

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Wednesday, August 19, 2009
12:00 Noon
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

- | | |
|--|------------|
| | TAB |
| 1. Approval of Minutes of May 20, 2009 | |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(April 1, 2009 – June 30, 2009) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Update on Sudan | |
| 3. Litigation Update | |
| 4. Daily Pricing Update | |
| 5. Post Fund Update | |
| 3. Review of manager performance for the period ending
 June 30, 2009 (H. Bicker) | C |
| 4. Investment Manager Update, Domestic Equity (H. Bicker) | D |
| 5. Asset Allocation recommendation for the Voluntary Statewide
 Volunteer Firefighter Plan (H. Bicker) | E |
| 6. PPIP update (T. Richardson, M. Menssen, J.J. Kirby) | F |
| 7. Alternative Investment Report (H. Bicker) | G |
| A. Review of current strategy. | |
| B. Consideration of increased investment commitments to new fund
investments that were approved in the prior quarter with an existing
yield-oriented manager and an existing private equity manager. | |
| 8. Discussion Items: | |
| A. Private Equity – discussion with Blackstone Chairman and CEO,
Steve Schwarzman. | |
| 9. Other items | |

INVESTMENT ADVISORY COUNCIL

MINUTES

August 19, 2009

**Minutes
Investment Advisory Council
May 20, 2009**

MEMBERS PRESENT: Jeff Bailey; John Bohan; Doug Gorence; Laurie Hacking; Kathy Kardell (for Tom Hanson); P. Jay Kiedrowski; LeRoy Koppendraye; Judy Mares; Gary Martin; Malcolm McDonald; Gary Norstrem; and Mary Vanek.

MEMBERS ABSENT: Frank Ahrens; Dave Bergstrom; Kerry Brick; Dennis Duerst; and Heather Johnston.

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

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Celeste Grant; Rebecca Spartz; Jim Gelbmann; Christie Eller; Carla Heyl; Edgar Hernandez, SEIU; and John Fisher, REAM.

The Investment Advisory Council (IAC) met at 12:00 noon on Wednesday, May 20, 2009 in the Board Room, First Floor, 60 Empire Drive, St. Paul, MN. The minutes of the February 18, 2009 meeting were approved. Mr. Bicker introduced LeRoy Koppendraye, the new retiree representative appointed to the IAC.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and he reported that the Combined Funds had slightly trailed its Composite Index over the ten year period ending March 31, 2009 (Combined Funds 1.8% vs. Composite 1.9%), and had provided a real rate of return over the latest 20 year period (Combined Funds 7.6% vs. CPI 2.8%). He stated that the Basic Funds had matched its Composite Index (Basic Funds 1.9% vs. Composite 1.9%) over the last ten years and reported that the Post Fund had also matched its composite over the last ten-year period (Post Fund 1.8% vs. Composite 1.8%).

Mr. Bicker reported that the Basic Funds' assets decreased 5.8% for the quarter ending March 31, 2009 due to negative investment returns. He noted that equities had been slightly underweighted and that staff had rebalanced the portfolio during the quarter. He reported that the Basic Funds outperformed its Composite Index for the quarter (Basic Funds -7.9% vs. Composite -8.4%) and matched it for the year (Basic Funds -27.7% vs. Composite -27.7%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 11.3% for the quarter ending March 31, 2009, due to both negative contributions and negative investment returns. He explained that no new cash flows are going into the Post Fund because it is merging with the Basic Funds on June 30, 2009. He noted that the asset mix

is now on target. He stated that the Post Fund outperformed its Composite Index for the quarter (Post Fund -7.1% vs. Composite -7.5%) and underperformed for the year (Post Fund -27.1% vs. Composite -26.1%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock -10.5% vs. Domestic Equity Asset Class Target -10.8%) and slightly underperformed for the year (Domestic Stocks -38.3% vs. Domestic Equity Asset Class Target -38.2%). He said the International Stock manager group outperformed its Composite Index for the quarter (International Stocks -10.5% vs. International Equity Asset Class Target -10.7%) and for the year (International Stocks -46.0% vs. International Equity Asset Class Target -46.4%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.9% vs. Fixed Income Asset Class Target 0.1%) and underperformed for the year (Bonds -3.4% vs. Fixed Income Asset Class Target 3.1%). He noted that bond performance over the past year suffered due to the managers' underweighting in government securities. He noted that the alternative investments returned -11.3% for the year. He concluded his report with the comment that, as of March 31, 2009, the SBI was responsible for over \$43 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter.

Legislative Update

Mr. Bicker updated members on legislative items of interest to the SBI. He stated that legislation related to Iran divestment has been passed. He noted that the final legislation includes fixed income securities and that staff will be working to implement the mandates outlined in the bill. He stated that the budget bill passed, and he noted that the bill included some additional disclosure requirements that the SBI already provides. He also stated that the SBI's compensation plan had been ratified.

Mr. Bicker stated that legislation relating to the establishment of a statewide fire relief association plan passed. He said that the SBI will establish a new investment option in the Supplemental Investment Fund for this plan and that staff will bring a recommendation for approval at the August 2009 meeting. Mr. Bicker reported that legislation was also passed to create an endowment fund related to the Stillwater Lift Bridge and he said staff will be working with MnDOT to establish the fund.

Litigation Update

Ms. Eller reported that the Lehman bankruptcy case is proceeding and that there were no further updates at this time.

In response to questions from Ms. Hacking, Mr. Bicker discussed in more detail the potential costs associated with the Iran divestiture legislation. He noted that in addition to transaction and opportunity costs the SBI will also have the cost of paying for the Iran list from an outside source.

SBI Administrative Committee Report

Ms. Kardell referred members to Tab C of the meeting materials and briefly reviewed the four recommendations from the Committee: to approve the Executive Director's proposed Workplan for FY10, to approve the Budget Plan for FY10, to approve the Continuing Fiduciary Education Plan, and to approve the executive director's evaluation process.

Mr. Bicker referred members to page five of Tab C and briefly highlighted several of the new or major workplan initiatives. He said that staff will be reviewing the asset management fee structures for the external domestic equity managers and that staff will also need to develop an asset allocation policy for the new volunteer firefighter plan option in the Supplemental Investment Fund.

Mr. Bicker stated that staff will conduct a review of the repurchase agreement language in the short-term area and will also review the investment options and structure of the Deferred Compensation Plan. He said there will be significant administrative work to be done to implement the Iran legislation, and he also noted the work involved with the creation of the new Stillwater Lift Bridge Endowment Fund.

Mr. Bicker reported that staff will be reviewing the semi-passive programs in both the international and fixed income areas, and also completing a review of investment guidelines related to securities lending collateral and cash pools. He concluded by stating that staff will be working with the various fire relief associations that use the SBI as an investment manager to implement improved reporting and communications systems.

In response to comments from Mr. Gorence, Mr. Bicker stated that it may be appropriate to have a discussion on return assumptions at some point in the near future.

Mr. McDonald moved approval of the four recommendations from the Administrative Committee, as stated in the Committee Report. Mr. Gorence seconded the motion. The motion passed.

Investment Advisory Report

Mr. Bicker referred members to Tab D of the meeting materials and stated that Franklin had merged with Mellon Capital recently. He reminded members that the SBI retains Franklin as both an active and semi-passive manager. He said that staff will be closely monitoring the manager over the next few months to evaluate any changes that arise due to the merger. Mr. Bicker referred members to Tab E of the meeting materials and stated that staff and the IAC are recommending the termination of UBS as an international equity manager due to concerns about staff turnover, performance issues and asset losses. Mr. Bohan moved approval of staff's recommendation to terminate UBS as stated in Tab E. Mr. McDonald seconded the motion. The motion passed.

Mr. Bicker referred members to Tab F of the meeting materials and asked Mr. Griebenow to present the alternative investment report. Mr. Griebenow stated that staff is recommending a new investment with an existing yield-oriented manager, Merit Capital, and a new investment with an existing private equity manager, Lexington Capital Partners. He briefly reviewed both investments. In response to questions from several members, Mr. Griebenow discussed the investment strategies of both managers and also

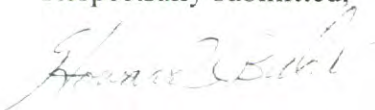
the SBI's investment strategy. In response to questions from Mr. Gorence and Mr. Bailey, Mr. Griebenow discussed the lag in reporting valuation information and the current investment environment in the alternative area. Mr. Bicker added that it may be possible in this environment to negotiate lower fees in some alternative areas. In response to a question from Mr. Martin, Mr. Griebenow said that staff does examine how much exposure they have with various managers. Mr. McDonald moved approval of staff's recommendation to invest with Merit Capital as stated in Tab F of the meeting materials. Mr. Norstrom seconded the motion. The motion passed. Mr. Bohan moved approval of staff's recommendation to invest with Lexington Capital Partners, as stated in Tab F of the meeting materials. Mr. McDonald seconded the motion. The motion passed.

Mr. Bicker referred members to a memo he distributed (see **Attachment A**) and stated that staff is also recommending a proposed fixed income investment in the U.S. Treasury Department's Public-Private Investment Program (PPIP). He explained that all the details of the program are not available yet and that staff is requesting contingent approval. He noted that, if time allows, staff will bring a final recommendation to the IAC and Board for their approval. He added that, if there is not sufficient time, the Administrative Committee would approve the final recommendation. He noted that the Administrative Committee consists of representatives of each Board member and the IAC. A discussion followed regarding questions from various members about leverage, working with the federal government, and the possibility of changes in the program's rules throughout the process. In response to a question from Ms. Hacking, Mr. Bicker stated that staff is recommending that the investment be part of the SBI's fixed income component. He noted that staff does not want to use alternative investment dollars because the SBI has other opportunities to pursue in the alternative area and does not want to prevent the SBI from participating in that market. In response to questions from Mr. Koppendray, Mr. Bicker and members discussed the potential return assumptions for the investment. Mr. Kiedrowski moved approval of staff's recommendation, as stated in Attachment A. Mr. McDonald seconded the motion. Mr. Bicker clarified that, if the final decision needed to be made at a meeting of the Administrative Committee, all IAC members would be invited to attend. The motion passed.

A discussion followed on the topic of securities lending.

The meeting adjourned at 2:45 P.M.

Respectfully submitted,



Howard Bicker
Executive Director

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Tim Pawlenty

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

Howard J. Bicker

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

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DATE: May 20, 2009

TO: Members, Investment Advisory Council

FROM: Howard Bicker *AB*

SUBJECT: Proposed Fixed Income Investment

In March 2009, the U.S. Treasury Department announced the Public-Private Investment Program (PPIP) which is designed to purchase mortgage-backed securities and whole loans from the balance sheets of U.S. financial institutions. Staff talked with a number of fixed income managers to gather information about the program.

All the information related to this program, however, is not yet available. What is known is that at least five investment managers will be selected by the government in late May to run the program. The investment managers will then raise approximately \$75 billion to \$100 billion of capital from investors. This capital will be matched dollar for dollar by the government. The government will also provide additional capital to leverage the programs. It is anticipated that the program to purchase asset backed bonds, called the Legacy Securities Program, will be provided leverage up to a 1 to 1 basis. The program to purchase whole loans, called the Legacy Loan Program, will receive additional capital to leverage purchases up to a 6 to 1 basis.

These programs could provide the SBI with very attractive fixed income returns in the range of 15% to 20%. Any investment made by the Board would have no liquidity for at least three years. It is currently anticipated the SBI would get its money back in about 5 to 7 years.

Staff suggests the SBI consider investing in the Legacy Securities Program due to its lower level of risk. Staff recommends the SBI consider investing one percent of the Combined Funds, approximately \$300 million, in the program with assets coming from the fixed income portfolio. The structure of the investment vehicle will be in the form of a limited partnership with monitoring and reporting conducted by the fixed income program. (See **Attachment A** for further background information.)

Staff has been informed by a number of organizations that the fund-raising for these investments will be completed by July or early August. Therefore, if the SBI would like to participate in these programs, the Board will need to approve

action at the June meeting. However, staff does not have, at this time, all the information related to the programs. Staff suggests that if there is not sufficient time to bring the issue to the Board, a meeting of the Administrative Committee will be called to review and approve details of any recommendations.

RECOMMENDATION:

Staff requests that the Board approve an investment of up to one percent of the Combined Funds assets with one or more managers in the Legacy Securities Program of the U.S. Treasury Public-Private Investment Program. The assets would come from the current fixed income portfolio. After staff has completed its due diligence of the program and has determined if it is an appropriate investment for the SBI, if time allows, staff will bring a detailed recommendation to the Board in September for final approval. If there is not time to bring a recommendation to the Board, a meeting of the Administrative Committee will be called to review and approve staff recommendations.

ATTACHMENT A

Public-Private Investment Program (PPIP)

Program Overview

The Public-Private Investment Program (PPIP) was introduced by the U.S. Treasury Department in March 2009. The focus of this government-sponsored program is to attract investments of \$75 billion to \$100 billion and provide financing for investments up to \$1 trillion in the loan and securities markets. Private investors will have the opportunity to receive a dollar-for-dollar match of government funds, in addition to term, non-recourse financing, toward the purchase of "legacy" loans and securities currently valued at distressed prices.

There are two separate programs in the PPIP:

- Legacy Loans Program
- Legacy Securities Program

The purpose of the Legacy Loans Program is to cleanse bank balance sheets of troubled legacy loans while providing attractive terms for investment to the private sector. Public-private investment funds will be set up to purchase asset pools on a discrete basis. The U.S. Treasury will match private capital dollar-for-dollar (1:1 ratio) in a separate investment vehicle which will acquire assets alongside the private capital funds on a pro-rata basis. Then, the Term Asset-Backed Loans Facility (TALF) will provide term, non-recourse financing to the fund for asset purchases to provide leverage up to a 6 to 1 ratio.

The purpose of the Legacy Securities Program is to fund purchases of distressed securities to take devalued securities off bank balance sheets and to jump-start the securitization market. Taxpayer money will be combined with capital raised by select asset managers to buy mortgage-related assets, including non-agency RMBS and CMBS. The Treasury will provide capital on a dollar-for-dollar (1:1) basis and invest in a separate investment vehicle which will acquire assets alongside the private capital funds on a pro-rata basis. This fund is also eligible for term, non-recourse financing provided by the TALF to provide leverage in the range of a 0.5:1 to 1:1 ratio. The Treasury will select five or more managers to operate a Legacy Securities fund.

The financing provided by the TALF will be on a 10 year term and will come with a 25 basis point fee. This financing will be repaid on a pro-rata basis as cash flows from the investments are received.

A Proposed Fund Set-up

One of SBI's fixed income managers submitted a proposal to the U.S. Government to operate a Legacy Securities fund. The fund would be a limited partnership fund with the following features:

- There would be an initial three year investment lockup period.
- The manager would look to raise about \$7 billion of private capital and match it with taxpayer money. This \$14-15 billion would be levered up to 1x for a total fund of \$25-30 billion.
- The fund would target a return of 20%.
- A 25 basis point fee on the TALF financing would be passed on to investors in addition to a 25 basis point upfront management fee, resulting in a total 50 basis point fee. (Other managers may propose a different management fee.)
- Profit sharing will take place after the investors receive 100% of their principal back plus a 10% return. After that threshold has been achieved, additional returns will be split 80/20 with the manager taking 20%.

Tab A

LONG TERM OBJECTIVES
Period Ending 6/30/2009

COMBINED FUNDS: \$35.9 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.</p>	2.4% (1)	Matched the target
<p>Provide Real Return (20 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	7.8%	5.0 percentage points above CPI

BASIC RETIREMENT FUNDS: \$35.9 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 10 year period.</p>	2.4%	Matched the target

POST RETIREMENT FUND: \$0.0 Billion	Result	Compared to Objective
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See Page V of the Executive Summary.

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

All Eight Plans of MSRS, PERA and TRA Including Post Fund July 1, 2008

	Active (Basics)	Retired (Post)	Total (Combined)
Liabilities			
Actuarially Accrued Liabilities	\$28.92 billion	\$28.89 billion	\$57.81 billion
Assets			
Current Actuarial Value	\$24.11 billion	\$22.96 billion	\$47.07 billion
Funding Ratio			
Current Actuarial Value divided by Accrued Liabilities	83.4%	79.5%	81.4%

Notes:

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

Actuarial Assumptions:

Interest/Discount Rate:

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

Full Funding Target Date:

2020 – MSRS General

2031 – PERA General

2037 – TRA

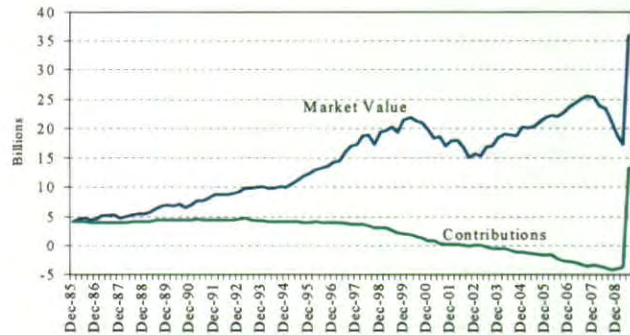
EXECUTIVE SUMMARY
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds increased 109% during the second quarter of 2009. The bulk of the increase was due to the merging of Basics and Post Funds. See Page V for additional information.

Asset Growth
During Second Quarter 2009
(Millions)

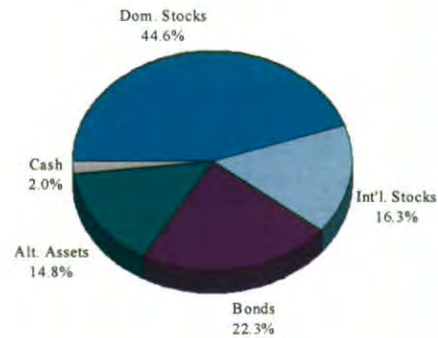
Beginning Value	\$ 17,181
Net Contributions	16,956
Investment Return	1,747
Ending Value	\$ 35,884



Asset Mix

The allocation to domestic and international stocks increased due to strong equity markets. The fixed income allocation increased as a result of the merger with the Post Fund. See Page V.

	Policy Targets	Actual Mix 6/30/2009	Actual Market Value (Millions)
Domestic Stocks	45.0%	44.6%	\$15,999
Int'l. Stocks	15.0	16.3	5,857
Bonds	19.0	22.3	7,995
Alternative Assets*	20.0	14.8	5,316
Unallocated Cash	1.0	2.0	717
	100.0%	100.0%	\$35,884



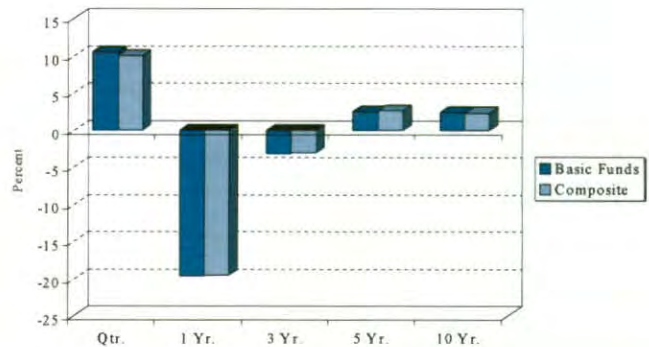
* Any uninvested allocation is held in domestic bonds.

Fund Performance (Net of Fees)

The Basic Funds outperformed its target for the quarter, but underperformed for the year.

	Period Ending 6/30/2009*				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basics	10.5%	-19.6%	-3.2%	2.6%	2.4%
Composite	10.1	-19.5	-3.0	2.7	2.4

*Note: Performance of Basic through June 29 and performance of merged Fund through June 30.



EXECUTIVE SUMMARY
Post Retirement Fund (Net of Fees)

Asset Growth

The Post merged with the Basic Fund and no longer exists. See Page V for additional information.

Asset Growth
During Second Quarter 2009
(Millions)

Beginning Value	\$15,619
Net Contributions	-17,471
Investment Return	1,852
Ending Value	\$0

Asset Mix

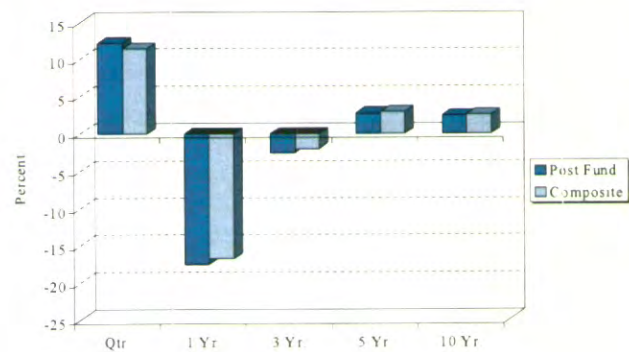
The Post Fund no longer has an asset allocation, due to the merger with the Basic Funds. See Page V.

Fund Performance (Net of Fees)

The Post Fund outperformed its target for the quarter, but underperformed for the year. See Page V.

	Period Ending 6/29/2009*				
		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Post	12.2%	-17.5%	-2.6%	2.7%	2.5%
Composite	11.4	-16.8	-2.0	3.0	2.5

*Note: Performance figures are through June 29, 2009.



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

Domestic Stocks

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

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	17.2%	-26.9%	-8.7%	-2.1%	-2.0%
Asset Class Target*	16.8	-26.6	-8.3	-1.8	-1.8

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

International Stocks

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

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	27.0%	-31.0%	-5.7%	4.5%	2.6%
Asset Class Target*	27.6	-30.9	-5.7	4.5	2.4

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

Bonds

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

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

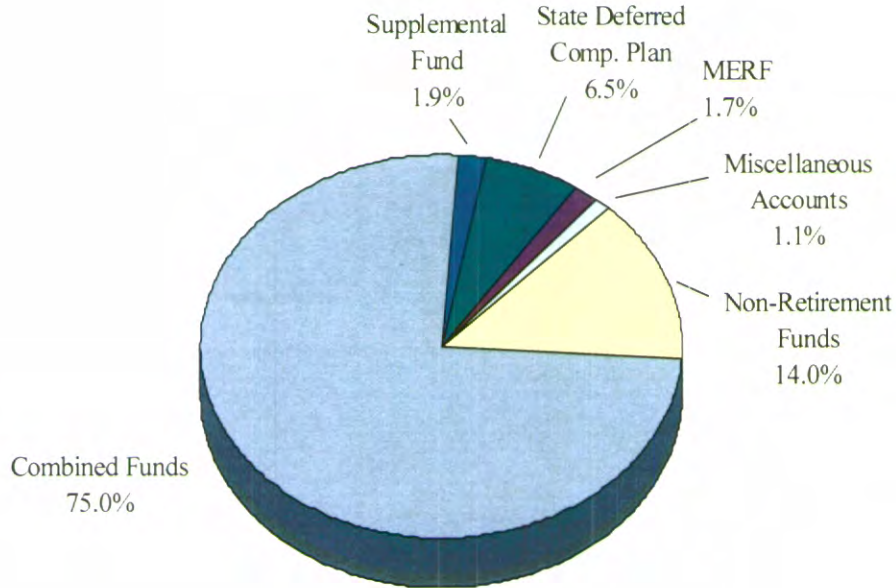
	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	5.3%	2.5%	4.3%	4.0%	5.6%
Asset Class Target*	1.8	6.0	6.4	5.0	6.0

* The Fixed Income Asset Class Target is the Barclays Capital Aggregate, effective 7/1/1994.

Alternative Investments

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	-7.4%	-18.0%	5.3%	16.4%	12.7%

EXECUTIVE SUMMARY
Funds Under Management



	6/30/2009 Market Value (Billions)
Retirement Funds	
Combined Funds	\$35.9
Supplemental Investment Fund	0.9
State Deferred Compensation Plan Non-SIF Assets	3.1
Minneapolis Employees Retirement Fund (MERF)	0.8
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.6
Environmental Trust Fund	0.4
State Cash Accounts	5.4
Miscellaneous Accounts	0.5
Total	\$47.9

The retirement assets under the authority of the Minnesota State Board of Investment have been managed as two pools of assets, with distinct asset allocation policies. One pool of assets, the Basic Retirement Funds (Basics), is made up of the assets of active employees, and the other pool of assets, the Post Retirement Fund (Post), is made up of assets of retired employees.

The 2007 Legislature enacted legislation that established specific minimum funding levels for the Post Retirement Fund. The legislation mandated that if the funding level of the Post fell below a certain percentage, the Post and Basic Funds would merge at the end of the following fiscal year. This event was triggered, and the Post was acquired by the Basics on June 30, 2009. In order to effect this transaction on June 30th, as required by the legislation, the Post was transferred using a value as of the close of business on June 29, 2009. As a result, the Post has a market value of zero as of the last day of the fiscal year, June 30, 2009. All performance reported for the Post is through June 29, 2009. All performance reported for the Basics is through June 30, 2009. The Combined Funds performance includes the performance of all retirement assets through June 30th.

Going forward, the Combined Funds will have a distinct policy asset allocation, which differs from the historic policy asset allocation of either the Basics or the Post. The new policy asset allocation of the Combined Funds was approved by the Board on December 10, 2008, and is as follows:

Domestic Equity	45%
International Equity	15%
Alternatives	20%
Fixed Income	18%
Cash	2%

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Second Quarter 2009
(April 1, 2009 - June 30, 2009)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	16.8%	-26.4%	-8.1%	-1.6%	-1.3%
Dow Jones Industrials	12.0	-23.0	-6.3	-1.6	-0.4
S&P 500	15.9	-26.2	-8.2	-2.2	-2.2
Russell 3000 (broad market)	16.8	-26.6	-8.3	-1.8	-1.5
Russell 1000 (large cap)	16.5	-26.7	-8.2	-1.9	-1.7
Russell 2000 (small cap)	20.7	-25.0	-9.9	-1.7	2.4
Domestic Fixed Income					
Barclays Capital Aggregate (1)	1.8	6.0	6.4	5.0	6.0
Barclays Capital Gov't./Corp.	1.9	5.3	6.2	4.8	5.9
3 month U.S. Treasury Bills	0.0	0.6	2.9	3.0	3.1
International					
EAFE (2)	25.4	-31.4	-8.0	2.3	1.2
Emerging Markets Free (3)	34.8	-27.8	3.3	15.1	9.0
ACWI Free ex-U.S. (4)	27.9	-30.5	-5.4	4.9	2.9
World ex-U.S. (5)	25.9	-31.6	-7.5	2.9	1.6
Salomon Non U.S. Gov't. Bond	5.4	3.5	7.9	6.2	6.5
Inflation Measure					
Consumer Price Index CPI-U (6)	1.4	-1.4	2.1	2.4	2.6
Consumer Price Index CPI-W (7)	1.8	-2.0	2.0	2.6	2.6

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 16.8% return during the second quarter of 2009. The second quarter was one of the strongest on record in the equity markets as the federal government's unprecedented effort to revive the economy gained traction. The rally, which started from the market low in early March, continued through most of the second quarter and tapered off in June. Within the Russell 3000, Financial Services was the best performing sector, up 27.5%, and Integrated Oils was the worst performing sector with a 3.2% return for the quarter. Small cap companies outperformed large cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	16.3%
Large Value	Russell 1000 Value	16.7%
Small Growth	Russell 2000 Growth	23.4%
Small Value	Russell 2000 Value	18.0%

The Russell 3000 index returned -26.6% for the year ending June 30, 2009.

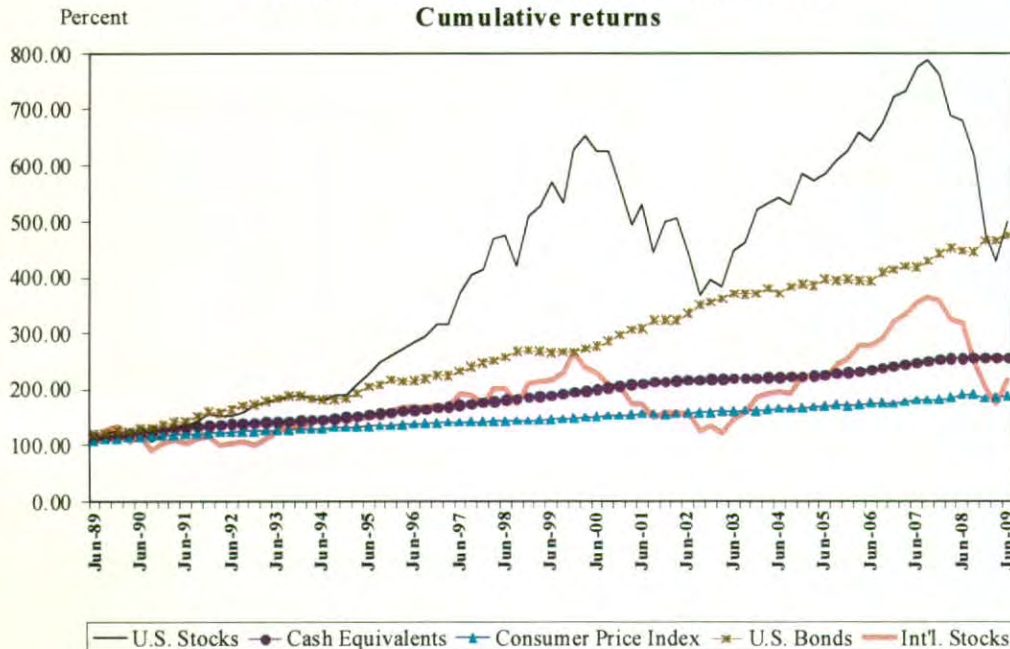
DOMESTIC BONDS

The economy began to show signs of stabilization in the second quarter, and the financial markets responded by putting money to work. The bond market posted a return of 1.8% as measured by the Barclays Capital Aggregate Index. The corporate sector posted a record performance in April, then followed that with near record-breaking performance in May. The CMBS sector was volatile, but was supported by pent up demand spurred by the Treasury's TALF and PPIP programs as well as the creation of Re-REMIC securities which have significantly more credit enhancement than past versions of these bonds. The non-Agency MBS market has also continued to gradually improve as buyers have taken advantage of cheap levels. The Fed has maintained its support of the Agency MBS market as they continue with their plan to purchase a total of \$1.4 trillion in Agency MBS by the end of the year.

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

U.S. Treasury	-3.0%
Agency	0.1
Corporates	10.5
Agency MBS	0.7
Commercial Mortgages	12.5
Asset-backed	7.6

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of 25.9% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	23.1%
United Kingdom	26.6
France	21.5
Canada	30.5
Germany	23.5
Switzerland	16.3

The World ex U.S. index returned -31.6% 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 34.8% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	35.8%
Brazil	41.0
Korea	25.1
Taiwan	25.0
India	59.8
South Africa	31.3

The Emerging Markets Free index returned -27.8% during the last year.

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

REAL ESTATE

The global real estate market continues to remain extremely weak. Suffering from the sub-prime crisis of 2007, the real estate market continues to be restrained by a lack of newly available debt liquidity. Residential real estate transactions volumes improved in the second quarter; however prices continue to deteriorate primarily due to distressed selling. The commercial real estate market is believed to be well behind the residential market in terms of a correction. Real estate firms with opportunistic or value added strategies performed worse in the second quarter than firms with core or income focused real estate strategies.

PRIVATE EQUITY

During the second quarter, U.S. private equity deal volume totaled \$5 billion, representing 126 deals. This was a significant decrease from the 158 deals totaling \$23 billion in the comparable period during 2008. However, second quarter U.S. buyout activity increased 30% over the first quarter of 2009 activity, offering some hope that deal activity had found a bottom. The first half of 2009 was the slowest six-month private equity investment period since 2002. Capital markets activity rebounded in the second quarter with U.S. IPO and high yield credit issuance volume up from the dismal first quarter. Despite significant capital market improvements, the market for new issues has a long way to go before a real recovery.

RESOURCE FUNDS

During the second quarter of 2009, crude oil averaged \$61 per barrel, up from the average price of \$43 per barrel during the first quarter. Oil prices bottomed around the \$30/bbl level earlier in the year which was primarily due to the global economic slowdown. The rebound has been credited mainly to inflationary concerns and a weak U.S. dollar. Overall, crude oil inventories remain high but are decreasing due to substantial cuts in OPEC supply, which should benefit prices in the longer-term. Natural gas prices remain weak and should have continued downward movement due to oversupply concerns and the overall recessionary environment. While a decreased rig count and natural decline rates in production should eventually help curb supply, these factors have not yet materially impacted the gas supply overhang.

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.

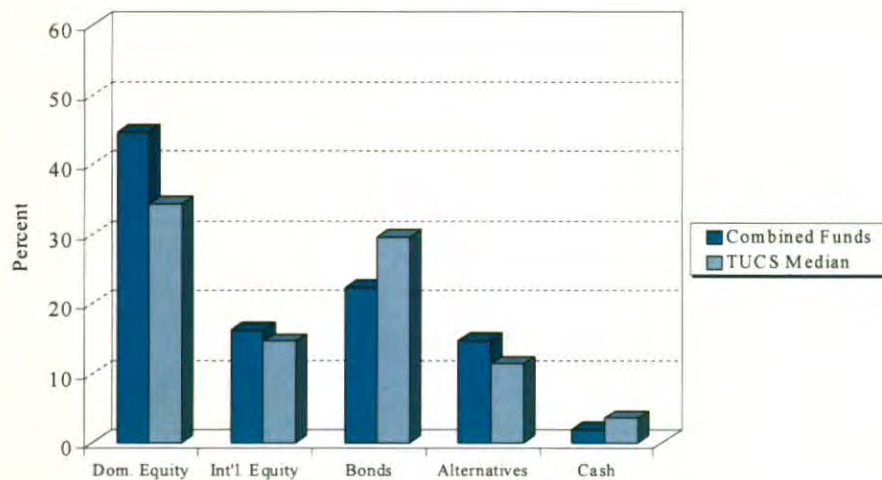
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On June 30, 2009, the actual asset mix of the Combined Funds was:

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

	\$ Millions	%
Domestic Stocks	\$15,999	44.6%
International Stocks	5,857	16.3
Bonds	7,995	22.3
Alternative Assets	5,316	14.8
Unallocated Cash	717	2.0
Total	\$35,884	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	44.6%	16.3%	22.3%	14.8%	2.0%
Median Allocation in TUCS*	34.3	14.6	29.6	11.4**	3.6

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

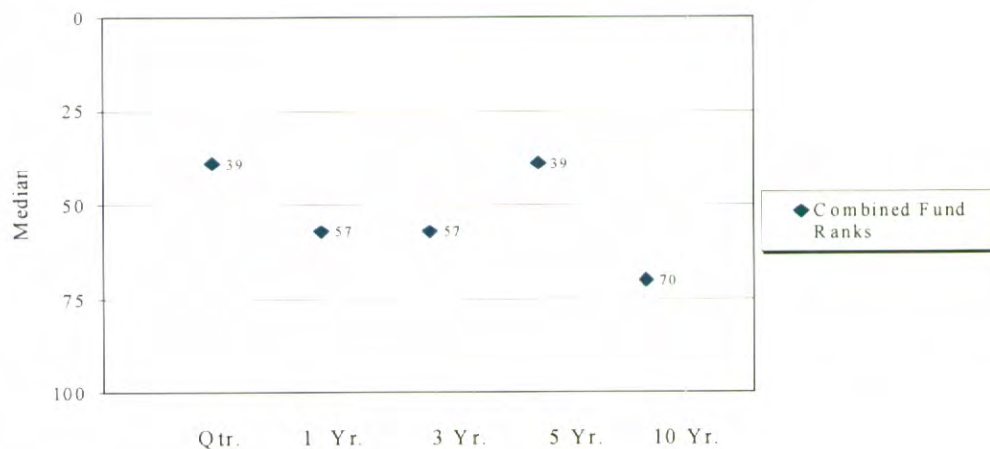
COMBINED FUNDS
Performance Compared to Other Pension Funds

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

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

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

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



	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	39th	57th	57th	39th	70th

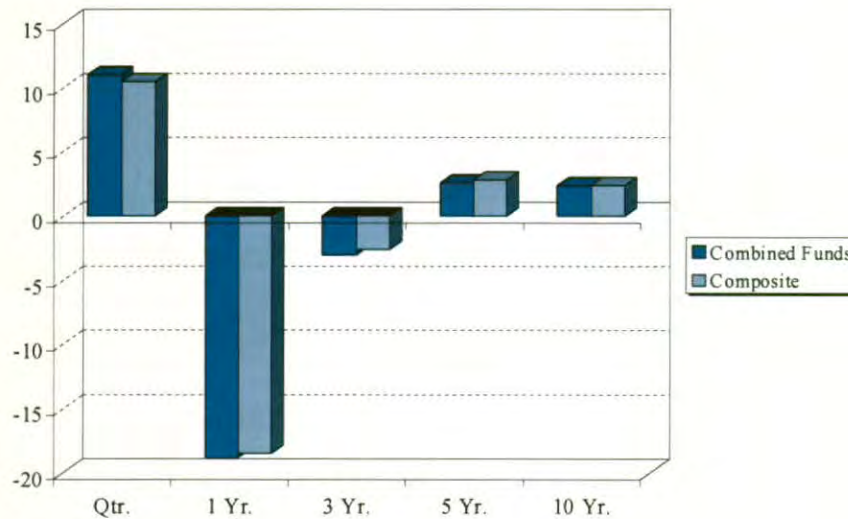
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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* 1Q09
Domestic Stocks	Russell 3000	43.8%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	21.8
Alternative Investments	Alternative Investments	17.4*
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 6/30/2009

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	11.1%	-18.8%	-3.0%	2.6%	2.4%
Composite Index	10.5	-18.4	-2.6	2.8	2.4

** Actual returns are reported net of fees.

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

Domestic Stocks

Target: Russell 3000

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	17.2%	-26.9%	-8.7%	-2.1%	-2.0%
Asset Class Target*	16.8	-26.6	-8.3	-1.8	-1.8

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



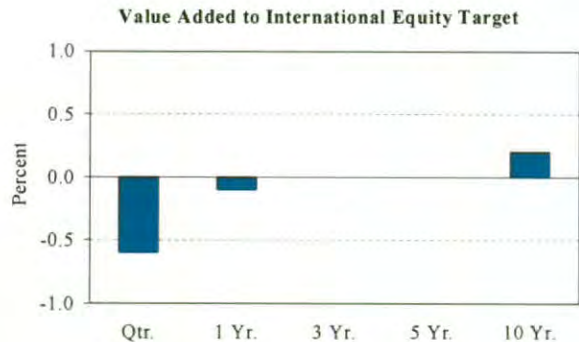
International Stocks

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

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	27.0%	-31.0%	-5.7%	4.5%	2.6%
Asset Class Target*	27.6	-30.9	-5.7	4.5	2.4

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

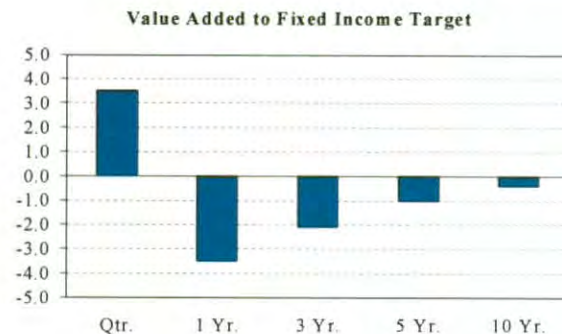


Bonds

Target: Barclays Capital Aggregate Bond Index

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	5.3%	2.5%	4.3%	4.0%	5.6%
Asset Class Target	1.8	6.0	6.4	5.0	6.0



ALTERNATIVE INVESTMENTS

Performance of Asset Categories (Net of Fees)

Alternative Investments

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

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	-7.4%	-18.0%	5.3%	16.4%	12.7%
Inflation	1.4%	-1.4%	2.1%	2.4%	2.6%

Real Estate Investments (Equity emphasis)

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

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

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	-14.7%	-23.8%	1.8%	8.9%	9.1%

Private Equity Investments (Equity emphasis)

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

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

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	-5.3%	-21.3%	3.1%	14.7%	11.1%

Resource Investments (Equity emphasis)

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

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

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	-15.7%	-11.2%	15.6%	41.8%	26.6%

Yield Oriented Investments (Debt emphasis)

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

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

	Period Ending 6/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	-2.3%	-4.7%	12.0%	20.8%	16.3%

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 June 30, 2009 the market value of the entire Fund was \$0.9 billion.

Investment Options

	6/30/2009 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$194
Growth Share Account – an actively managed, all common stock portfolio.	\$81
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$197
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$90
Bond Market Account – an actively managed, all bond portfolio.	\$96
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$174
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.	\$95

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%	57.8%
Bonds	35.0	40.9
Unallocated Cash	5.0	1.3
	100.0%	100.0%

Period Ending 6/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.4%	-13.5%	-2.2%	1.4%	1.6%
Benchmark*	10.6	-15.8	-3.0	0.7	1.4

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

GROWTH SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

Period Ending 6/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	17.3%	-27.1%	-9.0%	-2.4%	-2.3%
Benchmark*	16.8	-26.6	-8.3	-1.8	-1.8

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

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

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

The Account is invested 100% in common stock.

Period Ending 6/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	16.9%	-26.4%	-8.2%	-1.7%	-1.5%
Benchmark*	16.8	-26.6	-8.3	-1.8	-1.7

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

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix

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

Period Ending 6/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	27.2%	-30.8%	-5.5%	4.7%	2.8%
Benchmark*	27.6	-30.9	-5.7	4.5	2.4

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

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT**Investment Objective**

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

Asset Mix

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

	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	5.4%	2.4%	4.4%	4.0%	5.7%
Barclays Capital Aggregate	1.8	6.0	6.4	5.0	6.0

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 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	1.3%	3.6%	3.4%	3.5%
3 month T-Bills	0.0	0.6	2.9	3.0	3.1

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 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.2%	4.7%	4.7%	4.5%	5.1%
Benchmark*	0.5	2.1	3.6	3.9	4.1

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	6/30/2009 Market Value (in Millions)
Vanguard Institutional Index (passive)	\$304
Janus Twenty (active)	\$356
Legg Mason Appreciation Y (active)	\$96
Vanguard Mid Cap Index (passive)	\$105
T. Rowe Price Small Cap (active)	\$260
Fidelity Diversified International (active)	\$188
Vanguard Institutional Developed Markets (passive)	\$59
Dodge & Cox Balanced Fund (active)	\$203
Vanguard Balanced Fund (passive)	\$140
Dodge & Cox Income Fund (active)	\$105
Vanguard Total Bond Market Fund (passive)	\$92
Money Market Account	\$103
Fixed Interest Account	\$1,069

DEFERRED COMPENSATION PLAN ACCOUNTS

LARGE CAP EQUITY

Vanguard Institutional Index (passive)

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

Fund	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	16.0%	-26.1%	-8.2%	-2.2%
S&P 500	15.9	-26.2	-8.2	-2.2

Janus Twenty (active)

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

Fund	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	19.9%	-31.3%	1.8%	5.7%
S&P 500	15.9	-26.2	-8.2	-2.2

Legg Mason Partners Appreciation Y (active)

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

Fund	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	13.9%	-22.4%	-4.2%	0.1%
S&P 500	15.9	-26.2	-8.2	-2.2

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 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	18.3%	-31.5%	-10.0%	-0.2%
MSCI US Mid-Cap 450	18.3	-31.6	-10.0	-0.2

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)

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

Fund	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	21.1%	-18.8%	-8.5%	-0.6%
Russell 2000	20.7	-25.0	-9.9	-1.7

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 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	22.9%	-34.3%	-8.0%	2.5%
MSCI EAFE	25.4	-31.4	-8.0	2.3

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 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	25.6%	-30.9%	-7.7%	2.5%
MSCI EAFE	25.4	-31.4	-8.0	2.3

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	18.9%	-20.1%	-7.6%	-1.0%
Benchmark	10.2	-14.2	-2.3	0.8

Vanguard Balanced Fund (passive)

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	10.8%	-13.6%	-2.0%	1.4%
Benchmark	10.8	-14.2	-2.2	1.3

FIXED INCOME

Dodge & Cox Income Fund (active)

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	7.5%	7.2%	5.8%	4.6%
Barclays Capital Aggregate	1.8	6.0	6.4	5.0

Vanguard Total Bond Market Fund (passive)

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	1.8%	6.3%	6.6%	5.1%
Barclays Capital Aggregate	1.8	6.0	6.4	5.0

Money Market Account

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	0.1%	1.3%	3.6%	3.4%
3-Mo. Treas.	0.0	0.6	2.9	3.0

FIXED INTEREST ACCOUNT

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

	Period Ending 6/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	1.1%	4.6%	4.7%	4.6%
Benchmark	0.5	2.1	3.6	3.9

MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Investment Objectives

The Minneapolis Employees Retirement Fund (MERF) seeks to produce investment returns that are commensurate with high levels of liquidity and quality. The fund invests the retirement assets of Minneapolis employees and pays monthly benefits to retirees. SBI began management of MERF assets on October 1, 2008.

Asset Mix

MERF is invested in a portfolio of stocks and bonds. The actual asset mix will fluctuate in response to changes in the market value of the assets and due to any rebalancing activity.

Asset Mix 6/30/09

	\$ Thousands	% Target Allocation	% Actual Allocation
U.S. Equities	383,251	49.0	46.0
Non-U.S. Equities	169,109	21.0	20.3
Bonds	258,923	29.0	31.0
Cash	22,676	1.0	2.7
Total	833,958	100.0	100.0

Investment Management

SBI staff began management of all MERF assets on October 1, 2008. The bond and equity segments are managed to add incremental value through sector and security selection.

Performance

Quarterly performance through June 30, 2009 for MERF was **14.8%**

Market Value

On June 30, 2009, the market value of MERF was \$834 million.

ASSIGNED RISK PLAN

Investment Objectives

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

Asset Mix

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

	6/30/2009 Target	6/30/2009 Actual
Stocks	20.0%	16.8%
Bonds	80.0	83.2
Total	100.0%	100.0%

Investment Management

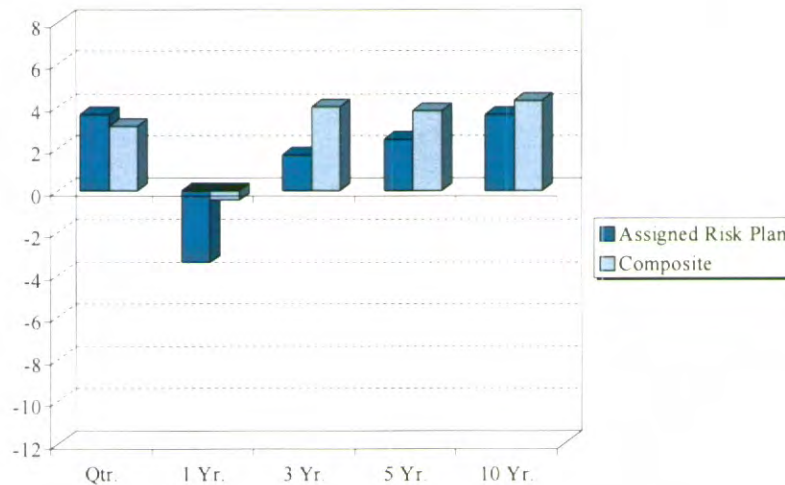
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

Performance Benchmarks

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

Market Value

On June 30, 2009 the market value of the Assigned Risk Plan was \$303 million.



Period Ending 6/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	3.6%	-3.4%	1.7%	2.4%	3.6%
Composite	3.1	-0.5	4.0	3.8	4.3
Equity Segment*	18.8	-21.5	-4.5	-0.4	-0.4
Benchmark	15.9	-26.2	-8.2	-2.2	-2.2
Bond Segment*	1.0	1.1	3.1	3.0	4.3
Benchmark	-1.0	6.7	7.0	5.2	5.7

* Actual returns are calculated net of fees.

PERMANENT SCHOOL FUND

Investment Objectives

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

Asset Mix

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

	6/30/2009 Target	6/30/2009 Actual
Stocks	50.0%	49.9%
Bond	48.0	48.2
Cash	2.0	1.9
Total	100.0%	100.0%

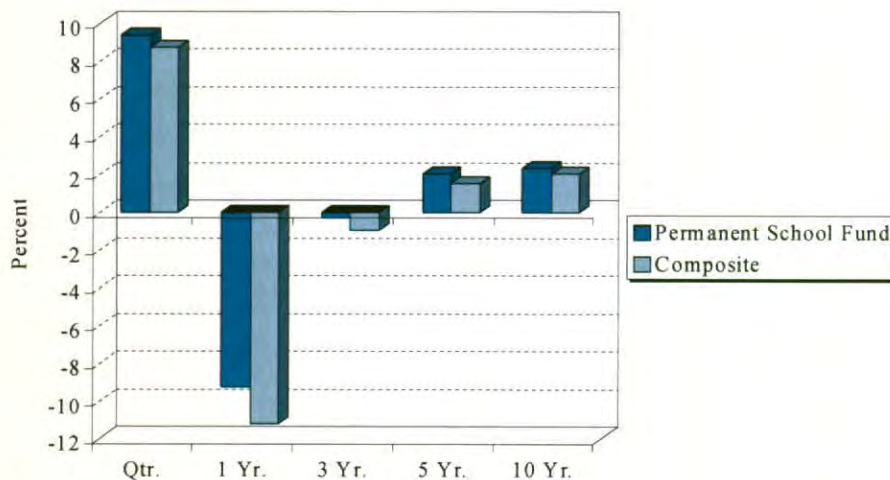
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

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

Market Value

On June 30, 2009 the market value of the Permanent School Fund was \$614 million.



	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1) (2)	9.4%	-9.3%	-0.3%	2.1%	2.3%
Composite	8.7	-11.2	-1.0	1.5	2.1
Equity Segment (1) (2)	15.9	-25.9	-8.1	-2.2	-2.1
S&P 500	15.9	-26.2	-8.2	-2.2	-2.2
Bond Segment (1)	3.9	8.5	7.2	5.8	6.5
Barclays Capital Agg.	1.8	6.0	6.4	5.0	6.0

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

ENVIRONMENTAL TRUST FUND

Investment Objective

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

Asset Mix

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

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

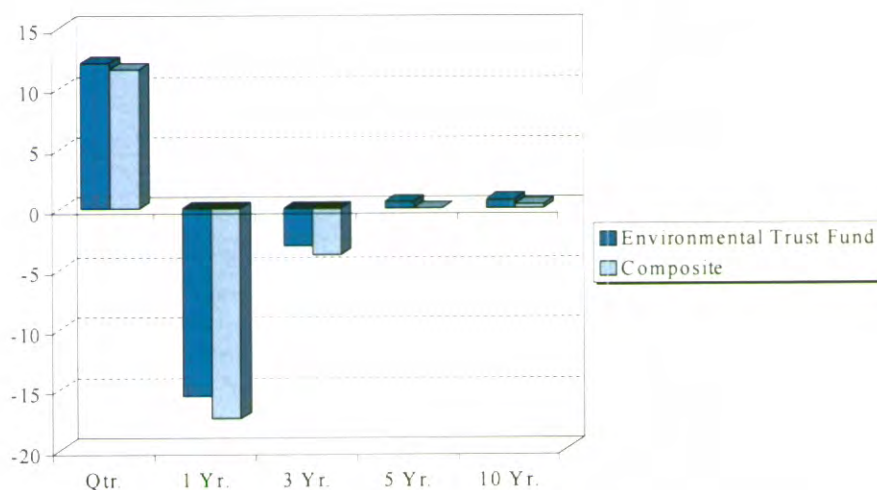
Investment Management

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

Market Value

On June 30, 2009 the market value of the Environmental Trust Fund was \$402 million.

	6/30/2009 Target	6/30/2009 Actual
Stocks	70.0%	70.2%
Bonds	28.0	28.0
Cash	2.0	1.8
Total	100.0%	100.0%



	Period Ending 6/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	12.1%	-15.6%	-3.1%	0.6%	0.7%
Composite	11.6	-17.4	-3.8	0.0	0.4
Equity Segment*	15.9	-25.8	-8.0	-2.1	-2.1
S&P 500	15.9	-26.2	-8.2	-2.2	-2.2
Bond Segment*	3.9	8.3	7.2	5.8	6.5
Barclays Capital Agg.	1.8	6.0	6.4	5.0	6.0

* Actual returns are calculated net of fees.

CLOSED LANDFILL INVESTMENT FUND

Investment Objectives

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

Investment Management

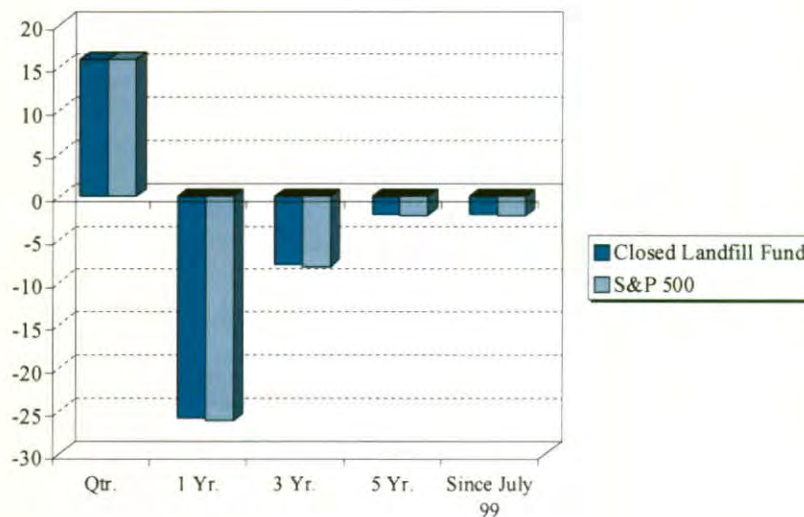
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On June 30, 2009, the market value of the Closed Landfill Investment Fund was \$37.7 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 6/30/2009

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	Since 7/1/1999
Total Fund (1)	15.9%	-25.8%	-8.0%	-2.1%	-2.2%
S&P 500 (2)	15.9	-26.2	-8.2	-2.2	-2.3

- (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 6/30/2009				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer’s Cash Pool*	\$5,236	1.7%	2.9%	4.3%	3.9%	3.9%
Custom Benchmark**		0.1	0.9	3.1	2.9	3.1
Trust Fund Cash Pool*	\$137	0.6	0.9	3.4	3.3	3.4
Custom Benchmark***		0.1	0.9	3.1	2.9	2.9
3 month T-Bills		0.0	0.6	2.9	3.0	3.1

* Actual returns are calculated net of fees.

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

*** Beginning in January 1997, the Trust Fund Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average.

MINNESOTA STATE BOARD OF INVESTMENT
Composition of State Investment Portfolios By Type of Investment
Market Value June 30, 2009 (in Thousands)

	Cash and Short term	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	301,254 2.19%	0	3,132,739 22.76%	0	6,138,138 44.58%	2,247,079 16.32%	1,948,640 14.15%	13,767,850 100%
Public Employees Retirement Fund	195,649 1.94%	0	2,234,014 22.14%	0	4,499,635 44.58%	1,647,289 16.32%	1,516,090 15.02%	10,092,677 100%
State Employees Retirement Fund	123,309 1.79%	0	1,498,649 21.79%	0	3,066,856 44.59%	1,122,757 16.32%	1,066,959 15.51%	6,878,530 100%
Public Employees Police & Fire	72,066 1.83%	0	861,334 21.87%	0	1,756,233 44.58%	642,946 16.32%	606,604 15.40%	3,939,183 100%
23 Highway Patrol Retirement Fund	10,132 2.26%	0	102,983 22.93%	0	200,253 44.58%	73,312 16.32%	62,487 13.91%	449,167 100%
Judges Retirement Fund	2,623 2.29%	0	26,326 23.01%	0	51,007 44.58%	18,674 16.32%	15,783 13.80%	114,413 100%
Correctional Employees Retirement	8,943 1.96%	0	101,166 22.22%	0	202,988 44.59%	74,312 16.32%	67,855 14.91%	455,264 100%
Public Employees Correctional	1,842 1.12%	0	33,159 20.10%	0	73,534 44.59%	26,920 16.32%	29,467 17.87%	164,922 100%
Legislative Retirement Fund	667 3.13%	0	5,346 25.06%	0	9,508 44.58%	3,481 16.32%	2,327 10.91%	21,329 100%
TOTAL BASIC FUNDS	716,485 2.00%	0	7,995,716 22.28%	0	15,998,152 44.58%	5,856,770 16.32%	5,316,212 14.82%	35,883,335 100%

	Cash and Short term	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
Mpls EE Retirement Plan	20,090 2.65%	0	235,228 31.05%	0	348,576 46.01%	153,738 20.29%	0	757,632 100%
Mpls EE Retirement Active	2,586 3.35%	0	23,715 30.68%	0	35,296 45.67%	15,688 20.30%	0	77,285 100%
Mpls EE Retirement Deposit Acct	5,395 100.00%	0	0	0	0	0	0	5,395 100%
TOTAL MERF FUNDS	28,071 3.34%	0	258,943 30.82%	0	383,872 45.68%	169,426 20.16%	0	840,312 100%
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	2,468 1.27%	79,392 40.94%	0	0	112,050 57.79%	0	0	193,910 100%
Growth Share Account	0	0	0	0	80,824 100.00%	0	0	80,824 100%
Money Market Account	174,101 100.00%	0	0	0	0	0	0	174,101 100%
Common Stock Index	0	0	0	0	196,823 100.00%	0	0	196,823 100%
Bond Market Account	0	0	96,478 100.00%	0	0	0	0	96,478 100%
International Share Account	0	0	0	0	0	90,462 100.00%	0	90,462 100%
Stable Value Fund Monthly	1,406 1.48%	0	93,620 98.52%	0	0	0	0	95,026 100%
TOTAL SUPPLEMENTAL FUNDS	177,975 19.19%	79,392 8.56%	190,098 20.49%	0	389,697 42.01%	90,462 9.75%	0	927,624 100%

	Cash and Short Term	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
MN DEFERRED COMP PLAN	103,563 3.37%	0	1,374,638 44.75%	0	1,347,056 43.85%	246,708 8.03%	0	3,071,965 100%
TOTAL RETIREMENT FUNDS	1,026,094 2.52%	79,392 0.20%	9,819,395 24.11%	0	18,118,777 44.49%	6,363,366 15.63%	5,316,212 13.05%	40,723,236 100%
ASSIGNED RISK PLAN	7,169 2.37%	0	245,922 81.25%	0	49,572 16.38%	0	0	302,663 100%
ENVIRONMENTAL FUND	7,246 1.81%	112,507 28.02%	0	281,761 70.17%	0	0	0	401,514 100%
PERMANENT SCHOOL FUND	11,919 1.94%	296,112 48.19%	0	306,433 49.87%	0	0	0	614,464 100%
CLOSED LANDFILL INVESTMENT	64 0.17%	0	0	37,642 99.83%	0	0	0	37,706 100%
TREASURERS CASH	5,246,914 100.00%	0	0	0	0	0	0	5,246,914 100%
HOUSING FINANCE AGENCY	0	71,693 100.00%	0	0	0	0	0	71,693 100%
MINNESOTA DEBT SERVICE FUND	0	57,024 100.00%	0	0	0	0	0	57,024 100%
MISCELLANEOUS ACCOUNTS	184,336 34.75%	233,926 44.10%	0	112,158 21.15%	0	0	0	530,420 100%
TOTAL CASH AND NON-RETIREMEN	5,457,648 75.15%	771,262 10.62%	245,922 3.39%	737,994 10.16%	49,572 0.68%	0	0	7,262,398 100%
GRAND TOTAL	6,483,742 13.51%	850,654 1.77%	10,065,317 20.98%	737,994 1.54%	18,168,349 37.86%	6,363,366 13.26%	5,316,212 11.08%	47,985,634 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: August 12, 2009

TO: Members, State Board of Investment

FROM: **Howard Bicker**

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the Fiscal Year 2009 is included as **Attachment A**. A report on the SBI's administrative budget for the Fiscal Year 2010 Year to Date is included as **Attachment B**.

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

2. Update on Sudan

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

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

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

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

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

During 2008, SBI's managers divested all shares of companies required to be divested. Two companies on the divestment list in 2008, Lundin Petroleum and Harbin Power Equipment, have been removed from the restricted list in 2009 due to a change in their business activities. As was reported last quarter, ABB, a Swiss company, was added to the divestment list for 2009, but, due to a change in its business activities, has been removed from the divestment list and restricted list.

Attachment D is a copy of the July 15, 2009 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

3. Litigation Update

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on September 29, 2009.

4. Daily Pricing Update

A verbal report will be given on daily pricing at the meeting.

5. Post Fund Update

A verbal report will be given on the Post Fund at the meeting.

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2009 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR FINAL**

ITEM	FISCAL YEAR 2009 BUDGET	FISCAL YEAR 2009 FINAL
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,672,000	\$ 2,653,441
PART TIME EMPLOYEES	\$ 75,000	\$ 75,111
SEVERENCE PAYOFF	20,000	11,150
WORKERS COMPENSATION INSURANCE	1,000	504
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	\$ 2,772,000	\$ 2,740,206
STATE OPERATIONS		
RENTS & LEASES	205,000	194,138
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	4,908
PRINTING & BINDING	10,000	11,625
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	9,251
COMMUNICATIONS	30,000	27,811
TRAVEL, IN-STATE	1,000	1,540
TRAVEL, OUT-STATE	50,000	29,479
SUPPLIES	35,000	28,783
EQUIPMENT	20,000	5,762
EMPLOYEE DEVELOPMENT	15,000	15,748
OTHER OPERATING COSTS	9,000	13,912
SUBTOTAL	\$ 405,000	\$ 342,957
TOTAL ADMINISTRATIVE BUDGET	\$ 3,177,000	\$ 3,083,163

ATTACHMENT B

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2010 ADMINISTRATIVE BUDGET REPORT
FISCAL YEAR TO DATE THROUGH JULY 31, 2009**

ITEM	FISCAL YEAR 2010 BUDGET	FISCAL YEAR 2010 7/31/2009
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,923,000	\$ 150,842
PART TIME EMPLOYEES	\$ 75,000	\$ 3,896
SEVERENCE PAYOFF	20,000	0
WORKERS COMPENSATION INSURANCE	1,000	0
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	\$ 3,023,000	\$ 154,738
STATE OPERATIONS		
RENTS & LEASES	205,000	16,565
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	0
PRINTING & BINDING	10,000	0
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	0
COMMUNICATIONS	30,000	857
TRAVEL, IN-STATE	3,000	0
TRAVEL, OUT-STATE	60,000	2,789
SUPPLIES	40,000	439
EQUIPMENT	25,000	784
EMPLOYEE DEVELOPMENT	20,000	370
OTHER OPERATING COSTS	10,000	195
SUBTOTAL	\$ 433,000	\$ 21,999
TOTAL ADMINISTRATIVE BUDGET	\$ 3,456,000	\$ 176,737

ATTACHMENT C

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel May 5, 2009 – August 4, 2009

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Emerging Markets Forum sponsored by: Elkind Economics, Inc.	T. Richardson	Dallas, TX 5/6-5/7	\$600.49
Manager Monitoring: Alternative Investment Managers: Blackstone; First Reserve; Welsh Carson	M. McGirr	New York, NY 5/13-5/15	1,069.09
Conference: Public Funds Summit East "Navigate the Future"	H. Bicker	Newport, RI 7/7-7/10	428.19
Manager Monitoring: Alternative Investment Managers: Natural Gas Partners 2009 Annual Meeting	M. McGirr	Santa Fe, NM 7/14-7/18	1,542.51

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ATTACHMENT D

Letter to SBI International Equity Managers

July 15, 2009

Regarding: Sudan Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the April 9, 2009 letter you received. **This new list is effective July 20, 2009.**

- The following companies have been added to the restricted list:
 - AREF Energy Holding Company
 - Daqing Huake Group Co. Ltd.
 - Harbin Dongan Auto Engine Company
 - Jinan Diesel Company, Ltd.

- The following companies have been deleted from the restricted list:
 - Arab Aluminum Company SAE
 - Harbin Power Equipment
 - Kuwait Foods AKA Americana
 - Lundin Petroleum AB
 - Lundin International SA

Attachment 2 is the List of Sudan Stocks Requiring Divestment. There are no changes to the list.

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

Letter to SBI Domestic Equity Managers

July 15, 2009

Regarding: Sudan Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the April 9, 2009 letter you received. **This new list is effective July 20, 2009.**

- The following companies have been added to the restricted list:
 - AREF Energy Holding Company
 - Daqing Huake Group Co. Ltd.
 - Harbin Dongan Auto Engine Company
 - Jinan Diesel Company, Ltd.

- The following companies have been deleted from the restricted list:
 - Arab Aluminum Company SAE
 - Harbin Power Equipment
 - Kuwait Foods AKA Americana
 - Lundin Petroleum AB
 - Lundin International SA

Attachment 2 is the List of Sudan Stocks Requiring Divestment. There are no changes to the list.

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

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

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
Petronas Dagangan, Bhd.	Malaysia
Ranhill Berhad	Malaysia
Scomi Group Bhd	Malaysia
Scomi Engineering Bhd	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Wartsila Oyj	Finland
Alstom	France
Areva SA	France
Dietswell Engineering	France

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

Source: Genocide Intervention Network, formerly
Sudan Divestment Task Force

July 15, 2009

ATTACHMENT 2

Sudan Stocks Requiring Divestment

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this date
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Bharat Heavy Electricals Ltd.	India	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
Lundin Petroleum	Sweden	April 30, 2008	October 31, 2008
Wartsila Oyj	Finland	May 31, 2008	November 30, 2008
Harbin Power Equipment	China	June 30, 2008	December 31, 2008

Note: AKA means "Also Known As"

Source: Genocide Intervention Network, formerly
Sudan Divestment Task Force

July 15, 2009

ATTACHMENT E

Genocide Intervention Network List of "Highest Offenders" Companies in Sudan Task Force List Effective Through August 31, 2009

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

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

Genocide Intervention Network List of Companies in Sudan for Ongoing Engagement
Task Force List Effective Through August 31, 2009

<u>Company Name</u>	<u>Country of Origin</u>
Shanghai Electric Group Company, Ltd..	China
Harbin Power Equipment Company Limited	China
China Poly Group Corporation	China
Bharat Electronics Limited	India
Essar Oil	India
Mercator Lines	India
Reliance Industries Limited AKA RIL	India
Tanjung Offshore Services	Malaysia
Nam Fatt Corporation Berhad	Malaysia
Nippon Oil Corporation	Japan
Total SA	France
GDF Suez	France
Lundin International SA	France
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Lundin Petroleum AB	Sweden
Andritz VA TECH HYDRO	Austria
Man SE	Germany
Inmarsat	UK
GAZ Group	Russia
Kamaz	Russia
Sudan Telecommunications Company AKA Sudatel	Sudan

Genocide Intervention Network List of Companies in Sudan with No Publicly Traded Equity
Task Force List Effective Through August 31, 2009

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

Note: The Sudan Divestment Task Force is now known as the Genocide Intervention Network

10-Jul-09

Tab C



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

Second Quarter, 2009

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A-2

Domestic Equity

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COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending June, 2009

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	15.1	16.5	-27.6	-26.7	-9.8	-8.2	-2.3	-1.9
Russell 1000 Growth Aggregate	17.6	16.3	-26.7	-24.5	-6.7	-5.5	-2.8	-1.8
Russell 1000 Value Aggregate	17.1	16.7	-27.3	-29.0	-10.2	-11.1	-2.5	-2.1
Russell 2000 Growth Aggregate	17.9	23.4	-34.4	-24.8	-10.6	-7.8	-2.9	-1.3
Russell 2000 Value Aggregate	26.3	18.0	-25.9	-25.2	-14.4	-12.1	-4.0	-2.3
Active Manager Aggregate	17.7	17.4	-28.0	-26.5	-9.6	-8.6	-2.7	-1.9
Semi-Passive Aggregate	16.8	16.5	-26.6	-26.7	-8.6	-8.2	-2.2	-1.9
Passive Manager (BGI)	16.8	16.8	-26.4	-26.6	-8.3	-8.3	-1.8	-1.8
Total Domestic Equity Aggregate	17.2	16.9	-26.9	-26.6	-8.7	-8.4	-2.1	-1.9
SBI DE Asset Class Target		16.8		-26.6		-8.3		-1.8
Russell 3000 Index		16.8		-26.6		-8.3		-1.8

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3	14.5	11.4
Russell 1000 Growth Aggregate	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3	6.1	6.3
Russell 1000 Value Aggregate	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1	14.3	16.5
Russell 2000 Growth Aggregate	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2	9.7	14.3
Russell 2000 Value Aggregate	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7	25.0	22.2
Active Manager Aggregate	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0	12.5	12.3
Semi-Passive Aggregate	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3	11.7	11.4
Passive Manager (BGI)	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1	12.0	11.9
Total Domestic Equity Aggregate	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1	12.2	11.9
SBI DE Asset Class Target		-37.3		5.1		15.7		6.1		11.9
Russell 3000 Index		-37.3		5.1		15.7		6.1		11.9

COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending June, 2009
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
LARGE CAP												
Russell 1000 Core												
Mellon Capital	11.4	16.5	-34.9	-26.7	-12.0	-8.2	-3.5	-1.9	7.9	8.2	\$297.1	1.8%
New Amsterdam Partners	10.8	16.5	-23.8	-26.7	-8.4	-8.2	-1.5	-1.9	8.9	7.5	\$367.0	2.2%
UBS Global	23.9	16.5	-25.0	-26.7	-9.4	-8.2	-2.0	-1.9	6.9	6.7	\$341.0	2.0%
Aggregate	15.1	16.5	-27.6	-26.7	-9.8	-8.2	-2.3	-1.9			\$1,005.0	6.0%
Russell 1000 Growth												
Alliance Capital	13.7	16.3	-26.3	-24.5	-6.6	-5.5	-2.0	-1.8	11.5	8.7	\$207.9	1.2%
INTECH	14.8	16.3	-29.4	-24.5	-9.0	-5.5			-4.6	-2.8	\$225.0	1.3%
Jacobs Levy	19.3	16.3	-29.5	-24.5	-9.8	-5.5			-6.2	-2.8	\$199.1	1.2%
Knelman Asset Mgmt.	13.4	16.3	-27.7	-24.5	-5.8	-5.5			-2.9	-2.8	\$44.0	0.3%
Sands Capital	21.7	16.3	-26.2	-24.5	-6.6	-5.5			-4.3	-2.8	\$163.7	1.0%
Winslow-Large Cap	13.9	16.3	-26.6	-24.5	-3.2	-5.5			0.0	-2.8	\$94.3	0.6%
Zevenbergen Capital	23.5	16.3	-21.4	-24.5	-3.3	-5.5	0.8	-1.8	7.3	5.8	\$207.4	1.2%
Aggregate	17.6	16.3	-26.7	-24.5	-6.7	-5.5	-2.8	-1.8			\$1,141.4	6.8%
Russell 1000 Value												
Barrow, Hanley	16.4	16.7	-25.1	-29.0	-9.8	-11.1	-1.3	-2.1	-0.8	-1.9	\$310.7	1.9%
Earnest Partners	18.8	16.7	-23.6	-29.0	-9.1	-11.1	0.3	-2.1	0.9	0.9	\$129.7	0.8%
Lord Abbett & Co.	18.9	16.7	-25.7	-29.0	-9.0	-11.1	-2.2	-2.1	-1.8	-1.9	\$224.5	1.3%
LSV Asset Mgmt.	19.0	16.7	-28.1	-29.0	-11.8	-11.1	-1.2	-2.1	-0.7	-1.9	\$283.3	1.7%
Systematic Financial Mgmt.	13.0	16.7	-32.7	-29.0	-10.9	-11.1	-1.9	-2.1	-1.6	-1.9	\$206.0	1.2%
Aggregate	17.1	16.7	-27.3	-29.0	-10.2	-11.1	-2.5	-2.1			\$1,154.1	6.9%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	9.5	23.4	-38.5	-24.8	-15.0	-7.8	-5.9	-1.3	-4.7	-0.2	\$137.6	0.8%
Next Century Growth	19.4	23.4	-36.4	-24.8	-9.5	-7.8	1.8	-1.3	-4.1	-3.7	\$169.5	1.0%
Turner Investment Partners	23.8	23.4	-28.4	-24.8	-7.4	-7.8	-0.7	-1.3	0.2	-0.2	\$175.3	1.0%
Aggregate	17.9	23.4	-34.4	-24.8	-10.6	-7.8	-2.9	-1.3			\$482.3	2.9%
Russell 2000 Value												
Goldman Sachs	15.7	18.0	-21.6	-25.2	-8.1	-12.1	-0.4	-2.3	0.6	-0.7	\$96.5	0.6%
Hotchkis & Wiley	37.1	18.0	-30.9	-25.2	-17.7	-12.1	-7.1	-2.3	-4.6	-0.7	\$72.0	0.4%
Martingale Asset Mgmt.	21.1	18.0	-30.2	-25.2	-16.8	-12.1	-5.4	-2.3	-2.9	-0.7	\$79.7	0.5%
Peregrine Capital	34.8	18.0	-22.0	-25.2	-14.5	-12.1	-3.3	-2.3	5.8	5.7	\$129.0	0.8%
RiverSource/Kenwood	20.9	18.0	-28.8	-25.2	-15.9	-12.1	-4.8	-2.3	-2.6	-0.7	\$36.2	0.2%
Aggregate	26.3	18.0	-25.9	-25.2	-14.4	-12.1	-4.0	-2.3			\$413.5	2.5%
Active Mgr. Aggregate (2)	17.7	17.4	-28.0	-26.5	-9.6	-8.6	-2.7	-1.9			\$4,196.4	25.0%

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

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

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

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
Mellon Capital	-40.7	-37.6	2.4	5.8	20.4	15.5	3.4	6.3	15.7	11.4
New Amsterdam Partners	-36.7	-37.6	5.0	5.8	9.3	15.5	7.6	6.3	14.8	11.4
UBS Global	-41.3	-37.6	0.8	5.8	16.8	15.5	8.6	6.3	13.4	11.4
Aggregate	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3	14.5	11.4
Russell 1000 Growth										
Alliance Capital	-40.3	-38.4	15.4	11.8	-0.4	9.1	14.2	5.3	5.7	6.3
INTECH	-42.8	-38.4	11.4	11.8	7.4	9.1	7.8	5.3		
Jacobs Levy	-44.9	-38.4	8.4	11.8	6.1	9.1	5.3	5.3		
Knelman Asset Mgmt.	-39.9	-38.4	18.0	11.8	7.1	9.1	6.6	5.3		
Sands Capital	-48.6	-38.4	19.5	11.8	-5.5	9.1	10.9	5.3		
Winslow-Large Cap	-39.1	-38.4	22.0	11.8	7.6	9.1	10.5	5.3		
Zevenbergen Capital	-43.2	-38.4	24.0	11.8	6.2	9.1	9.0	5.3	13.1	6.3
Aggregate	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3	6.1	6.3
Russell 1000 Value										
Barrow, Hanley	-35.2	-36.8	2.6	-0.2	15.4	22.2	9.6	7.1		
Earnest Partners	-39.8	-36.8	6.5	-0.2	13.8	22.2	15.6	7.1	18.9	16.5
Lord Abbett & Co.	-36.3	-36.8	4.4	-0.2	18.6	22.2	3.5	7.1		
LSV Asset Mgmt.	-39.3	-36.8	1.3	-0.2	21.7	22.2	12.5	7.1		
Systematic Financial Mgmt.	-40.6	-36.8	8.3	-0.2	17.9	22.2	10.3	7.1		
Aggregate	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1	14.3	16.5
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	-49.1	-38.5	16.2	7.0	12.5	13.3	0.2	4.2	12.2	14.3
Next Century Growth	-49.3	-38.5	34.2	7.0	12.4	13.3	25.2	4.2	6.4	14.3
Turner Investment Partners	-41.9	-38.5	14.8	7.0	13.6	13.3	6.2	4.2	11.6	14.3
Aggregate	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2	9.7	14.3
Russell 2000 Value										
Goldman Sachs	-26.8	-28.9	-5.0	-9.8	17.8	23.5	4.1	4.7	19.9	22.2
Hotchkis & Wiley	-44.1	-28.9	-18.8	-9.8	3.0	23.5	10.4	4.7	27.1	22.2
Martingale Asset Mgmt.	-33.8	-28.9	-16.8	-9.8	14.8	23.5	6.2	4.7	30.8	22.2
Peregrine Capital	-39.4	-28.9	-13.4	-9.8	14.3	23.5	10.1	4.7	23.6	22.2
RiverSource/Kenwood	-35.5	-28.9	-11.8	-9.8	19.4	23.5	4.8	4.7	25.8	22.2
Aggregate	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7	25.0	22.2
Active Mgr. Aggregate (1)	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0	12.5	12.3

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

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

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending June, 2009
Versus Manager Benchmarks**

	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 (1)												
Barclays Global Investors	16.5	16.5	-27.6	-26.7	-9.2	-8.2	-2.2	-1.9	6.5	6.1	\$2,225.3	13.3%
JP Morgan	17.5	16.5	-24.5	-26.7	-7.2	-8.2	-1.6	-1.9	6.3	6.1	\$2,004.6	12.0%
Mellon Capital	16.3	16.5	-27.7	-26.7	-9.5	-8.2	-2.7	-1.9	5.6	6.1	\$1,737.2	10.4%
Semi-Passive Aggregate (R1000)	16.8	16.5	-26.6	-26.7	-8.6	-8.2	-2.2	-1.9			\$5,967.0	35.6%
PASSIVE MANAGER (R3000)												
Barclays Global Investors	16.8	16.8	-26.4	-26.6	-8.3	-8.3	-1.8	-1.8	5.6	5.5	\$6,608.1	39.4%
Historical Aggregate (3)	17.2	16.9	-26.9	-26.6	-8.7	-8.4	-2.1	-1.9	8.9	9.2	\$16,771.6	100.0%
SBI DE Asset Class Target (4)		16.8		-26.6		-8.3		-1.8		9.1		
Russell 3000		16.8		-26.6		-8.3		-1.8		9.5		
Wilshire 5000		16.8		-26.4		-8.1		-1.6		9.4		
Russell 1000		16.5		-26.7		-8.2		-1.9		9.7		
Russell 2000		20.7		-25.0		-9.9		-1.7		7.8		

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

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

(3) Includes the performance of terminated managers.

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

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

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
SEMI-PASSIVE MANAGERS (1)										
Barclays Global Investors	-37.1	-37.6	2.2	5.8	15.6	15.5	7.6	6.3	11.7	11.4
JP Morgan	-37.1	-37.6	5.1	5.8	16.5	15.5	4.7	6.3	11.7	11.4
Mellon Capital	-37.6	-37.6	2.5	5.8	16.5	15.5	6.1	6.3	11.7	11.4
Semi-Passive Aggregate (R1000)	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3	11.7	11.4
PASSIVE MANAGER (R3000)										
Barclays Global Investors	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1	12.0	11.9
Historical Aggregate (2)	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1	12.2	11.9
SBI DE Asset Class Target (3)		-37.3		5.1		15.7		6.1		11.9
Russell 3000		-37.3		5.1		15.7		6.1		11.9
Wilshire 5000		-37.2		5.6		15.8		6.4		12.5
Russell 1000		-37.6		5.8		15.5		6.3		11.4
Russell 2000		-33.8		-1.6		18.4		4.6		18.3

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

(2) Includes the performance of terminated managers.

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

From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index.

From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

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

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Large Cap Core (R1000)

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Large Cap Core (R1000)

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MELLON CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$297,070,731

Investment Philosophy – Active Style

Mellon believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Mellon builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting 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. Mellon 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 trailed its benchmark for the quarter and the year due to weak stock selection. For the quarter, stock selection in the Financial Services and Consumer Discretionary sectors detracted from performance. For the year, stock selection in the Health Care and Technology sectors negatively impacted returns.

The Mellon Capital Boston (Franklin legacy) investment team and process has not changed since their merger with Mellon Capital on January 1, 2009. An integration group has been created within the two investment teams (Franklin legacy and Mellon Capital) to set up a shared investment infrastructure throughout 2009. Paul Healey, COO and President, left Mellon Capital Boston as of May 29, 2009. His client responsibilities have been assumed by David Dirks, Head of Active Equity Client Service. Staff continues to monitor the portfolio closely.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	11.4%	16.5%
Last 1 year	-34.9	-26.7
Last 2 years	-25.0	-19.8
Last 3 years	-12.0	-8.2
Last 4 years	-7.0	-4.2
Last 5 years	-3.5	-1.9
Since Inception (4/89)	7.9	8.2

Calendar Year Returns

	Actual	Russell 1000 Core
2008	-40.7%	-37.6%
2007	2.4	5.8
2006	20.4	15.5
2005	3.4	6.3
2004	15.7	11.4

MELLON CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$297,070,731

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.

NEW AMSTERDAM PARTNERS
Periods Ending June, 2009

Portfolio Manager: Michelle Clayman

Assets Under Management: \$366,951,834

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 lagged its benchmark for the quarter and outperformed for the year. The quarterly performance was hurt by weak stock selection in the Consumer Discretionary and Technology sectors. For the year, stock selection in the Consumer Discretionary and Producer Durables sectors added value to the portfolio.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell Index
Last Quarter	10.8%	16.5%
Last 1 year	-23.8	-26.7
Last 2 years	-18.5	-19.8
Last 3 years	-8.4	-8.2
Last 4 years	-5.0	-4.2
Last 5 years	-1.5	-1.9
Since Inception (1) (4/94)	8.9	7.5

Calendar Year Returns

	Actual	Russell Index (1)
2008	-36.7%	-37.6%
2007	5.0	5.8
2006	9.3	15.5
2005	7.6	6.3
2004	14.8	11.4

(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 June, 2009

Portfolio Manager: Michelle Clayman

Assets Under Management: \$366,951,834

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



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

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending June, 2009

Portfolio Manager: John Leonard

Assets Under Management: \$341,006,064

Investment Philosophy

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

Staff Comments

UBS outperformed the benchmark for the quarter and for the year. The quarterly performance was helped by good stock selection in better performing sectors, particularly stock selection in the Autos and Transportation sector. The one-year return was helped by stock selection in the Technology, Financial Services, and Autos & Transportation sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	23.9%	16.5%
Last 1 year	-25.0	-26.7
Last 2 years	-22.0	-19.8
Last 3 years	-9.4	-8.2
Last 4 years	-4.9	-4.2
Last 5 years	-2.0	-1.9
Since Inception (7/93)	6.9	6.7

Calendar Year Returns

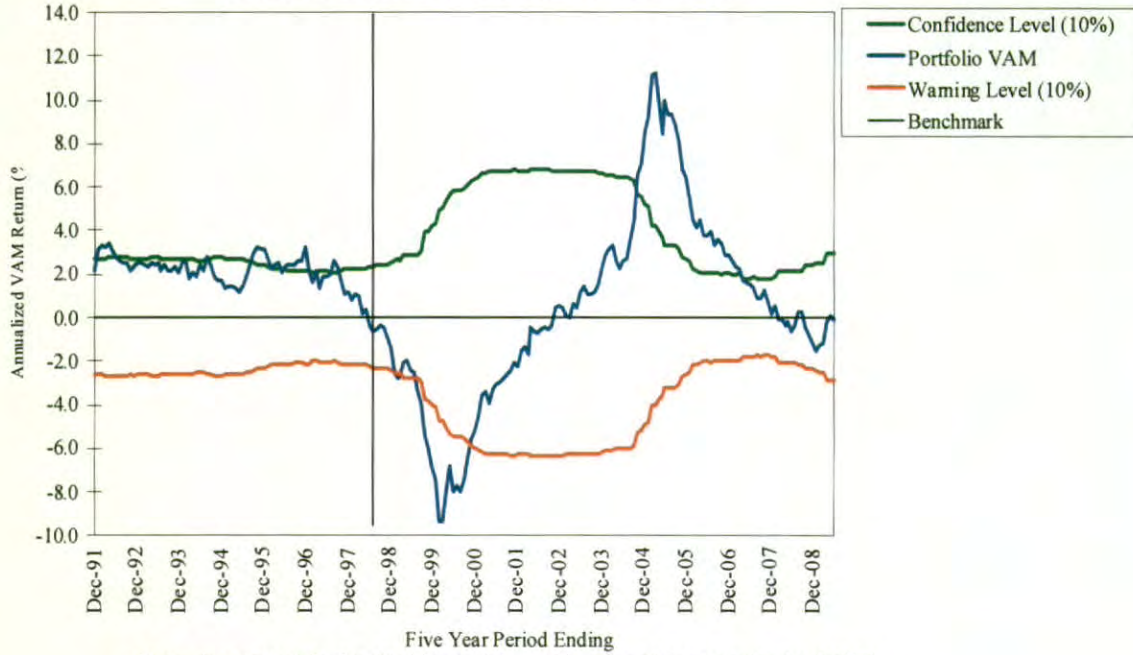
	Actual	Russell 1000 Core
2008	-41.3%	-37.6%
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3
2004	13.4	11.4

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending June, 2009

Portfolio Manager: John Leonard

Assets Under Management: \$341,006,064

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



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

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Large Cap Growth (R1000 Growth)

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Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Stephanie Simon

Assets Under Management: \$207,862,905

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	13.7%	16.3%
Last 1 year	-26.3	-24.5
Last 2 years	-15.7	-15.7
Last 3 years	-6.6	-5.5
Last 4 years	-3.4	-2.7
Last 5 years	-2.0	-1.8
Since Inception (1/84)	11.5	8.7

Calendar Year Returns

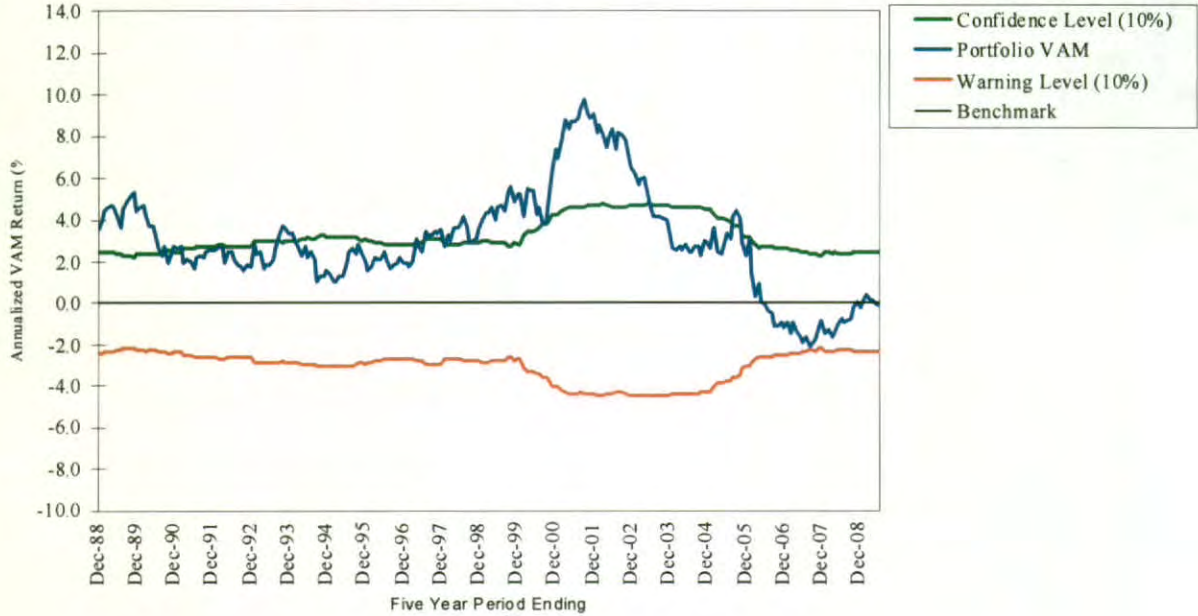
	Actual	Russell 1000 Growth
2008	-40.3%	-38.4%
2007	15.4	11.8
2006	-0.4	9.1
2005	14.2	5.3
2004	5.7	6.3

ALLIANCE CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Stephanie Simon

Assets Under Management: \$207,862,905

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



INTECH INVESTMENT MANAGEMENT LLC
Periods Ending June, 2009

Portfolio Manager: Robert Fernholz

Assets Under Management: \$ 225,024,631

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	14.8%	16.3%
Last 1 year	-29.4	-24.5
Last 2 years	-18.9	-15.7
Last 3 years	-9.0	-5.5
Last 4 years	-5.3	-2.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-4.6	-2.8

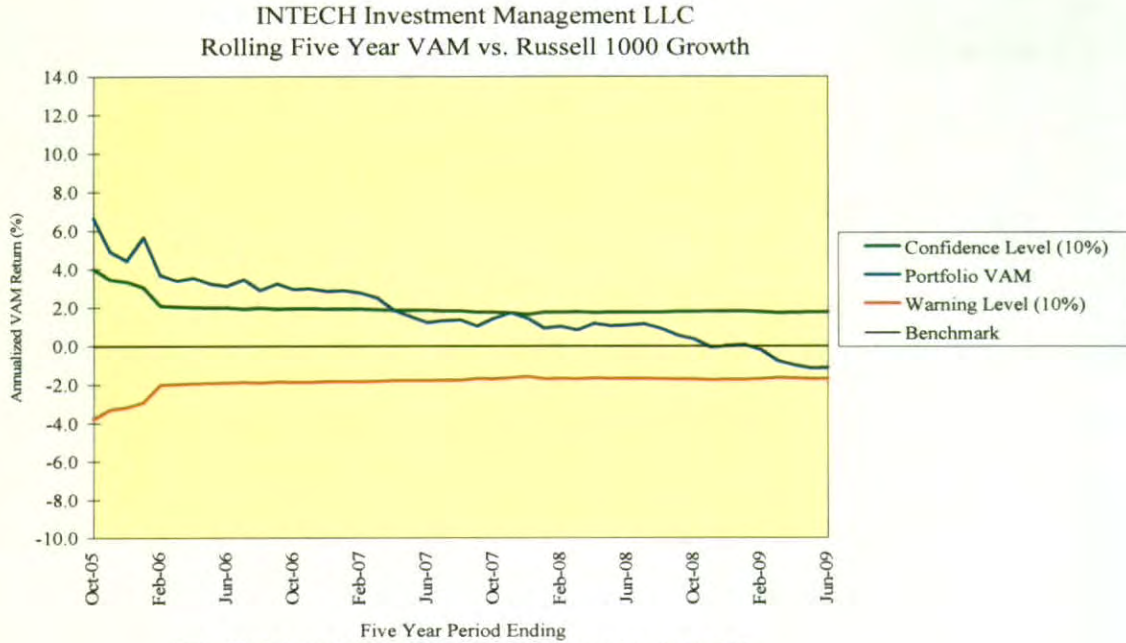
Calendar Year Returns

	Actual	Russell 1000 Growth
2008	-42.8%	-38.4%
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3
2004	N/A	N/A

INTECH INVESTMENT MANAGEMENT LLC
Periods Ending June, 2009

Portfolio Manager: Robert Fernholz

Assets Under Management: \$225,024,631



JACOBS LEVY EQUITY MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$199,133,620

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 exceeded the quarterly benchmark and trailed for the year. The quarterly performance was helped by stock selection in the Other Energy and Materials & Processing sectors. The one-year return was hurt by weak stock selection in the Consumer Discretionary and Technology sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	19.3%	16.3%
Last 1 year	-29.5	-24.5
Last 2 years	-20.1	-15.7
Last 3 years	-9.8	-5.5
Last 4 years	-6.5	-2.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-6.2	-2.8

Calendar Year Returns

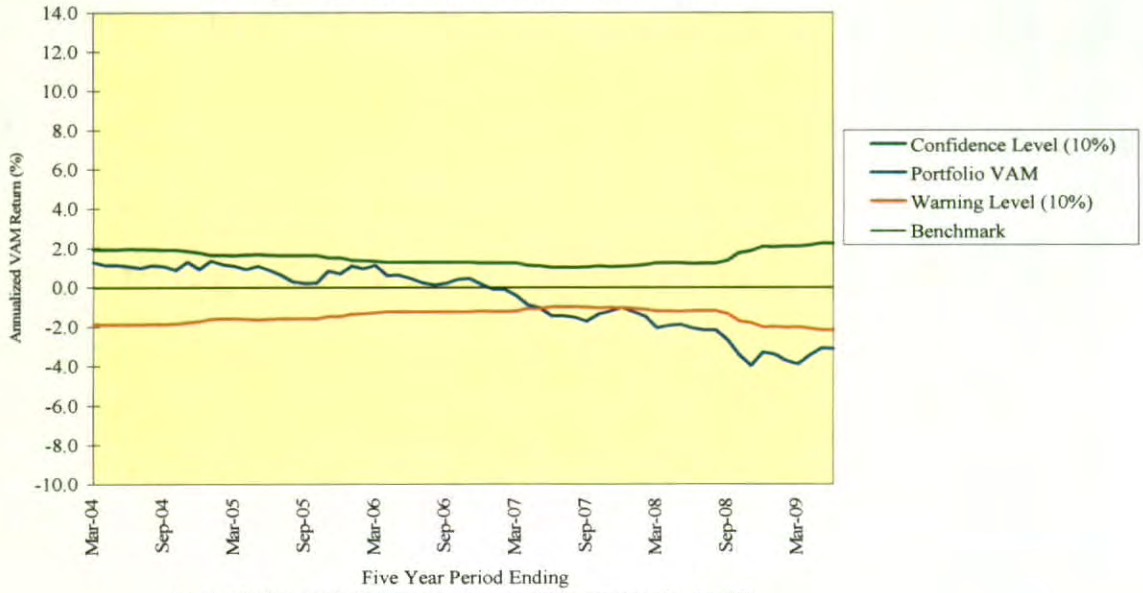
	Actual	Russell 1000 Growth
2008	-44.9%	-38.4%
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3
2004	N/A	N/A

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$199,133,620

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



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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending June, 2009

Portfolio Manager: Kip Knelman

Assets Under Management: \$44,031,269

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	13.4%	16.3%
Last 1 year	-27.7	-24.5
Last 2 years	-16.9	-15.7
Last 3 years	-5.8	-5.5
Last 4 years	-2.6	-2.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-2.9	-2.8

Calendar Year Returns

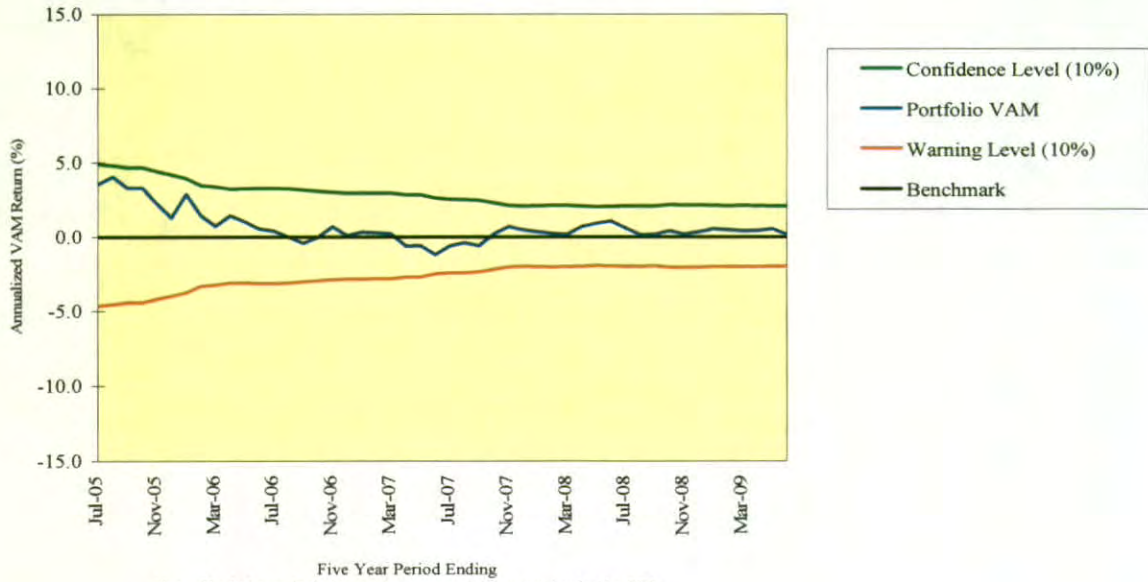
	Actual	Russell 1000 Growth
2008	-39.9%	-38.4%
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3
2004	N/A	N/A

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending June, 2009

Portfolio Manager: Kip Knelman

Assets Under Management: \$44,031,269

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



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending June, 2009

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$163,663,510

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	21.7%	16.3%
Last 1 year	-26.2	-24.5
Last 2 years	-14.4	-15.7
Last 3 years	-6.6	-5.5
Last 4 years	-4.3	-2.7
Last 5 years	N/A	N/A
Since Inception (1/05)	-4.3	-2.8

Calendar Year Returns

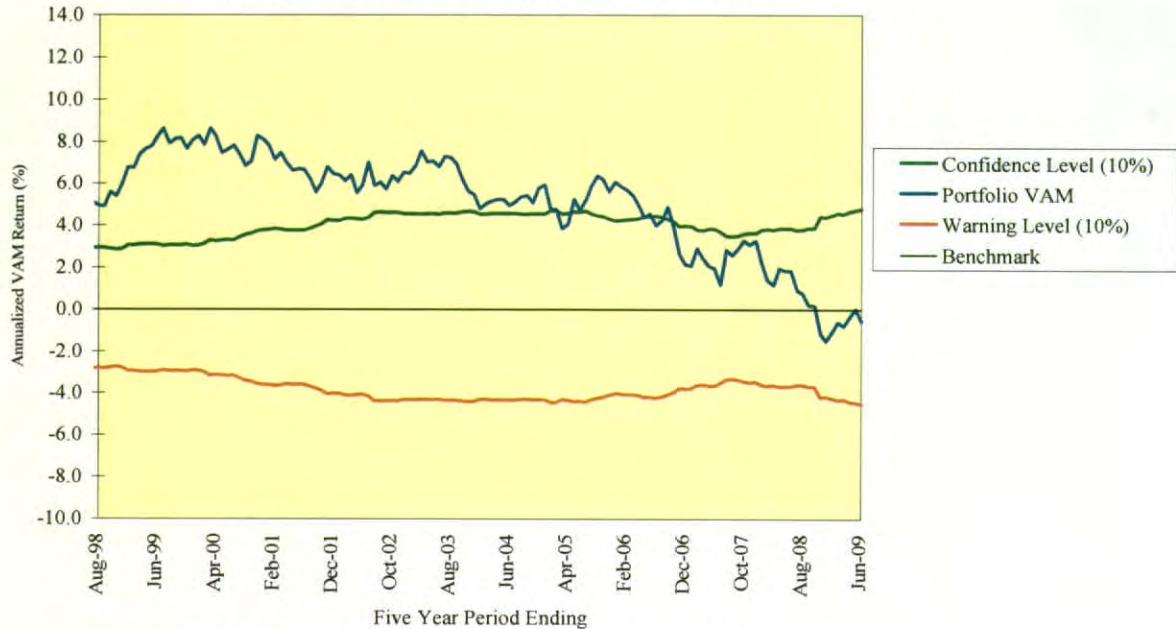
	Actual	Russell 1000 Growth
2008	-48.6%	-38.4%
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3
2004	N/A	N/A

SANDS CAPITAL MANAGEMENT LLC
Periods Ending June, 2009

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$163,663,510

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



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

WINSLOW CAPITAL MANAGEMENT, INC.

Periods Ending June, 2009

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$94,348,384

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	13.9%	16.3%
Last 1 year	-26.6	-24.5
Last 2 years	-12.8	-15.7
Last 3 years	-3.2	-5.5
Last 4 years	0.0	-2.7
Last 5 years	N/A	N/A
Since Inception (1/05)	0.0	-2.8

Calendar Year Returns

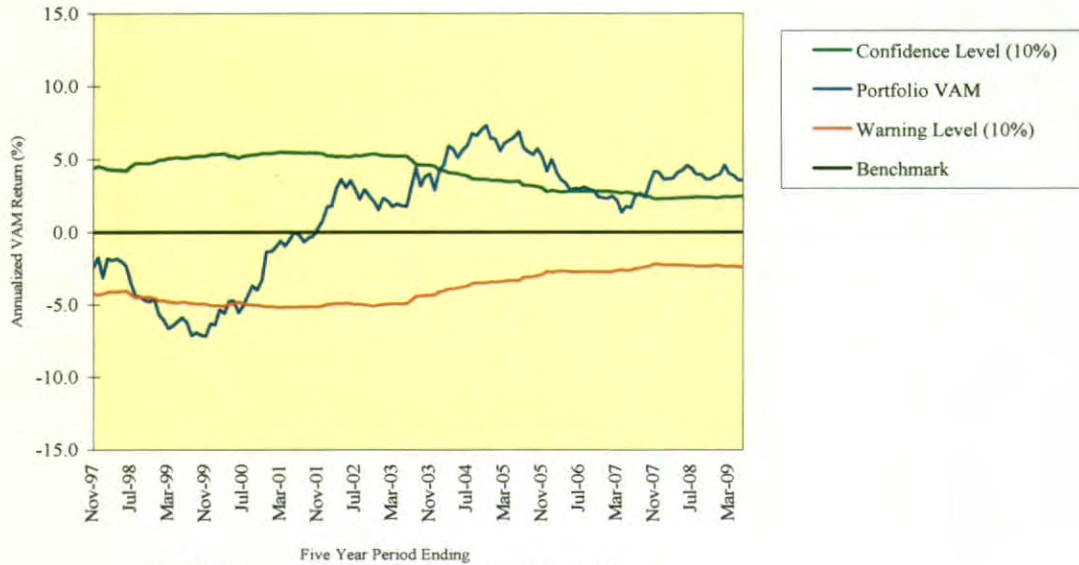
	Actual	Russell 1000 Growth
2008	-39.1%	-38.4%
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3
2004	N/A	N/A

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending June, 2009

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$94,348,384

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



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

ZEVENBERGEN CAPITAL INC.
Periods Ending June, 2009

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$207,354,531

Investment Philosophy

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

Staff Comments

Zevenbergen outperformed for the quarter and for the year. The quarterly performance was helped by stock selection in the Technology and Health Care sectors. Both periods were helped by strong stock selection in the Consumer Discretionary sector. The one-year return also benefited from stock selection in the Financial sector.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	23.5%	16.3%
Last 1 year	-21.4	-24.5
Last 2 years	-13.6	-15.7
Last 3 years	-3.3	-5.5
Last 4 years	0.6	-2.7
Last 5 years	0.8	-1.8
Since Inception (4/94)	7.3	5.8

Calendar Year Returns

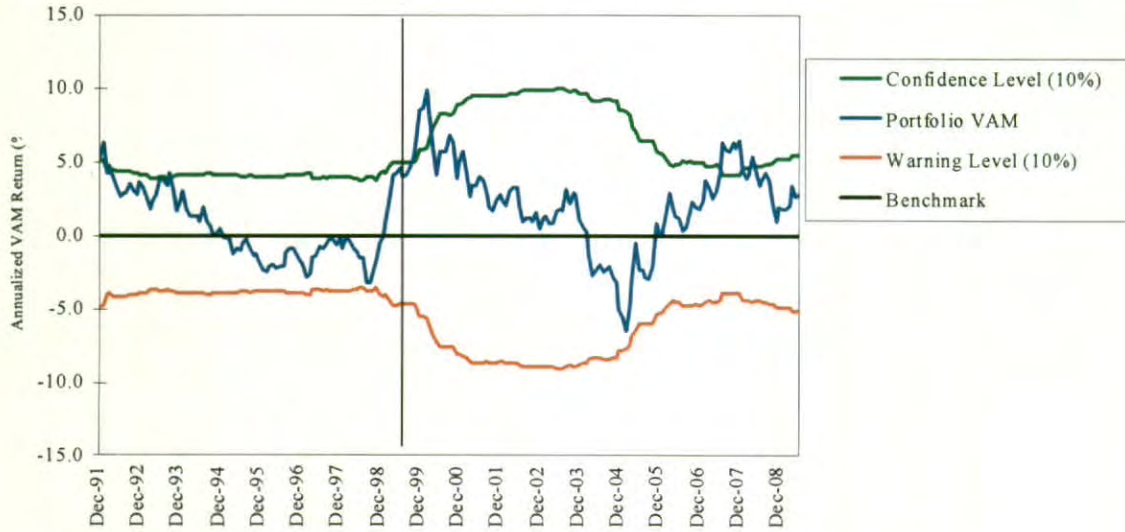
	Actual	Russell 1000 Growth
2008	-43.2%	-38.4%
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3
2004	13.1	6.3

ZEVENBERGEN CAPITAL INC.
Periods Ending June, 2009

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$207,354,531

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



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

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Large Cap Value (R1000 Value)

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Large Cap Value (R1000 Value)

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BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending June, 2009

Portfolio Manager: Tim Culler

Assets Under Management: \$310,726,715

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	16.4%	16.7%
Last 1 year	-25.1	-29.0
Last 2 years	-22.4	-24.1
Last 3 years	-9.8	-11.1
Last 4 years	-5.9	-5.8
Last 5 years	-1.3	-2.1
Since Inception (4/04)	-0.8	-1.9

Calendar Year Returns*

	Actual	Russell 1000 Value
2008	-35.2%	-36.8%
2007	2.6	-0.2
2006	15.4	22.2
2005	9.6	7.1
2004	N/A	N/A

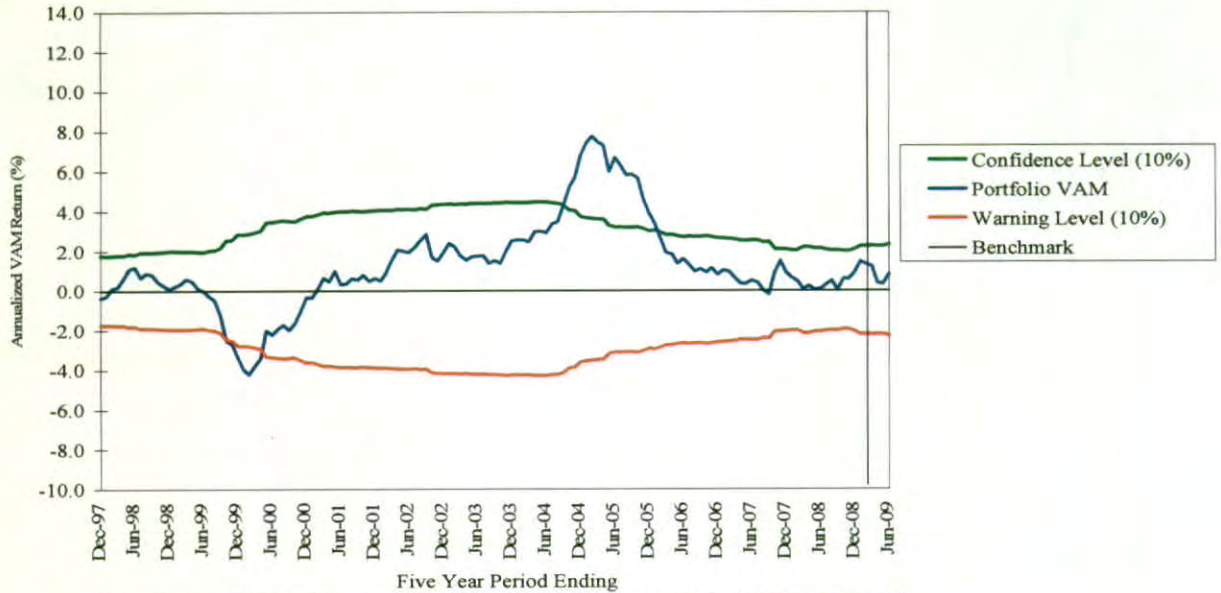
* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.
Periods Ending June, 2009

Portfolio Manager: Tim Culler

Assets Under Management: \$310,726,715

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



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

EARNEST PARTNERS, LLC
Periods Ending June, 2009

Portfolio Manager: Paul Viera

Assets Under Management: \$129,655,176

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	18.8%	16.7%
Last 1 year	-23.6	-29.0
Last 2 years	-20.4	-24.1
Last 3 years	-9.1	-11.1
Last 4 years	-4.2	-5.8
Last 5 years	0.3	-2.1
Since Inception (7/00)	0.9	0.9

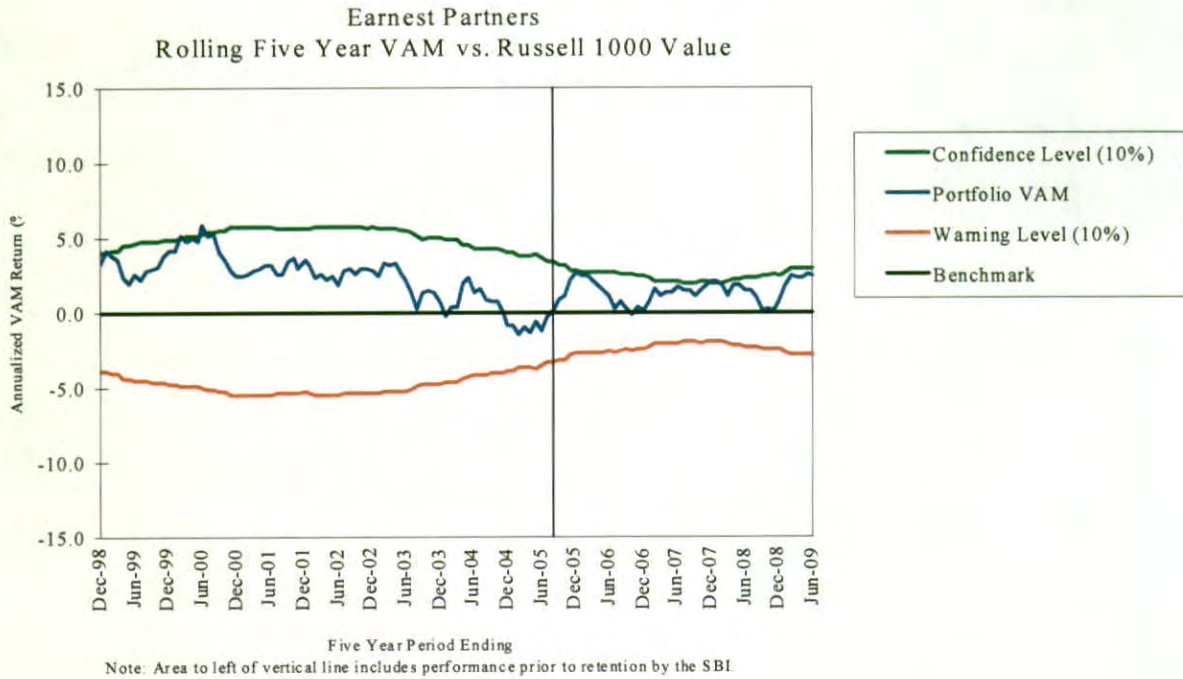
Calendar Year Returns

	Actual	Russell 1000 Value
2008	-39.8%	-36.8%
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1
2004	18.9	16.5

EARNEST PARTNERS, LLC
Periods Ending June, 2009

Portfolio Manager: Paul Viera

Assets Under Management: \$129,655,176



LORD ABBETT & CO. LLC
Periods Ending June, 2009

Portfolio Manager: Eli Salzman

Assets Under Management: \$224,463,399

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	18.9%	16.7%
Last 1 year	-25.7	-29.0
Last 2 years	-20.5	-24.1
Last 3 years	-9.0	-11.1
Last 4 years	-4.1	-5.8
Last 5 years	-2.2	-2.1
Since Inception (4/04)	-1.8	-1.9

Calendar Year Returns*

	Actual	Russell 1000 Value
2008	-36.3%	-36.8%
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1
2004	N/A	N/A

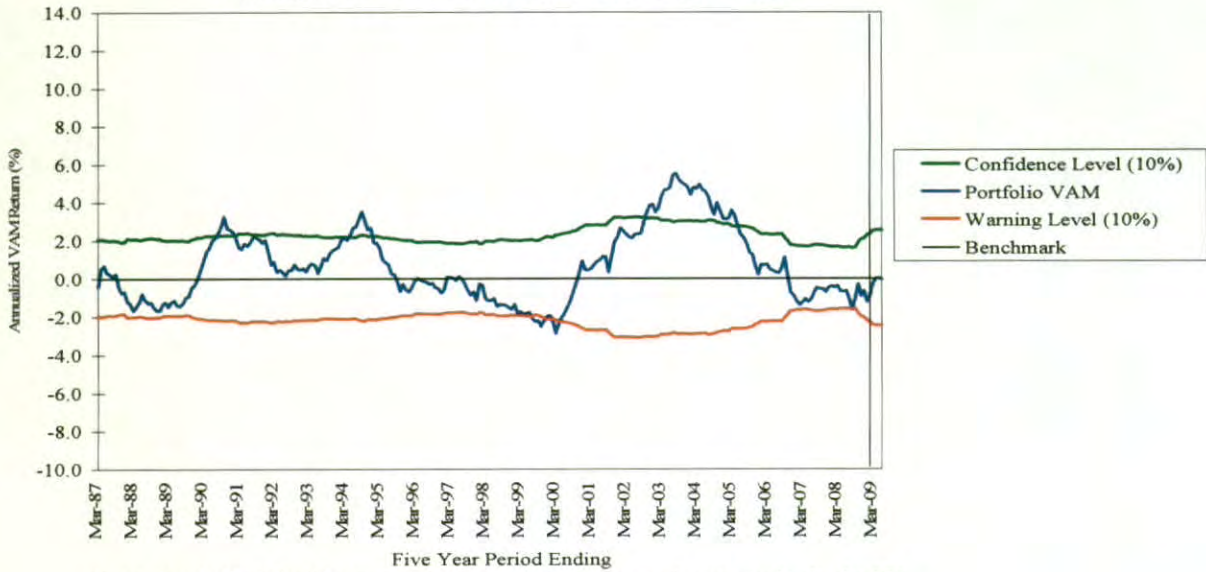
* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

LORD ABBETT & CO. LLC
Periods Ending June, 2009

Portfolio Manager: Eli Salzmann

Assets Under Management: \$224,463,399

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



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

LSV ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$283,315,624

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	19.0%	16.7%
Last 1 year	-28.1	-29.0
Last 2 years	-25.1	-24.1
Last 3 years	-11.8	-11.1
Last 4 years	-5.6	-5.8
Last 5 years	-1.2	-2.1
Since Inception (4/04)	-0.7	-1.9

Calendar Year Returns*

	Actual	Russell 1000 Value
2008	-39.3%	-36.8%
2007	1.3	-0.2
2006	21.7	22.2
2005	12.5	7.1
2004	N/A	N/A

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

Staff Comments

No comment at this time.

Recommendation

No action required.

LSV ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$283,315,624

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



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

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending June, 2009

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$205,985,014

Investment Philosophy

Systematic's investment strategy favors companies with low forward P/E multiples and a positive earnings catalyst. Cash flow is analyzed to confirm earnings and to avoid companies that may have employed accounting gimmicks to report earnings in excess of Wall Street expectations. The investment strategy attempts to avoid stocks in the "value trap" by focusing only on companies with confirmed fundamental improvement as evidenced by a genuine positive earnings surprise.

The investment process begins with quantitative screening that ranks the universe based on: 1) low forward P/E, and 2) a positive earnings catalyst, which is determined by a proprietary 16-factor model that is designed to be predictive of future positive earnings surprises. The screening process generates a research focus list of 150 companies, sorted by sector, upon which rigorous fundamental analysis is conducted to confirm each stock's value and catalysts for appreciation.

Staff Comments

Systematic trailed the benchmark for the quarter and for the year. For the quarter, stock selection in the Financial Services and Consumer Discretionary sectors detracted from performance. The one-year return was hurt by an underweight to the Financial and Consumer Staples sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	13.0%	16.7%
Last 1 year	-32.7	-29.0
Last 2 years	-24.1	-24.1
Last 3 years	-10.9	-11.1
Last 4 years	-5.5	-5.8
Last 5 years	-1.9	-2.1
Since Inception (4/04)	-1.6	-1.9

Calendar Year Returns*

	Actual	Russell 1000 Value
2008	-40.6%	-36.8%
2007	8.3	-0.2
2006	17.9	22.2
2005	10.3	7.1
2004	N/A	N/A

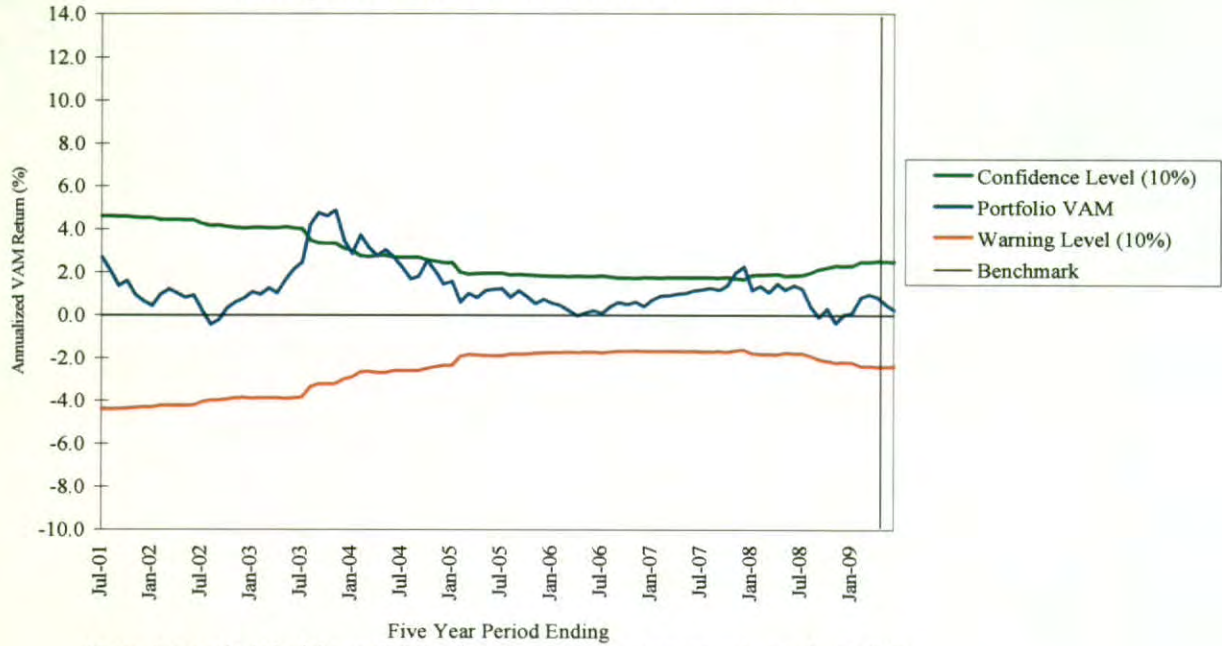
* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

SYSTEMATIC FINANCIAL MANAGEMENT, L.P.
Periods Ending June, 2009

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$205,985,014

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



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

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Small Cap Growth (R2000 Growth)

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Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$137,558,475

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 its benchmark for the quarter and for the year. Security selection hurt the quarterly performance, particularly in the Consumer Discretionary and Healthcare sectors. The one-year return was negatively impacted by poor stock selection across most sectors – notably Producer Durables and Technology.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	9.5%	23.4%
Last 1 year	-38.5	-24.8
Last 2 years	-27.3	-18.1
Last 3 years	-15.0	-7.8
Last 4 years	-7.7	-2.7
Last 5 years	-5.9	-1.3
Since Inception (1/04)	-4.7	-0.2

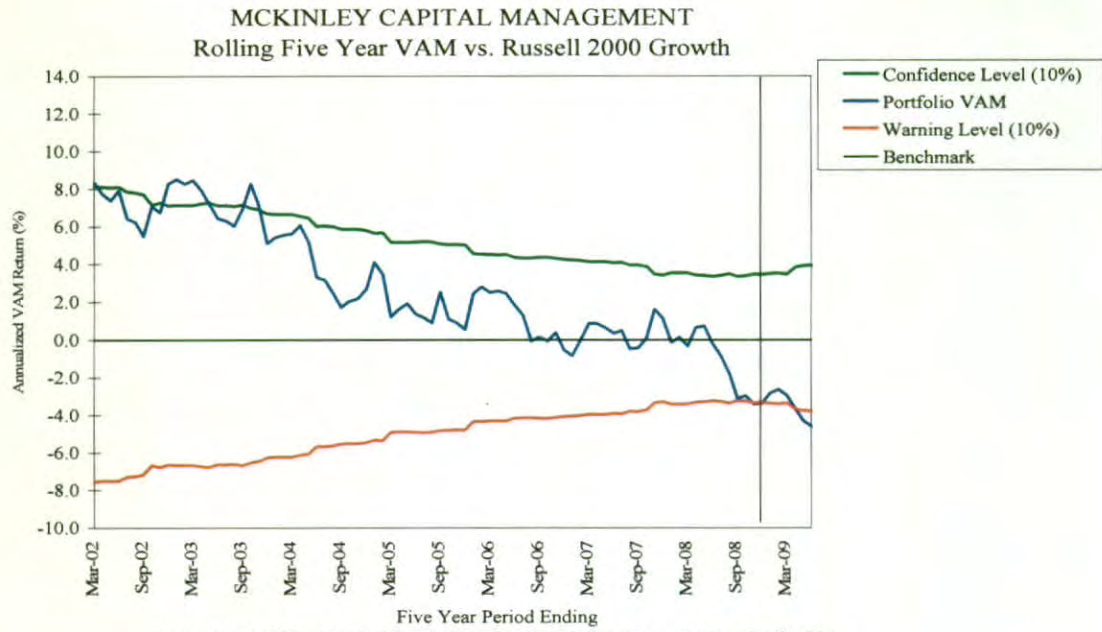
Calendar Year Returns

	Actual	Russell 2000 Growth
2008	-49.1%	-38.5%
2007	16.2	7.0
2006	12.5	13.3
2005	0.2	4.2
2004	12.2	14.3

MCKINLEY CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$137,558,475



NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending June, 2009

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$169,530,400

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	19.4%	23.4%
Last 1 year	-36.4	-24.8
Last 2 years	-20.8	-18.1
Last 3 years	-9.5	-7.8
Last 4 years	-0.9	-2.7
Last 5 years	1.8	-1.3
Since Inception (7/00)	-4.1	-3.7

Calendar Year Returns

	Actual	Russell 2000 Growth
2008	-49.3%	-38.5%
2007	34.2	7.0
2006	12.4	13.3
2005	25.2	4.2
2004	6.4	14.3

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending June, 2009

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$169,530,400

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



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

TURNER INVESTMENT PARTNERS
Periods Ending June, 2009

Portfolio Manager: William McVail

Assets Under Management: \$175,259,192

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	23.8%	23.4%
Last 1 year	-28.4	-24.8
Last 2 years	-18.1	-18.1
Last 3 years	-7.4	-7.8
Last 4 years	-1.6	-2.7
Last 5 years	-0.7	-1.3
Since Inception (1/04)	0.2	-0.2

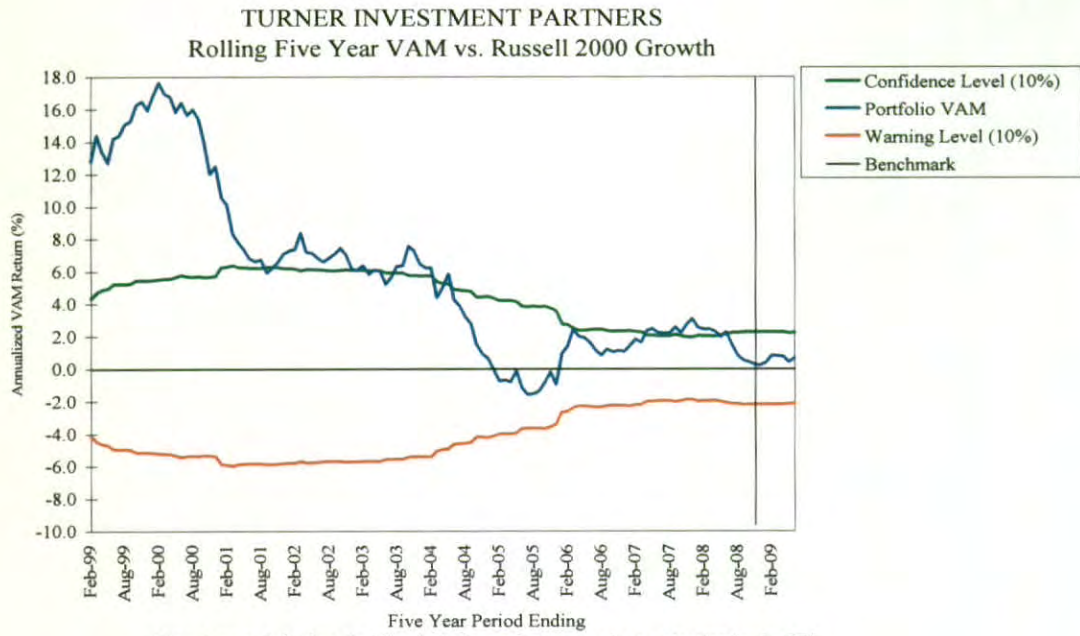
Calendar Year Returns

	Actual	Russell 2000 Growth
2008	-41.9%	-38.5%
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2
2004	11.6	14.3

TURNER INVESTMENT PARTNERS
Periods Ending June, 2009

Portfolio Manager: William McVail

Assets Under Management: \$175,259,192



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Small Cap Value (R2000 Value)

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Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Chip Otness

Assets Under Management: \$96,456,057

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	15.7%	18.0%
Last 1 year	-21.6	-25.2
Last 2 years	-18.7	-23.5
Last 3 years	-8.1	-12.1
Last 4 years	-3.3	-6.0
Last 5 years	-0.4	-2.3
Since Inception (1/04)	0.6	-0.7

Calendar Year Returns

	Actual	Russell 2000 Value
2008	-26.8%	-28.9%
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7
2004	19.9	22.2

Staff Comments

No comment at this time.

Recommendation

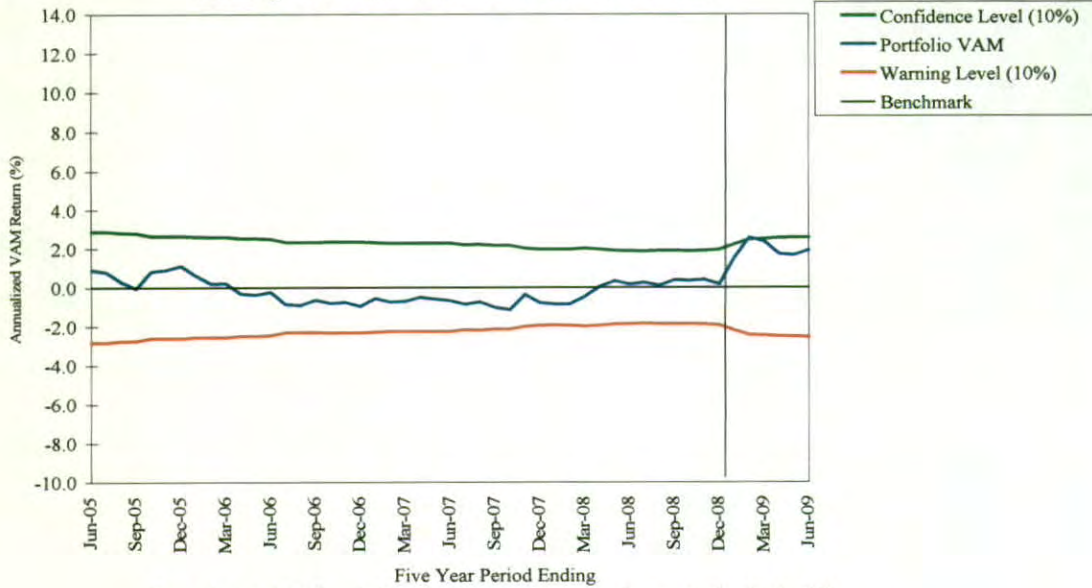
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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Chip Otness

Assets Under Management: \$96,456,057

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



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$72,028,035

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

The portfolio exceeded its benchmark for the quarter and trailed for the year. The quarterly return was helped by positive stock selection across all sectors, particularly in the Financial Services and Consumer Discretionary sectors. For the year, the majority of the underperformance came from negative stock selection in the Financial Services sector. The portfolio has an underweight to the Financial Services sector, but several securities with overweight positions had significant double digit losses.

Staff continues to monitor the portfolio closely.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	37.1%	18.0%
Last 1 year	-30.9	-25.2
Last 2 years	-30.1	-23.5
Last 3 years	-17.7	-12.1
Last 4 years	-12.5	-6.0
Last 5 years	-7.1	-2.3
Since Inception (1/04)	-4.6	-0.7

Calendar Year Returns

	Actual	Russell 2000 Value
2008	-44.1%	-28.9%
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7
2004	27.1	22.2

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$72,028,035

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



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

MARTINGALE ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: William Jacques

Assets Under Management: \$79,749,865

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

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	21.1%	18.0%
Last 1 year	-30.2	-25.2
Last 2 years	-27.4	-23.5
Last 3 years	-16.8	-12.1
Last 4 years	-10.9	-6.0
Last 5 years	-5.4	-2.3
Since Inception (1/04)	-2.9	-0.7

Calendar Year Returns

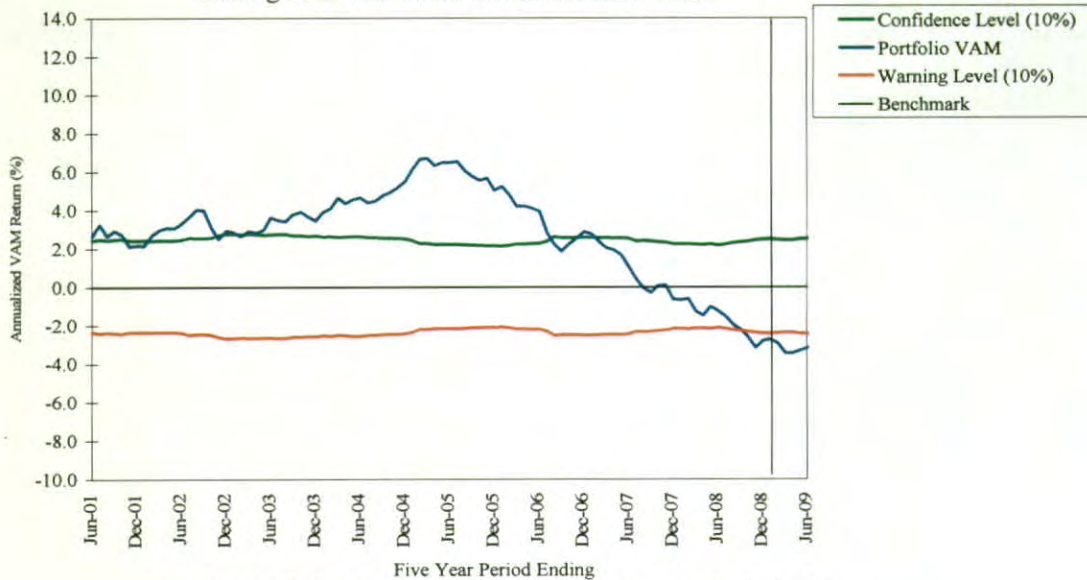
	Actual	Russell 2000 Value
2008	-33.8%	-28.9%
2007	-16.8	-9.8
2006	14.8	23.5
2005	6.2	4.7
2004	30.8	22.2

MARTINGALE ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: William Jacques

Assets Under Management: \$79,749,865

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



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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$129,026,180

Investment Philosophy

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

Staff Comments

Peregrine exceeded the benchmark for the quarter and for the year. For the quarter, stock selection across all sectors was positive, particularly in the Financial Services, Producer Durables, Technology and Consumer Discretionary sectors. For the year, stock selection in the Other Energy and Consumer Discretionary sectors as well as an overweight to Consumer Discretionary contributed to the outperformance.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	34.8%	18.0%
Last 1 year	-22.0	-25.2
Last 2 years	-26.1	-23.5
Last 3 years	-14.5	-12.1
Last 4 years	-8.6	-6.0
Last 5 years	-3.3	-2.3
Since Inception (7/00)	5.8	5.7

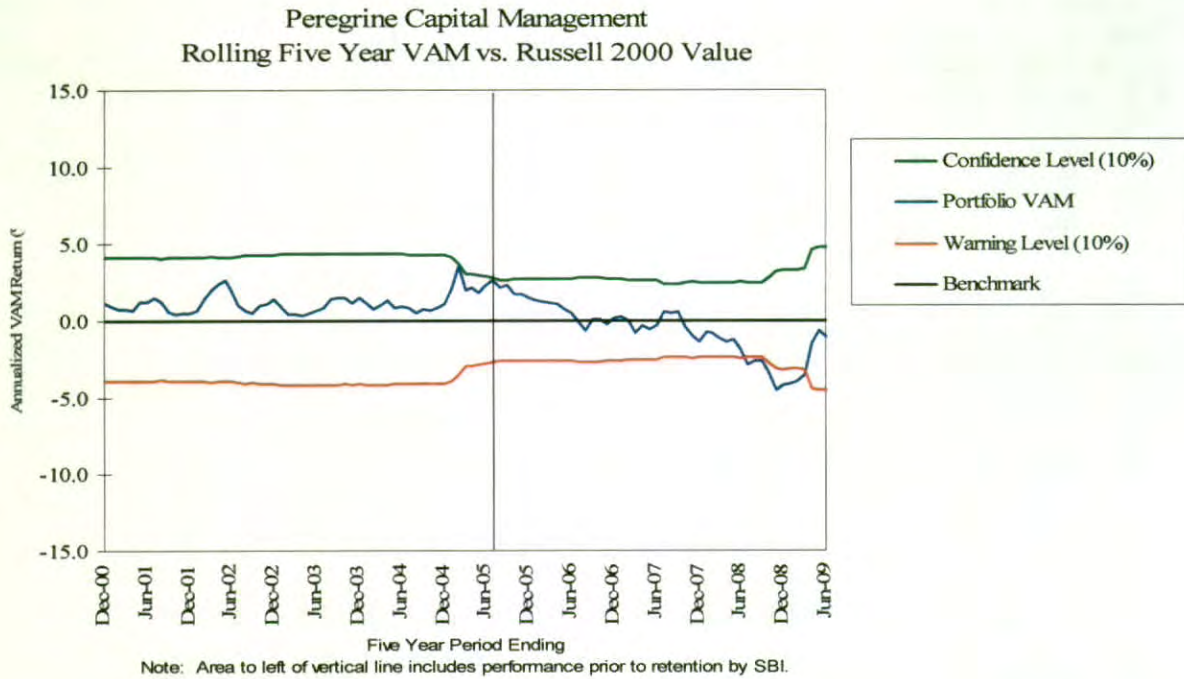
Calendar Year Returns

	Actual	Russell 2000 Value
2008	-39.4%	-28.9%
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7
2004	23.6	22.2

PEREGRINE CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$129,026,180



RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Jacob Hurwitz and Kent Kelley

Assets Under Management: \$36,242,824

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

Kenwood notified staff on June 25, 2009 that they decided to close the firm. Due to Kenwood's decision to close, the Minnesota State Board of Investment (SBI) elected to liquidate its account with Kenwood effective July 7, 2009.

Kenwood's decision to discontinue normal business operations and the liquidation of the account ended the responsibility of Kenwood to provide the SBI with investment management services.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	20.9%	18.0%
Last 1 year	-28.8	-25.2
Last 2 years	-26.9	-23.5
Last 3 years	-15.9	-12.1
Last 4 years	-8.9	-6.0
Last 5 years	-4.8	-2.3
Since Inception (1/04)	-2.6	-0.7

Calendar Year Returns

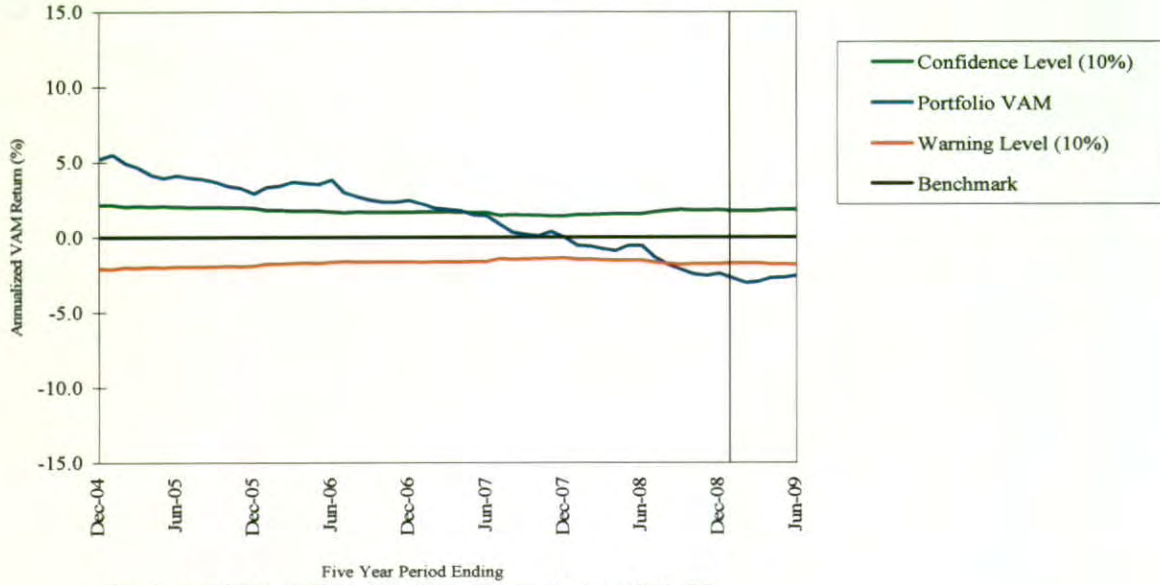
	Actual	Russell 2000 Value
2008	-35.5%	-28.9%
2007	-11.8	-9.8
2006	19.4	23.5
2005	4.8	4.7
2004	25.8	22.2

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Jacob Hurwitz and Kent Kelley

Assets Under Management: \$36,242,824

RIVERSOURCE / KENWOOD CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Russell 2000 Value



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

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Semi-Passive and Passive

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Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending June, 2009

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,225,299,615

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

Barclay's announced on June 11, 2009 that it received a binding offer from BlackRock, Inc. to acquire BGI. The Board of Barclay's announced on June 16, 2009 that it accepted BlackRock's offer to purchase BGI and has resolved to recommend the offer to shareholders for approval at a general meeting to be held in early August.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	16.5%	16.5%
Last 1 year	-27.6	-26.7
Last 2 years	-20.8	-19.8
Last 3 years	-9.2	-8.2
Last 4 years	-4.7	-4.2
Last 5 years	-2.2	-1.9
Since Inception (1/95)	6.5	6.1

Calendar Year Returns

	Actual	Manager Benchmark*
2008	-37.1%	-37.6%
2007	2.2	5.8
2006	15.6	15.5
2005	7.6	6.3
2004	11.7	11.4

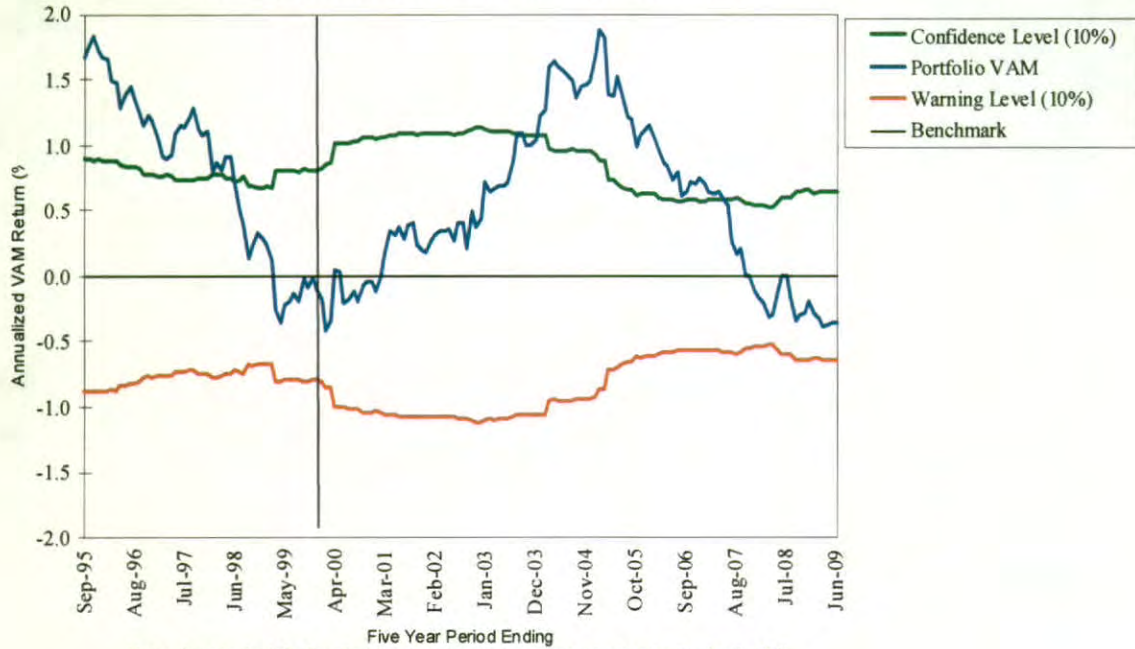
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

BARCLAYS GLOBAL INVESTORS
Periods Ending June, 2009

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,225,299,615

BARCLAYS GLOBAL INVESTORS - 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 June, 2009

Portfolio Manager: Ralph Zingone and Terance Chen Assets Under Management: \$2,004,553,805

Investment Philosophy – Semi-Passive Style

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

Staff Comments

JP Morgan outperformed the benchmark for the quarter and for the year. Stock selection in Financial Services helped the quarterly performance. Stock selection in the Materials & Processing sector contributed to the outperformance in both periods.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	17.5%	16.5%
Last 1 year	-24.5	-26.7
Last 2 years	-19.1	-19.8
Last 3 years	-7.2	-8.2
Last 4 years	-3.8	-4.2
Last 5 years	-1.6	-1.9
Since Inception (1/95)	6.3	6.1

Calendar Year Returns

	Actual	Manager Benchmark*
2008	-37.1%	-37.6%
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3
2004	11.7	11.4

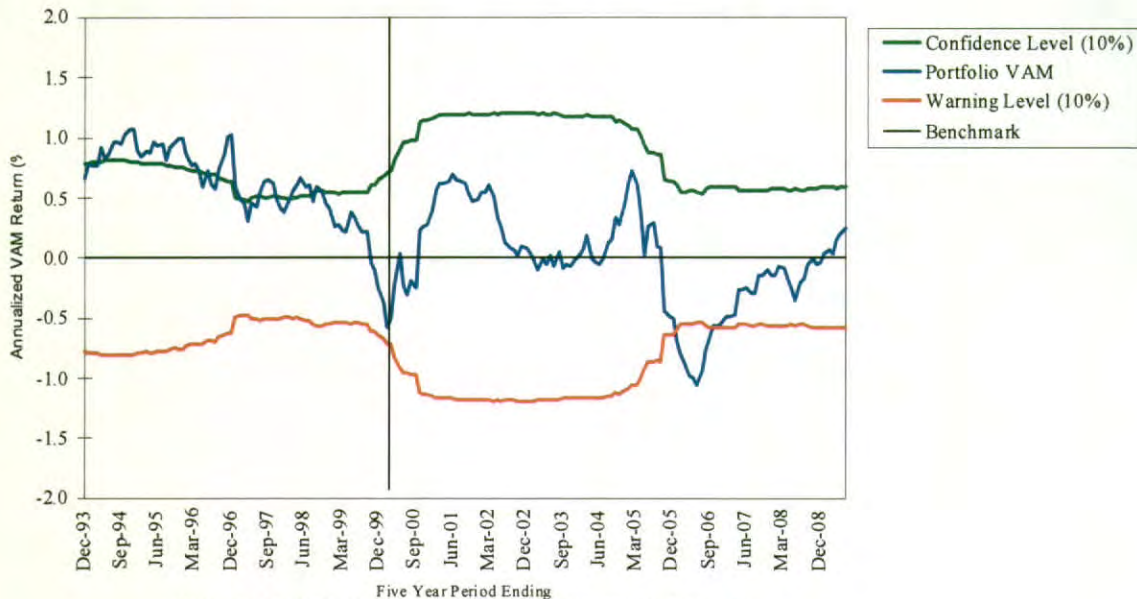
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.

Periods Ending June, 2009

Portfolio Manager: Ralph Zingone and Terance Chen Assets Under Management: \$2,004,553,805

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



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

MELLON CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$1,737,183,255

Investment Philosophy – Semi-Passive Style

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

Staff Comments

The Mellon Capital Boston (Franklin legacy) investment team and process has not changed since their merger with Mellon Capital on January 1, 2009. An integration group has been created within the two investment teams (Franklin legacy and Mellon Capital) to set up a shared investment infrastructure throughout 2009. Paul Healey, COO and President, left Mellon Capital Boston as of May 29, 2009. His client responsibilities have been assumed by David Dirks, Head of Active Equity Client Service. Staff continues to monitor the portfolio closely.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	16.3%	16.5%
Last 1 year	-27.7	-26.7
Last 2 years	-21.1	-19.8
Last 3 years	-9.5	-8.2
Last 4 years	-5.1	-4.2
Last 5 years	-2.7	-1.9
Since Inception (1/95)	5.6	6.1

Calendar Year Returns

	Actual	Manager Benchmark*
2008	-37.6%	-37.6%
2007	2.5	5.8
2006	16.5	15.5
2005	6.1	6.3
2004	11.7	11.4

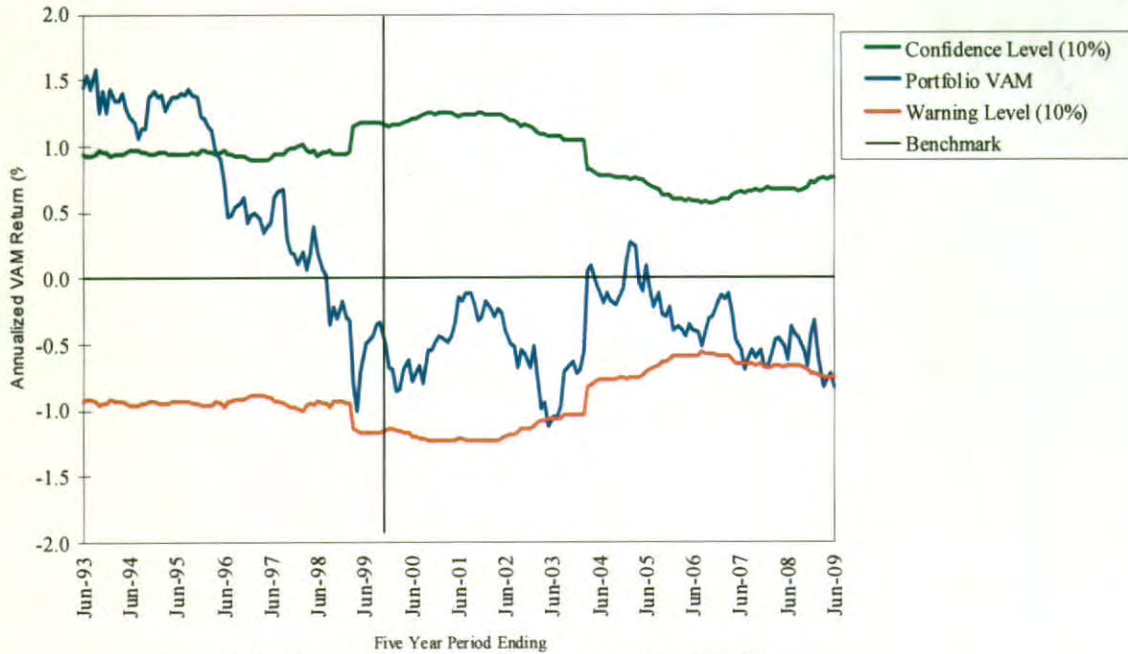
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

MELLON CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$1,737,183,255

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.

BARCLAYS GLOBAL INVESTORS
Periods Ending June, 2009

Portfolio Manager: Amy Schioldager

Assets Under Management: \$6,608,077,067

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

Barclay's announced on June 11, 2009 that it received a binding offer from BlackRock, Inc. to acquire BGI. The Board of Barclay's announced on June 16, 2009 that it accepted BlackRock's offer to purchase BGI and has resolved to recommend the offer to shareholders for approval at a general meeting to be held in early August.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	16.8%	16.8%
Last 1 year	-26.4	-26.6
Last 2 years	-19.8	-19.9
Last 3 years	-8.3	-8.3
Last 4 years	-4.1	-4.2
Last 5 years	-1.8	-1.8
Since Inception (7/95)	5.6	5.5

Calendar Year Returns

	Actual	Manager Benchmark*
2008	-37.1%	-37.3%
2007	5.1	5.1
2006	15.8	15.7
2005	6.2	6.1
2004	12.0	11.9

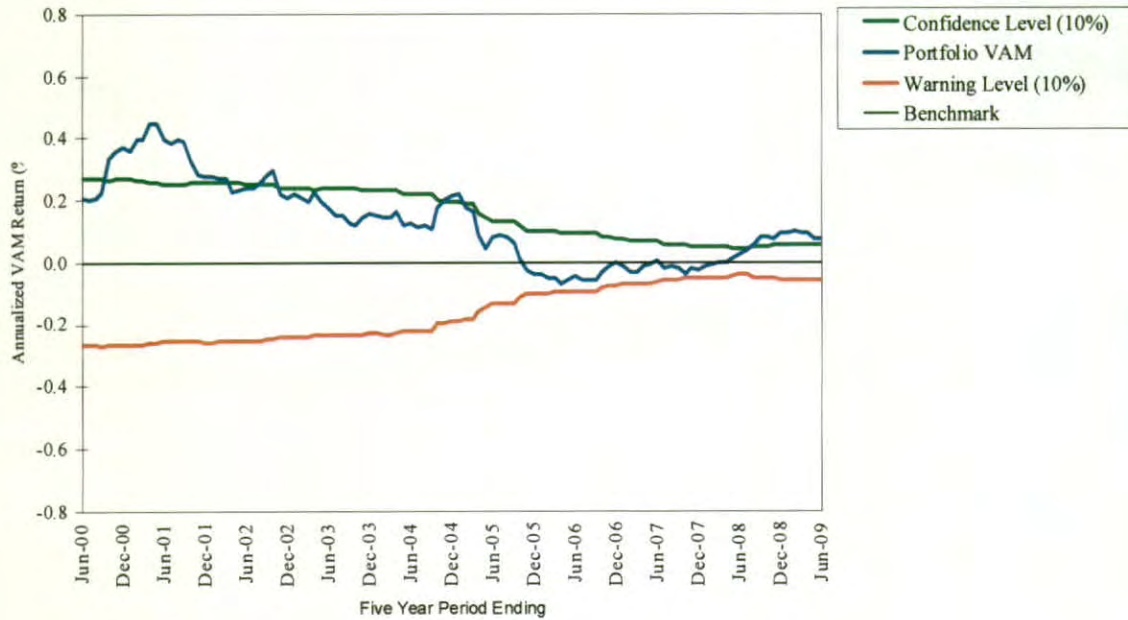
* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

BARCLAYS GLOBAL INVESTORS
Periods Ending June, 2009

Portfolio Manager: Amy Schioldager

Assets Under Management: \$6,608,077,067

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



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STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Second Quarter, 2009

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Bond Managers

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**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending June, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Aberdeen	7.1	1.8	-6.5	6.0	0.8	6.4	1.8	5.0	4.8	6.3	\$814.8	9.8%
Dodge & Cox	7.9	1.8	7.0	6.0	6.0	6.4	5.0	5.0	6.9	6.3	\$862.4	10.3%
PIMCO	5.9	1.8							6.8	6.6	\$744.8	8.9%
RiverSource	4.6	1.8	1.8	6.0	4.5	6.4	4.1	5.0	5.6	6.1	\$725.7	8.7%
Western	5.8	1.8	1.9	6.0	3.9	6.4	3.8	5.0	9.4	8.5	\$1,101.4	13.2%
Active Mgr. Aggregate	6.3	1.8	1.2	6.0	3.5	6.4	3.5	5.0			\$4,249.2	50.9%
Semi-Passive Managers												
BlackRock	3.1	1.8	1.9	6.0	4.7	6.4	4.1	5.0	6.0	6.2	\$1,353.1	16.2%
Goldman	4.4	1.8	4.1	6.0	5.4	6.4	4.6	5.0	6.2	6.1	\$1,367.2	16.4%
Neuberger	5.4	1.8	4.1	6.0	5.0	6.4	4.2	5.0	7.2	7.3	\$1,381.1	16.5%
Semi-Passive Mgr. Aggregate	4.3	1.8	3.4	6.0	5.1	6.4	4.3	5.0			\$4,101.5	49.1%
Historical Aggregate (2)	5.3	1.8	2.5	6.0	4.3	6.4	4.0	5.0	8.4	8.6	\$8,350.69	100.0%
Barclays Capital Aggregate (3)		1.8		6.0		6.4		5.0		8.6		

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

(2) Includes performance of terminated managers.

(3) Prior to July 1994, this index reflects the Salomon BIG.

**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Calendar Year Returns**

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Managers										
Aberdeen	-14.7	5.2	5.6	7.0	4.8	4.3	2.7	2.4	5.1	4.3
Dodge & Cox	0.1	5.2	5.3	7.0	5.5	4.3	2.5	2.4	4.1	4.3
RiverSource	-4.9	5.2	6.6	7.0	4.7	4.3	2.6	2.4	5.1	4.3
Western	-6.8	5.2	5.4	7.0	5.4	4.3	2.7	2.4	6.6	4.3
Active Mgr. Aggregate	-7.3	5.2	5.8	7.0	5.0	4.3	2.9	2.4	5.3	4.3
Semi-Passive Managers										
BlackRock	-1.1	5.2	6.8	7.0	4.3	4.3	2.7	2.4	4.5	4.3
Goldman	-1.2	5.2	7.0	7.0	4.5	4.3	2.8	2.4	5.1	4.3
Neuberger	-1.9	5.2	6.3	7.0	4.5	4.3	2.5	2.4	4.6	4.3
Semi-Passive Mgr. Aggregate	-1.4	5.2	6.7	7.0	4.5	4.3	2.6	2.4	4.7	4.3
Historical Aggregate	-4.2	5.2	6.3	7.0	4.7	4.3	2.8	2.4	5.0	4.3
Barclays Capital Aggregate		5.2		7.0		4.3		2.4		4.3

ABERDEEN ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Neil Moriarty

Assets Under Management: \$814,774,093

Investment Philosophy

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

Staff Comments

Aberdeen outperformed the benchmark by 530 bps in 2Q09 but underperformed by 1250 bps over the last 12 months. Quarterly performance was driven by overweights in the corporate sector, the non-Agency mortgage sector, and the CMBS sector. All of these sectors posted very strong outperformance vs. Treasuries during the quarter. Over the last 12 months however, performance was hurt by the CMBS and non-Agency MBS overweights as those sectors underperformed during the second half of 2008.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.1%	1.8%
Last 1 year	-6.5	6.0
Last 2 years	-1.9	6.6
Last 3 years	0.8	6.4
Last 4 years	0.5	4.6
Last 5 years	1.8	5.0
Since Inception (2/00)	4.8	6.3

Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT
Rolling Five Year VAM



Five Year Period Ending

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

DODGE & COX INVESTMENT MANAGERS
Periods Ending June, 2009

Portfolio Manager: Dana Emery

Assets Under Management: \$862,443,953

Investment Philosophy

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

Staff Comments

Dodge & Cox outperformed the benchmark by 610 bps in 2Q09 and by 100 bps over the last 12 months. During the quarter Dodge & Cox added to its overweight in the corporate bond sector and reaped the benefits of a record-setting quarter in that sector. The portfolio's Agency MBS also boosted performance. Over the last year, security selection in the corporate bond sector detracted from returns, but that was balanced by strong performance of the Agency MBS holdings.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.9%	1.8%
Last 1 year	7.0	6.0
Last 2 years	5.7	6.6
Last 3 years	6.0	6.4
Last 4 years	4.7	4.6
Last 5 years	5.0	5.0
Since Inception (2/00)	6.9	6.3

Recommendations

No action required.

DODGE & COX INVESTMENT MANAGERS
Rolling Five Year VAM



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

PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)

Periods Ending June, 2009

Portfolio Manager: Bill Gross

Assets Under Management: \$744,817,192

Investment Philosophy

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

Staff Comments

PIMCO outperformed the benchmark by 410 bps in 2Q09 and has outperformed by 20 bps since inception in September 2008. Performance has been driven by the corporate sector as historically cheap valuations have been taken advantage of by investors leading to strong buying in the sector. The portfolio's non-Agency MBS have also added to performance as prices continue to improve off the February lows. PIMCO also maintains a curve-flattening bias—which was a negative contributor to performance—as well as a short duration stance, which added to performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.9%	1.8%
Last 1 year	N/A	N/A
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	6.8	6.6

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2010.

RIVERSOURCE INVESTMENTS
Periods Ending June, 2009

Portfolio Manager: Colin Lundgren

Assets Under Management: \$725,718,371

Investment Philosophy

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

Staff Comments

Riversource outperformed the benchmark by 280 bps in 2Q09 but underperformed by 420 bps over the last 12 months. Quarterly performance was driven by overweights in the corporate bond and CMBS sectors as these sectors outperformed Treasuries. A High Yield corporate bond overweight also contributed to excess returns. Over the last year, performance was hurt by overweights to CMBS and non-Agency MBS as well as security selection in corporate bonds.

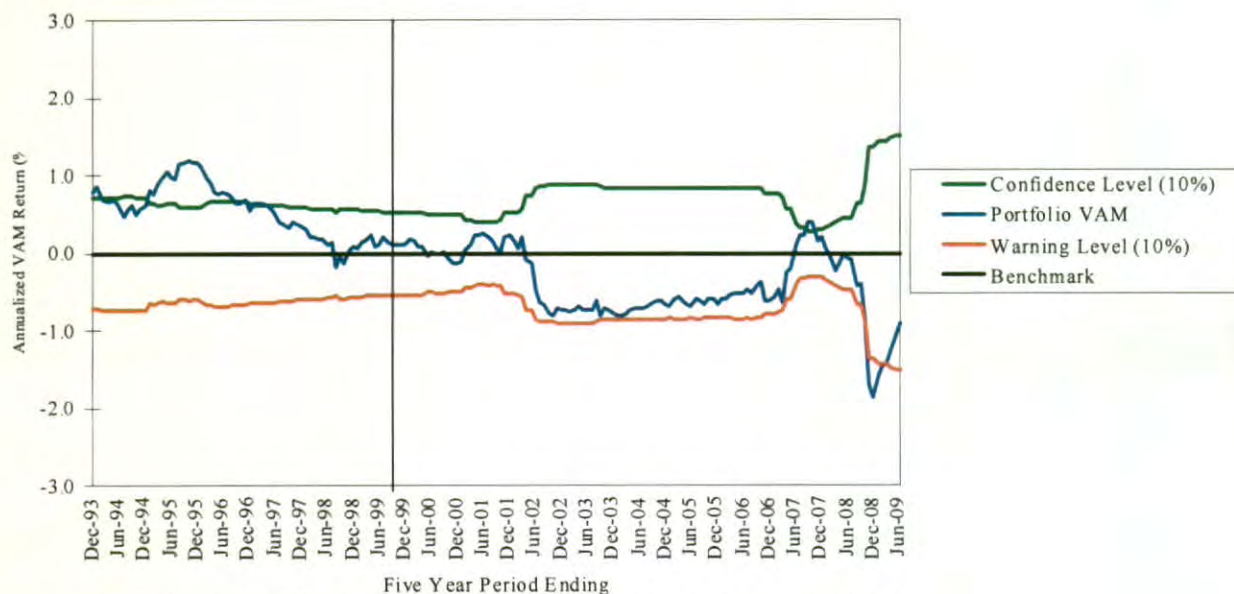
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.6%	1.8%
Last 1 year	1.8	6.0
Last 2 years	3.5	6.6
Last 3 years	4.5	6.4
Last 4 years	3.3	4.6
Last 5 years	4.1	5.0
Since Inception (7/93)	5.6	6.1

Recommendations

No action required.

RIVERSOURCE INVESTMENTS - FIXED INCOME
Rolling Five Year VAM



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

WESTERN ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,101,447,574

Investment Philosophy

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

Staff Comments

Western outperformed the benchmark by 400 bps in 2Q09 but underperformed by 410 bps over the last 12 months. Performance was driven by an overweight to the corporate sector, which recorded record outperformances in April and May. Western's high yield corporate exposure also added to performance as that sector also set records for outperformance during the quarter. Over the last year, overweights to non-Agency MBS and CMBS were the main detractors of returns.

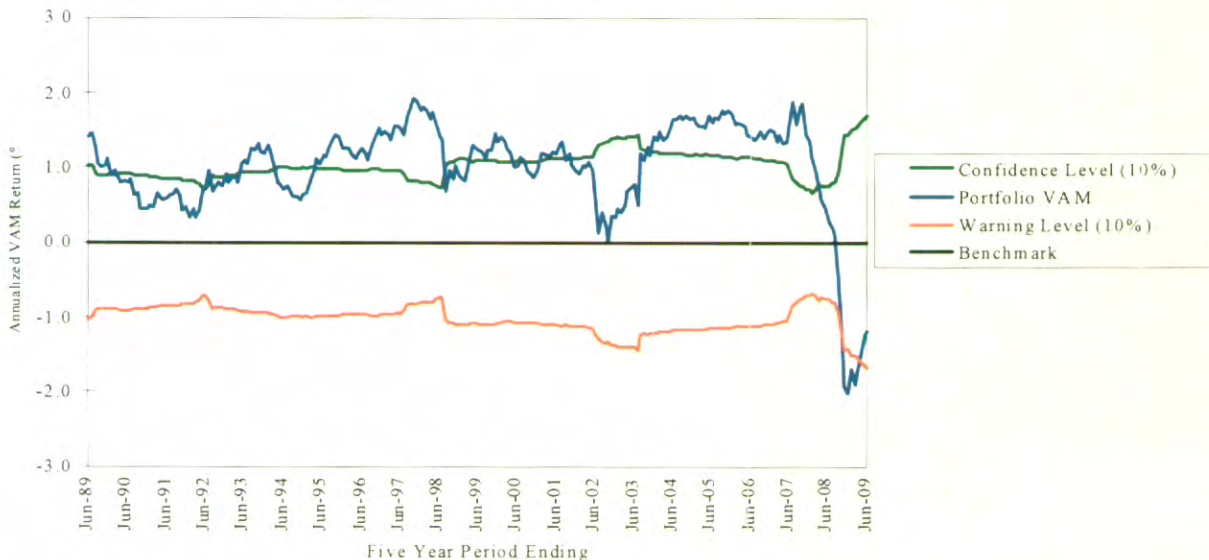
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.8%	1.8%
Last 1 year	1.9	6.0
Last 2 years	2.4	6.6
Last 3 years	3.9	6.4
Last 4 years	2.8	4.6
Last 5 years	3.8	5.0
Since Inception (7/84)	9.4	8.5

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
 Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending June, 2009

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,353,110,909

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 the benchmark by 130 bps in 2Q09 but underperformed by 410 bps over the last 12 months. CMBS and ABS overweights as well as security selection in the corporate sector added to quarterly performance. Non-Agency mortgages were also a positive contributor as their prices continue to improve. For the year, performance was hurt by the CMBS overweight as well as corporate security selection.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.1%	1.8%
Last 1 year	1.9	6.0
Last 2 years	4.2	6.6
Last 3 years	4.7	6.4
Last 4 years	3.4	4.6
Last 5 years	4.1	5.0
Since Inception (4/96)	6.0	6.2

Recommendation

No action required.

BLACKROCK, INC.
Rolling Five Year VAM



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,367,236,669

Investment Philosophy

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

Staff Comments

Goldman Sachs outperformed the benchmark by 260 bps in 2Q09 and underperformed by 190 bps over the last 12 months. Quarterly performance was driven by a modest overweight to corporate bonds as well as non-Agency MBS and CMBS. Although non-Agency MBS prices have rebounded this year, it has not been sufficient to cover the underperformance of those bonds over the last 12 months. The CMBS overweight also detracted from returns over the last 12 months, and the corporate bond sector overweight added to yearly returns.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.4%	1.8%
Last 1 year	4.1	6.0
Last 2 years	5.0	6.6
Last 3 years	5.4	6.4
Last 4 years	3.9	4.6
Last 5 years	4.6	5.0
Since Inception (7/93)	6.2	6.1

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,381,142,171

Investment Philosophy

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

Staff Comments

Neuberger outperformed the benchmark by 360 bps in 2Q09 but underperformed by 190 bps over the last 12 months. Security selection and sector overweights in corporate bonds, RMBS and CMBS generated much of the quarterly outperformance. Over the last 12 months, performance was negatively impacted by sector overweights to RMBS and CMBS, while corporate bond security selection generated positive excess returns which offset some of the underperformance.

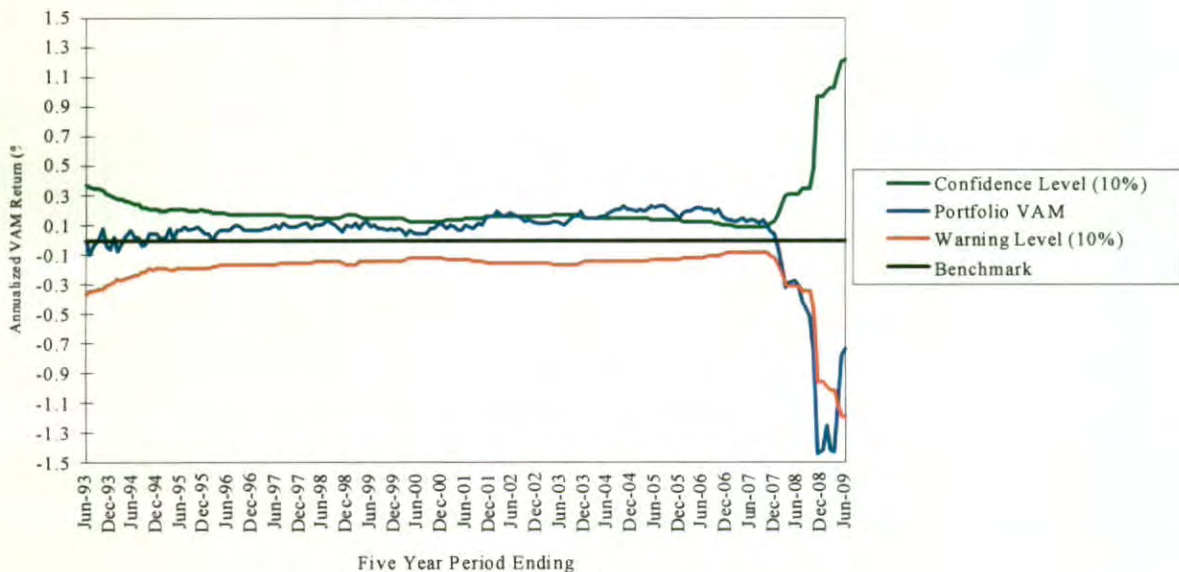
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.4%	1.8%
Last 1 year	4.1	6.0
Last 2 years	4.4	6.6
Last 3 years	5.0	6.4
Last 4 years	3.6	4.6
Last 5 years	4.2	5.0
Since Inception (7/88)	7.2	7.3

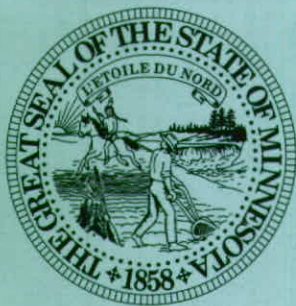
Recommendations

No action required.

NEUBERGER INVESTMENT MANAGEMENT
 Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Second Quarter, 2009

International Managers

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**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending June, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active Developed Markets (2)												
Acadian	24.6	25.9	-41.5	-31.6	-12.1	-7.4			-1.8	0.2	\$293.8	4.8%
Invesco	24.7	25.9	-24.1	-31.6	-6.5	-7.4	2.7	2.9	2.0	-0.2	\$270.6	4.4%
J.P. Morgan	24.8	25.9	-28.5	-31.6	-7.9	-7.4			-0.5	0.2	\$179.0	2.9%
Marathon	25.9	25.9	-26.5	-31.6	-3.5	-7.4	6.2	2.9	7.5	3.9	\$404.2	6.6%
McKinley	14.6	25.9	-43.3	-31.6	-11.2	-7.4			-2.2	0.2	\$175.0	2.9%
Pyramis (Fidelity)	24.0	25.9	-31.9	-31.6	-6.0	-7.4			1.5	0.2	\$196.8	3.2%
RiverSource	20.8	25.9	-30.0	-31.6	-7.1	-7.4	3.0	2.9	-2.6	-0.2	\$199.7	3.3%
Aggregate	23.8	25.9	-31.2	-31.6	-7.2	-7.4	2.8	2.9			\$1,719.0	28.1%
Active Emerging Markets (3)												
AllianceBernstein	31.6	34.7	-34.8	-28.1	-0.2	3.2	12.3	14.9	10.1	11.7	\$287.1	4.7%
Capital International	35.2	34.7	-20.6	-28.1	7.6	3.2	17.9	14.9	11.2	11.7	\$506.4	8.3%
Morgan Stanley	36.4	34.7	-28.4	-28.1	2.9	3.2	15.3	14.9	11.8	11.7	\$474.7	7.8%
Aggregate	34.8	34.7	-27.5	-28.1	3.7	3.2	15.3	14.9			\$1,268.2	20.7%
Semi-Passive Developed Markets (2)												
AQR	26.4	25.9	-32.4	-31.6	-8.3	-7.4			-0.4	0.2	\$196.5	3.2%
Pyramis (Fidelity)	23.6	25.9	-34.4	-31.6	-6.4	-7.4			1.1	0.2	\$208.6	3.4%
State Street	27.2	25.9	-33.6	-31.6	-9.0	-7.4			-0.7	0.2	\$193.5	3.2%
Aggregate	25.7	25.9	-33.5	-31.6	-7.9	-7.4					\$598.6	9.8%
Passive Developed Markets (2)												
State Street	26.0	25.9	-31.5	-31.6	-7.2	-7.4	3.1	2.9	5.5	5.3	\$2,530.3	41.4%
Since 10/1/92												
Equity Only (4) (6)	27.0	27.6	-31.0	-30.9	-5.7	-5.7	4.5	4.5	6.1	5.6	\$6,116.7	100.0%
Total Program (5) (6)	27.0	27.6	-31.0	-30.9	-5.7	-5.7	4.5	4.5	6.3	5.6	\$6,116.7	100.0%
SBI Int'l Equity Target (6)		27.6		-30.9		-5.7		4.5		5.6		
MSCI ACWI Free ex. U.S. (7)		27.6		-30.9		-5.8		4.5		6.0		
MSCI World ex U.S. (net)		25.9		-31.6		-7.5		2.9		5.4		
MSCI EAFE Free (net)		25.4		-31.4		-8.0		2.3		5.1		
MSCI Emerging Markets Free (8)		34.7		-28.1		3.0		14.7		8.2		

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

(2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net).

From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).

(3) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net).

From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).

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

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

(6) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net).

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

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

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

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

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Active Developed Markets (1)										
Acadian	-50.5	-43.5	10.0	12.6	31.9	25.7				
Invesco	-38.8	-43.5	8.4	12.6	26.0	25.7	10.6	14.5	21.4	20.4
J.P. Morgan	-41.5	-43.5	8.8	12.6	23.1	25.7				
Marathon	-38.0	-43.5	15.4	12.6	27.5	25.7	16.4	14.5	24.6	20.4
McKinley	-48.5	-43.5	20.4	12.6	25.4	25.7				
Pyramis (Fidelity)	-42.9	-43.5	17.7	12.6	22.7	25.7				
RiverSource	-40.8	-43.5	12.4	12.6	23.6	25.7	14.2	14.5	17.5	20.4
Aggregate	-42.8	-43.5	13.0	12.6	25.8	25.7	13.6	14.5	19.0	20.4
Active Emerging Markets (2)										
AllianceBernstein	-56.0	-53.2	38.8	39.9	30.4	32.2	32.7	34.0	28.6	25.5
Capital International	-48.9	-53.2	38.4	39.9	35.6	32.2	38.4	34.0	19.5	25.5
Morgan Stanley	-54.5	-53.2	43.0	39.9	37.6	32.2	34.3	34.0	24.2	25.5
Aggregate	-53.0	-53.2	40.0	39.9	34.4	32.2	34.9	34.0	22.9	25.5
Semi-Passive Developed Markets (1)										
AQR	-44.0	-43.5	9.0	12.6	25.2	25.7				
Pyramis (Fidelity)	-44.0	-43.5	18.2	12.6	26.8	25.7				
State Street	-45.3	-43.5	9.1	12.6	27.1	25.7				
Aggregate	-44.4	-43.5	12.1	12.6	26.4	25.7				
Passive Developed Markets (1)										
State Street	-43.4	-43.5	12.9	12.6	26.0	25.7	14.6	14.5	20.6	20.4
Equity Only (3) (5)	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6	20.0	20.9
Total Program (4) (5)	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6	20.0	20.9
SBI Int'l Equity Target (5)	-45.5		16.9		26.7		16.6		20.9	
MSCI ACWI Free ex. U.S. (6)	-45.5		16.7		26.7		16.6		20.9	
MSCI World ex U.S. (net)	-43.6		12.4		25.7		14.5		20.4	
MSCI EAFE Free (net)	-43.4		11.2		26.3		13.5		20.2	
MSCI Emerging Markets Free (7)	-53.3		39.4		32.2		34.0		25.5	

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

ACADIAN ASSET MANAGEMENT LLC
Periods Ending June, 2009

Portfolio Manager: John Chisholm

Assets Under Management: \$293,751,614

Investment Philosophy

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

Staff Comments

During the quarter, a market rally led by cheap, poor-quality stocks with poor prospective earnings hurt the portfolio which is invested in value stocks with higher financial quality and positive prospective earnings. The returns for the year were also negatively impacted by a prior period of extreme risk aversion, during which value stocks underperformed.

Quantitative Evaluation

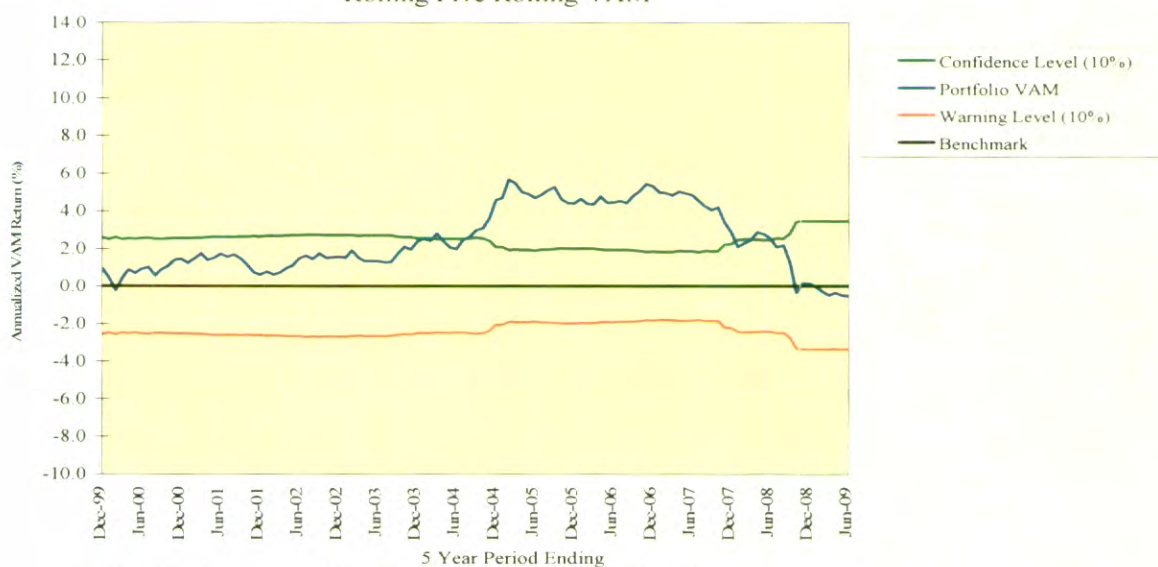
	Actual	Benchmark
Last Quarter	24.6%	25.9%
Last 1 year	-41.5	-31.6
Last 2 years	-28.9	-20.9
Last 3 years	-12.1	-7.4
Last 4 years	-1.8	0.2
Last 5 years	N/A	N/A
Since Inception	-1.8	0.2

(7/05)

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



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

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Erik Granade

Assets Under Management: \$270,621,170

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

The portfolio underperformed during the quarter and outperformed for the year. During both periods, stock selection overall was positive. The portfolio's underweight to financials and industrials detracted from performance during the quarter, but benefitted performance for the year.

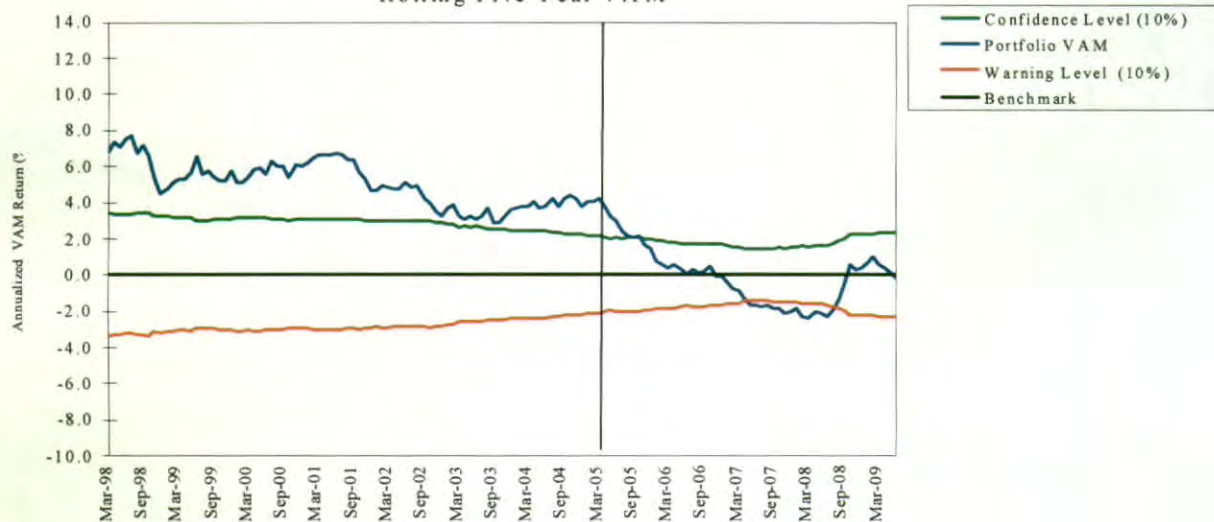
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	24.7%	25.9%
Last 1 year	-24.1	-31.6
Last 2 years	-19.1	-20.9
Last 3 years	-6.5	-7.4
Last 4 years	0.5	0.2
Last 5 years	2.7	2.9
Since Inception (3/00)	2.0	-0.2

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
 Rolling Five Year VAM



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

J.P. MORGAN INVESTMENT MANAGEMENT INC.
Periods Ending June, 2009

Portfolio Manager: James Fisher

Assets Under Management: \$178,963,384

Investment Philosophy

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

Staff Comments

Stock selection in the energy and information technology sectors detracted from returns over the quarter, but added value over the year, together with stock selection in the materials, consumer staples and financials sectors.

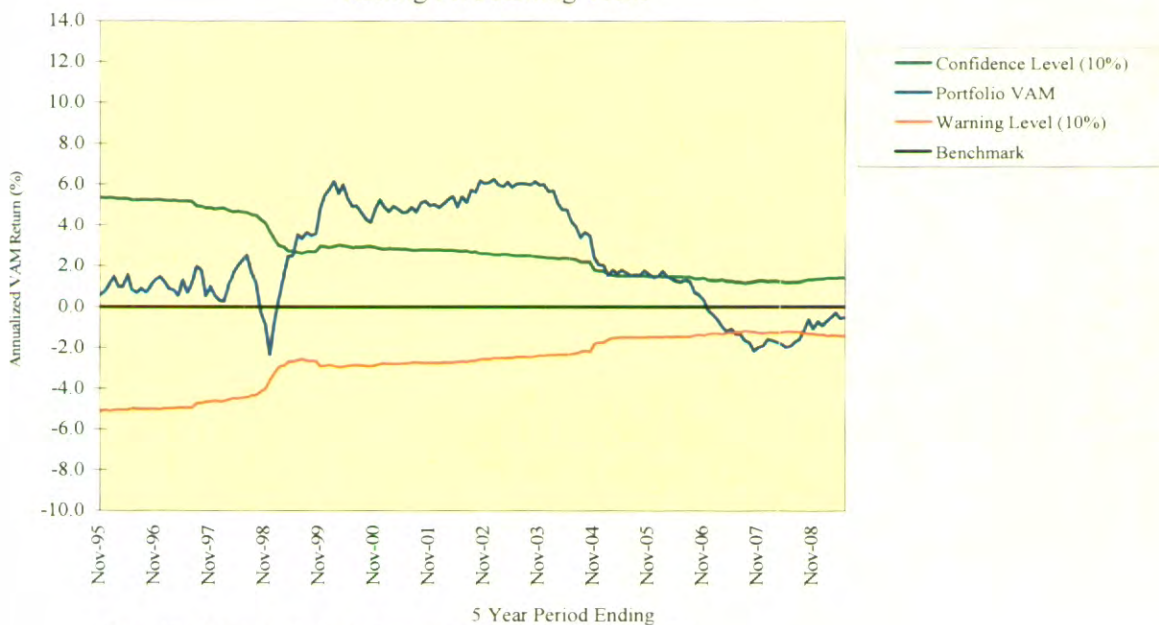
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	24.8%	25.9%
Last 1 year	-28.5	-31.6
Last 2 years	-20.1	-20.9
Last 3 years	-7.9	-7.4
Last 4 years	-0.5	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	-0.5	0.2

Recommendations

No action required.

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



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

MARATHON ASSET MANAGEMENT

Periods Ending June, 2009

Portfolio Manager: William Arah

Assets Under Management: \$404,224,693

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 matched the benchmark return for the quarter, helped by stock selection in Europe and hurt by stock selection in Japan. During the year, stock selection in Japan and in the financials, industrials and materials sectors contributed positively.

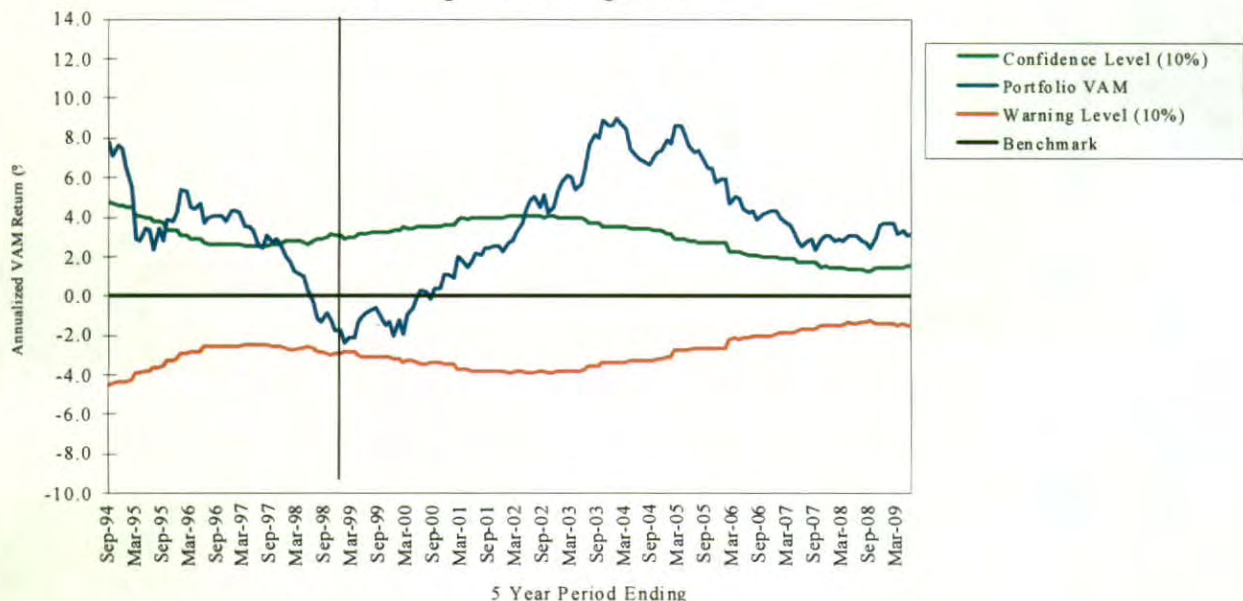
Quantitative Evaluation

	Custom	
	Actual	Benchmark
Last Quarter	25.9%	25.9%
Last 1 year	-26.5	-31.6
Last 2 years	-16.8	-20.9
Last 3 years	-3.5	-7.4
Last 4 years	3.5	0.2
Last 5 years	6.2	2.9
Since Inception (11/93)	7.5	3.9

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.

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending June, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$174,954,248

Investment Philosophy

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

Staff Comments

The portfolio significantly underperformed during the quarter, which contributed heavily to the underperformance for the year. McKinley focuses on buying companies with strong recent risk adjusted returns and relative earnings growth, resulting in a bias to momentum. The momentum risk factor experienced its worst historic performance during the most recent quarter. The market rotated sharply, rewarding the worst performing stocks from the previous quarter as well as stocks with little earnings strength.

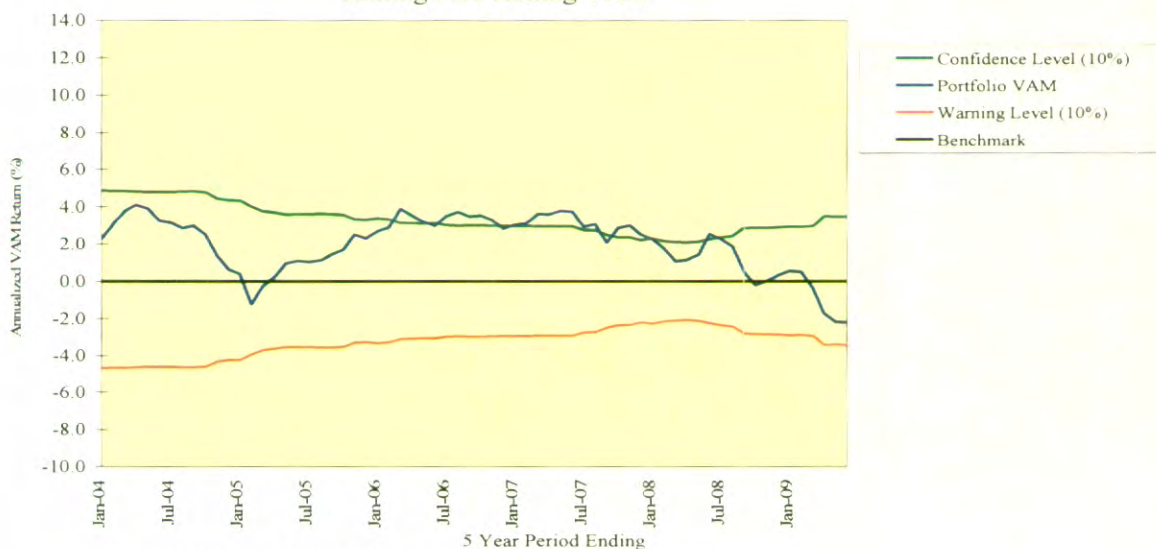
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	14.6%	25.9%
Last 1 year	-43.3	-31.6
Last 2 years	-26.8	-20.9
Last 3 years	-11.2	-7.4
Last 4 years	-2.2	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	-2.2	0.2

Recommendations

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.
 Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending June, 2009

Portfolio Manager: Michael Strong

Assets Under Management: \$196,792,911

Investment Philosophy

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

Staff Comments

During the quarter the portfolio's overweight position in the healthcare sector, the worst performer, together with stock selection in the materials sector detracted from returns. Over the year, stock selection the energy and financials sectors, two of the worst performers, contributed negatively.

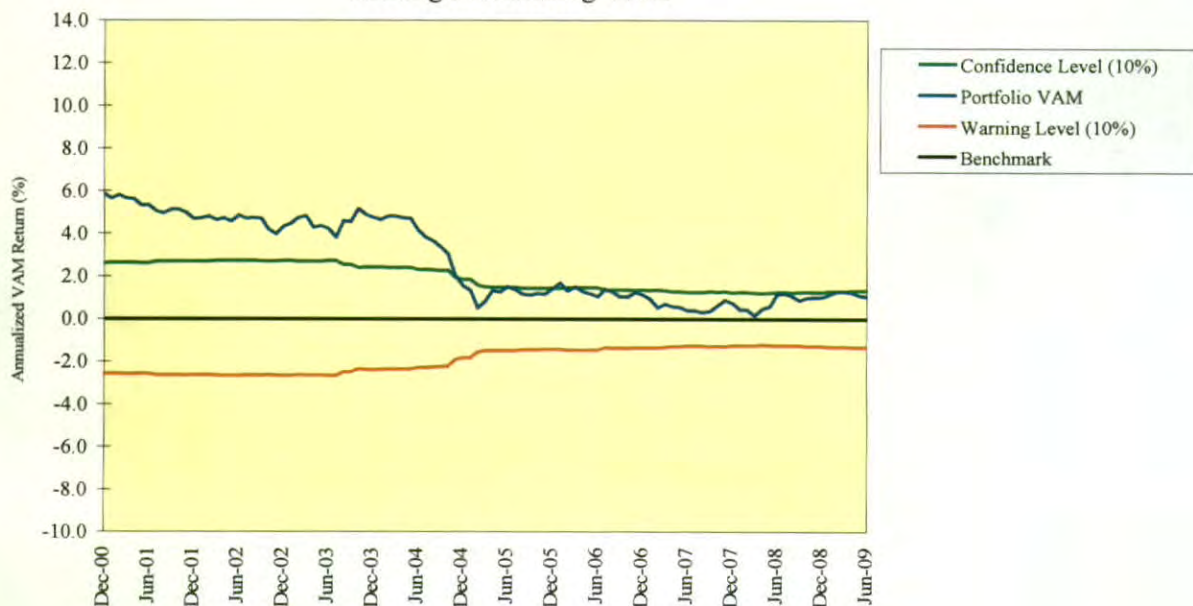
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	24.0%	25.9%
Last 1 year	-31.9	-31.6
Last 2 years	-18.6	-20.9
Last 3 years	-6.0	-7.4
Last 4 years	1.5	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	1.5	0.2

Recommendations

No action required.

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



5 Year Period Ending

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

RIVERSOURCE INVESTMENTS
Periods Ending June, 2009

Portfolio Manager: Esther Perkins

Assets Under Management: \$199,666,104

Investment Philosophy

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

Staff Comments

While stock selection in the financials and materials sectors contributed positively during the year, it detracted from returns during the quarter. Over the year, stock selection in the healthcare sector added value.

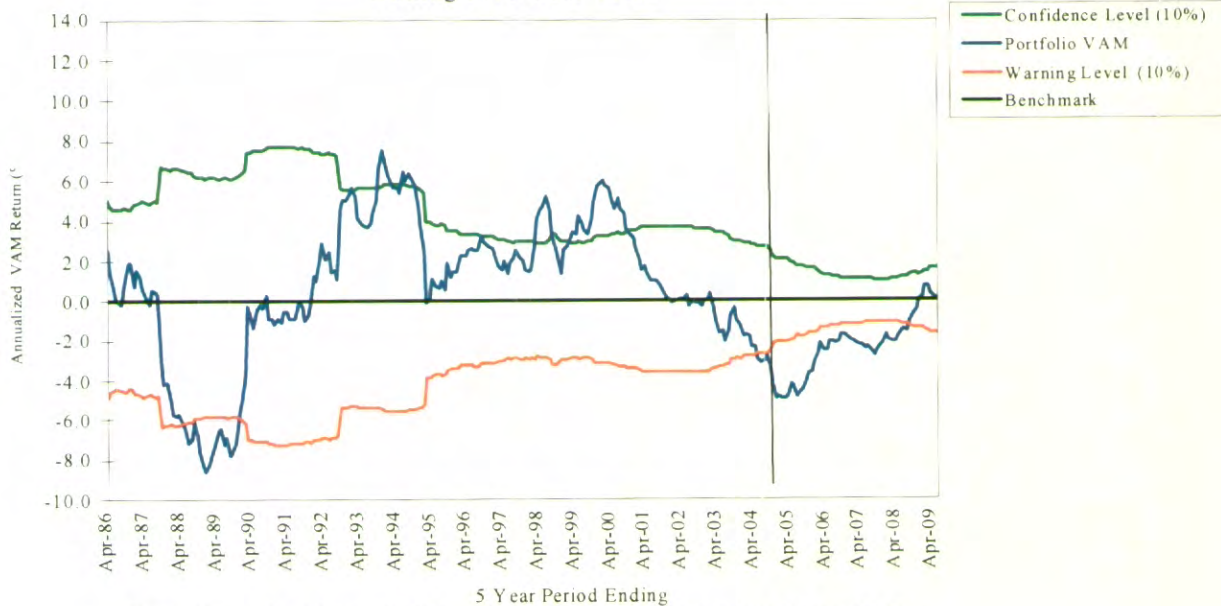
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	20.8%	25.9%
Last 1 year	-30.0	-31.6
Last 2 years	-19.3	-20.9
Last 3 years	-7.1	-7.4
Last 4 years	0.8	0.2
Last 5 years	3.0	2.9
Since Inception (3/00)	-2.6	-0.2

Recommendations

No action required.

RIVERSOURCE INVESTMENTS
Rolling Five Year VAM



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

ALLIANCEBERNSTEIN L.P.
Periods Ending June, 2009

Portfolio Manager: Steve Beinhacker

Assets Under Management: \$287,148,901

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 during the quarter and the year. Over the quarter, stock selection in India, Israel and Russia detracted. Over the year, stock selection in South Africa, China and Korea contributed negatively to returns.

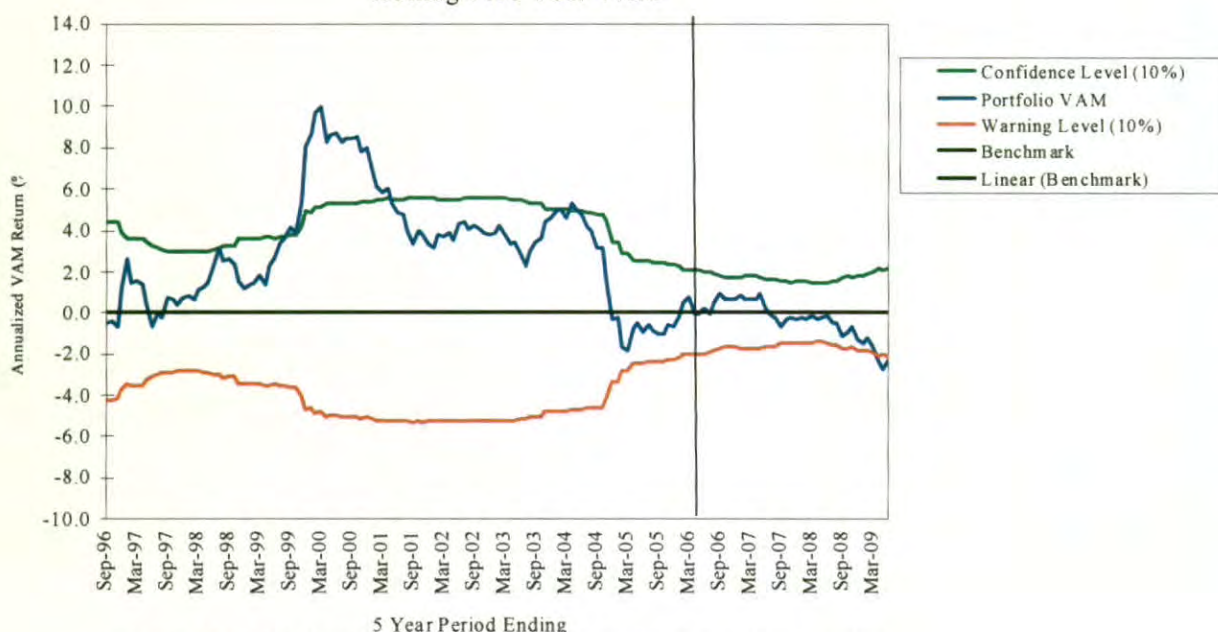
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	31.6%	34.7%
Last 1 year	-34.8	-28.1
Last 2 years	-17.2	-13.0
Last 3 years	-0.2	3.2
Last 4 years	7.2	10.4
Last 5 years	12.3	14.9
Since Inception (3/01)	10.1	11.7

Recommendations

No action required.

ALLIANCEBERNSTEIN L.P.
 Rolling Five Year VAM



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

CAPITAL INTERNATIONAL, INC.
Periods Ending June, 2009

Portfolio Manager: Victor Kohn

Assets Under Management: \$506,373,757

Investment Philosophy

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

Staff Comments

Stock selection in China and an underweight position in Korea contributed positively to performance over the quarter and the year.

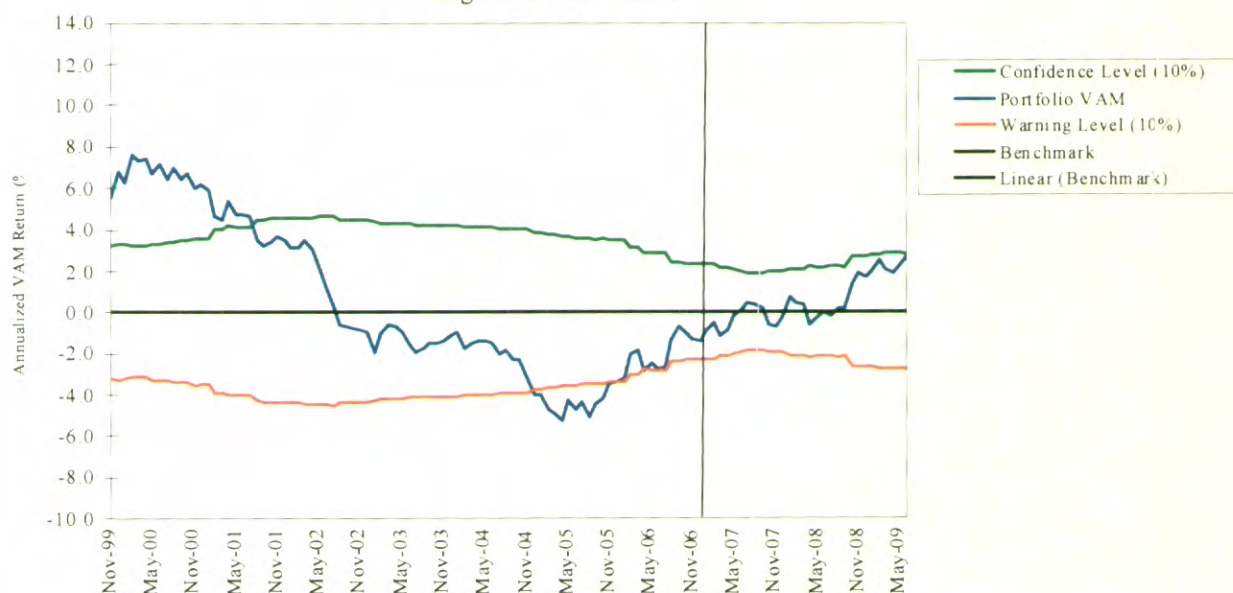
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	35.2%	34.7%
Last 1 year	-20.6	-28.1
Last 2 years	-9.4	-13.0
Last 3 years	7.6	3.2
Last 4 years	14.5	10.4
Last 5 years	17.9	14.9
Since Inception (3/01)	11.2	11.7

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



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

MORGAN STANLEY INVESTMENT MANAGEMENT

Periods Ending June, 2009

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$474,669,010

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 outperformed during the quarter and narrowly underperformed for the year. Overweight positions in the Indian and Turkish markets, which were top performers, added value during the quarter. While for the year, stock selection in Brazil and an overweight to Poland detracted from returns.

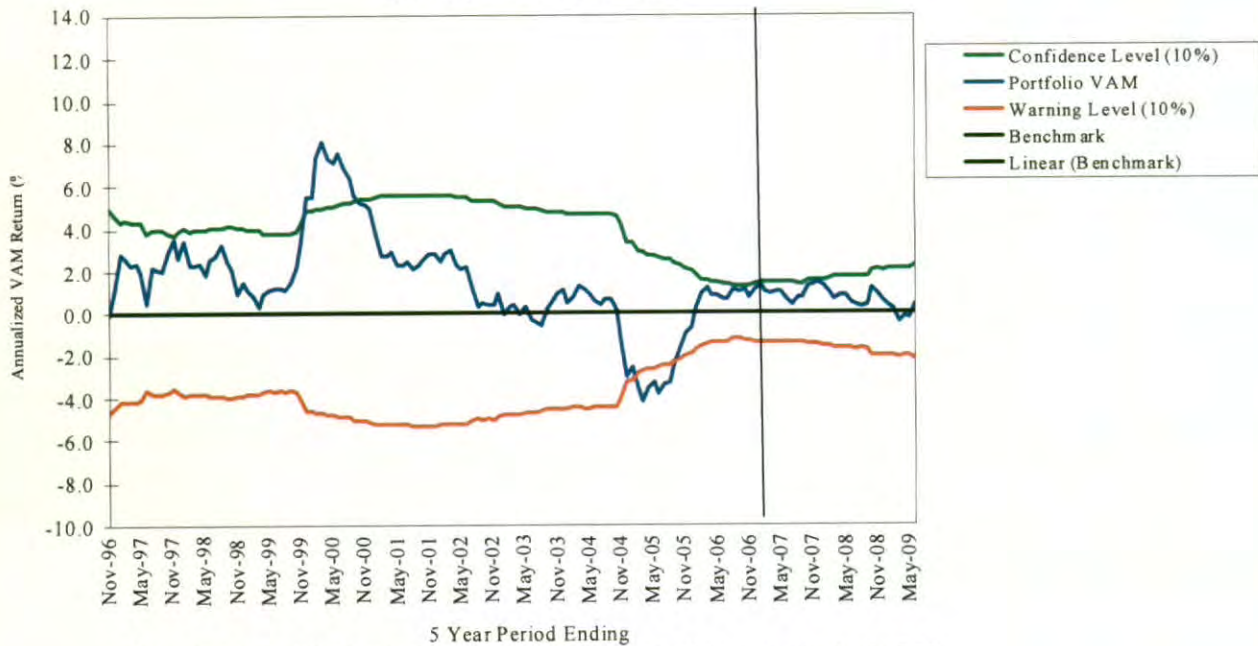
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	36.4%	34.7%
Last 1 year	-28.4	-28.1
Last 2 years	-14.4	-13.0
Last 3 years	2.9	3.2
Last 4 years	10.9	10.4
Last 5 years	15.3	14.9
Since Inception (3/01)	11.8	11.7

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



AQR CAPITAL MANAGEMENT, LLC
Periods Ending June, 2009

Portfolio Manager: Cliff Asnes

Assets Under Management: \$196,528,440

Investment Philosophy

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

Staff Comments

The portfolio outperformed the index over the quarter and underperformed over the year. Stock selection in Japan added value during the quarter, while stock selection in the United Kingdom detracted from returns for the year.

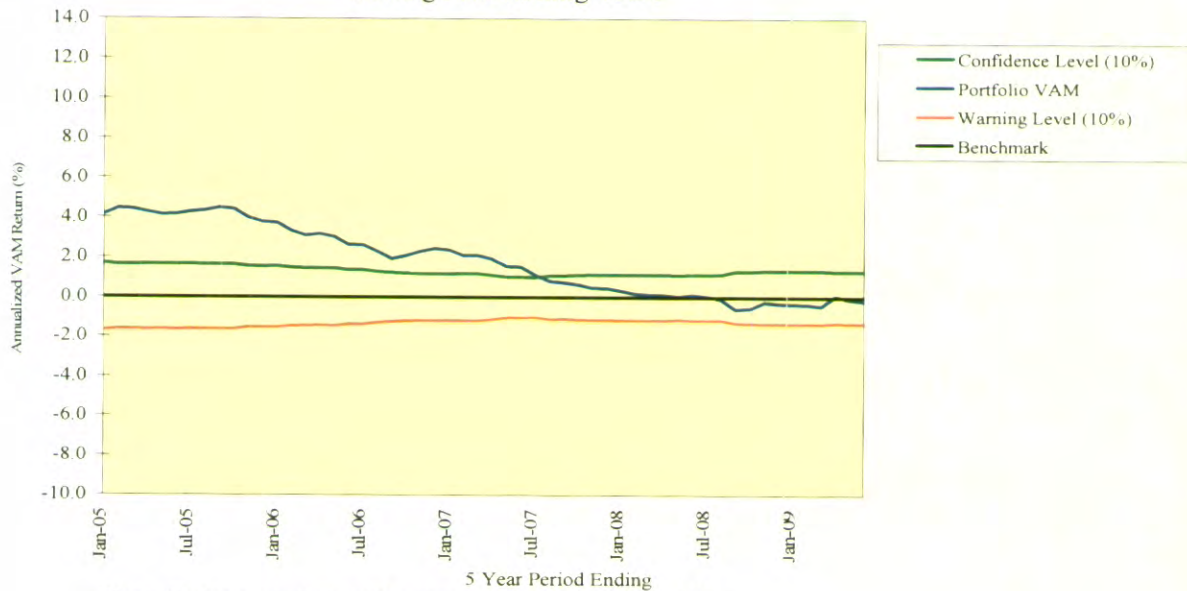
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	26.4%	25.9%
Last 1 year	-32.4	-31.6
Last 2 years	-22.5	-20.9
Last 3 years	-8.3	-7.4
Last 4 years	-0.4	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	-0.4	0.2

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



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

PYRAMIS GLOBAL ADVISORS TRUST COMPANY
(Formerly Fidelity Management Trust Company)
Periods Ending June, 2009

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$208,582,538

Investment Philosophy

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

Staff Comments

The portfolio underperformed during the quarter and the year. Negative stock selection in Japan detracted from returns over both periods.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	23.6%	25.9%
Last 1 year	-34.4	-31.6
Last 2 years	-20.4	-20.9
Last 3 years	-6.4	-7.4
Last 4 years	1.1	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	1.1	0.2

Recommendations

No action required.

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



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

STATE STREET GLOBAL ADVISORS
Periods Ending June, 2009

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$193,513,876

Investment Philosophy

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

Staff Comments

The portfolio outperformed the index over the quarter and underperformed for the year. Stock selection in the financials sector contributed positively over the quarter, and detracted from returns over the year.

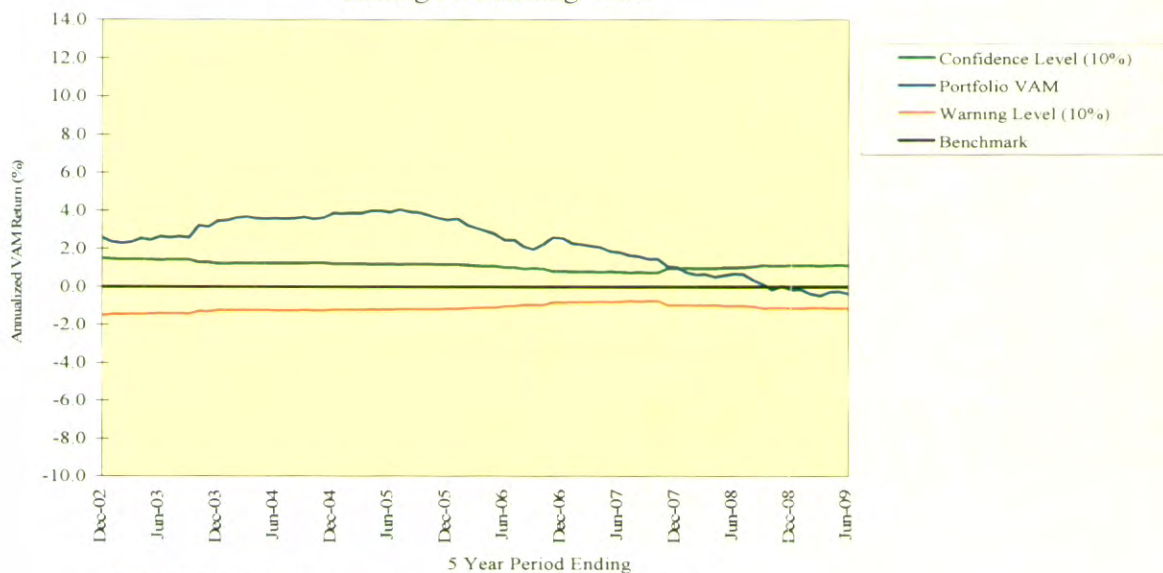
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	27.2%	25.9%
Last 1 year	-33.6	-31.6
Last 2 years	-23.1	-20.9
Last 3 years	-9.0	-7.4
Last 4 years	-0.7	0.2
Last 5 years	N/A	N/A
Since Inception (7/05)	-0.7	0.2

Recommendations

No action required.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Rolling VAM



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

STATE STREET GLOBAL ADVISORS
Periods Ending June, 2009

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,530,317,055

Investment Philosophy

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

Staff Comments

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

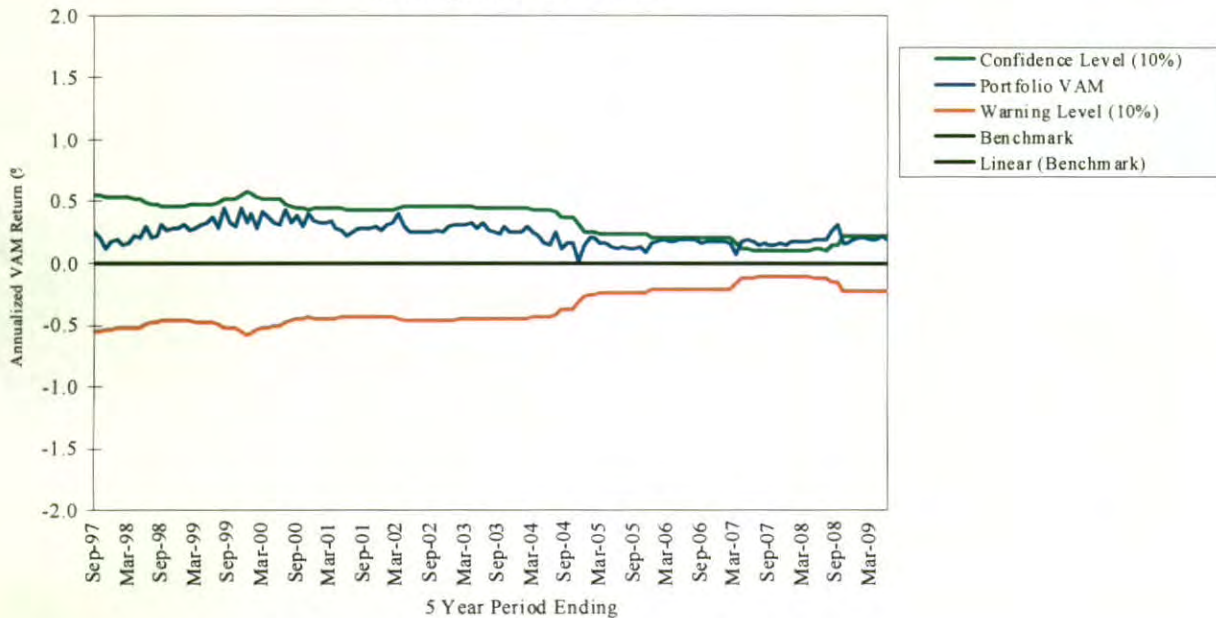
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	26.0%	25.9%
Last 1 year	-31.5	-31.6
Last 2 years	-20.7	-20.9
Last 3 years	-7.2	-7.4
Last 4 years	0.4	0.2
Last 5 years	3.1	2.9
Since Inception (10/92)	5.5	5.3

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
 Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Second Quarter, 2009

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Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending June, 2009

	Quarter		1 Year		3 Years		5 Years		Since (1)		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Inception Actual %	Inception Bmk %	
GE Asset Management (S&P 500 Index)	18.8	15.9	-21.5	-26.2	-4.5	-8.2	-0.4	-2.2	8.1	6.8	\$50.7
Voyageur Asset Management (Custom Benchmark)	1.0	-1.0	1.1	6.7	3.1	7.0	3.0	5.2	5.7	6.4	\$251.9
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.1	0.5	4.6	2.1	4.7	3.6	4.5	3.9	5.6	4.7	\$1,164.0
Internal Stock Pool (S&P 500 Index)	15.9	15.9	-25.8	-26.2	-8.0	-8.2	-2.1	-2.2	6.7	6.6	\$738.0
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	4.6	1.8	7.2	6.0	6.6	6.4	5.4	5.0	7.6	7.3	\$79.4
Internal Bond Pool - Trust (Barclays Capital Aggregate)	3.9	1.8	8.3	6.0	7.2	6.4	5.8	5.0	7.1	6.6	\$514.6

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

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

NON - RETIREMENT MANAGERS
Calendar Year Returns

	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	-35.6	-37.0	8.5	5.5	16.4	15.8	2.6	4.9	8.8	10.9
Voyageur Asset Management (Custom Benchmark)	-2.4	9.5	5.8	7.9	4.5	4.3	2.5	2.1	3.2	3.0
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	4.7	2.6	4.8	4.7	4.6	5.2	4.3	4.4	4.2	3.3
Internal Stock Pool (S&P 500 Index)	-36.7	-37.0	5.5	5.5	15.9	15.8	4.9	4.9	10.9	10.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (1)	1.3	5.2	6.4	7.0	5.0	4.3	2.7	2.4	5.1	4.3
Internal Bond Pool - Trust (Barclays Capital Aggregate)	2.6	5.2	7.1	7.0	5.1	4.3	2.8	2.4	5.0	4.3

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

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending June, 2009

Portfolio Manager: Dave Carlson

Assets Under Management: \$50,721,786

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

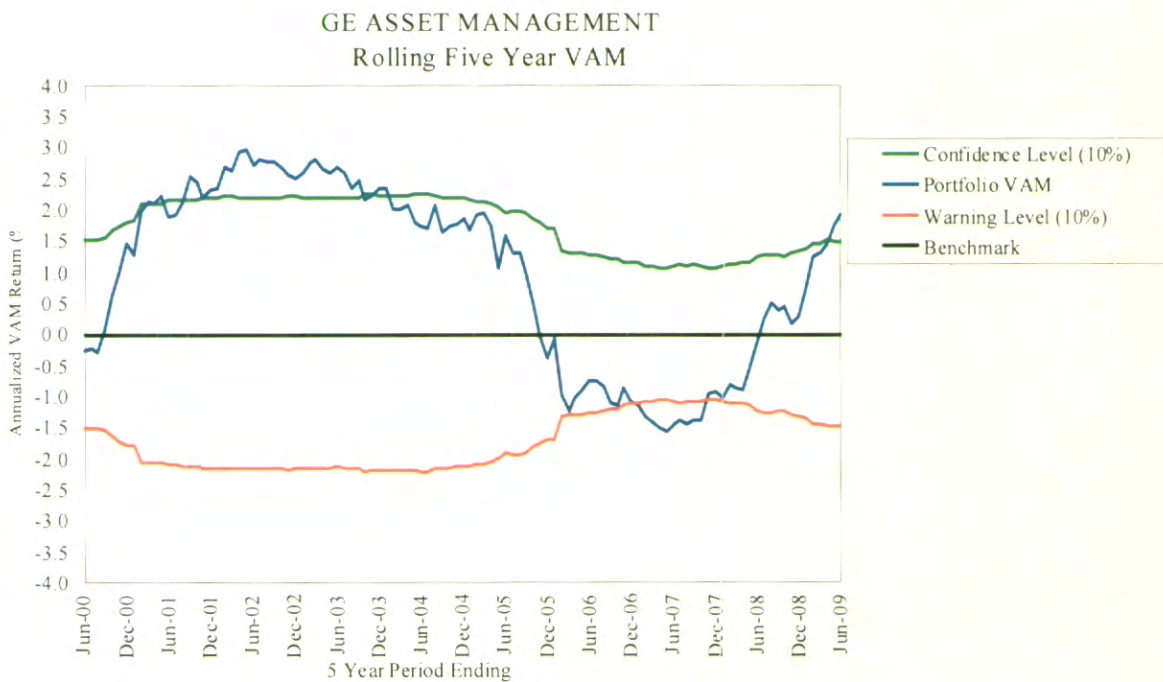
No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	18.8%	15.9%
Last 1 year	-21.5	-26.2
Last 2 years	-15.1	-19.9
Last 3 years	-4.5	-8.2
Last 4 years	-1.7	-4.3
Last 5 years	-0.4	-2.2
Since Inception (1/95)	8.1	6.8

Recommendation

No action required.



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending June, 2009

Portfolio Manager: John Huber

Assets Under Management: \$251,941,425

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 outperformed its benchmark for the quarter, but has underperformed over the last 12 months. Outperformance in the quarter can be attributed to the portfolio's securitized sector overweight, as various portions of the residential and commercial mortgage-backed securities market were supported by strong demand during the quarter, helping that sector outperform Treasuries. Over the last 12 months, the same securitized sector overweight was a drag on performance, as investors fled the sector in the second half of 2008 in favor of Treasuries.

Quantitative Evaluation

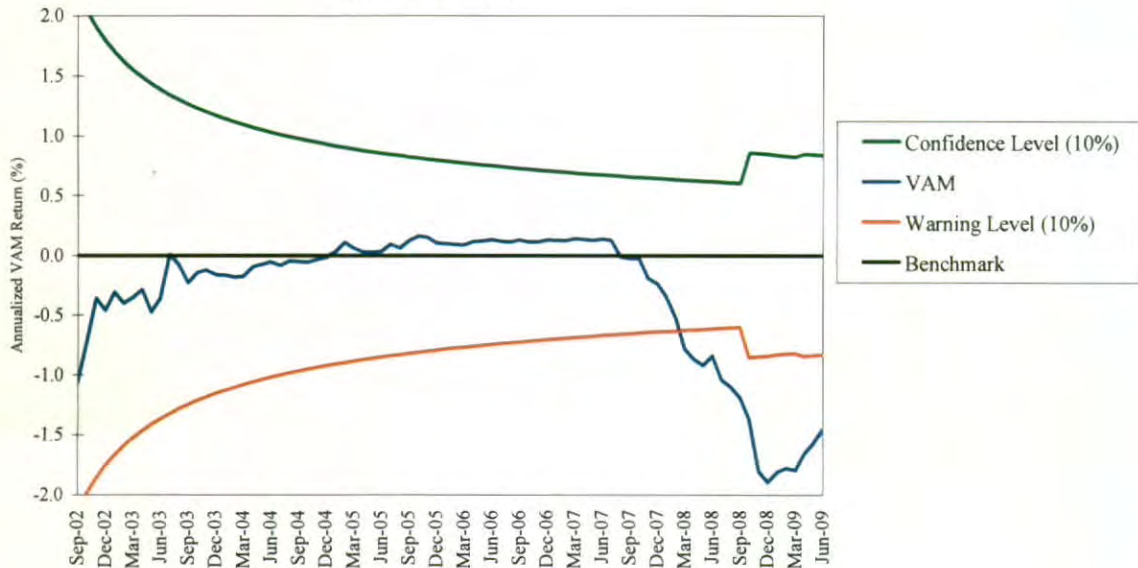
	Actual	Benchmark*
Last Quarter	1.0%	-1.0%
Last 1 year	1.1	6.7
Last 2 years	1.7	7.7
Last 3 years	3.1	7.0
Last 4 years	2.5	5.3
Last 5 years	3.0	5.2
Since Inception (7/91)	5.7	6.4

Recommendation

No action required.

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

VOYAGEUR ASSET MANAGEMENT
 Cumulative VAM



GALLIARD CAPITAL MANAGEMENT
Periods Ending June, 2009

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,163,968,364

Investment Philosophy

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

Staff Comments

No comment at this time.

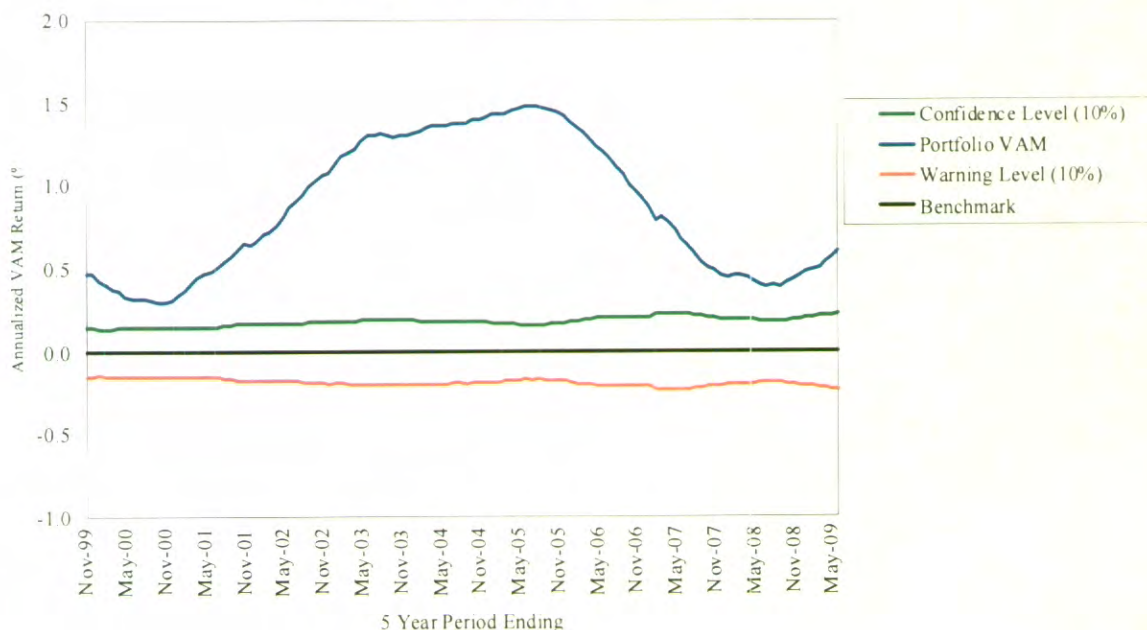
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	0.5%
Last 1 year	4.6	2.1
Last 2 years	4.7	2.8
Last 3 years	4.7	3.6
Last 4 years	4.7	3.9
Last 5 years	4.5	3.9
Since Inception (11/94)	5.6	4.7

Recommendation

No action required.

Galliard Capital Management
 Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending June, 2009

Portfolio Manager: Mike Messen

Assets Under Management: \$737,992,660

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

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

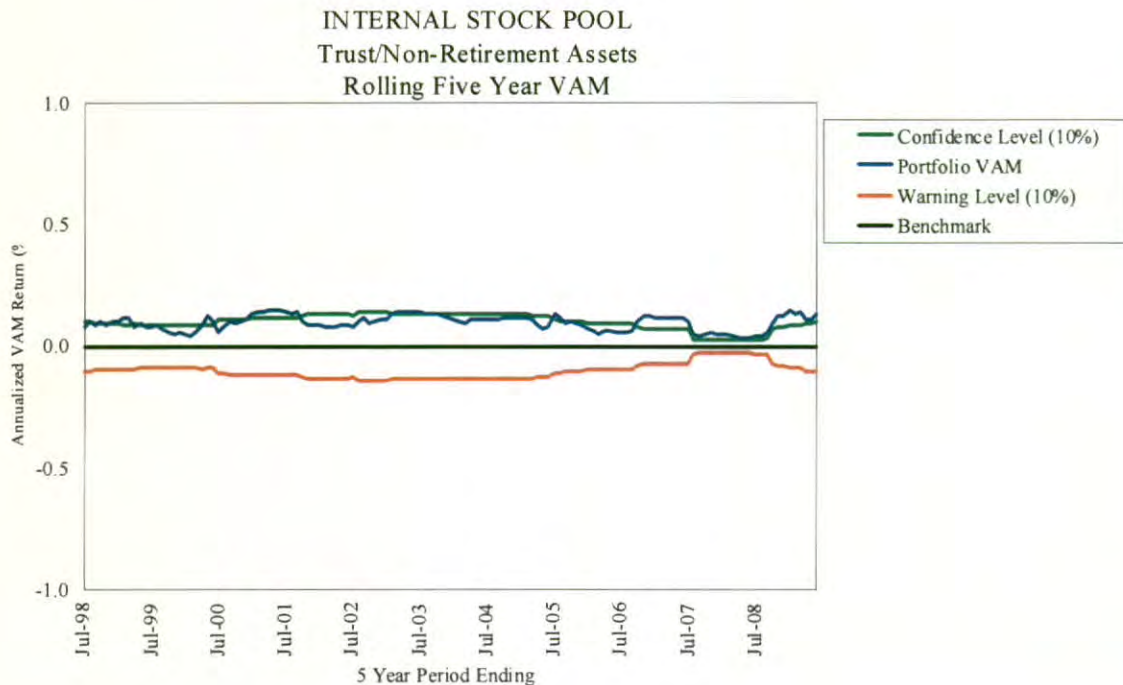
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	15.9%	15.9%
Last 1 year	-25.8	-26.2
Last 2 years	-19.7	-19.9
Last 3 years	-8.0	-8.2
Last 4 years	-4.1	-4.3
Last 5 years	-2.1	-2.2
Since Inception (7/93)	6.7	6.6

No action required.



INTERNAL BOND POOL - Income Share Account
Periods Ending June, 2009

Portfolio Manager: Mike Messen

Assets Under Management: \$79,391,816

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

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.6%	1.8%
Last 1 year	7.2	6.0
Last 2 years	6.7	6.6
Last 3 years	6.6	6.4
Last 4 years	5.0	4.6
Last 5 years	5.4	5.0
Since Inception (7/86)	7.6	7.3

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending June, 2009

Portfolio Manager: Mike Menssen

Assets Under Management: \$514,623,622

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

Staff Comments

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

No comment at this time.

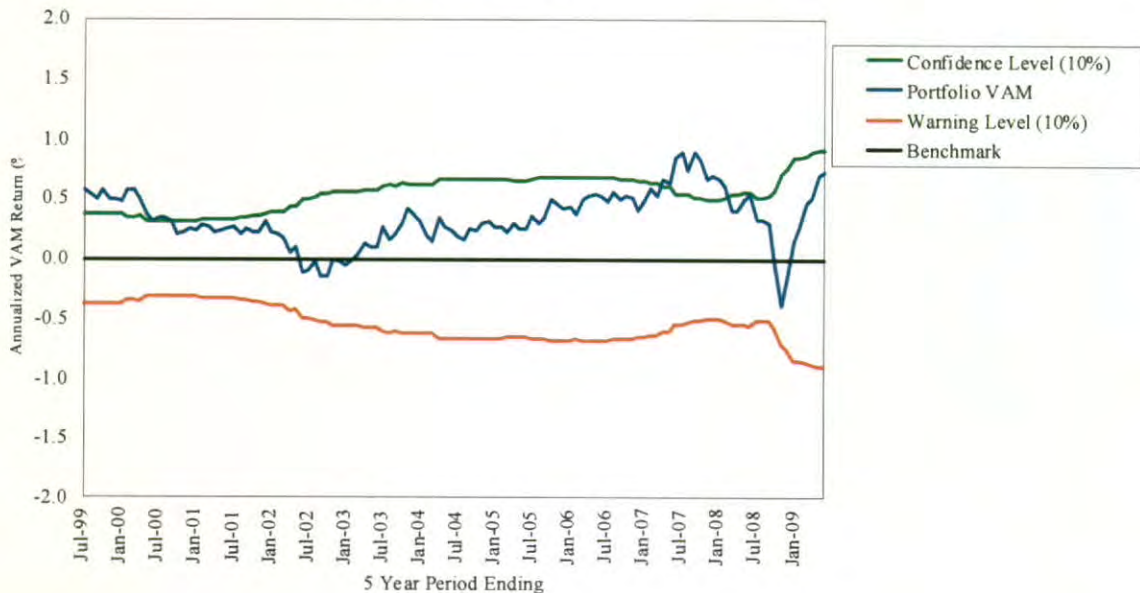
Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	3.9%	1.8%	No action required.
Last 1 year	8.3	6.0	
Last 2 years	7.6	6.6	
Last 3 years	7.2	6.4	
Last 4 years	5.5	4.6	
Last 5 years	5.8	5.0	
Since Inception (7/94)*	7.1	6.6	

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

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



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

Second Quarter, 2009

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Mutual Fund Managers

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MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending June, 2009

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	by SBI * %	%	
Large Cap Equity:											
Janus Twenty (S&P 500)	19.9	15.9	-31.3	-26.2	1.8	-8.2	5.7	-2.2	-0.8	-2.2	\$355.9
Legg Mason Partners Appr I (S&P 500)	13.9	15.9	-22.4	-26.2	-4.2	-8.2	0.1	-2.2	1.6	-0.5	\$95.7
Vanguard Institutional Index Plus (S&P 500)	16.0	15.9	-26.1	-26.2	-8.2	-8.2	-2.2	-2.2	-2.2	-2.2	\$303.6
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	18.3	18.3	-31.5	-31.6	-10.0	-10.0	-0.2	-0.2	0.9	0.8	\$105.1
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	21.1	20.7	-18.8	-25.0	-8.5	-9.9	-0.6	-1.7	5.0	2.4	\$260.0
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	18.9	10.2	-20.1	-14.2	-7.6	-2.3	-1.0	0.8	1.5	2.3	\$203.0
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	10.8	10.8	-13.6	-14.2	-2.0	-2.2	1.4	1.3	2.3	2.1	\$140.4
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	7.5	1.8	7.2	6.0	5.8	6.4	4.6	5.0	6.1	6.0	\$105.4
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	1.8	1.8	6.3	6.0	6.6	6.4	5.1	5.0	4.8	4.7	\$92.2
International:											
Fidelity Diversified International (MSCI EAFE-Free)	22.9	25.4	-34.3	-31.4	-8.0	-8.0	2.5	2.3	5.2	1.2	\$188.0
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	25.6	25.4	-30.9	-31.4	-7.7	-8.0	2.5	2.3	4.5	4.3	\$44.7

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

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

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

457 Mutual Funds	2008		2007		2006		2005		2004	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Large Cap Equity:										
Janus Twenty (S&P 500)	-42.0	-37.0	35.9	5.5	12.3	15.8	9.4	4.9	23.9	10.9
Legg Mason Partners Appr I (S&P 500)	-28.8	-37.0	8.6	5.5	15.0	15.8	4.6	4.9	9.3	10.9
Vanguard Institutional Index Plus (S&P 500)	-36.9	-37.0	5.5	5.5	15.8	15.8	5.0	4.9	10.9	10.9
Mid Cap Equity:										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-41.8	-41.8	6.2	6.2	13.8	13.7	14.1	13.9	20.5	20.5
Small Cap Equity:										
T. Rowe Price Small-Cap Stock (Russell 2000)	-33.4	-33.8	-1.7	-1.6	12.8	18.4	8.4	4.6	18.8	18.3
Balanced:										
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	-33.6	-22.4	1.7	6.2	13.8	11.1	6.6	4.0	13.3	8.3
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	-22.1	-22.4	6.3	6.3	11.1	11.1	4.8	4.8	9.5	9.3
Bond:										
Dodge & Cox Income Fund (Lehman Aggregate)	-0.3	5.2	4.7	7.0	5.3	4.3	2.0	2.4	3.8	4.3
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	5.2	5.2	7.0	7.0	4.4	4.3	2.5	2.4	4.4	4.3
International:										
Fidelity Diversified International (MSCI EAFE-Free)	-45.2	-43.4	16.0	11.2	22.5	26.3	17.2	13.5	19.7	20.2
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-41.5	-43.4	11.0	11.2	26.3	26.3	13.6	13.5	20.3	20.2

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

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending June, 2009**

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$355,927,165
Total Assets in Fund: \$8,296,103,197**

**Investment Philosophy
Janus Twenty**

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

Staff Comments

No comment at this time.

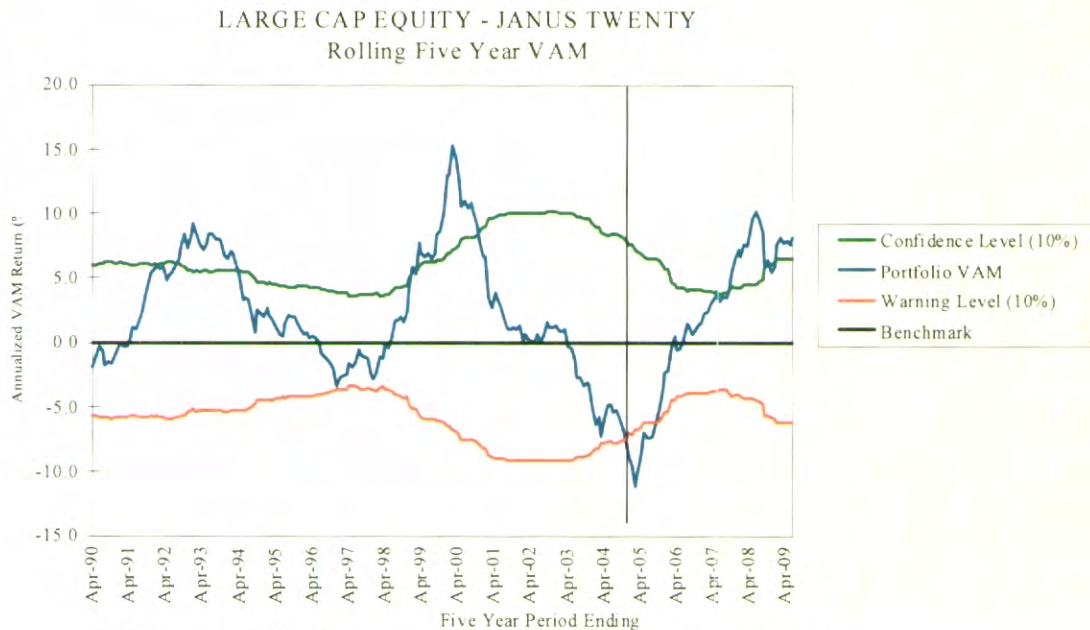
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	19.9%	15.9%
Last 1 year	-31.3	-26.2
Last 2 years	-8.0	-19.9
Last 3 years	1.8	-8.2
Last 4 years	4.2	-4.3
Last 5 years	5.7	-2.2
Since Retention by SBI (7/99)	-0.8	-2.2

Recommendation

No action required.

*Benchmark is the S&P 500.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I
Periods Ending June, 2009**

Portfolio Manager: Scott Glasser

**State's Participation in Fund: \$95,712,937
Total Assets in Fund: \$3,783,955,441**

**Investment Philosophy
Legg Mason Partners Appreciation I**

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

Staff Comments

No comment at this time.

Quantitative Evaluation

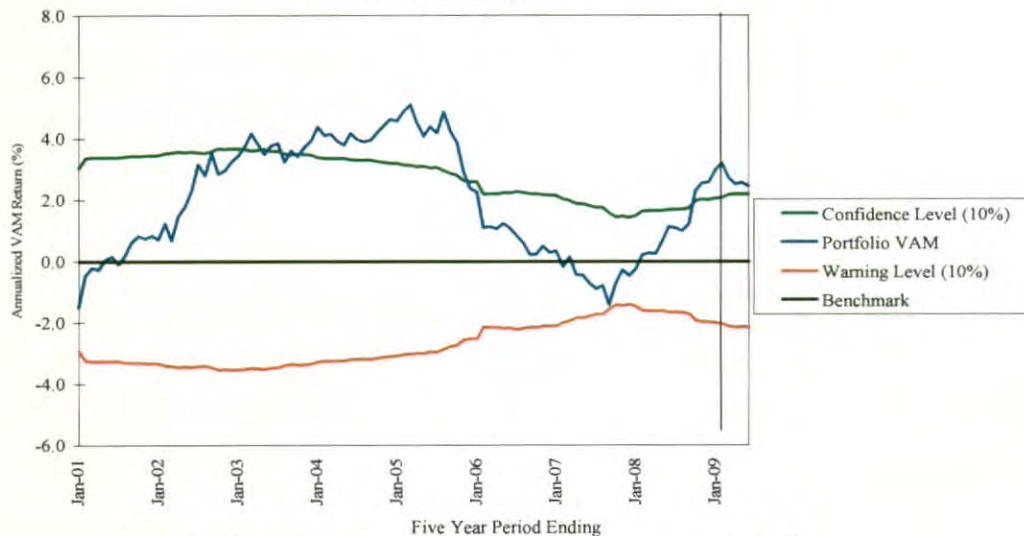
	Actual	Benchmark*
Last Quarter	13.9%	15.9%
Last 1 year	-22.4	-26.2
Last 2 years	-13.5	-19.9
Last 3 years	-4.2	-8.2
Last 4 years	-1.0	-4.3
Last 5 years	0.1	-2.2
Since Retention by SBI (12/03)	1.6	-0.5

Recommendation

No action required.

*Benchmark is the S&P 500.

**LARGE CAP EQUITY - LEGG MASON PARTNERS APPRECIATION I
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending June, 2009**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$303,577,883
Total Assets in Fund: \$20,219,000,000**

**Investment Philosophy
Vanguard Institutional Index**

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

Staff Comments

No comment at this time.

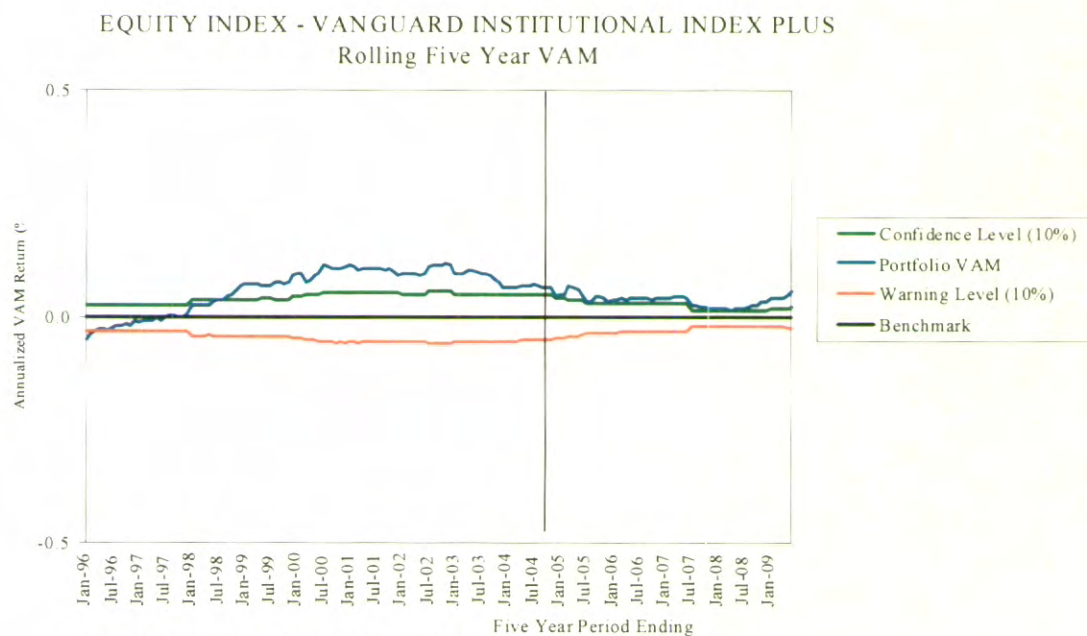
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	16.0%	15.9%
Last 1 year	-26.1	-26.2
Last 2 years	-19.9	-19.9
Last 3 years	-8.2	-8.2
Last 4 years	-4.2	-4.3
Last 5 years	-2.2	-2.2
Since Retention by SBI (7/99)	-2.2	-2.2

Recommendation

No action required.

*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending June, 2009**

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$105,077,092
Total Assets in Fund: \$4,492,000,000**

**Investment Philosophy
Vanguard Mid-Cap Index**

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

Staff Comments

No comment at this time.

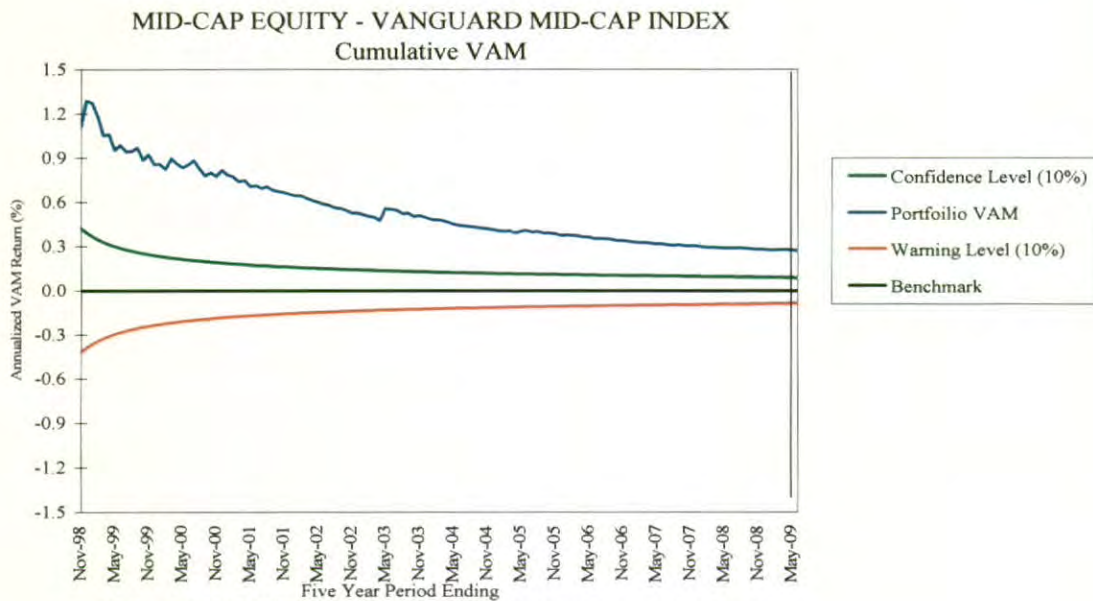
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	18.3%	18.3%
Last 1 year	-31.5	-31.6
Last 2 years	-22.3	-22.3
Last 3 years	-10.0	-10.0
Last 4 years	-4.4	-4.4
Last 5 years	-0.2	-0.2
Since Retention by SBI (1/04)	0.9	0.8

Recommendation

No action required.

*Benchmark is the MSCI US Mid Cap 450.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending June, 2009**

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund:	\$259,959,579
	Total Assets in Fund:	4,154,009,722

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

Staff Comments

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

No comment at this time.

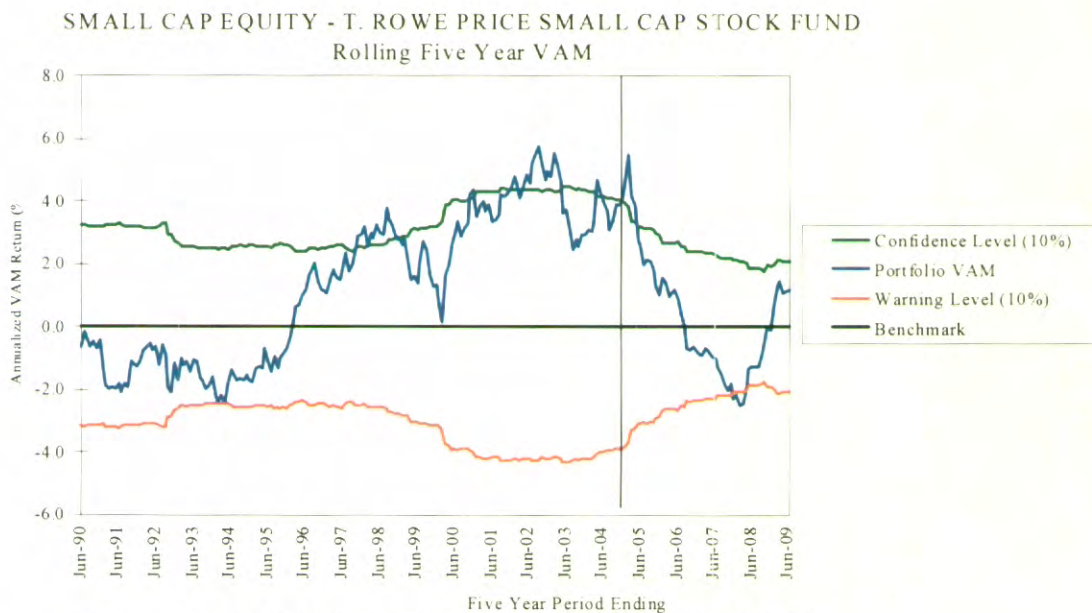
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	21.1%	20.7%
Last 1 year	-18.8	-25.0
Last 2 years	-18.2	-20.7
Last 3 years	-8.5	-9.9
Last 4 years	-3.0	-4.3
Last 5 years	-0.6	-1.7
Since Retention by SBI (7/99)	5.0	2.4

No action required.

*Benchmark is the Russell 2000.



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

**STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending June, 2009**

Portfolio Manager: John Gunn

**State's Participation in Fund: \$203,013,977
Total Assets in Fund: \$14,115,439,718**

**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

The fund outperformed its benchmark for the quarter but underperformed for the last 12 months. A higher relative weighting to equities drove outperformance as the equity market posted strong second quarter returns relative to fixed income. The fixed income portion of the fund was predominantly in corporate bonds, which enjoyed the best quarterly return relative to Treasuries ever recorded. However, over the last 12 months these same two factors that drove outperformance in 2Q09 contributed to underperformance for the year.

Quantitative Evaluation

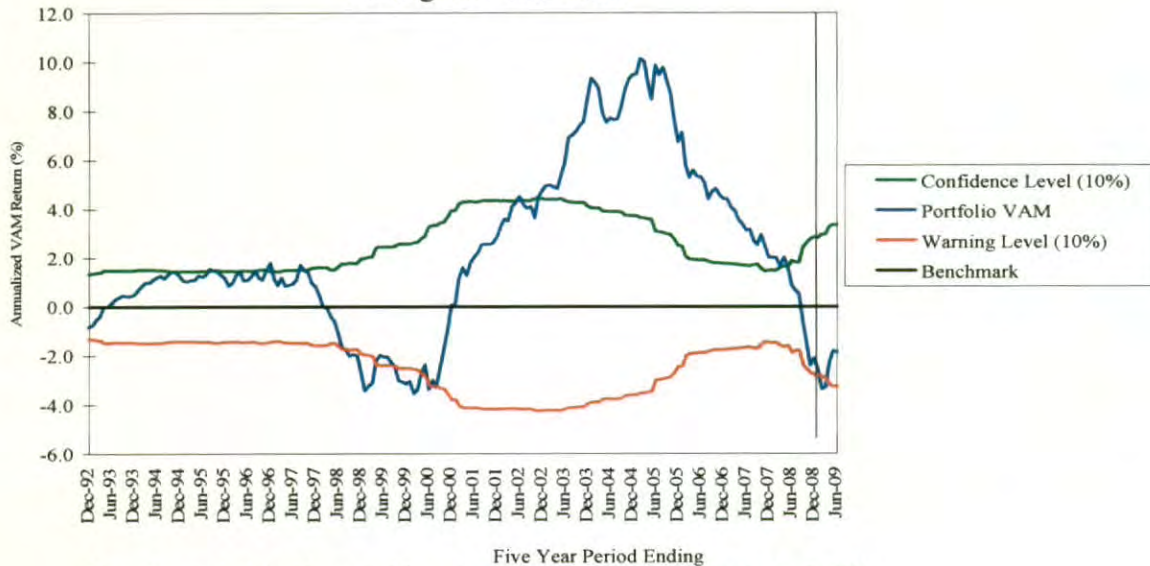
	Actual	Benchmark*
Last Quarter	18.9%	10.2%
Last 1 year	-20.1	-14.2
Last 2 years	-17.3	-9.9
Last 3 years	-7.6	-2.3
Last 4 years	-3.5	-0.6
Last 5 years	-1.0	0.8
Since Retention By SBI (10/03)	1.5	2.3

Recommendation

No action required.

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

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



**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending June, 2009**

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$140,396,631
Total Assets in Fund: \$2,461,000,000**

**Investment Philosophy
Vanguard Balanced Index Fund**

Staff Comments

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

No comment at this time.

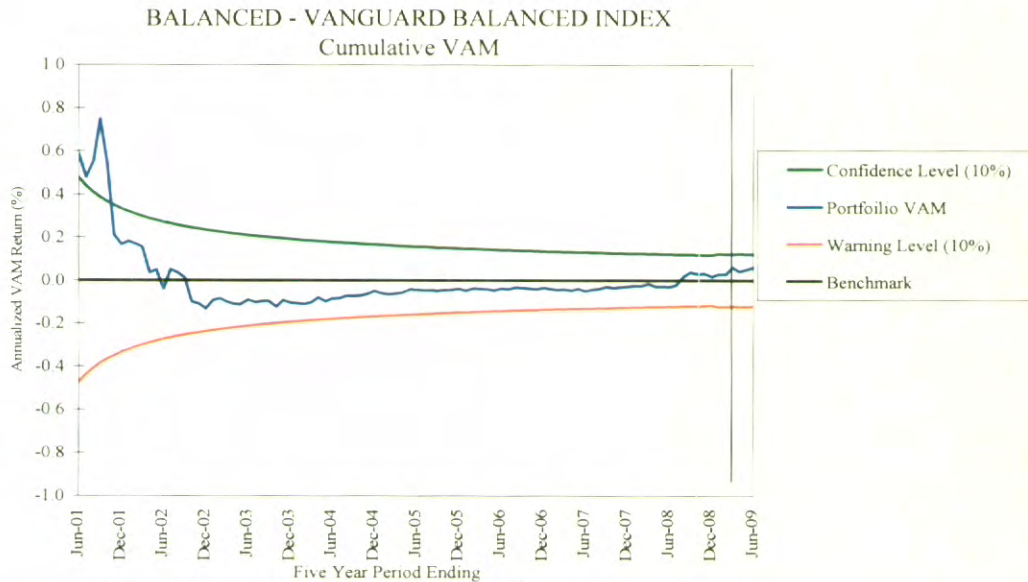
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	10.8%	10.8%
Last 1 year	-13.6	-14.2
Last 2 years	-9.3	-9.6
Last 3 years	-2.0	-2.2
Last 4 years	-0.1	-0.3
Last 5 years	1.4	1.3
Since Retention by SBI (12/03)	2.3	2.1

No action required.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending June, 2009**

Portfolio Manager: Dana Emery

State's Participation in Fund: \$105,394,424
Total Assets in Fund: \$15,049,129,334

**Investment Philosophy
Dodge & Cox Income Fund**

Staff Comments

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

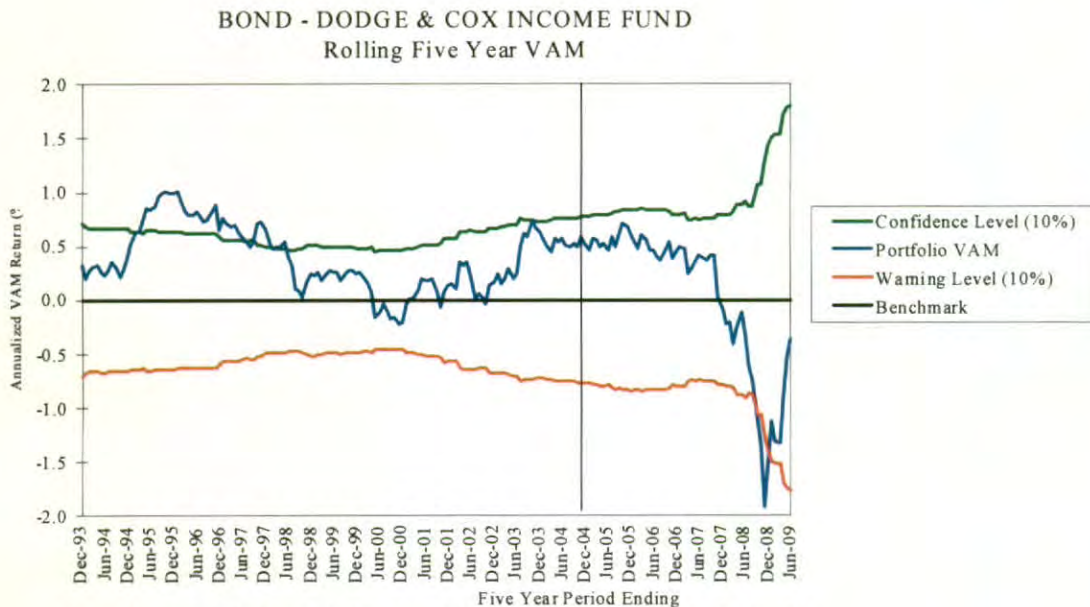
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	7.5%	1.8%	No action required.
Last 1 year	7.2	6.0	
Last 2 years	5.4	6.6	
Last 3 years	5.8	6.4	
Last 4 years	4.4	4.6	
Last 5 years	4.6	5.0	
Since Retention By SBI (7/99)	6.1	6.0	

*Benchmark is the Barclays Capital Aggregate.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending June, 2009**

Portfolio Manager: Kenneth Volpert

**State's Participation in Fund: \$92,228,802
Total Assets in Fund: \$3,508,000,000**

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

Staff Comments

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

No comment at this time.

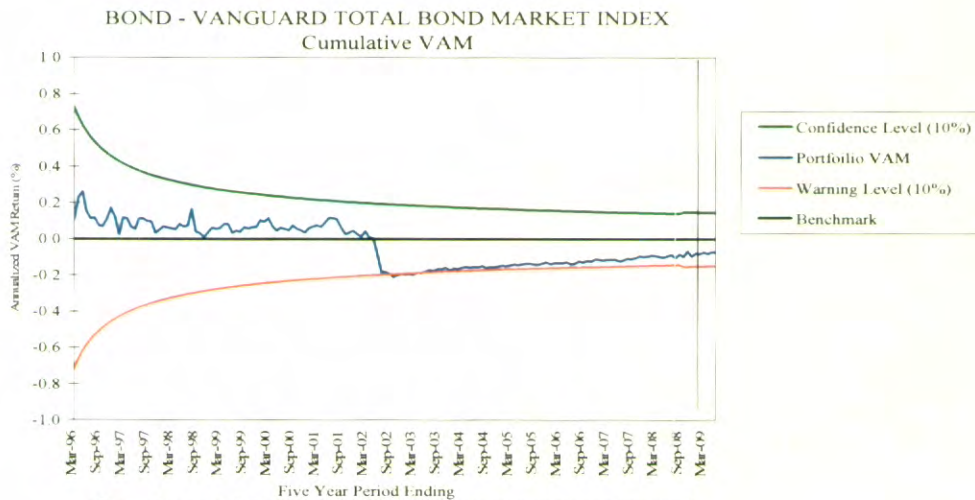
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	1.8%	1.8%
Last 1 year	6.3	6.0
Last 2 years	6.8	6.6
Last 3 years	6.6	6.4
Last 4 years	4.7	4.6
Last 5 years	5.1	5.0
Since Retention by SBI (12/03)	4.8	4.7

No action required.

*Benchmark is the Barclays Capital Aggregate.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending June, 2009**

Portfolio Manager: William Bower

**State's Participation in Fund: \$188,011,684
Total Assets in Fund: \$27,105,380,000**

**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 underperformed its benchmark for both the quarter and the last 12 months. The underperformance for the quarter can be attributed to the fund being heavily weighted in financials and consumer discretionary stocks, which have underperformed the broader market. Over the last 12 months, underperformance can be attributed to the financial sector overweight, as that sector has been among the worst performing for the 12 month period.

Quantitative Evaluation

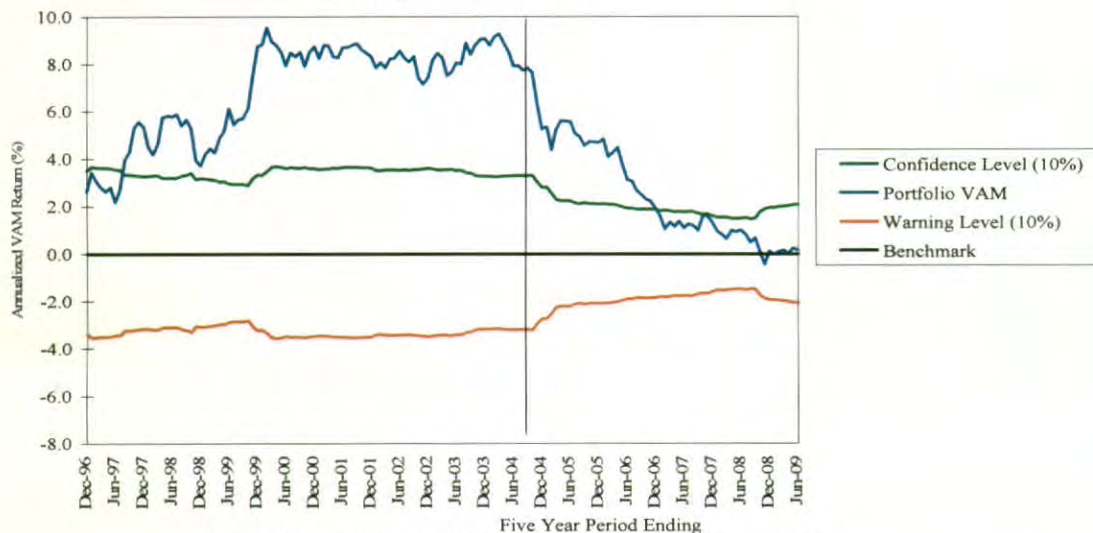
	Actual	Benchmark*
Last Quarter	22.9%	25.4%
Last 1 year	-34.3	-31.4
Last 2 years	-21.3	-21.7
Last 3 years	-8.0	-8.0
Last 4 years	-0.4	-0.3
Last 5 years	2.5	2.3
Since Retention By SBI (7/99)	5.2	1.2

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.

**INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending June, 2009**

Portfolio Manager: Duane Kelly and Michael Buek	State's Participation in Fund: \$58,696,418
	Total Assets in Fund: \$4,288,000,000

**Investment Philosophy
Vanguard Institutional Developed Market
Index**

Staff Comments

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

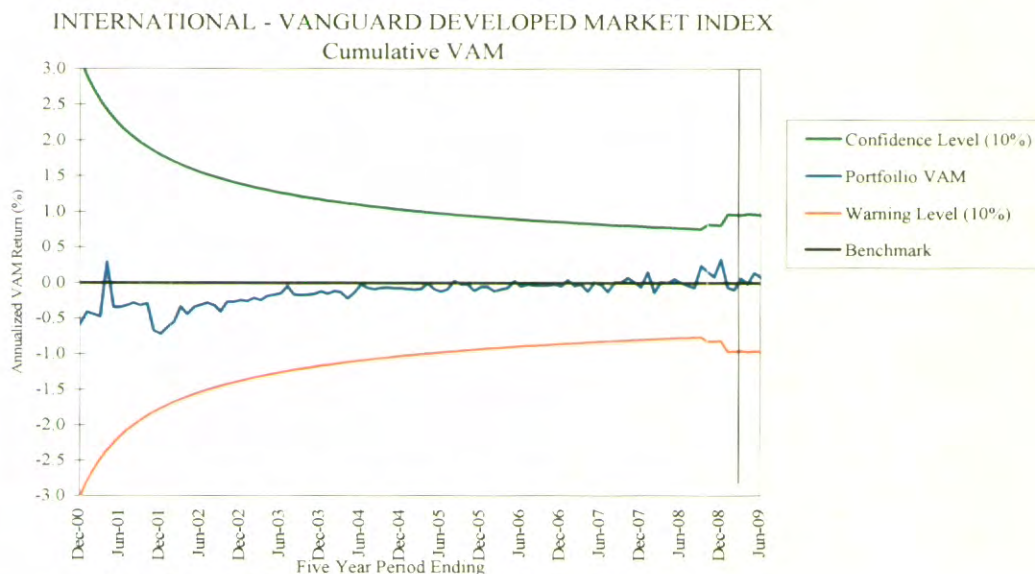
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	25.6%	25.4%	No action required.
Last 1 year	-30.9	-31.4	
Last 2 years	-21.3	-21.7	
Last 3 years	-7.7	-8.0	
Last 4 years	0.0	-0.3	
Last 5 years	2.5	2.3	
Since Retention by SBI (12/03)	4.5	4.3	

*Benchmark is the MSCI EAFE International



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

Tab D

DATE: August 12, 2009

TO: Members, Investment Advisory Council

FROM: Tammy Brusehaver
PatC Ammann

SUBJECT: RiverSource Investments/Kenwood Capital Management, a Domestic Equity Manager

Organization

The SBI hired RiverSource Investments/Kenwood Capital Management (Kenwood) in January 2004 to manage a small-cap domestic equity portfolio. Kenwood was a joint venture affiliate with RiverSource Investments and was founded in 1998. Kenwood had six investment professionals and was located in Minneapolis.

Kenwood notified staff on June 25, 2009 that the firm would end business operations on July 31, 2009. Due to Kenwood's decision to close, the Minnesota State Board of Investment (SBI) elected to liquidate this account with Kenwood effective July 7, 2009.

Assets

As of June 30, 2009, Kenwood had four small-cap value accounts with assets under management of \$101.7 Million. The SBI had \$36.2 million with Kenwood on June 30, 2009.

Performance

Period ending 6/30/09	Kenwood	Russell 2000 Value
Quarter	20.9%	18.0%
1 Year	-28.8	-25.2
3 Year	-15.9	-12.1
5 Year	-4.8	-2.3
Since Inception (1/04)	-2.6	-0.7

Kenwood's decision to discontinue normal business operations and the liquidation of the account ended the responsibility of Kenwood to provide the SBI with investment management services.

Tab E

DATE: August 12, 2009

TO: Members, Investment Advisory Council

FROM: Howard Bicker

SUBJECT: Asset Allocation for the Voluntary Statewide Volunteer Firefighter Plan

Legislation was enacted during the 2009 Legislative session to establish a Voluntary Statewide Volunteer Firefighter Plan. The assets of the Plan will be managed by the State Board of Investment in a new option in the Supplemental Investment Fund (SIF.) Asset allocation for the new Account is to be determined by the SBI.

Staff considered the following three factors in determining an appropriate asset allocation for the Account:

- The funding rate for the Plan is 6%.
- Participating entities in the Plan distribute benefits in lump-sum form, not as monthly annuities.
- There will be no cost sharing among the townships and cities that participate in the Plan.

Staff analyzed expected returns and volatility based on published expected return/volatility assumptions of several investment management firms and consultants. A summary of this analysis is attached.

Based on liquidity needs, and volatility, staff believes an asset allocation of 35% to U.S. equity, 15% to international equity, 45% to fixed income and 5% to cash (Scenario D on the attached summary) would be appropriate for the Plan. This information was presented to the Statewide Volunteer Firefighter Retirement Plan Advisory Board on August 6, 2009. The Advisory Board voted to support the proposed asset allocation.

RECOMMENDATION:

Staff recommends the following asset allocation for the Voluntary Statewide Volunteer Firefighter Plan:

U.S. Equity	35%
International Equity	15%
Fixed Income	45%
Cash	<u>5%</u>
Total	100%

Sample Asset Allocations for Voluntary Fire Fund Account

Asset Allocations

Asset Class	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F	Scenario G	SBI
Domestic Equity	30%	50%	40%	35%	35%	45%	40%	45%
International Equity	10%	0%	10%	15%	20%	15%	25%	15%
Bonds	55%	45%	45%	45%	40%	35%	30%	18%
Cash	5%	5%	5%	5%	5%	5%	5%	2%
Alternatives	NA	NA	NA	NA	NA	NA	NA	20%

Results

Wilshire								
Expected Return	7.20	7.53	7.59	7.61	7.82	7.97	8.19	9.70
Expected Risk	7.44	8.92	8.72	8.66	9.29	10.01	10.66	12.66
Mercer								
Expected Return	6.47	6.75	6.85	6.88	7.10	7.23	7.47	8.22
Expected Risk	7.95	9.91	9.39	9.23	9.87	10.75	11.32	13.41
JP Morgan								
Expected Return	7.61	7.92	7.99	8.02	8.23	8.37	8.60	9.24
Expected Risk	7.90	9.97	9.70	9.63	10.5	11.49	12.32	14.34
Internal 2008								
Expected Return	7.52	7.72	7.83	7.89	8.09	8.18	8.42	8.92
Expected Risk	8.09	9.64	9.27	9.11	9.60	10.43	10.84	12.81
BGI								
Expected Return	7.34	7.63	7.68	7.70	7.89	8.03	8.23	8.94
Expected Risk	7.52	9.48	8.99	8.77	9.32	10.31	10.69	14.09
Goldman Sachs								
Expected Return	7.19	7.54	7.55	7.55	7.72	7.88	8.03	8.96
Expected Risk	8.52	10.78	10.35	10.18	10.96	12.07	12.71	15.15

Tab F

DATE: August 12, 2009

TO: Members, Investment Advisory Council

FROM: Howard Bicker

SUBJECT: Update on PPIP Program

During the June 10, 2009 Board meeting, the Board granted conditional authority to the SBI staff to invest up to one percent of the Combined Funds (approximately \$350 million) in the Public-Private Investment Partnership (PPIP.) The authority was conditional because details of the program were not available at that time, and the investment managers to be appointed by the government had not been announced. If staff ultimately decided to recommend investment in one or more PPIP funds, but an IAC and/or Board meeting would not take place in time to meet fund closing deadlines, the SBI Administrative Committee would be called to hear the recommendation.

Since that time, the details of the program were announced and staff has done extensive research on the managers and the funds available for investment. Based on this research, staff does not recommend pursuing this opportunity. The following is a review of the PPIP program, along with the information used to reach this conclusion.

Background

The PPIP is designed to draw private capital into the commercial and residential mortgage-backed securities market to help cleanse bank balance sheets of these securities, and to improve the market for these securities. Many of the targeted securities are commercial and residential mortgage-backed securities that are currently valued below what many asset managers have deemed "fair value". This is due to the massive deleveraging during the second half of 2008 which drove down the market value of almost every kind of asset-backed security.

The Federal Government will match each dollar of private capital raised for the PPIP. The asset managers will then have the option to borrow additional funds from the U.S. Treasury Department.

Update

The official announcement of the nine PPIP managers was made July 8 (see **Attachment A**). The Treasury gave each manager 12 weeks to raise \$1.1 billion for the PPIP. The funds will be structured as limited partnerships with very limited liquidity. Cash distributions to limited partners (SBI) are expected to start in year five with final liquidation in eight to ten years.

Since the announcement, staff has spoken with six of the managers to gather detailed information on the PPIP funds they will offer. A general comment that has been expressed by the managers is the Treasury has announced a number of programs over the past year. After these programs have been implemented, the Government has "changed the rules." This is an ongoing concern.

Availability

Based on discussions with potential managers, staff learned that most of the managers will use the same basic strategy together with similar fund and fee structures (see **Attachment B.**) The maximum amount an investor can commit to a PPIP fund is 19.9% (about \$200 million) of the \$1.1 billion fund. However, some of the asset managers will be launching a retail PPIP investment as well as an institutional investment. Staff spoke with six of the firms about their PPIP and would recommend only two based on numerous factors including investment process, staff, fees, capacity, and current relationship. Since staff is confident in only two of the PPIP managers, it is unlikely the SBI would be able to make a meaningful commitment of the Combined Funds.

Leverage

Another important detail discovered during the research is that the amount of leverage that will be used in the program is unknown. As mentioned, each PPIP asset manager has the option to lever the combined \$2.2 billion in equity for the program up to one time to create \$4.4 billion of buying power. However, the Treasury has also given the asset managers the option to switch from the 1:1 leverage option to a 0.5:1 leverage option, but then use the Term Asset-Backed Loan Facility (TALF) to further leverage the portfolio up to a 5:1 basis. Once capital has been committed, the investor has no say in how much leverage will be used.

Expected Returns

The PPIP has been advertised as a fixed income investment option with the potential for 15% or greater returns. This estimate is based on the assumption that banks, insurance companies, etc. will sell these discounted securities to PPIP managers at current prices. However, since the announcement of the PPIP in March and the announcement of the managers for the program in July, these asset prices have rallied. There is a risk the holders of these securities might continue to hold them while waiting for the prices to improve further as a result of the PPIP. Staff is skeptical about the ability of the PPIP asset managers to buy securities at prices necessary to produce the kind of returns advertised.

Liquidity

Based on the conversations staff had with various PPIP managers, the SBI would not begin receiving significant principal repayments until after the Treasury loan for the leverage has been fully amortized, something that could take approximately five years or longer. Therefore, a commitment to the PPIP would lock up capital for six to eight years or longer depending on cash flows.

Summary

After extensive review, staff's recommendation is to not pursue PPIP investment for the following reasons:

- There continues to be some concern that the terms may change over time.
- Staff would recommend working with only two of the managers offering PPIP funds. Therefore, it would be difficult to make a meaningful investment of the Combined Funds.
- The level of leverage is unknown.
- Projected returns may be difficult for managers to achieve if pricing for the securities continues to improve.
- The funds are not liquid.

RECOMMENDATION:

Based on the factors outlined above, staff will not pursue PPIP investment.

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ATTACHMENT A

<i>PPIP Managers</i>		
<i>PPIP Manager</i>	<i>Discussed Program with SBI</i>	<i>Current Relationship</i>
Western Asset Management LP	YES	SBI Fixed Income Manager
Blackrock Inc.	YES	SBI Fixed Income Manager
Invesco Ltd.	YES	SBI International Equity Manager
Marathon Asset Management LP	YES	None
Oaktree Capital Management LP	NO	None
TCW Group Inc.	YES	SBI Private Equity Manager
Wellington Management Co.	NO	None
AllianceBernstein LP	YES	SBI Domestic and International Equity Manager
Angelo Gordon & Co. and GE Capital Real Estate	NO	None

PPIP Manager Comparison

	<i>Blackrock</i>	<i>Western</i>	<i>AllianceBernstein</i>	<i>TCW</i>	<i>Invesco</i>	<i>Marathon</i>
Minority Partner	Utendahl Capital Management, LP - will have discretion over 5% of assets	RLJ Co. - fund raiser and compliance w/Treasury guidelines 51% owner of RLJ/Western	Greenfield Advisors, LLC Rialto Capital Management, LLC Altura Capital Group, LLC	N/A	WL Ross & Co. - primarily a fund raiser	Blaylock Robert Van, LLC - primarily a fund raiser
Fee Structure	25 bp Mgmt Fee* + financing** 80/20 GP/LP catch-up 80/20 LP/GP carried interest 2.5% Treasury Warrants	100 bp Mgmt Fee + financing** 85/15 GP/LP catch-up 85/15 LP/GP carried interest 2.5% Treasury Warrants	100 bp Mgmt Fee + financing** 82.5/17.5 LP/GP incentive fee *No catch-up provision 2.5% Treasury Warrants	200 bp Mgmt Fee + financing** 80/20 LP/GP carried interest *No catch-up 2.5% Treasury Warrants	100 bp Mgmt Fee + financing** 80/20 LP/GP carried interest *No catch-up mentioned 2.5% Treasury Warrants	100 bp Mgmt Fee + financing** 90 bp Mgmt Fee if you commit more than \$25 million 85/15 LP/GP carried interest *No catch-up, 2.5% UST Warrants
Preferred Return	10%	10%	8%	6%	8%	7%
Minimum Investment	\$20 million	Not stated	\$10 million	\$1 million	\$25 million	\$1 million
Maximum Investment	\$100 million (19.9% of total fund)	~\$200 million (19.9% of total fund)	~\$100 million (9.9% of total fund)	~\$200 million (19.9% of total fund)	~\$200 million (19.9% of total fund)	~\$200 million (19.9% of total fund)
Fund structure	\$500 million Inst'l Fund \$500 million Retail Fund Will seek 1:1 leverage option but Manager has option to go from 1:1 leverage down to 0.5:1 and use TALF to increase to 5:1	\$1.1B Inst'l fund also launching a mortgage REIT Will seek 1:1 leverage option but Manager has option to go from 1:1 leverage down to 0.5:1 and use TALF to increase to 5:1	\$1.1B all Inst'l Will seek 1:1 leverage option but Manager has option to go from 1:1 leverage down to 0.5:1 and use TALF to increase to 5:1	\$1.1B Inst'l fund Will seek 1:1 leverage but Manager has option to go from 1:1 leverage down to 0.5:1 and use TALF to increase to 5:1	Seeking agg. Commitments of \$2.1B after \$1B commitment from WL Ross & Co. Manager has option to go from 1:1 leverage down to 0.5:1 and use TALF to increase to 5:1	\$1.1B all Inst'l Fund Will seek 1:1 leverage option and is willing to put in contract language stating they will not seek additional leverage
Initial Closing	August 5, 2009	Not stated	September 15, 2009	Not stated	Not stated	Mid-September
IRR Target	15-18% (net)	20+% gross	20+% gross	20+% gross	20+% gross 18% net	18-20% net
Term	8 years with 2 1-year optional extensions *25 bp fee on contributed capital + 25 bp on the loan from the U.S. Treasury	3-5 year with 8 year max and 2 1-year optional extensions	8 years with 2 1-year optional extensions	8 years with 2 1-year optional extensions	8 years with 2 1-year optional extensions	5 years 8 year max 2 1-year optional extensions

**Financing on the Treasury loan will be 3 month LIBOR + 100 bp

-In addition to reviewing term sheets, we held conference calls with Blackrock, Western, TCW, and AllianceBernstein about their PPIFs

Tab G

DATE: August 12, 2009

TO: Members, Investment Advisory Council

**FROM: John Griebenow
Michael McGirr**

Staff has summarized the following information and action items:

1. Review of current strategy.
2. Recommendations to increase investment with an existing yield-oriented manager, Merit Capital, and to increase investment with an existing private equity manager, Lexington Capital Partners. Initial investments in both funds were approved in the prior quarter.

IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

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

1. The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments diversified 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.
2. 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.

3. 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 both by geographic region and by type.
4. The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component. Structures, such as subordinated debt investments and mezzanine investments are typical yield-oriented investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource, and real estate categories.

ACTION ITEMS:

1) Increased investment with an existing yield-oriented manager, Merit Capital, in Merit Mezzanine Fund V, L.P.

At its June 10, 2009 meeting, the State Board of Investment approved a \$50 million commitment to Merit Mezzanine V, L.P. Fund V is a successor to four prior yield-oriented funds managed by Merit. The SBI has invested in funds III and IV. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

Merit is continuing fund raising for Fund V with a target of raising a \$600 million yield-oriented fund. The strength in the overall market during the past quarter has provided additional flexibility in the Board's allocation to alternative investments. Staff is therefore recommending an additional investment of \$25 million to Merit Mezzanine V, L.P. for a total of \$75 million (which is the same dollar amount the SBI invested in Fund IV.)

RECOMMENDATION:

Staff recommends an additional commitment of up to \$25 million in Merit Mezzanine V, L.P. This would increase the SBI's total commitment from \$50 million to \$75 million or 20% of the total fund, whichever is less, in Merit Mezzanine V, L.P. Approval by the Investment Advisory Council of this potential additional commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Merit 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 or reduction or termination of the commitment.

2) Increased investment with an existing private equity manager, Lexington Capital Partners, in Lexington Capital Partners VII, L.P.

At the June 10, 2009 meeting, the State Board of Investment approved a \$50 million commitment to Lexington Capital Partners VII, L.P. This fund is a successor to six other prior private equity funds managed by Lexington Capital Partners. The SBI has invested \$100 million in the prior fund, Fund VI. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity, mezzanine, and venture capital investments through secondary transactions.

Lexington is continuing fund raising for this potential \$5 billion private equity fund. The strength in the overall market during the past quarter has provided additional flexibility in the Board's allocation to alternative investments. Staff is therefore recommending an additional investment of \$50 million to Lexington Capital Partners VII, L.P. for a total of \$100 million (which is the same dollar amount the SBI invested in the prior Fund VI.)

RECOMMENDATION:

Staff recommends an additional commitment of up to \$50 million in Lexington Capital Partners VII, L.P. This would increase the SBI's total commitment from \$50 million to \$100 million or 20% of the total fund, whichever is less, in Lexington Capital Partners VII, L.P. Approval by the Investment Advisory Council of this potential additional commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Lexington 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 Lexington Capital Partners or reduction or termination of the commitment.

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ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Funds
June 30, 2009

Combined Funds Market Value	\$35,883,968,696
Amount Available for Investment	\$1,870,391,849

	Current Level	Target Level	Difference
Market Value (MV)	\$5,306,401,890	\$7,176,793,739	\$1,870,391,849
MV +Unfunded	\$8,510,478,709	\$10,765,190,609	\$2,254,711,900

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$2,886,122,878	\$1,797,934,209	\$4,684,057,088
Real Estate	\$959,182,034	\$281,630,839	\$1,240,812,873
Resource	\$394,783,538	\$483,669,920	\$878,453,459
Yield-Oriented	\$1,066,313,440	\$640,841,850	\$1,707,155,289
Total	\$5,306,401,890	\$3,204,076,819	\$8,510,478,709

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ATTACHMENT B

Minnesota State Board of Investment

- Alternative Investments -

As of June 30, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<u>I. Real Estate</u>							
Blackstone							
Blackstone Real Estate V	100,000,000	85,854,870	66,178,512	22,996,461	14,145,130	0.88	3.17
Blackstone Real Estate VI	100,000,000	43,181,687	25,535,447	46,623	56,818,313	-30.22	2.25
Colony Capital							
Colony Investors III	100,000,000	100,000,000	6,075,300	167,834,385	0	14.83	11.50
CSFB							
CSFB Strategic Partners III RE	25,000,000	23,601,647	18,023,503	568,588	1,398,353	-16.25	4.00
CS Strategic Partners IV RE	50,000,000	39,055,239	32,679,354	14,802	10,944,761	-20.71	1.03
Lehman Brothers Real Estate Partners							
Lehman Brothers Real Estate Partners II	75,000,000	65,568,548	40,988,882	22,008,951	9,431,452	-2.04	4.00
Lehman Brothers RE Pension III	150,000,000	61,107,170	35,623,280	0	88,892,830	-51.38	1.11
Prime Property Fund	40,000,000	40,000,000	241,732,878	19,251,104	0	7.13	27.72
T.A. Associates Realty							
Realty Associates Fund V	50,000,000	50,000,000	22,262,831	77,686,195	0	11.78	10.10
Realty Associates Fund VI	50,000,000	50,000,000	47,207,154	41,341,430	0	15.26	7.01
Realty Associates Fund VII	75,000,000	75,000,000	74,325,244	19,055,237	0	6.53	4.62
Realty Associates Fund VIII	100,000,000	100,000,000	90,768,000	4,335,866	0	-4.81	3.00
Realty Associates Fund IX	100,000,000	0	0	0	100,000,000	N/A	0.85
UBS Trumbull Property Fund	42,376,529	42,376,529	257,781,649	2,818,431	0	7.42	27.17
Real Estate Total	1,057,376,529	775,745,690	959,182,034	377,958,073	281,630,839		
<u>II. Resource</u>							
Apache Corp III	30,000,000	30,000,000	4,669,890	54,276,789	0	12.20	22.50
EnCap Energy Capital Fund VII	100,000,000	29,937,328	24,426,304	1,234,124	70,062,672	-17.68	2.00
First Reserve							
First Reserve Fund VIII	100,000,000	100,000,000	1,855,997	201,883,104	0	15.87	11.17
First Reserve Fund IX	100,000,000	100,000,000	1,147,000	298,659,472	0	48.13	8.22
First Reserve Fund X	100,000,000	100,000,000	59,300,013	110,288,083	0	39.50	4.66
First Reserve Fund XI	150,000,000	114,631,408	100,213,069	354,267	35,368,592	-9.49	2.52
First Reserve Fund XII	150,000,000	43,137,231	33,695,812	15,865	106,862,769	-22.32	0.67
NGP							
Natural Gas Partners IX	150,000,000	26,173,701	21,288,204	365,317	123,826,299	-16.79	1.69
NGP Midstream & Resources	100,000,000	57,587,517	58,427,538	1,210,359	42,412,483	3.56	2.25
Sheridan Production Partners I	100,000,000	38,252,260	32,622,058	4,000,000	61,747,740	-2.71	2.25
Simmons							
SCF-IV	47,626,265	47,626,265	5,442,492	145,600,193	0	23.97	11.25
TCW Energy Partners XIV	100,000,000	56,610,636	51,695,162	11,546,408	43,389,364	10.30	2.20
Resource Total	1,227,626,265	743,956,345	394,783,538	829,433,981	483,669,920		
<u>III. Yield-Oriented</u>							
Carbon Capital	46,184,308	46,184,308	1,773,939	59,522,956	0	15.52	7.13
Citicorp Mezzanine							
Citicorp Mezzanine I	40,000,000	40,000,000	101,563	60,946,281	0	11.48	14.50
Citicorp Mezzanine III	100,000,000	88,029,296	7,123,136	120,226,813	0	14.96	9.66
DLJ Investment Partners							
DLJ Investment Partners II	27,375,168	23,164,173	4,019,068	30,615,810	4,210,995	10.52	9.49
DLJ Investment Partners III	100,000,000	20,628,907	9,897,027	2,243,496	79,371,093	-25.39	3.02
Gold Hill Venture Lending							
Gold Hill Venture Lending	40,000,000	40,000,000	33,244,220	14,277,087	0	6.56	4.76
Gold Hill 2008	25,284,190	6,068,206	5,928,194	0	19,215,984	-4.63	1.00
GS Mezzanine Partners							
GS Mezzanine Partners II	100,000,000	83,092,437	36,303,021	86,355,015	16,907,563	9.20	9.33
GS Mezzanine Partners III	75,000,000	52,896,411	29,575,972	39,124,047	22,103,589	8.43	5.97
GS Mezzanine Partners 2006 Institutional	100,000,000	67,374,802	25,328,934	13,122,742	32,625,198	-31.18	3.23
GS Mezzanine Partners V	150,000,000	43,483,987	36,708,486	1,110,168	106,516,013	-10.70	1.69
GTCR Capital Partners	80,000,000	69,589,422	1,331,982	105,291,590	10,410,578	10.75	9.63
KB Mezzanine Fund II	25,000,000	25,000,000	106,958	12,632,685	0	-12.78	13.75
Merit Capital Partners (fka William Blair)							
William Blair Mezzan. Cap. Fd. III	60,000,000	56,958,000	13,328,911	89,260,609	3,042,000	15.13	9.49
Merit Mezzanine Fund IV	75,000,000	61,001,374	56,047,744	10,548,939	13,998,626	4.37	4.54

Minnesota State Board of Investment
- Alternative Investments -
As of June 30, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Merit Energy Partners							
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	68,428,311	82,351,723	0	25.34	13.00
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	215,204,719	168,766,816	0	33.93	10.67
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	186,059,090	103,145,055	17,061,697	27.37	8.10
<i>Merit Energy Partners E</i>	100,000,000	36,489,813	53,304,993	18,265,886	63,510,187	17.34	4.71
<i>Merit Energy Partners F</i>	100,000,000	23,440,563	21,408,655	1,770,831	76,559,437	-0.46	3.27
Prudential Capital Partners							
<i>Prudential Capital Partners I</i>	100,000,000	96,057,053	35,149,570	102,188,076	3,942,947	11.17	8.20
<i>Prudential Capital Partners II</i>	100,000,000	90,293,123	90,161,192	18,772,997	9,706,877	9.64	4.00
<i>Prudential Capital Partners III</i>	50,000,000	9,287,421	9,287,421	0	40,712,579	0.00	0.21
Quadrant Real Estate Advisors							
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	1,228,620	21,876,774	0	8.29	11.50
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	15,659,572	43,159,475	0	8.12	9.91
Summit Partners							
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	83,914	31,406,578	2,000,000	30.55	15.25
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	3,646,494	83,424,202	4,500,000	56.30	11.91
<i>Summit Subordinated Debt Fund III</i>	45,000,000	37,065,965	25,524,357	17,249,912	7,934,035	6.88	5.37
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	0	0	0	50,000,000	N/A	1.26
T. Rowe Price	55,196,873	55,196,873	1,338,483	52,747,795	0	-9.31	N/A
TCW/Crescent Mezzanine							
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	13,002,172	141,105,299	6,164,736	36.49	8.25
Windjammer Capital Investors							
<i>Windjammer Mezzanine & Equity Fund II</i>	66,708,861	51,176,904	29,418,100	41,141,339	15,531,957	8.15	9.25
<i>Windjammer Senior Equity Fund III</i>	75,000,000	40,184,242	36,588,623	3,702,592	34,815,758	-0.27	3.49
<i>Yield-Oriented Total</i>	2,139,249,400	1,486,436,846	1,066,313,440	1,576,353,590	640,841,850		
IV. Private Equity							
Adams Street Partners							
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,239	9,440,295	0	13.23	21.14
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	52,954	37,988,511	0	24.09	18.59
Advent International GPE VI-A	50,000,000	9,250,000	7,366,746	0	40,750,000	-32.83	1.25
Affinity Ventures							
<i>Affinity Ventures IV</i>	4,000,000	2,511,847	1,543,716	690,118	1,488,153	-5.69	5.00
<i>Affinity Ventures V</i>	5,000,000	1,600,000	1,568,006	0	3,400,000	-4.51	0.99
Banc Fund							
<i>Banc Fund VII</i>	45,000,000	39,600,000	16,389,569	812,725	5,400,000	-26.73	4.25
<i>Banc Fund VIII</i>	98,250,000	2,947,500	2,698,478	0	95,302,500	-9.65	1.18
Blackstone							
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	2,751,718	95,379,217	0	34.04	15.60
<i>Blackstone Capital Partners IV</i>	70,000,000	66,629,430	46,134,804	87,772,618	3,370,570	40.10	6.97
<i>Blackstone Capital Partners V</i>	140,000,000	107,908,326	73,407,045	5,207,690	32,091,674	-17.45	3.41
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	0.93
BLUM Capital Partners							
<i>Blum Strategic Partners I</i>	50,000,000	49,001,812	3,284,529	89,408,820	998,188	12.00	10.52
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	6,133,420	73,355,987	9,814,111	21.84	7.95
<i>Blum Strategic Partners III</i>	75,000,000	73,974,364	38,068,458	26,556,746	1,025,636	-5.84	4.08
<i>Blum Strategic Partners IV</i>	150,000,000	125,698,632	91,696,815	213,246	24,301,368	-23.14	1.61
CVI Global Value Fund	200,000,000	152,500,000	128,018,046	2,087,004	47,500,000	-8.84	2.46
Chicago Growth Partners (William Blair)							
<i>William Blair Capital Partners VII</i>	50,000,000	48,000,000	12,207,014	57,365,739	2,000,000	9.65	8.31
<i>Chicago Growth Partners I</i>	50,000,000	44,291,998	35,271,816	15,789,143	5,708,002	8.73	3.93
<i>Chicago Growth Partners II</i>	60,000,000	7,329,111	6,986,710	0	52,670,889	-8.81	1.30
Coral Partners							
<i>Coral Partners IV</i>	15,000,000	15,000,000	988,221	13,538,879	0	-0.78	14.94
<i>Coral Partners V</i>	15,000,000	15,000,000	2,792,814	3,106,198	0	-12.74	11.04
Court Square Capital							
<i>Court Square Capital Partners</i>	100,000,000	79,874,913	20,623,806	126,485,018	20,125,087	27.38	7.55
<i>Court Square Capital Partners II</i>	175,000,000	63,104,859	51,279,595	1,564,076	111,895,141	-11.29	2.82
Crescendo							
<i>Crescendo III</i>	25,000,000	25,000,000	794,052	9,321,908	0	-21.68	10.65
<i>Crescendo IV</i>	101,500,000	101,500,000	39,535,030	4,018,614	0	-12.00	9.31

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CSFB/ DLJ							
<i>DLJ Merchant Banking Partners III</i>	125,000,000	119,589,604	64,830,099	164,667,686	5,410,397	18.46	8.75
<i>DLJ Strategic Partners</i>	100,000,000	88,679,866	19,927,939	141,891,735	11,320,134	23.16	8.44
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,336,744	36,848,551	116,240,096	16,663,256	38.53	5.95
<i>CSFB Strategic Partners III VC</i>	25,000,000	23,029,695	20,278,789	7,500,864	1,970,305	9.76	4.08
<i>CSFB Strategic Partners III-B</i>	100,000,000	78,695,677	82,319,692	1,482,526	21,304,323	3.23	4.08
<i>CS Strategic Partners IV-B</i>	100,000,000	46,557,100	46,542,370	2,431,030	53,442,900	6.44	1.26
<i>CS Strategic Partners IV VC</i>	40,000,000	20,509,389	22,515,073	160,602	19,490,611	14.03	1.03
CVC European Equity Partners V	140,265,045	20,797,643	13,422,043	3,554,487	119,467,402	-22.51	1.26
Diamond Castle Partners IV	100,000,000	64,947,248	40,162,769	12,468,443	35,052,752	-11.77	2.81
DSV Partners IV	10,000,000	10,000,000	32,896	39,196,082	0	10.61	24.22
EBF Merced Partners II	75,000,000	67,500,000	66,225,600	0	7,500,000	-1.89	2.25
Elevation Partners	75,000,000	48,389,741	32,494,184	14,244,241	26,610,259	-2.90	4.12
Fox Paine Capital Fund							
<i>Fox Paine Capital Fund II</i>	50,000,000	42,014,878	20,491,348	45,038,976	7,985,122	19.59	9.00
GHJM Marathon Fund							
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	12,434,895	44,201,952	949,000	8.37	10.21
<i>GHJM Marathon Fund V</i>	50,000,000	46,932,114	42,561,193	13,614,933	3,067,886	8.18	4.74
Golder, Thoma, Cressey, Rauner							
<i>Golder, Thoma, Cressey & Rauner Fund III</i>	14,000,000	14,000,000	186,917	78,123,015	0	30.86	21.67
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	117,709	42,160,456	0	25.01	15.41
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	686,088	53,955,241	0	11.02	13.00
GS Capital Partners							
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	21,633,604	80,799,067	0	23.23	8.83
<i>GS Capital Partners V</i>	100,000,000	66,390,364	90,169,161	18,903,924	33,609,636	17.03	4.25
<i>GS Capital Partners VI</i>	100,000,000	36,166,994	21,994,306	2,082,010	63,833,006	-22.40	2.41
GTCR Golder Rauner							
<i>GTCR VI</i>	90,000,000	90,000,000	7,262,670	75,082,762	0	-3.08	11.00
<i>GTCR VII</i>	175,000,000	159,249,989	4,128,387	368,849,062	15,750,011	24.76	9.39
<i>GTCR IX</i>	75,000,000	25,376,355	18,770,124	4,741,730	49,623,645	-6.74	3.00
Hellman & Friedman							
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	133,967,494	19,467,516	347,829,859	16,032,506	34.73	9.49
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	142,936,077	123,725,847	131,501,688	17,063,923	27.40	4.58
<i>Hellman & Friedman Capital Partners VI</i>	175,000,000	111,528,967	94,646,219	2,712,656	63,471,033	-8.69	2.25
<i>Hellman & Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	0.00	0.21
Kohlberg Kravis Roberts							
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	1,045,135	396,018,930	0	8.70	21.60
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	408,114	308,128,283	0	16.74	15.53
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	17,122,614	338,284,866	0	12.70	12.83
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	126,973,361	150,175,777	0	13.57	6.56
<i>KKR 2006 Fund</i>	200,000,000	153,982,528	107,240,204	5,932,838	46,017,472	-16.80	2.76
Lexington Capital Partners							
<i>Lexington Capital Partners VI-B</i>	100,000,000	78,072,964	51,972,477	15,859,939	21,927,036	-9.99	3.51
<i>Lexington Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	0.05
RWI Ventures							
<i>RWI Ventures I</i>	7,603,265	7,528,265	2,125,907	4,025,809	75,000	-10.76	3.00
<i>RWI Group III</i>	616,430	616,430	75,061	330,192	0	-25.45	3.00
Sightline Healthcare							
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	1,493,684	4,883,002	0	-6.39	12.33
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	7,421,102	3,288,320	0	-8.77	10.44
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,210,915	3,256,483	4,008,034	489,085	-0.07	5.76
Silver Lake Partners							
<i>Silver Lake Partners II</i>	100,000,000	86,857,842	58,827,301	25,315,234	13,142,158	-1.16	5.00
<i>Silver Lake Partners III</i>	100,000,000	22,803,164	12,095,896	588,153	77,196,836	-41.41	2.25
Split Rock Partners							
<i>Split Rock Partners</i>	50,000,000	28,218,184	26,028,425	428,377	21,781,816	-2.98	4.16
<i>Split Rock Partners II</i>	60,000,000	3,980,000	3,655,029	0	56,020,000	-12.45	1.17
Summit Partners							
<i>Summit Ventures II</i>	30,000,000	28,500,000	167,489	74,524,292	1,500,000	28.82	21.13
<i>Summit Ventures V</i>	25,000,000	24,125,000	1,004,329	32,228,645	875,000	8.13	11.25
T. Rowe Price	839,043,221	839,043,221	80,683,033	791,641,329	0	5.89	N/A
Thoma Cressey							
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	10,022,421	15,371,225	1,085,000	-4.12	10.86
<i>Thoma Cressey Fund VII</i>	50,000,000	49,104,075	26,821,177	46,489,614	895,925	20.53	8.85
<i>Thoma Cressey Fund VIII</i>	70,000,000	65,852,574	65,137,744	0	4,147,426	-0.74	3.16

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Thomas, McNerney & Partners							
<i>Thomas, McNerney & Partners I</i>	30,000,000	25,800,000	15,453,817	10,504,694	4,200,000	0.22	6.65
<i>Thomas, McNerney & Partners II</i>	50,000,000	19,125,000	12,717,226	768,885	30,875,000	-22.27	3.00
Varde Fund IX	100,000,000	85,000,000	85,563,890	0	15,000,000	0.77	1.02
Vestar Capital Partners							
<i>Vestar Capital Partners IV</i>	55,000,000	52,217,330	28,254,516	55,321,011	2,782,670	13.66	9.54
<i>Vestar Capital Partners V</i>	75,000,000	56,227,363	49,825,624	4,599,585	18,772,637	-1.33	3.53
Warburg Pincus							
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	14.50
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	16,375,046	129,435,994	0	8.75	11.01
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	64,370,592	86,818,765	0	11.74	7.21
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	85,071,110	8,049,700	0	-3.00	3.93
<i>Warburg Pincus Private Equity X</i>	150,000,000	55,935,914	37,886,795	132,663	94,064,086	-31.73	1.68
Wayzata							
<i>Wayzata Opportunities Fund</i>	100,000,000	95,600,000	93,194,704	339,109	4,400,000	-0.72	3.53
<i>Wayzata Opportunities Fund II</i>	150,000,000	134,250,000	111,126,243	429,900	15,750,000	-17.12	1.69
Welsh, Carson, Anderson & Stowe							
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	29,796,747	82,347,673	0	1.53	10.93
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	120,000,000	67,671,068	129,107,565	5,000,000	13.13	9.01
<i>Welsh, Carson, Anderson & Stowe X</i>	100,000,000	84,578,466	71,241,880	0	15,421,534	-7.57	3.54
<i>Welsh, Carson, Anderson & Stowe XI</i>	100,000,000	943,897	0	0	99,056,103	N/A	0.94
Zell/ Chilmark Fund	30,000,000	30,000,000	36,232	77,129,496	0	17.71	18.97
Private Equity Total	7,984,422,803	6,186,488,593	2,886,122,878	5,532,038,627	1,797,934,209		
Alternatives Total	12,408,674,997	9,192,627,474	5,306,401,890	8,315,784,271	3,204,076,819		

* None of the data presented herein has been reviewed or approved by either the general partner or investment manager. The performance and valuation data presented herein is not a guarantee or prediction of future results. Ultimately, the actual performance and value of any investment is not known until final liquidation. Because there is no industry-standardized method for valuation or reporting, comparisons of performance and valuation data among different investments is difficult.