

A light blue outline map of the state of Minnesota serves as a background for the page. It shows the state's irregular borders, including the North Shore of Lake Superior and the western border with Canada.

# **2008 Annual Report**

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**Minnesota State Board of Investment**

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**This annual report can be accessed on our website at [www.sbi.state.mn.us](http://www.sbi.state.mn.us)**

**MINNESOTA  
STATE  
BOARD OF  
INVESTMENT**



**Board Members**  
Governor  
Tim Pawlenty

State Auditor  
Rebecca Otto

Secretary of State  
Mark Ritchie

Attorney General  
Lori Swanson

**Executive Director**  
Howard J. Bicker

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*An Equal Opportunity  
Employer*

December, 2008

**The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2008.**

**Investment Environment**

During fiscal year 2008, U.S. capital markets experienced one of the most difficult and volatile periods in recent history. The U.S. equity markets, returned -12.7% for the fiscal year, as measured by the Russell 3000. The high price of oil, gasoline and food further pressured consumers along with constrained wages, a weak jobs market, falling home values and harder access to credit. The credit problems at financial institutions continued while the Fed began to announce concerns about inflation risks.

The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI ex U.S.), which represents the developed and emerging international markets outside the U.S., returned -6.4% for the fiscal year. Following four consecutive years of strong double-digit returns, the international markets suffered from an uncertain global economic outlook and worldwide inflation concerns amid rising oil and food prices.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, rose 7.1% during the fiscal year. The sub-prime mortgage crisis spilled into the broader financial market, causing a credit crisis and a liquidity freeze. Investors' need for safety drove a flight to quality that drove up Treasury prices and caused Treasury yields to plummet and yields on spread products to widen dramatically.

**SBI Results**

Within this investment environment, the retirement assets under the Board's control performed as follows:

- The Basic Retirement Funds returned -4.8% during fiscal year 2008. Over the latest ten year period, the Funds have experienced an annualized return of 5.8%. (See page 9.)
- The Post Retirement Fund returned -5.2% for the fiscal year. Overall, the Fund provided a ten year annualized return of 5.6%. (See page 12.)
- The lifetime Post Retirement benefit increase for fiscal year 2008 will be 2.5%. The increase will be payable to eligible retirees effective January 1, 2009.

**On June 30, 2008, assets under management totaled \$59.4 billion.** This total is the aggregate of numerous separate pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique requirements. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment seeks to enhance the management and performance of the assets under its control.

Sincerely,

Howard Bicker  
Executive Director

## **State Board of Investment**

**Governor Tim Pawlenty, Chair**  
**State Auditor Rebecca Otto**  
**Secretary of State Mark Ritchie**  
**State Attorney General Lori Swanson**

### **Investment Advisory Council**

The Legislature has established a seventeen member Investment Advisory Council to advise the Board and its staff on investment-related matters.

The mission statement of the Investment Advisory Council is: The IAC fulfills its statutory duty to the SBI by providing advice and independent due diligence review of the investment policy and implementation recommendations that guide the SBI's investment of assets.

The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul corporate investment community.

The Commissioner of Finance and the Executive Directors of the three statewide retirement systems are permanent members of the Council.

Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

All proposed investment policies are reviewed by the IAC before they are presented to the Board for action.

### **Members of the Council**

*Michael L. Troutman, Chair*  
Strategic Planning & Development  
(Retired)  
Board of Pensions Evangelical  
Lutheran Church in America

*Malcolm W. McDonald, Vice Chair*  
Director & Corporate Secretary  
(Retired)  
Space Center, Inc.

*Frank Ahrens, II*  
Governor's Appointee  
Active Employee Representative

*Jeffery Bailey*  
Director-Benefits Finance  
Target Corporation

*David Bergstrom*  
Executive Director  
Mn. State Retirement System

*John E. Bohan*  
V.P., Pension Investments  
(Retired)  
Grand Metropolitan- Pillsbury

*Kerry Brick*  
Manager, Pension Investments  
Cargill, Inc.

*Douglas Gorence*  
Chief Investment Officer  
U of M Foundation Investment  
Advisors

*Laurie Fiori Hacking*  
Executive Director  
Teachers Retirement Association

*Tom Hanson*  
Commissioner  
Mn. Dept. of Finance

*Heather Johnston*  
Governor's Appointee  
Active Employee Representative

*P. Jay Kiedrowski*  
Senior Fellow  
Humphrey Institute  
University of MN

*Judith W. Mares*  
Chief Investment Officer  
ATK

*Gary R. Norstrom*  
Treasurer, (Retired)  
City of St. Paul

*Daralyn Peifer*  
Vice President and Treasurer  
General Mills, Inc.

*Mary Vanek*  
Executive Director  
Public Employees Retirement Assoc.

## **Staff, Consultants & Custodians**

*Howard Bicker*  
Executive Director

*Teresa J. Richardson*  
Assistant Executive Director

### **Investment Staff**

**Public Equities**  
*Tammy Brusehaver*  
Mgr., Domestic Equities

*Patricia Ammann*  
Portfolio Mgr., Domestic Equities

*Stephanie Gleeson*  
Mgr., International Equities

**Fixed Income and  
Internal Investments**  
*Michael J. Menssen*  
Mgr., Long Term Internal Debt

*John J. Kirby*  
Portfolio Mgr., Fixed Income

**Alternative Assets**  
*John N. Griebenow*  
Mgr., Alternative Investments

*Michael McGirr*  
Portfolio Mgr., Alternative  
Investments

**Cash Management**  
*Steven Kuettel*  
Mgr., Short Term Debt

*Terrence Larsen*  
Analyst, Short Term Debt

**Public Programs**  
*James E. Heidelberg*  
Mgr., Public Programs &  
Governance

*Deborah Griebenow*  
Analyst, Shareholder Services

### **Administrative Staff**

**Finance and Accounting**  
*Steve Schugel*  
Administrative Director

*William Nicol*  
Accounting Director

*Nancy L. Wold*  
Accounting Officer, Senior

*Wendy Murphy*  
Accounting Officer, Intermediate

*Jason White*  
Accounting Officer, Intermediate

*Kathy Leisz*  
Information Technology Specialist 2

**Support Services**  
*Charlene Olson*  
Administrative Assistant to the  
Executive Director

*Carol Nelson*  
Office Administrative Specialist,  
Senior

*Melissa Merthan*  
Office Administrative Specialist

### **Consultants**

General Consultant  
*Richards & Tierney, Inc.*  
Chicago, Illinois

Special Projects Consultant  
*Pension Consulting Alliance*  
Studio City, California

### **Custodian Banks**

Retirement and Trust Funds  
*State Street Bank & Trust Co.*  
Boston, Massachusetts

State Cash Accounts  
*Wells Fargo & Company*  
St. Paul, Minnesota

As of December 2008



## Introduction

**The Minnesota State Board of Investment is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 2008, the market value of all assets was \$59.4 billion.**

### **Constitutional and Statutory Authority**

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

### **Prudent Person Rule**

The prudent person rule, as codified in *Minnesota Statutes* Section 11A.09, requires all members of the Board, Investment Advisory Council, and SBI staff to “...act in good faith and ...exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.” *Minnesota Statutes* Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

### **Authorized Investments**

In addition to the prudent person rule, *Minnesota Statutes* Section 11A.24 contains a specific list of asset classes available for

investment, including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

### **Investment Policies**

Within the requirements defined by state law, the State Board of Investment, in conjunction with SBI staff and the Investment Advisory Council, establishes investment policies for all funds under its management. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards.

The Board has adopted guidelines concerning investments in stock markets outside the U.S. The guidelines do not prohibit investment in any market, but do require that additional notification and/or presentation be provided to SBI staff or the SBI Administrative Committee in certain cases (refer to page 52 for more information on these guidelines).

The Board, its staff, and the Investment Advisory Council have conducted detailed analyses of each of the funds under the SBI's control that address investment objectives, asset allocation policy and management structure. These studies

guide the on-going management of these funds and are updated periodically.

### **Important Notes**

Readers should note that the SBI's returns in this report are shown **after** transactions costs and fees are deducted. Performance is computed and reported after all applicable charges to assure that the Board's focus is on true net returns.

Due to the large number of individual securities owned by the funds managed by the SBI, this report contains only summarized asset listings. **A complete list of securities is available upon request from the State Board of Investment.**

## Funds Under Management

**Market Value  
June 30, 2008\***

### **Basic Retirement Funds**

**\$23.3 billion**

The Basic Retirement Funds contain the pension assets of the currently working participants in eight statewide retirement plans:

Teachers Retirement Fund	\$7.5 billion
Public Employees Retirement Fund	6.7 billion
State Employees Retirement Fund	5.3 billion
Public Employees Police and Fire Fund	3.0 billion
Correctional Employees Fund	285 million
Highway Patrol Retirement Fund	227 million
Public Employees Correctional Fund	174 million
Judges Retirement Fund	48 million

### **Post Retirement Fund**

**\$23.0 billion**

The Post Retirement Investment Fund is composed of the reserves for retirement benefits to be paid to retired employees. Lifetime retirement benefit increases are permitted based on both inflation and investment performance.

### **Supplemental Investment Fund (SIF)**

**\$1.1 billion**

The Supplemental Investment Fund includes assets of the unclassified state employees retirement plan, other defined contribution retirement plans, and various retirement programs for local police and firefighters. Participants may choose among seven separate accounts with different investment objectives designed to meet a wide range of participant needs and objectives.

Income Share Account	stocks and bonds	\$236 million
Common Stock Index Account	passively managed stocks	259 million
Growth Share Account	actively managed stocks	112 million
Bond Market Account	actively managed bonds	122 million
International Share Account	non-U.S. stocks	132 million
Fixed Interest Account	stable value investments	72 million
Money Market Account	short-term debt securities	135 million

### **Non-Retirement Funds**

**\$2.0 billion**

#### **Assigned Risk Plan**

\$334 million

The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.

#### **Permanent School Fund**

\$690 million

The Permanent School Fund is a trust established for the benefit of Minnesota public schools.

#### **Environmental Trust Fund**

\$466 million

The Environmental Trust Fund is a trust established for the protection and enhancement of Minnesota's environment. It is funded with a portion of the proceeds from the state's lottery.

#### **Miscellaneous Accounts**

\$443 million



## Funds Under Management

**Market Value  
June 30, 2008\***

### **State Deferred Compensation Plan**

**\$3.5 billion**

The State Deferred Compensation Plan offers eleven mutual funds, a money market fund, and a fixed interest (stable value) fund.

The assets for each offering are shown below. (Benchmarks are shown in parentheses).

#### **Large Cap Equity:**

Janus Twenty (S&P 500)	\$507 million
Legg Mason Partners Appr I (S&P 500)	122 million
Vanguard Institutional Index Plus (S&P 500)	413 million

#### **Mid Cap Equity:**

Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	136 million
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#### **Small Cap Equity:**

T. Rowe Price Small-Cap Stock (Russell 2000)	320 million
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#### **Balanced:**

Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	267 million
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Lehman Agg)	169 million

#### **Bond:**

Dodge & Cox Income Fund (Lehman Aggregate)	103 million
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	79 million

#### **International:**

Fidelity Diversified International (MSCI EAFE-Free)	288 million
Vanguard Inst. Dev. Markets Index Fund (MSCI EAFE)	81 million

#### **Stable Value:**

Fixed Interest	960 million
Money Market	104 million

### **State Cash Accounts**

**\$6.5 billion**

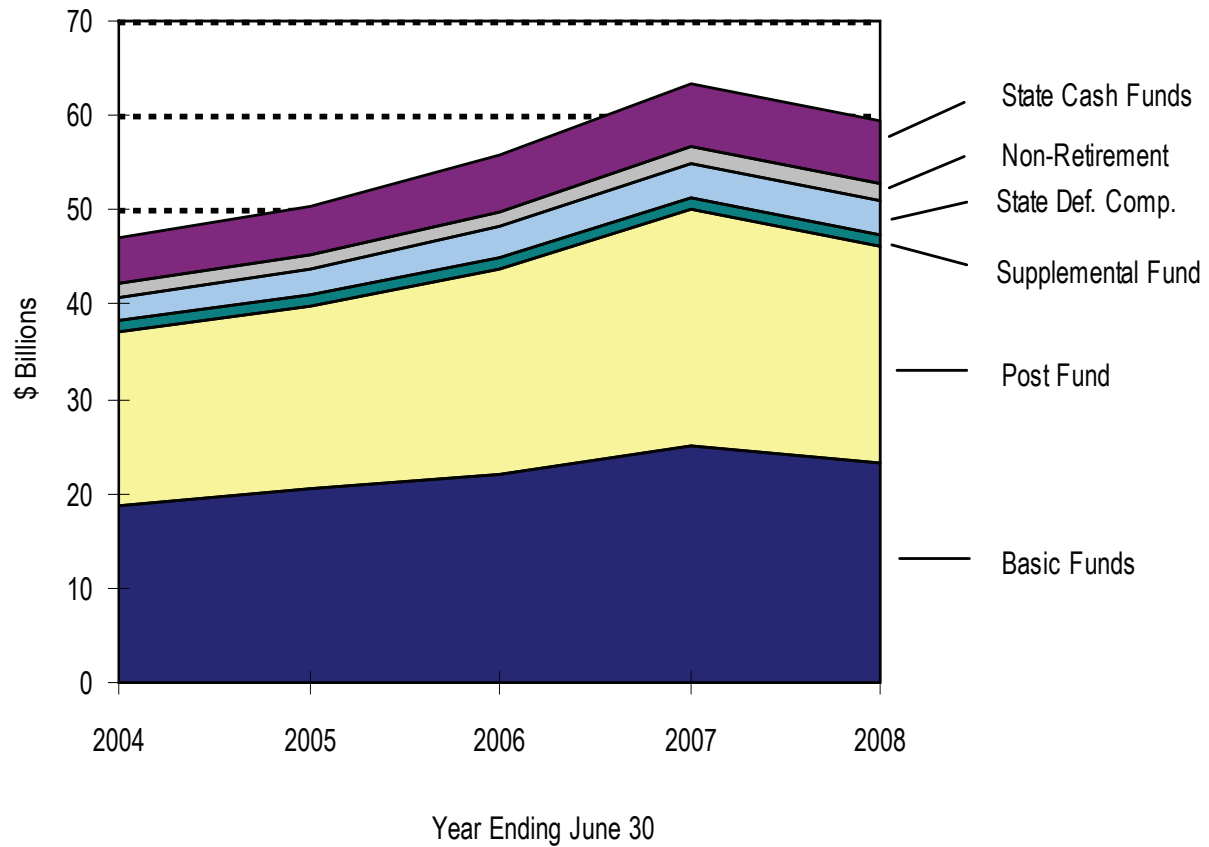
These accounts are the cash balances of state government funds, including the Invested Treasurers Cash Fund, transportation funds, and other miscellaneous cash accounts. Assets are invested in high quality, liquid, debt securities.

### **Total Assets Under SBI Management**

**\$59.4 billion**

\* Totals may not add due to rounding.

**Growth in Assets**  
**Fiscal Years 2004-2008**



## Combined Funds

*The “Combined Funds” represent the assets of both active and retired public employees who participate in the defined benefit plans of three state-wide retirement systems: Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS). On June 30, 2008, the Combined Funds had a market value of \$46.2 billion.*

The Combined Funds are so named because they represent the combined assets of both the Basic Retirement Funds (the funds for active employees) and Post Retirement Fund (the fund for retired employees). Unlike most other public and corporate pension plans, the assets of active and retired employees are separated under statute and therefore managed and accounted for separately. More information on the structure and performance of the Basic and Post Funds is contained in the following chapters.

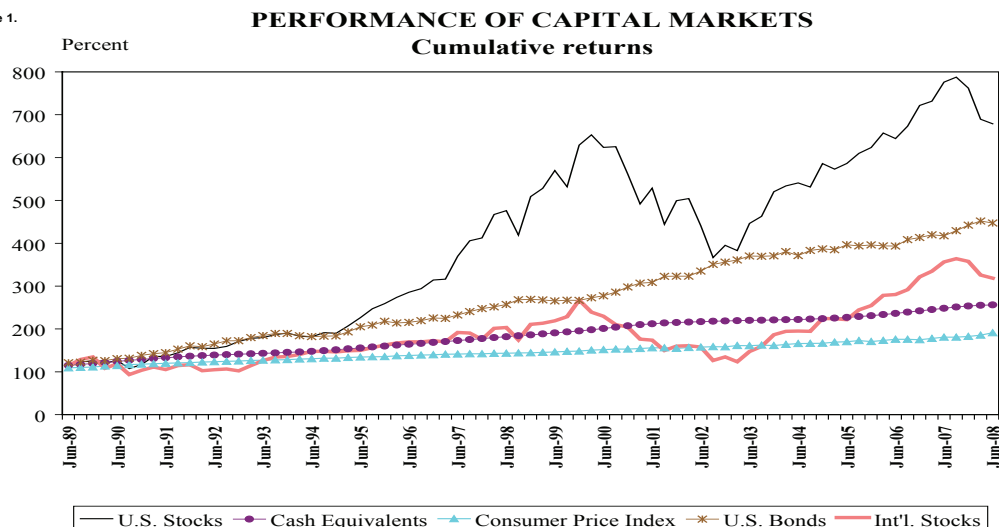
While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit

pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors. The comparison universe used by the SBI is the Master Trust portion of the Trust Universe Comparison Service (TUCS). This universe contains information on public and corporate pension and trust funds with a balanced asset mix and over \$1 billion in size.

**It is important to note that the historical data on the Combined Funds presented in this report reflect only the Basic Retirement Funds through fiscal year 1993. Both the Basic and Post Funds are included thereafter.**

This distinction is necessary due to the very different asset allocation strategies employed by the two funds in the past. The Basic Funds have always been managed to maximize total rates of return over the long-term and, therefore, its asset allocation has historically included a substantial stock segment. In contrast, until the post retirement benefit increase formula was changed in 1993, the Post Retirement Fund was managed to maximize current income which necessitated a large commitment to bonds. As a result, the investment goals of the two funds were incompatible for analytical purposes until fiscal year 1994.

Figure 1.

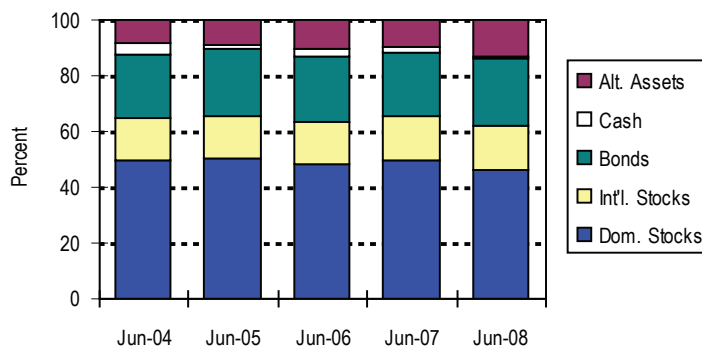


## Combined Funds

### Asset Allocation

As illustrated in Figure 1 on the prior page, historical evidence strongly indicates that U.S. common stocks will provide the greatest opportunity to maximize investment returns over the long-term. As a result, the Board has chosen to incorporate a large commitment to common stocks in its asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the Board includes other asset classes such as bonds, real estate, and resource investments in the total portfolio. These assets diversify the Funds and reduce wide fluctuations in investment returns on a year to year basis. This diversification should not impair the Funds' ability to meet or exceed their actuarial return targets over the long-term.

Figure 3. Combined Funds Historical Asset Mix FY 2004-2008

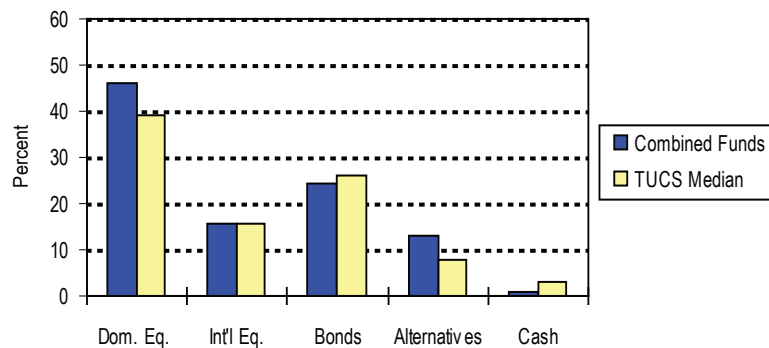


### Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bonds and other assets of the funds in TUCS on June 30, 2008 are displayed in Figure 2.

It shows that the Combined Funds were overweighted in domestic equities, and alternative investments relative to the median allocation in TUCS and underweighted in their allocation to bonds. Historical data on the Combined Funds' asset mix is shown in Figure 3.

Figure 2. Combined Funds Asset Mix Comparison as of June 30, 2008



	Combined Funds	Median Allocation in TUCS*
Domestic Equity	46.3%	39.3%
International Equity	15.5	15.5
Bonds	24.3	26.2
Alternatives**	12.9	7.8
Cash	1.0	3.0

\* Represents the median allocation by asset class, and does not add to 100%.

\*\* TUCS may include assets other than alternatives.

### Return Objectives

The Combined Funds are evaluated relative to the following total rate of return objectives:

—**Provide Real Returns.** Over a twenty year period, the Combined Funds are expected to produce returns that exceed inflation by 3-5 percentage points on an annualized basis.

—**Match or Exceed Market Returns.** Over a ten year period, the Combined Funds are expected to match or exceed a composite of market indices weighted using the asset mix of the Combined Funds.

## Combined Funds

### Investment Results

#### Comparison to Inflation

Over the last twenty years, the Combined Funds exceeded inflation by 6.6 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

#### Comparison to Other Funds

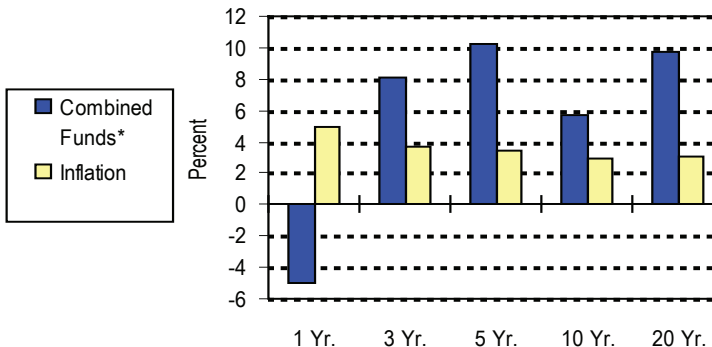
While the SBI is concerned with how its returns compare to other pension investors, universe comparison data should be used with great care. There are two primary reasons why such comparisons will provide an “apples-to-oranges” look at performance:

—**Differing Allocations.** Asset allocation has a dominant effect on returns. 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 may result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

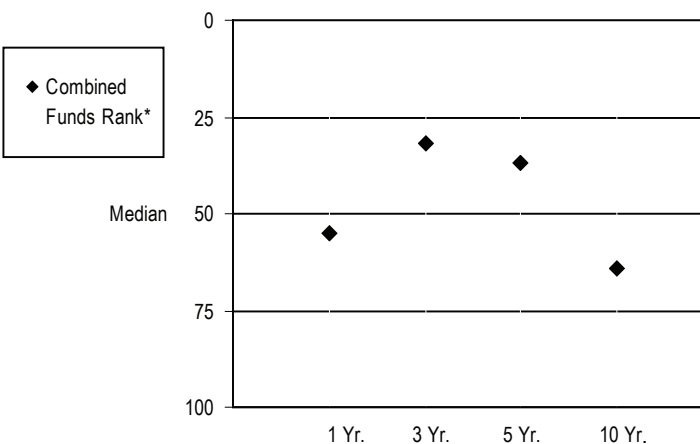
Figure 4. Combined Funds Performance vs. Inflation



	Annualized				
	1 Yr.	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Combined Funds*	-5.0%	8.1%	10.3%	5.7%	9.7%
Inflation	5.0	3.7	3.4	2.9	3.1

\* Includes Basic Funds only through 6/30/93, Basic and Post Funds thereafter.

Figure 5. Combined Funds Performance Compared to Other Pension Funds



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds				
Percentile Rank in TUCS*	55 <sup>th</sup>	32 <sup>nd</sup>	37 <sup>th</sup>	64 <sup>th</sup>

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

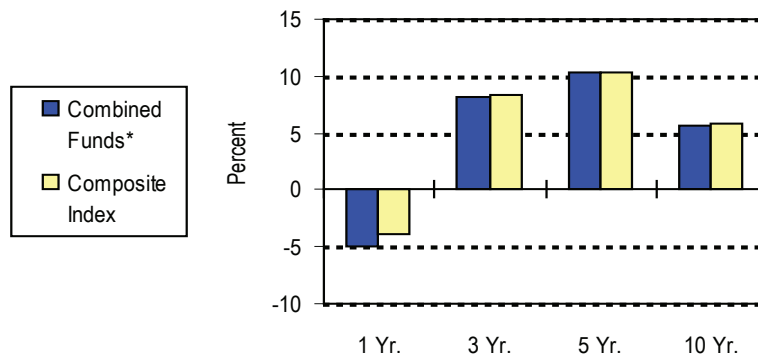
## Combined Funds

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over \$1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 5 on the previous page. It shows that the Combined Funds have ranked below the median over the last ten year period.

### Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance results and a breakdown of the composite index are shown in Figure 6. The Combined Funds trailed the composite index by 0.1 percentage point over the last ten years and, therefore, fell just short of meeting their stated performance goal. The Funds matched the composite index at 10.3% over the last five years but underperformed the composite over the most recent fiscal year by 1.1 percentage points. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

**Figure 6. Combined Funds Performance vs. Composite Index**



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds*	-5.0%	8.1%	10.3%	5.7%
Composite Index	-3.9	8.3	10.3	5.8

### Composite Index for Period Ending on June 30, 2008

Asset Class	Market Index	Composite Index Wts.*
Domestic Stocks	Russell 3000	46.4%
Int'l. Stocks	MSCI ACWI Free ex. U.S.	15.0
Domestic Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	12.1
Unallocated Cash	3 Month T-Bills	2.0
Total		100.0%

\* Weights are reset in the composite at the start of each month to reflect the combined allocation policies of the Basic and Post Funds.

## Basic Retirement Funds

**The Basic Retirement Funds accumulate the retirement assets of public employees during their working years. On June 30, 2008, the Funds covered almost 360,000 active employees and had a market value of \$23.3 billion.**

Figure 7 identifies the eight different retirement funds which comprise the Basic Funds. The Basic Funds invest the pension contributions that employees and employers make to defined benefit pension plans during the employees' years of active service.

### Investment Objectives

The State Board of Investment (SBI) has one overriding responsibility with respect to its management of the Basic Funds: to ensure that sufficient funds are available to finance promised benefits at the time of retirement.

### Actuarial Assumed Return

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary.

The rates are set so that contributions plus expected investment earnings will cover the projected cost of the initially promised pension benefits. In order to meet these projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

### Time Horizon

Normally, pension assets will accumulate in the Basic Retirement Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits the Board to take advantage of the long run return opportunities offered by common stocks and other equity investments in order to meet its actuarial return target.

### Return Objective

The Board measures the performance of the Basic Retirement Funds relative to a composite of market indices that is weighted using the Funds' long-term asset allocation policy. The Basic Funds are expected to match or exceed their composite index over a ten year period. *Performance is reported net of all fees and costs* to assure that the Board's focus is on its true net return.

### Asset Allocation

The allocation of assets among stocks, bonds, alternative investments and cash can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the Fund is under constant review.

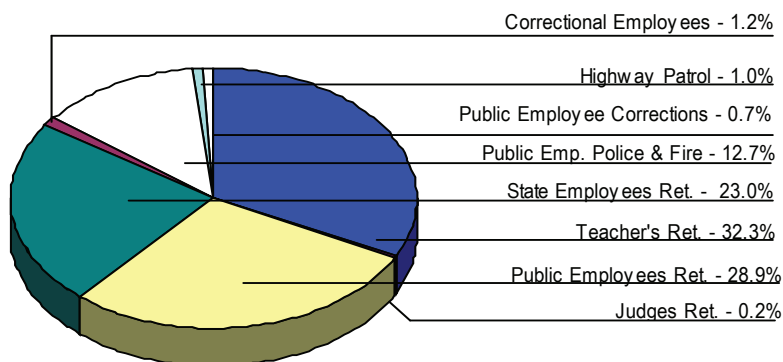
### Long-Term Allocation Policy

Based on the Basic Funds' investment objectives and the expected long run performance of the capital markets, the current long-term asset allocation policy for the Basic Funds is as follows:

Domestic Stocks	45%
International Stocks	15
Bonds	24
Alternative Assets	15
Unallocated Cash	1

It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in

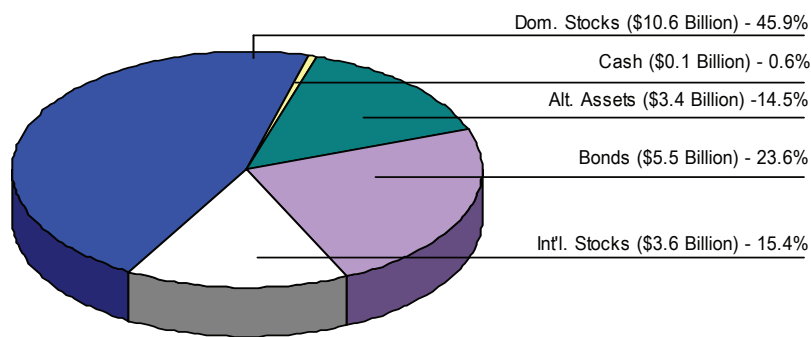
Figure 7. Composition of Basic Funds as of June 30, 2008



Notes: Percentages may differ slightly due to rounding of values.

## Basic Retirement Funds

Figure 8. Basic Funds Asset Mix as of June 30, 2008



Notes: Percentages may differ slightly due to rounding of values.

Uninvested portions of the allocation to Alternative Assets are held in Domestic Stocks.

domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

Figure 8 presents the actual asset mix of the Basic Funds at the end of fiscal year 2008. Historical asset mix data are displayed in Figure 9.

During fiscal year 2004, the Board provisionally revised its long term asset allocation targets for the Basic Funds. Upon the Post Retirement Fund achieving its alternative investment target, the Basic Funds' allocation target may increase from 15% to 20% by decreasing the fixed income target from 24% to 19%. Additionally, the Basic Funds were authorized to invest in yield-oriented investments as part of its allocation to alternative investments.

During fiscal year 2008, the Post Fund achieved its alternative investment target of 12% and therefore the alternative target for the Basics increased from 15% to 20%, effective July 1, 2008.

### Total Return Vehicles

The SBI invests the majority of the Basic Funds' assets in

**common stocks** (both domestic and international). A large allocation is consistent with the investment time horizon of the Basic Funds and the advantageous long-term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. The rationale underlying the inclusion of **private equity** (e.g., venture capital and leverage buyouts) is similar.

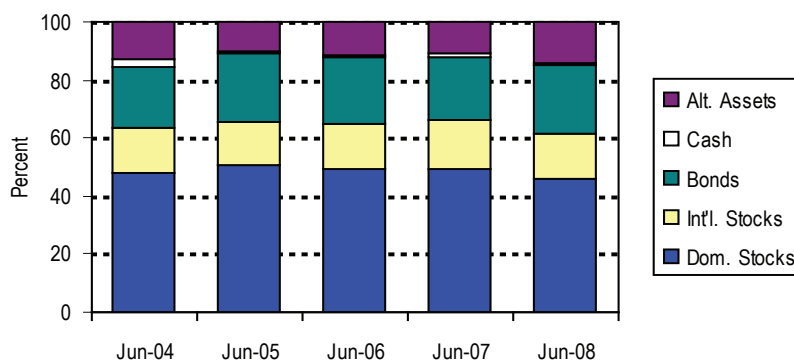
The Board recognizes that this sizable policy allocation to common stock and private equity likely will produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility.

### Diversification Vehicles

The Board includes other asset classes in the Basic Funds both to provide some insulation against highly inflationary or deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

**Real Estate** and **resource** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. In periods of rapidly rising prices, these assets have appreciated in value at a rate at least equal to the inflation rate. Further, even under more normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, their inclusion in the Basic Funds serves to dampen return volatility.

Figure 9. Basic Funds Historical Asset Mix FY 2004-2008





## Basic Retirement Funds

The allocation to **bonds** acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to protect principal and generate significant capital gains. Bonds, like real estate and resource funds, under normal financial conditions, help to diversify the Basic Funds, thereby controlling return volatility.

**Yield oriented alternative investments** provide the opportunity for higher long term returns than those typically available from bonds yet still generate sufficient current income. Typically, these investments (e.g., subordinated debt, mezzanine or resource income investments such as producing properties) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity

component, they display a return pattern more like a bond. As such, they will help reduce the volatility of the total portfolio, but should also generate higher returns relative to more traditional bond investments.

### Investment Management

All assets in the Basic Retirement Funds are managed externally by outside money management firms retained by contract. In order to gain greater operating efficiency, the Basic Funds share the same domestic stock, international stock, fixed income, and alternative investment managers with the Post Fund.

More information on the structure, management and performance of these pools of managers is included in the **Investment Pool** section of this report.

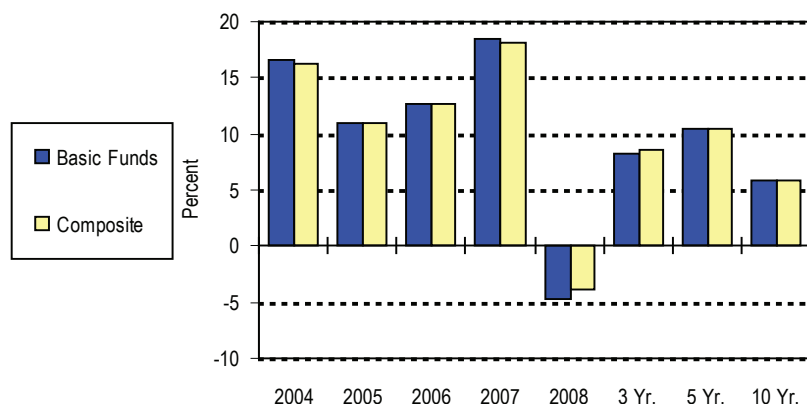
### Investment Performance

As stated earlier, the Basic Funds are expected to match or exceed the return of a composite of market indices over a ten year period. Performance relative to this standard will measure two effects:

- The ability of the managers selected by the SBI, in aggregate, to add value to the returns available from the broad capital markets.
- The impact of the SBI's re-balancing activity. The SBI rebalances the total fund when market movements take the stock (domestic and international), bond, or cash segments above or below long term asset allocation targets. This policy imposes a low risk discipline of "buy low-sell high" between asset classes on a total fund basis.

For the ten year period ending June 30, 2008, the Basic Funds slightly underperformed the composite index by 0.1 percentage point annualized. The Fund matched the composite index over the last five years and underperformed the index over the most recent fiscal year by 0.9 percentage point. Actual returns relative to the total fund composite index for each of the last five years are shown in Figure 10.

Figure 10. Basic Funds' Performance vs. Composite Index FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Basic Funds	16.6%	11.0%	12.6%	18.5%	-4.8%	8.3%	10.5%	5.8%
Composite Index	16.3	10.9	12.6	18.2	-3.9	8.6	10.5	5.9

## Post Retirement Fund

**The assets of the Post Retirement Fund are used to finance monthly annuities to retired public employees. These annuities may be adjusted upwards over the life of a retiree based on a formula that reflects both inflation and investment performance. On June 30, 2008, the Post Fund had a market value of \$23.0 billion and more than 148,000 retiree participants.**

The Post Retirement Fund includes the assets of retired public employees covered by nine statewide retirement plans; the eight plans which participate in the Basic Retirement Funds as well as the Legislative and Survivors Retirement Fund.

### Benefit Increase Formula

The retirement benefit increase formula of the Post Retirement Fund is based on a combination of two components:

— **Inflation Component.** Each year, retirees receive an inflation-based adjustment equal to 100% of inflation, up to a maximum specified in statute. The inflation component is granted regardless of investment performance. The cap is necessary to maintain the actuarial soundness of the entire plan. The cap is the difference between the return assumption for the Basic Funds, and the return assumption for the Post Fund.

The return assumption in the Basic Funds is 8.5%. The return assumption for the Post Fund was 5.0% through fiscal year 1997. In fiscal year 1998, the return assumption for the Post Fund was changed to 6.0%. This means the cap on the inflation adjustment was 3.5% for fiscal

years 1993-1997. Since fiscal year 1998, the inflation cap has been 2.5%. Retirees were given a one time permanent adjustment in their pension to compensate them for the reduction in the inflation adjustment cap.

— **Investment Component.** Each year, retirees can also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses are spread over five years to smooth out the volatility of returns. In addition, all

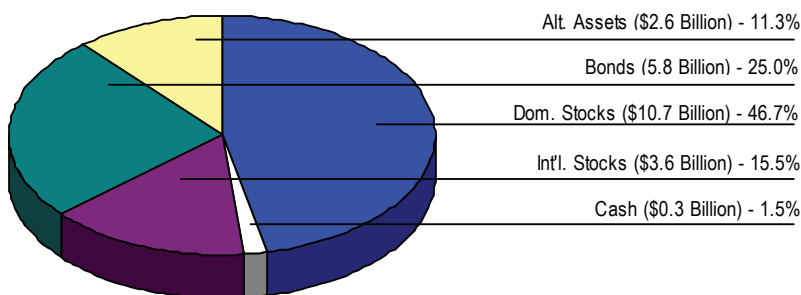
accumulated investment losses must be recovered before an investment-based adjustment is granted.

### Investment Objective

#### Time Horizon

The time horizon of the Post Fund is 15 to 20 years and corresponds to the length of time a typical retiree can be expected to draw benefits. While this is shorter than the time horizon of the Basic Funds, it is still sufficiently long to allow the Board to take advantage of the long run return opportunities offered by common stocks in order to meet its actuarial return target as well as to finance retirement benefit increases.

Figure 11. Post Fund Asset Mix as of June 30, 2008



Notes: Percentages may differ slightly due to rounding of values.

Uninvested portions of the Alternative Assets allocation are held in Domestic Stocks.

## Post Retirement Fund

### Return Objective

The Board measures the performance of the Post Retirement Fund relative to a composite of market indices using its long-term asset allocation policy. The Post Fund is expected to match or exceed its composite index over a ten year period. *Performance is reported net of all fees and costs* to assure that the Board's focus is on true net return.

### Asset Allocation

The current long-term asset allocation for the Post Fund is as follows:

Domestic Stocks	45%
Int'l. Stocks	15
Bonds	25
Alternative Assets	12
Unallocated Cash	3

The Post Fund's fiscal year-end asset mix is presented in Figure 11 on the previous page. Historical asset mix data are shown in Figure 12.

The SBI invests the majority of the Post Fund's assets in **common stocks** (both domestic and international).

A large allocation is consistent with the moderately long time horizon of the Post Fund and the advantageous long term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio.

As with the Basic Funds, the Board recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility. The asset allocation is under constant review. During fiscal year 2004, the SBI revised its long term asset allocation targets for the Post Fund. The allocation target for alternative investments was increased from 5% to 12%, while decreasing domestic equity from 50% to 45% and decreasing fixed income from 27%

to 25%. Additionally, the Post Fund was authorized to invest in private equity, real estate, and resource investments as well as yield-oriented investments as part of its allocation to alternative investments. Finally, uninvested portions of the alternative investments are invested in domestic equities instead of bonds.

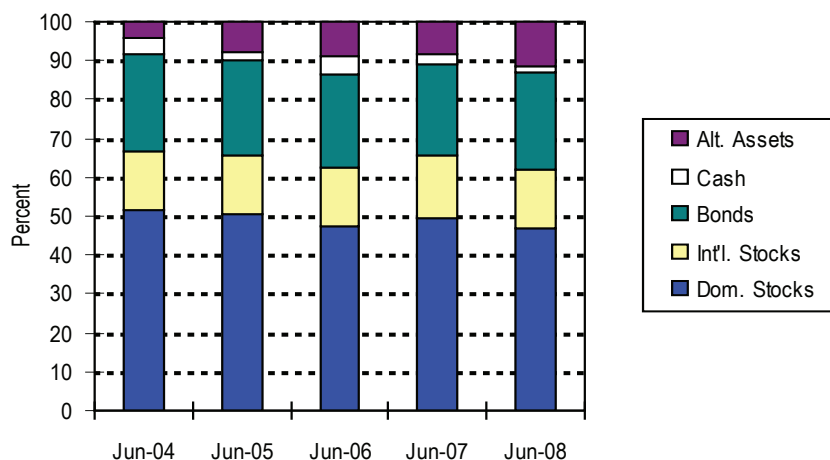
### Diversified Vehicles

The Board includes other asset classes in the Post Fund both to provide some insulation against highly deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility. Including **private equity** in the Post Fund is intended to enhance returns and reduce the risk of the total portfolio.

**Real Estate** and **resource** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. In periods of rapidly rising prices, these assets have appreciated in value at a rate at least equal to the inflation rate. Further, even under more normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, their inclusion in the Post Fund also serves to dampen return volatility.

The **bonds** in the Post Fund act as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long term bonds, are expected to protect principal and generate significant gains. And, under more normal financial conditions, bonds diversify the Post Fund, thereby controlling return volatility on a year-to-year basis.

Figure 12. Post Fund Historical Asset Mix FY 2004-2008



## Post Retirement Fund

**Yield oriented alternative investments** provide the opportunity for higher long term returns than those typically available from bonds, yet still generate sufficient current income to be compatible with the objectives of the Post Fund. Typically, these investments (e.g., subordinated debt, mezzanine or resource income investments such as producing properties) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help reduce the volatility of the total portfolio but should also generate higher returns relative to more traditional bond investments.

### Investment Management

In order to gain greater operating efficiency, the Basic and Post Funds share the same domestic stock, fixed

income, international stock, and alternative investment managers. More information on the structure, management and performance of these pools of managers is included in the **Investment Pool** section of this report.

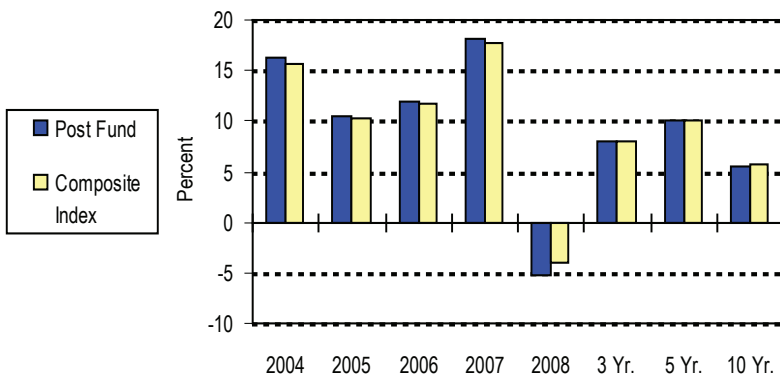
### Investment Performance

#### Total Fund Performance

As stated earlier, the Post Fund is expected to exceed the return of a composite of market indices over a ten year period. The Post Fund's performance slightly trailed its composite market index by 0.1 percentage point for the most recent ten year period. The fund matched the composite index over the last five years, and trailed it for the most recent fiscal year by 1.2 percentage points.

Actual returns relative to the total fund composite index for each of the last five years are shown in Figure 13.

Figure 13. Post Fund's Performance vs. Composite Index FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Post Fund	16.3%	10.5%	12.0%	18.2%	-5.2%	7.9%	10.0%	5.6%
Composite Index	15.7	10.2	11.8	17.7	-4.0	8.1	10.0	5.7

Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1998	9.8%
1999	11.1
2000	9.5
2001	4.5
2002	0.7
2003	2.1
2004	2.5
2005	2.5
2006	2.5
2007	2.5
2008	2.5

\* Payable beginning January 1, of the following calendar year.

#### Benefit Increase

The Post Fund will provide a benefit increase of 2.5% for fiscal year 2008 payable beginning January 1, 2009. As noted earlier, this increase is comprised of two components:

—**Inflation component** of 2.5% which is the maximum allowable increase. The increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2008 was 5.6%. (This is the same inflation index used to calculate increases in Social Security payments).

—**Investment component** of 0%. This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial assumed rate of return (6.0% beginning FY98) and the inflation adjustment.

Benefit increases for this year and the past ten years are shown in Figure 14.

More detail on the calculation for the fiscal year 2008 benefit increase is included in the **Statistical Data** section.

## Investment Pools

**To gain greater operating efficiency, external managers are grouped into several “Investment Pools” which are segregated by asset class. The various retirement funds participate in one or more of the pools corresponding to their individual asset allocation strategies.**

The Basic Retirement Funds, Post Retirement Fund and Supplemental Investment Fund share many of the same stock and bond managers. This is accomplished by grouping managers together, by asset class, into several Investment Pools. The individual funds participate in the Investment Pools by purchasing “units” which function much like shares of a mutual fund.

This investment management structure allows the State Board of Investment (SBI) to gain greater operating efficiency within asset classes and to keep management costs as low as possible for all participants.

### Domestic Stock Pool

The Basic Retirement Funds have participated in the Domestic Stock Pool since its inception in January 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Growth Share Account, Common Stock Index Account, and the stock portion of the Income Share Account in the Supplemental Investment Fund participate in the Pool.

As of June 30, 2008, the dollar value of each fund’s participation in the Pool was:

Basic Funds	\$10.7 billion
(active, passive and semi-passive)	

Post Fund	\$10.7 billion
(active, passive and semi-passive)	

Growth Share Account	\$112 million
(active and semi-passive)	

Common Stock Index Account	\$259 million
(passive)	

Stock portion of the Income Share Account	\$141 million
(passive)	

#### Management Structure

The SBI uses a three-part approach to the management of the Domestic Stock Pool:

— **Active Management.** At the end of fiscal year 2008, approximately 28% of the Domestic Stock Pool was actively managed by a group of external money managers. The assets allocated to each of the managers ranged from \$50 to \$700 million.

— **Semi-Passive Management.** At the end of fiscal year 2008, approximately 37% of the Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios ranging from \$2.4 to \$3.1 billion.

— **Passive Management.** At the end of fiscal year 2008, approximately 35% of the Stock Pool was managed passively by a single manager with a portfolio of \$7.5 billion.

The goal of the Domestic Stock Pool is to add value to the asset class target, which has been the Russell 3000 Index since October 1, 2003. The Russell 3000 Index can be segmented into sub-indexes or Russell style indexes. Each active manager is expected to add incremental value over the long run relative to a Russell style index which reflects its investment approach or style.

Assets are allocated by the Russell style indexes in proportion to their weighting within the Russell 3000. Assets are then allocated to each manager within the managers’ designated style. This allocation is done to minimize the misfit or style bias within the Domestic Stock Pool.

Prior to October 1, 2003, the performance of active managers in the Domestic Stock Pool was measured against customized benchmarks which reflected the manager’s unique investment approach or style. This type of active manager structure could result in misfit or style bias. “Misfit” is defined as the difference between the aggregate benchmarks of the active managers and the asset class target.

The SBI attempted to compensate for active manager misfit through the use of a **completeness fund**. A “completeness fund” is so named because it is intended to fill in, or complete, any areas of market exposure that are not being covered by the aggregate benchmarks of the active managers. The completeness fund has not been used since



## Investment Pools

December 31, 2003. Since that time, the SBI has attempted to control misfit by allocating assets on the basis of managers' investment style indexes.

The SBI's completeness fund was passively managed when it was first introduced in October 1990 until December 1994. During fiscal year 1995, the completeness fund moved from being entirely passively managed to a structure that was half passive/half semi-passive. At the start of fiscal year 1996, the completeness fund was allocated entirely to semi-passive management. Semi-passive approaches provide the potential to outperform the completeness fund benchmark, but also incorporate procedures that constrain the level of risk/volatility relative to the benchmark.

During fiscal year 1997, several current active managers modified their investment processes in order to increase the probability of producing value added in their portfolios. Two current managers (Alliance Capital Mgmt. and Franklin Portfolio Assoc.) were asked to increase the level of active risk in their portfolio resulting in a reduction in the number of issues held at any one time. During fiscal year 2000, UBS Global Asset Mgmt. (formerly Brinson) was asked to eliminate investments in small post-venture companies (about 7% of their portfolio) and to increase the active risk in their portfolio as well. In effect, these managers now hold more concentrated portfolios and make larger bets on their "best" stock ideas.

A description of each domestic stock manager's investment approach is included in the **Investment Manager Summaries** section.

### FY 2008 Changes

During fiscal year 2008, no changes were made to the manager structure. Two managers were reviewed as a one-year follow up to their presentation to the committee. No action was taken with either firm at the review.

### Investment Performance

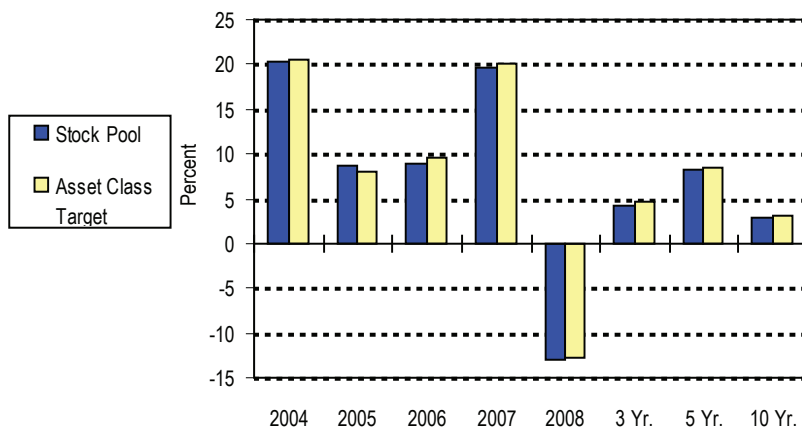
A comprehensive monitoring system has been established to ensure that the many elements of the Domestic Stock Pool conform to the SBI's investment policies. Published performance benchmarks are used for each active, emerging and semi-passive stock manager. These benchmarks enable the SBI to evaluate the managers' results, both individually and in aggregate, with respect to risk incurred and returns achieved.

Two primary long run **risk objectives** have been established for the domestic stock managers:

— **Investment Approach.** Each manager (active, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager's stated investment approach. In the short run, the active stock managers may depart from their risk targets as part of their specific investment strategies.

— **Diversification.** The passive and semi-passive managers are expected to hold highly diversified portfolios, while each active domestic stock manager is expected to hold a portfolio appropriately diversified for the particular investment strategy and style.

Figure 15. Domestic Stock Pool Performance FY 2004-2008



	2004	2005	2006	2007	2008	Annualized		
Stock Pool	20.3%	8.6%	8.9%	19.7%	-13.1%	3 Yr.	5 Yr.	10 Yr.
Asset Class Target*	20.6	8.1	9.6	20.1	-12.7	4.7	8.4	3.1

\* Reflects the Russell 3000 since 10/1/2003; the Wilshire 5000 Investable from 7/1/1999 thru 9/30/03; and the Wilshire 5000 as reported prior to FY 2000.

## Investment Pools

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2008. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate to their respective active, semi-passive and passive approaches.

The Board's *return objectives* for its active and semi-passive stock managers are measured against the performance of published Russell style indices that represent a manager's specific investment approach. These indices take into account the equity market forces that at times favorably or unfavorably impact certain investment styles. Thus, a Russell style index or benchmark is a more appropriate return target against which to judge a manager's performance than a broad market index.

Individual active managers are expected to exceed their benchmark by an amount appropriate for their active risk level. This active risk level varies by manager and is influenced by the manager's stated strategy and style.

In aggregate, the Domestic Stock Pool underperformed the Russell 3000 Index by 0.4 percentage point for the fiscal year. The active and semi-passive components underperformed their respective benchmarks. Relative to the aggregate benchmark, the active manager group's underperformance was due largely to an underweight allocation to the integrated oils sector and ineffective stock selection within the consumer discretionary sector. The semi-passive managers underperformed due largely to weak stock selection within the financial services and producer durables sectors.

**Figure 16. Domestic Stock Manager Performance FY 2008**

	<b>Actual Return</b>	<b>Benchmark Return</b>
<b><u>Active Managers</u></b>		
<b>Large Cap Core (Russell 1000)</b>		
Franklin Portfolio Associates	-13.6%	-12.4%
New Amsterdam Partners	-12.8	-12.4
UBS Global Asset Management	-18.9	-12.4
<b>Large Cap Growth (Russell 1000 Growth)</b>		
AllianceBernstein L.P.	-3.6	-6.0
INTECH	-6.9	-6.0
Jacobs Levy Equity Mgmt.	-9.6	-6.0
Lazard Asset Mgmt.	-4.5	-6.0
Sands Capital Mgmt.	-0.6	-6.0
Voyageur-Chicago Equity	-7.4	-6.0
Winslow Capital Mgmt.	3.5	-6.0
Zevenbergen Capital	-5.0	-6.0
<b>Large Cap Value (Russell 1000 Value)</b>		
Barrow, Hanley	-19.6	-18.8
Earnest Partners	-17.1	-18.8
Lord Abbett & Co.	-15.0	-18.8
LSV Asset Mgmt.	-22.0	-18.8
Systematic Financial Mgmt.	-14.4	-18.8
<b>Small Cap Growth (Russell 2000 Growth)</b>		
McKinley Capital	-14.0	-10.8
Next Century Growth	-1.3	-10.8
Turner Investment Partners	-6.4	-10.8
<b>Small Cap Value (Russell 2000 Value)</b>		
Goldman Sachs	-15.7	-21.6
Hotchkis & Wiley	-29.2	-21.6
Martingale Asset Mgmt.	-24.4	-21.6
Peregrine Capital Mgmt.	-30.0	-21.6
RiverSource/Kenwood	-25.0	-21.6
<b><u>Semi-Passive Managers (Russell 1000)</u></b>		
Barclays Global Investors	-13.3	-12.4
Franklin Portfolio Associates	-13.9	-12.4
J.P. Morgan Investment Mgmt.	-13.4	-12.4
<b><u>Passive Manager (Russell 3000)</u></b>		
Barclays Global Investors	-12.6	-12.7
<b>Historical Aggregate</b>		
<b>SBI Domestic Equity Asset Class Target</b>	-13.1	-12.7
Russell 3000		-12.7

**Note:** Cohen Klingenstein & Marks had all assets removed in June pending a recommendation for termination at the September Board meeting.

## Investment Pools

Figure 15 (on page 16) provides more detail on the historical performance of the entire pool. Individual manager performance relative to their respective benchmarks was mixed. Eleven active managers outperformed and thirteen underperformed the benchmark. The three semi-passive managers underperformed the benchmark and the passive manager outperformed its target, the Russell 3000 index. Individual manager performance for fiscal year 2008 is shown in Figure 16 (on page 17).

Historical information on individual manager performance and portfolio characteristics is included in the **Statistical Data** section. Section II of the Annual Report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

### Bond Pool

The Basic Retirement Funds have participated in the Bond Pool since its inception in July 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Bond Market Account in the Supplemental Investment Fund has utilized portions of the Pool since July 1986.

As of June 30, 2008, the dollar value of each fund's participation in the Pool was:

Basic Funds                      \$5.5 billion  
(active and semi-passive)

Post Fund                        \$5.7 billion  
(active and semi-passive)

Bond Market                    \$122 million  
Account  
(active and semi-passive)

### Investment Management

The SBI uses a two-part approach for the management of the Bond Pool:

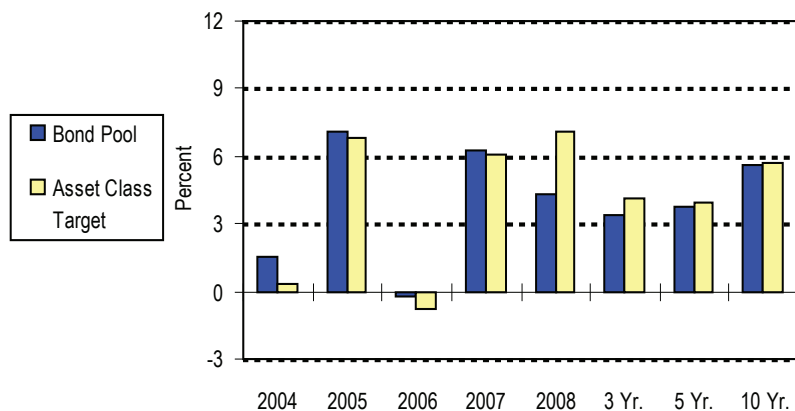
— **Active Management.** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 2008, approximately 49% of the Bond Pool was actively managed by a group of five external money managers with portfolios of \$900 million to \$1.5 billion each.

— **Semi-Passive Management.** At least one-half of the assets allocated to the Bond Pool will be managed by semi-passive managers. At the end of fiscal year 2008, approximately 51% of the bond segment was invested by three managers with portfolios of \$1.9 to \$2.0 billion each.

The group of **active** bond managers is retained for its blend of investment styles. Each active manager has the goal of adding incremental value to the Lehman Aggregate Bond Index

by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach security selection and sector weighting decisions. In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the duration of their portfolios. This requirement is designed to prevent the total pool from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. In addition, the duration restriction helps to avoid extreme variability in total returns. The SBI constrains the duration range of the active managers' portfolios to a band of plus or minus two years around the duration of the Lehman Aggregate. The active bond managers focus on high quality (BBB or better) rated bonds. Some managers have been granted authority to invest a limited portion of their portfolios in BB and

Figure 17. Bond Pool Performance FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
<b>Bond Pool</b>	<b>1.5%</b>	<b>7.1%</b>	<b>-0.2%</b>	<b>6.3%</b>	<b>4.3%</b>	<b>3.4%</b>	<b>3.8%</b>	<b>5.6%</b>
Asset Class Target*	0.3	6.8	-0.8	6.1	7.1	4.1	3.9	5.7

\* The Bond Pool asset class target has been the Lehman Brothers Aggregate Bond Index since July 1994.



## Investment Pools

B rated dollar denominated debt or in non-dollar denominated issues. The managers use this additional authority on a tactical basis.

The goal of the *semi-passive* managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through superior bond selection and sector allocation. Semi-passive managers' portfolios are constrained to plus or minus 0.2 years around the duration of the Lehman Aggregate. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making alterations in the sector weightings within the portfolio. Although the managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly underperform the target index during some periods. One manager has been granted authority to invest a limited portion of their portfolio in BB and B rated dollar denominated debt or

in non-dollar denominated issues. The manager uses this additional authority on a tactical basis.

A description of each bond manager's investment approach is included in the **Investment Manager Summaries** section.

### FY 2008 Changes

During fiscal year 2008, no changes were made to the manager structure.

### Investment Performance

The SBI constrains the *risk* of the active bond managers' portfolios to ensure that they fulfill their deflation hedge and total fund diversification roles. As noted earlier, the managers are restricted in terms of the duration of their portfolios and the quality of their fixed income investments. The active and semi-passive bond managers successfully fulfilled their long-term risk objectives during fiscal year 2008. The managers constructed portfolios consistent with their stated investment approaches

and maintained appropriate levels of quality and duration.

The *returns* of each of the Board's bond managers are compared to the Lehman Aggregate. Individual active managers are expected to exceed the target by 0.25 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.10 percentage point annualized, over time. In total, the pool underperformed the Lehman Aggregate by 2.8% for the recent fiscal year. Relative to the benchmark, the pool suffered from underweighting Treasuries, overweighting mortgage-backed securities, which underperformed during the current subprime crisis, and in some cases overweighting the corporate bond sector.

Performance over the long-term has been much better, though still slightly below expectations. The pool has underperformed the asset class target by 0.10 percentage point over the ten year period ending June 30, 2008. In general, the managers had performed well over the long-term up until the most recent fiscal year. The underperformance during fiscal year 2008 was severe enough to drag long-term performance just below the benchmark. As mentioned above, overweight exposures to the mortgage-backed securities sector was the main contributor to short and long-term underperformance. The relative performance of the individual active managers retained by the Board over the fiscal year was poor; all five underperformed the benchmark. The three semi-passive managers all underperformed as well, though not to the extent of the active managers.

Figure 17 (on page 18) shows historical performance for the entire pool. Individual manager

**Figure 18. Bond Manager Performance FY 2008**

	<b>Actual Return</b>	<b>Benchmark Return</b>
<b>Active Managers</b>		
Aberdeen Asset Mgmt.	3.0%	7.1%
Dodge & Cox Investment Mgmt.	4.5	7.1
Morgan Stanley Investment Mgmt.	-2.1	7.1
RiverSource Investments	5.3	7.1
Western Asset Mgmt.	3.0	7.1
<b>Semi-Passive Managers</b>		
BlackRock Financial Mgmt.	6.5	7.1
Goldman Sachs Asset Mgmt.	5.8	7.1
Lehman Brothers Asset Mgmt.	4.8	7.1
<b>Aggregate Bond Pool</b>	<b>4.3</b>	<b>7.1</b>
<b>Asset Class Target</b>		
Lehman Aggregate		7.1

## Investment Pools

performance for fiscal year 2008 is shown in Figure 18 (on page 19). Historical information on individual manager performance and portfolio characteristics is included in the **Statistical Data** section. Section II of this report provides **Summarized Asset Listings** for each manager and the pool in aggregate.

### International Stock Pool

The SBI began its international stock program in October 1992. The Basic Retirement Funds have participated in the International Stock Pool since its inception. The Post Retirement Fund began utilizing the Pool in October 1993. The International Share Account in the Supplemental Investment Fund has participated in the Pool since September 1994.

On June 30, 2008, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds                   \$3.6 billion  
(active, passive and semi-passive)

Post Fund                   \$3.6 billion  
(active, passive and semi-passive)

International  
Share Account           \$132 million  
(active, passive and semi-passive)

#### Management Structure

Currently, the SBI uses a three part approach to the management structure of the International Stock Pool:

— **Active Management.** The target is to have at least one-third of the International Stock Pool managed actively. At the end of fiscal year 2008, approximately 54% of the Pool was actively managed by a group of 11 external managers with portfolios

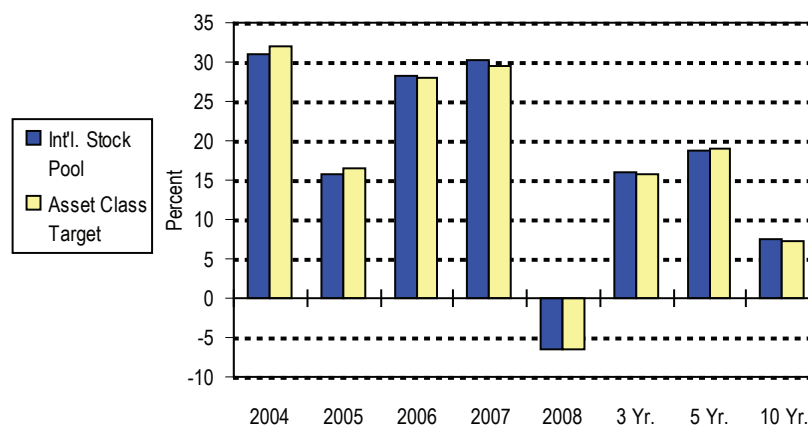
ranging from \$250 to over \$550 million each. Eight of these managers manage portfolios in the developed markets and three manage portfolios in the emerging markets.

— **Semi-Passive Management.** The target is to have no more than 33% of the International Stock Pool managed semi-passively. At the end of fiscal year 2008, approximately 12% of the Pool was semi-passively managed by a group of three external managers with portfolios ranging from \$200 to \$300 million each.

— **Passive Management.** The target is to have at least 25% of the International Stock Pool managed passively. At the end of fiscal year 2008, approximately 34% of the International Stock Pool was passively managed by a single manager.

As of July 1, 1999, the SBI began using the combined market capitalization weights of the Morgan Stanley Capital International (MSCI) developed and emerging markets indices as target weights for the developed versus emerging markets within the International Stock Portfolio. Eight of the eleven **active** managers and the three **semi-passive** managers invest entirely in developed markets, and use a variety of investment approaches in an effort to maximize value added to the MSCI World ex U.S. index, over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and security selection, or they may explicitly hedge currency exposure on an opportunistic basis, or seek to add value by actively managing currency positions.

Figure 19. International Stock Pool Performance FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Int'l. Stock Pool	30.9%	15.7%	28.2%	30.3%	-6.6%	16.0%	18.8%	7.5%
Asset Class Target*	32.1	16.5	27.9	29.6	-6.4	15.8	19.0	7.3

\* MSCI All Country World Index (ACWI) ex U.S. since 10/1/03. Composite of EAFE-Free and Emerging Markets Free from 5/1/96 through 9/30/03. EAFE Free through 4/30/96.

## Investment Pools

Three of the eleven **active** managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Free index of markets in developing countries throughout the world.

The **passive** manager in the International Stock Pool designs its portfolio to consistently and inexpensively track the developed markets MSCI World ex U.S. index. Previously, a portion of the currency exposure of the index fund was managed in a dynamic hedging program designed to avoid currency losses during periods of U.S. dollar strength. The **currency**

**overlay** program was terminated as of December 1999. All contracts that were in place matured by December 2000.

A description of each international stock manager's investment approach is included in the **Investment Manager Summaries** section.

### FY 2008 Changes

During fiscal year 2008, the Board did not terminate or hire any international equity managers nor make any other changes to the program. One manager was brought in for review. No action was taken.

### Investment Performance

Similar to the Domestic Stock Pool, two long term **risk objectives** have been established for the international equity managers:

- **Investment Approach.** Each manager (active or passive) is expected to hold a portfolio that is consistent with the manager's stated investment approach.
- **Diversification.** While the index manager is expected to hold a well diversified portfolio which closely tracks its target index and the semi-passive managers are expected to hold risk-adjusted portfolios which modestly outperform the index, each active manager is expected to hold a portfolio which represents their best ideas through active bets.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2008. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

The Board's **return objectives** for the International Stock Program are stated relative to the Morgan Stanley Capital International (MSCI) indices. The indices are capitalization weighted and measured in U.S. dollar terms, with currencies unhedged. Individual active managers are expected to exceed their benchmark by an amount appropriate for their level of active risk. The active risk level varies by manager and is influenced by the manager's stated strategy and style.

**Figure 20. International Manager Performance FY 2008**

	Actual Return	Benchmark
<b>Active Managers: Developed Markets</b>		
Acadian Asset Management	-13.5%	-8.6%
Invesco Global Asset Mgmt.	-13.7	-8.6
J.P. Morgan Investment Mgmt. Co.	-10.7	-8.6
Marathon Asset Management	-5.8	-8.6
McKinley Capital Management	-5.6	-8.6
Pyramis Global Advisors Trust Co.	-2.7	-8.6
RiverSource Investments, LLC	-6.9	-8.6
UBS Global Asset Management	-14.3	-8.6
<b>Semi-Passive Managers: Developed Markets</b>		
AQR Capital Management	-11.1	-8.6
Pyramis Global Advisors Trust Co.	-3.5	-8.6
State Street Global Advisors	-10.9	-8.6
<b>Active Managers: Emerging Markets</b>		
AllianceBernstein L.P.	5.3	5.3
Capital International, Inc.	3.4	5.3
Morgan Stanley Investment Mgmt.	2.4	5.3
<b>Passive EAFE Manager: Developed Markets</b>		
State Street Global Advisors	-8.2	-8.6
<b>Aggregate International Pool</b>	-6.6	-6.4
<b>Asset Class Target</b>		
MSCI ACWI ex U.S. (net)		-6.4

## Investment Pools

Performance results for the International Stock Pool are shown in Figure 19 (on page 20). In aggregate, performance over the last ten year period exceeded the benchmark by 0.2 percentage point and performance over the last five year period underperformed the benchmark by 0.2 percentage point annualized. The Pool underperformed the target for the fiscal year by 0.2 percentage point.

Individual manager performance during fiscal year 2008 is shown in Figure 20 (on page 21). During the fiscal year, international equity market returns were negative for the first time in five years but were helped by continued weakness in the U.S. dollar. The markets were influenced by a deterioration in the conditions of credit markets, a slow-down in global economic growth, and world-wide inflationary concerns due to soaring agriculture and fuel prices. The energy and materials sectors, benefitting from strong pricing and demand, were the market leaders for the year in both the developed and emerging markets. Resource-rich countries such as Canada and Norway in the developed markets, and Brazil and Russia in the emerging markets, were top performers. The relative performance of the active managers was mixed. Four of the eight developed markets managers outperformed their respective benchmarks for the year. One of the three emerging markets managers matched the MSCI Emerging Markets Free index. One of the three semi-passive developed markets managers outperformed for the year. Finally, the passively managed portion of the program exceeded its benchmark by 0.4 percentage point for the year relative to the MSCI World ex U.S. index.

More information on the performance and portfolio composition of individual managers is included in the **Statistical Data** section. Section II of this report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

### Alternative Investment Pool

Like the stock and bond segments, alternative assets (private equity, real estate, resource fund and yield-oriented investments) are also managed on a pooled basis. In July 2003, separate pools that had been established for the Basic and Post Retirement Funds were combined to create one alternative investment pool.

#### Statutory Constraints

The statutory constraints regarding the SBI's investments in alternative assets are the same for both the Basic and Post Funds:

Generally, each investment must involve at least four other investors and the SBI's participation in an investment may not exceed 20% of the total investment.

### Management Structure

The Basic and Post Retirement Funds have participated in the Alternative Investment Pool since its inception in July 2003. The Alternative Investment Pool was created in July 2003 from separate pools that had been previously established for the Basic and Post Retirement Funds.

Given their long investment time horizon, the Basic and Post Funds are especially well suited for alternative investments. As of July 1, 2008, up to 20% of the

market value of the Basic Retirement Funds is targeted for alternative investments compared to an actual invested percentage of 14.5%. Market value plus unfunded commitments can be 1.5 times the market value allocation.

For the Post Fund, as of June 30, 2008, the Board has allocated up to 12% of the market value of the Fund to alternative investments compared to an actual invested percentage of 11.3%. Market value plus unfunded commitments can be 1.5 times the market value allocation.

A breakdown of the combined Post and Basic Funds segment is shown in Figure 21 (on page 23). As of June 30, 2008, the market value of current alternative investments was \$6.0 billion, or 12.9% of the Combined Funds.

Descriptions of each of the Funds' alternative investments are included in the **Investment Manager Summaries** section.

#### Real Estate

The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in 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.

Prospective real estate managers are reviewed and selected based on the manager's experience, investment strategy and performance history. During fiscal year 2008, the SBI approved and closed on commitments with Lehman Brothers

## Investment Pools

and Credit Suisse. The SBI will continue to review real estate managers for possible inclusion in the pool.

### Private Equity

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.

Prospective private equity managers are reviewed and selected based, primarily, on the manager's experience, investment strategy, diversification potential and performance history.

During fiscal year 2008, the SBI approved and closed on commitments with Blum, Warburg Pincus, Wayzata, CVC, Advent International, Credit Suisse, Banc Fund, Chicago Growth, Split Rock, Affinity and Varde. The SBI will continue to review and add new private equity investments as attractive opportunities are identified to replenish commitments that will expire within the next five years.

### Resource Fund

The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.

Resource investments are selected based on the manager's experience, investment strategy and performance

history. During fiscal year 2008, the SBI approved and closed on commitments with Natural Gas Partners and EnCap. The SBI will continue to review resource investments for possible inclusion in the pool.

### Yield-Oriented

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

Managers are selected based on the manager's performance, experience and investment strategy.

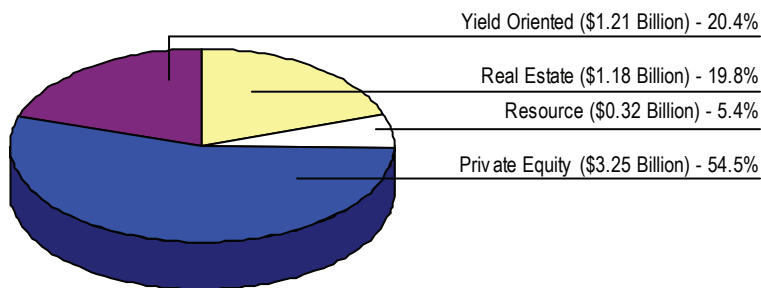
New investments were approved and closed on during fiscal year 2008 with Goldman Sachs, Gold Hill and Summit. The SBI will continue to review yield-oriented investment opportunities for inclusion in the pool.

### Investment Performance

The SBI reviews performance of its alternative investments relative to inflation, as measured by changes in the Consumer Price Index (CPI). The Alternative Investment Pool has provided a positive contribution to overall fund performance for both the Basic and Post Retirement Funds. The Pool provided a 13.4% return in fiscal year 2008 and has provided a 15.1% return annualized over the past ten years. Performance of the Alternative Investment Pool is shown in Figure 22 (on page 24) for the period ending June 30, 2008.

At this time, benchmarks have not been established for the alternative investment fund managers. The long-term nature of these investments and the lack of comprehensive data on the returns provided by the alternative investment markets preclude comprehensive performance evaluation. In the future, as markets for these asset classes become more institutionalized, the SBI hopes to integrate appropriate performance standards for these assets into its performance analysis.

Figure 21. Alternative Investment Asset Mix as of June 30, 2008

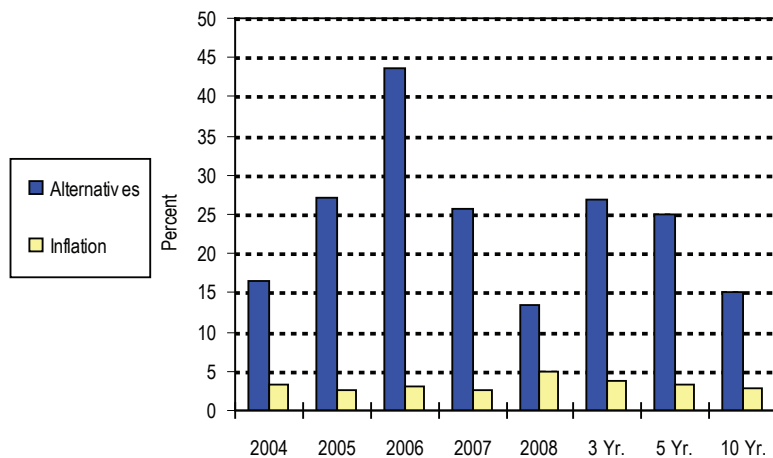


Note: Percentages may differ slightly due to rounding of values.

## Investment Pools

A listing of individual investment funds can be found in the **Statistical Data** Section.

Figure 22. Alternative Investments FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Alt. Investments	16.6%	27.2%	43.7%	25.6%	13.4%	27.0%	24.9%	15.1%
Inflation	3.3	2.5	3.1	2.7	5.0	3.7	3.4	2.9



# Supplemental Investment Fund

**The Supplemental Investment Fund is an investment program that offers a range of investment options to state and local public employees. The Fund serves approximately 59,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 2008, the market value of the entire Fund was \$1.1 billion.**

The Supplemental Investment Fund (SIF) provides investment vehicles for a variety of funds. It functions as the sole investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan, Hennepin County Supplemental Retirement Plan, and the Post Retirement Health Care Savings Plan. All accounts in the SIF, except the Fixed Interest Account are available to local volunteer fire relief associations.

## Fund Structure

A wide diversity of investment goals exists among the SIF’s participants. In order to meet those needs, the Supplemental Investment Fund is 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 statutory requirements and rules established by the participating organizations. Participation in the SIF is accomplished through the purchase or sale of shares in each account.

## Fund Management

The Supplemental Investment Fund offers seven different investment options (See Figure 23). The objectives, asset allocation, management and performance of each account in the Fund are explained in the following sections.

### Share Values

A share value is established for each account in the SIF, and participants buy or sell shares monthly, based on the most recent share value.

In the Income Share Account, the Growth Share Account, the Common Stock Index Account, the International Share Account and the Bond Market Account, shares are priced monthly based on the market value of each account. Individuals measure the performance of these accounts by changes in share values, which in turn are a function of the income and capital appreciation (or depreciation) generated by the securities in the accounts.

In the Money Market Account and the Fixed Interest Account, share values remain constant and the accrued interest income is credited to the accounts through the purchase of additional shares.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. *These returns are net of investment management fees and transaction costs. They do not, however, reflect administrative expenses that may be deducted by the retirement systems to defray their own administrative costs.*

**Figure 23. Accounts in the Supplemental Fund**

<b>Income Share</b>	a balanced portfolio of U.S. common stocks, fixed income, and cash.
<b>Growth Share</b>	an actively managed portfolio of U.S. common stocks.
<b>Common Stock Index</b>	a passively managed portfolio of U.S. common stocks.
<b>International Share</b>	a portfolio of actively, semi-passively, and passively managed non-U.S. stocks.
<b>Bond Market</b>	a portfolio of both actively and semi-passively managed fixed income securities.
<b>Money Market</b>	a portfolio of short-term, liquid debt securities.
<b>Fixed Interest</b>	a portfolio of stable value instruments, including security backed contracts, insurance company investment contracts and bank investment contracts.

## Supplemental Investment Fund

The distribution of assets in the Supplemental Investment Fund as of June 30, 2008 are shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 2008

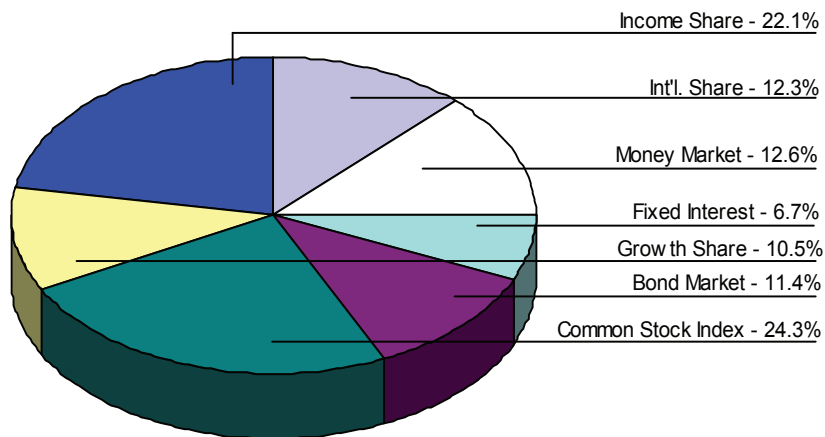
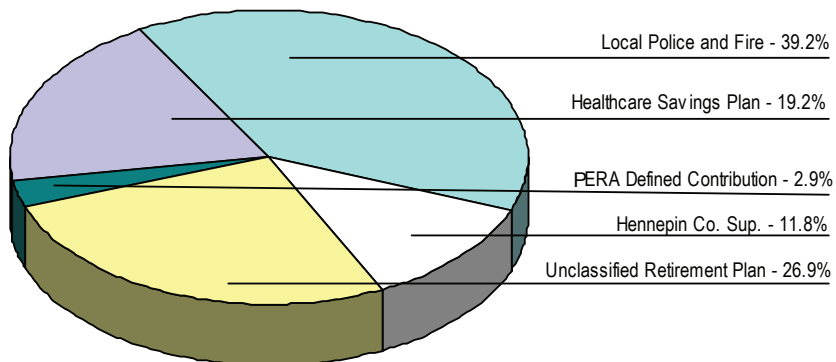


Figure 25. Participation by Plan as of June 30, 2008



Note: Percentages may differ slightly due to rounding of values.



## Supplemental Investment Fund

### Income Share Account

#### Objective

The investment objectives of the Income Share Account resemble those of the Basic and Post Retirement Funds. The Account seeks to earn a high rate of return both from capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). The Income Share Account pursues this objective within the constraints of protecting against adverse financial environments and limiting short run portfolio return volatility.

The SBI invests the Income Share Account in a balanced portfolio of common stocks and fixed income securities with the following long-term asset mix: 60% domestic common stocks, 35% bonds, 5% cash equivalents.

Domestic common stocks provide the potential for significant long-term capital appreciation, while bonds provide both a hedge against deflation and the diversification needed to limit excessive portfolio return volatility.

At the close of fiscal year 2008, the value of the Income Share Account was \$236 million.

#### Management

The Income Share Account's investment management structure combines internal and external management. SBI staff manage the fixed income segment. The common stock segment is managed externally as part of a passively managed index fund designed to track the returns of the Russell 3000 Index. The manager for this portion of the Account is Barclays Global Investors.

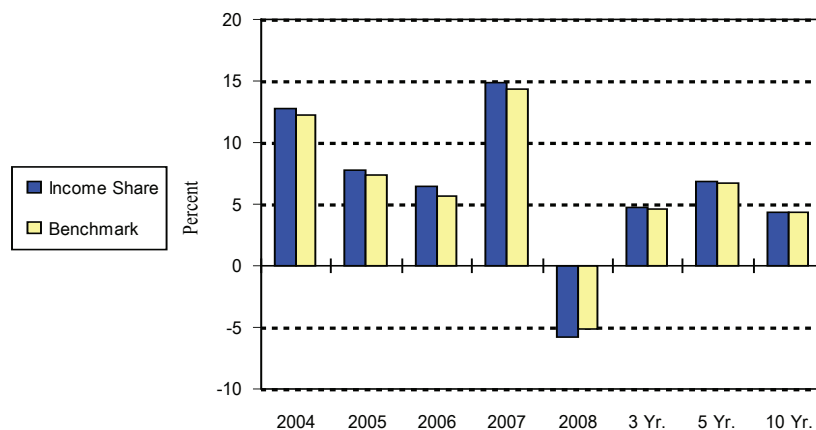
#### Performance

Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

- **Total Account.** The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation.
- **Individual Manager.** The passive stock manager is expected to closely track the performance of the Russell 3000. The internal bond manager for the Account is expected to exceed the performance of the Lehman Brothers Aggregate Bond Index.

The Income Share Account provided a return of -5.8% for fiscal year 2008, trailing its benchmark by 0.7 percentage point. Over the most recent ten years, the Income Share Account matched its benchmark. Figure 26 shows a ten year history of performance results.

Figure 26. Income Share Account FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Income Share	12.7%	7.7%	6.4%	14.9%	-5.8%	4.8%	6.9%	4.4%
Benchmark*	12.2	7.4	5.6	14.3	-5.1	4.6	6.7	4.4

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

## Supplemental Investment Fund

### Growth Share Account

#### Objective

The investment objective of the Growth Share Account is to generate high returns from capital appreciation. To achieve this objective, the Account is invested primarily in U.S common stock.

At the close of fiscal year 2008, the value of the Growth Share Account was \$112 million.

#### Management

The assets of the Growth Share Account are invested by the external active and semi-passive domestic equity managers. This allocation reflects a more aggressive investment than is available through passive management. The Account may hold a small amount of cash that represents new contributions received prior to their investment in the market and cash that may be held by the individual managers in the Account.

#### Performance

Like the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— **Total Account.** The Growth Share Account is expected to exceed the returns of the Russell 3000 Index.

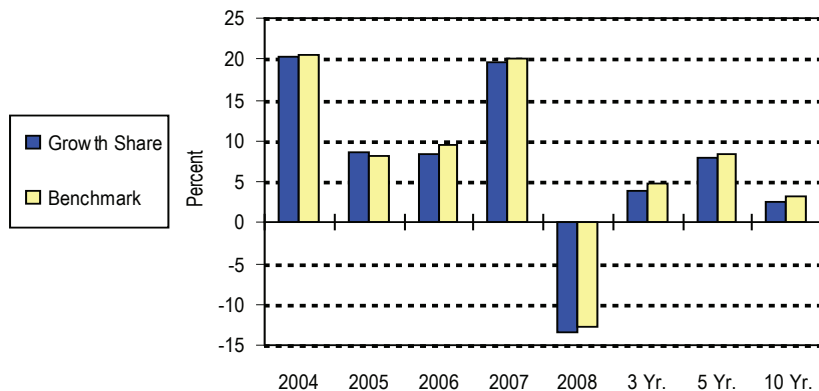
— **Individual Manager.**

Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The Growth Share Account provided a return of -13.5% for the fiscal year, trailing its benchmark by 0.8 percentage point. Individual manager performance relative to their benchmarks was mixed. See the discussion starting on page 15

concerning the Domestic Stock Pool. Over the last ten year period, the Account has trailed its benchmark by 0.6 percentage point. A ten year history of performance results is shown in Figure 27.

Figure 27. Growth Share Account FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Growth Share	20.2%	8.7%	8.3%	19.5%	-13.5%	3.8%	7.9%	2.5%
Benchmark*	20.6	8.1	9.6	20.1	-12.7	4.7	8.4	3.1

\* Russell 3000 since 10/1/03. 100% Wilshire 5000 Investable from July 1999 to September 2003. 100% Wilshire 5000 from November 1996 to June 1999.

## Supplemental Investment Fund

### Common Stock Index Account

#### Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the broad U.S. common stock market as represented by the Russell 3000 Index. To accomplish this objective, the SBI allocates all the assets of the Account to passively managed domestic stocks. At the end of fiscal year 2008, the Account had a market value of \$259 million.

#### Management

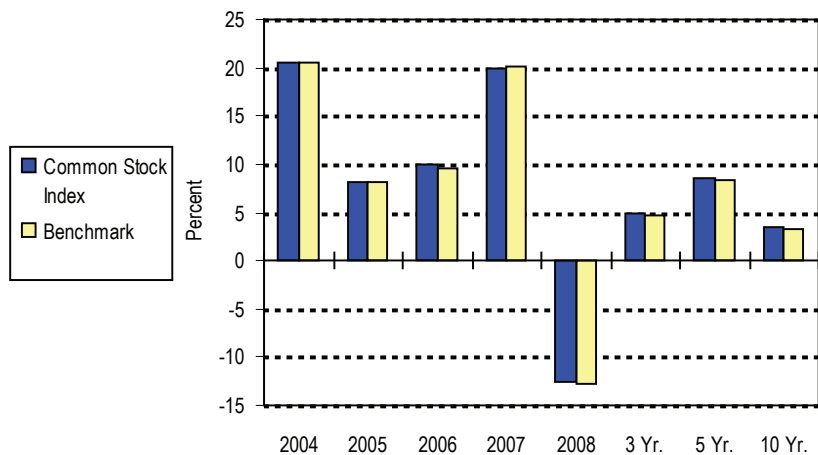
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

#### Performance

The performance objective of the Common Stock Index Account is to track the performance of the Russell 3000. The SBI recognizes that the Account's returns may deviate slightly from those of the Russell 3000 due to the effects of management fees, trading costs and cash flows.

During fiscal year 2008, the Common Stock Index Account produced a return of -12.5%, which trailed the Russell 3000 by 0.2 percentage point. Over the most recent ten year period, the Account has outperformed the Account benchmark by 0.2 percentage point. Total Account results for the last ten years are shown in Figure 28.

Figure 28. Common Stock Index Account FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Stock Index	20.5%	8.1%	9.9%	20.0%	-12.5%	4.9%	8.5%	3.4%
Benchmark*	20.6	8.1	9.6	20.1	-12.7	4.7	8.4	3.2

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

## Supplemental Investment Fund

### International Share Account

#### Objective

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.

Typically, a majority of the Account is invested in the five largest international markets (United Kingdom, Japan, Germany, France and Canada). Most of the remainder is invested in other well established markets in Europe and the Pacific region. In addition, approximately twenty percent of the Account is invested in developing countries or “emerging markets” around the world including those in Latin America, Asia, Eastern Europe, the Middle East and Africa. At the end of fiscal year 2008, the Account had a market value of \$132 million.

#### Management

The structure of the International Share Account combines active, semi-passive, and passive management. Approximately half of the Account is actively managed by several developed and emerging markets stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. The remainder of the Account is passively and semi-passively managed and is designed to consistently track the return of 22 markets included in the Morgan Stanley Capital International Index of the World ex United States, a developed markets index. The Account uses the same managers used by the Basic and Post

Retirement Funds in the International Stock Pool.

#### Performance

The Board evaluates the performance of the International Share Account on two levels:

— **Total Account.** The International Share Account is expected to exceed the returns of its index, which is the Morgan Stanley Capital International (MSCI) All Country World Index ex-USA (ACWI Free ex-U.S.).

— **Individual Manager.**

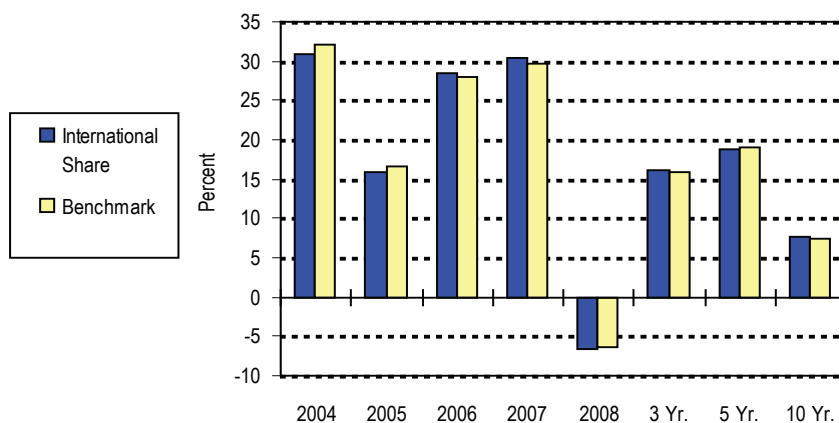
Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The International Share Account is expected to exceed the performance

of MSCI ACWI Free ex-U.S index, which includes both developed and emerging markets. During fiscal year 2008, the International Share Account produced a return of -6.5%, which was 0.1 percentage point below the MSCI ACWI ex-U.S. index. Over the most recent ten year period, the International Share Account exceeded its benchmark by 0.3 percentage point.

See the discussion on performance of the international managers beginning on page 20. Total Account results for the last ten years are shown in Figure 29.

Figure 29. International Share Account FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Int'l. Share	31.0%	15.8%	28.4%	30.5%	-6.5%	16.1%	18.9%	7.6%
Benchmark*	32.1	16.5	27.9	29.6	-6.4	15.8	19.0	7.3

\* The International Equity Asset Class Target is MSCI ACWI ex-U.S. (net) since 10/1/03; EAFE Free from 9/30/03 to 4/30/96; composite of EAFE-Free and Emerging Markets Free since 5/1/96.

## Supplemental Investment Fund

### Bond Market Account

#### Objective

The objective of the Bond Market Account is to earn high rates of return from fixed income securities. The Account is invested primarily in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. It is a more conservative investment alternative than the accounts described in the previous sections. At the end of fiscal year 2008, the market value of the Account was \$122 million.

The Account earns investment returns through interest income and capital appreciation. Because bond prices move inversely with interest rates, the Account entails some risk for investors. However, historically, it represents a lower risk alternative than the investment options that include common stocks.

#### Management

The Bond Market Account invests in the Bond Pool used by the Basic and Post Funds. The Bond Pool retains both active and semi-passive managers.

#### Performance

The Board evaluates the performance of the Bond Market Account on two levels:

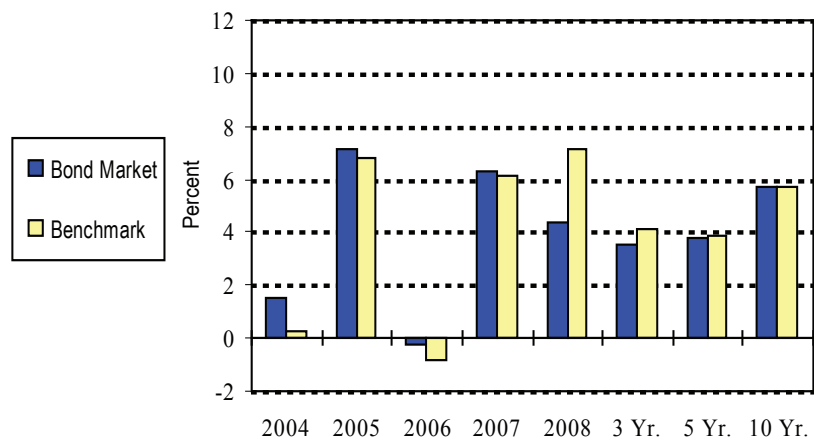
— **Total Account.** The Account is expected to exceed the returns of the Lehman Aggregate Bond Index.

— **Individual Manager.**

Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Lehman Brothers Aggregate Bond Index. For fiscal year 2008, the Account underperformed by 2.7 percentage points. For the most recent ten year period, the Account has matched its benchmark. See the discussion regarding bond manager performance on page 18. Total Account results for the last ten years are shown in Figure 30.

Figure 30. Bond Market Account FY 2004-2008



	Annualized							
	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
Bond Market	1.5%	7.1%	-0.2%	6.3%	4.4%	3.5%	3.8%	5.7%
Lehman Aggregate	0.3	6.8	-0.8	6.1	7.1	4.1	3.9	5.7

## Supplemental Investment Fund

### Money Market Account

#### Objective

The Money Market Account invests solely in short-term, liquid debt securities. The Account's investment objectives are to preserve capital and offer competitive money market returns. At the end of fiscal year 2008, the Money Market Account had a market value of \$135 million.

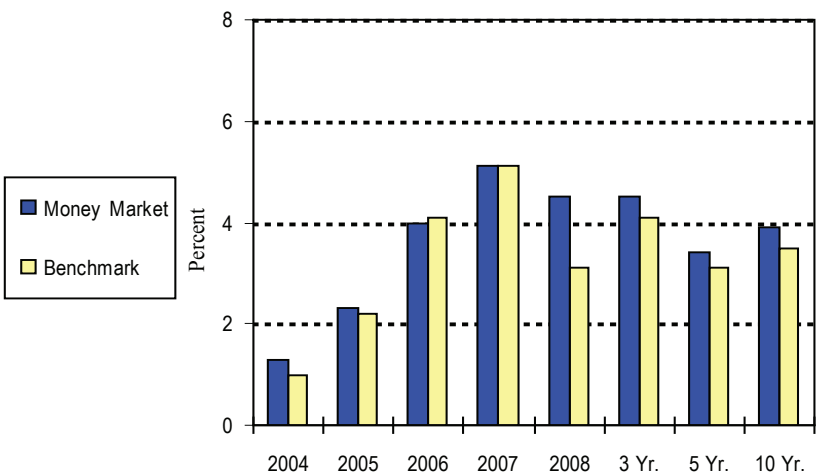
#### Management

The Account uses the same cash manager as the Basic and Post Retirement Funds, which is State Street Bank & Trust Company.

#### Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 2008 by 1.4 percentage points. Total Account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 2004-2008



	2004	2005	2006	2007	2008	Annualized		
<b>Money Market</b>	<b>1.3%</b>	<b>2.3%</b>	<b>4.0%</b>	<b>5.1%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>3.9%</b>
<b>3 Month T-Bills</b>	<b>1.0</b>	<b>2.2</b>	<b>4.1</b>	<b>5.1</b>	<b>3.1</b>	<b>4.1</b>	<b>3.1</b>	<b>3.5</b>

## Supplemental Investment Fund

### Fixed Interest Account

#### Objective

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. At the end of fiscal year 2008, the Account totaled \$72 million.

#### Management

The assets in the Account are invested primarily in well diversified portfolios of high quality investment grade fixed income securities. The Account also invests in investment contracts issued by banks and insurance companies, including non-U.S. financial institutions, that provide principal protection for the diversified bond portfolios regardless of daily market changes. Instruments in the Account typically have maturities of 2 to 4 years. The interest rate credited to participants changes monthly and reflects the blended interest rate available from all investments in the pool along with any cash held for liquidity purposes.

The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank.

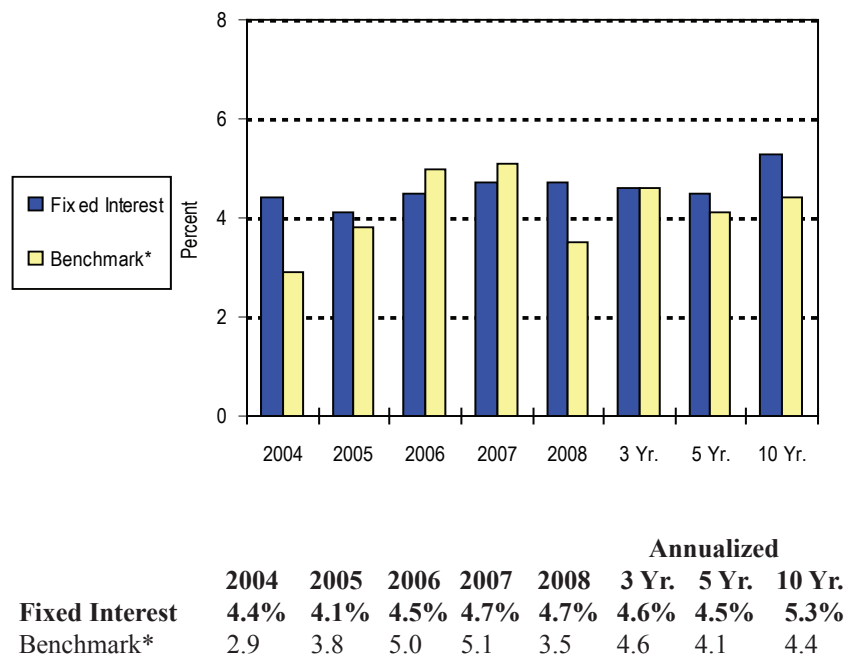
Performance results for the Fixed Interest Account are shown in Figure 32.

#### Performance

The Fixed Interest Account is expected to exceed the returns of its custom benchmark, the 3-year Constant Maturity Treasury plus 45 basis points (0.45%). During fiscal year 2008, the Fixed Interest Account provided a return of 4.7%,

which was 1.2 percentage points above its benchmark. Over the most recent ten year period, the Fixed Interest Account has exceeded its benchmark by 0.9 percentage point.

Figure 32. Fixed Interest Account FY 2004-2008



\* 3 Year Constant Maturity Treasury plus 45 basis points.



## **State Deferred Compensation Plan (457b Plan)**

***The State Deferred Compensation Plan (Plan) provides public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan. (In most cases, the primary plan is: TRA, PERA, or MSRS.)***

### **Program Structure**

The State Deferred Compensation Plan offers plan participants three sets of investment options. The first is a set of actively managed options that includes six mutual funds, a money market account, and a fixed interest account option. The second is a set of five passively managed mutual funds. The third is a mutual fund window which offers hundreds of funds. The SBI has no direct management responsibilities for funds within the mutual fund window.

#### **Actively Managed Options**

The Plan offers a range of actively managed options that allows participants the flexibility to create an investment program that satisfies their needs.

##### **Large-Cap Equity**

One option is a concentrated fund of large cap stocks. The fund is expected to outperform the S&P 500, over time. Currently, Janus Twenty is the mutual fund offered.

Another option is a diversified portfolio of large cap stocks that is expected to outperform the S&P 500, over time. Currently, Legg Mason Partners Appreciation I is the mutual fund offered.

##### **Small-Cap Equity**

This option invests primarily in companies with small market capitalizations. The fund is expected to outperform the Russell 2000, over time. T. Rowe Price Small-Cap Stock fund is the fund currently offered.

##### **Balanced Fund**

This option is a mix of stocks and bonds in the same fund. The fund invests in mid to large-cap stocks and in high quality bonds. The fund is expected to outperform a weighted benchmark of 60% S&P 500 and 40% Lehman Aggregate. The fund currently offered is the Dodge & Cox Balanced Fund.

##### **Bond Fund**

This option invests primarily in investment grade securities in the U.S. bond market. The fund is expected to outperform the Lehman Aggregate, over time. The fund currently offered is the Dodge & Cox Income Fund.

##### **International Equity**

This option invests primarily in stocks of companies located outside the United States. The fund is expected to outperform the Morgan Stanley Capital International (MSCI) Index of Europe, Australasia and the Far East (EAFE), over time. The fund currently offered is the Fidelity Diversified International Fund.

##### **Money Market**

This option invests in short term debt instruments which are expected to outperform the return on 3 month U.S. Treasury bills. This Deferred Compensation Money Market Fund is invested by State Street Bank & Trust.

##### **Fixed Interest**

This option invests in stable value instruments which are primarily security backed contracts and insurance contracts. In March 2008 the SBI merged the Minnesota Fixed Fund into this option. The investment contracts with Great-West Life, Minnesota Life and Principal Life were absorbed into the Fixed Interest portfolio. The option is expected to outperform the return of the 3 year Constant Maturity Treasury +45 basis points (0.45%), over time. Currently, Galliard Capital Management, Inc. manages the option.

#### **Passively Managed Options**

The plan offers a range of passively managed options that allows participants the flexibility to create an investment program that satisfies their needs.

##### **Large-Cap Equity**

This option is a passive domestic stock portfolio that tracks the S&P 500. The fund currently offered is the Vanguard Institutional Index Plus Fund.



## **State Deferred Compensation Plan (457b Plan)**

### ***Mid-Cap Equity***

This option invests in companies with medium market capitalizations that track the MSCI U.S. Midcap 450 index. The fund currently offered is the Vanguard Mid Capitalization Index Institutional Fund.

### ***Balanced Fund***

This option is a mix of stocks and bonds. The fund is expected to track a weighted benchmark of 60% MSCI U.S. Broad Market Index and 40% Lehman Aggregate Bond Index. The fund currently offered is the Vanguard Balanced Index Fund. On May 31, 2005, the benchmark changed from 60% Wilshire 5000/40% Lehman Aggregate.

### ***Bond Fund***

This option invests in a broad range of U.S. fixed income securities. The fund is expected to track the performance of the Lehman Aggregate Bond Index. The fund currently offered is the Vanguard Total Bond Market Index Fund.

### ***International Equity***

This option invests in international equities and is expected to track the MSCI index of Europe, Australasia and the Far East (EAFE). The fund currently offered is the Vanguard Institutional Developed Market Fund.

Performance results for the mutual fund investment options for fiscal year 2008 are shown in Figure 33 on page 36.

**Figure 33. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2008 (1)**

<b>Actively Managed</b>	<b>2008</b>	<b>Annualized</b>		<b>Since Inception(2)</b>
		<b>3 Yr.</b>	<b>5 Yr.</b>	
Janus Twenty (S&P 500)	23.2% -13.1	19.7% 4.4	18.6% 7.6	3.3% 0.9
Legg Mason Partners Appreciation I (S&P 500)	-3.6 -13.1	7.4 4.4		7.7 6.2
T. Rowe Price Small-Cap Stock (Russell 2000)	-17.6 -16.2	3.0 3.8	8.9 10.3	8.0 6.0
Fidelity Diversified International (MSCI EAFE)	-5.7 -10.6	14.4 12.8	17.8 16.7	10.9 5.7
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Aggregate)	-14.4 -5.3	2.7 4.4		6.7 6.2
Dodge & Cox Income Fund (Lehman Aggregate)	3.7 7.1	3.5 4.1	3.5 3.9	6.0 6.0
Money Market (3 Month T-Bills)	4.5 3.1	4.5 4.1	3.4 3.1	5.1 4.7
Fixed Interest Account (3 year Constant Maturity Treasury +45 basis points)	4.8 3.5	4.7 4.6	4.5 4.1	5.6 4.9
<b>Passively Managed</b>				
Vanguard Institutional Index (S&P 500)	-13.1 -13.1	4.4 4.4	7.6 7.6	0.9 0.9
Vanguard Mid Cap Index (MSCI US Midcap 450)	-11.8 -11.8	6.9 6.9		9.9 9.9
Vanguard Institutional Dev. Mkts. (MSCI EAFE)	-10.5 -10.6	13.1 12.8		14.4 14.2
Vanguard Balanced Fund (60% Wilshire 5000/ 40% Lehman Aggregate)	-4.7 -4.8	4.8 4.8		6.1 6.1
Vanguard Total Bond Market Fund (Lehman Aggregate)	7.4 7.1	4.1 4.1		4.4 4.4

(1) Returns do not include the MSRS administrative fee.

(2) Since retention by SBI. 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.

## Assigned Risk Plan

**The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 2008, the market value of the Plan's portfolio was \$334 million.**

The Assigned Risk Plan operates as a non-profit, tax-exempt entity and is administered by the Department of Commerce. The Plan provides disability income, medical expenses, retraining expenses and death benefits, with payments being made either periodically or in lump sum.

### Investment Objectives

The SBI recognizes that the Assigned Risk Plan has limited tolerance for risk due to erratic cash flows, no allowance for surplus, and generally short duration liabilities.

Therefore, the SBI has established two investment objectives for the Plan:

- to minimize mismatch between assets and liabilities
- to provide sufficient liquidity (cash) for payment of on-going claims and operating expenses

Performance relative to these objectives is measured against a composite index that reflects the asset allocation of the portfolio.

### Asset Allocation

The SBI believes that due to the uncertainty of premium and liability cash flows, the Plan should be invested very conservatively.

The **bond** segment is invested to fund the shorter-term liabilities (less than 10 years) and the common stock segment is invested to fund the longer-term liabilities. The result is a high fixed income allocation which minimizes the possibility of a future fund deficit. The smaller **stock** exposure provides higher expected returns and hedges some of the inflation risk associated with the liability stream.

The asset allocation may fluctuate in response to changes in the liability stream projected by the Plan's actuary and further analysis by the SBI staff.

Figure 34 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2008. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

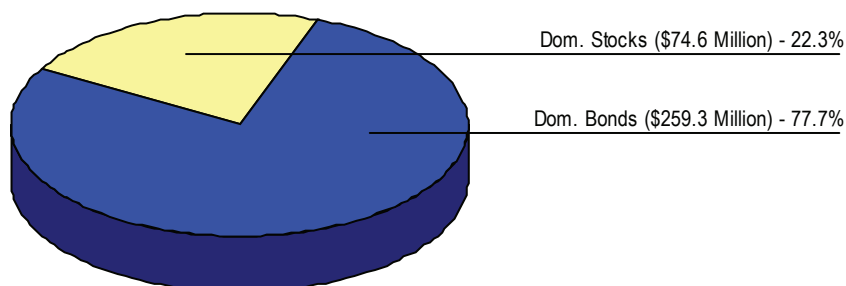
### Investment Management

Voyageur Asset Management manages the bond segment of the Assigned Risk Plan, and GE Asset Management manages the equity segment of the Plan.

### Bond Segment

The bond segment is designed to fund the shorter-term liabilities of the Plan with a target duration of 3 years. The segment is actively managed to add incremental value through sector, security, and yield curve decisions.

Figure 34. Assigned Risk Plan Asset Mix as of June 30, 2008



Note: Percentages may differ slightly due to rounding of values.

## Assigned Risk Plan

### Stock Segment

The stock segment is structured to fund the longer-term liabilities of the Plan. Currently, the equity segment is managed with a broadly diversified portfolio of high quality, large capitalization companies.

### Investment Performance

Due to the focus on liability matching, the composition of the Assigned Risk Plan's investment portfolio is conservatively structured. While active management is utilized, return enhancement plays a secondary role.

The Assigned Risk Plan is measured against a composite index which is weighted to reflect the asset allocation of the Plan:

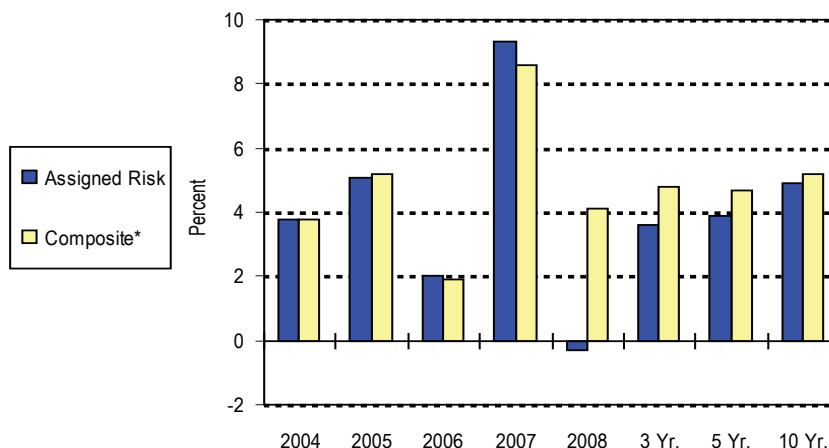
- the target for the fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately 3 years).
- the target for the equity component is the S&P 500.

During fiscal year 2008, the **bond** segment underperformed its benchmark by 6.3 percentage points. An overweight to the mortgage-backed securities sector was the primary contributor to the fiscal year underperformance. The **stock** segment outperformed its benchmark by 4.9 percentage points.

**Overall**, the Assigned Risk Plan provided a return of -0.3% for fiscal year 2008, trailing its composite index by 4.4 percentage points. For the most recent ten year period, the Account underperformed its composite index by 0.3 percentage point.

Historical performance results are presented in Figure 35.

Figure 35. Assigned Risk Plan Performance FY 2004-2008



	2004	2005	2006	2007	2008	Annualized		
<b>Assigned Risk</b>	<b>3.8%</b>	<b>5.1%</b>	<b>2.0%</b>	<b>9.3%</b>	<b>-0.3%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.9%</b>
<b>Composite Index*</b>	3.8	5.2	1.9	8.6	4.1	4.8	4.7	5.2
<b>Stock Segment</b>	<b>14.6</b>	<b>5.2</b>	<b>7.0</b>	<b>20.9</b>	<b>-8.2</b>	<b>5.9</b>	<b>7.4</b>	<b>4.2</b>
<b>S&amp;P 500</b>	19.1	6.3	8.6	20.6	-13.1	4.4	7.6	2.9
<b>Bond Segment</b>	<b>0.5</b>	<b>5.1</b>	<b>0.6</b>	<b>5.9</b>	<b>2.3</b>	<b>2.9</b>	<b>2.9</b>	<b>4.6</b>
<b>Benchmark</b>	0.2	4.9	0.2	5.7	8.6	4.8	3.9	5.5

\* Weighted 20% stocks, 80% bonds.

## Permanent School Fund

*The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is used to offset state school aid payments. On June 30, 2008, the market value of the Fund was \$690 million.*

### Investment Objective

The State Board of Investment invests the Permanent School Fund to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity that will assist in offsetting state expenditures on school aid.

### Investment Constraints

The Fund's investment objectives are influenced by the legal provisions under which its investments must be managed. These provisions require that the Fund's principal remain inviolate. Any net realized capital gains from stock or bond investments must be added to the principal. Moreover, if the Fund realizes net

capital losses, these losses must be offset against interest and dividend income before such income can be distributed. Finally, all interest and dividend income must be distributed in the year in which it is earned.

### Asset Allocation

In order to produce a growing level of spendable income, the Fund is invested to grow over time, and, therefore, has exposure to equities. The current asset allocation is 50% stock/48% fixed income/2% cash.

Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this

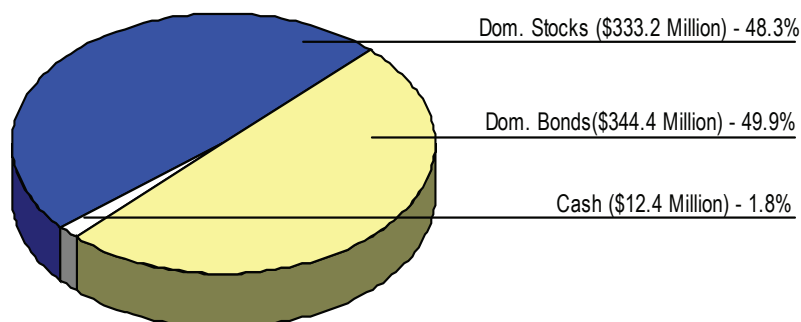
asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

To solve both issues, a proposal to introduce equities to the Fund's asset mix was discussed. Since this modification would reduce short term income and have budgetary implications for the state, the consent of the executive and legislative branches was necessary.

A proposal to introduce equities was presented during fiscal year 1997. It was favorably received by the Legislature and incorporated into the K-12 education finance bill. As a result, the Fund allocation was shifted to a 50% stock/48% fixed income/2% cash allocation during July 1997.

Figure 36 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2008.

Figure 36. Permanent School Fund Asset Mix as of June 30, 2008



Note: Percentages may differ slightly due to rounding of values.

### Investment Management

SBI staff internally manages all assets of the Permanent School Fund. Given the unique constraints of the Fund, management by SBI staff is considered to be the most cost effective at this time.

## Permanent School Fund

### Stock Segment

The stock segment of the Fund is passively managed to track the performance of the S&P 500.

### Bond Segment

The bond segment is actively managed to add incremental value through sector, security and yield curve decisions and its performance is measured against the Lehman Brothers Aggregate Bond Index.

### Investment Performance

The **stock** segment of the Permanent School Fund matched its benchmark, the S&P 500, during the fiscal year. By investing in all of the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio is periodically rebalanced to maintain an acceptable tracking error relative to the benchmark.

The **bond** segment underperformed its benchmark by 0.1 percentage point during the current fiscal year.

**Overall**, the Permanent School Fund provided a return of -3.6% for fiscal year 2008, underperforming its composite index by 0.3 percentage point.

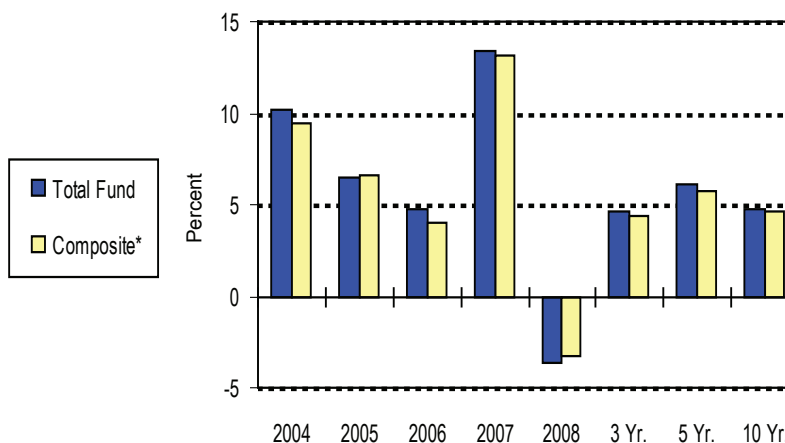
Total account results for the last three, five and ten years are shown in Figure 37.

### Spendable Income

Spendable income generated by the portfolio over the last five fiscal years is shown below:

Fiscal Year	Millions
2004	\$16
2005	\$19
2006	\$22
2007	\$25
2008	\$28

Figure 37. Permanent School Performance FY 2004-2008



	2004	2005	2006	2007	2008	Annualized		
Total Fund	10.2%	6.5%	4.8%	13.4%	-3.6%	3 Yr.	5 Yr.	10 Yr.
Composite*	9.5	6.6	4.0	13.2	-3.3	4.4	5.8	4.6
Stock Segment	19.0	6.3	8.7	20.6	-13.1	4.5	7.6	3.0
S&P 500	19.1	6.3	8.6	20.6	-13.1	4.4	7.6	2.9
Bond Segment	1.1	7.0	0.5	6.2	7.0	4.5	4.3	6.0
Lehman Agg	0.3	6.8	-0.8	6.1	7.1	4.1	3.9	5.7

\* 50% S&P 500/ 48% Lehman Aggregate/ 2% 3 Month T-Bills. Prior to July 1, 1997, the Fund's benchmark was 100% Lehman Aggregate.

## Environmental Trust Fund

**The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 2008, the market value of the Fund was \$466 million.**

By statute, the State Board of Investment invests the assets of the Environmental Trust Fund. The Legislature funds environmental projects from a portion of the market value of the Fund.

### Investment Objective

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of spending within the constraints of maintaining adequate portfolio quality and liquidity.

### Investment Constraints

A constitutional amendment passed in November 1998 continues the mandate that 40 percent of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment provides for spending 5.5 percent of the Fund's market value annually. The amendment eliminated accounting restrictions on capital gains and losses and the provision that the principal must remain inviolate.

### Asset Allocation

After the constitutional amendment was adopted in November 1998, SBI staff worked with the Legislative Citizen Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spending and growth of the Fund. The SBI uses a 70% stock and 30%

fixed income asset allocation for the Fund. The allocation positions the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of spending.

Figure 38 presents the actual asset mix of the Fund at the end of fiscal year 2008. The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

### Investment Management

SBI staff internally manages all assets of the Environmental Trust Fund. Given the unique constraints of the Fund, management by SBI staff is considered to be the most cost effective at this time.

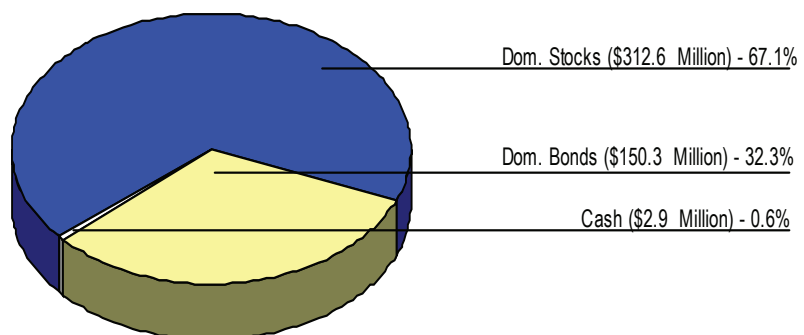
### Stock Segment

The stock segment of the Fund is passively managed to track the performance of the S&P 500.

### Bond Segment

The bond segment is actively managed to add incremental value through sector, security and yield curve decisions and its performance is measured against the Lehman Brothers Aggregate Bond Index.

Figure 38. Environmental Trust Fund Asset Mix as of June 30, 2008



Note: Percentages may differ slightly due to rounding of values.



## Environmental Trust Fund

### Investment Performance

During the fiscal year, the **stock** segment matched its S&P 500 benchmark. By investing in all of the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio is periodically rebalanced to maintain an acceptable tracking error relative to the benchmark subject to keeping trading costs at a minimum.

The **bond** segment underperformed its benchmark by 0.1 percentage point during the fiscal year.

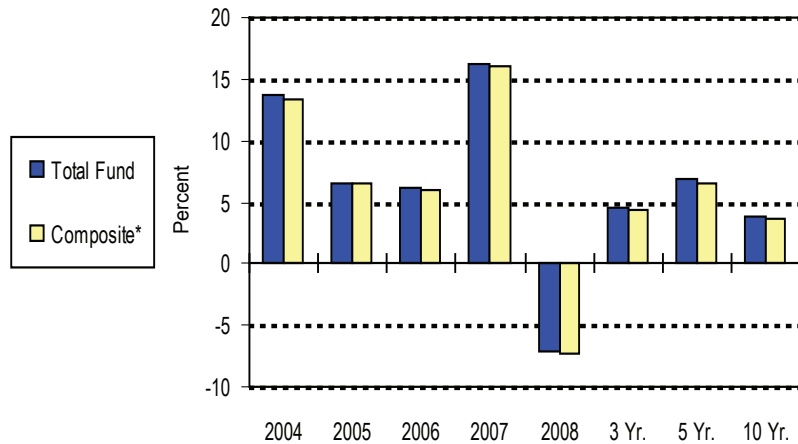
**Overall**, the Environmental Trust Fund provided a return of -7.2% for fiscal year 2008, outperforming its composite index by 0.1 percentage point. For the most recent three-year period, the Fund exceeded its composite benchmark by 0.2 percentage point. The Fund experienced modest outperformance over the last five and ten years due to the incremental value added by both the stock and bond segments.

Performance results are presented in Figure 39.

Spendable income generated by the Fund over the last five fiscal years is shown below:

Fiscal Year	Millions
2004	\$15
2005	\$15
2006	\$19
2007	\$19
2008	\$22

Figure 39. Environmental Trust Fund Performance FY 2004-2008



	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund</b>	<b>13.7%</b>	<b>6.5%</b>	<b>6.2%</b>	<b>16.2%</b>	<b>-7.2%</b>	<b>4.6%</b>	<b>6.8%</b>	<b>3.8%</b>
Composite*	13.3	6.5	5.9	16.1	-7.3	4.4	6.6	3.6
<b>Stock Segment</b>	<b>19.2</b>	<b>6.3</b>	<b>8.7</b>	<b>20.6</b>	<b>-13.1</b>	<b>4.5</b>	<b>7.6</b>	<b>3.0</b>
S&P 500	19.1	6.3	8.6	20.6	-13.1	4.4	7.6	2.9
<b>Bond Segment</b>	<b>1.5</b>	<b>7.0</b>	<b>0.5</b>	<b>6.2</b>	<b>7.0</b>	<b>4.5</b>	<b>4.4</b>	<b>6.0</b>
Lehman Aggregate	0.3	6.8	-0.8	6.1	7.1	4.1	3.9	5.7

\* Weighted 50% S&P 500/ 48% Lehman Aggregate, and 2% 3 Month T-Bills through June 1999. Weighted 70% S&P 500/ 28% Lehman Aggregate/ and 2% 3 month T-Bill beginning July 1, 1999.

## Closed Landfill Investment Fund

*The Closed Landfill Investment Fund is a trust fund created by the Legislature to invest moneys to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. On June 30, 2008 the market value of the Fund was \$50.8 million.*

### Investment Objective

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 Pollution Control Agency to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. By statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

### Asset Allocation

Since July 1999, the Closed Landfill Investment Fund has been 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.

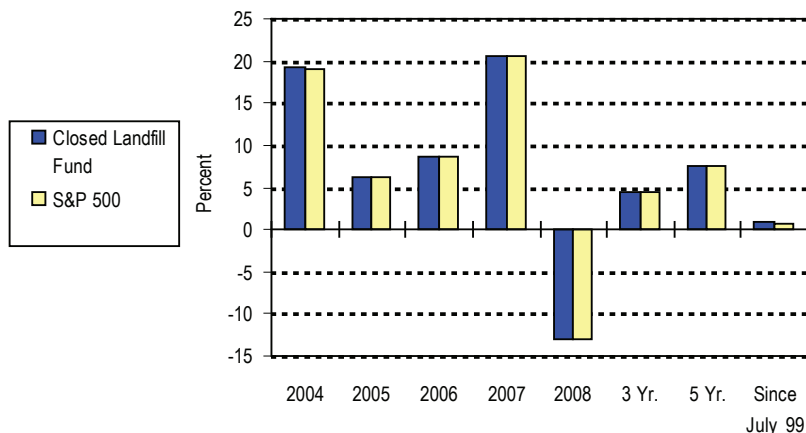
### Investment Management

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

### Investment Performance

The Closed Landfill Investment Fund matched its benchmark, the S&P 500, during the fiscal year. By investing in all the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis.

Figure 40. Closed Landfill Fund FY 2004-2008



	2004	2005	2006	2007	2008	3 Yr.	5 Yr.	Since 7/1/1999
Total Fund	19.2%	6.3%	8.7%	20.6%	-13.1%	4.5%	7.6%	0.9%
S&P 500	19.1	6.3	8.6	20.6	-13.1	4.4	7.6	0.8

## Cash Management and Related Programs

**The State Board of Investment manages the cash balances in more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2008, the total value of these accounts was \$6.4 billion.**

### Internal Cash Pools

The SBI invests these cash accounts in short-term, liquid, high quality debt securities on a non-leveraged basis. These investments can include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, high grade corporates, and commercial paper. On June 30, 2008, the combined value of all agency cash balances was \$6.4 billion.

#### Pool Structure

Most of the cash accounts are managed by SBI staff through two pooled investment vehicles, which operate much like money market mutual funds:

- **Treasurer's Cash Pool.** This pool contains cash balances from the Invested Treasurer's Cash and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of \$5.5 billion during the year.
- **Trust Fund Pool.** This pool contains cash balances of trust fund and retirement-related accounts that are managed internally. The Trust Fund Pool had an average daily balance of \$87.0 million during the year.

Staff also manages approximately \$500 million of assets in separately managed dedicated accounts because of special legal restrictions. The vast majority of these assets are

related to state or state agency debt issuance including debt service reserves and proceeds.

#### Investment Performance

The SBI measures the performance of both pools against customized benchmarks which reflect the maturity structure of each pool.

For fiscal year 2008, the Trust Fund Pool and the Treasurer's Cash Pool outperformed their respective benchmarks. Both pools also outperformed the total return on 3 Month Treasury Bills.

<b>Trust Fund Pool</b>	<b>3.9%</b>
Benchmark	3.6
<b>Treasurer's Cash Pool</b>	<b>4.6</b>
Benchmark	3.6
3 Month Treasury Bills	3.1

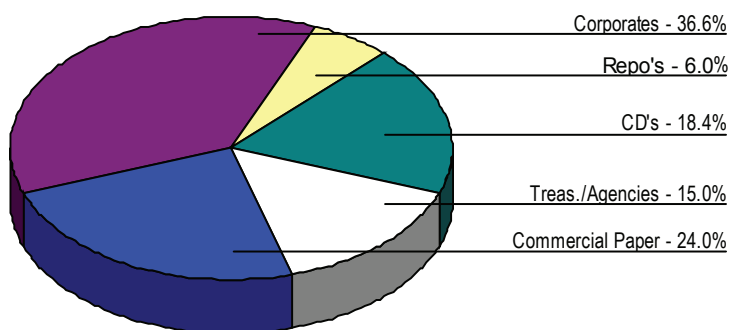
Since January 1997, the Trust Fund Pool is measured against the iMoneyNet's All Taxable Money Fund Index.

Since January 2003, the Treasurer's Cash Pool is measured against the iMoneyNet's All Taxable Money Fund Index.

#### Treasurer's Cash Pool

On June 30, 2008, the Treasurer's Cash Pool was dominated by high quality corporate commercial paper holdings. The composition of the pool is shown in Figure 41. At the end of the fiscal year, the pool had a current yield of 3.16% and an average maturity of 371 days.

Figure 41. Invested Treas. Cash Fund Distribution as of June 30, 2008



Note: Percentages may differ slightly due to rounding of values.

## ***Cash Management and Related Programs***

### ***Securities Lending Program***

The SBI participates in securities lending programs in which securities held by the SBI are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the majority of the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. State Street Bank generated additional income of approximately \$52.2 million during fiscal year 2008.

An additional lending program began during fiscal year 2000 with Wells Fargo. This program generated additional income of approximately \$918 thousand during fiscal year 2008.

### ***Certificate of Deposit Program***

The SBI manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The SBI receives a market rate of return on these investments, using the average secondary CD market rate quoted by the New York Federal Reserve Bank.

The SBI's Certificate of Deposit program provides a reliable source of capital to Minnesota financial institutions, regardless of size, many of which do not have access to the national CD market. The Board designed the program so that no single institution is favored in the allocation of assets. Only the cash reserves of the retirement funds are used in the program.

During fiscal year 2008, the SBI purchased over \$251 million of CD's from Minnesota financial institutions. Since it began the program in 1980, the SBI has purchased over \$5 billion of CD's from approximately 500 financial institutions throughout the state.

### ***Securities Repurchase Program***

In recent years, community banks throughout Minnesota have experienced an increased need for funds due to a reduction in local deposits and a reduced ability to sell investments held in bank portfolios due to changes in federal accounting requirements. The SBI created the Securities Repurchase Program to help meet the increased needs of banks throughout the state.

Under the program, the SBI temporarily buys securities such as Treasuries and Governments from banks under a repurchase agreement (repo). At the end of the agreement period, the securities are returned to the selling banks (i.e. "repurchased") and the bank pays the SBI principal and interest.

The transactions are fully collateralized and range in size from \$100,000 to \$2 million per institution. For ease of administration, the program uses the same rates, offering dates and maturity dates as the SBI's CD program.

During fiscal year 2008, the SBI purchased \$23 million in repos from Minnesota financial institutions.

*Other Deferred Compensation and Long Term Savings Programs*

In addition to the statewide 457b plan, the SBI has responsibilities for several other deferred compensation-related and long term savings programs:

- The SBI selects investment product providers for the Minnesota State Colleges and Universities (MnSCU) and the Minnesota Historical Society for their IRC 401(a) defined contribution retirement plans.
- The SBI is responsible for selecting the investment provider for the Minnesota College Savings Plan. The Minnesota Office of Higher Education (MOHE) is responsible for the overall administration of the MN College Savings Plan (529 Plan).

The investment product providers currently used by these programs are shown in Figure 42.

**Figure 42. Investment Product Providers Selected or Approved by the SBI**

**MnSCU 401(a) Plans (effective July 1, 2006)**

Teachers Insurance & Annuity Association- College Retirement  
Equities Fund (TIAA-CREF)  
Dodge & Cox  
Legg Mason Inc.  
Royce & Associates, LLC  
T. Rowe Price Associates, Inc.  
The Vanguard Group  
Western Asset Management

**Historical Society 401(a) Plan (effective July 1, 2006)**

Teachers Insurance & Annuity Association-College Retirement  
Equities Fund (TIAA-CREF)

**Minnesota College Savings Plan (529 Plan)**

Teachers Insurance & Annuity Association-College Retirement  
Equities Fund (TIAA-CREF)

## Major Policy Initiatives

### Legislative Update

Bills of interest to the SBI were enacted in the 2008 legislative session.

Laws of Minnesota 2008, Chapter 349, Articles 1 and 2 provide for a possible merger of the Post Retirement Investment Fund with the Basic Retirement Funds. A merger is triggered if the funded ratio of the Post Fund falls below 80 percent in a given year or below 85 percent in two consecutive years. If a merger occurs, the SBI will need to develop a new asset allocation for the combined fund.

Laws of Minnesota 2008, Chapter 154, Article 10, section 18 authorizes local units of government, including school districts, to choose the Public Employees Retirement Association to act as trustee to administer accounts for the purpose of paying postretirement health benefits. If PERA is chosen by the local unit, assets of that unit's account are to be invested by the SBI. The assets are to be invested in the internally managed stock and bond pools. Staff and PERA staff must determine the appropriate administrative procedures to be used in the processing of contributions to and among investment pools.

### Police and Fire Fund Activity

#### Mergers with PERA

Under state law, local police and salaried firefighter plans may consolidate with the Public Employees Retirement Association (PERA). When a merger is approved, assets are transferred from the local plan to the State Board of Investment (SBI).

By statute, the Executive Director of the SBI has authority to accept assets in-kind or to require that individual holdings be converted to cash prior to the transfer. Since the investments made by local plans are similar to those made by the SBI, most assets can be transferred at their stated market value.

Since 1987, 44 plans with total assets of \$603 million have merged with PERA. After consolidation, these assets are managed as part of the Basic and Post Retirement Funds. (Please note that there remain several local police salaried firefighter plans that have not merged with PERA. These plans also have the statutory authority to invest in the Supplemental Investment Fund (SIF).)

#### Volunteer Fire Plans Investment

Volunteer firefighter retirement plans are not eligible to be consolidated with PERA. They may invest their assets with the SBI through the Supplemental Investment Fund. There are more than 700 local volunteer firefighter plans with investment authority.

As of the end of fiscal year 2008, there were 234 plans participating in the SIF.

The SBI expects more volunteer firefighter plans to select the SBI as they become more familiar with the SBI and its ability to offer a variety of investment options at a low administrative cost.

#### Local Plan Performance Reports

The SBI provides the local plans that participate in the SIF reports displaying their annual returns and market values from the SIF in

compliance with *Minnesota Statutes*, Chapter 356. The local plans are responsible for providing their specific data to the Office of the State Auditor.

### Duluth Other Postemployment Health Benefits

The SBI is required to report annually the returns provided on assets invested by the City of Duluth with the SBI for the purpose of paying postemployment health benefits. The Duluth assets are invested in the same internally managed investment pools in which the Permanent School Fund and Environmental Trust Fund are invested.

Duluth made its first investment with the SBI July 2007. As of June 30, 2008, returns for Duluth were as follows:

	<b>1 Yr.</b>
Equities	-13.1%
Fixed Income	7.0
Total	-3.2

# Major Policy Initiatives

## Mandate on Northern Ireland

### Requirements

The SBI is responsible for implementing certain statutory provisions concerning its investments in U.S. companies with operations in Northern Ireland. The statute requires the State Board of Investment (SBI) to:

- Annually compile a list of U.S. corporations with operations in Northern Ireland in which the SBI invests.
- Annually determine whether those corporations have taken affirmative action to eliminate religious or ethnic discrimination. The statute lists nine goals modeled after the MacBride Principles.
- Sponsor, co-sponsor and support resolutions that encourage U.S. companies to pursue affirmative action in Northern Ireland, where feasible.

The statute does not require the SBI to divest existing holdings in any companies and does not restrict future investments by the SBI.

### Implementation

The SBI uses the services of RiskMetrics Group, Washington D.C., to monitor corporate activity in Northern Ireland. In January 2008, the SBI held stocks or bonds in 66 of 74 corporations identified by RiskMetrics as having operations in Northern Ireland.

### Shareholder Resolutions

The SBI filed shareholder resolutions at three companies for the 2008 proxy season. The resolutions asked the corporations to sign the MacBride Principles and to implement affirmative action programs. The voting results are shown below.

BE Aerospace	13.4%
Manpower	13.2%
Yum Brands	9.2%



## Major Policy Initiatives

### Tobacco Issues

At its September 1998 meeting, the Board adopted a resolution that required each active and semi-passive equity manager to divest by September 2001 shares of any company which obtained more than 15 percent of its revenues from the manufacture of consumer tobacco products. Staff notified each active and semi-passive equity manager of the policy.

At the close of fiscal year 2001, the SBI had divested from its active portfolios all shares of companies covered by its divestment resolution.

#### **Directives to Stock Managers**

At its December 1997 meeting, the Board adopted a resolution requiring the SBI's stock managers to provide written justification to SBI staff if a manager made new or additional purchases of stock in companies which obtained more than 50% of their revenues from the sale of tobacco.

At its June 1998 meeting, the Board took further action regarding SBI investment in tobacco-related stocks.

The first resolution required the SBI active and semi-passive equity managers to discontinue purchases of shares of any company that generated more than 15 percent of its revenue from the manufacture of consumer tobacco products. The second resolution required the SBI staff to prepare and submit to the Board a plan for divestiture of shares of any company that generated more than 15 percent of its revenue from the manufacture of consumer tobacco products held in the SBI's actively and semi-passively managed equity portfolios. The

policy requiring divestment follows directly from the latter resolution.

#### **Shareholder Resolutions**

In previous years, the SBI cosponsored a number of tobacco related shareholder resolutions. The SBI chose to cosponsor one tobacco related resolution at Altria for the 2008 proxy season.

### Pharmaceutical Company Issues

At its March 2004 meeting the State Board of Investment adopted a resolution authorizing a shareholder proposal to pharmaceutical companies. The Board's resolution directed the Proxy Committee to sponsor, cosponsor or support shareholder resolutions at six pharmaceutical companies concerning pricing of and access to prescription drugs, and legal issues surrounding the limiting of products to Canadian wholesalers.

At its September 2004 meeting the Board approved a recommendation from the Proxy Committee to submit a resolution concerning access to drugs from Canada. The resolution, which requested the target company to report to its shareholders on the issue, was sent to four domestic pharmaceutical companies for placement in the companies' 2005 proxy materials.

#### **Shareholder Resolutions**

In November 2005 and 2006, the Proxy Voting Committee approved the resubmission of the same resolution to the same four companies: Eli Lilly and Company; Merck & Co., Inc.; Pfizer; and Wyeth.

For the 2007 proxy season, Eli Lilly, Merck and Pfizer each received permission from the SEC to omit the resolution from its proxy materials. Wyeth accepted the submission and placed the resolution in its 2007 proxy materials. The resolution received 29.3% affirmative vote.

For the 2008 proxy season, the Proxy Voting Committee approved the resubmission of the same proposal to the same four companies. All four companies received approval from the SEC to omit the proposal.

### Sudan Issues

Laws of Minnesota 2007, Chapter 117 concerns the SBI's investment in companies with operations in Sudan. The legislation calls for the SBI to make its best efforts to identify all "scrutinized companies" in which the SBI has direct or indirect holdings or could possibly have holdings in the future.

The SBI has adopted use of the list of companies from the Sudan Divestment Task Force for implementing the 2007 law. Staff periodically sends a list of restricted Sudan companies to managers and has required divestment of holdings in compliance with Chapter 117. Staff reports to the Board each quarter on its actions to implement the law.

## Major Policy Initiatives

### Proxy Voting

As a stockholder, the State Board of Investment (SBI) is entitled to participate in corporate annual meetings through direct attendance or casting its votes by proxy. Through proxy voting, the Board directs company representatives to vote its shares in a particular way on resolutions under consideration at annual meetings. These resolutions range from routine issues, such as those involving the election of corporate directors and ratification of auditors, to matters such as merger proposals and corporate social responsibility issues. In effect, as a shareholder the SBI can participate in shaping corporate policies and practices.

#### Voting Process

The Board recognizes its fiduciary responsibility to cast votes on proxy issues. Except for the shares held by the international managers, the SBI does not delegate the duty to its external investment managers. Rather, the SBI actively votes all shares according to guidelines established by its Proxy Committee.

The Board delegates proxy voting responsibilities to its Proxy Committee which is comprised of a designee of each Board member. The four member Committee meets only if it has a quorum and casts votes on proxy issues based on a majority vote of those present. In the unusual event that it reaches a tie vote or a quorum is not present, the Committee will cast a vote to abstain.

### Voting Guidelines

The Committee has formulated guidelines by which it votes on a wide range of corporate governance and social responsibility issues. Each year the Proxy Committee reviews existing guidelines and determines which issues it will review on a case-by-case basis.

#### Corporate Governance Issues

The voting guidelines for major corporate governance issues are summarized below:

##### Routine Matters

In general, the SBI supports management on routine matters such as uncontested election of directors; selection of auditors; and limits on director and officer liability or increases in director and officer indemnification permitted under the laws of the state of incorporation.

##### Shareholder Rights Issues

In general, the SBI opposes proposals that would restrict shareholder ability to effect change. Such proposals include instituting super-majority requirements to ratify certain actions or events; creating classified boards; barring shareholders from participating in the determination of the rules governing the board's actions (e.g. quorum requirements and the duties of directors); prohibiting or limiting shareholder action by written consent; and granting certain stockholders superior voting rights over other stockholders.

In general, the SBI supports proposals that preserve or enhance shareholder rights to effect change. Such proposals include requiring

shareholder approval of poison pill plans; repealing classified boards; adopting secret ballot of proxy votes; reinstating cumulative voting; and adopting anti-greenmail provisions.

#### Executive Compensation

In general, the SBI supports efforts to have boards of directors comprised of a majority of independent directors, to have compensation committees made up entirely of independent directors, and to have executive compensation linked to a company's long-term performance.

#### Buyout Proposals

In general, the SBI supports friendly takeovers and management buyouts.

#### Special Cases

The Proxy Committee evaluates hostile takeovers, contested election of directors, compensation agreements that are contingent upon corporate change in control, and re-capitalization plans on a case-by-case basis.

#### Social Responsibility Issues

The voting guidelines for major social responsibility issues are shown below:

##### Northern Ireland

The SBI supports resolutions that call for the adoption of the MacBride Principles as a means to encourage equal employment opportunities in Northern Ireland. The SBI also supports resolutions that request companies to submit reports to shareholders concerning their labor practices or their sub-contractors' labor practices in Northern Ireland.

## Major Policy Initiatives

### **Tobacco and Liquor**

In general, the SBI supports a variety of tobacco and liquor related resolutions including those that call for corporations to limit their promotion of tobacco and liquor products and to report on their involvement in tobacco issues.

### **Environmental Protection**

In general, the SBI supports resolutions that require a corporation to report or disclose to shareholders company efforts in the environmental arena. In addition, the SBI supports resolutions that request a corporation to report on progress toward achieving the objectives of the Ceres Principles (formerly known as the Valdez Principles), an environmental code of conduct for corporations.

### **Other Social Responsibility Issues**

In general, the SBI supports proposals that require a company to report or disclose to shareholders company efforts concerning a variety of social responsibility issues. In the past, these reporting resolutions have included issues such as affirmative action programs, animal testing procedures and nuclear plant safety procedures.

## **Summary of FY 2008 Proposals**

During fiscal year 2008 the SBI voted proxies for approximately 1,500 U.S. corporations.

As in past years, the issues on corporate ballots included a broad range of proposals in the *corporate governance* area, as reflected in information provided by RiskMetrics Group, Washington, D.C.:

- Shareholders submitted 23 proposals requesting majority vote to elect directors. This proposal received an average support of 52.4%.
- Shareholders submitted 24 proposals requesting that companies have an independent board chairman. The proposal received average support of 29.8%.
- Resolutions requesting an advisory vote on executive pay were on 64 ballots with an average support of 42.1%.
- Other proposals included the repeal of classified boards which were supported by an average of 67.0% of shares voted; proposals to link pay to performance received support from an average of 29.3% of shares voted; cumulative voting which was supported by an average of 37.3% of shares voted; proposals to rescind supermajority approval requirements received average support of 62.4% of shares voted.
- Equal employment issues received 14 resolutions with an average support ranging from 6.1% to 23.4%.
- Human rights issues received 20 resolutions with an average support range of 3.6% to 13.2%.
- Global Labor Standards received nine proposals this year with an average support of 10.5%.
- Healthcare reform issues received 10 proposals with an average support of 4.3%.

In the *social responsibility* area, the environment, global labor standards, fair employment issues, health care reform, and political giving were the major issues, as reflected in information provided by RiskMetrics:

- A variety of environmental issues received 44 resolutions and received average support ranging from 8.1% to 23.0%.
- Political giving issues received 32 proposals with an average support level of 25.2%.

## Major Policy Initiatives

### Guidelines on International Investing

As noted in prior sections of this report, the State Board of Investment (SBI) made its first international stock investments in 1992. The benefits of international investing include: increased investment opportunity, greater diversification and potential for higher return. Approximately one-half of the world's markets, by market capitalization, lie outside the U.S.

The United Kingdom, Japan, France and Canada comprise more than half of the value of the international markets. Together with eighteen (18) other countries in Europe, Canada, and the Pacific Basin, these countries comprise the developed international stock markets. Many of the emerging markets in Latin America, Eastern Europe, the Middle East, Africa and Asia may require special investment considerations and/or limitations on investment.

#### Guidelines

Based on information compiled from U.S. State Department reports, countries are grouped into three broad categories as indicated below by groups I, II and III. *It is important to note that the guidelines listed below do not prohibit an active stock manager from purchasing the stock of any country.* Rather, they require additional notification by the manager regarding the firm's investment strategy for investments to countries in Groups II and III.

**Group I.** These countries have legal structures that generally respect the rights of workers and human rights. Because these countries have strong

protections for workers and human rights, there is little concern that economic and social disruptions may occur which would have an adverse effect on financial markets. As a result, active stock managers are authorized to invest in companies domiciled in these countries without additional notification to the SBI.

**Group II.** These countries have legal protections for workers and human rights, but violations have been cited in the State Department reports. It is thought that violations of this type may lead to economic and social disruption in these countries, which may have an adverse effect on their financial markets. An active stock manager may, however, invest in companies domiciled in the countries shown under "Group II" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing.

**Group III.** These countries lack basic protections for workers and human rights and do not appear to be making progress in establishing an appropriate legal structure to address these issues. The potential for economic, political and social unrest is seen to be greater in these countries, which may adversely affect the stability of these financial markets. An active stock manager may, however, invest in companies domiciled in countries shown under "Group III" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing of its reasons for the decision to do so.

### Review Process

The Board established an International Investing Guidelines Task Force to recommend guidelines that address these limitations as well as other concerns related to international investing.

When the Task Force made its original report to the Board in December 1992, they expected that the country groupings would be updated periodically to reflect changes in the world markets. The Board has adopted the following review process regarding the country guidelines:

- Staff will review reports from the US State Department regarding worker and human rights issues and designate countries "Group I, II or III" using the existing policy guidelines adopted by the Board.

Staff will report on the countries included in the International Program asset class target which will be reviewed by the SBI Administrative Committee. Figure 43 displays the country groupings.

**Figure 43. Current International Investing Guidelines**

**Country Groupings\***

<b>Group I World ex U.S. Countries</b>	<b>Group I EMF Countries</b>	<b>Group II EMF Countries</b>	<b>Group III EMF Countries</b>
Australia	Argentina	Brazil	China
Austria	Chile	Colombia	Egypt
Belgium	Czech Republic	India	Jordan
Canada	Hungary	Indonesia	Pakistan
Denmark	Poland	Israel	Russia
Finland	Taiwan	Korea, Republic of	
France		Malaysia	
Germany		Mexico	
Greece		Morocco	
Hong Kong		Peru	
Ireland		Philippines	
Italy		South Africa	
Japan		Thailand	
Netherlands		Turkey	
New Zealand		Venezuela	
Norway			
Portugal			
Singapore			
Spain			
Sweden			
Switzerland			
United Kingdom			

\* As of August 2005



## Investment Manager Summaries

### **Domestic Equity Program Managers**

#### **Active Managers**

##### **Large Cap Core (Russell 1000)**

###### **Franklin Portfolio Associates**

Franklin's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is comprised of multiple valuation measures, each of which falls into one of the following groups: relative value, future value, fundamental momentum, long-term growth, price action, and management signals.

Franklin seeks to add value by focusing on buying and selling the right stock rather than attempting to time the market or pick the right sector or industry groups. Franklin was retained by the SBI as an active manager in April 1989.

###### **New Amsterdam Partners**

New Amsterdam Partners believes that investment results are evaluated by actual return, and therefore, investment opportunities should be evaluated by expected return. The investment process combines quantitative analysis with a fundamental overlay. The firm describes its style as growth at a reasonable price (GARP). The strategy seeks to identify and capitalize on mispriced securities. A proprietary quantitative model generates expected returns for stocks. The 100 stocks with the highest expected returns are subjected to further examination

and fundamental analysis. New Amsterdam was retained by the SBI in April 1994.

###### **UBS Global Asset Management (formerly Brinson Partners)**

UBS focuses on price to value as the cornerstone of their investment process. They discount all future cash flows of a company to calculate the intrinsic value from an owner's perspective, and then compare that value estimate to the current stock price. The resulting price to value differences, applied over a broad range of companies, become the building blocks of the security selection process. Portfolio construction focuses on market sensitivity, common factor exposures, industry weightings, and individual stock selection. UBS was retained by the SBI in July 1993.

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##### **Large Cap Growth (Russell 1000 Growth)**

###### **AllianceBernstein L.P.**

Alliance manages a concentrated portfolio of approximately 50 to 70 stocks that seeks to generate its premium through superior stock selection - a function of research insight and investment action. Using the research predominantly produced by Alliance's analysts, Alliance strives to buy companies whose growth potential appears likely to outpace market expectations, usually due to a combination of a unique product or service offering, high barriers to entry and managements' ability to execute their corporate strategies. They focus on maintaining portfolio characteristics consistent with the large-cap-growth style. This approach has allowed them to deliver strong performance to clients over time. The firm was retained by the SBI in March 1983.

###### **Cohen Klingenstein & Marks, Inc.**

Cohen Klingenstein & Marks (Cohen) seeks to outperform the market by focusing on two variables: economic cycles and security valuation. Within economic cycles, they believe that stocks exhibit predictable patterns that reflect changing expectations on corporate profits and interest rates. Similarly, they believe that stock prices normally reflect earnings expectations. The firm exploits short run inefficiencies through an unbiased process that relates the price of a stock to consensus earnings expectations. The firm was retained by the SBI in April 1994. Cohen had all assets removed in June pending a recommendation for termination at the September Board meeting.

###### **Enhanced Investment Technologies, LLC (INTECH)**

INTECH's strategy is based on a mathematical theory resulting from the research of Dr. Robert Fernholz published in his 1982 paper, "Stochastic Portfolio Theory and Stock Market Equilibrium." The underlying premise of the strategy capitalizes on the covariance structure of the market and stock volatility to build portfolios of companies whose price variability is designed to produce returns in excess of the benchmark. 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) Maximize information ratio, 2) security positions limited to lesser of 2.5% or 10 times maximum index security weight, 3) beta equal to or less than benchmark beta and 4) market capitalization of the portfolio

## Investment Manager Summaries

targeted to approximate market capitalization of the benchmark. 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. INTECH was retained by the SBI as an active manager in January 2005.

### **Jacobs Levy Equity Management**

Jacobs Levy believes the market is a complex system, permeated with inefficiencies that offer opportunities for profitable active investment and that can be detected and fully exploited only with intensive statistical modeling. The investment approach combines human insight and intuition, finance and behavioral theory, and leading-edge quantitative and statistical methods. The firm's proprietary systems have been engineered to be integrated across all investment functions, from security selection, portfolio construction, and trading, through performance attribution and guideline compliance. Expected returns for each security in the investment universe are generated from numerous models and become the inputs for the proprietary portfolio. The optimizer is run daily with the objective of constructing portfolios that can provide consistent outperformance relative to the underlying benchmark, with strict control of portfolio risk. Extensive data scrubbing is conducted daily, using both human and technology resources. Liquidity, trading costs, and investor guidelines are incorporated within the optimization process. Jacobs Levy was retained by the SBI as an active manager in January 2005.

### **Lazard Asset Management LLC**

Lazard's approach emphasizes earnings growth as the fundamental driver of stock prices over time. Lazard invests in companies exhibiting substantial growth opportunities, strong business models, solid management teams, and the probability for positive earnings surprises. The investment 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. Lazard was retained by the SBI as an active manager in January 2005.

### **Sands Capital Management, LLC**

Sands invests in concentrated portfolios of high-quality, seasoned, growing businesses. Bottom-up, company-focused, long-term oriented research is the cornerstone of the investment process. To be included in the stock universe, companies must demonstrate superior historical and projected sales and earnings growth; have the potential for wealth creation; and reside in growing sectors. The team then narrows the opportunity set by identifying potential leaders in attractive business spaces. 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. Sands was retained by the SBI as an active manager in January 2005.

### **Voyageur Asset Management**

Voyageur's strategy is focused on achieving consistent, superior performance with near-benchmark risk. They seek high quality companies with exceptional financial strength and proven growth characteristics. They believe that sound fundamental analysis reveals those companies with superior earnings achievement and potential. Their screening process identifies companies that over the past five years have had higher growth in sales, earnings, return on equity, earnings stability relative to the market; sales, operating income, earnings growth rate consistency greater than the market; and lower debt ratios relative to the market. Voyageur was retained by the SBI in July 2000.

### **Winslow Capital Management, Inc.**

Winslow believes that investing in companies with above average earnings growth provides the best opportunity for achieving superior portfolio returns over the long term. The investment philosophy is founded on bottom up, fundamental research. 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



## **Investment Manager Summaries**

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. Winslow was retained by the SBI as an active manager in January 2005.

### ***Zevenbergen Capital***

Zevenbergen Capital's investment philosophy is founded on the principles that superior fundamentals drive stock price appreciation and exceptional management combined with balance sheet strength provides capital protection. The firm employs a forward looking, bottom-up investment process designed for long-term results. Portfolios are constructed with companies presenting established and prospective revenue, cash flow and earnings growth, while diversification and risk control are accomplished through a blend of company size, expected growth rates, and appropriate portfolio weightings. The firm remains fully invested to ensure market participation. Zevenbergen was retained by the SBI in April 1994.

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### ***Large Cap Value (Russell 1000 Value)***

#### ***Barrow, Hanley, Mewhinney & Strauss, Inc. (BHMS)***

BHMS believes that markets are inefficient, and can best be exploited through adherence to a value-oriented investment process dedicated to the selection of

securities on a bottom-up basis. The overall portfolio will always reflect all three value characteristics: price/earnings and price/book ratios below the market and dividend yields above the market. The stocks must also be attractive according to the firm's dividend discount and relative return models. Analysts provide fundamental analysis in the final step of their investment process. BHMS was retained by the SBI in April 2004.

### ***Earnest Partners***

Earnest Partners utilizes a proprietary valuation and performance 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 – and have done extensive research to determine which combination of performance drivers, or return patterns, precede outperformance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical approach designed to measure and control the prospects of substantially underperforming the benchmark. The portfolio is diversified across industry groups. Earnest Partners was retained by the SBI in July 2000.

### ***Lord Abnett & Co.***

Lord Abnett's strategy is based on a relative value approach and utilizes bottom-up, fundamental research as its alpha driver. They apply formal valuation analysis, with emphasis on normalized earnings, to narrow the universe of candidate securities and focus their fundamental research

effort. Research analysts and portfolio managers conduct research independently on compelling stocks in their assigned industries, in an effort to identify those with the strongest fundamentals together with the most attractive valuations. The analysts primary focus is on the timely recognition of change, or a catalyst, that might cause fundamentals and financial performance to improve over a 12-18 month time horizon. Lord Abnett was retained by the SBI in April 2004.

### ***LSV Asset Management***

LSV's philosophy 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. They use quantitative techniques to rank securities based on fundamental measures of value, past performance, and indicators of near-term appreciation potential. Their risk control discipline limits the portfolio's industry and sector concentrations. LSV was retained by the SBI in April 2004.

### ***Systematic Financial Management***

Systematic Financial Management believes that stock prices follow earnings cycles. Superior returns are achievable by purchasing attractively valued stocks with positive earnings catalysts that are reflective of improving fundamentals. Systematic invests in companies trading at compelling valuations that are exceeding investor expectations, increasing sales and improving margins, and generating strong free cash flow. The investment process involves a strong blend of quantitative screening and fundamental financial analysis coupled with a

## **Investment Manager Summaries**

rigorous monitoring of all holdings. Systematic was retained by the SBI in April 2004.

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### **Small Cap Growth (Russell 2000 Growth)**

#### **McKinley Capital Management**

McKinley uses a quantitatively driven investment process to systematically search for and identify signs of accelerating growth. The primary model includes linear regression to identify common stocks that are inefficiently priced relative to the market while adjusting each security for standard deviation. The candidates are then filtered and scrutinized for liquidity factors and earnings acceleration. The earnings model identifies securities with strong earnings acceleration. The qualitative review begins after the quantitative process has identified candidates for possible inclusion in the portfolio. The purpose of the qualitative analysis is to confirm that the earnings picture revealed through the quantitative analysis is both reasonable and sustainable. New ideas are taken from the quantitative screening process but confirmed. McKinley was retained by the SBI in January 2004.

#### **Next Century Growth Investors**

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. 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. Next Century was retained by the SBI in July 2000.

#### **Turner Investment Partners**

Turner manages a small growth portfolio with the philosophy that earnings expectations drive stock prices. They pursue a bottom-up strategy that blends quantitative, fundamental, and technical analysis. They screen securities within sector and market capitalization groups using factors appropriate for each specific group. Companies are ranked within sectors based on multiple earnings growth and valuation factors. The goal of fundamental analysis is to evaluate how a company's future earnings will compare with consensus earnings expectations. Technical analysis is used to evaluate trends in trading volume and price, and to identify attractive entry and exit points. The SBI retained Turner in January 2004.

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### **Small Cap Value (Russell 2000 Value)**

#### **Goldman Sachs Asset Management**

Goldman Sachs manages a small cap portfolio using a strong valuation discipline to purchase well-positioned, cash generating businesses run by shareholder-oriented management teams. Portfolio managers are organized by industry, and use industry-specific valuation measures to categorize companies within their area. They decompose the historical financial reports, meet with management to evaluate their competitive position within the industry, and

evaluate each company's valuation attractiveness relative to other comparable companies within the sector. Goldman Sachs was retained by the SBI in January 2004.

#### **Hotchkis and Wiley Capital Management**

Hotchkis and Wiley manages a small value portfolio, where they seek to exploit mispriced securities in the small cap market by investing in "undiscovered" and "out of favor" companies. They invest in stocks where the present value of the company's future cash flows exceeds the current market price. Industry analysts determine a company's normal earnings power, or sustainable earnings level under equilibrium economic and competitive market conditions, which becomes the basis for security valuation. Hotchkis and Wiley was retained by the SBI in January 2004.

#### **Martingale Asset Management**

Martingale manages a small value portfolio with the philosophy that they can exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. They use a quantitative process to identify stocks with low price/earnings ratios and high cash flow to price versus peers. The process examines multiple characteristics of quality, value and momentum. Value traps are avoided by favoring stocks with positive relative strength and earnings estimate revisions versus peers. Each stock is given a score or ranking. Martingale builds a portfolio of the highest ranked stocks while controlling industry and sector weights, and ensuring the average company size resembles the benchmark. Martingale was retained by the SBI in January 2004.

### **Peregrine Capital Management, Inc.**

Peregrine's Small Cap Value investment process begins with their proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most underpriced securities on a sector-by-sector basis. The firm analyzed over sixty fundamental factors to identify the most relevant factors in each sector. 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 resolvable short-term problems, unrecognized assets, take-over potential, fundamental undervaluation and catalysts for change. The portfolio is diversified and sector weights are aligned closely to the benchmark. This allows stock selection to drive performance. Peregrine was retained by the SBI in July 2000.

### **RiverSource Investments, LLC/ Kenwood Capital (formerly American Express Asset Management)**

Kenwood's small cap value product seeks to own a portfolio of stocks that represents the best opportunities in each sector based on valuation and indicators of improving cash flow and earnings. They look for higher quality stocks that are undervalued based on demonstrable fundamentals, rather than distressed value stocks. Their quantitative appraisal model ranks stocks on their potential excess return. The appraisal model incorporates a dozen or so sector models with weightings that vary over time in relation to the stock attributes that are most important in determining relative performance. American Express/Kenwood was retained by the SBI in January 2004.

## **Semi-Passive Managers**

### **Semi-Passive Managers (Russell 1000)**

#### **Barclays Global Investors**

Barclays uses a Core Alpha Model which disaggregates individual equity returns for each of the stocks in their universe into three inputs: relative value, earnings quality and sentiment. The relative value criteria assesses intrinsic value relative to market price. Earnings quality criteria help identify companies likely to sustain earnings growth and avoid negative surprises. Sentiment criteria help identify market participants' beliefs regarding valuation. The strategy seeks to minimize investment and operational risks not associated with adding value. Implementation costs are also considered when rebalancing return potential with risk profile of trades. The firm was retained by the SBI for semi-passive management in January 1995.

#### **Franklin Portfolio Associates**

For the semi-passive product, Franklin adds incremental value to a benchmark by buying stocks quantitatively ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. Franklin attempts to allocate most of the total risk level set by the client specifically to stock selection. The firm always remains fully invested. The SBI retained Franklin as a semi-passive manager in January 1995.

#### **J.P. Morgan Investment Management Company**

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 earnings and dividends for the stock universe and enter these into a stock valuation model that calculates a dividend discount rate for each security. The stocks are ranked according to this valuation measure within their economic sectors. Stocks most undervalued are placed in the first quintile. The portfolio includes stocks from the first four quintiles, favoring the highest ranking stocks whenever possible, and sells those in the fifth quintile. In addition, the portfolio will closely approximate the sectors and style of the benchmark. The portfolio remains fully invested at all times. The firm was retained by the SBI in January 1995.

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### **Passive Manager**

### **Passive Manager (R3000)**

#### **Barclays Global Investors**

For the passive account, Barclays seeks to minimize tracking error, transaction costs and investment and operational risks. The portfolio is managed against the asset class target (Russell 3000 index) 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. Barclays was retained by the SBI for passive management in July 1995.

**Portfolio statistics for each of the domestic equity managers can be found in the Statistical Data section of this report.**

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## Investment Manager Summaries

### International Program Managers

#### Active Developed Markets

##### **Acadian Asset Management**

Acadian employs structured stock and region/industry valuation models that are customized to each region. These models are designed to capture a broad range of characteristics associated with outperforming stocks. Acadian uses stock factors to predict how well each stock in the 25,000-stock universe will perform relative to its region/industry zone. These factors are based on valuation, earnings, quality and price data. Acadian also applies separate models to forecast region/industry level returns, in order to predict how well each stock's region/industry zone will perform relative to others, and then add that forecast to each stock's forecast. The investment process combines and weights the values of all the factors, utilizing a proprietary method to determine a return forecast for each stock. The end result is a ranking of the entire 25,000-stock universe from most to least attractive.

Acadian then uses a sophisticated portfolio optimization system to trade off the expected return of the stocks with such considerations as the client's benchmark index, desired level of risk, transaction cost estimates and other requirements. Portfolios are normally fully invested, with a minimal amount of cash. Country and sector weights fall out of the bottom-up stock selection process, with overall portfolio risk control ensuring the desired level of diversification. The last step of the process is a careful review of optimized portfolios by the investment team before trading,

to ensure the portfolio meets the client's investment goals. Acadian was retained by the SBI in July 2005.

##### **INVESCO Global Asset Management**

INVESCO employs a systematic process that identifies undervalued-companies, combined with a consistently applied portfolio design process to control the predictability and consistency of returns. INVESCO managers believe they can add value by identifying and investing in stocks which are attractively priced relative to the sustainable growth potential of the company. 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, with key financial data adjusted to be comparable across countries and currencies. Third, INVESCO believes that using the firm's own local investment professionals enhances fundamental company research. Finally, they manage risk and ensure broad diversification relative to the clients' benchmark utilizing a statistics-based portfolio construction approach instead of utilizing country or industry constraints. INVESCO was retained by the SBI in February 2000.

##### **J.P. Morgan Investment Management Company**

J.P. Morgan's international equity process focuses on stock selection as the primary source of added value, seeking to build a portfolio diversified by both sector and region. Approximately 150 investors are based locally in regional markets, providing insights on

1300 companies. Each regional team ranks companies within local markets, 1(best) to 5(worst). Local teams both undertake research and manage local portfolios. The most attractive names on a regional basis, primarily those ranked 1 and 2, are then further analyzed by a team of London-based Global Sector Specialists. They seek to provide global industry insights and build on the local market analysis already undertaken. The team seeks to identify the most attractive names within each sector, ranking companies A (best) to D (worst). The final stage of the investment process rests with a team of senior portfolio managers, who are responsible for constructing risk controlled portfolios, capturing the best thinking of both the local and global teams. The emphasis is on delivering alpha through bottom-up stock picking. J.P. Morgan was retained by the SBI in July 2005.

##### **Marathon Asset Management**

Marathon uses a blend of qualitative disciplines to construct portfolios. The resulting style and emphasis of the portfolio may vary over time and by market, depending on Marathon's perception of what represents the best value opportunity. Since the firm believes that profitability is unversely proportional to competition, Marathon is attracted to industries where the level of competition is declining. 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 relative to the attractiveness of their products or services and determines whether the company is following an appropriate capital reinvestment strategy for their current competitive position. Marathon was retained by the SBI in November 1993.



## Investment Manager Summaries

### **McKinley Capital Management**

Using proprietary quantitative models, McKinley's investment process searches for and identifies signs of accelerating growth. The initial universe consists of 30,000 publicly traded non-U.S. stocks, from all capitalization categories in more than 60 countries. The primary model includes a linear regression model to identify stocks that are inefficiently priced in US dollars relative to the market while adjusting each security for standard deviation. The ratio of alpha to standard deviation (risk adjusted relative return) is the primary screening value. The remaining candidates then pass through liquidity and strength of earnings tests. Our earnings test identifies securities with strong earnings acceleration.

In the final portfolio construction process, McKinley examines a variety of qualitative factors which could ultimately impact earnings. These include a qualitative data check and street research analysis of economic factors, specific industry themes and company fundamentals. The final portfolio will hold between 35-50 stocks, providing diversification and risk control by issue, industry, sector and country. McKinley was retained by the SBI in July 2005.

### **Pyramis Global Advisors Trust Company**

**(formerly Fidelity Mgmt. Trust Co.)**

Pyramis' International Growth strategy is a core, growth-oriented strategy that provides diversified exposure to the developed international markets benchmark. 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 Pyramis analysts' bottom-up research and their own judgment and expertise. The four regional portfolios are combined according to the policy determined by Pyramis' Asset Allocation Group (AAG). The AAG, is comprised of senior investment professionals who base their decision from micro-economic data derived from portfolio manager inputs, analysts' field research, and proprietary data on liquidity, market activity, and fund flows. 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. Pyramis was retained by the SBI in July 2005.

### **RiverSource Investments, LLC (formerly American Express Asset Management)**

RiverSource's objective is to focus on key forces of change in the markets and the companies that will benefit. They believe that 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. Companies are analyzed within a macroeconomic and global sector/thematic framework. "Top down" views on macroeconomics and trends in global sectors combine with "bottom-up" company analysis along regional and global sector lines. Analysts propose a rating of A through to E for approximately 150-200 stocks in each region reflecting the expected performance on a 12-month view. RiverSource was retained by the SBI in February 2000. In December 2003, the Threadneedle team replaced the original investment team.

### **UBS Global Asset Management, Inc. (formerly Brinson Partners)**

UBS is a fundamental, long-term, value-oriented investor. The focus of UBS' fully active strategy is to pick the most attractive stocks, industries, countries and currencies. Their investment research process identifies discrepancies between a security's fundamental value and its observed market price - both across and within global equity markets. They exploit these discrepancies using a disciplined fundamental approach. Their research teams evaluate companies in their sectors around the world and assign relative price/value rankings based on the present value of each company's expected future cash flows. The portfolio construction group utilizes this global network of resources to systematically develop portfolio strategy. Currency strategies are developed separately and coordinated with country allocations. UBS was retained by the SBI in April 1993 with an active country/passive stock mandate. In October of 1999, UBS converted the portfolio to a fully active mandate.

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### **Semi-Passive Developed Markets**

#### **AQR Capital Management**

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

## Investment Manager Summaries

style weighting are employed as secondary alpha sources. AQR was retained by the SBI in July 2005.

### **Pyramis Global Advisors Trust Company**

#### **(formerly Fidelity Mgmt. Trust Co.)**

Pyramis' Select International strategy combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmark index while minimizing relative volatility and risk. Pyramis' investment philosophy is based on the premise that international markets are semi-efficient and pricing anomalies exist. Research conducted by the firm's international equity analysts and portfolio managers provides the basis for stock selection and portfolio construction.

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 located throughout the world. 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. Pyramis was retained by the SBI in July 2005.

### **State Street Global Advisors**

The International Alpha Strategy seeks to create value through superior security selection. Stocks are quantitatively ranked according to those factors which have been

shown to identify mispricing: value, sentiment and earnings growth. The stock scores derived in this fashion are translated into forecasts of stock outperformance. The portfolio managers, as a team, review all suggestions in terms of selections and weightings. A separate process projects transaction costs for each stock. Proprietary portfolio construction software is then used to generate a recommended buy/sell list based on the trade off between expected outperformance and the trading costs.

State Street Global Advisor's risk management process permits multiple and simultaneous risk penalties and implies that, as industry, country and capitalization deviations become greater and greater, the incremental expected return from a stock must increase in order to compensate for the greater benchmark relative risk. They also impose country, sector, industry, and security specific bands relative to the benchmark as an additional risk management tool and manage other exposures such as capitalization, beta and yield to be similar to that of the underlying benchmark. The investment process creates core portfolios that provide clients with stringent risk control, the return of the asset class, and the benefit of active management. SSgA was retained by the SBI in July 2005.

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### **Passive Developed Markets**

#### **State Street Global Advisors**

State Street manages an international index portfolio designed to track the Morgan Stanley Capital International Index of the World ex. United States. State Street uses a full replication strategy to construct the index by country. Stock index and country futures, approved by the Commodity

Futures Trading Commission, are also used to minimize tracking error and allow for cash in flow and out flow. State Street was retained by the SBI in October 1992.

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### **Active Emerging Markets**

#### **AllianceBernstein L.P.**

AllianceBernstein's emerging markets equity process focuses on fundamental research-driven stock selection, which is structured by industry within the emerging markets regions. AllianceBernstein's three regional portfolio management and research teams, focused on Asia, Eastern Europe/Middle East/Africa and Latin America, construct portfolios within their respective regions. These regional portfolios are aggregated to establish AllianceBernstein's total emerging markets exposure in the portfolio. AllianceBernstein believes that investment success in the emerging markets stems from investing in those companies in each region with quality managements in growth businesses, with superior fundamentals and improving corporate governance. AllianceBernstein further believes that these companies can best be identified through rigorous fundamental research, conducted by internal, on-the-ground analysts. Although the investment philosophy emphasizes bottom-up stock selection, parameters are established at the portfolio level to manage risk. Exposures by region are maintained close to the benchmark weights, and deviations are made when an excess or a lack of opportunities exist within a particular region. Maximum position constraints are imposed at the stock and country level, and industry exposures are generally a by-product of stock selection. The SBI retained AllianceBernstein in January 2001.

## Investment Manager Summaries

### **Capital International, Inc.**

Capital International, Inc. has a long history of investing in emerging markets for its affiliate, Capital Guardian Trust Company, one of the Capital Group Companies. Capital is distinguished by its extensive commitment to fundamental research, with a large team of experienced analysts focused on gathering in-depth information first-hand on companies throughout the world. Their philosophy can best be described as value-oriented with research efforts focused on trying to identify the difference between the underlying value of a company and the price of its securities in its home market. This basic, fundamental approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. A critical ingredient in this blending process is the recognition that the relative importance of each factor will vary from time to time, and none can be treated as being of paramount importance at all times. The account is divided among six portfolio managers and a research portfolio. The research portfolio is managed by a team of research analysts who select stocks within the sectors they cover. All portfolio managers are free to make their own decisions (within risk control limits) as to sector, quality emphasis, cash reserves, and issue selection. The SBI retained Capital International, Inc. in January 2001.

### **Morgan Stanley Investment Management**

Morgan Stanley Investment Management is an emerging markets specialist. Their belief is that the emerging markets are a distinct asset class offering a diverse set of investment opportunities. As both macroeconomic and stock-specific

factors drive the emerging markets, Morgan Stanley integrates both top-down country allocation and bottom-up stock selection in order to produce superior performance over the medium to long term. Effective investment management requires a dedicated manager who utilizes a set of investment tools tailored to the return and risk potential of this asset class. Morgan Stanley's core investment style combines growth and value as both are potential drivers of performance in emerging markets investing. They believe that growth-oriented companies trading at attractive valuations offer the best return prospects in the emerging markets. Morgan Stanley Investment Management was retained by the SBI for emerging market management in January 2001.

**Portfolio statistics for each of the international managers can be found in the Statistical Data section of this report.**

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### **Fixed Income Program Managers**

#### **Active**

### **Aberdeen Asset Management, Inc. (formerly Deutsche Asset Management)**

Aberdeen believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance

versus the benchmark over time. The firm's value added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise to determine the intrinsic value of each bond. The result is a portfolio that is constructed from the bottom-up, bond by bond. Sector weightings are a by-product of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

### **Dodge & Cox Investment Management**

Dodge & Cox manages a high quality (typically AA or better weighted average 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 and act upon inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, attractive returns are possible over the long-term. In seeking above average returns, Dodge & Cox emphasizes individual 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.

### **Morgan Stanley Investment Management (formerly Miller Anderson & Sherrerd)**

Morgan Stanley focuses on four key decisions in structuring portfolios: interest-rate sensitivity, yield-curve exposure, portfolio credit quality, and portfolio prepayment risk. Through a value philosophy and a team approach, the firm seeks to



## Investment Manager Summaries

identify extreme market forecasts embedded in bond yields and prices, and then evaluate methods to capture value from the most attractive of these opportunities. The firm initiates positions when it believes they are relatively cheap, and holds them until value diminishes or until superior values are found elsewhere. Its interest rate and yield-curve strategy is driven by a proprietary term-structure which assesses Treasury yields in terms of the market's inflation, economic growth, and risk premium expectations. Value is added in the corporate sector by selecting the most attractive corporate bonds through proprietary quantitative and fundamental screens, and controlling credit risk through broad diversification and strict position limits. The firm has significant expertise in managing the prepayment risks of mortgages, and tends to favor mortgage securities when they are cheap relative to the market's implied prepayment expectations. Morgan Stanley was retained by the SBI in July 1984.

### ***RiverSource Investments, LLC (formerly American Express Asset Management)***

RiverSource manages portfolios using a bottom-up relative value approach in combination with a top-down, macro outlook that guides the firm's relative value decisions. The firm employs in-depth fundamental research and credit analysis combined with proprietary valuation disciplines to identify individual relative value opportunities across market sectors. The duration and maturity structure of the portfolio are managed using a rigorous quantitative approach centered on the firm's proprietary interest rate forecasting models. RiverSource is committed to diversification of sources of active

risk in the portfolios it manages, and believes that proper diversification combined with consistent evaluation of risk-reward trade-offs leads to superior risk-adjusted performance. RiverSource was retained by the SBI in July 1993.

### ***Western Asset Management***

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining overall interest rate risk relative to the benchmark. Multiple strategies are proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western Asset'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, covenant protection, and market valuation. Western believes that successful interest rate forecasting is extremely difficult to accomplish consistently and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

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### ***Semi-Passive***

#### ***BlackRock Financial Management***

BlackRock manages a semi-passive index portfolio that closely tracks the Lehman Aggregate. BlackRock's 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: 1) controlling portfolio duration within a narrow band relative to the benchmark, 2) relative value sector/sub-sector rotation and security selection, 3) rigorous quantitative analysis of the valuation of each security and of the portfolio as a whole, 4) intense credit analysis and review, and 5) 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.

### ***Goldman Sachs Asset Management***

Goldman manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Goldman manages the portfolio within a risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return relative to the benchmark. To a lesser degree, term structure and highly controlled interest rate anticipation strategies are also implemented. Portfolios are diversified among various sectors and individual securities. Goldman combines long-term strategic investments with short-term tactical trading opportunities. Strategic investments 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.

## Investment Manager Summaries

### **Lehman Brothers Asset Management, LLC**

**(formerly Lincoln Capital)**

Lehman manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Lehman's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and management of risks are at the heart of their investment process. Lehman uses proprietary risk exposure analysis to analyze 25 interest rate factors, and over 43 spread-related factors, including those relating to credit quality, sector classification and sub-sector representations. Lehman analyzes every bond in the index for all relevant factors, and capitalization weights the results to calculate index level risk exposures. For each interest rate factor, the portfolio is very closely matched to the index such that the expected return for the portfolio matches that of 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 active risk exposures that must fall within pre-established limits controls risk. To manage credit risk, corporate holdings are diversified across a large number of issues. Lehman was retained by the SBI in July 1988.

**Portfolio statistics for each of the bond managers can be found in the Statistical Data section of this report.**

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### **Alternative Investment Managers**

#### **Private Equity**

##### **Adams Street Partners**

**Funds: Venture Partnership  
Acquisition Fund I  
Venture Partnership  
Acquisition Fund II**

Adams Street (formerly Brinson Partners) Venture Partnership Acquisition Funds I and II were formed in 1988 and 1990, respectively. The limited partnerships are currently selling remaining fund investments. Fund I and II invest exclusively in secondary venture capital limited partnership interests which are sold by investors who, for a variety of reasons, have decided to sell some or all of their venture capital holdings. Adams Street Partners is based in Chicago, Illinois.

##### **Advent International**

**Fund: Advent International GPE VI**

Advent International GPE VI was formed for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. Advent has regional headquarters in Boston and London. The Fund was formed in 2008 and has an expected term of 12 years.

##### **Affinity Capital**

**Fund: Affinity Ventures IV**

Affinity Ventures IV was formed in 2004 to make venture capital investments exclusively in the health care industry, with a focus on companies in the medical device, health care service, health care information technology, and biotechnology sectors. Based in Minneapolis, the fund has an expected term of 12 years.

### **Banc Funds Co., L.L.C.**

**Funds: Banc Fund VII**

**Banc Fund VIII**

Banc Fund VII and Banc Fund VIII were formed in 2005 and 2008, respectively, and have nine year terms. Based in Chicago, Illinois, the funds will invest primarily in sub-regional banks, located primarily in the Midwest, which have demonstrated above average growth and are likely acquisition targets.

##### **Blackstone Group**

**Funds: Blackstone Capital**

**Partners Fund II**

**Blackstone Capital**

**Partners Fund IV**

**Blackstone Capital**

**Partners Fund V**

Blackstone Capital Partners Funds II, IV and V are limited partnerships which were formed in 1993, 2002, and 2006, respectively, and have ten year terms. Based in New York, the funds will invest in a variety of private equity transactions. Fund II is currently liquidating its assets.

##### **Blum Capital**

**Funds: BLUM Strategic Partners**

**BLUM Strategic**

**Partners II**

**BLUM Strategic**

**Partners III**

**BLUM Strategic**

**Partners IV**

BLUM Strategic Partners, L.P., BLUM Strategic Partners II, BLUM Strategic Partners III, and BLUM Strategic Partners IV were organized in 1998, 2001, 2005 and 2007, respectively, and have ten year terms. Based in San Francisco, the funds will focus on value-oriented private and public equity investments located primarily in the U.S.

## Investment Manager Summaries

### **CarVal Investors**

#### **Fund: CVI Global Value Fund**

CVI Global Value Fund was formed in 2007 and is based in Minneapolis with offices in Beijing, Buenos Aires, Cobham, Copenhagen, Delhi, Luxembourg, Paris, Sao Paulo, Singapore, Shanghai and Tokyo. The Fund will make investments in loan portfolios, corporate securities, international real estate and real estate loans and special opportunities. The Fund is expected to have a term of ten years.

### **Chicago Growth Partners**

(William Blair)

#### **Funds: William Blair Capital Partners VII**

##### **Chicago Growth Partners I**

##### **Chicago Growth Partners II**

Formed in 2001, 2005 and 2008 with ten-year terms, the funds are based in Chicago and seek investments in a broad spectrum of private companies at various stages of development.

### **Coral Group Inc.**

#### **Funds: Coral Partners II Coral Partners IV Coral Partners V**

Coral Partners II, IV and V are Minnesota-based venture capital limited partnerships managed by the Coral Group. These funds make technology and healthcare venture capital investments. They were formed in 1991, 1994 and 1998, respectively, and have eleven year terms. Funds II and IV are currently selling remaining assets.

### **Court Square Capital**

#### **Funds: Citigroup Venture Capital Equity Partners Court Square Capital Partners II**

Citigroup Venture Capital Equity Partners and Court Square Capital Partners II were formed in 2001 and 2006, respectively, to make private equity investments in a diversified, global portfolio of companies. Based in New York, the funds have terms of 13 years.

### **Credit Suisse**

#### **Fund: DLJ Merchant Banking Partners III**

DLJ Merchant Banking Partners III was formed in 2000 with a term of ten years. Based in New York with offices worldwide, the Fund's investments will involve a variety of transactions, including leveraged and unleveraged acquisitions, recapitalizations, restructurings, workouts, expansion financings and other, similar situations.

### **Credit Suisse**

#### **Funds: DLJ Strategic Partners Fund I CSFB Strategic Partners Fund II B CSFB Strategic Partners Fund III B CSFB Strategic Partners Fund III VC CS Strategic Partners Fund IV B CS Strategic Partners Fund IV VC**

Strategic Partners I, II B, III B, and IV B were formed in 2001, 2003, 2005 and 2008, respectively, with terms of ten years each for the purpose of investing in secondary leveraged buyout and mezzanine debt limited partnership interests which are sold by investors

who, for a variety of reasons have decided to liquidate all or a portion of their private equity holdings. Strategic Partners III VC and IV VC were formed in 2005 and 2008, respectively, with ten year terms for the purpose of investing in the secondary interests of venture capital funds. All funds are based in New York.

### **Crescendo Ventures**

#### **Funds: Crescendo Venture Fund III Crescendo Venture Fund IV**

Crescendo Venture Funds III and IV were organized in 1999 and 2000, respectively, and have ten year terms. They have offices in Minneapolis, Minnesota, and Palo Alto, California. The funds will pursue opportunistic venture capital investments throughout the U.S. with an emphasis on Minnesota and the Midwest.

### **CVC Capital Partners**

#### **Fund: CVC European Equity Partners V**

CVC European Equity Partners V was formed for the purpose of investing primarily in the European mid and large buyout markets, with investment opportunities available from a broad range of sectors and geographies. Formed in 2007, the Fund has an expected term of 12 years.

### **Diamond Castle Partners**

**Fund: Diamond Castle Partners IV**  
Diamond Castle Partners IV, based in New York, was established in 2006 to make private equity investments primarily in the following sectors: energy and power, healthcare, media and telecom, and financial services. The fund has an expected term of 12 years.

## **Investment Manager Summaries**

### **DSV Management Ltd.**

#### **Fund: DSV Partners IV**

DSV Partners IV limited partnership was formed in 1985 and is currently in liquidation. The firm has offices in Princeton, New Jersey and California. DSV focused on start-up and early stage investments.

### **EBF & Associates**

#### **Fund: Merced Partners II**

Based in Minneapolis, Merced Partners II expects to invest in securities with strong downside protection from identifiable asset value and compelling return potential from some combination of current income, asset value appreciation, secondary market instrument appreciation, and enterprise value creation or appreciation. The Fund was formed in 2006 with an expected term of ten years.

### **Elevation Partners**

#### **Fund: Elevation Partners**

Elevation Partners was formed in 2005 for the purpose of making private equity investments targeting the media and entertainment sectors, with a focus on content and intellectual property. With offices in Menlo Park and New York, the fund has an expected term of 12 years.

### **Fox Paine and Company**

#### **Funds: Fox Paine Capital Fund II**

Fox Paine Capital Fund II was formed in 2000 and has a ten year term. Based in Foster City, CA, the fund focuses on private equity investments in middle market operating businesses in a wide variety of industries.

### **Golder, Thoma, Cressey and Rauner**

#### **Funds: Golder, Thoma and Cressey Fund III Golder, Thoma and Cressey Fund IV Golder, Thoma and Cressey Fund V**

Based in Chicago, Golder, Thoma and Cressey Funds III, IV and V are venture capital limited partnerships and were formed in 1987, 1993 and 1996, respectively. All three funds are currently in liquidation. The funds invest in growing private businesses, find and build companies in fragmented industries and invest in small leveraged buyouts. In addition, each fund is diversified geographically and by industry.

### **GTCR Golder Rauner**

#### **Funds: GTCR Golder Rauner Fund VI GTCR Golder Rauner Fund VII GTCR Golder Rauner Fund IX**

GTCR Golder Rauner Funds VI, VII and IX formed in 1998, 2000, and 2006 are funds of a successor firm to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The funds have ten year terms. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

### **Goldman Sachs Capital Partners**

#### **Funds: GS Capital Partners 2000 GS Capital Partners V GS Capital Partners VI**

GS Capital Partners 2000, GS Capital Partners V, and GS Capital Partners VI were formed in 2000, 2005 and 2007, respectively,

by Goldman Sachs Advisors. Based in New York, the funds will focus on investments in the U.S. and internationally in four areas: merchant banking, telecommunications, broadband, and technology. The funds have expected terms of ten years.

### **Goldner Hawn Johnson and Morrison**

#### **Funds: GHJM Marathon Fund IV GHJM Marathon Fund V**

GHJM Marathon Fund IV and GHJM Marathon Fund V were organized in 1998 and 2004, respectively, and have 10 year terms. Based in Minneapolis, the funds will pursue primarily middle market private equity investments located in the Midwest and other parts of the U.S.

### **Hellman and Friedman**

#### **Funds: Hellman and Friedman IV Hellman and Friedman V Hellman and Friedman VI**

Hellman and Friedman IV, V and VI were organized in 2000, 2004, and 2007 and have ten year terms. Based in San Francisco, the funds will pursue opportunistic private equity investments located in the U.S. and internationally.

### **Kohlberg, Kravis, Roberts & Co. (KKR)**

#### **Funds: KKR 1987 Fund KKR 1993 Fund KKR 1996 Fund KKR Millennium Fund (2001)**

#### **KKR 2006 Fund**

KKR's Funds are structured as limited partnerships. The funds invest in large leveraged buyouts but may include other types of investments as well. The partnerships' portfolio companies are often mature, low technology



## Investment Manager Summaries

companies with very diversified operations. Kohlberg, Kravis, Roberts and Co. is based in New York. The funds were formed in the years cited above and have terms of twelve years. The 1987 and 1993 Funds are being liquidated.

### **Lexington Capital Partners**

#### **Fund: Lexington Capital Partners VI**

Lexington Capital Partners VI was formed in 2006 for the purpose of making investments in established buyout, mezzanine and venture capital funds, primarily through secondary transactions. The fund is based in New York with an expected term of ten years.

### **RWI Ventures**

#### **Funds: RWI Ventures I RWI Group III**

RWI Group III and RWI Ventures I were formed in 1998 and 2000, respectively, to make venture capital investments. The Funds are based in California and have expected terms of ten years. The RWI Funds were transferred to the SBI from the Minneapolis Teachers Retirement Fund Association (MTRFA) on June 30, 2006 pursuant to the merger of MTRFA into TRA.

### **Sightline Healthcare (Piper Jaffray)**

#### **Funds: Sightline Healthcare Fund II Sightline Healthcare Fund III Sightline Healthcare Fund IV**

Sightline Healthcare Funds II, III, and IV were organized in 1997, 1999 and 2003, respectively, with ten year terms. Based in Minneapolis, Minnesota, the funds will focus on a geographically diverse portfolio of healthcare venture capital investments. Fund II is in liquidation.

### **Silver Lake Partners**

#### **Funds: Silver Lake Partners II Silver Lake Partners III**

Silver Lake Partners II and III were formed in 2003, and 2007 with terms of 12 years. With offices in New York and Menlo Park, the funds will focus primarily on large-scale private equity investing in technology companies.

### **Split Rock Partners**

#### **Funds: Split Rock Partners Split Rock Partners II**

Split Rock Partners and Split Rock Partners II were formed in 2005 and 2008, respectively, by Split Rock Partners Management (formerly part of St. Paul Venture Capital). With offices in Minneapolis and Menlo Park, the funds will focus on private equity investments in seed and early-stage healthcare and software companies. The funds have expected terms of 12 years.

### **Summit Partners**

#### **Funds: Summit Ventures II Summit Ventures V**

Summit Ventures II and V are limited partnerships formed in 1988 and 1998. Fund II is essentially liquidated. Summit Partners focuses on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type.

### **Thoma Cressey Bravo Equity Partners**

#### **Funds: Thoma Cressey Fund VI Thoma Cressey Fund VII Thoma Cressey Fund VIII**

Thoma Cressey Bravo is one of two successor firms to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several

investments with Golder, Thoma, Cressey and Rauner. Thoma Cressey VI, VII and VIII were formed in 1998, 2000, and 2006 and have ten year terms. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

### **Thomas, McNerney & Partners**

#### **Funds: Thomas, McNerney & Partners Fund I Thomas, McNerney & Partners Fund II**

Based in Minneapolis, with additional offices in New York and San Francisco. The Thomas, McNerney & Partners Funds were formed in 2005 and 2006 to make venture capital investments in all stages of development and across all sectors of the health care industry. The Funds have an expected term of 10 years.

### **T. Rowe Price**

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the SBI's alternative investment limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

### **Varde Partners**

#### **Funds: Varde Fund IX, L.P.**

Varde Fund IX is a limited partnership formed in 2008 with a ten year term. Based in Minneapolis, the fund will invest in distressed and/or mispriced private and public investments.

## Investment Manager Summaries

### **Vestar Capital Partners**

#### **Funds: Vestar Capital Partners IV Vestar Capital Partners V**

Vestar Capital Partners IV and V are limited partnerships that were formed in 1999 and 2006 and have ten year terms. Based in New York, the funds invest primarily in a number of private middle market companies.

### **E.M. Warburg Pincus & Co., Inc.**

#### **Funds: Warburg Pincus Ventures Warburg Pincus Equity Partners Warburg Pincus Private Equity Partners VIII Warburg Pincus Private Equity Partners IX Warburg Pincus Private Equity Partners X**

Warburg Pincus is based in New York, New York. These funds will invest private equity in a wide variety of businesses located domestically and abroad. The SBI committed to the first fund in 1994, the second fund in 1998, the third fund in 2002, the fourth fund in 2005, and the fifth fund in 2007. The funds have 12 year terms. Warburg Pincus Ventures is in the process to liquidating its holdings.

### **Wayzata Investment Partners**

#### **Funds: Wayzata Opportunities Fund I Wayzata Opportunities Fund II**

Wayzata Opportunities Fund I and Wayzata Opportunities Fund II were formed in 2006 and 2007, respectively, for the purpose of making investments in distressed securities where it can expect to exert significant influence on the restructuring process and potentially control the reorganized company.

The Funds are based in Wayzata, Minnesota and have expected terms of eight years.

#### **Welsh, Carson, Anderson and Stowe Funds: Welsh, Carson, Anderson and Stowe Fund VIII Welsh, Carson, Anderson and Stowe Fund IX Welsh, Carson, Anderson and Stowe Fund X**

Welsh, Carson, Anderson and Stowe Funds VIII, IX and X were formed in 1998, 2000 and 2005 and have twelve year terms. Based in New York, N.Y., the funds focus on private equity investments in the healthcare and information services industries.

### **Zell/Chilmark**

#### **Fund: Zell/Chilmark**

Zell/Chilmark was formed in 1990 and is substantially liquidated. Based in Chicago, Illinois, the Fund focused on corporate restructuring and rejuvenation situations. The partnership invested primarily in the assets, debt and/or common and preferred stock of companies with a fair market value of at least \$100 million.

## **Real Estate**

#### **Blackstone Real Estate Associates Funds: Blackstone Real Estate Partners V Blackstone Real Estate Partners VI**

Based in New York, Blackstone Real Estate Partners V and VI formed in 2006 and 2007 to make real estate investments in a variety of sectors, geographic locations and business climates. Blackstone will consider investments in major urban office buildings, the lodging sector, distribution and warehousing centers,

retail, and a variety of real estate operating companies. The Funds have expected terms of ten years.

### **Colony Advisors**

#### **Funds: Colony Investors III**

Colony Investors III is a closed-end commingled real estate fund managed by Colony Capital Inc. of Los Angeles, CA. The funds' strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund III in 1998. Fund III is in the process of liquidating its holdings.

### **Credit Suisse**

#### **Funds: CSFB Strategic Partners III RE CS Strategic Partners IV RE**

CSFB Strategic Partners III RE and CS Strategic Partners IV RE were formed in 2005 and 2008, respectively, for the purpose of purchasing secondary interests of real estate funds. The funds will follow a strategy similar to that of the CSFB Strategic Partners private equity funds, in which the SBI is also an investor. Based in New York, the funds have an expected terms of 12 years.

### **Lehman Brothers**

#### **Funds: Lehman Brothers Real Estate Partners II Lehman Brothers Real Estate Partners III**

Lehman Brothers Real Estate Partners II and Lehman Brothers Real Estate Partners III were formed in 2005 and 2007, respectively, and expect to invest in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The funds' worldwide headquarters are in New York, with regional

## Investment Manager Summaries

headquarters in London and Tokyo. The funds are expected to have terms of 11 years.

### **Morgan Stanley (Lend Lease)**

#### **Fund: Prime Property Fund**

Prime Property Fund was formed in 1973 by the New York-based Lend Lease Real Estate Group, Inc. Morgan Stanley acquired the management rights in 2003. The account is an open-end commingled real estate fund and the SBI's commitment was made in 1981. The fund has no termination date and investors retain the option to withdraw all or a portion of their investment. The fund makes equity investments in existing real estate and is diversified by location and property type.

### **TA Associates Realty**

#### **Funds: TA Realty Associates Fund V**

#### **TA Realty Associates Fund VI**

#### **TA Realty Associates Fund VII**

#### **TA Realty Associates Fund VIII**

TA Realty Associates Funds V, VI, VII and VIII are closed-end, commingled real estate funds managed by TA Associates Realty of Boston, MA. The funds invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the funds in 1999, 2002, 2004 and 2006, respectively. Each fund has a ten year term.

### **UBS Realty Investors**

#### **Fund: UBS Trumbull Property Fund**

UBS Trumbull Property Fund is an open-end commingled real estate

fund managed by UBS Realty, acquired from Aetna Life Insurance Company. The fund was formed in 1978 and the SBI's commitment was made in 1982. The fund has no termination date; investors have the option to withdraw all or a portion of their investments. UBS Trumbull Property Fund invests primarily in existing equity real estate. Investments are diversified by location and type of property.

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## Resource Funds

### **Apache Corporation**

#### **Fund: Apache Acquisition Net Profits Interest**

Apache Corporation is a Houston based oil and gas company. Apache Acquisition Net Profits Interest is a private placement that was formed in 1986 to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. The fund will remain in effect throughout the producing life of the properties.

### **EnCap Investments**

#### **Fund: EnCap Energy Capital Fund VII**

EnCap Energy Capital Fund VII was formed for the purpose of making privately negotiated equity and equity-linked investments in the independent sector of the oil and gas industry. Based in Houston, Texas, the fund has an expected term of 12 years.

### **First Reserve Corp.**

#### **Funds: First Reserve VII First Reserve VIII First Reserve IX First Reserve X First Reserve XI**

First Reserve funds were formed in 1996, 1998, 2001, 2003 and 2006,

respectively, and are structured as limited partnerships. Funds VII and VIII are currently undergoing an orderly liquidation of holdings. The other funds have ten year terms. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments.

### **Natural Gas Partners**

#### **Funds: NGP Midstream & Resources**

#### **Natural Gas Partners IX**

Based in Irving Texas, NGP Midstream & Resources will make direct investments in selected areas of the energy infrastructure and natural resources sectors, primarily targeting the midstream energy sector and all facets of the mining, minerals and related power sectors. The Fund was formed in 2007 with an expected term of 12 years. Natural Gas Partners IX is also based in Irving Texas, and will focus primarily on these sectors of the energy industry that are related to the production and development of crude oil and natural gas in North America. The Fund was formed in 2007 and has an expected term of 12 years.

### **Sheridan Production Partners**

#### **Fund: Sheridan Production Partners I**

Sheridan Production Partners was formed in 2007 to pursue a strategy of acquiring a portfolio of currently producing oil and gas properties and optimizing the operations of those properties through production acceleration and recovery enhancement, appropriate use of capital reinvestment and aggressive cost control. The Fund is headquartered in Houston Texas and has an expected term of 15 years.



## Investment Manager Summaries

### **Simmons & Company**

#### **Fund: SCF - IV**

The Fund serves as a vehicle for investment in the oil field service (OFS) and equipment industry. The General Partner is located in Houston, Texas. Fund IV was formed in 1998 and is in the process of liquidating its holdings at the end of its ten year term.

### **T. Rowe Price**

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the SBI's alternative investment limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

### **TCW Asset Management Company**

#### **Fund: TCW Energy XIV**

TCW Energy XIV was formed for the purpose of making mezzanine and equity investments in energy and energy-related infrastructure projects and companies on a global basis. The Fund operates from offices in Los Angeles, Houston, New York and London and has an expected term of 12 years.

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### **Yield-Oriented**

### **BlackRock Financial Management**

#### **Fund: Carbon Capital**

Carbon Capital was formed in 2001 and has an eight year term. Based in New York, the fund will focus on mezzanine real estate loans secured by commercial property assets, primarily in the U.S.

### **Citicorp Capital Investors, Ltd.**

#### **Funds: Citicorp Mezzanine Partners Citicorp Mezzanine**

##### **Partners III**

Citicorp Mezzanine Partners and Citicorp Mezzanine Partners III are limited partnerships formed in 1995 and 1999, respectively, by Citicorp Capital Investors Ltd. of New York, New York. The Funds will invest in a broad range of transactions utilizing subordinated debt and equity securities. The Funds have expected terms of 10 years and are in the process of liquidating their holdings.

### **Credit Suisse**

#### **Funds: DLJ Investment Partners II DLJ Investment Partners III**

DLJ Investment Partners II and III are limited partnerships formed in 1999 and 2006 with expected terms of ten years. Based in New York, the Funds will invest in a variety of securities, including subordinated debt with warrants, preferred stock with warrants, common stock or other securities, including interests in joint ventures.

### **Equinox Investment Partners**

#### **Fund: KB Mezzanine Fund II**

KB Mezzanine Fund II is a limited partnership formed in 1994 by Kleinwort Benson Group, a leading London-based merchant banking firm. In 1996, the fund manager reorganized and changed its name to Equinox Investment Partners. Fund II invests in a broad range of transactions including utilizing subordinated debt and equity securities. The SBI committed to the fund in 1994. The fund has an 8 year term and is currently liquidating investments.

### **Gold Hill Venture Lending Partners**

#### **Fund: Gold Hill Venture Lending**

Gold Hill Venture Lending was formed in 2004 and is expected to generate returns through secured loans, gains on the sales of securities acquired upon the exercise of warrants, and through the disposition of direct equity investments. Prior to forming Gold Hill, the partners executed a similar mandate for Silicon Valley Bank, and they expect to continue a close relationship for purposes of deal-sourcing. The fund has offices in Santa Clara and Boston, and has an expected term of ten years.

### **Goldman Sachs Mezzanine Partners**

#### **Funds: GS Mezzanine Partners II GS Mezzanine Partners III GS Mezzanine Partners 2006 GS Mezzanine Partners V**

GS Mezzanine Partners II, III, 2006 and V are limited partnerships formed in 2000, 2003, 2006 and 2007 respectively, with expected terms of ten years. Based in New York, the Funds' investment objectives are to achieve long-term capital appreciation and current returns through investments in mezzanine securities. These securities will principally include fixed income securities such as debt and preferred stock, often with an equity component, such as warrants, options, a convertible feature, or common stock associated with the debt or preferred stock purchase.

### **GTCR Golder Rauner**

#### **Fund: GTCR Capital Partners**

GTCR Capital Partners is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will make mezzanine investments primarily in companies in which a GTCR Equity

## Investment Manager Summaries

Fund invests or has invested. GTCR invests in consolidating, fragmented industries by teaming with top executives to build companies through acquisition and internal growth.

### **Merit Capital Partners (William Blair Mezzanine Partners)**

#### **Funds: William Blair Mezzanine Capital Partners III Merit Capital Partners IV**

William Blair Mezzanine Capital Partners III and Merit Capital Partners IV are limited partnerships formed in 1999 and 2004 with expected terms of ten years. Based in Chicago, the Funds will invest primarily in fixed rate subordinated debt securities. These securities generally will be purchased with a significant equity component in the form of warrants, common stock or contingent interest.

### **Merit Energy Company**

#### **Funds: Merit Energy Partners B, C, D, E and F**

Merit Energy Partners B, C, D, E, and F were formed in 1996, 1998, 2000, 2003 and 2005, respectively, and each fund has an eight year initial term. Based in Dallas, TX, the funds will focus on resource investments in producing oil and gas properties. Funds B and C are currently in the post-investment distribution mode.

### **Prudential Capital Group**

#### **Funds: Prudential Capital Partners Prudential Capital Partners II**

Prudential Capital Partners and Prudential Capital Partners II were formed in 2001 and 2005, respectively, with 10-year terms. Based in Chicago, the Funds will

make mezzanine investments, typically including convertible debt, preferred stock and warrants, with a specific focus on middle market companies.

### **Quadrant**

#### **Funds: Institutional Commercial Mortgage Fund III Institutional Commercial Mortgage Fund IV Institutional Commercial Mortgage Fund V**

Institutional Commercial Mortgage Funds III, IV and V are funds formed in 1996, 1997, and 1999, respectively, with ten year terms. Based in Atlanta, GA, the funds focus on mortgage investment in real estate located throughout the U.S. Currently, the funds are in the process of liquidating investments.

### **Summit Partners**

#### **Funds: Summit Subordinated Debt Fund I Summit Subordinated Debt Fund II Summit Subordinated Debt Fund III Summit Subordinated Debt Fund IV**

Summit Subordinated Debt Funds I, II, III and IV are limited partnerships formed in 1994, 1996, 2004 and 2007, respectively, with ten year terms. The funds will invest in many of the same companies as the Summit Venture funds. Investments by those partnerships will principally take the form of subordinated debt with equity features. These yield-oriented investments will provide current income over the life of the investment with the potential for additional returns. Fund I and II are currently liquidating investments.

### **T. Rowe Price**

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the Board's alternative investment limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

### **TCW/Crescent Mezzanine**

#### **Funds: TCW/Crescent Mezzanine Partners I TCW/Crescent Mezzanine Partners II TCW/Crescent Mezzanine Partners III**

TCW/Crescent Mezzanine Partners I, II, and III are Los Angeles based limited partnerships formed in 1996, 1998, and 2001, respectively. The Funds will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. Funds I and II are currently liquidating investments and Fund III is expected to terminate in 2011.

### **Windjammer Capital Investors**

#### **Funds: Windjammer Mezzanine and Equity Fund II Windjammer Senior Equity Fund III**

Windjammer Funds II and III are limited partnerships formed in 2000 and 2005 with expected terms of ten years. The Funds will provide subordinated debt and/or preferred stock accompanied by warrants or other forms of equity participation and, in certain instances, common stock to middle market companies. The Funds will seek to generate both current income and substantial capital gains while limiting risk.

## Investment Manager Summaries

### Assigned Risk Plan Managers

#### **GE Asset Management**

GE Asset Management manages the stock portfolio for the Assigned Risk Plan. Their strategy is to maintain a style-neutral position between value and growth stocks and focus on fundamental, bottom-up stock selection to add value. This strategy is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of industry analysts. Each analyst is responsible for one or more industries and together provide analytical coverage across the full spectrum of industries. The three portfolios are combined to create a well-diversified portfolio while neutralizing the style bet. GE Asset Management was retained by the SBI in January 1995.

#### **Voyageur Asset Management**

Voyageur manages the fixed income portfolio for the Assigned Risk Plan. The main objective for the portfolio is to provide cash for the payment of workers compensation claims on the required dates. Because of the uncertainty of premium and liability cash flows, the fund is invested conservatively. Voyageur uses a top-down approach to bond selection. They focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations. Voyageur has managed the bond portfolio since July 1991.

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### Stable Value Manager

#### **Galliard Capital Management, Inc.**

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 the Account in well diversified portfolios of high quality investment grade fixed income securities. The manager also invests in investment contracts with U.S. and non-U.S. financial institutions that provide principal protection for the diversified bond portfolios regardless of daily market changes. 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. The firm was retained by the SBI in November 1994.

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### State Deferred Compensation Plan Non-SIF Mutual Fund Managers

#### **Janus Twenty Fund**

The fund is an actively managed large cap equity option. 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 holdings 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. The fund was retained by the SBI in July, 1999.

#### **Legg Mason Partners Appreciation I Fund**

The fund is an actively managed large cap equity option. The manager seeks to build a portfolio providing low volatility and consistent returns by investing in a blend of value and growth stocks. The manager selects dividend-paying blue chip stocks at reasonable valuations and growth stocks that have been discounted by the market. The manager will hold significant cash positions if the market is judged to be too pricey. The fund was retained by the SBI in December 2003.

#### **T. Rowe Price Small Cap Stock 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. The fund was retained by the SBI in July, 1999.

#### **Dodge & Cox Balanced Fund**

The fund offers a mix of stocks and bonds to investors seeking diversification in one investment option. The manager typically has

## **Investment Manager Summaries**

a mix of 60 percent to 65 percent stocks and 30 percent to 35 percent bonds, and changes the mix between stocks and bonds slowly. The manager follows a disciplined value approach for the equity portfolio and has a larger exposure to mid-cap stocks than other balanced mutual funds. The manager emphasizes mid-quality corporate bonds and attractively priced mortgage-backed securities in the bond portfolio. The duration of the bond portfolio is kept close to that of the overall bond market. The fund was retained by the SBI in October 2003.

### ***Dodge & Cox Income Fund***

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While it invests primarily in the U. S. bond market, the fund 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. The fund was retained by the SBI in July, 1999.

### ***Fidelity Diversified International Fund***

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, investments are made in larger companies located in developed countries. The manager uses a bottom-up stock selection process based on the extensive fundamental research available from the company's many security analysts. Sector and country weightings are reviewed for risk control. The manager also uses 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. The fund was retained by the SBI in July 1999.

### ***Vanguard Institutional Index Plus Fund***

The passively managed fund tracks the S&P 500 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 in the S&P 500 index in approximately the same proportions as they are represented in the index. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stocks. The fund was retained by the SBI in July 1999.

### ***Vanguard Mid Capitalization Index Institutional Fund***

The fund is passively managed to track the performance of the MSCI US Mid Cap 450 index, an index of stocks of medium-size U.S. companies. The manager holds positions in all companies in the index and uses futures and options for handling cash needs. The fund was retained by the SBI in January 2004.

### ***Vanguard Balanced Index Fund Institutional***

The fund portfolio provides a diversified portfolio of stocks and bonds by investing in a mix of 60 percent stocks and 40 percent bonds. The manager does not change the asset mix. The fund is passively managed with the equity portfolio invested to track the returns of the

MSCI US Broad Market index, which encompasses stocks of companies of all sizes, and the bond portfolio invested to track the returns of the Lehman Aggregate Bond index. The fund was retained by the SBI in December 2003.

### ***Vanguard Total Bond Market Index Fund Institutional***

The fund is passively managed to track the performance of the Lehman Aggregate Bond index. The manager uses an index sampling technique to invest in investment-grade corporate, U.S. Treasury, mortgage-backed and asset-backed securities of varying maturities in order to create a portfolio of intermediate duration like the Lehman Aggregate. The fund was retained by the SBI in December 2003.

### ***Vanguard Institutional Developed Markets Index Fund***

The fund is passively managed to track the returns of the MSCI EAFE index. The fund is invested in the Vanguard European Stock Index Fund and the Vanguard Pacific Stock Index Fund. The fund has minimal exposure to emerging markets. The European Stock Index Fund tracks the MSCI Europe index, a capitalization weighted benchmark of the region's largest stocks and markets. The Pacific Stock Index Fund tracks the MSCI Pacific index, which includes mostly large companies from Japan, Australia, Hong Kong, Singapore and New Zealand. The fund was retained by the SBI in December 2003.

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## **Investment Manager Summaries**

### **State Deferred Compensation Plan Insurance Company Investment Contract Managers**

In March 2008, the SBI merged the Deferred Compensation Plan's Minnesota Fixed Fund into the Supplemental Investment Fund Fixed Interest Account. Galliard, the manager of the Fixed Interest Account (see "Stable Value Manager"), absorbed into its portfolio the investment contracts of the three insurance companies that invested the assets of the now defunct Minnesota Fixed Fund.

#### **Principal Life**

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

#### **Minnesota Life**

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage

general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

#### **Great-West Life**

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

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### Stock Manager Risk Factor Exposure Glossary

The following definitions describe the risk factors that the State Board of Investment (SBI) uses in monitoring its stock managers. The terms are referred to in the Risk Factor Exposure table that follows this glossary.

SBI analysis of a stock manager's portfolio, in part, utilizes the BARRA E3 model. The BARRA model contains a number of risk factors that the SBI has found to correlate highly with a manager's investment style. That is, a manager tends to exhibit consistent exposures to many of these risk factors over time. The benchmark construction process includes identifying these persistent exposures and capturing them in the benchmark portfolio.

Factor exposures are calibrated relative to an estimation universe of the top 1,500 stocks ranked by capitalization plus smaller companies chosen to ensure a reasonable number of companies in each industry. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the stocks in the estimation universe. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has a greater exposure to the factor than roughly 68% of the stocks in the estimation universe.

#### **Beta**

Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E3 beta is a forecasted beta, based on a company's exposure to a number of common risk factors and industries.

#### **Volatility (Vlty.)**

Captures relative volatility using measures of both long-term historical volatility and near-term volatility. Other proxies for volatility, corrections for thin trading and changes in volatility are also included in this descriptor.

#### **Momentum (Mom.)**

Indicates common variation in returns related to recent stock price behavior. Stocks that had positive excess returns in the recent past are grouped separately from those that displayed negative excess returns.

#### **Size**

Measures differences in stock returns due to differences in the market capitalization of companies.

#### **Size Nonlinearity (Size Non.)**

Describes deviations from linearity in the relationship between returns and a measure of market capitalization.

#### **Trading Activity (Trad. Acvty.)**

Measures the amount of relative trading in each stock. Stocks that are highly traded are likely to be those with greater institutional interest. Such stocks may display different returns behavior compared with those that are not widely held by institutions.

#### **Growth**

Uses historical growth and profitability measures to predict future earnings growth.

#### **Earnings Yield (E/Y)**

Combines current and historical earnings-to-price ratios with a measure of analyst-predicted earnings-to-price. Stocks with similar values of earnings yield behave in a similar fashion with respect to their returns.

#### **Value**

Distinguishes between value stocks and growth stocks using the ratio of book value of equity to market capitalization.

#### **Earnings Variability (Earn. Var.)**

Measures the variability in earnings and cash flows using both historical measures and analyst predictions.

#### **Leverage (Lev.)**

Indicates the financial leverage of a company using debt-to-total assets and other measures.

#### **Current Sensitivity (Curr. Sens.)**

Measures the sensitivity of a company's stock return to the return on a basket of foreign currencies.

#### **Dividend Yield (Div. Yld.)**

Predicts dividend yield using the past history of dividends and the market price behavior of the stock.

#### **Average Turnover (Avg T/O)**

Measures the total equity asset sales divided by the average value of the equity assets in the manager's portfolio. The reported number represents the median of twelve trailing monthly calculations.

#### **Equity Allocation (Eqty. Alloc.)**

Measures the percent of the manager's total portfolio invested in common stocks, preferred stocks and convertible securities.

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2007 and FY 2008 (In Percentages)

	Beta	Vlty	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b><u>Large Cap Core (Russell 1000)</u></b>															
<b>Franklin Portfolio Associates</b>															
June-07	1.03	-0.07	0.16	0.08	0.09	0.08	0.03	0.37	-0.04	0.09	-0.13	0.00	0.03	7.24	99.9%
June-08	1.02	-0.06	0.27	0.12	0.08	0.24	0.07	0.09	-0.07	0.07	-0.10	0.12	-0.10	10.78	99.6%
<b>New Amsterdam Partners</b>															
June-07	1.00	-0.13	0.16	-0.04	0.12	0.18	0.14	0.19	-0.08	-0.20	-0.27	-0.06	-0.30	4.52	99.2%
June-08	1.00	-0.10	0.18	-0.07	0.10	0.18	0.27	0.08	-0.23	-0.18	-0.15	-0.04	-0.35	5.14	98.1%
<b>UBS Global Asset Mgmt.</b>															
June-07	1.04	-0.02	-0.19	0.22	0.12	-0.01	0.01	0.02	0.00	-0.09	0.03	-0.04	0.06	3.62	96.8%
June-08	1.10	0.16	-0.37	0.02	0.10	0.05	-0.21	-0.08	0.13	-0.05	0.00	-0.01	0.11	2.13	97.9%
<b>Frank Russell 1000</b>															
June-07	1.02	-0.07	-0.02	0.19	0.09	0.02	-0.04	0.05	-0.02	-0.05	-0.04	-0.01	0.05	N.A.	100.0%
June-08	1.02	-0.05	-0.03	0.16	0.08	0.04	-0.06	0.05	0.00	-0.02	-0.05	0.00	0.04	N.A.	100.0%
<b><u>Large Cap Growth (Russell 1000 Growth)</u></b>															
<b>AllianceBernstein</b>															
June-07	1.08	0.00	0.35	0.40	0.14	0.19	0.46	-0.31	-0.44	0.06	-0.24	-0.12	-0.45	3.86	99.5%
June-08	1.08	0.05	0.62	0.39	0.13	0.43	0.56	-0.32	-0.39	-0.02	-0.23	-0.07	-0.48	6.50	99.6%
<b>Intech</b>															
June-07	1.05	0.11	0.46	-0.38	0.02	0.14	0.19	-0.35	-0.48	0.05	0.11	-0.04	-0.37	9.67	99.0%
June-08	0.95	-0.08	0.37	0.01	0.07	0.05	0.19	-0.17	-0.35	-0.18	-0.12	0.07	-0.35	9.04	99.5%
<b>Jacobs Levy</b>															
June-07	1.03	-0.02	0.05	-0.08	0.05	0.12	0.04	-0.04	-0.43	-0.21	-0.16	-0.07	-0.35	12.29	99.4%
June-08	1.03	0.02	0.05	-0.30	0.02	0.22	0.10	0.09	-0.18	-0.14	-0.12	-0.06	-0.35	11.95	99.1%
<b>Lazard Asset Mgmt.</b>															
June-07	1.17	0.36	0.20	-0.13	0.07	0.38	0.30	-0.22	-0.28	0.07	-0.14	-0.14	-0.55	6.68	98.8%
June-08	1.08	0.09	0.55	0.12	0.09	0.36	0.34	-0.10	-0.38	0.03	-0.13	0.01	-0.45	6.81	98.8%
<b>Sands Capital</b>															
June-07	1.20	0.35	0.45	-0.04	0.09	0.42	1.00	-0.65	-0.72	-0.03	-0.45	-0.40	-0.80	2.01	99.9%
June-08	1.22	0.50	0.47	-0.02	0.10	0.70	1.18	-0.58	-0.53	-0.02	-0.15	-0.39	-0.83	3.35	99.5%
<b>Voyageur</b>															
June-07	1.00	-0.13	-0.01	0.05	0.12	0.07	0.21	-0.25	-0.39	-0.35	-0.40	-0.13	-0.47	2.90	99.6%
June-08	0.95	-0.19	0.19	0.10	0.12	-0.08	0.40	-0.13	-0.31	-0.35	-0.37	-0.12	-0.46	2.65	98.1%



## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2007 and FY 2008 (In Percentages)

	Beta	Vlty	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b>Winslow-Large Cap</b>															
June-07	1.18	0.26	0.57	0.08	0.11	0.23	0.56	-0.43	-0.58	0.04	-0.23	-0.12	-0.58	6.42	98.1%
June-08	1.07	0.16	0.64	-0.03	0.08	0.26	0.67	-0.32	-0.39	-0.08	-0.17	-0.10	-0.63	7.23	98.2%
<b>Zevenbergen Capital</b>															
June-07	1.28	0.77	0.72	-0.76	-0.21	0.40	1.27	-0.77	-0.63	0.32	-0.16	-0.26	-0.83	2.53	98.9%
June-08	1.25	0.70	0.66	-0.68	-0.21	0.42	1.61	-0.58	-0.44	0.12	0.01	-0.10	-0.81	4.23	97.3%
<b>Frank Russell 1000 Growth</b>															
June-07	1.06	0.05	-0.03	0.06	0.08	0.13	0.05	-0.22	-0.42	-0.14	-0.18	-0.05	-0.29	N.A.	100.0%
June-08	1.00	-0.02	0.12	0.08	0.07	0.10	0.11	-0.11	-0.31	-0.16	-0.12	-0.06	-0.29	N.A.	100.0%
<b><u>Large Capital Value (Russell 1000 Value)</u></b>															
<b>Barrow Hanley</b>															
June-07	0.89	-0.31	-0.13	0.35	0.13	-0.18	-0.04	0.39	0.26	-0.15	0.00	0.07	0.31	1.96	96.5%
June-08	1.00	-0.14	-0.25	0.32	0.12	-0.12	-0.21	0.36	0.21	-0.02	-0.06	0.08	0.32	1.06	96.1%
<b>Earnest Partners</b>															
June-07	1.00	-0.21	-0.03	0.23	0.11	0.11	-0.10	0.47	0.17	0.05	0.28	0.04	0.06	1.88	94.8%
June-08	1.16	0.18	-0.11	0.15	0.09	0.26	-0.11	0.20	0.21	0.31	0.21	-0.09	0.08	1.96	98.6%
<b>Lord Abbett &amp; Co.</b>															
June-07	0.97	-0.07	-0.11	0.46	0.14	-0.16	-0.14	0.01	0.06	-0.02	-0.01	-0.01	0.19	6.52	98.0%
June-08	1.12	0.09	-0.19	0.28	0.11	0.06	-0.14	-0.05	0.17	0.23	0.29	-0.05	0.11	9.19	99.3%
<b>LSV Asset Mgmt</b>															
June-07	1.03	-0.12	-0.02	0.00	0.06	0.20	-0.21	0.58	0.46	0.10	0.10	0.01	0.38	1.60	99.7%
June-08	1.10	0.02	-0.41	-0.10	0.00	0.16	-0.35	0.49	0.49	0.11	-0.05	-0.06	0.45	2.84	99.6%
<b>Systematic Financial Mgmt.</b>															
June-07	1.07	0.04	0.36	0.09	0.07	0.19	0.15	0.38	0.23	0.14	0.15	-0.12	0.11	8.93	97.1%
June-08	1.08	-0.06	0.11	0.08	0.09	0.14	0.00	0.33	0.23	0.12	0.01	0.11	0.19	8.76	97.8%
<b>Frank Russell 1000 Value</b>															
June-07	0.97	-0.19	-0.01	0.31	0.10	-0.10	-0.13	0.33	0.40	0.04	0.11	0.04	0.39	N.A.	100.0%
June-08	1.04	-0.09	-0.20	0.25	0.08	-0.02	-0.24	0.23	0.35	0.14	0.04	0.08	0.42	N.A.	100.0%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2007 and FY 2008 (In Percentages)

	Beta	Vlty	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b>Small Cap Growth (Russell 2000 Growth)</b>															
<b>McKinley Capital</b>															
June-07	1.30	1.18	1.08	-2.30	-1.18	0.39	0.88	-0.56	-0.46	0.34	0.40	0.12	-0.89	8.49	99.1%
June-08	1.16	0.73	0.81	-2.04	-0.83	0.09	0.81	-0.36	-0.32	0.22	0.57	0.18	-0.73	6.99	97.5%
<b>Next Century Growth</b>															
June-07	1.37	1.50	0.97	-2.35	-1.33	0.18	1.15	-1.04	-0.67	0.46	0.11	-0.29	-0.98	6.06	98.7%
June-08	1.22	1.03	1.05	-2.26	-1.15	-0.12	1.38	-0.84	-0.37	0.12	0.40	-0.03	-0.84	8.58	97.4%
<b>Turner Investment Partners</b>															
June-07	1.35	1.27	0.86	-2.33	-1.20	0.25	0.87	-0.81	-0.51	0.52	0.46	-0.30	-0.82	11.47	98.7%
June-08	1.19	0.77	0.95	-2.03	-0.77	0.20	0.87	-0.56	-0.37	0.21	0.46	0.14	-0.68	11.27	97.8%
<b>Frank Russell 2000 Growth</b>															
June-07	1.30	1.31	0.15	-2.59	-1.74	0.08	0.61	-0.77	-0.25	0.57	0.50	-0.06	-0.73	N.A.	100.0%
June-08	1.23	1.12	0.25	-2.39	-1.40	-0.05	0.73	-0.58	-0.17	0.37	0.66	-0.14	-0.63	N.A.	100.0%
<b>Small Cap Value (Russell 2000 Value)</b>															
<b>Goldman Sachs</b>															
June-07	1.06	0.60	-0.13	-2.58	-1.72	-0.23	0.11	-0.27	0.48	0.37	0.60	-0.07	-0.25	5.25	97.1%
June-08	1.10	0.62	-0.22	-2.57	-1.65	-0.39	0.00	-0.14	0.45	0.29	0.58	-0.21	-0.17	5.42	95.0%
<b>Hotchkis &amp; Wiley</b>															
June-07	1.19	0.83	-0.49	-2.49	-1.62	0.07	-0.57	-0.54	1.05	1.01	0.87	0.02	-0.36	3.44	96.3%
June-08	1.30	1.15	-0.86	-2.64	-1.88	-0.15	-0.41	-0.18	1.16	0.77	0.98	-0.19	-0.04	5.59	95.8%
<b>Martingale Asset Mgmt</b>															
June-07	1.14	0.88	0.28	-2.60	-1.73	0.03	0.15	0.09	0.51	0.33	0.80	0.24	-0.10	9.07	99.5%
June-08	1.17	0.80	0.02	-2.59	-1.71	-0.18	0.08	0.26	0.45	0.38	0.75	0.05	-0.11	10.51	99.5%
<b>Peregrine Capital Mgmt.</b>															
June-07	1.12	0.72	-0.46	-2.57	-1.68	0.00	0.44	-0.19	0.70	0.56	0.94	-0.04	-0.32	6.14	97.8%
June-08	1.26	0.97	-0.54	-2.59	-1.68	-0.04	0.14	-0.01	0.78	0.37	0.95	-0.33	-0.21	5.17	97.9%
<b>RiverSource/Kenwood</b>															
June-07	1.09	0.76	0.26	-2.55	-1.65	-0.17	0.13	0.01	0.55	0.35	0.52	0.08	-0.28	14.88	96.3%
June-08	1.17	0.86	-0.04	-2.60	-1.81	-0.25	0.00	0.09	0.56	0.47	0.69	-0.01	-0.15	16.91	99.1%
<b>Frank Russell 2000 Value</b>															
June-07	1.10	0.75	-0.05	-2.61	-1.77	-0.14	-0.03	-0.34	0.70	0.49	0.69	0.08	0.00	N.A.	100.0%
June-08	1.16	0.77	-0.20	-2.56	-1.67	-0.25	-0.07	-0.16	0.65	0.46	0.73	-0.06	0.00	N.A.	100.0%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### *Risk Factor Exposures FY 2007 and FY 2008 (In Percentages)*

	Beta	Vlty	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b><u>AGGREGATE ACTIVE</u></b>															
<b>Aggregate</b>															
June-07	1.08	0.20	0.16	-0.38	-0.20	0.11	0.23	-0.05	-0.06	0.09	0.04	-0.06	-0.21	5.31	98.3%
June-08	1.10	0.24	0.13	-0.46	-0.21	0.14	0.25	-0.07	-0.01	0.06	0.09	-0.03	-0.20	5.48	98.2%
<b>Frank Russell 3000</b>															
June-07	1.03	0.03	-0.02	-0.05	-0.07	0.01	-0.01	0.00	0.01	0.00	0.02	-0.01	0.01	N.A.	100.0%
June-08	1.05	0.15	-0.02	-0.37	-0.25	0.00	0.03	-0.04	0.04	0.07	0.10	-0.02	-0.03	N.A.	100.0%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2007 and FY 2008 (In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b><u>Large Cap Core (Russell 1000)</u></b>												
<b>Franklin Portfolio Associates</b>												
June-07	0.14	34.07	1.97	4.70	2.99	11.91	14.95	0.00	5.00	24.28	0.00	100.00
June-08	0.36	27.98	2.67	6.64	5.92	13.92	18.89	0.00	8.44	15.17	0.00	100.00
<b>New Amsterdam Partners</b>												
June-07	0.78	31.99	7.64	4.01	5.03	10.97	11.22	1.78	6.20	15.32	5.06	100.00
June-08	1.87	28.12	10.28	5.97	11.31	13.08	16.10	0.00	4.78	6.18	2.30	100.00
<b>UBS Global Asset Mgmt.</b>												
June-07	3.16	33.08	3.96	2.34	6.32	3.02	18.46	2.28	2.58	24.78	0.00	100.00
June-08	2.11	29.24	6.57	1.82	7.48	5.91	16.65	7.25	2.64	18.91	1.43	100.00
<b>Frank Russell 1000</b>												
June-07	0.00	29.56	2.16	4.68	7.21	9.10	15.97	1.77	7.14	21.80	0.62	100.00
June-08	0.00	28.70	1.91	5.30	7.72	13.45	16.55	2.07	7.10	16.52	0.66	100.00
<b><u>Large Cap Growth (Russell 1000 Growth)</u></b>												
<b>AllianceBernstein</b>												
June-07	0.49	35.94	0.52	2.81	7.48	4.88	26.90	0.00	0.00	20.97	0.00	100.00
June-08	0.40	29.06	0.57	7.52	5.89	10.21	34.66	0.92	0.00	10.75	0.00	100.00
<b>Intech</b>												
June-07	0.95	43.33	7.13	5.27	6.06	1.73	16.98	0.89	3.93	13.73	0.00	100.00
June-08	0.45	38.07	1.49	7.98	11.13	11.17	21.08	0.94	2.25	4.83	0.61	100.00
<b>Jacobs Levy</b>												
June-07	0.59	38.63	3.37	6.38	9.95	2.73	24.19	1.37	0.73	11.05	1.01	100.00
June-08	0.88	35.69	3.95	4.81	10.35	8.73	21.39	1.42	0.49	10.70	1.59	100.00
<b>Lazard Asset Mgmt.</b>												
June-07	1.20	34.23	2.26	3.18	12.52	8.83	27.00	4.99	0.00	5.79	0.00	100.00
June-08	1.16	27.66	3.29	6.67	9.18	13.04	26.42	5.92	0.00	6.66	0.00	100.00
<b>Sands Capital</b>												
June-07	0.13	44.82	0.00	0.00	0.00	4.76	34.14	2.10	0.00	14.06	0.00	100.00
June-08	0.48	36.46	0.00	0.00	0.00	15.50	31.62	2.12	0.00	13.82	0.00	100.00
<b>Voyageur</b>												
June-07	0.37	39.15	3.31	2.53	12.96	5.77	23.48	0.00	0.00	12.43	0.00	100.00
June-08	1.86	30.87	2.56	4.81	14.30	10.90	26.15	0.00	0.00	8.55	0.00	100.00

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2007 and FY 2008 (In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b>Winslow-Large Cap.</b>												
June-07	1.94	24.07	2.45	1.80	9.89	7.82	34.46	0.00	0.00	17.55	0.00	100.00
June-08	1.82	26.64	1.05	3.79	11.49	14.03	31.19	1.07	0.97	7.96	0.00	100.00
<b>Zevenbergen Capital</b>												
June-07	1.12	38.23	2.48	0.00	0.00	0.00	46.40	0.00	4.54	7.23	0.00	100.00
June-08	2.68	35.07	1.40	0.00	0.00	0.00	51.56	0.00	2.55	6.74	0.00	100.00
<b>Frank Russell 1000 Growth</b>												
June-07	0.00	38.12	2.42	4.64	8.99	3.94	27.01	2.62	1.93	9.29	1.03	100.00
June-08	0.00	34.94	2.30	5.21	7.44	9.79	27.70	2.75	1.77	7.36	0.74	100.00
<b><u>Large Capital Value (Russell 1000 Value)</u></b>												
<b>Barrow Hanley</b>												
June-07	3.52	27.58	3.06	1.97	10.17	9.91	1.66	2.48	12.68	26.07	0.91	100.00
June-08	3.90	26.04	2.69	3.36	12.61	14.05	1.26	3.44	13.45	19.18	0.00	100.00
<b>Earnest Partners</b>												
June-07	5.18	21.08	0.00	1.61	5.18	13.08	10.21	4.55	7.34	31.77	0.00	100.00
June-08	1.37	21.98	0.00	2.57	5.77	15.84	13.32	6.40	5.99	26.76	0.00	100.00
<b>Lord Abbett &amp; Co.</b>												
June-07	1.96	32.04	1.52	6.50	6.80	7.41	13.56	0.14	10.32	19.57	0.19	100.00
June-08	0.65	26.03	3.90	8.41	5.54	10.69	9.98	3.11	3.36	28.34	0.00	100.00
<b>LSV Asset Mgmt</b>												
June-07	0.32	12.93	8.22	6.01	4.98	16.74	5.46	1.77	8.03	34.79	0.74	100.00
June-08	0.42	16.14	8.28	6.60	7.03	17.28	6.67	1.17	8.42	27.62	0.37	100.00
<b>Systematic Financial Mgmt.</b>												
June-07	2.95	20.97	2.60	6.98	5.96	13.66	6.03	0.91	9.05	30.89	0.00	100.00
June-08	2.20	14.28	5.47	9.40	3.40	13.90	8.87	2.28	13.98	26.22	0.00	100.00
<b>Frank Russell 1000 Value</b>												
June-07	0.00	20.84	1.89	4.72	5.40	14.36	4.72	0.89	12.44	34.54	0.20	100.00
June-08	0.00	21.65	1.46	5.40	8.04	17.60	3.95	1.31	13.13	26.89	0.58	100.00

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2007 and FY 2008 (In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b><u>Small Cap Growth (Russell 2000 Growth)</u></b>												
<b>McKinley Capital</b>												
June-07	0.86	22.44	10.14	8.26	10.93	7.73	30.22	3.94	0.00	5.48	0.00	100.00
June-08	2.51	27.31	5.31	8.64	15.91	8.22	25.59	2.25	0.00	4.26	0.00	100.00
<b>Next Century Growth</b>												
June-07	1.27	39.55	0.00	7.60	13.33	12.18	23.92	1.07	1.07	0.00	0.00	100.00
June-08	2.60	27.42	3.03	7.24	15.90	12.24	27.26	0.00	0.97	2.37	0.98	100.00
<b>Turner Investment Partners</b>												
June-07	1.27	30.85	8.20	7.47	5.41	5.27	28.01	3.10	0.91	9.51	0.00	100.00
June-08	2.18	33.64	6.23	7.59	7.61	8.93	22.51	2.09	0.78	7.40	1.04	100.00
<b>Frank Russell 2000 Growth</b>												
June-07	0.00	35.27	5.61	6.35	8.09	5.72	25.54	3.15	0.99	8.97	0.31	100.00
June-08	0.00	33.52	4.56	6.78	7.67	9.34	24.89	2.14	1.40	8.60	1.10	100.00
<b><u>Small Cap Value (Russell 2000 Value)</u></b>												
<b>Goldman Sachs</b>												
June-07	2.92	17.35	6.37	11.36	5.35	3.63	15.77	1.16	6.86	28.59	0.65	100.00
June-08	5.04	14.15	5.81	10.94	6.75	7.24	12.65	1.69	6.02	29.35	0.36	100.00
<b>Hotchkis &amp; Wiley</b>												
June-07	3.71	29.14	7.84	17.48	3.49	2.10	5.94	6.32	1.84	22.14	0.00	100.00
June-08	4.17	28.76	16.58	0.97	0.00	3.47	10.49	0.99	5.33	29.22	0.00	100.00
<b>Martingale Asset Mgmt</b>												
June-07	0.47	18.59	6.72	16.38	4.35	4.95	12.93	0.77	4.72	30.12	0.00	100.00
June-08	0.50	17.52	6.12	10.37	7.83	7.33	14.19	4.14	4.06	27.95	0.00	100.00
<b>Peregrine Capital Mgmt.</b>												
June-07	2.22	21.98	9.35	7.73	4.82	6.54	11.65	4.89	4.30	26.53	0.00	100.00
June-08	2.10	19.28	9.95	8.99	5.33	5.80	13.82	3.49	3.07	26.87	1.30	100.00
<b>RiverSource/Kenwood</b>												
June-07	3.71	29.14	7.84	17.48	3.49	2.10	5.94	6.32	1.84	22.14	0.00	100.00
June-08	0.86	17.41	7.21	10.22	4.62	7.81	13.95	3.14	5.85	28.80	0.13	100.00
<b>Frank Russell 2000 Value</b>												
June-07	0.00	20.56	5.84	10.38	4.45	4.77	13.53	1.49	6.00	32.66	0.33	100.00
June-08	0.00	18.00	4.95	10.75	5.92	8.10	12.15	2.58	6.53	30.84	0.18	100.00



## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2007 and FY 2008 (In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b><u>AGGREGATE ACTIVE</u></b>												
<b>Aggregate</b>												
June-07	1.66	30.38	4.16	4.87	6.10	7.63	17.95	1.66	4.29	20.67	0.62	100.00
June-08	1.80	27.27	4.76	5.59	7.70	10.42	19.27	2.35	4.48	15.78	0.59	100.00
<b>Frank Russell 3000</b>												
June-07	0.00	29.40	2.46	5.00	7.13	8.77	16.26	1.81	6.83	21.74	0.59	100.00
June-08	0.00	28.25	2.47	5.94	7.57	12.58	16.96	2.11	6.52	16.95	0.67	100.00

## Statistical Data

### EXTERNAL SEMI-PASSIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2007 and FY 2008 (In Percentages)

	Beta	Vty.	Mom.	Size	Size Non	Trad. Actvy.	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Ave. T/O	Eqty Alloc
<b><u>Semi-Passive Managers (Russell 1000)</u></b>															
<b>Barclays Global Investors</b>															
June-07	1.01	-0.05	-0.01	0.08	0.04	-0.03	-0.01	0.20	0.09	-0.01	-0.01	-0.01	0.02	5.82	99.63%
June-08	1.02	-0.03	-0.02	0.06	0.04	0.01	-0.05	0.09	0.00	0.00	-0.04	-0.01	-0.01	5.82	99.64%
<b>Franklin Portfolio Associates</b>															
June-07	1.02	-0.06	0.01	0.16	0.09	0.06	0.01	0.20	-0.01	0.00	-0.03	-0.015	0.003	6.46	99.85%
June-08	1.01	-0.08	0.05	0.13	0.08	0.08	-0.03	0.16	0.00	-0.02	-0.11	0.05	0.015	6.17	99.62%
<b>J.P. Morgan Investment Mgmt.</b>															
June-07	1.03	-0.07	-0.02	0.27	0.12	0.04	-0.07	0.08	0.01	-0.06	-0.09	-0.05	0.04	4.95	99.76%
June-08	1.02	-0.08	-0.04	0.25	0.10	0.05	-0.08	0.09	0.03	-0.01	-0.09	-0.01	0.05	5.07	99.78%
<b><u>AGGREGATE SEMI-PASSIVE EQUITY</u></b>															
June-07	1.02	-0.06	-0.01	0.16	0.08	0.02	-0.02	0.16	0.04	-0.02	-0.04	-0.02	0.02	4.86	99.73%
June-08	1.02	-0.06	-0.01	0.14	0.07	0.04	-0.06	0.11	0.01	-0.01	-0.08	0.01	0.02	4.95	99.68%
<b>Frank Russell 1000</b>															
June-07	1.02	-0.07	-0.02	0.19	0.09	0.02	-0.04	0.05	-0.02	-0.05	-0.04	-0.01	0.05	N.A.	100.00%
June-08	1.02	-0.05	-0.03	0.16	0.08	0.04	-0.06	0.05	0.00	-0.02	-0.05	0.00	0.04	N.A.	100.00%

## Statistical Data

### EXTERNAL SEMI-PASSIVE STOCK MANAGERS

#### Sector Weights FY 2007 and FY 2008 (In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b><u>Semi-Passive Managers (Russell 1000)</u></b>												
<b>Barclays Global Investors</b>												
June-07	0.37	29.26	2.14	5.04	6.60	9.69	16.50	1.80	6.35	22.09	0.15	100.00
June-08	0.36	28.82	1.12	6.47	7.11	12.70	16.62	2.03	8.16	16.32	0.30	100.00
<b>Franklin Portfolio Associates</b>												
June-07	0.15	30.43	1.22	5.89	7.55	9.56	16.28	1.11	5.51	22.21	0.09	100.00
June-08	0.38	27.55	2.61	6.73	7.98	12.88	16.32	1.46	7.83	15.82	0.44	100.00
<b>J.P. Morgan Investment Mgmt.</b>												
June-07	0.24	28.03	2.71	4.72	7.78	8.82	15.89	1.65	7.54	22.25	0.37	100.00
June-08	0.22	27.51	3.19	5.56	7.16	13.75	16.69	1.88	7.34	16.43	0.28	100.00
<b><u>AGGREGATE SEMI-PASSIVE EQUITY</u></b>												
June-07	0.27	29.21	2.06	5.18	7.25	9.38	16.24	1.55	6.49	22.18	0.20	100.00
June-08	0.32	28.01	2.24	6.25	7.38	13.10	16.56	1.81	7.79	16.21	0.33	100.00
<b>Frank Russell 1000</b>												
June-07	0.00	29.56	2.16	4.68	7.21	9.10	15.97	1.77	7.14	21.80	0.62	100.00
June-08	0.00	28.70	1.91	5.30	7.72	13.45	16.55	2.07	7.10	16.52	0.66	100.00

**EXTERNAL DOMESTIC STOCK MANAGERS**

**Annualized Performance Summary  
Periods Ending June 30, 2008**

	<b>1 Year</b>		<b>3 Years</b>		<b>5 Years</b>	
	<b>Actual</b>	<b>Benchmark</b>	<b>Actual</b>	<b>Benchmark</b>	<b>Actual</b>	<b>Benchmark</b>
<b>Large Cap Core</b>						
Franklin Portfolio Associates	-13.6%	-12.4%	4.7%	4.8%	9.3%	8.2%
New Amsterdam Partners	-12.8	-12.4	2.3	4.8	8.6	8.9
UBS Global Asset Management	-18.9	-12.4	2.9	4.8	7.6	8.2
Frank Russell 1000		-12.4		4.8		
<b>Large Cap Growth</b>						
AllianceBernstein L.P.	-3.6	-6.0	5.7	5.9	6.5	7.3
INTECH	-6.9	-6.0	4.5	5.9		
Jacobs Levy	-9.6	-6.0	2.6	5.9		
Lazard Asset Mgmt.	-4.5	-6.0	7.5	5.9		
Sands Capital	-0.6	-6.0	4.4	5.9		
Voyageur-Chicago Equity	-7.4	-6.0	2.1	5.9	5.1	7.3
Winslow-Large Cap	3.5	-6.0	10.8	5.9		
Zevenbergen Capital	-5.0	-6.0	9.2	5.9	10.9	7.3
Frank Russell 1000 Growth		-6.0		5.9		
<b>Large Cap Value</b>						
Barrow, Hanley	-19.6	-18.8	1.5	3.5		
Earnest Partners	-17.1	-18.8	3.3	3.5		
Lord Abbett & Co.	-15.0	-18.8	4.4	3.5	10.5	8.9
LSV Asset Mgmt.	-22.0	-18.8	3.3	3.5		
Systematic Financial Mgmt.	-14.4	-18.8	5.8	3.5		
Frank Russell 1000 Value		-18.8		3.5		
<b>Small Cap Growth</b>						
McKinley Capital	-14.0	-10.8	5.7	6.1		
Next Century Growth	-1.3	-10.8	14.9	6.1	17.3	10.4
Turner Investment Partners	-6.4	-10.8	9.5	6.1		
Frank Russell 2000 Growth		-10.8		6.1		
<b>Small Cap Value</b>						
Goldman Sachs	-15.7	-21.6	3.7	1.4		
Hotchkis & Wiley	-29.2	-21.6	-5.4	1.4		
Martingale Asset Mgmt.	-24.4	-21.6	-3.4	1.4		
Peregrine Capital Mgmt.	-30.0	-21.6	-3.6	1.4	7.9	10.0
RiverSource/Kenwood	-25.0	-21.6	-1.1	1.4		
Frank Russell 2000 Value		-21.6		1.4		

## Statistical Data

### EXTERNAL DOMESTIC STOCK MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2008

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Semi-Passive Managers</b>						
Barclays Global Investors	-13.3%	-12.4%	4.4%	4.8%	8.2%	8.2%
Franklin Portfolio Associates	-13.9	-12.4	3.9	4.8	7.6	8.2
J.P. Morgan Investment Mgmt.	-13.4	-12.4	4.3	4.8	7.8	8.2
Frank Russell 1000		-12.4		4.8		8.2
<b>Passive Manager</b>						
Barclays Global Investors	-12.6	-12.7	4.8	4.7	8.4	8.4
Frank Russell 3000		-12.7		4.7		8.4
<b>Aggregate (1)</b>	<b>-13.1</b>	<b>-12.7</b>	<b>4.3</b>	<b>4.7</b>	<b>8.2</b>	<b>8.3</b>
<b>Capital Markets Data</b>						
Russell 3000		-12.7		4.7		8.4
Wilshire 5000		-12.5		5.0		8.7
3-Month-Treasury Bills		3.1		4.1		3.1
Inflation		5.0		3.7		3.4

(1) Aggregate of all Domestic Stock Managers retained during the time period shown.

## **Statistical Data**

### ***Bond Manager Portfolio Characteristics Glossary***

The bond manager portfolio statistics glossary is designed to define terminology the State Board of Investment uses in evaluating a bond manager's investment philosophy, risk characteristics and performance data. The definitions refer to categories shown in the Portfolio Characteristics table that follows this glossary.

#### ***Number of Issues (# of Issues)***

The number of different bond issues held in the manager's portfolio.

#### ***Average Quality Weightings (Avg. Qual.)***

The average rating given the portfolio's securities by a rating agency which can be any combination of: Moody's, S&P, or Fitch. A security's rating indicates the financial strength of its issuer and other factors related to the likelihood of full and timely payment of interest and principal.

#### ***Coupon***

The annual interest payment received on the manager's total portfolio stated as a percent of the portfolio's face value.

#### ***Yield to Maturity (Yield to Mat.)***

The compounded annualized return that the manager's total portfolio would produce if it were held to maturity and all cash flows were reinvested at an interest rate equal to the yield to maturity.

#### ***Duration***

A measure of the average life of the total portfolio. Duration is a weighted average maturity where the time in the future that each cash flow is received is weighted by the proportion that the present value of the cash flow contributes to the total present value (or price) of the total portfolio.

#### ***Term to maturity (Term. to Mat.)***

A measure of the average life of the total portfolio. Term to maturity is the number of years remaining until the average bond in the portfolio makes its final cash payment.



## Statistical Data

### EXTERNAL ACTIVE BOND MANAGERS

#### Portfolio Characteristics FY2007 - 2008

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Duration	Term To Mat.
<b>Aberdeen Asset Management</b>						
June-08	301	AA	5.71%	6.78%	4.97 Yrs.	7.4 Yrs.
June-07	266	AA+	5.66	5.98	4.81	6.8
<b>Dodge &amp; Cox Asset Management</b>						
June-08	198	AA	5.86	5.92	3.84	6.4
June-07	176	AA+	5.74	5.96	4.00	6.3
<b>Morgan Stanley</b>						
June-08	879	AA+	5.76	8.75	4.92	8.8
June-07	792	AAA	5.46	5.67	4.09	6.6
<b>RiverSource Investments</b>						
June-08	377	AA+	5.22	6.19	4.54	7.5
June-07	378	AA+	5.33	6.02	4.72	7.2
<b>Western Asset Management</b>						
June-08	654	AA/Aa2	5.43	6.83	5.61	8.9
June-07	600	AA+	6.87	5.73	4.69	7.7
<b>Lehman Aggregate</b>						
June-08	9,457	AAA	5.35	5.09	4.70	7.2
June-07	8,899	AA1/AA2	5.40	5.69	4.70	7.3

## Statistical Data

### EXTERNAL ACTIVE BOND MANAGERS

#### Sector Weights FY2007 - 2008 (In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Intl.	High Yld	Cash
<b>Aberdeen Asset Management</b>								
June-08	15	30	50	1	4	0	0	0
June-07	16	27	50	1	6	0	0	0
<b>Dodge &amp; Cox Asset Management</b>								
June-08	5	52	35	0	0	0	8	0
June-07	9	44	38	0	0	0	9	0
<b>Morgan Stanley</b>								
June-08	7	22	63	4	0	0	1	3
June-07	32	14	21	1	0	0	1	31
<b>RiverSource Investments</b>								
June-08	14	32	52	1	0	0	1	0
June-07	25	25	46	1	0	0	3	0
<b>Western Asset Management</b>								
June-08	31	25	33	1	0	3	7	0
June-07	34	17	39	1	0	1	8	0
<b>Lehman Aggregate</b>								
June-08	36	26	37	1	0	0	0	0
June-07	32	28	39	1	0	0	0	0

#### Abbreviations:

Gov't.	Government securities	Misc.	Miscellaneous or other
Corp.	Corporate securities	Int'l.	Non-dollar securities
Mtge.	Mortgage-backed securities	High Yld	Securities rated below investment grade
ABS	Asset-backed securities		

## Statistical Data

### EXTERNAL SEMI-PASSIVE BOND MANAGERS

#### Portfolio Characteristics June 2007 - June 2008

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Dur.	Term To Mat.
<b>BlackRock Financial</b>						
June-08	587	AAA	5.48%	6.43%	4.69 Yrs.	7.3 Yrs.
June-07	602	AAA	5.48	5.95	4.74	6.3
<b>Goldman Sachs Asset Management</b>						
June-08	622	AA	5.36	5.80	4.61	19.2
June-07	609	AAA	5.11	5.68	4.62	6.5
<b>Lehman Brothers</b>						
June-08	946	AA	5.51	5.48	4.73	7.9
June-07	993	AA+	5.37	5.80	4.76	7.1
<b>Lehman Aggregate</b>						
June-08	9,457	AAA	5.35	5.09	4.70	7.2
June-07	8,899	AA1/AA2	5.40	5.69	4.70	7.3

#### Sector Weights June 2007 - June 2008 (In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Cash
<b>Blackrock Financial</b>						
June-08	17	27	54	1	0	1
June-07	22	17	58	2	0	1
<b>Goldman Sachs Asset Management</b>						
June-08	33	25	42	0	0	0
June-07	40	17	42	1	0	0
<b>Lehman Brothers</b>						
June-08	21	30	49	0	0	0
June-07	28	24	48	0	0	0
<b>Lehman Aggregate</b>						
June-08	36	26	37	1	0	0
June-07	32	28	39	1	0	0

## Statistical Data

### EXTERNAL BOND MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2008

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Active Managers</b>						
Aberdeen	3.0%	7.1%	2.9%	4.1%	3.4%	3.9%
Dodge & Cox	4.5	7.1	3.9	4.1	4.0	3.9
Morgan Stanley	-2.1	7.1	1.6	4.1	2.8	3.9
RiverSource Investments	5.3	7.1	3.8	4.1	3.8	3.9
Western Asset Management	3.0	7.1	3.2	4.1	4.2	3.9
<b>Semi-Passive Managers</b>						
BlackRock Financial	6.5	7.1	3.9	4.1	3.8	3.9
Goldman Sachs Asset Mgmt.	5.8	7.1	3.8	4.1	4.0	3.9
Lehman Brothers	4.8	7.1	3.4	4.1	3.5	3.9
<b>Aggregate (1)</b>	<b>4.3%</b>	<b>7.1%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.9%</b>
<b>Capital Markets Data</b>						
Lehman Aggregate	7.1%		4.1%		3.9%	
3 month Treasury Bills	3.1		4.1		3.1	
Inflation	5.0		3.7		3.4	

(1) Aggregate of all active and semi-passive managers retained during the time period shown.

## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION DEVELOPED MARKETS MANAGERS

*Fiscal Year 2008*

	Acadian Asset Mgmt. (Active)	INVESCO Global Asset Mgmt. (Active)	J.P. Morgan Investment Mgmt. (Active)	Marathon Asset Mgmt. (Active)
<b>Local Returns</b>				
Country Allocation	-1.8%	-1.2%	-1.3%	3.1%
Stock Selection	-4.8	-3.9	-0.2	1.9
Timing	0.3	-0.1	-0.2	-0.3
<b>Currency Returns</b>				
Currency Selection	0.8	-0.1	-0.1	0.4
Currency Allocation	0.6	0.0	0.2	-1.7
Hedging Activity	0.0	0.0	0.0	0.0
Timing	-0.1	-0.1	-0.1	0.0
<b>Base Return</b>				
Relative Value Added	-5.0%	-5.3%	-1.7%	3.4%

**Note:** All attribution numbers are based on gross returns, not net returns as found in the Investment Pools section.

#### Definitions:

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

Country Allocation - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Timing - The geometric amount of the relative local returns that cannot be accounted for by the Country Allocation or the Stock Selection. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Currency Returns** - The relative difference between the base currency return and the local currency return.

Currency Selection - The geometric portion of the relative currency returns that can generally be attributed to significant flows between countries during periods of volatile exchange rates. Currency selection will be positive if a portfolio's currency return is greater than the benchmark.

Currency Allocation - The geometric portion of the relative currency returns that can be attributed to over/underweighting currencies relative to the benchmark. Currency allocation will be positive if the manager has overweighted currencies that performed well and underweighted currencies that did not perform well.

Hedging Activity - The geometric difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Timing - The geometric amount of the relative currency returns that cannot be accounted for Currency Selection and Allocation, and Hedging Activity. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

Relative Value Added - The geometric difference between the portfolio's base return and the benchmark's base return.

## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION DEVELOPED MARKETS MANAGERS

*Fiscal Year 2008*

	McKinley Capital Mgmt. (Active)	Pyramis Global Advisors Trust Co. (Active)	RiverSource Investments (Active)	UBS Global Asset Mgmt. (Active)
<b>Local Returns</b>				
Country Allocation	0.1%	1.3%	0.1%	-1.1%
Stock Selection	2.0	5.2	2.8	-5.6
Timing	1.3	0.2	0.4	-0.3
<b>Currency Returns</b>				
Currency Selection	-0.1	0.3	0.1	-0.1
Currency Allocation	0.4	0.2	-1.1	0.2
Hedging Activity	0.0	0.0	0.0	0.9
Timing	-0.1	-0.4	0.0	0.1
<b>Base Return</b>				
<b>Relative Value Added</b>	<b>3.7%</b>	<b>6.9%</b>	<b>2.2%</b>	<b>-6.0%</b>

**Note:** All attribution numbers are based on gross returns, not net returns as found in the Investment Pools section.

#### Definitions:

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

Country Allocation - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Timing - The geometric amount of the relative local returns that cannot be accounted for by the Country Allocation or the Stock Selection. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Currency Returns** - The relative difference between the base currency return and the local currency return.

Currency Selection - The geometric portion of the relative currency returns that can generally be attributed to significant flows between countries during periods of volatile exchange rates. Currency selection will be positive if a portfolio's currency return is greater than the benchmark.

Currency Allocation - The geometric portion of the relative currency returns that can be attributed to over/underweighting currencies relative to the benchmark. Currency allocation will be positive if the manager has overweighted currencies that performed well and underweighted currencies that did not perform well.

Hedging Activity - The geometric difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Timing - The geometric amount of the relative currency returns that cannot be accounted for Currency Selection and Allocation, and Hedging Activity. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

Relative Value Added - The geometric difference between the portfolio's base return and the benchmark's base return.



## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION DEVELOPED MARKETS MANAGERS

*Fiscal Year 2008*

	AQR Capital Mgmt. (Semi-Passive)	Pyramis Global Advisors Trust Co. (Semi-Passive)	State Street Global Advisors (Semi-Passive)	State Street Global Advisors (Passive)
<b>Local Returns</b>				
Country Allocation	2.5%	0.8%	-0.1%	0.6%
Stock Selection	-2.0	5.2	-2.4	-0.3
Timing	-1.4	0.0	0.4	0.1
<b>Currency Returns</b>				
Currency Selection	1.0	0.3	0.2	0.5
Currency Allocation	-0.9	-0.2	0.2	-0.2
Hedging Activity	-0.3	0.0	0.0	0.0
Timing	-1.2	-0.1	-0.3	-0.2
<b>Base Return</b>				
<b>Relative Value Added</b>	<b>-2.2%</b>	<b>6.0%</b>	<b>-2.0%</b>	<b>0.4%</b>

**Note:** All attribution numbers are based on gross returns, not net returns as found in the Investment Pools section.

#### Definitions:

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

Country Allocation - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

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**Currency Returns** - The relative difference between the base currency return and the local currency return.

Currency Selection - The geometric portion of the relative currency returns that can generally be attributed to significant flows between countries during periods of volatile exchange rates. Currency selection will be positive if a portfolio's currency return is greater than the benchmark.

Currency Allocation - The geometric portion of the relative currency returns that can be attributed to over/underweighting currencies relative to the benchmark. Currency allocation will be positive if the manager has overweighted currencies that performed well and underweighted currencies that did not perform well.

Hedging Activity - The geometric difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Timing - The geometric amount of the relative currency returns that cannot be accounted for Currency Selection and Allocation, and Hedging Activity. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

Relative Value Added - The geometric difference between the portfolio's base return and the benchmark's base return.

## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION EMERGING MARKETS MANAGERS

*Fiscal Year 2008*

	AllianceBernstein L.P. (Active)	Capital Int'l Inc. (Active)	Morgan Stanley Investment Mgmt. (Active)
<b>Local Returns</b>			
Country Allocation	1.4%	1.2%	-0.9%
Stock Selection	-2.9	-5.1	-3.0
Timing	0.1	1.8	0.3
<b>Currency Returns</b>			
Currency Selection	3.5	3.3	3.0
Currency Allocation	-1.0	-0.5	-1.2
Hedging Activity	0.0	-0.1	-0.1
Timing	-0.4	-1.6	0.0
<b>Base Return</b>			
<b>Relative Value Added</b>	<b>0.5%</b>	<b>-1.2%</b>	<b>-2.0%</b>

**Note:** All attribution numbers are based on gross returns, not net returns as found in the Investment Pools section.

#### Definitions:

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

Country Allocation - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Timing - The geometric amount of the relative local returns that cannot be accounted for by the Country Allocation or the Stock Selection. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Currency Returns** - The relative difference between the base currency return and the local currency return.

Currency Selection - The geometric portion of the relative currency returns that can generally be attributed to significant flows between countries during periods of volatile exchange rates. Currency selection will be positive if a portfolio's currency return is greater than the benchmark.

Currency Allocation - The geometric portion of the relative currency returns that can be attributed to over/underweighting currencies relative to the benchmark. Currency allocation will be positive if the manager has overweighted currencies that performed well and underweighted currencies that did not perform well.

Hedging Activity - The geometric difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Timing - The geometric amount of the relative currency returns that cannot be accounted for Currency Selection and Allocation, and Hedging Activity. A timing number generally results from periods of high activity where the manager has reallocated across different countries.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

Relative Value Added - The geometric difference between the portfolio's base return and the benchmark's base return.

**EXTERNAL INTERNATIONAL STOCK MANAGERS**

**Annualized Performance Summary  
Periods Ending June 30, 2008**

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Active Developed Markets (1)</b>						
Acadian Asset Mgmt.	-13.5	-8.6	16.7	13.8		
INVESCO Global Asset Mgmt.	-13.7	-8.6	10.4	13.8	14.6	17.4
J.P. Morgan Investment Mgmt.	-10.7	-8.6	11.1	13.8		
Marathon Asset Management (2)	-5.8	-8.6	16.0	13.8	21.0	17.4
McKinley Capital Mgmt., Inc.	-5.6	-8.6	17.3	13.8		
Pyramis Global Advisors Trust Co.	-2.7	-8.6	15.9	13.8		
RiverSource Investments	-6.9	-8.6	13.8	13.8	15.7	17.4
UBS Global Asset Mgmt., Inc. (3)	-14.3	-8.6	9.5	13.8	13.9	17.4
<b>Semi-Passive Developed Markets (1)</b>						
AQR Capital Mgmt.	-11.1	-8.6	13.3	13.8		
Pyramis Global Advisors Trust Co.	-3.5	-8.6	16.8	13.8		
State Street Global Advisors	-10.9	-8.6	13.5	13.8		
<b>Active Emerging Markets (3)</b>						
AllianceBernstein L.P.	5.3	5.3	26.6	27.4	29.7	29.9
Capital International, Inc.	3.4	5.3	29.3	27.4	29.9	29.9
Morgan Stanley Investment Mgmt.	2.4	5.3	28.3	27.4	30.5	29.9
<b>Passive Developed Markets (1)</b>						
State Street Global Advisors	-8.2	-8.6	14.1	13.8	17.6	17.4
Equity Only*	-6.6	-6.4	16.0	15.8	18.8	19.0
<b>Total Program**</b>	<b>-6.6%</b>	<b>-6.4%</b>	<b>16.0%</b>	<b>15.8%</b>	<b>18.8%</b>	<b>19.0%</b>

\* Equity managers only. Includes impact of terminated managers. Excludes impact of currency overlay on the passive developed markets portfolio from 12/1/95 to 10/31/00.

\*\* Includes impact of currency overlay unrealized gain/loss through December 2001, when all contracts had matured. 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.

- (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) Fully active since 10/1/99. Active country/passive stock from inception 4/1/93 to 9/30/99.
- (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).

## Statistical Data

### ALTERNATIVE INVESTMENTS \* June 30, 2008

	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>REAL ESTATE</b>			
<b>Blackstone Real Estate Associates</b>			
Blackstone Real Estate V	112,226,489	16,332,133	2.17
Blackstone Real Estate VI	46,808,773	58,531,566	1.25
<b>Colony Capital</b>			
Colony Investors III	11,337,900	0	10.50
<b>Credit Suisse</b>			
CSFB Strategic Partners III RE	15,004,868	10,144,465	3.00
CSFB Strategic Partners IV RE	20,000,000	30,000,000	0.04
<b>Lehman Brothers Real Estate Partners</b>			
Lehman Brothers Real Estate Partners II	65,512,337	9,878,624	3.00
Lehman Brothers Real Estate Partners III	30,000,000	120,000,000	0.11
<b>Morgan Stanley (Lend Lease)</b>			
Prime Property Fund	304,500,836	0	26.72
<b>T.A. Associates Realty</b>			
TA Realty Associates Fund V	30,274,141	0	9.10
TA Realty Associates Fund VI	55,611,438	0	6.01
TA Realty Associates Fund VII	87,166,086	0	3.62
TA Realty Associates Fund VIII	82,648,480	20,000,000	2.00
<b>UBS Realty Investors</b>			
UBS Trumbull Property Fund	318,061,062	0	26.17
<b>REAL ESTATE TOTAL</b>	<b>1,179,152,410</b>	<b>264,886,788</b>	
<b>RESOURCE</b>			
<b>Apache Corp III</b>			
Apache Acquisition Net Profits Interest	8,386,200	0	21.50
<b>EnCap Investments</b>			
EnCap Energy Capital Fund VII	10,905,617	88,050,800	1.00
<b>First Reserve</b>			
First Reserve Fund VII	872,998	0	12.00
First Reserve Fund VIII	1,705,002	0	10.17
First Reserve Fund IX	940,000	0	7.23
First Reserve Fund X	67,400,979	1,436,679	3.66
First Reserve Fund XI	99,394,759	55,510,296	1.52
<b>Natural Gas Partners</b>			
NGP Midstream & Resources	19,665,029	78,514,611	1.25
Natural Gas Partners IX	17,995,711	135,437,937	0.69
<b>Sheridan Production Partners</b>			
Sheridan Production Partners I	44,426,652	60,997,740	1.25
<b>Simmons &amp; Company</b>			
SCF-IV	17,892,286	0	10.25
<b>T. Rowe Price</b>			
	0	0	N/A
<b>TCW Asset Management Company</b>			
TCW Energy Partners XIV	20,213,298	78,266,629	1.20
<b>RESOURCE TOTAL</b>	<b>309,798,531</b>	<b>498,214,692</b>	

## Statistical Data

### ALTERNATIVE INVESTMENTS \* June 30, 2008

	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>YIELD-ORIENTED</b>			
<b>Blackrock Financial Management</b>			
Carbon Capital	1,708,343	0	6.13
<b>Citicorp Capital Investors</b>			
Citicorp Mezzanine I	43,328	0	13.50
Citicorp Mezzanine III	14,422,815	11,970,704	8.66
<b>DLJ Investment Partners</b>			
DLJ Investment Partners II	3,120,852	28,941,031	8.50
DLJ Investment Partners III	14,709,736	85,091,881	2.02
<b>Equinox Investment Partners</b>			
KB Mezzanine Fund II	217,314	0	12.75
<b>Gold Hill Venture Lending Partners</b>			
Gold Hill Venture Lending	27,857,988	7,600,000	3.76
<b>Goldman Sachs Mezzanine Partners</b>			
GS Mezzanine Partners II	38,556,064	16,907,563	8.33
GS Mezzanine Partners III	38,975,653	22,103,589	4.97
GS Mezzanine Partners 2006 Institutional	69,030,991	28,339,549	2.23
GS Mezzanine Partners V	37,394,925	112,500,000	0.69
<b>GTCR Golder Rauner</b>			
GTCR Capital Partners	3,473,271	10,410,578	8.63
<b>Merit Capital Partners (fka William Blair)</b>			
William Blair Mezz.III	13,435,272	3,042,000	8.50
Merit Capital Partners IV	49,932,255	23,394,231	3.54
<b>Merit Energy</b>			
Merit Energy Partners B	77,401,973	0	12.00
Merit Energy Partners C	247,781,380	0	9.67
Merit Energy Partners D	211,501,686	17,061,697	7.10
Merit Energy Partners E	64,176,676	63,510,187	3.71
Merit Energy Partners F	20,373,348	82,120,508	2.27
<b>Prudential Capital Partners</b>			
Prudential Capital Partners I	35,907,940	4,143,747	7.20
Prudential Capital Partners II	81,355,137	14,278,069	3.00
<b>Quadrant</b>			
Institutional Commercial Mortgage Fd III	226,271	0	11.58
Institutional Commercial Mortgage Fd IV	2,241,096	0	10.50
Institutional Commercial Mortgage Fd V	20,946,638	0	8.91
<b>Summit Partners</b>			
Summit Subordinated Debt Fund I	86,023	2,000,000	14.25
Summit Subordinated Debt Fund II	6,697,761	4,500,000	10.91
Summit Subordinated Debt Fund III	22,321,051	9,959,035	4.37
Summit Subordinated Debt Fund IV	0	50,000,000	0.26
<b>T. Rowe Price</b>	274,687	0	N/A
<b>TCW/Crescent Mezzanine</b>			
TCW/Crescent Mezzanine Partners I	1,579,679	2,786,923	12.25
TCW/Crescent Mezzanine Partners II	1,801,275	12,520,954	9.60
TCW/Crescent Mezzanine Partners III	14,559,254	6,164,736	7.25
<b>Windjammer Capital Investors</b>			
Windjammer Mezzanine & Equity Fund II	36,681,256	16,591,895	8.25
Windjammer Senior Equity Fund III	25,849,560	38,546,531	2.49
<b>YIELD ORIENTED TOTAL</b>	1,184,641,499	674,485,408	

## Statistical Data

### ALTERNATIVE INVESTMENTS \*

June 30, 2008

	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>PRIVATE EQUITY</b>			
<b>Adams Street Partners</b>			
Adams Street VPAF Fund I	89,891	0	20.14
Adams Street VPAF Fund II	108,872	0	17.59
<b>Advent International</b>			
Advent International GPE VI	0	50,000,000	0.25
<b>Affinity Capital</b>			
Affinity Ventures IV	1,460,376	1,888,153	4.00
<b>Banc Funds Co.</b>			
Banc Fund VII	30,864,557	5,400,000	3.25
Banc Fund VIII	800,000	79,200,000	0.18
<b>Blackstone Group</b>			
Blackstone Capital Partners II	3,623,901	0	14.60
Blackstone Capital Partners IV	52,043,295	6,226,357	5.97
Blackstone Capital Partners V	85,306,851	51,979,948	2.41
<b>BLUM Capital</b>			
Blum Strategic Partners I	14,425,583	998,188	9.52
Blum Strategic Partners II	17,003,448	9,812,770	6.95
Blum Strategic Partners III	53,177,805	1,023,873	3.08
Blum Strategic Partners IV	80,096,732	57,411,613	0.61
<b>CarVal Investors</b>			
CVI Global Value Fund	139,666,805	66,250,000	1.46
<b>Chicago Growth Partners (William Blair)</b>			
William Blair Capital Partners VII	35,422,102	2,150,000	7.31
Chicago Growth Partners I	38,721,238	6,908,002	2.93
Chicago Growth Partners II	5,882,204	54,117,796	0.30
<b>Coral Group</b>			
Coral Partners II	101,490	0	17.93
Coral Partners IV	1,574,862	0	13.94
Coral Partners V	2,534,641	0	10.04
<b>Court Square Capital</b>			
Citigroup Venture Capital Equity Partners I	31,148,745	20,317,267	6.55
Court Square Capital Partners II	42,204,422	128,242,598	1.82
<b>Crescendo Ventures</b>			
Crescendo III	1,377,088	0	9.65
Crescendo IV	45,691,622	0	8.31
<b>Credit Suisse</b>			
DLJ Merchant Banking Partners III	82,191,975	6,010,450	7.75
DLJ Strategic Partners	30,213,759	11,653,925	7.44
CSFB Strategic Partners II-B	49,569,324	18,885,074	4.95
CSFB Strategic Partners III VC	22,825,610	3,609,347	3.08
CSFB Strategic Partners III-B	86,441,047	16,620,140	3.08
CS Strategic Partners IV-B	27,750,000	72,250,000	0.26
CS Strategic Partners IV VC	4,000,000	36,000,000	0.04
<b>CVC Capital Partners</b>			
CVC European Equity Partners V	0	157,554,999	0.26
<b>Diamond Castle Partners</b>			
Diamond Castle Partners IV	53,102,659	49,711,716	1.81
<b>DSV Partners IV</b>			
	36,524	0	23.22



## Statistical Data

### ALTERNATIVE INVESTMENTS \* June 30, 2008

	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>PRIVATE EQUITY (cont.)</b>			
<b>EBF &amp; Associates</b>			
Merced Partners II	23,457,578	52,500,000	1.25
<b>Elevation Partners</b>			
Elevation Partners	32,682,812	32,626,246	3.12
<b>Fox Paine and Company</b>			
Fox Paine Capital Fund II	36,240,489	11,257,490	8.00
<b>Golder Hawn Johnson and Morrison</b>			
GHJM Marathon Fund IV	9,194,904	949,000	9.21
GHJM Marathon Fund V	36,723,082	12,780,321	3.75
<b>Golder, Thoma, Cressey &amp; Rauner</b>			
Golder, Thoma, Cressey & Rauner Fund III	185,019	0	20.67
Golder, Thoma, Cressey & Rauner Fund IV	28,060	0	14.41
Golder, Thoma, Cressey & Rauner Fund V	2,295,571	0	12.00
<b>Goldman Sachs Capital Partners</b>			
GS Capital Partners 2000	30,632,176	0	7.83
GS Capital Partners V	116,500,107	33,609,636	3.25
GS Capital Partners VI	25,761,000	69,000,000	1.41
<b>GTCR Golder Rauner</b>			
GTCR VI	21,314,492	0	10.00
GTCR VII	34,276,530	20,562,501	8.39
GTCR IX	14,860,370	57,504,529	2.00
<b>Hellman &amp; Friedman</b>			
Hellman & Friedman Capital Partners IV	34,293,528	16,032,506	8.50
Hellman & Friedman Capital Partners V	175,107,550	18,018,344	3.58
Hellman & Friedman Capital Partners VI	90,272,548	86,671,813	1.25
<b>Kohlberg Kravis Roberts</b>			
KKR 1987 Fund	3,225,316	0	20.60
KKR 1993 Fund	1,365,678	0	14.53
KKR 1996 Fund	33,501,886	0	11.83
KKR Millennium Fund	195,722,165	3,684,991	5.56
KKR 2006 Fund	142,442,397	49,554,472	1.76
<b>Lexington Capital Partners</b>			
Lexington Capital Partners VI-B	51,145,884	42,361,808	2.51
<b>RWI Ventures</b>			
RWI Group III	193,373	0	2.00
RWI Ventures I	3,485,343	300,000	2.00
<b>Sightline Healthcare</b>			
Sightline Healthcare Fund II	2,306,852	0	11.33
Sightline Healthcare Fund III	7,625,663	0	9.44
Sightline Healthcare Fund IV	3,716,760	1,109,378	4.76
<b>Silver Lake Partners</b>			
Silver Lake Partners II	99,756,882	14,080,834	4.00
Silver Lake Partners III	11,099,648	87,492,390	1.25
<b>Split Rock Partners</b>			
Split Rock Partners	22,409,538	25,963,634	3.16
Split Rock Partners II	0	60,000,000	0.20
<b>Summit Partners</b>			
Summit Ventures II	169,288	1,500,000	20.13
Summit Ventures V	2,607,997	875,000	10.25

## Statistical Data

### ALTERNATIVE INVESTMENTS \* June 30, 2008

	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>PRIVATE EQUITY (cont.)</b>			
<b>T. Rowe Price</b>	80,134,016	0	N/A
<b>Thoma Cressey Bravo Equity Partners</b>			
Thoma Cressey Fund VI	12,299,177	1,085,000	9.86
Thoma Cressey Fund VII	34,422,705	895,925	7.85
Thoma Cressey Fund VIII	60,656,570	9,397,426	2.17
<b>Thomas, McNerney &amp; Partners</b>			
Thomas, McNerney & Partners I	15,275,074	7,050,000	5.65
Thomas, McNerney & Partners II	11,756,940	36,125,000	2.00
<b>Varde Partners</b>			
Varde Fund IX	0	100,000,000	0.02
<b>Vestar Capital Partners</b>			
Vestar Capital Partners IV	29,357,664	3,339,977	8.54
Vestar Capital Partners V	52,035,600	21,658,275	2.53
<b>Warburg Pincus</b>			
Warburg, Pincus Ventures	451,376	0	13.50
Warburg Pincus Equity Partners	21,523,805	0	10.01
Warburg Pincus Private Equity VIII	104,043,054	0	6.21
Warburg Pincus Private Equity IX	104,425,337	1,594,792	2.93
Warburg Pincus Private Equity X	31,198,566	115,139,086	0.68
<b>Wayzata Investment Partners</b>			
Wayzata Opportunities Fund	116,942,857	550,000	2.53
Wayzata Opportunities Fund II	55,159,869	93,000,000	0.69
<b>Welsh, Carson, Anderson &amp; Stowe</b>			
Welsh, Carson, Anderson & Stowe VIII	42,281,944	0	9.94
Welsh, Carson, Anderson & Stowe IX	85,295,569	6,250,000	8.01
Welsh, Carson, Anderson & Stowe X	82,175,668	26,421,534	2.54
<b>Zell/ Chilmark</b>			
Zell/ Chilmark	34,765	0	17.97
<b>PRIVATE EQUITY TOTAL</b>	<b>3,243,528,470</b>	<b>2,035,164,124</b>	

\* None of the data presented herein has been reviewed or approved by either the general partner or investment manager. The valuation data presented herein is not a guarantee or prediction of future results. Ultimately, the actual value of any investment is not known until final liquidation.

## Statistical Data

### Time-Weighted Rate of Return

In measuring the performance of a manager or fund whose investment objective is to maximize the total value of an investment portfolio, the proper measuring tool is the time-weighted total rate of return. This performance measure includes the effect of income earned as well as realized and unrealized portfolio market value changes. In addition, the time-weighted total rate of return nets out the influence of contributions made to and distributions taken from the manager or fund. These are variables over which the manager or fund generally has no control.

The calculation of a portfolio's true time-weighted return requires that the portfolio be valued every time that there is a capital flow in or out. Because most portfolios are not valued that frequently, it is usually necessary to estimate the time-weighted total rates of return by approximating the required valuations.

In 1968, the Bank Administration Institute (BAI) commissioned a study, conducted by the University of Chicago, which considered desirable methods of estimating time-weighted returns. The BAI report is considered to be the definitive work in the field of performance measurement because of the academic reputations and thorough scientific efforts of its authors.

When monthly data are available, the BAI study recommends employing a technique called the linked internal rate of return (LIRR). State Street Bank, the SBI's performance measurement consultant, calculates the LIRR by solving the following equation for R:

$$VB * (1 + R) + \sum_{i=1}^n Ci * (1 + R)^{ti} = VE$$

Where:

VB = Value of the fund at the beginning of the month

VE = Value of the fund at the end of the month

Ci = Net cash flow on the ith day of the month

n = Number of cash flows in the month

R = Internal rate of return

ti = Time from cash flow i to the end of the period, expressed as a percentage of the total number of days in the month

The internal rate of return, R, is a proxy for the true time-weighted return over the month. It approximates the interim valuations by assuming a uniform growth of the invested assets throughout the period.

The IRR's calculated for each month can be linked together to estimate the time-weighted return for a longer period. For example, given three consecutive monthly IRR's (R1, R2, and R3), the quarterly time-weighted return (TWRQ) is:

$$TWRQ = (1 + R1) * (1 + R2) * (1 + R3) - 1$$

State Street's performance methodology is also in compliance with the mandatory requirements of the CFA Institute.

### **Calculation of January 1, 2009 Benefit Increase**

The Post Retirement Fund had a composite funded ratio of 79.7% on June 30, 2008. Under the provision of Minnesota Statutes Section 11A.181 subd. 1 (2) the Post Fund is dissolved because it fell below a 80.0% composite funded ratio. In accordance with Minnesota Statutes , Section 11A.181 Subd.3 a postretirement benefit increase of 2.5% is effective January 1, 2009, for Post Fund Participants eligible for an increase .

### **Calculation of June 30, 2008 Composite Funded Ratio**

Total Fair Market Value of the Post Retirement Fund	\$23,015,111,000
Post Retirement Fund required reserves determined by the Actuary	\$28,881,890,404
Composite funded ratio	79.7%

### **Calculation of June 30, 2008 Fair Market Value Used in the Composite Funded Ratio**

*(Includes mortality gain and loss accruals no longer payable under 11A181 Subd.2 (1))*

#### **ASSETS:**

##### **Investments (at market value):**

Common Stock	\$ 14,292,974
Alternative Equities	2,592,833
Fixed Income Securities	5,746,354
Short Term Securities	335,145
Short Term Securities-Lending Collateral	2,381,712
Total Investments	\$ 25,349,018
Cash	0
Security Sales Receivable	0
Accounts Receivable-Fee Refunds	0
Accounts Receivable-Mortality	106,285
Accounts Receivable-Participants	0
Accrued Interest	0
Accrued Dividends	0
Accrued Short Term Gain	565
Reserve Adjustment	0
<b>TOTAL ASSETS</b>	<b>\$ 25,455,868</b>

#### **LIABILITIES:**

Management Fees Payable	7,134
Security Purchases Payable	0
Accounts Payable-Participants	1,744
Accounts Payable-Mortality	50,167
Reserve Adjustment	0
Securities-Lending Collateral	2,381,712
<b>TOTAL LIABILITIES</b>	<b>\$ 2,440,757</b>

<b>NET ASSETS AT JUNE 30, 2008</b>	<b>\$ 23,015,111</b>
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## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
A & C BROKERAGE	0	0	560,563	0	0
ABD SECURITIES	19,787,123	25,220	0	0	0
ABG SECURITIES	17,903,606	31,924	0	0	0
ABN AMRO ASIA SECS LTD	6,705,234	16,288	0	0	0
ABN AMRO EQUITIES AUSTRALIA LT	3,616,235	7,228	0	0	0
ABN AMRO SECURITIES	110,600,039	104,022	1,220,711	0	24,918,403
ABN AMRO, HOARE, GOVETTE	2,115,583	4,244	0	0	0
ABN-AMRO BANK	4,492,601	13,363	0	0	0
ACCESS SECURITIES	285,587,422	168,255	0	0	0
ADAMS HARKNESS & HILL	12,119,564	19,332	0	0	0
AISEL & CO	0	0	166,743	0	0
ALCHEMY SHARE & STOCK BROKER	3,464,531	10,400	0	0	0
ALFA CAPITAL	1,221,585	496	0	0	0
ALPHA BROKER	1,127,509	2,264	0	0	0
AMADON CORPORATION	3,976,855	7,008	0	0	0
AMERICAN GENERAL FINANCE	0	0	0	0	14,957,994
AMERICAN TECHNOLOGY RES. INC.	383,486	264	0	0	0
AMHERST SECURITIES GROUP INC.	0	0	8,219,462	0	0
ANCORA SECURITIES	37,233,026	60,145	0	0	0
AQEEL KARIM DHEDHI	163,816	653	0	0	0
ARDEN PARTNERS LTD	625,754	650	0	0	0
ARNHOLD	9,534,297	6,460	0	0	0
ASIAN MARKETS	267,946	406	0	0	0
ASK RAYMONT JAMES AND ASSOC	666,923	2,011	0	0	0
ATA SECURITIES INC.	2,105,862	6,135	0	0	0
AUERBACH GRAYSON	1,837,077	8,257	0	0	0
AUTRANET	35,678,847	37,959	0	0	0
AVONDALE PARTNERS LLC	8,459,960	8,358	0	0	0
B-TRADE SERVICES LLC	44,525,795	32,982	0	0	0
BA SECURITIES INC	0	0	4,529,649,401	0	5,405,450,203
BA SECURITIES, INC.	46,982,367	17,308	3,492,735,596	0	0
BAAE BANC AMERICA ALOGRITHMIC	2,444,842	1,285	0	0	0
BAIRD PATRICK AND CO	0	0	3,307,800	0	0
BAIRD, ROBERT W & CO.	0	0	428,420	0	0
BANCO ESPIRITO SANTO	830,537	1,246	0	0	0
BANCO EXTERIOR DE ESPANA	2,819,414	3,678	0	0	0
BANCO INBURSA	2,034,194	4,060	0	0	0
BANCO PORTUGUES DE INVESTIMENT	1,652,174	2,475	0	0	0
BANCO SANT	4,400,420	9,847	0	0	0
BANCO SANTANDER DE NEGOCIOS	2,592,362	6,860	0	0	0
BANCO WARB	110,805	238	0	0	0
BANK AM BELLEVUE ZURICH	1,362,934	1,665	0	0	0
BANK J. VONTOBEL, ZURICH	5,749,037	10,209	0	0	0
BANK OF AMERICA	0	0	3,650,039	0	0
BANK OF CHINA GROUP SECS	2,495,015	6,260	0	0	0
BANK OF NE	306,626	184	0	0	0
BANK OF NEW YORK RBC DOMINION	0	0	4,368,105	0	0
BANK OF NY SECURITIES INC	3,613,491	2,904	0	0	0
BANK OF NY/BARCLAY LONDON	0	0	178,650	0	0
BANK OF TOKYO MITSU, MILANO ITALY	130,568	111	0	0	0
BANKERS TRUST	0	0	1,607,224	0	0
BANQUE NATIONALE DE PARIS	875,880	1,906	0	0	0
BARCLAY INVESTMENTS INC	0	0	3,653,821	0	0
BARCLAYS AMERICAN CORP	0	0	2,844	0	0
BARCLAYS CAPITAL INC	5,225,859	0	3,399,275,918	0	390,552,786
BARING SECURITIES	138,906,523	283,731	0	0	0
BARNARD JACOBS AND CO (PTY) LTD	79,456	158	0	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
BARRINGTON TRADING CO	114,139	45	0	0	0
BATLIVALA+KARANI SECS INDIA PV	238,462	715	0	0	0
BATLIWALA	230,172	687	0	0	0
BAYERISCHE HYPO- UND VEREINSBA	5,302,924	16,435	0	0	0
BAYPOINT TRADING LLC	3,759,011	6,541	0	0	0
BB & T CAPITAL MARKETS	45,975	57	0	0	0
BEAR STEARNS SECS	196,365,153	151,706	1,244,809,931	0	0
BEAR STEARNS SECURITIES	10,171,848	18,398	0	0	0
BEAR, STEARNS & CO.	638,142,877	536,527	1,810,228,526	0	0
BEL AIR (REEDHALLADAY)	65,214	75	0	0	0
BENITO & M	131,543	197	0	0	0
BERNSTEIN SANFORD	242,795,063	154,039	0	0	0
BLACKMONT CAPITAL INC	294,066	147	0	0	0
BLAIR & COMPANY	51,819,713	53,982	0	0	0
BLAYLOCK & PARTNERS	368,821	312	0	0	0
BLOOMBERG	7,849,747	5,866	0	0	0
BLUEFIN RESEARCH	302,569	76	0	0	0
BMO CREDIT	704,638	1,275	0	0	0
BNP PARIBAS	0	0	335,291	0	0
BNP PARIBAS PEREGRINE SEC., ASIA	5,493,130	12,297	0	0	0
BNY/ITC DEALERS	0	0	37,222,695	0	0
BNY/SUNTRUST CAPITAL MARKETS	0	0	8,074,241	0	0
BOE SECURITIES LTD	1,888,353	4,693	0	0	0
BOENNING & SCATTERGOOD INC	2,295,988	1,102	0	0	0
BOLGER & CO INC	2,188,299	1,808	0	0	0
BONY & VIN	0	0	7,673,860	0	0
BROADCORT CAPITAL	303,084,715	337,715	0	0	0
BROCKHOUSE & COOPER	24,729,549	15,647	0	0	0
BROWN (ALEX) & SONS INC.	1,613,139,528	515,924	16,268,301,876	0	169,411,547
BROWN BROS. HARRIMAN	319,779	320	0	0	0
BUCKINGHAM RESEARCH GRP	7,995,976	5,143	0	0	0
BUNTING WARBURGER SEC	16,571,518	20,042	0	0	0
BURNS FRY & TIMMINS	25,043,934	33,536	0	0	0
BURTON J VINCENT CHESLEY & CO.	14,405,427	7,812	0	0	0
BUTCHER & SINGER	590,689	276	0	0	0
C S MCKEE	166,319	41	0	0	0
C.L. KING & ASSOC.	4,862,320	3,995	1,232,925	0	0
CA IB INVESTMENT	2,467,062	10,412	0	0	0
CAISSE CENTRALE DESJARDINS	3,266,546	11,984	0	0	0
CALYON JAPAN	42,874	112	0	0	0
CANACCORD CAPITAL CORP	497,509	392	0	0	0
CANADIAN DEPOSITORY	0	0	0	0	0
CANADIAN I	2,239,856	3,130	0	0	0
CANNON BRIDGE	2,792,986	3,305	0	0	0
CANTOR FITZGERALD	302,740,343	217,043	164,663,773	0	0
CAPITAL INST. SERVICES	137,648,329	125,818	0	0	0
CARIS & CO	11,572,879	12,614	0	0	0
CARLIN EQUITIES	104,968	68	0	0	0
CARNEGIE	11,252,758	13,920	0	0	0
CASA DE BOLSA INVERLAT, S.A.	895,863	1,794	0	0	0
CASABLANCA FINANCE GROUP	2,050,996	9,286	0	0	0
CAZENOVE & CO.	31,386,050	41,765	0	0	0
CDS RBC DO	0	0	4,383,094	0	0
CELFIN INTERNATIONAL LIMITED	205,206	0	0	0	0
CHASE MANHATTAN BANK	24,182,970	20,025	601,351,687	0	78,142,593
CHASE SECURITIES INC	0	0	1,946,854,969	0	34,020,387
CHEEVERS & CO	19,994,462	20,466	0	0	0



## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
CHEMICAL BANK	0	0	1,473,180,312	0	144,029,398
CHEUVREUX	41,714,955	57,266	0	0	0
CHINA INTERNATIONAL CAP CORP	5,891,843	8,837	0	0	0
CI NORDIC	11,893,339	15,978	0	0	0
CIBC WORLD	7,366,430	7,489	0	0	0
CIBC WORLD MARKETS	6,051,787	5,365	0	0	0
CITATION GROUP	192,314,274	135,328	0	0	0
CITI LAVA ALGO	238,198	191	0	0	0
CITIBANK	479,254	228	0	0	0
CITIGROUP ALGORITHMIC	3,418,476	1,518	0	0	0
CITIGROUP GLOBAL MARKETS INC	163,982,690	190,193	23,687,609	0	3,709,785,162
CITIGROUP INC	0	0	1,499,121	0	1,345,030,561
CJS SECURITIES	558,416	432	0	0	0
CL GLAZER INC.	37,645,410	92,286	0	0	0
CLARKE & CO	0	0	36,638,516	0	0
CLSA SECURITIES MALAYSIA	3,401,205	10,173	0	0	0
COLDWELL B	0	0	937,281	0	0
COLLINS STEWART	8,429,657	3,916	0	0	0
COUNTRYWIDE	0	0	84,710,080	0	0
COWEN&CO	193,677,579	124,674	0	0	0
CRAIG-HALLUM INC	6,203,735	12,478	0	0	0
CREDIT AGR	1,453,636	2,124	0	0	0
CREDIT AGRICOLE INDOSUEZ	2,805,223	3,411	0	0	0
CREDIT LYONNAIS	109,503,592	185,541	0	0	29,936,925
CREDIT LYONNAIS SECURITIES	17,988,822	44,201	0	0	0
CREDIT RESEARCH & TRADING	1,635,184	3,687	0	0	0
CREDIT SUISSE	86,371,357	175,170	1,866,727	0	0
CREDIT SUISSE FIRST BOSTON LTD	317,249,024	259,850	0	0	0
CRONIN & CO INC	0	0	746,554	0	0
CRT CAPITAL GROUP	27,204	6	0	0	0
CRUTTEDEN GUST & MERH	4,584,299	7,164	0	0	0
CS FIRST BOSTON	83,119,084	169,126	12,992,420	0	15,054,298,924
CS SEC USA	13,609	4	0	0	0
CSFB	11,676,710	17,163	0	0	0
CUSTOM EQUITY RESEARCH, INC.	3,810,898	4,919	0	0	0
CUTTONE & CO	317,306,208	145,194	0	0	0
D CARNEGIE AG STOCKHOLM, SWEDEN	17,808,551	20,643	0	0	0
D.A. DAVIDSON	5,388,848	7,657	0	0	0
DAEWOOD SECURITIES CO., LTD	6,776,994	12,215	0	0	0
DAIN RAUSCHER INC	24,802,423	30,678	155,164,327	0	0
DAIWA SBCM	23,825,037	14,406	0	0	0
DAIWA SEC. AMERICA	42,414,526	26,654	0	0	0
DALAL & BROACHA	1,310,521	1,955	0	0	0
DANIEL STEWART & CO	174,222	260	0	0	0
DAVENPORT & CO	1,452,212	1,868	0	0	0
DAVIS	807,699	603	0	0	0
DAVY (J+E)	9,109,646	8,903	0	0	0
DBAE DEUTCHE BANK	156,788	44	0	0	0
DBS VICKER	385,825	774	0	0	0
DEN DANSKE BANK	486,074	729	0	0	0
DESJARDIN SECURITIES	308,752	230	0	0	0
DEUTSCHE BANK	334,636,398	233,760	841,431,830	0	0
DEUTSCHE BANK AG NEW YORK	0	0	788,500	0	0
DEUTSCHE BANK CAPITAL	0	0	3,302,227	0	0
DEUTSCHE BANK SECS	0	0	104,989,980	0	18,342,967,986
DEUTSCHE BOERSE	382,881	574	0	0	0
DEUTSCHE EQ. PVT., LTD.	12,675,288	27,105	0	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
DEUTSCHE M	2,930,727	5,640	0	0	0
DEUTSCHE S	12,594,127	25,215	0	0	0
DEUTSCHE SECURITIES	20,962,219	42,595	0	0	0
DEUTSCHE SECURITIES ASIA	37,907,772	79,059	0	0	0
DHANKI SECURITIES PVT LTD.	284,313	637	0	0	0
DILLON, READ	0	0	2,600,000	0	0
DIRECT BROKERAGE SVCS.	16,110,960	8,081	0	0	0
DIRECT FROM ISSUER	456,778	0	0	0	0
DIRECT PLACEMENT	458,831	0	0	0	0
DIRECT TRADING INSTITUTIONAL	32,175,250	7,688	0	0	0
DOLAT CAPITAL MARKETS	243,192	726	0	0	0
DONALDSON LUFKIN	31,604,466	27,118	0	0	0
DONGWON SECURITY	433,800	1,091	0	0	0
DOUGHERTY CO	3,045,970	5,039	0	0	0
DOWLING & PARTNERS SEC LLC	12,777,259	7,185	0	0	0
DRESDNER KLEINWORT SECS	137,174	164	0	0	0
DSP MERRILL LYNCH	3,142,558	9,387	0	0	0
DSP MERRILL LYNCH BOMBAY INDIA	31,928,948	71,734	0	0	0
DUNCAN WILLIAMS GOVT SEC	0	0	7,370,383	0	0
ECONO TRADING	158,340	468	0	0	0
EDELWEISS SECURITIES	89,043	266	0	0	0
EDEN GROUP	414,102	330	0	0	0
EDWARDS A.G. & SONS	3,551,234	6,222	0	0	0
EMP RESEARCH PARTNERS	568,312	464	0	0	0
EMPIRICAL	846,162	717	0	0	0
ENAM SECURITIES PVT LTD	2,270,676	6,115	0	0	0
ENSKILDA SECURITIES	628,891	1,206	0	0	0
EQUITY PLANNING CORP	0	0	5,061,366	0	0
EQYPTIAN FINANCIAL GROUP	691,780	2,080	0	0	0
EUROMOBILIARE	2,909,325	4,370	0	0	0
EVOLUTION BEESON GREGORY	501,087	498	0	0	0
EXANE INC	4,905,677	5,885	0	0	0
EXANE, PARIS	20,269,323	22,525	0	0	0
EXECUTION LTD	387,379	580	0	0	0
EXECUTION SERVICES INC	109,815,795	128,190	492,605	0	0
FEDERAL RESERVE BANK OF BOSTON	0	0	16,437,286	0	0
FERRIS BAKER WATTS INC	495,004	352	0	0	0
FIDELITY C	180,013,150	101,891	0	0	0
FIDENTIIS	4,470,266	6,703	0	0	0
FIFTH THIRD SECURITIES INC	0	0	15,375,832	0	145,212,423
FINANCIAL BROKERAGE	1,891,503	5,689	0	0	0
FINANCIERA SAN PEDRO	25,161,492	17,866	0	0	0
FIRST ALBANY	90,828,080	59,858	0	0	0
FIRST ANALYSIS SEC. CORP.	190,318	90	0	0	0
FIRST BOSTON CORPORATION	1,590,655,443	903,708	11,066,889,874	0	7,957,333
FIRST MARATHON SEC., LTD	1,979,384	1,615	3,121,164	0	0
FIRST PACIFIC	11,437,208	19,299	0	0	0
FIRST SECURITIES	930,124	0	0	0	0
FIRST TENN BANK, NA	0	0	19,964,223	0	185,048
FIRST UNION CAP MKTS	119,313,576	116,332	306,328,266	0	0
FORTIS BANK	140,864	165	574,706	0	0
FOX PITT KELTON INC	29,771,093	31,477	0	0	0
FRIEDMAN, BILLINGS & RAMSEY	41,422,513	38,058	0	0	0
FUJI SECURITIES	10,824,900	14,727	0	0	0
FUTURETRADE SECURITIES	9,790,335	1,109	0	0	0
G-TRADE SEC	5,645,361	10,062	0	0	0
G.K. GOH	648,907	208	0	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
GARDNER RICH & COLE	209,346,521	96,076	0	0	0
GENERAL ELEC CAPITAL CORP	0	0	0	0	1,390,328,401
GERSON	2,628,018	3,444	0	0	0
GLEN HILL	126,737	127	0	0	0
GLOBAL SECURITIES	1,230,887	3,073	0	0	0
GMP SECURITIES LTD.	3,968,103	10,192	0	0	0
GOLDMAN SACHS & COMPANY	1,374,542,218	1,416,749	12,923,574,507	162,361	3,357,849,820
GOLDMAN SACHS INTL.	529,185	1,022	0	0	0
GOODBODY STOCKBROKERS	5,732,295	6,489	0	0	0
GORDON HASKETT & CO.	25,337,739	15,817	0	0	0
GREEN STREET	714,749	609	0	0	0
GREENFIELD ARBITRAGE PARTNERS	725,249	103	5,096,567,658	0	45,989,338
GREENLINE INVESTORS SVCS. INC.	9,509,572	1,072	0	0	0
GREENWICH CAPITAL MARKETS INC	0	0	1,814,717,532	0	25,628,373,115
GRIFFITHS	1,251,739	3,732	0	0	0
GRISWOLD	231,498	51	0	0	0
GROSS & CO. INC.	0	0	20,285,811	0	0
GUZMAN & CO.	159,030,352	85,938	0	0	0
HANOVER NOMINEES	467,662	372	0	0	0
HBSC SECURITIES	0	0	276,031,072	0	9,991,746
HC ISTANBU	8,827,738	22,006	0	0	0
HDFC BANK	879,599	2,641	0	0	0
HENNINGS & ASSOCIATES	0	0	913,765	0	25,867,360
HIBERNIA SOUTH COAST CAP INC	32,520,045	25,311	0	0	0
HOARE GOVETT	5,155,773	15,120	0	0	0
HONG KONG & SHANG HIGH BANKING COR	1,218,501	1,217	0	0	0
HOWARD WEIL LABOUISSIE FRIEDRIC	467,719	358	0	0	0
HSBC BANK	36,348,903	94,876	0	0	0
HSBC JAMES CAPEL	1,575,015	1,578	0	0	0
HSBC SECURITIES INC	15,832,975	17,596	100,092,069	0	24,844,424,535
HUTCHINSON SHOCKEY ERLEY & CO	0	0	806,985	0	0
HVB CAPITAL MARKETS, INC.	1,016,318	3,234	0	0	0
IBERIAN EQUITIES	1,370,379	2,471	0	0	0
IBES	1,880,639	3,391	0	0	0
IBJ INTL LTD	6,574,841	6,896	0	0	0
IMPERIAL CAPITAL LLC	6,319,127	9,869	0	0	0
INC CURREN	0	0	162,422	0	0
INDIA INFOLINE LTD	15,811,569	46,837	0	0	0
ING BANK	24,211,991	63,504	0	0	0
ING BARING	16,296,093	32,589	0	0	0
INSTINET	433,762,072	306,917	0	0	0
INTERMONTE	2,364,195	3,552	0	0	0
INVESTEC SECURITIES	18,705,902	15,811	0	0	0
INVESTEC SECURITIES LTD	3,726,768	9,011	0	0	0
INVESTMENT RESOURCES OF TEXAS	87,237	90	0	0	0
INVESTMENT TECHNOLOGY CORP	1,982,566,654	567,516	0	0	0
IRVING TRUST COMPANY/CORP.	12,193,968	5,292	0	0	0
IS YATIRIM	259,627	544	0	0	0
ISI GROUP	13,685,564	10,182	0	0	0
ITG AUSTRALIA LTD	879,989	440	0	0	0
ITG POSIT	22,253,286	10,580	0	0	0
ITG SECURITIES (HK) LTD	5,592,498	4,607	0	0	0
ITGL	895,936	762	0	0	0
IVY SECURITIES INC.	6,336,494	5,804	0	0	0
IXIS SECURITY	2,878,273	3,864	0	0	0
J P MORGAN & CO	174,018,137	255,919	0	0	0
J P MORGAN SECURITIES INC	1,385,338,168	807,340	145,883,621	0	2,419,694,655

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
JACKSON PARTNERS & ASSOCIATES INC	23,193,909	10,625	0	0	0
JAHANGIR SIDDIQUI CAPITAL MARKET	3,305,218	13,166	0	0	0
JAMES B MCCREERY CO	0	0	1,671,049,689	0	0
JANCO PARTNERS	71,966	42	0	0	0
JANNEY MONTGOMERY SCOTT	621,292	449	0	0	0
JEFFERIES & CO	254,925,606	244,239	8,159,205	0	180,540
JEFFRIES PROGRAM	16,537,197	8,505	0	0	0
JM FINANCIAL	809,965	2,440	0	0	0
JNK SECURITIES INC	20,705,768	13,303	0	0	0
JOH BERENBERG GOSSLER AND CO	6,434,357	9,257	0	0	0
JOHNSON RICE & CO	388,049	1,492	0	0	0
JONES & ASSOCIATES	6,225,950	8,245	0	0	0
JONESTRADING INSTITUTIONAL	173,940,270	129,501	0	0	0
JP MORGAN	37,358,847	30,434	226,765	0	0
JPAE	696,802	293	0	0	0
JULIUS BAER	25,033,301	43,630	0	0	0
KAILASH BHARAT INVESTMENT	317,165	947	0	0	0
KAS ASSOCIATES	1,194,133	1,431	0	0	0
KAUPTHING BANK SVERIGE AB	627,290	625	0	0	0
KBC FINANCE	5,460,550	6,106	0	0	0
KBC PEEL	254,832	506	0	0	0
KEB SMITH BARNEY SECS	26,000,385	45,310	0	0	0
KEEFE BRUYETTE & WOOD	27,211,204	44,627	0	0	0
KELLNER DILEO & CO./PERSHING	6,582	6	0	0	0
KEMPEN & CO	5,669,710	6,344	0	0	0
KEPLER EQUITIES FRAKFURT BRAN	6,336,146	8,658	0	0	0
KEPLER EQUITIES ZURICH	2,509,137	3,999	0	0	0
KIM. ENG. SEC.	9,157	23	0	0	0
KINNARD (JOHN G.) & CO	9,329,394	15,044	0	0	0
KLEINWORTH BENSON INC	77,369,835	75,794	0	0	0
KNIGHT SECURITIES	135,800,747	116,538	0	0	0
KOTAK SECURITIES	3,432,681	10,288	0	0	0
LABRANCHE FINANCIAL SVCS	164,899,232	113,541	0	0	0
LADENBURG THALMAN & CO.	741,950	627	0	0	0
LANDESBANK BADEN WUERTTEMBERG	179,152	268	0	0	0
LARRAIN VIAL	621,056	0	0	0	0
LASKER STONE AND STERN	2,354,873	2,104	0	0	0
LAWRENCE	1,656,948	860	0	0	0
LAZARD ASSET MANAGEMENT	1,841,575	1,794	0	0	0
LAZARD FRERES & CO	24,347,969	14,530	0	0	0
LEERINK SW	38,905,677	47,587	0	0	0
LEHMAN BROS INC	1,342,690,965	778,645	6,714,952	0	3,736,983,099
LEHMAN BROTHERS	9,775,609	17,969	0	0	0
LEHMAN BROTHERS INC	1,466,934,976	755,553	9,140,860,469	29,153	1,749,069
LEHMAN GOVT SECURITIES	0	0	12,747,257,001	0	61,628,101
LIBERTAS	0	0	173,900	0	0
LIQUIDNETI	963,582,002	637,055	0	0	0
LISBON BROKERS	145,847	87	0	0	0
LITWIN SECURITIES INC.	4,367,262	9,156	0	0	0
LKP SECURITIES	396,920	1,202	0	0	0
Longbow Securities LLC	92,515	68	0	0	0
LOOP CAPITAL	3,234,389	2,646	0	0	0
LUMMIS & CO	0	0	100,000,000	0	74,528,528
LYNCH, JONES & RYAN	192,361,182	209,623	0	0	0
M M WARBURG	148,882	223	0	0	0
M RAMSEY KING SECURITIES INC.	873,327	403	0	0	0
MACQUARIE EQUITIES	23,660,087	46,481	0	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
MACQUARIE SECURITIES	230,089	48	0	0	0
MAGNA SECURITIES CORP	380,431	389	0	0	0
MAINFIRST	1,208,372	1,812	0	0	0
MALONEY & CO	9,141,590	4,637	0	0	0
MAN FINANCIAL SIFY SECURITIES	3,315,213	9,905	0	0	0
MAXIME CAPITAL	0	0	508	0	0
MCDONALD & COMPANY	45,481,850	42,471	17,816,274	0	0
MEDIOBANCA SPA	1,604,438	2,367	0	0	0
MELVIN SECURITIES (CLARK & CO)	3,596,914	2,520	0	0	0
MERRIL-PERFORMANCE MEASURE	1,344,417,518	825,668	4,458,151,286	120,659	0
MERRILL LYNCH	485,673,626	677,603	124,250,333	0	3,189,981,450
MERRILL LYNCH INTERNATIONAL	11,095,768	32,835	0	0	0
MERRILL LYNCH P F & S	0	0	147,653,043	0	0
MERRILL LYNCH PIERCE	0	0	2,597,400	0	0
MERRIMAN	1,322,932	1,153	0	0	0
MERRION CAPITAL GROUP	679,706	1,008	0	0	0
MESIROW AND COMPANY	0	0	23,361,010	0	0
MESIROW FINANCIAL INC	0	0	24,942,775	0	0
MIAE MERRILL LYNCH ALGOR	920,719	359	0	0	0
MIDWEST RESEARCH	153,648,142	84,149	0	0	0
MILETUS TRADING LLC	32,553	28	0	0	0
MIZUHO SECURITIES	2,024	26	26,773,400	0	0
MKM PARTNER	668,105	1,415	0	0	0
MONNESS CRESPI HARDT	685,037	1,250	0	0	0
MONTGOMERY SECURITIES	822,100,008	405,567	2,952,993,149	0	29,933,972
MONTROSE SECURITIES EQUITY	58,830,608	86,341	0	0	0
MONUMENT DERIVATIVES LTD	1,169,328	998	0	0	0
MORGAN GRENFELL	4,372,514	12,010	0	0	0
MORGAN GUARANTY	1,602,068	2,889	0	0	0
MORGAN KEEGAN INC.	43,206,879	55,110	3,698,310	0	0
MORGAN STANLEY	86,163,403	112,040	0	0	0
MORGAN STANLEY & CO	1,653,569,208	985,678	5,736,001,243	0	1,646,267,365
MORGAN STANLEY INDIA SEC PRVT	11,256,625	17,196	0	0	0
MOTILAL OSWAL SEC. LTD. BOMBAY	998,590	2,988	0	0	0
MR BEAL & COMPANY	1,775,069	1,400	0	0	0
MURALILAL SARAF	406,003	1,211	0	0	0
MURPHY, MARSEILLES, SMITH & NA	0	0	95,135,431	0	0
NATIONAL FINANCIAL	50,297,170	30,042	1,262,810	0	0
NATIONAL SECURITIES CORP	30,787	77	0	0	0
NATIONAL STOCK EXCHANGE	147,768	442	0	0	0
NBC LEVESQUE	2,341,282	2,471	0	0	0
NCB STOCKBROKERS	184,490	274	0	0	0
NEDCOR SECURITIES	1,743,273	4,358	0	0	0
NESBITT BURNS	3,611,777	5,622	0	0	0
NEW VERNON ASSOCIATES	43,523	23	0	0	0
NEWBRIDGE SECURITIES	491,770	396	0	0	0
NEXT GENERATION EQUITY RESEARCH	1,689,657	1,690	0	0	0
NOBLE INTERNATIONAL	2,655,253	3,677	0	0	0
NOMURA SECURITIES INTL	129,477,045	98,200	0	0	2,765,000,000
NORTHLAND	461,467	929	0	0	0
NUMIS SECURITIES LTD	3,400,158	2,749	0	0	0
NUTMEG SECURITIES	9,042,264	6,440	0	0	0
NYFIX TRANSACTION SVCS # 2	123,245,240	51,912	0	0	0
NZB NEUE ZUERCHER BANK	628,390	942	0	0	0
O'NEIL (WM COMPNY INC	710,241	315	0	0	0
ODDO FINANCE	15,649,778	24,335	0	0	0
OPPENHEIMER & CO	153,168,271	140,374	60,750	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
OPSTOCK SECURITIES	750,774	704	0	0	0
P K SECURITY	338,255	507	0	0	0
PACIFIC CR	23,013,838	28,911	0	0	0
PACIFIC GROWTH EQUITIES	3,140,412	4,361	0	0	0
PAINE WEBBER INC	0	0	1,184,439,635	0	0
PAINE WEBBER J & C	6,075,166	9,483	38,240,595	0	0
PALI CAPITAL LLC	806,388	734	0	0	0
PANMURE GORDON	1,883,266	1,935	0	0	0
PARADIGN CAPITAL INC	8,019	104	0	0	0
PARIBAS	6,157,475	9,080	0	0	0
PCS SECURITIES INC.	17,934,965	10,157	0	0	0
PENSION FINANCIAL SERVICES INC.	2,930,854	4,166	0	0	0
PENSON FINANCIAL	2,045,610	1,023	0	0	0
PERSH PERSHING DIV OF DLJ	112,269,360	185,536	0	0	0
PERSHING SECURITIES LTD	168,244,492	173,824	73,307,694	0	0
PERSHING/CLEARANCE	137,771	78	0	0	0
PETERS & CO.	78,844	185	0	0	0
PETERS & COOK	1,198,466	614	0	0	0
PICKERING	8,844,549	6,258	0	0	0
PIONEER SECURITIES INC.	0	0	2,857,563,106	0	0
PIPELINE TRADING SYSTEMS LLC	67,585,146	37,930	0	0	0
PIPER,JAFFRAY & HOP S	90,688,829	81,201	445,801	0	0
PORTALES P	258,118	271	0	0	0
PRABHUDAS	361,543	1,080	0	0	0
PREBON YAMANE (USA) INC	0	0	1,180,112,317	0	705,000,000
PREVISION INVESTMENT CO	0	0	2,611,121	0	0
PRITCHARD CAPITAL	1,068,439	1,196	0	0	0
PRUDENTIAL FUNDING CORP	0	0	0	0	116,483,415
PULSE TRADE	10,187,383	15,786	0	0	0
PUNK ZIEGE	3,778,960	2,748	0	0	0
Q&R CLEARING CORP	912,406	1,041	0	0	0
R W PRESSPRICH & CO. INC.	0	0	2,097,585	0	0
RABOBANK NETHERLANDS	2,826,077	4,145	0	0	26,973,225
RAYMOND JAMES & ASSOCIATES	94,624,062	89,307	6,045,459	0	0
RBC CAPITAL MARKETS	0	0	20,005,940	0	374,258,484
RBC DOMINION SECURITIES	46,673,358	60,973	0	0	0
REDBURN PARTNERS LLP	7,084,463	8,621	0	0	0
RENAISSANCE CAPITAL	12,211,210	20,713	0	0	0
RESEARCH CAPITAL CORP	260,445	387	0	0	0
REUBEN ALSTEAD & CO INC.	0	0	304,963,826	0	119,224
RISK ARBITRAGE PARTNERS	0	0	410,054	0	0
ROBBINS AND HENDERSON	163,255	192	0	0	0
ROBERT VAN SECURITIES	262,783	165	0	0	0
ROBERT W. BAIRD & CO	124,900,006	133,438	4,416,322	0	0
ROCHDALE SECURITIES CORP	225,596,378	124,807	0	0	0
ROSENBLATT SECURITIES INC	95,611,504	47,806	0	0	0
ROSS, SINCLAIR & AS	0	0	190,862	0	0
ROSYBLUE	239,015	717	0	0	0
ROYAL BANK OF CANADA	87,329	511	0	0	0
ROYAL BANK OF SCOTLAND PLC	19,666,540	9,954	0	0	0
SAL OPPENHEIM ET CIE	323,945	485	0	0	0
SALOMON BROTHERS	188,261,604	275,318	5,036,633,470	798	17,637,770
SALOMON BROTHERS INC NY	528,593	635	0	0	0
SALOMON SM	8,246,978	15,993	0	0	0
SALOMON SMITH BARNEY HOLDINGS	37,036,104	69,458	0	0	0
SALOMON SOFT DOLLARS	262,291	279	0	0	0
SAMSUNG SECURITIES	14,485,960	29,962	0	0	0

## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
SAMUEL A R	1,171,287	899	0	0	0
SANDLER O NEIL	11,537,567	22,596	8,150,047	0	0
SANFORD C.	12,118,876	18,550	0	0	0
SANTANDER CENTRAL HISPANO BOL	595,858	894	0	0	0
SBAE BERNSTEIN ALGORITHMIC	55,446	46	0	0	0
SBC WARBURG, LONDON	5,598,926	5,597	0	0	0
SBS SECURITIES CORP	66,056,076	26,880	0	0	0
SCOTIA CAPITAL MARKET	390,298	227	0	0	0
SCOTIA MCLEOD	7,014,301	5,269	0	0	0
SCOTT & STRINGFELLOW	14,769,970	13,934	7,438,388	0	0
SECURITY PLANNING COMPANY	887,487	476	0	0	0
SERVICE ASSET MANAGEMENT COMPA	22,837,559	15,865	0	0	0
SG COWEN SECURITIES CORP	1,204,842	2,630	0	0	0
SG SECURITIES	13,913,604	7,814	0	0	0
SIDOTI	37,979,252	51,704	0	0	0
SIMMONS +	19,387,386	8,675	0	0	0
SK INTERNATIONAL SECURITIES	18,821,858	15,327	0	0	0
SKANDINAVISKA ENSKILDA	9,237,574	13,884	0	0	0
SMITH BARNEY & COMPANY	325,192	0	0	0	0
SOCIETE GE	39,428,534	42,288	0	0	0
SOCIETE GENERAL	13,256,416	10,364	0	0	0
SOCIETE GENERALE NA	0	0	0	0	1,266,158,031
SOLEIL SEC.	3,692,982	2,817	0	0	0
SOUTHWEST SECURITIES	0	0	510,281	0	0
SPEAR,LEEDS & KELLOGG	658,914,326	263,264	5,657,256	0	0
SPROTT SECURITIES	462,800	558	0	0	0
SS KANTISHWARLAL LTD	581,660	1,747	0	0	0
SS KANTILAL ISHWARLAL	28,889	86	0	0	0
SSANGYONG INVESTMENTS	396,271	996	0	0	0
STANFORD GROUP CO	17,997,183	34,142	0	0	0
STANLEY (CHARLES) & CO LTD	25,812	38	0	0	0
STATE ST BK & TRUST	4,679,747,686	8,767	2,878,456,608	0	36,321,637,991
STATE STREET GLOBAL MKTS/BOS	0	0	1,088,272	0	0
STEPHENS, INC.	25,202,316	45,825	24,374,077	0	0
STERLING FINANCIAL INVESTMENT	0	0	2,364,300	0	0
STERNE, AGEE & LEACH	1,880,806	3,805	15,000,000	0	0
STIFEL NICOLAUS & COMPANY	22,698,301	30,224	177,540,346	0	0
STIRLING	0	0	0	0	0
STUART FRANKLE	17,418,797	11,253	0	0	0
STURDIVANT & CO.	2,180,615	1,311	0	0	0
SUNTRUST CAPITAL MARKETS INC	25,808,729	31,684	9,972,470	0	0
SVENSKA HANDELSBANKEN	10,405,587	14,533	0	0	0
SWISS AMERICAN SECURITIES	0	0	11,153,494	0	0
SWISS BANK	956,988,670	544,508	4,234,559,071	0	0
T. HOARE & CO., LTD.	1,199,075	9,534	0	0	0
TD WATERHOUSE CDA	12,198,586	8,603	0	0	0
TEATHER AND GREENWOOD	30,305	30	0	0	0
THE BANK OF NEW YORK/MIZUHO	0	0	663,913	0	0
THE BENCHMARK COMPANY, LLC	697,643	1,787	0	0	0
THOMAS C BOWLES & CO.	17,890,850	11,938	0	0	0
THOMAS WEISEL PARTNERS	100,065,545	108,524	0	0	0
TOKYO MITSUBISHI	11,989,450	11,868	0	0	0
TOKYO MITSUBISHI	5,420,112	5,402	0	0	0
TORONTO DOMINION SEC INC	26,262,965	20,990	0	0	19,904,300
TOYOTA MOTOR CREDIT CORP	0	0	0	0	24,956,875
TRADITION	0	0	87,987,525	0	30,000,000
TROIKA - NEW YORK	16,045,672	20,224	0	0	0



## Statistical Data

### COMMISSIONS AND TRADING VOLUME By Broker for Fiscal Year 2008

Broker	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
U.S. BANCORP INVESTMENT	0	0	0	0	365,558,188
U.S. CLEARING	335,649,736	162,992	24,839,760	0	0
UBS AG	60,077,887	107,293	0	0	0
UBS SECURITIES	300,765,113	240,529	67,445,085	0	5,908,677,019
UBS WARBUR	7,337	8	0	0	0
UBS WARBURG	13,983,512	29,690	0	0	0
UBS-DB CORPORATION	97,136	0	0	0	0
UNIBANCO	1,050,312	2,685	0	0	0
UNITED SERVICES PLANNING ASSOC	0	0	158,618,409	0	0
UNTERBURG HARRIS & DESANTIS	1,044,627	3,336	0	0	0
UOB KAY HIAM PVT LTD, SINGAPORE	5,738,326	11,816	0	0	0
UTENDAHL	0	0	2,939,513	0	0
VERITAS SECURITIES	492,446	275	0	0	0
W.J. BONFANTI INC	5,911,805	799	0	0	0
W.S. ARNOLD & CO.	0	0	1,530,808	0	0
WACHOVIA	448,128	841	0	0	0
WACHOVIA BANK	0	0	18,057,266	0	0
WAGNER STOTT & CO.	359,565,877	242,297	0	0	0
WALL STREET ACCESS	42,752	22	0	0	0
WALL STREET CLEARING	0	0	624,565	0	0
WALL STREET PLANNING INC.	0	0	0	0	1,911,284
WAMU CAPTIAL	0	0	12,757,504	0	0
WARBURG DI	29,890,932	66,060	0	0	0
WARBURG S.G.	6,323,016	8,881	0	0	0
WARBURG, DILLON READ	162,359,625	324,263	0	0	0
WASHINGTON ANALYSIS	376,491	326	0	0	0
WAVE SECURITIES	235,255,802	60,567	0	0	0
WDAE WEEDEN ALGORITHMIC	228,596	81	0	0	0
WEDBUSH SECURITIES	833,900	989	0	0	0
WEEDEN & COMPANY	234,626,117	178,376	0	0	0
WEISS	13,482,046	13,561	0	0	0
WELLS FARGO INSTITUTL BROK & SALES	0	0	0	0	65,073,616
WESTDEUTSCHE LANDESBANK	4,631,863	3,760	0	0	0
WESTMINSTER	17,453,159	20,176	0	0	0
WHEATON FIRST SECURITIES INC	10,310,140	9,864	0	0	0
WHITE CAP TRADING	19,080	5	0	0	0
WILLIAM JENNINGS & CO INC.	1,675,746	2,272	0	0	0
WILLIAMS CAPITAL GROUP LP NY	4,834,814	4,645	0	0	0
WOOD & CO.	172,857	520	0	0	0
WOORI INVESTMENT SEC	7,375,410	17,105	0	0	0
WR HAMBREC & CO	1,006,238	1,016	0	0	0
YAMNER & CO INC (CLS THRU 443)	18,570,635	5,721	0	0	0
YORKTON SECURITIES INC	644,144	1,333	0	0	0
YUANTA SECURITIES CO LTD	7,553,874	17,714	0	0	0
BROKER NOT AVAILABLE*	2,295,848,290	140,486	583,023,556	0	28,056,575,780
	\$38,038,766,291	\$23,056,135	\$124,444,720,800	\$312,971	\$187,426,553,966

\* Includes transactions where broker data was incomplete.

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## **Independent Auditor's Report**

Members of the Minnesota State Board of Investment  
and  
Howard J. Bicker, Executive Director  
Minnesota State Board of Investment

We have audited the accompanying financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund as of and for the year ended June 30, 2008, as shown on pages 118 - 125. These financial statements are the responsibility of the Minnesota State Board of Investment's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

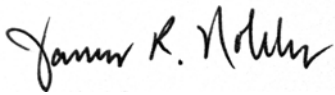
The financial statements present only the Supplemental Investment Fund and the Post Retirement Investment Fund of the State of Minnesota and are not intended to present fairly the financial position and results of operation of the State Board of Investment or the State of Minnesota in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund, referred to above, present fairly, in all material respects, the net assets as of June 30, 2008, and the changes in net assets and results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated January 29, 2009, on our consideration of the Minnesota State Board of Investment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund. The supporting schedules, on pages 127 through 176, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Supplemental Investment and Post Retirement Funds of the State of Minnesota. These supporting schedules and the financial information, on pages 1 through 114, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



James R. Nobles  
Legislative Auditor



Cecile M. Ferkul, CPA  
Deputy Legislative Auditor

January 29, 2009

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND (7)</b>	<b>POST RETIREMENT INVESTMENT FUND (8)</b>
<b>ASSETS:</b>		
Investments (at fair value) (2), (3):		
Common Stock	\$ 644,141	\$ 14,292,974
Alternative Equities	0	2,592,833
Fixed Income Securities	284,521	5,746,354
Short Term Securities	138,470	335,145
Short Term Securities-Lending Collateral(4b)	90,198	2,381,712
Total Investments (4a)	<u>\$ 1,157,330</u>	<u>\$ 25,349,018</u>
 Cash	 0	 0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	0
Accounts Receivable-Participants	0	0
Accrued Interest	229	0
Accrued Dividends	0	0
Accrued Short Term Gain	357	565
Reserve Adjustment	0	0
<b>TOTAL ASSETS</b>	<u><b>\$ 1,157,916</b></u>	<u><b>\$ 25,349,583</b></u>
 <b>LIABILITIES:</b>		
Management Fees Payable	\$ 211	\$ 7,134
Security Purchases Payable	0	0
Accounts Payable-Participants	0	1,744
Accounts Payable-Mortality	0	0
Payable to MSRS	0	0
Reserve Adjustment	0	0
Securities-Lending Collateral (4b)	90,198	2,381,712
<b>TOTAL LIABILITIES</b>	<u><b>\$ 90,409</b></u>	<u><b>\$ 2,390,590</b></u>
 <b>NET ASSETS AT JUNE 30, 2008</b>	 <u><u><b>\$ 1,067,507</b></u></u>	 <u><u><b>\$ 22,958,993</b></u></u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008  
AMOUNTS IN ('000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
<b>FROM UNDISTRIBUTED INCOME:</b>		
Net Investment Income	\$ 57,564	\$ 1,470,265
Realized Gains (Losses)	6,701	166,149
Unrealized Fair Value Increase(Decrease)	( 130,573)	( 2,872,379)
<b>TOTAL INCOME</b>	<b>(\$ 66,308)</b>	<b>(\$ 1,235,965)</b>
 Less Distribution To		
Participant Accounts	66,308	1,235,965
Undistributed Dedicated Income	0	0
<b>Net Change From Undistributed Income</b>	<b>\$ 0</b>	<b>\$ 0</b>
 <b>FROM PARTICIPANT TRANSACTIONS:</b>		
Additions To Participant Accounts		
Participant Contributions	156,922	1,841,306
Income Distribution	( 66,308)	( 1,235,967)
Income To Be Distributed	0	0
<b>Total Additions</b>	<b>\$ 90,614</b>	<b>\$ 605,339</b>
Deductions From Participant Accounts		
Withdrawals	155,867	2,795,458
<b>Total Deductions</b>	<b>\$ 155,867</b>	<b>\$ 2,795,458</b>
<b>Net From Participant Transactions</b>	<b>(\$ 65,253)</b>	<b>(\$ 2,190,119)</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>(\$ 65,253)</b>	<b>(\$ 2,190,119)</b>
 <b>NET ASSETS:</b>		
Beginning Of Period	1,132,760	25,149,112
<b>End Of Period</b>	<b>\$ 1,067,507</b>	<b>\$ 22,958,993</b>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
<b>INVESTMENT INCOME:</b>		
Interest	\$ 18,705	\$ 399,742
Dividends	\$ 34,052	\$ 1,053,671
Short Term Gains	4,816	28,532
Security Lending Gross Earnings(4c)	5,821	151,388
Less: Borrower Rebates	( 4,602)	( 120,493)
Less: Fees Paid to Agents	( 251)	( 6,257)
Security Lending Net Earnings	968	24,638
Income Before Expenses	\$ 58,541	\$ 1,506,583
Management Fees	977	36,318
<b>NET INCOME</b>	<b>\$ 57,564</b>	<b>\$ 1,470,265</b>
<b>REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>		
<b>Realized:</b>		
Proceeds From Sales	144,171	\$ 2,836,609
Cost Of Securities Sold	137,470	2,670,460
Net Realized Gain (Loss)	\$ 6,701	\$ 166,149
<b>Unrealized:</b>		
Beginning Of Period	91,123	1,729,208
End Of Period	( 39,450)	( 1,143,171)
<b>Increase (Decrease) In</b>		
Unrealized Appreciation	(\$ 130,573)	(\$ 2,872,379)
<b>NET REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>	<b>(\$ 123,872)</b>	<b>(\$ 2,706,230)</b>

Notes are an integral part of the Financial Statements



# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Reporting Entity and Basis of Presentation:** This report includes financial statements for the Supplemental Investment, and Post Retirement Trust Funds of the State of Minnesota, which are administered by the State Board of Investment under authority of *Minnesota Statutes Chapter 11A*.

The financial statements presented for these funds are based on the preferred accounting practices described in the **American Institute of Certified Public Accountants** audit guide, "**Audits of Investment Companies**". These practices, and the significant accounting policies which follow, conform with generally accepted accounting principles.

**Authorized Investments:** *Minnesota Statutes, Section 11A.24* broadly restricts investments to obligations and stocks of the U.S. and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality, international securities; restricted participation as a limited partner in venture capital, real estate or resource equity investments; and restricted participation in registered mutual funds.

**GASB 40: Deposit and Investment Risk Disclosures** was issued in March 2003. This standard establishes and modifies disclosure requirements for deposit and investment risks including credit risk, interest rate risk, and foreign currency risk. SBI implemented this statement during the fiscal year ended June 30, 2005.

**Security Valuation:** All securities are valued at fair value except for U.S. Government short-term securities and commercial paper, which are valued at fair value less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities the SBI uses the Financial Times - Interactive Data Services valuation system. This pricing service is capable of providing prices for both actively traded and privately placed bonds. For equity securities the State Board uses a valuation service provided by Reuters. The basis for determining the fair value of investments that are not based on market quotations includes audited financial statements, analysis of future cash flows, and independent appraisals.

**Recognition of Security Transactions:** Security transactions are accounted for on the date the securities are purchased or sold.

**Income Recognition:** Pool dividend income is recorded on the ex-dividend date. Pool interest and dividend income are

accrued monthly. Short-term interest is accrued monthly and is presented as "Accrued Short-Term Gain".

**Amortization of Fixed Income Securities:** Premiums and discounts on fixed income purchases are amortized over the remaining life of the security using the "Effective Interest Method".

**Loaning Securities:** State Statutes do not prohibit the SBI from participating in security lending. As such, domestic and international corporate securities as well as certain US Government and Government Agency securities are loaned out by the State Board to banks and brokers for additional income. Collateral in the amount of 100% of the fair value of the security loaned is required.

During the Fiscal Year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a separate investment pool. As of June 30, 2008, the investments of cash collateral had an average duration of 37 days and a weighted average maturity of 393 days. Since the loans are terminable at will, their duration is not matched to the duration of investments made with cash collateral. On June 30, 2008 Minnesota had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the State Board as of June 30, 2008 for all investments under management were \$6,775,913,870 and \$6,551,076,137 respectively.

The SBI utilizes State Street Bank (SSB) to manage its Securities Lending program. SSB provides the SBI indemnification in the event a borrower defaults by failing to return a loaned security.

### 2. PORTFOLIO LISTING

Asset listings summarizing the securities held by these funds can be found starting on page 157 of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at fair value.

### 3. COST OF INVESTMENTS

At June 30, 2008, the cost of investments for the Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	\$ 1,107,166,889
Post Retirement Fund	\$ 24,111,042,259

### 4. LOANED SECURITIES

4(a) The fair value of loaned securities outstanding at June 30, 2008, in the Supplemental and Post funds was:

Supplemental Investment Fund	\$ 128,582,695
Post Retirement Fund	\$ 3,174,820,356

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2008

4(b) In accordance with GASB 28, Accounting and Financial Reporting for Security Lending Transactions, the amount of cash collateral is concurrently an asset and a liability at the balance sheet date.

Non-cash collateral is considered an asset and a liability only if the lender has the right to sell collateral absent of borrower default. There is no such right in our case.

4(c) In accordance with GASB 28, Accounting and Financial Reporting for Security Lending Transactions, gross lending income, borrower rebate and agent fees must be reported on the face of the Statement of Operations.

#### 5. DERIVATIVE INSTRUMENTS

In accordance with GASB Technical Bulletin 2003-1, effective June 15, 2003, MSBI has reported derivative activity at fair value on these financial statements. Derivative activity is conducted through contracts traded on government regulated exchanges. Its primary purpose is to improve performance or to expose cash and specified short term securities to market conditions without the expense of purchasing the actual security.

At June 30, 2008, SBI held outstanding long positions with a notional value of \$905,031,487 and estimated fair value of (\$13,476,753) along with short positions with a notional value of \$471,626,923 and estimated fair value of (\$706,780). The fair value of these contracts is a component of Unrealized Gain/Loss.

At June 30, 2008, there were \$1,094,469,614 in open trades for TBA Mortgage-Backed Securities. The fair value of this component is included in Fixed Income Securities with an off-setting amount in security purchases payable of \$1,097,479,735 and an Unrealized Gain/(Loss) of (\$3,010,121).

#### 6. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages five pooled investment accounts for the Investment Trust Funds, the Supplemental Investment Fund and the Defined Benefit Pension Funds of the State of Minnesota. SBI's master custodian, State Street Bank and Trust holds the assets of the pooled accounts. Financial information on these pooled accounts is shown on pages 146 to 153 of this report.

SBI considers the pools to be the owners of the investments and that the participants, such as the Post and Supplemental funds, own a proportionate share of the pool. Policies relating to the management of the investments apply to the pools with the participants invested based on objectives of the pools. The schedules shown in notes seven and eight reflect the Supplemental and Post funds proportionate share of pooled investments.

Deposit and investment risk disclosures are abbreviated in this note. For expanded discussion of the Statutory, Board,

and contractual guidelines followed to limit investment risk by external and internal managers of the pooled investments see the Introduction and Investment Pools sections of this 2008 Annual Report.

#### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt instruments could adversely affect the fair value of an investment. Per its constitutional authority and governance by elected State officials that comprise the Board, the Board issues investment guidelines and limitations regarding interest rate risk that are incorporated into the contracts between investment managers and SBI. Debt securities are constrained around the quality rating, sector mix and duration of the Lehman Aggregate Bond Index allowing for an average duration of +/- 0.2 years for semi-passive managers and +/- 2.0 years for active managers. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within investment types.

#### Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Minnesota Statutes limit investment in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The SBI credit policy is not more stringent than the statutory requirements. Within the contracts between SBI and investment managers are guidelines and limitations regarding interest rate risk, such as, any debt security with a grade quality rating issued by Moodys, S&P, or Finch or with specific written authorization qualifies for investment. The Supplemental and Post quality ratings tables one and three follow the GASB 40 convention of choosing the lowest investment rating reported by Moodys or S&P.

#### Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment guidelines issued to investment managers by the State Board require investment across all sectors of the market. Unrated or below investment grade corporate obligations are limited to less than five percent of the value of the acquiring fund, 50% of an issue and 25% of the issuer's obligations. Investments in corporate stock may not exceed five percent of the total outstanding of any one corporation.

For the Post Retirement Fund and the Supplemental Investment Funds none of the issuers produced exposure greater than five percent of the Funds' values.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2008

### Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Investment managers with authority to invest in foreign securities are

given authority to hedge foreign currency through forward contracts in order to avoid currency losses. The Supplemental Investment and Post Retirement Investment funds exposure to foreign currency risk is presented in tables two and four respectively.

### 7. SUPPLEMENTAL INVESTMENT FUND

The Supplemental Investment Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal Year 2008 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **128 to 145** of this report. Participation in the Supplemental Investment Fund accounts is determined in accordance with various statutory requirements.

The SBI invests the assets of the Supplemental Investment Fund as discussed in the Supplemental Investment Fund section of this report. The investment allocation is a factor of the investment decisions of the participants and the investment objectives of the funds they select. Debt securities comprise 25% of this allocation. Assets of the Supplemental Investment Fund are comprised of shares of the investment pools managed by SBI. The tables below represent the Supplemental Investment Fund's participation in the pooled investment accounts.

**Table 1**

#### Debt Securities Credit Quality and Exposure of the Supplemental funds' Share of the Pooled Investment Accounts as of June 30, 2008 (In Thousands)

Type	Years Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	9.99	\$7,091	0.00%	96.68%	0.19%	3.13%
Corporate Bonds	6.11	\$117,640	0.00%	87.08%	7.13%	5.79%
External Cash Equivalent Pools	0.16	\$144,845	0.00%	90.14%	0.00%	9.86%
Mortgage Backed Securities	25.78	\$108,020	1.41%	97.96%	0.36%	0.27%
Mortgage Backed Securities TBA	0.00	\$11,745	17.22%	82.78%	0.00%	0.00%
Municipal/Provincial Bonds	0.99	\$13,894	0.00%	14.40%	0.00%	85.60%
Mutual Funds	0.04	\$64,548	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	3.23	\$61,850	0.00%	98.18%	0.00%	1.82%
U.S. Treasuries	9.39	<u>\$10,737</u>	100.00%	0.00%	0.00%	0.00%
		<u>\$540,370</u>				

**Table 2**

#### Currency Exposure (In Thousands)

	Cash	Fixed	Equity
Euro Currency	\$770	\$376	\$33,585
Japanese Yen	\$354	\$0	\$20,370
Pound Sterling	\$359	\$0	\$19,983
Other LT 1% Foreign	<u>\$513</u>	<u>\$18</u>	<u>\$43,978</u>
Total	<u>\$1,996</u>	<u>\$394</u>	<u>\$117,916</u>

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2008

#### 8. POST RETIREMENT INVESTMENT FUND

The Post Retirement Investment Fund (POST) serves as an investment vehicle for the Defined Benefit Pension Funds of the State of Minnesota. The fund invests amounts certified by the various pension funds as reserves required for the payment of retirement benefits. Assets of the POST Fund are held in custody at State Street Bank in Boston.

Participation in the POST Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 2008. It includes a 6% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, a monthly proration of unrealized gains **or losses** and any mortality gains or losses as determined by an independent actuary hired by the State Legislature. The difference between this participation and the accrued fair value of the POST Fund is listed as Undistributed Earnings.

The Laws of Minnesota (2008) Chapter 349, Article 2, Section 1 amended Minnesota Statutes Section 11A.18 to provide conditions for the dissolution of the Post Fund. Under Section 11A.18 Subd. 2a. the Post Fund must be

dissolved if the composite ratio of Post Fund assets to actuarially determined required reserves falls below 80%.

On June 30, 2008, the composite ratio was calculated at 79.7%. As a result the Post Fund will be dissolved in accordance with Minnesota Statutes Section 11A.181. The statute provides that the Post Fund assets will be transferred back to the participating plans on June 30 2009.

Minnesota Statutes Section 11A.181 also sets the benefit increase to Post Retirement Fund participants at 2.5%. Annuitants and other beneficiaries at May 31, 2008 are eligible to receive the full January 1, 2009, benefit increase. Others eligible for an increase receive one-twelfth of the increase for each full month from their retirement to June 30, 2008.

The SBI invests the assets of the Post Fund on a long-term asset allocation as discussed in the Post Retirement Fund section of this report. Debt securities make up 30% of this allocation. Investments exposed to foreign currencies comprise 14% of the allocation. The tables below represent the Post Fund's participation in the pooled investment accounts

**Table 3**

<b>Debt Securities Credit Quality and Exposure of the Post Fund's Share of the Pooled Investment Accounts as of June 30, 2008 (In Thousands)</b>						
Type	Yrs Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	11.21	\$253,380	0.00%	95.62%	0.25%	4.13%
Corporate Bonds	8.10	\$1,568,939	0.00%	89.07%	10.11%	0.82%
External Cash Equivalent Pools	0.16	\$530,745	0.00%	89.96%	0.00%	10.04%
Mortgage Backed Securities	26.37	\$2,882,002	2.37%	97.02%	0.12%	0.47%
Mortgage Backed Securities TBA	0.00	\$553,211	17.22%	82.78%	0.00%	0.00%
Municipal/Provincial Bonds	1.71	\$140,682	0.00%	66.97%	0.00%	33.03%
Mutual Funds	0.00	\$66,193	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	3.98	\$397,146	0.00%	99.37%	0.00%	0.63%
U.S. Treasuries	9.40	<u>\$505,786</u>	100.00%	0.00%	0.00%	0.00%
		<u>\$6,898,084</u>				

**Table 4**

<b>Currency Exposure (In Thousands)</b>			
	Cash	Fixed	Equity
Euro Currency	\$21,135	\$17,706	\$909,065
Japanese Yen	\$9,587	\$0	\$551,354
Pound Sterling	\$9,713	\$0	\$540,883
Other LT 1%	<u>\$13,889</u>	<u>\$844</u>	<u>\$1,190,371</u>
Total	<u>\$54,324</u>	<u>\$18,550</u>	<u>\$3,191,673</u>

# SCHEDULE OF PARTICIPATION

June 30, 2008

AMOUNTS IN (000)'S

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
	(Participants see pp. 134-145).	
<b>Teacher's Retirement Fund</b>	\$ 0	\$ 12,913,156
<b>Public Employees Retirement Fund</b>	0	7,178,089
<b>State Employees Retirement Fund</b>	0	4,104,677
<b>Public Employees Police &amp; Fire Fund</b>	0	2,561,812
<b>Public Employees Consolidation Fund</b>	0	10,023
<b>Highway Patrolmen's Retirement Fund</b>	0	431,767
<b>Legislators &amp; Survivors Retirement Fund</b>	0	37,619
<b>Correctional Employees Retirement Fund</b>	0	328,741
<b>Judges Retirement Fund</b>	0	116,718
<b>Income Share Account</b>	236,346	0
<b>Growth Share Account</b>	112,270	0
<b>Money Market Account</b>	134,755	0
<b>Common Stock Index Account</b>	258,988	0
<b>International Stock Account</b>	131,513	0
<b>Bond Market Account</b>	121,966	0
<b>Stable Value Account</b>	71,669	0
<b>TOTAL PARTICIPATION</b>	<u>\$ 1,067,507</u>	<u>\$ 27,682,602</u>
 <b>Adjustments</b>		
 <b>Undistributed Earnings</b>	 0	 ( 4,723,609)
<b>NET ASSETS</b>	<u><u>\$ 1,067,507</u></u>	<u><u>\$ 22,958,993</u></u>

Notes are an integral part of the Financial Statements

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**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>ASSETS:</b>			
<b>Investments (at fair value) (2), (3):</b>			
<b>Common Stock</b>	\$ 141,212	\$ 112,311	\$ 0
<b>Alternative Equities</b>	0	0	0
<b>Fixed Income Securities</b>	93,615	0	0
<b>Short Term Securities</b>	1,521	0	134,410
<b>Securities-Lending Collateral (4b)</b>	17,969	12,794	2,705
<b>Total Investments (3)</b>	<u>\$ 254,317</u>	<u>\$ 125,105</u>	<u>\$ 137,115</u>
 <b>Cash</b>	 0	 0	 0
<b>Security Sales Receivable</b>	0	0	0
<b>Account Receivable- Fee Refunds</b>	0	0	0
<b>Account Receivable-Mortality</b>	0	0	0
<b>Account Receivable-Participants</b>	0	0	0
<b>Accrued Interest</b>	0	0	0
<b>Accrued Dividend</b>	0	0	0
<b>Accrued Short Term Gain</b>	4	0	346
<b>TOTAL ASSETS</b>	<u><u>\$ 254,321</u></u>	<u><u>\$ 125,105</u></u>	<u><u>\$ 137,461</u></u>
 <b>LIABILITIES:</b>			
<b>Management Fees Payable</b>	\$ 6	\$ 41	\$ 1
<b>Security Purchases Payable</b>	0	0	0
<b>Accounts Payable-Participants</b>	0	0	0
<b>Options Premiums Received</b>	0	0	0
<b>Securities-Lending Collateral (4b)</b>	17,969	12,794	2,705
<b>TOTAL LIABILITIES</b>	<u>\$ 17,975</u>	<u>\$ 12,835</u>	<u>\$ 2,706</u>
 <b>NET ASSETS AT JUNE 30, 2008</b>	 <u><u>\$ 236,346</u></u>	 <u><u>\$ 112,270</u></u>	 <u><u>\$ 134,755</u></u>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 258,999	\$ 131,619	\$ 0	\$ 0	\$ 644,141
0	0	0	0	0
0	0	122,000	68,906	284,521
0	0	0	2,539	138,470
25,406	13,158	17,650	516	90,198
<b>\$ 284,405</b>	<b>\$ 144,777</b>	<b>\$ 139,650</b>	<b>\$ 71,961</b>	<b>\$ 1,157,330</b>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	229	229
0	0	0	0	0
0	0	0	7	357
<b>\$ 284,405</b>	<b>\$ 144,777</b>	<b>\$ 139,650</b>	<b>\$ 72,197</b>	<b>\$ 1,157,916</b>
\$ 11	\$ 106	\$ 34	\$ 12	211
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
25,406	13,158	17,650	516	90,198
<b>\$ 25,417</b>	<b>\$ 13,264</b>	<b>\$ 17,684</b>	<b>\$ 528</b>	<b>\$ 90,409</b>
<b>\$ 258,988</b>	<b>\$ 131,513</b>	<b>\$ 121,966</b>	<b>\$ 71,669</b>	<b>\$ 1,067,507</b>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>FROM UNDISTRIBUTED INCOME:</b>			
Net Investment Income	\$ 11,760	\$ 4,411	\$ 4,517
Realized Gains (Losses)	0	( 779)	0
Unrealized Fair Value Increase(Decrease)	( 26,342)	( 20,748)	0
<b>TOTAL INCOME</b>	<b>(\$ 14,582)</b>	<b>(\$ 17,116)</b>	<b>\$ 4,517</b>
 Less Distributions to participants Accounts	 \$ 14,582	 \$ 17,116	 (\$ 4,517)
Undistributed Dedicated Income	0	0	0
<b>Net Change In Undistributed Income</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
 <b>FROM PARTICIPANT TRANSACTIONS:</b>			
<b>Additions To Participant Accounts</b>			
Participant Contributions	\$ 6,402	\$ 14,402	\$ 51,399
Income Distributions	( 14,582)	( 17,116)	4,517
Income To Be Distributed	0	0	0
<b>Total Additions</b>	<b>(\$ 8,180)</b>	<b>(\$ 2,714)</b>	<b>\$ 55,916</b>
<b>Deductions From Participant Accounts</b>			
Withdrawals	\$ 14,015	\$ 9,775	\$ 6,272
<b>Total Deductions</b>	<b>14,015</b>	<b>9,775</b>	<b>6,272</b>
<b>Net change In Participation</b>	<b>(\$ 22,195)</b>	<b>(\$ 12,489)</b>	<b>\$ 49,644</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>(\$ 22,195)</b>	<b>(\$ 12,489)</b>	<b>\$ 49,644</b>
 <b>NET ASSETS:</b>			
Beginning Of Period	258,541	124,759	85,111
<b>End Of Period</b>	<b>\$ 236,346</b>	<b>\$ 112,270</b>	<b>\$ 134,755</b>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 12,631	\$ 10,964	\$ 10,349	\$ 2,932	\$ 57,564
6,499	479	417	85	6,701
( 57,951)	( 21,584)	( 3,978)	30	( 130,573)
(\$ 38,821)	(\$ 10,141)	\$ 6,788	\$ 3,047	(\$ 66,308)
\$ 38,821	\$ 10,141	(\$ 6,788)	(\$ 3,047)	\$ 66,308
0	0	0	0	0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 7,193	\$ 37,533	\$ 31,012	\$ 8,981	\$ 156,922
( 38,821)	( 10,141)	6,788	3,047	( 66,308)
0	0	0	0	0
(\$ 31,628)	\$ 27,392	\$ 37,800	\$ 12,028	\$ 90,614
\$ 67,404	\$ 3,815	\$ 52,063	\$ 2,523	\$ 155,867
67,404	3,815	52,063	2,523	155,867
(\$ 99,032)	\$ 23,577	(\$ 14,263)	\$ 9,505	(\$ 65,253)
(\$ 99,032)	\$ 23,577	(\$ 14,263)	\$ 9,505	(\$ 65,253)
358,020	107,936	136,229	62,164	1,132,760
\$ 258,988	\$ 131,513	\$ 121,966	\$ 71,669	\$ 1,067,507

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>INVESTMENT INCOME:</b>			
Interest	\$ 5,396	\$ 0	\$ 0
Dividends	5,978	4,549	0
Short Term Gains	252	0	4,492
Security Lending Gross Earnings (4c)	1,047	662	196
Less: Borrower Rebates	( 843)	( 528)	( 160)
Less: Fees Paid to Agents	( 43)	( 28)	( 6)
Security Lending Net Earnings	161	106	30
Income Before Expenses	\$ 11,787	\$ 4,655	\$ 4,522
Management Fees	27	244	5
<b>NET INCOME</b>	<b>\$ 11,760</b>	<b>\$ 4,411</b>	<b>\$ 4,517</b>
<b>REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>			
<b>Realized:</b>			
Proceeds From Sales	0	9,781	0
Cost Of Securities Sold	0	10,560	0
Net Realized Gain (Loss)	\$ 0	(\$ 779)	\$ 0
<b>Unrealized:</b>			
Beginning Of Period	42,057	( 5,628)	0
End Of Period	15,715	( 26,376)	0
Increase (decrease) In Unrealized Appreciation	(\$ 26,342)	( 20,748)	\$ 0
<b>NET REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>			
	(\$ 26,342)	(\$ 21,527)	\$ 0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INTERNATIONAL SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 0	\$ 10,326	\$ 2,983	\$ 18,705
12,415	11,110	0	0	34,052
0	0	0	72	4,816
1,558	1,144	1,177	37	5,821
( 1,223)	( 835)	( 982)	( 31)	( 4,602)
( 70)	( 69)	( 34)	( 1)	( 251)
265	240	161	5	968
\$ 12,680	\$ 11,350	\$ 10,487	\$ 3,060	\$ 58,541
49	386	138	128	977
\$ 12,631	\$ 10,964	\$ 10,349	\$ 2,932	\$ 57,564
67,419	3,821	52,069	11,081	144,171
60,920	3,342	51,652	10,996	137,470
\$ 6,499	\$ 479	\$ 417	\$ 85	\$ 6,701
43,953	16,388	( 5,770)	123	91,123
( 13,998)	( 5,196)	( 9,748)	153	( 39,450)
(\$ 57,951)	(\$ 21,584)	(\$ 3,978)	\$ 30	(\$ 130,573)
( \$ 51,452)	( \$ 21,105)	( \$ 3,561)	\$ 115	( \$ 123,872)

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Alaska Fire	\$ 13,901	\$ 8,872	\$ 0
Albertville Firemans Relief Ass'n	0	17,411	0
Alborn Fire	33,837	11,843	0
Alden Fire	0	37,871	0
Almelund Fire	30,945	0	211,154
Amboy Fire	0	0	0
Argyle Fire	18,856	33,340	0
Arrowhead Fire Relief Assoc	21,381	21,913	0
Askov Fire	79,988	0	0
Audubon Fire	154,773	0	0
Austin Part-time Fire	218,463	171,674	0
Avon Fire	0	17,708	0
Babbitt Fire Relief Assoc.	111,392	0	0
Backus Fire Relief Assoc	0	0	0
Bagley Fire	102,828	0	1,480
Balsam Fire	158,730	111,086	124
Barnum Fire	18,978	0	0
Beardsly Fire Relief Association	0	34,952	0
Beaver Creek Fire	0	0	0
Benson Fire	55,302	53,858	0
Bertha Fire	38,553	26,208	0
Bigfork Fire	12,072	54,579	0
Bird Island Fire	45,773	39,623	0
Biwabik Township Fire	36,088	0	0
Blackduck Fire Relief	0	0	0
Blooming Prairie Fire	45,507	0	0
Bloomington Fire	0	9,516,706	20,788,593
Boyd Fire	12,410	10,120	0
Bricelyn Fire	189,149	0	0
Brimson Firefighters	33,157	0	507
Brooklyn Park Fire	3,064,029	0	0
Brooten Fire	0	0	0
Brownsville Fire Relief	5,535	5,601	1,192
Buffalo Lake Fire	96,407	123,759	0
Buyck Volunteer Fire Dep	2,883	2,520	3,016
Caledonia Fire	105,558	50,995	0
Canby Fire	137,944	115,482	2,512
Centennial Fire Relief	171,203	170,015	182,385
Center City Fire	91,989	27,118	0
Ceylon Fire	47,393	40,682	0
Chatfield Fire	68,121	94,029	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 14,197	\$ 2,702	\$ 0	\$ 0	\$ 39,672
0	19,360	24,520	0	\$ 61,291
13,500	0	0	0	\$ 59,180
47,919	0	0	0	\$ 85,790
0	0	0	0	\$ 242,100
58,976	0	21,847	0	\$ 80,823
0	0	0	0	\$ 52,195
22,464	0	12,952	0	\$ 78,709
0	0	0	0	\$ 79,988
0	0	58,126	0	\$ 212,899
0	0	0	0	\$ 390,137
18,284	0	0	0	\$ 35,992
39,170	15,251	68,876	0	\$ 234,689
62,451	0	0	0	\$ 62,451
0	0	29,377	0	\$ 133,685
0	0	0	0	\$ 269,940
171,795	0	0	0	\$ 190,773
35,209	28,274	47,510	0	\$ 145,944
16,707	0	14,480	0	\$ 31,187
58,289	0	42,381	0	\$ 209,830
0	0	0	0	\$ 64,761
58,959	17,516	0	0	\$ 143,126
0	0	0	0	\$ 85,396
31,963	0	0	0	\$ 68,051
0	50,274	0	0	\$ 50,274
40,814	0	55,010	0	\$ 141,331
38,089,120	14,322,988	15,502,693	0	\$ 98,220,100
0	0	0	0	\$ 22,530
0	0	0	0	\$ 189,149
0	13,416	7,897	0	\$ 54,978
3,580,721	311,694	0	0	\$ 6,956,444
177,332	0	0	0	\$ 177,332
26,094	3,670	10,196	0	\$ 52,288
0	0	0	0	\$ 220,166
2,546	2,812	2,864	0	\$ 16,641
0	54,259	0	0	\$ 210,811
85,049	42,205	0	0	\$ 383,192
0	0	146,567	0	\$ 670,169
26,416	15,635	10,719	0	\$ 171,878
43,603	0	0	0	\$ 131,678
0	41,989	0	0	\$ 204,139

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Cherry Fire	\$ 22,942	\$ 13,725	\$ 513
Chisago City Fire	332,238	80,770	0
Chokio Fire	110,264	0	0
Clarissa Fire Relief	0	14,965	0
Clarkfield Fire	139,710	11,523	0
Clear Lake Fire	151,151	209,422	0
Cleveland Fire	981	0	103,241
Cohasset Fire	13,909	32,432	0
Columbia Heights Fire	0	617,717	0
Colvill Area Volunteer Fire Dept.	4,328	0	18,779
Coon Rapids Fire	1,379,446	0	0
Crane Lake Fire	29,183	28,615	0
Cyrus Fire Relief Associator	0	14,372	0
Dakota Fire Relief	25,098	13,034	0
Dawson Fire	214,984	109,313	0
Deer Creek Fire	50,988	83,990	0
Delano Fire	0	43,362	0
Dover Fire	53,536	20,350	35,608
East Grand Forks Fire	857,684	0	0
Edgerton Fire	151,561	0	0
Edina Fire	0	0	285,139
Elbow Lake Fire	121,616	64,939	0
Elk River Fire	667,850	96,893	0
Ellsburg Fire	0	31,111	0
Elmore Fire	0	28,289	0
Emmons Fire	57,881	0	12,716
Excelsior Fire	1,330,919	761,360	0
Eyota Fire	62,687	0	70,410
Farmington Cataract	126,194	0	0
Fayal Fire	7,815	2,712	49
Fergus Falls Fire	0	387,410	0
Forest Lake Fire	193,165	0	0
Franklin Fire Relief Associator	0	0	0
Frazee Fire	151,251	47,184	0
Fredenberg Fire	50,721	27,675	0
Frost Fire	17,220	15,702	0
Ghent Volunteer Fire Dept Relief	0	0	0
Glencoe Fire	0	110,709	0
Glenville Fire Relief	24,178	21,240	10,783
Glenwood Fire	89,773	59,020	0
Golden Valley Fire	1,710,140	719,017	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,180
0	103,200	71,498	0	\$ 587,707
0	0	0	0	\$ 110,264
15,375	0	25,505	0	\$ 55,845
15,515	0	35,336	0	\$ 202,084
0	0	0	0	\$ 360,573
48,299	0	15,626	0	\$ 168,146
0	0	0	0	\$ 46,341
382,702	0	312,501	0	\$ 1,312,920
0	745	0	0	\$ 23,851
0	0	486,463	0	\$ 1,865,909
28,616	10,461	0	0	\$ 96,875
14,498	12,081	20,554	0	\$ 61,505
0	0	14,257	0	\$ 52,389
0	0	0	0	\$ 324,296
0	0	0	0	\$ 134,978
47,382	0	0	0	\$ 90,745
34,132	20,562	54,752	0	\$ 218,940
0	0	0	0	\$ 857,684
86,752	0	0	0	\$ 238,313
2,146,376	641,335	2,537,765	0	\$ 5,610,615
0	0	0	0	\$ 186,555
244,967	318,937	0	0	\$ 1,328,647
31,756	0	0	0	\$ 62,867
17,913	0	0	0	\$ 46,202
84,105	37,695	0	0	\$ 192,398
780,018	0	0	0	\$ 2,872,297
30,119	0	57,273	0	\$ 220,489
123,704	30,323	0	0	\$ 280,221
1,978	7,135	3,950	0	\$ 23,637
443,624	58,505	564,751	0	\$ 1,454,290
47,751	0	0	0	\$ 240,916
26,572	0	0	0	\$ 26,572
39,823	0	72,307	0	\$ 310,565
31,848	30,778	11,239	0	\$ 152,261
16,791	0	0	0	\$ 49,713
9,369	5,277	5,281	0	\$ 19,927
0	0	0	0	\$ 110,709
21,813	27,172	22,321	0	\$ 127,506
61,340	0	72,286	0	\$ 282,419
610,695	557,539	594,032	0	\$ 4,191,423

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Gonvick Fire	\$ 36,120	\$ 33,459	\$ 0
Good Thunder Fire	109,427	55,493	0
Grand Marais Fire	68,698	56,568	91,887
Grand Meadow Fire	46,023	42,012	0
Greenwood Fire	87,851	131,501	0
Grey Eagle Fire	113,216	15,202	0
Hackensack Fire	64,209	0	0
Hanska Fire	0	11,865	0
Harmony Fire	0	0	0
Hawley Fire	0	0	182
Hayward Fire	0	97,217	0
Hector Fire	482,110	0	0
Henning Fire	37,363	13,152	0
Herman Fire Relief Associatio	0	24,521	0
Hewitt Fire	0	10,225	0
HillsFireman Relief Associatio	3,738	3,524	0
Holdingford Fire	9,426	8,318	0
Holland Fire	19,996	7,885	4
Houston Fire	10,378	8,588	0
Hovland Area Fire	0	12,328	0
Industrial Fire	44,017	0	0
Isanti Fire	0	367,204	0
Jacobson Fire	22,967	26,869	6,649
Kabetogama Fire	0	122,376	0
Kandiyohi Fire	44,924	38,793	0
Kelliher Fire	25,442	35,845	0
Kelsey Volunteer Firefighter's Re	0	1,793	0
Kerkhoven Fire	50,130	45,939	0
Kettle River Fire	33,731	16,647	0
Kiester Fire	0	13,007	0
Kilkenny Fire Relief Associatio	32,026	31,880	32,863
Kimball Fire	58,329	51,204	0
La Crescent Fire	117,447	110,204	0
La Salle Fire Relief	12,018	11,699	0
Lafayette Fire	120,767	58,020	0
Lake City Fire	473,703	0	0
Leroy Fire Relief Assoc	54,163	0	0
Lewiston Fire	76,185	72,976	0
Lexington Firemen's Relief Assi	0	0	347,278
Linwood Fire	459,986	0	0
Little Falls Fire	0	0	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,580
72,877	0	0	0	\$ 237,797
0	26,673	125,018	0	\$ 368,844
45,282	0	0	0	\$ 133,317
0	0	43,134	0	\$ 262,487
0	33,300	0	0	\$ 161,718
0	50,241	0	0	\$ 114,450
0	9,753	0	0	\$ 21,618
28,884	33,247	0	0	\$ 62,131
55,883	0	0	0	\$ 56,065
124,495	0	0	0	\$ 221,712
0	0	0	0	\$ 482,110
40,570	23,558	28,491	0	\$ 143,134
24,736	20,612	35,068	0	\$ 104,937
0	0	0	0	\$ 10,225
3,548	3,568	0	0	\$ 14,378
9,007	0	0	0	\$ 26,751
25,543	69,998	33,407	0	\$ 156,832
8,970	14,291	0	0	\$ 42,226
24,373	0	0	0	\$ 36,702
41,578	0	0	0	\$ 85,594
286,557	412,964	0	0	\$ 1,066,726
0	12,962	0	0	\$ 69,447
0	0	0	0	\$ 122,376
36,644	0	39,873	0	\$ 160,234
43,101	0	0	0	\$ 104,389
0	1,877	2,073	0	\$ 5,743
48,890	0	51,578	0	\$ 196,537
22,812	0	0	0	\$ 73,191
14,236	20,378	0	0	\$ 47,621
31,802	0	0	0	\$ 128,571
31,614	0	0	0	\$ 141,147
98,646	0	64,283	0	\$ 390,579
12,136	0	0	0	\$ 35,853
58,290	0	53,053	0	\$ 290,130
0	0	0	0	\$ 473,703
0	0	15,007	0	\$ 69,170
0	0	0	0	\$ 149,160
0	0	0	0	\$ 347,278
0	0	0	0	\$ 459,986
223,108	0	0	0	\$ 223,108

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Littlefork Fire	\$ 94,938	\$ 11,009	\$ 0
Lowry Fire	0	0	0
Lutsen Fire Department Relief As	9,489	8,790	0
Lyle Fire Relief	36,670	0	0
Madison Fire	49,470	39,749	0
Madison Lake Fire	22,709	20,191	0
Mahtomedi Fire	687,761	0	0
Maple Hill Fire Rlief Asssoc.	90,197	0	0
Mapleton Fire	67,472	73,983	0
Mapleview Fire	45,136	71,073	0
Maplewood Fire	0	0	0
Marietta Fire	26,548	11,699	0
Marine St. Croix Fire	48,400	80,605	50,878
Mayer Fire	112,251	0	45,170
Maynard Fire	68,245	0	0
McDavitt Fire	73,700	41,528	0
McGrath Fire	11,921	6,259	0
McIntosh Fire	21,283	27,735	0
MedFord Fire	5,536	33,012	0
Medicine Lake Fire	0	0	0
Menahga Fire	84,496	0	0
Mendota Heights Fire	0	166,708	0
Milan Fire	37,356	33,889	0
Minneapolis Fire	0	0	0
Minneapolis Fire (Health Insuran	1,995,383	0	0
Minneapolis Police	0	0	0
Minneota Fire	31,121	12,755	0
Minnetonka Fire	6,251,854	0	0
Montrose Fire	6,887	9,034	0
Morris Fire	74,294	44,916	0
Morristown Fire	165,737	0	0
Murdock Fire	28,207	25,988	0
Myrtle Fire Relief	37,195	0	48,743
Nassau Firefighters Relief Associ	11,104	32,863	0
New Brighton Fire	0	1,299,834	0
New Germany Fire	49,148	0	0
New Scandia Township Fire	130,430	123,803	0
New Ulm Fire	0	0	0
New York Mills Fire	139,611	0	0
Nicollet Fire	137,686	64,563	0
Nodine Fire	0	0	6,886

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 76,274	\$ 0	\$ 0	\$ 0	\$ 182,222
52,444	0	0	0	\$ 52,444
8,899	0	0	0	\$ 27,178
36,410	0	0	0	\$ 73,080
45,019	0	0	0	\$ 134,238
0	25,841	0	0	\$ 68,741
0	0	0	0	\$ 687,761
0	0	30,149	0	\$ 120,346
0	0	0	0	\$ 141,455
0	19,779	55,038	0	\$ 191,026
2,949,825	472,017	1,205,468	0	\$ 4,627,310
9,077	0	0	0	\$ 47,325
65,618	45,721	23,863	0	\$ 315,084
165,258	0	38,082	0	\$ 360,761
0	0	0	0	\$ 68,245
0	12,052	6,176	0	\$ 133,456
0	0	7,827	0	\$ 26,006
33,547	0	0	0	\$ 82,565
31,971	143,316	0	0	\$ 213,835
260,867	156,994	121,976	0	\$ 539,837
0	0	94,926	0	\$ 179,422
183,822	147,800	379,248	0	\$ 877,578
36,766	0	0	0	\$ 108,011
12,025,200	0	11,276,570	0	\$ 23,301,770
0	0	0	0	\$ 1,995,383
99,659,090	51,027,034	45,300,318	0	\$ 195,986,442
13,211	11,210	17,843	0	\$ 86,140
0	0	0	0	\$ 6,251,854
11,391	0	0	0	\$ 27,313
49,264	44,136	0	0	\$ 212,610
208,765	9,006	0	0	\$ 383,508
26,889	25,817	0	0	\$ 106,901
0	0	0	0	\$ 85,938
32,832	22,514	11,209	0	\$ 110,522
0	0	1,073,408	0	\$ 2,373,242
0	0	0	0	\$ 49,148
126,383	152,550	0	0	\$ 533,166
199,408	0	0	0	\$ 199,408
0	0	0	0	\$ 139,611
65,251	66,671	0	0	\$ 334,172
50,481	25,025	59,903	0	\$ 142,296

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
North Branch Fire	\$ 87,668	\$ 44,896	\$ 0
North Star Fire	0	0	0
Northfield Fire	951,452	606,687	0
Northrop Fire	36,595	39,887	0
Norwood Young America Fire	123,200	108,710	72,338
Osakis Fire	0	136,469	0
Ottertail Fire	284,556	0	0
Owatonna Fire	490,310	884,439	72,367
Pennock Fire	155,769	0	5,476
Pequaywan Lake Fire	0	0	0
Perch Lake Fire	6,810	6,417	0
Pine Island Fire	146,694	85,142	0
Pipestone Fire	137,643	0	0
Porter Fire	19,007	34,285	15,963
Prior Lake Fire	0	46,100	0
Randolph Fire	176,211	0	0
Red Lake Falls Fire	63,698	0	0
Redwood Falls Fire	0	0	0
Remer Fire	10,149	9,229	0
Renville Fire	49,558	49,365	0
Robbinsdale Fire	565,869	235,569	67,557
Rose Creek Fire	32,071	14,966	1,919
Roseau Fire	0	973	0
Rosemount Fire	726,580	408,070	0
Roseville Fire	0	2,055,985	0
Rush City Fire	222,536	64,452	0
Ruthton Fire	20,127	18,880	21,862
Sacred Heart Fire	0	36,151	0
Saint Clair Fire	96,944	107,176	1,234
Saint Michael Fire	0	23,255	0
Saint Peter Fire	23,344	114,750	0
Sandstone Fire	5,816	0	0
Savage Fire Relief Assoc	1,024,286	0	0
Schroeder Fire	0	94,560	0
Shakopee Fire	0	725,044	0
Sherburn Fire	243,991	0	0
Shevlin Fire	33,531	0	0
Silver Bay Fire	71,141	68,263	0
Solway Fire(Cloquet)	72,133	0	0
Solway Firefighters(* Main)	6,251	6,012	0
Spring Grove Fire Dept. Relief A	7,796	7,344	2,091

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 48,447	\$ 205,677	\$ 0	\$ 0	\$ 386,688
43,859	0	0	0	\$ 43,859
831,130	0	0	0	\$ 2,389,270
0	0	0	0	\$ 76,482
0	0	123,622	0	\$ 427,869
129,242	36,655	117,355	0	\$ 419,722
0	0	0	0	\$ 284,556
81,820	122,305	0	0	\$ 1,651,242
0	0	0	0	\$ 161,245
36,547	0	0	0	\$ 36,547
0	0	0	0	\$ 13,227
0	0	0	0	\$ 231,836
125,152	0	0	0	\$ 262,795
112,837	0	29,787	0	\$ 211,878
46,529	46,746	0	0	\$ 139,375
188,804	4,486	0	0	\$ 369,501
0	0	0	0	\$ 63,698
0	0	34,612	0	\$ 34,612
9,642	13,473	0	0	\$ 42,493
15,820	0	43,156	0	\$ 157,898
242,598	150,121	0	0	\$ 1,261,715
16,003	0	0	0	\$ 64,959
0	0	0	0	\$ 973
420,341	0	0	0	\$ 1,554,990
2,193,765	988,715	2,254,084	0	\$ 7,492,548
93,120	0	0	0	\$ 380,108
19,104	0	0	0	\$ 79,973
0	0	0	0	\$ 36,151
113,668	0	11,775	0	\$ 330,797
24,937	31,451	0	0	\$ 79,642
61,428	96,758	558	0	\$ 296,837
0	0	0	0	\$ 5,816
0	0	0	0	\$ 1,024,286
19,578	0	0	0	\$ 114,138
770,230	209,671	0	0	\$ 1,704,945
0	0	0	0	\$ 243,991
0	0	45,156	0	\$ 78,687
0	19,847	0	0	\$ 159,251
0	0	77,128	0	\$ 149,262
5,236	0	0	0	\$ 17,499
7,420	6,256	0	0	\$ 30,907

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Spring Lake Park Fire	\$ 0	\$ 0	\$ 0
Starbuck Fire	26,174	20,966	0
Stephen Fire	45,824	64,143	0
Stewart Fire	68,959	0	0
Stewartville Fire	253,169	119,626	0
Stillwater Fire	259,781	124,309	265,554
Sturgeon Lake Fire	0	11,309	0
Tofte Fire	52,295	0	0
Truman Fire	56,099	54,003	0
Two Harbors Fire	114,719	110,373	0
Underwood Firefighter's Relief	0	5,276	0
Vadnais Heights Fire	68,950	0	0
Vergas Fire	167,235	0	0
Vermilion Lake Fire	145,854	0	0
Verndale Fire	0	8,259	0
Waconia Fire	208,808	276,894	0
Warba-Feeley-Sago Fire	44,646	0	0
Warroad Area Fire	187,236	0	0
Williams Fire	84,433	23,839	0
Willow River Fire	0	20,135	0
Winnebago Fire	14,688	0	0
Woodbury Fire	0	0	1,681,186
Woodstock Fire	24,530	21,652	0
Wrenshall Fire Relief	0	0	0
Wright Fire	75,284	0	0
Wykoff Fire	58,944	0	0
Wyoming Fire	114,457	0	0
Zumbro Falls Fire	169,701	38,668	0
Deferred Comp	0	0	0
Hennepin Co. (SRHC)	60,979,159	24,992,952	11,726,098
MSRS-Health	18,838,931	11,314,871	84,068,980
Pera-DCP	12,416,690	5,391,309	1,204,129
Unclassified	109,238,054	45,397,337	13,189,134
<b>TOTAL PARTICIPATION</b>	<b>\$ 236,345,535</b>	<b>\$ 112,270,107</b>	<b>\$ 134,754,629</b>
<b>Adjustments</b>			
Unrealized Appreciation			
(Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
<b>NET ASSETS</b>	<b>\$ 236,345,535</b>	<b>\$ 112,270,107</b>	<b>\$ 134,754,629</b>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 880,738	\$ 0	\$ 0	\$ 0	\$ 880,738
22,069	8,189	0	0	\$ 77,397
0	0	0	0	\$ 109,967
33,720	0	0	0	\$ 102,679
123,150	100,255	0	0	\$ 596,201
0	0	46,263	0	\$ 695,906
15,849	0	5,888	0	\$ 33,046
55,019	0	0	0	\$ 107,313
52,841	0	33,487	0	\$ 196,431
0	122,290	122,630	0	\$ 470,012
5,314	4,446	0	0	\$ 15,035
0	0	0	0	\$ 68,950
0	0	0	0	\$ 167,235
0	0	0	0	\$ 145,854
8,716	0	0	0	\$ 16,975
142,719	95,898	0	0	\$ 724,319
0	0	0	0	\$ 44,646
0	0	0	0	\$ 187,236
25,757	0	0	0	\$ 134,029
29,255	0	23,560	0	\$ 72,950
0	0	0	0	\$ 14,688
2,942,318	980,002	0	0	\$ 5,603,506
15,415	0	5,276	0	\$ 66,874
57,792	0	0	0	\$ 57,792
0	0	0	0	\$ 75,284
0	0	0	0	\$ 58,944
0	0	111,687	0	\$ 226,144
33,581	20,663	14,912	0	\$ 277,525
0	0	0	0	\$ 0
14,569,357	6,709,887	7,316,217	0	\$ 126,293,670
18,032,399	18,254,930	13,061,852	41,810,596	\$ 205,382,558
4,610,450	2,165,512	2,063,102	2,674,457	\$ 30,525,649
45,671,436	31,174,088	15,197,298	27,184,002	\$ 287,051,350
\$ 258,988,103	\$ 131,513,018	\$ 121,966,105	\$ 71,669,056	\$ 1,067,506,553
0	0	0	0	0
0	0	0	0	0
\$ 258,988,103	\$ 131,513,018	\$ 121,966,105	\$ 71,669,056	\$ 1,067,506,553

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF ASSETS AND LIABILITIES**

**JUNE 30, 2008**

**AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENTS ACCOUNT(4)</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>ASSETS:</b>		
Investments (at fair value) (2),(3):		
Common Stock	\$ 0	\$ 53,184
Alternative Equities	5,917,121	0
Fixed Income Securities	0	11,536,180
Short Term Securities	46,458	874,453
Securities-Lending Collateral(4b)	46,781	1,628,988
Total Investments	<u>\$ 6,010,360</u>	<u>\$ 14,092,805</u>
 Cash	 1,452	 -590
Security Sales Receivable	0	907,729
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	0
Accounts Receivable-Participants	0	0
Accrued Interest	0	88,433
Accrued Dividends	0	46
Accrued Short Term Gain	66	3,388
TOTAL ASSETS	<u>\$ 6,011,878</u>	<u>\$ 15,091,811</u>
 <b>LIABILITIES:</b>		
Management Fees Payable	0	2,465
Security Purchases Payable	0	2,094,939
Accounts Payable-Participants	0	0
Options Premiums Received	0	0
Securities-Lending Collateral(4b)	46,781	1,628,988
TOTAL LIABILITIES	<u>\$ 46,781</u>	<u>\$ 3,726,392</u>
 <b>NET ASSETS AT JUNE 30, 2008</b>	 <u><u>\$ 5,965,097</u></u>	 <u><u>\$ 11,365,419</u></u>

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 21,598,709	\$ 7,056,528	\$ 28,708,421
0	0	5,917,121
343	56	11,536,579
328,435	115,071	1,364,417
2,371,420	726,406	4,773,595
<u>\$ 24,298,907</u>	<u>\$ 7,898,061</u>	<u>\$ 52,300,133</u>
59	110,874	111,795
149,870	31,572	1,089,171
0	0	0
0	0	0
0	0	0
9	0	88,442
24,407	23,819	48,272
477	(112)	3,819
<u>\$ 24,473,729</u>	<u>\$ 8,064,214</u>	<u>\$ 53,641,632</u>
5,630	5,853	13,948
185,019	48,152	2,328,110
0	0	0
0	0	0
2,371,420	726,406	4,773,595
<u>\$ 2,562,069</u>	<u>\$ 780,411</u>	<u>\$ 7,115,653</u>
<u><u>\$ 21,911,660</u></u>	<u><u>\$ 7,283,803</u></u>	<u><u>\$ 46,525,979</u></u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT**  
**MINNESOTA POOLED INVESTMENT ACCOUNTS**  
**SCHEDULE OF CHANGES IN NET ASSETS**  
**JUNE 30, 2008**  
**AMOUNTS IN (000)'S**

	<u>ALTERNATIVE INVESTMENTS ACCOUNT(4)</u>	<u>DOMESTIC BOND ACCOUNT</u>
<b>FROM INVESTMENT ACTIVITY:</b>		
Net Investment Income	\$ 578,799	\$ 671,113
Realized Gains (Losses)	( 24,986)	126,278
Unrealized Fair Value Increase(Decrease)	113,107	( 239,697)
<b>TOTAL INCOME</b>	<b>\$ 666,920</b>	<b>\$ 557,694</b>
 <b>Less Distribution To</b>		
Participant Accounts	553,813	798,136
Undistributed Dedicated Income	( 1,107,626)	( 1,595,527)
<b>Net Change In Undistributed Income</b>	<b>\$ 113,107</b>	<b>(\$ 239,697)</b>
 <b>FROM PARTICIPANT TRANSACTIONS:</b>		
<b>Additional To Participant Accounts</b>		
Participant Contributions	1,061,144	1,372,514
Income Distribution	( 553,813)	( 798,136)
Income To Be Distributed	1,107,626	1,595,527
<b>Total Additions</b>	<b>\$ 1,614,957</b>	<b>\$ 2,169,905</b>
<b>Deductions From Participant Accounts</b>		
Withdrawals	648,566	2,122,514
<b>Total Deductions</b>	<b>\$ 648,566</b>	<b>\$ 2,122,514</b>
<b>Net Change In Participation</b>	<b>\$ 966,391</b>	<b>\$ 47,391</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,079,498</b>	<b>(\$ 192,306)</b>
 <b>NET ASSETS:</b>		
Beginning Of Period	4,885,599	11,557,725
<b>End Of Period</b>	<b>\$ 5,965,097</b>	<b>\$ 11,365,419</b>

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 402,922	\$ 183,174	\$ 1,836,008
483,071	514,368	\$ 1,098,731
( 4,183,045)	( 1,209,068)	( 5,518,703)
(\$ 3,297,052)	(\$ 511,526)	(\$ 2,583,964)
886,247	696,519	2,934,715
( 1,772,240)	( 1,394,061)	( 5,869,454)
(\$ 4,183,045)	(\$ 1,209,068)	(\$ 5,518,703)
1,285,317	330,303	4,049,278
( 886,247)	( 696,519)	( 2,934,715)
1,772,240	1,394,061	5,869,454
\$ 2,171,310	\$ 1,027,845	\$ 6,984,017
1,587,245	839,034	5,197,359
\$ 1,587,245	\$ 839,034	\$ 5,197,359
\$ 584,065	\$ 188,811	\$ 1,786,658
(\$ 3,598,980)	(\$ 1,020,257)	(\$ 3,732,045)
25,510,640	8,304,060	50,258,024
\$ 21,911,660	\$ 7,283,803	\$ 46,525,979

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENTS ACCOUNT(4)</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>Interest</b>	\$ 0	\$ 623,801
<b>Dividends</b>	575,968	2,932
<b>Short Term Gains</b>	910	39,148
<b>Security Lending Gross Earnings(4c)</b>	84,446	108,509
<b>Less: Borrower Rebates</b>	( 67,398)	( 90,599)
<b>Less: Fees Paid to Agents</b>	( 3,562)	( 3,127)
<b>Security Lending Net Earnings</b>	13,486	14,783
<b>Income Before Expenses</b>	\$ 590,364	\$ 680,664
<b>Management Fees</b>	11,565	9,551
<b>NET INCOME</b>	\$ 578,799	\$ 671,113
<b>REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>		
<b>Realized:</b>		
<b>Proceeds From Sales</b>	\$ 538,130	\$ 65,415,624
<b>Cost Of Securities Sold</b>	563,116	65,289,346
<b>Net Realized Gain (Loss)</b>	(\$ 24,986)	\$ 126,278
<b>Unrealized:</b>		
<b>Beginning Of Period</b>	1,117,879	( 190,558)
<b>End Of Period</b>	1,230,986	( 430,255)
<b>Increase (Decrease)</b>		
<b>In Unrealized Appreciation</b>	\$ 113,107	(\$ 239,697)
<b>NET REALIZED AND UNREALIZED FAIR VAILUE INCREASE (DECREASE) ON INVESTMENTS</b>	\$ 88,121	(\$ 113,419)

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 33	\$ 3	\$ 623,837
404,680	187,614	1,171,194
8,551	6,211	54,820
129,563	63,172	385,690
( 102,820)	( 46,102)	( 306,919)
( 5,600)	( 3,802)	( 16,091)
21,143	13,268	62,680
\$ 434,407	\$ 207,096	\$ 1,912,531
31,485	23,922	76,523
\$ 402,922	\$ 183,174	\$ 1,836,008

\$ 12,040,066	\$ 4,002,223	\$ 81,996,043
11,556,995	3,487,855	80,897,312
\$ 483,071	\$ 514,368	\$ 1,098,731
6,597,658	2,664,213	10,189,192
2,414,613	1,455,145	4,670,489
(\$ 4,183,045)	(\$ 1,209,068)	(\$ 5,518,703)
(\$ 3,699,974)	(\$ 694,700)	(\$ 4,419,972)

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2008  
AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENT ACCOUNTS</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>Teachers Retirement Fund</b>	\$ 1,120,123	\$ 1,757,041
<b>Public Employees Retirement Fund</b>	962,257	1,598,063
<b>State Employees Retirement Fund</b>	763,542	1,268,886
<b>Public Employees Police &amp; Fire Fund</b>	421,506	700,627
<b>Highway Patrolmen's Retirement Fund</b>	32,475	53,805
<b>Judges Retirement Fund</b>	7,005	11,185
<b>Police &amp; Fire Consolidation Fund</b>	24,683	41,067
<b>Correctional Employees Retire. Fund</b>	40,672	67,664
<b>TOTAL BASIC RETIREMENT FUNDS</b>	<u>\$ 3,372,263</u>	<u>\$ 5,498,338</u>
 <b>Post Retirement Fund</b>	 2,592,834	 5,745,108
 <b>Supplemental Income Share Account</b>	 0	 0
<b>Supplemental Growth Share Account</b>	0	0
<b>Supplemental Index Share Account</b>	0	0
<b>Supplemental Bond Market Account</b>	0	121,973
<b>Supplemental International Equity Account</b>	0	0
 <b>TOTAL PARTICIPATION</b>	 <u><u>\$ 5,965,097</u></u>	 <u><u>\$ 11,365,419</u></u>

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 3,432,005	\$ 1,159,401	\$ 7,468,570
3,092,463	1,039,364	6,692,147
2,455,280	825,137	5,312,845
1,355,668	455,579	2,933,380
104,147	35,014	225,441
21,742	7,347	47,279
79,454	26,698	171,902
130,913	43,989	283,238
<u>\$ 10,671,672</u>	<u>\$ 3,592,529</u>	<u>\$ 23,134,802</u>
10,727,598	3,559,760	22,625,300
141,176	0	141,176
112,282	0	112,282
258,932	0	258,932
0	0	121,973
0	131,514	131,514
<u><u>\$ 21,911,660</u></u>	<u><u>\$ 7,283,803</u></u>	<u><u>\$ 46,525,979</u></u>

Notes are an integral part of the Financial Statements

## NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS

### JUNE 30, 2008

#### 1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page **157** of this report. Fixed income and equity securities are presented at fair value.

#### 2. COST OF INVESTMENTS:

At June 30, 2008 the cost plus accrued income of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund, excluding security lending collateral, was:

#### MINNESOTA POOLED INVESTMENT ACCOUNTS

##### DOMESTIC ACCOUNTS

Equity Account	\$ 19,502,676,670
Bond Account	\$ 11,798,139,565
Alternative Investment Accounts	\$ 4,734,110,610

##### INTERNATIONAL ACCOUNTS

Equity Account	\$ 5,834,510,724
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#### SUPPLEMENTAL INVESTMENT FUND

Income Share Account	\$ 220,636,751
Growth Share Account	\$ 138,686,222
International Share Account	\$ 136,814,782
Money Market Account	\$ 134,755,893
Stock Index Account	\$ 272,977,052
Bond Market Account	\$ 131,747,968
Fixed Interest Account	\$ 71,528,221

#### 3. LOANED SECURITIES:

The fair value of loaned securities outstanding at June 30, 2008 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	\$ 1,773,699,224
Equity Index Account (Domestic)	\$ 802,201,996
Bond Account (Domestic)	\$ 2,349,791,696
International Equity Account	\$ 1,212,862,819

The fair value for non-pooled investment accounts includes:

Money Market Account	\$ 230,552,147
Income share Account Fixed Income	\$ 3,786,821

#### 4. UNDISTRIBUTED INCOME:

The Undistributed Dedicated Income of the pooled investments consists of the net increase (decrease) in the fair value of investments plus the difference between cash basis used in the Minnesota Statutes 11A.14 Subd. 12 distribution and the fair value accrual basis used in these financials.

## External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2008

### Active Domestic Stock Managers

Alliance Bernstein L.P.	\$ 901,125
Barrow, Hanley, Mewhinney & Stauss, Inc.	989,819
Cohen, Klingenstein & Marks, Inc.	421,585
EARNEST Partners, LLC	501,757
Enhanced Investment Technologies, LLC	1,248,141
Franklin Portfolio Associates, LLC	586,454
Goldman Sachs Asset Management, LP	1,046,784
Hotchkis and Wiley Capital Management, LLC	750,751
Jacobs Levy Equity Management, Inc.	1,139,253
Lazard Asset Management Group, LLC	343,350
Lord, Abbet,t & Co., LLC	786,053
LVS Asset Management	1,390,252
Martingale Asset Management L.P.	764,064
McKinley Capital Management Inc.	1,318,353
New Amsterdam Partners, LLC	839,659
Next Century Growth Investors, LLC	2,275,107
Peregrine Capital Management	1,276,239
RiverSource Investments	380,603
Sands Capital Management, LLC	701,845
Systematic Financial Management, LP	1,050,048
Turner Investment Partners, Inc.	1,630,114
UBS Global Asset Management (Americas) Inc.	1,175,178
Voyageur Asset Management, Inc.	273,765
Winslow Capital Management, Inc. (Large Cap.)	594,921
Zevenbergen Capital Investments, LLC	1,323,759

### Passive Domestic Stock Managers

Barclays Global Investors	851,738
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### Semi-Passive Domestic Stock Managers

Barclays Global Investors, N.A.	3,419,686
Franklin Portfolio Associates, LLC	2,255,584
JPMorgan Investment Management, Inc.	2,716,441

### Active Domestic Bond Managers (2)

Aberdeen Asset Management (Deutsche)	1,863,559
Dodge & Cox	1,267,409
Morgan Stanley	1,407,788
RiverSource Investments (American Express)	1,038,800
Western Asset Management	1,448,222

cont.

## External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2008

Semi-Passive Domestic Bond Managers (2)		
BlackRock Inc.	\$	1,111,298
Goldman Sachs		1,515,348
Lehman Brothers Asset Management, LLC (Lincoln)		670,571
Developed-International Active Stock Managers		
Acadian Asset Management		1,407,673
Invesco Global Asset Management		973,025
JP Morgan Flemming		1,197,376
Marathon Asset Management		1,870,128
McKinley Capital Management		1,408,449
Pyramis Global Advisors Trust Co.- Active (Fidelity)		878,833
RiverSource Investments(American Express )		969,880
UBS Global Asset Management (Brinson)		901,362
Developed-International Semi-Passive Stock Managers		
AQR Capital Management		1,607,700
Pyramis Global Advisors Trust Co. - Semi Passive (Fidelity)		1,181,173
State Street Global Advisors - Semi Passive		1,410,401
Developed-International Passive Stock Managers		
State Street Global Advisors - Passive		461,480
Emerging-International Active Stock Managers		
Alliance Bernstein L.P.		2,429,635
Capital International		3,711,921
Morgan Stanley Investment Management		3,918,559
Assigned Risk Plan		
GE Investment Management		231,945
Voyager Asset Management		264,118

(1) Most active stock managers, with the exception of those managing small portfolios, are compensated on a performance-based fee formula. Four fee options are available and fees earned range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark.

(2) Active bond managers and semi-passive bond managers are compensated based on a specified percentage of assets under management.

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	15,478,505.55	5.49
CONSUMER STAPLES	18,335,025.00	6.50
ENERGY	32,829,381.00	11.64
FINANCIALS	26,606,705.70	9.44
HEALTH CARE	54,432,432.75	19.31
INDUSTRIALS	21,443,983.95	7.61
INFORMATION TECHNOLOGY	87,090,584.25	30.89
MATERIALS	17,965,633.00	6.37
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	5,144,187.50	1.82
UNCLASSIFIED	2,025,407.25	0.72
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>281,351,845.95</b>	<b>99.79</b>
Cash Equivalents	732,075.92	0.26
Payable for Investments Purchased	(1,968,832.12)	(0.70)
Receivables for Investments Sold	1,478,207.75	0.53
Dividend Receivable	167,747.15	0.06
Short Term Interest Receivable	2,121.27	0.00
Tax Refund Receivable	169,436.62	0.06
<b>Grand Total</b>	<b>\$281,932,602.54</b>	<b>100.00 %</b>

### EARNST PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	19,137,697.00	11.27
CONSUMER STAPLES	0.00	0.00
ENERGY	28,344,116.81	16.70
FINANCIALS	39,233,268.00	23.11
HEALTH CARE	14,981,563.00	8.83
INDUSTRIALS	24,012,044.00	14.15
INFORMATION TECHNOLOGY	22,931,465.00	13.51
MATERIALS	4,963,816.83	2.92
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	11,316,860.00	6.67
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>164,920,830.64</b>	<b>97.16</b>
Cash Equivalents	3,933,639.52	2.32
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	798,764.36	0.47
Dividend Receivable	85,359.00	0.05
Short Term Interest Receivable	9,491.04	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$169,748,084.56</b>	<b>100.00 %</b>

### BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	42,510,571.00	10.25
CONSUMER STAPLES	10,851,503.00	2.62
ENERGY	59,020,745.00	14.23
FINANCIALS	73,263,102.67	17.67
HEALTH CARE	65,693,274.00	15.84
INDUSTRIALS	63,392,229.00	15.29
INFORMATION TECHNOLOGY	0.00	0.00
MATERIALS	15,382,363.00	3.71
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	31,579,224.61	7.62
UNCLASSIFIED	0.00	0.00
UTILITIES	31,610,181.00	7.62
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>393,303,193.28</b>	<b>94.86</b>
Cash Equivalents	21,650,482.09	5.22
Payable for Investments Purchased	(885,412.50)	(0.21)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	497,516.06	0.12
Short Term Interest Receivable	56,344.55	0.01
Tax Refund Receivable	0.00	0.00
Payable for Interest Comp	(57.41)	(0.00)
<b>Grand Total</b>	<b>\$414,622,066.07</b>	<b>100.00 %</b>

### ENHANCED INVESTMENT TECHNOLOGIES

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	21,707,405.00	6.81
CONSUMER STAPLES	35,849,678.94	11.25
ENERGY	34,096,378.35	10.70
FINANCIALS	12,911,347.28	4.05
HEALTH CARE	58,895,506.20	18.49
INDUSTRIALS	58,967,472.50	18.51
INFORMATION TECHNOLOGY	63,658,425.00	19.98
MATERIALS	18,756,533.00	5.89
TELECOMMUNICATIONS SERVICES	3,664,172.00	1.15
BONDS	0.00	0.00
UNCLASSIFIED	107,226.00	0.03
UTILITIES	7,153,586.00	2.25
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>315,767,730.27</b>	<b>99.12</b>
Cash Equivalents	2,420,402.07	0.76
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	378,273.25	0.12
Short Term Interest Receivable	5,551.92	0.00
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
<b>Grand Total</b>	<b>\$318,571,957.51</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	47,271,624.00	10.35
CONSUMER STAPLES	42,017,068.00	9.20
ENERGY	67,800,426.00	14.85
FINANCIALS	45,877,487.16	10.05
HEALTH CARE	51,094,281.00	11.19
INDUSTRIALS	65,455,952.80	14.33
INFORMATION TECHNOLOGY	80,212,080.00	17.57
MATERIALS	17,930,222.00	3.93
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	12,118,293.00	2.65
UNCLASSIFIED	0.00	0.00
UTILITIES	25,119,861.00	5.50
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **454,897,294.96** **99.62**

Cash Equivalents	8,361,762.64	1.83
Payable for Investments Purchased	(6,746,797.82)	(1.48)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	127,666.00	0.03
Short Term Interest Receivable	4,814.06	0.00
Payable for Interest Comp	(18.11)	(0.00)

**Grand Total** **\$456,644,721.73** **100.00 %**

### HOTCHKIS AND WILEY CAPITAL MANAGEMENT LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	21,774,175.00	20.88
CONSUMER STAPLES	438,965.52	0.42
ENERGY	0.00	0.00
FINANCIALS	31,272,814.61	29.99
HEALTH CARE	3,475,365.00	3.33
INDUSTRIALS	21,160,469.00	20.29
INFORMATION TECHNOLOGY	10,676,973.00	10.24
MATERIALS	5,090,716.00	4.88
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	5,874,124.00	5.63
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **99,763,602.13** **95.68**

Cash Equivalents	3,723,326.10	3.57
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	550,601.11	0.53
Dividend Receivable	224,090.73	0.21
Short Term Interest Receivable	6,918.10	0.01
Tax Refundable	0.00	0.00

**Grand Total** **\$104,268,538.17** **100.00 %**

### GOLDMAN SACHS ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	10,762,628.30	8.75
CONSUMER STAPLES	3,670,605.27	2.98
ENERGY	11,048,210.57	8.98
FINANCIALS	36,838,658.86	29.96
HEALTH CARE	7,020,987.25	5.71
INDUSTRIALS	20,043,920.24	16.30
INFORMATION TECHNOLOGY	14,778,036.71	12.02
MATERIALS	7,550,548.11	6.14
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	2,080,584.96	1.69
UNCLASSIFIED	0.00	0.00
UTILITIES	7,010,321.82	5.70
VENTURE CAPITAL	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **120,804,502.09** **98.24**

Cash Equivalents	2,500,379.70	2.03
Payable for Investments Purchased	(491,516.48)	(0.40)
Receivables for Investments Sold	36,144.38	0.03
Dividend Receivable	109,460.72	0.09
Short Term Interest Receivable	11,471.30	0.01
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00

**Grand Total** **\$122,970,441.71** **100.00 %**

### JACOBS LEVY EQUITY MGMT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	40,531,691.00	14.36
CONSUMER STAPLES	11,408,026.00	4.04
ENERGY	38,954,259.97	13.80
FINANCIALS	22,213,116.00	7.87
HEALTH CARE	46,644,392.00	16.53
INDUSTRIALS	51,336,714.00	18.19
INFORMATION TECHNOLOGY	51,490,760.90	18.24
MATERIALS	11,099,578.00	3.93
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,321,135.00	1.18
UNCLASSIFIED	0.00	0.00
UTILITIES	3,275,787.00	1.16
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **280,275,459.87** **99.30**

Cash Equivalents	780,362.84	0.28
Payable for Investments Purchased	(1,160,989.80)	(0.41)
Receivables for Investments Sold	2,199,342.82	0.78
Dividend Receivable	162,786.75	0.06
Short Term Interest Receivable	4,464.78	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	0.00	0.00

**Grand Total** **\$282,261,427.26** **100.00 %**

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### LAZARD ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	8,175,395.40	13.43
CONSUMER STAPLES	1,386,921.65	2.28
ENERGY	6,494,076.95	10.67
FINANCIALS	3,158,062.60	5.19
HEALTH CARE	6,117,302.00	10.05
INDUSTRIALS	8,470,595.95	13.92
INFORMATION TECHNOLOGY	15,847,730.55	26.04
MATERIALS	5,935,013.59	9.75
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	264,110.00	0.43
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>55,849,208.69</b>	<b>91.76</b>
Cash Equivalents	3,567,445.51	5.86
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	1,416,140.05	2.33
Dividend Receivable	26,691.20	0.04
Short Term Interest Receivable	5,870.25	0.01
Tax Refundable	0.00	0.00
Interest Comp Payable	0.00	0.00
<b>Grand Total</b>	<b>\$60,865,355.70</b>	<b>100.00 %</b>

### LSV ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	53,041,835.55	13.45
CONSUMER STAPLES	10,265,206.27	2.60
ENERGY	75,458,630.96	19.14
FINANCIALS	94,070,462.93	23.86
HEALTH CARE	36,559,253.00	9.27
INDUSTRIALS	39,348,755.24	9.98
INFORMATION TECHNOLOGY	26,372,324.08	6.69
MATERIALS	21,895,871.00	5.55
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	23,271,001.00	5.90
UNCLASSIFIED	0.00	0.00
UTILITIES	10,852,003.00	2.75
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>391,135,343.03</b>	<b>99.20</b>
Cash Equivalents	2,234,024.92	0.57
Payable for Investments Purchased	(3,551,569.89)	(0.90)
Receivables for Investments Sold	3,852,229.28	0.98
Dividend Receivable	617,597.00	0.16
Short Term Interest Receivable	5,479.11	0.00
Tax Refundable	0.00	0.00
Interest Comp Payable	0.00	0.00
<b>Grand Total</b>	<b>\$394,293,103.45</b>	<b>100.00 %</b>

### LORD ABBETT & CO, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	19,865,079.40	6.58
CONSUMER STAPLES	33,445,178.95	11.07
ENERGY	33,163,185.30	10.98
FINANCIALS	90,919,458.64	30.10
HEALTH CARE	30,829,840.36	10.21
INDUSTRIALS	30,694,291.00	10.16
INFORMATION TECHNOLOGY	29,950,950.20	9.92
MATERIALS	22,976,054.08	7.61
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	4,228,634.04	1.40
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>296,072,671.97</b>	<b>98.03</b>
Cash Equivalents	7,451,960.93	2.47
Payable for Investments Purchased	(1,752,482.16)	(0.58)
Receivables for Investments Sold	23,573.61	0.01
Dividend Receivable	226,260.35	0.07
Short Term Interest Receivable	14,896.92	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	351.44	0.00
<b>Grand Total</b>	<b>\$302,037,233.06</b>	<b>100.00 %</b>

### MARTINGALE ASSET MANAGEMENT LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	10,553,876.78	9.24
CONSUMER STAPLES	4,143,904.00	3.63
ENERGY	7,667,781.00	6.71
FINANCIALS	33,634,288.60	29.43
HEALTH CARE	5,865,612.00	5.13
INDUSTRIALS	18,774,740.00	16.43
INFORMATION TECHNOLOGY	14,189,589.00	12.42
MATERIALS	10,444,901.00	9.14
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,293,661.00	2.88
UNCLASSIFIED	0.00	0.00
UTILITIES	4,795,863.00	4.20
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>113,364,216.38</b>	<b>99.21</b>
Cash Equivalents	650,211.82	0.57
Payable for Investments Purchased	(11,556,525.38)	(10.11)
Receivables for Investments Sold	11,618,989.25	10.17
Dividend Receivable	188,152.33	0.16
Short Term Interest Receivable	1,602.92	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	51.66	0.00
Interest Comp Payable	0.00	0.00
<b>Grand Total</b>	<b>\$114,266,698.98</b>	<b>100.00 %</b>



## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### MCKINLEY CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	17,558,523.60	7.85
CONSUMER STAPLES	9,694,625.95	4.33
ENERGY	21,008,516.60	9.39
FINANCIALS	7,841,837.50	3.50
HEALTH CARE	32,945,443.26	14.72
INDUSTRIALS	60,858,301.85	27.19
INFORMATION TECHNOLOGY	45,120,422.95	20.16
MATERIALS	18,111,459.05	8.09
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	7,242,322.80	3.24
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **220,381,453.56** **98.48**

Cash Equivalents	2,921,566.67	1.31
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	375,304.79	0.17
Dividend Receivable	103,111.96	0.05
Short Term Interest Receivable	12,122.35	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	505.76	0.00

**Grand Total** **\$223,794,065.09** **100.00 %**

### NEXT CENTURY GROWTH INVESTORS LLC

Equities		%
COMMINGLED FUND		0.00
CONSUMER DISCRETIONARY	7,146,368.12	2.68
CONSUMER STAPLES	5,856,035.90	2.20
ENERGY	34,153,145.26	12.82
FINANCIALS	4,782,416.30	1.79
HEALTH CARE	44,457,889.53	16.69
INDUSTRIALS	87,828,145.86	32.96
INFORMATION TECHNOLOGY	68,758,977.59	25.81
MATERIALS	521,313.10	0.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	2,710,309.80	1.02
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **256,214,601.46** **96.16**

Cash Equivalents	11,171,284.27	4.19
Payable for Investments Purchased	(3,745,165.98)	(1.41)
Receivables for Investments Sold	2,760,921.30	1.04
Dividend Receivable	21,045.68	0.01
Short Term Interest Receivable	7,987.36	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	1,710.67	0.00

**Grand Total** **\$266,432,384.76** **100.00 %**

### NEW AMSTERDAM PARTNERS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	51,583,310.00	10.71
CONSUMER STAPLES	35,619,444.00	7.39
ENERGY	60,855,575.75	12.63
FINANCIALS	22,481,946.30	4.67
HEALTH CARE	60,141,378.00	12.48
INDUSTRIALS	85,750,759.00	17.80
INFORMATION TECHNOLOGY	87,834,887.00	18.23
MATERIALS	34,511,797.00	7.16
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	10,867,800.00	2.26
UNCLASSIFIED	0.00	0.00
UTILITIES	14,208,000.00	2.95
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **463,854,897.05** **98.89**

Cash Equivalents	15,063,703.58	3.13
Payable for Investments Purchased	(5,921,013.44)	(1.23)
Receivables for Investments Sold	8,370,085.88	1.74
Dividend Receivable	334,901.50	0.07
Short Term Interest Receivable	32,774.10	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Interest Comp Payable	0.00	0.00

**Grand Total** **\$481,735,348.67** **100.00 %**

### PEREGRINE CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	37,756,350.70	22.82
CONSUMER STAPLES	3,050,172.90	1.84
ENERGY	5,571,289.50	3.37
FINANCIALS	41,402,134.29	25.02
HEALTH CARE	8,628,343.70	5.21
INDUSTRIALS	23,845,662.50	14.41
INFORMATION TECHNOLOGY	25,437,742.00	15.37
MATERIALS	8,102,092.00	4.90
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	2,142,155.40	1.29
UNCLASSIFIED	0.00	0.00
UTILITIES	3,252,618.50	1.97
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **159,188,561.49** **96.21**

Cash Equivalents	5,331,101.49	3.22
Payable for Investments Purchased	(127,830.25)	(0.08)
Receivables for Investments Sold	815,389.56	0.49
Dividend Receivable	250,760.00	0.15
Short Term Interest Receivable	8,995.13	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00

**Grand Total** **\$165,466,977.42** **100.00 %**

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### RIVERSOURCE/KENWOOD

Equities	Market Value	%
COMMINGLED FUND	1,613,783.34	3.17
CONSUMER DISCRETIONARY	6,376,209.27	12.52
CONSUMER STAPLES	1,669,679.20	3.28
ENERGY	3,421,938.40	6.72
FINANCIALS	13,391,583.75	26.30
HEALTH CARE	2,548,330.96	5.00
INDUSTRIALS	6,186,838.45	12.15
INFORMATION TECHNOLOGY	7,913,158.34	15.54
MATERIALS	2,967,261.66	5.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	414,154.00	0.81
UNCLASSIFIED	0.00	0.00
UTILITIES	3,275,656.00	6.43
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>49,778,593.37</b>	<b>97.77</b>
Cash Equivalents	602,138.85	1.18
Payable for Investments Purchased	(1,955,828.16)	(3.84)
Receivables for Investments Sold	2,413,314.77	4.74
Dividend Receivable	76,478.67	0.15
Short Term Interest Receivable	1,095.41	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	0.00	0.00
<b>Grand Total</b>	<b>\$50,915,792.91</b>	<b>100.00 %</b>

### SYSTEMATIC FINANCIAL MANAGEMENT, LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	19,884,835.00	6.50
CONSUMER STAPLES	16,626,550.00	5.43
ENERGY	53,209,419.00	17.39
FINANCIALS	74,389,130.00	24.31
HEALTH CARE	21,141,126.00	6.91
INDUSTRIALS	29,851,963.00	9.76
INFORMATION TECHNOLOGY	22,294,277.00	7.29
MATERIALS	23,453,959.00	7.67
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	16,973,661.00	5.55
UNCLASSIFIED	0.00	0.00
UTILITIES	19,999,589.00	6.54
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>297,824,509.00</b>	<b>97.34</b>
Cash Equivalents	7,818,742.15	2.56
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	300,049.00	0.10
Short Term Interest Receivable	19,807.66	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	6,679.76	0.00
<b>Grand Total</b>	<b>\$305,969,787.57</b>	<b>100.00 %</b>

### SANDS CAPITAL MANAGEMENT, INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	27,050,290.00	12.19
CONSUMER STAPLES	0.00	0.00
ENERGY	39,153,500.00	17.65
FINANCIALS	29,417,972.00	13.26
HEALTH CARE	47,660,155.00	21.49
INDUSTRIALS	7,149,800.00	3.22
INFORMATION TECHNOLOGY	61,296,030.00	27.63
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	8,862,000.00	3.99
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>220,589,747.00</b>	<b>99.44</b>
Cash Equivalents	1,206,090.68	0.54
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	28,560.00	0.01
Short Term Interest Receivable	3,059.98	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$221,827,457.66</b>	<b>100.00 %</b>

### TURNER INVESTMENT PARTNERS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	40,252,054.67	16.43
CONSUMER STAPLES	7,538,066.80	3.08
ENERGY	21,233,010.60	8.67
FINANCIALS	20,979,354.30	8.57
HEALTH CARE	45,088,866.06	18.41
INDUSTRIALS	45,152,773.58	18.43
INFORMATION TECHNOLOGY	42,936,905.69	17.53
MATERIALS	13,099,424.70	5.35
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	2,824,793.70	1.15
UNCLASSIFIED	0.00	0.00
UTILITIES	3,233,603.00	1.32
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>242,338,853.10</b>	<b>98.94</b>
Cash Equivalents	2,951,868.65	1.21
Payable for Investments Purchased	(4,121,940.32)	(1.68)
Receivables for Investments Sold	3,718,308.94	1.52
Dividend Receivable	33,944.60	0.01
Short Term Interest Receivable	13,427.45	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$244,934,462.42</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### UBS ASSET MANAGEMENT, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	110,291,199.00	15.62
CONSUMER STAPLES	17,960,283.00	2.54
ENERGY	27,224,910.00	3.86
FINANCIALS	112,615,317.50	15.95
HEALTH CARE	144,026,348.00	20.40
INDUSTRIALS	119,561,059.00	16.94
INFORMATION TECHNOLOGY	92,278,458.45	13.07
MATERIALS	25,147,080.00	3.56
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	20,348,126.00	2.88
UNCLASSIFIED	0.00	0.00
UTILITIES	19,517,652.00	2.76
ALL NON U.S.	0.00	0.00
VENTURE CAPITAL	0.00	0.00
<b>Total Equities</b>	<b>688,970,432.95</b>	<b>97.59</b>
Cash Equivalents	15,977,662.73	2.26
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	1,002,799.00	0.14
Short Term Interest Receivable	40,185.18	0.01
Int Comp Payable	(18.95)	(0.00)
Margin Variation Recievable	2,750.00	0.00
<b>Grand Total</b>	<b>\$705,993,810.91</b>	<b>100.00 %</b>

### WINSLOW CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	4,060,898.00	3.16
CONSUMER STAPLES	5,854,275.00	4.56
ENERGY	14,883,137.50	11.58
FINANCIALS	7,564,795.00	5.89
HEALTH CARE	24,415,172.00	19.00
INDUSTRIALS	19,819,663.00	15.43
INFORMATION TECHNOLOGY	38,783,091.00	30.19
MATERIALS	6,200,802.00	4.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,276,550.00	0.99
UNCLASSIFIED	0.00	0.00
UTILITIES	1,383,144.00	1.08
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>124,241,527.50</b>	<b>96.70</b>
Cash Equivalents	4,186,365.57	3.26
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	30,758.00	0.02
Short Term Interest Receivable	5,347.09	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	12,412.36	0.01
<b>Grand Total</b>	<b>\$128,476,410.52</b>	<b>100.00 %</b>

### VOYAGEUR ASSET MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	4,968,018.00	10.26
CONSUMER STAPLES	3,662,850.00	7.56
ENERGY	5,869,100.00	12.12
FINANCIALS	2,493,360.00	5.15
HEALTH CARE	6,839,940.00	14.13
INDUSTRIALS	6,643,110.00	13.72
INFORMATION TECHNOLOGY	13,544,274.00	27.97
MATERIALS	2,625,580.00	5.42
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>46,646,232.00</b>	<b>96.34</b>
Cash Equivalents	1,741,305.52	3.60
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	28,720.00	0.06
Short Term Interest Receivable	3,016.35	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$48,419,273.87</b>	<b>100.00 %</b>

### ZEVENBERGEN CAPITAL INVESTMENTS, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	23,667,761.00	8.97
CONSUMER STAPLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIALS	18,278,514.00	6.93
HEALTH CARE	61,403,620.00	23.28
INDUSTRIALS	28,380,606.00	10.76
INFORMATION TECHNOLOGY	102,362,197.00	38.81
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	21,735,560.00	8.24
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>255,828,258.00</b>	<b>96.99</b>
Cash Equivalents	8,419,320.75	3.19
Payable for Investments Purchased	(522,190.83)	(0.20)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	0.00	0.00
Short Term Interest Receivable	20,114.22	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	32,271.91	0.01
Payable for Interest Compensation	0.00	0.00
<b>Grand Total</b>	<b>\$263,777,774.05</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

### BARCLAYS GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	289,576,315.98	9.42
CONSUMER STAPLES	227,166,163.59	7.39
ENERGY	439,047,677.04	14.28
FINANCIALS	438,927,492.08	14.28
HEALTH CARE	368,097,300.07	11.98
INDUSTRIALS	371,759,367.66	12.09
INFORMATION TECHNOLOGY	513,310,560.84	16.70
MATERIALS	151,813,633.55	4.94
PRIVATE PLACEMENT	448,577.64	0.01
TELECOMMUNICATIONS SERVICES	107,187,790.71	3.49
UNCLASSIFIED	0.00	0.00
UTILITIES	154,243,762.12	5.02
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **3,061,578,641.28** 99.61

Cash Equivalents	11,687,102.39	0.38
Payable for Investments Purchased	(8,271,336.96)	(0.27)
Receivables for Investments Sold	5,561,365.48	0.18
Dividend Receivable	3,061,905.50	0.10
Short Term Interest Receivable	30,745.63	0.00
Long Term Interest Receivable	0.00	0.00
Margin Receivable	0.00	0.00
Tax Receivable	50,252.46	0.00
Payable for Interest Compensation	0.00	0.00
<b>Grand Total</b>	<b>\$3,073,698,675.78</b>	<b>100.00 %</b>

### JPMORGAN NEW YORK

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	264,542,854.15	9.97
CONSUMER STAPLES	231,730,094.00	8.73
ENERGY	398,251,766.00	15.01
FINANCIALS	387,638,061.54	14.61
HEALTH CARE	307,853,191.00	11.60
INDUSTRIALS	317,807,434.00	11.98
INFORMATION TECHNOLOGY	405,176,328.08	15.27
MATERIALS	125,317,793.50	4.72
PRIVATE PLACEMENT	0.00	0.00
TELECOMMUNICATIONS SERVICES	88,568,914.00	3.34
UNCLASSIFIED	0.00	0.00
UTILITIES	117,582,760.00	4.43
ALL NON U.S.	0.00	0.00
BONDS	343,191.76	0.01

**Total Equities** **2,644,812,388.03** 99.66

Cash Equivalents	5,559,023.43	0.21
Payable for Investments Purchased	(5,295,248.73)	(0.20)
Receivables for Investments Sold	5,289,138.55	0.20
Dividend Receivable	3,520,949.29	0.13
Short Term Interest Receivable	8,913.13	0.00
Long Term Interest Receivable	0.00	0.00
Tax Receivable	17,223.76	0.00
Margin Variation Receivable	4,675.00	0.00
Payable for Interest Compensation	(61.20)	(0.00)
<b>Grand Total</b>	<b>\$2,653,917,001.26</b>	<b>100.00 %</b>

### FRANKLIN PORTFOLIO ASSOCIATES (Semi-Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	251,646,801.40	10.48
CONSUMER STAPLES	177,867,891.00	7.40
ENERGY	376,686,013.65	15.68
FINANCIALS	319,939,176.24	13.32
HEALTH CARE	282,310,078.26	11.75
INDUSTRIALS	299,336,003.00	12.46
INFORMATION TECHNOLOGY	383,583,910.00	15.97
MATERIALS	126,256,362.00	5.26
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	65,281,318.73	2.72
UNCLASSIFIED	0.00	0.00
UTILITIES	110,114,216.00	4.58
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **2,393,021,770.28** 99.62

Cash Equivalents	3,858,237.55	0.16
Payable for Investments Purchased	(10,143,974.61)	(0.42)
Receivables for Investments Sold	12,564,818.01	0.52
Dividend Receivable	2,828,719.90	0.12
Short Term Interest Receivable	21,020.74	0.00
Payable for Interest Compensation	0.00	0.00

**Grand Total** **\$2,402,150,591.87** **100.00 %**

### BARCLAYS GLOBAL INVESTORS

(Passive)

Equities	Market Value	%
COMMINGLED FUND	32,492,347.68	0.43
CONSUMER DISCRETIONARY	730,757,021.94	9.74
CONSUMER STAPLES	608,181,080.95	8.10
ENERGY	1,068,022,324.58	14.23
FINANCIALS	1,117,077,122.65	14.88
HEALTH CARE	856,433,846.71	11.41
INDUSTRIALS	943,019,090.55	12.57
INFORMATION TECHNOLOGY	1,188,704,737.33	15.84
MATERIALS	379,487,877.50	5.06
PRIVATE PLACEMENT	951,753.96	0.01
TELECOMMUNICATIONS SERVICES	236,293,141.78	3.15
UNCLASSIFIED	2,170,249.20	0.03
UTILITIES	342,685,723.02	4.57
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00

**Total Equities** **7,506,276,317.85** 99.72

Cash Equivalents	20,057,608.19	0.27
Payable for Investments Purchased	(116,800,709.68)	(1.56)
Receivables for Investments Sold	86,027,233.99	1.15
Dividend Receivable	9,512,305.17	0.13
Long Term Interest Receivable	37,744.96	0.00
Short Term Interest Receivable	767.61	0.00
Tax Refundable	0.00	0.00
Payable for Interest Compensation	0.00	0.00

**Grand Total** **7,505,111,268.09** **100.00 %**

# Summarized Asset Listing - Domestic Stock Managers

June 30, 2008

## DOMESTIC EQUITY TRANSITION ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	0.00	0.00
CONSUMER STAPLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIALS	0.00	0.00
HEALTH CARE	0.00	0.00
INDUSTRIALS	0.00	0.00
INFORMATION TECHNOLOGY	0.00	0.00
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>0.00</b>	<b>0.00</b>
Cash Equivalents	151,921,275.14	99.96
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	65,810.60	0.04
Long Term Interest Receivable	0.00	0.00
Short Term Interest Receivable	0	0.00
Tax Refundable	0	0.00
Payable for Interest Compensation	0.00	0.00
<b>Grand Total</b>	<b>\$ 151,987,085.74</b>	<b>100.00</b>

## AGGREGATE DOMESTIC EQUITY POOL\*

Equities	Market Value	%
COMMINGLED FUND	34,106,131.02	0.16
CONSUMER DISCRETIONARY	2,197,929,294.81	10.03
CONSUMER STAPLES	1,524,289,294.89	6.95
ENERGY	2,963,468,515.79	13.52
FINANCIALS	3,129,218,986.50	14.28
HEALTH CARE	2,695,600,837.11	12.30
INDUSTRIALS	2,876,051,745.13	13.12
INFORMATION TECHNOLOGY	3,516,534,875.96	16.04
MATERIALS	1,077,607,684.67	4.92
PRIVATE PLACEMENT	1,400,331.60	0.01
TELECOMMUNICATIONS SERVICES	678,983,291.23	3.10
UNCLASSIFIED	4,302,882.45	0.02
UTILITIES	899,215,620.26	4.10
VENTURE CAPITAL	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	343,191.76	0.00
<b>Total Equities</b>	<b>21,599,052,683.18</b>	<b>98.55</b>
Cash Equivalents	328,493,776.67	1.50
Payable for Investments Purchased	(185,019,365.11)	(0.84)
Receivables for Investments Sold	149,869,873.88	0.68
Dividend Receivable	24,028,595.41	0.11
Short Term Interest Receivable	365,641.98	0.00
Long Term Interest Receivable	37,744.96	0.00
Payable for Interest Compensation	(155.67)	(0.00)
Tax Refund Receivable	291,128.66	0.00
Margin Receivable	7,425.00	0.00
<b>Grand Total</b>	<b>\$ 21,917,127,348.96</b>	<b>100.00 %</b>

\* Aggregate of all managers in the Equity Account in the Financial Statements. Includes both Active and Semi-Passive managers.

## Summarized Asset Listing - International Stock Managers

June 30, 2008

### ACADIAN ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	33,786,280.57	10.77
CANADA	19,550,181.14	6.23
DENMARK	84,509.80	0.03
EURO	134,639,119.64	42.91
HONG KONG	1,151,251.09	0.37
JAPAN	68,138,607.02	21.72
NEW ZEALAND	323,665.07	0.10
NORWAY	690,189.36	0.22
UNITED KINGDOM	31,477,278.27	10.03
SINGAPORE	2,563,169.86	0.82
SWEDEN	3,674,889.32	1.17
SWITZERLAND	8,263,197.09	2.63
UNITED STATES	8,589,341.74	2.74
Dividend Receivable	311,113.61	0.10
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Short Term Interest Receivable	289.03	0.00
Tax Refundable	521,099.57	0.17
Payable for Interest Compensation	0.00	0.00
Unrealized on fx payables	0.00	0.00
Unrealized on fx receivables	0.00	0.00
Unrealized on Income receivables	12,205.83	0.00
Unrealized on Investment payables	0	0.00
Unrealized on Investment receivables	0	0.00
<b>Grand Total</b>	<b>313,776,388.01</b>	<b>100.00 %</b>

### INVESCO GLOBAL ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	0.00	0.00
CANADA	3,781,057.95	1.33
DENMARK	3,739,428.96	1.31
EURO	77,611,616.89	27.22
HONG KONG	8,535,564.83	2.99
JAPAN	71,563,939.94	25.10
NORWAY	3,832,710.64	1.34
UNITED KINGDOM	47,489,171.81	16.66
SWEDEN	11,313,689.81	3.97
SWITZERLAND	27,691,009.72	9.71
UNITED STATES	28,909,985.81	10.14
Dividend Receivable	642,068.08	0.23
Long Term Interest Receivable	0.00	0.00
Payable for Investment Purchased	(739733.08)	(0.26)
Receivable for Investment Sold	0.00	0.00
Short Term Interest Receivable	22,071.21	0.01
Tax Refundable	694,481.80	0.24
Unrealized on fx receivables	11,579.58	0.00
Unrealized on Income receivables	37,232.94	0.01
Unrealized on Investment payables	(12605.90)	(0.00)
<b>Grand Total</b>	<b>285,123,270.99</b>	<b>100.00 %</b>

### PYRAMIS GLOBAL ADVISORS

Exposure by Country	Market Value	%
AUSTRALIA	23,146,088.81	8.01
CANADA	17,920,379.02	6.20
DENMARK	1,566,922.45	0.54
EURO	94,091,687.74	32.54
HONG KONG	5,924,891.34	2.05
JAPAN	49,968,567.66	17.28
NEW ZEALAND	0.29	0.00
NORWAY	7,276,433.86	2.52
UNITED KINGDOM	52,213,178.45	18.06
SINGAPORE	5,146,228.90	1.78
SWEDEN	3,226,921.83	1.12
SWITZERLAND	18,783,352.61	6.50
UNITED STATES	8,846,922.78	3.06
Dividend Receivable	516,565.59	0.18
Payable for Investments Purchased	(3877003.41)	(1.34)
Receivables for Investments Sold	3,984,342.89	1.38
Short Term Interest Receivable	2,515.40	0.00
TAX Refundable	381,499.31	0.13
Payable for Interest Compensation	(947.84)	(0.00)
Unrealized on fx payables	(10086.56)	(0.00)
Unrealized on fx receivables	7,307.82	0.00
Unrealized on Income receivables	19,632.27	0.01
Unrealized on Investment payables	(13698.31)	(0.00)
Unrealized on Investment receivables	8,316.63	0.00
<b>Grand Total</b>	<b>289,130,019.53</b>	<b>100.00 %</b>

### JP MORGAN

Exposure by Country	Market Value	%
AUSTRALIA	8,361,893.98	3.34
CANADA	11,960,726.93	4.78
DENMARK	0.00	0.00
EURO	96,634,697.20	38.58
HONG KONG	9,434,014.97	3.77
JAPAN	42,845,890.76	17.11
NEW ZEALAND	0.00	0.00
NORWAY	1,326,315.17	0.53
UNITED KINGDOM	46,297,138.27	18.48
SINGAPORE	0.00	0.00
SWEDEN	0.00	0.00
SWITZERLAND	26,836,508.80	10.71
UNITED STATES	5,294,941.85	2.11
Dividend Receivable	569,839.70	0.23
Payable for Investments Purchased	(1687410.82)	(0.67)
Receivables for Investments Sold	2,129,069.77	0.85
Short Term Interest Receivable	16,755.08	0.01
TAX Refundable	416,540.79	0.17
Payable for Interest Compensation	0.00	0.00
Unrealized on fx payables	3,630.26	0.00
Unrealized on fx receivables	0.00	0.00
Unrealized on Income receivables	18,253.55	0.01
Unrealized on Investment payables	(385.91)	(0.00)
Unrealized on Investment receivables	945.95	0.00
<b>Grand Total</b>	<b>250,459,366.30</b>	<b>100.00 %</b>

## Summarized Asset Listing - International Stock Managers

June 30, 2008

### MARATHON ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	13,578,819.30	2.47
CANADA	30,519,813.58	5.55
DENMARK	14,707,430.68	2.67
EURO	128,105,463.14	23.30
HONG KONG	16,163,012.63	2.94
JAPAN	140,368,873.04	25.53
NEW ZEALAND	1,065,141.69	0.19
NORWAY	5,099,638.95	0.93
UNITED KINGDOM	123,449,155.05	22.45
SINGAPORE	5,657,811.06	1.03
SWEDEN	11,807,231.63	2.15
SWITZERLAND	21,111,757.64	3.84
UNITED STATES	37,012,160.87	6.73
Dividend Receivable	792,990.66	0.14
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	(1044556.15)	(0.19)
Receivables for Investments Sold	947,585.53	0.17
Short Term Interest Receivable	39,301.17	0.01
Tax Refundable	427,114.26	0.08
Unrealized on fx payables	(471.02)	(0.00)
Unrealized on fx receivables	4,395.30	0.00
Unrealized on Income receivables	24,535.41	0.00
Unrealized on Investment payables	(3319.58)	(0.00)
Unrealized on Investment receivables	1,525.55	0.00
<b>Grand Total</b>	<b>549,835,410.39</b>	<b>100.00 %</b>

### RIVERSOURCE ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	13,831,322.38	4.85
CANADA	20,442,086.58	7.17
DENMARK	2,072,263.25	0.73
EURO	77,923,238.69	27.32
HONG KONG	10,952,877.85	3.84
JAPAN	50,217,707.04	17.60
NORWAY	45,180.38	0.02
UNITED KINGDOM	66,164,795.89	23.19
SINGAPORE	7,359,255.18	2.58
SWEDEN	9,754.65	0.00
SWITZERLAND	29,136,241.49	10.21
UNITED STATES	7,391,690.05	2.59
Dividend Receivable	699,575.22	0.25
Payable for Investments Purchased	(2839956.34)	(1.00)
Receivables for Investments Sold	1,490,335.97	0.52
Short Term Interest Receivable	10,267.43	0.00
Tax Refundable	336,257.02	0.12
Payable for Interest Compensation	0.00	0.00
Unrealized on fx payables	9,494.23	0.00
Unrealized on fx receivables	(269.97)	(0.00)
Unrealized on Income receivables	14,411.38	0.01
Unrealized on Investment payables	(9559.71)	(0.00)
Unrealized on Investment receivables	2,588.49	0.00
<b>Grand Total</b>	<b>285,259,557.15</b>	<b>100.00 %</b>

### MCKINLEY ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	41,422,077.88	13.43
CANADA	11,298,637.62	3.66
DENMARK	7,125,458.18	2.31
EURO	93,600,710.04	30.35
HONG KONG	8,306,531.62	2.69
JAPAN	34,994,505.92	11.35
NEW ZEALAND	0.00	0.00
NORWAY	0.00	0.00
UNITED KINGDOM	48,981,175.25	15.88
SINGAPORE	0.00	0.00
SWEDEN	0.00	0.00
SWITZERLAND	39,192,318.67	12.71
UNITED STATES	29,106,506.93	9.44
Dividend Receivable	392,778.56	0.13
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	(8928257.30)	(2.90)
Receivables for Investments Sold	2,205,047.70	0.72
Short Term Interest Receivable	15,595.64	0.01
Tax Refundable	658,832.48	0.21
Unrealized on fx payables	(252.83)	(0.00)
Unrealized on fx receivables	11,709.61	0.00
Unrealized on Income receivables	31,522.30	0.01
Unrealized on Investment payables	(21129.68)	(0.01)
Unrealized on Investment receivables	576.43	0.00
<b>Grand Total</b>	<b>308,394,345.02</b>	<b>100.00 %</b>

### UBS GLOBAL ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	15,807,964.55	5.65
CANADA	8,170,739.47	2.92
DENMARK	1,326.83	0.00
EURO	100,634,128.68	35.99
HONG KONG	8,270,241.60	2.96
JAPAN	47,789,740.48	17.09
NEW ZEALAND	2,864.25	0.00
NORWAY	4,435,842.07	1.59
UNITED KINGDOM	45,675,903.03	16.33
SINGAPORE	8,738,824.40	3.12
SWEDEN	2,641,131.00	0.94
SWITZERLAND	38,511,897.18	13.77
UNITED STATES	150,774.15	0.05
Dividend Receivable	835,952.77	0.30
Payable for Investments Purchased	(990997.53)	(0.35)
Payable for Interest Compensation	(27.69)	(0.00)
Short Term Interest Receivable	1,186.37	0.00
TAX Refundable	644,252.86	0.23
Unrealized on fx payables	(928560.31)	(0.33)
Unrealized on fx receivables	(790173.44)	(0.28)
Unrealized on Income receivables	32,398.80	0.01
Unrealized on Investment payables	7,587.97	0.00
Unrealized on Investment receivables	0.00	0.00
<b>Grand Total</b>	<b>279,642,997.49</b>	<b>100.00 %</b>

## Summarized Asset Listing - International Stock Managers

June 30, 2008

### INTERNATIONAL TRANSITION ACCOUNT

Exposure by Country	Market Value	%
AUSTRALIA	0.00	0.00
CANADA	0.00	0.00
DENMARK	0.00	0.00
EURO	0.00	0.00
HONG KONG	0.00	0.00
JAPAN	0.00	0.00
NORWAY	0.00	0.00
UNITED KINGDOM	53,038.30	20.86
SINGAPORE	0.00	0.00
SOUTH KOREA	0.00	0.00
SWEDEN	0.00	0.00
SWITZERLAND	0.00	0.00
UNITED STATES	201,168.00	79.14
Dividend Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Short Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Margin Variation Receivable	0.00	0.00
Unrealized on FX Receivable	0.00	0.00
Unrealized on Income receivables	0.00	0.00
Unrealized on Investment payables	0.00	0.00
Unrealized on Investment receivables	0.00	0.00
<b>Grand Total</b>	<b>254,206.30</b>	<b>100.00 %</b>

### AQR CAPITAL MANAGEMENT (SEMI PASSIVE)

Exposure by Country	Market Value	%
AUSTRALIA	15,648,567.20	5.48
CANADA	23,281,350.17	8.15
DENMARK	3,569,867.40	1.25
EURO	81,835,557.02	28.66
HONG KONG	5,120,375.70	1.79
JAPAN	50,945,715.02	17.84
UNITED KINGDOM	53,284,440.89	18.66
SINGAPORE	2,740,316.96	0.96
SWEDEN	6,204,602.55	2.17
SWITZERLAND	15,085,765.02	5.28
UNITED STATES	27,070,094.88	9.48
Dividend Receivable	519,320.63	0.18
Payable for Investments Purchased	(7481369.35)	(2.62)
Receivables for Investments Sold	7,315,151.25	2.56
Short Term Interest Receivable	63,207.73	0.02
TAX Refundable	412,950.94	0.14
Margin Variation Receivable	1,178,840.76	0.41
Other Payables	(1824667.72)	(0.64)
Payable for Interest Compensation	(151.30)	(0.00)
Unrealized on fx payables	(484508.03)	(0.17)
Unrealized on fx receivables	1,009,963.59	0.35
Unrealized on Income receivables	19,795.86	0.01
Unrealized on Investment payables	(1147.53)	(0.00)
Unrealized on Investment receivables	1,997.08	0.00
<b>Grand Total</b>	<b>285,516,036.72</b>	<b>100.00 %</b>

### STATE STREET GLOBAL ADVISORS (PASSIVE)

Exposure by Country	Market Value	%
AUSTRALIA	147,736,352.04	5.94
CANADA	225,471,216.66	9.06
DENMARK	23,474,924.09	0.94
EURO	822,440,382.06	33.04
HONG KONG	49,085,213.89	1.97
INDIA	0.01	0.00
JAPAN	475,217,669.02	19.09
KOREA	39.20	0.00
NEW ZEALAND	2,664,036.09	0.11
NORWAY	26,584,758.37	1.07
UNITED KINGDOM	470,949,734.56	18.92
SINGAPORE	26,452,325.66	1.06
SWEDEN	51,066,144.84	2.05
SWITZERLAND	156,875,800.81	6.30
THAILAND	1.87	0.00
UNITED STATES	2,407,489.49	0.10
Dividend Receivable	5,155,997.16	0.21
Long Term Interest Receivable	0.00	0.00
Margin Variation Receivable	332,495.43	0.01
Other Payable	(138332.36)	(0.01)
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	(3465302.82)	(0.14)
Receivables for Investments Sold	3,118,682.36	0.13
Short Term Interest Receivable	3,288.81	0.00
TAX Refundable	3,424,117.28	0.14
Unrealized on Income receivables	140,142.76	0.01
Unrealized on Investment payables	(334267.61)	(0.01)
Unrealized on Investment receivables	335,436.35	0.01
<b>Grand Total</b>	<b>2,488,998,346.02</b>	<b>100.00 %</b>

### PYRAMIS GLOBAL ADVISORS (SEMI PASSIVE)

Exposure by Country	Market Value	%
AUSTRALIA	19,428,549.61	6.11
CANADA	19,716,169.06	6.20
DENMARK	3,400,701.39	1.07
EURO	102,037,916.32	32.09
HONG KONG	6,514,722.76	2.05
JAPAN	60,472,044.70	19.02
NEW ZEALAND	70.81	0.00
NORWAY	4,793,034.36	1.51
UNITED KINGDOM	57,986,276.73	18.24
SINGAPORE	2,822,647.48	0.89
SWEDEN	2,006,288.91	0.63
SWITZERLAND	25,452,826.27	8.00
UNITED STATES	13,004,858.27	4.09
Dividend Receivable	540,096.38	0.17
Payable for Investments Purchased	(3247559.36)	(1.02)
Receivables for Investments Sold	2,542,755.92	0.80
Margin Variation Receivable	0.00	0.00
Short Term Interest Receivable	8,362.87	0.00
TAX Refundable	473,042.48	0.15
Unrealized on fx payables	(5934.48)	(0.00)
Unrealized on fx receivables	274.18	0.00
Unrealized on Income receivables	16,004.73	0.01
Unrealized on Investment payables	(712.56)	(0.00)
Unrealized on Investment receivables	6,296.64	0.00
Payable for Interest Comp	0.00	0.00
<b>Grand Total</b>	<b>317,968,733.47</b>	<b>100.00 %</b>



## Summarized Asset Listing - International Stock Managers

June 30, 2008

### STATE STREET GLOBAL ADVISORS (SEMI PASSIVE)

### ALLIANCE BERNSTEIN L.P. (EMERGING MARKETS)

Exposure by Country	Market Value	%
AUSTRALIA	17,301,631.64	5.94
CANADA	25,695,862.32	8.82
DENMARK	5,514,415.52	1.89
EURO	88,497,279.59	30.39
HONG KONG	5,464,796.98	1.88
JAPAN	55,247,451.52	18.97
NEW ZEALAND	302,995.52	0.10
NORWAY	6,196,246.94	2.13
UNITED KINGDOM	62,902,511.69	21.60
SINGAPORE	2,938,514.08	1.01
SWEDEN	6,714,057.89	2.31
SWITZERLAND	14,871,055.24	5.11
UNITED STATES	227,020.96	0.08
Dividend Receivable	730,945.38	0.25
Payable for Investments Purchased	(4437586.40)	(1.52)
Receivables for Investments Sold	2,690,926.28	0.92
Short Term Interest Receivable	307.53	0.00
TAX Refundable	355,695.82	0.12
Payable for Interest Compensation	(36.39)	(0.00)
Unrealized on fx payables	17.05	0.00
Unrealized on fx receivables	67.84	0.00
Unrealized on Income receivables	447.90	0.00
Unrealized on Investment payables	1,206.64	0.00
Unrealized on Investment receivables	20,815.18	0.01
<b>Grand Total</b>	<b>291,236,646.72</b>	<b>100.00 %</b>

Exposure by Country	Market Value	%
BRAZIL	32,607,654.79	7.41
CHILE	1,588,613.31	0.36
CZECH REPUBLIC	6,305,737.43	1.43
EGPYT	9.71	0.00
HONG KONG	55,858,229.65	12.69
HUNGARY	525.85	0.00
INDIA	26,860,662.32	6.10
INDONESIA	2,712,986.71	0.62
ISRAEL	7,951,399.83	1.81
MALAYSIA	4,434,621.27	1.01
MEXICO	4,684,989.25	1.06
TAIWAN	32,749,813.92	7.44
POLAND	2,718,273.47	0.62
UNITED KINGDOM	6,469,011.46	1.47
SINGAPORE	8,558.66	0.00
SOUTH AFRICA	34,993,252.69	7.95
SOUTH KOREA	36,225,248.00	8.23
PHILLIPINES	0.56	0.00
TURKEY	1,145,008.91	0.26
THAILAND	5,637,528.04	1.28
UNITED STATES	179,578,303.48	40.80
Dividend Receivable	963,266.90	0.22
Payable for Investments Purchased	(4304291.54)	(0.98)
Receivables for Investments Sold	1,050,971.02	0.24
Short Term Interest Receivable	27,026.65	0.01
Tax Refundable	23,681.92	0.01
Payable for Interest Compensation	(83.51)	(0.00)
Other Payable	(124253.43)	(0.03)
Other Receivables		0.00
Unrealized on fx receivables	7,297.19	0.00
Unrealized on fx payables	(4014.42)	(0.00)
Unrealized on Income receivables	10,340.22	0.00
Unrealized on Investment payables	38.77	0.00
Unrealized on Investment receivables	(3190.81)	(0.00)
<b>Grand Total</b>	<b>440,177,218.27</b>	<b>100.00 %</b>

## Summarized Asset Listing - International Stock Managers

June 30, 2008

### CAPITAL INTERNATIONAL (EMERGING MARKETS)

Exposure by Country	Market Value	%
BRAZIL	30,564,630.63	6.90
CANADA	1,813,029.25	0.41
COLUMBIA	1,345,736.83	0.30
CHILE	1,713,509.63	0.39
CZECH REPUBLIC	534,624.30	0.12
EGYPT	4,709,811.35	1.06
EURO	810,775.25	0.18
HONG KONG	47,918,129.18	10.81
HUNGARY	0.00	0.00
INDIA	23,836,983.93	5.38
INDONESIA	14,027,339.21	3.16
ISRAEL	6,255,727.07	1.41
MALAYSIA	14,578,882.49	3.29
MEXICO	15,712,355.47	3.54
TAIWAN	34,450,646.59	7.77
PAKISTAN	134,349.74	0.03
PHILLIPINES	3,481,120.59	0.79
POLAND	3,580,803.04	0.81
UNITED KINGDOM	10,824,108.67	2.44
SINGAPORE	3,692,523.33	0.83
SOUTH AFRICA	25,158,549.42	5.68
SOUTH KOREA	34,580,887.72	7.80
SWEDEN	0.00	0.00
THAILAND	9,473,340.05	2.14
TURKEY	4,395,094.44	0.99
UNITED STATES	149,968,306.50	33.83
Dividend Receivable	998,013.71	0.23
Payable for Investments Purchased	(3437484.50)	(0.78)
Receivables for Investments Sold	2,524,536.85	0.57
Short Term Interest Receivable	56,968.39	0.01
TAX Refundable	7,363.30	0.00
Other Liabilities	0.00	0.00
Other Receivables	0.00	0.00
Payable for Interest Compensation	(24.21)	(0.00)
Unrealized on fx payables	(419684.64)	(0.09)
Unrealized on fx receivables	(5587.18)	(0.00)
Unrealized on Income receivables	11,065.34	0.00
Unrealized on Investment payables	(50864.94)	(0.01)
Unrealized on Investment receivables	34,857.84	0.01
<b>Grand Total</b>	<b>443,280,424.64</b>	<b>100.00 %</b>

### MORGAN STANLEY INVESTMENT MGMT. (EMERGING MARKETS)

Exposure by Country	Market Value	%
BRAZIL	29,488,585.39	6.40
CZECH REPUBLIC	7,773,323.16	1.69
EGPYT	322,504.41	0.07
EURO	3,005,456.08	0.65
HONG KONG	66,239,794.97	14.38
HUNGARY	0.00	0.00
INDIA	30,503,495.75	6.62
INDONESIA	14,195,987.42	3.08
ISRAEL	111.33	0.00
JAPAN	0.00	0.00
JORDAN	0.00	0.00
MALAYSIA	3,480,150.72	0.76
MEXICO	14,061,684.47	3.05
MORROCCO	40,215.39	0.01
TAIWAN	35,582,243.56	7.73
PAKISTAN	4,562,167.12	0.99
PHILLIPINE	0.00	0.00
POLAND	13,828,575.07	3.00
ROMANIA	218.13	0.00
UNITED KINGDOM	2,385,247.82	0.52
SINGAPORE	1,141,309.39	0.25
SOUTH AFRICA	22,998,698.83	4.99
SOUTH KOREA	47,469,264.74	10.31
THAILAND	10,550,249.15	2.29
TURKEY	5,829,248.48	1.27
UNITED STATES	145,574,469.37	31.61
Dividend Receivable	1,541,695.38	0.33
Other Receivables	0.00	0.00
Payable for Investments Purchased	(1670481.18)	(0.36)
Receivables for Investments Sold	1,572,257.99	0.34
Short Term Interest Receivable	29,891.68	0.01
TAX Refundable	42,033.87	0.01
Other Receivables	14,445.25	0.00
Payable on Interest Comp	(111.41)	(0.00)
Unrealized on fx payables	(13463.53)	(0.00)
Unrealized on fx receivables	(1153.33)	(0.00)
Unrealized on Income receivables	14,748.97	0.00
Unrealized on Investment receivables	9,549.92	0.00
Unrealized on Investment Payables	(8533.75)	(0.00)
<b>Grand Total</b>	<b>460,563,880.61</b>	<b>100.00 %</b>

# Summarized Asset Listing - International Stock Managers

## AGGREGATE INTERNATIONAL STOCK POOL\*

June 30, 2008

Exposure by Country	Market Value	%
AUSTRALIA	350,049,547.96	4.80
BRAZIL	92,660,870.81	1.27
CANADA	419,621,249.75	5.76
CHILE	3,302,122.94	0.05
COLUMBIA	1,345,736.83	0.02
CZECH REPUBLIC	14,613,684.89	0.20
DENMARK	65,257,248.55	0.90
EGPYT	5,032,325.47	0.07
EURO	1,901,868,028.34	26.09
HONG KONG	304,939,649.06	4.18
HUNGARY	525.85	0.00
INDIA	81,201,142.01	1.11
INDONESIA	30,936,313.34	0.42
ISRAEL	14,207,238.23	0.19
JAPAN	1,147,770,712.12	15.75
JORDAN	0.00	0.00
MALAYSIA	22,493,654.48	0.31
MEXICO	34,459,029.19	0.47
MORROCCO	40,215.39	0.00
NEW ZEALAND	4,358,773.72	0.06
NORWAY	60,280,350.10	0.83
PAKISTAN	4,696,516.86	0.06
PERU	0.00	0.00
PHILLIPINES	3,481,121.15	0.05
POLAND	20,127,651.58	0.28
ROMANIA	218.13	0.00
SINGAPORE	69,261,484.96	0.95
SOUTH AFRICA	83,150,500.94	1.14
SOUTH KOREA	118,275,400.46	1.62
SWEDEN	98,664,712.43	1.35
SWITZERLAND	421,811,730.54	5.79
TAIWAN	102,782,704.07	1.41
THAILAND	25,661,119.11	0.35
TURKEY	11,369,351.83	0.16
UNITED KINGDOM	1,126,602,166.14	15.45
UNITED STATES	643,334,035.13	8.83
Dividend Receivable	15,210,219.73	0.21
Long Term Interest Receivable	0.00	0.00
Margin Variation Receivable	1,511,336.19	0.02
Other Receivable	14,445.25	0.00
Payable for Interest Compensation	(1318.27)	(0.00)
Payable for Investments Purchased	(48151989.78)	(0.66)
Receivables for Investments Sold	31,571,635.84	0.43
Short Term Interest Receivable	297,034.99	0.00
TAX Refundable	8,818,963.70	0.12
Other Payables	(2087253.51)	(0.03)
Other Liabilities	0.00	0.00
Unrealized on fx payables	(1853834.28)	(0.03)
Unrealized on fx receivables	255,411.19	0.00
Unrealized on Income receivables	402,738.26	0.01
Unrealized on Investment payables	(447392.10)	(0.01)
Unrealized on Investment receivables	419,715.25	0.01
<b>GRAND TOTAL</b>	<b>7,289,616,844.82</b>	<b>100.00 %</b>

\* Aggregate of all managers in the International Equity Program.  
Includes Active, Passive, and Semi-Passive Managers and the  
Transition Account.

## Summarized Asset Listing - Bond Managers

June 30, 2008

### ABERDEEN ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	6,342,297.67	0.57
U.S. CORPORATE	200,356,342.22	17.95
U.S. MTG. REL.	703,267,893.37	63.00
U.S. MUNICIPALS	40,148,393.61	3.60
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	77,603,199.96	6.95
PRIVATE PLACEMENTS	4,204,761.56	0.38
YANKEE	56,095,674.01	5.03
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	531,850.44	0.05
<b>Total Fixed Income</b>	<b>1,088,550,412.84</b>	<b>97.51</b>
<b>Cash Equivalent</b>		
U.S.	12,394,724.13	1.11
Non U.S.	0.00	0.00
Payable for Investments Purchased	(7,213,816.00)	(0.65)
Receivables for Investments Sold	14,255,771.30	1.28
Long Term Interest Receivable	8,260,573.44	0.74
Short Term Interest Receivable	12,690.30	0.00
Payable for Interest Compensation	(435.34)	(0.00)
Tax Refund Recievable	39,866.22	0.00
<b>Grand Total</b>	<b>\$1,116,299,786.89</b>	<b>100.00</b>

### MORGAN STANLEY INVESTMENT MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	1,095,961.04	0.12
U.S. CORPORATE	143,212,491.83	16.08
U.S. MTG. REL.	822,567,996.59	92.36
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	\$2,492,579.04	0.28
U.S. TREASURY	\$16,382,701.50	1.84
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	\$19,654,628.63	2.21
COMMINGLED FUND	\$30,737,454.07	3.45
MISCELLANEOUS		0.00
<b>Total Fixed Income</b>	<b>1,036,143,812.70</b>	<b>116.34</b>
<b>Cash Equivalent</b>		
U.S.	168,947,443.45	18.97
Payable for Investments Purchased	(329,348,707.05)	(36.98)
Receivables for Investments Sold	8,340,901.84	0.94
Long Term Interest Receivable	4,890,840.93	0.55
Short Term Interest Receivable	380,618.67	0.04
Payable for Interest Compensation	(101.20)	(0.00)
Margin Variation Receivable	1,293,748.65	0.15
Tax Refund Recievable	3,265.49	0.00
<b>Grand Total</b>	<b>\$890,651,823.48</b>	<b>100.00</b>

### DODGE & COX INC.

Fixed Income	Market Value	%
U.S. AGENCY	19,463,628.80	1.68
U.S. CORPORATE	399,381,318.10	34.44
U.S. MTG. REL.	598,357,349.07	51.60
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	82,477,595.00	7.11
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	23,824,190.40	2.05
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS		0.00
<b>Total Fixed Income</b>	<b>1,123,504,081.37</b>	<b>96.89</b>
<b>Cash Equivalent</b>		
U.S.	23,358,572.09	2.01
Non. U.S.	0.00	0.00
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	146,272.72	0.01
Long Term Interest Receivable	12,449,604.85	1.07
Short Term Interest Receivable	88,025.70	0.01

### RIVERSOURCE INVESTMENTS

Fixed Income	Market Value	%
U.S. AGENCY	46,778,768.89	4.77
U.S. CORPORATE	257,277,564.26	26.24
U.S. MTG. REL.	586,293,808.57	59.79
U.S. MUNICIPALS	2,208,450.40	0.23
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	140,549,574.01	14.33
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	22,819,046.89	2.33
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>1,055,927,213.02</b>	<b>107.69</b>
<b>Cash Equivalent</b>		
U.S.	44,598,022.20	4.55
Non U.S.	0.00	0.00
Payable for Investments Purchased	(133,356,913.16)	(13.60)
Receivables for Investments Sold	4,724,728.18	0.48
Long Term Interest Receivable	8,668,280.40	0.88
Short Term Interest Receivable	103,606.47	0.01

## Summarized Asset Listing - Bond Managers

June 30, 2008

### WESTERN ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	71,207,986.16	4.88
U.S. CORPORATE	370,056,704.69	25.38
U.S. MTG. REL.	703,157,805.83	48.22
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	17,036,153.99	1.17
U.S. TREASURY	152,725,023.79	10.47
PRIVATE PLACEMENTS	7,418,892.80	0.51
YANKEE	73,735,951.66	5.06
FOREIGN RELATED	36,644,841.59	2.51
MISCELLANEOUS	2,463,977.50	0.17
<b>Total Fixed Income</b>	<b>1,434,447,338.01</b>	<b>98.36</b>
<b>Cash Equivalent</b>		
U.S.	253,129,589.23	17.36
Non U.S.	0.00	0.00
Payable for Investments Purchased	(274,241,342.85)	(18.81)
Receivables for Investments Sold	30,485,741.12	2.09
Long Term Interest Receivable	13,506,591.66	0.93
Short Term Interest Receivable	644,382.16	0.04
Margin Variation Receivable	76,109.02	0.01
Payable for Interest Compensation	(169.32)	(0.00)
Dividend Receivable	15,089.07	0.00
Unrealized on Foreign Currency	32,715.62	0.00
Unrealized on fx Receivables	0.00	0.00
Unrealized on fx Payables	214,872.96	0.01
Tax Refund Receivable	7,899.08	0.00
<b>Grand Total</b>	<b>\$1,458,318,815.76</b>	<b>100.00 %</b>

### GOLDMAN SACHS ASSET MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	65,571,500.05	3.46
U.S. CORPORATE	316,504,101.76	16.68
U.S. MTG. REL.	1,231,342,395.77	64.89
U.S. MUNICIPALS	1,297,296.00	0.07
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	176,817,012.20	9.32
PRIVATE PLACEMENTS	7,166,482.85	0.38
YANKEE	75,398,459.29	3.97
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>1,874,097,247.92</b>	<b>98.77</b>
<b>Cash Equivalent</b>		
U.S.	164,711,290.39	8.68
Non U.S.	0.00	0.00
Payable for Investments Purchased	(228,895,731.26)	(12.06)
Receivables for Investments Sold	73,846,069.78	3.89
Long Term Interest Receivable	13,386,483.62	0.71
Short Term Interest Receivable	360,567.48	0.02
Payable for Interest Compensation	0.00	0.00
Tax Refund Receivable	16,258.46	0.00
<b>Grand Total</b>	<b>\$1,897,522,186.39</b>	<b>100.00 %</b>

### BLACKROCK INC

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	54,424,185.57	2.87
U.S. CORPORATE	395,763,088.41	20.84
U.S. MTG. REL.	1,379,311,087.72	72.63
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	104,603,271.07	5.51
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	27,522,949.21	1.45
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>1,961,624,581.98</b>	<b>103.29</b>
<b>Cash Equivalent</b>		
U.S.	6,044,968.60	0.32
Non U.S.	0.00	0.00
Payable for Investments Purchased	(860,343,239.24)	(45.30)
Receivables for Investments Sold	776,605,469.37	40.89
Long Term Interest Receivable	15,886,033.75	0.84
Short Term Interest Receivable	473,666.76	0.02
Margin Variation Receivable	(54,600.89)	(0.00)
Tax Refund Receivable	34,492.83	0.00
Payable for Interest Compensation	(70.36)	(0.00)
Other Payables	(1,114,605.56)	(0.06)
Dividend Receivable	0.00	0.00
<b>Grand Total</b>	<b>\$1,899,156,697.24</b>	<b>100.00 %</b>

### LEHMAN BROTHERS

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	106,578,543.76	5.42
U.S. CORPORATE	370,623,104.97	18.86
U.S. MTG. REL.	1,229,871,173.35	62.58
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	249,086,840.28	12.67
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	57,322,150.51	2.92
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>2,013,481,812.87</b>	<b>102.45</b>
<b>Cash Equivalent</b>		
U.S.	201,277,690.23	10.24
Non U.S.	0.00	0.00
Payable for Investments Purchased	(264,302,696.31)	(13.45)
Receivables for Investments Sold	0.00	0.00
Long Term Interest Receivable	14,318,515.63	0.73
Short Term Interest Receivable	506,469.11	0.03
Payable for Interest Compensation	(379.44)	(0.00)
Tax Refund Receivable	12,459.42	0.00
<b>Grand Total</b>	<b>\$1,965,293,871.51</b>	<b>100.00 %</b>

## Summarized Asset Listing - Bond Managers

June 30, 2008

### AGGREGATE BOND POOL\*

Fixed Income	Market Value	%
U.S. AGENCY	\$371,462,871.94	3.27
U.S. CORPORATE	\$2,453,174,716.24	21.58
U.S. MTG. REL.	7,254,169,510.27	63.82
U.S. MUNICIPALS	\$43,654,140.01	0.38
U.S. PREFERRED STOCK	\$19,528,733.03	0.17
U.S. TREASURY	\$1,000,245,217.81	8.80
PRIVATE PLACEMENTS	\$18,790,137.21	0.17
YANKEE	\$356,373,050.60	3.14
FOREIGN RELATED	\$67,382,295.66	0.59
MISCELLANEOUS	\$2,995,827.94	0.03
<b>Total Fixed Income</b>	<b>11,587,776,500.71</b>	<b>101.94</b>
<b>Cash Equivalent</b>		
U.S.	874,462,300.32	7.69
Non. U.S.	0.00	0.00
Payable for Investments Purchased	(2,097,702,445.87)	(18.45)
Receivables for Investments Sold	908,404,954.31	7.99
Long Term Interest Receivable	91,366,924.28	0.80
Short Term Interest Receivable	2,580,026.74	0.02
Payable for Interest Compensation	(8,819.36)	(0.00)
Other Payables	(1,264,924.49)	(0.01)
Tax Refund Receivables	138,603.38	0.00
Margin Variation Receivable	1,315,256.78	0.01
Unrealized on fx Receivables	0.00	0.00
Unrealized on fx Payables	214,872.96	0.00
Unrealized on Foreign Currency	32,715.62	0.00
Advisory Fee	0.00	0.00
Dividend Receivables	15,089.07	0.00
<b>Grand Total</b>	<b>\$11,367,331,054.45</b>	<b>100.00 %</b>

\* Aggregate of all managers in the Bond Account in the Financial Statements. Includes both Active and Semi-Passive managers.

# Summarized Asset Listing - Supplemental Investment Fund

June 30, 2008

## BOND MARKET ACCOUNT

	Market Value	%
BONDS	121,993,929.21	100.00
CASH EQUIVALENTS	0.00	0.00
<b>Grand Total</b>	<b>\$121,993,929.21</b>	<b>100.00 %</b>

## COMMON STOCK INDEX ACCOUNT

	Market Value	%
EQUITIES	258,998,684.48	100.00
CASH EQUIVALENTS	0.00	0.00
<b>Grand Total</b>	<b>\$258,998,684.48</b>	<b>100.00 %</b>

## FIXED INTEREST ACCOUNT

	Market Value	%
GIC POOL	68,906,398.88	96.13
CASH EQUIVALENTS	2,539,041.96	3.54
Short Term Interest Receivable	6,806.51	0.01
Long Term Interest Receivable	246,456.69	0.34
Accrued expense	(17,445.08)	(0.02)
<b>Grand Total</b>	<b>\$71,681,258.96</b>	<b>100.00 %</b>

## GROWTH SHARE ACCOUNT

	Market Value	%
EQUITIES	112,309,816.96	100.00
CASH EQUIVALENTS	0.00	0.00
<b>Grand Total</b>	<b>\$112,309,816.96</b>	<b>100.00 %</b>

## DEFERRED COMPENSATION MONEY FUND

CASH EQUIVALENTS	103,685,700.38	99.74
Short Term Interest Receivable	267,629.37	0.26
<b>Grand Total</b>	<b>\$103,953,329.75</b>	<b>100.00 %</b>

## INCOME SHARE ACCOUNT

	Market Value	%
EQUITIES	141,211,943.00	59.75
BONDS	93,617,238.08	39.61
CASH EQUIVALENTS	1,521,024.82	0.64
Short Term Interest Receivable	3,572.27	0.00
<b>Grand Total</b>	<b>\$236,353,778.17</b>	<b>100.00 %</b>

## INTERNATIONAL EQUITY ACCOUNT

	Market Value	%
EQUITIES	131,619,488.68	100.00
CASH EQUIVALENTS	\$0.00	0.00
<b>Grand Total</b>	<b>\$131,619,488.68</b>	<b>100.00 %</b>

## MONEY MARKET ACCOUNT

	Market Value	%
CASH EQUIVALENTS	134,410,200.12	100.00
Short Term Interest Receivable	345,693.32	
<b>Grand Total</b>	<b>\$134,755,893.44</b>	<b>100.00 %</b>

## SUPPLEMENTAL INVESTMENT FUND

	Market Value	%
INCOME SHARE	236,353,778.17	20.17
GROWTH SHARE	112,309,816.96	9.59
COMMON STOCK INDEX	258,998,684.48	22.11
INTERNATIONAL SHARE	131,619,488.68	11.23
BOND MARKET	121,993,929.21	10.41
MONEY MARKET	134,755,893.44	11.50
FIXED INTEREST	71,681,258.96	6.12
DEFERRED COMPENSATION	103,953,329.75	8.87
<b>Grand Total</b>	<b>\$1,171,666,179.65</b>	<b>100.00 %</b>

## Summarized Asset Listing - Other Funds

June 30, 2008

### ASSIGNED RISK PLAN

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	6,972,189.18	11.10
CONSUMER STAPLES	5,730,432.80	9.12
ENERGY	7,799,799.98	12.42
FINANCIALS	8,559,254.64	13.63
HEALTH CARE	8,528,772.52	13.58
INDUSTRIALS	5,622,012.53	8.95
INFORMATION TECHNOLOGY	13,367,148.61	21.28
MATERIALS	2,646,668.69	4.21
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,751,589.72	2.79
UNCLASSIFIED	0.00	0.00
UTILITIES	1,835,514.33	2.92
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>\$62,813,383.00</b>	<b>100.00 %</b>
<b>Fixed Income</b>		
U.S. AGENCY	23,948,392.06	7.17
U.S. CORPORATE	1,962,475.30	0.59
U.S. MTG. REL.	141,606,978.68	42.41
U.S. TREASURY	22,548,056.95	6.75
MUNICIPAL	47,529,840.75	14.24
PRIVATE PLACEMENT	1,623,003.14	0.49
MISCELLANEOUS	2,356,212.50	0.71
<b>Fixed Income Total</b>	<b>241,574,959.38</b>	<b>72.35</b>
<b>Cash Equivalents</b>	<b>29,249,161.00</b>	<b>8.76</b>
Payable for Investments Purchased	(2,779,192.86)	(0.83)
Receivables for Investments Sold	1,021,905.04	0.31
Dividend Receivable	86,168.77	0.03
Short Term Interest Receivable	35,902.90	0.01
Long Term Interest Receivable	1,891,632.98	0.57
Payable for Interest Compensation	(138.47)	(0.00)
Tax Refund Receivable	18.53	0.00
<b>Grand Total</b>	<b>\$333,893,800.27</b>	<b>100.00 %</b>
<b>INTERNAL FIXED ACCOUNT</b>		
<b>Fixed Income</b>	<b>Market Value</b>	<b>%</b>
U.S. AGENCY	0.00	0.00
U.S. CORPORATE	161,489,046.62	29.23
U.S. MTG. REL.	289,494,157.21	52.41
U.S. TREASURY	42,602,863.50	7.71
YANKEE	3,199,920.00	0.58
<b>Fixed Income Total</b>	<b>496,785,987.33</b>	<b>89.93</b>
<b>Cash Equivalents</b>	<b>50,357,712.28</b>	<b>9.12</b>
Payable for Interest Compensation	0.00	0.00
Long Term Interest Receivable	5,129,895.20	0.93
Short Term Interest Receivable	115,330.63	0.02
<b>Grand Total</b>	<b>\$552,388,925.44</b>	<b>100.00 %</b>
<b>ETHEL CURREY FUND</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	660,980.02	62.21
BONDS	398,205.12	37.48
CASH EQUIVALENTS	3,233.45	0.30
SHORT TERM INVESTMENT REC	0.00	0.00
<b>Grand Total</b>	<b>\$1,062,418.59</b>	<b>100.00 %</b>
<b>IRON RANGE RESOURCES</b>	<b>Market Value</b>	<b>%</b>
CASH	235,087.98	0.34
EQUITIES	33,890,971.62	49.20
BONDS	34,761,361.39	50.46
<b>Grand Total</b>	<b>\$68,887,420.99</b>	<b>100.00 %</b>

### INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	68,544,998.52	8.37
CONSUMER STAPLES	67,800,469.75	8.28
ENERGY	112,836,427.71	13.77
FINANCIALS	105,772,030.18	12.91
HEALTH CARE	84,997,127.28	10.37
INDUSTRIALS	85,304,170.79	10.41
INFORMATION TECHNOLOGY	118,709,247.58	14.49
MATERIALS	31,376,246.13	3.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	24,257,092.45	2.96
UNCLASSIFIED	242,052.30	0.03
UTILITIES	31,242,920.04	3.81
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>\$731,082,782.73</b>	<b>89.23 %</b>
<b>Cash Equivalents</b>	<b>86,958,116.88</b>	<b>10.61</b>
Dividend Receivable	980,309.79	0.12
Payable for Investment Purchased	0.00	0.00
Receivable for Investment Sold	0.00	0.00
Short Term Interest Receivable	192,274.46	0.02
Margin Variation Receivable	76,450.00	0.01
<b>Grand Total</b>	<b>\$819,289,933.86</b>	<b>100.00 %</b>
<b>CLOSED LANDFILL INVESTMENT FUND</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	50,729,677.55	99.80
BONDS	0.00	0.00
CASH EQUIVALENTS	100,511.37	0.20
<b>Grand Total</b>	<b>\$50,830,188.92</b>	<b>100.00 %</b>
<b>EMERGENCY MEDICAL SERVICES</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	8,768,403.81	59.10
BONDS	5,573,594.14	37.57
CASH EQUIVALENTS	492,862.31	3.32
Short Term Interest Receivable	975.57	0.01
<b>Grand Total</b>	<b>\$14,835,835.83</b>	<b>100.00 %</b>
<b>ENVIRONMENTAL TRUST FUND</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	312,629,791.90	67.11
BONDS	150,336,965.40	32.27
CASH EQUIVALENTS	2,885,120.65	0.62
Short Term Interest Receivable	3,348.00	0.00
<b>Grand Total</b>	<b>\$465,855,225.95</b>	<b>100.00 %</b>
<b>ST. LOUIS COUNTY ENVIRONMENTAL</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	3,268,163.61	52.95
BONDS	2,883,478.30	46.72
CASH EQUIVALENTS	20,405.93	0.33
Short Term Interest Receivable	0.00	0.00
<b>Grand Total</b>	<b>\$6,172,047.84</b>	<b>100.00 %</b>
<b>METROPOLITAN COUNCIL OPEB</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	62,286,686.17	97.17
BONDS	1,095,090.35	1.71
CASH EQUIVALENTS	715,863.98	1.12
Short Term Interest Receivable	1,277.01	0.00
<b>Grand Total</b>	<b>\$64,098,917.51</b>	<b>100.00 %</b>



## Summarized Asset Listing - Other Funds

June 30, 2008

<b>LIFETIME FISH &amp; WILDLIFE TRUST</b>	<b>Market Value</b>	<b>%</b>	<b>DULUTH POST EMPLOYEES BENEFIT</b>	<b>Market Value</b>	<b>%</b>
EQUITIES	3,834,750.40	66.80	EQUITIES	6,887,589.39	45.70
BONDS	1,888,874.14	32.91	BONDS	8,130,132.11	53.95
CASH EQUIVALENTS	16,723.38	0.29	CASH EQUIVALENTS	52,924.83	0.35 %
<b>Grand Total</b>	<b>\$5,740,347.92</b>	<b>100.00 %</b>	Short Term Interest Receivable	0.00	0.00
			<b>Grand Total</b>	<b>\$15,070,646.33</b>	<b>100.00</b>
<b>PERMANENT SCHOOL FUND</b>	<b>Market Value</b>	<b>%</b>			
EQUITIES	333,159,533.00	48.28			
BONDS	344,426,885.30	49.92			
CASH EQUIVALENTS	12,414,196.08	1.80			
INTEREST RECEIVABLE	21,948.16	0.00			
<b>Grand Total</b>	<b>\$690,022,562.54</b>	<b>100.00 %</b>			
<b>WINONA STATE UNIVERSITY</b>	<b>Market Value</b>	<b>%</b>			
EQUITIES	3,173,381.54	52.13			
BONDS	2,894,339.13	47.54			
CASH EQUIVALENTS	20,270.61	0.33			
SHORT TERM INTEREST REC	0.00	0.00			
PAYABLE FOR INTEREST COMP	0.00	0.00			
<b>Grand Total</b>	<b>\$6,087,991.28</b>	<b>100.00 %</b>			

Notes applicable to all Summarized Asset Listings:

The data source for the Summarized Asset Listings was State Street Bank & Trust, the SBI's custodian.

Market value figures in the Summarized Asset Listings may not reconcile to the amounts shown for various Accounts in the Financial Statements due to minor pricing differences between Financial Control Systems and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.



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