

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Wednesday, November 18, 2009
12:00 Noon
State Board of Investment
Board Room – First Floor
60 Empire Drive, St. Paul, MN

- | | |
|--|---------------------------------|
| <p>1. Approval of Minutes of August 19, 2009</p> | TAB |
| <p>2. Report from the Executive Director (H. Bicker)</p> <p>A. Quarterly Investment Review
(July 1, 2009 – September 30, 2009)</p> <p>B. Administrative Report</p> <ul style="list-style-type: none">1. Reports on budget and travel2. Combined Funds Benefit Increase for FY093. FY09 Audit Report4. Draft of FY09 Annual Report5. Tentative Meeting Dates for Calendar 20106. Update on Sudan7. Update on Iran8. Litigation Update | <p>A</p> <p>B</p> |
| <p>3. Review of manager performance for the period ending September 30, 2009 (H. Bicker)</p> | C |
| <p>4. Alternative Investment Report (H. Bicker)</p> <p>A. Review of current strategy.</p> <p>B. Consideration of an increased investment commitment to a new fund investment that was approved in a prior quarter with an existing yield-oriented manager.</p> <p>C. Review of commitment level.</p> | D |
| <p>8. Discussion Items:</p> <p>A. Market Outlook</p> | |
| <p>9. Other items</p> | |

INVESTMENT ADVISORY COUNCIL

MINUTES

November 18, 2009

Minutes
Investment Advisory Council
August 19, 2009

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

MEMBERS ABSENT: LeRoy Koppendrayer.

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

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Celeste Grant, Rebecca Spartz, Christie Eller, Ed Burek, MN Legislative Commission on Pensions & Retirement; Don Swanson, WCRA; Emily Chen, U of M Summer Intern; and John Fisher, REAM.

The Investment Advisory Council (IAC) met at 12:00 noon on Wednesday, August 19, 2009 in the Board Room, First Floor, 60 Empire Drive, St. Paul, MN. The minutes of the May 20, 2009 meeting were approved. Mr. Bicker introduced Dennis Duerst of 3M, a new member recently appointed to the IAC.

Executive Director's Report

Mr. Bicker, Executive Director, noted that following the meeting agenda, Steve Schwarzman of Blackstone Capital would make a presentation on private equity. He referred members to Tab A of the meeting materials and reported that the Combined Funds had matched its Composite Index over the ten year period ending June 30, 2009 (Combined Funds 2.4% vs. Composite 2.4%), and had provided a real rate of return over the latest 20 year period (Combined Funds 7.6% vs. CPI 2.8%). Mr. Bicker reminded members that the Post Fund merged with the Basic Funds on June 30, 2009. He stated that in order to effect this transition on June 30, as required by the legislation, the Post Fund was transferred using a value as of the close of business on June 29, 2009. He said that, as a result, the Post Fund had a market value of zero as of the last day of the fiscal year, June 30, 2009. He added that all performance reported for the Post is through June 29, 2009 and that all performance reported for the Basics is through June 30, 2009. He noted that the Combined Funds includes the performance of all retirement assets through June 30, 2009.

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 17.2% vs. Domestic Equity Asset Class Target 16.8%) and slightly underperformed for the year (Domestic Stocks -26.9% vs. Domestic Equity Asset Class Target -26.6%). He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 27.0% vs. International Equity Asset Class Target 27.6%) and for the year (International Stocks -31.0% vs. International Equity Asset Class Target -30.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 5.3% vs. Fixed Income Asset Class Target 1.8%) and underperformed for the year (Bonds 2.5% vs. Fixed Income Asset Class Target 6.0%). He noted that bond performance over the past year suffered due to the managers' underweighting in government securities. He noted that alternative investments returned -18.0% for the year. He concluded his report with the comment that, as of June 30, 2009, the SBI was responsible for \$47.9 billion in assets. In response to a question from Ms. Hacking, Mr. Bicker confirmed that the Post merger didn't create any significant performance reporting issues.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. Mr. Bicker stated that Tab B also included updated information regarding the Sudan restrictions and divestiture. He added that next quarter members will also begin to see information concerning the Iran divestiture legislation.

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

Mr. Bicker reported that as of July 1, 2009, the SBI switched from monthly pricing to daily pricing for the Supplemental Investment Fund. He noted that daily pricing provides additional flexibility for participants, and he reported that the process went well.

In response to questions from Mr. Bohan, Mr. Bicker stated that a total of approximately \$300 million is invested in aggregate in Sudan and Iran.

Review of Manager Performance

Mr. Bicker referred members to Tab C of the meeting materials and briefly reviewed several issues involving various managers. He stated that RiverSource Investment/Kenwood Capital Management had notified staff that the firm would end business operations on July 31, 2009. He said that staff liquidated the account effective July 7, 2009. Mr. Bicker reported that staff is monitoring the purchase of Barclays Global Investors, the SBI's passive manager for domestic equities, by BlackRock and that, so far, no major issues have been identified. He stated that staff is closely monitoring the merger of Franklin Portfolio Associates with Mellon Capital Management. He noted that Franklin is both a semi-passive and an active manager for the SBI. Mr. Bicker stated that staff will be reviewing the semi-passive programs in the various asset classes over the next few months.

Mr. Bicker referred members to Tab D of the meeting materials for the information regarding the liquidation of Kenwood's assets.

Voluntary Statewide Volunteer Firefighter Plan

Mr. Bicker referred members to Tab E of the meeting materials and stated that legislation was enacted in the 2009 Legislative Session to establish a Voluntary Statewide Volunteer Firefighter Plan. He explained that the assets of the Plan will be managed by the SBI and that a new account, the Volunteer Firefighter Account, will be created in the Supplemental Investment Fund. He said that this will be a voluntary plan in which any of the over 700 volunteer relief associations may choose to participate. He stated that the plan will be administered by the Public Employees Retirement System (PERA.) He explained that the Plan has an actuarial assumed rate of 6% and that the Plan only distributes benefits in lump-sum form. He added that January 1, 2010 will be the earliest date relief associations may join the Plan. Mr. Bicker said that staff is recommending an asset allocation of 35% U.S. Equity/15% international equity/45% fixed income/5% cash for the Plan. He stated that the proposed asset allocation was presented to the Statewide Volunteer Firefighter Retirement Plan Advisory Board and that the Board voted to support the proposed asset allocation. A lengthy discussion followed regarding the impact the asset allocation decision has on the funding costs for cities and townships and on the level of benefits available to firefighters. Ms. Vanek stated that the Plan's advisory board plans to discuss these issues further and Mr. Bicker confirmed that the asset allocation can be changed at a future date, if warranted. In response to a question from Mr. Ahrens, Ms. Vanek stated that contributions come from state aid monies that will be credited to any participating relief association. Ms. Vanek stated that the Plan will not be accepting contributions until January 1, 2010, so she reminded members that the asset allocation could be revised, if necessary, by the State Board of Investment at its December 2009 meeting. Mr. McDonald moved approval of staff's recommendation, as stated in Tab E of the meeting materials. Mr. Kiedrowski seconded the motion. The motion passed.

Update on PPIP Program

Ms. Richardson referred members to Tab F of the meeting materials and stated that at the June 2009 Board meeting the Board granted conditional authority to staff to invest up to one percent of the Combined Funds in the Public-Private Investment Partnership (PPIP.) She explained that the authority was conditional because details of the program were not available at that time and the investment managers to be appointed by the government had not been announced. She reported that, since that time, staff has done extensive research on the details of the program, the managers, and the funds available for investment. Ms. Richardson stated that staff has decided against pursuing the PPIP investment for the following reasons: a) concern that the terms may change over time; b) staff would recommend only two of the managers offering PPIP funds, making it difficult to make a meaningful investment of the Combined Funds; c) unknown amount of leverage; d) improved pricing of the securities making projected returns more difficult to achieve; and e) illiquidity of funds. Mr. Bicker noted that the SBI's current managers have the ability to buy these same securities already. A discussion followed with several members questioning and commenting on various aspects of the program. Ms. Hacking made a motion that the IAC concur with staff's decision against pursuing the PPIP investment, as stated in Tab F of the meeting materials. Mr. Bohan seconded the motion. In response to a question from Mr. Bailey, Mr. Bicker said that the program may have been of more interest if the size of the program had been larger, if the government would

have locked in the terms of the program, and if the fee structures had been more reasonable. The motion passed.

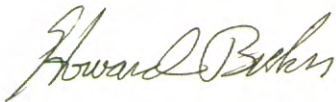
Alternative Investment Report

Mr. Bicker referred members to Tab G of the meeting materials and stated that staff is recommending to increase the investments with Merit Capital and Lexington Capital Partners, the two managers that had initial investments in new funds approved by the Board at the June 2009 Board meeting. He added that the increased amounts bring the total invested in each fund back up to the normal participation amount usually invested by the SBI. Mr. Kiedrowski moved approval of staff's recommendation, as stated in Tab G of the meeting materials. Mr. McDonald seconded the motion. The motion passed.

Mr. Bailey introduced Steve Schwarzman, Chairman and CEO of Blackstone, and Mr. Schwarzman gave a presentation on private equity markets. After his presentation, a brief discussion followed.

The meeting adjourned at 2:50 P.M.

Respectfully submitted,



Howard Bicker
Executive Director

Tab A

LONG TERM OBJECTIVES
Period Ending 9/30/2009

COMBINED FUNDS: \$39.7 Billion	Result	Compared to Objective
Match or Exceed Composite Index (10 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.	3.8% (1)	Matched the target
Provide Real Return (20 yr.) Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	8.1%	5.4 percentage points above CPI

(1) Performance is calculated net of fees.

SUMMARY OF ACTUARIAL VALUATIONS

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

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

Notes:

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

Actuarial Assumptions:

Interest/Discount Rate:

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

Full Funding Target Date:

2020 – MSRS General

2031 – PERA General

2037 – TRA

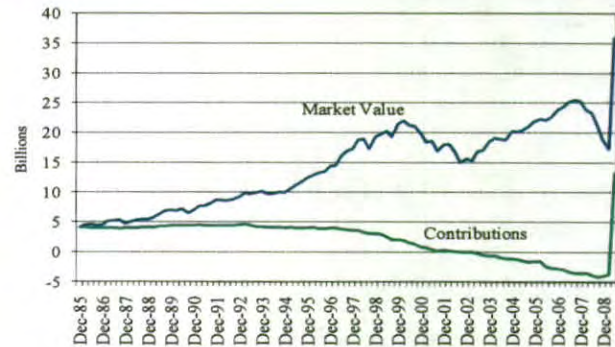
EXECUTIVE SUMMARY
Combined Funds (Net of Fees)

Asset Growth

The market value of the Combined Funds increased 10.6% during the third quarter of 2009. Strong investment returns accounted for the increase.

Asset Growth
During Third Quarter 2009
(Millions)

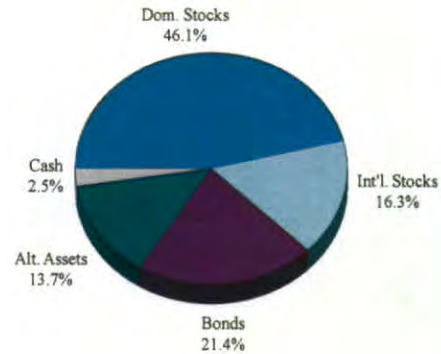
Beginning Value	\$ 35,884
Net Contributions	-459
Investment Return	4,280
Ending Value	\$ 39,705



Asset Mix

The allocation to domestic stocks increased due to a strong equity market. Alternative investments and fixed income both decreased due to the merger of the Basics and Post Funds and the continued adjustment from fixed income into alternatives. Cash also increased with the new Combined Funds asset allocation policy.

	Policy Targets	Actual Mix 9/30/2009	Actual Market Value (Millions)
Domestic Stocks	45.0%	46.1%	\$18,294
Int'l. Stocks	15.0	16.3	6,468
Bonds	18.0	21.4	8,510
Alternative Assets*	20.0	13.7	5,449
Unallocated Cash	2.0	2.5	984
	100.0%	100.0%	\$39,705

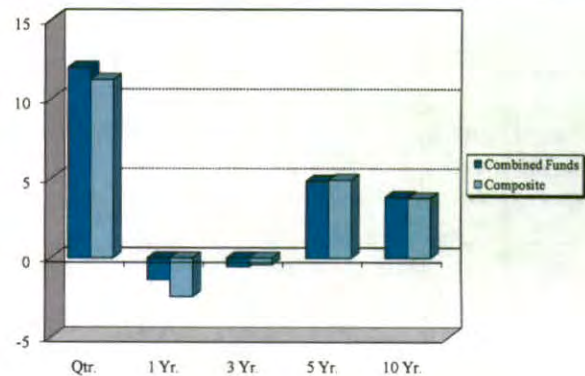


* Any uninvested allocation is held in domestic bonds.

Fund Performance (Net of Fees)

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	12.0%	-1.4%	-0.5%	4.9%	3.8%
Composite	11.2	-2.4	-0.4	4.9	3.8



EXECUTIVE SUMMARY

Stock and Bond Manager Performance (Net of Fees)

Domestic Stocks

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Dom. Stocks	16.4%	-6.1%	-5.3%	1.3%	0.2%
Asset Class Target*	16.3	-6.4	-5.1	1.6	0.4

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

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

International Stocks

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	19.4%	5.9%	-1.2%	8.1%	4.2%
Asset Class Target*	19.7	5.9	-1.1	8.2	3.9

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

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

Bonds

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	6.3%	12.1%	5.2%	4.6%	6.2%
Asset Class Target*	3.7	10.6	6.4	5.1	6.3

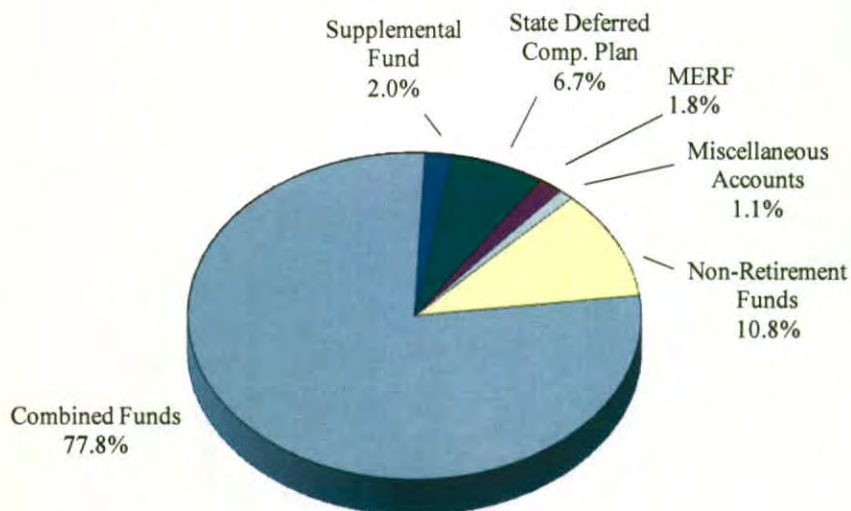
Barclays Capital Aggregate: The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

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

Alternative Investments

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	1.1%	-19.9%	4.6%	15.8%	12.4%

EXECUTIVE SUMMARY
Funds Under Management



	9/30/2009 Market Value (Billions)
Retirement Funds	
Combined Funds	\$39.7
Supplemental Investment Fund	1.0
State Deferred Compensation Plan Non-SIF Assets	3.4
Minneapolis Employees Retirement Fund (MERF)	0.9
Non-Retirement Funds	
Assigned Risk Plan	0.3
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	4.0
Miscellaneous Accounts	0.5
Total	\$51.1

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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Third Quarter 2009
(July 1, 2009 - September 30, 2009)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Dow Jones Wilshire Composite	16.3%	-6.3%	-4.8%	1.8%	0.9%
Dow Jones Industrials	15.8	-7.4	-3.3	1.9	1.7
S&P 500	15.6	-6.9	-5.4	1.0	-0.2
Russell 3000 (broad market)	16.3	-6.4	-5.1	1.6	0.7
Russell 1000 (large cap)	16.1	-6.1	-5.1	1.5	0.4
Russell 2000 (small cap)	19.3	-9.5	-4.6	2.4	4.9
Domestic Fixed Income					
Barclays Capital Aggregate (1)	3.7	10.6	6.4	5.1	6.3
Barclays Capital Gov't./Corp.	4.2	11.5	6.2	4.9	6.3
3 month U.S. Treasury Bills	0.0	0.2	2.5	3.0	2.9
International					
EAFE (2)	19.5	3.2	-3.6	6.1	2.6
Emerging Markets Free (3)	21.0	19.4	8.3	17.7	11.7
ACWI Free ex-U.S. (4)	19.8	6.4	-0.8	8.6	4.5
World ex-U.S. (5)	19.4	2.9	-3.0	6.5	3.0
Salomon Non U.S. Gov't. Bond	7.3	16.1	10.2	7.1	6.7
Inflation Measure					
Consumer Price Index CPI-U (6)	0.1	-1.3	2.1	2.5	2.5
Consumer Price Index CPI-W (7)	0.2	-1.7	2.1	2.7	2.5

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 16.3% return during the third quarter of 2009. As the stock market continued its recovery, the themes that have dominated the market since the low back in March remained in place. The strongest performance came from the most economically sensitive areas of the market and from lower quality stocks in general. Within the Russell 3000, "Other", which includes a variety of multi-sector companies such as GE and 3M, was the best performing sector, up 37.2%. The Financial sector also had strong performance, up 23.8%. Integrated Oils was the worst performing sector with a 2.6% return for the quarter. Value companies outperformed growth companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	14.0%
Large Value	Russell 1000 Value	18.2%
Small Growth	Russell 2000 Growth	16.0%
Small Value	Russell 2000 Value	22.7%

The Russell 3000 index returned -6.4% for the year ending September 30, 2009.

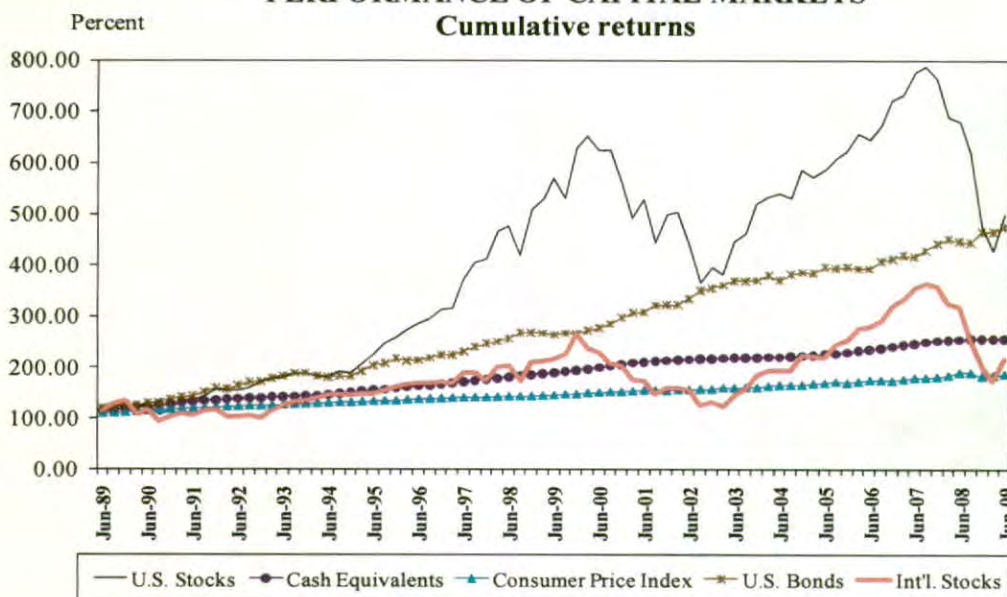
DOMESTIC BONDS

The rally in the spread sectors that started in 2Q09 continued through 3Q09, as all spread sectors outperformed Treasuries. There was massive issuance in the corporate bond market, but that supply was met with demand as companies continue to take advantage of cheap funding levels and term out their debt structure. CMBS and ABS performed well behind support from the government's TALF program and increased investor appetite for yield. The non-Agency MBS market has also continued to gradually improve as the government's TALF and PPIP programs have provided strong technicals in that sector. The Fed has maintained its support of the Agency MBS market as they continue with their plan to purchase a total of \$1.25 trillion in Agency MBS by the end of March 2010.

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

U.S. Treasury	2.1%
Agency	2.0
Corporates	8.1
Agency MBS	2.3
Commercial Mortgages	12.7
Asset-backed	6.3

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 19.4% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	6.5%
United Kingdom	18.5
France	26.6
Canada	18.3
Germany	23.2
Switzerland	22.2

The World ex U.S. index returned 2.9% 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 21.0% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	7.9%
Brazil	27.5
Korea	34.5
Taiwan	23.2
India	19.6
South Africa	14.4

The Emerging Markets Free index returned 19.4% during the last year.

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

REAL ESTATE

The global real estate market continues to remain extremely weak. The real estate debt market, namely the CMBS market, remains effectively closed which has led to fewer and more selective transactions. Although the public REIT market has had a strong rebound, real estate prices continue to see declines in value. The commercial real estate market is believed to be well behind the residential market in terms of a correction. Real estate firms with opportunistic or value added strategies that use higher amounts of leverage performed worse in the third quarter than firms with core or income focused real estate strategies. On the bright side, many industry groups believe the residential real estate market has reached its bottom.

PRIVATE EQUITY

It has been one year since the collapse of Lehman Brothers, and many industry groups believe that the worst of the economic downturn is finally behind the private equity industry. For the first time in well over a year, there is a positive outlook for the future. In the current environment, there is more of a focus on creating value by improving operating income within portfolio companies than there is on relying upon multiple expansion or financial engineering to create value. The equity and debt capital markets have continued to improve. Financing is easier to obtain and much less expensive than it was a year ago. IPO's and M&A activity has picked up significantly since last winter, which is beginning to provide private equity firms with much needed liquidity. If this deal activity continues, it is reasonable to expect that distributions to Limited Partners will begin to pick up once again.

RESOURCE FUNDS

During the third quarter of 2009, crude oil averaged \$68 per barrel up from the average price of \$61 per barrel during the first quarter. Oil prices bottomed around the \$30/bbl level earlier in the year which was primarily due to the global economic slowdown; however the rebound has been credited mainly to inflationary concerns and a weak U.S. dollar. Overall crude oil inventories remain high but are decreasing due to substantial cuts in OPEC supply, which should benefit prices in the longer-term. Shale gas plays continue to dominate natural gas news headlines. Well productivity continues to improve due to technological improvements within the industry.

COMBINED FUNDS

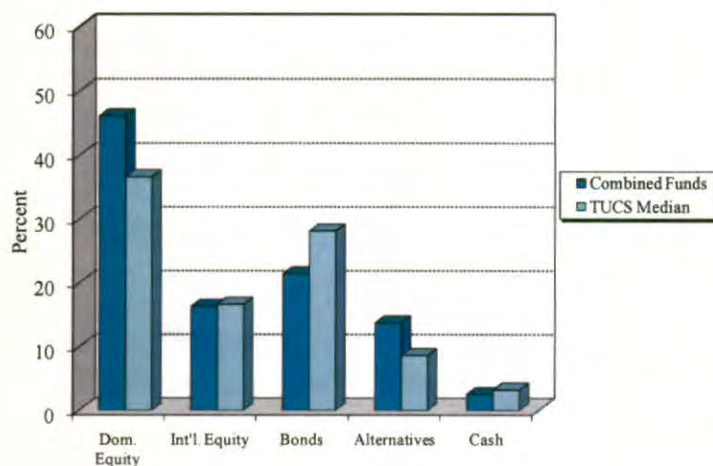
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

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

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

	\$ Millions	%
Domestic Stocks	\$18,294	46.1%
International Stocks	6,468	16.3
Bonds	8,510	21.4
Alternative Assets	5,449	13.7
Unallocated Cash	984	2.5
Total	\$39,705	100.0%



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
Combined Funds	46.1%	16.3%	21.4%	13.7%	2.5%
Median Allocation in TUCS*	36.6	16.6	28.1	8.6**	3.2

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

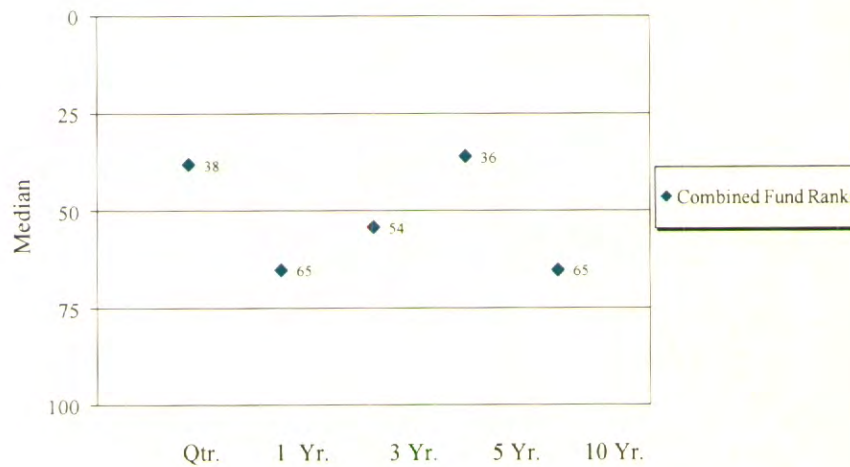
**COMBINED FUNDS
Performance Compared to Other Pension Funds**

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 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	38th	65th	54th	36th	65th

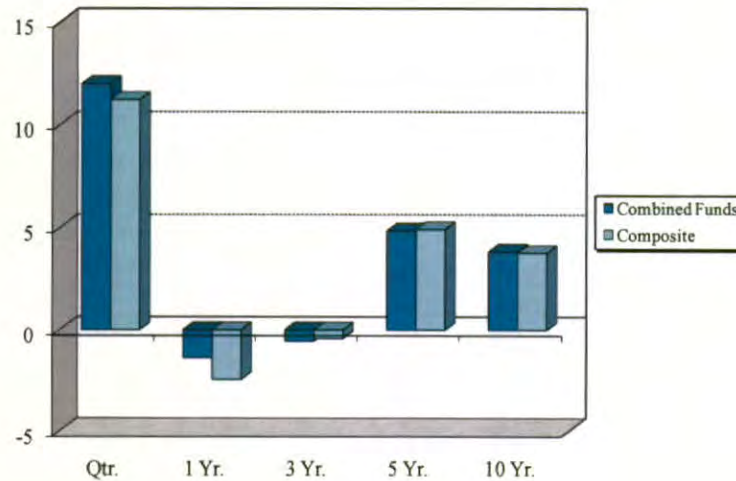
* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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* 3Q09
Domestic Stocks	Russell 3000	44.6%*
Int'l. Stocks	MSCI ACWI Free ex-U.S.	16.3
Bonds	Barclays Capital Aggregate	22.3
Alternative Investments	Alternative Investments	14.8*
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 9/30/2009

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds**	12.0%	-1.4%	-0.5%	4.9%	3.8%
Composite Index	11.2	-2.4	-0.4	4.9	3.8

** Actual returns are reported net of fees.

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STOCK AND BOND MANAGERS

Performance of Asset Pools (Net of Fees)

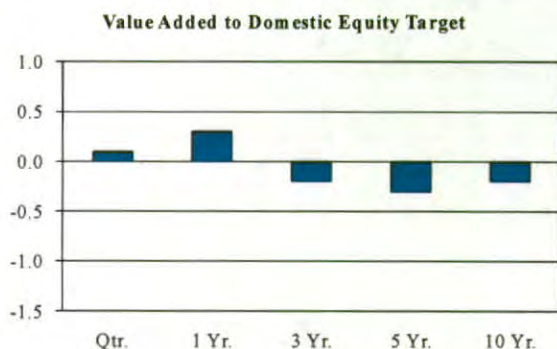
Domestic Stocks

Target: Russell 3000

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	16.4%	-6.1%	-5.3%	1.3%	0.2%
Asset Class Target*	16.3	-6.4	-5.1	1.6	0.4

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



International Stocks

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

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	19.4%	5.9%	-1.2%	8.1%	4.2%
Asset Class Target*	19.7	5.9	-1.1	8.2	3.9

* 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.

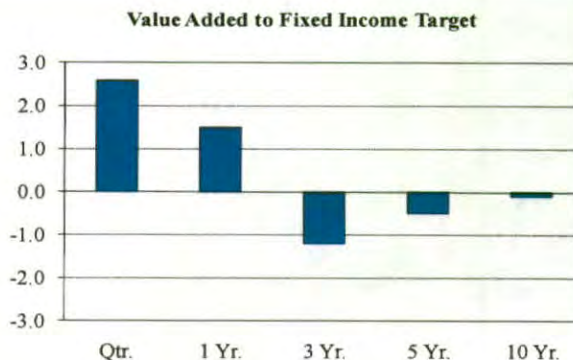


Bonds

Target: Barclays Capital Aggregate Bond Index

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	6.3%	12.1%	5.2%	4.6%	6.2%
Asset Class Target	3.7	10.6	6.4	5.1	6.3



ALTERNATIVE INVESTMENTS
Performance of Asset Categories
(Net of Fees)

Alternative Investments

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

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	1.1%	-19.9%	4.6%	15.8%	12.4%
Inflation	0.1%	-1.3%	2.1%	2.5%	2.5%

Real Estate Investments (Equity emphasis)

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

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	-10.6%	-31.6%	-2.9%	6.0%	8.0%

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.

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.

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	7.6%	-14.1%	5.1%	15.3%	11.1%

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.

Resource Investments (Equity emphasis)

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

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	4.5%	-17.3%	8.0%	41.1%	26.1%

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.

Yield Oriented Investments (Debt emphasis)

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

	Period Ending 9/30/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	-7.6%	-25.9%	8.5%	18.6%	15.1%

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.

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, 2009 the market value of the entire Fund was \$1.1 billion.

Investment Options

	9/30/2009 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$215
Growth Share Account – an actively managed, all common stock portfolio.	\$97
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$230
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$112
Bond Market Account – an actively managed, all bond portfolio.	\$108
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$178
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.	\$103

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

	Target	Actual
Stocks	60.0%	60.6%
Bonds	35.0	38.5
Unallocated Cash	5.0	0.9
	100.0%	100.0%

Period Ending 9/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	11.2%	2.4%	0.0%	3.6%	3.1%
Benchmark*	11.0	0.6	-0.9	2.8	2.8

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

GROWTH SHARE ACCOUNT

Investment Objective

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

Asset Mix

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

Period Ending 9/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	16.5%	-5.9%	-5.6%	1.0%	-0.1%
Benchmark*	16.3	-6.4	-5.1	1.6	0.4

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

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

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

The Account is invested 100% in common stock.

Period Ending 9/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	16.3%	-6.3%	-4.9%	1.7%	0.6%
Benchmark*	16.3	-6.4	-5.1	1.6	0.5

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

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix

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

Period Ending 9/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	19.4%	6.3%	-1.0%	8.3%	4.3%
Benchmark*	19.7	5.9	-1.1	8.2	3.9

* 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.

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT**Investment Objective**

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

Asset Mix

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.3%	12.0%	5.2%	4.6%	6.2%
Barclays Capital					
Aggregate	3.7	10.6	6.4	5.1	6.3

MONEY MARKET ACCOUNT**Investment Objective**

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

Asset Mix

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	0.1%	0.6%	3.2%	3.4%	3.3%
3 month T-Bills	0.0	0.2	2.5	3.0	2.9

FIXED INTEREST ACCOUNT**Investment Objectives**

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

Asset Mix

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

	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.1%	4.6%	4.7%	4.6%	5.1%
Benchmark*	0.5	1.9	3.3	3.8	4.0

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

DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

Investment Options

	9/30/2009 Market Value (in Millions)
Vanguard Institutional Index (passive)	\$352
Janus Twenty (active)	\$409
Legg Mason Appreciation Y (active)	\$109
Vanguard Mid Cap Index (passive)	\$133
T. Rowe Price Small Cap (active)	\$315
Fidelity Diversified International (active)	\$226
Vanguard Institutional Developed Markets (passive)	\$71
Dodge & Cox Balanced Fund (active)	\$238
Vanguard Balanced Fund (passive)	\$157
Dodge & Cox Income Fund (active)	\$115
Vanguard Total Bond Market Fund (passive)	\$97
Money Market Account	\$99
Fixed Interest Account	\$1,074

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 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	15.6%	-6.7%	-5.4%	1.1%
S&P 500	15.6	-6.9	-5.4	1.0

Janus Twenty (active)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	13.5%	5.4%	5.6%	8.3%
S&P 500	15.6	-6.9	-5.4	1.0

Legg Mason Partners Appreciation Y (active)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	12.9%	-4.6%	-1.6%	3.0%
S&P 500	15.6	-6.9	-5.4	1.0

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 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	21.6%	-1.9%	-4.3%	4.0%
MSCI US Mid-Cap 450	21.6	-2.0	-4.4	3.9

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 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	20.4%	0.5%	-2.7%	3.5%
Russell 2000	19.3	-9.5	-4.6	2.4

INTERNATIONAL EQUITY

Fidelity Diversified International (active)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	17.7%	-2.2%	-3.8%	5.8%
MSCI EAFE	19.5	3.2	-3.6	6.1

Vanguard Institutional Developed Markets (passive)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	19.2%	1.7%	-3.4%	6.2%
MSCI EAFE	19.5	3.2	-3.6	6.1

DEFERRED COMPENSATION PLAN ACCOUNTS

BALANCED

Dodge & Cox Balanced Fund (active)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	16.0%	3.4%	-4.3%	1.8%
Benchmark	10.8	0.6	-0.6	2.9

Vanguard Balanced Fund (passive)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	11.3%	1.5%	0.2%	3.6%
Benchmark	11.3	1.3	0.0	3.4

FIXED INCOME

Dodge & Cox Income Fund (active)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	5.8%	17.9%	6.6%	5.3%
Barclays Capital Aggregate	3.7	10.6	6.4	5.1

Vanguard Total Bond Market Fund (passive)

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	3.7%	10.6%	6.6%	5.2%
Barclays Capital Aggregate	3.7	10.6	6.4	5.1

Money Market Account

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	0.1%	0.6%	3.2%	3.4%
3-Mo. Treas.	0.0	0.2	2.5	3.0

FIXED INTEREST ACCOUNT

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

Fund	Period Ending 9/30/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
	1.1%	4.6%	4.7%	4.6%
Benchmark	0.5	1.9	3.3	3.8

MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Investment Objectives

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

Asset Mix

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

Asset Mix 9/30/09

	\$ Thousands	% Target Allocation	% Actual Allocation
U.S. Equities	424,327	49.0	46.6
Non-U.S. Equities	193,002	21.0	21.2
Bonds	259,272	29.0	28.5
Cash	33,908	1.0	3.7
Total	910,509	100.0	100.0

Investment Management

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

Performance

Quarterly performance through September 30, 2009 for MERF was:

3Q09	1 Year
13.5%	2.7%

Market Value

On September 30, 2009, the market value of MERF was \$910 million. The market value of the MERF Deposit Accumulation Fund (DAF) was \$12 million.

ASSIGNED RISK PLAN

Investment Objectives

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

Asset Mix

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

	9/30/2009 Target	9/30/2009 Actual
Stocks	20.0%	18.3%
Bonds	80.0	81.7
Total	100.0%	100.0%

Investment Management

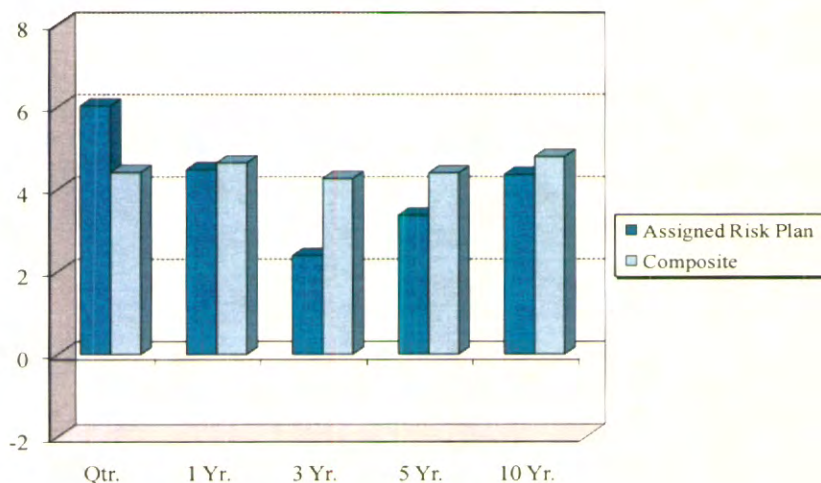
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

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, 2009 the market value of the Assigned Risk Plan was \$317 million.



Period Ending 9/30/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	6.0%	4.5%	2.4%	3.4%	4.4%
Composite	4.4	4.6	4.3	4.4	4.8
Equity Segment*	14.5	-3.5	-2.1	2.8	1.5
Benchmark	15.6	-6.9	-5.4	1.0	-0.2
Bond Segment*	4.3	6.3	3.5	3.4	4.6
Benchmark	1.7	6.7	6.5	5.0	5.8

* 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.

	9/30/2009 Target	9/30/2009 Actual
Stocks	50.0%	52.7%
Bond	48.0	45.8
Cash	2.0	1.5
Total	100.0%	100.0%

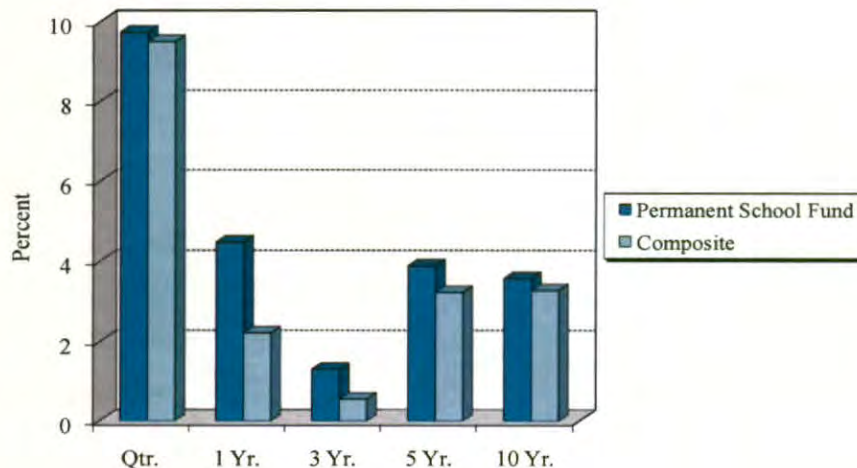
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

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, 2009 the market value of the Permanent School Fund was \$668 million.



Period Ending 9/30/2009

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund (1) (2)	9.7%	4.5%	1.3%	3.9%	3.6%
Composite	9.5	2.2	0.5	3.2	3.3
Equity Segment (1) (2)	15.4	-6.9	-5.4	1.1	-0.1
S&P 500	15.6	-6.9	-5.4	1.0	-0.2
Bond Segment (1)	4.2	14.6	7.4	6.0	6.8
Barclays Capital Agg.	3.7	10.6	6.4	5.1	6.3

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

ENVIRONMENTAL TRUST FUND

Investment Objective

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

Asset Mix

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

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

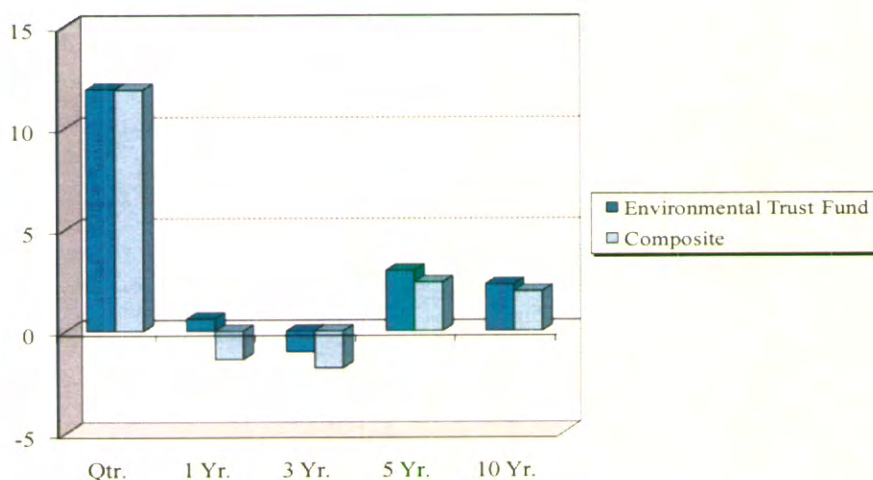
Investment Management

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

Market Value

On September 30, 2009 the market value of the Environmental Trust Fund was \$450 million.

	9/30/2009 Target	9/30/2009 Actual
Stocks	70.0%	71.5%
Bonds	28.0	26.7
Cash	2.0	1.8
Total	100.0%	100.0%



	Period Ending 9/30/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Fund*	11.9%	0.6%	-1.0%	3.0%	2.3%
Composite	11.9	-1.4	-1.8	2.4	2.0
Equity Segment*	15.4	-6.7	-5.3	1.1	-0.1
S&P 500	15.6	-6.9	-5.4	1.0	-0.2
Bond Segment*	4.2	14.3	7.3	6.0	6.9
Barclays Capital Agg.	3.7	10.6	6.4	5.1	6.3

* Actual returns are calculated net of fees.

CLOSED LANDFILL INVESTMENT FUND

Investment Objectives

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

Investment Management

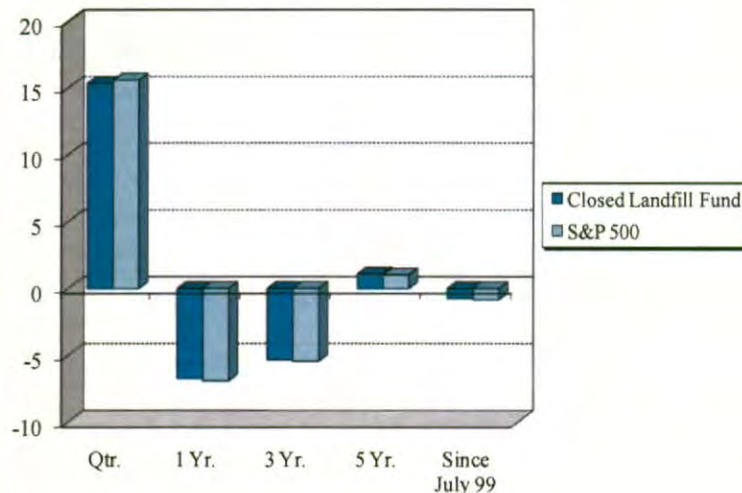
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On September 30, 2009, the market value of the Closed Landfill Investment Fund was \$43.5 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 9/30/2009

	Qtr.	1 Yr.	3 Yr.	5 Yr.	Since 7/1/1999
Total Fund (1)	15.4%	-6.7%	-5.3%	1.1%	-0.7%
S&P 500 (2)	15.6	-6.9	-5.4	1.0	-0.8

- (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 9/30/2009				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer's Cash Pool*	\$3,920	0.6%	3.6%	4.0%	3.9%	3.8%
Custom Benchmark**		0.0	0.5	2.7	2.9	3.0
Trust Fund Cash Pool*	\$120	0.3	1.2	3.0	3.3	3.3
Custom Benchmark***		0.0	0.5	2.7	2.9	2.7
3 month T-Bills		0.0	0.2	2.5	3.0	2.9

* Actual returns are calculated net of fees.

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

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

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

	Cash and Short term	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
COMBINED RETIREMENT FUNDS								
Teachers Retirement Fund	388,999 2.56%	0	3,248,128 21.41%	0	6,982,502 46.03%	2,468,699 16.28%	2,079,824 13.72%	15,168,152 100%
Public Employees Retirement Fund	286,369 2.56%	0	2,392,316 21.41%	0	5,142,765 46.03%	1,818,251 16.28%	1,531,856 13.72%	11,171,557 100%
State Employees Retirement Fund	166,707 2.19%	0	1,634,667 21.50%	0	3,514,045 46.21%	1,242,409 16.34%	1,046,723 13.76%	7,604,551 100%
Public Employees Police & Fire	113,406 2.56%	0	947,398 21.41%	0	2,036,623 46.03%	720,059 16.28%	606,643 13.72%	4,424,129 100%
23 Highway Patrol Retirement Fund	9,545 1.94%	0	106,064 21.55%	0	228,006 46.33%	80,612 16.38%	67,914 13.80%	492,141 100%
Judges Retirement Fund	2,250 1.79%	0	27,072 21.58%	0	58,196 46.40%	20,575 16.40%	17,334 13.83%	125,427 100%
Correctional Employees Retirement	11,482 2.26%	0	108,981 21.48%	0	234,277 46.18%	82,830 16.33%	69,783 13.75%	507,353 100%
Public Employees Correctional	4,853 2.56%	0	40,545 21.41%	0	87,160 46.03%	30,816 16.28%	25,962 13.72%	189,336 100%
Legislative Retirement Fund	163 0.73%	0	4,841 21.82%	0	10,405 46.90%	3,679 16.58%	3,099 13.97%	22,187 100%
TOTAL COMBINED FUNDS	983,774 2.48%	0	8,510,012 21.43%	0	18,293,979 46.07%	6,467,930 16.29%	5,449,138 13.73%	39,704,833 100%

	Cash and Short term	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
Mpls EE Retirement Plan	26,621 3.23%	0	235,323 28.58%	0	385,530 46.82%	175,986 21.37%	0	823,460 100%
Mpls EE Retirement Active	7,287 8.37%	0	23,948 27.51%	0	38,797 44.57%	17,016 19.55%	0	87,048 100%
Mpls EE Retirement Deposit Acct	11,579 100.00%	0	0	0	0	0	0	11,579 100%
TOTAL MERF FUNDS	45,487 4.93%	0	259,271 28.12%	0	424,327 46.02%	193,002 20.93%	0	922,087 100%
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	1,910 0.89%	82,947 38.55%	0	0	130,327 60.56%	0	0	215,184 100%
Growth Share Account	0	0	0	0	96,819 100.00%	0	0	96,819 100%
Money Market Account	177,860 100.00%	0	0	0	0	0	0	177,860 100%
Common Stock Index	0	0	0	0	230,211 100.00%	0	0	230,211 100%
Bond Market Account	0	0	107,924 100.00%	0	0	0	0	107,924 100%
International Share Account	0	0	0	0	0	111,679 100.00%	0	111,679 100%
Stable Value Fund	0	0	103,191 100.00%	0	0	0	0	103,191 100%
TOTAL SUPPLEMENTAL FUNDS	179,770 17.24%	82,947 7.95%	211,115 20.24%	0	457,357 43.86%	111,679 10.71%	0	1,042,868 100%

	Cash and Short Term	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
MN DEFERRED COMP PLAN	110,627 3.26%	0	1,402,334 41.30%	0	1,584,999 46.68%	297,453 8.76%	0	3,395,413 100%
TOTAL RETIREMENT FUNDS	1,319,658 2.93%	82,947 0.18%	10,382,732 23.04%	0	20,760,662 46.07%	7,070,064 15.69%	5,449,138 12.09%	45,065,201 100%
ASSIGNED RISK PLAN	3,674 1.16%	0	255,869 80.78%	0	57,200 18.06%	0	0	316,743 100%
ENVIRONMENTAL FUND	8,056 1.79%	120,325 26.76%	0	321,300 71.45%	0	0	0	449,681 100%
PERMANENT SCHOOL FUND	10,025 1.50%	305,938 45.78%	0	352,289 52.72%	0	0	0	668,252 100%
CLOSED LANDFILL INVESTMENT	0	0	0	43,494 100.00%	0	0	0	43,494 100%
TREASURERS CASH	3,917,944 100.00%	0	0	0	0	0	0	3,917,944 100%
HOUSING FINANCE AGENCY	0	60,104 100.00%	0	0	0	0	0	60,104 100%
MINNESOTA DEBT SERVICE FUND	0	56,857 100.00%	0	0	0	0	0	56,857 100%
MISCELLANEOUS ACCOUNTS	163,925 30.70%	212,287 39.75%	0	157,815 29.55%	0	0	0	534,027 100%
TOTAL CASH AND NON-RETIREMEN'	4,103,624 67.86%	755,511 12.49%	255,869 4.23%	874,898 14.47%	57,200 0.95%	0	0	6,047,102 100%
GRAND TOTAL	5,423,282 10.61%	838,458 1.64%	10,638,601 20.81%	874,898 1.71%	20,817,862 40.73%	7,070,064 13.83%	5,449,138 10.67%	51,112,303 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: November 10, 2009

TO: Members, State Board of Investment

FROM: **Howard Bicker**

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the fiscal year to date through October 31, 2009 is included as **Attachment A**.

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

2. Combined Funds Benefit Increase for FY09

The Combined Funds benefit increase for FY09 will be 2.5%. The increase will be payable to eligible retirees effective January 1, 2010.

3. Results of FY09 Audit

The Legislative Auditor is nearly finished with its financial audit of SBI operations for FY09. A final copy will be distributed as soon as it is available.

4. Draft of FY09 Annual Report

A draft of the SBI's annual report for FY09 will be distributed to the Board members/designees and IAC members in late November. The final report should be distributed by the end of the year.

5. Tentative Meeting Dates for Calendar 2010

The quarterly meetings of the SBI are normally held in March, June, September and December. The dates for the IAC and SBI meetings for calendar 2010 are:

IAC	SBI
Tuesday, February 16, 2010	Wednesday, March 3, 2010
Tuesday, May 18, 2010	Wednesday, June 2, 2010
Tuesday, August 17, 2010	Wednesday, September 1, 2010
Tuesday, November 16, 2010	Wednesday, December 1, 2010

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

6. Update on Sudan

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

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

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

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

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

During 2008, the SBI's managers divested all shares of companies required to be divested. Two companies on the divestment list in 2008, Lundin Petroleum and Harbin Power Equipment, have been removed from the restricted list in 2009 due to a change in their business activities. Two other companies, Wartsila Oyj and Bharat Heavy Electricals, were also removed from the list.

Attachment C is a copy of the September 29, 2009 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

7. Update on Iran

Laws of Minnesota 2009, Chapter 90 requires the Minnesota State Board of Investment (SBI) to take the following actions concerning companies with operations in Iran.

- 1) Within 90 days of the effective date of the law, which was August 1, 2009, the SBI shall make its best efforts to identify all scrutinized companies, as defined in the law, in which the SBI has direct holdings. Direct holdings are equity or debt investments.
- 2) The SBI must identify the list of scrutinized companies in which it has direct holdings and report the list at its December 2009 meeting.
- 3) The SBI must send the list of scrutinized companies to its investment managers informing them that they may make no purchases of securities of companies on the list.
- 4) The SBI shall send a written notice to each scrutinized company informing it of its scrutinized status and that it may become subject to divestment by the SBI. The written notice shall also encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations in order to avoid divestment.
- 5) If, within 90 days of the SBI's first engagement of the company, the company publicly announces its commitment to substantial action specific to Iran, the company shall be removed from the scrutinized list.
- 6) If, after 90 days of the SBI's first engagement of the company, the company continues to have scrutinized business operations, the SBI shall divest all publicly traded securities of the company according to following schedule:
 - at least 50 percent shall be sold within nine months after the company appeared on the scrutinized list.
 - 100 percent, within fifteen months after the company appeared on the scrutinized list.
- 7) By January 15, 2010 and by January 15 each year thereafter, the SBI shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the SBI. The report must include:
 - a copy of the most recent list of scrutinized companies,
 - a summary of correspondence with companies engaged by the SBI,
 - a list of all investments divested,
 - a list of all prohibited investments, and

- any progress made related to managers of investment funds containing companies with scrutinized active business operations requesting managers to consider removing such companies.

Copies of this report will be provided to each SBI board member.

Implementation

Staff talked with a number of public pension systems that have or are implementing Iran restrictions about potential sources for lists of companies with business activities in Iran. Based on the experience and advice of these entities, staff reviewed the Iran product offerings of the two most viable service providers in the business. Based on quality of product, cost and contract considerations, staff chose to subscribe to the Iran service provided by RiskMetrics, the firm which the SBI has used extensively for proxy committee information.

The SBI received its initial list of scrutinized companies in October from RiskMetrics. See **Attachment E** for this list. Staff created a List of Restricted Iran Companies and sent a letter to each domestic and international equity manager and fixed income manager with instructions that the managers may not purchase additional publicly traded securities of the companies. See **Attachment F**.

Staff also identified and wrote to the companies in which the SBI has current equity or fixed income investments. The letters requested a written response within 90 days.

At the advice of the attorney general's office, staff sent one set of letters to those companies who may be subject to divestment and another letter to the one company that currently is exempt from the investment restrictions of the law. Any company on the scrutinized list that has a license to do business in Iran from the U.S. Office of Foreign Assets Control is exempt from the investment restrictions. A copy of each of the two letters is in **Attachment G**.

Staff will continue to take the required actions to implement the law and will present updates to the board at future meetings.

8. Litigation Update

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on December 9, 2009.

ATTACHMENT A

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

ITEM	FISCAL YEAR 2010 BUDGET	FISCAL YEAR 2010 10/31/2009
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 2,923,000	\$ 797,446
PART TIME EMPLOYEES	\$ 75,000	\$ 19,748
SEVERENCE PAYOFF	20,000	0
WORKERS COMPENSATION INSURANCE	1,000	568
MISCELLANEOUS PAYROLL	4,000	0
SUBTOTAL	\$ 3,023,000	\$ 817,762
STATE OPERATIONS		
RENTS & LEASES	205,000	66,057
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	593
PRINTING & BINDING	10,000	2,597
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	11,464
COMMUNICATIONS	30,000	6,118
TRAVEL, IN-STATE	3,000	88
TRAVEL, OUT-STATE	60,000	9,453
SUPPLIES	40,000	10,366
EQUIPMENT	25,000	1,711
EMPLOYEE DEVELOPMENT	20,000	370
OTHER OPERATING COSTS	10,000	4,776
SUBTOTAL	\$ 433,000	\$ 113,593
TOTAL ADMINISTRATIVE BUDGET	\$ 3,456,000	\$ 931,355

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ATTACHMENT B

STATE BOARD OF INVESTMENT

**Travel Summary by Date
SBI Travel August 5, 2009 – November 4, 2009**

Purpose	Name(s)	Destination and Date	Total Cost
Manager Monitoring: Domestic Equity Managers: Goldman Sachs; JP Morgan; Jacobs Levy; Lord Abbett; New Amsterdam; Systematic	T. Brusehaver P. Ammann	New York, NY 8/24-8/26	\$2,554.52
Manager Monitoring: Alternative Investment Manager: Merit Energy	M. McGirr	Traverse City, MI 8/25-8/27	967.66
Manager Monitoring: Fixed Income Manager: Neuberger Investment Mgmt.	M. Menssen J. J. Kirby	Chicago, IL 9/1	340.90
Manager Monitoring: Alternative Investment Managers: Chicago Growth Partners; Prudential Capital Partners	M. McGirr	Chicago, IL 9/21-9/23	1,023.77
In State Travel; Retired Educators Association of Minnesota Convention 2009	H. Bicker	Rochester, MN 9/22	87.72
Manager Monitoring Alternative Investment Managers: Banc Fund; Thoma Bravo Conference: Institutional Limited Partners Association Meeting (ILPA)	J. Griebenow M. McGirr	Chicago, IL 9/29-10/1	1,946.90
Conference: National Association of State Investment Officers (NASIO)	H. Bicker T. Richardson	Las Vegas, NV 10/4-10/7	4,034.32

Purpose	Name(s)	Destination and Date	Total Cost
Conference: TCW Energy & Infrastructure Group 2009 Partners' Conference	J. Griebenow	Santa Monica, CA 10/12-10/14	\$1,123.20
Manager Monitoring: Alternative Investment Managers: ENCAP Investments; Midstream & Resource; TCW Energy	M. McGirr	Houston, TX 10/19-10/20	1,383.06
Manager Monitoring: Alternative Investment Managers: Gold Hill; KKR Conference: 5 th Annual General Partner Summit sponsored by ILPA	M. McGirr	Boston, MA New York, NY 10/30-11/4	1,374.98

ATTACHMENT C

Letter to SBI International Equity Managers

September 29, 2009

Regarding: Sudan Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the July 15, 2009 letter you received. **This new list is effective October 5, 2009.**

- The following companies have been added to the restricted list:
 - Mercator Lines
 - Mercator Lines Singapore

- The following companies have been deleted from the restricted list:
 - AREF Investment Group
 - Bharat Heavy Electricals, Ltd.
 - Wartsila Oyj

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- The following companies have been removed from the divestment list:
 - Bharat Heavy Electricals, Ltd.
 - Lundin Petroleum
 - Wartsila Oyj
 - Harbin Power Equipment

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

Letter to SBI Domestic Equity Managers

September 29, 2009

Regarding: Sudan Companies

Dear Manager:

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

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

Attachment 1 is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the July 15, 2009 letter you received. **This new list is effective October 5, 2009.**

- The following companies have been added to the restricted list:
 - Mercator Lines
 - Mercator Lines Singapore

- The following companies have been deleted from the restricted list:
 - AREF Investment Group
 - Bharat Heavy Electricals, Ltd.
 - Wartsila Oyj

Attachment 2 is the List of Sudan Stocks Requiring Divestment.

- The following companies have been removed from the divestment list:
 - Bharat Heavy Electricals, Ltd.
 - Lundin Petroleum
 - Wartsila Oyj
 - Harbin Power Equipment

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

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

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

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

Sincerely,

Teresa J. Richardson
Assistant Executive Director

Enclosures

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

ATTACHMENT 1

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

ATTACHMENT 1

Restricted Sudan Stocks

Company Name	Country of Origin
Ranhill Berhad	Malaysia
Scomi Group Bhd	Malaysia
Scomi Engineering Bhd	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
Dietswell Engineering	France

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

Source: Genocide Intervention Network

September 4, 2009

ATTACHMENT 2

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

Note: AKA means "Also Known As"

Source: Genocide Intervention Network

September 4, 2009

ATTACHMENT D

Genocide Intervention Network List of "Highest Offenders" Companies in Sudan List Effective Through November 30, 2009

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

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

Genocide Intervention Network List of Companies in Sudan for Ongoing Engagement
List Effective Through November 30, 2009

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

Genocide Intervention Network List of Companies in Sudan with No Publicly Traded Equity
List Effective Through November 30, 2009

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

Source: Genocide Intervention Network

September 4, 2009

ATTACHMENT E

List of Scrutinized Iran Companies

Entity_name	Country	Iranian Sector of Involvement
Aker Solutions ASA (formerly Aker Kvaerner)	Norway	Petroleum
China Petroleum & Chemical Corp.	Hong Kong	Petroleum
CNOOC LTD	China	Petroleum
CNPC Hong Kong Ltd.	Bermuda	Petroleum
Costain Group PLC	United Kingdom	Natural Gas
Daelim Industrial Co.	South Korea	Petroleum
DUBAI ISLAMIC BANK LTD	United Arab Emirates	Banking
Edison Spa (Formerly Montedison Spa)	Italy	Petroleum
ENI Spa	Italy	Petroleum
Finmeccanica SPA	Italy	Natural Gas
Gazprom OAO	Russia	Petroleum
GS Engineering & Construction Ltd. (frmly LS Engineering & Construction)	South Korea	Petroleum
GS Holdings Corp.	South Korea	Petroleum
Indian Oil Corporation Ltd	India	Petroleum
Inpex Corporation	Japan	Petroleum
L air Liquide	France	Petroleum
Lukoil Oao	Russia	Petroleum
Oil & Natural Gas Corporation Ltd.	India	Petroleum
OMV AG	Austria	Petroleum
Petrochina Company Limited	China	Petroleum
Petronas Dagangan Bhd	Malaysia	Petroleum
Royal Dutch Shell PLC	United Kingdom	Petroleum
Samsung Engineering Co. Ltd.	South Korea	Petroleum
Sasol Ltd.	South Africa	Petroleum
StatoilHydro ASA (formerly Statoil ASA)	Norway	Petroleum
Total SA	France	Petroleum

November 9, 2009

ATTACHMENT F

Letter to SBI International Equity Managers

November 5, 2009

Regarding: Iran Companies

Dear Manager:

Laws of Minnesota 2009, Chapter 90 requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction. **This communication applies to all SBI international equity portfolios managed by your organization. This communication also applies to depository receipts of any of the listed companies.**

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **must not be purchased** for the SBI portfolio that your organization manages. **This list is effective November 10, 2009.**

Please note that if you own securities of companies on the List of Restricted Iran Companies, you may be required to divest those holdings in the future.

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

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

Sincerely,

Howard Bicker
Executive Director

Enclosures

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

Letter to SBI Domestic Equity Managers

November 5, 2009

Regarding: Iran Companies

Dear Manager:

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

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **must not be purchased** for the SBI portfolio that your organization manages. **This list is effective November 10, 2009.**

Please note that if you own securities of companies on the List of Restricted Iran Companies, you may be required to divest those holdings in the future.

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

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

Sincerely,

Howard Bicker
Executive Director

Enclosures

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

Attachment 1

RESTRICTED IRAN COMPANIES

Company	Ticker	Cusip	Sedol	Isin	Country
Aker Solutions ASA (formerly Aker Kvaerner)	AKSO	R0180X100	B1VLVW7	NO0010215684	Norway
China Petroleum & Chemical Corp.	SNP	16941R108	2639189	US16941R1086	Hong Kong
CNOOC LTD	CEO	126132109	2494764	US1261321095	China
CNPC Hong Kong Ltd.	00135	G2237F100	6340078	BMG2237F1005	Bermuda
Costain Group PLC	COST	G24472162	0227218	GB0002272184	United Kingdom
Daelim Industrial Co.	000210	Y1860N109	6249584	KR7000210005	South Korea
DUBAI ISLAMIC BANK LTD	DIB	M2888J107	6283452	AE0005802550	United Arab Emirates
Edison Spa (Formerly Montedison Spa)	EDN	T3552V114	7513578	IT0003152417	Italy
ENI Spa	E	26874R108	2297435	US26874R1086	Italy
Finmeccanica SPA	FNC	T4502J151	B0DJNG0	IT0003856405	Italy
Gazprom OAO	GAZP	X7204C106	4364928	RU0007661625	Russia
GS Engineering & Construction Ltd. (fmrly LS Engineering & Construction)	006360	Y2901E108	6537096	KR7006360002	South Korea
GS Holdings Corp.	078930	Y2901P103	B01RJV3	KR7078930005	South Korea
Indian Oil Corporation Ltd	IOC	Y3925Y112	6253767	INE242A01010	India
Inpex Corporation	1605	J2467E101	B10RB15	JP3294460005	Japan
L air Liquide	AIQUY	009126202	2011453	US0091262024	France
Lukoil Oao	LUKOY	677862104	2537432	US6778621044	Russia
Oil & Natural Gas Corporation Ltd.	500312	Y64606117	6139362	INE213A01011	India
OMV AG	OMVKY	670875509	2653758	US6708755094	Austria
Petrochina Company Limited	PTR	71646E100	2568841	US71646E1001	China
Petronas Dagangan Bhd	PETDAG	Y6885A107	6695938	MYL56810O001	Malaysia
Royal Dutch Shell PLC	RDS.A	780259206	B03MM62	US7802592060	United Kingdom
Samsung Engineering Co. Ltd.	028050	Y7472L100	6765239	KR7028050003	South Korea
Sasol Ltd.	SSL	803866300	2777294	US8038663006	South Africa
StatoilHydro ASA (formerly Statoil ASA)	STO	85771P102	2763129	US85771P1021	Norway

November 9, 2009

Letter to SBI Fixed Income Managers

November 5, 2009

Regarding Iran Companies

Dear Manager:

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

Attachment 1 is the List of Restricted Iran Companies. Securities of these companies **must not be purchased** for the SBI portfolio that your organization manages. **This list is effective November 10, 2009.**

Please note that if you own securities of companies on the List of Restricted Iran Companies, you may be required to divest those holdings in the future.

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

Sincerely,

Howard Bicker
Executive Director

Enclosures

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

Attachment 1

RESTRICTED IRAN COMPANIES

Company	Country
Aker Solutions ASA (formerly Aker Kvaerner)	Norway
China Petroleum & Chemical Corp.	Hong Kong
CNOOC LTD	China
CNPC Hong Kong Ltd.	Bermuda
Costain Group PLC	United Kingdom
Daelim Industrial Co.	South Korea
DUBAI ISLAMIC BANK LTD	United Arab Emirates
Edison Spa (Formerly Montedison Spa)	Italy
ENI Spa	Italy
Finmeccanica SPA	Italy
Gazprom OAO	Russia
GS Engineering & Construction Ltd. (frmly LS Engineering & Construction)	South Korea
GS Holdings Corp.	South Korea
Indian Oil Corporation Ltd	India
Inpex Corporation	Japan
L air Liquide	France
Lukoil Oao	Russia
Oil & Natural Gas Corporation Ltd.	India
OMV AG	Austria
Petrochina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Royal Dutch Shell PLC	United Kingdom
Samsung Engineering Co. Ltd.	South Korea
Sasol Ltd.	South Africa
StatoilHydro ASA (formerly Statoil ASA)	Norway

November 9, 2009

ATTACHMENT G

November 5, 2009

Dear Mr. _____:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. Laws of Minnesota 2009, Chapter 90, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

As a result of your company's having scrutinized business operations in Iran, the Minnesota law requires that your company may be subject to investment restriction or divestment by the MSBI. We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations. If you publicly announce your commitment to take either of these actions within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that the investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact James E. Heidelberg at 651-296-3328.

Sincerely,

Howard Bicker
Executive Director

Enclosure

Minnesota Session Laws

Search

Key: (1) ~~language to be deleted~~ (2) new language**2009, Regular Session**

CHAPTER 90--H.F.No. 111

An act

relating to the State Board of Investment; requiring divestment from certain investments relating to Iran; requiring a report; proposing coding for new law in Minnesota Statutes, chapter 11A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [11A.244] INVESTMENT IN IRAN.

Subdivision 1. Definitions. For the purposes of this section, the following terms have the meanings given them in this subdivision.

- (1) "Active business operations" means all business operations that are not inactive business operations.
- (2) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.
- (3) "Direct holdings" means all publicly traded debt and equity securities of a company that are held directly by the State Board of Investment or held in an account or fund in which the State Board of Investment owns all shares or interests.
- (4) "Government of Iran" means the government of the Islamic Republic of Iran or its instrumentalities or political subdivisions and companies owned or controlled by the Islamic Republic of Iran.
- (5) "Inactive business operations" means the continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such a purpose.
- (6) "Indirect holdings" means all investments held in an account or fund, including a mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by one or more persons who are not employed by the State Board of Investment, in which the public funds own shares or interests together with other investors who are not subject to this section.
- (7) "Scrutinized company" means any company engaging in scrutinized business operations.
- (8) "Scrutinized business operations" means any and all active business operations that are subject or liable to sanctions under Public Law 104-172, as amended, the Iran Sanctions Act of 1996, and that involve the maintenance of a company's existing assets or investments in Iran, or the deployment of new investments to Iran that meet or exceed the \$20,000,000 threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. "Scrutinized business operations" does not include the retail sale of gasoline and related products.
- (9) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

Subd. 2. Identification of scrutinized companies. (a) Within 90 days following the effective date of this section, the State Board of Investment shall make its best efforts to identify all scrutinized companies in which it has direct holdings. These efforts shall include, as appropriate:

- (1) reviewing and relying, as appropriate, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;
 - (2) contacting asset managers contracting with the State Board of Investment who invest in companies with business operations in Iran; and
 - (3) contacting other institutional investors that have divested from or engaged with companies with business operations in Iran.
- (b) At the first meeting of the State Board of Investment after it has completed the requirements of paragraph (a), the State Board of Investment shall assemble a list of scrutinized companies in which it has direct holdings.
- (c) The State Board of Investment shall update the scrutinized companies list each quarter based on continuing information, including but not limited to information from sources identified in paragraph (a).

Subd. 3. Engagement of scrutinized companies. The State Board of Investment shall use the following procedures with respect to companies on the scrutinized companies list:

- (1) for each company newly identified in subdivision 2 with scrutinized business operations, the State Board of Investment shall, within 90 days following its assembly

of the scrutinized companies list, send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the State Board of Investment. The notice shall offer the company the opportunity to clarify its scrutinized business operations and shall encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations, or to convert them to inactive business operations in order to avoid divestment by the State Board of Investment; and (2) if, within 90 days following the State Board of Investment's first engagement with a company under clause (1), that company publicly announces its commitment to substantial action specific to Iran, that company shall be removed from the scrutinized companies list and the provisions of this section shall cease to apply to it unless it resumes active business operations in Iran.

Subd. 4. **Divestment.** (a) If, after 90 days following the State Board of Investment's first engagement with a company under subdivision 3, clause (1), the company continues to have scrutinized business operations, and only while the company continues to have scrutinized business operations, the State Board of Investment shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(1) at least 50 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management by nine months after the company's initial appearance on the scrutinized companies list; and

(2) 100 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management within 15 months after the company's initial appearance on the scrutinized companies list.

(b) If a company that ceased scrutinized business operations following engagement under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies to the company and the State Board of Investment shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

Subd. 5. **Prohibition on new acquisitions.** The State Board of Investment may not acquire securities of companies on the scrutinized companies list that have scrutinized business operations, except as provided in this section.

Subd. 6. **Relation to federal action.** If the federal government excludes a company from its present or any future federal sanctions relating to Iran, that company is exempt from the divestment requirements and the investment prohibitions in this section.

Subd. 7. **Exemptions.** Subdivisions 4 and 5 do not apply to any of the following:

(1) investments in a company that is primarily engaged in supplying goods or services intended to relieve human suffering in Iran;

(2) investments in a company that is primarily engaged in promoting health, education, or journalistic, religious, or welfare activities in Iran; and

(3) investments in a United States company that is authorized by the federal government to have active business operations in Iran.

Subd. 8. **Excluded securities.** Subdivisions 4 and 5 do not apply to indirect holdings in actively managed investment funds. The State Board of Investment shall submit letters to the managers of investment funds containing companies with scrutinized active business operations requesting the managers to consider removing such companies from the fund or to create a similar actively managed fund with indirect holdings that do not include the companies. If a manager creates a similar fund, the State Board of Investment shall promptly replace all applicable investments with investments in the similar fund consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds.

Subd. 9. **Reporting.** By January 15 of each calendar year, the State Board of Investment shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the State Board of Investment. The report must include:

(1) a copy of the most recent list of scrutinized companies;

(2) a summary of correspondence with companies engaged by the State Board of Investment under subdivision 3;

(3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with subdivision 4;

(4) a list of all prohibited investments under subdivision 5; and

(5) a description of any progress made under subdivision 8.

Subd. 10. **Expiration.** This section ceases to be operative if either of the following apply:

(1) Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide support for acts of international terrorism; or

(2) the president of the United States determines and certifies that state legislation similar to this section interferes with the conduct of United States foreign policy.

Subd. 11. **Other legal obligations.** The State Board of Investment is exempt from any statutory or common law obligations that conflict with actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, including any obligations regarding the choice of asset managers.

investment funds, or investments for the State Board of Investment's securities portfolios.

Subd. 12. **Severability.** The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

Presented to the governor May 13, 2009

Signed by the governor May 16, 2009, 1:44 p.m.

November 6, 2009

Dear Mr. _____:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. Laws of Minnesota 2009, Chapter 90, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations.

The investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran. Please note, however, that if your license expires or is revoked, your company's name will be added to the list of companies subject to investment restriction and divestment.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact James E. Heidelberg at 651-296-3328.

Sincerely,

Howard Bicker
Executive Director

Enclosure

Minnesota Session Laws

Search

Key: (1) ~~language to be deleted~~ (2) new language**2009, Regular Session**

CHAPTER 90--H.F. No. 111

An act

relating to the State Board of Investment, requiring divestment from certain investments relating to Iran, requiring a report, proposing coding for new law in Minnesota Statutes, chapter 11A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. 11A.244 **INVESTMENT IN IRAN.**

Subdivision 1. Definitions. For the purposes of this section, the following terms have the meanings given them in this subdivision.

- (1) "Active business operations" means all business operations that are not inactive business operations.
- (2) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.
- (3) "Direct holdings" means all publicly traded debt and equity securities of a company that are held directly by the State Board of Investment or held in an account or fund in which the State Board of Investment owns all shares or interests.
- (4) "Government of Iran" means the government of the Islamic Republic of Iran or its instrumentalities or political subdivisions and companies owned or controlled by the Islamic Republic of Iran.
- (5) "Inactive business operations" means the continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such a purpose.
- (6) "Indirect holdings" means all investments held in an account or fund, including a mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by one or more persons who are not employed by the State Board of Investment, in which the public funds own shares or interests together with other investors who are not subject to this section.
- (7) "Scrutinized company" means any company engaging in scrutinized business operations.
- (8) "Scrutinized business operations" means any and all active business operations that are subject or liable to sanctions under Public Law 104-172, as amended, the Iran Sanctions Act of 1996, and that involve the maintenance of a company's existing assets or investments in Iran, or the deployment of new investments to Iran that meet or exceed the \$20,000,000 threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. "Scrutinized business operations" does not include the retail sale of gasoline and related products.
- (9) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

Subd. 2. Identification of scrutinized companies. (a) Within 90 days following the effective date of this section, the State Board of Investment shall make its best efforts to identify all scrutinized companies in which it has direct holdings. These efforts shall include, as appropriate:

- (1) reviewing and relying, as appropriate, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;
 - (2) contacting asset managers contracting with the State Board of Investment who invest in companies with business operations in Iran; and
 - (3) contacting other institutional investors that have divested from or engaged with companies with business operations in Iran.
- (b) At the first meeting of the State Board of Investment after it has completed the requirements of paragraph (a), the State Board of Investment shall assemble a list of scrutinized companies in which it has direct holdings.
- (c) The State Board of Investment shall update the scrutinized companies list each quarter based on continuing information, including but not limited to information from sources identified in paragraph (a).

Subd. 3. Engagement of scrutinized companies. The State Board of Investment shall use the following procedures with respect to companies on the scrutinized companies list:

- (1) for each company newly identified in subdivision 2 with scrutinized business operations, the State Board of Investment shall, within 90 days following its assembly

of the scrutinized companies list, send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the State Board of Investment. The notice shall offer the company the opportunity to clarify its scrutinized business operations and shall encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations, or to convert them to inactive business operations in order to avoid divestment by the State Board of Investment; and (2) if, within 90 days following the State Board of Investment's first engagement with a company under clause (1), that company publicly announces its commitment to substantial action specific to Iran, that company shall be removed from the scrutinized companies list and the provisions of this section shall cease to apply to it unless it resumes active business operations in Iran.

Subd. 4. Divestment. (a) If, after 90 days following the State Board of Investment's first engagement with a company under subdivision 3, clause (1), the company continues to have scrutinized business operations, and only while the company continues to have scrutinized business operations, the State Board of Investment shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(1) at least 50 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management by nine months after the company's initial appearance on the scrutinized companies list; and

(2) 100 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management within 15 months after the company's initial appearance on the scrutinized companies list.

(b) If a company that ceased scrutinized business operations following engagement under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies to the company and the State Board of Investment shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

Subd. 5. Prohibition on new acquisitions. The State Board of Investment may not acquire securities of companies on the scrutinized companies list that have scrutinized business operations, except as provided in this section.

Subd. 6. Relation to federal action. If the federal government excludes a company from its present or any future federal sanctions relating to Iran, that company is exempt from the divestment requirements and the investment prohibitions in this section.

Subd. 7. Exemptions. Subdivisions 4 and 5 do not apply to any of the following:

(1) investments in a company that is primarily engaged in supplying goods or services intended to relieve human suffering in Iran;

(2) investments in a company that is primarily engaged in promoting health, education, or journalistic, religious, or welfare activities in Iran; and

(3) investments in a United States company that is authorized by the federal government to have active business operations in Iran.

Subd. 8. Excluded securities. Subdivisions 4 and 5 do not apply to indirect holdings in actively managed investment funds. The State Board of Investment shall submit letters to the managers of investment funds containing companies with scrutinized active business operations requesting the managers to consider removing such companies from the fund or to create a similar actively managed fund with indirect holdings that do not include the companies. If a manager creates a similar fund, the State Board of Investment shall promptly replace all applicable investments with investments in the similar fund consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds.

Subd. 9. Reporting. By January 15 of each calendar year, the State Board of Investment shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the State Board of Investment. The report must include:

(1) a copy of the most recent list of scrutinized companies;

(2) a summary of correspondence with companies engaged by the State Board of Investment under subdivision 3;

(3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with subdivision 4;

(4) a list of all prohibited investments under subdivision 5; and

(5) a description of any progress made under subdivision 8.

Subd. 10. Expiration. This section ceases to be operative if either of the following apply:

(1) Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide support for acts of international terrorism; or

(2) the president of the United States determines and certifies that state legislation similar to this section interferes with the conduct of United States foreign policy.

Subd. 11. Other legal obligations. The State Board of Investment is exempt from any statutory or common law obligations that conflict with actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, including any obligations regarding the choice of asset managers.

investment funds, or investments for the State Board of Investment's securities portfolios.

Subd. 12. **Severability.** The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

Presented to the governor May 13, 2009

Signed by the governor May 16, 2009, 1:44 p.m.

Tab C



STATE BOARD OF INVESTMENT

Domestic Equity Manager Evaluation Reports

Third Quarter, 2009

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Domestic Equity

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

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	15.0	16.1	-7.7	-6.1	-7.0	-5.1	0.4	1.5
Russell 1000 Growth Aggregate	16.7	14.0	-0.4	-1.9	-2.6	-2.5	1.3	1.9
Russell 1000 Value Aggregate	17.1	18.2	-7.0	-10.6	-6.9	-7.9	0.6	0.9
Russell 2000 Growth Aggregate	15.8	16.0	-11.5	-6.3	-4.6	-2.6	1.4	2.9
Russell 2000 Value Aggregate	24.2	22.7	-8.2	-12.6	-7.7	-6.6	0.0	1.8
Active Manager Aggregate	17.0	16.7	-6.1	-7.0	-5.6	-5.1	0.7	1.5
Semi-Passive Aggregate	16.2	16.1	-5.9	-6.1	-5.7	-5.1	1.2	1.5
Passive Manager (BGI)	16.3	16.3	-6.4	-6.4	-5.0	-5.1	1.6	1.6
Total Domestic Equity Aggregate	16.4	16.3	-6.1	-6.5	-5.3	-5.1	1.3	1.5
SBI DE Asset Class Target		16.3		-6.4		-5.1		1.6
Russell 3000 Index		16.3		-6.4		-5.1		1.6

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

**COMBINED RETIREMENT FUNDS
ACTIVE DOMESTIC STOCK MANAGERS**

Periods Ending September, 2009

Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
LARGE CAP												
Russell 1000 Core												
Mellon Capital	15.2	16.1	-13.8	-6.1	-9.1	-5.1	-1.1	1.5	8.5	8.9	\$238.1	1.2%
New Amsterdam Partners	10.7	16.1	-5.7	-6.1	-5.8	-5.1	0.4	1.5	9.5	8.4	\$304.4	1.6%
UBS Global	19.6	16.1	-4.0	-6.1	-5.9	-5.1	1.7	1.5	7.9	7.5	\$303.4	1.6%
Aggregate	15.0	16.1	-7.7	-6.1	-7.0	-5.1	0.4	1.5			\$845.9	4.4%
Russell 1000 Growth												
Alliance Capital	17.4	14.0	1.3	-1.9	-2.4	-2.5	2.1	1.9	12.1	9.1	\$244.0	1.3%
INTECH	13.5	14.0	-6.9	-1.9	-5.8	-2.5			-1.8	0.1	\$255.5	1.3%
Jacobs Levy	14.7	14.0	-4.2	-1.9	-6.7	-2.5			-3.1	0.1	\$228.5	1.2%
Knelman Asset Mgmt	13.5	14.0	-2.5	-1.9	-2.8	-2.5			-0.1	0.1	\$50.0	0.3%
Sands Capital	21.2	14.0	7.4	-1.9	-0.7	-2.5			-0.1	0.1	\$198.4	1.0%
Winslow-Large Cap	14.8	14.0	0.1	-1.9	0.2	-2.5			3.0	0.1	\$108.3	0.6%
Zevenbergen Capital	19.4	14.0	4.3	-1.9	2.2	-2.5	6.0	1.9	8.4	6.6	\$247.6	1.3%
Aggregate	16.7	14.0	-0.4	-1.9	-2.6	-2.5	1.3	1.9			\$1,332.2	6.9%
Russell 1000 Value												
Barrow, Hanley	13.7	18.2	-7.0	-10.6	-7.4	-7.9	0.9	0.9	1.6	1.3	\$353.2	1.8%
Earnest Partners	16.6	18.2	0.1	-10.6	-5.6	-7.9	3.1	0.9	2.6	2.7	\$151.1	0.8%
Lord Abbett & Co.	17.5	18.2	-6.4	-10.6	-6.0	-7.9	1.4	0.9	1.2	1.3	\$263.8	1.4%
LSV Asset Mgmt.	19.1	18.2	-9.3	-10.6	-7.5	-7.9	1.9	0.9	2.5	1.3	\$337.5	1.8%
Systematic Financial Mgmt.	19.5	18.2	-8.4	-10.6	-6.8	-7.9	1.6	0.9	1.7	1.3	\$246.2	1.3%
Aggregate	17.1	18.2	-7.0	-10.6	-6.9	-7.9	0.6	0.9			\$1,352.0	7.1%
SMALL CAP												
Russell 2000 Growth												
McKinley Capital	17.7	16.0	-15.2	-6.3	-9.1	-2.6	-1.4	2.9	-1.7	2.4	\$161.9	0.8%
Next Century Growth	13.5	16.0	-14.3	-6.3	-2.9	-2.6	6.7	2.9	-2.7	-2.0	\$192.5	1.0%
Turner Investment Partners	16.4	16.0	-5.3	-6.3	-1.2	-2.6	3.4	2.9	2.9	2.4	\$204.0	1.1%
Aggregate	15.8	16.0	-11.5	-6.3	-4.6	-2.6	1.4	2.9			\$558.4	2.9%
Russell 2000 Value												
Goldman Sachs	19.6	22.7	-9.7	-12.6	-3.4	-6.6	2.6	1.8	3.7	2.9	\$115.4	0.6%
Hotchkis & Wiley	33.8	22.7	-0.3	-12.6	-8.4	-6.6	-1.7	1.8	0.5	2.9	\$96.4	0.5%
Martingale Asset Mgmt.	20.2	22.7	-15.3	-12.6	-10.2	-6.6	-2.0	1.8	0.4	2.9	\$95.9	0.5%
Peregrine Capital	25.5	22.7	-5.9	-12.6	-7.7	-6.6	1.0	1.8	8.2	7.9	\$161.9	0.8%
Aggregate	24.2	22.7	-8.2	-12.6	-7.7	-6.6	0.0	1.8			\$469.5	2.4%
Active Mgr. Aggregate (2)	17.0	16.7	-6.1	-7.0	-5.6	-5.1	0.7	1.5			\$4,558.1	23.7%

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

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

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

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

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

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

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

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
SEMI-PASSIVE MANAGERS (1)												
Barclays Global Investors	16.0	16.1	-6.2	-6.1	-6.1	-5.1	1.2	1.5	7.5	7.1	\$2,581.8	10.5%
JP Morgan	17.0	16.1	-3.3	-6.1	-4.2	-5.1	1.8	1.5	7.3	7.1	\$2,345.3	12.2%
Mellon Capital	15.4	16.1	-8.5	-6.1	-6.7	-5.1	0.6	1.5	6.5	7.1	\$2,004.6	13.5%
Semi-Passive Aggregate (R1000)	16.2	16.1	-5.9	-6.1	-5.7	-5.1	1.2	1.5	7.1	7.1	\$6,931.6	36.1%
PASSIVE MANAGER (R3000)												
Barclays Global Investors	16.3	16.3	-6.4	-6.4	-5.0	-5.1	1.6	1.6	6.7	6.5	\$7,685.9	40.1%
Historical Aggregate (3)	16.4	16.3	-6.1	-6.5	-5.3	-5.1	1.3	1.5	9.4	9.7	\$19,175.6	100.0%
SBI DE Asset Class Target (4)		16.3		-6.4		-5.1		1.6		9.6		
Russell 3000		16.3		-6.4		-5.1		1.6		10.0		
Russell 1000		16.1		-6.1		-5.1		1.5		10.2		
Russell 2000		19.3		-9.5		-4.6		2.4		8.5		

- (1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.
- (2) Since retention by the SBI. Time period varies for each manager.
- (3) Includes the performance of terminated managers.
- (4) The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

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

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

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

(2) Includes the performance of terminated managers.

(3) The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From 7/1/99 to 9/30/09, 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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MELLON CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$238,080,290

Investment Philosophy – Active Style

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

Staff Comments

The portfolio trailed its benchmark for the quarter and the year due to weak stock selection. For the quarter, stock selection in the Financial Services and Utilities sectors detracted from performance. For the year, stock selection in the Health Care and Technology sectors negatively impacted returns.

The Mellon Capital Boston (Franklin legacy) team is meeting with the SBI in November to discuss their plans for the combined investments teams (Franklin legacy and Mellon Capital) to set up a shared investment infrastructure.

Staff continues to monitor the portfolio closely.

Recommendation

No action required

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Core
Last Quarter	15.2	16.1%
Last 1 year	-13.8	-6.1
Last 2 years	-20.0	-14.5
Last 3 years	-9.1	-5.1
Last 4 years	-4.2	-1.5
Last 5 years	-1.1	1.5
Since Inception (4/89)	8.5	8.9

Calendar Year Returns

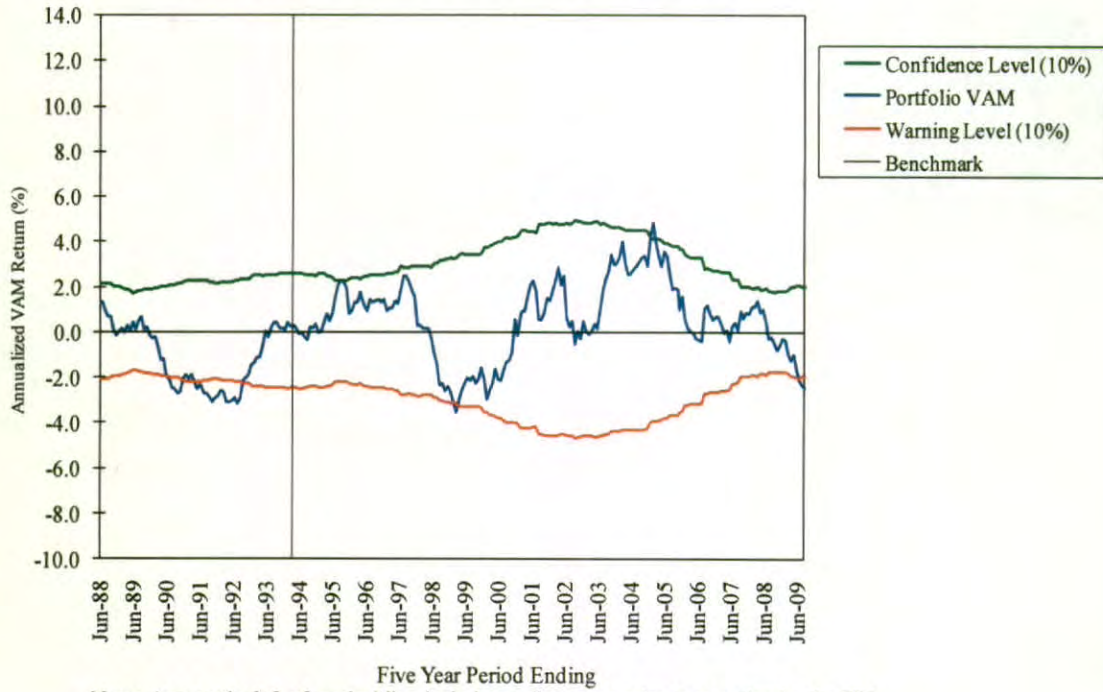
	Actual	Russell 1000 Core
2008	-40.7%	-37.6%
2007	2.4	5.8
2006	20.4	15.5
2005	3.4	6.3
2004	15.7	11.4

MELLON CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$238,080,290

MELLON CAPITAL MANAGEMENT- Active
 Rolling Five Year VAM vs. Russell 1000 Core



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

NEW AMSTERDAM PARTNERS
Periods Ending September, 2009

Portfolio Manager: Michelle Clayman

Assets Under Management: \$304,433,454

Investment Philosophy

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

Staff Comments

The portfolio lagged its benchmark for the quarter and outperformed for the year. The quarterly performance was hurt by weak stock selection in the Financials and Health Care sectors. For the year, an underweight in Financials and an overweight in Consumer Discretionary added value to the portfolio.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell Index
Last Quarter	10.7%	16.1%
Last 1 year	-5.7	-6.1
Last 2 years	-14.5	-14.5
Last 3 years	-5.8	-5.1
Last 4 years	-3.3	-1.5
Last 5 years	0.4	1.5
Since Inception (1) (4/94)	9.5	8.4

Calendar Year Returns

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

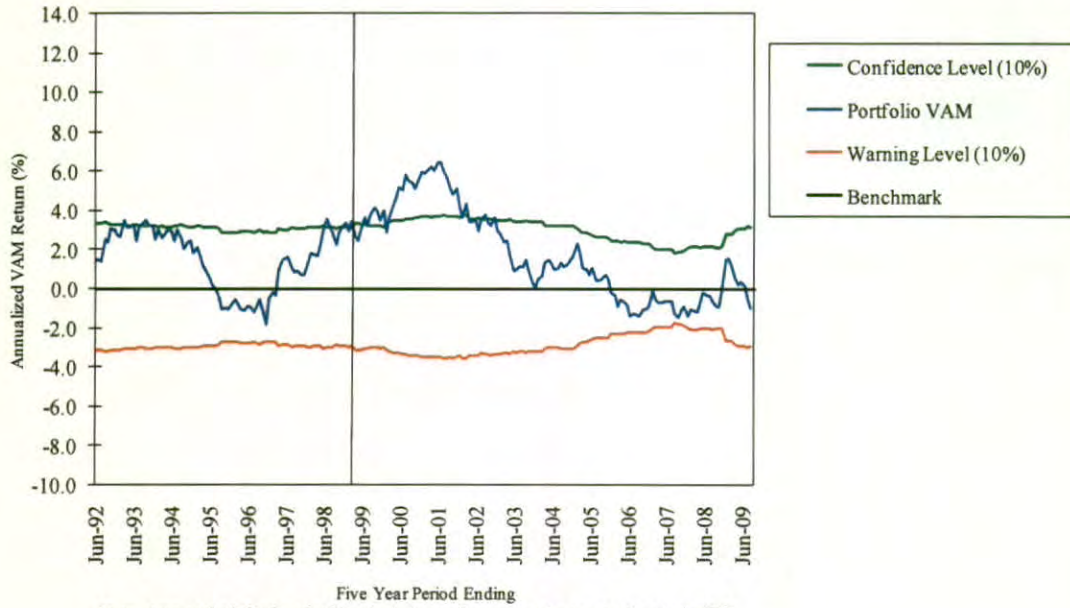
- (1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

NEW AMSTERDAM PARTNERS
Periods Ending September, 2009

Portfolio Manager: Michelle Clayman

Assets Under Management: \$304,433,454

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



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

Portfolio Manager: John Leonard

Assets Under Management: \$303,430,837

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
Last Quarter	19.6%	16.1%
Last 1 year	-4.0	-6.1
Last 2 years	-14.3	-14.5
Last 3 years	-5.9	-5.1
Last 4 years	-1.2	-1.5
Last 5 years	1.7	1.5
Since Inception (7/93)	7.9	7.5

Calendar Year Returns

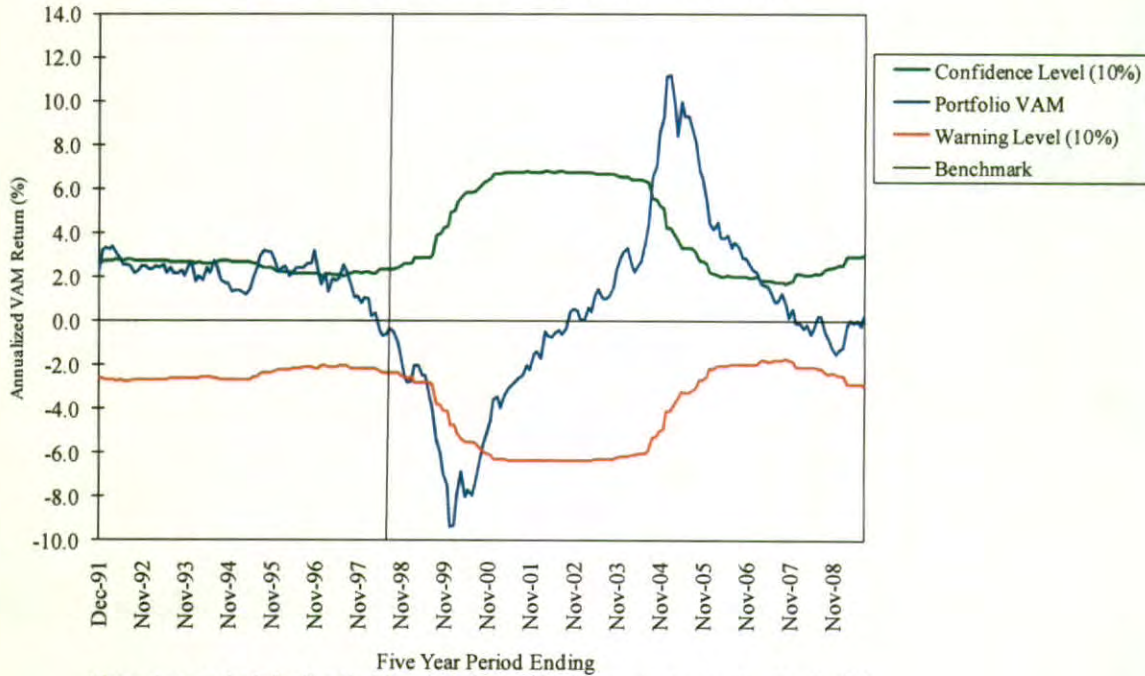
	Actual	Russell 1000 Core
2008	-41.3%	-37.6%
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3
2004	13.4	11.4

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

Portfolio Manager: John Leonard

Assets Under Management: \$303,430,837

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



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

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Large Cap Growth (R1000 Growth)

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Large Cap Growth (R1000 Growth)

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ALLIANCE CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Stephanie Simon

Assets Under Management: \$244,044,469

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	17.4%	14.0%
Last 1 year	1.3	-1.9
Last 2 years	-11.5	-11.9
Last 3 years	-2.4	-2.5
Last 4 years	-1.4	-0.4
Last 5 years	2.1	1.9
Since Inception (1/84)	12.1	9.1

Calendar Year Returns

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

ALLIANCE CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Stephanie Simon

Assets Under Management: \$244,044,469

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



INTECH INVESTMENT MANAGEMENT LLC
Periods Ending September, 2009

Portfolio Manager: Robert Fernholz

Assets Under Management: \$255,451,224

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	13.5%	14.0%
Last 1 year	-6.9	-1.9
Last 2 years	-15.1	-11.9
Last 3 years	-5.8	-2.5
Last 4 years	-3.1	-0.4
Last 5 years	N/A	N/A
Since Inception (1/05)	-1.8	0.1

Calendar Year Returns

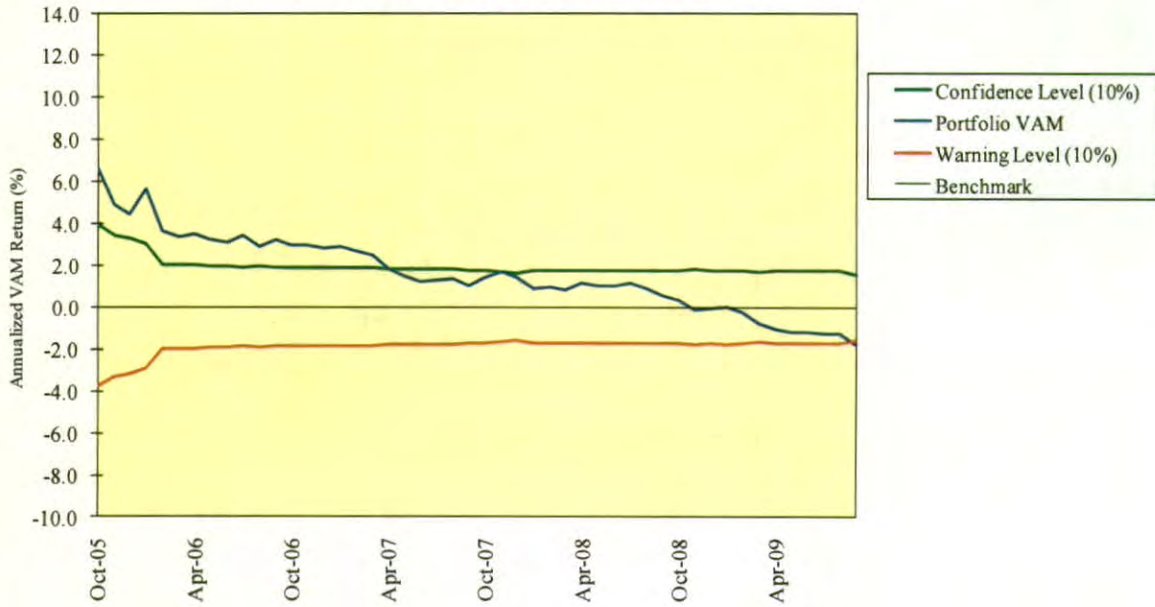
	Actual	Russell 1000 Growth
2008	-42.8%	-38.4%
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3
2004	N/A	N/A

INTECH INVESTMENT MANAGEMENT LLC
Periods Ending September, 2009

Portfolio Manager: Robert Fernholz

Assets Under Management: \$255,451,224

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



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

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$228,496,494

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	14.7%	14.0%
Last 1 year	-4.2	-1.9
Last 2 years	-15.4	-11.9
Last 3 years	-6.7	-2.5
Last 4 years	-4.0	-0.4
Last 5 years	N/A	N/A
Since Inception (1/05)	-3.1	0.1

Calendar Year Returns

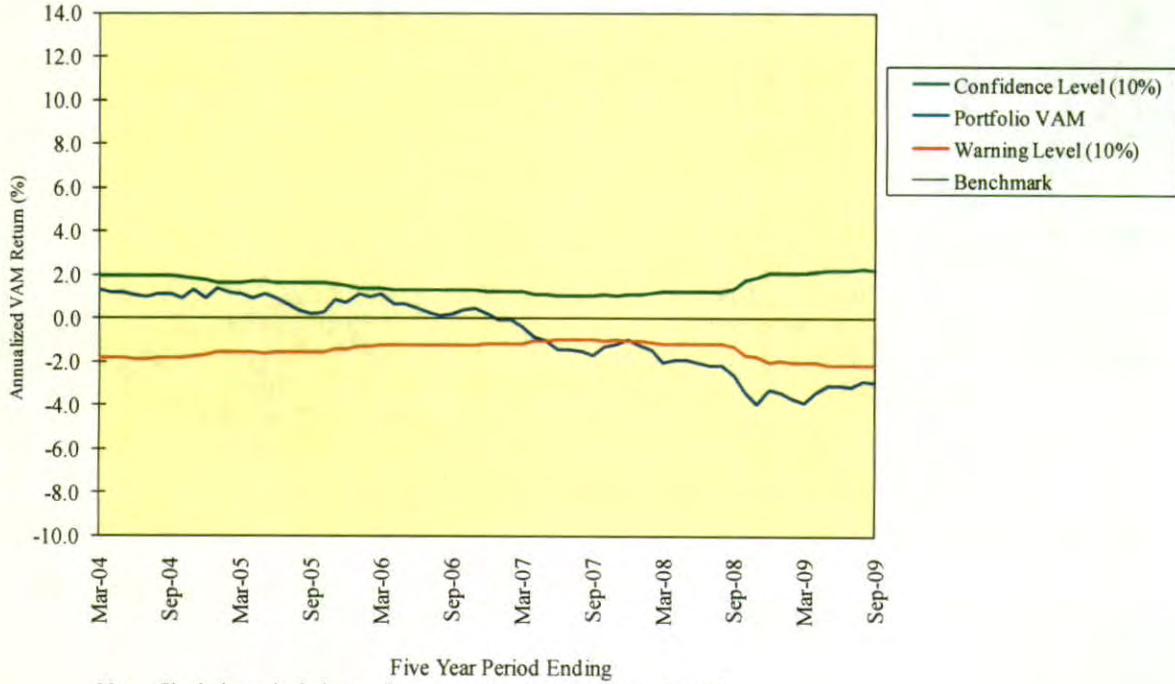
	Actual	Russell 1000 Growth
2008	-44.9%	-38.4%
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3
2004	N/A	N/A

JACOBS LEVY EQUITY MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$228,496,494

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



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

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending September, 2009

Portfolio Manager: Kip Knelman

Assets Under Management: \$49,958,919

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	13.5%	14.0%
Last 1 year	-2.5	-1.9
Last 2 years	-14.1	-11.9
Last 3 years	-2.8	-2.5
Last 4 years	-0.5	-0.4
Last 5 years	N/A	N/A
Since Inception (1/05)	-0.1	0.1

Calendar Year Returns

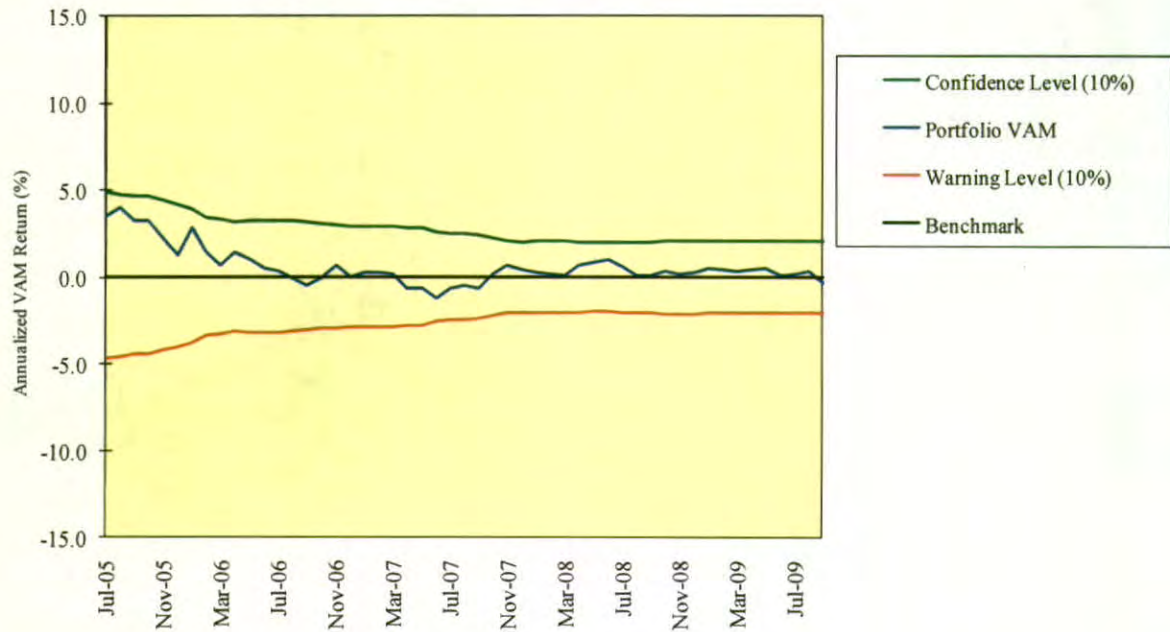
	Actual	Russell 1000 Growth
2008	-39.9%	-38.4%
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3
2004	N/A	N/A

KNELMAN ASSET MANAGEMENT, LLC
Periods Ending September, 2009

Portfolio Manager: Kip Knelman

Assets Under Management: \$49,958,919

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



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

SANDS CAPITAL MANAGEMENT LLC
Periods Ending September, 2009

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$198,389,770

Investment Philosophy

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

Staff Comments

Sands outperformed for the quarter and for the year. Both periods were helped by stock selection. For the quarter, stock selection was strong in the Consumer Discretionary, Health Care and Technology sectors. The one-year return also benefited from stock selection in the Technology and Consumer Discretionary sectors.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	21.2%	14.0%
Last 1 year	7.4	-1.9
Last 2 years	-10.0	-11.9
Last 3 years	-0.7	-2.5
Last 4 years	-0.9	-0.4
Last 5 years	N/A	N/A
Since Inception (1/05)	-0.1	0.1

Calendar Year Returns

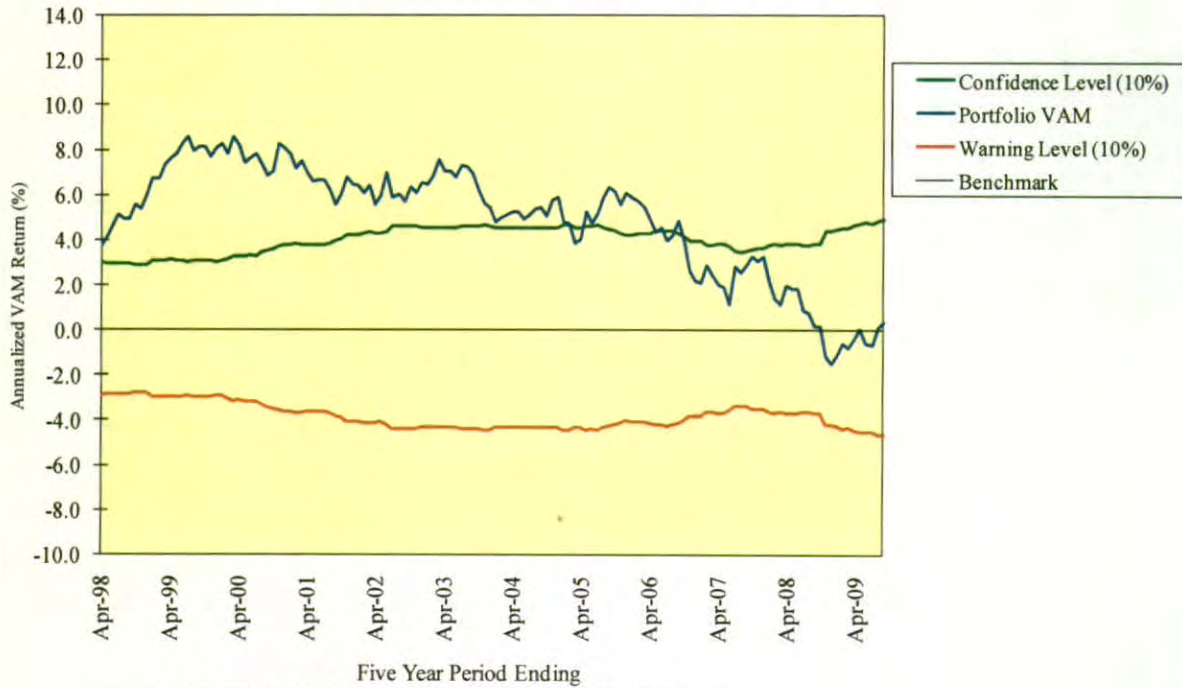
	Actual	Russell 1000 Growth
2008	-48.6%	-38.4%
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3
2004	N/A	N/A

SANDS CAPITAL MANAGEMENT LLC
Periods Ending September, 2009

Portfolio Manager: Frank Sands, Jr.

Assets Under Management: \$198,389,770

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



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

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending September, 2009

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$108,326,210

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	14.8%	14.0%
Last 1 year	0.1	-1.9
Last 2 years	-9.7	-11.9
Last 3 years	0.2	-2.5
Last 4 years	1.9	-0.4
Last 5 years	N/A	N/A
Since Inception (1/05)	3.0	0.1

Calendar Year Returns

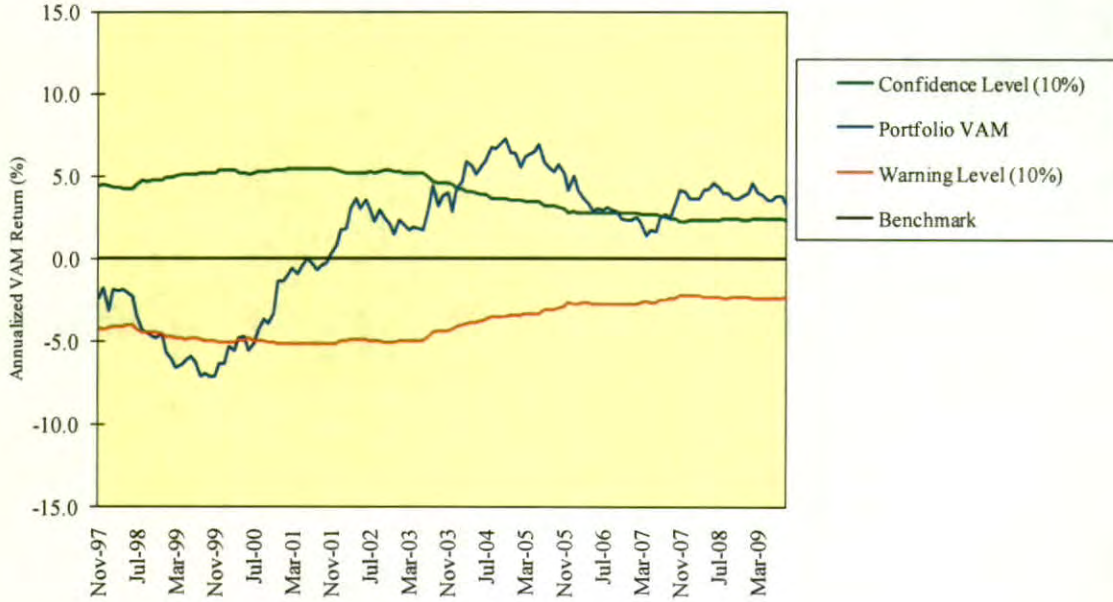
	Actual	Russell 1000 Growth
2008	-39.1%	-38.4%
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3
2004	N/A	N/A

WINSLOW CAPITAL MANAGEMENT, INC.
Periods Ending September, 2009

Portfolio Manager: Bart Wear and Justin Kelly

Assets Under Management: \$108,326,210

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



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

ZEVENBERGEN CAPITAL INC.
Periods Ending September, 2009

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$247,571,755

Investment Philosophy

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

Staff Comments

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

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Growth
Last Quarter	19.4%	14.0%
Last 1 year	4.3	-1.9
Last 2 years	-8.8	-11.9
Last 3 years	2.2	-2.5
Last 4 years	3.7	-0.4
Last 5 years	6.0	1.9
Since Inception (4/94)	8.4	6.6

Calendar Year Returns

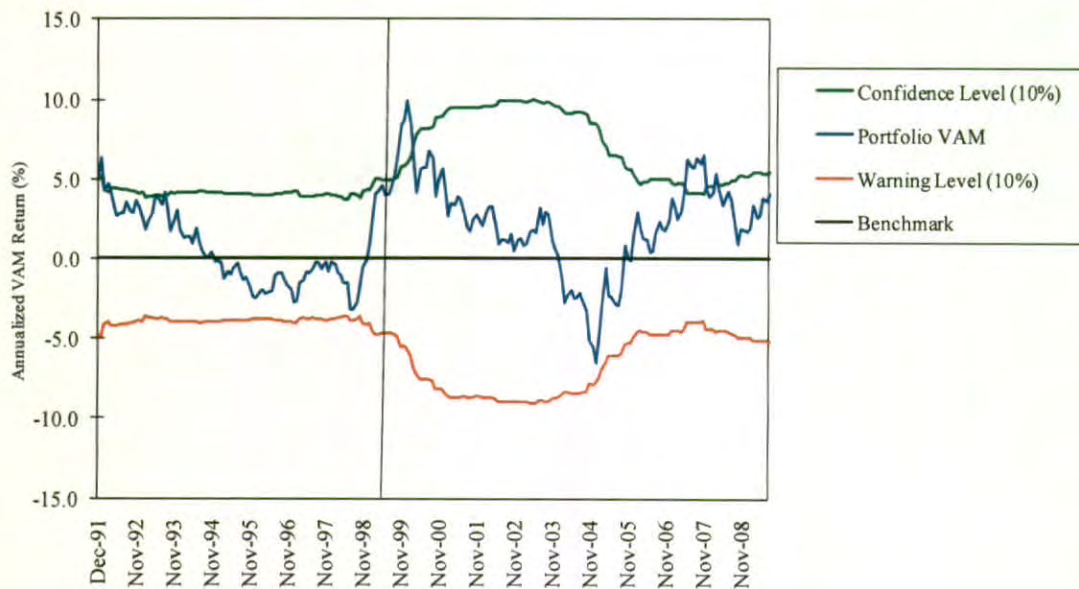
	Actual	Russell 1000 Growth
2008	-43.2%	-38.4%
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3
2004	13.1	6.3

ZEVENBERGEN CAPITAL INC.
Periods Ending September, 2009

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$247,571,755

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



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

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Large Cap Value (R1000 Value)

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Large Cap Value (R1000 Value)

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

Portfolio Manager: Tim Culler

Assets Under Management: \$353,248,956

Investment Philosophy

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

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

Staff Comments

Barrow Hanley trailed the quarterly benchmark and outperformed for the year. The quarterly performance was hurt by overall sector allocation and stock selection. The biggest impact of those decisions was seen in the healthcare sector which lagged during the quarter as the debate over health care reform continued. However, stock selection in the Health Care sector helped the one-year return. An overweight to the Technology sector contributed to the relative outperformance for the year.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	13.7%	18.2%
Last 1 year	-7.0	-10.6
Last 2 years	-16.8	-17.3
Last 3 years	-7.4	-7.9
Last 4 years	-3.7	-2.7
Last 5 years	0.9	0.9
Since Inception (4/04)	1.6	1.3

Calendar Year Returns*

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

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

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

Portfolio Manager: Tim Culler

Assets Under Management: \$353,248,956

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



Five Year Period Ending

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

EARNEST PARTNERS, LLC
Periods Ending September, 2009

Portfolio Manager: Paul Viera

Assets Under Management: \$151,148,037

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	16.6%	18.2%
Last 1 year	0.1	-10.6
Last 2 years	-14.2	-17.3
Last 3 years	-5.6	-7.9
Last 4 years	-1.6	-2.7
Last 5 years	3.1	0.9
Since Inception (7/00)	2.6	2.7

Calendar Year Returns

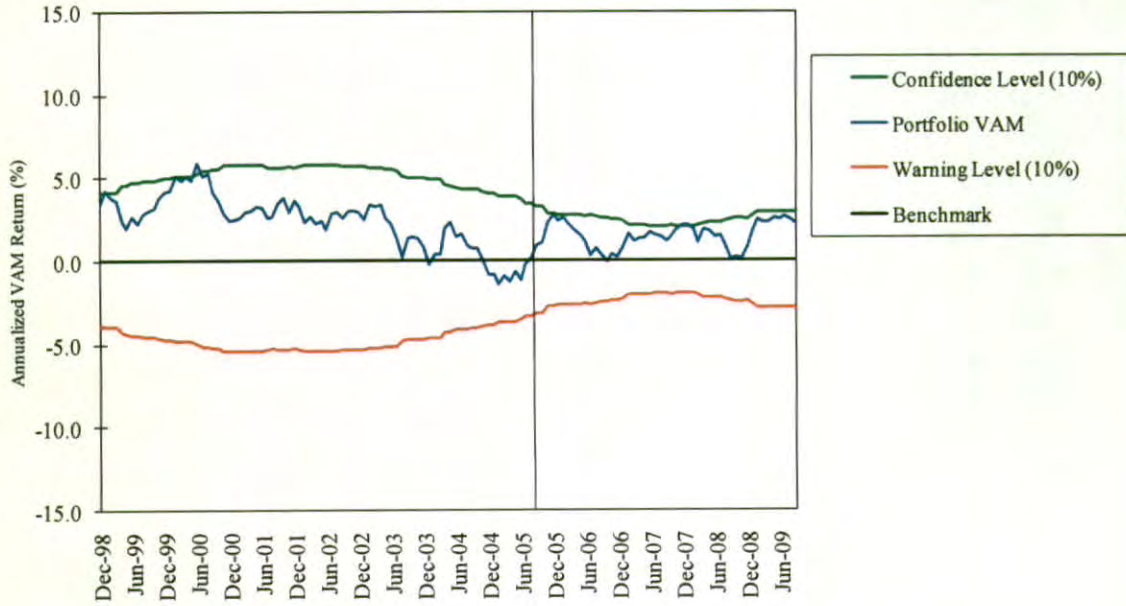
	Actual	Russell 1000 Value
2008	-39.8%	-36.8%
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1
2004	18.9	16.5

EARNEST PARTNERS, LLC
Periods Ending September, 2009

Portfolio Manager: Paul Viera

Assets Under Management: \$151,148,037

Earnest Partners
Rolling Five Year VAM vs. Russell 1000 Value



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

LORD ABBETT & CO. LLC
Periods Ending September, 2009

Portfolio Manager: Eli Salzmann

Assets Under Management: \$263,849,150

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	17.5%	18.2%
Last 1 year	-6.4	-10.6
Last 2 years	-15.0	-17.3
Last 3 years	-6.0	-7.9
Last 4 years	-1.1	-2.7
Last 5 years	1.4	0.9
Since Inception (4/04)	1.2	1.3

Calendar Year Returns*

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

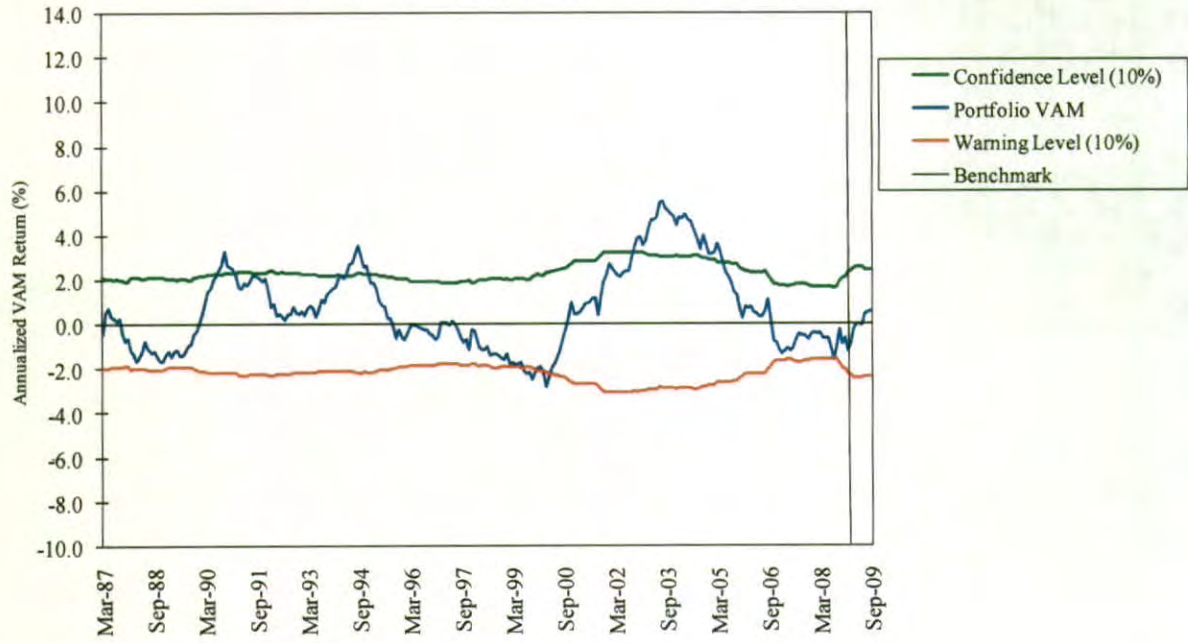
* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

LORD ABBETT & CO. LLC
Periods Ending September, 2009

Portfolio Manager: Eli Salzmann

Assets Under Management: \$263,849,150

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



Five Year Period Ending

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

LSV ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$337,547,104

Investment Philosophy

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

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

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Russell 1000	
	Actual	Value
Last Quarter	19.1%	18.2%
Last 1 year	-9.3	-10.6
Last 2 years	-17.6	-17.3
Last 3 years	-7.5	-7.9
Last 4 years	-2.6	-2.7
Last 5 years	1.9	0.9
Since Inception (4/04)	2.5	1.3

Calendar Year Returns*

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

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

Staff Comments

No comment at this time.

Recommendation

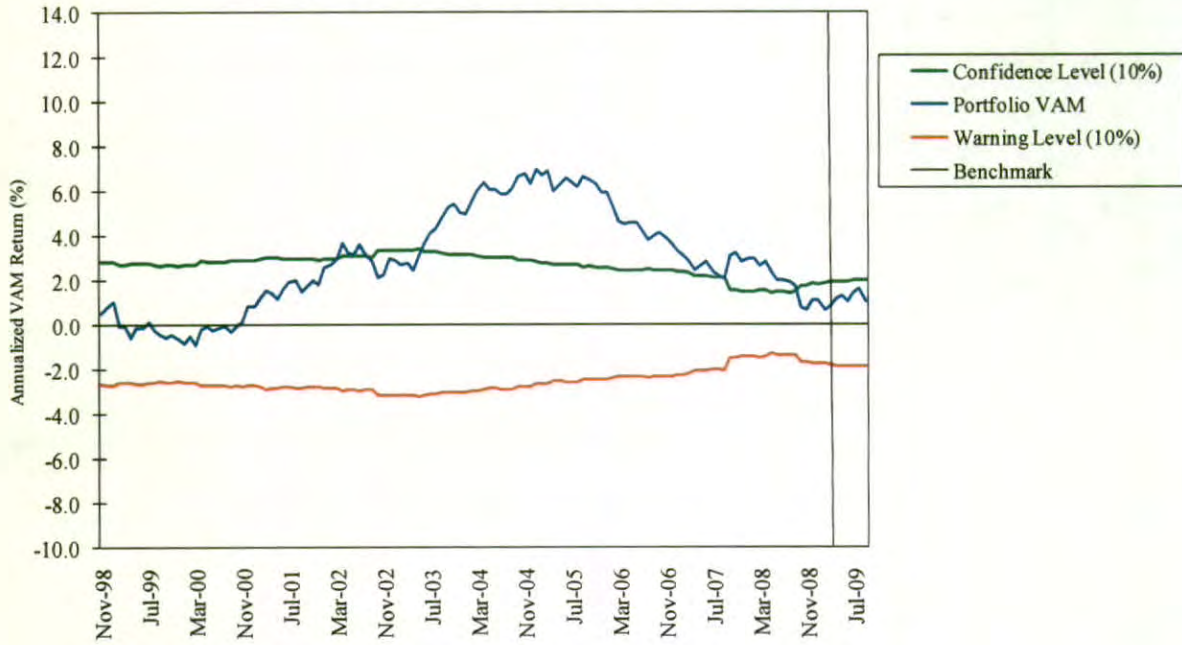
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LSV ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Josef Lakonishok

Assets Under Management: \$337,547,104

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



Five Year Period Ending

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

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

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$246,203,748

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 1000 Value
Last Quarter	19.5%	18.2%
Last 1 year	-8.4	-10.6
Last 2 years	-18.0	-17.3
Last 3 years	-6.8	-7.9
Last 4 years	-2.7	-2.7
Last 5 years	1.6	0.9
Since Inception (4/04)	1.7	1.3

Calendar Year Returns*

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

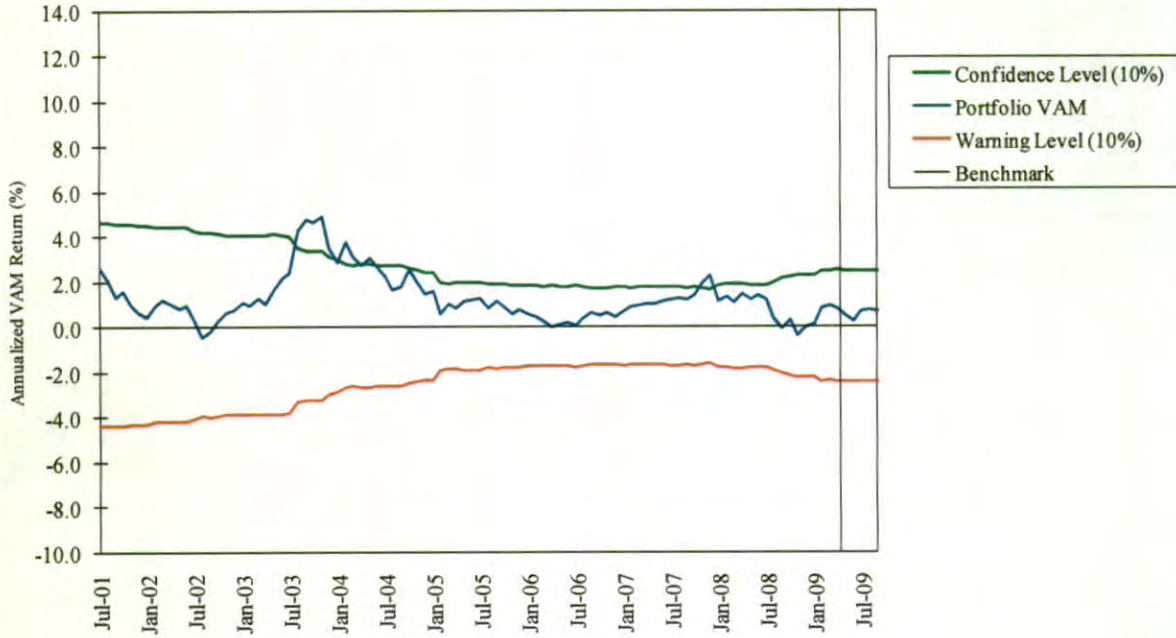
* Note: Manager was funded 4/04. Includes full-year returns only. Performance of managers hired during a calendar year are reported beginning with the following calendar year.

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

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$246,203,748

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



Five Year Period Ending

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

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Small Cap Growth (R2000 Growth)

Small Cap Growth (R2000 Growth)

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MCKINLEY CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$161,918,586

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

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	17.7%	16.0%
Last 1 year	-15.2	-6.3
Last 2 years	-22.2	-11.9
Last 3 years	-9.1	-2.6
Last 4 years	-5.7	-0.5
Last 5 years	-1.4	2.9
Since Inception (1/04)	-1.7	2.4

Calendar Year Returns

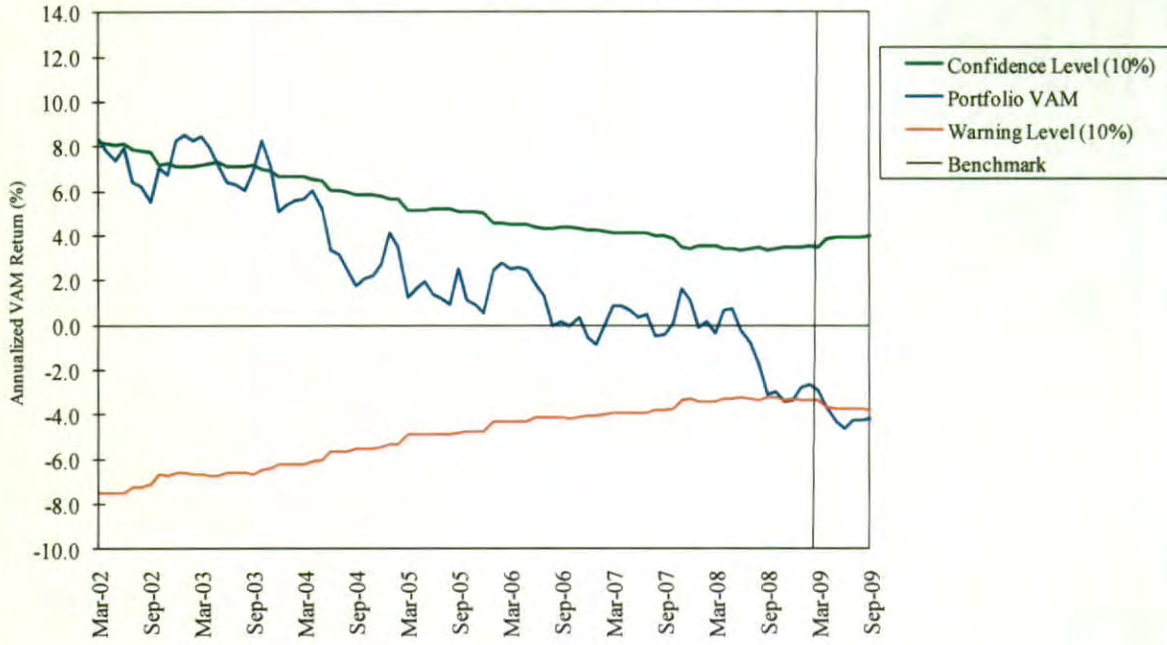
	Actual	Russell 2000 Growth
2008	-49.1%	-38.5%
2007	16.2	7.0
2006	12.5	13.3
2005	0.2	4.2
2004	12.2	14.3

MCKINLEY CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$161,918,586

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



Five Year Period Ending

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

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending September, 2009

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$192,469,502

Investment Philosophy

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	13.5%	16.0%
Last 1 year	-14.3	-6.3
Last 2 years	-19.0	-11.9
Last 3 years	-2.9	-2.6
Last 4 years	0.3	-0.5
Last 5 years	6.7	2.9
Since Inception (7/00)	-2.7	-2.0

Calendar Year Returns

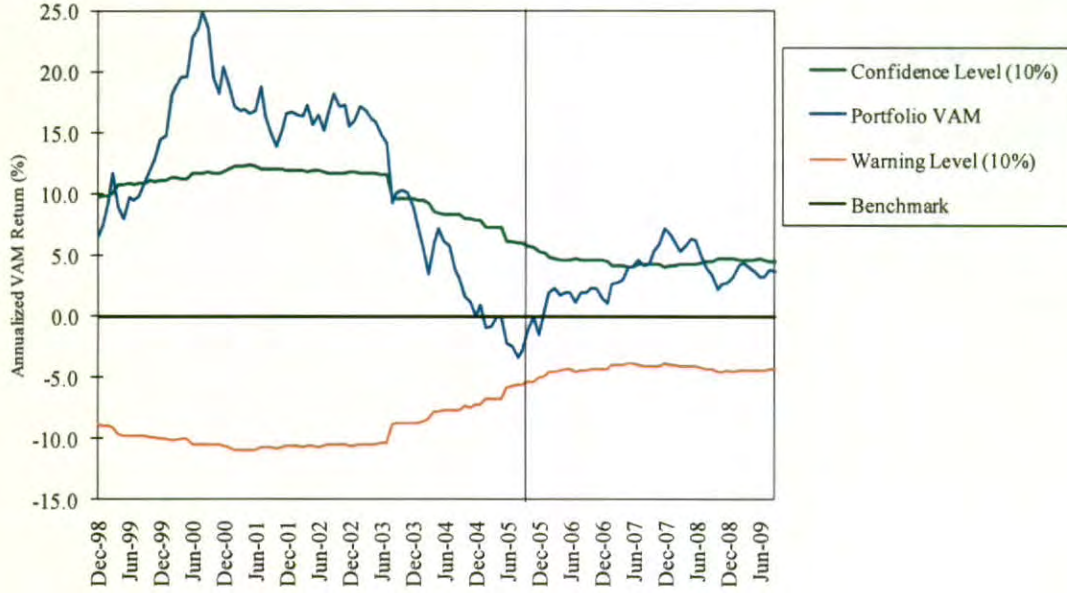
	Actual	Russell 2000 Growth
2008	-49.3%	-38.5%
2007	34.2	7.0
2006	12.4	13.3
2005	25.2	4.2
2004	6.4	14.3

NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending September, 2009

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$192,469,502

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



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

TURNER INVESTMENT PARTNERS

Periods Ending September, 2009

Portfolio Manager: William McVail

Assets Under Management: \$204,001,509

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Growth
Last Quarter	16.4%	16.0%
Last 1 year	-5.3	-6.3
Last 2 years	-12.8	-11.9
Last 3 years	-1.2	-2.6
Last 4 years	0.6	-0.5
Last 5 years	3.4	2.9
Since Inception (1/04)	2.9	2.4

Calendar Year Returns

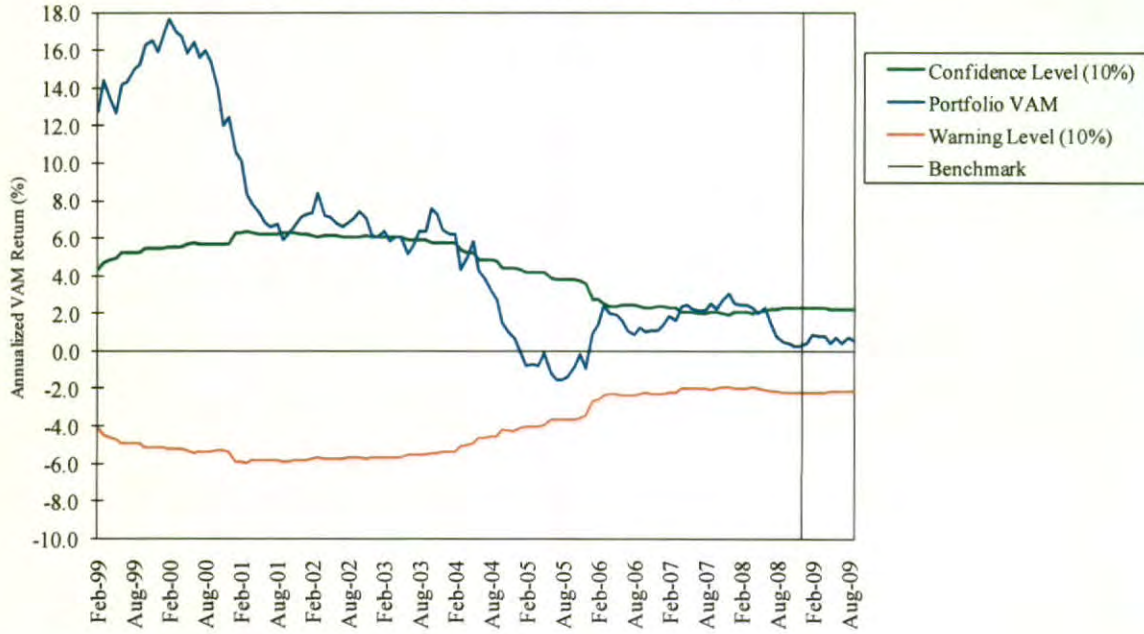
	Actual	Russell 2000 Growth
2008	-41.9%	-38.5%
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2
2004	11.6	14.3

TURNER INVESTMENT PARTNERS
Periods Ending September, 2009

Portfolio Manager: William McVail

Assets Under Management: \$204,001,509

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



Five Year Period Ending

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

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Small Cap Value (R2000 Value)

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Small Cap Value (R2000 Value)

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GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Chip Otness

Assets Under Management: \$115,358,228

Investment Philosophy

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	19.6%	22.7%
Last 1 year	-9.7	-12.6
Last 2 years	-9.6	-12.4
Last 3 years	-3.4	-6.6
Last 4 years	0.4	-1.9
Last 5 years	2.6	1.8
Since Inception (1/04)	3.7	2.9

Calendar Year Returns

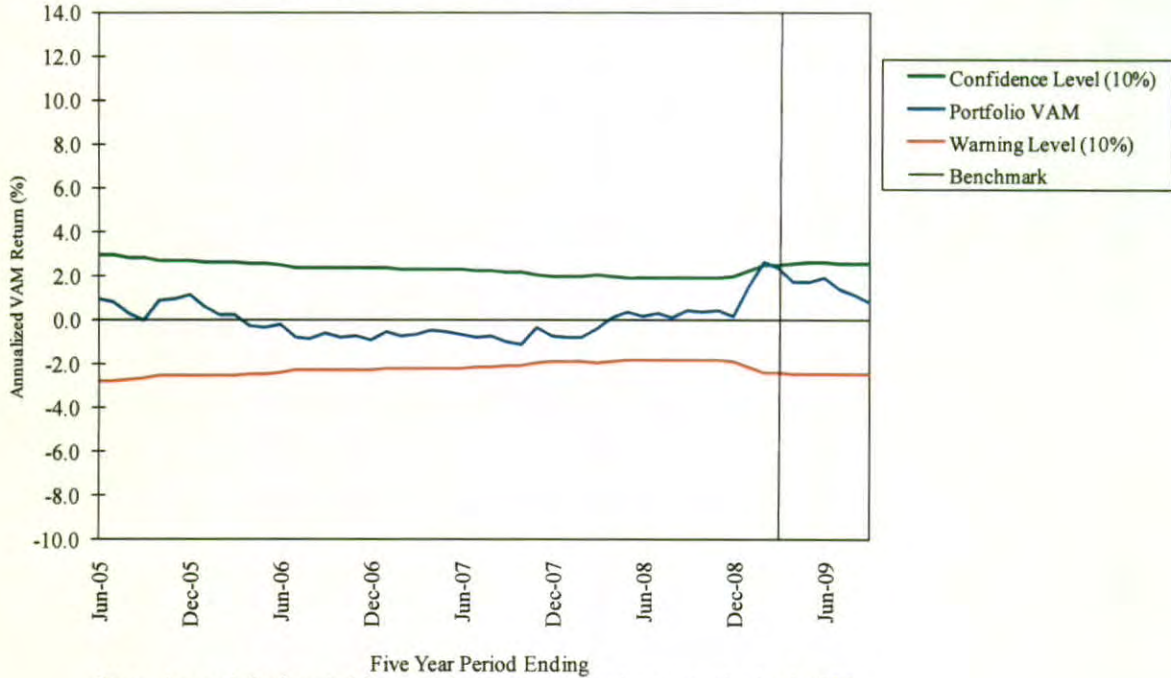
	Actual	Russell 2000 Value
2008	-26.8%	-28.9%
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7
2004	19.9	22.2

GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Chip Otness

Assets Under Management: \$115,358,228

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



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

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$96,354,880

Investment Philosophy

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

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

Staff Comments

The portfolio exceeded its benchmark for the quarter and for the year. The quarterly return was helped by strong stock selection, particularly in the Consumer Discretionary and Financial Services sectors. For the year, the majority of the outperformance came from an overweight and stock selection in the Consumer Discretionary sector. The portfolio was also helped by an underweight to the Financial Services sector.

Staff continues to monitor the portfolio closely.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	33.8%	22.7%
Last 1 year	-0.3	-12.6
Last 2 years	-10.8	-12.4
Last 3 years	-8.4	-6.6
Last 4 years	-6.8	-1.9
Last 5 years	-1.7	1.8
Since Inception (1/04)	0.5	2.9

Calendar Year Returns

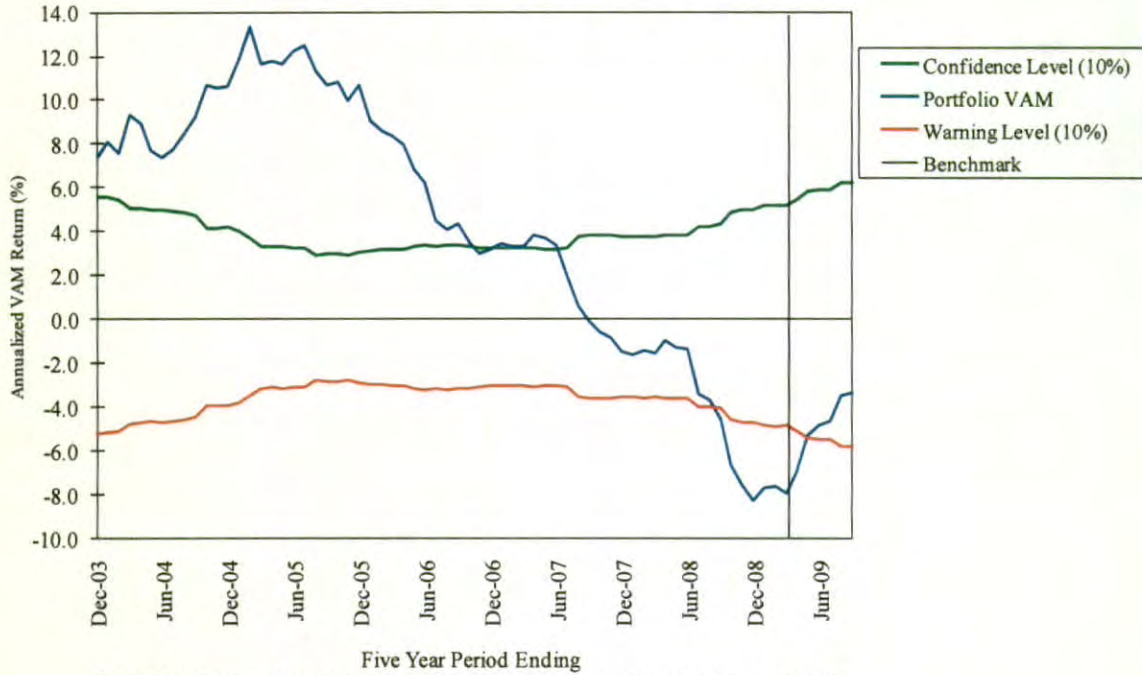
	Actual	Russell 2000 Value
2008	-44.1%	-28.9%
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7
2004	27.1	22.2

HOTCHKIS & WILEY CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Jim Miles and David Green

Assets Under Management: \$96,354,880

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



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

MARTINGALE ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: William Jacques

Assets Under Management: \$95,879,509

Investment Philosophy

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

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

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

Staff Comments

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	20.2%	22.7%
Last 1 year	-15.3	-12.6
Last 2 years	-17.1	-12.4
Last 3 years	-10.2	-6.6
Last 4 years	-7.5	-1.9
Last 5 years	-2.0	1.8
Since Inception (1/04)	0.4	2.9

Calendar Year Returns

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

MARTINGALE ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: William Jacques

Assets Under Management: \$95,879,509

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



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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$161,910,086

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

No comment at this time.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Russell 2000 Value
Last Quarter	25.5%	22.7%
Last 1 year	-5.9	-12.6
Last 2 years	-14.2	-12.4
Last 3 years	-7.7	-6.6
Last 4 years	-4.2	-1.9
Last 5 years	1.0	1.8
Since Inception (7/00)	8.2	7.9

Calendar Year Returns

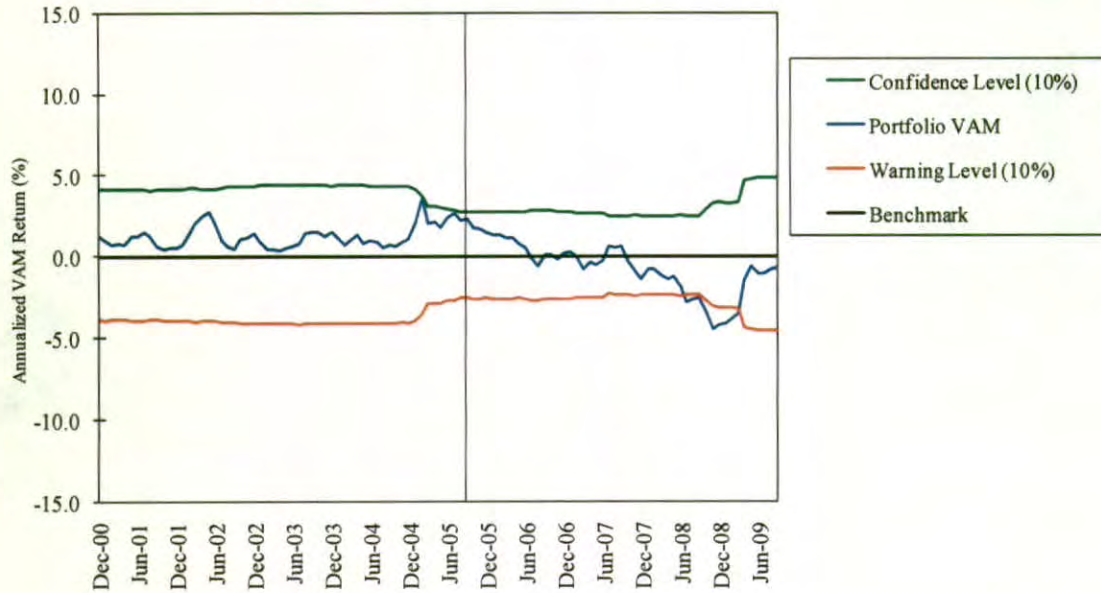
	Actual	Russell 2000 Value
2008	-39.4%	-28.9%
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7
2004	23.6	22.2

PEREGRINE CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$161,910,086

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



Five Year Period Ending

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

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Semi-Passive and Passive

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Semi-Passive and Passive

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BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2009

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,581,770,468

Investment Philosophy – Semi-Passive Style

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

Staff Comments

On August 6th, Barclays PLC (BCS) shareholders agreed to the \$ 13 billion sale of the bank's Barclays Global Investors unit to BlackRock Inc. (BLK). The new group will be called BlackRock Global Investors. On completion of the deal by the end of the year, Barclays will get GBP4.1 billion in cash and will keep a 19.9% stake in BGI.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	16.0%	16.1%
Last 1 year	-6.2	-6.1
Last 2 years	-14.8	-14.5
Last 3 years	-6.1	-5.1
Last 4 years	-2.1	-1.5
Last 5 years	1.2	1.5
Since Inception (1/95)	7.5	7.1

Calendar Year Returns

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

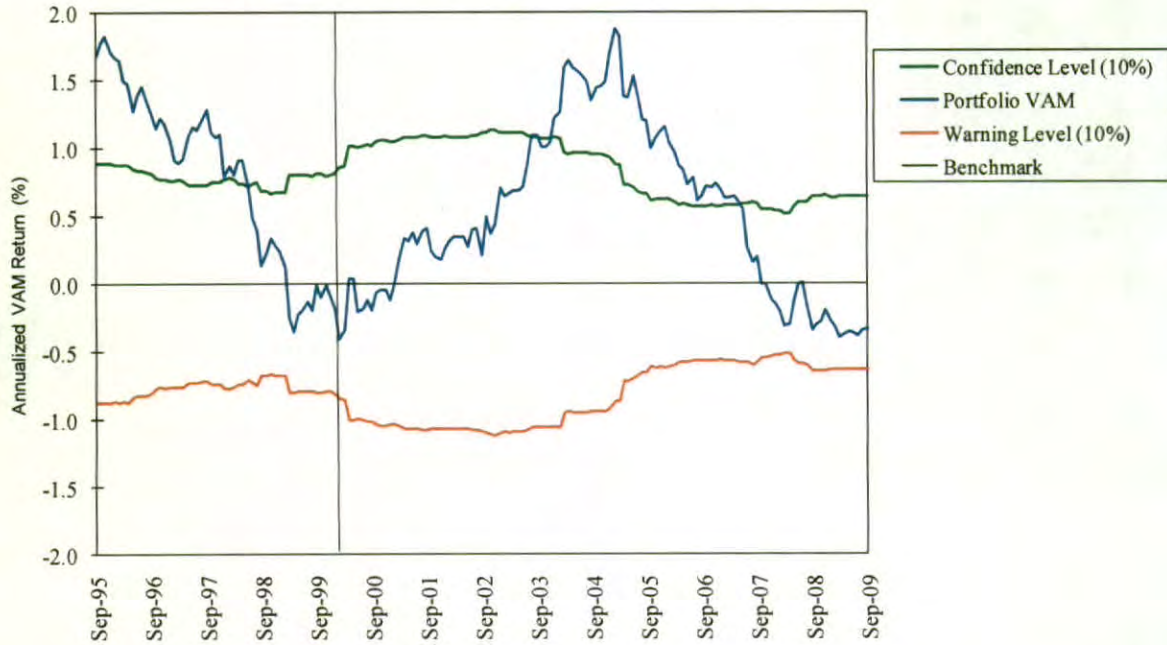
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2009

Portfolio Manager: Russ Koesterich

Assets Under Management: \$2,581,770,468

BARCLAYS GLOBAL INVESTORS - SEMI-PASSIVE
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.

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

Portfolio Manager: Ralph Zingone and Terance Chen Assets Under Management: \$2,345,273,450

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	17.0%	16.1%
Last 1 year	-3.3	-6.1
Last 2 years	-13.3	-14.5
Last 3 years	-4.2	-5.1
Last 4 years	-0.6	-1.5
Last 5 years	1.8	1.5
Since Inception (1/95)	7.3	7.1

Calendar Year Returns

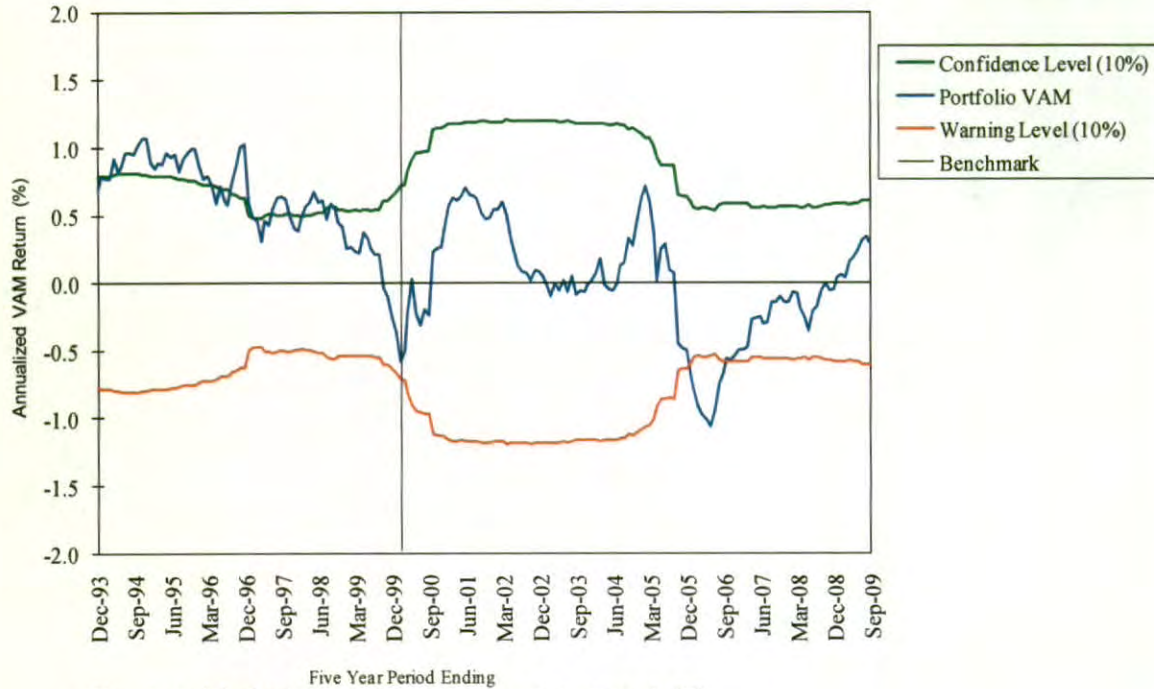
	Actual	Manager Benchmark*
2008	-37.1%	-37.6%
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3
2004	11.7	11.4

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

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

Portfolio Manager: Ralph Zingone and Terance Chen Assets Under Management: \$2,345,273,450

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



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

MELLON CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$2,004,592,959

Investment Philosophy – Semi-Passive Style

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

Staff Comments

The Mellon Capital Boston (Franklin legacy) team is meeting with the SBI in November to discuss their plans for the combined investments teams (Franklin legacy and Mellon Capital) to set up a shared investment infrastructure.

Staff continues to monitor the portfolio closely.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	15.4%	16.1%
Last 1 year	-8.5	-6.1
Last 2 years	-16.1	-14.5
Last 3 years	-6.7	-5.1
Last 4 years	-2.5	-1.5
Last 5 years	0.6	1.5
Since Inception (1/95)	6.5	7.1

Calendar Year Returns

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

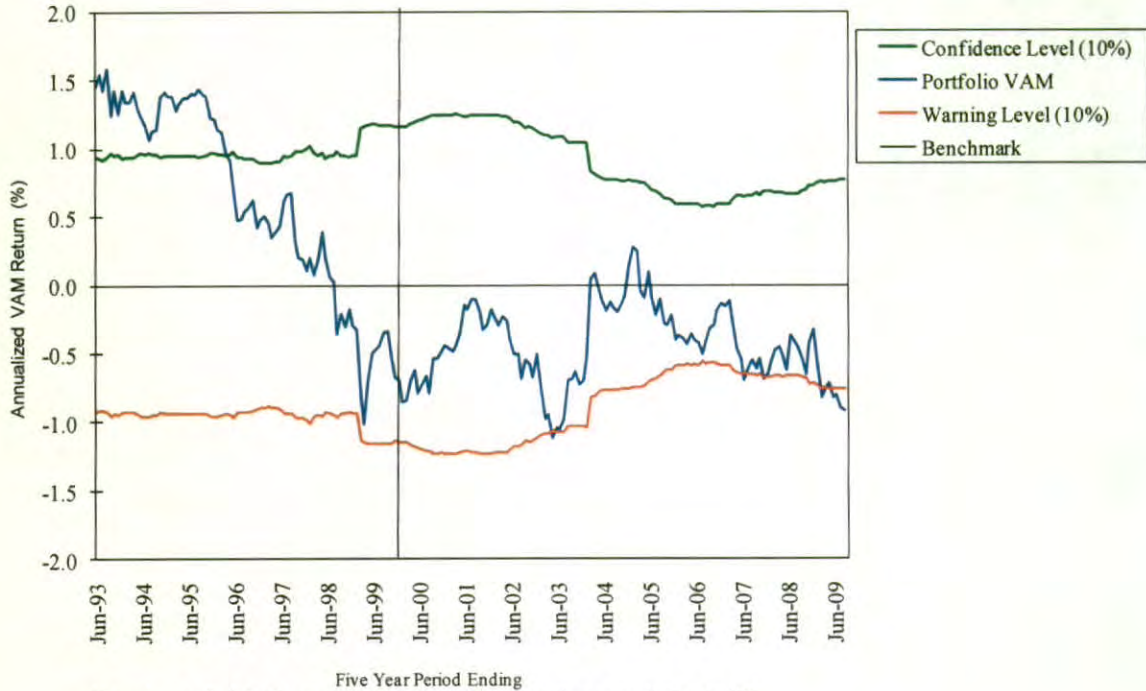
*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

MELLON CAPITAL MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Tony Garvin

Assets Under Management: \$2,004,592,959

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



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

BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2009

Portfolio Manager: Amy Schioldager

Assets Under Management: \$7,685,929,098

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

On August 6th, Barclays PLC (BCS) shareholders agreed to the \$ 13 billion sale of the bank's Barclays Global Investors unit to BlackRock Inc. (BLK). The new group will be called BlackRock Global Investors. On completion of the deal by the end of the year, Barclays will get GBP4.1 billion in cash and will keep a 19.9% stake in BGI.

Recommendation

No action required.

Quantitative Evaluation

Period Returns

(Annualized for multi-year periods)

	Actual	Manager Benchmark*
Last Quarter	16.3%	16.3%
Last 1 year	-6.4	-6.4
Last 2 years	-14.2	-14.3
Last 3 years	-5.0	-5.1
Last 4 years	-1.4	-1.5
Last 5 years	1.6	1.6
Since Inception (7/95)	6.7	6.5

Calendar Year Returns

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

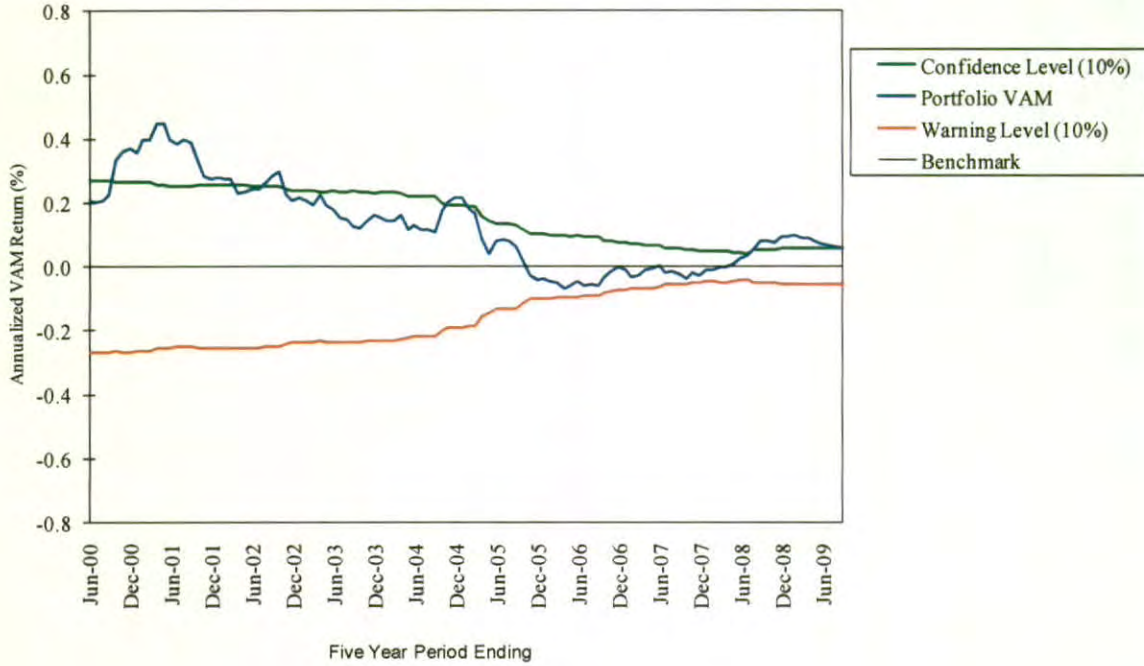
* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

BARCLAYS GLOBAL INVESTORS
Periods Ending September, 2009

Portfolio Manager: Amy Schioldager

Assets Under Management: \$7,685,929,098

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



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STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Third Quarter, 2009

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Bond Managers

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COMBINED RETIREMENT FUNDS
BOND MANAGERS
 Periods Ending September, 2009

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Aberdeen	7.9	3.7	5.7	10.6	2.1	6.4	2.7	5.1	5.5	6.5	\$879.3	9.9%
Dodge & Cox	6.0	3.7	17.0	10.6	6.9	6.4	5.6	5.1	7.4	6.5	\$914.4	10.3%
PIMCO	7.2	3.7							14.5	10.6	\$798.8	9.0%
RiverSource	5.5	3.7	10.1	10.6	5.1	6.4	4.5	5.1	5.9	6.2	\$765.9	8.6%
Western	7.2	3.7	13.7	10.6	4.9	6.4	4.5	5.1	9.6	8.6	\$1,181.2	13.3%
Active Mgr. Aggregate	6.8	3.7	12.1	10.6	4.5	6.4	4.2	5.1			\$4,539.6	51.1%
Semi-Passive Managers												
BlackRock	5.2	3.7	11.0	10.6	5.2	6.4	4.5	5.1	6.3	6.4	\$1,423.8	16.0%
Goldman	5.3	3.7	11.6	10.6	5.9	6.4	5.0	5.1	6.4	6.2	\$1,440.4	16.2%
Neuberger	6.7	3.7	12.6	10.6	6.0	6.4	4.9	5.1	7.4	7.4	\$1,473.3	16.6%
Semi-Passive Mgr. Aggregate	5.8	3.7	11.8	10.6	5.7	6.4	4.8	5.1			\$4,337.5	48.9%
Historical Aggregate (2)	6.3	3.7	12.1	10.6	5.2	6.4	4.6	5.1	8.6	8.7	\$8,877.08	100.0%
Barclays Capital Aggregate (3)		3.7		10.6		6.4		5.1		8.6		

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

(2) Includes performance of terminated managers.

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

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

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

ABERDEEN ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Neil Moriarty

Assets Under Management: \$879,323,958

Investment Philosophy

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

Staff Comments

Aberdeen outperformed the benchmark by 420 bps in 3Q09 but underperformed by 490 bps over the last 12 months. Quarterly performance was driven by overweights in the corporate bond and CMBS sectors as these sectors continue to outperform Treasuries. Over the last 12 months performance was hampered by overweights to non-Agency MBS and financial corporate bonds.

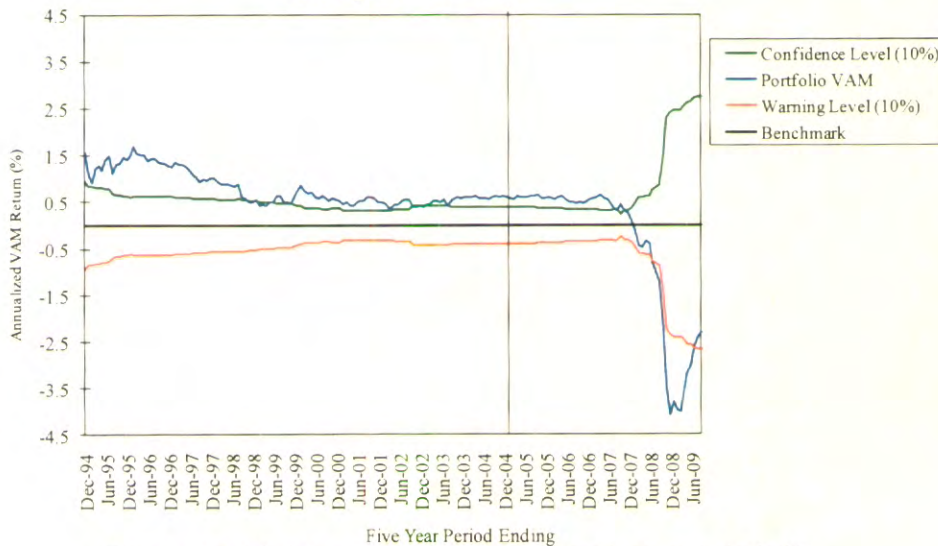
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.9%	3.7%
Last 1 year	5.7	10.6
Last 2 years	0.7	7.0
Last 3 years	2.1	6.4
Last 4 years	2.6	5.7
Last 5 years	2.7	5.1
Since Inception (2/00)	5.5	6.5

Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT
Rolling Five Year VAM



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

DODGE & COX INVESTMENT MANAGERS
Periods Ending September, 2009

Portfolio Manager: Dana Emery

Assets Under Management: \$914,406,448

Investment Philosophy

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

Staff Comments

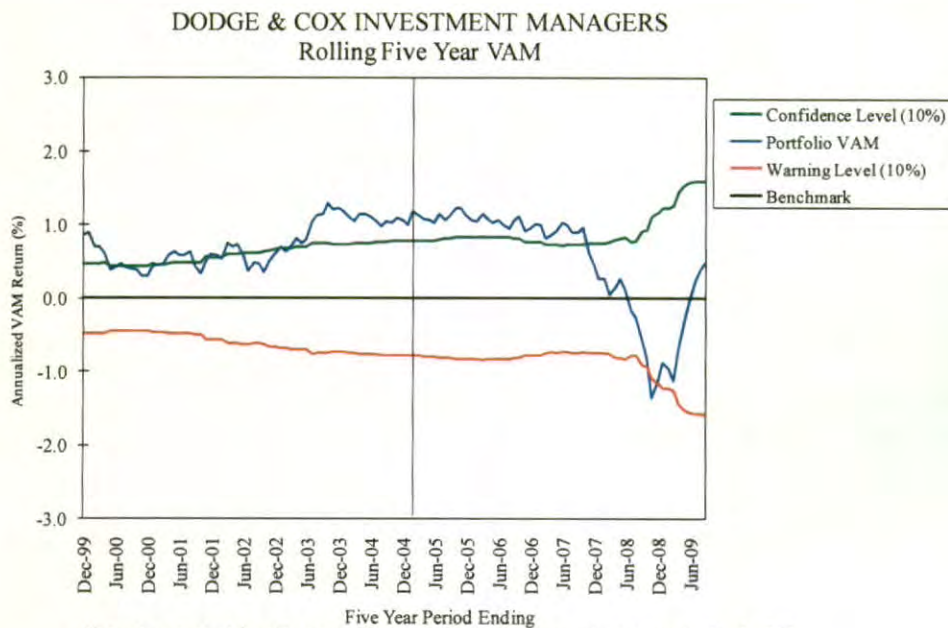
Dodge & Cox outperformed the benchmark by 230 bps in 3Q09 and by 640 bps over the last 12 months. The portfolio's significant corporate bond sector overweight was the main driver of returns in 3Q09 and over the last 12 months. Agency MBS holdings also contributed to returns in 3Q09 and over the last 12 months.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	6.0%	3.7%
Last 1 year	17.0	10.6
Last 2 years	7.7	7.0
Last 3 years	6.9	6.4
Last 4 years	6.2	5.7
Last 5 years	5.6	5.1
Since Inception (2/00)	7.4	6.5

Recommendations

No action required.



PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)
Periods Ending September, 2009

Portfolio Manager: Bill Gross

Assets Under Management: \$798,794,714

Investment Philosophy

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

Staff Comments

PIMCO outperformed the benchmark by 350 bps in 3Q09 and by 390 bps over the last 12 months. Quarterly performance was driven by overweights in the corporate bond and MBS sectors. Performance over the last 12 months was driven by non-Agency MBS, CMBS, and corporate bond overweights.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.2%	3.7%
Last 1 year	N/A	N/A
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	14.5	10.6

Recommendations

No action required.

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

RIVERSOURCE INVESTMENTS
Periods Ending September, 2009

Portfolio Manager: Colin Lundgren

Assets Under Management: \$765,851,672

Investment Philosophy

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

Staff Comments

Riversource outperformed the benchmark by 180 bps in 3Q09 but underperformed by 50 bps over the last 12 months. Quarterly performance was driven by overweights to investment grade and high yield corporate bond sectors as well as the CMBS sector. Security selection within the non-Agency MBS sector detracted from returns over the last 12 months, but the corporate bond sector overweight added to annual performance.

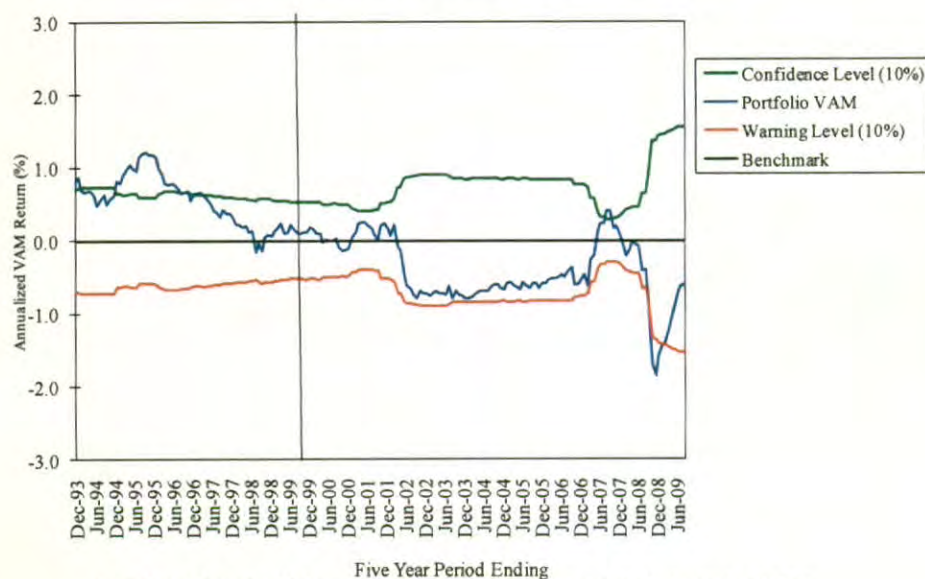
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.5%	3.7%
Last 1 year	10.1	10.6
Last 2 years	4.9	7.0
Last 3 years	5.1	6.4
Last 4 years	4.8	5.7
Last 5 years	4.5	5.1
Since Inception (7/93)	5.9	6.2

Recommendations

No action required.

RIVERSOURCE INVESTMENTS - FIXED INCOME
Rolling Five Year VAM



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

WESTERN ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Steve Walsh

Assets Under Management: \$1,181,195,441

Investment Philosophy

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

Staff Comments

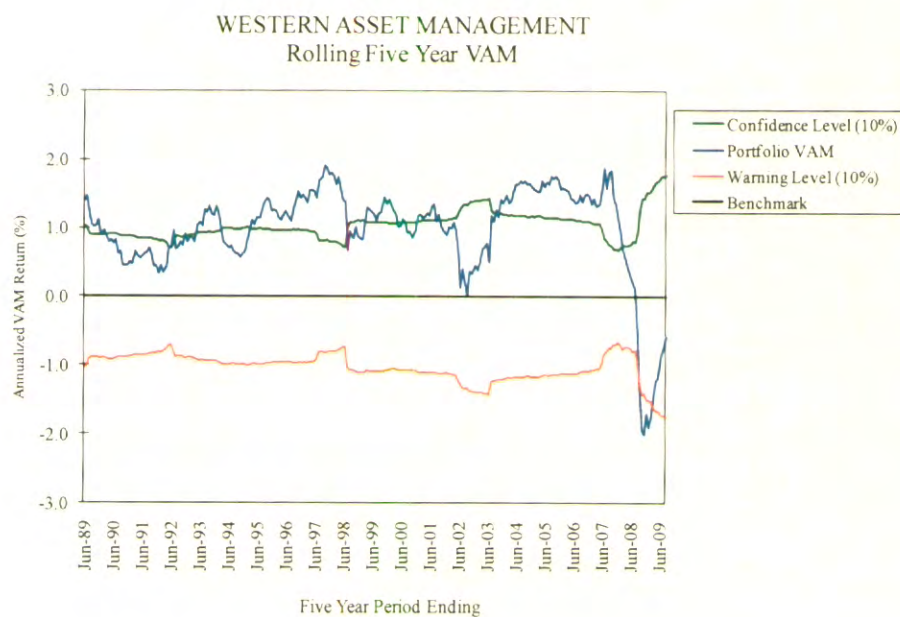
Western outperformed the benchmark by 350 bps in 3Q09 and by 310 bps over the last 12 months. Overweights to the investment grade and high yield corporate bond sectors and the non-Agency MBS sector were the main drivers of quarterly and annual performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.2%	3.7%
Last 1 year	13.7	10.6
Last 2 years	4.8	7.0
Last 3 years	4.9	6.4
Last 4 years	4.7	5.7
Last 5 years	4.5	5.1
Since Inception (7/84)	9.6	8.6

Recommendations

No action required.



BLACKROCK, INC.
Periods Ending September, 2009

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,423,841,175

Investment Philosophy

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

Staff Comments

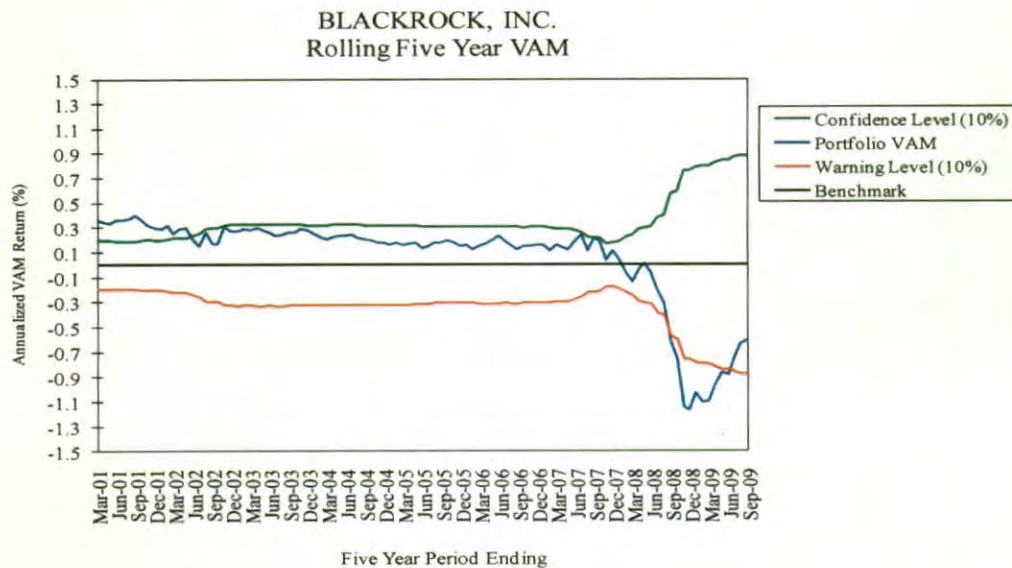
Blackrock outperformed the benchmark by 150 bps in 3Q09 and by 40 bps over the last 12 months. Quarterly performance was driven by CMBS, ABS, and non-Agency MBS overweights. Over the last 12 months, performance was driven by an overweight to the ABS sector and security selection within the CMBS sector.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.2%	3.7%
Last 1 year	11.0	10.6
Last 2 years	5.4	7.0
Last 3 years	5.2	6.4
Last 4 years	4.9	5.7
Last 5 years	4.5	5.1
Since Inception (4/96)	6.3	6.4

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,440,371,432

Investment Philosophy

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

Staff Comments

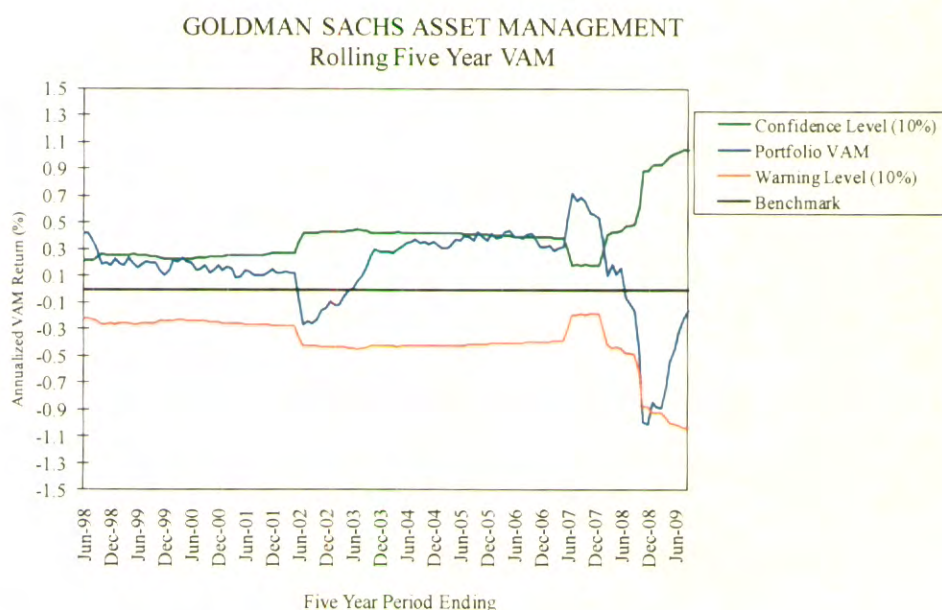
Goldman Sachs outperformed the benchmark 160 bps in 3Q09 and by 100 bps over the last 12 months. An overweight to non-Agency MBS contributed to performance over during the quarter and the last 12 months. A modest corporate bond sector overweight also contributed to quarterly and annual performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.3%	3.7%
Last 1 year	11.6	10.6
Last 2 years	6.2	7.0
Last 3 years	5.9	6.4
Last 4 years	5.4	5.7
Last 5 years	5.0	5.1
Since Inception (7/93)	6.4	6.2

Recommendations

No action required.



NEUBERGER INVESTMENT MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,473,293,792

Investment Philosophy

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

Staff Comments

Neuberger outperformed the benchmark by 300 bps in 3Q09 and by 200 bps over the last 12 months. Corporate bond and CMBS sector overweights drove performance during 3Q09 and the last 12 months and nullified the negative impact of a non-Agency MBS overweight over the last 12 months.

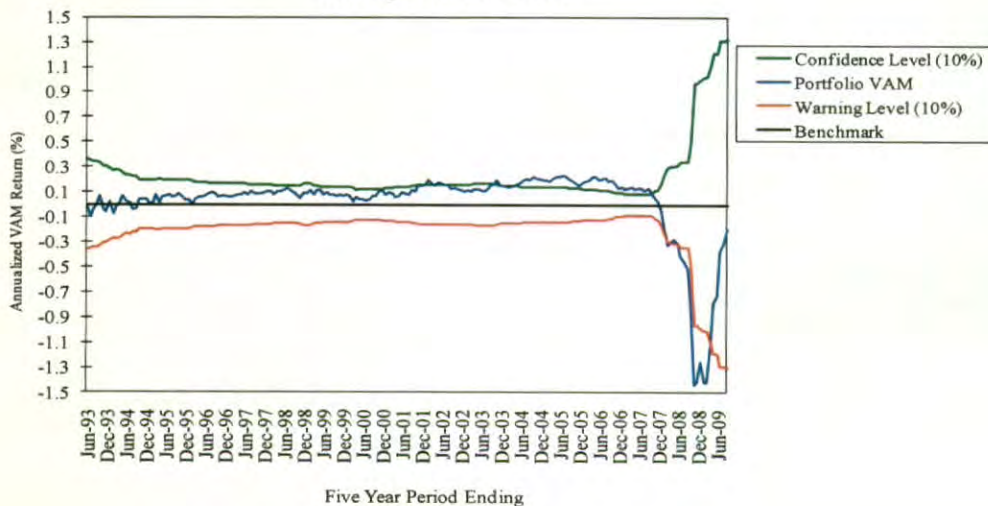
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	6.7%	3.7%
Last 1 year	12.6	10.6
Last 2 years	6.4	7.0
Last 3 years	6.0	6.4
Last 4 years	5.4	5.7
Last 5 years	4.9	5.1
Since Inception (7/88)	7.4	7.4

Recommendations

No action required.

NEUBERGER INVESTMENT MANAGEMENT
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Third Quarter, 2009

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International Managers

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

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active Developed Markets (2)												
Acadian	19.7	19.4	-4.9	2.9	-8.3	-3.0			2.5	4.4	\$300.5	4.4%
Invesco	17.9	19.4	5.1	2.9	-2.9	-3.0	6.2	6.6	3.7	1.7	\$267.5	3.9%
J.P. Morgan	20.6	19.4	6.1	2.9	-3.0	-3.0			4.0	4.4	\$215.8	3.2%
Marathon	16.8	19.4	5.7	2.9	0.4	-3.0	9.5	6.6	8.4	5.0	\$472.3	7.0%
McKinley	15.7	19.4	-7.9	2.9	-7.4	-3.0			1.4	4.4	\$202.4	3.0%
Pyramis (Fidelity)	19.1	19.4	3.4	2.9	-1.1	-3.0			5.6	4.4	\$234.4	3.5%
RiverSource	17.6	19.4	2.7	2.9	-2.8	-3.0	6.3	6.6	-0.9	1.7	\$234.9	3.5%
Aggregate	18.1	19.4	2.8	2.9	-3.1	-3.0	6.3	6.6			\$1,927.8	28.5%
Active Emerging Markets (3)												
AllianceBernstein	20.7	20.9	13.0	19.1	4.6	8.2	14.7	17.5	12.2	13.8	\$239.9	3.5%
Capital International	20.9	20.9	30.0	19.1	11.9	8.2	20.8	17.5	13.3	13.8	\$612.0	9.0%
Morgan Stanley	19.8	20.9	17.3	19.1	7.3	8.2	17.6	17.5	13.8	13.8	\$568.6	8.4%
Aggregate	20.4	20.9	20.9	19.1	8.2	8.2	17.8	17.5			\$1,420.5	21.0%
Semi-Passive Developed Markets (2)												
AQR	20.9	19.4	6.2	2.9	-3.6	-3.0			4.2	4.4	\$237.6	3.5%
Pyramis (Fidelity)	18.4	19.4	-0.4	2.9	-2.0	-3.0			5.2	4.4	\$247.0	3.6%
State Street	19.0	19.4	2.9	2.9	-4.4	-3.0			3.5	4.4	\$230.3	3.4%
Aggregate	19.4	19.4	2.8	2.9	-3.3	-3.0					\$714.9	10.6%
Passive Developed Markets (2)												
State Street	19.3	19.4	2.3	2.9	-2.8	-3.0	6.8	6.6	6.5	6.3	\$2,709.1	40.0%
Since 10/1/92												
Equity Only (4) (6)	19.4	19.7	5.9	5.9	-1.2	-1.1	8.1	8.2	7.1	6.7	\$6,772.6	100.0%
Total Program (5) (6)	19.4	19.7	5.9	5.9	-1.2	-1.1	8.1	8.2	7.3	6.7	\$6,772.6	100.0%
SBI Int'l Equity Target (6)	19.7		5.9		-1.1		8.2		6.7			
MSCI ACWI Free ex. U.S. (7)	19.7		5.9		-1.2		8.1		7.0			
MSCI World ex U.S. (net)	19.4		2.9		-3.0		6.5		6.5			
MSCI EAFE Free (net)	19.5		3.2		-3.6		6.1		6.1			
MSCI Emerging Markets Free (8)	20.9		19.1		8.0		17.3		9.3			

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

(2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).

(3) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).

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

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

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

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

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

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

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

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

ACADIAN ASSET MANAGEMENT LLC
Periods Ending September, 2009

Portfolio Manager: John Chisholm

Assets Under Management: \$300,500,661

Investment Philosophy

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

Staff Comments

During the quarter, the portfolio benefitted from strong stock selection in Germany, Canada and France. Over the year, a market rally led by cheap, poor-quality stocks with poor prospective earnings hurt the portfolio which is invested in value stocks with higher financial quality and positive prospective earnings. During this time, stock selection in Japan and Australia was particularly negative.

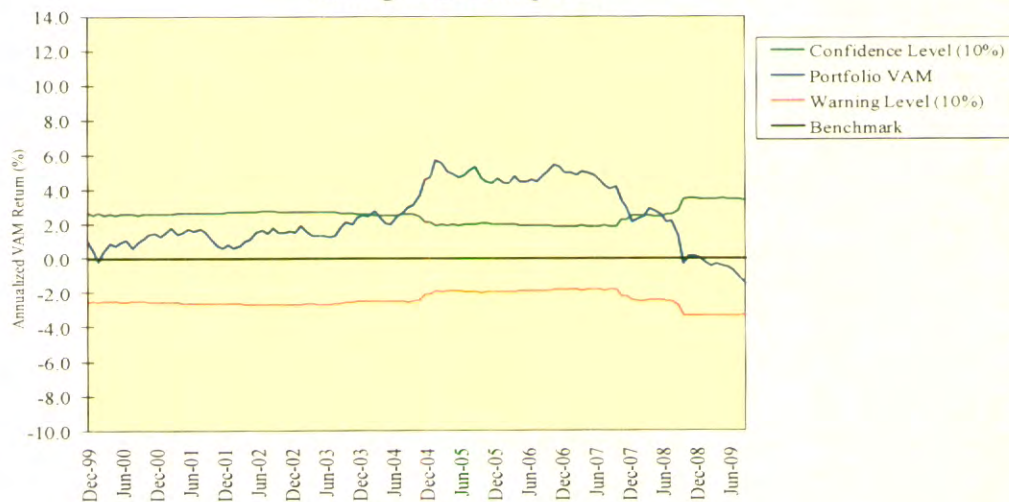
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	19.7%	19.4%
Last 1 year	-4.9	2.9
Last 2 years	-22.9	-14.8
Last 3 years	-8.3	-3.0
Last 4 years	-1.3	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	2.5	4.4

Recommendations

No action required.

ACADIAN ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Erik Granade

Assets Under Management: \$267,453,845

Investment Philosophy

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

Staff Comments

The portfolio underperformed during the quarter and outperformed for the year. During both periods, stock selection overall was positive. However, stock selection in the United Kingdom detracted from performance during the quarter, and stock selection in Japan contributed to performance for the year.

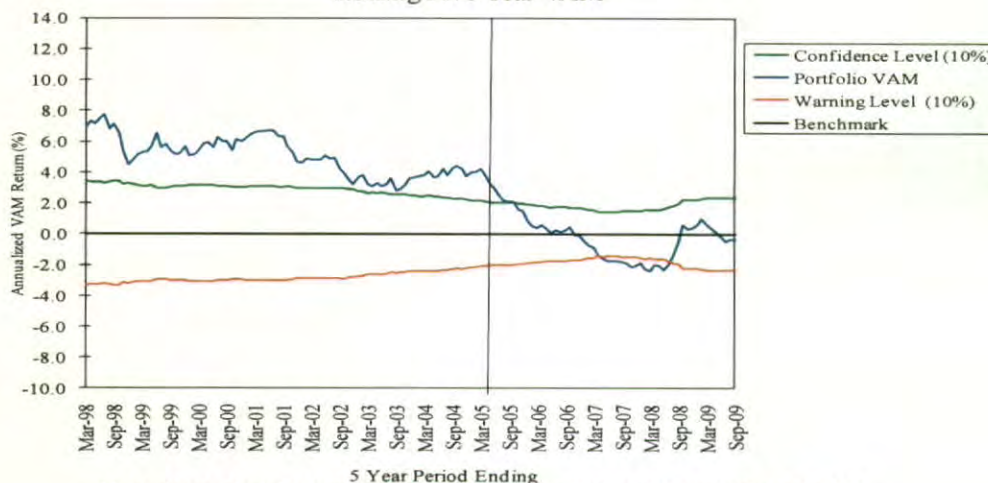
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	17.9%	19.4%
Last 1 year	5.1	2.9
Last 2 years	-12.7	-14.8
Last 3 years	-2.9	-3.0
Last 4 years	2.5	2.0
Last 5 years	6.2	6.6
Since Inception (3/00)	3.7	1.7

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



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, 2009

Portfolio Manager: James Fisher

Assets Under Management: \$215,769,179

Investment Philosophy

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

Staff Comments

The portfolio outperformed over the quarter and the year. During both periods, stock selection in the materials sector, one of the best performing sectors over both periods, contributed to returns.

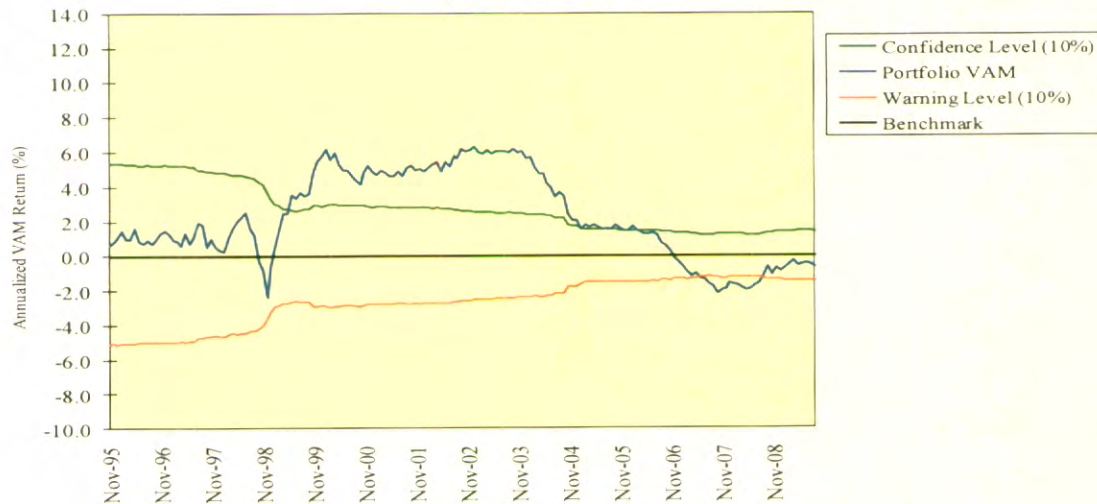
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	20.6%	19.4%
Last 1 year	6.1	2.9
Last 2 years	-12.5	-14.8
Last 3 years	-3.0	-3.0
Last 4 years	2.1	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	4.0	4.4

Recommendations

No action required.

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



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

MARATHON ASSET MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: William Arah

Assets Under Management: \$472,281,382

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 for the quarter and outperformed for the year. The underweight position to the financials sector contributed significantly over both periods. The position detracted over the quarter and boosted performance over the year, as the financials sector rotated from a under-performer to an out-performer.

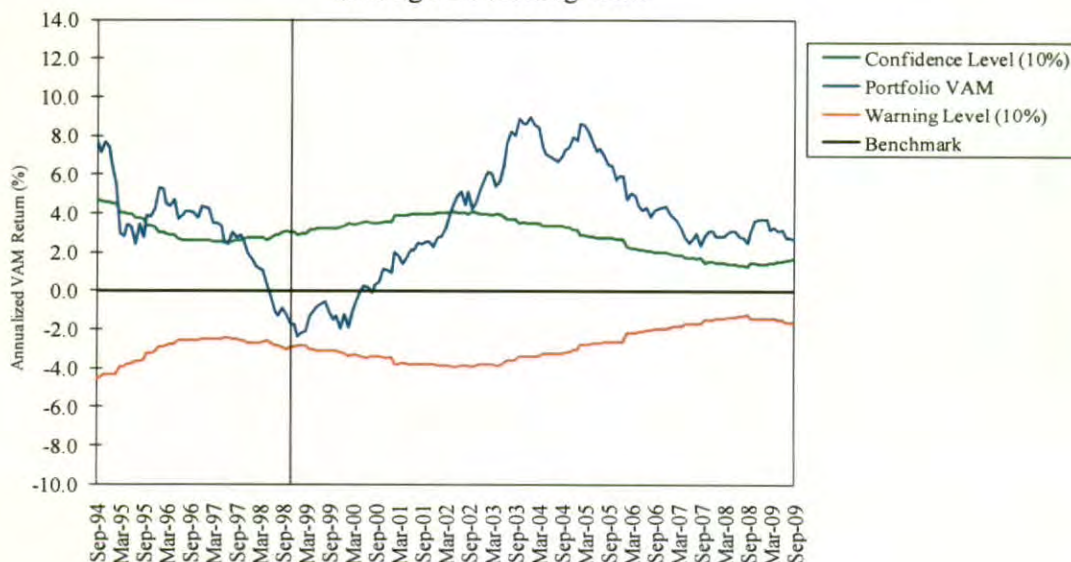
Quantitative Evaluation

	Custom	
	Actual	Benchmark
Last Quarter	16.8%	19.4%
Last 1 year	5.7	2.9
Last 2 years	-11.0	-14.8
Last 3 years	0.4	-3.0
Last 4 years	5.0	2.0
Last 5 years	9.5	6.6
Since Inception (11/93)	8.4	5.0

Recommendations

No action required.

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

MCKINLEY CAPITAL MANAGEMENT, INC.
Periods Ending September, 2009

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$202,432,996

Investment Philosophy

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

Staff Comments

The portfolio underperformed over the quarter and the year. Stock selection in Australia and France was negative during both periods.

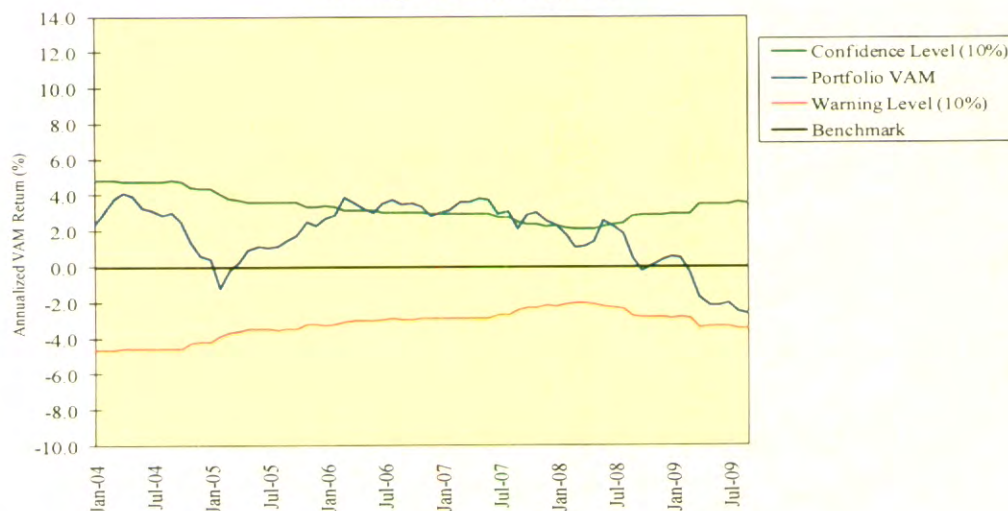
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	15.7%	19.4%
Last 1 year	-7.9	2.9
Last 2 years	-22.4	-14.8
Last 3 years	-7.4	-3.0
Last 4 years	-1.8	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	1.4	4.4

Recommendations

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.
Rolling Five Rolling VAM



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

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

Portfolio Manager: Michael Strong

Assets Under Management: \$234,444,480

Investment Philosophy

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

Staff Comments

During the quarter stock selection in the financials sector detracted from performance. Over the year, stock selection the materials and consumer staples sectors, two strong market performers, contributed positively.

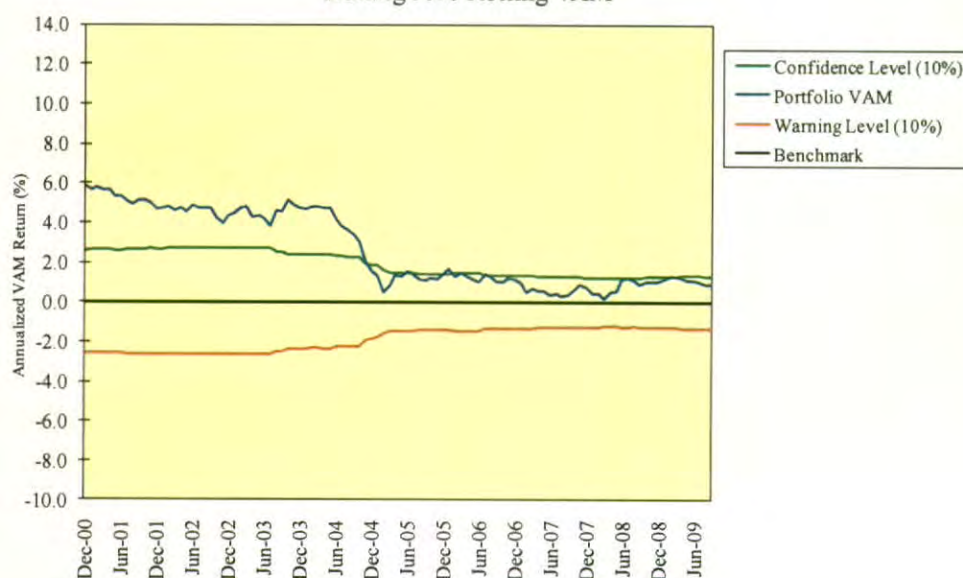
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	19.1%	19.4%
Last 1 year	3.4	2.9
Last 2 years	-13.2	-14.8
Last 3 years	-1.1	-3.0
Last 4 years	3.2	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	5.6	4.4

Recommendations

No action required.

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



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

RIVERSOURCE INVESTMENTS
Periods Ending September, 2009

Portfolio Manager: Esther Perkins

Assets Under Management: \$234,880,430

Investment Philosophy

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

Staff Comments

Stock selection in the industrials and consumer staples sectors contributed to the portfolio's underperformance over the quarter and the year.

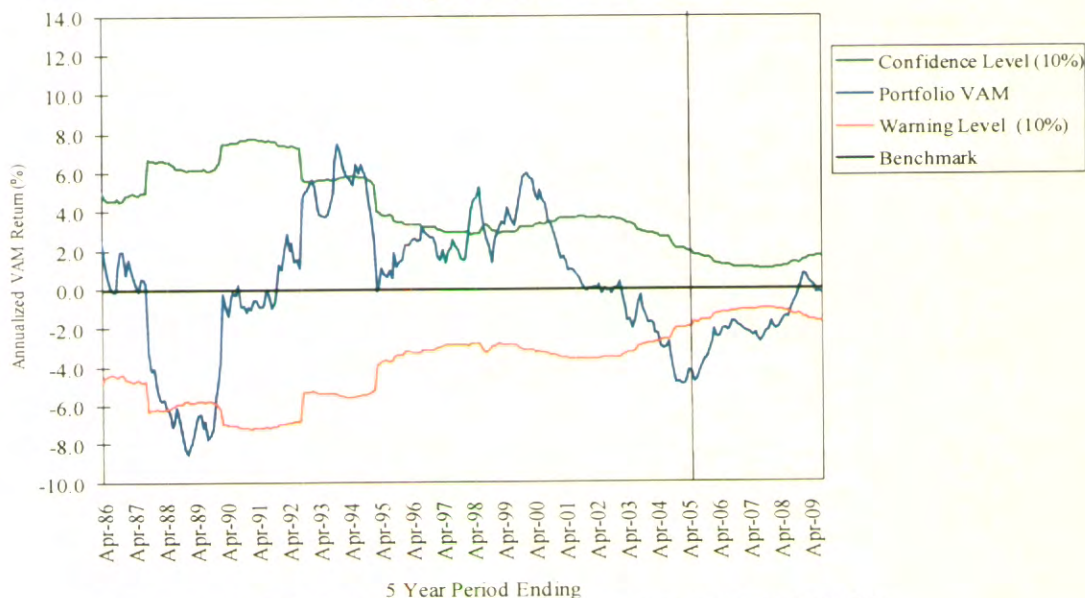
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	17.6%	19.4%
Last 1 year	2.7	2.9
Last 2 years	-13.2	-14.8
Last 3 years	-2.8	-3.0
Last 4 years	1.9	2.0
Last 5 years	6.3	6.6
Since Inception (3/00)	-0.9	1.7

Recommendations

No action required.

RIVERSOURCE INVESTMENTS
Rolling Five Year VAM



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

ALLIANCEBERNSTEIN L.P.
Periods Ending September, 2009

Portfolio Manager: Steve Beinacker

Assets Under Management: \$239,852,522

Investment Philosophy

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

Staff Comments

Stock selection in the financials and materials sectors and in China contributed to the portfolio's underperformance over the quarter and the year.

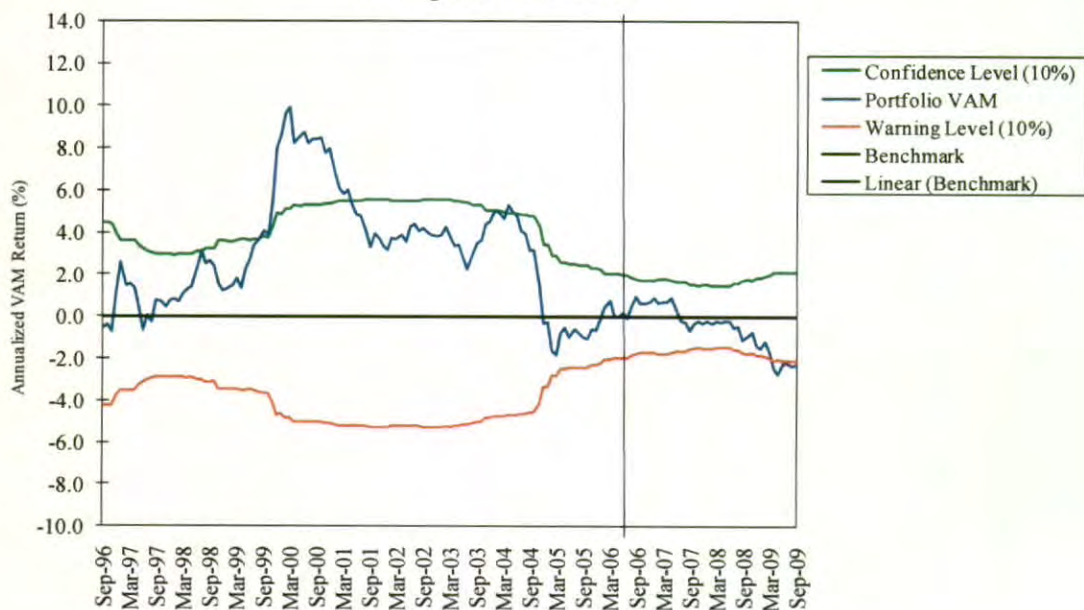
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	20.7%	20.9%
Last 1 year	13.0	19.1
Last 2 years	-14.5	-10.5
Last 3 years	4.6	8.2
Last 4 years	7.9	11.1
Last 5 years	14.7	17.5
Since Inception (3/01)	12.2	13.8

Recommendations

No action required.

ALLIANCEBERNSTEIN L.P.
Rolling Five Year VAM



5 Year Period Ending

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

CAPITAL INTERNATIONAL, INC.
Periods Ending September, 2009

Portfolio Manager: Victor Kohn

Assets Under Management: \$611,993,655

Investment Philosophy

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

Staff Comments

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

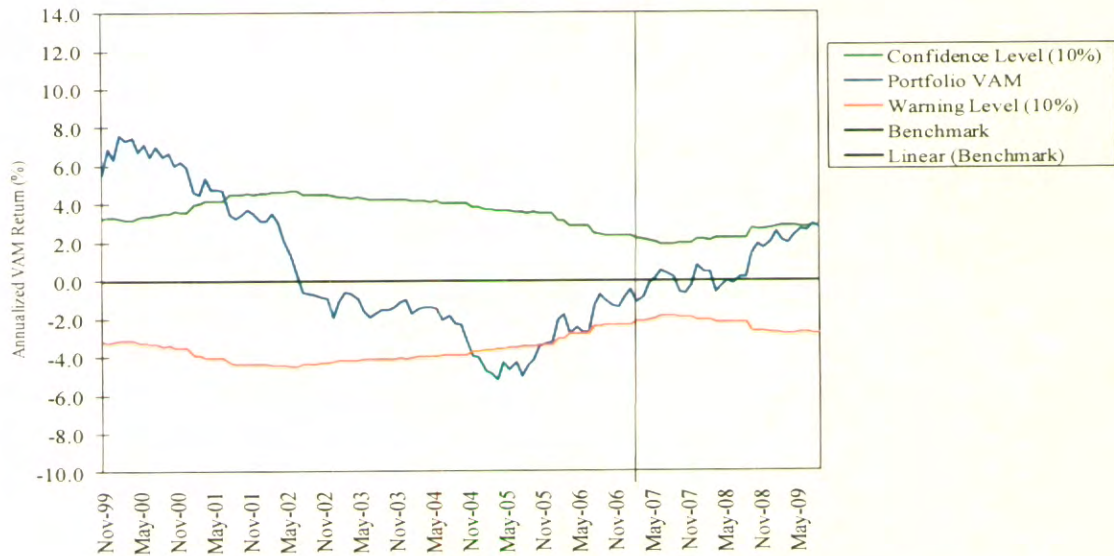
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	20.9%	20.9%
Last 1 year	30.0	19.1
Last 2 years	-5.8	-10.5
Last 3 years	11.9	8.2
Last 4 years	15.4	11.1
Last 5 years	20.8	17.5
Since Inception (3/01)	13.3	13.8

Recommendations

No action required.

CAPITAL INTERNATIONAL, INC.
Rolling Five Year VAM



5 Year Period Ending

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

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending September, 2009

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$568,629,934

Investment Philosophy

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

Staff Comments

Stock selection in China contributed to the portfolio's underperformance over the quarter and the year.

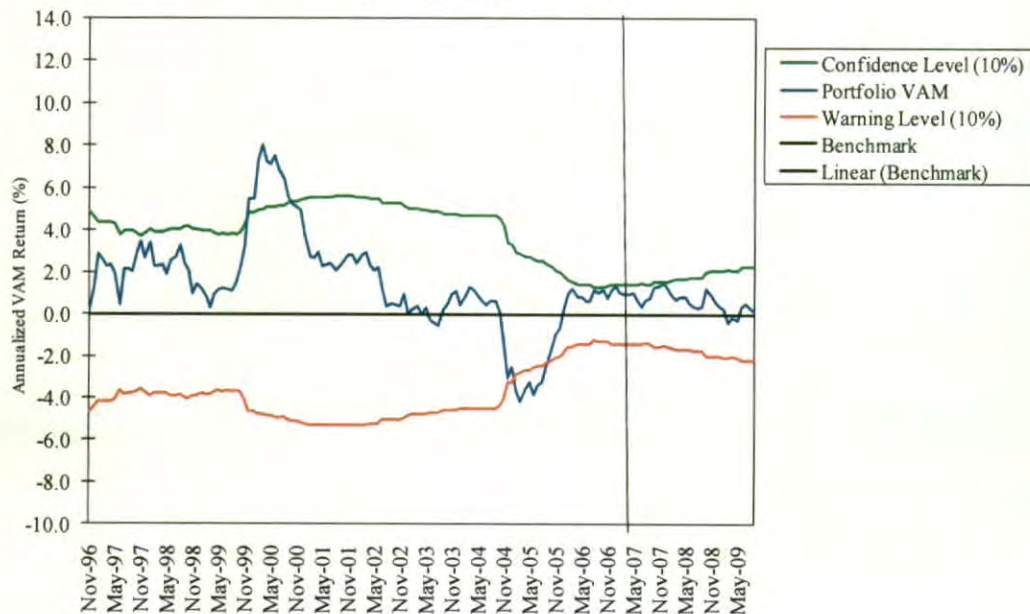
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	19.8%	20.9%
Last 1 year	17.3	19.1
Last 2 years	-12.6	-10.5
Last 3 years	7.3	8.2
Last 4 years	11.1	11.1
Last 5 years	17.6	17.5
Since Inception (3/01)	13.8	13.8

Recommendations

No action required.

MORGAN STANLEY INVESTMENT 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.

AQR CAPITAL MANAGEMENT, LLC
Periods Ending September, 2009

Portfolio Manager: Cliff Asness

Assets Under Management: \$237,619,351

Investment Philosophy

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

Staff Comments

Stock selection in Europe overall contributed to the portfolio's outperformance during the quarter and the year.

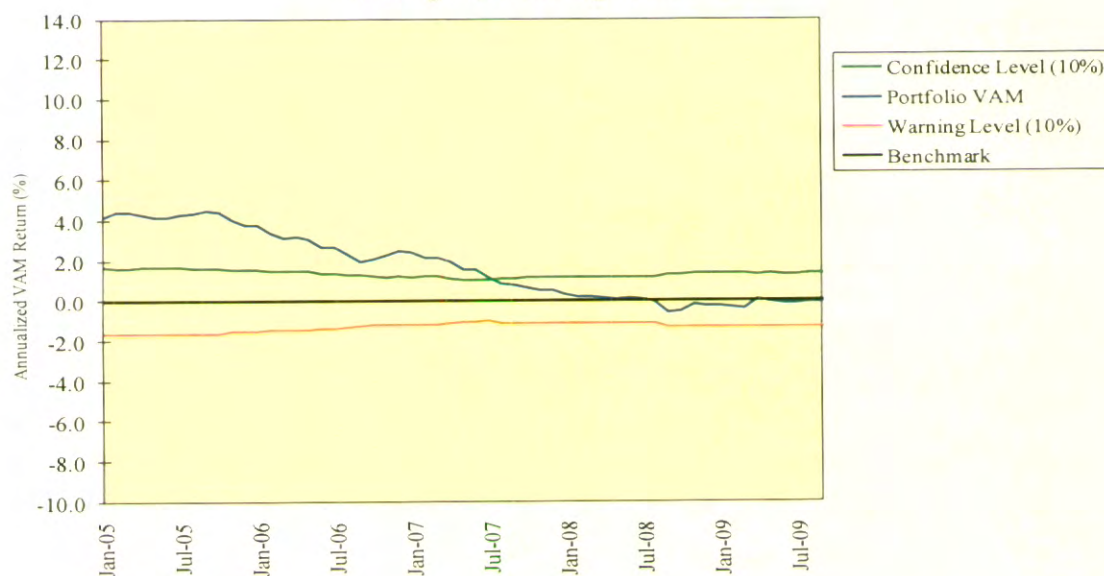
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	20.9%	19.4%
Last 1 year	6.2	2.9
Last 2 years	-15.0	-14.8
Last 3 years	-3.6	-3.0
Last 4 years	1.5	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	4.2	4.4

Recommendations

No action required.

AQR CAPITAL MANAGEMENT, LLC
Rolling Five Rolling VAM



5 Year Period Ending

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

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

Portfolio Manager: Cesar Hernandez

Assets Under Management: \$246,979,515

Investment Philosophy

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

Staff Comments

The portfolio underperformed during the quarter and the year. Negative stock selection in the financials and consumer discretionary sectors detracted from returns over both periods.

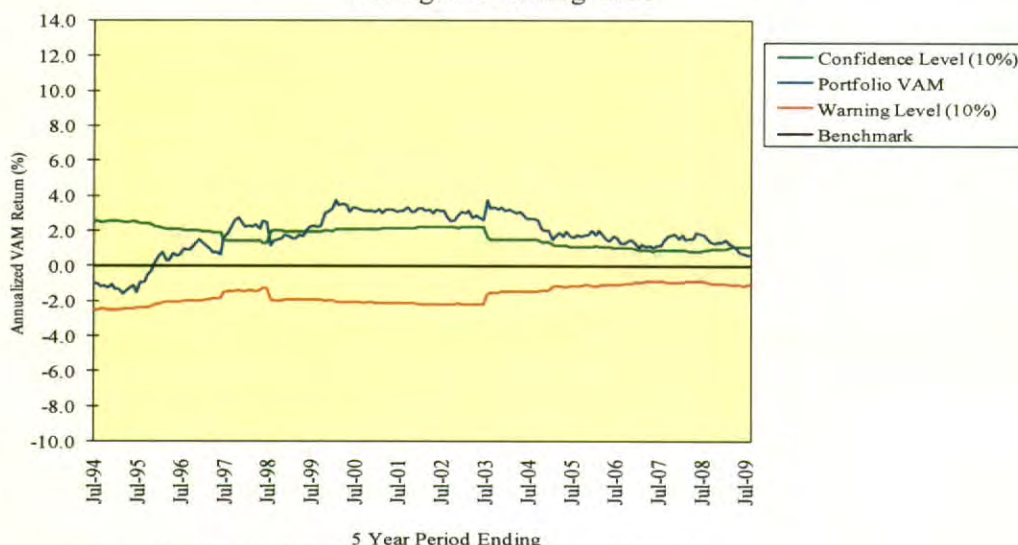
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	18.4%	19.4%
Last 1 year	-0.4	2.9
Last 2 years	-15.2	-14.8
Last 3 years	-2.0	-3.0
Last 4 years	2.6	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	5.2	4.4

Recommendations

No action required.

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



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

STATE STREET GLOBAL ADVISORS
Periods Ending September, 2009

Portfolio Manager: Didier Rosenfeld

Assets Under Management: \$230,297,941

Investment Philosophy

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

Staff Comments

The portfolio underperformed over the quarter and the year. Stock selection in Japan and in the information technology and industrials sectors detracted over both periods.

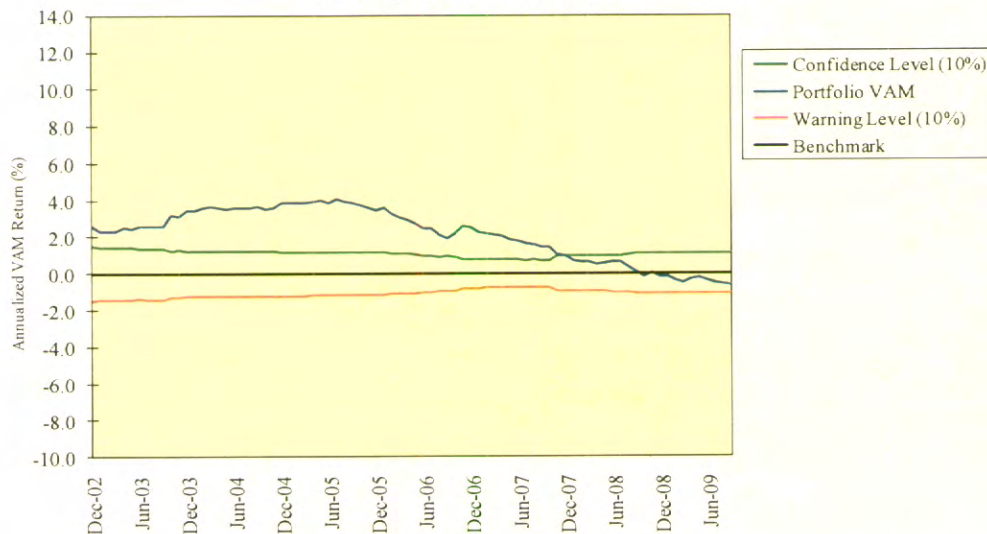
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	19.0%	19.4%
Last 1 year	2.9	2.9
Last 2 years	-16.9	-14.8
Last 3 years	-4.4	-3.0
Last 4 years	1.0	2.0
Last 5 years	N/A	N/A
Since Inception (7/05)	3.5	4.4

Recommendations

No action required.

STATE STREET GLOBAL ADVISORS - ALPHA
Rolling Five Rolling VAM



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

STATE STREET GLOBAL ADVISORS
Periods Ending September, 2009

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,709,148,307

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

Pursuant to Minnesota law, divestments made in Sudan-related securities contributed to the portfolio's negative tracking error over the quarter and the year. Without investment restrictions, this portfolio is expected to add approximately 0.20% over the benchmark return on an annual basis.

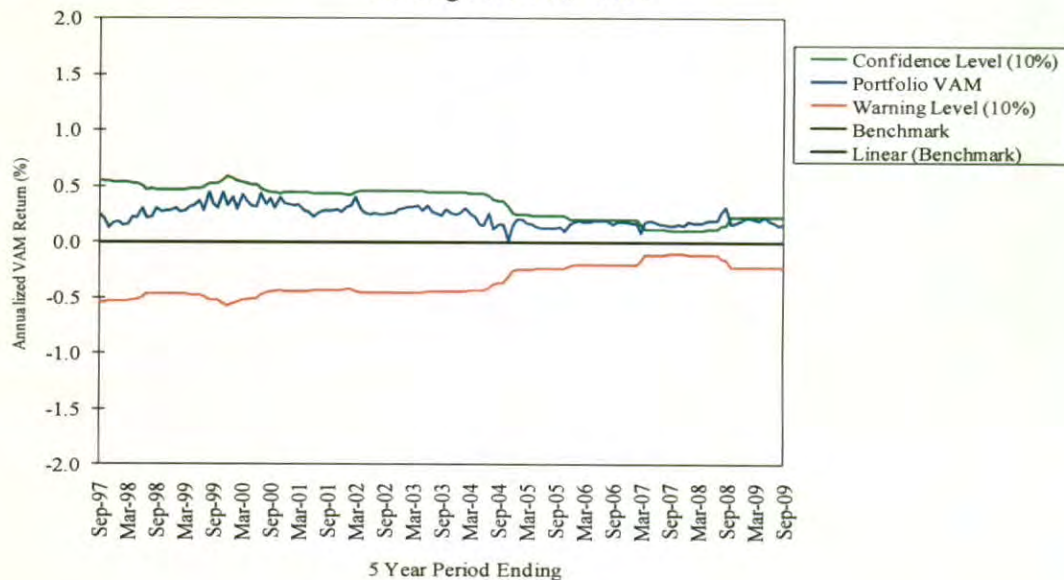
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	19.3%	19.4%
Last 1 year	2.3	2.9
Last 2 years	-14.6	-14.8
Last 3 years	-2.8	-3.0
Last 4 years	2.2	2.0
Last 5 years	6.8	6.6
Since Inception (10/92)	6.5	6.3

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS - PASSIVE
Rolling Five Year VAM



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STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Third Quarter, 2009

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Non-Retirement Managers

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NON - RETIREMENT MANAGERS
Periods Ending September, 2009

	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)	14.5	15.6	-3.5	-6.9	-2.1	-5.4	2.8	1.0	8.9	7.8	\$58.1
Voyageur Asset Management (Custom Benchmark)	4.3	1.7	6.3	6.7	3.5	6.5	3.4	5.0	5.9	6.4	\$258.6
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.1	0.5	4.6	1.9	4.7	3.3	4.6	3.8	5.6	4.7	\$1,176.9
Internal Stock Pool (S&P 500 Index)	15.4	15.6	-6.7	-6.9	-5.3	-5.4	1.1	1.0	7.5	7.4	\$873.7
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	4.5	3.7	14.3	10.6	6.8	6.4	5.7	5.1	7.8	7.4	\$82.9
Internal Bond Pool - Trust (Barclays Capital Aggregate)	4.2	3.7	14.4	10.6	7.3	6.4	6.0	5.1	7.3	6.7	\$533.6

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

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

NON - RETIREMENT MANAGERS
Calendar Year Returns

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

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

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

Portfolio Manager: Dave Carlson

Assets Under Management: \$58,092,404

Investment Philosophy
Assigned Risk Plan

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

Staff Comments

No comment at this time.

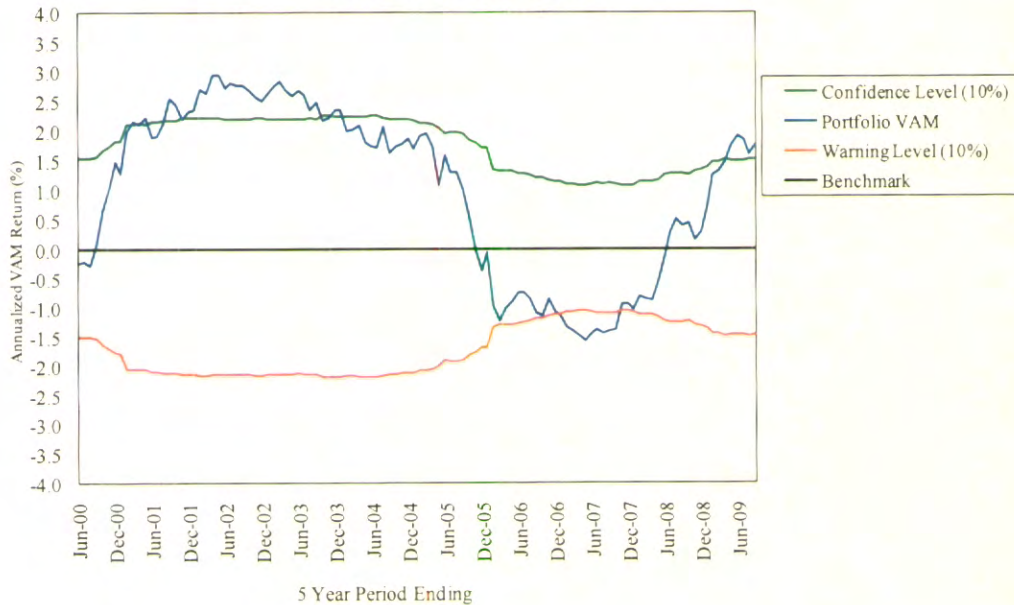
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	14.5%	15.6%
Last 1 year	-3.5	-6.9
Last 2 years	-10.7	-14.8
Last 3 years	-2.1	-5.4
Last 4 years	1.1	-1.6
Last 5 years	2.8	1.0
Since Inception (1/95)	8.9	7.8

Recommendation

No action required.

GE ASSET MANAGEMENT
Rolling Five Year VAM



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

Portfolio Manager: John Huber

Assets Under Management: \$258,649,615

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 by 260 bps in 3Q09 but underperformed by 40 bps over the last 12 months. Overweights to the securitized sector drove quarterly returns, but detracted from annual returns. An allocation to municipal bonds also added to returns during 3Q09. A Treasury sector underweight was a positive contributor to returns in 3Q09, but a negative contributor over the last 12 months.

Quantitative Evaluation

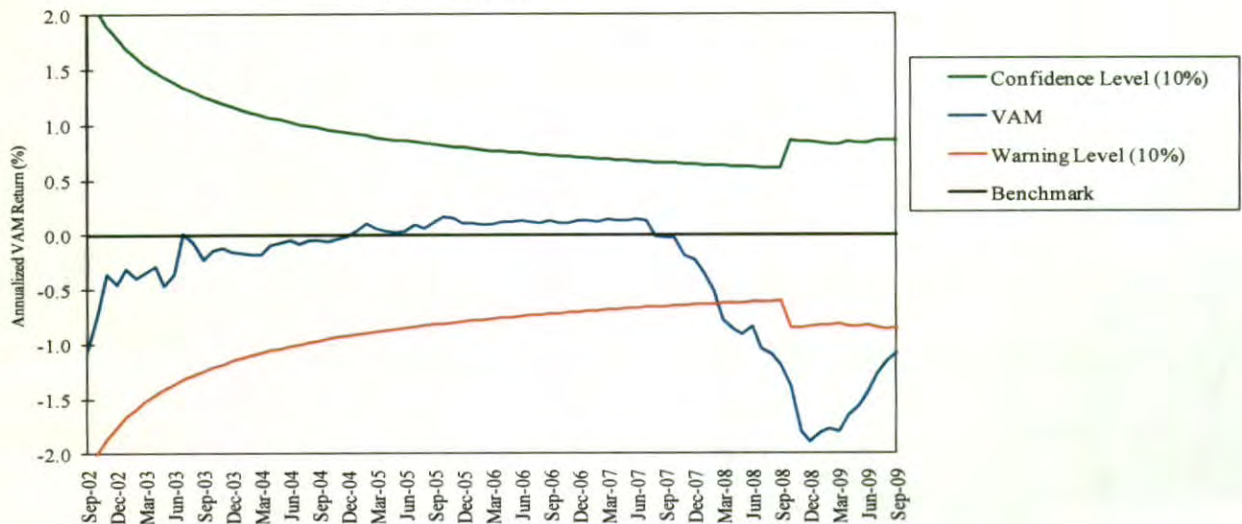
	Actual	Benchmark*
Last Quarter	4.3%	1.7%
Last 1 year	6.3	6.7
Last 2 years	2.7	6.9
Last 3 years	3.5	6.5
Last 4 years	3.6	5.8
Last 5 years	3.4	5.0
Since Inception (7/91)	5.9	6.4

Recommendation

No action required.

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

VOYAGEUR ASSET MANAGEMENT
 Cumulative VAM



GALLIARD CAPITAL MANAGEMENT
Periods Ending July, 2009

Portfolio Manager: Karl Tourville

Assets Under Management: \$1,176,870,489

Investment Philosophy

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

Staff Comments

No comment at this time.

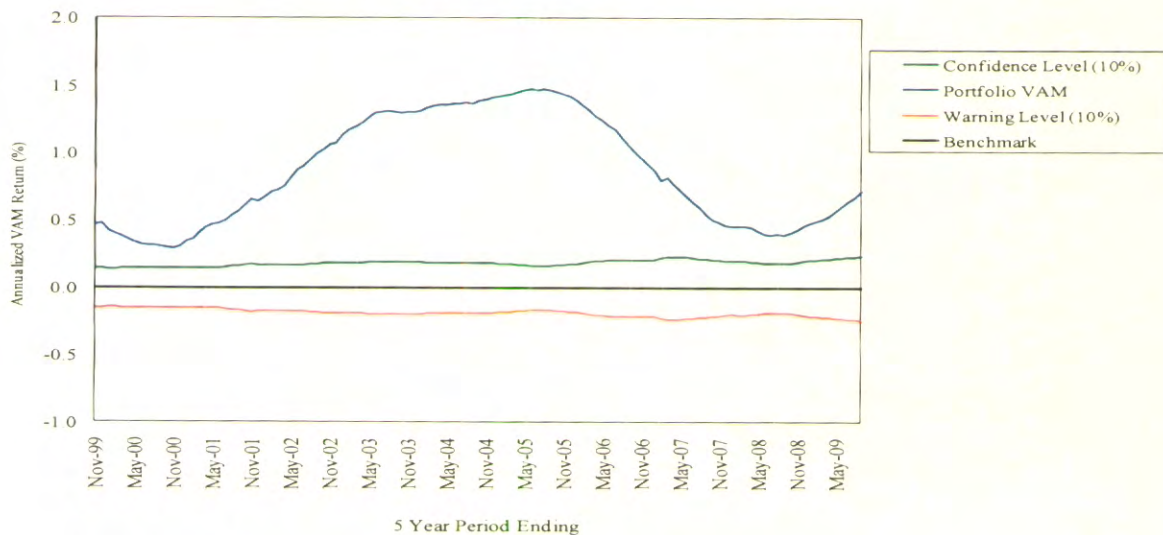
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	0.5%
Last 1 year	4.6	1.9
Last 2 years	4.7	2.5
Last 3 years	4.7	3.3
Last 4 years	4.7	3.8
Last 5 years	4.6	3.8
Since Inception (11/94)	5.6	4.7

Recommendation

No action required.

Galliard Capital Management
 Rolling Five Year VAM



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

Portfolio Manager: Mike Messen

Assets Under Management: \$873,691,113

Investment Philosophy
Environmental Trust Fund
Permanent School Fund

Staff Comments

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

No comment at this time.

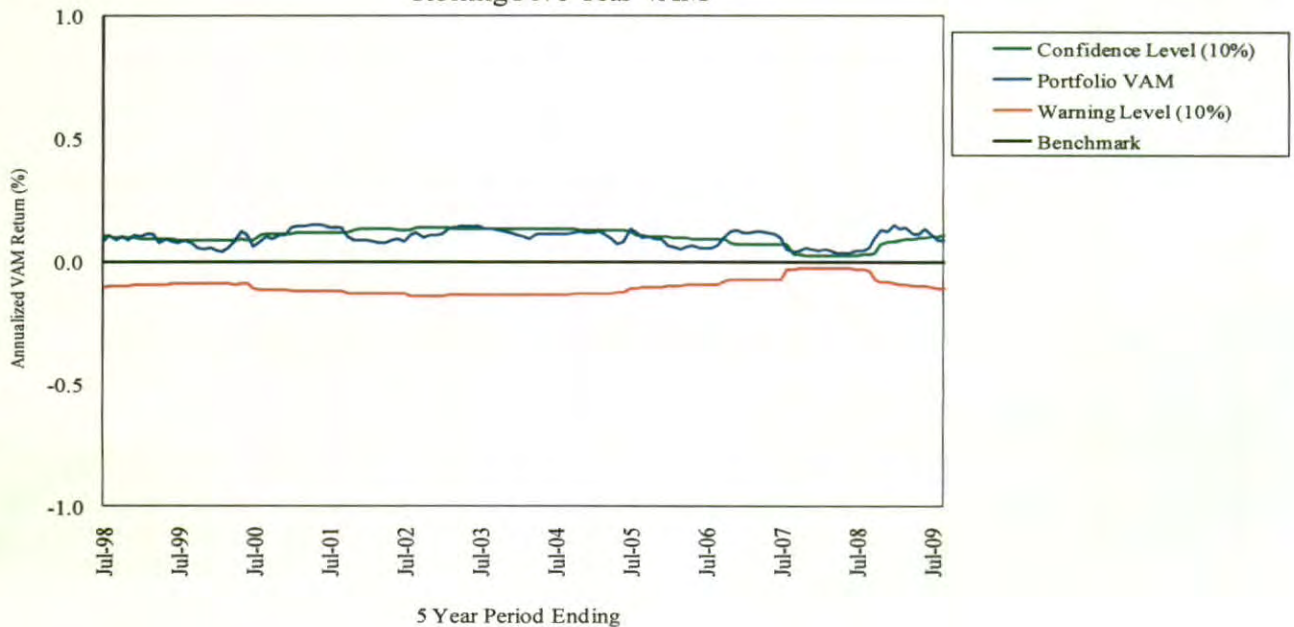
Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	15.4%	15.6%
Last 1 year	-6.7	-6.9
Last 2 years	-14.6	-14.8
Last 3 years	-5.3	-5.4
Last 4 years	-1.5	-1.6
Last 5 years	1.1	1.0
Since Inception (7/93)	7.5	7.4

No action required.

INTERNAL STOCK POOL
Trust/Non-Retirement Assets
Rolling Five Year VAM



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

Portfolio Manager: Mike Menssen

Assets Under Management: \$82,946,546

Investment Philosophy
Income Share Account

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.5%	3.7%
Last 1 year	14.3	10.6
Last 2 years	7.7	7.0
Last 3 years	6.8	6.4
Last 4 years	6.2	5.7
Last 5 years	5.7	5.1
Since Inception (7/86)	7.8	7.4

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



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

Portfolio Manager: Mike Menssen

Assets Under Management: \$533,556,036

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund

Staff Comments

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

No comment at this time.

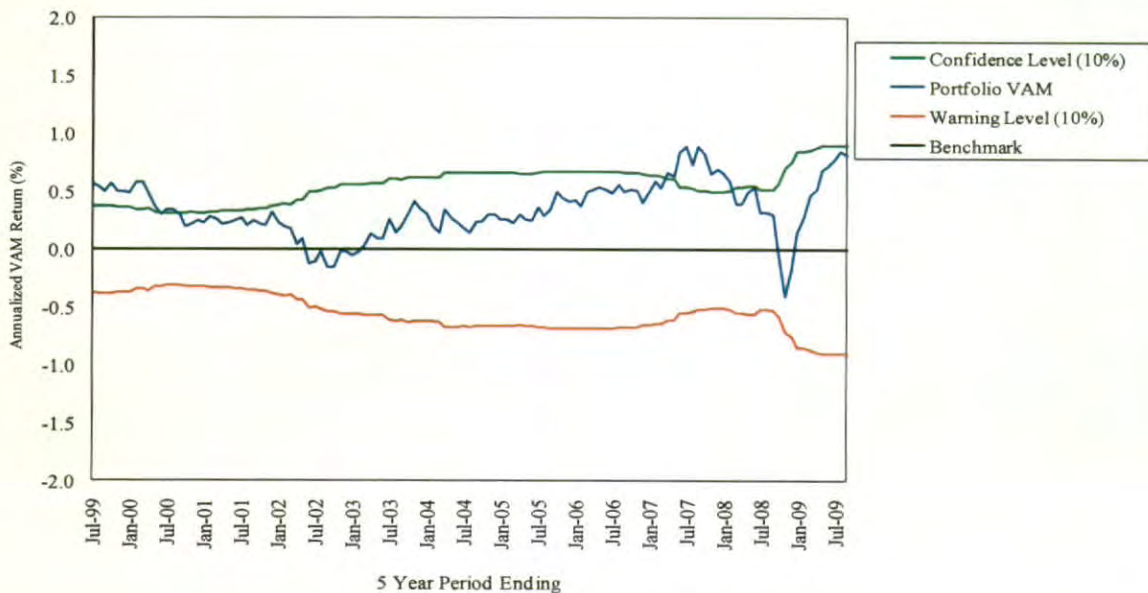
Quantitative Evaluation

Recommendation

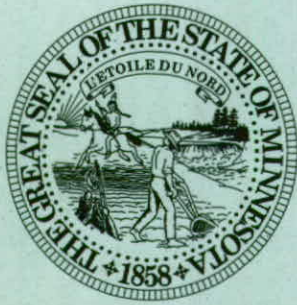
	Actual	Benchmark	
Last Quarter	4.2%	3.7%	No action required.
Last 1 year	14.4	10.6	
Last 2 years	8.3	7.0	
Last 3 years	7.3	6.4	
Last 4 years	6.6	5.7	
Last 5 years	6.0	5.1	
Since Inception (7/94)*	7.3	6.7	

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

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



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STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

Third Quarter, 2009

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Mutual Fund Managers

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

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	by SBI * %	%	
Large Cap Equity:											
Janus Twenty (S&P 500)	13.5	15.6	5.4	-6.9	5.6	-5.4	8.3	1.0	0.4	-0.8	\$408.7
Legg Mason Partners Appr I (S&P 500)	12.9	15.6	-4.6	-6.9	-1.6	-5.4	3.0	1.0	3.6	2.0	\$109.3
Vanguard Institutional Index Plus (S&P 500)	15.6	15.6	-6.7	-6.9	-5.4	-5.4	1.1	1.0	-0.7	-0.8	\$352.4
Mid Cap Equity:											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	21.6	21.6	-1.9	-2.0	-4.3	-4.4	4.0	3.9	4.3	4.3	\$132.8
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)	20.4	19.3	0.5	-9.5	-2.7	-4.6	3.5	2.4	6.8	4.1	\$315.4
Balanced:											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	16.0	10.8	3.4	0.6	-4.3	-0.6	1.8	2.9	4.0	4.0	\$238.1
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	11.3	11.3	1.5	1.3	0.2	0.0	3.6	3.4	4.1	3.9	\$157.0
Bond:											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	5.8	3.7	17.9	10.6	6.6	6.4	5.3	5.1	6.5	6.2	\$114.7
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	3.7	3.7	10.6	10.6	6.6	6.4	5.2	5.1	5.2	5.2	\$97.1
International:											
Fidelity Diversified International (MSCI EAFE-Free)	17.7	19.5	-2.2	3.2	-3.8	-3.6	5.8	6.1	6.8	2.9	\$226.5
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	19.2	19.5	1.7	3.2	-3.4	-3.6	6.2	6.1	7.5	7.3	\$58.7

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

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

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

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

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

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

Portfolio Manager: Ron Sachs

**State's Participation in Fund: \$408,693,496
Total Assets in Fund: \$9,321,855,942**

**Investment Philosophy
Janus Twenty**

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

Staff Comments

No comment at this time.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	13.5%	15.6%
Last 1 year	5.4	-6.9
Last 2 years	-7.5	-14.8
Last 3 years	5.6	-5.4
Last 4 years	5.2	-1.6
Last 5 years	8.3	1.0
Since Retention by SBI (7/99)	0.4	-0.8

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 – LEGG MASON PARTNERS APPRECIATION I
Periods Ending September, 2009**

Portfolio Manager: Scott Glasser

**State's Participation in Fund: \$109,295,806
Total Assets in Fund: \$4,187,883,816**

**Investment Philosophy
Legg Mason Partners Appreciation I**

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

Staff Comments

No comment at this time.

Quantitative Evaluation

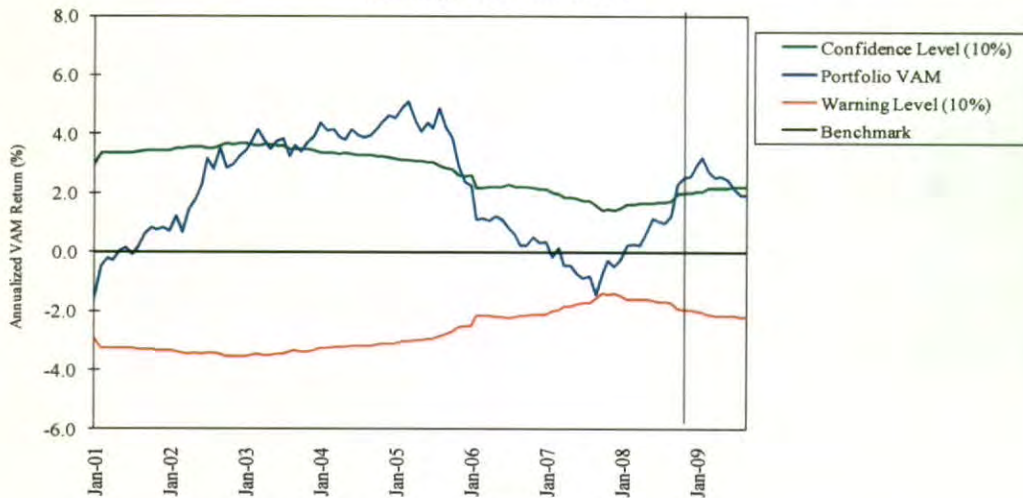
	Actual	Benchmark*
Last Quarter	12.9%	15.6%
Last 1 year	-4.6	-6.9
Last 2 years	-9.6	-14.8
Last 3 years	-1.6	-5.4
Last 4 years	1.1	-1.6
Last 5 years	3.0	1.0
Since Retention by SBI (12/03)	3.6	2.0

Recommendation

No action required.

*Benchmark is the S&P 500.

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



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

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

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$352,394,704
Total Assets in Fund: \$24,230,000,000**

**Investment Philosophy
Vanguard Institutional Index**

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

Staff Comments

No comment at this time.

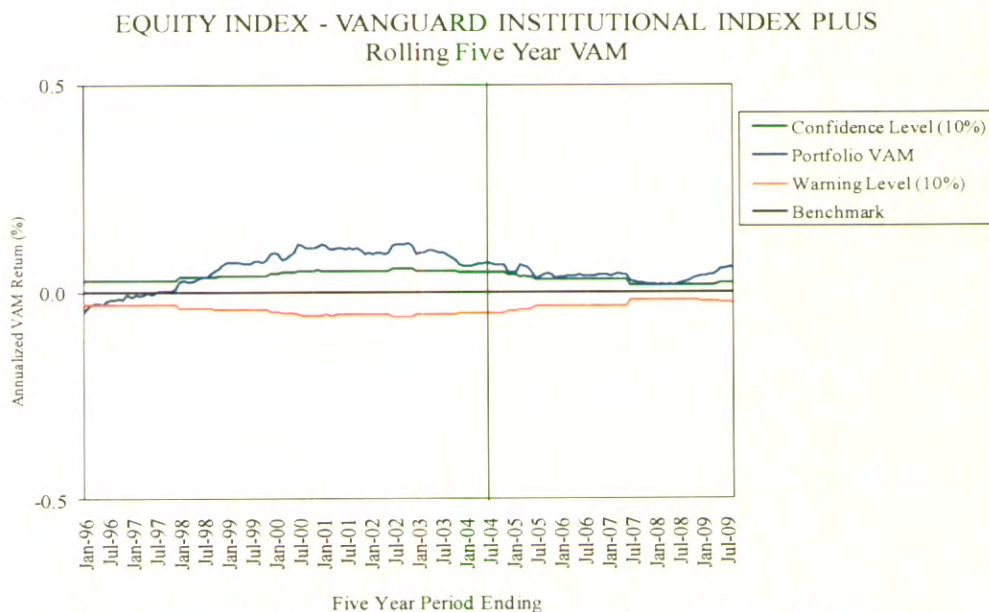
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	15.6%	15.6%
Last 1 year	-6.7	-6.9
Last 2 years	-14.7	-14.8
Last 3 years	-5.4	-5.4
Last 4 years	-1.6	-1.6
Last 5 years	1.1	1.0
Since Retention by SBI (7/99)	-0.7	-0.8

Recommendation

No action required.

*Benchmark is the S&P 500.



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

Portfolio Manager: Donald Butler

**State's Participation in Fund: \$132,764,055
Total Assets in Fund: \$5,626,000,000**

**Investment Philosophy
Vanguard Mid-Cap Index**

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

Staff Comments

No comment at this time.

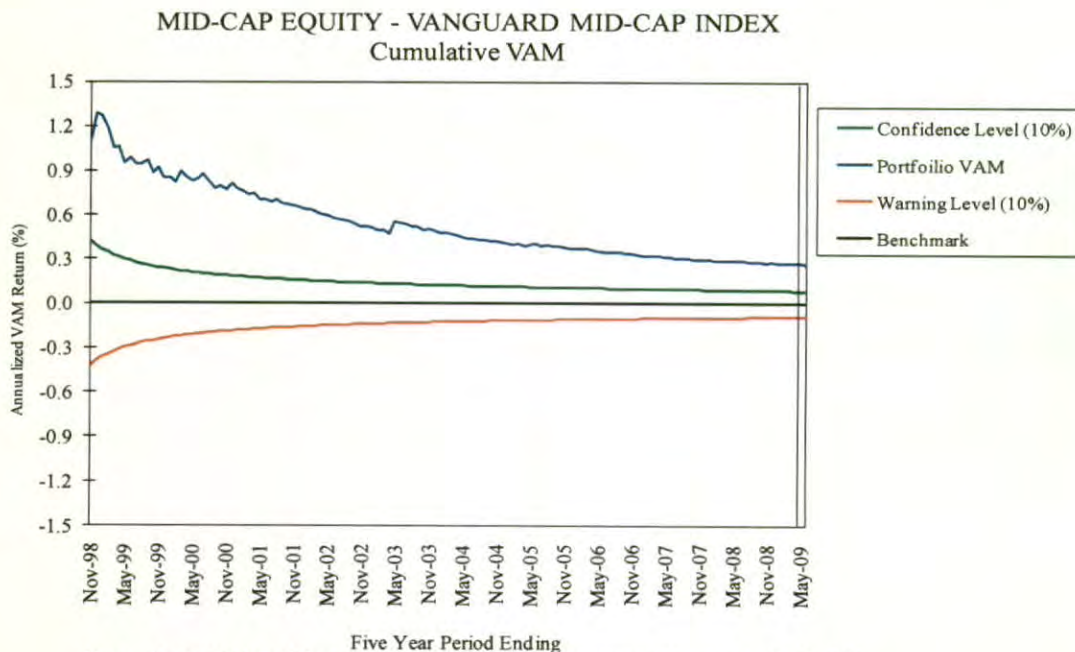
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	21.6%	21.6%
Last 1 year	-1.9	-2.0
Last 2 years	-13.9	-13.9
Last 3 years	-4.3	-4.4
Last 4 years	-1.1	-1.2
Last 5 years	4.0	3.9
Since Retention by SBI (1/04)	4.3	4.3

Recommendation

No action required.

*Benchmark is the MSCI US Mid Cap 450.



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

Portfolio Manager: Gregory A. McCrickard	State's Participation in Fund:	\$315,427,158
	Total Assets in Fund:	4,888,359,169

**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

No comment at this time.

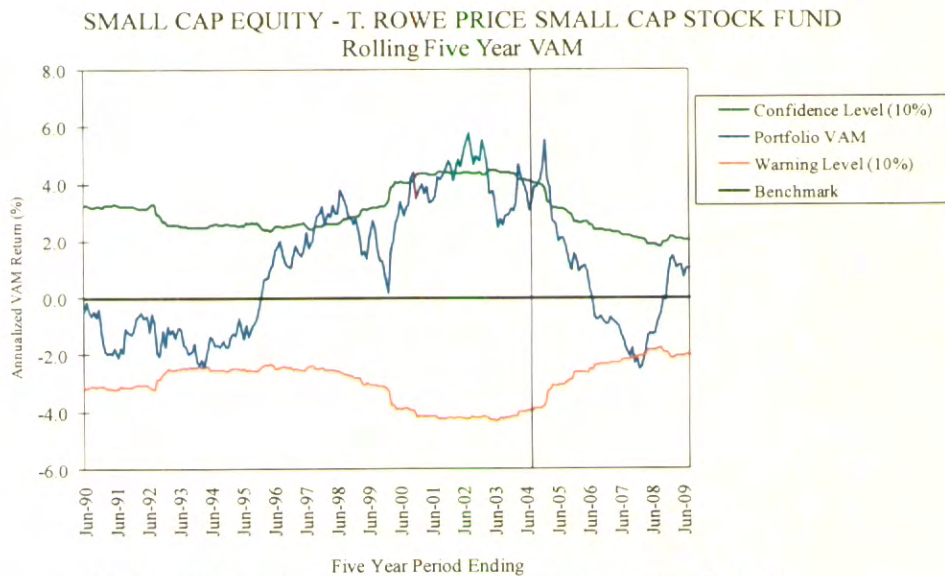
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	20.4%	19.3%
Last 1 year	0.5	-9.5
Last 2 years	-9.1	-12.0
Last 3 years	-2.7	-4.6
Last 4 years	0.2	-1.1
Last 5 years	3.5	2.4
Since Retention by SBI (7/99)	6.8	4.1

Recommendation

No action required.

*Benchmark is the Russell 2000.



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

Portfolio Manager: John Gunn

**State's Participation in Fund: \$238,080,723
Total Assets in Fund: \$15,826,771,073**

**Investment Philosophy
Dodge & Cox Balanced Fund**

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

Staff Comments

No comment at this time.

Quantitative Evaluation

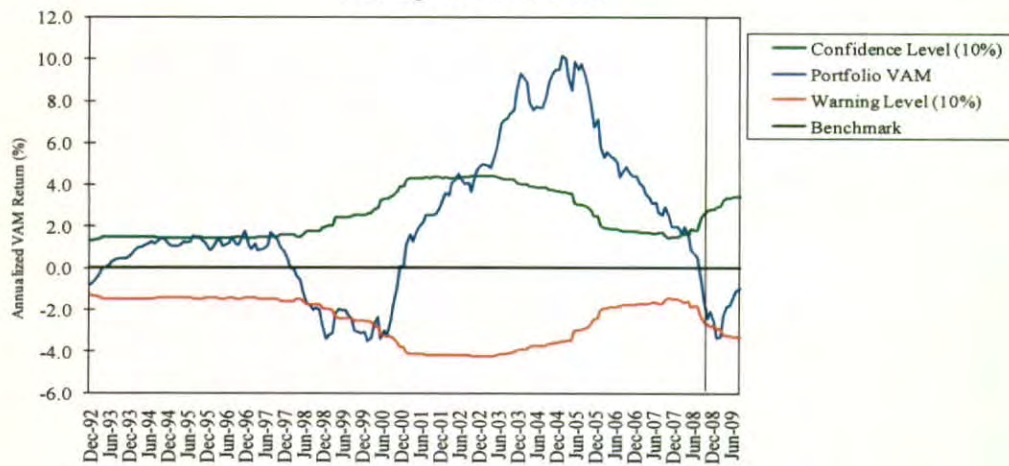
	Actual	Benchmark*
Last Quarter	16.0%	10.8%
Last 1 year	3.4	0.6
Last 2 years	-10.7	-6.2
Last 3 years	-4.3	-0.6
Last 4 years	-0.7	1.5
Last 5 years	1.8	2.9
Since Retention By SBI (10/03)	4.0	4.0

Recommendation

No action required.

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

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



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

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

Portfolio Manager: Michael Perre

**State's Participation in Fund: \$157,026,383
Total Assets in Fund: \$2,790,000,000**

**Investment Philosophy
Vanguard Balanced Index Fund**

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

Staff Comments

No comment at this time.

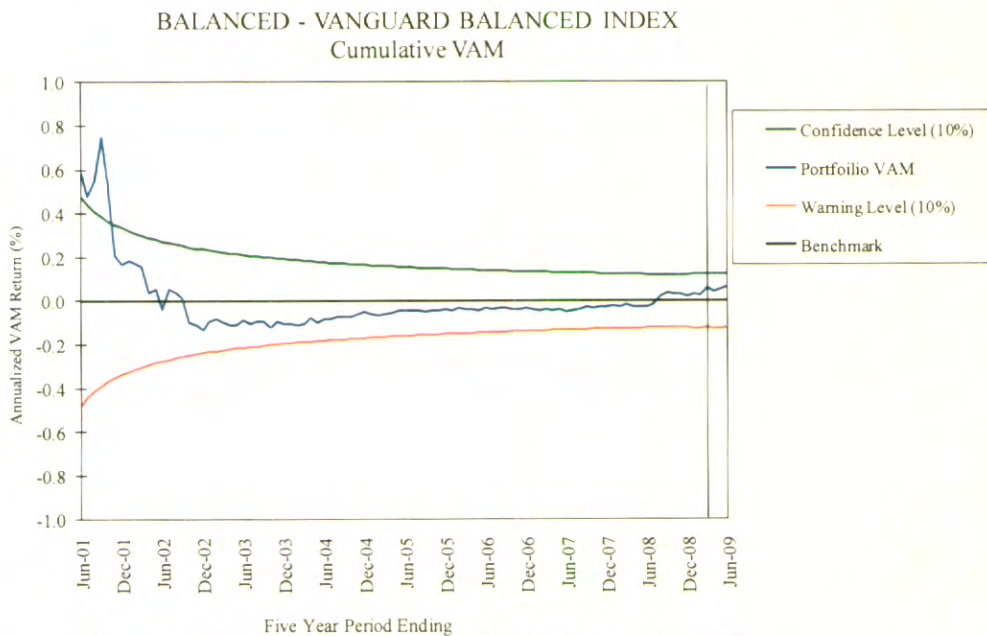
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	11.3%	11.3%
Last 1 year	1.5	1.3
Last 2 years	-5.3	-5.7
Last 3 years	0.2	0.0
Last 4 years	2.0	1.8
Last 5 years	3.6	3.4
Since Retention by SBI (12/03)	4.1	3.9

Recommendation

No action required.

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



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

Portfolio Manager: Dana Emery

State's Participation in Fund: \$114,662,101
Total Assets in Fund: \$17,865,819,447

**Investment Philosophy
Dodge & Cox Income Fund**

Staff Comments

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

No comment at this time.

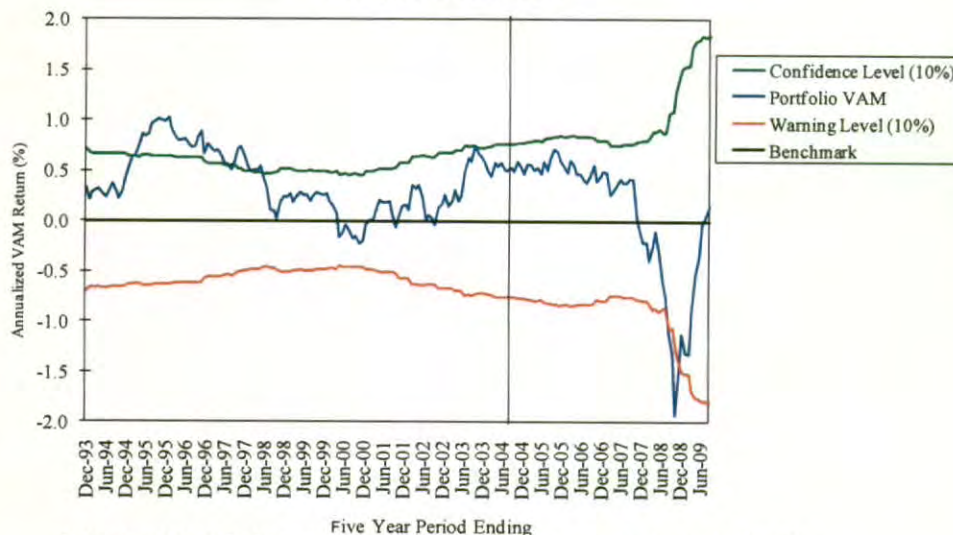
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	5.8%	3.7%	No action required.
Last 1 year	17.9	10.6	
Last 2 years	7.3	7.0	
Last 3 years	6.6	6.4	
Last 4 years	6.0	5.7	
Last 5 years	5.3	5.1	
Since Retention By SBI (7/99)	6.5	6.2	

*Benchmark is the Barclays Capital Aggregate.

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



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

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

Portfolio Manager: Kenneth Volpert

**State's Participation in Fund: \$97,059,100
Total Assets in Fund: \$3,804,000,000**

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

Staff Comments

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

No comment at this time.

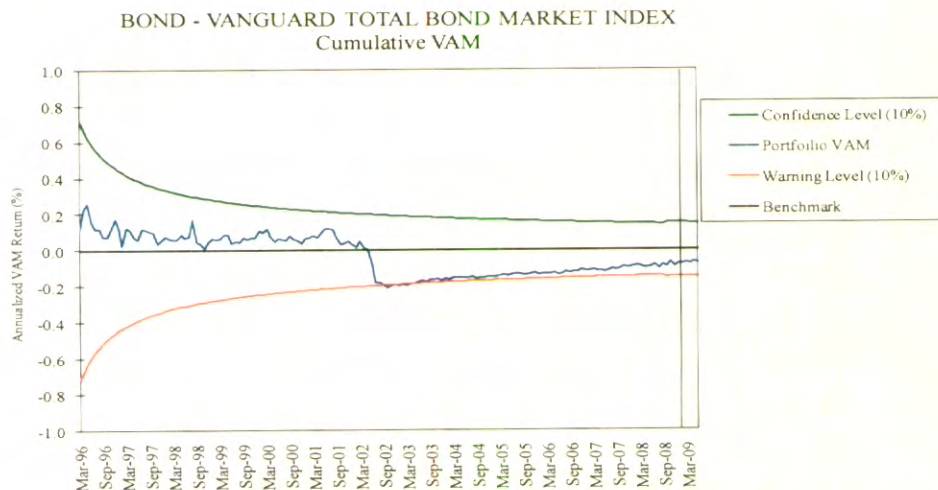
Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	3.7%	3.7%
Last 1 year	10.6	10.6
Last 2 years	7.2	7.0
Last 3 years	6.6	6.4
Last 4 years	5.8	5.7
Last 5 years	5.2	5.1
Since Retention by SBI (12/03)	5.2	5.2

No action required.

*Benchmark is the Barclays Capital Aggregate.



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

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

Portfolio Manager: William Bower

**State's Participation in Fund: \$226,491,470
Total Assets in Fund: \$31,833,470,000**

**Investment Philosophy
Fidelity Diversified International**

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

Staff Comments

Fidelity underperformed for the quarter and the year. Stock selection in the financial sector hurt quarterly performance. Investments in Japanese banks and avoidance of several Australian banks drove this underperformance. Stock selection in several sectors, especially financials, energy and industrials contributed to the one year underperformance.

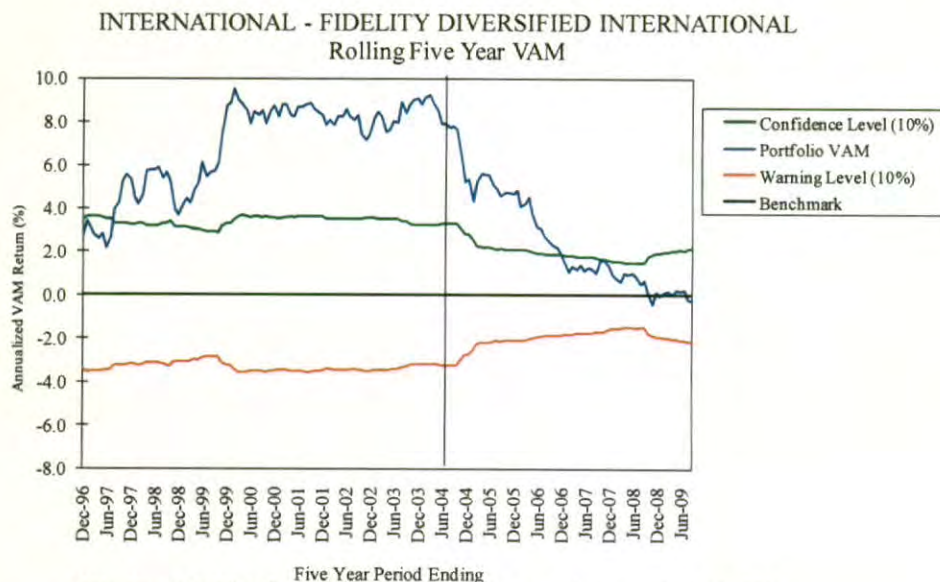
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	17.7%	19.5%
Last 1 year	-2.2	3.2
Last 2 years	-16.6	-15.3
Last 3 years	-3.8	-3.6
Last 4 years	1.1	1.6
Last 5 years	5.8	6.1
Since Retention By SBI (7/99)	6.8	2.9

Recommendation

No action required.

*Benchmark is the MSCI EAFE-Free.



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

Portfolio Manager: Duane Kelly and Michael Buek **State's Participation in Fund:** \$70,961,946
Total Assets in Fund: \$5,252,000,000

**Investment Philosophy
Vanguard Institutional Developed Market
Index**

Staff Comments

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

No comment at this time.

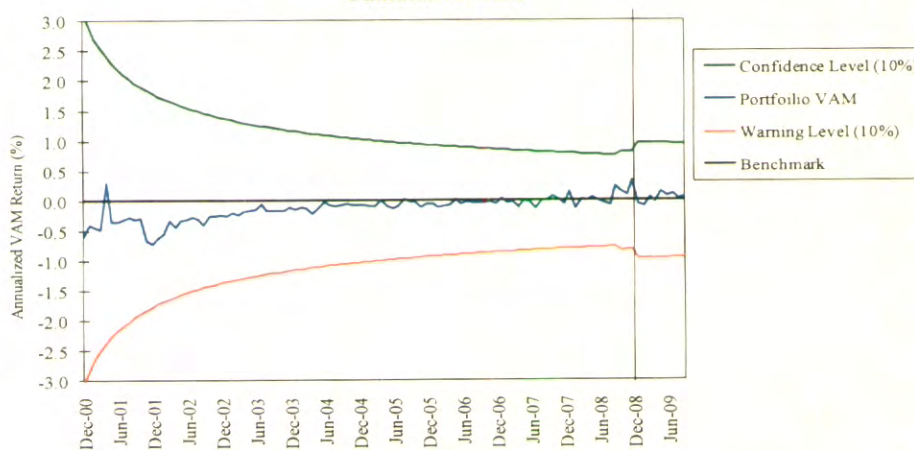
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	19.2%	19.5%	No action required.
Last 1 year	1.7	3.2	
Last 2 years	-15.1	-15.3	
Last 3 years	-3.4	-3.6	
Last 4 years	1.8	1.6	
Last 5 years	6.2	6.1	
Since Retention by SBI (12/03)	7.5	7.3	

*Benchmark is the MSCI EAFE International

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX
Cumulative VAM



Five Year Period Ending

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

Tab D

DATE: November 10, 2009

TO: Members, Investment Advisory Council

FROM: **John Griebenow**
Michael McGirr

Staff has summarized the following information and action items:

1. Review of current strategy.
2. Recommendation to increase investment with an existing yield-oriented manager, Prudential Capital. The initial investment in this fund was approved at the Minnesota State Board of Investment meeting on March 11, 2009.

IAC action is required on the last item.

INFORMATION ITEMS:

1) Review of Current Strategy.

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

1. The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments diversified by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds, and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified; more focused (specialty) commingled funds and REITs.
2. The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development, and location.

3. The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments, and other investments that are diversified both by geographic region and by type.
4. The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component. Structures, such as subordinated debt investments and mezzanine investments are typical yield-oriented investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource, and real estate categories.

ACTION ITEMS:

1) Increased investment with an existing yield-oriented manager, Prudential Capital, in Prudential Capital Partners Fund III, L.P.

At its March 11, 2009 meeting, the State Board of Investment approved a \$50 million commitment to Prudential Capital Partners Fund III, L.P. Fund III is a successor to two prior yield-oriented funds managed by Prudential. The SBI has invested in funds I and II. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

Prudential is continuing fund raising for Fund III with a target of raising a \$966 million yield-oriented fund. The strength in the overall market during the past quarter has provided additional flexibility in the Board's allocation to alternative investments. Staff is therefore recommending an additional investment of \$50 million to Prudential Capital Partners Fund III, L.P. for a total of \$100 million (which is the same dollar amount the SBI invested in Fund II.)

RECOMMENDATION:

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

ATTACHMENT A

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

Combined Funds Market Value	\$39,704,769,030
Amount Available for Investment	\$2,495,471,540

	Current Level	Target Level	Difference
Market Value (MV)	\$5,445,482,266	\$7,940,953,806	\$2,495,471,540
MV +Unfunded	\$8,448,727,959	\$11,911,430,709	\$3,462,702,750

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$3,175,344,818	\$1,688,138,055	\$4,863,482,873
Real Estate	\$859,440,224	\$278,777,269	\$1,138,217,493
Resource	\$443,614,578	\$447,962,095	\$891,576,673
Yield-Oriented	\$967,082,646	\$588,368,273	\$1,555,450,919
Total	\$5,445,482,266	\$3,003,245,693	\$8,448,727,959

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ATTACHMENT B
Minnesota State Board of Investment
 - Alternative Investments -
 As of September 30, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<u>I. Real Estate</u>								
Blackstone								
<i>Blackstone Real Estate V</i>	100,000,000	86,144,803	52,474,934	22,996,461	13,855,197	-7.53	0.88	3.43
<i>Blackstone Real Estate VI</i>	100,000,000	43,618,999	20,330,772	46,623	56,381,001	-36.05	0.47	2.50
Colony Capital								
<i>Colony Investors III</i>	100,000,000	100,000,000	6,060,600	167,834,385	0	14.81	1.74	11.75
CSFB								
<i>CSFB Strategic Partners III RE, L.P.</i>	25,000,000	23,976,647	12,319,470	568,588	1,023,353	-35.44	0.54	4.25
<i>CS Strategic Partners IV RE, L.P.</i>	50,000,000	40,159,406	26,652,834	14,802	9,840,594	-34.19	0.66	1.29
Lehman Brothers Real Estate Partners								
<i>Lehman Brothers Real Estate Partners II</i>	75,000,000	65,568,548	39,247,738	22,008,951	9,431,452	-3.20	0.93	4.25
<i>Lehman Bros RE Pension III, L.P.</i>	150,000,000	61,754,328	34,859,268	0	88,245,672	-43.70	0.56	1.36
Prime Property Fund								
	40,000,000	40,000,000	210,189,488	20,453,494	0	6.56	5.77	27.97
T.A. Associates Realty								
<i>Realty Associates Fund V</i>	50,000,000	50,000,000	20,407,207	77,809,899	0	11.47	1.96	10.35
<i>Realty Associates Fund VI</i>	50,000,000	50,000,000	42,982,410	41,513,449	0	13.68	1.69	7.26
<i>Realty Associates Fund VII</i>	75,000,000	75,000,000	68,834,153	19,219,663	0	4.10	1.17	4.87
<i>Realty Associates Fund VIII</i>	100,000,000	100,000,000	83,752,800	4,575,380	0	-8.22	0.88	3.25
<i>Realty Associates Fund IX</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.10
UBS Trumbull Property Fund	42,376,529	42,376,529	241,328,551	2,818,431	0	7.08	5.76	27.42
Real Estate Total	1,057,376,529	778,599,260	859,440,224	379,860,126	278,777,269		1.59	
<u>II. Resource</u>								
Apache Corp III	30,000,000	30,000,000	4,388,190	54,413,654	0	12.18	1.96	22.75
EnCap Energy Capital Fund VII, L.P.	100,000,000	33,528,048	26,614,384	1,234,124	66,471,952	-18.17	0.83	2.25
First Reserve								
<i>First Reserve Fund VIII, L.P.</i>	100,000,000	100,000,000	1,855,997	201,883,104	0	15.86	2.04	11.42
<i>First Reserve Fund IX, L.P.</i>	100,000,000	100,000,000	1,157,000	298,659,472	0	48.13	3.00	8.48
<i>First Reserve Fund X, L.P.</i>	100,000,000	100,000,000	56,925,645	114,042,434	0	38.50	1.71	4.91
<i>First Reserve Fund XI, L.P.</i>	150,000,000	115,958,885	104,174,447	354,267	34,041,115	-6.48	0.90	2.77
<i>First Reserve Fund XII, L.P.</i>	150,000,000	44,210,531	33,010,322	15,865	105,789,469	-26.20	0.75	0.92
NGP								
<i>Natural Gas Partners IX, LP</i>	150,000,000	29,302,724	23,940,427	365,317	120,697,276	-15.08	0.83	1.94
<i>NGP Midstream & Resources, L.P.</i>	100,000,000	61,674,822	62,728,554	1,552,505	38,325,178	3.61	1.04	2.50
Sheridan Production Partners I	100,000,000	54,252,260	58,566,647	4,000,000	45,747,740	11.24	1.15	2.50
Simmons								
<i>SCF-IV, L.P.</i>	47,626,265	47,626,265	10,957,096	145,600,193	0	24.33	3.29	11.50
T. Rowe Price	71,002,692	71,002,692	0	97,346,757	0	28.11	1.37	N/A
TCW Energy Partners XIV	100,000,000	63,110,636	59,295,868	12,507,338	36,889,364	11.08	1.14	2.45
Resource Total	1,298,628,957	850,666,862	443,614,578	931,975,030	447,962,095		1.62	
<u>III. Yield-Oriented</u>								
Carbon Capital	46,184,308	46,184,308	1,772,554	59,522,956	0	15.49	1.33	7.38
Citicorp Mezzanine								
<i>Citicorp Mezzanine I, L.P.</i>	40,000,000	40,000,000	12,423	61,049,740	0	11.48	1.53	14.75
<i>Citicorp Mezzanine III, L.P.</i>	100,000,000	88,029,296	7,760,563	120,226,813	0	15.03	1.45	9.91
DLJ Investment Partners								
<i>DLJ Investment Partners II, L.P.</i>	27,375,168	23,164,173	4,119,935	30,615,810	4,210,995	10.52	1.50	9.75
<i>DLJ Investment Partners III, L.P.</i>	100,000,000	21,092,551	8,355,047	2,520,141	78,907,449	-29.02	0.52	3.27
Gold Hill Venture Lending								
<i>Gold Hill Venture Lending</i>	40,000,000	40,000,000	31,615,368	15,022,795	0	5.50	1.17	5.01
<i>Gold Hill 2008</i>	25,284,190	6,068,206	5,948,019	0	19,215,984	-2.99	0.98	1.25
GS Mezzanine Partners								
<i>GS Mezzanine Partners II, L.P.</i>	100,000,000	100,000,000	32,462,185	103,262,578	0	8.37	1.36	9.58
<i>GS Mezzanine Partners III, L.P.</i>	75,000,000	75,000,000	27,065,386	61,227,636	0	6.68	1.18	6.22
<i>GS Mezzanine Partners 2006 Institutional</i>	100,000,000	73,999,888	27,757,438	19,747,828	26,000,112	-25.36	0.64	3.48
<i>GS Mezzanine Partners V, L.P.</i>	150,000,000	43,483,987	41,408,975	1,110,168	106,516,013	-1.74	0.98	1.94
GTCR Capital Partners, L.P.	80,000,000	69,589,422	967,446	105,797,947	10,410,578	10.77	1.53	9.88
KB Mezzanine Fund II, L.P.	25,000,000	25,000,000	41,993	12,632,685	0	-12.97	0.51	14.00
Merit Capital Partners (fka William Blair)								
<i>William Blair Mezzan. Cap. Fd. III, L.P.</i>	60,000,000	56,958,000	13,187,200	89,841,569	3,042,000	15.13	1.81	9.75
<i>Merit Mezzanine Fund IV, L.P.</i>	75,000,000	61,001,374	56,286,219	11,388,587	13,998,626	4.69	1.11	4.79

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

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
Merit Energy Partners								
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	60,666,421	83,080,837	0	24.70	5.99	13.25
<i>Merit Energy Partners C</i>	50,000,000	50,000,000	172,381,152	171,408,254	0	32.12	6.88	10.92
<i>Merit Energy Partners D</i>	88,000,000	70,938,303	148,745,474	113,088,985	17,061,697	24.97	3.69	8.35
<i>Merit Energy Partners E</i>	100,000,000	36,489,813	48,615,163	18,789,004	63,510,187	15.09	1.85	4.96
<i>Merit Energy Partners F</i>	100,000,000	27,320,380	18,921,204	1,770,831	72,679,620	-12.23	0.76	3.52
Prudential Capital Partners								
<i>Prudential Capital Partners I, L.P.</i>	100,000,000	96,526,173	35,949,708	104,059,252	3,473,827	11.40	1.45	8.45
<i>Prudential Capital Partners II, L.P.</i>	100,000,000	90,528,051	90,386,491	20,446,541	9,471,949	9.45	1.22	4.25
<i>Prudential Capital Partners III, L.P.</i>	50,000,000	9,631,346	6,647,043	2,569,904	40,368,654	-5.05	0.96	0.46
Quadrant Real Estate Advisors								
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	692,838	22,423,795	0	8.28	1.62	11.75
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	15,598,040	43,549,226	0	8.12	1.59	10.17
Summit Partners								
<i>Summit Subordinated Debt Fund I, L.P.</i>	20,000,000	18,000,000	83,591	31,406,578	2,000,000	30.55	1.75	15.50
<i>Summit Subordinated Debt Fund II, L.P.</i>	45,000,000	40,500,000	2,916,663	84,344,930	4,500,000	56.29	2.15	12.16
<i>Summit Subordinated Debt Fund III, L.P.</i>	45,000,000	37,515,965	23,939,451	17,249,912	7,484,035	4.30	1.10	5.62
<i>Summit Subordinated Debt Fund IV, L.P.</i>	50,000,000	0	0	0	50,000,000	N/A	N/A	1.51
T. Rowe Price	55,703,230	55,703,230	342,623	54,557,191	0	-5.33	0.99	N/A
TCW/Crescent Mezzanine								
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	12,855,723	141,348,082	6,164,736	36.37	2.24	8.50
Windjammer Capital Investors								
<i>Windjammer Mezzanine & Equity Fund II</i>	66,708,861	51,292,501	28,507,571	41,321,566	15,416,360	7.71	1.36	9.50
<i>Windjammer Senior Equity Fund III, L.P.</i>	75,000,000	41,064,550	41,072,740	3,885,441	33,935,450	5.02	1.09	3.74
Yield-Oriented Total	2,139,755,756	1,539,416,780	967,082,646	1,649,267,582	588,368,273		1.70	
IV. Private Equity								
Adams Street Partners, LLC								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,239	9,440,295	0	13.23	2.50	21.39
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	52,954	37,988,511	0	24.09	1.90	18.84
Advent International GPE VI-A, L.P.	50,000,000	10,000,000	8,219,090	0	40,000,000	-22.35	0.82	1.50
Affinity Ventures								
<i>Affinity Ventures IV, L.P.</i>	4,000,000	2,511,847	850,162	690,118	1,488,153	-22.80	0.61	5.25
<i>Affinity Ventures V, L.P.</i>	5,000,000	1,600,000	1,335,867	0	3,400,000	-23.56	0.83	1.24
Banc Fund								
<i>Banc Fund VII, L.P.</i>	45,000,000	41,400,000	19,665,538	812,725	3,600,000	-22.43	0.49	4.50
<i>Banc Fund VIII, L.P.</i>	98,250,000	7,860,000	7,746,266	0	90,390,000	-2.95	0.99	1.43
Blackstone								
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	3,740,342	95,379,217	0	34.06	2.10	15.85
<i>Blackstone Capital Partners IV</i>	70,000,000	66,629,430	50,480,065	87,865,464	3,370,570	40.18	2.08	7.22
<i>Blackstone Capital Partners V, L.P.</i>	140,000,000	104,740,187	69,455,235	5,787,541	35,259,813	-15.81	0.72	3.66
<i>Blackstone Capital Partners VI, L.P.</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.18
BLUM Capital Partners								
<i>Blum Strategic Partners I, L.P.</i>	50,000,000	49,158,307	6,618,737	89,408,820	841,693	12.48	1.95	10.77
<i>Blum Strategic Partners II, L.P.</i>	50,000,000	40,185,889	8,999,002	73,355,987	9,814,111	22.42	2.05	8.20
<i>Blum Strategic Partners III, L.P.</i>	75,000,000	73,974,364	42,533,909	26,556,746	1,025,636	-2.93	0.93	4.33
<i>Blum Strategic Partners IV, L.P.</i>	150,000,000	129,030,831	104,156,241	389,040	20,969,169	-13.86	0.81	1.86
CVI Global Value Fund, LP	200,000,000	175,000,000	160,190,929	2,087,004	25,000,000	-4.26	0.93	2.72
Chicago Growth Partners (William Blair)								
<i>William Blair Capital Partners VII, L.P.</i>	50,000,000	48,150,000	11,666,536	57,365,739	1,850,000	9.33	1.43	8.56
<i>Chicago Growth Partners I, L.P.</i>	50,000,000	46,791,998	37,428,643	15,789,143	3,208,002	7.50	1.14	4.18
<i>Chicago Growth Partners II, L.P.</i>	60,000,000	11,564,701	10,910,081	0	48,435,299	-9.46	0.94	1.56
Coral Partners								
<i>Coral Partners IV, L.P.</i>	15,000,000	15,000,000	627,251	13,538,879	0	-1.43	0.94	15.20
<i>Coral Partners V, L.P.</i>	15,000,000	15,000,000	2,805,103	3,106,198	0	-12.45	0.39	11.29
Court Square Capital								
<i>Court Square Capital Partners, L.P.</i>	100,000,000	79,996,312	25,805,959	126,485,018	20,003,688	27.91	1.90	7.80
<i>Court Square Capital Partners II, L.P.</i>	175,000,000	70,959,223	57,503,265	1,681,928	104,040,777	-11.24	0.83	3.07
Crescendo								
<i>Crescendo III, LP</i>	25,000,000	25,000,000	782,766	9,321,908	0	-21.45	0.40	10.90
<i>Crescendo IV, LP</i>	101,500,000	101,500,000	39,033,504	5,270,267	0	-11.37	0.44	9.56

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CSFB/ DLJ								
<i>DLJ Merchant Banking Partners III, L.P.</i>	125,000,000	119,589,604	67,304,714	164,667,686	5,410,397	18.43	1.94	9.00
<i>DLJ Strategic Partners, L.P.</i>	100,000,000	93,065,638	18,613,219	146,587,430	6,934,362	22.90	1.78	8.70
<i>CSFB Strategic Partners II-B, L.P.</i>	100,000,000	83,422,151	32,906,164	116,796,850	16,577,849	37.15	1.79	6.20
<i>CSFB Strategic Partners III VC, L.P.</i>	25,000,000	23,259,162	19,181,804	7,985,730	1,740,838	7.47	1.17	4.33
<i>CSFB Strategic Partners III-B, L.P.</i>	100,000,000	78,331,844	74,731,295	1,864,526	21,668,156	-1.44	0.98	4.33
<i>CS Strategic Partners IV-B</i>	100,000,000	46,557,100	44,491,009	3,008,837	53,442,900	1.94	1.02	1.51
<i>CS Strategic Partners IV VC, L.P.</i>	40,500,000	20,509,389	21,140,857	160,602	19,990,611	3.27	1.04	1.29
<i>CVC European Equity Partners V, LP</i>	146,169,981	25,330,606	18,581,263	3,629,900	120,839,375	-14.74	0.88	1.51
<i>Diamond Castle Partners IV, L.P.</i>	100,000,000	66,634,538	37,216,047	12,468,443	33,365,462	-14.93	0.75	3.06
<i>DSV Partners IV</i>	10,000,000	10,000,000	32,915	39,196,082	0	10.61	3.92	24.47
<i>EBF Merced Partners II</i>	75,000,000	75,000,000	82,490,025	0	0	8.45	1.10	2.50
<i>Elevation Partners, L.P.</i>	75,000,000	52,154,767	53,701,089	14,244,241	22,845,233	12.22	1.30	4.37
Fox Paine Capital Fund								
<i>Fox Paine Capital Fund II, L.P.</i>	50,000,000	42,174,877	21,920,308	45,038,976	7,825,123	19.72	1.59	9.25
GHJM Marathon Fund								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	12,434,851	44,201,952	949,000	8.28	1.45	10.46
<i>GHJM Marathon Fund V</i>	50,000,000	47,385,516	46,331,287	13,614,933	2,614,484	9.96	1.27	5.00
Golder,Thoma, Cressey, Rauner								
<i>Golder, Thoma, Cressey & Rauner Fund III</i>	14,000,000	14,000,000	186,313	78,123,015	0	30.86	5.59	21.92
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	117,097	42,160,456	0	25.01	2.11	15.66
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	675,469	53,955,241	0	11.02	1.82	13.25
GS Capital Partners								
<i>GS Capital Partners 2000, L.P.</i>	50,000,000	50,000,000	22,432,271	80,799,067	0	23.16	2.06	9.08
<i>GS Capital Partners V, L.P.</i>	100,000,000	66,390,364	102,254,693	18,903,924	33,609,636	19.65	1.82	4.50
<i>GS Capital Partners VI</i>	100,000,000	38,166,994	23,227,364	2,082,010	61,833,006	-21.16	0.66	2.66
GTCR Golder Rauner								
<i>GTCR VI, L.P.</i>	90,000,000	90,000,000	5,443,966	75,082,762	0	-3.99	0.89	11.25
<i>GTCR VII, L.P.</i>	175,000,000	159,249,989	270,670	383,622,078	15,750,011	25.18	2.41	9.65
<i>GTCR IX, L.P.</i>	75,000,000	32,442,069	24,139,930	4,741,730	42,557,931	-10.85	0.89	3.25
Hellman & Friedman								
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	133,967,494	21,467,136	349,527,876	16,032,506	34.82	2.77	9.75
<i>Hellman & Friedman Capital Partners V</i>	160,000,000	143,229,993	127,665,968	134,757,911	16,770,007	27.27	1.83	4.83
<i>Hellman & Friedman Capital Partners VI</i>	175,000,000	112,185,217	97,290,586	2,986,599	62,814,783	-6.27	0.89	2.50
<i>Hellman & Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	N/A	0.45
Kohlberg Kravis Roberts								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	902,527	396,018,930	0	8.70	2.73	21.85
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	345,451	308,128,283	0	16.74	2.06	15.78
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	20,717,024	338,284,866	0	12.81	1.80	13.08
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	138,819,401	151,213,304	0	14.66	1.45	6.81
<i>KKR 2006 Fund</i>	200,000,000	158,116,528	120,243,847	6,988,917	41,883,472	-11.23	0.80	3.01
Lexington Capital Partners								
<i>Lexington Capital Partners VI-B, L.P.</i>	100,000,000	79,408,569	53,958,425	16,866,863	20,591,431	-7.24	0.89	3.76
<i>Lexington Capital Partners VII, L.P.</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.30
RWI Ventures								
<i>RWI Ventures I</i>	7,603,265	7,603,265	1,621,340	4,025,809	0	-15.76	0.74	3.25
<i>RWI Group III</i>	616,430	616,430	30,897	330,192	0	-34.07	0.59	3.25
Sightline Healthcare								
<i>Sightline Healthcare Fund II, L.P.</i>	10,000,000	10,000,000	1,258,079	4,883,002	0	-6.97	0.61	12.58
<i>Sightline Healthcare Fund III, L.P.</i>	20,000,000	20,000,000	7,370,149	3,288,320	0	-8.61	0.53	10.69
<i>Sightline Healthcare Fund IV, L.P.</i>	7,700,000	7,210,915	3,233,136	4,008,034	489,085	-0.17	1.00	6.02
Silver Lake Partners								
<i>Silver Lake Partners II, LP</i>	100,000,000	86,671,992	57,110,746	29,341,029	13,328,008	-0.09	1.00	5.25
<i>Silver Lake Partners III, LP</i>	100,000,000	33,039,710	24,293,495	588,153	66,960,290	-27.86	0.75	2.50
Split Rock Partners								
<i>Split Rock Partners LP</i>	50,000,000	28,963,639	26,271,346	428,377	21,036,361	-3.45	0.92	4.42
<i>Split Rock Partners II, LP</i>	60,000,000	4,330,000	3,659,690	0	55,670,000	-21.28	0.85	1.42
Summit Partners								
<i>Summit Ventures II, L.P.</i>	30,000,000	28,500,000	167,207	74,524,292	1,500,000	28.82	2.62	21.39
<i>Summit Ventures V, L.P.</i>	25,000,000	24,125,000	510,970	32,460,571	875,000	7.98	1.37	11.50
T. Rowe Price	844,184,078	844,184,078	92,739,547	800,556,004	0	7.57	1.06	N/A
Thoma Cressey								
<i>Thoma Cressey Fund VI, L.P.</i>	35,000,000	33,915,000	9,559,923	15,876,781	1,085,000	-4.03	0.75	11.11
<i>Thoma Cressey Fund VII, L.P.</i>	50,000,000	50,000,000	25,029,262	50,474,386	0	20.59	1.51	9.10
<i>Thoma Cressey Fund VIII</i>	70,000,000	65,852,574	66,564,967	0	4,147,426	0.27	1.01	3.42

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Thomas, Mc Nerney & Partners								
<i>Thomas, Mc Nerney & Partners I, L.P.</i>	30,000,000	26,175,000	15,668,561	10,504,694	3,825,000	0.00	1.00	6.90
<i>Thomas, Mc Nerney & Partners II, L.P.</i>	50,000,000	21,375,000	15,036,949	768,885	28,625,000	-18.69	0.74	3.25
The Varde Fund IX, L.P.	100,000,000	100,000,000	109,799,600	0	0	10.11	1.10	1.27
Vestar Capital Partners								
<i>Vestar Capital Partners IV, L.P.</i>	55,000,000	52,333,466	27,966,774	55,321,011	2,666,534	13.30	1.59	9.79
<i>Vestar Capital Partners V, L.P.</i>	75,000,000	56,730,632	54,990,331	4,599,585	18,269,368	2.54	1.05	3.78
Warburg Pincus								
<i>Warburg, Pincus Ventures, L.P.</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	5.13	14.75
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	17,956,955	130,486,977	0	9.01	1.48	11.26
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	74,796,090	88,944,728	0	13.41	1.64	7.46
<i>Warburg Pincus Private Equity IX, LP</i>	100,000,000	100,000,000	89,968,765	10,299,700	0	0.10	1.00	4.18
<i>Warburg Pincus Private Equity X, LP</i>	150,000,000	58,935,914	41,638,990	132,663	91,064,086	-24.75	0.71	1.94
Wayzata								
<i>Wayzata Opportunities Fund, LLC</i>	100,000,000	96,800,000	114,944,482	339,109	3,200,000	5.54	1.19	3.78
<i>Wayzata Opportunities Fund II, LLC</i>	150,000,000	130,500,000	134,265,056	429,900	19,500,000	2.49	1.03	1.94
Welsh, Carson, Anderson & Stowe								
<i>Welsh, Carson, Anderson & Stowe VIII, LP</i>	100,000,000	100,000,000	32,706,294	82,347,673	0	1.85	1.15	11.19
<i>Welsh, Carson, Anderson & Stowe IX, L.P.</i>	125,000,000	120,000,000	66,679,848	129,107,565	5,000,000	12.81	1.63	9.26
<i>Welsh, Carson, Anderson & Stowe X, L.P.</i>	100,000,000	85,578,466	76,605,393	0	14,421,534	-4.48	0.90	3.79
<i>Welsh, Carson, Anderson & Stowe XI, L.P.</i>	100,000,000	2,268,121	530,280	0	97,731,879	-98.93	0.23	1.19
ZelW Chilmark	30,000,000	30,000,000	36,254	77,129,496	0	17.71	2.57	19.22
Private Equity Total	8,045,968,597	6,307,830,541	3,175,344,818	5,587,220,556	1,738,138,055		1.39	
Alternatives Total	12,541,729,839	9,476,513,443	5,445,482,266	8,548,323,294	3,053,245,693		1.48	

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

** MOIC: Multiple of Invested Capital