



Minnesota State Board of Investment

2014 Annual Report

**Minnesota
State Board
of Investment**

60 Empire Drive
Suite 355
St. Paul, MN 55103

Phone: 651-296-3328

Fax: 651-296-9572

E-mail: minn.sbi@state.mn.us

Website: www.sbi.state.mn.us

2014 Annual Report

Table of Contents

Introduction	1
Funds Under Management	2
Combined Funds.....	4
Investment Pools	11
Supplemental Investment Fund	25
State Deferred Compensation 457b Plan.....	35
Minnesota State College Savings Plan	39
Assigned Risk Plan.....	42
Permanent School Fund.....	44
Environmental Trust Fund.....	46
Cash Management and Related Programs	48
Legislative Investment Initiatives.....	50
Investment Restrictions	51
Proxy Voting	53
Investment Manager Summaries	55
Trading Data.....	84
Accounting Information	93
Notes to the Financial Schedules.....	95
Supplemental Fund Schedules.....	96
Retirement Plans Participation	100
Non-Retirement Funds Participation	116
Manager Fees	117

This annual report can be accessed on our website at www.sbi.state.mn.us

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director

Mansco Perry

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

An Equal Opportunity
Employer

December 2014

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2014.

Investment Environment

During FY14, the U.S. equity markets returned 25.2% as measured by the Russell 3000 Index. Within the Russell 3000, larger stocks outpaced smaller companies and growth led value companies.

International markets returned 21.7% for the fiscal year as measured by the Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States net taxes on dividends (ACWI ex U.S.), which represents the developed and emerging international investments outside the U.S. The returns in the developed markets were stronger than in the emerging markets.

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 4.4% for the fiscal year. Within the bond market, corporate bonds were the best performing sectors followed by agency mortgage-backed securities and commercial mortgage-backed securities.

Equity returns continue to experience strong positive performance while bond returns have been stable. As we look forward, the investment environment remains challenging. We will endeavor to seek returns within appropriate levels of risk tolerance.

SBI Results for Fiscal Year 2014

Within this investment environment, the Combined Funds returned 18.6% during fiscal year 2014. Over the latest ten year period, the Funds generated an annualized return of 8.4%. (See page 8).

On June 30, 2014, assets under management totaled \$79.8 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.** Obtaining those results will sustain the financial condition of our clients. 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,

A handwritten signature in black ink that reads "Mansco Perry III".

Mansco Perry III
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 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
Sr. Director, Financial
Benefits & Analysis
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

Kim Faust
Vice President and Treasurer
Fairview Health Services

Douglas Gorence
Pres. & Chief Investment Officer
UMF Investment Advisors

Laurie Fiori Hacking
Executive Director
Teachers Retirement Association

P. Jay Kiedrowski
Senior Fellow
Humphrey Institute
University of MN

Gary Martin
Chief Investment Officer
Macalester College

Jim Schowalter
Commissioner
Minnesota Management &
Budget

Mary Vanek
Executive Director
Public Employees Retirement
Association

Elaine Voss
Governor's Appointee
Retiree Representative

Staff, Consultants & Custodians

Executive Board Personnel

<i>Mansco Perry III</i>	Executive Director and Chief Investment Officer
<i>LeaAnn M. Stagg</i>	Chief Operating Officer
<i>Michael J. Menssen</i>	Director, Public Markets
<i>Paul T. Anderson</i>	Chief Financial Officer
<i>Charlene Olson</i>	Executive Assistant

Investment Staff

Patricia Ammann
Investment Officer,
DC & Trust Services

Cassandra Boll
Investment Officer,
Cash Mgmt. Services and
Public Markets

Nathan Troutman Blumenshine
Investment Analyst,
Alternatives and
Administrative Services

Tammy Brusehaver
Investment Officer,
Public Markets

Stephanie Gleeson
Investment Officer,
Public Markets

Inma Conde Goldman
Investment Officer,
Public Markets

Aaron D. Griga
Investment Officer,
Public Markets

Ryan O. Hill
Investment Officer,
Alternative Investments

Andrew Krech
Investment Officer,
Alternative Investments

Steven Kuettel
Investment Officer,
Cash Mgmt. Services

Jonathan Stacy
Investment Officer,
Alternatives and
Administrative Services

Robert Weiler
Investment Officer,
Public Markets

Administrative Staff

Shirley Baribeau
Project Team Leader

Julie Grill
Accounting Officer,
Intermediate

Kailee Kemp
Office Administrative Specialist

Kathy Leisz
Information Technology
Specialist 2

Melissa Mader
Office Administrative Specialist,
Intermediate

Wendy Murphy
Accounting Officer, Senior

William J. Nicol
Accounting Director

Consultants

General Consultant
Callan Associates Inc.
Chicago, Illinois

Special Projects Consultant
Pension Consulting Alliance
Encino, California

Custodian Banks

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

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

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, 2014, the market value of all assets was \$79.8 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 on the SBI’s website at www.sbi.state.mn.us.** A new listing is posted each June 30 and December 31.

Funds Under Management

Market Value
June 30, 2014*

Retirement Funds

\$66.8 billion

Combined Funds

\$59.5 billion

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

Teachers Retirement Fund	\$ 20.3 billion
Public Employees Retirement Fund	17.4 billion
Public Employees Police and Fire Fund	7.3 billion
Public Employees Correctional Fund	453 million
Public Employees MERF Division	878 million
State Employees Retirement Fund	11.5 billion
Correctional Employees Fund	877 million
Highway Patrol Retirement Fund	667 million
Legislative Retirement Fund	8 million
Judges Retirement Fund	176 million

State Deferred Compensation Plan

\$5.6 billion

The State Deferred Compensation Plan provides public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan.

Supplemental Investment Fund (SIF)

\$1.8 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 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 \$1.4 billion of State Deferred Compensation dollars invested in the Supplemental Investment Fund that are included in the \$5.6 billion total for the State Deferred Compensation Plan.

Income Share Account	stocks and bonds	\$350 million
Common Stock Index Account	passively managed stocks	445 million
Growth Share Account	actively managed stocks	203 million
Bond Market Account	actively managed bonds	110 million
International Share Account	non-U.S. stocks	210 million
Fixed Interest Account	stable value investments	196 million
Money Market Account	short-term debt securities	249 million
Volunteer Firefighter Account	stocks and bonds	26 million

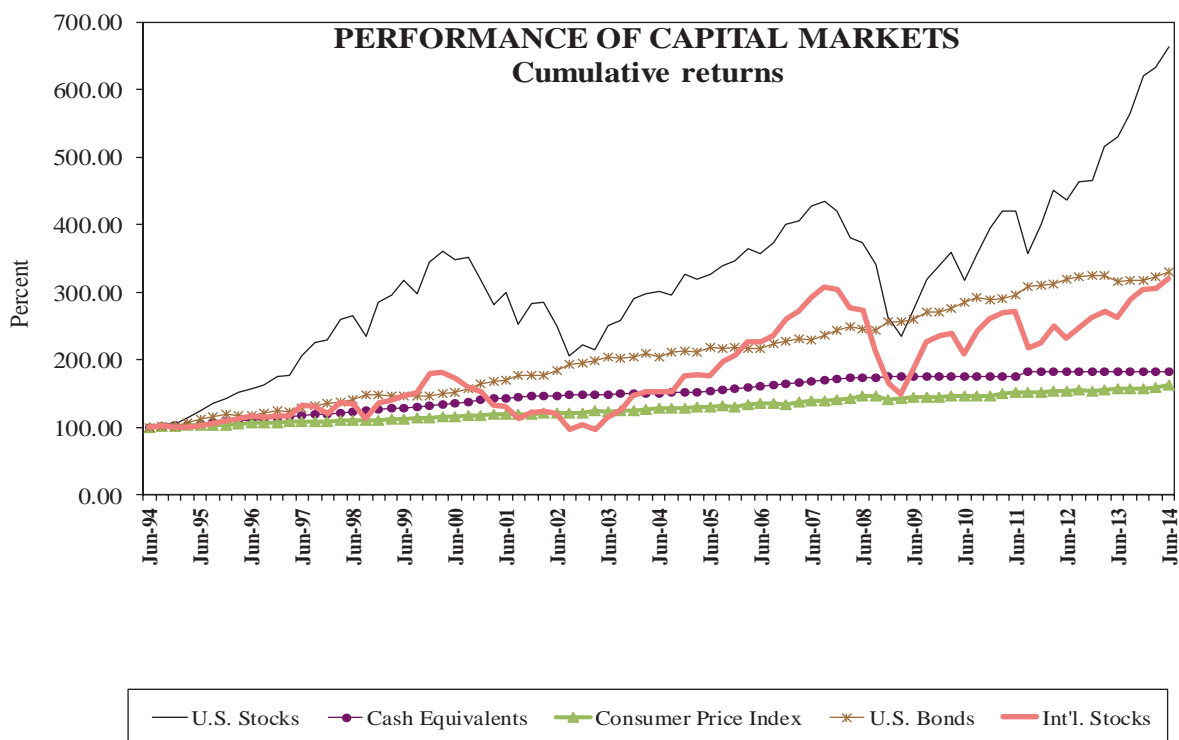
Funds Under Management

Market Value
June 30, 2014*

Non-Retirement Funds	\$13.0 billion
Assigned Risk Plan	\$302 million
<p>The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.</p>	
Environmental Trust Fund	\$842 million
<p>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.</p>	
Minnesota College Savings Plan	\$1.2 billion
<p>The Minnesota College Savings Plan is an education savings plan designed to help families set aside funds for future college costs. It is established under the provisions of the Internal Revenue Code Section 529, which authorized these types of savings plans to help families meet the costs of qualified colleges nationwide.</p>	
Miscellaneous State Accounts	\$265 million
Miscellaneous Trust Accounts	\$143 million
Other Post Employment Benefits Accounts (OPEB’S)	\$449 million
<p>These accounts are the assets set aside by local units of government for the payment of retiree benefits trustee by the Public Employees Retirement Association.</p>	
Permanent School Fund	\$1.1 billion
<p>The Permanent School Fund is a trust established for the benefit of Minnesota public schools.</p>	
State Cash Accounts	\$8.7 billion
<p>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.</p>	
Total Assets Invested by SBI	\$79.8 billion

* Totals may not add due to rounding.

Figure 1.



Period Ending June 30, 2014

	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity				
Russell 3000	25.2%	16.5%	19.3%	8.2%
Domestic Fixed Income				
Barclays Capital Aggregate (1)	4.4	3.7	4.9	4.9
3 month U.S. Treasury Bills	0.1	0.1	0.1	1.6
International				
MSCI ACWI ex USA (net)	21.7	5.7	11.1	7.8
Inflation Measure				
Consumer Price Index CPI-U (2)	2.1	1.8	2.0	2.2

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

(2) 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, 2014, the Combined Funds had a market value of \$59.5 billion.

Background

The Combined Funds consist of the assets of active employees and retired members of ten different retirement funds. The SBI commingles the assets of these plans into the Combined Funds to capture investment efficiencies.

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 8.0% (the rate set by statute) on an annualized basis for the period July 1, 2012 through

June 30, 2017 and 8.5% over time thereafter.

Time Horizon

In general, 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 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.

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments (alternative investments include private equity, 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.

As illustrated in Figure 1, historical evidence indicates that U.S. common stocks will provide the greatest opportunity to maximize investment returns

Figure 2. Composition of Combined Funds as of June 30, 2014

Teachers Retirement Fund		34.1%
Public Employees Retirement Association		
Public Employees Retirement Fund	29.25%	
Public Employees Police and Fire Fund	12.21	
Public Employees Correctional Fund	0.76	
Public Employees MERF Division	1.48	
Total PERA		43.7
Minnesota State Retirement System		
State Employees Retirement Fund	19.31	
Correctional Employees Fund	1.47	
Highway Patrol Retirement Fund	1.12	
Legislative Retirement Fund	0.01	
Judges Retirement Fund	0.30	
Total MSRS		22.2
Funds Total*		100.0%

* Total may not add due to rounding.

Combined Funds

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 enhances the Funds' ability to meet or exceed the actuarial return target over the long-term.

Long-Term Allocation Policy

The Combined Funds have a policy asset allocation that is based on the investment objectives of the Combined

Funds and the expected long run performance of the capital markets. The SBI periodically reviews this policy allocation. The current policy asset allocation of the Combined Funds that was approved by the Board in December 2008 and reaffirmed each fiscal year thereafter 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.

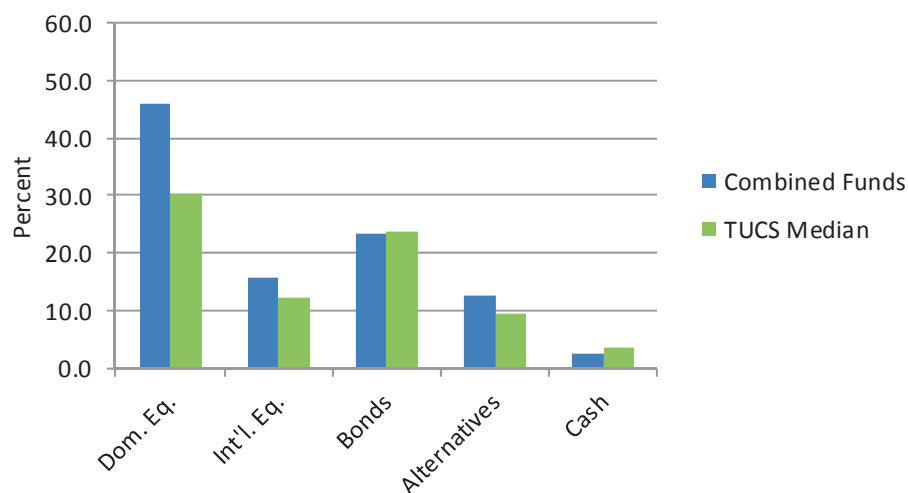
Figure 3 presents the actual asset mix of the Combined Funds at the end of fiscal year 2014. Historical asset mix data are displayed in Figure 4.

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,

Figure 3. Combined Funds Asset Mix Comparison as of June 30, 2014



	Combined Funds (1)	Median Allocation in TUCS (2)
Domestic Equity	45.8%	30.3%
International Equity	15.7	12.4
Bonds	23.4	23.7
Alternatives (3)	12.6	9.5
Cash	2.6	3.5

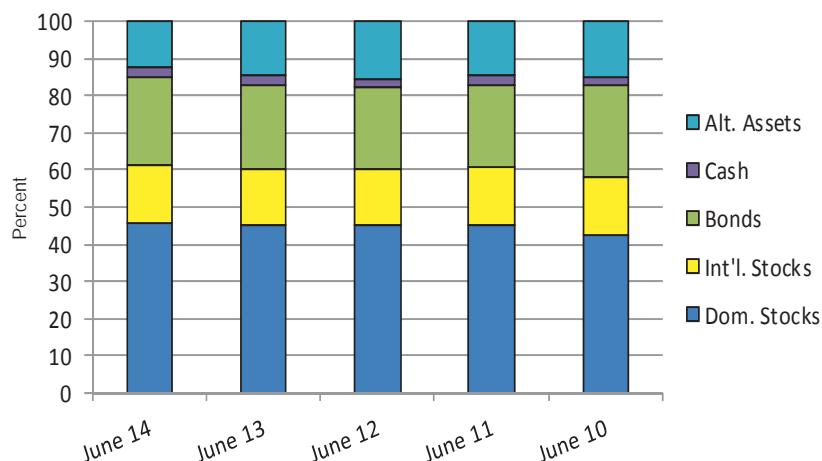
(1) May not add to 100% due to rounding.

(2) Represents the median allocation by asset class, and does not add to 100%.

(3) TUCS may include assets other than alternatives.

Combined Funds

Figure 4. Combined Funds Historical Asset Mix FY 2010-2014



bonds and other assets of the funds in TUCS on June 30, 2014 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.

Real Estate and **resource** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. Under 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.

Combined Funds

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 to 5 percentage points on an annualized basis.

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

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

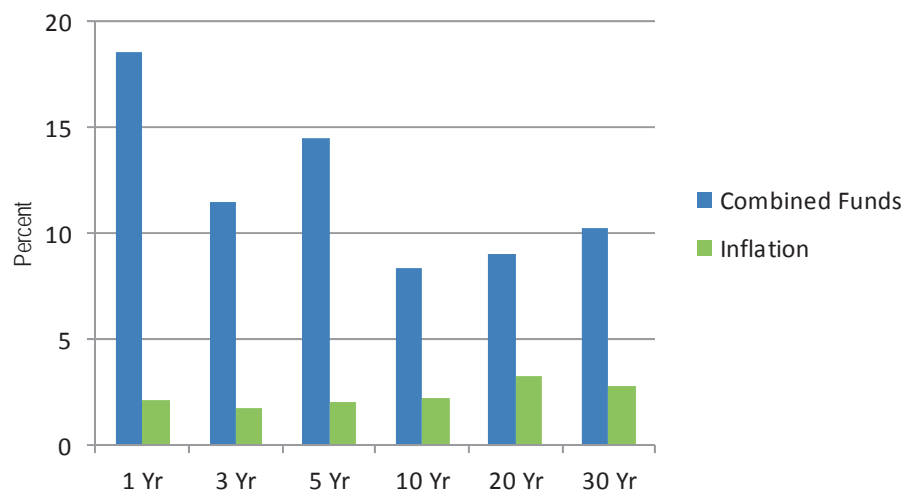
Over the last twenty years, the Combined Funds exceeded inflation by 6.6 percentage points. Historical results compared to inflation are shown in Figure 5.

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 rebalancing 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

Figure 5. Combined Funds Performance vs. Inflation For Period Ending June 30, 2014



	Annualized					
	1 Yr.	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	18.6%	11.5%	14.5%	8.4%	9.0%	10.3%
Inflation	2.1	1.8	2.0	2.2	2.4	2.8

Combined Funds

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 0.3 percentage point and, therefore, met the stated performance goal. The Funds exceeded the composite index over the last five years and outperformed by 0.6 percentage point 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:

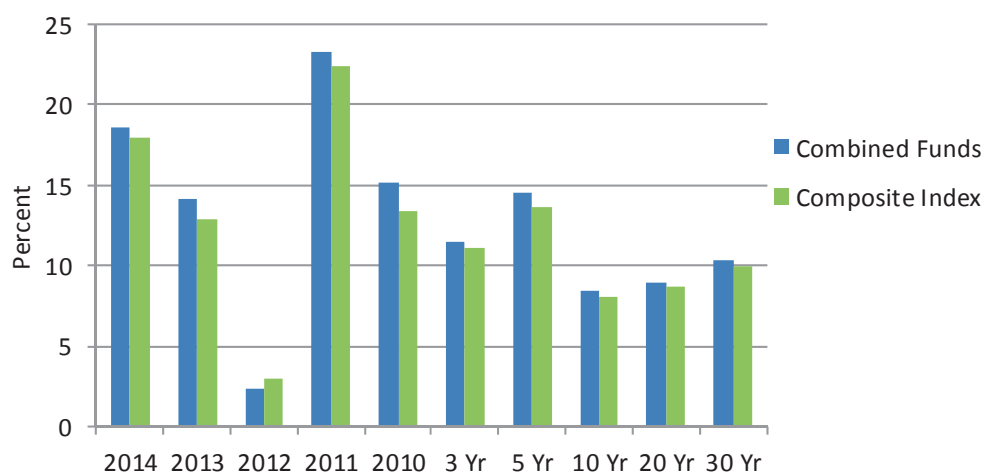
— Differing Allocations.

Asset allocation has a dominant effect on returns. The allocation to stocks among the funds in TUCS typically ranges from 20% to 90%, too wide a 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, leading to different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

Figure 6. Combined Funds Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.	20 Yr.	30 Yr.
Combined Funds	18.6%	14.2%	2.4%	23.3%	15.2%	11.5%	14.5%	8.4%	9.0%	10.3%
Composite Index	18.0	12.9	3.0	22.4	13.4	11.1	13.7	8.1	8.7	10.0

Combined Funds

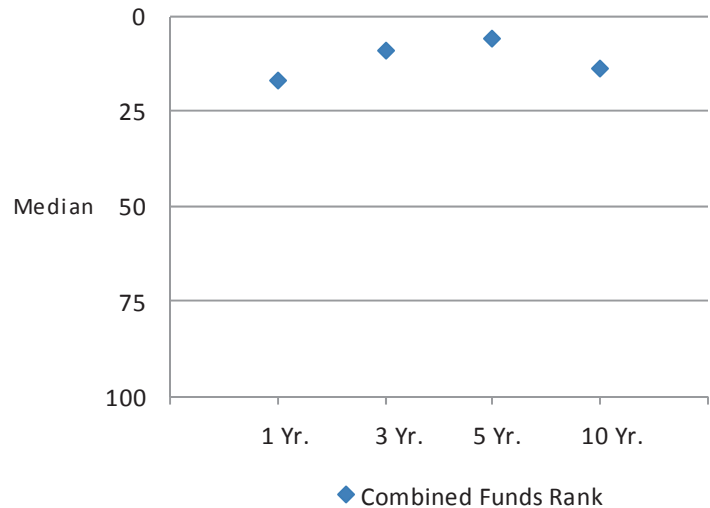
With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over \$1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 8. It shows that the Combined Funds have ranked above the top quartile over the last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

Figure 7. Composite Index for Period Ending June 30, 2014

Asset Class	Market Index	Composite Index Wts. *
Domestic Stocks	Russell 3000	45.0%
Int'l Stocks	MSCI ACWI ex USA (net)	15.0
Domestic Bonds	Barclays Capital Aggregate	25.4
Alternative Investments	Alternative Investments	12.6
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



	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	17th	9th	6th	14th

* 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 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 is used by the Combined Funds and the Supplemental Investment Fund Growth Share Account, Common Stock Index Account, and the stock portions of the Income Share Account and Volunteer Firefighter Account.

The following are the dollar values as of June 30, 2014 of each fund's participation in the Pool:

Combined Funds (active, passive and semi-passive)	\$27.2 billion
---	----------------

Growth Share Account (active and semi-passive)	\$202.6 million
--	-----------------

Common Stock Index Account (passive)	\$444.9 million
--------------------------------------	-----------------

Stock portion of the Income Share Account (passive)	\$212.8 million
---	-----------------

Volunteer Firefighter Account (passive)	\$9.2 million
---	---------------

Management Structure

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

- **Active Management.** The target is to have less than half the portfolio actively managed. At the end of fiscal year 2014, approximately 27% of the Domestic Stock Pool was actively managed by a group of 15 external investment managers. The assets allocated to each of the managers ranged in size from approximately \$215 million to \$800 million.
- **Semi-Passive Management.** The target is to have less than half the portfolio semi-passively managed. At the end of fiscal year 2014, approximately 38% of the

Domestic Stock Pool was managed by a group of four semi-passive external investment managers with portfolios ranging from \$2.3 billion to \$3.0 billion.

- **Passive Management.** The target is to have at least a quarter of the portfolio passively managed. At the end of fiscal year 2014, approximately 35% of the Stock Pool was managed passively by a single manager with a portfolio of \$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.

Investment Pools

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.

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

FY 2014 Changes

During fiscal year 2014, two active managers were terminated, Knelman Asset Management and Turner Investment Partners.

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:

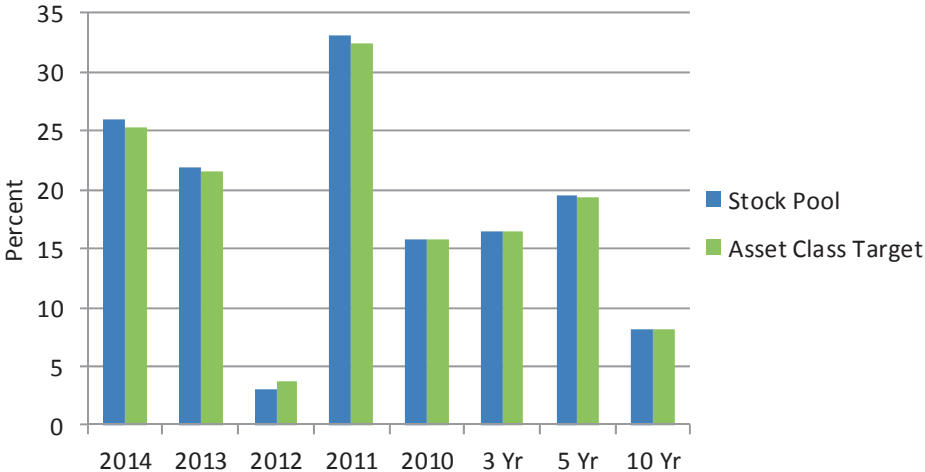
- **Investment Approach.** Each manager (active, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager’s stated investment approach. In the short run, market fluctuations may result in a

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 2014. 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, 2014



	2014	2013	2012	2011	2010	Annualized		
Stock Pool	25.9%	21.9%	3.1%	33.1%	15.8%	16.5%	19.5%	8.2%
Asset Class Target*	25.2	21.5	3.8	32.4	15.7	16.5	19.3	8.2

* 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 affect certain investment styles. Thus, a Russell style index or benchmark is a more appropriate return target against which to judge these managers' returns than the Russell 3000 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 exceeded the Russell 3000 Index by 0.7 percentage point for the fiscal year. The active manager group and the semi-passive manager group both outperformed their respective benchmarks. The passive manager matched the one year benchmark.

Relative to the aggregate benchmark, the outperformance of the active manager group was due to stock selection, primarily in Consumer Discretionary and Consumer Staples. The semi-passive managers benefited from stock selection in Consumer Staples and Technology.

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 mixed. Twelve of 15 active managers outperformed their assigned benchmarks, while three managers underperformed. Two

of the four semi-passive managers outperformed the Russell 1000, while one matched and one trailed the benchmark. Individual manager performance for fiscal year 2014 is shown in Figure 10.

Aggregate portfolio sector characteristics are shown in Figure 11.

Investment Pools

Figure 10. Domestic Stock Manager Performance For Period Ending June 30, 2014

	1 Year		3 Years		5 Years		Market Value (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
Active Managers							
Large Cap Growth (Russell 1000 Growth)							
INTECH	26.3	26.9	15.1	16.3	19.4	19.2	547.1
Jacobs Levy Equity Mgmt.	29.1	26.9	16.1	16.3	20.7	19.2	641.2
Sands Capital Mgmt.	33.2	26.9	19.6	16.3	25.8	19.2	649.4
Winslow Capital Mgmt.	27.5	26.9	14.4	16.3	18.6	19.2	285.7
Zevenbergen Capital	37.6	26.9	15.6	16.3	21.4	19.2	620.1
Large Cap Value (Russell 1000 Value)							
Barrow, Hanley	24.1	23.8	16.1	16.9	18.6	19.2	793.4
Earnest Partners	22.3	23.8	12.9	16.9	16.4	19.2	526.2
LSV Asset Mgmt.	27.9	23.8	19.4	16.9	21.0	19.2	800.0
Systematic Financial Mgmt.	26.6	23.8	14.6	16.9	18.9	19.2	750.3
Small Cap Growth (Russell 2000 Growth)							
McKinley Capital	32.3	24.7	18.3	14.5	23.1	20.5	389.2
Next Century Growth	11.3	24.7	6.5	14.5	16.5	20.5	363.5
Small Cap Value (Russell 2000 Value)							
Goldman Sachs	27.1	22.5	17.7	14.6	22.9	19.9	270.6
Hotchkis & Wiley	33.0	22.5	18.9	14.6	28.5	19.9	251.9
Martingale Asset Mgmt.	28.0	22.5	17.9	14.6	21.8	19.9	214.1
Peregrine Capital Mgmt.	22.6	22.5	15.4	14.6	22.5	19.9	355.3
Semi-Passive Managers (Russell 1000)							
BlackRock Institutional	25.6	25.4	17.6	16.6	19.4	19.3	2,345.4
INTECH	24.8	25.4	16.4	16.6			2,589.9
J.P. Morgan Investment Mgmt.	25.8	25.4	17.3	16.6	20.0	19.3	3,039.0
Mellon Capital Mgmt.	25.4	25.4	17.7	16.6	19.7	19.3	2,728.5
Passive Manager (Russell 3000)							
BlackRock Institutional	25.2	25.2	16.5	16.5	19.3	19.3	9,909.5
Aggregate Domestic Stock Pool (1)	25.9	25.2	16.5	16.5	19.5	19.3	28,070.3
Asset Class Target							
Russell 3000		25.2		16.5		19.3	

(1) Aggregate includes the performance of terminated managers.

Figure 11.

**Domestic Stock Pool Allocations
Russell Global (US) Sector Weights
As of June 30, 2014**

Russell Sector	Active Managers	Semi-Passive Managers	Passive Manager	Aggregate Domestic Stock Pool	Benchmarks	
	%	%	%	%	Russell 1000 %	Russell 3000 %
Consumer Discretionary	14.8	13.8	13.5	13.9	14.0	14.0
Consumer Staples	3.3	2.5	7.0	6.2	7.7	7.3
Energy	7.2	9.8	9.5	9.0	10.1	9.8
Financial Services	20.2	18.0	18.0	18.6	18.2	18.7
Health Care	13.1	13.3	12.4	12.9	12.8	12.9
Materials and Processing	4.5	3.9	4.4	4.2	4.4	4.6
Producer Durables	11.7	11.8	11.2	11.6	11.4	11.6
Technology	15.8	15.1	15.3	15.3	15.9	15.8
Utilities	2.8	5.8	5.2	4.8	5.5	5.4
Cash	1.6	0.5	1.6	1.2	N/A	N/A
Unassigned*	5.0	0.6	1.8	2.2	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.

Investment Pools

Bond Pool

The Bond Pool is used by the Combined Funds, the Supplemental Investment Fund Bond Market Account and the bond portion of the Volunteer Firefighter Account.

The following are the dollar values as of June 30, 2014 of each fund's participation in the Pool:

Combined Funds	\$13.9 billion
Bond Market Account	\$110 million
Volunteer Firefighter Account	\$12 million

Investment Management

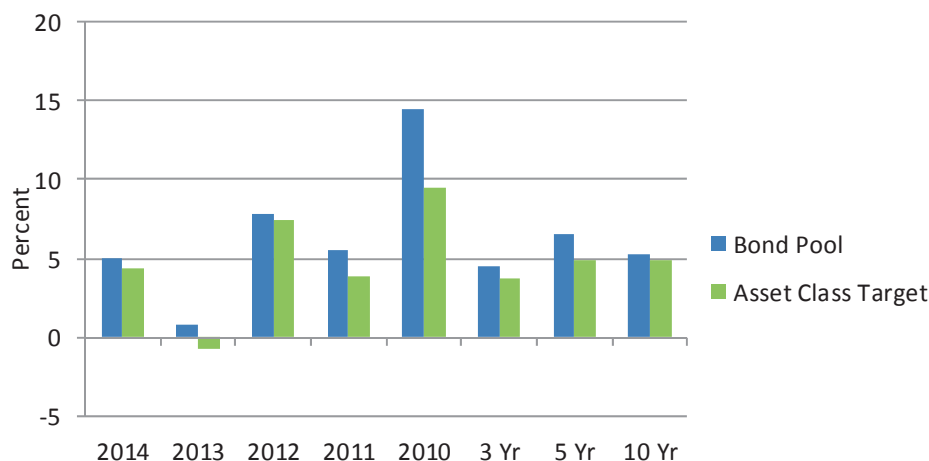
The SBI uses a two part approach for the management of the Bond Pool:

- **Active Management.** The target is to have no more than half of the Bond Pool managed actively. At the end of fiscal year 2014, approximately 50% of the Bond Pool was actively managed by five external investment managers with portfolios ranging in size from \$1.1 billion to more than \$1.6 billion.
- **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 2014, approximately 50% of the bond segment was invested by three managers with

portfolios of \$1.9 to \$2.5 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

Figure 12. Bond Pool Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
Bond Pool	5.0%	0.8%	7.8%	5.5%	14.5%	4.5%	6.6%	5.3%
Asset Class Target*	4.4	-0.7	7.5	3.9	9.5	3.7	4.9	4.9

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

Investment Pools

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 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 its portfolio in BB and B rated dollar denominated debt and 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 2014 Changes

There were no changes to the bond program in fiscal year 2014.

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 2014. 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 0.6 percentage point for the recent fiscal year. Relative to the benchmark, the pool benefited from overweight positions in corporate bonds, CMBS, and ABS, and security selection in the spread sectors (corporate and mortgage securities). Performance over the long-term is satisfactory. The pool outperformed the asset class

Figure 13. Bond Manager Performance For Period Ending June 30, 2014

	1 Year		3 Years		5 Years		Market Value (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
Active Managers							
Aberdeen Asset Mgmt.	5.1	4.4	5.0	3.7	7.7	4.9	1,089.8
Columbia Mgmt.	5.2	4.4	4.9	3.7	6.5	4.9	1,193.4
Dodge & Cox Investment Mgmt.	6.7	4.4	5.2	3.7	7.0	4.9	1,508.3
PIMCO	3.5	4.4	4.3	3.7			1,582.1
Western Asset Mgmt.	6.1	4.4	5.2	3.7	7.7	4.9	1,609.2
Semi-Passive Managers							
BlackRock Financial Mgmt.	4.6	4.4	4.0	3.7	5.5	4.9	1,911.0
Goldman Sachs Asset Mgmt.	4.8	4.4	4.3	3.7	6.0	4.9	2,549.6
Neuberger Investment Mgmt.	4.6	4.4	4.0	3.7	6.4	4.9	2,526.2
Aggregate Bond Pool (1)	5.0	4.4	4.5	3.7	6.6	4.9	13,969.7
Asset Class Target							
Barclays Capital Aggregate		4.4		3.7		4.9	

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

Investment Pools

target by 0.4 percentage point over the ten year period ending June 30, 2014. Four of the five active managers outperformed the benchmark while one underperformed for the fiscal year. All semi-passive managers outperformed the benchmark for the fiscal year.

Individual manager performance is shown in Figure 13.

Aggregate portfolio sector and portfolio characteristics are shown in Figure 14.

Figure 12 shows historical performance for the entire pool.

Figure 14.

Bond Pool Sector Weights* As of June 30, 2014

	Active Managers %	Semi-Passive Managers %	Aggregate Bond Pool %	Barclays Capital Benchmark %
Treasury	17.5	30.9	24.2	35.6
Government-Related	0.8	3.4	2.1	3.6
Corporate	27.0	26.3	26.6	23.2
U.S. Mortgage	30.3	27.6	29.0	28.6
Commercial Mortgage	5.3	5.5	5.4	2.2
Asset Backed	4.0	2.3	3.1	0.5
Municipal	0.2	0.4	0.3	0.0
Other	14.9	3.6	9.3	6.3

* May not equal 100% due to rounding.

Portfolio Characteristics As of June 30, 2014

	Active Managers %	Semi-Passive Managers %	Aggregate Bond Pool %	Barclays Capital Benchmark %
Average Quality	AA-	AA	AA-	AA
Average Yield to Maturity	2.41	2.15	2.28	2.13
Effective Duration**	4.84	5.31	5.08	5.36
Weighted Average Life***	7.2 Yrs.	7.2 Yrs.	7.2 Yrs.	7.1 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.

Investment Pools

International Stock Pool

The International Stock Pool is used by the Combined Funds, the International Share Account and the international portion of the Volunteer Firefighter Account in the Supplemental Investment Fund.

The following are the dollar values as of June 30, 2014 of each fund's participation in the International Stock Pool:

Combined Funds	\$9.3 billion
International Share Account	\$210 million
Volunteer Firefighter Account	\$4 million

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 2014, approximately 44% of the Pool was actively managed by a group of eight external managers with portfolios ranging in size from \$317 million to over \$847 million. Six of these managers manage portfolios in the developed markets and two 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 2014, 13% of the Pool was

semi-passively managed by a group of three external managers with portfolios ranging in size from \$334 million to \$546 million.

- **Passive Management.** The target is to have at least 25% of the International Stock Pool managed passively. At the end of fiscal year 2014, approximately 43% of the International Stock Pool was passively managed by a single manager in two separate portfolios, one a developed markets equity index account and the other an emerging markets equity index account, with \$3.8 billion and \$334 million respectively.

The goal of the International Stock Pool is to outperform the asset class target, which is the MSCI ACWI ex USA Index (net). 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 2014, 80% of the International Stock Pool was invested in the developed markets and 20% was invested in the emerging markets.

Six of the eight **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 the value added to the MSCI World ex USA Index (net) 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.

Two of the eight **active** managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Index (net) which is made up of markets in developing countries throughout the world.

The **passive** manager in the International Stock Pool designs one of its portfolios to consistently and inexpensively track the MSCI World ex USA Index (developed markets) and designs the other portfolio to track the MSCI Emerging Markets Index (net).

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

FY 2014 Changes

During fiscal year 2014, there were no changes to the International Stock Pool.

Investment Pools

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 its best ideas for outperforming the index.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2014. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

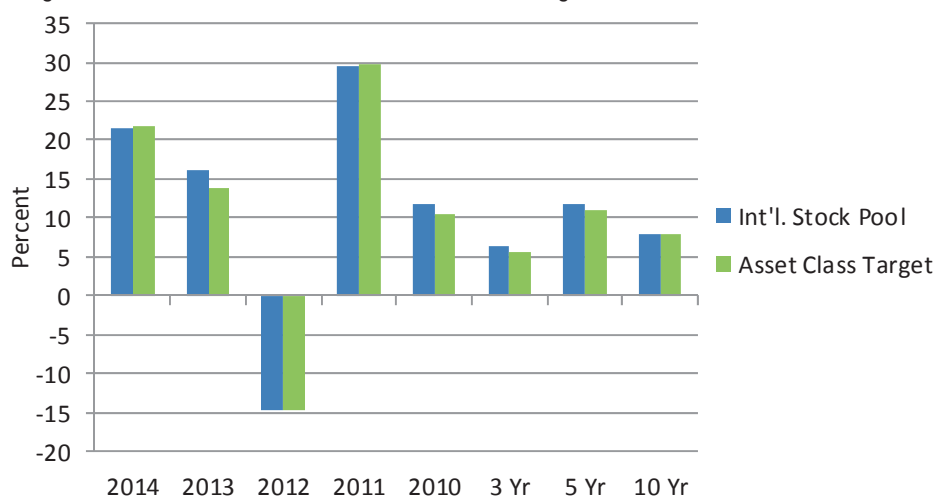
The Board's *return objectives* for the International Stock Program are stated relative to the Morgan Stanley Capital International (MSCI) Standard indices.

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 0.2 percentage point and performance over the last five year period exceeded the benchmark by 0.6 percentage point. The Pool underperformed the target by 0.3 percentage point for the fiscal year.

Individual manager performance during fiscal year 2014 is shown in Figure 16. The relative performance of the active managers was mixed. Two out of six active developed markets managers outperformed while four underperformed their respective benchmarks for the year. The two active emerging markets managers underperformed their benchmark, the MSCI Emerging Markets Index (net). Two out of three semi-passive developed

Figure 15. Int'l. Stock Pool Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.
Int'l. Stock Pool	21.4%	16.1%	-14.7%	29.6%	11.7%	6.3%	11.7%	8.0%
Asset Class Target*	21.7	13.7	-14.6	29.7	10.4	5.7	11.1	7.8

* MSCI ACWI ex USA (net) since 10/1/03. Composite of EAFE-Free and Emerging Markets Free from 5/1/96 through 9/30/03.

Investment Pools

markets managers outperformed their benchmark. Finally, the developed markets passively managed portion of the program matched the return of the MSCI World ex USA Index (net). The emerging markets passively managed portion of the program matched the return of the MSCI Emerging Markets Index (net).

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

Figure 16. International Manager Performance For Period Ending June 30, 2014

	1 Year		3 Years		5 Years		Market Value (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
<u>Active Managers</u>							
Developed Mkts (MSCI World ex USA net)							
Acadian Asset Mgmt.	28.7	23.8	9.8	7.6	14.1	11.7	400.7
Columbia Mgmt. Investment Advisers, LLC	17.5	23.8	7.3	7.6	12.5	11.7	359.4
J.P. Morgan Investment Mgmt. Co.	21.0	23.8	7.4	7.6	12.1	11.7	317.0
Marathon Asset Management	24.2	23.8	10.9	7.6	14.4	11.7	791.7
McKinley Capital Management	22.3	23.8	8.5	7.6	12.6	11.7	317.2
Pyramis Global Advisors Trust Co.	20.8	23.8	9.3	7.6	13.5	11.7	370.6
<u>Semi-Passive Managers</u>							
Developed Mkts (MSCI World ex USA net)							
AQR Capital Management	23.4	23.8	8.5	7.6	13.3	11.7	366.2
Pyramis Global Advisors Trust Co.	24.1	23.8	8.5	7.6	12.6	11.7	545.6
State Street Global Advisors	25.9	23.8	7.3	7.6	11.5	11.7	334.2
<u>Active Managers</u>							
Emerging Mkts (MSCI Emerging Markets net)							
Capital International, Inc.	13.3	14.3	-2.9	-0.4	6.8	9.2	769.1
Morgan Stanley Investment Mgmt.	12.0	14.3	2.3	-0.4	10.3	9.2	847.0
<u>Passive Managers</u>							
Developed Mkts (MSCI World ex USA net)							
State Street Global Advisors	24.3	23.8	7.9	7.6	12.2	11.7	3,780.8
<u>Passive Managers</u>							
Emerging Mkts (MSCI Emerging Markets net)							
State Street Global Advisors	14.3	14.3					317.1
Aggregate International Stock Pool (1)	21.4	21.7	6.3	5.7	11.7	11.1	9,516.8
Asset Class Target							
MSCI ACWI ex USA (net)		21.7		5.7		11.1	

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

Figure 17.

**International Stock Pool
Aggregate Country Weights
As of June 30, 2014**

Country	Pool Weights* %	Benchmark Weights** %
Australia	4.8	5.5
Austria	0.5	0.2
Belgium	1.0	0.9
Brazil	1.6	2.3
Canada	7.2	7.6
Chile	0.2	0.3
China	1.4	3.9
Colombia	0.2	0.2
Czech Republic	0.1	0.1
Denmark	1.4	1.1
Egypt	0.0	0.0
Finland	0.7	0.6
France	6.6	7.2
Germany	6.4	6.6
Greece	0.1	0.2
Hong Kong	2.5	2.0
Hungary	0.1	0.0
India	2.0	1.5
Indonesia	0.3	0.5
Ireland	0.4	0.2
Israel	0.2	0.4
Italy	1.5	1.9
Japan	15.3	14.4
Korea	2.7	3.3
Malaysia-EM	0.6	0.8
Mexico	1.1	1.1
Netherlands	2.6	1.9
New Zealand	0.1	0.1
Norway	0.6	0.6
Peru	0.0	0.1
Philippines	0.4	0.2
Poland	0.3	0.4
Portugal	0.2	0.1
Qatar	0.0	0.1
Russia	0.5	1.1
Singapore	0.8	1.0
South Africa	0.8	1.6
Spain	2.3	2.6
Sweden	2.1	2.2
Switzerland	6.3	6.4
Taiwan	1.5	2.6
Thailand	0.6	0.5
Turkey	0.1	0.4
United Arab Emirates	0.0	0.1
United Kingdom	15.3	15.3
USA	1.2	N/A
Non-Benchmark Countries	4.8	N/A
Miscellaneous Accounting Entries	0.4	N/A
Total***	100.0	100.0

* Grouped by country of incorporation. Source State Street Bank.

** Benchmark is the MSCI ACWI ex USA Index (net). Source Factset.

*** Totals may not add due to rounding.

Investment Pools

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 alternative assets 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 may be up to 35% of the total market value of the Combined Funds. A breakdown of the Pool by segment is shown in Figure 18. The SBI does not establish an allocation target for each segment. As of June 30, 2014, the market value of current alternative investments was \$7.5 billion, or 12.6% of the Combined Funds.

Descriptions of each of the 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 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 2014, the SBI did not commit to any new real estate funds. 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 2014, the SBI approved and closed on commitments with Banc Funds, Strategic Partners, CVC, GTCR, IK Investment Partners, Lexington Capital Partners, Merced Partners, Nordic Capital, Permira, PPC and Varde. 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 2014, the SBI approved and closed on commitments with EIG, Energy & Minerals Group, Energy Capital Partners and First Reserve. The SBI will continue to review resource investments for possible inclusion in the pool.

Yield-Oriented

The strategy for yield-oriented investments is to 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.

No new investments in yield-oriented funds were closed during fiscal year 2014. The SBI will continue to review yield-oriented investment opportunities for inclusion in the pool.

Investment Performance

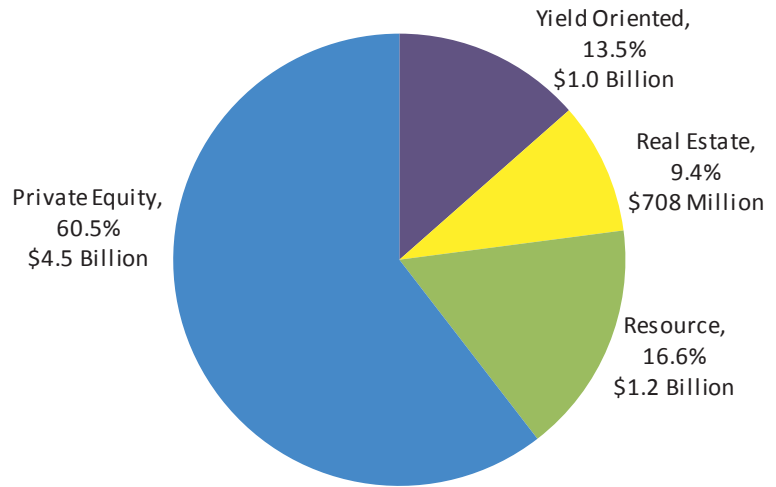
The SBI reviews performance of its alternative investments relative to inflation, as measured by changes in the Consumer Price Index (CPI). For the fiscal year ending June 30, 2014, the Alternative Investment Pool provided a positive contribution

Investment Pools

to overall fund performance for the Combined Funds. The Pool provided an 18.9% return in fiscal year 2014 and has provided a 15.5% return annualized over the past ten years. Performance of the Alternative Investment Pool is shown in Figure 19 for the period ending June 30, 2014.

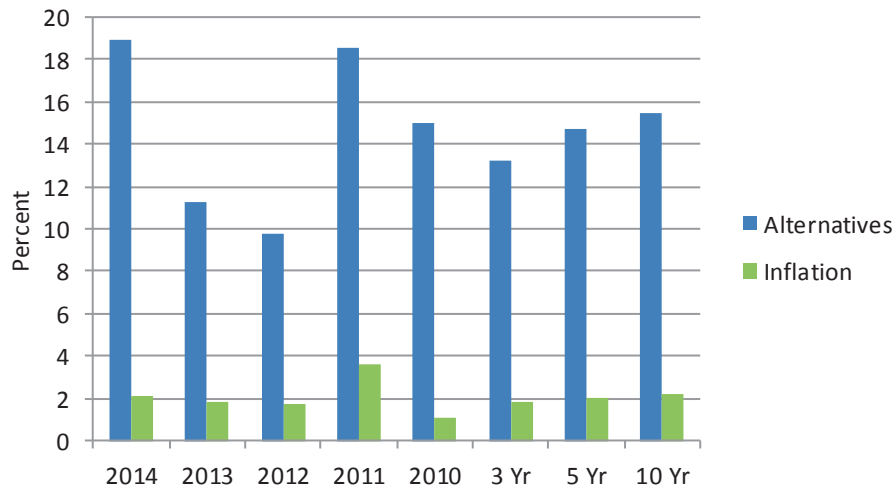
At this time, benchmarks have not been established for the alternative investment fund managers. The long-term nature of these investments and the lack of comprehensive data on the returns provided by the alternative investment markets preclude comprehensive performance evaluation. In the future, as 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, 2014*



* Totals may not add due to rounding.

Figure 19. Alternative Investment Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
Alt. Investments	18.9%	11.3%	9.8%	18.6%	15.0%	13.2%	14.7%	15.5%
Inflation	2.1	1.8	1.7	3.6	1.1	1.8	2.0	2.2

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, 2014, the market value of the entire Fund was \$1.8 billion.

The Supplemental Investment Fund (SIF) provides investment vehicles for a variety of retirement plans. It provides some or all of the investment options for the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan, Hennepin County Supplemental Retirement Plan, Health Care Savings Plan and the St. Paul Teachers Retirement Fund Association. 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 available only for those local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan. Local entities that participate in this Plan must have all their assets invested in the Volunteer Firefighter Account.

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.

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 high quality fixed income portfolio and includes a portfolio of stable value instruments, 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 is a function of the income and capital appreciation (or depreciation) generated by the securities in the Accounts.

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.

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.

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, 2014 is shown by Account in Figure 21 and by Plan in Figure 22.

Figure 21. Composition by Account as of June 30, 2014

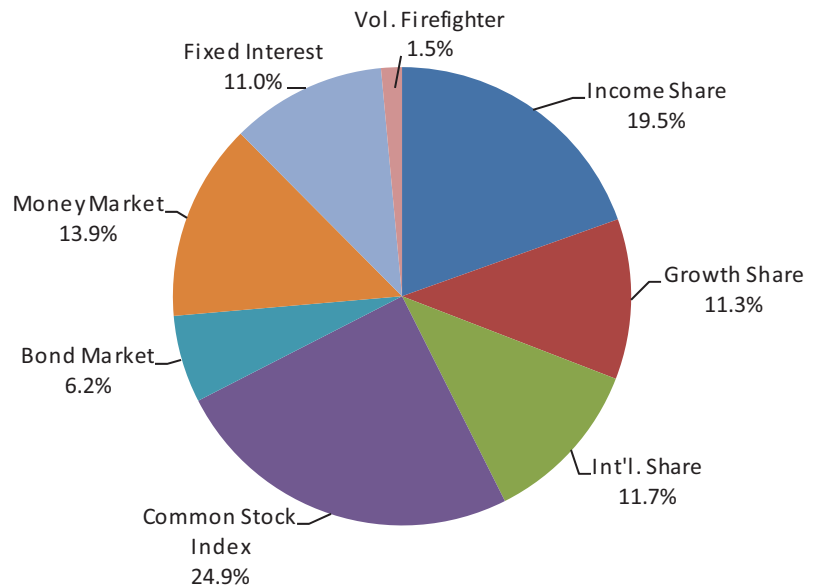
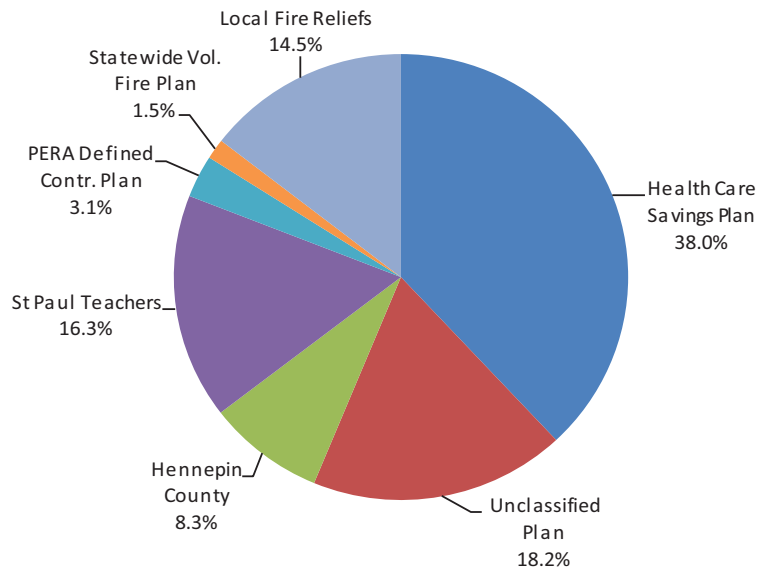


Figure 22. Participation by Plan as of June 30, 2014



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 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 2014, the value of the Income Share Account was \$350 million.

Management

The Income Share Account's investment management structure combines internal and external management. Prior to July 1, 2014, the SBI staff managed the bond holdings in the Account. The fixed income assets are now invested in the Bond Market Account, which includes managers retained by the SBI. The common stock segment is managed externally as part of a passively managed index portfolio of the Domestic

Stock Pool designed to track the returns of the Russell 3000 Index. The manager for this portion of the Account is BlackRock Institutional Trust Co. The cash portion of the Account is managed by State Street Global Advisors.

Performance

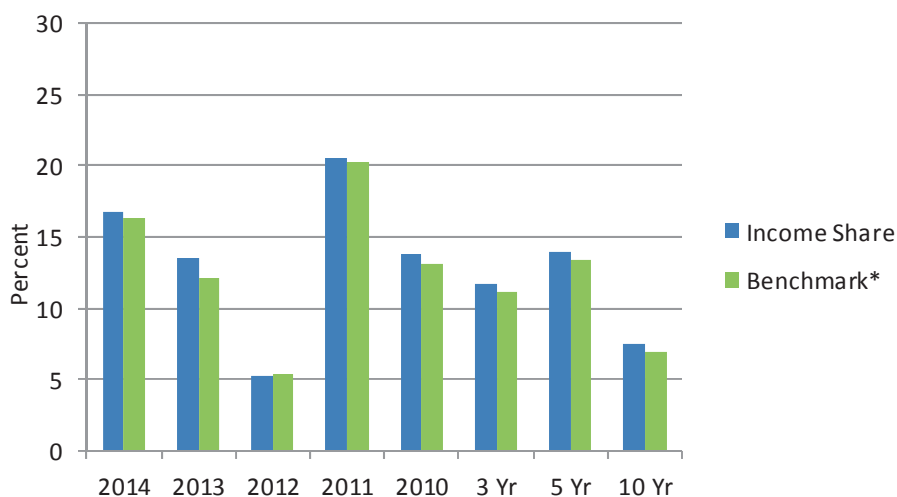
As with the other SBI funds which use a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— **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 cash manager for the Account is expected to exceed the performance of 3 month U.S. Treasury bills.

The Income Share Account provided a return of 16.7% for fiscal year 2014, exceeding its benchmark by 0.4 percentage point. Over the most recent ten years, the Income Share Account exceeded its benchmark by 0.6 percentage point. Figure 23 shows a history of performance results.

Figure 23. Income Share Account Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.
Income Share	16.7%	13.5%	5.3%	20.6%	13.8%	11.7%	13.9%	7.5%
Benchmark*	16.3	12.2	5.4	20.3	13.1	11.2	13.4	6.9

* 60% Russell 3000/35% Barclays Capital Aggregate Bond Index/5% T-Bills Composite since 10/1/03.

Supplemental Investment Fund

Growth Share Account

Objective

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

At the close of fiscal year 2014, the value of the Growth Share Account was \$203 million.

Management

The assets of the Growth Share Account are invested by the external active and semi-passive domestic equity managers of the Domestic Stock Pool. 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

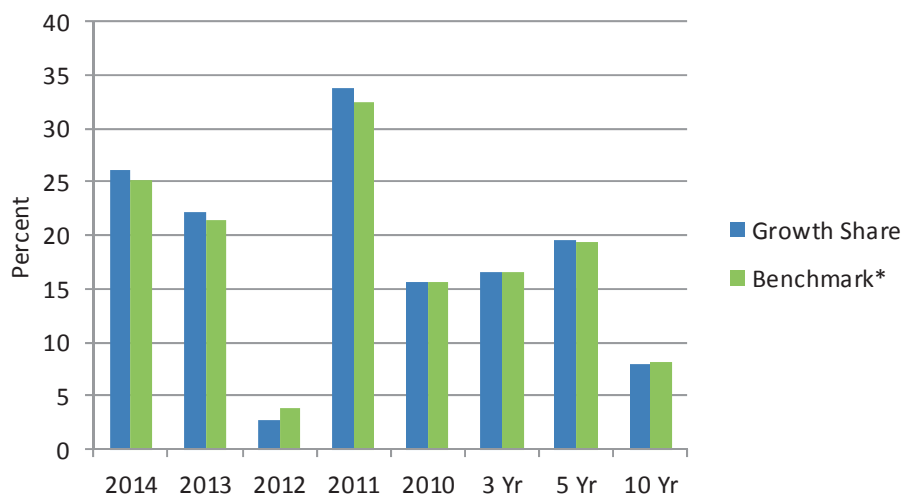
As with the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

- **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 26.1% for the fiscal year, outperforming its benchmark by 0.9 percentage

point. Over the last ten year period, the Account trailed its benchmark by 0.2 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, 2014



	Annualized							
	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.
Growth Share	26.1%	22.1%	2.7%	33.8%	15.6%	16.5%	19.6%	8.0%
Benchmark*	25.2	21.5	3.8	32.4	15.7	16.5	19.3	8.2

* Russell 3000 since 10/1/03.

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 of the assets of the Account to passively managed domestic stocks.

At the end of fiscal year 2014, the Account had a market value of \$445 million.

Management

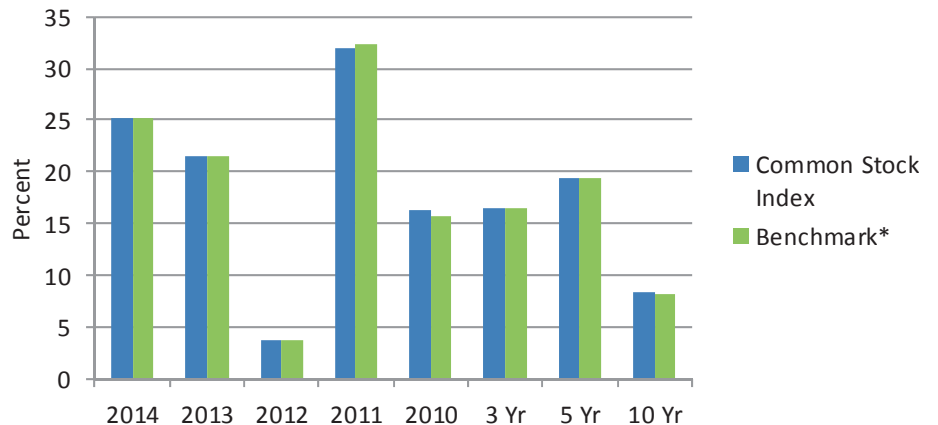
The Account participates in the passive portfolio of the Domestic Stock Pool which is managed by BlackRock Institutional Trust Co.

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 tracked the Russell 3000 Index for the fiscal year and closely tracked over longer periods as shown in Figure 25.

Figure 25. Common Stock Index Account Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
Stock Index	25.2%	21.5%	3.8%	32.0%	16.2%	3 Yr.	5 Yr.	10 Yr.
Benchmark*	25.2	21.5	3.8	32.4	15.7	16.4%	19.4%	8.3%

* Russell 3000 since 10/1/03.

Supplemental Investment Fund

International Share Account

Objective

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S.

Typically, a majority of the Account is invested in the largest international markets (United Kingdom, Japan, Canada, France, Germany, and Switzerland). A large share is invested in other well established markets in Europe and the Pacific region. In addition, at the end of fiscal year 2014, approximately twenty 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 2014, the Account had a market value of \$210 million.

Management

The structure of the International Share Account combines active, semi-passive, and passive management. Approximately forty-four 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. About forty-three percent of the Account is passively managed to approximate closely the returns of the international markets. The remainder of the Account is semi-passively managed to add incremental value over the index return by investing in broadly diversified

portfolios of stocks in the developed and emerging markets. Overall, the account is designed to consistently track the return of the MSCI ACWI ex USA Index (net), a developed and emerging markets index. The Account uses the same managers used by the Combined Funds in the International Stock Pool.

Performance

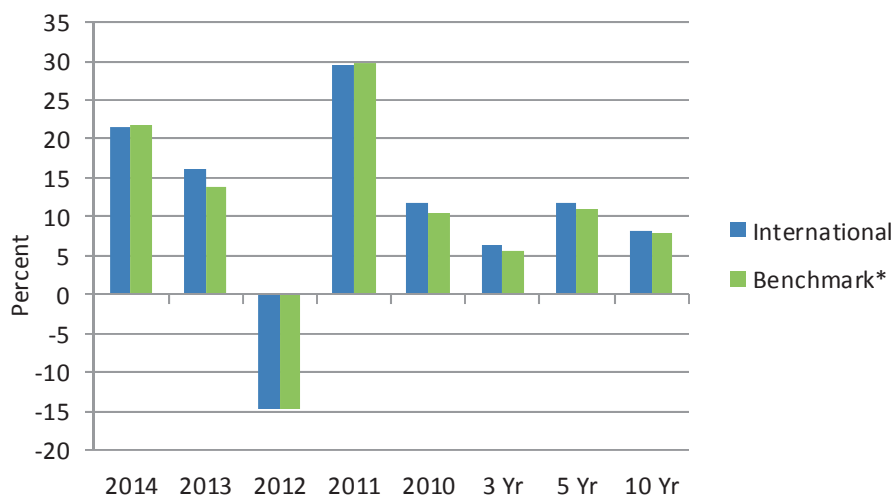
The Board evaluates the performance of the International Share Account on two levels:

- **Total Account.** The International Share Account is expected to exceed the returns of the MSCI ACWI ex USA Index (net).
- **Individual Manager.** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

During fiscal year 2014, the International Share Account produced a return of 21.4%, which trailed the MSCI ACWI ex USA Standard Index by 0.3 percentage point. Over the most recent ten year period, the International Share Account exceeded its benchmark by 0.3 percentage point.

See the discussion on performance of the international managers 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, 2014



	2014	2013	2012	2011	2010	Annualized		
Int'l. Share	21.4%	16.1%	-14.7%	29.6%	11.7%	3 Yr. 6.3%	5 Yr. 11.7%	10 Yr. 8.1%
Benchmark*	21.7	13.7	-14.6	29.7	10.4	5.7	11.1	7.8

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

Supplemental Investment Fund

Bond Market Account

Objective

The objective of the Bond Market Account is to earn returns 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 2014, the market value of the Account was \$110 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. Historically, however, 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:

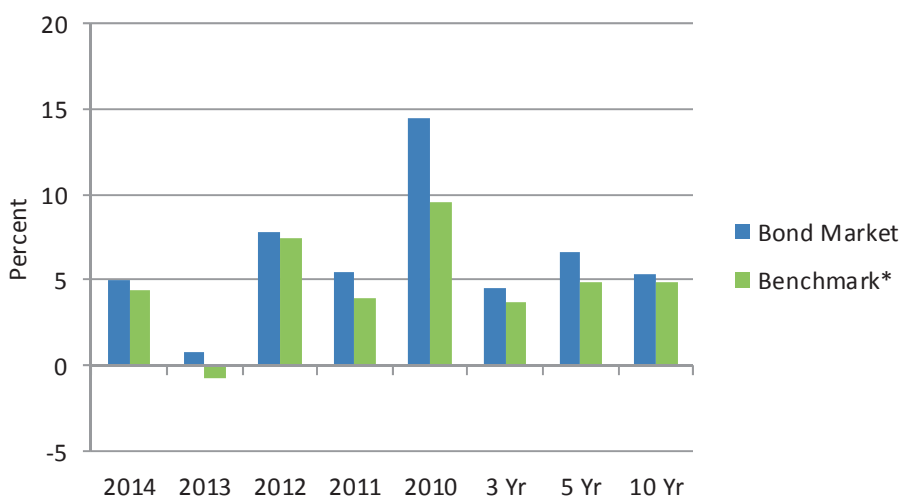
- **Total Account.** The Account is expected to exceed the returns of the Barclays Capital Aggregate Bond Index.

- **Individual Manager.**

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

For fiscal year 2014, the Bond Market Account produced a return of 5.0%, which was 0.6 percentage point above the Barclays Capital Aggregate benchmark. For the most recent ten year period, the Account exceeded its benchmark by 0.4 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, 2014



	2014	2013	2012	2011	2010	Annualized		
Bond Market	5.0%	0.8%	7.8%	5.5%	14.5%	4.5%	6.6%	5.3%
Barclays Cap. Agg.	4.4	-0.7	7.5	3.9	9.5	3.7	4.9	4.9

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 2014, the Money Market Account had a market value of \$249 million.

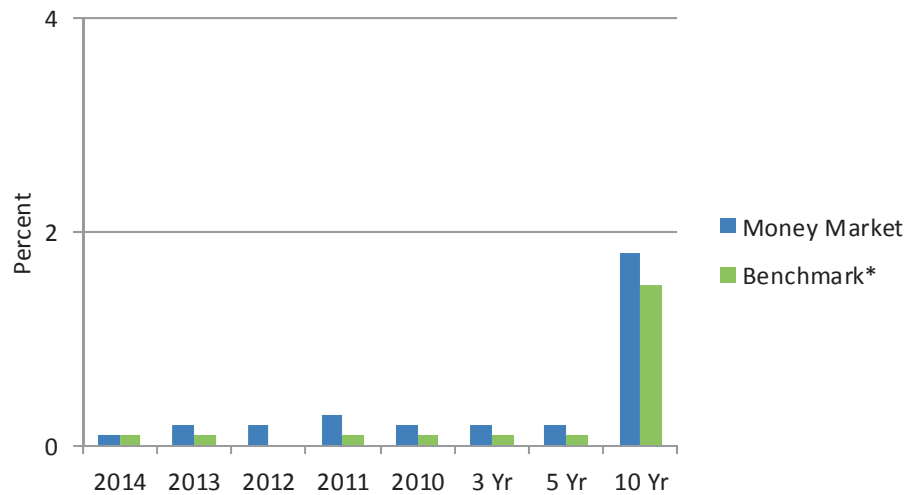
Management

The Account uses the same cash manager as the Combined Funds, which is State Street Global Advisors.

Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account matched the performance of the 3 month U.S. Treasury Bills for fiscal year 2014 with a 0.1% return. 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, 2014



	Annualized								
	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.	
Money Market	0.1%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	1.8%	
3 Month T-Bills	0.1	0.1	0.0	0.1	0.1	0.1	0.1	1.5	

Supplemental Investment Fund

Fixed Interest Account

Objective

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

At the end of fiscal year 2014, the Account totaled \$196 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.

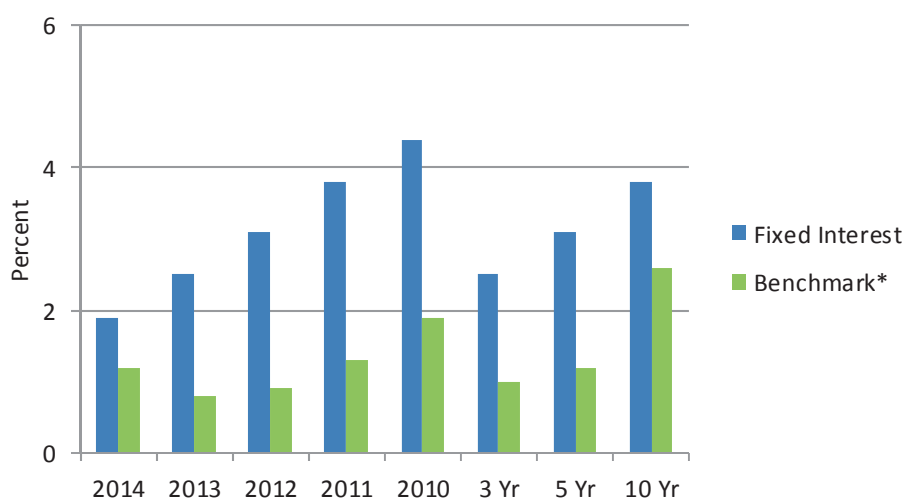
The manager for the Account is Galliard Capital Management, a subsidiary of Wells Fargo Bank.

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 2014, the Fixed Interest Account provided a return of 1.9%, which was 0.7 percentage point above its benchmark. Over the most recent ten year period, the Fixed Interest Account exceeded its benchmark by 1.2 percentage points.

Figure 29. Fixed Interest Account Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
Fixed Interest	1.9%	2.5%	3.1%	3.8%	4.4%	2.5%	3.1%	3.8%
Benchmark*	1.2	0.8	0.9	1.3	1.9	1.0	1.2	2.6

* 3 Year Constant Maturity Treasury plus 45 basis points.

Supplemental Investment Fund

Volunteer Firefighter Account

Objective

The investment objective of the Volunteer Firefighter Account is to earn a high rate of return from both capital appreciation (increases in market value) and current yield (dividends from stocks 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 similar potential and 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 2014, the value of the Account was \$26 million.

Management

The Account's investment management structure combines active and passive management. The domestic stock segment is managed as part of the passively managed index fund within the Domestic Stock Pool 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:

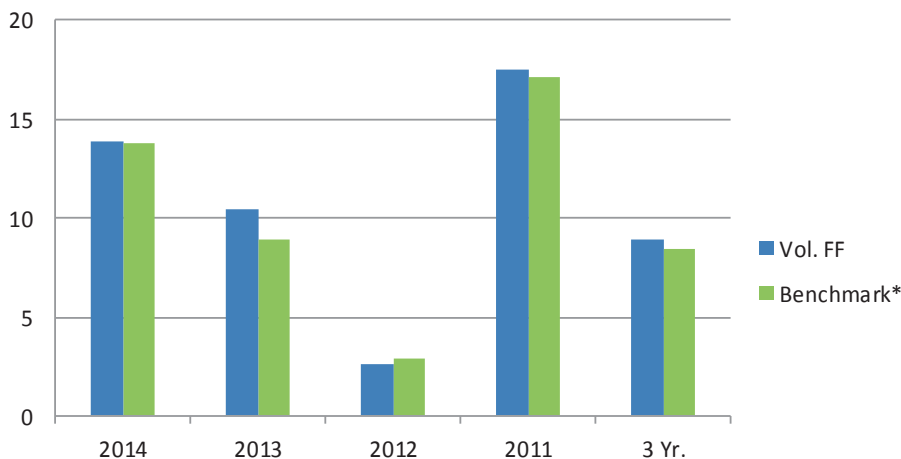
— **Total Account.** The Volunteer Firefighter Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long-term asset allocation.

— **Individual Manager.** The passive domestic stock and passive international stock managers are expected to closely track the performance of their respective benchmarks. The performance objectives of the individual international equity and bond managers are described in their respective sections of this report.

The Volunteer Firefighter Account was established January 1, 2010. The Account provided a return of 13.9% for the year ending June 30, 2014 and exceeded its composite benchmark by 0.1 percentage point.

Figure 30 shows a history of the Account's performance results.

Figure 30. Volunteer Firefighter Account Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	3 Yr.
Volunteer Firefighter	13.9%	10.4%	2.6%	17.5%	8.9%
Benchmark*	13.8	8.9	2.9	17.1	8.4

* 35% Russell 3000, 15% MSCI ACWI ex USA (net), 45% Barclays Capital Aggregate, 5% 3 month T-Bills.

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, 2014 the market value of the State Deferred Compensation Plan was \$5.6 billion.

Program Structure

The State Deferred Compensation Plan offers plan participants three sets of investment options. The first is a set of actively and passively managed options that includes four mutual funds, a money market account, a fixed interest account and five passively managed mutual funds. The second is a set of target date funds called Minnesota Target Retirement Funds. The third is a self-directed brokerage account window which offers thousands 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**

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

- **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 Global Advisors (SSgA.)

- **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 a lower cost investment program that satisfies their needs.

- **Large-Cap Equity**

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

State Deferred Compensation 457b Plan

- **Mid-Cap Equity**

This option invests in companies with medium market capitalizations that track the CRSP U.S. Mid-Cap Index. The fund currently offered is the Vanguard Mid Capitalization Index Institutional Fund.

currently offered by State Street Global Advisors (SSgA.)

Performance results for the mutual fund investment options for fiscal year 2014 are shown in Figures 31 and 32.

- **Balanced Fund**

This option is a mix of stocks and bonds. The fund is expected to track a weighted benchmark of 60% CRSP U.S. Total 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 FTSE Global All Cap ex U.S. Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund currently offered is the Vanguard Total International Stock Index Fund.

Minnesota Target Retirement Funds

The plan offers a range of target date funds, which are diversified options with allocations that change over time to reduce risk and become more conservative as the target retirement date approaches. The funds are

State Deferred Compensation 457b Plan

Figure 31. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2014 (1) (2)

	1 Year		3 Years		5 Years		Market Value (3) (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
Actively Managed							
Janus Twenty (S&P 500)	26.3	24.6	14.8	16.6	14.3	18.8	526.2
T. Rowe Price Small-Cap Stock (Russell 2000)	24.0	23.6	15.9	14.6	23.2	20.2	618.6
Fidelity Diversified International (MSCI EAFE)	23.0	23.6	8.7	8.1	12.1	11.8	296.6
Dodge & Cox Income Fund (Barclays Capital Aggregate)	6.6	4.4	4.9	3.7	6.6	4.9	198.7
SIF Money Market (3 Month T-Bills)	0.1	0.1	0.2	0.1	0.2	0.1	66.5
SIF Fixed Interest Account (3 year Constant Maturity Treasury +45 basis points)	1.9	1.2	2.5	1.0	3.1	1.2	1,352.9
Passively Managed							
Vanguard Institutional Index (S&P 500)	24.6	24.6	16.6	16.6	18.8	18.8	925.7
Vanguard Mid-Cap Index (CRSP US Mid-Cap)	26.3	26.3	15.4	15.5	22.0	22.1	390.5
Vanguard Total International Stock Index (FTSE Global All Cap ex US)	22.5	22.8					159.4
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Aggregate)	16.4	16.6	11.4	11.5	13.7	13.7	647.6
Vanguard Total Bond Market Index (Barclays Capital Aggregate)	4.3	4.4	3.6	3.7	4.8	4.9	172.3

- (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 are reported net of investment management fee, but do not include the MSRS administrative fee.
- (3) Market value of SBI participation in fund.

State Deferred Compensation 457b Plan

Figure 32. State Deferred Compensation Plan (457b Plan) For Fiscal Year Ending June 30, 2014 (1) (2)

	1 Year		3 Years		Market Value (3) (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	
MN Target Retirement Funds					
Income Fund	9.8	9.9	6.7	6.8	30.0
2015 Fund	10.6	10.7	8.0	8.2	32.9
2020 Fund	13.9	14.0	10.2	10.3	54.2
2025 Fund	16.6	16.7	11.5	11.6	40.8
2030 Fund	18.3	18.4	12.2	12.3	23.0
2035 Fund	19.6	19.7	12.6	12.7	17.9
2040 Fund	20.7	20.8	12.5	12.6	11.2
2045 Fund	21.8	21.9	12.6	12.7	7.4
2050 Fund	22.0	22.1	12.7	12.7	5.0
2055 Fund	22.0	22.1	12.6	12.7	2.3
2060 Fund	22.0	22.1	12.7	12.7	2.9

Note: Managed by SSgA, each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation. The underlying index funds are listed below.

SSgA Index Funds

S&P 500 Index Fund (S&P 500)	24.6	24.6	16.6	16.6	
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)	27.3	27.4			
DJ-UBS Roll Select Commodity Index Fund (DJ-UBS Roll Select Commodity Index)	8.5	8.9			
Global All Cap Equity ex US Index Fund (MSCI ACWI ex USA IMI)	22.7	22.3	6.2	5.9	
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	13.6	12.8	9.9	9.1	
Long Government Bond Index Fund (Barclays Capital Long Government)	6.4	6.4	8.6	8.7	
Bond Index Fund (Barclays Capital Aggregate)	4.4	4.4	3.6	3.7	
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	4.4	4.4	3.5	3.6	
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	12.3	12.0	9.3	9.5	
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	1.0	1.1	1.8	1.0	

(1) Target Retirement Funds inception date is July 2011.

(2) Returns are reported net of investment management fee, but do not include the MSRS administrative fee.

(3) Market value of SBI participation in fund.

Minnesota State College Savings Plan

The Minnesota College Savings Plan is an education savings plan designed to help families set aside funds for future college costs. It is established under the provisions of the Internal Revenue Code Section 529, which authorized these types of savings plans to help families meet the costs of qualified colleges nationwide. On June 30, 2014, the market value of the Plan was just under \$1.2 billion.

Program Structure

The Minnesota Legislature authorized establishment of the Minnesota College Savings Plan (the Plan) in 1997 and in 2001 the Plan was launched. The State Board of Investment (SBI) is responsible for the investments and the Minnesota Office of Higher Education (OHE) is responsible for the overall administration of the Plan. The SBI and OHE have contracted jointly with TIAA-CREF Tuition Financing, Inc. (TFI) to provide administrative, marketing, communication, recordkeeping and investment management services.

In 2014 SBI staff worked with the Minnesota Office of Higher Education (OHE) in a Request for Proposal process to find the most competitive plan in the national 529 marketplace. The SBI and OHE re-newed a five year contract with TIAA-CREF Tuition Financing Inc. (TFI). The re-launch of the Plan occurred in August 2014 and included a significant reduction in the Plan Management Fee and additional investment options.

Objective

The objective of the Plan is to be competitive in the market place by providing quality investment options with low fees to its participants. The Plan is a

direct-sold plan (i.e. may be purchased directly without an investment advisor) and offers six Age-Based Managed Allocation Options along with six Static Investment Options. The Plan has both active and passive management through TIAA-CREF's mutual funds. While all options are priced daily, participants may re-allocate their investment only once per calendar year.

- **Age Based Managed Allocation Option**

This investment option seeks to align the investment objective and level of risk to the investment horizon by taking into account the beneficiary's age and the number of years before the beneficiary turns 18 and is expected to enter college. Depending on the beneficiary's age, the assets contributed to this option are placed in one of six age bands. As the beneficiary ages, assets are moved from one age band to the next. The age bands for younger beneficiaries seek a favorable long-term return by investing in a high level of risk but greater potential for higher returns than more conservative investments. As a beneficiary nears college age, the age bands allocate less to equity and real estate and more to fixed-income and

money market securities to preserve capital.

- **International Equity Index Option**

This Investment Option seeks to provide a favorable long-term total return, mainly through capital appreciation. Approximately 80% of the fund is allocated to equity securities of issuers located in developed markets and 20% is allocated to equity securities of issuers located in emerging markets.

- **100% Equity Option**

This investment option seeks to provide a favorable long-term total return, mainly from capital appreciation, by allocating primarily in a blend of equity and real estate-related securities. Approximately 60% of the fund is allocated to US equity securities, 25% to equity issuers located in developed markets, 5% to equity securities of issuers located in emerging markets and 10% to real estate-related securities.

- **Balanced Option**

This investment option seeks to provide a favorable long-term total return by allocating to a balanced mix of domestic and foreign equity securities, fixed-income securities and real estate-related securities. Approximately 36% of the

Minnesota State College Savings Plan

fund is allocated to US equity securities; 15% to developed international equities; 3% to emerging markets equities; 6% to real estate; 30% to public, investment-grade, taxable bonds denominated in US dollars and 10% to inflation-linked bonds.

- **100% Fixed-Income Option**

This investment option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed income investments.

Approximately 75% of the fund is allocated to public, investment-grade, taxable bonds denominated in US dollars and 25% to inflation-linked bonds.

- **Money Market Option**

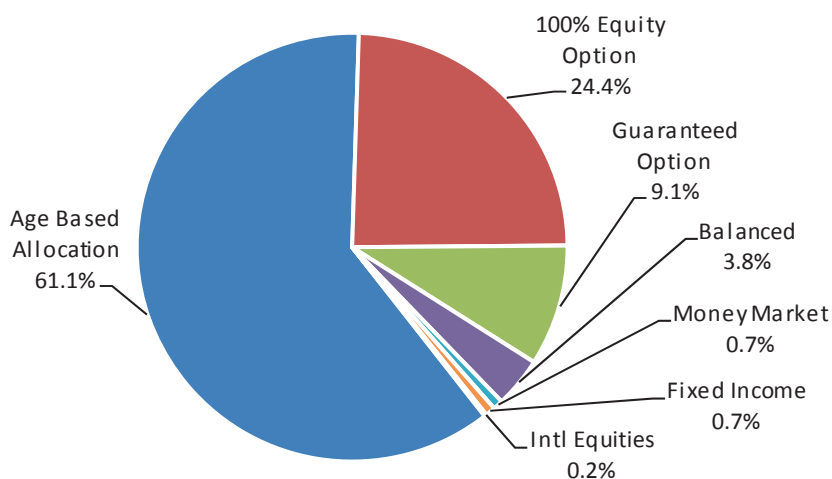
This investment option seeks to provide high current income consistent with preserving capital. All assets the fund are invested in high-quality, short-term money market instruments of both domestic and foreign issuers.

- **Guaranteed Option**

This investment option seeks to preserve capital and provide a stable return. The contributions into this investment option are invested in a Funding Agreement issued by TIAA-CREF Life. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life.

As of June 30, 2014, the Minnesota College Savings Plan distribution of assets is shown in Figure 33 and performance is shown in Figure 34.

Figure 33. MN College Savings Plan Assets by Investment Option as of June 30, 2014



Minnesota State College Savings Plan

Figure 34. Minnesota State College Savings Plan (529 Plan) For Fiscal Year Ending June 30, 2014(1)

	1 Year		3 Year		Market Value (2) (\$ in millions)
	Actual %	Bmk %	Actual %	Bmk %	
Managed Allocation Option					
Ages 0-3	18.9	19.2	11.3	11.7	\$16.7
Ages 4-7	15.9	16.3	9.8	10.2	72.6
Ages 8-11	13.2	13.5	8.2	8.8	177.2
Ages 12-14	11.3	11.6	7.2	7.8	164.7
Ages 15-17	7.8	7.8	5.1	5.4	155.3
Ages 18 & Over	5.0	5.1	3.4	3.7	123.8
100% Equity	22.6	23.1	13.1	13.6	283.6
International Equity	N/A	N/A	N/A	N/A	1.8
Balanced	14.9	15.4	9.0	9.8	44.1
100% Fixed Income	3.8	4.4	2.8	3.7	8.7
Money Market	0.0	0.0	0.0	0.0	8.7
Guaranteed Option (3)	1.3	0.0	1.6	0.0	106.2

Note: Managed by TIAA-CREF each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation. The underlying index funds are listed below.

TIAA-CREF Index Funds

T-C Equity Index Fund Russell 3000 Index	25.1	25.2	16.4	16.5
T-C International Equity Index Fund* Morgan Stanley EAFE Index	23.6	23.6	8.2	8.1
T-C Real Estate Securities Fund FTSE NAREIT Index	13.4	13.0	10.9	11.9
T-C Emerging Markets Equity Index Fund MSCI EM Index	14.3	14.3	-1.0	-0.4
T-C Bonds Index Fund Barclays Capital U.S. Agg. Bond Index	4.2	4.4	3.5	3.7
T-C Money Market Fund iMoneyNet Average All Taxable	0.0	0.0	0.0	0.0
T-C Short-Term Bond Fund BarCap Govt/Credit 1-3 Yr. Index	2.5	1.1	2.0	1.0

(1) Returns are reported net of investment management fees, Program Management Fees and State Administrative Fees.

(2) Market value of SBI participation in fund.

(3) The credit rating of 1.20% for the underlying Funding Agreement is guaranteed through 3/31/15.

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, 2014, the market value of the Plan's portfolio was \$302 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 current long term asset allocation targets for the Plan are as follows:

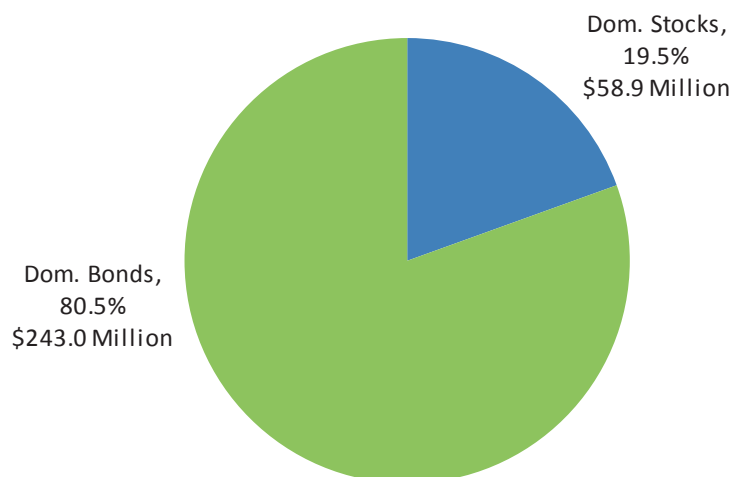
Domestic Stocks	20%
Domestic Bonds	80

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 35 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2014.

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 35. Assigned Risk Plan Asset Mix as of June 30, 2014



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, and security 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.

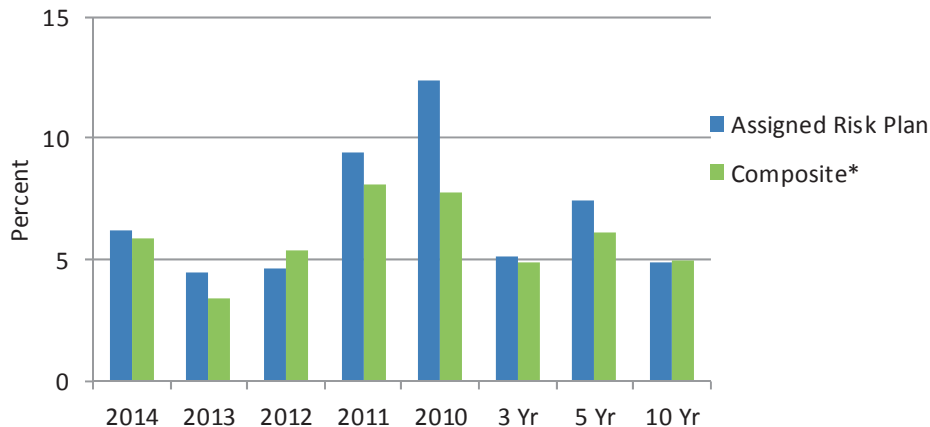
During fiscal year 2014, the *bond* segment matched its benchmark return. The *stock* segment outperformed its benchmark by 0.7 percentage point.

Overall, the Assigned Risk Plan provided a return of 6.2% for fiscal year 2014, exceeding its composite index by 0.3

percentage point. For the most recent three year and five year periods, the Plan outperformed its composite index by 0.2 and 1.3 percentage points, respectively, and underperformed by 0.1 percentage point over the ten year period.

Historical performance results are presented in Figure 36.

Figure 36. Assigned Risk Plan Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
	2014	2013	2012	2011	2010	3 Yr.	5 Yr.	10 Yr.
Total Fund	6.2%	4.5%	4.6%	9.4%	12.4%	5.1%	7.4%	4.9%
Composite Index*	5.9	3.4	5.4	8.1	7.8	4.9	6.1	5.0
Stock Segment	25.3	23.2	2.3	27.6	8.5	16.5	16.9	7.9
S&P 500	24.6	20.6	5.4	30.7	14.4	16.6	18.8	7.8
Bond Segment	1.5	-0.5	4.6	5.3	13.4	1.9	4.8	3.9
Benchmark	1.5	-0.6	5.0	2.9	5.9	2.0	2.9	4.0

* 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, 2014, the market value of the Fund was \$1.1 billion.

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.

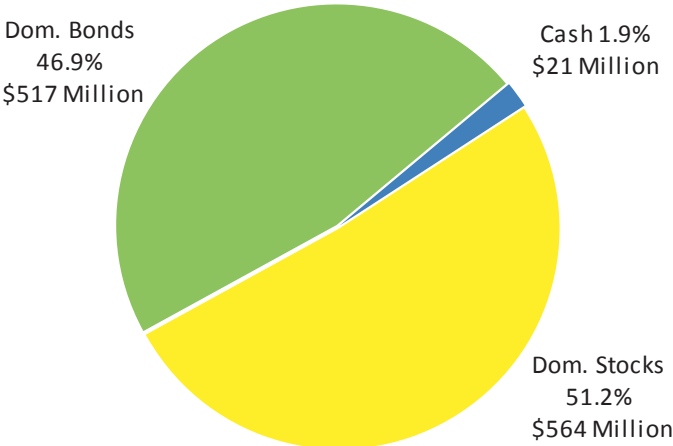
Prior to fiscal year 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, 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 37 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2014.

Figure 37. Permanent School Fund Asset Mix as of June 30, 2014



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 negative tracking error of 0.1 percentage point for the year compared to its benchmark, the S&P 500.

The *bond* segment outperformed its benchmark by 0.6 percentage point during the current fiscal year, primarily due to the overweight to the corporate sector and a short duration position relative to the benchmark.

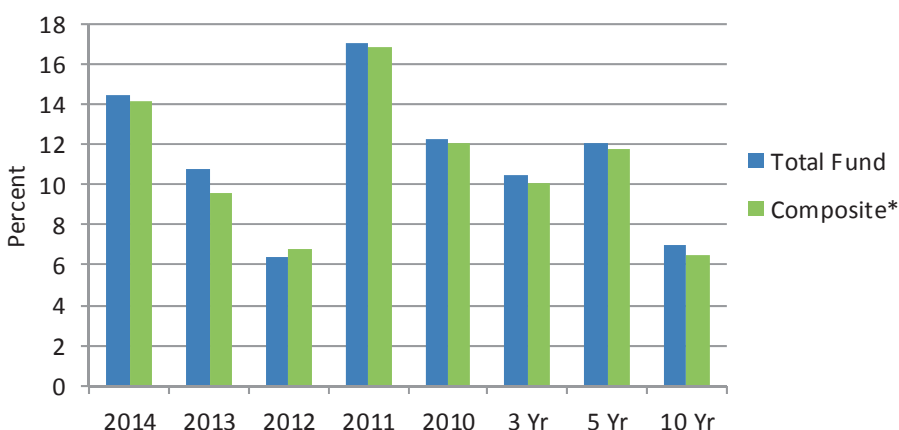
Overall, the Permanent School Fund provided a return of 14.4% for fiscal year 2014, outperforming its composite index by 0.3 percentage point. The Fund outperformed its composite index over the most recent three, five and ten year periods due to the incremental value added by bonds.

Total account results for the last three, five and ten years are shown in Figure 38.

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

Fiscal Year	Millions
2010	\$23
2011	\$23
2012	\$24
2013	\$25
2014	\$24

Figure 38. Permanent School Fund Performance for Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
Total Fund	14.4%	10.8%	6.4%	17.0%	12.3%	10.5%	12.1%	7.0%
Composite*	14.1	9.6	6.8	16.8	12.1	10.1	11.8	6.5
Stock Segment	24.5	20.5	5.5	30.8	14.2	16.5	18.8	7.8
S&P 500	24.6	20.6	5.4	30.7	14.4	16.6	18.8	7.8
Bond Segment	5.0	1.4	6.5	4.3	9.7	4.3	5.3	5.6
Barclays Agg.	4.4	-0.7	7.5	3.9	9.5	3.7	4.9	4.9

* 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, 2014, the market value of the Fund was \$842 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 39 presents the actual asset mix of the Fund at the end of fiscal year 2014.

Investment Management

SBI staff internally manages all assets of the Environmental Trust 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.

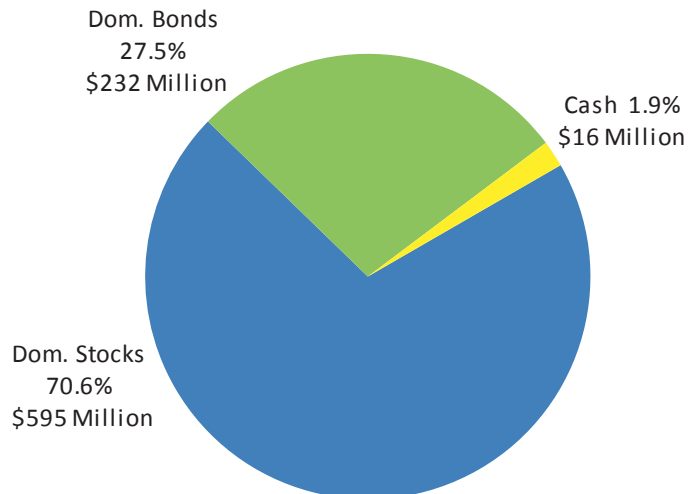
Bond Segment

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

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

Figure 39. Environmental Trust Fund Asset Mix as of June 30, 2014



Environmental Trust Fund

The *bond* segment outperformed its benchmark by 0.6 percentage points during the fiscal year, primarily due to the overweight to the corporate sector and a short duration position relative to the benchmark.

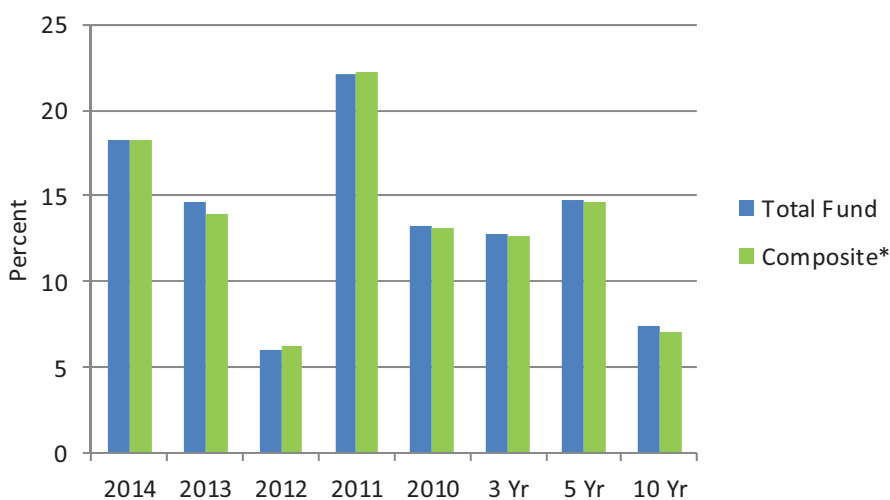
Overall, the Environmental Trust Fund provided a return of 18.3% for fiscal year 2014 and outperformed its composite index by 0.1 percentage point. The Fund outperformed its composite index over the most recent three, five and ten years due to the incremental value added by bonds.

Performance results are presented in Figure 40.

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

Fiscal Year	Millions
2010	\$26
2011	\$26
2012	\$25
2013	\$25
2014	\$34

Figure 40. Environmental Trust Fund Performance For Period Ending June 30, 2014



	2014	2013	2012	2011	2010	Annualized		
						3 Yr.	5 Yr.	10 Yr.
Total Fund	18.3%	14.6%	6.0%	22.1%	13.2%	12.8%	14.7%	7.4%
Composite*	18.2	13.9	6.3	22.2	13.1	12.7	14.6	7.1
Stock Segment	24.5	20.5	5.5	30.8	14.2	16.5	18.8	7.8
S&P 500	24.6	20.6	5.4	30.7	14.4	16.6	18.8	7.8
Bond Segment	5.0	1.4	6.5	4.3	9.7	4.3	5.3	5.6
Barclays Agg.	4.4	-0.7	7.5	3.9	9.5	3.7	4.9	4.9

* 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 of more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2014, the total value of these accounts was \$9.0 billion.

Most of the cash accounts are invested in a short-term pooled fund referred to as the Invested Treasurer's Cash Pool. It contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non-dedicated cash in the State Treasury.

Approximately \$265 million of assets are 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 Objectives

The investment objectives for investing the state cash accounts are to preserve capital, to meet the state's cash needs without the forced sale of securities at a loss, and to provide a level of current income consistent with the goal of preserving capital.

Asset Allocation

The SBI generates current income while preserving capital by investing all cash accounts in high quality, liquid, short-term investments. These include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, short term corporates, and certificates of deposit. The composition of the Pool as of June 30, 2014 is shown in

Figure 41. At the end of the fiscal year, the Pool had a current yield of 0.46% and a weighted average maturity of 289 days.

Investment Management

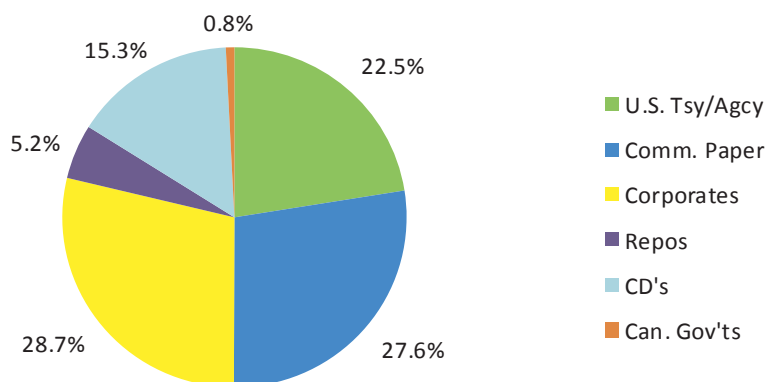
All state cash accounts are managed by SBI investment staff, and most of the assets of the cash accounts are invested in the Invested Treasurer's Cash Pool.

Investment Performance

The SBI measures the performance of the Invested Treasurer's Cash Pool against a benchmark which reflects the maturity structure of the pool.

For fiscal year 2014, the Treasurer's Cash Pool outperformed its benchmark, the IMoneyNet's All Taxable Money Fund Index, by 0.6 percentage point. Performance results are shown in Figure 42.

Figure 41. Invested Treasurer's Cash Fund Distribution as of June 30, 2014*



* Totals may not add due to rounding.

Figure 42. Invested Treasurer's Cash Pool Performance

	Period Ending 6/30/14			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Invested Treasurer's Cash Pool*	0.6%	0.5%	0.7%	2.3%
Custom Benchmark**	0.0	0.0	0.0	1.5
3 month T-Bills	0.1	0.1	0.1	1.5

* Actual returns are calculated net of fees.

** The Treasurer's Cash Pool is measured against the IMoneyNet, All Taxable Money Fund Report Average.

Cash Management and Related Programs

Securities Lending Program

The SBI participates in a securities lending program in which securities held by the SBI on behalf of the retirement systems 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 for the retirement systems of approximately \$25 million during fiscal year 2014.

Certificate of Deposit Program

The SBI manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The return SBI receives is based on CD rates quoted in the national market.

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 2014, the SBI purchased \$190.1 million of CD's from all Minnesota financial institutions.

Securities Repurchase Program

The SBI created the Securities Repurchase Program to help meet the increased needs of some banks throughout the state.

Under the program, the SBI temporarily buys securities such as Treasuries and Agencies from banks under a repurchase agreement (repo). At the end of the agreement period, the securities are returned to the selling banks ("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, and uses only the cash reserves of the retirement funds.

During fiscal year 2014, the SBI purchased \$17.5 million in repos from Minnesota financial institutions.

Legislative Investment Initiatives

Legislative Update

Laws of Minnesota 2014, Chapter 296, Article 6, provides for the consolidation of the Duluth Teachers' Retirement Fund Association (DTRFA) into the Teachers Retirement Fund (TRA) as of July 1, 2015 and authorizes the DTRFA to transfer assets to the State Board of Investment prior to December 31, 2014. The SBI is required to review the assets of the Duluth Teachers' Retirement Fund Association to ensure they are acceptable for inclusion in the Combined Funds.

Laws of Minnesota 2014, Chapter 296, Article 13, provides new language authorizing the State Board of Investment to determine and make available an appropriate array of diversified investment options in the Supplemental Investment Fund. The new language eliminates the reference to specific investment options from state statutes and increases the flexibility to offer additional investment options that may enhance participants' ability to reach their retirement plan goals.

Local Fire Fund Activity

Volunteer Fire Plans Investment

Volunteer firefighter retirement plans that are not eligible to be consolidated with PERA may invest their assets with the SBI through the Supplemental Investment Fund (SIF). There are more than 700 local volunteer firefighter plans with investment authority that could participate in SIF. As of the end of fiscal year 2014, there were 191 plans, representing \$259.9 million in assets that do participate 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 trustee 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. In 2014, 13 local entities joined the plan, transferring \$7.8 million to the SBI for investment. As of June 30, 2014, 76 local fire entities, representing \$26.2 million in assets, were in the Plan.

Other Post Employment Health Benefits (OPEB)

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, 2014, there were 21 entities with OPEB investment accounts invested by the SBI. In total, these accounts represented \$449 million. Staff anticipates that the number of these accounts will increase in the future.

Duluth OPEB

The SBI is required to report 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, 2014, returns for Duluth were as follows:

	1 Yr.	3 Yr.	5 Yr.
Equities	24.5%	16.5%	18.8%
Fixed Income	5.0	4.3	5.3
Total	17.8	12.2	13.2

Duluth is responsible for the asset allocation decisions in this account and as of June 30, 2014, the asset allocation was the following:

	Actual Asset Mix
Equities	70.3%
Fixed Income	29.7
Total	100.0%

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 did not cosponsor a tobacco related resolution for the 2014 proxy season.

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 EIRIS 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 IW Financial 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.

International Equity Manager Country Guidelines

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.

The International Investment Equity Manager Country Guidelines were adopted due to concerns that were present at the time of their adoption in 1992. The concerns centered around the need to recognize that there may be limitations and other considerations posed in emerging market countries which could lead to a disruption in the financial markets of these countries. While the focus of the guidelines is on worker and human right issues, the purpose of these guidelines relates to any potential adverse effect these types of issues have on the

financial markets of their countries.

Over one-half of the world's markets, by market capitalization, lie outside the U.S. The four largest markets, United Kingdom, Japan, Canada and France, comprise about 44 percent 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. These countries have strong protections for workers and human rights so there is little concern that economic and social disruptions may occur which would have an adverse effect on financial 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, the emerging market countries are analyzed and 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.

Generally, countries in the developed international stock market index are categorized in Group I.

Investment Restrictions

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 Equity Manager Country 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 43 displays the country groupings. There was no update to the SBI’s country groupings in fiscal year 2014.

Figure 43. International Equity Manager Country Guideline Groupings (1)

Group I MSCI World ex U.S. Countries (2)	Group I MSCI EM Countries (3)	Group II MSCI EM Countries (3)	Group III MSCI EM Countries (3)
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			

(1) International Equity Manager Country Guideline Groupings, 2005

(2) Developed Markets index

(3) 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 by 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 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 balloting 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 elections 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.

Proxy Voting

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 2014 Proposals

During fiscal year 2014 the SBI voted proxies for approximately 2,000 U.S. corporations.

As in past years, the issues on corporate ballots included a broad range of proposals in the corporate governance area, according to information provided by the proxy adviser firm Glass Lewis.

During the fourth year of advisory votes on executive compensation under the Dodd-Frank Act, investors endorsed a large majority of companies' pay programs, providing 90% support on average. Investors continued to support having such votes take place on an annual basis in the future. Other major corporate governance issues addressed by shareholder proposals included declassification of boards, majority vote requirement for election of directors, and elimination of supermajority requirement proposals.

In the social responsibility area, increased disclosure on companies' lobbying activities and political contributions, environmental related proposals, and sustainability reporting were the major issues according to

information provided by Glass Lewis.

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 IW Financial to monitor corporate activity in Northern Ireland. In January 2014, the SBI held stocks or bonds in 139 of 153 corporations identified by IW Financial as having operations in Northern Ireland.

Shareholder Resolutions

The SBI did not file any shareholder resolutions for the 2014 proxy season regarding the MacBride Principles. Shareholder activity has been greatly reduced over the last several years due to many companies having signed the Principles.

Investment Manager Summaries

Domestic Equity Program Managers

Active Managers

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, Inc.

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 leading edge quantitative and 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 controlled residual risk, or tracking error. 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.

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, LLC

Winslow believes that investing in quality large cap companies with above-average growth provides the best opportunity for achieving superior portfolio returns over the long term. The investment philosophy is founded on bottom up, fundamental research. The strategy identifies companies that can grow earnings above consensus expectations to build portfolios with forward weighted earnings growth in the range of 15-20% annually. A quantitative screen is employed

Investment Manager Summaries

for factors such as revenue and earnings and cash flow 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 Investments LLC

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.

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

Investment Manager Summaries

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 a risk-adjusted relative return measurement designed to identify inefficiently priced common stocks relative to the market while adjusting for risk. 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.

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 seeks 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 attractively priced based on the company's earnings and cash flow. 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

Investment Manager Summaries

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 allowing 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., N.A. (formerly Barclays Global Investors)

BlackRock uses a systematic investment process which includes four areas of insights: 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. 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 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 Corp.

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., N.A. (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

Investment Manager Summaries

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.

Investment Manager Summaries

International Program Managers

Active Developed Markets Managers

Acadian Asset Management, LLC

Acadian uses stock factors in an effort to predict how well each security in its universe of over 40,000 stocks will perform relative to its region/industry peer group and then ranks all securities by their relative attractiveness. Acadian also applies separate models to forecast peer group returns, in an effort to predict how well each stock's region/industry peer group will perform relative to world equities. The two forecasts are then combined to determine a world-relative return forecast for each stock in the allowable universe. The stock and peer group valuation models are customized to each market. At the individual stock level, Acadian uses a wide range of quantitative factors including valuation, earnings, size and price movements. At the peer group level, Acadian utilizes valuation, risk, growth and economic indicators. 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, available liquidity, 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, in an effort to ensure the portfolio meets the client's investment goals. Acadian was retained by the SBI in July 2005.

Columbia Management Investment Advisers, 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 to 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 Columbia acquired Threadneedle International LTD, a United Kingdom based asset manager to manage its international equity assets.

J.P. Morgan Investment Management Inc.

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 200 investors are based locally in regional markets, providing insights on 1300 companies. These regional

teams manage regional equity portfolios, generating local market insights and conducting research on companies in an effort to identify the highest conviction stocks within their region. The highest conviction regional stocks are further analyzed by a team of London-based Global Sector Specialists who seek to identify global "industry winners", pinpointing well-managed, profitable companies that possess solid financial positions, whose earnings are growing faster than their competitors yet whose stocks are trading at or below market multiples. Each global sector specialist ranks each of the stocks within his or her sector on a scale from A to D. These rankings will be based on a variety of factors including: the information gathered from the regional investment professionals and the global sector specialists own knowledge of industry dynamics and relative valuations. 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 LLP

At the heart of Marathon's investment philosophy is the "capital cycle" approach to investment. This approach is based on the idea that the prospect of high returns will attract excessive capital (and hence competition), and vice versa. In addition, the assessment of how management responds to the forces of the capital cycle, particularly

Investment Manager Summaries

whether they curtail investment when returns have been poor - and how they are incentivized, are critical to the investment outcome. Given the contrarian and long-term nature of the capital cycle, the approach results in strong views versus the market and long holding periods (5 years plus). The investment philosophy guides a focused team of investment generalists who seek investment opportunities in the growth and value universes and across the capitalization spectrum. Marathon was retained by the SBI in November 1993.

McKinley Capital Management, LLC

Using proprietary quantitative models, McKinley's investment process searches for and identifies signs of accelerating growth. The initial universe consists of all publicly traded non-U.S. stocks, from all capitalization categories in more than 60 countries. The primary model includes a risk-adjusted relative return measurement designed to identify inefficiently priced common stocks in US dollars relative to the market while adjusting for risk. 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 factors include a qualitative data check and street research analysis of economic factors, specific industry themes and company fundamentals. The final portfolio will hold between 50-75 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, Smithfield, Rhode Island, and Toronto 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 decisions 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 to 250 holdings. Pyramis was retained by the SBI in July 2005.

Semi-Passive Developed Markets Managers

AQR Capital Management, LLC

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

Investment Manager Summaries

and control risk within each regional module. Resulting portfolios typically contain between 275 to 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 over a long term investment horizon: value, sentiment, earnings quality, and earnings growth. The strategy also incorporates an element to evaluate the macro environment for a portion of the model determined by prevailing market conditions in forming an intermediate term view of factors that will be successful. This element allows a disciplined approach seeking to be adaptive to the macroeconomic environment and respond to changing conditions. The stock scores derived from the combination of these viewpoints 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 tradeoff 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. The managers 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 uses a full replication strategy to construct the portfolio. Exchange-traded stock index futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error and trade cash flows in order to minimize transactions costs. State Street Global Advisors was retained by the SBI in October 1992.

Active Emerging Markets Managers

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 markets and companies around the globe.

This extensive research is applied using a security-by-security approach to portfolio construction and a unique method of portfolio management that has been in place for more than 40 years. Capital emphasizes long-term investments in companies and goes to great lengths to determine the difference between the fundamental value of a company and its price in the marketplace. 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 Inc.

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

Investment Manager Summaries

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.

Passive Emerging Markets Managers

State Street Global Advisors

State Street manages an emerging markets index portfolio designed to track the Morgan Stanley Capital International Standard Index of the Emerging Markets. State Street uses an optimized strategy to construct the portfolio. Exchange traded stock index futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error, obtain exposure where local access is inaccessible, and trade cash flows in order to minimize transactions costs. State Street was retained by the SBI in December 2011 for passive emerging markets management.

Investment Manager Summaries

Fixed Income Program Managers

Active Managers

Aberdeen Asset Management, Inc.

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 excess returns 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

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 rigorous analysis centered on the firm's proprietary interest rate research. 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

Dodge & Cox manages a diversified portfolio of securities that are selected through bottom-up, 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, the firm believes attractive returns are possible over the long-term. In seeking above average returns, Dodge & Cox emphasizes market sector and individual security selection, strives to build portfolios which 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 risk relative to the benchmark over a business cycle. PIMCO's approach to investing has three key principles: diversified sources of value, a long-term orientation and bond selection from a broad universe. PIMCO relies on multiple sources of value through the use of top-

down and bottom-up strategies. PIMCO's investment process starts with an annual Secular Forum. The goal of the Secular Forum is to look beyond the current business cycle and determine how secular forces will play out over the next three to five years. Quarterly, PIMCO holds Economic Forums to evaluate global growth and inflation over the next six to twelve months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) works on a consensus basis to develop major strategies that serve as a model for all portfolios. The Investment Committee makes use of the top-down outlook provided by the Forums, PIMCO's Chief Economist, and generalist portfolio managers as well as bottom-up input from the Deputy CIOs and specialists who each focus on their respective asset classes. 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 generalist portfolio managers to be included in their portfolios. PIMCO was retained by the SBI in September 2008.

Western Asset Management Co.

Western emphasizes the use of multiple strategies and active sector rotation 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. Western believes that this approach adds consistent value over time and can reduce volatility. Long term value

Investment Manager Summaries

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, Inc.

BlackRock manages a semi-passive portfolio that closely tracks the Barclays Capital Aggregate Index. BlackRock employs a controlled-duration, relative value sector rotation and security selection approach, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through managing portfolio duration within a narrow band relative to the benchmark, relative value sector/sub-sector rotation and security selection, rigorous quantitative analysis of the valuation of each security and of the portfolio as a whole, intense credit analysis and review, and the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent risk-adjusted value is added. 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

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 to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Risk is controlled by setting target active risk exposures that must fall within pre-established maximums. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

Investment Manager Summaries

Assigned Risk Plan Managers

GE Asset Management, Inc.
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 (U.S.)

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 and is benchmarked to the Barclays Intermediate Government Index. RBC uses a top-down approach to bond selection. They focus on sector analysis and security selection and position the portfolio to achieve returns just above benchmark. 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. financial institutions that provide principal protection for the fixed income 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.

Money Market Account

State Street Global Advisors

The Money Market Account seeks to provide safety of principal, daily liquidity and a competitive yield over the long term. The Account is not a "money market fund" registered with the Securities and Exchange Commission, and is not subject to the various rules and limitations that apply to such funds. There can be no assurance that the Account will maintain a stable net asset value.

The Account invests in a diversified portfolio of U.S. dollar-denominated securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities; debt securities of domestic or foreign corporations; mortgage-backed and other asset-backed securities; taxable and tax-exempt municipal bonds; obligations of international agencies or supranational entities; inflation-indexed bonds; structured notes; loan participations; delayed funding loans and revolving credit facilities; and short-term investments, such as repurchase agreements, bank certificates of deposit, fixed time deposits, and bankers' acceptances.

State Deferred Compensation Plan Managers

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, government issues, and, to a lesser extent, fixed income securities rated Baa or lower. 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 fund was retained by the SBI in July 1999.

Investment Manager Summaries

Fidelity Diversified International Fund

The goal of this fund is capital appreciation by investing in securities of companies located outside the United States. The fund invests primarily 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 across the globe. The process seeks to invest in companies with durable earnings, strong competitive position, and improving profitability. Sector and country weightings are reviewed for risk control. As part of the portfolio construction process and quarterly portfolio review, rigorous quantitative portfolio analysis is evaluated to examine risks exposures including style factors, sectors and geography. The manager rarely invests in currency to protect the account from exchange fluctuations. The fund was retained by the SBI in July 1999.

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.

T. Rowe Price Small Cap Stock Fund

The strategy of this fund is to invest primarily in small-cap stocks, those below the upper end of the Russell 2000 Index at time of purchase which 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.

Vanguard Institutional Index Plus Fund Plus

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 Plus

The fund is passively managed to track the performance of the CRSP US Mid Cap 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 CRSP US Total 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 Plus

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, international dollar denominated bonds, 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 Total International Stock Index Fund Plus

The fund is passively managed to track the returns of the FTSE Global All Cap ex US Index, an index designed to measure equity market performance in developed markets and emerging markets, excluding the US. The fund invests in small,

Investment Manager Summaries

mid and large cap stocks in the market index. Fund assets are allocated based on each regions weighting in the index. The fund was retained by the SBI in December 2003.

Minnesota Target Retirement Funds

State Street Global Advisors

The MN Target Retirement Funds managed by State Street Global Advisors, seek to offer complete, low cost investment strategies with asset allocations which become more conservative as employees near retirement. Each Fund seeks to achieve its objective by investing in a set of underlying SSgA collective trust funds representing various asset classes. Over time, the allocation to asset classes and funds change according to a predetermined "glide path". (The glide path represents the shifting of asset classes over time and does not apply to the Income Fund.) Each Fund's asset allocation will become more conservative as it approaches its target retirement date. This reflects the need for reduced investment risks as retirement approaches and the need for lower volatility of a portfolio, which may be a primary source of income after retiring.

Investment Manager Summaries

Alternative Investment Managers

Private Equity Managers

Adams Street Partners

Adams Street (formerly Brinson Partners) Global Secondary Fund 5 was formed in 2012. Fund 5 invests exclusively in secondary venture capital and private equity limited partnership interests which are sold by investors who, for a variety of reasons, have decided to sell some or all of their partnership interests. Adams Street Partners is based in Chicago, IL.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Global Secondary Fund 5	19,371,344	76,830,000	2.03

Advent International

Advent International GPE VI and VII were formed for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. Advent has regional headquarters in Boston and London. The funds were formed in 2008 and 2012, respectively.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Advent International GPE VI	54,304,953	2,549,995	6.25
Advent International GPE VII	45,946,811	53,640,000	1.78

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	1,506,066	0	10.00
Affinity Ventures V	2,781,613	750,000	5.99

Apax Partners

Apax Partners VIII was formed in 2013 for the purpose of investing primarily in buyout and recapitalization opportunities in upper middle-market and large capitalization companies in Europe and North America. Apax is headquartered in London.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Apax VIII	44,849,662	153,900,630	1.31

aPriori (formerly 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. The General Partner officially spun out of former parent, Credit Suisse, in March 2014.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
DLJ Merchant Banking Partners III	9,952,917	3,082,639	13.75

Investment Manager Summaries

The Banc Funds Co.

Based in Chicago, IL, Banc Fund VII, Banc Fund VIII and Banc Fund IX invest primarily in sub-regional banks, across the U.S., which have demonstrated above average growth and are likely acquisition targets.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Banc Fund VII	40,481,010	0	9.25
Banc Fund VIII	129,903,104	0	6.18
Banc Fund IX	0	67,000,000	0.05

Blackstone Group

Blackstone Capital Partners Funds IV, V and VI are limited partnerships which were formed in 2002, 2006, and 2008, respectively. Based in New York, the funds will invest in a variety of private equity transactions in North America and Europe.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Blackstone Capital Partners Fund IV	31,298,982	2,120,881	11.97
Blackstone Capital Partners Fund V	122,323,008	12,642,206	8.41
Blackstone Capital Partners Fund VI	52,494,285	54,537,213	5.93

Blum Capital

Blum Strategic Partners II, Blum Strategic Partners III, and Blum Strategic Partners IV were organized in 2001, 2005 and 2007, respectively. Based in San Francisco, CA 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 II	261,257	2,127,584	12.95
Blum Strategic Partners III	16,283,617	193,515	9.08
Blum Strategic Partners IV	85,934,504	15,258,645	6.61

CarVal Investors

CVI Global Value Fund, Credit Value Fund, and Credit Value Fund II were formed in 2007, 2010, and 2012, respectively. The funds are based in Minneapolis with offices in Beijing, Buenos Aires, London, 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	89,701,972	10,000,000	7.46
CVI Credit Value Fund I	152,282,751	5,000,000	3.75
CVI Credit Value Fund II	166,636,718	7,500,000	1.67

Chicago Growth Partners (formerly William Blair)

Formed in 2001, 2005 and 2008 and based in Chicago, IL, the Chicago Growth Partners funds seek investments in a broad spectrum of private companies at various stages of corporate development.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
William Blair Capital Partners VII	1,951,929	1,650,000	13.31
Chicago Growth Partners I	18,670,534	300,000	8.93
Chicago Growth Partners II	51,483,630	8,331,020	6.30

Investment Manager Summaries

Court Square Capital

Court Square Capital Partners I, II and III were formed in 2001, 2006 and 2012, 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	1,355,559	10,505,273	12.55
Court Square Capital Partners II	98,791,842	17,830,316	7.82
Court Square Capital Partners III	24,815,022	148,134,544	2.08

Crescendo Ventures

Crescendo Venture Fund IV was organized in 2000. They have offices in Minneapolis, MN and Palo Alto, CA. The funds will pursue opportunistic venture capital investments throughout the U.S.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Crescendo Venture Fund IV	16,097,885	0	14.31

CVC Capital Partners

CVC European Equity Partners V and Capital Partners VI are based in London and were formed in 2008 and 2013, respectively. CVC invests 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	113,011,394	1,447,007	6.26
CVC Capital Partners VI	1,038,187	305,928,471	0.98

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	42,941,640	10,492,126	7.81

DSV Management

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

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
DSV Partners IV	31,652	0	29.22

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, CA and New York.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Elevation Partners	9,477,697	12,106,177	9.12

Investment Manager Summaries

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	17,402,797	12,326,825	14.00

GTCR Golder Rauner

GTCR Golder Rauner Funds IV, VI, VII, IX, X and XI were formed in 1993, 1998, 2000, 2006, 2010 and 2013 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, IL the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Golder, Thoma, Cressey and Rauner Fund IV	115,507	0	20.41
GTCR Fund VI	2,258,466	0	16.00
GTCR Fund VII	552,460	1,859,375	14.39
GTCR Fund IX	57,201,973	5,460,067	8.00
GTCR Fund X	98,821,797	14,537,111	3.55
GTCR Fund XI	0	110,000,000	0.62

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: energy, telecommunications, broadband, and technology.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
GS Capital Partners 2000	6,925,901	0	13.83
GS Capital Partners V	36,646,577	26,041,099	9.25
GS Capital Partners VI	35,407,290	23,401,845	7.41

Goldner Hawn Johnson and Morrison

GHJM Marathon Fund V was organized in 2004. Trailhead Fund was formed by this group in 2012. Based in Minneapolis, MN 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 V	36,595,918	148,553	9.74
GHJM Trailhead Fund	8,851,931	9,985,813	2.35

Hellman and Friedman

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

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Hellman and Friedman V	20,381,384	15,917,142	9.58
Hellman and Friedman VI	79,964,735	7,571,384	7.25
Hellman and Friedman VII	32,670,143	18,112,632	5.19

Investment Manager Summaries

IK Investment Partners

IK, based in London, makes investments in lower middle-market business in Europe's northern countries. IK's primary focus is businesses in the industrial, businesses services and healthcare sectors. IK Fund VII was formed in 2013.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
IK Fund VII	39,966,837	150,226,260	0.79

Kohlberg, Kravis, Roberts & Co. (KKR)

KKR's 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 Millennium Fund	65,505,963	0	11.56
KKR 2006 Fund	155,093,758	10,529,184	7.76

Leonard Green & Partners (LGP)

LGP invests in middle-market companies in a variety of structured transactions. LGP typically makes investments in the retail, consumer & business services, and healthcare and distribution sectors. Green Equity Investors VI was formed in 2012 to continue this investment philosophy. LGP is based in Los Angeles, CA.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Green Equity Investors VI	68,345,231	139,862,879	2.29

Lexington Capital Partners

Lexington Capital Partners VI, VII and VIII were formed in 2006, 2009 and 2014, 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	59,580,026	1,634,703	8.51
Lexington Capital Partners VII	133,693,005	51,804,624	5.05
Lexington Capital Partners VIII	0	150,000,000	0.32

Merced Capital (formerly EBF & Associates)

Based in Minneapolis, MN Merced Partners II, III and IV 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, III and IV were formed in 2006, 2010 and 2013, respectively.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Merced Partners II	21,989,450	0	7.25
Merced Partners III	103,290,695	0	4.15
Merced Partners IV	45,809,953	78,125,000	0.97

Investment Manager Summaries

Nordic Capital

Nordic Capital is based in Stockholm, Sweden and performs buyouts of middle-market businesses, primarily in the Nordic region of Europe. Nordic focuses on healthcare and information technology businesses where they can use their expertise in these sectors to create value. Nordic Capital VIII was formed in 2013.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Nordic Capital VIII	13,657,628	183,283,930	0.80

Permira

Permira performs buyouts of middle-market companies across geographies in Europe and North America. Permira typically makes investments in the retail, consumer & business services, healthcare and telecom, media and technology sectors. Permira V was formed in 2013 to continue this investment philosophy. Permira is based in London.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Permira V	40,601,334	155,031,660	0.50

Public Pension Capital Management (PPC)

PPC developed an innovated approach to private equity investing, tailored to the needs and demands of modern public pensions in the United States. The fund's evergreen structure allows flexibility, increased transparency and alignment of interests of the GP and LPs. The fund invests in middle-market businesses in the industrial, specialty chemical, food and healthcare sectors. PPC was formed in 2014 and is based in New York.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Public Pension Capital Fund	0	80,000,000	0.12

RWI Ventures

RWI Ventures I was formed in 2000 to make venture capital investments. The Fund is based in California. 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	521,963	0	8.00

Sightline Healthcare (Piper Jaffray)

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

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Sightline Healthcare Fund III	1,287,149	0	15.44
Sightline Healthcare Fund IV	2,728,881	0	10.76

Investment Manager Summaries

Silver Lake Partners

Silver Lake Partners II, III, and IV were formed in 2004, 2007, and 2012, respectively. With offices in New York and Menlo Park, CA 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	46,093,785	11,681,453	10.00
Silver Lake Partners III	66,385,404	15,397,854	7.25
Silver Lake Partners IV	14,083,609	84,676,589	1.76

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, MN and Menlo Park, CA 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 I	31,150,944	5,200,001	9.16
Split Rock Partners II	33,764,092	16,025,000	6.17

Strategic Partners (formerly Credit Suisse)

Strategic Partners I, II B, III B, III VC, IV B, IV VC, V and VI 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. In 2013, the Strategic Partners funds platform was sold to The Blackstone Group and is now wholly-owned by Blackstone.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Strategic Partners Fund I	4,468,880	3,385,485	13.44
Strategic Partners Fund II B	4,832,264	10,307,109	10.95
Strategic Partners Fund III B	45,228,001	16,637,131	9.08
Strategic Partners Fund III VC	10,748,435	804,629	9.08
Strategic Partners Fund IV B	57,793,786	10,325,657	6.26
Strategic Partners Fund IV VC	27,374,946	1,693,261	6.03
Strategic Partners Fund V	79,614,862	31,405,926	2.87
Strategic Partners Fund VI	7,500,000	142,500,000	0.21

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. Summit Partners is based in Boston, MA.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Summit Ventures V	84,548	875,000	16.25
Summit Ventures VIII	51,899,350	46,000,000	3.15

Investment Manager Summaries

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. Thoma Cressey VI, VII and VIII were formed in 1998, 2000, and 2006. Based in Chicago, IL 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	698,131	1,085,000	15.86
Thoma Cressey Fund VII	5,543,810	0	13.85
Thoma Cressey Fund VIII	69,406,154	770,000	8.16

Thomas, McNerney & Partners

Thomas, McNerney & Partners is based in Minneapolis, MN with additional offices in New York and San Francisco, CA. The Thomas, McNerney & Partners Fund I and Fund II were formed in 2003 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	15,140,474	600,000	11.65
Thomas, McNerney & Partners Fund II	47,653,403	5,875,000	8.00

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, manages 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	68,517,219	0	N/A

Varde Partners

Varde Fund IX, X and XI are limited partnerships formed in 2008, 2010 and 2013, respectively. Based in Minneapolis, MN the funds will invest in distressed and/or mispriced private and public investments.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Varde Fund IX	59,780,269	0	6.02
Varde Fund X	215,190,600	0	4.19
Varde Fund XI	192,158,820	20,000,000	0.97

Vestar Capital Partners

Vestar Capital Partners IV, V and VI are limited partnerships that were formed in 1999, 2006, and 2011, respectively. 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	7,170,736	746,945	14.54
Vestar Capital Partners V	65,503,665	583,554	8.53
Vestar Capital Partners VI	36,225,260	65,346,087	2.77

Investment Manager Summaries

Warburg Pincus & Co.

Warburg Pincus is based in New York. These funds will invest private equity in a wide variety of businesses located domestically and abroad. The funds listed were formed in 1998, 2002, 2005, 2007, and 2012.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Warburg Pincus Equity Partners	3,099,131	0	16.01
Warburg Pincus Private Equity Partners VIII	59,398,856	0	12.21
Warburg Pincus Private Equity Partners IX	41,088,907	0	8.93
Warburg Pincus Private Equity Partners X	132,084,213	0	6.68
Warburg Pincus Private Equity Partners XI	91,416,058	110,616,623	1.52

Wayzata Investment Partners

Wayzata Opportunities Funds I, II, and III were formed in 2005, 2007 and 2012, 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, MN.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Wayzata Opportunities Fund I	36,492,900	6,820,000	8.53
Wayzata Opportunities Fund II	62,293,121	92,550,000	6.69
Wayzata Opportunities Fund III	16,203,006	131,610,000	2.04

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, 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	122,929	0	15.93
Welsh, Carson, Anderson and Stowe Fund IX	13,697,084	1,250,000	14.01
Welsh, Carson, Anderson and Stowe Fund X	73,682,121	2,000,000	8.54
Welsh, Carson, Anderson and Stowe Fund XI	88,332,927	13,295,189	5.94

Real Estate Managers

Blackstone Real Estate Partners

Based in New York, Blackstone Real Estate Partners V, VI and VII were formed in 2006, 2007 and 2011 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	104,759,534	4,174,052	8.17
Blackstone Real Estate Partners VI	144,144,365	3,520,125	7.25
Blackstone Real Estate Partners VII	84,376,856	29,516,586	2.59

Investment Manager Summaries

Colony Advisors

Colony Investors II and III are closed-end commingled real estate funds managed by Colony Capital Inc. of Los Angeles, CA. The fund's strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund II in 1995 and Fund III in 1997.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Colony Investors II	2,600	1,517,672	19.25
Colony Investors III	4,769,078	0	16.50

SilverPeak

Silverpeak Legacy Pension Partners II and III were formed in 2005 and 2007, respectively, 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	30,671,619	9,857,501	9.00
Silverpeak Legacy Pension Partners III	26,970,790	83,274,488	6.11

Strategic Partners (formerly Credit Suisse)

Strategic Partners III RE and 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 Strategic Partners private equity funds, in which the SBI is also an investor. Credit Suisse sold the Strategic Partners funds platform to The Blackstone Group in 2013. Blackstone is based in New York.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
CSFB Strategic Partners III RE	10,756,882	9,006	9.00
CS Strategic Partners IV RE	26,610,996	1,217,406	6.03

TA Associates Realty

TA Realty Associates Funds VI, VII, VIII, IX and X 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, 2008 and 2012, respectively.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
TA Realty Associates Fund VI	354,630	0	12.01
TA Realty Associates Fund VII	37,146,043	0	9.62
TA Realty Associates Fund VIII	64,389,691	0	8.00
TA Realty Associates Fund IX	93,118,324	0	5.85
TA Realty Associates Fund X	67,749,825	35,000,000	2.33

Investment Manager Summaries

Resource Funds Managers

Apache Corporation

Apache Corporation is a Houston, TX 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	3,056,730	0	27.50

EIG Global Energy Partners (formerly TCW Asset Management Company)

Energy Partners XIV, XV and XVI were formed in 2007, 2010 and 2013 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. EIG was formally spun out of TCW in 2011.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Energy Partners XIV	52,479,992	9,422,519	7.20
Energy Partners XV	117,397,435	41,042,828	4.06
Energy Partners XVI	19,050,821	174,500,000	0.80

EnCap Investments

EnCap Energy Capital Funds VII, VIII, and IX were formed in 2007, 2010, and 2012 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, TX.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
EnCap Energy Capital Fund VII	22,910,493	10,872,378	7.00
EnCap Energy Capital Fund VIII	73,017,450	31,854,674	3.75
EnCap Energy Capital Fund IX	18,397,031	81,067,131	1.56

Energy & Minerals Group

Based in Houston, TX, 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. The funds were formed in 2007, 2011 and 2014.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Energy & Minerals Group I	131,675,488	2,233,074	7.25
Energy & Minerals Group II	111,111,597	25,817,097	2.77
Energy & Minerals Group III	24,713,607	175,286,393	0.32

Energy Capital Partners

Energy Capital specializes in building and managing energy assets to achieve capital appreciation. Energy capital is based in Short Hills, NJ. Fund II and III were formed in 2010 and 2013, respectively.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Energy Capital Partners II	104,029,588	20,992,888	3.95
Energy Capital Partners III	9,924,224	190,075,776	0.53

Investment Manager Summaries

First Reserve

The First Reserve funds were formed in 2003, 2006, 2008 and 2013, respectively, and are structured as limited partnerships. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas and other energy-related investments. First Reserve is headquartered in Greenwich, CT.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
First Reserve X	7,664,930	0	9.66
First Reserve XI	87,268,039	0	7.52
First Reserve XII	117,094,517	10,666,568	5.67
First Reserve XIII	0	200,000,000	0.66

Natural Gas Partners

Natural Gas Partners is based in Irving, TX 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. Funds IX and X were formed in 2007 and 2011, respectively.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Natural Gas Partners IX	85,667,002	11,382,735	6.69
NGP Natural Resources X	96,577,484	61,473,310	2.72

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, TX.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Sheridan Production Partners I	78,865,997	0	7.25
Sheridan Production Partners II	59,664,024	4,250,000	3.75

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	46,911,686	45,398,624	4.24

Citicorp Capital Investors

Citicorp Mezzanine Partners III is a limited partnership formed in 1999 by Citicorp Capital Investors Ltd. of 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	3,275,907	0	14.66

Investment Manager Summaries

Crescent Capital Group (formerly TCW/Crescent)

TCW/Crescent Mezzanine Partners III is a Los Angeles, CA based limited partnership formed in 2001. The Fund makes mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. Crescent Capital Group became formerly independent of TCW in 2011.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
TCW/Crescent Mezzanine Partners III	6,197,550	29,701,079	13.25

Gold Hill Venture Lending Partners

Gold Hill Venture Lending and Gold Hill 2008 were formed in 2004 and 2008, respectively. The funds 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, CA and Boston, MA.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Gold Hill Venture Lending	5,387,292	0	9.76
Gold Hill 2008	22,443,378	0	6.00

Goldman Sachs Mezzanine Partners

GS Mezzanine Partners III, 2006 and V are limited partnerships formed in 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 III	712,030	65,371	10.97
GS Mezzanine Partners 2006	24,073,369	25,000,112	8.23
GS Mezzanine Partners V	45,674,437	52,327,832	6.69

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, IL, 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	2,054,872	2,756,759	14.49
Merit Capital Partners IV	29,306,049	4,821,429	9.54
Merit Capital Partners V	44,528,300	23,693,878	4.53

Investment Manager Summaries

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 focus on resource investments in producing oil and gas properties.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
Merit Energy Partners B	53,717,995	0	18.00
Merit Energy Partners C	161,366,496	0	15.67
Merit Energy Partners D	88,146,276	0	13.10
Merit Energy Partners E	53,646,676	0	9.71
Merit Energy Partners F	45,370,745	42,158,394	8.27
Merit Energy Partners H	80,033,945	18,139,252	3.41

Portfolio Advisors (formerly DLJ/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. Credit Suisse sold the DLJ Investment Partners platform to Portfolio Advisors in 2013.

Fund	Market Value (\$)	Unfunded Commitment (\$)	Period (Years)
DLJ Investment Partners II	885,810	4,955,172	14.49
DLJ Investment Partners III	17,401,868	46,544,660	8.02

Prudential Capital Group

Prudential Capital Partners I, II, III, and IV were formed in 2001, 2005, 2009 and 2012, respectively. Based in Chicago, IL the Funds 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	3,955,694	6,975,419	13.20
Prudential Capital Partners II	29,324,265	5,936,783	9.00
Prudential Capital Partners III	76,237,075	9,875,722	5.20
Prudential Capital Partners IV	31,951,098	67,992,456	2.44

Summit Partners

Summit Subordinated Debt Funds II, III and IV are limited partnerships formed in 1996, 2004 and 2007, respectively. Based in Boston, MA the funds invest in many of the same companies as the Summit Venture funds. Investments by those partnerships principally take the form of subordinated debt with equity features. These yield-oriented investments 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 II	3	4,500,000	16.91
Summit Subordinated Debt Fund III	13,423,190	2,850,000	10.37
Summit Subordinated Debt Fund IV	28,303,983	12,394,098	6.26

Investment Manager Summaries

Windjammer Capital Investors

Windjammer Funds II, III and IV are limited partnerships formed in 2000, 2005 and 2012, respectively. Based in Newport Beach, CA the Funds 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 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	1,985,663	14,360,347	14.25
Windjammer Senior Equity Fund III	57,168,964	13,139,865	8.49
Windjammer Senior Equity Fund IV	24,072,583	74,128,883	2.35

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Abg Securities Limited	6,830,738	8,547			6,823,383
Abn Amro Clearing Bank N.V.	46,069	69			46,069
Academy Securities Inc	18,262	9			
Acumen Capital Ptnrs C	39,857	98			39,857
Adm Investor Services International Ltd	388,253	310			921
Alfa Capital Holding (Cyprus) Limited	2,100,584	2,522			
Ambit Capital Private Limited	3,528,436	7,046			3,539,894
Ancora Secirities Inc	898,756	880			
Anz Mccaughan Securities Ltd Newyork			223,140		
Apex Clearing Corporation			1,025,352		
Aqua Securities Lp	16,884,163	7,787			278,192
Atlantic Equities Lp	655,903	207			
Australiaand New Zealand Banking Group					1,501,533
Avondale Partners Llc	1,006,017	1,243			
Axis Capital Limited	1,850,655	3,690			1,856,485
B Pool Credit Suisse	193,287	130			
B.Riley &Co., Llc	11,528,461	28,068			
Banc Of America Securities			3,577,920,338		
Banca Imis.P.A.			705,302		715,486
Banco Bilbao Viscaya			3,934,450		3,944,721
Banco Comercial Portugues	66,690	67			66,690
Banco Itau Sa	9,075,851	21,295			7,864,641
Banco Pactual S.A.	7,765,325	15,484			(4,396,357)
Banco Santander Central Hispano	7,628,311	23,380	20,231,782		23,745,886
Banco Santander Columbia S.A.	59,321	236			59,610
Bank J.Vontobel Und Co. Ag	6,762,954	10,110			6,573,776
Bank Of America Intl Ny United States					154,690,415
Bank Of America Securities Llc			5,428,423,462		1,948,518,224
Bank Of America, National Association			888,164,109		
Bank Of America/Lasalle Bank Ipa Dtc					30,000,000
Bank Of Montreal			15,318,675		950,657
Bank Of New York Brussels	12,540	15			12,540
Bank Of New York			4,607,074		466,597,124
Bank Of New York/Barclays London			13,972,322		
Bank Of Nova Scotia			3,852,613		30,000,000
Banque Nationale De Paris, Lon			282,848		282,005
Barclays Bank Of New York					79,082,778,000
Barclays Bank Plc			14,475,995		143,649,624
Barclays Capital	2,977,312,534	870,620	8,049,122,837		1,237,961,486
Barclays Securities (India) Private Ltd	18,654,728	44,055			18,664,440
Batlivala+Karani Secs India Pvt. Ltd	1,867,801	2,707			1,863,722
Bb&T Securities, Llc	8,175,740	11,464	3,256,501		
Bbva/Securities Ny			274,305		
Bdwb Bidstrading	122,365	78			
Bell Potter Securities Limited	345,172	414			345,172
Betzold Berg & Nussbaum Inc.			1,920,090		
Bids Trading	1,382,472	801			
Bloombergtradebook Llc	123,080,001	95,076			
Bmo Capital Markets	29,444,871	18,706	644,667,250		106,290,465
Bmo Nesbitt Burns International Ltd	37,606	34			37,606
Bnp Equities France	312,462	164			312,450
Bnp Paribas Arbitrage	147,209	293			143,142
Bnp Paribas	3,631,281	1,698			12,752,883
Bnp Paribas Securities (Asia) Ltd.	18,336,768	30,598			18,415,881
Bnp Paribas Securities Corp	7,423,808	6,700	3,907,075,509		102,475,669,993

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Bnp Paribas Securities India Private Lim	4,077,893	5,174			4,054,708
Bny Capital Markets, Inc.			296,496,285		
Bny Clearing Services Llc			8,185,406		
Bny Convergex	732,293,486	541,168			
Bny Mellon/Nomura Int'L Plc Repo			8,545,480		
Bny/Ite-Dealers Clearance General			25,864,862		
Bny/Suntrust Capital Markets			565,245		
Bnym/Pierpont Sec			3,487,211		
Bnymellon/Aig			8,442,400		
Bofa Algocsa	3,003,079	2,049			
Bony + Vinning Sparks Ibg L P			2,418,220		
Bony/Griffin Kubik Stephens			20,915,241		
Bony/Toronto Dominion Securities Inc			228,065,505		240,357,206
Brean Capital Llc	2,545,620	5,384			
Broadcortcapital (Thru MI)	31,480,806	38,503			
Brown Brothers Harriman + Co	19,726	28	1,251,141		14,706,924
Btig Hongkong Limited	316,784	562			316,784
Btig, Llc	11,282,848	9,413			439,648
Buckingham Research Group Inc	3,872,405	3,258			
Caisse Centrale Desjardins			104,125		105,148
Calyon Japan	32,193	45			
Calyon Securities	8,489,320	3,486	2,989,726		7,390,190
Canaccordgenuity Inc.	13,137,030	16,584			369,079
Canadian Imperial Bank Of Commerce	121,698	49			121,698
Cantor Fitzgerald + Co.	120,716,932	57,980	151,778,502		
Cantor Fitzgerald Europe	3,539,405	2,727			3,548,844
Cap Guardian Broker	2,359,906	2,695			
Capital Institutional Svcs Inc Equities	600,365,294	659,698			
Capital Markets/Boston					117,956,569
Carnegie Bank A.S.	5,893,677	7,644			5,912,019
Carnegie Securities Finland	3,955,863	5,517			2,796,765
Casablanca Finance Markets	24,111	97			24,044
Cds Rbc Dominion Securities Inc			60,659,783		459,355,196
Cedel Bank	1,053,111	527			1,053,111
Chardan Capital Markets Llc			1,189,698		
Cheevers & Co. Inc.	13,965,370	2,340			
China International Capital Co	10,999,842	18,491			5,043,953
Cibc Mellon	20,436	84			20,436
Cibc World Mkts Inc	59,300,789	16,873	19,272,232		43,466,810
Cimb Securities (Hk) Ltd.	2,464,940	4,832			2,421,316
Cimb Securities (India) Private Lim	622,364	933			621,278
Cimb-Gk Securities Pte.Ltd.	4,272,457	5,648			4,269,476
Citation Group	21,993,096	87,128			
Citi Algocsa	3,244,479	2,221			
Citibank Mexico	484,485	1,212			236,168
Citibank Of Colombia	3,967,268	10,761			3,975,270
Citibank			699,361,716		219,802,211
Citigrouplbl Marktet Koera Secs Ltd	18,778,309	31,805			5,735,057
Citigroupglobal Markets Asia Ltd	4,045,752	2,601			3,741,481
Citigroupglobal Markets Australia Pty	7,614,715	8,388			2,604,656
Citigroupglobal Markets Inc Salomon Bro			12,450,121,702		86,246,717,815
Citigroupglobal Markets Inc	1,748,256,001	681,089	80,655,066		566,341,498
Clsa Australia Pty Ltd	8,442,643	7,852			5,980,093
Clsa Securities Korea Ltd.	14,642,451	29,348			8,917,010
Clsa Securities Malaysia Sdn Bhd	103,055	259			103,246

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Clsa Singapore Pte Ltd.	61,875,371	74,066			55,480,014
Commerzbank Ag	228,736	229	43,460,761		43,906,385
Commonwealth Bank Of Australia Sydney					1,134,160
Computershare Investor Services, Llc/Drs	59,508				
Convergexglobal Markets Ltd	110,956,796	105,640	9,037,975		
Cormark Securities Inc	757,609	1,020			751,048
Cowen Andcompany, Llc	23,152,750	18,136			
Craig - Hallum	18,022,181	30,927			
Credit Agricole Cib			18,832,529		18,823,771
Credit Agricole Securities (Usa) Inc	243,723	179	14,962,357		
Credit Lyonnais Algo	869,656	773			
Credit Lyonnais Securities (Usa) Inc	7,818,243	16,850			6,727,401
Credit Lyonnais Securities India	2,276,421	5,292			2,277,627
Credit Lyonnais Securities(Asia)	33,658,055	67,689			29,331,648
Credit Research + Trading Llc	12,509,421	8,355			
Credit Suisse First Boston (Europe)	32,715,828	33,303			23,064,084
Credit Suisse First Boston	13,844,839	13,454			13,280,397
Credit Suisse International					1,222,676,357
Credit Suisse Secs India Private Ltd	16,888,579	16,570			15,792,517
Credit Suisse Securities (Europe) Ltd	127,719,189	152,126	140,938		103,648,352
Credit Suisse Securities (Usa) Llc	1,713,472,074	726,263	19,136,539,026		13,158,099,266
Crt Capital Group Llc			594,156,828		
Cs First Boston (Hong Kong) Limited	75,103,074	94,095			62,982,845
Cs First Boston Aes(Caes)	17,806	4			
Csfb Australia Equities Ltd	5,508,451	4,908			4,717,197
Csi Us Institutional Desk	9,250,446	4,894			
D Carnegie Ag	3,695,400	4,468			3,679,658
Daewoo Securities Co Ltd	6,468,772	12,391			4,315,244
Daiwa Sbcm Europe	8,601,354	10,292	2,418,637		5,599,553
Daiwa Securities (Hk) Ltd.	25,067,700	17,572			24,603,365
Daiwa Securities America Inc	2,647,976	1,157	2,118,178		194,437,244
Danske Bank A.S.	1,886,328	1,265			1,886,328
Davidson D.A. + Company Inc.	36,873,038	54,571	14,316,859		
Davy Stockbrokers	7,066,914	6,182			7,068,109
Delen + Co			5,480		
Dematted Monness Llc	72,788	123			
Den Norske Bank	1,823,841	1,620			1,560,539
Deutsche Bank Ag	137,130,211	149,833	18,753,921		334,794,847
Deutsche Bank Polska Sa	538,079	1,363			543,202
Deutsche Bank Securities Inc	1,883,819,282	718,208	10,405,127,296	1,000	760,081,838
Deutsche Bank Trust Co			1,028,224		185,000,666
Deutsche Boerse Clearing Ag	21,767	33			21,767
Deutsche Eq In Prvt Lim Db	1,307,758	2,486			1,292,308
Deutsche Morgan Grenfell Secs	3,854,812	6,193			14,961,242,691
Deutsche Securities Asia Ltd	26,058,937	53,834			19,873,525
Dhanki Securities Pvt Ltd.	468,802	940			470,029
Diamant Investment Corp.-Equity & Corp.	1,877,219	85			
Dnb Nor Markets Custody Dnb Norbank Asa	688,043	826			688,043
Dolat Capital Markets Ltd	5,606,776	2,766			5,606,443
Dongwon Securities	947,553	1,891			949,989
Doughertycompany	29,266,318	13,496			
Dowling &Partners	260,287	107			
Drexel Hamilton Llc	593,725	1,716	20,440,626		
Dsp Merrill Lynch Ltd	15,447,632	19,288			15,311,800
Duncan Williams Inc			12,771,875		

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Edelweisssecurities Pvt. Ltd	1,207,220	2,414			1,222,347
Evercore Group Llc	587,248	234			
Exane S.A.	53,659,409	87,189			49,995,716
Execution(Hong Kong) Limited	1,273,837	2,648			1,273,837
Executionlimited	2,734,117	1,709			2,735,813
Federal Reserve Bank Of Boston			464,746		
Fidelity Capital Markets	281,967,207	80,700			
Fidelity Clearing Canada	3,610,572	3,824			3,039,482
First Boston Corp			1,429,054		
First Clearing, Llc	3,186,934	3,493			
First Energy Capital	1,202,247	1,013			(400,987)
First Tennessee Bank N A Bond Division			2,469,394		
First Tennessee Securities Corp			7,487,984		
Fortis Securities Llc			621,120		
Friedman Billings + Ramsey	72,099,620	41,165			
Ftn Financial Securities			61,414,807		
Funb Funds Ii			11,437,560		
G Trade Services Ltd	877,452	654			875,725
Gbarclayscash Sd-Bloomberg	1,871,109	1,624			
Gbm Grupobursatil Mexicano	360,808	904			317,134
Global Hunter Securities	1,383,597	545			
Gmp Securities Ltd.	2,401,653	3,429			1,907,281
Goldman Algo Rr-Bloomberg	1,345,561	573			
Goldman Cash Rr-Bloomberg	535,348	426			
Goldman Sachs (Asia) L.L.C.	9,964,937	16,164			9,509,278
Goldman Sachs (Asia) Llc	8,330,674	15,133			8,089,586
Goldman Sachs (India)	5,963,584	11,895			5,864,671
Goldman Sachs + Co Intl.	8,700,938	3,480			2,805,565
Goldman Sachs + Co	1,615,290,559	460,859	12,107,653,382		25,977,683,661
Goldman Sachs + Company					15,819,474
Goldman Sachs And Company	2,725,960	5,846			312,166
Goldman Sachs Capital Markets Lp					91,483,192
Goldman Sachs International	178,337,789	183,683	113,640,658		113,454,975
Goldman Sachs	142,890	35			
Goodbody Stockbrokers	6,857,252	8,001			6,859,142
Green Street Advisors	454,646	651			
Guggenheim Capital Markets Llc	202,095	134			
Guzman And Company	164,937,748	83,904			
Hauck Undaufhaeuser Privatbankiers Kga	78,843	118			78,843
Hibernia Southcoast Capital Inc	5,187,894	6,606			
Hong Kong+ Shanghai Banking Corp Ltd			1,036,850		
Hongkong And Shaghai Banking Corpo	945,297	473			945,285
Hongkong And Shanghai Banking Corp	8,630,176	17,011			6,144,804
Hsbc Bankplc	90,935,942	162,864	63,654,221		133,938,721
Hsbc Bankusa					21,604,109,303
Hsbc Brokerage (Usa) Inc.	2,912,438	5,709			
Hsbc Securities (Usa) Inc.	11,572,083	5,569			9,783,154
Hsbc Securities (Usa), Inc.	238,664	913			
Hsbc Securities Inc.			166,087,538		
Hsbc Securities India Holdings	3,395,985	6,802			3,380,511
Hwang-Dbssecurities Berhad			14,848		
Icbfcs Llc			9,639,183		
Ichiyoshisecurities Co.,Ltd.	280,126	190			280,126
Imperial Capital Llc	48,541	40	7,402,500		
India Infoline Ltd	27,194,661	66,865			26,968,878

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Industrial And Commercial Bank Of China			140,250		
Inflationindex Adjustment			7,111,588		
Ing Bank	1,249,700	3,435			358,249,551
Instinet Australia Clearing Srvc Pty Ltd	2,183,331	1,623			1,878,522
Instinet Canada	970,347	441			443,389
Instinet Pacific Limited	12,307,045	20,995			8,512,096
Instinet Singapore Services Pt	1,425,952	698			(277,578)
Instinet	821,624,657	349,035			1,483,879
Instinet U.K. Ltd	165,602,896	76,447			147,220,114
Investec Bank Plc	16,291,839	19,092			12,349,354
Investec Securities Ltd	282,930	572			282,232
Investment Technology Group Inc.	2,616,354,039	509,201			98,059,468
Ips Brokerage Inc	58,195,790	156,557			
Isi Groupinc	39,996,789	41,082			
Itg Australia Ltd.	24,291,018	11,364			18,435,480
Itg Canada	17,161,148	7,432			12,570,255
Itg Inc.	17,131,633	14,523			15,899
Itg Securities (Hk) Ltd	4,382,100	2,874			3,759,512
Itgdls Itg	2,231	4			2,231
Itgi Invest Tech Mfn Intl	272,416	75			
Ivy Securities, Inc.	31,206,294	13,444			
J P Morgan Chase/J P Morgan Intl			32,391,042		
J P Morgan India Private Ltd	143,094	158			143,450
J.P. Morgan Clearing Corp.	686,087,030	203,363	102,739,663		47,870,540
J.P. Morgan Securities Llc	894,843,975	481,744	1,987,721,343		23,439,793
J.P.Morgan Securities(Far East)Ltd Seoul	331,162	666			(332,405)
Janney Montgomery, Scott Inc	9,696,667	6,087	6,009,982		
Jefferies+ Company Inc	821,021,730	371,683	2,056,158,713		109,193,702
Jefferieshigh Yield Trading Llc			356,598		
Jefferiesindia Private Limited	3,409,737	6,824			3,383,497
Jefferiesinternational Ltd	42,968,026	46,529			40,095,479
Jm Financial Institutional Securities Pr	1,892,191	3,780			1,888,287
Jmp Securities	17,426,668	16,369			
Jnk Securities Inc	517,982	225			
Joh Berenberg Gossler And Co	11,774,009	17,168			9,178,748
Johnson Rice + Co	469,107	438			
Jonestrading Institutional Services Llc	30,101,511	24,426			
Jp Morganchase Bank/Hsbsci			1,543,705,015		6,899,793
Jp Morgansecurities Australia Ltd	5,020,591	6,885			3,368,248
Jp Morgansecurities Plc	135,669,619	156,501	2,393,162		109,777,828
Jpae	8,891				
Jpmcb/Hsbc Bank Plc Ib Main Fl Account			217,500		
Jpmorgan Chase Bank Na London	3,614,192	1,816			221,083,485
Jpmorgan Chase Bank/Correspondent Clr Sv			8,540,916		
Jpmorgan Chase Bank/G.X.Clarke & Co.			40,597,369		
Jpmorgan Chase Bank/Rbs Securities Inc.			3,023,761,683		241,765,659
Jpmorgan Securities(Asia Pacific)Ltd	47,877,962	72,028	8,946,006,194		557,872,972
Jpmorgan/Muni Dealer					835,000,000
Julius Baer Brokerage Sa	31,029	25			31,029
Kcg Americas Llc	647,989	1,167			648,234
Keefe Bruyette + Woods Inc	11,400,429	20,731			
Kempen + Co N.V.	1,670,252	2,560			1,670,252
Kepler Equities Paris	11,080,530	25,615			11,010,988
Keybanc Capital Markets Inc	33,617,312	42,047	93,052,767		
Kgs Alphacapital Markets, Llc			11,434,625		

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Kim Eng Securities (Hk) Ltd.	80,409	140			80,208
King, Cl,& Associates, Inc	12,252,768	10,113	265,303		
Knight Equity Markets L.P.	1,109,947,942	331,872			
Korea Investment And Securities Co., Ltd	2,645,138	5,292			2,644,671
Kotak Securities Ltd	3,482,477	6,956			3,488,905
Lapsed Rights	23,754				23,588
Larrain Vial	849,398	2,556			849,973
Lasa Holdings				94	
Lazard Capital Markets Llc	4,601,741	3,578	103,250		
Leerink Swann And Company	13,780,189	14,373			
Liberum Capital Limited	7,646,021	11,469			2,486,757
Liquidnetasia Limited	5,737,272	7,062			5,532,307
Liquidnetasia Ltd	4,262	4			4,262
Liquidnetaustralia Pty Ltd	228,753	229			227,295
Liquidnetcanada Inc	966,112	874			947,097
Liquidneteuropa Limited	1,000,629	600			1,003,639
Liquidnetinc	905,816,409	476,262			
Longbow Securities Llc	8,119,809	17,236			
Loop Capital Markets	22,754,325	7,781	3,000,000		
M.W.Jenkins & Co.(Cls Thru Sec Sett#397)	54,140	15			
Macquariebank Limited	62,898,247	92,844			44,433,764
Macquariecapital (Europe) Ltd	1,816,534	1,765			1,128,387
Macquariecapital (Usa) Inc.	4,046,900	4,386			
Macquarieequities Limited (Sydney)	17,899,453	18,533			7,692,674
Macquariesec Nz Ltd	803,037	1,233			803,037
Macquariesecurities (India) Pvt Ltd	3,628,031	7,571			3,596,843
Macquariesecurities (Singapore)	4,211,229	9,025			3,351,067
Macquariesecurities (Usa) Inc	21,842,873	11,301			
Macquariesecurities Ltd Seoul	10,816,076	12,182			7,751,656
Mainfirstbank De	161,841	196			161,925
Mandatoryexchange Non Cash	17,566,328		7,788,517		
Marketaxess Corp			2,036,700		
Maxim Group	5,123,982	5,491			
Mc Courtney-Breckenridge & Company			4,828,343		
Mellon Bank Capital Markets Invest Acct			12,601,510		
Mellon Bank Na	119,984	208			85,539
Merrill Lynch And Co Inc	66,257,829	101,430			57,580,484
Merrill Lynch Canada Inc	1,520,030	1,195	103,044		1,617,579
Merrill Lynch Far East Ltd	11,164,629	33,533			9,135,763
Merrill Lynch International	361,088,441	289,659	10,912,047		282,661,105
Merrill Lynch Pierce Fenner + Smith Inc	1,449,071,022	501,667	96,504,034		24,550,262,000
Merrill Lynch Pierce Fenner And S	89,187,336	72,056	1,372,498		77,265,568
Merrill Lynch Pierce					30,000,000
Merrill Lynch Professional Clearing Corp	20,987,310	22,682	10,985,548		
Mesirow Financial, Inc.			15,173,862		
Millennium Advisors Llc			902,592		
Mirabaud Securities Llp	3,469,922	4,658			276,947
Mitsubishi Ufj Securities (Usa)	3,444,124	4,129	41,846,220		3,444,124
Mitsubishi Ufj Securities Int Plc	4,164,502	4,991	5,578,225		4,321,412
Mizuho International Plc	7,279,155	7,102			4,664,589
Mizuho Securities Asia Limited	3,113,033	3,736			2,862,665
Mizuho Securities Usa Inc	11,503,359	15,978	475,713,717		432,464,125
Mkm Partners Llc	3,278,731	3,269			
Mnd Partners	1,568,997	1,131			
Montrose Securities Equities	9,229,795	11,504			

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Monument Securities Limited	491,792	734			488,591
Morgan Algo Csa	1,674,531	659			
Morgan Stanley Algo Rr Bloom	1,008,404	550			
Morgan Stanley And Co. International	56,423,406	68,915			46,713,601
Morgan Stanley Co Incorporated	2,964,160,279	837,822	10,189,414,769		275,816,778
Morgan Stanley Comm. Paper					24,518,000,000
Morgan Stanley India Company Pvt Ltd	1,198,011	3,006			1,193,478
Morgan Stanley Securities Limited	21,614,704	26,130			17,365,978
Motilal Oswal Securities Limited	4,943,112	9,901			4,940,362
Mscs Csa Algo	44,328	15			
National Australia Bank Ltd.			1,774,000		
National Bank Financial Corporation	4,632	9			4,632
National Financial Services Corp.	30,088,172	18,548	6,077,503		46,000,000
National Financial Services Llc	61,645	131			
Natixis Securities	1,645,466	1,646	5,553,858		7,237,116
Nbc Clearing Services Incorporated	3,741,204	3,874			3,521,806
Nbcn Clearing Inc.			9,396,942		
Ncb Stockbrokers Limited	381,954	378			381,954
Needham +Company	32,763,588	45,305			
Nesbitt Burns	8,193,571	9,650	829,276		6,349,503
Nomura Financial Advisory + Sec India	12,076,646	19,568			11,977,974
Nomura International (Hong Kong) Ltd	2,209,894	3,361			930,294
Nomura International Trust Co			12,715,127		5,648,699
Nomura Securities International Inc	8,756,779	10,510	1,223,562,334		108,466,399
Nomura Securities/Fixed Income			3,234,852,210		204,997,818
Nordea Bank Finland Plc	1,334,862	1,000			1,329,044
Northern Trust Company, The					(2,196,000)
Northlandsecurities Inc.	7,829,242	8,889			
Numis Securities Inc.	1,846,475	8,366			1,846,622
O Neil, William And Co. Inc/Bcc Clrg	527,141	1,031			
Oddo Et Cie	629,473	687			629,473
Oppenheimer + Co. Inc.	35,791,730	53,091	3,100,635		
Oppenheimer International Ltd.	31,302	47			31,302
Otkritie Securities Limited	327,560	525			
Pacific Crest Securities	31,515,022	29,460			
Panmure Gordon And Co Ltd	832,689	1,241			826,912
Parel	4,147,692	5,254			4,148,576
Paribas Securities Inc			1,518,867		
Patersonscurities Ltd	82,431	74			82,431
Pavilion Global Markets Ltd	3,234,072	1,321			2,739,671
Peel Huntllp	664,424	960			664,440
Penserra Securities	739,943	379			
Pershing Division Of Donaldson Lufkin	1,651,392	5,567			
Pershing Llc	324,153,089	225,317	378,920,995		97,878,934
Pershing Securities Limited	30,852,991	24,805			25,009,624
Peters And Co Limited	1,056,484	1,793			848,146
Pickeringenergy Partners, Inc	62,078	24			
Pierpont Securities Llc			16,760,612		
Piper Jaffray	81,353,765	72,152	21,886,774		
Pulse Trading Llc	74,173,187	27,205			
R W Pressprich + Co Inc			32,585		
Rabobank Netherland	1,121,289	1,344			1,122,066
Raymond James And Associates Inc	105,262,695	123,039	29,065,573		2,110,840
Rbc Algo Rr	77,354	112			
Rbc Capital Markets	216,605,721	150,935	3,312,915,723		150,047,936

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Rbc Dominion Securities Inc.	27,146,602	18,628			20,068,893
Rbs Securities Inc.			1,706,479,820		
Redburn Partners Llp	21,016,165	45,302			17,479,610
Reger & Co Inc			3,782,500		
Renaissance Capital Ltd	3,569,806	4,791			644,040
Rencap Securities Inc.	3,325,617	3,986			
Robert W.Baird Co.Incorporate	69,844,467	86,529	29,951,094		
Rosenblatt Securities Llc	479,683,707	244,131			
Roth Capital Partners Llc	506,151	507			
Royal Bank Of Canada	22,270,727	70,734			45,598,008
Royal Bank Of Scotland Plc			3,916,905		37,743,946,060
S.S Kantilal Ishwarlal Securities	2,569,083	5,132			2,566,148
Samsung Securities Co Ltd	3,347,216	8,875			1,126,207
Sandler Oneill + Part Lp	16,911,119	15,575			
Sanford Cbernstein Co Llc	980,951,912	347,755			26,799,867
Santandercentral Hispano Bolsa	656,672	656			656,672
Santanderinvestment Securities Inc	2,135,987	6,404	2,117,000		
Scotia Capital Mkts	19,001,619	26,454	1,575,485,701		209,287,684
Seaport Group Securities, Llc			593,310		
Sg Americas Securities Llc	118,715,173	32,990	651,714,719		
Sg Securities Hk	14,170,962	8,424			9,855,566
Shenyin Wanguo Securities (Hk(Ltd	356,730	711			356,794
Sidoti + Company Llc	29,239,720	86,120			
Simmons +Company International	1,469,679	1,205			
Sj Levinson & Sons Llc	204,635,821	76,386			
Skandinaviska Enskilda Banken London	1,175,630	1,353			1,177,944
Smbc Nikko Capital Markets Limited	7,174,721	8,571			7,152,314
Smbc Nikko Securities (Honk Kong) Ltd	3,065,273	3,679			2,305,756
Societe Generale London Branch	44,869,444	55,398			38,708,817
Societe Generale Ny			5,671,150		55,804,064
Societe Generale Paris Zurich Bra	67,603	81			67,603
Southwestsecurities, Inc.			38,606,729		
Standard Bank London Limited	5,164,429	10,304	4,486,300		5,156,791
Standard Chartered Bank (Hong Kong) Limi	6,419,377	10,919			6,460,711
Standard Chartered Bank			1,076,800		871,359
Standard Chartered Securities Korea	376,490	755			376,830
State Street Bank And Trust	605,776	607	19,335,755		34,880,017,193
State Street Bank London					7,648,380
State Street Global Markets	1,935,699,661	673,014			
Stephens,Inc.	28,664,460	52,570	4,929,428		
Sterne Agee & Leach Inc.	14,707,586	18,461	107,644,912		
Stifel Nicolaus + Co Inc	124,251,801	93,749	66,561,166		
Strategassecurities Llc	810,966	546			
Stuart Frankel + Co Inc	2,716,530	862			
Sumridge Partners Llc			570,283		
Sungard Brokerage & Securities Svcs Llc	10,640,832	2,070			
Suntrust Capital Markets, Inc.	28,447,973	30,909			
Suntrust Robinson Humphrey, Inc.			50,668,719		
Svenska Handelsbanken	3,182,943	4,771			2,300,807
Td Waterhouse Cda	1,248,333	1,911	103,085		1,355,153
Telsey Advisory Group Llc	26,620,063	15,261			
The Bank Of Ny/Dbag London Global			17,323,147		
The Benchmark Company, Llc	2,429,130	2,534			
The Hongkong And Shanghai Bank	4,648,902	9,322			4,533,471
The Royalbank Of Scotland Plc (Ct Branc					1,499,469

Trading Data

Commissions and Trading Volume By Broker for Fiscal Year 2014

	Stock \$ Volume	Stock \$ Commission	Bond \$ Volume	Bond \$ Commission	Short Term \$ Volume
Tora Trading Services Limited	448,573	448			164,806
Torchmarkbrokerage Services,Inc.	196,401	197			(196,441)
Toronto Dominion Bank			2,718,631		1,004,415
Troika Dialog Usa, Inc	5,142,071	7,924			
Ubs Ag London	2,209,420	3,351	12,536,124		24,818,266
Ubs Ag	217,475,675	206,203			182,266,584
Ubs Financial Services Inc			38,511,997		
Ubs Securities Asia Ltd	64,165,670	69,448			48,601,457
Ubs Securities Canada Inc	5,504,511	4,821			4,005,442
Ubs Securities India Private Ltd	5,989,152	4,936			5,974,383
Ubs Securities Llc	1,801,995,766	891,366	137,444,352		7,426,522,768
Ubs Securities Pte.Ltd	10,781,182	9,092			7,691,454
Ubs Warburg Australia Equities	8,671,775	12,693			3,605,834
Ubs Warburg Ltd	20,705,895	16,386			15,363,892
Unicreditbank Ag (Hypovereinsbank)			2,309,709		1,477,916
Union Trust Co. Of Maryland					40,000,000
Uob Kay Hian Pte Limited	664,316	1,606			664,316
Us Bancorp Investments Inc			63,227,265		
Us Bank National Assoc			6,245,495		
Uti Securities Exchange Ltd	1,287,320	2,567			1,289,526
Vtb Bank Europe Plc	8,465,092	13,645			1,220,631
Wachovia Securities	397,286	234	1,609,446		
Wedbush Morgan Securities Inc	24,324,665	21,377	7,491,563		
Weeden + Co.	444,554,867	184,988			195,056
Wells Fargo Bank, N.A.			22,803,833		
Wells Fargo Securities, Llc	567,794,977	122,144	4,196,011,333		211,099,970
Western International Secs Inc	27,033,149	71,450			
Westpac Banking Corporation					(1,345,996)
William Blair & Company L.L.C	72,200,166	58,574	2,912,163		
Williams Capital Group Lp (The)	47,218,346	20,982			
Winterflood Securities Ltd	51,767	64			51,767
Wood And Company	8,095,367	21,712			5,047,094
Woori Investment Securities	253,590	506			253,807
Wunderlich Securities Inc.	1,168,503	647			
Yuanta Securities Company Limited	1,040,562	2,090			1,040,976
GRAND TOTAL	\$ 36,391,331,870	\$ 17,763,342	\$ 125,283,660,986	\$ 1,000	\$ 488,182,919,337

Table of Contents

Notes to the Financial Schedules	95
Supplemental Fund Schedules.....	96
Retirement Plans Participation	100
Non-Retirement Funds Participation.....	116
Manager Fees.....	117

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 2014

Financial Report Background:

The State Board of Investment (SBI) is the investment management vehicle for numerous retirement and non-retirement funds. The funds are separated by legal requirements and grouped into four major investment types: the Retirement Funds, the Non-Retirement Funds, the Assigned Risk Plan, and Other Funds Under Management. The SBI's goal is to maximize returns for each investment type given the appropriate level of risk. For each investment type, the funds are further broken down and reported by the entity responsible for the financial accounting and presentation of the funds. The information provided by the SBI is audited in conjunction with the audit of the reporting entities.

Retirement Funds: The Retirement Funds consist of funds administered by Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA), Minnesota State Retirement System (MSRS), and Local Volunteer Fire Relief Associations. A list of plan participants is provided in a schedule beginning on page 100. 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, MSRS at (800) 657-5757.

The Supplemental Investment Fund (SIF) is an investment option within the retirement funds that is available to various groups of participants according to state statute. SBI provides a financial schedule on the SIF as required by statute.

Non-Retirement Funds: The Non-Retirement Funds represent investment vehicles for Trusts and OPEBs. A listing of the Trusts and OPEBs is provided in the participation schedule on page 116. The Comprehensive Financial Reports 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 Plan: The Assigned Risk Plan is a dedicated governmental fund for which the SBI is the investment vehicle for the assets 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 assets 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 statements, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting: The SBI reporting requirements changed under the legislation passed during the 2012 legislative session. References in MS 11A.07, subdivision 4 and 11A.14, subdivision 14 to fund and participant annual statements prepared in accordance with generally accepted accounting principles were deleted. These requirements were deemed redundant to statements prepared for the State of Minnesota's Comprehensive Financial Statements and those of PERA, MSRS, and TRA retirement systems.

As required by state statute the SBI has prepared schedules for the SIF, a schedule of participation for all pooled investments, and a schedule of external manager fees.

Authorized Investments: *Minnesota Statutes, Section 11A.24* authorizes 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; participation as a limited partner in venture capital, real estate or resource equity investments; and participation in registered mutual funds.

Security Valuation: All securities are valued at fair value except for U.S. Government short-term securities and commercial paper, which are valued at fair value less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities, 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."

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Net Position
As of June 30, 2014
Amounts in (000)'s

	<u>Fixed Interest</u>	<u>Money Market</u>	<u>Bond Market</u>
	<u>Account</u>	<u>Account</u>	<u>Account</u>
Assets			
Security Lending Collateral			\$ 15,317
Short Term Investments			
Stable Value Fixed Interest	\$ 1,549,257		
Money Fund		\$ 315,643	
Fixed Income Investments			
Bond Pool			110,490
Income Share Fixed Pool			
Equity Investments			
Domestic Stock Pool			
International Stock Pool			
Total Investments	<u>\$ 1,549,257</u>	<u>\$ 315,643</u>	<u>\$ 110,490</u>
Total Supplemental Position Assets	<u>\$ 1,549,257</u>	<u>\$ 315,643</u>	<u>\$ 125,807</u>
Liabilities			
Accrued Investment Expense	\$ 923		\$ 26
Security Lending Collateral			15,317
Total Liabilities	<u>\$ 923</u>		<u>\$ 15,343</u>
Net Supplemental Position Assets			
Held in Trust	<u>\$ 1,548,334</u>	<u>\$ 315,643</u>	<u>\$ 110,464</u>

<u>Income Share</u> <u>Account</u>	<u>Common</u> <u>Stock Index</u> <u>Account</u>	<u>Growth Share</u> <u>Account</u>	<u>International</u> <u>Share Account</u>	<u>Volunteer</u> <u>Fire Fighter</u> <u>Account</u>	<u>Total</u> <u>Supplemental</u> <u>Investment</u> <u>Fund</u>
\$ 30,897	\$ 64,589	\$ 29,046	\$ 12,480	\$ 3,210	\$ 155,539
17,358				1,243	1,549,257 334,244
119,456				11,813	122,303 119,456
212,835	444,919	202,635		9,219	869,608
			209,815	3,934	213,749
<u>\$349,649</u>	<u>\$ 444,919</u>	<u>\$ 202,635</u>	<u>\$ 209,815</u>	<u>\$ 26,209</u>	<u>\$ 3,208,617</u>
<u>\$ 380,546</u>	<u>\$ 509,508</u>	<u>\$ 231,681</u>	<u>\$ 222,295</u>	<u>\$ 29,419</u>	<u>\$ 3,364,156</u>
\$ 5	\$ 11	\$ 114	\$ 150	\$ 6	\$ 1,235
30,897	64,589	29,046	12,480	3,210	155,539
<u>\$ 30,902</u>	<u>\$ 64,600</u>	<u>\$ 29,160</u>	<u>\$ 12,630</u>	<u>\$ 3,216</u>	<u>\$ 156,774</u>
<u>\$ 349,644</u>	<u>\$ 444,908</u>	<u>\$ 202,521</u>	<u>\$ 209,665</u>	<u>\$ 26,203</u>	<u>\$ 3,207,382</u>

State Board of Investment
Retirement Fund - Supplemental Investment Accounts
Schedule of Changes in Net Position
For the Fiscal Year Ended June 30, 2014
Amounts in (000)'s

	<u>Fixed Interest</u>	<u>Money Market</u>	<u>Bond Market</u>
	<u>Account</u>	<u>Account</u>	<u>Account</u>
Investment Income			
Interest, Dividends and Other	\$ 3,595	\$ 19,908	\$ (7,983)
Security Lending Gross Earnings			71
Less Borrower Rebates			1
Less Fees Paid to Agents			(24)
Security Lending Net Earnings			\$ 48
Net Increase in Fair Value of Investments	29,117		5,429
Total Investment Income (Loss)	<u>\$ 32,712</u>	<u>\$ 19,908</u>	<u>\$ (2,506)</u>
Expenses			
Administrative Expenses		\$ (19)	\$ (8)
Investment Expenses	\$ (3,663)		(97)
Total Expenses	<u>\$ (3,663)</u>	<u>\$ (19)</u>	<u>\$ (105)</u>
Net Income - Supplemental Investments	\$ 29,049	\$ 19,889	\$ (2,611)
Participant Transactions			
Additions	\$ 70,724	\$ 65,945	\$ 4,620
Withdrawals	(96,840)	(54,149)	(17,422)
Net Participant Transactions	<u>\$ (26,116)</u>	<u>\$ 11,796</u>	<u>\$ (12,802)</u>
Total Change in Assets	\$ 2,933	\$ 31,685	\$ (15,413)
Net Supplemental Investment Assets Held in Trust:			
Beginning of Fiscal Year	1,545,401	283,958	125,877
End of Fiscal Year	<u><u>\$ 1,548,334</u></u>	<u><u>\$ 315,643</u></u>	<u><u>\$ 110,464</u></u>

<u>Income Share</u> <u>Account</u>	<u>Common</u> <u>Stock Index</u> <u>Account</u>	<u>Growth Share</u> <u>Account</u>	<u>International</u> <u>Share Account</u>	<u>Volunteer</u> <u>Fire Fighter</u> <u>Account</u>	<u>Total</u> <u>Supplemental</u> <u>Investment</u> <u>Fund</u>
\$ 301	\$ (5,483)	\$ (5,081)	\$ (658)	\$ 9	\$ 4,608
163	341	141	161	18	895
(3)	(7)	(3)	(1)		(13)
(47)	(99)	(38)	(65)	(5)	(278)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 113	\$ 235	\$ 100	\$ 95	\$ 13	\$ 604
50,005	62,534	42,154	23,269	2,623	215,131
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 50,419	\$ 57,286	\$ 37,173	\$ 22,706	\$ 2,645	\$ 220,343
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (20)	\$ (20)	\$ (11)	\$ (9)	\$ (44)	\$ (131)
(20)	(41)	(448)	(578)	(22)	(4,869)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (40)	\$ (61)	\$ (459)	\$ (587)	\$ (66)	\$ (5,000)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 50,379	\$ 57,225	\$ 36,714	\$ 22,119	\$ 2,579	\$ 215,343
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 21,135	\$ 193,726	\$ 14,913	\$ 108,549	\$ 9,322	\$ 488,934
(20,294)	(11,506)	(12,140)	(7,624)	(1,166)	(221,141)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 841	\$ 182,220	\$ 2,773	\$ 100,925	\$ 8,156	\$ 267,793
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 51,220	\$ 239,445	\$ 39,487	\$ 123,044	\$ 10,735	\$ 483,136
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
298,424	205,463	163,034	86,621	15,468	2,724,246
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 349,644	\$ 444,908	\$ 202,521	\$ 209,665	\$ 26,203	\$ 3,207,382
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Combined Retirement Funds			
Correctional Employees Retirement Fund		\$24,278,726	\$204,487,815
Highway Patrolmen's Retirement Fund		17,395,454	155,810,113
Judges Retirement Fund		5,163,871	40,879,051
Legislative Retirement Fund		108,578	1,962,275
State Employees Retirement Fund		290,337,706	2,683,529,759
Public Employee Corrections		12,429,509	105,665,757
PERA Minneapolis Employee Retirement		21,081,014	205,526,981
Public Employee Police & Fire Fund		185,874,484	1,696,488,705
Public Employees Retirement Fund		456,977,982	4,061,775,752
Teachers Retirement Fund		536,127,069	4,732,982,859
		\$1,549,774,393	\$13,889,109,068
Fire Relief Funds			
Alaska		\$1,453	
Albertville			\$42,179
Almelund		99,852	
Amboy			10,243
Argyle		3,291	14
Arrowhead		1,233	18,298
Audubon		14,122	89,486
Aurora			45,280
Austin		20,379	
Avon			
Babbitt		134,714	2,325
Backus			
Bagley		6,142	25,845
Balsam		16,041	
Beardsley		214	52,443
Beaver Creek			20,458
Benson		2,582	32,988
Bertha		4,834	
Bigfork		891	
Bird Island		3,757	
Blackduck			
Blooming Prairie		59,171	27,559
Bloomington		16,526,442	24,113,915
Boyd		1,019	

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
	\$110,536,229	\$400,472,557	\$136,968,481	\$876,743,808
	84,223,418	305,141,289	104,363,551	666,933,827
	22,097,240	80,058,259	27,381,297	175,579,718
	1,060,711	3,842,953	1,314,356	8,288,872
	1,450,586,506	5,255,472,253	1,797,461,602	11,477,387,826
	57,117,801	206,937,687	70,776,238	452,926,992
	111,098,897	402,511,098	137,665,691	877,883,680
	917,039,812	3,322,433,558	1,136,329,230	7,258,165,788
	2,195,599,677	7,954,653,607	2,720,627,904	17,389,634,923
	2,558,421,827	9,269,157,583	3,170,210,775	20,266,900,112
	\$7,507,782,117	\$27,200,680,845	\$9,303,099,123	\$59,450,445,546
\$9,997		\$58,901	\$7,387	\$77,738
		38,272	28,481	108,932
41,643		201,155		342,649
		65,802		76,046
22,647		80,818		106,771
8,487		70,475		98,493
97,191		173,165		373,965
		84,449	20,983	150,712
140,253		638,818		799,451
		64,101		64,101
40,350		200,955		378,343
		18,403		18,403
40,853		98,429		171,268
59,363		194,206		269,610
1,473		123,958	43,253	221,341
		29,767		50,225
17,769		125,967		179,306
33,265		143,608		181,706
6,132		192,759	18,934	218,716
25,859		116,612		146,228
		12,225	32,348	44,573
14,164		76,383		177,277
		72,050,399	16,002,735	128,693,491
7,011		30,507		38,537

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Bricelyn		\$16,673	
Brimson		5,319	\$9,279
Brooklyn Park		194,067	
Brooten			
Brownsville		8,483	24,860
Buffalo Fire		16,542	
Buffalo Lake		7,914	
Carlton		1,742	36,716
Center City		7,551	15,144
Ceylon		4,279	
Chatfield		6,352	
Cherry		3,477	
Chisago City		89,021	1,108
Chokio		9,051	
Clarissa			36,033
Clarkfield		7,997	40,962
Clear Lake		12,482	35,310
Cloquet (Perch Lake)		4,126	72,989
Columbia Heights			424,930
Coon Rapids		67,047	1,000,684
Cotton		1,068	25,973
Cyrus			29,038
Dakota		2,752	41,650
Dawson		11,927	
Dayton Fire		113,138	
Deer Creek		3,935	
Delano			56,811
Dover		27,851	52,966
East Grand Forks		52,863	
Edgerton		11,379	
Edina		1,196,459	1,192,966
Elbow Lake		6,232	
Elmore			
Excelsior			483,295
Eyota		115,355	92,116
Fergus Falls		32,202	1,014,233
Forest Lake		14,091	

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
\$114,746		\$204,444		\$335,864
30,160		62,658	\$11,328	118,745
1,335,590		7,305,944	294,244	9,129,845
		248,566		248,566
6,110		94,391	17,996	151,840
10,591		129,436		156,568
54,463		317,360		379,737
11,988		137,580	24,547	212,572
51,967		187,935	18,802	281,399
29,450		220,113		253,842
43,715		263,755	65,599	379,420
23,927		145,501		172,905
178,269		535,726	166,469	970,594
62,292		110,985	33,634	215,962
		54,035		90,069
55,034		127,402		231,395
85,904		524,471		658,167
28,396		152,378		257,889
		1,446,693		1,871,623
461,425		822,125		2,351,282
7,350		146,390	32,026	212,807
		51,418	14,528	94,984
18,941		81,319		144,663
82,082		191,971		285,979
67,716		291,771		472,625
27,082		197,777		228,794
				56,811
19,090		141,864	40,804	282,575
363,807		648,197		1,064,867
78,312		279,672		369,363
		5,197,535	745,211	8,332,170
42,892		165,916	21,409	236,450
		193,925		193,925
		1,187,679	556,740	2,227,714
38,129		124,261		369,862
186,112		954,061	78,186	2,264,794
96,978		199,971		311,041

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Franklin			
Frost		\$1,414	
Ghent			\$7,462
Glencoe			
Glenville		10,778	41,611
Glenwood		9,675	117,006
Golden Valley		52,356	387,010
Gonvick		2,965	
Good Thunder		6,788	
Grand Meadow		5,308	20,688
Greenwood		10,011	60,940
Grey Eagle		9,328	
Hackensack		6,000	55,436
Hanska		10,753	19,071
Harmony		2,228	
Hawley		185	
Hayward		2,407	
Hector		29,723	
Henning		3,603	52,455
Herman			32,845
Hills		307	
Holdingsford		774	
Holland		2,999	48,904
Isanti			
Jacobson		8,981	
Kabetogama			
Kandiyohi		4,777	56,333
Kelsey			16,200
Kerkhoven		3,485	62,575
Kettle River		2,769	
Kiester			20,787
Kilkenny		5,016	
Kimball		4,788	
La Crescent		9,453	16,925
La Salle		836	
Lafayette		8,906	
Lake City		37,582	10,156

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
		\$195,934		\$195,934
\$9,728		75,202		86,344
		27,752	\$6,345	41,559
		228,274		228,274
17,680		134,340	43,741	248,150
66,583		391,387		584,652
360,316		1,855,599	420,382	3,075,663
20,405		95,923		119,293
46,715		206,987		260,490
36,532		233,906		296,434
68,899		356,864		496,713
64,199		114,385	40,044	227,956
41,290		73,567	75,229	251,521
				29,824
15,336		78,788	39,980	136,333
		99,568		99,753
16,565		437,028		456,001
204,558		364,463		598,745
24,796		183,122		263,976
		87,726	24,786	145,357
2,111		16,358	4,290	23,066
5,325		40,344		46,443
12,101		87,077	84,173	235,253
		1,408,638	569,928	1,978,566
14,926		81,391	36,023	141,321
		212,472		212,472
32,877		239,405		333,392
		22,495	17,184	55,879
23,985		182,713		272,759
19,056		104,234		126,058
		48,520		69,307
34,522		283,109	14,493	337,140
32,952		206,194		243,934
65,054		592,696		684,127
5,753		48,976		55,565
61,290		223,795	21,626	315,617
258,643		477,028		783,409

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Lakeville			
Leroy		\$4,446	\$21,202
Lewiston		6,254	
Littlefork		7,785	
Lowry			
Lyle		3,673	
Madison		3,841	
Madison Lake		1,124	
Maple Hill		9,093	35,524
Mapleton		1,731	
Mapleview		2,481	44,712
Maplewood			792,498
Marietta		2,831	
Marine St. Croix		23,485	
Maynard		5,602	
McDavitt		3,449	8,726
McGrath		979	11,057
McIntosh		1,747	
Medford		1,710	
Medicine Lake			229,624
Menahga		4,522	80,317
Mendota Heights		14,712	512,948
Milan		3,066	
Minneota		2,555	25,208
Minnetonka		334,497	581,001
Montrose		565	
Morris		2	
Morristown		16,732	
Morse-Fall Lake		7,695	
MSRS ING	\$1,545,290,019	307,785,350	67,149,282
Murdock		1,669	
Myrtle		55,772	
Nassau		1,253	20,010
New Brighton			1,176,968
New Germany		10,269	
New Ulm			
New York Mills		6,009	

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
		\$4,020,264	\$439,221	\$4,459,485
\$30,599		\$54,518		110,764
43,039		206,598		255,891
53,579		316,122		377,486
		93,441		93,441
25,279		128,974	\$10,958	168,884
26,392		176,910		207,143
7,738		31,882	15,371	56,115
62,577		111,493		218,687
11,916		64,382		78,029
17,074		115,832	31,739	211,838
		3,017,686	374,722	4,184,905
19,483		104,725		127,039
161,625		287,968		473,077
38,554		68,692		112,847
23,733		111,724	14,493	162,125
6,735		23,141		41,912
12,023		130,570		144,340
11,770		320,037	44,900	378,418
		527,939	280,722	1,038,285
31,119		55,444		171,402
101,250		1,341,525	305,349	2,275,785
21,104		163,438		187,608
17,581		77,571	13,480	136,395
2,302,041		4,101,562	844,428	8,163,530
3,891		43,311		47,767
			28,445	28,447
115,149		646,395	20,724	799,000
29,065		125,585		162,345
97,120,931		483,019,675	74,835,883	2,575,201,140
11,483		86,102	20,594	119,848
40,166		71,563		167,500
8,626		179,243	40,336	249,468
		2,603,637		3,780,605
70,675		125,922		206,866
		355,291		355,291
41,352		73,677		121,038

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Nicollet		\$13,604	
Nodine		66,260	
North Branch		2,408	
Northfield		686,009	\$114,729
Northrop		3,281	
Oronoco		2,407	
Owatonna		40,997	
Pequot Lakes		16,417	205,728
Pine Island		15,798	33,100
Pipestone		9,247	
PERA DCP	\$3,966,545	3,184,641	2,954,581
Randolph		14,145	
Red Lake Falls		5,229	
Redwood Falls			48,899
Renville		4,233	57,675
Robbinsdale		135,152	
Rose Creek		49,266	
Roseau			
Rosemount		532,395	
Roseville			2,775,365
Ruthton		24,049	
Sacred Heart			
Saint Clair		10,405	19,400
Saint Peter		1,916	788
Sandstone		477	
Savage		89,178	
Schroeder			
Shakopee			
Sherburn		20,029	
Silver Bay		11,393	
Solway (Main)		584	
Solway(Cloquet)		4,455	109,198
Spring Grove		3,039	10,148
Spring Lake Park		65,699	
Saint Paul Teachers' Retirement Fund			
Starbuck		3,601	
Stephen		2,128	

<u>Income Share</u>	<u>Alternative</u>	<u>Domestic Stock</u>	<u>International</u>	
<u>Fixed Pool</u>	<u>Investment Pool</u>	<u>Pool</u>	<u>Stock Pool</u>	<u>Total</u>
\$70,315		\$307,959	\$79,120	\$470,998
26,246		125,386	17,267	235,159
16,571		137,360	27,463	183,802
590,737		3,725,811		5,117,287
22,577		113,841		139,699
16,567		119,262	35,942	174,178
282,144		2,140,022	149,914	2,613,077
112,982		384,074		719,201
108,725		345,290		502,913
63,637		309,297		382,181
8,900,437		33,055,470	3,019,841	55,081,516
97,350		481,206	53,764	646,466
35,985		64,115		105,328
				48,899
29,130		175,123		266,161
357,345		1,625,234	212,088	2,329,819
				49,266
		1,731		1,731
215,363		1,085,409		1,833,167
		6,446,338	710,461	9,932,164
11,370		87,908		123,327
		64,358		64,358
62,897		529,743		622,446
13,188		337,228	116,352	469,472
3,285		5,854		9,617
613,728		1,093,483		1,796,389
		167,472		167,472
		1,258,369	218,937	1,477,306
137,838		245,587		403,453
78,408		398,825	52,089	540,715
4,020		30,751		35,356
30,661		54,629		198,944
6,170		53,008	7,523	79,887
452,145		805,589		1,323,432
		185,821,394	106,368,651	292,190,045
24,781		184,978	9,847	223,207
14,648		140,290		157,067

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Stewart		\$5,661	
Sturgeon Lake			\$8,319
Tofte		5,007	
Truman		4,070	38,531
Two Harbors		9,380	172,407
Tyler		9,866	
Underwood			
Vadnais Heights		12,788	
Vermilion Lake		11,916	
Verndale			
Viking Fire			3,069
Waconia		12,126	
Warroad Area		17,775	86,905
Williams		39,763	
Willow River			7,589
Winnebago		1,206	
Woodbury		292,329	2,844,703
Woodstock		2,476	9,535
Wrenshall			
Wykoff		4,839	
Wyoming		9,395	92,087
Zumbro Falls		17,624	13,828
	\$1,549,256,564	\$333,001,268	\$110,490,159
PERA Voluntary Share			
Albert Lea		\$9,786	\$93,012
Alborn		8,580	81,548
Alden		8,295	78,839
Ashby		16,918	160,791
Barnum		12,411	117,961
Biwabik		10,142	96,390
Brandon		12,470	118,516
Breitung		13,046	123,991
Brevator		9,776	92,914
Buyck		3,173	30,161
Canby		19,267	183,122
Carsonville		8,027	76,291
Clifton		15,717	149,377

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
\$38,957		\$129,491		\$174,108
		54,270		62,589
34,460		176,298		215,766
28,010		215,539		286,150
64,556		311,325	\$149,033	706,701
67,899		120,975		198,740
		18,861	5,346	24,206
88,009		156,805		257,602
82,004		146,108		240,028
		30,233		30,233
		6,093		9,162
83,450		793,406	156,297	1,045,278
122,327		217,952		444,959
48,442		160,223		248,428
		98,155		105,744
8,298		32,807		42,311
		4,629,404	1,407,345	9,173,781
17,042		118,262		147,315
		103,798		103,798
33,299		59,330		97,468
64,660		115,206		281,348
67,593		238,210	22,832	360,087
\$119,455,980		\$860,389,602	\$209,815,344	\$3,182,408,916
		\$72,587	\$30,975	\$206,360
		63,641	27,157	180,926
		61,526	26,255	174,915
		125,483	53,546	356,738
		92,058	39,283	261,714
		75,224	32,100	213,856
		92,491	39,468	262,945
		96,763	41,291	275,091
		72,511	30,942	206,142
		23,538	10,044	66,916
		142,910	60,983	406,283
		59,538	25,406	169,262
		116,575	49,745	331,415

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
Colvill		\$4,461	\$42,395
Crane Lake		5,135	48,803
Dalbo Fire Department		19,156	182,064
De Graff		903	8,578
Dent		15,883	150,955
Echo Fire		12,297	116,878
Elbow Tulaby		4,400	41,817
Ellsburg		4,595	43,676
Embarrass		8,825	83,874
Emmons		16,324	155,144
Fairfax		14,943	142,024
Federal Dam		5,501	52,286
Fredenberg		12,190	115,859
Gilbert		11,693	111,134
Gnesen		11,008	104,624
Grand Lake		18,856	179,210
Grand Marais		16,083	152,857
Granite Falls		20,682	196,563
Hardwick		6,514	61,913
Hewitt		7,072	67,218
Houston		17,473	166,065
Hovland Fire Department		6,792	64,557
Industrial Township		14,013	133,179
Lake Bronson		5,982	56,858
Lakeland		13,180	125,263
Lester Prairie		14,649	139,229
LeSueur		41,340	392,904
Lexington		23,235	220,827
Linwood		32,509	308,975
Lutsen		9,586	91,112
Mahtowa		7,694	73,121
Manchester		6,260	59,493
Mayer		31,166	296,209
McKinley		5,093	48,402
Melrose		18,766	178,353
Mountain Iron		15,269	145,121
Normanna		2,514	23,898

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
		\$33,085	\$14,118	\$94,059
		38,086	16,252	108,276
		142,085	60,631	403,936
		6,694	2,857	19,031
		117,807	50,271	334,916
		91,213	38,923	259,311
		32,634	13,926	92,777
		34,085	14,545	96,902
		65,456	27,932	186,087
		121,076	51,666	344,209
		110,836	47,297	315,100
		40,804	17,412	116,004
		90,417	38,583	257,049
		86,730	37,010	246,566
		81,650	34,842	232,124
		139,857	59,680	397,603
		119,290	50,904	339,134
		153,399	65,459	436,102
		48,318	20,618	137,364
		52,457	22,385	149,132
		129,598	55,303	368,439
		50,381	21,499	143,230
		103,934	44,351	295,476
		44,372	18,935	126,147
		97,756	41,715	277,914
		108,656	46,366	308,900
		306,625	130,844	871,713
		172,335	73,539	489,936
		241,127	102,895	685,506
		71,105	30,342	202,146
		57,064	24,351	162,229
		46,429	19,812	131,995
		231,164	98,643	657,182
		37,773	16,119	107,386
		139,188	59,395	395,703
		113,254	48,328	321,972
		18,650	7,959	53,022

**State Board of Investment
Retirement Plans Participation
As of June 30, 2014**

	<u>Stable Value</u> <u>Fixed Interest</u>	<u>Money Fund</u>	<u>Bond Pool</u>
North Star		\$3,494	\$33,205
Northhome		6,708	63,759
Norwood-Young America		28,057	266,662
Oak Grove		56,957	541,331
Oakdale		109,615	1,041,804
Ogilvie		13,288	126,289
Osakis		26,723	253,981
Ottertail		22,188	210,881
Palo		14,831	140,956
Pennock		15,179	144,262
Pequaywan L.		3,235	30,742
Porter		23,584	224,144
Rice Lake		28,467	270,559
Scandia		32,765	311,406
Scandia Valley		15,930	151,406
Shevlin		12,460	118,420
Sunburg		7,591	72,143
Tower		6,775	64,389
Twin Valley		16,520	157,009
Ulen		9,557	90,836
Victoria		43,457	413,026
Waite Park		39,739	377,685
Warba - Feeley - Sago		8,685	82,543
Willmar		50,375	478,780
Wolf Lake		10,448	99,305
Wright		6,594	62,672
		<u>\$1,242,870</u>	<u>\$11,812,547</u>
Total Pool Participation		<u>\$1,549,256,564</u>	<u>\$14,011,411,774</u>

<u>Income Share</u> <u>Fixed Pool</u>	<u>Alternative</u> <u>Investment Pool</u>	<u>Domestic Stock</u> <u>Pool</u>	<u>International</u> <u>Stock Pool</u>	<u>Total</u>
		\$25,913	\$11,058	\$73,670
		49,758	21,233	141,459
		208,105	88,803	591,627
		422,459	180,273	1,201,019
		813,033	346,940	2,311,392
		98,557	42,057	280,191
		198,209	84,580	563,493
		164,573	70,227	467,869
		110,003	46,941	312,731
		112,583	48,042	320,065
		23,991	10,238	68,205
		174,924	74,644	497,296
		211,146	90,101	600,274
		243,024	103,704	690,898
		118,159	50,421	335,917
		92,416	39,436	262,732
		56,301	24,025	160,060
		50,250	21,443	142,857
		122,531	52,287	348,347
		70,889	30,250	201,532
		322,329	137,546	916,358
		294,748	125,776	837,948
		64,417	27,488	183,134
		373,644	159,443	1,062,242
		77,498	33,070	220,322
		48,910	20,871	139,047
		\$9,218,607	\$3,933,799	\$26,207,824
\$119,455,980	\$7,507,782,117	\$28,070,289,054	\$9,516,848,266	\$62,659,062,286

State Board of Investment
Non Retirement Funds Participation Schedule
As of June 30, 2014
Amounts In (000)'s

	<u>Non Retirement</u> <u>Cash Pool</u>	<u>Internal Bond</u> <u>Pool</u>	<u>Internal</u> <u>Equity Pool</u>	<u>Total Non</u> <u>Retirement Pools</u>
Permanent School	\$ 21,049	\$ 517,032	\$ 563,537	\$ 1,101,618
Environmental Trust	\$ 16,201	\$ 231,586	\$ 594,713	\$ 842,499
Other Trusts:				
Closed Landfill			\$ 1,227	\$ 1,227
Emergency Med SVC	\$ 94	\$ 611	1,219	1,924
Ethel Currey		526	863	1,389
Iron Range Resources		49,062	59,527	108,589
Life Time Fish & Wild Life	274	4,600	12,065	16,940
Saint Louis County Environmental		3,140	4,053	7,194
Winona State		2,158	3,858	6,016
	\$ 368	\$ 60,097	\$ 82,812	\$ 143,277
PERA OPEB:				
Anoka County (Irrevocable)			\$ 48,865	\$ 48,865
Anoka County (Revocable)			407	407
Carver County		\$ 407	2,162	2,569
City of Eagan			12,131	12,131
City of Virginia			760	760
Crosby-Ironton ISD #182	\$ 284	2	3,910	4,196
Duluth		12,128	28,693	40,821
Fillmore Central ISD #2137	515			515
Hastings ISD #200	1,345			1,345
Kingsland ISD #2137			287	287
Mendota Heights Egan,				
West Saint.Paul ISD #197	182	8,690		8,872
Metro Mosquito Control District		395	2,050	2,445
Metropolitan Council	29		192,176	192,205
Mounds View ISD #621	9,949	6,142	7,547	23,638
Mt. Iron-Buhl District #712		2,323		2,323
Ogilvie ISD #333	546			546
Ramsey County	4,246	13,549	33,573	51,368
Roseville ISD#623		12,787		12,787
Scott County			9,212	9,212
Staples Motley ISD #2170	28	800	187	1,015
Washington County		7,783	24,313	32,096
Yellow Medicine ISD #2190	1,088			1,088
	\$ 18,212	\$ 65,006	\$ 366,273	\$ 449,491
Total Pool Participation	\$ 55,830	\$ 873,721	\$ 1,607,334	\$ 2,536,886

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2014

Domestic Equity Active Managers		
Barrow, Hanley, Mewhinney & Strauss, Inc.	\$	1,382,004
Earnest Partners LLC		979,376
Goldman Sachs Asset Management, L.P.		1,912,726
Hotchkis and Wiley Capital Management		2,667,314
INTECH Investment Management LLC		1,553,094
Jacobs Levy Equity Management, Inc.		1,775,659
Knelman Asset Management Group LLC *		190,396
LSV Asset Management		2,160,845
Martingale Asset Management L.P.		1,311,657
McKinley Capital Management LLC		2,098,678
Next Century Growth Investors LLC		2,793,020
Peregrine Capital Management		2,374,465
Sands Capital Management LLC		2,795,974
Systematic Financial Management, L.P.		1,557,896
Turner Investments*		1,173,205
Winslow Capital Management LLC		935,108
Zevenbergen Capital Investments LLC		2,030,293
Domestic Equity Semi-Passive Managers (2)		
BlackRock Institutional Trust Co., N.A.		2,755,508
INTECH Investment Management LLC		2,340,403
J.P. Morgan Investment Management, Inc.		3,071,912
Mellon Capital Management Corp.		2,302,611
Domestic Equity Passive Manager (2)		
BlackRock Institutional Trust Co. N.A.		913,242
Fixed Income Active Managers (2)		
Aberdeen Asset Management, Inc.		1,635,240
Columbia Management Investment Advisers LLC		1,130,410
Dodge & Cox		1,490,127
Pacific Investment Management Co.LLC (PIMCO)		3,167,356
Western Asset Management Co.		1,437,359
Fixed Income Semi-Passive Managers (2)		
BlackRock Financial Management, Inc.		1,021,113
Goldman Sachs Asset Management		1,660,647
Neuberger Berman Fixed Income LLC		720,798

cont.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2014

International Active Developed Markets Managers (2)		
Acadian Asset Management LLC	\$	1,518,402
Columbia Management Investment Advisers LLC		1,138,091
INVESCO Global Asset Management (N.A.), Inc.*		24,732
JP Morgan Investment Management Inc.		1,368,745
Marathon Asset Management LLP		2,406,931
McKinley Capital Management LLC		1,339,916
Pyramis Global Advisors Trust Company		1,648,507
International Semi Passive Developed Markets Managers (2)		
AQR Capital Management LLC		1,848,532
Pyramis Global Advisors Trust Company		995,934
State Street Global Advisors		1,447,929
International Passive Developed Markets Manager (2)		
State Street Global Advisors		614,149
International Active Emerging Markets Managers (2)		
Capital International, Inc.		5,500,162
Morgan Stanley Investment Management Inc.		6,118,135
International Passive Emerging Markets Manager		
State Street Global Advisors		312,122
Supplemental Fixed Interest Account(2)		
Galliard Capital Management, Inc.		3,216,862
RBC Wealth Management		445,894
Assigned Risk Plan (2)		
GE Asset Management, Inc.		174,871
RBC Global Asset Management		224,970

* Manager Terminated in Fiscal '14.

(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. Negative amounts represent performance based refunds.

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

Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103-3555
TEL (651) 296-3328
FAX (651) 296-9572
E-mail: minn.sbi@state.mn.us
www.sbi.state.mn.us