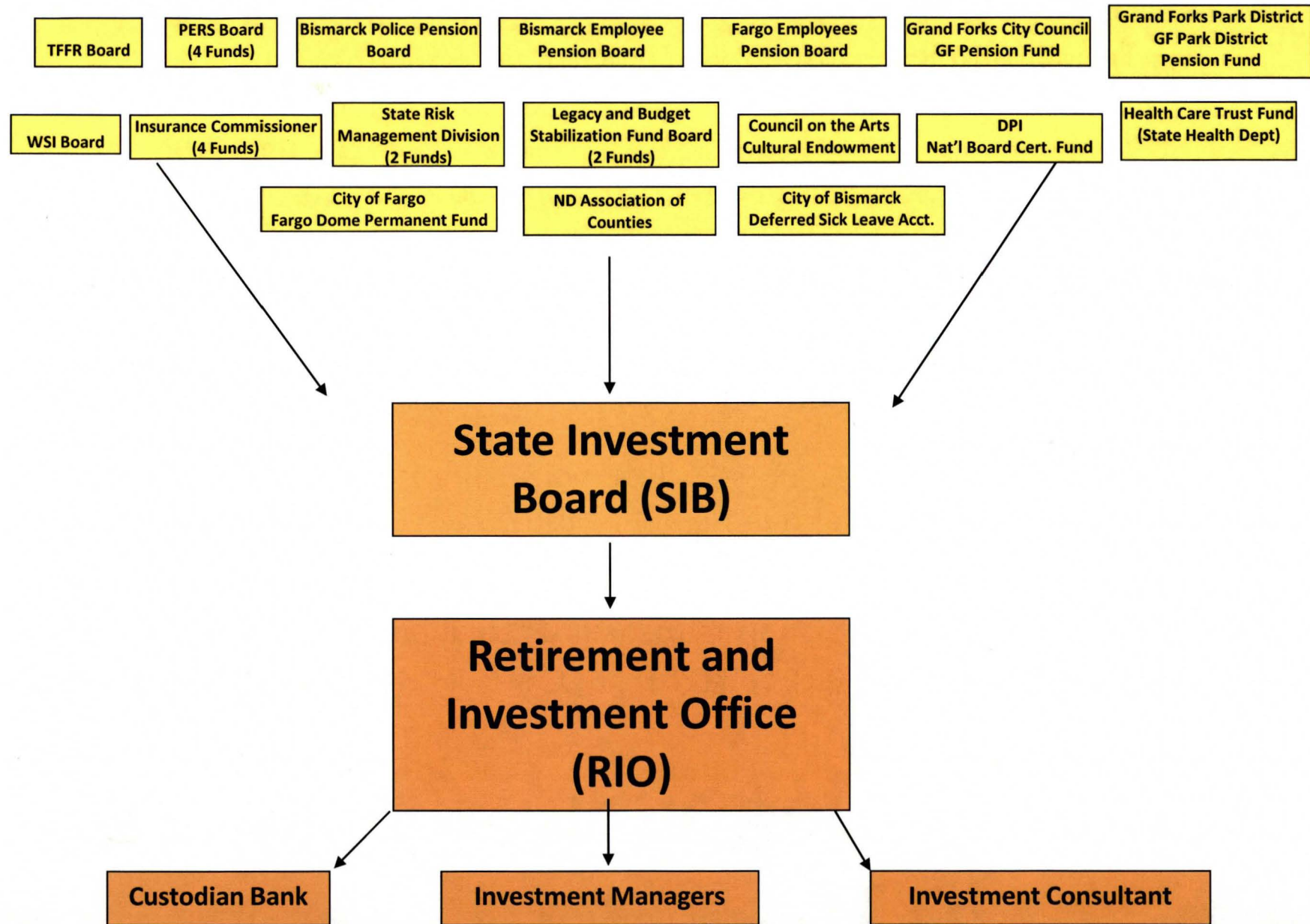


State Investment Board Process



State Investment Board Process

Client Responsibilities: (Per NDCC 21-10-02.1) The governing body of each fund (client) shall establish policies on investment goals and objectives and asset allocation that must include:

- Acceptable rates of return, liquidity and levels of risk
- Long-range asset allocation goals

State Investment Board Responsibilities: (Per NDCC 21-10):

- Implement client asset allocations
- Apply Prudent Investor Rule when investing for fund under its supervision
- Approve general types of securities for investment
- Set policies and procedures regulating securities transactions on behalf of the clients
- Select custodian servicer
- Select investment director and/or investment consulting service
- Create investment pools

State Investment Board Process

Retirement and Investment Office Staff Responsibilities (on behalf of SIB):

- Administer overall investment strategy
- Advise SIB on ways to maximize risk/return opportunities within each asset class
- Act as liaison between SIB and managers consultant and custodian
- Monitor individual clients' investment guidelines and asset allocations
- Maintain separate accounting for client accounts

Investment Manager Responsibilities:

- Implement specific mandates or "investment missions"
- Make buy/sell decisions based on investment guidelines
- Report to RIO Staff on regular basis
- Provide education to SIB

Custodian Bank Responsibilities:

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

Investment Consultant Responsibilities:

- Performance measurement of investment managers
- Manager search assistance
- Provide education to SIB
- Special projects

State Investment Board Assets Under Management

<u>Fund Name</u>	<u>Market Values as of 6/30/11</u>
Pension Trust Fund	
Teachers' Fund for Retirement (TFFR)	1,705,756,099
Public Employees Retirement System (PERS)	1,802,349,991
City of Bismarck Employees Pension	53,555,414
City of Bismarck Police Pension	24,518,286
Job Service of North Dakota Pension	85,804,965
City of Fargo Employees Pension	28,838,281
City of Grand Forks Employees Pension	43,059,552
Grand Forks Park District	4,418,381
Subtotal Pension Trust Fund	3,748,300,968
Insurance Trust Fund	
Workforce Safety & Insurance	1,350,899,498
State Fire and Tornado Fund	25,182,989
State Bonding Fund	2,901,435
Petroleum Tank Release Compensation Fund	6,448,372
Insurance Regulatory Trust Fund	3,673,037
ND Health Trust Fund	2,321,739
State Risk Management Fund	4,329,109
State Risk Management Workers Comp Fund	3,721,335
Cultural Endowment Fund	272,119
Budget Stabilization Fund	325,727,297
ND Association of Counties (NDACo) Fund	1,625,541
Bismarck Deferred Sick Leave Account	877,461
PERS Group Insurance Account	5,589,665
Dept of Public Instruction Board Certification Fd	501,441
City of Fargo FargoDome Permanent Fund	33,452,428
Subtotal Insurance Trust Fund	1,767,523,467
PERS Retiree Insurance Credit Fund	57,087,478
Total Assets Under SIB Management	5,572,911,913

Historical Market Returns by Asset Class

Asset Class	Represented by	Periods Ended June 30, 2011			
		1 Year	5 Years	10 Years	20 Years
Large Cap US Stocks	Russell 1000	31.94%	3.30%	3.21%	9.03%
Small Cap US Stocks	Russell 2000	37.41%	4.08%	6.27%	9.82%
Non-US Stocks (Developed)	MSCI EAFE	30.36%	1.48%	5.66%	6.02%
Non-US Stocks (Emerging)	MSCI Emerging Mkts	28.17%	11.75%	16.54%	10.53%
US Bonds	BC Aggregate	3.90%	6.52%	5.75%	6.80%
High Yield Bonds	BC High Yield Credit	15.63%	9.30%	9.00%	8.87%
Non-US Sovereign Debt	Citi World Gov't Bond ex US	13.93%	7.76%	8.68%	7.62%
Real Estate	NCREIF	16.73%	3.44%	7.64%	7.42%
TFFR Total Fund (net of fees)		24.21%	2.64%	5.13%	7.78%
PERS Total Fund (net of fees)		21.43%	3.19%	5.53%	8.21%

The Callan Periodic Table of Investment Returns

Fiscal Year Returns (1992-2011) Ranked in Order of Performance

Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending	Ending
6/30/92	6/30/93	6/30/94	6/30/95	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00	6/30/01	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
Russell 2000 Index	Russell 2000 Index	MSCI:EAFE US\$	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500	MSCI:EAFE US\$	NCREIF:Total Index	BC:Aggr Bd	BC:Aggr Bd	Russell 2000 Index	NCREIF:Total Index	MSCI:EAFE US\$	MSCI:EAFE US\$	NCREIF:Total Index	BC:Aggr Bd	Russell 2000 Index	Russell 2000 Index
14.5%	26.0%	17.0%	25.1%	25.0%	34.7%	30.2%	22.8%	17.2%	11.6%	8.6%	10.4%	33.4%	18.0%	26.6%	27.0%	9.2%	6.0%	21.5%	37.4%
BC:Aggr Bd	MSCI:EAFE US\$	Russell 2000 Index	Russell 2000 Index	Russell 2000 Index	Total Fund-PERS Net	NCREIF:Total Index	NCREIF:Total Index	Russell 2000 Index	BC:Aggr Bd	NCREIF:Total Index	NCREIF:Total Index	MSCI:EAFE US\$	Total Fund-PERS Net	NCREIF:Total Index	S&P 500	BC:Aggr Bd	NCREIF:Total Index	S&P 500	S&P 500
14.0%	20.3%	4.3%	20.1%	23.9%	19.7%	17.5%	12.8%	14.3%	11.2%	5.5%	7.6%	32.4%	14.1%	18.7%	20.8%	7.1%	(19.6%)	14.4%	30.7%
S&P 500	Total Fund-TFFR Net	NCREIF:Total Index	Total Fund-PERS Net	Total Fund-PERS Net	Total Fund-TFFR Net	Russell 2000 Index	Total Fund-TFFR Net	Total Fund-TFFR Net	Russell 2000 Index	Total Fund-PERS Net	Total Fund-PERS Net	Total Fund-TFFR Net	MSCI:EAFE US\$	Total Fund-TFFR Net	Total Fund-TFFR Net	Total Fund-PERS Net	Total Fund-PERS Net	Total Fund-TFFR Net	MSCI:EAFE US\$
13.4%	16.0%	3.7%	14.3%	15.8%	19.3%	16.5%	11.1%	11.6%	0.6%	(6.8%)	6.5%	19.3%	13.7%	14.8%	20.0%	(5.6%)	(24.5%)	13.8%	30.4%
Total Fund-PERS Net	Total Fund-PERS Net	Total Fund-PERS Net	Total Fund-TFFR Net	Total Fund-TFFR Net	Russell 2000 Index	Total Fund-PERS Net	Total Fund-PERS Net	NCREIF:Total Index	Total Fund-PERS Net	Russell 2000 Index	Total Fund-TFFR Net	S&P 500	Total Fund-TFFR Net	Russell 2000 Index	Total Fund-PERS Net	Total Fund-TFFR Net	Russell 2000 Index	Total Fund-PERS Net	Total Fund-TFFR Net
13.4%	16.0%	1.6%	13.7%	15.3%	16.3%	16.1%	10.6%	11.6%	(3.9%)	(8.6%)	2.3%	19.1%	13.3%	14.6%	19.0%	(7.5%)	(26.0%)	13.7%	24.2%
Total Fund-TFFR Net	S&P 500	S&P 500	BC:Aggr Bd	MSCI:EAFE US\$	MSCI:EAFE US\$	Total Fund-TFFR Net	MSCI:EAFE US\$	Total Fund-PERS Net	Total Fund-TFFR Net	Total Fund-TFFR Net	S&P 500	Total Fund-PERS Net	Russell 2000 Index	Total Fund-PERS Net	NCREIF:Total Index	MSCI:EAFE US\$	S&P 500	BC:Aggr Bd	Total Fund-PERS Net
13.3%	13.8%	1.4%	12.5%	13.3%	12.8%	14.0%	7.6%	9.3%	(7.0%)	(8.9%)	0.3%	16.6%	9.4%	12.0%	17.2%	(10.6%)	(26.2%)	9.5%	21.4%
MSCI:EAFE US\$	BC:Aggr Bd	Total Fund-TFFR Net	NCREIF:Total Index	NCREIF:Total Index	NCREIF:Total Index	BC:Aggr Bd	BC:Aggr Bd	S&P 500	S&P 500	MSCI:EAFE US\$	Russell 2000 Index	NCREIF:Total Index	BC:Aggr Bd	S&P 500	Russell 2000 Index	S&P 500	Total Fund-TFFR Net	MSCI:EAFE US\$	NCREIF:Total Index
(0.6%)	11.8%	1.2%	7.8%	8.1%	10.8%	10.5%	3.1%	7.2%	(14.8%)	(9.5%)	(1.6%)	10.8%	6.8%	9.8%	16.4%	(13.1%)	(27.4%)	5.9%	16.7%
NCREIF:Total Index	NCREIF:Total Index	BC:Aggr Bd	MSCI:EAFE US\$	BC:Aggr Bd	BC:Aggr Bd	MSCI:EAFE US\$	Russell 2000 Index	BC:Aggr Bd	MSCI:EAFE US\$	S&P 500	MSCI:EAFE US\$	BC:Aggr Bd	S&P 500	BC:Aggr Bd	BC:Aggr Bd	Russell 2000 Index	MSCI:EAFE US\$	NCREIF:Total Index	BC:Aggr Bd
(6.6%)	(2.7%)	(1.3%)	1.7%	5.0%	8.1%	6.1%	1.5%	4.6%	(23.6%)	(18.0%)	(6.6%)	0.3%	6.3%	(0.8%)	6.1%	(16.2%)	(31.4%)	(1.5%)	3.9%

S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the index performance directly proportional to the company's market value.

Russell 2000 Index measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2000 smallest stocks in the broad-market Russell 3000 index.

MSCI EAFE is a Morgan Stanley Capital International index that is designed to measure the performance of the developed stock markets of Europe, Australasia and the Far East.

BC Agg is the Barclays Capital Aggregate Bond Index (formerly the Lehman Brothers Aggregate Bond Index). The index includes U.S. government, corporate and mortgage-backed securities with maturities of at least one year.

NCREIF Total Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.



TFFR Investment Performance

Fiscal Year Ended June 30, 2011

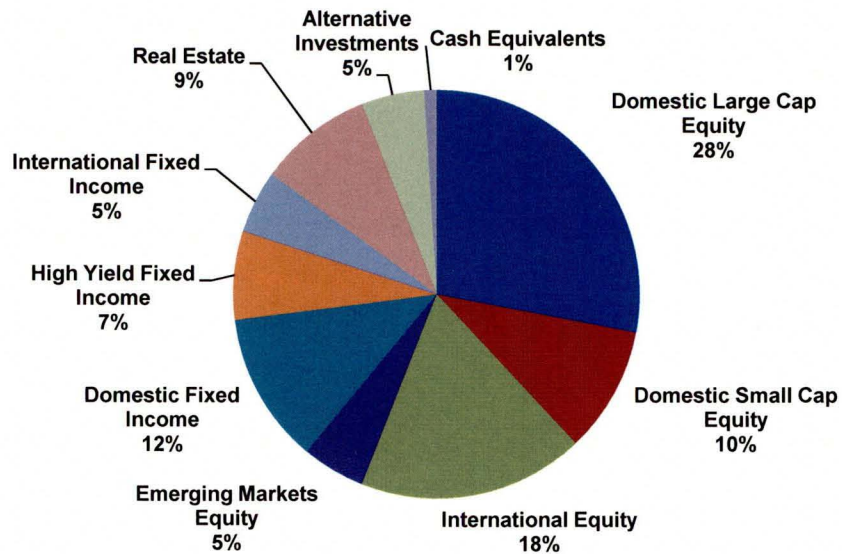
	Actual Return (net of fees)	Benchmark Return
Total Fund - TFFR	24.21%	22.50%
Domestic Large Cap Equity	30.11%	30.69%
Domestic Small Cap Equity	35.56%	37.41%
International Equity	30.74%	23.58%
Emerging Markets Equity	27.33%	28.17%
Domestic Fixed Income	5.90%	3.90%
High Yield Fixed Income	17.88%	15.53%
International Fixed Income	15.42%	15.39%
Real Estate	23.49%	16.73%
Alternative Investments	14.99%	14.99%
Cash Equivalents	0.16%	0.17%

PERS Investment Performance

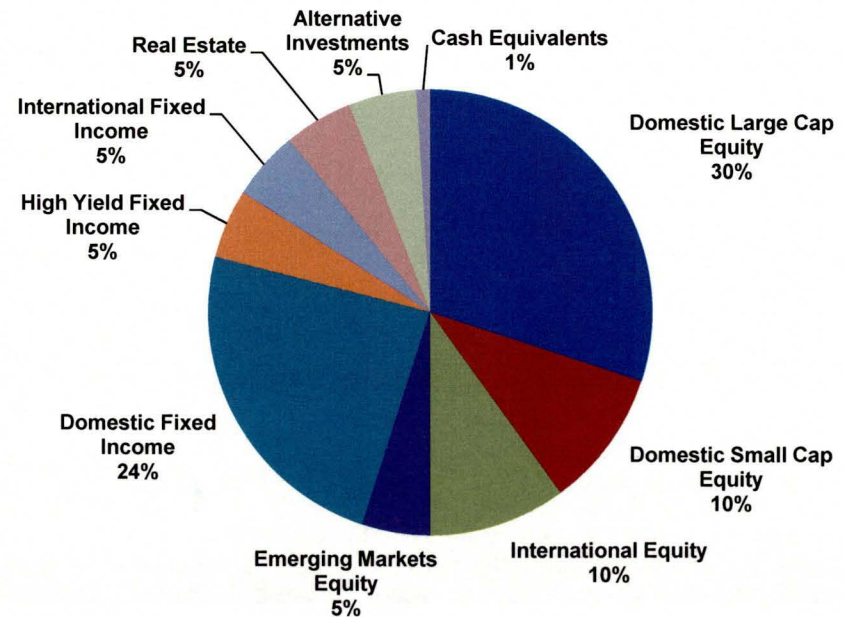
Fiscal Year Ended June 30, 2011

	Actual Return (net of fees)	Benchmark Return
Total Fund - PERS	21.43%	20.59%
Domestic Large Cap Equity	30.11%	30.69%
Domestic Small Cap Equity	35.56%	37.41%
International Equity	30.74%	23.58%
Emerging Markets Equity	27.33%	28.17%
Domestic Fixed Income	5.90%	3.90%
High Yield Fixed Income	17.88%	15.53%
International Fixed Income	15.42%	15.39%
Real Estate	23.49%	16.73%
Alternative Investments	14.99%	14.99%
Cash Equivalents	0.16%	0.17%

TFFR Policy Asset Allocation



PERS Policy Asset Allocation



Schedule of Investment Expenses by Pool

For Fiscal Year Ended June 30, 2011

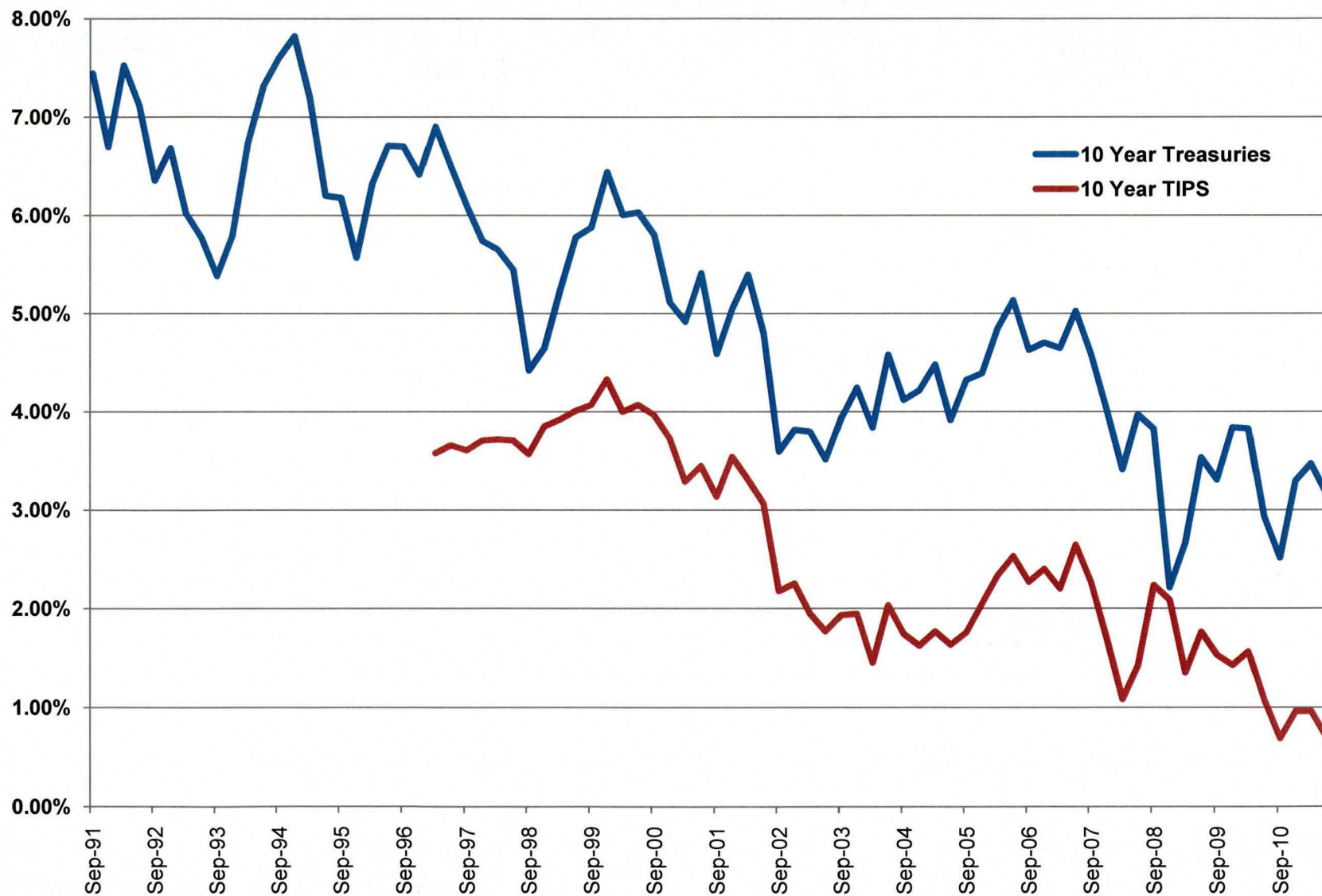
	Pension Pool Participants			Insurance Pool Participants		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Domestic large cap equity managers	\$ 1,050,715,153	\$ 4,847,231	46	\$ 154,914,869	\$ 491,061	32
Domestic small cap equity managers	377,590,128	2,635,183	70	56,436,668	291,087	52
International equity managers	480,128,760	2,211,358	46	101,048,002	544,999	54
Emerging markets equity managers	199,403,022	2,270,044	114			
Domestic fixed income managers	680,829,506	5,389,389	79	690,281,793	1,386,775	20
Inflation protected assets managers				286,283,956	1,648,218	58
High yield fixed income managers	215,704,449	5,267,305	244			
International fixed income managers	181,315,217	654,085	36			
Real estate managers	260,595,137	3,227,061	124	72,561,436	950,339	131
Alternative investment managers	130,244,202	2,613,387	201			
Cash & equivalents managers	39,088,460	62,646	16	73,896,554	-	-
Enhanced cash managers				186,748,055	217,963	12
Balanced account managers (PERS Retiree Health)				53,883,454	224,707	42
Total investment manager fees	<u>\$ 3,615,614,035</u>	<u>29,177,689</u>	<u>81</u>	<u>\$ 1,676,054,787</u>	<u>5,755,149</u>	<u>34</u>
Custodian fees		625,684	2		302,221	2
Investment consultant fees		270,183	1		110,094	1
SIB Service Fees		52,759	0		18,221	0
Total investment expenses *		<u>\$ 30,126,315</u>	<u>83</u>		<u>\$ 6,185,685</u>	<u>37</u>

* Individual investment funds' total basis points vary depending upon their asset allocation.

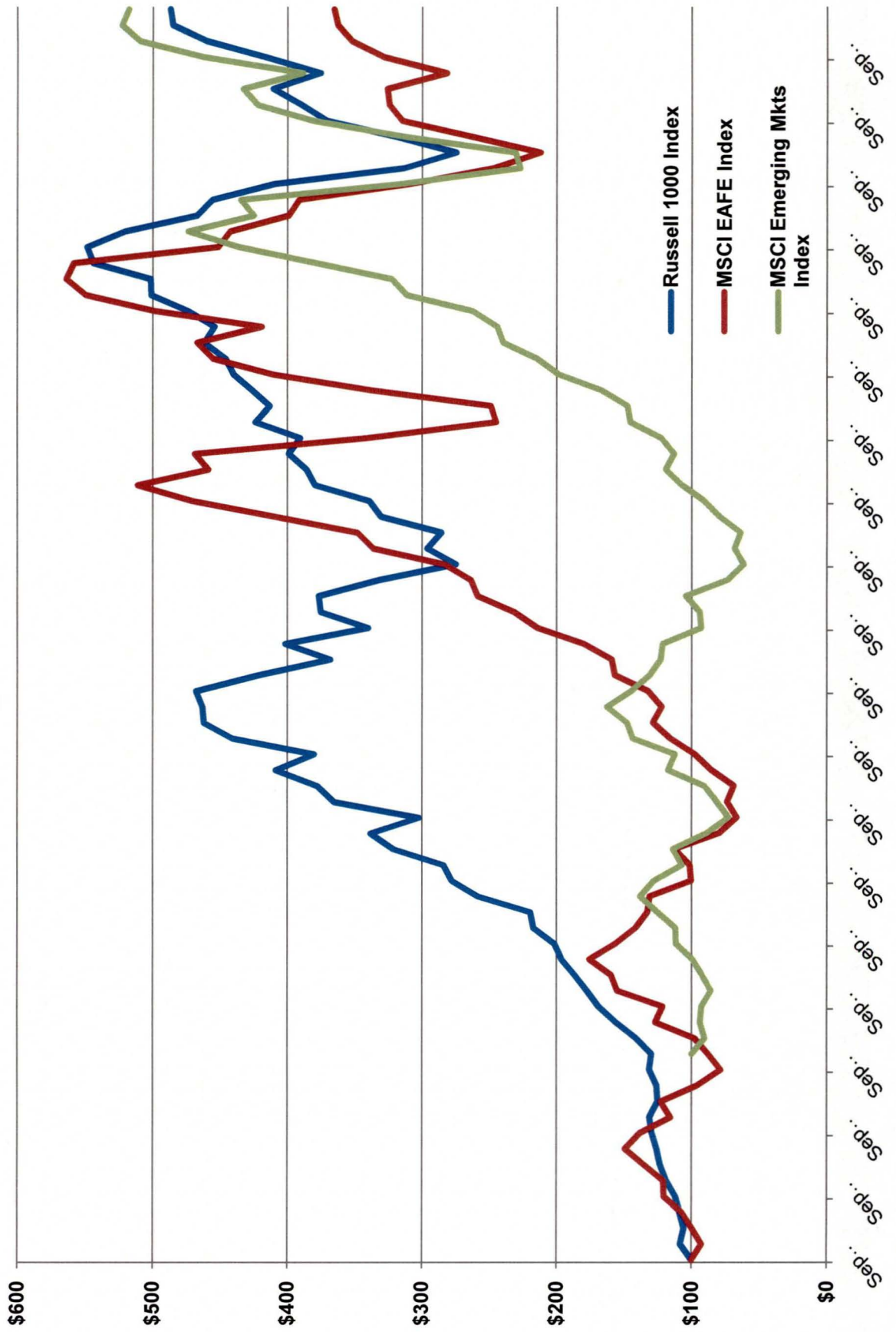
WG Trading Settlement Proceeds by Fund

	Total Recovery (April 2011) (in thousands)	Cost Basis (in thousands)	Realized loss (in thousands)
Teachers' Fund for Retirement	\$ 23,001	\$ 27,080	\$ (4,079)
Public Employees Retirement System	26,012	30,626	(4,614)
Bismarck City Employee Pension Plan	503	592	(89)
Bismarck City Police Pension Plan	268	316	(48)
Job Service of ND	1,408	1,657	(249)
City of Fargo Employee Pension Plan	445	524	(79)
Workforce Safety & Insurance	10,616	12,499	(1,883)
State Fire & Tornado	512	603	(91)
State Bonding	51	60	(9)
Risk Mgmt	88	104	(16)
Risk Mgmt Work Comp	63	74	(11)
Insurance Regulatory Trust Fund	16	18	(2)
Petroleum Tank Release Comp Fund	155	182	(27)
ND Ass'n of Counties Fund	54	64	(10)
City of Bismarck Deferred Sick Leave	13	15	(2)
City of Fargo FargoDome Permanent Fund	718	846	(128)
Cultural Endowment Fund	8	10	(2)
Totals	<u>\$ 63,931</u>	<u>\$ 75,270</u>	<u>\$ (11,339)</u>

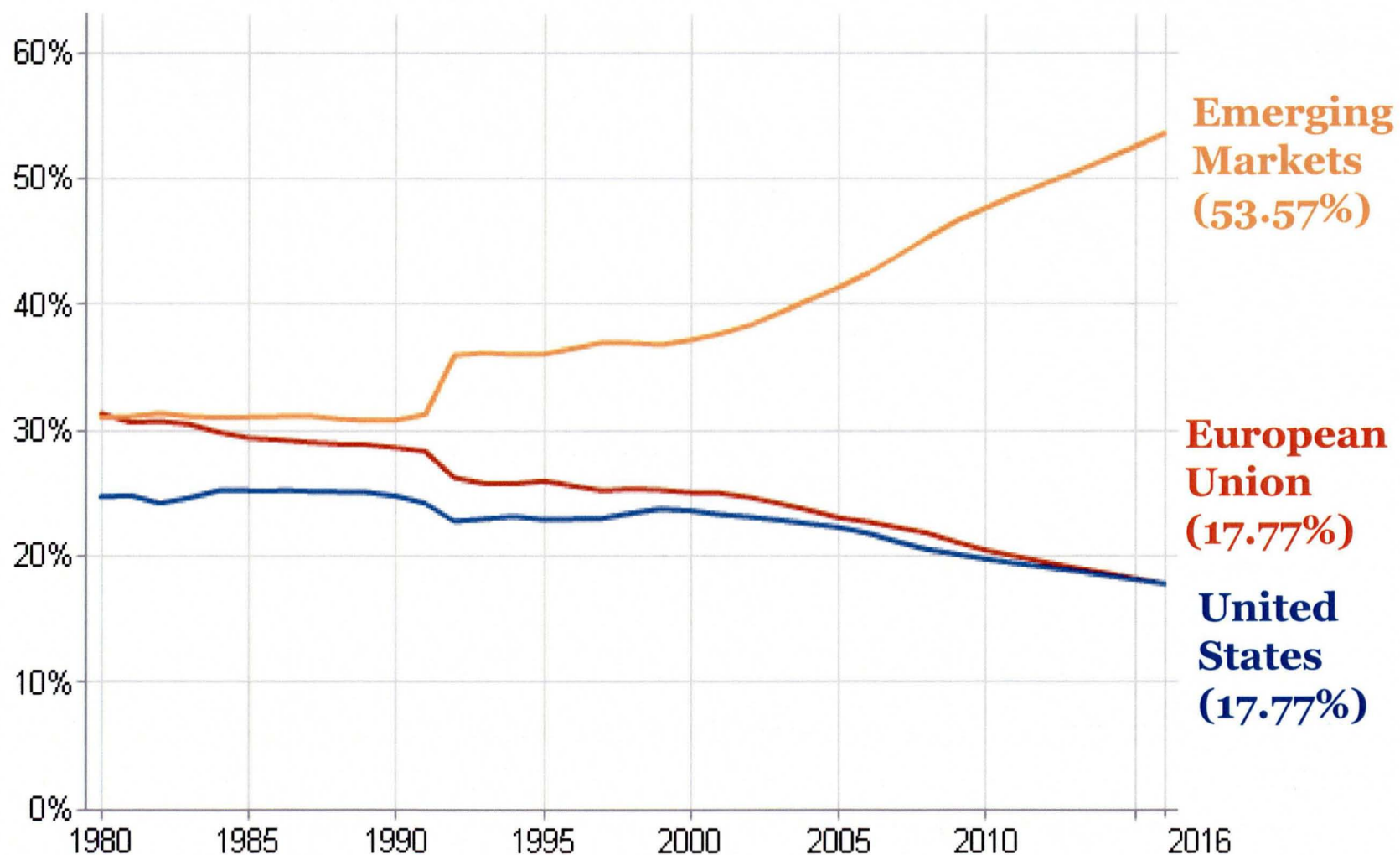
US Treasury Yields



Growth of \$100 Invested



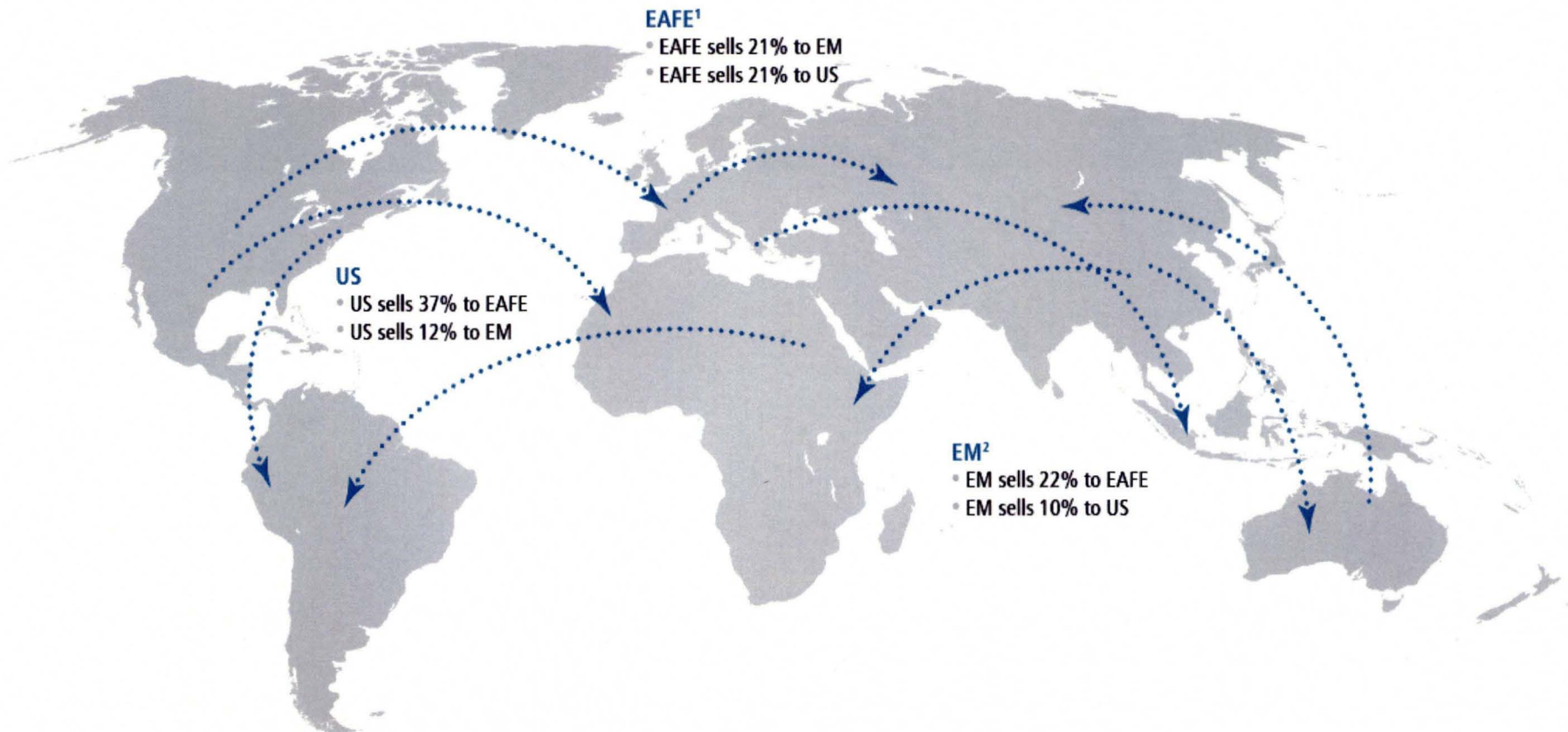
GDP - % Share of World Total



Source: International Monetary Fund World Economic Outlook, April 2011

Global Interdependence: Cross-Regional Revenues

As of 6/30/11



Source: Calamos Advisors LLC and Mellon Analytical Solutions

Data as of June 30, 2011. Based on top 50 holdings of the MSCI EAFE Index, S&P 500 Index, MSCI Emerging Markets Index, which represent 37%, 49% and 39% of the total capitalization of the indices, respectively.

¹ Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

² Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey