

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
December 7, 2005

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INVESTMENT ADVISORY
COUNCIL MEETING
December 6, 2005

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

December 7, 2005

AGENDA
STATE BOARD OF INVESTMENT MEETING
Wednesday, December 7, 2005
9:00 A.M. - Room 123
State Capitol – St. Paul

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <p>1. Approval of Minutes of September 7, 2005</p> | <p>TAB</p> |
| <p>2. Report from the Executive Director (Howard Bicker)</p> <p>A. Quarterly Investment Review
(July 1, 2005 – September 30, 2005)</p> <p>B. Administrative Report</p> <ol style="list-style-type: none">1. Reports on budget and travel2. Post Retirement Benefit Increase for FY053. Legislative Update4. Litigation Update5. Results of FY05 Audit6. Draft of FY05 Annual Report7. Tentative Meeting Dates for Calendar 2006 | <p>A</p> <p>B</p> |
| <p>3. Reports from the Investment Advisory Council (Mike Troutman)</p> <p>A. Stock and Bond Manager Committee</p> <ol style="list-style-type: none">1. Review of manager performance2. Economic and Market Outlook Presentation <p>B. Alternative Investment Committee</p> <ol style="list-style-type: none">1. Review of current strategy2. Review of progress toward alternative investment asset allocation goals3. Review of SBI's alternative investment commitment process4. Recommendation of new investments with two new and one existing private equity managers:<ul style="list-style-type: none">• Wayzata Investment Partners• Lexington Advisors Inc.• Welsh, Carson, Anderson and Stowe | <p>C</p> <p>D</p> |

STATE BOARD OF INVESTMENT

Minutes State Board of Investment September 7, 2005

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, September 7, 2005 in Room 123 State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Patricia Anderson, Secretary of State Mary Kiffmeyer and Attorney General Mike Hatch were present. The minutes of the June 8, 2005 Board meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and reported that the Combined Funds had exceeded its Composite Index over the ten year period ending June 30, 2005 (Combined Funds 9.1% vs. Composite 8.8%), and had provided a real rate of return over the latest 20 year period (Combined Funds 10.5% vs. CPI 3.0%). He stated that the Basic Funds have outperformed its composite index (Basic Funds 9.3% vs. Composite 9.1%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 8.8% vs. Composite 8.4%).

Mr. Bicker reported that the Basic Fund's assets increased 1.5% for the quarter ending June 30, 2005 due to positive investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly outperformed its composite index for the quarter (Basic Funds 2.3% vs. Composite 2.2%) and for the year (Basic Funds 11.0% vs. Composite 10.9%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 1.9% for the quarter ending June 30, 2005, also due to positive investment returns. He said the Post Fund's asset mix is also on target. He stated that the Post Fund outperformed its composite index for the quarter (Post Fund 2.3% vs. Composite 2.2%) and the year (Post Fund 10.5% vs. Composite 10.2%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 2.6% vs. Domestic Equity Asset Class Target 2.2%) and for the year (Domestic Stocks 8.6% vs. Domestic Equity Asset Class Target 8.1%). He said the International Stock manager group matched its composite index for the quarter (International Stocks -0.2% vs. International Equity Asset Class Target -0.2%) and underperformed it for the year (International Stocks 15.7% vs. International Equity Asset Class Target 16.5%). Mr. Bicker stated that the bond segment matched its target for the quarter (Bonds 3.0% vs. Fixed Income Asset Class Target 3.0%) and outperformed it for the year (Bonds 7.1% vs. Fixed Income Asset Class Target 6.8%). He noted that the alternative investments had performed strongly for the year at 27.2%. He concluded his report with the comment that as of June 30, 2005, the SBI was responsible for over \$50 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of litigation. She said that the McKesson, Broadcom and AOL cases have all recently settled and that she is hopeful that the opt-out case with Worldcom will also settle.

Mr. Bicker briefly updated members on the status of three legislative items from the special session in which the Board has an interest. He stated that the legislation to cap benefit increases going forward for the Post Retirement Fund was not addressed. He said that the language giving the SBI some additional budgetary flexibility was not addressed, nor was the Minneapolis Teachers' pension issue. He noted that these items will likely be resubmitted for the 2006 legislative session.

SBI Administrative Committee Report

Mr. Sausen referred members to Tab C of the meeting materials and stated that the Committee had conducted a review of the International Country Investing Guidelines during the quarter. He stated that based on the latest available information from the State Department, staff and the Committee have determined that Mexico should be moved from Group I to Group II. He said that staff proposed a change in the requirement that managers who choose to invest in Group III countries appear before the Committee. He reported that staff recommended, and the Committee agreed that if a manager chooses to invest in a Group III market, the manager must notify SBI staff in writing of the decision to do so and that staff will inform the Committee of all managers that invest in any Group III market. He noted that no action is required by the Board.

Ms. Vanek, Director of the Public Employees Retirement Association and Chair of the Compensation Plan Subcommittee referred members to the proposed Salary Administration Plan of the Minnesota State Board of Investment found on page 21 of Tab C. She stated that the Plan outlines salary ranges, salary administration procedures and defines the non-represented employee classifications. She stated that other benefits for employees covered by the Plan are to be covered by the State's Managerial Plan. She said that the Subcommittee discussed at length the need to adjust salaries enough not only to attract employees, but to retain them going forward. She stated that a majority of the Investment Advisory Council voted to affirm the recommendation. She noted that concerns have been raised about the fact that many state agencies are struggling with compensation for their highly skilled professional employees and that the change to the SBI's budget process was not acted on by the legislature. She noted that staff had indicated that there are some funds available to move part of the Plan forward and that further implementation of the Plan will move forward when funding becomes available. Mr. Hatch moved approval of the Subcommittee's recommendation, as stated in the Committee Report, which reads: **"The Compensation Plan Subcommittee recommends that the SBI approve the Proposed Salary Administration Plan for the State Board of Investment and authorize the Executive Director to forward the Plan**

to the Commissioner of Employee Relations for his review and comment and to then forward the Plan, incorporating necessary technical and any other agreed upon changes from the commissioner, to the Legislative Coordinating Commission for final approval.” Ms. Anderson thanked the Subcommittee, the IAC, the Legislature, the Administration and the Board for its past support of this process and stated that she fully supports the proposed plan. She noted that the proposed changes still leave the SBI’s compensation levels below the average. Ms. Kiffmeyer briefly spoke in support of the motion. The motion passed. Ms. Anderson and Mr. Hatch agreed to represent the Board when the Plan is presented to the Legislative Coordinating Commission. The Plan is included as **Attachment A**.

Stock and Bond Manager Committee Report

Mr. Troutman thanked the Board for its support of the compensation plan. He referred members to Tab D of the meeting materials and noted the strong performance for the most recent fiscal year. He stated that the Committee is recommending that the Executive Director be given the authority to renew investment manager contracts. He noted that the change in the process is administrative and will not impair the manager review or termination process in any manner. Mr. Hatch moved approval of the Committee’s recommendation, as stated in the Committee Report, which reads: **“The Committee recommends that the SBI authorize the Executive Director, with the assistance of legal counsel, to renew investment management contracts of the publicly traded securities managers, including mutual fund managers, as the Executive Director deems appropriate.”** The motion passed.

Mr. Troutman stated that the Committee had conducted a review of the manager investment guidelines. He reported that most of the revisions to the guidelines are either technical corrections or expanded clarifications, and he briefly summarized the changes. Ms. Kiffmeyer moved approval of the guidelines as presented in Tab D of the meeting materials and the Committee’s recommendation, as stated in the Committee Report, which reads: **“The Committee recommends that the SBI adopt the Investment Manager Guidelines which begin on page 5 of this tab.”** The motion passed.

Alternative Investment Committee Report

Mr. Troutman referred members to Tab E of the meeting materials and noted the strong performance by the alternative investments of 27.2% for the year ending June 30, 2005 and 15.3% over the last ten year period. He reported that the Committee had reviewed the current strategy and key terms and conditions for private equity investing. He stated that over the years the SBI and several other limited partners have made some improvements to the terms and conditions, such as the limited partners getting a majority share of transaction fees, inducing general partners to invest more of their own money into their funds and establishing advisory boards.

Mr. Troutman stated that the Committee is recommending new investments with three existing managers: Thoma Cressey, Blackstone and Vestar. He briefly described the funds. Ms. Kiffmeyer moved approval of the three Committee recommendations, as stated in the Committee Report, which reads: **“The Committee recommends that the**

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

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

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$75 million or 20%, whichever is less, in Vestar Capital Partners V, L.P. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Vestar 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 Vestar or reduction or termination of the commitment.” In response to questions from Mr. Hatch, Mr. Bicker confirmed that the managers do not take down any money from the new fund until the previous fund's assets have been utilized. The motion passed.

The meeting adjourned at 9:45 A.M.

Respectfully submitted,



Howard Bicker
Executive Director

INVESTMENT ADVISORY COUNCIL

AGENDA AND MINUTES

December 6, 2005

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, December 6, 2005
2:00 P.M. - Board Room – First Floor
60 Empire Drive, St. Paul, MN

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| | TAB |
| 1. Approval of Minutes of September 6, 2005 | |
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| 2. Report from the Executive Director (Howard Bicker) | A |
| A. Quarterly Investment Review
(July 1, 2005 – September 30, 2005) | |
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| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Post Retirement Benefit Increase for FY05 | |
| 3. Legislative Update | |
| 4. Litigation Update | |
| 5. Results of FY05 Audit | |
| 6. Draft of FY05 Annual Report | |
| 7. Tentative Meeting Dates for Calendar 2006 | |
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| 3. Reports from the Investment Advisory Council (Mike Troutman) | |
| A. Stock and Bond Manager Committee | C |
| 1. Review of manager performance | |
| 2. Economic and Market Outlook Presentation | |
|
 | |
| B. Alternative Investment Committee | D |
| 1. Review of current strategy | |
| 2. Review of progress toward alternative investment asset allocation goals | |
| 3. Review of SBI's alternative investment commitment process | |
| 4. Recommendation of new investments with two new and one existing
private equity managers: | |
| • Wayzata Investment Partners | |
| • Lexington Advisors Inc. | |
| • Welsh, Carson, Anderson and Stowe | |

STATE BOARD OF INVESTMENT

Minutes Investment Advisory Council September 6, 2005

MEMBERS PRESENT: Frank Ahrens; Gary Austin; Dave Bergstrom; John Bohan; Kerry Brick; Peggy Ingison; Heather Johnston; P. Jay Kiedrowski; Malcolm McDonald; Gary Norstrom; Daralyn Peifer; Mike Troutman; and Mary Vanek.

MEMBERS ABSENT: Doug Gorence; Hon. Ken Maas; and Judy Mares.

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

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Christie Eller; Carla Heyl; Peter Sausen; Jerry Irsfeld, John Fisher, Bob Heimerl, REAM.

The minutes of the June 7, 2005 IAC meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and reported that the Combined Funds had exceeded its Composite Index over the ten year period ending June 30, 2005 (Combined Funds 9.1% vs. Composite 8.8%), and had provided a real rate of return over the latest 20 year period (Combined Funds 10.5% vs. CPI 3.0%). He stated that the Basic Funds have outperformed its composite index (Basic Funds 9.3% vs. Composite 9.1%) over the last ten years and reported that the Post Fund had also outperformed its composite over the last ten-year period (Post Fund 8.8% vs. Composite 8.4%).

Mr. Bicker reported that the Basic Fund's assets increased 1.5% for the quarter ending June 30, 2005 due to positive investment returns. He said that the asset mix is essentially on target. He reported that the Basic Funds slightly outperformed its composite index for the quarter (Basic Funds 2.3% vs. Composite 2.2%) and for the year (Basic Funds 11.0% vs. Composite 10.9%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 1.9% for the quarter ending June 30, 2005, also due to positive investment returns. He said the Post Fund's asset mix is also on target. He stated that the Post Fund outperformed its composite index for the quarter (Post Fund 2.3% vs. Composite 2.2%) and the year (Post Fund 10.5% vs. Composite 10.2%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 2.6% vs. Domestic Equity Asset Class Target 2.2%) and for the year (Domestic Stocks 8.6% vs. Domestic Equity Asset Class Target 8.1%). He said the International Stock manager group matched its composite index for the quarter (International Stocks -0.2% vs. International Equity Asset Class Target -0.2%) and underperformed it for the year (International Stocks 15.7% vs. International Equity Asset Class Target 16.5%). Mr. Bicker stated that the bond segment matched its target for the quarter (Bonds 3.0% vs. Fixed Income Asset Class Target 3.0%) and outperformed it for the year (Bonds 7.1% vs. Fixed Income Asset Class Target 6.8%). He noted that the alternative investments had performed strongly for the year at 27.2%. He concluded his report with the comment that as of June 30, 2005, the SBI was responsible for over \$50 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of litigation. She thanked members for providing their discovery information, and she reported that the AOL case has settled. She stated that the Broadcom case also settled recently and that proofs of claim are due October 5, 2005. She noted that it is still too early to know how much the SBI will receive from these two settlements. She said that the case with McKesson has also settled and that the state has received a total of \$8.9 million above whatever the state will receive from the class settlement. She added that she is hopeful that the WorldCom opt-out case will settle once the class has settled. In response to a question from Mr. Bohan, Mr. Bicker stated that monies received from legal settlements go back into the asset class that the investment came from and not back to individual managers.

Mr. Bicker briefly updated members on the status of three legislative items from the special session that the Board has an interest in. He stated that the legislation to cap benefit increases going forward for the Post Retirement Fund was not addressed. He said that the language giving the SBI some additional budgetary flexibility was not addressed, nor was the Minneapolis Teachers' pension issue. He noted that these items will likely be resubmitted for the 2006 legislative session.

SBI Administrative Committee Report

Mr. Sausen referred members to Tab C of the meeting materials and stated that the Committee had conducted a review of the International Country Investing Guidelines during the quarter. He stated that based on the latest available information from the State Department, staff and the Committee have determined that Mexico should be moved from Group I to Group II. He said that staff proposed a change in the requirement that managers who choose to invest in Group III countries appear before the Committee. He

reported that staff recommended, and the Committee agreed that if a manager chooses to invest in a Group III market, the manager must notify SBI staff in writing of the decision to do so and that staff will inform the Committee of all managers that invest in any Group III market. He noted that no action is required by the Board or the IAC.

Ms. Vanek, Director of the Public Employees Retirement Association and Chair of the Compensation Plan Subcommittee referred members to the proposed Salary Administration Plan of the Minnesota State Board of Investment found on page 21 of Tab C. She stated that the Plan outlines salary ranges, salary administration procedures and defines the non-represented employee classifications. She stated that other benefits for employees covered by the Plan are to be covered by the State's Managerial Plan. She said that the Subcommittee discussed at length the need to adjust salaries enough not only to attract employees, but to retain them going forward. She briefly reviewed the salary ranges included in the Plan along with salary comparisons to other similar organizations. She stated that staff had indicated that there are some funds available to move part of the Plan forward and that further implementation of the Plan will move forward when funding becomes available.

Mr. Bicker stated that staff had met with the Department of Employee Relations (DOER) and that some minor technical changes had been made to the Plan. He noted that the Commissioner of Employee Relations does not have veto power over the Plan, but that any comments by DOER will be given to the Legislative Coordinating Commission (LCC). In response to a question from Mr. Bohan, Mr. Bicker stated that the LCC is made up of five members each from the House and the Senate. Mr. McDonald thanked Mr. Troutman for his work on the Compensation Plan Subcommittee and said that receiving approval of the Plan is a good first step. He stressed the importance of getting the legislative changes passed to change the SBI's budgetary process.

In response to questions from Mr. Ahrens, Mr. Bicker stated that the Plan will be able to be partially implemented due to some past salary savings. In response to a question from Mr. Norstrom, Mr. Bicker said he expects to have an answer regarding the Plan from the LCC prior to the next Board meeting in December 2005. In response to a question from Mr. Bohan, Mr. Bicker stated that Board and IAC representation at the meeting with the LCC would be appropriate. Mr. Norstrom made a motion to strongly affirm the recommendations of the Compensation Plan Subcommittee regarding the SBI Compensation Plan, as stated in the Administrative Committee Report. Mr. McDonald seconded the motion. Ms. Ingison explained that she would not be supporting the motion because other state agencies are also in the same position as the SBI and because she believes there are already too many inequities in state employee salaries. Mr. Bergstrom and Mr. Norstrom made brief statements in support of the motion. Mr. Ahrens stated that he has concerns since the proposed budget process change for the SBI was not passed by the legislature. Ms. Vanek and Mr. Bergstrom stated that both of their respective Board's believe that approval of the Compensation Plan is an important first step and Mr. Troutman agreed. Mr. Bohan stated that it is his understanding that often

government executives cannot be replaced within current salary restraints and that special exceptions to salary limits are then made. He said he believes that current long-term employees should not be discriminated against in such a manner. Ms. Ingison stated that she understands the situation, but that since she has the same problems in her agency, she could not support the motion. In response to questions from Ms. Johnston and Mr. Ahrens, Mr. Bicker further explained that part of the Plan could be implemented without further legislative approval of the SBI's budget process. The motion to strongly reaffirm the recommendations of the Compensation Plan Subcommittee passed.

Stock and Bond Manager Committee Report

Mr. Bohan referred members to Tab D of the meeting materials and reviewed the performance of the stock and bond manager groups. After some discussion, Mr. Bergstrom noted the strong performance for the year. Mr. Bohan stated that the Committee is recommending that the Executive Director of the SBI be given the authority to renew investment manager contracts. He noted that the change in the process is administrative and will not impair the manager review or termination process in any manner, and he moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. McDonald seconded the motion. Mr. Bicker added that the change only applies to the investment managers and mutual funds the Board retains and does not apply to banking relationships or consultants. The motion passed.

Mr. Bohan stated that the Committee had conducted a review of the manager investment guidelines. He reported that most of the revisions to the guidelines are either technical corrections or expanded clarifications, and he briefly summarized the changes. Mr. Bohan moved approval of the guidelines as presented in Tab D of the meeting materials and the Committee's recommendation, as stated in the Committee Report. Mr. Norstrom seconded the motion. In response to a question from Ms. Johnson, Mr. Sausen clarified the name of the ratings agency listed on page 28 of Tab D. The motion passed.

Alternative Investment Committee Report

Mr. McDonald referred members to Tab E of the meeting materials and he reported that the Committee had reviewed the current strategy and key terms and conditions for private equity investing. He asked John Griebenow, Alternative Investment Manager for the SBI, to summarize the changes that have occurred in the private equity area. Mr. Griebenow stated that over the years the SBI and several other limited partners have made some improvements to the terms and conditions, such as improved sharing ratios for transaction fees, inducing general partners to invest more of their own money into their funds and establishing advisory boards.

Mr. McDonald stated that the Committee is recommending new investments with three existing managers: Thoma Cressey, Blackstone and Vestar. He briefly described the funds. Mr. McDonald moved approval of the three Committee recommendations, as

stated in the Committee Report. Ms. Vanek seconded the motion. In response to a question from Mr. Troutman, Mr. McDonald stated that Thoma Cressey is refocusing its investment strategy. In response to a question from Mr. Brick, Mr. Bicker confirmed that Blackstone will draw down the previous fund before starting up their new fund. The motion passed.

The meeting adjourned at 3:18 P.M.

Respectfully submitted,

A handwritten signature in black ink that reads "Howard Bicker". The signature is written in a cursive, slightly slanted style.

Howard Bicker
Executive Director

Tab A

LONG TERM OBJECTIVES
Period Ending 9/30/2005

COMBINED FUNDS: \$41.1 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.</p>	8.9% (1)	0.3 percentage point above target
<p>Provide Real Return (20 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.</p>	10.8%	7.8 percentage points above CPI

BASIC RETIREMENT FUNDS: \$21.0 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 10 year period.</p>	9.1%	0.2 percentage point above target

POST RETIREMENT FUND: \$20.1 Billion	Result	Compared to Objective
<p>Match or Exceed Composite Index (10 Yr.)</p> <p>Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Post Fund over the latest 10 year period.</p>	8.7%	0.4 percentage point above target

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

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

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

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

Notes:

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

Actuarial Assumptions:

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

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

Full Funding Target Date: 2031

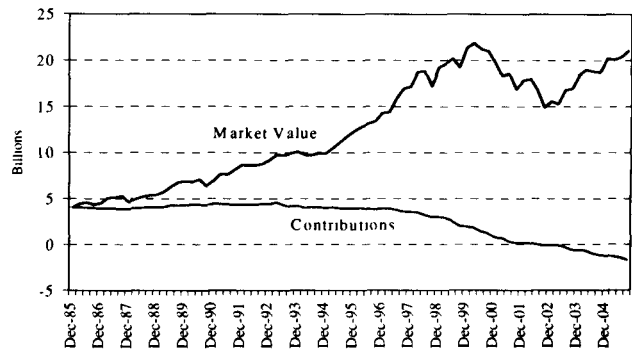
EXECUTIVE SUMMARY
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds increased 3.3% during the third quarter of 2005. Positive investment returns accounted for the increase.

Asset Growth
During Third Quarter 2005
(Millions)

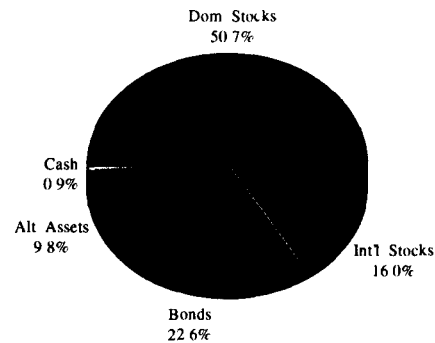
Beginning Value	\$ 20,375
Net Contributions	-241
Investment Return	910
Ending Value	\$ 21,044



Asset Mix

The allocation to international stocks increased over the quarter due to strong returns.

	Policy Targets	Actual Mix 9/30/2005	Actual Market Value (Millions)
Domestic Stocks	45.0%	50.7%	\$10,659
Int'l. Stocks	15.0	16.0	3,376
Bonds	24.0	22.6	4,760
Alternative Assets*	15.0	9.8	2,052
Unallocated Cash	1.0	0.9	197
	100.0%	100.0%	\$21,044

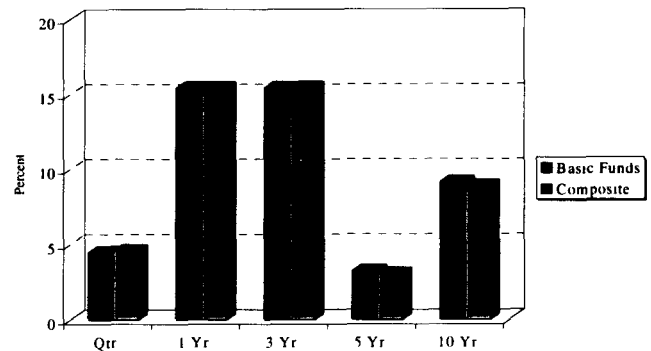


* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

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

	Period Ending 9/30/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Basics	4.5%	15.4%	15.4%	3.2%	9.1%
Composite	4.6	15.4	15.5	3.1	8.9



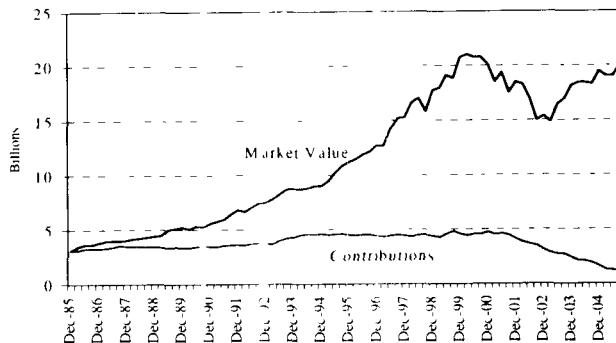
EXECUTIVE SUMMARY
Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund increased 3.7% during the third quarter of 2005. Positive investment returns accounted for the increase.

Asset Growth
During Third Quarter 2005
(Millions)

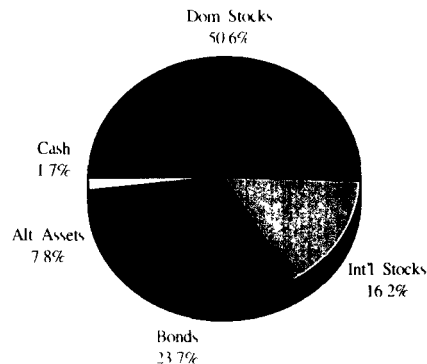
Beginning Value	\$19,390
Net Contributions	-128
Investment Return	837
Ending Value	\$20,099



Asset Mix

The allocation to international stocks increased over the quarter due to positive returns.

	Policy Targets	Actual Mix 9/30/2005	Actual Market Value (Millions)
Domestic Stocks	45.0%	50.6%	\$10,163
Int'l Stocks	15.0	16.2	3,250
Bonds	25.0	23.7	4,775
Alternative Assets*	12.0	7.8	1,574
Unallocated Cash	3.0	1.7	337
	100.0%	100.0%	\$20,099

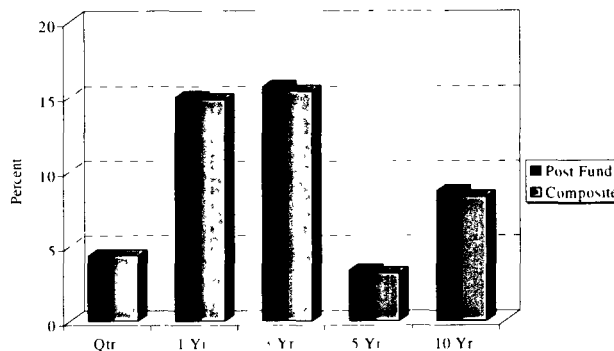


* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

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

	Period Ending 9/30/2005				
	Qtr	1 Yr	3 Yr	5 Yr	10 Yr
Post	4.4%	15.0%	15.7%	3.4%	8.7%
Composite	4.4	14.8	15.4	3.2	8.3



EXECUTIVE SUMMARY

Stock and Bond Manager Performance (Net of Fees)

Domestic Stocks

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

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

	Period Ending 9/30/2005				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	3.7%	14.5%	18.0%	-1.1%	9.0%
Asset Class Target*	4.0	14.6	18.2	-1.1	9.1

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

International Stocks

The international stock manager group (active and passive combined) underperformed its target for the quarter and 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 48 countries included in this index. It does not include the United States.

	Period Ending 9/30/2005				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	11.7%	28.3%	25.5%	4.4%	6.9%
Asset Class Target*	11.8	28.9	26.4	4.4	5.9

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

Bonds

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

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

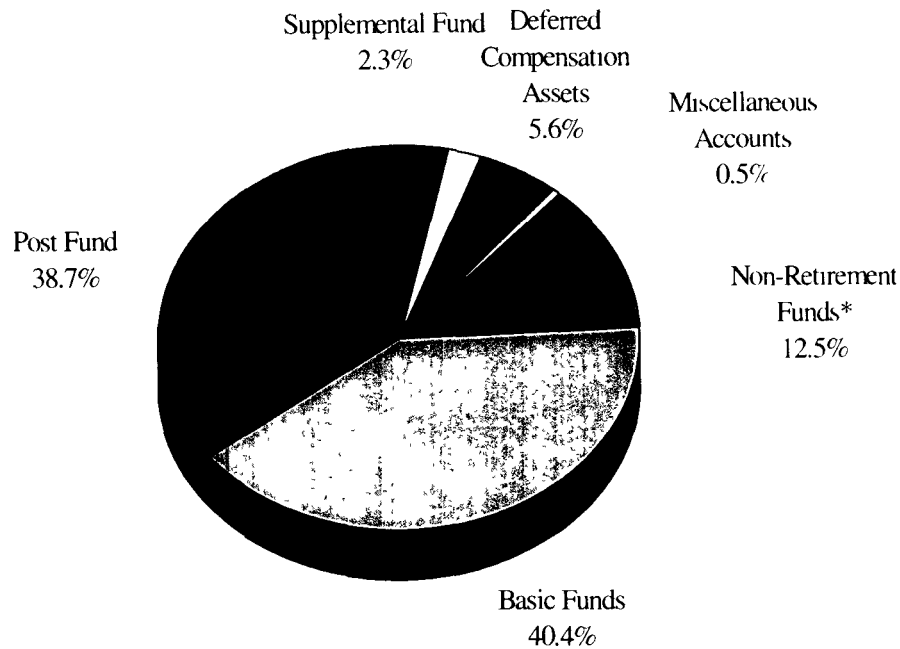
	Period Ending 9/30/2005				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	-0.4%	3.3%	5.0%	7.1%	6.9%
Asset Class Target*	-0.7	2.8	4.0	6.6	6.5

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

Alternative Investments

	Period Ending 9/30/2005				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	10.5%	35.5%	19.2%	10.7%	15.7%

EXECUTIVE SUMMARY
Funds Under Management



	9/30/2005 Market Value (Billions)
Retirement Funds	
Basic Retirement Funds	\$21.0
Post Retirement Fund	20.1
Supplemental Investment Fund	1.2
State Deferred Compensation Plan Non-SIF Assets	2.9
Non-Retirement Funds*	
Assigned Risk Plan	0.3
Permanent School Fund	0.6
Environmental Trust Fund	0.4
State Cash Accounts	3.6
Miscellaneous Accounts	0.2
Total	\$50.3

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Third Quarter 2005
(July 1, 2005 - September 30, 2005)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	4.0%	14.7%	18.4%	-0.5%	9.4%
Dow Jones Industrials	3.5	7.5	14.3	2.0	10.4
S&P 500	3.6	12.3	16.7	-1.5	9.5
Russell 3000 (broad market)	4.0	14.6	18.1	-0.7	9.5
Russell 1000 (large cap)	3.9	14.3	17.7	-1.3	9.6
Russell 2000 (small cap)	4.7	18.0	24.1	6.4	9.4
Domestic Fixed Income					
Lehman Aggregate (1)	-0.7	2.8	4.0	6.6	6.5
Lehman Gov't./Corp.	-1.0	2.6	4.1	6.9	6.6
3 month U.S. Treasury Bills	0.8	2.7	1.6	2.3	3.8
International					
EAFE (2)	10.4	25.8	24.6	3.2	5.8
Emerging Markets Free (3)	18.1	47.2	39.6	14.5	6.1
ACWI Free ex-U.S. (4)	11.8	29.5	27.2	4.8	6.6
World ex-U.S. (5)	10.9	26.8	25.3	3.4	6.2
Salomon Non U.S. Gov't. Bond	-1.1	3.1	9.5	8.7	4.9
Inflation Measure					
Consumer Price Index (6)	1.4	3.9	2.9	2.6	2.6

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, gained 4.0% during the third quarter of 2005. The equity market performed well, despite Hurricanes Katrina and Rita, record high oil prices, and overseas terrorist attacks. Corporate balance sheets remained healthy and employment levels were strong. Small capitalization stocks outperformed large capitalization stocks, and growth stocks outperformed value stocks. The industrial services sector generated the largest total return within the Russell 3000 index, followed by energy minerals. The retail trade sector generated the lowest sector return.

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

Large Growth	Russell 1000 Growth	4.0%
Large Value	Russell 1000 Value	3.9%
Small Growth	Russell 2000 Growth	6.3%
Small Value	Russell 2000 Value	3.1%

The Russell 3000 returned 14.6% for the year ending September 30, 2005.

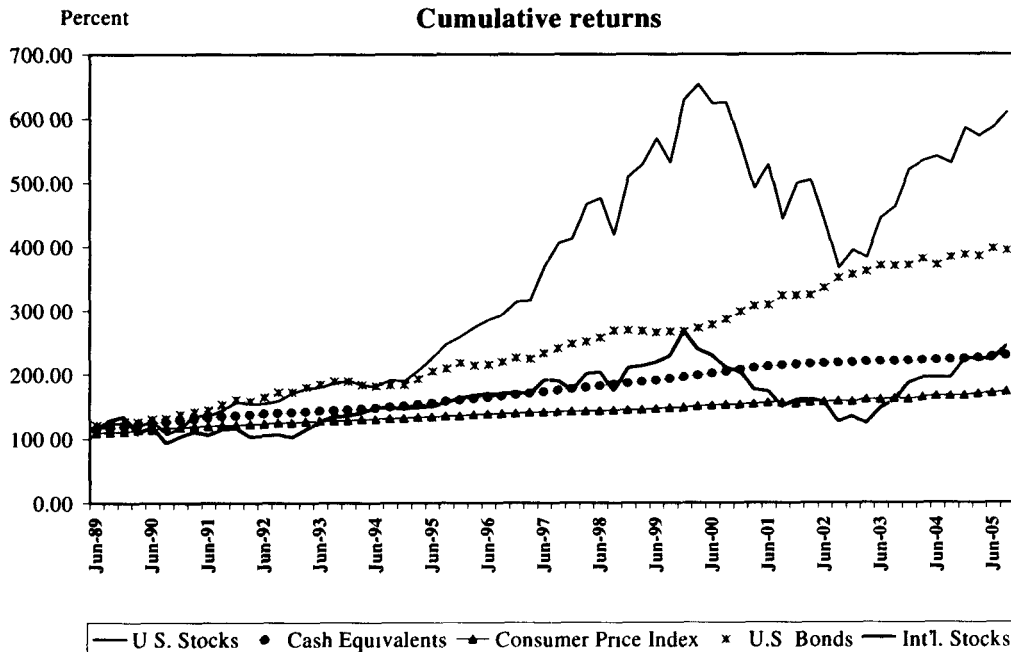
DOMESTIC BONDS

The bond market generated a negative return of 0.7% for the quarter and posted a gain of 2.8% for the year. With the prospect of steady growth and rising inflation, the U.S. yield curve finished higher and flatter by quarter-end, driving bond prices lower. The U.S. Treasury sector recorded the lowest return of all investment grade sectors during the quarter at -1.1%. In general, corporate yield spreads narrowed despite volatility in specific issuers in the auto and retail sector. The Fed stayed on message with its language and 25 bps tightening during the two meetings in the third quarter.

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

U.S. Treasury	-1.1%
Agency	-0.5
Credit	-1.1
Mortgages	-0.2

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of 10.9% for the quarter. The quarterly performance of the six largest stock markets is shown below.

United Kingdom	6.2%
Japan	19.2
France	8.7
Switzerland	9.9
Germany	9.7
Canada	18.4

The World ex U.S. index increased by 26.8% 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 18.1% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below.

Korea	22.0%
Taiwan	-3.5
South Africa	27.0
Mexico	22.1
Brazil	37.6

The Emerging Markets Free index increased by 47.2% during the last year.

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

REAL ESTATE

2005 has seen relative improvement in real estate market fundamentals. Supply remains in check and recovering demand is expected to contribute to continued improving fundamentals through the end of the year and into 2006.

PRIVATE EQUITY

U.S. private equity firms raised \$90 billion for private equity limited partnerships of all types, from venture capital to buyouts in 2004. This represents an 83% increase relative to the revised 2003 total of \$49 billion. 2005 looks to be a strong fund-raising year as the first three quarters have seen \$100 billion in funds raised.

RESOURCE FUNDS

During the third quarter of 2005, crude oil averaged \$63.21 per barrel, higher than an average price of \$53.25 during the prior quarter. The sustained high oil prices continue to reflect the relative instability in the Middle East.

COMBINED FUNDS

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

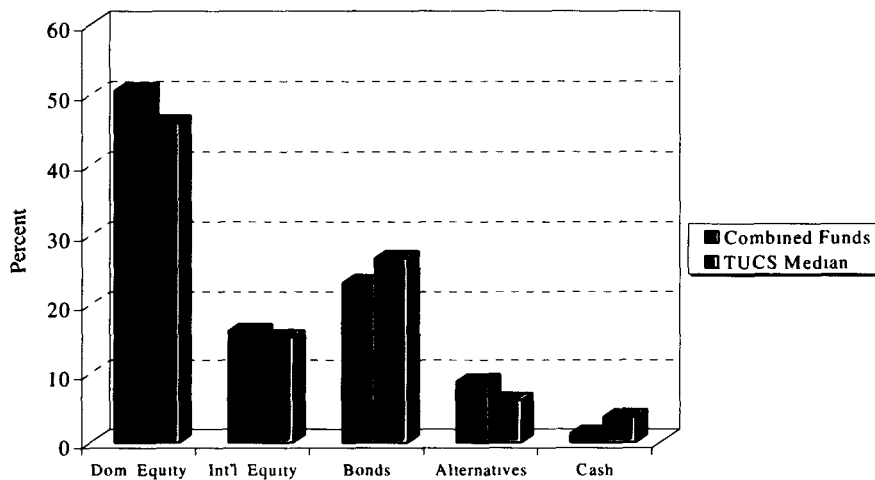
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On September 30, 2005, the actual asset mix of the Combined Funds was:

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

	\$ Millions	%
Domestic Stocks	\$20,822	50.6%
International Stocks	6,626	16.1
Bonds	9,534	23.2
Alternative Assets	3,626	8.8
Unallocated Cash	535	1.3
Total	\$41,143	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	50.6%	16.1%	23.2%	8.8%	1.3%
Median Allocation in TUCS*	46.0	15.2	26.7	6.1**	3.7

* Public and corporate plans over \$1 billion.

** May include assets other than alternatives.

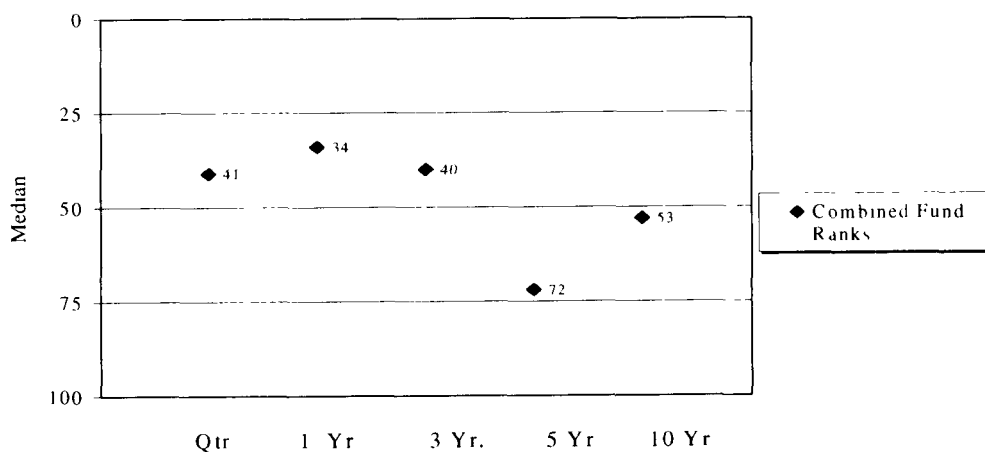
COMBINED FUNDS
Performance Compared to Other Pension Funds

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 9/30/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	41st	34th	40th	72nd	53rd

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

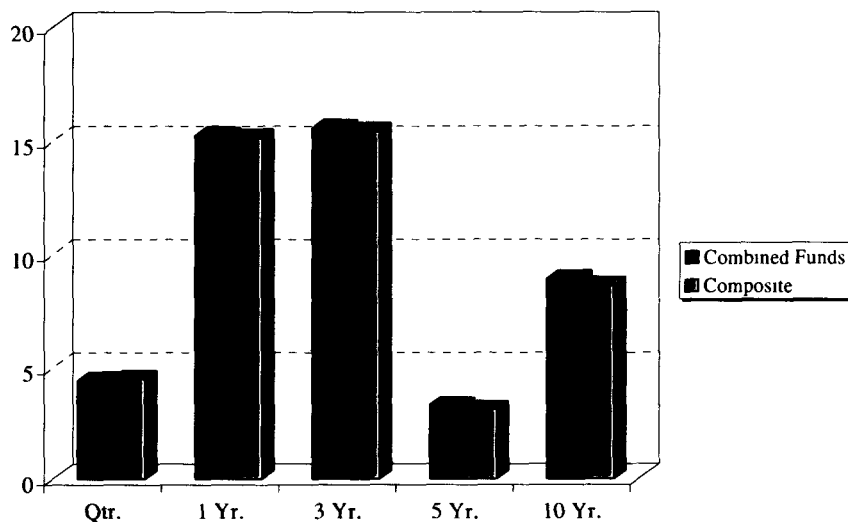
**COMBINED FUNDS
Performance Compared to Composite Index**

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* 3Q05
Domestic Stocks	Russell 3000	49.8%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	8.7*
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 9/30/2005

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	4.4%	15.2%	15.6%	3.3%	8.9%
Composite Index	4.5	15.2	15.4	3.1	8.6

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

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BASIC RETIREMENT FUNDS

Investment Objectives

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

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

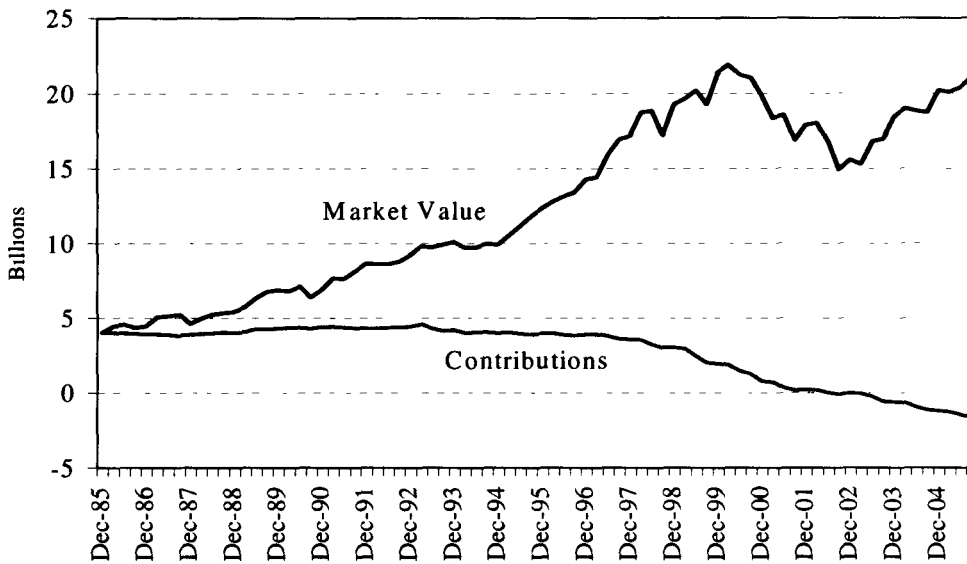
projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

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

Asset Growth

The market value of the Basic Funds increased 3.3% during the third quarter of 2005.

Positive investment returns accounted for the increase.



	Last Five Years						Latest Qtr.	
	In Millions							
	12/00	12/01	12/02	12/03	12/04	3/05	6/05	9/05
Beginning Value	\$21,365	\$19,807	\$17,874	\$15,561	\$18,435	\$20,201	\$20,075	\$20,375
Net Contributions	-1,186	-572	-247	-592	-577	-75	-168	-241
Investment Return	-372	-1,361	-2,066	3,466	2,343	-51	468	910
Ending Value	\$19,807	\$17,874	\$15,561	\$18,435	\$20,201	\$20,075	\$20,375	\$21,044

BASIC RETIREMENT FUNDS

Asset Mix

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

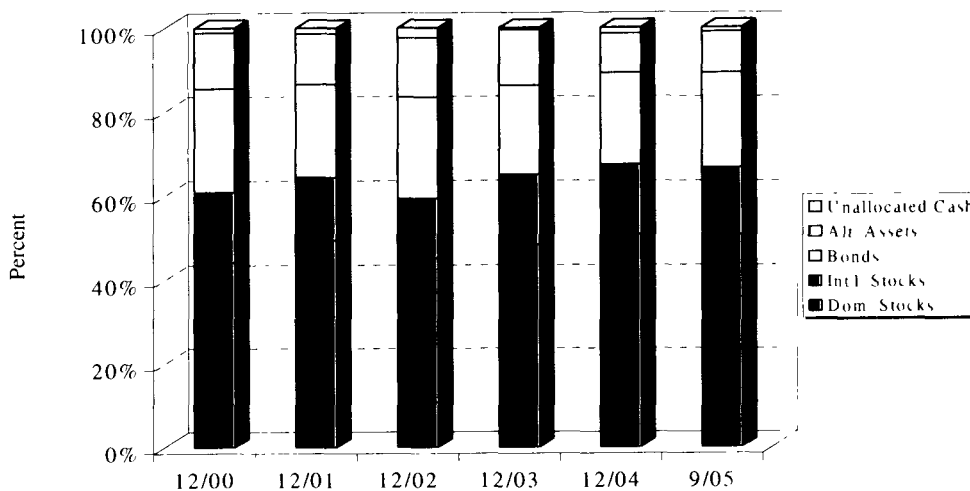
In October 2003, the Board provisionally revised its long term asset allocation targets for the Basic Funds, increasing the allocation for alternative investments from 15% to 20% and decreasing fixed income from 24% to 19%.

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

Over the last year, the allocation to domestic equities and international equities increased due to positive returns. The allocation to alternatives decreased due to rebalancing, despite positive returns.

During the quarter, the international equity allocation increased due to positive returns.

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



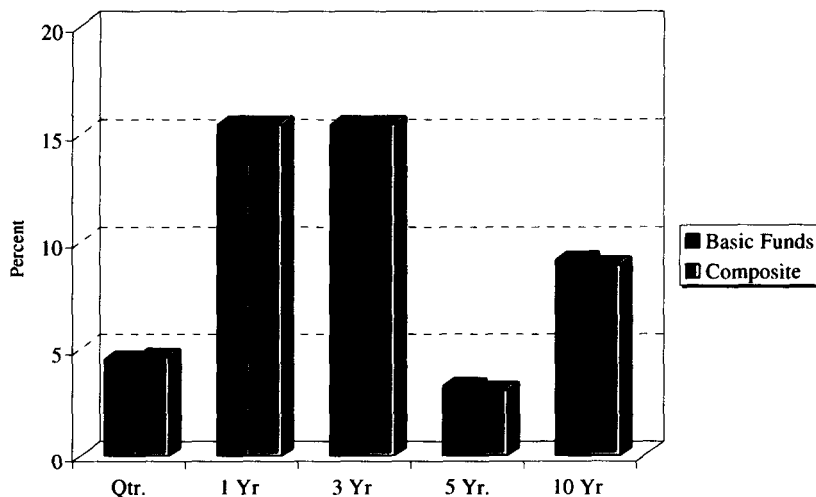
	Last Five Years						Latest Qtr.	
	12/00	12/01	12/02	12/03	12/04	3/05	6/05	9/05
Domestic Stocks	44.3%	49.5%	45.3%	48.5%	50.9%	50.4%	50.7%	50.7%
Int'l. Stocks	16.6	15.0	14.1	16.6	16.6	15.1	14.9	16.0
Bonds	24.7	22.1	24.2	21.2	21.8	23.2	23.4	22.6
Alternative Assets	12.1	14.1	13.3	13.3	9.4	9.9	9.8	9.8
Unallocated Cash	1.1	1.3	2.3	0.4	1.3	1.4	1.2	0.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

BASIC RETIREMENT FUNDS
Total Fund Performance (Net of Fees)

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

	Basics Target	Market Index	Basics Composite* 3Q05
Domestic Stocks	45.0%	Russell 3000	50.3%*
Int'l. Stocks	15.0	MSCI ACWI Free ex-U.S.	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Investments	15.0	Alternative Investments	9.7*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

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



Period Ending 9/30/2005

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Basic Funds**	4.5%	15.4%	15.4%	3.2%	9.1%
Composite Index	4.6	15.4	15.5	3.1	8.9

**Returns are reported net of fees.

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

POST RETIREMENT FUND

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

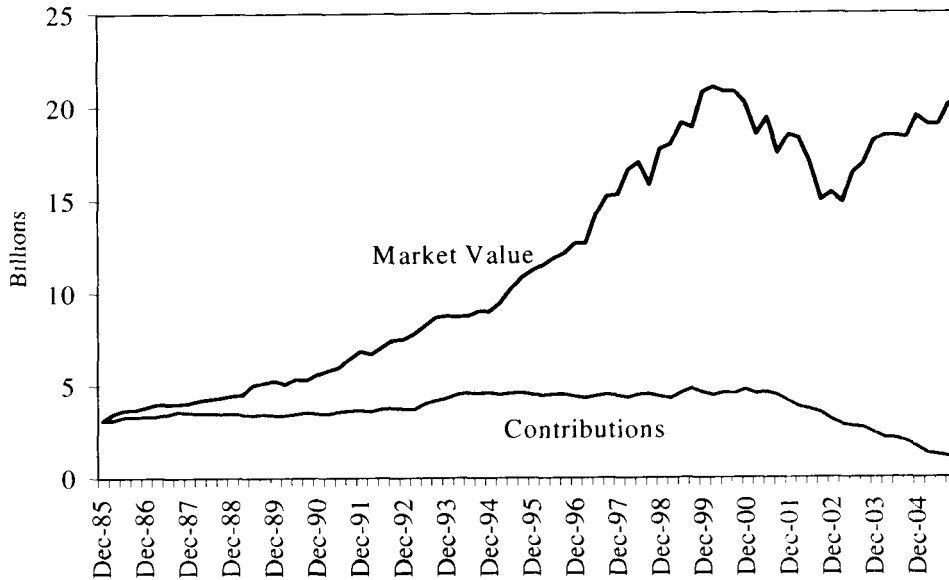
The post retirement benefit increase formula is based on the total return of the Fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

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

Asset Growth

The market value of the Post Fund increased 3.7% during the third quarter of 2005.

Positive investment returns accounted for the increase.



	Last Five Years					Latest Qtr.		
	12/00	12/01	12/02	12/03	12/04	3/05	6/05	9/05
Beginning Value	\$20,768	\$20,153	\$18,475	\$15,403	\$18,162	\$19,480	\$19,033	\$19,390
Net Contributions	167	-647	-1,000	-719	-749	-365	-75	-128
Investment Return	-782	-1,031	-2,072	3,478	2,067	-82	432	837
Ending Value	\$20,153	\$18,475	\$15,403	\$18,162	\$19,480	\$19,033	\$19,390	\$20,099

POST RETIREMENT FUND

Asset Mix

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

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

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

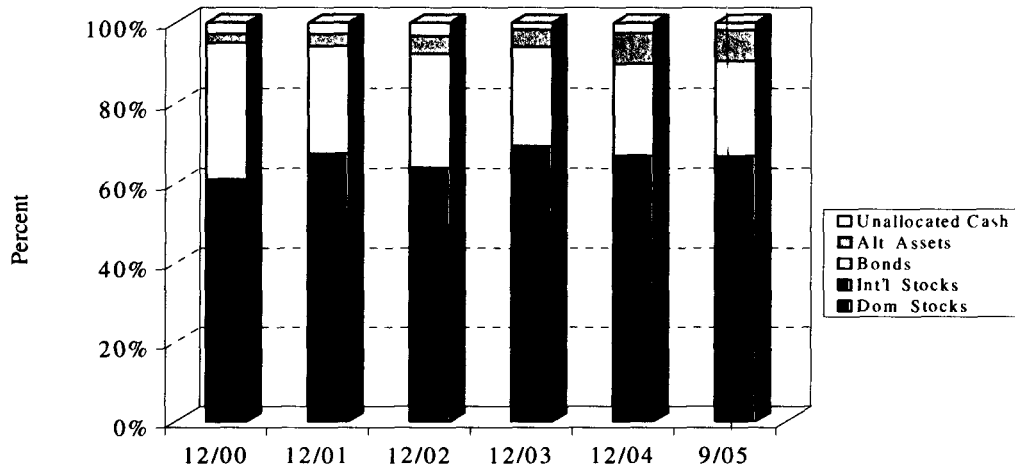
Over the last year, the allocation to alternatives increased due to rebalancing and strong returns. The allocation to international equities increased due to positive returns.

During the quarter, the allocation to international equities increased over the quarter due to positive returns.

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

100.0%

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



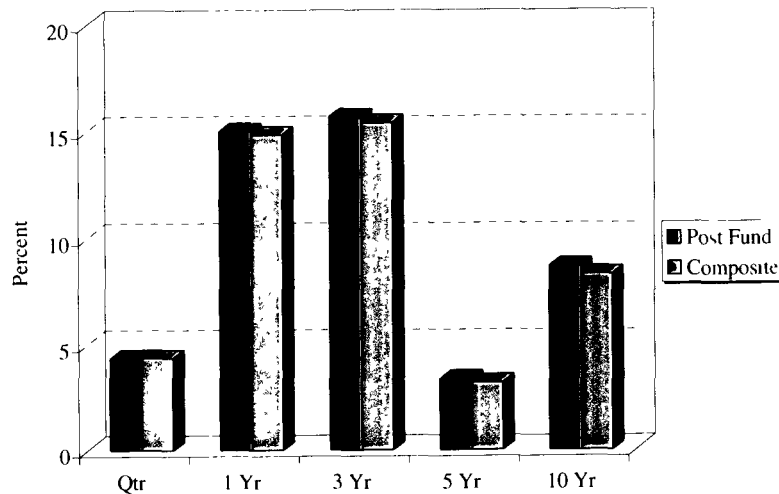
	Last Five years						Latest Qtr.	
	12/00	12/01	12/02	12/03	12/04	3/05	6/05	9/05
Dom. Stocks	47.5%	52.4%	49.6%	52.7%	50.2%	49.9%	50.4%	50.6%
Int'l. Stocks	13.5	15.1	14.4	16.7	16.8	15.3	15.0	16.2
Bonds	34.0	26.7	28.3	24.6	22.9	24.5	24.8	23.7
Alt. Assets	2.3	3.1	4.5	4.4	7.6	8.0	7.6	7.8
Unallocated Cash	2.7	2.7	3.2	1.6	2.5	2.3	2.2	1.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

POST RETIREMENT FUND
Total Fund Performance (Net of Fees)

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

Asset Class	Post Target	Market Index	Post Composite* 3Q05
Domestic Stocks	45.0%	Russell 3000	49.3%
Int'l Stocks	15.0	MSCI ACWI Free ex-U.S	15.0
Bonds	25.0	Lehman Aggregate	25.0
Alternative Investments	12.0	Alternative Investments	7.7*
Unallocated Cash	3.0	3 Month T-Bills	3.0
	100.0%		100.0%

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



Period Ending 9/30/2005

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Post Fund**	4.4%	15.0%	15.7%	3.4%	8.7%
Composite Index	4.4	14.8	15.4	3.2	8.3

** Returns are reported net of fees

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

STOCK AND BOND MANAGERS

Performance of Asset Pools (Net of Fees)

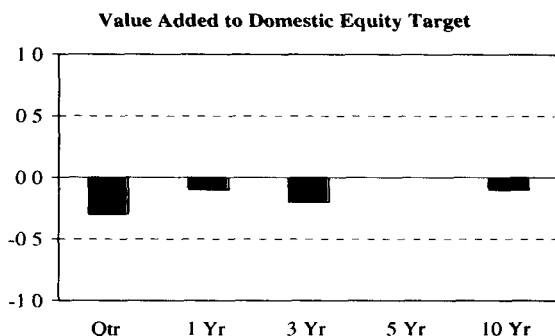
Domestic Stocks

Target: Russell 3000

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

	Period Ending 9/30/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	3.7%	14.5%	18.0%	-1.1%	9.0%
Asset Class Target*	4.0	14.6	18.2	-1.1	9.1

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



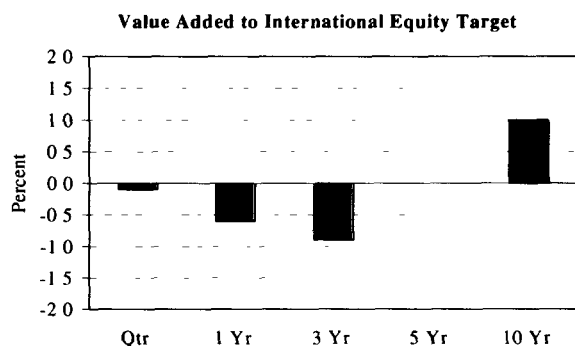
International Stocks

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

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

	Period Ending 9/30/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	11.7%	28.3%	25.5%	4.4%	6.9%
Asset Class Target*	11.8	28.9	26.4	4.4	5.9

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

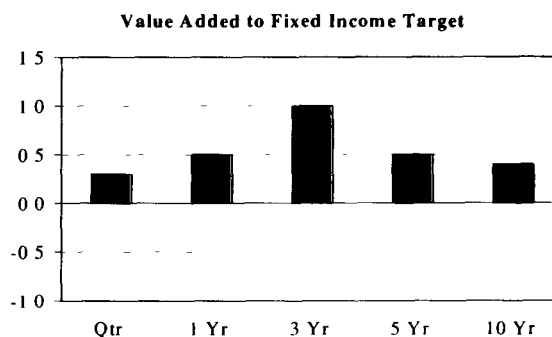


Bonds

Target: Lehman Brothers Aggregate Bond Index

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

	Period Ending 9/30/2005				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	-0.4%	3.3%	5.0%	7.1%	6.9%
Asset Class Target	-0.7	2.8	4.0	6.6	6.5



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 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	10.5%	35.5%	19.2%	10.7%	15.7%
Inflation	1.4%	3.9%	2.9%	2.6%	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 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	3.3%	19.9%	13.9%	10.7%	11.8%

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 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	7.3%	33.2%	18.8%	7.2%	17.4%

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 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	45.5%	168.1%	47.0%	27.6%	22.1%

Yield Oriented Investments (Debt emphasis)

Expectation: Yield oriented investments are expected to exceed the rate of inflation by 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 9/30/2005				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	14.5%	28.1%	17.9%	13.2%	13.7%

SUPPLEMENTAL INVESTMENT FUND

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

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

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

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

On September 30, 2005 the market value of the entire Fund was \$1.2 billion.

Investment Options

	9/30/2005 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$507
Growth Share Account – an actively managed, all common stock portfolio.	\$142
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$212
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$83
Bond Market Account – an actively managed, all bond portfolio.	\$120
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$57
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.	\$67

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%	64.1%
Bonds	35.0	34.9
Unallocated Cash	5.0	1.0
	100.0%	100.0%

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	2.4%	10.2%	12.6%	2.0%	8.4%
Benchmark*	2.2	9.8	12.4	2.1	8.3

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

GROWTH SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	3.4%	14.3%	17.7%	-1.3%	8.6%
Benchmark*	4.0	14.6	18.2	-1.1	9.0

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

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

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

The Account is invested 100% in common stock.

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.0%	14.6%	18.1%	-1.0%	9.4%
Benchmark*	4.0	14.6	18.2	-1.1	9.1

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

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix

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

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.7%	28.4%	25.7%	4.6%	7.0%
Benchmark*	11.8	28.9	26.4	4.4	5.9

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

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

Investment Objective

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

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-0.4%	3.3%	5.0%	7.1%	6.9%
Lehman Agg.	-0.7	2.8	4.0	6.6	6.5

Asset Mix

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

MONEY MARKET ACCOUNT

Investment Objective

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

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.8%	2.8%	1.9%	2.6%	4.2%
3 month T-Bills	0.8	2.7	1.6	2.3	3.8

Asset Mix

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

FIXED INTEREST ACCOUNT

Investment Objectives

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

Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.1%	4.2%	4.4%	5.1%	5.8%
Benchmark*	1.1	4.1	3.2	3.6	4.8

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

Asset Mix

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	9/30/2005 Market Value (in Millions)
Vanguard Institutional Index (passive)	\$412
Janus Twenty (active)	\$326
Smith Barney Appreciation Y (active)	\$114
Vanguard Mid Cap Index (passive)	\$80
T Rowe Price Small Cap (active)	\$367
Fidelity Diversified International (active)	\$181
Vanguard Institutional Developed Markets (passive)	\$34
Dodge & Cox Balanced Fund (active)	\$211
Vanguard Balanced Fund (passive)	\$167
Dodge & Cox Income Fund (active)	\$80
Vanguard Total Bond Market Fund (passive)	\$48
Money Market Account	\$52
Fixed Interest Account	\$116
Fixed Fund	\$706

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 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	3.6%	12.3%	16.8%	-1.4%
	3.6	12.3	16.7	-1.5

Janus Twenty (active)

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

Fund	Period Ending 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	9.3%	23.0%	20.4%	-7.5%
	3.6	12.3	16.7	-1.5

Smith Barney Appreciation Y (active)

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

Fund	Period Ending 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	Since
				12/1/03
S&P 500	3.8%	10.7%	N/A	9.4%
	3.6	12.3	N/A	10.4

MID CAP EQUITY

Vanguard Mid Cap Index (passive)

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

Fund	Period Ending 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	Since
				1/1/04
MSCI US	6.4%	27.1%	N/A	17.9%
Mid-Cap 450	6.4	26.9	N/A	17.8

SMALL CAP EQUITY

T. Rowe Price Small Cap (active)

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

Fund	Period Ending 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
Russell 2000	6.1%	18.2%	20.9%	8.7%
	4.7	18.0	24.1	6.5

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 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
MSCI EAFE	10.8%	27.0%	26.3%	7.9%
	10.4	25.8	24.6	3.2

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 9/30/2005			
	Qtr.	1 Yr.	3 Yr.	Since
				12/1/03
MSCI EAFE	10.9%	26.0%	N/A	21.1%
	10.4	25.8	N/A	20.8

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

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

	Period Ending 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	Since 10/1/03
Fund	3.4%	12.9%	N/A	14.0%
Benchmark	1.9	8.5	N/A	9.1

Vanguard Balanced Fund (passive)

A fund that passively invests in a mix of domestic stocks and bonds. The fund is expected to track a weighted benchmark of 60% Wilshire 5000/40% Lehman Aggregate.

	Period Ending 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	2.2%	9.9%	N/A	8.6%
Benchmark	2.2	9.9	N/A	8.6

FIXED INCOME

Dodge & Cox Income Fund (active)

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

	Period Ending 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	-0.2%	2.6%	4.6%	7.3%
Lehman Agg.	-0.7	2.8	4.0	6.6

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 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	Since 12/1/03
Fund	-0.7%	2.8%	N/A	3.9%
Lehman Agg.	-0.7	2.8	N/A	3.9

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 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	0.8%	2.8%	1.9%	2.6%
3-Mo Treas	0.8	2.7	1.6	2.3

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 9/30/2005			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	1.1%	4.3%	4.5%	5.1%
Benchmark	1.1	4.1	3.2	3.6

FIXED FUND

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

The quarterly blended rate is 4.55%

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.

	9/30/2005 Target	9/30/2005 Actual
Stocks	20.0%	22.2%
Bonds	80.0	77.8
Total	100.0%	100.0%

Investment Management

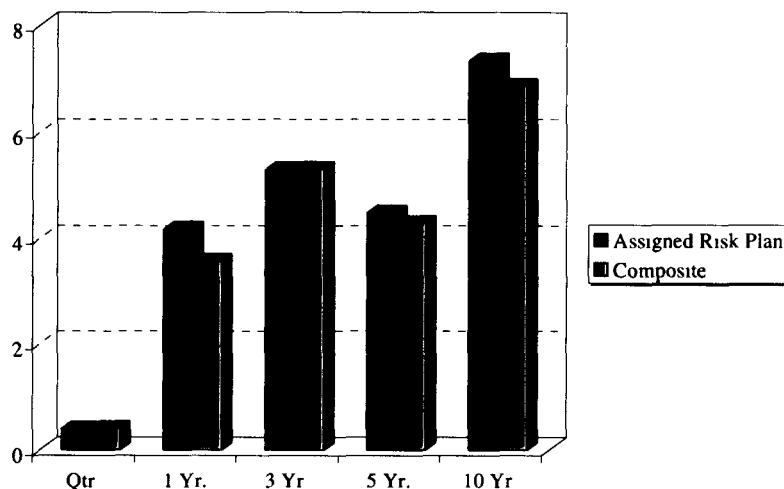
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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 September 30, 2005 the market value of the Assigned Risk Plan was \$308 million.



Period Ending 9/30/2005

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	0.4%	4.2%	5.3%	4.5%	7.3%
Composite	0.4	3.6	5.3	4.3	6.9
Equity Segment*	2.1	9.7	13.4	-0.5	10.1
Benchmark	3.6	12.3	16.7	-1.5	9.5
Bond Segment*	-0.1	2.6	3.0	5.2	5.7
Benchmark	-0.4	2.0	2.7	5.6	6.0

* 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.

	9/30/2005 Target	9/30/2005 Actual
Stocks	50.0%	52.9%
Bond	48.0	45.7
Unallocated Cash	2.0	1.4
Total	100.0%	100.0%

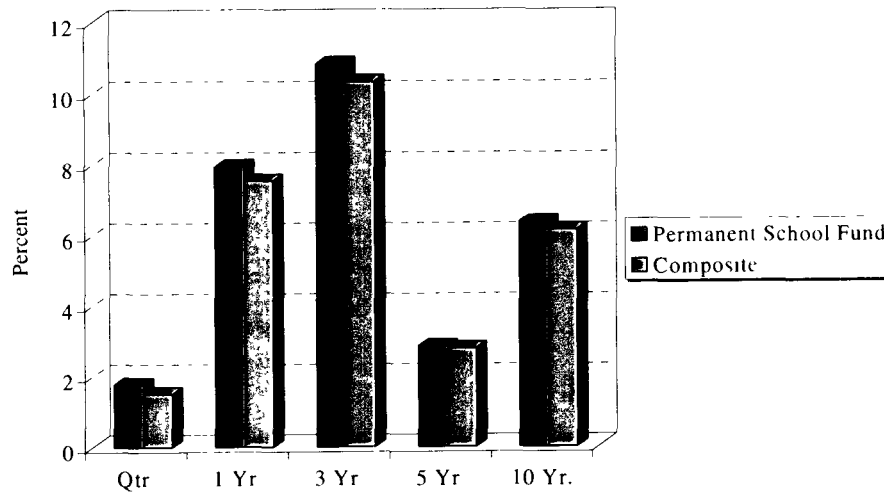
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

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

Market Value

On September 30, 2005 the market value of the Permanent School Fund was \$624 million.



**Period Ending 9/30/2005
Annualized**

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1) (2)	1.8%	8.0%	10.8%	2.8%	6.4%
Composite	1.5	7.5	10.3	2.8	6.2
Equity Segment (1) (2)	3.6	12.2	16.7	-1.4	N/A
S&P 500	3.6	12.3	16.7	-1.5	N/A
Bond Segment (1)	-0.3	3.4	5.0	6.9	6.9
Lehman Aggregate	-0.7	2.8	4.0	6.6	6.5

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

ENVIRONMENTAL TRUST FUND

Investment Objective

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

Asset Mix

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

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

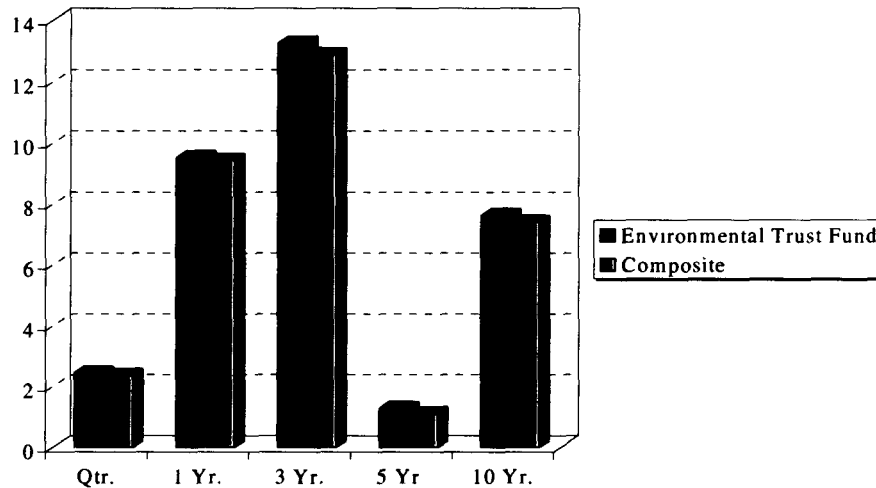
Investment Management

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

Market Value

On September 30, 2005 the market value of the Environmental Trust Fund was \$389 million.

	9/30/2005 Target	9/30/2005 Actual
Stocks	70.0%	70.0%
Bonds	28.0	29.4
Unallocated Cash	2.0	0.6
Total	100.0%	100.0%



Period Ending 9/30/2005

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	2.4%	9.5%	13.3%	1.3%	7.6%
Composite	2.4	9.4	12.9	1.1	7.4
Equity Segment*	3.6	12.2	16.8	-1.4	9.6
S&P 500	3.6	12.3	16.7	-1.5	9.5
Bond Segment*	-0.3	3.4	5.1	7.0	7.0
Lehman Agg.	-0.7	2.8	4.0	6.6	6.5

* 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

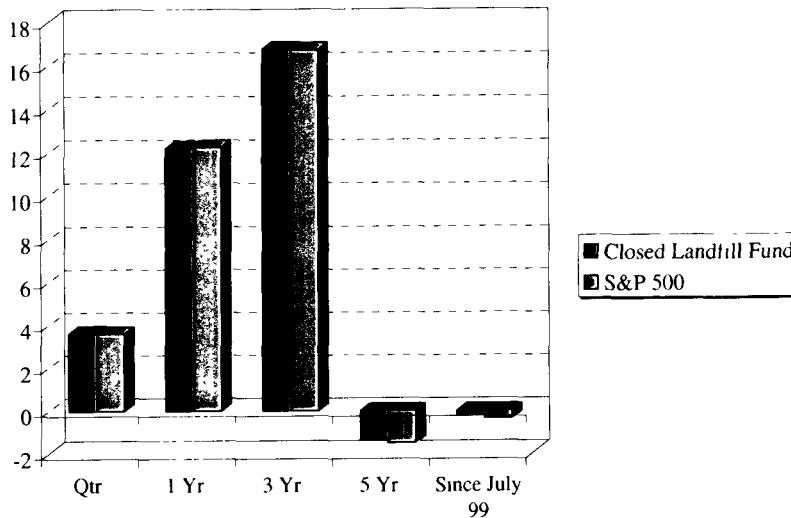
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On September 30, 2005, the market value of the Closed Landfill Investment Fund was \$41.2 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 9/30/2005

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.	Since 7/1/1999
Total Fund (1)	3.6%	12.2%	16.8%	-1.4%	-0.2%
S&P 500 (2)	3.6	12.3	16.7	-1.5	-0.3

- (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 9/30/2005				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	\$3,179	0.8%	2.7%	1.8%	2.9%	4.3%
Custom Benchmark**		0.7	2.1	1.2	2.4	3.8
Trust Fund Cash Pool*	\$31	0.9	2.7	1.7	2.5	4.1
Custom Benchmark***		0.7	2.1	1.2	1.9	3.6
3 month T-Bills		0.8	2.7	1.6	2.3	3.8

* Actual returns are calculated net of fees.

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

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

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment

Market Value September 30, 2005 (in Thousands)

Cash and

	Short term Securities	Bonds		Stocks		External Int'l	Alternative Assets	Total
		Internal	External	Internal	External			
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	63,701 0.86%	0	1,686,090 22.61%	0	3,781,657 50.72%	1,196,295 16.04%	728,822 9.77%	7,456,565 100%
Public Employees Retirement Fund	56,516 1.01%	0	1,260,104 22.62%	0	2,819,183 50.60%	893,571 16.04%	542,001 9.73%	5,571,375 100%
State Employees Retirement Fund	44,995 0.94%	0	1,076,471 22.63%	0	2,408,911 50.63%	763,505 16.05%	463,839 9.75%	4,757,721 100%
Public Employees Police & Fire	24,427 0.94%	0	585,840 22.63%	0	1,310,757 50.64%	415,455 16.05%	252,106 9.74%	2,588,585 100%
Highway Patrol Retirement Fund	2,428 0.95%	0	57,585 22.59%	0	128,980 50.61%	40,875 16.04%	24,990 9.81%	254,858 100%
Judges Retirement Fund	452 0.95%	0	10,811 22.63%	0	24,186 50.64%	7,666 16.05%	4,648 9.73%	47,763 100%
Correctional Employees Retirement	2,487 0.95%	0	59,444 22.63%	0	133,018 50.63%	42,160 16.05%	25,602 9.74%	262,711 100%
Public Employees Correctional	2,473 2.36%	0	23,403 22.31%	0	52,360 49.91%	16,596 15.82%	10,069 9.60%	104,901 100%
TOTAL BASIC FUNDS	197,479 0.94%	0	4,759,748 22.62%	0	10,659,052 50.65%	3,376,123 16.04%	2,052,077 9.75%	21,044,479 100%
POST RETIREMENT FUND	337,110 1.68%	0	4,774,603 23.75%	0	10,163,533 50.57%	3,250,120 16.17%	1,573,885 7.83%	20,099,251 100%
TOTAL BASIC AND POST	534,589 1.30%	0	9,534,351 23.17%	0	20,822,585 50.61%	6,626,243 16.11%	3,625,962 8.81%	41,143,730 100%

	Cash and Short term Securities		Bonds		Bonds		Stocks		Stocks		External Int'l		Alternative Assets		Total	
			Internal	External	Internal	External	Internal	External	Internal	External	Int'l	Assets	Assets			
MINNESOTA SUPPLEMENTAL FUNDS:																
Income Share Account	5,010	176,701	0	0	0	0	0	0	0	0	0	0	0	0	506,749	100%
	0.99%	34.87%														
Growth Share Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0	141,861	100%
Money Market Account	57,612	0	0	0	0	0	0	0	0	0	0	0	0	0	57,612	100%
Common Stock Index	0	0	0	0	0	0	0	0	0	0	0	0	0	0	211,707	100%
Bond Market Account	0	0	0	119,803	0	0	0	0	0	0	0	0	0	0	119,803	100%
International Share Account	0	0	0	0	0	0	0	0	0	83,432	100.00%	0	0	0	83,432	100%
Fixed Interest Account	2,708	0	0	64,195	0	0	0	0	0	0	0	0	0	0	66,903	100%
	4.05%			95.95%												
TOTAL SUPPLEMENTAL FUNDS																
	65,330	176,701	176,701	183,998	0	678,606	83,432	0	1,188,067	83,432	7.02%	0	0	0	1,188,067	100%
	5.50%	14.87%		15.49%		57.12%										
MN DEFERRED COMP PLAN *																
	51,760	0	0	1,179,503	0	1,454,310	214,534	0	2,900,107	214,534	7.40%	0	0	0	2,900,107	100%
	1.78%			40.67%		50.15%										
TOTAL RETIREMENT FUNDS																
	651,679	176,701	176,701	10,897,852	0	22,955,501	6,924,209	3,625,962	45,231,904	6,924,209	15.31%	3,625,962	8.02%	0	45,231,904	100%
	1.44%	0.39%		24.09%		50.75%										

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

	Cash and Short Term Securities	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
ASSIGNED RISK PLAN	18,737 6.09%	0	221,746 72.04%	0	67,321 21.87%	0	0	307,804 100%
ENVIRONMENTAL FUND	2,246 0.58%	114,035 29.37%	0	272,019 70.05%	0	0	0	388,300 100%
PERMANENT SCHOOL FUND	8,819 1.41%	285,265 45.72%	0	329,847 52.87%	0	0	0	623,931 100%
CLOSED LANDFILL INVESTMENT	59 0.14%	0	0	41,141 99.86%	0	0	0	41,200 100%
TREASURERS CASH	3,182,114 100.00%	0	0	0	0	0	0	3,182,114 100%
HOUSING FINANCE AGENCY	23,340 11.00%	188,819 89.00%	0	0	0	0	0	212,159 100%
MINNESOTA DEBT SERVICE FUND	0	196,116 100.00%	0	0	0	0	0	196,116 100%
MISCELLANEOUS ACCOUNTS	51,685 26.78%	101,054 52.36%	0	40,258 20.86%	0	0	0	192,997 100%
TOTAL CASH AND NON-RETIREMENT	3,287,000 63.89%	885,289 17.21%	221,746 4.31%	683,265 13.28%	67,321 1.31%	0	0	5,144,621 100%
GRAND TOTAL	3,938,679 7.82%	1,061,990 2.11%	11,119,598 22.07%	683,265 1.36%	23,022,822 45.70%	6,924,209 13.74%	3,625,962 7.20%	50,376,525 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: November 29, 2005

TO: Members, State Board of Investment

FROM: **Howard Bicker**

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the fiscal year to date through October 31, 2005 is included as **Attachment A**.

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

2. Post Retirement Benefit Increase for FY05

The Post Retirement benefit increase for FY05 will be 2.5%. The increase will be payable to eligible retirees effective January 1, 2006.

For FY 1996-1997 the "inflation cap" in the benefit increase formula was 3.5%. Beginning FY 1998, the "inflation cap" is 2.5%. The following shows the benefit increases for the past ten years:

1996	8.0%
1997	10.1%
1998	9.8%
1999	11.1%
2000	9.5%
2001	4.5%
2002	0.7%
2003	2.1%
2004	2.5%
2005	2.5%

3. Legislative Update

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

4. Litigation Update

The SBI is involved in class action and securities litigation suits. SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on December 7, 2005.

5. Results of FY05 Audit

The Legislative Auditor is nearly finished with its financial audit of SBI operations for FY05. I should be able to provide a verbal report of the audit findings at the Board meeting on December 7, 2005.

6. Draft of FY05 Annual Report

A draft of the SBI's annual report for FY05 was sent to the Board members/designees and IAC members. The final report will be distributed in January 2006.

7. Tentative Meeting Dates for Calendar 2006

The quarterly meetings of the IAC/SBI are normally held on the first consecutive Tuesday and Wednesday of March, June, September and December. The dates for the calendar 2006 are:

IAC	SBI
Tuesday, March 7, 2006	Wednesday, March 8, 2006
Tuesday, June 6, 2006	Wednesday, June 7, 2006
Tuesday, September 5, 2006	Wednesday, September 6, 2006
Tuesday, December 5, 2006	Wednesday, December 6, 2006

SBI staff will confirm the availability of Board members for the above dates over the next few weeks.

ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2006 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH OCTOBER 31, 2005**

ITEM	FISCAL YEAR 2006 BUDGET	FISCAL YEAR 2006 ACTUAL
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 1,900,000	\$ 493,417
SEVERENCE PAYOFF	37,000	0
WORKERS COMPENSATION INSURANCE	1,000	800
MISCELLANEOUS PAYROLL	2,000	0
SUBTOTAL	\$ 1,940,000	\$ 494,217
STATE OPERATIONS		
RENTS & LEASES	205,000	68,031
REPAIRS/ALTERATIONS/MAINTENANCE	15,000	1,420
PRINTING & BINDING	10,000	2,787
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	10,000	1,741
COMMUNICATIONS	20,000	4,501
TRAVEL, IN-STATE	1,000	407
TRAVEL, OUT-STATE	50,000	8,280
SUPPLIES	30,000	3,419
EQUIPMENT	20,000	2,538
EMPLOYEE DEVELOPMENT	10,000	4,010
OTHER OPERATING COSTS	10,000	2,350
SUBTOTAL	\$ 381,000	\$ 99,484
ORIGINAL BUDGET	\$ 2,321,000	\$ 593,701
UNALLOCATED BALANCE FORWARD - FY 2005	\$ 102,387	
TOTAL GENERAL FUND	\$ 2,423,387	\$ 593,701

ATTACHMENT B

STATE BOARD OF INVESTMENT

**Travel Summary by Date
SBI Travel August 16, 2005 –November 15, 2005**

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Consultant: Richards & Tierney	H. Bicker	Chicago, IL 8/17-8/19	\$888.87
In State Travel: Minnesota Retired State Employees Association Annual Meeting	H. Bicker	Mankato, MN 9/12	\$81.34
In State Travel: Retired Educators Association of Minnesota Annual Convention	H. Bicker	Moorehead, MN 9/19-9/20	\$325.71
Conference: Money Fund Forum sponsored by: iMoneyNet and IBC USA	S. Kuettel	New York, NY 9/19-9/22	\$1,945.86
Conference: Guns and Hoses 2005	H. Bicker	Las Vegas, NV 9/23-9/27	\$460.39
Conference: Institutional Limited Partners Association Conference	A. Christensen	Seattle, WA 9/26-9/29	\$1,711.68
Conference: Public Pension Financial Forum	B. Nicol	Denver, CO 10/3-10/5	\$796.86
Manager Monitoring: Domestic Equity Managers: McKinley Capital Mgmt.; Zevenbergen Capital, Inc. Manager Search: Domestic Equity Managers: Frank Russell Capital, Inc.; Rigel Capital, LLC; Ranier Investment Mgmt.; GW Capital	S. Sutton	Anchorage, AK Seattle, WA 10/3-10/6	\$1,699.67

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Manager Monitoring: Emerging Markets Manager: Capital International, Inc. Conference: National Association of State Investment Officers (NASIO)	H. Bicker M. Perry	Washington, D.C. Williamsburg, VA 10/14-10/19	\$4,743.68
Manager Monitoring: Alternative Investment Managers: KKR; Welsh, Carson Anderson & Stowe Manager Search: Alternative Investment Managers: ArcLight Capital Partners; Audax Capital; Charter House Capital; EQT Northern Europe Fund; Lexington Partners; Nordic Capital; North Castle Partners IV; Premira; W. Capital Conference: General Partners Summit 2005 sponsored by: Institutional Limited Partners Association	J. Griebenow	New York, NY 10/31-11/3	\$1,234.90
Conference: ADP Investor Communications Services 2005 Client Conference sponsored by: ADP	D. Griebenow	Reston, VA 11/6-11/9	\$1,248.36

Tab C

COMMITTEE REPORT

DATE: November 29, 2005

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

FROM: **Stock and Bond Manager Committee**

The Stock and Bond Manager Committee met on Wednesday, November 16, 2005 to consider the following agenda items:

- Review the manager performance for the period ending September 30, 2005.
- Economic and Market Outlook Presentation.

Action is required by the SBI / IAC on the last item.

INFORMATION ITEMS:

1. Review the manager performance for the period ending September 30, 2005.

- *Domestic Equity Program*

For the period ending September 30, 2005, the **Domestic Equity Program** narrowly underperformed during the quarter, year, and three year periods and matched the benchmark over the five year time period.

Time period	Total Program	DE Asset Class Target*
Quarter	3.7%	4.0%
1 Year	14.5	14.6
3 Years	18.0	18.2
5 Years	-1.1	-1.1

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

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

- **Fixed Income Program**

For the period ending September 30, 2005, the **Fixed Income Program** outperformed the Lehman Aggregate over all time periods

Time period	Total Program	Lehman Aggregate
Quarter	-0.4%	-0.7%
1 Year	3.3	2.8
3 Years	5.0	4.0
5 Years	7.1	6.6

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

- **International Equity Program**

For the period ending September 30, 2005, the **International Equity Program** and the **equity managers** (excluding the currency overlay) under performed the composite index over the quarter, year, and three year periods, and matched the index over the five-year time period.

Time Period	Total* Program	Int'l Equity Asset Class Target**	Equity*** Mgrs. Only
Quarter	11.7%	11.8%	11.7%
1 Year	28.3	28.9	28.3
3 Year	25.5	26.4	25.5
5 Year	4.4	4.4	4.4

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

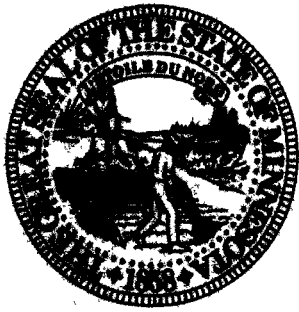
** Since 10/1/03, the international equity asset class target is the MSCI ACWI Free ex U.S. (net). From 7/1/99 to 9/30/03 the target was the MSCI EAFE-Free plus Emerging Markets Free index. The weighting of each index fluctuated with market capitalization. From 12/31/96 to 6/30/99, the target was fixed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

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

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

2. Economic and Market Outlook Presentation.

Dan Laufenberg, Vice President and Chief Economist of Ameriprise Financial, Inc. presented his view points regarding the domestic economy and how it may impact the domestic capital markets over the coming year.



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

Third Quarter, 2005

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**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS
Periods Ending September, 2005**

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	2.6	3.9	14.1	14.3				
Russell 1000 Growth Aggregate	3.8	4.0	12.6	11.6				
Russell 1000 Value Aggregate	2.9	3.9	14.4	16.7				
Russell 2000 Growth Aggregate	6.5	6.3	19.1	18.0				
Russell 2000 Value Aggregate	3.7	3.1	20.7	17.8				
Active Manager Aggregate	3.4	4.1	14.7	14.8				
Semi-Passive Aggregate	3.5	3.9	13.7	14.3				
Passive Manager (BGI)	4.0	4.0	14.6	14.6				
Historical Aggregate	3.7	4.0	14.5	14.5				
SBI DE Asset Class Target		4.0		14.6				
Russell 3000 Index		4.0		14.6				

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	14.5	11.4								
Russell 1000 Growth Aggregate	6.1	6.3								
Russell 1000 Value Aggregate	14.3	16.5								
Russell 2000 Growth Aggregate	9.7	14.3								
Russell 2000 Value Aggregate	25.0	22.2								
Active Manager Aggregate	12.5	12.3								
Semi-Passive Aggregate	11.7	11.4								
Passive Manager (BGI)	12.0	11.9								
Historical Aggregate	12.2	11.9								
SBI DE Asset Class Target		11.9								
Russell 3000 Index		11.9								

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

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
Frankln Portfolio	2.2	3.9	12.6	14.3	17.0	17.7	0.6	-1.3	11.8	11.6
New Amsterdam Partners (2)	3.4	3.9	17.0	14.3	20.4	20.0	4.5	4.1	14.3	12.1
UBS Global	2.6	3.9	14.3	14.3	19.1	17.7	7.5	-1.3	11.1	10.7
Voyageur-Chicago Equity	3.3	3.9	8.9	14.3	12.3	17.7	-2.9	-1.3	-1.4	-1.1
Aggregate	2.6	3.9	14.1	14.3						
Russell 1000 Growth										
Alliance Capital	8.0	4.0	17.2	11.6	12.6	14.7	-4.6	-8.6	14.8	11.0
Cohen, Klingenstein & Marks	-1.3	4.0	8.6	11.6	16.6	14.7	-8.1	-8.6	9.1	9.2
Holt-Smith & Yates	-3.7	4.0	3.9	11.6	11.3	14.7	-3.4	-8.6	-3.2	-9.2
INTECH	3.5	4.0							3.8	2.2
Jacobs Levy	3.0	4.0							1.3	2.2
Lazard Asset Mgmt	4.3	4.0							1.5	2.2
Sands Capital	5.8	4.0							3.6	2.2
Winslow-Large Cap	6.3	4.0							6.4	2.2
Zevenbergen Capital	5.8	4.0	16.0	11.6	22.0	14.7	-11.3	-8.6	10.1	9.2
Aggregate	3.8	4.0	12.6	11.6						
Russell 1000 Value										
Barrow, Hanley	3.7	3.9	21.6	16.7					17.4	12.6
Earnest Partners	4.6	3.9	24.5	16.7	23.9	20.5	6.7	5.8	5.9	7.0
Lord Abbett & Co.	4.0	3.9	12.3	16.7					7.8	12.6
LSV Asset Mgmt	5.0	3.9	22.2	16.7					17.5	12.6
Oppenheimer	0.4	3.9	7.1	16.7	16.1	20.5	4.0	5.8	12.6	11.9
Systematic Financial Mgmt	6.1	3.9	20.8	16.7					14.5	12.6
Aggregate	2.9	3.9	14.4	16.7						
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	8.2	6.3	18.2	18.0					8.0	9.5
Next Century Growth	8.5	6.3	36.5	18.0	23.5	23.2	-5.2	-2.5	-4.9	-3.2
Summit Creek Advisors	3.4	6.3	19.7	18.0	20.4	23.2	-1.6	-2.5	-0.3	-3.2
Turner Investment Partners	6.8	6.3	15.8	18.0					8.3	9.5
Aggregate	6.5	6.3	19.1	18.0						
Russell 2000 Value										
RiverSource/Kenwood	4.6	3.1	17.9	17.8					16.9	14.7
Goldman Sachs	2.9	3.1	11.7	17.8					11.6	14.7
Hotchkis & Wiley	4.0	3.1	22.1	17.8					19.6	14.7
Martingale Asset Mgmt	3.2	3.1	23.3	17.8					21.1	14.7
Peregrine Capital	4.1	3.1	24.9	17.8	28.5	24.9	17.8	15.2	18.7	16.0
Aggregate	3.7	3.1	20.7	17.8						
Active Mgr. Aggregate (3)	3.4	4.1	14.7	14.8						

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

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

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

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

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
LARGE CAP										
Russell 1000 Core										
Franklin Portfolio	15.7	11.4	32.9	29.9	-25.4	-21.7	-6.6	-12.5	-1.6	-7.8
New Amsterdam Partners (2)	14.8	11.4	34.2	38.0	-17.5	-16.2	-3.3	-5.6	15.0	8.2
UBS Global	13.4	11.4	30.7	29.9	-14.7	-21.7	5.2	-12.5	3.6	-7.8
Voyageur-Chicago Equity	10.6	11.4	23.2	29.9	-20.6	-21.7	-19.4	-12.5		
Aggregate	14.5	11.4								
Russell 1000 Growth										
Alliance Capital	5.7	6.3	22.4	29.7	-26.8	-27.9	-13.7	-20.4	-13.7	-22.4
Cohen, Klingenstein & Marks	6.1	6.3	41.2	29.7	-35.0	-27.9	-25.0	-20.4	-6.0	-22.4
Holt-Smith & Yates	7.3	6.3	22.1	29.7	-28.0	-27.9	-1.7	-20.4		
INTECH (1)										
Jacobs Levy (1)										
Lazard Asset Mgmt (1)										
Sands Capital (1)										
Winslow-Large Cap (1)										
Zevenbergen Capital	13.1	6.3	49.3	29.7	-36.2	-27.9	-29.0	-20.4	-38.2	-22.4
Aggregate	6.1	6.3								
Russell 1000 Value										
Barrow, Hanley (1)										
Earnest Partners	18.9	16.5	32.0	30.0	-18.1	-15.5	-0.4	-5.6		
Lord Abnett & Co (1)										
LSV Asset Mgmt (1)										
Oppenheimer	12.0	16.5	28.9	30.0	-15.5	-15.5	-7.0	-5.6	11.2	7.0
Systematic Financial Mgmt (1)										
Aggregate	14.3	16.5								
SMALL CAP										
Russell 2000 Growth										
McKinley Capital	12.2	14.3								
Next Century Growth	6.4	14.3	50.7	48.5	-33.3	-30.3	-22.8	-9.2		
Summit Creek Advisors	8.9	14.3	37.6	48.5	-25.0	-30.3	-6.1	-9.2		
Turner Investment Partners	11.6	14.3								
Aggregate	9.7	14.3								
Russell 2000 Value										
RiverSource/Kenwood	25.8	22.2								
Goldman Sachs	19.9	22.2								
Hotchkis & Wiley	27.1	22.2								
Martingale Asset Mgmt	30.8	22.2								
Peregrine Capital	23.6	22.2	44.2	46.0	-8.1	-11.4	12.6	14.0		
Aggregate	25.0	22.2								
Active Mgr. Aggregate (3)	12.5	12.3								

- (1) Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year
- (2) New Amsterdam Partners' published benchmark is the Russell 1000 core index beginning 10/1/03. Prior to that date it was the Russell Midcap Index
- (3) 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
DOMESTIC STOCK MANAGERS
Periods Ending September, 2005
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 %		
ACTIVE MANAGERS												
Large Cap Core (R1000)												
Franklin Portfolio	2.2	3.9	12.6	14.3	17.0	20.5	0.6	3.0	11.8	11.7	\$760.0	3.5%
New Amsterdam Partners	3.4	3.9	17.0	14.3	20.4	19.3	4.5	4.0	14.3	13.6	\$465.1	2.2%
UBS Global	2.6	3.9	14.3	14.3	19.1	18.2	7.5	-0.7	11.1	10.7	\$826.4	3.8%
Voyageur-Chicago Equity	3.3	3.9	8.9	14.3	12.3	16.1	-2.9	0.4	-1.4	-0.7	\$47.0	0.2%
Aggregate	2.6	3.9	14.1	14.3								
Large Cap Growth (R1000 Growth)												
Alliance Capital	8.0	4.0	17.2	11.6	12.6	14.1	-4.6	-4.8	14.8	11.0	\$497.3	2.3%
Cohen Kligenstein & Marks	-1.3	4.0	8.6	11.6	16.6	19.1	-8.1	-2.8	9.1	11.0	\$408.9	1.9%
Holt-Smith & Yates	-3.7	4.0	3.9	11.6	11.3	15.6	-3.4	3.6	-3.2	3.2	\$76.2	0.4%
INTECH	3.5	4.0							3.8	2.2	\$289.2	1.3%
Jacobs Levy	3.0	4.0							1.3	2.2	\$119.6	0.6%
Lazard Asset Mgmt	4.3	4.0							1.5	2.2	\$26.4	0.1%
Sands Capital	5.8	4.0							3.6	2.2	\$206.1	1.0%
Winslow-Large Cap	6.3	4.0							6.4	2.2	\$27.7	0.1%
Zevenbergen Capital	5.8	4.0	16.0	11.6	22.0	15.7	-11.3	-4.1	10.1	12.4	\$214.4	1.0%
Aggregate	3.8	4.0	12.6	11.6								
Large Cap Value (R1000 Value)												
Banow, Hanley	3.7	3.9	21.6	16.7					17.4	12.6	\$313.7	1.5%
Larnest Partners	4.6	3.9	24.5	16.7	23.9	24.3	6.7	12.7	5.9	13.7	\$68.1	0.3%
Lord Abbett & Co	4.0	3.9	12.3	16.7					7.8	12.6	\$276.0	1.3%
LSV Asset Mgmt	5.0	3.9	22.2	16.7					17.5	12.6	\$375.3	1.7%
Oppenheimer	0.4	3.9	7.1	16.7	16.1	20.8	4.0	3.3	12.6	12.4	\$763.0	3.5%
Systematic Financial Mgmt	6.1	3.9	20.8	16.7					14.5	12.6	\$180.9	0.8%
Aggregate	2.9	3.9	14.4	16.7								
Small Cap Growth (R2000 Growth)												
McKinley Capital	8.2	6.3	18.2	18.0					8.0	9.5	\$194.7	0.9%
Next Century Growth	8.5	6.3	36.5	18.0	23.5	24.1	-5.2	-0.3	-4.9	-0.9	\$39.0	0.2%
Summit Creek Advisors	3.4	6.3	19.7	18.0	20.4	24.3	-1.6	2.8	-0.3	1.9	\$145.1	0.7%
Turner Investment Partners	6.8	6.3	15.8	18.0					8.3	9.5	\$146.3	0.7%
Aggregate	6.5	6.3	19.1	18.0								
Small Cap Value (R2000 Value)												
RiverSource/Kenwood	4.6	3.1	17.9	17.8					16.9	14.7	\$55.0	0.3%
Goldman Sachs	2.9	3.1	11.7	17.8					11.6	14.7	\$113.4	0.5%
Hotchkis & Wiley	4.0	3.1	22.1	17.8					19.6	14.7	\$128.0	0.6%
Martingale Asset Mgmt	3.2	3.1	23.3	17.8					21.1	14.7	\$130.8	0.6%
Peregrine Capital Mgmt	4.1	3.1	24.9	17.8	28.5	24.9	17.8	18.0	18.7	18.7	\$192.1	0.9%
Aggregate	3.7	3.1	20.7	17.8								
Active Mgr. Aggregate (1)	3.4	4.1	14.7	14.8								

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

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

	2004		2003		2002		2001		2000	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
ACTIVE MANAGERS										
Large Cap Core (R1000)										
Franklin Portfolio	15.7	11.4	32.9	36.9	-25.4	-19.8	-6.6	-5.4	-1.6	0.3
New Amsterdam Partners	14.8	11.4	34.2	37.1	-17.5	-22.2	-3.3	3.7	15.0	3.1
UBS Global	13.4	11.4	30.7	30.8	-14.7	-20.6	5.2	-11.0	3.6	-1.0
Voyageur-Chicago Equity	10.6	11.4	23.2	28.9	-20.6	-20.7	-19.4	-12.0		
Aggregate	14.5	11.4								
Large Cap Growth (R1000 Growth)										
Alliance Capital	5.7	6.3	22.4	26.3	-26.8	-24.0	-13.7	-15.3	-13.7	-11.4
Cohen, Klingenstein & Marks	6.1	6.3	41.2	39.3	-35.0	-23.8	-25.0	-11.2	-6.0	-12.1
Holt-Smith & Yates	7.3	6.3	22.1	31.3	-28.0	-19.0	-1.7	4.6		
INTECH (1)										
Jacobs Levy (1)										
Lazard Asset Mgmt (1)										
Sands Capital (1)										
Winslow-Large Cap (1)										
Zevenbergen Capital	13.1	6.3	49.3	31.3	-36.2	-24.2	-29.0	-3.2	-38.2	-16.6
Aggregate	6.1	6.3								
Large Cap Value (R1000 Value)										
Barrow, Hanley (1)										
Earnest Partners	18.9	16.5	32.0	41.8	-18.1	-11.6	-0.4	11.5		
Lord Abbett & Co (1)										
LSV Asset Mgmt (1)										
Oppenheimer	12.0	16.5	28.9	31.4	-15.5	-20.7	-7.0	-9.5	11.2	10.3
Systematic Financial Mgmt (1)										
Aggregate	14.3	16.5								
Small Cap Growth (R2000 Growth)										
McKinley Capital	12.2	14.3								
Next Century Growth	6.4	14.3	50.7	48.5	-33.3	-27.8	-22.8	-5.5		
Summit Creek Advisors	8.9	14.3	37.6	51.3	-25.0	-26.7	-6.1	4.6		
Turner Investment Partners	11.6	14.3								
Aggregate	9.7	14.3								
Small Cap Value (R2000 Value)										
RiverSource/Kenwood	25.8	22.2								
Goldman Sachs	19.9	22.2								
Hotchkis & Wiley	27.1	22.2								
Martingale Asset Mgmt	30.8	22.2								
Peregrine Capital Mgmt	23.6	22.2	44.2	44.2	-8.1	-6.9	12.6	22.9		
Aggregate	25.0	22.2								
Active Mgr. Aggregate (2)	12.5	12.3								

- (1) Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.
- (2) 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
DOMESTIC STOCK MANAGERS
Periods Ending September, 2005
Versus Manager Benchmarks (1)**

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
SEMI-PASSIVE MANAGERS												
Barclays Global Investors	3.9	3.9	15.1	14.3	18.4	17.3	-0.3	-1.5	11.3	10.5	\$2,807.3	13.1%
Franklin Portfolio	3.4	3.9	13.7	14.3	16.4	17.3	-1.6	-1.5	10.0	10.5	\$1,999.9	9.3%
JP Morgan	3.0	3.9	12.1	14.3	16.8	17.3	-1.4	-1.5	10.4	10.5	\$2,337.3	10.9%
Semi-Passive Aggregate (R1000)	3.5	3.9	13.7	14.3	17.3	17.3	-1.0	-1.5	10.6	10.5		
PASSIVE MANAGER (R3000)												
Barclays Global Investors	4.0	4.0	14.6	14.6	18.1	18.2	-1.0	-1.1	10.0	9.8	\$7,270.9	33.8%
Historical Aggregate (3)	3.7	4.0	14.5	14.5	18.0	18.4	-1.1	-0.7	11.6	11.9	\$21,501.2	100.0%
SBI DE Asset Class Target (4)		4.0		14.6		18.2		-1.1		11.8		
Russell 3000		4.0		14.6		18.1		-0.7		12.3		
Wilshire 5000		4.0		14.7		18.4		-0.5		12.1		
Russell 1000		3.9		14.3		17.7		-1.3		12.5		
Russell 2000		4.7		18.0		24.1		6.4		10.3		

- (1) Active and emerging manager benchmarks are Russell Style Indexes beginning 10/1/03, and were custom benchmarks prior to 10/1/03
- (2) Since retention by the SBI. Time period varies for each manager
- (3) Includes the performance of terminated managers
- (4) The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa

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

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

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

(2) Includes the performance of terminated managers

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

From 7/1/99 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

Large Cap Core (R1000)

Large Cap Core (R1000)

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FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending September, 2005

Portfolio Manager: John Cone

Assets Under Management: \$759,981,507

Investment Philosophy – Active Style

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

Staff Comments

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	2.2%	3.9%	3.9%
Last 1 year	12.6	14.3	14.3
Last 2 years	15.0	14.1	14.1
Last 3 years	17.0	17.7	20.5
Last 4 years	8.0	7.0	10.3
Last 5 years	0.6	-1.3	3.0
Since Inception (4/89)	11.8	11.6	11.7

Calendar Year Returns

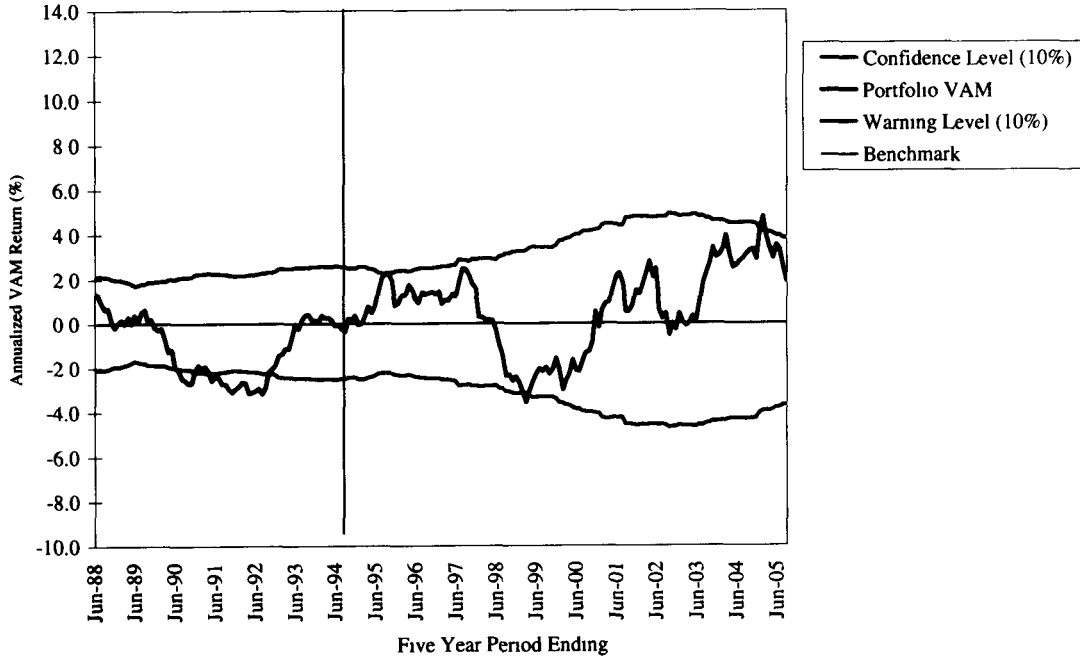
	Actual	Russell 1000 Core	Manager Benchmark
2004	15.7%	11.4%	11.4%
2003	32.9	29.9	36.9
2002	-25.4	-21.7	-19.8
2001	-6.6	-12.5	-5.4
2000	-1.6	-7.8	0.3

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending September, 2005

Portfolio Manager: John Cone

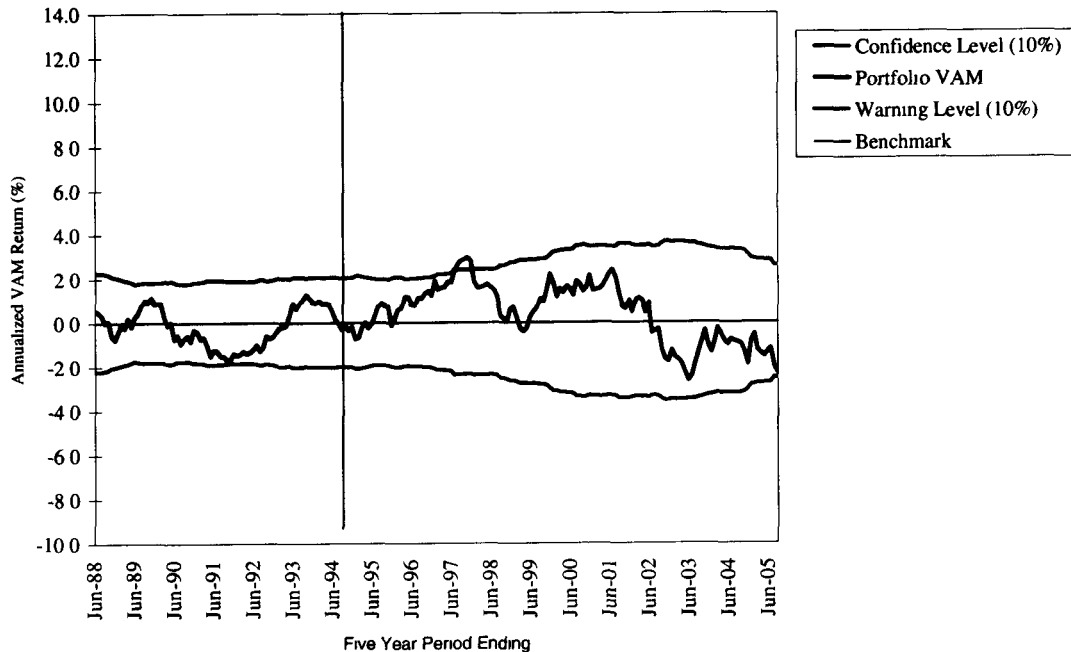
Assets Under Management: \$759,981,507

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



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

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



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

NEW AMSTERDAM PARTNERS
Periods Ending September, 2005

Portfolio Manager: Michelle Clayman

Assets Under Management: \$465,054,382

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 underperformed the Russell 1000 index by 0.5 percentage point (ppt) during the quarter. An underweight allocation to electronic technology represented a missed opportunity as the sector outperformed. Weak stock selection compounded the negative impact. An overweight position in consumer durables coupled with weak stock selection proved detrimental.

For the year, the portfolio outperformed the Russell 1000 index by 2.7 ppts. An overweight allocation to energy minerals coupled with strong stock selection aided returns. Effective stock selection within the producer, manufacturing and finance sectors contributed to performance.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell Index (1)	Manager Benchmark
Last Quarter	3.4%	3.9%	3.9%
Last 1 year	17.0	14.3	14.3
Last 2 years	16.8	14.1	14.1
Last 3 years	20.4	20.0	19.3
Last 4 years	11.5	12.0	11.5
Last 5 years	4.5	4.1	4.0
Since Inception (4/94)	14.3	12.1	13.6

Calendar Year Returns

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

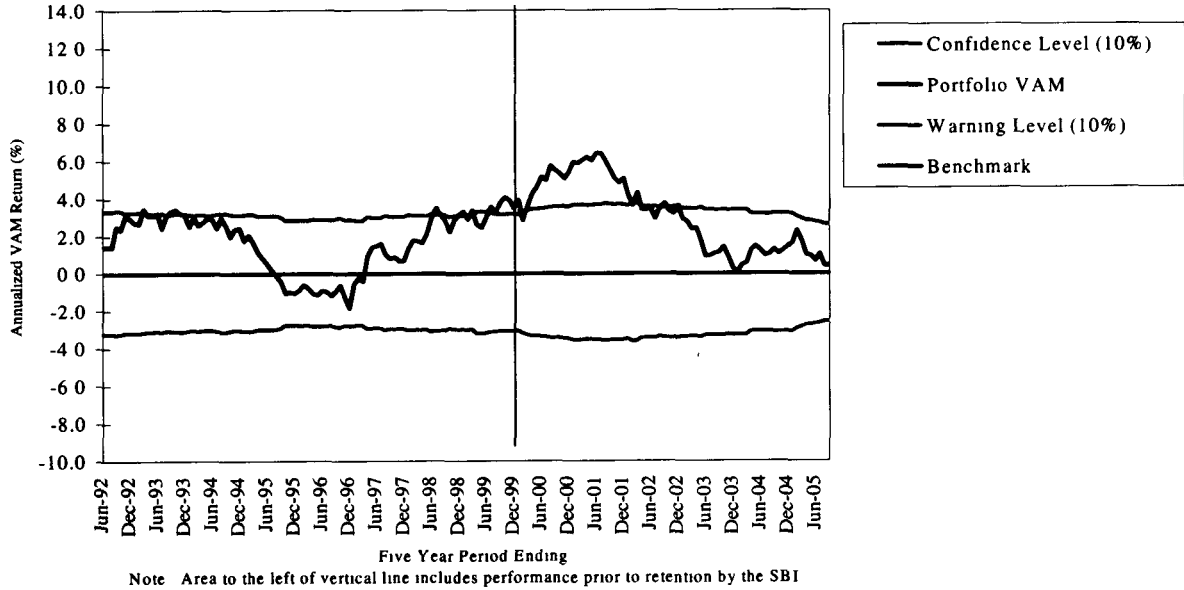
(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

NEW AMSTERDAM PARTNERS
Periods Ending September, 2005

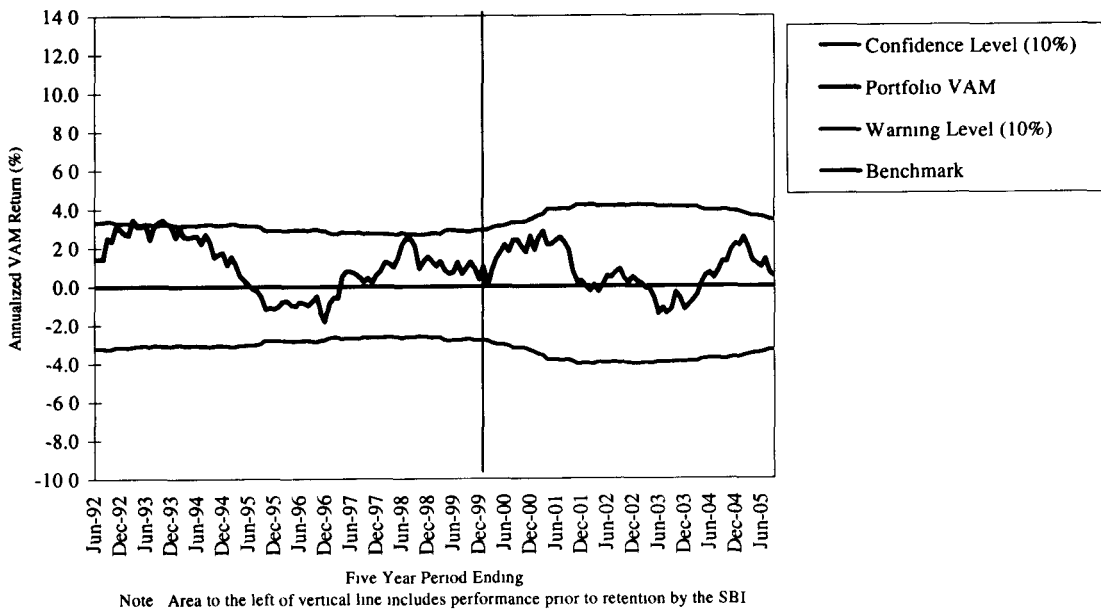
Portfolio Manager: Michelle Clayman

Assets Under Management: \$465,054,382

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



NEW AMSTERDAM PARTNERS
Rolling Five Year VAM vs. Manager Benchmark



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

Portfolio Manager: John Leonard

Assets Under Management: \$826,360,793

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

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	2.6%	3.9%	3.9%
Last 1 year	14.3	14.3	14.3
Last 2 years	15.4	14.1	14.1
Last 3 years	19.1	17.7	18.2
Last 4 years	10.8	7.0	8.2
Last 5 years	7.5	-1.3	-0.7
Since Inception (7/93)	11.1	10.7	10.7

Calendar Year Returns

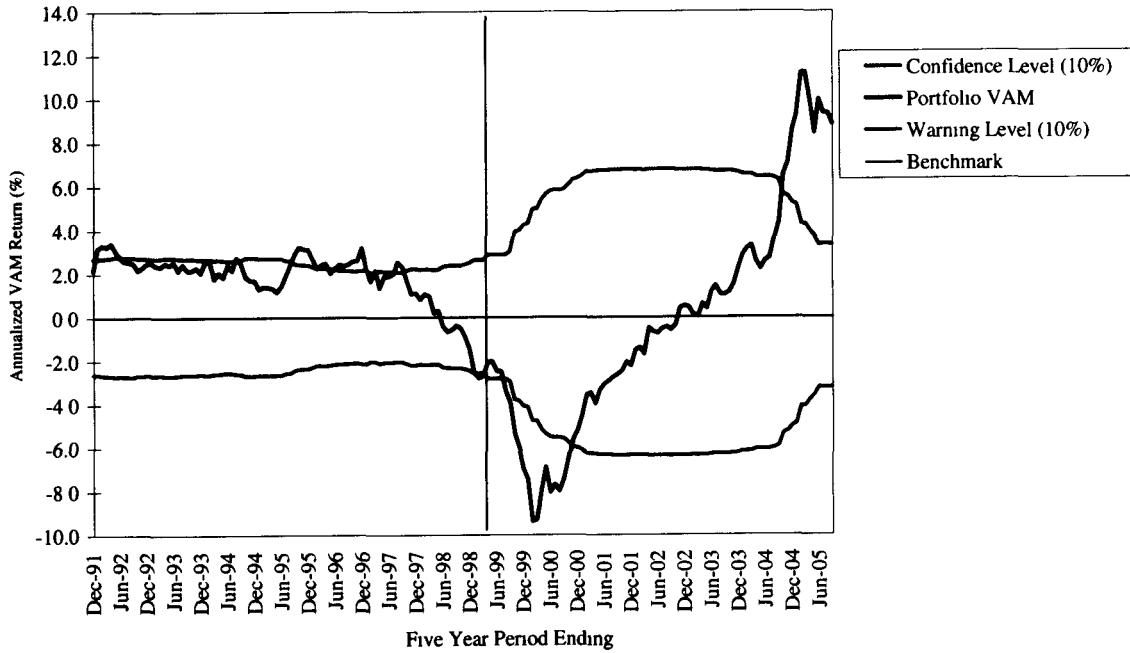
	Actual	Russell 1000 Core	Manager Benchmark
2004	13.4%	11.4%	11.4%
2003	30.7	29.9	30.8
2002	-14.7	-21.7	-20.6
2001	5.2	-12.5	-11.0
2000	3.6	-7.8	-1.0

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

Portfolio Manager: John Leonard

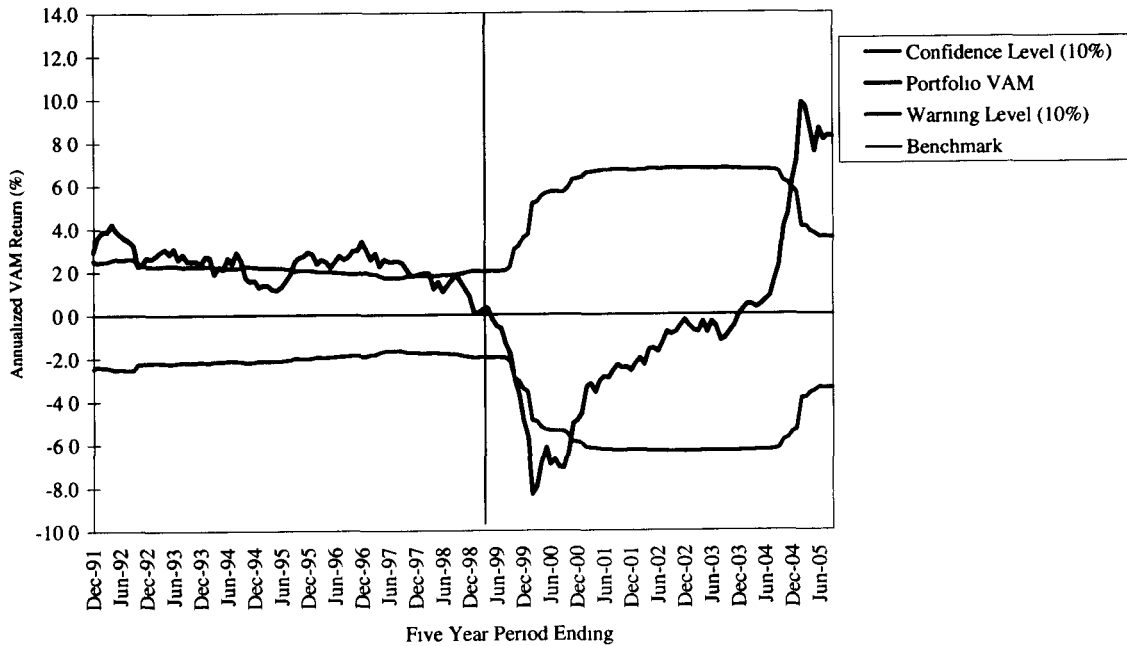
Assets Under Management: \$826,360,793

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



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

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



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

VOYAGEUR ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Charles Henderson

Assets Under Management: \$47,017,520

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Index by 0.6 percentage point (ppt) during the quarter. Overall sector allocation decisions detracted from performance. An underweight allocation to electronic technology represented a missed opportunity as the sector outperformed. Weak stock selection compounded the negative impact.

For the year, the portfolio underperformed the Russell 1000 Index by 5.4 pts. An overweight position in consumer services coupled with weak stock selection hindered returns. An underweight allocation to electronic technology along with ineffective stock selection detracted from performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core	Manager Benchmark
Last Quarter	3.3%	3.9%	3.9%
Last 1 year	8.9	14.3	14.3
Last 2 years	10.0	14.1	14.1
Last 3 years	12.3	17.7	16.1
Last 4 years	5.7	7.0	8.9
Last 5 years	-2.9	-1.3	0.4
Since Inception (7/00)	-1.4	-1.1	-0.7

Calendar Year Returns

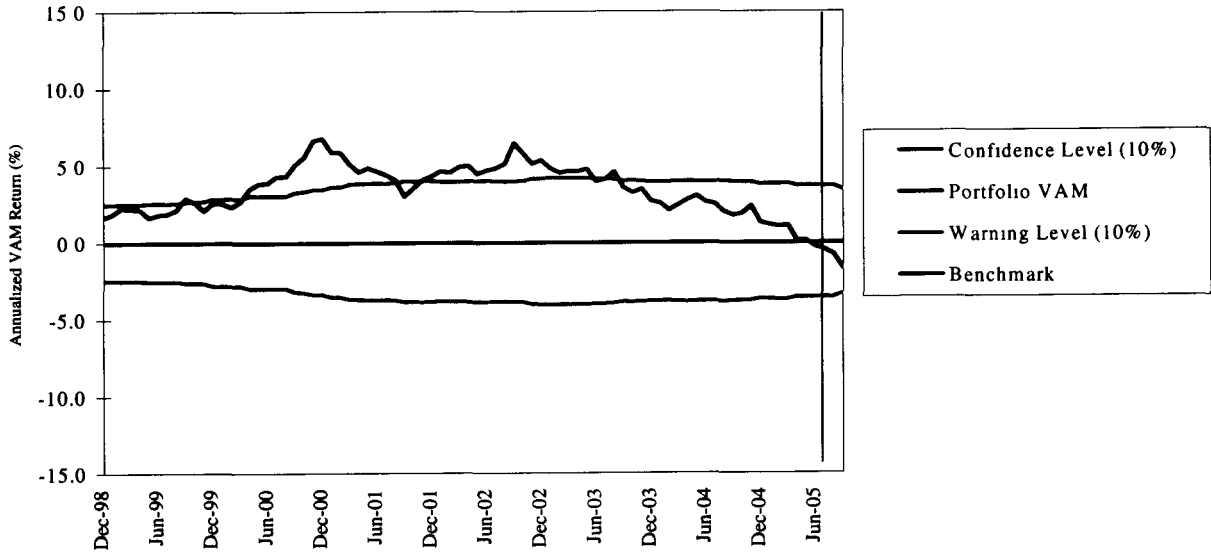
	Actual	Russell 1000 Core	Manager Benchmark
2004	10.6%	11.4%	11.4%
2003	23.2	29.9	28.9
2002	-20.6	-21.7	-20.7
2001	-19.4	-12.5	-12.0
2000	N/A	N/A	N/A

VOYAGEUR ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Charles Henderson

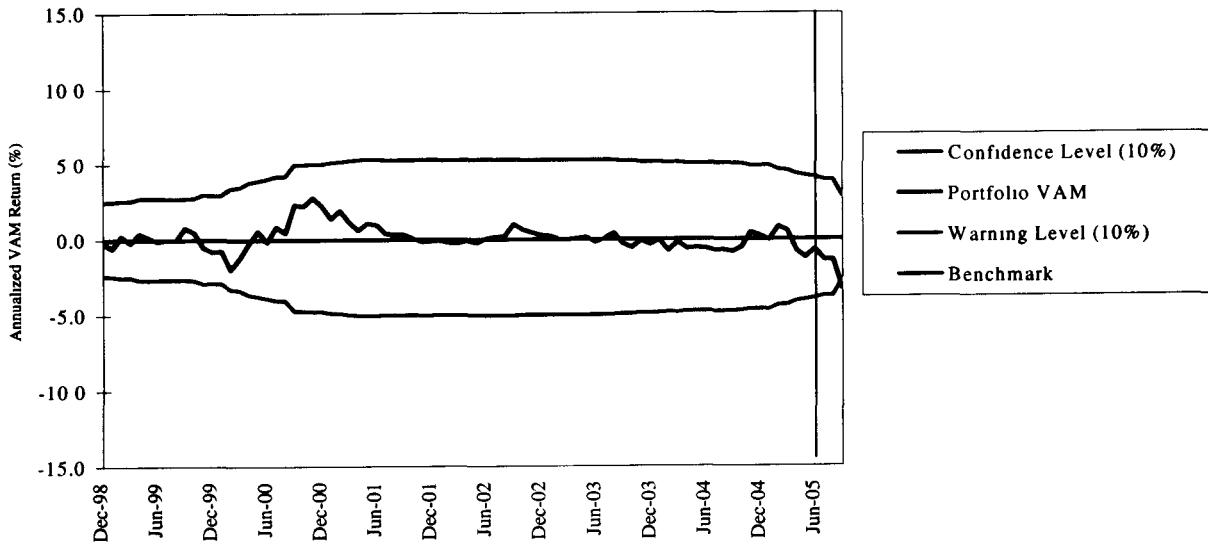
Assets Under Management: \$47,017,520

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



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

Voyeur Asset Management
Rolling Five Year VAM vs. Manager Benchmark



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

Large Cap Growth (R1000 Growth)

Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jack Koltes

Assets Under Management: \$497,329,894

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 1000 Growth Index by 4.0 percentage points (ppt) during the quarter. An overweight allocation to electronic technology coupled with strong stock selection proved beneficial. Strong stock selection within the health technology and retail trade sectors contributed to performance.

For the year, the portfolio outperformed the Russell 1000 Growth Index by 5.6 ppt. An underweight position in health technology coupled with strong stock selection aided returns. An overweight allocation to electronic technology along with strong stock selection contributed to performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	8.0%	4.0%	4.0%
Last 1 year	17.2	11.6	11.6
Last 2 years	11.2	9.5	9.5
Last 3 years	12.6	14.7	14.1
Last 4 years	3.7	4.0	3.5
Last 5 years	-4.6	-8.6	-4.8
Since Inception (1/84)	14.8	11.0	11.0

Calendar Year Returns

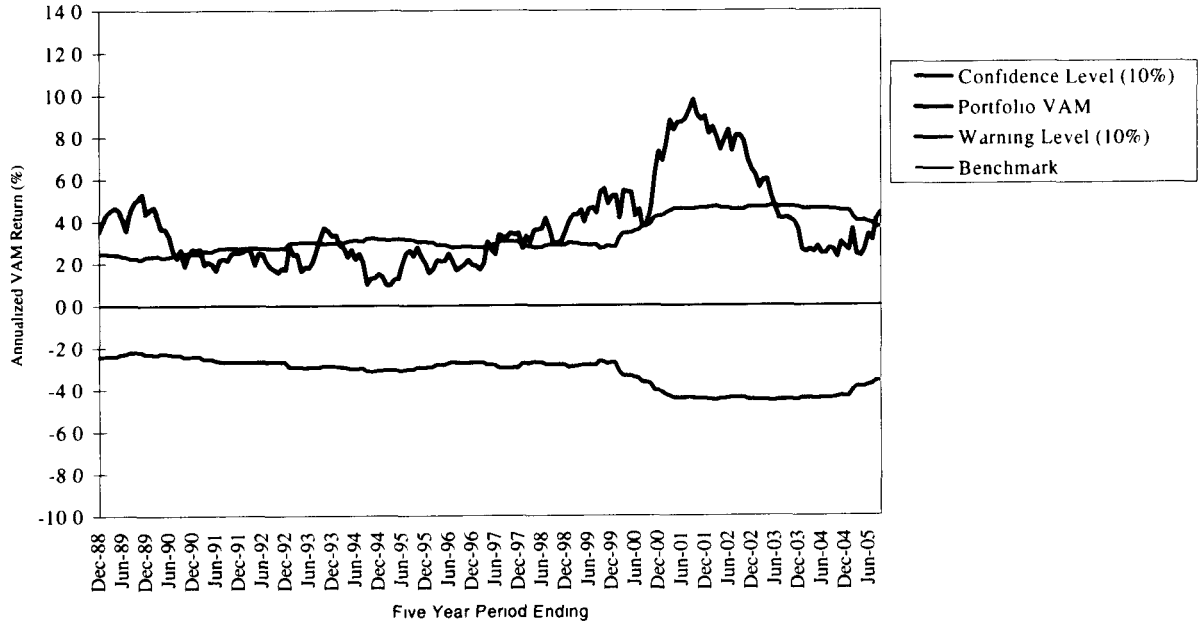
	Actual	Russell 1000 Growth	Manager Benchmark
2004	5.7%	6.3%	6.3%
2003	22.4	29.7	26.3
2002	-26.8	-27.9	-24.0
2001	-13.7	-20.4	-15.3
2000	-13.7	-22.4	-11.4

ALLIANCE CAPITAL MANAGEMENT
Periods Ending September, 2005

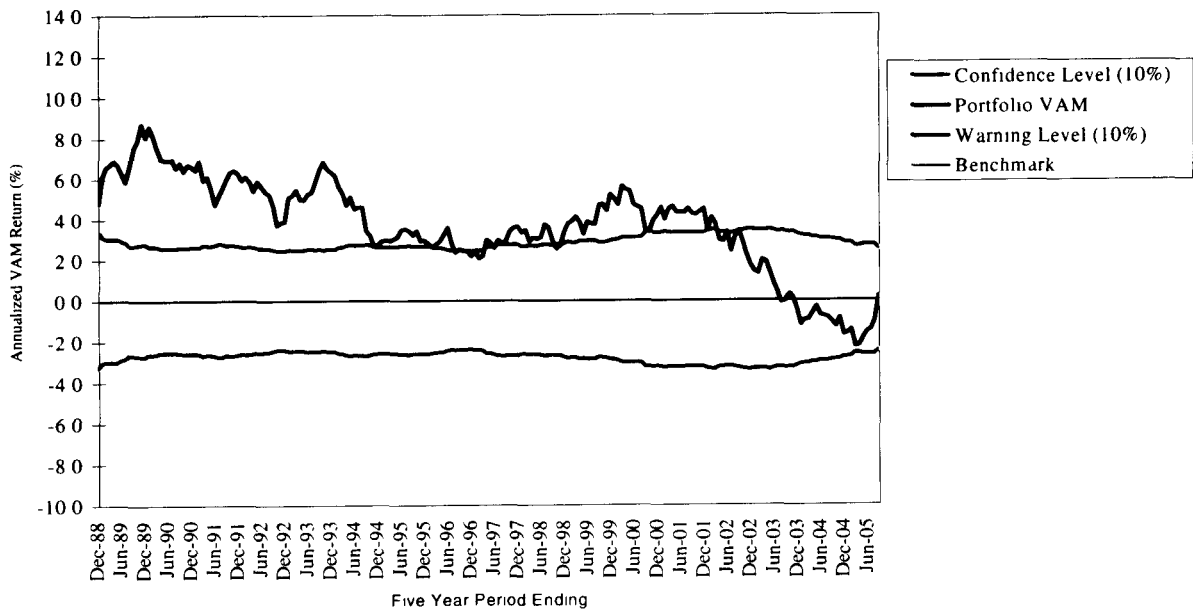
Portfolio Manager: Jack Koltes

Assets Under Management: \$497,329,894

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



ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM vs. Manager Benchmark



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending September, 2005

Portfolio Manager: George Cohen

Assets Under Management: \$408,875,011

Investment Philosophy

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

Staff Comments

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-1.3%	4.0%	4.0%
Last 1 year	8.6	11.6	11.6
Last 2 years	5.5	9.5	9.5
Last 3 years	16.6	14.7	19.1
Last 4 years	0.6	4.0	8.2
Last 5 years	-8.1	-8.6	-2.8
Since Inception (4/94)	9.1	9.2	11.0

Calendar Year Returns

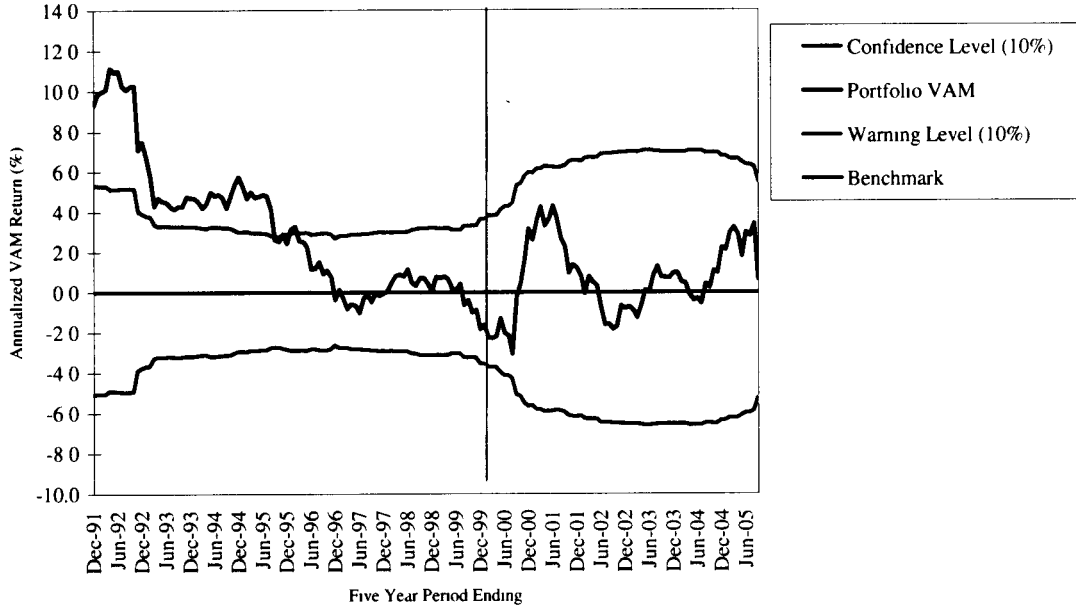
	Actual	Russell 1000 Growth	Manager Benchmark
2004	6.1%	6.3%	6.3%
2003	41.2	29.7	39.3
2002	-35.0	-27.9	-23.8
2001	-25.0	-20.4	-11.2
2000	-6.0	-22.4	-12.1

COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending September, 2005

Portfolio Manager: George Cohen

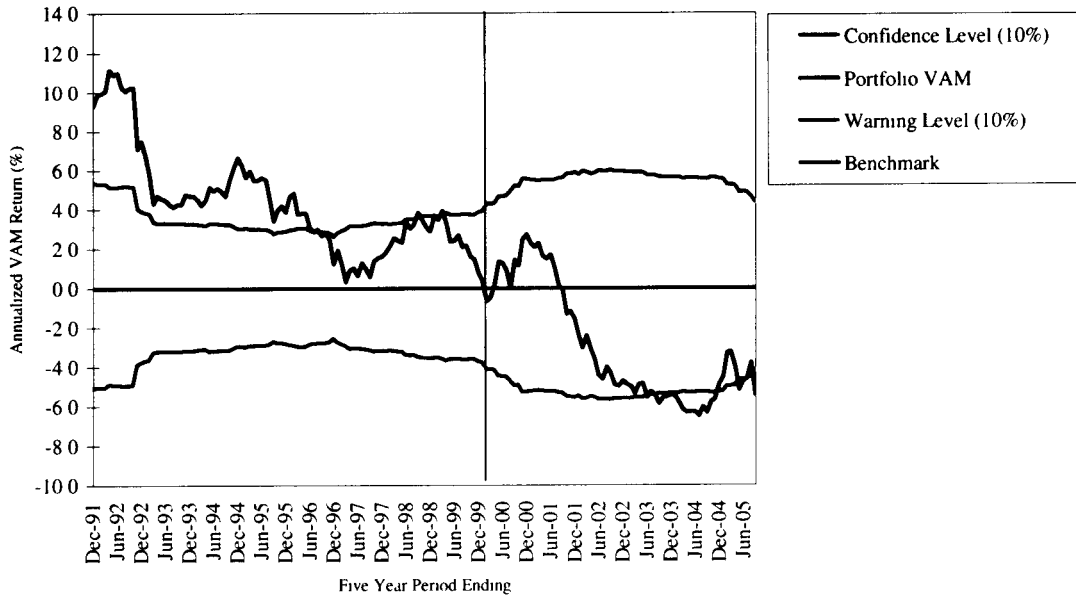
Assets Under Management: \$408,875,011

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



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

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



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

HOLT-SMITH & YATES ADVISORS
Periods Ending September, 2005

Portfolio Manager: Ryan Erickson

Assets Under Management: \$76,184,039

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Growth index by 7.7 percentage points (ppt) during the quarter. An overweight allocation to retail trade coupled with ineffective stock selection pressured returns. Weak stock selection within the electronic technology sector detracted from performance.

For the year, the portfolio underperformed the Russell 1000 Growth index by 7.7 ppt. Weak overall stock selection, particularly within electronic technology, weighed on performance. An underweight position in the industrial services sector represented a missed opportunity. Weak stock selection compounded the negative impact.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	-3.7%	4.0%	4.0%
Last 1 year	3.9	11.6	11.6
Last 2 years	7.8	9.5	9.5
Last 3 years	11.3	14.7	15.6
Last 4 years	2.4	4.0	8.9
Last 5 years	-3.4	-8.6	3.6
Since Inception (7/00)	-3.2	-9.2	3.2

Calendar Year Returns

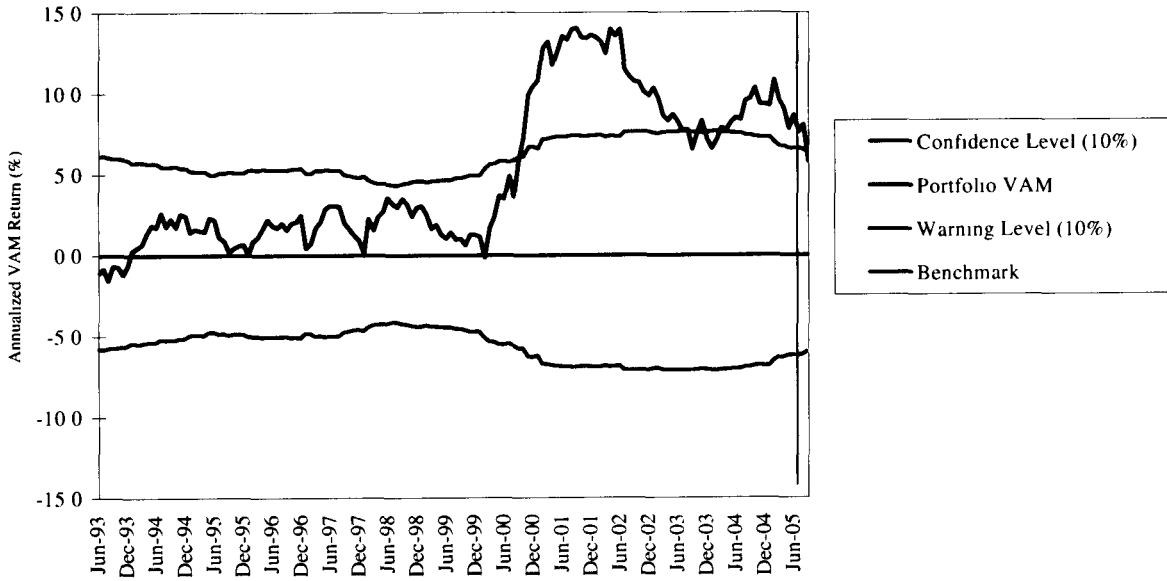
	Actual	Russell 1000 Growth	Manager Benchmark
2004	7.3%	6.3%	6.3%
2003	22.1	29.7	31.3
2002	-28.0	-27.9	-19.0
2001	-1.7	-20.4	4.6
2000	N/A	N/A	N/A

HOLT-SMITH & YATES ADVISORS
Periods Ending September, 2005

Portfolio Manager: Kristin Yates

Assets Under Management: \$76,184,039

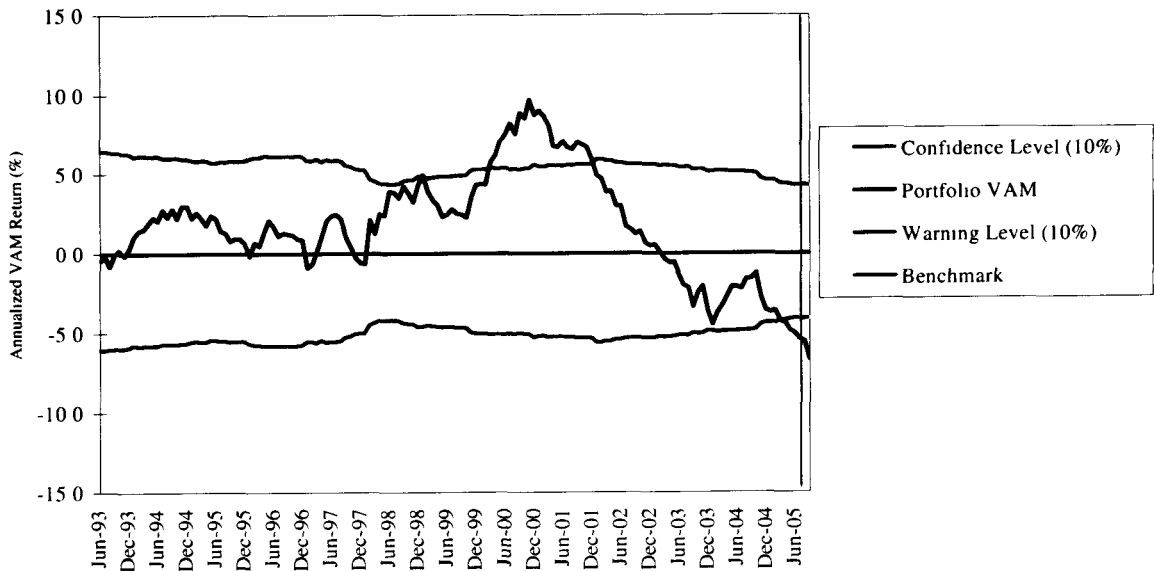
Holt-Smith & Yates
Rolling Five Year VAM vs. Russell 1000 Growth



Five Year Period Ending

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

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



Five Year Period Ending

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

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

Portfolio Manager: Robert Fernholz

Assets Under Management: \$ 289,248,477

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Growth index by 0.5 percentage point during the quarter. The use of volatility and correlation characteristics detracted from gross performance during the quarter, resulting in -1.65% of underperformance. The strategy tends to overweight smaller capitalization stocks relative to the benchmark; this size effect contributed approximately 1.26% to gross performance during the quarter.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	3.5%	4.0%	4.0%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	3.8	2.2	2.2

Calendar Year Returns

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

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

Portfolio Manager: Robert Fernholz

Assets Under Management: \$289,248,477

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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$119,622,903

Investment Philosophy

Staff Comments

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.

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	3.0%	4.0%	4.0%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	1.3	2.2	2.2

Calendar Year Returns

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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$119,622,903

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

LAZARD ASSET MANAGEMENT LLC
Periods Ending September, 2005

Portfolio Manager: Jim Tatera

Assets Under Management: \$26,393,094

Investment Philosophy

Staff Comments

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.

The portfolio outperformed the Russell 1000 Growth index by 0.3 percentage point during the quarter. An underweight allocation to health technology coupled with strong stock selection proved beneficial. An overweight position in energy minerals along with effective stock selection positively impacted performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	4.3%	4.0%	4.0%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	1.5	2.2	2.2

Calendar Year Returns

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

LAZARD ASSET MANAGEMENT LLC
Periods Ending September, 2005

Portfolio Manager: Jim Tatera

Assets Under Management: \$26,393,094

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

SANDS CAPITAL MANAGEMENT, L.P.
Periods Ending September, 2005

Portfolio Manager: Frank Sands, Sr.

Assets Under Management: \$206,086,040

Investment Philosophy

Staff Comments

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.

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	5.8%	4.0%	4.0%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	3.6	2.2	2.2

Calendar Year Returns

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

SANDS CAPITAL MANAGEMENT, L.P.
Periods Ending September, 2005

Portfolio Manager: Frank Sands, Sr.

Assets Under Management: \$206,086,040

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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending September, 2005

Portfolio Manager: Clark Winslow

Assets Under Management: \$27,651,858

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

The portfolio outperformed the Russell 1000 Growth index by 2.3 percentage points during the quarter. Both overall stock selection and sector allocation decisions positively impacted performance. An overweight allocation to the outperforming energy minerals sector proved beneficial. Overweight positions in health services and communications coupled with strong stock selection contributed to performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	6.3%	4.0%	4.0%
Last 1 year	N/A	N/A	N/A
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/05)	6.4	2.2	2.2

Calendar Year Returns

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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending September, 2005

Portfolio Manager: Clark Winslow

Assets Under Management: \$27,651,858

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

ZEVENBERGEN CAPITAL INC.
Periods Ending September, 2005

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$214,388,212

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 1000 Growth index by 1.8 percentage points (ppt) during the quarter. Strong overall stock selection proved beneficial, and was particularly notable within the electronic technology, health technology, and retail trade sectors.

For the year, the portfolio outperformed the Russell 1000 Growth index by 4.4 ppt. Effective stock selection positively impacted returns, especially within the technology services, retail trade and electronic technology sectors.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth	Manager Benchmark
Last Quarter	5.8%	4.0%	4.0%
Last 1 year	16.0	11.6	11.6
Last 2 years	14.1	9.5	9.5
Last 3 years	22.0	14.7	15.7
Last 4 years	5.7	4.0	8.0
Last 5 years	-11.3	-8.6	-4.1
Since Inception (4/94)	10.1	9.2	12.4

Calendar Year Returns

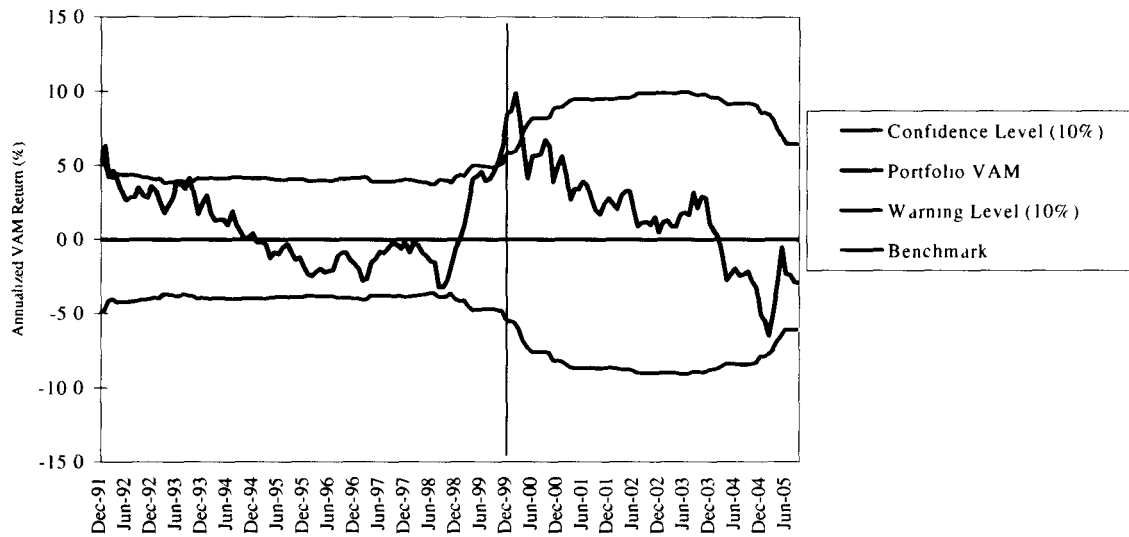
	Actual	Russell 1000 Growth	Manager Benchmark
2004	13.1%	6.3%	6.3%
2003	49.3	29.7	31.3
2002	-36.2	-27.9	-24.2
2001	-29.0	-20.4	-3.2
2000	-38.2	-22.4	-16.6

ZEVENBERGEN CAPITAL INC.
Periods Ending September, 2005

Portfolio Manager: Nancy Zevenbergen

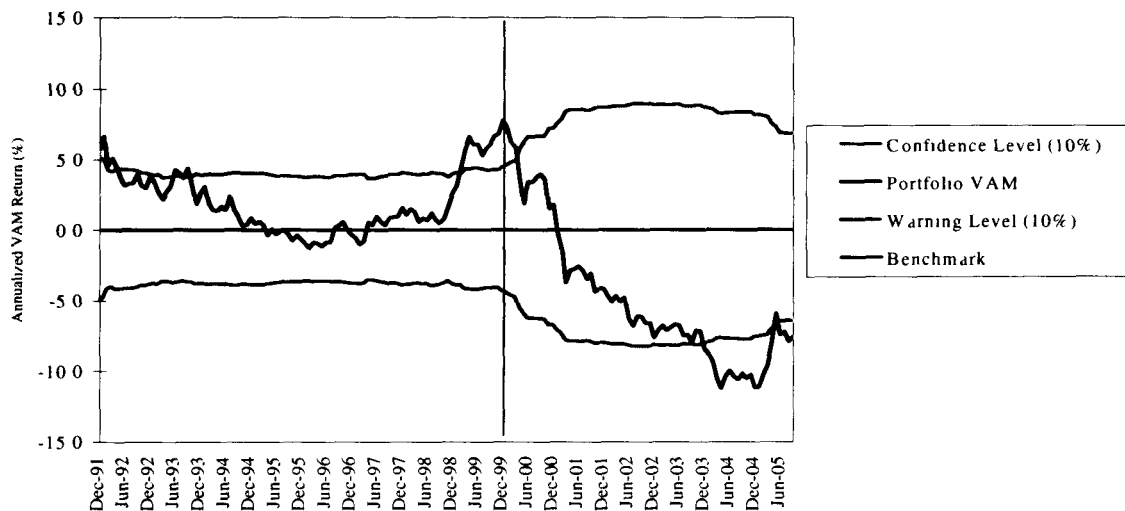
Assets Under Management: \$214,388,212

Zevenbergen Capital Management
Rolling Five Year VAM vs Russell 1000 Growth



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

Zevenbergen Capital Management
Rolling Five Year VAM vs. Manager Benchmark



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

Large Cap Value (R1000 Value)

Large Cap Value (R1000 Value)

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

Portfolio Manager: Tim Culler

Assets Under Management: \$313,665,276

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

On 9/30/05, the firm announced that it will assume leadership of Pacific Financial Research, Inc (PFR), its sister company also owned by Old Mutual. This change is the result of three PFR principals choosing to leave the firm effective 1/1/2006. In response to this change, Barrow Hanley has closed the large cap value separate account business to new investors. Staff does not anticipate any adverse impact on the SBI portfolio.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	3.7%	3.9%	3.9%
Last 1 year	21.6	16.7	16.7
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	17.4	12.6	12.6

Calendar Year Returns

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

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

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

Portfolio Manager: Tim Culler

Assets Under Management: \$313,665,276

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

EARNEST PARTNERS, LLC
Periods Ending September, 2005

Portfolio Manager: Paul Viera

Assets Under Management: \$68,114,265

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 1000 Value index by 0.7 percentage point (ppt) during the quarter. Overall sector allocation decisions outweighed the negative impact of overall weak stock selection. An overweight position in the energy minerals sector coupled with strong stock selection contributed to performance.

For the year, the portfolio outperformed the Russell 1000 Value index by 7.8 ppts. Both overall stock selection and sector allocation decisions positively impacted the portfolio. An overweight allocation to energy minerals coupled with strong stock selection aided returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	4.6%	3.9%	3.9%
Last 1 year	24.5	16.7	16.7
Last 2 years	23.0	18.6	18.6
Last 3 years	23.9	20.5	24.3
Last 4 years	11.0	9.8	17.0
Last 5 years	6.7	5.8	12.7
Since Inception (7/00)	5.9	7.0	13.7

Calendar Year Returns

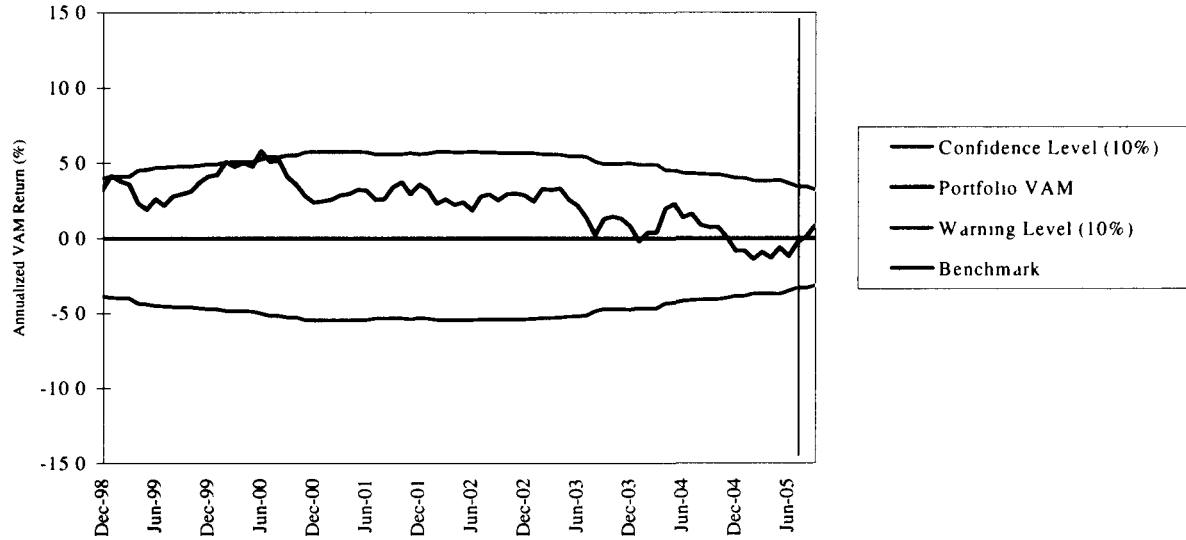
	Actual	Russell 1000 Value	Manager Benchmark
2004	18.9%	16.5%	16.5%
2003	32.0	30.0	41.8
2002	-18.1	-15.5	-11.6
2001	-0.4	-5.6	11.5
2000	N/A	N/A	N/A

EARNEST PARTNERS, LLC
Periods Ending September, 2005

Portfolio Manager: Paul Viera

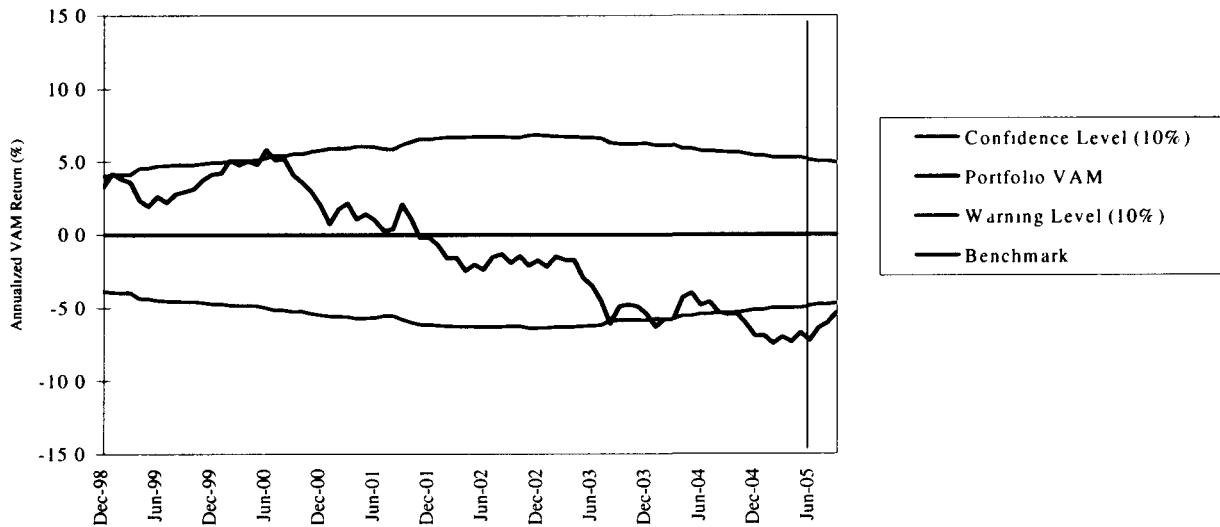
Assets Under Management: \$68,114,265

Earnest Partners
Rolling Five Year VAM vs. Russell 1000 Value



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

Earnest Partners
Rolling Five Year VAM vs. Manager Benchmark



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

LORD ABBETT & CO. LLC
Periods Ending September, 2005

Portfolio Manager: Eli Saltzmann

Assets Under Management: \$276,028,066

Investment Philosophy

Staff Comments

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

The portfolio outperformed the Russell 1000 Value index by 0.1 percentage point (ppt) during the quarter. A significantly underweight allocation to finance coupled with strong stock selection proved beneficial. An overweight position in the industrial services sector contributed to performance.

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.

For the year, the portfolio underperformed the Russell 1000 Value index by 4.4 ppts. Underweight allocations to energy, minerals and utilities coupled with weak stock selection detracted from performance. Ineffective stock selection within the consumer non-durables sector pressured returns.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	4.0%	3.9%	3.9%
Last 1 year	12.3	16.7	16.7
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	7.8	12.6	12.6

Calendar Year Returns

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

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

LORD ABBETT & CO. LLC
Periods Ending September, 2005

Portfolio Manager: Eli Saltzmann

Assets Under Management: \$276,028,066

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

LSV ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$375,288,415

Investment Philosophy

Staff Comments

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

No comment at this time

Recommendation

No action required

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	Manager Benchmark
Last Quarter	5.0%	3.9%	3.9%
Last 1 year	22.2	16.7	16.7
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	17.5	12.6	12.6

Calendar Year Returns

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

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

LSV ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$375,288,415

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

OPPENHEIMER CAPITAL
Periods Ending September, 2005

Portfolio Manager: John Lindenthal

Assets Under Management: \$762,972,841

Investment Philosophy

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

Staff Comments

The portfolio underperformed the Russell 1000 Value index by 3.5 percentage points (ppt) during the quarter. An underweight allocation to energy minerals coupled with weak stock selection detracted from performance. An overweight position in retail trade along with ineffective stock selection pressured returns.

For the year, the portfolio underperformed the Russell 1000 Value index by 9.6 ppt. An underweight position in energy minerals represented a missed opportunity as the sector outperformed. Ineffective stock selection compounded the negative impact. Weak stock selection within finance detracted from performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	0.4%	3.9%	3.9%
Last 1 year	7.1	16.7	16.7
Last 2 years	12.1	18.6	18.6
Last 3 years	16.1	20.5	20.8
Last 4 years	6.9	9.8	9.5
Last 5 years	4.0	5.8	3.3
Since Inception (7/93)	12.6	11.9	12.4

Calendar Year Returns

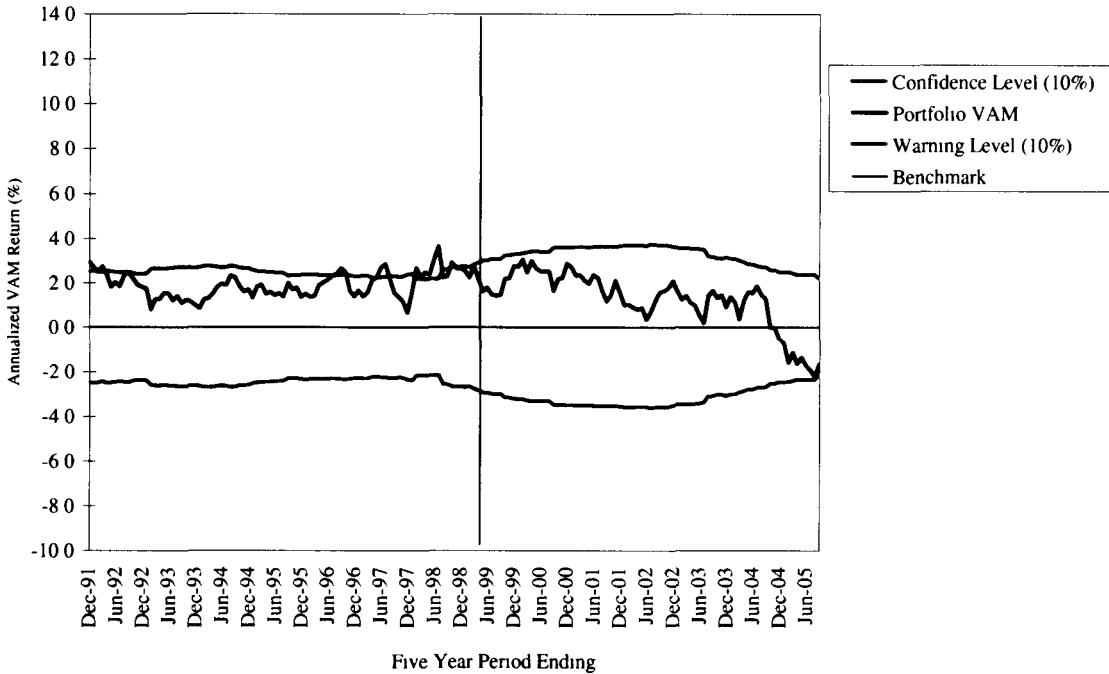
	Actual	Russell 1000 Value	Manager Benchmark
2004	12.0%	16.5%	16.5%
2003	28.9	30.0	31.4
2002	-15.5	-15.5	-20.7
2001	-7.0	-5.6	-9.5
2000	11.2	7.0	10.3

OPPENHEIMER CAPITAL
Periods Ending September, 2005

Portfolio Manager: John Lindenthal

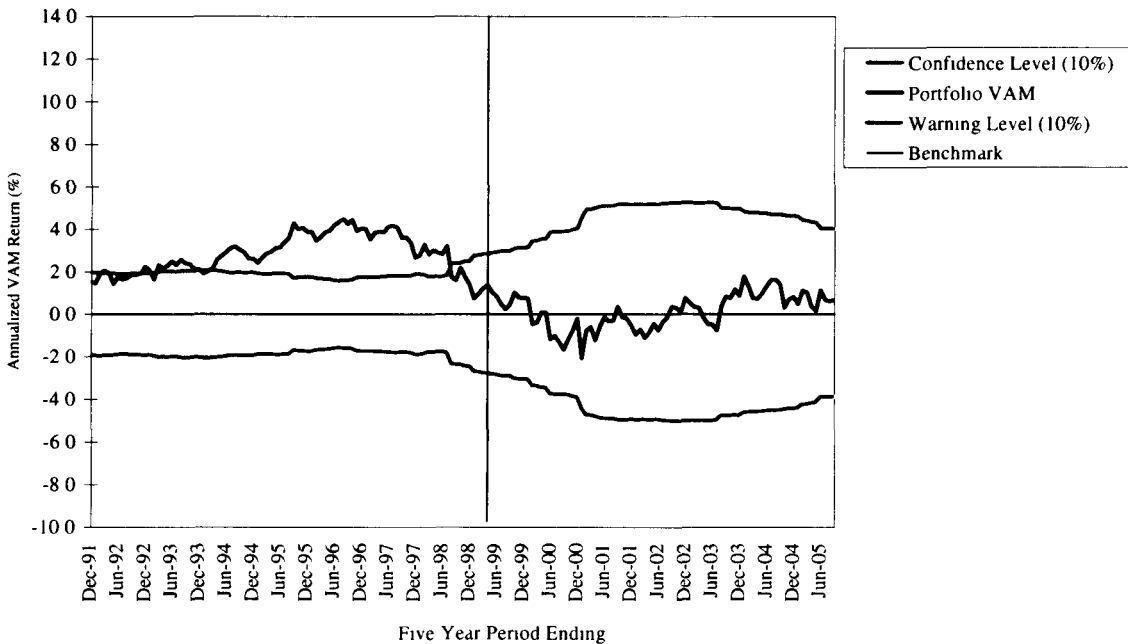
Assets Under Management: \$762,972,841

OPPENHEIMER CAPITAL
Rolling Five Year VAM vs. Russell 1000 Value



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

OPPENHEIMER CAPITAL
Rolling Five Year VAM vs. Manager Benchmark



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

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

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$180,889,526

Investment Philosophy	Staff Comments
Systematic's investment strategy favors companies with low forward P/E multiples and a positive earnings catalyst. Cash flow is analyzed to confirm earnings and to avoid companies that may have employed accounting gimmicks to report earnings in excess of Wall Street expectations. The investment strategy attempts to avoid stocks in the "value trap" by focusing only on companies with confirmed fundamental improvement as evidenced by a genuine positive earnings surprise.	No comment at this time
	Recommendation
	No action required

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.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value	Manager Benchmark
Last Quarter	6.1%	3.9%	3.9%
Last 1 year	20.8	16.7	16.7
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (4/04)	14.5	12.6	12.6

Calendar Year Returns

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

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

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

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$180,889,526

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

Small Cap Growth (R2000) Growth

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Robert Gillam, Sr.

Assets Under Management: \$194,713,005

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 outperformed the Russell 2000 Growth index by 1.9 percentage points (ppt) during the quarter. Strong stock selection within the producer manufacturing sector aided returns. An underweight allocation to retail trade coupled with strong stock selection contributed to performance.

For the year, the portfolio outperformed the Russell 2000 Growth index by 0.2 ppt. Strong overall stock selection mitigated the negative impact of weak sector allocation decisions. An underweight position in producer manufacturing coupled with strong stock selection proved beneficial.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	8.2%	6.3%	6.3%
Last 1 year	18.2	18.0	18.0
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	8.0	9.5	9.5

Calendar Year Returns

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

MCKINLEY CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Robert Gillam, Sr.

Assets Under Management: \$194,713,005

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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending September, 2005

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$38,978,262

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 2000 Growth index by 2.2 percentage points (ppt) during the quarter. Overweight allocations to producer manufacturing and health technology coupled with strong stock selection aided returns. An underweight position in finance contributed to performance.

For the year, the portfolio outperformed the Russell 2000 Growth index by 18.5 ppt. Underweight allocations to electronic technology and health technology along with strong stock selection contributed to performance. An overweight position in producer manufacturing coupled with strong stock selection aided returns.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	8.5%	6.3%	6.3%
Last 1 year	36.5	18.0	18.0
Last 2 years	17.3	14.9	14.9
Last 3 years	23.5	23.2	24.1
Last 4 years	12.8	11.2	12.5
Last 5 years	-5.2	-2.5	-0.3
Since Inception (7/00)	-4.9	-3.2	-0.9

Calendar Year Returns

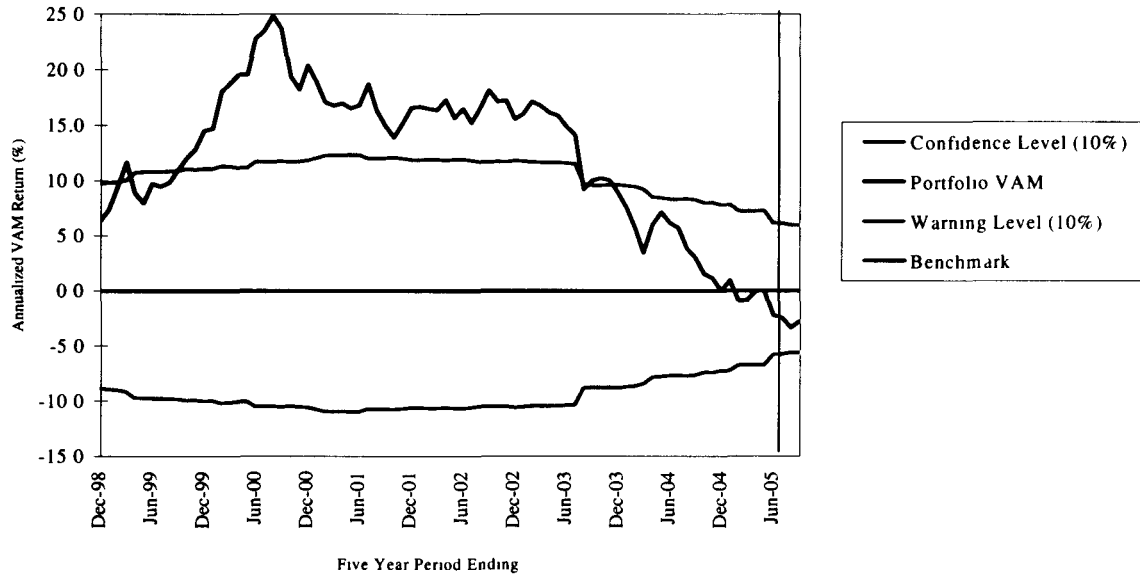
	Actual	Russell 2000 Growth	Manager Benchmark
2004	6.4%	14.3%	14.3%
2003	50.7	48.5	48.5
2002	-33.3	-30.3	-27.8
2001	-22.8	-9.2	-5.5
2000	N/A	N/A	N/A

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending September, 2005

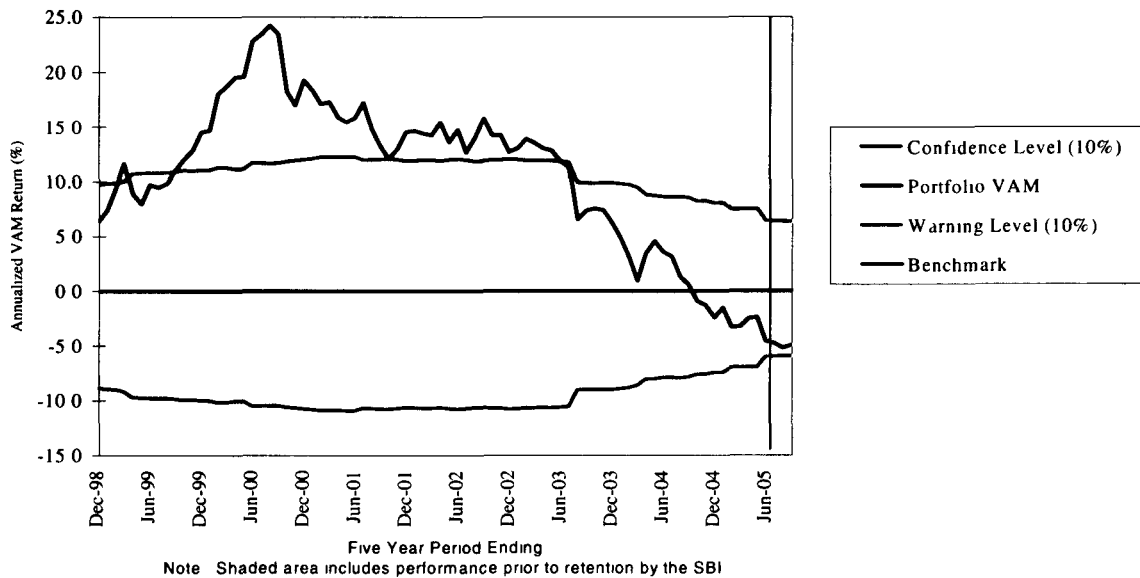
Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$38,978,262

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



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



SUMMIT CREEK ADVISORS, LLC
Periods Ending September, 2005

Portfolio Manager: Joseph Docter

Assets Under Management: \$145,096,955

Investment Philosophy

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

Staff Comments

Staff conducted a site visit during the quarter. Philosophy and process were reviewed in detail. The organizational change reported and implemented last quarter has been well received by the firm's clients, and the three person investment team remains intact. Portfolio positioning and specific names were reviewed in detail.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth	Manager Benchmark
Last Quarter	3.4%	6.3%	6.3%
Last 1 year	19.7	18.0	18.0
Last 2 years	12.3	14.9	14.9
Last 3 years	20.4	23.2	24.3
Last 4 years	10.1	11.2	13.3
Last 5 years	-1.6	-2.5	2.8
Since Inception (7/00)	-0.3	-3.2	1.9

Calendar Year Returns

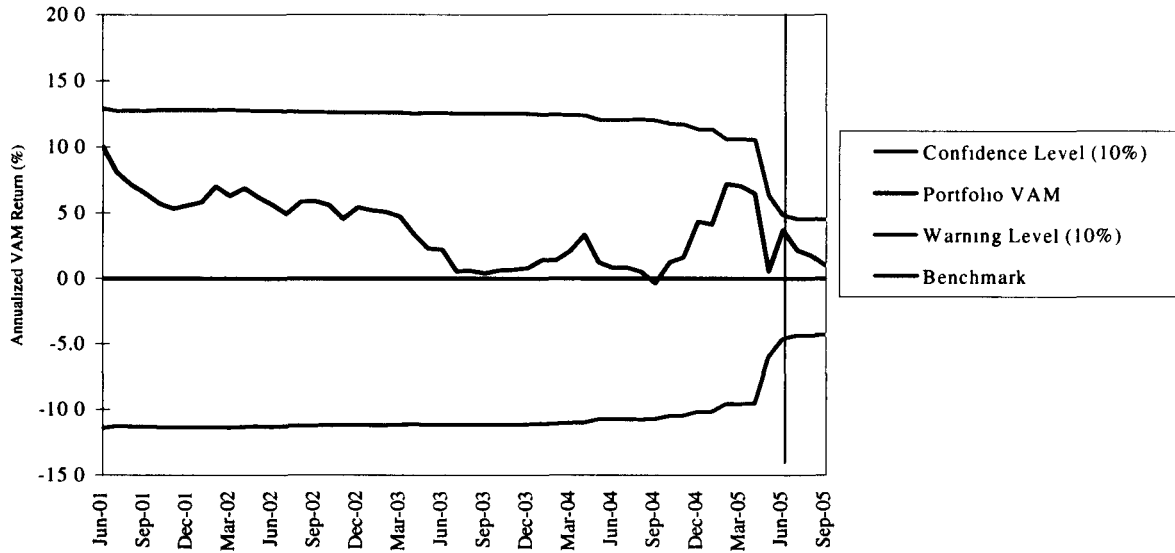
	Actual	Russell 2000 Growth	Manager Benchmark
2004	8.9%	14.3%	14.3%
2003	37.6	48.5	51.3
2002	-25.0	-30.3	-26.7
2001	-6.1	-9.2	4.6
2000	N/A	N/A	N/A

SUMMIT CREEK ADVISORS, LLC
Periods Ending September, 2005

Portfolio Manager: Joseph Docter

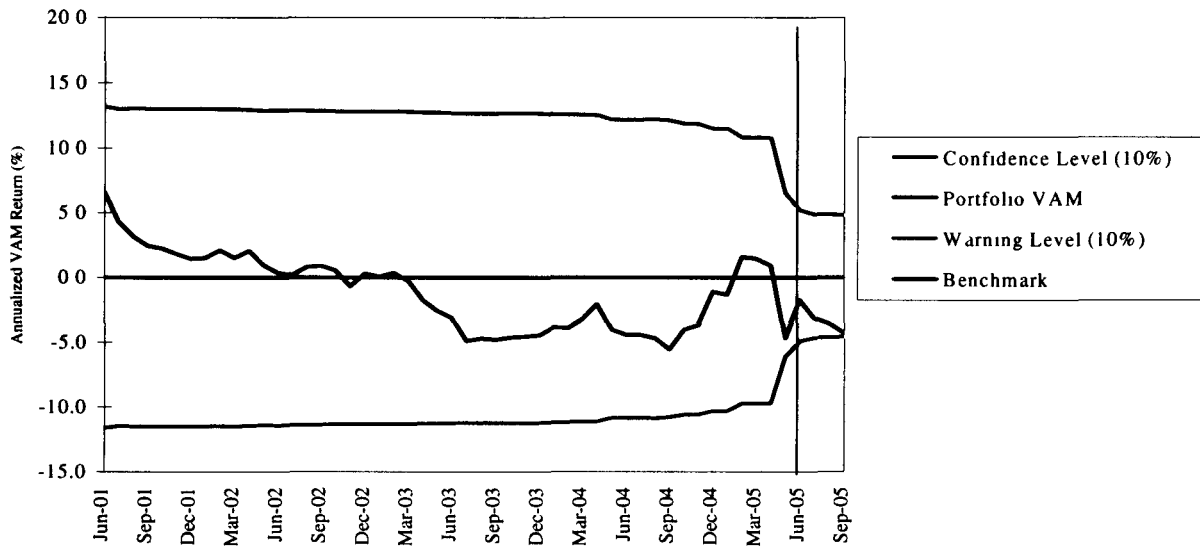
Assets Under Management: \$145,096,955

Summit Creek Advisors, LLC
Rolling Five Year VAM vs. Russell 2000 Growth



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

Summit Creek Advisors, LLC
Rolling Five Year VAM vs. Manager Benchmark



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

TURNER INVESTMENT PARTNERS
Periods Ending September, 2005

Portfolio Manager: William McVail

Assets Under Management: \$146,283,422

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	Manager Benchmark
Last Quarter	6.8%	6.3%	6.3%
Last 1 year	15.8	18.0	18.0
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	8.3	9.5	9.5

Calendar Year Returns

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

TURNER INVESTMENT PARTNERS
Periods Ending September, 2005

Portfolio Manager: William McVail

Assets Under Management: \$146,283,422

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

Small Cap Value (R2000 Value)

Small Cap Value (R2000 Value)

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RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jacob Hurwitz and Kent Kelley

Assets Under Management: \$55,024,851

Investment Philosophy

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

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

Staff Comments

The portfolio outperformed the Russell 2000 Value index by 1.5 percentage points (ppts) during the quarter. An underweight allocation to finance coupled with strong stock selection proved beneficial. Overweight positions in the non-energy minerals and industrial services sectors coupled with strong stock selection proved beneficial.

On 9/30/05, American Express spun off the common stock of Ameriprise Financial, Inc. RiverSource Investments is the asset management subsidiary of Ameriprise Financial, as well as Kenwood's joint venture partner.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	4.6%	3.1%	3.1%
Last 1 year	17.9	17.8	17.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	16.9	14.7	14.7

Calendar Year Returns

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

RIVERSOURCE INVESTMENTS/KENWOOD CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jacob Hurwitz and Kent Kelley Assets Under Management: \$55,024,851

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

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Chip Otness

Assets Under Management: \$113,397,016

Investment Philosophy

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

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

Staff Comments

The portfolio underperformed the Russell 2000 Value index by 0.2 percentage point (ppt) during the quarter. Weak stock selection within the producer manufacturing sector proved detrimental. An overweight allocation to consumer durables coupled with ineffective stock selection detracted from performance.

For the year, the portfolio underperformed the Russell 2000 Value index by 6.1 ppts. Overweight positions in the process industries and producer manufacturing sectors coupled with weak stock selection negatively impacted performance.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	2.9%	3.1%	3.1%
Last 1 year	11.7	17.8	17.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	11.6	14.7	14.7

Calendar Year Returns

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

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Chip Otness

Assets Under Management: \$113,397,016

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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$127,969,379

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

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	4.0%	3.1%	3.1%
Last 1 year	22.1	17.8	17.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	19.6	14.7	14.7

Calendar Year Returns

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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$127,969,379

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

MARTINGALE ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: William Jacques

Assets Under Management: \$130,819,276

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	Manager Benchmark
Last Quarter	3.2%	3.1%	3.1%
Last 1 year	23.3	17.8	17.8
Last 2 years	N/A	N/A	N/A
Last 3 years	N/A	N/A	N/A
Last 4 years	N/A	N/A	N/A
Last 5 years	N/A	N/A	N/A
Since Inception (1/04)	21.1	14.7	14.7

Calendar Year Returns

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

MARTINGALE ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: William Jacques

Assets Under Management: \$130,819,276

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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$192,143,150

Investment Philosophy

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

Staff Comments

The portfolio outperformed the Russell 2000 Value index by 1.0 percentage point (ppt) during the quarter. An overweight allocation to electronic technology coupled with strong stock selection aided returns. An underweight position in consumer non-durables along with effective stock selection contributed to performance.

The small cap value strategy has closed to new investors. All classes of the Wells Fargo Small Cap Value fund subadvised by Peregrine will also be closed to new investors effective 11/1/05. Staff views this change positively.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value	Manager Benchmark
Last Quarter	4.1%	3.1%	3.1%
Last 1 year	24.9	17.8	17.8
Last 2 years	24.0	21.6	21.6
Last 3 years	28.5	24.9	24.9
Last 4 years	19.6	17.7	19.3
Last 5 years	17.8	15.2	18.0
Since Inception (7/00)	18.7	16.0	18.7

Calendar Year Returns

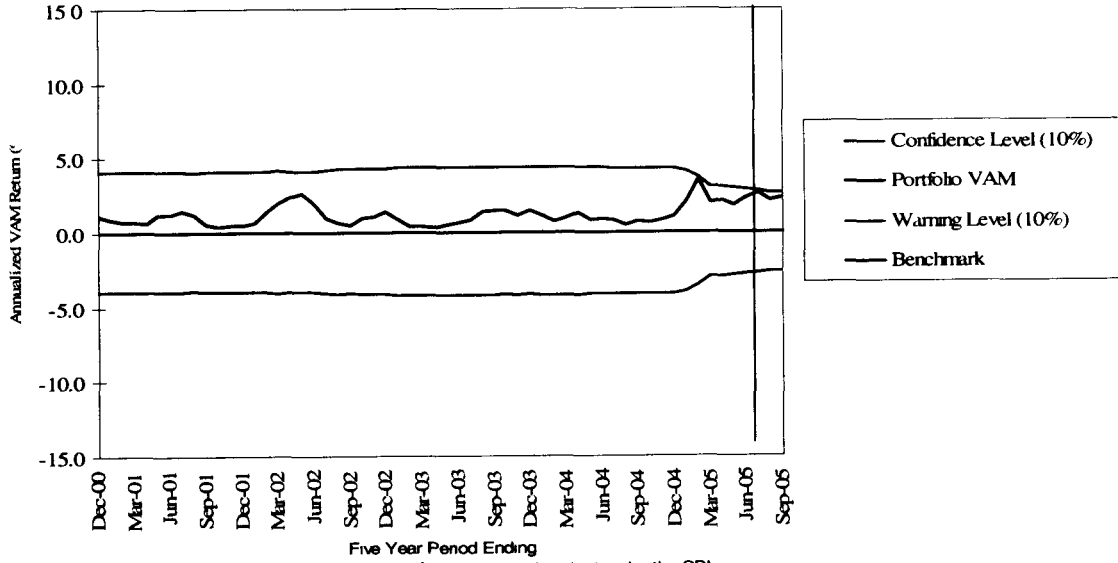
	Actual	Russell 2000 Value	Manager Benchmark
2004	23.6%	22.2%	22.2%
2003	44.2	46.0	44.2
2002	-8.1	-11.4	-6.9
2001	12.6	14.0	22.9
2000	N/A	N/A	N/A

PEREGRINE CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Doug Pugh and Tasso Coin

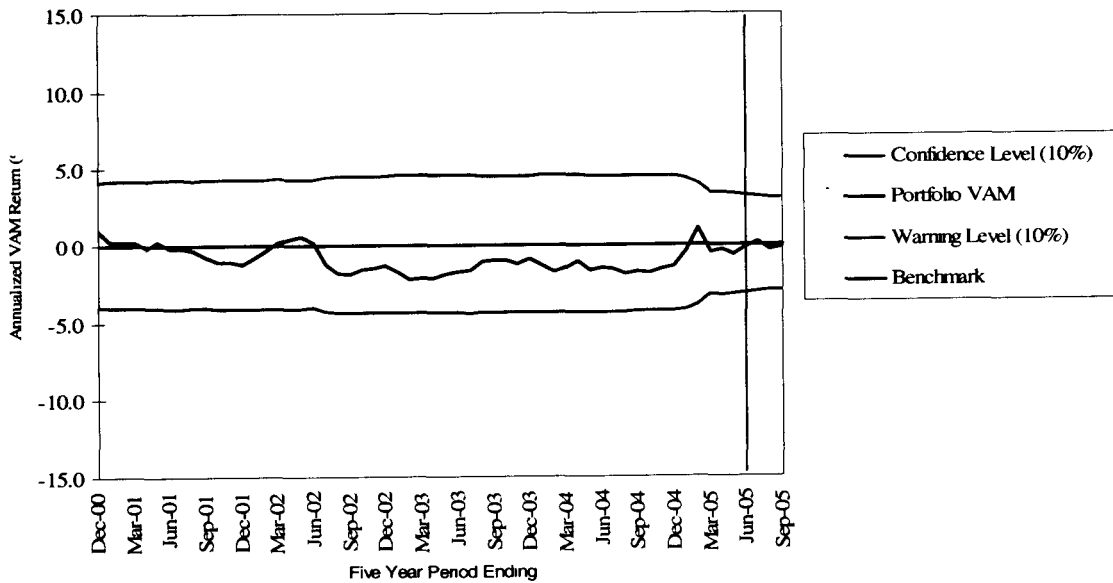
Assets Under Management: \$192,143,150

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



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

Peregrine Capital Management
Rolling Five Year VAM vs. Manager Benchmark



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

Semi-Passive and Passive

Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2005

Portfolio Manager: Rhonda Vitanye

Assets Under Management: \$2,807,312,094

Investment Philosophy – Semi-Passive Style

Staff Comments

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.

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	3.9%	3.9%
Last 1 year	15.1	14.3
Last 2 years	14.8	14.4
Last 3 years	18.4	17.3
Last 4 years	8.1	7.4
Last 5 years	-0.3	-1.5
Since Inception (1/95)	11.3	10.5

Calendar Year Returns

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

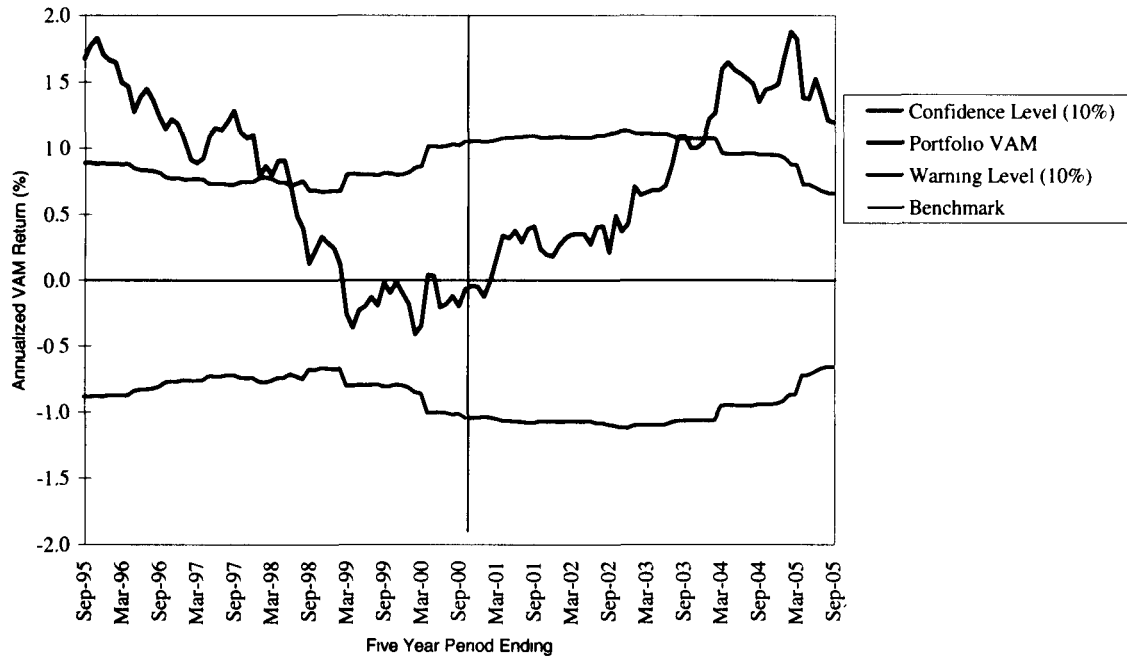
* Completeness Fund until 12/31/03, Russell 1000 beginning 1/1/04

BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2005

Portfolio Manager: Rhonda Vitanye

Assets Under Management: \$2,807,312,094

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

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending September, 2005

Portfolio Manager: John Cone

Assets Under Management: \$1,999,921,324

Investment Philosophy – Semi-Passive Style

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

Staff Comments

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	3.4%	3.9%
Last 1 year	13.7	14.3
Last 2 years	14.0	14.4
Last 3 years	16.4	17.3
Last 4 years	6.6	7.4
Last 5 years	-1.6	-1.5
Since Inception (1/95)	10.0	10.5

Calendar Year Returns

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

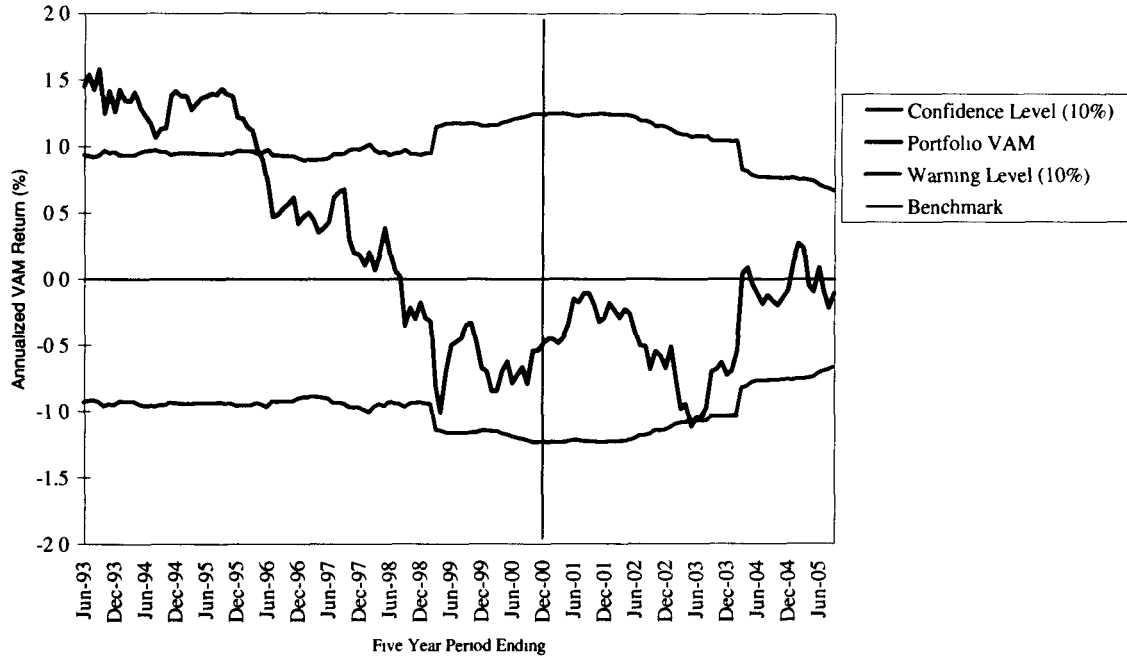
* Completeness Fund until 12/31/03, Russell 1000 beginning 1/1/04.

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending September, 2005

Portfolio Manager: John Cone

Assets Under Management: \$1,999,921,324

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



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

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

Portfolio Manager: Tim Devlin

Assets Under Management: \$2,337,340,343

Investment Philosophy – Semi-Passive Style

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

Staff Comments

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	3.0%	3.9%
Last 1 year	12.1	14.3
Last 2 years	14.0	14.4
Last 3 years	16.8	17.3
Last 4 years	6.4	7.4
Last 5 years	-1.4	-1.5
Since Inception (1/95)	10.4	10.5

Calendar Year Returns

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

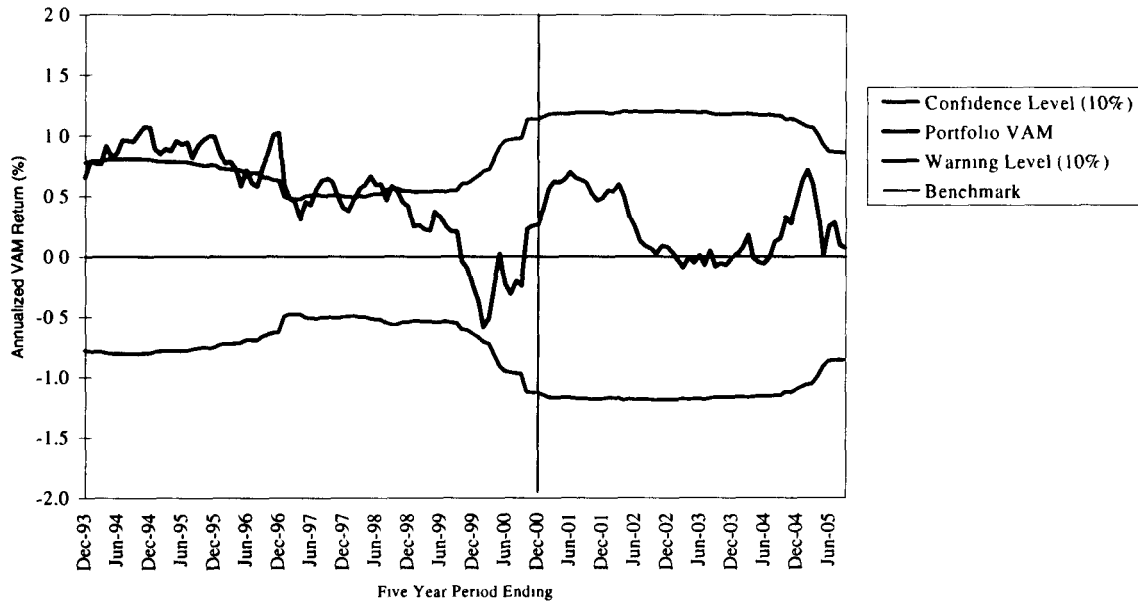
* Completeness Fund until 12/31/03; Russell 1000 beginning 1/1/04

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

Portfolio Manager: Tim Devlin

Assets Under Management: \$2,337,340,343

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



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

BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2005

Portfolio Manager: Amy Schioldager

Assets Under Management: \$7,270,864,027

Investment Philosophy – Passive Style

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

Staff Comments

No comment at this time

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	4.0%	4.0%
Last 1 year	14.6	14.6
Last 2 years	14.5	14.4
Last 3 years	18.1	18.2
Last 4 years	7.7	7.8
Last 5 years	-1.0	-1.1
Since Inception (7/95)	10.0	9.8

Calendar Year Returns

	Actual	Manager Benchmark*
2004	12.0%	11.9%
2003	30.9	31.2
2002	-21.4	-21.5
2001	-11.8	-11.7
2000	-9.8	-11.0

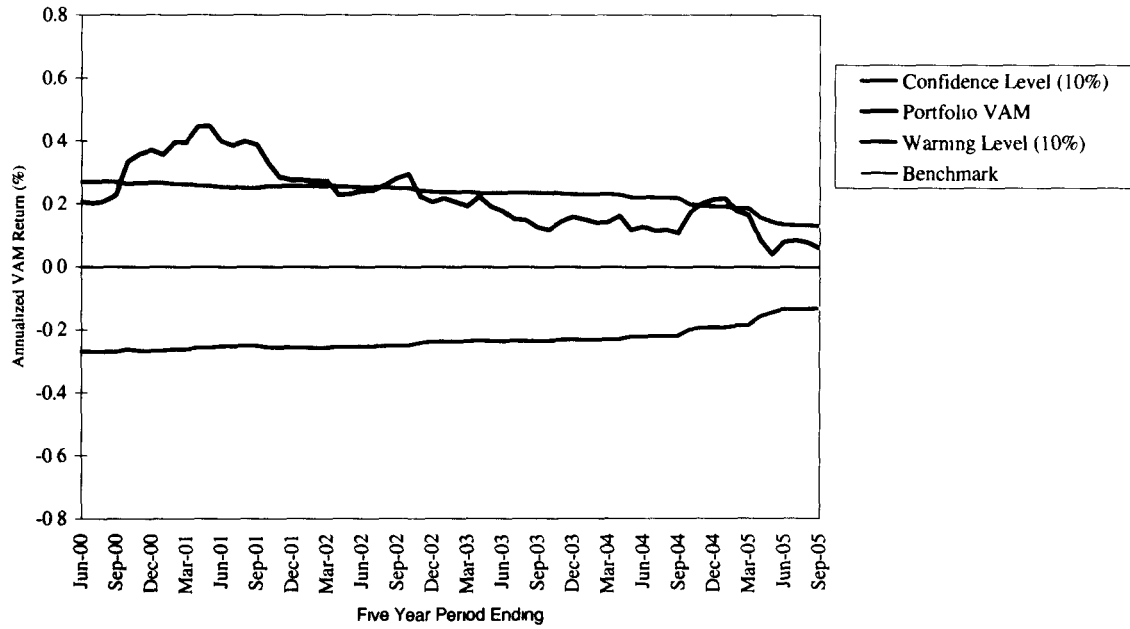
* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03
 From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments

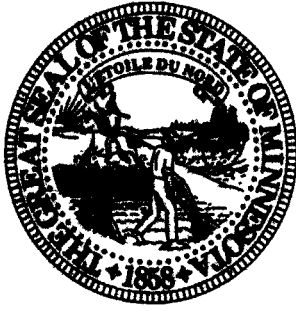
BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2005

Portfolio Manager: Amy Schioldager

Assets Under Management: \$7,270,864,027

BARCLAYS GLOBAL INVESTORS - PASSIVE
Rolling Five Year VAM vs. Domestic Equity Target
(Russell 3000 as of 10/1/2003)





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Third Quarter, 2005

**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending September, 2005**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Deutsche	-0.6	-0.7	3.3	2.8	4.5	4.0	7.3	6.6	7.6	7.1	\$881.2	9.1%
Dodge & Cox	0.0	-0.7	3.2	2.8	5.3	4.0	7.8	6.6	8.1	7.1	\$896.8	9.3%
Morgan Stanley	0.1	-0.7	4.2	2.8	5.0	4.0	7.1	6.6	9.5	9.2	\$845.8	8.8%
RiverSource	-0.4	-0.7	3.3	2.8	4.5	4.0	5.9	6.6	6.2	6.4	\$836.2	8.7%
Western	0.0	-0.7	3.9	2.8	7.1	4.0	8.5	6.6	10.5	9.2	\$1,375.0	14.2%
Semi-Passive Managers												
BlackRock	-0.6	-0.7	3.0	2.8	4.4	4.0	6.8	6.6	6.9	6.6	\$1,607.0	16.6%
Goldman	-0.6	-0.7	3.2	2.8	5.0	4.0	7.0	6.6	6.7	6.4	\$1,607.4	16.7%
Lehman	-0.7	-0.7	2.9	2.8	4.2	4.0	6.8	6.6	7.9	7.8	\$1,604.6	16.6%
											\$9,654.1	100.0%
Historical Aggregate (2)	-0.4	-0.7	3.3	2.8	5.0	4.0	7.1	6.6	Since 7/1/84			
Lehman Aggregate (3)		-0.7		2.8		4.0		6.6		9.2		

(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.

DEUTSCHE ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Warren Davis

Assets Under Management: \$881,202,641

Investment Philosophy

Deutsche believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's 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. Deutsche was retained by the SBI in February 2000.

Staff Comments

Deutsche Asset's outperformance for the quarter was primarily due to the overweight position and issue selection in the credit sector. The one-year return was helped by the sector overweights to credit, commercial mortgage-backed securities, asset-backed securities, and mortgage-backed securities.

On July 7th, Deutsche signed an agreement with Aberdeen Asset Management to sell Deutsche's UK-based institutional equity, fixed income, global equity, multi-asset and DWS Retail business, including the Philadelphia-based Active Fixed Income Business. The sale is expected to close during the fourth quarter of this year.

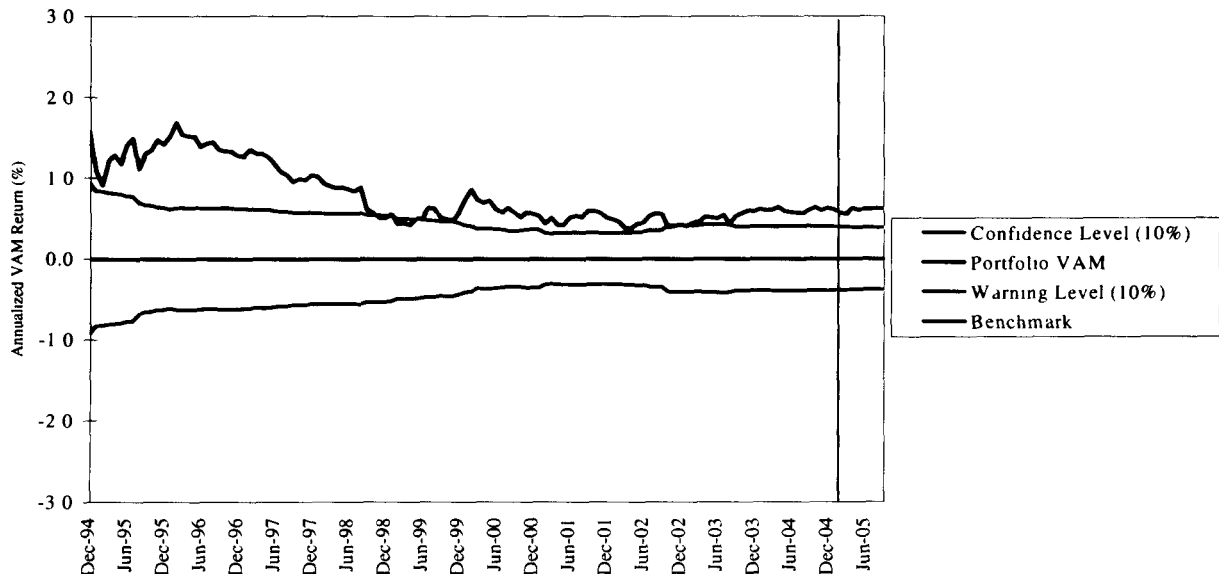
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.6%	-0.7%
Last 1 year	3.3	2.8
Last 2 years	3.9	3.2
Last 3 years	4.5	4.0
Last 4 years	5.6	5.1
Last 5 years	7.3	6.6
Since Inception (2/00)	7.6	7.1

Recommendations

No action required.

DEUTSCHE ASSET MANAGEMENT
Rolling Five Year VAM



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

DODGE & COX INVESTMENT MANAGERS
Periods Ending September, 2005

Portfolio Manager: Dana Emery

Assets Under Management: \$896,762,056

Investment Philosophy

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

Staff Comments

Dodge & Cox exceeded the quarterly and one-year benchmark. Both periods were helped by their positioning along the yield curve, mortgage security selection, and an overweight to the corporate sector. The quarterly performance was also helped by the portfolio's shorter than benchmark duration position.

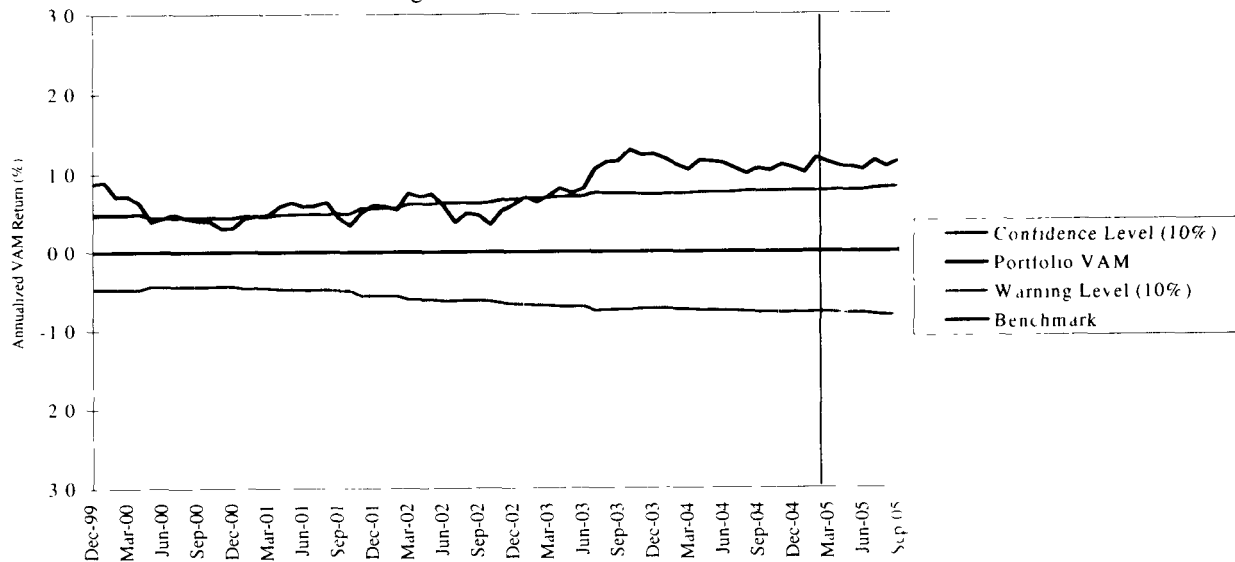
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.0%	-0.7%
Last 1 year	3.2	2.8
Last 2 years	3.7	3.2
Last 3 years	5.3	4.0
Last 4 years	6.4	5.1
Last 5 years	7.8	6.6
Since Inception (2/00)	8.1	7.1

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

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: David Horowitz

Assets Under Management: \$845,821,154

Investment Philosophy

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

Staff Comments

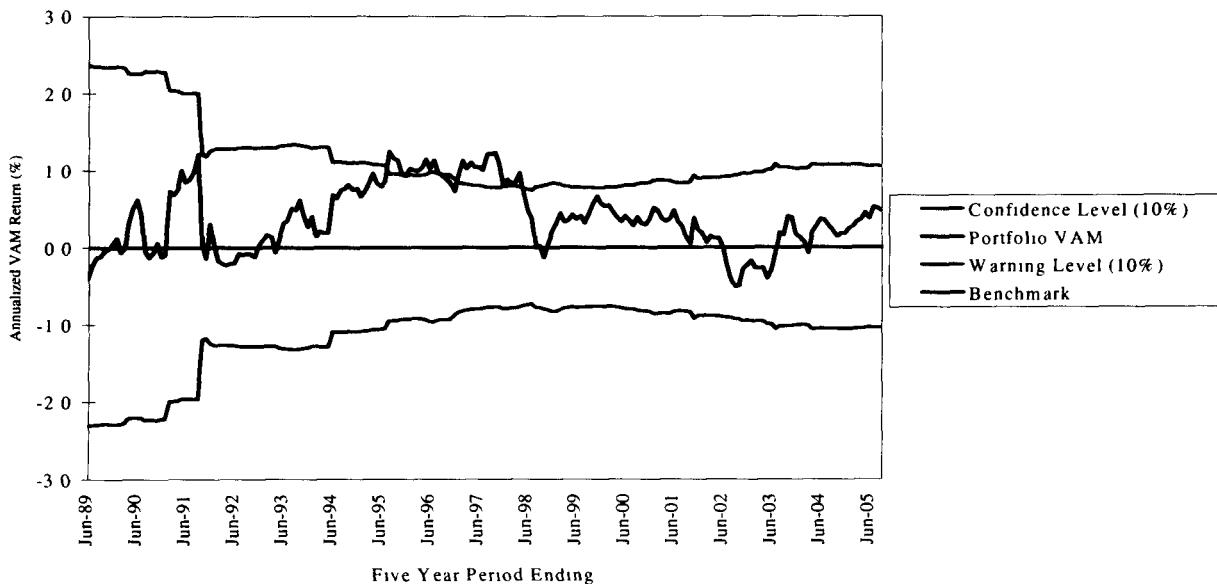
Morgan Stanley outperformed for the quarter and the year. The portfolio benefited from its below benchmark interest rate bet for both time periods as well as security selection in the corporate sector.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	0.1%	-0.7%	No action required.
Last 1 year	4.2	2.8	
Last 2 years	4.4	3.2	
Last 3 years	5.0	4.0	
Last 4 years	5.6	5.1	
Last 5 years	7.1	6.6	
Since Inception (7/84)	9.5	9.2	

Recommendations

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



RIVERSOURCE INVESTMENTS
Periods Ending September, 2005

Portfolio Manager: Colin Lundgren

Assets Under Management: \$836,235,791

Investment Philosophy

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

Staff Comments

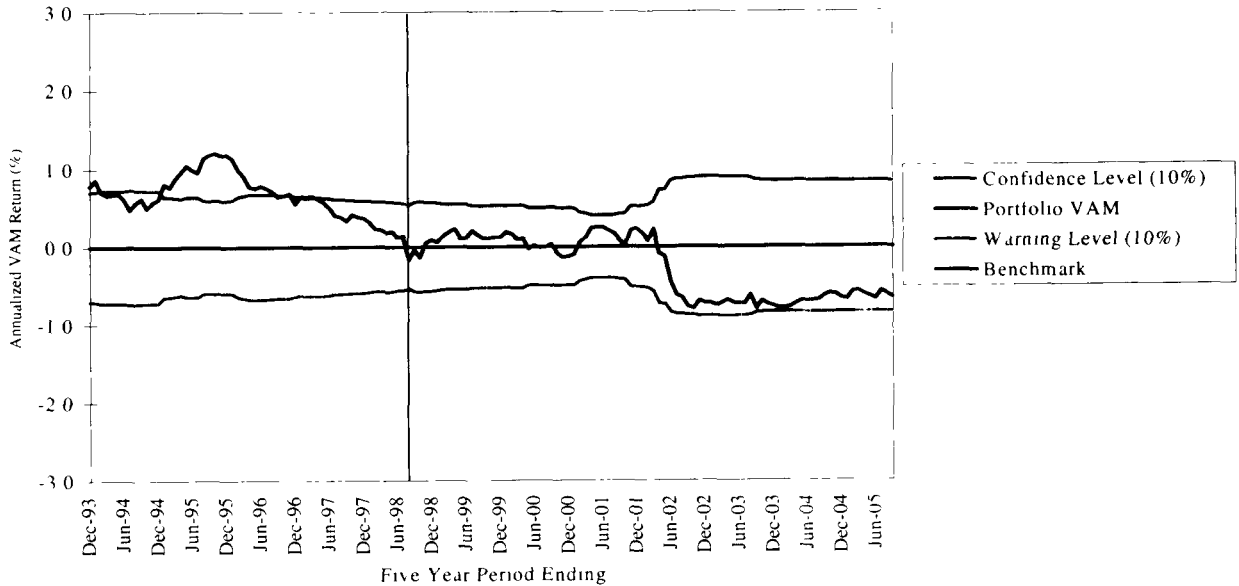
RiverSource outperformed the benchmark for the quarter and for the year. The quarterly performance was helped by its short duration position. The one-year outperformance was due to a short duration position, their allocation to high yield corporate bonds, security selection, especially in credit, and allocation to non-dollar bonds.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-0.4%	-0.7%	No action required
Last 1 year	3.3	2.8	
Last 2 years	3.8	3.2	
Last 3 years	4.5	4.0	
Last 4 years	4.5	5.1	
Last 5 years	5.9	6.6	
Since Inception (7/93)	6.2	6.4	

Recommendations

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 September, 2005

Portfolio Manager: Ken Leech

Assets Under Management: \$1,375,042,624

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 exceeded the quarterly and one-year benchmark due to their sector bets. A modest exposure to high-yield and non-dollar sectors helped performance over both periods. The quarterly outperformance was also helped by their underweight duration position.

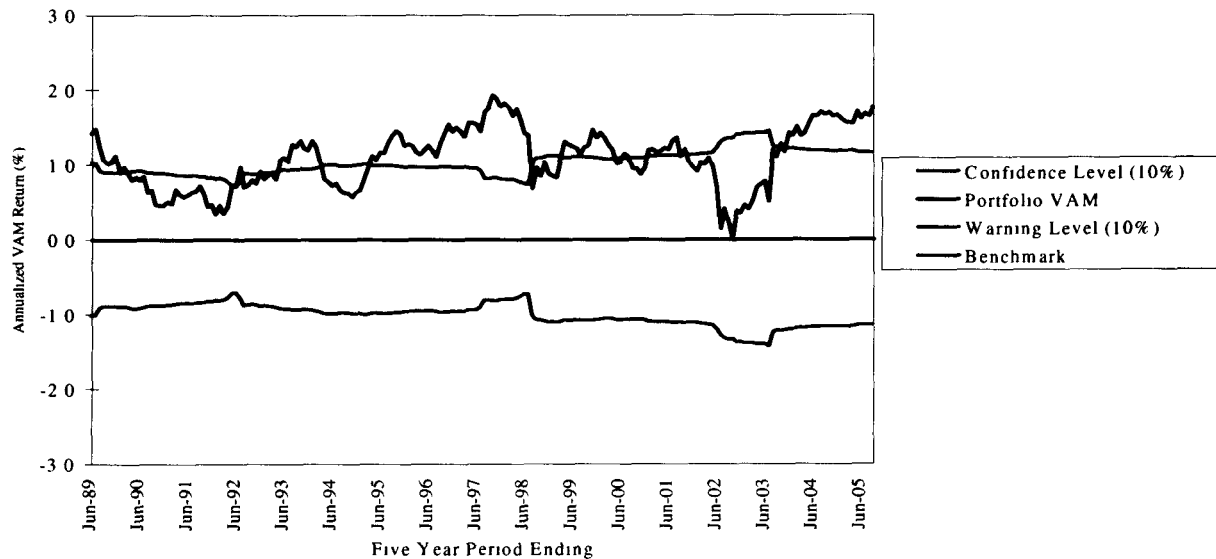
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.0%	-0.7%
Last 1 year	3.9	2.8
Last 2 years	5.5	3.2
Last 3 years	7.1	4.0
Last 4 years	7.0	5.1
Last 5 years	8.5	6.6
Since Inception (7/84)	10.5	9.2

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK, INC.
Periods Ending September, 2005

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,606,988,966

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 quarterly and one-year benchmark. The short duration position and an overweight to asset-backed securities helped performance for both periods.

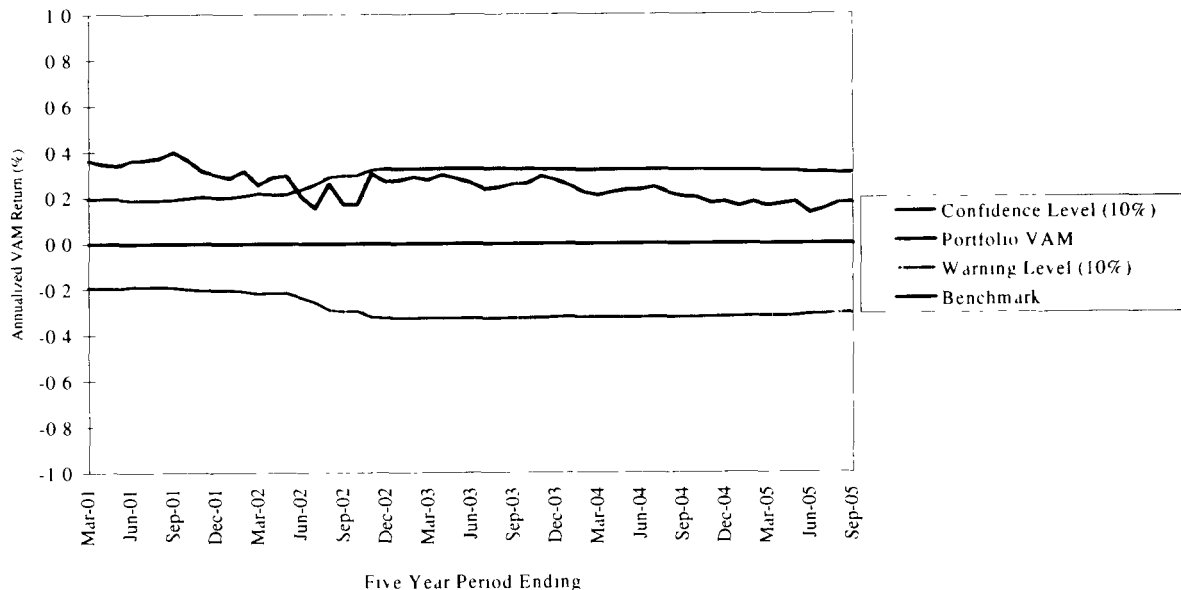
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.6%	-0.7%
Last 1 year	3.0	2.8
Last 2 years	3.5	3.2
Last 3 years	4.4	4.0
Last 4 years	5.2	5.1
Last 5 years	6.8	6.6
Since Inception (4/96)	6.9	6.6

Recommendation

No action required

BLACKROCK, INC.
Rolling Five Year VAM



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,607,435,558

Investment Philosophy

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

Staff Comments

For the quarter and the year, Goldman exceeded their benchmark. The quarterly performance was helped by a short duration bias and mortgage security selection. The one-year outperformance was helped by security selection in the mortgage sector.

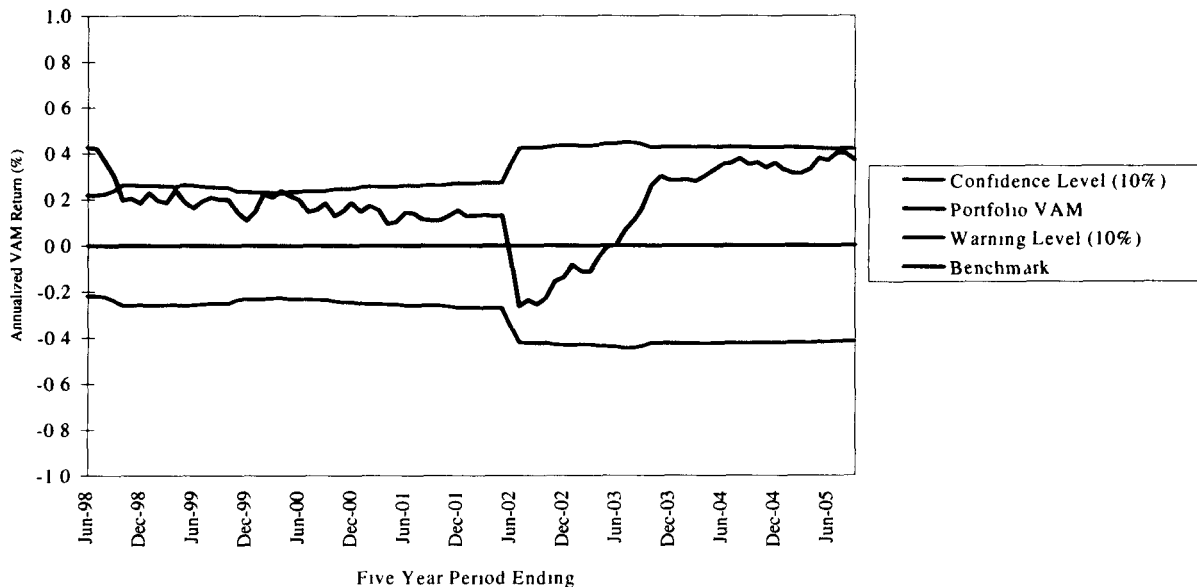
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.6%	-0.7%
Last 1 year	3.2	2.8
Last 2 years	3.9	3.2
Last 3 years	5.0	4.0
Last 4 years	5.6	5.1
Last 5 years	7.0	6.6
Since Inception (7/93)	6.7	6.4

Recommendations

No action required.

GOLDMAN SACHS ASSET MANAGEMENT
Rolling Five Year VAM



LEHMAN BROTHERS ASSET MANAGEMENT (Lincoln)
Periods Ending September, 2005

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,604,633,756

Investment Philosophy

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

Staff Comments

Lehman matched the benchmark for the quarter and outperformed for the year. The one-year return was helped by an overweight and security selection in the corporate sector.

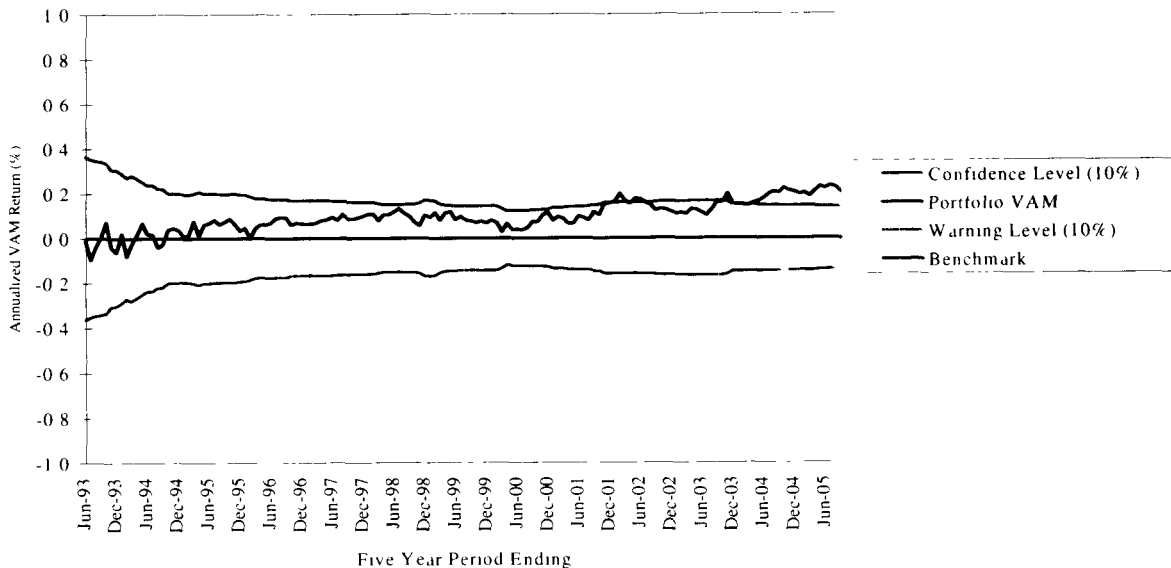
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.7%	-0.7%
Last 1 year	2.9	2.8
Last 2 years	3.4	3.2
Last 3 years	4.2	4.0
Last 4 years	5.3	5.1
Last 5 years	6.8	6.6
Since Inception (7/88)	7.9	7.8

Recommendations

No action required.

LEHMAN BROTHERS ASSET MANAGEMENT
Rolling Five Year VAM





STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Third Quarter, 2005

**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending September, 2005**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active Developed Markets (2)												
Acadian	17.1	10.9							17.1	10.9	\$296.2	4.4%
Fidelity	11.2	10.9							11.2	10.9	\$276.0	4.1%
Invesco	9.1	10.9	22.3	26.8	22.5	25.0	5.6	3.4	4.6	1.5	\$496.5	7.4%
J P Morgan	8.9	10.9							8.9	10.9	\$271.3	4.0%
Marathon (3)	10.5	10.9	29.6	26.8	28.8	27.2	10.1	6.3	9.6	6.7	\$743.5	11.1%
McKinley	13.9	10.9							13.9	10.9	\$284.7	4.2%
RiverSource	12.5	10.9	26.0	26.8	21.1	25.0	-1.2	3.4	-2.8	1.5	\$290.9	4.3%
UBS Global	7.7	10.9	20.6	26.8	22.5	25.0	5.2	3.4	8.6	7.4	\$512.0	7.6%
Active Emerging Markets												
Alliance Capital	17.9	18.0	47.0	46.6	38.9	39.1			16.0	16.1	\$292.4	4.4%
Capital International	16.9	18.0	44.6	46.6	37.2	39.1			11.6	16.1	\$239.7	3.6%
Morgan Stanley	18.7	18.0	47.6	46.6	38.8	39.1			16.1	16.1	\$294.4	4.4%
Semi-Passive Developed Markets (2)												
AQR	12.1	10.9							12.1	10.9	\$220.1	3.3%
Fidelity	11.9	10.9							11.9	10.9	\$223.0	3.3%
State Street	11.2	10.9							11.2	10.9	\$221.2	3.3%
Passive Developed Markets (2)												
State Street	10.9	10.9	26.9	26.8	25.2	25.0	3.5	3.4	7.9	7.7	\$2,046.4	30.5%
Since 10/1/92												
Equity Only (4) (6)	11.7	11.8	28.3	28.9	25.5	26.4	4.4	4.4	8.2	7.6	\$6,709.7	100.0%
Total Program (5) (6)	11.7	11.8	28.3	28.9	25.5	26.4	4.4	4.4	8.5	7.6	\$6,709.7	
SBI Int'l Equity Target (6)		11.8		28.9		26.4		4.4		7.6		
MSCI ACWI Free ex. U.S. (7)		11.8		28.9		26.7		4.4		8.1		
MSCI World ex U.S. (net)		10.9		26.8		25.3		3.4		7.9		
MSCI EAFE Free (net)		10.4		25.8		24.6		3.2		7.6		
MSCI Emerging Markets Free (8)		18.0		46.6		39.1		14.1		8.8		

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

(2) Since 10/1/03, the Active and Passive Developed Markets managers benchmark is MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net). Since inception of 7/1/05, the Semi-Passive Developed Markets managers benchmark is MSCI World ex U.S. (net).

(3) As of 10/1/03, Marathon's benchmark is MSCI World ex U.S. (net). Through 9/30/03 Marathon was measured against a custom composite benchmark: 55% Citigroup EMI EPAC and 45% Citigroup PMI EPAC.

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

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

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

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

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

ACADIAN ASSET MANAGEMENT, INC.
Periods Ending September, 2005

Portfolio Manager: John Chisholm

Assets Under Management: \$296,167,590

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

Acadian was funded July 1, 2005. The portfolio significantly outperformed during the quarter due to stock selection overall, particularly in the United Kingdom, Japan and Germany.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	17.1%	10.9%
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 (3/00)	17.1	10.9

Recommendations

No action required.

VAM Graphs will be drawn for period ending 9/30/07.

FIDELITY MANAGEMENT TRUST COMPANY
Periods Ending September, 2005

Portfolio Manager: Michael Strong

Assets Under Management: \$275,993,218

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

Fidelity's International Growth strategy was funded July 1, 2005. The portfolio outperformed during the quarter. Stock selection in the European and Asia-ex Japan regions was beneficial to returns, while stock selection in Japan detracted slightly.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.2%	10.9%
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 (3/00)	11.2	10.9

Recommendations

No action required

VAM Graphs will be drawn for period ending 9/30/07.

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Erik Granade

Assets Under Management: \$496,452,219

Investment Philosophy

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

Staff Comments

Stock selection in Japan and the United Kingdom were the primary contributors to the portfolio's underperformance during both the quarter and the year.

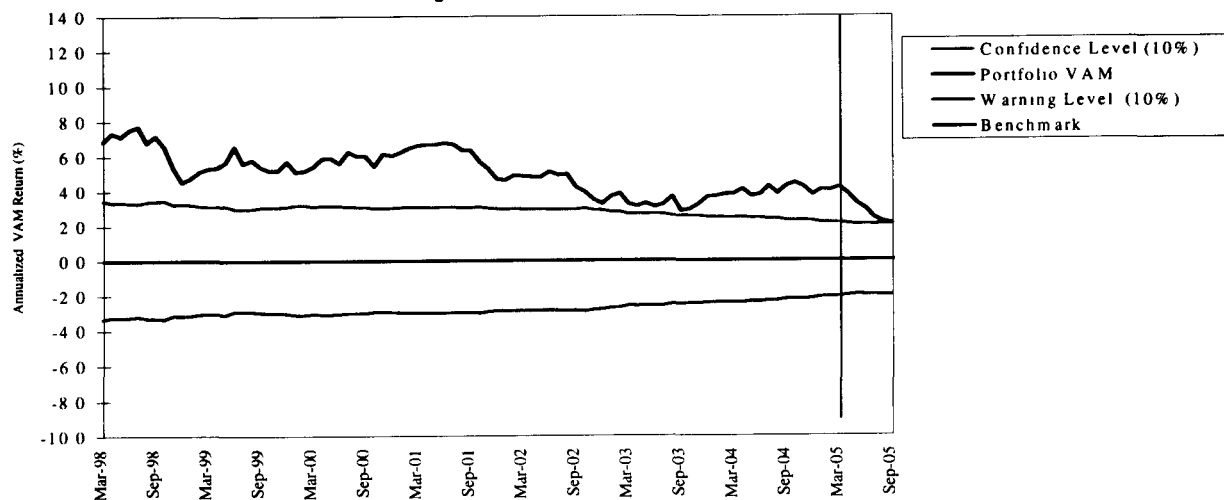
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	9.1%	10.9%
Last 1 year	22.3	26.8
Last 2 years	23.2	24.5
Last 3 years	22.5	25.0
Last 4 years	13.3	13.4
Last 5 years	5.6	3.4
Since Inception (3/00)	4.6	1.5

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 September, 2005

Portfolio Manager: James Fisher

Assets Under Management: \$271,266,257

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

J P Morgan was funded July 1, 2005. During the quarter, stock selection in Europe and the United Kingdom detracted from performance. At a sector level, decisions in materials, consumer discretionary and financials did not add value.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	8.9%	10.9%
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 (3/00)	8.9	10.9

Recommendations

No action required

VAM Graphs will be drawn for period ending 9/30/07.

MARATHON ASSET MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: William Arah

Assets Under Management: \$743,473,326

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 underperformed slightly during the quarter primarily due to stock selection in Hong Kong financials, United Kingdom industrials and cash holdings.

For the year, positive stock selection accounted for the majority of the portfolio's outperformance. Stock selection in the United Kingdom, Australia, and Singapore was particularly strong.

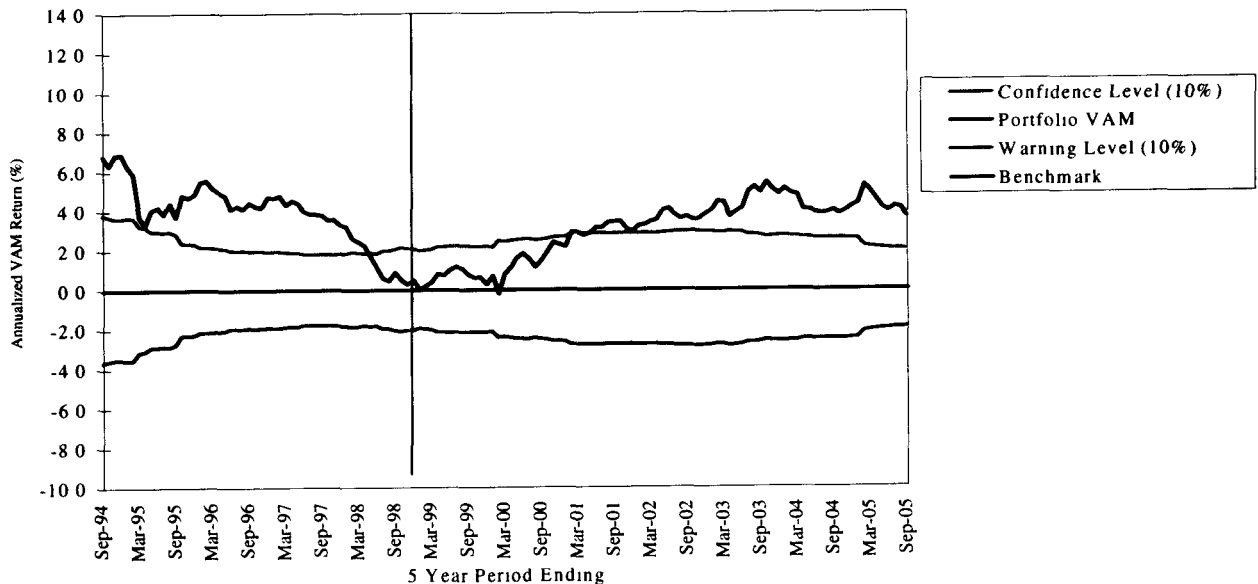
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	10.5%	10.9%
Last 1 year	29.6	26.8
Last 2 years	26.9	24.5
Last 3 years	28.8	27.2
Last 4 years	19.0	16.9
Last 5 years	10.1	6.3
Since Inception (11/93)	9.6	6.7

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 September, 2005

Portfolio Manager: Robert Gillam, Jr.

Assets Under Management: \$284,695,469

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

McKinley was funded July 1, 2005. During the quarter, stock selection in Japan and the United Kingdom added the most value. At a sector level, decisions in financials, industrials and utilities benefited performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.9%	10.9%
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 (3/00)	13.9	10.9

Recommendations

No action required

VAM Graphs will be drawn for period ending 9/30/07.

RIVERSOURCE INVESTMENTS
Periods Ending September, 2005

Portfolio Manager: Alex Lyle and Ed Gaunt

Assets Under Management: \$290,878,544

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

The portfolio outperformed during the quarter. Stock selection in Japanese financials and Finnish energy stocks added value during the period, as did decisions in the financials and energy sectors.

During the year, cash holdings and stock selection in the United Kingdom and Belgium detracted from returns.

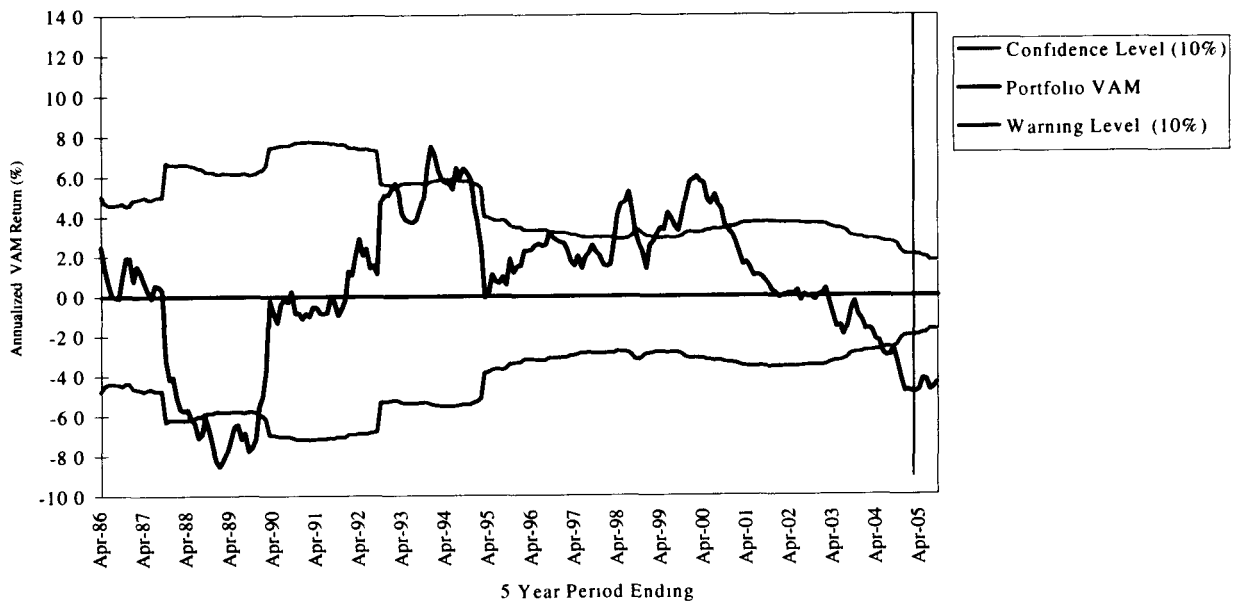
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	12.5%	10.9%
Last 1 year	26.0	26.8
Last 2 years	21.7	24.5
Last 3 years	21.1	25.0
Last 4 years	10.8	13.4
Last 5 years	-1.2	3.4
Since Inception (3/00)	-2.8	1.5

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

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

Portfolio Manager: Thomas Madsen

Assets Under Management: \$511,982,873

Investment Philosophy

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

Staff Comments

During the quarter and the year, stock selection in Japan, Canada and the United Kingdom detracted significantly from returns

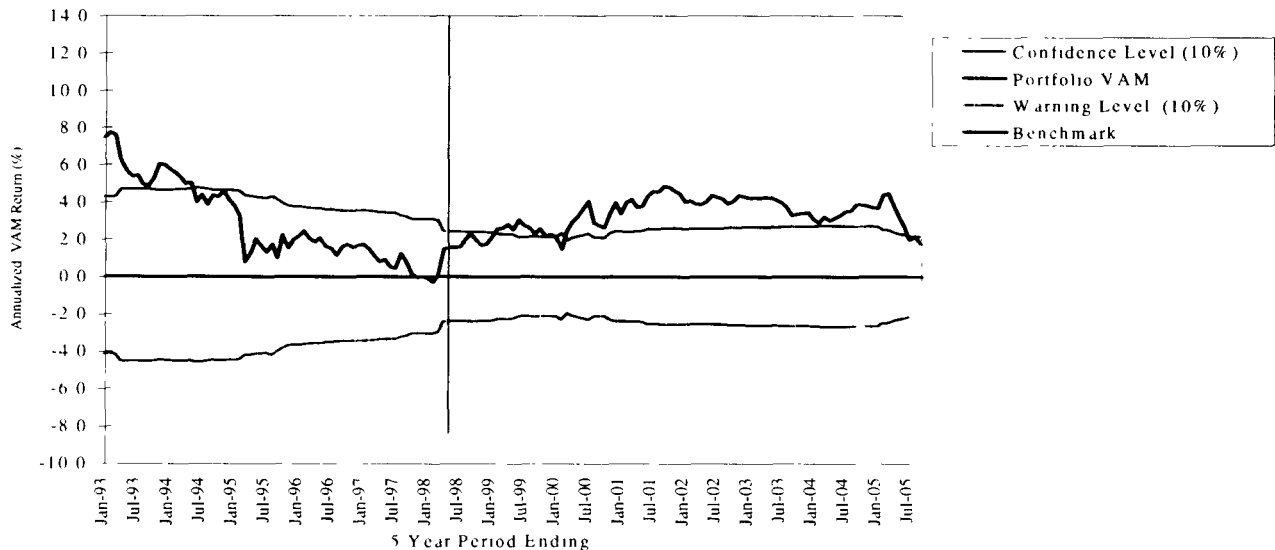
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.7%	10.9%
Last 1 year	20.6	26.8
Last 2 years	21.9	24.5
Last 3 years	22.5	25.0
Last 4 years	11.6	13.4
Last 5 years	5.2	3.4
Since Inception (4/93)	8.6	7.4

Recommendations

No action required

UBS GLOBAL ASSET MANAGEMENT, INC. (INT'L)
Rolling Five Year VAM



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

ALLIANCE CAPITAL MANAGEMENT INTERNATIONAL
Periods Ending September, 2005

Portfolio Manager: Edward Baker

Assets Under Management: \$292,352,142

Investment Philosophy

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

Staff Comments

The portfolio underperformed slightly during the quarter. Stock selection in the Asian and emerging Europe and Africa regions as well as in the information technology sector detracted from returns.

Over the year, the portfolio modestly outperformed. Stock selection overall was positive, particularly in Taiwan, Brazil and India.

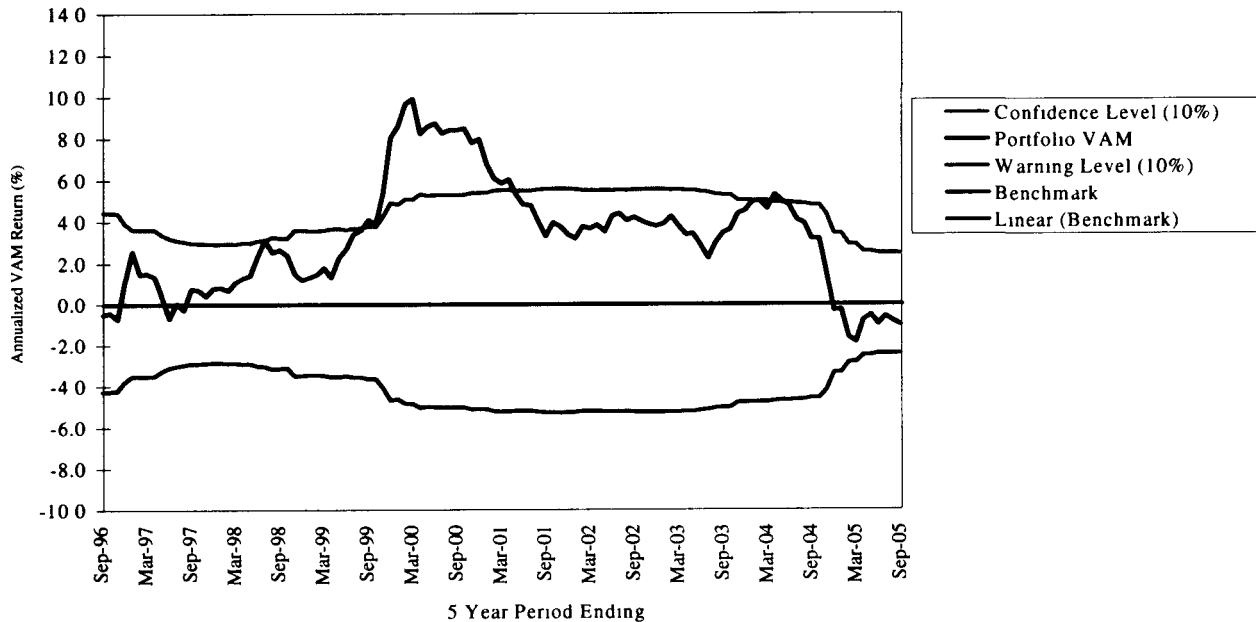
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	17.9	18.0
Last 1 year	47.0	46.6
Last 2 years	36.6	36.0
Last 3 years	38.9	39.1
Last 4 years	33.4	31.3
Last 5 years	N/A	N/A
Since Inception (3/01)	16.0	16.1

Recommendations

No action required.

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM



Note. Shaded area includes performance prior to managing SBI account

CAPITAL INTERNATIONAL, INC.
Periods Ending September, 2005

Portfolio Manager: Victor Kohn

Assets Under Management: \$239,719,579

Investment Philosophy

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

Staff Comments

The portfolio underperformed for the quarter and the year. The underweight position to both the energy and materials sectors and to the Russian market were the most significant detractors over both time periods.

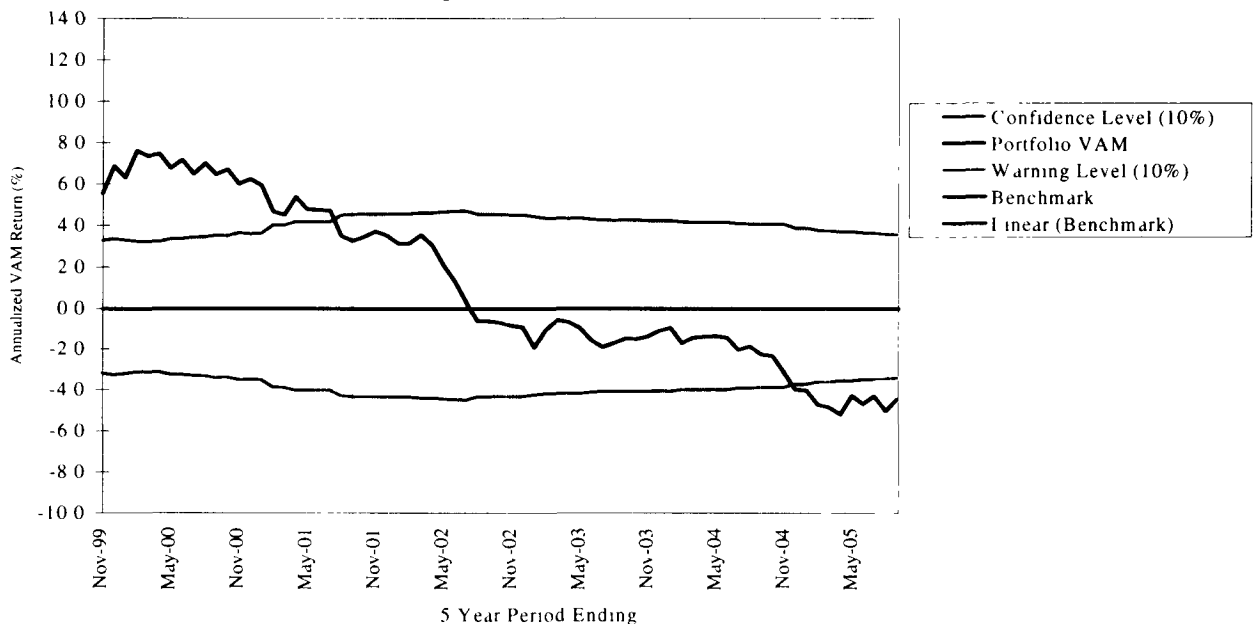
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	16.9	18.0
Last 1 year	44.6	46.6
Last 2 years	32.2	36.0
Last 3 years	37.2	39.1
Last 4 years	28.5	31.3
Last 5 years	N/A	N/A
Since Inception (3/01)	11.6	16.1

Recommendations

Staff is closely monitoring the firm due to performance concerns.

CAPITAL INTERNATIONAL, INC
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Narayan Ramachandran

Assets Under Management: \$294,429,885

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 the year. Over both time periods, stock selection and an underweight position in Taiwan, along with overweight positions in Brazil, Russia and Mexico added value.

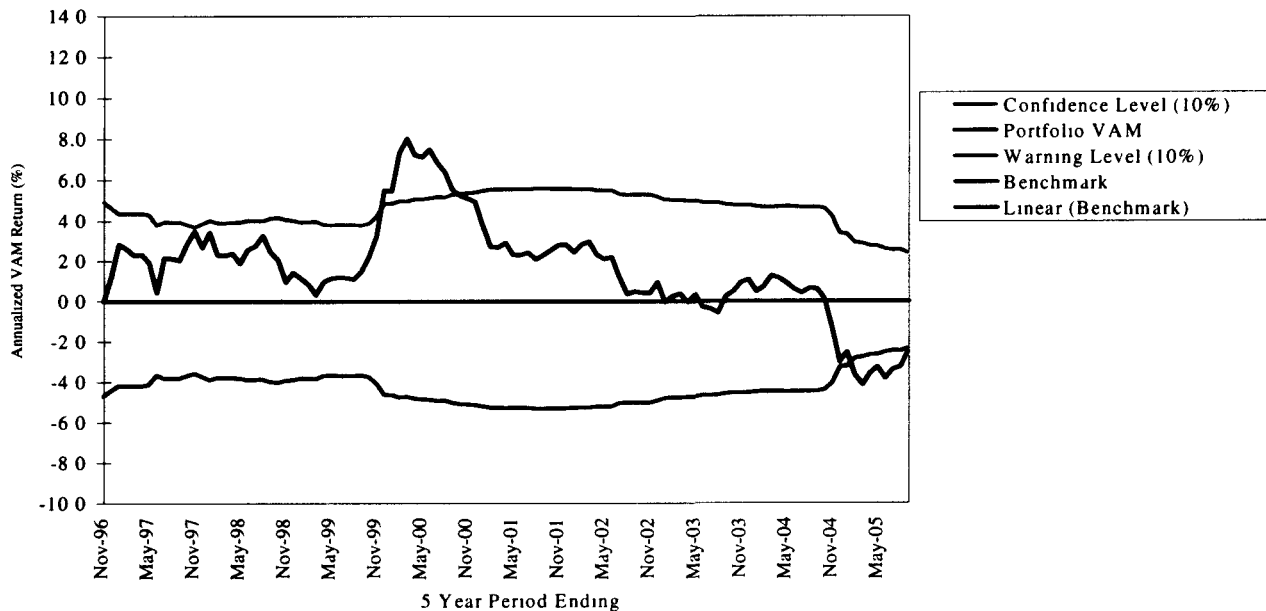
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	18.7%	18.0%
Last 1 year	47.6	46.6
Last 2 years	36.2	36.0
Last 3 years	38.8	39.1
Last 4 years	32.1	31.3
Last 5 years	N/A	N/A
Since Inception (3/01)	16.1	16.1

Recommendations

No action required.

MORGAN STANLEY INVESTMENT MANAGEMENT
Rolling Five Year VAM



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

AQR CAPITAL MANAGEMENT, LLC
Periods Ending September, 2005

Portfolio Manager: Cliff Asness

Assets Under Management: \$220,062,043

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

AQR was funded July 1, 2005. The portfolio's performance for the quarter benefited from strong stock selection overall, particularly in Japan and in the industrials and materials sectors.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	12.1%	10.9%
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 (3/00)	12.1	10.9

Recommendations

No action required

VAM Graphs will be drawn for period ending 9/30/07.

FIDELITY MANAGEMENT TRUST COMPANY
Periods Ending September, 2005

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$223,006,183

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

Fidelity's Select International strategy was funded on July 1, 2005. Stock selection overall and modest sector weighting decisions resulting from bottom-up stock selection added the most value during the quarter. Stock selection in the United Kingdom, Australia and Japan as well as in the energy, industrials and materials sectors was particularly strong.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.9%	10.9%
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 (3/00)	11.9	10.9

Recommendations

No action required.

VAM Graphs will be drawn for period ending 9/30/07.

STATE STREET GLOBAL ADVISORS
Periods Ending September, 2005

Portfolio Manager: Paul Moghtader

Assets Under Management: \$221,223,328

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

SSgA's Alpha strategy was funded on July 1, 2005. During the quarter, stock selection overall contributed to the portfolio's modest outperformance. Decisions in the energy, materials and industrials sector added value.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	11.2%	10.9%
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 (3/00)	11.2	10.9

Recommendations

No action required

VAM Graphs will be drawn for period ending 9/30/07.

STATE STREET GLOBAL ADVISORS
Periods Ending September, 2005

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,046,351,116

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 performance matched the benchmark for the quarter. Over all longer time periods, the portfolio's positive tracking error is within expectation.

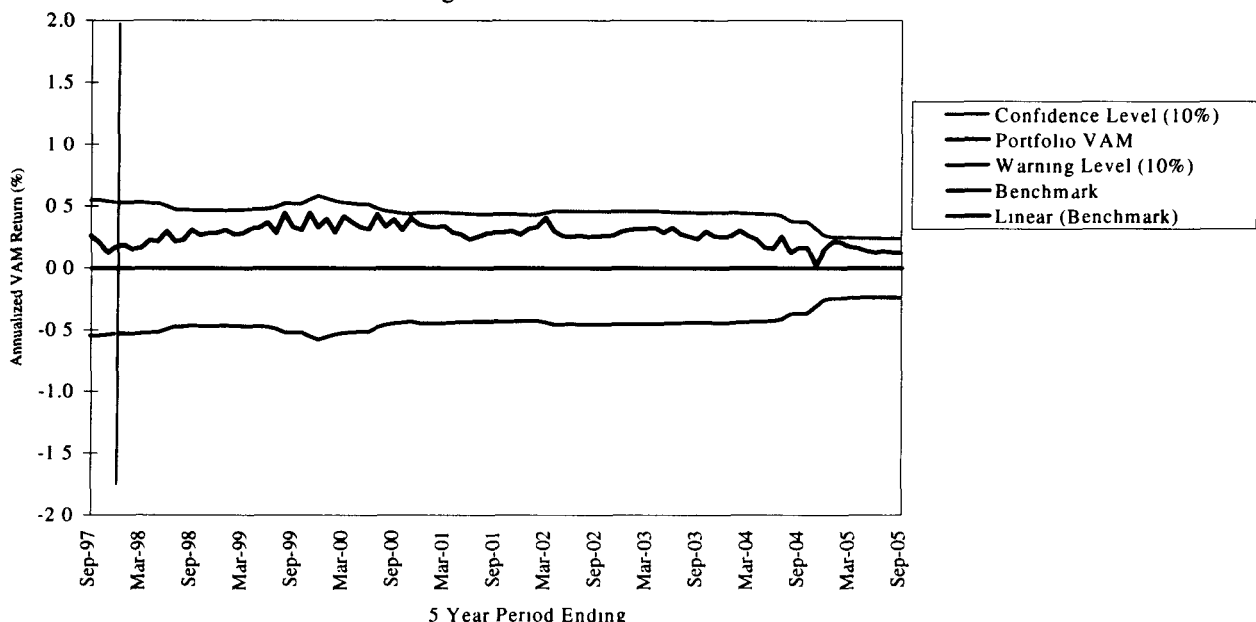
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.9%	10.9%
Last 1 year	26.9	26.8
Last 2 years	24.7	24.5
Last 3 years	25.2	25.0
Last 4 years	13.6	13.4
Last 5 years	3.5	3.4
Since Inception (10/92)	7.9	7.7

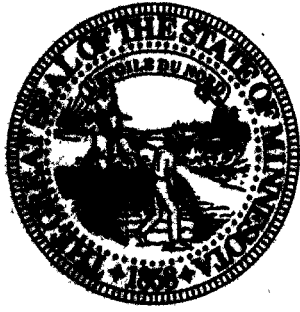
Recommendation

No action required.

STATE STREET GLOBAL ADVISORS
Rolling Five Year VAM



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



STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Third Quarter, 2005

NON - RETIREMENT MANAGERS
Periods Ending September, 2005

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	
	%	%	%	%	%	%	%	%	%	%	
GE Asset Management (S&P 500 Index)*	2.1	3.6	9.7	12.3	13.4	16.7	-0.5	-1.5	12.0	11.5	\$68.3
Voyageur Asset Management (Custom Benchmark)*	-0.1	-0.4	2.6	2.0	3.0	2.7	5.2	5.6	6.6	6.6	\$239.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)*	1.1	1.1	4.2	4.1	4.4	3.2	5.1	3.6	5.9	5.0	\$182.6
Internal Stock Pool (S&P 500 Index)*	3.6	3.6	12.2	12.3	16.8	16.7	-1.4	-1.5	10.6	10.5	\$683.3
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	-0.3	-0.7	3.4	2.8	5.1	4.0	6.9	6.6	8.1	7.7	\$176.7
Internal Bond Pool - Trust (Lehman Aggregate)*	-0.3	-0.7	3.4	2.8	5.1	4.0	7.0	6.6	7.5	7.1	\$434.1

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

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

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

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending September, 2005

Portfolio Manager: Dave Carlson

Assets Under Management: \$68,349,501

Investment Philosophy
Assigned Risk Plan

GE's Multi-Style Equity program attempts to outperform the S&P 500 consistently while controlling overall portfolio risk through a multiple manager approach. Three portfolio managers with value or growth orientations are supported by a team of analysts. The three portfolios are combined to create a well diversified equity portfolio while maintaining low relative volatility and a style-neutral position between growth and value. All GE managers focus on stock selection from a bottom-up perspective.

Staff Comments

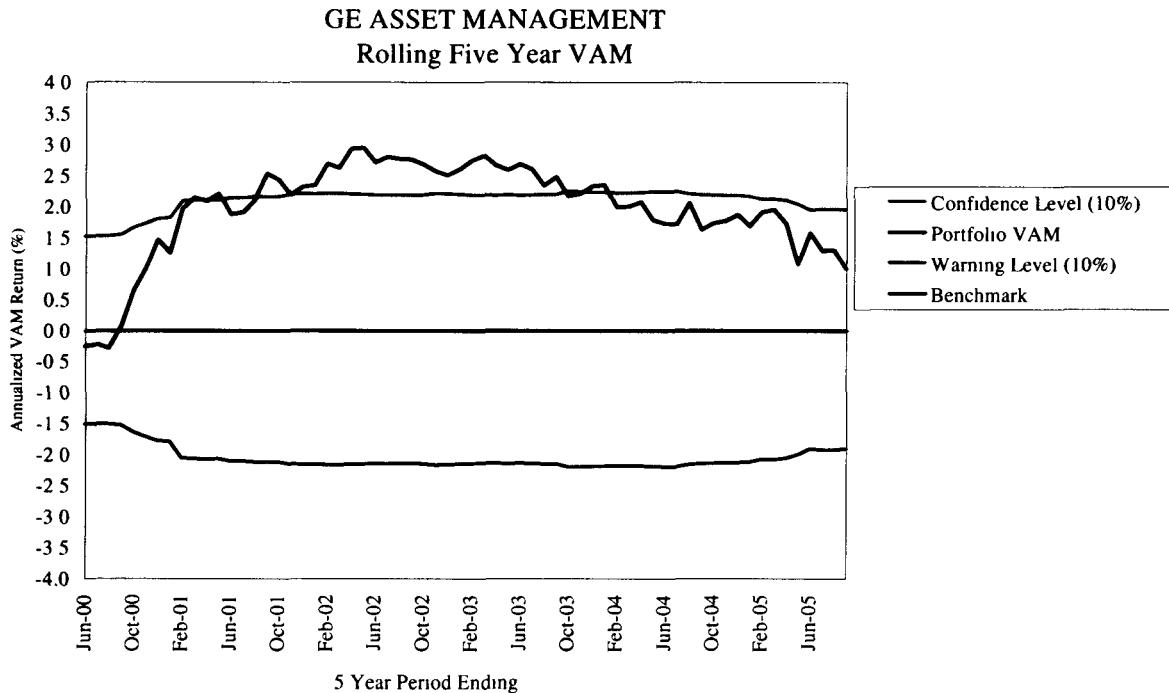
GE trailed the benchmark for the quarter and the year. Security selection in the Information Technology and Financials sectors, along with an overweight in pharmaceutical companies, detracted from the quarterly performance. The one-year underperformance was impacted by stock selection in the information technology, financials, and consumer staples sectors.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.1%	3.6%
Last 1 year	9.7	12.3
Last 2 years	10.0	13.1
Last 3 years	13.4	16.7
Last 4 years	4.4	6.0
Last 5 years	-0.5	-1.5
Since Inception (1/95)	12.0	11.5

Recommendation

No recommendation at this time.



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending September, 2005

Portfolio Manager: Tom McGlinch

Assets Under Management: \$239,453,753

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

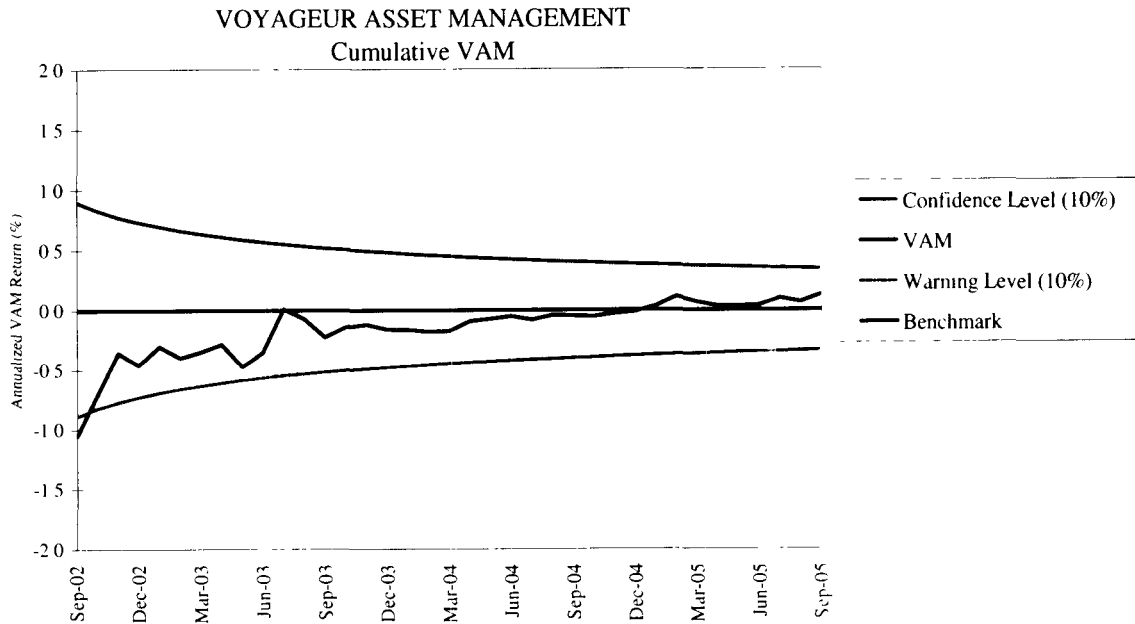
Voyageur outperformed the benchmark for the quarter and for the year. The quarterly performance was driven by maintaining neutral duration and helped by security selection. The one-year return was helped by the portfolio's strategy to increase the exposure to high-quality, high yielding investments.

Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	-0.1%	-0.4%	No action required
Last 1 year	2.6	2.0	
Last 2 years	2.7	2.3	
Last 3 years	3.0	2.7	
Last 4 years	3.9	4.0	
Last 5 years	5.2	5.6	
Since Inception (7/91)	6.6	6.6	

Recommendation

*Custom benchmark since inception date.



GALLIARD CAPITAL MANAGEMENT
Periods Ending September, 2005

Portfolio Manager: Karl Tourville

Assets Under Management: \$182,585,879

Investment Philosophy

Staff Comments

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.

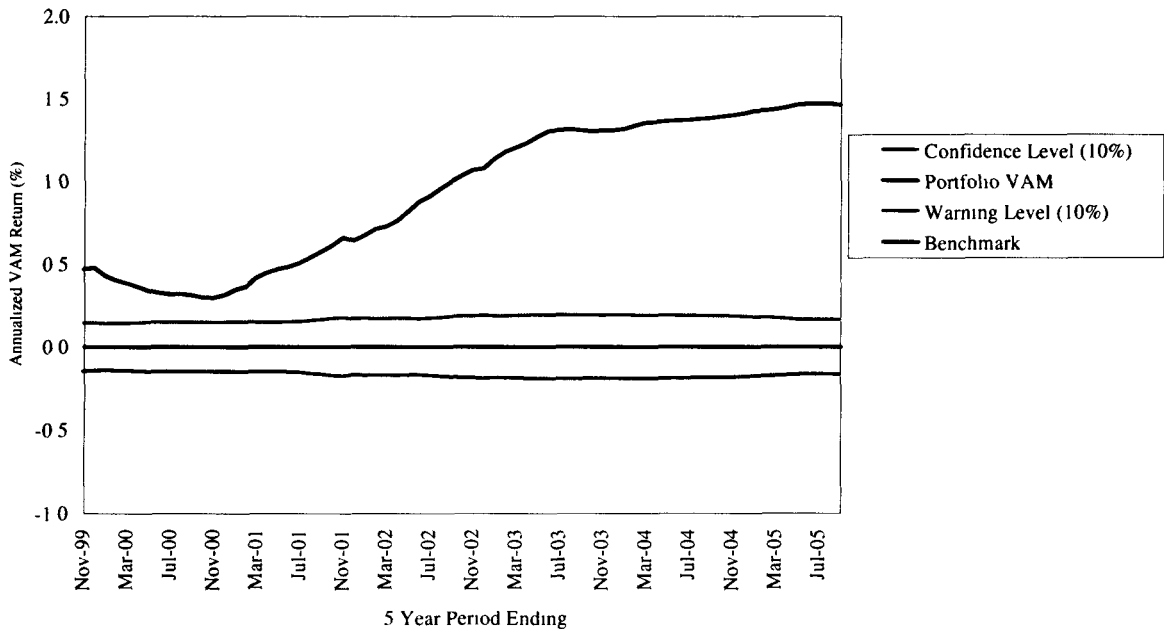
Galliard matched its quarterly benchmark.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	1.1%	1.1%	No action required.
Last 1 year	4.2	4.1	
Last 2 years	4.2	3.6	
Last 3 years	4.4	3.2	
Last 4 years	4.8	3.3	
Last 5 years	5.1	3.6	
Since Inception (11/94)	5.9	5.0	

GALLIARD CAPITAL MANAGEMENT
Rolling Five Year VAM



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending September, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$683,261,437

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

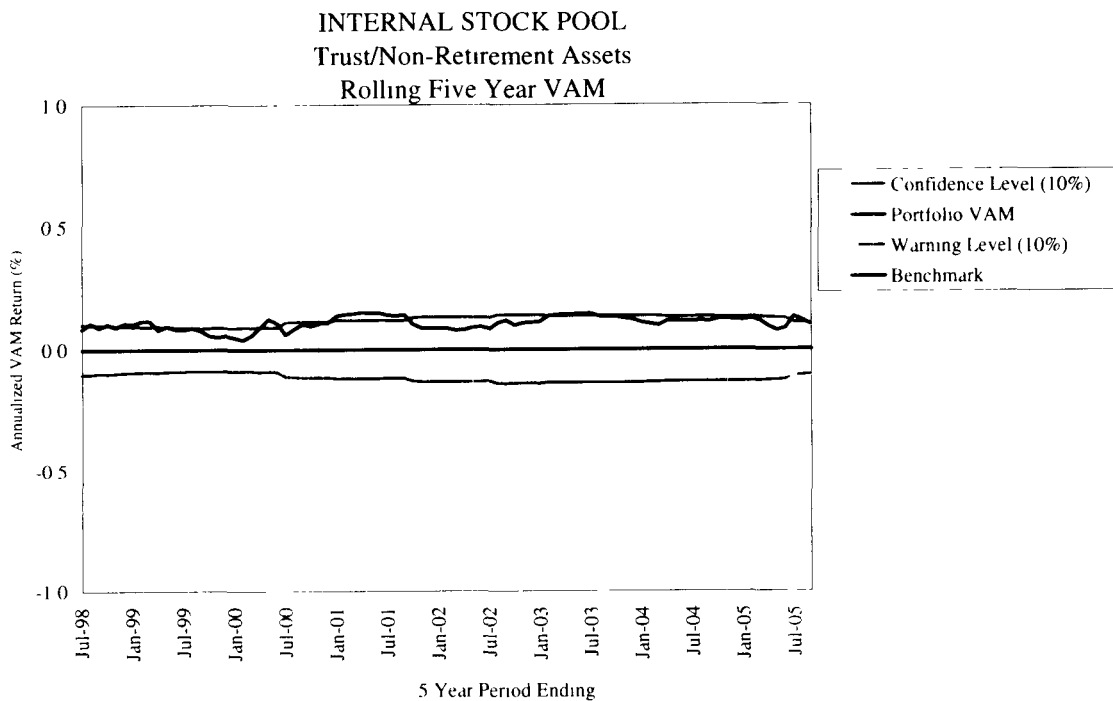
The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per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

The portfolio matched the quarterly benchmark and slightly trailed for the year.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	3.6%	3.6%	No action required
Last 1 year	12.2	12.3	
Last 2 years	13.1	13.1	
Last 3 years	16.8	16.7	
Last 4 years	6.1	6.0	
Last 5 years	-1.4	-1.5	
Since Inception (7/93)	10.6	10.5	



INTERNAL BOND POOL - Income Share Account
Periods Ending September, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$176,704,067

Investment Philosophy
Income Share Account

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

Staff Comments

The internal bond pools outperformed the quarterly and one-year benchmark. The quarterly return was helped by a short duration position. Performance for the year was helped by an overweight to corporates, especially in the BBB portion, and a slight overweight to mortgages, and the short duration position.

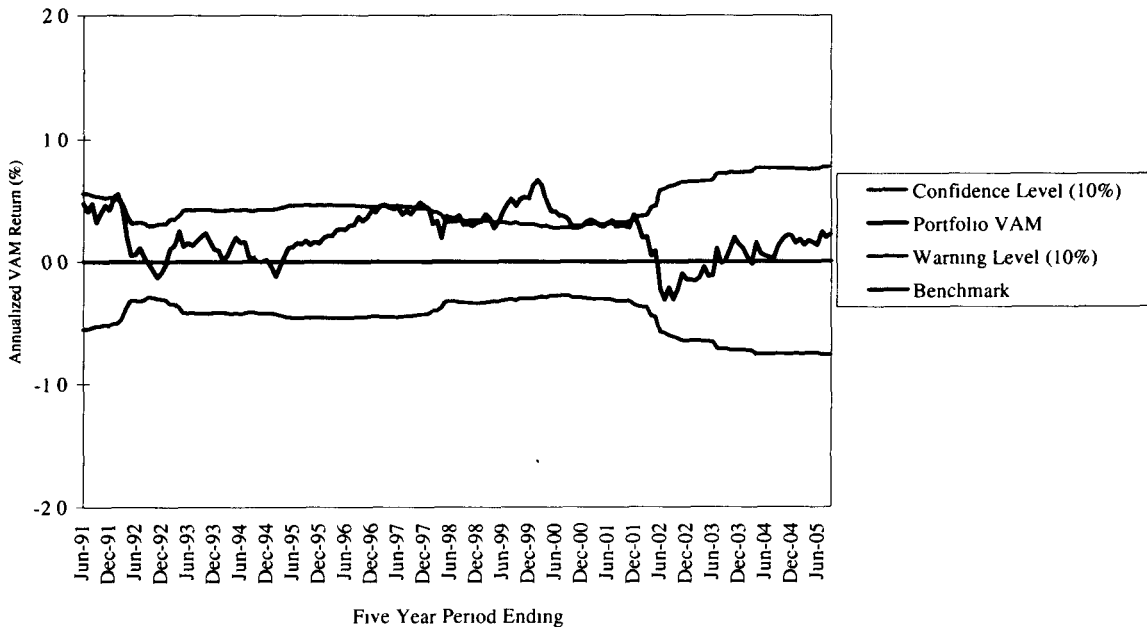
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	-0.7%
Last 1 year	3.4	2.8
Last 2 years	3.9	3.2
Last 3 years	5.1	4.0
Last 4 years	5.3	5.1
Last 5 years	6.9	6.6
Since Inception (7/86)	8.1	7.7

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending September, 2005

Portfolio Manager: Mike Messen

Assets Under Management: \$434,074,361

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

Staff Comments

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

The internal bond pools outperformed the quarterly and one-year benchmark. The quarterly return was helped by a short duration position. Performance for the year was helped by an overweight to corporates, especially in the BBB portion, and a slight overweight to mortgages, and the short duration position.

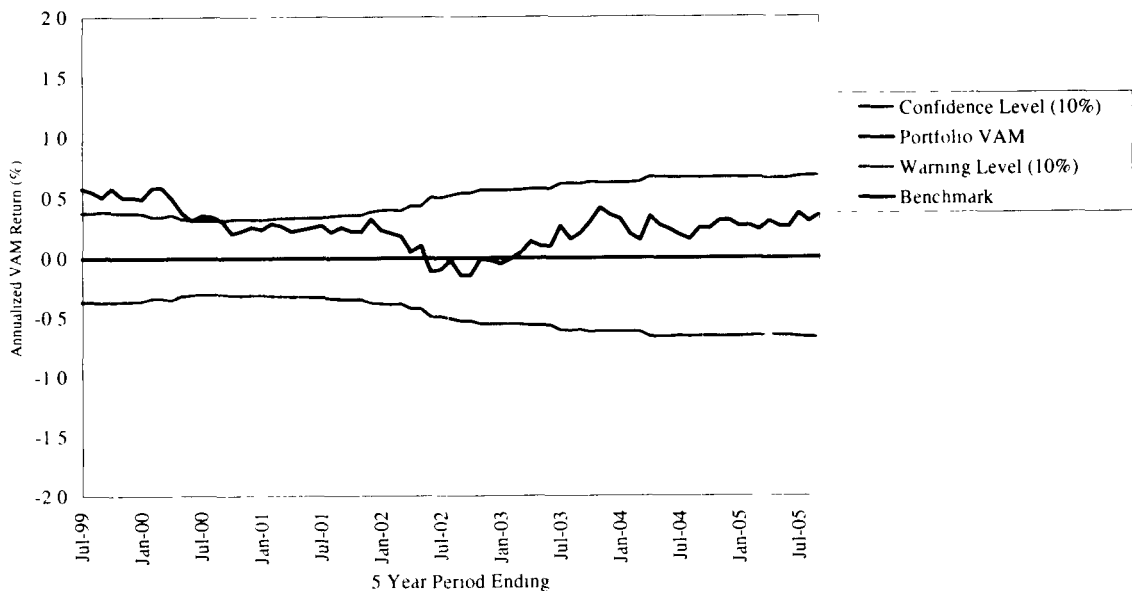
Quantitative Evaluation

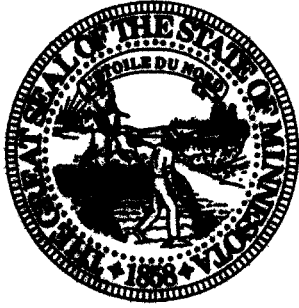
Recommendation

	Actual	Benchmark	
Last Quarter	-0.3%	-0.7%	No action required
Last 1 year	3.4	2.8	
Last 2 years	4.0	3.2	
Last 3 years	5.1	4.0	
Last 4 years	5.5	5.1	
Last 5 years	7.0	6.6	
Since Inception (7/94)*	7.5	7.1	

* Date started managing the pool against the Lehman Aggregate.

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





STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

Third Quarter, 2005

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending September, 2005

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by SBI *		State's Participation
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	In Fund (\$ millions)
Large Cap Equity:											
Janus Twenty (S&P 500)	9.3	3.6	23.0	12.3	20.4	16.7	-7.5	-1.5	-2.4	-0.2	\$326.0
Smith Barney Appr Y (S&P 500)	3.8	3.6	10.7	12.3	14.3	16.7	2.7	-1.5	9.4	10.4	\$113.6
Vanguard Institutional Index Plus (S&P 500)	3.6	3.6	12.3	12.3	16.8	16.7	-1.4	-1.5	-0.2	-0.2	\$412.4
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	6.4	6.4	27.1	26.9	23.8	23.6	8.0	7.8	17.9	17.8	\$79.7
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	6.1	4.7	18.2	18.0	20.9	24.1	8.7	6.5	11.3	7.6	\$366.8
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	3.4	1.9	12.9	8.5	16.1	11.7	11.5	2.0	14.0	9.1	\$210.8
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	2.2	2.2	9.9	9.9	12.5	12.6			8.6	8.6	\$167.3
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)	-0.2	-0.7	2.6	2.8	4.6	4.0	7.3	6.6	6.9	6.5	\$80.5
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	-0.7	-0.7	2.8	2.8	3.9	4.0	6.2	6.6	3.9	3.9	\$47.9
International:											
Fidelity Diversified International (MSCI EAFE-Free)	10.8	10.4	27.0	25.8	26.3	24.6	7.9	3.2	10.6	3.8	\$180.7
Vanguard Inst. Dev. Mkts Index (MSCI EAFE)	10.9	10.4	26.0	25.8	24.9	24.6	3.2	3.2	21.1	20.8	\$33.9

Numbers in black are returns since retention by SBI.

Numbers in blue include returns prior to retention by SBI

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

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

Fixed Fund:	%	***The Blended Yield Rate for the current quarter includes the return
Blended Yield Rate for current quarter****	4.6	on the existing portfolio assets and the Liquidity Buffer Account
Bid Rates for current quarter.		(money market) The Bid Rates for the current quarter determine
Great West Life	3.9	the allocation of new cash flow
Minnesota Life	4.0	
Principal Life	4.1	

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending September, 2005**

Portfolio Manager: Scott W. Schoelzel

**State's Participation in Fund: \$325,989,481
Total Assets in Fund: \$9,817,078,760**

**Investment Philosophy
Janus Twenty**

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

Staff Comments

Janus outperformed for the quarter and outperformed the one-year benchmark. The quarterly performance was helped by stock selection, specifically ConocoPhillips and eBay.

Quantitative Evaluation

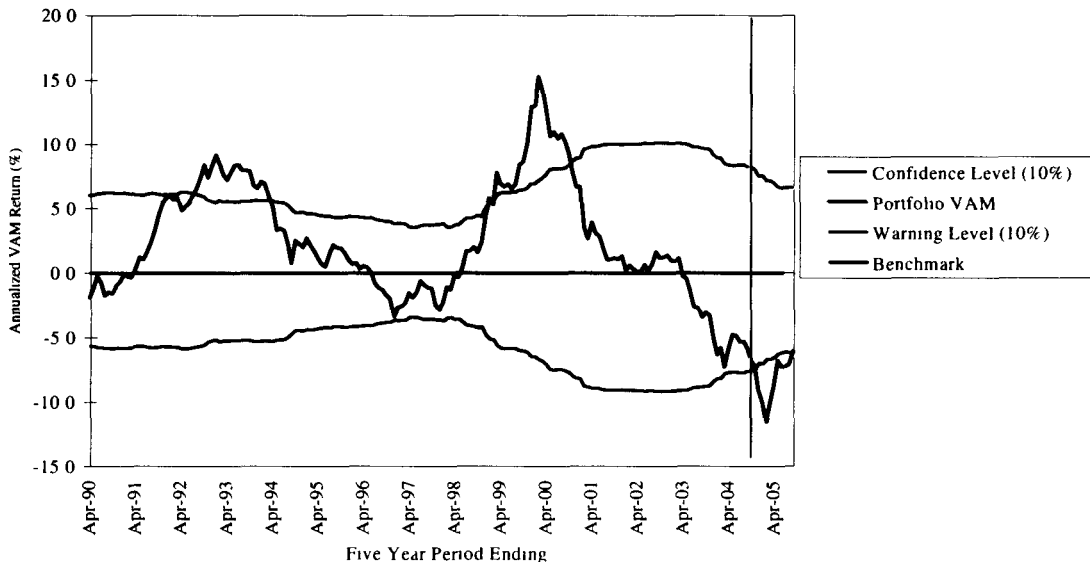
	Actual	Benchmark*
Last Quarter	9.3%	3.6%
Last 1 year	23.0	12.3
Last 2 years	22.0	13.1
Last 3 years	20.4	16.7
Last 4 years	8.9	6.0
Last 5 years	-7.5	-1.5
Since Retention by SBI (7/99)	-2.4	-0.2

Recommendation

No action required.

*Benchmark is the S&P 500.

**LARGE CAP EQUITY - JANUS TWENTY
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – SMITH BARNEY APPRECIATION Y
Periods Ending September, 2005**

Portfolio Manager: Scott Glasser

**State's Participation in Fund: \$113,638,071
Total Assets in Fund: \$5,976,977,000**

**Investment Philosophy
Smith Barney Appreciation Y**

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

Staff Comments

Smith Barney exceeded the quarterly benchmark primarily due to stock selection in Financials, Energy, and Health Care. The one-year return was hurt by stock and sector selection in Industrials and Utilities, as well as the Fund's cash position.

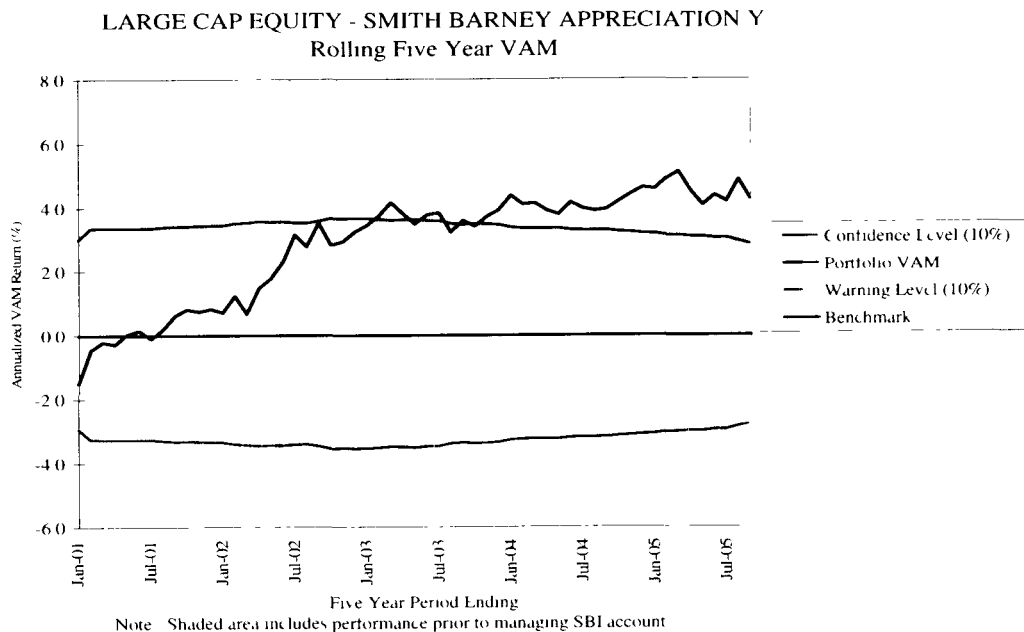
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	3.8%	3.6%
Last 1 year	10.7	12.3
Last 2 years	11.7	13.1
Last 3 years	14.3	16.7
Last 4 years	6.6	6.0
Last 5 years	2.7	-1.5
Since Retention by SBI (12/03)	9.4	10.4

Recommendation

No action required

*Benchmark is the S&P 500
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI



**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending September, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$412,426,212
Total Assets in Fund: \$14,804,299,605**

**Investment Philosophy
Vanguard Institutional Index**

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

Staff Comments

No comment at this time.

Quantitative Evaluation

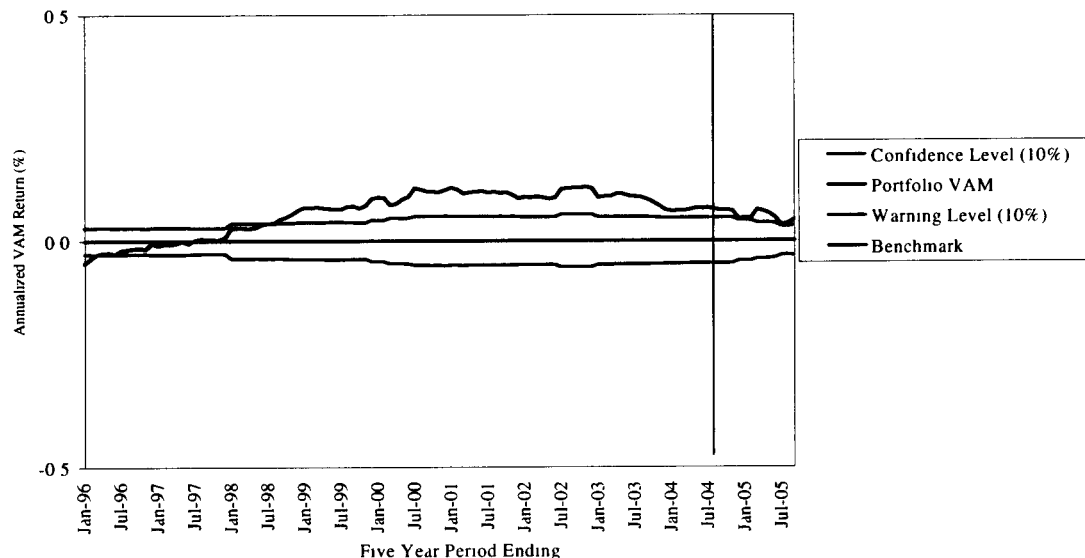
	Actual	Benchmark*
Last Quarter	3.6%	3.6%
Last 1 year	12.3	12.3
Last 2 years	13.1	13.1
Last 3 years	16.8	16.7
Last 4 years	6.1	6.0
Last 5 years	-1.4	-1.5
Since Retention by SBI (7/99)	-0.2	-0.2

Recommendation

No action required.

*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
MID CAP EQUITY – VANGUARD MID-CAP INDEX
Periods Ending September, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$79,744,312
Total Assets in Fund: \$2,420,143,517**

**Investment Philosophy
Vanguard Mid-Cap Index**

Staff Comments

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.

No comment at this time

Quantitative Evaluation

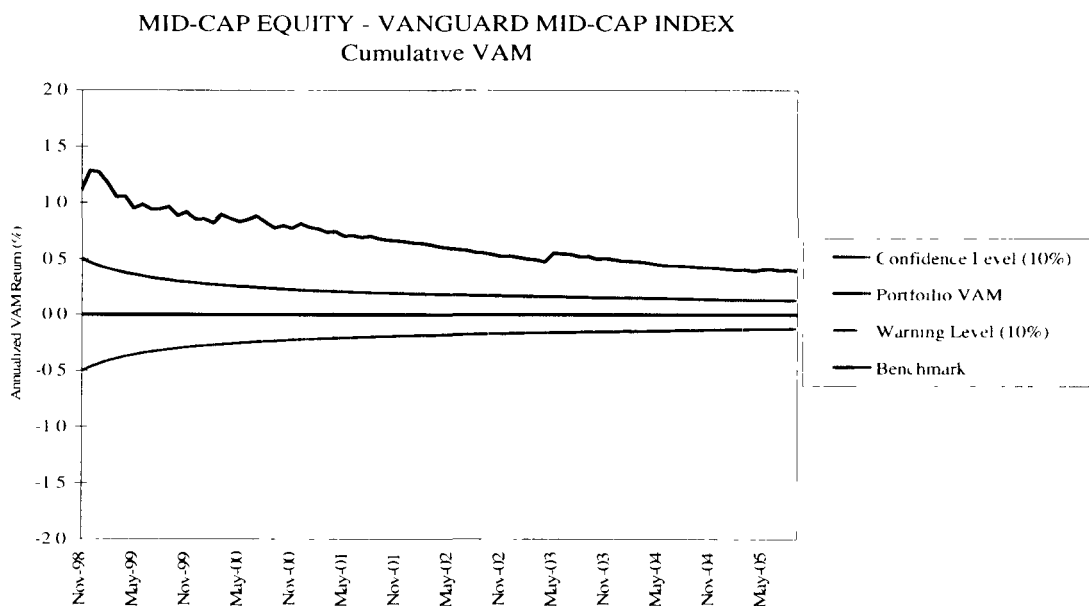
Recommendation

	Actual	Benchmark*	
Last Quarter	6.4%	6.4%	No action required
Last 1 year	27.1	26.9	
Last 2 years	23.1	23.0	
Last 3 years	23.8	23.6	
Last 4 years	16.0	15.8	
Last 5 years	8.0	7.8	
Since Retention by SBI (1/04)	17.9	17.8	

*Benchmark is the MSCI US Mid Cap 450.

Numbers in black are returns since retention by SBI.

Numbers in blue include returns prior to retention by SBI



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending September, 2005**

Portfolio Manager: Gregory A. McCrickard

**State's Participation in Fund: 366,784,656
Total Assets in Fund: 5,870,262,492**

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

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

Staff Comments

T. Rowe-Price outperformed the quarterly and one-year benchmark. Favorable stock selection in health care, financial, and information technology sectors contributed to the quarter's performance. The one-year return was helped by the strategy's stock selection and overweight in health care, and stock selection in information technology.

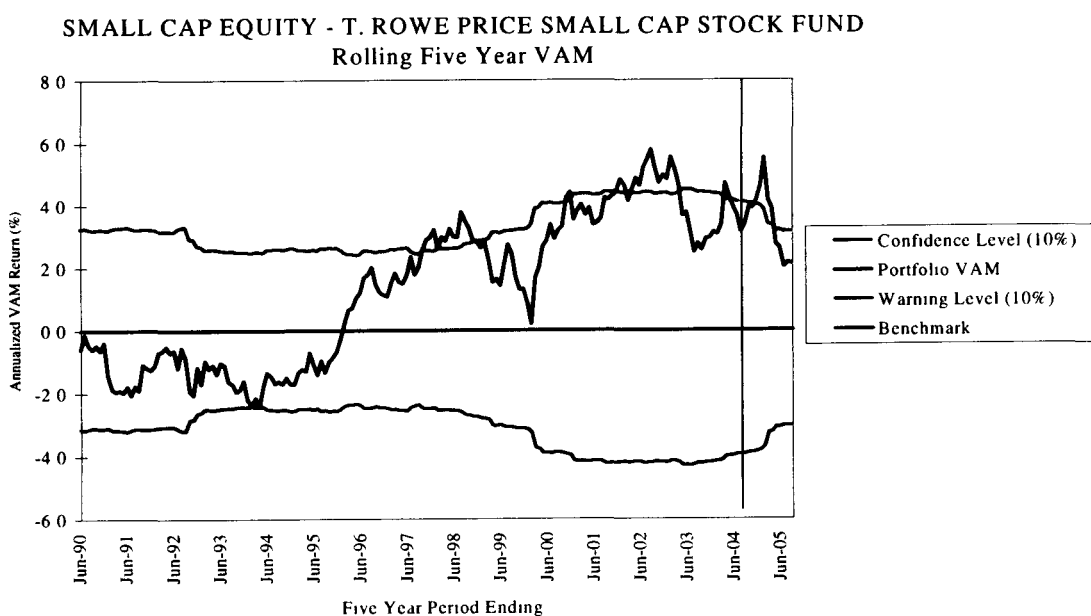
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	6.1%	4.7%
Last 1 year	18.2	18.0
Last 2 years	19.1	18.4
Last 3 years	20.9	24.1
Last 4 years	14.0	14.8
Last 5 years	8.7	6.5
Since Retention by SBI (7/99)	11.3	7.6

Recommendation

No action required.

*Benchmark is the Russell 2000.



**STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – DODGE & COX BALANCED FUND
Periods Ending September, 2005**

Portfolio Manager: John Gunn

**State's Participation in Fund: \$210,802,977
Total Assets in Fund: \$23,381,823,251**

**Investment Philosophy
Dodge & Cox Balanced Fund**

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

Staff Comments

Dodge & Cox outperformed the quarterly benchmark due to the equity portfolio and fixed income portfolio exceeding their respective benchmarks. The equity portfolio was helped by security selection in the information technology and financials sector. The fixed income portfolio was positively impacted by its shorter than benchmark duration.

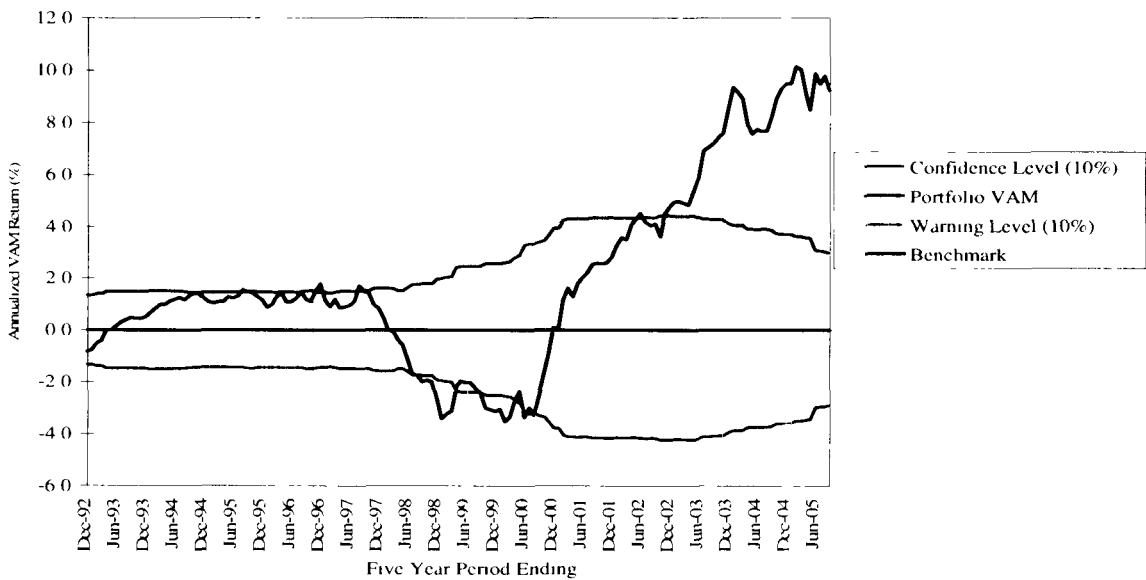
Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	3.4%	1.9%	No action required
Last 1 year	12.9	8.5	
Last 2 years	14.0	9.1	
Last 3 years	16.1	11.7	
Last 4 years	11.5	6.0	
Last 5 years	11.5	2.0	
Since Retention By SBI (10/03)	14.0	9.1	

Recommendation

*Benchmark is 60% S&P 500, 40% Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI

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



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND
Periods Ending September, 2005**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$167,254,826
Total Assets in Fund: \$1,903,922,222**

**Investment Philosophy
Vanguard Balanced Index Fund**

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

Staff Comments

No comment at this time.

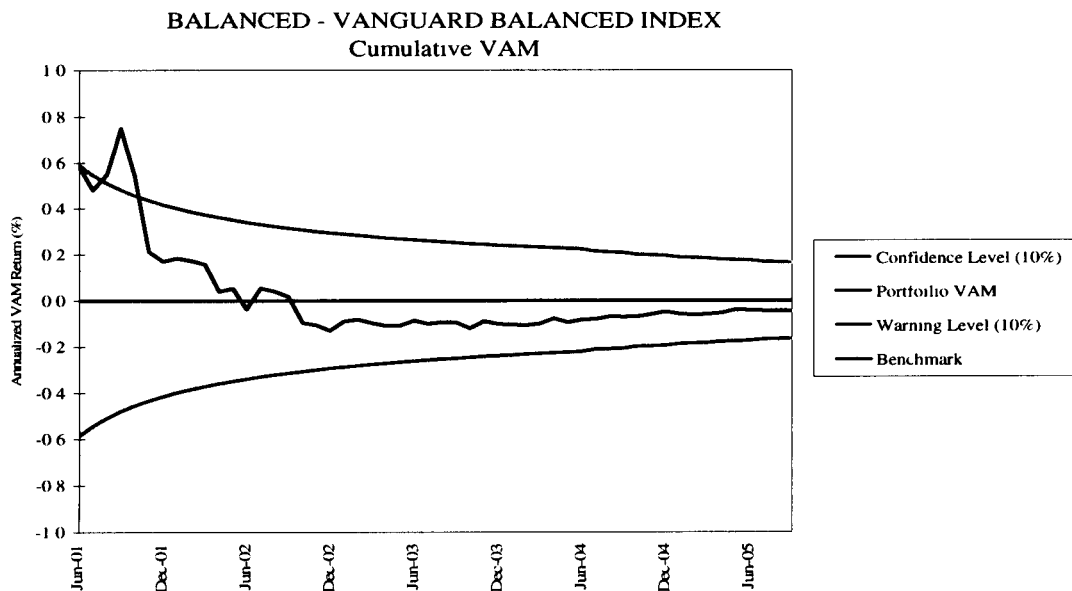
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.2%	2.2%
Last 1 year	9.9	9.9
Last 2 years	10.1	10.1
Last 3 years	12.5	12.6
Last 4 years	7.0	7.3
Last 5 years	N/A	N/A
Since Retention by SBI (12/03)	8.6	8.6

Recommendation

No action required.

*Benchmark is 60% MSCI US Broad Market, 40% Lehman Aggregate.
Equity benchmark was Wilshire 5000 prior to April 1, 2005.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.



Note Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending September, 2005**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$80,498,429
Total Assets in Fund: \$9,298,960,695**

**Investment Philosophy
Dodge & Cox Income Fund**

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

Staff Comments

Dodge & Cox exceeded the quarterly benchmark. The fund's shorter than benchmark duration helped performance.

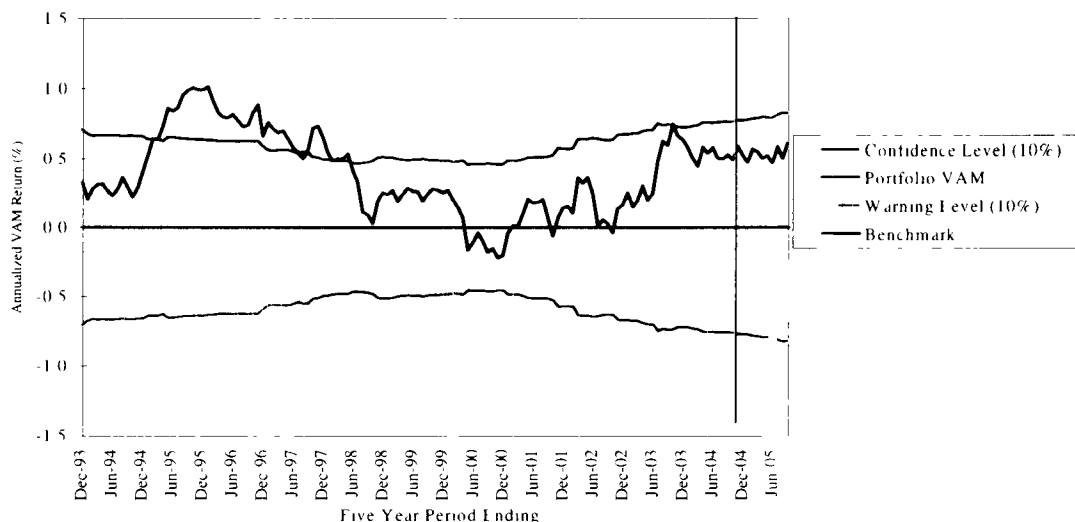
Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	-0.2%	-0.7%	No action required
Last 1 year	2.6	2.8	
Last 2 years	3.2	3.2	
Last 3 years	4.6	4.0	
Last 4 years	5.6	5.1	
Last 5 years	7.3	6.6	
Since Retention By SBI (7/99)	6.9	6.5	

Recommendation

*Benchmark is the Lehman Aggregate.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL
Periods Ending September, 2005**

Portfolio Manager: Robert Auwaerter

**State's Participation in Fund: \$47,925,519
Total Assets in Fund: \$8,682,676,834**

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

Staff Comments

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

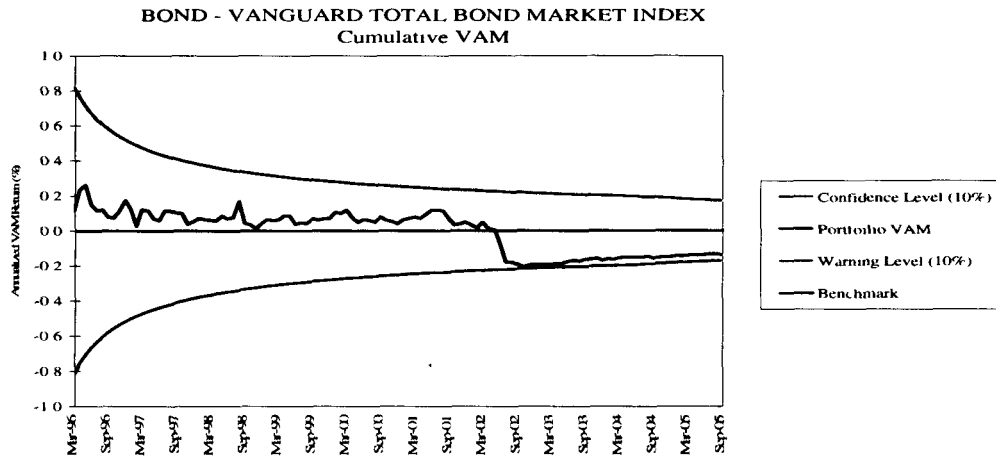
No comment at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	-0.7%	-0.7%	No action required.
Last 1 year	2.8	2.8	
Last 2 years	3.2	3.2	
Last 3 years	3.9	4.0	
Last 4 years	4.6	5.1	
Last 5 years	6.2	6.6	
Since Retention by SBI (12/03)	3.9	3.9	

*Benchmark is the Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending September, 2005**

Portfolio Manager: William Bower

**State's Participation in Fund: \$180,660,735
Total Assets in Fund: \$30,283,170,000**

**Investment Philosophy
Fidelity Diversified International**

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

Staff Comments

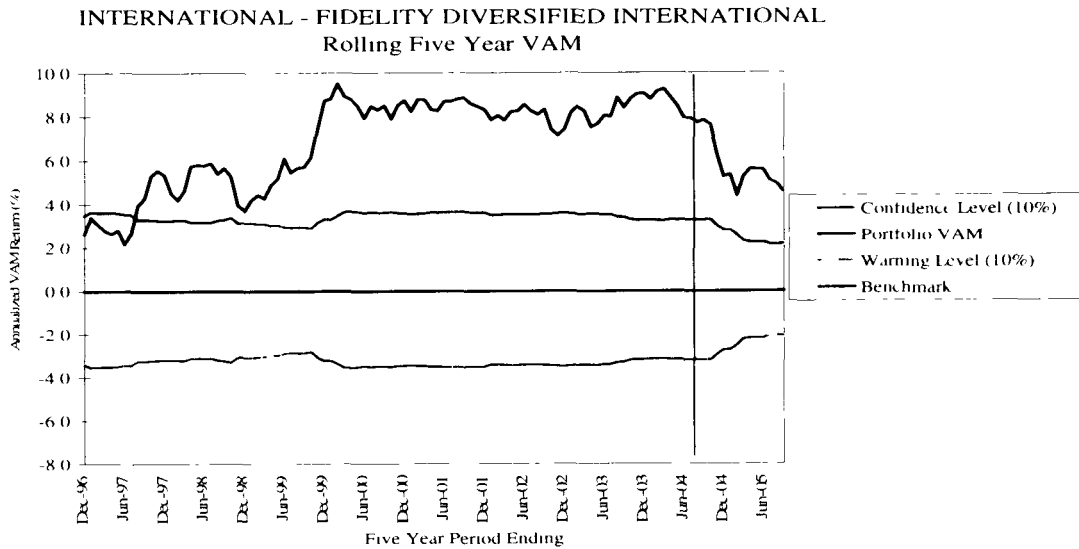
Fidelity outperformed the quarterly benchmark due to stock selection in the energy sector. The one-year return was helped by stock selection in the financials sector.

Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	10.8%	10.4%	No action required
Last 1 year	27.0	25.8	
Last 2 years	23.9	23.9	
Last 3 years	26.3	24.6	
Last 4 years	17.1	13.1	
Last 5 years	7.9	3.2	
Since Retention By SBI (7/99)	10.6	3.8	

Recommendation

*Benchmark is the MSCI EAFE-Free.



MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX
Periods Ending September, 2005

Portfolio Manager: George U. Sauter

State's Participation in Fund: \$33,873,660
Total Assets in Fund: \$1,733,330,857

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.

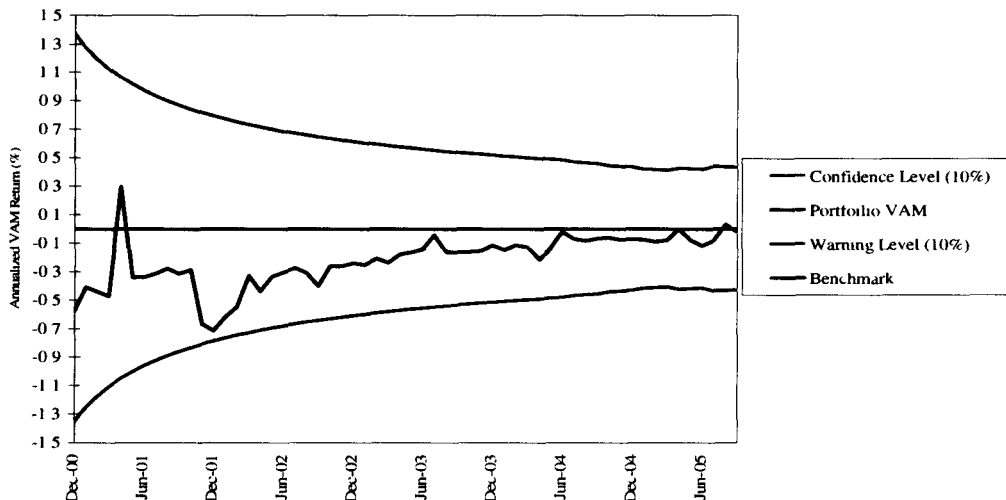
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	10.9%	10.4%	No action required.
Last 1 year	26.0	25.8	
Last 2 years	24.2	23.9	
Last 3 years	24.9	24.6	
Last 4 years	13.2	13.1	
Last 5 years	3.2	3.2	
Since Retention by SBI (12/03)	21.1	20.8	

*Benchmark is the MSCI EAFE International
 Numbers in black are returns since retention by SBI.
 Numbers in blue include returns prior to retention by SBI.

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX
 Cumulative VAM



Note: Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN

MN FIXED FUND

Periods Ending September, 2005

Total Assets in MN Fixed Fund: \$706,359,035 *

*Includes \$14-18M in Liquidity Buffer Account

Total Assets in 457 Plan: \$725,628,874 **

**Includes all assets in new and old fixed options

Principal Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA
 A.M. Best A+
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$303,514,512

The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes and an emphasis on industrial properties minimizes commercial loan risk.

Minnesota Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA
 A.M. Best A++
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$157,542,999

Assets in Prior MN 457 Plan: \$0

Total Assets: \$157,542,999

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

Great-West Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA+
 A.M. Best A++
 Duff & Phelps AAA

Assets in MN Fixed Fund: \$221,617,955

Assets in Prior MN 457 Plan: \$19,269,839

Total Assets: \$240,887,794

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria.

**MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending September, 2005**

Current Quarter

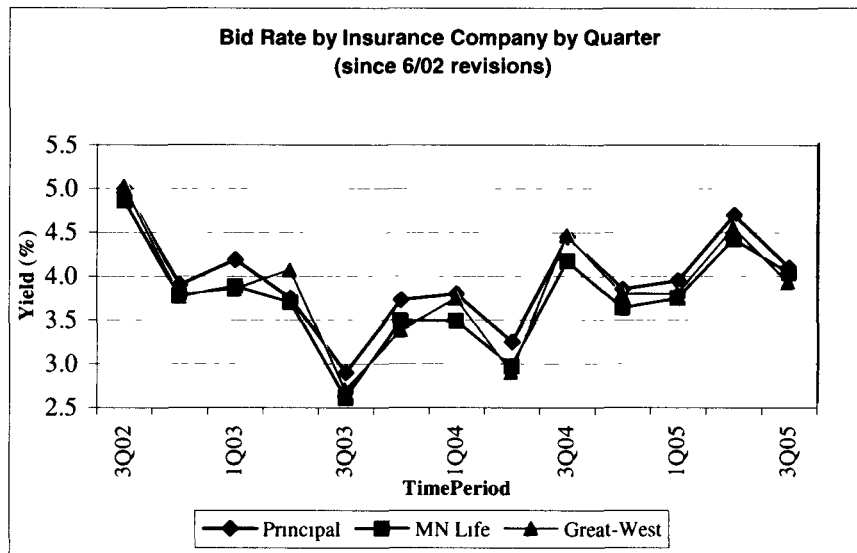
Dollar Amount of Bid: \$34,200,000

Blended Rate: 4.55%

Bid Rates:

Principal Life 4.10%
Minnesota Life 4.04%
Great-West Life 3.93%

Contracts were renewed in June 2002. Under these contracts, bid rates are effective for five years on the quarterly cash flows, the bid rate bands were narrowed to 8 b.p. from 10 b.p., and additional bid scenarios were added. All changes were effective for 3Q 2002 bids. The separate portfolio managed by Minnesota Life (previously referred to as the "existing portfolio") no longer exists. All assets of that portfolio matured in June 2004 and have been rolled into the Fixed Fund.



Staff Comments on Bid Rates

The line on the graph indicates when the contracts were renewed and the bid rates for the new cash flows became effective for five year periods. Prior to that, the bids were effective for a quarter for the total portfolio.

	4Q04	1Q05	2Q05	3Q05	Staff Comments
Principal Life	40.0%	50.0%	60.0%	40.0%	Principal and Minnesota Life were the top bidders within 8 basis points and were each awarded 40% of the third quarter bid dollars. Great West received 20%.
Minnesota Life	20.0%	20.0%	0.0%	40.0%	
Great-West Life	40.0%	30.0%	40.0%	20.0%	

Tab D

COMMITTEE REPORT

DATE: November 29, 2005

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

FROM: **Alternative Investment Committee**

The Alternative Investment Committee met on November 16, 2005 to review the following information and action agenda items:

- Review of current strategy.
- Review of progress toward alternative investment asset allocation goals.
- Review of the SBI's alternative investment commitment process.
- New investments with two new and one existing private equity managers, Wayzata Investment Partners, Lexington Advisors Inc., and Welsh, Carson, Anderson and Stowe.

Board/IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 12% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

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

- The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.
- The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
- The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

2) Review of progress toward alternative investment asset allocation goals.

Approximately two years ago, at its September 2003 meeting, the SBI approved changes to the alternative asset allocation. After examining the progress made toward achieving asset allocation goals over the last two years, the Committee feels appropriate progress is being made and no major changes in strategy or investment pace are needed.

3) Review of the SBI's alternative investment commitment process.

At future meetings, the Alternative Investment Committee plans to review ideas for potential changes to the alternative investment commitment process, primarily as it applies to approvals for follow-on investments with existing managers. The goal is to find ways to more efficiently utilize the resources of the Board and the Alternative Investment Committee and to improve market responsiveness while still maintaining the integrity of the investment decision.

ACTION ITEMS:

1) Investment with a new private equity manager, Wayzata Investment Partners, in Wayzata Opportunities Fund, LLC.

Wayzata Investment Partners is seeking investors for a new \$900 million private equity fund. This fund is a successor to ten prior private equity funds managed by Wayzata Investment Partners. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of investments in debt securities and bank debt of distressed companies, typically those in bankruptcy or undergoing financial restructuring or reorganization.

More information on Wayzata Opportunities Fund, LLC. is included as **Attachment C.**

RECOMMENDATION:

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

2) Investment with a new private equity manager, Lexington Advisors Inc., in Lexington Capital Partners VI, L.P.

Lexington is seeking investors for a new \$2.5 billion private equity fund. This fund is a successor to five prior private equity funds managed by Lexington Advisors Inc. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of investments in established buyout, mezzanine and venture capital funds (secondary interests).

More information on Lexington Advisors Inc., is included as **Attachment D.**

RECOMMENDATION:

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

3) Investment with an existing private equity manager, Welsh, Carson, Anderson & Stowe in Welsh, Carson, Anderson & Stowe X, L.P.

Welsh, Carson, Anderson & Stowe is seeking investors for a new \$3.0 billion private equity fund. This fund is a successor to nine prior private equity funds managed by Welsh, Carson, Anderson & Stowe. The SBI has an aggregate investment of \$225 million in the two most recent prior funds. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private equity investments.

More information on Welsh, Carson, Anderson & Stowe X, L.P. is included as **Attachment E**.

RECOMMENDATION:

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

ATTACHMENT A

Minnesota State Board of Investment
Pooled Alternative Investments
Combined Retirement Funds
September 30, 2005

Basic Retirement Funds Market Value	\$21,044,461,986
Post Retirement Fund Market Value	\$20,099,233,195
 Amount Available for Investment	 \$2,104,138,944

	Current Level	Target Level	Difference
Market Value (MV)	\$3,464,438,337	\$5,568,577,281	\$2,104,138,944
MV +Unfunded	\$5,549,239,502	\$8,352,865,922	\$2,803,626,420

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$1,685,491,186	\$1,208,580,193	\$2,894,071,379
Real Estate	\$732,690,541	\$149,036,184	\$881,726,725
Resource	\$274,784,125	\$77,383,759	\$352,167,884
Yield-Oriented	\$771,472,484	\$649,801,030	\$1,421,273,514
Total	\$3,464,438,337	\$2,084,801,165	\$5,549,239,502

ATTACHMENT B

Minnesota State Board of Investment

- Alternative Investments -

As of September 30, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Real Estate							
American Republic	1	1	66,200	5,000	0	109.8	15.7
Colony Capital							
<i>Colony Investors II</i>	80,000,000	78,482,328	840,203	88,273,673	1,517,672	4.4	10.5
<i>Colony Investors III</i>	100,000,000	100,000,000	25,952,140	129,879,317	0	13.3	7.7
DLJ							
<i>CSFB Strategic Partners RE III</i>	25,000,000	981,488	981,488	0	24,018,512	0.0	0.2
Equity Office Properties Trust	258,062,214	258,062,214	128,550,597	370,978,062	0	15.4	13.8
Heitman							
<i>Heitman Advisory Fund II</i>	30,000,000	30,000,000	57,032	43,528,725	0	4.0	19.9
<i>Heitman Advisory Fund V</i>	20,000,000	20,000,000	327,637	35,450,332	0	8.6	13.8
Lehman Brothers Real Estate Partners II	75,000,000	13,500,000	13,500,000	0	61,500,000	N/A	0.2
Morgan Stanley (Lend Lease)	48,763,338	48,763,338	194,557,545	15,527,296	0	7.2	24.0
T.A. Associates Realty							
<i>Realty Associates Fund III</i>	40,000,000	40,000,000	10,640,103	73,749,529	0	11.2	11.3
<i>Realty Associates Fund IV</i>	50,000,000	50,000,000	24,351,372	74,210,891	0	12.5	8.7
<i>Realty Associates Fund V</i>	50,000,000	50,000,000	46,399,452	31,464,025	0	9.9	6.4
<i>Realty Associates Fund VI</i>	50,000,000	48,000,000	47,991,102	10,618,044	2,000,000	12.4	3.3
<i>Realty Associates Fund VII</i>	75,000,000	15,000,000	15,000,000	249,509	60,000,000	11.3	0.9
UBS Realty	42,376,529	42,376,529	223,475,670	0	0	7.9	23.4
Real Estate Total	944,202,082	795,165,898	732,690,541	873,934,403	149,036,184		
Resource							
Apache Corp III	30,000,000	30,000,000	7,944,390	51,042,279	0	12.4	18.8
First Reserve							
<i>First Reserve I</i>	15,000,000	15,000,000	24,865	14,552,526	0	-0.3	24.0
<i>First Reserve II</i>	7,000,000	7,000,000	60,247	14,879,948	0	5.9	22.7
<i>First Reserve V</i>	16,800,000	16,800,000	187,014	50,261,377	0	16.2	15.4
<i>First Reserve VII</i>	40,000,000	40,000,000	3,061,994	55,976,613	0	9.8	9.2
<i>First Reserve VIII</i>	100,000,000	100,000,000	49,544,001	114,793,832	0	12.8	7.4
<i>First Reserve IX</i>	100,000,000	100,137,225	124,677,863	131,828,642	0	48.7	4.5
<i>First Reserve X</i>	100,000,000	29,021,834	46,249,314	14,371,394	70,978,166	N/A	0.9
Simmons							
<i>Simmons - SCF Fund II</i>	17,000,000	14,706,629	999,999	30,582,945	2,293,371	9.2	14.1
<i>Simmons - SCF Fund III</i>	25,000,000	23,400,631	10,250,607	52,975,499	1,599,369	18.2	10.3
<i>Simmons - SCF Fund IV</i>	50,000,000	47,487,147	31,783,831	54,962,428	2,512,853	14.5	7.5
T. Rowe Price	33,042,070	33,042,070	0	56,291,003	N/A	30.2	N/A
Resource Total	533,842,070	456,595,536	274,784,125	642,518,485	77,383,759		

Minnesota State Board of Investment
- Alternative Investments -

As of September 30, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Yield-Oriented							
Carbon Capital	50,000,000	46,184,308	17,910,505	41,792,195	3,815,692	16.1	3.4
CT Mezzanine Partners	100,000,000	36,804,097	2,923,438	48,608,115	63,195,903	19.5	4.0
Citicorp Mezzanine							
<i>Citicorp Mezzanine III, L.P.</i>	100,000,000	87,473,292	57,459,472	73,045,267	12,526,708	19.8	5.9
<i>Citicorp Mezzanine Partners</i>	40,000,000	40,000,000	8,618,702	45,852,747	0	9.6	10.7
DLJ Investment Partners II, L.P.	50,000,000	19,610,813	5,981,313	22,849,025	30,389,187	10.1	5.7
Gold Hill Venture Lending	40,000,000	16,800,000	16,227,053	278,010	23,200,000	-3.0	1.0
GS Mezzanine Partners							
GS Mezzanine Partners II	100,000,000	83,092,437	46,053,771	55,731,839	16,907,563	7.2	5.6
GS Mezzanine Partners III	75,000,000	29,830,252	28,185,916	5,910,630	45,169,748	12.6	2.2
GTCR Capital Partners	80,000,000	69,589,422	26,690,061	65,261,786	10,410,578	7.9	5.9
GMAC Institutional Advisors							
<i>Institutional Commercial Mortgage Fd II</i>	13,500,000	13,397,500	1,848,462	19,932,546	102,500	9.6	10.2
<i>Institutional Commercial Mortgage Fd III</i>	21,500,000	21,275,052	10,900,110	23,509,252	224,948	8.4	8.8
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	8,919,858	12,888,324	0	8.4	7.8
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	29,665,024	22,535,315	0	8.6	6.2
Merit Capital Partners (fka William Blair)							
<i>William Blair Mezzanine Fund III</i>	60,000,000	55,521,600	29,040,581	43,166,400	4,478,400	8.7	5.7
<i>Merit Mezzanine IV</i>	75,000,000	9,655,220	9,116,236	0	65,344,780	N/A	0.8
Merit Energy Partners							
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	40,589,034	35,961,851	0	21.6	9.2
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	117,262,269	37,432,516	0	29.4	6.9
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	120,390,500	9,486,541	17,061,697	23.1	4.4
<i>Merit Energy Partners E</i>	100,000,000	31,737,695	28,392,619	226,382	68,262,305	N/A	1.0
<i>Merit Energy Partners F</i>	100,000,000	0	0	0	100,000,000	N/A	0.0
Prudential Capital Partners							
<i>Prudential Capital Partners I</i>	100,000,000	91,535,740	50,858,900	57,717,335	8,464,260	8.6	4.5
<i>Prudential Capital Partners II</i>	100,000,000	9,086,637	9,085,565	0	90,913,363	N/A	0.3
Summit Partners							
<i>Summit Sub Debt Fund I</i>	20,000,000	18,000,000	82,291	31,406,578	2,000,000	30.6	11.5
<i>Summit Sub Debt Fund II</i>	45,000,000	40,275,000	10,402,310	75,397,359	4,725,000	56.8	8.2
<i>Summit Sub Debt Fund III</i>	45,000,000	11,925,000	12,205,094	0	33,075,000	3.3	1.6
T Rowe Price	53,340,603	53,340,603	473,793	51,844,812	N/A	-10.9	N/A
TCW/Crescent Mezzanine							
<i>TCW/Crescent Mezzanine Partners</i>	40,000,000	37,130,039	2,909,758	50,659,420	2,869,961	12.8	9.5
<i>TCW/Crescent Mezzanine Partners II</i>	100,000,000	87,479,046	12,379,200	116,554,849	12,520,954	12.7	6.9
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	57,714,543	23,958,607	72,876,339	17,285,457	31.2	4.5
Windjammer Mezz & Equity Fund II	66,708,861	49,851,836	42,942,040	19,139,934	16,857,025	9.7	5.5
Yield-Oriented Total	1,863,549,464	1,213,748,434	771,472,484	1,040,065,368	649,801,030		

Minnesota State Board of Investment

- Alternative Investments -

As of September 30, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity							
Adams Street Partners (Brinson)							
<i>Brinson Partners I</i>	5,000,000	3,800,000	193,570	9,280,721	1,200,000	13.2	17.4
<i>Brinson Partners II</i>	20,000,000	20,000,000	243,787	37,754,513	0	24.1	14.8
Affinity Ventures	4,000,000	391,847	0	405,436	3,608,153	1.7	1.2
Bank Fund							
<i>Banc Fund V</i>	48,000,000	48,000,000	62,377,152	28,760,369	0	14.4	7.2
<i>Banc Fund VII</i>	45,000,000	7,200,000	7,022,765	0	37,800,000	N/A	0.5
Blackstone Capital Partners							
<i>Blackstone Capital Partners II</i>	50,000,000	47,271,190	3,501,699	94,592,612	2,728,810	34.3	11.9
<i>Blackstone Capital Partners IV</i>	70,000,000	40,044,471	50,412,612	22,671,271	29,955,529	62.1	3.2
BLUM Capital Partners							
<i>Blum Strategic Partners I</i>	50,000,000	48,771,954	32,842,285	70,685,205	1,228,046	15.1	6.8
<i>Blum Strategic Partners II</i>	50,000,000	41,068,939	51,576,738	24,735,029	8,931,061	27.2	4.2
<i>Blum Strategic Partners III</i>	75,000,000	20,058,490	16,804,184	355,296	54,941,510	N/A	0.3
Chicago Growth Partners (William Blair)							
<i>Chicago Growth Partners VIII</i>	50,000,000	3,971,479	3,971,479	0	46,028,521	N/A	0.2
<i>William Blair Capital Partners VII</i>	50,000,000	42,550,000	45,725,795	3,857,339	7,450,000	6.8	4.6
Citigroup Venture Capital Equity	100,000,000	69,626,049	41,965,161	74,615,445	30,373,951	30.4	3.8
Contrarian Capital Fund II	37,000,000	33,244,395	18,932,355	27,716,108	3,755,605	5.1	8.3
Coral Partners							
<i>Coral Partners Fund II</i>	10,000,000	10,000,000	412,878	36,553,383	0	24.9	15.2
<i>Coral Partners Fund IV</i>	15,000,000	15,000,000	742,735	13,156,023	0	-2.0	11.2
<i>Coral Partners Fund V</i>	15,000,000	14,625,000	3,403,629	2,016,216	375,000	-18.6	7.3
Crescendo							
<i>Crescendo II</i>	15,000,000	15,000,000	972,957	20,347,039	0	21.1	8.7
<i>Crescendo III</i>	25,000,000	25,000,000	3,023,088	8,084,795	0	-23.5	6.9
<i>Crescendo IV</i>	101,500,000	93,887,500	33,144,814	4,018,614	7,612,500	-24.9	5.6
CSFB/ DLJ							
<i>CSFB Strategic Partners</i>	100,000,000	80,083,771	52,993,758	76,694,614	19,916,229	24.6	4.7
<i>CSFB Strategic Partners II</i>	100,000,000	58,522,553	55,841,879	45,312,968	41,477,447	61.1	2.2
<i>CSFB Strategic Partners III</i>	100,000,000	2,000,000	2,000,000	0	98,000,000	N/A	0.3
<i>CSFB Strategic Partners VC</i>	25,000,000	0	0	0	25,000,000	N/A	0.3
<i>DLJ Merchant Banking Partners III</i>	125,000,000	111,260,691	74,452,622	88,442,050	13,739,309	14.5	5.0
DSV Partners	10,000,000	10,000,000	1,248,031	27,596,934	0	9.5	20.5
Elevation Partners	75,000,000	818,325	523,647	0	74,181,675	N/A	0.4
First Century Partners III	10,000,000	10,000,000	70,090	15,098,689	0	7.5	20.8
Fox Paine Capital Fund							
<i>Fox Paine Capital Fund</i>	40,000,000	40,000,000	15,414,865	32,783,716	0	3.4	7.4
<i>Fox Paine Capital Fund II</i>	50,000,000	37,246,462	21,539,420	31,909,501	12,753,538	20.8	5.2
Golder, Thoma, Cressey, Rauner							
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	157,975	41,020,323	0	24.8	11.7
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	6,090,296	42,483,476	0	9.6	9.2
GTCR Golder Rauner							
<i>GTCR VI</i>	90,000,000	89,137,778	28,980,952	68,918,378	862,222	3.4	7.2
<i>GTCR VII</i>	175,000,000	148,531,249	101,400,179	146,876,250	26,468,751	19.2	5.6
GS Capital Partners 2000							
<i>GS Capital Partners 2000</i>	50,000,000	47,259,709	37,815,222	38,075,368	2,740,291	22.5	5.1
<i>GS Capital Partners V</i>	100,000,000	10,005,427	9,614,125	0	89,994,573	N/A	0.5

Minnesota State Board of Investment
- Alternative Investments -

As of September 30, 2005

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity (cont)							
GHJM Marathon Fund							
<i>GHJM Marathon Fund IV</i>	40,000,000	38,481,000	2,728,247	42,845,952	1,519,000	3.5	6.5
<i>GHJM Marathon Fund V</i>	28,985,714	5,430,501	4,308,347	0	23,555,213	N/A	1.0
Hellman & Friedman							
<i>Hellman & Friedman Capital Partners III</i>	40,000,000	32,113,684	3,966,099	65,524,968	7,886,316	34.1	11.0
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	129,912,982	115,819,035	47,266,680	20,087,018	12.0	5.7
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	27,035,998	25,556,480	0	132,964,002	N/A	0.8
Kohlberg Kravis Roberts							
<i>KKR 1987 Fund</i>	145,950,000	145,373,652	8,974,874	394,874,959	576,348	8.9	17.9
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	3,904,182	306,694,216	0	16.9	11.8
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	81,541,559	275,830,291	0	13.8	9.1
<i>KKR Millennium Fund</i>	200,000,000	120,129,903	128,503,309	26,144,473	79,870,097	21.5	2.8
Matrix Partners III	10,000,000	10,000,000	312,029	77,327,244	0	75.1	15.4
Sightline Healthcare							
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	4,443,675	4,190,002	0	-2.5	8.6
<i>Sightline Healthcare Fund III</i>	20,000,000	19,400,002	7,749,442	2,494,843	599,998	-14.7	6.7
<i>Sightline Healthcare Fund IV</i>	7,700,000	4,807,278	3,795,043	4,891	2,892,722	-18.2	2.0
Silver Lake Partners II	100,000,000	23,028,986	22,111,281	100,472	76,971,014	-6.3	1.2
Split Rock Partners	50,000,000	1,809,089	1,555,722	0	48,190,911	-17.8	0.4
Summit Partners							
<i>Summit Ventures II</i>	30,000,000	28,500,000	103,801	74,524,292	1,500,000	28.8	17.4
<i>Summit Ventures V</i>	25,000,000	23,625,000	6,438,075	20,194,356	1,375,000	3.5	7.5
T Rowe Price	631,025,615	631,025,615	73,614,370	600,896,343	N/A	10.1	N/A
Thoma Cressey							
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	17,639,449	7,881,225	1,085,000	-5.9	7.1
<i>Thoma Cressey Fund VII</i>	50,000,000	35,355,000	16,299,869	38,275,600	14,645,000	29.1	5.1
Thomas, McNerney & Partners	30,000,000	12,750,000	10,525,036	0	17,250,000	-13.5	2.9
Vestar Capital Partners IV	55,000,000	41,754,959	30,122,882	21,549,850	13,245,041	9.2	5.8
Warburg Pincus							
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	19,261,444	222,005,443	0	49.1	10.7
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	45,272,094	92,809,533	0	8.4	7.3
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	84,000,000	77,505,361	17,513,650	16,000,000	7.3	3.5
<i>Warburg Pincus Private Equity IX</i>	100,000,000	6,505,208	6,505,208	0	93,494,792	0.0	0.2
Welsh, Carson, Anderson & Stowe							
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	100,000,000	77,587,212	14,810,930	0	-1.4	7.2
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	111,250,000	103,704,816	42,587,467	13,750,000	12.1	5.3
Zell/Chilmark	30,000,000	30,000,000	229,501	76,414,975	0	17.7	15.2
Private Equity Total	4,709,161,329	3,500,581,137	1,685,491,186	3,607,580,337	1,208,580,193		

ATTACHMENT C

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

Name of Fund:	Wayzata Opportunities Fund, LLC ("WOF" and "Fund")
Type of Fund:	Distressed Debt
Total Fund Size:	\$750 million to \$900 million
Fund Manager:	Wayzata Investment Partners LLC ("Wayzata" and "Manager")
Manager Contact:	Patrick J. Halloran Phone: 952-345-0704 Email: phalloran@wayzpartners.com

II. Organization and Staff

Wayzata, which consists of 23 professionals, has its main office located in Wayzata, MN. Wayzata also has an office in Boston, MA. Partners include Pat Halloran (Managing Partner), Steve Adams, John Foley, Joe Deignan, Blake Carlson, and John McEvoy.

Wayzata was formed following a management buyout of CFSC Wayland Advisers, Inc. ("Wayland"), a former wholly owned subsidiary of Cargill Financial Services Corporation ("CFSC"). The Wayzata partners (collectively, the "Wayzata Partners") agreed with CFSC on the terms of a transaction whereby the ownership of Wayland was transferred to Wayzata. Wayzata is registered with the Securities Exchange Commission as an investment adviser under the Investment Advisers Act of 1940, as amended.

Wayland had been formed in 1997 to invest third-party capital in distressed debt, non-distressed bank loans and high yield bonds. Wayland was the successor to the CFSC High Yield/Reorg of Cargill, Inc. which had managed a proprietary portfolio of distressed investments and performing high yield assets for CFSC from January 1992 to July 1997.

Since 1992, certain of the Wayzata Partners have managed the investment of over \$9.2 billion in 516 investments. The gross annualized internal rate of return (without taking into account management fees and certain other expenses) and net internal rate of return on all investments managed by the Wayzata Partners was 23.3% and 16.8%, respectively, from January 1, 1992, through September 30,

2005.(1-3) The Wayzata Partners have produced positive gross internal rates of return on investments every year but one since 1992. This performance illustrates Wayzata's ability to consistently generate attractive investment opportunities on investments in distressed debt through various economic and financial market cycles.

III. Investment Strategy

Wayzata takes an active creditor approach and targets investments in securities where it can expect to exert significant influence on the restructuring process and potentially control the reorganized company. Wayzata achieves this influence typically by obtaining controlling positions in the class of securities in which it is invested. Wayzata influences the restructuring process by: (i) assuming a lead role in the restructuring process, (ii) being active on creditors committees, (iii) utilizing an established network of operational and financial contacts to assist both Wayzata and company management directly, and (iv) appointing new officers and directors and selectively taking seats on the boards of restructured companies. Since 1992, the investment professionals have served on over fifty official and unofficial restructuring committees. Wayzata is able to use this approach to capitalize on its considerable bankruptcy expertise to influence the outcome and timing of the restructuring process and, thereby, the return on its investment.

Wayzata targets, although not exclusively, investments in small- to middle- market credits that are often avoided or overlooked by larger distressed managers. Typically, these are issuers with less than \$500 million par value total debt outstanding. Wayzata believes that this segment of the market is relatively inefficient due to limited competition for distressed debt in the segment. Wayzata's investments will typically, although not exclusively, consist of secured and other senior debt of financially troubled companies. This priority position gives Wayzata influence in the restructuring process and affords more downside protection for investments.

IV. Investment Performance

Previous fund performance as of September 30, 2005 for the Wayzata Funds is shown below:

Fund Name	Inception Date	Total Capital Commitments	SBI Investment	Net IRR from Inception
CFSC High Yield/Reorg	1992-1997	N/A	--	17.25%
Wayland I	Dec-1997	\$600 million	--	0.18%
Wayland II	Feb-2001	\$450 million	--	33.22%
Managed Account	Dec-2001	\$50 million	--	21.87%
Wayland Recovery	Nov-2002	\$314 million	--	18.40%
Sapphire	Apr-2003	\$55 million	--	34.89%
WDOF I-A	Jul-2003	\$34 million	--	32.37%
WDOF I-B	Apr-2004	\$34 million	--	24.68%
WDOF I-C	Apr-2004	\$76 million	--	22.96%
Wayzata Recovery	Oct-2004	\$416 million	--	18.96%

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

The GP will be committing \$25 million to WOF.

VI. Takedown Schedule

Each member's commitment will be payable in U.S. dollars when called on ten business days advance notice by Wayzata (or such shorter notice as may be determined by Wayzata, but in no event less than five business days) to make investments and meet anticipated Fund expenses.

VII. Fees

During the commitment period, the Fund will pay Wayzata advisory fees (the "Advisory Fees") quarterly in advance at a rate equal to 1.75% annually of the total commitments. Thereafter, until termination or liquidation of the Fund, the Advisory Fees will be 1.50% of the aggregate cost basis of all investments (other than cash and cash equivalents) then held by the Fund, calculated at the beginning of each fiscal quarter. Wayzata will waive the Advisory Fees with respect to the Wayzata Partners and Wayzata employees investing in the Fund. Additionally, Wayzata may in some instances (not to exceed 5% of the Fund's total commitments) agree to defer, reduce, waive or restructure all or a portion of the Advisory Fees with respect to other investors in the Fund. Also, the Wayzata

Partners will have the option to convert any of the Advisory Fees payable to them into membership interests in the Fund, determined as if the investment was made in the initial closing. Any membership interest purchased in this manner shall be separate, and above, the Wayzata Partners' commitment.

VII. Allocations and Distributions

Distributions will be made in the following priority and manner.

- First, 100% to the members pro rata until they have received distributions equal to the aggregate capital contributions previously made by such members to the Fund prior to the date of distribution;
- Second, 100% to the members pro rata until they have each received distributions (other than distributions made to such members pursuant to paragraph First above) equal to an 8% per annum return compounded annually based on the weighted average unreturned capital contributions determined from the relevant drawdown due dates (or, if later, the date of the applicable contributions) to the date of distributions;
- Third, 80% to the special member and 20% to the other members pro rata until the special member has received, in its capacity as such, distributions equal to 20% of the aggregate amount previously distributed (or to be simultaneously distributed) to the members and the special member pursuant to paragraph Second above and this paragraph Third; and
- Fourth, thereafter, 20% to the special member and 80% to the other members pro rata.

Notwithstanding the foregoing, the Fund may, at the discretion of the Manager, make tax liability distributions, to the extent of available cash, to its members or the special member in respect of gain and other income from portfolio investments based on the manner in which such gain and other income was allocated to the members or the special member, as provided in the Limited Liability Company Agreement. Any tax liability distribution to a member or the special member will be treated as an advance against distributions otherwise payable to such member or the special member.

Amounts distributable to the special member under clauses Third and Fourth above are referred to herein as the "Carried Interest". Distributions to members who are members or employees of Wayzata shall not be charged with the Carried Interest. The Manager may, in its sole discretion, also exempt those individual members who are not charged the Carried Interest from payment of the Advisory Fees with respect to their interests. Prior to the termination of the Fund, distributions will be in cash or, to the extent that an in-kind distribution to a member would not involve a prohibited transaction under Section 406 of ERISA, in marketable securities. Upon termination of the Fund, distributions may also include restricted securities or other assets of the Fund to the extent that an in-kind distribution to a member would not involve a prohibited transaction under Section 406 of ERISA. Notwithstanding the

foregoing, the Manager may cause the Fund to retain (and not to distribute to the members) amounts permitted to be reinvested by the Fund. In addition, if the Fund receives any securities or other non-cash assets in connection with any investment, such securities or other assets may be retained by the Fund, or disposed of and the funds reinvested.

VIII. Investment Period and Term

Capital calls may be required from time to time for a period of four years from the final closing of the Fund (the “Commitment Period”).

After expiration of the Commitment Period, the Fund may, with the consent of an advisory committee, invest in follow-on investments and investments under active consideration by Wayzata at the end of the Commitment Period (collectively, the “Follow-on Investments”) in an amount equal to up to 20% of the initial aggregate commitments of the members. To the extent that Wayzata is unable to fund such Follow-on Investments with available capital, the Fund may make additional capital calls in the amount of any un-drawn commitments or may recall capital previously returned to the members. Any such recalled amounts will be subject to the preferred return and carried interest provisions outlined in allocations and distributions.

The term will be eight years after the final closing date, subject to reduction or extension in accordance with the terms of the Limited Liability Company Agreement and subject to extension by the Manager with the approval of an advisory committee for up to two additional one-year periods.

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

<i>Name of Fund:</i>	Lexington Capital Partners VI, L.P.
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Total Fund Size:</i>	\$2.5 billion
<i>Fund Manager:</i>	Lexington Advisors Inc.
<i>Manager Contact:</i>	Nick Harris 3000 Sand Hill Rd. Building 1, Ste 220 Menlo Park, CA 94025 650-561-9600

II. Organization and Staff

During the period 1990 to 1995, several principals of what is now Lexington Advisors, Inc. helped organize secondary interest funds (Co-Managed Funds) as part of another secondary firm, Landmark Partners Inc. In early 1996, Lexington Advisors, Inc. spun-out from Landmark Partners Inc. to form a separate and independent secondary interest investment entity. Collectively, since 1990, through the Lexington and Co-Managed Funds, Lexington has committed to invest approximately \$5.6 billion, acquiring a total of 1,042 interests in 724 partnerships. Lexington currently employs 35 people and has offices in New York, Boston, London and Menlo Park.

III. Investment Strategy

Lexington Capital Partners VI, L.P., is being formed to seek to maximize the return to its investors by assembling, holding and realizing upon a diversified global portfolio of interests in established buyout, mezzanine and venture capital funds ("private equity funds"), primarily through secondary transactions. Lexington expects the Partnership to provide investors an opportunity to achieve higher returns at lower levels of risk as compared to investments in newly-formed private equity funds. Lexington's investment strategy targets the entire spectrum of secondary transactions, from complex, multi-billion dollar portfolio transactions to individual partnership transactions. While LCP VI will concentrate on acquiring portfolios of global buyout, mezzanine and venture capital partnership interests, the Partnership will also consider opportunities to acquire direct investments and other investment partnership interests through secondary transactions. Lexington's broad, opportunistic investment strategy will allow LCP VI to deploy capital to the segments of the secondary market offering

the most attractive risk-adjusted returns. Lexington may also invest up to 10% of the Partnership's capital commitments in newly-formed private equity funds. Over the past seven years, Lexington has committed more than \$550 million to 94 global buyout, mezzanine and venture capital partnerships. The ability to invest in newly-formed private equity funds has been beneficial in establishing or strengthening relationships between the Lexington principals and private equity sponsors. Investment relationships with these private equity sponsors have helped Lexington source potential secondary transactions and have improved the likelihood that general partners will approve transfers of interests in their partnerships to Lexington.

IV. Investment Performance

Previous fund performance as of June 30, 2005 for the Lexington and Co-Managed Funds is shown below:

Fund	Inception Date/s	Total Equity Commitments	SBI Investment	Net IRR from Inception
3 Co-Managed Venture Capital Funds	1990-1995	\$440 million		25%
3 Co-Managed Buyout and Mezzanine Funds	1993-1995	\$565 million		31%
Lexington Capital Partners I	1996	\$240 million		13%
Lexington Capital Partners II	1998	\$1,111 million		8%
Lexington Capital Partners III	1999	\$657 million		8%
Lexington Capital Partners IV	2000	\$606 million		18%
Lexington Capital Partners V	2001	\$1,996 million		30%

Previous fund investments may be relatively immature and therefore, returns may not be indicative of future results

V. General Partner's Investment

The general partner will commit to invest at least 1% of aggregate capital commitments to the Partnership.

VI. Takedown Schedule

Capital will be called from the limited partners, as needed, with ten business days notice.

VII. Fees

During the investment period: 1.0% per annum of commitments; provided that the fee with respect to amounts invested in Primary Entities (interests in new private equity funds) shall be 0.5% per annum. Thereafter: The sum of (a) 0.85% per annum of the sum of (i) the “reported value” of interests in all portfolio investments, other than interests in Primary Entities and (ii) unfunded commitments that are committed to or reserved for investment in Secondary Entities; plus (b) 0.5% per annum of the sum of (i) the reported value of interests in Primary Entities and (ii) unfunded commitments committed for investment in Primary Entities.

VIII. Allocations and Distributions

Proceeds from Secondary Entities (interests in established private equity funds and direct or indirect interests in operating companies acquired through secondary market purchases) otherwise allocable to limited partners will be distributed as follows: First, 100% to the limited partner until it has received distributions of such proceeds equal to the aggregate amount of capital contributions made by such limited partner in respect of investments in Secondary Entities; and Second, 90% to such limited partner and 10% to the general partner. Proceeds from investments in Primary Entities will be made pro rata based on each partner’s percentage interest in such investments.

Upon liquidation of the Partnership, the general partner will be required to contribute to the Partnership the amount, if any, by which cumulative carried interest distributions received by the general partner with respect to any limited partner exceed 10% of the cumulative net profits earned with respect to such limited partner from Secondary Entities after all fees and expenses allocable thereto and in no event more than the cumulative carried interest distributions received by the general partner with respect of such limited partner (calculated on an after-tax basis).

IX. Investment Period and Term

The Partnership will have an investment period of five years from the final closing date. The Partnership’s term will be ten years from the initial closing date, subject to extension by the general partner (unless a majority of limited partners disapprove) for up to two years to permit orderly dissolution.

PRIVATE EQUITY MANAGER SUMMARY PROFILE

I. Background Data

<i>Name of Fund:</i>	Welsh, Carson, Anderson & Stowe X, L.P.
<i>Type of Fund:</i>	Private Equity Limited Partnership (Buyout)
<i>Total Fund Size:</i>	\$3.0 billion
<i>Fund Manager:</i>	Welsh, Carson, Anderson & Stowe 320 Park Avenue Suite 2500 New York, NY 10022-6815 Phone: (212) 893-9500 Fax: (212) 893-9575
<i>Manager Contact:</i>	Bruce Anderson - 212-893-9518
	Paul Queally - 212-893-9523
	Jonathan Rather - 212-893-9570

II. Organization and Staff

Welsh, Carson, Anderson & Stowe (the "Firm") has organized and managed 14 limited partnerships with total capital of over \$14 billion, consisting of ten Equity Partnerships and four Subordinated Debt Partnerships. The Firm has been active for over 26 years in completing buy-outs and other private equity investments in the information & business services and healthcare industries.

The General Partner of Welsh, Carson, Anderson & Stowe X, L.P. ("WCAS X") is WCAS X Associates, LLC, a limited liability company formed under the laws of the state of Delaware. The individual General Partners and other investment professionals own 100% of WCAS X Associates, LLC.

The management company, WCAS Management Corporation ("WCAS"), is a corporation formed under the laws of the state of Delaware. The General Partners own 100% of WCAS, which will provide the day-to-day managerial and administrative service to the Partnership.

The Firm currently consists of approximately thirty professionals including fourteen General Partners and maintains one centralized office in New York City. One of their senior industry executives, Tom Scully, will become a new General Partner at year-end. WCAS is well positioned to take advantage of the current investment opportunities and has no current plans for significant senior staff additions at this time.

The Firm also maintains relationships with a group of senior industry executives that assist in due diligence and management of portfolio companies. WCAS's senior industry

executives serve on the boards of portfolio companies and are also given an opportunity to invest in deals in which they are actively involved. The Firm also employs various consultants on an as-needed basis to assist in specific areas of due diligence.

III. Investment Strategy

WCAS X will employ essentially the same investment strategy that the Firm has successfully practiced for over 26 years and with a focus in the information & business services and healthcare sectors. WCAS believes its industry specialization, proprietary deal flow, operational focus and the continuity and experience of its General Partner make WCAS unique in the private equity industry. WCAS X will utilize the same industry specialization and value-added approach as prior Partnerships, and will be managed by substantially the same investment professionals who have invested the previous funds. WCAS believes that the investment opportunities in its target sectors are attractive and that its investment strategy, which is designed to achieve attractive risk-adjusted returns, is well suited for the competitive private equity market.

WCAS's investment strategy is based on its value-added operational focus, control investor approach, partnering with its network of management teams and utilizing its captive Subordinated Debt Partnerships to finance transactions. Most recently, WCAS has focused on a buy-and-build strategy of buying smaller platform companies with the goal of ultimately deploying larger amounts of capital through a strategic acquisition program. Historically, WCAS's best returns have come under its buy-and-build strategy.

WCAS is the largest investor in their two industries of focus, healthcare and information and business services. These two industries represent over 25% of the U.S. economy and are growing twice the rate of GDP. WCAS has invested \$4.1 billion in 72 information and business services companies. Sixty-seven of the investments have been realized/publicly traded with a 45% IRR and a 2.6x investment multiple. WCAS invested \$3.6 billion in 58 healthcare companies. Forty-seven of the investments have been realized/publicly traded with a 33% IRR and a 2.3x investment multiple. Over the past ten years, WCAS's information and business service investments have outperformed its respective public index by 1700 basis point while the healthcare investments have outperformed the relevant public index by 1300 basis points.

IV. Investment Performance

Previous fund performance as of September 30, 2005 for WCAS is shown below:

Fund Name	Inception Date	Total Capital Commitments (millions)	SBI Investment (millions)	Net IRR from Inception
WCAS I *	1979	\$33		19%
WCAS II *	1980	\$32		14%
WCAS III *	1983	\$81		9%
WCAS IV *	1985	\$178		14%
WCAS V *	1989	\$371		33%
WCAS VI	1993	\$604		13%
WCAS VII	1995	\$1,426		18%
WCAS VIII	1998	\$3,000	\$100	-1%
WCAS IX	2000	\$3,781	\$125	11%

* Fully liquidated

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

The General Partner, together with its affiliates, will invest \$175 million of capital, which is one of the highest General Partner commitments in the industry. Of this investment, an amount equal to 1% of the Partnership's total capital will be a contribution by the General Partner to the capital of the Partnership and the balance will be co-invested in each transaction on the same terms as those obtained by the Partnership.

In terms of the General Partner's commitment, each of the three founders (Welsh, Carson and Anderson) will be investing \$25 million and the other senior General Partners (de Nicola, Minicucci and Queally) will be investing \$20 million each. The remaining commitment will be allocated among the other General Partners based on their individual WCAS X carried interest.

VI. Takedown Schedule

As of October 31st, WCAS X has called 19% of committed capital in order to fund its first four investments (Renal Advantage, Titan Holdings, Aptuit Inc, Ozburn-Hessey Logistics). Upon closing, a 19% capital call will be due to the Partnership.

VII. Fees

The management fee will be calculated quarterly at a rate of .375% (annual rate of 1.5%) of total committed capital. Eighty percent of transaction, advisory, break-up and director fees (collectively "creditable fees") will be credited to the quarterly management fee and thereby inure to the benefit of the Partnership. Based on the creditable fees, the WCAS Equity Partnerships management fees historically has been 1.0% (100 basis points) per year.

The management fee will remain at the annual rate of 1.5% through the earlier of (1) May 31, 2011, (2) the date of the initial closing of a successor collective institutional equity investment entity to the Partnership and (3) the one year anniversary of the date on which the Limited Partners shall have actually paid to the Partnership aggregate installments equal to 85% of the capital contributions. Thereafter, the annual management fee will be reduced to .75% on net invested capital.

The Partnership will pay all organizational expenses (excluding placement fees), which will not exceed \$2.5 million.

VIII. Allocation and Distributions

Carried interest is widely spread amongst the General Partners based on experience and contributions to the Firm. In addition, all professionals down to the Associate level share in the profits of the Firm.

The Partnership will establish and maintain a capital account for each Partner, including the General Partner. All items of income, gain and losses will be allocated to the Partners' capital accounts in a manner generally consistent with the distribution procedures stated below.

Net proceeds attributable to a portfolio company investment, including distributions in kind of securities, generally will be distributed in the following order of priority:

(A) Return of Realized Capital and Costs: First, 100% to the Partners in accordance with their respective commitments until the cumulative distributions to the Partners equal the aggregate of the following:

1. the capital contributions used to acquire such investment and all other investments previously sold or otherwise disposed of for cash, distributed in kind, written off or written down (net of write-ups of any investments); and
2. all organizational expenses, other Partnership expenses and management fees (only to the extent paid out of capital contributions) allocated to the investments;

(B) **Preferred Return:** Second, 100% to the Partners in accordance with their respective commitments until the cumulative distributions to the Partners equal a preferred return on the amounts included in paragraph (a) above at the rate of 7% per annum, compounded annually (the “Preferred Return”);

(C) **Catch-Up:** Third, 100% to the General Partner until the General Partner has received 20% of the distributed Preferred Return; and

(D) **80/20 Split:** Thereafter, 80% to the Partners in accordance with their respective commitments and 20% to the General Partner.

Distributions of certain short-term investment income will be made to the Partners in accordance with their respective capital commitments.

IX. Investment Period and Term

The Partnership shall terminate on May 31, 2017. Extension of the Partnership beyond May 31, 2017, may be effected by the General Partner, with the consent of 66-2/3% in interest of the Limited Partners, for up to four additional one-year periods. The Partnership maintains a six-year investment period but expects to be fully invested over a 4-5 year period.