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

December, 2005

**MINNESOTA  
STATE  
BOARD OF  
INVESTMENT**



**Board Members**

**Governor  
Tim Pawlenty**

**State Auditor  
Patricia Anderson**

**Secretary of State  
Mary Kiffmeyer**

**Attorney General  
Mike Hatch**

**Executive Director**

**Howard J. Bicker**

**The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2005.**

**Investment Environment**

Capital markets were robust during Fiscal Year 2005. The U.S. stock market increased 8.1%, as measured by the Russell 3000. Despite uncertainty over the presidential election and rising oil prices, the U.S. economy was buoyed by strong GDP, productivity growth, and healthy corporate balance sheets.

International stock markets displayed continued strength for the second year in a row. The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex U.S.), which represents the developed and emerging international markets outside the U.S., returned 16.5% for the fiscal year.

The U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, returned 6.8% during the fiscal year. Concerns about inflation and the pace of the economic recovery spurred the Fed to increase short term rates nine times during the year. Corporate bonds outpaced treasury and mortgage securities for the twelve month period.

**SBI Results**

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

- The Basic Retirement Funds increased 11.0% during fiscal year 2005. Over the latest ten year period, the Funds have experienced an annualized return of 9.3%. (See page 9.)
- The Post Retirement Fund was up 10.5% for the year. Overall, the Fund provided a ten year annualized return of 8.8%. (See page 12.)
- The lifetime Post Retirement benefit increase for Fiscal Year 2005 will be 2.5%. The increase will be payable to eligible retirees effective January 1, 2006.

**On June 30, 2005, assets under management totaled \$50.5 billion.** This total is the aggregate of several separate pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique requirements. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment seeks to enhance the management and performance of the funds under its control.

Sincerely,

A handwritten signature in cursive script that reads "Howard Bicker".

Howard Bicker  
Executive Director

## *State Board of Investment*

*Governor Tim Pawlenty, Chair  
State Auditor Patricia Anderson  
Secretary of State Mary Kiffmeyer  
State Attorney General Mike Hatch*

## *Investment Advisory Council*

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

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

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

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

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

All proposed investment policies are reviewed by the appropriate Committee and the full Council before they are presented to the Board for action.

### *Members of the Council*

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

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

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

*Gary Austin  
Executive Director  
Teachers Retirement Association*

*David Bergstrom  
Executive Director  
Mn. State Retirement System*

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

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

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

*Peggy Ingison  
Commissioner  
Mn. Dept. of Finance*

*Heather Johnston  
Governor's Appointee  
Active Employee Representative*

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

*Hon. Kenneth Maas  
Governor's Appointee  
Retiree Representative*

*Judith W. Mares  
Financial Consultant  
Mares Financial Consulting, Inc.*

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

*Daralyn Peifer  
Chief Investment Officer  
General Mills, Inc.*

*Mary Vanek  
Executive Director  
Public Employees Retirement Assoc.*

As of December 2005

## **Staff, Consultants & Custodians**

*Howard Bicker*  
Executive Director

*Mansco Perry III*  
Assistant Executive Director

### **Investment Staff**

**Public Equities**  
*Stephanie Gleeson*  
Analyst, International Equities

*Susan Sutton*  
Analyst, Domestic Equities

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

*Tammy Brusehaver*  
Analyst, Fixed Income

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

*Andrew Christensen*  
Analyst, Alternative Investments

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

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

*Deborah Griebenow*  
Analyst, Shareholder Services

### **Administrative Staff**

**Finance and Accounting**  
*L. Michael Schmitt*  
Administrative Director

*William Nicol*  
Accounting Supervisor, Senior

*David Nkwonta*  
Accounting Officer, Intermediate

*Nancy L. Wold*  
Accounting Officer, Intermediate

*Kathy Leisz*  
Accounting Officer, Intermediate

*John Bottomley*  
Accounting Officer

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

*Carol Nelson*  
Office Administrative Specialist,  
Intermediate

*Sondra Wagner*  
Customer Services Specialist

### **Consultants**

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

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

### **Custodian Banks**

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

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



## 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, 2005, the market value of all assets was \$50.5 billion.**

### **Constitutional and Statutory Authority**

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

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

### **Prudent Person Rule**

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

### **Authorized Investments**

In addition to the prudent person rule, *Minnesota Statutes* Section

11A.24 contains a specific list of asset classes available for investment, including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

### **Investment Policies**

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

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

The Board, its staff, and the Investment Advisory Council have conducted detailed analyses of each of the funds under the SBI’s control that address investment objectives,

asset allocation policy and management structure. These studies guide the on-going management of these funds and are updated periodically.

### **Important Notes**

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

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

## Funds Under Management

Market Value  
June 30, 2005

### Basic Retirement Funds

\$20.4 billion

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

Teachers Retirement Fund	\$7.298 billion
Public Employees Retirement Fund	5.366 billion
State Employees Retirement Fund	4.572 billion
Public Employees Police and Fire Fund	2.494 billion
Correctional Employees Fund	254 million
Highway Patrol Retirement Fund	249 million
Public Employees Correctional Fund	97 million
Judges Retirement Fund	45 million

### Post Retirement Fund

\$19.4 billion

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

### Supplemental Investment Fund (SIF)

\$1.1 billion

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

Income Share Account	stocks and bonds	\$495 million
Common Stock Index Account	passively managed stocks	207 million
Growth Share Account	actively managed stocks	139 million
Bond Market Account	actively managed bonds	115 million
International Share Account	non-U.S. stocks	71 million
Fixed Interest Account	stable value investments	63 million
Money Market Account	short-term debt securities	52 million

### Non-Retirement Funds

\$1.5 billion

#### Assigned Risk Plan

\$304 million

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

#### Permanent School Fund

\$612 million

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

#### Environmental Trust Fund

\$377 million

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

#### Miscellaneous Accounts

\$233 million

**Market Value  
June 30, 2005**

**State Deferred Compensation Plan**

**\$2.8 billion**

The State Deferred Compensation Plan offers eleven mutual funds, a money market fund, a fixed interest fund, and the Minnesota Fixed Fund. The assets for each offering are shown below. (Benchmarks are shown in parentheses).

**Large Cap Equity:**

Janus Twenty (S&P 500)	\$299 million
Smith Barney Appr Y (S&P 500)	111 million
Vanguard Institutional Index Plus (S&P 500)	401 million

**Mid Cap Equity:**

Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	67 million
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**Small Cap Equity:**

T. Rowe Price Small-Cap Stock (Russell 2000)	348 million
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**Balanced:**

Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	198 million
Vanguard Balanced Index Inst. Fund (60% Wilshire 5000, 40% Lehman Agg)	164 million

**Bond:**

Dodge & Cox Income Fund (Lehman Aggregate)	78 million
Vanguard Total Bond Market Index Inst. (Lehman Aggregate)	47 million

**International:**

Fidelity Diversified International (MSCI EAFE-Free)	160 million
Vanguard Inst. Dev. Markets Index Fund (MSCI EAFE)	30 million

**Stable Value:**

Fixed Interest	112 million
Money Market	50 million
MN Fixed Fund	715 million

**State Cash Accounts**

**\$5.2 billion**

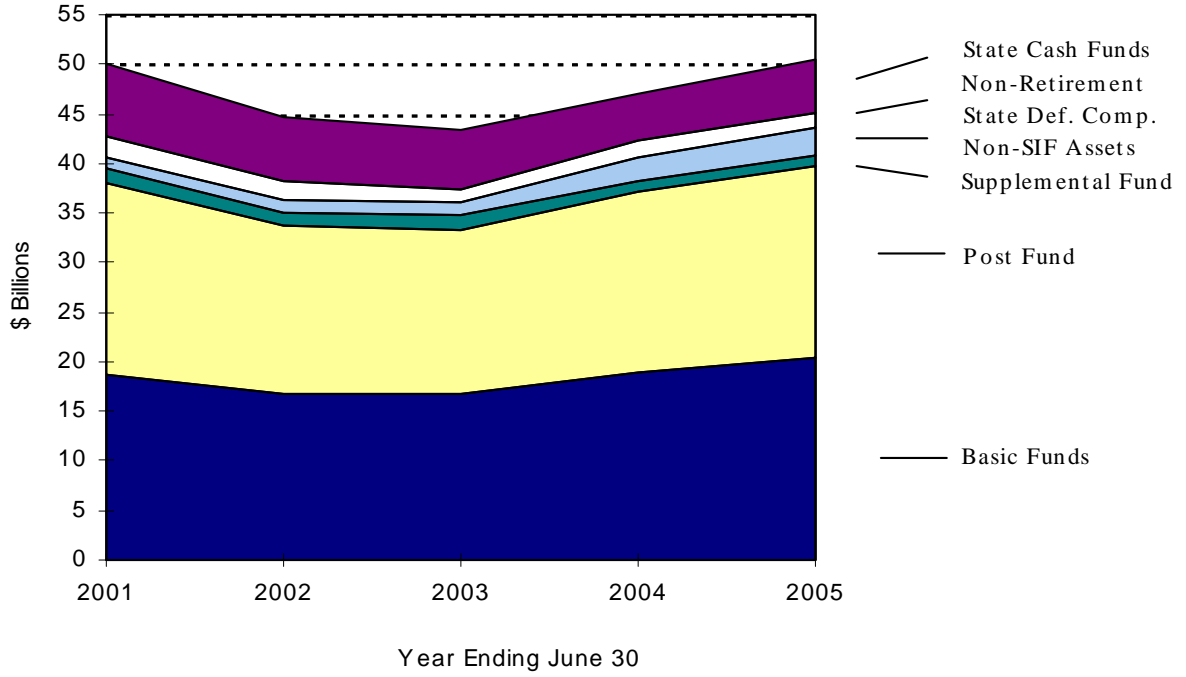
These accounts are the cash balances of state government funds, including the Invested Treasurers Cash Fund, transportation funds, and other miscellaneous cash accounts. Assets are invested in high quality, liquid, debt securities.

**Total Assets Under SBI Management**

**\$50.5 billion**



**Growth in Assets**  
**Fiscal Years 2001-2005**



## 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, 2005, the Combined Funds had a market value of \$39.8 billion.*

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

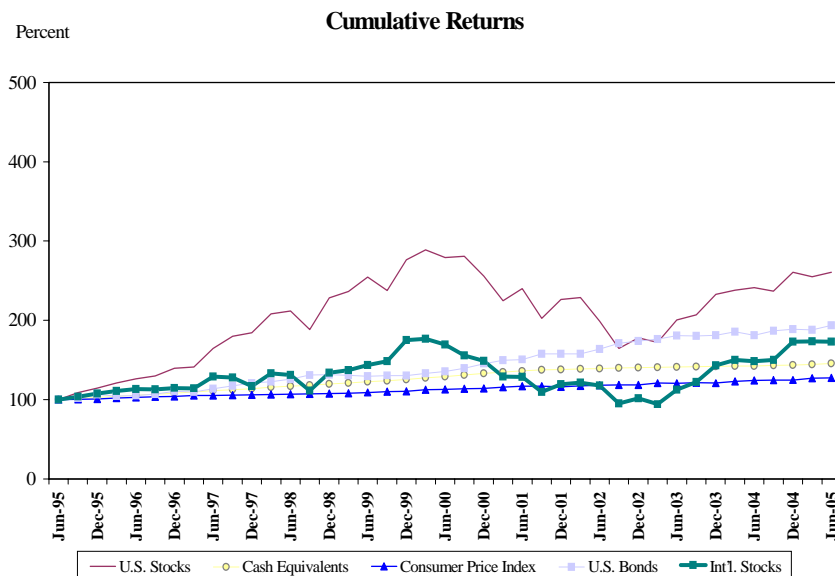
While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit

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

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

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

*Figure 1. Performance of Capital Markets -FY 1996-2005*

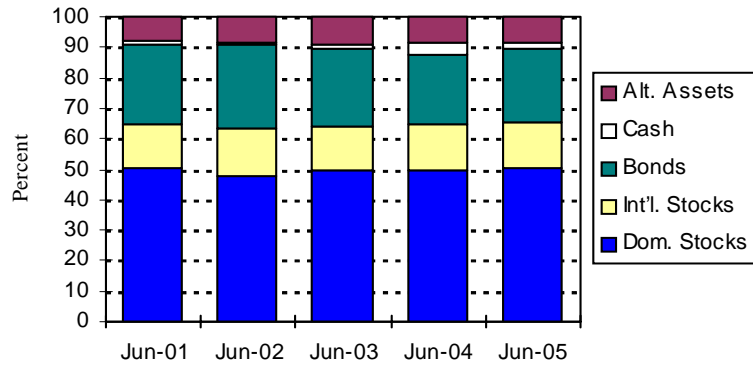


# Combined Funds

## Asset Allocation

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

Figure 3. Combined Funds Historical Asset Mix FY 2001-2005

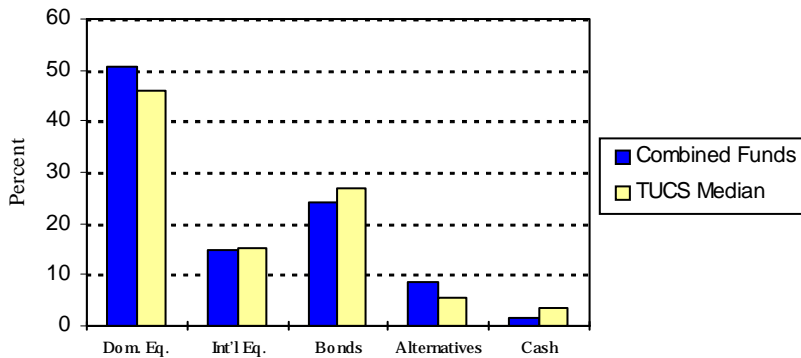


### Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bonds and other assets of the funds in TUCS on June 30, 2005 are displayed in Figure 2.

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

Figure 2. Combined Funds Asset Mix Comparison as of June 30, 2005



## Return Objectives

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

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

	Combined Funds	Median Allocation in TUCS*
Domestic Equity	50.5%	45.8%
International Equity	15.0	15.1
Bonds	24.1	26.9
Alternatives**	8.7	5.6
Cash	1.7	3.4

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

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

## Combined Funds

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

### Investment Results

#### Comparison to Inflation

Over the last twenty years, the Combined Funds exceeded inflation by 7.5 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

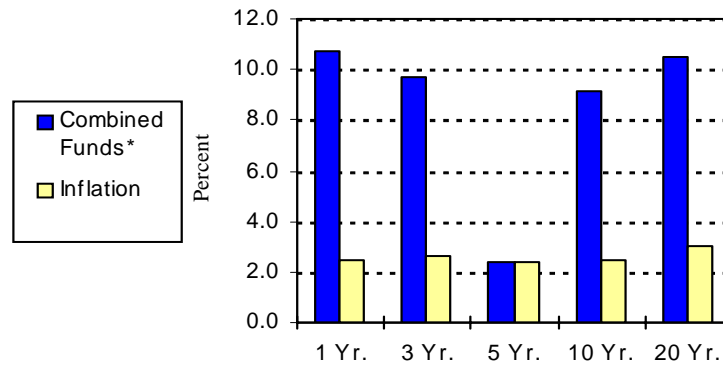
#### Comparison to Other Funds

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

Asset allocation has a dominant effect on returns. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.

Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This may result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

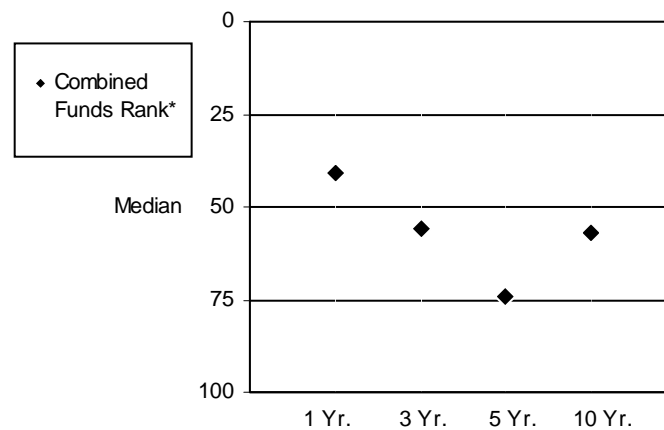
Figure 4. Combined Funds Performance vs. Inflation



	Annualized				
	1 Yr.	3 Yr.	5 Yr.	10 Yr.	20 Yr.
Combined Funds*	10.7%	9.7%	2.4%	9.1%	10.5%
Inflation	2.5	2.6	2.4	2.5	3.0

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

Figure 5. Combined Funds Performance Compared to Other Pension Funds



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	41 <sup>st</sup>	56 <sup>th</sup>	74 <sup>th</sup>	57 <sup>th</sup>

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

## Combined Funds

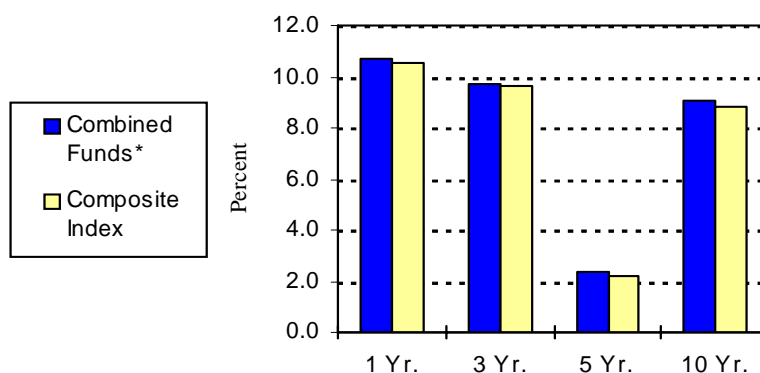
With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over \$1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 5 on the previous page. It shows that the Combined Funds have ranked below the median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

### Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance results and a breakdown of the composite index are shown in Figure 6. The Combined Funds exceeded the composite index by 0.3 percentage point over the last ten years and, therefore, met their stated performance goal. The Funds exceeded the composite index over the last five years by 0.2 percentage point, and by 0.2 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.

Figure 6. Combined Funds Performance vs. Composite Index



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds*	10.7%	9.7%	2.4%	9.1%
Composite Index	10.5	9.6	2.2	8.8

### Composite Index for Period Ending on June 30, 2005

Asset Class	Market Index	Composite Index Wts.*
Domestic Stocks	Russell 3000	49.5%
Int'l. Stocks	MSCI ACWI Free ex. U.S.	15.0
Domestic Bonds	Lehman Aggregate	24.5
Alternative Investments	Alternative Investments	9.0
Unallocated Cash	3 Month T-Bills	2.0
Total		100.0%

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

## Basic Retirement Funds

*The Basic Retirement Funds accumulate the retirement assets of public employees during their working years. On June 30, 2005, the Funds covered over 345,000 active employees and had a market value of \$20.4 billion.*

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

### Investment Objectives

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

#### Actuarial Assumed Return

Employee and employer contribution rates are specified in state law as a

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

#### Time Horizon

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

#### Return Objective

The Board measures the performance of the Basic Retirement Funds relative to a composite of market indices that is weighted using the Funds' long-term asset allocation policy. The Basic Funds are expected to match or exceed their composite index over a ten year period.

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

### Asset Allocation

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

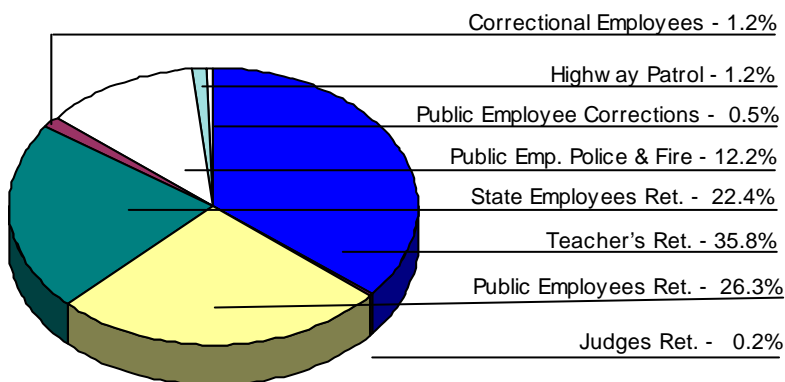
#### Long-Term Allocation Policy

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

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

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

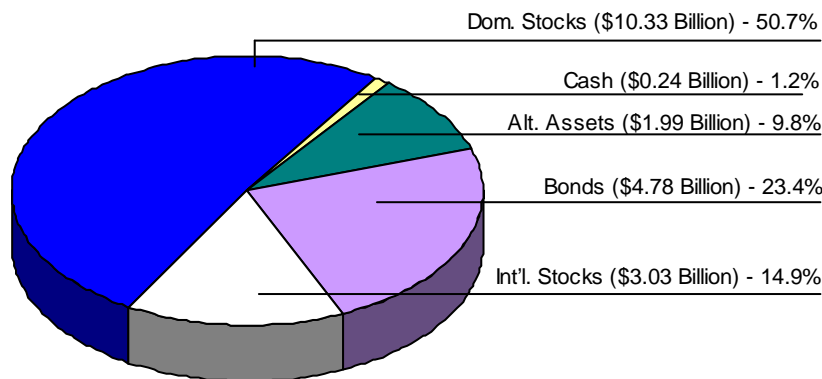
Figure 7. Composition of Basic Funds as of June 30, 2005



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

## Basic Retirement Funds

Figure 8. Basic Funds Asset Mix as of June 30, 2005



Notes: Percentages may differ slightly due to rounding of values.  
Uninvested portions of the allocation to Alternative Assets are held in Domestic Stocks.

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

Figure 8 presents the actual asset mix of the Basic Funds at the end of fiscal year 2005. Historical asset mix data are displayed in Figure 9.

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

### Total Return Vehicles

The SBI invests the majority of the Basic Funds' assets in (both domestic and international). A large allocation is consistent with the investment time horizon of the Basic Funds and the advantageous long-term risk-return characteristics of common stocks.

Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. The rationale underlying the inclusion of (e.g., venture capital and leverage buyouts) is similar.

The Board recognizes that this sizable policy allocation to common stock and private equity likely will produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this

policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility.

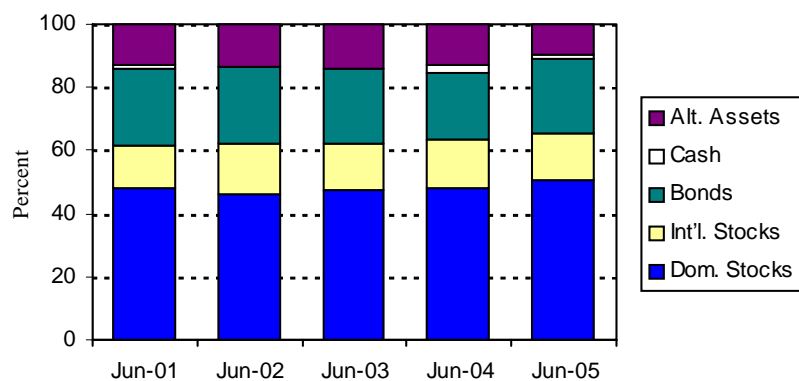
### Diversification Vehicles

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

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

The allocation to acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to

Figure 9. Basic Funds Historical Asset Mix FY 2001-2005



## Basic Retirement Funds

protect principal and generate significant capital gains. Bonds, like real estate and resource funds, under normal financial conditions, help to diversify the Basic Funds, thereby controlling return volatility.

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

### Investment Management

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

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

### Investment Performance

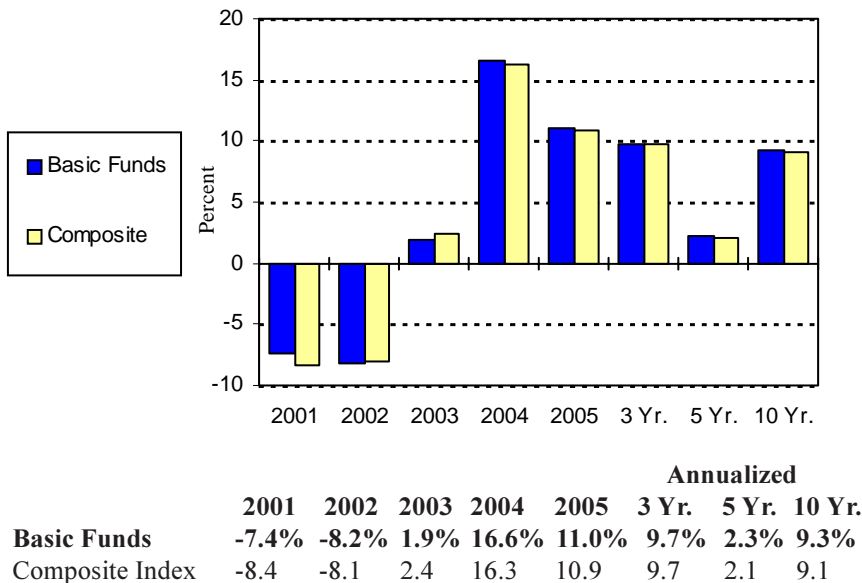
As stated earlier, the Basic Funds are expected to match or exceed the return of a composite of market indices over a ten year period. Performance relative to this standard will measure two effects:

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

The impact of the SBI's re-balancing activity. The SBI rebalances the total fund when market movements take the stock (domestic and international), bond, or cash segments above or below long term asset allocation targets. This policy imposes a low risk discipline of "buy low-sell high" between asset classes on a total fund basis.

For the ten year period ending June 30, 2005, the Basic Funds outperformed the composite index by 0.2 percentage point annualized. The Fund exceeded the composite index by 0.2 percentage point over the last five years, and by 0.1 percentage point over the most recent fiscal year. Actual returns relative to the total fund composite index for each of the last five years are shown in Figure 10.

Figure 10. Basic Funds' Performance vs. Composite Index FY 2001-2005





## Post Retirement Fund

*The assets of the Post Retirement Fund are used to finance monthly annuities to retired public employees. These annuities may be adjusted upwards over the life of a retiree based on a formula that reflects both inflation and investment performance. On June 30, 2005, the Post Fund had a market value of \$19.4 billion and more than 124,000 retiree participants.*

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

### Benefit Increase Formula

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

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

The return assumption in the Basic Funds is 8.5%. The return assumption for the Post Fund was 5.0% through fiscal year 1997. In fiscal year 1998, the return assumption for the Post Fund was changed to 6.0%. This means the cap on the inflation adjustment was 3.5% for fiscal years 1993-1997. Since fiscal year 1998, the inflation cap has been 2.5%.

Retirees were given a one time permanent adjustment in their pension to compensate them for the reduction in the inflation adjustment cap.

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

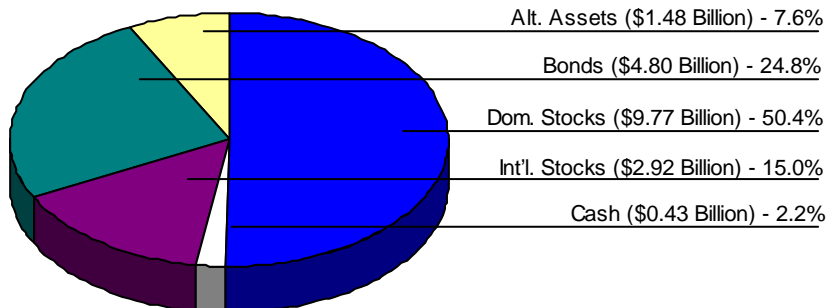
must be recovered before an investment-based adjustment is granted.

### Investment Objective

#### Time Horizon

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

Figure 11. Post Fund Asset Mix as of June 30, 2005



Notes: Percentages may differ slightly due to rounding of values.  
Uninvested portions of the Alternative Assets allocation are held in Bonds.

## Post Retirement Fund

### Return Objective

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

### Asset Allocation

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

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

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

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

As with the Basic Funds, the Board recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility. The asset allocation is under constant review. During Fiscal Year 2004, the SBI revised its long term asset allocation targets for the Post Fund. The

allocation target for alternative investments was increased from 5% to 12%, while decreasing domestic equity from 50% to 45% and decreasing fixed income from 27% to 25%. Additionally, the Post Fund will invest in private equity, real estate, and resource investments as well as yield-oriented investments as part of its allocation to alternative investments.

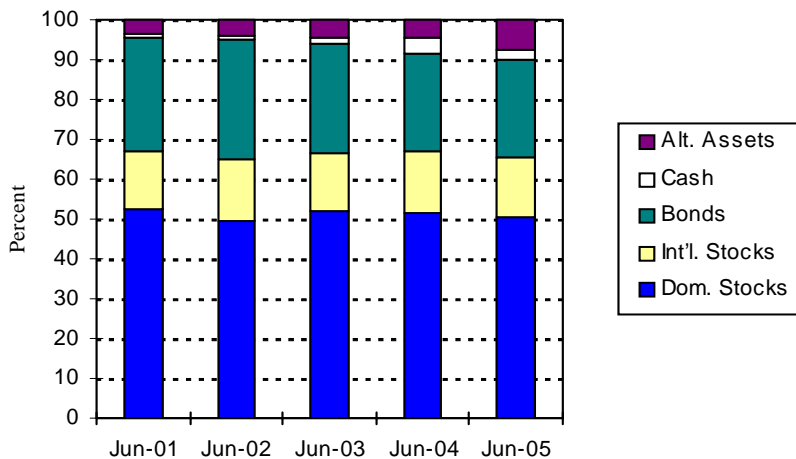
### Diversified Vehicles

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

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

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

Figure 12. Post Fund Historical Asset Mix FY 2001-2005



## Post Retirement Fund

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

### Investment Management

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

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

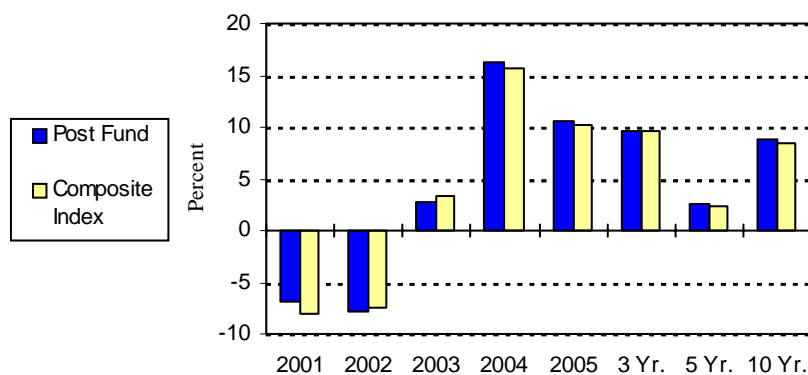
### Investment Performance

#### Total Fund Performance

As stated earlier, the Post Fund is expected to exceed the return of a composite of market indices over a ten year period. The Post Fund's performance exceeded its composite market index by 0.4 percentage point for the most recent ten year period. The fund exceeded the composite index over the last five years by 0.2 percentage point, and by 0.3 percentage point over the most recent fiscal year.

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

Figure 13. Post Fund's Performance vs. Composite Index FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
Post Fund	-6.9%	-7.8%	2.8%	16.3%	10.5%	9.7%	2.5%	8.8%
Composite Index	-8.0	-7.4	3.3	15.7	10.2	9.6	2.3	8.4

Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1996	8.0%
1997	10.1
1998	9.8
1999	11.1
2000	9.5
2001	4.5
2002	0.7
2003	2.1
2004	2.5
2005	2.5

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

#### Benefit Increase

The Post Fund will provide a benefit increase of 2.5% for fiscal year 2005 payable beginning January 1, 2006. As noted earlier, this increase is comprised of two components:

— of 2.5% which is the maximum allowable increase. The increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2005 was 2.6%. (This is the same inflation index used to calculate increases in Social Security payments).

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

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

More detail on the calculation for the fiscal year 2005 benefit increase is included in the **Statistical Data** section.

## Investment Pools

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

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

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

### Domestic Stock Pool

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

As of June 30, 2005, the dollar value of each fund's participation in the Pool was:

Basic Funds                   \$10.3 billion  
(active, passive and semi-passive)

Post Fund                   \$9.8 billion  
(active, passive and semi-passive)

Growth Share  
Account                   \$139 million  
(active and semi-passive)

Common Stock  
Index Account           \$207 million  
(passive)

Stock portion of  
the Income Share  
Account                   \$312 million  
(passive)

#### Management Structure

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

At the end of fiscal year 2005, approximately 33% of the Domestic Stock Pool was actively managed by a group of external money managers. The assets allocated to each of the managers ranged from \$26 to \$806 million. The actively managed segment of the Pool includes managers in the SBI's Emerging Manager Program. Generally, firms designated as Emerging Managers by the SBI are smaller organizations or managing newer products than the larger active domestic equity managers in the Domestic Stock Pool.

At the end of fiscal year 2005, approximately 33% of the

Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios ranging from \$1.9 to \$2.7 billion.

At the end of fiscal year 2005, approximately 34% of the Stock Pool was managed passively by a single manager with a portfolio of \$7.0 billion.

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

Assets are allocated to the group of managers benchmarked by the same Russell style index in the same proportion as that Russell style index holds within the Russell 3000 Index. This is done to minimize the misfit or style bias within the Domestic Stock Pool.

Prior to October 1, 2003, the performance of active managers in the Domestic Stock Pool was measured against customized benchmarks which reflected the manager's unique investment approach or style. This type of active manager structure could result

## Investment Pools

in misfit or style bias. “Misfit” is defined as the difference between the aggregate benchmarks of the active managers and the asset class targets.

The SBI attempted to compensate for active manager misfit through the use of a “completeness fund”. A “completeness fund” is so named because it is intended to fill in, or complete, any areas of market exposure that are not being covered by the aggregate benchmarks of the active managers. The completeness fund has not been used since December 31, 2003. Since that time, the SBI has attempted to control misfit by allocating assets on the basis of managers’ investment style indexes.

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

During fiscal year 1997, several current active managers modified their investment processes in order to increase the probability of producing value added in their portfolios. Three managers (Alliance Capital Mgmt., Franklin Portfolio Assoc., and Oppenheimer Capital) were asked to increase the level of active risk in their portfolio resulting in a reduction in the number of issues held at any one time. During fiscal year 2000, Brinson (now UBS Global Asset Mgmt.) was asked to

eliminate investments in small post-venture companies (about 7% of their portfolio) and to increase the active risk in their portfolio as well. In effect, these managers now hold more concentrated portfolios and make larger bets on their “best” stock ideas.

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

### FY 2005 Changes

During fiscal year 2005, there were several changes made to the Domestic Stock Pool. The Board retained six new active managers:

- Enhanced Investment Technologies, LLC (INTECH)
- Jacobs Levy Equity Mgmt.
- Sands Capital Mgmt., Inc.
- Transamerica Investment Mgmt, LLC
- Lazard Asset Mgmt. LLC
- Winslow Capital Mgmt., Inc.

The Board also terminated investment management relationships with two active managers:

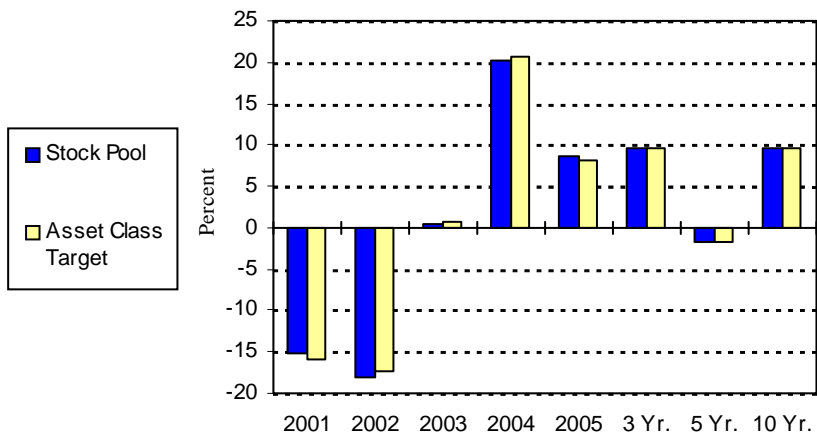
- Transamerica Investment Mgmt., LLC
- Bay Isle Financial

### Investment Performance

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

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

Figure 15. Domestic Stock Pool Performance FY 2001-2005



	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Stock Pool</b>	<b>-15.2%</b>	<b>-18.0%</b>	<b>0.4%</b>	<b>20.3%</b>	<b>8.6%</b>	<b>9.5%</b>	<b>-1.8%</b>	<b>9.5%</b>
Domestic Equity Asset Class Target	-15.8	-17.3	0.8	20.6	8.1	9.5	-1.8	9.6

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

## Investment Pools

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

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

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2005. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate to their respective active, semi-passive and passive approaches.

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

Individual active managers are expected to exceed their benchmark by an amount appropriate for their active risk level. This active risk level varies by manager and is

Figure 16. Domestic Stock Manager Performance FY 2005

	Actual Return	Benchmark Return
<b>Active Managers</b>		
<b>Large Cap Core (Russell 1000)</b>		
Franklin Portfolio Associates	12.1%	7.9%
New Amsterdam Partners	13.6	7.9
UBS Global Asset Management	10.9	7.9
Voyageur-Chicago Equity	1.8	7.9
<b>Large Cap Growth (Russell 1000 Growth)</b>		
Alliance Capital Management	4.0	1.7
Cohen Klingenstein & Marks	3.8	1.7
INTECH*	0.2	-1.7
Holt-Smith & Yates	5.4	1.7
Jacobs Levy Equity Mgmt.*	-1.6	-1.7
Lazard Asset Mgmt.*	-2.7	-1.7
Sands Capital Mgmt.*	-2.1	-1.7
Winslow Capital Mgmt.*	0.1	-1.7
Zevenbergen Capital	1.9	1.7
<b>Large Cap Value (Russell 1000 Value)</b>		
Barrow, Hanley	19.4	14.1
Earnest Partners	20.8	14.1
Lord Abbett & Co.	5.9	14.1
LSV Asset Mgmt.	18.9	14.1
Oppenheimer Capital	6.8	14.1
Systematic Financial Mgmt.	14.1	14.1
<b>Small Cap Growth (Russell 2000 Growth)</b>		
McKinley Capital	1.8	4.3
Next Century Growth	13.4	4.3
Turner Investment Partners	3.1	4.3
Winslow-Small Cap	6.1	4.3
<b>Small Cap Value (Russell 2000 Value)</b>		
AEAM/Kenwood	13.6	14.4
Goldman Sachs	11.9	14.4
Hotchkis & Wiley	18.5	14.4
Martingale Asset Mgmt.	20.6	14.4
Peregrine Capital Mgmt.	20.8	14.4
<b>Semi-Passive Managers (Russell 1000)</b>		
Barclays Global Investors	8.6	7.9
Franklin Portfolio Associates	7.9	7.9
J.P. Morgan Investment Mgmt.	7.4	7.9
<b>Passive Manager (Russell 3000)</b>		
Barclays Global Investors	8.1	8.1
<b>Historical Aggregate</b>	8.6	8.0
<b>SBI Domestic Equity Asset Class Target</b>		8.1

\* Manager was retained January 1, 2005.

## Investment Pools

influenced by the manager's stated strategy and style.

In aggregate, the Domestic Stock Pool outperformed the Russell 3000 Index by 0.5 percentage point for the fiscal year. The active and semi-passive components outperformed their respective benchmarks, while the passive component matched its benchmark. Relative to their aggregate benchmarks, the active manager group's outperformance was due largely to strong stock selection, particularly within the health technology, retail trade, and technology services sectors. The semi-passive managers outperformed due largely to good security selection. Figure 15 (on page 16) provides more detail on the historical performance of the entire pool. Individual manager performance relative to their respective benchmarks was encouraging. Eighteen active managers outperformed, nine underperformed, and one matched its benchmark. One semi-passive manager outperformed, one matched, and one underperformed the benchmark. The passive manager matched its target, the Russell 3000 index. Individual manager performance for fiscal year 2005 is shown in Figure 16 on page 17).

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

### Bond Pool

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

Supplemental Investment Fund has utilized portions of the Pool since July 1986.

As of June 30, 2005, the dollar value of each fund's participation in the Pool was:

Basic Funds (active and semi-passive)	\$4.8 billion
Post Fund (active and semi-passive)	\$4.8 billion
Bond Market Account (active and semi-passive)	\$115 million

#### Investment Management

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

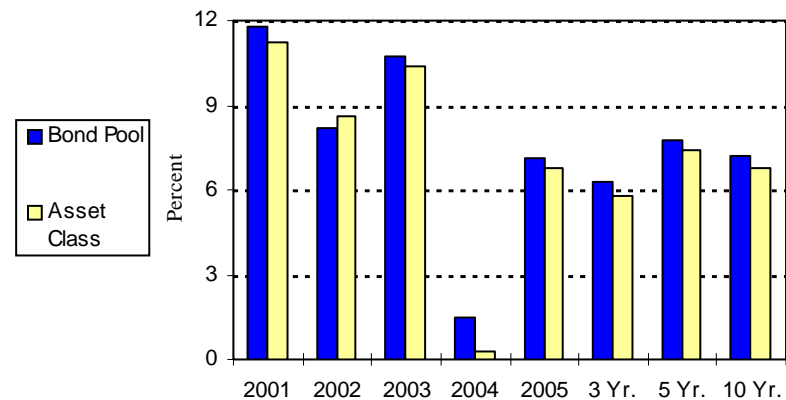
— No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 2005, approximately 50% of the Bond Pool was actively managed by a group of five external money

managers with portfolios of \$840 million to \$1.3 billion each.

— At least one-half of the assets allocated to the Bond Pool will be managed by semi-passive managers. At the end of fiscal year 2005, approximately 50% of the bond segment was invested by three managers with portfolios of approximately \$1.6 billion each.

The group of bond managers is retained for its blend of investment styles. Each active manager has the goal of adding incremental value to the Lehman Aggregate Bond Index by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach security selection and sector weighting decisions. In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the

Figure 17. Bond Pool Performance FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Bond Pool</b>	11.8%	8.2%	10.7%	1.5%	7.1%	6.3%	7.8%	7.2%
Asset Class Target*	11.2	8.6	10.4	0.3	6.8	5.8	7.4	6.8

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

## Investment Pools

duration of their portfolios. This requirement is designed to prevent the total pool from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. In addition, the duration restriction helps to avoid extreme variability in total returns. The SBI constrains the duration range of the active managers' portfolios to a band of plus or minus two years around the duration of the Lehman Aggregate. The active bond managers focus on high quality (BBB or better) rated bonds. Some managers have been granted authority to invest a limited portion of their portfolios in BB and B rated dollar denominated debt or in non-dollar denominated issues. The managers use this additional authority on a tactical basis. The goal of the managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through superior bond selection and sector allocation. Semi-passive managers' portfolios are

constrained to plus or minus 0.2 years around the duration of the Lehman Aggregate. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making alterations in the sector weightings within the portfolio. Although the managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly underperform the target index during some periods. One manager has been granted authority to invest a limited portion of their portfolio in BB and B rated dollar denominated debt or in non-dollar denominated issues. The manager uses this additional authority on a tactical basis.

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

### Investment Performance

The SBI constrains the 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 2005. The managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of quality and duration.

The of each of the Board's bond managers are compared to the Lehman Aggregate. Due to the broad diversification of each manager, customized benchmarks are not deemed necessary for the bond managers at this time. Individual active managers are expected to exceed the target by 0.25 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.10 percentage point annualized, over time. In total, the Pool outperformed the Lehman Aggregate index by 0.3 percentage point for the recent fiscal year. Relative to the benchmark, the pool benefited from overweighting corporates and security selection across several sectors.

Performance over longer periods has been positive, exceeding the asset class target by 0.4 percentage point over the ten year period ending June 30, 2005. In general, the manager's decision to hold portfolios with a modestly longer duration than the index, along with exposure and security selection in the spread sectors (corporate and mortgage securities) accounted for the relative performance over the longer term. The relative performance of individual active managers retained by the Board over the fiscal year was

Figure 18. Bond Manager Performance FY 2005

	<b>Actual Return</b>	<b>Benchmark Return</b>
<b>Active Managers</b>		
American Express Asset Mgmt.	7.1%	6.8%
Deutsche Asset Mgmt.	7.5	6.8
Dodge & Cox Investment Mgmt.	6.1	6.8
Morgan Stanley Investment Mgmt.	6.9	6.8
Western Asset Mgmt.	7.6	6.8
<b>Semi-Passive Managers</b>		
BlackRock Financial Mgmt.	6.9	6.8
Goldman Sachs Asset Mgmt.	7.2	6.8
Lehman Brothers Asset Mgmt.	7.0	6.8
<b>Aggregate Bond Pool</b>	<b>7.1</b>	<b>6.8</b>
<b>Asset Class Target</b>		
Lehman Aggregate		6.8



## Investment Pools

good; four of the five managers exceeded the benchmark's performance. Among the semi-passive managers, all three managers outperformed the index over the fiscal year.

Figure 17 (on page 18 ) shows historical performance for the entire Pool. Individual manager performance for fiscal year 2005 is shown in Figure 18 (on page 19).

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

### International Stock Pool

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

On June 30, 2005, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds                   \$3.0 billion  
(active and passive)

Post Fund                     \$2.9 billion  
(active and passive)

International Share Account     \$71 million  
(active and passive)

#### Management Structure

Currently, the SBI uses a two part approach to the management

structure of the International Stock Pool:

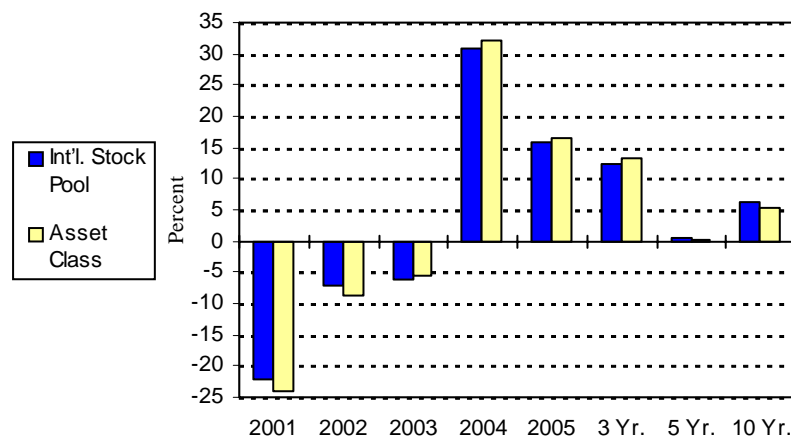
— The target is to have at least one-third of the International Stock Pool managed actively. At the end of fiscal year 2005, approximately 65% of the Pool was actively managed by a group of 7 external managers with portfolios ranging from \$200 to over \$600 million each. Four of these managers manage portfolios in the developed markets and three manage portfolios in the emerging markets.

— The target is to have at least one-third of the International Stock Pool managed passively. At the end of fiscal year 2005, approximately 35% of the International Stock Pool was passively managed by a single manager.

In September 2003 the Board approved a change in the management structure of the International Stock Pool to allow up to a 10% allocation to semi-passive management in the Pool. As discussed in the next section entitled FY2005 changes, three semi-passive managers were funded July 1, 2005. Going forward, at least 25% of the Program will remain passively managed. In aggregate, at least 33% of the Program will be passively and semi-passively managed and at least 33% of the Program will be actively managed.

As of July 1, 1999, the SBI began using the combined market capitalization weights of the Morgan Stanley Capital International (MSCI) developed and emerging markets indices as target weights for the developed versus emerging markets within the International Stock Portfolio. Four of the

Figure 19. International Stock Pool Performance FY 2001-2005



	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stock Pool</b>	-22.1%	-7.0%	-6.2%	30.9%	15.7%	12.4%	0.6%	6.3%
<b>Composite Index*</b>	-23.9	-8.7	-5.4	32.1	16.5	13.4	0.2	5.2

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

## Investment Pools

managers invest entirely in developed markets, and use a variety of investment approaches in an effort to maximize value added to the MSCI World ex U.S. index, over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and security selection, or they may explicitly hedge currency exposure on an opportunistic basis. Three of the seven active managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Free index of markets in developing countries throughout the world.

The manager in the International Stock Pool designs its portfolio to consistently and inexpensively track the MSCI World ex U.S. index. Previously, a portion of the currency exposure of the index

fund was managed in a dynamic hedging program designed to avoid currency losses during periods of U.S. dollar strength. The program was terminated as of December 1999. All contracts that were in place matured by December 2000.

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

### FY 2005 Changes

During the fiscal year 2005, the Board terminated two active developed markets equity managers:

- Britannic Asset Management
- T. Rowe Price International

The Board also conducted two searches during the year. One search was for active developed markets equity managers and the other search was for semi-passive developed

markets equity managers. Four new active managers:

- Acadian Asset Mgmt.
  - Fidelity Mgmt. Trust Co.
  - J.P. Morgan Fleming Asset Mgmt.
  - McKinley Capital Mgmt.
- and three new semi-passive managers:
- AQR Capital Mgmt.
  - Fidelity Mgmt. Trust Co.
  - State Street Global Advisors
- were funded July 1, 2005.

### Investment Performance

Similar to the Domestic Stock Pool, two long term have been established for the international stock managers:

— . Each manager (active or passive) is expected to hold a portfolio that is consistent with the manager's stated investment approach.

— . While the index manager is expected to hold a well diversified portfolio which closely tracks its target index, each active manager is expected to hold a more concentrated portfolio.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2005. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

The Board's for the International Stock Program are stated relative to the Morgan Stanley Capital International (MSCI) indices. The indices are capitalization weighted and measured in U.S. dollar terms, with currencies unhedged.

Figure 20. International Manager Performance FY 2005

	Actual Return	Benchmark
<b>Active Managers: Developed Markets</b>		
American Express Asset Mgmt.	12.7%	14.6%
Invesco Global Asset Mgmt.	12.0	14.6
Marathon Asset Mgmt.	17.6	14.6
UBS Global Asset Mgmt.	13.3	14.6
<b>Active Managers: Emerging Markets</b>		
Alliance Capital Mgmt.	34.9	34.4
Capital International	32.9	34.4
Morgan Stanley Investment Mgmt.	34.6	34.4
<b>Passive EAFE Manager</b>		
State Street Global Advisors	14.7	14.6
<b>Aggregate International Pool</b>		
	15.7	
<b>Asset Class Target</b>		
		16.5

## Investment Pools

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

Performance results for the International Stock Pool are shown in Figure 19, (on page 20). In aggregate, performance over the last five and ten year periods exceeded the benchmark by 0.4 and 1.1 percentage points annualized, respectively. The Pool underperformed the target for the fiscal year by 0.8 percentage points.

Individual manager performance during fiscal year 2005 is shown in Figure 20, (on page 21). Overall, the fiscal year proved to be a period of strong market performance, which was helped somewhat by U.S. dollar weakness. The markets were influenced by higher oil and commodity prices, helping the performance of resource-rich countries such as Australia and Canada, as well as the Latin American region, and hurting oil-consumer nations such as Japan. The relative performance of the active managers was mixed. Three of the four developed markets managers underperformed their respective benchmarks for the year. However, two of the three emerging markets managers outperformed the MSCI Emerging Markets Free index, which returned 34.4% for the year. The passively managed portion of the program exceeded its benchmark by 0.1 percentage point for the year relative to the MSCI World ex U.S. index.

More information on the performance and portfolio composition of individual managers is included in the **Statistical Data**

section. Section II of this report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

### Alternative Investment Pools

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

#### Statutory Constraints

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

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

### Management Structure

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

Given their long investment time horizon, the Basic and Post Funds are especially well suited to alternative investments. As of June 30, 2005, up to 15% of the market value of the Basic Retirement Funds are targeted for alternative investments compared to an actual

invested percentage of 9.8%. Market value plus unfunded commitments can be 1.5 times the market value allocation.

For the Post Fund, as of June 30, 2005, the Board has allocated up to 12% of the market value of the Fund to alternative investments compared to an actual invested percentage of 7.6%. Market value plus unfunded commitments can be 1.5 times the market value allocation.

A breakdown of the combined Post and Basic Funds segment is shown in Figure 21 (on page 23). As of June 30, 2005, the market value of current alternative investments was \$3.5 billion, or 8.7% of the Combined Funds.

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

#### Real Estate Pool

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

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

During fiscal year 2005, the SBI approved and closed on a

## Investment Pools

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

### Private Equity Pool

The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.

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

During fiscal year 2005, the SBI approved and closed on commitments with Affinity Capital Partners, Goldner Hawn Johnson & Morrison, GS (Goldman Sachs) Capital Partners, CSFB (Credit Suisse First Boston) Strategic Partners, Split Rock Partners, Chicago Growth Partners, Blum Capital Partners, The Banc Funds Company, and Elevation Associates. The SBI will continue to review and add new private equity investments, as attractive opportunities are identified, to replenish commitments that will expire within the next five years.

### Resource Fund Pool

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

Resource investments are selected based on the manager's experience, investment strategy and performance history. No new investments were approved and closed on during fiscal year 2005. The SBI will continue to review resource investments for possible inclusion in the pool.

### Yield-Oriented Pool

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

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

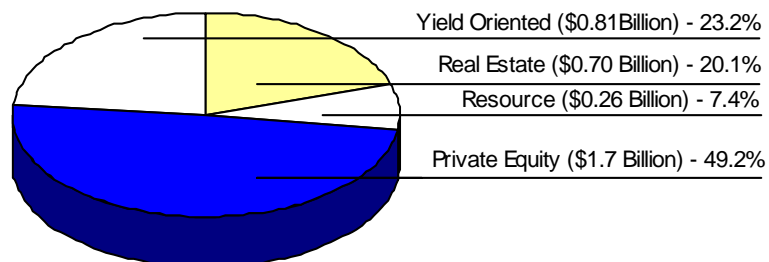
During fiscal year 2005, the SBI approved and closed on commitments with Gold Hill Venture Lending, Prudential Capital and Merit Energy. The SBI will continue to review yield-oriented investment opportunities for inclusion in the pool.

### Investment Performance

The SBI reviews performance of its alternative investments relative to inflation, as measured by changes in the Consumer Price Index (CPI). The Alternative Investment Pool has provided a positive contribution to overall fund performance for both the Basic and Post Retirement Funds. The Pool provided a 27.2% return in Fiscal Year 2005 and has provided a 15.3% return annualized over the past ten years. Performance of the Alternative Investment Pool is shown in Figure 22 (on page 24) for June 30, 2005.

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

Figure 21. Alternative Investment Asset Mix as of June 30, 2005

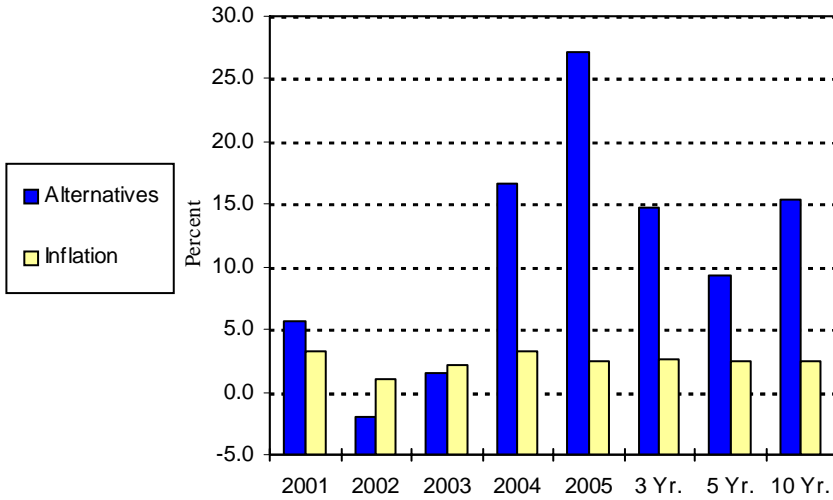


Note: Percentages may differ slightly due to rounding of values.

## Investment Pools

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

Figure 22. Alternative Investments FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
Alt. Investments	5.6%	-2.0%	1.6%	16.6%	27.2%	14.7%	9.3%	15.3%
Inflation	3.2	1.1	2.1	3.3	2.5%	2.6	2.4	2.5

## Supplemental Investment Fund

*The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The Fund serves approximately 42,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 2005, the market value of the entire Fund was \$1.1 billion.*

The different participating groups use the Supplemental Investment Fund (SIF) for a variety of purposes:

- It functions as the sole investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan, Hennepin County Supplemental Retirement Plan, and the Post Retirement Health Care Savings Plan.
- It is one of the investment vehicles offered to public employees as part of the Individual Retirement Account Plan and College Supplemental Retirement Plan offered by Minnesota State Colleges and Universities (MnSCU).

### Fund Structure

A wide diversity of investment goals exists among the SIF's participants. In order to meet those needs, the Supplemental Investment Fund has been structured much like a "family of mutual funds." Participants may allocate their investments among one or more accounts that are appropriate for their needs, within statutory requirements and rules established by the participating organizations. Participation in the SIF is accomplished through the purchase or sale of shares in each account.

### Fund Management

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

#### Share Values

Each account in the SIF establishes a share value and participants may buy or sell shares monthly, based on the most recent share value.

In the Income Share Account, the Growth Share Account, the Common Stock Index Account, the

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

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

Figure 23. Accounts in the Supplemental Investment Fund

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

## Supplemental Investment Fund

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 any administrative expenses deducted by the retirement systems to defray their own administrative costs.*

The distribution of assets in the Supplemental Investment Fund as of June 30, 2005 are shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 2005

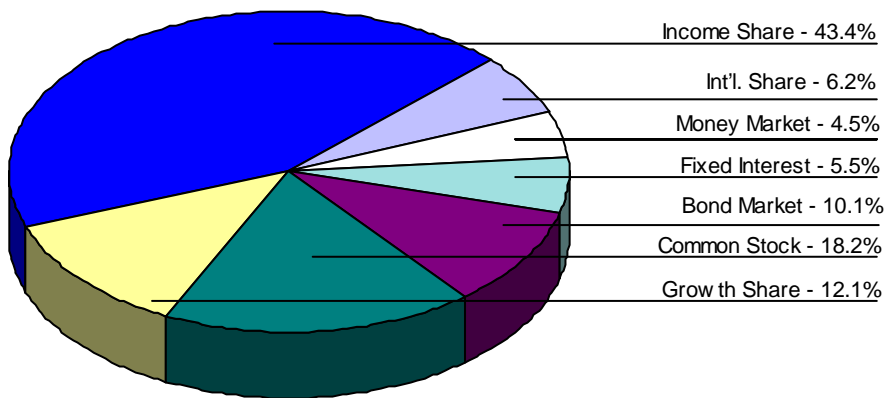
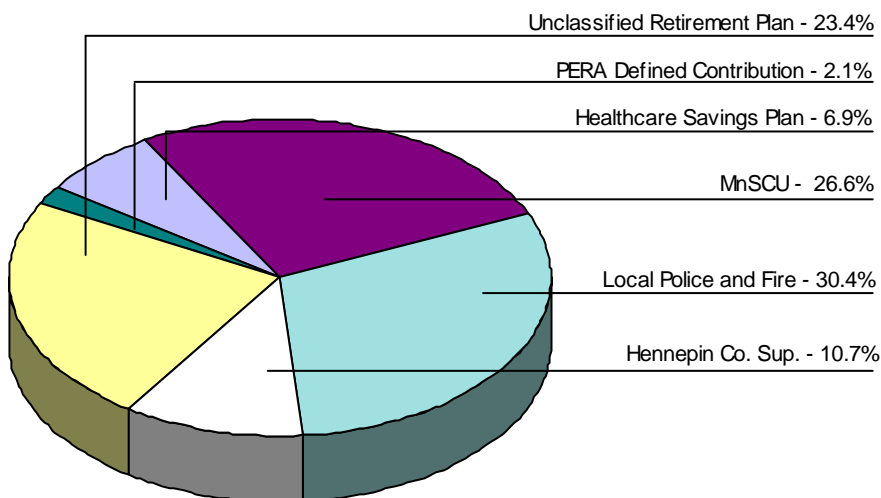


Figure 25. Participation by Plan as of June 30, 2005



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

# Supplemental Investment Fund

## Income Share Account

### Objective

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

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

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

At the close of fiscal year 2005, the value of the Income Share Account was \$495 million.

### Management

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

### Performance

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

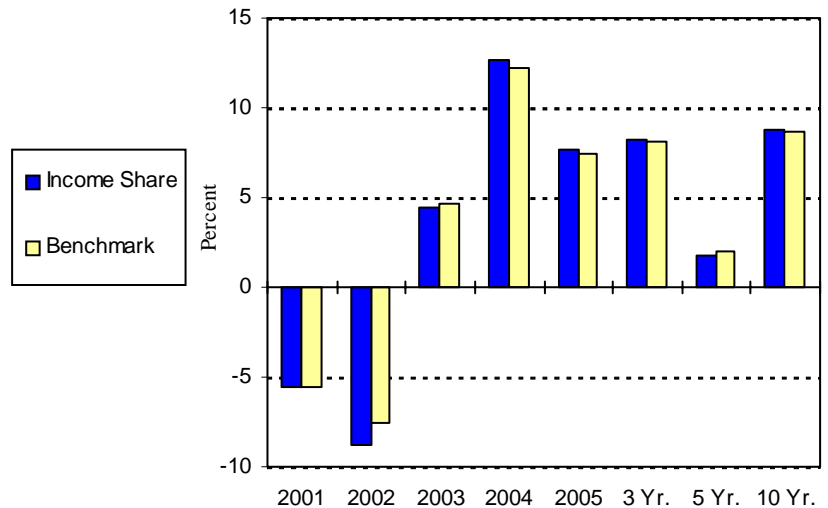
— The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation.

— The passive stock manager is expected to closely track the performance of the Russell 3000. The internal bond manager for the Account is expected to exceed the

performance of the Lehman Brothers Aggregate Bond Index.

The Income Share Account provided a return of 7.7% for fiscal year 2005, exceeding its benchmark by 0.3 percentage point. Over the most recent ten years, the Income Share Account exceeded its benchmark by 0.1 percentage point. Figure 26 shows a ten year history of performance results.

Figure 26. Income Share Account FY 2001-2005



	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Income Share</b>	-5.6%	-8.8%	4.5%	12.7%	7.7%	8.2%	1.8%	8.8%
<b>Benchmark*</b>	-5.6	-7.6	4.7	12.2	7.4	8.1	2.0	8.7

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



## Supplemental Investment Fund

### Growth Share Account

#### Objective

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

At the close of fiscal year 2005, the value of the Growth Share Account was \$139 million.

#### Management

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

#### Performance

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

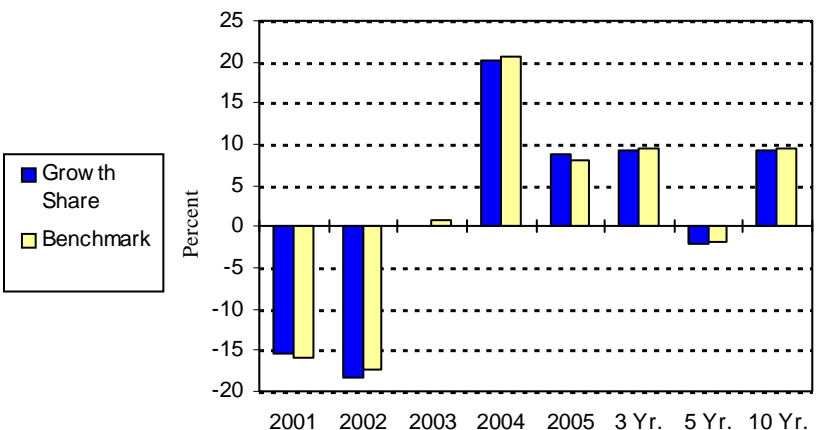
— The Growth Share Account is expected to exceed the returns of the Russell 3000 Index.

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

The Growth Share Account provided a return of 8.7% for the fiscal year, outperforming its benchmark by 0.6 percentage point. Individual manager performance relative to their benchmarks was mixed. See the

discussion starting on page 15 concerning the Domestic Stock Pool. Over the last ten year period, the Account has trailed its benchmark by 0.3 percentage point. A ten year history of performance results is shown in Figure 27.

Figure 27. Growth Share Account FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Growth Share</b>	-15.3%	-18.3%	0.1%	20.2%	8.7%	9.3%	-2.0%	9.2%
<b>Benchmark*</b>	-15.8	-17.3	0.8	20.6	8.1	9.5	-1.8	9.5

\* Russell 3000 since 10/1/03. 100% Wilshire 5000 investable from July 1999 to September 2003. 100% Wilshire 5000 from November 1996 to June 1999. 95% Wilshire 5000/5% T-Bills composite through October 1996.

## Supplemental Investment Fund

### Common Stock Index Account

#### Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the broad U.S. common stock market as represented by the Russell 3000 Index. To accomplish this objective, the SBI allocates all the assets of the Account to passively managed domestic stocks. At the end of fiscal year 2005, the Account had a market value of \$207 million.

#### Management

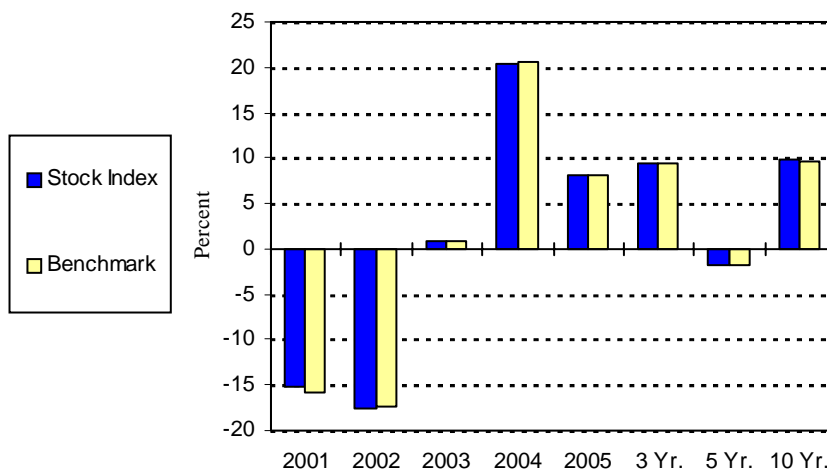
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

#### Performance

The performance objective of the Common Stock Index Account is to track the performance of the Russell 3000. The SBI recognizes that the Account's returns may deviate slightly from those of the Russell 3000 due to the effects of management fees, timing of new contributions and tracking error.

During fiscal year 2005, the Common Stock Index Account produced a return of 8.1%, which matched the Russell 3000. Over the most recent five and ten year periods, the Account has outperformed the Account benchmark by 0.1 percentage point. Total Account results for the last ten years are shown in Figure 28.

Figure 28. Common Stock Index Account FY 2001-2005



	2001	2002	2003	2004	2005	Annualized		
						3 Yr.	5 Yr.	10 Yr.
Stock Index	-15.2%	-17.6%	0.8%	20.5%	8.1%	9.5%	-1.7%	9.8%
Benchmark*	-15.8	-17.3	0.8	20.6	8.1	9.5	-1.8	9.7

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

## Supplemental Investment Fund

### International Share Account

#### Objective

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

Typically, a majority of the Account is invested in the five largest international markets (United Kingdom, Japan, Germany, France and Switzerland). Most of the remainder is invested in other well established markets in Canada, Europe and the Pacific region. In addition, a portion of the Account is invested in developing countries or “emerging markets” around the world including those in Latin America, Asia, the Middle East and Africa. At the end of fiscal year 2005, the Account had a market value of \$71 million.

#### Management

The structure of the International Share Account combines both active and passive management. Approximately one third of the Account is passively managed and is designed to consistently and inexpensively track the returns of the Morgan Stanley Capital International Developed Markets Index (MSCI World ex U.S. Index). The remainder of the Account is actively managed by a group of international developed and emerging markets stock managers who buy and sell stocks in an attempt to maximize market value. The Account uses the same active and passive managers utilized by the Basic and Post Retirement Funds in the International Stock Pool.

#### Performance

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

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

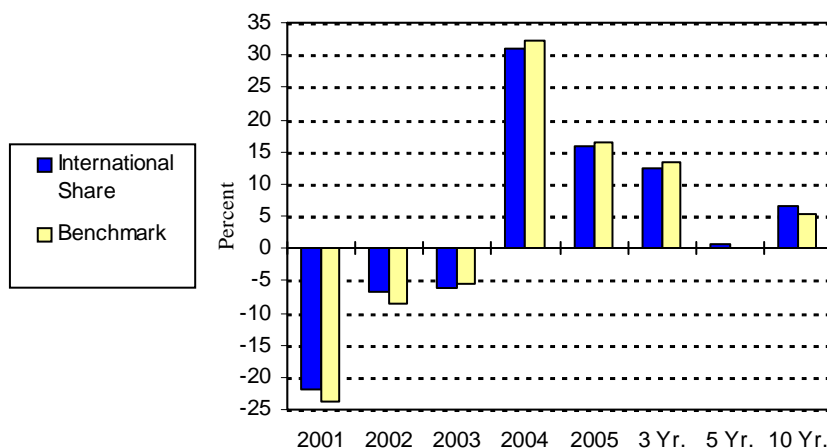
— Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The International Share Account is expected to exceed the performance of MSCI ACWI Free ex-U.S. During fiscal year 2005, the International Share Account produced a return of 15.8%, which was 0.7 percentage

point below the ACWI Free ex-U.S. index. Over the most recent five and ten year periods, the International Share Account has exceeded its benchmark by 0.5 and 1.2 percentage points, respectively.

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

Figure 29. International Share Account FY 2001-2005



	2001	2002	2003	2004	2005	Annualized		
						3 Yr.	5 Yr.	10 Yr.
Int'l. Share	-22.0%	-6.7%	-6.2%	31.0%	15.8%	12.5%	0.7%	6.4%
Benchmark*	-23.9	-8.7	-5.4	32.1	16.5	13.4	0.2	5.2

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

## Supplemental Investment Fund

### Bond Market Account

#### Objective

The objective of the Bond Market Account is to earn high rates of return from fixed income securities. The Account is invested primarily in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. As such, it is a more conservative investment alternative than the accounts described in the previous sections. At the end of fiscal year 2005, the market value of the Account was \$115 million.

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

#### Management

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

#### Performance

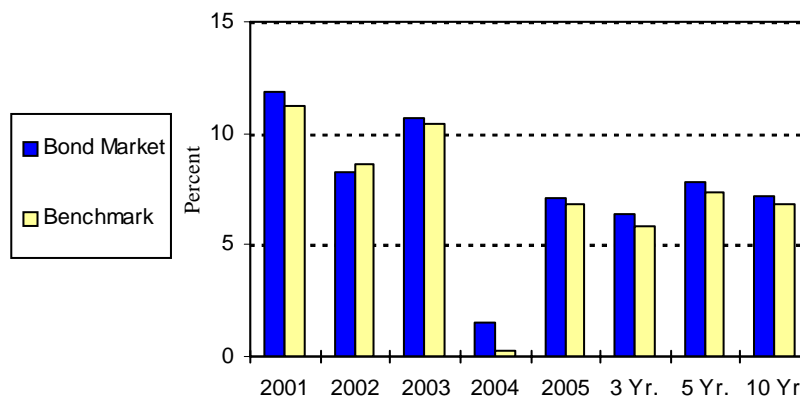
The Board evaluates the performance of the Bond Market Account on two levels:

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

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

The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Lehman Brothers Aggregate Bond Index. For fiscal year 2005, the Account outperformed by 0.3 percentage point. For the most recent five and ten year periods, the Account has outperformed by 0.4 percentage point annualized. See the discussion regarding bond manager performance on page 18. Total Account results for the last ten years are shown in Figure 30.

Figure 30. Bond Market Account FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Bond Market</b>	11.9%	8.3%	10.7%	1.5%	7.1%	6.4%	7.8%	7.2%
<b>Benchmark</b>	11.2	8.6	10.4	0.3	6.8	5.8	7.4	6.8

# Supplemental Investment Fund

## Money Market Account

### Objective

The Money Market Account invests solely in short-term, liquid debt securities. The Account's investment objectives are to preserve capital and offer competitive money market returns. At the end of fiscal year 2005, the Money Market Account had a market value of \$52 million.

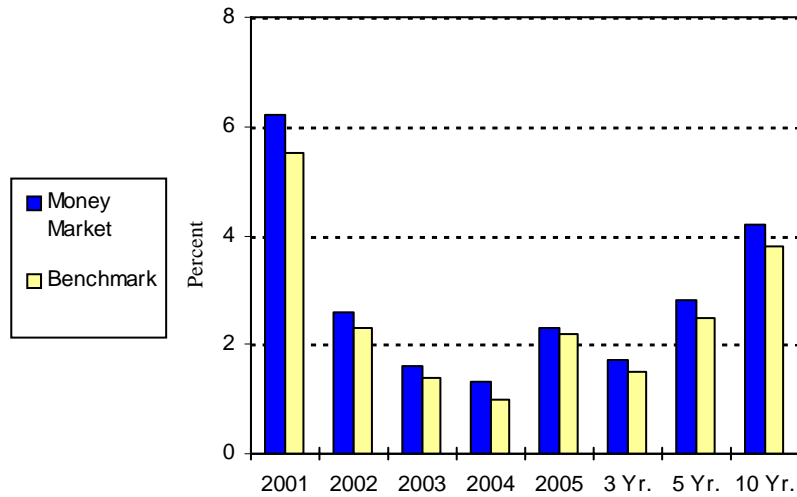
### Management

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

### Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 2005 with a 2.3% return versus a 2.2% return for the 3 Month Treasury Bill. Total Account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
Money Market	6.2%	2.6%	1.6%	1.3%	2.3%	1.7%	2.8%	4.2%
3 Month T-Bills	5.5	2.3	1.4	1.0	2.2	1.5	2.5	3.8

## 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 2005, the Account totaled \$63 million.

#### Management

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

The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank. Galliard has managed the Account since November 1994.

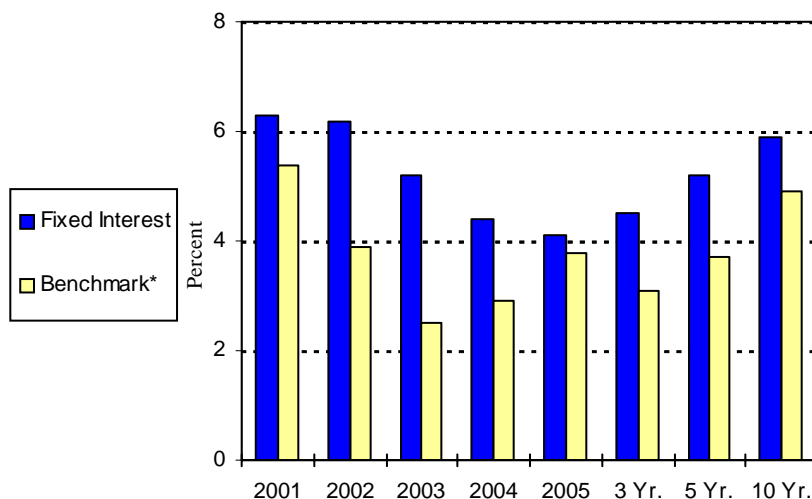
Performance results for the Fixed Interest Account are shown in Figure 32.

#### Performance

The Fixed Interest Account is expected to exceed the returns of its custom benchmark, the 3-year Constant Maturity Treasury plus 45 basis points. During fiscal year 2005, the Fixed Interest Account provided a return of 4.1%, which was 0.3 percentage point above its

benchmark. Over the most recent five and ten year periods, the Fixed Interest Account has exceeded its benchmark by 1.5 and 1.0 percentage points, respectively.

Figure 32. Fixed Interest Account FY 2001-2005



	Annualized							
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Fixed Interest</b>	<b>6.3%</b>	<b>6.2%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>5.9%</b>
<b>Benchmark*</b>	5.4	3.9	2.5	2.9	3.8	3.1	3.7	4.9

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

## State Deferred Compensation Plan (457 Plan)

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

### Program Structure

The State Deferred Compensation Plan was restructured effective March 1, 2004 to provide all daily valued options. Plan participants have three sets of investment options from which to choose. The first is a set of actively managed options that includes six mutual funds, a Money Market Account, a Fixed Interest Account, and a fixed fund option. The second is a set of five passively managed mutual funds. The third is a mutual fund window which offers hundreds of funds. The SBI has no direct management responsibilities for funds within the mutual fund window.

#### Actively Managed Options

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

#### Large-Cap Equity

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

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

#### Small-Cap Equity

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

#### Balanced Fund

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

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

Actively Managed	2005	Annualized		Since Inception(2)
		3 Yr.	5 Yr.	
Janus Twenty (S&P 500)	12.9% 6.3	12.1% 8.3	-9.5% -2.4	
Smith Barney Appreciation Y* (S&P 500)	4.7 6.3			8.3% 9.7
T. Rowe Price Small-Cap Stock (Russell 2000)	9.7 9.4	11.2 12.8	8.5 5.7	
Fidelity Diversified International (MSCI EAFE-Free)	14.9 13.6	14.6 12.1	5.0 -0.5	
Dodge & Cox Balanced Fund** (60% S&P 500/40% Lehman Aggregate)	9.7 6.6			14.0 9.3
Dodge & Cox Income Fund (Lehman Aggregate)	5.6 6.8	6.0 5.8	7.9 7.4	
Money Market (CPI)	2.3 2.3	1.7 1.8	2.8 2.8	
Fixed Interest (3 year CMT + 45 b.p.)	4.1 3.8	4.6 3.1	5.2 3.7	
Minnesota Fixed Fund	4.7	5.2	5.6	

(continued on next page)

## State Deferred Compensation Plan (457 Plan)

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

Passively Managed	2005	Annualized		Since Inception(2)
		3 Yr.	5 Yr.	
Vanguard Institutional Index (S&P 500)	6.3%	8.3%	-2.3%	
	6.3	8.3	-2.4	
Vanguard Mid Cap Index*** (MSCI US Midcap 450)	18.5			16.3%
	18.3			16.2
Vanguard Institutional Dev. Mkts.* (MSCI EAFE)	13.1			16.9
	13.6			16.9
Vanguard Balanced Fund* (60% Wilshire 5000/40% Lehman Aggregate)	7.9			8.5
	7.8			8.5
Vanguard Total Bond Market Fund* (Lehman Aggregate)	6.8			5.0
	6.8			5.0

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

(2) Since inception, if less than five years.

\* This option was added December 1, 2003.

\*\* The Dodge & Cox Balanced Fund was added October 1, 2003.

\*\*\* The Vanguard mid-cap option was added January 1, 2004.

The fund currently offered is the Dodge & Cox Balanced Fund.

### **Bond Fund**

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

### **International Equity**

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

Fidelity Diversified International Fund.

### **Money Market**

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

### **Fixed Interest**

This option invests in stable value instruments which are primarily investment contracts and security backed contracts. The option is expected to outperform the return of the 3 year Constant Maturity Treasury +45 basis points, over time. Currently, Galliard Capital Management, Inc. manages the option.

### **Fixed Fund**

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

### **Passively Managed Options**

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

### **Large-Cap Equity**

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

### **Mid-Cap Equity**

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

### **Balanced Fund**

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



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

### ***Bond Fund***

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

### ***International Equity***

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

Performance results for the mutual fund investment options for FY 2005 are shown in Figure 33 on pages 34 and 35.

## 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, 2005, the market value of the Plan's portfolio was \$304 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 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 exposure provides higher expected returns and hedges some of the inflation risk associated with the liability stream.

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

Figure 34 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2005. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

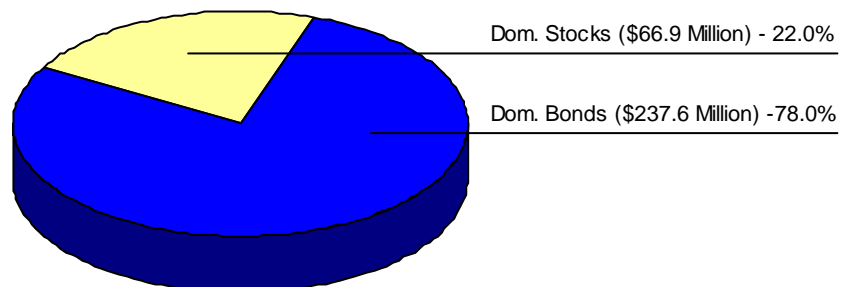
### Investment Management

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

### Bond Segment

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

Figure 34. Assigned Risk Plan Asset Mix as of June 30, 2005



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

## Assigned Risk Plan

### Stock Segment

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

### Investment Performance

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

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

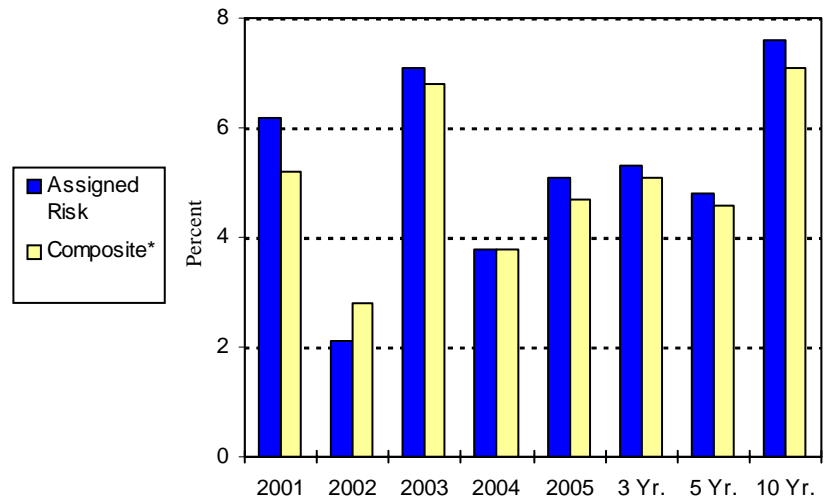
- the target for the fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately 3 years).
- the target for the equity component is the S&P 500.

During fiscal year 2005, the segment outperformed its benchmark by 0.2 percentage point. The segment underperformed its benchmark by 1.1 percentage points.

the Assigned Risk Plan provided a return of 5.1% for fiscal year 2005, exceeding its composite index by 0.4 percentage point. For the most recent five and ten year periods, the Account outperformed its composite index by 0.2 and 0.5 percentage point, respectively.

Historical performance results are presented in Figure 35.

Figure 35. Assigned Risk Plan Performance FY 2001-2005



	2001	2002	2003	2004	2005	Annualized		
	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Assigned Risk</b>	6.2%	2.1%	7.1%	3.8%	5.1%	5.3%	4.8%	7.6%
Composite Index*	5.2	2.8	6.8	3.8	4.7	5.1	4.6	7.1
<b>Stock Segment</b>	-5.9	-14.8	-0.8	14.6	5.2	6.2	-0.8	10.7
S&P 500	-14.8	-18.0	0.3	19.1	6.3	8.3	-2.4	9.9
<b>Bond Segment</b>	9.5	6.5	7.4	0.5	5.1	4.3	5.8	5.9
Benchmark	10.5	8.2	7.9	0.2	4.9	4.3	6.3	6.2

\* Weighted 20% stocks, 80% bonds.

## Permanent School Fund

*The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is used to offset state school aid payments. On June 30, 2005, the market value of the Fund was \$612 million.*

### Investment Objective

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

### Investment Constraints

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

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

### Asset Allocation

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

Prior to FY 1998, the Permanent School Fund had been invested

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

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

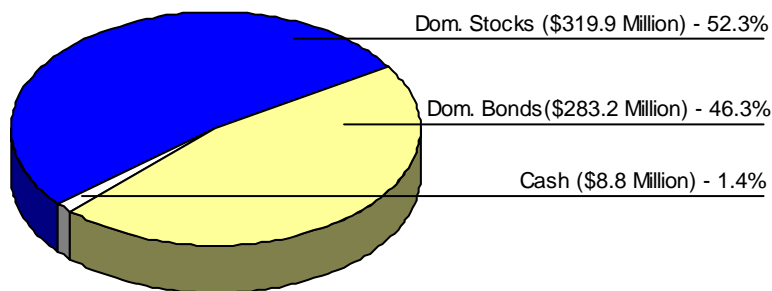
A proposal to introduce equities was presented during fiscal year 1997. It was favorably received by the Legislature and incorporated into the K-12 education finance bill. As a result, the Fund allocation was shifted to a 50% stock/48% fixed income/2% cash allocation during July 1997.

Figure 36 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2005.

### Investment Management

SBI staff manage all assets of the Permanent School Fund. Given the unique constraints of the Fund, management by SBI staff is

Figure 36. Permanent School Fund Asset Mix as of June 30, 2005



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

## Permanent School Fund

considered to be the most cost effective at this time.

### Stock Segment

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

### Bond Segment

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

### Investment Performance

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

The bond segment outperformed its benchmark by 0.2 percentage point during the current fiscal year.

Overall, the Permanent School Fund provided a return of 6.5% for fiscal year 2005, underperforming its composite index by 0.1 percentage point.

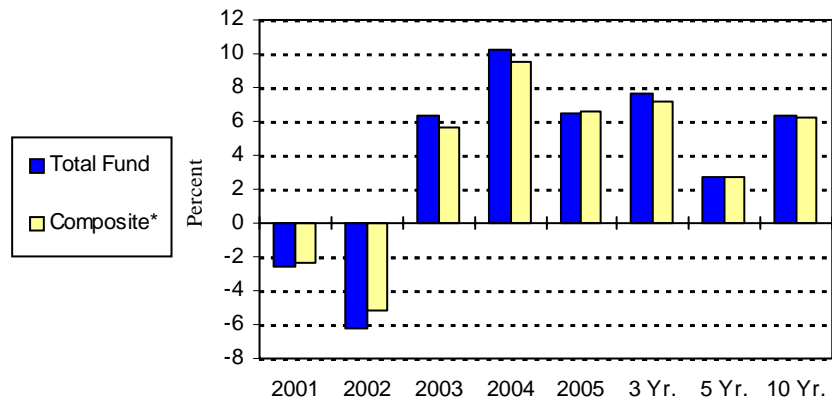
Total account results for the last three, five and ten years are shown in Figure 37.

### Spendable Income

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

Fiscal Year	Millions
2001	\$24
2002	\$21
2003	\$19
2004	\$16
2005	\$19

Figure 37. Permanent School Performance FY 2001-2005



	2001	2002	2003	2004	2005	Annualized		
						3 Yr.	5 Yr.	10 Yr.
<b>Total Fund</b>	-2.6%	-6.2%	6.3%	10.2%	6.5%	7.7%	2.7%	6.4%
Composite*	-2.3	-5.2	5.7	9.5	6.6	7.2	2.7	6.2
Stock Segment	-14.7	-18.2	0.7	19.0	6.3	8.4	-2.3	N/A
S&P 500	-14.8	-18.0	0.3	19.1	6.3	8.3	-2.4	N/A
Bond Segment	11.2	7.1	11.9	1.1	7.0	6.6	7.6	7.1
Lehman Agg	11.2	8.6	10.4	0.3	6.8	5.8	7.4	6.8

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

## Environmental Trust Fund

*The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 2005, the market value of the Fund was \$377 million.*

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

### Investment Objective

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

### Investment Constraints

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

The amendment also provides for spending 5.5 percent of the Fund's market value annually, since fiscal year 2000. The amendment eliminates the accounting restrictions on capital gains and losses and the provision that the principal must remain inviolate.

### Asset Allocation

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

The SBI approved a 70% stock and 30% fixed income asset allocation which was implemented July 1, 1999. The allocation positions the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of spending.

Figure 38 presents the actual asset mix of the Environmental Trust Fund at the end of fiscal year 2005. The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

### Investment Management

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

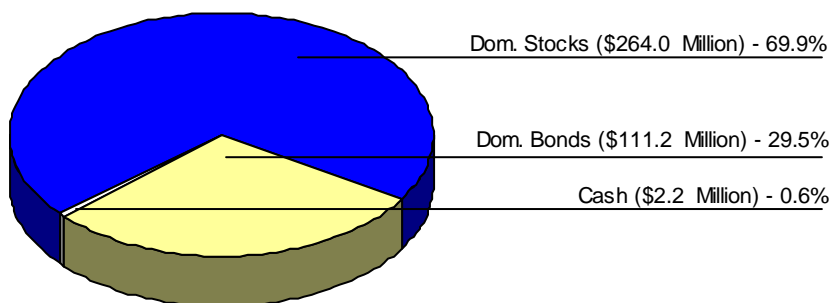
### Stock Segment

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

### Bond Segment

The bond segment is actively managed to add incremental value

Figure 38. Environmental Trust Fund Asset Mix as of June 30, 2005



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

## Environmental Trust Fund

through sector, security and yield curve decisions and its performance is measured against the Lehman Brothers Aggregate Bond Index.

### Investment Performance

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

The segment outperformed its benchmark by 0.2 percentage point during the fiscal year.

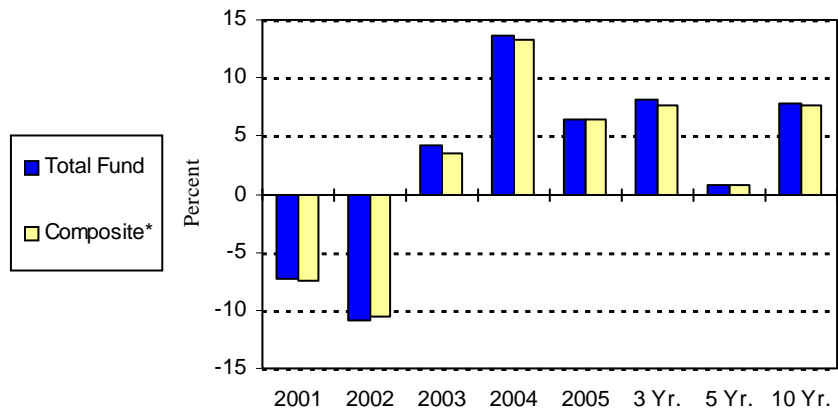
the Environmental Trust Fund provided a return of 6.5% for fiscal year 2005, matching its composite index. For the most recent three-year period, the fund exceeded its composite benchmark by 0.4 percentage point. The fund experienced modest outperformance over the last five and ten years due to the incremental value added by both the stock and bond segments.

Performance results are presented in Figure 39.

Spendable income generated by the Fund follows:

Fiscal Year	Millions
2001	\$13
2002	\$17
2003	\$17
2004	\$15
2005	\$15

Figure 39. Environmental Trust Fund Performance FY 2001-2005



	2001	2002	2003	2004	2005	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund</b>	-7.3%	-10.9%	4.2%	13.7%	6.5%	8.1%	0.8%	7.8%
Composite*	-7.4	-10.5	3.6	13.3	6.5	7.7	0.7	7.7
<b>Stock Segment</b>	-14.6	-18.2	0.7	19.2	6.3	8.5	-2.3	10.0
S&P 500	-14.8	-18.0	0.3	19.1	6.3	8.3	-2.4	9.9
<b>Bond Segment</b>	11.2	7.0	11.9	1.5	7.0	6.7	7.7	7.2
Lehman Aggregate	11.2	8.6	10.4	0.3	6.8	5.8	7.4	6.8

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

## Closed Landfill Investment Fund

*The Closed Landfill Investment Fund is a trust fund created by the Legislature to invest moneys to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. On June 30, 2005 the market value of the Fund was \$39.0 million.*

### Investment Objective

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

### Asset Allocation

Since July 1999, the Closed Landfill Investment Fund has been invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.

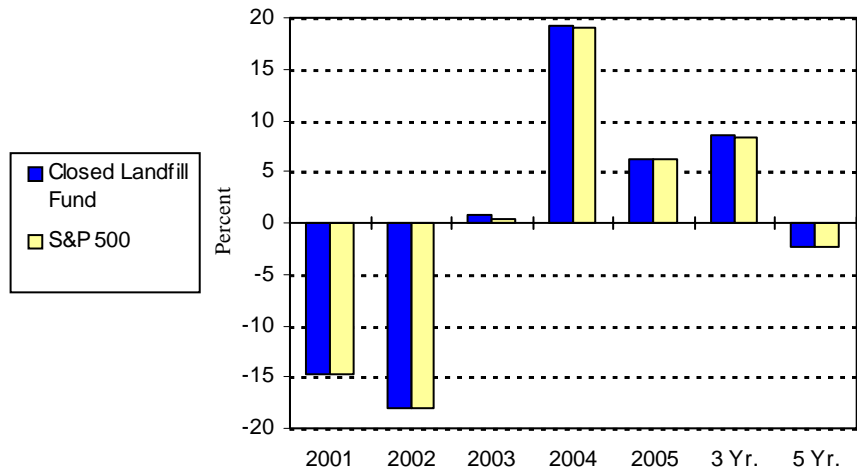
### Investment Management

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

### Investment Performance

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

Figure 40. Closed Landfill Fund FY 2001-2005



	2001	2002	2003	2004	2005	3 Yr.	5 Yr.
<b>Total Fund</b>	<b>-14.7%</b>	<b>-18.1%</b>	<b>0.7%</b>	<b>19.2%</b>	<b>6.3%</b>	<b>8.5%</b>	<b>-2.3%</b>
S&P 500	-14.8	-18.0	0.3	19.1	6.3	8.3	-2.4



## Cash Management & Related Programs

*The State Board of Investment (SBI) manages the cash balances in more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2005, the total value of these accounts was \$4.8 billion.*

### Internal Cash Pools

The SBI invests these cash accounts in short-term, liquid, high quality debt securities on a non-leveraged basis. These investments can include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, high grade corporates, and commercial paper. On June 30, 2005, the combined value of all agency cash balances was \$4.8 billion.

#### Pool Structure

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

— This pool contains cash balances from the Invested Treasurer's Cash and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of \$3.6 billion during the year.

— This pool contains cash balances of trust fund and retirement-related accounts that are managed internally. The Trust Fund Pool had an average daily balance of \$123 million during the year.

Staff also manages approximately \$700 million of assets in separately managed dedicated accounts because of special legal restrictions. The

vast majority of these assets are related to state or state agency debt issuance including debt service reserves and proceeds.

#### Investment Performance

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

For fiscal year 2005, the Trust Fund Pool and the Treasurer's Cash Pool outperformed their respective benchmarks. Both pools also outperformed the total return on 3 Month Treasury Bills.

<b>Trust Fund Pool</b>	<b>2.2%</b>
Benchmark	1.6
<b>Treasurer's Cash Pool</b>	<b>2.3</b>
Benchmark	1.6
3 Month Treasury Bills	2.2

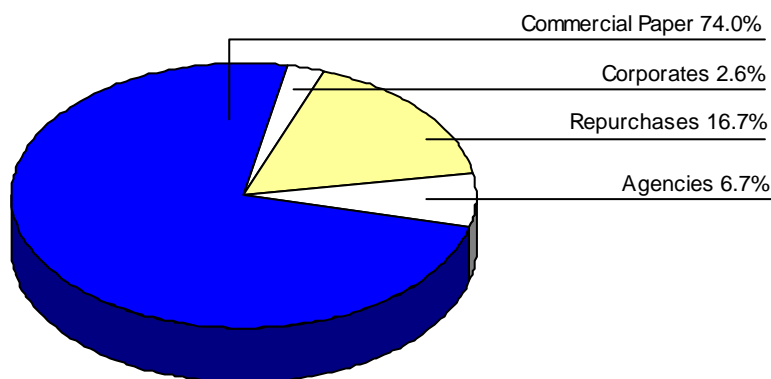
Since January 1997, the Trust Fund Pool is measured against the iMoneyNet's All Taxable Money Fund Index.

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

#### Treasurer's Cash Pool

On June 30, 2005, the Treasurer's Cash Pool was dominated by high quality commercial paper holdings. The composition of the pool is shown in Figure 41. At the end of the fiscal year, the pool had a current yield of 3.3% and an average maturity of 76 days.

Figure 41. Invested Treasurer's Cash Fund Distribution as of June 30, 2005



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

## *Cash Management & Related Programs*

### *Securities Lending Program*

The SBI participates in securities lending programs in which securities held by the SBI are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the majority of the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. State Street Bank generated additional income of approximately \$14.2 million during fiscal year 2005.

An additional lending program began during fiscal year 2000 with Wells Fargo. This program generated additional income of approximately \$224,000 during fiscal year 2005.

### *Certificate of Deposit Program*

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

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

During fiscal year 2005, the SBI purchased over \$379 million of CD's from Minnesota financial institutions.

Since it began the program in 1980, the SBI has purchased over \$4.7 billion of CD's from approximately 500 financial institutions throughout the state.

### *Securities Repurchase Program*

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

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

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

During fiscal year 2005, the SBI purchased \$57.5 million in repos from Minnesota financial institutions.

## Other Deferred Compensation and Long Term Savings Programs

In addition to the statewide 457 plan, the State Board of Investment (SBI) has responsibilities for several other deferred compensation-related programs:

- The SBI selects investment product providers for the Minnesota State Colleges and Universities (MnSCU) and the Minnesota Historical Society for their IRC 401(a) defined contribution retirement plans.
- The SBI is responsible for managing the assets in the Minnesota College Savings Plan, and directing all investments. The Minnesota Higher Education Services Office (MHESO) is responsible for the overall administration of the MN College Savings Plan (529 Plan).

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

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

**MnSCU 401(a) Plans (effective July 1, 2000)**

Teachers Insurance & Annuity Association- College Retirement  
Equities Fund (TIAA-CREF)  
Wells Fargo Bank Minnesota, N.A.

**Historical Society 401(a) Plan (effective July 1, 2000)**

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

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

Teachers Insurance & Annuity Association-College Retirement

## Major Policy Initiatives

### Legislative Update

Several bills of interest to the SBI were enacted during the 2005 regular and special sessions.

Laws of Minnesota 2005, Chapter 163, sections 2 and 44 clarify that certain alternative investment data of the SBI are private. The same language is in Laws of Minnesota 2005, Chapter 156, Article 2, sections 7 and 8.

Laws of Minnesota 2005, Chapter 55 authorizes a separate compensation plan for SBI non-represented investment staff. The Board will present the Plan to the Legislative Coordinating Commission Subcommittee on Employee Relations for approval during fiscal year 2006. The approval process is laid out in statute and is the same as provided for other compensation plans.

Laws of Minnesota 2005, First Special Session, Chapter 1, Article 2, section 149 allows certain counties to have the SBI invest local environmental trust fund assets. The SBI will work with St. Louis County and other counties in fiscal 2006 about a process to place assets in the nonretirement trust pools.

Laws of Minnesota 2005, Chapter 8, Article 8, sections 1 and 2, allows the Minnesota State Colleges and Universities (MnSCU) to choose for its retirement plan none, some or all accounts of the Supplemental Investment Fund. The SBI will be working with MnSCU in fiscal 2006 to restructure the MnSCU defined contribution plan.

### Police and Fire Fund Activity

#### Mergers with PERA

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

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

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

#### Volunteer Fire Plans Investment

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

During fiscal year 2005, an additional 4 volunteer firefighter plans selected the SIF for all or a portion of their retirement assets. As of the end of fiscal year 2005, there were 222 plans participating in the SIF.

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

#### Local Plan Performance Reports

The SBI provides the local plans that participate in the SIF reports displaying their annual returns and market values from the SIF in compliance with *Minnesota Statutes*, Chapter 356. The local plans are responsible for providing their specific data to the Office of the State Auditor.

## Major Policy Initiatives

### Mandate on Northern Ireland

#### Requirements

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

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

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

#### Implementation

The SBI uses the services of the Investor Responsibility Research Center (IRRC), Washington D.C., to monitor corporate activity in Northern Ireland. In January 2005, the SBI held stocks or bonds in 64 of 70 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with three of these corporations during the 2005 proxy season. The resolution asked corporations to sign the MacBride Principles and to implement affirmative action programs.

The voting results on the three resolutions are shown below:

<b>Company</b>	<b>Affirmative Vote</b>
Claire's Stores	12.1%
Teletch Holdings	4.9%
Yum Brands	14.7%

## Major Policy Initiatives

### Tobacco Issues

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

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

#### *Directives to Stock Managers*

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

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

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

The policy requiring divestment follows directly from the latter resolution.

#### *Shareholder Resolutions*

The SBI chose not to sponsor or cosponsor a tobacco related resolution during the 2005 proxy season.

### Pharmaceutical Company Issues

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

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

Eli Lilly and Company; Merck & Co., Inc.; and Pfizer included the proposal in their proxy materials. Wyeth did not include the proposal. Wyeth submitted a no-action request to the SEC to exclude the proposal from the firm's proxy materials. The SEC concurred with Wyeth that the SBI proposal was duplicative of a proposal submitted earlier by another shareholder.

Members of SBI staff attended the annual meetings of Eli Lilly, Merck and Pfizer to fulfill the SEC requirement that a shareholder must be present to introduce the resolution. The voting results on the three resolutions are shown below:

Company	Affirmative Vote
Eli Lilly	13.9%
Merck	24.5%
Pfizer	28.5%

## Major Policy Initiatives

### Proxy Voting

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

#### Voting Process

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

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

### Voting Guidelines

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

#### Corporate Governance Issues

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

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

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

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

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

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

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

**Special Cases.** The Proxy Committee evaluates hostile takeovers, contested election of directors, compensation agreements that are contingent upon corporate change in control, and recapitalization plans on a case-by-case basis. In addition, the Committee may review corporate governance issues affecting companies incorporated or headquartered in Minnesota on a case-by-case basis.

#### Social Responsibility Issues

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

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

## Major Policy Initiatives

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

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

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

### Summary of FY 2005 Proposals

During fiscal year 2005 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, as reflected in information provided by the Investor

Responsibility Research Center (IRRC), Washington, D.C.:

- Shareholders submitted 52 proposals requesting majority vote to elect directors. This proposal received an average support of 44.0%.
- Shareholders submitted 21 proposals to redeem “poison pills” (an anti-takeover device) or submit them to shareholder vote. This proposal received average support of 56.9%.
- Resolutions to expense options at time of grant were on 7 ballots with an average support of 60.7%.
- Other proposals included the repeal of classified boards which were supported by an average of 60.1% of shares voted; shareholder approval of severance packages to top executives (“golden parachutes”) which received support from an average of 54.3% of shares voted; cumulative voting which was supported by an average of 39.3% of shares voted; proposals to require performance-based stock options received average support of 34.8% of shares voted; and a variety of proposals to restrict executive compensation received average support of 11.1%.

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

- A variety of environmental issues received 34 resolutions and received average support ranging from 5.7% to 10.8%.
- Political giving issues received 30 proposals with an average support level of 10.4%.
- Executive pay and social performance issues received ten resolutions with an average support level of 8.6%.
- Equal employment issues received nine resolutions with an average support of 18.6%.
- Resolutions on a variety of tobacco-related issues were on nine ballots with an average support of 2.7%.
- Human rights issues received eight resolutions with an average support level of 8.8%.
- Northern Ireland issues received four proposals this year with an average support of 10.4%.
- Global Labor Standards received fourteen proposals this year with an average support of 11.4%.



## Major Policy Initiatives

### Guidelines on International Investing

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

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

### Guidelines

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

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

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

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

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

### Review Process

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

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

## Major Policy Initiatives

Figure 43 displays the country groupings.

Figure 43. Current International Investing Guidelines  
Country Groupings\*

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

\* As of August 2005

## Investment Manager Summaries

### **Domestic Equity Program Managers**

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

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

Franklin's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is comprised of 40 valuation measures each of which falls into one of the following groups: relative value, future value, fundamental momentum, long-term growth, price action, and management signals.

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

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

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

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

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

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

##### **Voyageur Asset Management**

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

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

##### **Alliance Capital Management**

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

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

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

##### **Holt-Smith & Yates Advisors**

Holt-Smith & Yates invests in companies demonstrating superior growth in earnings over a long period of time. They use bottom-up fundamental analysis, focusing on historical and forecasted sales and

## Investment Manager Summaries

earnings trends, profit margin trends, debt levels and industry conditions. They seek to purchase large-cap companies that meet their strict valuation criteria and that have superior fundamentals to that of the benchmark. Companies must currently have a five year projected growth rate of over 20% and a PEG (P/E ratio to growth rate) ratio below 150%. They hold concentrated portfolios with low turnover. Holt-Smith was retained by the SBI in July 2000.

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

INTECH's strategy is based on a mathematical theory resulting from the research of Dr. Robert Fernholz published in his 1982 paper, "Stochastic Portfolio Theory and Stock Market Equilibrium." The underlying premise of the strategy capitalizes on the covariance structure of the market and stock volatility to build portfolios of companies whose price variability is designed to produce returns in excess of the benchmark. Through the application of a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 Growth benchmark. No specific sector or security selection decisions based on fundamentals are required. Risk parameters include: 1) minimize absolute standard deviation or maximize information ratio, 2) security positions limited to lesser of 2.5% or 10 times maximum index security weight, and 3) beta equal to or less than benchmark beta. Target security positions are established using an optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six

(6) business days, and partial re-optimization occurs weekly. INTECH was retained by the SBI as an active manager in December 2004.

### ***Jacobs Levy Equity Management***

Jacobs Levy believes the market is a complex system, permeated with inefficiencies offering opportunities for profitable active investment that can only be detected and fully exploited with intensive statistical modeling. The strategy combines human insight and intuition, finance and behavioral theory, and state-of-the-art quantitative and statistical methods. Security expected returns generated from numerous models become inputs for the firm's proprietary portfolio optimizer. The optimizer is run daily with the objective of maximizing the information ratio, while ensuring proper diversification across market inefficiencies, securities, industries, and sectors. Extensive data scrubbing is conducted on a daily basis using both human and technology resources. Liquidity, trading costs, and investor guidelines are incorporated within the optimizing process. Jacobs Levy was retained by the SBI as an active manager in December 2004.

### ***Lazard Asset Management LLC***

Lazard's approach emphasizes earnings growth as the fundamental driver of stock prices over time. Lazard invests in companies exhibiting substantial growth opportunities, strong business models, solid management teams, and the probability for positive earnings surprises. The investment process combines quantitative, qualitative and valuation criteria. The quantitative component addresses fundamentals and is

focused on operating trends. Qualitative analysis involves confirmation of company fundamentals through discussions with company contacts and related parties. Valuation models focus on relative rankings of the fundamentals within the industry, the market overall and the company itself. Lazard was retained by the SBI as an active manager in December 2004.

### ***Sands Capital Management, Inc.***

Sands invests in concentrated portfolios of high-quality, seasoned, growing businesses. Bottom-up, company-focused, long-term oriented research is the cornerstone of the investment process. To be included in the stock universe, companies must demonstrate superior historical and projected sales and earnings; have the potential for wealth creation; and reside in growing sectors. The team then narrows the opportunity set by identifying potential leaders in attractive business spaces. The strategy focuses on six (6) key investment criteria: 1) sustainable above average earnings growth; 2) leadership position in a promising business space; 3) significant competitive advantages or unique business franchise; 4) management with a clear mission and value added focus; 5) financial strength; and 6) rational valuation relative to the overall market and the company's business prospects. Sands was retained by the SBI as an active manager in December 2004.

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

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

## **Investment Manager Summaries**

founded on bottom up, fundamental research. The strategy identifies companies that can grow earnings above consensus expectations to build portfolios with forward weighted earnings growth in the range of 15-20% annually. A quantitative screen is employed for factors such as revenue and earnings growth, return on invested capital, earnings consistency, earnings revisions, low financial leverage and high free cash flow rates relative to net income. Resulting companies are subjected to a qualitative assessment within the context of industry sectors. Detailed examination of income statements, cash flow and balance sheet projections is conducted, along with a judgment on the quality of management. Attractively valued stocks are chosen based on P/E relative to the benchmark, sector peers, the company's sustainable future growth rate and return on invested capital. Final portfolio construction includes diversification by economic sectors, earnings growth rates, price/earnings ratios and market capitalizations. Winslow was retained by the SBI as an active manager in December 2004.

### ***Zevenbergen Capital***

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

and appropriate portfolio weightings. The firm remains fully invested to ensure market participation. Zevenbergen was retained by the SBI in April 1994.

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

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

BHMS believes that markets are inefficient, and can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. Stocks in their portfolio must reflect all three value characteristics: price/earnings and price/book ratios below the market and dividend yields above the market. The stocks must also be attractive according to the firm's dividend discount and relative return models. Analysts provide fundamental analysis in the final step of their investment process. BHMS was retained by the SBI in March 2004.

#### ***Earnest Partners***

Earnest Partners utilizes a proprietary valuation and performance model, and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures – and have done extensive research to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical approach designed to

measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups. Earnest Partners was retained by the SBI in July 2000.

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

Lord Abnett applies both quantitative valuation models and fundamental research. A dividend discount model is run using normalized earnings and long-term growth rates to rank stocks. The top ranked stocks represent the value universe and become the focus of their fundamental bottom-up research. The industry analysts identify companies with the strongest fundamentals and the most attractive valuations. They also look for the catalyst that will cause a stock price to reach a higher valuation target over a 12-18 month horizon. Lord Abnett was retained by the SBI in March 2004.

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

LSV's philosophy is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. They use quantitative techniques to rank securities based on fundamental measures of value, past performance, and indicators of near-term appreciation potential. Their risk control discipline limits the portfolio's industry and sector concentrations. LSV was retained by the SBI in March 2004.

#### ***Oppenheimer Capital***

Oppenheimer Capital's strategy is to buy companies that are selling at a price below their determination of the company's intrinsic value. Their

## *Investment Manager Summaries*

process is bottom-up based on fundamental analysis. Factors considered when evaluating companies include a strong industrial or commercial position, often where there are significant barriers to entry. They look for companies that are financially sound and have a management team that is devoted to the interest of shareholders. They believe that discretionary cash flow, defined as cash that remains after a company spends what is needed to sustain its commercial position, is a primary determinant of a firm's potential to build value for shareholders. The firm was retained by the SBI in July 1993.

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

Systematic's objective is to invest in companies with positive earnings surprise to provide the portfolio with consistent, above-market returns. They do this by seeking well-managed companies that are trading at compelling valuations, exceeding investor expectations, increasing sales and improving margins, and generating strong free cash flow. The process begins with a quantitative screen to rank companies by sector based on low forward price/earnings and positive earnings catalyst using a 16-factor model. Rigorous fundamental analysis follows. Systematic was retained by the SBI in March 2004.

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

#### ***McKinley Capital Management***

McKinley uses a quantitative process to systematically search for and identify early signs of accelerating growth. The process includes a linear regression model to identify common stocks that are inefficiently priced relative to the

market while adjusting each security for its stock price volatility. The earnings model identifies securities with strong earnings acceleration, positive earnings surprises, and substantive reasons for continued earnings growth. Qualitative inputs are used in the final portfolio construction. These include the use of economic factors, Wall Street research, and industry themes. The manager ensures that earnings estimates are reasonable and sustainable. McKinley was retained by the SBI in December 2003.

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

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass consensus earnings estimates, which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets and are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent. Next Century was retained by the SBI in July 2000.

#### ***Turner Investment Partners***

Turner manages a small growth portfolio with the philosophy that earnings expectations drive stock prices. They pursue a bottom-up strategy that blends quantitative, fundamental, and technical analysis. They screen securities within sector and market capitalization groups

using factors appropriate for each specific group. Companies are ranked within sectors based on multiple earnings growth and valuation factors. Fundamental research seeks companies that have a rate of growth exceeding industry peers, earnings that meet or exceed market consensus estimates, and earnings estimates that are being revised upwards. Technical analysis is used to evaluate trends in trading volume and price, and to identify attractive entry and exit points. The SBI retained Turner in December 2003.

#### ***Winslow Capital Management***

Winslow Capital is a fundamental, "bottom-up" investment firm with all portfolio managers acting as research analysts. They believe investing in companies with consistent and sustainable growth provides the best opportunity for achieving superior portfolio returns over the long term. The objective is to achieve a weighted average annual earnings growth rate in excess of 25% over a 2-3 year time horizon. These companies tend to have consistently strong sales and earnings growth, high return on equity, low debt to capital, strong cash flow, high inside ownership, steady or rising margins, a high level of earnings stability, and a sustainable competitive advantage. Hands-on research includes frequent, direct communication with senior management of portfolio holdings. The research process allows implementation of their investment philosophy in all market environments and delivers superior returns with a low level of relative volatility. Winslow Capital was retained by the SBI in April 1994 to manage a large cap portfolio. This mandate was changed to a small cap focus in July 2000.

## Investment Manager Summaries

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

#### **American Express Asset Management Group/Kenwood Capital**

Kenwood's small cap value product seeks to own a portfolio of stocks that represents the best opportunities in each sector based on valuation and indicators of improving cash flow and earnings. They look for higher quality stocks that are undervalued based on demonstrable fundamentals, rather than distressed value stocks. Their quantitative appraisal model ranks stocks on their potential excess return. It incorporates a dozen or so sector models with weightings that vary over time in relation to the stock attributes that are most important in determining relative performance. American Express/Kenwood was retained by the SBI in December 2003.

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

Goldman Sachs manages a small cap portfolio using a strong valuation discipline to purchase well-positioned, cash generating businesses run by shareholder-oriented management teams. Portfolio managers are organized by industry, and use industry-specific valuation measures to categorize companies within their area. They decompose the historical financial reports, meet with management to evaluate their competitive position within the industry, and evaluate each company's valuation attractiveness relative to other comparable companies within the sector. Goldman Sachs was retained by the SBI in December 2003.

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

Hotchkis and Wiley manages a small value portfolio, where they seek to exploit mispriced securities in the small cap market by investing in "undiscovered" and "out of favor" companies. They invest in stocks where the present value of the company's future cash flows exceeds the current market price. Industry analysts determine a company's normal earnings power, or sustainable earnings level under equilibrium economic and competitive market conditions, which becomes the basis for security valuation. Hotchkis and Wiley was retained by the SBI in December 2003.

#### **Martingale Asset Management**

Martingale manages a small value portfolio with the philosophy that they can exploit the long-term link between undervalued company fundamentals and current market prices to achieve superior investment returns. They use a quantitative process to identify stocks with low price/earnings ratios and high cash flow to price versus peers. The process examines multiple characteristics of quality, value and momentum. Value traps are avoided by favoring stocks with positive relative strength and earnings estimate revisions versus peers. Each stock is given a score or ranking. Martingale builds a portfolio of the highest ranked stocks while controlling industry and sector weights, and ensuring the average company size resembles the benchmark. Martingale was retained by the SBI in December 2003.

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

Peregrine's Small Cap Value investment process begins with their

proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most underpriced securities on a sector-by-sector basis. Drawing on thirty years of data, the analysis looks at different combinations of sixty fundamental factors most relevant in each sector to identify stocks that offer significant value relative to the companies' underlying fundamentals. The focus of the team's fundamental research is to determine if one or more of the style's "Value Buy Criteria" are present – these include short-term problems, unrecognized assets, take-over potential, and catalysts for change. The portfolio is diversified and sector weights are aligned closely to the benchmark. This allows stock selection to drive performance. Peregrine was retained by the SBI in July 2000.

### **Semi-Passive Managers**

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

##### **Barclays Global Investors**

Barclays uses a Core Alpha Model which disaggregates individual equity returns for each of the stocks in their universe into three inputs: fundamental, expectational, and technical. The fundamental inputs look at measures of underlying company value including earnings, book value, cash flow, and sales. These factors help identify securities that trade at prices below their true economic value. The expectational inputs incorporate future earnings and growth rate forecasts made by over 2500 security analysts. The technical inputs provide a measure of recent changes in company fundamentals, consensus expectations, and performance.

## Investment Manager Summaries

Estimated alphas are used in a portfolio optimization algorithm to identify the optimal portfolio that maximizes the portfolio's alpha while maintaining a risk level specified by the SBI. The firm was retained by the SBI for semi-passive management in January 1995.

### **Franklin Portfolio Associates**

For the semi-passive product, Franklin adds incremental value to a benchmark by buying stocks ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. Franklin attempts to allocate 75% or more of the total risk level set by the client to specific stock selection and the rest to systematic and industry risk. The firm always remains fully invested. The SBI retained Franklin as a semi-passive manager in January 1995.

### **J.P. Morgan Fleming Asset Management**

J.P. Morgan manages a semi-passive portfolio for the SBI and 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 650 stock universe and enter these into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sector. Stocks most undervalued are placed in the first quintile. The portfolio includes stocks from the first four quintiles, favoring the highest ranking stocks whenever possible, and sells those in the fifth quintile. In addition, the portfolio will closely approximate

the sectors and style of the benchmark. The portfolio remains fully invested at all times. The firm was retained by the SBI in January 1995.

### **Passive**

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

##### **Barclays Global Investors**

For the passive account, Barclays seeks to minimize tracking error, transaction costs and investment and operational risks. The portfolio is managed against the asset class target (Russell 3000 index) using a proprietary optimization process that integrates a transaction cost model. The resulting portfolio closely matches the characteristics of the benchmark with less exposure to illiquid stocks. Barclays was retained by the SBI for passive management in July 1995.

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

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## **International Program Managers**

### **Active Developed**

#### **American Express Asset Management**

American Express's objective is to focus on key forces of change in the markets and the companies that will benefit. They believe that a good understanding of the likely impact of these changes at a company level, complemented with an appreciation of the ability of management to exploit these changes, creates significant opportunities to pick winners and avoid losers. Companies are analyzed within a

macroeconomic and global sector/thematic framework. "Top down" views on macroeconomics and trends in global sectors combine with "bottom-up" company analysis along regional and global sector lines. Analysts propose a rating of A through to E for approximately 150-200 stocks in each region reflecting the expected performance on a 12-month view. American Express was retained by the SBI in February 2000. In December 2003, the Threadneedle team replaced the original investment team.

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

INVESCO employs a systematic process that identifies undervalued-companies, combined with a consistently applied portfolio design process to control the predictability and consistency of returns. INVESCO managers believe they can add value by identifying and investing in stocks which are attractively priced relative to the sustainable growth potential of the company. Portfolios are constructed on a bottom-up basis. They select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies, with key financial data adjusted to be comparable across countries and currencies. Third, INVESCO believes that using the firm's own local investment professionals enhances fundamental company research. Finally, they manage risk and ensure broad diversification relative to the clients' benchmark utilizing a statistics-based portfolio construction approach instead of utilizing country or industry constraints. INVESCO was retained by the SBI in February 2000.



## Investment Manager Summaries

### **Marathon Asset Management**

Marathon uses a blend of qualitative disciplines to construct portfolios. The resulting style and emphasis of the portfolio may vary over time and by market, depending on Marathon's perception of what represents the best value opportunity. Since the firm believes that competition determines profitability, Marathon is attracted to industries where the level of competition is declining. They will hold a sector position as long as the level of competition does not increase. At the stock level, Marathon tracks a company's competitive position relative to the attractiveness of their products or services and determines whether the company is following an appropriate reinvestment strategy for their current competitive position. Marathon was retained by the SBI in November 1993.

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

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

1993 with an active country/passive stock mandate. In October of 1999, UBS converted the portfolio to a fully active mandate.

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### **Passive**

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

State Street manages an international index portfolio designed to track the Morgan Stanley Capital International Index of the World ex. United States. State Street uses a full replication strategy to construct the index by country. Stock index and country futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error and allow for cash in flow and out flow. State Street was retained by the SBI in October 1992.

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### **Emerging Markets**

#### **Alliance Capital Management**

Alliance Capital's emerging markets equity process focuses on fundamental research-driven stock selection, which is structured by industry within the emerging markets regions. Alliance's regional portfolio management and research teams, focused on Asia, Eastern Europe/Middle East/Africa and Latin America, construct portfolios within their respective regions. These regional portfolios are aggregated to establish Alliance's total emerging markets exposure in the portfolio. Alliance believes that investment success in the emerging markets stems from investing in those companies in each region with quality managements in growth businesses, with superior fundamentals and improving corporate governance. Alliance further believes that these companies

can best be identified through rigorous fundamental research, conducted by internal, on-the-ground analysts. Although the investment philosophy emphasizes bottom-up stock selection, parameters are established at the portfolio level to manage risk. Exposures by region are maintained close to the benchmark weights, and deviations are made when an excess or a lack of opportunities exist within a particular region. Maximum position constraints are imposed at the stock and country level, and industry exposures are generally a by-product of stock selection. The SBI retained Alliance Capital in January 2001.

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

Capital International, Inc. has a long history of investing in emerging markets for its affiliate, Capital Guardian Trust Company, one of the Capital Group Companies. Capital is distinguished by its extensive commitment to fundamental research, with a large team of experienced analysts focused on gathering in-depth information first-hand on companies throughout the world. Their philosophy can best be described as value-oriented with research efforts focused on trying to identify the difference between the underlying value of a company and the price of its securities in its home market. This basic, fundamental approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. A critical ingredient in this blending process is the recognition that the relative importance of each factor will vary from time to time, and none can be treated as being of paramount importance at all times. The account is divided among seven portfolio managers and a research portfolio. The research portfolio is managed by a team of research

## Investment Manager Summaries

analysts who select stocks within the sectors they cover. All portfolio managers are free to make their own decisions (within risk control limits) as to sector, quality emphasis, cash reserves, and issue selection. The SBI retained Capital International, Inc. in January 2001.

### ***Morgan Stanley Investment Management***

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

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

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## Fixed Income Program Managers

### ***Active***

#### ***American Express Asset Management Group***

American Express manages portfolios using a bottom-up relative value approach in combination with a top-down, macro outlook that guides the firm's relative value decisions. The firm employs in-depth fundamental research and credit analysis combined with proprietary valuation disciplines to identify individual relative value opportunities across market sectors. The duration and maturity structure of the portfolio are managed using a rigorous quantitative approach centered on the firm's proprietary interest rate forecasting models. American Express is committed to diversification of sources of active risk in the portfolios it manages, and believes that proper diversification combined with consistent evaluation of risk-reward tradeoffs leads to superior risk-adjusted performance. American Express was retained by the SBI in July 1993.

#### ***Deutsche Asset Management***

Deutsche believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent outperformance 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 and construct portfolios from the bottom up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Deutsche was retained by the SBI in February 2000.

#### ***Dodge & Cox***

Dodge & Cox manages a high quality (typically AA or better weighted average quality), diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, attractive returns are possible over the long-term. In seeking above average returns, Dodge & Cox emphasizes individual security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

#### ***Morgan Stanley Investment Management***

Morgan Stanley (formerly Miller Anderson & Sherrerd) focuses on four key decisions in structuring portfolios: interest-rate sensitivity, yield-curve exposure, portfolio credit quality, and portfolio prepayment risk. Through a value philosophy and a team approach, the firm seeks to minimize portfolio exposure to extreme market forecasts embedded in bond yields based on its proprietary research. The firm initiates positions when it believes they are relatively cheap, and holds them until value diminishes or until

## Investment Manager Summaries

superior values are found elsewhere. Its interest rate and yield-curve strategy is driven by a proprietary term-structure which assesses Treasury yields in terms of the market's inflation, economic growth, and risk premium expectations. Value is added in the corporate sector by selecting the most attractive corporate bonds through proprietary quantitative and fundamental screens, and controlling credit risk through broad diversification and strict position limits. The firm has significant expertise in managing the prepayment risks of mortgages, and tends to favor mortgage securities when they are cheap relative to the market's implied prepayment expectations. Morgan Stanley was retained by the SBI in July 1984.

### **Western Asset Management**

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining overall interest rate risk relative to the benchmark. Multiple strategies are proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western Asset's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation. Western believes that successful interest rate forecasting is extremely difficult to accomplish consistently and consequently keeps portfolio duration within a narrow band

around the benchmark. Western was retained by the SBI in July 1984.

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### **Semi-Passive**

#### **BlackRock Financial Management**

BlackRock manages a semi-passive index portfolio that closely tracks the Lehman Aggregate. BlackRock's strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: 1) controlling portfolio duration within a narrow band relative to the benchmark, 2) relative value sector/sub-sector rotation and security selection, 3) rigorous quantitative analysis of the valuation of each security and of the portfolio as a whole, 4) intense credit analysis and review, and 5) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

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

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

investments are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

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

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

## Investment Manager Summaries

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

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### Alternative Investment Managers

#### Private Equity

##### *Adams Street Partners*

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

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

##### *Affinity Capital*

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

##### *Blackstone Group*

**Funds:** *Blackstone Capital Partners  
Fund II  
Blackstone Capital Partners  
Fund IV*

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

##### *Blum Capital*

**Funds:** *BLUM Strategic Partners  
BLUM Strategic Partners II  
BLUM Strategic Partners III*

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

##### *ChiCorp Management, Inc.*

**Funds:** *Banc Fund V  
Banc Fund VII*

Banc Fund V and Banc Fund VII were formed in 1998, and 2005, respectively, and have nine year terms. Based in Chicago, Illinois, the funds will invest primarily in sub-regional banks, located primarily in the Midwest, which have demonstrated above average growth and are likely acquisition targets.

##### *Chicago Growth Partners (William Blair)*

**Funds:** *William Blair Capital  
Partners VII  
Chicago Growth Partners VIII*

Formed in 2001 and 2005 with ten-year terms, the funds are based in Chicago and seek investments in a

broad spectrum of private companies at various stages of development.

##### *Contrarian Capital Management*

**Fund:** *Contrarian Capital Fund II*

Contrarian Capital Fund II was formed in 1997 with a term of 7 years and is currently liquidating its assets. Based in Greenwich, CT the fund focuses on investments in distressed debt securities.

##### *Coral Group Inc.*

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

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

##### *Crescendo Ventures*

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

Crescendo Venture Funds II, III and IV were organized in 1997, 1999 and 2000, respectively, and have ten year terms. They have offices in Minneapolis, Minnesota, Palo Alto, California and London. The funds will pursue opportunistic venture capital investments throughout the U.S. with an emphasis on Minnesota and the Midwest.

##### *CVC Management*

**Fund:** *Citigroup Venture  
Capital Equity Partners*

Citigroup Venture Capital Equity Partners was formed in 2001 to make private equity investments in a

## Investment Manager Summaries

diversified, global portfolio of companies. Based in New York, the fund has a term of 13 years.

### **CSFB Merchant Banking**

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

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

### **CSFB Strategic Partners**

#### **Funds: CSFB Strategic Partners Fund I**

#### **CSFB Strategic Partners Fund II**

#### **CSFB Strategic Partners Fund III**

#### **CSFB Strategic Partners Fund III VC**

CSFB Strategic Partners I, II, and III were formed in 2001, 2003, and 2005, respectively, with terms of ten years each for the purpose of investing in secondary leveraged buyout and mezzanine debt limited partnership interests which are sold by investors who, for a variety of reasons have decided to liquidate all or a portion of their private equity holdings. CSFB Strategic Partners III VC was formed in 2005 with a ten year term for the purpose of investing in the secondary interests of venture capital funds. All funds are based in New York.

### **DSV Management Ltd.**

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

DSV Partners IV limited partnership was formed in 1985 and is currently

in liquidation. The firm has offices in Princeton, New Jersey, and California. DSV focused on start-up and early stage investments.

### **Elevation Partners**

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

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

### **Fox Paine and Company**

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

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

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

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

#### **Golder, Thoma and Cressey Fund V**

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

### **GTCR Golder Rauner**

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

#### **GTCR Golder Rauner Fund VII**

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

### **Goldman Sachs Capital Partners**

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

GS Capital Partners 2000 and GS Capital Partners V were formed in 2000 and 2005, respectively, by Goldman Sachs Advisors. Based in New York, the funds will focus on investments in the U.S. and internationally in four areas: merchant banking, telecommunications, broadband, and technology. The funds have expected terms of ten years.

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

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

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

## Investment Manager Summaries

### **Hellman and Friedman**

**Funds:** *Hellman and Friedman III*  
*Hellman and Friedman IV*  
*Hellman and Friedman V*

Hellman and Friedman III, IV, and V were organized in 1994, 2000 and 2004 and have ten year terms. Fund III is in liquidation. Based in San Francisco, the funds will pursue opportunistic private equity investments located in the U.S. and internationally.

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

**Funds:** *KKR 1986 Fund*  
*KKR 1987 Fund*  
*KKR 1993 Fund*  
*KKR 1996 Fund*  
*KKR Millennium Fund*  
*(2001)*

KKR's Funds are structured as limited partnerships. The funds invest in large leveraged buyouts but may include other types of investments as well. The partnerships' portfolio companies are often mature, low technology companies with very diversified operations. Kohlberg, Kravis, Roberts and Co. operates offices in New York and San Francisco. The funds were formed in the years cited above and have terms of twelve years. The 1986 and 1987 Fund are being liquidated.

### **Matrix Partners**

**Fund:** *Matrix Partners III*

Matrix Partners III is a venture capital limited partnership that was formed in 1990. The fund is undergoing an orderly liquidation of holdings. Investment emphasis was on high-technology firms in the early and expansion stages of corporate development.

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

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

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

### **Silver Lake Partners**

**Fund:** *Silver Lake Partners II*

Silver Lake Partners II was formed in 2003, with a term of 12 years. With offices in New York and Menlo Park, the fund will focus primarily on large-scale private equity investing in technology companies.

### **Smith Barney Venture Corp.**

**Fund:** *First Century III*

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

### **Split Rock Partners**

**Fund:** *Split Rock Partners*

Split Rock Partners was formed in 2005 by Split Rock Partners Management (formerly part of St. Paul Venture Capital). With offices in Minneapolis and Menlo Park, the fund will focus on private equity investments in seed and early-stage healthcare and software companies. The fund has an expected term of 12 years.

### **Stamps, Woodsum and Co.**

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

Summit Ventures II and V are limited partnerships formed in 1988 and 1998. Fund II is being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. Stamps and Woodsum focus on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type.

### **Thoma Cressey Equity Partners**

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

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

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

**Fund:** *Thomas, McNerney & Partners*

Based in Minneapolis, with additional offices in New York and San Francisco, Thomas, McNerney & Partners was formed in 2002 to make venture capital investments in all stages of development and across all sectors of the health care industry. The Fund has an expected term of 10 years.

## Investment Manager Summaries

### **T. Rowe Price**

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

### **Vestar Capital Partners**

#### **Fund: Vestar Capital Partners IV**

Vestar Capital Partners IV is a limited partnership that was formed in 1999 and has a ten year term. Based in New York, the fund will invest primarily in a number of private middle market companies.

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

#### **Funds: Warburg Pincus Ventures**

##### **Warburg Pincus Equity Partners**

##### **Warburg Pincus Private**

##### **Equity Partners VIII**

##### **Warburg Pincus Private**

##### **Equity Partners IX**

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

### **Welsh, Carson, Anderson and Stowe**

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

##### **Welsh, Carson, Anderson and Stowe Fund IX**

Welsh, Carson, Anderson and Stowe Funds VIII and IX were formed in 1998 and 2000 and have twelve year

terms. Based in New York, N.Y., the funds focus on private equity investments in the healthcare and information services industries.

### **Zell/Chilmark**

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

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

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## Real Estate

### **Colony Advisors**

#### **Funds: Colony Investors II**

#### **Colony Investors III**

Colony Investors II and III are closed-end commingled real estate funds managed by Colony Capital Inc. of Los Angeles, CA. The funds' strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund II in 1994 and Fund III in 1998. Fund II is in the process of liquidating its holdings and Fund III will terminate in 2008.

### **CSFB Strategic Partners**

#### **Fund: CSFB Strategic Partners III RE**

CSFB Strategic Partners III RE was formed in 2005 for the purpose of purchasing secondary interests of real estate funds. The fund will follow a strategy similar to that of the CSFB Strategic Partners private equity funds, in which the SBI is also an investor. Based in New York, the fund has an expected term of 12 years.

### **Equity Office Properties Trust**

#### **Fund: Equity Office Properties Trust (EOP)**

Equity Office Properties Trust (EOP), based in Chicago, is the successor entity to three Zell/ Merrill Lynch Real Estate funds in which the SBI had prior investments. In 1997, the Zell/ Merrill Lynch Real Estate funds were combined into a single publicly traded entity and the SBI received shares in EOP. Like the original Zell/Merrill Lynch Real Estate funds, EOP focuses primarily on office property real estate investments located throughout the U.S. As a publicly-traded company, EOP has an indefinite life.

### **Heitman Advisory Corp. (HAC)**

#### **Funds: HAC Group Trust II HAC Group Trust V**

HAC Group Trusts are closed-end commingled funds managed by the Heitman Advisory Group. The majority of the trust investments are equity real estate. The real estate portfolios are diversified by the type and location of the properties. Heitman manages the trusts' wholly-owned properties. Heitman Advisory is based in Chicago. The SBI committed to the Group Trusts in 1985 and 1991. Both funds are in the process of liquidating their holdings.

### **Lehman Brothers**

#### **Fund: Lehman Brothers Real Estate Partners II**

Lehman Brothers Real Estate Partners II expects to invest in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The fund's worldwide headquarters is in New York, with regional headquarters in London and Tokyo. The fund is expected to have a term of 11 years.

## Investment Manager Summaries

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

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

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

### **TA Associates Realty**

#### **Fund: TA Realty Associates**

##### **Fund III**

##### **TA Realty Associates**

##### **Fund IV**

##### **TA Realty Associates**

##### **Fund V**

##### **TA Realty Associates**

##### **Fund VI**

##### **TA Realty Associates**

##### **Fund VII**

TA Realty Associates Funds III, IV, V, VI and VII 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 1994, 1997, 1999, 2002, and 2004 respectively. Each fund has a ten year term. Fund III is being liquidated.

### **UBS Realty Investors**

#### **Fund: RESA**

Real Estate Separate Account (RESA) is an open-end commingled real estate fund managed by UBS Realty, acquired from Aetna Life Insurance Company. The fund was formed in 1978 and the SBI's commitment was made in 1982. The fund has no termination date; investors have the option to withdraw all or a portion of their investments. RESA invests primarily in existing equity real estate. Investments are diversified by location and type of property. On-site management of properties is contracted to outside firms or conducted by a joint venture partner.

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### **Resource Funds**

#### **Apache Corporation**

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

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

#### **First Reserve Corp.**

##### **Funds: AMGO I**

##### **AMGO II**

##### **First Reserve V**

##### **First Reserve VII**

##### **First Reserve VIII**

##### **First Reserve IX**

##### **First Reserve X**

American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1990, 1996, 1998, 2001, and 2003, respectively, and are structured as

limited partnerships. Funds I, II and V are currently undergoing an orderly liquidation of holdings. The other funds have ten year terms. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments.

### **Simmons & Company**

#### **Funds: OFS Investments, II**

#### **OFS Investments, III**

#### **OFS Investments, IV**

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

### **T. Rowe Price**

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

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### **Yield-Oriented**

#### **BlackRock Financial Management**

##### **Fund: Carbon Capital**

Carbon Capital was formed in 2001 and has an eight year term. Based in New York, the fund will focus on mezzanine real estate loans secured by commercial property assets, primarily in the U.S.



## Investment Manager Summaries

### **Capital Trust, Inc.**

**Fund: CT Mezzanine Partners II**  
CT Mezzanine Partners II was formed in 2001 with a six-year term. The fund is based in New York and plans to make mezzanine debt and other high yield investments in commercial real estate assets and operating companies located primarily in the United States.

### **Citicorp Capital Investors, Ltd.**

**Funds: Citicorp Mezzanine Partners II  
Citicorp Mezzanine Partners III**

Citicorp Mezzanine Funds are limited partnerships formed in 1994 and 1999 by Citicorp Capital Investors Ltd. of New York, New York. The Funds will invest in a broad range of transactions utilizing subordinated debt and equity securities. The Funds have expected terms of 10 years.

### **CSFB Investment Partners**

**Fund: DLJ Investment Partners II**  
DLJ Investment Partners II is a limited partnership formed in 1999 with an expected term of ten years. Based in New York, the Fund will invest in a variety of securities, including subordinated debt with warrants, preferred stock with warrants, common stock or other securities, including interests in joint ventures.

### **Equinox Investment Partners**

**Fund: KB Mezzanine Fund II**  
KB Mezzanine Fund II is a limited partnership formed in 1994 by Kleinwort Benson Group, a leading London-based merchant banking firm. In 1996, the fund manager reorganized and changed its name to Equinox Investment Partners. Fund II invests in a broad range of transactions including utilizing

subordinated debt and equity securities. The SBI committed to the fund in 1994. The fund has an 8 year term and is currently liquidating investments.

### **GMAC, L.L.C.**

**Funds: Institutional Commercial Mortgage Fund II  
Institutional Commercial Mortgage Fund III  
Institutional Commercial Mortgage Fund IV  
Institutional Commercial Mortgage Fund V**

Institutional Commercial Mortgage Funds II, III, IV and V are funds formed in 1995, 1996, 1997, and 1999, respectively, with ten year terms. Based in Los Angeles, California, the funds focus on mortgage investment in real estate located throughout the U.S. GMAC assumed responsibility for the funds from C.B. Richard Ellis in 2001.

### **Gold Hill Venture Lending Partners**

**Fund: Gold Hill Venture Lending**  
Gold Hill Venture Lending was formed in 2004 and is expected to generate returns through secured loans, gains on the sales of securities acquired upon the exercise of warrants, and through the disposition of direct equity investments. Prior to forming Gold Hill, the partners executed a similar mandate for Silicon Valley Bank, and they expect to continue a close relationship for purposes of deal-sourcing. The fund has offices in Santa Clara and Boston, and has an expected term of ten years.

### **Goldman Sachs Mezzanine Partners**

**Funds: GS Mezzanine Partners II  
GS Mezzanine Partners III**  
GS Mezzanine Partners II and III are limited partnerships formed in 2000 and 2003, respectively, with expected

terms of ten years. Based in New York, the Funds' investment objectives are to achieve long-term capital appreciation and current returns through investments in mezzanine securities. These securities will principally include fixed income securities such as debt and preferred stock, often with an equity component, such as warrants, options, a convertible feature, or common stock associated with the debt or preferred stock purchase.

### **GTCR Golder Rauner**

**Fund: GTCR Capital Partners**  
GTCR Capital Partners is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will make mezzanine investments primarily in companies in which a GTCR Equity Fund invests or has invested. GTCR invests in consolidating, fragmented industries by teaming with top executives to build companies through acquisition and internal growth.

### **Merit Capital Partners (William Blair Mezzanine Partners)**

**Funds: William Blair Mezzanine Capital Partners III  
Merit Capital Partners IV**  
William Blair Mezzanine Capital Partners III and Merit Capital Partners IV are limited partnerships formed in 1999 and 2004 with expected terms of ten years. Based in Chicago, the Funds will invest primarily in fixed rate subordinated debt securities. These securities generally will be purchased with a significant equity component in the form of warrants, common stock or contingent interest.

## Investment Manager Summaries

### **Merit Energy Company**

#### **Funds: Merit Energy Partners B, C, D, E and F**

Merit Energy Partners B, C, D, E, and F were formed in 1996, 1998, 2000, 2003 and 2005, respectively, and each fund has an eight year initial term. Based in Dallas, TX, the funds will focus on resource investments in producing oil and gas properties.

### **Prudential Capital Group**

#### **Funds: Prudential Capital Partners Prudential Capital Partners II**

Prudential Capital Partners and Prudential Capital Partners II were formed in 2001 and 2005, respectively, with 10-year terms. Based in Chicago, the Funds will make mezzanine investments, typically including convertible debt, preferred stock and warrants, with a specific focus on middle market companies.

### **Stamps, Woodsum & Co.**

#### **Funds: Summit Subordinated Debt Fund I**

#### **Summit Subordinated Debt Fund II**

#### **Summit Subordinated Debt Fund III**

Summit Subordinated Debt Funds I, II and III are limited partnerships formed in 1994, 1996, and 2004, respectively, with ten year terms. Fund I is being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. The fund will invest in many of the same companies as the Summit Venture funds. Investments by this partnership will principally take the form of subordinated debt with equity features. These yield-oriented investments will provide current income over the life of the investment with the potential for additional returns.

### **T. Rowe Price**

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

### **TCW/Crescent Mezzanine**

#### **Funds: TCW/Crescent Mezzanine Partners**

#### **TCW/Crescent Mezzanine Partners II**

#### **TCW/Crescent Mezzanine Partners III**

TCW/Crescent Mezzanine Partners, L.P., TCW/Crescent Mezzanine Partners II, and TCW/Crescent Mezzanine Partners III are Los Angeles based limited partnerships formed in 1996, 1999, and 2001, respectively. The Funds will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. The Funds are expected to terminate in 2006, 2009, and 2011, respectively.

### **Windjammer Capital Investors**

#### **Fund: Windjammer Mezzanine and Equity Fund II**

Windjammer Mezzanine and Equity Fund II is a limited partnership formed in 2000 with an expected term of ten years. The Fund will provide subordinated debt and/or preferred stock accompanied by warrants or other forms of equity participation and, in certain instances, common stock to middle market companies. The Fund will seek to generate both current income and substantial capital gains while limiting its risk.

## Assigned Risk Plan Managers

### **GE Asset Management**

GE Asset Management manages the stock portfolio for the Assigned Risk Plan. Their strategy is to neutralize the style bet and focus on fundamental, bottom-up stock selection to add value. This is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of thirteen 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 maintaining a style-neutral position between value and growth. GE Asset Management was retained by the SBI in January 1995.

### **Voyageur Asset Management**

Voyageur manages the fixed income portfolio for the Assigned Risk Plan. The main objective for the portfolio is to provide cash for the payment of workers compensation claims on the required dates. Because of the uncertainty of premium and liability cash flows, the fund is invested conservatively. Voyageur uses a top-down approach to bond selection. They focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations. Voyageur has managed the bond portfolio since July 1991.

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### **Stable Value Manager**

#### **Galliard Capital Management, Inc.**

Galliard Capital Management manages the Fixed Interest Account

## Investment Manager Summaries

in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional insurance and bank investment contracts and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes. The firm was retained by the SBI in November 1994.

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### **State Deferred Compensation Plan Non-SIF Mutual Fund Managers**

#### **Janus Twenty Fund**

The fund is an actively managed large cap equity option. The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in holdings of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential. The fund was retained by the SBI in July, 1999.

#### **Smith Barney Appreciation Y Fund**

The fund is an actively managed large cap equity option. The

manager seeks to build a portfolio providing low volatility and consistent returns by investing in a blend of value and growth stocks. The manager selects dividend-paying blue chip stocks at reasonable valuations and growth stocks that have been discounted by the market. The manager will hold significant cash positions if the market is judged to be too pricey. The fund was retained by the SBI in December 2003.

#### **T. Rowe Price Small Cap Stock Fund**

The small-cap equity option is currently offered through the T. Rowe Price Small Cap Stock Fund. The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S. over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds. The fund was retained by the SBI in July, 1999.

#### **Dodge & Cox Balanced Fund**

The fund offers a mix of stocks and bonds to investors seeking diversification in one investment option. The manager, Dodge & Cox, typically has a mix of 60 percent to 65 percent stocks and 30 percent to 35 percent bonds, and changes the mix between stocks and bonds slowly. The manager follows a disciplined value approach for the equity portfolio and has a larger exposure to mid-cap stocks than other balanced mutual funds. The manager emphasizes mid-quality

corporate bonds and attractively priced mortgage-backed securities in the bond portfolio. The duration of the bond portfolio is kept close to that of the overall bond market. The fund was retained by the SBI in October 2003.

#### **Dodge & Cox Income Fund**

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While it invests primarily in the U. S. bond market, the fund may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole. The fund was retained by the SBI in July, 1999.

#### **Fidelity Diversified International Fund**

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in larger companies located in developed countries. The manager uses a bottom-up stock selection process based on the extensive fundamental research available from the company's many security analysts. Sector and country weightings are reviewed for risk control. The manager also uses a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations. The fund was retained by the SBI in July, 1999.

## **Investment Manager Summaries**

### ***Vanguard Institutional Index Plus Fund***

The passively managed fund tracks the S&P 500 index. This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index. The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stocks. The fund was retained by the SBI in July, 1999.

### ***Vanguard Mid Capitalization Index Institutional Fund***

The fund is passively managed to track the performance of the MSCI US Mid Cap 450 index, an index of stocks of medium-size U.S. companies. The manager holds positions in all companies in the index and uses futures and options for handling cash needs. The fund was retained by the SBI in January 2004.

### ***Vanguard Balanced Index Fund Institutional***

The fund portfolio provides a diversified portfolio of stocks and bonds by investing in a mix of 60 percent stocks and 40 percent bonds. The manager does not change the asset mix. The fund is passively managed with the equity portfolio invested to track the returns of the MSCI US Broad Market index, which encompasses stocks of all sizes from the very large to the very small, and the bond portfolio invested to track the returns of the Lehman Aggregate Bond index. The fund was retained by the SBI in December 2003.

### ***Vanguard Total Bond Market Index Fund Institutional***

The fund is passively managed to track the performance of the Lehman Aggregate Bond index. The manager uses an index sampling technique to invest in investment-grade corporate, U.S. Treasury, mortgage-backed and asset-backed securities of varying maturities in order to create a portfolio of intermediate duration like the Lehman Aggregate. The fund was retained by the SBI in December 2003.

### ***Vanguard Institutional Developed Markets Index Fund***

The fund is passively managed to track the returns of the MSCI EAFE index. The fund is invested in the Vanguard European Stock Index Fund and the Vanguard Pacific Stock Index Fund. The fund has minimal exposure to emerging markets. The European Stock Index Fund tracks the MSCI Europe Index, a capitalization weighted benchmark of the region's largest stocks and markets. The Pacific Stock Index Fund tracks the MSCI Pacific Index, which includes mostly large companies from Japan, Australia, Hong Kong, Singapore and New Zealand. The fund was retained by the SBI in December 2003.

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### ***State Deferred Compensation Plan Minnesota Fixed Fund Managers***

#### ***Principal Life***

The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that

offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes, and an emphasis on industrial properties minimizes commercial loan risk.

#### ***Minnesota Life***

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

#### ***Great-West Life***

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager

## *Investment Manager Summaries*

invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria.

## Statistical Data

### Stock Manager Risk Factor Exposure Glossary

The following definitions describe the risk factors that the State Board of Investment (SBI) uses in monitoring its stock managers. The terms are referred to in the Risk Factor Exposure table that follows this glossary.

SBI analysis of a stock manager's portfolio, in part, utilizes the BARRA E3 model. The BARRA model contains a number of risk factors that the SBI has found to correlate highly with a manager's investment style. That is, a manager tends to exhibit consistent exposures to many of these risk factors over time. The benchmark construction process includes identifying these persistent exposures and capturing them in the benchmark portfolio.

Factor exposures are calibrated relative to an estimation universe of the top 1,500 stocks ranked by capitalization plus smaller companies chosen to ensure a reasonable number of companies in each industry. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the stocks in the estimation universe. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has a greater exposure to the factor than roughly 68% of the stocks in the estimation universe.

#### **Beta**

Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E3 beta is a forecasted beta, based on a company's exposure to a number of common risk factors and industries.

#### **Volatility (Vlty.)**

Captures relative volatility using measures of both long-term historical volatility and near-term volatility. Other proxies for volatility, corrections for thin trading and changes in volatility are also included in this descriptor.

#### **Momentum (Mom.)**

Indicates common variation in returns related to recent stock price behavior. Stocks that had positive excess returns in the recent past are grouped separately from those that displayed negative excess returns.

#### **Size**

Measures differences in stock returns due to differences in the market capitalization of companies.

#### **Size Nonlinearity (Size Non.)**

Describes deviations from linearity in the relationship between returns and a measure of market capitalization.

#### **Trading Activity (Trad. Acvty.)**

Measures the amount of relative trading in each stock. Stocks that are highly traded are likely to be those with greater institutional interest. Such stocks may display different returns behavior compared with those that are not widely held by institutions.

#### **Growth**

Uses historical growth and profitability measures to predict future earnings growth.

#### **Earnings Yield (E/Y)**

Combines current and historical earnings-to-price ratios with a measure of analyst-predicted earnings-to-price. Stocks with similar values of earnings yield behave in a similar fashion with respect to their returns.

#### **Value**

Distinguishes between value stocks and growth stocks using the ratio of book value of equity to market capitalization.

#### **Earnings Variability (Earn. Var.)**

Measures the variability in earnings and cash flows using both historical measures and analyst predictions.

#### **Leverage (Lev.)**

Indicates the financial leverage of a company using debt-to-total assets and other measures.

#### **Current Sensitivity (Curr. Sens.)**

Measures the sensitivity of a company's stock return to the return on a basket of foreign currencies.

#### **Dividend Yield (Div. Yld.)**

Predicts dividend yield using the past history of dividends and the market price behavior of the stock.

#### **Average Turnover (Avg T/O)**

Measures the total equity asset sales divided by the average value of the equity assets in the manager's portfolio. The reported number represents the median of twelve trailing monthly calculations.

#### **Equity Allocation (Eqty. Alloc.)**

Measures the percent of the manager's total portfolio invested in common stocks, preferred stocks and convertible securities.

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2004 and FY 2005 (In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b>Large Cap Core (Russell 1000)</b>															
<b>Franklin Portfolio Associates</b>															
June-04	1.00	-0.04	0.05	0.21	0.09	0.16	-0.02	0.38	0.11	-0.02	-0.08	-0.02	0.09	9.75	99.7%
June-05	1.03	-0.06	0.23	0.05	0.11	0.27	0.18	0.39	0.08	-0.04	-0.11	-0.13	-0.06	9.01	99.6%
<b>New Amsterdam Partners</b>															
June-04	1.05	-0.05	0.16	-0.06	0.10	0.30	0.25	0.23	-0.16	-0.20	0.12	0.03	-0.18	5.89	96.8%
June-05	0.98	-0.16	0.33	-0.01	0.12	0.17	0.33	0.22	-0.24	-0.19	0.09	-0.09	-0.27	3.29	98.8%
<b>UBS Global Asset Management</b>															
June-04	0.95	-0.17	-0.21	0.04	0.08	0.09	-0.13	0.20	0.15	0.03	0.16	0.05	0.05	4.71	97.4%
June-05	0.96	-0.20	-0.15	0.14	0.11	-0.03	-0.05	0.08	0.23	-0.01	0.07	0.04	0.03	2.55	97.0%
<b>Voyageur-Chicago Equity</b>															
June-04	1.00	-0.10	0.19	0.06	0.11	0.08	0.37	-0.21	-0.42	-0.33	-0.37	-0.13	-0.48	3.08	95.7%
June-05	0.99	-0.11	0.12	0.04	0.12	0.07	0.30	-0.26	-0.52	-0.37	-0.33	-0.28	-0.50	2.25	97.2%
<b>Frank Russell 1000</b>															
June-04	1.00	-0.07	-0.07	0.20	0.08	0.00	-0.03	0.05	-0.03	-0.05	-0.05	-0.01	0.07	N.A.	100.0%
June-05	1.01	-0.06	-0.04	0.20	0.09	0.00	-0.03	0.04	-0.02	-0.05	-0.05	-0.02	0.06	N.A.	100.0%
<b>Large Cap Growth (Russell 1000 Growth)</b>															
<b>Alliance Capital Management</b>															
June-04	1.14	0.00	0.08	0.61	0.14	0.08	0.40	-0.26	-0.28	-0.15	-0.32	0.16	-0.43	2.26	99.8%
June-05	1.20	0.27	0.21	0.31	0.14	0.35	0.56	-0.46	-0.45	-0.07	-0.25	0.26	-0.64	3.35	99.8%
<b>Cohen, Klingenstein &amp; Marks</b>															
June-04	1.15	0.11	0.11	0.27	0.12	0.22	0.35	-0.21	-0.29	-0.16	-0.04	-0.14	-0.48	1.65	89.3%
June-05	1.18	0.16	-0.21	0.16	0.13	0.18	0.32	-0.17	-0.39	-0.14	-0.07	-0.13	-0.43	0.30	99.2%
<b>Holt-Smith &amp; Yates</b>															
June-04	1.05	0.00	0.12	-0.05	0.09	0.31	0.21	-0.13	-0.34	-0.38	-0.12	-0.28	-0.55	3.16	98.3%
June-05	1.07	0.05	-0.06	-0.17	0.09	0.12	0.39	-0.18	-0.36	-0.37	-0.05	-0.24	-0.63	2.04	97.7%
<b>Intech</b>															
June-05	1.01	-0.03	0.34	-0.47	0.01	0.22	0.17	-0.18	-0.43	-0.20	-0.13	-0.20	-0.36	8.05	99.4%
<b>Lazard (formerly Knelman)</b>															
June-05	1.24	0.34	0.11	-0.12	0.05	0.34	0.19	-0.34	-0.25	-0.03	-0.08	0.02	-0.59	3.00	92.7%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2004 and FY 2005 (In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b>Jacobs Levy</b>															
June-05	1.11	0.13	0.12	0.23	0.08	0.19	0.15	-0.14	-0.44	-0.22	-0.29	-0.04	-0.42	12.57	99.6%
<b>Sands</b>															
June-05	1.20	0.27	0.09	0.13	0.12	0.35	1.10	-0.58	-0.72	-0.08	-0.32	0.30	-0.90	3.34	96.5%
<b>Winslow-Large Cap</b>															
June-05	1.13	0.18	0.27	0.10	0.11	0.33	0.75	-0.36	-0.47	-0.10	-0.06	0.11	-0.64	6.70	99.9%
<b>Zevenbergen Capital</b>															
June-04	1.36	0.75	0.86	-0.57	-0.10	0.77	0.90	-0.50	-0.41	0.16	0.05	0.11	-0.71	3.43	97.8%
June-05	1.30	0.55	0.47	-0.51	-0.12	0.57	0.84	-0.55	-0.52	0.21	-0.05	0.09	-0.79	2.91	98.5%
<b>Frank Russell 1000 Growth</b>															
June-04	1.06	-0.01	-0.03	0.39	0.10	0.07	0.15	-0.21	-0.40	-0.20	-0.28	-0.05	-0.30	N.A.	100.0%
June-05	1.08	0.06	-0.18	0.20	0.09	0.09	0.17	-0.22	-0.43	-0.18	-0.26	-0.03	-0.35	N.A.	100.0%
<b>Large Capital Value (Russell 1000 Value)</b>															
<b>Barrow Hanley</b>															
June-04	0.81	-0.31	-0.17	-0.07	0.09	-0.04	-0.14	0.42	0.24	-0.04	0.13	-0.11	0.53	6.09	96.4%
June-05	0.87	-0.24	0.13	0.07	0.11	-0.06	0.08	0.43	0.25	0.03	0.07	-0.11	0.42	1.52	96.0%
<b>Earnest Partners</b>															
June-04	1.00	0.00	0.17	-0.24	0.03	0.35	0.06	0.57	0.11	0.14	0.74	-0.19	-0.04	2.09	96.6%
June-05	1.05	0.05	0.40	-0.15	0.06	0.40	0.12	0.50	0.13	0.16	0.48	-0.10	-0.15	0.51	97.2%
<b>Lord Abbett &amp; Co.</b>															
June-04	0.98	-0.01	-0.19	0.18	0.11	-0.01	-0.29	-0.03	0.13	0.22	-0.02	-0.07	0.16	3.53	97.0%
June-05	0.91	-0.19	-0.22	0.35	0.14	-0.15	-0.29	0.01	0.09	0.03	-0.16	-0.08	0.19	3.39	94.5%
<b>LSV Asset Mgmt.</b>															
June-04	0.95	0.03	0.17	-0.52	-0.04	0.24	-0.26	0.73	0.64	0.27	0.42	0.08	0.43	1.68	99.4%
June-05	1.00	-0.03	0.20	-0.38	-0.01	0.27	-0.28	0.59	0.60	0.28	0.33	-0.05	0.41	2.07	99.3%
<b>Oppenheimer Capital</b>															
June-04	0.97	-0.15	-0.28	0.37	0.12	-0.01	-0.05	0.33	0.25	0.02	0.14	0.03	0.20	1.36	94.6%
June-05	0.97	-0.18	-0.11	0.50	0.15	-0.12	-0.05	0.19	0.23	-0.04	-0.07	-0.16	0.14	0.82	92.8%



## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2004 and FY 2005 (In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
<b>Systematic Financial Mgmt.</b>															
June-04	1.09	0.23	0.22	-0.18	0.04	0.36	-0.05	0.21	0.23	0.34	0.30	0.14	0.06	12.54	95.8%
June-05	1.09	0.07	0.32	0.01	0.08	0.30	-0.01	0.34	0.25	0.14	0.12	-0.01	0.05	10.89	96.4%
<b>Frank Russell 1000 Value</b>															
June-04	0.93	-0.13	-0.12	0.00	0.06	-0.06	-0.20	0.30	0.34	0.10	0.19	0.02	0.44	N.A.	100.0%
June-05	0.95	-0.17	0.08	0.19	0.09	-0.08	-0.20	0.28	0.35	0.07	0.15	-0.01	0.43	N.A.	100.0%
<b><u>Small Cap Growth (Russell 2000 Growth)</u></b>															
<b>McKinley Capital</b>															
June-04	1.18	1.31	1.91	-2.48	-1.25	0.45	0.48	-0.43	-0.39	0.49	0.55	0.46	-0.80	10.35	93.7%
June-05	1.12	1.00	1.51	-2.57	-1.47	0.26	0.80	-0.39	-0.47	0.36	0.58	0.32	-0.87	8.00	96.0%
<b>Next Century Growth</b>															
June-04	1.32	1.53	1.68	-2.47	-1.27	0.47	1.00	-0.66	-0.47	0.61	0.18	0.28	-0.87	7.26	99.3%
June-05	1.17	1.01	1.45	-2.46	-1.33	0.10	0.82	-0.75	-0.58	0.56	0.25	0.29	-0.91	6.99	99.8%
<b>Turner Investment Partners</b>															
June-04	1.28	1.33	1.63	-2.38	-1.06	0.47	0.59	-0.46	-0.23	0.63	0.45	0.01	-0.83	15.04	97.1%
June-05	1.27	1.07	1.16	-2.44	-1.25	0.47	0.58	-0.54	-0.34	0.55	0.60	0.20	-0.92	12.02	99.2%
<b>Winslow-Small Cap</b>															
June-04	1.11	1.04	1.03	-2.56	-1.42	0.16	1.00	-0.39	-0.39	0.28	0.10	-0.19	-0.89	6.38	61.2%
June-05	1.19	1.05	0.78	-2.69	-1.82	-0.06	1.34	-0.44	-0.43	0.13	0.22	0.06	-0.96	5.24	97.7%
<b>Frank Russell 2000 Growth</b>															
June-04	1.21	1.24	0.87	-2.59	-1.46	0.18	0.49	-0.60	-0.14	0.61	0.52	-0.04	-0.68	N.A.	100.0%
June-05	1.27	1.22	0.43	-2.68	-1.77	0.11	0.56	-0.58	-0.13	0.66	0.55	0.19	-0.75	N.A.	100.0%
<b><u>Small Cap Value (Russell 2000 Value)</u></b>															
<b>Goldman Sachs</b>															
June-04	0.92	0.64	0.52	-2.67	-1.58	-0.10	-0.02	0.09	0.36	0.39	0.78	0.08	-0.21	3.30	97.2%
June-05	1.04	0.71	0.32	-2.76	-1.94	-0.17	0.19	0.05	0.46	0.45	0.84	0.22	-0.22	3.53	96.3%
<b>Hotchkis &amp; Wiley</b>															
June-04	0.99	0.71	0.38	-2.35	-1.07	0.35	-0.26	0.39	1.10	0.79	1.02	-0.02	-0.34	7.62	96.6%
June-05	1.17	0.81	-0.05	-2.52	-1.54	0.08	0.08	-0.09	1.19	1.08	1.07	0.16	-0.37	4.74	97.1%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2004 and FY 2005 (In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Curr. Lev.	Div. Sens.	Yld	Avg. T/O	Eqty Alloc.
<b>Kenwood</b>															
June-04	0.97	0.82	0.95	-2.58	-1.41	-0.08	-0.07	0.24	0.44	0.54	0.90	0.23	-0.47	13.27	98.2%
June-05	1.02	0.62	0.71	-2.60	-1.60	-0.10	-0.06	0.15	0.40	0.35	0.81	0.12	-0.48	13.18	98.2%
<b>Martingale Asset Mgmt.</b>															
June-04	0.91	0.66	0.71	-2.58	-1.38	0.05	-0.25	0.39	0.73	0.51	0.84	0.15	-0.04	9.28	98.9%
June-05	1.02	0.64	0.63	-2.63	-1.63	-0.05	-0.02	0.24	0.58	0.52	0.79	0.19	-0.10	9.12	98.6%
<b>Peregrine Capital Mgmt.</b>															
June-04	0.97	0.72	0.27	-2.56	-1.39	0.02	-0.29	-0.10	0.81	0.72	0.99	-0.12	-0.26	6.61	98.4%
June-05	1.16	0.86	0.08	-2.64	-1.66	0.12	-0.05	-0.13	0.64	0.61	0.94	0.03	-0.30	6.68	97.0%
<b>Frank Russell 2000 Value</b>															
June-04	0.92	0.70	0.40	-2.64	-1.52	-0.19	-0.30	-0.11	0.78	0.61	0.86	0.04	-0.05	N.A.	100.0%
June-05	1.00	0.57	0.34	-2.63	-1.65	-0.20	-0.16	-0.11	0.70	0.48	0.83	0.09	0.01	N.A.	100.0%
<b><u>AGGREGATE ACTIVE</u></b>															
<b>Aggregate</b>															
June-04	1.04	0.12	0.15	-0.24	-0.12	0.15	0.12	0.08	0.05	0.06	0.11	0.03	-0.14	4.99	96.8%
June-05	1.05	0.12	0.18	-0.33	-0.17	0.14	0.21	0.03	-0.01	0.05	0.08	-0.01	-0.21	4.29	97.5%
<b>Frank Russell 3000</b>															
June-04	1.00	0.01	-0.02	-0.02	-0.04	0.00	-0.02	0.02	-0.01	0.00	0.01	-0.01	0.04	N.A.	100.0%
June-05	1.02	0.02	-0.01	-0.04	-0.06	-0.01	-0.01	0.01	0.01	0.00	0.02	-0.01	0.03	N.A.	100.0%

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2004 and FY 2005 (In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b>Large Cap Core (Russell 1000)</b>													
<b>Franklin Portfolio Associates</b>													
	June-04	0.33	26.13	7.08	9.05	6.08	8.64	16.67	1.20	1.03	23.79		100.00
	June-05	0.38	29.69	7.52	9.03	8.08	10.54	9.38	0.00	2.38	23.00		100.00
<b>New Amsterdam Partners</b>													
	June-04	3.15	39.62	2.25	5.09	0.18	5.09	19.88	1.14	2.24	21.37		100.00
	June-05	1.22	38.75	6.64	6.18	1.89	7.82	12.01	1.18	4.57	16.95	2.78	100.00
<b>UBS Global Asset Management</b>													
	June-04	2.60	37.90		4.58	7.38	1.67	8.06	3.31	6.31	28.18		100.00
	June-05	3.00	36.55		5.16	6.88	1.62	10.46	2.20	6.05	28.09		100.00
<b>Voyageur-Chicago Equity</b>													
	June-04	4.29	42.48	2.67	2.76	4.73	1.46	25.73			15.88		100.00
	June-05	2.85	43.89	1.66	3.17	9.45	6.03	22.93	2.41		5.93	1.67	100.00
<b>Frank Russell 1000</b>													
	June-04		33.87	2.33	4.14	5.94	5.97	17.78	1.21	5.80	21.92	1.04	100.00
	June-05		32.78	2.12	4.29	7.13	7.71	16.41	1.36	6.27	21.22	0.70	100.00
<b>Large Cap Growth (Russell 1000 Growth)</b>													
<b>Alliance Capital Management</b>													
	June-04	0.19	50.04			3.72		30.42			15.63		100.00
	June-05	0.18	44.71		0.55	3.61	3.69	37.27			10.00		100.00
<b>Cohen Klingenstein &amp; Marks</b>													
	June-04	10.74	40.08		4.56			33.70			10.93		100.00
	June-05	0.79	41.80	3.59	3.90			37.32			12.61		100.00
<b>Intech</b>													
	June-05	0.57	41.71	4.33	5.62	11.25	3.26	16.06	3.49	0.09	12.20	1.44	100.00
<b>Holt-Smith &amp; Yates</b>													
	June-04	1.71	50.52					32.57			15.20		100.00
	June-05	2.28	53.24					34.90			9.59		100.00
<b>Jacobs Levy</b>													
	June-05	0.37	43.84	3.67	4.50	6.07	2.00	28.48	2.91		8.17		100.00

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2004 and FY 2005 (In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b>Lazard (formerly Knelman)</b>													
	June-05	7.26	36.11	2.42	2.17	3.03	2.31	31.41	4.70		10.59		100.00
<b>Sands Capital</b>													
	June-05	3.52	58.45					29.99			8.03		100.00
<b>Winslow-Large Cap</b>													
	June-05	0.14	39.78	1.04	1.02	6.55	6.14	34.92			8.95	1.46	100.00
<b>Zevenbergen Capital</b>													
	June-04	2.18	41.92	1.69				42.78			11.42		100.00
	June-05	1.53	35.48	2.76				47.40		0.75	12.09		100.00
<b>Frank Russell 1000 Growth</b>													
	June-04		48.14	1.91	1.81	7.66	1.31	28.13	1.18	0.21	8.44	1.20	100.00
	June-05		49.30	1.93	2.40	4.26	1.72	28.38	1.58	0.33	8.75	1.34	100.00
<b>Large Capital Value (Russell 1000 Value)</b>													
<b>Barrow, Hanley</b>													
	June-04	3.64	27.28	5.10		4.21	14.18	2.15	2.10	9.65	29.00	2.70	100.00
	June-05	4.04	27.28	4.89	0.69	5.02	14.24	3.21	2.16	9.29	28.12	1.07	100.00
<b>Earnest Partners</b>													
	June-04	3.41	26.39		2.95	1.75	14.21	10.80	1.94	3.85	34.71		100.00
	June-05	2.76	22.37		3.40	2.23	21.39	8.60	4.57	3.94	30.73		100.00
<b>Lord Abbett &amp; Co.</b>													
	June-04	2.97	30.97	3.04	11.36	7.28	9.46	9.26	2.51	5.90	17.18	0.07	100.00
	June-05	5.53	31.68	2.10	13.33	10.60	8.53	6.77	2.83	4.70	12.99	0.95	100.00
<b>LSV Asset Mgmt.</b>													
	June-04	0.57	13.45	8.80	5.23	2.31	12.01	6.81	1.87	12.34	36.62		100.00
	June-05	0.67	12.41	5.65	6.88	4.80	15.98	5.81	3.14	10.55	34.11		100.00
<b>Oppenheimer Capital</b>													
	June-04	5.42	36.84	1.89	2.81	1.98	5.29	9.72	2.10	3.63	27.26	3.05	100.00
	June-05	7.16	38.93	3.50	2.00	2.53	5.81	6.36		3.29	27.89	2.53	100.00

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2004 and FY 2005 (In Percentages)

		Cons. Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b>Systematic Financial Mgmt.</b>													
	June-04	4.20	20.62	2.79	7.08	4.89	11.84	11.41	0.94	6.54	29.15	0.54	100.00
	June-05	3.56	17.14	3.78	5.43	8.19	11.22	11.09	1.03	10.38	28.18		100.00
<b>Frank Russell 1000 Value</b>													
	June-04		19.50	2.73	6.50	4.21	10.71	7.31	1.25	11.29	35.61	0.89	100.00
	June-05		17.90	2.28	5.99	9.71	13.11	5.64	1.17	11.62	32.45	0.12	100.00
<b>Small Cap Growth (Russell 2000 Growth)</b>													
<b>McKinley Capital</b>													
	June-04	6.27	37.57	9.58	4.10	7.58	2.98	20.70	1.93		7.16	2.14	100.00
	June-05	3.98	38.32	8.52	3.94	5.70	4.29	27.82	3.01		3.19	1.23	100.00
<b>Next Century Growth</b>													
	June-04	0.67	44.43	2.96	1.06	2.64	2.31	30.69	7.21	2.37	5.66		100.00
	June-05	0.25	49.49	2.56	1.81	9.04	7.35	16.88	7.98	1.54	3.10		100.00
<b>Turner Investment Partners</b>													
	June-04	2.86	35.27	2.69	3.59	6.26	4.08	31.71	2.27	1.02	10.25		100.00
	June-05	0.85	38.32	3.94	6.62	6.46	7.25	26.43	1.62		8.52		100.00
<b>Winslow-Small Cap</b>													
	June-04	38.83	30.01	8.13	2.31			14.87	1.27		4.59		100.00
	June-05	2.30	48.93	10.31	3.84	0.47		22.27	2.32		9.57		100.00
<b>Frank Russell 2000 Growth</b>													
	June-04		38.84	3.51	3.92	5.41	4.12	30.12	2.03	0.82	11.04	0.19	100.00
	June-05		37.90	4.08	5.78	6.39	6.04	26.69	2.46	0.58	9.92	0.16	100.00
<b>Small Cap Value (Russell 2000 Value)</b>													
<b>AEAM/Kenwood</b>													
	June-04	1.84	23.35	5.88	11.21	8.34	5.64	10.81	3.22	6.31	22.44	0.96	100.00
	June-05	1.82	19.61	5.52	12.01	7.93	6.39	7.94	4.45	9.31	24.18	0.85	100.00
<b>Goldman Sachs</b>													
	June-04	2.84	15.50	9.18	11.61	7.28	4.85	11.13	3.18	5.69	28.04	0.70	100.00
	June-05	3.69	15.18	7.21	11.72	5.81	5.81	8.09	2.93	8.00	30.67	0.90	100.00

## Statistical Data

### EXTERNAL ACTIVE STOCK MANAGERS

#### Sector Weights FY 2004 and FY 2005 (In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b>Hotchkis &amp; Wiley</b>													
	June-04	3.43	25.80	7.93	14.68		1.07	2.77	14.11	6.86	23.34		100.00
	June-05	2.95	24.66	10.00	20.20		3.53	3.45	5.70	4.57	24.95		100.00
<b>Martingale Asset Mgmt.</b>													
	June-04	1.15	26.16	5.79	9.88	6.90	3.77	6.02	5.16	5.40	28.75	1.02	100.00
	June-05	1.36	25.04	4.37	10.91	5.28	4.63	6.81	3.90	5.35	31.64	0.71	100.00
<b>Peregrine Capital Mgmt.</b>													
	June-04	1.63	21.77	8.05	15.19	7.79	2.80	10.86	5.33	2.80	23.78		100.00
	June-05	2.97	21.04	8.28	11.06	5.33	4.30	13.20	2.45	5.06	26.31		100.00
<b>Frank Russell 2000 Value</b>													
	June-04		20.12	5.84	11.49	8.65	4.78	9.25	3.04	5.59	30.71	0.53	100.00
	June-05		18.07	5.11	11.66	7.08	6.43	6.90	3.45	7.48	33.30	0.52	100.00
<b><u>AGGREGATE ACTIVE</u></b>													
<b>Aggregate</b>													
	June-04	3.17	35.82	3.04	4.83	3.88	4.38	18.14	1.81	3.17	21.19	0.56	100.00
	June-05	2.52	34.94	4.04	5.34	4.83	5.94	16.35	1.51	3.60	20.23	0.69	100.00
<b>Frank Russell 3000</b>													
	June-04		33.53	2.51	4.41	6.03	5.85	17.92	1.32	5.60	21.84	0.99	100.00
	June-05		32.33	2.33	4.68	7.10	7.59	16.40	1.50	6.10	21.31	0.67	100.00

## Statistical Data

### EXTERNAL SEMI-PASSIVE STOCK MANAGERS

#### Risk Factor Exposures FY 2004 and FY 2005 (In Percentages)

	Beta	Vty.	Mom.	Size	Size	Trad.	Growth	E/Y	Value	Earn	Lev.	Curr. Sens.	Div. Yld	Avg T/O	Eqty Alloc.
<b><u>Semi-Passive Managers (Russell 1000)</u></b>															
<b>Barclays Global Investors</b>															
June-04	0.99	-0.07	-0.06	0.15	0.06	0.01	-0.04	0.12	-0.02	-0.05	-0.05	-0.02	0.03	6.59	99.2%
June-05	1.01	0.04	0.01	0.01	0.00	0.06	0.02	0.16	0.04	0.03	-0.02	-0.01	0.06	5.36	99.8%
<b>Franklin Portfolio Associates</b>															
June-04	0.99	-0.08	-0.01	0.21	0.07	0.03	-0.01	0.17	0.04	-0.06	-0.08	-0.01	0.09	6.50	99.7%
June-05	1.02	-0.05	0.02	0.17	0.09	0.04	-0.04	0.14	0.05	-0.01	-0.09	-0.02	0.06	5.70	99.7%
<b>J.P. Morgan Investment Mgmt.</b>															
June-04	1.01	-0.08	-0.07	0.25	0.10	0.08	0.00	0.11	0.02	-0.06	-0.02	0.04	0.04	4.11	99.6%
June-05	1.00	-0.10	-0.08	0.26	0.11	0.02	-0.04	0.05	-0.01	-0.06	-0.07	-0.01	0.01	3.96	99.6%
<b><u>AGGREGATE SEMI-PASSIVE EQUITY</u></b>															
June-04	1.00	-0.08	-0.05	0.20	0.07	0.04	-0.02	0.13	0.01	-0.06	-0.05	0.00	0.05	5.44	99.5%
June-05	1.01	-0.05	-0.03	0.17	0.08	0.03	-0.03	0.12	0.01	-0.02	-0.07	-0.01	0.04	4.54	99.6%
<b>Frank Russell 1000</b>															
June-04	1.00	-0.07	-0.07	0.20	0.08	0.00	-0.03	0.05	-0.03	-0.05	-0.05	-0.01	0.07	N.A.	100.0%
June-05	1.01	-0.06	-0.04	0.20	0.09	0.00	-0.03	0.04	-0.02	-0.05	-0.05	-0.02	0.06	N.A.	100.0%

## Statistical Data

### EXTERNAL SEMI-PASSIVE STOCK MANAGERS

#### Sector Weights FY 2004 and FY 2005 (In Percentages)

		Cons. Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
<b><u>Semi-Passive Managers (Russell 1000)</u></b>													
<b>Barclays Global Investors</b>													
	June-04	0.79	34.14	3.09	3.72	4.45	5.93	17.45	1.70	5.62	21.49	1.62	100.00
	June-05	0.25	32.61	1.89	5.49	5.21	10.53	15.33	1.60	5.96	20.06	1.08	100.00
<b>Franklin Portfolio Associates</b>													
	June-04	0.35	32.35	2.75	5.70	7.16	6.84	16.89	1.31	4.76	21.68	0.21	100.00
	June-05	0.34	32.27	2.57	5.97	7.70	8.28	15.66	1.41	5.19	20.61		100.00
<b>J.P. Morgan Investment Mgmt.</b>													
	June-04	0.39	33.74	2.98	4.42	6.31	5.94	17.58	0.73	5.74	21.89	0.27	100.00
	June-05	0.43	32.24	2.94	3.69	6.74	7.56	15.89	1.35	6.20	21.61	1.34	100.00
<b><u>AGGREGATE SEMI-PASSIVE EQUITY</u></b>													
	June-04	0.53	33.51	2.96	4.51	5.83	6.19	17.34	1.27	5.42	21.67	0.78	100.00
	June-05	0.45	32.47	2.43	4.93	6.48	7.92	16.25	1.53	5.79	20.90	0.83	100.00
<b>Frank Russell 1000</b>													
	June-04		33.87	2.33	4.14	5.94	5.97	17.78	1.21	5.80	21.92	1.04	100.00
	June-05		32.14	2.09	4.96	6.88	10.44	14.74	1.30	6.11	20.56	0.77	100.00



## Statistical Data

### EXTERNAL DOMESTIC STOCK MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2005

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Large Cap Core</b>						
Franklin Portfolio Associates	12.1%	7.9%	8.0%	9.2%	1.6%	2.9%
New Amsterdam Partners	13.6	7.9	12.2	11.0	5.3	4.3
UBS Global Asset Management	10.9	7.9	11.3	9.2	7.9	-0.6
Voyageur-Chicago Equity	1.8	7.9	5.5	9.2	-2.2	-1.5
Frank Russell 1000		7.9		9.2		-1.9
<b>Large Cap Growth</b>						
Alliance Capital Management	4.0	1.7	4.9	6.7	-7.3%	-5.9
Cohen, Klingenstein & Marks	3.8	1.7	9.2	10.1	-7.7	-3.1
Holt-Smith & Yates	5.4	1.7	4.3	6.0	-2.6	2.6
INTECH						
Jacobs Levy						
Lazard Asset Mgmt.						
Sands Capital						
Winslow-Large Cap						
Zevenbergen Capital	1.9	1.7	12.2	7.8	-12.4	-5.4
Frank Russell 1000 Growth		1.7		7.3		-10.4
<b>Large Cap Value</b>						
Barrow, Hanley	19.4	14.1				
Earnest Partners	20.8	14.1	15.3	14.9	5.3	13.5
Lord Abbett & Co.	5.9	14.1				
LSV Asset Mgmt.	18.9	14.1				
Oppenheimer Capital	6.8	14.1	9.7	10.8	4.7	3.6
Systematic Financial Mgmt.	14.1	14.1				
Frank Russell 1000 Value		14.1		11.0		6.6
<b>Small Cap Growth</b>						
McKinley Capital	1.8	4.3				
Next Century Growth	13.4	4.3	13.5	13.2	-6.6	-2.1
Turner Investment Partners	3.1	4.3				
Winslow-Small Cap	6.1	4.3	11.0	11.9	-1.0	0.8
Frank Russell 2000 Growth		4.3		11.4		-4.5
<b>Small Cap Value</b>						
AEAM/Kenwood	13.6	14.4				
Goldman Sachs	11.9	14.4				
Hotchkis & Wiley	18.5	14.4				
Martingale Asset Mgmt.	20.6	14.4				
Peregrine Capital Mgmt.	20.8	14.4	15.0	15.3	18.8	19.0
Frank Russell 2000 Value		14.4		14.2		16.1

## Statistical Data

### EXTERNAL DOMESTIC STOCK MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2005

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Semi-Passive Managers</b>						
Barclays Global Investors	8.6%	7.9%	10.0%	8.9%	-0.7%	-2.2%
Franklin Portfolio Associates	7.9	7.9	8.3	8.9	-2.1	-2.2
J.P. Morgan Investment Mgmt.	7.4	7.9	8.5	8.9	-2.0	-2.2
Frank Russell 1000		7.9		9.2		-1.9
<b>Passive Manager</b>						
Barclays Global Investors	8.1	8.1	9.5	9.5	-1.7	-1.8
Frank Russell 3000		8.1		9.5		-1.4
<b>Aggregate (1)</b>	<b>8.6</b>	<b>8.0</b>	<b>9.5</b>	<b>9.7</b>	<b>-1.8</b>	<b>-1.4</b>
Russell 3000		8.1		9.5		-1.4
Wilshire 5000		8.2		9.9		-1.3
3-Month-Treasury Bills		2.2		1.5		2.5
Inflation		2.5		2.6		2.4

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

## **Statistical Data**

### ***Bond Manager Portfolio Characteristics Glossary***

The bond manager portfolio statistics glossary is designed to define terminology the State Board of Investment uses in evaluating a bond manager's investment philosophy, risk characteristics and performance data. The definitions refer to categories shown in the Portfolio Characteristics table that follows this glossary.

#### ***Number of Issues (# of Issues)***

The number of different bond issues held in the manager's portfolio.

#### ***Average Quality Weightings (Avg. Qual.)***

The average rating given the portfolio's securities by Moody's Corp. A security's rating indicates the financial strength of its issuer and other factors related to the likelihood of full and timely payment of interest and principal.

#### ***Coupon***

The annual interest payment received on the manager's total portfolio stated as a percent of the portfolio's face value.

#### ***Yield to Maturity (Yield to Mat.)***

The compounded annualized return that the manager's total portfolio would produce if it were held to maturity and all cash flows were reinvested at an interest rate equal to the yield to maturity.

#### ***Duration***

A measure of the average life of the total portfolio. Duration is a weighted average maturity where the time in the future that each cash flow is received is weighted by the proportion that the present value of the cash flow contributes to the total present value (or price) of the total portfolio.

#### ***Term to maturity (Term. to Mat.)***

A measure of the average life of the total portfolio. Term to maturity is the number of years remaining until the average bond in the portfolio makes its final cash payment.

## Statistical Data

### EXTERNAL ACTIVE BOND MANAGERS

#### Portfolio Characteristics FY2004 - 2005

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Duration	Term To Mat.
<b>American Express Asset Management</b>						
June-05	354	AA+	4.88%	4.40%	4.68 Yrs.	5.5 Yrs.
June-04	309	AA+	5.16	4.48	4.38	6.3
<b>Deutsche Asset Management</b>						
June-05	221	AA	5.23	4.60	4.17	6.5
June-04	193	AA+	5.71	4.72	4.86	6.7
<b>Dodge &amp; Cox Asset Management</b>						
June-05	125	AA	5.63	4.57	3.21	5.1
June-04	133	AA	5.92	4.36	3.52	5.7
<b>Morgan Stanley</b>						
June-05	832	AAA	6.75	4.17	3.00	6.2
June-04	903	AA+	5.32	5.60	4.10	4.7
<b>Western Asset Management</b>						
June-05	553	AA/Aa2	5.81	5.28	3.88	7.2
June-04	482	AA/Aa2	5.95	5.76	4.95	8.1
<b>Lehman Aggregate</b>						
June-05	5,979	AA+	5.21	4.45	4.13	6.2
June-04	6,976	AA+	5.32	4.59	4.60	6.8

## Statistical Data

### EXTERNAL ACTIVE BOND MANAGERS

*Sector Weights  
FY2004- 2005  
(In Percentages)*

	Gov't.	Corp.	Mtge.	ABS	Misc.	Intl.	High Yld	Cash
<b>American Express Asset Management</b>								
June 05	34	37	26	2	0	1	0	0
June-04	31	23	38	1	1	1	0	5
<b>Deutsche Asset Management</b>								
June-05	21	26	39	6	6	0	0	2
June-04	11	30	43	7	7	0	0	2
<b>Dodge &amp; Cox Asset Management</b>								
June-05	33	33	33	0	0	0	0	1
June-04	20	37	41	0	0	0	0	2
<b>Morgan Stanley</b>								
June 05	39	20	14	0	0	0	0	27
June-04	17	23	35	0	0	0	0	25
<b>Western Asset Management</b>								
June 05	35	30	31	3	0	1	0	0
June-04	32	31	21	4	10	2	0	0
<b>Lehman Aggregate</b>								
June-05	36	24	39	1	0	0	0	0
June-04	35	25	39	1	0	0	0	0

**Abbreviations:**

Gov't.	Government securities	Misc.	Miscellaneous or other
Corp.	Corporate securities	Int'l.	Non-dollar securities
Mtge.	Mortgage-backed securities	High Yld	Securities rated below investment grade
ABS	Asset-backed securities		

## Statistical Data

### EXTERNAL SEMI-PASSIVE BOND MANAGERS

#### Portfolio Characteristics

June 2004 - June 2005

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Dur.	Term To Mat.
<b>BlackRock Financial</b>						
June-05	709	AAA	4.95	4.38%	3.97 Yrs.	6.2 Yrs.
June-04	880	AAA	5.10	4.51	4.76	7.0
<b>Goldman Sachs Asset Management</b>						
June-05	328	AA	5.16	4.38	4.01	6.1
June-04	290	AA	5.13	4.74	4.56	7.4
<b>Lehman Brothers</b>						
June-05	1,116	AA+	5.17	4.54	4.11	6.4
June-04	962	AA+	5.48	4.72	4.70	7.2
<b>Lehman Aggregate</b>						
June-05	5,979	AA+	5.21	4.45	4.13	6.2
June-04	6,976	AAA	6.40	4.60	4.66	7.8

#### Sector Weights

June 2004- June 2005

(In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Cash
<b>Blackrock Financial</b>						
June-05	32	23	38	6	0	1
June-04	37	19	37	3	0	4
<b>Goldman Sachs Asset Management</b>						
June-05	44	18	36	0	1	1
June-04	33	17	49	0	1	0
<b>Lehman Brothers</b>						
June-05	34	21	42	2	0	1
June-04	35	23	38	3	0	1
<b>Lehman Aggregate</b>						
June-05	36	24	39	1	0	0
June-04	35	25	39	1	0	0

## Statistical Data

### EXTERNAL BOND MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2005

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Active Managers</b>						
American Express Asset Mgmt. (1)	7.1%	6.8%	5.6%	5.8%	6.7%	7.4%
Deutsche	7.5	6.8	6.5	5.8	8.1	7.4
Dodge & Cox	6.1	6.8	6.8	5.8	8.5	7.4
Morgan Stanley	6.9	6.8	5.8	5.8	7.8	7.4
Western Asset Management	7.6	6.8	8.1	5.8	9.1	7.4
<b>Semi-Passive Managers</b>						
BlackRock Financial	6.9	6.8	6.1	5.8	7.5	7.4
Goldman Sachs Asset Mgmt.	7.2	6.8	6.5	5.8	7.8	7.4
Lehman Brothers	7.0	6.8	5.9	5.8	7.6	7.4
<b>Aggregate (2)</b>	<b>7.1%</b>	<b>6.8%</b>	<b>6.3%</b>	<b>5.8%</b>	<b>7.8%</b>	<b>7.4%</b>
<b>Capital Markets Data</b>						
Lehman Aggregate (3)	6.8%		5.8%		7.4%	
3 month Treasury Bills	2.2		1.5		2.5	
Inflation	2.5		2.6		2.4	

(1) Prior to 1/1/96, manager had a government/corporate mandate only.

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

(3) Lehman Brothers Aggregate Bond Index was used beginning 7/1/94. Prior to that time, the Salomon Broad Investment Grade Bond Index was used.

## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION DEVELOPED MARKETS MANAGERS

Fiscal Year 2005

	State Street Global Advisors	American Express	UBS Global Asset Mgmt.	INVESCO Global Asset Mgmt.	Marathon Asset Mgmt.
<b>Local Returns</b>					
Country Selection	-0.1%	-0.7%	-0.8%	-0.8%	0.0%
Stock Selection	0.4	-0.5	0.0	-0.8	3.5
Timing	0.0	0.2	-0.1	-0.1	0.1
<b>Currency Returns</b>					
Currency Effect	-0.0	-0.3	-0.0	-0.2	-0.1
Hedging Activity	-0.0	-0.0	0.9	0.0	0.0
Timing	-0.0	-0.0	-1.0	-0.4	-0.1
<b>Base Return</b>					
<b>Total Value Added</b>	<b>0.3%</b>	<b>-1.4%</b>	<b>-0.9%</b>	<b>-2.2%</b>	<b>3.5%</b>

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

#### Definitions:

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

Country Selection - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

**Currency Returns** - The relative difference between the base currency return and the local currency return.

Currency Effect - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

Hedging Effect - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

Total Value Added - The difference between the portfolio's base return and the benchmark's base return.



## Statistical Data

### INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION EMERGING MARKETS MANAGERS

*Fiscal Year 2005*

	<b>Alliance Capital Ltd</b>	<b>Capital Int'l Inc</b>	<b>Morgan Stanley</b>
<b>Local Returns</b>			
Country Selection	0.0%	0.0%	2.1%
Stock Selection	0.3	-3.2	-2.5
Timing	-1.0	0.3	0.7
<b>Currency Returns</b>			
Currency Effect	0.0	0.4	0.2
Hedging Activity	0.0	0.0	0.2
Timing	1.1	1.3	1.0
<b>Base Return</b>			
<b>Total Value Added</b>	<b>0.6%</b>	<b>-0.9%</b>	<b>1.0%</b>

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

#### **Definitions:**

**Local Returns** - The return in local currency for each country in the portfolio relative to the benchmark.

**Country Selection** - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

**Stock Selection** - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

**Currency Returns** - The relative difference between the base currency return and the local currency return.

**Currency Effect** - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

**Hedging Effect** - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

**Base Return** - The return after conversion from local currencies to U.S. dollars.

**Total Value Added** - The difference between the portfolio's base return and the benchmark's base return.

## Statistical Data

### EXTERNAL INTERNATIONAL STOCK MANAGERS

#### Annualized Performance Summary Periods Ending June 30, 2005

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
<b>Active EAFE</b>						
American Express Asset Mgmt.	12.7%	14.6%	8.5	12.3	-4.6	-0.4
Invesco Global Asset Mgmt.	12.0	14.6	10.2	12.3	2.5	-0.4
Marathon Asset Mgmt. (1)	17.6	14.6	15.9	14.8	6.8	2.8
UBS Global (2)	13.3	14.6	10.3	12.3	2.2	-0.4
<b>Active Emerging Markets</b>						
Alliance Capital Mgmt.	34.9	34.4	25.4	24.0		
Capital International	32.9	34.4	21.7	24.0		
Morgan Stanley Investment Mgmt.	34.6	34.4	23.4	24.0		
<b>Passive EAFE</b>						
State Street Global Advisors	14.7	14.6	12.5	12.3	-0.3	-0.4
Equity Only*	15.7	16.5	12.4	13.4	0.6	0.2
<b>Total Program**</b>	<b>15.7%</b>	<b>16.5%</b>	<b>12.4%</b>	<b>13.4%</b>	<b>0.6%</b>	<b>0.2%</b>

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

\*\* Includes impact of currency overlay unrealized gain/loss through December 2001, when all contracts had matured. Since 10/1/03, the International Equity asset class target is MSCI ACWI Free ex. U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.

- (1) As of 10/1/03, Marathon's benchmark is MSCI World ex U.S. (net). Through 9/30/03 Marathon was measured against a custom composite benchmark: 55% Citigroup EMI EPAC and 45% Citigroup PMI EPAC.  
 (2) Fully active since 10/1/99. Active country/passive stock from inception 4/1/93 to 9/30/99.

## Statistical Data

### ALTERNATIVE INVESTMENTS June 30, 2005

REAL ESTATE	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>Colony Capital</b>			
Colony Investors II	312,048	1,517,672	10.2
Colony Investors III	29,023,000	0	7.5
<b>CSFB Strategic Partners RE II</b>	0	25,000,000	0.0
<b>Equity Office Properties Trust</b>	130,060,224	0	13.6
<b>Heitman</b>			
Heitman Advisory Fund II	56,870	0	19.6
Heitman Advisory Fund V	329,438	0	13.6
<b>Lehman Brothers Real Estate Partners II</b>	0	75,000,000	0.0
<b>Morgan Stanley (Lend Lease)</b>	188,041,519	0	23.7
<b>T.A. Associates Realty</b>			
Realty Associates Fund III	13,496,355	0	11.1
Realty Associates Fund IV	26,370,163	0	8.4
Realty Associates Fund V	50,818,356	0	6.1
Realty Associates Fund VI	46,238,543	4,000,000	3.0
Realty Associates Fund VII	0	75,000,000	0.6
<b>UBS Realty</b>	210,304,158	0	23.2
<b>Real Estate Total</b>	<b>695,050,675</b>	<b>180,517,672</b>	
<b>RESOURCE</b>	<b>MARKET \$VALUE</b>	<b>UNFUNDED \$COMMITMENT</b>	<b>PERIOD (YEARS)</b>
<b>Apache Corp III</b>	8,829,600	0	18.5
<b>First Reserve</b>			
First Reserve I	26,361	0	23.7
First Reserve II	60,906	0	22.4
First Reserve V	186,049	0	15.2
First Reserve VII	2,800,349	0	9.0
First Reserve VIII	39,370,871	0	7.2
First Reserve IX	115,501,360	2,021,983	4.2
First Reserve X	27,240,760	72,069,869	0.7
<b>Simmons</b>			
Simmons - SCF Fund II	999,999	2,293,371	13.9
Simmons - SCF Fund III	12,612,317	1,619,663	10.0
Simmons - SCF Fund IV	33,677,954	2,638,993	7.2
<b>T. Rowe Price</b>	2,940,000	N/A	N/A
<b>Resource Total</b>	<b>244,246,525</b>	<b>80,643,879</b>	

## Statistical Data

### ALTERNATIVE INVESTMENTS June 30, 2005

YIELD-ORIENTED	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>Carbon Capital</b>	25,428,407	3,815,692	3.1
<b>CT Mezzanine Partners</b>	4,223,143	63,195,903	3.8
<b>Citicorp Mezzanine</b>			
Citicorp Mezzanine Partners	9,125,290	0	10.5
Citicorp Mezzanine Partners III	72,898,031	12,526,708	5.7
<b>DLJ Investment Partners II</b>	4,761,205	31,561,095	5.5
<b>Gold Hill Venture Lending Partners</b>	13,635,048	26,000,000	0.8
<b>GS Mezzanine Partners</b>			
GS Mezzanine Partners II	54,128,517	11,909,491	5.3
GS Mezzanine Partners III	28,124,466	45,665,707	2.0
<b>GTCR Capital Partners</b>	42,931,217	10,410,578	5.6
<b>GMAC Institutional Advisors</b>			
Institutional Commercial Mortgage Fd II	2,997,971	102,500	9.9
Institutional Commercial Mortgage Fd III	12,331,403	224,948	8.6
Institutional Commercial Mortgage Fd IV	9,901,547	0	7.5
Institutional Commercial Mortgage Fd V	32,200,155	0	5.9
<b>KB Mezzanine Partners Fund II</b>	2,457,564	0	9.7
<b>Merit Capital Partners (fka William Blair)</b>			
William Blair Mezzanine Fund III	40,932,564	4,478,400	5.5
Merit Mezzanine Fund IV	3,082,280	71,625,000	0.5
<b>Merit Energy Partners</b>			
Merit Energy Partners B	28,882,348	0	9.0
Merit Energy Partners C	85,942,168	0	6.7
Merit Energy Partners D	104,993,105	3,444,098	4.1
Merit Energy Partners E	39,377,524	62,384,814	0.7
Merit Energy Partners F	0	100,000,000	0.0
<b>Prudential Capital Partners</b>			
Prudential Capital Partners I	51,392,521	8,511,959	4.2
Prudential Capital Partners II	2,608,091	97,391,909	0.0
<b>Summit Partners</b>			
Summit Sub. Debt Fund I	78,057	2,000,000	11.2
Summit Sub. Debt Fund II	11,659,679	4,725,000	7.9
Summit Sub. Debt Fund III	9,349,122	35,775,000	1.4
<b>T. Rowe Price</b>	431,822	N/A	N/A
<b>TCW/Crescent Mezzanine</b>			
TCW/Crescent Mezzanine Partners	4,686,525	2,869,961	9.2
TCW/Crescent Mezzanine Partners II	15,152,849	12,520,954	6.6
TCW/Crescent Mezzanine Partners III	26,172,074	21,284,570	4.3
<b>Windjammer Mezz. &amp; Equity Fund II</b>	43,902,423	18,860,448	5.2
<b>Yield-Oriented Total</b>	<b>783,787,114</b>	<b>651,284,735</b>	

## Statistical Data

### ALTERNATIVE INVESTMENTS June 30, 2005

PRIVATE EQUITY	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>Adams Street Partners (Brinson)</b>			
Brinson Partners I	193,570	1,200,000	17.1
Brinson Partners II	243,787	0	14.6
<b>Affinity Ventures</b>	949,749	3,000,000	1.0
<b>Bank Fund</b>			
Banc Fund V	62,968,704	0	7.0
Banc Fund VII	1,800,000	43,200,000	0.2
<b>Blackstone Capital Partners</b>			
Blackstone Capital Partners II	3,547,273	2,728,810	11.6
Blackstone Capital Partners IV	55,750,643	33,639,770	3.0
<b>BLUM Capital Partners</b>			
Blum Strategic Partners I	24,347,387	1,228,046	6.5
Blum Strategic Partners II	48,427,283	9,325,798	4.0
Blum Strategic Partners III	9,090,909	65,909,091	0.1
<b>Chicago Growth Partners (William Blair)</b>			
William Blair Capital Partners VII	39,088,233	10,450,000	4.3
Chicago Growth Partners VIII	0	50,000,000	0.0
<b>Citigroup Venture Capital Equity</b>	79,785,164	30,373,951	3.6
<b>Contrarian Capital Fund II</b>	20,024,347	3,755,605	8.1
<b>Coral Partners</b>			
Coral Partners Fund II	412,103	0	14.9
Coral Partners Fund IV	3,029,088	0	10.9
Coral Partners Fund V	3,403,307	375,000	7.0
<b>Crescendo</b>			
Crescendo II	1,042,686	0	8.5
Crescendo III	3,021,286	0	6.7
Crescendo IV	33,986,978	7,612,500	5.3
<b>DLJ/CSFB</b>			
CSFB Strategic Partners	51,762,381	19,916,229	4.4
CSFB Strategic Partners II	61,589,008	43,558,149	2.0
CSFB Strategic Partners III	0	100,000,000	0.0
CSFB Strategic Partners VC	0	25,000,000	0.0
DLJ Merchant Banking Partners III	63,423,856	16,870,078	4.8
<b>DSV Partners IV</b>	1,248,162	0	20.2
<b>Elevation Partners</b>	641,107	74,358,893	0.1
<b>First Century Partners III</b>	69,769	0	20.5
<b>Fox Paine Capital Fund</b>			
Fox Paine Capital Fund	35,833,256	0	7.2
Fox Paine Capital Fund II	28,905,397	12,753,538	5.0

## Statistical Data

### ALTERNATIVE INVESTMENTS June 30, 2005

PRIVATE EQUITY (cont.)	MARKET \$VALUE	UNFUNDED \$COMMITMENT	PERIOD (YEARS)
<b>Golder, Thoma, Cressey, Rauner</b>			
Golder, Thoma, Cressey & Rauner Fund IV	145,973	0	11.4
Golder, Thoma, Cressey & Rauner Fund V	17,899,045	0	9.0
<b>GTCR Golder Rauner</b>			
GTCR VI	31,987,163	862,222	7.0
GTCR Fund VII	99,791,928	26,468,751	5.4
<b>GS Capital Partners</b>			
GS Capital Partners 2000	33,551,423	9,342,192	4.8
GS Capital Partners V	5,005,427	94,994,573	0.2
<b>GHJM Marathon Fund</b>			
GHJM Marathon Fund IV	14,251,292	1,519,000	6.2
GHJM Marathon Fund V	5,077,442	23,663,955	0.7
<b>Hellman &amp; Friedman</b>			
Hellman & Friedman Capital Partners III	5,204,458	7,886,316	10.8
Hellman & Friedman Capital Partners IV	115,176,554	20,087,018	5.5
Hellman & Friedman Capital Partners V	11,284,764	147,886,139	0.6
<b>Kohlberg Kravis Roberts</b>			
KKR 1987 Fund	9,580,724	576,348	17.6
KKR 1993 Fund	4,193,398	0	11.5
KKR 1996 Fund	81,637,911	0	8.8
KKR Millennium Fund	103,045,352	108,483,576	2.6
<b>Matrix Partners III</b>	313,273	0	15.1
<b>Sightline Healthcare</b>			
Sightline Healthcare Fund II	4,584,107	0	8.3
Sightline Healthcare Fund III	7,831,046	599,998	6.4
Sightline Healthcare Fund IV	3,590,298	3,202,869	1.8
<b>Silver Lake Partners II</b>	8,314,538	90,941,861	1.0
<b>Split Rock Partners</b>	1,509,089	48,490,911	0.2
<b>Summit Partners</b>			
Summit Ventures II	98,786	1,500,000	17.1
<b>Thoma Cressey</b>			
Thoma Cressey Fund VI	17,862,584	1,085,000	6.9
Thoma Cressey Fund VII	23,275,128	14,645,000	4.8
<b>Thomas, McNerney &amp; Partners</b>	8,976,015	18,975,000	2.7
<b>Vestar Capital Partners IV</b>	28,245,870	14,495,655	5.5

*Statistical Data*

**ALTERNATIVE INVESTMENTS**  
**June 30, 2005**

<b>PRIVATE EQUITY (cont.)</b>	<b>MARKET \$VALUE</b>	<b>UNFUNDED \$COMMITMENT</b>	<b>PERIOD (YEARS)</b>
<b>Warburg Pincus</b>			
Warburg, Pincus Ventures	30,130,754	0	10.5
Warburg Pincus Equity Partners	49,795,368	0	7.0
Warburg Pincus Private Equity VIII	75,578,155	16,000,000	3.2
Warburg Pincus Private Equity IX	0	100,000,000	0.0
<b>Welsh, Carson, Anderson &amp; Stowe</b>			
Welsh, Carson, Anderson & Stowe VIII	68,981,984	0	6.9
Welsh, Carson, Anderson & Stowe IX	83,451,121	21,250,000	5.0
<b>Zell/ Chilmark</b>	227,803	0	15.0
<b>Private Equity Total</b>	<b>1,667,823,640</b>	<b>1,329,586,842</b>	

## *Time-Weighted Rate of Return*

In measuring the performance of a manager or fund whose investment objective is to maximize the total value of an investment portfolio, the proper measuring tool is the time-weighted total rate of return. This performance measure includes the effect of income earned as well as realized and unrealized portfolio market value changes. In addition, the time-weighted total rate of return nets out the influence of contributions made to and distributions taken from the manager or fund. These are variables over which the manager or fund generally has no control.

The calculation of a portfolio's true time-weighted return requires that the portfolio be valued every time that there is a capital flow in or out. Because most portfolios are not valued that frequently, it is usually necessary to estimate the time-weighted total rates of return by approximating the required valuations.

In 1968, the Bank Administration Institute (BAI) commissioned a study, conducted by the University of Chicago, which considered desirable methods of estimating time-weighted returns. The BAI report is considered to be the definitive work in the field of performance measurement because of the academic reputations and thorough scientific efforts of its authors.

When monthly data are available, the BAI study recommends employing a technique called the linked internal rate of return (LIRR). State Street Bank, the SBI's performance measurement consultant, calculates the LIRR by solving the following equation for R:

$$VB * (1 + R)^n + \sum_{i=1}^n C_i * (1 + R)^{t_i} = VE$$

Where:

VB = Value of the fund at the beginning of the month

VE = Value of the fund at the end of the month

$C_i$  = Net cash flow on the  $i$ th day of the month

$n$  = Number of cash flows in the month

R = Internal rate of return

$t_i$  = Time from cash flow  $i$  to the end of the period, expressed as a percentage of the total number of days in the month

The internal rate of return, R, is a proxy for the true time-weighted return over the month. It approximates the interim valuations by assuming a uniform growth of the invested assets throughout the period.

The IRR's calculated for each month can be linked together to estimate the time-weighted return for a longer period. For example, given three consecutive monthly IRR's (R1, R2, and R3), the quarterly time-weighted return (TWRQ) is:

$$TWRQ = (1 + R1) * (1 + R2) * (1 + R3) - 1$$

State Street's performance methodology is also in compliance with the mandatory requirements of the Association for Investment Management and Research (AIMR).



### **Calculation of January 1, 2006 Benefit Increase**

Actuarial value of required reserves at January 1, 2006	\$23,128,919,434
Less: Reserves not eligible for increase	721,540,347
Actuarially determined eligible reserves at January 1, 2006	\$22,407,379,087
CPI Inflation rate capped at 2.5%	2.500%
Dollar cost of inflationary increase	560,184,477
June 30, 2005 total required reserves	23,451,363,048
June 30, 2005 total required reserves adjusted for inflationary increase	\$24,011,547,525
Market value of Assets at June 30, 2005	\$19,295,255,639
Less: Inflation adjusted required reserves	24,011,547,525
Current year excess market value	-4,716,291,886
Negative balance carry forward	-3,174,934,088
Excess market value available for investment based benefit increase	-1,541,357,798
Divided by 5 year pay out period	5
Current year portion of excess market value	-\$308,271,560
Second year portion	-95,550,756
Third year portion	-360,557,487
Fourth year portion	-558,850,315
Fifth year portion	-593,357,973
Total five year excess market value	-\$1,916,588,091
Greater of current year excess market value or cost of transition adjustment	-1,916,588,091
Divided by eligible required reserves at January 1, 2006	22,407,379,087
Investment based increase for FY2005	0.0000%
<b>Summary:</b>	
<b>Investment Based Benefit Increase</b>	<b>0.0000%</b>
<b>Inflation Based Benefit Increase</b>	<b>2.5000%</b>
<b>Total Benefit Increase</b>	<b>2.5000%</b>
<b>Total Dollar Value of January 1, 2006 Benefit Increase</b>	<b>\$560,184,477</b>

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock	Stock	Bond	Bond	Short Term
	\$ Volume	\$ Commissions	\$ Volume	\$ Commissions	\$ Volume
ABBEY NATIONAL	0.00	0.00	0.00	0.00	1,420,743,451.97
ABD SECURITIES	26,320,007.66	33,632.13	0.00	0.00	0.00
ABG SECURITIES	2,390,267.54	4,194.24	0.00	0.00	0.00
ABN AMRO ASIA SECS LTD	9,680,108.70	24,616.91	0.00	0.00	0.00
ABN AMRO BANK NV	806,572.93	0.00	2,438,337.43	0.00	0.00
ABN AMRO EQUITIES AUSTRALIA LT	253,304.91	505.59	0.00	0.00	0.00
ABN AMRO SECURITIES	37,842,182.93	56,727.09	53,541,651.24	0.00	491,408,205.03
ABN AMRO, HOARE, GOVETTE	1,158,977.51	2,903.85	0.00	0.00	0.00
ABN-AMRO BANK	1,517,060.30	5,186.05	0.00	0.00	0.00
ACCESS SECURITIES	139,980,408.36	141,156.00	0.00	0.00	0.00
ADA SECURITIES CORPORATION	0.00	0.00	936,417.97	0.00	0.00
ADAMS HARKNESS & HILL	16,563,569.73	33,279.75	0.00	0.00	0.00
ADVEST CO.	6,363,389.16	8,983.20	15,041,191.38	0.00	0.00
AGORA	27,415.49	0.54	0.00	0.00	0.00
AK CAPITAL	0.00	0.00	172,708.04	0.00	0.00
AK YATIRIM	921,935.45	3,658.83	0.00	0.00	0.00
AKS MENKUL	109,473.88	480.85	0.00	0.00	0.00
ALBERT E S	1,972,936.22	1,970.47	0.00	0.00	0.00
ALCHEMY SHARE & STOCK BROKER	330,845.05	1,116.09	0.00	0.00	0.00
ALFA CAPITAL	996,569.51	1,566.00	0.00	0.00	0.00
ALLEN & COMPANY	8,074.98	3.00	0.00	0.00	0.00
AMADON CORPORATION	1,832,262.19	5,671.50	0.00	0.00	0.00
AMERICAN EXPRESS CREDIT	0.00	0.00	0.00	0.00	89,712,750.00
AMERICAN TECHNOLOGY RES. INC.	870,015.25	1,518.00	0.00	0.00	0.00
AMHERST SECURITIES GROUP INC.	0.00	0.00	4,544,827.97	0.00	0.00
ANCORA SECURITIES	25,987,563.17	53,979.30	0.00	0.00	0.00
ANDERSON & STRUDWICK, IND.	22,849.86	0.00	0.00	0.00	0.00
ARCHIPELAG	758,811.84	108.00	0.00	0.00	0.00
ARNHOLD	916,158.92	726.10	0.00	0.00	0.00
ASSENT LLC	5,954,760.13	3,739.89	0.00	0.00	0.00
AUERBACH GRAYSON	124,038.67	708.12	0.00	0.00	0.00
AUTRANET	17,487,826.07	22,724.50	0.00	0.00	0.00
AVALON RESEARCH GROUP INC	426,219.99	328.50	0.00	0.00	0.00
B RILEY AND CO. INC.	3,164,058.94	9,288.75	0.00	0.00	0.00
B-TRADE SERVICES LLC	99,310,178.05	55,406.43	0.00	0.00	0.00
BA SECURITIES INC	0.00	0.00	278,858,906.19	0.00	6,381,960,674.18
BA SECURITIES, INC.	10,674,122.58	13,274.00	878,062,240.00	0.00	0.00
BACNO ITAU SA	431,311.42	1,504.79	0.00	0.00	0.00
BANCO PACTUAL S.A.	2,974,041.98	5,056.22	0.00	0.00	0.00
BANCO SANT	1,086,874.36	2,456.29	0.00	0.00	0.00
BANCO SANTANDER DE NEGOCIOS	6,897,207.67	11,587.25	0.00	0.00	0.00
BANCO WARB	1,124,209.70	1,675.29	0.00	0.00	0.00
BANK AMERICA	0.00	0.00	14,103,104.38	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
BANK AUSTR	1,059,629.47	1,562.63	0.00	0.00	0.00
BANK OF AMERICA	0.00	0.00	327,218,456.87	0.00	0.00
BANK OF CHINA GROUP SECS	421,536.96	1,050.03	0.00	0.00	0.00
BANK OF NY SECURITIES INC	12,546.00	9.00	840,996.11	0.00	0.00
BANK OF NY/BARCLAY LONDON	0.00	0.00	443,493.75	0.00	0.00
BANK ONE KENTUCKY N.A.	0.00	0.00	1,986,562.50	0.00	0.00
BANK SARASIN	4,147,400.60	6,431.44	0.00	0.00	0.00
BANKRUPTCY	0.00	0.00	243,402.35	0.00	0.00
BANQUE NATIONALE DE PARIS	632,038.50	1,576.17	13,085,744.58	0.00	0.00
BARCLAYS AMERICAN CORP	0.00	0.00	13,335.06	0.00	0.00
BARCLAYS BANK	0.00	0.00	170,998,426.89	0.00	0.00
BARCLAYS CAPITAL INC	0.00	0.00	627,439,174.07	0.00	396,421,006.91
BARCLAYS DEZOETE WEDD	0.00	0.00	9,086,626.57	0.00	0.00
BARING SECURITIES	9,946,520.79	20,732.94	57,455,848.73	0.00	0.00
BARNARD JACOBS AND CO (PTY) LTD	1,482,559.46	3,612.54	0.00	0.00	0.00
BARRETT & CO.	0.00	0.00	1,599,600.00	0.00	0.00
BATLIWALA	184,649.68	555.48	0.00	0.00	0.00
BAYERISCHE HYPO- UND VEREINSBA	566,809.90	2,711.84	0.00	0.00	0.00
BEAR STEARNS SECS	194,260,166.01	218,697.36	711,346,916.74	0.00	0.00
BEAR, STEARNS & CO.	93,230,340.50	147,459.12	4,628,042,791.91	32,015.00	0.00
BENDER MEN	1,705,187.21	5,765.21	0.00	0.00	0.00
BERKSHIRE EQUITY SALES INC	614,461.15	1,074.02	0.00	0.00	0.00
BERNSTEIN SANFORD	247,849,824.86	219,712.88	0.00	0.00	0.00
BHC SECURITIES INC.	2,189,031.10	1,494.70	0.00	0.00	0.00
BHF SECURITIES	245,067.59	493.94	0.00	0.00	0.00
BLAIR & COMPANY	81,954,952.04	96,865.75	0.00	0.00	0.00
BLAYLOCK & PARTNERS	4,736,212.47	3,792.00	16,072,398.44	0.00	0.00
BMO CREDIT	4,600,425.41	5,641.10	0.00	0.00	0.00
BNP PARIBAS	0.00	0.00	20,802,530.71	0.00	0.00
BNP PARIBAS PEREGRINE SEC., ASIA	1,511,779.39	3,736.22	0.00	0.00	0.00
BNP PRIME	1,575,900.57	6,093.96	0.00	0.00	0.00
BNY/ABN-AMRO	0.00	0.00	653,707.50	0.00	0.00
BNY/ITC DEALERS	0.00	0.00	33,349,802.73	0.00	0.00
BOLGER & CO INC	124,993.49	249.49	0.00	0.00	0.00
BONY & VIN	0.00	0.00	4,277,740.02	0.00	0.00
BRIDGE TRADING CO.	31,137,236.53	47,146.45	0.00	0.00	0.00
BROADCORT CAPITAL	75,408,104.06	64,848.00	0.00	0.00	0.00
BROWN (ALEX) & SONS INC.	877,858,061.49	370,342.68	3,817,550,401.37	0.00	6,460,722.65
BROWN BROS. HARRIMAN	2,853,585.21	2,270.25	0.00	0.00	0.00
BUCKINGHAM RESEARCH GRP	19,792,456.13	28,277.55	0.00	0.00	0.00
BUNTING WARBURGER SEC	14,011,737.38	21,980.42	0.00	0.00	0.00
BURNS FRY & TIMMINS	17,143,805.53	20,405.48	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
BURTON J VINCENT CHESLEY & CO.	614,943.95	1,531.60	0.00	0.00	0.00
C.L. KING & ASSOC.	2,273,403.79	7,283.28	0.00	0.00	0.00
CA IB INVESTMENT	131,632.45	661.47	0.00	0.00	0.00
CABRERA CA	10,102,787.67	16,645.00	0.00	0.00	0.00
CALLED BONDS FULL	0.00	0.00	1,011,161.27	0.00	0.00
CANNON BRIDGE	6,590,975.50	9,612.77	0.00	0.00	0.00
CANTOR FITZGERALD	335,156,406.98	326,282.72	1,546,121.53	0.00	0.00
CAPITAL INST. SERVICES	23,957,790.89	16,083.00	0.00	0.00	0.00
CARIS & CO	1,415,306.06	3,081.00	0.00	0.00	0.00
CARLIN EQUITIES	113,849.03	437.00	0.00	0.00	0.00
CARNEGIE	11,629,039.09	17,774.46	0.00	0.00	0.00
CARROLL MCENTEE & MCG	0.00	0.00	177,765,978.26	0.00	0.00
CASABLANCA FINANCE GROUP	634,600.24	3,779.29	0.00	0.00	0.00
CAZENOVE & CO.	67,460,850.54	89,629.69	0.00	0.00	0.00
CDC IXIS SECURITIES	902,758.56	1,352.10	0.00	0.00	0.00
CHASE MANHATTAN BANK	260,609.33	391.51	33,475,977.01	0.00	0.00
CHASE SECURITIES INC	0.00	0.00	1,154,725,098.82	0.00	0.00
CHEEVERS & CO	7,898,312.37	8,420.00	0.00	0.00	0.00
CHEMICAL BANK	0.00	0.00	1,157,699,306.70	0.00	0.00
CHEUVREUX	17,563,903.89	31,036.06	0.00	0.00	0.00
CHEVRON OIL FIN. CO.	0.00	0.00	0.00	0.00	49,966,666.67
CHINA INTERNATIONAL CAP CORP	335,874.67	773.03	0.00	0.00	0.00
CHINA SECURITIES CO LTD	973,374.09	1,385.25	0.00	0.00	0.00
CHRISTOPHER (B.C.) & CO.	0.00	0.00	5,791,901.92	0.00	0.00
CI NORDIC	10,993,722.54	25,591.64	0.00	0.00	0.00
CIBC WORLD	5,193,752.53	7,280.30	0.00	0.00	0.00
CIBC/WOOD GUNDY	0.00	0.00	1.00	0.00	39,950,700.00
CITATION GROUP	286,014,898.51	316,436.40	0.00	0.00	0.00
CITIGROUP GLOBAL MARKETS INC	19,914,047.15	37,835.25	57,894,839.37	0.00	3,024,847,422.37
CITIGROUP INC	0.00	0.00	0.00	0.00	1,535,786,257.20
CITY SECURITY	0.00	0.00	800,000.00	0.00	0.00
CJS SECURITIES	413,212.52	1,090.00	0.00	0.00	0.00
CL GLAZER INC.	7,337,083.82	21,699.04	0.00	0.00	0.00
CLARION PA	3,074,619.10	0.00	0.00	0.00	0.00
COASTAL SECURITIES	0.00	0.00	181,800.00	0.00	0.00
COLLINS STEWART	3,934,471.03	7,832.35	0.00	0.00	0.00
COMMERZBAN	1,558,493.19	0.00	0.00	0.00	0.00
COMMERZBANK AG	0.00	0.00	325,312.50	0.00	0.00
COST ADJUSTMENT	1,029,252.14	0.00	0.00	0.00	0.00
COUNTRYWIDE	0.00	0.00	13,519,703.53	0.00	0.00
COWEN&CO	22,091,867.82	23,320.59	0.00	0.00	0.00
CREDIT AGRICOLE INDOSUEZ	1,166,709.66	2,335.35	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
CREDIT LYONNAIS	138,871,036.41	173,964.49	0.00	0.00	0.00
CREDIT LYONNAIS SECURITIES	5,111,266.45	13,168.70	0.00	0.00	0.00
CREDIT RESEARCH & TRADING	4,227,691.39	8,135.00	0.00	0.00	0.00
CREDIT SUISSE	19,696,988.97	42,003.81	0.00	0.00	0.00
CREDIT SUISSE FIRST BOSTON LTD	152,908,808.73	218,868.53	0.00	0.00	0.00
CRONIN & CO INC	0.00	0.00	201,354.00	0.00	0.00
CRUTTEDEN GUST & MERH	10,223,194.77	23,304.99	0.00	0.00	0.00
CS FIRST BOSTON	42,365,067.40	66,121.72	19,718,625.10	0.00	14,044,207,764.51
CSFB	2,178,455.52	3,672.53	0.00	0.00	0.00
CUSTOM EQUITY RESEARCH, INC.	32,583.00	37.50	0.00	0.00	0.00
D CARNEGIE AG STOCKHOLM, SWEDEN	311,406.88	624.06	0.00	0.00	0.00
D.A. DAVIDSON	6,670,182.82	14,434.40	0.00	0.00	0.00
DAIN RAUSCHER INC	7,651,967.28	11,236.45	40,643,244.83	0.00	0.00
DAIWA SBCM	37,475,854.74	45,956.64	0.00	0.00	0.00
DAIWA SEC. AMERICA	6,058,606.28	11,788.72	0.00	0.00	0.00
DAVIS	120,479.76	165.45	0.00	0.00	0.00
DAVY (J+E)	12,711,107.63	21,150.34	0.00	0.00	0.00
DAVY STOCKBROKERS	2,452,007.56	3,683.54	0.00	0.00	0.00
DBS BANK LIMITID, SINGAPORE	2,392,604.53	7,200.67	0.00	0.00	0.00
DBS SECURITIES	112,725.76	0.00	0.00	0.00	0.00
DEAN WITTER REYNOLDS	1,005,928.30	520.00	7,281,835.55	0.00	0.00
DELTA SECURITY	1,342,850.07	5,348.76	0.00	0.00	0.00
DEUTSCHE ALEX BROWN LONDON	879,586.84	987.95	0.00	0.00	0.00
DEUTSCHE BANK	133,241,496.28	166,205.03	158,545,723.52	0.00	0.00
DEUTSCHE BANK AG NEW YORK	0.00	0.00	2,880,152.00	0.00	0.00
DEUTSCHE BANK CAPITAL	0.00	0.00	29,904,748.16	0.00	0.00
DEUTSCHE BANK GOVT SEC INC	0.00	0.00	1,153,188,471.80	0.00	0.00
DEUTSCHE BANK SECS	0.00	0.00	0.00	0.00	3,478,476,097.14
DEUTSCHE EQ. PVT., LTD.	3,094,945.21	6,454.83	0.00	0.00	0.00
DEUTSCHE M	3,606,292.46	9,038.32	0.00	0.00	0.00
DEUTSCHE MORGAN GREINFELL	145,139.82	361.01	52,701,765.62	0.00	0.00
DEUTSCHE S	4,322,790.32	12,063.04	0.00	0.00	0.00
DEUTSCHE SECURITIES	5,295,664.51	14,340.32	0.00	0.00	0.00
DEUTSCHE SECURITIES ASIA	12,105,961.69	31,035.79	0.00	0.00	0.00
DHANKI SECURITIES PVT LTD.	120,072.93	451.32	0.00	0.00	0.00
DIRECT BROKERAGE SVCS.	44.83	0.00	0.00	0.00	0.00
DIVIDEND REINVESTMENT (NON-CASH)	1.28	0.00	0.00	0.00	0.00
DONALDSON	25,645,382.10	23,540.00	0.00	0.00	0.00
DONGWON SECURITY	349,838.50	877.21	0.00	0.00	0.00
DOUGHERTY CO	3,545,024.32	9,494.70	0.00	0.00	0.00
DOWLING & PARTNERS SEC LLC	56,526.87	163.90	0.00	0.00	0.00
DRESDNER BANK AG NEW YORK	4,769,428.48	8,607.31	9,246,325.10	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
DSP MERRILL LYNCH	1,947,661.22	7,164.72	0.00	0.00	0.00
DSP MERRILL LYNCH BOMBAY INDIA	4,002,242.45	9,318.35	0.00	0.00	0.00
DUNCAN WILLIAMS GOVT SEC	0.00	0.00	4,405,161.39	0.00	0.00
EDGE SECURITIES	2,287,170.62	7,210.00	0.00	0.00	0.00
EDWARDS A.G. & SONS	17,888,090.59	33,081.12	1,147,025.00	0.00	0.00
EKSPRES YATIRIM MANKUL	460,652.45	1,648.39	0.00	0.00	0.00
EMP RESEARCH PARTNERS	636,498.58	964.00	0.00	0.00	0.00
EMPIRICAL	51,395.02	93.55	0.00	0.00	0.00
ENAM SECURITIES PVT LTD	135,686.38	409.70	0.00	0.00	0.00
ENSKILDA SECURITIES	4,096,097.51	7,830.38	0.00	0.00	0.00
EQUITY-ONE CORPORATION	0.00	0.00	1,378,491.25	0.00	0.00
EXANE, PARIS	18,124,757.39	31,489.49	0.00	0.00	0.00
EXCHANGE OFFER	28,109,336.74	0.00	0.00	0.00	0.00
EXECUTION SERVICES INC	686,075,759.93	782,384.46	0.00	0.00	0.00
F A PETERS & CO	3,010,000.00	0.00	0.00	0.00	0.00
F P MAGLIO & CO INC	60,157,763.04	49,390.50	0.00	0.00	0.00
FACTSET DATA	31,959,508.10	65,937.25	0.00	0.00	0.00
FERRIS BAKER WATTS INC	3,029,224.35	4,827.03	0.00	0.00	0.00
FIDELITY C	120,671,285.55	118,782.89	0.00	0.00	0.00
FIDENTIIS	1,832,608.72	2,873.59	0.00	0.00	0.00
FIFTH THIRD SECURITIES INC	0.00	0.00	0.00	0.00	685,778,701.66
FINANCIAL BROKERAGE	333,271.18	1,744.92	0.00	0.00	0.00
FIRST ALBANY	20,345,150.60	40,231.95	1,166,263.05	0.00	0.00
FIRST ANALYSIS SEC. CORP.	17,435,426.23	10,785.00	0.00	0.00	0.00
FIRST BOSTON CORPORATION	711,097,166.59	654,165.18	3,842,573,415.82	9,375.00	0.00
FIRST TENN BANK, NA	0.00	0.00	103,430,458.05	0.00	0.00
FIRST UNION CAP MKTS	46,582,573.33	76,249.08	429,925,325.73	0.00	0.00
FLEMING (ROBERT) INC	12,106,508.89	8,973.90	0.00	0.00	0.00
FORD FINANCIAL SERVICES	0.00	0.00	0.00	0.00	911,806,420.84
FORTIS BANK	0.00	0.00	3,758,717.33	0.00	0.00
FORTIS CLEARING LONDON LIMITED	3,512,571.67	5,276.77	0.00	0.00	0.00
FOX PITT KELTON INC	13,665,583.81	9,581.53	0.00	0.00	0.00
FRANK RUSSEL	10,041,981.79	8,797.20	0.00	0.00	0.00
FREDDIE MAC SECS AND TRADE	0.00	0.00	821,119,645.22	0.00	0.00
FRIEDMAN, BILLINGS & RAMSEY	32,647,398.38	60,570.93	0.00	0.00	0.00
FULCRUM GLOBAL PARTNERS	34,972,903.74	49,125.52	0.00	0.00	0.00
G G E T LL	775,155.06	1,936.60	0.00	0.00	0.00
G-TRADE SEC	9,353,097.28	8,445.66	0.00	0.00	0.00
GARDNER RICH & COLE	6,250,665.56	12,020.00	0.00	0.00	0.00
GENERAL ELEC CAPITAL CORP	0.00	0.00	0.00	0.00	2,528,476,342.00
GERSON	438,341.58	600.00	0.00	0.00	0.00
GLEN HILL	4,681.66	3.40	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
GLOBAL SECURITIES	2,085,071.33	6,910.04	0.00	0.00	0.00
GMAC FINANCIAL SERVICES	0.00	0.00	0.00	0.00	2,061,875,730.55
GOLDMAN SACHS & COMPANY	1,223,402,624.59	988,312.11	13,218,998,552.04	510,755.08	5,073,726,372.25
GOODBODY STOCKBROKERS	3,266,814.22	3,191.39	0.00	0.00	0.00
GORDON HASKETT & CO.	4,234,324.72	3,096.00	0.00	0.00	0.00
GREEN STREET	81,913.52	181.30	0.00	0.00	0.00
GREENFIELD ARBITRAGE PARTNERS	0.00	0.00	4,276,818,137.04	0.00	0.00
GREENLINE INVESTORS SVCS. INC.	2,527,253.22	2,095.00	0.00	0.00	0.00
GREENWICH CAPITAL MARKETS INC	0.00	0.00	1,029,732,293.46	0.00	50,089,298,795.90
GRIMM & DAVIS INC	5,726,118.33	2,000.00	0.00	0.00	0.00
GRISWOLD	28,839,785.07	27,345.30	0.00	0.00	0.00
GROSS & CO. INC.	2,201,078.06	3,514.50	0.00	0.00	0.00
GUZMAN & CO.	30,989,433.65	21,913.74	0.00	0.00	0.00
HARBORSIDE	3,068,774.80	4,228.95	0.00	0.00	0.00
HARRIS TRUST & SAVINGS BANK	0.00	0.00	1,341,427.20	0.00	0.00
HBSC SECURITIES	0.00	0.00	229,524,292.23	0.00	0.00
HC BROKERAGE	812,883.28	3,459.55	0.00	0.00	0.00
HC ISTANBU	4,317,595.99	14,835.39	0.00	0.00	0.00
HELEN BOE	0.00	0.00	416,947.25	0.00	0.00
HENDERSON BROTHERS	351,902,895.07	290,405.46	0.00	0.00	0.00
HENDERSON CROSTHWAIT	114,774.43	285.48	0.00	0.00	0.00
HIBERNIA SOUTH COAST CAP INC	3,340,094.55	10,617.75	0.00	0.00	0.00
HOARE GOVETT	37,286,941.13	45,981.57	0.00	0.00	0.00
HOEFFER & ARNETT	2,394,337.24	6,212.00	0.00	0.00	0.00
HOUSEHOLD INTERNATIONAL	0.00	0.00	0.00	0.00	84,901,875.00
HOWARD WEIL LABOUISSIE FRIEDRIC	10,168.28	11.15	0.00	0.00	0.00
HSBC BANK	87,491,455.41	136,663.91	0.00	0.00	0.00
HSBC JAMES CAPEL	1,380,911.37	4,158.08	0.00	0.00	0.00
HSBC SECURITIES INC	411,713.64	987.79	8,113,557.66	0.00	25,234,831,983.34
HSBC SIMPSON	2,279,902.17	5,687.81	0.00	0.00	0.00
HVB CAPITAL MARKETS, INC.	315,839.06	474.47	0.00	0.00	0.00
IBJ INTL LTD	14,622,075.87	15,056.39	0.00	0.00	0.00
ICICI BROKERAGE SERVICES LTD	450,403.82	1,614.96	0.00	0.00	0.00
IMPERIAL CAPITAL LLC	179,004.52	537.00	0.00	0.00	0.00
INDEPENDENT BROKER + DEALERS	0.00	0.00	1,080,708.93	0.00	0.00
ING BANK	5,809,779.92	20,633.32	0.00	0.00	0.00
ING BARING	3,498,973.79	9,415.42	0.00	0.00	0.00
INGALLS & SNYDER	63,158.24	340.75	0.00	0.00	0.00
INSTINET	286,216,683.74	146,308.05	0.00	0.00	0.00
INTERFUND TRANSFER	19,451,686.65	0.00	1,907,887.57	0.00	0.00
INTERMONTE	12,909,581.88	24,024.35	0.00	0.00	0.00
INVESTEC SECURITIES	10,244,857.58	10,425.18	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
INVESTEC SECURITIES LTD	2,883,239.26	7,177.85	0.00	0.00	0.00
INVESTMENT	279,493.98	277.94	0.00	0.00	0.00
INVESTMENT TECHNOLOGY CORP	1,190,566,609.36	636,144.27	0.00	0.00	0.00
INVESTSMART INDIA LIMITED	383,839.98	1,146.58	0.00	0.00	0.00
ISI GROUP	18,332,734.29	18,797.34	0.00	0.00	0.00
ITG POSIT	877,002.70	452.52	0.00	0.00	0.00
IVY SECURITIES INC.	268,037.95	458.40	0.00	0.00	0.00
J C BRADFORD & CO	0.00	0.00	9,327,653.35	0.00	0.00
J P MORGAN & CO	34,930,499.49	53,238.14	2,509,533.44	7,805.15	0.00
J P MORGAN SECURITIES INC	413,967,606.30	353,851.01	70,838,371.99	0.00	3,252,435,296.58
J.B. WERE & SON	3,647,225.93	9,126.65	0.00	0.00	0.00
JACKSON PARTNERS & ASSOCIATES INC	10,161,481.94	6,528.00	0.00	0.00	0.00
JAMES B MCCREERY CO	0.00	0.00	804,193,800.09	0.00	0.00
JANCO PARTNERS	7,935,004.25	14,796.00	0.00	0.00	0.00
JANNEY MONTGOMERY SCOTT	17,717,359.09	28,030.20	0.00	0.00	0.00
JEFFERIES & CO	348,104,887.81	351,427.28	551,549.75	0.00	0.00
JOH BERENBERG GOSSLER AND CO	2,943,227.46	4,421.47	0.00	0.00	0.00
JOHNSON RICE & CO	2,236,529.50	3,370.25	0.00	0.00	0.00
JOHNSTON LEMON & CO. INC.	0.00	0.00	12,132,625.00	0.00	0.00
JONES & ASSOCIATES	201,032,546.55	188,390.62	0.00	0.00	0.00
JP MORGAN	27,035,281.24	60,149.70	2,197,812.50	0.00	0.00
KALB VOORHIS & CO	592,831.67	937.17	0.00	0.00	0.00
KAS ASSOCIATES	552,972.40	768.85	0.00	0.00	0.00
KAUFMAN BROTHERS	2,230,555.42	6,086.40	0.00	0.00	0.00
KBC FINANCE	6,657,741.68	6,453.86	0.00	0.00	0.00
KEB SMITH BARNEY SECS	2,587,810.92	6,467.37	0.00	0.00	0.00
KEEFE BRUYETTE & WOOD	33,045,946.59	29,830.84	0.00	0.00	0.00
KINNARD (JOHN G.) & CO	35,813,783.20	38,789.15	0.00	0.00	0.00
KLEINWORTH BENSON INC	84,825,834.16	84,317.69	0.00	0.00	0.00
KNIGHT SECURITIES	116,208,109.41	163,328.77	0.00	0.00	0.00
KOTAK SECURITIES	1,795,084.79	4,516.76	0.00	0.00	0.00
KWS ASSOCIATES INC.	1,467,736.55	3,262.50	0.00	0.00	0.00
LARRAIN VIAL	8,669.29	26.15	0.00	0.00	0.00
LASKER STONE AND STERN	6,700,847.41	14,024.80	0.00	0.00	0.00
LAWRENCE	12,751,173.26	14,785.00	0.00	0.00	0.00
LAZARD ASSET MANAGEMENT	27,717.07	82.91	0.00	0.00	0.00
LAZARD BROS CAPITAL MKT	832,346.96	805.72	0.00	0.00	0.00
LAZARD FRERES & CO	18,563,212.39	14,956.00	0.00	0.00	0.00
LEERINK SW	5,371,793.47	10,055.49	0.00	0.00	0.00
LEGG MASON	19,595,628.85	36,962.43	32,973,665.35	0.00	0.00
LEHMAN BROS INC	558,518,974.09	596,061.03	96,341,075.57	0.00	4,246,201,993.66
LEHMAN BROTHERS	9,406,289.05	17,925.15	0.00	0.00	0.00



## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
LEHMAN BROTHERS INC	716,089,145.77	699,477.08	3,513,245,563.54	415.00	363,318.51
LEHMAN GOVT SECURITIES	0.00	0.00	23,055,827,456.88	0.00	74,835,966.66
LIQUIDNETI	468,393,376.11	334,203.44	0.00	0.00	0.00
LITWIN SECURITIES INC.	363,495.73	761.75	0.00	0.00	0.00
LKP SECURITIES	19,651.66	58.98	0.00	0.00	0.00
LOOP CAPITAL	29,843,102.87	26,074.61	2,004,039.84	0.00	0.00
LYNCH, JONES & RYAN	170,115,032.10	231,733.02	0.00	0.00	0.00
M M WARBURG	243,329.31	485.68	0.00	0.00	0.00
M RAMSEY KING SECURITIES INC.	2,528,945.29	1,375.00	0.00	0.00	0.00
MACQUARIE EQUITIES	73,011,484.57	61,380.66	0.00	0.00	0.00
MAGNA SECURITIES CORP	1,265,356.90	1,249.80	0.00	0.00	0.00
MALONEY & CO	3,965,203.92	3,094.08	0.00	0.00	0.00
MANDATORY EXCHANGE/NON-CASH	71,686,093.32	0.00	0.00	0.00	0.00
MATRIX CAPITAL GROUP INC	11,154,528.43	2,883.73	0.00	0.00	0.00
MAXCOR FINANCIAL INC	111,724.59	518.85	0.00	0.00	0.00
MCDANIEL LEWIS & CO	2,297,162.28	445.61	1,214,036.10	0.00	0.00
MCDONALD & COMPANY	8,647,127.83	15,545.86	13,768,531.25	0.00	0.00
MERRIL-PERFORMANCE MEASURE	1,216,075,416.18	1,089,157.52	3,641,479,966.24	92,451.12	10,496,929.58
MERRILL LYNCH	727,154,113.60	866,637.61	9,809,324.85	0.00	3,036,303,379.65
MERRILL LYNCH INTERNATIONAL	4,446,372.04	11,262.21	6,888,558.16	0.00	0.00
MERRILL LYNCH P F & S	0.00	0.00	47,342,294.96	0.00	19,951,933.33
MERRIMAN	1,525,963.29	2,056.00	0.00	0.00	0.00
MERRION CAPITAL GROUP	4,368,388.87	6,077.40	0.00	0.00	0.00
MESIROW AND COMPANY	0.00	0.00	1,795,910.60	0.00	0.00
MESIROW FINANCIAL INC	0.00	0.00	11,613,126.90	0.00	44,871,686.11
MIAE MERRILL LYNCH ALGOR	333,133.13	121.12	0.00	0.00	0.00
MIDLAND MANAGEMENT CORP	3,304,925.78	5,156.27	0.00	0.00	0.00
MIDWEST RESEARCH	31,326,082.53	36,491.44	0.00	0.00	0.00
MIZUHO SECURITIES	0.00	0.00	12,035,020.00	0.00	0.00
MJSK INC	681,568.71	901.50	0.00	0.00	0.00
MONTGOMERY SECURITIES	461,041,067.07	406,521.75	2,510,860,579.92	0.00	0.00
MORGAN GRENFELL	2,049,086.08	4,297.29	0.00	0.00	0.00
MORGAN KEEGAN INC.	45,691,415.96	60,540.75	3,093,097.44	0.00	0.00
MORGAN STANLEY	135,232,091.95	199,258.55	40,692,750.00	0.00	0.00
MORGAN STANLEY & CO	986,002,555.21	592,153.49	8,786,304,144.78	0.00	7,355,355,023.71
MORGAN STANLEY INDIA SEC PRVT	6,669,747.45	12,388.34	0.00	0.00	0.00
MORRIS BRIDGER SECURITIES INC.	0.00	0.00	49,638,671.88	0.00	0.00
MOTILAL OSWAL SEC. LTD. BOMBAY	111,842.13	372.28	0.00	0.00	0.00
NATIONAL FINANCIAL	33,151,547.60	49,363.78	1,771,460.00	0.00	0.00
NCB STOCKBROKERS	6,829,255.73	10,465.40	0.00	0.00	0.00
NEDBANK (A DIVISION OF NEDCOR)	569,645.18	1,416.95	0.00	0.00	0.00
NESBITT BURNS	2,897,110.72	7,234.60	23,200.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
NEUBERGER & BERMAN	11,272,114.59	17,414.19	0.00	0.00	0.00
NEW VERNON ASSOCIATES	19,448.67	54.27	0.00	0.00	0.00
NEXT GENERATION EQUITY RESEARCH	3,157,682.74	6,549.50	0.00	0.00	0.00
NOMINAL VALUE CHANGE	494,837.00	0.00	0.00	0.00	0.00
NOMURA SEC	5,446,140.97	12,029.91	0.00	0.00	0.00
NOMURA SECURITIES INTL	44,447,597.80	59,718.31	931,200,894.58	0.00	19,565,000,000.00
NOMURA SINGAPORE LTD	1,305,070.19	6,538.91	0.00	0.00	0.00
NORTHLAND	3,088,843.53	4,153.75	0.00	0.00	0.00
NOT APPLICABLE	121,511,099.00	0.00	313,233.84	0.00	0.00
NUMIS SECURITIES LTD	5,549,500.41	10,842.62	0.00	0.00	0.00
NUTMEG SECURITIES	3,326,071.13	2,958.05	0.00	0.00	0.00
NYFIX TRANSACTION SVCS # 2	495,049.88	405.20	0.00	0.00	0.00
ODDOPINATT	1,184,559.87	0.00	0.00	0.00	0.00
OLDE & CO	69,111.90	0.00	0.00	0.00	0.00
OPPENHEIMER & CO	176,036,587.01	228,018.96	243,800.00	0.00	0.00
ORD MINNETT	1,424,296.05	1,425.72	0.00	0.00	0.00
ORIEL SECURITIES LTD	1,836,874.02	1,831.69	0.00	0.00	0.00
ORMES CAPITAL	19,914.91	20.00	0.00	0.00	0.00
OSCAR GRUSSMAN	6,000,643.53	7,085.00	0.00	0.00	0.00
OYAK MENKU	1,767,958.43	3,809.26	0.00	0.00	0.00
PACIFIC CR	27,482,338.79	44,851.80	0.00	0.00	0.00
PACIFIC GROWTH EQUITIES	3,234,147.45	9,730.60	0.00	0.00	0.00
PAINE WEBBER INC	0.00	0.00	991,280,174.65	0.00	0.00
PAINE WEBBER J & C	29,613,509.26	29,377.77	0.00	0.00	0.00
PARIBAS	1,052,595.17	1,576.53	0.00	0.00	0.00
PAULSEN, DOWLING	6,730,474.90	6,242.00	0.00	0.00	0.00
PAYDOWN/PAYUP	0.00	0.00	923,483,492.10	0.00	0.00
PCS SECURITIES INC.	384,154.99	500.00	0.00	0.00	0.00
PENSION FINANCIAL SERVICES INC.	352,273.13	652.27	0.00	0.00	0.00
PEREIRE TOD LIMITED	995,237.64	1,495.10	0.00	0.00	0.00
PERSH PERSHING DIV OF DLJ	3,897,134.93	8,948.24	0.00	0.00	0.00
PERSHING SECURITIES LTD	1,034,613,250.29	712,354.19	69,926,160.49	0.00	0.00
PETERCAM S	3,397,534.58	5,092.30	0.00	0.00	0.00
PETRON SECURITIES LTD	0.00	0.00	89,499,678.89	0.00	0.00
PICKERING	1,355.83	6.40	0.00	0.00	0.00
PICTET & CO	1,559,136.23	2,342.23	0.00	0.00	0.00
PIONEER SECURITIES INC.	0.00	0.00	1,180,141,237.47	0.00	932,527.18
PIPER,JAFFRAY & HOP S	37,205,545.46	82,422.75	9,739,996.66	0.00	0.00
POLCARI	6,033,278.95	10,632.10	0.00	0.00	0.00
PORTALES P	71,944.79	65.75	0.00	0.00	0.00
PRECURSOR	2,232,052.56	2,077.35	0.00	0.00	0.00
PRESSPRICH (R.W.) & COMPANY	0.00	0.00	97,334,268.87	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
PREVISION INVESTMENT CO	0.00	0.00	2,938,796.00	0.00	0.00
PRIME EXEC	7,802,624.32	3,044.00	0.00	0.00	0.00
PRINCETON	1,191,512.46	2,835.00	0.00	0.00	0.00
PRITCHARD CAPITAL	587,439.63	845.50	0.00	0.00	0.00
PRUDENTIAL	1,508,896.79	1,935.00	0.00	0.00	0.00
PRUDENTIAL EQUITY GROUP	189,096,048.90	239,500.61	0.00	0.00	0.00
PRUDENTIAL FUNDING CORP	0.00	0.00	0.00	0.00	19,961,111.11
PRUDENTIAL SECURITIES INC	1,769,362.41	1,879.00	7,226,594.89	0.00	0.00
PULSE TRADE	11,076,941.38	17,270.26	0.00	0.00	0.00
PURCELL GRAHAM & CO	0.00	0.00	464,120.72	0.00	0.00
Q&R CLEARING CORP	273,718.66	435.85	0.00	0.00	0.00
RAINER NATL BK	0.00	0.00	322,982.80	0.00	0.00
RAYMOND JAMES & ASSOCIATES	32,500,107.92	71,148.78	644,698.40	0.00	0.00
RBC CAPITAL MARKETS	0.00	0.00	0.00	0.00	149,544,472.94
RBC DOMINION SECURITIES	46,913,830.72	88,170.84	363,851.27	0.00	0.00
REBOOK TRANSACTION	9,405,777.49	0.00	12,637,554.02	0.00	0.00
REDEMPTION (MBS)	0.00	0.00	39,831.08	0.00	0.00
REFCO-SIFY SECURITIES	124,647.92	478.99	0.00	0.00	0.00
REINVESTMENT	16,309.72	0.00	0.00	0.00	0.00
RENAISSANCE CAPITAL	2,353,210.19	0.00	0.00	0.00	0.00
RESEARCH CAPITAL CORP	444,966.62	678.40	0.00	0.00	0.00
RETURN OF CAPITAL	12,553,418.44	0.00	0.00	0.00	0.00
REUBEN ALSTEAD & CO INC.	0.00	0.00	363,730,708.83	0.00	10,275,000.00
REVERSAL OF PURCHASE	-44,981,590.95	-11,835.13	-791,693,265.56	0.00	0.00
REVERSAL OF SALE	-91,568,147.39	-1,399.24	-2,013,028,512.47	0.00	0.00
RIGHTS ISSUED	36,259.57	0.00	0.00	0.00	0.00
RIGHTS SOLD	58,860.08	0.00	0.00	0.00	0.00
ROBBINS AND HENDERSON	550,725.63	642.88	0.00	0.00	0.00
ROBERT VAN SECURITIES	817,216.82	987.24	0.00	0.00	0.00
ROBERT W. BAIRD & CO	55,552,320.73	108,766.54	924,616.10	0.00	0.00
ROBINSON-HUMPHREY CO	0.00	0.00	1,623,332.07	0.00	0.00
ROCHDALE SECURITIES CORP	92,246,683.59	109,230.65	0.00	0.00	0.00
ROCKHOUSE	9,029,500.38	7,371.80	0.00	0.00	0.00
ROSENBLATT SECURITIES INC	44,015,709.01	21,692.00	0.00	0.00	0.00
ROYAL BANK OF CANADA	203,048.32	404.28	0.00	0.00	0.00
ROYAL TRUST	5,307,637.10	7,949.53	0.00	0.00	0.00
RYAN BECK & CO.	5,738,698.03	11,982.00	0.00	0.00	0.00
SALOMON BROTHERS	189,467,917.01	238,525.78	7,296,955,720.76	499.65	996,990.00
SALOMON BROTHERS INC NY	43,943,944.15	88,596.31	3,793,927.55	0.00	0.00
SALOMON SM	5,535,141.25	14,351.82	0.00	0.00	0.00
SALOMON SMITH BARNEY HOLDINGS	10,006,028.04	20,944.87	0.00	0.00	0.00
SALOMON SOFT DOLLARS	231,083.14	339.65	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
SAMSUNG SECURITIES	2,828,162.57	6,830.86	0.00	0.00	0.00
SAMUEL A R	6,724,004.97	5,885.64	0.00	0.00	0.00
SANAT M. DALAL. DOMBAY	300,424.03	1,042.03	0.00	0.00	0.00
SANDERS, MORRIS & MUNDY INC.	10,242,094.22	18,577.50	0.00	0.00	0.00
SANDLER O NEIL	13,466,219.59	16,186.68	0.00	0.00	0.00
SANFORD C.	6,336,393.82	7,892.40	0.00	0.00	0.00
SANTANDER CENTRAL HISPANO BOLS	4,231,873.94	6,343.33	0.00	0.00	0.00
SBAE BERNSTEIN ALGORITHMIC	335,609.12	151.92	0.00	0.00	0.00
SBC WARBURG, LONDON	318.57	0.64	161,347.63	950.50	0.00
SBK BROOKS INVESTMENT CORP	603,103.22	725.00	0.00	0.00	0.00
SBS SECURITIES CORP	2,269,962.60	1,860.00	0.00	0.00	0.00
SCOTIA MCLEOD	2,689,717.65	3,149.54	0.00	0.00	0.00
SCOTT & STRINGFELLOW	12,863,282.22	30,543.69	4,218,809.27	0.00	0.00
SEATTLE NORTHWEST SECURITIES CORP	0.00	0.00	91,170.00	0.00	0.00
SEE #20600 GOLDMAN SACHS	184,666,622.64	173,668.22	141,670,566.10	0.00	0.00
SEI FUNDS EVALUATION	4,717,296.66	2,957.20	0.00	0.00	0.00
SELECT NATURAL RESOURCES	63,393.84	172.00	0.00	0.00	0.00
SERVICE ASSET MANAGEMENT COMPA	2,839,430.21	732.45	35,387.50	0.00	0.00
SG COWEN SECURITIES CORP	53,543,555.46	72,715.88	0.00	0.00	0.00
SHANGHAI INTERNATIONAL SECURITY	25,821.99	110.21	0.00	0.00	0.00
SIDOTI	15,592,910.08	25,199.09	0.00	0.00	0.00
SIGNATOR INVESTORS INC	0.00	0.00	1,700,248.00	0.00	0.00
SIMMONS +	650,733.81	3,094.60	0.00	0.00	0.00
SIMMONS FIRST NATL BANK	0.00	0.00	44,852,560.09	0.00	0.00
SK INTERNATIONAL SECURITIES	9,592,004.71	9,137.00	0.00	0.00	0.00
SMITH NEW COURT	0.00	0.00	270,477.55	0.00	0.00
SOCIETE GE	33,574,022.25	40,727.29	0.00	0.00	0.00
SOCIETE GENERAL	1,256,360.27	1,685.91	0.00	0.00	0.00
SOCIETE GENERALE NA	0.00	0.00	0.00	0.00	813,409,654.83
SOLEIL SEC.	91,800.16	187.65	0.00	0.00	0.00
SOUTHWEST SECURITIES	16,797,926.14	18,072.62	0.00	0.00	0.00
SPEAR, LEEDS & KELLOGG	40,263,028.73	11,264.23	59,391,710.13	0.00	0.00
SPINOFF	626,828.22	0.00	0.00	0.00	0.00
SS KANTIISHWARLAL LTD	595,543.12	2,295.49	0.00	0.00	0.00
SSANGYONG INVESTMENTS	964,533.23	2,421.26	0.00	0.00	0.00
SSGA EXTERNAL	61,556,923.77	0.00	0.00	0.00	0.00
STANDARD & POOR SECURITIES	40,751,413.41	44,202.50	0.00	0.00	0.00
STANDARD BANK OF SA JOHANNESBURG	2,944,843.23	7,351.65	0.00	0.00	0.00
STANFORD GROUP CO	113,094.68	749.00	0.00	0.00	0.00
STATE BOARD OF INVESTMENT	0.00	0.00	20,047,957.35	0.00	1,504,113.72
STATE ST BK & TRUST	229,160,301.88	177,502.03	0.00	0.00	24,120,230,911.70
STEPHEN M. FERRETTI INC.	4,466,352.92	7,040.00	0.00	0.00	0.00

## COMMISSIONS AND TRADING VOLUME

### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
STEPHENS, INC.	12,170,897.81	25,919.15	25,194,390.59	0.00	0.00
STERNE, AGEE & LEACH	1,587,923.70	4,749.70	2,000,000.00	0.00	0.00
STIFEL NICOLAUS & COMPANY	4,700,350.72	5,901.60	0.00	0.00	0.00
STOCK DISTRIBUTION/NON-CASH	8,887,563.14	0.00	0.00	0.00	0.00
STOCK DIVIDEND NON-CASH	0.00	0.00	360,389.12	0.00	0.00
STOCK SPLIT	27,585.92	0.00	0.00	0.00	0.00
STOCK/CASH DIVIDEND	3,530,863.92	0.00	0.00	0.00	0.00
SUBSCRIPTION (NON CASH)	35,456.90	0.00	0.00	0.00	0.00
SUN EQUITIES INC	0.00	0.00	55,229,537.79	0.00	0.00
SUNTRUST BANK	146,728.43	185.00	0.00	0.00	0.00
SUNTRUST CAPITAL MARKETS INC	27,765,257.57	48,151.09	0.00	0.00	0.00
SUSQUEHANNA FINANCIAL GROUP	9,136.30	8.75	0.00	0.00	0.00
SUVALOR BOGOTA, COLUMBIA	398,925.14	1,588.90	0.00	0.00	0.00
SVENSKA HANDELSBANKEN	1,253,529.59	1,883.13	0.00	0.00	0.00
SWISS AMERICAN SECURITIES	88,350.00	0.00	0.00	0.00	0.00
SWISS BANK	458,770,743.19	531,131.84	4,108,037,768.99	0.00	0.00
TD WATERHOUSE CDA	587,644.54	361.92	0.00	0.00	0.00
TEATHER AND GREENWOOD	9,453,305.94	10,127.16	0.00	0.00	0.00
TEJAS SECURITIES	1,943,692.39	4,830.00	0.00	0.00	0.00
TENDER OFFER NON CASH	75,778.94	0.00	0.00	0.00	0.00
THOMAS C BOWLES & CO.	461,114.81	621.00	0.00	0.00	0.00
THOMAS WEISEL PARTNERS	65,724,849.65	122,569.40	0.00	0.00	0.00
TOKAI BANK LONDON	1,511,919.35	2,264.46	0.00	0.00	0.00
TOKYO MITSUBISHI	5,760,802.81	6,863.12	0.00	0.00	0.00
TORONTO DOMINION SEC INC	7,926,815.87	5,507.10	0.00	0.00	29,921,600.00
TRANSFER OF ASSETS	3,891,364.34	0.00	0.00	0.00	0.00
TULLET LIBERTY INC	3,011,115.87	7,241.00	0.00	0.00	0.00
U.S. CLEARING	5,893,471.54	12,244.40	4,723,795.31	0.00	0.00
UBAE WARBURG ALGORITHMIC	201,680.35	86.96	0.00	0.00	0.00
UBS AG	66,344,703.49	114,081.07	4,170,426.24	0.00	0.00
UBS SECURITIES	168,687,960.26	219,893.43	0.00	0.00	16,964,246,381.67
UBS WARBUR	0.00	0.00	3,120,793.00	0.00	0.00
UBS WARBURG	5,028,871.00	13,728.58	687,384.99	0.00	0.00
UBS-DB CORPORATION	0.00	0.00	36,877,703.90	0.00	0.00
UNIBANCO	169,556.44	431.27	0.00	0.00	0.00
UNITED FINANCIAL CORPORATION	438,979.06	0.00	0.00	0.00	0.00
UNITED SERVICES PLANNING ASSOC	0.00	0.00	280,493,426.89	0.00	0.00
UNTERBURG HARRIS & DESANTIS	5,794,278.78	11,540.50	0.00	0.00	0.00
UNX INC.	69,267.69	684.66	0.00	0.00	0.00
VERITAS SECURITIES	177,206.00	200.00	0.00	0.00	0.00
VINING SPARKS	0.00	0.00	22,579,947.97	0.00	0.00
W.J. BONFANTI INC	4,855,620.33	1,596.16	0.00	0.00	0.00

## Statistical Data

### COMMISSIONS AND TRADING VOLUME

#### By Broker for Fiscal Year 2005

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
WAGNER STOTT & CO.	272,501,751.45	227,543.58	0.00	0.00	0.00
WALL STREET PLANNING INC.	0.00	0.00	40,290,290.88	0.00	7,739,552.75
WARBURG DI	14,917,308.91	29,741.39	0.00	0.00	0.00
WARBURG S.G	3,528,640.77	10,963.28	0.00	0.00	0.00
WARBURG, DILLON READ	96,679,283.68	168,108.31	0.00	0.00	0.00
WARBURGS	0.00	0.00	51,037.95	0.00	0.00
WARRANTS ISSUED	0.00	0.00	0.00	0.00	0.00
WATERHOUSE SECS. INC	379,700.35	640.00	0.00	0.00	0.00
WAVE SECURITIES	75,096,995.17	42,972.89	0.00	0.00	0.00
WDAE WEEDEN ALGORITHMIC	1,439.45	1.05	0.00	0.00	0.00
WEDBUSH SECURITIES	15,184,984.78	30,204.44	2,100,000.00	0.00	0.00
WEEDEN & COMPANY	218,491,139.09	148,860.93	0.00	0.00	0.00
WEISS	3,433,073.09	4,219.85	0.00	0.00	0.00
WELLS FARGO BANK	4,153,095.71	6,190.39	0.00	0.00	0.00
WELLS FARGO INSTITUTL BROK & SALES	0.00	0.00	0.00	0.00	82,424,222.22
WERE STOCKBROKING LTD	116,840.51	291.37	0.00	0.00	0.00
WESTDEUTSCHE LANDESBANK	2,527,295.07	3,787.51	0.00	0.00	0.00
WESTMINSTER	4,138,337.09	13,534.06	0.00	0.00	0.00
WHEATON FIRST SECURITIES INC	667,399.08	3,069.45	0.00	0.00	0.00
WHITE CAP TRADING	7,868,539.31	5,433.98	0.00	0.00	0.00
WILIAM R. HOUGH & CO	910,450.00	0.00	4,258,148.00	0.00	0.00
WILLIAM BLAIR & CO.	226,472.29	200.00	5,310,950.00	0.00	0.00
WILLIAM JENNINGS & CO INC.	1,067,157.86	1,795.25	0.00	0.00	0.00
WILLIAMS CAP GROWTH	0.00	0.00	6,429,068.56	0.00	0.00
WILLIAMS CAP GRP LP	0.00	0.00	0.00	0.00	24,971,201.39
WILLIAMS CAPITAL GROUP LPNY	8,209,505.42	10,647.38	0.00	0.00	0.00
WILLIAMS D BROE	4,671,430.75	4,653.64	0.00	0.00	0.00
WILSHIRE ASSOCIATES	223,363.14	864.00	0.00	0.00	0.00
WOOD & CO.	2,394.18	14.45	0.00	0.00	0.00
WR HAMBREC & CO	3,478,491.55	2,442.95	0.00	0.00	0.00
YAMNER & CO INC (CLS THRU 443)	11,907,503.83	7,197.00	0.00	0.00	0.00
ZIONS CAPITAL MARKETS	0.00	0.00	18,761,899.22	0.00	0.00
BROKER NOT AVAILABLE*	9,141,886,742.53	200,432.74	903,647,520.49	1,980.00	22,030,861,724.35
<b>ALL BROKERS COMBINED</b>	<b>29,834,918,840.54</b>	<b>20,267,809.91</b>	<b>97,463,441,522.21</b>	<b>656,246.50</b>	<b>219,493,472,931.82</b>

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

Note: Totals may not add due to rounding

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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund as of and for the year ended June 30, 2005, as shown on pages 118-125. These financial statements are the responsibility of the Minnesota State Board of Investment's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the Supplemental Investment Fund and the Post Retirement Investment Fund of the State of Minnesota and are not intended to present fairly the financial position and results of operation of the Minnesota State Board of Investment or the State of Minnesota in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund, referred to above, present fairly, in all material respects, the net assets as of June 30, 2005, and the changes in net assets and results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Minnesota State Board of Investment adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2005. This standard establishes and modifies disclosure requirements for deposit and investment risks, including credit risk, interest rate risk, and foreign currency risk.

Members of the Minnesota State Board of Investment  
and  
Howard J. Bicker, Executive Director  
Page 2

In accordance with *Government Auditing Standards*, we also issued our report dated January 13, 2006, on our consideration of the Minnesota State Board of Investment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund. The supporting schedules, on pages 127-175, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Supplemental Investment and Post Retirement Funds of the State of Minnesota. These supporting schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The financial information, on pages 1 through 113, has not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on that information.



James R. Nobles  
Legislative Auditor



Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

January 13, 2006

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND (7)</b>	<b>POST RETIREMENT INVESTMENT FUND (8)</b>
<b>ASSETS:</b>		
<b>Investments (at market value) (2), (3):</b>		
<b>Common Stock</b>	\$ 729,120	\$ 12,681,689
<b>Alternative Equities</b>	0	1,480,909
<b>Fixed Income Securities</b>	465,566	4,799,864
<b>Short Term Securities</b>	108,153	426,786
<b>Short Term Securities-Lending Collateral(4b)</b>	94,180	2,385,526
<b>Total Investments (4a)</b>	\$ 1,397,019	\$ 21,774,774
<b>Cash</b>	0	0
<b>Security Sales Receivable</b>	0	0
<b>Accounts Receivable-Fee Refunds</b>	0	0
<b>Accounts Receivable-Mortality</b>	0	24,219
<b>Accounts Receivable-Participants</b>	0	0
<b>Accrued Interest</b>	161	0
<b>Accrued Dividends</b>	0	0
<b>Accrued Short Term Gain</b>	273	924
<b>Reserve Adjustment</b>	0	0
<b>TOTAL ASSETS</b>	\$ 1,397,453	\$ 21,799,917
<b>LIABILITIES:</b>		
<b>Management Fees Payable</b>	\$ 174	\$ 6,133
<b>Security Purchases Payable</b>	0	0
<b>Accounts Payable-Participants</b>	0	3,374
<b>Accounts Payable-Mortality</b>	0	109,628
<b>Payable to MSRS</b>	0	0
<b>Reserve Adjustment</b>	0	0
<b>Securities-Lending Collateral (4b)</b>	94,180	2,385,526
<b>TOTAL LIABILITIES</b>	\$ 94,354	\$ 2,504,661
<b>NET ASSETS AT JUNE 30, 2005</b>	\$ 1,303,099	\$ 19,295,256

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
<b>FROM UNDISTRIBUTED INCOME:</b>		
Net Investment Income	\$ 48,425	\$ 1,326,178
Realized Gains (Losses)	( 1,092)	114,320
Unrealized Gains (Losses)	40,079	417,292
<b>TOTAL INCOME</b>	<b>\$ 87,412</b>	<b>\$ 1,857,790</b>
Less Distribution To		
Participant Accounts	( 87,412)	( 1,857,790)
Undistributed Dedicated Income	0	0
<b>Net Change From Undistributed Income</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FROM PARTICIPANT TRANSACTIONS:</b>		
<b>Additions To Participant Accounts</b>		
Participant Contributions	122,853	1,419,715
Income Distribution	87,413	1,857,790
Income To Be Distributed	0	0
<b>Total Additions</b>	<b>\$ 210,266</b>	<b>\$ 3,277,505</b>
<b>Deductions From Participant Accounts</b>		
Withdrawals	100,554	2,385,327
<b>Total Deductions</b>	<b>\$ 100,554</b>	<b>\$ 2,385,327</b>
<b>Net From Participant Transactions</b>	<b>\$ 109,712</b>	<b>\$ 892,178</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 109,712</b>	<b>\$ 892,178</b>
<b>NET ASSETS:</b>		
Beginning Of Period	1,193,387	18,403,078
<b>End Of Period</b>	<b>\$ 1,303,099</b>	<b>\$ 19,295,256</b>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
SUPPLEMENTAL AND POST INVESTMENT FUNDS  
STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
<b>INVESTMENT INCOME:</b>		
Interest	\$ 16,415	\$ 259,577
Dividends	\$ 29,946	\$ 1,072,468
Short Term Gains	2,560	15,201
Security Lending Gross Earnings(4c)	2,253	56,043
Less: Borrower Rebates	( 1,885)	( 47,390)
Less: Fees Paid to Agents	( 83)	( 1,976)
Security Lending Net Earnings	285	6,677
Income Before Expenses	\$ 49,206	\$ 1,353,923
Management Fees	781	27,745
<b>NET INCOME</b>	<b>\$ 48,425</b>	<b>\$ 1,326,178</b>
 <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
<b>Realized:</b>		
Proceeds From Sales	\$ 66,421	\$ 2,256,323
Cost Of Securities Sold	67,513	2,142,003
Net Realized Gain (Loss)	(\$ 1,092)	\$ 114,320
<b>Unrealized:</b>		
Beginning Of Period	16,475	( 218,224)
End Of Period	56,554	199,068
<b>Increase (Decrease) In</b>		
Unrealized Appreciation	\$ 40,079	\$ 417,292
 <b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	 <b>\$ 38,987</b>	 <b>\$ 531,612</b>

Notes are an integral part of the Financial Statements

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and Basis of Presentation: This report includes financial statements for the Supplemental Investment, and Post Retirement Trust Funds of the State of Minnesota, which are administered by the State Board of Investment under authority of *Minnesota Statutes Chapter 11A*.

The financial statements presented for these funds are based on the preferred accounting practices described in the **American Institute of Certified Public Accountants** audit guide, "**Audits of Investment Companies**". These practices, and the significant accounting policies which follow, conform with generally accepted accounting principles.

Authorized Investments: *Minnesota Statutes, Section 11A.24* broadly restricts investments to obligations and stocks of the U.S. and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; international securities; restricted participation as a limited partner in venture capital, real estate or resource equity investments; and restricted participation in registered mutual funds.

GASB 40: Deposit and Investment Risk Disclosures was issued in March 2003. This standard establishes and modifies disclosure requirements for deposit and investment risks including credit risk, interest rate risk, and foreign currency risk. SBI implemented this statement during the fiscal year ended June 30, 2005.

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

Recognition of Security Transactions: Security transactions are accounted for on the date the securities are purchased or sold.

Income Recognition: Pool dividend income is recorded on the ex-dividend date. Pool interest and dividend income are accrued monthly. Short-term interest is accrued monthly and is presented as "Accrued Short-Term Gain".

Amortization of Fixed Income Securities: Premiums and discounts on fixed income purchases are amortized over the remaining life of the security using the "Effective Interest Method".

Loaning Securities: State Statutes do not prohibit the SBI from participating in security lending. As such, domestic and international corporate securities as well as certain US Government and Government Agency securities are loaned out by the State Board to banks and brokers for additional income. Collateral in the amount of 100% of the market value of the security loaned is required.

During the Fiscal Year, SBI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in a separate investment pool. As of June 30, 2005, the investments of cash collateral had an average duration of 37 days and a weighted average maturity of 403 days. Since the loans are terminable at will, their duration is not matched to the duration of investments made with cash collateral. On June 30, 2005 Minnesota had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the State Board as of June 30, 2005 were \$5,246,995,383 and \$5,110,997,370 respectively.

The SBI utilizes State Street Bank (SSB) to manage its Securities Lending program. SSB provides the SBI indemnification in the event a borrower defaults by failing to return a loaned security.

### 2. PORTFOLIO LISTING

Asset listings summarizing the securities held by these funds can be found starting on page 157 of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at market value.

### 3. COST OF INVESTMENTS

At June 30, 2005, the cost of investments for the Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	\$ 1,248,475,256
Post Retirement Fund	\$ 19,191,103,825

### 4. LOANED SECURITIES

4(a) The market value of loaned securities outstanding at June 30, 2005 was:

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2005

Supplemental Investment Fund	\$ 95,545,014
Post Retirement Fund	\$ 2,440,424,752

4(b) In accordance with GASB 28, Accounting and Financial Reporting for Security Lending Transactions, the amount of cash collateral is concurrently an asset and a liability at the balance sheet date.

Non-cash collateral is considered an asset and a liability only if the lender has the right to sell collateral absent of borrower default. There is no such right in our case.

4(c) In accordance with GASB 28, Accounting and Financial Reporting for Security Lending Transactions, gross lending income, borrower rebate and agent fees must be reported on the face of the Statement of Operations.

### 5. DERIVATIVE INSTRUMENTS

In accordance with GASB Technical Bulletin 2003-1, effective June 15, 2003, MSBI has reported derivative activity at fair value on these financial statements. Derivative activity is conducted through contracts traded on government regulated exchanges. Its primary purpose is to improve performance or to expose cash to market conditions without the expense of purchasing the actual security.

At June 30, 2005, SBI held outstanding long positions with a notional value of \$520,975,108 and estimated fair value of \$888,245 along with short positions with a notional value of \$617,642,144 and estimated fair value of (\$225,560). The fair value of these contracts is a component of Unrealized Gain/Loss.

At June 30, 2005, there was \$1,041,335,188 in open trades for TBA Mortgage-Backed Securities. The fair value of this component is included in Fixed Income Securities with an off-setting amount in security purchases payable of \$1,040,003,633 and Unrealized Gain/Loss of \$1,331,555.

### 6. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages five pooled investment accounts for the Investment Trust Funds, the Supplemental Investment Fund and the Defined Benefit Pension Funds of the State of Minnesota. MSBI's master custodian, State Street Bank and Trust holds the assets of the pooled accounts. Financial information on these pooled accounts is shown on pages **146 to 153** of this report.

SBI considers the pools to be the owners of the investments and that the participants, such as the Post and Supplemental funds, own a proportionate share of the pool. Policies relating to the management of the investments apply to the pools with the participants invested based on objectives of

the pools. The schedules shown in notes seven and eight reflect the Supplemental and Post funds proportionate share of pooled investments.

Deposit and investment risk disclosures are abbreviated in this note. For expanded discussion of the Statutory, Board, and contractual guidelines followed to limit investment risk by external and internal managers of the pooled investments see the Introduction and Investment Pools sections of this 2005 Annual Report.

#### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt instruments could adversely affect the fair value of an investment. Per its constitutional authority and governance by elected State officials that comprise the Board, the Board issues investment guidelines and limitations regarding interest rate risk that are incorporated into the contracts between investment managers and SBI. Debt securities are constrained around the quality rating, sector mix and duration of the Lehman Aggregate Bond Index allowing for an average duration of +/- 0.2 years for semi-passive managers and +/- 2.0 years for active managers. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within investment types.

#### Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Minnesota Statutes limit investment in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The SBI credit policy is not more stringent than the statutory requirements. Within the contracts between SBI and investment managers are guidelines and limitations regarding interest rate risk, such as, any debt security with a grade quality rating issued by Moodies, S&P, or Finch or with specific written authorization qualifies for investment. The Supplemental and Post quality ratings tables one and three follow the GASB 40 convention of choosing the lowest investment rating reported by Moodies or S&P.

#### Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment guidelines issued to investment managers by the State Board require investment across all sectors of the market. Unrated or below investment grade corporate obligations are limited to less than five percent of the value of the acquiring fund, 50% of an issue and 25%

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

of the issuer's obligations. Investments in corporate stock may not exceed five percent of the total outstanding of any one corporation.

For the Supplemental Investment Funds issuer exposure greater than five percent the Fixed Interest Daily SIF is 8.60% of the Funds. For the Post Retirement Fund investments in United States Treasury notes are 5.83% of the fund's investments.

**Foreign Currency Risk – Investments**

Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect the fair value of an investment. Investment managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts in order to avoid currency losses. The Supplemental investment and Post Retirement Investment funds exposure to foreign currency risk is presented in tables two and four respectively.

**7. SUPPLEMENTAL INVESTMENT FUND**

The Supplemental Investment Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal Year 2005 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **127 to 145** of this report. Participation in the Supplemental Investment Fund accounts is determined in accordance with various statutory requirements.

The SBI invests the assets of the Supplemental Investment Fund as discussed in the Supplemental Investment Fund section of this report. The investment allocation is a factor of the investment decisions of the participants and the investment objectives of the funds they select. Debt securities comprise 36% of this allocation. Assets of the Supplemental Investment Fund are comprised of shares of the investment pools managed by SBI. The tables below represent the Supplemental Investment Fund's participation in the pooled investment accounts.

**Table 1**

**Debt Securities Credit Quality and Exposure of the Supplemental funds'  
Share of the Pooled Investment Accounts as of June 30, 2005 (In Thousands)**

Type	Years Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	16.20	\$7,903	0.00%	89.29%	0.00%	10.71%
Corporate Bonds	5.16	\$139,887	0.00%	78.98%	14.03%	6.99%
External Cash Equivalent Pools	0.15	\$107,456	0.00%	100.00%	0.00%	0.00%
Mortgage Backed Securities	24.00	\$68,145	8.21%	90.62%	0.30%	0.87%
Mortgage Backed Securities TBA	0.00	\$12,339	19.90%	80.10%	0.00%	0.00%
Municipal/Provisincial Bonds	6.27	\$5,004	0.00%	79.90%	1.59%	18.52%
Mutual Funds	5.72	\$51,653	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	2.89	\$53,673	0.00%	99.50%	0.00%	0.50%
U.S. Treasuries	7.58	<u>\$27,038</u>	100.00%	0.00%	0.00%	0.00%
		<u>\$473,098</u>				

**Table 2**

**Currency Exposure (In Thousands)**

	Cash	Fixed	Equity
Euro Currency	\$251	\$957	\$18,918
Pound Sterling	\$70	\$65	\$14,124
Other LT 1% Foreign	<u>\$464</u>	<u>\$122</u>	<u>\$32,552</u>
Total	<u>\$785</u>	<u>\$1,144</u>	<u>\$65,594</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**8. POST RETIREMENT INVESTMENT FUND**

The Post Retirement Investment Fund (POST) serves as an investment vehicle for the Defined Benefit Pension Funds of the State of Minnesota. The fund invests amounts certified by the various pension funds as reserves required for the payment of retirement benefits. Assets of the POST Fund are held in custody at State Street Bank in Boston.

Participation in the POST Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 2005. It includes a 6% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, a **monthly proration of unrealized gains or losses** and any mortality gains or losses as determined by an independent actuary hired by the State Legislature. The difference between this participation and the accrued fair value of the POST Fund is listed as Undistributed Earnings.

Pursuant to *Minnesota Statutes Section 11A.18, Subdivision 9*, the inflation increase is based on the change during the Fiscal Year in the *Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor*. In addition to the inflation based increase, a portion of the June 30, 2005 net market

value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 2006.

The benefit increase is stated as a percentage of eligible required reserves. In accordance with statutory provisions, the amount available for the benefit increase is certified to each participating pension fund for distribution to eligible individuals. Annuitants and other individuals receiving benefits at May 31, 2005 are eligible to receive the January 1, 2006 benefit increase.

Inflation Based Benefit Increase	2.500%
Investment Based Benefit Increase	<u>0.000</u>
<b>Total Benefit Increase</b>	<b>2.500%</b>

The SBI invests the assets of the Post Fund on a long-term asset allocation as discussed in the Post Retirement Fund section of this report. Debt securities make up 30% of this allocation. Investments exposed to foreign currencies comprise 15% of the allocation. The tables below represent the Post Fund's participation in the pooled investment accounts.

**Table 3**

<b>Debt Securities Credit Quality and Exposure of the Post Fund's Share of the Pooled Investment Accounts as of June 30, 2005 (In Thousands)</b>						
Type	Years Average Maturity	Fair Value	US Guarantee	BBB or Better	BB or Lower	Unrated
Asset Backed	15.54	\$309,215	0.00%	88.56%	0.00%	11.44%
Corporate Bonds	6.89	\$1,187,369	0.00%	81.21%	18.45%	0.33%
External Cash Equivalent Pools	0.15	\$639,708	0.00%	100.00%	0.00%	0.00%
Mortgage Backed Securities	24.11	\$1,264,104	4.38%	93.55%	0.11%	1.95%
Mortgage Backed Securities TBA	0.00	\$515,635	19.90%	80.10%	0.00%	0.00%
Municipal/Provisincial Bonds	7.67	\$136,260	0.00%	91.50%	2.44%	6.06%
Mutual Funds	0.00	\$13,721	0.00%	0.00%	0.00%	100.00%
U.S. Agencies	3.68	\$668,322	0.00%	98.32%	0.00%	1.68%
U.S. Treasuries	7.59	<u>\$1,129,924</u>	100.00%	0.00%	0.00%	0.00%
		<u>\$5,864,258</u>				

**Table 4**

<b>Currency Exposure (In Thousands)</b>			
	Cash	Fixed	Equity
Euro Currency	\$10,368	\$39,972	\$780,743
Japanese Yen	\$7,943	\$0	\$497,641
Pound Sterling	\$2,878	\$2,724	\$582,893
Other LT 1%	<u>\$11,189</u>	<u>\$5,084</u>	<u>\$845,753</u>
Total	<u>\$32,378</u>	<u>\$47,780</u>	<u>\$2,707,030</u>

**SCHEDULE OF PARTICIPATION**  
**June 30, 2005**  
**AMOUNTS IN (000)'S**

	<b>SUPPLEMENTAL INVESTMENT FUND</b>	<b>POST RETIREMENT INVESTMENT FUND</b>
<b>Teacher's Retirement Fund</b>	\$ 0	\$ 10,498,224
<b>Public Employees Retirement Fund</b>	0	6,564,063
<b>State Employees Retirement Fund</b>	0	3,542,489
<b>Public Employees Police &amp; Fire Fund</b>	0	2,309,949
<b>Public Employees Consolidation Fund</b>	0	3,742
<b>Highway Patrolmen's Retirement Fund</b>	0	362,771
<b>Legislators &amp; Survivors Retirement Fund</b>	0	42,774
<b>Correctional Employees Retirement Fund</b>	0	229,320
<b>Judges Retirement Fund</b>	0	97,100
<b>Income Share Account</b>	494,954	0
<b>Growth Share Account</b>	138,437	0
<b>Money Market Account</b>	101,579	0
<b>Common Stock Index Account</b>	207,497	0
<b>International Stock Account</b>	70,588	0
<b>Bond Market Account</b>	114,831	0
<b>Stable Value Account</b>	175,213	0
<b>TOTAL PARTICIPATION</b>	\$ 1,303,099	\$ 23,650,432
 <b>Adjustments</b>		
<b>Undistributed Earnings</b>	0	( 4,355,176)
<b>NET ASSETS</b>	\$ 1,303,099	\$ 19,295,256

Notes are an integral part of the Financial Statements

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**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<u>INCOME SHARE ACCOUNT</u>	<u>GROWTH SHARE ACCOUNT</u>	<u>MONEY MARKET ACCOUNT</u>
<b>ASSETS:</b>			
<b>Investments (at market value) (2), (3):</b>			
Common Stock	\$ 312,482	\$ 138,503	\$ 0
Alternative Equities	0	0	0
Fixed Income Securities	177,229	0	0
Short Term Securities	5,246	0	101,324
Securities-Lending Collateral (4b)	31,412	8,922	0
<b>Total Investments (3)</b>	<u>\$ 526,369</u>	<u>\$ 147,425</u>	<u>\$ 101,324</u>
Cash	0	0	0
Security Sales Receivable	0	0	0
Account Receivable- Fee Refunds	0	0	0
Account Receivable-Mortality	0	0	0
Account Receivable-Participants	0	0	0
Accrued Interest	0	0	0
Accrued Dividend	0	0	0
Accrued Short Term Gain	13	0	256
<b>TOTAL ASSETS</b>	<u>\$ 526,382</u>	<u>\$ 147,425</u>	<u>\$ 101,580</u>
<b>LIABILITIES:</b>			
Management Fees Payable	\$ 16	\$ 66	\$ 1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
Securities-Lending Collateral (4b)	31,412	8,922	0
<b>TOTAL LIABILITIES</b>	<u>\$ 31,428</u>	<u>\$ 8,988</u>	<u>\$ 1</u>
<b>NET ASSETS AT JUNE 30, 2004</b>	<u><u>\$ 494,954</u></u>	<u><u>\$ 138,437</u></u>	<u><u>\$ 101,579</u></u>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 207,506	\$ 70,629	\$ 0	\$ 0	\$ 729,120
0	0	0	0	0
0	0	114,858	173,479	465,566
0	0	0	1,583	108,153
14,814	8,086	30,946	0	94,180
<u>\$ 222,320</u>	<u>\$ 78,715</u>	<u>\$ 145,804</u>	<u>\$ 175,062</u>	<u>\$ 1,397,019</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	161	161
0	0	0	0	0
0	0	0	4	273
<u>\$ 222,320</u>	<u>\$ 78,715</u>	<u>\$ 145,804</u>	<u>\$ 175,227</u>	<u>\$ 1,397,453</u>
\$ 9	\$ 41	\$ 27	\$ 14	174
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
14,814	8,086	30,946	0	94,180
<u>\$ 14,823</u>	<u>\$ 8,127</u>	<u>\$ 30,973</u>	<u>\$ 14</u>	<u>\$ 94,354</u>
<u><u>\$ 207,497</u></u>	<u><u>\$ 70,588</u></u>	<u><u>\$ 114,831</u></u>	<u><u>\$ 175,213</u></u>	<u><u>\$ 1,303,099</u></u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>FROM UNDISTRIBUTED INCOME:</b>			
Net Investment Income	\$ 16,577	\$ 8,917	\$ 2,299
Realized Gains (Losses)	( 700)	( 1,160)	0
Unrealized Gains (Losses)	19,809	3,562	0
<b>TOTAL INCOME</b>	<b>\$ 35,686</b>	<b>\$ 11,319</b>	<b>\$ 2,299</b>
Less Distributions to participants Accounts	(\$ 35,686)	(\$ 11,319)	(\$ 2,299)
Undistributed Dedicated Income	0	0	0
<b>Net Change In Undistributed Income</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FROM PARTICIPANT TRANSACTIONS:</b>			
<b>Additions To Participant Accounts</b>			
Participant Contributions	\$ 14,938	\$ 3,116	\$ 28,575
Income Distributions	35,686	11,319	2,299
Income To Be Distributed	0	0	0
<b>Total Additions</b>	<b>\$ 50,624</b>	<b>\$ 14,435</b>	<b>\$ 30,874</b>
<b>Deductions From Participant Accounts</b>			
Withdrawals	\$ 22,327	\$ 9,515	\$ 25,165
<b>Total Deductions</b>	<b>22,327</b>	<b>9,515</b>	<b>25,165</b>
<b>Net change In Participation</b>	<b>\$ 28,297</b>	<b>\$ 4,920</b>	<b>\$ 5,709</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 28,297</b>	<b>\$ 4,920</b>	<b>\$ 5,709</b>
<b>NET ASSETS:</b>			
Beginning Of Period	466,657	133,517	95,870
End Of Period	<u>\$ 494,954</u>	<u>\$ 138,437</u>	<u>\$ 101,579</u>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 4,821	\$ 8,388	\$ 5,576	\$ 1,847	\$ 48,425
( 329)	694	( 273)	676	( 1,092)
10,500	605	1,489	4,114	40,079
\$ 14,992	\$ 9,687	\$ 6,792	\$ 6,637	\$ 87,412
(\$ 14,992)	(\$ 9,687)	(\$ 6,792)	(\$ 6,637)	(\$ 87,412)
0	0	0	0	0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 16,659	\$ 6,319	\$ 26,480	\$ 26,767	\$ 122,854
14,992	9,687	6,792	6,637	87,412
0	0	0	0	0
\$ 31,651	\$ 16,006	\$ 33,272	\$ 33,404	\$ 210,266
\$ 15,983	\$ 4,260	\$ 11,839	\$ 11,465	\$ 100,554
15,983	4,260	11,839	11,465	100,554
\$ 15,668	\$ 11,746	\$ 21,433	\$ 21,939	\$ 109,712
\$ 15,668	\$ 11,746	\$ 21,433	\$ 21,939	\$ 109,712
191,829	58,842	93,398	153,274	1,193,387
\$ 207,497	\$ 70,588	\$ 114,831	\$ 175,213	\$ 1,303,099

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
COMBINING STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>INVESTMENT INCOME:</b>			
Interest	\$ 8,866	\$ 0	\$ 0
Dividends	7,448	9,195	0
Short Term Gains	231	0	2,304
Security Lending Gross Earnings (4c)	754	172	0
Less: Borrower Rebates	( 628)	( 147)	0
Less: Fees Paid to Agents	( 28)	( 6)	0
Security Lending Net Earnings	98	19	0
Income Before Expenses	\$ 16,643	\$ 9,214	\$ 2,304
Management Fees	66	297	5
<b>NET INCOME</b>	<b>\$ 16,577</b>	<b>\$ 8,917</b>	<b>\$ 2,299</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>			
<b>Realized:</b>			
Proceeds From Sales	0	9,521	0
Cost Of Securities Sold	700	10,681	0
Net Realized Gain (Loss)	(\$ 700)	(\$ 1,160)	\$ 0
<b>Unrealized:</b>			
Beginning Of Period	41,874	( 21,347)	0
End Of Period	61,683	( 17,785)	0
Increase (decrease) In Unrealized Appreciation	\$ 19,809	\$ 3,562	\$ 0
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	<b>\$ 19,109</b>	<b>\$ 2,402</b>	<b>\$ 0</b>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INTERNATIONAL SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 0	\$ 5,610	\$ 1,939	\$ 16,415
4,808	8,490	5	0	29,946
0	0	0	25	2,560
345	314	668	0	2,253
( 281)	( 229)	( 600)	0	( 1,885)
( 14)	( 23)	( 12)	0	( 83)
50	62	56	0	285
<b>\$ 4,858</b>	<b>\$ 8,552</b>	<b>\$ 5,671</b>	<b>\$ 1,964</b>	<b>\$ 49,206</b>
37	164	95	117	781
<b>\$ 4,821</b>	<b>\$ 8,388</b>	<b>\$ 5,576</b>	<b>\$ 1,847</b>	<b>\$ 48,425</b>
15,991	4,263	11,843	24,803	66,421
16,320	3,569	12,116	24,127	67,513
(\$ 329)	\$ 694	(\$ 273)	\$ 676	(\$ 1,092)
( 4,628)	2,366	( 4,495)	2,705	16,475
5,872	2,971	( 3,006)	6,819	56,554
\$ 10,500	\$ 605	\$ 1,489	\$ 4,114	\$ 40,079
<b>\$ 10,171</b>	<b>\$ 1,299</b>	<b>\$ 1,216</b>	<b>\$ 4,790</b>	<b>\$ 38,987</b>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

<b>PARTICIPATION</b>	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Alaska Fire	\$ 12,064	\$ 5,347	\$ 0
Alborn Fire	29,364	10,578	0
Alden Fire	0	20,631	0
Almelund Fire	35,414	120,021	0
Amboy Fire	0	0	0
Argyle Fire	12,301	27,910	0
Arrowhead Fire Relief Assoc	15,164	16,325	0
Askov Fire	58,347	0	0
Audubon Fire	118,405	0	0
Austin Part-time Fire	174,908	138,731	0
Avon Fire	0	15,816	0
Babbitt Fire Relief Assoc.	127,482	0	0
Backus Fire Relief Assoc.	0	0	0
Bagley Fire	89,237	0	1,296
Balsam Fire	129,797	91,250	108
Barnum Fire	16,470	0	0
Beaver Creek Fire	0	0	0
Benson Fire	47,993	48,104	0
Bertha Fire	33,458	23,408	0
Bigfork Fire	10,477	48,748	0
Bird Island Fire	39,723	35,390	0
Biwabik Township Fire	22,988	0	0
Blooming Prairie Fire	39,492	0	0
Bloomington Fire	67,567,264	0	0
Boyd Fire	10,770	9,039	0
Bricelyn Fire	162,162	0	0
Brimson Fire Fighters	22,864	0	0
Brooklyn Park Fire	3,203,293	0	0
Brooten Fire	0	0	0
Brownsville Fire Relief	0	0	1,044
Buffalo Lake Fire	83,665	110,538	0
Caledonia Fire	70,550	24,334	0
Canby Fire	66,546	69,564	1,352
Centennial Fire Relief	51,719	51,920	60,709
Center City Fire	101,216	20,866	0
Ceylon Fire	33,543	28,967	0
Chatfield Fire	55,806	80,581	0
Cherry Fire	19,910	12,259	449
Chisago City Fire	354,026	29,774	0
Chokio Fire	105,087	0	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 17,903	\$ 0	\$ 0	\$ 0	\$ 35,314
11,708	0	0	0	51,650
28,609	0	0	0	49,240
0	0	0	0	155,435
51,148	0	19,710	0	70,859
0	0	0	0	40,211
16,293	0	2,810	0	50,593
0	0	0	0	58,347
0	0	40,651	0	159,056
0	0	0	0	313,639
15,857	0	0	0	31,673
68,230	0	97,918	0	293,630
54,162	0	0	0	54,162
0	0	36,482	0	127,015
0	0	0	0	221,156
188,682	0	0	0	205,152
12,239	0	10,815	0	23,053
50,552	0	38,235	0	184,885
0	0	0	0	56,866
51,133	11,205	0	0	121,563
0	0	0	0	75,114
19,836	0	0	0	42,824
35,396	0	49,629	0	124,518
12,047,875	0	0	0	79,615,139
0	0	0	0	19,809
0	0	0	0	162,162
0	3,357	2,299	0	28,520
2,784,957	0	0	0	5,988,250
153,794	0	0	0	153,794
11,999	0	6,662	0	19,706
0	0	0	0	194,203
0	17,909	0	0	112,793
0	0	0	0	137,463
0	0	132,231	0	296,579
14,689	6,521	8,723	0	152,014
30,595	0	0	0	93,104
0	0	0	0	136,387
0	0	0	0	32,618
0	0	51,146	0	434,947
0	0	0	0	105,087

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

<b>PARTICIPATION</b>	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Clarissa Fire Relief	\$ 0	\$ 13,367	\$ 0
Clarkfield Fire	117,528	33,554	0
Clear Lake Fire	210,219	149,360	0
Cleveland Fire	0	0	30,397
Cohasset Fire	14,614	31,402	0
Columbia Heights Fire	0	525,554	0
Coon Rapids Fire	1,351,846	0	0
Crane Lake Fire	38,806	45,363	7,505
Dakota Fire Relief	11,876	5,312	0
Dawson Fire	167,739	79,164	0
Deer Creek Fire	31,215	56,025	0
Delano Fire	0	38,730	0
Dover Fire	59,726	3,746	31,456
East Grand Forks Fire	790,095	0	0
Edgerton Fire	124,550	0	0
Edina Fire	0	1,514,945	641,207
Elbow Lake Fire	84,469	40,410	0
Elk River Fire	805,336	173,434	9,121
Ellsburg Fire	0	15,040	0
Elmore Fire	0	25,267	0
Emmons Fire	50,231	0	11,134
Excelsior Fire	1,375,193	538,111	0
Eyota Fire	56,964	0	14,823
Farmington Cataract	109,515	0	0
Fayal Fire	22,614	17,395	1,841
Fergus Falls Fire	0	386,547	0
Forest Lake Fire	239,599	0	0
Frazee Fire	138,254	37,134	0
Fredenberg Fire	41,194	20,518	0
Frost Fire	14,007	13,112	0
Glencoe Fire	0	138,136	0
Glenville Fire Relief	17,550	0	15,876
Glenwood Fire	69,908	44,858	0
Golden Valley Fire	1,173,108	874,950	0
Gonvick Fire	31,346	29,885	0
Good Thunder Fire	127,917	58,800	0
Grand Marais Fire	50,972	42,130	65,869
Grand Meadow Fire	39,940	37,524	0
Grand Rapids Fire	418,051	0	0
Greenwood Fire	47,317	87,508	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 13,334	\$ 0	\$ 23,010	\$ 0	\$ 49,711
9,477	0	53,833	0	214,393
0	0	0	0	359,579
48,049	0	22,959	0	101,404
0	0	0	0	46,016
496,963	0	251,876	0	1,274,393
0	0	0	0	1,351,846
3,703	0	0	0	95,377
0	0	9,382	0	26,570
0	0	0	0	246,903
0	0	0	0	87,240
41,093	0	0	0	79,823
27,716	4,765	52,662	0	180,071
0	0	0	0	790,095
72,095	0	0	0	196,645
1,131,799	209,530	871,076	0	4,368,557
0	0	0	0	124,880
217,925	0	409,687	0	1,615,504
15,024	0	0	0	30,064
15,535	0	0	0	40,802
72,941	24,114	0	0	158,421
535,966	0	0	0	2,449,270
27,322	0	63,370	0	162,480
107,285	19,398	0	0	236,197
12,721	7,283	3,564	0	65,417
388,085	0	365,398	0	1,140,030
41,413	0	0	0	281,011
29,461	0	69,278	0	274,127
20,395	10,103	8,838	0	101,048
13,653	0	0	0	40,772
0	0	0	0	138,136
0	0	0	0	33,426
45,275	0	57,111	0	217,153
895,724	568,432	331,905	0	3,844,119
0	0	0	0	61,231
72,326	0	0	0	259,043
0	0	117,287	0	276,257
39,271	0	0	0	116,736
0	0	0	0	418,051
0	0	11,602	0	146,427

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

<b>PARTICIPATION</b>	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Grey Eagle Fire	\$ 98,252	\$ 13,578	\$ 0
Hackensack Fire	36,440	0	0
Hamel Fire	0	0	0
Hanska	0	10,597	0
Harmony Fire	0	5,818	0
Hawley Fire	14,988	0	0
Hayward Fire	0	78,089	0
Hector Fire	425,852	0	0
Henning Fire	35,808	15,013	0
Hibbing Fire	42,081	66,870	0
Hinckley Fire	13,641	12,090	0
Holdingsford Fire	8,180	7,429	0
Holland Fire	13,927	7,042	3
Houston Fire	9,006	7,671	0
Hovland Area Fire	0	0	0
Industrial Fire	44,306	0	0
Isanti Fire	0	292,979	0
Jacobson Fire	19,931	23,999	5,822
Jasper Fire	0	35,650	0
Kabetogama Fire	0	103,836	0
Kandiyohi Fire	31,124	27,057	0
Kelliher Fire	22,080	32,016	0
Kerkhoven Fire	41,994	39,205	0
Kettle River Fire	46,547	21,836	0
Kiester Fire	0	11,617	0
Kimball Fire	41,974	38,179	0
La Crescent Fire	30,018	53,857	0
La Salle Fire Relief	10,430	10,449	0
Lafayette Fire	121,275	51,822	0
Lake City Fire	345,730	0	0
Lake Henry Fire	34,492	0	0
Leroy Fire Relief Assoc	47,005	0	0
Lewiston Fire	78,880	77,349	0
Lexington Firemen's Relief Assn	0	0	82,586
Linwood Fire	380,826	0	0
Lismore Fire	30,655	27,373	0
Little Falls Fire	0	0	0
Littlefork Fire	99,469	6,535	0
Lowry Fire	0	0	0
Madison Fire	68,133	60,246	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 21,302	\$ 0	\$ 0	\$ 133,133
0	0	0	0	36,440
0	0	0	0	0
0	6,239	0	0	16,836
25,050	16,371	0	0	47,239
48,476	0	0	0	63,464
106,695	0	0	0	184,784
0	0	0	0	425,852
38,395	17,672	29,455	0	136,342
63,365	32,147	0	0	204,463
12,767	4,283	15,278	0	58,058
7,812	0	0	0	23,421
16,904	41,840	30,140	0	109,857
7,779	9,142	0	0	33,598
21,138	0	0	0	21,138
41,977	0	0	0	86,283
208,930	230,130	0	0	732,039
0	8,292	0	0	58,044
0	0	0	0	35,650
0	0	0	0	103,836
24,269	0	27,397	0	109,847
32,966	0	0	0	87,062
40,630	0	62,721	0	184,550
22,251	0	0	0	90,633
12,346	13,036	0	0	37,000
19,608	0	0	0	99,761
29,379	0	25,180	0	138,434
10,525	0	0	0	31,404
50,553	0	71,184	0	294,834
0	0	0	0	345,730
0	0	0	0	34,492
0	0	13,539	0	60,544
0	0	0	0	156,228
0	0	0	0	82,586
0	0	0	0	380,826
28,208	0	0	0	86,236
211,951	0	0	0	211,951
74,408	0	0	0	180,412
45,483	0	0	0	45,483
63,371	0	0	0	191,750

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

<b>PARTICIPATION</b>	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Madison Lake Fire	\$ 15,979	\$ 14,389	\$ 0
Mahtomedi Fire	463,237	0	0
Mapleton Fire	71,740	32,705	0
Mapleview Fire	39,170	63,481	0
Maplewood Fire	0	0	0
Marietta Fire	12,118	5,695	0
Marine St. Croix Fire	89,142	134,252	0
Mayer Fire	106,519	0	0
Maynard Fire	59,225	0	0
McDavitt Fire	70,223	49,085	0
McGrath Fire	10,346	5,590	0
McIntosh Fire	30,677	36,414	0
MedFord Fire	30,894	40,973	0
Medicine Lake Fire	313,693	0	90,959
Menahga Fire	60,501	0	0
Mendota Heights Fire	0	222,490	0
Milaca Fire	54,122	0	0
Milan Fire	31,573	29,360	0
Minneapolis Fire	0	0	0
Minneapolis Fire (Health Insuran	2,239,220	0	0
Minneapolis Police	0	0	0
Minneota Fire	27,007	11,393	0
Minnnetonka Fire	5,086,213	0	0
Montrose Fire	5,977	8,069	0
Morris Fire	64,461	40,118	14
Morristown Fire	116,493	0	0
Murdock Fire	18,989	17,885	0
Myrtle Fire Relief	10,735	0	10,277
New Brighton Fire	0	1,113,322	0
New Germany Fire	42,652	0	0
New Ulm Fire	70,989	0	0
New York Mills Fire	111,266	0	0
Nicollet Fire	113,753	50,316	0
Nodine Fire	0	0	0
North Branch Fire	42,723	40,100	0
North Star Fire	0	0	0
Northfield Fire	811,178	526,498	0
Northrop Fire	21,298	25,451	0
Norwood Young America Fire	105,957	96,287	138,382
Osakis Fire	0	132,906	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 12,998	\$ 0	\$ 0	\$ 43,367
0	0	0	0	463,237
0	0	0	0	104,445
0	12,653	49,655	0	164,958
2,757,587	0	897,131	0	3,654,718
4,312	0	0	0	22,125
69,761	0	36,633	0	329,788
151,760	0	44,828	0	303,107
0	0	0	0	59,225
0	10,909	14,101	0	144,318
0	0	7,061	0	22,997
42,070	0	0	0	109,161
27,727	24,564	0	0	124,158
0	31,272	0	0	435,924
0	0	72,282	0	132,783
230,865	128,775	309,580	0	891,710
61,747	0	0	0	115,870
30,987	0	0	0	91,920
37,103,904	0	25,445,055	0	62,548,959
0	0	0	0	2,239,220
46,918,646	28,959,656	42,477,908	0	118,356,210
11,458	7,171	16,097	0	73,127
0	0	0	0	5,086,213
9,879	0	0	0	23,925
42,725	28,234	0	0	175,552
205,695	0	0	0	322,188
18,078	12,253	0	0	67,204
0	0	0	0	21,012
0	0	694,157	0	1,807,479
0	0	0	0	42,652
233,631	0	0	0	304,619
0	0	0	0	111,266
50,988	57,720	0	0	272,777
38,501	18,812	38,958	0	96,271
42,017	28,605	0	0	153,445
17,911	0	0	0	17,911
704,722	0	0	0	2,042,399
0	0	0	0	46,749
0	0	130,233	0	470,859
122,795	7,378	95,943	0	359,022

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

<b>PARTICIPATION</b>	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
Ottertail Fire	\$ 204,020	\$ 0	\$ 0
Owatonna Fire	346,391	649,568	50,682
Pequaywan Lake Fire	0	0	0
Pine Island Fire	127,305	76,047	0
Pine River Fire Relief	139,230	0	0
Pipestone Fire	119,450	0	0
Plymouth Fire Relief	0	0	0
Porter Fire	16,495	17,462	13,977
Randolph Fire	106,859	0	0
Red Lake Falls Fire	55,279	0	0
Redwood Falls Fire	0	0	0
Remer Fire	7,106	6,582	0
Renville Fire	39,634	40,673	0
Robbinsdale Fire	517,045	158,807	54,779
Rose Creek Fire	32,027	17,603	1,681
Roseau Fire	0	868	0
Rosemount Fire	630,547	262,095	0
Roseville Fire	0	1,841,989	0
Rush City Fire	193,124	84,828	0
Ruthton Fire	7,403	6,283	6,696
Saint Clair Fire	81,239	80,489	1,080
Saint Michael Fire	0	20,770	0
Saint Peter Fire	0	102,491	0
Sandstone Fire	88,203	0	0
Savage Fire Relief Assoc	744,867	0	0
Scandia Valley Fire	246,973	0	0
Schroeder Fire	0	103,986	0
Shakopee Fire	0	647,591	0
Sherburn Fire	211,743	0	0
Shevlin Fire	29,099	0	0
Silver Bay Fire	61,738	60,971	0
Solway Fire	64,903	0	0
Solway Firefighters	2,528	2,521	0
Spring Lake Park Fire	0	0	0
Starbuck Fire	22,714	18,726	0
Stephen Fire	52,645	69,721	0
Stewart Fire	59,845	0	0
Stewartville Fire	149,547	72,535	0
Stillwater Fire	230,226	146,170	295,889
Sturgeon Lake Fire	0	12,479	0

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,020
59,809	68,774	0	0	1,175,224
30,862	0	0	0	30,862
0	0	0	0	203,352
0	0	0	0	139,230
108,540	0	0	0	227,991
822,910	0	1,467,303	0	2,290,213
76,994	0	26,873	0	151,802
120,878	0	0	0	227,737
0	0	0	0	55,279
0	0	31,226	0	31,226
6,733	7,307	0	0	27,728
10,408	0	35,353	0	126,069
157,917	95,491	0	0	984,039
17,991	0	0	0	69,301
0	0	0	0	868
262,794	0	0	0	1,155,437
1,943,761	894,593	2,240,656	0	6,921,000
80,760	0	0	0	358,712
12,857	0	0	0	33,239
83,694	0	32,577	0	279,079
21,627	20,119	0	0	62,516
53,274	61,897	503	0	218,165
0	0	0	0	88,203
0	0	0	0	744,867
0	0	0	0	246,973
11,460	0	0	0	115,446
667,995	134,128	0	0	1,449,714
0	0	0	0	211,743
0	0	40,739	0	69,838
0	12,696	0	0	135,406
0	0	75,244	0	140,147
2,513	0	0	0	7,562
763,835	0	0	0	763,835
19,139	5,238	0	0	65,818
0	0	0	0	122,367
29,245	0	0	0	89,089
73,012	48,596	0	0	343,690
0	0	0	0	672,285
14,434	0	9,055	0	35,968

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA SUPPLEMENTAL INVESTMENT FUND  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005**

	<b>INCOME SHARE ACCOUNT</b>	<b>GROWTH SHARE ACCOUNT</b>	<b>MONEY MARKET ACCOUNT</b>
<b>PARTICIPATION</b>			
Thomson Township Fire	\$ 10,301	\$ 10,127	\$ 0
Tofte Fire	32,823	0	0
Truman Fire	51,389	50,891	0
Two Harbors Fire	86,372	209,347	0
Upsala Fire Relief	8,753	0	0
Vadnais Heights Fire	59,837	0	0
Vergas Fire	124,109	0	0
Vermilion Lake Fire	108,679	0	0
Verndale Fire	0	7,377	0
Wabasha Fire	64,672	30,797	0
Waconia Fire	209,709	219,052	0
Warba-Feeley-Sago Fire	38,745	0	0
Warroad Area Fire	162,489	0	0
Williams Fire	50,572	21,292	0
Willow River Fire	0	14,071	0
Winnebago Fire	12,747	0	0
Woodbury Fire	1,456,058	902,359	350,744
Woodstock Fire	17,999	16,192	0
Wrenshall Fire Relief	0	0	0
Wright Fire	80,232	0	0
Wykoff Fire	64,364	0	0
Wyoming Fire	99,329	0	0
Zumbro Falls Fire	148,900	26,094	0
Deferred Comp	0	0	49,700,419
Hennepin County	62,899,175	27,222,537	7,603,639
MnSCU DCR	203,729,392	36,343,303	6,494,194
MSRS-Health	6,715,381	3,991,411	28,113,003
Pera-DCP	9,765,847	4,824,357	953,213
Unclassified	111,073,678	50,094,849	6,716,120
<b>TOTAL PARTICIPATION</b>	<b>\$ 494,954,057</b>	<b>\$ 138,437,679</b>	<b>\$ 101,578,343</b>
<b>Adjustments</b>			
Unrealized Appreciation			
(Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
<b>NET ASSETS</b>	<b>\$ 494,954,057</b>	<b>\$ 138,437,679</b>	<b>\$ 101,578,343</b>

Notes are an integral part of the Financial Statements

<b>STOCK INDEX ACCOUNT</b>	<b>INT'L SHARE ACCOUNT</b>	<b>BOND MARKET ACCOUNT</b>	<b>STABLE VALUE ACCOUNT</b>	<b>SUPPLEMENTAL INVESTMENT FUND TOTAL</b>
\$ 16,104	\$ 0	\$ 0	\$ 0	\$ 36,533
35,617	0	0	0	68,440
47,567	0	30,212	0	180,058
0	47,312	39,383	0	382,413
0	0	8,726	0	17,479
0	0	0	0	59,837
0	0	0	0	124,109
0	0	0	0	108,679
7,559	0	0	0	14,936
8,528	0	0	0	103,997
126,444	0	0	0	555,205
0	0	0	0	38,745
0	0	0	0	162,489
22,339	0	0	0	94,203
21,893	0	21,255	0	57,219
0	0	0	0	12,747
1,014,765	401,750	183,422	0	4,309,097
10,288	0	4,732	0	49,211
34,071	0	0	0	34,071
0	0	0	0	80,232
0	0	0	0	64,364
0	0	100,763	0	200,092
20,745	0	13,453	0	209,192
0	0	0	112,145,903	161,846,322
15,222,035	2,688,819	6,302,479	0	121,938,684
16,879,223	19,006,817	7,006,073	14,164,739	303,623,741
6,944,354	2,546,019	6,737,804	23,632,014	78,679,986
3,896,607	848,025	1,638,465	1,893,119	23,819,633
47,511,725	13,076,126	14,960,349	23,377,104	266,809,951
\$ 207,496,522	\$ 70,587,778	\$ 114,831,315	\$ 175,212,880	\$ 1,303,098,573
0	0	0	0	0
0	0	0	0	0
<u>\$ 207,496,522</u>	<u>\$ 70,587,778</u>	<u>\$ 114,831,315</u>	<u>\$ 175,212,880</u>	<u>\$ 1,303,098,573</u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT**  
**MINNESOTA POOLED INVESTMENT ACCOUNTS**  
**SCHEDULE OF ASSETS AND LIABILITIES**  
**JUNE 30, 2005**  
**AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENTS ACCOUNT(4)</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>ASSETS:</b>		
<b>Investments (at market value) (2),(3):</b>		
<b>Common Stock</b>	\$ 0	\$ 34,383
<b>Alternative Equities</b>	3,389,028	0
<b>Fixed Income Securities</b>	0	9,827,675
<b>Short Term Securities</b>	68,005	827,128
<b>Securities-Lending Collateral(4b)</b>	135,200	2,611,366
<b>Total Investments</b>	\$ 3,592,233	\$ 13,300,552
<b>Cash</b>	15,757	-26,365
<b>Security Sales Receivable</b>	565	1,148,265
<b>Accounts Receivable-Fee Refunds</b>	0	0
<b>Accounts Receivable-Mortality</b>	0	0
<b>Accounts Receivable-Participants</b>	0	0
<b>Accrued Interest</b>	0	81,120
<b>Accrued Dividends</b>	1,940	0
<b>Accrued Short Term Gain</b>	42	7,283
<b>TOTAL ASSETS</b>	\$ 3,610,537	\$ 14,510,855
<b>LIABILITIES:</b>		
<b>Management Fees Payable</b>	0	2,163
<b>Security Purchases Payable</b>	0	2,207,187
<b>Accounts Payable-Participants</b>	0	0
<b>Options Premiums Received</b>	0	0
<b>Securities-Lending Collateral(4b)</b>	135,200	2,611,366
<b>TOTAL LIABILITIES</b>	\$ 135,200	\$ 4,820,716
<b>NET ASSETS AT JUNE 30, 2005</b>	\$ 3,475,337	\$ 9,690,139

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 20,537,839	\$ 5,853,459	\$ 26,425,681
0	0	3,389,028
558	0	9,828,233
187,456	74,787	1,157,376
1,385,403	689,092	4,821,061
<u>\$ 22,111,256</u>	<u>\$ 6,617,338</u>	<u>\$ 45,621,379</u>
(277)	68,607	57,722
158,132	21,251	1,328,213
0	0	0
0	0	0
0	0	0
3	1	81,124
21,174	18,324	41,438
399	2,071	9,795
<u>\$ 22,290,687</u>	<u>\$ 6,727,592</u>	<u>\$ 47,139,671</u>
6,512	3,437	12,112
155,217	19,652	2,382,056
0	0	0
0	0	0
1,385,403	689,092	4,821,061
<u>\$ 1,547,132</u>	<u>\$ 712,181</u>	<u>\$ 7,215,229</u>
<u><u>\$ 20,743,555</u></u>	<u><u>\$ 6,015,411</u></u>	<u><u>\$ 39,924,442</u></u>

Notes are an integral part of the Financial Statements



**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF CHANGES IN NET ASSETS  
JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENTS ACCOUNT(4)</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>FROM INVESTMENT ACTIVITY:</b>		
Net Investment Income	\$ 492,392	\$ 408,823
Realized Gains (Losses)	20,360	104,231
Unrealized Gains (Losses)	288,651	102,494
<b>TOTAL INCOME</b>	<b>\$ 801,403</b>	<b>\$ 615,548</b>
Less Distribution To		
Participant Accounts	( 512,754)	( 506,159)
Undistributed Dedicated Income	0	( 6,895)
<b>Net Change In Undistributed Income</b>	<b>\$ 288,649</b>	<b>\$ 102,494</b>
<b>FROM PARTICIPANT TRANSACTIONS:</b>		
<b>Additional To Participant Accounts</b>		
Participant Contributions	278,948	500,089
Income Distribution	512,754	506,159
Income To Be Distributed	0	6,895
<b>Total Additions</b>	<b>\$ 791,702</b>	<b>\$ 1,013,143</b>
<b>Deductions From Participant Accounts</b>		
Withdrawals	790,282	0
<b>Total Deductions</b>	<b>\$ 790,282</b>	<b>\$ 0</b>
<b>Net Change In Participation</b>	<b>\$ 1,420</b>	<b>\$ 1,013,143</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 290,069</b>	<b>\$ 1,115,637</b>
<b>NET ASSETS:</b>		
Beginning Of Period	3,185,268	8,574,502
<b>End Of Period</b>	<b>\$ 3,475,337</b>	<b>\$ 9,690,139</b>

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 339,929	\$ 139,945	\$ 1,381,089
689,802	600,303	\$ 1,414,696
597,140	158,585	1,146,870
<u>\$ 1,626,871</u>	<u>\$ 898,833</u>	<u>\$ 3,942,655</u>
( 1,029,483)	( 738,019)	( 2,786,415)
<u>( 249)</u>	<u>( 2,231)</u>	<u>( 9,375)</u>
\$ 597,139	\$ 158,583	\$ 1,146,865
0	386	779,423
1,029,483	738,019	2,786,415
249	2,231	9,375
<u>\$ 1,029,732</u>	<u>\$ 740,636</u>	<u>\$ 3,575,213</u>
1,074	655,807	1,447,163
<u>\$ 1,074</u>	<u>\$ 655,807</u>	<u>\$ 1,447,163</u>
<u>\$ 1,028,658</u>	<u>\$ 84,829</u>	<u>\$ 2,128,050</u>
<u>\$ 1,625,797</u>	<u>\$ 243,412</u>	<u>\$ 3,274,915</u>
19,117,758	5,771,999	36,649,527
<u><u>\$ 20,743,555</u></u>	<u><u>\$ 6,015,411</u></u>	<u><u>\$ 39,924,442</u></u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF OPERATIONS  
YEAR ENDED JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENTS ACCOUNT(4)</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>Interest</b>	\$ 0	\$ 376,412
<b>Dividends</b>	496,956	9,156
<b>Short Term Gains</b>	650	26,497
<b>Security Lending Gross Earnings(4c)</b>	224	56,401
<b>Less: Borrower Rebates</b>	( 177)	( 50,633)
<b>Less: Fees Paid to Agents</b>	( 11)	( 1,041)
<b>Security Lending Net Earnings</b>	36	4,727
<b>Income Before Expenses</b>	\$ 497,642	\$ 416,792
<b>Management Fees</b>	5,250	7,969
<b>NET INCOME</b>	\$ 492,392	\$ 408,823
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
<b>Realized:</b>		
<b>Proceeds From Sales</b>	\$ 875,285	\$ 51,724,287
<b>Cost Of Securities Sold</b>	854,925	51,620,056
<b>Net Realized Gain (Loss)</b>	\$ 20,360	\$ 104,231
<b>Unrealized:</b>		
<b>Beginning Of Period</b>	57,209	1,005
<b>End Of Period</b>	345,860	103,499
<b>Increase (Decrease)</b>		
<b>In Unrealized Appreciation</b>	\$ 288,651	\$ 102,494
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	\$ 309,011	\$ 206,725

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 16	\$ 14	\$ 376,442
361,417	145,884	1,013,413
3,859	4,113	35,119
28,666	26,727	112,018
( 24,022)	( 19,480)	( 94,312)
( 1,045)	( 1,963)	( 4,060)
3,598	5,284	13,645
<u>\$ 368,890</u>	<u>\$ 155,295</u>	<u>\$ 1,438,619</u>
28,961	15,350	57,530
<u>\$ 339,929</u>	<u>\$ 139,945</u>	<u>\$ 1,381,089</u>
\$ 9,764,100	\$ 5,439,651	\$ 67,803,323
9,074,298	4,839,348	66,388,627
<u>\$ 689,802</u>	<u>\$ 600,303</u>	<u>\$ 1,414,696</u>
3,756,312	795,626	4,610,152
<u>4,353,452</u>	<u>954,211</u>	<u>5,757,022</u>
\$ 597,140	\$ 158,585	\$ 1,146,870
<u>\$ 1,286,942</u>	<u>\$ 758,888</u>	<u>\$ 2,561,566</u>

Notes are an integral part of the Financial Statements

**STATE BOARD OF INVESTMENT  
MINNESOTA POOLED INVESTMENT ACCOUNTS  
SCHEDULE OF PARTICIPATION  
JUNE 30, 2005  
AMOUNTS IN (000)'S**

	<b>ALTERNATIVE INVESTMENT ACCOUNTS</b>	<b>DOMESTIC BOND ACCOUNT</b>
<b>Teachers Retirement Fund</b>	\$ 728,444	\$ 1,703,310
<b>Public Employees Retirement Fund</b>	517,345	1,262,256
<b>State Employees Retirement Fund</b>	444,973	1,073,284
<b>Public Employees Police &amp; Fire Fund</b>	241,416	586,213
<b>Highway Patrolmen's Retirement Fund</b>	23,971	58,470
<b>Judges Retirement Fund</b>	4,397	10,687
<b>Police &amp; Fire Consolidation Fund</b>	9,217	22,492
<b>Correctional Employees Retire. Fund</b>	24,665	59,801
<b>TOTAL BASIC RETIREMENT FUNDS</b>	<u>\$ 1,994,428</u>	<u>\$ 4,776,513</u>
 <b>Post Retirement Fund</b>	 1,480,909	 4,798,793
 <b>Supplemental Income Share Account</b>	 0	 0
<b>Supplemental Growth Share Account</b>	0	0
<b>Supplemental Index Share Account</b>	0	0
<b>Supplemental Bond Market Account</b>	0	114,833
<b>Supplemental International Equity Account</b>	0	0
 <b>TOTAL PARTICIPATION</b>	 <u><u>\$ 3,475,337</u></u>	 <u><u>\$ 9,690,139</u></u>

Notes are an integral part of the Financial Statements

<b>DOMESTIC EQUITY ACCOUNTS</b>	<b>INTERNATIONAL EQUITY ACCOUNT</b>	<b>POOLED INVESTMENT FUND TOTAL</b>
\$ 3,690,647	\$ 1,084,213	\$ 7,206,614
2,722,018	799,441	5,301,060
2,317,213	680,613	4,516,083
1,264,826	371,487	2,463,942
126,083	37,030	245,554
23,045	6,768	44,897
48,501	14,245	94,455
129,035	37,898	251,399
\$ 10,321,368	\$ 3,031,695	\$ 20,124,004
9,763,775	2,913,127	18,956,604
312,473	0	312,473
138,440	0	138,440
207,499	0	207,499
0	0	114,833
0	70,589	70,589
\$ 20,743,555	\$ 6,015,411	\$ 39,924,442

Notes are an integral part of the Financial Statements

**NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. PORTFOLIO LISTING:**

Asset listings summarizing securities held by these funds can be found starting on page **157** of this report. Fixed income and equity securities are presented at market value.

**2. COST OF INVESTMENTS:**

At June 30, 2005 the cost plus accrued income of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund, excluding security lending collateral, was:

**MINNESOTA POOLED INVESTMENT ACCOUNTS**

DOMESTIC ACCOUNTS

Equity Account	\$ 16,396,615,663
Bond Account	\$ 9,588,803,385
Alternative Investment Accounts	\$ 3,129,477,180

INTERNATIONAL ACCOUNTS

Equity Account	\$ 5,064,636,382
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**SUPPLEMENTAL INVESTMENT FUND**

Income Share Account	\$ 435,045,007
Growth Share Account	\$ 156,287,964
International Share Account	\$ 67,657,502
Money Market Account	\$ 101,579,499
Stock Index Account	\$ 201,633,597
Bond Market Account	\$ 117,864,036
Fixed Interest Account	\$ 168,407,651

**3. LOANED SECURITIES:**

The market value of loaned securities outstanding at June 30, 2005 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	\$ 899,178,601
Equity Index Account (Domestic)	\$ 501,763,148
Bond Account (Domestic)	\$ 2,652,231,144
International Equity Account	\$ 750,485,637

The market value for non-pooled investment accounts includes:

Money Market Account	\$ 77,398,577
Income share Account Fixed Income	\$ 8,330,059

**4. UNDISTRIBUTED INCOME:**

The Undistributed Dedicated Income of the pooled investments consists of the unrealized gains/losses plus the difference between cash basis used in the Minnesota Statutes 11A.14 Subd. 12 distribution and the fair value accrual basis used in these financials.

## External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2005

### Active Domestic Stock Managers (1)

Alliance Capital Management L.P.	\$	1,735,655
Barrow Hanley Mewhinney & Staus, Inc.		792,746
Bay Isle Corp. *		43,839
Cohen Klingenstein & Marks		974,484
EARNEST Partners		226,494
Enhanced Investment Technologies, LLC		577,330
Franklin Portfolio Associates		786,747
Goldman Sachs Asset Management		590,986
Holt-Smith & Yates Advisors		309,669
Hotchkis and Wiley Capital Management, LLC		1,203,958
Jacobs Levy Equity Management, Inc.		310,724
Kenwood Capital Management, LLC		352,458
Lazard Asset Management Group, LLC		89,331
Lord Abbett & Co LLC		784,100
LVS Asset Management		1,070,197
Martingale Asset Management L.P.		872,820
McKinley Capital Management Inc.		1,011,458
New Amsterdam Partners, LLC		1,389,070
Next Century Growth Investors, LLC		324,784
Oppenheimer Capital		1,042,889
Peregrine Capital Management		1,722,590
Sands Capital Management L.P.		432,166
Systematic Financial Management		601,751
Transamerica Investment Management, LLC *		139,499
Turner Investment Partners, Inc.		766,295
UBS Global Asset Management (Brinson)		1,192,693
Voyageur Asset Management, Inc.		245,709
Winslow Capital, Inc. -Large Cap.		823,769
Winslow Capital Management, Inc. -Small Cap.		82,838
Zevenbergen Capital Investments, LLC		855,836

### Passive Domestic Stock Managers (2)

Barclays Global Investors		937,625
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### Semi-Passive Domestic Stock Managers (2)

Barclays Global Investors		2,821,052
Franklin Portfolio Associates		1,785,107
JPMorgan Fleming Asset Management		2,295,902

cont.



## External Stock and Bond Managers' Fees

### Total Payments for Fiscal Year 2005

Active Domestic Bond Managers (2)	
American Express	\$ 871,733
Deutsche Asset	1,300,116
Dodge & Cox	945,173
Morgan Stanley	1,216,426
Western Asset Management	1,347,009
Semi-Passive Domestic Bond Managers (3)	
BlackRock Inc.	918,308
Goldman Sachs	1,145,744
Lincoln Capital Management	540,157
International Stock Managers (2)	
Alliance Capital Management	1,056,030
American Express Asset Management	1,423,167
Britannic Asset Management (Blairlogie)	1,147,301
UBS Global Asset Management (Brinson)	1,320,038
Capital International	1,612,204
Invesco Global Asset Management	1,439,613
Marathon Asset Management	2,089,220
Morgan Stanley Investment Management	2,194,247
Schroder Investment Management (SIMA) ~	0
State Street Global Advisors	520,870
T. Rowe Price International, Inc.	1,933,159
Assigned Risk Plan	
GE Investment Management	247,430
Voyager Asset Management	222,938

\* Manager Terminated in Fiscal '05  
 ~ Manager Terminated June 30, 2004

- (1) Most active stock managers, with the exception of Emerging Equity Managers, are compensated on a performance-based fee formula. Four fee options are available and fees earned range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark.
- (2) The passive stock manager, international stock managers, active bond managers and two semi-passive bond managers are compensated based on a specified percentage of assets under management.
- (3) One semi-passive bond manager is compensated on a performance-based fee formula. Fees earned range from 5 to 10 basis points of assets under management, depending on the manager's performance relative to an established benchmark.

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	79,388,046.90	17.24
CONSUMER STAPLES	43,057,538.00	9.35
ENERGY	18,822,232.00	4.09
FINANCIALS	50,279,077.00	10.92
HEALTH CARE	99,501,078.50	21.61
INDUSTRIALS	15,783,075.00	3.43
INFORMATION TECHNOLOGY	152,659,763.50	33.16
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>459,490,810.90</b>	<b>99.81</b>
<b>Cash Equivalents</b>	<b>567,635.25</b>	<b>0.12</b>
Payable for Investments Purchased	(1,035,476.69)	(0.22)
Receivables for Investments Sold	1,127,735.78	0.24
Dividend Receivable	179,652.00	0.04
Short Term Interest Receivable	1,497.14	0.00
Tax Refund Receivable	44,677.88	0.01
<b>Grand Total</b>	<b>\$ 460,376,532.26</b>	<b>100.00 %</b>

### COHEN, KLINGENSTEIN, & MARKS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	83,500,999.75	20.15
CONSUMER STAPLES	27,084,046.25	6.54
ENERGY	0.00	0.00
FINANCIALS	52,952,551.00	12.78
HEALTH CARE	53,654,017.10	12.95
INDUSTRIALS	38,883,227.38	9.38
INFORMATION TECHNOLOGY	138,357,605.55	33.39
MATERIALS	17,680,867.23	4.27
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>412,113,314.26</b>	<b>99.46</b>
<b>Cash Equivalents</b>	<b>2,099,227.27</b>	<b>0.51</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	131,866.02	0.03
Short Term Interest Receivable	10,381.79	0.00
Tax Refunds Receivable	6,395.17	0.00
<b>Grand Total</b>	<b>\$ 414,361,184.51</b>	<b>100.00 %</b>

### BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	41,430,928.00	13.70
CONSUMER STAPLES	12,510,300.00	4.14
ENERGY	44,642,957.00	14.76
FINANCIALS	82,206,200.46	27.19
HEALTH CARE	48,638,785.00	16.09
INDUSTRIALS	20,290,255.00	6.71
INFORMATION TECHNOLOGY	9,356,672.00	3.09
MATERIALS	2,272,120.00	0.75
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,455,000.00	1.14
UNCLASSIFIED	0.00	0.00
UTILITIES	25,278,816.00	8.36
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>290,082,033.46</b>	<b>95.93</b>
<b>Cash Equivalents</b>	<b>11,945,847.77</b>	<b>3.95</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	316,873.50	0.10
Short Term Interest Receivable	29,566.06	0.01
Tax Refund Receivable	0.00	0.00
<b>Grand Total</b>	<b>\$ 302,374,320.79</b>	<b>100.00 %</b>

### EARNEST PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	11,647,216.00	17.89
CONSUMER STAPLES	0.00	0.00
ENERGY	14,733,289.12	22.63
FINANCIALS	19,761,866.20	30.36
HEALTH CARE	3,846,023.28	5.91
INDUSTRIALS	5,210,388.00	8.00
INFORMATION TECHNOLOGY	4,546,823.00	6.98
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,805,766.00	2.77
UNCLASSIFIED	0.00	0.00
UTILITIES	728,530.00	1.12
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>62,279,901.60</b>	<b>95.68</b>
<b>Cash Equivalents</b>	<b>2,781,313.40</b>	<b>4.27</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	27,516.90	0.04
Short Term Interest Receivable	5,677.43	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 65,094,409.33</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### ENHANCED INVESTMENT TECHNOLOGIES

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	53,634,783.50	19.19
CONSUMER STAPLES	25,569,806.00	9.15
ENERGY	8,852,486.67	3.17
FINANCIALS	32,231,345.00	11.53
HEALTH CARE	52,056,139.00	18.63
INDUSTRIALS	57,103,066.00	20.43
INFORMATION TECHNOLOGY	34,944,936.32	12.50
MATERIALS	6,891,517.00	2.47
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	4,901,958.00	1.75
UNCLASSIFIED	0.00	0.00
UTILITIES	1,248,300.00	0.45
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>277,434,337.49</b>	<b>99.28</b>
<b>Cash Equivalents</b>	<b>2,847,442.22</b>	<b>1.02</b>
Payable for Investments Purchased	(28,473,984.94)	(10.19)
Receivables for Investments Sold	27,411,585.80	9.81
Dividend Receivable	226,452.98	0.08
Short Term Interest Receivable	3,674.95	0.00
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
<b>Grand Total</b>	<b>\$ 279,449,508.50</b>	<b>100.00 %</b>

### GOLDMAN SACHS ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	16,451,494.98	14.93
CONSUMER STAPLES	4,947,770.82	4.49
ENERGY	5,681,113.77	5.16
FINANCIALS	35,996,431.13	32.67
HEALTH CARE	3,464,139.34	3.14
INDUSTRIALS	15,987,001.35	14.51
INFORMATION TECHNOLOGY	11,398,337.09	10.34
MATERIALS	5,997,652.62	5.44
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,499,532.32	1.36
UNCLASSIFIED	0.00	0.00
UTILITIES	4,725,676.27	4.29
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>106,149,149.69</b>	<b>96.33</b>
<b>Cash Equivalents</b>	<b>3,952,732.15</b>	<b>3.59</b>
Payable for Investments Purchased	(1,376,529.54)	(1.25)
Receivables for Investments Sold	1,327,936.84	1.21
Dividend Receivable	126,317.09	0.11
Short Term Interest Receivable	9,626.39	0.01
Long Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	(24.28)	(0.00)
<b>Grand Total</b>	<b>\$ 110,189,208.34</b>	<b>100.00 %</b>

### FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	150,519,951.39	20.24
CONSUMER STAPLES	60,540,438.00	8.14
ENERGY	81,366,555.00	10.94
FINANCIALS	153,287,057.52	20.61
HEALTH CARE	117,789,064.00	15.84
INDUSTRIALS	71,392,109.00	9.60
INFORMATION TECHNOLOGY	60,071,984.00	8.08
MATERIALS	27,045,056.00	3.64
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	6,732,072.00	0.91
UNCLASSIFIED	0.00	0.00
UTILITIES	11,856,738.00	1.59
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>740,601,024.91</b>	<b>99.59</b>
<b>Cash Equivalents</b>	<b>2,758,503.47</b>	<b>0.37</b>
Payable for Investments Purchased	(39,952,953.47)	(5.37)
Receivables for Investments Sold	39,249,587.77	5.28
Dividend Receivable	1,021,274.40	0.14
Short Term Interest Receivable	6,497.88	0.00
<b>Grand Total</b>	<b>\$ 743,683,934.96</b>	<b>100.00 %</b>

### HOLT-SMITH AND YATES ADVISORS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	23,012,329.00	29.10
CONSUMER STAPLES	3,941,343.00	4.98
ENERGY	0.00	0.00
FINANCIALS	7,836,662.00	9.91
HEALTH CARE	14,941,271.00	18.89
INDUSTRIALS	7,723,235.00	9.77
INFORMATION TECHNOLOGY	19,596,956.50	24.78
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>77,051,796.50</b>	<b>97.43</b>
<b>Cash Equivalents</b>	<b>1,786,150.74</b>	<b>2.26</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	226,770.47	0.29
Dividend Receivable	13,570.00	0.02
Short Term Interest Receivable	4,459.51	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 79,082,747.22</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### HOTCHKIS & WILEY CAPITAL MANAGEMENT LLC

### KENWOOD CAPITAL MANAGEMENT, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	31,535,886.00	25.63
CONSUMER STAPLES	6,733,493.00	5.47
ENERGY	1,900,800.00	1.54
FINANCIALS	25,869,013.07	21.02
HEALTH CARE	0.00	0.00
INDUSTRIALS	28,660,667.00	23.29
INFORMATION TECHNOLOGY	6,755,830.00	5.49
MATERIALS	12,325,477.00	10.02
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	5,373,576.75	4.37
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>119,154,742.82</b>	<b>96.83</b>
<b>Cash Equivalents</b>	<b>3,810,420.41</b>	<b>3.10</b>
Payable for Investments Purchased	(8,411.76)	(0.01)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	86,200.50	0.07
Short Term Interest Receivable	10,612.64	0.01
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 123,053,564.61</b>	<b>100.00 %</b>

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	6,836,835.00	12.99
CONSUMER STAPLES	2,753,555.00	5.23
ENERGY	2,742,439.00	5.21
FINANCIALS	14,618,614.90	27.78
HEALTH CARE	2,730,422.00	5.19
INDUSTRIALS	8,512,018.75	16.17
INFORMATION TECHNOLOGY	5,729,564.00	10.89
MATERIALS	3,005,173.50	5.71
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	826,738.00	1.57
UNCLASSIFIED	0.00	0.00
UTILITIES	3,566,199.00	6.78
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>51,321,559.15</b>	<b>97.52</b>
<b>Cash Equivalents</b>	<b>1,284,715.16</b>	<b>2.44</b>
Payable for Investments Purchased	(2,144,450.31)	(4.07)
Receivables for Investments Sold	2,120,785.17	4.03
Dividend Receivable	42,178.99	0.08
Short Term Interest Receivable	2,542.36	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	(4.57)	(0.00)
<b>Grand Total</b>	<b>\$ 52,627,325.95</b>	<b>100.00 %</b>

### JACOBS LEVY EQUITY MGMT

### LAZARD ASSET MANAGEMENT, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	26,175,506.26	22.55
CONSUMER STAPLES	9,162,147.00	7.89
ENERGY	2,889,676.00	2.49
FINANCIALS	6,237,988.00	5.37
HEALTH CARE	22,631,375.00	19.50
INDUSTRIALS	18,064,878.00	15.56
INFORMATION TECHNOLOGY	28,635,543.00	24.67
MATERIALS	1,362,232.00	1.17
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>115,159,345.26</b>	<b>99.20</b>
<b>Cash Equivalents</b>	<b>252,923.99</b>	<b>0.22</b>
Payable for Investments Purchased	(181,395.00)	-0.16
Receivables for Investments Sold	782,800.72	0.67
Dividend Receivable	68,312.75	0.06
Short Term Interest Receivable	2,978.69	0.00
Long Term Interest Receivable	0.00	0.00
Advisory Fee	0.00	0.00
<b>Grand Total</b>	<b>\$ 116,084,966.41</b>	<b>100.00 %</b>

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	5,598,324.75	22.11
CONSUMER STAPLES	247,925.00	0.98
ENERGY	305,760.00	1.21
FINANCIALS	2,383,651.40	9.42
HEALTH CARE	4,250,384.80	16.79
INDUSTRIALS	2,491,161.50	9.84
INFORMATION TECHNOLOGY	7,536,047.75	29.77
MATERIALS	932,276.00	3.68
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>23,745,531.20</b>	<b>93.80</b>
<b>Cash Equivalents</b>	<b>1,812,175.15</b>	<b>7.16</b>
Payable for Investments Purchased	(256,456.81)	-1.01
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	7,846.00	0.03
Short Term Interest Receivable	5,058.73	0.02
Tax Refundable	1,118.22	0.00
<b>Grand Total</b>	<b>\$ 25,315,272.49</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### LORD ABBETT & CO, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	16,072,841.00	6.05
CONSUMER STAPLES	35,052,185.00	13.20
ENERGY	24,868,879.00	9.37
FINANCIALS	29,470,113.28	11.10
HEALTH CARE	42,847,380.14	16.14
INDUSTRIALS	47,739,769.73	17.98
INFORMATION TECHNOLOGY	16,700,009.60	6.29
MATERIALS	27,251,936.00	10.26
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	12,298,936.00	4.63
UNCLASSIFIED	0.00	0.00
UTILITIES	1,277,746.00	0.48
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>253,579,795.75</b>	<b>95.50</b>
<b>Cash Equivalents</b>	<b>11,579,811.02</b>	<b>4.36</b>
Payable for Investments Purchased	(739,887.46)	(0.28)
Receivables for Investments Sold	726,437.10	0.27
Dividend Receivable	338,566.22	0.13
Short Term Interest Receivable	35,157.95	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 265,519,880.58</b>	<b>100.00 %</b>

### MARTINGALE ASSET MANAGEMENT LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	14,003,966.00	11.05
CONSUMER STAPLES	6,341,634.00	5.00
ENERGY	4,432,225.00	3.50
FINANCIALS	41,018,350.39	32.36
HEALTH CARE	7,555,299.00	5.96
INDUSTRIALS	22,602,310.00	17.83
INFORMATION TECHNOLOGY	13,424,897.00	10.59
MATERIALS	9,674,028.00	7.63
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	100,980.00	0.08
UNCLASSIFIED	0.00	0.00
UTILITIES	6,905,405.00	5.45
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>126,059,094.39</b>	<b>99.46</b>
<b>Cash Equivalents</b>	<b>519,400.82</b>	<b>0.41</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	169,304.54	0.13
Short Term Interest Receivable	2,076.82	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 126,749,876.57</b>	<b>100.00 %</b>

### LSV ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	37,639,162.00	10.53
CONSUMER STAPLES	17,827,026.00	4.99
ENERGY	59,691,305.64	16.70
FINANCIALS	117,475,896.21	32.87
HEALTH CARE	10,301,803.20	2.88
INDUSTRIALS	40,743,163.24	11.40
INFORMATION TECHNOLOGY	17,321,592.52	4.85
MATERIALS	12,810,274.00	3.58
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	16,069,098.00	4.50
UNCLASSIFIED	0.00	0.00
UTILITIES	22,051,775.00	6.17
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>351,931,095.81</b>	<b>98.46</b>
<b>Cash Equivalents</b>	<b>4,940,822.15</b>	<b>1.38</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	567,506.50	0.16
Short Term Interest Receivable	8,286.78	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 357,447,711.24</b>	<b>100.00 %</b>

### MCKINLEY CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	23,647,686.60	13.14
CONSUMER STAPLES	17,789,348.90	9.89
ENERGY	10,618,570.45	5.90
FINANCIALS	10,603,326.55	5.89
HEALTH CARE	32,738,849.40	18.19
INDUSTRIALS	20,137,149.92	11.19
INFORMATION TECHNOLOGY	44,328,811.84	24.64
MATERIALS	12,701,026.20	7.06
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	4,346,809.50	2.42
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>176,911,579.36</b>	<b>98.32</b>
<b>Cash Equivalents</b>	<b>2,932,524.97</b>	<b>1.63</b>
Payable for Investments Purchased	(471,933.32)	(0.26)
Receivables for Investments Sold	526,285.72	0.29
Dividend Receivable	27,262.20	0.02
Short Term Interest Receivable	15,295.82	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 179,941,014.75</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### NEW AMSTERDAM PARTNERS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	99,564,891.00	22.14
CONSUMER STAPLES	54,226,341.00	12.06
ENERGY	41,467,881.00	9.22
FINANCIALS	80,240,765.78	17.84
HEALTH CARE	51,047,163.00	11.35
INDUSTRIALS	37,270,612.00	8.29
INFORMATION TECHNOLOGY	50,716,155.00	11.28
MATERIALS	9,711,440.00	2.16
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	8,309,275.00	1.85
UNCLASSIFIED	0.00	0.00
UTILITIES	12,190,714.00	2.71
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>444,745,237.78</b>	<b>98.89</b>
<b>Cash Equivalents</b>	<b>4,664,513.16</b>	<b>1.04</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	322,691.50	0.07
Short Term Interest Receivable	19,079.22	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 449,751,521.66</b>	<b>100.00 %</b>

### OPPENHEIMER CAPITAL

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	164,267,250.00	21.62
CONSUMER STAPLES	100,562,500.00	13.24
ENERGY	45,760,500.00	6.02
FINANCIALS	213,950,250.00	28.16
HEALTH CARE	45,570,500.00	6.00
INDUSTRIALS	51,662,500.00	6.80
INFORMATION TECHNOLOGY	47,238,000.00	6.22
MATERIALS	15,025,000.00	1.98
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	24,831,250.00	3.27
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>708,867,750.00</b>	<b>93.31</b>
<b>Cash Equivalents</b>	<b>52,429,539.35</b>	<b>6.90</b>
Payable for Investments Purchased	(2,152,307.00)	(0.28)
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	367,758.75	0.05
Short Term Interest Receivable	133,299.72	0.02
Long Term Interest Receivable	0.00	0.00
Tax Refundable	18,509.74	0.00
<b>Grand Total</b>	<b>\$ 759,664,550.56</b>	<b>100.00 %</b>

### NEXT CENTURY GROWTH INVESTORS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	4,082,778.13	11.36
CONSUMER STAPLES	550,611.60	1.53
ENERGY	2,444,420.55	6.80
FINANCIALS	1,625,285.25	4.52
HEALTH CARE	10,160,167.88	28.28
INDUSTRIALS	9,619,324.71	26.77
INFORMATION TECHNOLOGY	4,205,994.15	11.71
MATERIALS	886,685.60	2.47
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	593,391.00	1.65
UNCLASSIFIED	279,982.14	0.78
UTILITIES	661,008.60	1.84
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>35,109,649.61</b>	<b>97.72</b>
<b>Cash Equivalents</b>	<b>982,671.67</b>	<b>2.74</b>
Payable for Investments Purchased	(551,869.54)	(1.54)
Receivables for Investments Sold	384,749.99	1.07
Dividend Receivable	439.79	0.00
Short Term Interest Receivable	1,266.34	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	424.92	0.00
<b>Grand Total</b>	<b>\$ 35,927,332.78</b>	<b>100.00 %</b>

### PEREGRINE CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	37,642,858.90	20.39
CONSUMER STAPLES	4,610,019.40	2.50
ENERGY	5,444,255.10	2.95
FINANCIALS	51,027,541.96	27.64
HEALTH CARE	5,246,776.20	2.84
INDUSTRIALS	32,901,995.60	17.82
INFORMATION TECHNOLOGY	21,301,389.60	11.54
MATERIALS	10,985,047.50	5.95
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	6,931,136.00	3.75
UNCLASSIFIED	0.00	0.00
UTILITIES	3,643,611.00	1.97
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>179,734,631.26</b>	<b>97.37</b>
<b>Cash Equivalents</b>	<b>2,382,221.34</b>	<b>1.29</b>
Payable for Investments Purchased	(879,689.10)	(0.48)
Receivables for Investments Sold	3,118,407.31	1.69
Dividend Receivable	219,221.85	0.12
Short Term Interest Receivable	10,223.66	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 184,585,016.32</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### SANDS CAPITAL MANAGEMENT, LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	45,050,370.00	23.13
CONSUMER STAPLES	5,426,820.00	2.79
ENERGY	0.00	0.00
FINANCIALS	16,646,150.00	8.54
HEALTH CARE	62,271,730.00	31.97
INDUSTRIALS	15,313,700.00	7.86
INFORMATION TECHNOLOGY	43,330,715.00	22.24
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>188,039,485.00</b>	<b>96.53</b>
<b>Cash Equivalents</b>	<b>6,737,423.99</b>	<b>3.46</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	13,475.00	0.01
Short Term Interest Receivable	17,013.89	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 194,807,397.88</b>	<b>100.00 %</b>

### SYSTEMATIC FINANCIAL MANAGEMENT, LP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	20,285,468.00	11.90
CONSUMER STAPLES	8,108,419.60	4.76
ENERGY	20,257,881.00	11.88
FINANCIALS	46,524,906.00	27.29
HEALTH CARE	14,038,452.00	8.23
INDUSTRIALS	16,532,839.00	9.70
INFORMATION TECHNOLOGY	17,160,130.00	10.06
MATERIALS	5,449,359.00	3.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	8,240,393.00	4.83
UNCLASSIFIED	0.00	0.00
UTILITIES	10,014,404.00	5.87
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>166,612,251.60</b>	<b>97.71</b>
<b>Cash Equivalents</b>	<b>4,973,300.07</b>	<b>2.92</b>
Payable for Investments Purchased	(4,018,944.58)	(2.36)
Receivables for Investments Sold	2,737,511.60	1.61
Dividend Receivable	191,870.00	0.11
Short Term Interest Receivable	16,817.81	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 170,512,806.50</b>	<b>100.00 %</b>

### SUMMIT CREEK ADVISORS, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	26,198,470.00	18.66
CONSUMER STAPLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIALS	14,602,404.00	10.40
HEALTH CARE	30,975,314.84	22.07
INDUSTRIALS	30,854,812.00	21.98
INFORMATION TECHNOLOGY	32,769,215.25	23.35
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	1,205,130.00	0.86
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
<b>Total Equities</b>	<b>136,605,346.09</b>	<b>97.32</b>
<b>Cash Equivalents</b>	<b>4,258,391.98</b>	<b>3.03</b>
Payable for Investments Purchased	(1,708,712.47)	(1.22)
Receivables for Investments Sold	1,193,144.81	0.85
Dividend Receivable	6,450.90	0.00
Short Term Interest Receivable	10,556.04	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 140,365,177.35</b>	<b>100.00 %</b>

### TURNER INVESTMENT PARTNERS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	26,142,527.32	19.08
CONSUMER STAPLES	2,990,061.00	2.18
ENERGY	7,871,969.70	5.75
FINANCIALS	13,384,860.25	9.77
HEALTH CARE	26,371,085.94	19.25
INDUSTRIALS	14,976,300.65	10.93
INFORMATION TECHNOLOGY	31,573,922.55	23.04
MATERIALS	7,011,514.60	5.12
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,274,797.00	2.39
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
<b>Total Equities</b>	<b>133,597,039.01</b>	<b>97.51</b>
<b>Cash Equivalents</b>	<b>3,142,889.75</b>	<b>2.29</b>
Payable for Investments Purchased	(2,787,124.01)	(2.03)
Receivables for Investments Sold	3,040,696.72	2.22
Dividend Receivable	14,431.08	0.01
Short Term Interest Receivable	6,932.98	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 137,014,865.53</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### UBS GLOBAL ASSET MANAGEMENT, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	83,587,219.00	10.37
CONSUMER STAPLES	28,031,685.00	3.48
ENERGY	14,079,006.00	1.75
FINANCIALS	227,119,417.00	28.19
HEALTH CARE	165,964,431.00	20.60
INDUSTRIALS	106,419,243.00	13.21
INFORMATION TECHNOLOGY	51,604,915.00	6.40
MATERIALS	18,974,200.32	2.35
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	44,874,225.00	5.57
UNCLASSIFIED	0.00	0.00
UTILITIES	39,474,856.01	4.90
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>780,129,197.33</b>	<b>96.82</b>
<b>Cash Equivalents</b>	<b>24,133,441.54</b>	<b>3.00</b>
Payable for Investments Purchased	(327,514.53)	(0.04)
Receivables for Investments Sold	1,233,235.84	0.15
Dividend Receivable	606,419.25	0.08
Short Term Interest Receivable	78,205.93	0.01
Other Payables	(107,300.00)	(0.01)
Payable for Interest Compensation	(18.55)	(0.00)
<b>Grand Total</b>	<b>\$ 805,745,666.81</b>	<b>100.00 %</b>

### WINSLOW CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	3,128,895.00	12.03
CONSUMER STAPLES	1,204,484.00	4.63
ENERGY	1,964,260.67	7.55
FINANCIALS	2,649,761.00	10.19
HEALTH CARE	5,480,151.00	21.07
INDUSTRIALS	2,982,791.00	11.47
INFORMATION TECHNOLOGY	7,696,551.00	29.59
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	405,348.00	1.56
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>25,512,241.67</b>	<b>98.09</b>
<b>Cash Equivalents</b>	<b>248,583.33</b>	<b>0.96</b>
Payable for Investments Purchased	(35,593.52)	(0.14)
Receivables for Investments Sold	273,493.05	1.05
Dividend Receivable	8,337.24	0.03
Short Term Interest Receivable	844.79	0.00
Long Term Interest Receivable	0.00	0.00
Tax Refundable	619.62	0.00
<b>Grand Total</b>	<b>\$ 26,008,526.18</b>	<b>100.00 %</b>

### VOYAGEUR ASSET MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	7,359,252.00	16.18
CONSUMER STAPLES	5,371,290.00	11.81
ENERGY	3,022,700.00	6.64
FINANCIALS	2,843,120.00	6.25
HEALTH CARE	8,907,590.00	19.58
INDUSTRIALS	8,117,494.00	17.84
INFORMATION TECHNOLOGY	7,067,746.00	15.54
MATERIALS	1,456,200.00	3.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>44,145,392.00</b>	<b>97.03</b>
<b>Cash Equivalents</b>	<b>1,322,564.79</b>	<b>2.91</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	24,201.25	0.05
Short Term Interest Receivable	3,300.68	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	0.00	0.00
<b>Grand Total</b>	<b>\$ 45,495,458.72</b>	<b>100.00 %</b>

### ZEVENBERGEN CAPITAL INVESTMENTS, LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	38,681,343.00	19.09
CONSUMER STAPLES	10,950,935.00	5.40
ENERGY	0.00	0.00
FINANCIALS	24,700,178.00	12.19
HEALTH CARE	34,813,243.00	17.18
INDUSTRIALS	10,138,664.00	5.00
INFORMATION TECHNOLOGY	72,442,155.45	35.74
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	6,136,249.00	3.03
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>197,862,767.45</b>	<b>97.62</b>
<b>Cash Equivalents</b>	<b>3,488,396.27</b>	<b>1.72</b>
Payable for Investments Purchased	(279,021.75)	(0.14)
Receivables for Investments Sold	1,567,727.50	0.77
Dividend Receivable	18,820.00	0.01
Short Term Interest Receivable	10,632.57	0.01
Long Term Interest Receivable	0.00	0.00
Tax Refundable	7,624.22	0.00
<b>Grand Total</b>	<b>\$ 202,676,946.26</b>	<b>100.00 %</b>



## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### BARCLAYS GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	349,202,734.66	12.92
CONSUMER STAPLES	167,124,413.15	6.18
ENERGY	221,249,046.54	8.19
FINANCIALS	567,835,096.98	21.01
HEALTH CARE	392,003,609.97	14.51
INDUSTRIALS	291,759,690.90	10.80
INFORMATION TECHNOLOGY	426,290,093.19	15.78
MATERIALS	95,357,765.56	3.53
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	77,784,492.94	2.88
UNCLASSIFIED	0.00	0.00
UTILITIES	101,575,340.13	3.76
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>2,690,182,284.02</b>	<b>99.56</b>
<b>Cash Equivalents</b>	<b>10,200,946.11</b>	<b>0.38</b>
Payable for Investments Purchased	(29,819,854.55)	(1.10)
Receivables for Investments Sold	28,925,228.83	1.07
Dividend Receivable	2,667,626.03	0.10
Short Term Interest Receivable	23,622.69	0.00
Long Term Interest Receivable	0.00	0.00
Margin Receivable	0.00	0.00
Tax Receivable	19,896.68	0.00
Payable for Interest Compensation	(65.26)	(0.00)
<b>Grand Total</b>	<b>\$ 2,702,199,684.55</b>	<b>100.00 %</b>

### JPMORGAN FLEMING ASSET MANAGEMENT

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	359,592,156.83	15.84
CONSUMER STAPLES	159,888,293.00	7.05
ENERGY	180,185,233.00	7.94
FINANCIALS	474,897,152.00	20.93
HEALTH CARE	308,827,177.00	13.61
INDUSTRIALS	217,548,125.00	9.59
INFORMATION TECHNOLOGY	314,494,595.00	13.86
MATERIALS	65,810,652.00	2.90
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	84,547,163.00	3.73
UNCLASSIFIED	0.00	0.00
UTILITIES	98,223,923.00	4.33
ALL NON U.S.	0.00	0.00
BONDS	558,312.66	0.02
<b>Total Equities</b>	<b>2,264,572,782.49</b>	<b>99.78</b>
<b>Cash Equivalents</b>	<b>2,489,079.63</b>	<b>0.11</b>
Payable for Investments Purchased	(3,486,029.40)	(0.15)
Receivables for Investments Sold	3,466,072.21	0.15
Dividend Receivable	2,450,390.50	0.11
Short Term Interest Receivable	17,193.41	0.00
Long Term Interest Receivable	3,068.75	0.00
Tax Receivable	0.00	0.00
Other Payables	(20,350.00)	(0.00)
Payable for Interest Compensation	(109.96)	(0.00)
<b>Grand Total</b>	<b>\$ 2,269,492,097.63</b>	<b>100.00 %</b>

### FRANKLIN PORTFOLIO ASSOCIATES

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	260,966,885.06	13.49
CONSUMER STAPLES	131,761,765.48	6.81
ENERGY	167,010,509.82	8.63
FINANCIALS	381,604,776.21	19.73
HEALTH CARE	279,135,998.42	14.43
INDUSTRIALS	281,021,766.20	14.53
INFORMATION TECHNOLOGY	251,103,448.16	12.98
MATERIALS	55,661,312.00	2.88
RIGHTS/WARRANTS	8,571.64	0.00
TELECOMMUNICATIONS SERVICES	46,670,480.40	2.41
UNCLASSIFIED	0.00	0.00
UTILITIES	69,505,108.00	3.59
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>1,924,450,621.39</b>	<b>99.49</b>
<b>Cash Equivalents</b>	<b>3,133,226.65</b>	<b>0.16</b>
Payable for Investments Purchased	(34,528,370.63)	(1.79)
Receivables for Investments Sold	38,415,561.89	1.99
Dividend Receivable	2,818,519.72	0.15
Short Term Interest Receivable	12,811.36	0.00
Payable for Interest Compensation	(21.60)	(0.00)
<b>Grand Total</b>	<b>\$ 1,934,302,348.78</b>	<b>100.00 %</b>

### BARCLAYS GLOBAL INVESTORS

(Passive)

Equities	Market Value	%
COMMINGLED FUND	51,019,395.44	0.73
CONSUMER DISCRETIONARY	931,428,187.08	13.33
CONSUMER STAPLES	508,286,373.87	7.27
ENERGY	547,472,241.73	7.83
FINANCIALS	1,464,285,540.27	20.95
HEALTH CARE	930,325,665.50	13.31
INDUSTRIALS	818,332,947.09	11.71
INFORMATION TECHNOLOGY	1,022,586,311.80	14.63
MATERIALS	226,370,906.49	3.24
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	215,912,831.68	3.09
UNCLASSIFIED	551,894.12	0.01
UTILITIES	258,593,354.09	3.70
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>6,975,165,649.16</b>	<b>99.79</b>
<b>Cash Equivalents</b>	<b>6,549,001.52</b>	<b>0.09</b>
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	276,156.64	0.00
Dividend Receivable	7,992,823.94	0.11
Long Term Interest Receivable	0.00	0.00
Short Term Interest Receivable	11,340.35	0.00
Tax Refundable	440.13	0.00
Payable for Interest Compensation	(6.78)	(0.00)
<b>Grand Total</b>	<b>\$ 6,989,995,404.96</b>	<b>100.00 %</b>

## Summarized Asset Listing - Domestic Stock Managers

June 30, 2005

### AGGREGATE DOMESTIC EQUITY POOL

Equities	Market Value	%
COMMINGLED FUND	51,019,395.44	0.25
CONSUMER DISCRETIONARY	3,078,277,243.11	14.84
CONSUMER STAPLES	1,462,652,568.07	7.05
ENERGY	1,539,778,193.76	7.42
FINANCIALS	4,266,165,348.81	20.56
HEALTH CARE	2,888,085,086.51	13.92
INDUSTRIALS	2,366,776,280.02	11.41
INFORMATION TECHNOLOGY	2,972,946,710.82	14.33
MATERIALS	652,649,718.62	3.15
RIGHTS/WARRANTS	8,571.64	0.00
TELECOMMUNICATIONS SERVICES	580,547,921.84	2.80
UNCLASSIFIED	2,037,006.26	0.01
UTILITIES	676,895,080.85	3.26
ALL NON U.S.	0.00	0.00
BONDS	558,312.66	0.00
<b>Total Equities</b>	<b>20,538,397,438.41</b>	<b>98.98</b>
<b>Cash Equivalents</b>	<b>187,179,181.19</b>	<b>0.90</b>
Payable for Investments Purchased	(155,216,510.38)	(0.75)
Receivables for Investments Sold	158,131,911.76	0.76
Long Term Interest Receivable	3,068.75	0.00
Short Term Interest Receivable	526,966.19	0.00
Payable for Interest Compensation	(246.43)	(0.00)
Dividend Receivable	21,074,177.39	0.10
Tax Refund Receivable	99,706.58	0.00
Margin Receivable	0.00	
Other Payables	(127,650.00)	
Advisory Fee	(4.57)	
<b>Grand Total</b>	<b>\$ 20,750,068,038.89</b>	<b>100.00 %</b>

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

## Summarized Asset Listing - International Stock Managers

June 30, 2005

### AMERICAN EXPRESS ASSET MGMT

Exposure by Country	Market Value	%
AUSTRALIA	9,150,254.60	3.54
CANADA	12,800,008.57	4.95
DENMARK	2,649,920.29	1.02
EURO	79,763,298.84	30.84
HONG KONG	8,146,263.71	3.15
JAPAN	51,680,209.78	19.98
NORWAY	702.88	0.00
UNITED KINGDOM	62,111,513.18	24.01
SINGAPORE	3,600,849.80	1.39
SWEDEN	1,343,656.02	0.52
SWITZERLAND	23,253,214.27	8.99
THAILAND	121,006.78	0.05
UNITED STATES	6,668,557.16	2.58
Dividend Receivable	607,326.78	0.23
Payable for Investments Purchased	(5,838,980.15)	(2.26)
Receivables for Investments Sold	2,241,843.03	0.87
Short Term Interest Receivable	8,129.88	0.00
Tax Refundable	392,628.24	0.15
Payable for Interest Compensation	(60.76)	(0.00)
Unrealized on fx payables	0.00	0.00
Unrealized on fx receivables	0.00	0.00
Unrealized on Income receivables	(36,918.09)	(0.01)
Unrealized on Investment payables	(4,338.28)	(0.00)
Unrealized on Investment receivables	(18,128.20)	(0.01)
<b>Grand Total</b>	<b>258,640,958.33</b>	<b>100.00 %</b>

### MARATHON ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	25,714,812.72	3.82
CANADA	32,941,641.11	4.89
DENMARK	7,934,328.71	1.18
EURO	152,321,051.28	22.63
HONG KONG	47,344,383.37	7.04
JAPAN	153,402,379.31	22.79
NEW ZEALAND	2,644,696.44	0.39
NORWAY	3,981,018.08	0.59
UNITED KINGDOM	150,965,014.87	22.43
SINGAPORE	10,394,070.41	1.54
SWEDEN	17,545,829.84	2.61
SWITZERLAND	17,391,787.53	2.58
UNITED STATES	49,017,404.57	7.28
Dividend Receivable	946,896.02	0.14
Payable for Investments Purchased	(3,991,217.26)	(0.59)
Receivables for Investments Sold	4,063,003.71	0.60
Short Term Interest Receivable	36,550.07	0.01
Tax Refundable	353,964.46	0.05
Unrealized on fx payables	753.51	0.00
Unrealized on fx receivables	32.96	0.00
Unrealized on Income receivables	(33,382.36)	(0.00)
Unrealized on Investment payables	(308,789.90)	(0.05)
Unrealized on Investment receivables	307,514.30	0.05
<b>Grand Total</b>	<b>672,973,743.75</b>	<b>100.00 %</b>

### INVESCO GLOBAL ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	8,072,733.87	1.77
CANADA	14,129,711.67	3.10
DENMARK	8,508,143.39	1.87
EURO	125,942,675.37	27.67
HONG KONG	7,832,030.80	1.72
JAPAN	98,184,512.23	21.57
NORWAY	5,133,515.86	1.13
UNITED KINGDOM	92,818,475.42	20.39
SWEDEN	5,662,689.29	1.24
SWITZERLAND	44,290,577.95	9.73
UNITED STATES	43,836,904.37	9.63
Dividend Receivable	928,071.68	0.20
Payable for Investment Purchased	(901,777.93)	(0.20)
Short Term Interest Receivable	13,038.54	0.00
Tax Refundable	756,039.69	0.17
Unrealized on fx receivables	(8,277.24)	(0.00)
Unrealized on Income receivables	(35,796.52)	(0.01)
Unrealized on Investment payables	6,301.84	0.00
<b>Grand Total</b>	<b>455,169,570.28</b>	<b>100.00 %</b>

### STATE STREET GLOBAL MARKETS

(Transition Manager)

Exposure by Country	Market Value	%
AUSTRALIA	83,670,462.25	5.23
CANADA	87,334,586.28	5.46
DENMARK	6,237,216.71	0.39
EURO	522,137,161.08	32.64
HONG KONG	34,585,060.29	2.16
JAPAN	281,645,341.15	17.60
NEW ZEALAND	1,863,940.21	0.12
NORWAY	28,174,450.88	1.76
UNITED KINGDOM	345,536,094.31	21.60
SINGAPORE	7,151,204.31	0.45
SWEDEN	34,467,119.68	2.15
SWITZERLAND	118,801,852.51	7.43
UNITED STATES	43,280,960.60	2.71
Dividend Receivable	663,369.81	0.04
Payable for Interest Compensation	(12.22)	(0.00)
Payable for Investments Purchased	(1,173,643.19)	(0.07)
Receivables for Investments Sold	5,465,969.70	0.34
Short Term Interest Receivable	35,059.17	0.00
Tax Refundable	1,113.23	0.00
Margin Variation Receivable	62,909.94	0.00
Unrealized on Income receivables	(3,241.86)	(0.00)
Unrealized on Investment payables	21,703.85	0.00
Unrealized on Investment receivables	(81,707.12)	(0.01)
<b>Grand Total</b>	<b>1,599,876,971.57</b>	<b>100.00 %</b>

## Summarized Asset Listing - International Stock Managers

June 30, 2005

### UBS GLOBAL ASSET MANAGEMENT

Exposure by Country	Market Value	%
AUSTRALIA	13,302,699.01	2.80
CANADA	16,178,879.43	3.40
DENMARK	16.08	0.00
EURO	165,341,245.21	34.78
HONG KONG	5,363,328.51	1.13
JAPAN	87,348,157.55	18.38
NEW ZEALAND	2,618.51	0.00
NORWAY	120.40	0.00
UNITED KINGDOM	124,948,917.39	26.29
SINGAPORE	5,326.55	0.00
SWEDEN	3,457,473.93	0.73
SWITZERLAND	55,233,215.34	11.62
UNITED STATES	104,317.71	0.02
Dividend Receivable	1,342,433.98	0.28
Receivables for Investments Sold	524,784.56	0.11
Short Term Interest Receivable	3,687.16	0.00
Tax Refundable	843,110.36	0.18
Unrealized on fx payables	4,988,101.39	1.05
Unrealized on fx receivables	(3,582,354.37)	(0.75)
Unrealized on Income receivables	(56,015.64)	(0.01)
Unrealized on Investment receivables	1,651.86	0.00
<b>Grand Total</b>	<b>475,351,714.92</b>	<b>100.00 %</b>

### STATE STREET GLOBAL ADVISORS

(Passive)

Exposure by Country	Market Value	%
AUSTRALIA	94,591,987.95	5.13
CANADA	123,979,584.44	6.72
DENMARK	13,560,311.40	0.74
EURO	582,132,610.29	31.55
HONG KONG	30,688,047.84	1.66
JAPAN	371,124,381.94	20.12
NEW ZEALAND	4,137,926.99	0.22
NORWAY	13,443,704.17	0.73
UNITED KINGDOM	431,626,241.86	23.40
SINGAPORE	15,703,660.91	0.85
SWEDEN	41,109,095.45	2.23
SWITZERLAND	115,120,258.63	6.24
THAILAND	2.60	0.00
UNITED STATES	475,469.78	0.03
Dividend Receivable	4,766,060.77	0.26
Long Term Interest Receivable	1,298.23	0.00
Margin Variation Receivable	64,796.04	0.00
Other Payable	(61,392.59)	(0.00)
Payable for Investments Purchased	(2,154,849.31)	(0.12)
Receivables for Investments Sold	2,150,678.34	0.12
Short Term Interest Receivable	817.04	0.00
Tax Refundable	2,660,853.90	0.14
Unrealized on Income receivables	(191,460.59)	(0.01)
Unrealized on Investment payables	(247,739.83)	(0.01)
Unrealized on Investment receivables	247,930.47	0.01
<b>Grand Total</b>	<b>1,844,930,276.72</b>	<b>100.00 %</b>

### ALLIANCE CAPITAL MANAGEMENT L.P. (Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	8,466,759.61	3.42
CHILE	255,460.59	0.10
CZECH REPUBLIC	642,082.59	0.26
EGPYT	3,105,832.40	1.25
HONG KONG	15,596,372.09	6.29
HUNGARY	5,735,056.35	2.31
INDIA	20,281,799.82	8.18
INDONESIA	4,834,819.68	1.95
ISRAEL	2,366,350.22	0.95
MALAYSIA	2,775,519.73	1.12
MEXICO	4,975,720.88	2.01
TAIWAN	43,074,634.07	17.38
SOUTH AFRICA	25,463,778.24	10.27
SOUTH KOREA	39,697,381.99	16.01
THAILAND	4,517,560.50	1.82
TURKEY	6,180,681.17	2.49
UNITED STATES	57,158,325.58	23.06
Dividend Receivable	983,512.17	0.40
Payable for Investments Purchased	(2,526,187.69)	(1.02)
Receivables for Investments Sold	4,148,086.44	1.67
Short Term Interest Receivable	4,742.23	0.00
Tax Refundable	280,078.24	0.11
Other Payable	(119,151.70)	(0.05)
Unrealized on fx receivables	(40.66)	(0.00)
Unrealized on fx payables	(33.10)	(0.00)
Unrealized on Income receivables	1,103.10	0.00
Unrealized on Investment payables	(708.11)	(0.00)
Unrealized on Investment receivables	3,905.15	0.00
<b>Grand Total</b>	<b>247,903,441.58</b>	<b>100.00 %</b>

## Summarized Asset Listing - International Stock Managers

June 30, 2005

### CAPITAL INTERNATIONAL (Emerging Markets)

### MORGAN STANLEY DEAN WITTER INV. (Emerging Markets)

Exposure by Country	Market Value	%	Exposure by Country	Market Value	%
BRAZIL	11,798,526.71	5.75	BRAZIL	8,289,049.94	3.35
COLUMBIAN PESO	769,382.93	0.38	EGPYT	3,528,875.87	1.42
CZECH REPUBLIC	640,826.08	0.31	EURO	4,007,127.28	1.62
EGYPT	1,287,139.67	0.63	HONG KONG	12,529,498.00	5.06
HONG KONG	7,882,398.42	3.84	INDIA	17,001,762.58	6.86
HUNGARY	1,265,871.69	0.62	INDONESIA	1,951,486.68	0.79
INDIA	13,432,135.37	6.55	ISRAEL	81.43	0.00
INDONESIA	5,442,223.30	2.65	JAPAN	117.32	0.00
ISRAEL	2,594,191.37	1.27	MALAYSIA	4,521,466.31	1.82
MALAYSIA	10,905,253.32	5.32	MEXICO	9,263,944.66	3.74
MEXICO	5,084,174.12	2.48	MORROCCO	761,847.99	0.31
TAIWAN	24,471,910.84	11.93	TAIWAN	29,057,606.14	11.73
PHILLIPINES	889,149.57	0.43	PAKISTAN	843,524.66	0.34
POLAND	1,154,389.12	0.56	POLAND	5,361,062.62	2.16
UNITED KINGDOM	46,926.31	0.02	UNITED KINGDOM	1,515,561.63	0.61
SINGAPORE	159,698.93	0.08	SINGAPORE	985,287.12	0.40
SOUTH AFRICA	14,879,747.19	7.26	SOUTH AFRICA	27,062,453.88	10.92
SOUTH KOREA	32,461,334.60	15.83	SOUTH KOREA	29,624,575.57	11.95
SWEDEN	123,089.53	0.06	THAILAND	9,526,631.56	3.84
THAILAND	2,425,805.42	1.18	TURKEY	11,578,450.71	4.67
TURKEY	4,908,039.43	2.39	UNITED STATES	68,595,804.94	27.68
UNITED STATES	62,366,359.71	30.41			
Dividend Receivable	680,545.11	0.33	Dividend Receivable	810,838.79	0.33
Payable for Investments Purchased	(1,051,453.91)	(0.51)	Payable for Investments Purchased	(1,938,809.63)	(0.78)
Receivables for Investments Sold	242,765.46	0.12	Receivables for Investments Sold	2,361,751.35	0.95
Short Term Interest Receivable	15,885.02	0.01	Short Term Interest Receivable	19,709.03	0.01
Tax Refundable	731.30	0.00	Payable on Interest Comp	(90.24)	(0.00)
Other Liabilities	(8,096.67)	(0.00)	Unrealized on fx payables	1,748,818.73	0.71
Unrealized on fx payables	222,543.33	0.11	Unrealized on fx receivables	(1,212,431.94)	(0.49)
Unrealized on fx receivables	(41,459.02)	(0.02)	Unrealized on Income receivables	5,540.60	0.00
Unrealized on Income receivables	11,835.99	0.01	Unrealized on Investment receivables	(1,424.99)	(0.00)
Unrealized on Investment payables	(3,396.36)	(0.00)	Unrealized on Investment Payables	1,698.56	0.00
Unrealized on Investment receivables	1,775.87	0.00	<b>Grand Total</b>	<b>247,801,817.15</b>	<b>100.00 %</b>
<b>Grand Total</b>	<b>205,060,249.75</b>	<b>100.00 %</b>			

## Summarized Asset Listing - International Stock Managers

June 30, 2005

### AGGREGATE INTERNATIONAL STOCK POOL\*

#### Exposure by Country

	Market Value	%
AUSTRALIA	234,556,857.53	3.90
BRAZIL	28,554,336.26	0.47
CANADA	287,364,411.50	4.77
CHILE	255,460.59	0.00
COLUMBIA	769,382.93	0.01
CZECH REPUBLIC	1,282,908.67	0.02
DENMARK	38,889,936.58	0.65
EGPYT	7,921,847.94	0.13
EURO	1,631,737,452.70	27.11
HONG KONG	169,967,383.03	2.82
HUNGARY	7,000,928.04	0.12
INDIA	50,715,697.77	0.84
INDONESIA	12,228,529.66	0.20
ISRAEL	4,960,623.02	0.08
JAPAN	1,043,997,713.21	17.35
MALAYSIA	18,202,239.36	0.30
MEXICO	19,323,839.66	0.32
MORROCCO	761,847.99	0.01
NEW ZEALAND	8,649,182.15	0.14
NORWAY	50,733,512.27	0.84
PAKISTAN	843,524.66	0.01
PHILLIPINES	889,149.57	0.01
POLAND	6,515,451.74	0.11
SINGAPORE	38,029,079.24	0.63
SOUTH AFRICA	67,405,979.31	1.12
SOUTH KOREA	101,783,292.16	1.69
SWEDEN	103,708,953.74	1.72
SWITZERLAND	374,090,906.23	6.22
TAIWAN	96,604,151.05	1.61
THAILAND	16,591,006.86	0.28
TURKEY	22,667,171.31	0.38
UNITED KINGDOM	1,209,578,073.84	20.10
UNITED STATES	339,909,448.57	5.65
Dividend Receivable	<b>12,580,153.57</b>	0.21
Long Term Interest Receivable	<b>1,298.23</b>	0.00
Margin Variation Receivable	<b>127,705.98</b>	0.00
Payable for Interest Compensation	<b>(163.22)</b>	(0.00)
Payable for Investments Purchased	<b>(19,652,144.91)</b>	(0.33)
Receivables for Investments Sold	<b>21,250,773.42</b>	0.35
Short Term Interest Receivable	<b>165,039.33</b>	0.00
TAX Refundable	<b>6,408,133.71</b>	0.11
Other Payables	<b>(180,544.29)</b>	(0.00)
Other Liabilities	<b>(8,096.67)</b>	(0.00)
Unrealized on fx payables	<b>6,960,183.86</b>	0.12
Unrealized on fx receivables	<b>(4,844,530.27)</b>	(0.08)
Unrealized on Income receivables	<b>(394,610.44)</b>	(0.01)
Unrealized on Investment payables	<b>(530,225.01)</b>	(0.01)
Unrealized on Investment receivables	<b>458,456.68</b>	0.01
<b>GRAND TOTAL</b>	<b>6,018,831,709.11</b>	<b>100.00 %</b>

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

## Summarized Asset Listing - Bond Managers

June 30, 2005

### AMERICAN EXPRESS ASSET MANAGEMENT GROUP DODGE & COX INC.

Fixed Income	Market Value	%	Fixed Income	Market Value	%
U.S. AGENCY	\$95,616,039.77	11.39	U.S. AGENCY	\$12,442,839.73	1.39
U.S. CORPORATE	173,886,236.62	20.72	U.S. CORPORATE	269,015,908.08	29.99
U.S. MTG. REL.	397,024,287.61	47.30	U.S. MTG. REL.	330,306,029.38	36.82
U.S. MUNICIPALS	0.00	0.00	U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00	U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	56,420,878.47	6.72	U.S. TREASURY	190,434,169.00	21.23
PRIVATE PLACEMENTS	527,350.00	0.06	PRIVATE PLACEMENTS	0.00	0.00
YANKEE	5,307,475.42	0.63	YANKEE	0.00	0.00
FOREIGN RELATED	10,944,104.76	1.30	FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00	MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>739,726,372.65</b>	<b>88.13</b>	<b>Total Fixed Income</b>	<b>802,198,946.19</b>	<b>89.42</b>
<b>Cash Equivalent</b>			<b>Cash Equivalent</b>		
U.S.	115,255,124.97	13.73	U.S.	81,782,655.03	9.12
Non U.S.	0.00	0.00	Non U.S.	0.00	0.00
Payable for Investments Purchased	(43,432,063.31)	(5.17)	Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	22,190,196.12	2.64	Receivables for Investments Sold	4,851,158.89	0.54
Long Term Interest Receivable	5,364,325.14	0.64	Long Term Interest Receivable	8,255,040.48	0.92
Short Term Interest Receivable	273,593.42	0.03	Short Term Interest Receivable	61,792.09	0.01
Payable for Interest Compensation	0.00	0.00	Payable for Interest Compensation	-43.36	(0.00)
<b>Grand Total</b>	<b>\$839,377,548.99</b>	<b>100.00</b>	<b>Grand Total</b>	<b>\$897,149,549.32</b>	<b>100.00</b>

### DEUTSCHE ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	\$6,754,872.71	0.76
U.S. CORPORATE	197,751,152.33	22.30
U.S. MTG. REL.	408,079,215.75	46.01
U.S. MUNICIPALS	42,226,461.93	4.76
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	184,429,452.56	20.80
PRIVATE PLACEMENTS	3,056,332.50	0.34
YANKEE	14,991,409.96	1.69
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	2,052,712.50	0.23
<b>Total Fixed Income</b>	<b>859,341,610.24</b>	<b>96.89</b>
<b>Cash Equivalent</b>		
U.S.	32,907,204.96	3.71
Non. U.S.	0.00	0.00
Payable for Investments Purchased	(15,501,982.81)	(1.75)
Receivables for Investments Sold	2,394,311.77	0.27
Long Term Interest Receivable	7,643,004.61	0.86
Short Term Interest Receivable	108,494.17	0.01
Payable for Interest Compensation	-	0.00
Advisory Fee	-4,224.37	(0.00)
<b>Grand Total</b>	<b>\$886,888,418.57</b>	<b>100.00</b>

### MORGAN STANLEY INVESTMENT MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	\$8,048,305.85	0.95
U.S. CORPORATE	142,244,325.45	16.84
U.S. MTG. REL.	367,449,751.78	43.49
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	5,670,693.75	0.67
U.S. TREASURY	315,175,901.48	37.30
PRIVATE PLACEMENTS	655,396.82	0.08
YANKEE	15,702,449.14	1.86
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	819,017.65	0.10
<b>Total Fixed Income</b>	<b>855,765,841.92</b>	<b>101.29</b>
<b>Cash Equivalent</b>		
U.S.	61,031,395.17	7.22
Non U.S.	0.00	0.00
Payable for Investments Purchased	(97,847,759.98)	(11.58)
Receivables for Investments Sold	17,573,006.26	2.08
Long Term Interest Receivable	8,530,138.39	1.01
Short Term Interest Receivable	112,439.66	0.01
Payable for Interest Compensation	(94.89)	(0.00)
Other Payables	-260,150.16	(0.03)
<b>Grand Total</b>	<b>\$844,904,816.37</b>	<b>100.00</b>

## Summarized Asset Listing - Bond Managers

June 30, 2005

### WESTERN ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	\$26,796,997.43	1.95
U.S. CORPORATE	340,342,626.08	24.75
U.S. MTG. REL.	636,350,553.04	46.27
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	20,785,965.53	1.51
U.S. TREASURY	412,702,140.84	30.01
PRIVATE PLACEMENTS	1,217,160.00	0.09
YANKEE	43,592,961.87	3.17
FOREIGN RELATED	83,488,628.36	6.07
MISCELLANEOUS	4,786,731.37	0.35
<b>Total Fixed Income</b>	<b>1,570,063,764.52</b>	<b>114.16</b>
<b>Cash Equivalent</b>		
U.S.	109,632,753.15	7.97
Non U.S.	111,379.70	0.01
Payable for Investments Purchased	-356,733,055.06	(25.94)
Receivables for Investments Sold	33,325,063.96	2.42
Long Term Interest Receivable	13,371,706.49	0.97
Short Term Interest Receivable	426,566.96	0.03
Margin Variation Receivable	0.00	0.00
Payable for Interest Compensation	-1,008.42	(0.00)
Other Payables	-256,862.50	(0.02)
Unrealized on Foreign Currency	-5,055.27	(0.00)
Unrealized on fx Receivables	-1,749,661.82	(0.13)
Unrealized on fx Payables	7,089,150.43	0.52
	-	
<b>Grand Total</b>	<b>\$1,375,274,742.14</b>	<b>100.00 %</b>

### GOLDMAN SACHS ASSET MANAGEMENT (Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	\$341,184,888.06	21.10
U.S. CORPORATE	274,160,540.13	16.95
U.S. MTG. REL.	581,031,518.26	35.93
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	4,879,390.00	0.30
U.S. TREASURY	348,410,038.40	21.54
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	21,009,284.77	1.30
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>1,570,675,659.62</b>	<b>97.12</b>
<b>Cash Equivalent</b>		
U.S.	258,881,979.42	16.01
Non U.S.	0.00	0.00
Payable for Investments Purchased	-767,613,260.61	(47.46)
Receivables for Investments Sold	542,593,396.66	33.55
Long Term Interest Receivable	12,289,090.13	0.76
Short Term Interest Receivable	405,140.60	0.03
Payable for Interest Compensation	-5,638.80	(0.00)
Tax Refund Receivable	6,235.17	0.00
<b>Grand Total</b>	<b>\$1,617,232,602.19</b>	<b>100.00 %</b>

### BLACKROCK INC (Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	\$93,270,420.50	5.77
U.S. CORPORATE	352,660,896.46	21.82
U.S. MTG. REL.	741,900,971.90	45.90
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	415,599,095.84	25.71
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	28,420,381.13	1.76
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	(673,000.00)	(0.04)
<b>Total Fixed Income</b>	<b>1,631,178,765.83</b>	<b>100.92</b>
<b>Cash Equivalent</b>		
U.S.	155,208,622.55	9.60
Non U.S.	0.00	0.00
Payable for Investments Purchased	-628,871,708.12	(38.91)
Receivables for Investments Sold	444,352,003.55	27.49
Long Term Interest Receivable	14,188,806.00	0.88
Short Term Interest Receivable	444,568.03	0.03
Margin Variation Receivable	56,296.89	0.00
Tax Refund Receivable	4,024.22	0.00
Payable for Interest Compensation	-9,765.30	(0.00)
Other Payables	-252,141.67	(0.02)
<b>Grand Total</b>	<b>\$1,616,299,471.98</b>	<b>100.00 %</b>

### LEHMAN BROTHERS ASSET MANAGEMENT (Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	\$151,047,538.06	9.35
U.S. CORPORATE	322,008,445.49	19.93
U.S. MTG. REL.	935,623,350.21	57.92
U.S. MUNICIPALS	1,780,000.00	0.11
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	357,926,765.97	22.16
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	24,872,718.18	1.54
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
<b>Total Fixed Income</b>	<b>1,793,258,817.91</b>	<b>111.02</b>
<b>Cash Equivalent</b>		
U.S.	25,799,993.09	1.60
Non U.S.	0.00	0.00
Payable for Investments Purchased	-298,772,740.39	(18.50)
Receivables for Investments Sold	82,053,804.55	5.08
Long Term Interest Receivable	12,946,572.57	0.80
Short Term Interest Receivable	43,419.42	0.00
Payable for Interest Compensation	-1429.97	(0.00)
<b>Grand Total</b>	<b>\$1,615,328,437.18</b>	<b>100.00 %</b>



## Summarized Asset Listing - Bond Managers

June 30, 2005

### AGGREGATE BOND POOL\*

Fixed Income	Market Value	%
U.S. AGENCY	\$735,161,902.11	7.58
U.S. CORPORATE	\$2,072,070,130.64	21.38
U.S. MTG. REL.	\$4,397,765,677.93	45.37
U.S. MUNICIPALS	\$44,006,461.93	0.45
U.S. PREFERRED STOCK	\$31,336,049.28	0.32
U.S. TREASURY	\$2,281,098,442.56	23.53
PRIVATE PLACEMENTS	\$5,456,239.32	0.06
YANKEE	\$153,896,680.47	1.59
FOREIGN RELATED	\$94,432,733.12	0.97
MISCELLANEOUS	\$6,985,461.52	0.07
<b>Total Fixed Income</b>	<b>9,822,209,778.88</b>	<b>101.34</b>
<b>Cash Equivalent</b>		
U.S.	\$840,499,728.34	8.67
Non. U.S.	\$111,379.70	0.00
Payable for Investments Purchased	-\$2,208,772,570.28	(22.79)
Receivables for Investments Sold	\$1,149,332,941.76	11.86
Long Term Interest Receivable	\$82,588,683.81	0.85
Short Term Interest Receivable	\$1,876,014.35	0.02
Payable for Interest Compensation	(17,980.74)	(0.00)
Other Payables	(769,154.33)	(0.01)
Tax Refund Receivables	10,259.39	0.00
Margin Variation Receivable	56,296.89	0.00
Unrealized on fx Receivables	(1,476,068.40)	(0.02)
Unrealized on fx Payables	7,089,150.43	0.07
Unrealized on Foreign Currency	(5,055.27)	(0.00)
Advisory Fee	-4,224.37	(0.00)
<b>Grand Total</b>	<b>\$9,692,729,180.16</b>	<b>100.00 %</b>

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

## Summarized Asset Listing - Supplemental Investment Fund

June 30, 2005

### BOND MARKET ACCOUNT

	Market Value	%
BONDS	\$114,859,897.71	100.00
CASH EQUIVALENTS	\$0.00	0.00
<b>Grand Total</b>	<b>\$114,859,897.71</b>	<b>100.00 %</b>

### COMMON STOCK INDEX ACCOUNT

	Market Value	%
EQUITIES	\$207,505,930.38	100.00
CASH EQUIVALENTS	\$0.00	0.00
<b>Grand Total</b>	<b>\$207,505,930.38</b>	<b>100.00 %</b>

### FIXED INTEREST ACCOUNT

	Market Value	%
GIC POOL	\$61,332,952.04	97.23
CASH EQUIVALENTS	\$1,583,415.63	2.51
Short Term Interest Receivable	\$4,018.65	0.01
Long Term Interest Receivable	\$180,237.05	0.29
Accrued expense	(\$19,525.80)	(0.03)
<b>Grand Total</b>	<b>\$63,081,097.57</b>	<b>100.00 %</b>

### GROWTH SHARE ACCOUNT

	Market Value	%
EQUITIES	\$138,503,270.21	100.00
CASH EQUIVALENTS	\$0.00	0.00
<b>Grand Total</b>	<b>\$138,503,270.21</b>	<b>100.00 %</b>

### DEFERRED COMPENSATION MONEY FUND

CASH EQUIVALENTS	\$49,700,984.51	1.00
<b>Grand Total</b>	<b>\$49,700,984.51</b>	<b>1.00 %</b>

### INCOME SHARE ACCOUNT

	Market Value	%
EQUITIES	\$312,482,362.15	63.13
BONDS	\$177,228,946.97	35.81
CASH EQUIVALENTS	\$5,245,593.52	1.06
Short Term Interest Receivable	\$13,298.51	0.00
<b>Grand Total</b>	<b>\$494,970,201.15</b>	<b>100.00 %</b>

### INTERNATIONAL EQUITY ACCOUNT

	Market Value	%
EQUITIES	\$70,628,928.04	100.00
CASH EQUIVALENTS	\$0.00	0.00
<b>Grand Total</b>	<b>\$70,628,928.04</b>	<b>100.00 %</b>

### MONEY MARKET ACCOUNT

	Market Value	%
CASH EQUIVALENTS	\$51,747,537.39	100.00
Short Term Interest Receivable	\$130,976.69	
<b>Grand Total</b>	<b>\$51,878,514.08</b>	<b>100.00 %</b>

### SUPPLEMENTAL INVESTMENT FUND

	Market Value	%
INCOME SHARE	\$494,970,201.15	41.55
GROWTH SHARE	\$138,503,270.21	11.63
COMMON STOCK INDEX	\$207,505,930.38	17.42
INTERNATIONAL SHARE	\$70,628,928.04	5.93
BOND MARKET	\$114,859,897.71	9.64
MONEY MARKET	\$51,878,514.08	4.36
FIXED INTEREST	\$63,081,097.57	5.30
DEFERRED COMPENSATION	\$49,700,984.51	4.17
<b>Grand Total</b>	<b>\$1,191,128,823.65</b>	<b>100.00 %</b>

## Summarized Asset Listing - Other Funds

June 30, 2005

### ASSIGNED RISK PLAN

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	8,053,807.07	12.17
CONSUMER STAPLES	6,014,032.16	9.09
ENERGY	6,027,104.89	9.11
FINANCIALS	12,263,863.43	18.53
HEALTH CARE	9,239,505.24	13.96
INDUSTRIALS	9,884,733.13	14.94
INFORMATION TECHNOLOGY	8,228,268.94	12.43
MATERIALS	1,978,004.95	2.99
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	2,285,984.92	3.45
UNCLASSIFIED	0.00	0.00
UTILITIES	2,209,462.97	3.34
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>\$66,184,767.70</b>	<b>100.00 %</b>
<b>Fixed Income</b>		
U.S. AGENCY	33,514,137.00	14.06
U.S. CORPORATE	293,663.51	0.12
U.S. MTG. REL.	105,282,122.35	44.18
U.S. TREASURY	31,619,624.04	13.27
MUNICIPAL	33,443,104.84	14.03
PRIVATE PLACEMENT	3,522,541.45	1.48
MISCELLANEOUS	2,918,241.52	1.22
<b>Fixed Income Total</b>	<b>210,593,434.71</b>	<b>88.37</b>
<b>Cash Equivalents</b>	<b>25,952,655.97</b>	<b>10.89</b>
Payable for Investments Purchased	-4,659,717.14	-1.96
Receivables for Investments Sold	4,729,954.20	1.98
Dividend Receivable	104,534.55	0.04
Short Term Interest Receivable	63,150.59	0.03
Long Term Interest Receivable	1,529,963.11	0.64
Payable for Interest Compensation	-1,506.02	0.00
<b>Total Fixed Income</b>	<b>238,312,469.97</b>	<b>100.00 %</b>
<b>Grand Total</b>	<b>\$542,809,707.64</b>	<b>100.00 %</b>

### INTERNAL FIXED ACCOUNT

Fixed Income	Market Value	%
U.S. AGENCY	0.00	0.00
U.S. CORPORATE	179,947,979.25	41.95
U.S. MTG. REL.	110,386,900.89	25.73
U.S. TREASURY	7,883,439.00	1.84
MISCELLANEOUS	0.00	0.00
<b>Fixed Income Total</b>	<b>298,218,319.14</b>	<b>69.52</b>
<b>Cash Equivalents</b>	<b>126,736,511.71</b>	<b>29.54</b>
Payable for Interest Compensation	0.00	0.00
Long Term Interest Receivable	3,688,621.31	0.86
Short Term Interest Receivable	320,170.59	0.07
<b>Grand Total</b>	<b>\$428,963,622.75</b>	<b>100.00 %</b>

### INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	71,762,426.85	10.83
CONSUMER STAPLES	46,637,558.88	7.04
ENERGY	49,263,993.53	7.44
FINANCIALS	113,363,116.24	17.12
HEALTH CARE	74,239,183.17	11.21
INDUSTRIALS	68,557,262.64	10.35
INFORMATION TECHNOLOGY	80,969,929.07	12.22
MATERIALS	16,223,227.76	2.45
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	17,820,841.38	2.69
UNCLASSIFIED	0.00	0.00
UTILITIES	19,277,771.79	2.91
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
<b>Total Equities</b>	<b>558,115,311.31</b>	<b>84.26</b>
<b>Cash Equivalents</b>	<b>103,944,047.88</b>	<b>15.69</b>
Dividend Receivable	671,334.25	0.10
Short Term Interest Receivable	261,271.31	0.04
Other Payables	-647,500.00	-0.10
Payable for Interest Comp	-41.67	0.00
<b>Grand Total</b>	<b>\$662,344,423.08</b>	<b>100.00 %</b>

### CLOSED LANDFILL INVESTMENT FUND

	Market Value	%
EQUITIES	39,687,796.00	99.82
BONDS	0.00	
CASH EQUIVALENTS	70,997.96	0.18
<b>Grand Total</b>	<b>\$39,758,793.96</b>	<b>100.00 %</b>

### EMERGENCY MEDICAL SERVICES

	Market Value	%
EQUITIES	7,693,476.19	60.99
BONDS	4,497,208.29	35.65
CASH EQUIVALENTS	423,262.22	3.36
Short Term Interest Receivable	1,007.33	0.01
<b>Grand Total</b>	<b>\$12,614,954.03</b>	<b>100.00 %</b>

### ENVIRONMENTAL TRUST FUND

	Market Value	%
EQUITIES	264,025,356.21	69.94
BONDS	111,212,519.86	29.46
CASH EQUIVALENTS	2,271,620.86	0.60
Short Term Interest Receivable	3,479.27	0.00
<b>Grand Total</b>	<b>\$377,512,976.20</b>	<b>100.00 %</b>

## Summarized Asset Listing - Other Funds

June 30, 2005

### ETHEL CURREY FUND

	Market Value	%
EQUITIES	340,021.44	50.18
BONDS	131,579.87	19.42
CASH EQUIVALENTS	205,478.00	30.32
SHORT TERM INVESTMENT REC	528.80	0.08
<b>Grand Total</b>	<b>\$677,608.11</b>	<b>100.00 %</b>

### IRON RANGE RESOURCES

	Market Value	%
CASH	151,230.06	0.29
EQUITIES	25,343,257.06	48.91
BONDS	26,322,629.69	50.80
<b>Grand Total</b>	<b>\$51,817,116.81</b>	<b>100.00 %</b>

### LIFETIME FISH & WILDLIFE TRUST

	Market Value	%
EQUITIES	2,341,219.47	69.55
BONDS	1,016,779.53	30.20
CASH EQUIVALENTS	8,278.63	0.25
<b>Grand Total</b>	<b>\$3,366,277.63</b>	<b>100.00 %</b>

### PERMANENT SCHOOL FUND

	Market Value	%
EQUITIES	319,939,418.06	52.28
BONDS	283,241,269.42	46.28
CASH EQUIVALENTS	8,815,109.26	1.44
INTEREST RECEIVABLE	18,282.49	0.00
<b>Grand Total</b>	<b>\$612,014,079.23</b>	<b>100.00 %</b>

### WINONA STATE UNIVERSITY

	Market Value	%
EQUITIES	2,973,890.57	53.76
BONDS	2,542,769.09	45.96
CASH EQUIVALENTS	15,549.33	0.28
<b>Grand Total</b>	<b>\$5,532,208.99</b>	<b>100.00 %</b>

Notes applicable to all Summarized Asset Listings:

The data source for the Summarized Asset Listings was State Street Bank & Trust, the SBI's custodian.

Market value figures in the Summarized Asset Listings may not reconcile to the amounts shown for various Accounts in the Financial Statements due to minor pricing differences between Financial Control Systems and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.

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