

State Investment Board Update

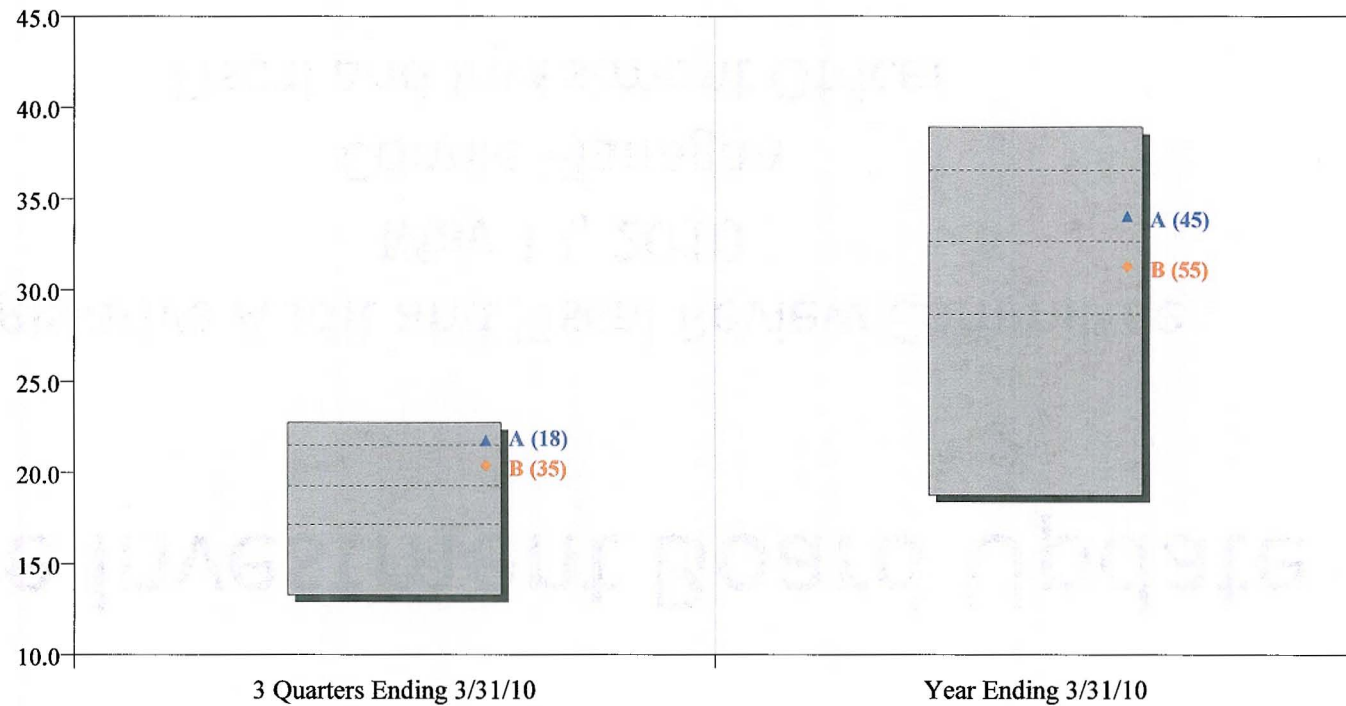
Legislative Audit and Fiscal Review Committee

May 12, 2010

Connie Flanagan

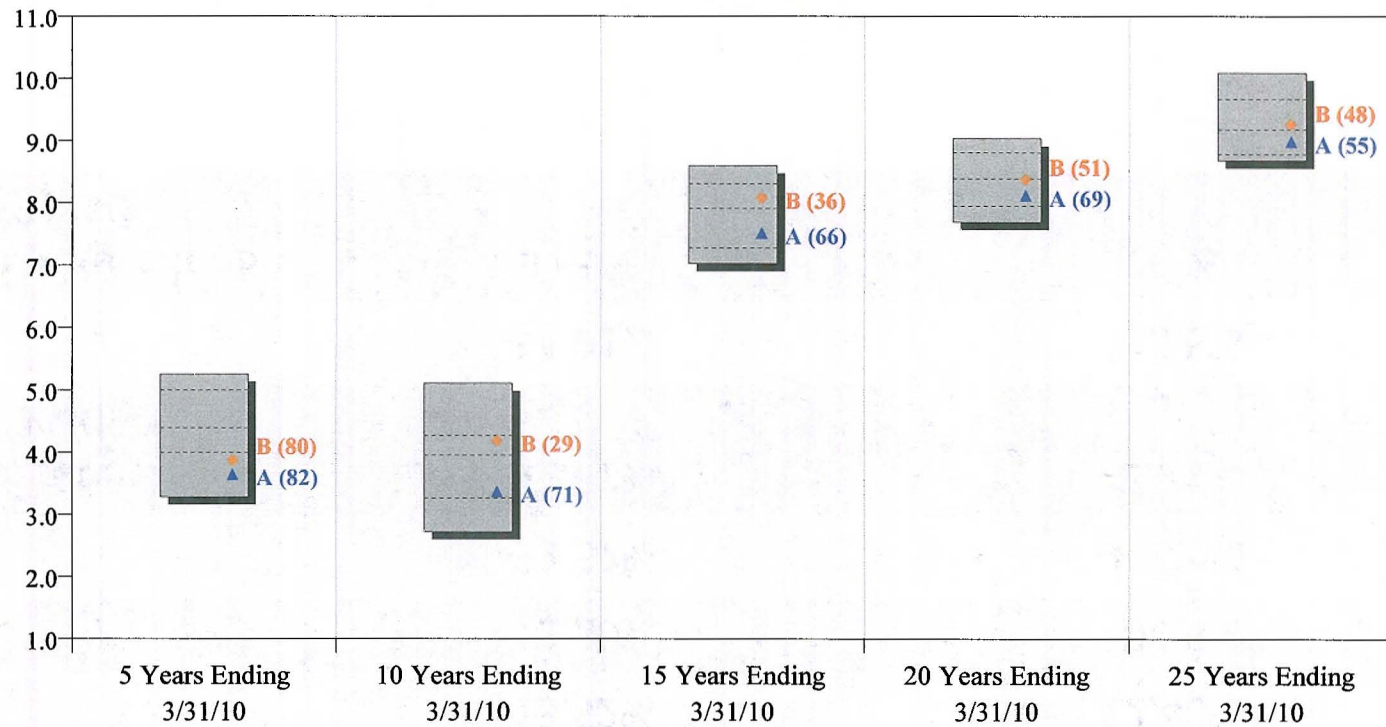
Fiscal and Investment Officer

Returns
for Periods Ended March 31, 2010
Group: CAI Public Fund Sponsor Database



10th Percentile	22.73	38.92
25th Percentile	21.47	36.55
Median	19.26	32.63
75th Percentile	17.15	28.64
90th Percentile	13.28	18.74
Member Count	115	114
Total Fund TFFR Gross ▲ A	21.74	34.01
Total Fund PERS Gross ◆ B	20.37	31.25

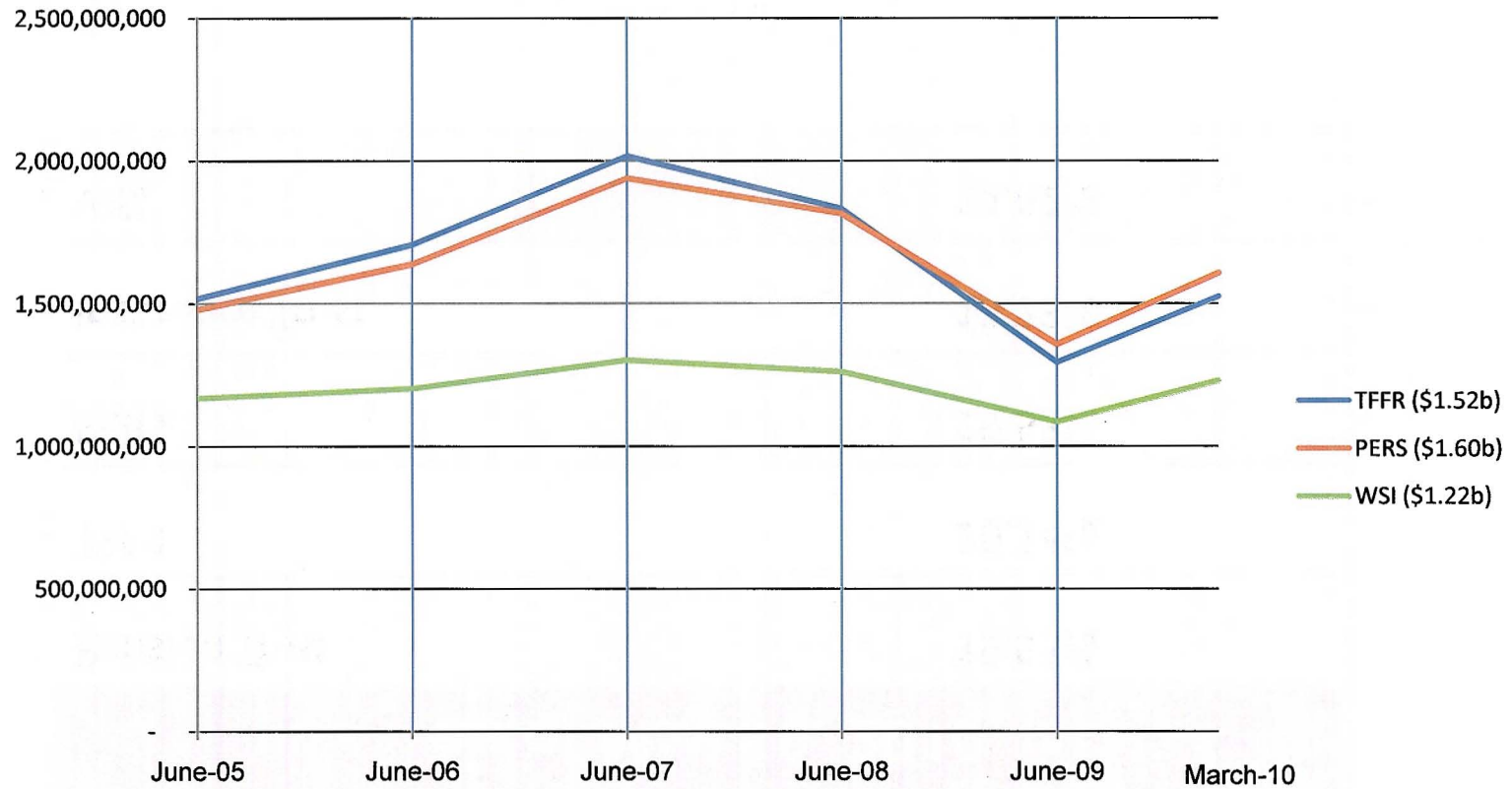
Returns
for Periods Ended March 31, 2010
Group: CAI Public Fund Sponsor Database



10th Percentile	5.25	5.10	8.59	9.03	10.08
25th Percentile	4.99	4.26	8.30	8.81	9.66
Median	4.39	3.95	7.90	8.39	9.18
75th Percentile	4.00	3.26	7.27	7.95	8.78
90th Percentile	3.28	2.72	7.02	7.69	8.68
Member Count	103	81	68	46	24
Total Fund TFFR Gross ▲ A	3.63	3.36	7.50	8.11	8.98
Total Fund PERS Gross ◆ B	3.87	4.18	8.07	8.36	9.25

Year Ended 3/31	TFFR	PERS
2006	19.63%	17.17%
2007	13.52%	12.40%
2008	- 1.20%	0.25%
2009	-33.52%	-30.24%
Average annual return for 4 Years ended 3/31/09	-2.82%	-2.04%
2010	34.01%	31.25%
Average annual return for 5 Years ended 3/31/10	3.63%	3.87%

Market Value Growth Since 2005



Estimated FY10 Total Fund Returns as of May 10, 2010

Pension Trust	19.93%
TFFR	20.14%
PERS	19.58%
Insurance Trust	13.73%
WSI	14.62%

Budget Stabilization Fund

	New Money In	Income Distributions Out
FY2006 (Initial Funding - Sept. 2005)	99,472,631	(3,207,845)
FY2007	-	(4,981,500)
FY2008	100,527,369	(1,688,532)
FY2009	-	-
FY2010	<u>124,936,548</u>	<u>-</u>
	324,936,548	(9,877,877)
 Net Increase - Inception to Date	 19,383,943	
Income Distributions Taken	<u>(9,877,877)</u>	
Income Remaining to be Transferred Out	9,506,066	
 March 31, 2010 MV	 <u><u>334,442,614</u></u>	

Cumulative Return Inception to Date **11.26%**

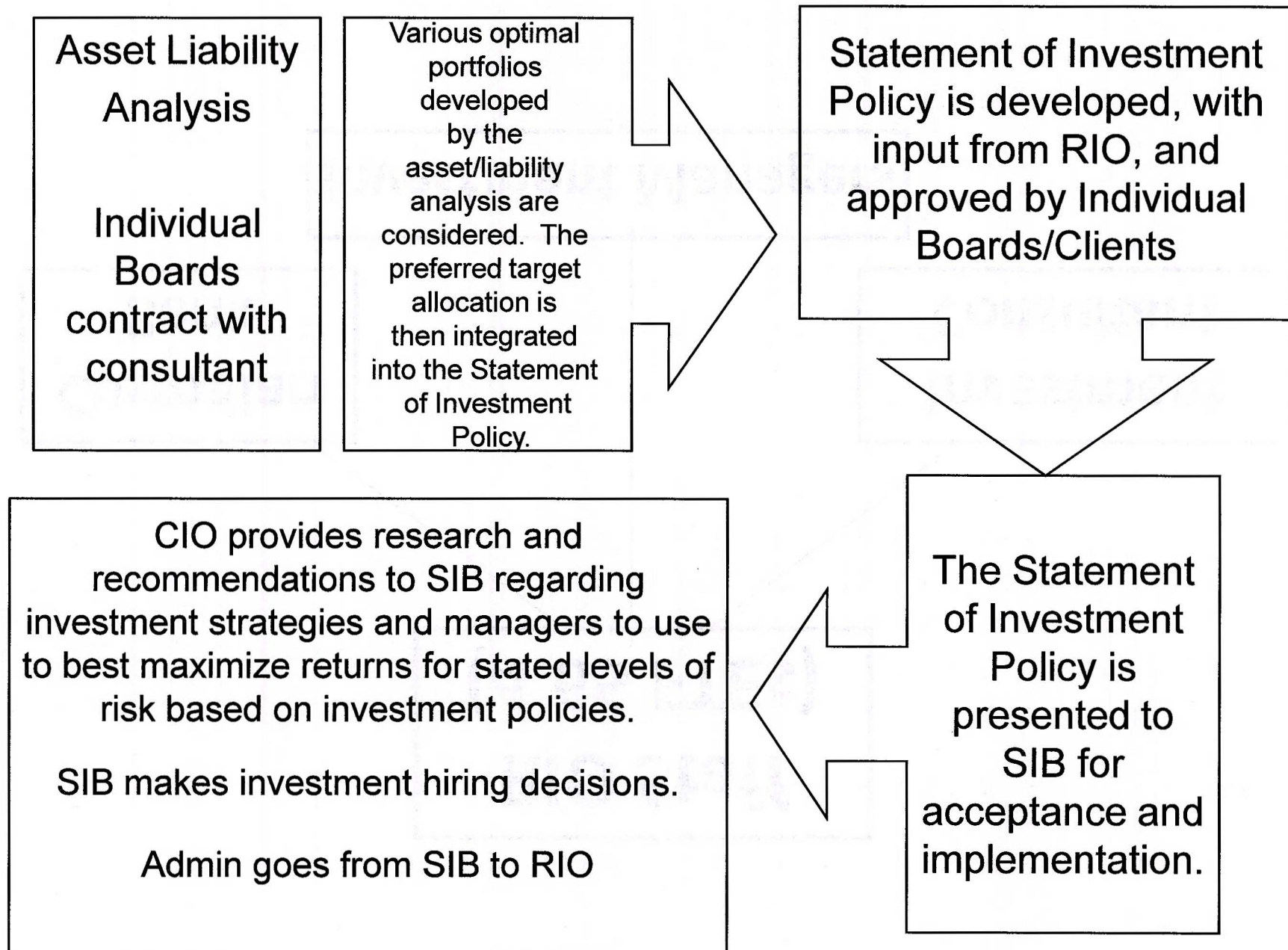
Average Annualized Return (4.5 Years) **2.40%**

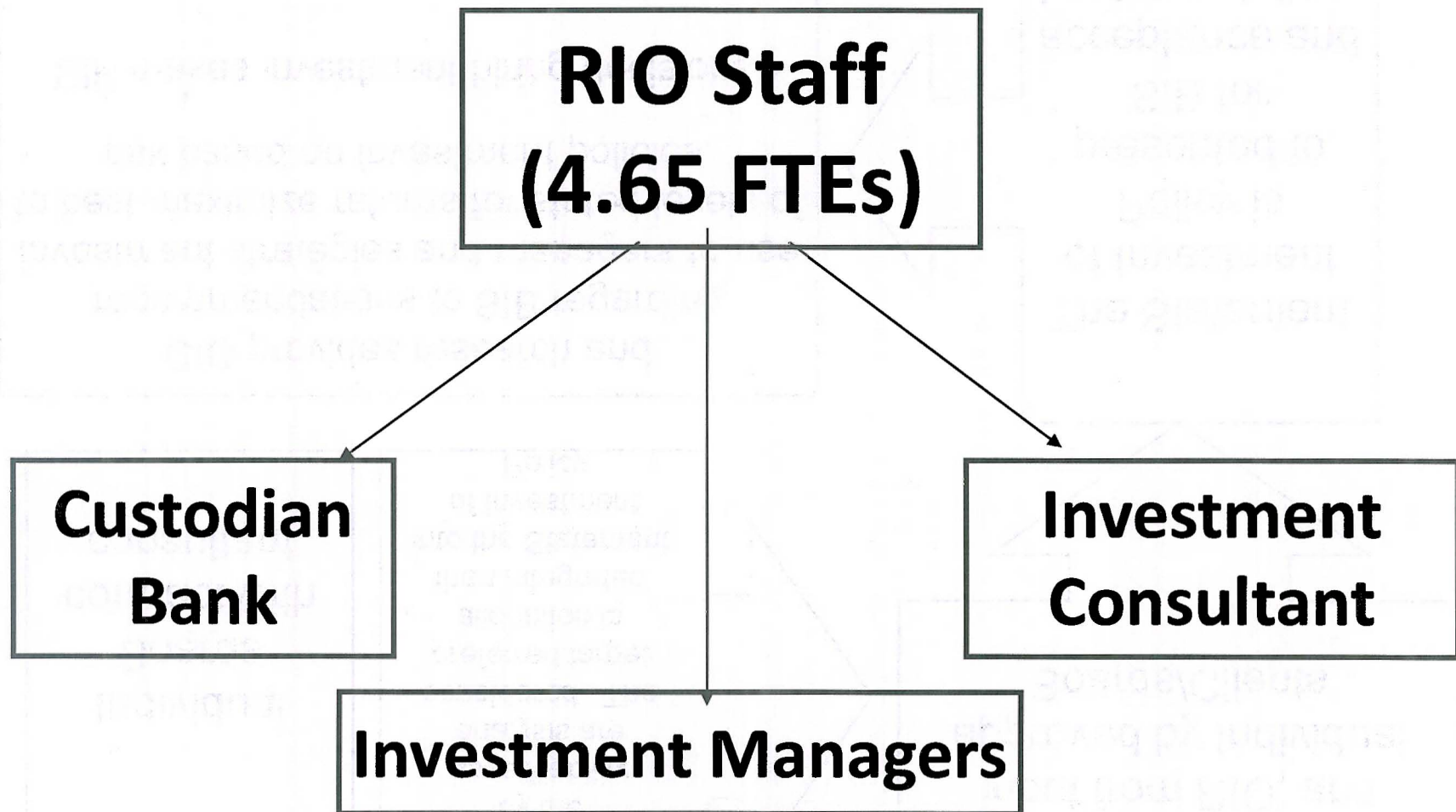
Westridge/WG Trading Fraud

	Total SIB Exposure	TFFR	PERS	WSI
February 2009-Fraud Uncovered by US Regulatory Agencies	\$161.3m	\$59.6m	\$67.5m	\$23.7m
Amount recovered immediately	\$24.3m	\$9.0m	\$10.1m	\$3.6m
Receiver Estimate of Assets Available for Settlement	\$82.2m	\$30.4m	\$34.4m	\$12.0m
40% write-down taken in May 2009 (unrealized loss until settlement)	\$(54.8m)	\$(20.3m)	\$(22.9m)	\$(8.0m)
Effect of 40% write-down on total return of funds		-1.6%	-1.7%	-0.7%

Currently, the SIB and its co-claimants are awaiting production of documents from the receiver to a forensic accountant that has been retained by the group of 7 co-claimants to assist in evaluating the receiver's report and formulating a distribution plan. All parties will file distribution proposals beginning 45 days from a future date determined by the Court.

STATE INVESTMENT BOARD PROGRAM





RIO Staff (on behalf of SIB) is a Manager of Managers

- Administer overall investment strategy
- Maximize risk/return opportunities within each asset class
- Liaison between SIB and Managers, Consultant and Custodian
- Monitor individual funds' investment guidelines and asset allocations
- Maintain separate accounting for individual funds

Investment Managers

- Implement specific mandates or “investment missions”
- Make buy/sell decisions based on investment guidelines
- Report to RIO Staff on regular basis
- Provide Education
- 41 Investment managers
 - 125 different mandates
 - 10 Asset Classes

Custodian Bank **The Northern Trust Company**

- Safe-keep assets
- Settle trades
- Record-keeper

Investment Consultant **Callan Associates**

- Performance measurement
- Manager searches
- Provide education
- Special projects