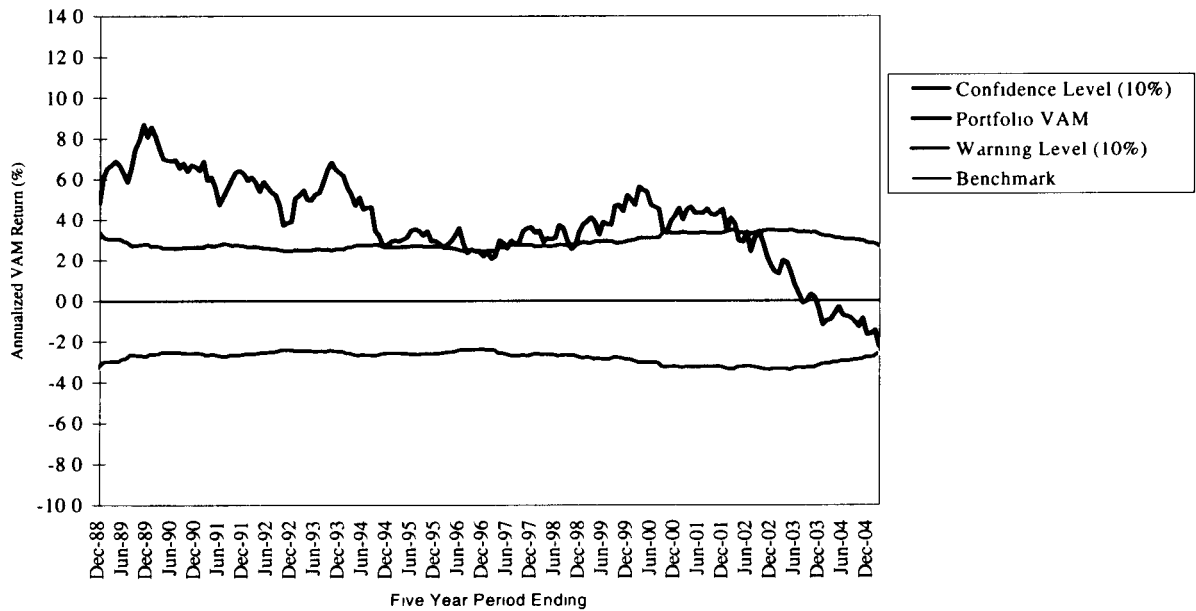
Portfolio Manager: Jack Koltes

Assets Under Management: \$435,907,407

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



ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Manager Benchmark



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending March, 2005

Portfolio Manager: George Cohen

Assets Under Management: \$404,306,431

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Growth index by 0.6 percentage point (ppt) during the quarter. An underweight allocation to health technology represented a missed opportunity as the sector outperformed, weak stock selection enhanced the negative impact. For the year, the portfolio underperformed the Russell 1000 Growth index by 2.3 ppts. Strong overall stock selection was not enough to overcome the negative impact of sector allocation decisions.

Staff conducted a site visit during the quarter, reviewing philosophy, process, people, trading compliance, etc. Jessica Caie, co-portfolio manager, left the firm during the first quarter, a replacement is sought.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-4.7%	-4.1%	-4.1%
Last 1 year	-1.1	1.2	1.2
Last 2 years	19.6	15.6	19.2
Last 3 years	-1.2	-0.7	2.1
Last 4 years	-5.2	-1.0	2.8
Last 5 years	-8.4	-11.3	-5.3
Since Inception (4/94)	9.4	9.0	10.9

Calendar Year Returns

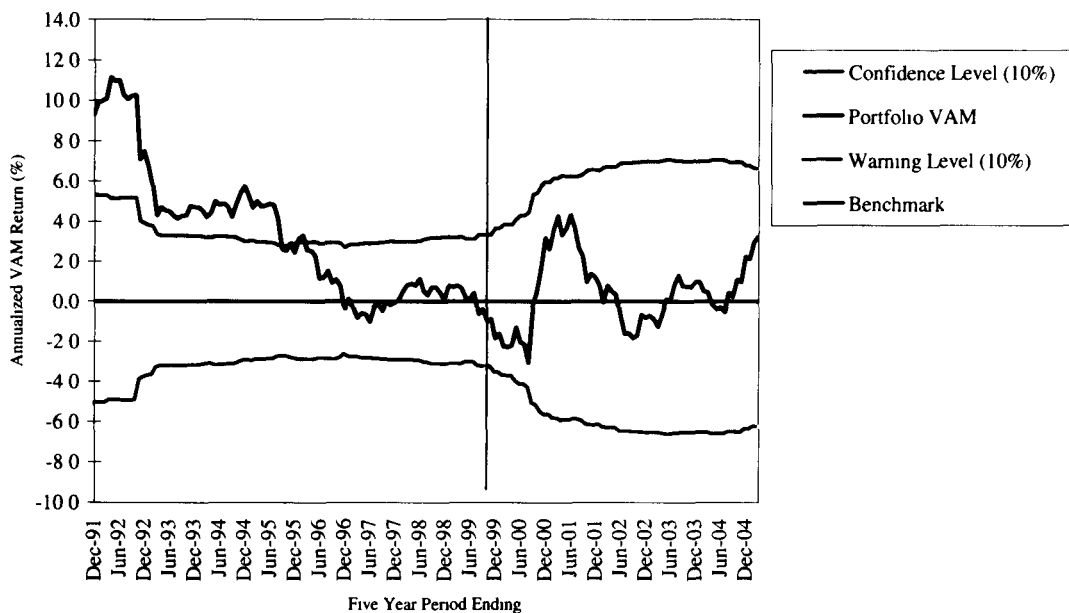
	Actual	Russell 1000 Growth	Manager Benchmark
2004	6.1%	6.3%	6.3%
2003	41.2	29.7	39.3
2002	-35.0	-27.9	-23.8
2001	-25.0	-20.4	-11.2
2000	-6.0	-22.4	-12.1

COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending March, 2005

Portfolio Manager: George Cohen

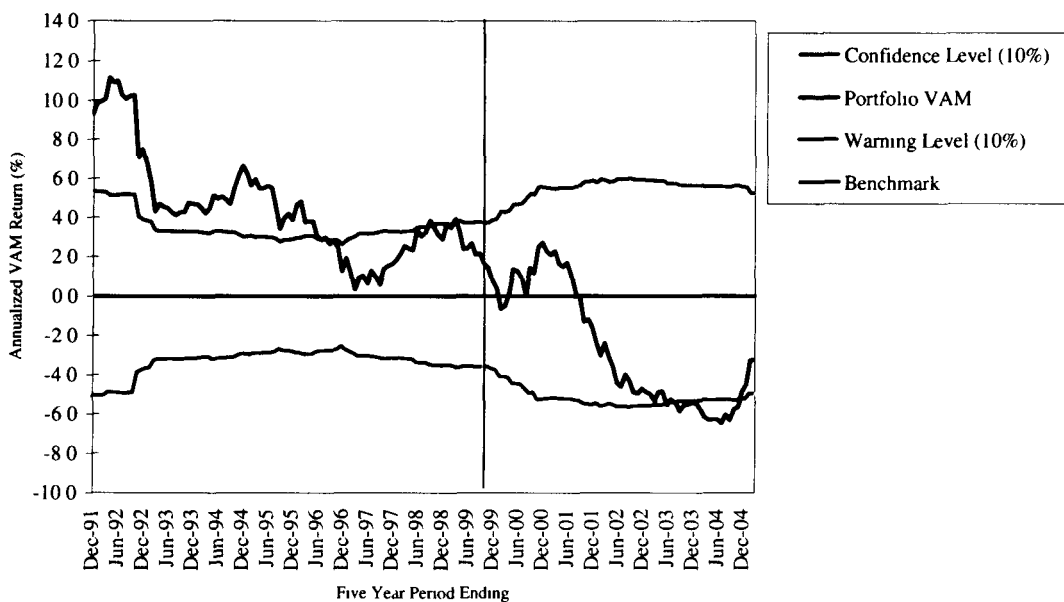
Assets Under Management: \$404,306,431

COHEN KLINGENSTEIN & MARKS
Rolling Five Year VAM vs. Russell 1000 Growth



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

COHEN KLINGENSTEIN & MARKS
Rolling Five Year VAM vs. Manager Benchmark



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

HOLT-SMITH & YATES ADVISORS
Periods Ending March, 2005

Portfolio Manager: Kristin Yates

Assets Under Management: \$42,350,679

Investment Philosophy

Holt-Smith & Yates invest in companies demonstrating superior growth in earnings over a long period of time. They use bottom-up fundamental analysis, focusing on historical and forecasted sales and earnings trends, profit margin trends, debt levels and industry conditions. They seek to purchase large-cap companies that meet their strict valuation criteria and have superior fundamentals to that of the benchmark. Companies must currently have a five year projected growth rate of over 20% and a PEG (P/E ratio to growth rate) ratio of below 150%. They hold concentrated portfolios, industry positions are limited to one stock per industry, and the portfolio has low turnover.

Staff Comments

The portfolio outperformed the Russell 1000 Growth index by 0.8 percentage point (ppt) during the quarter. Strong overall stock selection overcame the negative impact of weak sector allocation decisions. Stock selection was particularly effective within the consumer services, health technology, and technology services sectors.

For the year, the portfolio outperformed the Russell 1000 Growth index by 1.3 ppts. Strong stock selection contributed to performance, and was most notable within the electronic technology, finance, and retail trade sectors.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-3.3%	-4.1%	-4.1%
Last 1 year	2.5	1.2	1.2
Last 2 years	15.9	15.6	17.8
Last 3 years	-1.8	-0.7	1.3
Last 4 years	0.7	-1.0	5.3
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	-3.7	-11.3	2.2

Calendar Year Returns

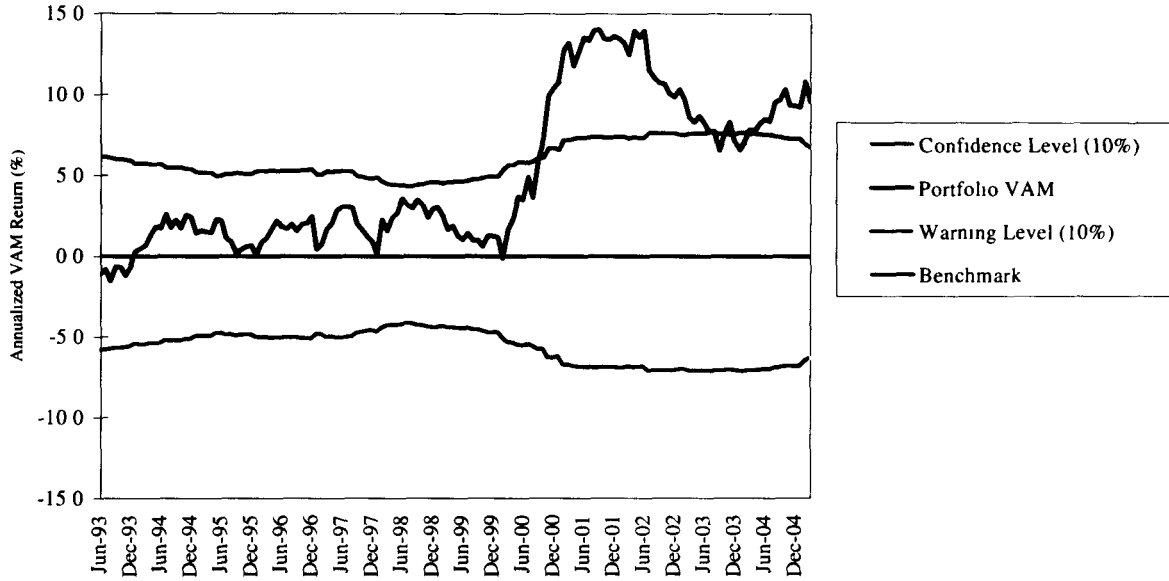
	Actual	Russell 1000 Growth	Manager Benchmark
2004	7.3%	6.3%	6.3%
2003	22.1	29.7	31.3
2002	-28.0	-27.9	-19.0
2001	-1.7	-20.4	4.6
2000	N/A	N/A	N/A

HOLT-SMITH & YATES ADVISORS
Periods Ending March, 2005

Portfolio Manager: Kristin Yates

Assets Under Management: \$42,350,679

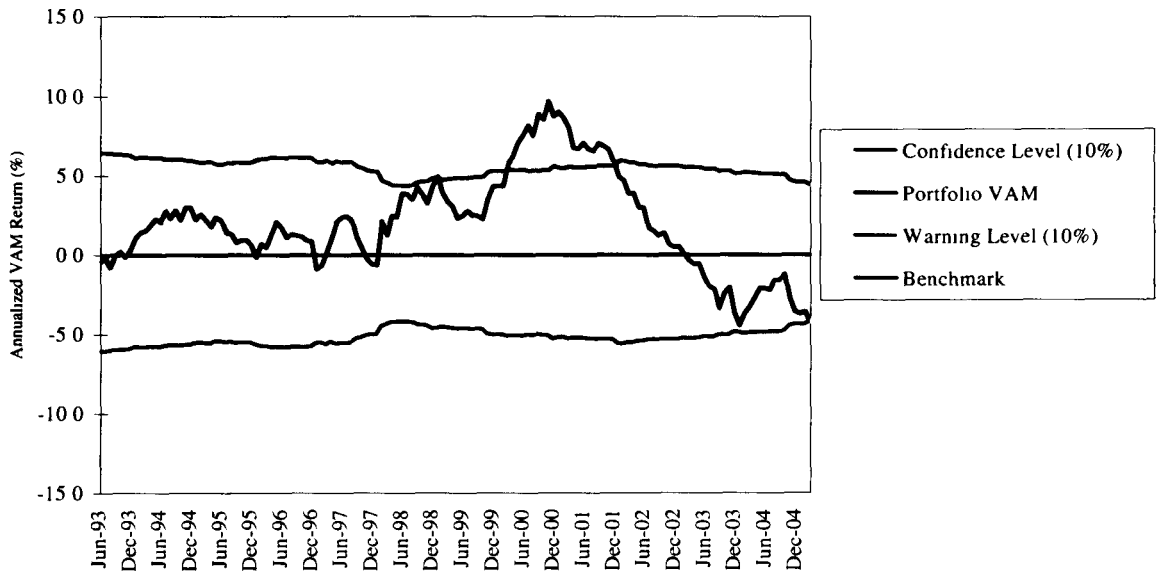
Holt-Smith & Yates
Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending

Note Shaded area includes performance prior to retention by the SBI

Holt-Smith & Yates
Rolling Five Year VAM vs. Manager Benchmark



Five Year Period Ending

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

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending March, 2005

Portfolio Manager: Robert Fernholz

Assets Under Management: \$ 195,100,017

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

The portfolio outperformed the Russell 1000 Growth index by 2.3 percentage points (ppt) during the quarter. The successful use of volatility and correlation characteristics to generate alpha resulted in 1.3% of outperformance. The remainder is attributable to a size affect, as the strategy tends to overweight smaller capitalization stocks relative to the benchmark.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-1.8%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-1.8	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

INTECH (ENHANCED INVESTMENT TECHNOLOGIES, LLC)
Periods Ending March, 2005

Portfolio Manager: Robert Fernholz

Assets Under Management: \$195,100,017

VAM Graphs will be drawn for period ending 3/31/07.

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$112,822,395

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Growth index by 0.3 percentage point during the quarter. Weak stock selection detracted from performance and was particularly ineffective within the health technology and electronic technology sectors.

Staff conducted a site visit, reviewing in detail philosophy, process, people, etc. The data scrubbing procedure for this quantitative product is quite extensive. The research process undertaken when contemplating changes to the factor models was demonstrated.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-4.4%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-4.4	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$112,822,395

VAM Graphs will be drawn for period ending 3/31/07

LAZARD ASSET MANAGEMENT LLC
Periods Ending March, 2005

Portfolio Manager: Jim Tatera

Assets Under Management: \$24,928,803

Investment Philosophy

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

Staff Comments

The portfolio matched the return of the Russell 1000 Growth index during the quarter. Strong stock selection within the finance sector proved beneficial. An overweight position in health technology coupled with strong stock selection contributed to performance. However, an overweight allocation to consumer services detracted from performance. Weak stock selection within health technology pressured returns.

Knelman Asset Management Group was acquired by Lazard Asset Management LLC during February and assumed the parent company name. The investment process and portfolio management team remain intact. Access to the parent's technology, trading, back office support, etc. should prove to be positive for the portfolio.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-4.1%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-4.1	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

LAZARD ASSET MANAGEMENT LLC
Periods Ending March, 2005

Portfolio Manager: Jim Tatera

Assets Under Management: \$24,928,803

VAM Graphs will be drawn for period ending 3/31/07

SANDS CAPITAL MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Frank Sands, Sr.

Assets Under Management: \$180,366,531

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

The portfolio underperformed the Russell 1000 Growth index by 5.3 percentage points (ppt) during the quarter. An overweight position in consumer services coupled with weak stock selection detracted from performance. Weak stock selection within the electronic technology sector also hindered returns. Two of the portfolio's top five holdings, eBay (-36.0%) and Starbucks (-17.2%), were among the five largest detractors. Despite the short term underperformance, the manager remains confident in the long term prospects of these companies.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-9.4%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-9.4	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

SANDS CAPITAL MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Frank Sands, Sr.

Assets Under Management: \$180,366,531

VAM Graphs will be drawn for period ending 3/31/07

TRANSAMERICA INVESTMENT MANAGEMENT, LLC
Periods Ending March, 2005

Portfolio Manager: Jeff Van Harte

Assets Under Management: \$112,072,476

Investment Philosophy

Staff Comments

Meaningful investments in companies that have been vetted by a proprietary research process result in portfolios of approximately 25 - 30 positions. The strategy emphasizes team-oriented in-house research. Portfolio managers also function as general analysts and share responsibility for generating new investment opportunities. The three-phase research process includes: 1) generation of new ideas – identification of companies that may be positively impacted by change, 2) proprietary fundamental research to identify the one or few companies best positioned to benefit disproportionately from change, and 3) peer review.

During the quarter lead portfolio manager Jeff Van Harte, three co-portfolio managers, and the strategy's trader left Transamerica to join Delaware Investments. An additional five Transamerica members are expected to join Delaware within the next two weeks.

Though the strategy stated a team process was used, it was clear to staff that Jeff Van Harte clearly drove the process. Due to this change, staff recommends termination of Transamerica.

Recommendation

Staff is recommending the termination of the relationship with Transamerica Investment Management, LLC.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-4.3%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-4.3	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

TRANSAMERICA INVESTMENT MANAGEMENT, LLC
Periods Ending March, 2005

Portfolio Manager: Jeff Van Harte

Assets Under Management: \$112,072,476

VAM Graphs will be drawn for period ending 3/31/07.

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Clark Winslow

Assets Under Management: \$24,698,574

Investment Philosophy

Staff Comments

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.

The portfolio underperformed the Russell 1000 Growth index by 0.8 percentage point (ppt) during the quarter. Effective sector allocation decisions were not enough to mitigate the impact of weak overall stock selection. Stock selection was particularly ineffective within the consumer services, health technology, and electronic technology sectors. Specific stocks that detracted from performance included Biogen (-48.2%) and eBay (-36.0%).

As of July 2005, the Winslow small cap team will have sole ownership of the small cap product they manage and operate under as Summit Creek Capital Management. The large cap team will return sole ownership of the large cap product. The two teams will continue to share the same offices and backroom operations. Staff believes this to be a positive step for both products.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-4.9%	-4.1%	-4.1%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	-4.9	-4.1	-4.1

Calendar Year Returns

	Actual	Russell 1000 Growth	Manager Benchmark
2004	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Clark Winslow

Assets Under Management: \$24,698,574

VAM Graphs will be drawn for period ending 3/31/07

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2005

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$195,392,542

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

The portfolio underperformed the Russell 1000 Growth index by 3.0 percentage points (ppt) during the quarter. Overweight allocations to consumer services and electronic technology coupled with weak stock selection detracted from performance. An underweight position in health services proved detrimental, weak stock selection increased the negative impact.

For the year, the portfolio outperformed the Russell 1000 Growth index by 1.4 ppt. Strong stock selection within the technology services, finance and consumer sectors mitigated the negative impact of weak stock selection within the producer manufacturing and health sectors.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-7.1%	-4.1%	-4.1%
Last 1 year	2.6	1.2	1.2
Last 2 years	23.7	15.6	16.4
Last 3 years	2.2	-0.7	1.0
Last 4 years	-0.1	-1.0	1.2
Last 5 years	-15.6	-11.3	-6.6
Since Inception (4/94)	9.7	9.0	12.4

Calendar Year Returns

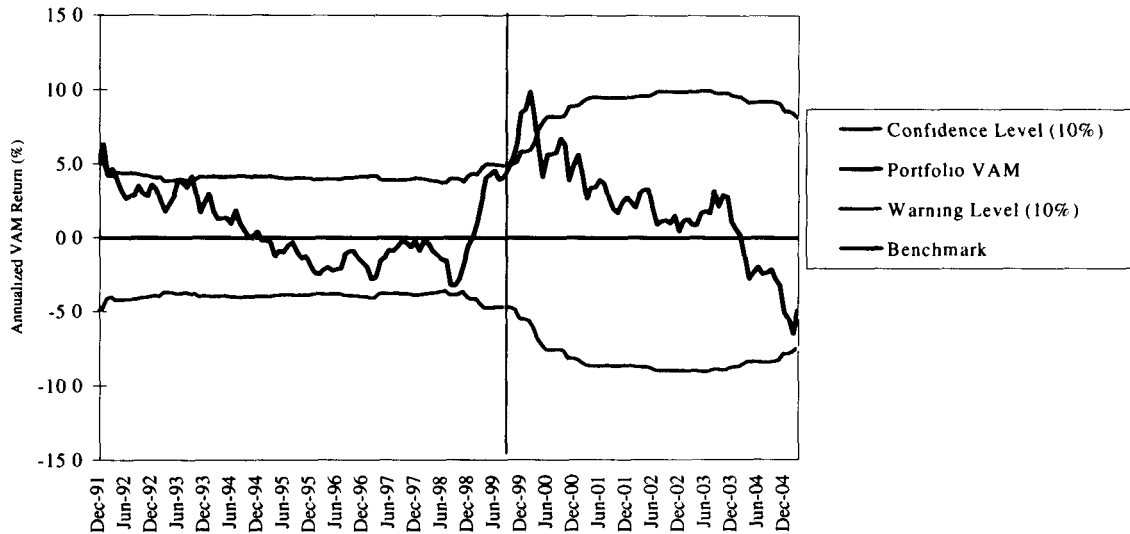
	Actual	Russell 1000 Growth	Manager Benchmark
2004	13.1%	6.3%	6.3%
2003	49.3	29.7	31.3
2002	-36.2	-27.9	-24.2
2001	-29.0	-20.4	-3.2
2000	-38.2	-22.4	-16.6

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2005

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$195,392,542

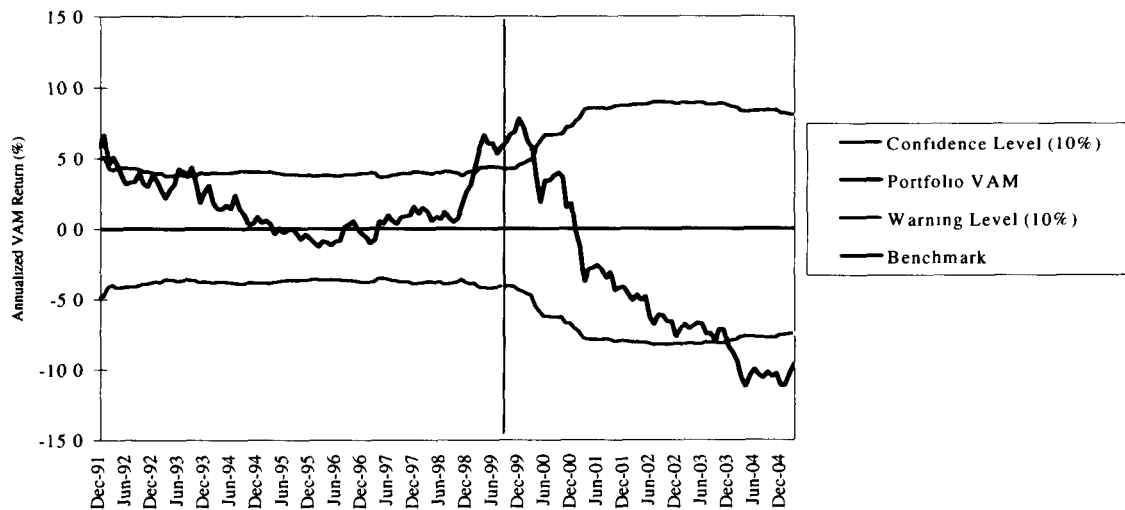
Zevenbergen Capital Management
Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending

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

Zevenbergen Capital Management
Rolling Five Year VAM vs. Manager Benchmark



Five Year Period Ending

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

Large Cap Value (R1000 Value)

Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March, 2005

Portfolio Manager: Tim Culler

Assets Under Management: \$290,073,694

Investment Philosophy

Staff Comments

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

The portfolio outperformed the Russell 1000 Value index by 1.8 percentage points (ppt) during the quarter. Underweight allocations to the finance and producer manufacturing sectors coupled with strong stock selection contributed to performance. An overweight position in health services proved beneficial.

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.

For the year, the portfolio outperformed the Russell 1000 Value index by 4.4 ppt. Strong overall stock selection positively impacted performance and was particularly effective within the finance, electronic technology and process industries sectors.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	1.9%	0.1%	0.1%
Last 1 year	17.6	13.2	13.2
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	17.6	13.2	13.2

Calendar Year Returns

	Actual	Russell 1000 Value	Manager Benchmark
2004*	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

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

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending March, 2005

Portfolio Manager: Tim Culler

Assets Under Management: \$290,073,694

VAM Graphs will be drawn for period ending 6/30/06

EARNEST PARTNERS, LLC
Periods Ending March, 2005

Portfolio Manager: Paul Viera

Assets Under Management: \$62,178,133

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

The portfolio outperformed the Russell 1000 Value index by 2.8 percentage points (ppt) during the quarter. An overweight allocation to energy minerals coupled with strong stock selection contributed to performance. Strong stock selection within the consumer services and technology services sectors proved beneficial.

For the year, the portfolio outperformed the Russell 1000 Value index by 4.2 ppt. An overweight position in energy aided returns, while stock selection enhanced the positive impact. Stock selection within consumer services was particularly effective.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	2.9%	0.1%	0.1%
Last 1 year	17.4	13.2	13.2
Last 2 years	28.8	26.2	30.9
Last 3 years	10.1	7.2	11.1
Last 4 years	8.3	6.5	14.2
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	4.5	6.5	13.9

Calendar Year Returns

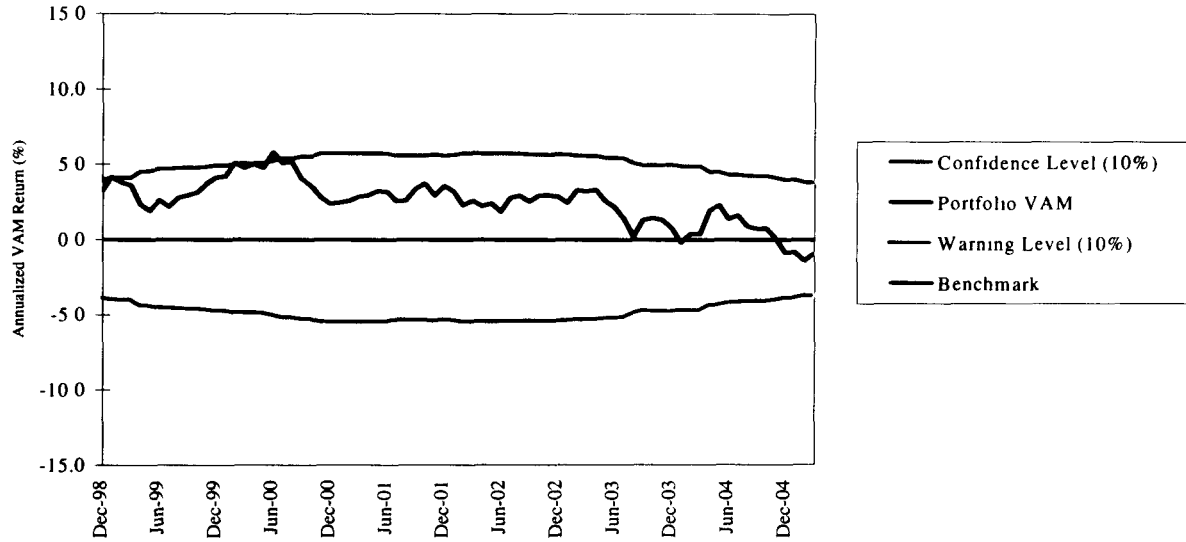
	Actual	Russell 1000 Value	Manager Benchmark
2004	18.9%	16.5%	16.5%
2003	32.0	30.0	41.8
2002	-18.1	-15.5	-11.6
2001	-0.4	-5.6	11.5
2000	N/A	N/A	N/A

EARNEST PARTNERS, LLC
Periods Ending March, 2005

Portfolio Manager: Paul Viera

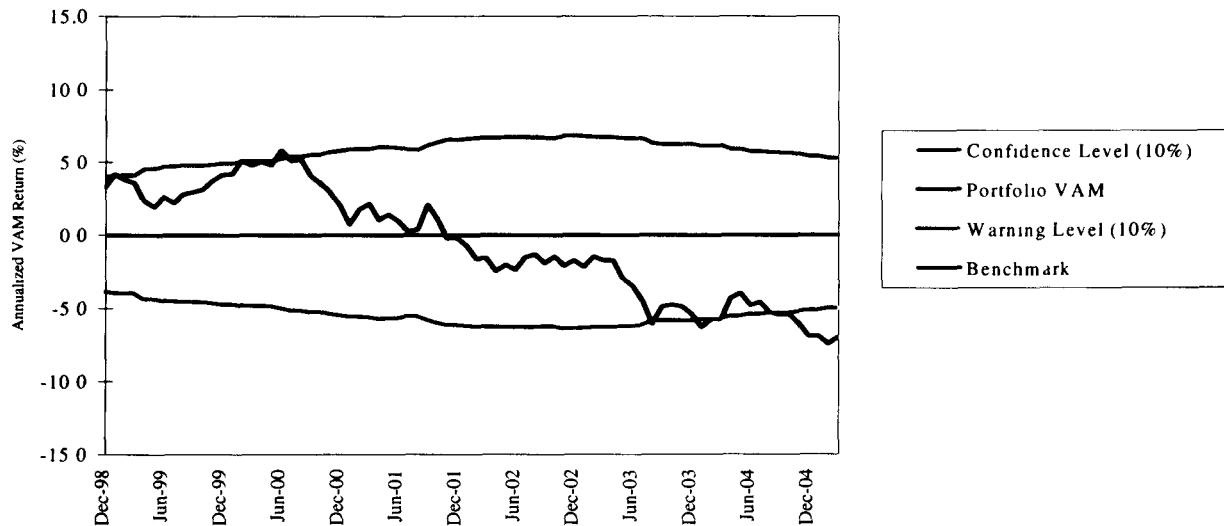
Assets Under Management: \$62,178,133

Earnest Partners
Rolling Five Year VAM vs. Russell 1000 Value



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

Earnest Partners
Rolling Five Year VAM vs. Manager Benchmark



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

LORD ABBETT & CO. LLC
Periods Ending March, 2005

Portfolio Manager: Eli Saltzman

Assets Under Management: \$266,385,452

Investment Philosophy

Staff Comments

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.

The portfolio underperformed the Russell 1000 Value index by 2.5 percentage points (ppt) during the quarter and 5.2 ppt for the year. Weak overall stock selection detracted from performance in both periods. An underweight allocation to energy minerals represented a missed opportunity as this was the best performing sector within the index during both periods.

Staff conducted a site visit, reviewing in detail philosophy, process, people, etc. The firm pays close attention to business management and devotes significant resources to technology, operations, compliance and business continuation. The investment process emphasizes the human judgment of personnel who have followed companies for very long time periods (20+ years).

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	-2.4%	0.1%	0.1%
Last 1 year	8.0	13.2	13.2
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	8.0	13.2	13.2

Calendar Year Returns

	Actual	Russell 1000 Value	Manager Benchmark
2004*	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

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

LORD ABBETT & CO. LLC
Periods Ending March, 2005

Portfolio Manager: Eli Saltzmann

Assets Under Management: \$266,385,452

VAM Graphs will be drawn for period ending 6/30/06

LSV ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$342,714,049

Investment Philosophy

Staff Comments

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.

The portfolio outperformed the Russell 1000 Value index by 1.6 percentage points (ppt) during the quarter. An overweight allocation to energy minerals coupled with strong stock selection contributed to performance. Strong stock selection within the utilities and electronic technology sectors supported returns. The overweight to the mid cap area proved beneficial.

For the year, the portfolio outperformed the Russell 1000 Value index by 3.1 ppt. Overweight positions in utilities and energy minerals coupled with strong stock selection positively impacted performance. Strong stock selection within finance aided returns, more than offsetting the negative impact of overweighting the sector.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	1.7%	0.1%	0.1%
Last 1 year	16.3	13.2	13.2
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	16.3	13.2	13.2

Calendar Year Returns

	Actual	Russell 1000 Value	Manager Benchmark
2004*	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

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

LSV ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$342,714,049

VAM Graphs will be drawn for period ending 6/30/06

OPPENHEIMER CAPITAL
Periods Ending March, 2005

Portfolio Manager: John Lindenthal

Assets Under Management: \$752,021,612

Investment Philosophy

Oppenheimer's objectives are to 1) preserve capital in falling markets, 2) manage risk in order to achieve less volatility than the market, and 3) produce returns greater than the market indices, the inflation rate and a universe of comparable portfolios with similar objectives. The firm achieves its objectives by purchasing securities considered to be undervalued on the basis of known data and strict financial standards and by making timely changes in the asset mix. Oppenheimer focuses on five key variables when evaluating companies: management, financial strength, profitability, industry position, and valuation.

Staff Comments

The portfolio underperformed the Russell 1000 Value index by 2.4 percentage points (ppt) during the quarter and 5.4 ppt for the year. An underweight allocation in both periods to energy minerals coupled with weak stock selection detracted from performance.

Staff conducted a site visit, reviewing in detail philosophy, process, people, etc. Staff was impressed with the research process and the team members interviewed. Three subadvisory relationships with OppenheimerFunds were discontinued, encompassing approximately \$3.4 billion in assets. OppCap was appointed subadvisor of the Allianz OCC Value fund and Renaissance fund encompassing approximately \$9 billion in assets.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	-2.3%	0.1%	0.1%
Last 1 year	7.8	13.2	13.2
Last 2 years	21.7	26.2	26.8
Last 3 years	5.8	7.2	5.8
Last 4 years	4.3	6.5	4.0
Last 5 years	4.0	5.2	3.0
Since Inception (7/93)	13.0	11.9	12.5

Calendar Year Returns

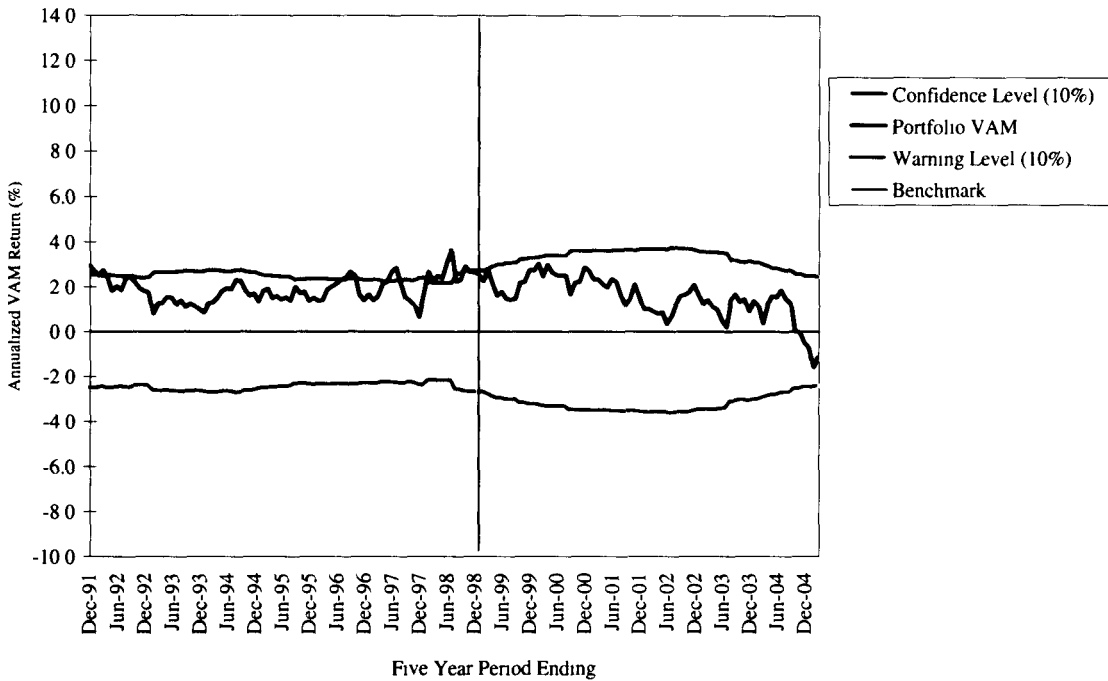
	Actual	Russell 1000 Value	Manager Benchmark
2004	12.0%	16.5%	16.5%
2003	28.9	30.0	31.4
2002	-15.5	-15.5	-20.7
2001	-7.0	-5.6	-9.5
2000	11.2	7.0	10.3

OPPENHEIMER CAPITAL
Periods Ending March, 2005

Portfolio Manager: John Lindenthal

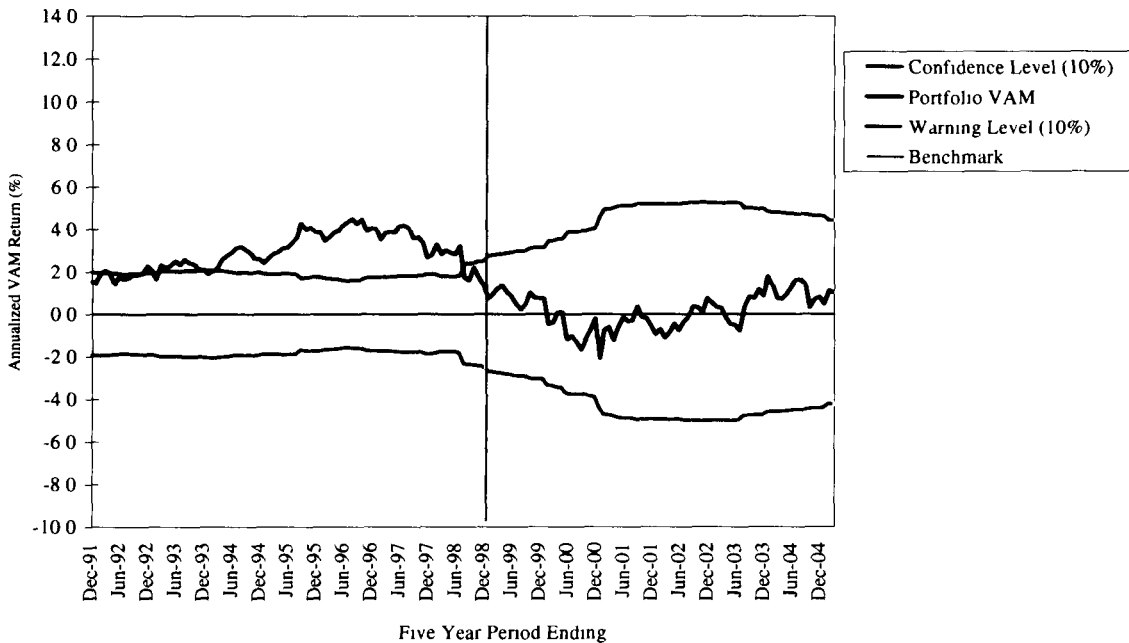
Assets Under Management: \$752,021,612

OPPENHEIMER CAPITAL
Rolling Five Year VAM vs. Russell 1000 Value



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

OPPENHEIMER CAPITAL
Rolling Five Year VAM vs. Manager Benchmark



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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2005

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$167,264,748

Investment Philosophy

Staff Comments

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 portfolio outperformed the Russell 1000 Value index by 0.9 percentage point (ppt) during the quarter. An underweight allocation to energy minerals represented a missed opportunity as this was the best performing sector within the index; however, strong stock selection more than offset the impact. For the year, the portfolio outperformed the Russell 1000 Value index by 0.1 ppt. Strong overall stock selection contributed to performance and was particularly notable within the consumer durables, retail trade, and utilities sectors.

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 conducted a site visit, reviewing philosophy, process, people, trading, compliance, etc. In practice, the quantitative component of the strategy comprises approximately 10% of the process, while the remaining 90% is fundamental.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	1.0%	0.1%	0.1%
Last 1 year	13.3	13.2	13.2
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	13.3	13.2	13.2

Calendar Year Returns

	Actual	Russell 1000 Value	Manager Benchmark
2004*	N/A	N/A	N/A
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending March, 2005

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$167,264,748

VAM Graphs will be drawn for period ending 6/30/06

Small Cap Growth (R2000) Growth

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Robert Gillam, Sr.

Assets Under Management: \$174,302,112

Investment Philosophy

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

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

Staff Comments

The portfolio underperformed the Russell 2000 Growth index by 1.8 percentage points (ppt) during the quarter. Weak overall stock selection, particularly within the electronic technology and consumer durables sectors, detracted from performance. An underweight allocation to energy minerals represented a missed opportunity as this sector outperformed.

For the year, the portfolio underperformed the Russell 2000 Growth index by 5.4 ppt. Weak overall stock selection weighed on returns, and was most ineffective within the electronic technology, technology services and retail trade sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	-8.6%	-6.8%	-6.8%
Last 1 year	-4.5	0.9	0.9
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	2.0	5.2	5.2

Calendar Year Returns

	Actual	Russell 2000 Growth	Manager Benchmark
2004	12.2%	14.3%	14.3%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

MCKINLEY CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Robert Gillam, Sr.

Assets Under Management: \$174,302,112

VAM Graphs will be drawn for period ending 3/31/06.

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2005

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$32,554,043

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 2000 Growth index by 5.8 percentage points (ppt) during the quarter. An overweight allocation to health services coupled with strong stock selection aided returns. An underweight position in health technology coupled with effective stock selection contributed to performance.

For the year, the portfolio outperformed the Russell 2000 Growth index by 4.4 ppt. Strong sector allocation decisions mitigated the negative impact of weak overall stock selection. Overweight positions in transportation, producer manufacturing and energy minerals coupled with strong stock selection positively impacted performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	-1.0%	-6.8%	-6.8%
Last 1 year	5.3	0.9	0.9
Last 2 years	28.2	28.3	27.3
Last 3 years	4.2	4.0	5.2
Last 4 years	3.0	4.2	8.1
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	-8.9	-5.4	-2.9

Calendar Year Returns

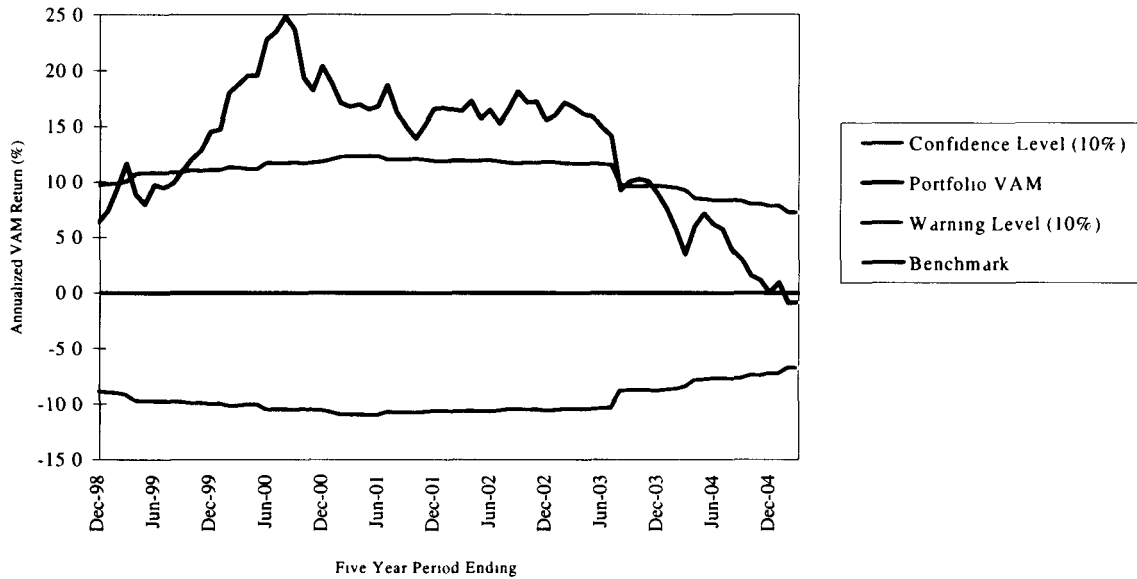
	Actual	Russell 2000 Growth	Manager Benchmark
2004	6.4%	14.3%	14.3%
2003	50.7	48.5	48.5
2002	-33.3	-30.3	-27.8
2001	-22.8	-9.2	-5.5
2000	N/A	N/A	N/A

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending March, 2005

Portfolio Manager: Thomas Press and Don Longlet

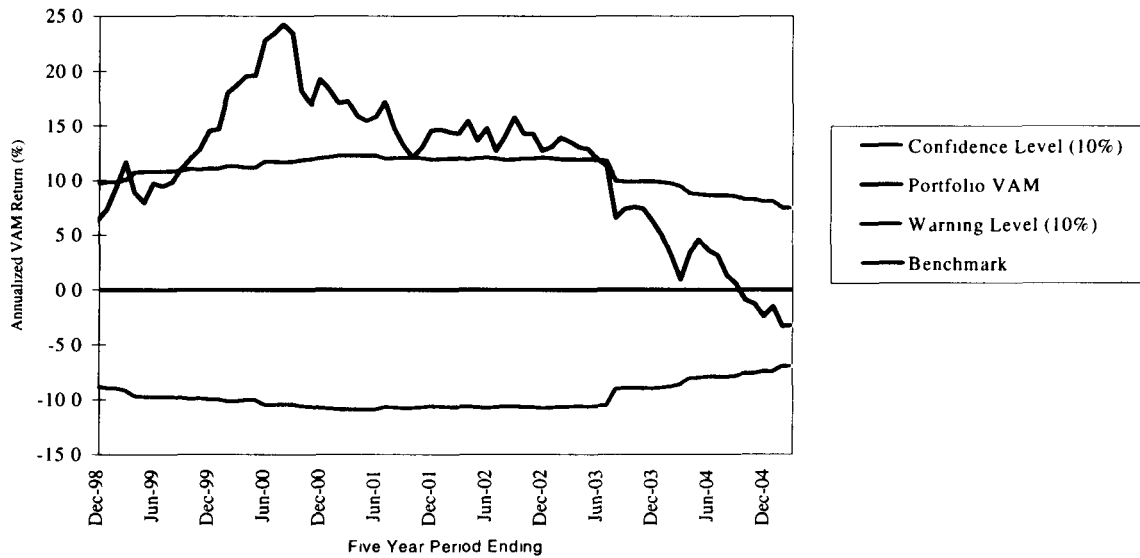
Assets Under Management: \$32,554,043

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



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

Next Century Growth Investors
Rolling Five Year VAM vs. Manager Benchmark



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

TURNER INVESTMENT PARTNERS
Periods Ending March, 2005

Portfolio Manager: William McVail

Assets Under Management: \$131,837,433

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

The portfolio underperformed the Russell 2000 Growth index by 0.3 percentage point (ppt) during the quarter. Weak stock selection within the consumer, retail trade and technology services sectors detracted from performance, despite effective sector allocation decisions.

For the year, the portfolio underperformed the Russell 2000 Growth index by 0.7 ppt. Weak overall stock selection pressured returns, and was particularly ineffective within the consumer services and producer manufacturing sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	-7.1%	-6.8%	-6.8%
Last 1 year	0.2	0.9	0.9
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	2.9	5.2	5.2

Calendar Year Returns

	Actual	Russell 2000 Growth	Manager Benchmark
2004	11.6%	14.3%	14.3%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

TURNER INVESTMENT PARTNERS
Periods Ending March, 2005

Portfolio Manager: William McVail

Assets Under Management: \$131,837,433

VAM Graphs will be drawn for period ending 3/31/06.

WINSLOW CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Joseph Docter

Assets Under Management: \$131,420,746

Investment Philosophy

Winslow Capital believes that companies with above average earnings growth rates provide the best opportunities for superior portfolio returns. They look for companies with three to five year records of increased sales and earnings, steady 20-30% growth, low financial leverage with strong cash flow, and significant management ownership. Through internal fundamental research, they calculate projected fundamentals - earnings projections, forecasts of relative P/E ratios, and projected 12-18 month returns - which are used in the valuation model to rank securities. Individual positions do not exceed five percent. The portfolio is diversified across sectors.

Staff Comments

The portfolio outperformed the Russell 2000 Growth index by 1.2 percentage points (ppts) during the quarter. Effective sector allocation decisions and strong stock selection contributed to performance. For the year, the portfolio underperformed the Russell 2000 Growth index by 0.2 ppt. Weak stock selection within the consumer durables sector detracted from performance.

As of July 2005, the Winslow small cap team will have sole ownership of the small cap product they manage and operate under as Summit Creek Capital Management. The large cap team will return sole ownership of the large cap product. The two teams will continue to share the same offices and backroom operations. Staff believes this to be a positive step for both products.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	-5.6%	-6.8%	-6.8%
Last 1 year	0.7	0.9	0.9
Last 2 years	22.0	28.3	29.8
Last 3 years	1.8	4.0	5.3
Last 4 years	5.3	4.2	8.8
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	-2.4	-5.4	0.1

Calendar Year Returns

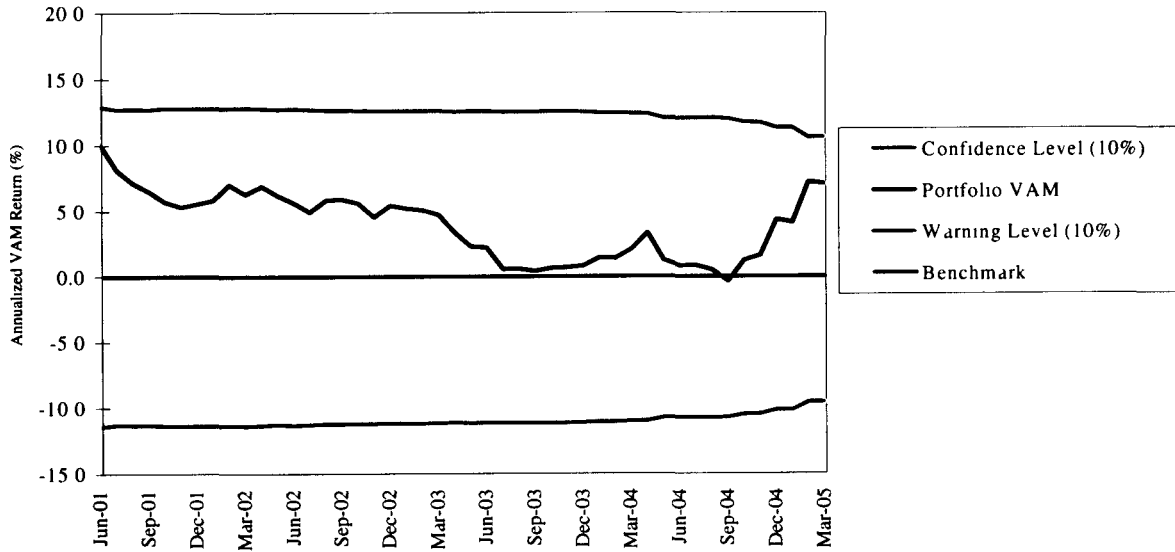
	Actual	Russell 2000 Growth	Manager Benchmark
2004	8.9%	14.3%	14.3%
2003	37.6	48.5	51.3
2002	-25.0	-30.3	-26.7
2001	-6.1	-9.2	4.6
2000	N/A	N/A	N/A

WINSLOW CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Joseph Docter

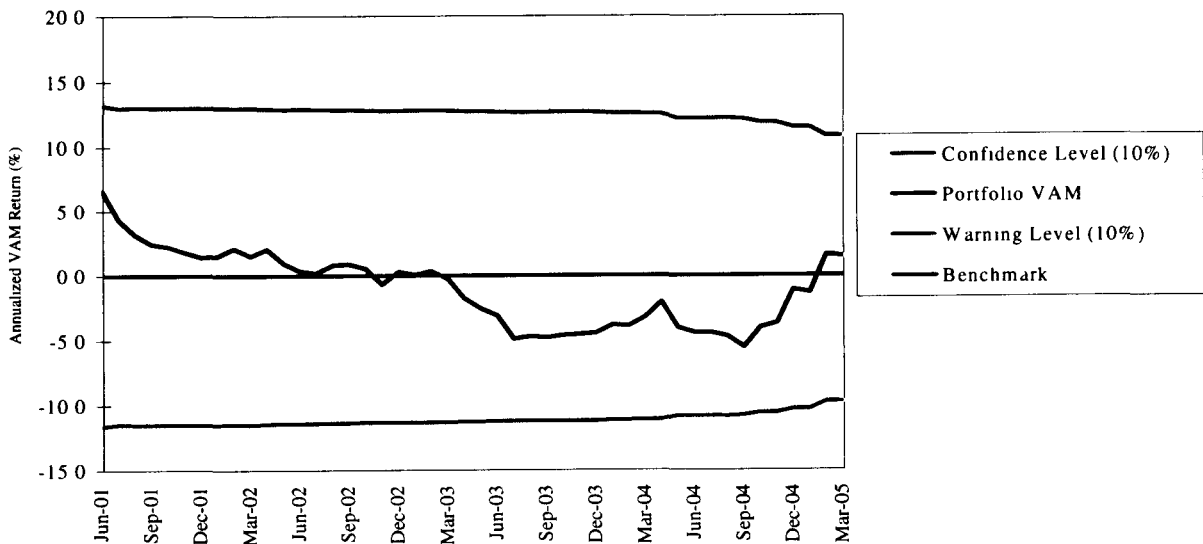
Assets Under Management: \$131,420,746

Winslow Capital Management
Rolling Five Year VAM vs. Russell 2000 Growth



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

Winslow Capital Management
Rolling Five Year VAM vs. Manager Benchmark



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

Small Cap Value (R2000 Value)

Small Cap Value (R2000 Value)

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KENWOOD CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jacob Hurwitz and Kent Kelley

Assets Under Management: \$50,961,993

Investment Philosophy

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

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

Staff Comments

The portfolio outperformed the Russell 2000 Value index by 0.7 percentage point (ppt) during the quarter. An overweight allocation to health services coupled with strong stock selection contributed to performance. Effective stock selection within the producer manufacturing, health technology, and process industries sectors proved beneficial.

For the year, the portfolio outperformed the Russell 2000 Value index by 1.6 ppts. Strong overall stock selection contributed to performance, and was particularly notable within the finance and health technology sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	-3.3%	-4.0%	-4.0%
Last 1 year	11.4	9.8	9.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	17.0	13.7	13.7

Calendar Year Returns

	Actual	Russell 2000 Value	Manager Benchmark
2004	25.8%	22.2%	22.2%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

KENWOOD CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jacob Hurwitz and Kent Kelley Assets Under Management: \$50,961,993

VAM Graphs will be drawn for period ending 3/31/06.

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Chip Otness

Assets Under Management: \$106,534,896

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

The portfolio underperformed the Russell 2000 Value index by 1.0 percentage point (ppt) during the quarter. Overall weak stock selection detracted from performance, particularly within the finance and process industries sectors. For the year, the portfolio underperformed the Russell 2000 Value index by 0.4 ppt. Weak stock selection within the process industries sector negatively impacted returns. An underweight position in retail trade coupled with ineffective stock selection detracted from performance.

Staff conducted a site visit, reviewing philosophy, process, people, team communications, compliance, and trading. The research process is deep and thorough; staff was impressed with the team members interviewed.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	-5.0%	-4.0%	-4.0%
Last 1 year	9.4	9.8	9.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	11.0	13.7	13.7

Calendar Year Returns

	Actual	Russell 2000 Value	Manager Benchmark
2004	19.9%	22.2%	22.2%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Chip Otness

Assets Under Management: \$106,534,896

VAM Graphs will be drawn for period ending 3/31/06.

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$118,108,353

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

For the quarter, the portfolio outperformed the Russell 2000 Value index by 3.4 percentage points (ppt). An underweight allocation to finance coupled with strong stock selection proved beneficial. An overweight position in process industries coupled with effective stock selection contributed to performance.

For the year, the portfolio outperformed the Russell 2000 Value index by 3.4 ppt. Strong stock selection within the consumer durables and process industries sectors contributed to performance. An underweight position in finance coupled with strong stock selection positively impacted returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	-0.6%	-4.0%	-4.0%
Last 1 year	13.2	9.8	9.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	20.5	13.7	13.7

Calendar Year Returns

	Actual	Russell 2000 Value	Manager Benchmark
2004	27.1%	22.2%	22.2%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$118,108,353

VAM Graphs will be drawn for period ending 3/31/06.

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: William Jacques

Assets Under Management: \$119,804,232

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

For the quarter, the portfolio outperformed the Russell 2000 Value index by 1.9 percentage points (ppt). Strong overall stock selection supported returns and was particularly notable within the electronic technology and producer manufacturing sectors. An overweight allocation to retail trade coupled with effective stock selection contributed to performance. Value oriented factors and the estimate revision factor supported returns for both the quarter and year.

For the year, the portfolio outperformed the Russell 2000 Value index by 6.5 ppt. Underweight allocations to the electronic technology and finance sectors coupled with strong stock selection contributed to performance. An overweight position in producer manufacturing proved beneficial; strong stock selection enhanced the positive impact.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	-2.1%	-4.0%	-4.0%
Last 1 year	16.3	9.8	9.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	21.9	13.7	13.7

Calendar Year Returns

	Actual	Russell 2000 Value	Manager Benchmark
2004	30.8%	22.2%	22.2%
2003	N/A	N/A	N/A
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A
2000	N/A	N/A	N/A

MARTINGALE ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: William Jacques

Assets Under Management: \$119,804,232

VAM Graphs will be drawn for period ending 3/31/06.

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$173,407,833

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

The portfolio outperformed the Russell 2000 Value index by 19 percentage points (ppt) during the quarter. Strong takeover activity proved beneficial during the quarter. For the year, the portfolio outperformed the Russell 2000 Value index by 5.5 ppt. Strong overall stock selection contributed to performance in both periods. An overweight allocation to health services coupled with strong stock selection positively impacted returns for the quarter and year.

The strategy remains open, and reached \$1.2 B in assets at quarter-end. The manager's parent company, Wells Fargo, has agreed to free some capacity within the style, this process should begin during the second quarter of 2005.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	-2.1%	-4.0%	-4.0%
Last 1 year	15.3	9.8	9.8
Last 2 years	37.7	34.4	34.0
Last 3 years	11.5	11.5	12.6
Last 4 years	15.9	14.4	17.3
Last 5 years	N/A	N/A	N/A
Since Inception (7/00)	18.3	15.8	18.8

Calendar Year Returns

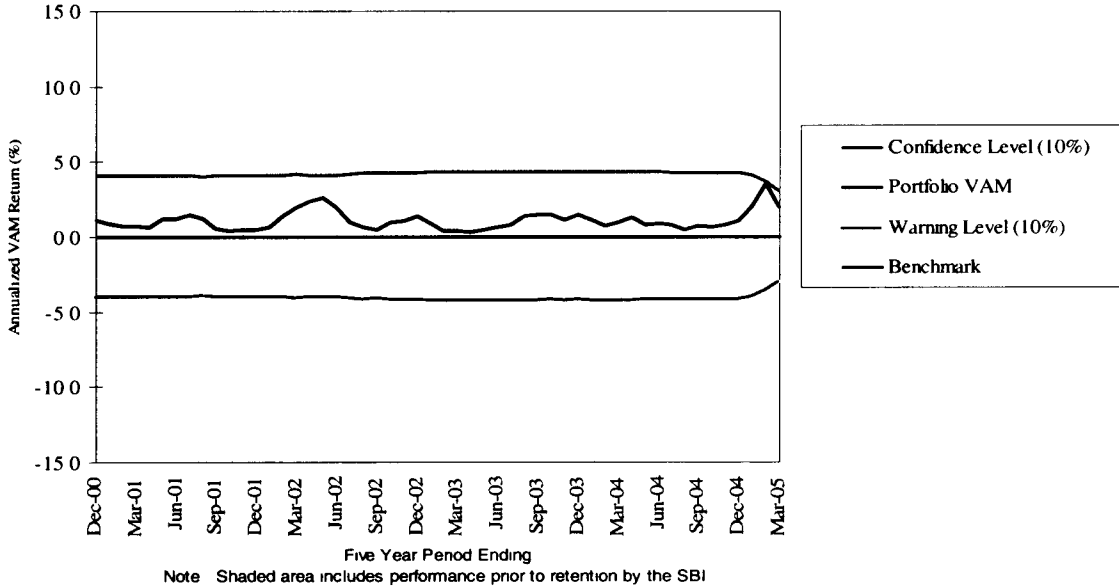
	Actual	Russell 2000 Value	Manager Benchmark
2004	23.6%	22.2%	22.2%
2003	44.2	46.0	44.2
2002	-8.1	-11.4	-6.9
2001	12.6	14.0	22.9
2000	N/A	N/A	N/A

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Doug Pugh and Tasso Coin

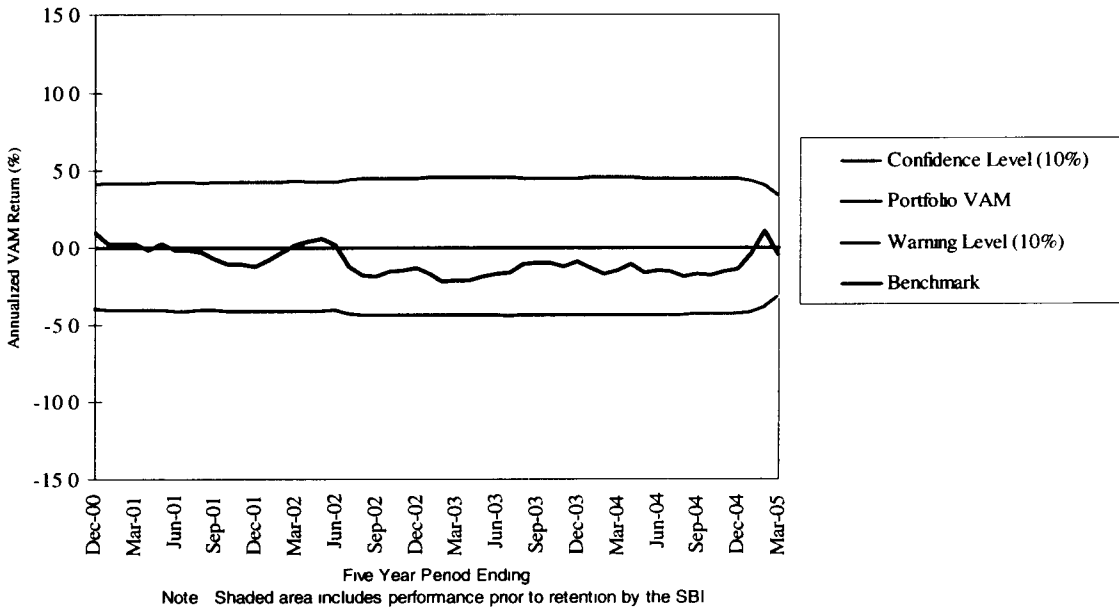
Assets Under Management: \$173,407,833

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



Note Shaded area includes performance prior to retention by the SBI

Peregrine Capital Management
 Rolling Five Year VAM vs. Manager Benchmark



Note Shaded area includes performance prior to retention by the SBI

Semi-Passive and Passive

Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2005

Portfolio Manager: Rhonda Vitanye

Assets Under Management: \$2,640,127,419

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

The portfolio outperformed the Russell 1000 index by 0.4 percentage point (ppt) during the quarter. Strong stock selection, particularly within the health technology sector, contributed to performance. An overweight allocation to energy minerals coupled with strong stock selection supported returns. Relative valuation and sentiment investment themes added value.

For the year, the portfolio outperformed the Russell 1000 index by 0.2 ppt. Stock selection was positive, particularly within the health technology sector. Overweight positions in the transportation and energy minerals sectors coupled with strong stock selection proved beneficial. Relative valuation, sentiment, and earnings quality investment themes added value.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-1.5%	-1.9%
Last 1 year	7.4	7.2
Last 2 years	20.9	20.3
Last 3 years	4.7	3.9
Last 4 years	4.9	3.9
Last 5 years	-1.7	-3.5
Since Inception (1/95)	11.2	10.4

Calendar Year Returns

	Actual	Manager Benchmark*
2004	11.7%	11.4%
2003	30.0	28.5
2002	-19.1	-19.7
2001	-7.8	-9.7
2000	-13.8	-16.3

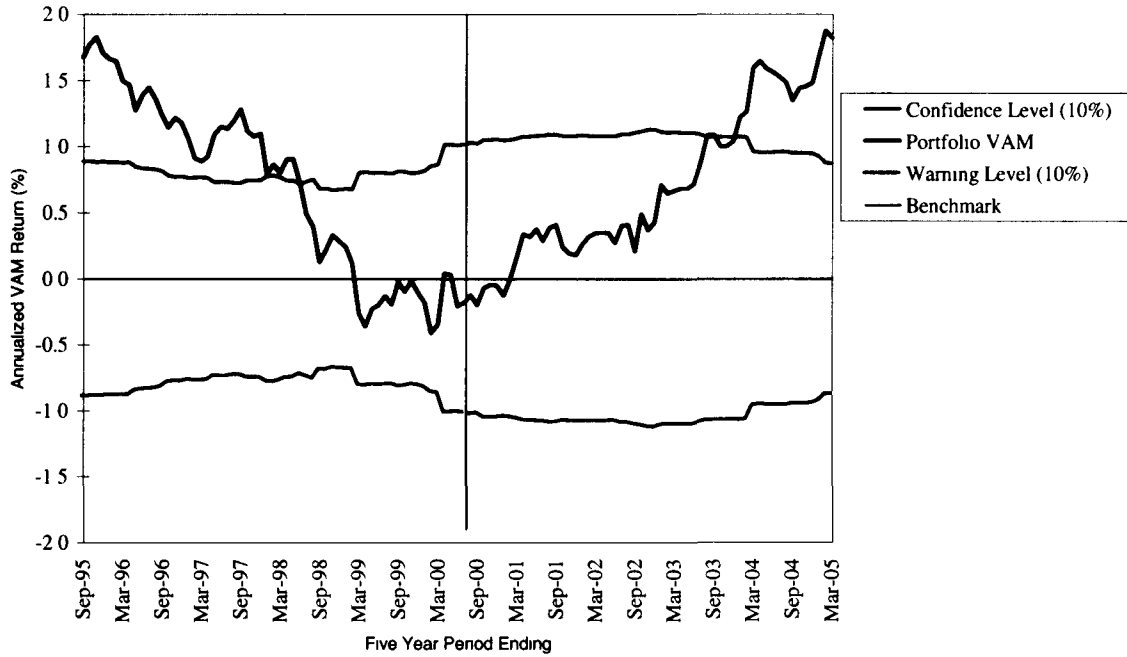
* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2005

Portfolio Manager: Rhonda Vitanye

Assets Under Management: \$2,640,127,419

BARCLAYS GLOBAL INVESTORS - SEMI-PASSIVE
Rolling Five Year VAM vs. Manager Benchmark



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2005

Portfolio Manager: John Cone

Assets Under Management: \$1,902,118,243

Investment Philosophy – Semi-Passive Style

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

Staff Comments

The portfolio outperformed the Russell 1000 index by 0.4 percentage point (ppt) during the quarter. Strong stock selection, particularly within the health technology, consumer services, and finance sectors, aided returns. Exposure to earnings yield, momentum, and value factors were positive.

For the year, the portfolio outperformed the Russell 1000 index by 0.2 ppt. Strong stock selection contributed to performance and was most notable within the health technology and finance sectors. Exposure to momentum and value factors positively impacted returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-1.5%	-1.9%
Last 1 year	7.4	7.2
Last 2 years	20.5	20.3
Last 3 years	3.5	3.9
Last 4 years	3.6	3.9
Last 5 years	-3.2	-3.5
Since Inception (1/95)	10.0	10.4

Calendar Year Returns

	Actual	Manager Benchmark*
2004	11.7%	11.4%
2003	26.9	28.5
2002	-20.2	-19.7
2001	-9.0	-9.7
2000	-15.9	-16.3

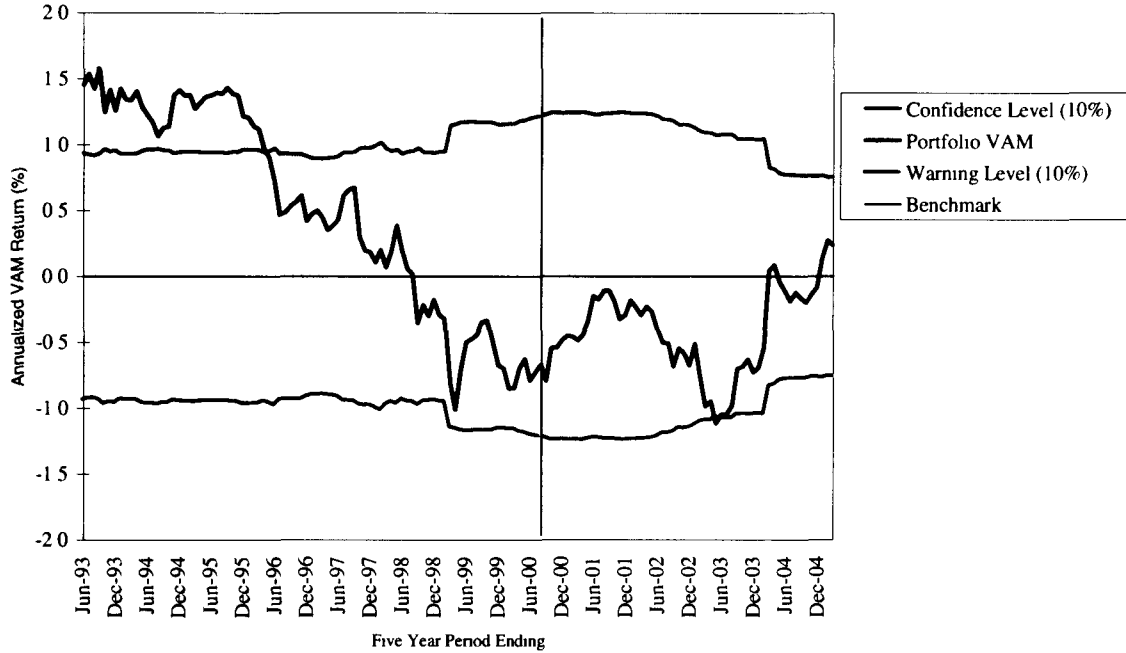
* Completeness Fund until 12/31/03, Russell 1000 beginning 1/1/04

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2005

Portfolio Manager: John Cone

Assets Under Management: \$1,902,118,243

FRANKLIN PORTFOLIO ASSOCIATES - 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, 2005

Portfolio Manager: Tim Devlin

Assets Under Management: \$2,222,765,436

Investment Philosophy – Semi-Passive Style

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

Staff Comments

The portfolio underperformed the Russell 1000 index by 0.5 percentage point (ppt) during the quarter. For the year, the portfolio underperformed the Russell 1000 index by 0.7 ppt. Weak overall stock selection detracted from performance in both periods, and was particularly ineffective within the health technology and consumer non-durables sectors.

Staff conducted a site visit, reviewing philosophy, process, people, compliance, trading, etc. In particular, the use of dividend discount rate in the process was discussed in detail. Recent repositioning of analysts was discussed, and staff is comfortable with the changes.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-2.4%	-1.9%
Last 1 year	6.5	7.2
Last 2 years	20.4	20.3
Last 3 years	3.0	3.9
Last 4 years	3.0	3.9
Last 5 years	-2.9	-3.5
Since Inception (1/95)	10.4	10.4

Calendar Year Returns

	Actual	Manager Benchmark*
2004	11.7%	11.4%
2003	28.9	28.5
2002	-21.8	-19.7
2001	-8.7	-9.7
2000	-13.6	-16.3

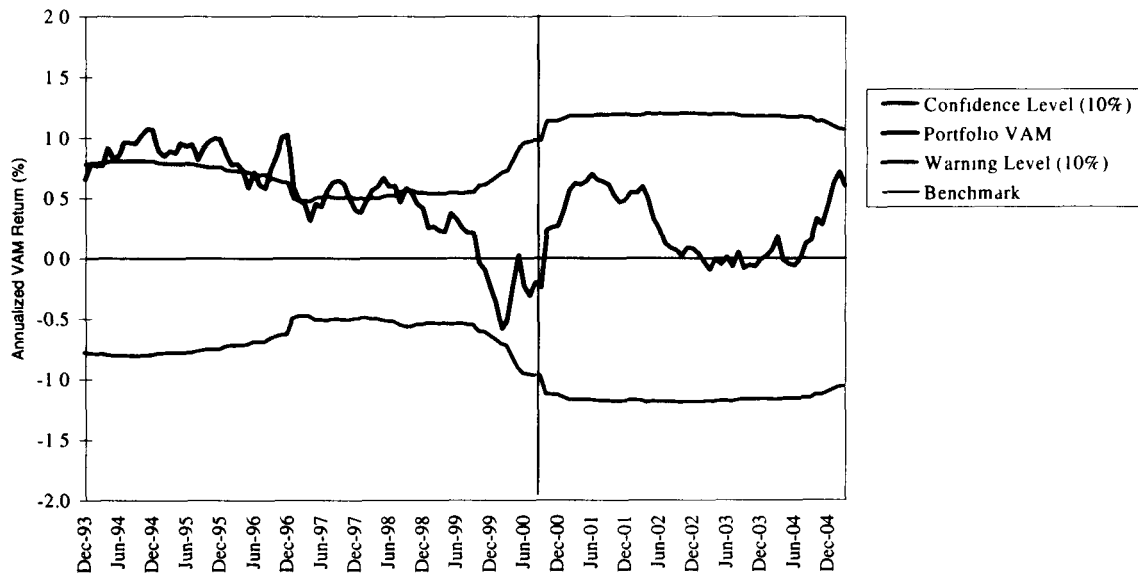
* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Tim Devlin

Assets Under Management: \$2,222,765,436

JP MORGAN - 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

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2005

Portfolio Manager: Amy Schioldager

Assets Under Management: \$6,835,926,512

Investment Philosophy – Passive Style

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

Staff Comments

The portfolio matched the return of the Russell 3000 index during the quarter. For the year, the portfolio outperformed the Russell 3000 index by 0.1 ppt. This was due in part to the strength of large cap stocks relative to small and micro cap stocks. The portfolio is generally underweight small-cap and micro-cap stocks due to liquidity and transaction cost concerns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	-2.2%	-2.2%
Last 1 year	7.2	7.1
Last 2 years	21.6	21.6
Last 3 years	3.8	3.8
Last 4 years	3.3	3.4
Last 5 years	-3.0	-3.1
Since Inception (7/95)	9.8	9.6

Calendar Year Returns

	Actual	Manager Benchmark*
2004	12.0%	11.9%
2003	30.9	31.2
2002	-21.4	-21.5
2001	-11.8	-11.7
2000	-9.8	-11.0

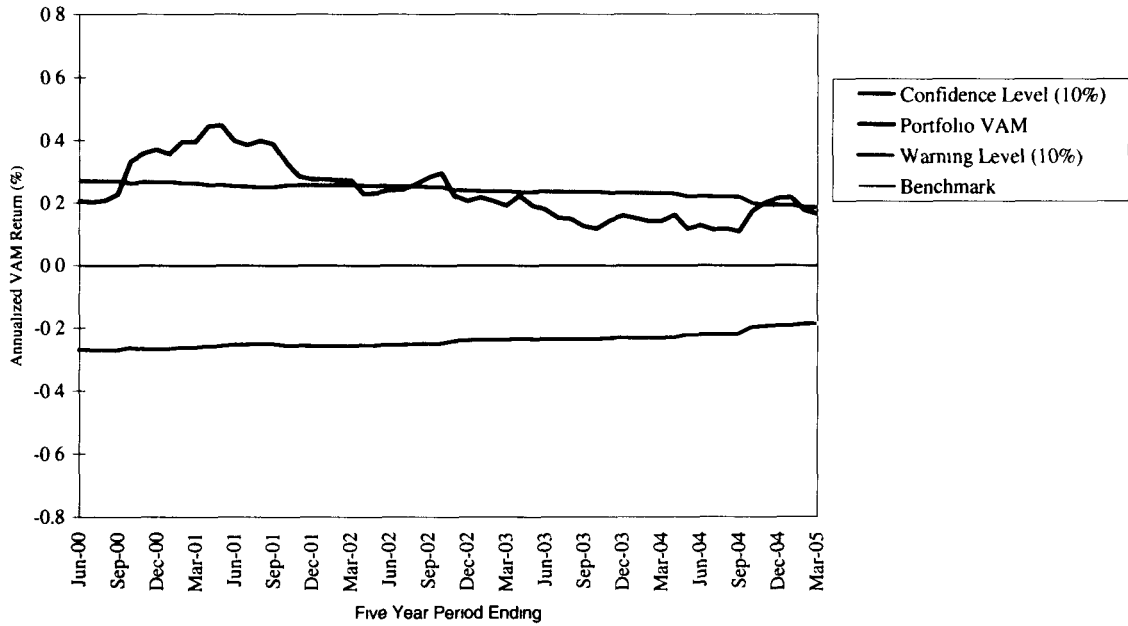
* Domestic Equity Target (Russell 3000 Index as of 10/1/03)

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2005

Portfolio Manager: Amy Schioldager

Assets Under Management: \$6,835,926,512

BARCLAYS GLOBAL INVESTORS - PASSIVE
Rolling Five Year VAM vs. Domestic Equity Target
(Russell 3000 as of 10/1/2003)





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

First Quarter, 2005

**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2005**

	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												
American Express (AMG)	-0.4	-0.5	1.9	1.1	4.8	6.0	6.5	7.1	6.3	6.5	\$817.3	8.7%
Deutsche	-0.2	-0.5	1.7	1.1	6.8	6.0			7.9	7.3	\$860.0	9.1%
Dodge & Cox	-0.3	-0.5	1.6	1.1	7.1	6.0			8.5	7.3	\$877.2	9.3%
Morgan Stanley	0.1	-0.5	2.7	1.1	5.9	6.0	7.5	7.1	9.6	9.3	\$820.5	8.7%
Western	-0.8	-0.5	2.8	1.1	7.9	6.0	8.8	7.1	10.6	9.3	\$1,333.1	14.2%
Semi-Passive Managers												
BlackRock	-0.4	-0.5	1.5	1.1	6.2	6.0	7.3	7.1	7.0	6.7	\$1,569.7	16.7%
Goldman	-0.3	-0.5	1.8	1.1	6.4	6.0	7.5	7.1	6.8	6.5	\$1,568.7	16.7%
Lincoln	-0.5	-0.5	1.3	1.1	6.1	6.0	7.3	7.1	8.0	7.9	\$1,567.3	16.6%
											\$9,413.8	100.0%
Historical Aggregate (2)	-0.4	-0.5	1.9	1.1	6.3	6.0	7.5	7.1	Since 7/1/84 9.4 9.2			
Lehman Aggregate (3)		-0.5		1.1		6.0		7.1		9.3		

(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.

AMERICAN EXPRESS ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Colin Lundgren

Assets Under Management: \$817,329,453

Investment Philosophy

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. American Express was retained by the SBI in July 1993.

Staff Comments

American Express outperformed the benchmark for the quarter and for the year. The quarterly performance was helped by its short duration position and curve-flattening bias. The one-year outperformance was due to their short duration position, allocation to high yield corporate bonds, and allocation to non-dollar bonds.

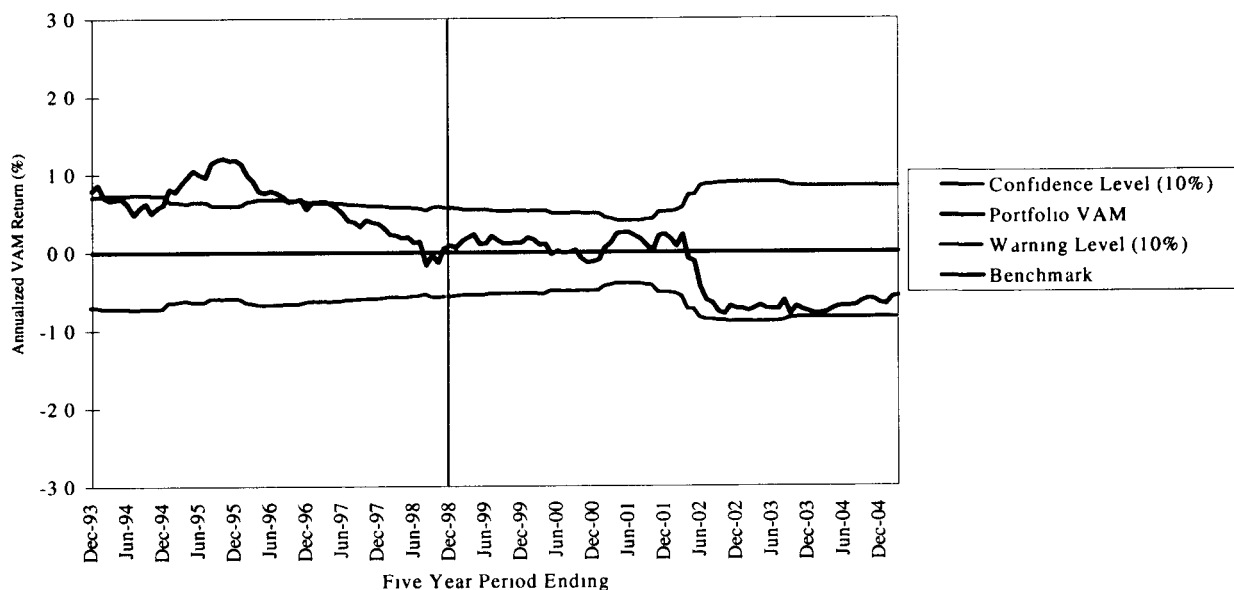
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.4%	-0.5%
Last 1 year	1.9	1.1
Last 2 years	3.7	3.3
Last 3 years	4.8	6.0
Last 4 years	5.0	5.8
Last 5 years	6.5	7.1
Since Inception (7/93)	6.3	6.5

Recommendations

No action required.

AMERICAN EXPRESS ASSET MANAGEMENT - FIXED INCOME
Rolling Five Year VAM



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

DEUTSCHE ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Warren Davis

Assets Under Management: \$860,047,010

Investment Philosophy

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 value 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. Deutsche was retained by the SBI in February 2000.

Staff Comments

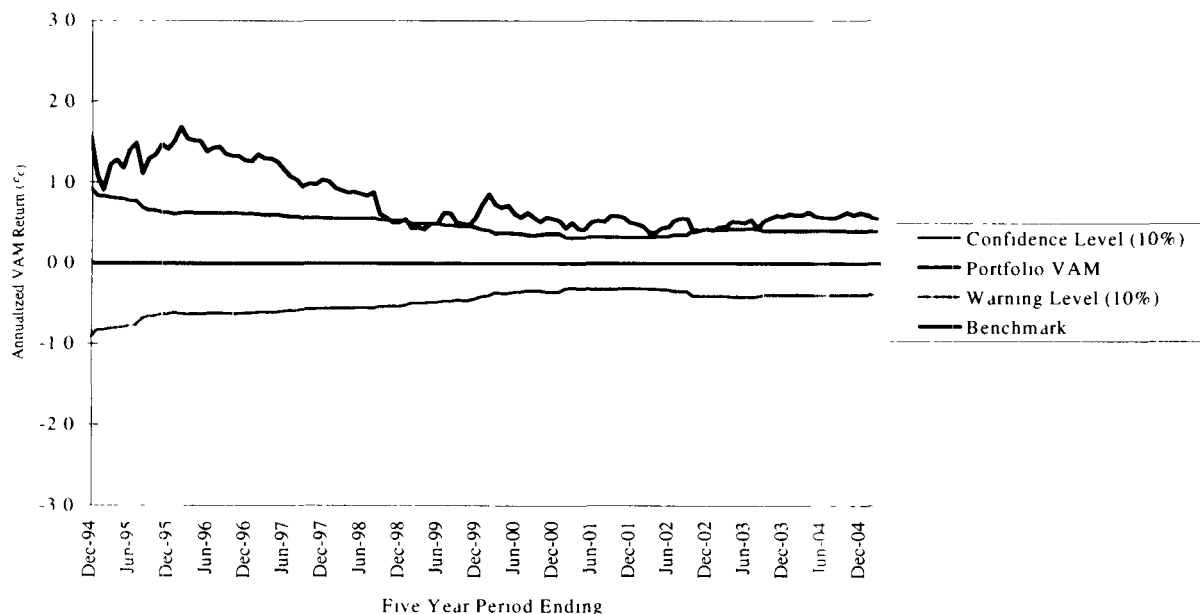
Deutsche Asset's outperformance for the quarter and the year was primarily due to the overweight position and issue selection in the credit sector.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-0.2%	-0.5%	No action required
Last 1 year	1.7	1.1	
Last 2 years	4.2	3.3	
Last 3 years	6.8	6.0	
Last 4 years	6.5	5.8	
Last 5 years	N/A	N/A	
Since Inception (2/00)	7.9	7.3	

Recommendations

DEUTSCHE ASSET MANAGEMENT
Rolling Five Year VAM



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

DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2005

Portfolio Manager: Dana Emery

Assets Under Management: \$877,154,137

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 exceeded the benchmark for the quarter and the year. The performance for both periods was helped by the portfolio's shorter than benchmark duration position. Over the year, an overweight and security selection within the corporate sector helped returns.

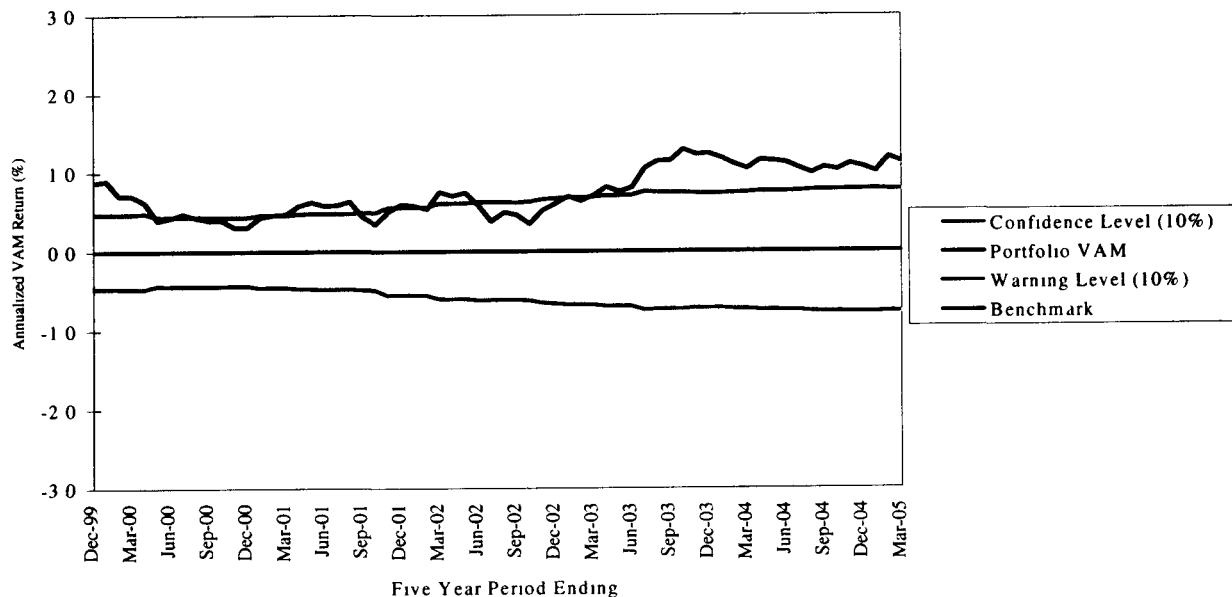
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	-0.5%
Last 1 year	1.6	1.1
Last 2 years	4.5	3.3
Last 3 years	7.1	6.0
Last 4 years	7.2	5.8
Last 5 years	N/A	N/A
Since Inception (2/00)	8.5	7.3

Recommendations

No action required.

DODGE & COX INVESTMENT MANAGERS
Rolling Five Year VAM



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

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: David Horowitz

Assets Under Management: \$820,474,289

Investment Philosophy

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

Staff Comments

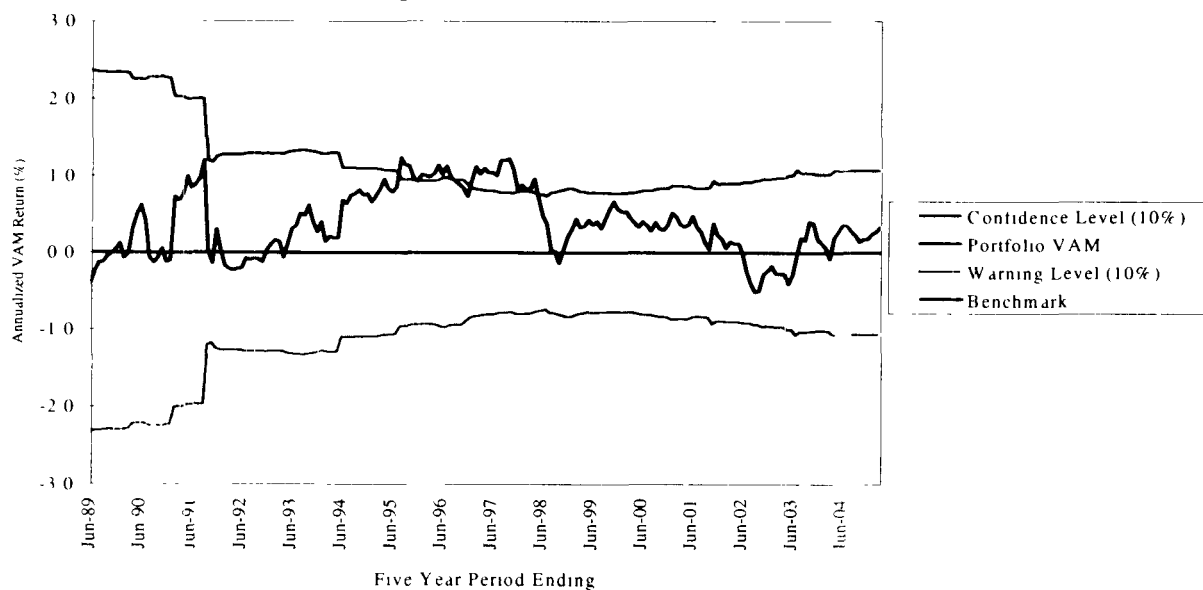
Morgan Stanley's outperformance for the quarter and the year was helped by their shorter than benchmark duration bet. The quarterly performance was also helped by the yield-curve flattening position. For the year, the portfolio benefited from their corporate and mortgage security selections.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	0.1%	-0.5%	No action required
Last 1 year	2.7	1.1	
Last 2 years	4.1	3.3	
Last 3 years	5.9	6.0	
Last 4 years	6.1	5.8	
Last 5 years	7.5	7.1	
Since Inception (7/84)	9.6	9.3	

Recommendations

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



WESTERN ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Ken Leech

Assets Under Management: \$1,333,130,860

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 trailed the quarterly benchmark due to their sector bets. An underweight to the mortgage sector and an overweight to corporates hurt performance. An overweight of the lower quality sectors also detracted from performance. The one-year outperformance was helped by the non-dollar allocation and an overweight of the credit sector.

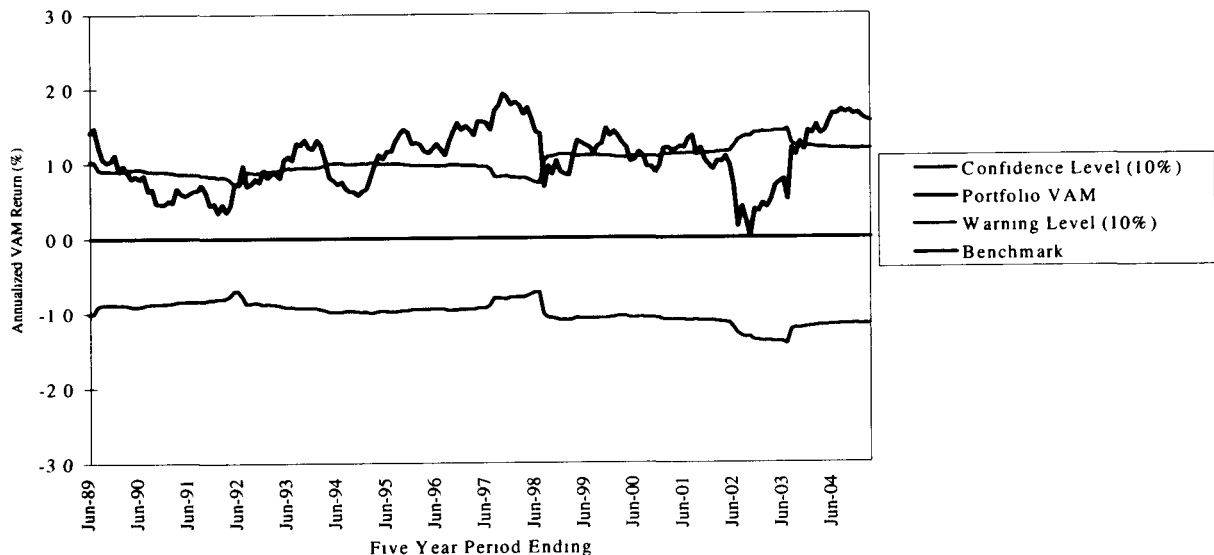
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.8%	-0.5%
Last 1 year	2.8	1.1
Last 2 years	6.1	3.3
Last 3 years	7.9	6.0
Last 4 years	7.7	5.8
Last 5 years	8.8	7.1
Since Inception (7/84)	10.6	9.3

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending March, 2005

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,569,654,378

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

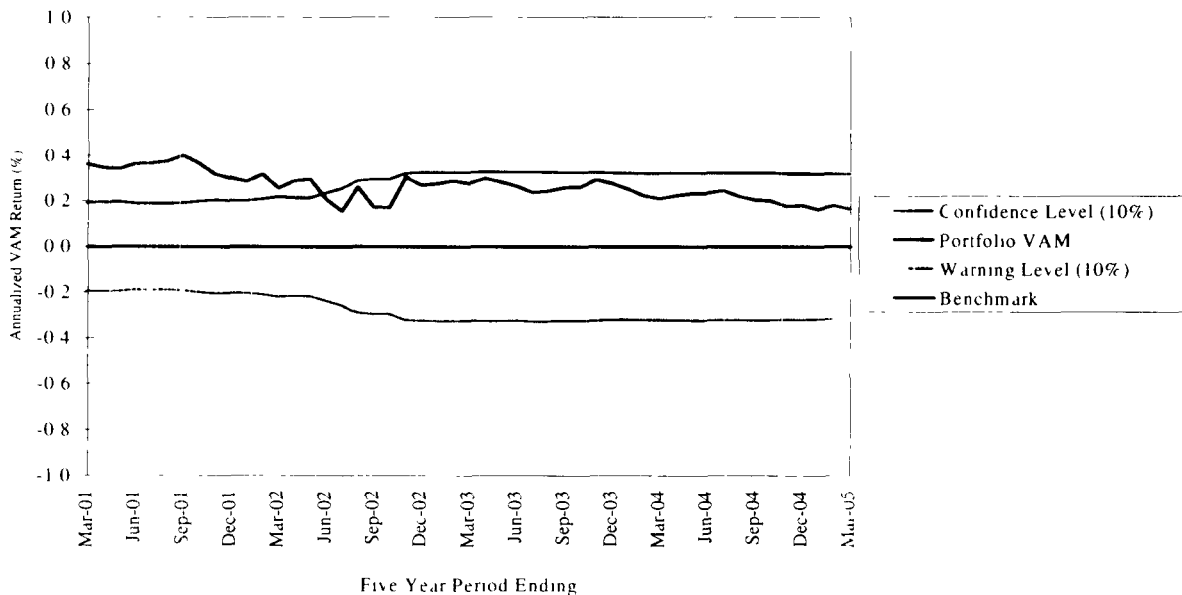
BlackRock outperformed for the quarter and the year. The short duration position and the yield-flattening bias helped performance over both periods.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-0.4%	-0.5%	No action required
Last 1 year	1.5	1.1	
Last 2 years	3.5	3.3	
Last 3 years	6.2	6.0	
Last 4 years	6.0	5.8	
Last 5 years	7.3	7.1	
Since Inception (4/96)	7.0	6.7	

Recommendation

BLACKROCK, INC.
Rolling Five Year VAM



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,568,676,613

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

For the quarter and the year, Goldman exceeded their benchmark. The quarterly performance was helped by the short duration strategy and corporate security selection and exposure. The one-year outperformance was helped by an overweight to the mortgage sector and security selection.

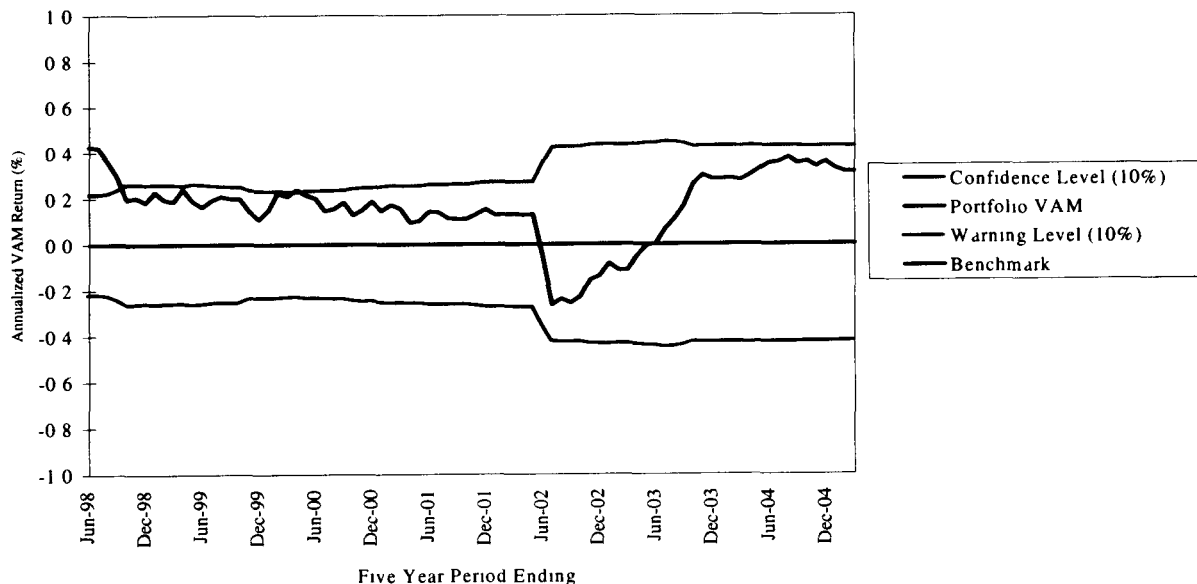
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	-0.5%
Last 1 year	1.8	1.1
Last 2 years	4.3	3.3
Last 3 years	6.4	6.0
Last 4 years	6.3	5.8
Last 5 years	7.5	7.1
Since Inception (7/93)	6.8	6.5

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



LINCOLN CAPITAL FIXED INCOME MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,567,346,467

Investment Philosophy

Lincoln manages an enhanced index portfolio closely tracking the Lehman Aggregate. Lincoln'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. Lincoln 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. Lincoln was retained by the SBI in July 1988.

Staff Comments

Lincoln matched the benchmark for the quarter and outperformed for the year. The one-year return was helped by an overweight and security selection in the corporate sector.

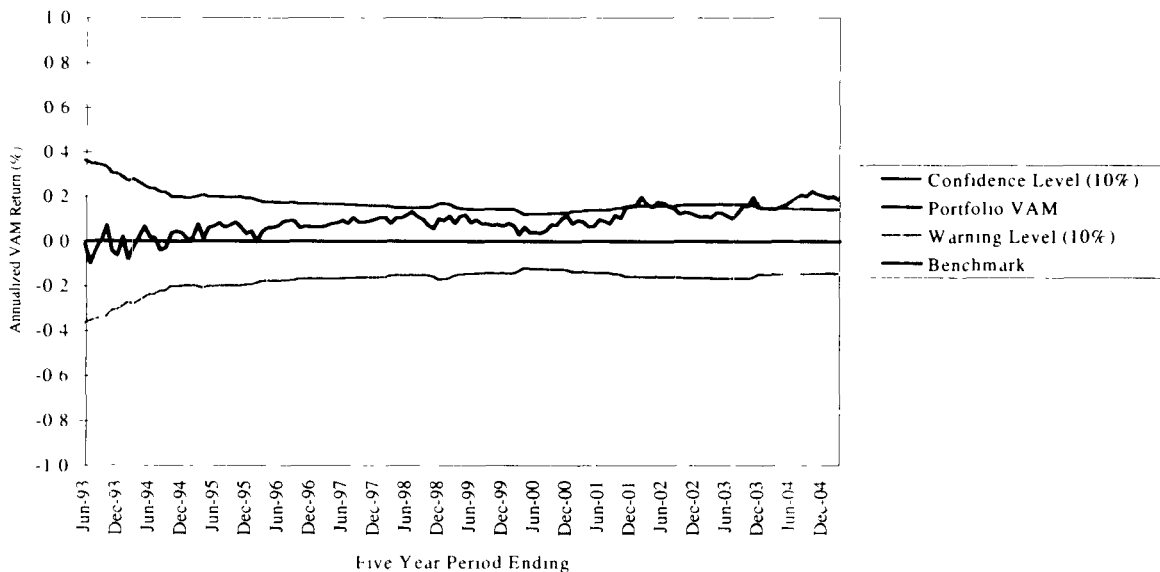
Lincoln changed their name to Lehman Brothers Asset Management LLC, and was effective April 1, 2005.

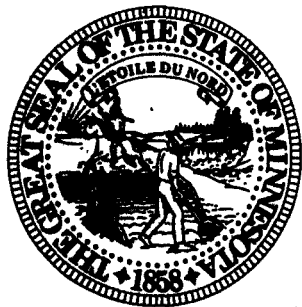
Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-0.5%	-0.5%	No action required
Last 1 year	1.3	1.1	
Last 2 years	3.5	3.3	
Last 3 years	6.1	6.0	
Last 4 years	6.1	5.8	
Last 5 years	7.3	7.1	
Since Inception (7/88)	8.0	7.9	

Recommendations

LINCOLN CAPITAL FIXED INCOME MANAGEMENT
Rolling Five Year VAM





STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2005

**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2005**

	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)												
American Express	-0.8	0.1	12.6	15.6	8.5	11.9	-5.9	-1.1	-5.1	-0.3	\$381.9	6.3%
Britannic (Blairlogie)	-1.1	0.1	12.7	15.6	9.9	11.9	-2.7	-1.1	-1.8	-0.3	\$280.9	4.7%
Invesco	0.0	0.1	17.4	15.6	11.4	11.9	3.1	-1.1	3.6	-0.3	\$463.5	7.7%
Marathon (3)	1.6	0.1	17.9	15.6	17.4	15.2	7.4	2.4	9.1	6.1	\$674.9	11.2%
T. Rowe Price	-0.3	0.1	9.9	15.6	6.2	11.9	-4.3	-1.1	5.3	5.4	\$439.4	7.3%
UBS Global	-0.4	0.1	15.3	15.6	10.8	11.9	3.4	-1.1	8.4	6.8	\$481.3	8.0%
Active Emerging Markets												
Alliance Capital	1.3	1.8	17.6	16.6	20.9	19.1			12.4	12.5	\$237.5	3.9%
Capital International	1.4	1.8	10.3	16.6	13.8	19.1			7.3	12.5	\$193.1	3.2%
Morgan Stanley	1.5	1.8	14.1	16.6	19.0	19.1			12.4	12.5	\$239.2	4.0%
Passive Developed Markets (2)												
State Street	0.1	0.1	15.8	15.6	11.9	11.9	-0.9	-1.1	7.4	7.2	\$2,641.8	43.8%
									Since 10/1/92			
Equity Only (4) (6)	0.1	0.2	14.8	15.7	11.7	12.5	-0.1	-0.6	7.6	7.0	\$6,033.6	100.0%
Total Program (5) (6)	0.1	0.2	14.8	15.7	11.7	12.5	-0.1	-0.6	7.9	7.0	\$6,033.6	
SBI Int'l Equity Target (6)		0.2	15.7		12.5		-0.6		7.0			
MSCI ACWI Free ex. U.S. (7)		0.2	15.7		12.6		-0.4		7.5			
MSCI World ex U.S. (net)		0.1	15.6		12.0		-0.9		7.4			
MSCI EAFE Free (net)		-0.2	15		11.6		-1.1		7.1			
MSCI Emerging Markets Free (8)		1.8	16.6		18.8		4.3		7.3			

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

(2) Since 10/1/03, the Active and Passive Developed Markets managers benchmark is 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) As of 10/1/03, Marathon's benchmark is MSCI World ex U.S. (net). Through 9/30/03 Marathon was measured against a custom composite benchmark 55% Citigroup EMI EPAC and 45% Citigroup PMI EPAC.

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

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

(6) Since 10/1/03, the International Equity asset class target is MSCI ACWI Free 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.

AMERICAN EXPRESS ASSET MANAGEMENT INTERNATIONAL, INC.
Periods Ending March, 2005

Portfolio Manager: Alex Lyle and Ed Gaunt

Assets Under Management: \$381,894,838

Investment Philosophy

American Express Asset Management's (AEAM) process identifies investment themes which they feel will drive improved return on capital, and will provide attractive investment opportunities. AEAM's core international equity approach is a blend of top-down and bottom up styles with an emphasis on large cap growth stocks. They start the decision making process with the development of their geopolitical and macroeconomic outlook. The bottom-up stage of their process begins with real-time relative valuation comparisons of the stocks in their investable universe. The most attractively priced stocks then go through in depth fundamental analysis.

Staff Comments

The portfolio underperformed during the quarter. Stock selection in the United Kingdom, and in the financials, consumer staples, and industrials sectors did not add value. For the year, stock selection in the United Kingdom and in Japan, the two largest country weights in the benchmark, detracted significantly from performance.

On February 1, 2005, American Express Company announced plans to spin-off 100% of the common stock of American Express Financial Corporation (AEFC) to shareholders. The transition is expected to be completed in 3Q 2005. Upon completion, AEFC will be a publicly traded company separate from American Express Company.

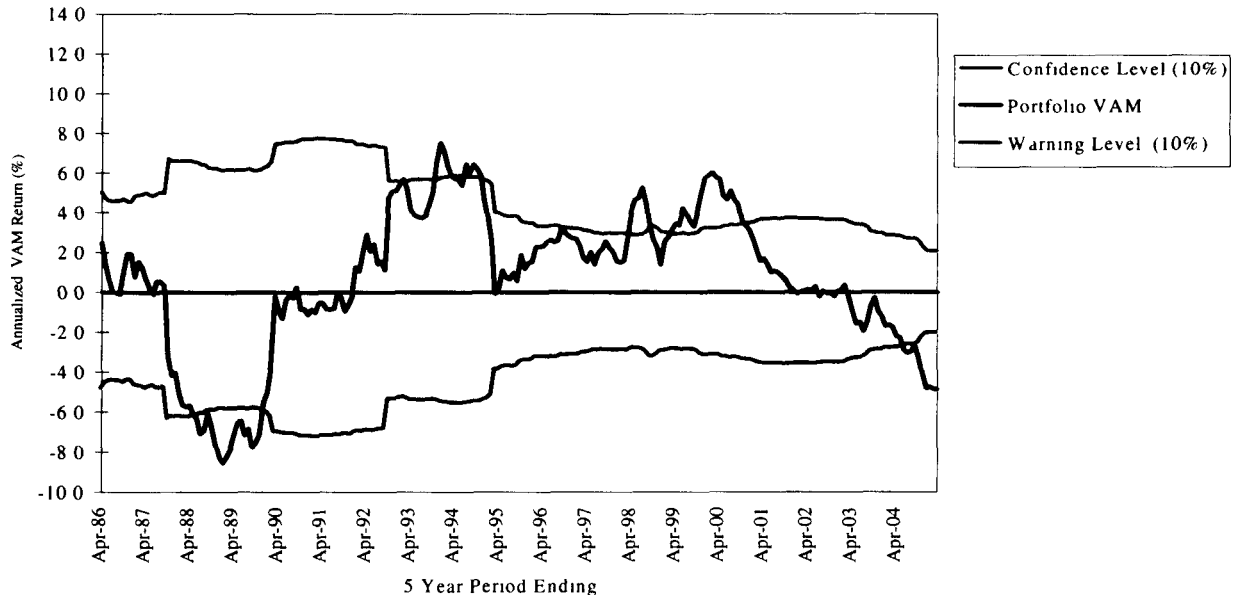
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.8%	0.1%
Last 1 year	12.6	15.6
Last 2 years	29.2	34.8
Last 3 years	8.5	11.9
Last 4 years	3.2	6.3
Last 5 years	-5.9	-1.1
Since Inception (3/00)	-5.1	-0.3

Recommendations

The International Equity Search Committee re-interviewed the firm on April 28, 2005 and is recommending that American Express be retained.

AMERICAN EXPRESS ASSET MANAGEMENT INT'L
Rolling Five Year VAM



Note - Shaded area includes performance prior to managing SBI account

BRITANNIC ASSET MANAGEMENT (Blairlogie)
Periods Ending March, 2005

Portfolio Manager: James Smith

Assets Under Management: \$280,894,016

Investment Philosophy

Britannic's process incorporates a top-down model, with bottom-up stock selection. They seek to combine qualitative and quantitative judgment, but believe that objective, measurable facts must always be the starting point for making sound investment decisions. Britannic has developed country and sector models which analyze a broad-based collection of current and historical data. The models rank countries and sectors according to their overall score on variables which are grouped into five categories including Value, Macro, Earnings, Monetary and Technical. Regional analysts then select the best companies by region and sector based on fundamental analysis. The objective of the process is to add value over the benchmark consistently in any market environment while controlling risk and volatility. Britannic's portfolio is broadly diversified in developed markets both by country and by sector, and has a large-cap emphasis.

Staff Comments

Performance during the quarter was negatively impacted by stock selection in the United Kingdom, Germany and Japan. The portfolio's underweight position in the Energy sector, the best performing sector during the quarter, also detracted from returns.

Both stock selection and allocation decisions overall did not add value during the year. In particular, stock selection in Japan and Finland, and the portfolio's underweight position in Australia detracted from performance.

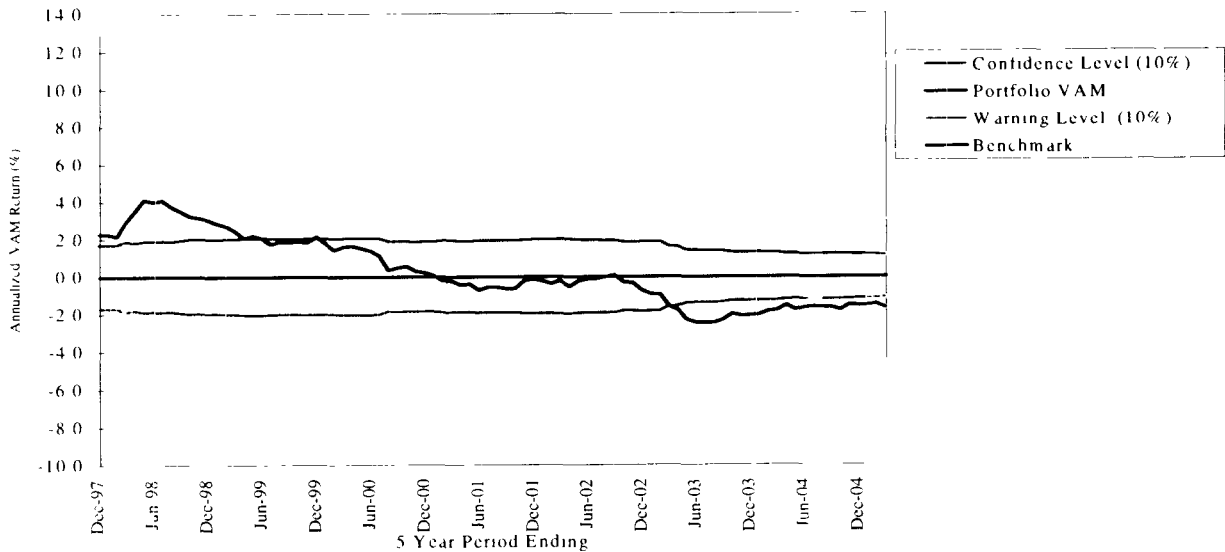
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.1%	0.1%
Last 1 year	12.7	15.6
Last 2 years	32.7	34.8
Last 3 years	9.9	11.9
Last 4 years	5.2	6.3
Last 5 years	-2.7	-1.1
Since Inception (3/00)	-1.8	-0.3

Recommendations

Staff is recommending terminating the SBI's relationship with Britannic Asset Management.

BRITANNIC ASSET MANAGEMENT
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Erik Granade

Assets Under Management: \$463,538,047

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 added significant value to the portfolio over recent time periods. During the quarter, stock selection in Canada, and in the consumer discretionary and telecom sectors was particularly beneficial. While for the year, stock selection across several European markets, including the Netherlands, the United Kingdom, and France, as well as Japan added value.

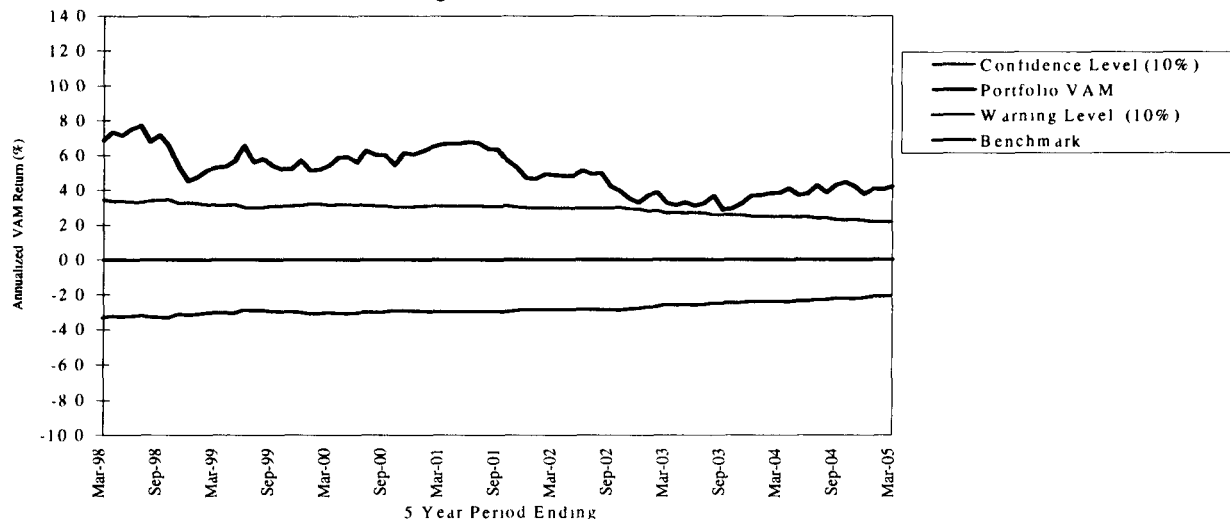
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.0%	0.1%
Last 1 year	17.4	15.6
Last 2 years	32.6	34.8
Last 3 years	11.4	11.9
Last 4 years	7.8	6.3
Last 5 years	3.1	-1.1
Since Inception (3/00)	3.6	-0.3

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

MARATHON ASSET MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: William Arah

Assets Under Management: \$674,890,638

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 benefited significantly from strong selection over the quarter and the year. Stock selection across all Asian markets, and the United Kingdom, added value during the quarter. The portfolio's overweight position in industrials, one of the top three performing sectors, was also beneficial during this period. Stock selection in Japan and the United Kingdom were again the top contributors to the portfolio's performance during the year.

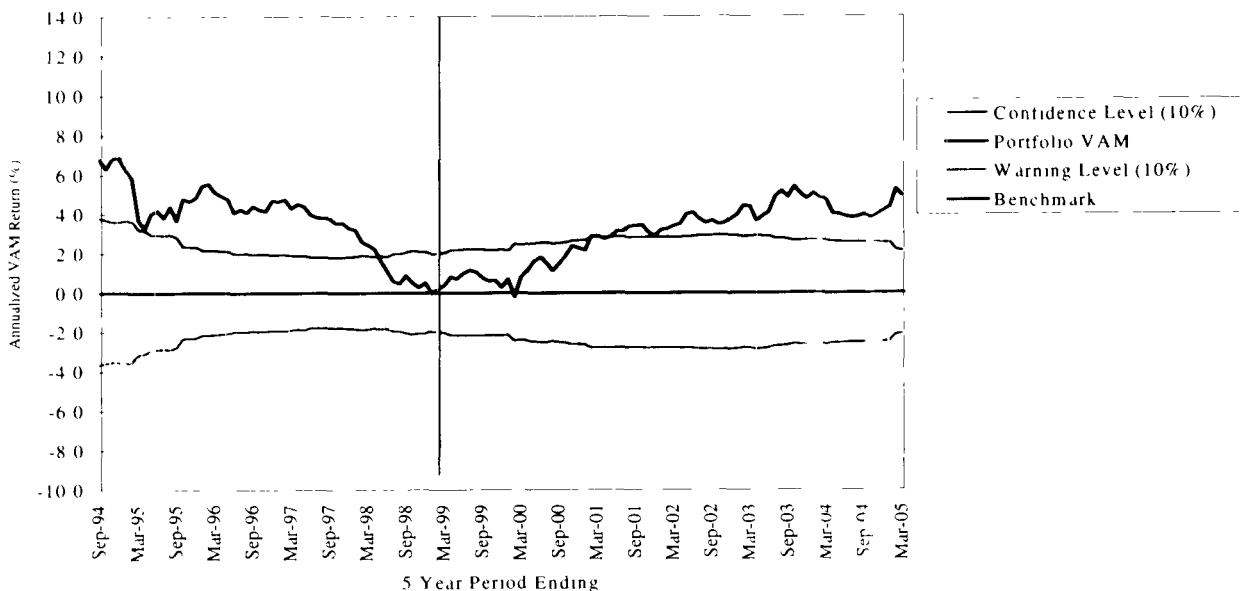
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	1.6%	0.1%
Last 1 year	17.9	15.6
Last 2 years	40.5	37.9
Last 3 years	17.4	15.2
Last 4 years	12.9	10.0
Last 5 years	7.4	2.4
Since Inception (11/93)	9.1	6.1

Recommendations

No action required

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



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

T. ROWE PRICE INTERNATIONAL, INC.
Periods Ending March, 2005

Portfolio Manager: Mark Bickford-Smith

Assets Under Management: \$439,412,811

Investment Philosophy

T. Rowe Price believes that world stock markets are segmented. The firm attempts to add value by identifying and exploiting the resulting pricing inefficiencies. In addition, they believe that growth is frequently under priced in the world markets. T. Rowe Price establishes its economic outlook based largely on interest rate trends and earnings momentum. The portfolio management team then assesses the country, industry and currency profile for the portfolio. Within this framework, stock selection is the responsibility of regional portfolio managers. Stocks are selected using fundamental analysis that emphasizes companies with above-market earnings growth at reasonable valuations. Information derived from the stock selection process is a key factor in country allocation as well.

Staff Comments

Poor stock selection in Japan and the United Kingdom were the primary contributors to the portfolio's underperformance over both the quarter and the year.

In March 2005, T. Rowe Price announced a change to the portfolio management team for the SBI's account. Dean Tenerelli will replace James Seddon as portfolio manager for Europe. In addition, two senior analysts left the team during the quarter.

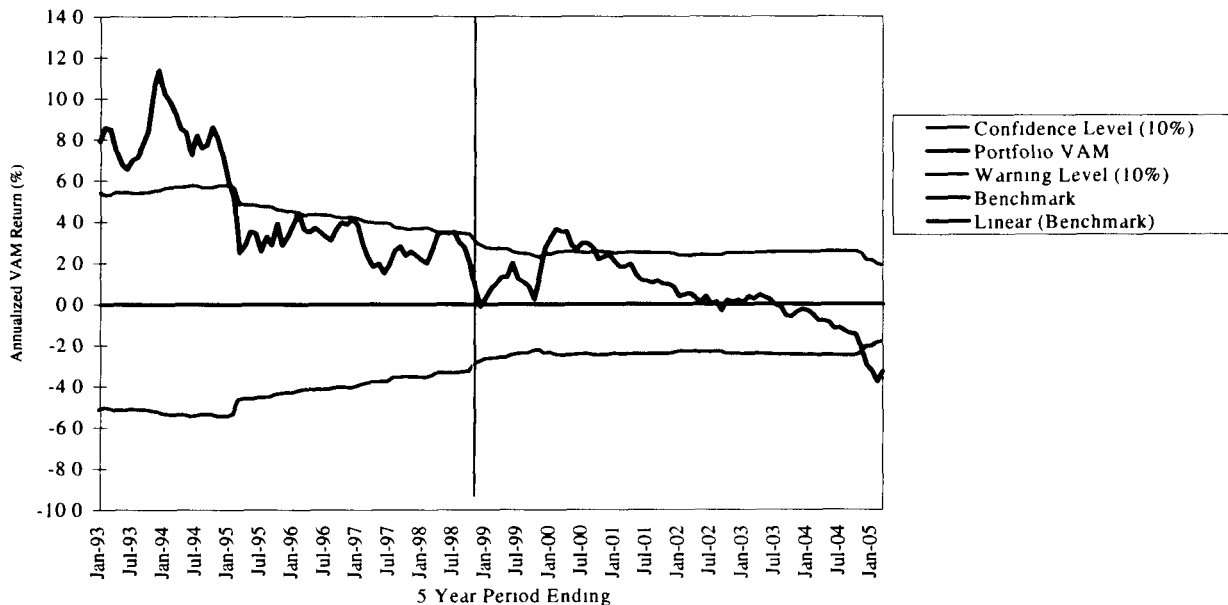
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	0.1%
Last 1 year	9.9	15.6
Last 2 years	26.7	34.8
Last 3 years	6.2	11.9
Last 4 years	2.7	6.3
Last 5 years	-4.3	-1.1
Since Inception (11/93)	5.3	5.4

Recommendations

The International Equity Search Committee re-interviewed T. Rowe Price on April 28, 2005 and is recommending that the firm be terminated.

T. ROWE PRICE INTERNATIONAL
Rolling Five Year VAM



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

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2005

Portfolio Manager: Thomas Madsen

Assets Under Management: \$481,325,073

Investment Philosophy

UBS is a fundamental, long-term, value-oriented investor. UBS uses a proprietary valuation model to rank the relative attractiveness of individual markets based on fundamental considerations. Inputs include forecasts for growth, inflation rates, risk premiums and foreign exchange movements. Quantitative tools are used to monitor and control portfolio risk, while qualitative judgments from the firm's professionals are used to determine final allocations. UBS establishes an allocation range around the target index to define the limits of their exposure to individual countries and to assure diversification.

UBS utilizes currency equilibrium bands to determine which currencies are over or under valued. The firm will hedge to control the potential risk for real losses from currency depreciation.

Staff Comments

The portfolio's underperformance for the quarter and the year was primarily due to underweight positions in the energy and the materials sectors relative to the benchmark. These sectors had strong performance due to high oil and commodities prices, but are considered over-valued by the manager.

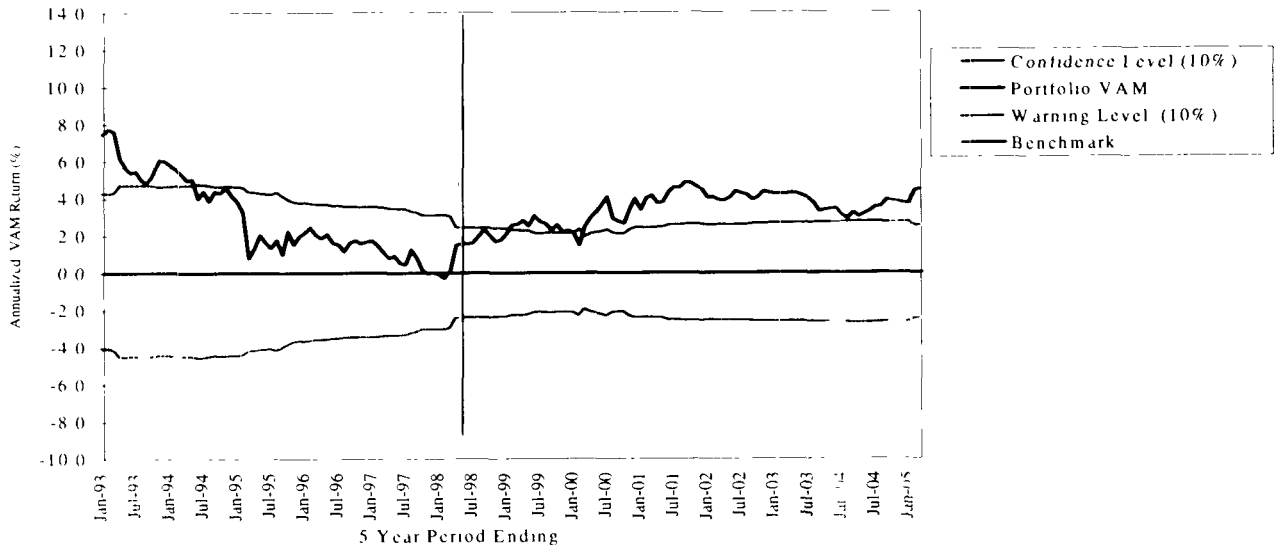
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.4%	0.1%
Last 1 year	15.3	15.6
Last 2 years	32.5	34.8
Last 3 years	10.8	11.9
Last 4 years	7.1	6.3
Last 5 years	3.4	-1.1
Since Inception (4/93)	8.4	6.8

Recommendations

No action required

UBS GLOBAL ASSET MANAGEMENT, INC (INT L)
Rolling Five Year VAM



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

ALLIANCE CAPITAL MANAGEMENT INTERNATIONAL
Periods Ending March, 2005

Portfolio Manager: Edward Baker

Assets Under Management: \$237,535,161

Investment Philosophy

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

Staff Comments

The portfolio underperformed slightly during the quarter, due in part to Asian holdings. For the year, Latin American stocks, an overweight to India, and financials in the emerging Europe region added value.

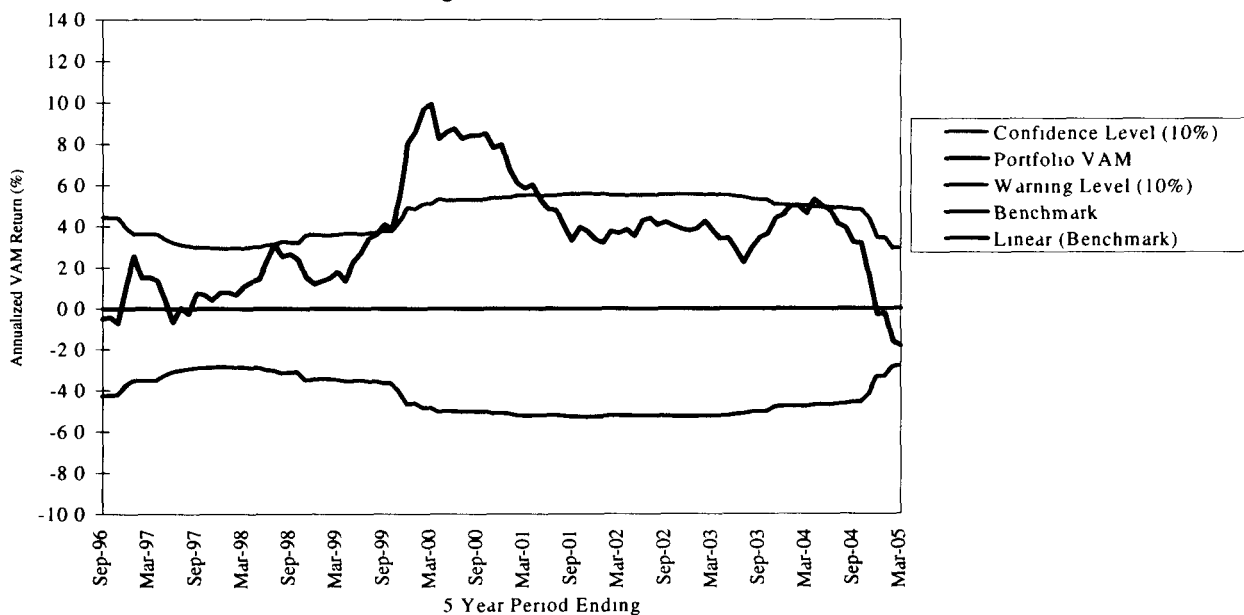
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.3	1.8
Last 1 year	17.6	16.6
Last 2 years	47.0	45.6
Last 3 years	20.9	19.1
Last 4 years	19.5	18.5
Last 5 years	N/A	N/A
Since Inception (3/01)	12.4	12.5

Recommendations

No action required.

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM



Note Shaded area includes performance prior to managing SBI account

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2005

Portfolio Manager: Victor Kohn

Assets Under Management: \$193,078,525

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

The portfolio underperformed during the quarter and the year, primarily due to allocation and selection decisions in the energy and the materials sectors.

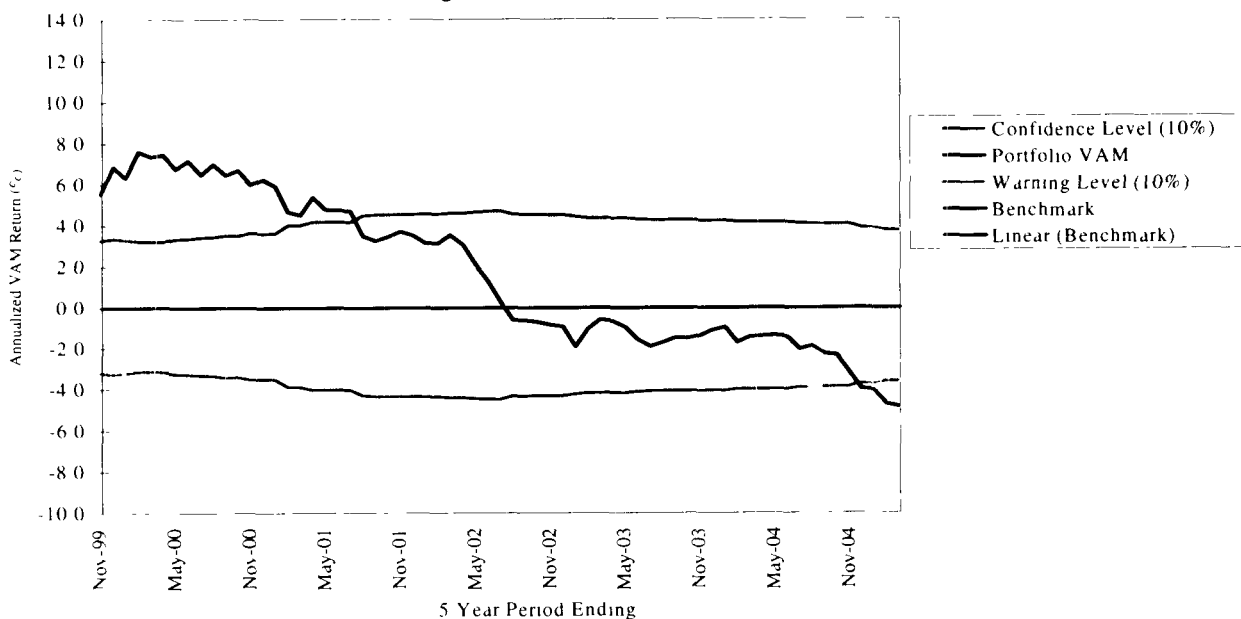
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.4	1.8
Last 1 year	10.3	16.6
Last 2 years	40.7	45.6
Last 3 years	13.8	19.1
Last 4 years	14.8	18.5
Last 5 years	N/A	N/A
Since Inception (3/01)	7.3	12.5

Recommendations

Staff is monitoring the firm due to performance concerns.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Narayan Ramachandran

Assets Under Management: \$239,165,187

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 underperformance during the quarter was due in part to allocation and selection decisions in Korea and in South Africa. For the year, stock selection in the technology sector was negative. The portfolio's overweight position in Russia and underweight positions in Hungary and the Czech Republic also did not add value.

The firm announced in March 2005 that Hahn Sull, a portfolio manager on the Asian Equity team focusing on Korea, left Morgan Stanley.

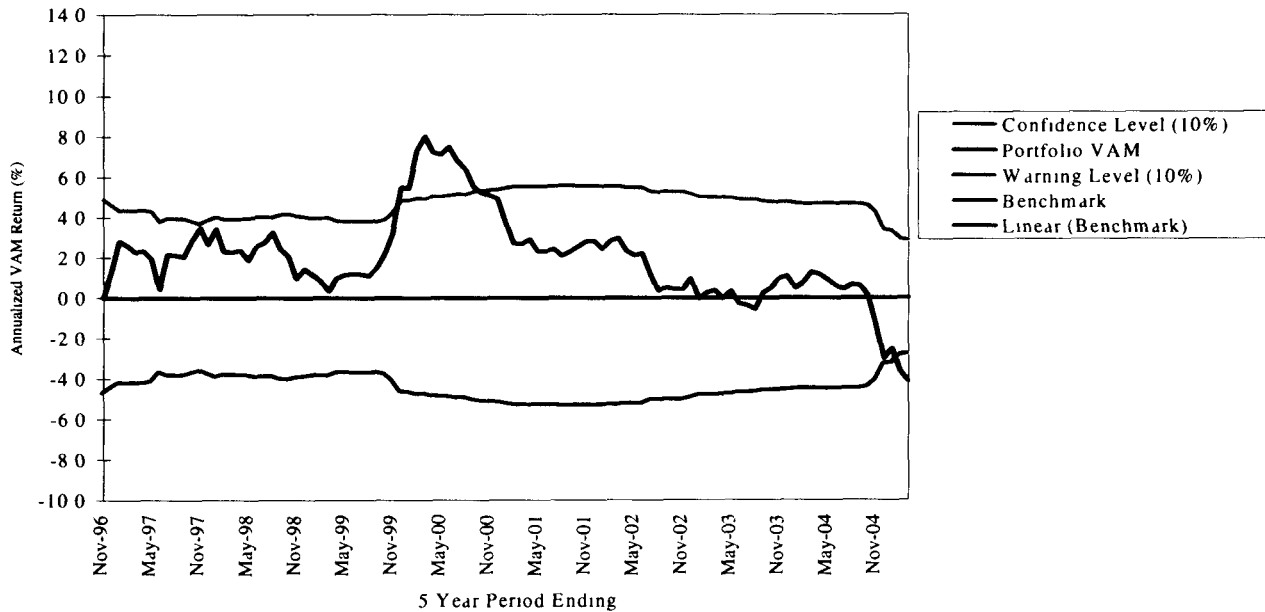
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	1.8%
Last 1 year	14.1	16.6
Last 2 years	46.5	45.6
Last 3 years	19.0	19.1
Last 4 years	19.6	18.5
Last 5 years	N/A	N/A
Since Inception (3/01)	12.4	12.5

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



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

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2005

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,641,808,105

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) index of 21 markets located in Europe, Australia and the Far East (EAFE). They buy only securities which are eligible for purchase by foreign investors, therefore they are benchmarked against the MSCI EAFE-Free (net) index. SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI EAFE-Free (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 US pension fund, which should result in modest positive tracking error, over time.

Staff Comments

In January 2005, SSgA named William (Bill) Hunt as CEO, replacing Tim Harbert, who passed away last fall. In March 2005 Alan Brown resigned from SSgA as CIO. Sean Flannery assumed the role of CIO for North America, while the CIO's for Europe and for Asia Pacific will continue in their current roles.

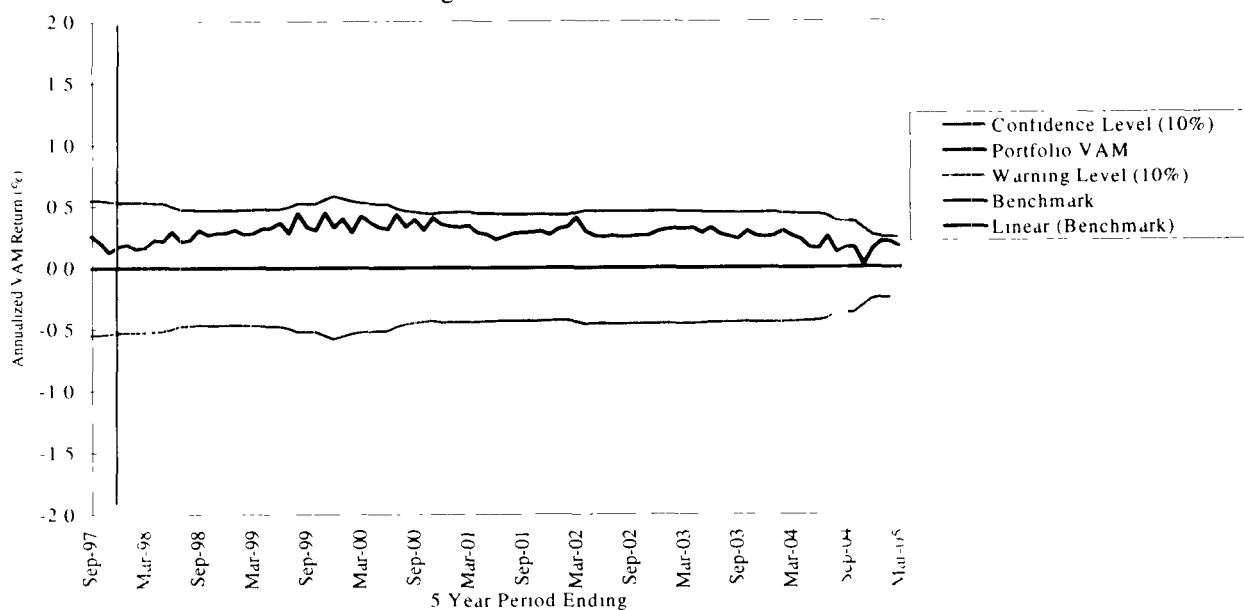
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	0.1%
Last 1 year	15.8	15.6
Last 2 years	35.0	34.8
Last 3 years	11.9	11.9
Last 4 years	6.6	6.3
Last 5 years	-0.9	-1.1
Since Inception (10/92)	7.4	7.2

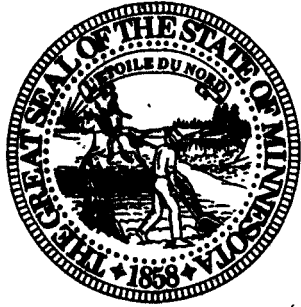
Recommendation

No action required

STATE STREET GLOBAL ADVISORS
Rolling Five Year VAM



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



STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2005

NON - RETIREMENT MANAGERS
Periods Ending March, 2005

	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 Investment Management (S&P 500 Index)*	-2.0	-2.1	5.6	6.7	1.1	2.7	-1.3	-3.2	12.3	11.5	\$66.3
Voyageur Asset Management (Custom Benchmark)*	-0.3	-0.5	1.0	0.4	4.7	4.7	5.5	6.1	6.6	6.7	\$225.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)*	1.0	1.0	4.1	3.6	4.7	3.0	5.3	3.8	6.0	5.0	\$170.9
Internal Stock Pool (S&P 500 Index)*	-2.2	-2.1	6.7	6.7	2.9	2.7	-3.1	-3.2	10.7	10.6	\$651.3
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	-0.5	-0.5	2.5	1.1	6.3	6.0	7.3	7.1	8.2	7.8	\$172.6
Internal Bond Pool - Trust (Lehman Aggregate)*	-0.5	-0.5	2.4	1.1	6.5	6.0	7.4	7.1	7.6	7.2	\$415.8

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

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

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

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2005

Portfolio Manager: Dave Carlson

Assets Under Management: \$66,334,620

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. Three portfolio managers with value or growth orientations are supported by a team of analysts. The three portfolios 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

GE slightly outperformed the benchmark for the quarter, primarily due to stock selection across several sectors. The one-year underperformance was impacted by stock selection in the Financials and Technology sectors.

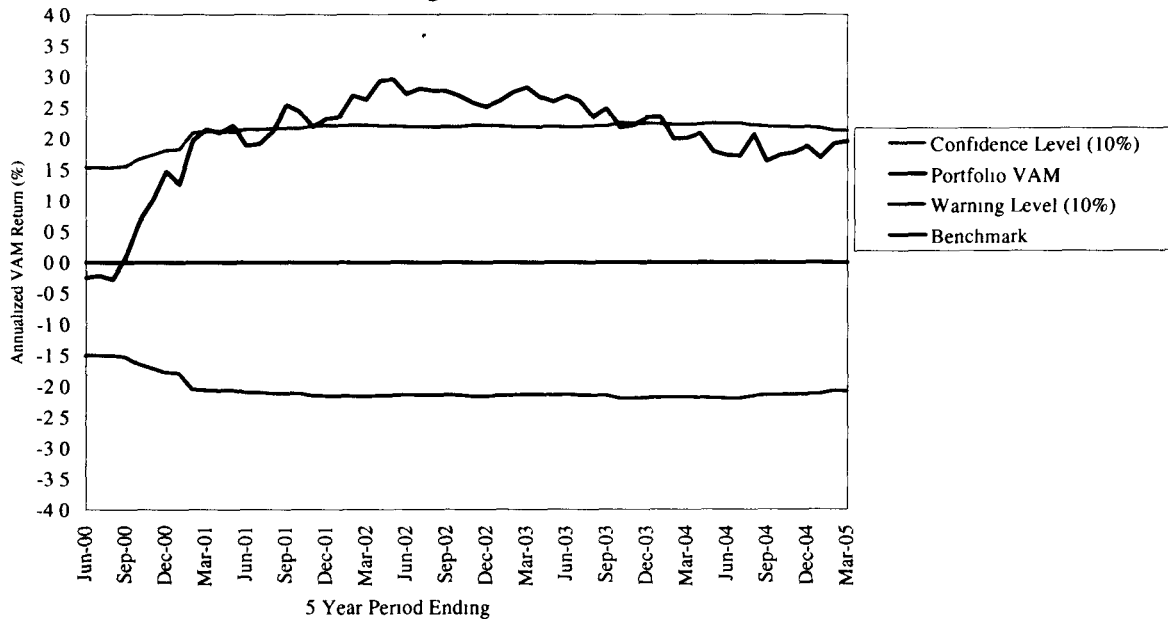
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.0%	-2.1%
Last 1 year	5.6	6.7
Last 2 years	16.7	20.1
Last 3 years	1.1	2.7
Last 4 years	1.2	2.1
Last 5 years	-1.3	-3.2
Since Inception (1/95)	12.3	11.5

Recommendation

No recommendation at this time.

GE INVESTMENT MANAGEMENT
Rolling Five Year VAM



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2005

Portfolio Manager: Tom McGlinch

Assets Under Management: \$225,543,154

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

Voyageur exceeded the benchmark for the quarter and for the year. The returns for both periods were helped by the portfolio's strategy to increase the exposure to high-quality, high yielding investments.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	-0.3%	-0.5%	No action required
Last 1 year	1.0	0.4	
Last 2 years	2.3	2.0	
Last 3 years	4.7	4.7	
Last 4 years	4.5	4.9	
Last 5 years	5.5	6.1	
Since Inception (7/91)	6.6	6.7	

*Custom benchmark since inception date

VAM will be drawn for period ending 6/30/05.

GALLIARD CAPITAL MANAGEMENT
Periods Ending March, 2005

Portfolio Manager: Karl Tourville

Assets Under Management: \$170,878,841

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 guaranteed investment contracts (GIC's) 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 comments at this time.

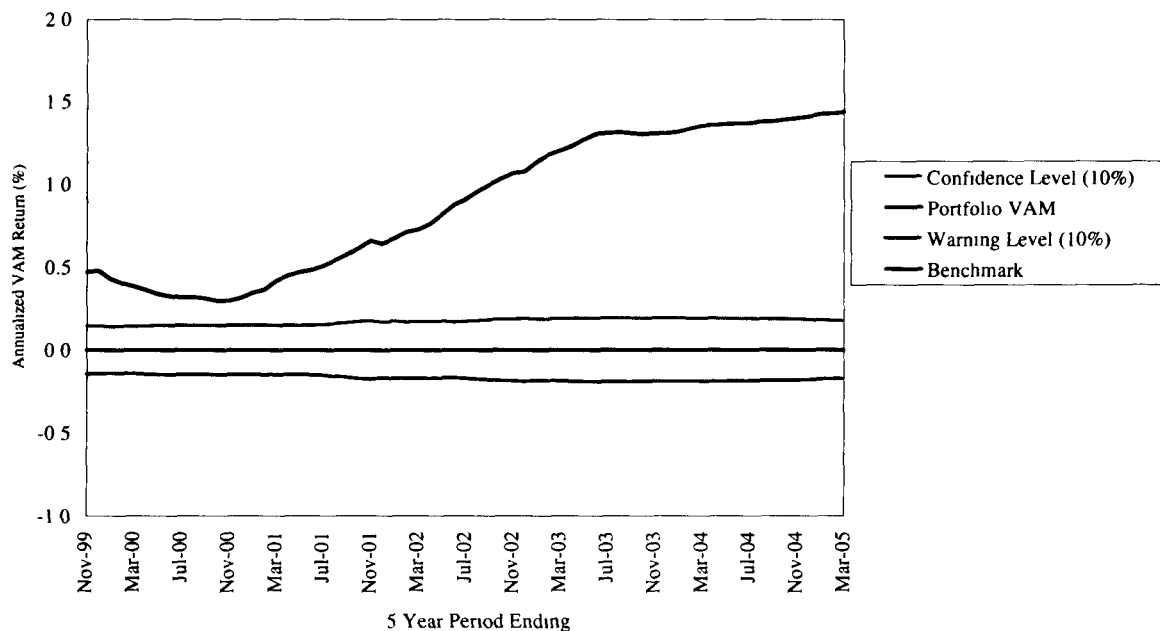
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.0%	1.0%
Last 1 year	4.1	3.6
Last 2 years	4.3	3.1
Last 3 years	4.7	3.0
Last 4 years	5.1	3.3
Last 5 years	5.3	3.8
Since Inception (11/94)	6.0	5.0

Recommendation

No action required.

Galliard Capital Management
Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$651,277,441

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

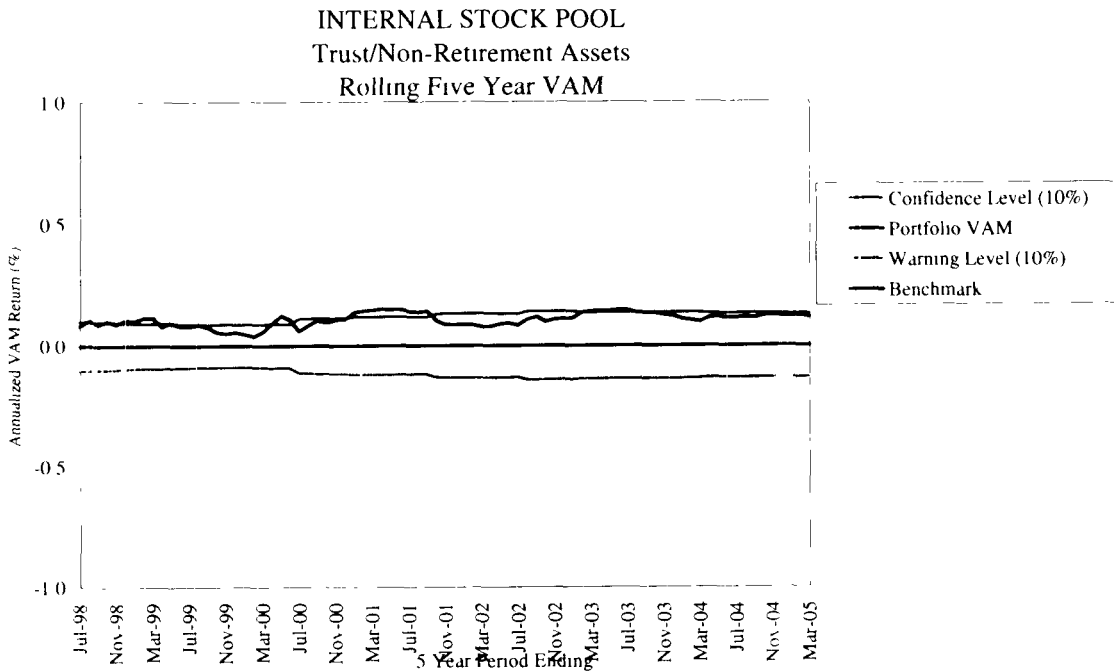
The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per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

The portfolio slightly trailed the quarterly benchmark and matched for the year.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	-2.2%	-2.1%	No action required
Last 1 year	6.7	6.7	
Last 2 years	20.1	20.1	
Last 3 years	2.9	2.7	
Last 4 years	2.2	2.1	
Last 5 years	-3.1	-3.2	
Since Inception (7/93)	10.7	10.6	



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$172,648,816

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

The internal bond pools matched the quarterly benchmark and outperformed for the year. Performance for the year was helped by an overweight to corporates, especially in the BBB portion, a short duration position, and a slight overweight to mortgages.

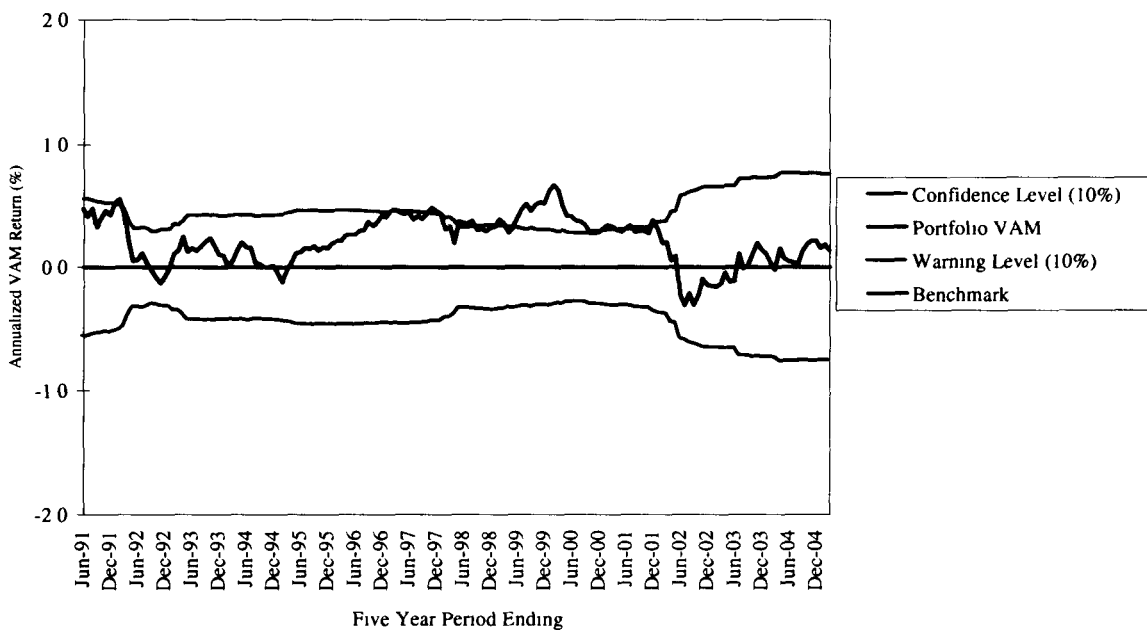
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.5%	-0.5%
Last 1 year	2.5	1.1
Last 2 years	4.4	3.3
Last 3 years	6.3	6.0
Last 4 years	6.1	5.8
Last 5 years	7.3	7.1
Since Inception (7/86)	8.2	7.8

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$415,775,234

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.

The internal bond pools matched the quarterly benchmark and outperformed for the year. Performance for the year was helped by an overweight to corporates, especially in the BBB portion, a short duration position and a slight overweight to mortgages.

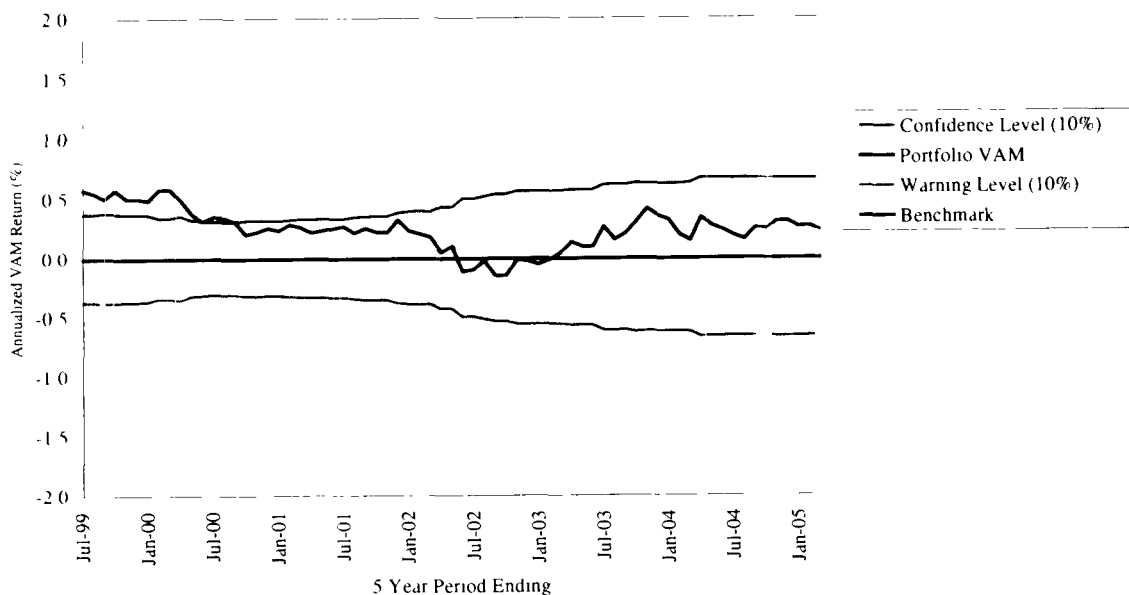
Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	-0.5%	-0.5%	No action required
Last 1 year	2.4	1.1	
Last 2 years	4.3	3.3	
Last 3 years	6.5	6.0	
Last 4 years	6.3	5.8	
Last 5 years	7.4	7.1	
Since Inception (7/94)*	7.6	7.2	

* Date started managing the pool against the Lehman Aggregate.

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





STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

First Quarter, 2005

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending March, 2005

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by SBI *		State's Participation
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	In Fund (\$ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	-4.4	-2.1	9.9	6.7	5.4	2.7	-12.9	-3.2	-5.1	-1.1	\$279.7
Smith Barney Appr Y (S&P 500)	-0.4	-2.1	6.6	6.7	4.3	2.7	1.8	-3.2	10.4	10.5	\$112.3
Vanguard Institutional Index Plus (S&P 500)	-2.1	-2.1	6.7	6.7	2.8	2.7	-3.1	-3.2	-1.0	-1.1	\$397.7
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-0.3	-0.4	14.7	14.7	8.9	8.8	7.6	7.3	15.8	15.8	\$59.8
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	-3.4	-5.3	9.5	5.4	7.7	8.0	8.4	4.0	10.7	6.6	\$342.1
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-0.1	-1.5	8.8	4.5	9.8	4.4	11.4	1.2	15.7	9.5	\$187.6
Vanguard Balanced Index Inst. Fund (60% Wilshire 5000, 40% Lehman Agg)	-1.7	-1.6	4.9	4.8	5.2	5.3			8.1	8.1	\$161.4
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)	-0.5	-0.5	1.4	1.1	6.3	6.0	7.7	7.1	7.2	6.7	\$75.1
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	-0.4	-0.5	1.1	1.1	5.4	6.0	6.7	7.1	3.6	3.6	\$44.3
International:											
Fidelity Diversified International (MSCI EAFE-Free)	0.1	-0.2	12.3	15.0	14.7	11.7	4.1	-1.1	9.5	2.5	\$157.3
Vanguard Inst. Dev Mkts. Index (MSCI EAFE)	-0.2	-0.2	15.2	15.0	11.7	11.6			21.5	21.3	\$29.4

Numbers in black are returns since retention by SBI.

Numbers in blue include returns prior to retention by SBI

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

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

Fixed Fund:	%	***The Blended Yield Rate for the current quarter includes the return
Blended Yield Rate for current quarter***:	4.6	on the existing portfolio assets and the Liquidity Buffer Account
Bid Rates for current quarter:		(money market). The Bid Rates for the current quarter determine
Great West Life	3.8	the allocation of new cash flow
Minnesota Life	3.8	
Principal Life	4.0	

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending March, 2005**

Portfolio Manager: Scott W. Schoelzel

**State's Participation in Fund: \$279,667,228
Total Assets in Fund: \$12,595,600,000**

**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

Janus underperformed for the quarter and outperformed the one-year benchmark. The quarterly performance was hurt by stock selection, specifically eBay and Electronic Arts.

Quantitative Evaluation

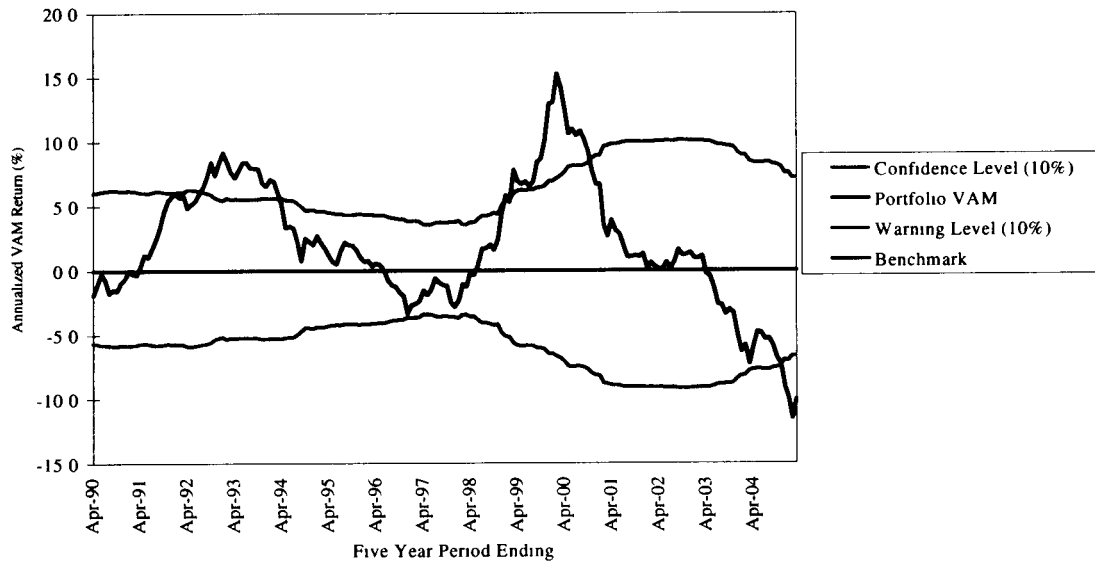
	Actual	Benchmark*
Last Quarter	-4.4%	-2.1%
Last 1 year	9.9	6.7
Last 2 years	20.9	20.1
Last 3 years	5.4	2.7
Last 4 years	0.9	2.1
Last 5 years	-12.9	-3.2
Since Retention by SBI (7/99)	-5.1	-1.1

Recommendation

No action required.

*Benchmark is the S&P 500.

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



Note Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – SMITH BARNEY APPRECIATION Y
Periods Ending March, 2005**

Portfolio Manager: Hersh Coen

**State's Participation in Fund: \$112,282,149
Total Assets in Fund: \$5,946,600,000**

**Investment Philosophy
Smith Barney Appreciation Y**

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

Staff Comments

Smith Barney exceeded the quarterly benchmark. Stock selection in the Consumer Discretionary and Financial sectors, along with the portfolio's cash position, helped performance for the quarter. The one-year return was hurt by an underweight and stock selection in the Utilities sector.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-0.4%	-2.1%
Last 1 year	6.6	6.7
Last 2 years	17.8	20.1
Last 3 years	4.3	2.7
Last 4 years	4.0	2.1
Last 5 years	1.8	-3.2
Since Retention by SBI (12/03)	10.4	10.5

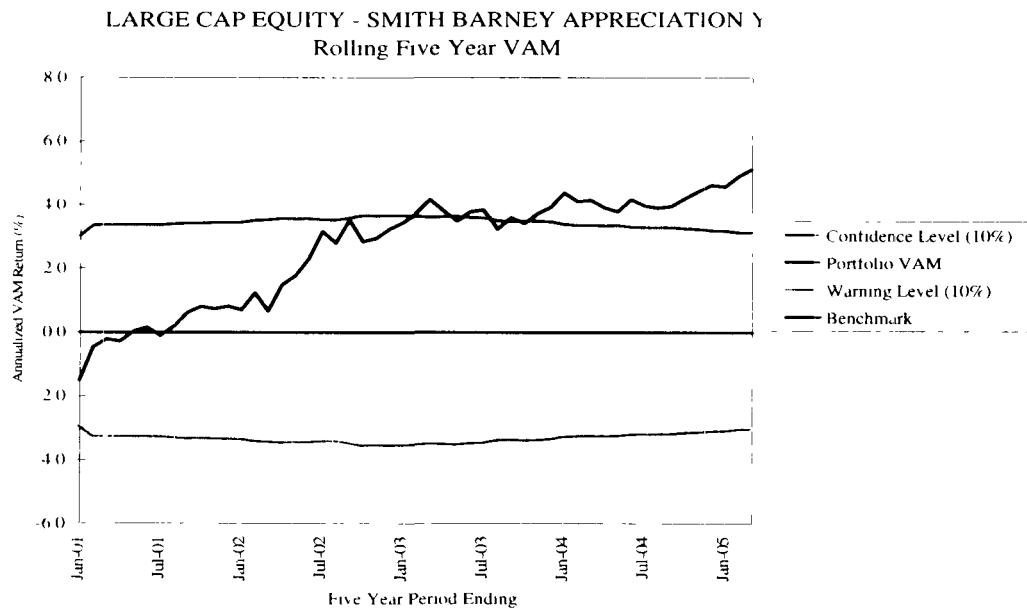
Recommendation

No action required

*Benchmark is the S&P 500

Numbers in black are returns since retention by SBI.

Numbers in blue include returns prior to retention by SBI



**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$397,664,930
Total Assets in Fund: \$13,879,819,678**

**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

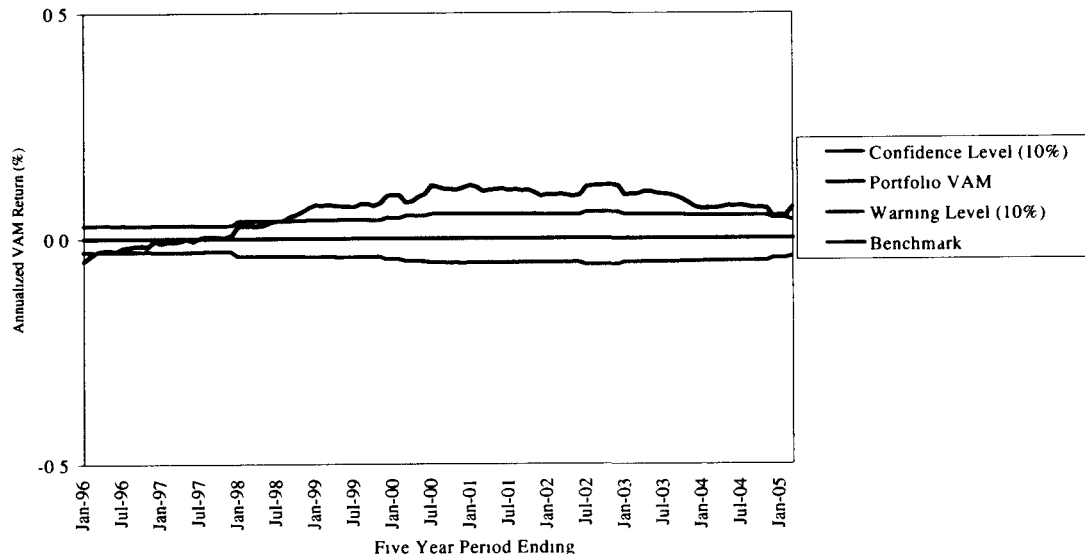
	Actual	Benchmark*
Last Quarter	-2.1%	-2.1%
Last 1 year	6.7	6.7
Last 2 years	20.1	20.1
Last 3 years	2.8	2.7
Last 4 years	2.2	2.1
Last 5 years	-3.1	-3.2
Since Retention by SBI (7/99)	-1.0	-1.1

Recommendation

No action required.

*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS
Rolling Five Year VAM**



Note Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending March, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$59,836,363
Total Assets in Fund: \$2,158,170,160**

**Investment Philosophy
Vanguard Mid-Cap Index**

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

Staff Comments

No comment at this time

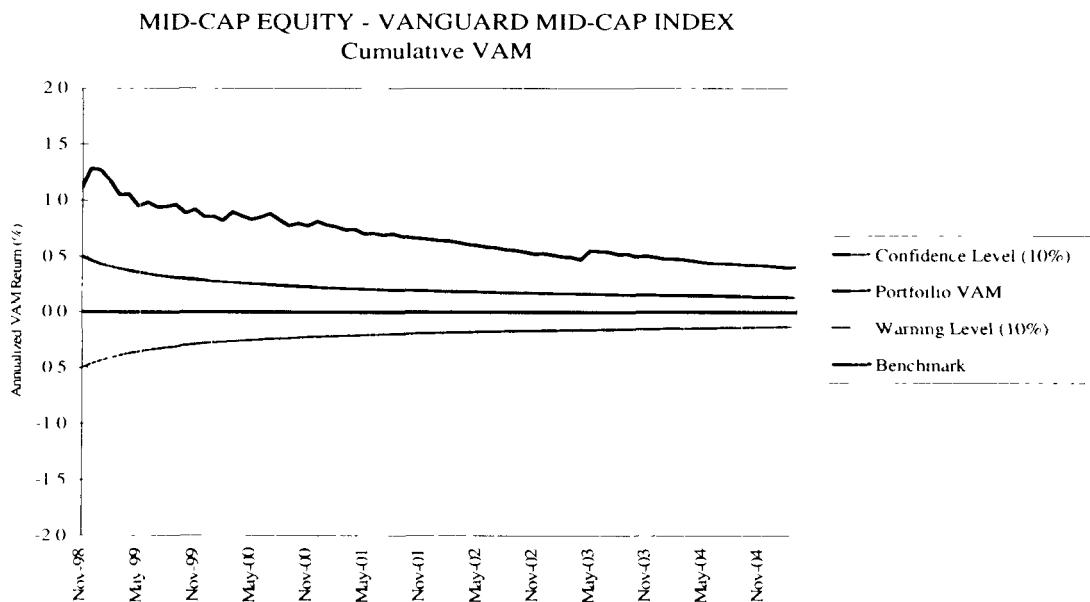
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-0.3%	-0.4%
Last 1 year	14.7	14.7
Last 2 years	29.9	29.7
Last 3 years	8.9	8.8
Last 4 years	11.4	11.2
Last 5 years	7.6	7.3
Since Retention by SBI (1/04)	15.8	15.8

Recommendation

No action required

*Benchmark is the MSCI US Mid Cap 450.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2005**

Portfolio Manager: Gregory A. McCrickard

**State's Participation in Fund: \$342,059,883.90
Total Assets in Fund: \$6,722,360,000.00**

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

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

Staff Comments

T. Rowe-Price outperformed the quarterly and one-year benchmark. Energy was the fund's top-performing sector during the quarter, aided especially by their energy equipment and services companies. The one-year return was helped by the strategy's stock selection in information technology that offset an overweight to the overall weak returns in the sector.

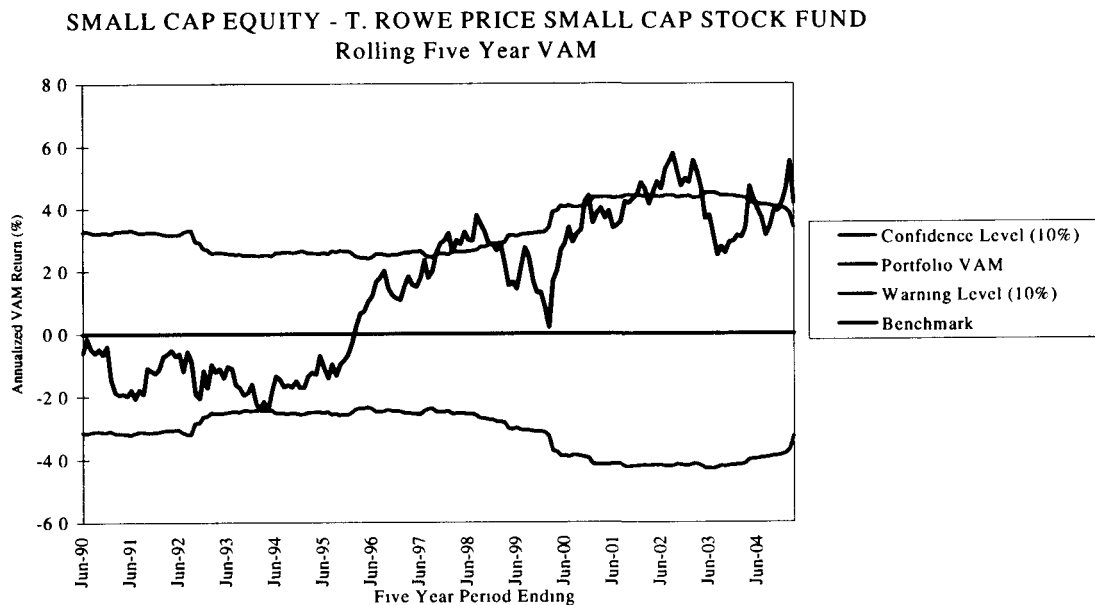
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-3.4%	-5.3%
Last 1 year	9.5	5.4
Last 2 years	26.3	31.4
Last 3 years	7.7	8.0
Last 4 years	11.1	9.5
Last 5 years	8.4	4.0
Since Retention by SBI (7/99)	10.7	6.6

Recommendation

No action required.

*Benchmark is the Russell 2000.



Note: Shaded area includes performance prior to managing SBI account

**STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending March, 2005**

Portfolio Manager: John Gunn

**State's Participation in Fund: \$187,636,979
Total Assets in Fund: \$21,848,611,449**

**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

Dodge & Cox outperformed the quarterly benchmark due to the equity portfolio and fixed income portfolio exceeding their respective benchmarks. The equity portfolio was helped by security selection in the Health Care and Energy sectors. The fixed income portfolio benefited by its shorter than benchmark duration.

Quantitative Evaluation

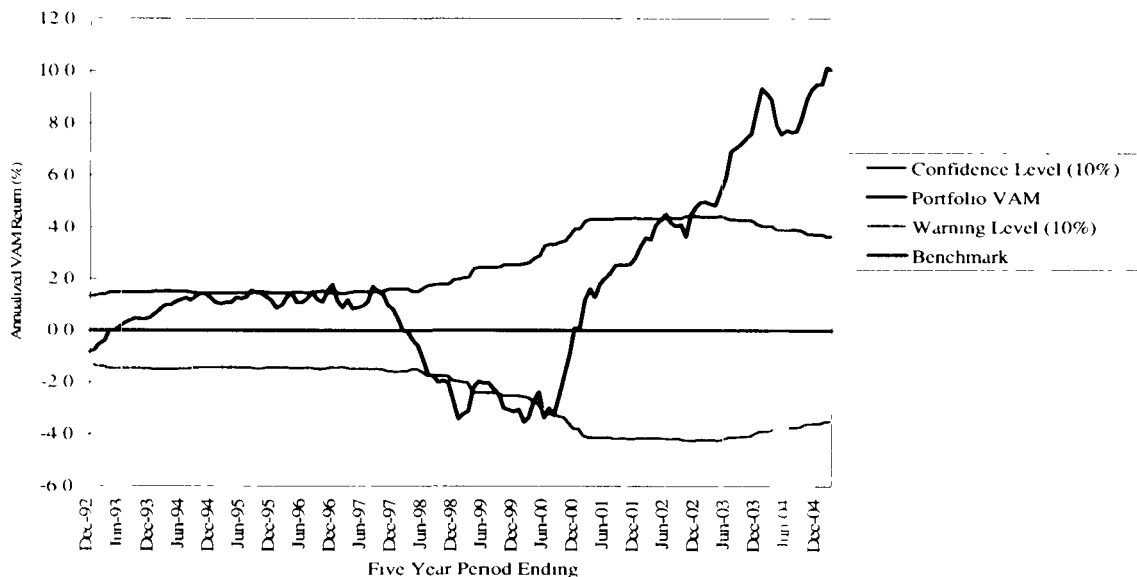
	Actual	Benchmark*
Last Quarter	-0.1%	-1.5%
Last 1 year	8.8	4.5
Last 2 years	20.4	13.2
Last 3 years	9.8	4.4
Last 4 years	10.2	4.0
Last 5 years	11.4	1.2
Since Retention By SBI (10/03)	15.7	9.5

Recommendation

No action required

*Benchmark is 60% S&P 500, 40% Lehman Aggregate.
Numbers in black are returns since retention by SBI
Numbers in blue include returns prior to retention by SBI

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



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending March, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$161,438,622
Total Assets in Fund: \$1,661,271,242**

**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 Wilshire 5000 Total Market Index, an unmanaged index that covers all regularly traded U.S. stocks. The fund's bond segment attempts to track the performance of the Lehman Brothers Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

No comment at this time.

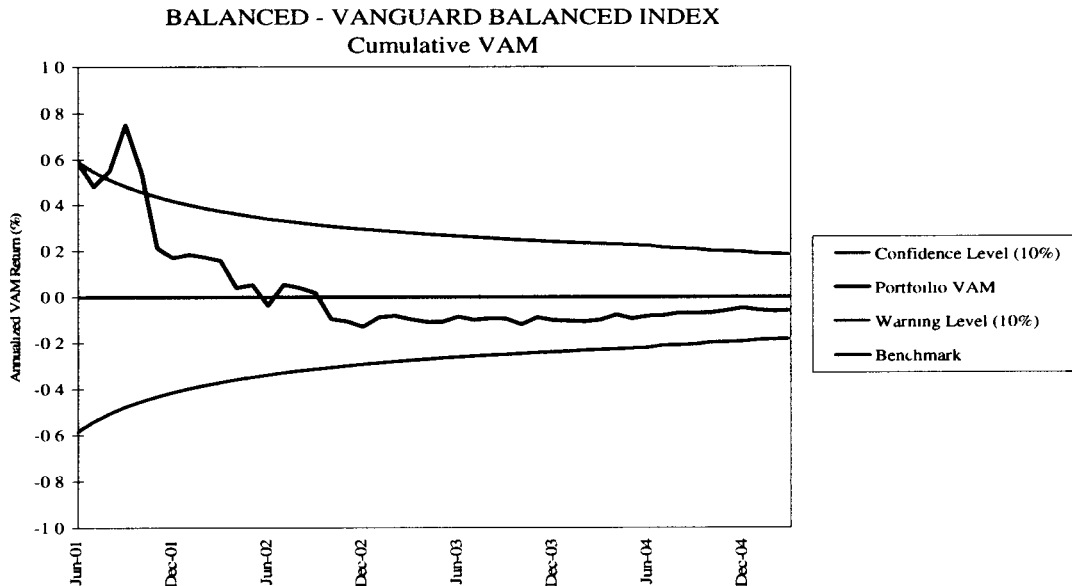
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	-1.7%	-1.6%
Last 1 year	4.9	4.8
Last 2 years	14.4	14.4
Last 3 years	5.2	5.3
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Retention by SBI (12/03)	8.1	8.1

No action required.

*Benchmark is 60% Wilshire, 40% Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending March, 2005**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$75,075,900
Total Assets in Fund: \$8,458,673,506**

**Investment Philosophy
Dodge & Cox Income Fund**

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

Staff Comments

Dodge & Cox matched the quarterly benchmark. The fund's shorter than benchmark duration was offset by security selection in the corporate sector.

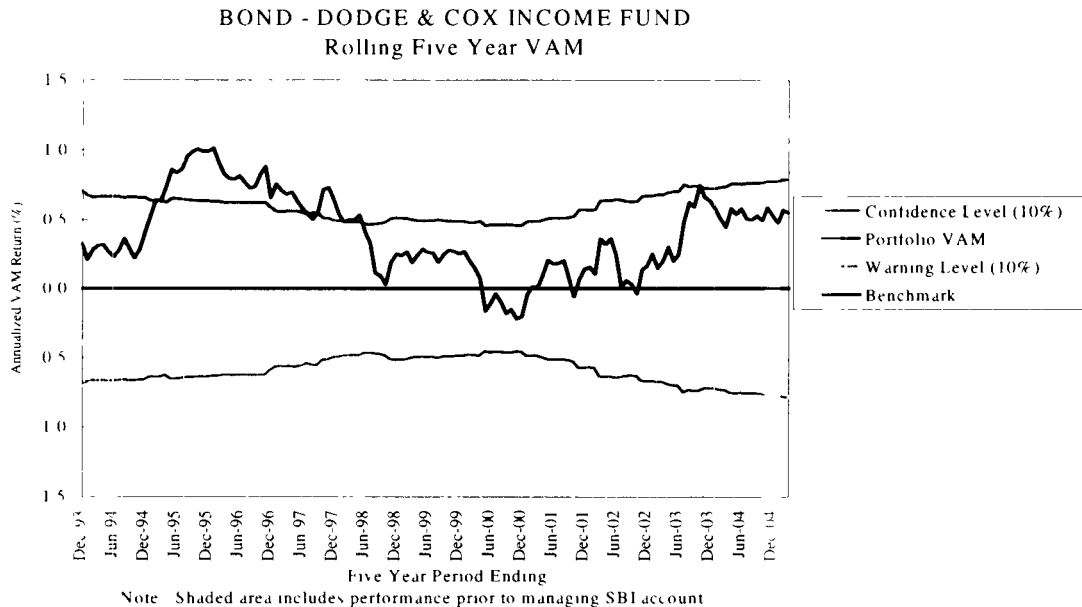
Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	-0.5%	-0.5%	No action required
Last 1 year	1.4	1.1	
Last 2 years	3.9	3.3	
Last 3 years	6.3	6.0	
Last 4 years	6.6	5.8	
Last 5 years	7.7	7.1	
Since Retention By SBI (10/03)	7.2	6.7	

Recommendation

No action required

*Benchmark is the Lehman Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN
 BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
 Periods Ending March, 2005**

Portfolio Manager: Robert Auwaerter

**State's Participation in Fund: \$44,255,611
 Total Assets in Fund: \$7,757,755,722**

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

Staff Comments

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

No comment at this time.

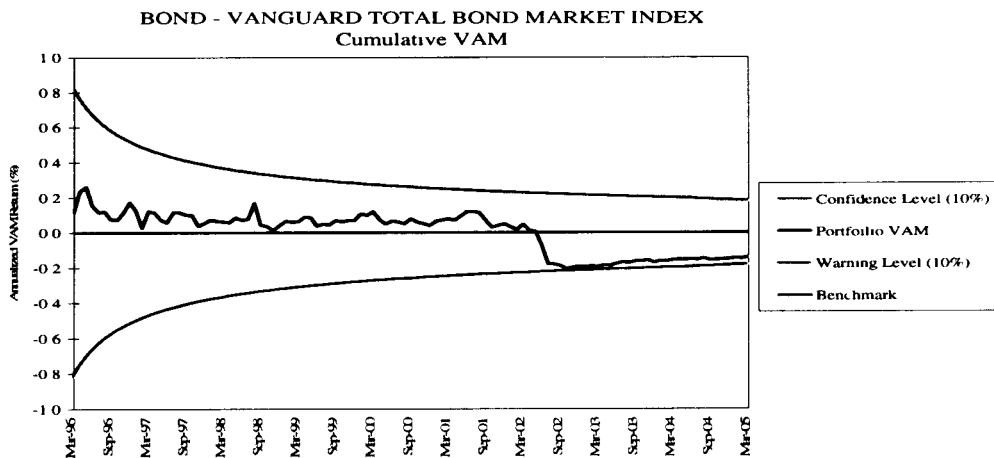
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	-0.4%	-0.5%
Last 1 year	1.1	1.1
Last 2 years	3.3	3.3
Last 3 years	5.4	6.0
Last 4 years	5.4	5.8
Last 5 years	6.7	7.1
Since Retention by SBI (12/03)	3.6	3.6

No action required.

*Benchmark is the Lehman Aggregate.
 Numbers in black are returns since retention by SBI.
 Numbers in blue include returns prior to retention by SBI.



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2005**

Portfolio Manager: William Bower

**State's Participation in Fund: \$157,287,032
Total Assets in Fund: \$25,325,760,000**

**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

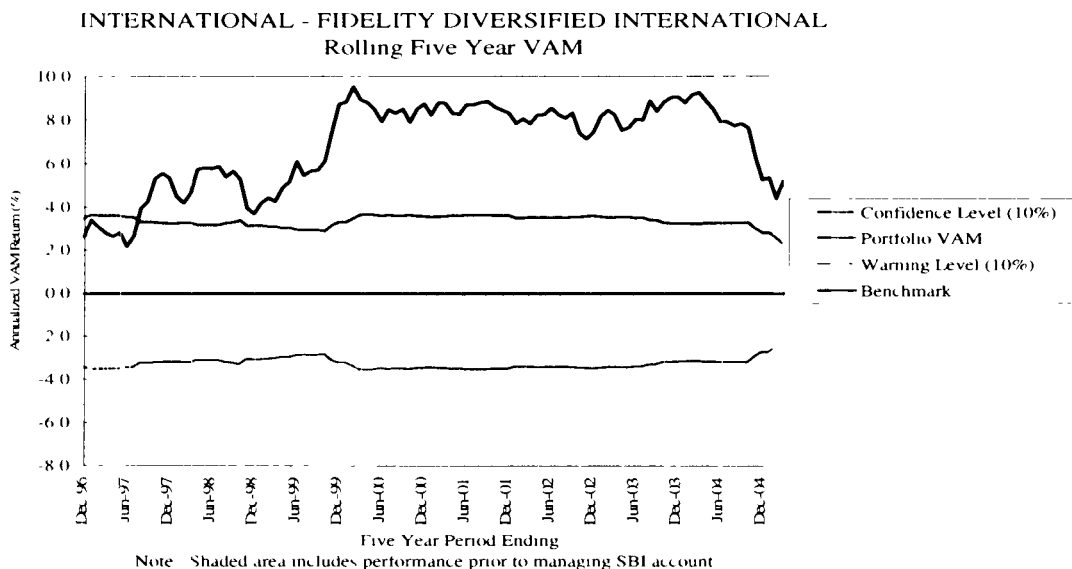
Fidelity outperformed the quarterly benchmark due to stock selection in the information technology and energy sectors. The one-year return was hurt by stock selection in the financial and materials sectors.

Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	0.1%	-0.2%	No action required
Last 1 year	12.3	15.0	
Last 2 years	34.6	34.6	
Last 3 years	14.7	11.7	
Last 4 years	11.1	6.3	
Last 5 years	4.1	-1.1	
Since Retention By SBI (7/99)	9.5	2.5	

Recommendation

*Benchmark is the MSCI EAFE-Free



**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending March, 2005**

Portfolio Manager: George U. Sauter	State's Participation in Fund: \$29,377,431
	Total Assets in Fund: \$1,336,563,294

**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.

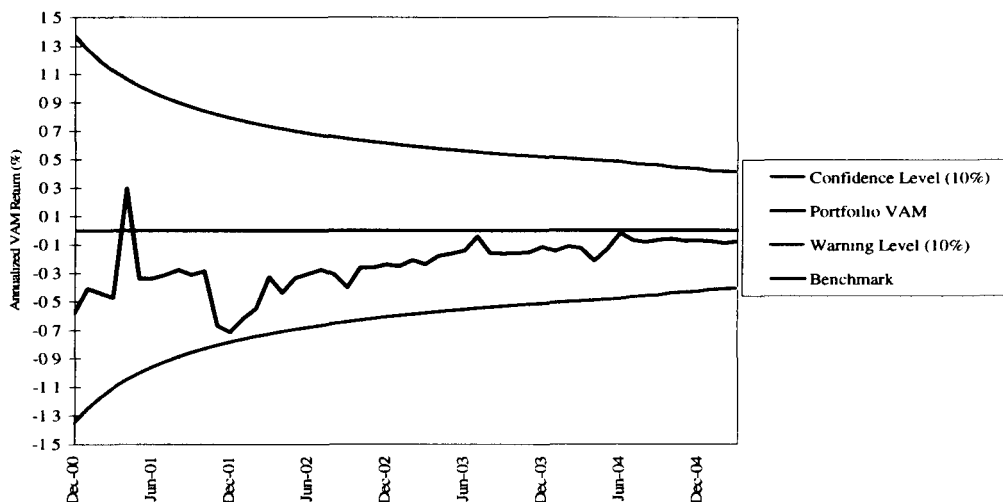
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	-0.2%	-0.2%	No action required.
Last 1 year	15.2	15.0	
Last 2 years	34.8	34.6	
Last 3 years	11.7	11.6	
Last 4 years	N/A	N/A	
Last 5 years	N/A	N/A	
Since Retention by SBI (12/03)	21.5	21.3	

*Benchmark is the MSCI EAFE International
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX
Cumulative VAM



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending March, 2005

Total Assets in MN Fixed Fund: \$665,164,142 *

*Includes \$14-18M in Liquidity Buffer Account

Total Assets in 457 Plan: \$701,435,853 **

**Includes all assets in new and old fixed options

Principal Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA
 A.M. Best A+
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$280,638,239

The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes and an emphasis on industrial properties minimizes commercial loan risk.

Minnesota Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA
 A.M. Best A++
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$152,982,338

Assets in Prior MN 457 Plan: \$0

Total Assets: \$152,982,338

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

Great-West Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA+
 A.M. Best A++
 Duff & Phelps AAA

Assets in MN Fixed Fund: \$207,346,342

Assets in Prior MN 457 Plan: \$36,271,711

Total Assets: \$243,618,053

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria.

**MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending March, 2005**

Current Quarter

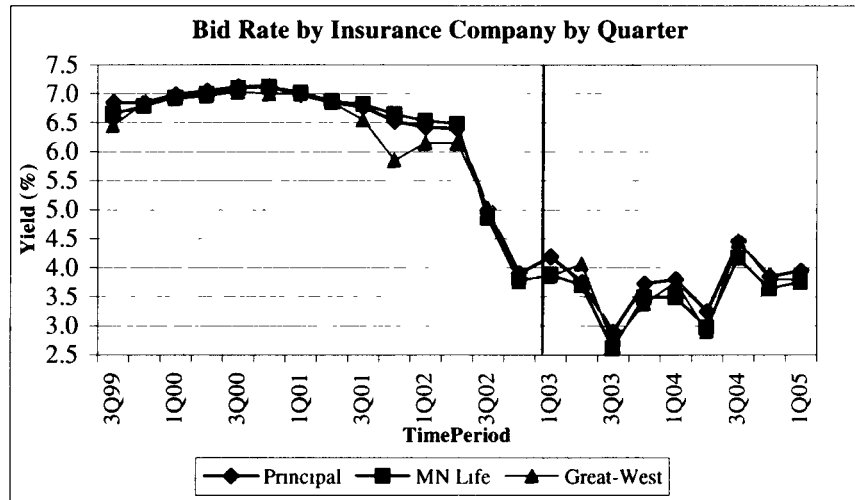
Dollar Amount of Bid: \$46,800,000

Blended Rate: 4.64%

Bid Rates:

Principal Life 3.95%
Minnesota Life 3.75%
Great-West Life 3.80%

Contracts were renewed in June 2002. Under these contracts, bid rates are effective for five years on the quarterly cash flows, the bid rate bands were narrowed to 8 b.p. from 10 b.p., and additional bid scenarios were added. All changes were effective for 3Q 2002 bids. The separate portfolio managed by Minnesota Life (previously referred to as the "existing portfolio") no longer exists. All assets of that portfolio matured in June 2004 and have been rolled into the Fixed Fund.



Staff Comments on Bid Rates

The line on the graph indicates when the contracts were renewed and the bid rates for the new cash flows became effective for five year periods. Prior to that, the bids were effective for a quarter for the total portfolio.

	2Q04	3Q04	4Q04	1Q05	Staff Comments
Principal Life	100.0%	50.0%	40.0%	50.0%	For the first quarter, Principal received 50% of the bid dollars, Great-West 30%, and Minnesota Life 20%.
Minnesota Life	0.0%	0.0%	20.0%	20.0%	
Great-West Life	0.0%	50.0%	40.0%	30.0%	

Tab G

COMMITTEE REPORT

DATE: May 31, 2005

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

FROM: Alternative Investment Committee

The Alternative Investment Committee met on May 18, 2005 to review the following information and action agenda items:

- Review of current strategy.
- Review of public stock distributions from alternative investment managers.
- New investments with one new manager, Lehman Brothers, and two existing managers, Windjammer Capital and Warburg Pincus.

Board/IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 12% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

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

- The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.
- The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
- The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

2) Review of public stock distributions from alternative investment managers.

Alternative investment managers distribute cash and publicly traded stocks to limited partner investors as they liquidate investment portfolios and distribute the proceeds to investors such as the SBI. To manage and maximize the profit potential of public stock distributions, the SBI employs a specialized stock distribution manager, T. Rowe Price. Staff presented various distribution processes and reviewed the performance of T. Rowe Price with the Committee. T. Rowe Price has considerable expertise in trading and researching small and micro-capitalization stocks, and to date has performed well for the SBI as its stock distribution manager. Going forward, staff will continue to monitor the performance of T. Rowe Price and other distribution managers that compete with T. Rowe Price.

ACTION ITEMS:

1) Investment with a new real estate manager, Lehman Brothers, in Lehman Brothers Real Estate Partners II, L.P.

Lehman Brothers is seeking investors for a new \$2.0 billion real estate fund. This fund is a successor to a prior real estate fund managed by Lehman Brothers. Like the prior fund, this fund will seek to earn attractive returns through a diversified portfolio of real estate investments.

More information on Lehman Brothers Real Estate Partners II, L.P. is included as **Attachment C**.

RECOMMENDATION:

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

2) Investment with an existing yield-oriented manager, Windjammer Capital, in Windjammer Senior Equity Fund III, L.P.

Windjammer Capital is seeking investors for a new \$500 million yield-oriented fund. This fund is a successor to two prior yield-oriented funds managed by Windjammer Capital. The SBI invested \$67 million in the prior fund. Like the prior fund, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented company investments.

More information on Windjammer Senior Equity Fund III, L.P., is included as **Attachment D**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$75 million or 20%, whichever is less, in Windjammer Senior Equity Fund III, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Windjammer 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 Windjammer Capital or reduction or termination of the commitment.

3) Investment with an existing private equity manager, Warburg Pincus, in Warburg Pincus Private Equity IX, L.P.

Warburg Pincus is seeking investors for a new \$7 billion private equity fund. This fund is a successor to three prior private equity funds managed by Warburg Pincus in which the SBI has an aggregate investment of \$250 million. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity investments.

More information on Warburg Pincus Private Equity IX, L.P. is included as **Attachment E**.

RECOMMENDATION:

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

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Retirement Funds
March 31, 2005

Basic Retirement Funds Market Value	\$20,074,505,789
Post Retirement Fund Market Value	\$19,032,502,487
 Amount Available for Investment	 \$1,864,709,543

	Current Level	Target Level	Difference
Market Value (MV)	\$3,430,366,624	\$5,295,076,167	\$1,864,709,543
MV +Unfunded	\$5,324,924,557	\$7,942,614,250	\$2,617,689,693

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$1,681,950,092	\$1,010,845,765	\$2,692,795,856
Real Estate	\$684,518,027	\$105,873,271	\$790,391,298
Resource	\$233,061,070	\$84,831,652	\$317,892,721
Yield-Oriented	\$830,837,435	\$693,007,245	\$1,523,844,681
Total	\$3,430,366,624	\$1,894,557,933	\$5,324,924,557

ATTACHMENT B

Minnesota State Board of Investment

- Alternative Investments -

As of March 31, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Market Distributions	Unfunded Commitment	IRR	Period Years
Real Estate							
Colony Capital							
Colony Investors II	80,000,000	78,482,328	961,004	87,675,320	1,517,672	4.30	10.00
Colony Investors III	100,000,000	100,000,000	32,297,004	126,529,957	0	13.96	7.25
CSFB Strategic Realty Partners RE II	25,000,000	0	0	0	25,000,000	N/A	0.00
Equity Office Properties Trust	258,062,214	258,062,214	118,563,830	367,107,222	0	15.21	13.34
Heltman							
Heltman Advisory Fund II	30,000,000	30,000,000	56,741	43,528,725	0	3.98	19.36
Heltman Advisory Fund V	20,000,000	20,000,000	329,184	35,450,332	0	8.63	13.32
Lasalle Income Parking Fund	15,000,000	14,644,401	1,937,598	30,969,467	355,599	12.74	13.53
Morgan Stanley (Lend Lease)	44,233,133	44,233,133	182,678,254	10,997,091	0	7.02	23.47
T.A. Associates Realty							
Realty Associates Fund III	40,000,000	40,000,000	13,712,233	70,684,531	0	11.33	10.83
Realty Associates Fund IV	50,000,000	50,000,000	37,660,581	58,287,593	0	12.38	8.16
Realty Associates Fund V	50,000,000	50,000,000	48,525,298	24,694,621	0	9.19	5.85
Realty Associates Fund VI	50,000,000	46,000,000	46,513,344	8,484,087	4,000,000	13.93	2.76
Realty Associates Fund VII	75,000,000	0	0	117,783	75,000,000	N/A	0.04
UBS Realty	42,376,529	42,376,529	201,282,957	0	0	7.55	22.92
Real Estate Total	879,671,876	773,798,605	684,518,027	864,526,729	105,873,271		
Resource							
Apache Corp III	30,000,000	30,000,000	7,745,910	49,809,416	0	12.34	18.25
First Reserve							
First Reserve I	15,000,000	15,000,000	77,094	14,552,526	0	(0.24)	23.50
First Reserve II	7,000,000	7,000,000	125,340	14,879,948	0	5.97	22.15
First Reserve V	16,800,000	16,800,000	185,355	50,261,377	0	16.22	14.92
First Reserve VII	40,000,000	40,000,000	5,234,456	53,022,957	0	9.61	8.75
First Reserve VIII	100,000,000	100,000,000	57,780,273	89,943,724	0	10.40	6.92
First Reserve IX	100,000,000	97,978,017	84,633,502	84,535,671	2,021,983	31.68	3.98
First Reserve X	100,000,000	23,742,358	23,389,974	0	76,257,642	N/A	0.41
Simmons							
Simmons - SCF Fund II	17,000,000	14,706,629	999,999	30,582,945	2,293,371	9.19	13.65
Simmons - SCF Fund III	25,000,000	23,380,337	12,044,431	49,815,964	1,619,663	18.15	9.75
Simmons - SCF Fund IV	50,000,000	47,361,007	38,844,735	31,792,397	2,638,993	9.55	7.00
T. Rowe Price	28,926,872	28,926,872	2,000,000	43,227,981	N/A	24.28	N/A
Resource Total	529,726,872	444,895,220	233,061,070	512,424,906	84,831,652		

Minnesota State Board of Investment

- Alternative Investments -

As of March 31, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IR	Ratio
Yield-Oriented							
Carbon Capital	50,000,000	46,184,308	36,638,935	20,371,565	3,815,692	15.22	2.88
CT Mezzanine Partners	100,000,000	36,804,097	6,723,469	46,672,324	63,195,903	21.90	3.52
Citicorp Mezzanine							
<i>Citicorp Mezzanine Partners</i>	40,000,000	40,000,000	9,610,929	44,321,419	0	9.60	10.25
<i>Citicorp Mezzanine Partners III</i>	100,000,000	78,800,916	62,497,830	45,645,782	21,199,084	16.61	5.41
DLJ Investment Partners II	50,000,000	17,727,950	4,003,394	22,468,554	32,272,051	9.89	5.25
Gold Hill Venture Lending	40,000,000	12,000,000	14,872,464	0	28,000,000	N/A	0.51
GS Mezzanine Partners							
<i>GS Mezzanine Partners II</i>	100,000,000	88,090,509	51,675,041	51,691,598	11,909,491	6.63	5.08
<i>GS Mezzanine Partners III</i>	75,000,000	21,510,909	19,866,064	3,761,841	53,489,091	11.78	1.72
GTCR Capital Partners	80,000,000	69,589,422	50,218,670	40,372,898	10,410,578	8.05	5.38
GMAC Institutional Advisors							
<i>Institutional Commercial Mortgage Fd II</i>	13,500,000	13,397,500	3,035,953	18,655,567	102,500	9.68	9.68
<i>Institutional Commercial Mortgage Fd III</i>	21,500,000	21,275,052	13,214,248	20,481,440	224,948	8.29	8.33
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	9,948,315	11,324,514	0	8.23	7.25
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	33,252,480	17,175,035	0	8.35	5.66
KB Mezzanine Partners Fund II	25,000,000	25,000,000	1,628,149	9,269,941	0	#####	9.50
Merit Capital Partners (fka William Blair)							
<i>William Blair Mezzanine Fund III</i>	60,000,000	55,521,600	40,678,131	30,056,400	4,478,400	8.77	5.25
<i>Merit Mezzanine IV</i>	75,000,000	418,269	418,269	0	74,581,731	N/A	0.29
Merit Energy Partners							
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	36,751,646	31,678,307	0	20.55	8.75
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	113,392,342	12,726,816	0	26.68	6.42
<i>Merit Energy Partners D</i>	88,000,000	84,555,902	108,551,151	9,486,541	3,444,098	17.60	3.85
<i>Merit Energy Partners E</i>	100,000,000	37,615,186	33,872,463	226,382	62,384,814	N/A	0.46
<i>Merit Energy Partners F</i>	100,000,000	0	0	0	100,000,000	N/A	0.00
Prudential Capital Partners							
<i>Prudential Capital Partners I</i>	100,000,000	87,422,718	64,333,837	34,916,952	12,577,282	6.97	3.95
<i>Prudential Capital Partners II</i>	100,000,000	0	0	0	100,000,000	N/A	0.00
Summit Partners							
<i>Summit Sub Debt Fund I</i>	20,000,000	18,000,000	78,105	31,406,578	2,000,000	30.56	11.00
<i>Summit Sub Debt Fund II</i>	45,000,000	40,275,000	15,761,832	69,146,304	4,725,000	57.11	7.66
<i>Summit Sub Debt Fund III</i>	45,000,000	6,075,000	6,118,321	0	38,925,000	1.00	1.12
T. Rowe Price	53,340,603	53,340,603	351,774	51,844,812	0	#####	N/A
TCW/Crescent Mezzanine							
<i>TCW/Crescent Mezzanine Partner</i>	40,000,000	37,130,039	4,717,922	48,557,040	2,869,961	12.75	9.00
<i>TCW/Crescent Mezzanine Partner II</i>	100,000,000	87,479,046	15,151,412	110,498,524	12,520,954	12.15	6.35
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	51,463,130	37,561,055	43,013,587	23,536,870	27.44	4.00
Windjammer Mezz. & Equity Fund II	66,708,861	40,365,063	35,913,234	13,509,271	26,343,798	8.63	5.00
Yield-Oriented Total	1,888,549,464	1,195,542,218	830,837,435	839,279,992	693,007,245		

Minnesota State Board of Investment

- Alternative Investments -

As of March 31, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distribution	Unfunded Commitment	IRR	Payoff Year
Private Equity							
Adams Street Partners (Brinson)							
<i>Brinson Partners I</i>	5,000,000	3,800,000	193,571	9,280,721	1,200,000	13.26	16.89
<i>Brinson Partners II</i>	20,000,000	20,000,000	496,721	37,502,515	0	24.11	14.34
<i>Affinity Ventures</i>	4,000,000	1,000,000	962,399	0	3,000,000	N/A	0.75
<i>Bank Fund V</i>	48,000,000	48,000,000	66,828,432	24,743,432	0	15.65	6.71
Blackstone Capital Partners							
<i>Blackstone Capital Partners II</i>	50,000,000	47,271,190	4,492,885	94,484,671	2,728,810	34.36	11.35
<i>Blackstone Capital Partners IV</i>	70,000,000	35,714,760	55,981,150	10,270,565	34,285,240	84.27	2.72
BLUM Capital Partners							
<i>Blum Strategic Partners I</i>	50,000,000	48,771,954	44,529,906	56,280,864	1,228,046	15.11	6.27
<i>Blum Strategic Partners II</i>	50,000,000	39,621,570	50,007,080	21,693,623	10,378,430	29.39	3.70
<i>Citigroup Venture Capital Equity</i>	100,000,000	64,801,479	53,379,965	35,822,391	35,198,521	20.68	3.30
<i>Contrarian Capital Fund II</i>	37,000,000	33,244,395	22,316,441	24,022,287	3,755,605	5.17	7.83
Coral Partners							
<i>Coral Partners Fund II</i>	10,000,000	10,000,000	407,616	36,553,383	0	24.91	14.68
<i>Coral Partners Fund IV</i>	15,000,000	15,000,000	3,983,324	11,107,747	0	0.12	10.69
<i>Coral Partners Fund V</i>	15,000,000	14,625,000	3,997,528	2,016,216	375,000	#####	6.79
Crescendo							
<i>Crescendo II</i>	15,000,000	15,000,000	1,139,365	20,347,039	0	21.44	8.24
<i>Crescendo III</i>	25,000,000	25,000,000	2,930,814	8,084,795	0	#####	6.40
<i>Crescendo IV</i>	101,500,000	88,812,500	27,288,770	4,018,614	12,687,500	#####	5.06
CSFB/DLJ							
<i>CSFB Strategic Partners</i>	100,000,000	79,100,579	48,543,364	72,815,094	20,899,421	23.96	4.19
<i>CSFB Strategic Partners II</i>	100,000,000	54,570,415	53,481,316	34,064,085	45,429,585	68.05	1.70
<i>CSFB Strategic Partners III</i>	100,000,000	0	0	0	100,000,000	N/A	0.00
<i>CSFB Strategic Partners VC</i>	25,000,000	0	0	0	25,000,000	N/A	0.00
<i>DLJ Merchant Banking Partners III</i>	125,000,000	106,658,621	79,302,897	63,888,981	18,341,379	11.36	4.50
<i>DSV Partners IV</i>	10,000,000	10,000,000	1,248,302	27,596,934	0	9.48	19.97
<i>First Century Partners III</i>	10,000,000	10,000,000	69,749	15,098,689	0	7.50	20.29
Fox Paine Capital Fund							
<i>Fox Paine Capital Fund</i>	40,000,000	40,000,000	36,267,906	5,976,096	0	1.05	6.94
<i>Fox Paine Capital Fund II</i>	50,000,000	36,625,004	29,261,245	31,909,501	13,374,996	32.74	4.75
Golder, Thoma, Cressey, Rauner							
<i>Golder, Thoma, Cressey Fund III</i>	14,000,000	14,000,000	168,394	78,123,015	0	30.87	17.42
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	145,973	41,020,323	0	24.84	11.16
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	18,096,182	27,542,075	0	8.79	8.75
GTCR Golder Rauner							
<i>GTCR VI</i>	90,000,000	89,137,778	31,335,221	68,918,378	862,222	4.45	6.75
<i>GTCR Fund VII</i>	175,000,000	148,093,749	122,070,500	91,957,578	26,906,251	15.27	5.14

Minnesota State Board of Investment

- Alternative Investments -

As of March 31, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR	Period
Private Equity (cont.)							
Goldman Sachs Capital Partners							
<i>GS Capital Partners 2000</i>	50,000,000	40,657,808	29,922,334	26,598,640	9,342,192	15.73	4.58
<i>GS Capital Partners V</i>	100,000,000	0	0	0	100,000,000	N/A	0.00
GHJM Marathon Fund							
<i>GHJM Marathon Fund IV</i>	40,000,000	38,481,000	14,246,821	31,354,631	1,519,000	3.70	5.96
<i>GHJM Marathon Fund V</i>	28,985,714	4,321,759	4,079,835	0	24,663,955	N/A	0.33
Hellman & Friedman							
<i>Hellman & Friedman Capital Partners III</i>	40,000,000	32,113,684	7,717,589	61,708,498	7,886,316	34.21	10.53
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	127,908,844	111,299,977	44,106,706	22,091,156	12.31	5.25
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	10,226,429	10,014,108	0	149,773,571	N/A	0.33
Kohlberg Kravis Roberts							
<i>KKR 1987 Fund</i>	145,950,000	145,373,652	8,824,240	394,557,545	576,348	8.86	17.35
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	28,810,434	281,622,338	0	16.82	11.28
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	95,921,245	266,455,981	0	14.42	8.58
<i>KKR Millennium Fund</i>	200,000,000	72,104,424	77,734,557	9,262,675	127,895,576	12.16	2.31
<i>Matrix Partners III</i>	10,000,000	10,000,000	314,575	77,327,244	0	75.13	14.90
Sightline Healthcare (Piper Jaffray)							
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	6,401,812	1,648,415	0	(3.87)	8.08
<i>Sightline Healthcare Fund III</i>	20,000,000	19,400,002	8,220,151	2,494,843	599,998	#####	6.19
<i>Sightline Healthcare Fund IV</i>	7,700,000	3,644,227	2,902,270	4,891	4,055,773	#####	1.51
<i>Silver Lake Partners II</i>	100,000,000	8,834,781	8,566,275	100,472	91,165,219	N/A	0.75
Summit Partners							
<i>Summit Ventures II</i>	30,000,000	28,500,000	98,761	74,524,292	1,500,000	28.82	16.88
<i>Summit Ventures V</i>	25,000,000	23,375,000	7,878,796	17,768,055	1,625,000	2.85	7.00
<i>T. Rowe Price</i>	600,784,219	600,784,219	62,122,838	569,715,155	N/A	8.59	N/A
Thoma Cressey							
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	17,987,854	7,881,225	1,085,000	(6.05)	6.61
<i>Thoma Cressey Fund VII</i>	50,000,000	29,480,000	20,723,500	22,574,114	20,520,000	25.95	4.60
<i>Thomas, McNerney & Partners</i>	30,000,000	9,900,000	8,038,652	0	20,100,000	#####	2.40
<i>Vestar Capital Partners IV</i>	55,000,000	40,504,345	22,895,696	19,433,848	14,495,655	2.12	5.29
Warburg Pincus							
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	39,821,863	202,056,531	0	49.21	10.25
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	53,895,470	72,553,645	0	6.52	6.76
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	76,000,000	75,235,806	7,460,150	24,000,000	5.84	2.96
Welsh, Carson, Anderson & Stowe							
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	70,409,006	14,810,930	0	(3.07)	6.69
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	103,750,000	85,413,180	37,797,000	21,250,000	8.41	4.76
<i>William Blair Capital Partners VII</i>	50,000,000	38,950,000	43,298,690	0	11,050,000	5.39	4.06
<i>Zell/ Chilmark</i>	30,000,000	30,000,000	226,740	76,414,975	0	17.67	14.72
Private Equity Total	4,297,919,933	3,287,074,168	1,681,950,092	3,275,372,409	1,010,845,765		

REAL ESTATE MANAGER SUMMARY PROFILE
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I. Background Data

Name of Fund:	Lehman Brothers Real Estate Partners II, L.P. ("The Fund")
Type of Fund:	Real Estate Opportunity Fund
Total Fund Size:	Approximately \$2,000,000,000
Fund Manager:	Lehman Brothers
Manager Contact:	James P. Swindell (212.526.3213)

II. Organization and Staff

Organization: Founded in 1850, Lehman Brothers Holdings Inc. (together with its affiliates, "Lehman Brothers") actively participates in the global capital markets through a closely integrated network of 39 offices in 19 countries, anchored by worldwide headquarters in New York and regional headquarters in London and Tokyo. The General Partner believes that the Fund will garner a competitive advantage in its investment activities as a result of its access to the capital markets expertise, intellectual capital and global reach of Lehman Brothers.

Staff: Led by Messrs. Raymond Mikulich and Mark Walsh, who have been with Lehman Brothers for 22 and 16 years, respectively, and have an average of 26 years of experience in the real estate industry, the General Partner will be comprised of approximately 50 experienced real estate professionals who will manage the Fund on a daily basis, including 26 Principals. Between 1993 and 2004, Messrs. Mikulich and Walsh oversaw more than \$3.0 billion of real estate equity investments made by Lehman Brothers, including \$1.5 billion invested prior to the formation of LBREP I. Their expertise in acquisitions, asset and portfolio management, dispositions, finance and investor relations will help ensure achievement of the Fund's investment objectives.

III. Investment Strategy

The Fund seeks to achieve an aggregate net IRR of 20% by identifying and tailoring investments to unique conditions of local markets. The Fund is expected to employ the same investment strategy used by Lehman and LBREP I to achieve superior risk adjusted real estate returns, and maximize returns through investments in properties, real estate companies and service businesses ancillary to the real estate industry by: (1) leveraging Lehman's proprietary deal flow; (2) identifying and capitalizing on emerging trends; (3) investing with proven operating partners; (4) looking beyond the bricks and employing flexible and creative transaction structures to acquire assets with hidden value; and (5) executing optimal exit strategies.

The Fund will seek to continue LBREP I's successful real estate equity investment program by leveraging its access to Lehman Brothers' Global Real Estate Business, the industry experience and investment expertise of the LBREP Principals and the network and relationships of Lehman Brothers' global investment banking business to source, evaluate and execute investment opportunities that possess the optimal risk-return attributes.

IV. Investment Performance

Previous fund performance as of 12/31/04 for Lehman Brothers Real Estate Partners 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
Lehman Brothers Real Estate Partners, L.P.	2000	\$1.8 billion	--	25%

*Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

Lehman Brothers and its employees will invest at least 20% of the total capital commitments up to \$300 million.

VI. Takedown Schedule

Capital Commitments will be drawn down *pro rata* (each a "Capital Contribution"), on an as-needed basis, for specific investments (including the funding of operating cash flow deficits) and to cover Organizational Expenses and Fund Expenses with a minimum of 10 business days' prior notice to the Limited Partners.

VII. Fees

Acquisition and Disposition Fees: None

Investment Advisory/Management Fee: Each Limited Partner will pay an annual management fee (the "Management Fee") semi-annually in advance, according to the following schedule:

During the Commitment Period:

The sum of (i) 1.00% of the portion of the Limited Partner's Capital Commitment that is less than or equal to \$25 million, (ii) 0.80% of the portion of the Limited Partner's Capital Commitment that is greater than \$25 million but less than or equal to \$100 million and (iii) 0.70% of the portion of the Limited Partner's Capital Commitment that exceeds \$100 million.

Plus 0.70% of such Limited Partner's share of the unreturned invested equity in all Fund investments.

After the Commitment Period:

1.00% of such Limited Partner's unreturned Capital Contributions.

The Management Fee will commence as of the First Closing Date regardless of when a Limited Partner is actually admitted. Later payments of the Management Fee related to the period from the First Closing Date to subsequent closings will include an additional amount accrued at the rate of 10% per annum. Invested equity is comprised of Capital Contributions and funds drawn under the Credit Facility to make investments. The Fund may offset amounts otherwise distributable to Limited Partners in order to pay the Management Fee to the Advisor.

Other Fees and Expenses: The Fund will pay all expenses relating to the activities of the Fund, including: (i) administrative expenses related to the operation of the Fund (e.g., the fees and expenses of accountants, lawyers and other professionals incurred in connection with the Fund's annual audit, legal compliance, financial reporting, legal opinions and tax return preparation), including expenses of the Investor Advisory Committee; (ii) all fees, costs and expenses related to the acquisition, holding, financing, hedging, refinancing and sale or other disposition of investments and the evaluation of potential investments regardless of whether the potential investments are consummated; (iii) any expenses related to making temporary investments and any interest expenses; and (iv) any extraordinary administrative or operating fees or expenses (e.g., litigation or indemnification expenses). Fund Expenses will generally be allocated among the investments on a basis that the General Partner determines is fair and reasonable.

VIII. Allocations and Distributions

After the Final Closing Date, net proceeds from the operation, disposition and refinancing of each investment or portion thereof ("Distributable Proceeds") will be allocated to the Partners in accordance with their respective percentage interests. Each Limited Partner's allocable share of Distributable Proceeds will then be distributed to such Limited Partner and the General Partner in the following order of priority:

(A). Return of Capital

First, 100% to such Limited Partner until the cumulative amount distributed to such Limited Partner equals the aggregate of the following (collectively, the "Return of Capital"):

- (i) the Limited Partner's Capital Contributions attributable to such investment and all realized investments, including allocated Fund Expenses and Organizational Expenses;
- (ii) the Limited Partner's share of aggregate net loss from write-downs, if any, from the Fund's unrealized investments (taken as a whole), as of the date of such distribution; and
- (iii) the Limited Partner's Management Fees paid to date that are attributable to such investment and all realized investments.

(B). Preferred Return

Second, 100% to such Limited Partner until the cumulative distributions to such Limited Partner pursuant to clauses (B) through (D) for such investment and all realized investments equal a 10% compounded annual preferred return on the amounts referred to in sub-clauses (i) and (iii) above, from the date such amounts were contributed or paid until the date such amounts are repaid (the "Preferred Return").

(C). GP Catch-up

Third, (i) 30% to such Limited Partner and (ii) 70% to the General Partner until the cumulative profits interest distributions to the General Partner from such investment and all realized investments equal 20% of the total amount distributed to such Limited Partner and the General Partner pursuant to clauses (B) through (D).

(D). Additional Distributions to Partners

Thereafter, 80% to such Limited Partner and 20% to the General Partner (together with the General Partner's share of the catch-up amounts, (the "General Partner Profits Interest").

IX. Investment Period and Term

The Commitment Period is expected to last four years from the First Closing Date and the term will be five years from the end of the Commitment Period, subject to two one-year extensions.

ATTACHMENT D

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Windjammer Senior Equity Fund III, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	\$500 million (Hard Cap of \$600 million)
Fund Manager:	Windjammer Capital Investors, L.L.C.
Manager Contact:	Robert Bartholomew 610 Newport Center Dr., Suite 1100 Newport Beach, CA 92660 Phone: (949) 721-9944 Fax: (949) 720-4222 E-mail: bob@windjammercapital.com

II. Organization and Staff

In 1990, Robert Bartholomew and Schuyler Lance co-founded Pacific Mezzanine Investors ("PMI") as a separate operating unit of Pacific Life Insurance Company ("PL") to make investments for the account of PL. In 1995, PMI created its first institutional fund called the PMI Mezzanine Fund, L.P. ("Fund I") with \$262 million in commitments investing from 1995 through 1999. In 1999, Windjammer Capital Investors ("Windjammer") was created as an independent entity, spun out from PL, to raise and manage a new fund (the \$334 million Windjammer Mezzanine & Equity Fund II, L.P) and act as the successor General Partner for the PL Funds.

Costa Littas joined an affiliate of Windjammer in 2000 and became the manager of the East Coast office for Windjammer in 2002, succeeding Schuyler Lance, a co-founder of the firm. Robert Bartholomew will continue to act as Chief Investment Officer and provide overall direction for the firm. From 1989 through 1999, Mr. Littas was formerly a General Partner and Managing Director of Butler Capital, a private equity and mezzanine firm, which had \$1.4 billion under management and executed a similar investment strategy as Windjammer. Both Mr. Bartholomew and Mr. Littas were former colleagues at Bank of Boston and also had strong ties through Butler Capital as PL had an LP investment in Butler Capital that Mr. Bartholomew managed. Mr. Lance will continue to be a Special Limited Partner of and Advisor to Fund III and will continue to manage two Fund I portfolio companies through exit.

In total, Windjammer employs an investment staff of 9 individuals, with over 100 years of leveraged lending and equity investing experience. In addition, the GP expects to add more professionals to support the firm's growth

III. Investment Strategy

As in the case of its three predecessor portfolios, Fund III will seek to provide leading middle-market businesses with a combination of junior capital solutions that address their specific funding needs while generating superior risk-adjusted returns. Fund III will make investments ranging from \$10 million to \$75 million, with the average investment size expected to be approximately \$20 to \$30 million at inception. The Fund will generally invest in companies generating \$7 to \$30 million in EBITDA that have established market leadership positions in a diversified set of non-cyclical industries. The Fund will seek companies that have business models that offer high value-to-cost benefits to customers and as a consequence have established long-standing, defensible and "sticky" commercial relationships. As a consequence of these competitive characteristics, portfolio companies will generally have a consistent, historical track record of profitability and high return on capital ratio that allows for dependable and significant deleveraging ability. This disciplined investment protocol is combined with an active involvement with portfolio company management post-closing to build equity value through strategy development, improvement in cost structure and marketing capabilities, as well as selective strategic acquisitions.

Windjammer has a differentiated ability to source and invest in various junior capital and common stock securities, which enables it to build an investment portfolio with superior risk-adjusted returns regardless of varying economic and capital market conditions. This ability to react to and pursue the most attractive capital structure opportunities is a function of the firm's: 1) aggressive and comprehensive calling program on a broad base of deal sources which result in both deal flow and valuable market intelligence, having averaged over 1,000 face-to-face meetings during the past two years; 2) experience in evaluating, structuring and negotiating different junior capital and equity solutions; and 3) history of successfully partnering with other capital providers and business owners to complete transactions. This flexibility enables the firm to capture attractive investment opportunities by customizing its capital solutions to reflect the specific needs of these leading business franchises.

As a general theme, Windjammer seeks to secure as much equity upside in its targeted portfolio companies, utilizing more senior securities such as subordinated debt and/or preferred stock to secure ownership in the targeted company. Hence Windjammer has elected to adopt the term "Senior Equity" in its Fund III title. Junior capital investments also provide for re-pricing provisions if specific performance hurdles are not achieved. In select cases Windjammer was able to assist companies through economic cycles and in re-pricing securities create significant improvement in the value of its portfolio when the economy rebounded. Finally, Windjammer is a disciplined investor and has a record of patiently and prudently deploying capital during difficult economic and competitive market conditions.

IV. Investment Performance

Previous fund performance as of December 31, 2004 for Pacific Life Insurance Company Portfolio (“PL Portfolio”), PMI Mezzanine Fund, L.P. (“Fund I”), and Windjammer Mezzanine & Equity Fund II, L.P. (“Fund II”) investment funds and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Commitments	SBI Investment	Net IRR from Inception
Pacific Life Portfolio	1990	\$113 million	--	30%
Fund I	1995	\$262 million	--	10%
Fund II	2000	\$334 million	\$67 million	9%

Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner will make a capital commitment to Fund III of at least 1% of all Partners' capital commitments, payable at the same time and in the same proportion as Limited Partners' capital contributions. Additionally, the General Partner and its affiliates may invest a fixed percentage (established by the General Partner annually up to 5%) in each portfolio investment made during a given year.

VI. Takedown Schedule

Commitments generally will be taken down as needed to complete investments or to provide for expenses of Fund III, with a minimum of ten business days' prior written notice.

Fund III may, in the discretion of the General Partner, employ leverage for purposes of financing the cost of investments in debt securities, and may issue preferred equity interests or may enter into one or more credit facilities. Borrowings may be secured by Fund III's investments or a pledge of Partners' Unfunded Commitments. Fund III will not incur indebtedness (or issue equivalent instruments) to the extent the aggregate amount of indebtedness (or other such instruments) outstanding would exceed 25% of Fund III's aggregate Commitments.

VII. Fees

During the period from the final closing (final closing is to be no later than nine months from the initial closing) until the fifth anniversary of the final closing (the “Investment

Period”), the Management Fee will equal 1.625% of commitments, annually. After the Investment Period, the Management Fee will equal 1.25% of the net cost basis of all investments held as of the relevant payment date, annually. In any event, the Management Fee will not be adjusted below \$250,000 per year.

Transaction fees (not including fees and stock options to directors) paid by portfolio companies in connection with investments made by Fund III, net of expenses, will accrue 100% to the benefit of Fund III by reduction in the Management Fees that would otherwise be payable to the General Partner.

Fund III will bear up to \$1.0 million of organizational expenses. Such expenses shall not include fees of a placement agent, if any, which expenses will be borne by the General Partner.

VIII. Allocations and Distributions

Distribution of proceeds from investments will be made in the following order of priorities: first, 100% to the Partners in proportion to their funded commitments for investments until they have received distributions equal in value to a return of 8% per annum (compounded annually) from the relevant drawdown dates to the dates of distribution on all unreturned capital contributions for the cost of investments, as well as for payment of fund expenses and organizational expenses, but excluding capital contributions attributable to Management Fees; second, 100% to the Limited Partner until it has received distributions equal in value to the sum of (a) its capital contributions with respect to an investment disposed of at or before the date of distribution, and (b) its proportionate share of any net write-downs of investments held by Fund III as of the date of distribution; third, 100% to the General Partner until the General Partner has received 25% of the total amounts distributed pursuant to the first clause above; and, fourth, thereafter, 80% to the Partners in accordance with their funded commitments for investments and 20% to the General Partner as additional Carried Interest.

Upon termination of Fund III, the General Partner will be required to return profits received in excess of 20% of fund income, net of taxes.

IX. Investment Period and Term

The Investment Period will last five years from the final closing and Fund III’s term will expire ten years after the final closing. The term may be extended for up to two additional one-year periods in the discretion of the General Partner, and may be further extended for up to two additional one-year periods with the approval of the General Partner and a majority in interest of the Limited Partners.

ATTACHMENT E

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Warburg Pincus Private Equity IX, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	\$7 billion
Fund Manager:	Warburg Pincus LLC
Manager Contact:	Steve Schneider 466 Lexington Ave. New York NY 10017 212-878-6238

II. Organization and Staff

Warburg Pincus has been a leading firm in private equity investing since 1971. The firm's 19-person Executive Management Group coordinates investment-related activities across the firm's different industry groups. The firm has 54 partners and a total of 115 professionals in offices in New York, Menlo Park, London, Hong Kong, Beijing, Mumbai, Seoul and Tokyo. Warburg Pincus' sole business is private equity investing.

III. Investment Strategy

Over more than three decades in private equity investing, Warburg Pincus has established a record of leading performance by applying its strategy in a unique and value-added manner. Warburg Pincus funds have consistently produced attractive returns in terms of both internal rate of return and multiple of investment. The firm's strategy of investing at all stages of the business cycle – from venture capital start ups to growth companies to buyouts and recapitalizations of later stage companies – is combined with industry and geographic expertise to build diversified funds with attractive risk/reward dynamics and the ability to generate superior returns. Warburg Pincus implements this approach with a unique perspective on alignment of interests with investors, taking no transaction fees from portfolio companies and offering distinctive value-added capabilities and shared services to its management teams.

IV. Investment Performance

Previous fund performance as of March 31, 2005 for the SBI's investments with Warburg Pincus funds is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception
Warburg Pincus Ventures	1994	\$2.0 billion	\$50 million	49%
Warburg Pincus Equity Partners	1998	\$5.0 billion	\$100 million	7%
Warburg Pincus VIII	2001	\$5.34 billion	\$100 million	6%

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

Warburg Pincus has committed to subscribe for \$150 million of Limited Partnership Interests on the same terms as the other Limited Partners. Managing Directors of Warburg Pincus will subscribe for an additional \$88 million of Limited Partnership interests, which will in all cases be on the same terms as the other Limited Partners.

VI. Takedown Schedule

Capital will be called from the Limited Partners as required through the sixth anniversary of the initial closing date.

VII. Fees

An annual Management Fee (deducted in computing profits) equal to 1.5% of total commitments will be paid to the Manager quarterly for the six years following the initial closing date. After the sixth anniversary of the initial closing date, the annual Management Fee of 1.5% will be based on the cost of investments remaining in the portfolio.

VIII. Allocations and Distributions

Profits will accrue 80% to the Limited Partners and 20% to the General Partner, except for income derived from cash and cash equivalents (all of which will accrue to the Limited Partners).

IX. Investment Period and Term

The Partnership's term will be twelve years from the initial closing date, subject to extension by the General Partner (with Advisory Committee approval) for up to two years to permit orderly dissolution.