Minnesota State Board of Investment

2011 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

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December, 2011

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2011.

Investment Environment
During FY11, the U.S. equity markets returned 32.4% as measured by the Russell 3000 Index. The market benefitted from eight straight positive months of returns that resulted in all sectors in the Russell 3000 realizing double digit gains this year.

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 29.7% for the fiscal year. The international markets rallied early, but were also affected by fears of economic slowdown throughout the world.

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, rose 3.9% during the fiscal year. Investor fears of an economic slowdown during the first quarter of the fiscal year contributed to a decline in interest rates and a strong bond market rally. Signs of economic recovery in the U.S. during the second and third quarters contributed to an overall decline in the bond market. The fourth quarter saw a strong rally in the bond market as yields declined amid deteriorating economic conditions in the U.S. and Eurozone.

Fiscal Year 2011
Within this investment environment, the Combined Funds returned 23.3% during fiscal year 2011. Over the latest ten year period, the Funds experienced an annualized return of 5.9%. (See page 8).

SBI Results
On June 30, 2011, assets under management totaled $61.6 billion. This total is the aggregate of numerous pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique requirements. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment seeks to enhance the management and performance of the assets under its control.

Sincerely,

Howard Bicker

Howard Bicker
Executive Director

State Board of Investment

Governor Mark Dayton, 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 (IAC) to advise the Board and its staff on investment-related matters.

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 Minnesota Management & Budget and the Executive Directors of the three statewide retirement systems are permanent members of the Council.

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

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

Members of the Council

Jeffery Bailey, Chair
Director, Benefits Finance
Target Corporation

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

Denise Anderson
Governor's Appointee
Active Employee Representative

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.

Dennis Duerst
Director, Benefit Funds Investment
3M Company

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

Laurie Fiori Hacking
Executive Director
Teachers Retirement Association

P. Jay Kiedrowski
Senior Fellow
Humphrey Institute
University of MN

Judith W. Mares
Chief Investment Officer
ATK

Gary Martin
V.P., Pension Investments
SUPERVALU, Inc.

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

Jim Schowalter
Commissioner
Minnesota Management & Budget

LeaAnn Stagg
Governor's Appointee
Active Employee Representative

Mary Vanek
Executive Director
Public Employees Retirement Association

Elaine Voss
Governor's Appointee
Retiree Representative

As of December 2011

Staff, Consultants & Custodians

Howard Bicker
Executive Director

Teresa J. Richardson
Assistant Executive Director

Investment Staff

Public Equities

Tammy Brusehaver
Mgr., Domestic Equity

Patricia Ammann
Portfolio Mgr., Domestic Equity

Stephanie Gleeson
Mgr., International Equity

Fixed Income and Internal Investments

Michael J. Menssen
Mgr., Long-Term Debt

Ryan O. Hill
Portfolio Mgr., Long-Term Debt

Alternative Assets

John N. Griebenow
Mgr., Alternative Investments

John J. Kirby
Portfolio Mgr., Alternative Investments

Cash Management

Steven Kuettel
Mgr., Short-Term Debt

Aaron D. Griga
Portfolio Mgr., Short-Term Debt

Public Programs

James E. Heidelberg
Mgr., Public Programs

Deborah Griebenow
Analyst, Shareholder Services

Administrative Staff

Finance and Accounting

Paul T. Anderson
Administrative Director

William J. Nicol
Accounting Director

Kathy Leisz
Information Technology Specialist

Wendy Murphy
Accounting Officer, Senior

Shirley Baribeau
Accounting Officer, Intermediate

Julie Grill
Accounting Officer, Intermediate

Support Services

Charlene Olson
Administrative Assistant to the Executive Director

Melissa Mader
Office Administrative Specialist, Intermediate

Kailee Kemp
Office Administrative Specialist

Consultants

General Consultant
Callan Associates Inc.
(formerly Nuveen Investment Solutions 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 2011

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, 2011, the market value of all assets was $61.6 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 section prescribes the maximum percentage of fund assets that may be invested in various asset classes and contains 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 control. 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, its staff, and the Investment Advisory Council have conducted detailed analyses that address investment objectives, asset allocation policy and management structure of each of the funds under the SBI's control. The 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 does not include asset listings. **A complete list of securities is available upon request from the State Board of Investment.**

Funds Under Management

	Market Value June 30, 2011*
Retirement Funds	*$53.2 billion*

Combined Funds — *$47.8 billion*

The Combined Funds represent the assets for both the active and retired public employees in ten statewide retirement plans:

Teachers Retirement Fund	$17.2 billion
Public Employees Retirement Fund	13.5 billion
Public Employees Police and Fire Fund	5.3 billion
Public Employees Correctional Fund	278 million
Public Employees MERF Division	881 million
State Employees Retirement Fund	9.2 billion
Correctional Employees Fund	643 million
Highway Patrol Retirement Fund	567 million
Legislative Retirement Fund	19 million
Judges Retirement Fund	148 million

Supplemental Investment Fund (SIF) — *$1.3 billion*

The Supplemental Investment Fund includes assets of the unclassified state employees retirement plan, other defined contribution retirement plans, a healthcare savings plan, and various retirement programs for local police and firefighters. Participating plans use one or more of the eight accounts which have different investment objectives designed to meet a wide range of needs and objectives.

Note: Numbers below do not include $1.3 billion of State Deferred Compensation dollars which are invested in the Supplemental Investment Fund but are included in the $4.1 billion total for the State Deferred Compensation Plan.

Income Share Account	stocks and bonds	$258 million
Common Stock Index Account	passively managed stocks	254 million
Growth Share Account	actively managed stocks	131 million
Bond Market Account	actively managed bonds	148 million
International Share Account	non-U.S. stocks	133 million
Fixed Interest Account	stable value investments	151 million
Money Market Account	short-term debt securities	184 million
Volunteer Firefighter Account	stocks and bonds	3 million

State Deferred Compensation Plan — *$4.1 billion*

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

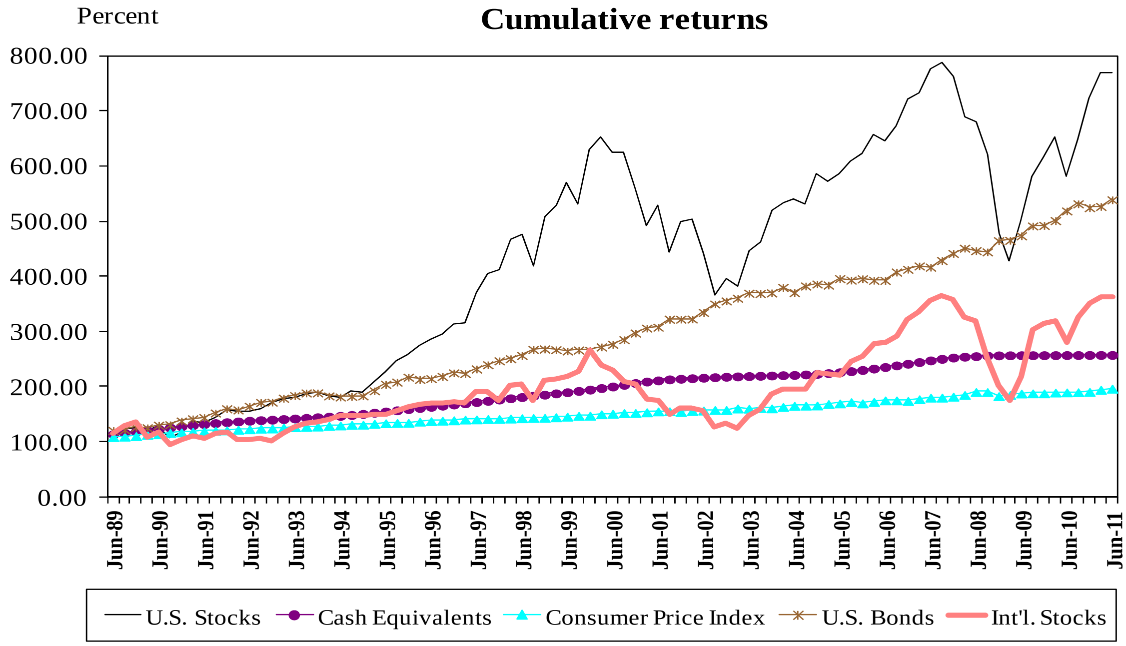
Funds Under Management

		*Market Value June 30, 2011**
Non-Retirement Funds		***$2.4 billion***
Assigned Risk Plan The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.	$311 million	
Permanent School Fund The Permanent School Fund is a trust established for the benefit of Minnesota public schools.	$785 million	
Environmental Trust Fund 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.	$575 million	
Other Post Employment Benefits Accounts (OPEB'S) These accounts are the assets set aside by local units of government for the payment of retiree benefits trusteed by the Public Employees Retirement Association.	$281 million	
Miscellaneous Accounts	$551 million	
State Cash Accounts These accounts are the cash balances of state government funds including the General Fund, transportation funds, and miscellaneous cash accounts. Assets are invested through the Invested Treasurers Cash Pool in high quality, liquid, debt securities.		*$6.0 billion*
Total Assets Invested by SBI*		***$61.6 billion***

* Totals may not add due to rounding.

Figure 1.

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



Period Ending June 30, 2011

	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity				
Russell 3000 Index	32.4%	4.0%	3.4%	3.4%
Domestic Fixed Income				
Barclays Capital Aggregate (1)	3.9	6.5	6.5	5.7
3 month U.S. Treasury Bills	0.1	0.3	1.8	2.0
International				
EAFE (2)	30.4	-1.8	1.5	5.7
Inflation Measure				
Consumer Price Index CPI-U (3)	3.6	1.0	2.2	2.3

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

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

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

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, 2011, the Combined Funds had a market value of $47.8 billion.

Background

Through the end of fiscal year 2009, the retirement assets under the authority of the Minnesota State Board of Investment were managed and accounted for (as specified in statute) as two pools of assets with distinct asset allocation policies. One pool of assets, the Basic Retirement Funds (Basics), consisted of the assets of active employees, and the other pool of assets, the Post Retirement Fund (Post), consisted of assets of retired employees. The funds previously were "combined" for reporting and comparison purposes only.

The 2008 Legislature enacted legislation that established specific minimum funding levels for the Post Retirement Fund. The legislation mandated that if the funding level of the Post fell below 80 percent, the Post and Basic Funds would merge at the end of the following fiscal year. This event was triggered, and the Post was merged with the Basics on June 30, 2009. Beginning July 1, 2009, the assets are managed and reported as one pool referred to as the Combined Funds.

The 2010 Legislature enacted legislation that merged the Minneapolis Employees Retirement Fund (MERF) operations into the Public Employees Retirement Association (PERA), effective June 30, 2010. Figure 2 identifies the ten different retirement funds which comprise the Combined Funds.

Investment Objectives

One overriding responsibility of the State Board of Investment (SBI), with respect to the management of the Combined Funds, is to ensure that sufficient funds are available to finance promised benefits.

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 promised pension benefits. In order to meet these projected pension costs, the Combined Retirement Funds must generate investment returns of at least 8.5% (the rate set by statute) on an annualized basis, over time.

Time Horizon
Normally, pension assets will accumulate in the Combined Funds for 30 to 40 years during an employee's years of active service. A typical retiree can be expected to draw benefits for an additional 15 to 20 years. This provides the Combined Funds with a long investment time

Figure 2. Composition of Combined Funds as of June 30, 2011

Teachers Retirement Fund		**36.1%**
Public Employees Retirement Association		
Public Employees Retirement Fund	28.3%	
Public Employees Police and Fire Fund	11.1	
Public Employees Correctional Fund	0.6	
Public Employees MERF Division	1.8	
Total PERA		**41.9**
Minnesota State Retirement System		
State Employees Retirement Fund	19.2	
Correctional Employees Fund	1.3	
Highway Patrol Retirement Fund	1.2	
Legislative Retirement Fund	0.0	
Judges Retirement Fund	0.3	
Total MSRS		**22.1**
Funds Total*		**100.0%**

* Total may not add due to rounding.

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 the actuarial return target.

Benefit Increase
Prior to the merger of the Basic and Post Funds, a benefit increase was calculated based on an inflation component and an investment return component. (See prior annual reports for a complete description.)

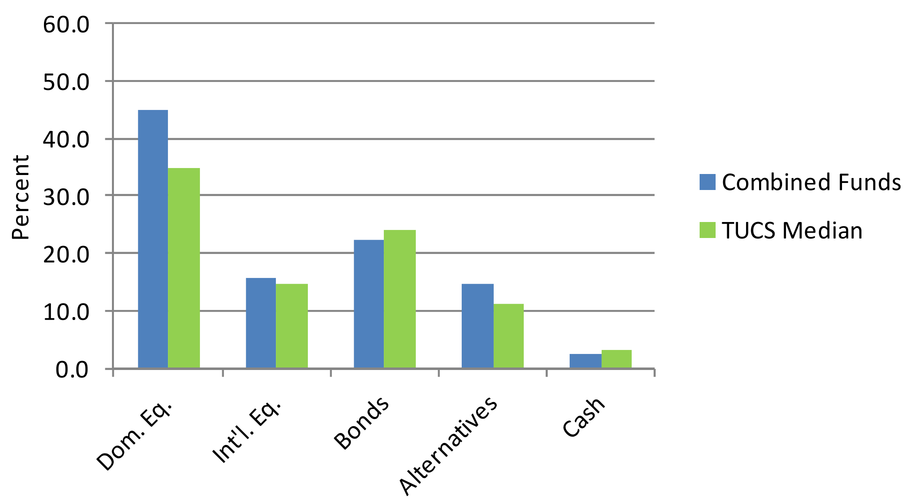
The 2010 Legislature enacted legislation that temporarily reduces cost of living adjustments and increases contribution rates for retirement plans covered under Teachers Retirement Association, Public Employees Retirement Association and the Minnesota State Retirement System. These changes vary by plan and the cost of living adjustments are no longer related to investment performance. More information is available through each retirement organization.

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments (alternative investments include real estate, mezzanine debt, and resource) and cash has 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 Combined Funds is reviewed periodically. Figure 3 presents the actual asset mix of the Combined Funds as of June 30, 2011.

As illustrated in Figure 1, historical evidence 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 the 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. This diversification is intended to reduce wide fluctuations in investment returns on a year to year basis and should not impair the Funds' ability to meet or exceed the actuarial return target over the long-term.

Figure 3. Combined Funds Asset Mix Comparison as of June 30, 2011

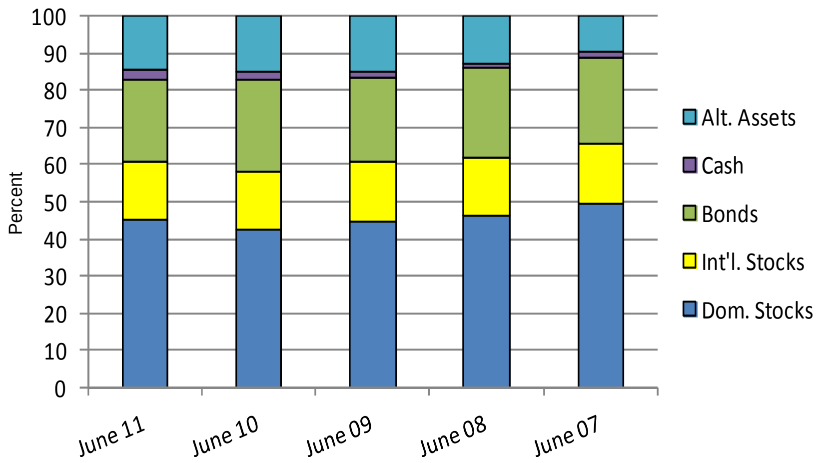


	Combined Funds	Median Allocation in TUCS*
Domestic Equity	45.0%	34.7%
International Equity	15.8	14.5
Bonds	22.2	24.0
Alternatives**	14.6	11.1
Cash	2.4	3.3

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

Combined Funds

Figure 4. Combined Funds Historical Asset Mix FY 2007-2011



Long-Term Allocation Policy

The Combined Funds has a policy asset allocation which is based on the investment objectives of the Combined Funds and the expected long run performance of the capital markets. The policy asset allocation of the Combined Funds was approved by the Board in December 2008, and is as follows:

Domestic Stocks	45%
International Stocks	15
Bonds	18
Alternative Assets	20
Unallocated Cash	2

The unfunded allocation to alternative investments is held in bonds until it is needed for investment. As a result, the actual amount invested in bonds at any time can be above the target allocation.

Figure 3 presents the actual asset mix of the Combined Funds at the end of fiscal year 2011. Historical asset mix data are displayed in Figure 4.

Asset Mix Compared to Other Pension Funds

The Board finds it instructive to review asset mix and performance of the Combined Funds relative to 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 over $1 billion with a diversified asset mix.

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, 2011 are also displayed in Figure 3. The Combined Funds were overweighted in domestic equities, international equities, and alternative investments relative to the median allocation in TUCS, and were underweighted in bonds and cash.

Total Return Vehicles

The SBI invests the majority of the Combined Funds' assets in ***common stocks*** (both domestic and international.) A large allocation is consistent with the investment time horizon of the Combined Funds and the advantageous long-term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify holdings across world markets and offers the opportunity to enhance returns and reduce the volatility of the total portfolio. The rationale underlying the inclusion of ***private equity*** 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 Combined Funds to provide some insulation against highly inflationary or deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

Combined Funds

Real Estate and ***resource*** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. 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, inclusion of these assets in the Combined Funds serves to dampen return volatility.

The allocation to ***bonds*** acts as a hedge against a deflationary economic environment. In the event of substantial deflation, high quality fixed income assets are expected to protect principal and generate significant capital gains. Bonds, like real estate and resource funds, under normal financial conditions, help to diversify the Combined 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 debt, 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. Therefore, they will help reduce the volatility of the total portfolio, but should also generate higher returns relative to more traditional bond investments.

Investment Management

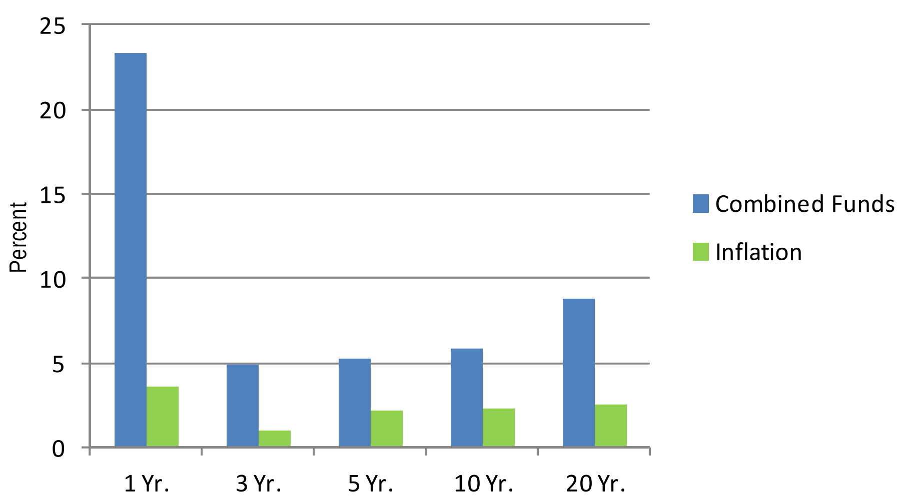
All assets in the Combined Funds are managed externally by investment management firms retained by contract. More information on the structure, management and performance of the various investment pools is included in the **Investment Pool** section of this report.

Return Objectives

The Board measures the performance of the Combined Funds 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.

Figure 5. Combined Funds Performance vs. Inflation For Period Ending June 30, 2011



	1 Yr.	3 Yr.	5 Yr.	Annualized 10 Yr.	20 Yr.
Combined Funds*	**23.3%**	**4.9%**	**5.3%**	**5.9%**	**8.8%**
Inflation	3.6	1.0	2.2	2.3	2.5

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

— ***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.

Performance is reported net of all fees and costs to assure that the Board's focus is on true net return.

Investment Results

Comparison to Inflation
Over the last twenty years, the Combined Funds exceeded inflation by 6.3 percentage points. Historical results compared to inflation are shown in Figure 5.

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 relative to this standard will measure two effects:

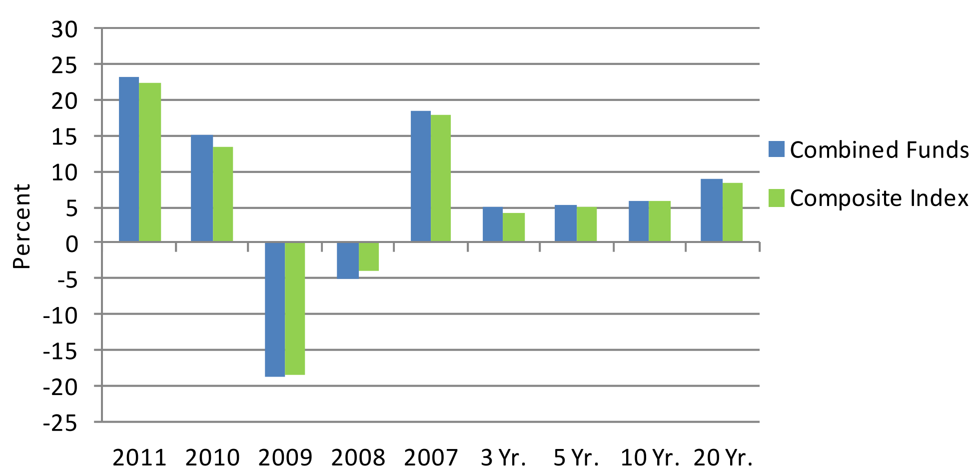
— The ability of the managers selected by the SBI, in aggregate, to add value to the returns available from the broad capital markets.

— 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" among asset classes on a total fund basis.

Performance results and a breakdown of the composite index are shown in Figures 6 and 7. The Combined Funds exceeded the composite index over the last ten years by 0.1% and, therefore, met the stated performance goal. The Funds exceeded the composite index by 0.2 percentage points over the last five years and by 0.9 percentage points over the most recent fiscal year. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

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:

Figure 6. Combined Funds Performance For Period Ending June 30, 2011



							Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**
Combined Funds*	**23.3%**	**15.2%**	**-18.8%**	**-5.0%**	**18.3%**	**4.9%**	**5.3%**	**5.9%**	**8.8%**
Composite Index	22.4	13.4	-18.4	-3.9	18.0	4.2	5.1	5.8	8.5

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

— ***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 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.

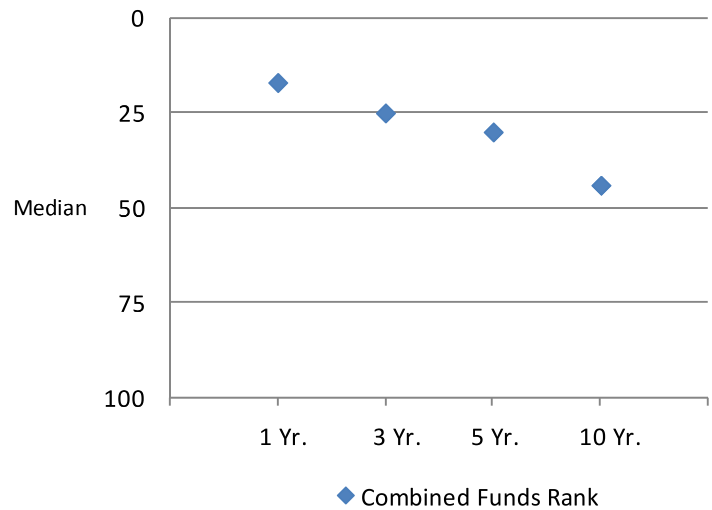
With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over $1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 8. It shows that the Combined Funds have ranked above the median over the last one, three, five and ten year periods.

Figure 7. Composite Index for Period Ending on June 30, 2011

Asset Class	**Market Index**	**Composite Index Wts. ***
Domestic Stocks	Russell 3000	45.0%
Int’l Stocks	MSCI ACWI Free ex. U.S.	15.0
Domestic Bonds	Barclays Capital Aggregate	23.5
Alternative Investments	Alternative Investments	14.5
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 Combined Funds.

Figure 8. Combined Funds Performance Compared to Other Pension Funds



	Annualized			
	1 Yr.	**3 Yr.**	**5 Yr.**	**10 Yr.**
Combined Funds Percentile Rank in TUCS*	17th	25th	30th	44th

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

Investment Pools

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

The Combined Funds and Supplemental Investment Fund share many of the same stock and bond managers. This sharing is accomplished by grouping managers 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 Domestic Stock Pool was established in January 1984. The funds that participate in the Pool are the Combined Funds and the Supplemental Investment Fund Growth Share Account, Common Stock Index Account, and the stock portion of the Income Share Account.

The following are the dollar values as of June 30, 2011 of each fund's participation in the Pool:

Combined Funds (active, passive and semi-passive)	$21.5 billion
Growth Share Account (active and semi-passive)	$131 million
Common Stock Index Account (passive)	$254 million
Stock portion of the Income Share Account (passive)	$154 million

Management Structure

The SBI uses three styles of management to invest the assets of the Domestic Stock Pool:

— ***Active Management.*** At the end of fiscal year 2011, approximately 24% of the Domestic Stock Pool was actively managed by a group of 19 external investment managers. The assets allocated to each of the managers ranged from $60 million to $470 million.

— ***Semi-Passive Management.*** At the end of fiscal year 2011, approximately 36% of the Domestic Stock Pool was managed by a group of four semi-passive external investment managers with portfolios ranging from $1.4 billion to $2.7 billion.

— ***Passive Management.*** At the end of fiscal year 2011, approximately 40% of the Stock Pool was managed passively by a single manager with a portfolio of $8.9 billion.

The goal of the Domestic Stock Pool is to outperform the asset class target, the Russell 3000 Index, over time. The Russell 3000 Index can be segmented into sub-indexes or Russell style indexes.

Assets of the Pool are allocated based on the Russell style indexes in proportion to the style weighting within the Russell 3000. Assets within each style are then allocated to managers within the designated style. This allocation is done to minimize the style bias within the Pool.

Each **active manager** is expected to add value over the long run relative to the Russell style index which reflects its investment approach or style.

The **semi-passive managers** are expected to add incremental value relative to the Russell 1000 Index. However, they employ a strategy that more closely tracks the benchmark than active management and are generally more consistent at generating modest excess returns.

The **passive manager** in the Domestic Stock Pool manages its portfolio to consistently and inexpensively track the Russell 3000 index.

Investment Pools

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

FY 2011 Changes
During fiscal year 2011, two changes were made to the manager structure. One actively managed large cap value manager, Lord Abbett, was terminated in December due to the departure of the SBI's portfolio manager, loss of investment professionals and concerns with the potential changes with the new portfolio managers. Additionally, AllianceBernstein was terminated in March from managing an active large cap growth portfolio due to portfolio manager turnover, loss of assets, and underperformance.

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 domestic 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.

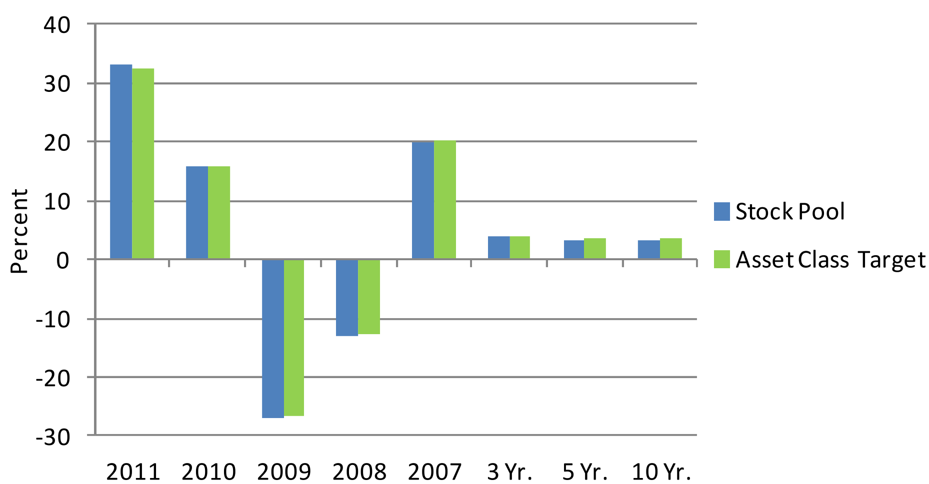
Two primary long-term ***risk objectives*** have been established for the domestic stock managers:

— ***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, market fluctuations may result in a departure from the active managers' 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 may hold a more concentrated portfolio, appropriate for the particular investment strategy and style.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2011. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate for their respective active, semi-passive and passive approaches.

Figure 9. Domestic Stock Pool Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Stock Pool	**33.1%**	**15.8%**	**-26.9%**	**-13.1%**	**19.7%**	**4.0%**	**3.2%**	**3.2%**
Asset Class Target*	32.4	15.7	-26.6	-12.7	20.1	4.0	3.4	3.4

* Reflects the Russell 3000 since 10/1/2003; the Wilshire 5000 Investable from 7/1/1999 thru 9/30/03.

Investment Pools

The Board's ***return objectives*** for active and semi-passive stock managers are measured against the published Russell style indices that represent the managers' specific investment approaches. These indices take into account the equity market forces that 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.

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 outperformed the Russell 3000 Index by 0.7 percentage point for the fiscal year. The active and semi-passive manager groups outperformed their respective benchmarks.

Relative to the aggregate benchmark, the outperformance of the active manager group was due to strong stock selection, primarily in Health Care and Technology. The semi-passive managers also benefited from stock selection. The passive manager had negative tracking error for the year due to the cash drag from a rebalance during the first quarter.

Figure 9 provides details of the historical performance of the entire pool. Manager performance relative to the respective benchmarks for the fiscal year end was good. Seventeen of 19 active managers outperformed their assigned benchmarks and two managers underperformed. Three semi-passive managers outperformed the Russell 1000, while one slightly trailed. Individual manager performance for fiscal year 2011 is shown in Figure 10.

Figure 10. Domestic Stock Manager Performance For Period Ending June 30, 2011

	1 Year		3 Years		5 Years		Market
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)
Active Managers							
Large Cap Core (Russell 1000)							
New Amsterdam Partners	36.3	31.9	3.6	3.7	2.3	3.3	401.8
UBS Global Asset Management	27.5	31.9	3.5	3.7	1.9	3.3	374.6
Large Cap Growth (Russell 1000 Growth)							
INTECH	37.2	35.0	4.1	5.0	3.8	5.3	359.1
Jacobs Levy Equity Mgmt.	40.8	35.0	4.8	5.0	3.7	5.3	325.2
Knelman Asset Mgmt.	38.1	35.0	3.4	5.0	5.0	5.3	67.2
Sands Capital Mgmt.	46.2	35.0	10.8	5.0	8.5	5.3	301.4
Winslow Capital Mgmt.	40.1	35.0	4.8	5.0	7.3	5.3	147.8
Zevenbergen Capital	41.8	35.0	10.3	5.0	9.1	5.3	354.1
Large Cap Value (Russell 1000 Value)							
Barrow, Hanley	33.6	28.9	3.9	2.3	1.9	1.2	465.5
Earnest Partners	29.0	28.9	4.4	2.3	2.2	1.2	193.0
LSV Asset Mgmt.	29.5	28.9	3.0	2.3	0.9	1.2	431.4
Systematic Financial Mgmt.	34.7	28.9	2.1	2.3	2.2	1.2	325.4
Small Cap Growth (Russell 2000 Growth)							
McKinley Capital	42.4	43.5	1.7	8.4	1.0	5.8	235.2
Next Century Growth	49.0	43.5	4.2	8.4	5.6	5.8	301.0
Turner Investment Partners	46.6	43.5	7.5	8.4	6.6	5.8	304.5
Small Cap Value (Russell 2000 Value)							
Goldman Sachs	35.9	31.4	10.5	7.1	6.0	2.2	166.1
Hotchkis & Wiley	41.3	31.4	12.8	7.1	3.0	2.2	149.7
Martingale Asset Mgmt.	35.6	31.4	4.5	7.1	-1.2	2.2	130.5
Peregrine Capital Mgmt.	35.0	31.4	11.8	7.1	2.3	2.2	231.4
Semi-Passive Managers (Russell 1000)							
BlackRock Institutional	31.8	31.9	2.6	3.7	2.2	3.3	2,243.9
INTECH	32.3	31.9					1,423.9
J.P. Morgan Investment Mgmt.	32.2	31.9	5.2	3.7	4.3	3.3	2,699.0
Mellon Capital Mgmt.	32.2	31.9	2.8	3.7	2.2	3.3	1,455.2
Passive Manager (Russell 3000)							
BlackRock Institutional	32.1	32.4	4.1	4.0	3.4	3.4	8,935.4
Aggregate Domestic Stock Pool (1)	**33.1**	**32.4**	**4.0**	**4.0**	**3.2**	**3.4**	**22,022.3**
Asset Class Target							
Russell 3000		32.4		4.0		3.4	

(1) Aggregate represents Combined Funds performance and includes the performance of terminated managers.

Figure 11.

Domestic Stock Pool Allocations
Russell Global (US) Sector Weights
As of June 30, 2011

					Benchmarks	
Russell Sector	**Active Managers %**	**Semi-Passive Managers %**	**Passive Manager %**	**Aggregate Domestic Stock Pool %**	**Russell 3000 %**	**Russell 1000 %**
Consumer Discretionary	15.9	12.9	12.6	13.5	13.0	12.8
Consumer Staples	3.7	8.3	7.9	7.0	8.1	8.6
Energy	9.5	11.4	10.8	10.6	11.1	11.6
Financial Services	15.5	16.2	16.7	16.2	17.2	16.9
Health Care	12.3	11.6	11.1	11.6	11.4	11.3
Materials and Processing	4.4	4.4	4.6	4.5	4.7	4.4
Producer Durables	11.8	10.8	11.5	11.4	11.9	11.7
Technology	19.3	17.1	16.1	17.2	16.6	16.5
Utilities	3.7	6.6	5.9	5.6	6.0	6.2
Cash	1.6	0.4	1.3	1.1	N/A	N/A
Unassigned*	2.3	0.3	1.5	1.3	N/A	N/A
Assigned Benchmark:	Russell 3000	Russell 1000	Russell 3000	Russell 3000		

* Holdings not included in benchmark.

Note: Totals may not add due to rounding.

Bond Pool

The Bond Pool was established in July 1984. The funds that participate in the Pool are the Combined Funds and the Supplemental Investment Fund Bond Market Account.

The following are the dollar values as of June 30, 2011 of each fund's participation in the Pool:

Combined Funds $10.6 billion
(active and semi-passive)

Bond Market Account $148 million
(active and semi-passive)

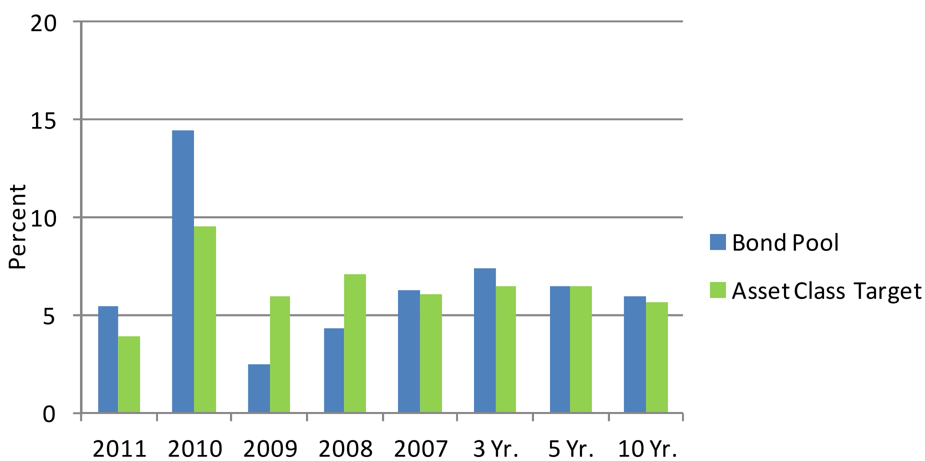
Investment Management
The SBI uses a two part approach for the management of the Bond Pool:

— ***Active Management.*** The target is to have no more than half of the Bond Pool managed actively. At the end of fiscal year 2011, approximately 50% of the Bond Pool was actively managed by five external managers with portfolios of $913 million to $1.2 billion each.

— ***Semi-Passive Management.*** The target is to have at least half of the assets of the Bond Pool managed semi-passively. At the end of fiscal year 2011, approximately 50% of the bond segment was invested by three managers with portfolios of $1.6 to $1.9 billion each.

The group of ***active*** bond managers is retained for its blend of investment styles. Each active manager has the goal of outperforming the Barclays Capital 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 (duration) 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 dilution of the deflation hedge of the total pool due to an excessively short duration position. In addition, the duration restriction helps to avoid extreme variability in total returns relative to the benchmark. 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 Barclays Capital Aggregate. The active bond managers focus on high quality (BBB or better) rated bonds. Four managers have been granted authority to invest a limited portion of their portfolios in BB and B rated dollar denominated debt and

Figure 12. Bond Pool Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	3 Yr.	5 Yr.	10 Yr.
Bond Pool	**5.5%**	**14.5%**	**2.5%**	**4.3%**	**6.3%**	**7.4%**	**6.5%**	**6.0%**
Asset Class Target*	3.9	9.5	6.0	7.1	6.1	6.5	6.5	5.7

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

three have been given authority to invest in investment grade 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 relative to the Barclays Capital Aggregate Bond Index through superior bond selection and sector allocation rather than through interest rate exposure. Semi-passive managers' portfolios are constrained to plus or minus 0.2 years around the duration of the Barclays Capital Aggregate. One manager has been granted authority to invest a limited portion of their portfolio in BB and B rated dollar denominated debt or in investment grade non-dollar denominated issues. The manager uses this additional authority on a tactical basis.

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

FY 2011 Changes

There were no changes to the bond program in fiscal year 2011.

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 2011. The managers constructed portfolios consistent with stated investment approaches and maintained appropriate levels of quality and duration.

The ***returns*** of each of the bond managers are compared to the Barclays Capital Aggregate. Individual managers are expected to exceed the target, net of fees, on an annualized basis. In total, the pool outperformed the Barclays Capital Aggregate by 1.6% for the recent fiscal year. Relative to the benchmark, the pool benefited from overweighting mortgage-backed securities and the corporate bond sector, and underweighting Treasuries. Performance over the long-term is satisfactory. The pool outperformed the asset class target by 0.30 percentage point over the ten year period ending June 30, 2011. All active managers outperformed the benchmark for the fiscal year. The three semi-passive managers outperformed as well.

Figure 12 shows historical performance for the entire pool. Individual manager performance is shown in Figure 13. Aggregate portfolio sector and portfolio characteristics are shown in Figure 14.

Figure 13. Bond Manager Performance For Period Ending June 30, 2011

	1 Year		3 Years		5 Years		Market
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)
Active Managers							
Aberdeen Asset Mgmt.	6.4	3.9	5.4	6.5	5.1	6.5	913.3
Columbia Mgmt.	5.7	3.9	6.6	6.5	6.3	6.5	970.5
Dodge & Cox Investment Mgmt.	6.4	3.9	8.9	6.5	7.6	6.5	1,143.6
PIMCO	6.6	3.9					1,141.3
Western Asset Mgmt.	6.6	3.9	8.3	6.5	6.9	6.5	1,167.2
Semi-Passive Managers							
BlackRock Financial Mgmt.	4.0	3.9	5.7	6.5	5.9	6.5	1,581.6
Goldman Sachs Asset Mgmt.	4.7	3.9	7.1	6.5	6.7	6.5	1,937.2
Neuberger Investment Mgmt.	5.2	3.9	8.1	6.5	7.0	6.5	1,885.1
Aggregate Bond Pool (1)	**5.5**	**3.9**	**7.4**	**6.5**	**6.5**	**6.5**	**10,739.8**
Asset Class Target							
Barclays Capital Aggregate		3.9		6.5		6.5	

(1) Aggregate represents Combined Funds performance and includes the performance of terminated managers.

Figure 14.

Bond Pool Sector Weights*
As of June 30, 2011

	Active Managers %	Semi-Passive Managers %	Aggregate Bond Pool %	Barclays Capital Benchmark %
Governments	18.2	30.3	24.3	39.7
Corporates	34.1	26.5	30.3	25.4
Mortgages	38.3	39.1	38.7	34.6
Asset Backed	3.2	3.2	3.2	0.3
Municipal	2.8	0.1	1.3	0.0
International**	2.6	1.2	1.9	0.0
High Yield	10.7	2.1	6.3	0.0
Cash	0.6	0.2	0.4	0.0

* May not equal 100% due to rounding and some bonds being included in more than one category.
** Includes Non-dollar denominated bonds as well as dollar-denominated Yankee bonds.

Portfolio Characteristics
As of June 30, 2011

	Active Managers %	Semi-Passive Managers %	Aggregate Bond Pool %	Barclays Capital Benchmark %
Average Quality	AA-	AA+	AA	AAA
Average Coupon	3.97	3.26	3.62	4.18
Average Yield to Maturity	3.57	2.74	3.14	2.76
Effective Duration***	4.72	4.99	4.86	5.14
Weighted Average Life****	6.9 Yrs.	6.3 Yrs.	6.6 Yrs.	7.0 Yrs.

*** Measures the interest rate sensitivity of a bond. It is the approximation of the percentage price change of the bond per 100 bp increase or decrease in prevailing market interest rates. Effective duration takes into consideration how the cashflows of the bonds change when interest rates change. This measure is most appropriate for bonds (and portfolios) with optionality, such as callable bonds and mortgage bonds.

**** The weighted average life (WAL) of a bond is the average number of years for which each dollar of unpaid principal of a bond remains outstanding. Once calculated, WAL tells how many years it will take to pay half of the outstanding principal.

International Stock Pool

The SBI established the International Stock Pool in October 1992. The Combined Funds and the International Share Account in the Supplemental Investment Fund participate in the Pool.

The following are the dollar values as of June 30, 2011 of each fund's participation in the International Stock Pool:

Combined Funds $7.5 billion
(active, passive and semi-passive)

International Share Account $133 million
(active, passive and semi-passive)

Management Structure
Currently, the SBI uses three styles of management to invest the assets 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 2011, approximately 51% of the Pool was actively managed by a group of 10 external managers with portfolios ranging from $187 million to over $791 million each. Seven 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 2011, 13% of the Pool was semi-passively managed by a group of three external managers with portfolios ranging from $270 million to $427 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 2011, approximately 36% of the International Stock Pool was passively managed by a single manager with a portfolio of $2.8 billion.

The goal of the International Stock Pool is to outperform the asset class target, which is the Morgan Stanley Capital International All Country World ex United States (MSCI ACWI ex US) Standard index net of taxes on dividends. The SBI uses the market capitalization weights of the developed and emerging markets as they are represented in the pool's benchmark index as target weights for the developed and emerging markets within the International Stock Pool. At the end of fiscal year 2011, 77.6% of the International Stock Pool was invested in the developed markets and 22.4% was invested in the emerging markets.

Seven of the ten ***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. Standard index, over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and security selection, or they may explicitly hedge currency exposure on an opportunistic basis, or they may seek to add value by actively managing currency positions. Managers are not required to hedge currency risk.

Three of the ten ***active*** managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Standard 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. Standard index.

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

FY 2011 Changes
There were no changes to the international stock program in fiscal year 2011.

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, semi-passive 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 for outperforming the index.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2011. 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) Standard indices.

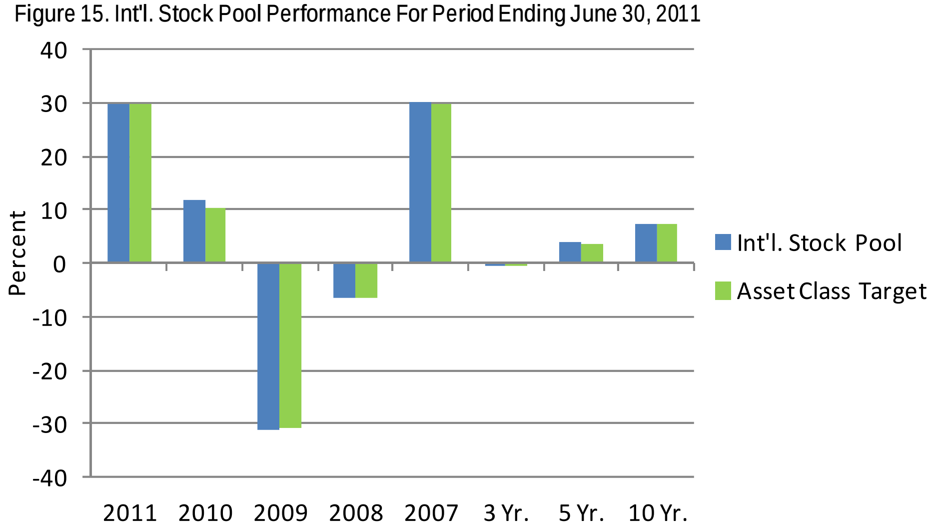
The indices are capitalization weighted and measured in U.S. dollar terms, with currencies unhedged. Individual active managers are expected to exceed their benchmark by an amount appropriate for their level of active risk. The active risk level varies by manager and is influenced by the manager's stated strategy and style.

Performance results for the International Stock Pool are shown in Figure 15. In aggregate, performance over the last ten year period exceeded the benchmark by 0.1 percentage point and performance over the last five year period exceeded the benchmark by 0.3 percentage point. The Pool underperformed the target by 0.1 percent for the fiscal year.

Individual manager performance during fiscal year 2011 is shown in Figure 16. The relative performance of the active managers was mixed. Five of the seven active developed markets managers outperformed their respective benchmarks for the year. All three active emerging markets managers underperformed the MSCI Emerging Markets Standard index. All three semi-passive developed markets managers outperformed for the year. Finally, the passively managed portion of the program had positive tracking error of 0.8 percentage point for the year relative to the MSCI World ex U.S. Standard index.

The International Stock Pool's country weights are displayed in Figure 17.

Figure 15. Int'l. Stock Pool Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Stock Pool	**29.6%**	**11.7%**	**-31.0%**	**-6.6%**	**30.3%**	**-0.1%**	**4.0%**	**7.5%**
Asset Class Target*	29.7	10.4	-30.9	-6.4	29.6	-0.3	3.7	7.4

* 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.

Figure 16. International Manager Performance For Period Ending June 30, 2011

	1 Year		3 Years		5 Years		Market
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)
Active Managers							
Developed Mkts (MSCI World ex U.S. net) (1)							
Acadian Asset Mgmt.	32.7	30.3	-5.2	-1.6	-0.3	2.1	302.3
Columbia Mgmt. Investment Advisers, LLC	36.1	30.3	0.6	-1.6	3.1	2.1	290.6
Invesco Global Asset Mgmt.	26.8	30.3	0.4	-1.6	1.7	2.1	243.8
J.P. Morgan Investment Mgmt. Co.	32.2	30.3	0.8	-1.6	2.3	2.1	256.1
Marathon Asset Management	29.2	30.3	1.8	-1.6	5.2	2.1	580.5
McKinley Capital Management	30.8	30.3	-6.9	-1.6	-0.1	2.1	248.7
Pyramis Global Advisors Trust Co.	31.8	30.3	-0.6	-1.6	3.7	2.1	283.9
Semi-Passive Managers							
Developed Mkts (MSCI World ex U.S. net) (1)							
AQR Capital Management	34.0	30.3	-0.4	-1.6	2.4	2.1	286.9
Pyramis Global Advisors Trust Co.	32.1	30.3	-2.4	-1.6	3.1	2.1	427.1
State Street Global Advisors	30.9	30.3	-2.4	-1.6	1.1	2.1	270.4
Active Managers							
Emerging Mkts (MSCI Emerging Markets Net) (2)							
AllianceBernstein L.P.	24.9	27.8	0.5	4.2	9.1	11.6	186.9
Capital International, Inc.	22.5	27.8	6.4	4.2	13.6	11.6	790.8
Morgan Stanley Investment Mgmt.	25.2	27.8	2.9	4.2	10.6	11.6	741.2
Passive Manager							
Developed Mkts (MSCI World ex U.S. net) (1)							
State Street Global Advisors	31.1	30.3	-1.1	-1.6	2.5	2.1	2,770.4
Aggregate International Stock Pool (3) (4)	**29.6**	**29.7**	**-0.1**	**-0.3**	**4.0**	**3.7**	**7,679.8**
Asset Class Target							
MSCI ACWI ex U.S. (net)		29.7		-0.3		3.7	

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

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

(3) Aggregate represents Combined Funds performance and includes the performance of terminated managers.

(4) Since 6/1/08 the International Equity asset class target is the MSCI ACWI ex U.S. Standard (large + mid) (net) unhedged. From 10/1/07 through 5/31/08 the benchmark was the Provisional MSCI ACWI ex U.S. Standard (net) unhedged. From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net) unhedged.

Figure 17.

International Stock Pool
Aggregate Country Weights
As of June 30, 2011

Country	**Pool Weights* %**	**Benchmark Weights** %**
Australia	5.4	5.9
Austria	0.2	0.2
Belgium	0.7	0.7
Brazil	2.4	3.7
Canada	7.5	8.0
Chile	0.2	0.4
China	1.7	4.1
Colombia	0.0	0.2
Czech Republic	0.3	0.1
Denmark	1.1	0.7
Egypt	0.1	0.1
Finland	0.8	0.7
France	6.6	7.1
Germany	6.3	6.2
Greece	0.1	0.2
Hong Kong	1.9	1.9
Hungary	0.1	0.1
India	2.1	1.7
Indonesia	0.9	0.6
Ireland	0.2	0.2
Israel	0.3	0.5
Italy	2.0	1.9
Japan	14.6	13.7
Korea	2.9	3.5
Malaysia	0.7	0.7
Mexico	1.1	1.0
Morocco	0.0	0.0
Netherlands	2.0	1.7
New Zealand	0.1	0.1
Norway	0.6	0.6
Peru	0.1	0.1
Philippines	0.4	0.1
Poland	0.3	0.4
Portugal	0.3	0.2
Russia	0.9	1.6
Singapore	1.2	1.2
South Africa	1.0	1.7
Spain	2.2	2.5
Sweden	1.7	2.1
Switzerland	5.1	5.7
Taiwan	1.5	2.6
Thailand	0.5	0.4
Turkey	0.3	0.3
United Kingdom	14.8	14.5
USA	1.9	0.0
Non-Benchmark Countries	4.3	N.A.
Miscellaneous Accounting Entries	0.6	N.A.
Total* **	**100.0**	**100.0**

* Grouped by country of incorporation. Source State Street Bank.
** Benchmark is the MSCI ACWI ex U.S. Standard (net) index. Source Factset.
*** Totals may not add due to rounding.

Alternative Investment Pool

Like the stock and bond segments, alternative assets (real estate, private equity, resource funds and yield-oriented investments) are managed on a pooled basis.

Statutory Constraints
The statutory constraints for any investment for the Combined Funds are as follows:

— Each investment must involve at least four other investors.

— SBI's participation in an investment may not exceed 20% of the total investment.

Management Structure

Given their long investment time horizon, the Combined Funds are especially well suited for alternative investments. Up to 20% of the market value of the Combined Funds is targeted for alternative investments. Market value plus unfunded commitments can be 1.5 times the market value allocation. A breakdown of the Combined Funds by segment is shown in Figure 18. As of June 30, 2011, the market value of current alternative investments was $7.0 billion, or 14.6% of the Combined Funds.

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

Real Estate
The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main components of this portfolio consist of investments in open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio may 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 2011, the SBI did not make any new real estate commitments. The SBI will continue to review real estate managers for possible inclusion in the pool.

Private Equity
The private equity investment strategy 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 2011, the SBI approved and closed on commitments with CarVal, GTCR, and Summit Partners. The SBI will continue to review and add new private equity investments as attractive opportunities are identified.

Resource Funds
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 and energy service industry investments that are diversified by geographic area as well as by type.

Resource investments are selected based on the manager's experience, investment strategy and performance history. During fiscal year 2011, the SBI approved and closed on commitments with EnCap and Sheridan Production Partners. The SBI will continue to review resource investments for possible inclusion in the pool.

Yield-Oriented
The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component. Structures such as subordinated debt investments and mezzanine investments are typical yield-oriented investments. Managers are selected based on the manager's performance, experience and investment strategy.

A new investment was approved and closed on during fiscal year 2011 with Merit Energy. 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). For the fiscal year ending June 30, 2011, the Alternative Investment Pool provided a positive contribution to overall fund performance for the Combined Funds. The Pool provided a 18.6% return in fiscal year 2011 and has provided a

13.0% return annualized over the past ten years. Performance of the Alternative Investment Pool is shown in Figure 19 for the period ending June 30, 2011.

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 **Investment Manager Summaries** Section.

Figure 18. Alternative Investment Asset Mix as of June 30, 2011

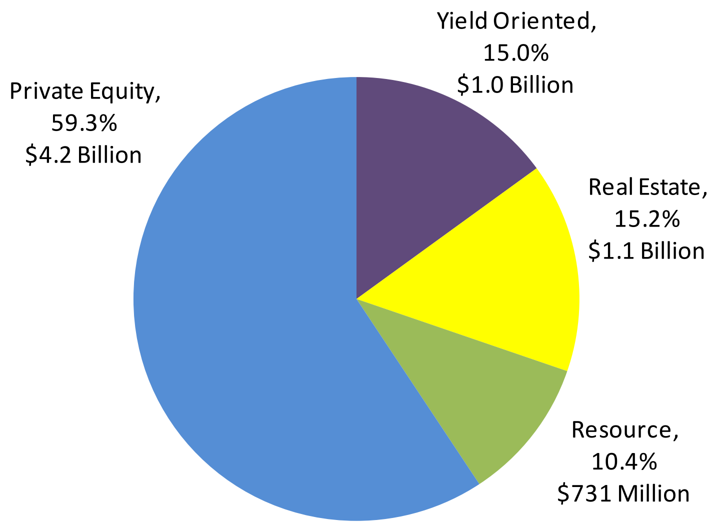
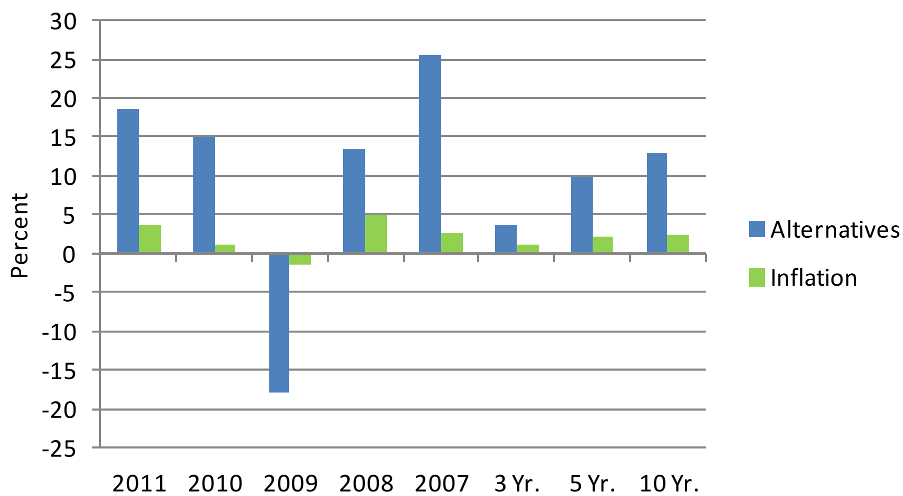


Figure 19. Alternative Investment Performance For Period Ending June 30, 2011



						Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Alt. Investments	**18.6%**	**15.0%**	**-18.0%**	**13.4%**	**25.6%**	**3.8%**	**9.8%**	**13.0%**
Inflation	3.6	1.1	-1.4	5.0	2.7	1.0	2.2	2.3

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 individuals who participate in defined contribution or supplemental retirement savings plans and many local volunteer fire relief associations. On June 30, 2011, the market value of the entire Fund was $1.3 billion.

The Supplemental Investment Fund (SIF) provides investment vehicles for a variety of retirement plans. 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 Health Care Savings Plan. The State Deferred Compensation Plan uses the Fixed Interest Account and the Money Market Account as investment options for its participants. (Please note that in this report the value of the State Deferred Compensation Plan's SIF investments are included only in the Deferred Compensation Plan market values.) All accounts in the SIF, except the Fixed Interest Account, are available to local volunteer fire relief associations who invest their assets with the SBI. The Volunteer Firefighter Account is the investment vehicle available only for those local firefighting entities that participate in the Voluntary Statewide Volunteer Firefighter Plan.

Fund Structure

Investment goals among the SIF's many participants are varied. In order to meet the variety of goals, 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. (Local entities that participate in the Voluntary Statewide Volunteer Firefighter Plan must have all their assets invested only in the Volunteer Firefighter Account.)

Fund Management

The Supplemental Investment Fund offers eight investment options which are shown in Figure 20. 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 daily for each account in the SIF, and participants buy or sell shares, based on the most recent share value.

Figure 20. Accounts in the Supplemental Investment 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, including security backed contracts, insurance company investment contracts and bank investment contracts.
Volunteer Firefighter	a balanced portfolio of U.S. and international common stocks, fixed income and cash.

Supplemental Investment Fund

In the Income Share Account, the Growth Share Account, the Common Stock Index Account, the International Share Account, the Bond Market Account and Volunteer Firefighter Account, shares are priced based on the market value of each Account. Performance of these accounts are a function of the income and capital appreciation (or depreciation) generated by the securities in the Accounts.
In the Money Market Account, share values remain constant and the accrued interest income is credited to the Account through the purchase of additional shares.

In the Fixed Interest Account, shares are priced based on the blended crediting rate of the investments in the Account. Performance is calculated based on changes in these share values.

All shares in the SIF accounts are priced daily.

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

The distribution of assets in the Supplemental Investment Fund as of June 30, 2011 is shown by Account in Figure 21 and by Plan in Figure 22.

Figure 21. Composition by Account as of June 30, 2011

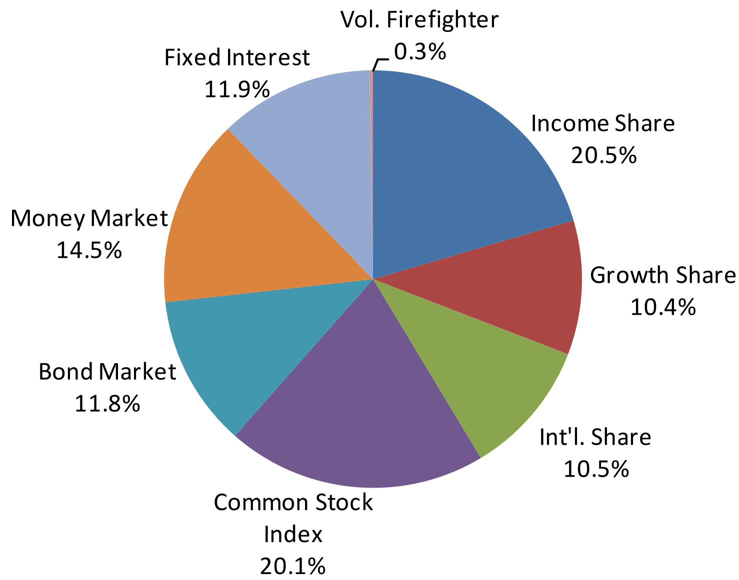
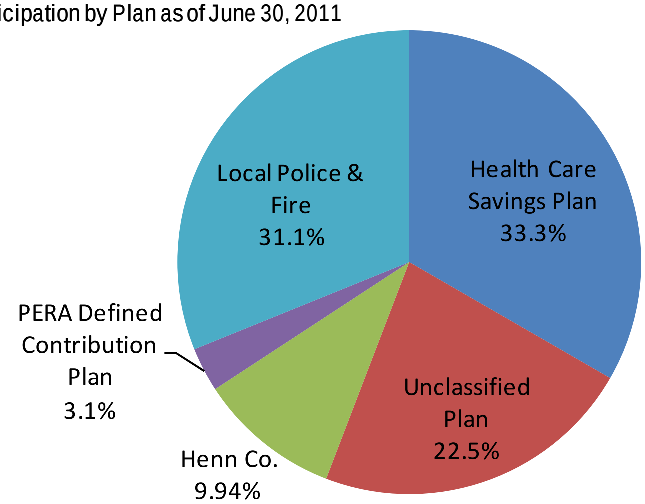


Figure 22. Participation by Plan as of June 30, 2011



Note: Does not include Deferred Compensation Plan assets in the SIF Fixed Interest and Money Market accounts which are reported elsewhere in the Annual Report.

Supplemental Investment Fund

Income Share Account

Objective
The investment objectives of the Income Share Account are 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 these objectives 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 2011, the value of the Income Share Account was $258 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 BlackRock Institutional Trust Co.

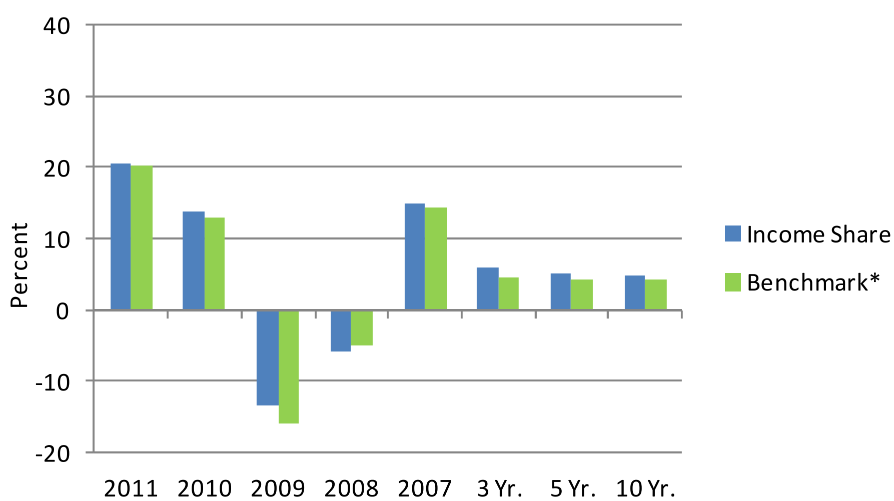
Performance
As with the other SBI funds which use a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***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 Barclays Capital Aggregate Bond Index.

The Income Share Account provided a return of 20.6% for fiscal year 2011, exceeding its benchmark by 0.3 percentage point. Over the most recent ten years, the Income Share Account exceeded its benchmark. Figure 23 shows a history of performance results.

Figure 23. Income Share Account Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Income Share	**20.6%**	**13.8%**	**-13.5%**	**-5.8%**	**14.9%**	**5.9%**	**5.2%**	**4.7%**
Benchmark*	20.3	13.1	-15.8	-5.1	14.3	4.6	4.4	4.4

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

Growth Share Account

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 2011, the value of the Growth Share Account was $131 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 investment in the market and cash that may be held by the individual managers in the Account.

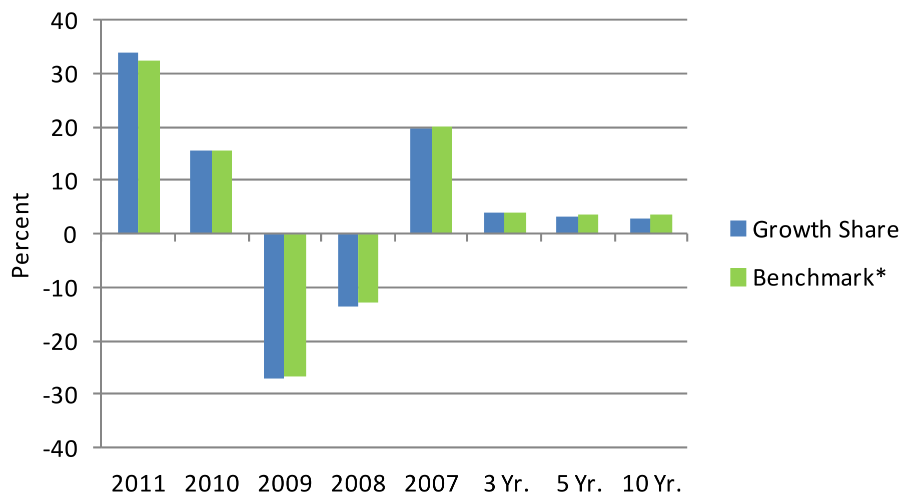
Performance
As with the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— ***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 33.8% for the fiscal year, exceeding its benchmark by 1.4 percentage points. Over the last ten year period, the Account trailed its benchmark by 0.4 percentage point. See the discussion in the Investment Pools section concerning the Domestic Stock Pool for performance information on the managers used by this Account. A history of performance results is shown in Figure 24.

Figure 24. Growth Share Account Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Growth Share	**33.8%**	**15.6%**	**-27.1%**	**-13.5%**	**19.5%**	**4.1%**	**3.1%**	**3.0%**
Benchmark*	32.4	15.7	-26.6	-12.7	20.1	4.0	3.4	3.4

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

Supplemental Investment Fund

Common Stock Index Account

Objective
The investment objective of the Common Stock Index Account is to generate returns that track the performance of the broad U.S. common stock market as represented by the Russell 3000 Index. To accomplish this objective, the SBI allocates all the assets of the Account to passively managed domestic stocks.

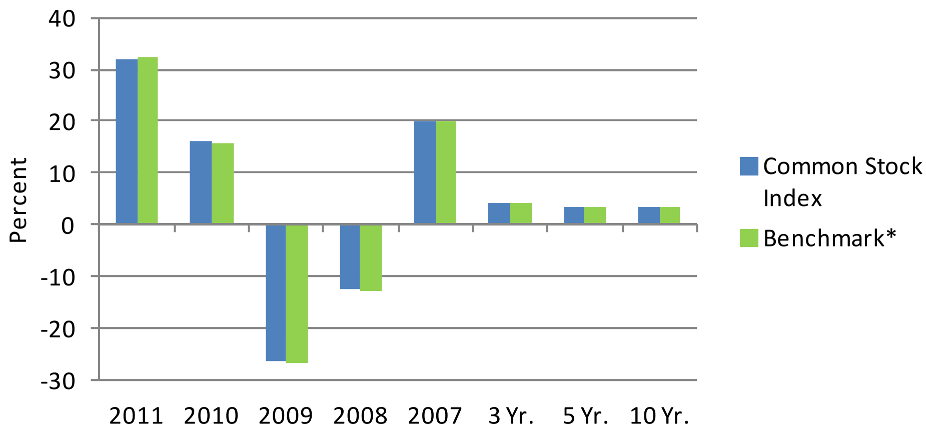
At the end of fiscal year 2011, the Account had a market value of $254 million.

Management
The Account participates in the passive portfolio of the Domestic Stock Pool which is managed by BlackRock Institutional Trust Co.

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

As expected, the Common Stock Index Account closely tracked the Russell 3000 Index for the fiscal year and over longer periods as shown in Figure 25.

Figure 25. Common Stock Index Account Performance For Period Ending June 30, 2011



	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Stock Index	**32.0%**	**16.2%**	**-26.4%**	**-12.5%**	**20.0%**	**4.1%**	**3.5%**	**3.5%**
Benchmark*	32.4	15.7	-26.6	-12.7	20.1	4.0	3.4	3.4

* 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 largest international markets (Japan, United Kingdom, Canada, France, Germany, and Australia). Most of the remainder is invested in other well established markets in Europe and the Pacific region. In addition, at the end of fiscal year 2011, approximately twenty-two percent of the Account was 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 2011, the Account had a market value of $133 million.

Management

The structure of the International Share Account combines active, semi-passive, and passive management. At least thirty-three percent of the Account is actively managed by several developed and emerging markets stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. At least twenty-five percent of the Account is passively managed and no more than thirty-three percent of the Account is semi-passively managed. Overall, the account is designed to consistently track the return of the Morgan Stanley Capital International All Country World ex United States (MSCI ACWI ex US) Standard index net of taxes on dividends, a developed and emerging markets index. The Account uses the same managers used by the Combined 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 the Morgan Stanley Capital International All Country World Index ex-USA (MSCI ACWI ex-U.S.) Standard index (net.)

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

During fiscal year 2011, the International Share Account produced a return of 29.6%, which was 0.1 percentage point below the MSCI ACWI ex-U.S. Standard index. Over the most recent ten year period, the International Share Account exceeded its benchmark by 0.2 percentage point.

See the discussion on performance of the international managers in the Investment Pools section of this report. Total Account results for the last ten years are shown in Figure 26.

Figure 26. Int'l. Share Account Performance For Period Ending June 30, 2011

	2011	2010	2009	2008	2007	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Share	**29.6%**	**11.7%**	**-30.8%**	**-6.5%**	**30.5%**	**0.1%**	**4.1%**	**7.6%**
Benchmark*	29.7	10.4	-30.9	-6.4	29.6	-0.3	3.7	7.4

* The International Equity Asset Class Target is Standard MSCI ACWI ex-U.S. (net) since 10/1/03.

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. A small portion of the Account, not to exceed ten percent, is invested in below investment grade and non-U.S. securities.

At the end of fiscal year 2011, the market value of the Account was $148 million.

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

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

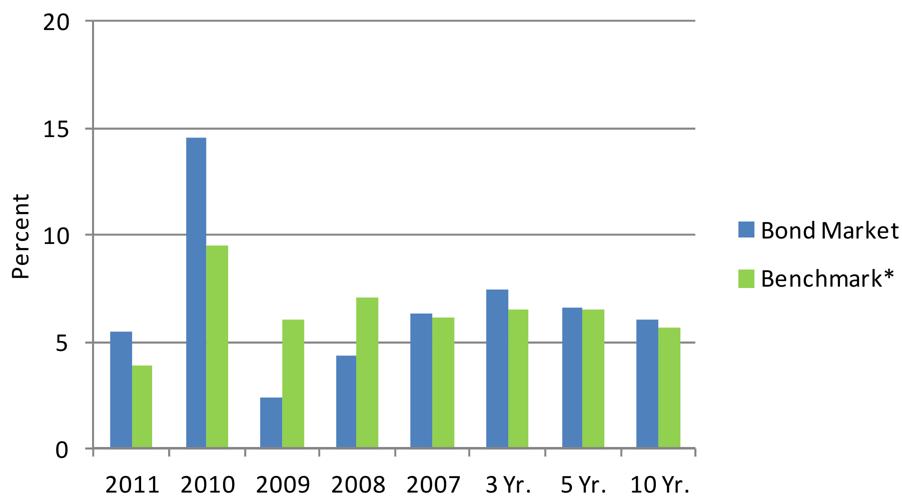
Performance
The Board evaluates the performance of the Bond Market Account on two levels:

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

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

For fiscal year 2011, the Account outperformed by 1.6 percentage points. For the most recent ten year period, the Account exceeded its benchmark by 0.3 percentage point. See the discussion regarding bond manager performance in the Investment Pools section. Total Account results for the last ten years are shown in Figure 27.

Figure 27. Bond Market Account Performance For Period Ending June 30, 2011



						Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Bond Market	**5.5%**	**14.5%**	**2.4%**	**4.4%**	**6.3%**	**7.4%**	**6.6%**	**6.0%**
Barclays Cap. Agg.	3.9	9.5	6.0	7.1	6.1	6.5	6.5	5.7

Supplemental Investment Fund

Money Market Account

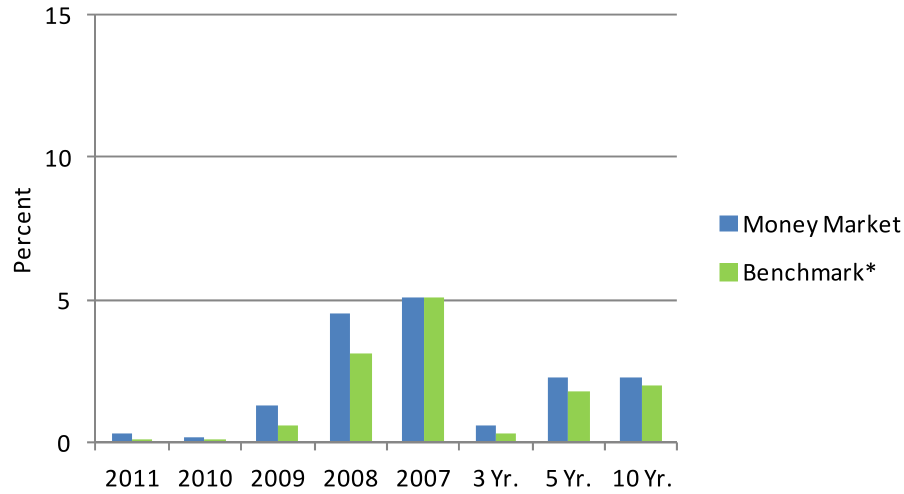
Objective
The Money Market Account invests in high quality, short term debt instruments. The Account's investment objectives are to preserve capital and offer competitive money market returns.

At the end of fiscal year 2011, the Money Market Account had a market value of $184 million.

Management
The Account uses the same cash manager as the Combined Funds, which is State Street Bank & Trust Company.

Performance
The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 2011 by 0.2 percentage point. Over the most recent ten year period, the Account exceeded its target by 0.3 percentage point. Total Account results for the last ten years are shown in Figure 28.

Figure 28. Money Market Account Performance For Period Ending June 30, 2011



						Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Money Market	**0.3%**	**0.2%**	**1.3%**	**4.5%**	**5.1%**	**0.6%**	**2.3%**	**2.3%**
3 Month T-Bills	0.1	0.1	0.6	3.1	5.1	0.3	1.8	2.0

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 2011, the Account totaled $151 million, excluding Deferred Compensation Plan participation.

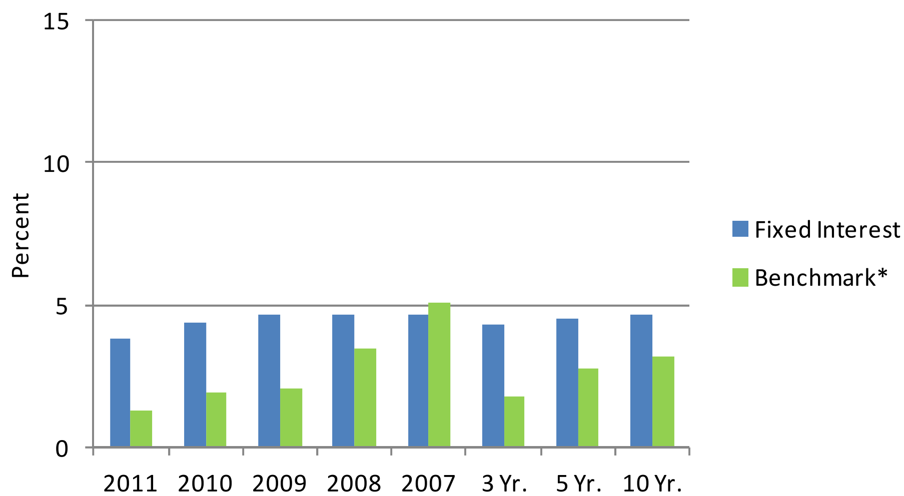
Management
The assets in the Account are invested primarily in well-diversified portfolios of high-quality investment grade fixed income securities. The Account also invests in investment contracts issued by banks and insurance companies, including non-U.S. financial institutions that provide principal protection for the diversified bond portfolios regardless of daily market changes. Instruments in the Account typically have maturities of two to four years. Performance 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.

Figure 29 shows a history of the Account's performance results.

Performance
The Fixed Interest Account is expected to exceed the returns of its custom benchmark, the 3-year Constant Maturity Treasury plus 45 basis points (0.45%). During fiscal year 2011, the Fixed Interest Account provided a return of 3.8%, which was 2.5 percentage points above its benchmark. Over the most recent ten year period, the Fixed Interest Account exceeded its benchmark by 1.5 percentage point.

Figure 29. Fixed Interest Account Performance For Period Ending June 30, 2011



						Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Fixed Interest	**3.8%**	**4.4%**	**4.7%**	**4.7%**	**4.7%**	**4.3%**	**4.5%**	**4.7%**
Benchmark*	1.3	1.9	2.1	3.5	5.1	1.8	2.8	3.2

* 3 Year Constant Maturity Treasury plus 45 basis points.

Volunteer Firefighter Account

Objective

The investment objective of the Volunteer Firefighter Account is 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 Account pursues this objective within the constraints of protecting against adverse financial environments and limiting short-run portfolio return volatility.

The SBI invests the Account in a balanced portfolio of domestic common stocks, international stocks and fixed income securities with the following long-term asset mix: 35% domestic stocks, 15% international stocks, 45% fixed income, 5% cash equivalents.

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

At the close of fiscal year 2011, the value of the Account was $3 million.

Management

The Account's investment management structure combines active and passive management. The domestic stock segment is managed as part of a passively managed index fund designed to track the returns of the Russell 3000 Index. The international stock segment invests in the International Stock Pool which uses a combination of active, semi-passive and passive management to invest across a broad range of developed and emerging markets. The bond segment invests in the Bond Pool used by the Combined Funds. The Bond Pool retains both active and semi-passive managers.

Performance

As with other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Volunteer Firefighter Account on two levels:

— ***Total Account.*** The Volunteer Firefighter 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 domestic stock and international stock managers are expected to closely track the performance of their respective benchmarks. The performance objectives of individual bond managers in the Bond Pool are described in the **Investment Pools** section of this report.

The Volunteer Firefighter Account was established in January 1, 2010. The Account provided a return of 17.5% for the year ending June 30, 2011 and exceeded its composite benchmark by 0.4 percentage point.

State Deferred Compensation 457b Plan

The State Deferred Compensation Plan (Plan) provides public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan. (In most cases, the primary plan is TRA, PERA, or MSRS.) On June 30, 2011 the market value of the State Deferred Compensation Plan was $4.1 billion.

Program Structure

The State Deferred Compensation Plan offers plan participants three sets of investment options. The first is a set of actively managed options that includes six mutual funds, a money market account, and a fixed interest account. The second is a set of five passively managed mutual funds. The third is a self-directed brokerage account window which offers hundreds of mutual funds. The SBI has no direct management responsibilities for funds within the self-directed brokerage account 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% Barclays Capital Aggregate. The fund currently offered is the Dodge & Cox Balanced Fund.

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

- ***International Equity***
  This option invests primarily in stocks of companies in developed countries 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 high quality short term debt instruments and is expected to outperform the return on three month U.S. Treasury bills. This option is the SIF Money Market Account invested by State Street Bank & Trust.

- ***Fixed Interest***
  This option is invested in the SIF Fixed Interest Account which is a well-diversified portfolio of high-quality fixed income securities with strong credit ratings. The option also invests in contracts issued by highly rated insurance companies and banks which are structured to provide principal protection for the option's diversified bond portfolios, regardless of daily market changes.

  The option is expected to outperform the return of the three year Constant Maturity Treasury plus 45 basis points (0.45%), over time. Currently, Galliard Capital Management, Inc. manages the option.

Passively Managed Options

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

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

- ***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% Barclays Capital Aggregate Bond Index. The fund currently offered is the Vanguard Balanced Index Fund.

- ***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 Barclays Capital Aggregate Bond Index. The fund currently offered is the Vanguard Total Bond Market Index Fund.

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

Performance results for the mutual fund investment options for fiscal year 2011 are shown in Figure 30.

Please note that effective July 1, 2011 the Plan underwent several changes. Target date funds, which are diversified options with allocations that change over time, were added. The actively managed large-cap Legg Mason Partners Appreciation I Fund and the actively managed Dodge & Cox Balanced Fund were eliminated. The passively managed international equity option was changed from Vanguard Institutional Developed Market Fund to the Vanguard Total International Stock Index Fund.

Figure 30. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2011 (1) (2)

	1 Year		3 Years		5 Years		10 Years		Market
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)
Actively Managed									
Janus Twenty (S&P 500)	22.5	30.7	-4.0	3.3	6.4	2.9	4.5	2.7	402.9
Legg Mason Partners Appreciation I (S&P 500)	26.2	30.7	3.0	3.3	4.4	2.9	N/A	N/A	129.0
T. Rowe Price Small-Cap Stock (Russell 2000)	43.9	37.4	13.9	7.8	6.8	4.1	8.2	6.3	460.1
Fidelity Diversified International (MSCI EAFE)	30.5	30.4	-3.3	-1.8	1.4	1.5	7.3	5.7	249.9
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Aggregate)	24.2	19.6	4.5	5.0	2.4	4.7	N/A	N/A	282.6
Dodge & Cox Income Fund (Barclays Capital Aggregate)	6.0	3.9	8.5	6.5	7.1	6.5	6.3	5.7	159.7
SIF Money Market (3) (3 Month T-Bills)	0.3	0.1	0.6	0.3	2.3	1.8	2.3	2.0	72.3
SIF Fixed Interest Account (4) (3 year Constant Maturity Treasury +45 basis points)	3.8	1.3	4.3	1.8	4.5	2.8	4.7	3.2	1,221.8
Passively Managed									
Vanguard Institutional Index (S&P 500)	30.7	30.7	3.4	3.3	3.0	2.9	2.8	2.7	457.1
Vanguard Mid Cap Index (MSCI US Midcap 450)	38.7	38.7	6.4	6.4	5.1	5.1	N/A	N/A	234.8
Vanguard Institutional Dev. Mkts. (MSCI EAFE)	32.3	30.4	-1.4	-1.8	1.8	1.5	N/A	N/A	106.8
Vanguard Balanced Fund	20.5	20.6	5.8	5.6	5.3	5.1	N/A	N/A	202.3
(60% MSCI U.S. Broad Market/ 40% Barclays Capital Aggregate)									
Vanguard Total Bond Market Fund (Barclays Capital Aggregate)	3.7	3.9	6.4	6.5	6.6	6.5	N/A	N/A	139.1

(1) Benchmarks for the Funds are noted in parentheses below the Fund names. The dates the Funds were retained by the SBI differ.
(2) Returns do not include the MSRS administrative fee.
(3) The SIF Money Market account for the State Deferred Compensation Plan (457 Plan) was daily valued beginning July 1999. The SIF Money Market account for other plans was daily valued beginning July 2009. Prior to those dates, the accounts were monthly valued.
(4) The SIF Fixed Interest account for the State Deferred Compensation Plan (457 Plan) was daily valued beginning March 2004. The SIF Fixed Interest account for other plans was daily valued beginning July 2009. Prior to those dates, the accounts were monthly valued.

Assigned Risk Plan

The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 2011, the market value of the Plan's portfolio was $311 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.

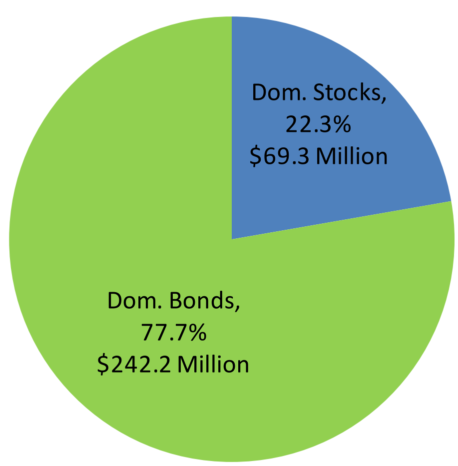
The asset allocation may fluctuate in response to changes in the liability stream projected by the Plan's actuary and further analysis by the SBI staff. Figure 31 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2011. The current long term asset allocation targets for the Plan are as follows:

Domestic Stocks	20%
Domestic Bonds	80

Investment Management

RBC Global Asset Management (U.S.) manages the bond segment of the Assigned Risk Plan, and GE Asset Management manages the equity segment of the Plan.

Figure 31. Assigned Risk Plan Asset Mix as of June 30, 2011



Assigned Risk Plan

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

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 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 three years).

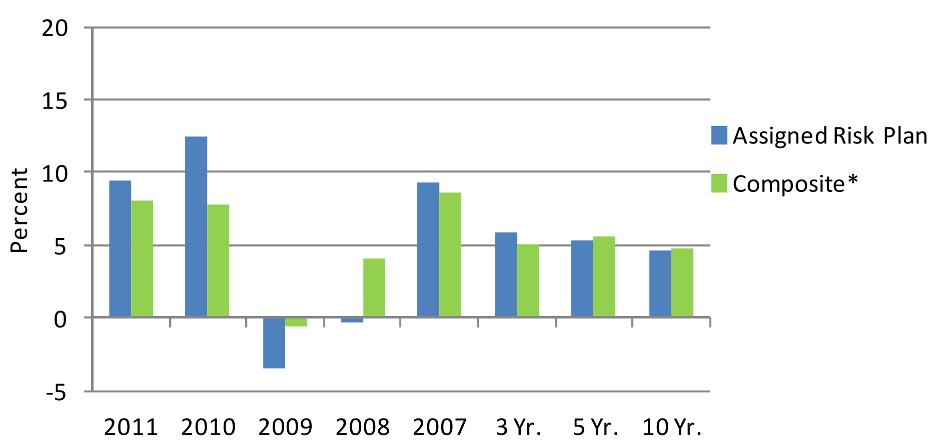
- The target for the equity component is the S&P 500.

During fiscal year 2011, the ***bond*** segment outperformed its benchmark by 2.4 percentage points. Overweight positions in the mortgage-backed securities sector and taxable municipal bond sector were the primary contributors to the fiscal year outperformance. The ***stock*** segment underperformed its benchmark by 3.1 percentage points. Stock selection in several sectors was the primary contributor to the fiscal year underperformance.

Overall, the Assigned Risk Plan provided a return of 9.4% for fiscal year 2011, exceeding its composite index by 1.3 percentage points. For the most recent ten year period, the Plan underperformed its composite index by 0.2 percentage point.

Historical performance results are presented in Figure 32.

Figure 32. Assigned Risk Plan Performance For Period Ending June 30, 2011



						Annualized		
	2011	2010	2009	2008	2007	3 Yr.	5 Yr.	10 Yr.
Total Fund	**9.4%**	**12.4%**	**-3.4%**	**-0.3%**	**9.3%**	**5.9%**	**5.3%**	**4.6%**
Composite Index*	8.1	7.8	-0.5	4.1	8.6	5.1	5.6	4.8
Stock Segment	**27.6**	**8.5**	**-21.5**	**-8.2**	**20.9**	**2.8**	**3.8**	**2.8**
S&P 500	30.7	14.4	-26.2	-13.1	20.6	3.3	2.9	2.7
Bond Segment	**5.3**	**13.4**	**1.1**	**2.3**	**5.9**	**6.5**	**5.5**	**4.8**
Benchmark	2.9	5.9	6.7	8.6	5.7	5.1	5.9	5.1

* 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 appropriated directly to school districts. On June 30, 2011, the market value of the Fund was $785 million.

Investment Objective

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

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.

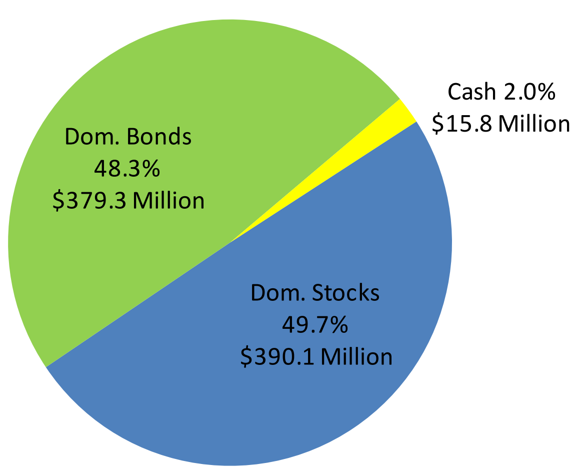
Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

To solve both issues, a proposal to introduce equities to the Fund's asset mix was presented during fiscal year 1997. 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.

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 33 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2011.

Figure 33. Permanent School Fund Asset Mix as of June 30, 2011



Permanent School Fund

Investment Management

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

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 Barclays Capital Aggregate Bond Index.

Investment Performance

The ***stock*** segment of the Permanent School Fund had a positive tracking error of 0.1 percentage point for the year when compared to its benchmark of the S&P 500.

The ***bond*** segment outperformed its benchmark by 0.4 percentage point during the current fiscal year, primarily due to overweights to mortgage backed securities and corporate securities.

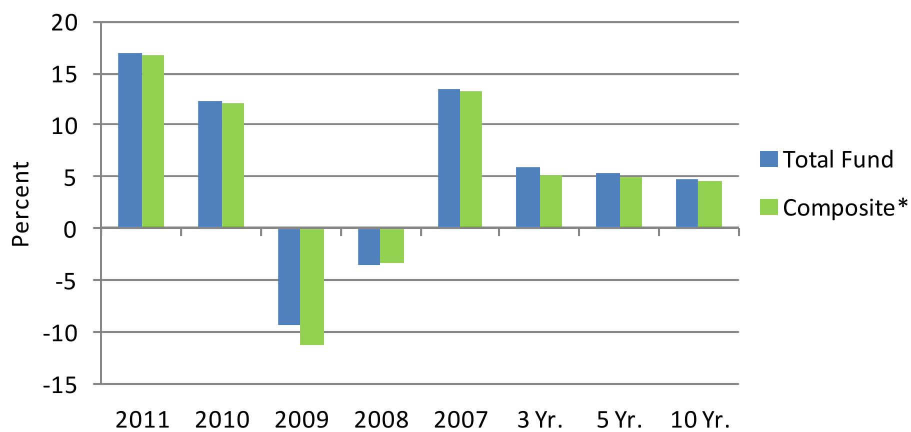
Overall, the Permanent School Fund provided a return of 17.0% for fiscal year 2011, outperforming its composite index by 0.2 percentage point. The Fund outperformed its composite index over the last three, five and ten year periods due to the incremental value added by both the stock and bond segments.

Total account results for the last three, five and ten years are shown in Figure 34.

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

Fiscal Year	**Millions**
2007	$25
2008	$28
2009	$27
2010	$23
2011	$23

Figure 34. Permanent School Fund Performance for Period Ending June 30, 2011



						Annualized		
	2011	**2010**	**2009**	**2008**	**2007**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund	**17.0%**	**12.3%**	**-9.3%**	**-3.6%**	**13.4%**	**6.0%**	**5.4%**	**4.8%**
Composite*	16.8	12.1	-11.2	-3.3	13.2	5.2	4.9	4.5
Stock Segment	**30.8**	**14.2**	**-25.9**	**-13.1**	**20.6**	**3.4**	**3.0**	**2.8**
S&P 500	30.7	14.4	-26.2	-13.1	20.6	3.3	2.9	2.7
Bond Segment	**4.3**	**9.7**	**8.5**	**7.0**	**6.2**	**7.4**	**7.1**	**6.3**
Barclays Agg.	3.9	9.5	6.0	7.1	6.1	6.5	6.5	5.7

* 50% S&P 500/ 48% Barclays Capital Aggregate/ 2% 3 Month T-Bills.

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, 2011, the market value of the Fund was $575 million.

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

Investment Objective

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

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

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

Asset Allocation

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

The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

Figure 35 presents the actual asset mix of the Fund at the end of fiscal year 2011.

Investment Management

SBI staff internally manages all assets of the Environmental Trust Fund. The 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.

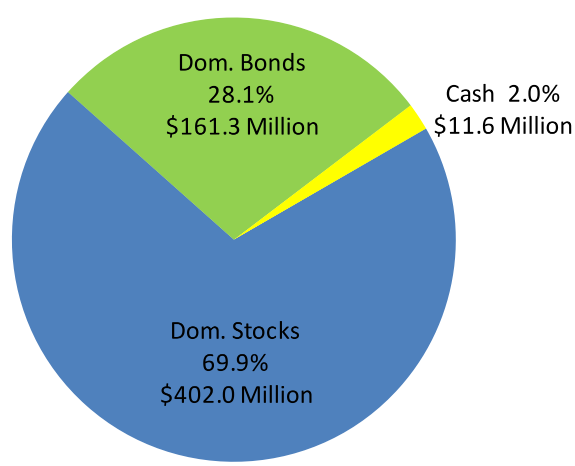
Bond Segment
The bond segment is actively managed to add incremental value through sector, security and yield curve decisions, and its performance is measured against the Barclays Capital Aggregate Bond Index.

Investment Performance

During the fiscal year, the ***stock*** segment had a positive tracking error of 0.1 percentage point when compared to the benchmark, the S&P 500.

The ***bond*** segment outperformed its benchmark by 0.4 percentage points during the fiscal year;

Figure 35. Environmental Trust Fund Asset Mix as of June 30, 2011



primarily due to an overweight to mortgage backed securities and corporate securities.

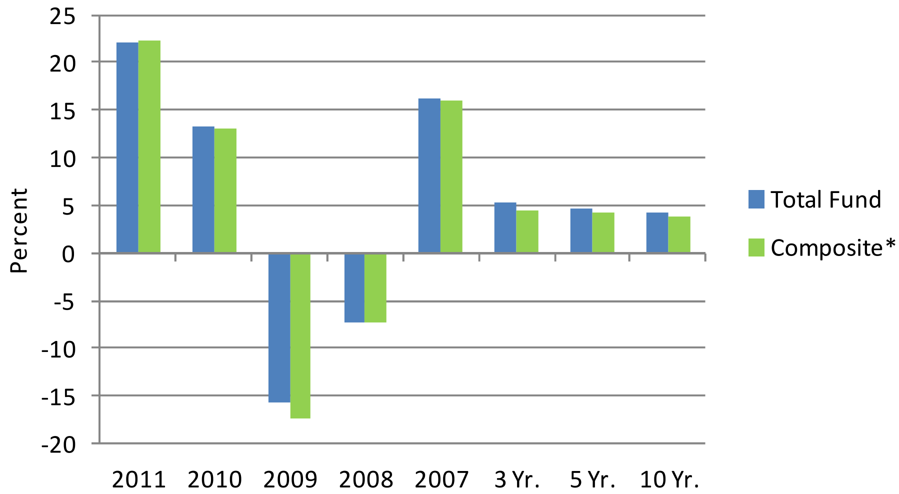
Overall, the Environmental Trust Fund provided a return of 22.1% for fiscal year 2011, but underperformed its composite index by 0.1 percentage point. The Fund outperformed its composite index over the last three, five and ten years due to the incremental value added by both the stock and bond segments.

Performance results are presented in Figure 36.

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

Fiscal Year	**Millions**
2007	$19
2008	$23
2009	$23
2010	$26
2011	$26

Figure 36. Environmental Trust Fund Performance For Period Ending June 30, 2011



S&P 500	30.7	14.4	-26.2	-13.1	20.6	3.3	2.9	2.7
Bond Segment	**4.3**	**9.7**	**8.3**	**7.0**	**6.2**	**7.4**	**7.1**	**6.3**
Barclays Agg.	3.9	9.5	6.0	7.1	6.1	6.5	6.5	5.7

* Weighted 70% S&P 500/ 28% Barclays Capital Aggregate/ and 2% 3 month T-Bill.

Cash Management and Related Programs

The State Board of Investment manages the cash balances in state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2011, the total value of these accounts was $6.0 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 may include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, high grade corporates, and commercial paper. On June 30, 2011, the combined value of all agency cash balances was $6.0 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 State's General Fund and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of $4.96 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 $78.3 million during the year.

Staff also manages approximately $300 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 benchmarks which reflect the maturity structure of each pool.

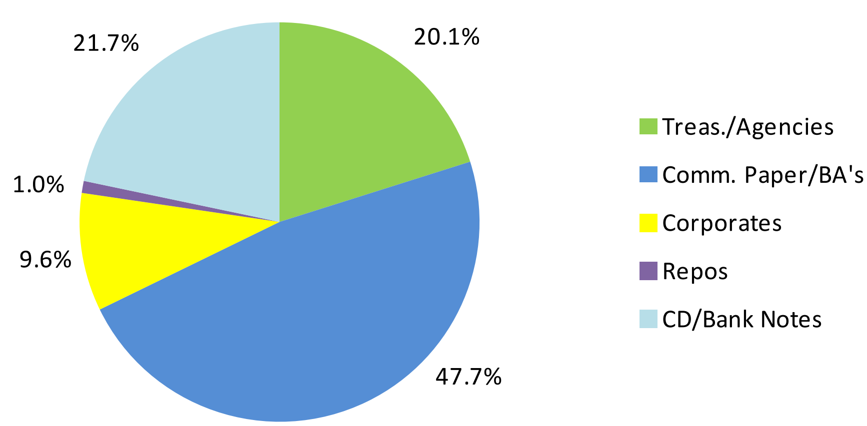
For fiscal year 2011, the Trust Fund Pool exceeded the benchmark and the Treasurer's Cash Pool outperformed the benchmark which is the iMoneyNet's All Taxable Money Fund Index for both pools. Both pools outperformed the total return on 3 Month Treasury Bills.

Treasurer's Cash Pool	**0.6%**
Benchmark	0.0*
Trust Fund Pool	**0.3**
Benchmark	0.0*
3 Month Treasury Bills	0.1

* Actual Benchmark return was 0.03%

Treasurer's Cash Pool
On June 30, 2011 almost half of the Treasurer's Cash Pool holdings were high quality corporate commercial paper. The composition of the pool is shown in Figure 37. At the end of the fiscal year, the pool had a current yield of 0.47% and an average maturity of 195 days.

Figure 37. Invested Treasurer's Cash Fund Distribution as of June 30, 2011



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 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 $15.0 million during fiscal year 2011.

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 2011, the SBI purchased over $168.8 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 2011, the SBI purchased $15.9 million in repos from Minnesota financial institutions.

Legislative Investment Initiatives

Legislative Update

Laws of Minnesota 2011, First Special Session, Articles 6 and 7 provides for the consolidation of the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association into the Public Employees Retirement Association. With affirmative votes by the relief associations, the city of Minneapolis and the PERA Board, the consolidation will take place December 30, 2011. The SBI is required to review the assets of the relief associations to insure they are acceptable for inclusion in the Combined Funds.

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 Combined 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.)

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 2011, there were 214 plans participating in the SIF.

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.

Voluntary Statewide Volunteer Firefighter Retirement Plan

Minnesota Statutes, Chapter 353G creates a statewide voluntary plan for local relief associations. Local entities may choose to join the statewide plan which is trusteed by PERA. Investments of the plan are invested in the Supplemental Investment Fund Volunteer Firefighter Account. Participation in the plan is effective on December 31 of a given year. The SBI must evaluate the assets of each local entity that seeks to join the plan. On December 31, 2010 twelve local entities joined the plan, transferring $2.4 million to the SBI for investment.

Other Post Employment Health Benefits

Under the provisions of *Minnesota Statutes*, Section 471.6175, local units of government including school districts may choose PERA as trustee to administer post employment health benefits. Assets of these accounts are invested by the SBI in the same internally managed investment pools in which the Permanent School Fund and Environmental Trust Fund are invested.

As of June 30, 2011, there were 23 entities that have these investment accounts with the SBI. In total, these accounts invest $280 million. Staff anticipates that the number of these accounts will increase in the future. See the financial statements in Section II of this report for a list of entities and their respective investment balances.

The SBI is required to report annually the returns provided on assets invested by the City of Duluth for this purpose. Duluth made its first investment with the SBI July 2007. As of June 30, 2011, returns for Duluth were as follows:

	1 Yr.	**3 Yr.**
Equities	30.8%	3.5%
Fixed Income	4.3	7.4
Total	17.8	6.7

Legislative Investment Initiatives

Minnesota College Savings Plan (529 Plan)

The SBI is responsible for selecting the investment provider for the Minnesota College Savings Plan. The Minnesota Office of Higher Education (MOHE) is responsible for the overall administration of the 529 Plan.

The SBI and MOHE jointly contract with one firm to provide administrative services, which includes recordkeeping; marketing, communication and education efforts; and investment management services. The investment product provider currently used by the 529 Plan is Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF).

Investment Restrictions

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.

Shareholder Resolutions

In previous years, the SBI cosponsored a number of tobacco related shareholder resolutions. The SBI cosponsored one tobacco related resolution for the 2011 proxy season. The proposal, with Altria Group, received 2.5% support.

Sudan Issues

Minnesota Statutes, section 11A.243 concerns the SBI's investment in companies with operations in Sudan. The law requires the SBI to make its best efforts to identify all "scrutinized companies" in which the SBI has direct or indirect holdings or could possibly have holdings in the future.

The SBI receives a list of companies from the Conflict Risk Network. Staff periodically sends a list of restricted Sudan companies to managers and has required divestment of holdings in compliance with the law. Staff reports to the Board each quarter on its actions to implement the law.

Iran Issues

Minnesota Statutes, section 11A.244, requires the SBI to take a series of steps to identify companies that do business in Iran, communicate with those companies, and divest stock and bonds over a specified period of time if the companies continue their business activities in Iran.

The SBI retains the firm ISS to provide a list of companies to implement the law. Staff periodically sends a list of restricted Iran companies to managers and has required divestment of holdings in compliance with the law. Staff reports to the Board each quarter on its actions to implement the law.

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. Over one-half of the world's markets, by market capitalization, lie outside the U.S.

The United Kingdom, Japan, Canada and France comprise over 45% of the value of the international markets. Together with other countries in Europe 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 based upon worker and human rights.

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

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

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

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

Review Process

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

When the Task Force made its final 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 38 displays the country groupings. There were no changes to the SBI's country groupings in fiscal year 2011.

Figure 38. Current International Investing Guidelines Country Groupings

Group I MSCI World ex U.S. Countries*	**Group I MSCI EM Countries****	**Group II MSCI EM Countries****	**Group III MSCI EM 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			

* Developed Markets index
** MSCI Emerging Markets index (MSCI EM).

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 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 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, 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.

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 2011 Proposals

During fiscal year 2011 the SBI voted proxies for approximately 1,900 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 Institutional Shareholder Services, Inc. (ISS):

— During the first year of advisory votes on executive compensation under the Dodd-Frank Act, investors endorsed companies' pay programs, providing 91.2% support on average. Investors also overwhelmingly supported having such votes take place on an annual basis in the future.

— Shareholders submitted 36 proposals requesting majority vote to elect directors. This proposal received an average support of 59.7%.

— Shareholders submitted 23 proposals requesting that companies have an independent board chairman. The proposal received average support of 34.7%.

— Other proposals submitted by shareholders included the repeal of classified boards which were supported by an average of 73.5% of shares voted, the right to call special meetings which received support from an average of 40.8% of shares voted and proposals to rescind supermajority approval requirements which received average support of 59.3% of shares voted.

In the *social responsibility* area, environmental, political contributions, sustainability reporting, and fair employment were the major issues, as reflected in information provided by ISS:

— Shareholders submitted 30 resolutions on a variety of environmental issues and those proposals received average support of 21.9%.

— Shareholders submitted 50 proposals regarding reporting on political contributions. Those proposals had an average support level of 28.3%.

— Shareholders submitted 12 resolutions on human rights issues and those received average support of 15.9%.

— Shareholders submitted 9 proposals regarding sustainability issues. The proposals received average support of 30.7%.

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 ISS to monitor corporate activity in Northern Ireland. In January 2011, the SBI held stocks or bonds in 76 of 83 corporations identified by ISS as having operations in Northern Ireland.

Shareholder Resolutions
The SBI did not file any shareholder resolutions for the 2011 proxy season regarding the MacBride Principles.

Investment Manager Summaries

Domestic Equity Program Managers

Active Managers

Large Cap Core (Russell 1000)

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 individual stock selection, industry weightings, market sensitivity and common factor exposures. UBS was retained by the SBI in July 1993.

Large Cap Growth (Russell 1000 Growth)

INTECH Investment Management LLC (INTECH)
Using a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 Growth Index, while reducing the risk of significant relative underperformance. INTECH does not forecast individual stock alphas, but uses natural relative stock price volatility and correlation characteristics to build a portfolio. Essentially, the firm adjusts the capitalization weights of the Russell 1000 Growth Index to potentially more efficient combinations. The investment process only uses securities in the Russell 1000 Growth Index and utilizes embedded risk controls aimed at mitigating portfolio risk, which include active-weight range limits around the benchmark holdings, a constraint on beta, and maximizing the information ratio. Once the target weights are determined, the portfolio is then rebalanced to those target proportions and re-optimized on a regular basis. The portfolio is continually evaluated to ensure that diversification and return characteristics are consistent with the investment objectives and underlying mathematical theorem. INTECH was retained by SBI as an active manager in January 2005.

Jacobs Levy Equity Management
Jacobs Levy believes that the market is a complex system and that intensive quantitative modeling can identify market inefficiencies that offer opportunities for profitable active investment. Recognizing that good judgment is critical, the firm has developed a multidimensional investment approach that combines human insight and intuition, finance and behavioral theory, and sophisticated statistical methods. The Jacobs Levy investment system is designed to be dynamic and forward-looking, continually adjusting to the market's changing environments and opportunities, and it relies on proprietary research for "disentangling" the market's complexity. The firm's proprietary systems have been engineered to be integrated across all investment functions from security selection through portfolio construction, trading, performance attribution, and guideline compliance. Expected returns for each security in the investment universe are generated from numerous models and become the inputs for the proprietary portfolio optimizer. The optimizer is run daily with the objective of constructing portfolios that can provide consistent outperformance relative to the underlying benchmark, with strict control of known portfolio risks. Extensive automated data scrubbing and human fact checking are conducted daily. Liquidity, trading costs, and investor guidelines are incorporated into the optimization process. Jacobs Levy was retained by the SBI as an active manager in January 2005.

Knelman Asset Management, LLC
Knelman's approach emphasizes earnings growth as the fundamental driver of stock prices over time. Knelman

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. Knelman 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 and long-term oriented research is the cornerstone of the investment process. To be considered as a potential holding, companies must demonstrate superior historical and projected sales and earnings growth; have the potential for wealth creation; and reside in growing sectors. The team then narrows the opportunity set by identifying potential leaders in attractive business spaces. The strategy focuses on six 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.

Winslow Capital Management, Inc.
Winslow believes that investing in companies with above-average earnings growth (in a normal economy; cash flow growth in recession) 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 Inc.
Zevenbergen'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. The overall portfolio will always reflect all three value characteristics: price/earnings and price/book ratios below the market and dividend yields above the market. The stocks must also be attractive according to the firm's dividend discount and relative return models. Analysts provide fundamental analysis in the final step of their investment process. BHMS was retained by the SBI in April 2004.

Investment Manager Summaries

Earnest Partners, LLC
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. The firm's fundamental review generally includes conversations with the company's management team and industry specialists, a review of the company's financial reports, analysis of industry and company-specific studies, as well as independent field research. They 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.

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, L.P.
Systematic believes that stock prices follow earnings cycles and that superior portfolio returns are achievable by purchasing attractively valued stocks exhibiting positive earnings catalysts which are reflective of improving fundamentals. Systematic seeks to invest in companies trading at compelling valuations that are exceeding investor expectations, have increasing sales and improving margins, and are generating strong levels of free-cash flow. Their investment process involves a strong blend of quantitative screening and fundamental security analysis coupled with a rigorous monitoring of all holdings. Systematic was retained by the SBI in April 2004.

Small Cap Growth (Russell 2000 Growth)

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

Next Century Growth Investors, LLC
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), an expanding market opportunity, strong management, and are well poised to outperform the market. NCG believes in industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent. NCG was retained by the SBI in July 2000.

Turner Investment Partners, Inc.
Turner manages a small cap growth portfolio with the philosophy that earnings drive stock prices. They seek to buy companies with strong earnings prospects. As such, the portfolio is designed to add value strictly through superior stock selection based on the output of extensive, industry-focused fundamental research which is undertaken by their industry experts to identify and quantify the critical factors driving growth. The goal of their investment process is to identify candidates for investment that are growth companies with

above-average earnings prospects. The Fund is fully invested and maintains sector weightings that resemble the Russell 2000 Growth Index. The SBI retained Turner in January 2004.

Small Cap Value (Russell 2000 Value)

Goldman Sachs Asset Management, L.P.

Goldman Sachs manages a small cap value 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 evaluate 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 cap value portfolio, in which they seek to exploit mispriced securities in the small cap market by investing in "undiscovered" and "out of favor" companies. They invest in stocks of which 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, L.P.

Martingale manages a small cap 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

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 analyzes 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.

Semi-Passive Managers

Semi-Passive Managers (Russell 1000)

BlackRock Institutional Trust Co. (formerly Barclays Global Investors)

BlackRock uses a Core Alpha Model which disaggregates individual equity returns for each of the stocks in their universe into four inputs: relative value, earnings quality, sentiment and the influences from thematic drivers. 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 and the Thematic criteria seeks to exploit opportunities from a collection of stocks that move together because they share a common exposure which is currently less obvious to the market. The strategy seeks to minimize investment and operational risks not associated with adding value. Implementation costs are also considered when balancing return potential with risk profile of trades. The firm was retained by the SBI for semi-passive management in January 1995.

INTECH Investment Management LLC (INTECH)
Using a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 benchmark. No specific sector or security selection decisions based on fundamentals are utilized. Risk parameters include: 1) maximize information ratio, 2) security positions limited to lesser of 1.0% or 8 times maximum index security weight, and 3) beta equal to or less than benchmark beta, and 4) constraining the weighted average capital distribution to be roughly equal to the capital distribution of the benchmark. Target security positions are established using a weekly 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. INTECH was retained by SBI as a semi-passive manager in April 2010.

J.P. Morgan Investment Management, Inc.
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 takes overweight positions in stocks in the first and second quintiles, while underweighting stocks in the fourth and fifth quintiles. 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.

Mellon Capital Management (formerly Franklin Portfolio)
Mellon Capital 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. Mellon Capital 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 the firm as a semi-passive manager in January 1995.

Passive Manager

Passive Manager (R3000)

BlackRock Institutional Trust Co. (formerly Barclays Global Investors)
For the passive account, BlackRock 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. The firm 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.

Investment Manager Summaries

International Program Managers

Active Developed Markets Managers

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.

Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC)

Columbia'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. Columbia was retained by the SBI in February 2000. In December 2003, the Threadneedle team replaced the original investment team.

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. This is the first of four cornerstones of their investment approach. Portfolios are constructed on a bottom-up basis. They select individual companies rather than countries, themes, or industry groups. 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 inversely 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. The earnings tests identify 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, 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.

Semi-Passive Developed Markets Managers

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 by region 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 regional portfolio managers 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 Managers

State Street Global Advisors

State Street manages an international index portfolio designed to track the Morgan Stanley Capital International Standard 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 Managers

AllianceBernstein L.P.

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

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.

Investment Manager Summaries

Fixed Income Program Managers

Active Managers

Aberdeen Asset Management, Inc. (formerly Deutsche Asset Management)
Aberdeen believes there are 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 generally 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 bond by bond. Sector weightings are a by-product of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC)
Columbia 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. Columbia is committed to diversification of sources of active risk in the portfolios it manages, and believes that proper diversification combined with consistent evaluation of risk-reward trade-offs leads to competitive risk-adjusted performance. Columbia was retained by the SBI in July 1993.

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.

Pacific Investment Management Co. LLC (PIMCO)
PIMCO's investment approach seeks to provide consistent excess returns with similar or lower risk relative to the benchmark, over a business cycle. PIMCO's approach to investing has three key principles: the utilization of multiple strategies, a long-term orientation and bond selection from a broad universe. PIMCO's investment process starts with an annual Secular Forum. The goal of this Forum is to look beyond the current business cycle and determine how secular forces will play out over the next 3 to 5 years. Quarterly, PIMCO holds Economic Forums to evaluate growth and inflation over the next 9 to 12 months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) develops key portfolio strategies. They consider both the "top-down" conclusions emanating from PIMCO's Forum, as well as the "bottom-up" market intelligence provided by PIMCO's teams of sector specialist portfolio managers. Through an interactive series of meetings, the IC defines a set of consistent strategies that are then implemented by sector specialists who perform in-depth research and recommend individual securities to the portfolio manager to be included in the portfolio. PIMCO was retained by the SBI in September 2008.

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 Managers

BlackRock Financial Management

BlackRock manages a semi-passive index portfolio that closely tracks the Barclays Capital 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 Barclays Capital 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.

Neuberger Berman Fixed Income LLC (formerly Lincoln Capital and Lehman Brothers Asset Management, LLC)

Neuberger manages a semi-passive portfolio that closely tracks the Barclays Capital Aggregate. Neuberger'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. Neuberger's proprietary risk exposure analysis includes all relevant systemic factors, interest rate and spread-related, that determine a bond's expected return with respect to changes in interest rates and spreads. Neuberger 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. To manage credit risk, corporate holdings are diversified across a large number of issues. Neuberger 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.

Investment Manager Summaries

Assigned Risk Plan Managers

GE Asset Management
GE Asset Management manages the stock portfolio for the Assigned Risk Plan. Their strategy is to maintain a style-neutral position between value and growth stocks and focus on fundamental, bottom-up stock selection to add value. This strategy is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of industry analysts. Each analyst is responsible for one or more industries and together provide analytical coverage across the full spectrum of industries. The three portfolios are combined to create a well-diversified portfolio while neutralizing the style bet. GE Asset Management was retained by the SBI in January 1995.

RBC Global Asset Management
RBC 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. RBC uses a top-down approach to bond selection. They focus on sector analysis and security selection and position the portfolio to provide a yield greater than that of the benchmark. Yield curve and duration analysis are secondary considerations. RBC 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 the Account in well diversified portfolios of high quality investment grade fixed income securities. The manager invests cash flows to optimize yields. The manager also invests in investment contracts with U.S. and non-U.S. financial institutions that provide principal protection for the diversified bond portfolios regardless of daily market changes. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes. The firm was retained by the SBI in November 1994.

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 about 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.

Please note that the fund was dropped from the Plan effective July 1, 2011.

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.

Investment Manager Summaries

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.

Please note that the fund was dropped from the Plan effective July 1, 2011.

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 invests 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 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 Barclays Capital 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 Barclays Capital 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 Barclays Capital 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.

Please note that the fund was dropped from the Plan effective July 1, 2011 and replaced by Vanguard Total International Stock Index Fund.

Investment Manager Summaries

Alternative Investment Managers

Private Equity Managers

Adams Street Partners

Adams Street (formerly Brinson Partners) Venture Partnership Acquisition Funds I and II were formed in 1988 and 1990, respectively. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Venture Partnership Acquisition Fund I	42,305	0	23.14
Venture Partnership Acquisition Fund II	49,455	0	20.59

Advent International

Advent International GPE VI was formed for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. Advent has regional headquarters in Boston and London.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Advent International GPE VI	28,373,488	22,500,000	3.25

Affinity Capital

Affinity Ventures Funds IV and V were formed 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. Affinity Capital is based in Minneapolis, MN.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Affinity Ventures IV	2,392,443	200,000	7.00
Affinity Ventures V	3,097,960	1,700,000	2.99

Banc Funds Co., L.L.C.

Based in Chicago, Illinois, Banc Fund VII and Banc Fund VIII will invest primarily in sub-regional banks, located primarily in the Midwest, which have demonstrated above average growth and are likely acquisition targets.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Banc Fund VII	25,961,265	0	6.25
Banc Fund VIII	34,362,306	65,827,500	3.18

Blackstone Group

Blackstone Capital Partners Funds II, IV, V and VI are limited partnerships which were formed in 1993, 2002, 2006, and 2008, respectively, and have ten year terms. Based in New York, the funds will invest in a variety of private equity transactions.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Blackstone Capital Partners Fund II	63,458	0	17.60
Blackstone Capital Partners Fund IV	52,849,188	4,407,812	8.97
Blackstone Capital Partners Fund V	118,151,328	17,172,130	5.41
Blackstone Capital Partners Fund VI	0	100,000,000	2.93

Investment Manager Summaries

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Blum Strategic Partners	419,162	2,009,928	12.52
Blum Strategic Partners II	12,313,447	2,127,584	9.95
Blum Strategic Partners III	37,138,734	193,515	6.08
Blum Strategic Partners IV	127,299,658	13,930,449	3.61

CarVal Investors
CVI Global Value Fund and Credit Value Fund were formed in 2007 and 2010, respectively. The funds are based in Minneapolis with offices in Beijing, Buenos Aires, Cobham, Copenhagen, Delhi, Luxembourg, Paris, Singapore, Shanghai and Tokyo. The Funds will make investments in loan portfolios, corporate securities, international real estate and real estate loans and special opportunities.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
CVI Global Value Fund	225,585,494	10,000,000	4.46
CarVal Credit Value Fund I	45,000,000	55,000,000	0.75

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
William Blair Capital Partners VII	8,468,957	1,650,000	10.31
Chicago Growth Partners I	40,710,303	3,450,000	5.93
Chicago Growth Partners II	31,649,792	29,469,413	3.30

Coral Group Inc.
Coral Partners 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 1994 and 1998, respectively.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Coral Partners IV	1,734,032	0	16.94
Coral Partners V	1,579,043	0	13.04

Court Square Capital
Court Square Capital Partners I 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. Court Square Capital is based in New York.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Court Square Capital Partners I	24,704,881	10,576,235	9.55
Court Square Capital Partners II	139,381,880	61,763,745	4.82

Investment Manager Summaries

Credit Suisse
DLJ Merchant Banking Partners III was formed in 2000. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
DLJ Merchant Banking Partners III	53,887,481	3,664,334	10.75

Credit Suisse
Strategic Partners I, II B, III B, III VC, IV B, and IV VC were formed to invest in secondary leveraged buyout, venture capital, 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. All of the funds are based in New York.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
DLJ Strategic Partners Fund I	12,842,830	4,956,681	10.44
CSFB Strategic Partners Fund II B	14,233,119	10,965,057	7.95
CSFB Strategic Partners Fund III B	85,191,984	16,933,846	6.08
CSFB Strategic Partners Fund III VC	15,910,945	2,246,633	6.08
CS Strategic Partners Fund IV B	84,303,076	29,445,739	3.26
CS Strategic Partners Fund IV VC	35,766,567	8,995,125	3.03

Crescendo Ventures
Crescendo Venture Funds III and IV were organized in 1999 and 2000, respectively. They have offices in Minneapolis, Minnesota, and Palo Alto, California. The funds will pursue opportunistic venture capital investments throughout the U.S.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Crescendo Venture Fund III	1,374,976	0	12.65
Crescendo Venture Fund IV	24,724,917	0	11.31

CVC Capital Partners
CVC European Equity Partners V was formed for the purpose of investing primarily in the European mid and large buyout markets, with investment opportunities available from a broad range of sectors and geographies.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
CVC European Equity Partners V	74,978,777	55,329,715	3.26

Diamond Castle Partners
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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Diamond Castle Partners IV	84,090,505	12,350,719	4.81

Investment Manager Summaries

DSV Management Ltd.

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
DSV Partners IV	32,305	0	26.22

EBF & Associates

Based in Minneapolis, Merced Partners II and Merced Partners III expect 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. Merced Partners II was formed in 2006 and Merced Partners III was formed in 2010.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Merced Partners II	46,859,070	0	4.25
Merced Partners III	54,881,475	45,000,000	1.15

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. Elevation has offices in Menlo Park and New York.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Elevation Partners	48,168,728	13,431,814	6.12

Fox Paine and Company

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Fox Paine Capital Fund II	35,923,946	12,717,982	11.00

Golder, Thoma, Cressey and Rauner

Based in Chicago, Golder, Thoma and Cressey Funds IV and V are venture capital limited partnerships and were formed in 1993 and 1996, respectively. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Golder, Thoma and Cressey Fund IV	56,701	0	17.41
Golder, Thoma and Cressey Fund V	720,541	0	15.00

Investment Manager Summaries

GTCR Golder Rauner

GTCR Golder Rauner Funds VI, VII, IX and X were formed in 1998, 2000, 2006, and 2010 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. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
GTCR Golder Rauner Fund VI	999,730	0	13.00
GTCR Golder Rauner Fund VII	826,099	15,750,001	11.39
GTCR Golder Rauner Fund IX	63,882,854	6,997,841	5.00
GTCR Golder Rauner Fund X	0	100,000,000	0.55

Goldman Sachs Capital Partners

GS Capital Partners 2000, GS Capital Partners V, and GS Capital Partners VI were formed in 2000, 2005 and 2007, respectively, by Goldman Sachs. Based in New York, the funds will focus on domestic and international investments in four areas: merchant banking, telecommunications, broadband, and technology.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
GS Capital Partners 2000	13,530,456	0	10.83
GS Capital Partners V	77,108,861	26,041,099	6.25
GS Capital Partners VI	43,770,127	38,592,677	4.41

Goldner Hawn Johnson and Morrison

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
GHJM Marathon Fund IV	2,670,515	949,000	12.21
GHJM Marathon Fund V	59,628,056	1,407,808	6.74

Hellman and Friedman

Hellman and Friedman IV, V, VI and VII were organized in 2000, 2004, 2007 and 2009. Based in San Francisco, the funds will pursue opportunistic private equity investments located in the U.S. and internationally.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Hellman and Friedman IV	22,535,806	15,365,585	11.49
Hellman and Friedman V	127,364,218	17,303,704	6.58
Hellman and Friedman VI	159,051,298	21,816,914	4.25
Hellman and Friedman VII	0	50,000,000	2.19

Investment Manager Summaries

Kohlberg, Kravis, Roberts & Co. (KKR)

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 diversified operations. Kohlberg, Kravis, Roberts and Co. is based in New York.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
KKR 1987 Fund	1,923,060	0	23.60
KKR 1993 Fund	793,676	0	17.53
KKR 1996 Fund	8,381,691	0	14.83
KKR Millennium Fund (2001)	172,205,915	0	8.56
KKR 2006 Fund	161,970,780	41,198,000	4.76

Lexington Capital Partners

Lexington Capital Partners VI and Lexington Capital Partners VII were formed in 2006 and 2009, respectively, for the purpose of making investments in established buyout, mezzanine and venture capital funds, primarily through secondary transactions. The funds are based in New York.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Lexington Capital Partners VI	71,994,944	4,029,919	5.51
Lexington Capital Partners VII	42,830,808	162,938,580	2.05

RWI Ventures

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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
RWI Ventures I	1,133,888	0	5.00
RWI Group III	120,278	0	5.00

Sightline Healthcare (Piper Jaffray)

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Sightline Healthcare Fund II	289,188	0	14.33
Sightline Healthcare Fund III	3,101,246	0	12.44
Sightline Healthcare Fund IV	1,894,632	155,075	7.76

Silver Lake Partners

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Silver Lake Partners II	68,166,359	12,255,111	7.00
Silver Lake Partners III	56,108,098	44,800,792	4.25

Investment Manager Summaries

Split Rock Partners

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Split Rock Partners	27,135,554	11,000,000	6.16
Split Rock Partners II	12,344,646	44,960,000	3.17

Summit Partners

Summit Ventures V and VIII are limited partnerships formed in 1998 and 2011. Summit Partners focuses on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Summit Ventures V	394,440	875,000	13.25
Summit Ventures VIII	0	100,000,000	0.20

Thoma Cressey Bravo Equity Partners

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. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Thoma Cressey Fund VI	4,103,760	1,085,000	12.86
Thoma Cressey Fund VII	20,346,588	0	10.85
Thoma Cressey Fund VIII	79,150,073	770,000	5.16

Thomas, McNerney & Partners

Thomas, McNerney & Partners is based in Minneapolis, with additional offices in New York and San Francisco. The Thomas, McNerney & Partners Fund I and Fund II 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Thomas, McNerney & Partners Fund I	16,584,193	1,950,000	8.65
Thomas, McNerney & Partners Fund II	25,268,780	17,750,000	5.00

T. Rowe Price

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
T. Rowe Price	35,482,780	0	N/A

Investment Manager Summaries

Varde Partners

Varde Fund IX and Varde Fund X are limited partnership formed in 2008 and 2010 respectively. Based in Minneapolis, the funds will invest in distressed and/or mispriced private and public investments.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Varde Fund IX	151,683,100	0	3.02
Varde Fund X	80,799,450	75,000,000	1.19

Vestar Capital Partners

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Vestar Capital Partners IV	28,295,228	921,531	11.54
Vestar Capital Partners V	65,139,306	2,134,646	5.53

Warburg Pincus & Co., Inc.

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Warburg Pincus Ventures	227,303	0	16.50
Warburg Pincus Equity Partners	6,536,146	0	13.01
Warburg Pincus Private Equity Partners VIII	97,435,402	0	9.21
Warburg Pincus Private Equity Partners IX	95,849,924	0	5.93
Warburg Pincus Private Equity Partners X	116,976,935	31,950,000	3.68

Wayzata Investment Partners

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Wayzata Opportunities Fund I	138,389,994	7,700,000	5.53
Wayzata Opportunities Fund II	153,227,384	58,650,000	3.69

Welsh, Carson, Anderson and Stowe

Welsh, Carson, Anderson and Stowe Funds VIII, IX, X and XI were formed in 1998, 2000, 2005, and 2008. Based in New York, N.Y., the funds focus on private equity investments in the healthcare and information services industries.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Welsh, Carson, Anderson and Stowe Fund VIII	14,089,194	0	12.93
Welsh, Carson, Anderson and Stowe Fund IX	32,663,164	5,000,000	11.01
Welsh, Carson, Anderson and Stowe Fund X	87,317,259	4,000,000	5.54
Welsh, Carson, Anderson and Stowe Fund XI	34,321,268	62,484,760	2.94

Investment Manager Summaries

Real Estate Managers

Blackstone Real Estate Associates

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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Blackstone Real Estate Partners V	98,270,130	8,697,233	5.17
Blackstone Real Estate Partners VI	103,131,789	15,877,174	4.25

Colony Advisors

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Colony Investors III	4,199,200	0	13.50

Credit Suisse

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
CSFB Strategic Partners III RE	11,829,471	398,070	6.00
CS Strategic Partners IV RE	27,944,179	4,742,577	3.03

Lehman Brothers

Lehman Brothers Real Estate Partners II and Lehman Brothers Real Estate Partners III were formed in 2005 and 2007, respectively, and expect to invest in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The funds' worldwide headquarters are in New York, with regional headquarters in London and Tokyo. In 2010, the funds were renamed Silverpeak Legacy Pension Partners II and III to reflect the General Partner ownership change after the Lehman Brothers bankruptcy in 2008.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Silverpeak Legacy Pension Partners II	45,793,756	10,355,294	6.00
Silverpeak Legacy Pension Partners III	32,126,582	83,274,488	3.11

Investment Manager Summaries

Morgan Stanley (Lend Lease)

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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Prime Property Fund	225,007,114	0	29.72

TA Associates Realty

TA Realty Associates Funds V, VI, VII, VIII, and IX are closed-end, commingled real estate funds managed by TA Associates Realty of Boston, MA. The funds invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the funds in 1999, 2002, 2004, 2006, and 2008, respectively.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
TA Realty Associates Fund V	12,623,438	0	12.10
TA Realty Associates Fund VI	34,111,231	0	9.01
TA Realty Associates Fund VII	52,007,921	0	6.62
TA Realty Associates Fund VIII	66,354,600	0	5.00
TA Realty Associates Fund IX	87,838,150	15,000,000	2.85

UBS Realty Investors

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
UBS Trumbull Property Fund	266,194,842	0	29.17

Resource Funds Managers

Apache Corporation

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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Apache Acquisition Net Profits Interest	4,791,210	0	24.50

Investment Manager Summaries

EnCap Investments

EnCap Energy Capital Funds VII and VIII were formed in 2007 and 2010 for the purpose of making privately negotiated equity and equity-linked investments in the independent sector of the oil and gas industry. EnCap Investments is based in Houston, Texas.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
EnCap Energy Capital Fund VII	64,545,728	31,895,561	4.00
EnCap Energy Capital Fund VIII	5,368,907	94,771,428	0.75

Energy & Minerals Group

Based in Houston, Texas, Energy & Minerals Group (formerly known as 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Energy & Minerals Group I	82,979,582	32,957,928	4.25

First Reserve Corp.

First Reserve funds were formed in 2003, 2006, and 2008, respectively, and are structured as limited partnerships. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
First Reserve X	69,898,989	0	6.66
First Reserve XI	97,468,420	31,123,718	4.52
First Reserve XII	69,310,065	62,644,298	2.66

Natural Gas Partners

Natural Gas Partners IX is based in Irving Texas, and will focus primarily on the sectors of the energy industry that are related to the production and development of crude oil and natural gas in North America.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Natural Gas Partners IX	109,500,411	60,476,956	3.69

Sheridan Production Partners

Sheridan Production Partners I and II were formed in 2007 and 2010 respectively 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 Funds are headquartered in Houston, Texas.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Sheridan Production Partners I	115,455,007	10,500,000	4.25
Sheridan Production Partners II	8,500,000	91,500,000	0.75

Investment Manager Summaries

T. Rowe Price

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
T. Rowe Price	645,600	0	N/A

TCW Asset Management Company

TCW Energy XIV and TCW Energy XV were formed in 2007 and 2010, respectively, for the purpose of making mezzanine and equity investments in energy and energy-related infrastructure projects and companies on a global basis. The funds operate from offices in Washington D.C., Los Angeles, Houston, New York and London.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
TCW Energy XIV	68,589,185	27,055,829	4.20
TCW Energy XV	8,209,588	140,250,000	1.06

Yield-Oriented Managers

Audax

Audax Mezzanine Fund III was formed in 2010 and has a ten year term. Based in New York, the fund expects to invest in a diversified portfolio of mezzanine securities, with a specific focus on the middle market.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Audax Mezzanine III	5,288,967	94,347,468	1.24

Citicorp Capital Investors, Ltd.

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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Citicorp Mezzanine Partners III	622,113	0	11.66

Credit Suisse

DLJ Investment Partners II and III are limited partnerships formed in 1999 and 2006. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
DLJ Investment Partners II	1,394,097	4,955,172	11.49
DLJ Investment Partners III	20,491,745	57,456,267	5.02

Investment Manager Summaries

Gold Hill Venture Lending Partners

Gold Hill Venture Lending and Gold Hill 2008 were formed in 2004 and 2008, respectively. The funds are 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. Gold Hill has offices in Santa Clara and Boston.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Gold Hill Venture Lending	16,509,841	0	6.75
Gold Hill 2008	23,801,763	6,721,672	3.00

Goldman Sachs Mezzanine Partners

GS Mezzanine Partners II, III, 2006 and V are limited partnerships formed in 2000, 2003, 2006 and 2007 respectively. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
GS Mezzanine Partners II	4,053,230	0	11.33
GS Mezzanine Partners III	16,875,254	0	7.97
GS Mezzanine Partners 2006	60,183,347	25,000,112	5.23
GS Mezzanine Partners V	51,403,652	86,441,264	3.69

Merit Capital Partners (formerly William Blair Mezzanine Partners)

William Blair Mezzanine Capital Partners III, Merit Capital Partners IV, and Merit Capital Partners V are limited partnerships formed in 1999, 2004, and 2009. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
William Blair Mezzanine Capital Partners III	6,309,674	3,042,000	11.49
Merit Capital Partners IV	55,639,467	5,769,231	6.54
Merit Capital Partners V	10,267,175	64,346,939	1.53

Merit Energy Company

Merit Energy Partners B, C, D, E, F and H were formed in 1996, 1998, 2000, 2003, 2005, and 2011, respectively. Based in Dallas, TX, the funds will focus on resource investments in producing oil and gas properties.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Merit Energy Partners B	59,657,058	0	15.00
Merit Energy Partners C	156,526,544	0	12.67
Merit Energy Partners D	117,368,796	0	10.10
Merit Energy Partners E	61,672,008	0	6.71
Merit Energy Partners F	63,225,405	42,158,394	5.27
Merit Energy Partners H	2,630,664	97,369,936	0.41

Investment Manager Summaries

Prudential Capital Group

Prudential Capital Partners I, II, and III were formed in 2001, 2005, and 2009, respectively. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Prudential Capital Partners I	31,446,192	7,642,577	10.20
Prudential Capital Partners II	64,104,364	7,094,842	6.00
Prudential Capital Partners III	68,545,475	33,277,893	2.20

Quadrant

Institutional Commercial Mortgage Fund V was formed in 1997. Based in Atlanta, GA, the fund focus on mortgage investment in real estate located throughout the U.S.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Institutional Commercial Mortgage Fund V	4,647,492	0	11.91

Summit Partners

Summit Subordinated Debt Funds I, II, III and IV are limited partnerships formed in 1994, 1996, 2004 and 2007, respectively. The funds will invest in many of the same companies as the Summit Venture funds. Investments by those partnerships will principally take the form of subordinated debt with equity features. These yield-oriented investments will provide current income over the life of the investment with the potential for additional returns.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Summit Subordinated Debt Fund I	80,518	2,000,000	17.25
Summit Subordinated Debt Fund II	2,218,963	4,500,000	13.91
Summit Subordinated Debt Fund III	23,320,881	2,850,000	7.37
Summit Subordinated Debt Fund IV	22,141,904	28,500,000	3.26

T. Rowe Price

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

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
T. Rowe Price	0	0	N/A

TCW/Crescent Mezzanine

TCW/Crescent Mezzanine Partners III is a Los Angeles based limited partnership formed in 2001. The Fund will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
TCW/Crescent Mezzanine Partners III	9,465,295	29,733,857	10.25

Investment Manager Summaries

Windjammer Capital Investors

Windjammer Funds II and III are limited partnerships formed in 2000 and 2005. 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.

Fund	Market Value ($)	Unfunded Commitment ($)	Period (Years)
Windjammer Mezzanine & Equity Fund II	11,066,639	14,378,980	11.25
Windjammer Senior Equity Fund III	55,081,611	25,025,145	5.50

Commissions and Trading Volume By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
A & C BROKERAGE	0	0	51,330,052	0	0
ABG SECURITIES	10,585,182	15,153	0	0	0
ABN AMRO EQUITIES AUSTRALIA LT	2,834,347	5,220	0	0	0
ABN AMRO SECURITIES	73,060,408	55,520	0	0	0
ABN AMRO, HOARE, GOVETTE	3,252,384	6,739	0	0	0
ABN-AMRO BANK	9,583,614	19,049	0	0	0
AMADON CORPORATION	4,300,921	4,343	0	0	0
AMBIT CAPITAL PRIVATE LIM	1,226,461	3,048	0	0	0
AMERICAN TECHNOLOGY RES. INC.	5,307,539	6,993	0	0	0
AMHERST SECURITIES GROUP INC.	0	0	4,007,458	0	0
ANDERSON & STRUDWICK, IND.	0	0	636,540	0	0
APAX PARTNERS & CO LONDON	845,599	841	0	0	0
AQUA SECURITIES	37,160	20	0	0	0
ARBUTHNOT	55,426	67	0	0	0
ARDEN PARTNERS LTD	2,000,311	1,988	0	0	0
ASIAN MARKETS	310,304	774	0	0	0
ASSENT LLC	2,623,880	489	0	0	0
AUERBACH GRAYSON	2,787,618	1,715	0	0	0
AUTRANET	5,617,591	5,857	0	0	0
AVONDALE PARTNERS LLC	2,936,832	7,629	0	0	0
B RILEY AND CO. INC.	4,152,723	15,870	0	0	0
BA SECURITIES INC	0	0	2,151,094,924	0	3,181,371,383
BA SECURITIES, INC.	0	0	704,067,898	0	0
BACNO ITAU SA	128,461	165	0	0	0
BAIRD, ROBERT W & CO.	0	0	287,346	0	0
BANC OF AMSTERDAM	0	0	7,300,000	0	0
BANCHILE	14,962	53	0	0	0
BANCO BILBAO VISCAYA	0	0	250,994	0	0
BANCO EXTERIOR DE ESPANA	979,995	980	0	0	0
BANCO INBURSA	28,581	57	0	0	0
BANCO PACTUAL S.A.	10,701,283	7,073	0	0	0
BANCO SANT	13,396,036	36,231	0	0	0
BANCO SANTANDER CENTRAL HISPANA	0	0	251,134	0	0
BANCO SANTANDER DE NEGOCIOS	3,664,825	4,050	0	0	0
BANK J. VONTOBEL, ZURICH	2,500,637	3,756	0	0	0
BANK OF AMERICA	0	0	0	0	25,717,998
BANK OF NE	422,040	842	0	0	0
BANK OF NOVA SCOTIA NEW YORK	0	0	8,041,447	0	0
BANK OF NY SECURITIES INC	0	0	97,957,304	0	0
BANK OF NY/BARCLAY LONDON	0	0	5,353,691	0	0
BANK ONE KENTUCKY N.A.	0	0	2,175,167	0	0
BANQUE NATIONALE DE PARIS	0	0	6,900,902	0	0
BARCLAY FINANCIAL CORP	443,667	593	0	0	0
BARCLAYS AMERICAN CORP	446,418	271	39,256,479	0	0
BARCLAYS CAPITAL INC	451,017,965	384,221	1,983,514,635	0	2,375,055,403
BARCLAYS GLOBAL INVESTORS	11,639,907	392	0	0	0
BARING SECURITIES	149,836,884	165,078	0	0	0
BARNARD JACOBS AND CO (PTY) LTD	2,028,407	2,268	0	0	0
BATLIVALA+KARANI SECS INDIA PV	2,125,766	5,326	0	0	0
BATUCHA SECURITIES + INVESTMENT	2,503,565	1,503	0	0	0
BAYERISCHE HYPO- UND VEREINSBA	23,806,503	37,026	0	0	0
BAYPOINT TRADING LLC	4,845,603	2,854	0	0	0
BEAR STEARNS SECS	753,352,947	386,115	4,406,833	0	0
BEAR STEARNS SECURITIES	1,895,508,526	604,229	0	0	0
BEAR, STEARNS & CO.	117,426,605	116,550	188,446,005	0	0
BELSON SECURITIES	0	0	325,598	0	0
BELTONE SECURITIES BROKERAGE	640,905	1,926	0	0	0
BERNSTEIN SANFORD	494,927,956	254,900	0	0	0
BGC FINANCIAL	390,702	588	0	0	0
BHF BK FRANKFURT	22,891	28	0	0	0
BLAIR & COMPANY	49,635,450	59,674	779,483	0	0
BLAYLOCK & PARTNERS	6,115,534	6,065	0	0	0
BLOOMBERG	31,253,451	31,472	0	0	0
BLUEFIN RESEARCH	122,211	114	0	0	0
BMO CAPITAL MARKETS	97,237	36	0	0	0
BNP FINANCE, PARIS FRANCE	15,277,364	8,963	0	0	0
BNP PARIBAS	2,105,288	0	126,185,687	0	0
BNP PARIBAS PEREGRINE SEC., ASIA	28,307,268	52,001	0	0	0

Trading Data

Commissions and Trading Volume
By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
BNP SECURITIES	332,520	264	0	0	0
BNY/SUNTRUST CAPITAL MARKETS	0	0	38,436,999	0	0
BOE SECURITIES LTD	951,165	372	0	0	0
BONY MELLON	0	0	1,131,774	0	0
BROADCORT CAPITAL	133,590,893	188,523	877,139	0	0
BROADPOINT CAPITAL	1,619,372	518	13,862,101	0	0
BROCKHOUSE & COOPER	13,644,531	7,919	0	0	0
BROWN (ALEX) & SONS INC.	1,409,731,902	545,315	15,388,843,750	0	204,264,632
BUCKINGHAM RESEARCH GRP	6,319,118	4,515	0	0	0
BUNTING WARBURGER SEC	27,392,970	26,274	0	0	0
BURKE & QUICK PARTNERS	1,400,260	1,375	0	0	0
BURNS FRY & TIMMINS	8,068,782	17,379	0	0	0
BURTON J VINCENT CHESLEY & CO.	0	0	7,399,148	0	0
C.L. KING & ASSOC.	6,187,505	5,135	269,505	0	0
CA IB INVESTMENT	431,471	999	0	0	0
CABRERA CA	167,091,774	88,938	0	0	0
CACEIS BANK DEUTSCHLAND	307,603	461	0	0	0
CALYON JAPAN	465,542	533	0	0	0
CANACCORD CAPITAL CORP	4,711,245	9,243	0	0	0
CANACCORO	7,027,324	12,624	0	0	0
CANADIAN IMPERIAL BANK OF COMM	235,209	29	0	0	0
CANNON BRIDGE	1,403,455	1,602	0	0	0
CANTOR FITZGERALD	62,934,774	61,527	507,799,615	0	0
CAPEL,JAMES	51,720	172	0	0	0
CAPITAL INST. SERVICES	285,139,925	295,900	0	0	0
CARIS & CO	3,269,435	3,236	0	0	0
CARLIN EQUITIES	7,441,194	14,154	0	0	0
CARNEGIE	5,161,844	7,260	0	0	0
CASTLE OAK	124,829	128	0	0	0
CASTOCK CORPORATION	0	0	12,641,910	0	0
CDS RBC DO	0	0	55,850,170	0	98,395,134
CEDEL BANK	590,624	943	0	0	0
CELFIN CAPITAL SA CORREDORES	117,694	413	0	0	0
CENTURY SECS	0	0	88,217,702	0	54,657,776
CHARLES RIVER BROKERAGE	20,905	5	0	0	0
CHASE MANHATTAN BANK	0	0	5,924,566	0	0
CHASE SECURITIES INC	2,044,286	3,276	3,829,644,883	0	157,381,325
CHEMICAL BANK	0	0	1,459,409,716	0	0
CHEUOR CRE	20,388	51	0	0	0
CHEUVREUX	85,885,042	59,859	0	0	0
CHINA INTERNATIONAL CAP CORP	11,044,661	25,043	0	0	0
CHRISTOPHER (B.C.) & CO.	0	0	236,340	0	0
CI NORDIC	16,084,444	9,961	0	0	0
CIBC WORLD	42,098,907	25,142	2,137,843	0	0
CIBC WORLD MARKETS	6,249,858	4,895	0	0	0
CITADEL SECURITIES LLC	0	0	103,242,599	0	0
CITATION GROUP	431,203,723	266,113	0	0	0
CITI LAVA ALGO	1,848	1	0	0	0
CITIBANK	0	0	342,782,215	0	0
CITIBANK CANADA	825,184	1,698	0	0	0
CITIBANK MEXICO	421,732	1,052	0	0	0
CITIBANK NA TOKYO	3,760,479	6,007	0	0	0
CITIGROUP ALGORITHMIC	156,943	113	0	0	0
CITIGROUP GLOBAL MARKETS INC	138,969,975	190,089	190,195,648	0	2,552,235,660
CITIGROUP INC	12,706	6	0	0	0
CL GLAZER INC.	44,110,004	98,487	0	0	0
CLAPAL CREDIT AG SEC ASIA	680	0	0	0	0
CLSA LTD TRUST	1,261,544	2,518	0	0	0
COHEN & CO.	0	0	2,181,250	0	0
COLLINS STEWART	15,700,307	24,082	0	0	0
COMMERCE INTL MERCHANT BANKERS	922,953	2,309	0	0	0
COMMERZBANK AG	208,538	251	0	0	0
CORE PACIFIC SECURITIES INTL	694,387	694	0	0	0
COWEN&CO	109,530,421	69,413	26,326,924	0	22,000
CRAIG-HALLUM INC	9,820,171	48,269	0	0	0
CREDIT AGR	8,246,750	4,036	0	0	0
CREDIT AGRICOLE INDOSUEZ	1,016,100	1,270	0	0	0
CREDIT LYONNAIS	65,875,470	128,758	0	0	0

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Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
CREDIT LYONNAIS SECURITIES	17,651,041	42,187	0	0	0
CREDIT RESEARCH & TRADING	2,225,641	761	107,017,580	0	0
CREDIT SUISSE	28,607,416	49,628	1,144,000	0	0
CREDIT SUISSE FIRST BOSTON LTD	202,520,219	252,104	7,778,834	0	0
CREWS & ASSOCIATES	0	0	3,451,998	0	0
CRONIN & CO INC	0	0	93,964,819	0	0
CRT CAPITAL GROUP	141,120	5	58,075,888	0	0
CRUTTEDEN GUST & MERH	3,235,348	6,947	0	0	0
CS FIRST BOSTON	96,877,626	172,426	138,050,955	0	23,598,096,426
CS SEC USA	20,578	8	0	0	0
CS SECURITIES EUROPE LTD	2,157,441	3,209	0	0	0
CSFB	3,781,144	4,808	0	0	0
CSI US INTERNATIONL	17,321,071	17,196	0	0	0
CUTTONE & CO	363,461	645	0	0	0
D CARNEGIE AG STOCKHOLM, SWEDEN	3,464,590	4,403	0	0	0
D.A. DAVIDSON	19,117,987	33,332	0	0	0
DAEWOOD SECURITIES CO., LTD	2,286,789	3,440	0	0	0
DAIN RAUSCHER INC	61,883,425	67,011	831,135,082	0	0
DAIWA SBCM	9,395,999	8,796	0	0	0
DAIWA SEC. AMERICA	39,782,886	43,375	0	0	0
DANIEL STEWART & CO	21,152	25	0	0	0
DAVY (J+E)	5,649,501	4,794	0	0	0
DAVY STOCKBROKERS	971,773	729	0	0	0
DEAN WITTER REYNOLDS	0	0	1,340,366	0	0
DEN DANSKE BANK	386,643	464	0	0	0
DENNIS H T	0	0	1,181,600	0	0
DEPFA FIRST ALBANY SECURITIES	0	0	5,256,920	0	0
DEUTSCHE BANK	259,636,754	211,144	102,573,964	0	0
DEUTSCHE BANK SECS	0	0	71,810,509	0	14,550,218,357
DEUTSCHE EQ. PVT., LTD.	11,168,629	22,933	0	0	0
DEUTSCHE M	4,812,270	8,322	0	0	0
DEUTSCHE S	6,872,710	14,974	0	0	0
DEUTSCHE SECURITIES	7,473,140	21,111	0	0	0
DEUTSCHE SECURITIES ASIA	45,814,791	151,559	0	0	0
DHANKI SECURITIES PVT LTD.	1,096,772	2,432	0	0	0
DOLAT CAPITAL MARKETS	1,492,452	3,720	0	0	0
DONGWON SECURITY	7,116,363	15,709	0	0	0
DOUGHERTY CO	7,107,068	10,039	0	0	0
DOWLING & PARTNERS SEC LLC	6,809,693	8,080	0	0	0
DSP MERRILL LYNCH	2,363,512	7,098	0	0	0
DSP MERRILL LYNCH BOMBAY INDIA	15,137,381	28,144	0	0	0
DUNCAN WILLIAMS GOVT SEC	0	0	2,144,650	0	0
DUNDEE SECURITIES	240,460	852	0	0	0
E D & F MAN INTERNATIONAL SEC	0	0	4,663,688	0	0
ECZACIBASI MENKUL DEGERLER	363,782	726	0	0	0
EDELWEISS SECURITIES	4,807,790	11,972	0	0	0
ENAM SECURITIES PVT LTD	3,328,362	8,381	0	0	0
EQUITY-ONE CORPORATION	0	0	533,320	0	0
EUROCLEAR BANK S.A. N.V.	36,800	44	0	0	0
EUROMOBILIARE	634,041	950	0	0	0
EUROZ SECURITIES LIMITED	60,153	90	0	0	0
EVOLUTION BEESON GREGORY	4,469,833	5,241	0	0	0
EVOLUTION SECURITIES LTD	1,462,033	2,324	0	0	0
EXANE, PARIS	41,966,511	55,423	0	0	0
EXECUTION LTD	322,305	322	0	0	0
EXECUTION SERVICES INC	131,609,908	168,529	0	0	0
FARMERS & MERCHANTS BANK	0	0	1,254,000	0	0
FEDERAL RESERVE BANK OF BOSTON	0	0	26,797,191	0	0
FIDELITY C	55,259,069	21,702	0	0	0
FIDENTIIS	532,659	799	0	0	0
FIFTH THIRD SECURITIES INC	0	0	24,910,156	0	0
FIG PARTNERS LLC	2,521,622	4,507	0	0	0
FINANCIAL BROKERAGE	5,471,090	15,877	0	0	0
FIRST BOSTON CORPORATION	2,187,620,126	1,169,571	12,692,115,723	0	13,726,618
FIRST ENERGY CAPITAL	27,794	0	0	0	0
FIRST PACIFIC	8,922,390	9,456	0	0	0
FIRST TENN BANK, NA	0	0	16,219,783	0	0
FIRST UNION CAP MKTS	48,065,880	56,023	1,819,467,553	0	0

Commissions and Trading Volume By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
FLEMING (ROBERT) INC	11,895,728	13,808	0	0	0
FORD FINANCIAL SERVICES	0	0	0	0	129,971,886
FORTIS BANK	0	0	17,440,921	0	0
FOX RIVER EXECUTION TECHNOLOGY	36,847,760	8,264	0	0	0
FRIEDMAN, BILLINGS & RAMSEY	20,284,086	18,057	14,981	0	0
FUJI SECURITIES	9,701,483	10,166	0	0	0
G-TRADE SEC	12,973,450	6,754	0	0	0
G.K. GOH	1,847,661	4,285	0	0	0
GARDNER RICH & COLE	3,923,089	5,508	0	0	0
GENERAL ELEC CAPITAL CORP	0	0	0	0	798,957,795
GEOJIT BNP PARIBAS FINANCIAL	788,855	1,972	0	0	0
GLEACHER NATWEST, INC.	0	0	5,737,489	0	0
GLOBAL HUNTER SECURITIES LLC	285,466	1,600	0	0	0
GLOBAL SECURITIES	1,467,531	734	0	0	0
GMP SECURITIES LTD.	4,436,329	4,923	0	0	0
GOLDMAN SACHS & COMPANY	696,017,493	778,679	9,522,157,307	140,149	1,085,447,922
GOLDMAN SACHS INTL.	73,331	44	0	0	0
GOODBODY STOCKBROKERS	267,200	366	0	0	0
GREEN STREET	161,889	513	0	0	0
GREENFIELD ARBITRAGE PARTNERS	601,525	18,427	8,214,161,658	0	24,322,504
GREENWICH CAPITAL MARKETS INC	0	0	597,071,392	12,282	23,011,600,000
GRIFFIN KUBIK STEPHENS & THOMPSON	0	0	22,651,173	0	0
GROSS & CO. INC.	0	0	11,084,609	0	0
GUZMAN & CO.	226,552,544	118,146	0	0	0
HBSC SECURITIES	0	0	190,717,091	0	0
HC ISTANBU	2,397,436	4,804	0	0	0
HEEERS & CO INC.	26,723,812	19,372	0	0	0
HIBERNIA SOUTH COAST CAP INC	2,222,567	3,776	0	0	0
HOARE GOVETT	6,785,647	17,703	86,465	25	0
HONG KONG & SHANG HIGH BANKING COR	15,090,363	25,235	0	0	0
HOWARD WEIL LABOUISSE FRIEDRIC	465,527	372	0	0	0
HSBC ASSET MANAGEMENT	7,820,821	9,613	3,707,079	0	0
HSBC BANK	43,448,666	69,275	1,577,973	0	0
HSBC INVESTMENT BANK	472,687	877	6,812,708	0	0
HSBC JAMES CAPEL	388,679	781	0	0	0
HSBC SECURITIES INC	3,020,919	3,513	213,913,538	0	29,617,758,099
HVB CAPITAL MARKETS, INC.	1,742,112	5,233	0	0	0
IBJ INTL LTD	3,427,062	3,016	0	0	0
ICAP SECURITIES	85,025	51	0	0	0
ICHIYOSHI SECURITIES	464,279	465	0	0	0
ICICI BROKERAGE SERVICES LTD	328,826	824	0	0	0
IMPERIAL CAPITAL LLC	802,197	2,360	0	0	0
INDIA INFOLINE LTD	25,119,722	71,786	0	0	0
INFINITY.COM FINANCIAL SEC.	793,258	1,719	0	0	0
ING BANK	9,427,962	24,031	0	0	0
ING BARING	17,530,615	23,388	0	0	0
INSTINET	718,075,127	333,963	0	0	0
INTERMONTE	2,660,202	3,988	0	0	0
INVESTEC SECURITIES	4,635,836	6,070	0	0	0
INVESTMENT TECHNOLOGY CORP	978,295,673	230,383	0	0	0
INVESTMENT TECHNOLOGY GRP INC	396,160	123	0	0	0
ISI GROUP	31,491,601	31,151	0	0	0
ISLAND TRADER SECURITIES INC.	7,500,150	7,129	0	0	0
ITG AUSTRALIA LTD	1,631,289	816	0	0	0
ITG CANADA	24,586,317	13,918	0	0	0
ITG SECURITIES (HK) LTD	13,186,435	7,490	0	0	0
ITGL	347,204,501	131,678	0	0	0
IVY SECURITIES INC.	1,880,357	860	0	0	0
J P MORGAN & CO	172,812,509	190,813	18,757,139	0	0
J P MORGAN SECURITIES INC	170,138,032	373,859	1,227,037,091	6,565	4,011,189,278
JACKSON PARTNERS & ASSOCIATES INC	1,216,670	675	0	0	0
JANNEY MONTGOMERY SCOTT	4,289,214	12,876	326,339	0	0
JEFFERIES & CO	1,141,632,133	584,340	348,057,319	0	38,369,909
JEFFRIES PROGRAM	25,804	23	0	0	0
JENNINGS CAPITAL INC	278,142	269	0	0	0
JM FINANCIAL	4,223,556	8,120	0	0	0
JNK SECURITIES INC	13,618,319	20,928	0	0	0
JOH BERENBERG GOSSLER AND CO	2,823,117	4,236	0	0	0

Commissions and Trading Volume
By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
JOHNSON RICE & CO	1,037,322	1,676	0	0	0
JONES & ASSOCIATES	4,008,853	6,106	0	0	0
JONESTRADING INSTITUTIONAL	31,157,834	39,505	0	0	0
JP MORGAN	8,334,153	12,324	29,410,461	0	9,678,597
JPAE	65,151	85	0	0	0
JPMCB/HSBC	0	0	6,043,800	0	0
JULIUS BAER	6,811,713	8,980	0	0	0
KALB VOORHIS & CO	0	0	18,306	0	0
KAUFMAN BROTHERS	546,752	209	0	0	0
KBC PEEL	671,412	667	0	0	0
KEB SMITH BARNEY SECS	14,893,353	27,052	0	0	0
KEEFE BRUYETTE & WOOD	35,298,794	65,645	0	0	0
KELLY & CHRISTENSEN INC.	2,067,325	2,022	0	0	0
KEMPEN & CO	1,486,065	1,531	0	0	0
KEMPER CAP	0	0	333,800	0	0
KEPLER EQUITIES FRAKFURT BRAN	76,928	116	0	0	0
KEPLER EQUITIES ZURICH	179,622	270	0	0	0
KINNARD (JOHN G.) & CO	10,837,078	14,339	0	0	0
KNIGHT DIRECT	24,559,391	15,741	0	0	0
KNIGHT SECURITIES	221,271,075	400,800	0	0	0
KOTAK SECURITIES	6,078,591	14,512	0	0	0
LADENBURG THALMAN & CO.	308,883	327	0	0	0
LARRAIN VIAL	466,561	995	0	0	0
LASKER STONE AND STERN	13,487,031	7,903	0	0	0
LAZARD ASSET MANAGEMENT	32,887	41	0	0	0
LAZARD FRERES & CO	25,780,507	20,709	322,925	0	0
LEERINK SW	14,396,735	16,513	0	0	0
LEHMAN BROS INC	935,790,853	559,147	31,321,520	0	0
LIBERTAS	0	0	3,261,640	0	0
LIBERUM CAPITAL LIMITED	1,864,851	2,339	0	0	0
LIQUIDNETI	799,110,681	609,165	0	0	0
LITWIN SECURITIES INC.	0	0	22,736	0	0
LLOYDS BK INTNL LTD GILTS	0	0	3,648,280	0	0
LOCATION C	1,861,256	0	0	0	0
LONGBOW SECURITIES LLC	6,229,107	11,592	0	0	0
LOOP CAPITAL	87,366,537	54,425	0	0	0
LYNCH, JONES & RYAN	720,571,071	466,260	0	0	0
MACQUARIE CAP MKTS	7,336,322	10,505	0	0	0
MACQUARIE EQUITIES	32,878,483	54,529	0	0	0
MACQUARIE SECURITIES	14,430,306	17,242	0	0	0
MAINFIRST	947,527	1,350	0	0	0
MALONEY & CO	11,277,458	15,422	0	0	0
MAN FINANCIAL SIFY SECURITIES	373,491	931	0	0	0
MAN SECURITIES INC	0	0	2,374,284	0	0
MARTIN LYN	0	0	522,569,503	0	0
MCDONALD & COMPANY	25,979,059	33,898	30,247,384	0	0
MELLON BANK	740,872	468	0	0	0
MELVIN SECURITIES (CLARK & CO)	8,689,083	8,272	0	0	0
MERRIL-PERFORMANCE MEASURE	1,043,134,560	478,257	35,580,386	10,074	0
MERRILL LYNCH	473,621,462	543,476	8,057,756	3,540	0
MERRILL LYNCH INTERNATIONAL	8,109,321	13,823	0	0	0
MERRILL LYNCH P F & S	0	0	2,578,381	43,195	0
MERRIMAN	1,610,997	4,912	0	0	0
MESIROW AND COMPANY	0	0	38,673,451	0	0
MESIROW FINANCIAL INC	0	0	30,231,750	0	0
MF GLOBAL FXA SECURITIES LTD	3,475,648	3,904	693,519	0	0
MIAE MERRILL LYNCH ALGOR	2,085,199	1,061	0	0	0
MIDLAND MANAGEMENT CORP	3,572,726	5,351	0	0	0
MILLER TABAK HIRCH	1,513,712	513	309,375	0	0
MITSUBISHI	0	0	14,729,803	0	0
MITSUBISHI FINL. LONDON	0	0	10,973,823	0	0
MITSUBISHI UFJ SECURITIES	3,658,494	3,823	0	0	0
MIZUHO SECURITIES	52,898	91	29,937,250	0	31,244,199
MKM PARTNER	6,293,147	11,197	0	0	0
MND PARTNERS	193,534	123	0	0	0
MONNESS CRESPI HARDT	86,632	130	0	0	0
MONTGOMERY SECURITIES	1,208,494	0	7,284,766,773	0	489,921,306
MONTROSE SECURITIES EQUITY	4,062,559	3,541	0	0	0

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Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
MONUMENT SECURITIES LIMITED	3,047,790	3,377	0	0	0
MOORE MODERN PLANNING CO	0	0	3,485,756	0	0
MORGAN GRENFELL	3,057,424	7,191	0	0	0
MORGAN KEEGAN INC.	27,479,688	44,147	108,693,613	0	0
MORGAN STANLEY	97,305,504	123,237	12,209,151	0	0
MORGAN STANLEY & CO	2,433,979,493	1,172,980	9,318,209,866	0	1,715,519,458
MORGAN STANLEY INDIA SEC PRVT	4,823,382	4,156	0	0	0
MOTILAL OSWAL SEC. LTD. BOMBAY	6,866,927	17,199	0	0	0
MURPHY, MARSEILLES, SMITH & NA	0	0	48,732,814	0	0
NATIONAL BANK OF CANADA	70,733	164	0	0	0
NATIONAL FINANCIAL	10,124,758	6,240	9,944,014	0	0
NATIONAL SECURITIES CORP	284,753	0	0	0	0
NATIONAL STOCK EXCHANGE	110,235	274	0	0	0
NATIXIS SECURITIES	781,938	1,157	0	0	0
NBC LEVESQUE	8,532,308	15,315	0	0	0
NCB STOCKBROKERS	619,070	829	0	0	0
NESBITT BURNS	14,563,755	17,912	2,313,880	0	0
NEWBRIDGE SECURITIES	1,434,725	969	0	0	0
NOBLE INTERNATIONAL	1,991,483	5,628	0	0	0
NOMURA CAPITAL SERVICES	2,029,034	3,595	0	0	0
NOMURA SEC	1,288,361	2,153	0	0	0
NOMURA SECURITIES INTL	199,095,033	183,272	3,976,517,484	0	133,457,333
NORDEA BANK FINLAND	23,174	35	0	0	0
NORMAN HUDSON & CO.	198,490,513	150,736	15,651,845	0	0
NORTHLAND	8,676,062	37,633	295,830	0	0
NUMIS SECURITIES LTD	2,092,015	3,127	0	0	0
O'NEIL (WM COMPNY INC	244,044	860	0	0	0
ODDO FINANCE	5,789,974	8,695	0	0	0
OPPENHEIMER & CO	1,137,864	1,050	19,073,832	0	0
ORIEL SECURITIES LTD	48,811	0	0	0	0
PACIFIC CR	38,234,470	31,577	0	0	0
PAINE WEBBER INC	0	0	170,155,797	0	0
PAINE WEBBER J & C	15,796,297	22,252	47,908,268	0	0
PANMURE GORDON	157,181	157	0	0	0
PAREL	1,122,996	1,682	0	0	0
PARIBAS	5,885,316	4,398	0	0	0
PARIBAS CO	0	0	282,227	0	0
PENSION FINANCIAL SERVICES INC.	1,376,858	1,527	0	0	0
PENSON FINANCIAL	13,809,620	27,292	0	0	0
PEREIRE TOD LIMITED	1,906,687	1,583	0	0	0
PERSH PERSHING DIV OF DLJ	146,976,684	202,625	101,371	0	0
PERSHING SECURITIES LTD	134,983,415	179,329	185,220,240	0	0
PETERS & CO.	3,449,149	4,922	0	0	0
PFORZHEIMER CARL H.	0	0	211,278,235	0	10,337,321
PICKERING	2,768,852	1,269	0	0	0
PIERPOINT SECURITIES	0	0	29,495,945	0	0
PIONEER SECURITIES INC.	958,782	0	8,973,158,011	0	393,981,942
PIPELINE TRADING SYSTEMS LLC	623,584,756	378,830	0	0	0
PIPER JAFFRAY INC	0	0	248,032,375	0	0
PIPER,JAFFRAY & HOP S	75,912,066	77,614	11,926,837	0	0
PNC BANK N.A./IPA	0	0	4,019,050	0	0
PREBON YAMANE (USA) INC	0	0	979,678,143	0	2,205,000,000
PREVISION INVESTMENT CO	0	0	38,995,175	0	0
PRINCIPAL	0	0	56,344	0	0
PULSE TRADE	9,784,956	5,835	0	0	0
Q&R CLEARING CORP	217,090	310	0	0	0
RAYMOND JAMES & ASSOCIATES	45,240,094	56,529	22,669,648	0	0
RBC CAPITAL MARKETS	112,199	272	79,901,187	0	0
RBC DOMINION SECURITIES	33,392,530	37,121	2,585,775	0	0
RBS SECURITIES	6,768,396	9,565	0	0	0
REDBURN PARTNERS LLP	18,861,334	20,950	0	0	0
RENAISSANCE CAPITAL	2,183,740	3,176	0	0	0
RESIDENTIAL FUNDING CORP	0	0	644,606	0	0
REUBEN ALSTEAD & CO INC.	0	0	518,015,323	0	26,016,921
ROBERT M NEWMAN JR & CO	0	0	2,692,342	0	0
ROBERT W. BAIRD & CO	92,078,793	115,128	47,171,563	0	0
ROCHDALE SECURITIES CORP	15,233,989	14,678	0	0	0
ROSENBLATT SECURITIES INC	262,736,273	131,370	0	0	0

Commissions and Trading Volume
By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
ROYAL BANK OF CANADA	1,245,113	748	2,317,112	0	0
ROYAL BANK OF SCOTLAND PLC	12,546,485	11,570	2,625,657	0	2,994,183
SALOMON BROTHERS	136,439,424	162,465	10,349,704,503	14,473	245,179,800
SALOMON BROTHERS INC NY	51,391	270	0	0	0
SALOMON SM	14,366,725	9,892	0	0	0
SALOMON SMITH BARNEY HOLDINGS	12,984,876	24,792	0	0	0
SALOMON	879,520	1,010	0	0	0
SAMSUNG SECURITIES	4,526,759	9,625	0	0	0
SAMUEL A R	8,835,503	2,936	0	0	0
SANDERS MORRIS HARRIS	300,917	790	0	0	0
SANDERS, MORRIS & MUNDY INC.	21,555	38	0	0	0
SANDLER O NEIL	7,688,424	16,736	0	0	0
SANFORD C.	18,674,194	24,352	0	0	0
SANTANDER CENTRAL HISPANO BOLS	1,373,417	1,662	0	0	0
SANTANDER MERCHANT S.A.	196,511	588	0	0	0
SCOTIA CAPITAL MARKET	6,453,253	5,925	0	0	0
SCOTIA MCLEOD	1,090,084	594	0	0	0
SCOTT & STRINGFELLOW	19,377,464	24,713	18,164,250	0	0
SEAPORT SECURITIES	0	0	667,572	0	0
SEATTLE NORTHWEST SECURITIES CORP	0	0	2,595,653	0	0
SERVICE ASSET MANAGEMENT COMPA	1,237,402	1,363	0	0	0
SG COWEN SECURITIES CORP	113,460	465	0	0	0
SG SECURITIES	4,925,686	2,462	0	0	0
SIDOTI	27,258,207	44,848	0	0	0
SIGNAL HILL CAPITAL GROUP LLC	5,374,847	12,894	0	0	0
SJ LEVINSON & SONS LLC	534,379,251	380,028	0	0	0
SK INTERNATIONAL SECURITIES	7,146,651	5,612	0	0	0
SKANDINAVISKA ENSKILDA	1,171,468	1,757	0	0	0
SMITH BARNEY & COMPANY	0	0	0	0	149,979
SOCIETE GE	44,171,714	47,394	0	0	0
SOCIETE GENERAL	5,034,084	7,556	4,042,487	0	1,399,944
SOCIETE GENERALE NA	0	0	14,699,466	0	59,927,958
SOLEIL SEC.	3,540,434	2,328	0	0	0
SOUND SECURITIES LLC	143,622	117	0	0	0
SOUTHWEST SECURITIES	0	0	2,027,383	0	0
SPEAR,LEEDS & KELLOGG	1,885,995,066	1,109,611	19,725,164	0	0
SPROTT SECURITIES	1,628,802	3,283	0	0	0
SS KANTILAL ISHWARLAL	2,724,087	6,810	0	0	0
STANDARD CHARTERED BANK	593,149	1,101	1,536,108	0	0
STANDARD CHARTERED BK	43,790	66	0	0	0
STATE ST BK & TRUST	3,024,009	2,514	32,607,352	0	24,938,989,257
STATE STREET SECURITIES	1,571,961,174	1,103,869	0	0	0
STEPHENS, INC.	23,254,776	36,977	8,849,312	0	0
STERNE, AGEE & LEACH	30,706,203	28,726	56,346,598	26,833	0
STIFEL NICOLAUS & COMPANY	106,770,125	153,518	298,489,407	0	0
STONE & YOUNGBLOOD	0	0	7,389,185	0	0
STUART FRANKLE	4,703,079	2,774	0	0	0
SUNTRUST CAPITAL MARKETS INC	20,840,784	30,424	0	0	0
SUSQUEHANNA FINANCIAL GROUP	218,259	170	0	0	0
SUVALOR BOGOTA, COLUMBIA	797,270	1,845	0	0	0
SVENSKA HANDELSBANKEN	15,165,171	21,568	0	0	0
SWEDBANK STOCKHOLM	230,838	277	0	0	0
SWISS BANK	1,730,468,767	973,383	2,845,249,666	0	302,294,778
T. HOARE & CO., LTD.	16,802	12	0	0	0
TACHIBANA SECURITIES	95,452	96	0	0	0
TD WATERHOUSE CDA	21,681,411	15,850	0	0	0
THE BANK OF NEW YORK/MIZUHO	0	0	75,206,389	0	0
THE BENCHMARK COMPANY, LLC	2,750,969	4,648	0	0	0
THE PRINCERIDGE GROUP	0	0	36,138	0	0
THOMAS C BOWLES & CO.	816,409	202	3,497,807	0	0
THOMAS WEISEL PARTNERS	237,660	221	0	0	0
TOKYO MITSUBISHI	4,686,294	4,042	0	0	0
TOKYO MITSUBISHI	727,645	874	0	0	0
TORONTO DOMINION SEC INC	2,764,534	4,342	161,119,748	0	27,950,128
TOYOTA MOTOR CREDIT CORP	0	0	0	0	590,191,535
TRADITION	0	0	200,004,825	0	0
TROIKA - NEW YORK	1,695,976	1,357	0	0	0
TROIKA DIALOG UK LIMITED	627,085	257	0	0	0

Commissions and Trading Volume
By Broker for Fiscal Year 2011

Broker	Stock $ Volume	Stock Commission	Bond $ Volume	Bond $ Commission	Short Term $ Volume
U.S. BANCORP INVESTMENT	0	0	31,585,356	0	0
U.S. CLEARING	7,048,428	10,476	31,122,451	0	0
UBS AG	18,307,354	43,808	57,419,414	0	0
UBS LIMITED	138,154	83	0	0	0
UBS SECURITIES	207,734,029	236,454	554,563,981	0	243,225,550
UBS WARBUR	90,801	195	1,913,033	0	0
UBS WARBURG	3,487,318	2,979	0	0	0
UNITED SERVICES PLANNING ASSOC	967,299	0	1,386,979,229	0	71,086,972
UOB KAY HIAM PVT LTD, SINGAPORE	5,636,006	11,278	0	0	0
US BANCORP	0	0	31,056,432	0	0
US TREASURY DIRECT	0	0	537,000	0	0
VTB BANK EUROPE PLC	6,129,125	7,587	0	0	0
W.J. BONFANTI INC	1,703,157	627	0	0	0
WACHOVIA	216,929	319	0	0	0
WAGNER STOTT & CO.	29,625,746	28,220	4,760,012	0	0
WALL STREET CLEARING	0	0	1,754,022	0	0
WALL STREET PLANNING INC.	0	0	1,648,962	0	0
WARBURG DI	11,036,782	23,572	0	0	0
WARBURG S.G.	5,260,484	2,700	0	0	0
WARBURG SECURITIES	777,028	487	0	0	0
WARBURG, DILLON READ	84,984,662	143,275	0	0	0
WDAE WEEDEN ALGORITHMIC	1,263,705	692	0	0	0
WEDBUSH SECURITIES	15,185,655	19,655	0	0	0
WEEDEN & COMPANY	1,050,127,674	519,899	0	0	0
WELLINGTON WEST CAPITAL MARKET	83,974	0	0	0	0
WELLS FARGO SECURITIES LLC	0	0	0	0	21,496,506
WHEATON FIRST SECURITIES INC	29,838,636	39,932	0	0	0
WILLIAMS CAP GRP LP	0	0	0	0	83,992,960
WILLIAMS CAPITAL GROUP LP NY	16,737,172	13,134	0	0	0
WOOD & CO.	1,159,667	3,475	0	0	0
WOORI INVESTMENT SEC	3,325,019	5,627	0	0	0
YOUNG SMITH & PEACOCK	0	0	9,891,682	0	0
YUANTA SECURITIES CO LTD	10,892,852	22,705	0	0	0
BROKER NOT AVAILABLE*	10,156,631,554	151,538	3,498,698,202	0	35,205,949,932
Grand Total	**42,795,603,923**	**22,913,160**	**116,766,237,230**	**257,136**	**172,338,746,666**

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

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Independent Auditor's Report

Members of the Minnesota State Board of Investment
and
Howard J. Bicker, Executive Director
Minnesota State Board of Investment

We have audited the accompanying basic financial statements of the Minnesota State Board of Investment (SBI) as of and for the year ended June 30, 2011, as shown on pages 92 through 103. 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.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the net assets as of June 30, 2011, and the changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of SBI's internal control over financial reporting, on our tests of its compliance with certain provisions of laws, regulations, contracts, and on 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 that collectively comprise SBI's financial statements. The supporting schedules on pages 104

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through 124 are presented for the purpose of additional analysis and are not a required part of the financial statements. These supporting schedules and the financial information on pages 1 through 91 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, CISA
Deputy Legislative Auditor

February 1, 2012

State Board of Investment
Retirement Fund Statements
Statement of Net Assets
As of June 30, 2011
Amounts in (000)'s

Assets		
Accrued Earnings	$	99
Security Lending Collateral		3,353,823
Short Term Investments		
Internal Cash Trust Pool		136,481
Stable Value Fixed Interest		1,372,619
Money Fund		1,423,996
Fixed Income Investments		
Bond Pool		10,739,891
Income Share Fixed Pool		91,000
Equity Investments		
Alternative Investment Pool		7,012,281
Domestic Stock Pool		22,022,264
International Stock Pool		7,679,778
Total Investments	$	50,478,310
Total Assets	$	53,832,232
Liabilities		
Accrued Investment Expense	$	16,298
Security Lending Collateral		3,353,823
Total Liabilities	$	3,370,121
Net Investment Assets Held in Trust	$	50,462,111

Notes are an integral part of the Financial Statements

State Board of Investment
Retirement Fund Statements
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
Amounts in (000)'s

Investment Income		
Interest, Dividends and Other	$	3,682,536
Security Lending Gross Earnings		27,796
Less Borrower Rebates		(3,122)
Less Fees Paid to Agents		(9,911)
Security Lending Net Earnings		14,763
Net Increase in Fair Value of Investments		5,885,254
Total Investment Income	$	9,582,553
Expenses		
Administrative Expenses	$	(3,782)
Investment Expenses		(66,029)
Total Expenses	$	(69,811)
Net Income	$	9,512,742
Participant Transactions		
Additions	$	1,754,737
Withdrawals		(3,632,281)
Net Participant Transactions	$	(1,877,544)
Total Change in Assets	$	7,635,198
Net Investment Assets Held in Trust:		
Beginning of Year		42,826,913
End of Year	$	50,462,111

Notes are an integral part of the Financial Statements

State Board of Investment
Non Retirement Fund Statements
Amounts In (000)'s

Statement of Net Assets		
As of June 30, 2011		
Assets		
Non Retirement Money Fund	$	58,086
Internal Bond Pool		657,055
Internal Equity Pool		1,029,678
Total Investments	$	1,744,819
Total Assets	$	1,744,819
Liabilities		
Accrued Administrative Expense	$	1
Total Liabilities	$	1
Net Investment Assets Held in Trust	$	1,744,818

Statement of Changes in Net Assets		
For the Fiscal Year Ended June 30,2011		
Investment Income		
Interest, Dividends and Other	$	47,462
Net Increase in Fair Value of Investments		226,390
Expenses		
Administrative Expenses		(116)
Net Income	$	273,736
Participant Transactions		
Additions	$	115,257
Withdrawals		(75,940)
Income Distributions		(23,453)
Net Participant Transactions	$	15,864
Total Change in Assets	$	289,600
Net Investment Assets Held in Trust		
Beginning of Year		1,455,218
End of Year	$	1,744,818

Notes are an integral part of the Financial Statements

State Board of Investment
Assigned Risk Statements
Amounts In (000)'s

Statement of Net Assets
As of June 30, 2011

Assets		
Security Lending Collateral	$	56,178
Non Retirement Money Fund		5,943
Fixed Income		236,243
Equity		69,338
Total Investments	$	311,524
Total Assets	$	367,702
Liabilities		
Accrued Administrative Expense	$	5
Accrued Investment Expense		62
Security Lending Collateral		56,178
Total Liabilities	$	56,245
Net Investment Assets Held In Trust	$	311,457

Statement of Change in Net Assets
For the Fiscal Year Ended June 30, 2011

Investment Income		
Interest, Dividends and Other	$	9,729
Security Lending Gross Earnings		207
Less Borrower Rebates		(46)
Less Fees Paid to Agents		(55)
Security Lending Net Earnings		106
Net Increase in Fair Value of Investments		18,370
Total Investment Income	$	28,205
Expenses		
Administrative Expenses	$	(20)
Investment Expenses		(431)
Total Expenses	$	(451)
Net Income	$	27,754
Participant Transactions		
Additions	$	10,665
Withdrawals	$	(33,331)
Net Participant Transactions	$	(22,666)
Total Change in Assets	$	5,088
Net Investment Assets Held in Trust:		
Beginning of Year		306,369
End of Year	$	311,457

Notes are an integral part of the Financial Statements

State Board of Investment
Other Funds Under Management
Amounts In (000)'s

	Invested Treasurer's Cash	Debt Service	State Employee Group Insurance Program	Housing Finance	Public Facilities Authority
Statement of Net Assets					
as of June 30, 2011					
Assets					
Accrued Earnings	$ 8,764	$ 1,327	$ 220	$ 411	$ 1,492
Short Term Investments	$ 3,478,004				
Fixed Income Investments	2,421,484	$ 110,311	$ 20,266	$ 78,286	$ 98,350
Total Investments	$ 5,899,488	$ 110,311	$ 20,266	$ 78,286	$ 98,350
Total Assets	$ 5,908,252	$ 111,638	$ 20,486	$ 78,697	$ 99,842
Net Investment Assets Held in Trust	$ 5,908,252	$ 111,638	$ 20,486	$ 78,697	$ 99,842
Statement of Changes in Net Assets					
for the Fiscal Year Ended June 30, 2011					
Investment Income					
Interest, Dividends and Other	$ 24,919	$ 3,229	$ 521	$ 1,695	$ 5,080
Net Increase in Fair Value of Investment	5,390	819	93	(592)	(2,127)
	$ 30,309	$ 4,048	$ 614	$ 1,103	$ 2,953
Expenses					
Administrative Expenses	$ (73)	$ (3)	$ (1)	$ (3)	$ (3)
Investment Expenses	(73)	(3)	(1)	(3)	(4)
Net Income	$ (146)	$ 4,042	$ 612	$ 1,097	$ 2,946
Participant Transactions					
Additions	$12,405,298	$ 80,098	$ 25,137	$ 45,619	$ 7,187
Withdrawals	(11,885,399)	(32,596)	(26,838)	(85,085)	(21,911)
Net Participant Transactions	$ 519,899	$ 47,502	$ (1,701)	$ (39,466)	$(14,724)
Total Change in Assets	$ 550,062	$ 51,544	$ (1,089)	$ (38,369)	$(11,778)
Net Investment Assets Held in Trust:					
Beginning of Year	5,358,190	60,094	21,575	117,066	111,620
End of Year	$ 5,908,252	$ 111,638	$ 20,486	$ 78,697	$ 99,842

Notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Financial Report Background:

The State Board of Investment (SBI) is the investment management vehicle for numerous funds. Funds are separated by legal requirements and grouped into investment types for the investment activity. The investment activity is reported to each party responsible for the financial accounting and presentation of the fund. The SBI has four investment types that are operated for investment activity to maximize returns. The four types consist of Retirement, Non Retirement, Assigned Risk, and Other Funds Under Management.

Retirement Fund: The Retirement Fund consists of funds administered by the Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA), Minnesota State Retirement System (MSRS), and Local Volunteer Fire Reliefs. A list of plan participants is provided in a schedule beginning on page 108. Comprehensive Financial Reports are prepared by the respective agencies. These reports can be obtained by contacting TRA at (800) 657-3669, PERA at (800) 652-9026, or MSRS at (800) 657-5757.

The Supplemental Investment Fund (SIF) is an investment option within the retirement fund that is available to a group of participants per statute. SBI provides a financial schedule on the SIF as required by State statute.

Non Retirement Fund: The Non Retirement Fund is an investment vehicle for Trusts and OPEBs. A listing of the Trusts and OPEBs is provided in the participation schedule on page 122. The Comprehensive Financial Report for the OPEBs are prepared by PERA and are available by calling (800) 652-9026. The Comprehensive Financial Reports for the Trusts are prepared by Minnesota Management and Budget and are available by calling (800) 627-3529.

Assigned Risk: The Assigned Risk is a dedicated governmental fund for which the SBI is the investment vehicle for the dollars made available for investment. The Comprehensive Financial Reports can be obtained from Minnesota Management and Budget by calling (800) 627-3529.

Other Funds Under Management: The Other Funds Under Management are the dollars the State has made available for investment with SBI. The financial statement presented for the Other Funds represent the investment information at the State Board of Investment. The SBI grouped the financial information for the Other Funds into five major categories; Invested Treasurer's Cash, Debt Service, State Employee Group Insurance, Housing Finance, and Public Facilities. The detailed financial statement, supporting schedules, and further breakdown of Debt Service, State Employee Group Insurance, Housing Finance and Public Facilities can be found in the State's Comprehensive Annual Financial Report available from Minnesota Management and Budget at (800) 627-3529.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Financial Reporting Entity and Basis of Presentation:</u> This report includes financial statements for the funds administered by the State Board of Investment under authority of ***Minnesota Statutes*** **Chapter 11A.14.**

Statements are prepared according to generally accepted accounting principles according to financial reporting standards of the Governmental Accounting Standards Board (GASB). The funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Pooled holdings are accounted for as external investment pools.

<u>Authorized Investments:</u> ***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.

<u>GASB 40:</u> **Deposit and Investment Risk Disclosures** establishes requirements for deposit and investment risks including credit risk, interest rate risk, and foreign currency risk.

<u>GASB 53:</u> **Accounting and Financial Reporting for Derivative Instruments was** issued in April 2009. This standard applies to the accounting and financial reporting of derivative instruments. SBI implemented this statement during the fiscal year ended June 30, 2010.

<u>Security Valuation:</u> All securities are valued at fair value except for U.S. Government short-term securities and commercial paper, which are valued at fair value less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities, SBI uses the Financial Times Interactive Data Services valuation system. This service provides prices for both actively traded and privately placed bonds. For equity securities, SBI uses a valuation service provided by Reuters. The basis for determining the fair value of investments that are not based on market quotations may include audited financial statements, analysis of future cash flows, and independent appraisals.

Recognition of Security Transactions: Security transactions are accounted for as of 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."

2. PORTFOLIO LISTING

A complete listing of the securities held by the funds included in the financial statements is available by contacting the State Board's office. Fixed income and equity securities are presented at fair value.

3. COST OF INVESTMENTS

At June 30, 2011, the cost of investments for the following funds, excluding security lending collateral, was:

Retirement Funds	$	41,670,007,671
Non Retirement Funds	$	1,491,668,651
Assigned Risk	$	302,521,910
Other Funds	$	6,208,320,604

4. LOANED SECURITIES

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 by the State Board to banks and brokers for additional income. Collateral in the amount of at least 100% of the fair value of the security loaned is required.

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.

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, 2011, the investments of cash collateral had an average duration of 3.16 days and a weighted average maturity of 49.02 days. Since the loans are terminable at will, the duration of the loans is not matched to the duration of investments made with cash collateral. On June 30, 2011 Minnesota had no credit risk exposure to borrowers.

4(a) The retirement plans held $7,007,359,679 in collateral covering loaned securities with a fair value of $6,782,119,984. The Assigned Risk plan held $117,607,449 in collateral covering loaned securities with a fair value of $114,677,064. The Non Retirement Funds suspended participation in security lending prior to year end.

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. SBI has no such right.

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

The following table shows the changes in the fair value of derivative instruments for the year as well as the June 30, 2011 fair value and notional positions of derivatives classified by type.

Table 1
Derivative Instruments Disclosure
For Fiscal Year End June 30, 2011
Amounts in (000)'s

Investment Derivatives	Change in Fair Value Classification	Change in Fair Value	Fair Value Classification	Year End Value	Year End Notional
Retirement					
Fixed Income Futures Long	Investment Revenue	$1,359	Futures	$0	$450,600
Fixed Income Futures Short	Investment Revenue	(9,733)	Futures	0	(249,000)
Futures Options Bought	Investment Revenue	(1,371)	Options	456	4,772
Futures Options Written	Investment Revenue	3,692	Options	(38)	(3,845)
FX Forwards	Investment Revenue	(4,327)	Long Term Instruments	(473)	350,043
Index Futures Long	Investment Revenue	42,836	Futures	0	582
Index Futures Short	Investment Revenue	(3,682)	Futures	0	(493)
Rights	Investment Revenue	2,563	Common Stock	528	1,126
Warrants	Investment Revenue	672	Common Stock	2,964	1,083
Non Retirement					
Index Futures Long	Investment Revenue	$29,873	Futures	$0	$83
Warrants	Investment Revenue	(11)	Common Stock	0	0
Fixed Income Futures Long	Investment Revenue	1,550	Futures	0	40,000

Minnesota Statutes Section 11A.24 provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other deriviatives are exchange traded. The purpose of SBI's derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, to offset currency risk, or to offset current futures positions.

SBI maintains a fully benefit-responsive synthetic guaranteed investment contract for the Supplemental Investment Fund Fixed Interest Account. The investment objective of the Fixed Interest Account is to protect investors from loss of principal and to provide a competitive interest rate. On June 30, 2011, the Fixed Interest Account portfolio of well diversified high quality investment grade fixed income securities had a fair value of $945,956,585 that is $38,399,184 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of $275,638,265 and $189,422,834 respectively.

Foreign Exchange Forward Contracts (FX)
Foreign currency forward contracts are used to manage portfolio foreign currency risk. The provisions of the contract vary based on what is negotiated between the two parties to the contract.

Warrants
A warrant is an option issued by a company that gives the holder the right to buy stock from the company at a specified price within a certain designated time period. Generally speaking, warrants are issued by the company whose stock underlies the warrant and the warrant itself derives its value from the underlying stock. In some cases the warrants remain embedded in the equity. In other cases, the warrants will trade in the public market.

Rights
Similar to Warrants, a Right is a security giving stockholders entitlement to purchase new shares issued by the corporation at a predetermined price in proportion to

the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Futures and Options Contracts
A future contract is a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset) such as a physical commodity or a financial instrument, at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange.

An option represents the right to buy or sell an asset—not an obligation as with futures contracts—at a specified price and date in time.

Futures and options can offer potentially lower-cost and more efficient alternatives to buying the underlying securities or currency. Futures and options can also serve to minimize certain unwanted risks within the portfolio. The market exposure, currency, and credit risk of the future are the same as if the investor had owned the underlying security or currency.

Risks Associated With Derivatives

Counterparty Risk
SBI is exposed to the credit risk of the counterparties in foreign currency forward contracts. See Table 2.

The table below shows the Retirement Funds' credit rating and the maximum exposure should the counterparty fail to perform. The Non Retirement Funds had no counterparty exposure.

Table 2
Counterparty Risk Disclosure
For Fiscal Year End June 30 2011
Amounts in (000)'s

Counterparty Name	Non Exchange Traded Investment Derivatives	Max Loss before Netting	S&P Rating	Fitch Rating	Moody's Rating
Retirement					
BANK OF AMERICA N.A.	Foreign Exchange Forwards	$154	A+	A+	Aa3
BARCLAYS BANK PLC WHOLESALE	Foreign Exchange Forwards	677	AA-	AA-	Aa3
CITIBANK N.A.	Foreign Exchange Forwards	325	A+	A+	A1
CREDIT SUISSE LONDON BRANCH (GFX)	Foreign Exchange Forwards	83	A+	AA-	Aa1
HSBC BANKUSA	Foreign Exchange Forwards	146	AA	AA	Aa3
ROYAL BANK OF CANADA	Foreign Exchange Forwards	93	AA-	AA	Aa1
ROYAL BANK OF SCOTLAND PLC	Foreign Exchange Forwards	482	A+	AA-	Aa3
UBS AG	Foreign Exchange Forwards	34	A+	A+	Aa3

6. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages eleven pooled investment accounts for the Investment Trust Funds, the Supplemental Investment Funds and the Defined Benefit Pension Funds, and the Non Retirement Funds of the State of Minnesota. SBI's master custodian, State Street Bank and Trust holds the assets of the pooled accounts.

SBI considers the pools to be the owners of the investments and that the participants, such as the Supplemental fund, 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.

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 2011 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 Barclays Capital US Aggregate Bond Index. 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 credit risk. Such limitations include minimum credit quality as measured by ratings from nationally recognized rating agencies. The quality ratings in Table 3, 5 and Table 6 follow the GASB 40 convention of choosing the lowest investment rating reported by S&P.

Concentration Risk – Investments

Concentration risk is the risk of loss attributed to the magnitude of 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. 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 exposure through forward contracts in order to avoid currency losses.

The Retirement Plans' exposure to foreign currency risk is presented in Table 4 on page 102.

7. Retirement Plans

The combined retirement fund along with the eight supplemental retirement funds serve as investment vehicles for the various state and locally administered retirement plans in accordance with their investment objectives. Participation in the retirement funds is determined in accordance with statutory authority.

The SBI invests the assets of the combined retirement fund and supplemental investment funds as discussed in the Combined Funds and Supplemental Funds sections of this report. Plan participant contributions and withdrawals are reported as net to SBI and invested as net for the day by SBI. Therefore, Plan and SBI investment addition and withdrawal activity will differ in gross but will agree in net when compared to values reported by the individual plans.

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 24% of this allocation. Assets of the Retirement Plans are comprised of shares of the investment pools managed by SBI. The tables on the following page represent the Retirement Plans' participation in the pooled investment accounts.

Table 3
Debt Securities Credit Quality and Exposure
Retirement Plans as of June 30, 2011
Amounts in (000)'s

Type	Fair Value	Years Average Maturity	AA or Better	BBB to A	BB or Lower	Unrated
Asset Backed	$439,704	4.60	49.01%	6.28%	6.73%	37.98%
Short Term Investment Pools	1,178,423	N/A	0.00%	0.00%	0.00%	100.00%
Corporate Bonds	2,855,322	8.12	8.34%	76.92%	10.56%	4.18%
Corporate Stock	7,046	9.20	0.00%	0.00%	103.53%	-3.53%
Foreign Country Bonds	414,746	6.09	55.32%	15.36%	0.07%	29.25%
Futures Options	422	N/A	0.00%	0.00%	0.00%	100.00%
Mortgage Backed Securities	3,159,870	4.35	82.63%	7.76%	4.91%	4.71%
State and Local Government Bonds	150,309	21.91	12.49%	60.60%	0.00%	26.91%
Stock Rights/Warrants	121	N/A	0.00%	0.00%	0.00%	100.00%
TBA Mortgage Back Securities	1,077,792	5.81	100.00%	0.00%	0.00%	0.00%
US Agency	431,434	5.84	98.67%	0.15%	0.00%	1.18%
US Treasury	2,135,508	8.15	100.00%	0.00%	0.00%	0.00%
	$11,850,697					

Table 4
Foreign Currency Exposure of the
Retirement Plans as of June 30, 2011
Amounts in (000)'s

Trade Currency Name	Cash	Fixed	Equity	Total
Australian Dollar	$2,022		$427,695	$429,717
Canadian Dollar	1,482	$22,217	569,595	593,294
Euro Currency	7,441	62,665	1,757,263	1,827,369
Hong Kong Dollar	2,067		415,794	417,861
Japanese Yen	15,125		1,106,199	1,121,324
Pound Sterling	5,703	34,069	1,141,207	1,180,979
Swiss Franc	1,033		395,558	396,591
Other less than 1% Foreign	7,296		1,369,539	1,376,835
Total	$42,169	$118,951	$7,182,850	$7,343,970

8. Non Retirement Funds

The Non Retirement Funds invest in the cash management, fixed income, and equity accounts internally managed by SBI. By statute, the assets of these funds may not be comingled with the assets of the retirement plans. Participation in the Non Retirement Funds is determined in accordance with statutory requirements. The SBI invests the assets of the cash management, fixed income, and equity accounts as discussed in the Permanent School, Environmental Trust, Closed Landfill, and Legislative Investment Initiatives sections of this report. The investment allocation is a factor of statutory requirements or the investment decisions of the participants. Debt securities comprise 30% of this allocation. Assets of the Non Retirement Funds are comprised of shares of the investment pools managed by SBI. The data in Table 5 on page 103 represents the Non Retirement Funds' participation in the cash management, fixed income, and equity accounts internally managed by SBI. The Non Retirement Funds have no foreign currency securities.

Table 5
Debt Securities Credit Quality and Exposure
Non Retirement Funds as of June 30, 2011
Amounts in (000)'s

Type	Fair Value	Years Average Maturity	AA or Better	BBB to A	BB or Lower	Unrated
Asset Backed	$2,446	1.16	6.87%	93.13%	0.00%	0.00%
Corporate Bonds	191,312	6.80	6.12%	76.70%	12.77%	4.41%
Mortgage Backed Securities	337,385	4.62	82.61%	7.86%	0.82%	8.71%
	$531,143					

9. Assigned Risk Plan

The Assigned Risk Plan participates in the cash management account internally managed by SBI. RBC Global Asset Management manages the bond segment and GE Investment Management manages the equity segment of the Plan. The debt securities in the table below comprise 76% of the assets of the plan. The plan had no derivative or foreign currency activity.

Table 6
Debt Securities Credit Quality and Exposure
Assigned Risk Plan as of June 30, 2011
Amounts in (000)'s

Type	Fair Value	Years Average Maturity	AA or Better	BBB to A	BB or Lower	Unrated
Asset Backed	$9,559	6.27	49.97%	0.00%	30.96%	19.06%
Mortgage Backed Securities	20,536	7.53	67.99%	11.11%	5.93%	14.97%
Municipal/Provincial Bonds	13,377	4.71	18.29%	0.00%	0.00%	81.71%
U.S. Agencies	39,832	2.22	99.09%	0.00%	0.00%	0.91%
U.S. Treasuries	152,666	4.53	100.00%	0.00%	0.00%	0.00%
	$235,970					

10. Other Funds Under Management

The SBI maintains numerous accounts tracking the fixed and short term investment activity of the entities whose investments are not pooled. These statements present the investment balances and activity for fiscal year 2011. Additional information in audited statements and descriptions of the funds including GASB 40 credit quality are available in the State's Comprehensive Annual Financial report and in separately issued financial statements of Housing Finance and the Public Facilities Authority.

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Net Assets
As of June 30, 2011
Amounts in (000)'s

	Fixed Interest Account	Money Market Account	Bond Market Account
Assets			
Security Lending Collateral			$ 11,500
Short Term Investments			
Stable Value Fixed Interest	$ 1,372,619		
Money Fund		$ 255,938	
Fixed Income Investments			
Bond Pool			148,466
Income Share Fixed Pool			
Equity Investments			
Domestic Stock Pool			
International Stock Pool			
Total Investments	$ 1,372,619	$ 255,938	$ 148,466
Total Assets	$ 1,372,619	$ 255,938	$ 159,966
Liabilities			
Accrued Investment Expense	$ 566		$ 36
Security Lending Collateral			11,500
Total Liabilities	$ 566		$ 11,536
Net Investment Assets Held in Trust	$ 1,372,053	$ 255,938	$ 148,430

Income Share Account	Common Stock Index Account	Growth Share Account	International Share Account	Volunteer Fire Fighter Account	Total Supplemental Investment Fund
$ 15,120	$ 21,887	$ 11,763	$ 9,686	$ 240	70,196
					1,372,619
13,314				191	269,443
				1,493	149,959
90,999					90,999
154,003	254,099	131,447		1,220	540,769
			132,728	509	133,237
$ 258,316	$ 254,099	$ 131,447	$ 132,728	$ 3,413	$ 2,557,026
$ 273,436	$ 275,986	$ 143,210	$ 142,414	$ 3,653	$ 2,627,222
$ 4	$ 6	$ 64	$ 113	$ 1	$ 790
15,120	21,887	11,763	9,686	240	70,196
$ 15,124	$ 21,893	$ 11,827	$ 9,799	$ 241	$ 70,986
$ 258,312	$ 254,093	$ 131,383	$ 132,615	$ 3,412	$ 2,556,236

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Changes in Net Assets
For the Fiscal Year Ended June 30, 2011
Amounts in (000)'s

	Fixed Interest Account	Money Market Account	Bond Market Account
Investment Income			
Interest, Dividends and Other		$ 692	$ 7,403
Security Lending Gross Earnings			102
Less Borrower Rebates			(13)
Less Fees Paid to Agents			(34)
Security Lending Net Earnings			55
Net Increase in Fair Value of Investments	49,860	16	58
Total Investment Income	$ 49,860	$ 708	$ 7,516
Expenses			
Administrative Expenses		$ (12)	$ (9)
Investment Expenses	$ (1,942)		(138)
Total Expenses	$ (1,942)	$ (12)	$ (147)
Net Income	$ 47,918	$ 696	$ 7,369
Participant Transactions			
Additions	$ 110,458	$ 60,614	$ 21,237
Withdrawals	(38,019)	(51,474)	(7,955)
Net Participant Transactions	$ 72,439	$ 9,140	$ 13,282
Total Change in Assets	$ 120,357	$ 9,836	$ 20,651
Net Investment Assets Held in Trust:			
Beginning of Year	1,251,696	246,102	127,779
End of Year	$ 1,372,053	$ 255,938	$ 148,430

Income Share Account	Common Stock Index Account	Growth Share Account	International Share Account	Volunteer Fire Fighter Account	Total Supplemental Investment Fund
$ 9,626	$ 15,340	$ 13,815	$ 9,439	$ 130	$ 56,445
102	148	73	133	2	560
(20)	(24)	(11)	(4)		(72)
(27)	(42)	(22)	(64)	(1)	(190)
55	82	40	65	1	298
34,433	47,934	19,669	21,410	106	173,486
$ 44,114	$ 63,356	$ 33,524	$ 30,914	$ 237	$ 230,229
$ (15)	$ (15)	$ (8)	$ (8)	$ (4)	$ (71)
(16)	(25)	(279)	(440)	(3)	(2,843)
$ (31)	$ (40)	$ (287)	$ (448)	$ (7)	$ (2,914)
$ 44,083	$ 63,316	$ 33,237	$ 30,466	$ 230	$ 227,315
$ 14,518	$ 16,245	$ 9,123	$ 8,381	$ 2,577	$ 243,153
(16,307)	(20,930)	(9,678)	(10,339)	(153)	(154,855)
$ (1,789)	$ (4,685)	$ (555)	$ (1,958)	$ 2,424	$ 88,298
$ 42,294	$ 58,631	$ 32,682	$ 28,508	$ 2,654	$ 315,613
216,018	195,462	98,701	104,107	758	2,240,623
$ 258,312	$ 254,093	$ 131,383	$ 132,615	$ 3,412	$ 2,556,236

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Combined Retirement Funds			
Correctional Employees Retire. Fund	$ 20,454		$16,839,378
Highway Patrolment's Retire. Fund	26,771		14,140,941
Judges Retirement Fund	28,800		3,966,344
Legislative Retirement Fund			449,160
PERA Minneapolis Employee Retire.	237,167		21,037,192
Public Employee Corrections	2,387,801		6,630,630
Public Employee Police & Fire Fund	17,679,167		126,554,722
Public Employees Retirement Fund	61,084,304		323,195,167
State Employees Retirement Fund	2,322,990		230,067,100
Teachers Retirement Fund	52,693,390		411,672,651
	$136,480,844		$1,154,553,284
Fire Relief Funds			
Alaska			$761
Albertville			
Almelund			134,278
Amboy			
Argyle			1,649
Arrowhead			919
Audubon			10,240
Austin Part-Time			13,359
Avon			
Babbitt			26,122
Backus			
Bagley			5,580
Balsam			6,434
Barnum			1,160
Beardsly			130
Beaver Creek			
Benson			1,923
Bertha			2,358
Bigfork			738
Bird Island			2,799
Blackduck			
Blooming			1,533
Bloomington			
Boyd			759

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
$142,226,650		$94,177,437	$288,504,256	$101,352,790	$643,120,965
125,526,213		83,119,059	254,627,735	89,451,810	566,892,529
32,656,553		21,624,024	66,243,248	23,271,536	147,790,504
4,171,540		2,762,255	8,461,898	2,972,699	18,817,552
195,363,887		129,364,372	396,295,639	139,220,315	881,518,571
61,581,030		40,776,736	124,916,021	43,883,544	280,175,762
1,175,361,443		778,282,914	2,384,200,110	837,579,720	5,319,658,075
3,001,634,883		1,987,576,597	6,088,763,732	2,139,008,846	13,601,263,529
2,029,887,638		1,344,120,106	4,117,591,566	1,446,527,556	9,170,516,956
3,821,521,932		2,530,477,794	7,751,890,603	2,723,272,261	17,291,528,631
$10,589,931,768		$7,012,281,293	$21,481,494,808	$7,546,541,077	$47,921,283,075
	$5,201		$34,807	$6,145	$46,914
$36,957			24,193	23,694	84,844
	47,779		143,322		325,379
27,044			66,558		93,602
	11,269		29,331		42,249
16,033	6,279		45,653		68,883
87,227	69,991		118,450		285,908
	91,305		347,720		452,384
			40,562		40,562
	36,077		165,030	100,628	327,857
			70,479		70,479
27,559	36,738		81,573		151,451
	43,120		125,412		174,967
8,721	7,932		97,150		114,963
44,998	886		77,649	35,258	158,920
17,925			18,854		36,779
28,904	13,146		81,928		125,901
	16,113		56,763		75,233
	5,045		136,499	17,523	159,805
	19,130		76,967		98,896
			7,728	26,910	34,639
24,147	10,479		50,130		86,289
34,336,946			52,913,730	14,274,132	101,524,807
	5,187		20,166		26,112

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Bricelyn			$12,475
Brimson			3,947
Brooklyn Park			158,755
Brooten			
Brownsville			3,048
Buffalo Lake			5,895
Caledonia			6,455
Canby			9,514
Carlton			1,298
Center City			5,625
Ceylon			3,020
Chatfield			4,732
Cherry			2,650
Chisago City Fire			18,860
Chokio			6,743
Clarissa			
Clarkfield			8,390
Clear Lake			10,055
Cohasset			851
Columbia Heights			
Colvill Area			4,067
Coon Rapids			49,946
Cyrus			
Dakota			1,830
Dawson			8,885
Dayton Fire			109,975
Deer Creek			2,931
Delano			49,004
Dover			21,905
East Grand Forks			38,533
Edgerton			9,082
Edina			1,246,362
Elbow Lake			5,937
Ellsburg			
Elmore			
Excelsior			66,756
Eyota			85,948

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
	$85,267		$144,303		$242,046
$8,536	20,297		34,350	$9,901	77,031
	1,085,054		5,262,881	265,904	6,772,593
			157,442		157,442
18,066	3,281		52,665	10,277	87,337
	40,293		207,466		253,653
	44,117		132,050	54,279	236,902
	47,550		260,743	42,221	360,028
32,171	8,868		88,561	20,421	151,319
13,269	38,446		125,395	15,641	198,376
	20,644		134,800		158,465
	32,341		172,228	54,572	263,873
	18,112		98,180		118,941
102,311	128,905		326,529	103,239	679,844
	46,084		77,991		130,818
31,572			34,193		65,765
43,742	57,346		117,738		227,216
38,236	68,727		372,843		489,861
	5,813		46,336		53,000
355,054			979,171		1,334,225
	17,112		28,960	8,837	58,976
1,059,039	341,368		577,719		2,028,072
25,443			32,536	12,086	70,065
36,494	12,510		45,670		96,504
	60,725		131,674		201,283
	50,097		193,063		353,135
	20,036		128,429		151,396
49,777			0		98,782
40,317	16,194		105,585	32,850	216,850
	263,362		445,704		747,598
	62,074		199,228		270,384
676,356			3,802,422	1,048,727	6,773,867
	40,581		133,205		179,723
			86,175		86,175
			52,052		52,052
343,371	456,261		1,666,471	914,416	3,447,274
80,620	32,376		102,597		301,542

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Fairmount Police			$131,000
Fergus Falls			73,413
Forest Lake			11,812
Franklin			
Fredenberg			3,223
Frost			1,053
Ghent			
Glencoe			
Glenville			10,533
Glenwood			4,521
Golden Valley			89,555
Gonvick			2,209
Good Thunder			5,244
Grand Meadow			3,019
Greenwood			5,372
Grey Eagle			6,949
Hackensack			3,926
Hanska			
Hardwick			345
Harmony			
Hawley			185
Hayward			
Hector			24,633
Henning			3,590
Herman			
Hewitt			
Hills			229
Holdingford			576
Holland			2,542
Houston			635
Hovland			958
Industrial			2,963
Isanti			
Jacobson			8,384
Kabetogama			
Kandiyohi			2,889
Kelsey			

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
$1,089,065	$895,357		$5,178,861		$7,294,283
737,199	139,110		1,011,248	$102,007	2,062,978
	80,732		190,517		283,061
			124,105		124,105
22,115	22,029		115,179	34,304	196,850
	7,197		48,800		57,050
6,538			17,578	5,279	29,395
			144,302		144,302
30,710	11,187		73,640	30,234	156,304
73,634	30,899		164,232		273,285
657,239	612,090		2,366,363	631,899	4,357,147
	15,096		63,203		80,508
	35,844		145,479		186,568
	20,635		141,748		165,403
53,395	36,717		210,127		305,611
	47,495		80,380	33,313	168,137
	26,836		45,416	50,260	126,438
			13,353	9,756	23,109
1,268	2,358		8,549	1,595	14,115
			32,597	33,260	65,857
			63,066		63,251
			291,645		291,645
	168,362		284,931		477,926
36,383	17,679		100,292	29,258	187,202
28,778			55,511	20,620	104,909
			20,573		20,573
	1,562		10,614	3,569	15,974
	3,939		26,193		30,709
42,849	8,952		56,628	70,024	180,995
	4,337		27,128	14,297	46,396
	6,547		95,610	14,056	117,170
	20,254		86,786		110,003
			723,182	407,849	1,131,031
	11,042		53,328	29,968	102,722
			152,254		152,254
49,358	19,746		123,911		195,904
10,888			10,546	10,237	31,672

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Kerkhoven			$2,182
Kettle River			2,063
Kiester			
Kilkenny			4,102
Kimball			3,567
La Crescent			4,460
La Salle			225
Lafayette			7,385
Lake City			31,480
Leroy			3,312
Lewiston			4,659
Linwood			20,819
Littlefork			5,963
Lowry			
Lyle			2,520
Madison			3,420
Madison Lake			1,021
Mahtomedi			51,467
Maple Hill			6,773
Mapleton			1,614
Mapleview			1,848
Maplewood			
Marietta			1,836
Marine St. Croix			42,567
Mayer			7,794
Maynard			4,173
McDavitt			2,607
McGrath			729
McIntosh			1,301
MedFord			1,247
Medicine Lake			
Menahga			4,625
Mendota Heights			
Milan			2,284
Minneapolis			
Minneapolis Police			
Minneapolis(Health)			122,016

Bond Pool	**Income Share Fixed Pool**	**Alternative Investment Pool**	**Domestic Stock Pool**	**International Stock Pool**	**Total**
$46,368	$14,910		$98,064		$161,524
	14,098		68,338		84,498
			30,704	$20,386	51,090
	28,037		202,988	8,430	243,558
	24,378		134,559		162,504
49,408	30,481		243,249		327,598
	1,541		10,888		12,654
65,672	50,474		157,939	17,991	299,460
10,006	215,160		375,648		632,294
18,577	22,637		38,310		82,836
	31,841		136,012		172,511
	142,296		240,817		403,932
	40,756		206,562		253,281
			59,185		59,185
	17,227		75,960	9,116	104,823
	16,531		93,724		113,675
	6,980		26,806	15,814	50,621
	283,147		479,188		813,803
31,126	46,295		78,348		162,542
	11,031		51,744		64,389
44,617	12,632		75,370	13,839	148,306
883,799			2,772,176	394,281	4,050,256
	12,550		59,994		74,380
29,539	20,228		198,998	87,592	378,924
64,047	53,272		295,662		420,775
	28,523		48,271		80,966
7,646	17,816		57,924	12,057	98,049
9,688	4,982		15,475		30,875
	8,895		84,126		94,323
	8,523		161,972	67,388	239,129
201,194			314,122	177,322	692,638
94,834	31,612		53,498		184,569
512,254			515,498	175,954	1,203,707
	15,613		106,052		123,949
8,951,160			11,129,272		20,080,432
32,012,567			79,033,098	45,491,453	156,537,118
	833,955		1,411,356		2,367,328

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Minneota			$1,903
Minnetonka			309,072
Montrose			421
Morris			2,706
Morristown			11,147
Morse-Fall Lake			1,355
MSRS ING		$1,369,487,187	259,861,127
Murdock			1,725
Myrtle			52,928
Nassau			761
New Brighton			
New Germany			4,335
New Ulm			
New York Mills			5,925
Nicollet			6,221
Nodine			15,651
North Branch			1,794
Northfield			65,756
Northrop			2,613
Norwood Young America			65,943
Osakis			195
Owatonna			109,390
Pennock			17,992
Pequaywan Lake			
Pequot Lakes			12,229
PeraDCP		3,131,313	2,242,064
Perch Lake			416
Pine Island			8,970
Pipestone			7,718
Porter			17,412
Prior Lake			
Randolph			10,537
Red Lake			3,895
Redwood			
Renville			3,153
Robbinsdale			100,400
Rose Creek			48,955

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
$22,087	$13,007		$51,276	$11,214	$99,487
	2,112,441		3,575,020		5,996,533
	2,879		27,894		31,193
	18,480		62,038	23,664	106,887
	76,187		384,291	17,240	488,864
	9,261		15,672		26,288
57,192,833	71,314,359		304,868,405	62,065,992	2,124,789,904
	11,789		77,548	23,773	114,835
	22,613		38,269		113,811
15,273	5,199		93,441	26,013	140,686
1,022,144			1,796,296		2,818,440
	29,632		50,148		84,115
			225,042		225,042
	40,498		68,537		114,960
	42,376		192,642	61,530	302,769
	21,319		108,300	33,273	178,544
	12,260		88,993	22,847	125,893
31,813	449,431		2,703,620		3,250,620
	17,857		83,334		103,804
153,854	37,016		171,391		428,203
47,774	1,333		310,016	47,481	406,799
	206,965		1,434,612	131,729	1,882,696
	60,322		115,685		193,998
			37,503		37,503
	83,585		256,996		352,811
2,629,077	6,172,506		22,333,462	2,492,238	39,000,660
7,425	2,846		19,299		29,986
	61,310		199,575		269,855
	52,748		230,510		290,975
36,872	7,944		236,800		299,028
			104,390	46,764	151,154
	72,021		316,819	44,727	444,104
	26,622		45,054		75,572
42,845					42,845
55,910	21,551		114,406		195,020
	228,405		916,328	147,001	1,392,134
					48,955

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Roseau			
Rosemount			$1,097,736
Roseville			
Ruthton			23,486
Sacred Heart			
Saint Clair			7,792
Saint Peter			1,427
Sandstone			356
Savage			64,666
Scandia Valley			10,692
Schroeder			
Shakopee			
Sherburn			14,920
Shevlin			2,050
Silver Bay			9,495
Solway (* Main)			300
Solway(Cloquet)			3,937
Spring Grove			2,605
Spring Lake Park			48,941
Starbuck			1,600
Stephen			1,586
Stewart			4,217
Stillwater			395,090
Sturgeon Lake			
Tofte			2,766
Truman			3,032
Two Harbors			7,015
Tyler			7,349
Underwood			
Vadnais Heights			4,216
Vermilion Lake			9,746
Verndale			
Waconia			10,373
Warroad Area			11,449
Williams			5,641
Willow River			
Winnebago			898

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
			$1,094		$1,094
	$153,331		767,228		2,018,295
$2,609,660			4,371,712	$788,727	7,770,099
	8,412		57,043		88,941
			40,684		40,684
21,629	44,669		331,453		405,544
690	9,756		214,973	96,795	323,642
	2,431		4,113		6,900
	441,977		747,985		1,254,628
	73,079		123,676		207,447
			110,652		110,652
			1,685,194	209,750	1,894,944
	101,974		172,578		289,472
16,574	14,014		23,717		56,355
	64,899		293,229	73,759	441,381
	2,047		13,683		16,029
111,245	26,909		45,540		187,632
	3,258		22,153	6,258	34,275
	334,502		566,099		949,542
	10,939		67,013	8,192	87,745
	10,837		90,526		102,948
	28,821		86,831		119,868
191,659					586,750
7,289			34,346		41,634
	18,905		86,120		107,791
33,760	20,722		139,871		197,386
151,800	47,946		205,354	122,336	534,451
	50,232		85,011		142,593
			11,935	4,447	16,382
	28,817		48,769		81,802
	66,612		112,731		189,089
			19,131		19,131
	70,898		632,087	128,856	842,213
	78,254		132,434		222,137
	38,555		121,145		165,341
6,650			62,120		68,770
	6,139		10,389		17,426

State Board of Investment
Retirement Plans Participation
As of June 30, 2011

	Internal Cash Trust Fund Pool	Stable Value Fixed Interest	Money Fund
Woodbury			$1,556,237
Woodstock			1,732
Wrenshall			
Wright			4,604
Wykoff			3,604
Wyoming			6,999
Zumbro Falls			6,988
		$1,372,618,500	$269,252,293
PERA Voluntary Share			
Alborn Fire			$6,748
Alden City of			6,406
Biwabik Township			12,204
Buyck VFD			2,136
Crane Lake VFD			3,517
De Graff			3
Elbow Tulaby Lakes			3,124
Emmons City of			12,995
Grand Marais City of			18,913
Lakeland VFD			10,744
Lexington City of			20,153
Lutsen Township			9,200
Manchester			4,833
North Star Fire			2,238
Ottertail Fire			22,535
Scandia City of			33,833
Twin Valley			13,272
Warba - Feeley - Sago			7,927
			$190,780
Total Pool Participation	$136,480,844	$1,372,618,500	$1,423,996,358

Bond Pool	Income Share Fixed Pool	Alternative Investment Pool	Domestic Stock Pool	International Stock Pool	Total
$480,315			$3,320,552	$980,372	$6,337,477
8,355	$11,836		71,600		93,523
			58,405		58,405
	31,464		53,249		89,317
	24,635		41,692		69,931
80,686	47,836		80,957		216,478
5,115	47,758		143,242	11,564	214,667
$148,466,085	$90,999,166		$539,549,710	$132,727,609	$2,553,613,363
$52,797			$43,148	$18,018	$120,712
50,123			40,963	17,106	114,598
95,486			78,035	32,587	218,311
16,715			13,660	5,704	38,216
27,518			22,489	9,391	62,916
22			18	7	50
24,441			19,974	8,341	55,881
101,679			83,097	34,700	232,471
147,983			120,938	50,503	338,337
84,061			68,699	28,688	192,192
157,685			128,867	53,814	360,519
71,980			58,825	24,565	164,569
37,811			30,901	12,904	86,449
17,514			14,313	5,977	40,042
176,318			144,094	60,173	403,119
264,721			216,342	90,343	605,239
103,845			84,866	35,440	237,423
62,021			50,687	21,166	141,801
$1,492,721			$1,219,916	$509,427	$3,412,844
$10,739,890,574	$90,999,166	$7,012,281,293	$22,022,264,434	$7,679,778,113	$50,478,309,282

State Board of Investment
Non Retirement Funds Participation Schedule
As of June 30, 2011
Amounts In (000)'s

	Non Retirement Cash Pool	Internal Bond Pool	Internal Equity Pool	Total Non Retirement Pools
Permanent School	$ 15,776	$ 379,269	$ 390,081	$ 785,126
Environmental	$ 11,578	$ 161,324	$ 401,983	$ 574,885
Other Trusts:				
Closed Landfill			$ 775	$ 775
Emergency Med SVC	$ 79	$ 554	974	1,607
Ethel Currey		463	654	1,117
Iron Range Resources		43,252	37,630	80,882
Life Time Fish &Wild Life	$185	2,518	6,383	9,086
Saint Louis County Environmental		2,543	3,629	6,172
Winona State		2,485	1,729	4,214
	$ 264	$ 51,815	$ 51,774	$ 103,853
PERA OPEB:				
Anoka County (Irrevocable)			$ 29,156	$ 29,156
Anoka County (Revocable)			258	258
City of Eagan			7,904	7,904
City of Virginia			41	41
Crosby-Ironton ISD#182	$ 480	$ 378	2,932	3,790
Duluth		11,515	16,014	27,529
Elk River ISD #728		5,843		5,843
Fillmore Central ISD #2198	902			902
Hastings ISD#200	589			589
Kingsland ISD#2137	201		210	411
West Saint Paul ISD#197	1,825	8,199		10,024
Metro Mosquito Control District		342	1,306	1,648
Mounds View ISD #621	14,413		9,428	23,841
Mt. Iron-Buhl ISD #712		2,050		2,050
Metropolitan Council OPEB	12		105,368	105,380
Ogilvie ISD#333	980			980
Robbinsdale ISD#281	9,372	9,212		18,584
Roseville ISD#623		15,727		15,727
Scott County			3,127	3,127
Staples Motley ISD #2170		593	582	1,175
Washington County		2,743	9,514	12,257
Winona ISD# 861		8,045		8,045
Yellow Medicine ISD#2190	1,694			1,694
	$ 30,468	$ 64,647	$ 185,840	$ 280,955
Total Pool Participation	$ 58,086	$ 657,055	$ 1,029,678	$ 1,744,819

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2011

Active Domestic Stock Managers (1)			
Alliance Bernstein L.P.	*	$	(551,807)
Barrow, Hanley, Mewhinney & Stauss, Inc.			875,373
EARNEST Partners, LLC			474,580
INTECH Investment Management, LLC			1,072,555
Goldman Sachs Asset Management, LP			1,233,519
Hotchkis and Wiley Capital Management, LLC			1,424,317
Jacobs Levy Equity Management, Inc.			997,546
Knelman Asset Management Group, LLC			339,402
Lord, Abbett & Co., LLC	*		(99,727)
LSV Asset Management			893,612
Martingale Asset Management L.P.			668,267
McKinley Capital Management Inc.			1,033,583
New Amsterdam Partners, LLC			526,104
Next Century Growth Investors, LLC			2,373,510
Peregrine Capital Management			1,515,416
Sands Capital Management, LLC			1,241,220
Systematic Financial Management, LP			993,488
Turner Investment Partners, Inc.			1,732,023
UBS Global Asset Management (Americas) Inc.			647,730
Winslow Capital Management, Inc.			630,047
Zevenbergen Capital Investments, LLC			1,591,213
Passive Domestic Stock Managers (2)			
Black Rock Institutional Trust Co. N.A.			890,480
Semi-Passive Domestic Stock Managers (2)			
Black Rock Institutional Trust Co. N.A. (BGI)			2,575,887
INTECH Investment Management, LLC			1,471,280
Mellon Capital Management Corp.			1,358,018
JPMorgan Investment Management, Inc.			2,714,053
Active Domestic Bond Managers (2)			
Aberdeen Asset Management (Deutsche)			1,492,614
Dodge & Cox			1,094,167
PIMCO			2,402,250
Western Asset Management			1,223,404
Columbia Management Investment Advisers, LLC			980,965
Semi-Passive Domestic Bond Managers (2)			
BlackRock Inc. (BGI)			922,342
Goldman Sachs Asset Management, LP			1,302,183
Neuberger (Lehman)			574,133

cont.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2011

Developed-International Active Stock Managers (2)	
Acadian Asset Management	$ 1,258,132
Invesco Global Asset Management	788,074
JP Morgan Investment Management Co.	1,097,267
Marathon Asset Management	1,807,291
McKinley Capital Management	1,075,553
Pyramis Global Advisors Trust Co.- Activie (Fidelity)	1,368,464
Columbia Management Investment Advisers, LLC	898,257
Developed-International Semi-Passive Stock Managers (2)	
AQR Capital Management	1,464,936
Pyramis Global Advisors Trust Co.- Semi Passive (Fidelity)	821,290
State Street Global Advisors - Semi Passive	1,210,820
Developed-International Passive Stock Managers (2)	
State Street Global Advisors - Passive	464,504
Emerging-International Active Stock Managers (2)	
Alliance Bernstein L.P.	1,171,146
Capital International	5,822,253
Morgan Stanley Investment Management	6,224,674
Supplemental Fixed (2)	
Galliard	1,942,283
Assigned Risk Plan (2)	
GE Investment Management	189,055
RBC Global Asset Management	241,610

* Manager Terminated in Fiscal '11

(1) Compensation is based 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) Compensation is based on a specified percentage of assets under management.

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