2007 Annual Report

Minnesota State Board of Investment

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This annual report can be accessed on our website at 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, 2007

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2007.

Investment Environment
Capital markets were strong during Fiscal Year 2007. The U.S. stock market increased 20.1%, as measured by the Russell 3000. Strong corporate profits, and favorable mergers and acquisitions activity outweighed concerns about a weakening housing market, continued tensions in the Middle East, and oil price increases.

International stock markets displayed continued strength for the fourth year in a row. 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 29.6% for the fiscal year.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, rose 6.1% during the fiscal year. The Fed left monetary policy unchanged over the course of the fiscal year, as rising inflation remained the Fed's primary concern rather than a slowing of economic growth.

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

- The Basic Retirement Funds increased 18.5% during Fiscal Year 2007. Over the latest ten year period, the Funds have experienced an annualized return of 8.5%. (See page 9.)

- The Post Retirement Fund was up 18.2% for the Fiscal Year. Overall, the Fund provided a ten year annualized return of 8.1%. (See page 12.)

- The lifetime Post Retirement benefit increase for Fiscal Year 2007 will be 2.5%. The increase will be payable to eligible retirees effective January 1, 2008.

On June 30, 2007, assets under management totaled $63.5 billion. This total is the aggregate of several 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 funds 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.

The Council has formed three committees organized around broad investment subjects relevant to the Board's decision-making process: Asset Allocation, Stock and Bond Manager and Alternative Investment Manager.

All proposed investment policies are reviewed by the appropriate Committee and the full Council 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
Alliant Techsystems Inc.

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

Daralyn Peifer
Vice President and Treasurer
General Mills, Inc.

Mary Vanek
Executive Director
Public Employees Retirement Assoc.

As of December 2007

Staff, Consultants & Custodians

Howard Bicker
Executive Director

Mansco Perry III
Assistant Executive Director

Investment Staff

Public Equities
Tammy Brusehaver
Portfolio Mgr., Domestic Equities

Patricia Ammann
Investment Analyst, Domestic Equities

Stephanie Gleeson
Portfolio Mgr., International Equities

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

John J. Kirby
Investment Analyst, Fixed Income

Alternative Assets
John N. Griebenow
Mgr., Private Market Investments

Andrew Christensen
Portfolio Mgr., Private Market Investments

Cash Management
Steven Kuettel
Mgr., Short Term Debt

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

Deborah Griebenow
Analyst, Shareholder Services

Administrative Staff

Finance and Accounting
L. Michael Schmitt
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

Jessica Flaherty
Office Administrative Specialist

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 2007

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, 2007, the market value of all assets was $63.5 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.

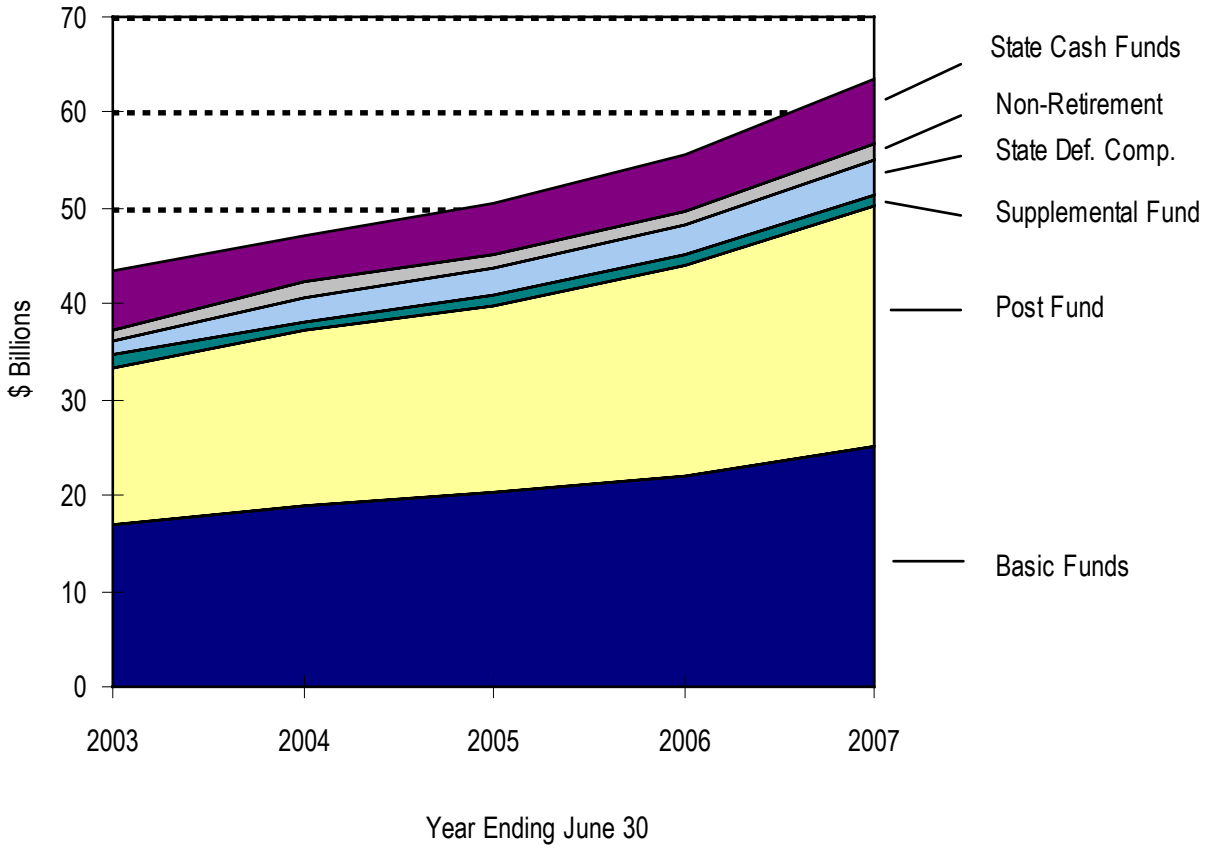
Due to the large number of individual securities owned by the funds managed by the SBI, this report contains only summarized asset listings. **A complete list of securities is available upon request from the State Board of Investment.**

Funds Under Management

		Market Value June 30, 2007
Basic Retirement Funds		***$25.0 billion***
The Basic Retirement Funds contain the pension assets of the currently working participants in eight statewide retirement plans:		
Teachers Retirement Fund		$8.2 billion
Public Employees Retirement Fund		7.1 billion
State Employees Retirement Fund		5.8 billion
Public Employees Police and Fire Fund		3.2 billion
Correctional Employees Fund		301 million
Highway Patrol Retirement Fund		253 million
Public Employees Correctional Fund		165 million
Judges Retirement Fund		56 million
Post Retirement Fund		***$25.2 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	$259 million
Common Stock Index Account	passively managed stocks	358 million
Growth Share Account	actively managed stocks	125 million
Bond Market Account	actively managed bonds	136 million
International Share Account	non-U.S. stocks	108 million
Fixed Interest Account	stable value investments	62 million
Money Market Account	short-term debt securities	85 million
Non-Retirement Funds		***$1.8 billion***
Assigned Risk Plan		***$344 million***
The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.		
Permanent School Fund		***$714 million***
The Permanent School Fund is a trust established for the benefit of Minnesota public schools.		
Environmental Trust Fund		***$494 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		***$321 million***

		Market Value June 30, 2007
State Deferred Compensation Plan		***$3.6 billion***
The State Deferred Compensation Plan offers eleven mutual funds, a money market fund, a fixed interest fund, and the Minnesota Fixed Fund. The assets for each offering are shown below. (Benchmarks are shown in parentheses).		
Large Cap Equity:		
Janus Twenty (S&P 500)	$395 million	
Smith Barney Appr Y (S&P 500)	131 million	
Vanguard Institutional Index Plus (S&P 500)	496 million	
Mid Cap Equity:		
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	148 million	
Small Cap Equity:		
T. Rowe Price Small-Cap Stock (Russell 2000)	423 million	
Balanced:		
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	317 million	
Vanguard Balanced Index Inst. Fund (60% Wilshire 5000, 40% Lehman Agg)	180 million	
Bond:		
Dodge & Cox Income Fund (Lehman Aggregate)	90 million	
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	54 million	
International:		
Fidelity Diversified International (MSCI EAFE-Free)	297 million	
Vanguard Inst. Dev. Markets Index Fund (MSCI EAFE)	90 million	
Stable Value:		
Fixed Interest	135 million	
Money Market	73 million	
MN Fixed Fund	771 million	
State Cash Accounts		***$6.7 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		***$63.5 billion***

Growth in Assets
Fiscal Years 2003-2007



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, 2007, the Combined Funds had a market value of $50.2 billion.

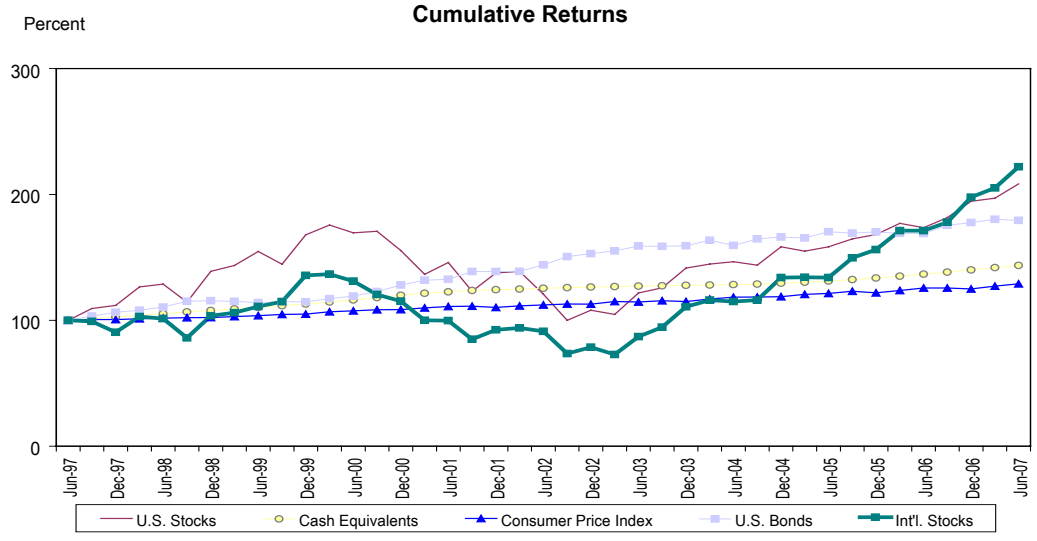
The Combined Funds are so named because they represent the combined assets of both the Basic Retirement Funds (the funds for active employees) and Post Retirement Fund (the fund for retired employees). Unlike most other public and corporate pension plans, the assets of active and retired employees are 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. Performance of Capital Markets -FY 1998-2007

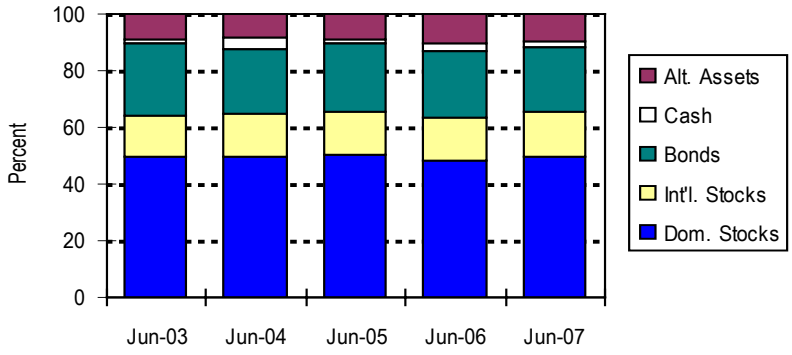


Combined Funds

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 2003-2007

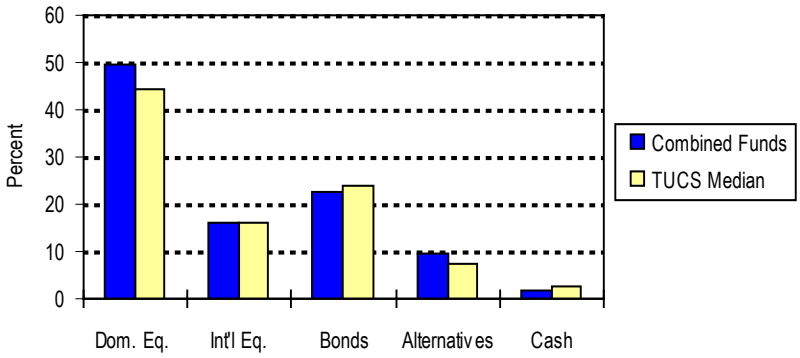


Asset Mix Compared to Other Pension Funds

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, 2007 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, 2007



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.

	Combined Funds	Median Allocation in TUCS*
Domestic Equity	49.5%	44.3%
International Equity	16.3	16.3
Bonds	22.8	23.7
Alternatives**	9.7	7.2
Cash	1.7	2.8

* Represents the median allocation by asset class, and does not add to 100%.
** TUCS may include assets other than alternatives.

—***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.

Investment Results

Comparison to Inflation

Over the last twenty years, the Combined Funds exceeded inflation by 7.0 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

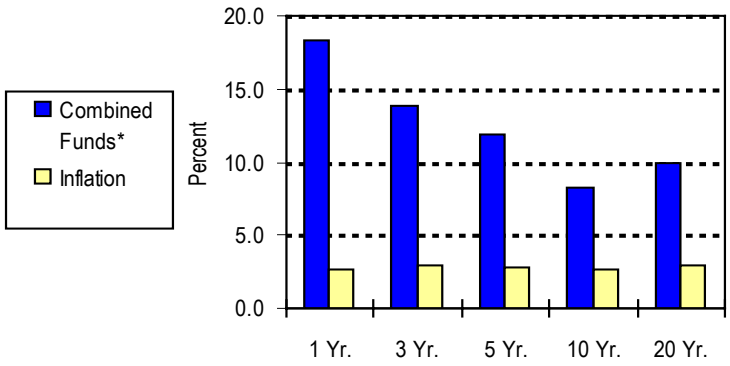
Comparison to Other Funds

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.

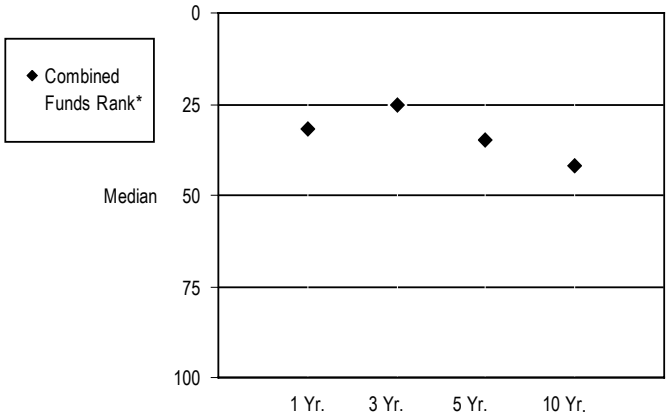
Figure 4. Combined Funds Performance vs. Inflation



	Annualized				
	1 Yr.	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**
Combined Funds*	18.3%	13.8%	11.9%	8.3%	**10.0%**
Inflation	2.7	2.9	2.8	2.6	3.0

* 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*	32nd	25th	35th	42nd

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

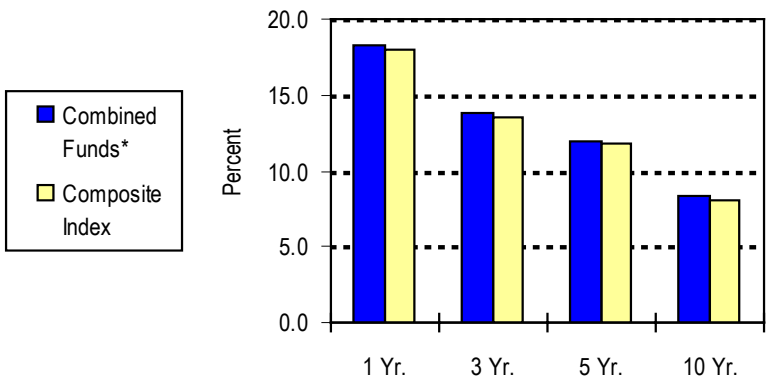
Combined Funds

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 above 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 exceeded the composite index by 0.2 percentage point over the last ten years and, therefore, met their stated performance goal. The Funds exceeded the composite index over the last five years and the most recent fiscal year by 0.1 and 0.3 percentage points, respectively. 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*	**18.3%**	**13.8%**	**11.9%**	**8.3%**
Composite Index	18.0	13.5	11.8	8.1

Composite Index for Period Ending on June 30, 2007

Asset Class	**Market Index**	**Composite Index Wts.***
Domestic Stocks	Russell 3000	48.8%
Int'l. Stocks	MSCI ACWI Free ex. U.S.	15.0
Domestic Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	9.7
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, 2007, the Funds covered over 360,000 active employees and had a market value of $25.0 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.

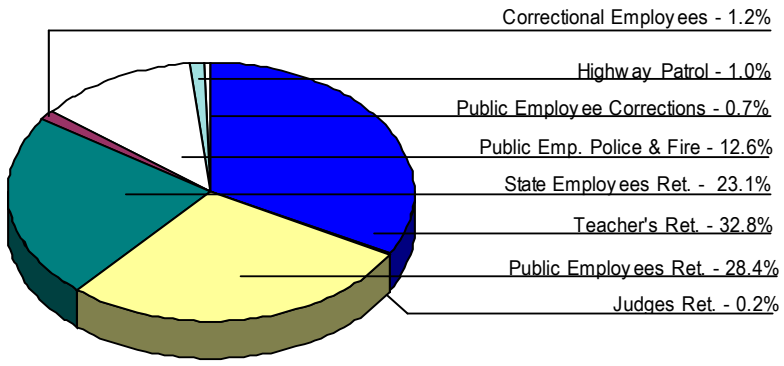
Long-Term Allocation Policy

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

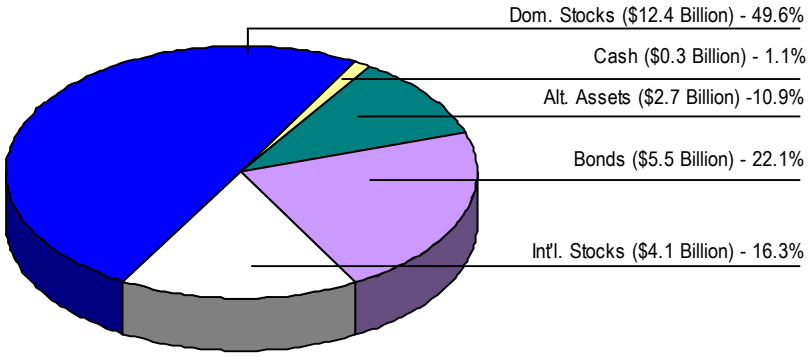
It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in

Figure 7. Composition of Basic Funds as of June 30, 2007



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

Figure 8. Basic Funds Asset Mix as of June 30, 2007



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 2007. 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.

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.

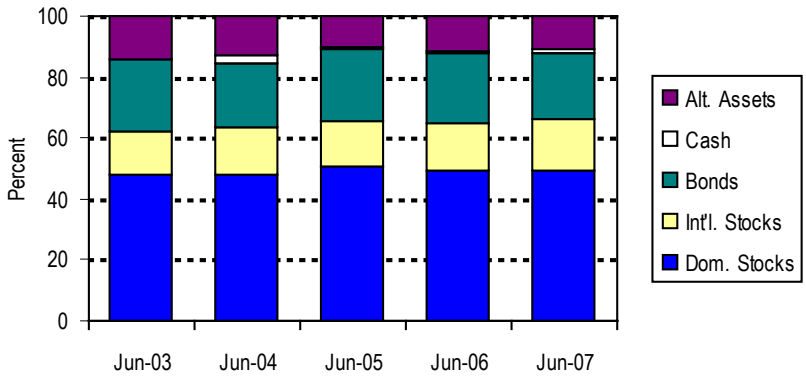
Diversification Vehicles

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.

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

Figure 9. Basic Funds Historical Asset Mix FY 2003-2007



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

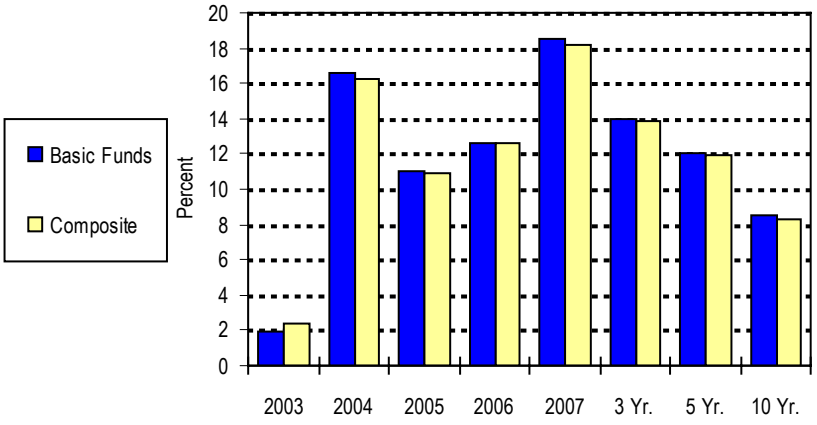
As stated earlier, the Basic Funds are expected to match or exceed the return of a composite of market indices over a ten year period. Performance relative to this standard will measure two effects:

— 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, 2007, the Basic Funds outperformed the composite index by 0.2 percentage point annualized. The Fund exceeded the composite index over the last five years and the most recent fiscal year by 0.1 and 0.3 percentage point, respectively. 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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Basic Funds	**1.9%**	**16.6%**	**11.0%**	**12.6%**	**18.5%**	**14.0%**	**12.0%**	**8.5%**
Composite Index	2.4	16.3	10.9	12.6	18.2	13.9	11.9	8.3

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, 2007, the Post Fund had a market value of $25.2 billion and more than 138,000 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.

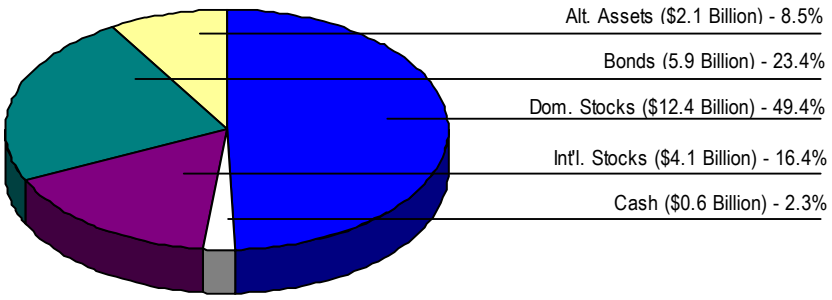
— ***Investment Component.*** Each year, retirees can also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses are spread over five years to smooth 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, 2007



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:

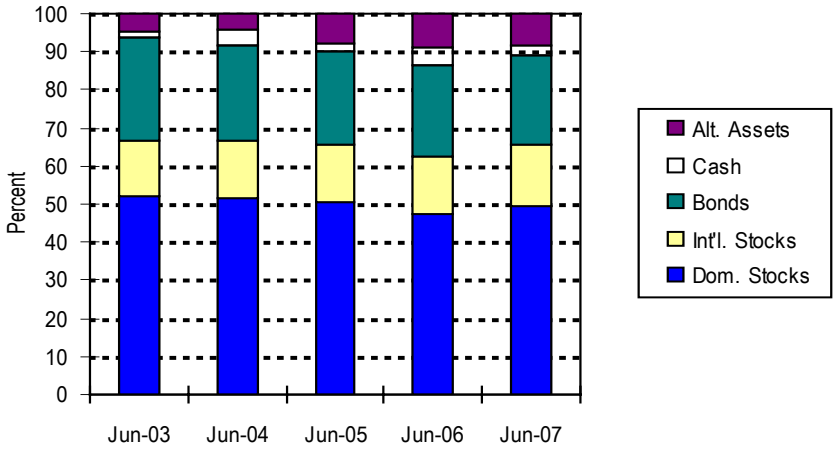
Domestic Stocks	45%
Int'l. Stocks	15
Bonds	25
Alternative Assets	12
Unallocated Cash	3

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.

Figure 12. Post Fund Historical Asset Mix FY 2003-2007



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.

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.

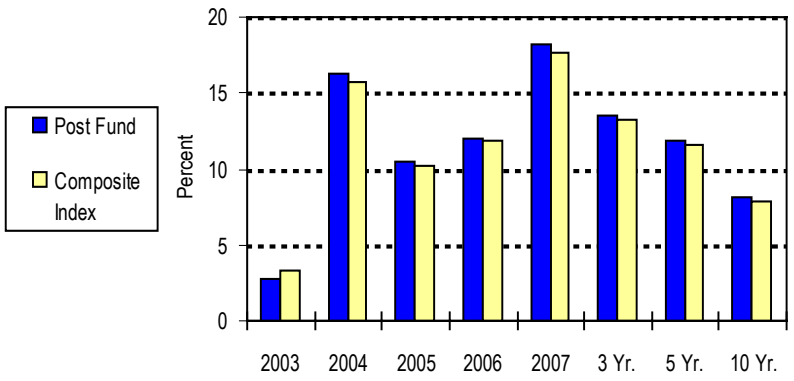
Investment Performance

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 exceeded its composite market index by 0.2 percentage point for the most recent ten year period. The fund exceeded the composite index over the last five years, and the most recent fiscal year by 0.2 and 0.5 percentage point, respectively.

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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Post Fund	**2.8%**	**16.3%**	**10.5%**	**12.0%**	**18.2%**	**13.5%**	**11.8%**	**8.1%**
Composite Index	3.3	15.7	10.2	11.8	17.7	13.2	11.6	7.9

Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1997	10.1%
1998	9.8
1999	11.1
2000	9.5
2001	4.5
2002	0.7
2003	2.1
2004	2.5
2005	2.5
2006	2.5
2007	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 2007 payable beginning January 1, 2008. 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, 2007 was 2.7%. (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 the past ten years are shown in Figure 14.

More detail on the calculation for the fiscal year 2007 benefit increase is included in the **Statistical Data** section.

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, 2007, the dollar value of each fund's participation in the Pool was:

Basic Funds (active, passive and semi-passive)	$12.4 billion
Post Fund (active, passive and semi-passive)	$12.4 billion
Growth Share Account (active and semi-passive)	$125 million
Common Stock Index Account (passive)	$358 million
Stock portion of the Income Share Account (passive)	$162 million

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 2007, approximately 31% 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 $64 to $870 million.

— ***Semi-Passive Management.*** At the end of fiscal year 2007, approximately 35% of the Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios ranging from $2.5 to $3.5 billion.

— ***Passive Management.*** At the end of fiscal year 2007, approximately 34% of the Stock Pool was managed passively by a single manager with a portfolio of $8.6 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

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. Three managers (Alliance Capital Mgmt., Franklin Portfolio Assoc., and Oppenheimer Capital) 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, Brinson (now UBS Global Asset Mgmt.) 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 2007 Changes

During fiscal year 2007, three managers were terminated for reasons that included organizational concerns, loss of accounts, and performance. These managers were: Summit Creek, Holt-Smith & Yates, and Oppenheimer Capital.

Investment Performance

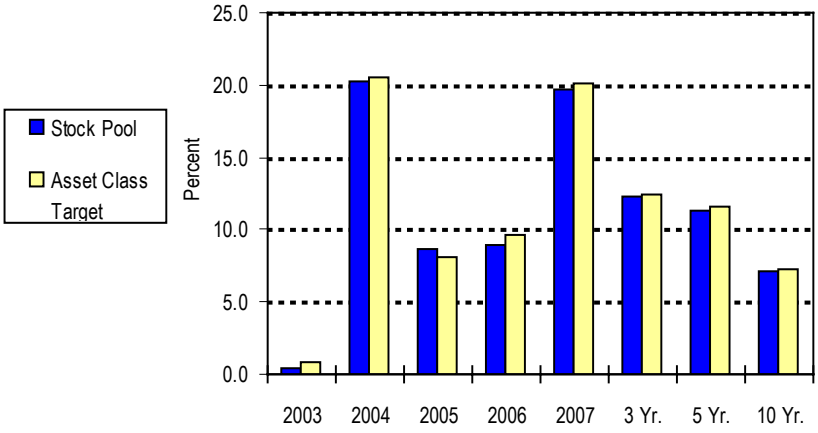
A comprehensive monitoring system has been established to ensure that the many elements of the Domestic Stock Pool conform to the SBI's investment policies. Published performance benchmarks are used for each active, emerging and semi-passive stock manager. These benchmarks enable the SBI to evaluate 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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Stock Pool	**0.4%**	**20.3%**	**8.6%**	**8.9%**	**19.7%**	**12.3%**	**11.3%**	**7.1%**
Domestic Equity Asset Class Target	0.8	20.6	8.1	9.6	20.1	12.4	11.6	7.2

* 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.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2007. 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, semi-passive and 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 combined with weak stock selection. Ineffective stock selection within consumer staples and technology further detracted from performance. The semi-passive managers underperformed due largely to weak stock selection within the financial services sector.

Figure 16. Domestic Stock Manager Performance FY 2007

	Actual Return	Benchmark Return
Active Managers		
Large Cap Core (Russell 1000)		
Franklin Portfolio Associates	21.2%	20.4%
New Amsterdam Partners	15.8	20.4
UBS Global Asset Management	22.1	20.4
Large Cap Growth (Russell 1000 Growth)		
Alliance Capital Management	14.7	19.0
Cohen Klingenstein & Marks	22.0	19.0
INTECH	14.8	19.0
Jacobs Levy Equity Mgmt.	14.9	19.0
Lazard Asset Mgmt.	21.2	19.0
Sands Capital Mgmt.	11.1	19.0
Voyageur-Chicago Equity	10.6	19.0
Winslow Capital Mgmt.	19.3	19.0
Zevenbergen Capital	21.2	19.0
Large Cap Value (Russell 1000 Value)		
Barrow, Hanley	21.9	21.9
Earnest Partners	18.6	21.9
Lord Abbett & Co.	19.0	21.9
LSV Asset Mgmt.	22.6	21.9
Systematic Financial Mgmt.	22.7	21.9
Small Cap Growth (Russell 2000 Growth)		
McKinley Capital	16.0	16.8
Next Century Growth	17.9	16.8
Turner Investment Partners	18.4	16.8
Small Cap Value (Russell 2000 Value)		
Goldman Sachs	17.4	16.1
Hotchkis & Wiley	14.1	16.1
Martingale Asset Mgmt.	9.1	16.1
Peregrine Capital Mgmt.	14.6	16.1
RiverSource/Kenwood	11.2	16.1
Semi-Passive Managers (Russell 1000)		
Barclays Global Investors	19.3	20.4
Franklin Portfolio Associates	19.2	20.4
J.P. Morgan Investment Mgmt.	22.2	20.4
Passive Manager (Russell 3000)		
Barclays Global Investors	20.0	20.1
Historical Aggregate	19.7	20.1
SBI Domestic Equity Asset Class Target		20.1

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, thirteen underperformed and one matched the benchmark. Two semi-passive managers underperformed, and one outperformed the benchmark. The passive manager underperformed its target, the Russell 3000 index. Individual manager performance for fiscal year 2007 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, 2007, the dollar value of each fund's participation in the Pool was:

Basic Funds (active and semi-passive)	$5.5 billion
Post Fund (active and semi-passive)	$5.9 billion
Bond Market Account (active and semi-passive)	$136 million

Investment Management

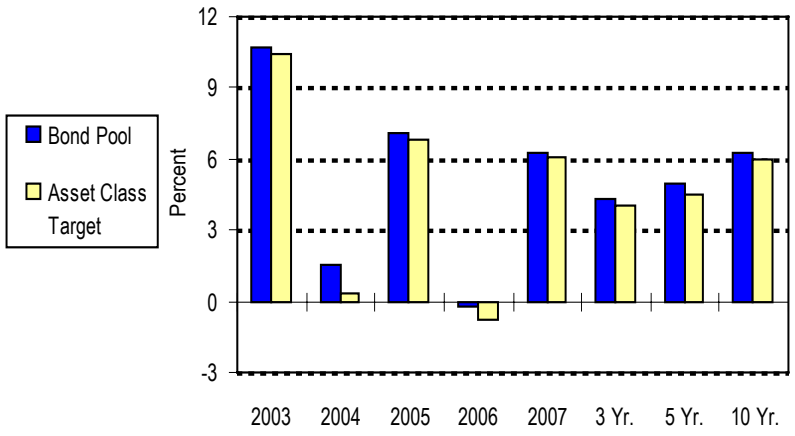
The SBI uses a two-part approach for the management of the Bond Pool:

— ***Active Management.*** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 2007, approximately 50% of the Bond Pool was actively managed by a group of five external money managers with portfolios of $900 million to $1.6 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 2007, approximately 50% 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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Bond Pool	**10.7%**	**1.5%**	**7.1%**	**-0.2%**	**6.3%**	**4.3%**	**5.0%**	**6.3%**
Asset Class Target*	10.4	0.3	6.8	-0.8	6.1	4.0	4.5	6.0

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

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 under-perform 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.

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 2007. 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. Due to the broad diversification of each manager, customized benchmarks are not deemed necessary for the bond managers at this time. 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 outperformed the Lehman Aggregate index by 0.2 percentage point for the recent fiscal year. Relative to the benchmark, the pool benefited from security selection, particularly in the mortgage sector.

Performance over longer periods has been positive, exceeding the asset class target by 0.3 percentage point over the ten year period ending June 30, 2007. In general, the manager's various interest rate sensitivity strategies along with exposure and security selection in the spread sectors (corporate and mortgage securities) accounted for the relative performance over the longer term. The relative performance of individual active managers retained by the Board over the fiscal year was good; four managers exceeded the benchmark's performance, and one matched. Among the semi-passive managers, two managers outperformed the index over the fiscal year and one underperformed.

Figure 17 (on page 18) shows historical performance for the entire Pool. Individual manager performance for fiscal year 2007 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.

Figure 18. Bond Manager Performance FY 2007

	Actual Return	Benchmark Return
Active Managers		
Aberdeen Asset Mgmt.	6.5%	6.1%
Dodge & Cox Investment Mgmt.	6.7	6.1
Morgan Stanley Investment Mgmt.	6.1	6.1
RiverSource Investments	6.3	6.1
Western Asset Mgmt.	6.9	6.1
Semi-Passive Managers		
BlackRock Financial Mgmt.	5.7	6.1
Goldman Sachs Asset Mgmt.	6.2	6.1
Lehman Brothers Asset Mgmt.	6.2	6.1
Aggregate Bond Pool	**6.3**	**6.1**
Asset Class Target		
Lehman Aggregate		6.1

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, 2007, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds (active and passive)	$4.1 billion
Post Fund (active and passive)	$4.1 billion
International Share Account (active and passive)	$108 million

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 2007, approximately 56% of the Pool was actively managed by a group of 11 external managers with portfolios ranging from $300 to over $500 million each. Eight of these managers manage portfolios in the developed markets and three manage portfolios in the emerging markets.

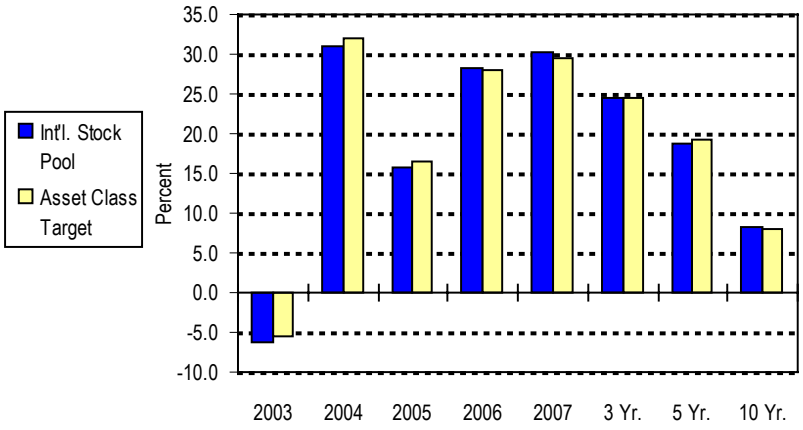
— ***Semi-Passive Management.*** The target is to have no more than 33% of the International Stock Pool managed semi-passively. At the end of fiscal year 2007, approximately 12% of the Pool was semi-passively managed by a group of three external managers with portfolios ranging from $300 to $400 million each.

— ***Passive Management.*** The target is to have at least 25% of the International Stock Pool managed passively. At the end of fiscal year 2007, approximately 33% 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. 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

Figure 19. International Stock Pool Performance FY 2003-2007



	2003	2004	2005	2006	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Stock Pool	**-6.2%**	**30.9%**	**15.7%**	**28.2%**	**30.3%**	**24.6%**	**18.8%**	**8.3%**
Composite Index*	-5.4	32.1	16.5	27.9	29.6	24.5	19.3	7.9

* 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.

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 2007 Changes

At its March 2007 meeting, the Board approved an increase to the semi-passive policy allocation in the international stock program. Previously, the program's policy allocations were as follows:

"Up to 10% allocation to semi-passive management and at least 25% to passive. In aggregate, at least 33% to passive and semi-passive management. At least 33% of the Program will be actively managed."

The change approved to the international stock program's policy allocations as follows:

"No more than 33% to semi-passive management. At least 25% of the program will be passively managed and at least 33% will be actively managed."

Figure 20. International Manager Performance FY 2007

	Actual Return	Benchmark
Active Managers: Developed Markets		
Acadian Asset Management	34.1%	27.1%
Invesco Global Asset Mgmt.	24.8	27.1
J.P. Morgan Investment Mgmt. Co.	22.5	27.1
Marathon Asset Management	29.7	27.1
McKinley Capital Management	30.9	27.1
Pyramis Global Advisors Trust Co.	25.5	27.1
RiverSource Investments, LLC	23.0	27.1
UBS Global Asset Management	24.7	27.1
Semi-Passive Managers: Developed Markets		
AQR Capital Management	28.2	27.1
Pyramis Global Advisors Trust Co.	29.6	27.1
State Street Global Advisors	27.5	27.1
Active Managers: Emerging Markets		
AllianceBernstein L.P.	44.9	45.0
Capital International, Inc.	51.9	45.0
Morgan Stanley Investment Mgmt.	48.7	45.0
Passive EAFE Manager: Developed Markets		
State Street Global Advisors	27.3	27.1
Aggregate International Pool	30.3	
Asset Class Target		29.6

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 2007. 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.

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 0.4 percentage point and performance over the last five year period underperformed the benchmark by 0.5 percentage point annualized. The Pool outperformed the target for the fiscal year by 0.7 percentage point.

Individual manager performance during fiscal year 2007 is shown in Figure 20 (on page 21). The fiscal year proved to be another period of strong market performance, which was helped by U.S. dollar weakness. All developed and emerging markets outside of the U.S. achieved positive absolute returns. Strong economic growth in Europe and the emerging markets offset a housing-led deceleration in the U.S. and weak consumer sentiment in Japan. The markets were driven by solid corporate profits and increased mergers and acquisitions activity. Continued strong commodity prices helped the Latin American region in the emerging markets. The relative performance of the active managers was positive. Three of the eight developed markets managers outperformed their respective benchmarks for the year. Two of the three emerging markets managers outperformed the MSCI Emerging Markets Free index. All of the semi-passive developed markets managers outperformed for the year. Finally, the passively managed portion of the program exceeded its benchmark by 0.2 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 Pools

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 June 30, 2007, up to 15% of the market value of the Basic Retirement Funds is targeted for alternative investments compared to an actual invested percentage of 10.9%. Market value plus unfunded commitments can be 1.5 times the market value allocation.

For the Post Fund, as of June 30, 2007, the Board has allocated up to 12% of the market value of the Fund to alternative investments compared to an actual invested percentage of 8.5%. 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, 2007, the market value of current alternative investments was $4.9 billion, or 9.7% of the Combined Funds.

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

Real Estate Pool

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

Prospective real estate managers are reviewed and selected based on the manager's experience, investment strategy and performance history.

During fiscal year 2007, the SBI approved and closed on a

commitment with Blackstone. The SBI will continue to review real estate managers for possible inclusion in the pool.

Private Equity Pool

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 2007, the SBI approved and closed on commitments with KKR, Diamond Castle, Goldman Sachs, CarVal, EBF & Associates, Hellman and Friedman, Blackstone, Silver Lake and Court Square. 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 Pool

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 2007, the SBI approved and closed on commitments with First Reserve, National Gas Partners, Sheridan Partners and TCW Energy. The SBI will continue to review resource investments for possible inclusion in the pool.

Yield-Oriented Pool

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.

No new investments were approved and closed on during fiscal year 2007. The SBI will continue to review yield-oriented investment opportunities for inclusion in the pool.

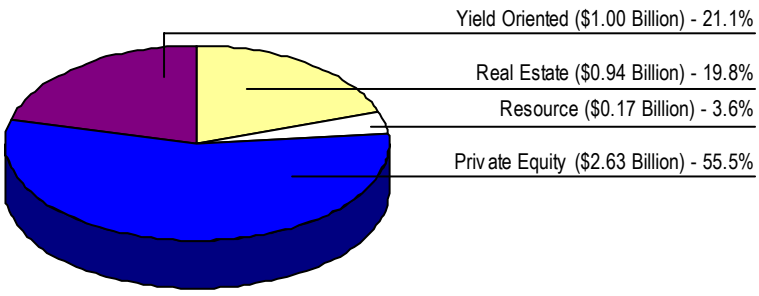
Investment Performance

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 25.6% return in Fiscal Year 2007 and has provided a 17.7% 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, 2007.

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.

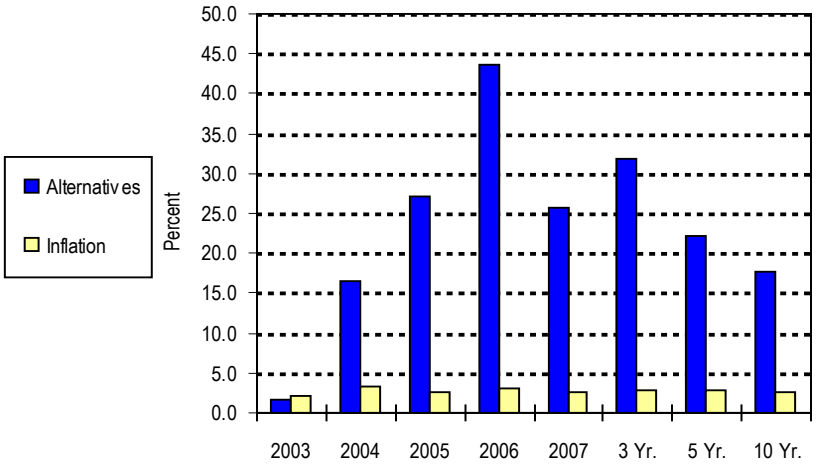
A listing of individual investment funds can be found in the **Statistical Data** Section.

Figure 21. Alternative Investment Asset Mix as of June 30, 2007



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

Figure 22. Alternative Investments FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Alt. Investments	**1.6%**	**16.6%**	**27.2%**	**43.7%**	**25.6%**	**31.9%**	**22.2%**	**17.7%**
Inflation	2.1	3.3	2.5	3.1	2.7	2.9	2.8	2.6

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 30,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 2007, 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.

— Minnesota State Colleges and Universities (MnSCU) withdrew from the Fund on July 1, 2006.

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 may 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. Interest income is distributed to participants of the Fixed Interest and Money Market Accounts.

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*

Figure 23. Accounts in the Supplemental Fund

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

costs. They do not, however, reflect any administrative expenses deducted by the retirement systems to defray their own administrative costs.

The distribution of assets in the Supplemental Investment Fund as of June 30, 2007 are shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 2007

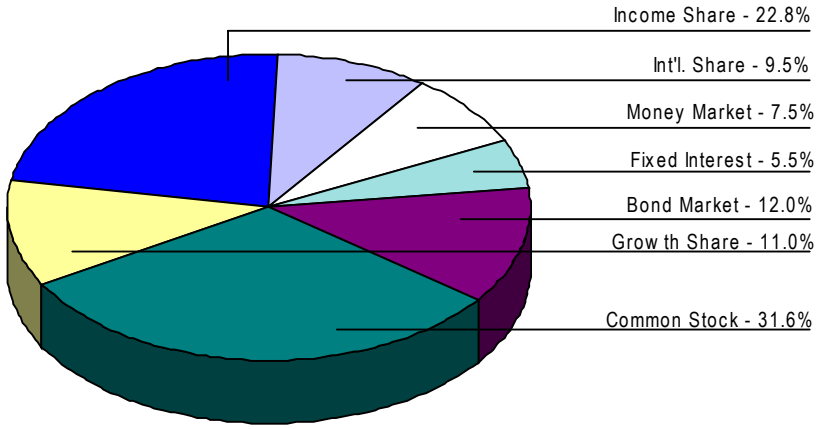
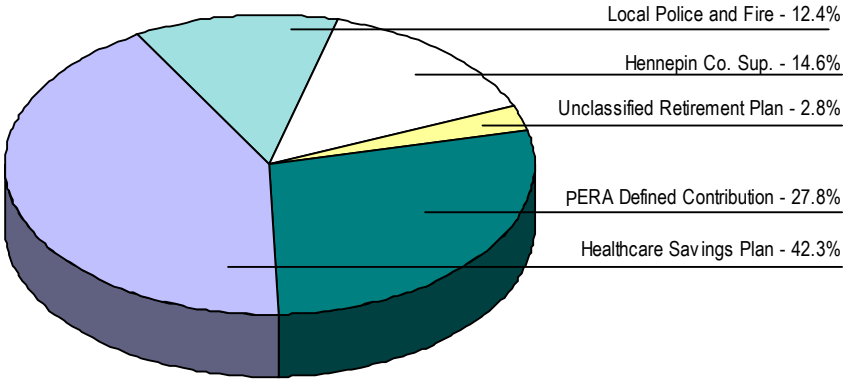


Figure 25. Participation by Plan as of June 30, 2007



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

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 2007, the value of the Income Share Account was $259 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

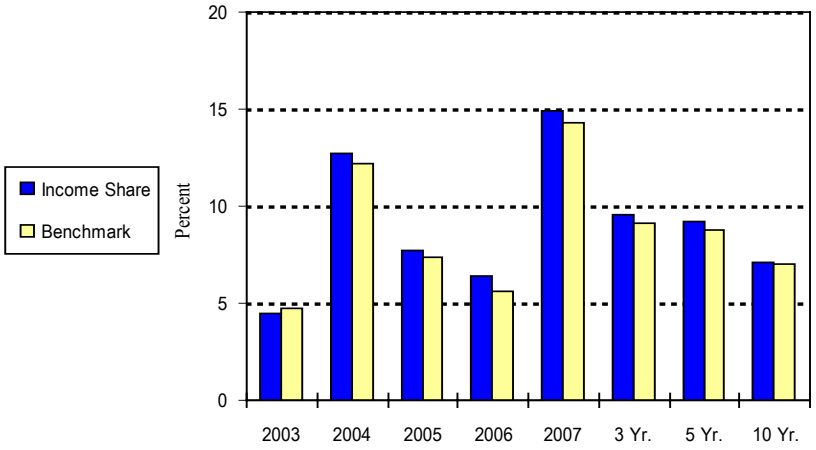
Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***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 14.9% for fiscal year 2007, exceeding its benchmark by 0.6 percentage point. Over the most recent ten years, the Income Share Account exceeded its benchmark by 0.1 percentage point. Figure 26 shows a ten year history of performance results.

Figure 26. Income Share Account FY 2003-2007



	2003	2004	2005	2006	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Income Share	**4.5%**	**12.7%**	**7.7%**	**6.4%**	**14.9%**	**9.6%**	**9.2%**	**7.1%**
Benchmark*	4.7	12.2	7.4	5.6	14.3	9.1	8.8	7.0

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

Growth Share Account

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 2007, the value of the Growth Share Account was $125 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

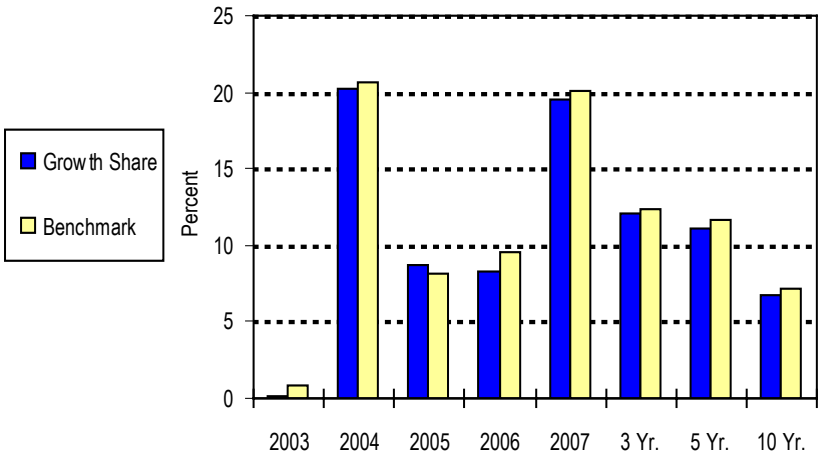
Like the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— ***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 19.5% for the fiscal year, trailing its benchmark by 0.6 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 0.4 percentage point. A ten year history of performance results is shown in Figure 27.

Figure 27. Growth Share Account FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Growth Share	**0.1%**	**20.2%**	**8.7%**	**8.3%**	**19.5%**	**12.1%**	**11.1%**	**6.8%**
Benchmark*	0.8	20.6	8.1	9.6	20.1	12.4	11.6	7.2

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

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 2007, the Account had a market value of $358 million.

Management

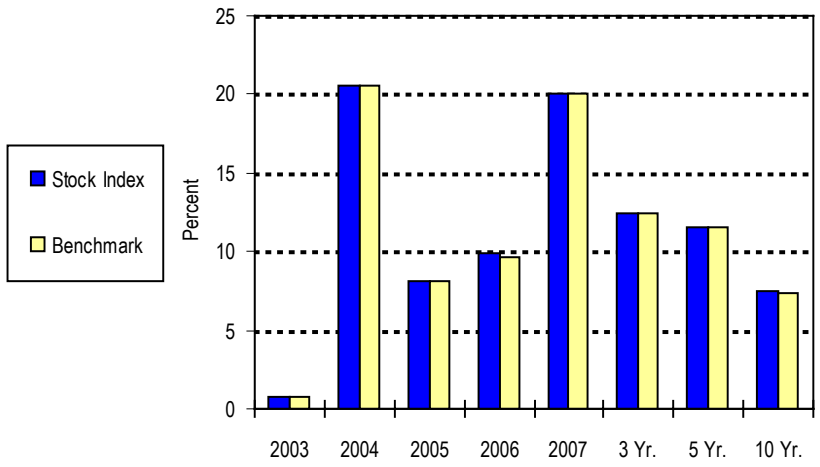
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

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, timing of new contributions and tracking error.

During fiscal year 2007, the Common Stock Index Account produced a return of 20.0%, which trailed the Russell 3000 by 0.1 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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Stock Index	**0.8%**	**20.5%**	**8.1%**	**9.9%**	**20.0%**	**12.5%**	**11.6%**	**7.5%**
Benchmark*	0.8	20.6	8.1	9.6	20.1	12.4	11.6	7.3

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

International Share Account

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 sixteen 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 2007, the Account had a market value of $108 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 international 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. The Account uses the same managers utilized 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:

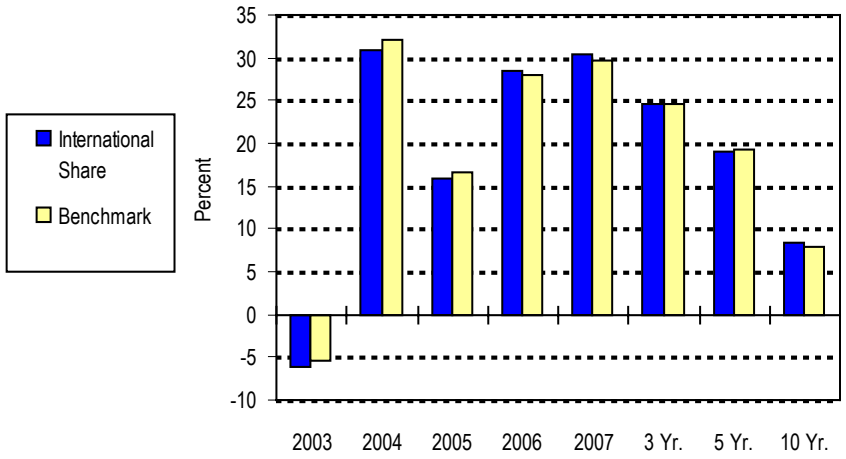
— ***Total Account.*** The International Share Account is expected to exceed the returns of its index, which is the Morgan Stanley Capital International (MSCI) All Country World Index ex-USA (ACWI Free ex-U.S.).

— ***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. During fiscal year 2007, the International Share Account produced a return of 30.5%, which was 0.9 percentage point above the ACWI ex-U.S. index. Over the most recent ten year period, the International Share Account exceeded its benchmark by 0.5 percentage point.

See the discussion on performance of the international managers beginning on page 20. Total Account results since the account began are shown in Figure 29.

Figure 29. International Share Account FY 2003-2007



	2003	2004	2005	2006	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Share	**-6.2%**	**31.0%**	**15.8%**	**28.4%**	**30.5%**	**24.7%**	**19.0%**	**8.4%**
Benchmark*	-5.4	32.1	16.5	27.9	29.6	24.5	19.3	7.9

* 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.

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. As such, it is a more conservative investment alternative than the accounts described in the previous sections. At the end of fiscal year 2007, the market value of the Account was $136 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 utilized by the Basic and Post Funds. The Bond Pool retains both active and semi-passive managers.

Performance

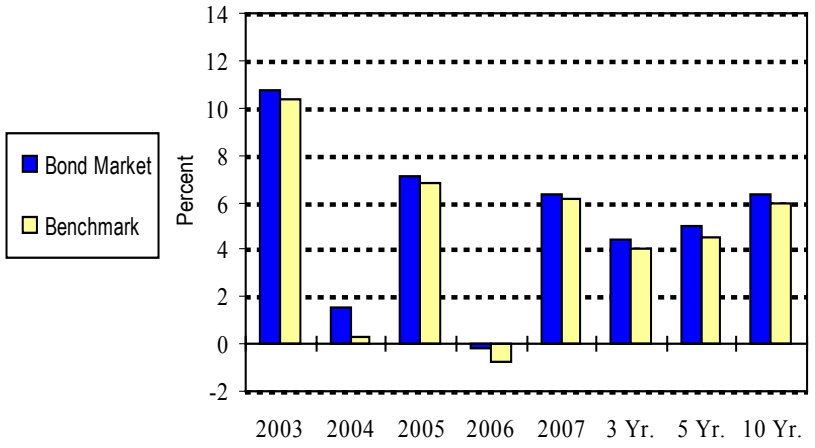
The Board evaluates the performance of the Bond Market Account on two levels:

— ***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 2007, the Account outperformed by 0.2 percentage point. For the most recent ten year period, the Account has outperformed by 0.3 percentage point annualized. 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 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Bond Market	**10.7%**	**1.5%**	**7.1%**	**-0.2%**	**6.3%**	**4.4%**	**5.0%**	**6.3%**
Lehman Aggregate	10.4	0.3	6.8	-0.8	6.1	4.0	4.5	6.0

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 2007, the Money Market Account had a market value of $85 million.

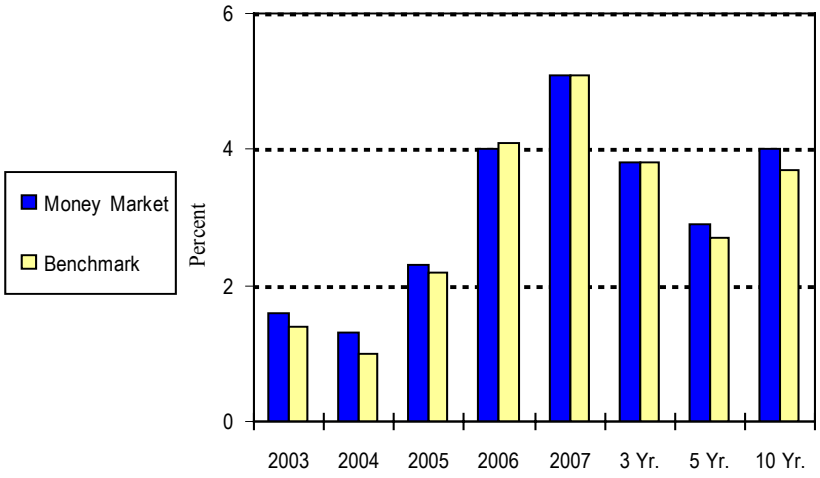
Management

The Account utilizes 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 matched that target in fiscal year 2007 with a 5.1% return for the 3 Month Treasury Bill. Total Account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 2003-2007



						Annualized		
	2003	2004	2005	2006	2007	3 Yr.	5 Yr.	10 Yr.
Money Market	**1.6%**	**1.3%**	**2.3%**	**4.0%**	**5.1%**	**3.8%**	**2.9%**	**4.0%**
3 Month T-Bills	1.4	1.0	2.2	4.1	5.1	3.8	2.7	3.7

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 2007, the Account totaled $62 million.

Management

The assets in the Account are invested primarily in stable value instruments such as insurance company investment contracts, bank investment contracts, and security backed contracts with varying maturities, typically 2 to 4 years. The assets also may be invested in comparable investments offered by non-U.S. financial institutions. The interest rate credited changes monthly and reflects the blended interest rate available from all investments in the pool along with any cash held for liquidity purposes.

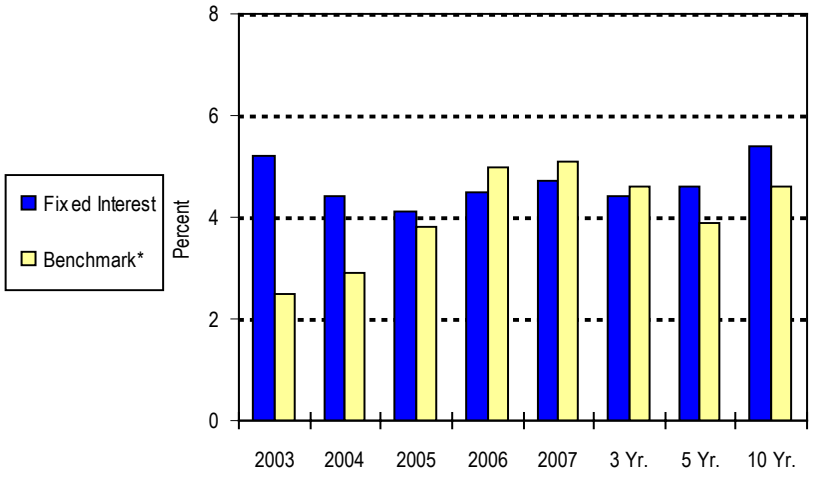
The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank.

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. During fiscal year 2007, the Fixed Interest Account provided a return of 4.7%, which was 0.4 percentage point below its benchmark. Over the most recent ten year period, the Fixed Interest Account has exceeded its benchmark by 0.8 percentage point.

Figure 32. Fixed Interest Account FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Fixed Interest	**5.2%**	**4.4%**	**4.1%**	**4.5%**	**4.7%**	**4.4%**	**4.6%**	**5.4%**
Benchmark*	2.5	2.9	3.8	5.0	5.1	4.6	3.9	4.6

* 3 Year Constant Maturity Treasury plus 45 basis points.

State Deferred Compensation Plan (457 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, a fixed interest account, and a fixed fund 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.

Figure 33. State Deferred Compensation Plan (457 Plan) For Fiscal Years Ending June 30. (1)

		Annualized		Since
Actively Managed	**2007**	**3 Yr.**	**5 Yr.**	**Inception(2)**
Janus Twenty	24.7%	15.9%	14.3%	
(S&P 500)	20.6	11.7	10.7	
Legg Mason Partners Appreciation Y*	17.5			11.1%
(S&P 500)	20.6			12.3
T. Rowe Price Small-Cap Stock	14.4	13.3	12.8	
(Russell 2000)	16.4	13.4	13.9	
Fidelity Diversified International	25.7	22.1	19.0	
(MSCI EAFE)	27.0	22.2	17.7	
Dodge & Cox Balanced Fund**	15.2	11.6		13.2
(60% S&P 500/40% Lehman Aggregate)	14.7	8.6		9.5
Dodge & Cox Income Fund	6.4	4.1	4.9	
(Lehman Aggregate)	6.1	4.0	4.5	
Money Market	5.1	3.8	2.9	
(3 Month T-Bills)	5.1	3.8	2.7	
Fixed Interest	4.8	4.5	4.6	
(3 year CMT + 45 b.p.)	5.1	4.6	3.9	
Minnesota Fixed Fund	4.5	4.6	4.9	

(continued on next page)

Figure 33 (cont.) State Deferred Compensation Plan (457 Plan) For Fiscal Year Ending June 30. (1)

		Annualized		Since
Passively Managed	**2007**	**3 Yr.**	**5 Yr.**	**Inception(2)**
Vanguard Institutional Index	20.6%	11.7%	10.8%	
(S&P 500)	20.6	11.7	10.7	
Vanguard Mid Cap Index***	20.8	17.9		17.1%
(MSCI US Midcap 450)	20.8	17.9		17.0
Vanguard Institutional Dev. Mkts.*	27.2	22.2		22.5
(MSCI EAFE)	27.0	22.2		22.3
Vanguard Balanced Fund*	14.4	9.2		9.3
(60% Wilshire 5000/ 40% Lehman Aggregate)	14.6	9.2		9.3
Vanguard Total Bond Market Fund*	6.2	4.0		3.6
(Lehman Aggregate)	6.1	4.0		3.7

(1) Returns do not include the MSRS administrative fee.
(2) Since inception, if less than five years.

* Option added December 1, 2003.
** Option was added October 1, 2003.
*** Option added January 1, 2004.

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 investment contracts and security backed contracts. The option is expected to outperform the return of the 3 year Constant Maturity Treasury +45 basis points, over time. Currently, Galliard Capital Management, Inc. manages the option.

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

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.

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 FY 2007 are shown in Figure 33 on pages 34 and 35.

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, 2007, the market value of the Plan's portfolio was $344 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 2007. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

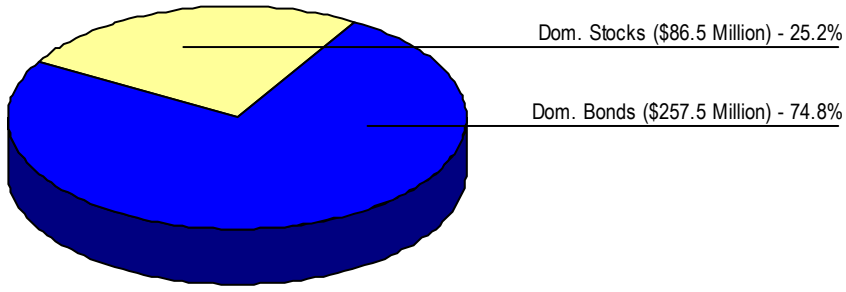
Investment Management

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, 2007



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).

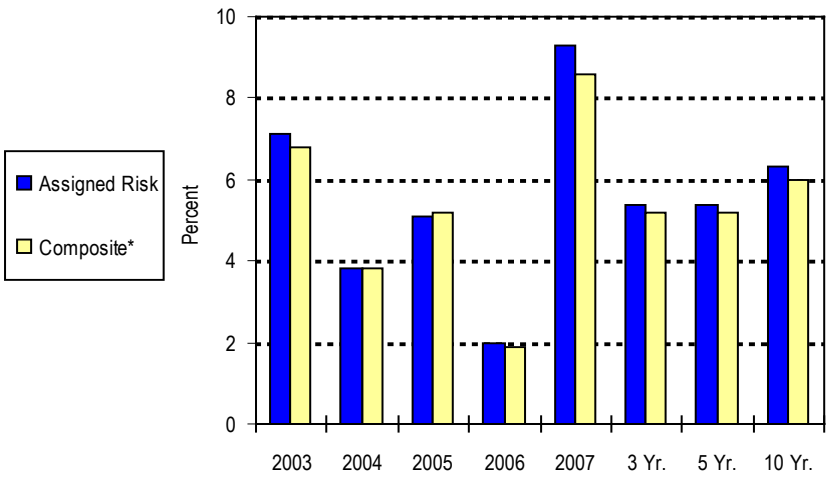
— the target for the equity component is the S&P 500.

During fiscal year 2007, the ***bond*** segment outperformed its benchmark by 0.2 percentage point. The ***stock*** segment outperformed its benchmark by 0.3 percentage point.

Overall, the Assigned Risk Plan provided a return of 9.3% for fiscal year 2007, exceeding its composite index by 0.7 percentage point. For the most recent ten year period, the Account outperformed its composite index by 0.3 percentage point.

Historical performance results are presented in Figure 35.

Figure 35. Assigned Risk Plan Performance FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Assigned Risk	**7.1%**	**3.8%**	**5.1%**	**2.0%**	**9.3%**	**5.4%**	**5.4%**	**6.3%**
Composite Index*	6.8	3.8	5.2	1.9	8.6	5.2	5.2	6.0
Stock Segment	**-0.8**	**14.6**	**5.2**	**7.0**	**20.9**	**10.8**	**9.1**	**7.8**
S&P 500	0.3	19.1	6.3	8.6	20.6	11.7	10.7	7.1
Bond Segment	**7.4**	**0.5**	**5.1**	**0.6**	**5.9**	**3.8**	**3.9**	**5.2**
Benchmark	7.9	0.2	4.9	0.2	5.7	3.6	3.7	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, 2007, the market value of the Fund was $714 million.

Investment Objective

The State Board of Investment (SBI) 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.

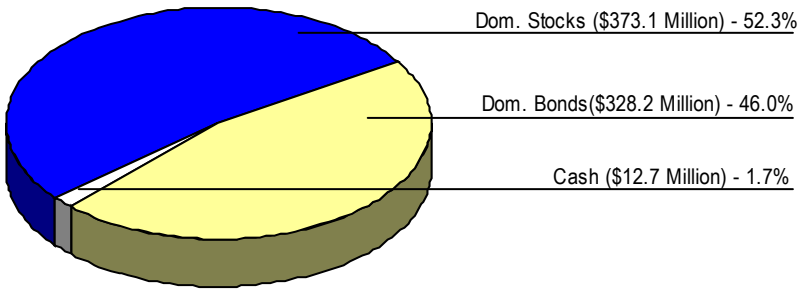
Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

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 2007.

Figure 36. Permanent School Fund Asset Mix as of June 30, 2007



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

Investment Management

SBI staff manage 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 outperformed its benchmark by 0.1 percentage point during the current fiscal year.

Overall, the Permanent School Fund provided a return of 13.4% for fiscal year 2007, outperforming its composite index by 0.2 percentage point.

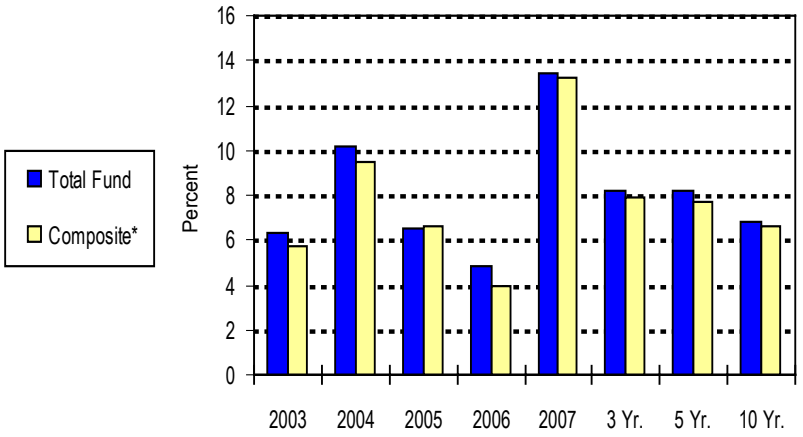
Total account results for the last three, five and ten years are shown in Figure 37.

Spendable Income

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

Fiscal Year	Millions
2003	$19
2004	$16
2005	$19
2006	$22
2007	$25

Figure 37. Permanent School Performance FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund	**6.3%**	**10.2%**	**6.5%**	**4.8%**	**13.4%**	**8.2%**	**8.2%**	**6.8%**
Composite*	5.7	9.5	6.6	4.0	13.2	7.9	7.7	6.6
Stock Segment	0.7	19.0	6.3	8.7	20.6	11.7	10.8	6.6
S&P 500	0.3	19.1	6.3	8.6	20.6	11.7	10.7	6.5
Bond Segment	11.9	1.1	7.0	0.5	6.2	4.6	5.3	6.3
Lehman Agg	10.4	0.3	6.8	-0.8	6.1	4.0	4.5	6.0

* 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, 2007, the market value of the Fund was $494 million.

By statute, the State Board of Investment (SBI) 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

In November 1998, Minnesota voters passed a constitutional amendment to continue the mandate that 40 percent of the net proceeds from the state lottery be credited to the Fund through 2025.

The amendment also provides for spending 5.5 percent of the Fund's market value annually, since fiscal year 2000. The amendment eliminates the 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 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 approved a 70% stock and 30% fixed income asset allocation which was implemented July 1, 1999. 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 2007. The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

Investment Management

SBI staff manage 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.

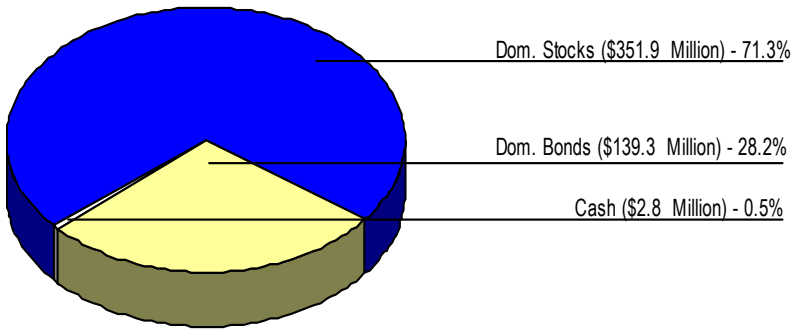
Stock Segment

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, 2007



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 outperformed its benchmark by 0.1 percentage point during the fiscal year.

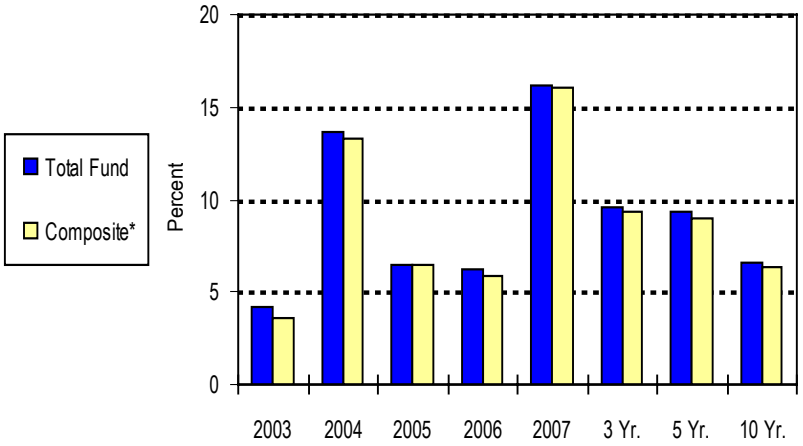
Overall, the Environmental Trust Fund provided a return of 16.2% for fiscal year 2007, outperforming its composite index by 0.1 percentage point. For the most recent three-year period, the Fund exceeded its composite benchmark by 0.2 percentage point. The Fund experienced modest outperformance over the 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 follows:

Fiscal Year	Millions
2003	$17
2004	$15
2005	$15
2006	$19
2007	$19

Figure 39. Environmental Trust Fund Performance FY 2003-2007



						Annualized		
	2003	**2004**	**2005**	**2006**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund	**4.2%**	**13.7%**	**6.5%**	**6.2%**	**16.2%**	**9.6%**	**9.3%**	**6.6%**
Composite*	3.6	13.3	6.5	5.9	16.1	9.4	9.0	6.3
Stock Segment	**0.7**	**19.2**	**6.3**	**8.7**	**20.6**	**11.7**	**10.8**	**7.2**
S&P 500	0.3	19.1	6.3	8.6	20.6	11.7	10.7	7.1
Bond Segment	**11.9**	**1.5**	**7.0**	**0.5**	**6.2**	**4.6**	**5.4**	**6.5**
Lehman Aggregate	10.4	0.3	6.8	-0.8	6.1	4.0	4.5	6.0

* 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, 2007 the market value of the Fund was $56.6 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.

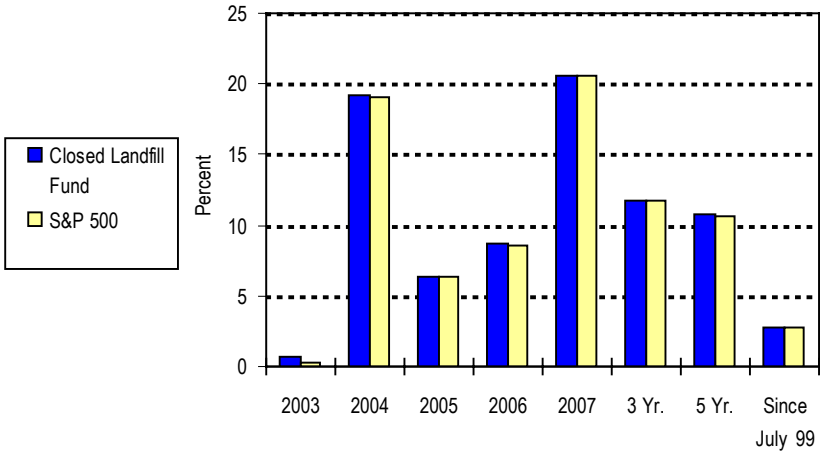
Investment Management

SBI staff manage 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 to 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 2003-2007



	2003	2004	2005	2006	2007	3 Yr.	5 Yr.	Since 7/1/1999
Total Fund	**0.7%**	**19.2%**	**6.3%**	**8.7%**	**20.6%**	**11.7%**	**10.8%**	**2.8%**
S&P 500	0.3	19.1	6.3	8.6	20.6	11.7	10.7	2.7

The State Board of Investment (SBI) 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, 2007, the total value of these accounts was $6.3 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, 2007, the combined value of all agency cash balances was $6.3 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 $4.4 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 $74.6 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 2007, 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.

Trust Fund Pool	**5.4%**
Benchmark	4.8
Treasurer's Cash Pool	**5.4**
Benchmark	4.8
3 Month Treasury Bills	5.1

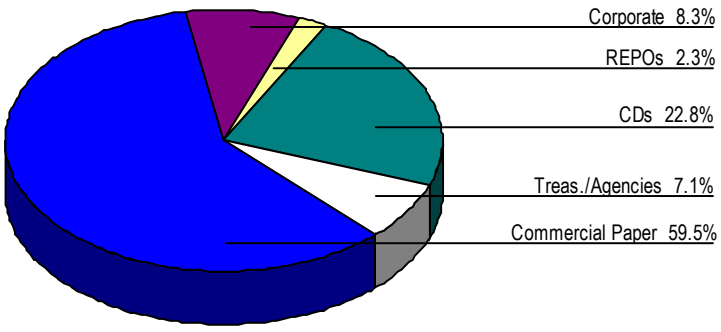
Since January 1997, the Trust Fund Pool is measured against the iMoneyNet's All Taxable Money Fund Index.

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, 2007, the Treasurer's Cash Pool was dominated by high quality 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 5.3% and an average maturity of 180 days.

Figure 41. Invested Treas. Cash Fund Distribution as of June 30, 2007



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 $19.2 million during fiscal year 2007.

An additional lending program began during fiscal year 2000 with Wells Fargo. This program generated additional income of approximately $244 thousand during fiscal year 2007.

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 2007, the SBI purchased over $368 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 2007, the SBI purchased $78 million in repos from Minnesota financial institutions.

Other Deferred Compensation and Long Term Savings Programs

In addition to the statewide 457 plan, the State Board of Investment (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 managing the assets in the Minnesota College Savings Plan, and directing all investments. 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)

Legislative Update

Several bills of interest to the SBI were enacted in the 2007 legislative session.

Laws of Minnesota 2007, Chapter 117 requires the SBI to generate a list of companies with business operations in Sudan, communicate with those companies and divest holdings in companies that continue their active operations. The SBI must periodically report its actions to appropriate legislative committees. Staff will work with the Proxy Voting Committee to bring action items required by the new law to the Board.

Laws of Minnesota 2007, Chapter 14 authorizes the City of Duluth and the SBI to have the SBI invest certain Duluth assets that are to be used for the purpose of paying postretirement health benefits. Under the legislation, the City may request the SBI to invest assets of two distinct accounts. Public Employees Retirement Association will administer one of the accounts which represents an irrevocable trust fund established by the City for the purpose of paying these benefits. These assets would come to the SBI through PERA and the Department of Finance. The assets are to be invested in the internally managed stock and bond pools managed by staff. Staff and PERA staff must determine the appropriate administrative procedures to be used in the processing of contributions to and among investment pools. In addition, the SBI is required to report annually the returns provided on assets invested by Duluth with the SBI.

Laws of Minnesota 2007, Chapter 134, Article 8, section 2 authorizes the Minneapolis Employees Retirement Fund to invest retirement assets with the SBI.

Laws of Minnesota 2007, Chapter 148, Article 1, section 9 provides a general fund appropriation to the SBI for the portion of the SBI budget that covers the investment of general fund moneys.

Laws of Minnesota 2007, Chapter 148, Article 2, section 7 requires the SBI to provide a report on investment consultant activities. The report is due each year by November 1 and is to be filed with the legislative reference library.

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 2007, there were 221 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 Postretirement Employee Benefits

As of June 30, 2007, the close of fiscal year 2007, Duluth had not invested with the SBI.

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 2007, the SBI held stocks or bonds in 68 of 72 corporations identified by RiskMetrics as having operations in Northern Ireland.

Shareholder Resolutions

The SBI filed shareholder resolutions at three companies for the 2007 proxy season. The resolutions asked the corporations to sign the MacBride Principles and to implement affirmative action programs. The SBI's resolution at Claire's Stores was not voted on since the company went private in May 2007. The remaining voting results are shown below.

BE Aerospace	12.6%
Yum Brands	10.1%

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 not to cosponsor any tobacco related resolutions for the 2007 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 requested a no-action letter from the SEC to withhold the resolution from its proxy materials. The SEC agreed with each company's request. Wyeth accepted this year's submission and placed the resolution in its 2007 proxy materials.

SBI staff attended the Wyeth annual meeting to fulfill the SEC requirement that a shareholder be present to introduce the resolution. The resolution received 29.3% affirmative vote.

Sudan Issues

At its December 2006 meeting the SBI adopted a resolution concerning Sudan. The resolution directed staff and the Proxy Voting Committee to identify a list of companies with operations in Sudan.

At a May 2007 meeting the Proxy Voting Committee considered information compiled by staff concerning Sudan, and concluded that Sudan Divestment Task Force information concerning companies with operations in Sudan appeared to be the best available.

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.

At its June 2007 meeting the SBI tentatively adopted the same list of companies from the Sudan Divestment Task Force as was recommended by the Proxy Committee for the Board's resolution. Further steps in implementing the 2007 law will be taken by the SBI in the future.

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.

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 2007 Proposals

During fiscal year 2007 the SBI voted proxies for approximately 1,800 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 37 proposals requesting majority vote to elect directors. This proposal received an average support of 50.3%.

— Shareholders submitted 14 proposals to redeem "poison pills" (an anti-takeover device) or submit them to shareholder vote. This proposal received average support of 40.9%.

— Resolutions requesting an advisory vote on executive pay were on 41 ballots with an average support of 41.7%.

— Other proposals included the repeal of classified boards which were supported by an average of 63.9% of shares voted; shareholder approval of severance packages to top executives ("golden parachutes") which received support from an average of 52.5% of shares voted; cumulative voting which was supported by an average of 34.2% of shares voted; proposals to rescind supermajority approval requirements received average support of 67.8% of shares voted.

In the *social responsibility* area, the environment, global labor standards, fair employment issues-both domestic and international, and tobacco were the major issues, as reflected in information provided by RiskMetrics:

— A variety of environmental issues received 37 resolutions and received average support ranging from 10.3% to 19.7%.

— Political giving issues received 34 proposals with an average support level of 20.5%.

— Equal employment issues received nine resolutions with an average support of 37.0%.

— Human rights issues received twelve resolutions with an average support level of 20.7%.

— Global Labor Standards received nine proposals this year with an average support of 9.0%.

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, Germany and France comprise nearly two-thirds 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. 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*

Group I World ex U.S. Countries	Group I EMF Countries	Group II EMF Countries	Group III EMF Countries
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

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.

Large Cap Growth (Russell 1000 Growth)

AllianceBernstein L.P.
Alliance searches for companies likely to experience high rates of earnings growth at an early stage and at a reasonable price. Alliance invests in a wide range of medium to large growth companies. Industry exposures are a result of individual stock selection. The firm's decision-making process is based on the belief that investment success stems from the correct marriage of fundamentals and price. Alliance adjusts position sizes to take advantage of short-term price movements. Alliance is not an active market timer and rarely raises cash above minimal levels. They manage a concentrated stock portfolio of about 40 to 60 companies. The firm was retained by the SBI in March 1983.

Cohen Klingenstein & Marks, Inc.
Cohen Klingenstein & Marks 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.

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) minimize absolute standard deviation or maximize information ratio, 2) security positions limited to lesser of 2.5% or 10 times maximum index security weight, and 3) beta equal to or less than benchmark beta. Target security positions are established using an optimization routine designed to build a portfolio that will outperform a passive

benchmark over the long term. Rebalancing to target proportions occurs every six (6) business days, and partial re-optimization occurs weekly. 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 offering opportunities for profitable active investment that can only be detected and fully exploited with intensive statistical modeling. The strategy combines human insight and intuition, finance and behavioral theory, and state-of-the-art quantitative and statistical methods. Security expected returns generated from numerous models become inputs for the firm's proprietary portfolio optimizer. The optimizer is run daily with the objective of maximizing the information ratio, while ensuring proper diversification across market inefficiencies, securities, industries, and sectors. Extensive data scrubbing is conducted on a daily basis using both human and technology resources. Liquidity, trading costs, and investor guidelines are incorporated within the optimizing process. 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; 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, LLC

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 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.

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. Stocks in their portfolio must 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 Abbett & Co.
Lord Abbett applies both quantitative valuation models and fundamental research. A dividend discount model is run using normalized earnings and long-term growth rates to rank stocks. The top ranked stocks represent the value universe and become the focus of their fundamental bottom-up research. The industry analysts identify companies with the strongest fundamentals and the most attractive valuations. They also look for the catalyst that will cause a stock price to reach a higher valuation target over a 12-18 month horizon. Lord Abbett 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's objective is to invest in companies with positive earnings surprise to provide the portfolio with consistent, above-market returns. They do this by seeking well-managed companies that are trading at compelling valuations, exceeding investor expectations, increasing sales and improving margins, and generating strong free cash flow. The process begins with a quantitative screen to rank companies by sector based on low forward price/earnings and positive earnings catalyst using a 16-factor model. Rigorous fundamental analysis follows. Systematic was retained by the SBI in April 2004.

Small Cap Growth (Russell 2000 Growth)

McKinley Capital Management
McKinley uses a quantitative process to systematically search for and identify early signs of accelerating growth. The process includes a linear regression model

to identify common stocks that are inefficiently priced relative to the market while adjusting each security for its stock price volatility. The earnings model identifies securities with strong earnings acceleration, positive earnings surprises, and substantive reasons for continued earnings growth. Qualitative inputs are used in the final portfolio construction. These include the use of economic factors, Wall Street research, and industry themes. The manager ensures that earnings estimates are reasonable and sustainable. 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.

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 minimizes all investment and operational risks not associated with adding value. Implementation costs are also minimized. 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 Fleming Asset Management

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.

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.

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.

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, Inc.)
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.

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 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.

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.

Active Emerging Markets

AllianceBerstein 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. Alliance'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 Alliance's total emerging markets exposure in the portfolio. Alliance 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. Alliance 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 Alliance Capital in January 2001.

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.

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 byproduct 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 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 tradeoffs 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.

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.

Lehman Brothers Asset Management, LLC (formally 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.

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.

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.

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. The 1993 Fund is currently liquidating its assets.

Blum Capital
Funds: BLUM Strategic Partners
BLUM Strategic Partners II
BLUM Strategic Partners III

BLUM Strategic Partners, L.P., BLUM Strategic Partners II, and BLUM Strategic Partners III were organized in 1998, 2001, and 2005, 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.

CarVal Investors
Fund: CVI Global Global 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 VIII

Formed in 2001 and 2005 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.

ChiCorp Management, Inc.
Funds: Banc Fund V
Banc Fund VII

Banc Fund V and Banc Fund VII were formed in 1998, and 2005, 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.

Contrarian Capital Management
Fund: Contrarian Capital Fund II

Contrarian Capital Fund II was formed in 1997 with a term of 7 years and is currently liquidating its assets. Based in Greenwich, CT

the fund focuses on investments in distressed debt securities.

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: CSFB Strategic Partners Fund I
CSFB Strategic Partners Fund II B
CSFB Strategic Partners Fund III B
CSFB Strategic Partners Fund III VC
CSFB Strategic Partners I, II B, and III B were formed in 2001, 2003, and 2005, 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. CSFB Strategic Partners III VC was formed in 2005 with a ten year term 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.

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.

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 I
Fox Paine Capital Fund II
Fox Paine Capital Funds I and II were formed in 1998 and 2000 and have ten year terms. Based in Foster City, CA, the funds focus on private equity investments in middle market operating businesses in a wide variety of industries.

Investment Manager Summaries

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

Lexington Captial 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.

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.

Smith Barney Venture Corp.
Fund: First Century III
First Century III was formed in 1984 and is in the process of liquidating its holdings. The general partner and manager of the partnership is Smith Barney Venture Corp. that has an office in New York. The partnership invested primarily in early stage, high technology companies diversified by location and industry group.

Split Rock Partners
Fund: Split Rock Partners
Split Rock Partners was formed in 2005 by Split Rock Partners Management (formerly part of St. Paul Venture Capital). With offices in Minneapolis and Menlo Park, the fund will focus on private equity investments in seed and early-stage healthcare and software companies. The fund has an expected term 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 being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. Stamps and Woodsum focus 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 venture capital 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.

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 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, and the fourth fund in 2005. The funds have 12 year terms. Warburg Pincus Ventures is in the process to liquidating its holdings.

Wayzata Investment Partners
Fund: Wayzata Opportunities Fund
Wayzata Opportunities Fund was formed in 2006 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 Fund is based in Wayzata, Minnesota and has an expected term 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 II
Colony Investors III

Colony Investors II and III are closed-end commingled real estate funds 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 II in 1994 and Fund III in 1998. Fund II is in the process of liquidating its holdings and Fund III will terminate in 2008.

Credit Suisse
Fund: CSFB Strategic Partners III RE

CSFB Strategic Partners III RE was formed in 2005 for the purpose of purchasing secondary interests of real estate funds. The fund 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 fund has an expected term of 12 years.

Lehman Brothers
Fund: Lehman Brothers Real Estate Partners II

Lehman Brothers Real Estate Partners II was formed in 2005 and expects to invest in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The fund's worldwide headquarters is in New York, with regional headquarters in London and Tokyo. The fund is expected to have a term 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. Management of the fund's properties is contracted to outside firms or is conducted by joint venture partners.

TA Associates Realty
Funds: TA Realty Associates Fund IV
TA Realty Associates Fund V
TA Realty Associates Fund VI
TA Realty Associates Fund VII
TA Realty Associates TA Realty VIII

TA Realty Associates Funds IV, 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 1997, 1999, 2002, 2004 and 2006, respectively. Each fund has a ten year term. Fund IV is being liquidated.

UBS Realty Investors
Fund: RESA

Real Estate Separate Account (RESA) 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. RESA invests primarily in existing equity real estate. Investments are diversified by location and type of property. On-site management of properties is contracted to outside firms or conducted by a joint venture partner.

Univesco Corporation
Fund: American Republic Realty Fund I

Based in Texas, American Republic Realty Fund I was formed in 1983 to make real estate investments across a broad array of real estate sectors and locations. The Fund is currently in liquidation mode.

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.

First Reserve Corp.
Funds: AMGO I
AMGO II
First Reserve V
First Reserve VII
First Reserve VIII
First Reserve IX
First Reserve X
First Reserve XI

American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1990, 1996, 1998, 2001, 2003, and 2007, respectively, and are structured as limited partnerships. Funds I, II and V are currently undergoing an orderly liquidation of holdings. The other funds have ten year terms. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments.

Natural Gas Partners
Fund: NGP Midstream & Resources

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.

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.

Simmons & Company
Funds: OFS Investments, II
OFS Investments, III
OFS Investments, IV

The Funds serve as vehicles for investment in the oil field service (OFS) and equipment industry. The General Partner is located in Houston, Texas. Fund II was formed in 1992, Fund III was formed in 1994 and Fund IV was formed in 1998. All funds have a 10 year term. Funds II and III are liquidating their holdings.

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the SBI's resource 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.

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.
Fund: Citicorp Mezzanine Partners III

Citicorp Mezzanine Partners III is a limited partnership formed in 1999 by Citicorp Capital Investors Ltd. of New York, New York. The Fund will invest in a broad range of transactions utilizing subordinated debt and equity securities. The Fund has an expected term of 10 years.

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 II, III and 2006 are limited partnerships formed in 2000, 2003 and 2006, 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 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 liquidating investments.

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 (GMAC)
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.

Summit Partners
Funds: Summit Subordinated Debt Fund I
Summit Subordinated Debt Fund II
Summit Subordinated Debt Fund III
Summit Subordinated Debt Funds I, II and III are limited partnerships formed in 1994, 1996, and 2004, respectively, with ten year terms. Fund I is being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. The fund will invest in many of the same companies as the Summit Venture funds. Investments by this partnership 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 venture capital 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 III
TCW/Crescent Mezzanine Partners I and TCW/Crescent Mezzanine Partners III are Los Angeles based limited partnerships formed in 1996, and 2001, respectively. The Funds will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. Fund I is 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.

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.

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 in high quality instruments diversified among alternative investment contracts with U.S. and non-U.S. financial institutions and supplements these with traditional insurance and bank investment contracts. 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.

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 small-cap equity option is currently offered through the 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 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.

State Deferred Compensation Plan Minnesota Fixed Fund Managers

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.

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.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 2006 and FY 2007
(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.
Large Cap Core (Russell 1000)															
Franklin Portfolio Associates															
June-06	1.02	-0.12	0.13	0.13	0.11	0.17	-0.01	0.29	0.02	-0.06	0.06	-0.10	-0.10	8.52	99.1%
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%
New Amsterdam Partners															
June-06	0.99	-0.18	0.06	-0.06	0.12	0.19	0.19	0.24	-0.16	-0.22	0.11	-0.07	-0.11	2.02	98.5%
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%
UBS Global Asset Mgmt.															
June-06	0.99	-0.13	-0.24	0.24	0.12	-0.13	0.08	0.12	0.15	-0.20	0.01	-0.03	-0.04	2.53	98.6%
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%
Voyageur (Chicago Equity)															
June-06	1.03	-0.08	0.01	0.08	0.13	0.07	0.18	-0.26	-0.51	-0.36	-0.34	-0.24	-0.44	2.72	98.2%
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%
Frank Russell 1000															
June-06	1.01	-0.08	-0.07	0.20	0.09	-0.01	-0.05	0.07	-0.01	-0.05	-0.04	-0.01	0.07	N.A.	100.0%
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%
Large Cap Growth (Russell 1000 Growth)															
AllianceBernstein															
June-06	1.21	0.35	0.38	0.33	0.14	0.48	0.54	-0.36	-0.43	-0.10	-0.17	0.08	-0.56	3.56	99.2%
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%
Cohen, Klingenstein & Marks															
June-06	1.19	0.24	-0.27	0.07	0.11	0.17	0.27	-0.16	-0.30	-0.08	-0.20	-0.21	-0.55	2.68	99.4%
June-07	1.25	0.50	-0.10	-0.19	0.09	0.31	0.40	-0.38	-0.37	0.05	-0.28	-0.12	-0.60	4.18	97.1%
Intech															
June-06	1.05	0.12	0.31	-0.50	0.00	0.20	0.21	-0.34	-0.43	-0.08	-0.04	-0.24	-0.46	11.33	99.4%
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%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 2006 and FY 2007
(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.
Jacobs Levy															
June-06	1.07	0.08	-0.01	0.19	0.08	0.14	0.16	-0.21	-0.46	-0.14	-0.23	-0.06	-0.32	11.11	98.2%
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%
Lazard Asset Mgmt.															
June-06	1.22	0.34	0.15	-0.01	0.06	0.34	0.00	-0.28	-0.21	-0.01	-0.03	-0.20	-0.38	7.49	93.6%
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%
Sands Capital															
June-06	1.21	0.42	0.45	0.01	0.09	0.40	0.97	-0.70	-0.78	-0.08	-0.36	0.15	-0.84	1.37	99.6%
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%
Winslow-Large Cap															
June-06	1.15	0.14	0.28	0.19	0.12	0.26	0.44	-0.34	-0.54	-0.15	-0.03	-0.04	-0.52	6.13	93.9%
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%
Zevenbergen Capital															
June-06	1.26	0.66	0.81	-0.68	-0.18	0.49	1.00	-0.71	-0.72	0.26	-0.07	-0.22	-0.83	3.93	99.5%
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%
Frank Russell 1000 Growth															
June-06	1.06	0.04	-0.09	0.17	0.09	0.09	0.07	-0.22	-0.43	-0.16	-0.22	-0.06	-0.30	N.A.	100.0%
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%
<u>Large Capital Value (Russell 1000 Value)</u>															
Barrow Hanley															
June-06	0.90	-0.27	-0.21	0.28	0.12	-0.18	-0.11	0.41	0.21	-0.05	-0.02	0.11	0.38	1.60	95.9%
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%
Earnest Partners															
June-06	1.02	-0.08	0.04	0.23	0.11	0.16	-0.09	0.39	0.15	-0.04	0.17	-0.04	0.06	1.64	98.5%
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%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 2006 and FY 2007
(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.
Lord Abbett & Co.															
June-06	0.85	-0.28	-0.07	0.41	0.14	-0.26	-0.18	-0.03	-0.00	-0.03	-0.17	-0.01	0.23	1.81	96.5%
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%
LSV Asset Mgmt															
June-06	1.00	-0.12	0.02	-0.10	0.03	0.13	-0.22	0.58	0.52	0.13	0.18	-0.10	0.39	1.40	99.8%
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	2.14	99.7%
Systematic Financial Mgmt.															
June-06	1.13	0.10	0.37	0.05	0.08	0.37	0.10	0.32	0.14	0.18	0.18	-0.01	0.03	9.61	94.7%
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	1.40	97.1%
Frank Russell 1000 Value															
June-06	0.96	-0.20	-0.06	0.23	0.09	-0.11	-0.16	0.34	0.40	0.06	0.13	0.04	0.43	N.A.	100.0%
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%
Small Cap Growth (Russell 2000 Growth)															
McKinley Capital															
June-06	1.36	1.37	1.60	-2.40	-1.27	0.40	0.80	-0.52	-0.51	0.54	0.71	-0.23	-0.89	9.61	97.8%
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%
Next Century Growth															
June-06	1.30	1.41	1.53	-2.40	-1.35	0.16	0.94	-0.96	-0.74	0.71	0.14	-0.35	-0.93	7.41	94.73%
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	98.73%
Turner Investment Partners															
June-06	1.33	1.33	1.45	-2.29	-1.11	0.43	0.80	-0.74	-0.50	0.52	0.52	-0.23	-0.85	14.00	96.7%
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%
Frank Russell 2000 Growth															
June-06	1.26	1.22	0.64	-2.53	-1.60	0.16	0.60	-0.70	-0.28	0.61	0.55	-0.01	-0.74	N.A.	100.0%
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%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 2006 and FY 2007
(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.
Small Cap Value (Russell 2000 Value)															
Goldman Sachs															
June-06	1.06	0.66	0.30	-2.63	-1.78	-0.21	0.33	-0.22	0.39	0.35	0.85	-0.19	-0.26	4.90	95.8%
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%
Hotchkis & Wiley															
June-06	1.17	0.79	-0.30	-2.50	-1.62	0.10	0.00	-0.18	1.29	1.03	0.99	-0.02	-0.26	4.38	95.1%
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%
Martingale Asset Mgmt															
June-06	1.09	0.74	0.59	-2.61	-1.72	-0.04	0.11	0.05	0.50	0.51	0.83	-0.25	-0.14	9.10	99.5%
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%
Peregrine Capital Mgmt.															
June-06	1.11	0.75	-0.10	-2.60	-1.69	0.12	0.11	-0.26	0.71	0.49	0.91	-0.11	-0.30	4.30	97.7%
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%
RiverSource/Kenwood															
June-06	1.07	0.69	0.67	-2.53	-1.57	-0.15	0.06	-0.03	0.42	0.37	0.61	-0.08	-0.38	13.97	99.1%
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	99.2%
Frank Russell 2000 Value															
June-06	1.09	0.73	0.31	-2.58	-1.69	-0.17	-0.02	-0.34	0.67	0.54	0.78	-0.11	-0.11	N.A.	100.0%
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%
AGGREGATE ACTIVE															
Aggregate															
June-06	1.07	0.18	0.16	-0.34	-0.19	0.09	0.22	-0.04	-0.04	0.05	0.08	-0.07	-0.22	4.45	98.2%
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%
Frank Russell 3000															
June-06	1.02	0.01	-0.02	-0.05	-0.07	-0.01	-0.01	0.01	0.01	0.01	0.02	-0.01	0.02	N.A.	100.0%
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%

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2006 and FY 2007
(In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Large Cap Core (Russell 1000)												
Franklin Portfolio Associates												
June-06	0.87	27.48	4.19	5.13	10.01	10.79	14.47	3.21	5.65	18.21	0.00	100.00
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
New Amsterdam Partners												
June-06	1.45	33.64	9.36	4.87	6.99	10.84	7.42	1.38	4.23	17.29	2.53	100.00
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
UBS Global Asset Mgmt.												
June-06	1.41	37.32	2.09	3.05	4.00	2.27	13.58	2.38	4.10	29.79	0.00	100.00
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
Voyageur -Chicago Equity												
June-06	1.83	41.01	1.79	3.58	10.40	7.39	21.05	3.22	0.00	9.73	0.00	100.00
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
Frank Russell 1000												
June-06	0.00	30.61	1.98	4.49	7.28	8.84	15.81	1.81	6.09	22.41	0.68	100.00
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
Large Cap Growth (Russell 1000 Growth)												
AllianceBernstein												
June-06	0.83	38.21	0.00	0.99	5.33	10.16	28.56	0.29	0.00	15.63	0.00	100.00
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
Cohen, Klingenstein & Marks												
June-06	0.60	33.78	4.87	4.26	0.00	0.00	37.04	3.89	0.00	15.56	0.00	100.00
June-07	2.92	36.27	3.52	3.69	0.00	0.00	39.18	3.04	0.00	11.38	0.00	100.00
Intech												
June-06	0.55	43.05	3.40	1.48	6.65	5.36	17.77	3.99	1.20	15.86	0.68	100.00
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

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2006 and FY 2007
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Jacobs Levy													
	June-06	1.83	43.56	2.66	2.90	11.30	2.94	23.42	1.81	1.21	8.05	0.34	100.00
	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
Lazard Asset Mgmt.													
	June-06	6.39	30.03	1.45	4.50	7.76	4.11	25.51	8.04	0.00	12.21	0.00	100.00
	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
Sands Capital													
	June-06	0.43	55.46	0.00	0.00	0.00	2.95	31.69	0.00	0.00	9.46	0.00	100.00
	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
Winslow-Large Cap.													
	June-06	6.09	26.60	2.49	2.47	13.25	3.66	31.37	0.00	0.00	14.06	0.00	100.00
	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
Zevenbergen Capital													
	June-06	0.54	38.64	1.92	0.00	0.00	0.00	48.10	0.00	0.63	10.17	0.00	100.00
	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
Frank Russell 1000 Growth													
	June-06	0.00	42.44	2.11	3.60	10.49	3.92	26.00	2.02	0.90	7.18	1.34	100.00
	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
Large Capital Value (Russell 1000 Value)													
Barrow Hanley													
	June-06	4.12	26.91	4.77	0.64	8.11	12.32	3.85	2.26	9.92	26.27	0.84	100.00
	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
Earnest Partners													
	June-06	1.48	22.90	0.00	1.83	5.13	14.03	9.82	4.74	9.30	30.78	0.00	100.00
	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
Lord Abbett & Co.													
	June-06	3.48	35.38	0.98	12.14	11.30	9.35	5.37	1.38	6.85	13.77	0.00	100.00
	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

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2006 and FY 2007
(In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
LSV Asset Mgmt												
June-06	0.25	13.45	6.64	4.36	3.19	16.02	7.97	3.60	9.18	35.36	0.00	100.00
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
Systematic Financial Mgmt.												
June-06	5.26	17.83	1.64	7.44	7.57	13.29	7.21	1.50	6.83	30.66	0.78	100.00
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
Frank Russell 1000 Value												
June-06	0.00	19.15	1.86	5.35	4.18	13.61	5.93	1.60	11.11	37.17	0.04	100.00
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
Small Cap Growth (Russell 2000 Growth)												
McKinley Capital												
June-06	2.23	24.98	1.91	6.65	10.83	8.12	29.37	6.65	0.00	9.26	0.00	100.00
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
Next Century Growth												
June-06	5.27	43.10	2.69	3.95	10.37	5.82	21.74	4.92	0.00	2.15	0.00	100.00
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
Turner Investment Partners												
June-06	3.31	30.65	3.27	5.88	8.81	7.73	27.33	2.98	1.59	8.45	0.00	100.00
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
Frank Russell 2000 Growth												
June-06	0.00	33.75	4.11	7.04	6.25	8.73	26.16	3.24	0.41	10.19	0.13	100.00
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

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2006 and FY 2007
(In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Small Cap Value (Russell 2000 Value)												
Goldman Sachs												
June-06	4.24	15.45	6.63	9.27	5.66	5.24	14.34	1.78	5.06	31.25	1.07	100.00
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
Hotchkis & Wiley												
June-06	4.92	24.13	5.14	17.65	6.14	5.49	4.93	4.52	3.15	23.93	0.00	100.00
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
Martingale Asset Mgmt												
June-06	0.53	15.80	7.20	15.42	8.18	4.67	12.30	2.68	3.17	30.06	0.00	100.00
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
Peregrine Capital Mgmt.												
June-06	2.31	24.06	8.94	9.82	4.74	3.33	12.55	1.87	4.79	27.59	0.00	100.00
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
RiverSource/Kenwood												
June-06	0.94	16.87	5.19	9.40	10.77	5.48	12.31	1.78	5.45	30.96	0.83	100.00
June-07	0.77	21.17	5.89	11.60	6.00	5.75	14.22	1.37	5.92	27.31	0.00	100.00
Frank Russell 2000 Value												
June-06	0.00	16.95	5.03	9.92	9.16	5.12	12.93	2.16	5.60	32.71	0.42	100.00
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
AGGREGATE ACTIVE												
Aggregate												
June-06	1.83	32.24	3.69	4.40	6.11	7.20	17.60	2.21	3.27	20.88	0.57	100.00
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
Frank Russell 3000												
June-06	0.00	30.13	2.22	4.86	7.32	8.67	16.15	1.89	5.80	22.32	0.64	100.00
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

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Risk Factor Exposures
FY 2006 and FY 2007
(In Percentages)

	Beta	Vty.	Mom.	Size	Size Non	Trad. Actvy	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg T/O	Eqty Alloc
Semi-Passive Managers (Russell 1000)															
Barclays Global Investors															
June-06	1.02	-0.06	-0.06	0.09	0.04	-0.03	-0.02	0.20	0.06	-0.03	-0.02	-0.03	0.07	5.44	99.65%
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%
Franklin Portfolio Associates															
June-06	1.01	-0.08	0.02	0.18	0.09	0.02	-0.01	0.17	0.01	-0.01	-0.03	-0.04	0.07	7.08	99.42%
June-07	1.02	-0.06	0.01	0.16	0.09	0.06	0.01	0.20	-0.01	0.00	-0.03	-0.02	0.00	6.46	99.85%
J.P. Morgan Investment Mgmt.															
June-06	1.01	-0.11	-0.12	0.31	0.11	0.00	-0.06	0.13	0.07	-0.07	-0.02	-0.02	0.06	4.16	99.69%
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	4.45	99.76%
AGGREGATE SEMI-PASIVE EQUITY															
June-06	1.01	-0.08	-0.06	0.18	0.08	-0.00	-0.03	0.17	0.05	-0.04	-0.02	-0.03	0.07	4.83	99.60%
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	5.44	99.73%
Frank Russell 1000															
June-06	1.01	-0.08	-0.07	0.20	0.09	-0.01	-0.05	0.07	-0.01	-0.05	-0.04	-0.01	0.07	N.A.	100.00%
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%

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Sector Weights
FY 2006 and FY 2007
(In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Semi-Passive Managers (Russell 1000)												
Barclays Global Investors												
June-06	0.35	29.26	1.87	5.08	6.40	9.13	16.44	1.92	5.25	23.64	0.64	100.00
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
Franklin Portfolio Associates												
June-06	0.58	28.60	2.67	5.18	6.78	8.36	16.38	2.39	6.34	21.62	1.09	100.00
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
J.P. Morgan Investment Mgmt.												
June-06	0.31	28.89	2.68	4.90	7.86	8.53	14.84	1.97	6.33	23.29	0.40	100.00
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
AGGREGATE SEMI-PASSIVE EQUITY												
June-06	0.40	28.96	2.35	5.05	6.96	8.73	15.93	2.07	5.90	22.95	0.70	100.00
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
Frank Russell 1000												
June-06	0.00	30.13	2.22	4.86	7.32	8.67	16.15	1.89	5.80	22.32	0.64	100.00
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

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2007

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Large Cap Core						
Franklin Portfolio Associates	21.2%	20.4%	14.2%	12.3%	10.8%	12.4%
New Amsterdam Partners	15.8	20.4	11.7	12.3	11.7	11.8
UBS Global Asset Management	22.1	20.4	14.2	12.3	13.1	11.5
Frank Russell 1000		20.4		12.3		11.3
Large Cap Growth						
AllianceBernstein L.P.	14.7	19.0	8.4	8.7	7.2	8.9
Cohen, Klingenstein & Marks	22.0	19.0	5.9	8.7	8.3	11.0
INTECH	14.8	19.0	9.4	8.7	10.6	9.3
Jacobs Levy	14.9	19.0	6.8	8.7	7.7	9.3
Lazard Asset Mgmt.	21.2	19.0	10.0	8.7	8.0	9.3
Sands Capital	11.1	19.0	6.5	8.7	10.5	9.3
Winslow-Large Cap	19.3	19.0	12.6	8.7	11.1	9.3
Voyageur-Chicago Equity	10.6	21.5	5.4	12.7	6.2	11.2
Zevenbergen Capital	21.2	19.0	11.7	8.7	14.1	9.6
Frank Russell 1000 Growth		19.0		8.7		9.3
Large Cap Value						
Barrow, Hanley	21.9	21.9	15.8	15.9	13.9	13.3
Earnest Partners	18.6	21.9	17.1	15.9	15.3	15.7
Lord Abbett & Co.	19.0	21.9	12.3	15.9	12.1	13.3
LSV Asset Mgmt.	22.6	21.9	18.9	15.9	16.5	13.3
Systematic Financial Mgmt.	22.7	21.9	16.4	15.9	14.6	13.3
Frank Russell 1000 Value		21.9		15.9		13.3
Small Cap Growth						
McKinley Capital	16.0	16.8	11.8	11.8	13.5	13.1
Next Century Growth	17.9	16.8	20.4	11.8	17.6	14.2
Turner Investment Partners	18.4	16.8	13.0	11.8	15.6	13.1
Frank Russell 2000 Growth		16.8		11.8		13.1
Small Cap Value						
Goldman Sachs	17.4	16.1	14.0	15.0	13.9	14.6
Hotchkis & Wiley	14.1	16.1	12.3	15.0	18.5	14.6
Martingale Asset Mgmt.	9.1	16.1	12.9	15.0	15.9	14.6
Peregrine Capital Mgmt.	14.6	16.1	15.7	15.0	14.3	15.3
RiverSource/Kenwood	11.2	16.1	13.6	15.0	16.3	14.6
Frank Russell 2000 Value		16.1		15.0		14.6

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2007

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Semi-Passive Managers						
Barclays Global Investors	19.3%	20.4%	12.5%	12.3%	11.8%	11.2%
Franklin Portfolio Associates	19.2	20.4	12.0	12.3	10.6	11.2
J.P. Morgan Investment Mgmt.	22.2	20.4	12.1	12.3	10.9	11.2
Frank Russell 1000		20.4		12.3		11.3
Passive Manager						
Barclays Global Investors	20.0	20.1	12.5	12.4	11.6	11.6
Frank Russell 3000		20.1		12.4		11.5
Aggregate (1)	**19.7**	**20.1**	**12.3**	**12.4**	**11.3**	**11.7**
Capital Markets Data						
Russell 3000		20.1		12.4		11.5
Wilshire 5000		20.5		12.7		12.0
3-Month-Treasury Bills		5.1		3.8		2.7
Inflation		2.7		2.9		2.8

(1) Aggregate of all Domestic Stock Managers retained during the time period shown.

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.

EXTERNAL ACTIVE BOND MANAGERS

Portfolio Characteristics
FY2006 - 2007

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Duration	Term To Mat.
Aberdeen Asset Management						
June-07	266	AA+	5.66%	5.98%	4.81 Yrs.	6.8 Yrs.
June-06	258	AA+	5.69	6.25	4.71	6.8
Dodge & Cox Asset Management						
June-07	176	AA+	5.74	5.96	4.00	6.3
June-06	158	AA	5.78	6.14	4.07	6.3
Morgan Stanley						
June-07	792	AAA	5.46	5.67	4.09	6.6
June-06	842	AAA	5.52	5.88	4.10	7.3
RiverSource Investments						
June-07	378	AA+	5.33	6.02	4.72	7.2
June-06	362	AA+	5.11	5.99	4.75	6.7
Western Asset Management						
June-07	600	AA+	6.87	5.73	4.69	7.7
June-06	545	AA/Aa2	6.96	6.22	5.50	9.0
Lehman Aggregate						
June-07	8,899	AA1/AA2	5.40	5.69	4.70	7.3
June-06	6,824	AAA	5.29	5.81	4.75	7.2

EXTERNAL ACTIVE BOND MANAGERS

Sector Weights
FY2006 - 2007
(In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Intl.	High Yld	Cash
Aberdeen Asset Management								
June-07	16	27	50	1	6	0	0	0
June-06	18	29	46	1	6	0	0	0
Dodge & Cox Asset Management								
June-07	9	44	38	0	0	0	9	0
June-06	14	42	35	0	0	0	9	0
Morgan Stanley								
June 07	32	14	21	1	0	0	1	31
June-06	18	16	32	0	0	0	1	33
RiverSource Investments								
June 07	25	25	46	1	0	0	3	0
June-06	34	20	43	1	0	0	2	0
Western Asset Management								
June 07	34	17	39	1	0	1	8	0
June-06	33	16	41	1	0	1	8	0
Lehman Aggregate								
June-07	32	28	39	1	0	0	0	0
June-06	34	28	37	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		

EXTERNAL SEMI-PASSIVE BOND MANAGERS

Portfolio Characteristics
June 2006 - June 2007

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Dur.	Term To Mat.
BlackRock Financial						
June-07	602	AAA	5.48%	5.95%	4.74 Yrs.	6.3 Yrs.
June-06	672	AAA	5.29	5.92	4.56	5.2
Goldman Sachs Asset Management						
June-07	609	AAA	5.11	5.68	4.62	6.5
June-06	453	AAA	4.90	5.82	4.70	6.7
Lehman Brothers						
June-07	993	AA+	5.37	5.80	4.76	7.1
June-06	970	AA+	5.33	5.96	4.76	7.1
Lehman Aggregate						
June-07	8,899	AA1/AA2	5.40	5.69	4.70	7.3
June-06	6,824	AAA	5.29	5.81	4.75	7.2

Sector Weights
June 2006 - June 2007
(In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Cash
Blackrock Financial						
June-07	22	17	58	2	0	1
June-06	35	27	37	1	0	0
Goldman Sachs Asset Management						
June-07	40	17	42	1	0	0
June-06	41	16	42	0	1	1
Lehman Brothers						
June-07	28	24	48	0	0	0
June-06	32	25	43	0	0	0
Lehman Aggregate						
June-07	32	28	39	1	0	0
June-06	34	28	37	1	0	0

EXTERNAL BOND MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2007

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Managers						
Aberdeen	6.5%	6.1%	4.4%	4.0%	5.1%	4.5%
Dodge & Cox	6.7	6.1	4.5	4.0	5.6	4.5
Morgan Stanley	6.1	6.1	4.6	4.0	4.9	4.5
RiverSource Investments	6.3	6.1	4.4	4.0	4.6	4.5
Western Asset Management	6.9	6.1	4.7	4.0	6.1	4.5
Semi-Passive Managers						
BlackRock Financial	5.7	6.1	4.0	4.0	4.7	4.5
Goldman Sachs Asset Mgmt.	6.2	6.1	4.3	4.0	5.0	4.5
Lehman Brothers	6.2	6.1	4.1	4.0	4.6	4.5
Aggregate (1)	**6.3%**	**6.1%**	**4.3%**	**4.0%**	**5.0%**	**4.5%**
Capital Markets Data						
Lehman Aggregate	6.1%		4.0%		4.5%	
3 month Treasury Bills	5.1		3.8		2.7	
Inflation	2.7		2.9		2.8	

(1) Aggregate of all active and semi-passive managers retained during the time period shown.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
DEVELOPED MARKETS MANAGERS

Fiscal Year 2007

	Acadian Asset Mgmt. (Active)	Pyramis Global Advisors Trust Co. (Active)	INVESCO Global Asset Mgmt. (Active)	J.P. Morgan Investment Mgmt. (Active)	Marathon Asset Mgmt. (Active)
Local Returns					
Country Allocation	0.6%	0.4%	-0.5%	-1.3%	-1.2%
Stock Selection	4.8	-1.0	0.2	-1.1	4.4
Timing	0.3	0.1	-0.3	0.0	0.0
Currency Returns					
Currency Selection	-0.3	-0.2	-0.5	-0.5	0.0
Currency Allocation	0.7	-0.1	-0.3	-0.4	-0.7
Hedging Activity	0.0	0.0	0.0	0.0	0.0
Timing	0.0	-0.1	0.1	0.0	0.0
Base Return					
Relative Value Added	**6.1%**	**-0.9%**	**-1.3%**	**-3.3%**	**2.4%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the annual report'.

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.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
DEVELOPED MARKETS MANAGERS

Fiscal Year 2007

	McKinley Capital Mgmt. (Active)	**RiverSource Investments (Active)**	**UBS Global Asset Mgmt. (Active)**
Local Returns			
Country Allocation	0.4%	-0.5%	0.7%
Stock Selection	1.7	-1.3	0.5
Timing	0.8	0.1	-0.2
Currency Returns			
Currency Selection	-0.1	-0.2	-0.2
Currency Allocation	0.4	-0.7	0.0
Hedging Activity	0.0	0.0	-1.8
Timing	-0.1	0.0	0.1
Base Return			
Relative Value Added	**3.2%**	**-2.7%**	**-1.0%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the annual report.

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.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
DEVELOPED MARKETS MANAGERS

Fiscal Year 2007

	AQR Capital Mgmt. (Semi-Passive)	Pyramis Global Advisors Trust Co. (Semi-Passive)	State Street Global Advisors (Semi-Passive)	State Street Global Advisors (Passive)
Local Returns				
Country Allocation	-1.1%	-0.1%	0.4%	-0.3%
Stock Selection	0.7	2.5	0.1	0.4
Timing	2.0	0.2	0.1	0.1
Currency Returns				
Currency Selection	0.3	0.0	0.1	0.1
Currency Allocation	-0.1	-0.1	0.1	0.0
Hedging Activity	-0.1	0.0	0.0	0.0
Timing	-0.3	-0.1	0.0	-0.1
Base Return Relative Value Added	**1.4%**	**2.3%**	**0.7%**	**0.2%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the annual report'.

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.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
EMERGING MARKETS MANAGERS

Fiscal Year 2007

	AllianceBernstein L.P.	Capital Int'l Inc.	Morgan Stanley Investment Mgmt.
Local Returns			
Country Allocation	-1.5%	-1.9%	-2.2%
Stock Selection	-0.4	5.5	3.4
Timing	1.0	0.4	0.6
Currency Returns			
Currency Selection	0.9	0.8	0.9
Currency Allocation	0.1	0.3	0.5
Hedging Activity	0.0	0.1	-0.2
Timing	-0.1	0.1	0.2
Base Return			
Relative Value Added	**0.0%**	**5.3%**	**3.1%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the annual report'.

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, 2007

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Developed Markets (1)						
Acadian Ass Mgmt.	34.1	27.1				
Pyramis Global Advisors Trust Co.	24.8	27.1				
INVESCO Global Asset Mgmt.	22.5	27.1	20.5	22.7	15.9	17.9
J.P. Morgan Investment Mgmt.	29.7	27.1				
Marathon Asset Management	30.9	27.1	24.9	22.7	20.9	17.9
McKinley Capital Mgmt., Inc.	25.5	27.1				
RiverSource Investments	23.0	27.1	21.2	22.7	15.1	17.9
UBS Global Asset Mgmt., Inc. (2)	24.7	27.1	20.2	22.7	15.5	17.9
Semi-Passive Developed Markets (1)						
AQR Capital Mgmt.	28.2	27.1				
Pyramis Global Advisors Trust Co.	29.6	27.1				
State Street Global Advisors	27.5	27.1				
Active Emerging Markets						
AllianceBernstein L.P.	44.9	45.0	37.5	38.2	30.6	30.3
Capital International, Inc.	51.9	45.0	40.6	38.2	30.4	30.3
Morgan Stanley Investment Mgmt.	48.7	45.0	40.5	38.2	31.1	30.3
Passive Developed Markets (1)						
State Street Global Advisors	27.3	27.1	22.9	22.7	18.1	17.9
Equity Only*	30.3	29.6	24.6	24.5	18.8	19.3
Total Program**	**30.3%**	**29.6%**	**24.6%**	**24.5%**	**18.8%**	**19.3%**

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

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

(2) Fully active since 10/1/99. Active country/passive stock from inception 4/1/93 to 9/30/99.

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

REAL ESTATE	MARKET $VALUE	UNFUNDED $COMMIMENT	PERIOD (YEARS)
American Republic Realty Fund	30,000	0	17.4
Blackstone			
Blackstone Real Estate V	100,903,068	25,093,065	1.2
Blackstone Real Estate VI	0	100,000,000	0.2
Colony Capital			
Colony Investors II	87,267	1,517,672	12.2
Colony Investors III	17,387,969	0	9.5
CSFB Strategic Partners III RE	5,587,279	19,389,544	2.0
Lehman Brothers Real Estate Partners II	56,820,525	17,041,418	2.0
Morgan Stanley (Lend Lease)	269,137,395	0	25.7
T.A. Associates Realty			
Realty Associates Fund IV	748,389	0	10.4
Realty Associates Fund V	34,090,203	0	8.1
Realty Associates Fund VI	58,047,764	0	5.0
Realty Associates Fund VII	79,629,727	1,500,000	2.6
Realty Associates Fund VIII	25,000,000	75,000,000	1.0
UBS Realty	287,826,479	0	25.2
REAL ESTATE TOTAL	935,296,067	239,541,699	

RESOURCE	MARKET $VALUE	UNFUNDED $COMMIMENT	PERIOD (YEARS)
Apache Corp III	8,041,410	0	20.5
First Reserve			
First Reserve Fund I	13,758	0	25.7
First Reserve Fund II	55,000	0	24.4
First Reserve Fund V	148,396	0	17.2
First Reserve Fund VII	1,548,653	0	11.0
First Reserve Fund VIII	9,936,807	0	9.2
First Reserve Fund IX	4,796,828	0	6.2
First Reserve Fund X	55,218,173	7,899,562	2.7
First Reserve Fund XI	11,724,646	137,442,032	0.5
NGP Midstream & Resources	990,566	99,009,434	0.2
Sheridan Production Partners I	1,093,750	98,906,250	0.2
Simmons			
Simmons SCF-II	211,114	0	15.9
Simmons SCF-III	45,720	0	12.0
Simmons SCF-IV	56,016,499	0	9.2

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

RESOURCE (cont.)	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
T. Rowe Price	9,822,363	0	N/A
TCW Energy Partners XIV	13,000,000	87,000,000	0.2
RESOURCE TOTAL	**172,663,682**	**430,257,278**	

YIELD-ORIENTED	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
Carbon Capital	3,675,347	3,815,692	5.1
Citicorp Mezzanine III	19,912,066	11,970,704	7.7
DLJ Investment Partners			
DLJ Investment Partners II	3,979,792	28,973,789	7.5
DLJ Investment Partners III	11,417,756	87,421,819	1.0
Gold Hill Venture Lending	27,638,756	7,600,000	2.8
GS Mezzanine Partners			
GS Mezzanine Partners II	47,932,817	16,907,563	7.3
GS Mezzanine Partners III	36,125,022	22,103,589	4.0
GS Mezzanine Partners 2006	28,140,524	74,154,737	1.2
GTCR Capital Partners	7,850,064	10,410,578	7.6
KB Mezzanine Fund II	439,116	0	11.7
Merit Capital Partners (fka William Blair)			
William Blair Mezz. Fund III	17,159,999	4,002,000	7.5
Merit Mezzanine Fund IV	33,601,943	41,427,198	2.5
Merit Energy Partners			
Merit Energy Partners B	63,334,837	0	11.0
Merit Energy Partners C	204,463,432	0	8.7
Merit Energy Partners D	203,583,011	17,061,697	6.1
Merit Energy Partners E	53,310,545	63,510,187	2.7
Merit Energy Partners F	19,330,753	82,896,471	1.3
Prudential Capital Partners			
Prudential Capital Partners I	37,820,476	4,925,614	6.2
Prudential Capital Partners II	40,860,888	57,826,112	2.0
Quadrant Real Estate Advisors (GMAC)			
Institutional Commercial Mortgage Fd III	2,412,631	0	10.6
Institutional Commercial Mortgage Fd IV	4,095,348	0	9.5
Institutional Commercial Mortgage Fd V	25,288,674	0	7.9

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

REAL ESTATE	MARKET $VALUE	UNFUNDED $COMMIMENT	PERIOD (YEARS)
Summit Partners			
Summit Subordinated Debt Fund I	85,333	2,000,000	13.2
Summit Subordinated Debt Fund II	6,602,300	4,500,000	9.9
Summit Subordinated Debt Fund III	20,743,229	13,950,000	3.4
T. Rowe Price	228,773	0	N/A
TCW/Crescent Mezzanine			
TCW/Crescent Mezzanine Partners I	3,338,935	2,869,961	11.2
TCW/Crescent Mezzanine Partners III	17,846,838	6,164,736	6.3
Windjammer Capital Investors			
Windjammer Mezzanine & Equity Fund II	38,491,576	16,952,854	7.2
Windjammer Senior Equity Fund III	17,516,803	48,609,407	1.5
YIELD-ORIENTED TOTAL	997,227,585	630,054,708	

PRIVATE EQUITY	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
Adams Street Partners (Brinson)			
Brinson Partners I	89,891	0	19.1
Brinson Partners II	108,872	0	16.6
Affinity Ventures IV	980,031	2,608,153	3.0
Banc Fund			
Banc Fund V	9,703,109	0	9.0
Banc Fund VII	29,816,586	12,600,000	2.2
Blackstone			
Blackstone Capital Partners II	4,751,346	0	13.6
Blackstone Capital Partners IV	58,248,564	9,577,501	5.0
Blackstone Capital Partners V	49,952,398	92,149,790	1.4
BLUM Capital Partners			
Blum Strategic Partners I	22,118,078	998,188	8.5
Blum Strategic Partners II	31,539,188	9,918,033	5.9
Blum Strategic Partners III	73,474,224	4,893,556	2.1
CVI Global Value Fund	52,859,806	50,000,000	0.5
Chicago Growth Partners (William Blair)			
William Blair Capital Partners VII	37,251,935	2,950,000	6.3
Chicago Growth Partners VIII	26,102,732	21,458,002	1.9
Contrarian Capital Fund II	3,387,269	3,755,605	10.1

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

PRIVATE EQUITY (cont.)	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
Coral Partners			
Coral Partners II	332,659	0	16.9
Coral Partners IV	1,737,642	0	12.9
Coral Partners V	2,574,193	375,000	9.0
Court Square Capital			
Citigroup Venture Capital Equity	38,091,404	20,385,463	5.5
Court Square Capital Partners II	23,205,937	149,731,008	0.8
Crescendo			
Crescendo III	1,391,245	0	8.6
Crescendo IV	42,497,723	0	7.3
CSFB/ DLJ			
DLJ Merchant Banking Partners III	60,537,524	7,947,600	6.7
DLJ Strategic Partners	36,343,872	12,989,870	6.4
CSFB Strategic Partners II-B	57,971,308	25,388,951	4.0
CSFB Strategic Partners III VC	14,716,750	12,375,382	2.1
CSFB Strategic Partners III-B	41,851,243	61,598,498	2.1
Diamond Castle Partners IV	38,814,084	61,138,466	0.8
DSV Partners IV	1,233,472	0	22.2
EBF Merced Partners II	3,750,000	71,250,000	0.2
Elevation Partners	22,392,968	51,032,898	2.1
First Century Partners III	2,591	0	22.5
Fox Paine Capital Fund			
Fox Paine Capital Fund I	5,428,938	0	9.2
Fox Paine Capital Fund II	29,500,150	12,401,658	7.0
GHJM Marathon Fund			
GHJM Marathon Fund IV	9,347,919	949,000	8.2
GHJM Marathon Fund V	35,063,646	13,230,618	2.7
Golder,Thoma, Cressey, Rauner			
Golder, Thoma, Cressey & Rauner Fund III	178,389	0	19.7
Golder, Thoma, Cressey & Rauner Fund IV	50,952	0	13.4
Golder, Thoma, Cressey & Rauner Fund V	4,488,505	0	11.0
GS Capital Partners			
GS Capital Partners 2000	28,078,826	0	6.8
GS Capital Partners V	93,206,231	37,373,802	2.2
GS Capital Partners VI	2,957,532	97,000,000	0.4

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

PRIVATE EQUITY (cont.)	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
GTCR Golder Rauner			
GTCR VI	27,084,609	0	9.0
GTCR VII	67,496,674	22,203,126	7.4
GTCR IX	8,157,181	65,000,980	1.0
Hellman & Friedman			
Hellman & Friedman Capital Partners IV	73,712,299	16,032,506	7.5
Hellman & Friedman Capital Partners V	193,655,907	20,217,185	2.6
Hellman & Friedman Capital Partners VI	30,413,885	144,586,115	0.3
Kohlberg Kravis Roberts	5,954,209	0	19.6
KKR 1987 Fund			
KKR 1993 Fund	2,564,254	0	13.5
KKR 1996 Fund	53,664,611	0	10.8
KKR Millennium Fund	219,121,729	3,684,991	4.6
KKR 2006 Fund	19,785,992	175,642,472	0.8
Lexington Capital Partners VI-B	23,287,439	73,214,304	1.5
RWI Ventures			
RWI Group III	302,524	0	1.0
RWI Ventures I	5,557,971	580,000	1.0
Sightline Healthcare			
Sightline Healthcare Fund II	2,223,674	0	10.3
Sightline Healthcare Fund III	6,397,420	0	8.4
Sightline Healthcare Fund IV	4,247,246	1,341,988	3.8
Silver Lake Partners			
Silver Lake Partners II	89,961,820	19,827,978	3.0
Silver Lake Partners III	0	100,000,000	0.2
Split Rock Partners	14,548,142	33,709,089	2.2
Summit Partners			
Summit Ventures II	165,648	1,500,000	19.1
Summit Ventures V	1,739,816	1,125,000	9.2
T. Rowe Price	100,463,078	0	N/A
Thoma Cressey Bravo			
Thoma Cressey Fund VI	15,111,411	1,085,000	8.9
Thoma Cressey Fund VII	26,426,304	5,145,000	6.8
Thoma Cressey Fund VIII	27,153,120	41,650,000	1.2

ALTERNATIVE INVESTMENTS
JUNE 30, 2007

PRIVATE EQUITY (cont.)	MARKET $VALUE	UNFUNDED $COMMITMENT	PERIOD (YEARS)
Thomas, McNerney & Partners			
Thomas, McNerney & Partners I	17,147,114	9,075,000	4.6
Thomas, McNerney & Partners II	5,300,125	43,750,000	1.0
Vestar Capital Partners			
Vestar Capital Partners IV	28,838,011	3,459,540	7.5
Vestar Capital Partners V	32,037,188	42,874,563	1.5
Warburg Pincus			
Warburg, Pincus Ventures	3,326,140	0	12.5
Warburg Pincus Equity Partners	28,625,189	0	9.0
Warburg Pincus Private Equity VIII	118,450,809	0	5.2
Warburg Pincus Private Equity IX	67,848,703	35,994,792	1.9
Wayzata Opportunities Fund	94,834,164	6,398,222	1.5
Welsh, Carson, Anderson & Stowe			
Welsh, Carson, Anderson & Stowe VIII	68,171,711	0	8.9
Welsh, Carson, Anderson & Stowe IX	98,147,341	8,750,000	7.0
Welsh, Carson, Anderson & Stowe X	51,136,335	48,421,534	1.5
Zell/ Chilmark	33,454	0	17.0
PRIVATE EQUITY TOTAL	**2,629,222,980**	**1,771,346,427**	

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, 2008 Benefit Increase

Actuarial value of required reserves at January 1, 2008	$27,117,131,092
Less: Reserves not eligible for increase	$916,491,502
Actuarially determined eligible reserves at Janaury 1, 2008	$26,200,639,590
CPI Inflation rate capped at 2.5%	2.5%
Dollar cost of inflationary increase	655,015,990
June 30, 2007 total required reserves	$27,498,649,353
June 30, 2007 total required reserves adjusted for inflationary increase	28,153,665,343
Market value of Assets at June 30, 2007	$25,149,112,067
Less:Inflation adjusted required reserves	28,153,665,343
Current year excess market value	-3,004,553,276
Negative balance carry forward	-$2,966,856,644
Excess market value available for investment based benefit increase	-37,696,632
Divided by 5 year pay out period	5
Current year portion of excess market value	-7,539,326
Second year portion	-372,595,742
Third year portion	-$308,271,560
Fourth year portion	-$95,550,756
Fifth year portion	-$360,557,487
Total five year excess market value	-$1,144,514,871
Greater of current year excess market value or cost of transition adjustment	-1,144,514,871
Divided by eligible required reserves at January 1, 2008	26,200,639,590
Investment based increase for FY2007	0.0000%
Summary:	
Investment Based Benefit Increase	**0.0000%**
Inflation Based Benefit Increase	**2.5000%**
Total Benefit Increase	**2.5000%**
Total Dollar Value of January 1, 2008 Benefit Increase	**$655,015,990**

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
ABBEY NATIONAL	0.00	0.00	0.00	0.00	34,542,677.78
ABD SECURITIES	5,244,985.26	6,915.11	0.00	0.00	0.00
ABG SECURITIES	7,719,054.37	16,847.47	0.00	0.00	0.00
ABN AMRO ASIA SECS LTD	4,493,061.27	10,012.05	0.00	0.00	0.00
ABN AMRO BANK NV	1,367,620.49	1,206.80	0.00	0.00	0.00
ABN AMRO EQUITIES AUSTRALIA LT	2,158,390.87	4,462.27	0.00	0.00	0.00
ABN AMRO SECURITIES	129,511,126.35	91,877.41	7,678,301.89	0.00	531,349,950.35
ABN AMRO, HOARE, GOVETTE	1,808,612.07	3,627.60	0.00	0.00	0.00
ABN-AMRO BANK	30,428,062.55	59,827.67	0.00	0.00	0.00
ACCESS SECURITIES	178,733,102.41	89,702.83	0.00	0.00	0.00
ADAMS HARKNESS & HILL	15,226,336.40	23,147.00	0.00	0.00	0.00
AGORA	3,062,821.12	4,621.94	0.00	0.00	0.00
AHORRO CORPORATION FINANCIERA	200,508.33	402.00	0.00	0.00	0.00
AK CAPITAL	0.00	0.00	27,028,084.39	0.00	0.00
ALCHEMY SHARE & STOCK BROKER	1,329,472.74	3,988.76	0.00	0.00	0.00
ALFA CAPITAL	1,047,364.30	255.84	0.00	0.00	0.00
ALPHA BROKER	442,394.22	888.43	0.00	0.00	0.00
AMADON CORPORATION	4,320,728.37	4,722.50	0.00	0.00	0.00
AMERICAN GENERAL FINANCE	0.00	0.00	0.00	0.00	39,883,208.33
AMERICAN TECHNOLOGY RES. INC.	447,911.74	650.07	0.00	0.00	0.00
AMHERST SECURITIES GROUP INC.	0.00	0.00	1,860,929.14	0.00	0.00
ANCORA SECURITIES	27,201,091.52	35,667.16	0.00	0.00	0.00
AQEEL KARIM DHEDHI	1,390,642.33	5,585.48	0.00	0.00	0.00
ARDEN PARTNERS LTD	143,242.55	142.38	0.00	0.00	0.00
ARNHOLD	2,759,793.91	3,388.22	0.00	0.00	0.00
ASK RAYMONT JAMES AND ASSOC	67,045.55	133.65	0.00	0.00	0.00
ASSENT LLC	1,759,288.73	426.59	0.00	0.00	0.00
ASSET TRANSFER	58,504.74	0.00	0.00	0.00	0.00
AUERBACH GRAYSON	3,802,272.64	16,290.15	0.00	0.00	0.00
AUTRANET	22,162,270.52	24,923.71	0.00	0.00	0.00
AVONDALE PARTNERS LLC	2,908,180.23	2,510.00	0.00	0.00	0.00
B-TRADE SERVICES LLC	74,122,384.22	55,903.51	0.00	0.00	0.00
BA SECURITIES INC	0.00	0.00	4,207,165,567.55	0.00	3,991,196,212.76
BA SECURITIES, INC.	22,250,584.39	13,926.01	474,013,387.35	0.00	0.00
BAAE BANC AMERICA ALOGRITHMIC	1,801,393.42	764.40	0.00	0.00	0.00
BANCO ESPIRITO SANTO	150,783.64	225.84	0.00	0.00	0.00
BANCO EXTERIOR DE ESPANA	1,786,993.67	2,943.16	0.00	0.00	0.00
BANCO PACTUAL S.A.	871,832.12	1,831.37	0.00	0.00	0.00
BANCO PORTUGUES DE INVESTIMENT	710,601.98	1,067.50	0.00	0.00	0.00
BANCO SANT	8,123,209.57	18,435.97	0.00	0.00	0.00
BANCO SANTANDER DE NEGOCIOS	2,197,212.11	6,547.96	0.00	0.00	0.00
BANCO WARB	2,188,474.52	1,788.01	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
BANK AM BELLEVUE ZURICH	505,476.01	758.71	0.00	0.00	0.00
BANK J. VONTOBEL, ZURICH	327,116.71	616.31	0.00	0.00	0.00
BANK OF AMERICA	0.00	0.00	11,335,170.70	0.00	0.00
BANK OF BOSTON	551,920.07	332.42	0.00	0.00	0.00
BANK OF CHINA GROUP SECS	548,834.77	1,367.16	0.00	0.00	0.00
BANK OF NY SECURITIES INC	0.00	0.00	7,526,056.73	0.00	0.00
BANK ONE KENTUCKY N.A.	0.00	0.00	100,671.00	0.00	0.00
BANKERS TRUST	476,737.25	2,396.27	0.00	0.00	0.00
BANKRUPTCY	0.00	0.00	0.00	0.00	0.00
BANQUE COMMERCIALE DU MAROC	489,183.05	1,946.73	0.00	0.00	0.00
BANQUE NATIONALE DE PARIS	976,733.36	2,919.40	0.00	0.00	0.00
BANQUE PARIBAS	234,276.58	350.89	0.00	0.00	0.00
BARCLAYS CAPITAL INC	1,997,020.42	0.00	1,473,048,217.47	0.00	11,613,581.28
BARCLAYS DEZOETE WEDD	0.00	0.00	990,703.13	0.00	0.00
BARING SECURITIES	78,348,878.39	135,235.72	0.00	0.00	0.00
BARNARD JACOBS AND CO (PTY) LTD	5,388,842.96	12,514.34	0.00	0.00	0.00
BATLIVALA+KARANI SECS INDIA PV	191,514.17	573.74	0.00	0.00	0.00
BATLIWALA	150,720.43	453.80	0.00	0.00	0.00
BAYERISCHE HYPO- UND VEREINSBA	4,068,901.48	15,316.13	0.00	0.00	0.00
BAYPOINT TRADING LLC	1,277,385.24	4,836.00	0.00	0.00	0.00
BB & T CAPITAL MARKETS	70,807.94	58.05	436,481.85	0.00	0.00
BBVA SECURITIES	1,027,882.30	2,051.66	0.00	0.00	0.00
BEAR STEARNS SECS	236,516,240.78	220,621.36	1,371,065,102.62	0.00	0.00
BEAR STEARNS SECURITIES	11,363,025.36	23,072.01	0.00	0.00	0.00
BEAR, STEARNS & CO.	801,284,262.90	659,388.46	1,274,556,635.60	0.00	0.00
BENDER MEN	3,186,603.77	7,961.86	0.00	0.00	0.00
BENITO & M	140,071.55	209.79	0.00	0.00	0.00
BERKSHIRE EQUITY SALES INC	1,150,791.40	613.80	0.00	0.00	0.00
BERNARDI SECURITIES	0.00	0.00	213,200.00	0.00	0.00
BERNSTEIN SANFORD	272,729,885.46	167,727.97	0.00	0.00	0.00
BHF BK FRANKFURT	277,973.00	417.58	0.00	0.00	0.00
BLACKWATCH BROKERAGE INC	2,507,465.55	6,107.84	0.00	0.00	0.00
BLAIR & COMPANY	121,028,208.52	124,304.73	0.00	0.00	0.00
BLAYLOCK & PARTNERS	682,212.02	725.64	0.00	0.00	0.00
BLUEFIN RESEARCH	43,725.00	100.00	0.00	0.00	0.00
BNP PARIBAS	0.00	0.00	380,448.40	0.00	0.00
BNP PARIBAS PEREGRINE SEC., ASIA	3,401,761.52	6,160.55	0.00	0.00	0.00
BNP PRIME	3,351,622.01	8,385.27	0.00	0.00	0.00
BNP SECURITIES	79,100.41	79.11	0.00	0.00	0.00
BNY CAPITAL MARKETS INC	0.00	0.00	462,300.00	0.00	0.00
BNY/SUNTRUST CAPITAL MARKETS	0.00	0.00	6,776,305.17	0.00	0.00
BOENNING & SCATTERGOOD INC	0.00	0.00	5,242,353.35	0.00	0.00

COMMISSIONS AND TRADING VOLUME

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Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
BOLGER & CO INC	1,527,403.56	803.68	0.00	0.00	0.00
BOMBAY STOCK EXCHANGE	31,634.55	94.63	0.00	0.00	0.00
BONY & VIN	0.00	0.00	7,850,634.92	0.00	0.00
BRICS SECURITIES LTD	88,299.42	265.36	0.00	0.00	0.00
BRIDGE TRADING CO.	186,554.86	207.02	0.00	0.00	0.00
BRIDGEWELL	158,423.14	236.10	0.00	0.00	0.00
BROADCORT CAPITAL	597,298,837.78	454,661.03	0.00	0.00	0.00
BROCKHOUSE & COOPER	34,733,376.30	19,990.95	0.00	0.00	0.00
BROWN (ALEX) & SONS INC.	1,219,321,504.44	340,746.96	7,361,124,156.08	0.00	2,030,713,346.63
BUCKINGHAM RESEARCH GRP	11,984,851.14	12,835.48	0.00	0.00	0.00
BUNTING WARBURGER SEC	21,912,550.68	35,737.42	0.00	0.00	0.00
BURNS FRY & TIMMINS	35,005,163.28	25,134.41	0.00	0.00	0.00
BURTON J VINCENT CHESLEY & CO.	19,747,448.59	14,772.64	0.00	0.00	0.00
BUTCHER & SINGER	258,073.96	315.60	0.00	0.00	0.00
C.L. KING & ASSOC.	11,410,175.20	16,304.70	0.00	0.00	0.00
CABRERA CA	13,325,070.80	11,689.00	0.00	0.00	0.00
CAISSE CENTRALE DESJARDINS	681,883.26	702.91	0.00	0.00	0.00
CALLED BONDS FULL	0.00	0.00	9,377,316.03	0.00	0.00
CALYON JAPAN	104,291.00	86.64	0.00	0.00	0.00
CANADIAN I	5,924,708.59	6,349.02	0.00	0.00	0.00
CANNON BRIDGE	369,369.85	524.33	0.00	0.00	0.00
CANTOR FITZGERALD	302,155,499.54	218,159.62	743,139,573.08	0.00	0.00
CAPEL,JAMES	959,396.51	966.00	0.00	0.00	0.00
CAPITAL INST. SERVICES	87,508,891.47	77,932.53	0.00	0.00	0.00
CARIS & CO	71,006.03	325.60	0.00	0.00	0.00
CARLIN EQUITIES	1,008,525.05	1,128.49	0.00	0.00	0.00
CARNEGIE	5,810,999.06	6,724.66	0.00	0.00	0.00
CASA DE BOLSA INVERLAT, S.A.	176,534.21	353.35	0.00	0.00	0.00
CASABLANCA FINANCE GROUP	5,981,977.19	27,014.53	0.00	0.00	0.00
CATHAY FINANCIAL	1,292,638.57	1,300.07	0.00	0.00	0.00
CAZENOVE & CO.	24,422,795.61	26,462.48	0.00	0.00	0.00
CDS RBC DO	0.00	0.00	832,218.75	0.00	0.00
CHARLES STANLEY & CO	100,039.03	150.30	0.00	0.00	0.00
CHASE MANHATTAN BANK	2,523,026.10	2,029.60	49,285,638.69	0.00	0.00
CHASE SECURITIES INC	0.00	0.00	1,003,349,619.36	0.00	0.00
CHEEVERS & CO	17,087,906.03	14,900.00	0.00	0.00	0.00
CHEMICAL BANK	0.00	0.00	1,592,739,546.75	0.00	266,750,594.05
CHEUVREUX	23,029,750.11	34,065.18	0.00	0.00	0.00
CHINA INTERNATIONAL CAP CORP	5,052,047.34	9,995.61	0.00	0.00	0.00
CHINA SECURITIES CO LTD	108,972.00	155.57	0.00	0.00	0.00
CI NORDIC	10,917,052.21	19,423.13	0.00	0.00	0.00
CIBC WORLD	4,133,013.25	6,233.94	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

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Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
CIBC WORLD MARKETS	5,493,233.50	5,162.38	0.00	0.00	0.00
CIC SECURITIES	831,633.81	1,666.61	0.00	0.00	0.00
CITATION GROUP	287,399,399.41	280,648.81	0.00	0.00	0.00
CITIBANK	19,706.43	97.98	0.00	0.00	0.00
CITIGROUP ALGORITHMIC	2,748,082.32	1,293.27	0.00	0.00	0.00
CITIGROUP GLOBAL MARKETS INC	118,505,560.48	123,969.95	6,154,991.98	0.00	2,302,325,490.76
CITIGROUP INC	0.00	0.00	0.00	0.00	1,410,554,908.70
CL GLAZER INC.	29,277,690.83	64,631.33	0.00	0.00	0.00
CLARKE & CO	0.00	0.00	23,160,937.50	0.00	0.00
CLASS ACTION (NON CASH)	0.00	0.00	0.00	0.00	0.00
COCHRAN CARONIA SECURITIES LLC	2,807,449.62	5,921.20	0.00	0.00	0.00
COLLINS STEWART	9,040,796.53	7,592.68	0.00	0.00	0.00
COST ADJUSTMENT	2.51	0.00	0.00	0.00	0.00
COUNTRYWIDE	0.00	0.00	57,414,964.18	0.00	0.00
COWEN&CO	48,939,323.44	44,819.02	0.00	0.00	0.00
CRAIG-HALLUM INC	9,938,601.75	24,412.20	0.00	0.00	0.00
CREDIT AGR	229,563.15	572.48	0.00	0.00	0.00
CREDIT AGRICOLE INDOSUEZ	1,361,148.62	2,018.68	0.00	0.00	0.00
CREDIT LYONNAIS	101,368,208.59	133,911.65	60,000,000.00	0.00	69,808,091.40
CREDIT LYONNAIS SECURITIES	22,666,425.04	56,885.85	0.00	0.00	0.00
CREDIT RESEARCH & TRADING	1,302,173.15	2,325.33	0.00	0.00	0.00
CREDIT SUISSE	34,913,882.08	66,773.72	78,939,299.06	0.00	0.00
CREDIT SUISSE FIRST BOSTON LTD	297,882,698.47	326,853.33	0.00	0.00	0.00
CREWS & ASSOCIATES	0.00	0.00	222,750.00	0.00	0.00
CRONIN & CO INC	0.00	0.00	1,900,632.85	0.00	0.00
CRT CAPITAL GROUP	30,707.49	32.76	0.00	0.00	0.00
CRUTTEDEN GUST & MERH	8,483,295.78	21,253.35	0.00	0.00	0.00
CS FIRST BOSTON	38,336,583.85	69,391.90	216,003,550.00	0.00	10,521,394,313.48
CSFB	2,811,622.05	3,864.39	0.00	0.00	0.00
CUSTOM EQUITY RESEARCH, INC.	4,474,821.56	5,967.50	0.00	0.00	0.00
CUTTONE & CO	16,705,576.80	6,862.50	0.00	0.00	0.00
D CARNEGIE AG STOCKHOLM, SWEDEN	9,756,848.26	10,503.51	0.00	0.00	0.00
D.A. DAVIDSON	9,366,940.16	13,314.46	0.00	0.00	0.00
DAEWOOD SECURITIES CO., LTD	2,391,941.27	4,316.29	0.00	0.00	0.00
DAIN RAUSCHER INC	390,766.20	594.00	100,131,549.55	0.00	15,784,032.00
DAIWA SBCM	4,610,842.80	5,284.49	0.00	0.00	0.00
DAIWA SEC. AMERICA	64,233,419.89	55,066.98	0.00	0.00	0.00
DALAL & BROACHA	340,055.44	1,016.86	0.00	0.00	0.00
DAVENPORT & CO	2,156,651.04	3,350.80	0.00	0.00	0.00
DAVIS	345,188.10	290.53	0.00	0.00	0.00
DAVY & CO DUBLIN	1,706,774.01	2,531.04	0.00	0.00	0.00
DAVY (J+E)	9,110,156.54	10,926.68	0.00	0.00	0.00

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Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
DBAE DEUTCHE BANK	163,214.18	106.70	0.00	0.00	0.00
DBS VICKER	1,098,374.41	2,742.03	0.00	0.00	0.00
DELTA LLOYD SECURITIES N.V.	794,903.40	476.91	0.00	0.00	0.00
DEN DANSKE BANK	1,525,497.64	2,284.82	0.00	0.00	0.00
DESJARDIN SECURITIES	6,201,082.52	4,216.00	0.00	0.00	0.00
DEUTSCHE BANK	254,219,922.58	226,827.08	1,133,283,294.94	0.00	43,337,575.83
DEUTSCHE BANK AG NEW YORK	0.00	0.00	120,547.46	0.00	0.00
DEUTSCHE BANK CAPITAL	0.00	0.00	60,157.07	0.00	0.00
DEUTSCHE BANK GOVT SEC INC	0.00	0.00	486,660.79	0.00	0.00
DEUTSCHE BANK SECS	0.00	0.00	0.00	0.00	3,046,829,057.41
DEUTSCHE EQ. PVT., LTD.	7,499,578.13	16,758.60	0.00	0.00	0.00
DEUTSCHE M	3,634,221.59	7,707.59	0.00	0.00	0.00
DEUTSCHE S	3,187,418.74	6,392.20	0.00	0.00	0.00
DEUTSCHE SECURITIES	7,709,537.95	18,468.81	0.00	0.00	0.00
DEUTSCHE SECURITIES ASIA	33,499,512.00	92,622.46	0.00	0.00	0.00
DEXIA SECURITIES	7,915,748.12	14,082.02	0.00	0.00	0.00
DHANKI SECURITIES PVT LTD.	82,234.84	249.11	0.00	0.00	0.00
DIRECT TRADING INSTITUTIONAL	29,094,342.38	10,526.98	0.00	0.00	0.00
DONALDSON LUFKIN	35,576,753.30	38,613.29	0.00	0.00	0.00
DOUGHERTY CO	5,785,510.36	6,249.05	0.00	0.00	0.00
DOWLING & PARTNERS SEC LLC	15,196,002.29	7,265.54	0.00	0.00	0.00
DRESDNER K	64,867.86	77.75	0.00	0.00	0.00
DSP MERRILL LYNCH	1,909,187.40	5,740.05	0.00	0.00	0.00
DSP MERRILL LYNCH BOMBAY INDIA	32,195,719.08	75,685.28	0.00	0.00	0.00
DUNCAN WILLIAMS GOVT SEC	0.00	0.00	3,470,828.55	0.00	0.00
DUPONT DENANT S.A.	239,769.64	360.19	0.00	0.00	0.00
E TRADE SECURITIES LIMITED	160,776.24	177.24	0.00	0.00	0.00
ECONO TRADING	2,128,460.91	5,208.00	0.00	0.00	0.00
EDWARDS A.G. & SONS	10,553,161.62	20,644.40	0.00	0.00	0.00
EMP RESEARCH PARTNERS	7,924,804.68	10,465.00	0.00	0.00	0.00
EMPIRICAL	248,369.18	209.41	0.00	0.00	0.00
ENAM SECURITIES PVT LTD	423,796.56	1,281.04	0.00	0.00	0.00
ENSKILDA SECURITIES	3,916,794.88	6,729.37	0.00	0.00	0.00
EQUITABLE SECURITIES	0.00	0.00	2,448,975.00	0.00	0.00
EQUITY PLANNING CORP	0.00	0.00	3,182,961.26	0.00	0.00
EQUITY-ONE CORPORATION	0.00	0.00	1,420,136.87	0.00	0.00
EUROMOBILIARE	311,240.19	466.17	0.00	0.00	0.00
EUROZ SECURITIES LIMITED	85,333.10	170.33	0.00	0.00	0.00
EVERN EVEREN CLEARING HOUSE	0.00	0.00	2,766,878.44	0.00	0.00
EVOLUTION BEESON GREGORY	1,115,245.26	1,112.22	0.00	0.00	0.00
EXANE INC	1,208,717.47	1,813.74	0.00	0.00	0.00
EXANE, PARIS	16,918,962.79	21,395.46	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

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Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
EXCHANGE OFFER	1,645,781.13	0.00	6,685,286.88	0.00	0.00
EXECUTION SERVICES INC	345,835,734.51	190,882.16	0.00	0.00	0.00
F P MAGLIO & CO INC	33,856,904.86	14,415.50	0.00	0.00	0.00
FEDERAL RESERVE BANK OF BOSTON	0.00	0.00	9,790,625.00	0.00	0.00
FERRIS BAKER WATTS INC	0.00	0.00	292,457.75	0.00	0.00
FIDELITY C	111,301,056.72	71,432.00	0.00	0.00	0.00
FIDENTIIS	1,976,364.26	3,314.61	0.00	0.00	0.00
FIFTH THIRD SECURITIES INC	0.00	0.00	19,279,871.40	0.00	259,211,951.67
FIREFLY CAPITAL	7,815.29	1.89	0.00	0.00	0.00
FIRST ALBANY	35,690,363.20	36,289.54	763,413.45	0.00	0.00
FIRST ANALYSIS SEC. CORP.	121,476.36	290.00	0.00	0.00	0.00
FIRST BOSTON CORPORATION	1,409,918,482.94	796,392.08	4,732,629,718.24	0.00	432,202,563.86
FIRST MARATHON SEC., LTD	23,420.19	60.80	3,839,018.76	0.00	0.00
FIRST PACIFIC	7,101,879.29	13,405.76	0.00	0.00	0.00
FIRST TENN BANK, NA	0.00	0.00	25,101,167.19	0.00	0.00
FIRST UNION CAP MKTS	61,344,406.76	85,722.76	262,031,922.16	0.00	0.00
FLAGSTONE SECURITIES	287,232.00	1,056.00	0.00	0.00	0.00
FLEMING (ROBERT) INC	28,168,085.57	31,377.75	0.00	0.00	0.00
FONDSFINIAN	36,121.24	72.39	0.00	0.00	0.00
FORTIS BANK	96,624.23	145.17	2,900,386.55	0.00	0.00
FOX PITT KELTON INC	13,663,011.70	17,437.38	0.00	0.00	0.00
FRANK RUSSEL	1,971,506.00	3,465.20	0.00	0.00	0.00
FRIEDMAN, BILLINGS & RAMSEY	25,557,100.08	29,334.46	0.00	0.00	0.00
FUJI SECURITIES	8,046,702.26	9,798.36	0.00	0.00	0.00
G A SAXTON	0.00	0.00	19,330.09	0.00	0.00
G-TRADE SEC	7,224,546.65	2,888.66	0.00	0.00	0.00
GARDNER RICH & COLE	11,961,753.96	19,992.00	0.00	0.00	0.00
GENERAL ELEC CAPITAL CORP	0.00	0.00	0.00	0.00	436,828,817.76
GERSON	4,900,004.74	10,665.00	0.00	0.00	0.00
GFI SECURITIES LLC	11,157,895.03	4,275.30	0.00	0.00	0.00
GINSBERG	0.00	0.00	92,905.18	0.00	0.00
GLEN HILL	184,402.08	153.31	0.00	0.00	0.00
GLOBAL SECURITIES	676,825.51	1,691.74	0.00	0.00	0.00
GMP SECURITIES LTD.	15,140,204.83	36,433.54	0.00	0.00	0.00
GMS GROUP	0.00	0.00	1,241,862.38	0.00	0.00
GOLDMAN SACHS & COMPANY	1,810,706,061.54	1,050,048.66	11,828,816,844.97	415,606.75	5,507,205,486.65
GOODBODY STOCKBROKERS	12,025,652.39	20,224.72	0.00	0.00	0.00
GREEN STREET	429,990.22	706.00	0.00	0.00	0.00
GREENFIELD ARBITRAGE PARTNERS	889,411.27	0.00	3,681,645,838.70	0.00	1,130,051,079.62
GREENLINE INVESTORS SVCS. INC.	1,459,937.63	241.00	0.00	0.00	0.00
GREENWICH CAPITAL MARKETS INC	0.00	0.00	1,570,326,274.77	0.00	25,299,912,861.11
GRISWOLD	5,933,421.80	1,696.48	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
GROSS & CO. INC.	0.00	0.00	1,042,167.75	0.00	0.00
GUZMAN & CO.	144,362,604.75	87,376.98	0.00	0.00	0.00
HBSC SECURITIES	0.00	0.00	500,190,164.66	0.00	166,208,370.01
HC ISTANBU	5,209,908.72	13,030.02	0.00	0.00	0.00
HELEN BOE	0.00	0.00	1,796,683.17	0.00	0.00
HENDERSON BROTHERS	386,729,851.08	230,244.50	0.00	0.00	0.00
HENNINGS & ASSOCIATES	0.00	0.00	0.00	0.00	967,416,232.50
HIBERNIA SOUTH COAST CAP INC	18,972,884.80	17,932.29	0.00	0.00	0.00
HOARE GOVETT	5,179,516.72	14,827.83	0.00	0.00	0.00
HONG KONG & SHANG HIGH BK COR	4,718,428.36	8,326.57	0.00	0.00	0.00
HOWARD WEIL LABOUISSE FRIEDRIC	39,749.96	33.39	0.00	0.00	0.00
HSBC BANK	39,337,533.36	96,890.84	0.00	0.00	0.00
HSBC SECURITIES INC	8,914,368.85	10,960.49	52,867,914.41	0.00	24,873,000,000.00
HUTCHINSON SHOCKEY ERLEY & CO	0.00	0.00	848,475.00	0.00	0.00
IBES	1,933,219.49	3,473.54	0.00	0.00	0.00
IBJ INTL LTD	964,549.16	1,358.18	0.00	0.00	0.00
ICICI BROKERAGE SERVICES LTD	135,238.55	156.51	0.00	0.00	0.00
IL & FS INVESTSMART SEC.	112,567.59	336.27	0.00	0.00	0.00
ING BANK	18,890,669.32	49,538.13	0.00	0.00	0.00
ING BARING	14,165,179.08	25,773.01	0.00	0.00	0.00
INGALLS & SNYDER	275,868.18	716.25	0.00	0.00	0.00
INSTINET	450,649,673.95	259,293.99	0.00	0.00	0.00
INTERMONTE	573,623.73	859.15	0.00	0.00	0.00
INVESTEC H	656,359.82	978.19	0.00	0.00	0.00
INVESTEC SECURITIES	3,245,509.90	2,755.92	0.00	0.00	0.00
INVESTEC SECURITIES LTD	3,313,594.02	8,271.61	0.00	0.00	0.00
INVESTMENT	118,989,279.79	67,958.59	0.00	0.00	0.00
INVESTMENT RESOURCES OF TEXAS	695,189.66	232.72	0.00	0.00	0.00
INVESTMENT TECHNOLOGY CORP	2,040,762,968.28	772,608.73	0.00	0.00	0.00
ISI GROUP	34,141,755.45	41,320.58	0.00	0.00	0.00
ITG POSIT	1,423,713.61	643.74	0.00	0.00	0.00
ITG SECURITIES (HK) LTD	1,438,819.58	1,077.77	0.00	0.00	0.00
ITGL	13,528,333.27	6,409.80	0.00	0.00	0.00
IVY SECURITIES INC.	166,910.36	148.26	0.00	0.00	0.00
IXIS SECURITY	1,633,869.10	2,529.73	0.00	0.00	0.00
J P MORGAN & CO	91,031,291.64	126,383.72	2,640,085.55	0.00	0.00
J P MORGAN SECURITIES INC	839,250,142.55	524,246.03	77,589,976.87	0.00	3,659,493,106.99
J.B. WERE & SON	2,200,575.28	4,392.36	0.00	0.00	0.00
JACKSON PARTNERS & ASSOCIATES INC	15,341,753.60	8,586.00	0.00	0.00	0.00
JAHANGIR SIDDIQUI CAPITAL MARKET	669,281.31	2,688.07	0.00	0.00	0.00
JAMES B MCCREERY CO	0.00	0.00	1,100,609,257.75	0.00	0.00
JANCO PARTNERS	2,926,318.66	5,097.58	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
JANNEY MONTGOMERY SCOTT	2,499,876.19	3,642.00	0.00	0.00	0.00
JEFFERIES & CO	241,304,738.71	253,479.40	4,160,446.30	0.00	0.00
JNK SECURITIES INC	25,304,196.02	20,925.00	0.00	0.00	0.00
JOH BERENBERG GOSSLER AND CO	378,878.35	567.48	0.00	0.00	0.00
JOHNSON RICE & CO	2,766,102.63	3,422.90	0.00	0.00	0.00
JONES & ASSOCIATES	125,525,718.35	117,685.37	0.00	0.00	0.00
JONESTRADING INSTITUTIONAL	61,702,078.80	40,208.42	0.00	0.00	0.00
JP MORGAN	42,913,924.65	51,255.64	0.00	0.00	0.00
JPAE	224,897.60	85.09	0.00	0.00	0.00
JULIUS BAER	12,013,401.34	22,254.96	0.00	0.00	0.00
KAILASH BHARAT INVESTMENT	99,038.47	299.42	0.00	0.00	0.00
KALB VOORHIS & CO	22,581.49	20.40	0.00	0.00	0.00
KAS ASSOCIATES	341,467.20	649.29	0.00	0.00	0.00
KAUFMAN BROTHERS	2,565,305.23	3,514.10	0.00	0.00	0.00
KAUPTHING BANK SVERIGE AB	99,106.00	147.87	0.00	0.00	0.00
KB SECURITIES NV	348,957.75	524.22	0.00	0.00	0.00
KBC FINANCE	7,444,627.19	9,240.87	567,178.75	0.00	0.00
KEB SMITH BARNEY SECS	20,077,392.66	43,441.32	0.00	0.00	0.00
KEEFE BRUYETTE & WOOD	54,465,051.71	64,872.93	2,855,170.57	0.00	0.00
KEMPEN & CO	177,592.90	266.72	0.00	0.00	0.00
KEPLER EQUITIES FRAKFURT BRAN	4,477,165.76	4,505.75	0.00	0.00	0.00
KEPLER EQUITIES ZURICH	706,905.78	1,058.78	0.00	0.00	0.00
KIM. ENG. SEC.	182,874.04	550.55	0.00	0.00	0.00
KINNARD (JOHN G.) & CO	51,243,519.40	74,612.24	0.00	0.00	0.00
KLEINWORTH BENSON INC	54,461,059.27	72,124.74	0.00	0.00	0.00
KNIGHT SECURITIES	104,974,383.54	105,647.82	0.00	0.00	0.00
KOTAK SECURITIES	3,923,825.13	10,198.82	0.00	0.00	0.00
L F ROTHSCHILD	67,768.52	0.00	0.00	0.00	0.00
LABRANCHE FINANCIAL SVCS	27,028,750.62	25,576.51	0.00	0.00	0.00
LASKER STONE AND STERN	7,063,370.81	8,438.24	0.00	0.00	0.00
LAWRENCE	18,907,621.02	15,896.24	0.00	0.00	0.00
LAZARD FRERES & CO	517,547.64	492.25	0.00	0.00	0.00
LEERINK SW	18,404,424.58	25,784.03	0.00	0.00	0.00
LEHMAN BROS INC	1,072,194,983.58	698,790.60	20,468,719.70	0.00	3,540,596,354.31
LEHMAN BROTHERS	1,166,743.16	2,285.13	0.00	0.00	0.00
LEHMAN BROTHERS INC	1,245,767,581.85	643,415.32	2,646,473,427.63	28,977.00	1,836,316.11
LEHMAN GOVT SECURITIES	0.00	0.00	7,057,407,810.71	0.00	704,018,407.67
LIQUIDNETI	806,144,733.46	524,250.31	0.00	0.00	0.00
LITWIN SECURITIES INC.	25,288.68	53.21	0.00	0.00	0.00
LKP SECURITIES	390,469.32	1,164.09	0.00	0.00	0.00
LOCATION C	286,751.10	0.00	0.00	0.00	0.00
LOMBARD, ODIER & CIE	39,752.00	79.34	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
LONGBOW SECURITIES LLC	1,000,095.38	953.32	0.00	0.00	0.00
LOOP CAPITAL	14,425,973.74	12,408.16	0.00	0.00	0.00
LORRAINE L BLAIR INC	566,320.21	0.00	0.00	0.00	0.00
LUMMIS & CO	0.00	0.00	0.00	0.00	39,882,666.67
LYNCH, JONES & RYAN	312,922,075.95	306,339.47	0.00	0.00	0.00
MACQUARIE BANK LIMITED, LONDON	990,264.64	1,834.49	0.00	0.00	0.00
MACQUARIE EQUITIES	10,698,987.83	21,050.24	0.00	0.00	0.00
MAGNA SECURITIES CORP	133,944.07	158.38	0.00	0.00	0.00
MAINFIRST	1,460,345.67	2,187.23	0.00	0.00	0.00
MALONEY & CO	27,380.57	26.00	0.00	0.00	0.00
MAN FINANCIAL SIFY SECURITIES	130,406.31	390.72	0.00	0.00	0.00
MANDATORY EXCHANGE/NON-CASH	64,703,513.76	0.00	0.00	0.00	0.00
MATURITY	0.00	0.00	25,230,000.00	0.00	54,802,877.22
MCDANIEL LEWIS & CO	0.00	0.00	2,056,866.75	0.00	0.00
MCDONALD & COMPANY	23,942,637.59	37,438.28	3,126,748.55	0.00	0.00
MEDIOBANCA SPA	814,978.04	1,626.70	0.00	0.00	0.00
MELVIN SECURITIES (CLARK & CO)	3,700,656.09	1,305.50	0.00	0.00	0.00
MERRIL-PERFORMANCE MEASURE	1,118,392,034.15	680,086.61	3,218,625,111.29	87,491.60	1,289,191.66
MERRILL LYNCH	400,678,181.82	583,772.70	28,450,725.00	0.00	2,120,681,243.13
MERRILL LYNCH INTERNATIONAL	13,317,445.42	23,924.36	179,379.00	0.00	0.00
MERRILL LYNCH P F & S	22,151.99	11.08	30,684,658.73	0.00	446,609,772.63
MERRILL LYNCH PIERCE	136,817.99	63.00	0.00	0.00	0.00
MERRIMAN	1,259,893.91	1,093.50	0.00	0.00	0.00
MERRION CAPITAL GROUP	493,033.02	738.01	0.00	0.00	0.00
MESIROW AND COMPANY	0.00	0.00	20,959,519.47	0.00	0.00
MESIROW FINANCIAL INC	0.00	0.00	11,893,861.00	0.00	0.00
MIAE MERRILL LYNCH ALGOR	529,533.62	195.98	0.00	0.00	0.00
MIDLAND MANAGEMENT CORP	4,504,782.03	4,768.53	0.00	0.00	0.00
MIDWEST RESEARCH	20,157,261.28	27,947.75	0.00	0.00	0.00
MILETUS TRADING LLC	796,544.03	476.00	0.00	0.00	0.00
MJSK INC	8,979,304.79	19,903.60	0.00	0.00	0.00
MONTGOMERY SECURITIES	822,199,491.85	393,924.58	2,826,098,280.74	0.00	1,116,027,025.14
MONTROSE SECURITIES EQUITY	8,798,511.17	12,458.75	0.00	0.00	0.00
MONUMENT DERIVATIVES LTD	3,725,667.47	3,708.81	0.00	0.00	0.00
MORGAN GRENFELL	931,087.06	1,211.07	0.00	0.00	0.00
MORGAN GUARANTY	0.00	0.00	1,063,229.00	0.00	0.00
MORGAN KEEGAN INC.	39,341,546.43	50,050.46	43,427,568.52	0.00	0.00
MORGAN STANLEY	130,615,164.80	183,586.24	9,778,515.62	0.00	0.00
MORGAN STANLEY & CO	1,398,250,768.90	961,223.24	4,518,946,436.73	0.00	2,681,149,465.61
MORGAN STANLEY INDIA SEC PRVT	6,933,783.03	17,973.24	0.00	0.00	0.00
MOTILAL OSWAL SEC. LTD. BOMBAY	973,778.35	2,915.00	0.00	0.00	0.00
MR BEAL & COMPANY	1,543,012.50	2,672.00	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
MURALILAL SARAF	930,058.63	2,782.75	0.00	0.00	0.00
MURPHY, MARSEILLES, SMITH & NA	0.00	0.00	73,336,967.15	0.00	0.00
NAGARMAL SARAF	251,893.04	375.20	0.00	0.00	0.00
NATIONAL AUSTRALIA BANK LIMITED	0.00	0.00	6,422,221.38	0.00	0.00
NATIONAL FINANCIAL	21,355,786.16	19,619.04	5,702,454.77	0.00	0.00
NATIONAL STOCK EXCHANGE	1,662,924.48	4,967.88	0.00	0.00	0.00
NBC LEVESQUE	5,039,897.41	4,112.55	0.00	0.00	0.00
NCB STOCKBROKERS	2,422,740.42	3,145.95	0.00	0.00	0.00
NEDCOR SECURITIES	207,533.02	516.24	0.00	0.00	0.00
NESBITT BURNS	2,065,116.46	2,865.20	0.00	0.00	0.00
NESBITT BURNS INC.	0.00	0.00	434,287.50	0.00	0.00
NEUBERGER & BERMAN	9,779,464.84	6,639.86	0.00	0.00	0.00
NEW VERNON ASSOCIATES	190,096.52	167.67	0.00	0.00	0.00
NEXT GENERATION EQUITY RESEARCH	833,092.80	2,605.00	0.00	0.00	0.00
NOBLE INTERNATIONAL	2,358,607.40	3,608.35	0.00	0.00	0.00
NOMURA SECURITIES INTL	249,820,527.63	75,836.43	49,400,995.88	0.00	15,673,000,000.00
NORTHLAND	113,078.98	393.80	0.00	0.00	0.00
NOT APPLICABLE	36,783,744.21	0.00	3,643.15	0.00	0.00
NUMIS SECURITIES LTD	1,676,361.16	1,439.52	0.00	0.00	0.00
NUTMEG SECURITIES	17,076,499.44	15,148.43	0.00	0.00	0.00
NVDR TO FOREIGN NON CASH	68,214.58	0.00	0.00	0.00	0.00
NYFIX TRANSACTION SVCS # 2	39,054,263.10	8,412.00	0.00	0.00	0.00
NZB NEUE ZUERCHER BANK	1,034,713.55	1,550.47	0.00	0.00	0.00
O'NEIL (WM COMPNY INC	329,533.53	1,450.00	0.00	0.00	0.00
ODDO FINANCE	4,963,437.72	9,457.34	0.00	0.00	0.00
OHMAN SECURITIES	0.00	0.00	9,053,789.06	0.00	0.00
OLDE & CO	64,790.21	43.50	0.00	0.00	0.00
OPPENHEIMER & CO	125,340,984.47	130,265.69	177,225.00	0.00	0.00
ORIEL SECURITIES LTD	70,447.91	104.99	0.00	0.00	0.00
OSCAR GRUSSMAN	4,864,054.49	3,384.00	0.00	0.00	0.00
P K SECURITY	2,871,855.64	8,875.23	0.00	0.00	0.00
PACIFIC CR	13,145,293.79	19,879.75	0.00	0.00	0.00
PACIFIC GROWTH EQUITIES	2,804,134.39	6,527.50	0.00	0.00	0.00
PACIFIC SECURITIES INC.	373,175.64	191.00	0.00	0.00	0.00
PAINE WEBBER INC	0.00	0.00	1,374,582,815.11	0.00	0.00
PAINE WEBBER J & C	5,515,836.94	6,744.00	3,082,160.00	0.00	0.00
PALI CAPITAL LLC	284,931.24	176.00	0.00	0.00	0.00
PANMURE GORDON	448,327.43	445.65	0.00	0.00	0.00
PAREL	1,906,599.45	2,864.20	0.00	0.00	0.00
PARIBAS	2,327,952.29	3,736.19	0.00	0.00	0.00
PARK SECURITIES	16.51	0.00	0.00	0.00	0.00
PAULSEN, DOWLING	302,814.67	493.16	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

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Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
PAYDOWN/PAYUP	0.00	0.00	1,432,674,758.27	0.00	0.00
PENSION FINANCIAL SERVICES INC.	4,453,688.65	5,893.01	0.00	0.00	0.00
PENSON FINANCIAL	1,047,835.02	523.66	0.00	0.00	0.00
PERSH PERSHING DIV OF DLJ	169,379,771.29	292,805.27	0.00	0.00	0.00
PERSHING SECURITIES LTD	78,979,789.11	107,702.71	88,402,794.22	0.00	0.00
PETERCAM S	29,522.99	44.22	0.00	0.00	0.00
PETERS & CO.	72,904.96	126.61	0.00	0.00	0.00
PICKERING	4,087,055.82	3,892.00	0.00	0.00	0.00
PIONEER SECURITIES INC.	0.00	0.00	1,557,301,799.01	0.00	0.00
PIPELINE TRADING SYSTEMS LLC	39,203,158.84	21,794.14	0.00	0.00	0.00
PIPER,JAFFRAY & HOP S	95,805,272.29	105,539.74	222,750.00	0.00	0.00
POLCARI	135,166.67	203.40	0.00	0.00	0.00
PORTALES P	159,328.89	172.09	0.00	0.00	0.00
POSITION ADJUSTMENT	205,582.66	0.00	0.00	0.00	0.00
PRABHUDAS	806,004.19	2,424.93	0.00	0.00	0.00
PREBON YAMANE (USA) INC	0.00	0.00	705,000,000.00	0.00	0.00
PRESSPRICH (R.W.) & COMPANY	0.00	0.00	75,874,017.92	0.00	0.00
PREVISION INVESTMENT CO	0.00	0.00	798,459.00	0.00	0.00
PRIME MONEY FUND	0.00	0.00	804,714.20	0.00	41,832,583.33
PRINCIPAL MTGE NON CASH	0.00	0.00	0.00	0.00	0.00
PROBURSA	503,089.88	755.78	0.00	0.00	0.00
PRUDENTIAL EQUITY GROUP	203,280,951.34	168,523.91	0.00	0.00	0.00
PRUDENTIAL FUNDING CORP	0.00	0.00	0.00	0.00	375,987,257.90
PULSE TRADE	8,415,590.54	8,559.10	0.00	0.00	0.00
PUNK ZIEGE	11,489,060.77	18,212.89	0.00	0.00	0.00
Q&R CLEARING CORP	462,420.76	541.54	0.00	0.00	0.00
RABOBANK NETHERLANDS	259,697.77	388.97	0.00	0.00	238,932,149.17
RAYMOND JAMES & ASSOCIATES	58,880,203.67	89,591.76	9,774,149.54	0.00	0.00
RBC CAPITAL MARKETS	0.00	0.00	330,476.45	0.00	560,463,885.05
RBC DOMINION SECURITIES	76,411,959.52	73,853.71	59,444.50	0.00	26,080,101.70
RBS TRUST BANK LTD	105,063.75	156.57	0.00	0.00	0.00
REBOOK TRANSACTION	0.00	0.00	10,000.00	0.00	0.00
REDBURN PARTNERS LLP	13,523,300.37	13,547.49	0.00	0.00	0.00
REDEMPTION (MBS)	15,897.68	0.00	127,354.71	0.00	0.00
RENAISSANCE CAPITAL	8,853,956.39	11,516.61	0.00	0.00	0.00
RESEARCH CAPITAL CORP	1,016,896.49	1,224.90	0.00	0.00	0.00
RESIDENTIAL FUNDING CORP	0.00	0.00	12,599,686.39	0.00	0.00
RETURN OF CAPITAL	181,681.43	0.00	90,427.08	0.00	0.00
REUBEN ALSTEAD & CO INC.	290,296.38	348.00	629,884,773.68	0.00	0.00
REVERSAL OF PURCHASE	-26,204,856.22	-22,631.83	-2,201,498,751.10	-2,608.50	-2,345,692.60
REVERSAL OF SALE	-40,995,118.95	-9,980.10	-940,207,876.56	0.00	-9,998,559.72
REVERSAL OF WRITE	0.00	0.00	7,820.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
RHINE SECURITIES	395,814.78	0.00	0.00	0.00	0.00
RIGHTS ISSUED	1,028.39	0.00	0.00	0.00	0.00
RIGHTS SOLD	1,410.98	0.00	0.00	0.00	0.00
RISK ARBITRAGE PARTNERS	0.00	0.00	10,748,965.95	0.00	0.00
ROBBINS AND HENDERSON	376,533.00	327.24	0.00	0.00	0.00
ROBERT VAN SECURITIES	5,384,846.77	3,491.76	0.00	0.00	0.00
ROBERT W. BAIRD & CO	100,341,180.12	135,641.11	5,965,343.12	0.00	0.00
ROCHDALE SECURITIES CORP	178,151,231.39	128,305.15	0.00	0.00	0.00
ROOSHNIL SECURITIES	127,549.39	383.11	0.00	0.00	0.00
ROSENBLATT SECURITIES INC	66,396,938.02	33,202.87	0.00	0.00	0.00
ROWAN, DARTINGTON & CO.	306,952.86	305.13	0.00	0.00	0.00
ROYAL BANK OF CANADA	2,210,086.77	3,909.07	0.00	0.00	0.00
ROYAL BANK OF SCOTLAND PLC	3,428,022.39	1,952.39	0.00	0.00	0.00
RYAN BECK & CO.	2,348,918.13	5,740.72	0.00	0.00	0.00
SAL OPPENHEIM ET CIE	414,265.98	620.47	0.00	0.00	0.00
SALOMON BROTHERS	200,626,828.76	259,293.31	2,781,082,982.81	0.00	0.00
SALOMON SM	4,893,244.24	10,259.09	0.00	0.00	0.00
SALOMON SMITH BARNEY HOLDINGS	28,496,921.40	61,573.83	0.00	0.00	0.00
SALOMON SOFT DOLLARS	260,836.71	351.97	0.00	0.00	0.00
SAMSUNG SECURITIES	11,436,519.57	24,394.57	0.00	0.00	0.00
SAMUEL A R	2,031,682.32	1,915.35	0.00	0.00	0.00
SANDERS, MORRIS & MUNDY INC.	5,472,681.68	6,318.15	0.00	0.00	0.00
SANDLER O NEIL	11,791,690.78	15,982.45	0.00	0.00	0.00
SANFORD C.	6,253,239.78	8,829.46	0.00	0.00	0.00
SANTANDER CENTRAL HISPANO BOLS	590,154.91	1,177.96	0.00	0.00	0.00
SBAE BERNSTEIN ALGORITHMIC	694,453.81	297.88	0.00	0.00	0.00
SBC WARBURG, LONDON	11,559,487.51	12,241.81	0.00	0.00	0.00
SBK BROOKS INVESTMENT CORP	6,406,458.33	4,592.00	0.00	0.00	0.00
SCHONFIELD SECURITIES	809,799.68	308.25	0.00	0.00	0.00
SCOTIA CAPITAL MARKET	185,201.12	32.00	0.00	0.00	0.00
SCOTIA MCLEOD	3,653,531.81	3,987.60	0.00	0.00	0.00
SCOTT & STRINGFELLOW	14,805,261.22	21,517.09	41,319,840.24	0.00	0.00
SEASONGOOD & MAYER	0.00	0.00	409,393.60	0.00	0.00
SECURITY PACIFIC NATL BANK	0.00	0.00	13,750,000.00	0.00	0.00
SECURITY PLANNING COMPANY	2,323,178.36	752.00	0.00	0.00	0.00
SEI FUNDS EVALUATION	38,648,149.59	56,408.04	0.00	0.00	0.00
SERVICE ASSET MANAGEMENT COMPA	4,138,270.79	3,016.04	0.00	0.00	0.00
SG COWEN SECURITIES CORP	42,515,971.07	48,820.04	0.00	0.00	0.00
SG SECURITIES	1,909,135.13	1,601.26	0.00	0.00	0.00
SHINYOUNG SECURITIES CO	377,304.75	940.90	0.00	0.00	0.00
SIDOTI	27,425,989.64	33,575.58	0.00	0.00	0.00
SIMMONS +	2,087,267.96	1,747.50	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
SK INTERNATIONAL SECURITIES	50,003,866.01	32,054.00	0.00	0.00	0.00
SNS BANK NETHERLAND	317,092.68	476.35	0.00	0.00	0.00
SOCIETE GE	85,106,864.05	93,068.74	0.00	0.00	0.00
SOCIETE GENERAL	2,812,963.09	3,464.38	6,266,658.97	0.00	0.00
SOCIETE GENERALE NA	0.00	0.00	50,000,000.00	0.00	906,721,405.10
SOLEIL SEC.	3,167,968.37	4,821.27	0.00	0.00	0.00
SOUTHWEST SECURITIES	0.00	0.00	242,920.60	0.00	0.00
SPEAR,LEEDS & KELLOGG	208,364,892.09	38,213.62	0.00	0.00	0.00
SPINOFF	771,881.72	0.00	0.00	0.00	0.00
SPROTT SECURITIES	172,226.90	414.50	0.00	0.00	0.00
SS KANTIISHWARLAL LTD	1,205,542.90	3,587.26	0.00	0.00	0.00
SSGA EXTERNAL	536,283,618.43	0.00	0.00	0.00	0.00
STANFORD GROUP CO	993,722.10	1,559.78	0.00	0.00	0.00
STANLEY (CHARLES) & CO LTD	7,060.20	7.06	0.00	0.00	0.00
STATE BOARD OF INVESTMENT	558,491,444.73	336,999.17	533,046,140.00	0.00	537,000.00
STATE ST BK & TRUST	2,224,317,320.97	625,504.78	775.84	0.00	23,728,982,851.15
STEPHENS, INC.	30,007,599.40	42,323.77	14,712,020.07	0.00	0.00
STERNE, AGEE & LEACH	842,740.12	1,564.94	4,798,207.00	0.00	0.00
STIFEL NICOLAUS & COMPANY	41,115,498.90	45,318.11	131,883,854.52	0.00	0.00
STOCK DIVIDEND NON-CASH	1,451,183.19	0.00	0.00	0.00	0.00
STOCK/CASH DIVIDEND	3,674,886.02	0.00	0.00	0.00	0.00
STUART FRANKLE	19,139,029.43	12,089.35	0.00	0.00	0.00
SUNTRUST CAPITAL MARKETS INC	33,442,522.87	48,961.69	0.00	0.00	0.00
SUVALOR BOGOTA, COLUMBIA	320,903.43	1,073.37	0.00	0.00	0.00
SVENSKA HANDELSBANKEN	6,079,877.37	9,064.43	0.00	0.00	0.00
SWISS BANK	912,768,027.76	464,670.56	5,228,764,322.71	0.00	0.00
TD WATERHOUSE CDA	14,180,280.85	15,445.87	0.00	0.00	0.00
TEATHER AND GREENWOOD	4,054,767.36	4,059.70	0.00	0.00	0.00
THE BENCHMARK COMPANY, LLC	907,222.22	2,261.60	0.00	0.00	0.00
THOMAS C BOWLES & CO.	405,998.24	409.36	0.00	0.00	0.00
THOMAS WEISEL PARTNERS	61,143,768.35	74,659.84	0.00	0.00	0.00
TOKYO MITSUBISHI	10,641,365.71	13,014.23	0.00	0.00	0.00
TOKYO MITSUBISHI	4,628,249.86	3,857.67	0.00	0.00	0.00
TORONTO DOMINION SEC INC	8,977,136.18	2,129.31	0.00	0.00	54,847,487.50
TROIKA - NEW YORK	4,249,138.36	2,866.95	0.00	0.00	0.00
U.S. CLEARING	37,326,878.51	34,139.10	923,507.25	0.00	22,696,840.92
UBAE WARBURG ALGORITHMIC	359,825.08	132.64	0.00	0.00	0.00
UBS AG	41,234,403.02	64,040.60	1,591,305.30	0.00	0.00
UBS SECURITIES	171,154,003.98	192,572.17	2,770,625.00	0.00	5,674,726,597.22
UBS WARBURG	10,978,910.50	25,096.05	0.00	0.00	0.00
UBS-DB CORPORATION	0.00	0.00	9,219,155.86	0.00	0.00
UNIBANCO	640,960.01	1,630.29	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2007

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
UNION BANK OF L.A.	59,543.10	130.00	0.00	0.00	0.00
UNITED CAPITAL MARKETS INC	0.00	0.00	877,672.75	0.00	0.00
UNITED SERVICES PLANNING ASSOC	0.00	0.00	109,064,669.29	0.00	0.00
UNIVERSITY CAPITAL CORP.	0.00	0.00	0.00	0.00	111,583,727.00
UNTERBURG HARRIS & DESANTIS	6,774,637.52	15,003.00	0.00	0.00	0.00
UPLINE INTERNATIONAL	556,662.29	2,238.96	0.00	0.00	0.00
USB AUSTRALIA	1,036,495.74	2,068.84	0.00	0.00	0.00
UTENDAHL	177,148,287.45	75,888.00	0.00	0.00	0.00
W.J. BONFANTI INC	1,011,525.69	469.08	0.00	0.00	0.00
WACHOVIA	523,913.52	603.72	0.00	0.00	0.00
WACHOVIA BANK	0.00	0.00	215,201.25	0.00	0.00
WAGNER STOTT & CO.	335,257,568.10	262,106.29	0.00	0.00	0.00
WALL STREET PLANNING INC.	0.00	0.00	24,993,218.40	0.00	0.00
WARBURG DI	11,789,961.68	24,766.29	0.00	0.00	0.00
WARBURG S.G.	4,915,635.72	13,667.72	0.00	0.00	0.00
WARBURG, DILLON READ	91,619,532.33	169,037.63	0.00	0.00	0.00
WASHINGTON ANALYSIS	73,966.11	31.71	0.00	0.00	0.00
WAVE SECURITIES	99,635,056.11	28,798.39	0.00	0.00	0.00
WEDBUSH SECURITIES	2,075,433.53	3,693.89	0.00	0.00	0.00
WEEDEN & COMPANY	256,684,728.98	189,601.73	0.00	0.00	0.00
WEISS	5,500,230.95	7,217.20	0.00	0.00	0.00
WELLINGTON & CO.	6,055,587.57	5,379.40	0.00	0.00	0.00
WELLS FARGO INSTL BROK & SALES	0.00	0.00	0.00	0.00	11,877,906.67
WESTDEUTSCHE LANDESBANK	7,497,715.64	9,253.53	0.00	0.00	0.00
WESTMINSTER	19,534,370.64	38,929.90	0.00	0.00	0.00
WHEATON FIRST SECURITIES INC	8,712,787.92	7,390.84	0.00	0.00	0.00
WHITE CAP TRADING	4,359,561.21	2,777.96	0.00	0.00	0.00
WILIAM R. HOUGH & CO	236,619.25	20.00	16,902,446.20	0.00	0.00
WILLIAM JENNINGS & CO INC.	543,043.51	213.30	0.00	0.00	0.00
WILLIAMS CAPITAL GROUP LP NY	19,406,153.37	21,038.00	0.00	0.00	0.00
WOORI INVESTMENT SEC	5,583,957.47	13,966.51	0.00	0.00	0.00
WR HAMBREC & CO	6,779,308.87	6,008.15	0.00	0.00	0.00
YAMNER & CO INC (CLS THRU 443)	13,956,751.74	6,261.00	0.00	0.00	0.00
YORKTON SECURITIES INC	549,693.18	1,340.49	0.00	0.00	0.00
YUANTA SECURITIES CO LTD	3,944,006.53	11,250.68	0.00	0.00	0.00
BROKER NOT AVAILABLE *	8,572,194,993.37	91,543.50	458,349,121.82	0.00	29,937,258,807.07
ALL BROKERS COMBINED	39,719,849,546.34	21,695,122.93	78,026,594,743.05	529,466.85	175,107,691,178.54

*Includes transactions where broker data was incomplete, income reinvestment transactions and transfers and adjustments between funds.

Note: Totals may not add due to rounding.

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Minnesota State Board of Investment
and
Mr. 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, 2007, as shown on pages 124-131. 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.

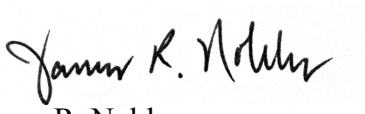
The financial statements present only the Supplemental Investment Fund and the Post Retirement Investment Fund of the State of Minnesota and are not intended to present fairly the financial position and results of operation of the Minnesota State Board of Investment or the State of Minnesota in conformity 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, 2007, 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.

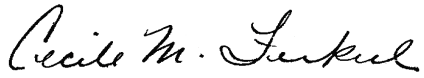
In accordance with *Government Auditing Standards*, we also issued our report dated December 21, 2007, on our consideration of the Minnesota State Board of Investment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 133-182, 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 119 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

December 21, 2007

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2007
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND (7)	POST RETIREMENT INVESTMENT FUND (8)
ASSETS:		
Investments (at market value) (2), (3):		
Common Stock	$ 752,434	$ 18,713,410
Alternative Equities	0	0
Fixed Income Securities	286,244	5,890,999
Short Term Securities	93,662	570,822
Short Term Securities-Lending Collateral(4b)	186,600	4,029,954
Total Investments	$ 1,318,940	$ 29,205,185
Cash	0	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	50,834
Accounts Receivable-Participants	0	0
Accrued Interest	215	0
Accrued Dividends	0	0
Accrued Short Term Gain	396	2,051
Reserve Adjustment	0	0
TOTAL ASSETS	$ 1,319,551	$ 29,258,070
LIABILITIES:		
Management Fees Payable	$ 191	$ 7,493
Security Purchases Payable	0	0
Accounts Payable-Participants	0	2,726
Accounts Payable-Mortality	0	68,785
Payable to MSRS	0	0
Reserve Adjustment	0	0
Securities-Lending Collateral (4b)	186,600	4,029,954
TOTAL LIABILITIES	$ 186,791	$ 4,108,958
NET ASSETS AT JUNE 30, 2007	$ 1,132,760	$ 25,149,112

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, 2007
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
FROM UNDISTRIBUTED INCOME:		
Net Investment Income	$ 72,716	$ 2,392,971
Realized Gains (Losses)	30,384	276,825
Unrealized Gains (Losses)	44,796	1,221,129
TOTAL INCOME	$ 147,896	$ 3,890,925
Less Distribution To Participant Accounts	(147,896)	(3,890,925)
Undistributed Dedicated Income	0	0
Net Change From Undistributed Income	$ 0	$ 0
FROM PARTICIPANT TRANSACTIONS:		
Additions To Participant Accounts		
Participant Contributions	161,784	2,000,504
Income Distribution	147,898	3,890,925
Income To Be Distributed	0	0
Total Additions	$ 309,682	$ 5,891,429
Deductions From Participant Accounts		
Withdrawals	400,678	2,792,018
Total Deductions	$ 400,678	$ 2,792,018
Net From Participant Transactions	($ 90,996)	$ 3,099,411
TOTAL CHANGE IN ASSETS	($ 90,996)	$ 3,099,411
NET ASSETS:		
Beginning Of Period	1,223,756	22,049,701
End Of Period	$ 1,132,760	$ 25,149,112

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, 2007
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
INVESTMENT INCOME:		
Interest	$ 14,756	$ 297,893
Dividends	$ 54,293	$ 2,090,715
Short Term Gains	4,185	31,819
Security Lending Gross Earnings(4c)	6,768	178,752
Less: Borrower Rebates	(6,287)	(167,086)
Less: Fees Paid to Agents	(109)	(2,695)
Security Lending Net Earnings	372	8,971
Income Before Expenses	$ 73,606	$ 2,429,398
Management Fees	890	36,427
NET INCOME	$ 72,716	$ 2,392,971
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	362,720	$ 2,036,233
Cost Of Securities Sold	332,336	1,759,408
Net Realized Gain (Loss)	$ 30,384	$ 276,825
Unrealized:		
Beginning Of Period	46,327	508,079
End Of Period	91,123	1,729,208
Increase (Decrease) In Unrealized Appreciation	$ 44,796	$ 1,221,129
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 75,180	$ 1,497,954

Notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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 market except for U.S. Government short-term securities and commercial paper, which are valued at market 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 market 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, 2007, the investments of cash collateral had an average duration of 53 days and a weighted average maturity of 430 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, 2007 Minnesota had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the State Board as of June 30, 2007 were $9,567,384,488 and $9,225,511,393 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 163 of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at market value.

3. COST OF INVESTMENTS

At June 30, 2007, the cost of investments for the Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	$ 1,041,826,285
Post Retirement Fund	$ 23,448,073,204

4. LOANED SECURITIES

4(a) The market value of loaned securities outstanding at June 30, 2007 was:

Supplemental Investment Fund	$ 200,845,702
Post Retirement Fund	$ 4,439,576,868

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, 2007, MSBI held outstanding long positions with a notional value of $1,002,703,801 and estimated fair value of ($7,119,592) along with short positions with a notional value of $356,962,550 and estimated fair value of ($1,007,553). The fair value of these contracts is a component of Unrealized Gain/Loss.

At June 30, 2007, there were $1,565,036,462 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 $1,568,599,923 and an Unrealized Gain/(Loss) of ($3,563,461).

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. MSBI'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 **152 to 159** 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 2007 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 Moodies, 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 Moodies 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.

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 2007 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **134 to 151** 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 36% 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, 2007(In Thousands)

Type	Years Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	10.71	$9,596	0.00%	97.02%	0.00%	2.98%
Corporate Bonds	7.82	$73,529	0.00%	82.02%	15.52%	2.46%
External Cash Equivalent Pools	0.14	$161,674	0.00%	94.06%	0.00%	5.94%
Mortgage Backed Securities	24.65	$97,468	1.90%	97.08%	0.45%	0.57%
Mortgage Backed Securities TBA	0.00	$18,447	1.65%	98.35%	0.00%	0.00%
Municipal/Provincial Bonds	5.67	$2,877	0.00%	98.49%	0.23%	1.28%
Mutual Funds	0.18	$61,386	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	3.24	$33,299	0.00%	96.67%	0.01%	3.32%
U.S. Treasuries	6.53	$27,720	100.00%	0.00%	0.00%	0.00%
		$485,996				

Table 2

Currency Exposure (In Thousands)

	Cash	Fixed	Equity
Euro Currency	$435	$76	$28,532
Japanese Yen	$346	$0	$15,481
Pound Sterling	$158	$0	$17,179
Other LT 1% Foreign	$430	$16	$31,947
Total	$1,369	$92	$93,139

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, 2007. 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 thePOST Fund is listed as Undistributed Earnings.

Pursuant to ***Minnesota Statutes* Section 11A.18, Subdivision 9**, the inflation increase is based on the change during the Fiscal Year in the *Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor*. In addition to the inflation based increase, a portion of the June 30, 2007 net market value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 2008.

The benefit increase is stated as a percentage of eligible required reserves. In accordance with statutory provisions, the amount available for the benefit increase is certified to each participating pension fund for distribution to eligible individuals. Annuitants and other individuals receiving benefits at May 31, 2007 are eligible to receive the January 1, 2008 benefit increase.

Inflation Based Benefit Increase	2.500%
Investment Based Benefit Increase	0.000
Total Benefit Increase	2.500%

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 32% 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

Debt Securities Credit Quality and Exposure of the Post Fund's Share of the Pooled Investment Accounts as of June 30, 2007 (In Thousands)

Type	Yrs Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	12.57	$360,623	0.00%	96.58%	0.00%	3.42%
Corporate Bonds	9.82	$1,207,000	0.00%	83.88%	14.36%	1.76%
External Cash Equivalent Pools	0.14	$1,505,984	0.00%	93.12%	0.00%	6.88%
Mortgage Backed Securities	25.27	$2,576,917	2.89%	96.16%	0.01%	0.94%
Mortgage Backed Securities TBA	0.00	$797,531	1.65%	98.35%	0.00%	0.00%
Municipal/Provincial Bonds	5.68	$124,546	0.00%	98.49%	0.23%	1.28%
Mutual Funds	0.00	$39,498	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	4.03	$593,344	0.00%	99.52%	0.00%	0.48%
U.S. Treasuries	6.56	$965,025	100.00%	0.00%	0.00%	0.00%
		$8,170,468				

Table 4

Currency Exposure (In Thousands)

	Cash	Fixed	Equity
Euro Currency	$16,594	$3,266	$1,087,853
Japanese Yen	$13,183	$0	$590,268
Pound Sterling	$6,005	$0	$654,991
Other LT 1%	$16,401	$700	$1,218,074
Total	$52,183	$3,966	$3,551,186

SCHEDULE OF PARTICIPATION
June 30, 2007
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
Teacher's Retirement Fund	$ 0	$ 13,681,303
Public Employees Retirement Fund	0	7,602,926
State Employees Retirement Fund	0	4,255,782
Public Employees Police & Fire Fund	0	2,714,680
Public Employees Consolidation Fund	0	8,125
Highway Patrolmen's Retirement Fund	0	459,615
Legislators & Survivors Retirement Fund	0	43,563
Correctional Employees Retirement Fund	0	340,751
Judges Retirement Fund	0	121,112
Income Share Account	258,541	0
Growth Share Account	124,759	0
Money Market Account	85,111	0
Common Stock Index Account	358,020	0
International Stock Account	107,936	0
Bond Market Account	136,229	0
Stable Value Account	62,164	0
TOTAL PARTICIPATION	$ 1,132,760	$ 29,227,857
Adjustments		
Undistributed Earnings	0	(4,078,745)
NET ASSETS	$ 1,132,760	$ 25,149,112

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, 2007
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
ASSETS:			
Investments (at market value) (2), (3):			
Common Stock	$ 161,581	$ 124,803	$ 0
Alternative Equities	0	0	0
Fixed Income Securities	88,210	0	0
Short Term Securities	8,721	0	84,753
Securities-Lending Collateral (4b)	44,128	14,212	1,037
Total Investments (3)	$ 302,640	$ 139,015	$ 85,790
Cash	0	0	0
Security Sales Receivable	0	0	0
Account Receivable- Fee Refunds	0	0	0
Account Receivable-Mortality	0	0	0
Account Receivable-Participants	0	0	0
Accrued Interest	0	0	0
Accrued Dividend	0	0	0
Accrued Short Term Gain	36	0	359
TOTAL ASSETS	$ 302,676	$ 139,015	$ 86,149
LIABILITIES:			
Management Fees Payable	$ 7	$ 44	$ 1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
Securities-Lending Collateral (4b)	44,128	14,212	1,037
TOTAL LIABILITIES	$ 44,135	$ 14,256	$ 1,038
NET ASSETS AT JUNE 30, 2007	$ 258,541	$ 124,759	$ 85,111

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 358,033	$ 108,017	$ 0	$ 0	$ 752,434
0	0	0	0	0
0	0	136,260	61,774	286,244
0	0	0	188	93,662
73,050	22,342	31,794	37	186,600
$ 431,083	$ 130,359	$ 168,054	$ 61,999	$ 1,318,940
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	215	215
0	0	0	0	0
0	0	0	1	396
$ 431,083	$ 130,359	$ 168,054	$ 62,215	$ 1,319,551
$ 13	$ 81	$ 31	$ 14	191
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
73,050	22,342	31,794	37	186,600
$ 73,063	$ 22,423	$ 31,825	$ 51	$ 186,791
$ 358,020	$ 107,936	$ 136,229	$ 62,164	$ 1,132,760

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, 2007
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
FROM UNDISTRIBUTED INCOME:			
Net Investment Income	$ 14,053	$ 13,447	$ 3,728
Realized Gains (Losses)	26,788	(4,394)	0
Unrealized Gains (Losses)	(6,911)	11,754	0
TOTAL INCOME	$ 33,930	$ 20,807	$ 3,728
Less Distributions to participants Accounts	($ 33,930)	($ 20,807)	($ 3,728)
Undistributed Dedicated Income	0	0	0
Net Change In Undistributed Income	$ 0	$ 0	$ 0
FROM PARTICIPANT TRANSACTIONS:			
Additions To Participant Accounts			
Participant Contributions	$ 12,680	$ 3,966	$ 26,779
Income Distributions	33,930	20,808	3,728
Income To Be Distributed	0	0	0
Total Additions	$ 46,610	$ 24,774	$ 30,507
Deductions From Participant Accounts			
Withdrawals	$ 242,608	$ 44,068	$ 9,932
Total Deductions	242,608	44,068	9,932
Net change In Participation	($ 195,998)	($ 19,294)	$ 20,575
TOTAL CHANGE IN ASSETS	($ 195,998)	($ 19,294)	$ 20,575
NET ASSETS:			
Beginning Of Period	454,539	144,053	64,536
End Of Period	$ 258,541	$ 124,759	$ 85,111

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 17,470	$ 14,244	$ 7,086	$ 2,688	$ 72,716
2,103	5,520	(434)	801	30,384
33,399	5,702	1,419	(567)	44,796
$ 52,972	$ 25,466	$ 8,071	$ 2,922	$ 147,896
($ 52,972)	($ 25,466)	($ 8,071)	($ 2,922)	($ 147,896)
0	0	0	0	0
$ 0	$ 0	$ 0	$ 0	$ 0
$ 95,033	$ 12,439	$ 4,231	$ 6,656	$ 161,784
52,972	25,467	8,071	2,922	147,898
0	0	0	0	0
$ 148,005	$ 37,906	$ 12,302	$ 9,578	$ 309,682
$ 30,327	$ 41,043	$ 12,011	$ 20,689	$ 400,678
30,327	41,043	12,011	20,689	400,678
$ 117,678	($ 3,137)	$ 291	($ 11,111)	($ 90,996)
$ 117,678	($ 3,137)	$ 291	($ 11,111)	($ 90,996)
240,342	111,073	135,938	73,275	1,223,756
$ 358,020	$ 107,936	$ 136,229	$ 62,164	$ 1,132,760

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, 2007
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
INVESTMENT INCOME:			
Interest	$ 4,823	$ 0	$ 0
Dividends	8,787	13,673	0
Short Term Gains	399	0	3,729
Security Lending Gross Earnings (4c)	1,326	610	21
Less: Borrower Rebates	(1,232)	(568)	(19)
Less:Fees Paid to Agents	(21)	(9)	0
Security Lending Net Earnings	73	33	2
Income Before Expenses	$ 14,082	$ 13,706	$ 3,731
Management Fees	29	259	3
NET INCOME	$ 14,053	$ 13,447	$ 3,728
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized:			
Proceeds From Sales	224,742	44,074	0
Cost Of Securities Sold	197,954	48,468	0
Net Realized Gain (Loss)	$ 26,788	($ 4,394)	$ 0
Unrealized:			
Beginning Of Period	48,968	(17,382)	0
End Of Period	42,057	(5,628)	0
Increase (decrease) In Unrealized Appreciation	($ 6,911)	11,754	$ 0
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 19,877	$ 7,360	$ 0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 7,165	$ 2,768	$ 14,756
17,383	14,469	0	(19)	54,293
0	0	0	57	4,185
2,048	1,133	1,629	1	6,768
(1,877)	(1,016)	(1,574)	(1)	(6,287)
(38)	(31)	(10)	0	(109)
133	86	45	0	372
$ 17,516	$ 14,555	$ 7,210	$ 2,806	$ 73,606
46	311	124	118	890
$ 17,470	$ 14,244	$ 7,086	$ 2,688	$ 72,716
30,339	41,048	12,017	10,500	362,720
28,236	35,528	12,451	9,699	332,336
$ 2,103	$ 5,520	($ 434)	$ 801	$ 30,384
10,554	10,686	(7,189)	690	46,327
43,953	16,388	(5,770)	123	91,123
$ 33,399	$ 5,702	$ 1,419	($ 567)	$ 44,796
$ 35,502	$ 11,222	$ 985	$ 234	$ 75,180

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Alaska Fire	$ 14,751	$ 6,922	$ 0
Alborn Fire	35,906	13,693	0
Alden Fire	0	29,708	0
Almelund Fire	25,900	23,722	172,160
Amboy Fire	0	0	0
Argyle Fire	15,041	32,913	0
Arrowhead Fire	22,688	25,336	0
Askov Fire	84,879	0	0
Audubon Fire	161,617	0	0
Austin Part-time Fire	231,821	198,498	0
Avon Fire	0	20,475	0
Babbitt Fire Relief	118,203	0	0
Backus Fire Relief	0	0	0
Bagley Fire	109,115	0	1,416
Balsam Fire	158,110	117,894	118
Barnum Fire	20,138	0	0
Beaver Creek Fire	0	0	0
Benson Fire	58,684	62,273	0
Bertha Fire	40,911	30,303	0
Bigfork Fire	12,810	63,107	0
Bird Island Fire	48,572	45,814	0
Biwabik Twp.	32,204	0	0
Blackduck Fire	0	0	0
Blooming Prairie	48,290	0	0
Bloomington Fire	0	0	0
Boyd Fire	13,169	11,701	0
Bricelyn Fire	188,329	0	0
Brimson Firefighters	39,822	0	0
Brooklyn Park Fire	3,877,480	0	0
Brooten Fire	0	0	0
Brownsville Fire	4,199	4,654	1,141
Buffalo Lake Fire	102,302	143,096	0
Buyck Volunteer Fire	0	1,433	0
Caledonia Fire	112,012	58,963	0
Canby Fire	75,690	84,237	1,478
Centennial Fire Relief	181,671	196,580	174,583
Center City Fire	134,323	31,356	0
Ceylon Fire	46,849	43,488	0
Chatfield Fire	68,237	104,315	0
Cherry Fire	24,345	15,870	491

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 16,231	$ 0	$ 0	$ 0	$ 37,904
15,434	0	0	0	65,034
40,807	0	0	0	70,515
0	0	0	0	221,782
67,427	0	20,924	0	88,351
0	0	0	0	47,954
25,682	0	7,205	0	80,912
0	0	0	0	84,879
0	0	53,052	0	214,670
0	0	0	0	430,320
20,904	0	0	0	41,378
44,783	0	65,966	0	228,952
71,399	0	0	0	71,399
0	0	28,136	0	138,668
0	0	0	0	276,122
188,189	0	0	0	208,328
19,101	0	13,869	0	32,969
66,641	0	40,590	0	228,188
0	0	0	0	71,213
67,407	18,725	0	0	162,049
0	0	0	0	94,386
30,457	0	0	0	62,662
0	40,115	0	0	40,115
46,662	0	52,686	0	147,637
67,472,331	13,374,934	31,750,855	0	112,598,120
0	0	0	0	24,870
0	0	0	0	188,329
0	7,943	3,322	0	51,087
4,166,536	0	0	0	8,044,017
202,742	0	0	0	202,742
24,019	0	7,073	0	41,086
0	0	0	0	245,398
1,433	1,567	1,281	0	5,715
0	58,003	0	0	228,978
0	0	0	0	161,405
0	0	140,375	0	693,209
30,202	16,714	10,266	0	222,861
46,322	0	0	0	136,659
0	16,922	0	0	189,474
0	0	0	0	40,705

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Chisago City Fire	$ 354,114	$ 76,378	$ 0
Chokio Fire	117,006	0	0
Clarissa Fire Relief	0	17,304	0
Clarkfield Fire	148,252	43,438	0
Clear Lake Fire	160,393	242,145	0
Cleveland Fire	1,041	0	59,343
Cohasset Fire	14,759	37,499	0
Columbia Heights Fire	0	714,237	0
Coon Rapids Fire	1,553,461	0	0
Crane Lake Fire	37,779	40,335	9,787
Dakota Fire Relief	26,633	15,070	0
Dawson Fire	228,129	126,393	0
Deer Creek Fire	51,331	92,844	0
Delano Fire	0	50,138	0
Dover Fire	56,810	12,092	34,085
East Grand Forks Fire	905,338	0	0
Edgerton Fire	160,829	0	0
Edina Fire	0	1,813,056	200,589
Elbow Lake Fire	114,149	69,962	0
Elk River Fire	708,661	112,032	0
Ellsburg Fire	0	28,800	0
Elmore Fire	0	32,709	0
Emmons Fire	61,420	0	12,172
Excelsior Fire	1,373,580	841,559	0
Eyota Fire	69,654	0	68,625
Farmington Cataract	133,910	0	0
Fayal Fire	27,652	22,519	2,012
Fergus Falls Fire	0	471,978	0
Forest Lake Fire	204,977	0	0
Frazee Fire	174,731	59,706	0
Fredenberg Fire	53,822	31,999	0
Frost Fire	18,273	18,155	0
Ghent Fire Relief Assoc	0	0	0
Glencoe Fire	0	128,007	0
Glenville Fire Relief	23,810	22,585	8,574
Glenwood Fire	95,262	68,241	0
Golden Valley Fire	1,937,823	808,493	0
Gonvick Fire	38,329	38,688	0
Good Thunder Fire	116,118	64,164	0
Grand Marais Fire	79,952	72,836	95,633

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 94,749	$ 54,296	$ 0	$ 579,538
0	0	0	0	117,006
17,578	0	24,428	0	59,309
33,812	0	33,844	0	259,346
0	0	0	0	402,538
50,296	0	10,093	0	120,773
0	0	0	0	52,259
689,045	0	299,300	0	1,702,582
0	0	317,208	0	1,870,669
10,227	0	0	0	98,129
0	0	13,655	0	55,358
0	0	0	0	354,522
0	0	0	0	144,175
54,171	0	0	0	104,309
39,023	13,774	52,439	0	208,223
0	0	0	0	905,338
95,040	0	0	0	255,869
1,344,394	976,752	1,358,595	0	5,693,386
0	0	0	0	184,111
280,068	340,947	0	202,898	1,644,606
29,198	0	0	0	57,998
20,480	0	0	0	53,189
96,156	40,297	0	0	210,045
853,097	0	0	0	3,068,236
36,018	0	56,154	0	230,451
141,430	32,415	0	0	307,755
16,769	12,170	3,783	0	84,905
482,192	85,013	515,905	0	1,555,088
54,593	0	0	0	259,570
50,609	0	73,545	0	358,590
36,412	32,902	10,764	0	165,899
19,197	0	0	0	55,625
10,712	5,641	5,058	0	21,411
0	0	0	0	128,007
22,987	27,127	19,687	0	124,770
70,130	0	69,233	0	302,866
698,200	722,853	456,821	0	4,624,190
0	0	0	0	77,016
83,320	0	0	0	263,602
0	0	124,511	0	372,932

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Grand Meadow Fire	$ 48,837	$ 48,577	$ 0
Greenwood Fire	93,223	113,283	0
Grey Eagle Fire	120,138	17,578	0
Hackensack Fire	68,135	0	0
Hanska Fire	0	13,719	0
Harmony Fire	0	0	0
Hawley Fire	0	0	55,440
Hayward Fire	0	105,164	0
Hector Fire	492,837	0	0
Henning Fire	39,647	15,207	0
Hewitt Fire	0	11,822	0
Holdingford Fire	10,002	9,618	0
Holland Fire	21,219	9,117	4
Houston Fire	11,012	9,930	0
Hovland Area Fire	0	0	0
Industrial Fire	46,708	0	0
Isanti Fire	0	395,480	0
Jacobson Fire	24,371	31,067	6,364
Kabetogama Fire	0	133,966	0
Kandiyohi Fire	42,831	40,009	0
Kelliher Fire	26,998	41,446	0
Kerkhoven Fire	50,599	50,452	0
Kettle River Fire	35,794	19,249	0
Kiester Fire	0	15,039	0
Kimball Fire	58,236	55,803	0
La Crescent Fire	124,628	143,703	0
La Salle Fire Relief	12,753	13,526	0
Lafayette Fire	128,151	67,086	0
Lake City Fire	434,411	0	0
Lake Henry Fire	42,176	0	0
Leroy Fire Relief Assoc	57,475	0	0
Lewiston Fire	80,843	84,378	0
Lexington Fire	0	0	90,284
Linwood Fire	472,067	0	0
Little Falls Fire	0	0	0
Littlefork Fire	99,134	12,730	0
Lowry Fire	0	0	0
Lutsen Fire Dept. Relief	10,070	10,163	0
Madison Fire	68,752	63,044	0
Madison Lake Fire	24,098	23,346	0

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 51,770	$ 0	$ 0	$ 0	$ 149,184
0	0	12,317	0	218,822
0	35,598	0	0	173,314
0	22,563	0	0	90,698
0	10,426	0	0	24,145
33,023	35,542	0	0	68,564
0	0	0	0	55,440
144,822	0	0	0	249,986
0	0	0	0	492,837
46,383	25,183	27,287	0	153,709
0	0	0	0	11,822
10,298	0	0	0	29,918
29,203	74,828	31,996	0	166,366
10,255	15,277	0	0	46,474
27,866	0	0	0	27,866
47,535	0	0	0	94,243
313,124	427,859	0	0	1,136,463
0	13,856	0	0	75,659
0	0	0	0	133,966
37,058	0	33,356	0	153,254
49,277	0	0	0	117,721
53,241	0	46,901	0	201,194
26,081	0	0	0	81,123
16,276	21,785	0	0	53,100
32,228	0	0	0	146,266
112,781	0	61,567	0	442,679
13,875	0	0	0	40,154
66,642	0	50,812	0	312,691
0	0	0	0	434,411
0	0	0	0	42,176
0	0	14,373	0	71,848
0	0	0	0	165,221
0	0	0	0	90,284
0	0	0	0	472,067
255,076	0	0	0	255,076
84,147	0	0	0	196,011
59,958	0	0	0	59,958
10,174	0	0	0	30,407
68,377	0	0	0	200,173
0	27,625	0	0	75,068

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Mahtomedi Fire	$ 625,845	$ 0	$ 0
Maple Hill Fire Rlief	88,982	0	0
Mapleton Fire	87,721	102,523	0
Mapleview Fire	47,896	82,178	0
Maplewood Fire	0	0	0
Marietta Fire	23,777	11,504	0
Marine St. Croix Fire	51,359	103,893	72,147
Mayer Fire	130,247	0	0
Maynard Fire	72,418	0	0
McDavitt Fire	83,591	53,858	0
McGrath Fire	12,650	7,237	0
McIntosh Fire	27,539	37,152	0
MedFord Fire	5,875	108,864	0
Medicine Lake Fire	0	0	85,059
Menahga Fire	73,978	0	0
Mendota Heights Fire	0	174,574	0
Milan Fire	39,640	39,184	0
Minneapolis Fire	0	0	0
Mpls. Fire (Health Ins.)	2,117,393	0	0
Minneapolis Police	0	0	0
Minneota Fire	33,024	14,748	0
Minnetonka Fire	6,634,132	0	0
Montrose Fire	7,309	10,445	0
Morris Fire	78,837	51,934	0
Morristown Fire	168,916	0	0
Murdock Fire	27,334	27,381	0
Myrtle Fire Relief	34,371	0	41,461
New Brighton Fire	0	1,601,934	0
New Germany Fire	52,153	0	0
New Scandia Twp.	138,405	143,148	0
New Ulm Fire	0	0	0
New York Mills Fire	148,148	0	0
Nicollet Fire	133,354	67,554	0
Nodine Fire	0	0	6,592
North Branch Fire	52,240	51,911	0
North Star Fire	0	0	0
Northfield Fire	1,134,928	828,980	0
Northrop Fire	35,139	42,329	0
Norwood Young America	144,092	139,804	25,592
Osakis Fire	0	157,793	0

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 625,845
0	0	27,447	0	116,429
0	0	0	0	190,244
0	21,144	52,713	0	203,931
3,372,500	504,591	1,154,545	0	5,031,636
8,859	0	0	0	44,141
75,020	28,822	22,855	0	354,096
200,060	0	47,589	0	377,895
0	0	0	0	72,418
0	18,230	5,916	0	161,596
0	0	7,496	0	27,383
48,481	0	0	0	113,171
36,552	69,939	0	0	221,229
222,156	157,193	116,823	0	581,232
0	0	76,734	0	150,712
190,328	143,569	328,647	0	837,118
42,034	0	0	0	120,858
20,016,915	0	12,395,778	0	32,412,693
0	0	0	0	2,117,393
145,416,834	31,484,918	49,904,572	0	226,806,324
15,105	11,984	17,089	0	91,949
0	0	0	0	6,634,132
13,023	0	0	0	30,777
56,323	47,182	0	0	234,276
231,548	0	0	0	400,464
28,087	25,093	0	0	107,895
0	0	0	0	75,831
0	0	940,664	0	2,542,598
0	0	0	0	52,153
144,493	163,077	0	0	589,123
227,981	0	0	0	227,981
0	0	0	0	148,148
67,592	72,498	0	0	340,997
53,986	33,048	47,226	0	140,853
55,389	159,520	0	0	319,060
23,612	0	0	0	23,612
1,077,581	0	0	0	3,041,489
0	0	0	0	77,468
0	0	138,255	0	447,743
147,761	39,185	112,398	0	457,136

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Ottertail Fire	$ 301,956	$ 0	$ 0
Owatonna Fire	483,120	954,407	62,982
Pequaywan Lake Fire	0	0	0
Perch Lake Fire	7,226	7,420	0
Pine Island Fire	155,664	98,445	0
Pipestone Fire	146,059	0	0
Porter Fire	20,169	34,705	15,280
Randolph Fire	130,663	0	0
Red Lake Falls Fire	67,593	0	0
Redwood Falls Fire	0	0	0
Remer Fire	9,527	9,390	0
Renville Fire	48,463	52,653	0
Robbinsdale Fire	674,737	306,196	68,565
Rose Creek Fire	39,161	22,788	1,837
Roseau Fire	0	1,124	0
Rosemount Fire	771,007	471,832	0
Roseville Fire	0	2,410,510	0
Rush City Fire	236,144	74,522	0
Ruthton Fire	19,500	19,924	19,092
Saint Clair Fire	102,871	123,923	1,181
Saint Michael Fire	0	26,888	0
Saint Peter Fire	0	132,679	0
Sandstone Fire	6,171	0	0
Savage Fire Relief Assoc	1,055,942	0	0
Scandia Valley Fire	358,921	0	0
Schroeder Fire	0	106,773	0
Shakopee Fire	0	838,333	0
Sherburn Fire	258,910	0	0
Shevlin Fire	35,581	0	0
Silver Bay Fire	75,491	78,930	0
Solway Fire(Cloquet)	97,678	0	0
Solway Fire (* Main)	5,626	5,890	0
Spring Grove Fire	6,246	6,412	0
Spring Lake Park Fire	0	0	0
Starbuck Fire	27,774	24,242	0
Stephen Fire	48,626	74,166	0
Stewart Fire	75,485	1,180	0
Stewartville Fire	239,696	123,300	0
Stillwater Fire	226,686	164,788	208,900
Sturgeon Lake Fire	0	15,109	0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 301,956
87,353	124,931	0	0	1,712,793
40,684	0	0	0	40,684
0	0	0	0	14,646
0	0	0	0	254,109
143,085	0	0	0	289,144
119,323	0	28,529	0	218,006
159,349	0	0	0	290,012
0	0	0	0	67,593
0	0	33,149	0	33,149
9,750	13,200	0	0	41,867
13,721	0	37,531	0	152,368
310,976	179,978	0	0	1,540,452
23,717	0	0	0	87,503
0	0	0	0	1,124
480,571	0	0	0	1,723,410
2,540,978	1,220,325	2,168,318	0	8,340,132
106,463	0	0	0	417,129
19,943	0	0	0	78,458
129,955	0	11,278	0	369,208
28,510	33,621	0	0	89,019
70,229	103,435	534	0	306,878
0	0	0	0	6,171
0	0	0	0	1,055,942
0	0	0	0	358,921
19,837	0	0	0	126,610
880,595	224,141	0	0	1,943,069
0	0	0	0	258,910
0	0	43,249	0	78,829
0	21,217	0	0	175,637
0	0	83,325	0	181,003
5,986	0	0	0	17,502
6,413	6,687	0	0	25,758
1,006,937	0	0	0	1,006,937
25,231	8,754	0	0	86,001
0	0	0	0	122,792
39,730	677	0	0	117,072
125,880	99,319	0	0	588,195
0	0	0	0	600,374
19,133	0	6,593	0	40,836

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2007

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Thomson Twp. Fire	$ 12,596	$ 13,110	$ 0
Tofte Fire	51,021	0	0
Truman Fire	59,530	62,441	0
Two Harbors Fire	121,734	127,619	0
Vadnais Heights Fire	73,166	0	0
Vergas Fire	177,461	0	0
Vermilion Lake Fire	148,142	0	0
Verndale Fire	0	9,550	0
Waconia Fire	256,424	356,018	0
Warba-Feeley-Sago Fire	47,376	0	0
Warroad Area Fire	198,685	0	0
Williams Fire	81,330	27,564	0
Willow River Fire	0	23,282	0
Winnebago Fire	15,586	0	0
Woodbury Fire	0	0	2,173,056
Woodstock Fire	23,958	22,898	0
Wrenshall Fire Relief	0	0	0
Wright Fire	90,084	0	0
Wykoff Fire	62,548	0	0
Wyoming Fire	121,456	0	0
Zumbro Falls Fire	180,077	44,709	0
Hennepin Co. (SRHC)	68,673,784	30,526,933	9,998,693
MSRS-Health	16,565,823	10,559,813	58,713,568
Pera-DCP	12,741,147	6,089,375	1,113,192
Unclassified	122,894,290	57,755,717	11,509,400
TOTAL PARTICIPATION	$ 258,541,423	$ 124,758,700	$ 85,110,899
Adjustments			
Unrealized Appreciation (Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
NET ASSETS	$ 258,541,423	$ 124,758,700	$ 85,110,899

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	STABLE VALUE ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 21,230	$ 0	$ 0	$ 0	$ 46,936
58,318	0	0	0	109,339
60,413	0	32,073	0	214,456
0	130,729	117,450	0	497,532
0	0	0	0	73,166
0	0	0	0	177,461
0	0	0	0	148,142
9,964	0	0	0	19,514
163,169	19,614	0	0	795,224
0	0	0	0	47,376
0	0	0	0	198,685
29,448	0	0	0	138,342
33,447	0	22,564	0	79,293
0	0	0	0	15,586
2,733,922	1,047,632	0	0	5,954,609
15,500	0	5,024	0	67,380
58,984	0	0	0	58,984
0	0	0	0	90,084
0	0	0	0	62,548
0	0	106,969	0	228,424
38,393	6,799	14,282	0	284,261
18,318,787	7,193,914	6,023,568	0	140,735,679
16,894,108	14,198,880	10,208,698	38,503,444	165,644,334
5,177,109	2,067,720	1,864,285	2,455,307	31,508,136
56,621,641	31,624,124	14,051,065	21,002,610	315,458,847
$ 358,020,332	$ 107,935,793	$ 136,228,760	$ 62,164,259	$ 1,132,760,167
0	0	0	0	0
0	0	0	0	0
$ 358,020,332	$ 107,935,793	$ 136,228,760	$ 62,164,259	$ 1,132,760,167

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2007

AMOUNTS IN (000)'S

	ALTERNATIVE INVESTMENTS ACCOUNT(4)	DOMESTIC BOND ACCOUNT
ASSETS:		
Investments (at market value) (2),(3):		
Common Stock	$ 0	$ 44,325
Alternative Equities	4,734,410	0
Fixed Income Securities	0	12,294,359
Short Term Securities	134,342	931,765
Securities-Lending Collateral(4b)	32,145	2,688,237
Total Investments	$ 4,900,897	$ 15,958,686
Cash	14,776	-84,006
Security Sales Receivable	1,871	1,129,907
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	0
Accounts Receivable-Participants	0	0
Accrued Interest	0	97,959
Accrued Dividends	14	46
Accrued Short Term Gain	186	3,396
TOTAL ASSETS	$ 4,917,744	$ 17,105,988
LIABILITIES:		
Management Fees Payable	0	2,484
Security Purchases Payable	0	2,857,542
Accounts Payable-Participants	0	0
Options Premiums Received	0	0
Securities-Lending Collateral(4b)	32,145	2,688,237
TOTAL LIABILITIES	$ 32,145	$ 5,548,263
NET ASSETS AT JUNE 30, 2007	$ 4,885,599	$ 11,557,725

Notes are an integral part of the Financial Statements

DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT	POOLED INVESTMENT FUND TOTAL
$ 24,525,221	$ 7,600,182	$ 32,169,728
0	0	4,734,410
1,301	0	12,295,660
969,683	575,572	2,611,362
3,668,176	1,711,865	8,100,423
$ 29,164,381	$ 9,887,619	$ 59,911,583
977	105,152	36,899
162,102	41,073	1,334,953
0	0	0
0	0	0
0	0	0
8,893	0	106,852
14,321	22,689	37,070
1,765	(109)	5,238
$ 29,352,439	$ 10,056,424	$ 61,432,595
5,926	6,146	14,556
167,697	34,352	3,059,591
0	0	0
0	0	0
3,668,176	1,711,865	8,100,423
$ 3,841,799	$ 1,752,363	$ 11,174,570
$ 25,510,640	$ 8,304,061	$ 50,258,025

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, 2007

AMOUNTS IN (000)'S

	ALTERNATIVE INVESTMENTS ACCOUNT(4)	DOMESTIC BOND ACCOUNT
FROM INVESTMENT ACTIVITY:		
Net Investment Income	$ 846,748	$ 605,862
Realized Gains (Losses)	54,698	(23,457)
Unrealized Gains (Losses)	132,573	75,850
TOTAL INCOME	$ 1,034,019	$ 658,255
Less Distribution To		
Participant Accounts	(901,447)	(582,760)
Undistributed Dedicated Income	0	355
Net Change In Undistributed Income	$ 132,572	$ 75,850
FROM PARTICIPANT TRANSACTIONS:		
Additional To Participant Accounts		
Participant Contributions	527,616	1,132,655
Income Distribution	901,447	582,760
Income To Be Distributed	0	(355)
Total Additions	$ 1,429,063	$ 1,715,060
Deductions From Participant Accounts		
Withdrawals	1,046,410	632,655
Total Deductions	$ 1,046,410	$ 632,655
Net Change In Participation	$ 382,653	$ 1,082,405
TOTAL CHANGE IN ASSETS	$ 515,225	$ 1,158,255
NET ASSETS:		
Beginning Of Period	4,370,374	10,399,470
End Of Period	$ 4,885,599	$ 11,557,725

Notes are an integral part of the Financial Statements

DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT	POOLED INVESTMENT FUND TOTAL
$ 394,976	$ 171,636	$ 2,019,222
1,873,545	940,035	$ 2,844,821
1,977,901	906,060	3,092,384
$ 4,246,422	$ 2,017,731	$ 7,956,427
(2,268,307)	(1,113,259)	(4,865,773)
(214)	1,589	1,730
$ 1,977,901	$ 906,061	$ 3,092,384
1,306,459	419,663	3,386,393
2,268,307	1,113,259	4,865,773
214	(1,589)	(1,730)
$ 3,574,980	$ 1,531,333	$ 8,250,436
1,817,258	1,046,977	4,543,300
$ 1,817,258	$ 1,046,977	$ 4,543,300
$ 1,757,722	$ 484,356	$ 3,707,136
$ 3,735,623	$ 1,390,417	$ 6,799,520
21,775,017	6,913,644	43,458,505
$ 25,510,640	$ 8,304,061	$ 50,258,025

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF OPERATIONS

YEAR ENDED JUNE 30, 2007

AMOUNTS IN (000)'S

	ALTERNATIVE INVESTMENTS ACCOUNT(4)	DOMESTIC BOND ACCOUNT
Interest	$ 0	$ 575,871
Dividends	858,972	6,333
Short Term Gains	2,214	30,364
Security Lending Gross Earnings(4c)	1,805	137,983
Less: Borrower Rebates	(1,556)	(133,353)
Less: Fees Paid to Agents	(56)	(830)
Security Lending Net Earnings	193	3,800
Income Before Expenses	$ 861,379	$ 616,368
Management Fees	14,631	10,505
NET INCOME	$ 846,748	$ 605,863
REALIZED AND UNREALIZED		
GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 977,716	$ 39,198,084
Cost Of Securities Sold	923,018	39,221,541
Net Realized Gain (Loss)	$ 54,698	($ 23,457)
Unrealized:		
Beginning Of Period	985,306	(266,409)
End Of Period	1,117,879	(190,558)
Increase (Decrease)		
In Unrealized Appreciation	$ 132,573	$ 75,851
NET REALIZED AND UNREALIZED		
GAIN (LOSS) ON INVESTMENTS	$ 187,271	$ 52,394

Notes are an integral part of the Financial Statements

DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT	POOLED INVESTMENT FUND TOTAL
$ 8,882	$ 2	$ 584,755
401,553	183,293	1,450,151
11,013	4,874	48,465
131,626	86,992	358,406
(121,916)	(78,042)	(334,867)
(2,185)	(2,377)	(5,448)
7,525	6,573	18,091
$ 428,973	$ 194,742	$ 2,101,462
33,997	23,105	82,238
$ 394,976	$ 171,637	$ 2,019,224

$ 15,358,797	$ 5,456,524	$ 60,991,121
13,485,253	4,516,489	58,146,301
$ 1,873,544	$ 940,035	$ 2,844,820
4,619,757	1,758,153	7,096,807
6,597,658	2,664,213	10,189,192
$ 1,977,901	$ 906,060	$ 3,092,385
$ 3,851,445	$ 1,846,095	$ 5,937,205

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 2007
AMOUNTS IN (000)'S

	ALTERNATIVE INVESTMENT ACCOUNTS	DOMESTIC BOND ACCOUNT
Teachers Retirement Fund	$ 923,535	$ 1,791,151
Public Employees Retirement Fund	766,626	1,579,607
State Employees Retirement Fund	624,093	1,288,046
Public Employees Police & Fire Fund	341,220	701,101
Highway Patrolmen's Retirement Fund	27,388	56,059
Judges Retirement Fund	6,060	12,505
Police & Fire Consolidation Fund	17,689	36,498
Correctional Employees Retire. Fund	32,439	66,795
TOTAL BASIC RETIREMENT FUNDS	$ 2,739,050	$ 5,531,762
Post Retirement Fund	2,146,549	5,889,733
Supplemental Income Share Account	0	0
Supplemental Growth Share Account	0	0
Supplemental Index Share Account	0	0
Supplemental Bond Market Account	0	136,230
Supplemental International Equity Account	0	0
TOTAL PARTICIPATION	$ 4,885,599	$ 11,557,725

Notes are an integral part of the Financial Statements

DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT	POOLED INVESTMENT FUND TOTAL
$ 4,065,635	$ 1,339,579	$ 8,119,900
3,528,175	1,157,532	7,031,940
2,875,812	943,383	5,731,334
1,567,084	514,250	3,123,655
125,423	41,171	250,041
27,920	9,159	55,644
81,490	26,732	162,409
149,221	48,960	297,415
$ 12,420,760	$ 4,080,766	$ 24,772,338
12,445,519	4,115,358	24,597,159
161,577	0	161,577
124,760	0	124,760
358,024	0	358,024
0	0	136,230
0	107,937	107,937
$ 25,510,640	$ 8,304,061	$ 50,258,025

Notes are an integral part of the Financial Statements

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 2007

1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page **163** of this report. Fixed income and equity securities are presented at market value.

2. COST OF INVESTMENTS:

At June 30, 2007 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	$	18,918,908,128
Bond Account	$	11,750,767,657
Alternative Investement Accounts	$	3,767,719,780
INTERNATIONAL ACCOUNTS		
Equity Account	$	5,645,992,666

SUPPLEMENTAL INVESTMENT FUND

Income Share Account	$	216,491,051
Growth Share Account	$	130,429,985
International Share Account	$	91,628,483
Money Market Account	$	85,111,806
Stock Index Account	$	314,080,325
Bond Market Account	$	142,029,810
Fixed Interest Account	$	62,054,827

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 2007 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	$	2,129,462,896
Equity Index Account (Domestic)	$	1,834,874,023
Bond Account (Domestic)	$	2,956,445,102
International Equity Account	$	1,910,011,059

The market value for non-pooled investment accounts includes:

Money Market Account	$	101,071,520
Income share Account Fixed Income	$	0

4. UNDISTRIBUTED INCOME:

The Undistributed Dedicated Income of the pooled investments consists of the unrealized gains/losses 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 2007

Active Domestic Stock Managers		
Alliance Bernstein L.P.	$	291,419
Barrow, Hanley, Mewhinney & Stauss, Inc.		1,083,767
Cohen, Klingenstein & Marks, Inc.		580,290
EARNEST Partners, LLC		506,680
Enhanced Investment Technologies, LLC		1,288,015
Franklin Portfolio Associates, LLC		605,251
Goldman Sachs Asset Management, LP		931,273
Holt-Smith & Yates Advisors*		390,912
Hotchkis and Wiley Capital Management, LLC		1,180,089
Jacobs Levy Equity Management, Inc.		1,131,198
Lazard Asset Management Group, LLC		322,408
Lord, Abbet,t & Co., LLC		838,471
LVS Asset Management		1,573,872
Martingale Asset Management L.P.		962,617
McKinley Capital Management Inc.		1,326,250
New Amsterdam Partners, LLC		1,043,507
Next Century Growth Investors, LLC		1,829,946
Oppenheimer Capital, LLC*		870,557
Peregrine Capital Management		1,549,045
RiverSource Investments		426,160
Sands Capital Management, LLC		582,497
Summit Creek Advisors, LLC (Winslow-Small Cap.)*		278,243
Systematic Financial Management, LP		993,166
Turner Investment Partners, Inc.		1,379,758
UBS Global Asset Management (Americas) Inc.		1,361,701
Voyageur Asset Management, Inc.		265,317
Winslow Capital Management, Inc. (Large Cap.)		540,308
Zevenbergen Capital Investments, LLC		1,185,722
Passive Domestic Stock Managers		
Barclays Global Investors		850,587
Semi-Passive Domestic Stock Managers		
Barclays Global Investors, N.A.		3,473,789
Franklin Portfolio Associates, LLC		2,189,696
JPMorgan Investment Management, Inc.		2,618,831

cont.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2007

Active Domestic Bond Managers (2)		
Aberdeen Asset Management (Deutsche)	$	1,746,048
Dodge & Cox		1,166,514
Morgan Stanley		1,321,297
RiverSource Investments (American Express)		993,106
Western Asset Management		1,429,083
Semi-Passive Domestic Bond Managers (2)		
BlackRock Inc.		1,060,638
Goldman Sachs		1,425,902
Lehman Brothers Asset Management, LLC (Lincoln)		603,211
International Stock Managers		
Acadian Asset Management		1,562,331
Alliance Bernstein L.P.		2,065,534
AQR Capital Management		1,557,477
Capital International		3,124,482
Invesco Global Asset Management		1,232,641
JP Morgan Flemming		1,465,764
Marathon Asset Management		1,875,420
McKinley Capital Management		1,544,325
Morgan Stanley Investment Management		3,436,856
Pyramis Global Advisors Trust Co.- Active (Fidelity)		875,096
Pyramis Global Advisors Trust Co. - Semi Passive (Fidelity		1,189,030
RiverSource Investments(American Express)		1,140,954
State Street Global Advisors - Semi Passive		1,363,451
State Street Global Advisors - Passive		435,631
UBS Global Asset Management (Brinson)		1,127,678
Assigned Risk Plan		
GE Investment Management		293,418
Voyager Asset Management		257,818

* Manager Terminated in Fiscal '07

(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, 2007

ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	32,598,197.39	11.34
CONSUMER STAPLES	20,500,654.25	7.13
ENERGY	16,811,546.00	5.85
FINANCIALS	54,121,168.20	18.83
HEALTH CARE	49,848,467.00	17.34
INDUSTRIALS	27,142,403.80	9.44
INFORMATION TECHNOLOGY	78,561,046.70	27.33
MATERIALS	5,545,034.00	1.93
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	860,827.00	0.30
UNCLASSIFIED	1,495,697.00	0.52
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	287,485,041.34	100.00
Cash Equivalents	4,020,926.48	1.40
Payable for Investments Purchased	(1,472,292.12)	(0.51)
Receivables for Investments Sold	1,941,348.36	0.68
Dividend Receivable	214,811.60	0.07
Short Term Interest Receivable	16,479.56	0.01
Tax Refund Receivable	169,436.62	0.06
Grand Total	**$292,375,751.84**	**101.70 %**

COHEN, KLINGENSTEIN, & MARKS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	24,812,358.95	15.79
CONSUMER STAPLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIALS	17,188,154.11	10.94
HEALTH CARE	23,636,860.30	15.04
INDUSTRIALS	15,927,300.00	10.14
INFORMATION TECHNOLOGY	60,859,830.75	38.73
MATERIALS	5,521,935.32	3.51
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
Total Equities	147,946,439.43	94.16
Cash Equivalents	7,945,373.95	5.06
Payable for Investments Purchased	(1,257,820.20)	(0.80)
Receivables for Investments Sold	2,417,077.38	1.54
Dividend Receivable	36,870.00	0.02
Short Term Interest Receivable	39,838.80	0.03
Tax Refunds Receivable	232.28	0.00
Grand Total	**$157,128,011.64**	**100.00 %**

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	62,886,872.00	12.20
CONSUMER STAPLES	11,238,519.00	2.18
ENERGY	53,862,938.00	10.45
FINANCIALS	133,742,041.49	25.94
HEALTH CARE	87,236,353.00	16.92
INDUSTRIALS	65,012,930.00	12.61
INFORMATION TECHNOLOGY	0.00	0.00
MATERIALS	10,000,228.00	1.94
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	39,377,407.00	7.64
UNCLASSIFIED	0.00	0.00
UTILITIES	33,497,569.00	6.50
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	496,854,857.49	96.36
Cash Equivalents	13,583,738.98	2.63
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	4,739,911.99	0.92
Dividend Receivable	393,910.50	0.08
Short Term Interest Receivable	74,390.33	0.01
Tax Refund Receivable	0.00	0.00
Grand Total	**$515,646,809.29**	**100.00 %**

EARNEST PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	21,363,638.15	10.43
CONSUMER STAPLES	0.00	0.00
ENERGY	27,572,274.50	13.46
FINANCIALS	63,292,011.00	30.90
HEALTH CARE	16,550,538.28	8.08
INDUSTRIALS	25,012,495.00	12.21
INFORMATION TECHNOLOGY	21,530,711.00	10.51
MATERIALS	3,508,006.74	1.71
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	14,610,050.00	7.13
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	193,439,724.67	94.43
Cash Equivalents	11,252,663.42	5.49
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	116,715.50	0.06
Short Term Interest Receivable	47,327.69	0.02
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Grand Total	**$204,856,431.28**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

ENHANCED INVESTMENT TECHNOLOGIES

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	75,268,819.82	22.00
CONSUMER STAPLES	29,548,783.20	8.63
ENERGY	19,723,695.00	5.76
FINANCIALS	37,820,914.88	11.05
HEALTH CARE	49,412,042.18	14.44
INDUSTRIALS	42,340,938.50	12.37
INFORMATION TECHNOLOGY	49,559,204.97	14.48
MATERIALS	15,034,313.00	4.39
TELECOMMUNICATIONS SERVICES	7,427,929.00	2.17
BONDS	0.00	0.00
UNCLASSIFIED	177,600.00	0.05
UTILITIES	13,189,726.00	3.85
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	339,503,966.55	99.21
Cash Equivalents	2,130,689.66	0.62
Payable for Investments Purchased	(27,754,967.70)	(8.11)
Receivables for Investments Sold	28,047,093.73	8.20
Dividend Receivable	269,279.50	0.08
Short Term Interest Receivable	9,645.65	0.00
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
Grand Total	**$342,205,707.39**	**100.00 %**

GOLDMAN SACHS ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND		0.00
CONSUMER DISCRETIONARY	18,149,311.83	12.44
CONSUMER STAPLES	5,178,784.47	3.55
ENERGY	5,327,950.86	3.65
FINANCIALS	42,942,547.78	29.44
HEALTH CARE	7,779,808.56	5.33
INDUSTRIALS	22,083,355.46	15.14
INFORMATION TECHNOLOGY	18,710,918.80	12.83
MATERIALS	9,399,489.17	6.44
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,716,314.50	1.18
UNCLASSIFIED	0.00	0.00
UTILITIES	8,012,215.04	5.49
VENTURE CAPITAL	1,788,484.32	1.23
BONDS	0.00	0.00
Total Equities	141,089,180.79	96.74
Cash Equivalents	5,539,984.54	3.80
Payable for Investments Purchased	(2,727,552.11)	(1.87)
Receivables for Investments Sold	1,791,675.75	1.23
Dividend Receivable	135,405.41	0.09
Short Term Interest Receivable	21,194.90	0.01
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	(184.68)	(0.00)
Grand Total	**$145,849,704.60**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	69,553,358.19	13.16
CONSUMER STAPLES	62,127,662.00	11.75
ENERGY	64,508,388.00	12.20
FINANCIALS	112,316,497.52	21.25
HEALTH CARE	61,193,393.00	11.58
INDUSTRIALS	44,218,162.00	8.37
INFORMATION TECHNOLOGY	77,227,049.00	14.61
MATERIALS	7,542,390.00	1.43
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	15,334,250.00	2.90
UNCLASSIFIED	0.00	0.00
UTILITIES	13,147,844.00	2.49
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	527,168,993.71	99.74
Cash Equivalents	885,269.98	0.17
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	502,702.00	0.10
Short Term Interest Receivable	6,368.43	0.00
Grand Total	**$528,563,334.12**	**100.00 %**

HOTCHKIS AND WILEY CAPITAL MANAGEMENT LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	44,333,845.70	30.11
CONSUMER STAPLES	5,610,244.00	3.81
ENERGY	0.00	0.00
FINANCIALS	31,127,666.29	21.14
HEALTH CARE	0.00	0.00
INDUSTRIALS	41,137,419.00	27.94
INFORMATION TECHNOLOGY	10,865,600.00	7.38
MATERIALS	6,190,745.00	4.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	3,448,088.00	2.34
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	142,713,607.99	96.93
Cash Equivalents	4,436,499.48	3.01
Payable for Investments Purchased	(419,342.78)	(0.28)
Receivables for Investments Sold	325,505.12	0.22
Dividend Receivable	145,867.50	0.10
Short Term Interest Receivable	24,916.94	0.02
Tax Refundable	0.00	0.00
Grand Total	**$147,227,054.25**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

JACOBS LEVY EQUITY MGMT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	51,783,443.00	16.59
CONSUMER STAPLES	15,493,560.00	4.96
ENERGY	24,525,120.00	7.86
FINANCIALS	27,491,746.40	8.81
HEALTH CARE	53,111,555.00	17.01
INDUSTRIALS	44,618,566.00	14.29
INFORMATION TECHNOLOGY	85,423,328.00	27.36
MATERIALS	8,703,561.00	2.79
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	2,155,774.00	0.69
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	313,306,653.40	100.36
Cash Equivalents	770,923.46	0.25
Payable for Investments Purchased	(5,201,833.02)	(1.67)
Receivables for Investments Sold	3,117,324.34	1.00
Dividend Receivable	166,153.25	0.05
Short Term Interest Receivable	8,832.77	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	0.00	0.00
Grand Total	**$312,168,054.20**	**100.00 %**

LORD ABBETT & CO, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	23,345,839.52	6.57
CONSUMER STAPLES	57,580,470.73	16.21
ENERGY	26,907,585.00	7.58
FINANCIALS	68,824,825.58	19.38
HEALTH CARE	36,289,599.05	10.22
INDUSTRIALS	31,446,387.00	8.85
INFORMATION TECHNOLOGY	54,036,822.14	15.22
MATERIALS	18,746,861.36	5.28
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	15,460,615.50	4.35
UNCLASSIFIED	0.00	0.00
UTILITIES	17,478,680.50	4.92
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	350,117,686.38	98.58
Cash Equivalents	5,281,734.25	1.49
Payable for Investments Purchased	(804,305.92)	(0.23)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	515,502.35	0.15
Short Term Interest Receivable	23,714.17	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	12,084.40	0.00
Grand Total	**$355,146,415.63**	**100.00 %**

LAZARD ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	9,715,349.20	15.24
CONSUMER STAPLES	1,719,528.00	2.70
ENERGY	3,788,763.60	5.94
FINANCIALS	3,638,151.40	5.71
HEALTH CARE	10,066,466.00	15.79
INDUSTRIALS	10,559,367.90	16.56
INFORMATION TECHNOLOGY	18,945,622.75	29.72
MATERIALS	2,187,124.12	3.43
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	743,817.50	1.17
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	61,364,190.47	96.25
Cash Equivalents	2,349,739.65	3.69
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	35,583.50	0.06
Short Term Interest Receivable	4,344.43	0.01
Tax Refundable	102.00	0.00
Grand Total	**$63,753,960.05**	**100.00 %**

LSV ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	55,600,536.66	11.00
CONSUMER STAPLES	12,730,111.76	2.52
ENERGY	87,374,709.08	17.28
FINANCIALS	168,637,558.86	33.35
HEALTH CARE	34,827,284.00	6.89
INDUSTRIALS	49,331,540.31	9.76
INFORMATION TECHNOLOGY	30,972,758.30	6.13
MATERIALS	26,539,586.30	5.25
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	19,484,745.50	3.85
UNCLASSIFIED	0.00	0.00
UTILITIES	19,094,939.00	3.78
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	504,593,769.77	99.80
Cash Equivalents	1,000,062.63	0.20
Payable for Investments Purchased	(774,900.80)	(0.15)
Receivables for Investments Sold	146,467.40	0.03
Dividend Receivable	614,887.00	0.12
Short Term Interest Receivable	5,475.53	0.00
Tax Refundable	0.00	0.00
Interest Comp Payable	0.00	0.00
Grand Total	**$505,585,761.53**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

MARTINGALE ASSET MANAGEMENT LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	17,565,158.33	11.62
CONSUMER STAPLES	5,753,941.00	3.81
ENERGY	6,852,901.00	4.53
FINANCIALS	48,490,633.17	32.07
HEALTH CARE	7,861,820.00	5.20
INDUSTRIALS	21,590,333.00	14.28
INFORMATION TECHNOLOGY	16,446,466.00	10.88
MATERIALS	13,205,490.00	8.73
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	6,938,674.00	4.59
UNCLASSIFIED	0.00	0.00
UTILITIES	5,467,487.00	3.62
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	150,172,903.50	99.31
Cash Equivalents	697,539.21	0.46
Payable for Investments Purchased	(3,783,584.60)	(2.50)
Receivables for Investments Sold	3,776,972.77	2.50
Dividend Receivable	352,669.56	0.23
Short Term Interest Receivable	3,624.24	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	51.66	0.00
Interest Comp Payable	(131.84)	
Grand Total	**$151,220,044.50**	**100.00 %**

NEW AMSTERDAM PARTNERS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	96,729,947.00	17.50
CONSUMER STAPLES	49,514,448.00	8.96
ENERGY	62,262,256.00	11.27
FINANCIALS	76,187,193.30	13.79
HEALTH CARE	56,013,557.00	10.14
INDUSTRIALS	82,603,425.00	14.95
INFORMATION TECHNOLOGY	64,871,157.00	11.74
MATERIALS	22,404,346.00	4.05
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	12,639,190.00	2.29
UNCLASSIFIED	0.00	0.00
UTILITIES	19,743,250.00	3.57
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	542,968,769.30	98.89
Cash Equivalents	4,131,093.10	0.75
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	5,099,481.79	0.92
Dividend Receivable	379,546.00	0.07
Short Term Interest Receivable	13,411.23	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Grand Total	**$552,592,301.42**	**100.00 %**

MCKINLEY CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	31,932,971.25	12.28
CONSUMER STAPLES	5,508,323.30	2.12
ENERGY	17,847,504.80	6.86
FINANCIALS	14,086,464.25	5.42
HEALTH CARE	36,892,990.40	14.18
INDUSTRIALS	72,298,805.15	27.79
INFORMATION TECHNOLOGY	56,406,194.50	21.68
MATERIALS	11,350,181.80	4.36
PRIVATE PLACEMENT	0.00	0.00
TELECOMMUNICATIONS SERVICES	8,032,009.75	3.09
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	254,355,445.20	97.78
Cash Equivalents	7,046,905.64	2.71
Payable for Investments Purchased	(7,744,575.31)	(2.98)
Receivables for Investments Sold	6,377,528.33	2.45
Dividend Receivable	73,226.68	0.03
Short Term Interest Receivable	24,111.19	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	505.76	0.00
Grand Total	**$260,133,147.49**	**100.00 %**

NEXT CENTURY GROWTH INVESTORS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	11,494,542.61	4.26
CONSUMER STAPLES	1,865,254.53	0.69
ENERGY	28,309,391.60	10.48
FINANCIALS	3,274,003.14	1.21
HEALTH CARE	80,580,926.27	29.84
INDUSTRIALS	70,028,820.38	25.93
INFORMATION TECHNOLOGY	50,338,435.90	18.64
MATERIALS	7,099,812.93	2.63
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	5,646,336.20	2.09
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	258,637,523.56	95.79
Cash Equivalents	12,111,030.30	4.49
Payable for Investments Purchased	(3,844,854.57)	(1.42)
Receivables for Investments Sold	3,042,414.58	1.13
Dividend Receivable	50,686.45	0.02
Short Term Interest Receivable	18,929.32	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	1,710.67	0.00
Grand Total	**$270,017,440.31**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

PEREGRINE CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	47,227,219.90	19.98
CONSUMER STAPLES	5,744,661.20	2.43
ENERGY	11,157,349.70	4.72
FINANCIALS	63,549,994.82	26.88
HEALTH CARE	16,676,584.80	7.05
INDUSTRIALS	33,839,852.70	14.31
INFORMATION TECHNOLOGY	31,902,726.00	13.49
MATERIALS	10,882,983.90	4.60
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	4,504,865.20	1.91
UNCLASSIFIED	0.00	0.00
UTILITIES	5,036,607.00	2.13
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	230,522,845.22	97.51
Cash Equivalents	5,227,530.57	2.21
Payable for Investments Purchased	(1,536,154.57)	(0.65)
Receivables for Investments Sold	1,813,048.83	0.77
Dividend Receivable	361,154.40	0.15
Short Term Interest Receivable	22,059.24	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Grand Total	**$236,410,483.69**	**100.00 %**

SANDS CAPITAL MANAGEMENT, INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	20,732,960.00	9.29
CONSUMER STAPLES	6,443,920.00	2.89
ENERGY	17,806,240.00	7.98
FINANCIALS	30,375,940.00	13.61
HEALTH CARE	60,645,830.00	27.18
INDUSTRIALS	6,888,385.00	3.09
INFORMATION TECHNOLOGY	68,105,280.00	30.52
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	11,642,840.00	5.22
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	222,641,395.00	99.77
Cash Equivalents	487,444.47	0.22
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	23,800.00	0.01
Short Term Interest Receivable	5,741.22	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Grand Total	**$223,158,380.69**	**100.00 %**

RIVERSOURCE/KENWOOD

Equities	Market Value	%
COMMINGLED FUND	1,579,664.80	2.33
CONSUMER DISCRETIONARY	9,698,771.43	14.29
CONSUMER STAPLES	2,575,475.12	3.79
ENERGY	2,468,264.00	3.64
FINANCIALS	19,949,421.84	29.39
HEALTH CARE	2,950,034.63	4.35
INDUSTRIALS	8,521,880.00	12.56
INFORMATION TECHNOLOGY	9,295,033.14	13.69
MATERIALS	4,783,585.40	7.05
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,292,924.00	1.90
UNCLASSIFIED	501,645.00	0.74
UTILITIES	3,438,720.00	5.07
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	67,055,419.36	98.79
Cash Equivalents	598,026.34	0.88
Payable for Investments Purchased	(2,341,386.49)	(3.45)
Receivables for Investments Sold	2,416,017.67	3.56
Dividend Receivable	142,545.59	0.21
Short Term Interest Receivable	3,243.27	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	0.00	0.00
Grand Total	**$67,873,865.74**	**100.00 %**

SYSTEMATIC FINANCIAL MANAGEMENT, LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	38,397,566.21	10.74
CONSUMER STAPLES	11,666,265.00	3.26
ENERGY	49,554,262.00	13.86
FINANCIALS	103,507,210.00	28.95
HEALTH CARE	33,208,704.00	9.29
INDUSTRIALS	34,073,103.00	9.53
INFORMATION TECHNOLOGY	22,405,105.00	6.27
MATERIALS	17,870,871.00	5.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	20,208,473.00	5.65
UNCLASSIFIED	0.00	0.00
UTILITIES	17,150,944.00	4.80
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	348,042,503.21	97.33
Cash Equivalents	9,062,408.92	2.53
Payable for Investments Purchased	(19,702.64)	(0.01)
Receivables for Investments Sold	171,880.94	0.05
Dividend Receivable	293,108.84	0.08
Short Term Interest Receivable	32,183.45	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	112.99	0.00
Grand Total	**$357,582,495.71**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

TURNER INVESTMENT PARTNERS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	42,108,110.00	16.10
CONSUMER STAPLES	3,972,584.40	1.52
ENERGY	12,603,174.50	4.82
FINANCIALS	19,862,798.30	7.59
HEALTH CARE	42,479,545.90	16.24
INDUSTRIALS	48,429,993.02	18.52
INFORMATION TECHNOLOGY	61,517,065.96	23.52
MATERIALS	17,445,962.20	6.67
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	6,738,356.90	2.58
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
Total Equities	255,157,591.18	97.55
Cash Equivalents	3,034,921.39	1.16
Payable for Investments Purchased	(1,230,531.28)	(0.47)
Receivables for Investments Sold	4,527,474.56	1.73
Dividend Receivable	54,431.33	0.02
Short Term Interest Receivable	16,120.91	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	(49.98)	(0.00)
Grand Total	**$261,559,958.11**	**100.00 %**

VOYAGEUR ASSET MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	7,741,436.00	14.80
CONSUMER STAPLES	4,970,520.00	9.50
ENERGY	3,078,710.00	5.89
FINANCIALS	6,461,580.00	12.35
HEALTH CARE	7,455,050.00	14.25
INDUSTRIALS	6,982,970.00	13.35
INFORMATION TECHNOLOGY	13,635,352.00	26.07
MATERIALS	1,323,700.00	2.53
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
Total Equities	51,649,318.00	98.75
Cash Equivalents	620,840.32	1.19
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	31,005.00	0.06
Short Term Interest Receivable	2,981.10	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
Grand Total	**$52,304,144.42**	**100.00 %**

UBS GLOBAL ASSET MANAGEMENT, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	126,357,699.00	14.52
CONSUMER STAPLES	32,085,783.00	3.69
ENERGY	26,359,594.00	3.03
FINANCIALS	211,989,407.00	24.36
HEALTH CARE	153,860,121.00	17.68
INDUSTRIALS	111,610,280.00	12.83
INFORMATION TECHNOLOGY	141,269,936.40	16.24
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	24,342,699.68	2.80
UNCLASSIFIED	0.00	0.00
UTILITIES	21,640,696.00	2.49
ALL NON U.S.	0.00	0.00
VENTURE CAPITAL	3,565,554.32	0.41
Total Equities	853,081,770.40	98.04
Cash Equivalents	15,763,487.35	1.81
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	360,973.78	0.04
Dividend Receivable	830,114.00	0.10
Short Term Interest Receivable	96,263.52	0.01
Other Payables	(13,500.00)	(0.00)
Payable for Interest Compensation	(457.01)	(0.00)
Grand Total	**$870,118,652.04**	**100.00 %**

WINSLOW CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	6,432,752.00	5.18
CONSUMER STAPLES	4,877,717.00	3.93
ENERGY	3,569,192.00	2.88
FINANCIALS	18,884,488.00	15.22
HEALTH CARE	20,025,886.00	16.14
INDUSTRIALS	13,267,636.00	10.69
INFORMATION TECHNOLOGY	38,135,792.00	30.73
MATERIALS	2,348,502.00	1.89
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	11,266,189.80	9.08
UNCLASSIFIED	0.00	0.00
UTILITIES	3,497,700.00	2.82
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	122,305,854.80	98.56
Cash Equivalents	1,873,378.92	1.51
Payable for Investments Purchased	(530,460.27)	(0.43)
Receivables for Investments Sold	392,483.98	0.32
Dividend Receivable	38,207.50	0.03
Short Term Interest Receivable	5,028.91	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	12,412.36	0.01
Grand Total	**$124,096,906.20**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

ZEVENBERGEN CAPITAL INVESTMENTS, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	52,405,963.22	18.88
CONSUMER STAPLES	4,123,014.00	1.49
ENERGY	0.00	0.00
FINANCIALS	25,091,761.00	9.04
HEALTH CARE	49,931,999.00	17.99
INDUSTRIALS	23,585,938.00	8.50
INFORMATION TECHNOLOGY	96,519,479.00	34.78
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	21,505,302.00	7.75
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	273,163,456.22	98.42
Cash Equivalents	3,594,627.29	1.30
Payable for Investments Purchased	(43,928.46)	(0.02)
Receivables for Investments Sold	794,755.83	0.29
Dividend Receivable	8,712.00	0.00
Short Term Interest Receivable	14,428.90	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	16,835.16	0.01
Payable for Interest Compensation	(55.76)	
Grand Total	**$277,548,831.18**	**100.00 %**

FRANKLIN PORTFOLIO ASSOCIATES

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	312,854,603.22	12.43
CONSUMER STAPLES	199,489,673.00	7.93
ENERGY	264,205,706.90	10.50
FINANCIALS	530,764,295.09	21.09
HEALTH CARE	296,235,712.58	11.77
INDUSTRIALS	279,300,663.00	11.10
INFORMATION TECHNOLOGY	357,102,125.00	14.19
MATERIALS	80,572,203.00	3.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	83,320,980.50	3.31
UNCLASSIFIED	0.00	0.00
UTILITIES	106,553,374.00	4.23
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	2,510,399,336.29	99.76
Cash Equivalents	19,384,127.69	0.77
Payable for Investments Purchased	(29,874,065.94)	(1.19)
Receivables for Investments Sold	14,734,938.27	0.59
Dividend Receivable	1,865,348.68	0.07
Short Term Interest Receivable	36,114.83	0.00
Payable for Interest Compensation	0.00	0.00
Grand Total	**$2,516,545,799.82**	**100.00 %**

BARCLAYS GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	368,452,854.93	10.39
CONSUMER STAPLES	223,679,058.62	6.31
ENERGY	387,182,481.49	10.92
FINANCIALS	741,837,060.27	20.93
HEALTH CARE	441,426,888.67	12.45
INDUSTRIALS	426,616,152.19	12.03
INFORMATION TECHNOLOGY	578,063,644.65	16.31
MATERIALS	123,099,173.66	3.47
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	131,294,248.45	3.70
UNCLASSIFIED	0.00	0.00
UTILITIES	115,102,257.72	3.25
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	3,536,753,820.65	99.77
Cash Equivalents	11,395,226.81	0.32
Payable for Investments Purchased	(11,443,927.15)	(0.32)
Receivables for Investments Sold	4,740,267.98	0.13
Dividend Receivable	3,283,138.17	0.09
Short Term Interest Receivable	58,966.55	0.00
Long Term Interest Receivable	0.00	0.00
Margin Receivable	0.00	0.00
Tax Receivable	50,290.61	0.00
Payable for Interest Compensation	0.00	0.00
Grand Total	**$3,544,837,783.62**	**100.00 %**

JP MORGAN INVESTMENT MANAGEMENT

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	322,119,190.80	13.95
CONSUMER STAPLES	207,957,799.00	7.16
ENERGY	272,996,419.00	8.70
FINANCIALS	580,192,942.00	21.78
HEALTH CARE	333,167,146.00	12.73
INDUSTRIALS	310,915,267.00	10.60
INFORMATION TECHNOLOGY	423,347,517.00	13.97
MATERIALS	93,539,908.00	3.49
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	108,702,983.00	3.12
UNCLASSIFIED	903,630.00	0.00
UTILITIES	118,081,843.00	4.03
ALL NON U.S.	0.00	0.00
BONDS	1,300,609.70	0.02
Total Equities	2,773,225,254.50	99.55
Cash Equivalents	14,027,448.62	0.33
Payable for Investments Purchased	(918,426.60)	(0.10)
Receivables for Investments Sold	2,421,175.30	0.10
Dividend Receivable	2,772,413.45	0.12
Short Term Interest Receivable	49,815.16	0.00
Long Term Interest Receivable	28,528.03	0.00
Tax Receivable	0.00	0.00
Other Payables	(17,720.00)	(0.00)
Payable for Interest Compensation	(74.44)	0.00
Grand Total	**$2,791,588,414.02**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2007

BARCLAYS GLOBAL INVESTORS

(Passive)

Equities	Market Value	%
COMMINGLED FUND	9,910,454.22	0.12
CONSUMER DISCRETIONARY	1,022,705,407.44	11.91
CONSUMER STAPLES	610,788,972.15	7.11
ENERGY	836,120,866.58	9.74
FINANCIALS	1,784,723,614.69	20.78
HEALTH CARE	959,090,820.02	11.17
INDUSTRIALS	1,081,278,964.17	12.59
INFORMATION TECHNOLOGY	1,291,965,710.12	15.05
MATERIALS	328,527,823.34	3.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	312,954,413.68	3.64
UNCLASSIFIED	3,172,513.20	0.04
UTILITIES	329,564,069.33	3.84
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	8,570,803,628.94	99.72
Cash Equivalents	3,073,106.60	0.04
Payable for Investments Purchased	(63,971,898.83)	(0.74)
Receivables for Investments Sold	68,906,574.18	0.80
Dividend Receivable	8,274,631.66	0.10
Long Term Interest Receivable	31,574.76	0.00
Short Term Interest Receivable	779.48	0.00
Tax Refundable		0.00
Payable for Interest Compensation	(293.21)	(0.00)
Grand Total	**$8,587,118,103.58**	**100.00 %**

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
Total Equities	0.00	0.00
Cash Equivalents	799,333,901.89	99.87
Payable for Investments Purchased		0.00
Receivables for Investments Sold		0.00
Dividend Receivable	1,031,849.53	0.13
Long Term Interest Receivable		0.00
Short Term Interest Receivable		0.00
Tax Refundable		0.00
Payable for Interest Compensation		0.00
Grand Total	**$800,365,751.42**	**100.00 %**

* Aggregate of all managers in the Equity Account in the Financial Statements. Includes both Active and Semi-Passive managers.

AGGREGATE DOMESTIC EQUITY POOL

Equities	Market Value	%
COMMINGLED FUND	11,490,119.02	0.05
CONSUMER DISCRETIONARY	3,024,368,723.75	11.85
CONSUMER STAPLES	1,602,745,726.73	6.28
ENERGY	2,332,777,283.61	9.14
FINANCIALS	5,040,372,090.38	19.75
HEALTH CARE	3,028,455,982.64	11.87
INDUSTRIALS	3,050,663,332.58	11.96
INFORMATION TECHNOLOGY	3,828,019,912.08	15.00
MATERIALS	853,373,817.24	3.34
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	870,692,574.66	3.41
UNCLASSIFIED	6,251,085.20	0.02
UTILITIES	870,655,651.09	3.41
VENTURE CAPITAL	5,354,038.64	
ALL NON U.S.	0.00	0.00
BONDS	1,300,609.70	0.01
Total Equities	24,526,520,947.32	96.12
Cash Equivalents	970,660,651.91	3.80
Payable for Investments Purchased	(167,696,511.36)	(0.66)
Receivables for Investments Sold	162,102,392.86	0.64
Dividend Receivable	23,014,276.95	0.09
Short Term Interest Receivable	686,331.72	0.00
Long Term Interest Receivable	60,102.79	0.00
Payable for Interest Compensation	(1,196.94)	(0.00)
Tax Refund Receivable	263,724.53	0.00
Margin Receivable	0.00	0.00
Other Payables	(31,220.00)	(0.00)
Private Placement	0.00	0.00
Advisory Fee	0.00	0.00
Grand Total	**$25,515,579,499.78**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

ACADIAN ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	26,970,872.88	7.43
CANADA	19,161,498.18	5.28
DENMARK	101,815.34	0.03
EURO	173,076,510.53	47.70
HONG KONG	2,130,018.22	0.59
JAPAN	58,944,013.32	16.24
NEW ZEALAND	564,080.50	0.16
NORWAY	1,838,090.96	0.51
UNITED KINGDOM	49,114,247.33	13.54
SINGAPORE	5,393,569.37	1.49
SWEDEN	13,768,890.31	3.79
SWITZERLAND	10,553,267.11	2.91
UNITED STATES	0.20	0.00
Dividend Receivable	832,067.68	0.23
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Short Term Interest Receivable	1,040.18	0.00
Tax Refundable	387,685.45	0.11
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	16,074.06	0.00
Unrealized on Investment payables	0.00	0.00
Unrealized on Investment receivables	0.00	0.00
Grand Total	**$362,853,741.62**	**100.00 %**

INVESCO GLOBAL ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	0.00	0.00
CANADA	7,046,064.77	2.13
DENMARK	3,756,959.82	1.14
EURO	88,199,422.26	26.68
HONG KONG	9,606,017.60	2.91
JAPAN	69,099,912.17	20.90
NORWAY	3,927,027.69	1.19
UNITED KINGDOM	73,762,442.44	22.32
SWEDEN	13,333,543.43	4.03
SWITZERLAND	29,846,488.54	9.03
UNITED STATES	31,497,229.04	9.53
Dividend Receivable	582,219.11	0.18
Long Term Interest Receivable	0.00	0.00
Payable for Investment Purchased	(738,260.42)	(0.22)
Receivable for Investment Sold	0.00	0.00
Short Term Interest Receivable	24,851.46	0.01
Tax Refundable	581,885.06	0.18
Unrealized on fx receivables	(2,707.53)	(0.00)
Unrealized on Income receivables	20,891.86	0.01
Unrealized on Investment payables	6,097.62	0.00
Grand Total	**$330,550,084.92**	**100.00 %**

JP MORGAN INVESTMENT MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	6,351,913.37	2.14
CANADA	12,125,650.78	4.08
DENMARK	0.00	0.00
EURO	98,072,662.53	33.01
HONG KONG	9,203,631.13	3.10
JAPAN	51,035,456.95	17.18
NEW ZEALAND	0.00	0.00
NORWAY	0.00	0.00
UNITED KINGDOM	61,316,146.46	20.64
SINGAPORE	0.00	0.00
SWEDEN	3,625,719.54	1.22
SWITZERLAND	32,911,185.63	11.08
UNITED STATES	4,670,881.38	1.57
Dividend Receivable	1,151,083.75	0.39
Payable for Investments Purchased	(562,384.34)	(0.19)
Receivables for Investments Sold	0.00	0.00
Short Term Interest Receivable	27,064.42	0.01
TAX Refundable	468,648.00	0.16
Payable for Interest Compensation	0.00	0.00
Unrealized on fx payables	0.00	0.00
Unrealized on fx receivables	(746.21)	(0.00)
Unrealized on Income receivables	10,098.45	0.00
Unrealized on Investment payables	0.00	0.00
Unrealized on Investment receivables	3,360.68	0.00
Grand Total	**$280,410,372.52**	**100.00 %**

MARATHON ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	16,480,817.60	2.82
CANADA	32,341,753.51	5.54
DENMARK	12,574,203.12	2.15
EURO	143,305,421.24	24.54
HONG KONG	23,218,794.10	3.98
JAPAN	124,899,913.81	21.39
NEW ZEALAND	1,213,464.34	0.21
NORWAY	4,513,660.72	0.77
UNITED KINGDOM	133,513,530.16	22.87
SINGAPORE	7,150,397.20	1.22
SWEDEN	14,192,124.45	2.43
SWITZERLAND	22,782,070.49	3.90
UNITED STATES	44,503,951.55	7.62
Dividend Receivable	703,560.65	0.12
Payable for Interest Compensation	(10.26)	(0.00)
Payable for Investments Purchased	(1,098,283.20)	(0.19)
Receivables for Investments Sold	3,142,385.97	0.54
Short Term Interest Receivable	88,967.09	0.02
Tax Refundable	296,672.30	0.05
Unrealized on fx payables	(2,035.25)	(0.00)
Unrealized on fx receivables	363.27	0.00
Unrealized on Income receivables	14,087.62	0.00
Unrealized on Investment payables	(3,913.64)	(0.00)
Unrealized on Investment receivables	22,347.18	0.00
Grand Total	**$583,854,244.02**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

MCKINLEY CAPITAL MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	18,450,057.65	5.65
CANADA	6,973,339.23	2.13
DENMARK	0.00	0.00
EURO	155,503,366.71	47.59
HONG KONG	0.00	0.00
JAPAN	30,947,424.13	9.47
NEW ZEALAND	0.00	0.00
NORWAY	4,662,778.20	1.43
UNITED KINGDOM	52,312,973.35	16.01
SINGAPORE	4,672,006.28	1.43
SWEDEN	18,186,428.13	5.57
SWITZERLAND	13,194,246.25	4.04
UNITED STATES	22,122,273.60	6.77
Dividend Receivable	714,805.72	0.22
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	(9,061,519.52)	(2.77)
Receivables for Investments Sold	7,800,914.74	2.39
Short Term Interest Receivable	47,793.89	0.01
Tax Refundable	200,603.42	0.06
Unrealized on fx payables	(10,943.29)	(0.00)
Unrealized on fx receivables	(2,291.62)	(0.00)
Unrealized on Income receivables	4,721.59	0.00
Unrealized on Investment payables	(165,359.80)	(0.05)
Unrealized on Investment receivables	179,164.82	0.05
Grand Total	**$326,732,783.48**	**100.00 %**

PYRAMIS GLOBAL ADVISORS TRUST COMPANY

Exposure by Country	Market Value	%
AUSTRALIA	17,371,492.17	5.85
CANADA	17,868,967.20	6.01
DENMARK	1,448,120.92	0.49
EURO	103,529,746.99	34.84
HONG KONG	4,062,145.98	1.37
JAPAN	53,938,047.28	18.15
NEW ZEALAND	0.29	0.00
NORWAY	4,986,128.90	1.68
UNITED KINGDOM	55,659,927.04	18.73
SINGAPORE	5,829,898.12	1.96
SWEDEN	6,386,937.68	2.15
SWITZERLAND	21,117,128.44	7.11
UNITED STATES	4,427,607.73	1.49
Dividend Receivable	845,875.53	0.28
Payable for Investments Purchased	(4,303,680.50)	(1.45)
Receivables for Investments Sold	3,653,003.83	1.23
Short Term Interest Receivable	2,658.01	0.00
TAX Refundable	286,208.34	0.10
Payable for Interest Compensation	(300.39)	(0.00)
Unrealized on fx payables	(13,901.05)	(0.00)
Unrealized on fx receivables	4,718.81	0.00
Unrealized on Income receivables	11,623.30	0.00
Unrealized on Investment payables	289.84	0.00
Unrealized on Investment receivables	8,035.32	0.00
Grand Total	**$297,120,679.78**	**100.00 %**

RIVERSOURCE INVESTMENTS

Exposure by Country	Market Value	%
AUSTRALIA	9,778,108.62	3.19
CANADA	12,423,618.68	4.06
DENMARK	1,634,438.23	0.53
EURO	102,265,306.71	33.38
HONG KONG	9,264,609.99	3.02
JAPAN	66,739,259.61	21.79
NORWAY	778.03	0.00
UNITED KINGDOM	67,292,843.67	21.97
SINGAPORE	8,586,516.78	2.80
SWEDEN	2,885,608.54	0.94
SWITZERLAND	18,736,376.52	6.12
THAILAND	0.00	0.00
UNITED STATES	5,649,827.67	1.84
Dividend Receivable	620,060.92	0.20
Payable for Investments Purchased	(1,769,978.49)	(0.58)
Receivables for Investments Sold	1,927,812.63	0.63
Short Term Interest Receivable	23,353.34	0.01
Tax Refundable	263,911.81	0.09
Payable for Interest Compensation	0.00	0.00
Unrealized on fx payables	2,242.67	0.00
Unrealized on fx receivables	(6,892.38)	(0.00)
Unrealized on Income receivables	6,901.54	0.00
Unrealized on Investment payables	14,264.82	0.00
Unrealized on Investment receivables	(817.33)	(0.00)
Grand Total	**$306,338,152.58**	**100.00 %**

UBS GLOBAL ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	4,262,267.17	1.31
CANADA	16,630,879.50	5.09
DENMARK	2,232,368.17	0.68
EURO	125,133,776.62	38.33
HONG KONG	4,370,539.55	1.34
JAPAN	39,941,617.21	12.24
NEW ZEALAND	2,907.34	0.00
MALAYSIA	0.00	0.00
NORWAY	5,538,941.78	1.70
UNITED KINGDOM	78,896,380.36	24.17
SINGAPORE	8,704,532.73	2.67
SWEDEN	7,305,192.03	2.24
SWITZERLAND	33,884,118.15	10.38
UNITED STATES	944,177.45	0.29
Dividend Receivable	575,250.23	0.18
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	54,505.54	0.02
Short Term Interest Receivable	5,893.14	0.00
TAX Refundable	437,677.99	0.13
Unrealized on fx payables	(540,213.47)	(0.17)
Unrealized on fx receivables	(1,978,862.55)	(0.61)
Unrealized on Income receivables	20,056.52	0.01
Unrealized on Investment payables	0.00	0.00
Unrealized on Investment receivables	985.58	0.00
Grand Total	**$326,422,991.04**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

INTERNATIONAL TRANSITION ACCOUNT

Exposure by Country	Market Value	%
AUSTRALIA	0.00	0.00
CANADA	708,000.01	0.14
DENMARK	465,379.52	0.09
EURO	13,497,943.36	2.65
HONG KONG	(72.27)	(0.00)
JAPAN	63,022.79	0.01
NORWAY	0.00	0.00
UNITED KINGDOM	162,253.91	0.03
SINGAPORE	0.00	0.00
SOUTH KOREA	118.83	0.00
SWEDEN	0.00	0.00
SWITZERLAND	0.00	0.00
UNITED STATES	488,729,946.50	96.11
Dividend Receivable	23,472.91	0.00
Payable for Interest Compensation	0.00	0.00
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	4,451,874.06	0.88
Short Term Interest Receivable	420,272.25	0.08
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	43.24	0.00
Unrealized on Investment payables	(39,972.45)	(0.01)
Unrealized on Investment receivables	13,055.98	0.00
Grand Total	**$508,495,338.64**	**100.00 %**

STATE STREET GLOBAL ADVISORS

(Passive)

Exposure by Country	Market Value	%
AUSTRALIA	154,623,897.12	5.70
CANADA	196,505,944.86	7.24
DENMARK	21,347,336.99	0.79
EURO	909,111,911.58	33.51
HONG KONG	42,818,140.42	1.58
INDIA	0.00	0.00
JAPAN	531,674,690.78	19.60
MALAYSIA	0.00	0.00
NEW ZEALAND	4,674,560.59	0.17
NORWAY	25,856,819.83	0.95
UNITED KINGDOM	554,211,310.44	20.43
SINGAPORE	26,745,981.21	0.99
SWEDEN	65,491,845.77	2.41
SWITZERLAND	164,751,304.63	6.07
THAILAND	0.00	0.00
UNITED STATES	3,333,717.17	0.12
Dividend Receivable	4,875,967.14	0.18
Long Term Interest Receivable	0.00	0.00
Margin Variation Receivable	508,391.32	0.02
Other Payable	0.00	0.00
Payable for Interest Compensation	(151.97)	(0.00)
Payable for Investments Purchased	(1,516,841.13)	(0.06)
Receivables for Investments Sold	5,462,836.72	0.20
Short Term Interest Receivable	9,121.43	0.00
TAX Refundable	2,101,971.48	0.08
Unrealized on Income receivables	54,907.31	0.00
Unrealized on Investment payables	(84,686.90)	(0.00)
Unrealized on Investment receivables	118,361.04	0.00
Grand Total	**$2,712,677,337.83**	**100.00 %**

AQR CAPITAL MANAGEMENT

(Semi-passive)

Exposure by Country	Market Value	%
AUSTRALIA	16,303,123.00	5.07
CANADA	22,422,089.15	6.98
DENMARK	3,078,979.38	0.96
EURO	97,590,984.91	30.37
HONG KONG	4,541,541.29	1.41
JAPAN	60,989,943.47	18.98
UNITED KINGDOM	68,527,759.70	21.33
SINGAPORE	2,669,333.88	0.83
SWEDEN	10,767,904.82	3.35
SWITZERLAND	17,985,702.31	5.60
UNITED STATES	14,665,460.64	4.56
Dividend Receivable	533,662.67	0.01
Payable for Investments Purchased	(3,519,717.07)	(1.10)
Receivables for Investments Sold	3,078,906.59	1.39
Short Term Interest Receivable	38,467.81	0.13
TAX Refundable	250,098.90	0.08
Margin Variation Receivable	1,223,706.01	0.38
Other Payables	(402,082.22)	(0.13)
Payable for Interest Compensation	(404.95)	(0.00)
Unrealized on fx payables	(746,437.08)	(0.23)
Unrealized on fx receivables	1,294,615.07	0.40
Unrealized on Income receivables	7,275.28	0.00
Unrealized on Investment payables	(30,008.08)	(0.01)
Unrealized on Investment receivables	28,356.73	0.01
Grand Total	**$321,299,262.21**	**100.39 %**

PYRAMIS GLOBAL ADVISORS TRUST CO

(Semi-passive)

Exposure by Country	Market Value	%
AUSTRALIA	17,883,430.61	2.80
CANADA	19,892,596.05	3.40
DENMARK	3,540,064.34	0.00
EURO	103,151,286.76	34.78
HONG KONG	4,968,328.48	1.13
JAPAN	64,288,780.10	18.38
NEW ZEALAND	71.88	0.00
NORWAY	4,569,596.60	0.00
UNITED KINGDOM	66,249,159.97	26.29
SINGAPORE	5,150,550.85	0.00
SWEDEN	7,298,934.70	0.73
SWITZERLAND	23,957,413.73	11.62
UNITED STATES	7,211,941.72	0.02
Dividend Receivable	575,846.59	0.28
Payable for Investments Purchased	(1,168,423.01)	0.00
Receivables for Investments Sold	1,534,182.72	0.11
Margin Variation Receivable	0.00	
Short Term Interest Receivable	11,122.72	0.00
TAX Refundable	274,019.10	0.18
Unrealized on fx payables	(6,034.80)	1.05
Unrealized on fx receivables	3,846.11	(0.75)
Unrealized on Income receivables	9,711.77	(0.01)
Unrealized on Investment payables	(3,891.67)	0.00
Unrealized on Investment receivables	4,440.12	0.00
Payable for Interest Comp	(34.88)	
Grand Total	**$329,396,940.56**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

STATE STREET GLOBAL ADVISORS

(Semi-passive)

Exposure by Country	Market Value	%
AUSTRALIA	18,806,588.88	5.75
CANADA	23,534,079.43	7.20
DENMARK	4,362.30	0.00
EURO	105,440,476.49	32.26
HONG KONG	5,612,812.20	1.72
JAPAN	65,093,930.35	19.92
NEW ZEALAND	1,145,760.78	0.35
MALAYSIA	0.00	0.00
NORWAY	7,688,844.18	2.35
UNITED KINGDOM	67,665,200.17	20.70
SINGAPORE	2,604,604.34	0.80
SWEDEN	8,647,544.25	2.65
SWITZERLAND	19,668,865.46	6.02
UNITED STATES	217,692.24	0.07
Dividend Receivable	578,009.90	0.18
Payable for Investments Purchased	(1,396,756.82)	(0.43)
Receivables for Investments Sold	1,186,718.58	0.36
Short Term Interest Receivable	284.71	0.00
TAX Refundable	297,100.01	0.09
Unrealized on fx payables	0.00	0.00
Unrealized on fx receivables	0.00	0.00
Unrealized on Income receivables	9,778.30	0.00
Unrealized on Investment payables	(2,169.84)	(0.00)
Unrealized on Investment receivables	2,841.39	0.00
Grand Total	**$326,806,567.30**	**100.00 %**

ALLIANCE BERNSTEIN L.P.

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	27,632,443.31	6.61
CHILE	2,962,140.03	0.71
CZECH REPUBLIC	2,403,925.69	0.57
EGPYT	1,652,265.11	0.40
HONG KONG	46,805,734.93	11.20
HUNGARY	4,126,820.29	0.99
INDIA	40,447,750.93	9.67
INDONESIA	24,565,033.48	5.88
ISRAEL	1,719,208.86	0.41
MALAYSIA	4,926,870.34	1.18
MEXICO	5,922,407.60	1.42
TAIWAN	38,821,767.70	9.29
POLAND	115.18	0.00
SINGAPORE	983.81	0.00
SOUTH AFRICA	29,799,695.02	7.13
SOUTH KOREA	46,080,359.76	11.02
PHILLIPINES	7,038,897.30	1.68
TURKEY	4,364,548.85	1.04
UNITED STATES	126,949,374.62	30.36
Dividend Receivable	1,015,708.62	0.24
Payable for Investments Purchased	(2,987,891.49)	(0.71)
Receivables for Investments Sold	3,561,437.09	0.85
Short Term Interest Receivable	10,743.72	0.00
Tax Refundable	281,359.66	0.07
Payable for Interest Compensation	(1,063.19)	(0.00)
Other Payable	(2,120.93)	(0.00)
Other Receivables	0.00	0.00
Unrealized on fx receivables	(2,111.78)	(0.00)
Unrealized on fx payables	6,522.12	0.00
Unrealized on Income receivables	6,925.47	0.00
Unrealized on Investment payables	(37,797.75)	(0.01)
Unrealized on Investment receivables	17,722.10	0.00
Grand Total	**$418,089,776.45**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

CAPITAL INTERNATIONAL

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	30,635,890.08	7.14
CANADA	1,856,559.34	0.43
COLUMBIAN PESO	1,626,409.64	0.38
CHILE	1,008,045.72	0.24
EGYPT	5,771,832.54	1.35
EURO	1,100,329.13	0.26
HONG KONG	45,239,853.76	10.55
HUNGARY	213,288.12	0.05
INDIA	22,054,220.72	5.14
INDONESIA	10,031,804.79	2.34
ISRAEL	4,577,703.83	1.07
MALAYSIA	20,348,077.84	4.74
MEXICO	9,490,779.16	2.21
TAIWAN	45,299,907.16	10.56
PAKISTAN	52,534.31	0.01
PHILLIPINES	3,515,695.33	0.82
POLAND	698,231.69	0.16
UNITED KINGDOM	5,087,923.40	1.19
SINGAPORE	3,726,752.14	0.87
SOUTH AFRICA	31,600,124.71	7.37
SOUTH KOREA	41,191,413.93	9.60
SWEDEN	253,966.63	0.06
THAILAND	4,602,559.37	1.07
TURKEY	11,139,258.79	2.60
UNITED STATES	127,886,295.98	29.82
Dividend Receivable	905,770.15	0.21
Payable for Investments Purchased	(2,949,097.08)	(0.69)
Receivables for Investments Sold	1,838,154.61	0.43
Short Term Interest Receivable	54,797.10	0.01
TAX Refundable	1,667.17	0.00
Other Liabilities	(26,096.74)	(0.01)
Other Receivables	0.00	0.00
Payable for Interest Compensation	(329.14)	(0.00)
Unrealized on fx payables	26,568.40	0.01
Unrealized on fx receivables	31,733.62	0.01
Unrealized on Income receivables	11,033.96	0.00
Unrealized on Investment payables	(23,796.30)	(0.01)
Unrealized on Investment receivables	9,971.81	0.00
Grand Total	**$428,889,835.67**	**100.00 %**

MORGAN STANLEY INVESTMENT MANAGEMENT

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	19,717,369.67	4.38
CZECH REPUBLIC	3,124,752.03	0.69
EGPYT	1,892,213.25	0.42
EURO	9,599,308.45	2.13
HONG KONG	65,408,394.02	14.54
HUNGARY	6,155,955.08	1.37
INDIA	38,765,135.46	8.62
INDONESIA	13,044,724.48	2.90
ISRAEL	87.78	0.00
JAPAN	0.00	0.00
JORDAN	0.00	0.00
MALAYSIA	3,730,444.97	0.83
MEXICO	12,034,417.75	2.68
MORROCCO	1,713,064.46	0.38
TAIWAN	30,854,787.89	6.86
PAKISTAN	1,201,164.90	0.27
PHILLIPINE	1,999,738.81	0.44
POLAND	20,431,846.91	4.54
ROMANIA	669,143.66	0.15
UNITED KINGDOM	0.00	0.00
SINGAPORE	0.00	0.00
SOUTH AFRICA	28,862,887.32	6.42
SOUTH KOREA	54,606,971.62	12.14
THAILAND	0.00	0.00
TURKEY	7,629,318.77	1.70
UNITED STATES	127,163,171.19	28.27
Dividend Receivable	975,385.13	0.22
Other Receivables	0.00	0.00
Payable for Investments Purchased	(3,279,567.22)	(0.73)
Receivables for Investments Sold	3,380,115.25	0.75
Short Term Interest Receivable	25,293.31	0.01
TAX Refundable	3,235.55	0.00
Other Receivables	0.00	0.00
Payable on Interest Comp	(370.19)	(0.00)
Unrealized on fx payables	116,644.27	0.03
Unrealized on fx receivables	8,191.17	0.00
Unrealized on Income receivables	4,581.41	0.00
Unrealized on Investment receivables	60,768.61	0.01
Unrealized on Investment Payables	(67,819.01)	(0.02)
Grand Total	**$449,831,356.75**	**100.00 %**

Summarized Asset Listing - International Stock Managers June 30, 2007

AGGREGATE INTERNATIONAL STOCK POOL*

Exposure by Country	Market Value	%
AUSTRALIA	307,282,569.07	3.90
BRAZIL	77,985,703.06	0.47
CANADA	389,491,040.69	4.77
CHILE	3,970,185.75	0.00
COLUMBIA	1,626,409.64	0.01
CZECH REPUBLIC	5,528,677.72	0.02
DENMARK	50,184,028.13	0.65
EGPYT	9,316,310.90	0.13
EURO	2,228,578,454.27	27.11
HONG KONG	277,250,489.40	2.82
HUNGARY	10,496,063.49	0.12
INDIA	101,267,107.11	0.84
INDONESIA	47,641,562.75	0.20
ISRAEL	6,297,000.47	0.08
JAPAN	1,217,656,011.97	17.35
JORDAN	0.00	0.00
MALAYSIA	29,005,393.15	0.30
MEXICO	27,447,604.51	0.32
MORROCCO	1,713,064.46	
NEW ZEALAND	7,600,845.72	0.14
NORWAY	63,582,666.89	0.84
PAKISTAN	1,253,699.21	
PERU	0.00	0.00
PHILLIPINES	12,554,331.44	0.01
POLAND	21,130,193.78	0.11
ROMANIA	669,143.66	
SINGAPORE	81,235,126.71	0.63
SOUTH AFRICA	90,262,707.05	1.12
SOUTH KOREA	141,878,864.14	1.69
SWEDEN	172,144,640.28	1.72
SWITZERLAND	409,388,167.26	6.22
TAIWAN	114,976,462.75	1.61
THAILAND	4,602,559.37	0.28
TURKEY	23,133,126.41	0.38
UNITED KINGDOM	1,333,772,098.40	20.10
UNITED STATES	1,009,973,548.68	5.65
Dividend Receivable	15,508,746.70	0.21
Long Term Interest Receivable	0.00	0.00
Margin Variation Receivable	1,732,097.33	0.00
Other Receivable	0.00	0.00
Payable for Interest Compensation	(2,664.97)	(0.00)
Payable for Investments Purchased	(34,352,400.29)	(0.33)
Receivables for Investments Sold	41,072,848.33	0.35
Short Term Interest Receivable	791,724.58	0.00
TAX Refundable	6,132,744.24	0.11
Other Payables	(404,203.15)	(0.00)
Other Liabilities	(26,096.74)	(0.00)
Unrealized on fx payables	(1,167,587.48)	0.12
Unrealized on fx receivables	(650,144.02)	(0.08)
Unrealized on Income receivables	208,711.68	(0.01)
Unrealized on Investment payables	(438,763.16)	(0.01)
Unrealized on Investment receivables	468,594.03	0.01
GRAND TOTAL	**$8,309,769,465.37**	**100.00 %**

* Aggregate of all managers in the International Equity Account in the Finanical Statements. Includes Active, Passive, Terminated, and Emerging Markets.

Summarized Asset Listing - Bond Managers June 30, 2007

ABERDEEN ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	7,362,953.46	0.67
U.S. CORPORATE	136,431,520.02	12.43
U.S. MTG. REL.	663,580,176.10	60.44
U.S. MUNICIPALS	56,977,176.47	5.19
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	122,753,428.86	11.18
PRIVATE PLACEMENTS	7,923,863.50	0.72
YANKEE	65,220,451.18	5.94
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	587,314.52	0.05
Total Fixed Income	**1,060,836,884.11**	**96.63**
Cash Equivalent		
U.S.	27,469,022.93	2.50
Non U.S.	0.00	0.00
Payable for Investments Purchased	(27,475,138.39)	(2.50)
Receivables for Investments Sold	27,078,550.32	2.47
Long Term Interest Receivable	9,823,709.57	0.89
Short Term Interest Receivable	129,972.27	0.01
Payable for Interest Compensation	(1,979.52)	(0.00)
Tax Refund Recievalbe	25,782.62	0.00
Unrealized on FX Payables	0.00	0.00
Grand Total	**$1,097,886,803.91**	**100.00 %**

MORGAN STANLEY INVESTMENT MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	566,721.10	0.06
U.S. CORPORATE	107,570,759.37	11.89
U.S. MTG. REL.	569,900,660.48	63.00
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	276,151,349.58	30.53
PRIVATE PLACEMENTS	4,600,000.00	0.51
YANKEE	8,620,926.84	0.95
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	29,435,465.55	3.25
Total Fixed Income	**996,845,882.92**	**110.19**
Cash Equivalent		
U.S.	157,416,904.43	17.40
Non U.S.	0.00	0.00
Payable for Investments Purchased	(302,689,867.36)	(33.46)
Receivables for Investments Sold	45,062,843.75	4.98
Long Term Interest Receivable	6,627,533.37	0.73
Short Term Interest Receivable	72,333.53	0.01
Payable for Interest Compensation	(1,560.67)	(0.00)
Margin Variation Receivable	1,319,027.32	0.15
Grand Total	**$904,653,097.29**	**100.00 %**

DODGE & COX INVESTMENT MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	10,435,781.90	0.93
U.S. CORPORATE	316,420,733.00	28.15
U.S. MTG. REL.	553,320,804.42	49.22
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	167,356,277.10	14.89
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	17,291,857.93	1.54
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	4,060,644.50	0.36
Total Fixed Income	**1,068,886,098.85**	**95.09**
Cash Equivalent		
U.S.	43,703,706.40	3.89
Non. U.S.	0.00	0.00
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Long Term Interest Receivable	11,440,072.67	1.02
Short Term Interest Receivable	91,445.78	0.01
Tax Refund Receivable	11,602.19	0.00
Advisory Fee	0.00	0.00
Grand Total	**$1,124,132,925.89**	**100.00 %**

RIVERSOURCE INVESTMENTS

Fixed Income	Market Value	%
U.S. AGENCY	100,133,483.37	9.77
U.S. CORPORATE	216,789,985.47	21.15
U.S. MTG. REL.	627,980,365.79	61.26
U.S. MUNICIPALS	4,922,491.50	0.48
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	129,609,814.47	12.64
PRIVATE PLACEMENTS	2,657,490.00	0.26
YANKEE	3,346,500.76	0.33
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,085,440,131.36**	**105.89**
Cash Equivalent		
U.S.	40,649,053.60	3.97
Non U.S.	0.00	0.00
Payable for Investments Purchased	(172,892,900.92)	(16.87)
Receivables for Investments Sold	62,507,118.53	6.10
Long Term Interest Receivable	9,117,653.98	0.89
Short Term Interest Receivable	42,727.75	0.00
Payable for Interest Compensation	(5,260.60)	(0.00)
Margin Variation Receivable	172,421.94	0.02
Grand Total	**$1,025,030,945.64**	**100.00 %**

Summarized Asset Listing - Bond Managers June 30, 2007

WESTERN ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	155,287,275.25	9.91
U.S. CORPORATE	286,908,582.53	18.31
U.S. MTG. REL.	854,967,196.34	54.56
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	641,914,866.68	40.97
PRIVATE PLACEMENTS	9,943,226.12	0.63
YANKEE	61,920,829.41	3.95
FOREIGN RELATED	7,782,415.92	0.50
MISCELLANEOUS	14,302,571.20	0.91
Total Fixed Income	**2,033,026,963.45**	**129.75**
Cash Equivalent		
U.S.	29,494,073.76	1.88
Non U.S.	0.00	0.00
Payable for Investments Purchased	(518,087,599.46)	(33.06)
Receivables for Investments Sold	1,894,040.38	0.12
Long Term Interest Receivable	17,626,034.65	1.12
Short Term Interest Receivable	66,004.20	0.00
Margin Variation Receivable	2,866,185.90	0.18
Payable for Interest Compensation	(28.08)	(0.00)
Dividend Receivable	15,089.07	0.00
Unrealized on Foreign Currency	0.00	0.00
Unrealized on fx Receivables	6,870,246.05	0.44
Unrealized on fx Payables	(6,870,246.00)	(0.44)
	0.00	
Grand Total	**$1,566,900,763.92**	**100.00 %**

GOLDMAN SACHS ASSET MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	281,171,783.20	14.63
U.S. CORPORATE	232,707,316.39	12.11
U.S. MTG. REL.	1,060,779,346.27	55.20
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	203,612,180.19	10.60
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	65,415,871.99	3.40
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,843,686,498.04**	**95.94**
Cash Equivalent		
U.S.	135,848,730.88	7.07
Non. U.S.	0.00	0.00
Payable for Investments Purchased	(184,266,205.26)	(9.59)
Receivables for Investments Sold	110,617,321.12	5.76
Long Term Interest Receivable	15,388,047.87	0.80
Short Term Interest Receivable	341,777.50	0.02
Payable for Interest Compensation	(1,194.63)	(0.00)
Tax Refund Receivable	11,544.92	0.00
Grand Total	**$1,921,626,520.44**	**100.00 %**

BLACKROCK INC

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	71,085,890.30	3.72
U.S. CORPORATE	295,324,349.25	15.45
U.S. MTG. REL.	1,622,923,818.96	84.90
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	17,550,583.28	0.92
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	39,077,905.09	2.04
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	1,560,385.58	0.08
Total Fixed Income	**2,047,522,932.46**	**107.11**
Cash Equivalent		
U.S.	363,805,447.62	19.03
Non U.S.	0.00	0.00
Payable for Investments Purchased	(1,353,486,241.21)	(70.80)
Receivables for Investments Sold	838,462,969.18	43.86
Long Term Interest Receivable	12,739,331.50	0.67
Short Term Interest Receivable	1,311,427.01	0.07
Margin Variation Receivable	1,368,906.60	0.07
Tax Refund Receivable	429.76	0.00
Payable for Interest Compensation	(404.85)	(0.00)
Other Payables	(84,180.56)	(0.00)
Dividend Receivable	34,916.64	0.00
Grand Total	**$1,911,675,534.15**	**100.00 %**

LEHMAN BROTHERS

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	139,680,307.84	6.96
U.S. CORPORATE	335,317,221.78	16.71
U.S. MTG. REL.	1,364,225,053.87	67.98
U.S. MUNICIPALS	657,941.40	0.03
U.S. PREFERRED STOCK	4,321,686.50	0.22
U.S. TREASURY	333,500,805.76	16.62
PRIVATE PLACEMENTS	22,189,152.06	1.11
YANKEE	0.00	0.00
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**2,199,892,169.21**	**109.62**
Cash Equivalent		
U.S.	49,372,354.20	2.46
Non U.S.	0.00	0.00
Payable for Investments Purchased	(302,962,780.09)	(15.10)
Receivables for Investments Sold	44,086,311.96	2.20
Long Term Interest Receivable	16,225,184.85	0.81
Short Term Interest Receivable	205,693.43	0.01
Payable for Interest Compensation	(191.86)	(0.00)
Grand Total	**$2,006,818,741.70**	**100.00 %**

Summarized Asset Listing - Bond Managers June 30, 2007

AGGREGATE BOND POOL*

Fixed Income	Market Value	%
U.S. AGENCY	765,724,196.42	6.62
U.S. CORPORATE	1,927,470,467.81	16.68
U.S. MTG. REL.	7,317,677,422.23	63.31
U.S. MUNICIPALS	62,557,609.37	0.54
U.S. PREFERRED STOCK	4,321,686.50	0.04
U.S. TREASURY	1,892,449,305.92	16.37
PRIVATE PLACEMENTS	47,313,731.68	0.41
YANKEE	260,894,343.20	2.26
FOREIGN RELATED	7,782,415.92	0.07
MISCELLANEOUS	49,946,381.35	0.43
Total Fixed Income	**12,336,137,560.40**	**106.73**
Cash Equivalent		
U.S.	847,759,293.82	7.33
Non. U.S.	0.00	0.00
Payable for Investments Purchased	(2,861,860,732.69)	(24.76)
Receivables for Investments Sold	1,129,709,155.24	9.77
Long Term Interest Receivable	98,987,568.46	0.86
Short Term Interest Receivable	2,261,381.47	0.02
Payable for Interest Compensation	(10,620.21)	(0.00)
Other Payables	(84,180.56)	(0.00)
Tax Refund Receivables	49,359.49	0.00
Margin Variation Receivable	5,726,541.76	0.05
Unrealized on fx Receivables	6,870,246.05	0.06
Unrealized on fx Payables	(6,870,246.00)	(0.06)
Unrealized on Foreign Currency	0.00	0.00
Advisory Fee	0.00	0.00
Dividend Receivables	50,005.71	0.00
Grand Total	**$11,558,725,332.94**	**100.00 %**

* 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, 2007

BOND MARKET ACCOUNT

	Market Value	%
BONDS	136,241,973.03	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$136,241,973.03**	**100.00 %**

COMMON STOCK INDEX ACCOUNT

	Market Value	%
EQUITIES	358,008,837.71	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$358,008,837.71**	**100.00 %**

FIXED INTEREST ACCOUNT

	Market Value	%
GIC POOL	61,774,379.06	99.35
CASH EQUIVALENTS	187,764.50	0.30
Short Term Interest Receivable	976.87	0.00
Long Term Interest Receivable	233,997.13	0.38
Accrued expense	(19,062.26)	(0.03)
Grand Total	**$62,178,055.30**	**100.00 %**

GROWTH SHARE ACCOUNT

	Market Value	%
EQUITIES	124,802,042.83	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$124,802,042.83**	**100.00 %**

DEFERRED COMPENSATION MONEY FUND

	Market Value	%
CASH EQUIVALENTS	72,243,455.07	100.00
Short Term Interest Receivable	304,973.70	0.00
Grand Total	**$72,548,428.77**	**100.00 %**

INCOME SHARE ACCOUNT

	Market Value	%
EQUITIES	249,779,784.41	96.61
BONDS	0.00	0.00
CASH EQUIVALENTS	8,721,276.64	3.37
Short Term Interest Receivable	35,872.82	0.01
Grand Total	**$258,536,933.87**	**100.00 %**

INTERNATIONAL EQUITY ACCOUNT

	Market Value	%
EQUITIES	108,016,767.79	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$108,016,767.79**	**100.00 %**

MONEY MARKET ACCOUNT

	Market Value	%
CASH EQUIVALENTS	$84,752,480.12	99.58
Short Term Interest Receivable	$359,325.45	0.42
Grand Total	**$85,111,805.57**	**100.00 %**

SUPPLEMENTAL INVESTMENT FUND

	Market Value	%
INCOME SHARE	258,536,933.87	21.45
GROWTH SHARE	124,802,042.83	10.35
COMMON STOCK INDEX	358,008,837.71	29.70
INTERNATIONAL SHARE	108,016,767.79	8.96
BOND MARKET	136,241,973.03	11.30
MONEY MARKET	85,111,805.57	7.06
FIXED INTEREST	62,178,055.30	5.16
DEFERRED COMPENSATION	72,548,428.77	6.02
Grand Total	**$1,205,444,844.87**	**100.00 %**

Summarized Asset Listing - Other Funds

June 30, 2007

ASSIGNED RISK PLAN

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	9,916,502.11	11.59
CONSUMER STAPLES	9,961,429.39	11.64
ENERGY	8,084,547.80	9.45
FINANCIALS	14,231,484.75	16.63
HEALTH CARE	12,535,717.20	14.65
INDUSTRIALS	9,356,779.07	10.94
INFORMATION TECHNOLOGY	16,402,401.70	19.17
MATERIALS	1,780,579.09	2.08
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,516,326.18	1.77
UNCLASSIFIED	0.00	0.00
UTILITIES	1,765,885.22	2.06
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	**$85,551,652.51**	**100.00 %**

Fixed Income		
U.S. AGENCY	10,127,294.64	2.94
U.S. CORPORATE	3,058,704.13	0.89
U.S. MTG. REL.	179,754,162.11	52.24
U.S. TREASURY	25,180,238.70	7.32
MUNICIPAL	48,051,213.00	13.96
PRIVATE PLACEMENT	1,719,621.75	0.50
MISCELLANEOUS	2,026,597.30	0.59
Fixed Income Total	269,917,831.63	78.44
Cash Equivalents	4,782,112.41	1.39
Payable for Investments Purchased	(19,494,853.68)	(5.67)
Receivables for Investments Sold	1,166,415.03	0.34
Dividend Receivable	2,156,497.78	0.63
Short Term Interest Receivable	21,165.98	0.01
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
Tax Refund Receivable	32.85	0.00
Grand Total	**$344,100,854.51**	**100.00 %**

INTERNAL FIXED ACCOUNT

Fixed Income	**Market Value**	**%**
U.S. AGENCY	0.00	0.00
U.S. CORPORATE	138,447,189.22	26.91
U.S. MTG. REL.	177,729,157.39	34.54
U.S. TREASURY	178,288,714.50	34.65
MISCELLANEOUS	3,906,250.00	0.76
Fixed Income Total	498,371,311.11	96.86
Cash Equivalents	9,952,396.33	1.93
Payable for Interest Compensation	0.00	0.00
Long Term Interest Receivable	6,145,890.71	1.19
Short Term Interest Receivable	71,095.62	0.01
Grand Total	**$514,540,693.77**	**100.00 %**

ETHEL CURREY FUND

	Market Value	**%**
EQUITIES	760,761.46	66.97
BONDS	372,285.52	32.77
CASH EQUIVALENTS	2,922.54	0.26
SHORT TERM INVESTMENT REC	0.00	0.00
Grand Total	**$1,135,969.52**	**100.00 %**

IRON RANGE RESOURCES

	Market Value	**%**
CASH	211,105.55	0.29
EQUITIES	39,007,489.20	54.39
BONDS	32,498,628.96	45.31
Grand Total	**$71,717,223.71**	**100.00 %**

INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	88,716,929.18	9.79
CONSUMER STAPLES	65,449,317.08	7.22
ENERGY	84,483,195.47	9.32
FINANCIALS	168,340,939.55	18.57
HEALTH CARE	92,021,661.99	10.15
INDUSTRIALS	94,761,785.89	10.45
INFORMATION TECHNOLOGY	124,073,612.94	13.69
MATERIALS	26,355,748.85	2.91
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	30,332,465.05	3.35
UNCLASSIFIED	0.00	0.00
UTILITIES	29,116,138.87	3.21
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	**803,651,794.87**	**88.66**

Cash Equivalents	101,585,036.52	11.21
Dividend Receivable	867,143.69	0.10
Payable for Investment Purchased	0.00	0.00
Receivable for Investment Sold	0.00	0.00
Short Term Interest Receivable	434,144.04	0.05
Other Payables	(121,500.00)	(0.01)
Grand Total	**$906,416,619.12**	**100.00 %**

CLOSED LANDFILL INVESTMENT FUND	**Market Value**	**%**
EQUITIES	56,562,626.19	99.84
BONDS	0.00	0.00
CASH EQUIVALENTS	90,854.06	0.16
Grand Total	**$56,653,480.25**	**100.00 %**

EMERGENCY MEDICAL SERVICES	**Market Value**	**%**
EQUITIES	10,091,719.93	61.81
BONDS	5,761,323.20	35.29
CASH EQUIVALENTS	472,169.28	2.89
Short Term Interest Receivable	1,874.31	0.01
Grand Total	**16,327,086.72**	**100.00 %**

ENVIRONMENTAL TRUST FUND	**Market Value**	**%**
EQUITIES	351,943,517.20	71.25
BONDS	139,304,815.70	28.20
CASH EQUIVALENTS	2,685,606.21	0.54
Short Term Interest Receivable	6,473.79	0.00
Grand Total	**493,940,412.90**	**100.00 %**

ST. LOUIS COUNTY ENVIRONMENTAL	**Market Value**	**%**
EQUITIES	3,761,546.81	58.09
BONDS	2,695,782.59	41.63
CASH EQUIVALENTS	18,356.00	0.28
Short Term Interest Receivable	0.00	0.00
Grand Total	**6,475,685.40**	**100.00 %**

Summarized Asset Listing - Other Funds

June 30, 2007

LIFETIME FISH & WILDLIFE TRUST

	Market Value	%	
EQUITIES	3,853,796.69	69.29	
BONDS	1,693,925.43	30.46	
CASH EQUIVALENTS	13,927.81	0.25	
Grand Total	**$5,561,649.93**	**100.00**	**%**

PERMANENT SCHOOL FUND

	Market Value	%	
EQUITIES	373,111,646.20	52.26	
BONDS	328,197,072.80	45.97	
CASH EQUIVALENTS	12,636,355.32	1.77	
INTEREST RECEIVABLE	45,760.15	0.01	
Grand Total	**$713,990,834.47**	**100.00**	**%**

WINONA STATE UNIVERSITY

	Market Value	%	
EQUITIES	3,652,472.98	49.90	
BONDS	3,242,973.98	44.30	
CASH EQUIVALENTS	422,481.27	5.77	
SHORT TERM INTEREST REC	1,752.87	0.02	
PAYABLE FOR INTEREST COMP	0.00	0.00	
Grand Total	**$7,319,681.10**	**100.00**	**%**

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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