

# Minnesota Supplemental Investment Fund

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## Investment Options Prospectus

July 1, 2010.

**Minnesota  
State Board  
of Investment**

60 Empire Drive  
Suite 355  
St. Paul, MN 55103

Phone: 651-296-3328

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Website: [www.sbi.state.mn.us](http://www.sbi.state.mn.us)

Managed by the Minnesota State Board of Investment

## Participating Retirement Plans

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**Unclassified Employees Retirement Plan  
Health Care Savings Plan  
Deferred Compensation Plan**

Minnesota State Retirement System (MSRS)  
60 Empire Drive, Suite 300  
St. Paul, MN 55103-3000  
(651) 296-2761  
1-800-657-5757

**Hennepin County Supplemental Retirement Plan**

Hennepin Co. Human Resources Dept., Benefits Unit  
A-700 Government Center  
300 South Sixth Street  
Minneapolis, MN 55487-0070  
(612) 348-3530

**Public Employees Defined Contribution Plan  
Voluntary Statewide Volunteer Firefighter Plan**

Public Employees Retirement Association (PERA)  
60 Empire Drive, Suite 200  
St. Paul, MN 55103-1855  
(651) 296-7460

**Local Volunteer Firefighter Relief Associations  
Not Participating in the Voluntary Statewide  
Volunteer Firefighter Plan**

Minnesota State Board of Investment  
60 Empire Drive, Suite 355  
St. Paul, MN 55103  
(651) 296-3328

## Risk Spectrum

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Higher Risk	Assets	Management Approach
<b>International Share Account</b>	non U.S. stocks	-at least one-third "active" management -no more than one third "semi-passive" management and -at least one quarter "passive" management
<b>Growth Share Account</b>	U.S. stocks	"active" management
<b>Common Stock Index Account</b>	U.S. stocks (reflects broad U.S. market)	"passive" management
<b>Income Share Account</b>	U.S. stocks/bonds	balanced asset mix
<b>Bond Market Account</b>	bonds	"active" management
<b>Fixed Interest Account</b>	stable value instruments	3 yr. to 5 yr. maturities
<b>Money Market Account</b>	short-term securities	30 to 60 day average maturity
Lower Risk		

Over time, higher-risk assets should provide higher investment returns than lower-risk assets.

**Note:** The Volunteer Firefighter Account was added to the Supplemental Investment Fund. It is available only to local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan and is described in a separate Prospectus. Local firefighter entities should contact the Public Employees Retirement Association for more information.

## ***Letter to Participants***

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July 1, 2010

This prospectus outlines the investment options available to participants in the Minnesota Supplemental Investment Fund and provides some basic information to assist you in making your investment decisions.

Each Account in the Minnesota Supplemental Investment Fund **has share values that are determined on a daily basis**. You may transfer assets among Accounts **on any business day during the month**.

The Volunteer Firefighter Account was recently added to the Supplemental Investment Fund. It is available **only** to local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan. This Account is described in a separate Prospectus due to the limited number of participants in the Account. If you are a fire department or relief association seeking information about the new Voluntary Statewide Volunteer Firefighter Plan, please contact the office of the Public Employees Retirement Association at 60 Empire Drive, Suite 200, St. Paul, MN 55103-1855, (651)296-7460.

**Remember that general economic and market conditions have a dominant influence on the returns available to any investor. As an investor in the Minnesota Supplemental Investment Fund, or any other investment program, you should be prepared for periods in which the returns on financial investments may be low, or even negative. You should be aware that this possibility is much greater for accounts that emphasize relatively risky, higher return assets, such as common stocks, than it is for more conservative investments, such as money market-type accounts.**

With these considerations in mind, the State Board of Investment is confident that the Supplemental Investment Fund will provide competitive long run returns. I encourage you to carefully review each of the accounts available to you and to choose those options that meet your own investment needs and objectives.

**Any questions about your account should be directed to your retirement organization or program at the office shown on the inside cover.** Your retirement organization handles all changes in the way you invest your contributions and maintains records on the status of your account. Your retirement organization has the authority to deduct a fee for administrative expenses after account share values have been calculated. Participants in all plans should contact their retirement organization for more information regarding plan administrative expenses.

Historical share values are available from the Minnesota State Board of Investment upon request and can be accessed on our website at [www.sbi.state.mn.us](http://www.sbi.state.mn.us) in the "Publications" section. Listings of securities held in the various accounts are also available upon request and can be accessed on our website. If you have any questions regarding the Board's investment policies and procedures, please contact the Minnesota State Board of Investment at 60 Empire Drive, Suite 355, St. Paul, MN 55103-3555, (651) 296-3328, or via e-mail at [minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us). We welcome your inquiries.

Respectfully submitted,



Howard J. Bicker  
Executive Director  
State Board of Investment

# General Information

## What Is The Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. The participating groups use the Fund for a variety of retirement-related purposes. Six plans and numerous local relief associations currently participate in the Fund. As of June 30, 2010, the market value of the Fund was approximately \$2.2 billion.

## What Investment Options Does The Fund Offer?

The Fund has eight accounts, or investment options:

International Share	international stocks
Growth Share	actively managed stocks
Common Stock Index	passively managed stocks
Income Share	stocks and bonds
Bond Market	actively managed bonds
Fixed Interest	stable value investments
Money Market	short-term debt securities

The eighth account or investment option is the Volunteer Firefighter Account which is only available to participants in the Voluntary Statewide Volunteer Firefighter Plan. This Account is described in a separate Prospectus.

Each account has different investment objectives and uses different types of assets and investment management styles. These accounts are described in greater detail on the following pages.

## Are All These Options Available To Me?

The choices you have depend on the retirement plan in which you participate.

The **Unclassified Employees Retirement Plan**, the **Health Care Savings Plan** and the **Public Employees Defined Contribution Plan** may choose from the following Accounts:

International Share	Bond Market
Growth Share	Fixed Interest
Common Stock Index	Money Market
Income Share	

The accounts listed above, **except** the Fixed Interest Account, are currently available to participants in the **Hennepin County Supplemental Retirement Plan** and to **local volunteer firefighter plans** which are not participating in the Voluntary Statewide Volunteer Firefighter Plan.

The State's **Deferred Compensation Plan** utilizes the Money Market and Fixed Interest Accounts. The balance of the investment options for the Deferred Compensation Plan are mutual funds. Information related to mutual funds can be obtained by contacting the Minnesota State Retirement System.

## What Options Are Available To The Voluntary Statewide Volunteer Firefighter Plan?

The Volunteer Firefighter Account is the **only** option available to participants in the Voluntary Statewide Volunteer Firefighter Plan. Please contact the Public Employees Retirement Association for information about how your fire department or relief association may become a member of this Plan.

## Which Options Are Best For Me?

Only you can answer that question. The variety of options has been designed to give you flexibility to use one or more accounts in designing a portfolio that reflects your personal investment needs and objectives. The material on the following pages should assist you in making your decision.

***Each of the accounts has separate advantages and risks, and the performance of each will differ according to business and economic conditions.***

***It is not the intent of the State Board of Investment to advise participants regarding their choice among accounts. This information is provided solely as an aid to participants in selecting the most appropriate types of investments for their particular circumstances.***

## May I Change The Way I Invest My Contributions?

Yes, but the guidelines vary among plans. You should contact your retirement organization for more specific information. *Please note that special restrictions apply to transfers out of the Fixed Interest Account (see page 11).*

## What Securities Are Owned By The Fund?

Due to the large number of stocks, bonds and cash equivalents owned by the Fund, the holdings are not listed in this Prospectus. If you would like a complete list of all securities in the Fund, please contact the office of the State Board of Investment. A list will be sent to you, at your request, or you can access the list on our website at [www.sbi.state.mn.us](http://www.sbi.state.mn.us), in the "Publications" section.

# General Information

## Investment Managers for the Fund\*

### Income Share Account:

- Blackrock Institutional Trust Co., San Francisco, CA (stocks)
- Investment Board Staff (bonds)
- State Street Global Advisors, Boston, MA

### Growth Share Account:

- AllianceBernstein LP, Minneapolis, MN
- Blackrock Institutional Trust Co., San Francisco, CA
- Barrow, Hanley, Mewhinney & Strauss, Inc. Dallas, TX
- Earnest Partners LLC, Atlanta, GA
- Goldman Sachs Asset Management LP, New York, NY
- Hotchkis and Wiley Capital Mgmt, Los Angeles, CA
- Intech Investment Management LLC, Princeton, NJ
- J.P. Morgan Asset Management, New York, NY
- Jacobs Levy Equity Management, Inc., Florham Park, NJ
- Knelman Asset Management LLC, Minneapolis, MN
- Lord Abbett & Co. LLC, Jersey City, NJ
- LSV Asset Management, Chicago, IL
- Martingale Asset Management LP, Boston, MA
- McKinley Capital Management Inc., Anchorage, AK
- Mellon Capital Management, Boston, MA
- New Amsterdam Partners LLC, New York, NY
- Next Century Growth Investors LLC, Minneapolis, MN
- Peregrine Capital Management, Minneapolis, MN
- Sands Capital Management LLC, Arlington, VA
- Systematic Financial Management LP, Teaneck, NJ
- Turner Investment Partners, Inc., Berwyn, PA
- UBS Global Asset Management (Americas) Inc., Chicago, IL
- Winslow Capital Management, Inc., Minneapolis, MN
- Zevenbergen Capital Investments LLC, Seattle, WA

### Common Stock Index Account:

- Blackrock Institutional Trust Co., San Francisco, CA

### International Share Account:

- AQR Capital Management LLC, Greenwich, CT
- Acadian Asset Management LLC, Boston, MA
- AllianceBernstein L P, London, England
- Capital International, Inc., Los Angeles, CA
- Columbia Mgmt. Investment Advisors, Minneapolis, MN
- INVESCO Global Asset Management, Atlanta, GA
- J.P. Morgan Investment Management, Inc., London, England
- Marathon Asset Management, London, England
- McKinley Capital Management, Inc., Anchorage, AK
- Morgan Stanley Investment Management, New York, NY
- Pyramis Global Advisors Trust Company, Boston, MA
- State Street Global Advisors, Boston, MA

### Bond Market Account:

- Aberdeen Asset Management, Inc., Philadelphia, PA
- BlackRock Financial Management, New York, NY
- Columbia Mgmt. Investment Advisors, Minneapolis, MN
- Dodge & Cox, San Francisco, CA
- Goldman Sachs Asset Management LP, New York, NY
- Neuberger Investment Management, Chicago, IL
- Pacific Investment Mgmt. Co., (PIMCO), Newport Beach, CA
- Western Asset Management, Pasadena, CA

### Money Market Account:

- State Street Global Advisors, Boston, MA

### Fixed Interest Account:

- Galliard Capital Management, Minneapolis, MN

\*The Minnesota State Board of Investment may add or delete managers from this list at its discretion.

## Investment Board Personnel

Howard J. Bicker  
Teresa J. Richardson

Executive Director  
Assistant Executive Director

### Investment Management Staff

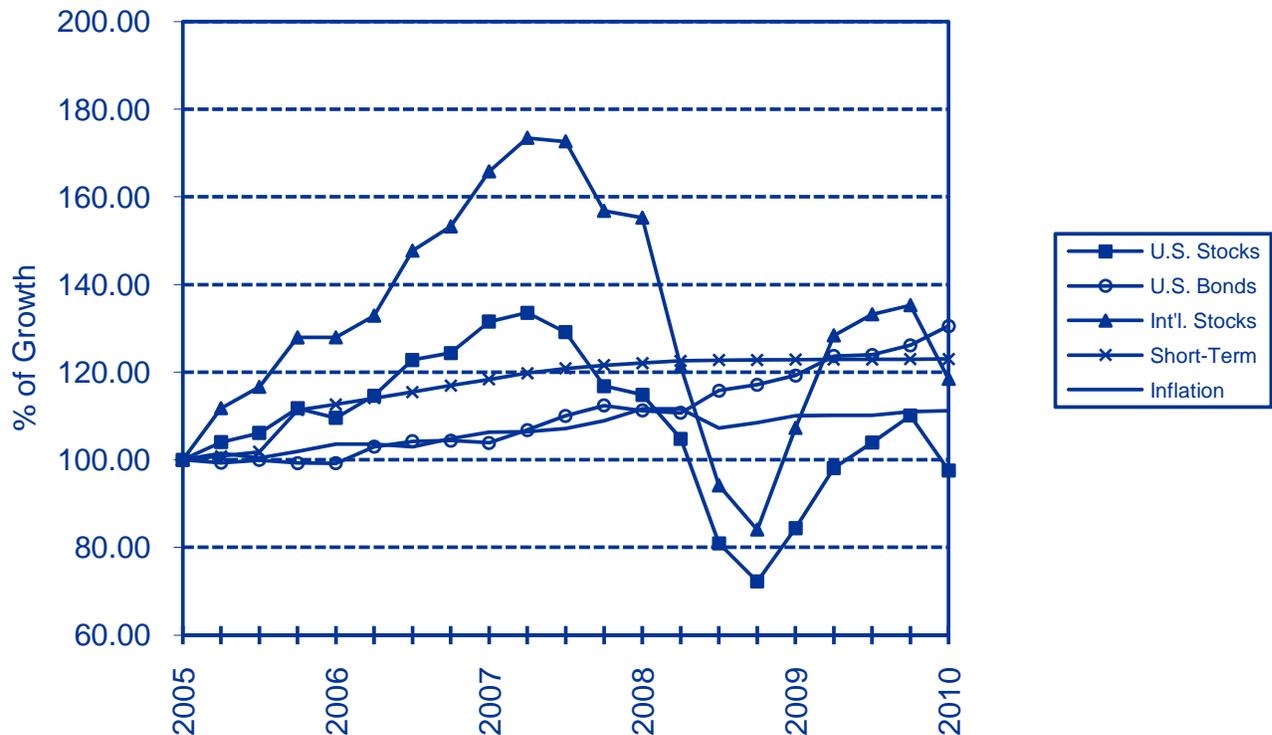
John N. Griebenow	Manager, Alternative Investments
James E. Heidelberg	Manager, Public Programs
Steven Kuettel	Manager, Short-Term Debt
Michael J. Menssen	Manager, Long-Term Debt
Stephanie Gleeson	Manager, International Equity
Tammy Brusehaver	Manager, Domestic Equity
Michael McGirr	Portfolio Mgr., Alternative Investments
Patricia Ammann	Portfolio Manager, Domestic Equity
John J. Kirby	Portfolio Manager, Long-Term Debt
Terrence Larsen	Investment Analyst, Short-Term Debt
Deborah Griebenow	Analyst, Shareholder Services

### Administrative Staff

Steve Schugel	Administrative Director
William J. Nicol	Accounting Director
Kathy Leisz	Information Technology Specialist
Nancy L. Wold	Accounting Officer, Senior
Wendy Murphy	Accounting Officer, Intermediate
Jason White	Accounting Officer, Intermediate
Charlene Olson	Admin. Ass't. to the Executive Director
Carol Nelson	Office Administrative Specialist, Senior
Melissa Merthan	Office Administrative Specialist

# The Year in Review

## Cumulative Growth of Capital Markets Fiscal Years 2006 - 2010



	2006	Year Ending June 30,			Annualized (1)
		2007	2008	2009	2006 - 2010
<b>U.S. Stocks</b> Russell 3000	9.6%	20.1%	-12.7%	-26.6%	-0.5%
<b>U.S. Bonds</b> Barclays Capital Aggregate Bond Index (formerly named Lehman Bros. Aggregate Bond Index)	-0.8%	6.1%	7.1%	6.0%	5.5%
<b>International Stocks</b> MSCI All Country World Index Ex. USA (ACWI ex USA)	27.9%	29.6%	-6.4%	-30.9%	3.4%
<b>Short-Term Investments</b> 90 Day U.S. Treasury Bills	4.1%	5.1%	3.1%	0.6%	2.6%
<b>Inflation Rate</b> Change in Consumer Price Index (CPI)	3.5%	2.7%	5.0%	-1.4%	2.2%

(1) Annualized return is the annual compounded rate of return.

## The Year in Review

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### How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market, as measured by the Russell 3000 index, increased 15.7% for the year ending June 30, 2010. The rally that began in the equity markets after the March 2009 low continued through the first three quarters of this year until macroeconomic fears returned. The one-year return remained strong due to three positive quarters. Most sectors had double digit gains this year and were led by Autos and Transportation with a 35% return. The worst performing sector, Integrated Oils, was impacted by the recent environmental disaster in the Gulf of Mexico and returned -5.7% for the year.

The U.S. bond market returned 9.5% for the twelve months ending June 30, 2010. Within the bond market, U.S. Treasuries returned 6.7%, corporate bonds returned 15.9%, agency mortgage-backed securities returned 7.5%, commercial mortgage-backed securities returned 30.5% and asset-backed securities returned 12.9%. The economy strengthened in the third and fourth quarters of 2009. Investors started to sell U.S. Treasuries in search of yield, causing a rally in the spread sectors of the bond market. The rally continued through the first quarter of 2010, but ended in the second quarter due to European debt concerns, the BP Gulf of Mexico oil spill, and sweeping financial regulatory reform.

The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex. USA), which represents the developed and emerging international markets outside the U.S., returned 10.4% for the year in U.S. dollar terms. The MSCI World Ex. USA Index, which represents developed international markets, returned 7.0% for the year. Japan, the United Kingdom, and Canada, which together comprise 50% of the index, had returns of 0.8%, 8.6% and 17.8%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Free Index, returned 23.1% for the year in U.S. dollar terms. China, Brazil, and Korea are the largest countries in the index with a combined weight of 48% of the index. They had returns of 10.9%, 21.8%, and 31.9%, respectively.

### How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 2010?

- The **International Share Account** provided a return of 11.7% for the fiscal year, outperforming the international composite index. The composite index, which returned 10.4%, is comprised of approximately 77% developed markets and 23% emerging markets. Overall, the developed markets managers added value, while the emerging markets managers matched their respective index.
- The **Growth Share Account** increased 15.6% during the fiscal year, slightly trailing the Russell 3000 index. Overall stock selection detracted from performance.
- The **Common Stock Index Account** was up 16.2% during the year and outperformed its benchmark, the Russell 3000, by 0.5%.
- The mix of stocks, bonds and cash in the **Income Share Account** provided a return of 13.8% and outperformed its composite index by 0.7%. The composite index consists of 60% stocks, 35% bonds and 5% cash.
- The **Bond Market Account** posted a return of 14.5% for the year ended June 30, 2010, outperforming the broad fixed income market by 5%. The outperformance can be attributed to over-weighting the residential and commercial mortgage-backed sectors and the corporate sector at a time when these sectors outperformed U.S. Treasury bonds.
- The **Fixed Interest Account** provided a return of 4.4% during the fiscal year.
- The **Money Market Account** earned 0.2% for the year. This gain is similar to the returns for money market accounts offered by mutual funds and banks.

Your retirement organization accumulates your contributions and transfers these contributions to various accounts in the Fund. The actual performance of your investments in the Supplemental Investment Fund Accounts may be somewhat higher or lower than these figures due to the timing of those transfers.

## International Share Account

The International Share Account has a current market value of approximately \$104 million. The objective of this 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 stock markets (Japan, United Kingdom, Canada, France, and Australia). Most of the remainder is invested in other well established markets in Europe and the Pacific region. Approximately twenty-three percent of the Account is invested in developing countries, or "emerging markets", around the world including those in Asia, Latin America, Eastern Europe, the Middle East and Africa.

### Why Would I Choose This Account?

This option will be attractive if you believe that, over time, international stocks will provide higher returns than other types of investments. Approximately half of the Account is actively managed by several international stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. The remainder of the Account is passively and semi-passively managed and is designed to consistently track the return of 23 markets included in the Morgan Stanley Capital International Index of the World ex. United States. While this investment strategy has the potential to produce returns that exceed those of a composite index comprised of both the developed markets and emerging markets, there may also be periods when the returns fall below the index.

### Who Manages The Account?

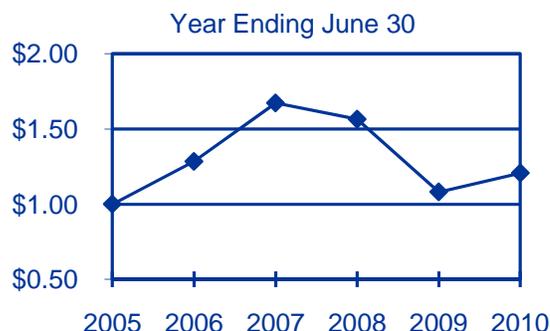
The International Share Account uses a group of international stock investment managers retained by the State Board of Investment. (See page 3 for a listing of these managers).

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 2005 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 3.8%.

	Year Ending June 30,	
	Share Value	Rate of Return
2006	\$5.70	28.4%
2007	7.43	30.4
2008	6.95	-6.5
2009	4.80	-30.9
2010	5.36	11.7

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010 the investment management fees were approximately \$0.34 per \$100 invested.

## Growth Share Account

The Growth Share Account currently has approximately \$99 million in assets. The primary objective is to generate high returns from capital appreciation (increases in the market value of the assets it owns) as measured by the Russell 3000 Index. This Account differs from the Common Stock Index Account because it is actively managed.

The Account is composed **almost exclusively of stocks of U.S. companies**. The small amount of cash in the Account represents the new contributions prior to investment in the market as well as any cash held by the individual managers within the Account.

The Account uses a group of investment managers retained by the State Board of Investment to manage other retirement assets. As a result, the Account encompasses a range of investment styles and approaches. One set of managers actively manages portfolios in specific segments of the U.S. stock market. Another set of managers attempts to add incremental value by investing in a broadly diversified portfolio of stocks across a wide range of industries. This structure assures that the Account covers all areas of the broad stock market.

### Why Would I Choose This Account?

The Growth Share Account is an actively managed aggressive investment program focused on U.S. stocks. You would choose this Account if you believe that, over time, the stock market will provide higher returns than other types of investments.

The returns from the Account are likely to fluctuate more widely than returns from the Common Stock Index Account, Income Share Account or Bond Market Account. The potential for higher gains over the long run is expected to compensate for the short term volatility of returns.

### Who Manages The Account?

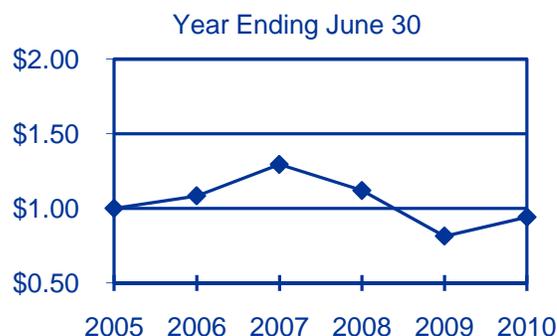
Assets in the Growth Share Account are managed by a group of investment managers retained by the State Board of Investment (see page 3 for a listing of these managers).

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Growth Share Account on June 30, 2005 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was -1.2% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2006	\$25.71	8.3%
2007	30.71	19.4
2008	26.56	-13.5
2009	19.32	-27.3
2010	22.33	15.6

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010 the investment management fees were approximately \$0.21 per \$100 invested.

## Common Stock Index Account

The Common Stock Index Account has a current market value of approximately \$195 million. The objective of the Account is to generate high returns that track the returns of the U.S. stock market as a whole.

The Account invests in over 2,000 domestic stocks and is designed to replicate the return produced by the Russell 3000. The Russell 3000 is a stock market index, like the Dow Jones Industrial Average. In effect, the diversity of stock holdings in the Common Stock Index Account represents the broad domestic stock market. The Account is **invested primarily in U.S. stocks.**

### Why Would I Choose This Account?

This option will be attractive to you if you believe that, over time, stocks will provide higher returns than other investments. You should note, however, that the Common Stock Index Account is "passively managed." This means that no attempt is made to identify specific stocks that will perform better than others. Instead, the Account is designed to perform in line with the broad stock market.

In "actively managed" accounts, such as the Growth Share Account, stocks are bought and sold in an attempt to maximize market value. While it has the potential to produce returns that exceed those of the broad stock market, an active investment strategy may also experience periods when its returns fall below the market. By contrast, the passive approach used in the Common Stock Index Account should provide returns that consistently and inexpensively track the market.

The returns from the Account will rise and fall directly with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short term. In the long term, the Account should average higher returns than you could obtain by placing your contributions in a fixed income or money market-type account.

### Who Manages The Account?

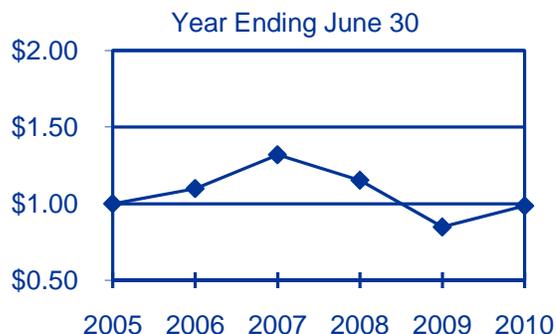
The Common Stock Index Account is managed by Blackrock Institutional Trust Co.

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 2005 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was -0.3% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2006	\$19.93	9.9%
2007	23.92	20.0
2008	20.92	-12.5
2009	15.39	-26.4
2010	17.88	16.2

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010, the investment management fees were approximately \$0.02 per \$100 invested.

## Income Share Account

The Income Share Account has a current market value of approximately \$216 million in assets. The objective of this Account is to earn a return from both capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). To attain that goal, the Account uses a **mix of both stocks and bonds**. While holdings may vary on a day-to-day basis, the following is the targeted asset mix:

- 60% common stocks
- 35% bonds
- 5% cash

The stock segment of the Account is indexed to the Russell 3000, a market index that reflects the broad U.S. stock market. The bond segment is actively managed and includes high-quality corporate bonds and mortgage securities as well as U.S. Government issues.

### Why Would I Choose This Account?

You would choose the Income Share Account if you want a balanced or diversified investment program in one account. You must be willing to assume some risk with your investment, since returns will vary with changes in market conditions. Over time, the Account may average higher returns than you could obtain by placing your contributions in a fixed income or money market-type account.

Market-value growth and dividend income from the stock holdings can give you higher returns than are usually available from bonds and short-term (cash) investments. Conversely, while returns on bonds are often lower than returns on stocks, the bond holdings in the Account add stability and offer you some protection against wide swings in the general stock market.

### Who Manages The Account?

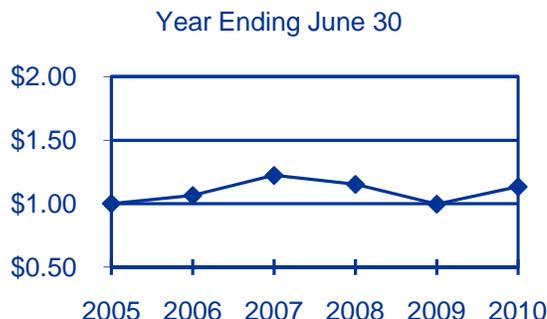
The Income Share Account uses both Investment Board staff and investment managers. Investment Board staff manages the bond holdings in the Account. The stock holdings are invested through the same stock index fund used for the Common Stock Index Account (see page 8 for a description of this passively managed index fund).

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire Account. Any interest and dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

### What Is The Past Investment Performance of This Account?

The graph shows how \$1.00 invested in the Income Share Account on June 30, 2005 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 2.5% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2006	\$35.04	6.4%
2007	40.26	14.9
2008	37.94	-5.8
2009	32.78	-13.6
2010	37.31	13.8

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010, the investment management fees were approximately \$0.01 per \$100 invested.

## Bond Market Account

The Bond Market Account has a current market value of approximately \$128 million. The objective of this Account is to earn returns by investing in **fixed income securities** (bonds).

Interest income and capital appreciation (increases in the market value of the assets) are the sources of returns for the Account. The Account invests the large majority of its assets in high-quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities, usually 3 to 20 years. The managers of the Account also may attempt to earn returns by anticipating changes in interest rates and adjusting bond holdings accordingly. While the managers invest primarily in the U.S. bond market, some are authorized to invest a small portion of their portfolios in non-U.S. bonds. Similarly, while the large majority of holdings in the Account will be top rated "investment grade" issues, some managers are authorized to hold a small portion in higher yielding, or "below-investment grade", debt issues. The aggregate holdings in non-U.S. and below-investment grade debt are expected to be no more than ten percent of the Account at any time.

The Account is invested entirely in fixed income securities. No stocks are held in the Account. At times, cash reserves may be raised if the investment managers forecast an increase in interest rates.

### Why Would I Choose This Account?

The Bond Market Account is a moderately conservative investment option. It will be attractive if you want an investment option that avoids common stocks, but you also want the potential for greater returns than you can obtain from money market-type accounts.

The returns from the Account generally will move in the opposite direction of interest rate changes. You must be willing to assume some risk with your investment, because the Account could register losses in periods when interest rates are rising.

### Who Manages The Account?

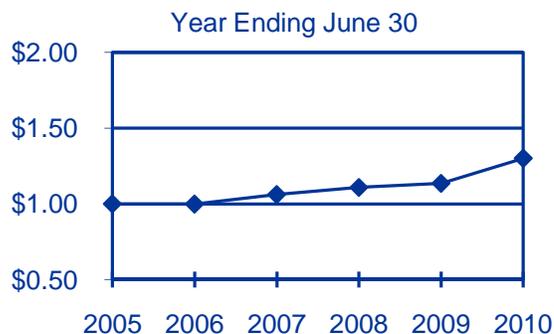
The Bond Market Account is invested by a group of external bond managers retained by the State Board of Investment (see page 3 for a listing of these managers).

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire Account. Any interest earnings are reinvested at the time they are received. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 2005 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return over this period was 5.4% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2006	\$11.00	-0.2%
2007	11.70	6.4
2008	12.21	4.4
2009	12.51	2.5
2010	14.33	14.5

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010, the investment management fees were approximately \$0.10 per \$100 invested.

## Fixed Interest Account

The Fixed Interest Account is designed to maintain the value of your original investment and to provide competitive returns using somewhat longer-term investments than typically found in a money market-type account. The current market value of the Account is approximately \$1.3 billion.

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

### Why Would I Choose This Account?

The Fixed Interest Account is a conservative investment option. This type of investment option may be attractive to you because the possibility of incurring a loss on your original investment is very low. However, you should be aware that the Account is unable to offer the potential for more substantial returns that might result from other investments such as common stock. You should also understand that the returns of the Account may not change as quickly as the credited interest rates associated with a money market-type account. This lag will tend to work to your advantage when overall interest rates are falling and will tend to work to your disadvantage when overall rates are rising.

### Who Manages The Account?

The Account is managed by Galliard Capital Management, an independently operated subsidiary of Wells Fargo Bank.

### How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined on a daily basis and reflects the blended crediting rate available from all investments in the Account. Due to the nature of the Account's investments, returns change only modestly from period to period.

### May I Transfer Money Into This Account?

Yes. The Account will accept transfers from other investment options in your plan, provided you follow the guidelines established by your retirement organization.

### May I Transfer Money Out Of This Account?

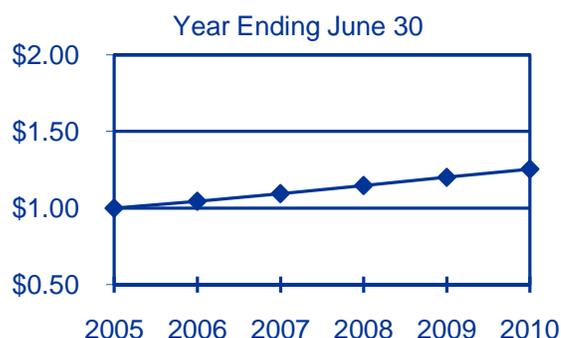
Yes, but there are special **withdrawal restrictions** that apply only to the Fixed Interest Account. **All or a portion of the amounts deposited in the Account** may be transferred to the Income Share, Growth Share, Common Stock Index, Bond Market or International Share Accounts within the Supplemental Investment Fund. **You may not re-transfer** these amounts to the Money Market Account for at least three months.

### Why Are These Restrictions Necessary?

When short-term interest rates rise above the rates available in the longer term Fixed Interest Account, transfers from the Fixed Interest Account to the Money Market Account adversely affect the investments in the Fixed Interest Account. More flexible withdrawal procedures tend to reduce the interest rates that financial institutions would be willing to offer for investments in this Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 2005 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 4.6% per year.

### Year Ending June 30, Rate of Return

2006	4.5%
2007	4.7
2008	4.7
2009	4.8
2010	4.4

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010, the investment management fees were approximately \$0.06 per \$100 invested.

Returns reflect the performance of the daily valued portfolio.

## Money Market Account

The return in the Money Market Account is based on the interest income produced by the Account's investments. The objective of the Account is to provide safety of principal by investing in U.S. Government securities. The current value of the Account is approximately \$246 million.

Unlike the accounts described earlier, the Money Market Account does not own stocks or long-term bonds. The Account is invested in a short term fund of high quality money market instruments.

### Why Would I Choose This Account?

The Money Market Account is a conservative investment option. You would choose this Account if you want to maintain the value of your original investment. At the same time, you want your money to earn competitive short-term interest rates.

The returns from the Account will vary much less than investments that include stocks or bonds and should closely follow the rise and fall in short-term interest rates.

### Who Manages The Account?

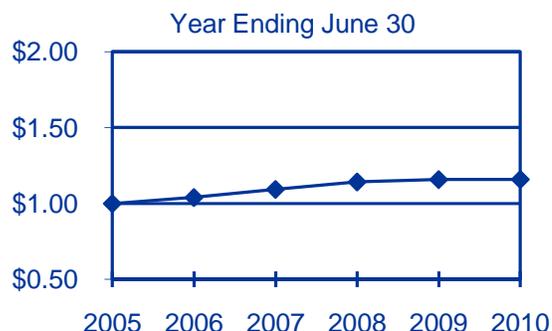
The Money Market Account is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the Board's cash reserves.

### How Is The Value Of This Account Determined?

The share value for the Money Market Account is uniformly priced at \$1.00 per share. Interest earnings are credited on a daily basis by purchasing additional shares on your behalf. The credited interest rate changes only modestly from day to day and reflects the yield available for all investments in the Account.

### What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 2005 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 3.0% per year.

### Year Ending June 30, Rate of Return

2006	4.0%
2007	5.1
2008	4.5
2009	1.3
2010	0.2

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2010 the investment management fees were approximately \$0.01 per \$100 invested.

# State Board of Investment

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## Who Serves On The State Board of Investment?

The Board's membership is specified in the Minnesota Constitution and is composed of the Governor, the State Auditor, the Secretary of State and the Attorney General. The Board's duties, powers, and investment authority are contained in *Minnesota Statutes*, Chapter 11A.

## What Is The Board's Relationship To The Retirement Plans?

In broad terms, the Board acts as an investment manager for each retirement organization while the retirement organization provides a variety of administrative functions with respect to your individual account.

Your retirement organization forwards your contributions to the Board and the Board reports its investment returns back to the system. The retirement organization keeps a record of your individual account status and receives and processes all your requests for changes in the way your contributions are invested.

## Who Advises The Board On Its Investment Decisions?

The Legislature has established a 17-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 investment community.
- The Commissioner of Minnesota Management & Budget and the Executive Directors of the three statewide retirement organizations are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

## Members of the Board

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

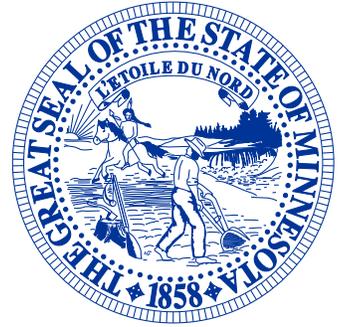
## Investment Advisory Council

Jeffery Bailey, Chair  
Malcolm W. McDonald, Vice Chair  
Frank Ahrens, II  
David Bergstrom  
John E. Bohan  
Kerry Brick  
Dennis Duerst  
Douglas Gorence  
Laurie Fiori Hacking  
Tom Hanson  
Heather Johnston  
P. Jay Kiedrowski  
LeRoy Koppendrayer  
Judith W. Mares  
Gary Martin  
Gary Norstrom  
Mary Vanek

Director, Benefits Finance  
Director and Corporate Secretary, Retired  
Active Employee Representative  
Executive Director  
Vice Pres., Pension Investments, Retired  
Manager, Pension Investments  
Director, Benefit Funds Investment  
Chief Investment Officer  
Executive Director  
Commissioner  
Active Employee Representative  
Senior Fellow  
Retiree Representative  
Chief Investment Officer  
Vice Pres., Pension Investments  
Treasurer, Retired  
Executive Director

Target Corporation  
Space Center, Inc.  
State of Minnesota  
Minnesota State Retirement System  
Grand Metropolitan – Pillsbury  
Cargill, Inc.  
3M Company  
U of M Foundation Investment Advisors  
Teachers Retirement Association  
Minnesota Management & Budget  
City of Minneapolis  
Humphrey Institute University of MN  
Public Utilities Commission, Retired  
ATK  
Supervalu, Inc.  
City of St. Paul  
Public Employees Retirement Association

**The Minnesota Supplemental Investment Fund  
is managed by the Minnesota State Board of Investment**



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**Board Members:**

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

**Executive Director:**

Howard Bicker

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Minnesota State Board of Investment  
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