



ND STATE INVESTMENT BOARD MEETING

Friday, November 16, 2012, 8:30 a.m.
Workforce Safety & Insurance
1600 E Century, Bismarck, ND

AGENDA (REVISED)

- I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA**
- II. **ACCEPTANCE OF MINUTES (October 26, 2012)**
- III. **INVESTMENTS**
 - A. LSV - Mr. Joseph Lakonishok, Mr. James Owens (60 min)
 - B. Bank of North Dakota - Mr. Schulz (10 min)
 - C. **Clifton Group - Mr. Schulz (10 min)**
 - D. Legacy Fund - Mr. Schulz (10 min)
- IV. **GOVERNANCE**
 - A. Discussion on Structure of Retirement and Investment Office - Ms. Kopp (enclosed)
- V. **QUARTERLY MONITORING**
 - A. Callan Investment Measurement - Pension Trust Qtr Ending 9/30/12
 - B. Callan Investment Measurement - Insurance Trust Qtr Ending 9/30/12 } Mr. Schulz (30 Min)
- VI. **OTHER**

Next Meetings:

SIB meeting - January 25, 2013, 8:30 a.m. - Workforce Safety & Insurance
SIB Audit Committee meeting - November 16, 2012, 1:00 p.m. - Workforce Safety & Insurance
- VII. **ADJOURNMENT**

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
OCTOBER 26, 2012, BOARD MEETING**

BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Mike Sandal, Vice Chair
Clarence Corneil, TFFR Board
Levi Erdmann, PERS Board
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Adam Hamm, Insurance Commissioner
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, Workforce Safety & Insurance
Bob Toso, TFFR Board

STAFF PRESENT: Connie Flanagan, Fiscal & Investment Officer
Bonnie Heit, Office Manager
Fay Kopp, Interim Executive Director
Leslie Moszer, Compliance Officer
Darren Schulz, Interim CIO
Susan Walcker, Investment Accountant

OTHERS PRESENT: Weldee Baetsch, former SIB trustee
Sparb Collins, PERS
Eric Hardmeyer, BND
Jan Murtha, Attorney General's Office
Jeb Oehlke, Deputy State Treasurer
Tricia Opp, Procurement Office
Tim Porter, BND
Scott Rising, ND Soybean Growers

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, October 26, 2012, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

TREASURER SCHMIDT MOVED AND MR. SANDAL SECONDED TO ACCEPT THE OCTOBER 26, 2012, AGENDA AS REVISED.

AYES: MS. TERNES, MR. CORNEIL, COMMISSIONER HAMM, TREASURER SCHMIDT, COMMISSIONER GAEBE, MR. ERDMANN, MR. TOSO, MR. SANDAL, MR SAGE, MR. GESSNER, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

MINUTES:

The minutes were considered from the September 28, 2012, meeting.

MR. SANDAL MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT THE SEPTEMBER 28, 2012, MINUTES AS WRITTEN.

AYES: COMMISSIONER HAMM, MS. TERNES, MR. CORNEIL, MR. SANDAL, TREASURER SCHMIDT, MR. GESSNER, MR. SAGE, COMMISSIONER GAEBE, MR. TOSO, MR. ERDMANN, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE
 MOTION CARRIED

INVESTMENTS:

Bank of North Dakota (BND) - As part of the SIB's investment grade fixed income restructuring of the Pension Trust, the BND was instructed by staff to transition approximately \$112 million of the Pension Trust's assets from a Barclays Capital Government Index mandate to a Barclays Capital Long Treasury Index mandate. The transition was not completed within a reasonable timeframe which resulted in an underperformance of the assets relative to the Barclays Capital Long Treasury Index. BND representatives reviewed their procedures and timeframe for transitioning the assets and also reviewed their policies and procedures for managing the SIB's index funds.

After discussion,

MR. SANDAL MOVED AND MR. SAGE SECONDED TO PLACE BND ON WATCH FOR ADDITIONAL ASSESSMENT.

AYES: MR. TOSO, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER GAEBE, MR. ERDMANN, MR. SANDAL, COMMISSIONER HAMM, MR. GESSNER, MR. SAGE, MS. TERNES, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE
 MOTION CARRIED

After further discussion,

MR. SANDAL MOVED AND MR. ERDMANN SECONDED TO DIRECT STAFF, BND REPRESENTATIVES, AND EACH ENTITY'S LEGAL COUNSEL TO WORK TOGETHER TO COME TO AN AGREEMENT ON THE COMMON FACTS; DISCUSS EXPECTATIONS OF TIMELINESS OF TRADES AND ADDRESS ANY DISCREPANCIES OR DISPARITIES BETWEEN THE TWO PARTIES AS TO WHAT THOSE EXPECTATIONS ARE; AND WORK TO IDENTIFY AND DETERMINE THE DOLLAR AMOUNT OF UNDERPERFORMANCE. FINDINGS ARE TO BE BROUGHT BACK TO THE SIB AS SOON AS POSSIBLE OR BY YEAR END. THE LT. GOVERNOR WILL HAVE OVERSIGHT ON THE PROCESS.

AYES: COMMISSIONER HAMM, MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE
 MOTION CARRIED

The SIB recessed at 10:10 a.m. and reconvened at 10:25 a.m.

FY2012 Performance Review of Pension and Insurance Trusts - Mr. Schulz reviewed returns by asset class and relative performance by asset class composites for the Pension Trust and Insurance Trust for FY2012.

COMMISSIONER HAMM MOVED AND MR. CORNEIL SECONDED TO ACCEPT THE PENSION TRUST AND INSURANCE TRUST FY2012 REPORT.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, TREASURER SCHMIDT, MR. TOSO, COMMISSIONER HAMM, MR. CORNEIL, MR. ERDMANN, MR. SANDAL, MS. TERNES, AND LT. GOVERNOR WRIGLEY
 NAYS: NONE

MOTION CARRIED

National Association of State Investment Officers (NASIO) - Mr. Schulz attended the NASIO annual conference September 30 - October 3, 2012, in Denver, Co. and shared his observations and highlights.

Loomis Sayles Update - Mr. Schulz informed the SIB a key member of Loomis Sayles' portfolio team, Ms. Kathleen Gaffney, has resigned effective October 24, 2012. Mr. Schulz stated the SIB's portfolio will continue to be managed by a capable team but recommended the firm be placed on watch. Anytime a senior investment professional departs, it warrants additional monitoring of the firm by staff and Callan Associates.

TREASURER SCHMIDT MOVED AND COMMISSIONER HAMM SECONDED TO ACCEPT STAFF RECOMMENDATION AND PLACE LOOMIS SAYLES ON WATCH.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. SAGE, MR. ERDMANN, MR. TERNES, COMMISSIONER HAMM, COMMISSIONER GAEBE, MR. TOSO, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

GOVERNANCE:

Audit Committee Report - Mr. Gessner updated the SIB on the SIB Audit Committee activities for FY2012. The Audit Committee reviewed school district audits, compliance audits, follow-up on the Retirement and Investment Office (RIO) performance audit, results of FY2011 RIO audit conducted by EideBailly, and reviewed RIO's FY2012 audit plan by CliftonLarsonAllen. The Audit Committee is also working on their FY2013 work plan which will be reviewed and finalized at their November 16, 2012, meeting.

MR. CORNEIL MOVED AND TREASURER SCHMIDT SECONDED TO ACCEPT THE SIB AUDIT COMMITTEE ACTIVITIES REPORT FOR FY2012.

AYES: TREASURER SCHMIDT, MR. GESSNER, COMMISSIONER HAMM, MS. TERNES, COMMISSIONER GAEBE, MR. SAGE, MR. TOSO, MR. SANDAL, MR. ERDMANN, MR. CORNEIL, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

RIO Structure - At the September 28, 2012, SIB meeting, the SIB directed staff to develop some possible revised organizational structures for RIO. Staff worked through a variety of potential scenarios and included four organizational charts for the SIB's review. The organizational structures are intended to serve as a starting point for more in depth board discussions. The scenarios range from keeping RIO intact to dissolving RIO and dividing the SIB and Teachers' Fund for Retirement (TFFR) programs into two separate agencies.

After review and discussion, the SIB instructed staff to provide an organizational chart which would keep RIO intact, and assign the Executive Director duties to a separate new position. In addition, the SIB asked staff to estimate costs, and outline potential job duties and responsibilities for a separate Executive Director position. Staff is to provide the information to the SIB prior to the November 16, 2012, meeting.

Tribune Company - Ms. Murtha reported the first wave of the motion to dismiss will deal with state claims only followed by the stockholders claims of which the

SIB would be involved. The stockholder's motion to dismiss will be heard in the spring or possibly summer.

Ms. Murtha requested the SIB enter into Executive Session pursuant to NDCC 44-04-19.1 Subsections (2), (5), and (9) and NDCC 44-04-19.2 for attorney consultation and/or negotiating strategy and instruction relating to the Tribune Company litigation.

MR. SAGE MOVED AND MR. SANDAL SECONDED THAT THE SIB ENTER INTO EXECUTIVE SESSION TO DISCUSS THE TRIBUNE COMPANY LITIGATION.

AYES: MR. SAGE, MR. SANDAL, MR. CORNEIL, MR. GESSNER, MR. TOSO, MR. ERDMANN, MS. TERNES, COMMISSIONER HAMM, COMMISSIONER GAEBE, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

The SIB entered into Executive Session at 12:13 p.m.

Individuals present during Executive Session - Mr. Toso, Treasurer Schmidt, Mr. Corneil, Commissioner Gaebe, Mr. Erdmann, Mr. Sandal, Commissioner Hamm, Mr. Gessner, Mr. Sage, Ms. Ternes, Lt. Governor Wrigley, Ms. Flanagan, Mr. Schulz, Ms. Kopp, Ms. Heit, Ms. Murtha, Ms. Moszer, and Ms. Walcker.

The SIB exited Executive Session and entered into Open Session at 12:18 p.m.

The Attorney General's Office requested and the SIB provided guidance on how to proceed with the Tribune matter.

MONITORING:

The following monitoring reports for the quarter ending September 30, 2012, were provided to the SIB for acceptance; Executive Limitations/Staff Relations, Budget/Financial Conditions, Investment Program, and Retirement Program.

TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO ACCEPT THE MONITORING REPORTS FOR THE QUARTER ENDING SEPTEMBER 30, 2012.

AYES: MR. ERDMANN, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER GAEBE, MR. TOSO, MR. SANDAL, COMMISSIONER HAMM, MR. GESSNER, MR. SAGE, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ADJOURNMENT:

Lt. Governor Wrigley adjourned the meeting at 12:20 p.m.

Respectfully Submitted:

Lt. Governor Wrigley, Chair
State Investment Board

Bonnie Heit
Assistant to the Board

**North Dakota
State Investment Board**

November 16, 2012

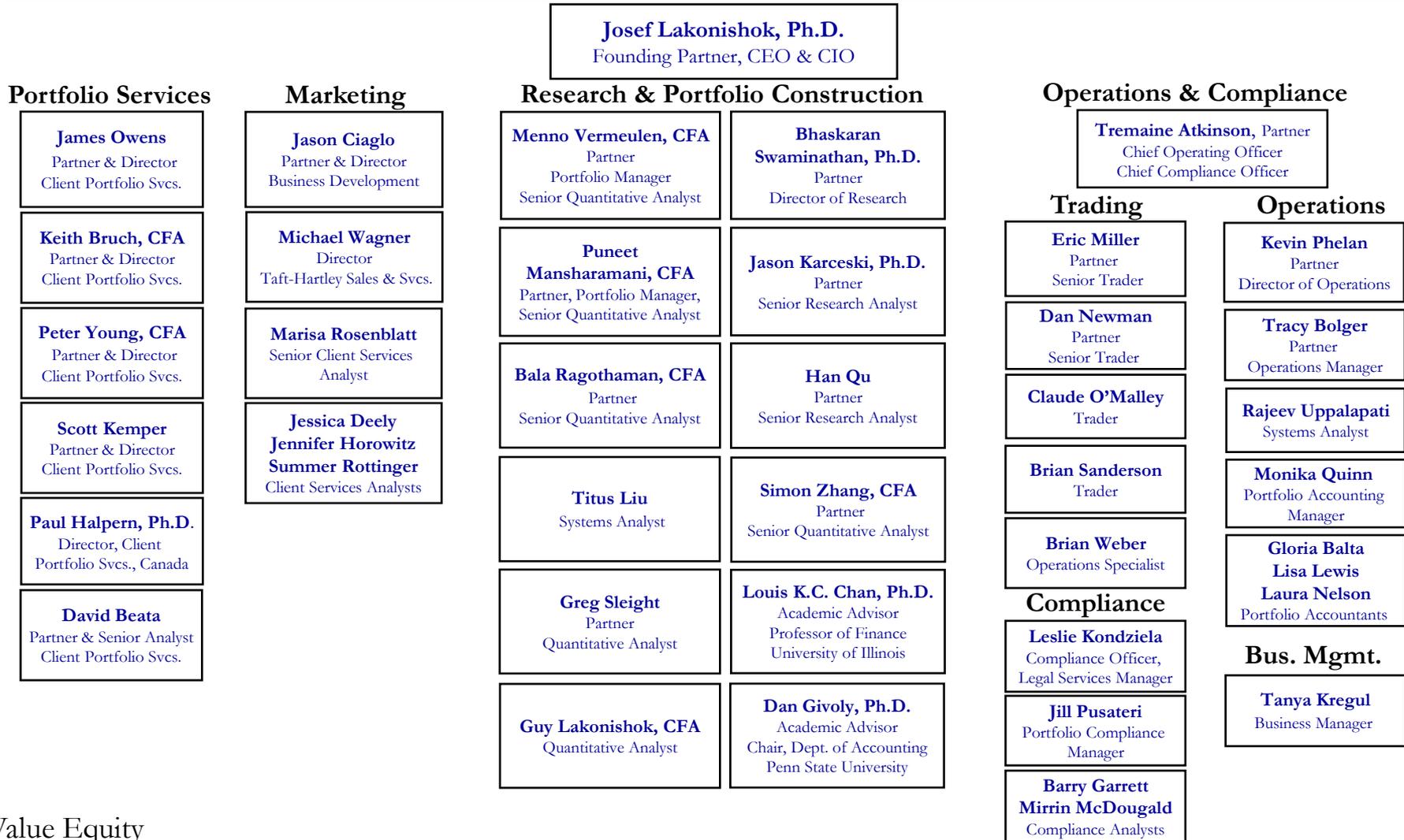
Josef Lakonishok, Ph.D.
Founding Partner, CEO & CIO
(312) 460-2326

James W. Owens, Jr.
Partner & Director, Client Portfolio Services
(312) 460-2323

Organizational Highlights

- ◆ ESTABLISHED IN 1994
- ◆ ACADEMIC FOUNDATION
- ◆ ACTIVE QUANTITATIVE VALUE EQUITY MANAGER
- ◆ ALL STRATEGIES BUILT FROM SAME INVESTMENT MODEL
- ◆ \$62.9 BILLION IN FIRMWIDE ASSETS UNDER MANAGEMENT
\$7.8 BILLION IN GLOBAL VALUE ASSETS
- ◆ STRATEGIC BUSINESS PLAN LIMITS CONTRIBUTED CAPITAL
 - | <u>U.S.</u> | <u>Non-U.S</u> |
|-------------------------------|---|
| Large Cap Value | Large Cap Value |
| Mid Cap Value (Closed) | Small Cap Value (Closed) |
| Small/ Mid Cap Value (Closed) | Europe Small Cap Value (Closed) |
| Small Cap Value (Closed) | Japan Small Cap Value (Closed) |
| Micro Cap Value | Global Value |
| S&P 500 Enhanced | Emerging Markets Value (Closed) |
| Russell 1000 Value Enhanced | Emerging Markets Small Cap Value (Closed) |
| Managed Volatility | MSCI EAFE Enhanced |
| 130/30 Strategy | 130/30 Strategy |
- ◆ EMPLOYEE OWNED
- ◆ HEADQUARTERED IN CHICAGO

Organizational Structure



Research and Investment Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
Josef Lakonishok	35/18	CEO, CIO Founding Partner Portfolio Manager	Ph.D. Cornell University, Finance MS Cornell University, Statistics MBA/BA Tel-Aviv University, Economics & Statistics
Menno Vermeulen, CFA	21/17	Partner Portfolio Manager Senior Quantitative Analyst	MS Erasmus University-Rotterdam, Econometrics
Puneet Mansharamani, CFA	14/12	Partner Portfolio Manager Senior Quantitative Analyst	MS Case Western Reserve University, Engineering BS Delhi University, Engineering
Bhaskaran Swaminathan	23/7	Partner Director, Research	Ph.D. University of California at Los Angeles, Finance MBA University of Denver, Finance; BE College of Engineering, Guindy, Madras, India, Mechanical Engineering
Jason Karceski	19/4	Partner Senior Research Analyst	Ph.D. University of Illinois, Finance; MBA University of North Florida; BS California Institute of Technology, Electrical Engineering
Han Qu	19/18	Partner Senior Research Analyst	MS University of Illinois, Finance MS University of Illinois, Statistics BS Shanghai University, Computer Science
Simon Zhang, CFA	14/14	Partner Senior Quantitative Analyst	MBA/MS University of Illinois, Finance & MIS Civil Engineering MS Tongji University, Shanghai, Engineering Management BS Shanghai Institution of Building Material, Engineering
Bala Ragothaman, CFA	15/6	Partner Senior Quantitative Analyst	MS University of Iowa, Computer Science and Networks BS PSG College, Bharathiar University, Computer Engineering
Titus Liu	11/2	Systems Analyst	MBA University of Chicago, Finance, Econometrics & Accounting BS University of Illinois, Electrical Engineering
Greg Sleight	6/6	Partner Quantitative Analyst	MBA University of Chicago, Econometrics, Econ. & Analytic Fin. BS University of Illinois, Material Science & Engineering
Guy Lakonishok, CFA	12/4	Quantitative Analyst	MBA University of Chicago, Analytical Finance & Accounting BS Washington University, Electrical Engineering
Dan Givoly, CPA (Isr.)	28/7	Academic Advisor; Ernst & Young Professor of Accounting; Chairman, Department of Accounting, Pennsylvania State University	Ph.D. New York University, Accounting & Finance MBA Tel-Aviv University; BA Hebrew University, Jerusalem Economics & Statistics
Louis Chan	30/12	Academic Advisor Professor Finance, University of Illinois	Ph.D. University of Rochester, Finance & Applied Economics BS University of Hawaii, Business Administration

Client Portfolio Services Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
James Owens	23/12	Partner Director, Client Portfolio Services	BA Iowa State University, Finance
Keith Bruch, CFA	24/9	Partner Director, Client Portfolio Services	MBA University of Chicago, Finance BA Northwestern University, Economics
Peter Young, CFA	24/8	Partner Director, Client Portfolio Services	BS Wake Forest University, Business/Mathematics
Scott Kemper	16/6	Partner Director, Client Portfolio Services	MBA University of Chicago BA DePauw University
Jason Ciaglo	14/4	Partner Director, Business Development	MBA University of Chicago BA University of California-Berkeley, English
Michael Wagner	25/1	Director, Taft-Hartley Sales & Services	MBA Loyola University, Finance BS Elmhurst College, Marketing
Paul Halpern	41/8	Director, Client Portfolio Services, Canada Director, Capital Markets Institute The University of Toronto, Rotman	Ph.D. University of Chicago MBA University of Chicago Bcomm University of Toronto
Tremaine Atkinson	24/14	Partner Chief Operating Officer Chief Compliance Officer	BA University of California-San Diego, Economics

Representative Client List

Corporate Clients

ACT, Inc. (American College Testing)
Altria Group
AMP Capital Investors
Anadarko Petroleum Corporation
Armstrong World Industries
AT&T
Bank of America
BASF
Bridger Coal Company - Reclamation Trust
Caterpillar Inc.
Chrysler Group
Cox Enterprises, Inc.
Daimler NA
Deere & Company
Desjardins Global Asset Management
Diebold, Inc.
Dominion
Duke Energy
Educational Testing Service
FM Global
Harbor Capital
Harsco Corporation
Hess Corporation
Hoogovens Pensioenfonds
Kinder Morgan
Kraft Foods
L-3 Communications Corporation
Lufkin Industries, Inc.
LyondellBasell
Marsh & McLennan Companies, Inc.

Corporate Clients (Cont.)

NCR Corporation
Nissan North America
Olin Corporation
OnePath
PacifiCorp
Pensioenfonds Vervoer
Prudential
Raytheon Company
SEI Funds, Inc.
Shell Pensioenfonds
Stagecoach PLC
Telstra Super Pty, Ltd
Thomson Reuters
Towers Watson
Twin Disc, Inc.
Washington Mutual
Wells Fargo Funds
Westpac Staff Superannuation Plan
Wilmington Trust Investment Advisors

Endowment & Foundation Clients

Alma College Endowment
Ancilla Systems, Inc.
Buffalo Fine Arts Academy
Roy J. Carver Charitable Trust
Chagnon Foundation
College of the Ozarks
Cullen Foundation
DePaul University
Irving S. Gilmore Foundation

Endowment & Foundation Clients (Cont.)

Jewish Healthcare Foundation
John D. & Catherine T. MacArthur Foundation
McConnell Foundation
McGill University
New Jersey Health Foundation
Saint Louis University
Stanford University
Texas Presbyterian Foundation
Triad Foundation
University of Guelph
University of Manitoba
York University

Health Care

Advocate Health Care
Catholic Healthcare West
Christiana Care Health Services
CHRISTUS Health
Covenant Health
Froedtert Health
Kaiser Foundation Hospitals
Methodist Hospital System
Methodist Le Bonheur Healthcare
Trinity Health
WellSpan Health System

Representative Client List

Public Clients

Alberta Investment Management Corporation
 Arizona State Retirement System
 AustralianSuper
 Bayerische Versorgungskammer (BVK)
 Baltimore County Employees' Retirement System
 Bristol County Retirement System
 Chicago Firemen's Annuity & Benefit Fund
 City and County of San Francisco Employees' Retirement System
 City of El Paso, Texas Employees Retirement System
 City of Gainesville Police Officers' & Firefighters' Ret. Plan
 City of Kansas City Employee's Retirement System
 City of Richmond
 City of Stamford, CT Employees' Retirement Fund
 City of St. Louis Employees Retirement System
 Denver Employees Retirement Plan
 District of Columbia Retirement Board
 Fairfax County Employees' Retirement System
 Firefighters' Retirement System of Louisiana
 Frederick County Employees' Retirement Plan
 Howard County (MD) Master Trust
 Illinois Municipal Retirement Fund
 Illinois State Board of Investment
 Kansas City Police Employees' Retirement System
 Louisiana State Employees' Retirement System
 Metropolitan Water Reclamation District
 Minnesota State Board of Investment
 Municipal Police Employees' Ret. System of Louisiana
 Municipal Employees' Annuity & Benefit Fund of Chicago
 New Hampshire Retirement System
 New Jersey Transit Corporation
 New York State Teachers' Retirement System
 New Zealand Superannuation Fund
 Nexcom

Public Clients (Cont.)

North Dakota State Investment Board
 Ohio Highway Patrol Retirement System
 Ohio Public Employees Retirement System
 Ohio School Employees' Retirement System
 Parochial Employees' Retirement System of Louisiana
 Pennsylvania Municipal Retirement System
 RTD (Denver) Salaried Employees' Pension Trust
 Sacramento County Employees' Retirement System
 San Antonio Fire and Police Pension Fund
 South Carolina Retirement System Investment Commission
 Stanislaus County Employees' Retirement Association
 State of Idaho Endowment Fund
 State of Michigan Retirement Systems
 State of Wisconsin Investment Board
 Teachers' Retirement System of Illinois
 Teachers' Retirement System of Louisiana
 Virgin Islands Government Employees' Retirement System
 Virginia Retirement System
 West Virginia Investment Management Board

Taft Hartley Clients

1199 National Benefit & Pension Fund
 Automobile Mechanics Local 701
 Bricklayers & Trowel Trades International Pension Fund
 Carpenters Labor Management Pension Trust Fund
 Carpenters Pension Fund of Illinois
 Carpenters Pension Trust of St. Louis
 Central Pennsylvania Teamsters Pension Fund
 Chicago Laborers
 Empire State Carpenters
 I.A.T.S.E. National Pension Fund
 I.B.E.W. Local #103
 I.B.E.W. Local #134
 I.U.O.E. Local 302 & 612
 I.U.O.E. Local 825
 Laborers' National Pension Fund

Taft Hartley Clients (Cont.)

Mid-Atlantic Regional Council of Carpenters
 National Asbestos Workers Pension Fund
 National Roofing Industry Pension Fund
 New England Healthcare Workers
 New York City District Council of Carpenters
 Northern Illinois Plumbers Local 501
 Northwest Indiana Carpenters
 Service Employees Int'l Union Master Pension Trust
 S.E.I.U. Local 25
 Sheet Metal Workers Local 73
 Teamsters Joint Council No. 83 of Virginia
 Twin City Pipe Trades
 U.A. Plumbers & Pipefitters Nat'l Pension Fund Staff Plan
 U.M.W.A. 1974 Pension Trust
 U.F.C.W. International Union-Industry Pension Fund
 U.F.C.W. Midwest Pension Fund

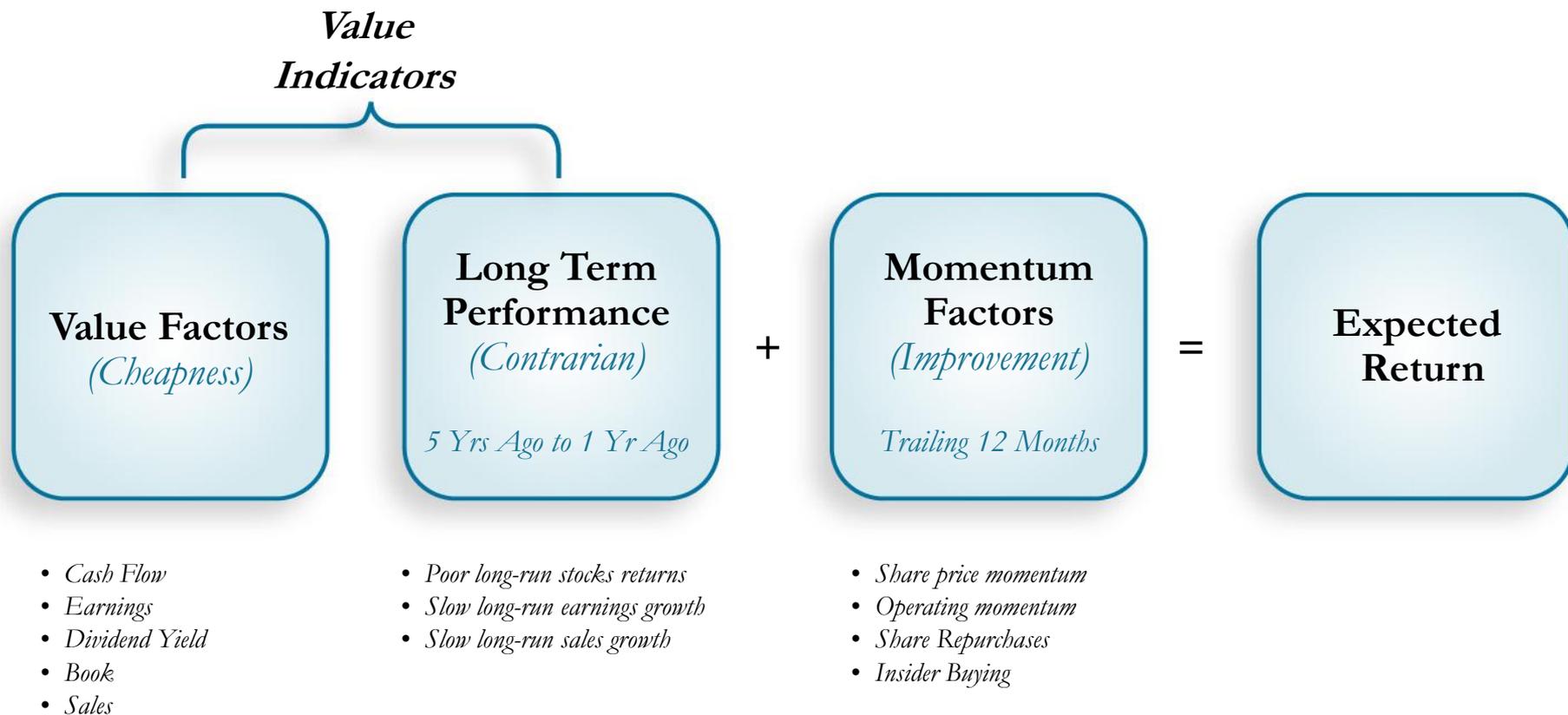
Not-For-Profit & Eleemosynary

American Baptist Home Mission Society
 Archdiocese of Cincinnati
 Archdiocese of New York
 Diocese of Buffalo
 Evangelical Lutheran Church in America
 Ministers and Missionaries Benefit Board
 National Geographic Society
 Pacific Salmon Commission
 The Salvation Army
 The Seeing Eye, Inc.
 Sisters of St. Francis of Philadelphia
 United Church of Canada
 YMCA

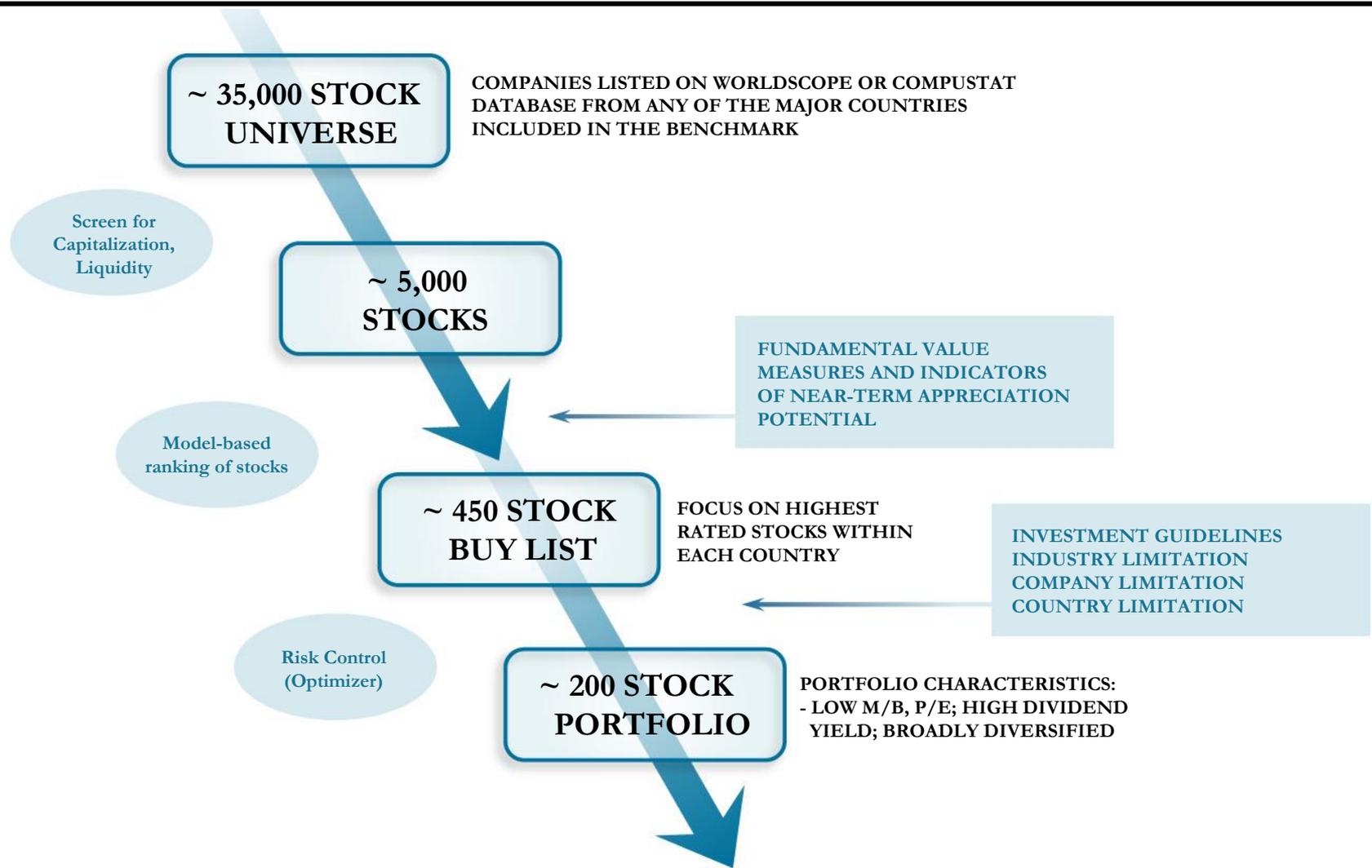
Basic Approach of the *LSV* Model

- ◆ **DEEP VALUE ORIENTATION**
- ◆ **QUANTITATIVE**
- ◆ **FOCUS ON STOCK SELECTION WITHIN COUNTRIES**
 - **CONTROLLED INDUSTRY BETS**
 - **AT GLOBAL LEVEL**
 - **IN LARGER WEIGHT COUNTRIES**
 - **COUNTRY NEUTRAL vs. BENCHMARK**
 - **REGIONAL OR COUNTRY SPECIFIC MANDATES AVAILABLE**
- ◆ **WELL DIVERSIFIED / RISK CONTROLLED**

Expected Return Model



Global ACWI Value Investment Process



Global ACWI Value Investment Constraints

SPECIFIC RISK CONTROLS:

- ◆ ANY GLOBAL BENCHMARK CAN BE USED
- ◆ NO COUNTRY BETS VERSUS BENCHMARK
- ◆ MARKET CAPITALIZATION CONSTRAINTS VERSUS BENCHMARK
- ◆ INDUSTRY CONSTRAINTS VERSUS BENCHMARK
- ◆ INDIVIDUAL STOCK EXPOSURE CONSTRAINTS
- ◆ CLIENT SPECIFIC INVESTMENT GUIDELINES / RESTRICTIONS

Sell Discipline

A STOCK IS SOLD WHEN:

- ◆ **MODEL RANKING FALLS BELOW THE TOP 40%.**

A STOCK IS CUT BACK WHEN:

- ◆ **PORTFOLIO WEIGHT EXCEEDS BENCHMARK WEIGHT BY 1% FOR SMALL CAP STOCKS AND 2% FOR LARGE CAP STOCKS.**

TURNOVER

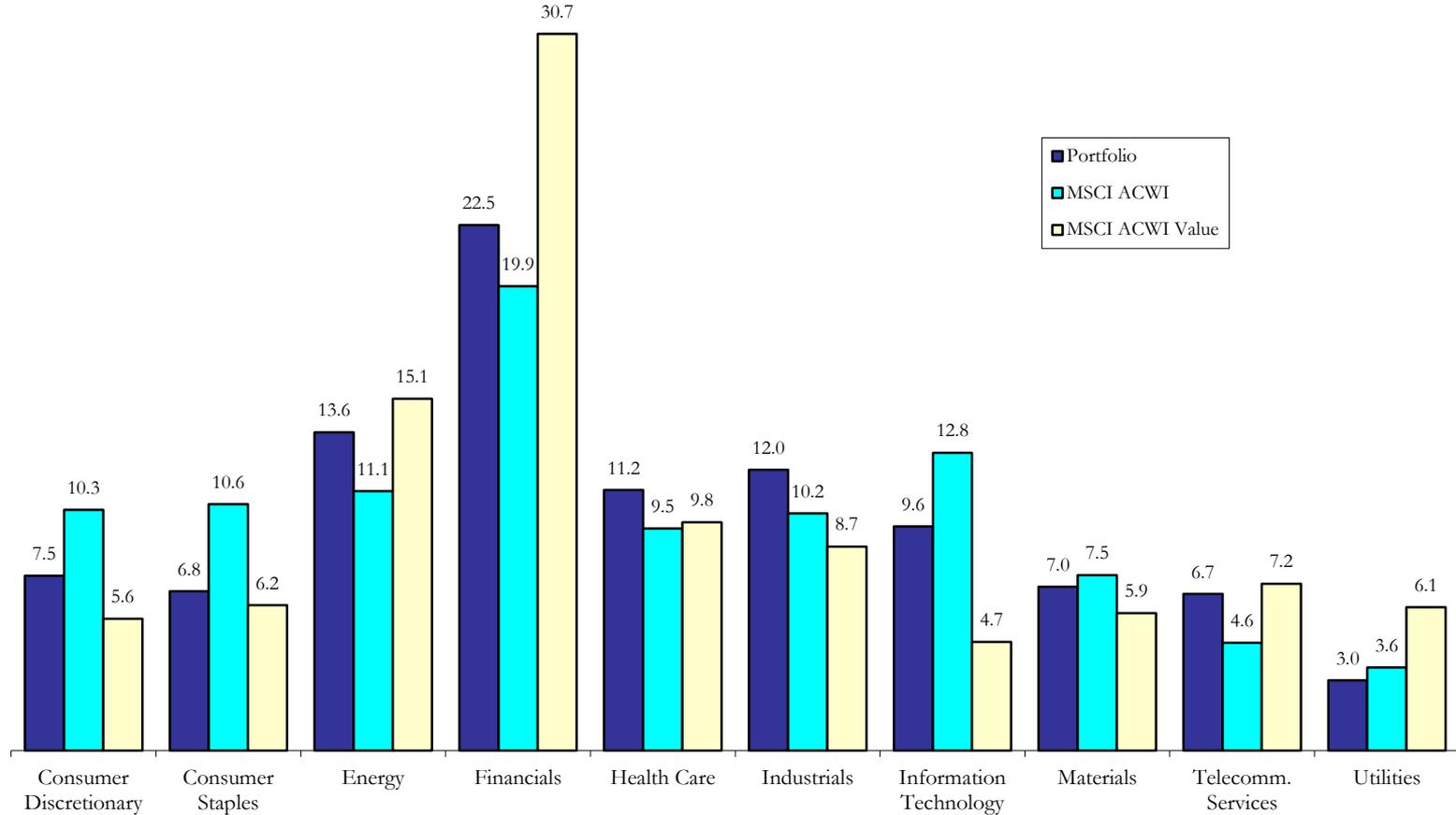
- ◆ **APPROXIMATELY 30% PER YEAR.**

Portfolio Characteristics

As of 9/30/12

	North Dakota U.S. <u>LCV</u>	North Dakota International <u>LCV</u>	LSV Global <u>ACWI</u>	MSCI <u>ACWI</u>
# of Stocks	141	166	213	2,377
Investable Countries	1	22	45	45
Emerging Markets Exposure?	No	No	Yes	Yes
Exposure: U.S./Non-U.S. Dev./EM (%)	100/0/0	0/100/0	47/39/14	47/41/12
Price / Earnings (FY1)	10.1x	9.4x	9.5x	13.4x
Price / Earnings (FY2)	9.7x	8.7x	8.9x	12.2x
Price / Cash Flow	6.4x	4.9x	5.5x	8.7x
Price / Book	1.4x	1.0x	1.2x	1.7x
Dividend Yield	2.5%	4.3%	3.5%	2.7%
Weighted Average Market Cap	\$67.0 billion	\$40.7 billion	\$49.1 billion	\$83.4 billion
Value Equity Weighted Median Market Cap	\$21.3 billion	\$16.7 billion	\$17.7 billion	\$37.5 billion

Global ACWI Value Sector Weights



Global ACWI Value Country Weights

Developed				Emerging			
<u>Countries</u>	<u>Portfolio</u>	<u>MSCI ACWI</u>	<u>Value</u>	<u>Countries</u>	<u>Portfolio</u>	<u>MSCI ACWI</u>	<u>Value</u>
Australia	1.86	3.26	3.31	Brazil	1.86	1.58	1.58
Austria	0.60	0.10	0.15	Chile	0.37	0.24	0.22
Belgium	0.58	0.42	0.25	China	3.01	2.18	2.13
Canada	4.31	4.38	4.32	Colombia	0.00	0.15	0.15
Denmark	0.00	0.43	0.12	Czech Republic	0.00	0.04	0.04
Finland	0.31	0.27	0.31	Egypt	0.00	0.05	0.04
France	3.53	3.35	3.86	Hungary	0.00	0.04	0.04
Germany	2.73	3.10	3.20	India	0.54	0.88	0.85
Greece	0.00	0.02	0.01	Indonesia	0.00	0.34	0.37
Hong Kong	0.76	1.12	1.17	Korea (South)	1.51	1.95	1.89
Ireland	0.00	0.10	0.10	Malaysia	0.00	0.45	0.43
Israel	0.03	0.22	0.21	Mexico	0.44	0.62	0.62
Italy	1.22	0.81	1.29	Morocco	0.00	0.01	0.01
Japan	8.42	7.11	6.96	Peru	0.00	0.08	0.08
Netherlands	2.26	0.89	0.85	Philippines	0.00	0.11	0.11
New Zealand	0.00	0.05	0.04	Poland	0.53	0.19	0.19
Norway	0.22	0.35	0.24	Russia	1.16	0.76	0.77
Portugal	0.00	0.06	0.07	South Africa	0.42	0.98	0.95
Singapore	0.27	0.68	0.72	Taiwan	0.78	1.39	1.34
Spain	1.00	1.04	1.69	Thailand	0.94	0.28	0.28
Sweden	1.07	1.17	0.96	Turkey	<u>1.11</u>	<u>0.21</u>	<u>0.21</u>
Switzerland	2.27	3.12	2.78	Total	13%	13%	12%
UK	7.90	8.41	8.06				
USA	<u>48.02</u>	<u>47.01</u>	<u>47.04</u>				
Total	87%	87%	88%				

Value Equity

Global ACWI Value Composite Performance

Annualized for
Periods Ended September 30, 2012

	One Year	Two Years	Three Years	Four Years	Five Years	Six Years			
LSV	21.7%	6.9%	7.5%	6.7%	-1.1%	2.4%			
MSCI ACWI	21.0%	6.6%	7.2%	5.3%	-2.1%	1.9%			
MSCI ACWI Value	19.5%	5.5%	5.5%	4.3%	-3.3%	0.5%			
	Since Inception 7/1/06- 9/30/2012	YTD 2012	2011	2010	2009	2008	2007	2006*	
LSV	3.0%	12.6%	-6.4%	13.8%	38.0%	-40.6%	6.2%	15.5%	
MSCI ACWI	2.5%	12.9%	-7.4%	12.7%	34.6%	-42.2%	11.7%	14.0%	
MSCI ACWI Value	1.4%	11.5%	-7.3%	10.2%	31.7%	-41.5%	6.7%	16.4%	

*Inception Date: 7/1/06.

Note: Periods greater than one year are annualized. Returns are gross of fees and in USD; indexes shown net of withholding taxes. Past performance is not indicative of future results. Please refer to our *Disclosures To Performance Results*.

Large Cap Value Composite Performance

Annualized for
Periods Ended September 30, 2012

	One Year	Two Years	Three Years	Four Years	Five Years	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
LSV	32.5%	12.5%	11.7%	6.6%	-0.7%	1.8%	3.6%	5.7%	7.9%	9.4%
Russell 1000 Value	30.9%	13.3%	11.8%	5.7%	-0.9%	1.5%	3.3%	4.9%	6.5%	8.2%
S&P 500	30.2%	14.8%	13.2%	7.8%	1.1%	3.5%	4.5%	5.4%	6.3%	8.0%

	Since Inception 12/1/93-9/30/2012	YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
LSV	11.2%	15.8%	0.0%	14.8%	25.9%	-38.5%	-0.1%	22.7%	12.4%	21.2%	35.5%	-11.0%	5.4%	13.0%	4.4%	9.8%	39.1%	27.2%	41.1%	2.6%
Russell 1000 Value	8.7%	15.8%	0.4%	15.5%	19.7%	-36.9%	-0.2%	22.2%	7.0%	16.5%	30.0%	-15.5%	-5.6%	7.0%	7.4%	15.6%	35.2%	21.6%	38.4%	-2.0%
S&P 500	8.3%	16.4%	2.1%	15.1%	26.5%	-37.0%	5.5%	15.8%	4.9%	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%	28.6%	33.4%	23.0%	37.6%	1.3%

Inception date 12/1/93.

Note: Periods greater than one year are annualized. Returns are gross of fees. Past performance is not indicative of future results. Please refer to our *Disclosures To Performance Results*.

International Large Cap Value Composite Performance

Annualized for
Periods Ended September 30, 2012

	One Year	Two Years	Three Years	Four Years	Five Years	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
<i>LSV</i>	14.3%	2.2%	2.3%	3.5%	-5.4%	-0.9%	2.0%	5.1%	7.7%	10.1%
MSCI EAFE (net)	13.8%	1.6%	2.1%	2.4%	-5.3%	-0.8%	1.9%	4.6%	6.4%	8.2%
MSCI EAFE Value (net)	12.6%	0.7%	-0.1%	1.7%	-6.3%	-2.1%	1.0%	3.9%	6.3%	8.5%

	Since Inception 1/1/98- 9/30/2012	YTD 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>LSV</i>	8.2%	10.7%	-11.6%	9.0%	37.6%	-45.5%	6.2%	31.5%	15.1%	29.3%	45.7%	3.2%	-8.1%	1.9%	19.3%	15.1%
MSCI EAFE	4.0%	10.1%	-12.1%	7.7%	31.8%	-43.4%	11.2%	26.4%	13.5%	20.3%	38.6%	-15.9%	-21.5%	-14.2%	27.0%	20.0%
MSCI EAFE Value	5.0%	9.6%	-12.2%	3.3%	34.3%	-44.1%	6.0%	30.4%	13.8%	24.3%	45.3%	-15.9%	-18.5%	-3.2%	24.1%	17.7%

Note: Periods greater than one year are annualized. Returns are gross of fees and in USD; indexes shown net of withholding taxes. Past performance is not indicative of future results. Please refer to our *Disclosures To Performance Results*.

Emerging Markets Value Composite Performance

Annualized for
Periods Ended September 30, 2012

	One Year	Two Years	Three Years	Four Years	Five Years	Six Years	Seven Years
LSV	18.7%	1.5%	10.1%	14.4%	3.6%	12.3%	13.2%
MSCI EM	17.0%	-1.0%	5.6%	8.8%	-1.3%	6.8%	8.6%
MSCI EM Value	15.4%	-1.1%	5.2%	9.3%	0.0%	8.2%	9.6%

	Since Inception 7/1/05 - 9/30/12	YTD 2012	2011	2010	2009	2008	2007	2006	2005*
LSV	15.1%	14.6%	-17.3%	27.3%	95.3%	-51.4%	46.8%	34.0%	23.2%
MSCI EM	10.8%	12.0%	-18.4%	18.9%	78.5%	-53.3%	39.4%	32.2%	26.4%
MSCI EM Value	11.8%	10.7%	-17.9%	18.4%	79.1%	-50.3%	42.2%	32.0%	25.1%

*Inception date 7/1/05

Note: Periods greater than one year are annualized. Returns are gross of fees in USD; Indices shown net of withholding taxes.

Past performance is not indicative of future results. Please refer to our *Disclosures To Performance Results*

Disclosures To Performance Results

Global Value Equity (ACWI) Composite contains fully discretionary Global Value Equity (ACWI) accounts. For comparison purposes the composite is measured against the MSCI AC World (net) Index.

Year End	Total Firm	Composite Assets		Annual Performance Results			
	Assets	U.S. Dollars	Number of	Composite		MSCI AC	Composite
	(millions)	(millions)	Accounts	Gross	Net	World (net)	Dispersion
2010	64,193	494	Five or fewer	13.79	12.95	12.67	N.A.
2009	56,318	462	Five or fewer	38.01	37.01	34.63	N.A.
2008	40,491	191	Five or fewer	(40.61)	(41.08)	(42.21)	N.A.
2007	73,211	44	Five or fewer	6.18	5.39	11.65	N.A.
2006	70,526	40	Five or fewer				

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

- LSV Asset Management (“LSV”) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). LSV is a registered investment adviser and is a joint venture between its management team and SEI Investments Company (“SEI”). SEI’s relationship is entirely as a venture capitalist, owning a minority interest in LSV. LSV maintains a complete list and description of composites, which is available upon request.
- Results are based on fully discretionary accounts under management, including those accounts no longer with LSV. Non-fee paying accounts are not included in this composite. Past performance is not indicative of future results. Composite performance is presented net of foreign withholding taxes. Capital gains, dividends and interest received may be subject to withholding tax imposed by the country of origin and such taxes may not be recoverable. The returns of the MSCI Index are calculated using tax rates different from those of this composite and the domicile of the investors. Withholding taxes may vary according to the investor’s domicile.
- The U.S. Dollar is the currency used to express performance. Returns include the effect of foreign currency exchange rates. The exchange rate source of the composite is FT/Interactive Data. The benchmark provider may use a different source for exchange rates. Returns are stated gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest non-performance-based annual management fee of 0.75%, applied monthly as described in Part 2A of LSV’s Form ADV, which is available upon request. Actual fees may vary depending on, among other factors, the applicable fee schedule and portfolio size.
- The Global Value Equity (ACWI) Composite was created October 1, 2010 with an inception date of July 1, 2006. LSV’s compliance with GIPS has been verified firmwide for the period May 1, 1995 through December 31, 2010 by Ashland Partners & Company LLP. Additional information regarding policies for calculating and reporting returns is available upon request.

Disclosures To Performance Results

Large Cap Value Composite contains fully discretionary U.S. large cap value equity accounts. For comparison purposes the composite is measured against the Russell 1000 Value and the S&P 500 indices.

Year End	Total Firm	Composite Assets		Annual Performance Results				
	Assets	USD	Number of	Composite		Russell	S & P	Composite
	(millions)	(millions)	Accounts	Gross	Net	1000 Value	500	Dispersion
2010	64,193	23,868	233	14.77%	14.09%	15.51%	15.05%	1.0%
2009	56,318	19,758	233	25.88%	25.14%	19.69%	26.45%	2.4%
2008	40,491	15,266	254	(38.53%)	(38.91%)	(36.85%)	(36.98%)	1.1%
2007	73,211	24,900	259	(0.06%)	(0.66%)	(0.17%)	5.51%	1.7%
2006	70,526	25,914	257	22.72%	21.99%	22.21%	15.81%	0.8%
2005	51,821	19,515	247	12.35%	11.68%	7.04%	4.91%	1.2%
2004	35,325	15,699	235	21.21%	20.50%	16.49%	10.86%	1.4%
2003	18,258	9,410	163	35.50%	34.71%	30.03%	28.68%	1.4%
2002	9,607	5,727	111	(11.00%)	(11.54%)	(15.52%)	(22.11%)	1.0%
2001	7,418	5,198	78	5.38%	4.75%	(5.59%)	(11.88%)	1.2%
2000	7,476	5,514	67	13.01%	12.34%	7.02%	(9.10%)	1.8%
1999	6,004	4,730	56	4.37%	3.75%	7.35%	21.04%	2.5%
1998	4,107	2,931	37	9.79%	9.12%	15.62%	28.58%	1.5%
1997	1,341	848	10	39.13%	38.32%	35.18%	33.37%	1.9%
1996	333	290	6	27.23%	26.47%	21.63%	22.96%	N.A.
1995*	100	75	Five or fewer	41.05%	40.50%	38.35%	37.58%	N.A.
1994*	-	14	Five or fewer	2.56%	2.36%	(1.99%)	1.32%	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

*Periods shown prior to May 1, 1995 represent the performance record of the Portfolio Manager while affiliated with a prior firm. This prior track record was reviewed in accordance with the portability requirements set forth in the Guidance Statement on Performance Record Portability. This presentation conforms to GIPS® guidelines regarding the portability of investment results.

Large Cap Value Composite

- LSV Asset Management (“LSV”) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). LSV is a registered investment adviser and is a joint venture between its management team and SEI Investments Company (“SEI”). SEI’s relationship is entirely as a venture capitalist, owning a minority interest in LSV. LSV maintains a complete list and description of composites, which is available upon request.
- Results are based on fully discretionary accounts under management, including those accounts no longer with LSV. Non-fee paying accounts are not included in this composite. Past performance is not indicative of future results.
- The U.S. dollar is the currency used to express performance. Returns are stated gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest non-performance-based annual management fee of 0.60%, applied monthly as described in Part 2A of LSV’s Form ADV, which is available upon request. Actual fees may vary depending on, among other factors, the applicable fee schedule and portfolio size.
- Effective January 1, 2010, LSV replaced the S&P 500/Citigroup Value index as a secondary benchmark for the Large Cap Value Composite with the S&P 500 benchmark because it was determined that this benchmark was more representative of the broad large cap equity market.
- The Large Cap Value Composite was created May 1, 1995. The dispersion presented is the asset-weighted standard deviation. LSV’s compliance with GIPS has been verified firmwide for the period May 1, 1995 through December 31, 2010 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Large Cap Value Composite beginning May 1, 1995. Additional information regarding policies for calculating and reporting returns and a copy of the verification report is available upon request.

Disclosures To Performance Results

International Large Cap Value Composite contains fully discretionary international large cap value equity accounts. For comparison purposes the composite is measured against the Morgan Stanley Capital International EAFE (net) Index (MSCI EAFE).

Year End	Total Firm	Composite Assets		Annual Performance Results			
	Assets	U.S. Dollars	Number of	Composite		MSCI	Composite
	(millions)	(millions)	Accounts	Gross	Net	EAFE (net)	Dispersion
2010	64,193	16,709	93	9.03%	8.22%	7.74%	2.3%
2009	56,318	16,317	101	37.61%	36.61%	31.78%	4.2%
2008	40,491	11,942	105	(45.45%)	(45.88%)	(43.39%)	1.2%
2007	73,211	23,562	109	6.20%	5.41%	11.19%	1.9%
2006	70,526	22,485	106	31.48%	30.52%	26.35%	1.5%
2005	51,821	15,630	89	15.07%	14.22%	13.54%	1.4%
2004	35,325	6,964	46	29.28%	28.34%	20.25%	0.8%
2003	18,258	1,003	8	45.70%	44.65%	38.59%	N.A.
2002	9,607	276	Five or fewer	3.22%	2.45%	(15.94%)	N.A.
2001	7,418	27	Five or fewer	(8.14%)	(8.80%)	(21.45%)	N.A.
2000	7,476	7	Five or fewer	1.88%	1.16%	(14.17%)	N.A.
1999	6,004	6	Five or fewer	19.33%	18.49%	26.97%	N.A.
1998	4,107	5	Five or fewer	15.09%	14.28%	20.00%	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

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• The U.S. dollar is the currency used to express performance. Returns include the effect of foreign currency exchange rates. The exchange rate source of the composite is FT/Interactive Data. The benchmark provider may use a different source for exchange rates. Returns are stated gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest non-performance-based annual management fee of 0.75%, applied monthly as described in Part 2A of LSV’s Form ADV, which is available upon request. Actual fees may vary depending on, among other factors, the applicable fee schedule and portfolio size.

• The International Large Cap Value Composite was created January 1, 1998. The dispersion presented is the asset-weighted standard deviation. LSV’s compliance with GIPS has been verified firmwide for the period May 1, 1995 through December 31, 2010 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the International Large Cap Value Composite beginning January 1, 1998. Additional information regarding policies for calculating and reporting returns and a copy of the verification report is available upon request.

Value Equity

Disclosures To Performance Results

Emerging Markets Composite contains fully discretionary non-U.S. emerging markets equity accounts. For comparison purposes the composite is measured against the MSCI Emerging Markets (net) Index.

Year End	Total Firm	Composite Assets		Annual Performance Results			
	Assets	U.S. Dollars	Number of	Composite		MSCI	Composite
	(millions)	(millions)	Accounts	Gross	Net	Emerging Mkts. (net)	Dispersion
2010	64,193	3,164	7	27.31%	26.07%	18.86%	1.6%
2009	56,318	2,297	6	95.31%	93.47%	78.50%	2.5%
2008	40,491	690	7	(51.44%)	(51.96%)	(53.33%)	1.3%
2007	73,211	1,369	7	46.76%	45.34%	39.37%	3.2%
2006	70,526	876	7	34.00%	32.70%	32.16%	N.A.
2005	51,821	239	Five or fewer				

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

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- LSV is a registered investment adviser and is a joint venture between its management team and SEI Investments Company (“SEI”). SEI’s relationship is entirely as a venture capitalist, owning a minority interest in LSV. LSV maintains a complete list and description of composites, which is available upon request.
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- The U.S. dollar is the currency used to express performance. Returns include the effect of foreign currency exchange rates. The exchange rate source of the composite is FT/Interactive Data. The benchmark provider may use a different source for exchange rates. Returns are stated gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the highest non-performance based annual management fee of 1.00%, applied monthly as described in Part 2A of LSV’s Form ADV, which is available upon request. Actual fees may vary depending on, among other factors, the applicable fee schedule and portfolio size.
- The Emerging Markets Composite was created July 1, 2005. The dispersion presented is the asset-weighted standard deviation. LSV’s compliance with GIPS has been verified firmwide for the period May 1, 1995 through December 31, 2010 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Emerging Markets Composite beginning July 1, 2005. Additional information regarding policies for calculating and reporting returns and a copy of the verification report is available upon request.

Investment Recommendation – LSV Asset Management

Executive Summary

Recommendation

Staff recommends transitioning the Pension Trust's existing large cap value and international value equity mandates into a single global equity mandate within the global equity allocation. Consolidation of the two accounts into one global equity mandate is based on the view that the nature of equity risk and return drivers is no longer generally supportive of a geographically partitioned equity mandate structure. As opposed to utilizing two distinct portfolios, a global equity mandate is a more efficient way to capture developed and international equity exposure. By consolidating these two market segments into a single integrated portfolio, savings can be realized from lower portfolio turnover, monitoring, operational and administrative costs.

Rationale

I. Organizational Overview

Formed in 1994 as a partnership, LSV Asset Management (LSV) was established to provide domestic, international and global value equity investment management services for institutional investors utilizing the application of their proprietary quantitative models. Their research and investment team has developed these models through years of research in the areas of value investing, contrarian strategies and behavioral finance. Their roots in these areas of academic research form the core of their investment philosophy and continue to drive the evolution of the LSV models over time. They employ their approach to manage strategies across global equity markets encompassing all capitalization ranges. As of September 30, 2012, LSV Asset Management managed \$62.9 billion in firmwide assets, of which \$7.8 billion is managed in global equity strategies. The firm has managed a large cap value equity strategy for the ND SIB since July 2008 and an international value equity strategy since November 2004.

II. Strategy and Performance Overview

The Global Value Equity ACWI strategy is managed using quantitative techniques to select individual securities in a risk-controlled, bottom-up approach. Value factors and security selection dominate sector/industry factors as explainers of performance. The portfolio decision making process is quantitative and driven by (1) a proprietary model which ranks securities based on fundamental measures of value and indicators of recent positive changes and, (2) a risk control process that controls for residual benchmark risk while maximizing the expected return of the portfolio. The process ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest in approximately 200 stocks in the most attractive securities possible within their risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be broadly diversified across industry groups and fully invested (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization greater than \$400 million.

As compared to the composite of the current ND SIB mandate since inception, the Global Value portfolio had a slightly higher beta (1.04 versus 1.00) and standard deviation (23.87% versus 23.19%), but this increase was accompanied by higher excess returns (0.34% versus -1.99%) and risk-adjusted excess returns (0.27 versus -1.97).

Annualized Total Returns and Risk Statistics

As of 9/30/12

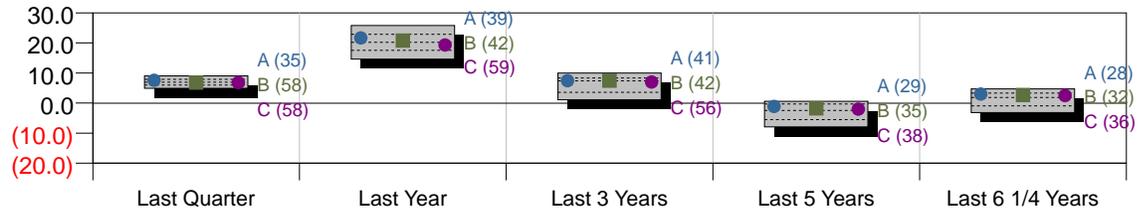
	1 Year	3 Year	5 Year	Since Inception*
LSV:Global Value ACWI	21.72%	7.50%	-1.07%	3.04%
MSCI:AC WORLD (Net)	20.85%	7.47%	-1.75%	2.70%
MSCI:AC WORLD VALUE (Net)	19.38%	7.04%	-1.99%	2.50%
Excess Return	0.87%	0.03%	0.68%	0.34%
Tracking Error	1.79%	2.23%	3.30%	3.42%
Information Ratio	0.49	0.01	0.21	0.10
Alpha	1.05	0.17	0.94	0.40
Risk-Adjusted Alpha	0.56	0.16	0.77	0.27

III. Manager Structure

Based on rolling three year correlations of the active returns of the LSV Global Value ACWI strategy and the Pension Trusts global equity composite excluding the existing LSV mandates, the portfolio has historically exhibited very low correlation with the existing manager structure and thereby demonstrated diversification benefits.

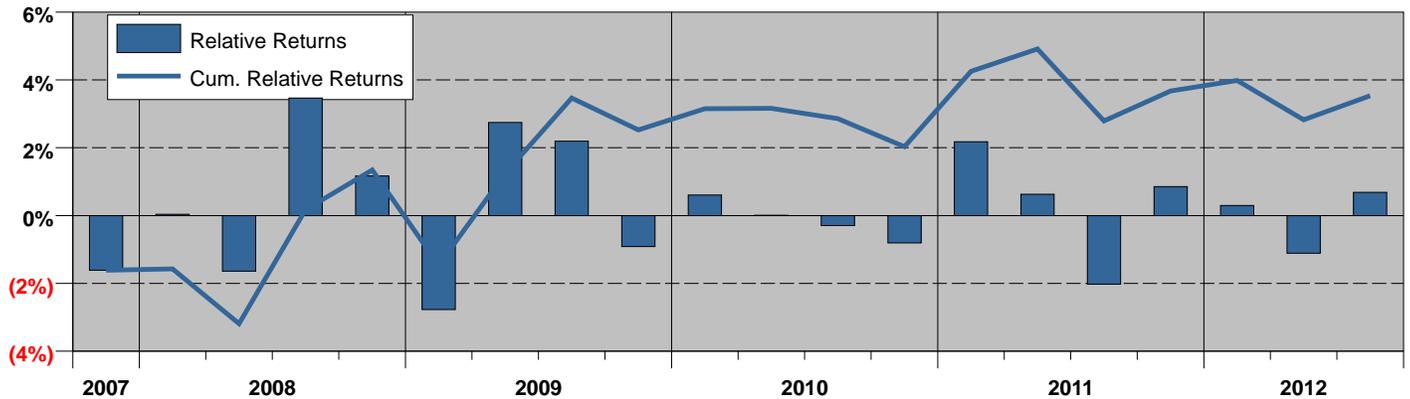
Return Analysis

The graphs below measure the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the CAI:Global Value Style Group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

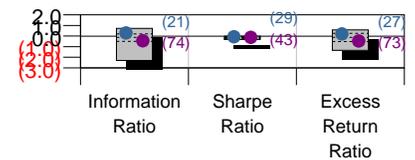
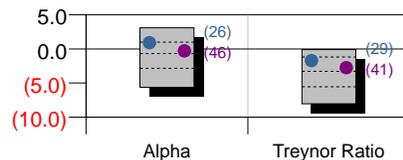


10th Percentile	9.07	25.84	10.03	0.64	4.74
25th Percentile	7.90	22.90	8.35	(0.29)	3.35
Median	6.99	20.27	7.38	(2.45)	1.90
75th Percentile	5.99	17.57	3.59	(5.45)	(0.89)
90th Percentile	4.97	14.68	1.13	(7.92)	(3.13)
LSV:Global Value ACWI ● A	7.58	21.72	7.50	(1.07)	3.04
MSCI:AC WORLD (Net) ■ B	6.85	20.85	7.47	(1.75)	2.70
MSCI:AC WORLD VALUE (Net) ● C	6.85	19.38	7.04	(1.99)	2.50

Cumulative and Quarterly Relative Returns vs MSCI:AC WORLD (Net) Index



Risk Adjusted Return Measures vs AC WORLD INDEX Five Years Ended September 30, 2012

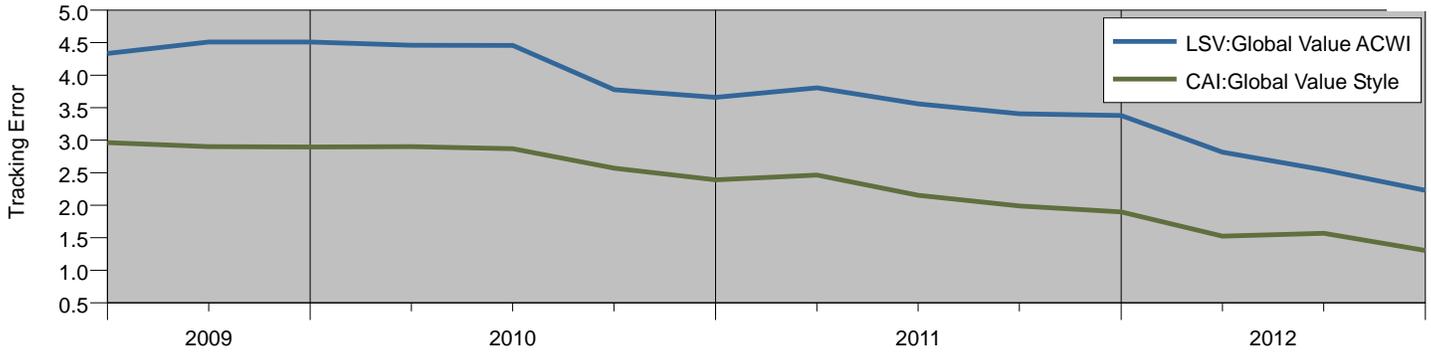


10th Percentile	3.10	(0.09)	10th Percentile	0.73	0.00	0.58
25th Percentile	1.00	(1.16)	25th Percentile	0.21	(0.05)	0.26
Median	(0.68)	(3.26)	Median	(0.10)	(0.13)	(0.12)
75th Percentile	(2.81)	(5.53)	75th Percentile	(0.49)	(0.22)	(0.51)
90th Percentile	(5.63)	(8.03)	90th Percentile	(2.30)	(0.32)	(1.34)
LSV:Global Value ACWI ●	0.94	(1.71)	LSV:Global Value ACWI ●	0.30	(0.07)	0.21
MSCI:AC WORLD VALUE (Net) ●	(0.27)	(2.73)	MSCI:AC WORLD VALUE (Net) ●	(0.44)	(0.11)	(0.45)

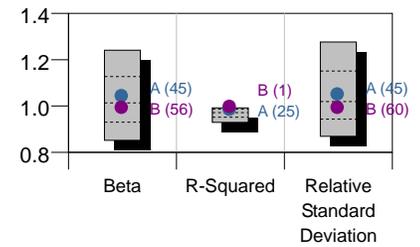
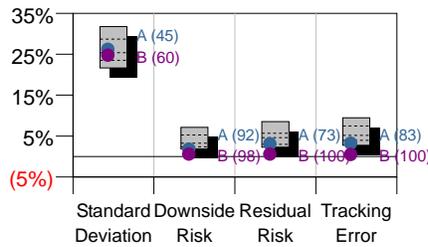
Risk Analysis

The graph below analyze the risk or variation of a manger's return pattern relative to the AC WORLD INDEX. The last two charts show the ranking of the manager's risk statistics versus the peer group.

Rolling 12 Quarter Tracking Error Relative To MSCI:AC WORLD (Net)



Risk Statistics Rankings for Five Years ended September 30, 2012



10th Percentile	31.82	7.15	8.58	9.49
25th Percentile	28.70	5.29	5.70	7.47
Median	25.41	3.30	4.66	5.20
75th Percentile	23.53	2.38	2.99	3.99
90th Percentile	21.66	1.88	2.28	2.79
LSV:Global Value ACWI	● A 26.23	1.84	3.15	3.30
MSCI:AC WORLD VALUE (Net)	● B 24.80	0.61	0.61	0.55

10th Percentile	1.24	0.99	1.28
25th Percentile	1.13	0.99	1.15
Median	1.01	0.97	1.02
75th Percentile	0.93	0.95	0.94
90th Percentile	0.85	0.93	0.87
LSV:Global Value ACWI	● A 1.04	0.99	1.05
MSCI:AC WORLD VALUE (Net)	● B 0.99	1.00	0.99



THE CLIFTON GROUP
3600 MINNESOTA DRIVE
SUITE 325
MINNEAPOLIS, MN 55435

November 12, 2012

North Dakota State Investment Board
Ms. Connie Flanagan, Fiscal & Investment Officer
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100

Dear Ms. Flanagan:

We are pleased to inform you that Parametric Portfolio Associates LLC (Parametric) has agreed to acquire the business of The Clifton Group Investment Management Company (Clifton) in a transaction that is anticipated to close on or about December 31, 2012.

Clifton is currently owned 80% by non-employee shareholders and 20% by Clifton's three principals: Chief Investment Officer Jack Hansen, Senior Portfolio Manager Tom Lee and Managing Principal Kip Chaffee. Each Clifton principal will receive equity in the combined firm and will continue in his current role pursuant to a long-term employment agreement entered into at closing. It is expected that an additional group of Clifton employees will also become equity holders in the combined firm. Clifton will operate as a division of Parametric, with Kip Chaffee reporting to Brian Langstraat, Parametric's Chief Executive Officer, and Jack Hansen retaining responsibility for leading Clifton's investment function. Clifton will continue in its current location in the Minneapolis area and no changes in Clifton personnel are expected as a result of the transaction.

Parametric is a Seattle-based investment management firm focused on the delivery of rules-based, risk-controlled strategies, including engineered alpha-seeking portfolios, options strategies and customized equity and centralized portfolio management implementation services. As of September 30, 2012, Parametric managed \$53.1 billion of client assets. Parametric is a majority-owned subsidiary of Eaton Vance Corp., one of the oldest investment management organizations in the U.S., with a history dating back to 1924. As of September 30, 2012, Eaton Vance and its controlled affiliates had assets under management of \$198.2 billion.

Clifton and Parametric share a focus on partnering with clients to help them achieve their return objectives and manage risk. Clifton's strengths in overlay management and custom risk-management solutions complement Parametric's existing capabilities. Our vision for the future of the combined firm is to offer an industry-leading

platform of portfolio implementation, risk management, tax management and engineered investment strategies to sophisticated investors around the globe. Today's markets require, more than ever, that investors work their portfolios harder and smarter to optimize exposures, balance risk and control costs. As part of Parametric, we believe our ability to help you meet these goals will be significantly enhanced.

The transaction will result in the assignment of your written advisory agreement with Clifton, which requires your consent. If you consent to the assignment, you do not need to respond to this letter. Such consent means that your investment advisory agreement will continue with the combined firm after assignment on the same terms and conditions as currently in effect, and you will continue to have the right to terminate your investment advisory agreement as provided in your agreement. Such consent also means that you assign to Parametric, and consent to an assignment by Clifton to Parametric of, all powers, rights, and responsibilities under any and all trading authority documentation.

If you do not consent to the assignment, you must notify us by December 27, 2012 that you do not consent or otherwise intend to terminate your investment management agreement. If you do not consent, please notify Kelly Shelquist at The Clifton Group by courier to 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435 or by e-mail at kshelquist@thecliftongroup.com at your earliest convenience, but no later than the above date. If you notify us by December 27, 2012 that you do not consent to the assignment, we will no longer be able to provide investment advisory services to your account(s).

We hope you share our enthusiasm over this exciting partnership for Clifton's future growth and capability. **Please feel free to contact Jack, Tom or Kip with any questions or concerns you may have regarding the transaction.**

Very truly yours,

THE CLIFTON GROUP INVESTMENT MANAGEMENT COMPANY

By: 
Name: Orison "Kip" Chaffee
Title: Managing Principal

By: 
Name: Jack L. Hansen
Title: Chief Investment Officer

By: 
Name: Thomas B. Lee
Title: Senior Portfolio Manager

Legacy and Budget Stabilization Fund Advisory Board

November 15, 2012

Darren Schulz
Interim Chief Investment Officer
ND Retirement & Investment Office (RIO)
State Investment Board (SIB)

Legacy Fund

Investment History and Returns

Legacy Fund

Through September 30, 2012

	New Money In	Net Increase	Income Distributions Out	Net Assets End of Period	Net Return
FY2012 (Initial Funding - Sept. 2011)	396,585,658	2,300,225	-	398,885,883	N/A partial year
FY2013	138,638,606	3,748,466	-	541,272,955	0.83%
	535,224,264	6,048,691	-		
Net Increase - Inception to Date	6,048,691				
Income Distributions Taken	-				
Income Retained in Fund	6,048,691				
September 30, 2012 MV	541,401,273				
Cumulative Return Inception to Date		1.86%			
Average Annualized Return (1 Year)		1.86%			
Policy Benchmark		0.43%			

Budget Stabilization Fund

Investment History and Returns

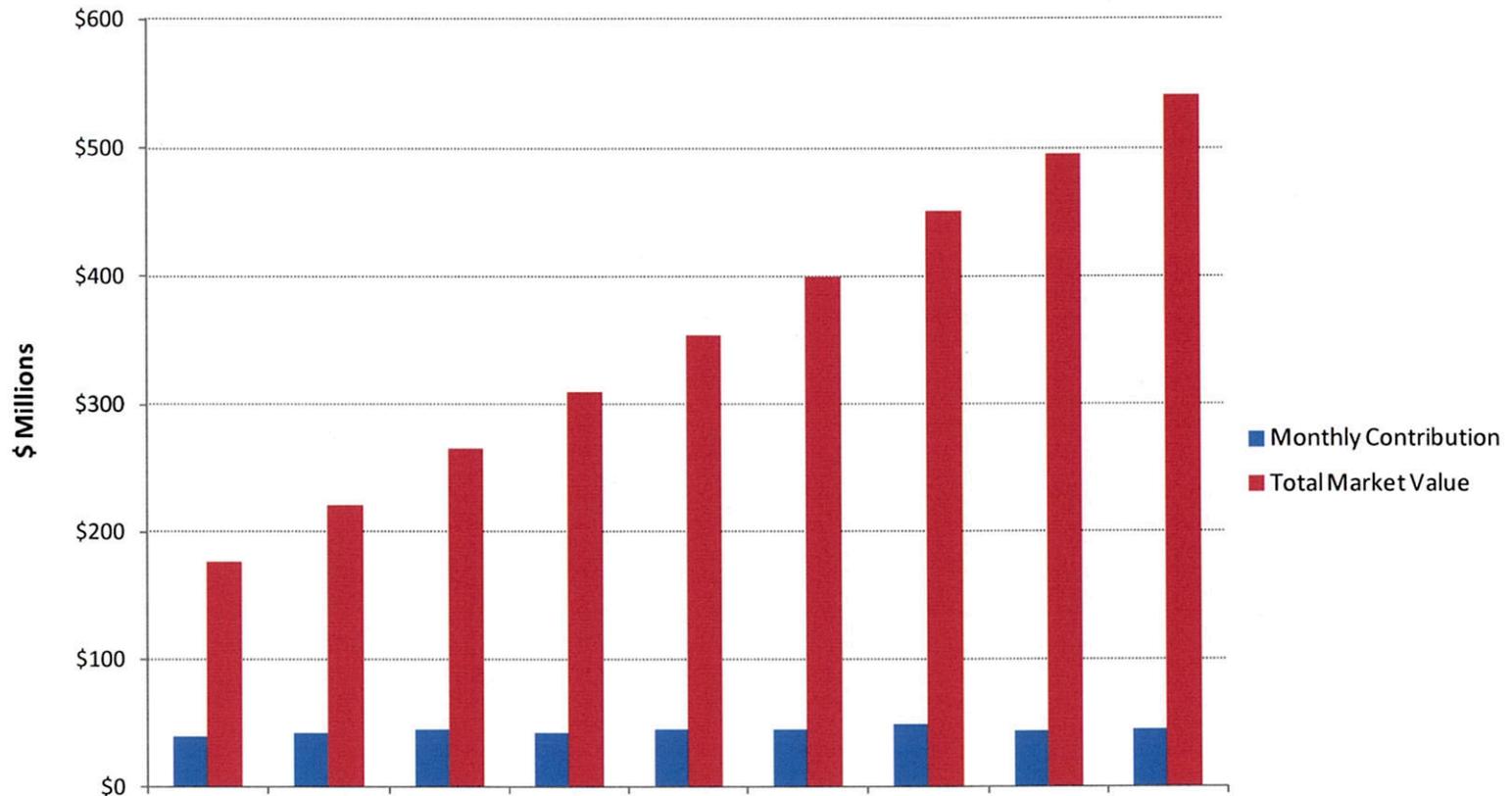
Budget Stabilization Fund

Through September 30, 2012

	New Money In	Net Increase	Income Distributions Out	Net Assets End of Period	Net Return
FY2006 (Initial Funding - Sept. 2005)	99,472,631	3,611,730	(3,207,845)	99,876,516	N/A partial year
FY2007	-	4,980,987	(4,981,500)	99,876,003	5.12%
FY2008	100,527,369	122,430	(1,688,532)	198,837,270	0.01%
FY2009	-	(8,736,058)	-	190,101,212	-4.23%
FY2010	124,936,548	21,464,258	(11,385,172)	325,116,846	7.38%
FY2011	-	12,031,101	(11,474,863)	325,673,084	3.63%
FY2012	61,414,562	7,867,160	-	394,954,806	1.67%
FY2013	-	3,445,444	-	398,400,250	0.88%
	<u>386,351,110</u>	<u>44,787,052</u>	<u>(32,737,912)</u>		
Net Increase - Inception to Date	44,787,052				
Income Distributions Taken	<u>(32,737,912)</u>				
Income Retained in Fund	12,049,140				
September 30, 2012 MV	<u><u>398,520,908</u></u>				
Cumulative Return Inception to Date	18.95%				
Average Annualized Return (7 Years)	2.51%				
Fund Policy Return	1.95%				
T-Bill Return	1.89%				

Legacy Fund

Monthly Contributions and Total Market Value



	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
■ Monthly Contribution	40.1	42.8	45.3	42.3	44.8	44.6	49.7	43.5	45.4
■ Total Market Value	177.5	220.5	266.0	309.1	353.9	399.0	450.3	494.8	541.4

Contact Information

▶ **Phone:**

701-328-9885 or

1-800-952-2970 (outside Bismarck/Mandan)

▶ **Mailing Address**

ND Retirement and Investment Office

1930 Burnt Boat Drive, P.O. Box 7100

Bismarck, ND 58507-7100

▶ **E-mail Address:**

rio@nd.gov or djschulz@nd.gov

▶ **Website Address:**

www.nd.gov/rio



North Dakota Legacy Fund

Discussion Guide

November 15, 2012

RVKuhns
▶▶▶ & ASSOCIATES, INC.



Discussion Outline

- ▶ **Fund Revenue**
- ▶ **Asset Allocation**
- ▶ **Spending**
- ▶ **Governance and Decision Making**
- ▶ **Project Support**



Fund Revenue

- ▶ **Article X, Section 26 of the North Dakota Constitution provides that “Thirty percent of total revenue derived from taxes on oil and gas production or extraction must be transferred by the state treasurer to a special fund in the state treasury known as the legacy fund. The legislative assembly may transfer funds from any source into the legacy fund and such transfers become part of the principal of the legacy fund.”**
 - ▶ Are there pre-existing revenue forecasts that we can review?
 - ▶ Is there a group responsible for revenue forecasts?
 - ▶ Are there any external variables we should consider in our analysis?
 - ▶ Are there other mineral spot prices beyond oil and gas that are important to the State’s economy to the degree that they should be considered in our analysis?
 - ▶ Does the State currently engage in any spot price hedging activity?
 - ▶ What are potential “other” sources that the legislative assembly may transfer to the Legacy Fund?



Asset Allocation

- ▶ **Fund Mission (from the Legacy Fund Investment Policy): “The Legacy Fund was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The Legacy Fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the Legacy fund is to preserve the real, inflation-adjusted purchasing power of the monies deposited into the fund.”**
- ▶ **North Dakota Century Code Section 21-10-11 provides that “The goal of investment for the legacy fund is principal preservation while maximizing total return.”**
 - ▶ Does the Advisory Board have a general view as to how we should think about these two mission/goal statements?
 - ▶ Does the Advisory Board have a general view as to acceptable rates of return, liquidity and levels of risk?
 - ▶ Are there any concerns regarding asset allocation modeling tools and process?
 - ▶ Are there any biases for or against specific asset classes?



Spending

- ▶ **Article X, Section 26 of the North Dakota Constitution provides that:**
 - ▶ **“The principal and earnings of the legacy fund may not be expended until after June 30, 2017, and an expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the legislative assembly. Not more than fifteen percent of the principal of the legacy fund may be expended during a biennium.”**
 - ▶ **“Statutory programs, in existence as a result of legislation enacted through 2009, providing for impact grants, direct revenue allocations to political subdivisions, and deposits in the oil and gas research fund must remain in effect but the legislative assembly may adjust statutory allocations for those purposes.”**
 - ▶ **“The state treasurer shall transfer earnings of the North Dakota legacy fund accruing after June 30, 2017, to the state general fund at the end of each biennium.”**



Spending

- ▶ What is the definition of “earnings?”
 - ▶ Interest and dividend income?
 - ▶ Net realized gains?
 - ▶ Unrealized gains/losses?
- ▶ Are earnings reinvested between realization and the end of the biennium?
- ▶ How is the “principal” amount determined for purposes of the 15% per biennium spending limit?
- ▶ Are there existing statutory programs that will be funded by the legacy fund? Can we get detail on projected funding requirements?
- ▶ Does the Advisory Board have a general view regarding spending policies and practices?
- ▶ What role should we play to support decision making regarding spending policies and practices?
- ▶ What level of sensitivity will the state general fund have to the level of earnings received each biennium from the legacy fund?
- ▶ What is the expected time frame for spending decisions to be made?



Governance and Decision Making

- ▶ **North Dakota Century Code Section 21-10-11 provides that “the legacy and budget stabilization advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.”**
 - ▶ What will the investment decision making process look like with regards to the asset allocation and spending policy study?
 - ▶ Are there other stakeholders, such as legislative committees, to which we may be asked to present findings and/or education?



Project Support

- ▶ How can we best support the advisory board, state investment board, state treasurer's office, retirement and investment office, legislative committees, and other stakeholders throughout this process?
- ▶ What factors will define a successful project?
- ▶ Guidance or specific requests regarding interim and final deliverables?
- ▶ What have we not asked that is important?

MEMORANDUM

TO: State Investment Board
FROM: Fay Kopp, Interim Executive Director
DATE: November 9, 2012
SUBJ: RIO Organizational Structure

At the October SIB meeting, the Board asked staff to develop an additional possible RIO organizational chart (3a), provide potential job duties for an Executive Director position, and estimate costs for various organizational structures. The following information is included to assist you in your discussions.

Organizational Charts:

- 1) **Base** RIO organizational chart as of January 2012. This was the structure that was in place before John Geissing left as Executive Director/CIO (1999-2012).
- 2) **Interim** RIO organizational chart as of June 2012. This is generally the structure that is in place on a temporary basis since Darren was named Interim CIO, and Fay was named Interim Executive Director/Chief Retirement Officer.
- 3) **Modified** RIO organizational chart keeping RIO in place, but trying to divide the TFFR and SIB programs more distinctly.
- 3a) **NEW Modified** RIO organizational chart keeping RIO in place, but adding a new Executive Director position (similar to 1989-99 RIO structure). Please note slight change from email version (direct line from SIB to CIO).
- 4) **Separate** SIB and TFFR organizational charts. Dissolve RIO, and divide the administration of the SIB and TFFR programs into two separate agencies with separate boards, staffs, and offices (pre 1989 structure).

Job Duties/Responsibilities

- 1) **NEW** separate Executive Director job duties/responsibilities (new position)
- 2) Current combined Executive Director/Chief Investment Officer (2011-12)
- 3) Previous combined Executive Director/Chief Investment Officer (1999-2010)
- 4) Current combined Deputy Exec Director/Chief Retirement Officer (1999-present)
- 5) Previous separate Executive Director (1989-1999)

Estimated Costs

A separate spreadsheet is enclosed which compares the current cost of RIO based on 2013-15 budget request (organizational charts #1, #2), to other possible agency structures (organizational charts #3a, #4). As you can see, the base cost (RIO total) for administering the two programs is about \$4.4 million per biennium. The estimated cost for #3a (modified with new separate ED position) would be approximately \$394,000 over the current budget. Organizational chart #4 (dissolve RIO and create 2 separate agencies) would cost approximately \$398,000 over the current budget request (plus additional one-time costs).

Broken down between SIB and TFFR:

- The current cost to SIB clients for investment program administration is about \$1.72 million per biennium. These costs are estimated to increase by about \$197,000 for #3a, or \$137,000 for #4. Since all SIB clients share in these costs on a prorata basis, these increases would be spread amongst the clients. The greatest increases would be to PERS, TFFR, WSI, Legacy Fund, and Budget Stabilization fund.
- The current cost to TFFR for program administration is about \$2.66 million per biennium. This would increase by about \$197,000 for #3a, or \$261,000 for #4. If also including the TFFR's share of SIB costs (above), the total would be about \$249,000 more per biennium for #3a, or \$298,000 per biennium for #4.

The budget increases result primarily from additional staff, and depending upon the salaries paid to the various positions, the budget difference could be greater or less than the estimate. In addition to salaries, other estimated expenses considered included rent, janitorial, ITD, courier, travel, and audit). If budget increases are not approved, services or other expenses would need to be reduced.

Here is a brief summary of current statutes relating to governance of RIO, SIB, and TFFR.

RIO 54-52.5-02: The SIB shall govern RIO. The SIB is responsible for overseeing and operating the agency and may do all things necessary to coordinate the activities of the SIB and TFFR. The board of trustees of TFFR and SIB shall maintain their legal identities and authority as otherwise provided by law.

SIB 21-10-02: The SIB may appoint an investment director or advisory service, or both, who must be experienced in, and hold considerable knowledge of, the field of investments. The investment director or advisory service shall serve at the pleasure of the SIB.

TFFR 15-39.1-05.2: TFFR Board authority

1. Has the powers and privileges of a corporation (right to sue or be sued)
2. Shall establish investment policy
3. Shall arrange for actuarial and medical consultants
4. May pay benefits and consulting fees (continuing appropriation)
5. Shall submit statute changes to legislative Employee Benefits Programs Committee
6. Shall determine appropriate levels of service for members
7. Shall inform SIB of levels of service, goals and objectives expected to be provided through RIO.

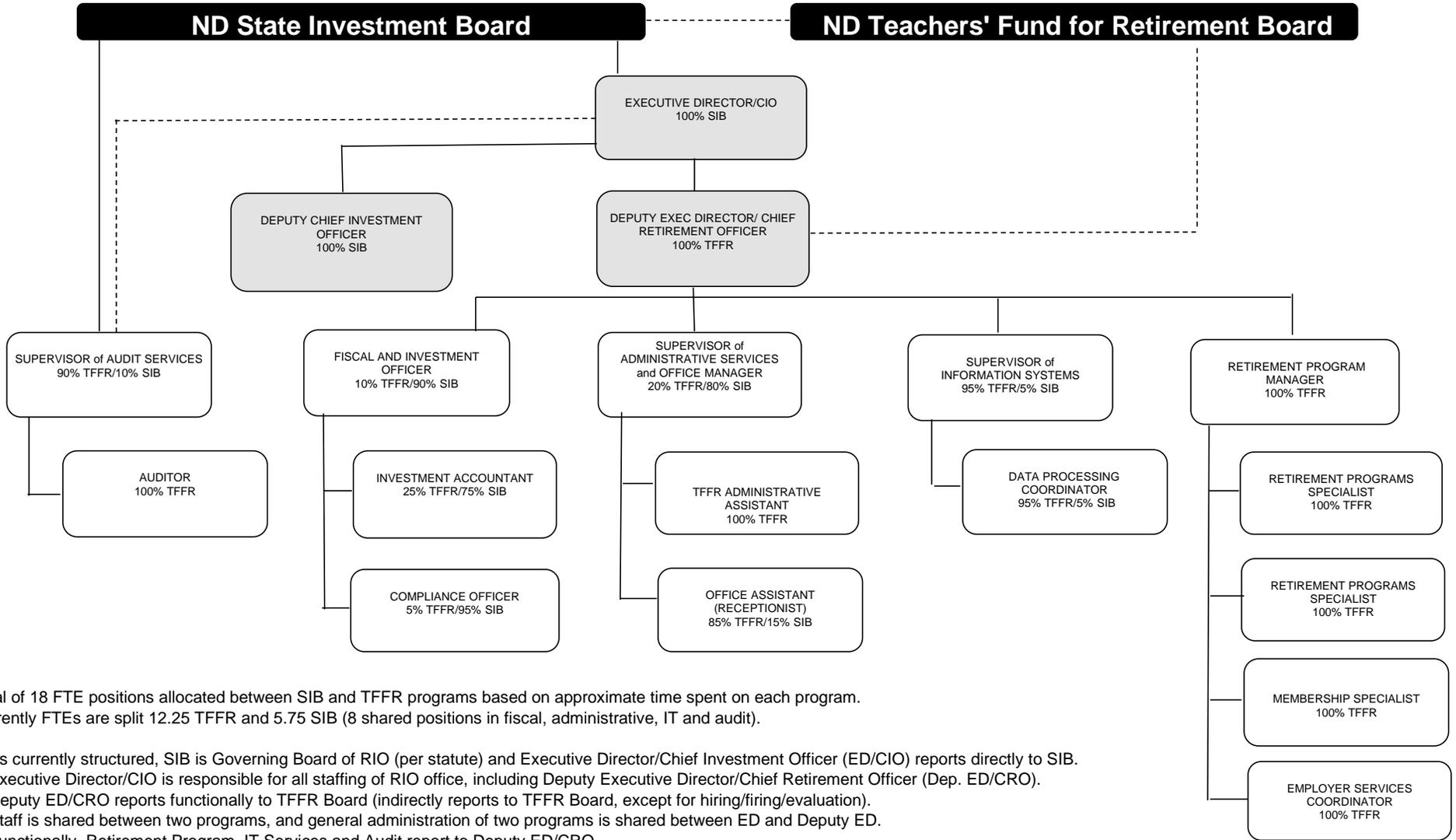
As you can see, under current statutes, the SIB is the governing authority for RIO. Therefore, any desired changes to the governing authority of RIO would require legislation. Providing the TFFR Board with the statutory authority to specifically hire its own staff would require legislation. Dissolving RIO, and creating two separate state agencies to administer the two programs would require legislation.

Also, under current statutes, the SIB may hire an Investment Director who will serve at the pleasure of the SIB. Additionally, the SIB may do all things necessary to coordinate the activities of the SIB and TFFR (including hiring an Executive Director) to administer the RIO agency. However, any additional FTE's would require legislative budget approval.

Depending upon what type of board governance and organizational changes are desired, Jan Murtha would need to advise the Board what type of legislative changes would be needed, if any.

Attachments

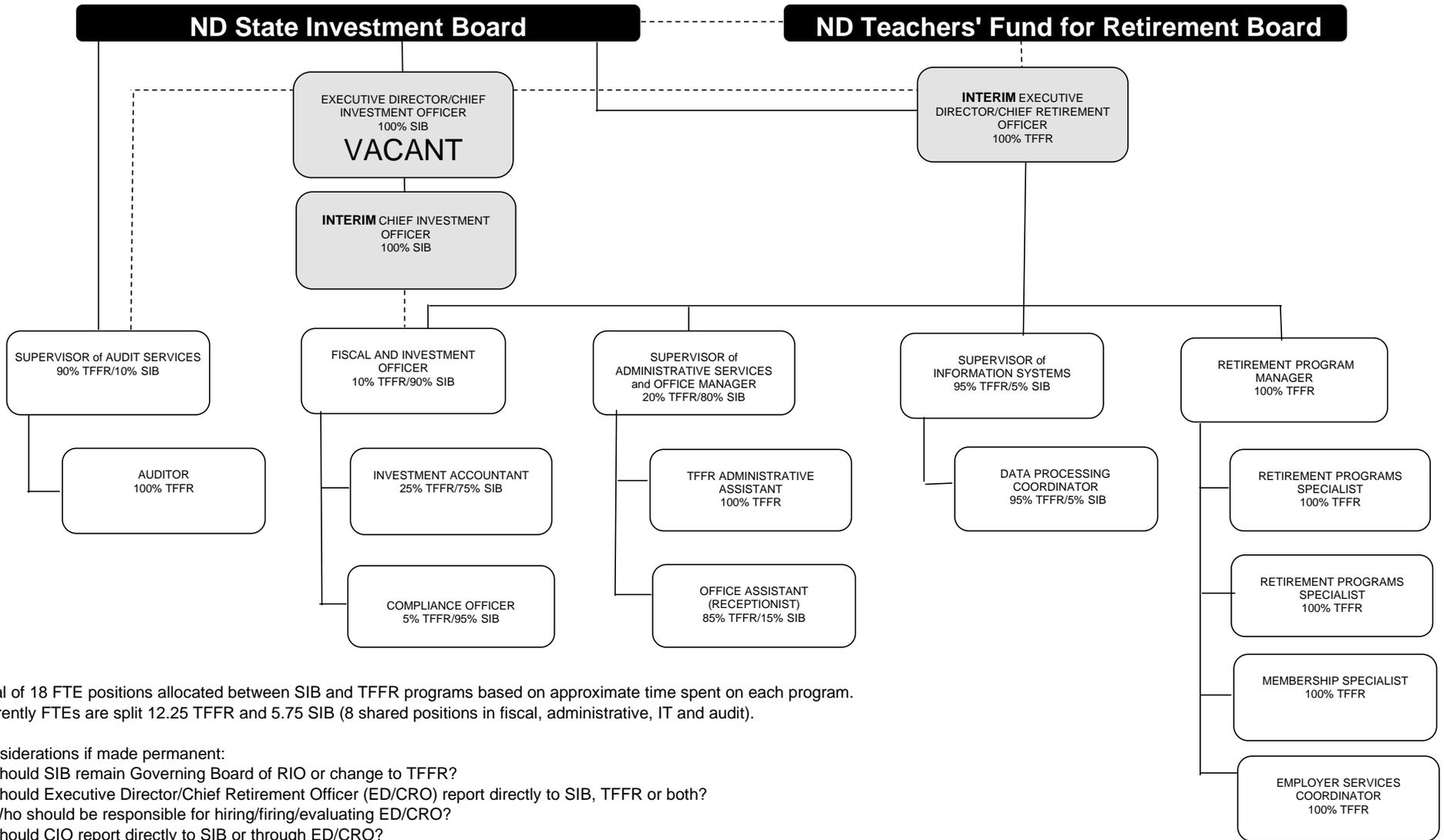
**ND Retirement and Investment Office (RIO)
Agency Organizational Chart (January 2012)**



Total of 18 FTE positions allocated between SIB and TFFR programs based on approximate time spent on each program. Currently FTEs are split 12.25 TFFR and 5.75 SIB (8 shared positions in fiscal, administrative, IT and audit).

1. As currently structured, SIB is Governing Board of RIO (per statute) and Executive Director/Chief Investment Officer (ED/CIO) reports directly to SIB.
2. Executive Director/CIO is responsible for all staffing of RIO office, including Deputy Executive Director/Chief Retirement Officer (Dep. ED/CRO).
3. Deputy ED/CRO reports functionally to TFFR Board (indirectly reports to TFFR Board, except for hiring/firing/evaluation).
4. Staff is shared between two programs, and general administration of two programs is shared between ED and Deputy ED.
5. Functionally, Retirement Program, IT Services and Audit report to Deputy ED/CRO.

**ND Retirement and Investment Office (RIO)
Interim Agency Organizational Chart (June 2012)**

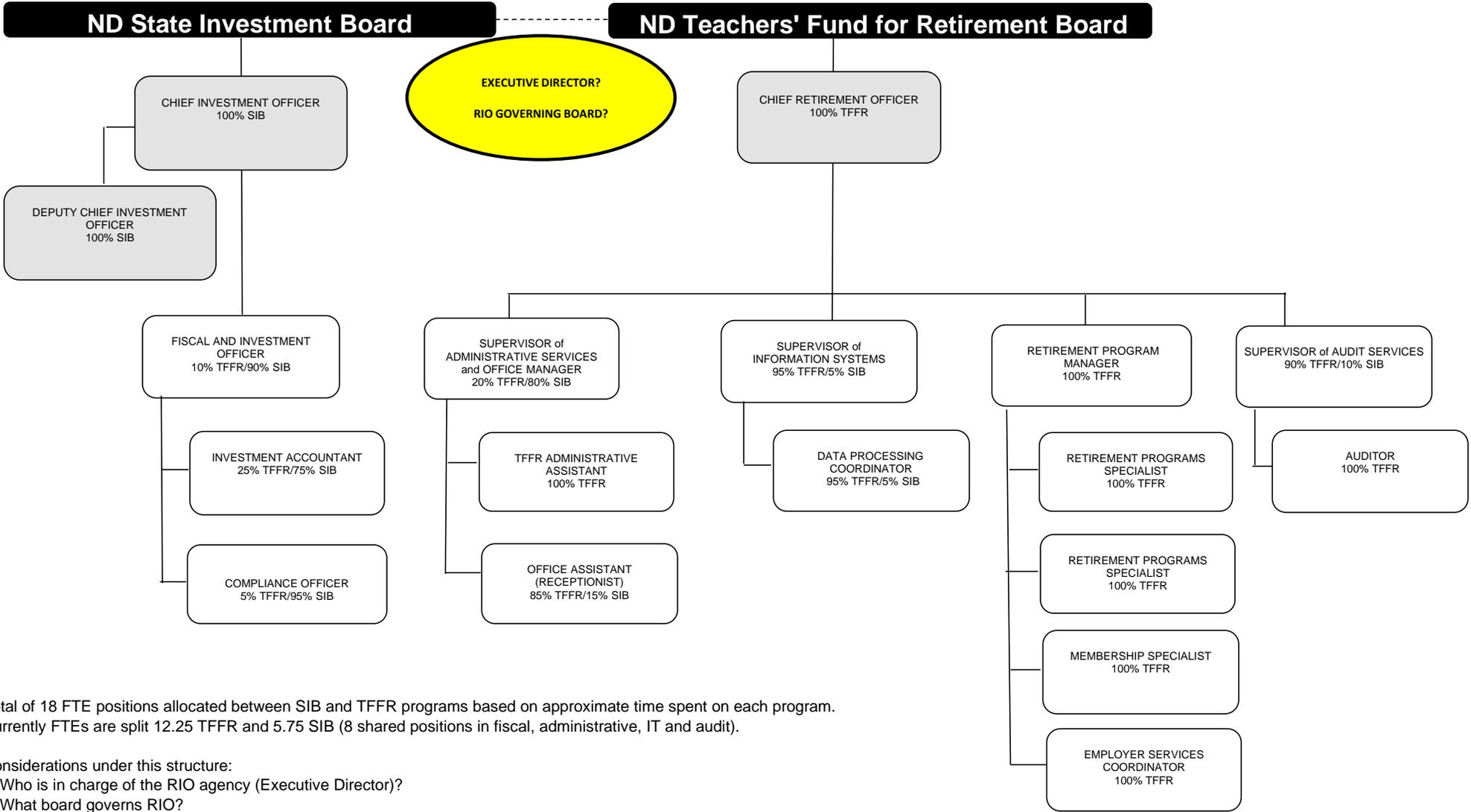


Total of 18 FTE positions allocated between SIB and TFFR programs based on approximate time spent on each program. Currently FTEs are split 12.25 TFFR and 5.75 SIB (8 shared positions in fiscal, administrative, IT and audit).

Considerations if made permanent:

1. Should SIB remain Governing Board of RIO or change to TFFR?
2. Should Executive Director/Chief Retirement Officer (ED/CRO) report directly to SIB, TFFR or both?
3. Who should be responsible for hiring/firing/evaluating ED/CRO?
4. Should CIO report directly to SIB or through ED/CRO?
5. Who should be responsible for hiring/firing/evaluating CIO?
6. Should SIB Audit Committee responsibilities be modified?

ND Retirement and Investment Office (RIO) Modified Agency Organizational Chart

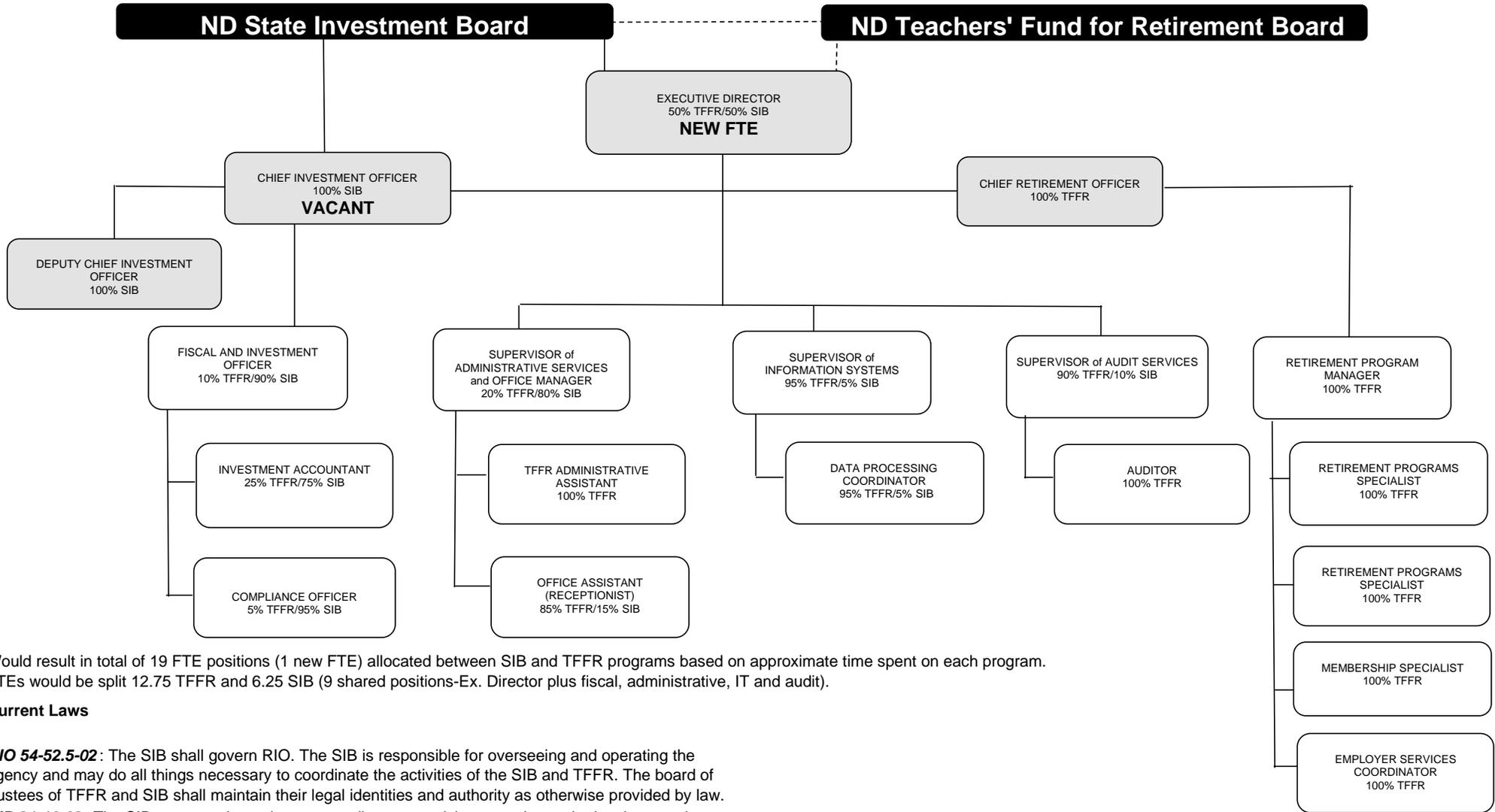


Total of 18 FTE positions allocated between SIB and TFFR programs based on approximate time spent on each program. Currently FTEs are split 12.25 TFFR and 5.75 SIB (8 shared positions in fiscal, administrative, IT and audit).

- Considerations under this structure:
1. Who is in charge of the RIO agency (Executive Director)?
 2. What board governs RIO?
 3. Should the program officers (CIO and CRO) report directly to their corresponding boards?
 4. Who should make hiring/firing decisions of program officers?
 5. To whom should shared positions report?

- Assumptions used in this model:
1. Shared positions split based on majority of time spent on programs.
 2. Internal Audit program changed to Audit/Compliance division of TFFR program based on actual work performed.

**ND Retirement and Investment Office (RIO)
Modified Agency Organizational Chart**



Would result in total of 19 FTE positions (1 new FTE) allocated between SIB and TFFR programs based on approximate time spent on each program. FTEs would be split 12.75 TFFR and 6.25 SIB (9 shared positions-Ex. Director plus fiscal, administrative, IT and audit).

Current Laws

RIO 54-52.5-02: The SIB shall govern RIO. The SIB is responsible for overseeing and operating the agency and may do all things necessary to coordinate the activities of the SIB and TFFR. The board of trustees of TFFR and SIB shall maintain their legal identities and authority as otherwise provided by law.

SIB 21-10-02: The SIB may appoint an investment director or advisory service, or both, who must be experienced in, and hold considerable knowledge of, the field of investments. The investment director or advisory service shall serve at the pleasure of the SIB.

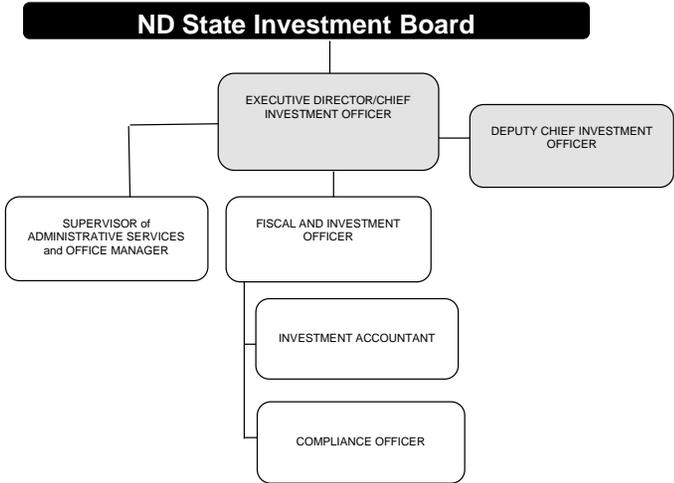
TFFR 15-39.1-05.2: TFFR Board authority

1. Has powers and privileges of corporation (right to sue or be sued)
2. Shall establish investment policy
3. Shall arrange for actuarial and medical consultants
4. May pay benefits and consulting fees (continuing appropriation)
5. Shall submit necessary changes to legislative EBPC
6. Shall determine appropriate levels of service for members
7. Shall inform SIB of levels of service, goals and objectives expected to be provided through RIO

Considerations under this structure:

1. What is the relationship between ED and TFFR Board?
2. Should CIO report directly or indirectly to ED, SIB or both?
3. Should CRO report directly or indirectly to ED, TFFR Board or both?
4. Should support service divisions all report directly to ED (IT, Admin., Audit)?
5. Should ED salary be split 50/50 between two programs?
6. Salary and job duties/responsibilities for ED.
7. Impact of ED position on CIO and CRO job duties/responsibilities.
8. Increased costs anticipated for all SIB clients and TFFR program.

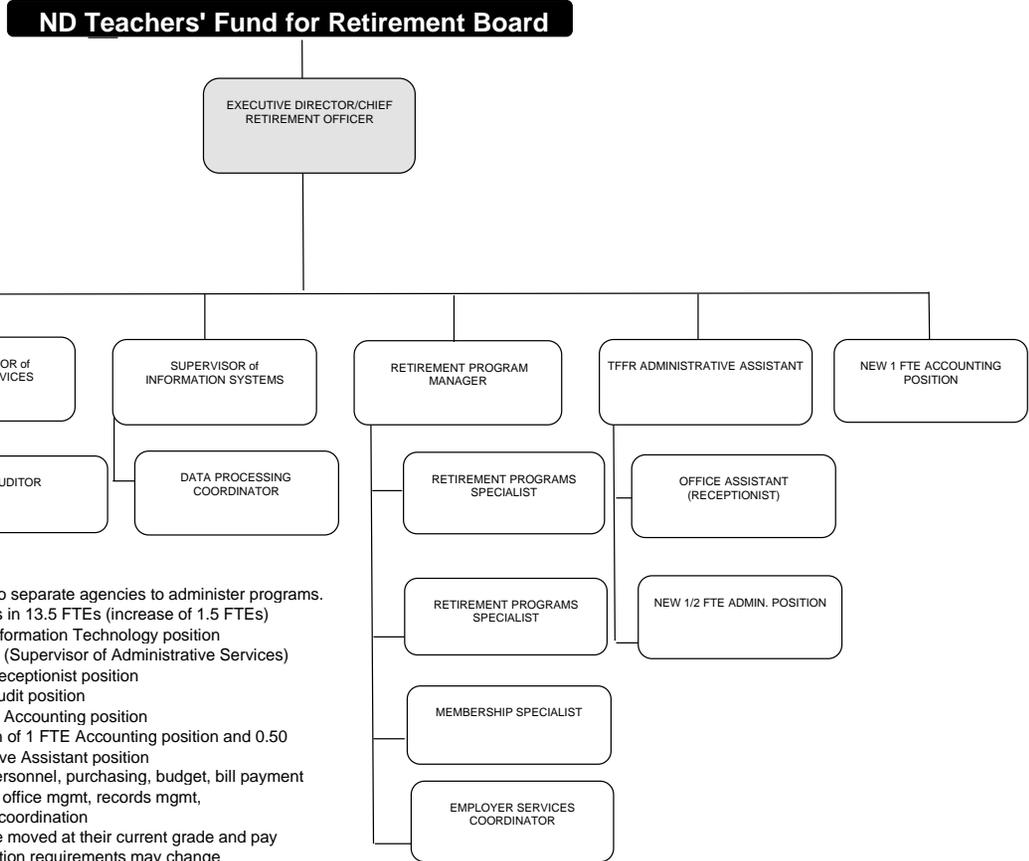
ND STATE INVESTMENT BOARD Agency Organizational Chart



Assumptions:

1. RIO dissolved - two separate agencies to administer programs.
2. SIB office results in 6 FTEs (increase of 0.25 FTEs)
 - * Loss of 0.10 FTE Information Technology position (could outsource to ITD instead)
 - * Loss of 0.15 FTE Receptionist position but Gain 0.20 FTE Administrative Assistant position
 - * Gain 0.40 FTE Fiscal Management position
 - * Loss of 0.10 FTE Audit position
 - * All positions were moved at their current grade and pay level; actual position requirements may change
3. Increased costs anticipated for SIB clients.

ND TEACHERS' FUND FOR RETIREMENT Agency Organizational Chart



Assumptions:

1. RIO dissolved - two separate agencies to administer programs.
2. TFFR office results in 13.5 FTEs (increase of 1.5 FTEs)
 - * Gain 0.10 FTE Information Technology position
 - * Loss of 0.20 FTE (Supervisor of Administrative Services)
 - * Gain 0.15 FTE Receptionist position
 - * Gain 0.10 FTE Audit position
 - * Loss of 0.40 FTE Accounting position
 - * Requires addition of 1 FTE Accounting position and 0.50 FTE Administrative Assistant position
 - ** Accounting: personnel, purchasing, budget, bill payment
 - ** Admin. Assist: office mgmt, records mgmt, travel/meeting coordination
 - * All positions were moved at their current grade and pay level; actual position requirements may change
3. Increased costs anticipated for TFFR.

DRAFT

NDRIO Executive Director (new separate position)

Summary of Work:

The Executive Director (ED) is responsible for the planning, supervision, and direction of RIO operations in accordance with applicable governing statutes and governance policies (both SIB and TFFR?). The Executive Director is appointed by and serves at the pleasure of the SIB.

Duties and Responsibilities:

Office Administration

- Organizational structure, staffing plan, salary administration practices, and personnel policies for RIO staff.
- Provides leadership, coaching and feedback to assigned staff (CIO, CRO, and/or other RIO staff)?
- Directs the preparation of the RIO budget.
- Directs the development of RIO strategic plan, office policies, etc.
- Works with SIB to establish and implement SIB board governance policies.
- Represents RIO to various state entities, state legislature, stakeholder groups, clients, and constituencies (both SIB and TFFR programs?)
- Directs RIO legislative activities, including legislative monitoring, testimony, and presentations (both SIB and TFFR programs?).

Investment Administration

- Does Executive Director or Chief Investment Officer have final staff responsibility for SIB investment program?
- Describe duties and relationship between SIB, Exec Dir, CIO, and Dep CIO relating to administration of SIB investment program.

Pension Administration

- Does Executive Director or Chief Retirement Officer have final staff responsibility for TFFR retirement program?
- Describe duties and relationship between SIB, TFFR Board, Exec Dir, and CRO relating to administration of TFFR pension program.

NOTE: Draft Executive Director summarized job duties and responsibilities based on combined ED/CIO job description (2011-12).

Vacancy Announcement

2012-12
John Beissinger

Chief Investment Officer & Executive Director North Dakota Retirement and Investment Office

Location: Bismarck

Salary: Correspond to experience level and credentials plus benefits including: paid family health insurance, life insurance, and retirement plan

Closing Date: Open until filled

Position Number: 190-1197

Requisition Number: None

Status: Full-time Appointed Position

Type of Recruitment: Internal/External

Job Order Number: None

Date Posted to Web:

Minimum Qualifications:

- Bachelor's degree in business administration, finance, economics or a related field. Master's or other advanced degree in an appropriate specialized field of study is preferred. CFA certification is strongly preferred.
- Substantial progressively responsible experience in investment related duties at a public pension fund, foundation, endowment, trust, investment consulting firm, bank, insurance company, or similar entity, including combined management/executive management experience.
- Knowledge of laws, rules, regulations and professional standards regarding pension fund assets and investments.
- Knowledge of modern portfolio theory and its application, investment analysis, accounting and pension plan management, and a broad understanding of all investment asset classes.
- Knowledge of principles of research, statistics, actuarial calculations, and accounting.
- Knowledge of Federal and State laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.
- Experience and skill in gathering, researching and analyzing financial information and applying this information as appropriate.
- Experience in creating spreadsheets and using databases.
- Experience working with a board is strongly preferred.

Other Qualifications:

- Strong ethics and high degree of integrity.
- Highly effective communication and presentation skills; the ability to prepare and present clear and understandable written and oral reports; desire and ability to educate SIB members and others about the complexities of the investment portfolio.
- Ability to establish and maintain positive working relationships with a variety of constituents including staff, Board members, consultants, investment professionals, legislators, government officials and members.
- Excellent analytical skills.
- Good judgment and common sense.

- Must exhibit strong leadership, problem-solving, and decision-making abilities. Ability to effectively lead and influence others in a confident, positive and results-oriented manner.
- Demonstrated ability to effectively supervise, develop and direct the activities of a professional management staff.
- Proven ability to analyze, evaluate, and resolve major organizational issues, conflicts and challenges.
- Ability to think and plan on both a conceptual and a strategic level.
- Ability to effectively promote and lead continuous process improvement efforts.

Application Procedures:

Applicants must submit a resume and cover letter to:

EFL ASSOCIATES
8181 East Tufts Ave., Ste 600
Denver, CO 80237-2579
Phone: 303-779-1724
www.effassociates.com

For more information about the position or RIO, go to:
<http://www.nd.gov/rio/News/Specs%20CIO-ED%20Final%207-27-10.pdf>.

Summary of Work:

The North Dakota Retirement & Investment Office (RIO) was established in 1989 to coordinate the activities of the State Investment Board (SIB) and the Teachers' Fund For Retirement (TFFR) as stipulated by state statute. RIO fulfills the mission of the SIB to provide cost-effective investment services to its constituents, consistent with their respective investment policies and guided by the premises of the Prudent Investor Rule. In addition, the RIO administers the management and disbursement of retirement benefits to TFFR members. The RIO is based in Bismarck, the state capital of North Dakota, and employs a staff of 17.

The SIB has statutory responsibility for the administration of investment programs of several funds, including the TFFR, the Public Employees' Retirement System (PERS), the Workforce Safety and Insurance Fund, as well as contractual relationships for investment management for certain political subdivisions. The SIB is an 11 person board, chaired by the Lt. Governor, and also includes the State Treasurer, the State Insurance Commissioner, the Executive Director of the Workforce Safety & Insurance office designee, the Land Commissioner and three representatives each of PERS and TFFR, appointed by their respective boards. Professional investment managers, consultants and custodians are retained to assist in the implementation of the investment program.

 The CIO/Executive Director is appointed by and serves at the pleasure of the SIB and is responsible for the planning, supervision and direction of RIO operations in accordance with all applicable governing statutes and Board governance policies.

Key areas of responsibility include:

Investment Administration/Policy

- Works with the TFFR and PERS boards, and other clients, to formulate investment policies pertaining to the kind or nature of investments and limitations, conditions and

restrictions upon the methods, practices or procedures for investment, reinvestment, purchase, sale or exchange transactions that should govern the investment of funds.

- Monitors investment performance using both sophisticated software products and quantitative measurement methods based on performance benchmarks and risk characteristics to evaluate the performance of various funds, assets classes and individual external investment managers.
- Directs the preparation of all necessary reports to keep the SIB apprised of investment performance, managing compliance with stated investment policies and contractual guidelines.
- In conjunction with the external investment consultant, monitors and evaluates the various investment options and develops appropriate research and recommendations for the SIB to evaluate new investment vehicles and potential external investment managers.
- Subject to the limitations contained in the law and policies adopted by the SIB, the CIO/Executive Director may sign and execute all contracts and agreements to make purchases, sales, exchanges, investments and reinvestments relating to the funds under the management of the SIB.

Pension Administration

- Oversees the Deputy Executive Director/Chief Retirement Officer and subordinate staff responsible for administering accurate, prompt, and efficient pension benefits program to constituents and educational outreach initiatives, including pre-retirement seminars and individual benefits counseling sessions.

Office Administration

- Provides leadership, coaching and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
- Directs the preparation and execution of the budget and legislative agenda. Assures follow through and evaluates results.
- Establishes and maintains working relationships across all organizational work units and levels.
- Represents the RIO and promotes its various programs to various stakeholders, constituencies, political subdivisions and the state legislature.
- Assures accountability and compliance with all statutory and SIB prescribed policies and procedures.

Equal Opportunity Employer

The state of North Dakota does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or the provision of services, and complies with the provisions of the North Dakota Human Rights Act.

**EXECUTIVE DIRECTOR
NON-CLASSIFIED**

JOB SUMMARY

Oversees planning, supervising, and directing Office operations under the general direction of the State Investment Board (SIB) in accordance with governing statutes and Board Governance Policies.

ESSENTIAL FUNCTIONS

1. Directs overall Office programs through directors and managers in accordance with the SIB governance policies and State laws and rules.
2. Provides leadership, coaching, and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
3. Develops and approves policies related to the effective operation of the Office.
4. Administers the Investment Program of the Office.
5. Directs the preparation and execution of the budget and legislative agenda. Assures follow through and evaluates results.
6. Evaluates and monitors financial and operation programs.
7. Establishes and maintains working relationships across all organizational work units and levels.
8. Represents the Office and promotes Office programs in a variety of forums.
9. Attends Board meetings and brings appropriate issues and information to the Board's attention.
10. Assures organization accountability and compliance to the Board.

ADDITIONAL RESPONSIBILITIES

Performs relate work as apparent or assigned by the State Investment Board.

QUALIFICATIONS

- Bachelor's degree in Management or Business preferred. Master's or other advanced degree in an appropriate specialized field of study required.
- At least 5 years of combined management/executive management experience, covering a broad range of similar operating and administrative functions, most of which must be gained in a related business environment.
- Must possess excellent communication skills and that ability to make effective and convincing oral and written presentations.
- Must exhibit strong leadership, problem-solving, and decision-making abilities. Ability to effectively lead and influence others in a confident, positive, and results-oriented manner.
- Demonstrated ability to effectively supervise, develop, and direct the activities of a professional management staff.
- Proven ability to analyze, evaluate, and resolve major organizational issues, conflicts, and problems.
- Ability to think and plan on the conceptual and strategic level.
- Ability to effectively promote and lead continuous improvement and change efforts.

- Knowledge of principles of research, statistics, actuarial calculations, investments, and accounting.
- Knowledge of federal and state laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.

WORKING CONDITIONS

Physical/Environmental Conditions: This position requires working primarily indoors in an office environment, at a level-surface desk, with access to stairs and an outside ramp. Requirements of the position include sitting for long periods of time, walking, standing, finger dexterity, good vision, and strong speaking skills, and the ability to hear within normal range. The position also involves working under time pressures and deadlines. This position is classified under OSHA guidelines as a Category III, with no risk of exposure to blood borne pathogens or other potentially infectious materials.

Cognitive/Mental Requirements: This position requires a high aptitude in the areas of reading; writing; simple arithmetic; drawing conclusions from written and/or computer generated materials; creating methodologies for accomplishing a goal; implementing recommendations by coordinating persons and/or resources; analyzing data or report information; conducting research; assisting in developing plans, procedures, goals, strategies, and/or processes.

Equipment, Tools, Materials Used: Equipment used in this position includes a computer, keyboards, printers, telephones, and fax and copy machine.

SUPERVISION

Direct Supervision Over:

Deputy Executive Director
Supervisor of Administrative Services
Supervisor of Fiscal Management
Supervisor of Information Services
Supervisor of Internal Audit

Indirect Supervision of approximately 11 additional employees.

INVESTMENT DIRECTOR

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE (NONCLASSIFIED POSITION)

The Investment Director of the Retirement and Investment Office reports to the Executive Director and is responsible for administering the investment program of the office. The Investment Director administers the program within the Investment Governance Policies established by the State Investment Board. The duties and responsibilities for the position are:

DUTY 1

Administer the investment program of the State Investment Board for the Retirement and Investment Office. (70%)

- Develop and present recommendations to the board for policies, goals and objectives, and asset allocation for the investment of trust assets under the control of the board.
- Supervise the monitoring and evaluation of the performance of money managers, master custodian, and other agents contracted by the board.
- Review and make recommendations on investment and policy recommendations from money managers and investment consultants.
- Conduct research to develop analyses for consideration by the board.
- Assist the board with the selection of money managers, master custodian, and investment consultants.
- Develop statutory changes necessary to assure prudent management of trust funds.
- Assist the board with interpretation and implementation of new or revised federal and state laws.
- Assist the board with the development of rules under the North Dakota Administrative Code.

DUTY 2

Supervise the Fiscal Management activities of the Retirement and Investment Office. (20%)

- Supervise the development and maintenance of financial, accounting, and other reports to keep the boards informed of the financial status of the office.
- Supervise the preparation of fiscal reports provided to the Office of Management and Budget, legislature, governing authority of funds under management, and other entities the board wishes to provide information to.
- Assist staff in the development and maintenance of accounting policies.
- Assist with publications concerning the investment program which include a newsletter, statistical reports, and the annual financial report of the office.
- Assist the Executive Director with the preparation of the office budget.

DUTY 3

Represent the State Investment Board on investment program matters for the Retirement and Investment Office. (10%)

- Testify before legislative committees on investment program matters.
- Interact with the administration and other state government entities on the investment program.
- As necessary, with staff, prepare and present reports to the governing agents of the funds under management of the board.

EDUCATION AND EXPERIENCE

Knowledge of management principles, especially as these principles are related to a public appointed office.

Knowledge of principles, concepts, and methodologies of finance, investments, accounting, economics, and other disciplines necessary to manage an investment program and protect the funds under the State Investment Board.

Knowledge of federal and state laws, regulations, and generally accepted practices pertaining to the investment and safe keeping of trust funds.

Knowledge of research, statistics, actuarial calculations, management, accounting, and other principles relating to operation of a government investment program.

Ability to make oral and written presentations to agency and governmental officials, legislative committees, trust fund participants, and the public.

Masters Degree in financial, public, or business administration. A CFA or CPA designation may be accepted in lieu of a Masters Degree.

Five years of relevant experience in the administration or implementation of a trust fund investment program, preferably involving experience with public funds.

1999 - PRESENT
Fay Hopp

**DEPUTY EXECUTIVE DIRECTOR
NON-CLASSIFIED**

JOB SUMMARY

Oversees planning, supervising, and directing Office operations under the general direction of the Executive Director and the State Investment Board. Administers the Retirement Program of the Office in accordance with governing statutes and Board Governance Policies established by the Teachers Fund for Retirement Board (TFFR).

ESSENTIAL FUNCTIONS

1. Provides leadership, coaching, and feedback to assigned staff, recommending measures to improve performance and increase efficiency.
2. Develops and approves policies related to operation and programs of the Office.
3. Administers and oversees the Retirement Program of the Office.
4. Represents the TFFR Board on Retirement Program issues.
5. Works as a team with the TFFR Board, interest groups, legislative committees, actuarial consultants, legal counsel and others to administer the retirement program.
6. Evaluates financial and operational programs.
7. Establishes and maintains working relationships across organizational work units and levels.
8. Represents the Office and promotes Office programs in a variety of forums.
9. Attends Board meetings and brings appropriate issues and information to the Board's attention.

ADDITIONAL RESPONSIBILITIES

Performs related work as apparent or assigned.

QUALIFICATIONS

- Bachelor's degree in Management or Business preferred. Master's or other advanced degree in an appropriate specialized field of study required. Equivalent work experience may satisfy this requirement.
- At least 5 years of combined management/executive management experience, covering a broad range of similar operating and administrative functions, most of which must be gained in a related business environment.
- Must possess excellent communication skills and the ability to make effective and convincing oral and written presentations.
- Must exhibit strong leadership, problem-solving, and decision-making abilities. Ability to effectively lead and influence others in a confident, positive, and results-oriented manner.
- Demonstrated ability to effectively supervise, develop, and direct the activities of a professional management staff.
- Proven ability to analyze, evaluate, and resolve major organizational issues, conflicts, and problems.
- Ability to think and plan on the conceptual and strategic level.
- Ability to effectively promote and lead continuous improvement and change efforts.
- Knowledge of principle of research, statistics, actuarial calculations, investments, and accounting.
- Knowledge of federal and state laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.

WORKING CONDITIONS

Physical/Environmental Conditions: This position requires working primarily indoors in an office environment, at a level-surface desk, with access to stairs and an outside ramp. Requirements of the position include sitting for long periods of time, walking, standing, finger dexterity, good vision, and strong speaking skills, and the ability to hear within normal range. The position also involves working under time pressures and deadlines. This position is classified under OSHA guidelines as a Category III, with no risk of exposure to blood borne pathogens or other potentially infectious materials.

Cognitive/Mental Requirements: This position requires a high aptitude in the areas of reading; writing; simple arithmetic; drawing conclusions from written and/or computer generated materials; creating methodologies for accomplishing a goal; implementing recommendations by coordinating persons and/or resources; analyzing data or report information; conducting research; assisting in developing plans, procedures, goals, strategies, and/or processes.

Equipment, Tools, Materials Used: Equipment used in this position includes a computer, keyboards, printers, telephones, and fax and copy machine.

SUPERVISION

Direct Supervision Over:

Supervisor of Retirement Programs

Indirect Supervision of approximately 6 additional employees.

DEPUTY EXECUTIVE DIRECTOR

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE (NONCLASSIFIED POSITION)

The Deputy Executive Director reports to the Executive Director. This person is responsible for assisting the Executive Director administer the Retirement and Investment Office (RIO) and administers the Retirement Program of the office within the governance policies established by the Teachers' Fund for Retirement Board (TFFR).

DUTIES AND RESPONSIBILITIES

The Deputy Executive Director:

- Assists with administering RIO as directed by the Executive Director in accordance with the governance policies established by the SIB. This duty includes assisting with office planning, organizing, supervising, coordinating, and evaluating so that RIO operates efficiently and effectively.
- Administers the Retirement Program of the Office in accordance with the retirement governance policies established by the TFFR Board. This duty includes developing plans for the TFFR Board, implementing legislation, developing administrative rules and program policies, interpreting state and federal laws, and ensuring timely collection of contributions and payment of claims.

EDUCATION AND EXPERIENCE

Knowledge of management principles, concepts, and methodology needed to perform and/or direct duties associated with managing a public agency.

Knowledge of federal and state laws and regulations pertaining to the administration of benefit and investment programs and applicable compliance requirements.

Knowledge of principles of research, statistics, actuarial calculations, investments, and accounting.

A high degree of interpersonal skills to be able to communicate with, motivate, and/or change behavior of others as related to agency programs.

Ability to make effective and convincing oral and written presentations for employees, agency and governmental officials, legislative committees, and the public.

A Masters Degree in public administration, business administration, management, or related field. Equivalent work experience may satisfy this requirement.

Five years of work experience in management of a public agency or equivalent experience.

SPECIFIC DUTIES INCLUDE:

1) ADMINISTER THE RETIREMENT PROGRAM FOR THE TFFR BOARD

- Develop annual and long-range operating plans for the TFFR Board including research, development, implementation, and evaluation.
- Propose and analyze legislative changes for the retirement program.
- Develop and evaluate administrative rules and program policies necessary to administer the program.
- Interpret state and federal laws governing the retirement plan.
- Keep abreast of new retirement plan concepts.

2) REPRESENT THE TFFR BOARD ON RETIREMENT PROGRAM ISSUES

- Work with the TFFR Board, interest groups, members, and legislative committees in planning, developing, enacting, and implementing legislation concerning the retirement program.
- Work with consultants retained to monitor the retirement program such as actuary, auditor, and legal counsel.
- Make presentations and deliver testimony on the retirement program before members, public groups, and legislative committees.
- Develop materials for Board to assist them in monitoring retirement issues.
- Keep the TFFR Board constantly apprised of any development that might affect the Board and the operation of the retirement program.

3) ASSIST EXECUTIVE DIRECTOR IN ADMINISTRATION OF RIO

- Represent the Executive Director in his/her absence.
- Assist with the development of RIO's administrative plan and organizational goals.
- Assist with the formulation of the biennial budget.
- Approve necessary expenditures of funds.
- Oversee RIO's public information program.
- Supervise and evaluate the Supervisor of Retirement Program.

1991-1999
Scott Engmann
RIO Exec Director

EXECUTIVE DIRECTOR

1. Administers RIO in accordance with the policies established by SIB. This duty includes responsibility for office planning, organizing, supervising, coordinating, and evaluating so that RIO operates efficiently and effectively.
2. Develops and maintains a human resources program for the office. This includes, as appropriate, the responsibility for hiring, evaluating, terminating, maintaining personnel records, pay administration, benefits administration, and personnel policies. Evaluation of the Investment Officer and Retirement Officer shall be in conjunction with the SIB and TFFR.
3. Keeps SIB apprised of any developments which will administratively affect its operation.
4. Maintains all official RIO records including Board minutes of the SIB and TFFR Board meetings.
5. Monitors expenditures including payment of retirement claims, investment costs, and administrative expenses.
6. Responsible for the development of the biennial budget for RIO.
7. Monitors compliance with SIB and TFFR policies, agency procedures, agency programs, budget, staffing plans, and takes corrective actions to correct exceptions.
8. Serves as the SIB's representative to coordinate RIO operations and programs with the administration, legislature, and other agencies.
9. Maintains good public relations by representing the SIB with staff, members, interest groups, and citizens of the state.
10. Directs and coordinates the legislative program for RIO each biennium.
11. Directs the development and implementation of administrative rules and policies based on accepted administrative principles regarding accounting, investing, personnel, and other administrative aspects of the office.
12. Oversees the public information efforts for RIO.
13. Performs all other duties as assigned by the SIB.

Estimated Biennial Costs for RIO Organizational Changes

	TFFR Program	SIB Program	RIO Total	Increase over Submitted Budget	Estimated increase in allocated SIB Program costs to clients							Breakdown of increases to TFFR		
					PERS	TFFR	WSI	Legacy	Budget Stabilization	Other 18 Clients	Total SIB Increase	Retirement Administration	Total (Admin.+ Investment)	
RIO 2013-15 Budget Request as Submitted (Org Chart #1-Base)	2,660,274	1,722,890	4,383,163											
RIO 2013-15 Budget Required for Org Chart #2 - Interim	2,660,274	1,722,890	4,383,163	-	-	-	-	-	-	-	-	-	-	-
RIO 2013-15 Budget Required for Org Chart #3a - Modified	2,857,174	1,919,790	4,776,963	393,800	57,148	52,042	45,803	16,740	12,322	12,844	196,900	196,900	248,942	
Combined TFFR/SIB 2013-15 Budget Required for Org Chart #4 - Dissolve RIO	2,921,574	1,859,690	4,781,263	398,100	39,705	36,157	31,823	11,631	8,561	8,924	136,800	261,300	297,457	

- Notes:
- Org Chart #1 - Base:** Includes 18 FTEs (5.75 SIB/12.25 TFFR)
 - Org Chart #2 - Interim:** Includes 18 FTEs (5.75 SIB/12.25 TFFR)
 - Org Chart #3a - Modified:** Includes 19 FTEs (6.25 SIB/12.75 TFFR)
 - New RIO ED position estimated at \$150,000 year 1/\$165,000 year 2; split 50/50 between SIB and TFFR
 - Org Chart #4 - Dissolve RIO:** Includes 19.5 FTEs (6.0 SIB/13.5 TFFR - accounting and admin services support)
 - Includes estimated costs for 2 separate offices for staff salaries, rent, janitorial, ITD, courier, travel and audit
 - Does not include one-time costs for moving/setting up two offices.

September 30, 2012



North Dakota State Investment Board Pension Funds

Investment Measurement Service
Quarterly Review

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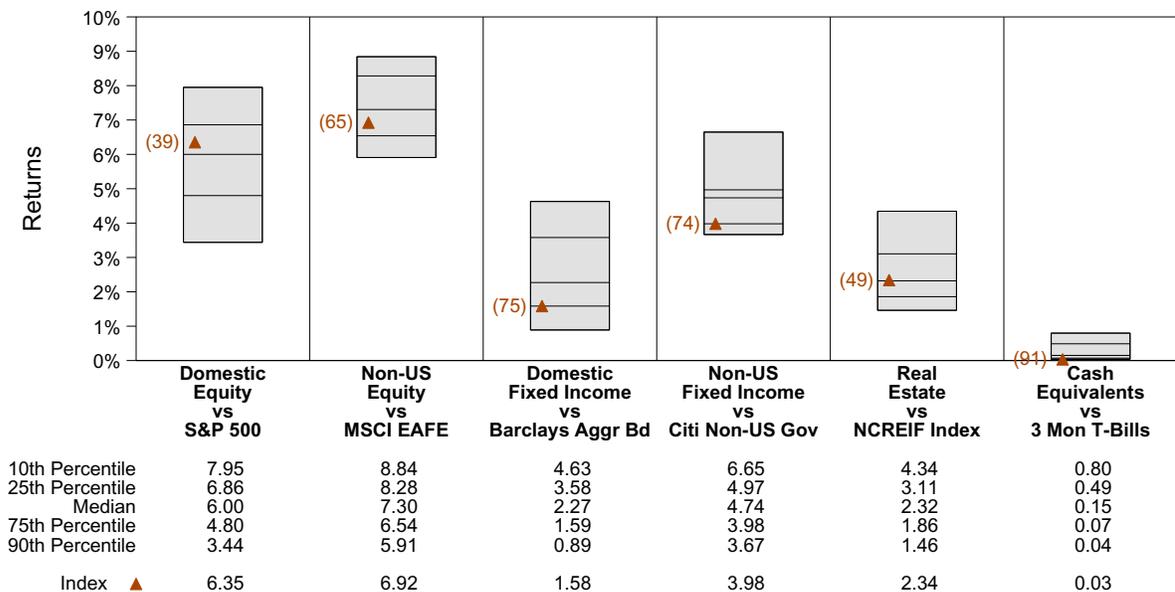
Market Overview

Active Management vs Index Returns

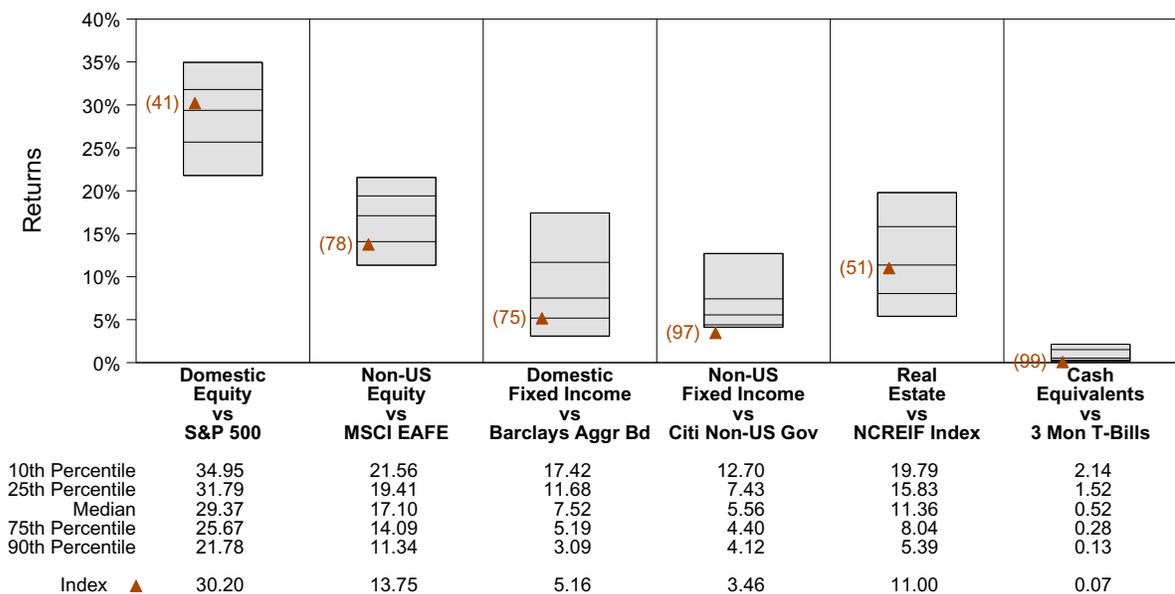
Market Overview

The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Separate Account Manager Returns by Asset Class One Quarter Ended September 30, 2012



Range of Separate Account Manager Returns by Asset Class One Year Ended September 30, 2012



Domestic Equity Active Management Overview

Active vs. the Index

After a disappointing second quarter, both active managers and passive benchmarks turned in a strong showing for the third quarter. The S&P 500 index actually achieved a post-2008 high in mid-September; less than 100 points below its October 2007 peak. The S&P 500 outperformed all median separate account style group returns for the third quarter except for large cap value and large cap core, both of which exceeded the S&P 500's return of 6.35%. The S&P Mid Cap Index outperformed both the median mid cap growth and mid cap broad funds while coming in 44 basis points behind the median mid cap value fund. The S&P 600 trailed both the small cap growth and small cap broad style medians but bested small cap value by 15 basis points for the quarter. For the year ended September 30, 2012, the S&P 500 trailed large cap core and the S&P Mid Cap index trailed the mid cap value style. Only the S&P 600 Index bested all of the small cap styles. Overall the median managers produced outstanding results with returns ranging from a low of 26.19% for the mid cap growth group to a high of 32.21% for the small cap value group.

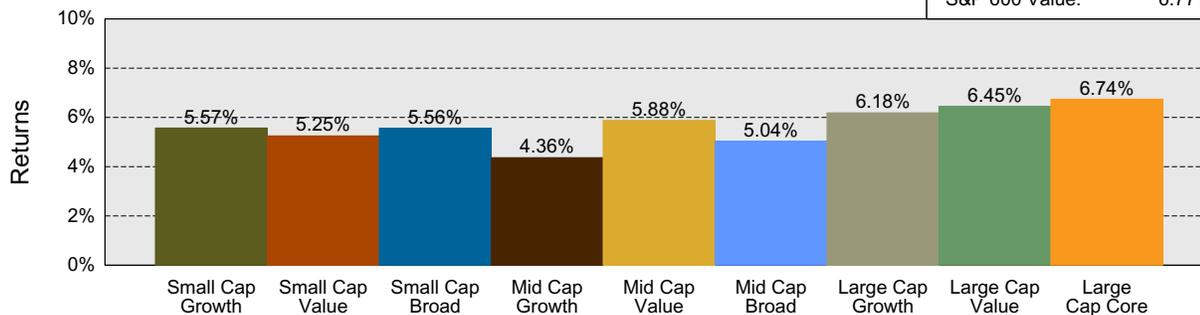
Large Cap vs. Small Cap

During the third quarter of 2012, large cap funds generally outperformed mid and small cap funds by over one percent on average. The median large cap growth fund returned 6.18%, outperforming the median small cap growth fund by 61 basis points, while large cap value and core funds outperformed their small cap counterparts by 120 and 118 basis points, respectively. For the year ended September 30, 2012, the median returns for large cap and small cap funds reached similar levels, ranging from 28.50% to 32.21%. The median large cap value fund lagged the median small cap value fund by 209 basis points. In contrast to the most recent quarterly results, the median small cap growth fund outperformed the median large cap growth fund by 265 basis points for the trailing 12 month period.

Growth vs. Value

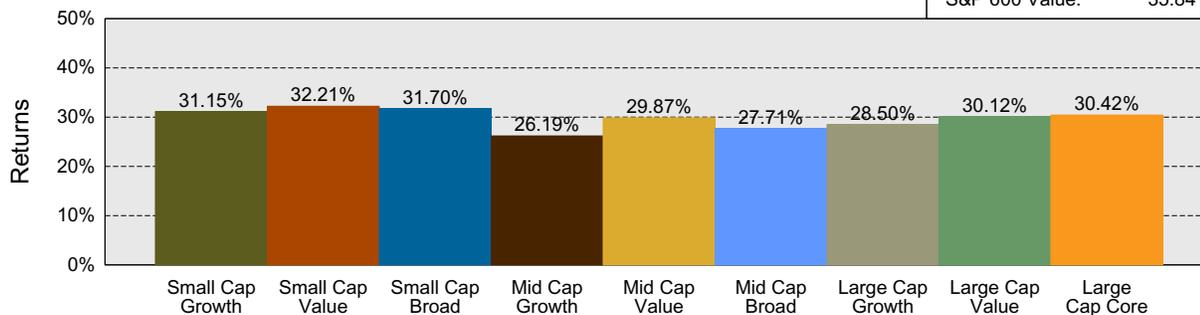
For the quarter ended September 30, 2012, median small cap value and growth funds performed similarly, returning 5.25% and 5.57%, respectively. In the large cap arena, the median growth and value returns were 6.18% and 6.45%, respectively. Mid cap managers, however, had a more significant difference with the value median outperforming growth by 1.52%. For the year ended September 30, 2012, the median mid cap value fund returned 29.87% compared to the median mid cap growth fund return of 26.19%. The median large cap fund styles differed by 162 basis points with returns of 28.50% for growth and 30.12% for value. In the small cap arena, value outperformed growth returning 32.21% and 31.15%, respectively.

**Separate Account Style Group Median Returns
for Quarter Ended September 30, 2012**



S&P 500:	6.35%
S&P 500 Growth:	6.40%
S&P 500 Value:	6.30%
S&P Mid Cap:	5.44%
S&P 600:	5.40%
S&P 600 Growth:	4.10%
S&P 600 Value:	6.77%

**Separate Account Style Group Median Returns
for One Year Ended September 30, 2012**



S&P 500:	30.20%
S&P 500 Growth:	29.65%
S&P 500 Value:	30.81%
S&P Mid Cap:	28.54%
S&P 600:	33.35%
S&P 600 Growth:	31.05%
S&P 600 Value:	35.84%

Domestic Fixed Income Active Management Overview

Active vs. Passive

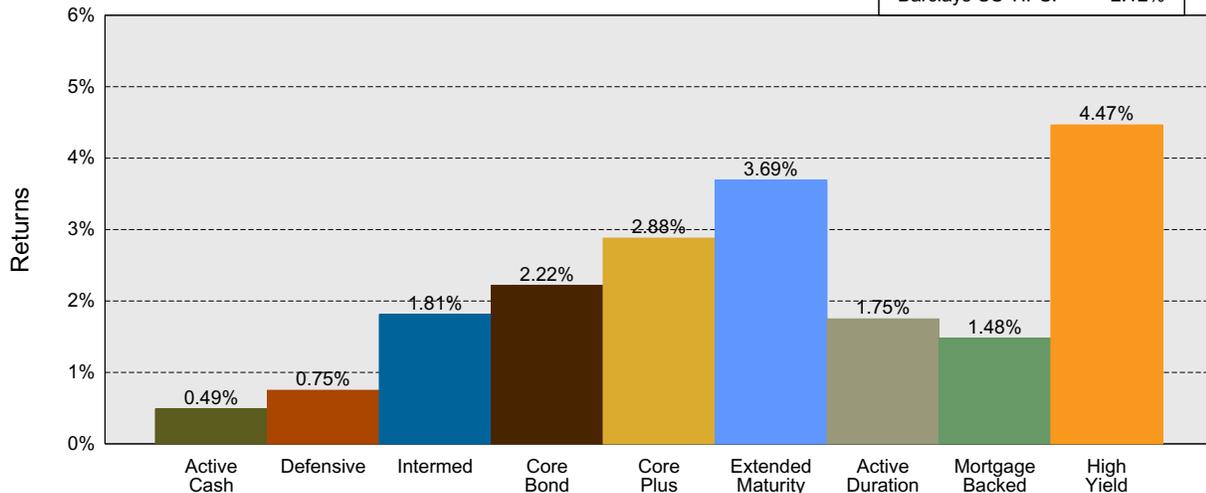
A healthy dose of central bank intervention stimulated risk appetite in the 3rd quarter, leading riskier assets to produce strong relative results. Meanwhile, US Treasuries delivered muted returns as yields were little changed on a quarter-over-quarter basis. The Barclays Aggregate returned 1.58% for the quarter, with the Corporate (+3.8%) and Securitized (+1.3%) components outperforming US Treasuries (+0.6%). Many active managers benefited from overweights in these non-US Treasury sectors. Further, high yield corporate bonds continued their winning streak; the Barclays High Yield Index returned 4.53% with lower quality faring best. Finally, TIPS sharply outperformed nominal US Treasuries, especially in September. The Barclays TIPS Index posted a 2.12% return for the quarter. Notably, the 10-year TIPS yielded -0.8% as of quarter-end and real yields are now negative out to 20 years. For the quarter ended September 30, 2012, the median Core Bond fund experienced a 2.22% return, outperforming the Barclays Aggregate Index by 64 basis points. For the twelve months ended September 30, 2012, the median Core Bond fund posted a 7.06% return, outperforming the Index return of 5.16%.

Intermediate vs Long Duration

Longer duration managers outperformed intermediate duration by 188 basis points. The median Extended Maturity fund posted a 3.69% gain while the median Intermediate fund was up 1.81%. For the twelve months ended September 30, 2012, the median Extended Maturity fund returned 12.98% besting the median Intermediate fund by 754 basis points.

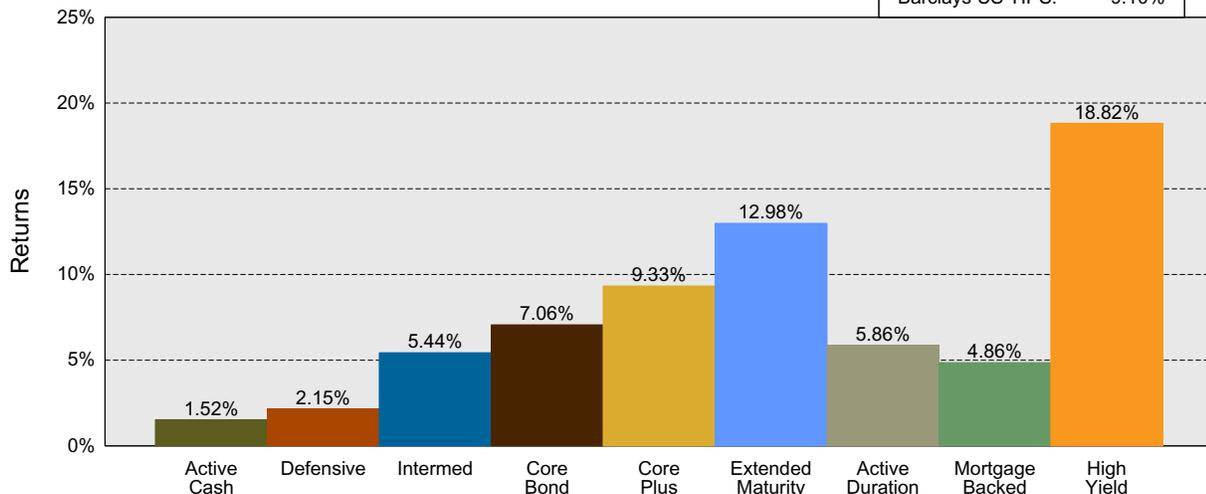
Separate Account Style Group Median Returns for Quarter Ended September 30, 2012

Barclays Universal:	2.00%
Barclays Aggregate:	1.58%
Barclays Govt/Credit:	1.73%
Barclays Mortgage:	1.13%
Barclays High Yield:	4.53%
Barclays US TIPS:	2.12%



Separate Account Style Group Median Returns for One Year Ended September 30, 2012

Barclays Universal:	6.45%
Barclays Aggregate:	5.16%
Barclays Govt/Credit:	5.66%
Barclays Mortgage:	3.71%
Barclays High Yield:	19.37%
Barclays US TIPS:	9.10%



International Equity Active Management Overview

Active vs. the Index

After a rough second quarter, stocks staged an impressive rebound through the summer months of the third quarter. For the quarter, the MSCI EAFE and MSCI Emerging Markets indices returned 6.92% and 7.89%, respectively. The median core international equity fund gained 7.28% for the three months ended September 30, 2012, 36 basis points ahead of the MSCI EAFE benchmark. The median core international fund posted a 16.57% return for the latest twelve months, outperforming the MSCI EAFE by hefty 282 basis points.

Europe

For the third quarter, Europe rebounded from a dismal second quarter with the MSCI Europe Index showing a return of 8.70%. For the quarter ended September 30, 2012, the median Europe style fund gained 52 basis points ahead of its index while for the year, the median fund bested its index by 2.37%.

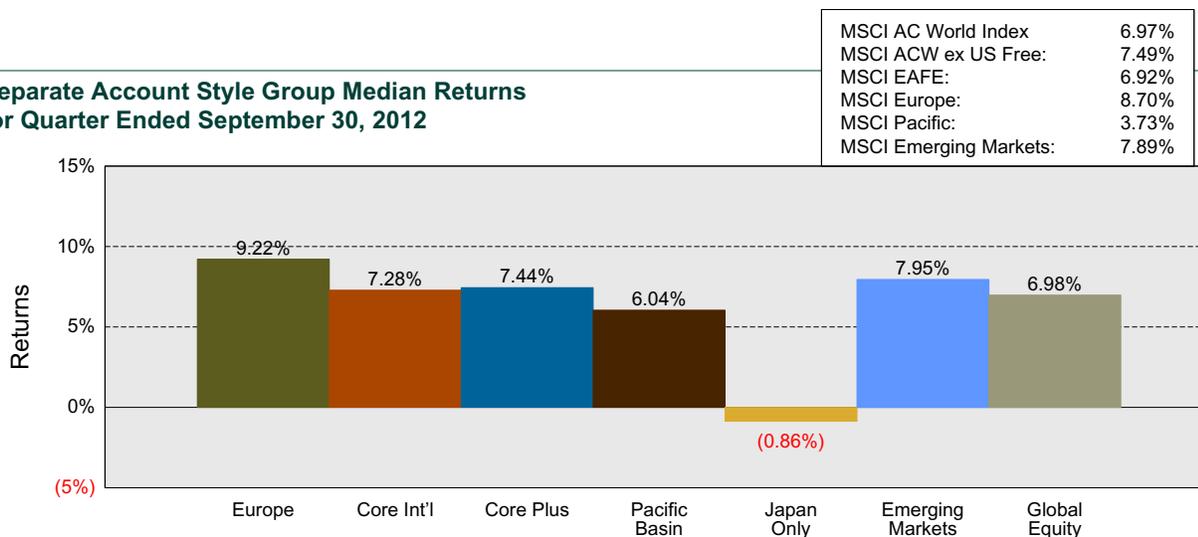
Pacific

The MSCI Pacific Index generated a 3.73% return (in US\$) for the third quarter of 2012. The median Pacific style fund finished the quarter with a 6.04% gain, 231 basis points above its benchmark. For the year ended September 30, 2012, the median Pacific fund outperformed its benchmark by a whopping 8.31%. Japan only funds were the only group to show a loss for the quarter with the median Japan only fund losing 0.86%. The one year return was also negative, with the median fund lower by 2.04%.

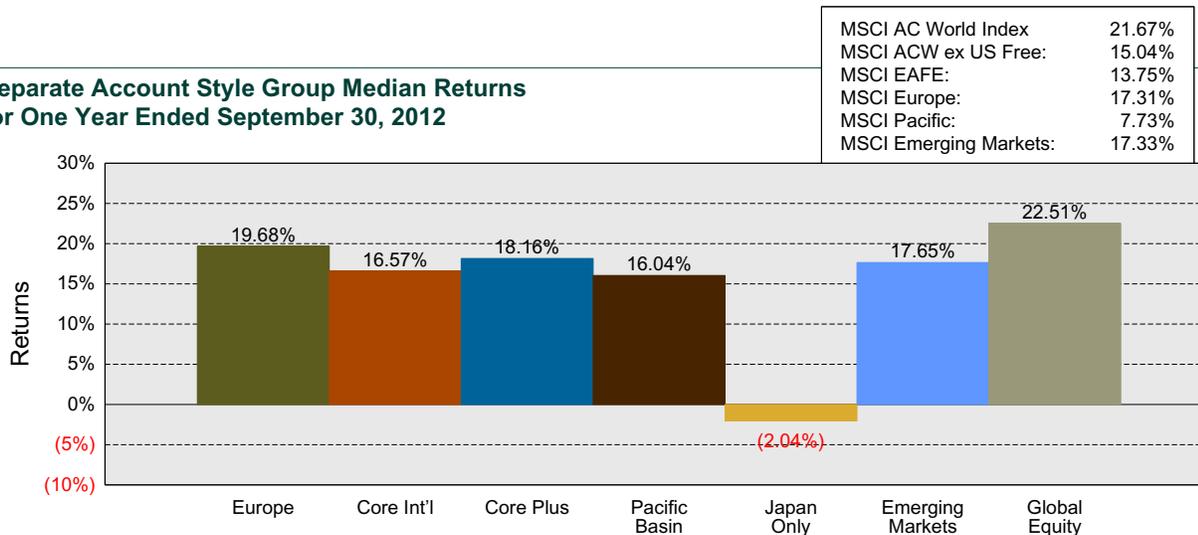
Emerging Markets

With a 7.89% gain, the MSCI Emerging Markets index rebounded nicely and produced the second highest return in the third quarter of 2012. For the quarter ended September 30, 2012, the median emerging markets fund outperformed its benchmark by 6 basis points. For the twelve months ended September 30, 2012, the median emerging markets equity fund was 32 basis points ahead of its index.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2012



Separate Account Style Group Median Returns for One Year Ended September 30, 2012



International Fixed Income Active Management Overview

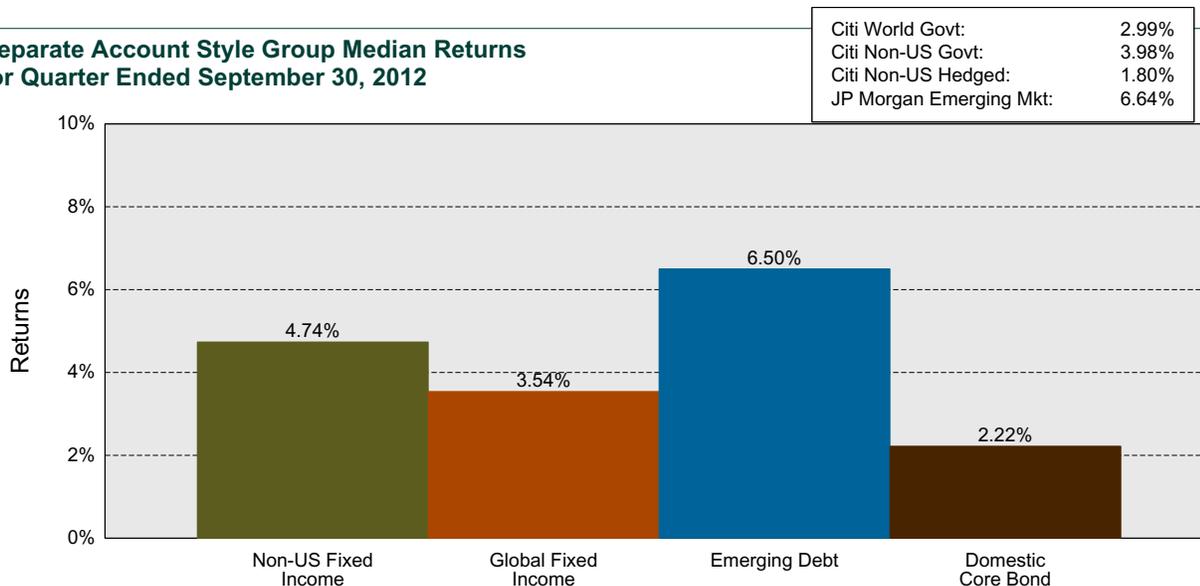
Active vs. the Index

Risk appetite was fueled by central bank intervention around the world in the 3rd quarter. The ECB announced "OMT" (Outright Monetary Transactions), promising to purchase the short-term debt of troubled economies under certain conditions. The US, Japan, and China also announced steps to address slowing growth. At the same time, concerns over a slowing global economy mounted and yields across non-US developed markets declined. All of the non-US developed markets significantly outperformed US Treasuries, which were essentially flat for the quarter. The US dollar weakened against most currencies, providing a modest boost to unhedged investments in non-US markets. For the quarter ended September 30, 2012, the median Non-U.S. Fixed Income fund posted a return of 4.74%, outperforming the Citigroup World Government Bond Index ex-US by 0.76%, while the median Global Fixed Income fund was up 3.54%, outperforming the Citigroup World Government Bond Index by 0.55%. For the twelve months ended September 30, 2012, the median Non-U.S. Fixed Income fund gained 5.56%, outperforming the Index by 2.10%.

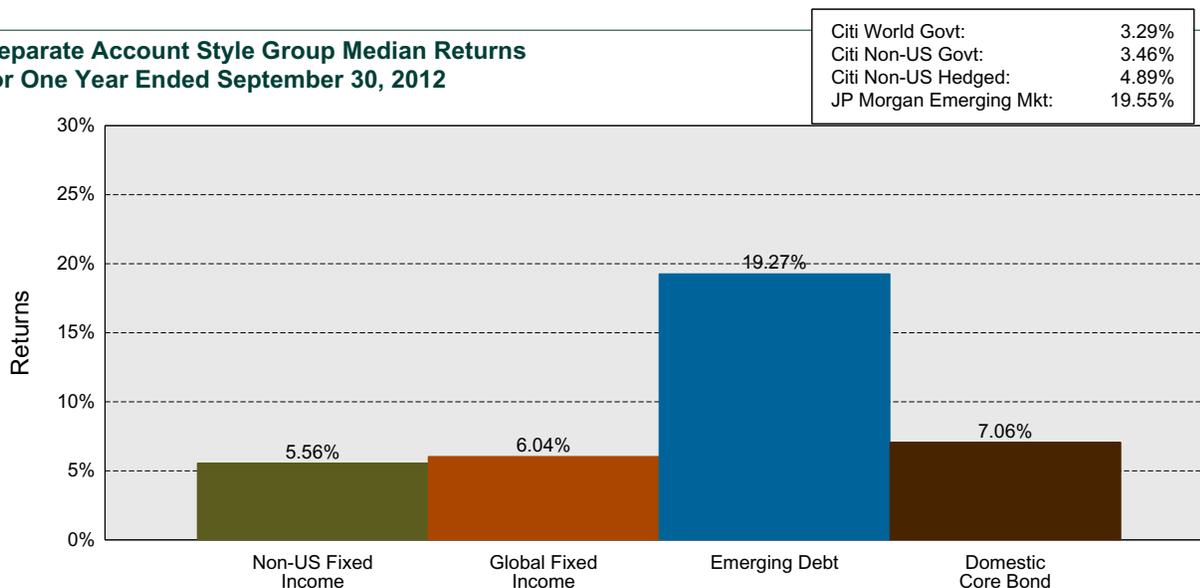
Emerging Markets

Emerging markets debt and currencies fared well in the risk-on environment, benefiting from aggressive intervention by central banks around the world. For the three months ended September 30, 2012, the median Emerging Markets Debt fund posted a positive return of 6.50%, versus the JP Morgan EMBI Global Diversified which experienced a gain of 6.64%. For the year ended September 30, 2012, the median Emerging Debt fund returned 19.27%, lagging the index by 28 basis points.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2012



Separate Account Style Group Median Returns for One Year Ended September 30, 2012



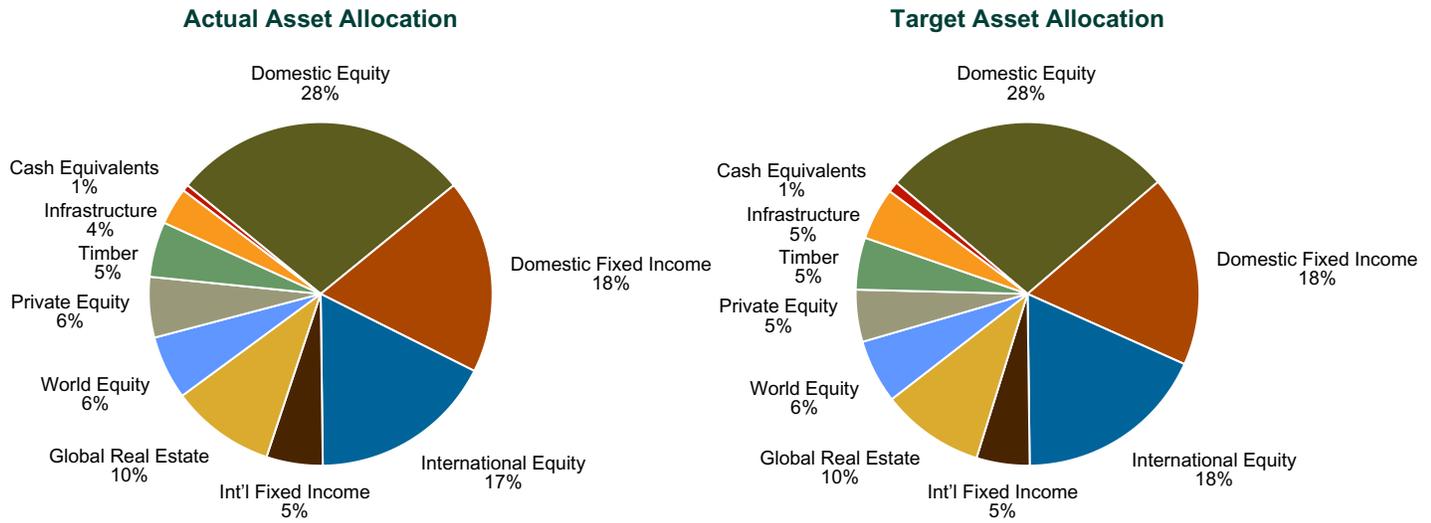
ASSET ALLOCATION AND PERFORMANCE

Asset Allocation and Performance

This section begins with an overview of the fund's asset allocation at the broad asset class level. This is followed by a top down performance attribution analysis which analyzes the fund's performance relative to the performance of the fund's policy target asset allocation. The fund's historical performance is then examined relative to funds with similar objectives. Performance of each asset class is then shown relative to the asset class performance of other funds. Finally, a summary is presented of the holdings of the fund's investment managers, and the returns of those managers over various recent periods.

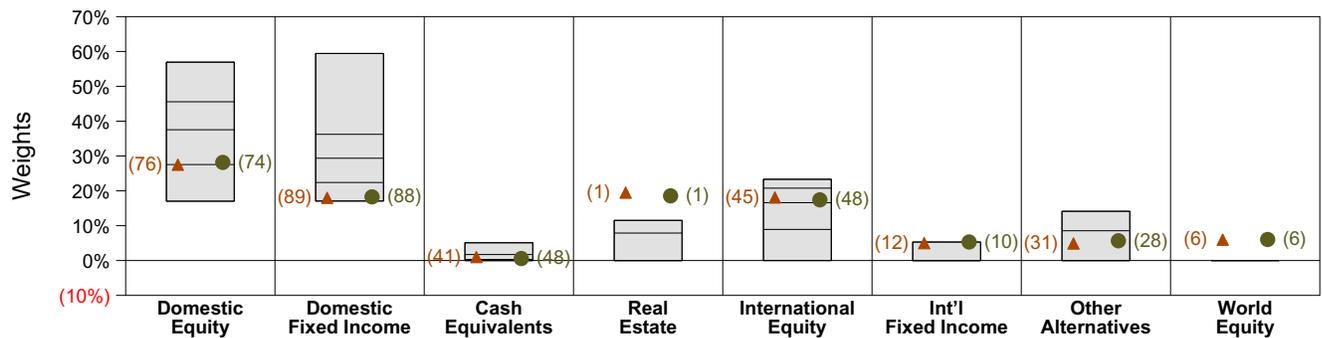
Actual vs Target Asset Allocation As of September 30, 2012

The top left chart shows the Fund's asset allocation as of September 30, 2012. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the CAI Public Fund Sponsor Database.



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	1,067,271	28.2%	27.5%	0.7%	24,982
Domestic Fixed Income	692,290	18.3%	18.0%	0.3%	10,065
International Equity	660,234	17.4%	18.1%	(0.7%)	(25,782)
Int'l Fixed Income	201,617	5.3%	5.0%	0.3%	12,110
Global Real Estate	371,669	9.8%	9.7%	0.1%	4,026
World Equity	228,744	6.0%	6.0%	0.0%	1,336
Private Equity	214,987	5.7%	4.9%	0.8%	29,270
Timber	198,434	5.2%	4.9%	0.3%	12,717
Infrastructure	133,400	3.5%	4.9%	(1.4%)	(52,317)
Cash Equivalents	21,495	0.6%	1.0%	(0.4%)	(16,407)
Total	3,790,143	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



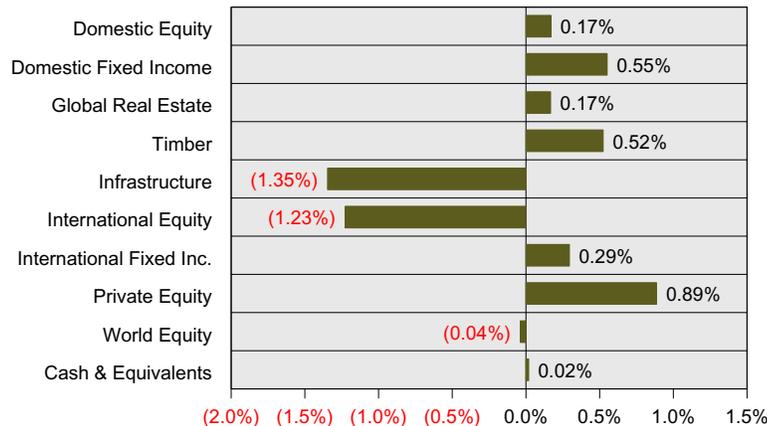
	Domestic Equity	Domestic Fixed Income	Cash Equivalents	Real Estate	International Equity	Int'l Fixed Income	Other Alternatives	World Equity
10th Percentile	56.93	59.43	5.10	11.52	23.32	5.31	14.13	0.00
25th Percentile	45.56	36.23	1.72	7.88	20.77	0.00	8.55	0.00
Median	37.53	29.36	0.30	0.00	16.61	0.00	0.00	0.00
75th Percentile	27.54	22.40	0.00	0.00	8.93	0.00	0.00	0.00
90th Percentile	17.03	17.07	0.00	0.00	0.00	0.00	0.00	0.00
Fund ●	28.16	18.27	0.57	18.56	17.42	5.32	5.67	6.04
Target ▲	27.50	18.00	1.00	19.50	18.10	5.00	4.90	6.00
% Group Invested	95.40%	98.85%	70.11%	45.98%	86.21%	20.69%	45.98%	9.20%

* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

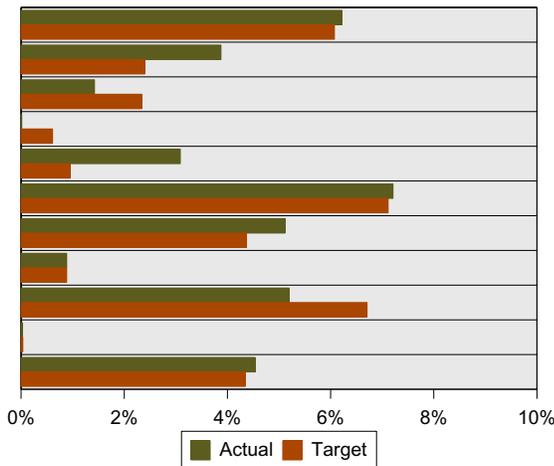
Quarterly Total Fund Relative Attribution - September 30, 2012

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

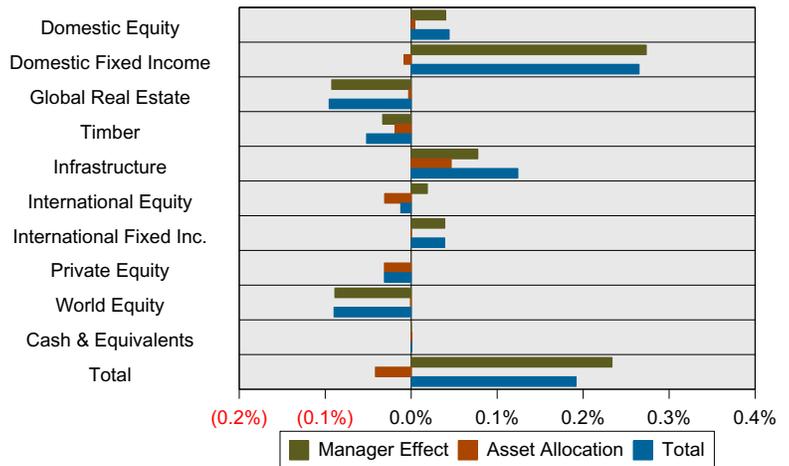
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2012

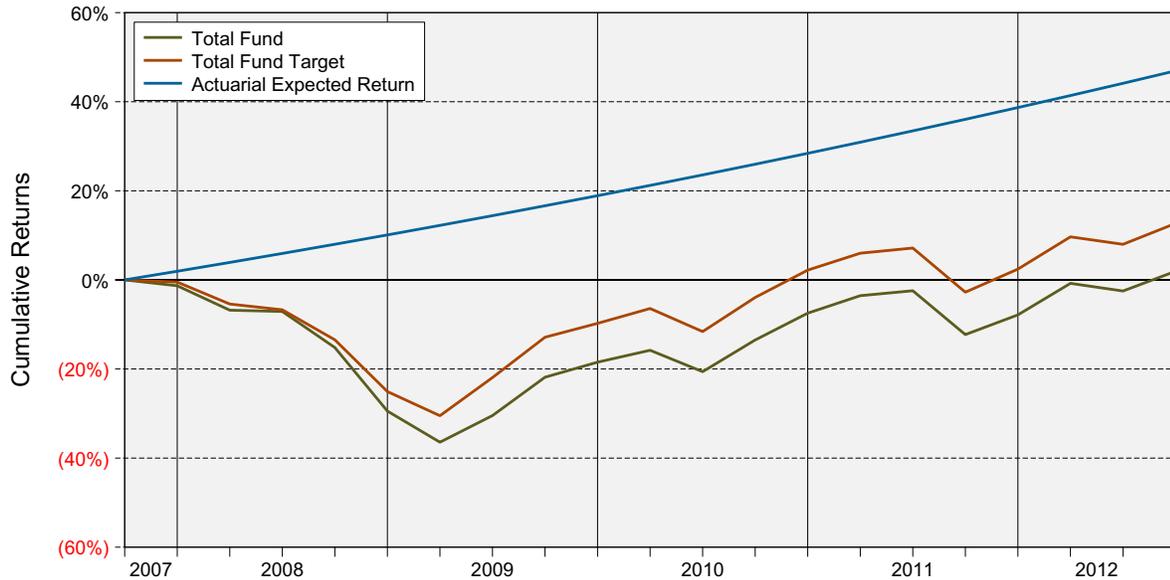
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	28%	28%	6.22%	6.07%	0.04%	0.00%	0.04%
Domestic Fixed Income	19%	18%	3.87%	2.40%	0.27%	(0.01%)	0.27%
Global Real Estate	10%	10%	1.42%	2.34%	(0.09%)	(0.00%)	(0.10%)
Timber	5%	5%	0.01%	0.61%	(0.03%)	(0.02%)	(0.05%)
Infrastructure	4%	5%	3.09%	0.95%	0.08%	0.05%	0.12%
International Equity	17%	18%	7.21%	7.11%	0.02%	(0.03%)	(0.01%)
International Fixed Inc.	5%	5%	5.11%	4.37%	0.04%	(0.00%)	0.04%
Private Equity	6%	5%	0.88%	0.88%	0.00%	(0.03%)	(0.03%)
World Equity	6%	6%	5.19%	6.71%	(0.09%)	(0.00%)	(0.09%)
Cash & Equivalents	1%	1%	0.03%	0.03%	(0.00%)	0.00%	0.00%
Total			4.54%	4.34%	+ 0.23%	+ (0.04%)	0.19%

* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

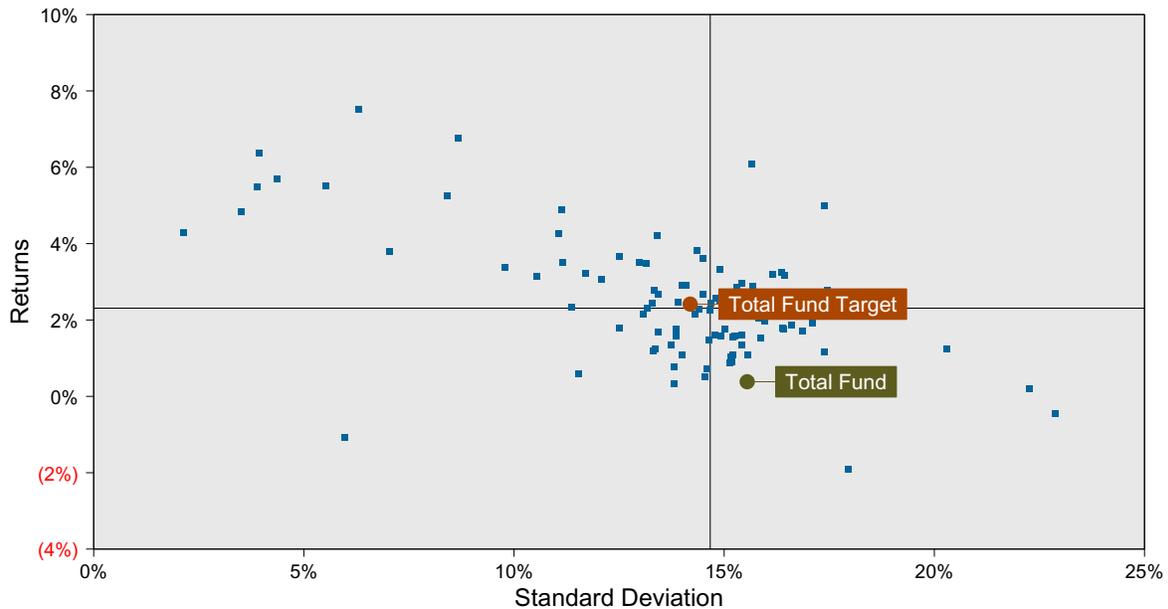
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Five Year Annualized Risk vs Return



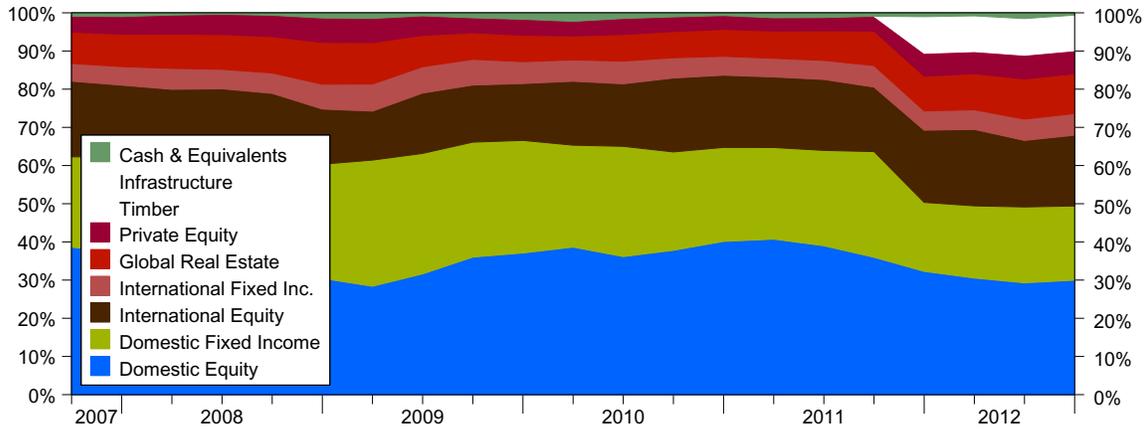
Squares represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

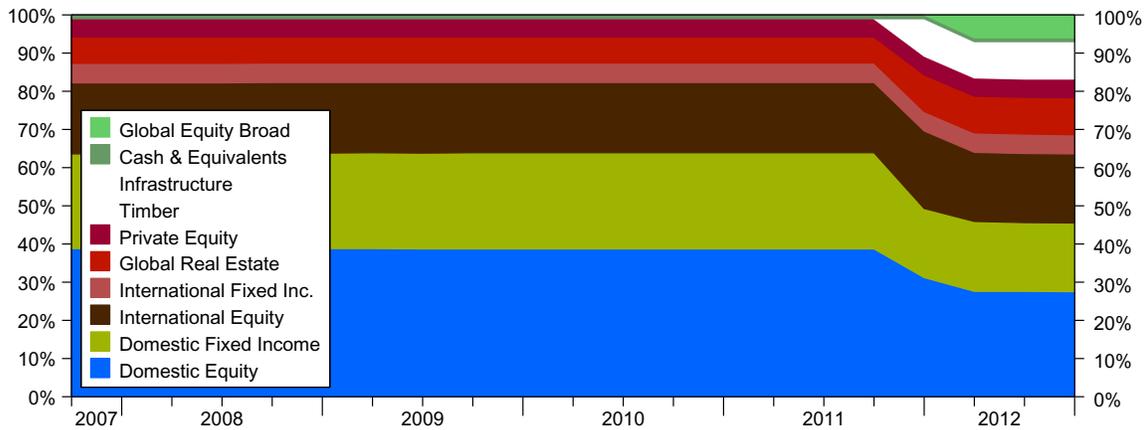
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the CAI Public Fund Sponsor Database.

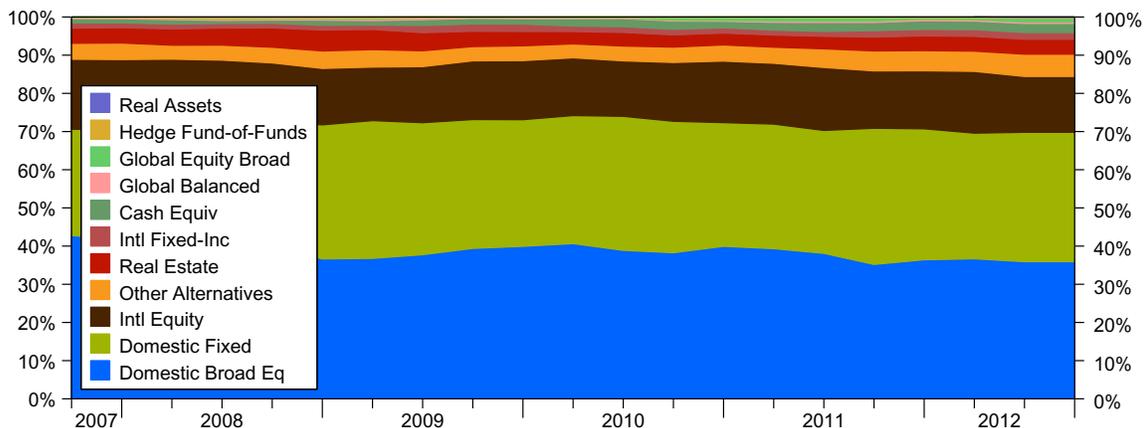
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

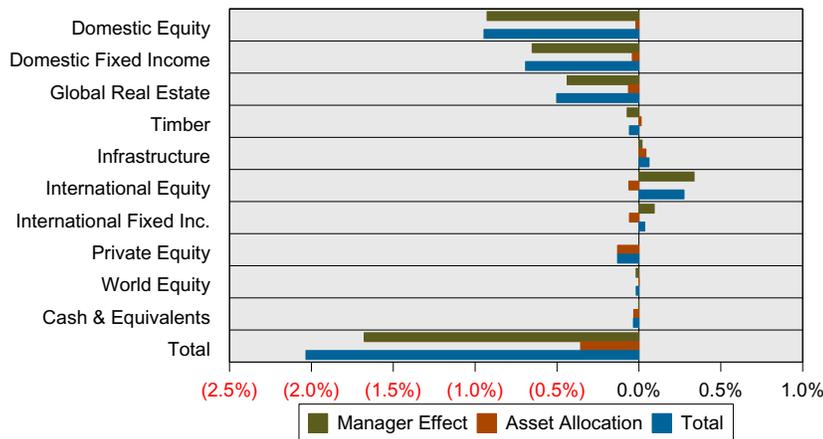


* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

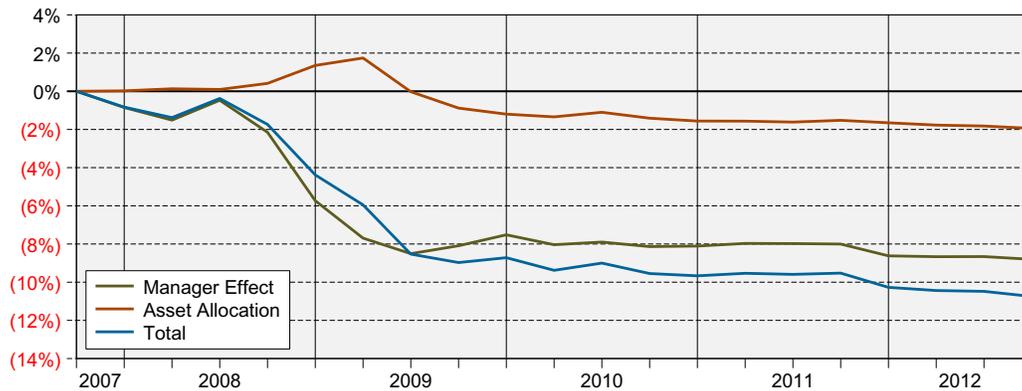
Cumulative Total Fund Relative Attribution - September 30, 2012

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

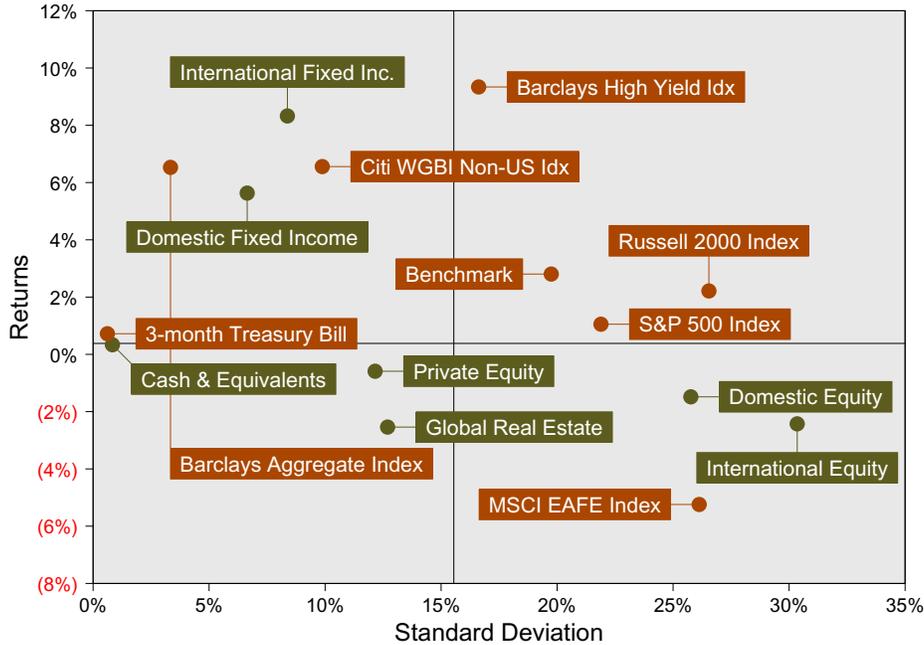
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	35%	37%	(1.48%)	1.38%	(0.93%)	(0.02%)	(0.95%)
Domestic Fixed Income	26%	24%	5.63%	7.60%	(0.65%)	(0.04%)	(0.69%)
Global Real Estate	8%	7%	(2.54%)	2.26%	(0.44%)	(0.06%)	(0.50%)
Timber	1%	1%	-	-	(0.07%)	(0.01%)	(0.06%)
Infrastructure	1%	1%	-	-	0.02%	0.04%	0.06%
International Equity	17%	18%	(2.43%)	(4.10%)	0.34%	(0.06%)	0.28%
International Fixed Inc.	6%	5%	8.32%	6.59%	0.09%	(0.06%)	0.04%
Private Equity	5%	5%	(0.59%)	(0.59%)	0.00%	(0.13%)	(0.13%)
World Equity	1%	1%	-	-	(0.02%)	0.00%	(0.02%)
Cash & Equivalents	1%	1%	0.34%	0.72%	(0.00%)	(0.03%)	(0.03%)
Total			0.38%	2.42%	(1.68%)	(0.36%)	(2.03%)

* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

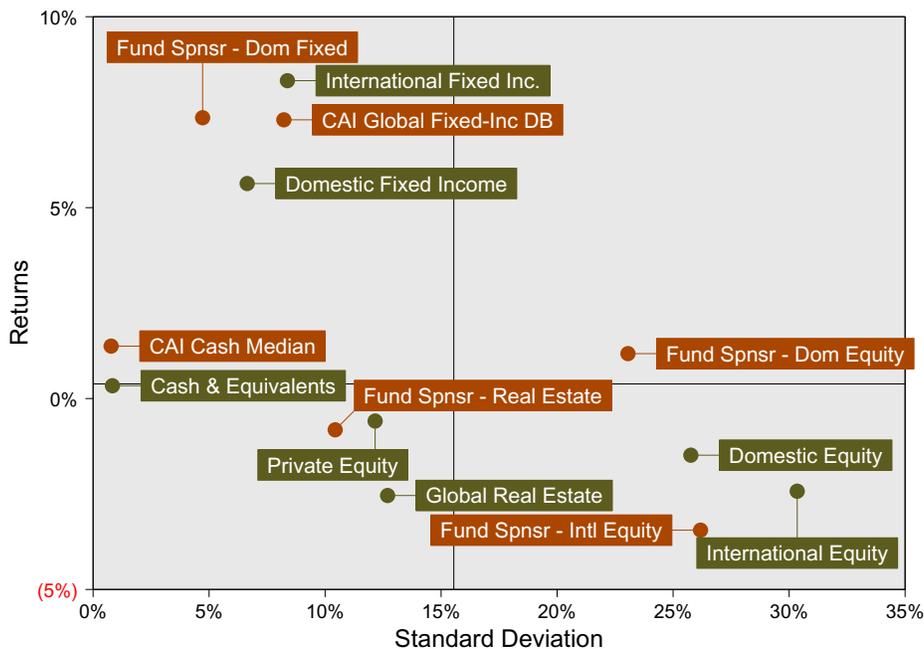
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return Asset Classes vs Benchmark Indices



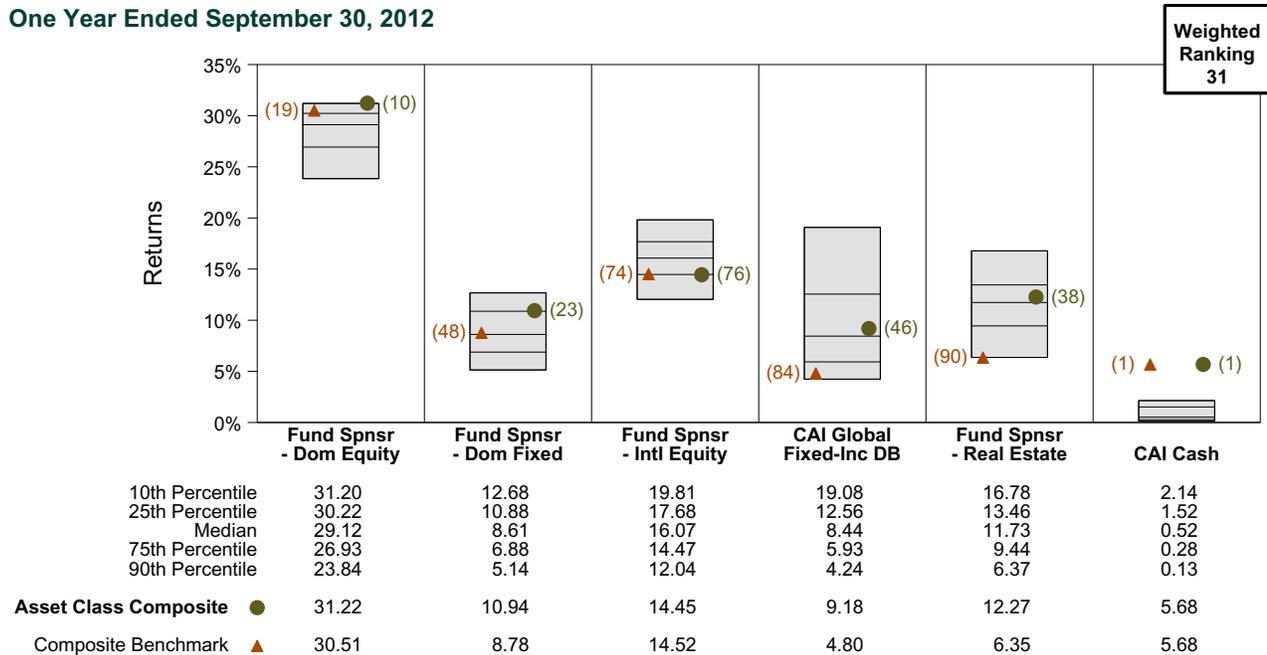
Five Year Annualized Risk vs Return Asset Classes vs Asset Class Median



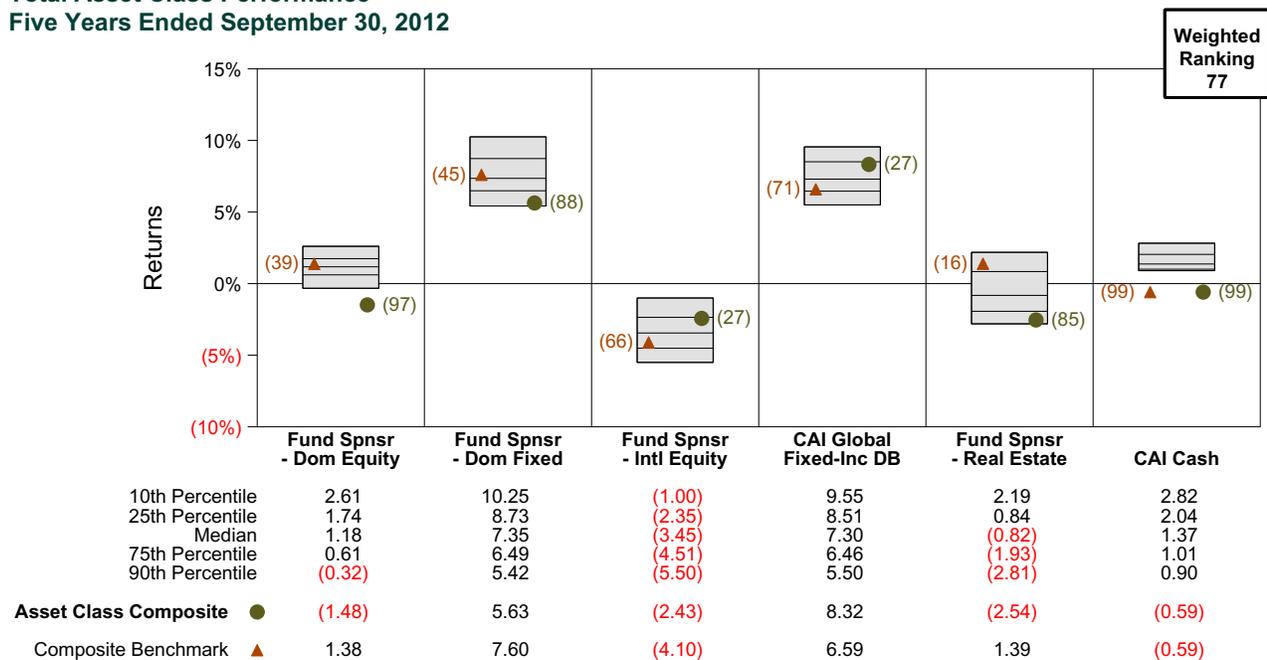
Asset Class Rankings

The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper right corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance One Year Ended September 30, 2012



Total Asset Class Performance Five Years Ended September 30, 2012



* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2012, with the distribution as of June 30, 2012. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2012		Net New Inv.	Inv. Return	June 30, 2012	
	Market Value	Percent			Market Value	Percent
GLOBAL EQUITY	\$2,171,237,078	57.29%	\$14,099,653	\$120,071,228	\$2,037,066,197	55.72%
Domestic Equity	\$1,067,271,218	28.16%	\$(1,906,212)	\$62,531,456	\$1,006,645,974	27.53%
Large Cap Domestic Equity	\$819,734,251	21.63%	\$(644,265)	\$49,327,670	\$771,050,845	21.09%
L.A. Capital	246,497,923	6.50%	(125,646)	13,384,531	233,239,037	6.38%
LACM Enhanced Index	166,119,179	4.38%	(51,462)	8,529,898	157,640,744	4.31%
LSV Asset Management	243,954,806	6.44%	(165,935)	17,037,917	227,082,824	6.21%
Northern Trust	81,611,100	2.15%	(124,734)	5,375,923	76,359,911	2.09%
Prudential Pru-Alpha Fund	367,548	0.01%	0	0	367,548	0.01%
Clifton Enhanced S&P	81,183,694	2.14%	(176,488)	4,999,401	76,360,781	2.09%
Small Cap Domestic Equity	\$247,536,967	6.53%	\$(1,261,947)	\$13,203,786	\$235,595,129	6.44%
Callan	122,789,189	3.24%	(205,631)	6,008,415	116,986,405	3.20%
Clifton Enhanced Small Cap	124,576,335	3.29%	(543,810)	7,197,554	117,922,590	3.23%
SEI Investments	171,444	0.00%	(512,506)	(2,183)	686,133	0.02%
International Equity	\$660,234,117	17.42%	\$16,898,699	\$44,358,079	\$598,977,339	16.38%
Developed Int'l Equity	\$515,546,940	13.60%	\$(518,173)	\$34,874,690	\$481,190,423	13.16%
Capital Guardian Trust Co.	59,139,523	1.56%	(70,527)	4,101,256	55,108,794	1.51%
Clifton EAFE Index	187,112,346	4.94%	(41,635)	10,749,577	176,404,405	4.82%
DFA Int'l Small Cap	52,655,555	1.39%	(81,640)	4,076,279	48,660,916	1.33%
LSV	113,729,679	3.00%	(127,842)	8,771,327	105,086,195	2.87%
State Street - Country Selection	42,397,677	1.12%	(70,654)	2,917,108	39,551,223	1.08%
Wellington	60,512,158	1.60%	(125,875)	4,259,144	56,378,890	1.54%
Emerging Markets Equity	\$144,687,177	3.82%	\$17,416,872	\$9,483,389	\$117,786,916	3.22%
DFA	31,654,642	0.84%	(48,930)	2,183,275	29,520,296	0.81%
JP Morgan	38,980,656	1.03%	(70,163)	2,377,808	36,673,011	1.00%
PanAgora	16,319,856	0.43%	0	1,224,109	15,095,747	0.41%
UBS Global	39,292,423	1.04%	0	2,794,697	36,497,727	1.00%
BlackFriars	-	-	(135)	0	135	0.00%
NTGI Emerging Markets	18,439,599	0.49%	17,536,100	903,499	-	-
World Equity	\$228,744,308	6.04%	\$(404,829)	\$11,296,315	\$217,852,822	5.96%
EPOCH Investment Partners (1)	175,720,270	4.64%	(317,841)	8,223,714	167,814,398	4.59%
Calamos Investments	53,024,038	1.40%	(86,988)	3,072,601	50,038,424	1.37%

(1) EPOCH Investment Partners was moved from the Domestic Equity composite to the new World Equity composite as of January 1, 2012.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2012, with the distribution as of June 30, 2012. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2012			June 30, 2012		
	Market Value	Percent	Net New Inv.	Inv. Return	Market Value	Percent
Private Equity*	\$214,987,435	5.67%	\$(488,005)	\$1,885,378	\$213,590,062	5.84%
Brinson Partners Venture II	1,131	0.00%	(8,265)	()	9,396	0.00%
Brinson Partners Venture III	40,278	0.00%	0	0	40,278	0.00%
Adams Street Direct Co-Invest Fd	18,503,203	0.49%	(638,334)	0	19,141,537	0.52%
Adams Street Direct Fund 2010	726,185	0.02%	45,000	0	681,185	0.02%
Adams Street 1998 Partnership	113,615	0.00%	(411,660)	1,758	523,517	0.01%
Adams Street 1999 Partnership	1,094,530	0.03%	(311,838)	45,550	1,360,818	0.04%
Adams Street 2000 Partnership	4,030,519	0.11%	(596,007)	95,664	4,530,862	0.12%
Adams Street 2001 Partnership	4,588,548	0.12%	(540,276)	(10,058)	5,138,882	0.14%
Adams Street 2002 Partnership	2,731,751	0.07%	(197,320)	(7,882)	2,936,953	0.08%
Adams Street 2003 Partnership	868,079	0.02%	(76,597)	(5,401)	950,077	0.03%
Adams Street 2008 Fund	3,973,972	0.10%	225,000	143,664	3,605,308	0.10%
Adams Street Non-US 1999	451,215	0.01%	(351,448)	38,162	764,501	0.02%
Adams Street Non-US 2000	1,298,028	0.03%	0	448	1,297,580	0.04%
Adams Street Non-US 2001	802,585	0.02%	0	(29,880)	832,465	0.02%
Adams Street Non-US 2002	2,992,111	0.08%	(143,277)	79,738	3,055,650	0.08%
Adams Street Non-US 2003	1,770,198	0.05%	(197,575)	162,442	1,805,331	0.05%
Adams Street Non-US 2004	1,314,308	0.03%	(89,968)	19,768	1,384,508	0.04%
Adams Street Non-US 2010	1,018,064	0.03%	49,500	32,230	936,334	0.03%
Adams Street Non-US Emg 2010	229,201	0.01%	109,500	(1,293)	120,994	0.00%
Adams Street US 2010	2,308,050	0.06%	371,250	30,266	1,906,534	0.05%
Adams Street BVCF IV Fund	3,929,945	0.10%	(384,645)	0	4,314,590	0.12%
Coral Partners V	3,102	0.00%	(48,282)	0	51,384	0.00%
Coral Partner VI	4,372,656	0.12%	0	(238,654)	4,611,310	0.13%
Coral Partners Technology Fund	199,778	0.01%	(231,485)	0	431,263	0.01%
Hearthstone Advisors MSII	5,823	0.00%	0	2,182	3,641	0.00%
Hearthstone Advisors MSIII	1	0.00%	0	0	1	0.00%
CorsAir III	12,477,608	0.33%	167,616	(73,723)	12,383,715	0.34%
ND Investors	10,606,202	0.28%	0	0	10,606,202	0.29%
CorsAir IV	10,103,594	0.27%	1,642,897	(105,682)	8,566,379	0.23%
Capital International V	24,266,683	0.64%	395,160	(113,130)	23,984,653	0.66%
Capital International VI	4,938,347	0.13%	772,091	(130,401)	4,296,657	0.12%
TCW Energy Fund XIV	34,932,727	0.92%	(1,218,155)	147,560	36,003,322	0.98%
Lewis & Clark, LP	6,852,369	0.18%	0	0	6,852,369	0.19%
Lewis & Clark II	8,381,546	0.22%	1,692,996	0	6,688,550	0.18%
Quantum Energy Partners	8,835,933	0.23%	186,399	(214,316)	8,863,850	0.24%
Quantum Resources	11,164,642	0.29%	(700,281)	2,013,923	9,851,000	0.27%
Matlin Patterson I	12,581	0.00%	0	2,441	10,140	0.00%
Matlin Patterson II	1,684,344	0.04%	0	0	1,684,344	0.05%
Matlin Patterson III	23,363,983	0.62%	0	1	23,363,982	0.64%

*Corsair III and North Dakota Investors were taken out of the Private Equity composite on 7/1/09. They were then added back into the Private Equity composite on 10/1/11. At this time Corsair IV, Capital Intl and TCW were also added to this composite.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2012, with the distribution as of June 30, 2012. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2012		Net New Inv.	Inv. Return	June 30, 2012	
	Market Value	Percent			Market Value	Percent
GLOBAL FIXED INCOME	\$893,907,771	23.59%	\$(17,306,976)	\$35,977,945	\$875,236,802	23.94%
Domestic Fixed Income	\$692,290,373	18.27%	\$(17,142,190)	\$26,164,624	\$683,267,940	18.69%
Inv. Grade Fixed Income	\$512,068,860	13.51%	\$(118,198)	\$15,022,498	\$497,164,561	13.60%
Bank of North Dakota	48,820,623	1.29%	(8,620)	(592,755)	49,421,998	1.35%
PIMCO DiSCO II	86,024,393	2.27%	0	7,562,020	78,462,373	2.15%
Western Asset Management Co.	101,190,547	2.67%	(45,303)	1,332,191	99,903,659	2.73%
PIMCO Unconstrained	69,699,961	1.84%	0	1,798,106	67,901,855	1.86%
PIMCO MBS	149,575,089	3.95%	(64,275)	3,006,553	146,632,811	4.01%
Declaration Total Return	56,758,247	1.50%	0	1,916,382	54,841,865	1.50%
Below Inv. Grade Fixed Income	\$180,221,514	4.76%	\$(17,023,992)	\$11,142,126	\$186,103,379	5.09%
Goldman Sachs 2006 Offshore	4,230,713	0.11%	0	15,713	4,215,000	0.12%
Goldman Sachs Offshore V	10,045,965	0.27%	(212,052)	(103,983)	10,362,000	0.28%
Loomis Sayles	165,944,835	4.38%	(195,172)	9,953,743	156,186,263	4.27%
PIMCO Distressed Mortgage	1	0.00%	(16,616,768)	1,276,653	15,340,116	0.42%
Intl Fixed Income	\$201,617,398	5.32%	\$(164,786)	\$9,813,321	\$191,968,862	5.25%
UBS	99,198,489	2.62%	(63,672)	4,518,072	94,744,089	2.59%
Brandywine	102,418,908	2.70%	(101,114)	5,295,249	97,224,773	2.66%
GLOBAL REAL ASSETS	\$703,503,231	18.56%	\$2,363,681	\$9,214,531	\$691,925,019	18.92%
Global Real Estate	\$371,669,451	9.81%	\$4,664,035	\$5,185,254	\$361,820,162	9.90%
INVESCO Realty	129,620,996	3.42%	(140,550)	3,536,398	126,225,148	3.45%
INVESCO Real Estate Fund II	42,193,731	1.11%	6,000,000	0	36,193,731	0.99%
INVESCO Real Estate Fund III	19,577,698	0.52%	0	0	19,577,698	0.54%
INVESCO Asia RE Feeder	17,735,165	0.47%	(371,000)	(629,990)	18,736,155	0.51%
JP Morgan	116,442,007	3.07%	(269,960)	4,101,416	112,610,551	3.08%
JP Morgan Alternative Fd	16,625,554	0.44%	(513,153)	513,544	16,625,164	0.45%
JP Morgan China Property Fd	22,803,669	0.60%	(13,448)	(1,023,913)	23,841,030	0.65%
JP Morgan Greater European Opp Fd	6,670,631	0.18%	(27,854)	(1,312,200)	8,010,685	0.22%
Timber	\$198,433,770	5.24%	\$(2,526,303)	\$26,303	\$200,933,770	5.50%
TIR - Teredo	74,436,495	1.96%	(2,500,000)	0	76,936,495	2.10%
TIR - Springbank	123,997,275	3.27%	(26,303)	26,303	123,997,275	3.39%
Infrastructure	\$133,400,009	3.52%	\$225,949	\$4,002,973	\$129,171,087	3.53%
JP Morgan Asian Infrastructure	16,443,108	0.43%	(26,529)	0	16,469,637	0.45%
JP Morgan IIF	92,306,014	2.44%	(541,959)	4,077,973	88,770,000	2.43%
Credit Suisse Cust. Infrastructure	24,650,887	0.65%	794,437	(75,000)	23,931,450	0.65%
CASH & CASH EQUIVALENTS	\$21,494,815	0.57%	\$(30,450,295)	\$8,866	\$51,936,243	1.42%
Cash Account	21,494,815	0.57%	(30,450,295)	8,866	51,936,243	1.42%
Total Fund	\$3,790,142,895	100.0%	\$(31,293,936)	\$165,272,570	\$3,656,164,261	100.0%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2012. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
GLOBAL EQUITY	5.85%	22.36%	-	-	-
Wtd Avg Global Equity Bench	6.01%	22.44%	-	-	-
Domestic Equity	6.22%	31.22%	13.56%	(1.48%)	7.64%
Wtd Avg Domestic Equity Bench	6.07%	30.51%	13.16%	1.38%	8.60%
Large Cap Domestic Equity	6.40%	30.24%	13.05%	(2.85%)	6.55%
L.A. Capital	5.74%	32.78%	14.25%	3.27%	-
LACM Enhanced Index	5.41%	31.00%	13.10%	2.30%	8.96%
LSV Asset Management	7.51%	32.08%	11.35%	(1.25%)	9.52%
Northern Trust	7.05%	31.23%	13.94%	1.43%	7.99%
Clifton Enhanced S&P	6.56%	32.45%	-	-	-
Large Cap Benchmark (1)	6.31%	30.02%	13.15%	1.02%	8.00%
Small Cap Domestic Equity	5.63%	33.83%	14.91%	2.13%	10.49%
Callan	5.14%	32.35%	13.93%	2.30%	-
Clifton Enhanced Small Cap	6.12%	35.46%	-	-	-
Russell 2000 Index	5.25%	31.91%	12.99%	2.21%	10.17%
International Equity	7.21%	14.45%	4.37%	(2.43%)	11.09%
Wtd Avg Int'l Equity Bench	7.11%	14.52%	2.81%	(4.10%)	9.87%
Developed Int'l Equity	7.25%	13.33%	2.14%	(3.77%)	8.46%
Capital Guardian Trust Co.	7.45%	17.55%	4.12%	(4.54%)	7.46%
Clifton EAFE Index	6.10%	11.11%	-	-	-
DFA Int'l Small Cap Value	8.38%	14.74%	3.02%	-	-
LSV	8.36%	12.95%	0.83%	(6.52%)	-
State Street	7.38%	13.50%	1.24%	(6.59%)	6.38%
Wellington	7.56%	17.91%	9.20%	(0.46%)	12.38%
MSCI EAFE Index (2)	6.92%	13.75%	1.73%	(5.33%)	7.23%
Emerging Markets Equity	7.09%	18.23%	8.98%	0.62%	18.11%
DFA	7.40%	19.58%	9.74%	1.75%	-
JP Morgan	6.49%	17.45%	6.19%	0.23%	-
PanAgora	8.11%	21.70%	5.46%	(1.87%)	-
UBS Global	7.66%	20.12%	6.68%	(0.49%)	-
MSCI Emerging Mkts Idx Net (3)	7.74%	16.94%	5.80%	(1.07%)	17.31%
World Equity	5.19%	-	-	-	-
EPOCH Investment Partners	4.91%	-	-	-	-
Calamos Investments	6.14%	-	-	-	-
MSCI World Index	6.71%	21.59%	7.48%	(2.15%)	8.04%

(1) Large Cap Domestic Equity Benchmark is the S&P 500 Index through 12/31/2011 and the Russell 1000 Index thereafter.

(2) International Equity Target is MSCI EAFE through 12/31/1996, 50% Hedged EAFE through 03/31/2011, and MSCI EAFE again thereafter.

(3) Emerging Markets Target is MSCI Emerging Mkts Idx (Gross) through 6/30/2011, and MSCI Emerging Mkts Idx Net thereafter.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2012. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Private Equity	0.88%	5.68%	12.41%	(0.59%)	4.45%
Brinson Partners Venture II	0.00%	(12.12%)	(6.63%)	14.39%	13.02%
Brinson Partners Venture III	0.00%	3.81%	19.80%	14.51%	23.61%
Adams Street Direct Co-Invest Fd	0.00%	5.82%	19.38%	1.26%	-
Adams Street Direct Fund 2010	0.00%	16.50%	-	-	-
Adams Street 1998 Partnership	1.44%	(13.22%)	(1.61%)	(8.06%)	1.95%
Adams Street 1999 Partnership	3.42%	(2.43%)	7.24%	(0.22%)	5.06%
Adams Street 2000 Partnership	2.43%	9.34%	13.81%	3.43%	8.63%
Adams Street 2001 Partnership	(0.22%)	4.68%	11.38%	1.11%	5.20%
Adams Street 2002 Partnership	(0.29%)	12.08%	19.89%	2.18%	7.75%
Adams Street 2003 Partnership	(0.58%)	(6.32%)	8.66%	(0.27%)	-
Adams Street 2008 Fund	3.75%	(4.36%)	5.40%	-	-
Adams Street Non-US 1999	9.24%	8.85%	19.14%	8.16%	20.22%
Adams Street Non-US 2000	0.03%	(3.46%)	9.49%	0.80%	12.50%
Adams Street Non-US 2001	(3.59%)	(17.21%)	0.47%	(9.30%)	1.29%
Adams Street Non-US 2002	2.74%	(0.12%)	12.45%	(2.87%)	13.47%
Adams Street Non-US 2003	9.23%	(3.45%)	16.42%	5.39%	-
Adams Street Non-US 2004	1.53%	(6.84%)	7.57%	(0.31%)	-
Adams Street Non-US 2010	3.38%	1.32%	-	-	-
Adams Street Non-US Emg 2010	(0.62%)	(20.55%)	-	-	-
Adams Street US 2010	1.41%	10.38%	-	-	-
Adams Street BVCF IV Fund	0.00%	48.26%	90.44%	41.58%	24.08%
Coral Partners V	0.00%	12.85%	75.48%	38.97%	11.10%
Coral Partner VI	(5.18%)	(0.93%)	(14.50%)	(22.75%)	(16.99%)
Coral Partners Technology Fund	0.00%	(58.37%)	(4.60%)	(14.84%)	(5.93%)
CorsAir III	(0.60%)	(1.69%)	2.09%	2.37%	-
ND Investors	0.00%	5.30%	1.06%	-	-
CorsAir IV	(1.20%)	(16.57%)	-	-	-
Capital International V	(0.47%)	(2.98%)	15.87%	3.07%	-
Capital International VI	(2.95%)	-	-	-	-
TCW Energy Fund XIV	0.42%	6.75%	12.61%	13.32%	-
Lewis & Clark, LP	0.00%	6.14%	10.20%	4.78%	1.11%
Lewis & Clark II	0.00%	(3.26%)	(10.62%)	-	-
Quantum Energy Partners	(2.37%)	28.20%	17.98%	7.14%	-
Quantum Resources	21.08%	22.65%	14.61%	(46.52%)	-
Matlin Patterson I	24.07%	*****%	4518.96%	822.93%	201.24%
Matlin Patterson II	0.00%	(79.11%)	(55.09%)	(45.08%)	-
Matlin Patterson III	0.00%	124.18%	36.74%	9.13%	-

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2012. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
GLOBAL FIXED INCOME	4.15%	10.56%	-	-	-
Wtd Avg Global FI Bench	2.84%	7.93%	-	-	-
Domestic Fixed Income	3.87%	10.94%	8.13%	5.63%	8.38%
Wtd Avg Domestic FI Bench	2.40%	8.78%	7.93%	7.60%	6.91%
Inv. Grade Fixed Income	3.02%	8.45%	5.76%	5.27%	8.02%
Bank of North Dakota	(1.20%)	3.25%	5.77%	6.87%	5.42%
PIMCO DiSCO II	9.64%	-	-	-	-
Western Asset Management Co.	1.33%	5.12%	8.61%	5.25%	5.36%
PIMCO Unconstrained	2.65%	-	-	-	-
PIMCO MBS	2.05%	-	-	-	-
Declaration Total Return	3.49%	-	-	-	-
BC Aggregate Index	1.58%	5.16%	6.19%	6.53%	5.32%
BC Mortgage Index	1.13%	3.71%	4.99%	6.35%	5.24%
Below Inv. Grade Fixed Income	6.33%	17.93%	15.33%	6.00%	9.00%
Goldman Sachs 2006 Offshore	0.37%	(19.03%)	27.21%	(2.05%)	-
Goldman Sachs Offshore V	(1.00%)	5.93%	16.99%	-	-
Loomis Sayles	6.38%	20.98%	13.42%	8.69%	-
BC HY Corp 2% Issuer Cap	4.53%	19.35%	12.82%	9.50%	10.93%
Intl Fixed Income	5.11%	9.18%	8.53%	8.32%	8.92%
Wtd Avg Int'l FI Bench	4.37%	4.80%	4.07%	6.59%	7.28%
UBS	4.77%	5.47%	4.36%	6.46%	7.27%
Brandywine	5.45%	12.70%	11.89%	9.68%	-
BC Global Aggregate ex US (1)	4.37%	4.80%	4.07%	6.59%	7.28%
GLOBAL REAL ASSETS	1.33%	5.42%	-	-	-
Wtd Avg Global Real Assets Bench	1.55%	6.35%	-	-	-
Global Real Estate	1.42%	12.27%	11.58%	(2.54%)	5.98%
INVESCO Realty	2.80%	9.69%	11.83%	(0.85%)	7.01%
INVESCO Real Estate Fund II	0.00%	28.70%	14.91%	-	-
INVESCO Real Estate Fund III	0.00%	-	-	-	-
INVESCO Asia RE Feeder	(3.39%)	(2.33%)	(4.11%)	-	-
JP Morgan	3.65%	13.45%	12.92%	(1.30%)	7.13%
JP Morgan Alternative Fd	3.11%	30.17%	8.37%	(7.52%)	-
JP Morgan China Property Fd	(4.30%)	(8.32%)	2.84%	-	-
JP Morgan Greater European Opp Fd	(16.43%)	(100.01%)	*****%	-	-
NCREIF Total Index	2.34%	11.00%	10.90%	2.26%	8.35%
Timber	0.01%	(4.45%)	-	-	-
TIR - Teredo	0.00%	(2.76%)	4.79%	8.43%	10.73%
TIR - Springbank	0.02%	(5.47%)	(8.06%)	(1.34%)	-
NCREIF Timberland Index	0.61%	2.11%	(0.56%)	3.29%	7.61%
Infrastructure	3.09%	4.95%	-	-	-
JP Morgan Asian Infrastructure	0.00%	(3.89%)	(1.20%)	-	-
JP Morgan IIF	4.61%	7.15%	3.79%	1.61%	-
Credit Suisse Cust. Infrastructure	(0.31%)	-	-	-	-
CPI-W	0.95%	2.01%	2.59%	2.28%	2.57%
CASH & CASH EQUIVALENTS	0.03%	0.09%	0.18%	0.34%	1.69%
Northern Trust	0.03%	0.09%	0.13%	0.32%	1.68%
3-month Treasury Bill	0.03%	0.07%	0.11%	0.72%	1.82%
Total Fund	4.54%	16.20%	9.26%	0.38%	8.24%
Target	4.34%	15.87%	8.95%	2.42%	8.39%

* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.9% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

(1) The International Fixed Income Benchmark is the Citigroup Non-US Govt through 12/31/2009 and the BC Global Aggregate Index ex US thereafter.

L.A. Capital Period Ended September 30, 2012

Investment Philosophy

The LA Capital Structured portfolio is a large growth portfolio benchmarked to the Russell 1000 Growth Index. It is an active assignment meaning that it targets a 2% alpha and constrains its risk budget (tracking error) to 4% relative to the benchmark. LA Capital believes that investment results are driven by Investor Preferences and thus recognize that when preferences shift a different posture related to that factor is warranted.

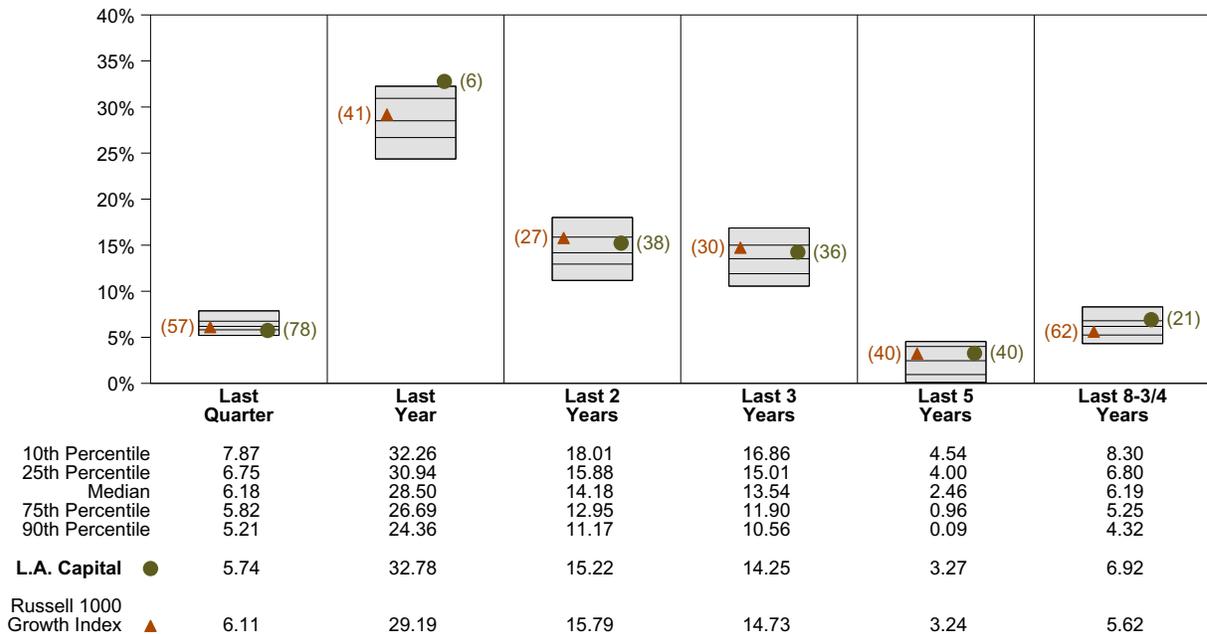
Quarterly Summary and Highlights

- L.A. Capital's portfolio posted a 5.74% return for the quarter placing it in the 78 percentile of the CAI Large Cap Growth Style group for the quarter and in the 6 percentile for the last year.
- L.A. Capital's portfolio underperformed the Russell 1000 Growth Index by 0.37% for the quarter and outperformed the Russell 1000 Growth Index for the year by 3.59%.

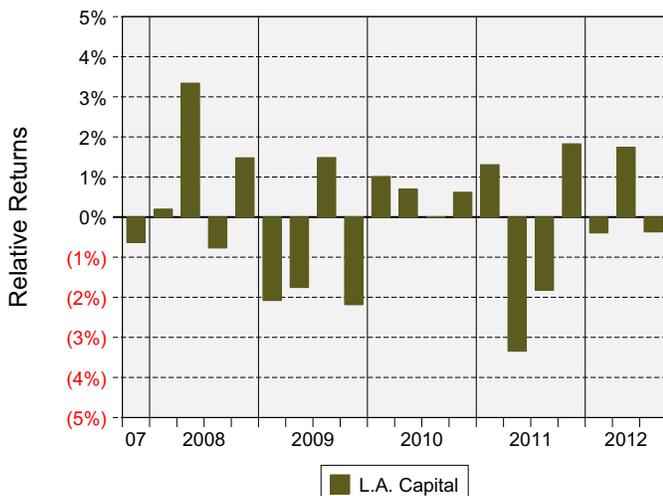
Quarterly Asset Growth

Beginning Market Value	\$233,239,037
Net New Investment	\$-125,646
Investment Gains/(Losses)	\$13,384,531
Ending Market Value	\$246,497,923

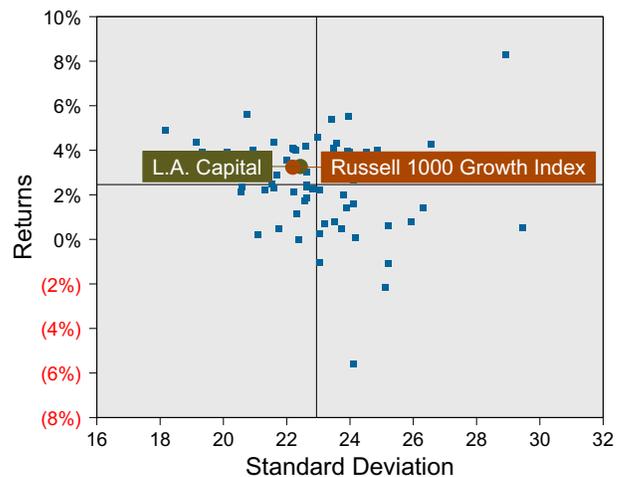
Performance vs CAI Large Cap Growth Style (Gross)



Relative Return vs Russell 1000 Growth Index



CAI Large Cap Growth Style (Gross) Annualized Five Year Risk vs Return



L.A. Capital Management Enhanced Index Period Ended September 30, 2012

Investment Philosophy

The LA Capital Enhanced portfolio is a large core portfolio benchmarked to the Russell 1000 Index. Characterized as an enhanced index assignment, its objective is to track the benchmark with lower variability. The pension portfolio began in August of 2000 and the insurance portfolio was initiated in April of 2004. Since October of 2006 a small portion of each of the two core accounts was allocated into the Large Cap Alpha Fund with intent to add incremental alpha to the assignment given that the information ratio was expected to be higher.

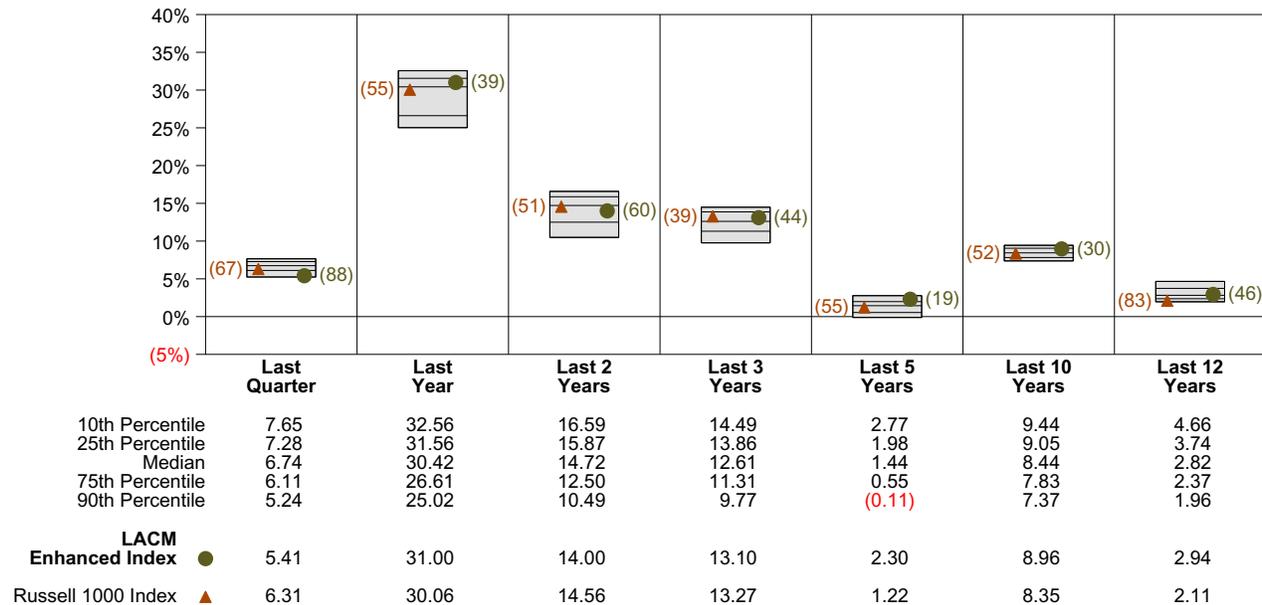
Quarterly Summary and Highlights

- LACM Enhanced Index's portfolio posted a 5.41% return for the quarter placing it in the 88 percentile of the CAI Large Cap Core Style group for the quarter and in the 39 percentile for the last year.
- LACM Enhanced Index's portfolio underperformed the Russell 1000 Index by 0.90% for the quarter and outperformed the Russell 1000 Index for the year by 0.95%.

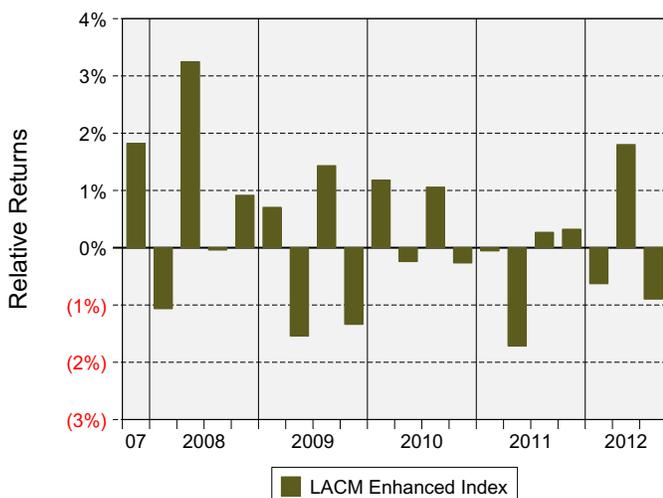
Quarterly Asset Growth

Beginning Market Value	\$157,640,744
Net New Investment	\$-51,462
Investment Gains/(Losses)	\$8,529,898
Ending Market Value	\$166,119,179

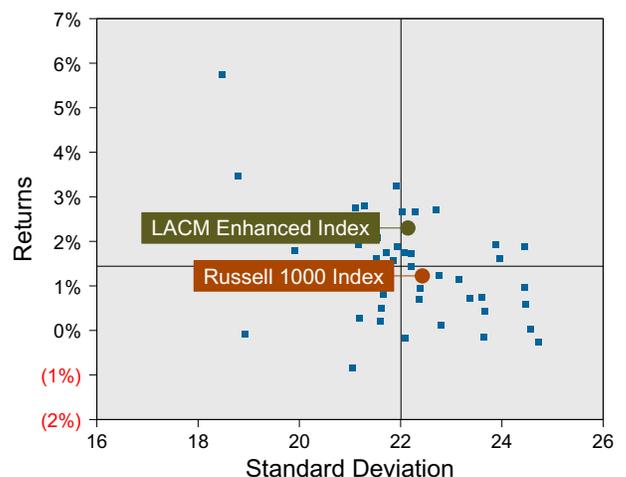
Performance vs CAI Large Cap Core Style (Gross)



Relative Return vs Russell 1000 Index



CAI Large Cap Core Style (Gross) Annualized Five Year Risk vs Return



LSV Asset Management

Period Ended September 30, 2012

Investment Philosophy

The objective of LSV Asset Management's Large Cap Value Equity (U.S.) strategy is to outperform the Russell 1000 Value by at least 200 basis points (gross of fees) per annum over a 3-5 year period with a tracking error of approximately 4%. Their stock selection process is a quantitative approach that ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 100 stocks in the most attractive securities possible within strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio is broadly diversified across industry groups and fully invested.

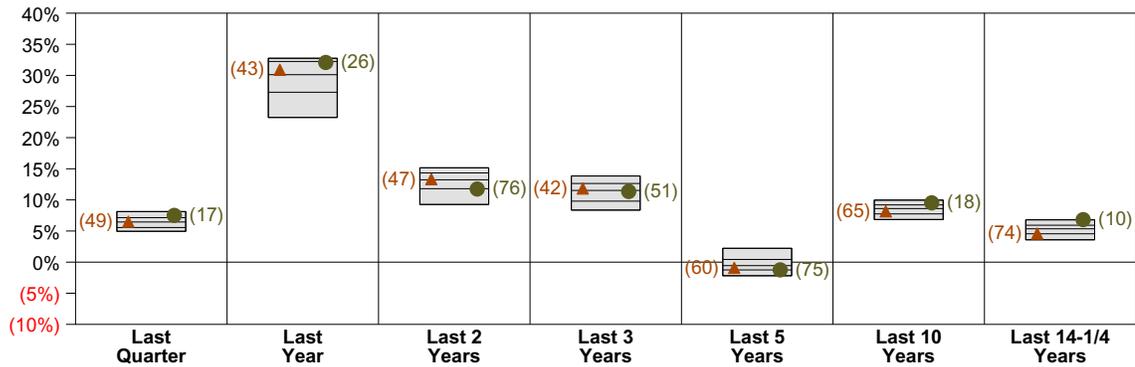
Quarterly Summary and Highlights

- LSV Asset's portfolio posted a 7.51% return for the quarter placing it in the 17 percentile of the CAI Large Cap Value Style group for the quarter and in the 26 percentile for the last year.
- LSV Asset's portfolio outperformed the Russell 1000 Value Index by 1.00% for the quarter and outperformed the Russell 1000 Value Index for the year by 1.16%.

Quarterly Asset Growth

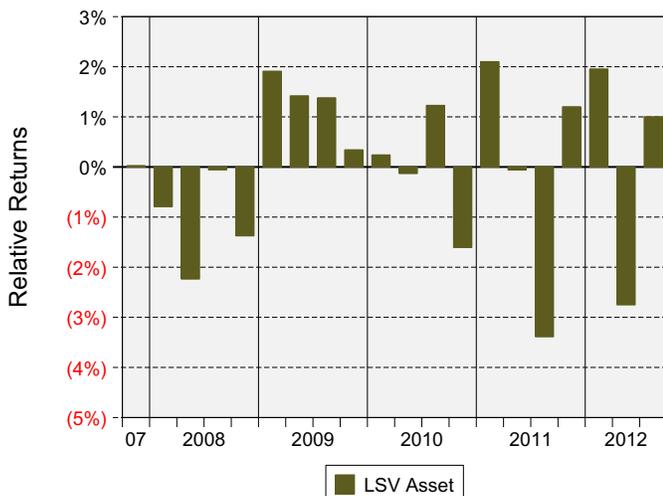
Beginning Market Value	\$227,082,824
Net New Investment	\$-165,935
Investment Gains/(Losses)	\$17,037,917
Ending Market Value	\$243,954,806

Performance vs CAI Large Cap Value Style (Gross)

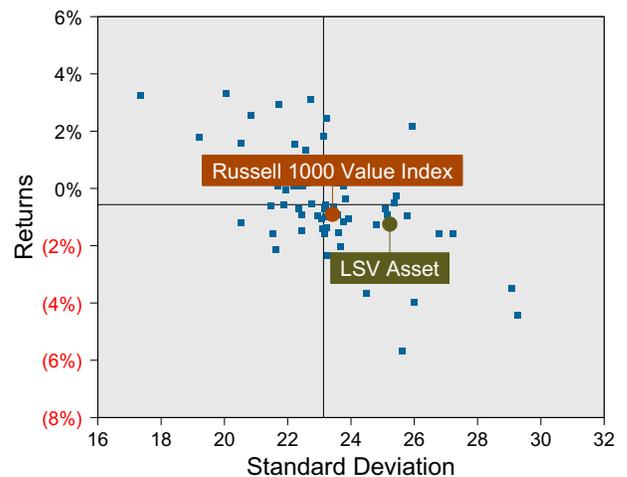


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 14-1/4 Years
10th Percentile	8.12	32.76	15.16	13.84	2.22	9.96	6.80
25th Percentile	7.15	32.24	14.34	12.63	0.43	9.20	5.93
Median	6.45	30.12	13.23	11.52	(0.56)	8.60	5.36
75th Percentile	5.56	27.30	11.80	9.80	(1.25)	7.75	4.55
90th Percentile	4.95	23.25	9.26	8.36	(2.19)	6.85	3.59
LSV Asset ●	7.51	32.08	11.75	11.35	(1.25)	9.52	6.82
Russell 1000 Value Index ▲	6.51	30.92	13.33	11.84	(0.90)	8.17	4.59

Relative Return vs Russell 1000 Value Index



CAI Large Cap Value Style (Gross) Annualized Five Year Risk vs Return



Northern Trust Period Ended September 30, 2012

Investment Philosophy

NTGI Enhanced S&P 500 employs a quantitative investment approach, focusing on the stock selection process as the principal source of value added. The account invests primarily in a broadly diversified portfolio of equity securities that include securities convertible into equity securities (including common stock), warrants, rights and units or shares in trusts, exchange traded funds and investment companies. The Investment Manager intends to use futures and options to manage market risk associated with the account's investments.

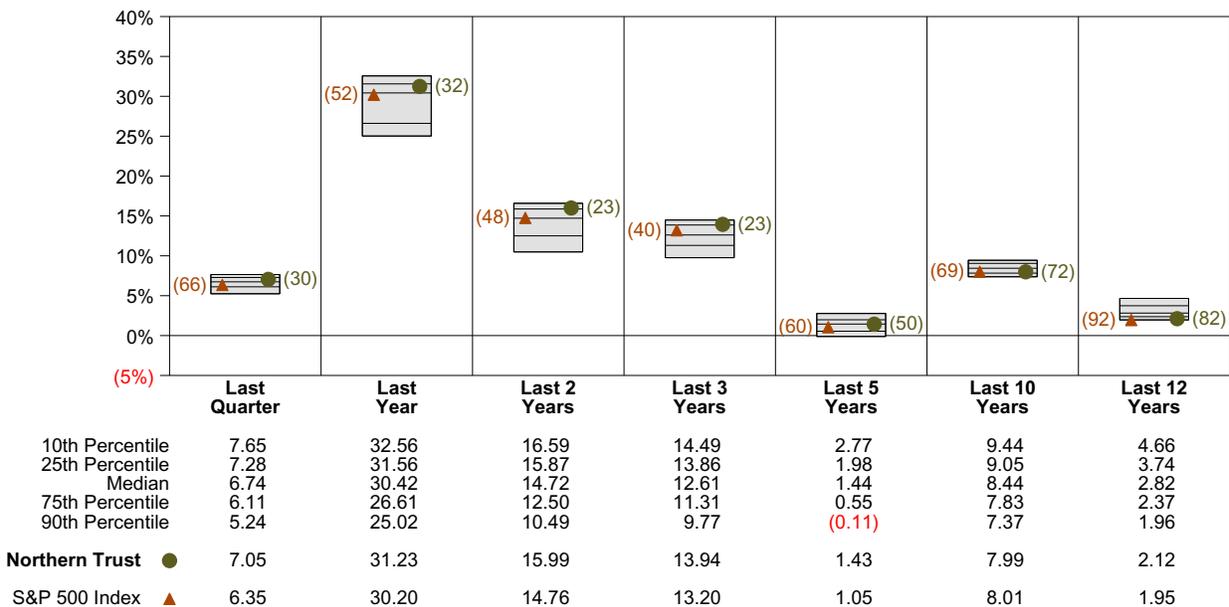
Quarterly Summary and Highlights

- Northern Trust's portfolio posted a 7.05% return for the quarter placing it in the 30 percentile of the CAI Large Cap Core Style group for the quarter and in the 32 percentile for the last year.
- Northern Trust's portfolio outperformed the S&P 500 Index by 0.70% for the quarter and outperformed the S&P 500 Index for the year by 1.03%.

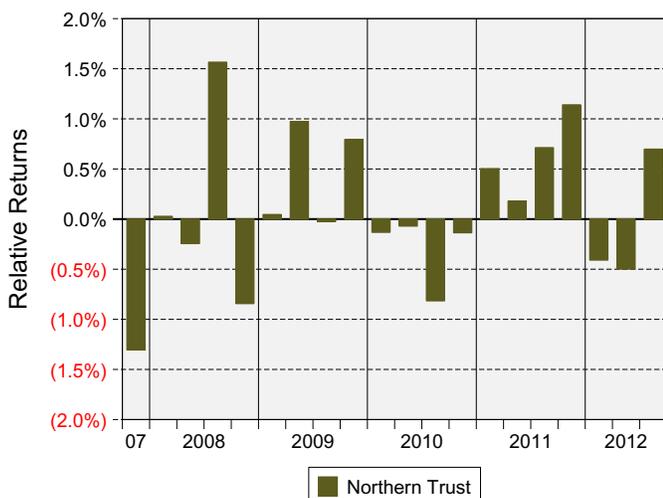
Quarterly Asset Growth

Beginning Market Value	\$76,359,911
Net New Investment	\$-124,734
Investment Gains/(Losses)	\$5,375,923
Ending Market Value	\$81,611,100

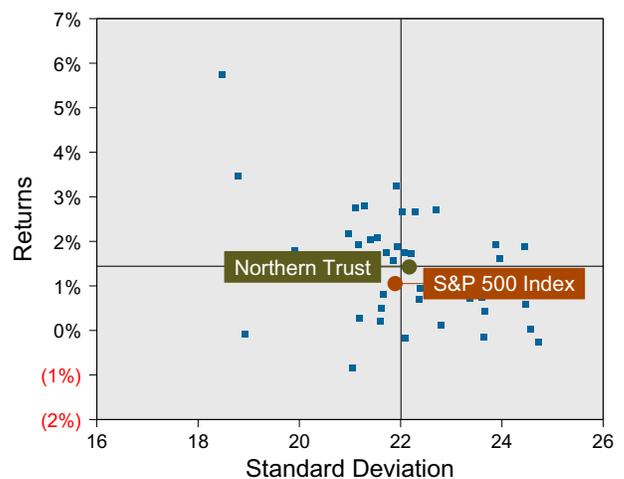
Performance vs CAI Large Cap Core Style (Gross)



Relative Return vs S&P 500 Index



CAI Large Cap Core Style (Gross) Annualized Five Year Risk vs Return



Clifton Enhanced S&P Period Ended September 30, 2012

Investment Philosophy

The Clifton Group combines a synthetic index structure (cash + futures) with active high quality cash management to achieve performance objectives.

Quarterly Summary and Highlights

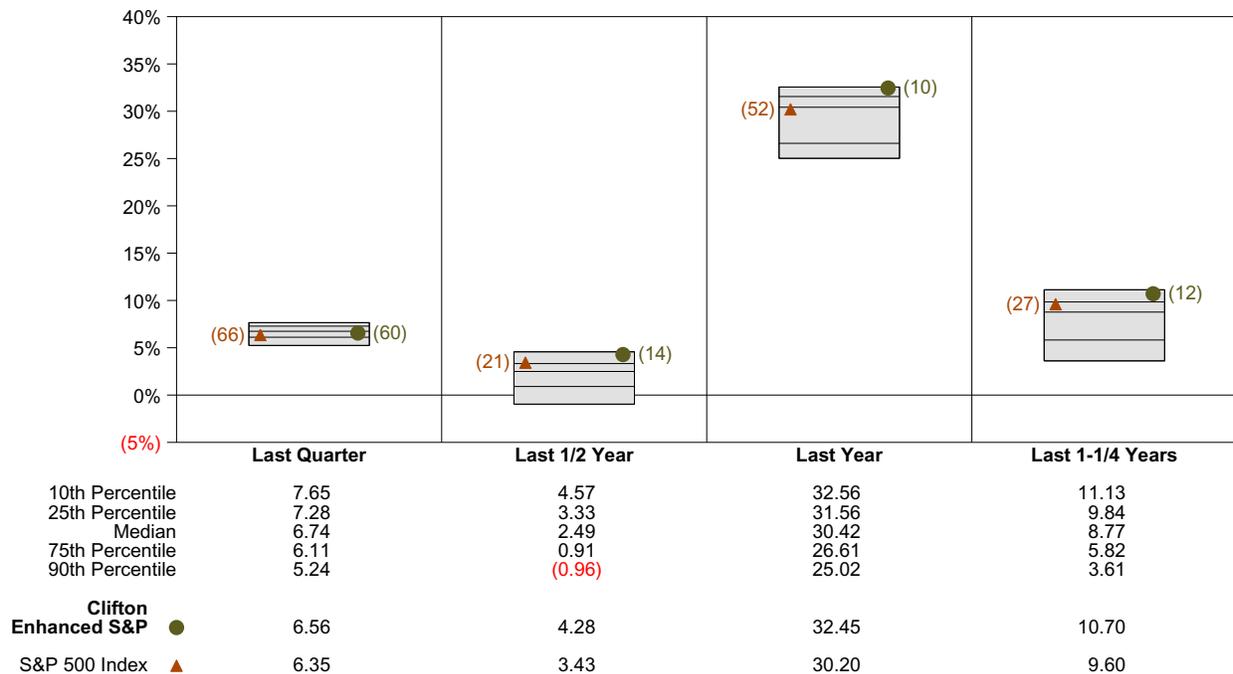
- Clifton Enhanced S&P's portfolio posted a 6.56% return for the quarter placing it in the 60 percentile of the CAI Large Cap Core Style group for the quarter and in the 10 percentile for the last year.
- Clifton Enhanced S&P's portfolio outperformed the S&P 500 Index by 0.20% for the quarter and outperformed the S&P 500 Index for the year by 2.25%.

Quarterly Asset Growth

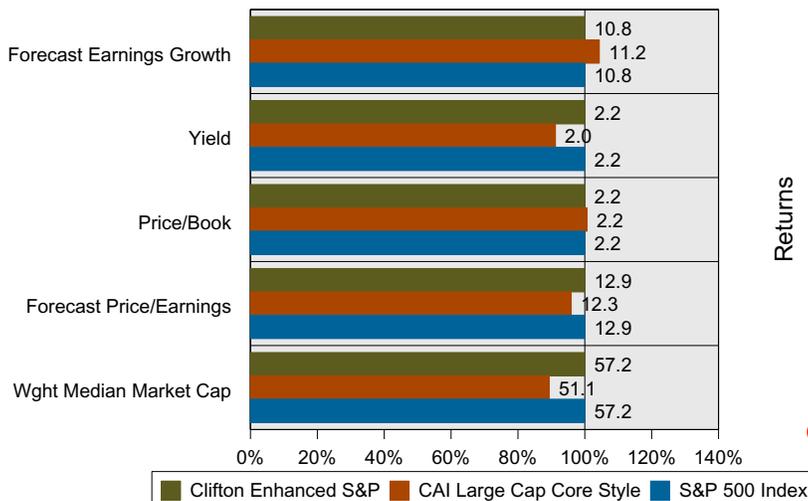
Beginning Market Value	\$76,360,781
Net New Investment	\$-176,488
Investment Gains/(Losses)	\$4,999,401
Ending Market Value	\$81,183,694

Percent Cash: 0.0%

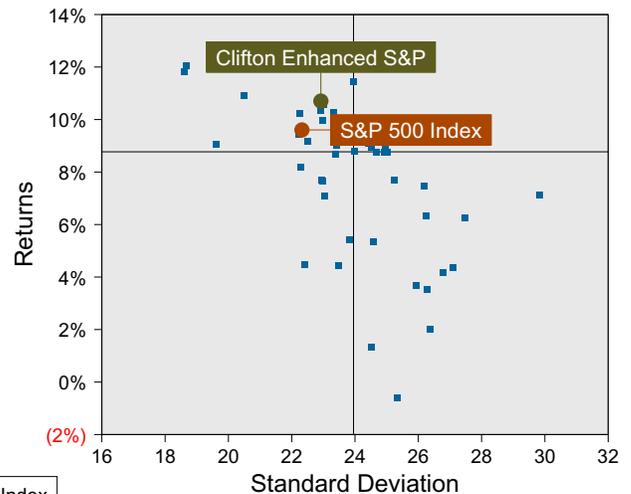
Performance vs CAI Large Cap Core Style (Gross)



Portfolio Characteristics as a Percentage of the S&P 500 Index



CAI Large Cap Core Style (Gross) Annualized One and One-Quarter Year Risk vs Return



Callan

Period Ended September 30, 2012

Investment Philosophy

The fundamental belief inherent in this strategy is that the stock-weightings reflected in the average portfolio of a broad universe of institutional Small Cap managers is a more efficient representation of the Small Cap market than any of the more mechanical Small Cap indices that are typically employed as benchmarks. Hence, a portfolio designed to generate the return of this average portfolio in the most cost-effective possible manner will consistently out-perform the standard benchmarks on a risk-adjusted basis over time. This process results in a total portfolio made up of 40 equity sub-advisors, equally weighted in the Fund's portfolio, which very closely tracks the performance of the average actively managed institutional small cap product (historical tracking error since inception of approximately one percent annualized).

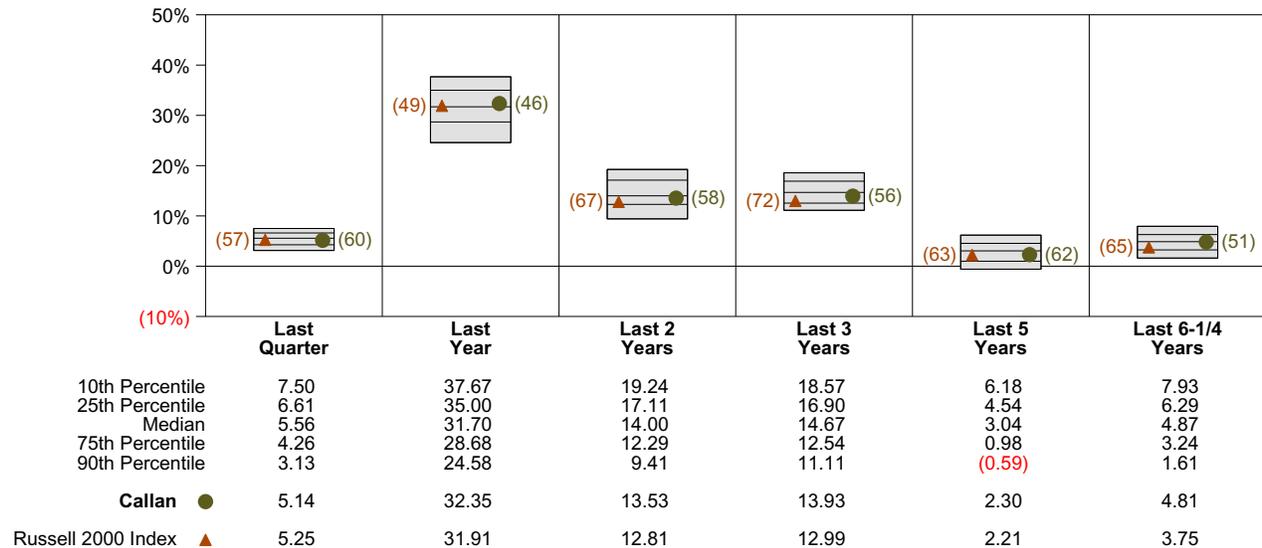
Quarterly Summary and Highlights

- Callan's portfolio posted a 5.14% return for the quarter placing it in the 60 percentile of the CAI Small Capitalization Style group for the quarter and in the 46 percentile for the last year.
- Callan's portfolio underperformed the Russell 2000 Index by 0.11% for the quarter and outperformed the Russell 2000 Index for the year by 0.45%.

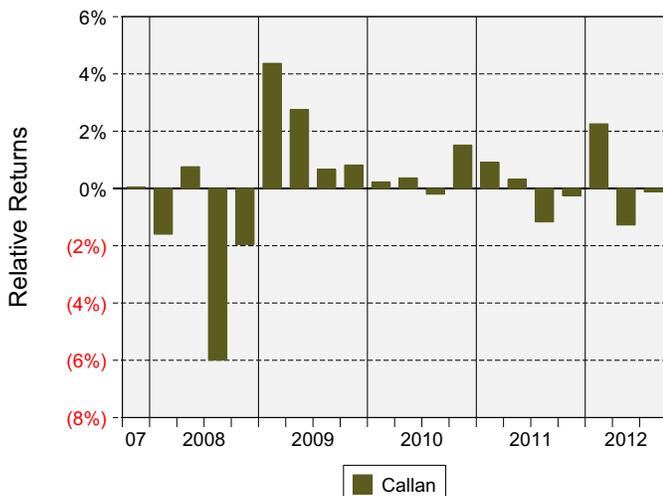
Quarterly Asset Growth

Beginning Market Value	\$116,986,405
Net New Investment	\$-205,631
Investment Gains/(Losses)	\$6,008,415
Ending Market Value	\$122,789,189

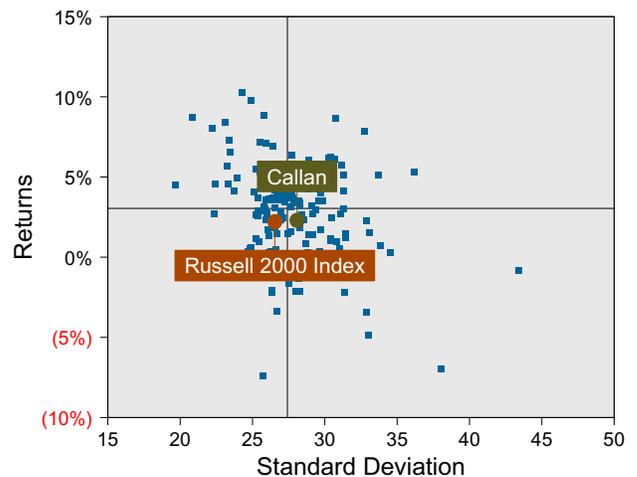
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return



Clifton Enhanced Small Cap Period Ended September 30, 2012

Investment Philosophy

The Clifton Group utilizes equity futures to gain benchmark exposure in constructing the portfolio it believes provides the greatest likelihood of outperforming the index. In this construction the underlying cash portfolio is invested in a liquid, high quality short duration fixed income portfolio. Over market cycles excess return generated by the short duration portfolio, when added to the performance of futures is expected to allow the strategy to achieve 0.50% to 1.00% of gross excess annual performance.

Quarterly Summary and Highlights

- Clifton Enhanced Small Cap's portfolio posted a 6.12% return for the quarter placing it in the 36 percentile of the CAI Small Capitalization Style group for the quarter and in the 24 percentile for the last year.
- Clifton Enhanced Small Cap's portfolio outperformed the Russell 2000 Index by 0.87% for the quarter and outperformed the Russell 2000 Index for the year by 3.55%.

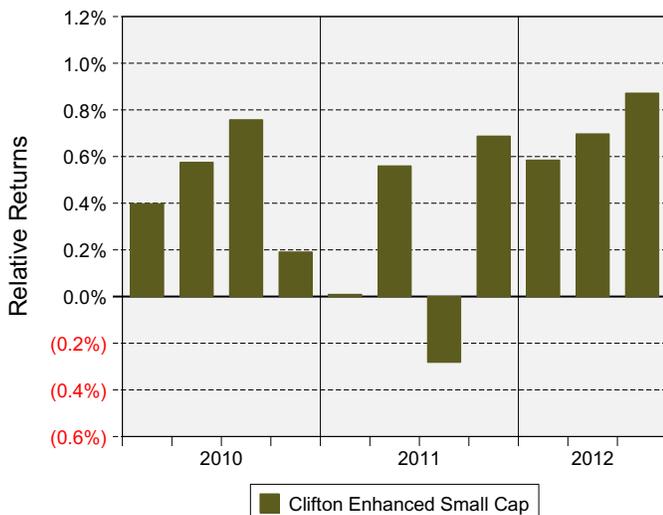
Quarterly Asset Growth

Beginning Market Value	\$117,922,590
Net New Investment	\$-543,810
Investment Gains/(Losses)	\$7,197,554
Ending Market Value	\$124,576,335

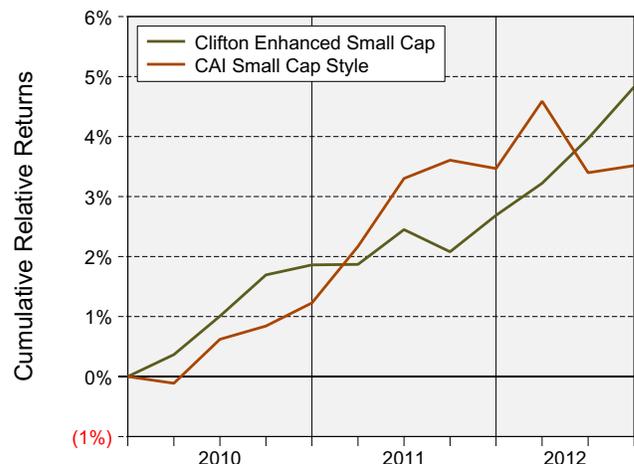
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



Cumulative Returns vs Russell 2000 Index



Capital Guardian Trust Company Period Ended September 30, 2012

Investment Philosophy

The Portfolio will invest primarily in equity or equity type securities of companies in developed countries excluding the U.S. These equity securities will be listed on a stock exchange or traded in another recognized market and include, but are not limited to, common and preferred stocks, securities convertible or exchangeable into common or preferred stock, warrants, rights and depository arrangements. ** International Equity Target is MSCI EAFE through 12/31/1996, 50% Hedged EAFE through 03/31/2011, and MSCI EAFE again thereafter.

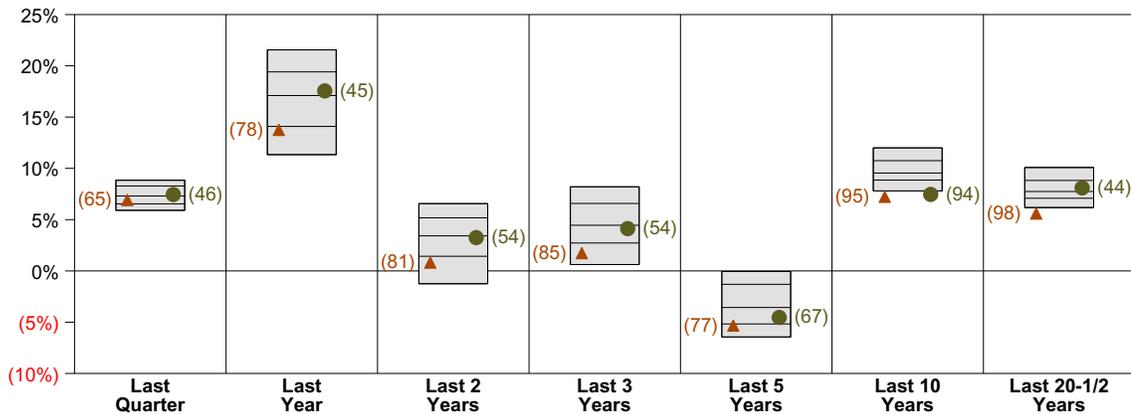
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 7.45% return for the quarter placing it in the 46 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 45 percentile for the last year.
- Capital Guardian's portfolio outperformed the MSCI EAFE Index by 0.53% for the quarter and outperformed the MSCI EAFE Index for the year by 3.80%.

Quarterly Asset Growth

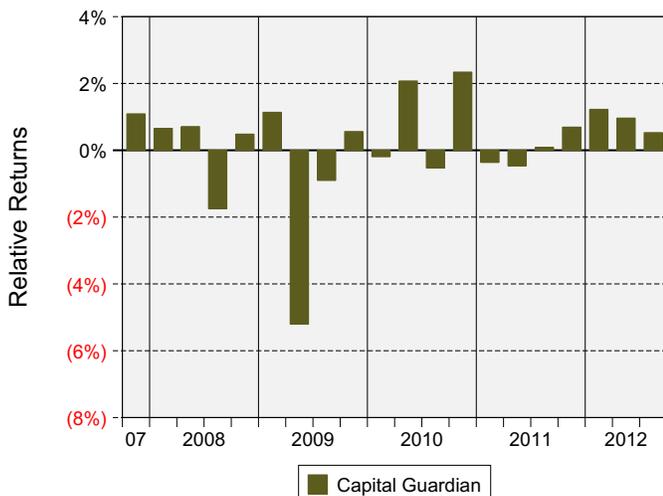
Beginning Market Value	\$55,108,794
Net New Investment	\$-70,527
Investment Gains/(Losses)	\$4,101,256
Ending Market Value	\$59,139,523

Performance vs CAI Non-U.S. Equity Style (Gross)

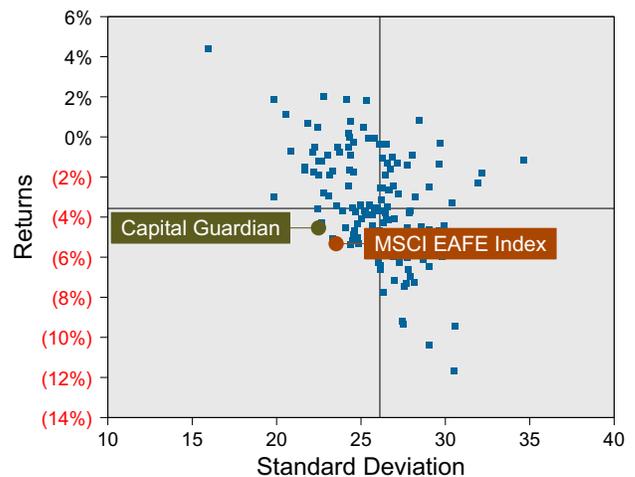


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 20-1/2 Years
10th Percentile	8.84	21.56	6.56	8.20	(0.06)	12.00	10.09
25th Percentile	8.28	19.41	5.18	6.58	(1.31)	10.75	8.82
Median	7.30	17.10	3.42	4.45	(3.57)	9.55	7.74
75th Percentile	6.54	14.09	1.43	2.72	(5.17)	8.85	7.09
90th Percentile	5.91	11.34	(1.25)	0.62	(6.44)	7.80	6.18
Capital Guardian ●	7.45	17.55	3.24	4.12	(4.54)	7.46	8.10
MSCI EAFE Index ▲	6.92	13.75	0.82	1.73	(5.33)	7.23	5.60

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross) Annualized Five Year Risk vs Return



Clifton EAFE Index Period Ended September 30, 2012

Investment Philosophy

The Clifton EAFE Index is an index fund using MSCI EAFE futures to earn the benchmark return and is fully collateralized with cash.

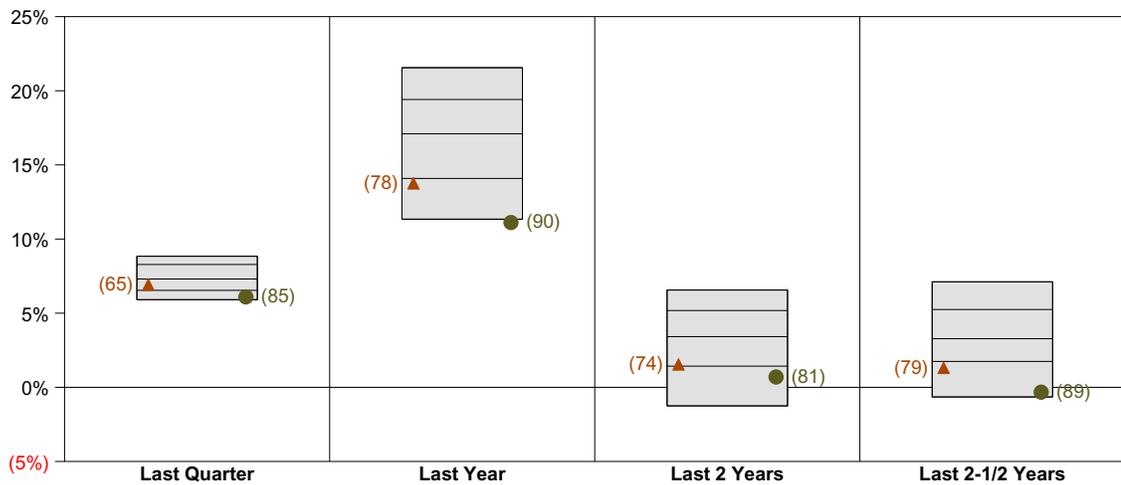
Quarterly Summary and Highlights

- Clifton EAFE Index's portfolio posted a 6.10% return for the quarter placing it in the 85 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 90 percentile for the last year.
- Clifton EAFE Index's portfolio underperformed the MSCI EAFE Index by 0.83% for the quarter and underperformed the MSCI EAFE Index for the year by 2.64%.

Quarterly Asset Growth

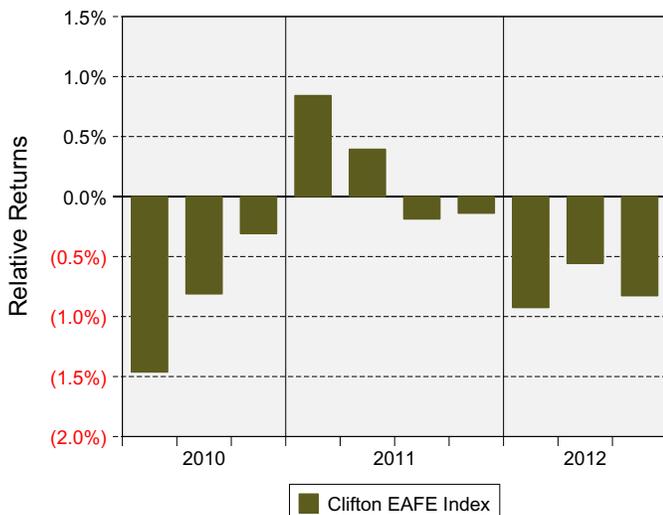
Beginning Market Value	\$176,404,405
Net New Investment	\$-41,635
Investment Gains/(Losses)	\$10,749,577
Ending Market Value	\$187,112,346

Performance vs CAI Non-U.S. Equity Style (Gross)

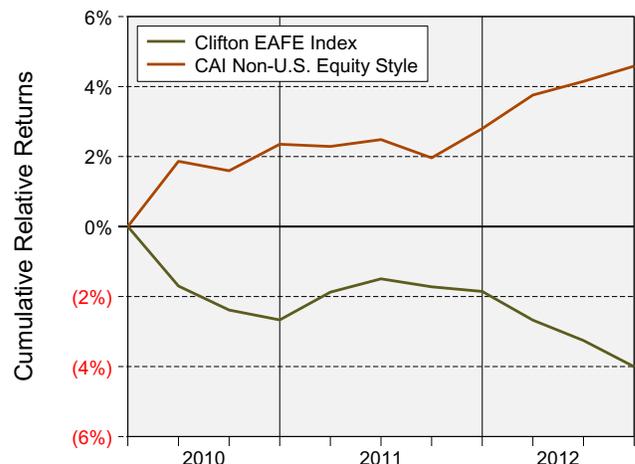


	Last Quarter	Last Year	Last 2 Years	Last 2-1/2 Years
10th Percentile	8.84	21.56	6.56	7.12
25th Percentile	8.28	19.41	5.18	5.25
Median	7.30	17.10	3.42	3.28
75th Percentile	6.54	14.09	1.43	1.75
90th Percentile	5.91	11.34	(1.25)	(0.65)
Clifton EAFE Index	6.10	11.11	0.70	(0.33)
MSCI EAFE Index	6.92	13.75	1.54	1.32

Relative Return vs MSCI EAFE Index



Cumulative Returns vs MSCI EAFE Index



DFA International Small Cap Value Fund

Period Ended September 30, 2012

Investment Philosophy

The International Small Cap Value Portfolio invests in the stocks of small, non-US developed markets companies that Dimensional believes to be value stocks at the time of purchase. Specifically, it looks at companies that fall within the smallest 8-10% of each country's market capitalization, and whose shares have a high book value in relation to their market value (BtM). It does not invest in emerging markets.

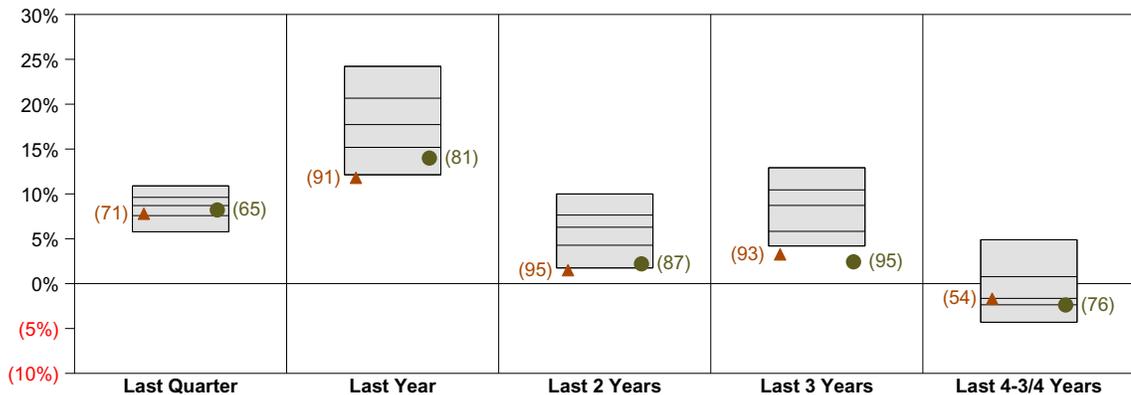
Quarterly Summary and Highlights

- DFA International Small Value's portfolio posted a 8.21% return for the quarter placing it in the 65 percentile of the CAI International Small Cap Style group for the quarter and in the 81 percentile for the last year.
- DFA International Small Value's portfolio outperformed the World ex US SC Va by 0.42% for the quarter and outperformed the World ex US SC Va for the year by 2.20%.

Quarterly Asset Growth

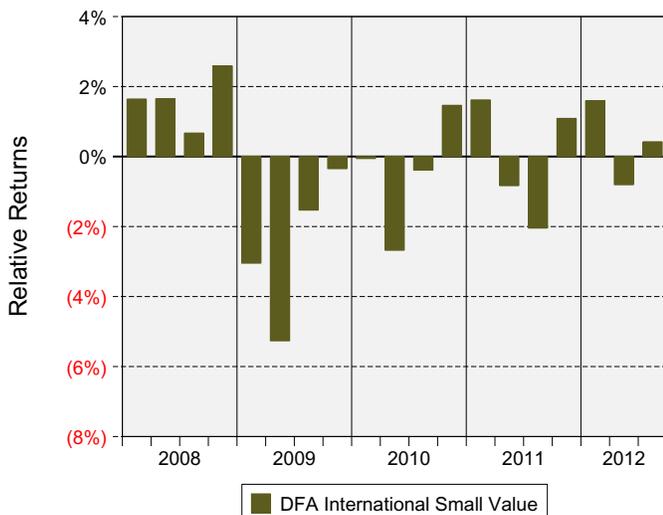
Beginning Market Value	\$48,660,916
Net New Investment	\$0
Investment Gains/(Losses)	\$3,994,639
Ending Market Value	\$52,655,555

Performance vs CAI International Small Cap Style (Gross)

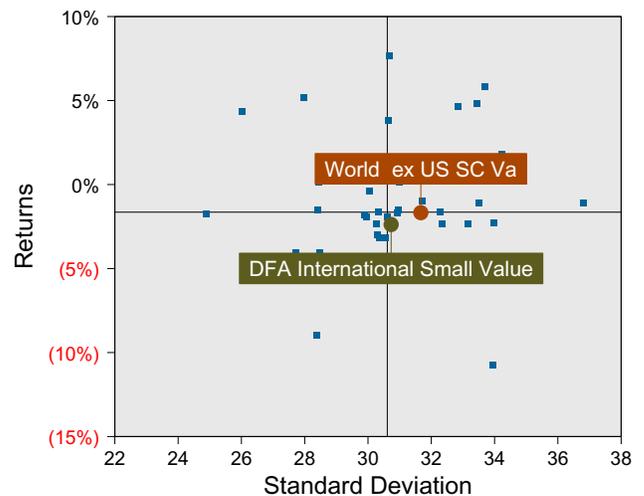


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4-3/4 Years
10th Percentile	10.90	24.22	9.99	12.92	4.89
25th Percentile	9.62	20.67	7.64	10.45	0.77
Median	8.70	17.73	6.29	8.72	(1.64)
75th Percentile	7.58	15.19	4.28	5.83	(2.36)
90th Percentile	5.78	12.13	1.75	4.20	(4.30)
DFA International Small Value	8.21	13.99	2.20	2.43	(2.38)
World ex US SC Va	7.79	11.79	1.50	3.26	(1.67)

Relative Return vs World ex US SC Va



CAI International Small Cap Style (Gross) Annualized Four and Three-Quarter Year Risk vs Return



LSV Asset

Period Ended September 30, 2012

Investment Philosophy

The objective of LSV Asset Management's International Large Cap Value strategy is to outperform the MSCI EAFE Index by at least 250 basis points (gross of fees) per annum over an annualized 3-5 year period with a tracking error of approximately 5-6%. Their stock selection process is a quantitative approach that ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 150 stocks in the most attractive securities possible within strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio is broadly diversified across industry groups and fully invested. LSV weights countries at a neutral weight relative to the benchmark country weights. 50% of the portfolio is US dollar hedged. ** International Equity Target is MSCI EAFE through 12/31/1996, 50% Hedged EAFE through 03/31/2011, and MSCI EAFE again thereafter.

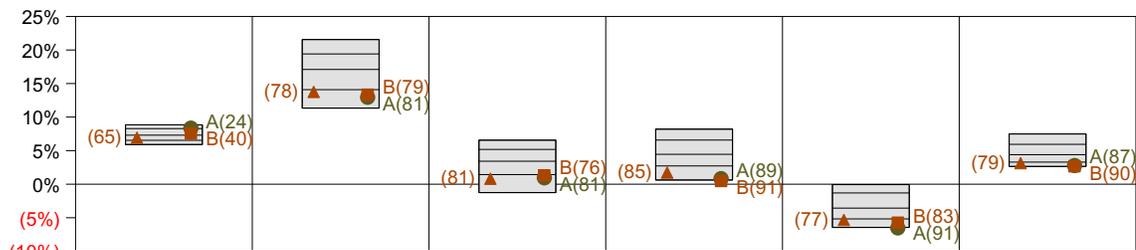
Quarterly Summary and Highlights

- LSV Asset's portfolio posted a 8.36% return for the quarter placing it in the 24 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 81 percentile for the last year.
- LSV Asset's portfolio outperformed the MSCI EAFE Index by 1.43% for the quarter and underperformed the MSCI EAFE Index for the year by 0.80%.

Quarterly Asset Growth

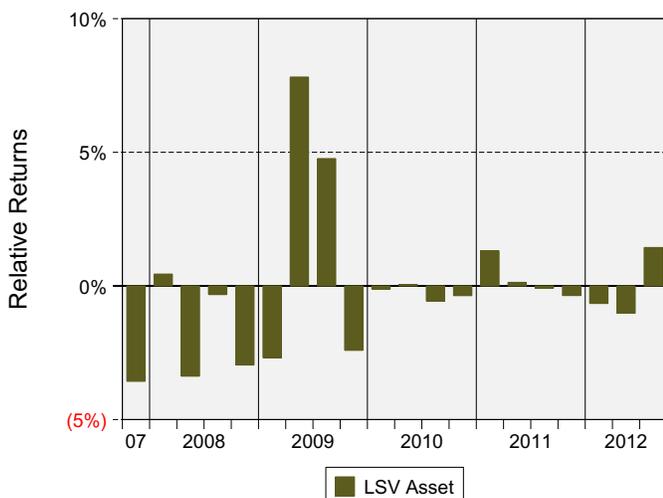
Beginning Market Value	\$105,086,195
Net New Investment	\$-127,842
Investment Gains/(Losses)	\$8,771,327
Ending Market Value	\$113,729,679

Performance vs CAI Non-U.S. Equity Style (Gross)

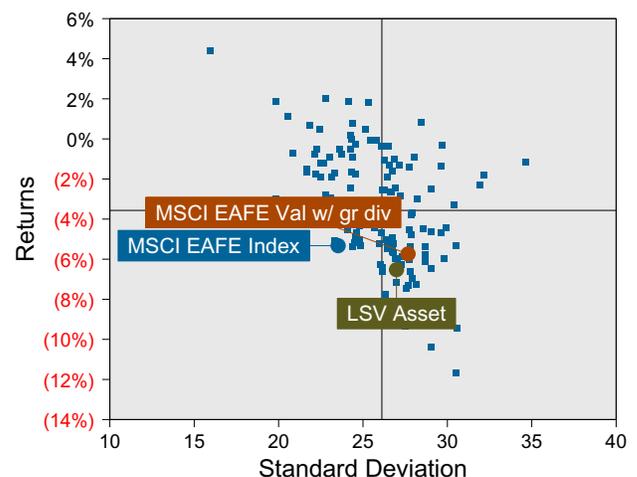


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7-3/4 Years
10th Percentile	8.84	21.56	6.56	8.20	(0.06)	7.49
25th Percentile	8.28	19.41	5.18	6.58	(1.31)	5.94
Median	7.30	17.10	3.42	4.45	(3.57)	4.40
75th Percentile	6.54	14.09	1.43	2.72	(5.17)	3.29
90th Percentile	5.91	11.34	(1.25)	0.62	(6.44)	2.64
LSV Asset ● A	8.36	12.95	0.95	0.83	(6.52)	2.77
MSCI EAFE Val w/ gr div ■ B	7.55	13.34	1.30	0.48	(5.74)	2.67
MSCI EAFE Index ▲	6.92	13.75	0.82	1.73	(5.33)	3.14

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross) Annualized Five Year Risk vs Return



State Street Global Advisors
Period Ended September 30, 2012

Investment Philosophy

SSgA attempts to identify stocks that it believes are undervalued, using detailed investment analysis. The strategy is normally broadly invested among countries and industries. The investable universe is equity securities of companies outside the United States within the market capitalization range of the index. ** Benchmark is MSCI EAFE through 12/31/1996, 50% Hedged EAFE through 12/31/04, and MSCI EAFE again thereafter.

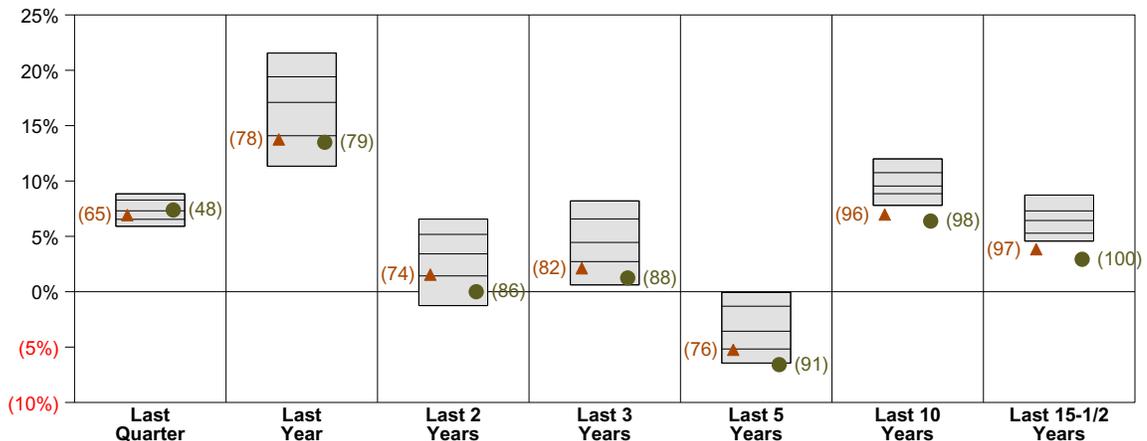
Quarterly Summary and Highlights

- State Street's portfolio posted a 7.38% return for the quarter placing it in the 48 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 79 percentile for the last year.
- State Street's portfolio outperformed the MSCI EAFE Index by 0.46% for the quarter and underperformed the MSCI EAFE Index for the year by 0.26%.

Quarterly Asset Growth

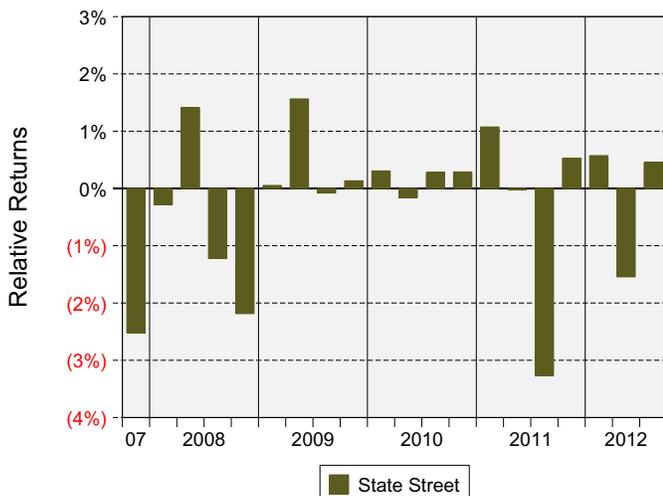
Beginning Market Value	\$39,551,223
Net New Investment	\$-70,654
Investment Gains/(Losses)	\$2,917,108
Ending Market Value	\$42,397,677

Performance vs CAI Non-U.S. Equity Style (Gross)

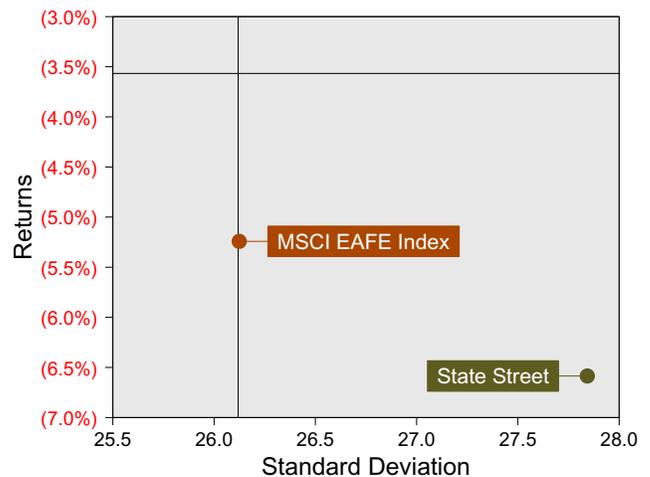


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	8.84	21.56	6.56	8.20	(0.06)	12.00	8.73
25th Percentile	8.28	19.41	5.18	6.58	(1.31)	10.75	7.30
Median	7.30	17.10	3.42	4.45	(3.57)	9.55	6.43
75th Percentile	6.54	14.09	1.43	2.72	(5.17)	8.85	5.29
90th Percentile	5.91	11.34	(1.25)	0.62	(6.44)	7.80	4.57
State Street ●	7.38	13.50	(0.00)	1.24	(6.59)	6.38	2.93
MSCI EAFE Index ▲	6.92	13.75	1.54	2.12	(5.24)	6.97	3.84

Relative Return vs MSCI EAFE Index



**CAI Non-U.S. Equity Style (Gross)
Annualized Five Year Risk vs Return**



Wellington

Period Ended September 30, 2012

Investment Philosophy

The International Small Cap Opportunities investment approach is bottom-up focused, and leverages the global research resources at Wellington Management. In implementing purchase decisions, consideration is given to the size, liquidity, and volatility of these prospects. Sell decisions are based on changing fundamentals or valuations, or on finding better opportunities elsewhere. The assets are not hedged.

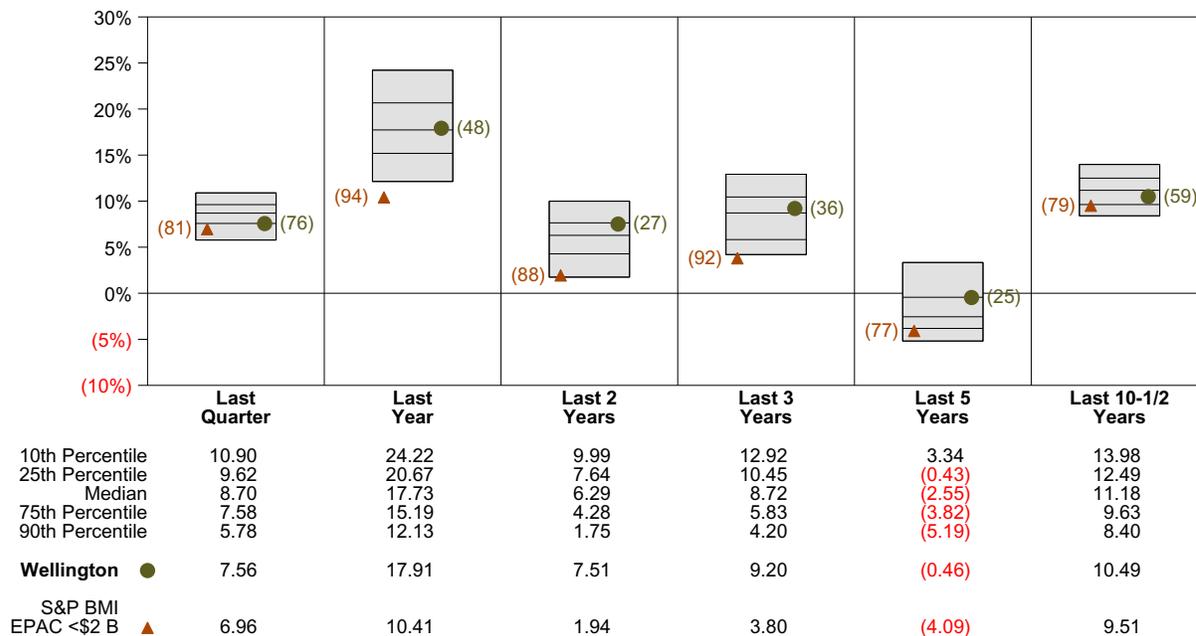
Quarterly Summary and Highlights

- Wellington's portfolio posted a 7.56% return for the quarter placing it in the 76 percentile of the CAI International Small Cap Style group for the quarter and in the 48 percentile for the last year.
- Wellington's portfolio outperformed the S&P BMI EPAC <\$2 B by 0.60% for the quarter and outperformed the S&P BMI EPAC <\$2 B for the year by 7.50%.

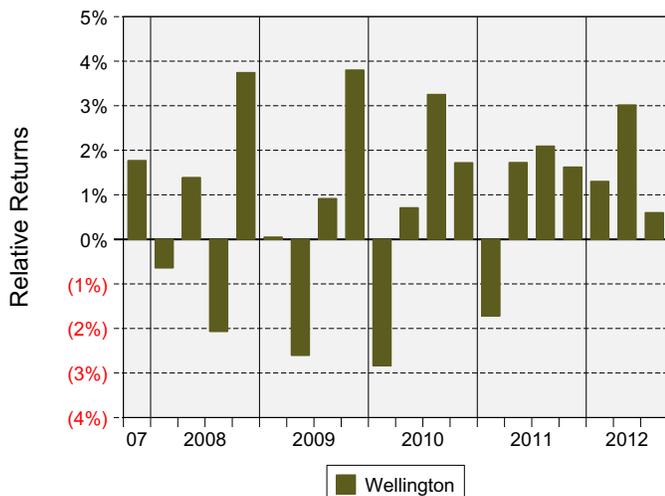
Quarterly Asset Growth

Beginning Market Value	\$56,378,890
Net New Investment	\$-125,875
Investment Gains/(Losses)	\$4,259,144
Ending Market Value	\$60,512,158

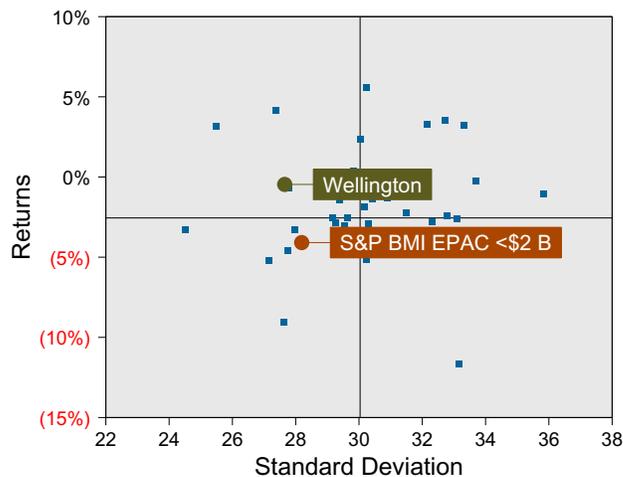
Performance vs CAI International Small Cap Style (Gross)



Relative Return vs S&P BMI EPAC <\$2 B



CAI International Small Cap Style (Gross) Annualized Five Year Risk vs Return



DFA Emerging Markets Period Ended September 30, 2012

Investment Philosophy

The Emerging Markets Small Cap Portfolio invests in small cap emerging markets companies. Presently, this means investment in companies whose market capitalization is less than \$2.3 billion at the time of purchase. Dimensional considers, among other things, information disseminated by the International Finance Corporation in determining and approving emerging market countries.

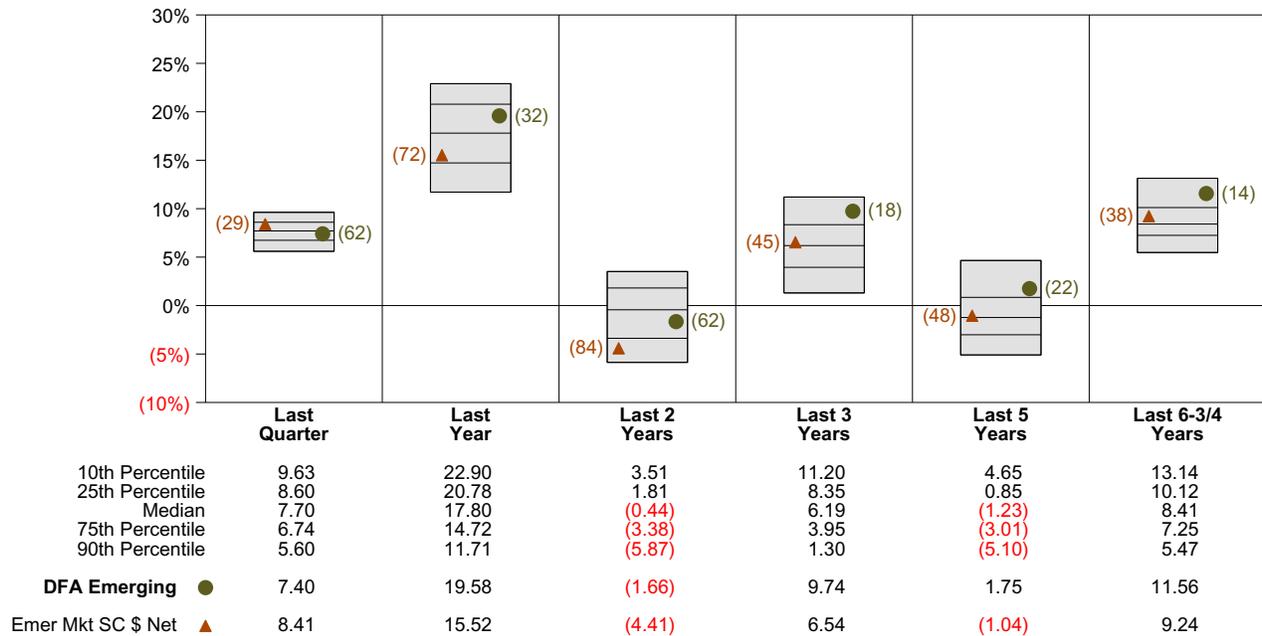
Quarterly Summary and Highlights

- DFA Emerging's portfolio posted a 7.40% return for the quarter placing it in the 62 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 32 percentile for the last year.
- DFA Emerging's portfolio underperformed the Emer Mkt SC \$ Net by 1.00% for the quarter and outperformed the Emer Mkt SC \$ Net for the year by 4.06%.

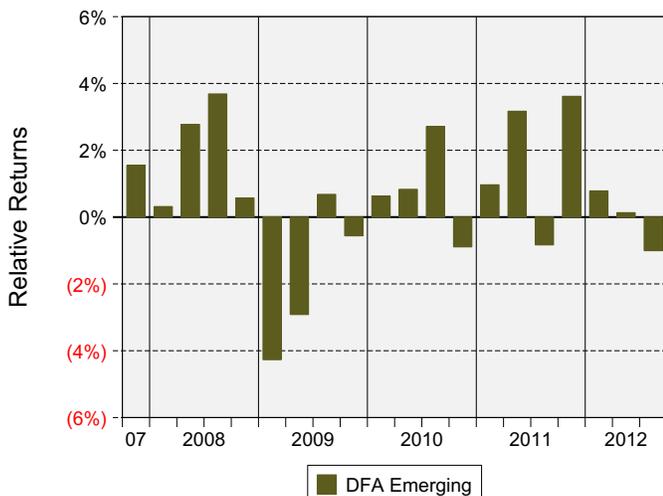
Quarterly Asset Growth

Beginning Market Value	\$29,520,296
Net New Investment	\$-48,930
Investment Gains/(Losses)	\$2,183,275
Ending Market Value	\$31,654,642

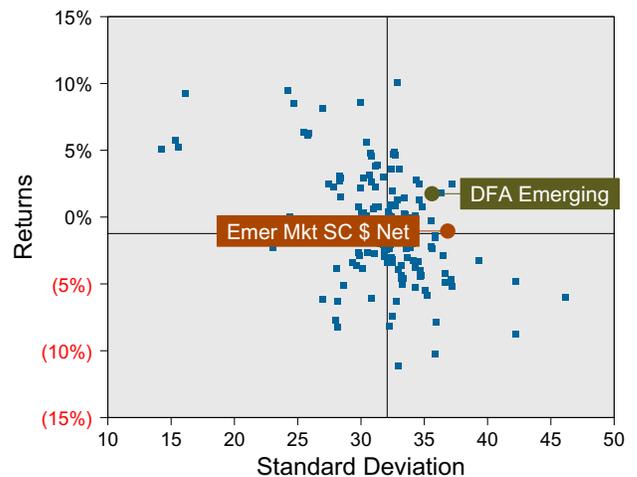
Performance vs CAI Emerging Markets Equity DB (Gross)



Relative Return vs Emer Mkt SC \$ Net



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return



JP Morgan Emerging Markets Period Ended September 30, 2012

Investment Philosophy

The emphasis of investments in the Emerging Markets Equity Focused Fund is in capital and common stocks, securities convertible into capital and common stocks, and other equity investments, all of which involve foreign companies and enterprises' located primarily in emerging markets. In this context, 'Emerging' refers generally to countries outside of the MSCI EAFE Universe. ** Emerging Markets Target is MSCI Emerging Mkts Idx (Gross) through 6/30/2011, and MSCI Emerging Mkts Idx Net thereafter.

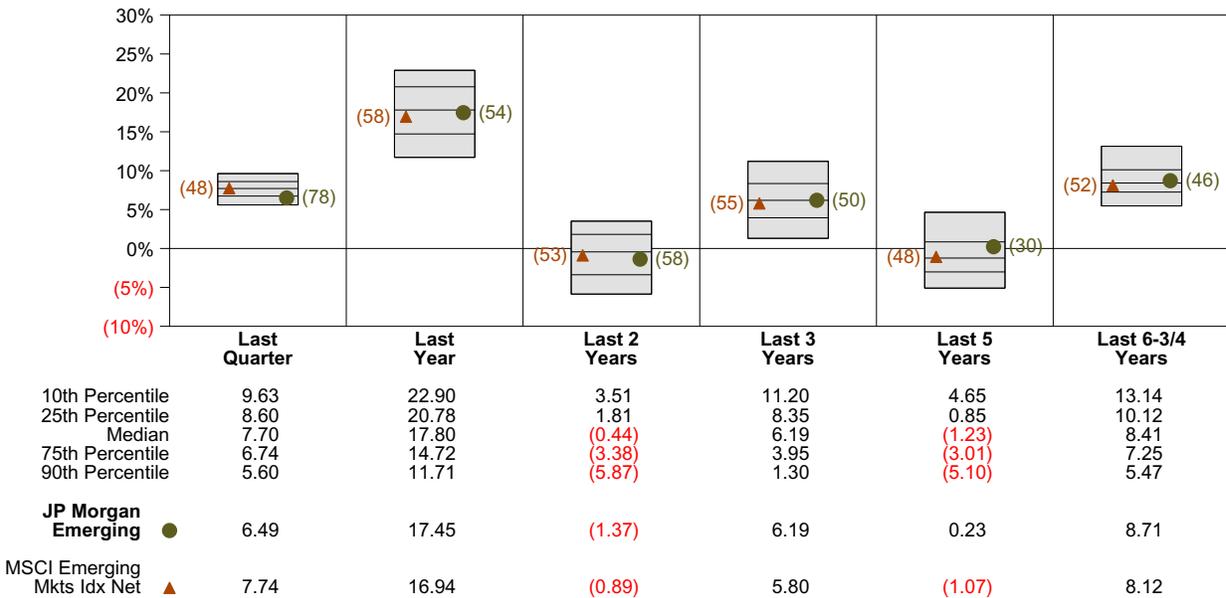
Quarterly Summary and Highlights

- JP Morgan Emerging's portfolio posted a 6.49% return for the quarter placing it in the 78 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 54 percentile for the last year.
- JP Morgan Emerging's portfolio underperformed the MSCI Emerging Mkts Idx Net by 1.25% for the quarter and outperformed the MSCI Emerging Mkts Idx Net for the year by 0.51%.

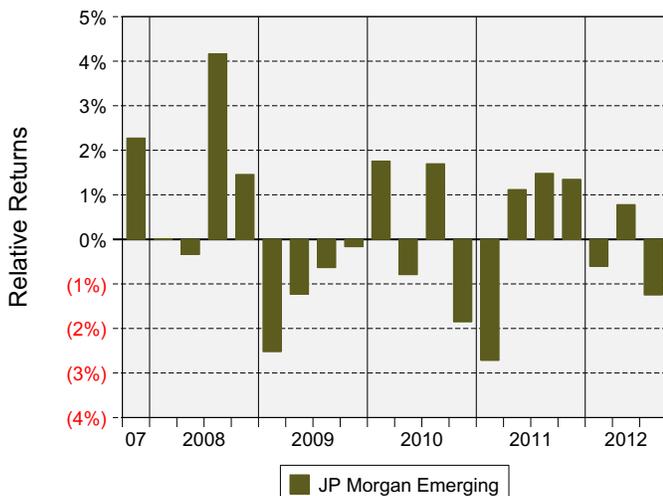
Quarterly Asset Growth

Beginning Market Value	\$36,673,011
Net New Investment	\$-70,163
Investment Gains/(Losses)	\$2,377,808
Ending Market Value	\$38,980,656

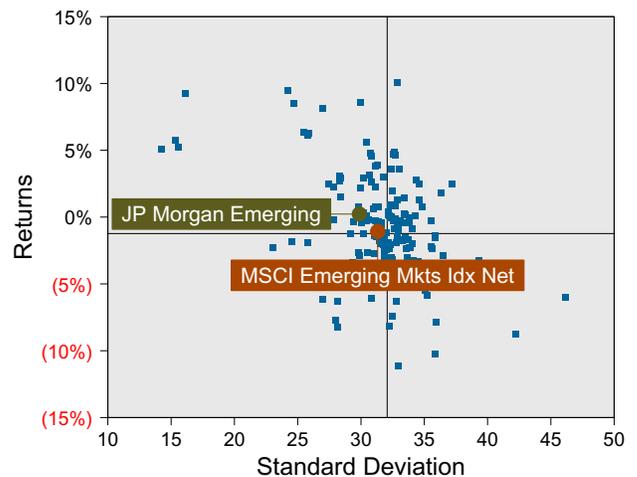
Performance vs CAI Emerging Markets Equity DB (Gross)



Relative Returns vs MSCI Emerging Mkts Idx Net



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return



PanAgora Emerging Markets Period Ended September 30, 2012

Investment Philosophy

The Emerging Markets Fund seeks to exceed, in the aggregate, the return of the Morgan Stanley Capital International Emerging Markets Index before fees and expenses. The Emerging Markets fund may be invested in: International equity securities, American Depository Receipts, Global Depository Receipts, European Depository Receipts, exchange traded funds based on the underlying securities in the Benchmark, spot and forward currency exchange contracts, US Treasury bills and a Daily Liquidity Fund. The maximum investment in companies which comprise the Morgan Stanley Capital International Frontier Markets Equity Index will not exceed 10% measured at time of purchase. ** Emerging Markets Target is MSCI Emerging Mkts Idx (Gross) through 6/30/2011, and MSCI Emerging Mkts Idx Net thereafter.

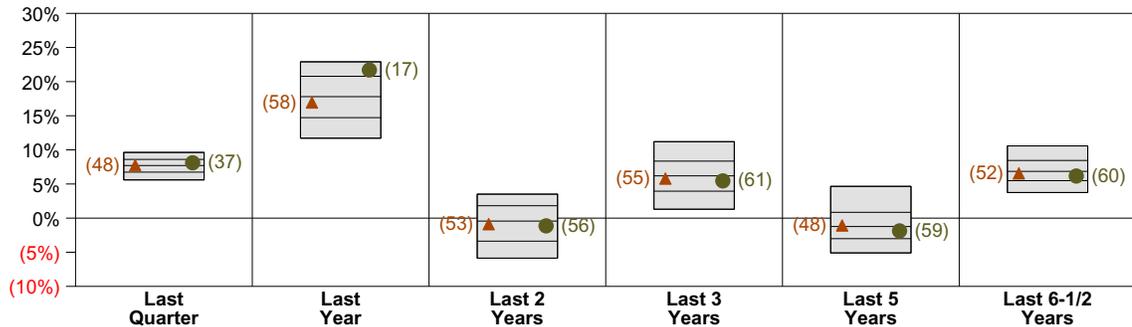
Quarterly Summary and Highlights

- PanAgora Emerging's portfolio posted a 8.11% return for the quarter placing it in the 37 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 17 percentile for the last year.
- PanAgora Emerging's portfolio outperformed the MSCI Emerging Mkts Idx Net by 0.37% for the quarter and outperformed the MSCI Emerging Mkts Idx Net for the year by 4.76%.

Quarterly Asset Growth

Beginning Market Value	\$15,095,747
Net New Investment	\$0
Investment Gains/(Losses)	\$1,224,109
Ending Market Value	\$16,319,856

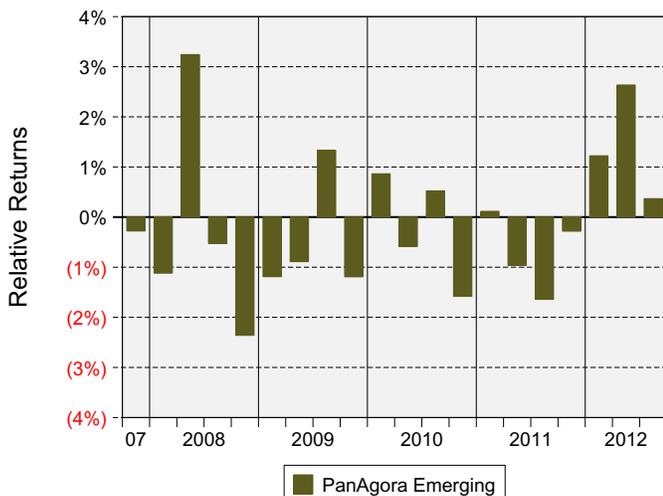
Performance vs CAI Emerging Markets Equity DB (Gross)



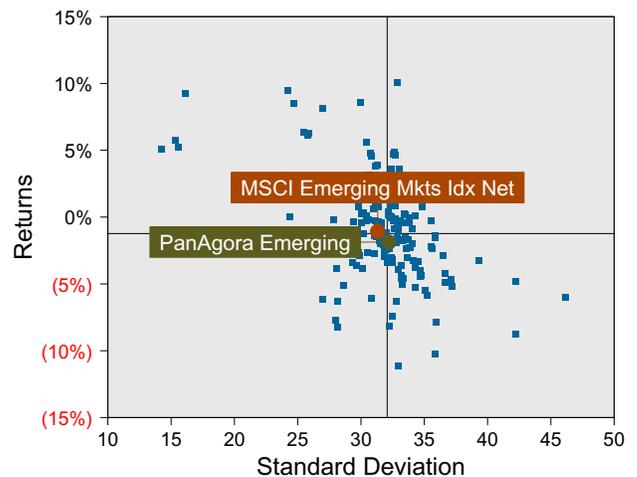
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-1/2 Years
10th Percentile	9.63	22.90	3.51	11.20	4.65	10.58
25th Percentile	8.60	20.78	1.81	8.35	0.85	8.45
Median	7.70	17.80	(0.44)	6.19	(1.23)	6.85
75th Percentile	6.74	14.72	(3.38)	3.95	(3.01)	5.49
90th Percentile	5.60	11.71	(5.87)	1.30	(5.10)	3.75

PanAgora Emerging ●	8.11	21.70	(1.14)	5.46	(1.87)	6.17
MSCI Emerging Mkts Idx Net ▲	7.74	16.94	(0.89)	5.80	(1.07)	6.56

Relative Returns vs MSCI Emerging Mkts Idx Net



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return



UBS Global Asset Emerging Markets Period Ended September 30, 2012

Investment Philosophy

The UBS Group Trust's emerging markets equity investments will be confined to the UBS Emerging Markets Equity collective Fund. The account's emerging markets equity assets will be fully-invested at all times, but such assets may be invested in the UBS US Cash Management Prime Collective Fund for operational and risk management purposes. ** Emerging Markets Target is MSCI Emerging Mkts Idx (Gross) through 6/30/2011, and MSCI Emerging Mkts Idx Net thereafter.

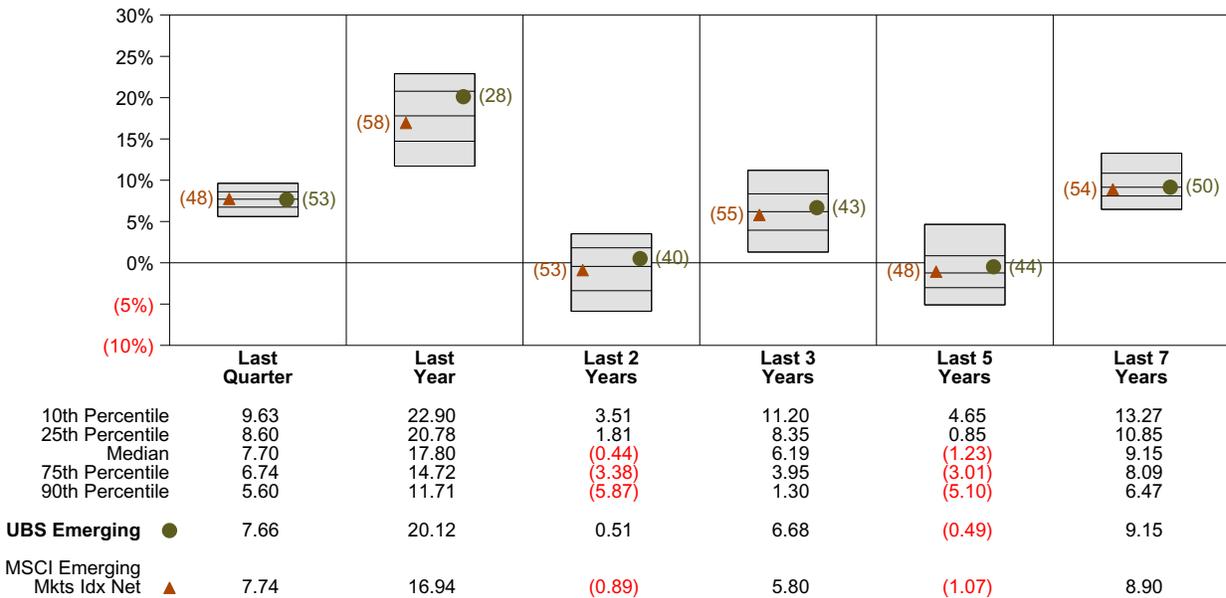
Quarterly Summary and Highlights

- UBS Emerging's portfolio posted a 7.66% return for the quarter placing it in the 53 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 28 percentile for the last year.
- UBS Emerging's portfolio underperformed the MSCI Emerging Mkts Idx Net by 0.09% for the quarter and outperformed the MSCI Emerging Mkts Idx Net for the year by 3.17%.

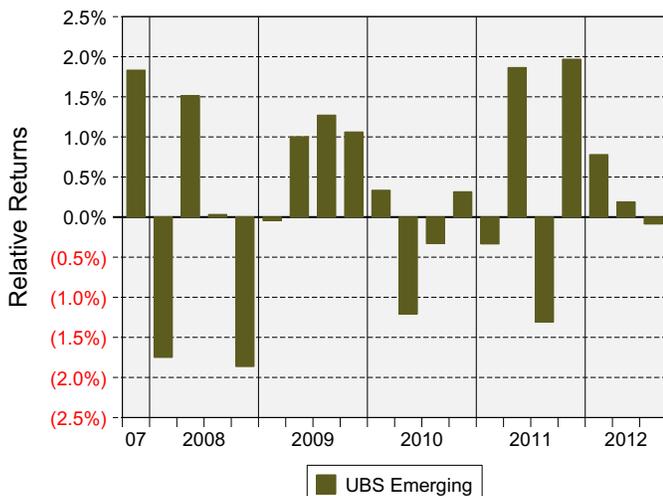
Quarterly Asset Growth

Beginning Market Value	\$36,497,727
Net New Investment	\$0
Investment Gains/(Losses)	\$2,794,697
Ending Market Value	\$39,292,423

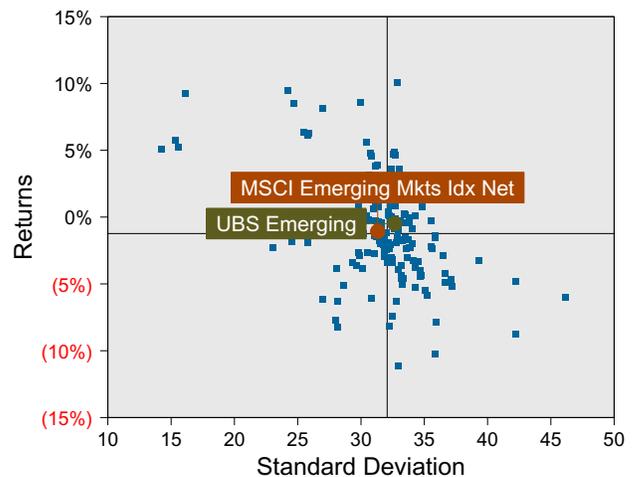
Performance vs CAI Emerging Markets Equity DB (Gross)



Relative Returns vs MSCI Emerging Mkts Idx Net



CAI Emerging Markets Equity DB (Gross) Annualized Five Year Risk vs Return



EPOCH Investment Partners Period Ended September 30, 2012

Investment Philosophy

Epoch's Global Absolute Return strategy seeks to capture the benefits of borderless investing and produce superior risk-adjusted returns by building portfolios of businesses with outstanding risk/reward profiles without assuming a high degree of capital risk. With this strategy, Epoch manages portfolio risk exposure through quantitative and qualitative asset allocation inputs to reduce the likelihood of loss of capital and uses cash to mitigate downside capture. Their goal is to produce a portfolio of 20-30 positions that exhibits low volatility, strong risk-adjusted returns and real absolute returns. The EPOCH Blended Benchmark consists of the S&P 500 Index through 12/31/2011 and the MSCI World Index thereafter.

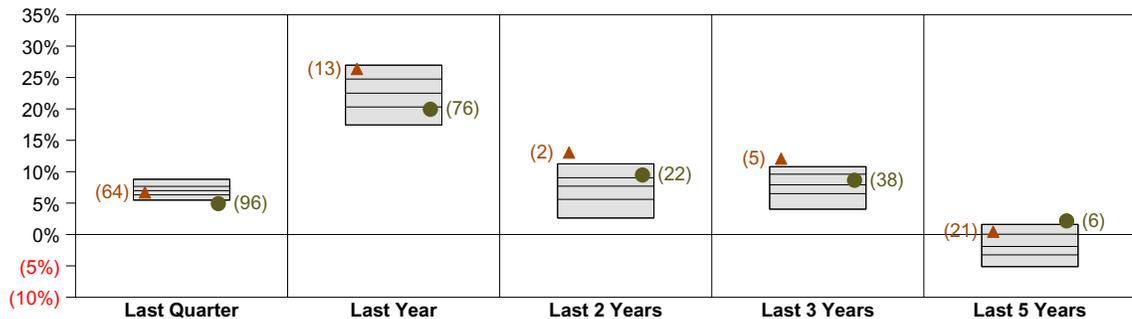
Quarterly Summary and Highlights

- EPOCH Investment Partners's portfolio posted a 4.91% return for the quarter placing it in the 96 percentile of the CAI Global Equity Broad Style group for the quarter and in the 76 percentile for the last year.
- EPOCH Investment Partners's portfolio underperformed the EPOCH Blended Benchmark by 1.80% for the quarter and underperformed the EPOCH Blended Benchmark for the year by 6.43%.

Quarterly Asset Growth

Beginning Market Value	\$167,814,398
Net New Investment	\$-317,841
Investment Gains/(Losses)	\$8,223,714
Ending Market Value	\$175,720,270

Performance vs CAI Global Equity Broad Style (Gross)

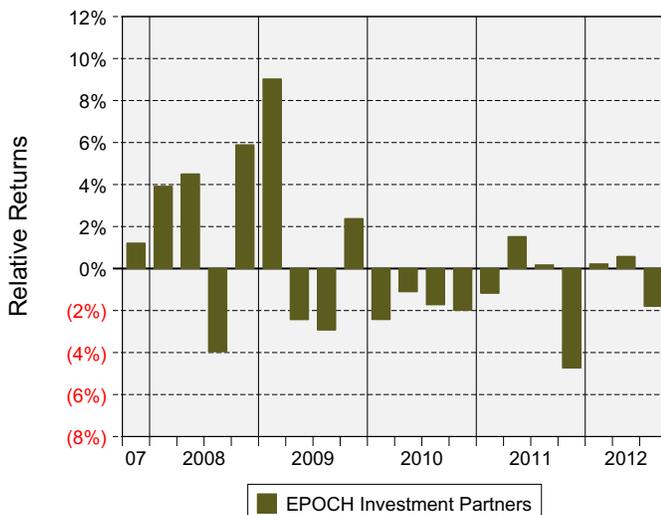


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
EPOCH Investment Partners	4.91	19.94	9.47	8.64	2.17
EPOCH Blended Benchmark	6.71	26.37	13.05	12.08	0.45

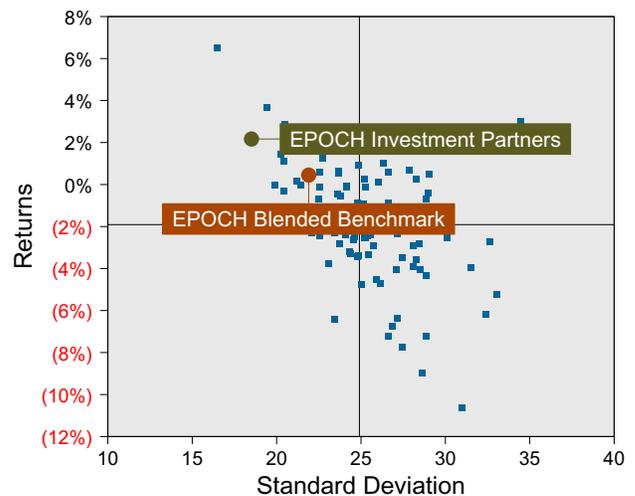
EPOCH Investment Partners ●

EPOCH Blended Benchmark ▲

Relative Returns vs EPOCH Blended Benchmark



CAI Global Equity Broad Style (Gross) Annualized Five Year Risk vs Return



Calamos Investments

Period Ended September 30, 2012

Investment Philosophy

Calamos utilizes both top down and bottom up analysis. The strategy invests in equity and convertible securities. From a bottom up perspective they believe that to have a thorough understanding of a company they must assess the economic enterprise value of the business. They then look at a company's capital structure and value the equity and equity sensitive securities a company offers. They believe this holistic view of a company, and the fact they are often invested for longer periods than equity only managers, provides them with better levels of due diligence.

Quarterly Summary and Highlights

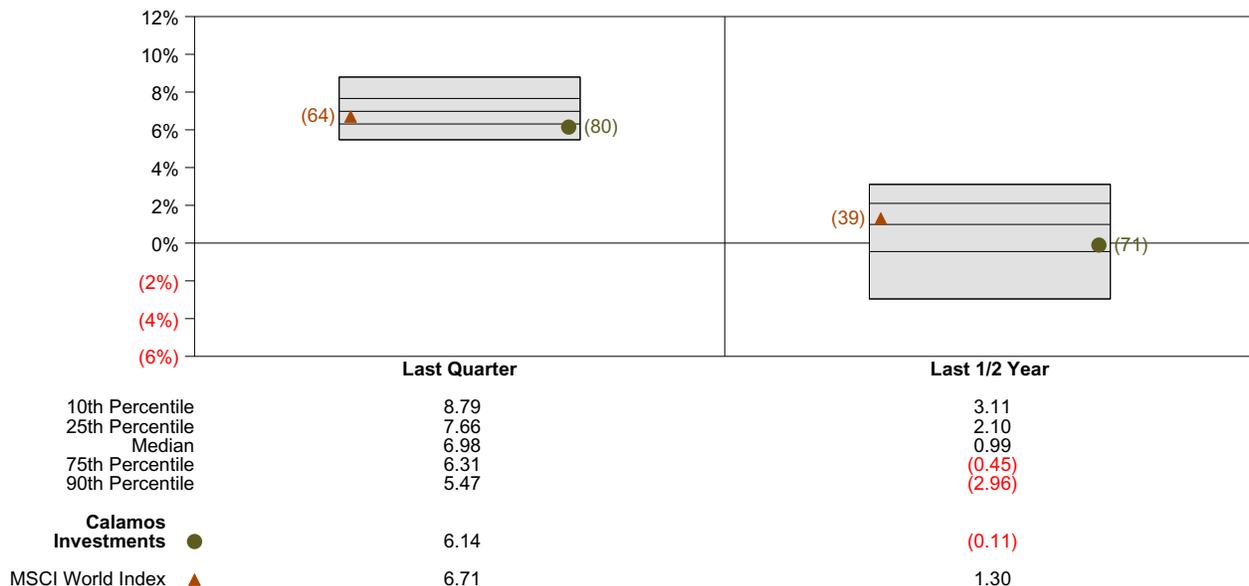
- Calamos Investments's portfolio posted a 6.14% return for the quarter placing it in the 80 percentile of the CAI Global Equity Broad Style group for the quarter and in the 71 percentile for the last one-half year.
- Calamos Investments's portfolio underperformed the MSCI World Index by 0.56% for the quarter and underperformed the MSCI World Index for the one-half year by 1.41%.

Quarterly Asset Growth

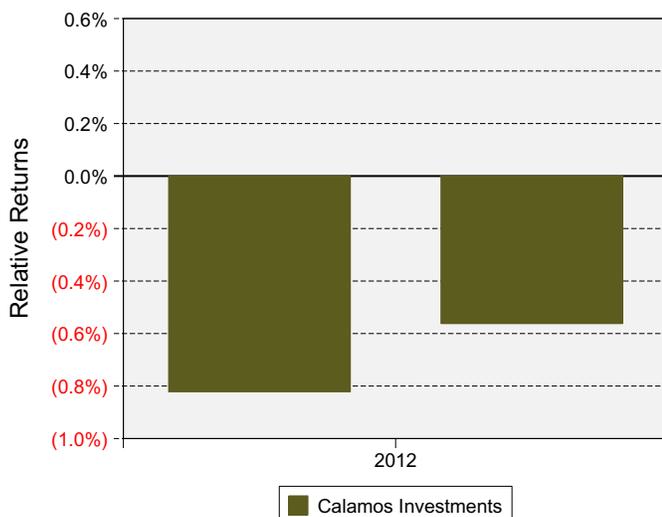
Beginning Market Value	\$50,038,424
Net New Investment	\$-86,988
Investment Gains/(Losses)	\$3,072,601
Ending Market Value	\$53,024,038

Percent Cash: 0.0%

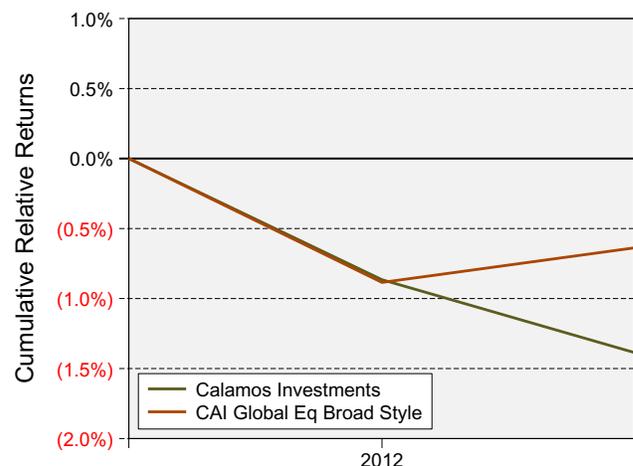
Performance vs CAI Global Equity Broad Style (Gross)



Relative Return vs MSCI World Index



Cumulative Returns vs MSCI World Index



Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2012. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 23-1/2 Years
Private Equity	0.88%	5.68%	12.41%	(0.59%)	9.66%
Brinson Partners Venture II	0.00%	(12.12%)	(6.63%)	14.39%	17.85%
Brinson Partners Venture III	0.00%	3.81%	19.80%	14.51%	-
Adams Street Direct Co-Invest Fd	0.00%	5.82%	19.38%	1.26%	-
Adams Street Direct Fd 2010	0.00%	16.50%	-	-	-
Adams Street 1998 Partnership	1.44%	(13.22%)	(1.61%)	(8.06%)	-
Adams Street 1999 Partnership	3.42%	(2.43%)	7.24%	(0.22%)	-
Adams Street 2000 Partnership	2.43%	9.34%	13.81%	3.43%	-
Adams Street 2001 Partnership	(0.22%)	4.68%	11.38%	1.11%	-
Adams Street 2002 Partnership	(0.29%)	12.08%	19.89%	2.18%	-
Adams Street 2003 Partnership	(0.58%)	(6.32%)	8.66%	(0.27%)	-
Adams Street 2010 Partnership	1.41%	10.38%	-	-	-
Adams Street 2008 Fund	3.75%	(4.36%)	5.40%	-	-
Adams Street 1999 Non-US	9.24%	8.85%	19.14%	8.16%	-
Adams Street 2000 Non-US	0.03%	(3.46%)	9.49%	0.80%	-
Adams Street 2001 Non-US	(3.59%)	(17.21%)	0.47%	(9.30%)	-
Adams Street 2002 Non-US	2.74%	(0.12%)	12.45%	(2.87%)	-
Adams Street 2003 Non-US	9.23%	(3.45%)	16.42%	5.39%	-
Adams Street 2004 Non-US	1.53%	(6.84%)	7.57%	(0.31%)	-
Adams Street 2010 Non-US	3.38%	1.32%	-	-	-
Adams Street 2010 NonUS Em	(0.62%)	(20.55%)	-	-	-
Adams Street US 2010	1.41%	10.38%	-	-	-
Adams Street BVCF IV Fund	0.00%	48.26%	90.44%	41.58%	-
Coral Partners V	0.00%	12.85%	75.48%	38.97%	-
Coral Partner VI	(5.18%)	(0.93%)	(14.50%)	(22.75%)	-
Coral Partners Technology Fund	0.00%	(58.37%)	(4.60%)	(14.84%)	-
CorsAir III	(0.60%)	(1.69%)	2.09%	2.37%	-
ND Investors	0.00%	5.30%	1.06%	-	-
CorsAir IV	(1.20%)	(16.57%)	-	-	-
Capital International V	(0.47%)	(2.98%)	15.87%	3.07%	-
Capital International VI	(2.95%)	-	-	-	-
TCW Energy Fund XIV	0.42%	6.75%	12.61%	13.32%	-
Lewis & Clark	0.00%	6.14%	10.20%	4.78%	-
Lewis & Clark II	0.00%	(3.26%)	(10.62%)	-	-
Quantum Energy Partners	(2.37%)	28.20%	17.98%	7.14%	-
Quantum Resources	21.08%	22.65%	14.61%	(46.52%)	-
Matlin Patterson I	24.07%	*****%	4518.96%	822.93%	-
Matlin Patterson II	0.00%	(79.11%)	(55.09%)	(45.08%)	-
Matlin Patterson III	0.00%	124.18%	36.74%	9.13%	-
Russell 1000 Index	6.31%	30.06%	13.27%	1.22%	9.47%
Russell 2000 Index	5.25%	31.91%	12.99%	2.21%	8.92%

Bank of North Dakota Period Ended September 30, 2012

Investment Philosophy

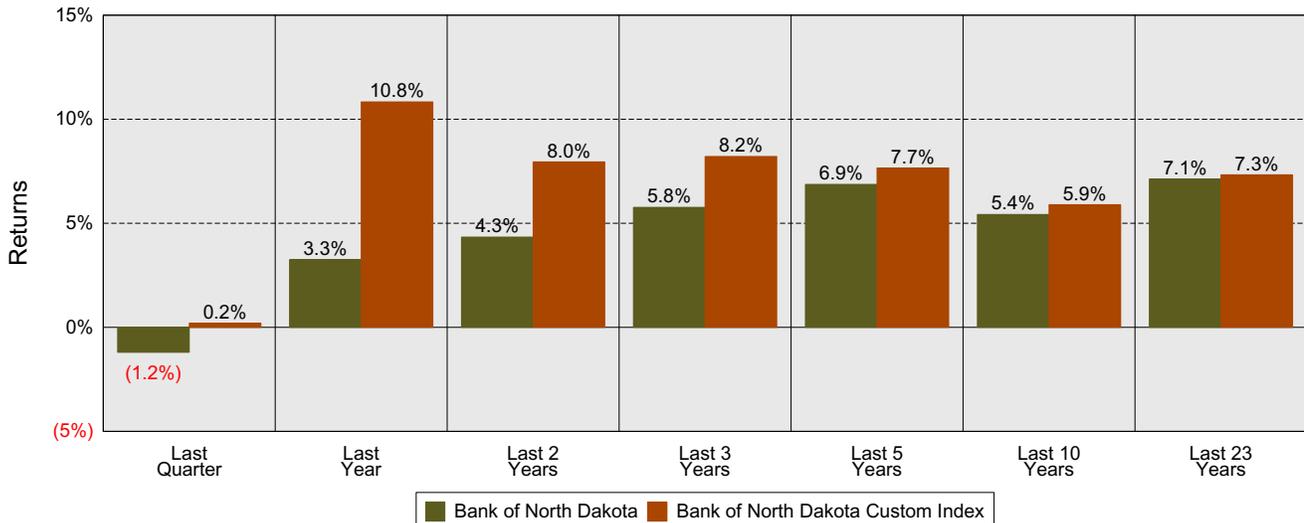
The Bank of North Dakota (BND) uses a passive management style designed to replicate the Barclays Government/Corporate Bond Index. In order to accomplish this objective, BND utilizes optimization software that allows us to monitor several portfolio and individual security constraints (duration, yield, convexity, credit quality and issue size). The Custom Index represents the Barclays Gov/Credit Bond Idx through 12/31/2011, then the Barclays Government Index through 3/31/2012, and the Barclays Treasury Long Idx thereafter.

Quarterly Summary and Highlights

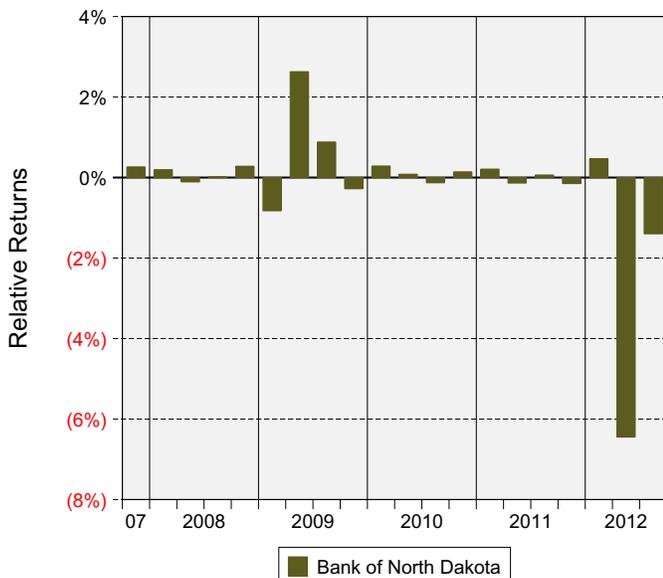
- Bank of North Dakota's portfolio underperformed the Bank of North Dakota Custom Index by 1.40% for the quarter and underperformed the Bank of North Dakota Custom Index for the year by 7.58%.

Quarterly Asset Growth

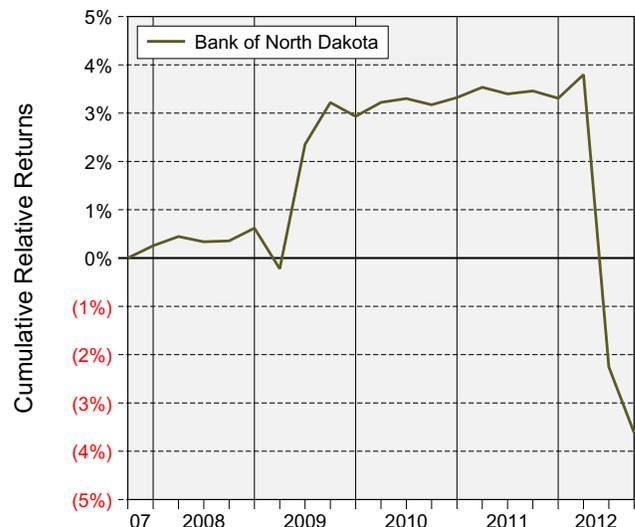
Beginning Market Value	\$49,421,998
Net New Investment	\$-8,620
Investment Gains/(Losses)	\$-592,755
Ending Market Value	\$48,820,623



Relative Returns vs Bank of North Dakota Custom Index



Cumulative Returns vs Bank of North Dakota Custom Index



PIMCO DiSCO II

Period Ended September 30, 2012

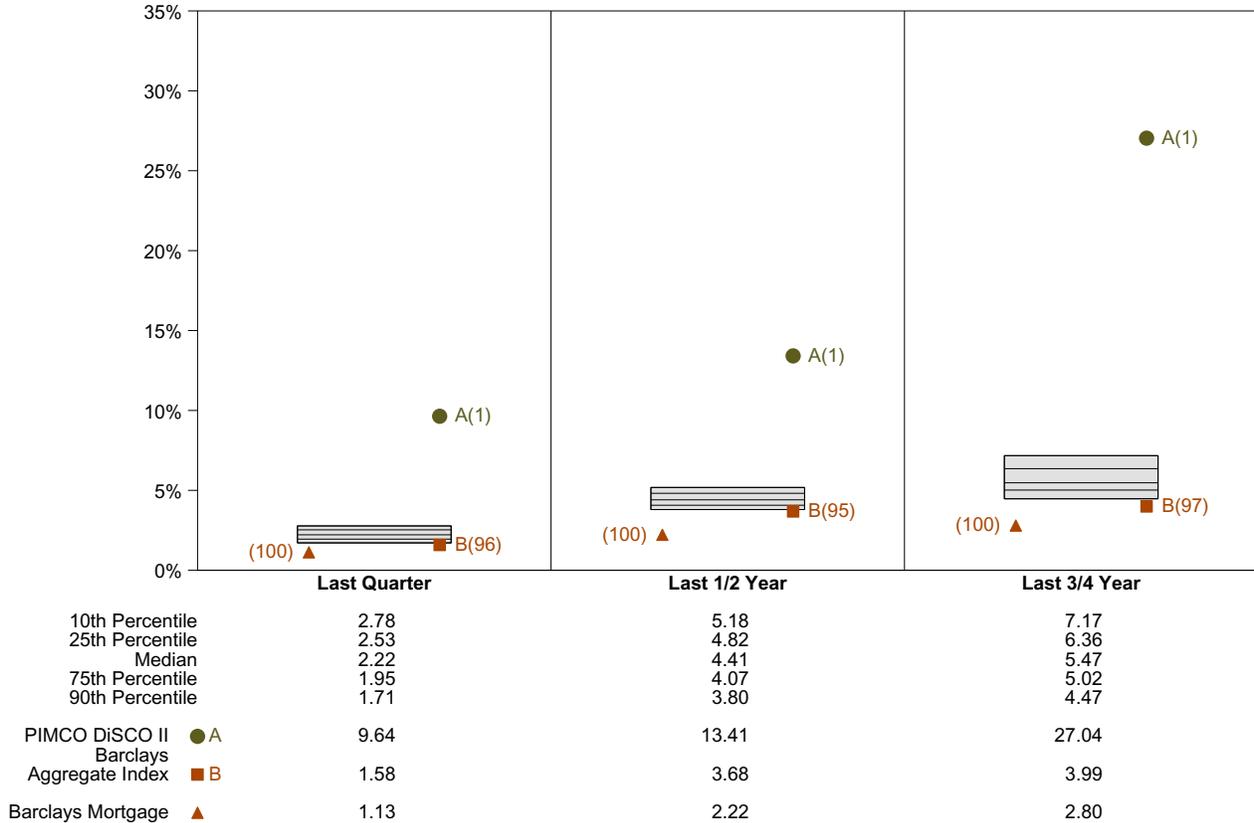
Quarterly Summary and Highlights

- PIMCO DiSCO II's portfolio posted a 9.64% return for the quarter placing it in the 1 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 1 percentile for the last three-quarter year.
- PIMCO DiSCO II's portfolio outperformed the Barclays Mortgage by 8.51% for the quarter and outperformed the Barclays Mortgage for the three-quarter year by 24.24%.

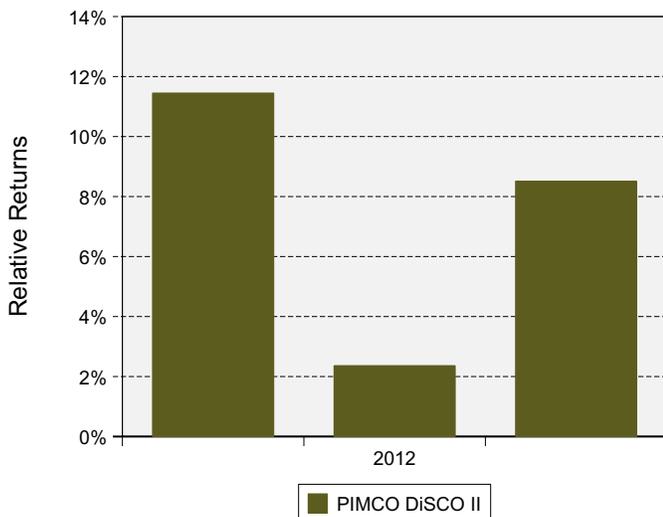
Quarterly Asset Growth

Beginning Market Value	\$78,462,373
Net New Investment	\$0
Investment Gains/(Losses)	\$7,562,020
Ending Market Value	\$86,024,393

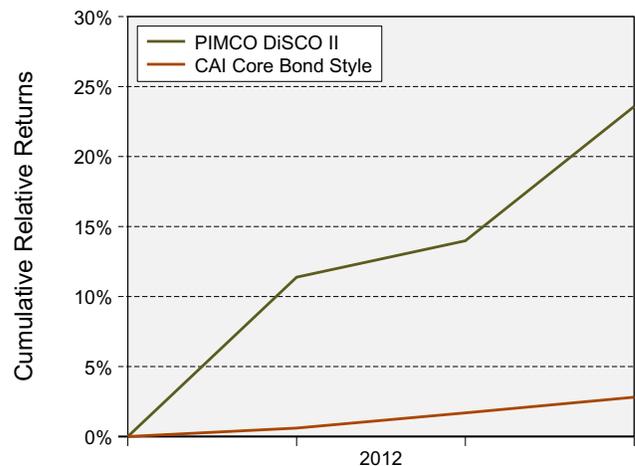
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Western Asset Management Company
Period Ended September 30, 2012

Investment Philosophy

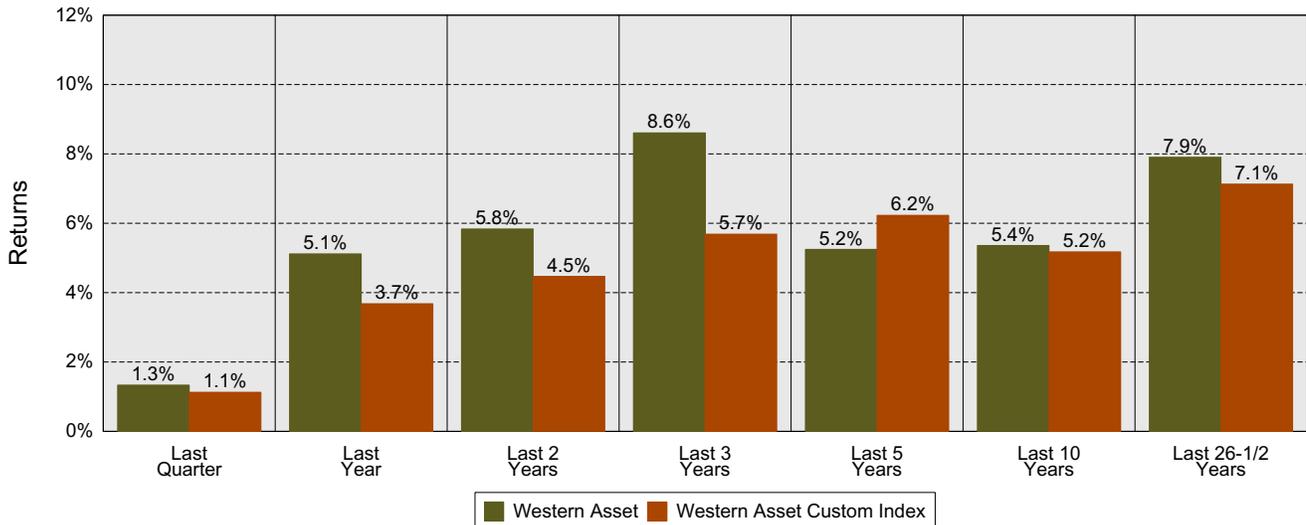
The investment objective for the Western Asset Mortgage-Backed Securities portfolio is to outperform the Barclays Capital US Mortgage Backed Securities Index over a three to five year market cycle. The portfolio is designed to hold high quality assets, with at least 90% of the portfolio rated AAA, or the rating of US Treasury or Agency securities, by at least one of the nationally recognized statistical rating organizations. The Custom Index represents the Barclays Aggregate Index through 03/31/2012, and the Barclays Mortgage Index thereafter.

Quarterly Summary and Highlights

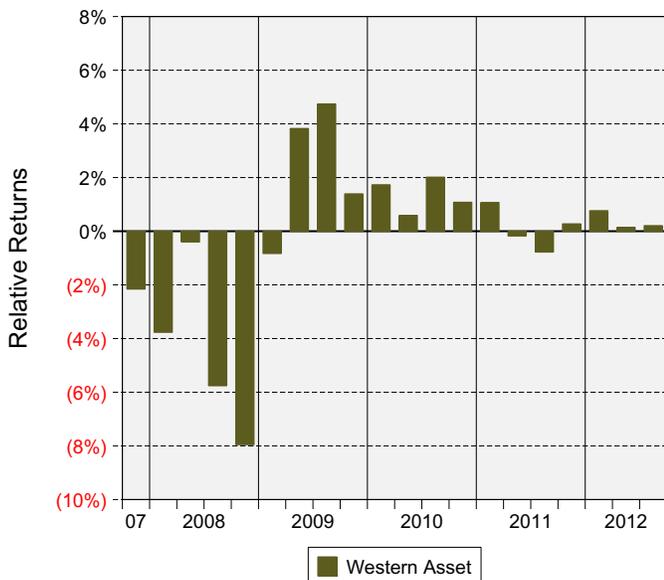
- Western Asset's portfolio outperformed the Western Asset Custom Index by 0.21% for the quarter and outperformed the Western Asset Custom Index for the year by 1.44%.

Quarterly Asset Growth

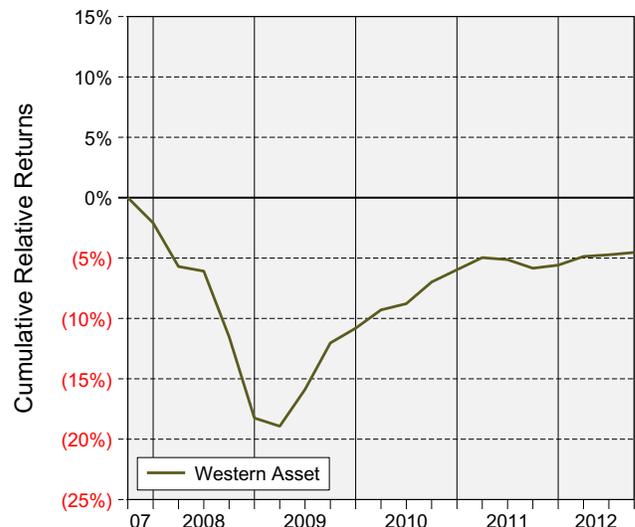
Beginning Market Value	\$99,903,659
Net New Investment	\$-45,303
Investment Gains/(Losses)	\$1,332,191
Ending Market Value	\$101,190,547



Relative Returns vs Western Asset Custom Index



Cumulative Returns vs Western Asset Custom Index



PIMCO Unconstrained Period Ended September 30, 2012

Investment Philosophy

The PIMCO Unconstrained Bond Strategy is an absolute return-oriented, investment grade quality fixed income strategy that embodies PIMCO's secular thinking, global themes, and integrated investment process without the constraints of a benchmark or significant sector/instrument limitations. The strategy is designed to offer the traditional benefits of a core bond portfolio seeks maximum long-term return consistent with capital preservation and prudent management but with higher potential alpha and the potential to mitigate downside risk to a greater degree than what is reasonably possible from traditional active fixed income management approaches as the strategy allows for more manager discretion to adjust duration exposure, allocate across sectors and otherwise express the firm's active views. The strategy is governed by PIMCO's investment philosophy and unique, disciplined secular investment process, which focuses on long-term economic, social and political trends that may have lasting impacts on investment returns. Moreover, over shorter cyclical time frames, the unconstrained nature of the strategy allows PIMCO to take on more risk when tactical opportunities are identified, and it allows for reduction and diversification of risk at times when the outlook may be more challenging for traditional fixed income benchmarks.

Quarterly Summary and Highlights

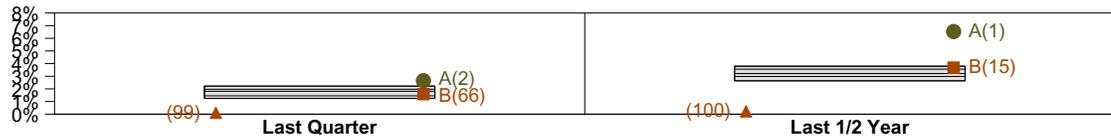
- PIMCO Unconstrained's portfolio posted a 2.65% return for the quarter placing it in the 2 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 1 percentile for the last one-half year.
- PIMCO Unconstrained's portfolio outperformed the Libor-3 Month by 2.54% for the quarter and outperformed the Libor-3 Month for the one-half year by 6.30%.

Quarterly Asset Growth

Beginning Market Value	\$67,901,855
Net New Investment	\$0
Investment Gains/(Losses)	\$1,798,106
Ending Market Value	\$69,699,961

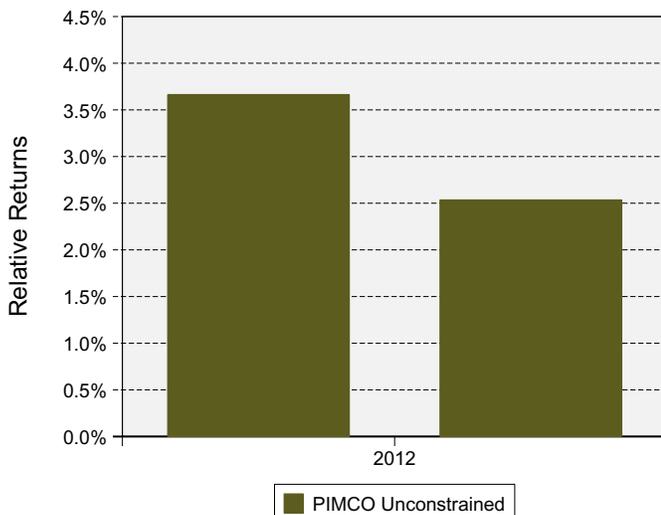
Percent Cash: 0.0%

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

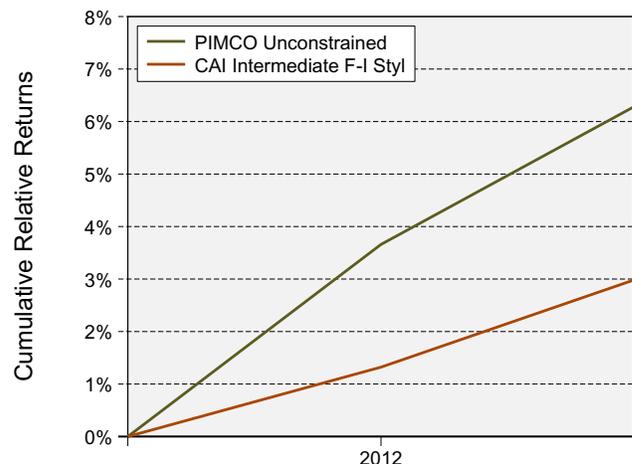


	Last Quarter	Last 1/2 Year
10th Percentile	2.22	3.80
25th Percentile	1.97	3.56
Median	1.81	3.22
75th Percentile	1.45	2.98
90th Percentile	1.25	2.64
PIMCO Unconstrained	2.65	6.53
Barclays Aggregate Index	1.58	3.68
Libor-3 Month	0.11	0.23

Relative Return vs Libor-3 Month



Cumulative Returns vs Libor-3 Month



PIMCO MBS

Period Ended September 30, 2012

Quarterly Summary and Highlights

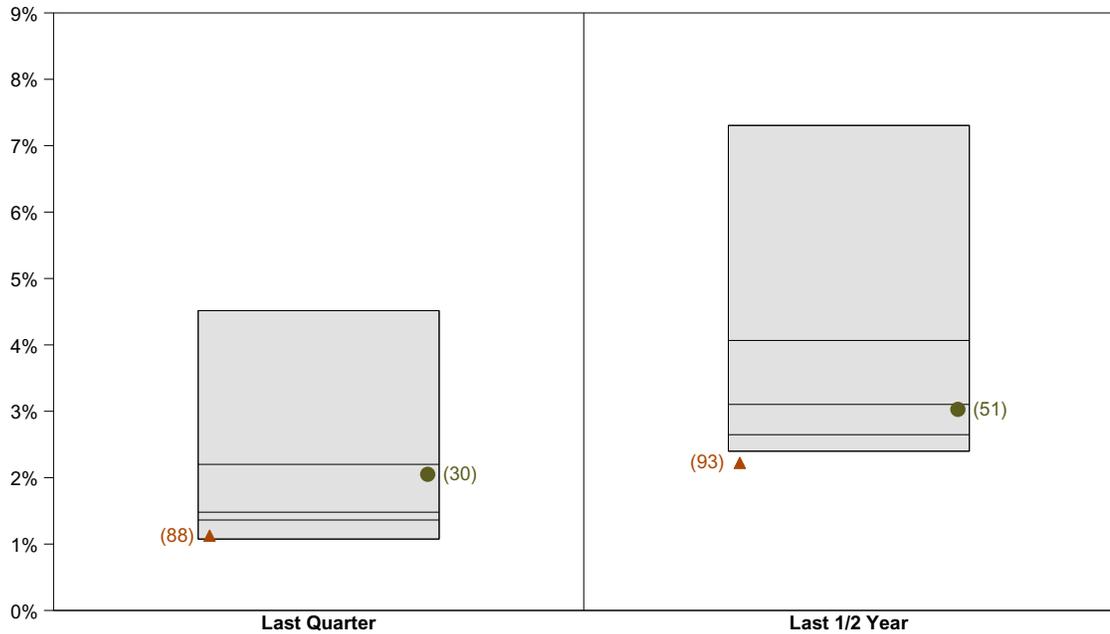
- PIMCO MBS's portfolio posted a 2.05% return for the quarter placing it in the 30 percentile of the CAI Mtg-Backed FI Style group for the quarter and in the 51 percentile for the last one-half year.
- PIMCO MBS's portfolio outperformed the Barclays Mortgage by 0.92% for the quarter and outperformed the Barclays Mortgage for the one-half year by 0.81%.

Quarterly Asset Growth

Beginning Market Value	\$146,632,811
Net New Investment	\$-64,275
Investment Gains/(Losses)	\$3,006,553
Ending Market Value	\$149,575,089

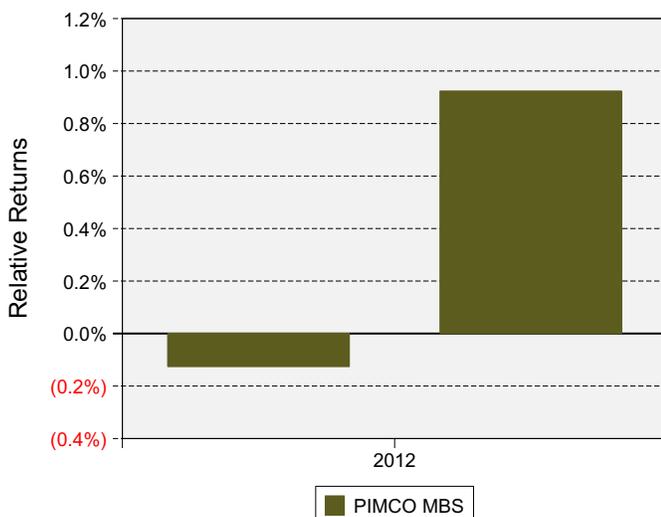
Percent Cash: 0.0%

Performance vs CAI Mtg-Backed FI Style (Gross)

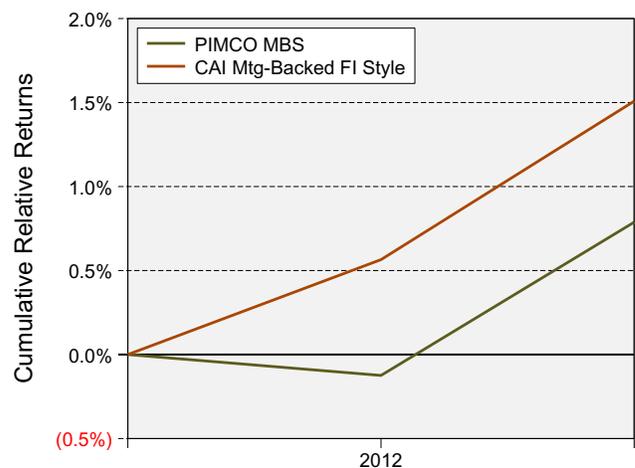


10th Percentile	4.51	7.31
25th Percentile	2.20	4.07
Median	1.48	3.10
75th Percentile	1.36	2.65
90th Percentile	1.08	2.40
PIMCO MBS	2.05	3.03
Barclays Mortgage	1.13	2.22

Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Declaration Total Return Period Ended September 30, 2012

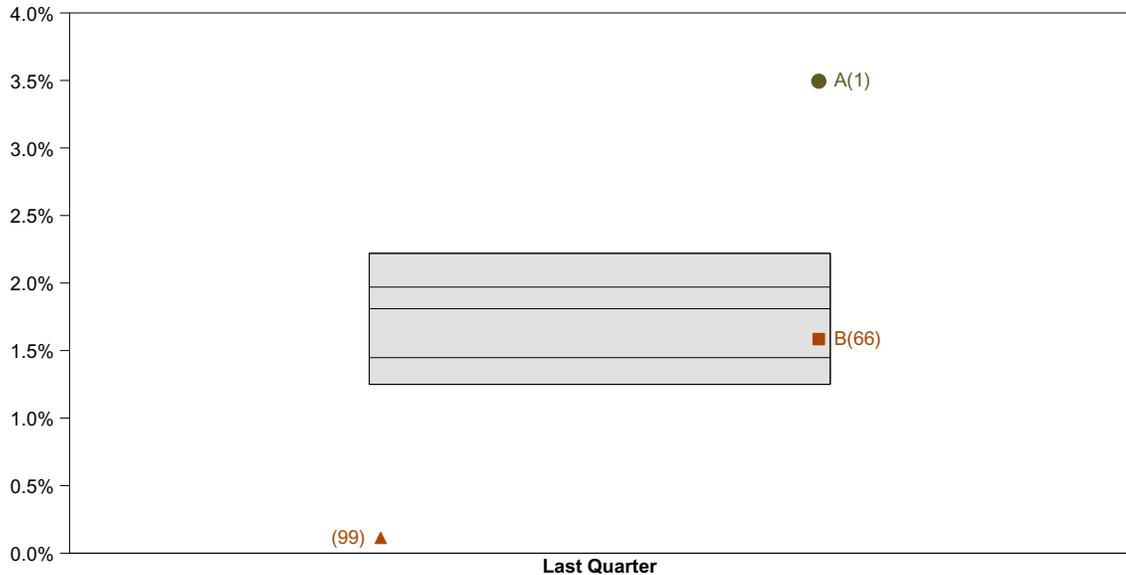
Quarterly Summary and Highlights

- Declaration Total Return's portfolio posted a 3.49% return for the quarter placing it in the 1 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter.
- Declaration Total Return's portfolio outperformed the Libor-3 Month by 3.38% for the quarter.

Quarterly Asset Growth

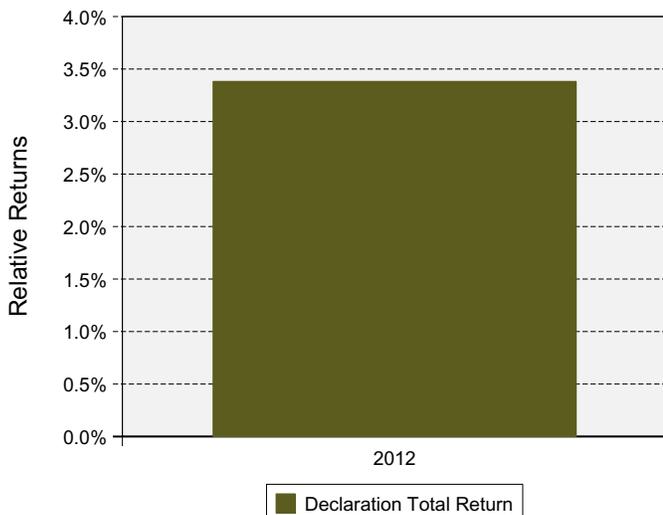
Beginning Market Value	\$54,841,865
Net New Investment	\$0
Investment Gains/(Losses)	\$1,916,382
Ending Market Value	\$56,758,247

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

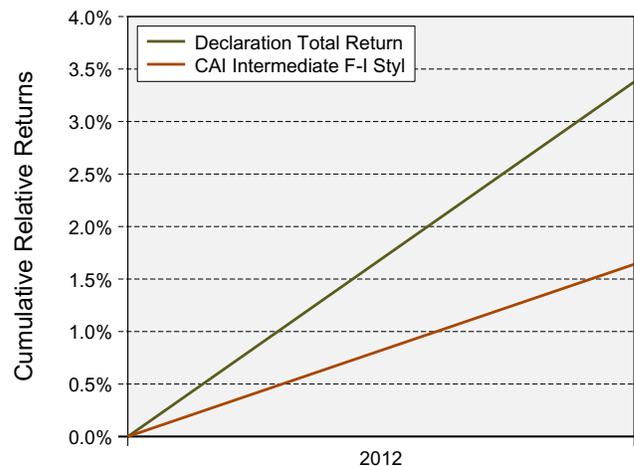


10th Percentile	2.22
25th Percentile	1.97
Median	1.81
75th Percentile	1.45
90th Percentile	1.25
Declaration Total Return	3.49
Barclays Aggregate Index	1.58
Libor-3 Month	0.11

Relative Return vs Libor-3 Month



Cumulative Returns vs Libor-3 Month



Goldman Sachs 2006 Offshore Period Ended September 30, 2012

Investment Philosophy

GS Mezzanine Partners seeks large-sized mezzanine investments comprised generally of fixed income securities and an associated equity component. They focus on providing private high yield capital for mid- to large-sized leveraged and management buyout transactions, recapitalizations, financings, re-financings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers.

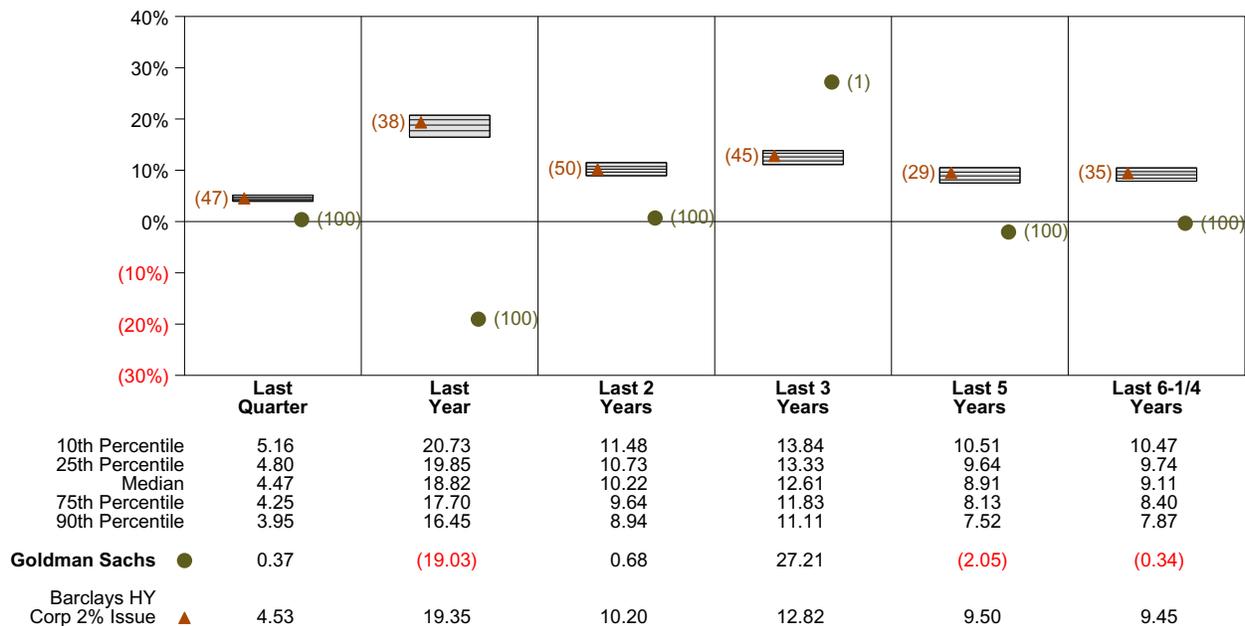
Quarterly Summary and Highlights

- Goldman Sachs's portfolio posted a 0.37% return for the quarter placing it in the 100 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 100 percentile for the last year.
- Goldman Sachs's portfolio underperformed the Barclays HY Corp 2% Issue by 4.16% for the quarter and underperformed the Barclays HY Corp 2% Issue for the year by 38.39%.

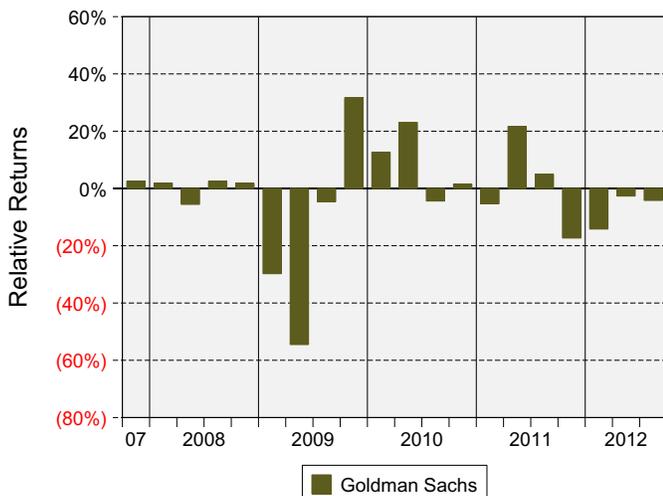
Quarterly Asset Growth

Beginning Market Value	\$4,215,000
Net New Investment	\$0
Investment Gains/(Losses)	\$15,713
Ending Market Value	\$4,230,713

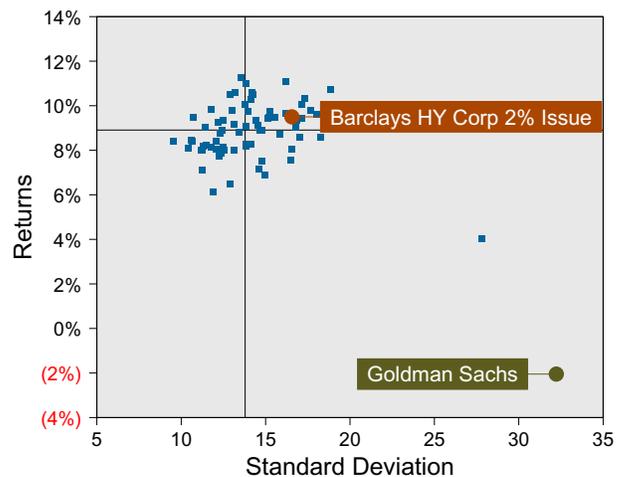
Performance vs CAI High Yield Fixed-Inc Style (Gross)



Relative Return vs Barclays HY Corp 2% Issue



CAI High Yield Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



Goldman Sachs Offshore Fund V Period Ended September 30, 2012

Investment Philosophy

GS Mezzanine Partners seeks large-sized mezzanine investments comprised generally of fixed income securities and an associated equity component. They focus on providing private high yield capital for mid- to large-sized leveraged and management buyout transactions, recapitalizations, financings, re-financings, acquisitions and restructurings for private equity firms, private family companies and corporate issuers.

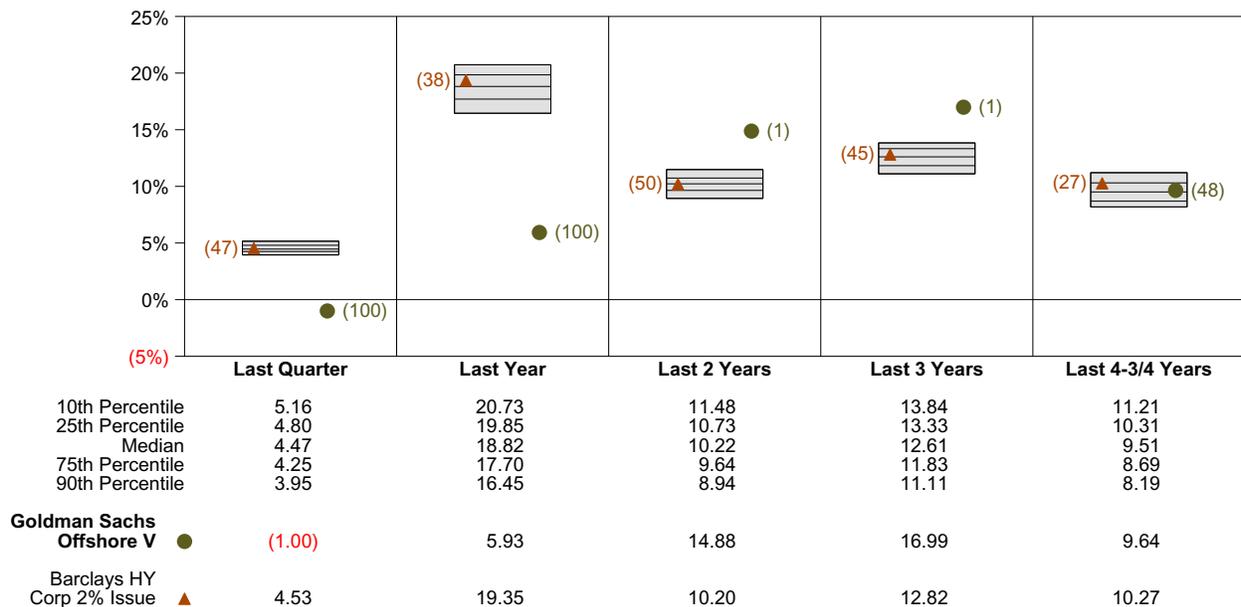
Quarterly Summary and Highlights

- Goldman Sachs Offshore V's portfolio posted a (1.00)% return for the quarter placing it in the 100 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 100 percentile for the last year.
- Goldman Sachs Offshore V's portfolio underperformed the Barclays HY Corp 2% Issue by 5.53% for the quarter and underperformed the Barclays HY Corp 2% Issue for the year by 13.42%.

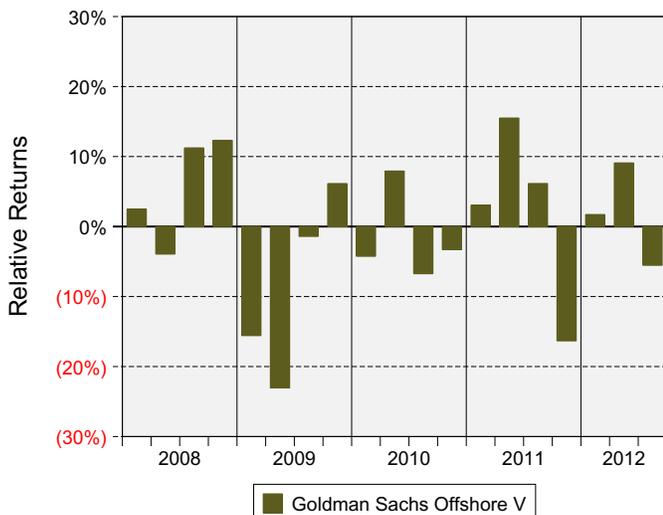
Quarterly Asset Growth

Beginning Market Value	\$10,362,000
Net New Investment	\$-212,052
Investment Gains/(Losses)	\$-103,983
Ending Market Value	\$10,045,965

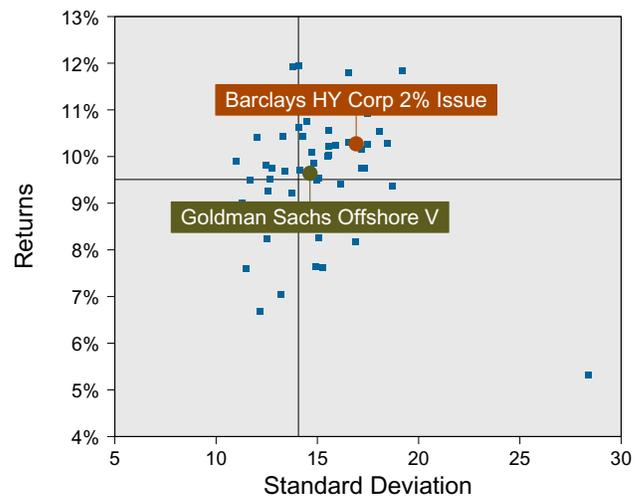
Performance vs CAI High Yield Fixed-Inc Style (Gross)



Relative Return vs Barclays HY Corp 2% Issue



CAI High Yield Fixed-Inc Style (Gross) Annualized Four and Three-Quarter Year Risk vs Return



Loomis Sayles

Period Ended September 30, 2012

Investment Philosophy

The High Yield Full Discretion Strategy seeks to identify attractive sectors and specific investment opportunities primarily within the global fixed income market through a global economic and interest rate framework. Portfolio managers incorporate a long-term macroeconomic view along with a stringent bottom-up investment evaluation process that drives security selection and resulting sector allocations. Opportunistic investments in non-benchmark sectors including investment grade corporate, emerging market, and non-US dollar debt and convertible bonds help to manage overall portfolio risk and enhance total return potential.

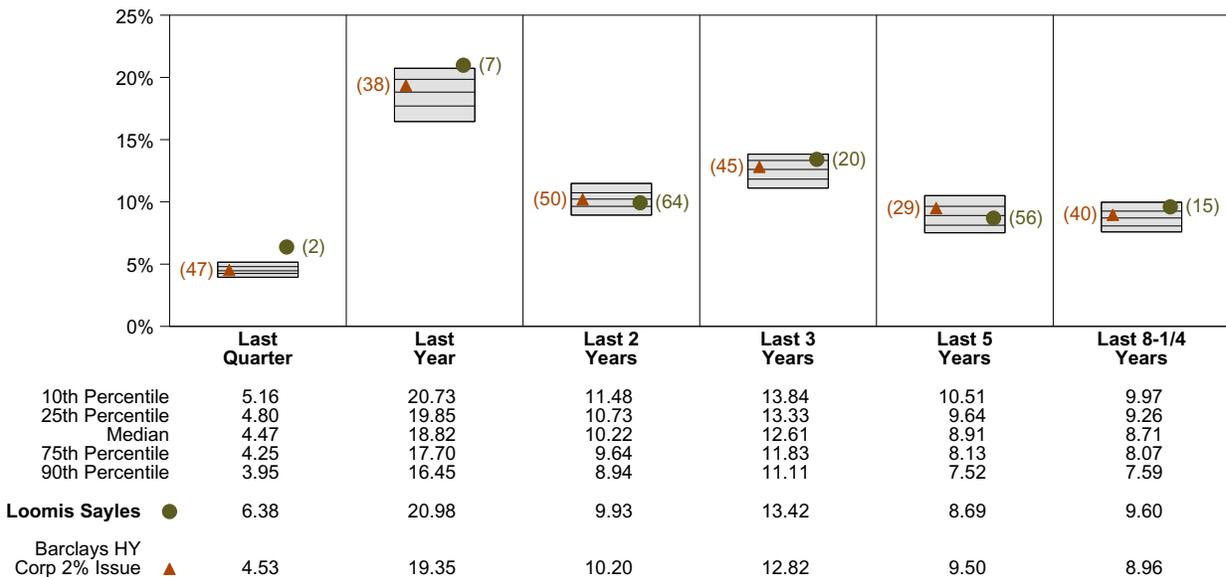
Quarterly Summary and Highlights

- Loomis Sayles's portfolio posted a 6.38% return for the quarter placing it in the 2 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 7 percentile for the last year.
- Loomis Sayles's portfolio outperformed the Barclays HY Corp 2% Issue by 1.85% for the quarter and outperformed the Barclays HY Corp 2% Issue for the year by 1.63%.

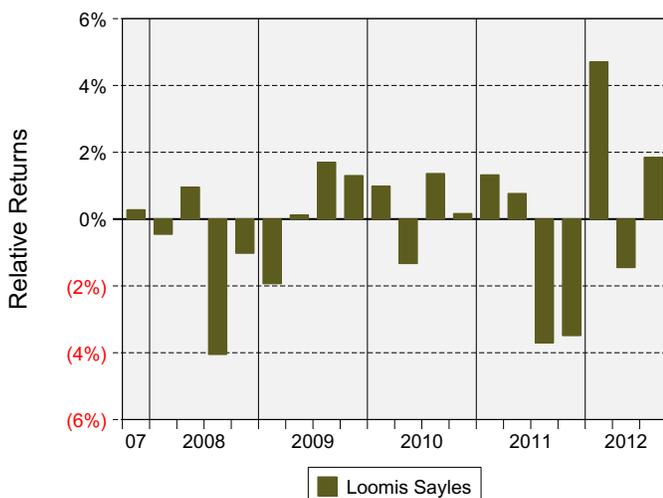
Quarterly Asset Growth

Beginning Market Value	\$156,186,263
Net Investment	\$-195,172
Investment Gains/(Losses)	\$9,953,743
Ending Market Value	\$165,944,835

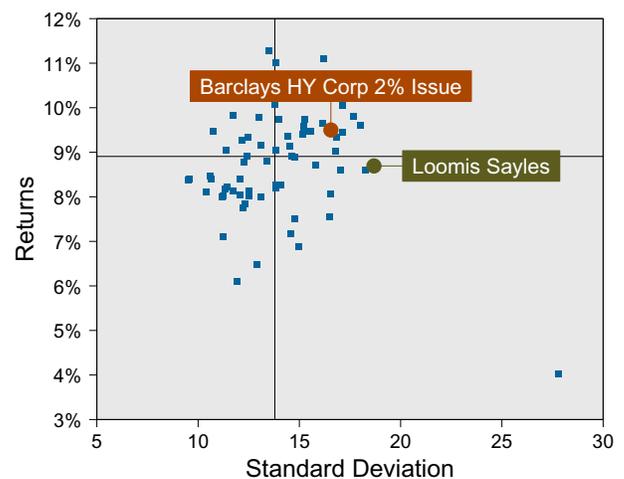
Performance vs CAI High Yield Fixed-Inc Style (Gross)



Relative Return vs Barclays HY Corp 2% Issue



CAI High Yield Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



UBS Global Asset Management Period Ended September 30, 2012

Investment Philosophy

UBS Global Asset Management's non-US fixed income portfolio's assets are invested in emerging markets debt on an opportunistic basis up to the stated maximum allocation of 5%. The account's non-US fixed income assets will be fully-invested at all times, but such assets may be invested in the UBS US Cash Management Prime Collective Fund for operational and risk management purposes. *The UBS Blended Benchmark is comprised of the Citigroup Non-US Govt Index through 12/31/2009, and the BC Global Aggregate ex-US Index thereafter.

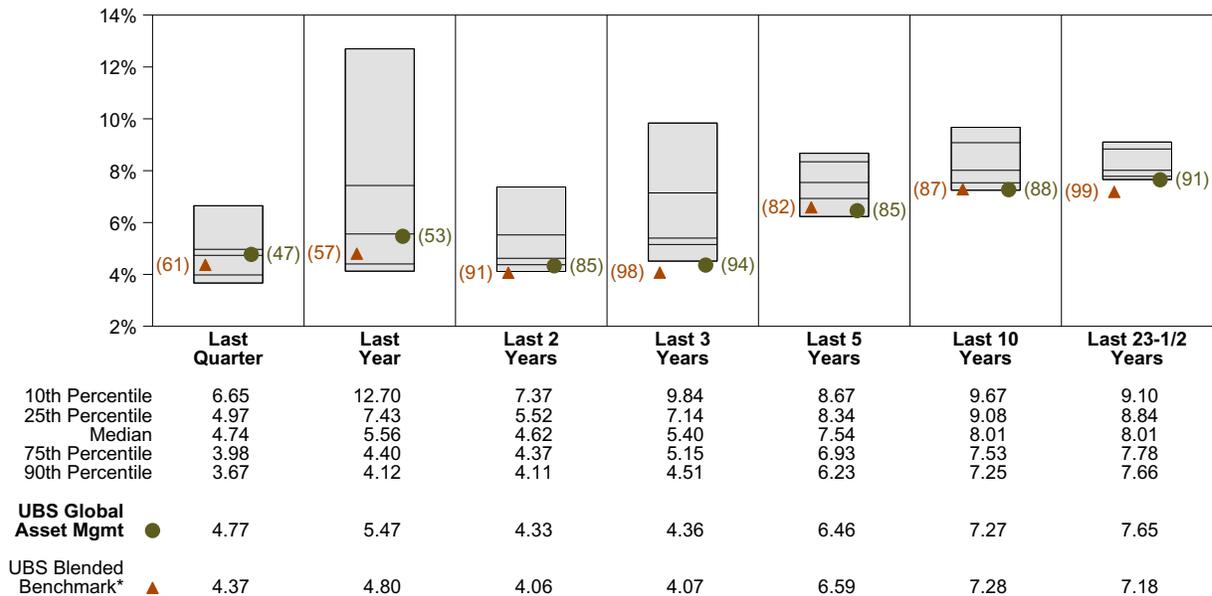
Quarterly Summary and Highlights

- UBS Global Asset Mgmt's portfolio posted a 4.77% return for the quarter placing it in the 47 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 53 percentile for the last year.
- UBS Global Asset Mgmt's portfolio outperformed the UBS Blended Benchmark* by 0.40% for the quarter and outperformed the UBS Blended Benchmark* for the year by 0.67%.

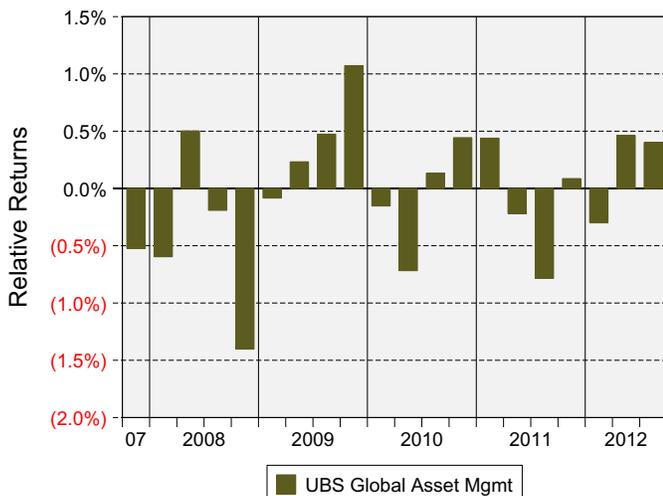
Quarterly Asset Growth

Beginning Market Value	\$94,744,089
Net New Investment	\$-63,672
Investment Gains/(Losses)	\$4,518,072
Ending Market Value	\$99,198,489

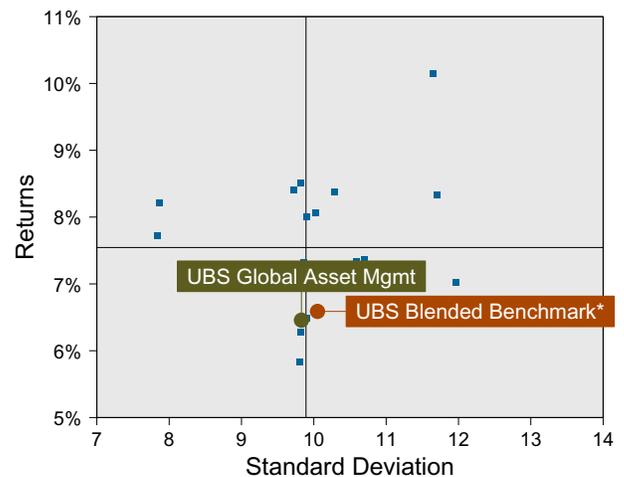
Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)



Relative Return vs UBS Blended Benchmark*



CAI Non-U.S. Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



Brandywine Asset Management Period Ended September 30, 2012

Investment Philosophy

Brandywine engages in a disciplined, active, value-driven, strategic approach. Their investment strategy concentrates on top-down analysis of macro-economic conditions in order to determine where the most attractive valuations exist. Specifically, they invest in bonds with the highest real yields globally. They manage currency to protect principal and increase returns, patiently rotated among countries and attempt to control risk by purchasing undervalued securities.

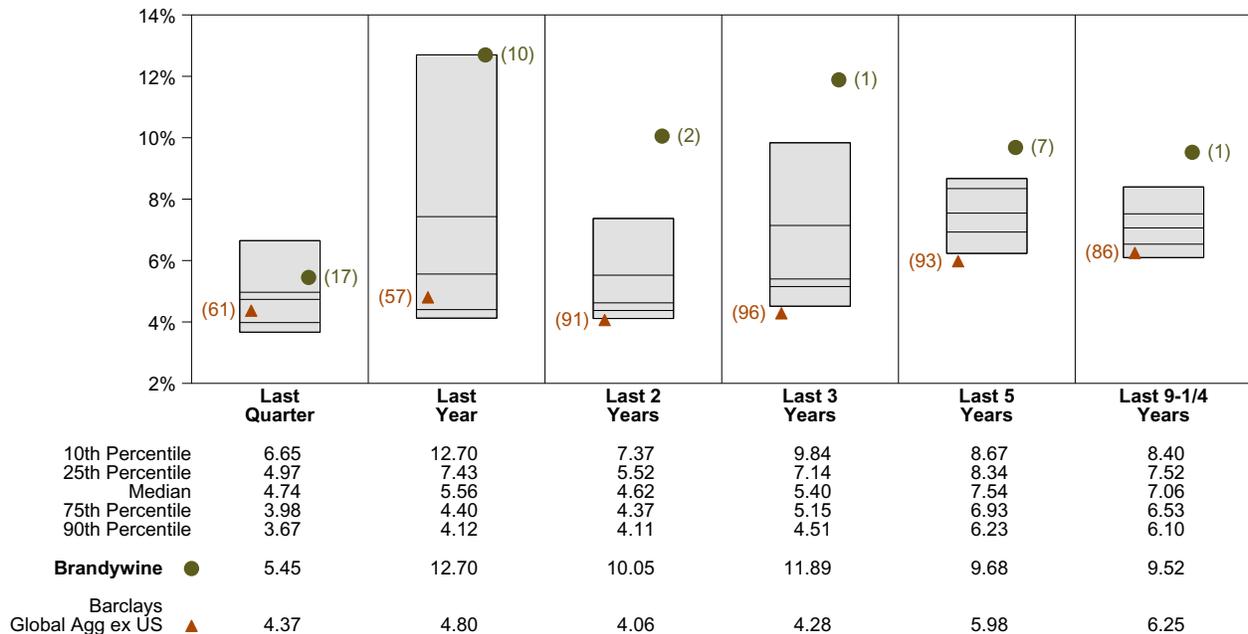
Quarterly Summary and Highlights

- Brandywine's portfolio posted a 5.45% return for the quarter placing it in the 17 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 10 percentile for the last year.
- Brandywine's portfolio outperformed the Barclays Global Agg ex US by 1.08% for the quarter and outperformed the Barclays Global Agg ex US for the year by 7.90%.

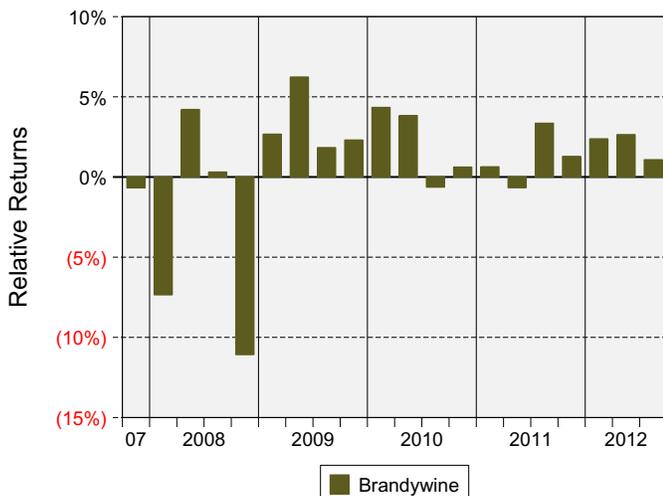
Quarterly Asset Growth

Beginning Market Value	\$97,224,773
Net New Investment	\$-101,114
Investment Gains/(Losses)	\$5,295,249
Ending Market Value	\$102,418,908

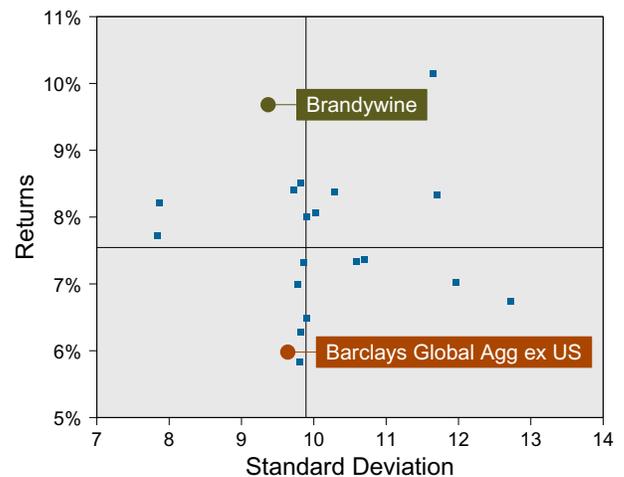
Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)



Relative Return vs Barclays Global Agg ex US



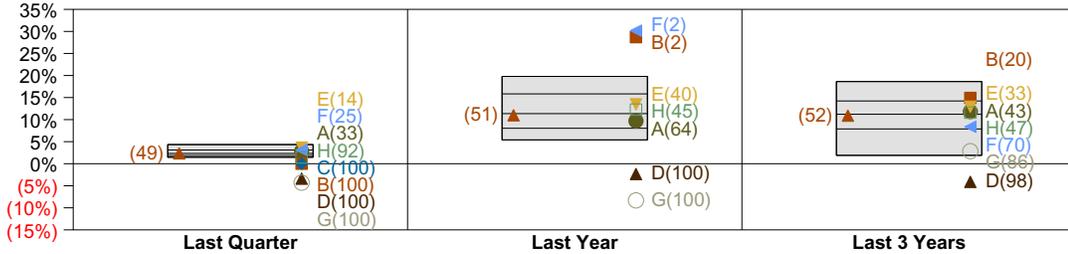
CAI Non-U.S. Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



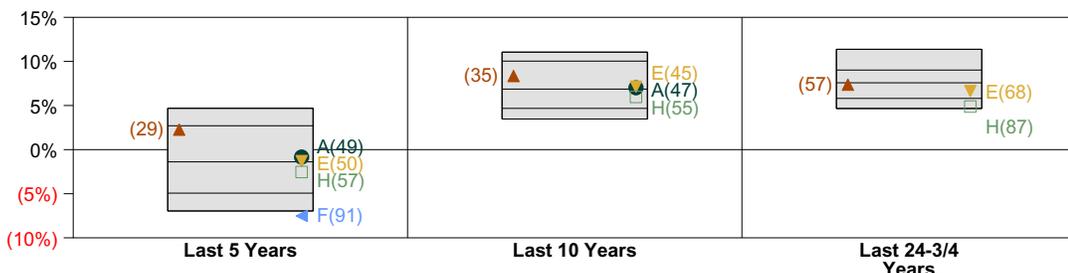
North Dakota State Investment Board Pension Funds Performance vs Total Real Estate DB Periods Ended September 30, 2012

Return Ranking

The chart below illustrates fund rankings over various periods versus the Total Real Estate DB. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the Total Real Estate DB. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



10th Percentile	4.34	19.79	18.63
25th Percentile	3.11	15.83	14.22
Median	2.32	11.36	11.22
75th Percentile	1.86	8.04	7.89
90th Percentile	1.46	5.39	1.89
INVESCO Realty	2.80	9.69	11.83
INVESCO Real Estate II	0.00	28.70	14.91
INVESCO Real Estate III	0.00	-	-
INVESCO Asia	-	-	-
Real Estate	(3.39)	(2.33)	(4.11)
J.P. Morgan Investment	3.65	13.45	12.92
J.P. Morgan Alternative Fd	3.11	30.17	8.37
JP Morgan Greater China Fund	(4.30)	(8.32)	2.84
Total Real Estate	1.42	12.27	11.58
NCREIF Total Index	2.34	11.00	10.90



10th Percentile	4.69	11.05	11.37
25th Percentile	2.70	10.04	9.02
Median	(1.39)	6.86	7.58
75th Percentile	(4.94)	4.68	5.81
90th Percentile	(6.96)	3.47	4.66
INVESCO Realty	(0.85)	7.01	-
INVESCO Real Estate II	-	-	-
INVESCO Real Estate III	-	-	-
INVESCO Asia	-	-	-
Real Estate	-	-	-
J.P. Morgan Investment	(1.30)	7.13	6.63
J.P. Morgan Alternative Fd	(7.52)	-	-
JP Morgan Greater China Fund	-	-	-
Total Real Estate	(2.54)	5.98	4.89
NCREIF Total Index	2.26	8.35	7.37

TIR - TEREDO

Period Ended September 30, 2012

Investment Philosophy

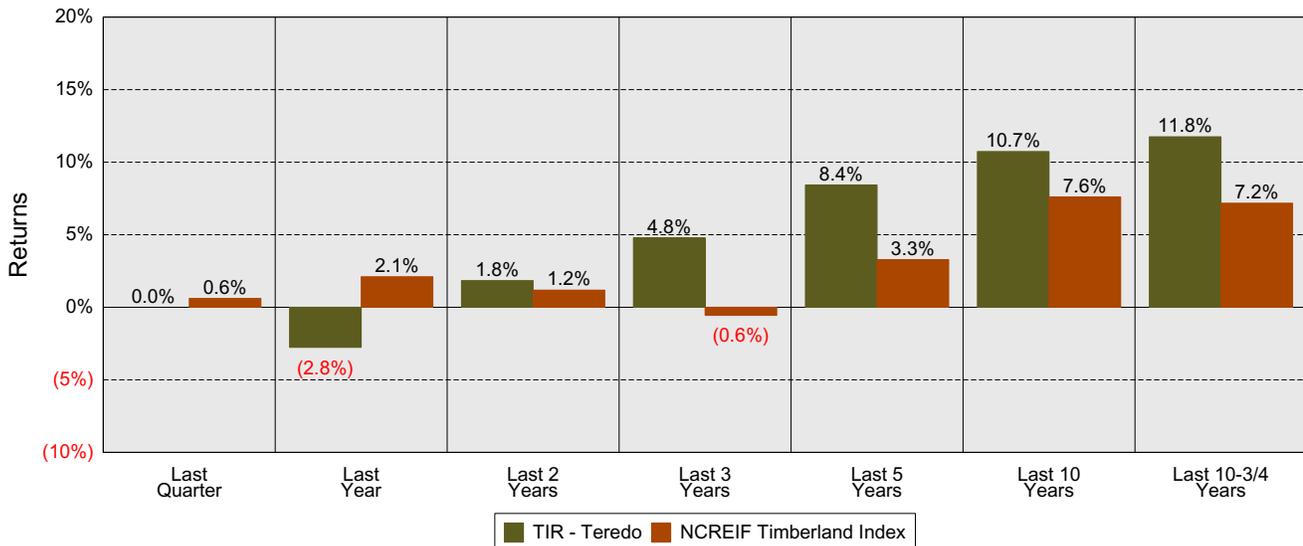
Teredo Timber LLC - The investment objective of Teredo is to provide competitive investment returns from increasing saw timber production through the 20 year term of the partnership. TIR's management strategy is to maximize saw timber volume by applying intensive forest management techniques which accelerate growth through the diameter class distribution. Periodic cash flows are produced from thinning and final harvests of the individual timber stands.

Quarterly Summary and Highlights

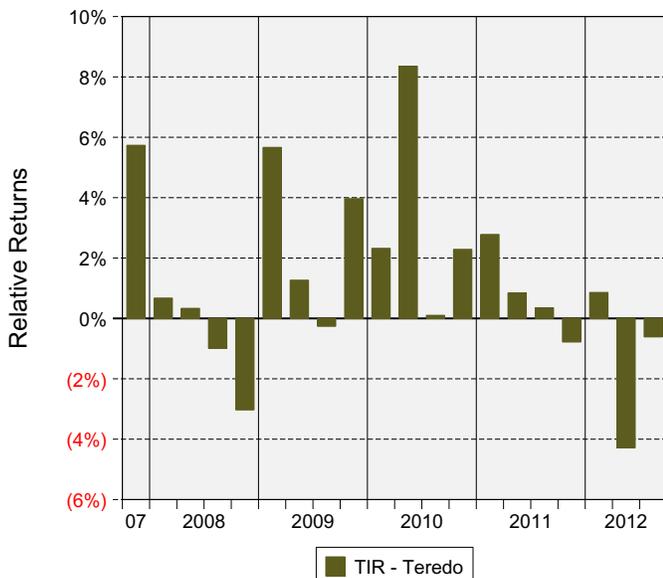
- TIR - Teredo's portfolio posted a 0.00% return for the quarter placing it in the 100 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 100 percentile for the last year.
- TIR - Teredo's portfolio underperformed the NCREIF Timberland Index by 0.61% for the quarter and underperformed the NCREIF Timberland Index for the year by 4.87%.

Quarterly Asset Growth

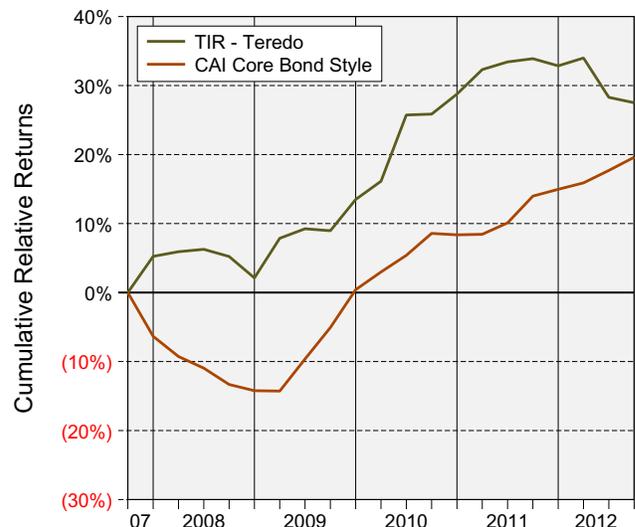
Beginning Market Value	\$76,936,495
Net New Investment	\$-2,500,000
Investment Gains/(Losses)	\$0
Ending Market Value	\$74,436,495



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



TIR - SPRINGBANK

Period Ended September 30, 2012

Investment Philosophy

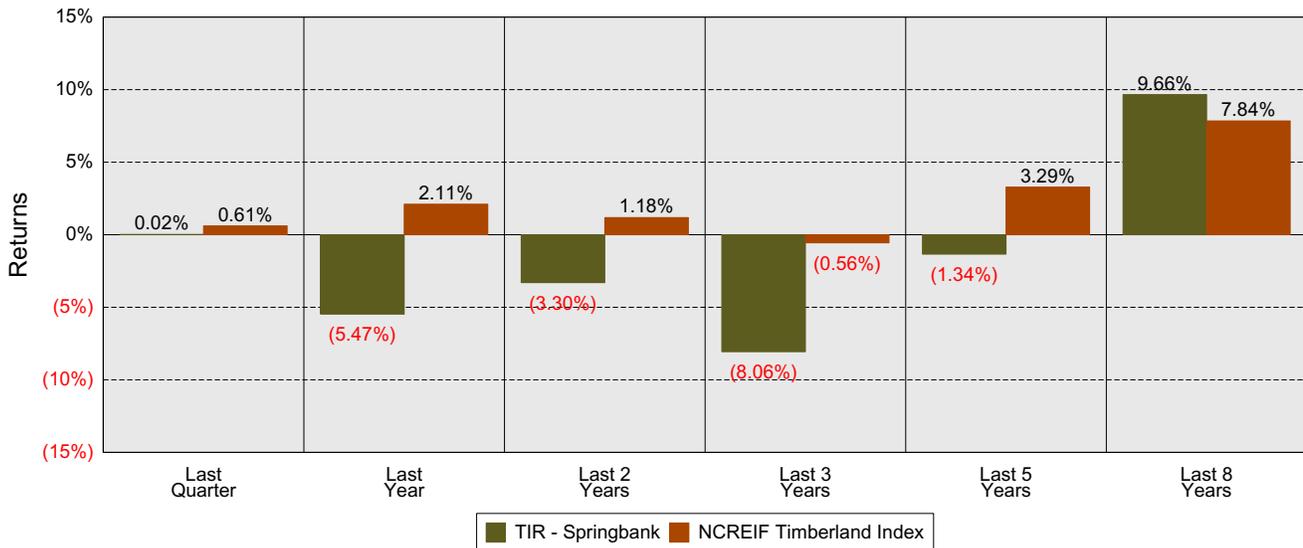
Springbank LLC - The investment objective of Springbank is to maximize long-term investment potential by means of the formation of a dedicated land management group, intensive timber management to increase timber production, the coordination of timber harvesting with land management activities and direct marketing and selective real estate partnerships.

Quarterly Summary and Highlights

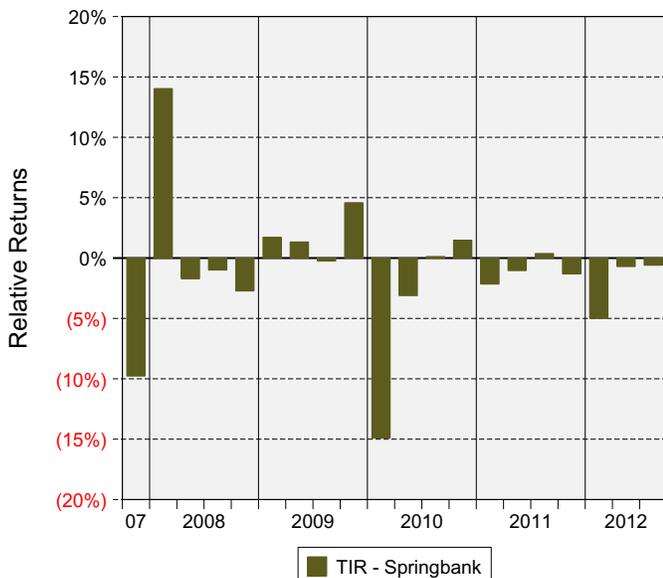
- TIR - Springbank's portfolio posted a 0.02% return for the quarter placing it in the 100 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 100 percentile for the last year.
- TIR - Springbank's portfolio underperformed the NCREIF Timberland Index by 0.59% for the quarter and underperformed the NCREIF Timberland Index for the year by 7.58%.

Quarterly Asset Growth

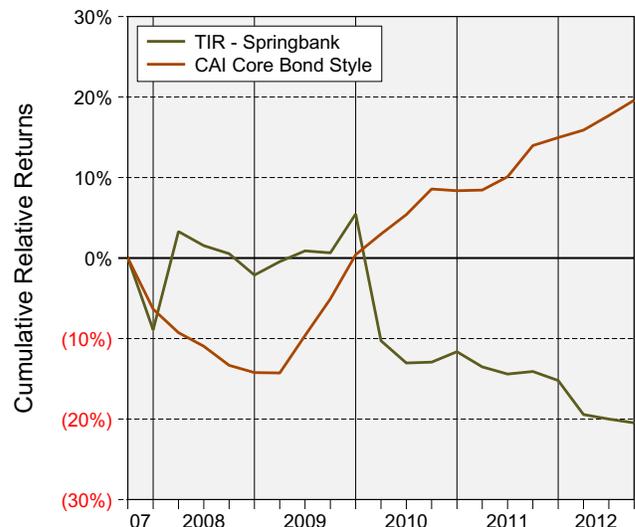
Beginning Market Value	\$123,997,275
Net New Investment	\$-26,303
Investment Gains/(Losses)	\$26,303
Ending Market Value	\$123,997,275



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



JP Morgan Asian Infrastructure Period Ended September 30, 2012

Investment Philosophy

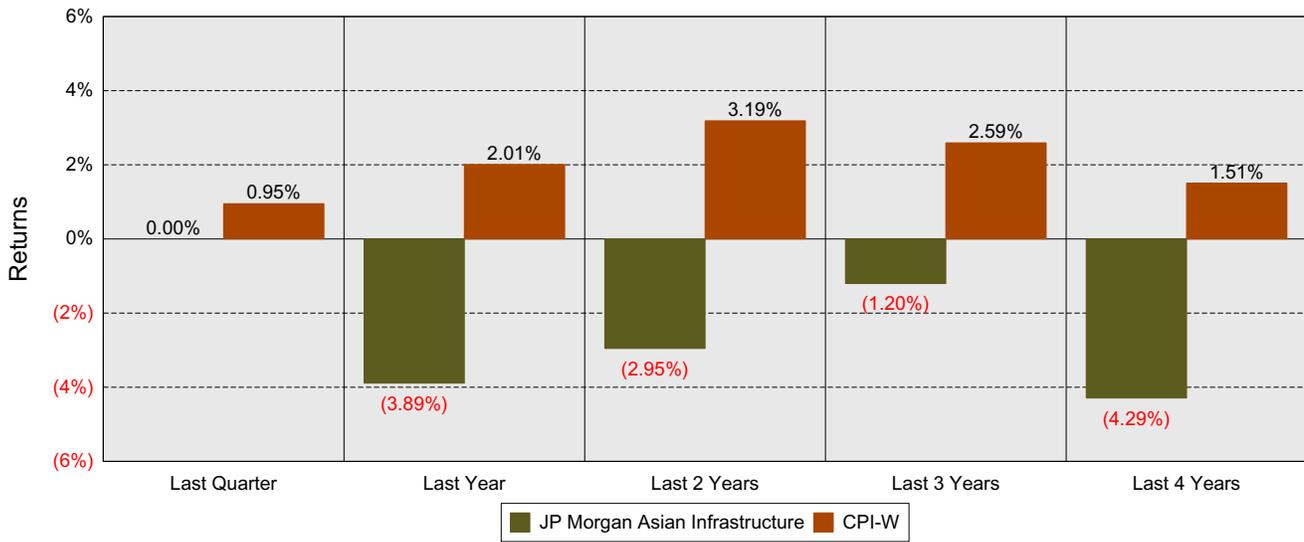
The JPMorgan Asian Infrastructure & Related Resources Opportunity (AIRRO) Fund seeks to invest in infrastructure and related resources opportunities across the greater Asia Pacific region. The Fund seeks to invest in a broad range of assets, including: core infrastructure, power both from conventional and renewable sources, communications, water and waste-water, public works, urban development and other "social" infrastructure assets and related resources.

Quarterly Summary and Highlights

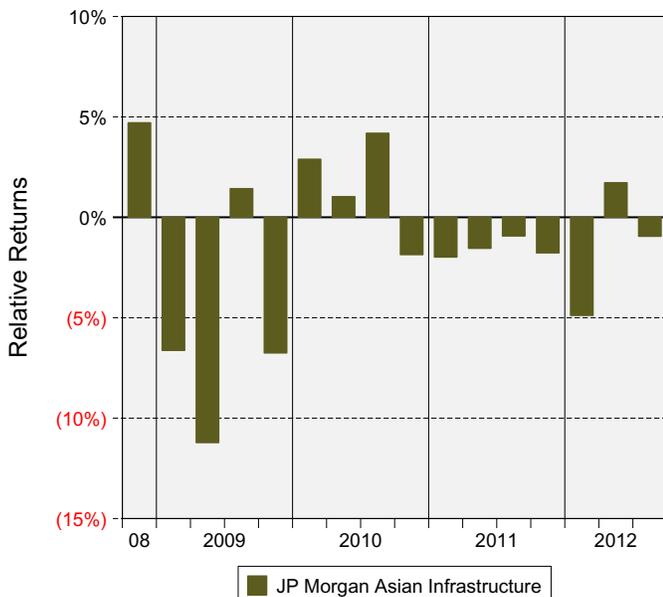
- JP Morgan Asian Infrastructure's portfolio underperformed the CPI-W by 0.95% for the quarter and underperformed the CPI-W for the year by 5.90%.

Quarterly Asset Growth

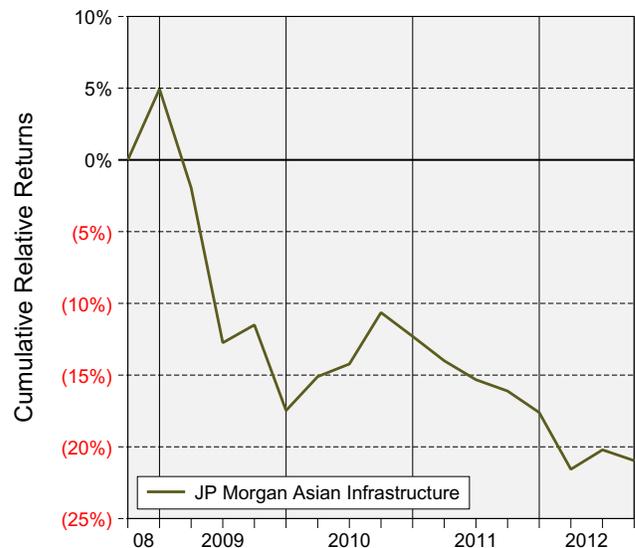
Beginning Market Value	\$16,469,637
Net New Investment	\$-26,529
Investment Gains/(Losses)	\$0
Ending Market Value	\$16,443,108



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



JP Morgan Infrastructure Fund Period Ended September 30, 2012

Investment Philosophy

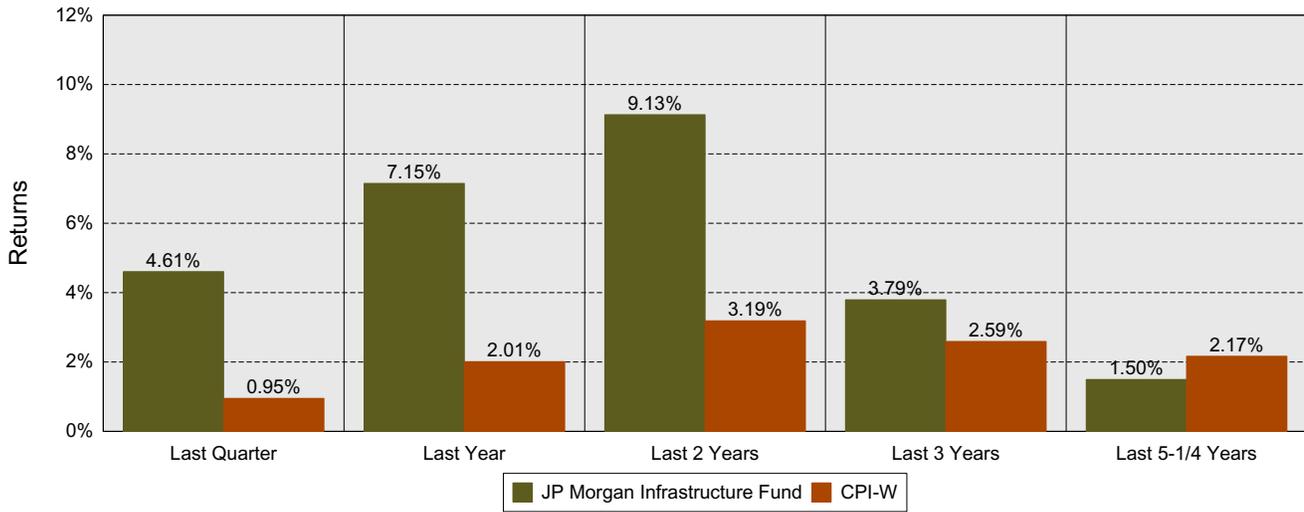
The only open-ended private commingled infrastructure fund in the U.S, the JPMorgan Infrastructure Investments Fund invests in stabilized assets in OECD countries with selected value-added opportunities, across infrastructure industry sub-sectors, including: toll roads, bridges and tunnels; oil and gas pipelines; electricity transmission and distribution facilities; contracted power generation assets; water distribution; waste-water collection and processing; railway lines and rapid rail links; and seaports and airports.

Quarterly Summary and Highlights

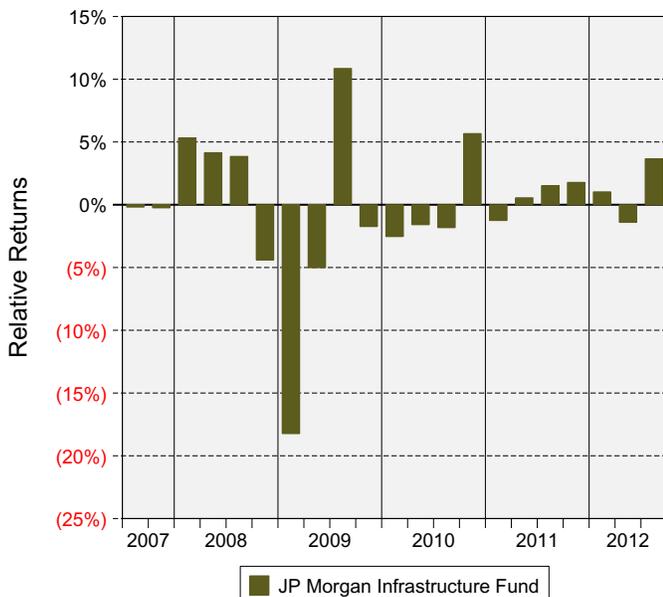
- JP Morgan Infrastructure Fund's portfolio outperformed the CPI-W by 3.66% for the quarter and outperformed the CPI-W for the year by 5.14%.

Quarterly Asset Growth

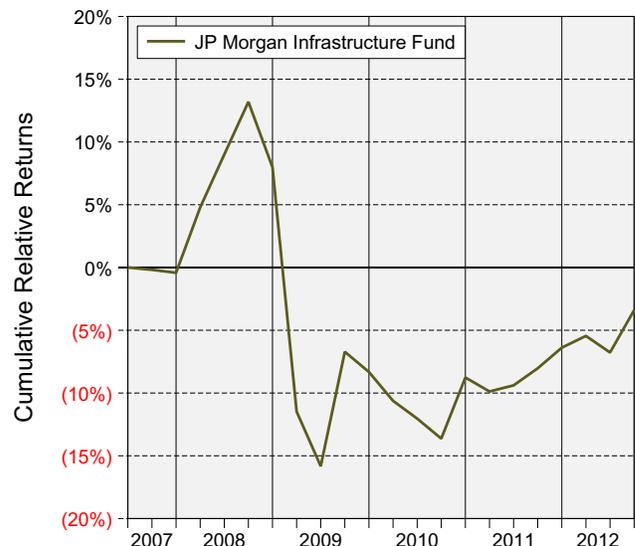
Beginning Market Value	\$88,770,000
Net New Investment	\$-541,959
Investment Gains/(Losses)	\$4,077,973
Ending Market Value	\$92,306,014



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



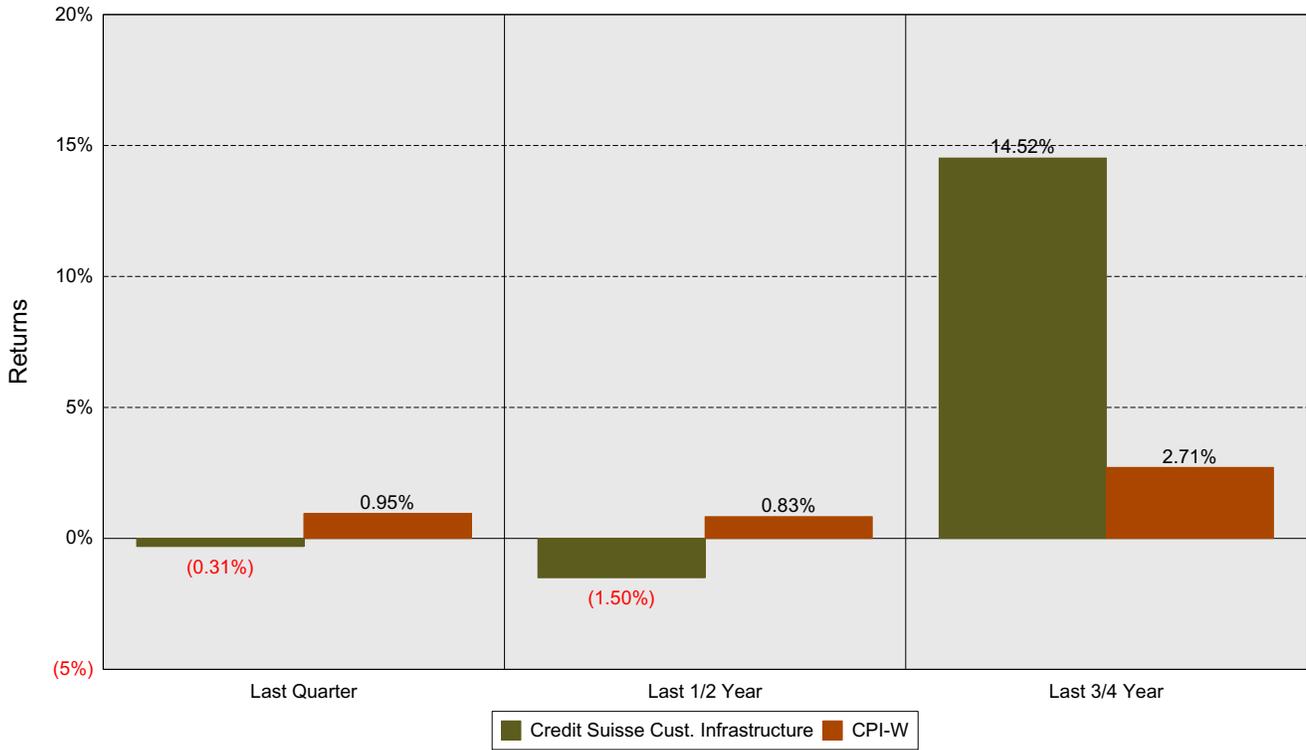
Credit Suisse Cust. Infrastructure Period Ended September 30, 2012

Quarterly Summary and Highlights

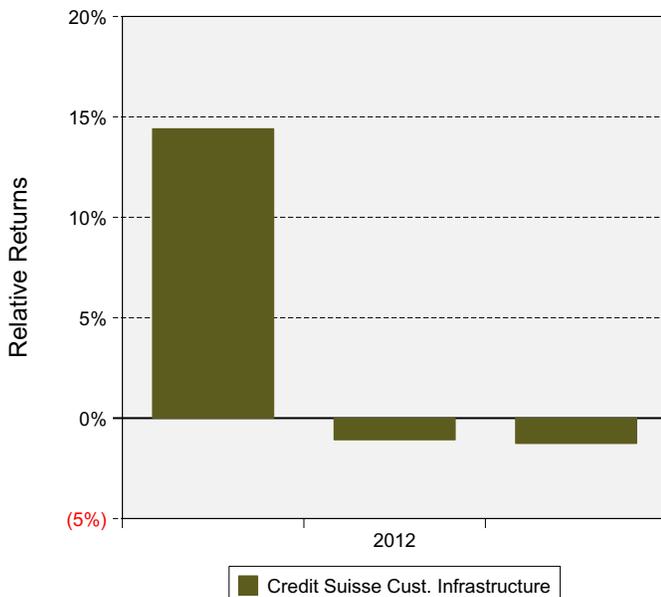
- Credit Suisse Cust. Infrastructure's portfolio underperformed the CPI-W by 1.26% for the quarter and outperformed the CPI-W for the three-quarter year by 11.81%.

Quarterly Asset Growth

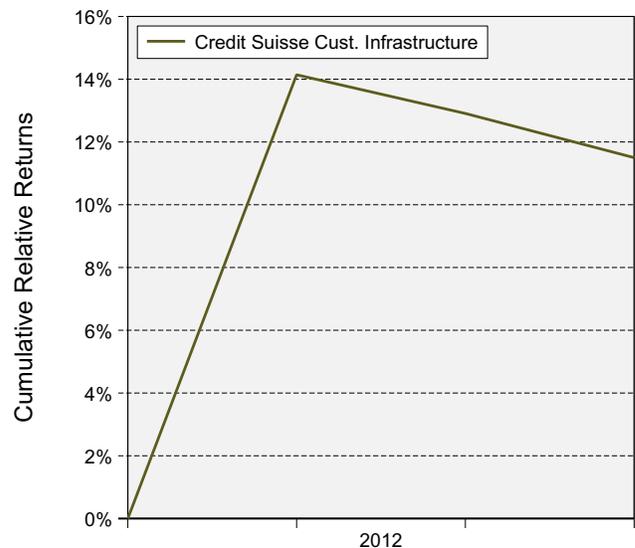
Beginning Market Value	\$23,931,450
Net New Investment	\$794,437
Investment Gains/(Losses)	\$-75,000
Ending Market Value	\$24,650,887



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



Research and Educational Programs

The Callan Investments Institute provides research that keeps clients updated on the latest industry trends while helping them learn through carefully structured educational programs. Below are the Institute's recent publications – all of which can be found at www.callan.com/research.

White Papers



Ask The Expert – Investing in Farmland

After years of being relegated to the “Back 40,” farmland is now fertile ground for institutional real asset portfolios. Unprecedented interest in the asset class is hardly surprising. Farmland’s financial pastures seem to grow steadily greener with each passing quarter, despite instability in the economy at large. In this paper, Jamie Shen and Bill Howard sit down for a discussion about institutional investors’ increased appetite for farmland.



The Next Generation of Fee Disclosure: Getting Future DC Participant Disclosures Right

According to a recent survey conducted by the AARP, 71 percent of 401(k) plan participants think they pay no fees relating to their retirement accounts. A new set of federal disclosure rules is aimed at helping participants better understand plan costs. This Callan Spotlight Research is intended to help plan sponsors refine future disclosures, addressing frequently asked questions so as to remove ambiguity from the disclosure process going forward.



The Implications of Pension Funding Stabilization Legislation

On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act (MAP-21). This legislation is a comprehensive transportation bill that also includes pension-related provisions. In this spotlight research, we review the pension-related provisions of this legislation that are relevant for plan sponsors, and discuss the implications of adopting these provisions.



Inside Master Limited Partnerships – A Primer

Master limited partnerships (MLPs) are investment opportunities with different characteristics than standard publicly traded securities. In this primer, we introduce MLPs and examine the investable universe. We review some of the benefits and risks of MLP ownership for both institutional and retail investors, and address performance and benchmarking.

Quarterly Publications

Quarterly Data Package: Investment performance information gathered (for a variety of time periods) from Callan's proprietary database. This report allows you to compare the results of your own funds with our database.

Capital Market Review: A quarterly macro-economic indicator newsletter that provides thoughtful insights on the economy as well as recent performance in the equity, fixed income, alternatives, international, real estate, and other capital markets.

Private Markets Trends: A seasonal newsletter that discusses the market environment, recent events, performance and other issues involving private equity.

Hedge Fund Monitor: A quarterly newsletter that provides a current view of hedge fund industry trends and detailed quarterly performance commentary.

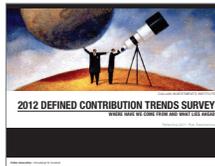
DC Observer & Callan DC Index™: A quarterly newsletter that offers Callan's observations on a variety of topics pertaining to the defined contribution industry. Each issue is updated with the latest Callan DC Index™ returns.

Surveys



2012 Investment Management Compensation Survey

Callan conducted this survey of investment management firms to report on compensation practices and trends in the U.S. institutional investment market from 2010 to 2011. This survey provides an update to Callan's 2007 Investment Management Compensation Survey, which captured compensation practices from 2005 to 2006.



2012 Defined Contribution Trends Survey:

Where Have We Come From and What Lies Ahead?

This survey shows that the defined contribution environment has been, and continues to be, dominated by a focus on plan fees. But while plan sponsors are prioritizing, monitoring, and evaluating plan fees for reasonableness, they do not always understand the fees themselves. Find out about this and much more, as the results from the survey incorporate responses from nearly 100 companies across the U.S.



2011 Investment Manager Fee Survey

We report on institutional investment management fee payment practices and trends. The survey includes published and actual fee data, and qualitative as well as quantitative observations from both fund sponsors and investment managers.

Events

Did you miss out on a Callan conference or workshop? If so, you can catch up on what you missed by reading our “Event Summaries” and downloading the actual presentation slides from our website. Our most recent programs:



Summary write-up and the presentation of our June 2012 Regional Workshop, **Plan Sponsor Roundtable – Shifting to an Institutional Approach to DC Investments**. This workshop featured Mark Kelliher from Deluxe Corporation, and Craig Stone from Utah Retirement System. These two DC plan experts discussed how they took their plan “institutional” by incorporating separate accounts, collective trusts, and unitized fund of funds. They also detail the pros and cons of these approaches.



The **2012 National Conference Summary** features a synopsis of our speakers: Sheila Bair, Ian Bremmer, David Laibson, 2012 Capital Markets Panel, and Tony LaRussa. The Summary also reviews our three workshops on: defined contribution, investment perceptions and myths, and international investing. Select PowerPoint presentations from the conference are also available on our website.

Upcoming Educational Programs

The 33rd National Conference

January 28 – 30, 2013 in San Francisco

Speakers include: Gordon Brown, Robert Zoellick, Sheena Iyengar, Riz Khan, and Neil deGrasse Tyson. Workshops on risk management, alternatives in DC plans, and strategically tactical investing.

Details will be sent to you via email and U.S. Mail in late October.

Our research can be found at www.callan.com/research or feel free to contact us for hard copies.

For more information about research or educational events, please contact Ray Combs or Gina Falsetto at institute@callan.com or 415-974-5060.

The Center for Investment Training Educational Sessions

This educational forum offers basic-to-intermediate level instruction on all components of the investment management process. Continuing education credits are available for The CFA Institute, IBCFP, and NASBA. The "Callan College" courses cover topics that are key to understanding your responsibilities, the roles of everyone involved in this process, how the process works, and how to incorporate these strategies and concepts into an investment program. Listed below are the different types of sessions Callan offers.

An Introduction to Investments

April 16-17, 2013 in San Francisco

October 22-23, 2013 in San Francisco

This one and one half day session is designed for individuals who have less than two years experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g., defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Standard Session

July 16-18, 2013 in Chicago

This is a two day session designed for individuals with more than two years experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement.

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management.

Tuition for the Standard "Callan College" session is \$2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsor or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income, and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information please contact Kathleen Cunnie, at 415.274.3029 or college@callan.com.

List of Managers That Do Business with Callan Associates Inc.

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Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 09/30/12, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the “Callan College.” Per strict policy these manager relationships do not affect the outcome or process by which any of Callan’s services are conducted.

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Manager Name	Educational Services	Consulting Services
1607 Capital Partners, LLC		Y
Aberdeen Asset Management		Y
Acadian Asset Management, Inc.	Y	
Affiliated Managers Group		Y
AllianceBernstein	Y	
Allianz Global Investors Capital	Y	Y
American Century Investment Management	Y	
American Yellowstone Advisors, LLC		Y
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	Y	Y
Atalanta Sosnoff Capital, LLC	Y	
Atlanta Capital Management Co., L.L.C.	Y	Y
Aviva Investors North America	Y	
AXA Rosenberg Investment Management	Y	
Babson Capital Management LLC	Y	
Baillie Gifford International LLC	Y	
Baird Advisors	Y	Y
Bank of America		Y
Barclays Capital Inc.	Y	
Baring Asset Management	Y	
Barrow, Hanley, Mewhinney & Strauss, Inc.		Y
Batterymarch Financial Management, Inc.	Y	
BlackRock	Y	
BMO Asset Management	Y	
BNY Mellon Asset Management	Y	Y
Boston Company Asset Management, LLC (The)	Y	Y
Brandes Investment Partners, L.P.	Y	Y
Brandywine Global Investment Management, LLC	Y	
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	

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Manager Name	Educational Services	Consulting Services
Calamos Advisors, LLC	Y	
Capital Guardian Trust Company	Y	
CastleArk Management, LLC		Y
Causeway Capital Management	Y	
Central Plains Advisors, Inc.		Y
Chartwell Investment Partners	Y	
Citigroup Asset Management	Y	
ClearBridge Advisors	Y	
Columbia Management Investment Advisors, LLC	Y	
Columbus Circle Investors	Y	Y
Cooke & Bieler, L.P.		Y
Cramer Rosenthal McGlynn, LLC	Y	
Crawford Investment Council	Y	Y
Crestline Investors		Y
Cutwater Asset Management	Y	
DB Advisors	Y	Y
Delaware Investments	Y	Y
DePrince, Race & Zollo, Inc.	Y	Y
Diamond Hill Investments	Y	
Dimensional Fund Advisors Inc.		Y
DSM Capital Partners		Y
Eagle Asset Management, Inc.		Y
EARNEST Partners, LLC	Y	
Eaton Vance Management	Y	Y
Echo Point Investment Management	Y	
Epoch Investment Partners	Y	
Evanston Capital Management	Y	
Fayez Sarofim & Company		Y
Federated Investors		Y
Fiduciary Asset Management Company	Y	Y
First Eagle Investment Management	Y	
Flag Capital Management	Y	
Franklin Templeton	Y	Y
Fred Alger Management Co., Inc.	Y	Y
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management	Y	Y
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.	Y	Y
Guggenheim Investments Asset Management (fka Security Global)	Y	
Harbor Capital		Y

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Manager Name	Educational Services	Consulting Services
Harris Investment Management, Inc.	Y	
Hartford Investment Management Co.	Y	Y
Henderson Global Investors	Y	
Hermes Investment Management (North America) Ltd.	Y	
Income Research & Management	Y	
ING Investment Management	Y	Y
INTECH Investment Management	Y	
Invesco	Y	Y
Investec	Y	
Institutional Capital LLC	Y	
Janus Capital Group (fka Janus Capital Management, LLC)	Y	Y
Jensen Investment Management		Y
J.P. Morgan Asset Management	Y	Y
KeyCorp		Y
Knightsbridge Asset Management, LLC		Y
Lazard Asset Management	Y	Y
Lee Munder Capital Group	Y	
Lincoln National Corporation		Y
Logan Circle Partners, L.P.	Y	
Longview Partners	Y	
Loomis, Sayles & Company, L.P.	Y	Y
Lord Abbett & Company	Y	Y
Los Angeles Capital Management	Y	
LSV Asset Management	Y	
Lyrical Partners	Y	
MackKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Metropolitan Life Insurance Company		Y
Metropolitan West Capital Management, LLC		Y
MFS Investment Management	Y	Y
Mondrian Investment Partners Limited	Y	Y
Montag & Caldwell, Inc.	Y	Y
Morgan Stanley Alternative Investment Partners	Y	
Morgan Stanley Investment Management	Y	Y
Mountain Lake Investment Management LLC		Y
Newton Capital Management	Y	
Neuberger Berman, LLC (fka, Lehman Brothers)	Y	Y
Northern Lights Capital Group		Y
Northern Trust Global Investment Services	Y	Y

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Manager Name	Educational Services	Consulting Services
Northern Trust Value Investors		Y
Nuveen Investments Institutional Services Group LLC	Y	Y
OFI Institutional Asset Management	Y	
Old Mutual Asset Management	Y	
OppenheimerFunds, Inc.	Y	
Pacific Investment Management Company	Y	
Palisade Capital Management LLC	Y	
Palisades Investment Partners, LLC	Y	Y
Partners Group	Y	
Peregrine Capital Management, Inc.		Y
Perkins Investment Management	Y	
Philadelphia International Advisors, LP	Y	
PineBridge Investments (formerly AIG)	Y	
Pioneer Investment Management, Inc.	Y	
PNC Capital Advisors (fka Allegiant Asset Mgmt)	Y	Y
Principal Global Investors	Y	Y
Private Advisors	Y	
Prudential Fixed Income	Y	
Prudential Investment Management, Inc.	Y	Y
Putnam Investments, LLC	Y	Y
Pyramis Global Advisors	Y	
Rainier Investment Management	Y	
RBC Global Asset Management (U.S.) Inc.		Y
Regions Financial Corporation		Y
Renaissance Technologies Corp.		Y
RCM	Y	Y
Rice Hall James & Associates, LLC		Y
Robeco Investment Management	Y	Y
Rothschild Asset Management, Inc.		Y
Russell Investment Management	Y	
Santander Global Facilities		Y
Sasco Capital, Inc.		Y
Schroder Investment Management North America Inc.	Y	Y
Scottish Widows Investment Partnership	Y	
Security Global Investors	Y	
SEI Investments		Y
SEIX Investment Advisors, Inc.	Y	
Smith Graham and Company		Y
Smith Group Asset Management	Y	Y
Southeastern Asset Management		Y
Standard Life Investments	Y	
Standish (fka, Standish Mellon Asset Management)	Y	

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Manager Name	Educational Services	Consulting Services
State Street Global Advisors	Y	
Stone Harbor Investment Partners, L.P.		Y
Stratton Management		Y
Systematic Financial Management	Y	
T. Rowe Price Associates, Inc.	Y	Y
Taplin, Canida & Habacht	Y	
TIAA-CREF	Y	
TCW Asset Management Company	Y	
Thompson, Siegel & Walmsley LLC	Y	
Thrivent Asset Management	Y	
Tradewinds Global Investors	Y	
Turner Investment Partners	Y	
UBP Asset Management LLC	Y	
UBS	Y	Y
Union Bank of California		Y
Valley Forge Asset Management	Y	
Victory Capital Management Inc.	Y	
Virtus Investment Partners		Y
Waddell & Reed Asset Management Group	Y	
WEDGE Capital Management		Y
Wellington Management Company, LLP	Y	
Wells Capital Management	Y	
West Gate Horizons Advisors, LLC		Y
Western Asset Management Company	Y	
Westwood Management Corp.	Y	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

September 30, 2012



**North Dakota State Investment
Board Insurance Trust**

**Investment Measurement Service
Quarterly Review**

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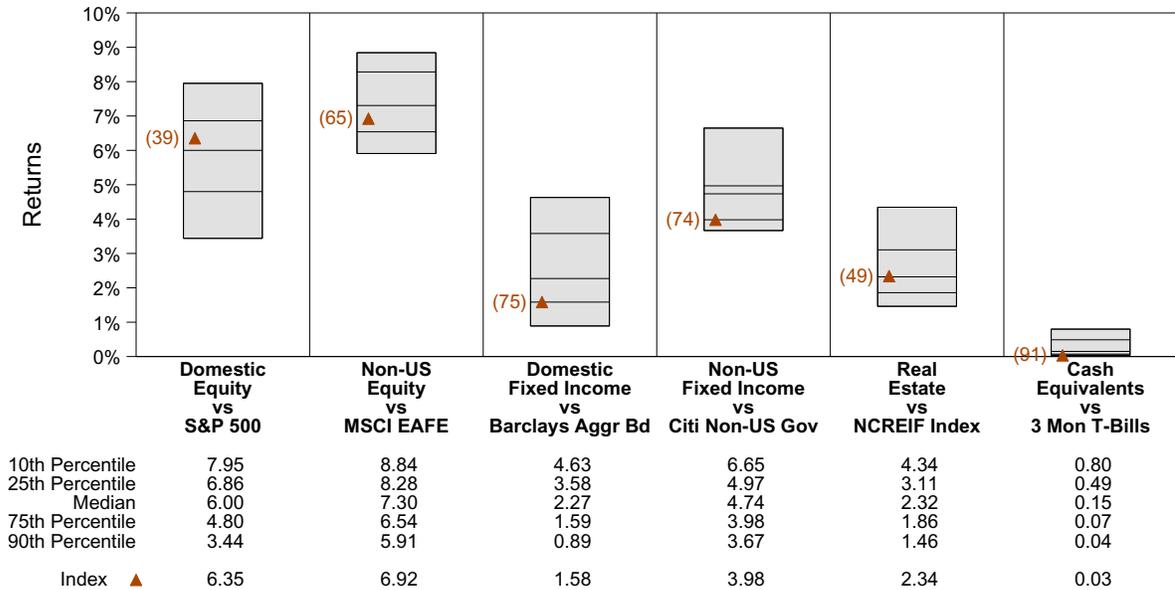
Market Overview

Active Management vs Index Returns

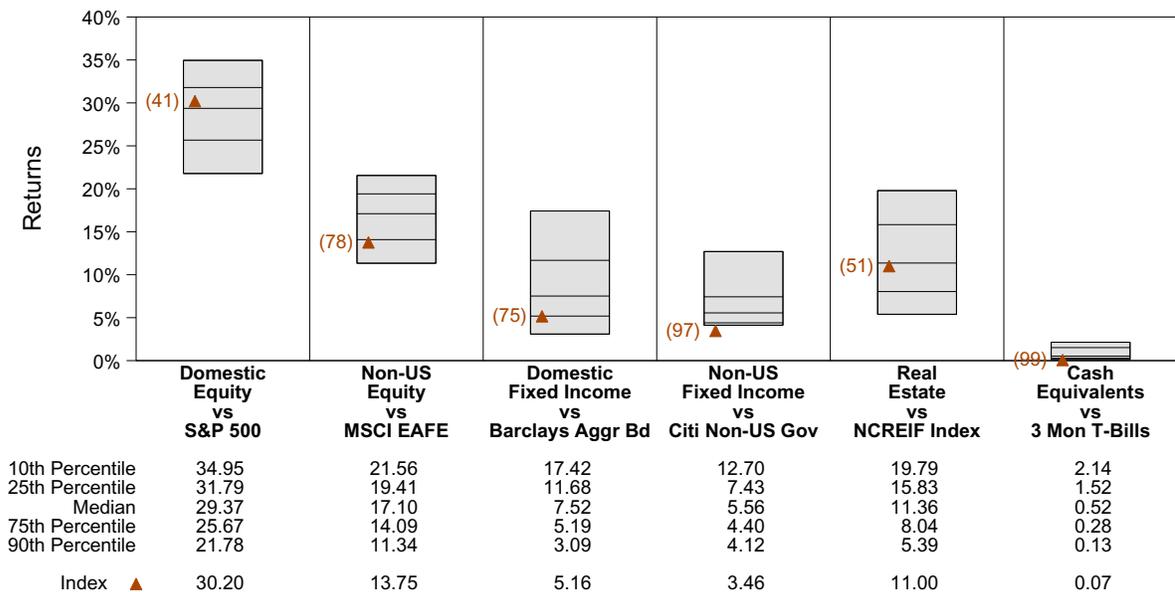
Market Overview

The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

Range of Separate Account Manager Returns by Asset Class One Quarter Ended September 30, 2012



Range of Separate Account Manager Returns by Asset Class One Year Ended September 30, 2012



Domestic Equity Active Management Overview

Active vs. the Index

After a disappointing second quarter, both active managers and passive benchmarks turned in a strong showing for the third quarter. The S&P 500 index actually achieved a post-2008 high in mid-September; less than 100 points below its October 2007 peak. The S&P 500 outperformed all median separate account style group returns for the third quarter except for large cap value and large cap core, both of which exceeded the S&P 500's return of 6.35%. The S&P Mid Cap Index outperformed both the median mid cap growth and mid cap broad funds while coming in 44 basis points behind the median mid cap value fund. The S&P 600 trailed both the small cap growth and small cap broad style medians but bested small cap value by 15 basis points for the quarter. For the year ended September 30, 2012, the S&P 500 trailed large cap core and the S&P Mid Cap index trailed the mid cap value style. Only the S&P 600 Index bested all of the small cap styles. Overall the median managers produced outstanding results with returns ranging from a low of 26.19% for the mid cap growth group to a high of 32.21% for the small cap value group.

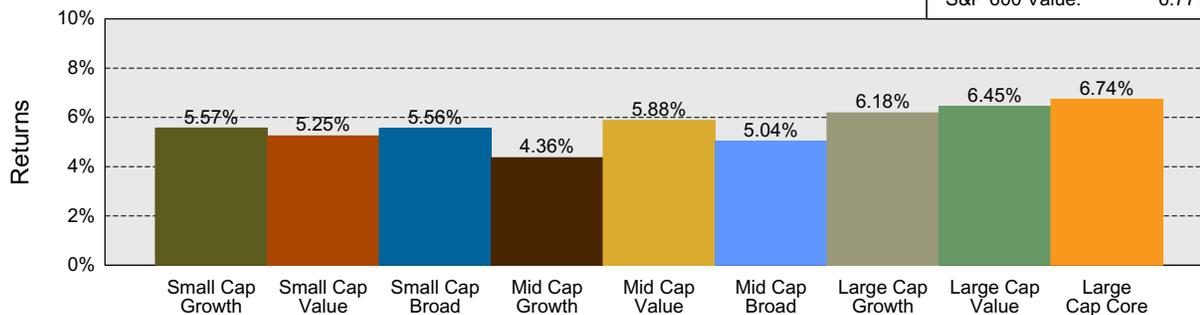
Large Cap vs. Small Cap

During the third quarter of 2012, large cap funds generally outperformed mid and small cap funds by over one percent on average. The median large cap growth fund returned 6.18%, outperforming the median small cap growth fund by 61 basis points, while large cap value and core funds outperformed their small cap counterparts by 120 and 118 basis points, respectively. For the year ended September 30, 2012, the median returns for large cap and small cap funds reached similar levels, ranging from 28.50% to 32.21%. The median large cap value fund lagged the median small cap value fund by 209 basis points. In contrast to the most recent quarterly results, the median small cap growth fund outperformed the median large cap growth fund by 265 basis points for the trailing 12 month period.

Growth vs. Value

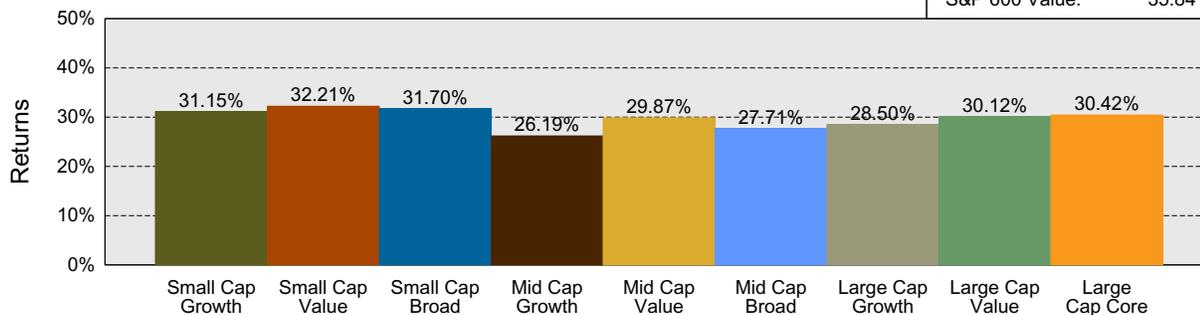
For the quarter ended September 30, 2012, median small cap value and growth funds performed similarly, returning 5.25% and 5.57%, respectively. In the large cap arena, the median growth and value returns were 6.18% and 6.45%, respectively. Mid cap managers, however, had a more significant difference with the value median outperforming growth by 1.52%. For the year ended September 30, 2012, the median mid cap value fund returned 29.87% compared to the median mid cap growth fund return of 26.19%. The median large cap fund styles differed by 162 basis points with returns of 28.50% for growth and 30.12% for value. In the small cap arena, value outperformed growth returning 32.21% and 31.15%, respectively.

**Separate Account Style Group Median Returns
for Quarter Ended September 30, 2012**



S&P 500:	6.35%
S&P 500 Growth:	6.40%
S&P 500 Value:	6.30%
S&P Mid Cap:	5.44%
S&P 600:	5.40%
S&P 600 Growth:	4.10%
S&P 600 Value:	6.77%

**Separate Account Style Group Median Returns
for One Year Ended September 30, 2012**



S&P 500:	30.20%
S&P 500 Growth:	29.65%
S&P 500 Value:	30.81%
S&P Mid Cap:	28.54%
S&P 600:	33.35%
S&P 600 Growth:	31.05%
S&P 600 Value:	35.84%

Domestic Fixed Income Active Management Overview

Active vs. Passive

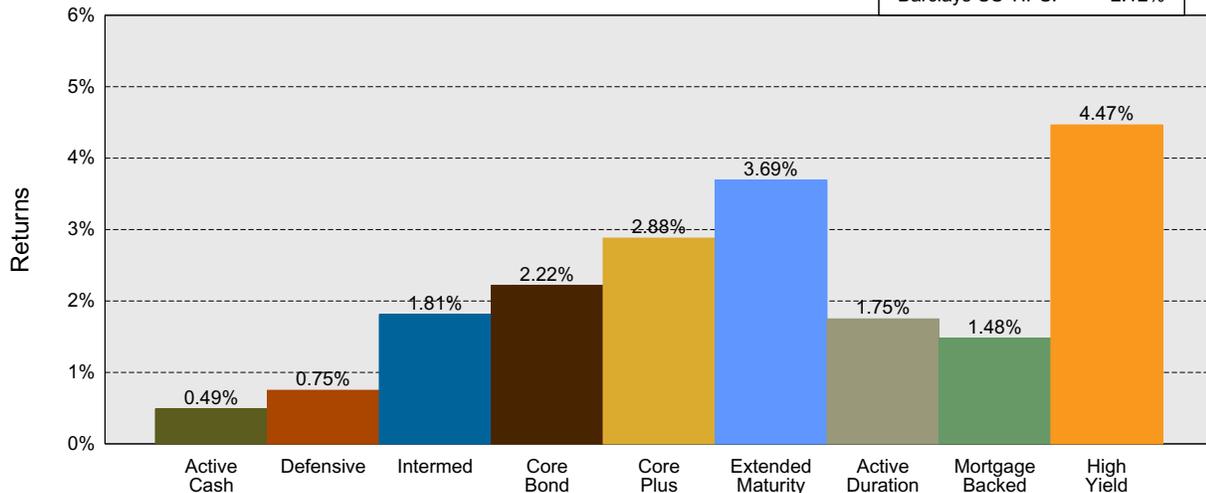
A healthy dose of central bank intervention stimulated risk appetite in the 3rd quarter, leading riskier assets to produce strong relative results. Meanwhile, US Treasuries delivered muted returns as yields were little changed on a quarter-over-quarter basis. The Barclays Aggregate returned 1.58% for the quarter, with the Corporate (+3.8%) and Securitized (+1.3%) components outperforming US Treasuries (+0.6%). Many active managers benefited from overweights in these non-US Treasury sectors. Further, high yield corporate bonds continued their winning streak; the Barclays High Yield Index returned 4.53% with lower quality faring best. Finally, TIPS sharply outperformed nominal US Treasuries, especially in September. The Barclays TIPS Index posted a 2.12% return for the quarter. Notably, the 10-year TIPS yielded -0.8% as of quarter-end and real yields are now negative out to 20 years. For the quarter ended September 30, 2012, the median Core Bond fund experienced a 2.22% return, outperforming the Barclays Aggregate Index by 64 basis points. For the twelve months ended September 30, 2012, the median Core Bond fund posted a 7.06% return, outperforming the Index return of 5.16%.

Intermediate vs Long Duration

Longer duration managers outperformed intermediate duration by 188 basis points. The median Extended Maturity fund posted a 3.69% gain while the median Intermediate fund was up 1.81%. For the twelve months ended September 30, 2012, the median Extended Maturity fund returned 12.98% besting the median Intermediate fund by 754 basis points.

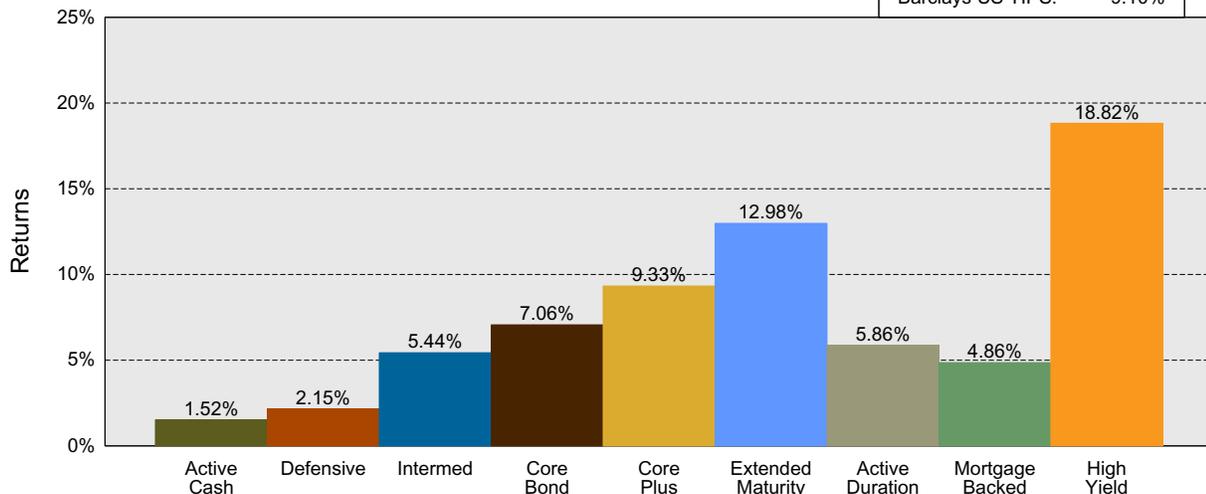
Separate Account Style Group Median Returns for Quarter Ended September 30, 2012

Barclays Universal:	2.00%
Barclays Aggregate:	1.58%
Barclays Govt/Credit:	1.73%
Barclays Mortgage:	1.13%
Barclays High Yield:	4.53%
Barclays US TIPS:	2.12%



Separate Account Style Group Median Returns for One Year Ended September 30, 2012

Barclays Universal:	6.45%
Barclays Aggregate:	5.16%
Barclays Govt/Credit:	5.66%
Barclays Mortgage:	3.71%
Barclays High Yield:	19.37%
Barclays US TIPS:	9.10%



International Equity Active Management Overview

Active vs. the Index

After a rough second quarter, stocks staged an impressive rebound through the summer months of the third quarter. For the quarter, the MSCI EAFE and MSCI Emerging Markets indices returned 6.92% and 7.89%, respectively. The median core international equity fund gained 7.28% for the three months ended September 30, 2012, 36 basis points ahead of the MSCI EAFE benchmark. The median core international fund posted a 16.57% return for the latest twelve months, outperforming the MSCI EAFE by hefty 282 basis points.

Europe

For the third quarter, Europe rebounded from a dismal second quarter with the MSCI Europe Index showing a return of 8.70%. For the quarter ended September 30, 2012, the median Europe style fund gained 52 basis points ahead of its index while for the year, the median fund bested its index by 2.37%.

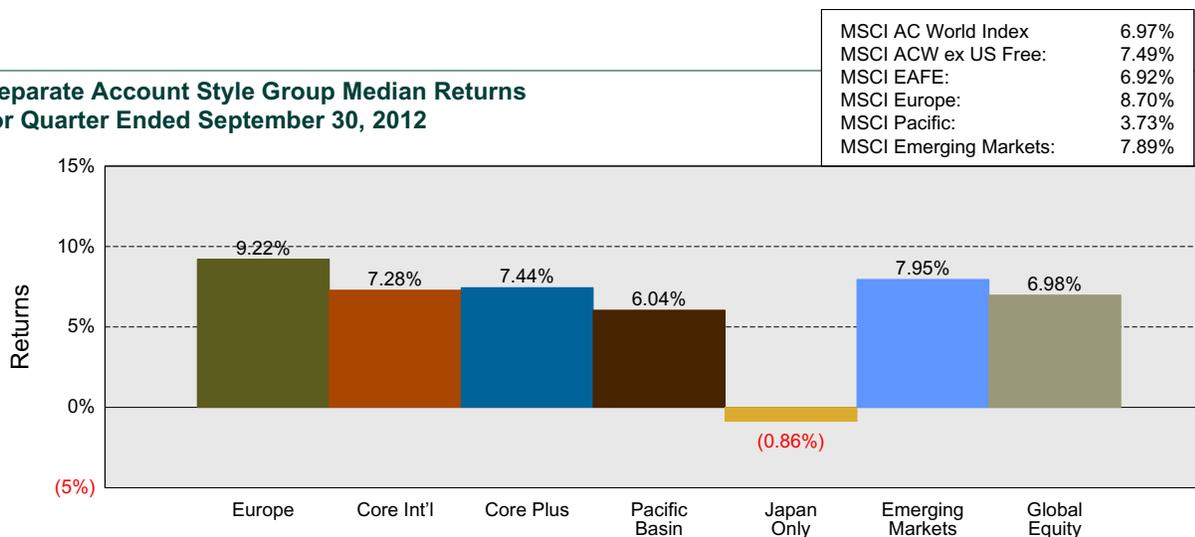
Pacific

The MSCI Pacific Index generated a 3.73% return (in US\$) for the third quarter of 2012. The median Pacific style fund finished the quarter with a 6.04% gain, 231 basis points above its benchmark. For the year ended September 30, 2012, the median Pacific fund outperformed its benchmark by a whopping 8.31%. Japan only funds were the only group to show a loss for the quarter with the median Japan only fund losing 0.86%. The one year return was also negative, with the median fund lower by 2.04%.

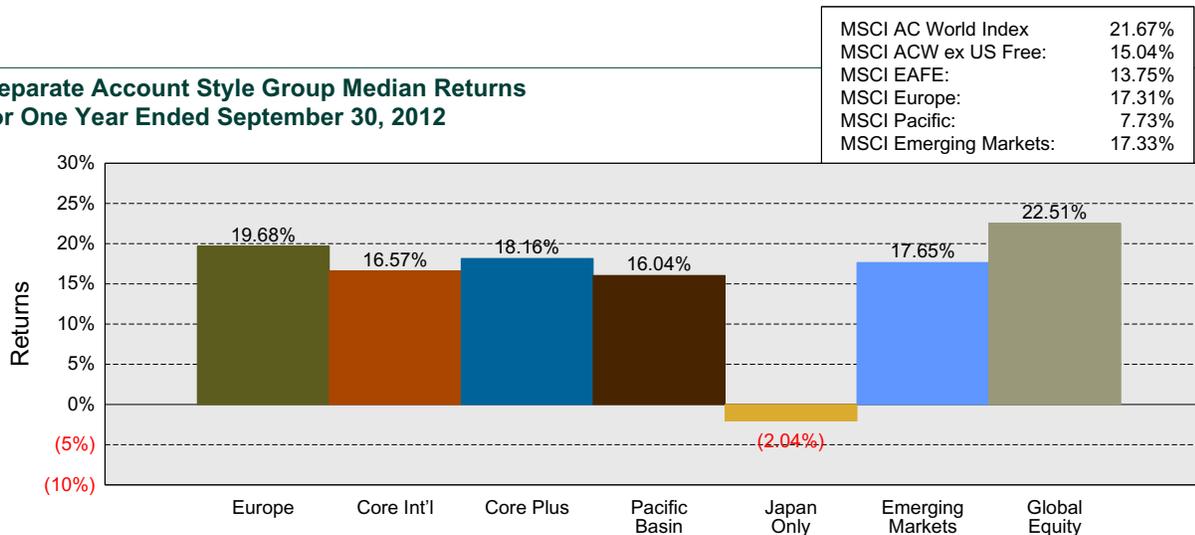
Emerging Markets

With a 7.89% gain, the MSCI Emerging Markets index rebounded nicely and produced the second highest return in the third quarter of 2012. For the quarter ended September 30, 2012, the median emerging markets fund outperformed its benchmark by 6 basis points. For the twelve months ended September 30, 2012, the median emerging markets equity fund was 32 basis points ahead of its index.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2012



Separate Account Style Group Median Returns for One Year Ended September 30, 2012



International Fixed Income Active Management Overview

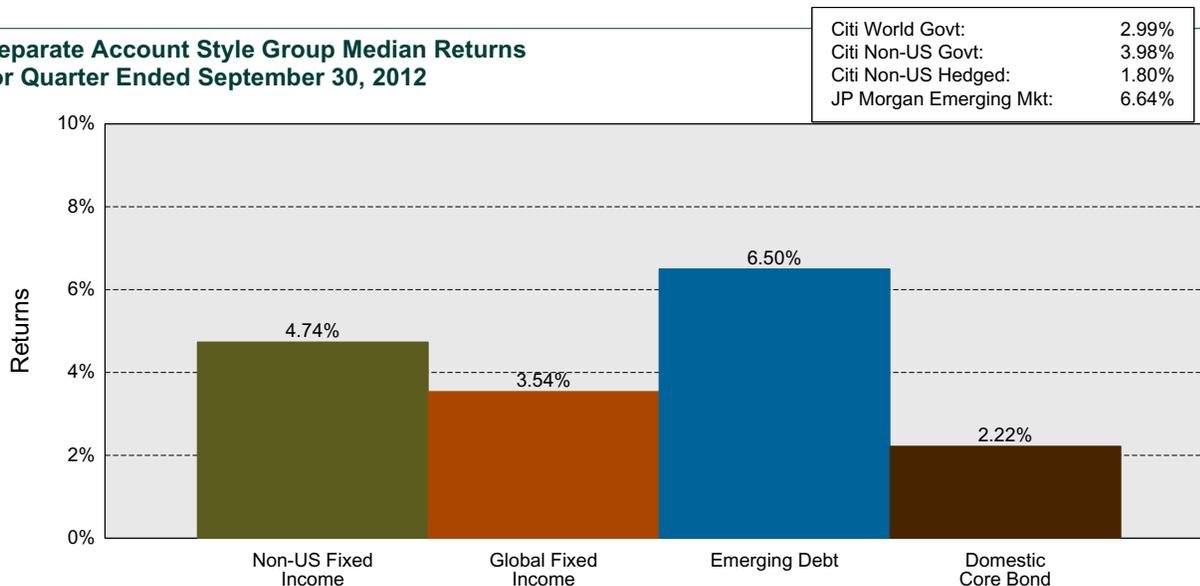
Active vs. the Index

Risk appetite was fueled by central bank intervention around the world in the 3rd quarter. The ECB announced "OMT" (Outright Monetary Transactions), promising to purchase the short-term debt of troubled economies under certain conditions. The US, Japan, and China also announced steps to address slowing growth. At the same time, concerns over a slowing global economy mounted and yields across non-US developed markets declined. All of the non-US developed markets significantly outperformed US Treasuries, which were essentially flat for the quarter. The US dollar weakened against most currencies, providing a modest boost to unhedged investments in non-US markets. For the quarter ended September 30, 2012, the median Non-U.S. Fixed Income fund posted a return of 4.74%, outperforming the Citigroup World Government Bond Index ex-US by 0.76%, while the median Global Fixed Income fund was up 3.54%, outperforming the Citigroup World Government Bond Index by 0.55%. For the twelve months ended September 30, 2012, the median Non-U.S. Fixed Income fund gained 5.56%, outperforming the Index by 2.10%.

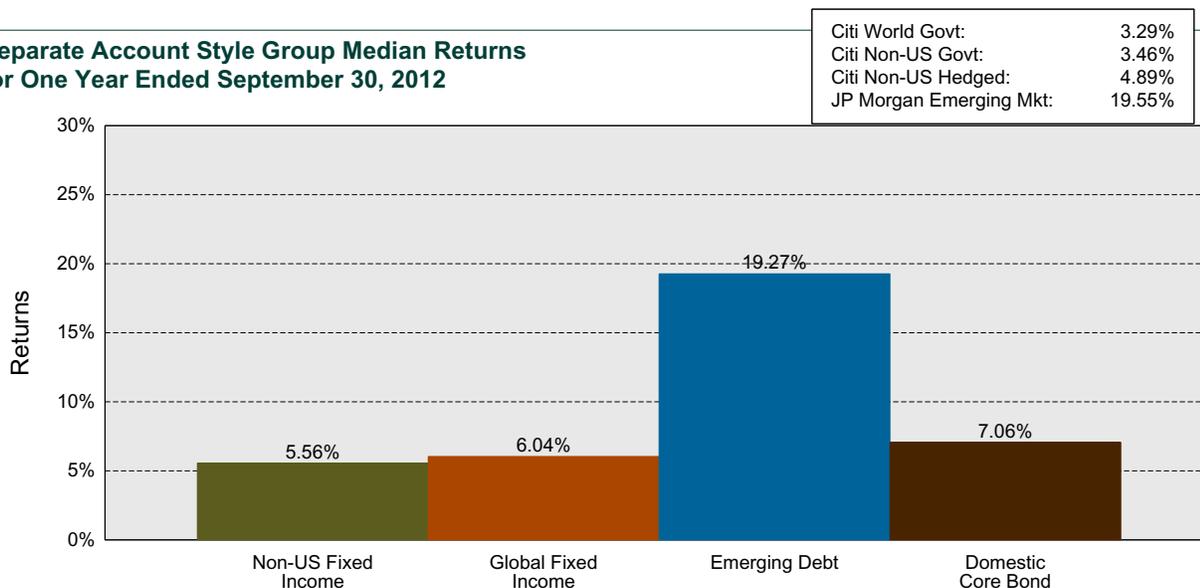
Emerging Markets

Emerging markets debt and currencies fared well in the risk-on environment, benefiting from aggressive intervention by central banks around the world. For the three months ended September 30, 2012, the median Emerging Markets Debt fund posted a positive return of 6.50%, versus the JP Morgan EMBI Global Diversified which experienced a gain of 6.64%. For the year ended September 30, 2012, the median Emerging Debt fund returned 19.27%, lagging the index by 28 basis points.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2012



Separate Account Style Group Median Returns for One Year Ended September 30, 2012



ASSET ALLOCATION AND PERFORMANCE

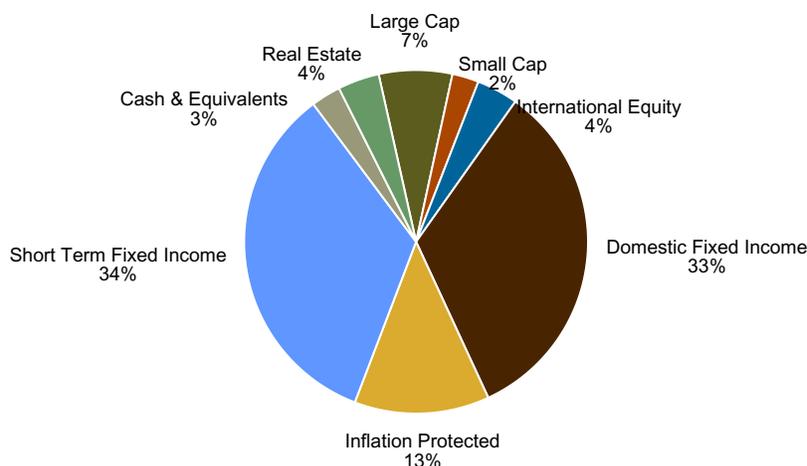
Asset Allocation and Performance

This section begins with an overview of the fund's asset allocation at the broad asset class level. This is followed by a top down performance attribution analysis which analyzes the fund's performance relative to the performance of the fund's policy target asset allocation. The fund's historical performance is then examined relative to funds with similar objectives. Performance of each asset class is then shown relative to the asset class performance of other funds. Finally, a summary is presented of the holdings of the fund's investment managers, and the returns of those managers over various recent periods.

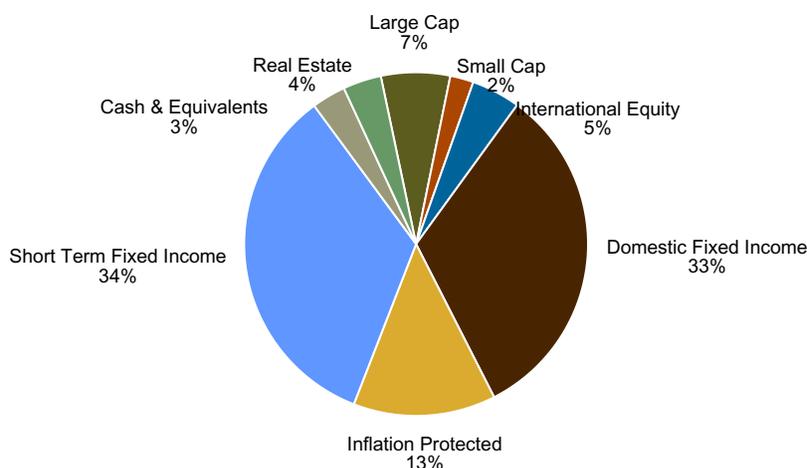
Actual vs Target Asset Allocation As of September 30, 2012

The first chart below shows the Fund's asset allocation as of September 30, 2012. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



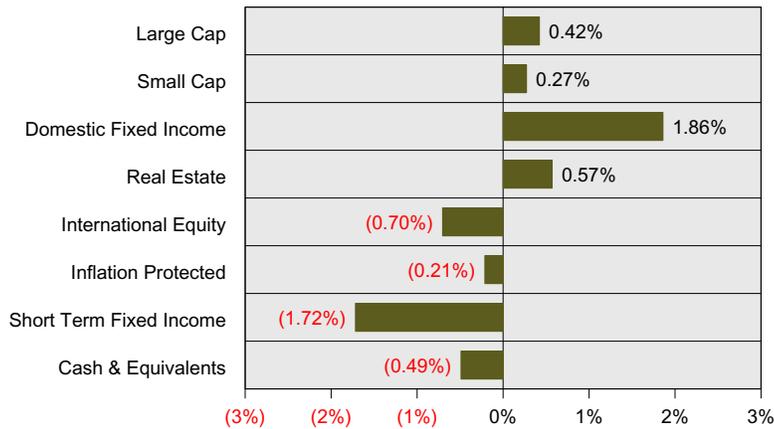
Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Large Cap	168,675	6.9%	6.5%	0.4%	9,287
Small Cap	60,720	2.5%	2.2%	0.3%	6,774
International Equity	96,358	3.9%	4.6%	(0.7%)	(16,439)
Domestic Fixed Income	817,388	33.3%	32.5%	0.8%	20,449
Inflation Protected	310,386	12.7%	13.4%	(0.7%)	(18,198)
Short Term Fixed Income	834,153	34.0%	34.0%	0.0%	433
Cash & Equivalents	67,588	2.8%	3.2%	(0.4%)	(10,880)
Real Estate	96,851	3.9%	3.6%	0.3%	8,574
Total	2,452,119	100.0%	100.0%		

* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Infn-Lnked, 6.5% S&P 500 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

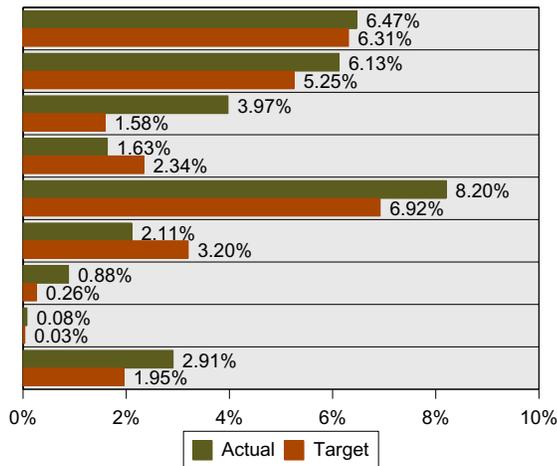
Quarterly Total Fund Relative Attribution - September 30, 2012

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

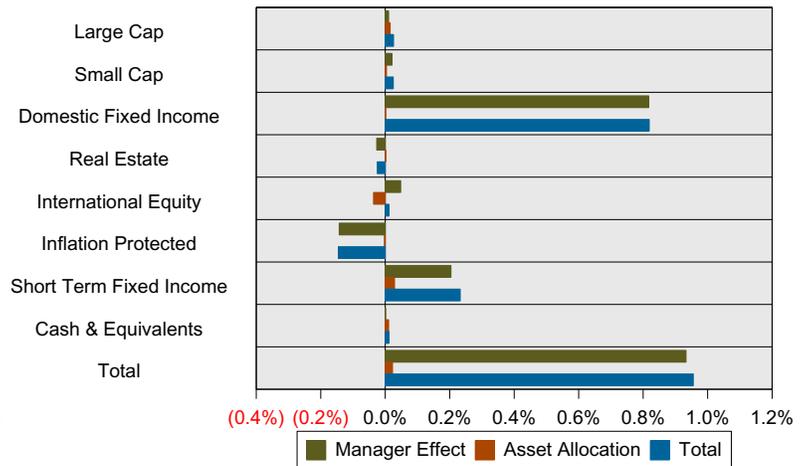
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended September 30, 2012

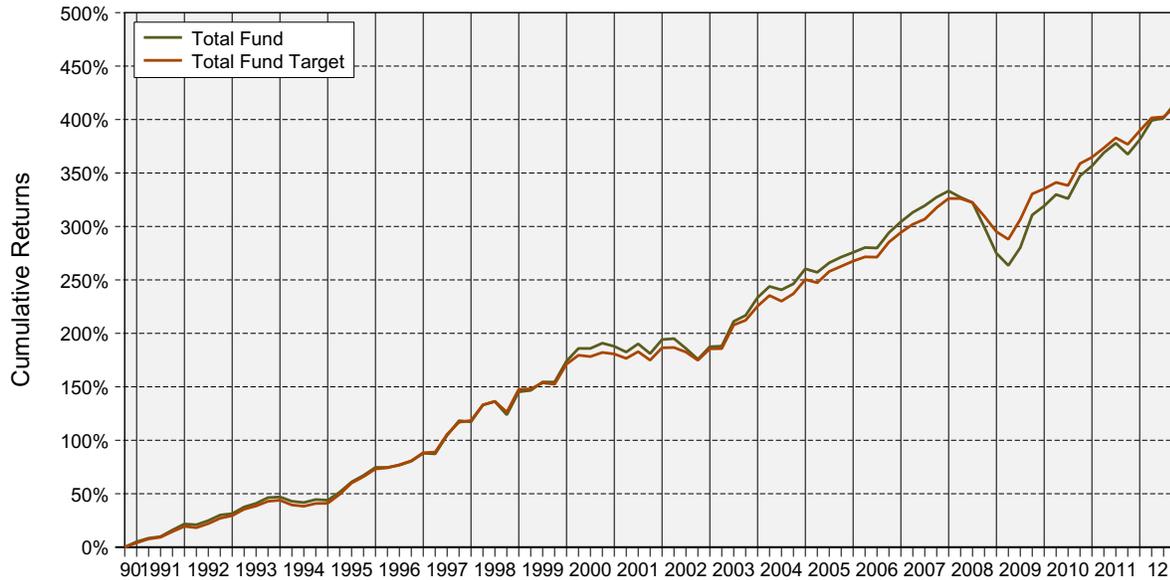
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	7%	7%	6.47%	6.31%	0.01%	0.02%	0.03%
Small Cap	2%	2%	6.13%	5.25%	0.02%	0.00%	0.02%
Domestic Fixed Income	34%	33%	3.97%	1.58%	0.82%	0.00%	0.82%
Real Estate	4%	4%	1.63%	2.34%	(0.03%)	0.00%	(0.02%)
International Equity	4%	5%	8.20%	6.92%	0.05%	(0.04%)	0.01%
Inflation Protected	13%	13%	2.11%	3.20%	(0.14%)	(0.00%)	(0.15%)
Short Term Fixed Income	32%	34%	0.88%	0.26%	0.20%	0.03%	0.23%
Cash & Equivalents	3%	3%	0.08%	0.03%	0.00%	0.01%	0.01%
Total			2.91%	1.95%	0.93%	0.02%	0.96%

* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Infn-Linked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

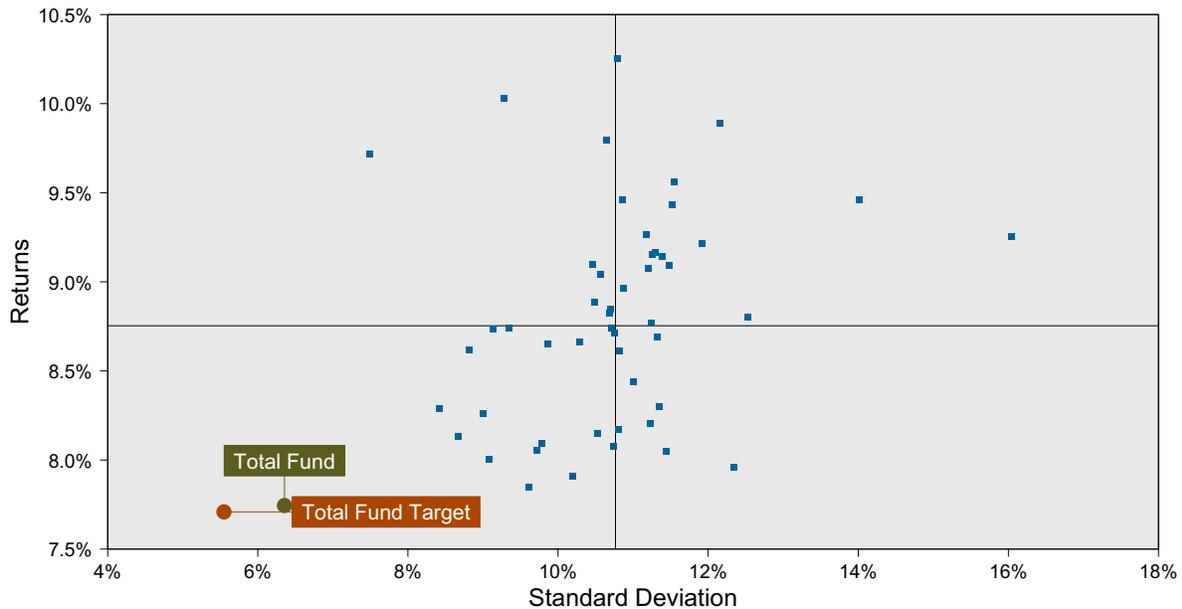
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Twenty-Two Year Annualized Risk vs Return



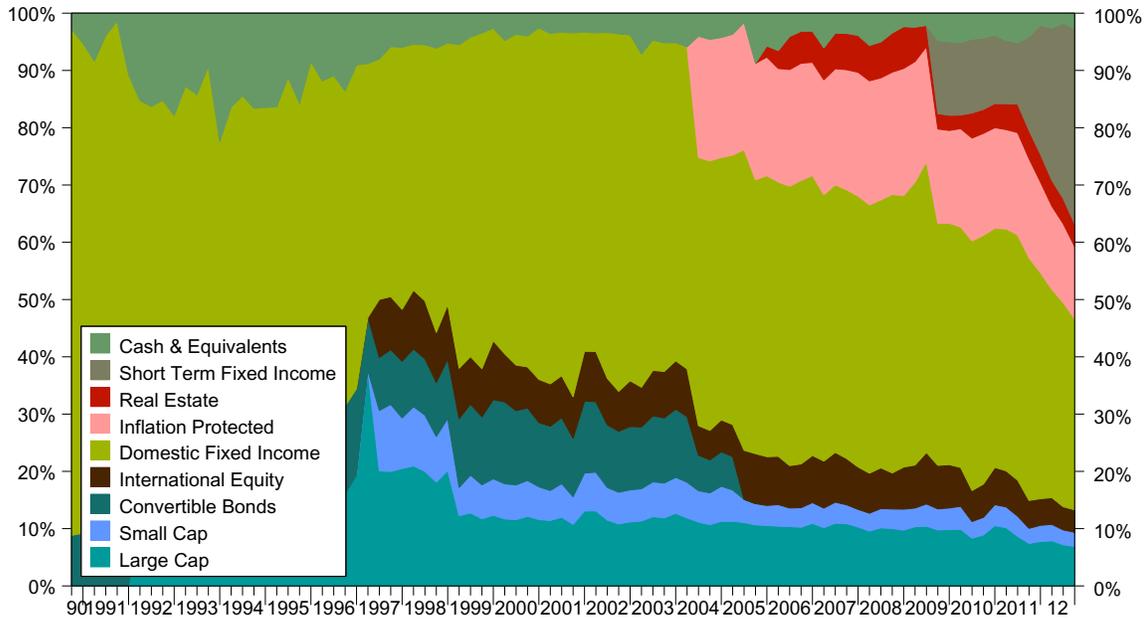
Squares represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Inftn-Lnked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

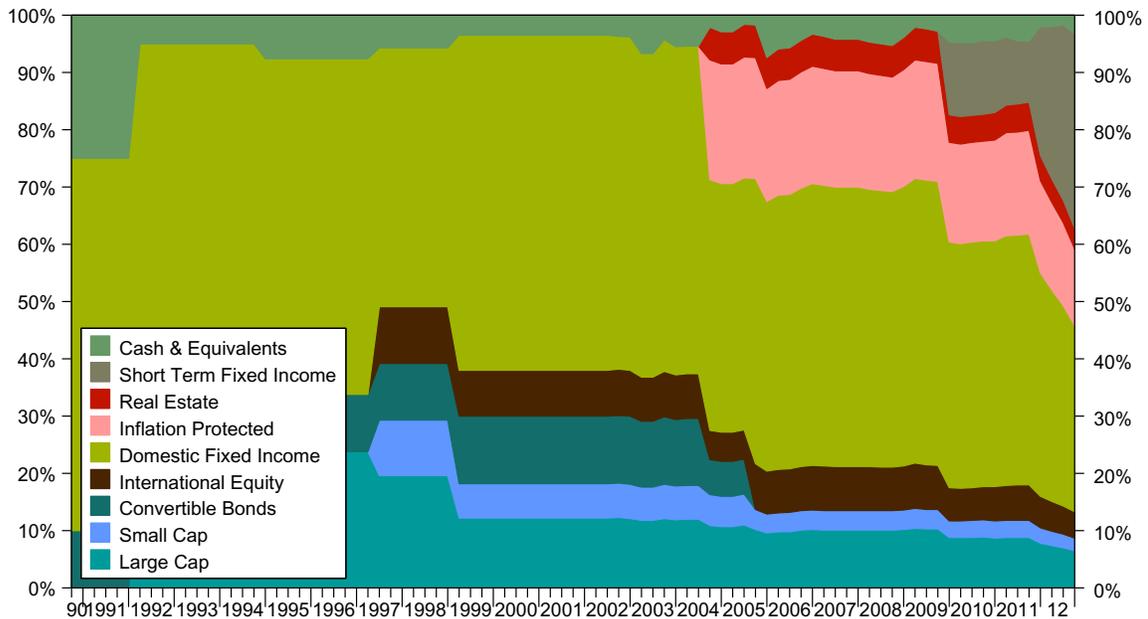
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, and the fund's historical target asset allocation.

Actual Historical Asset Allocation



Target Historical Asset Allocation

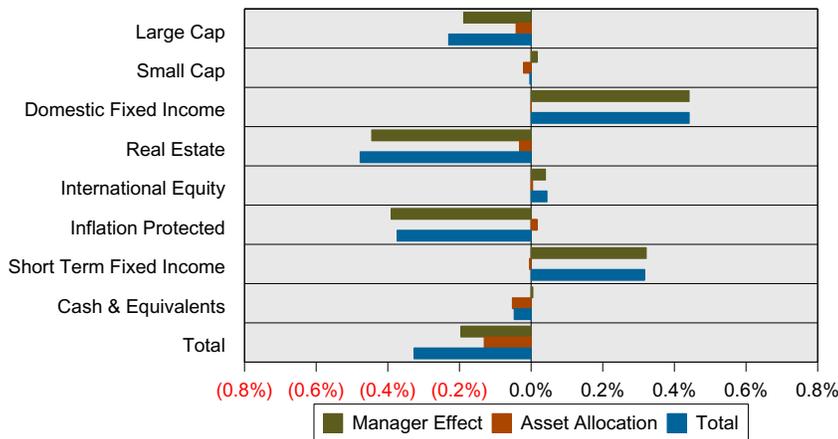


* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Infn-Linked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

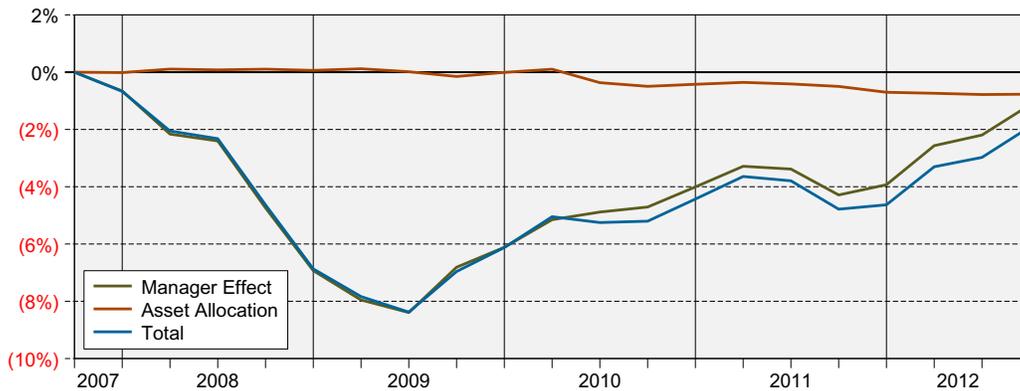
Cumulative Total Fund Relative Attribution - September 30, 2012

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

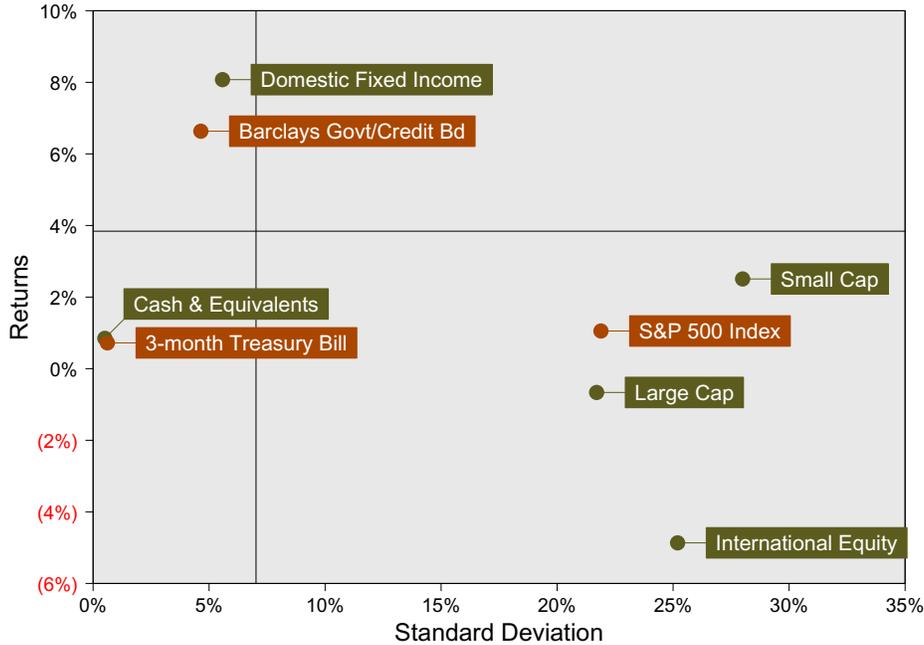
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	9%	9%	(0.66%)	1.02%	(0.19%)	(0.04%)	(0.23%)
Small Cap	3%	3%	2.51%	2.21%	0.02%	(0.02%)	(0.00%)
Domestic Fixed Income	44%	44%	8.07%	6.53%	0.44%	0.00%	0.44%
Real Estate	5%	5%	(7.42%)	2.26%	(0.44%)	(0.03%)	(0.48%)
International Equity	6%	6%	(4.86%)	(5.33%)	0.04%	0.00%	0.04%
Inflation Protected	18%	18%	4.40%	6.40%	(0.39%)	0.02%	(0.37%)
Short Term Fixed Income	10%	10%	3.29%	1.27%	0.32%	(0.00%)	0.32%
Cash & Equivalents	4%	4%	0.85%	0.72%	0.00%	(0.05%)	(0.05%)
Total			3.84%	4.17%	(0.20%)	(0.13%)	(0.33%)

* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Infn-Linked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

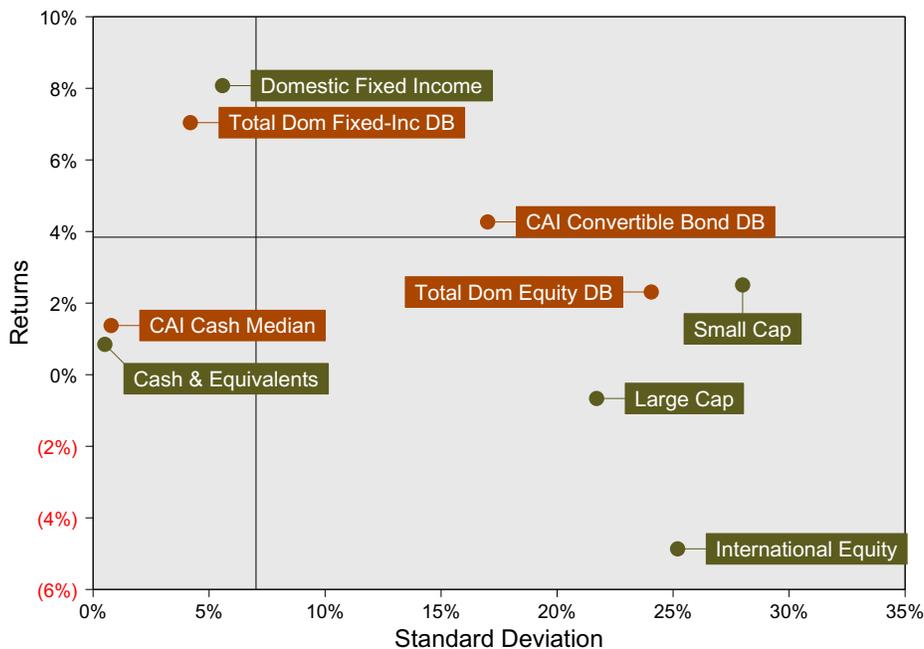
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return Asset Classes vs Benchmark Indices



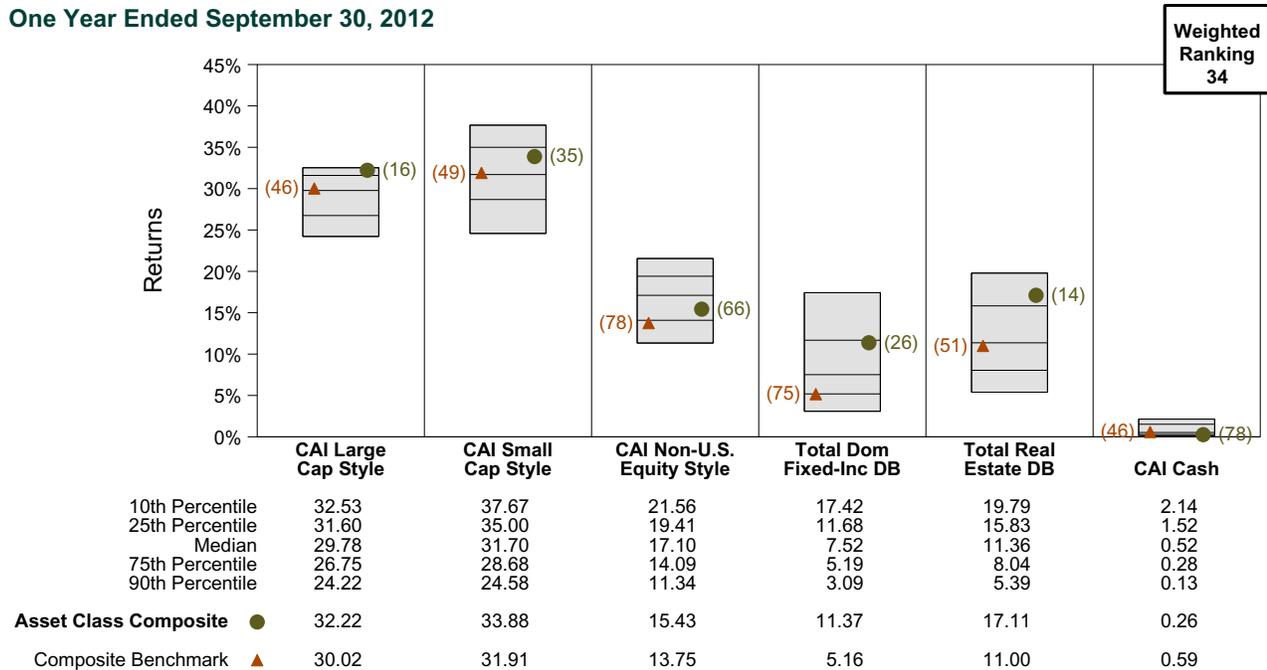
Five Year Annualized Risk vs Return Asset Classes vs Asset Class Median



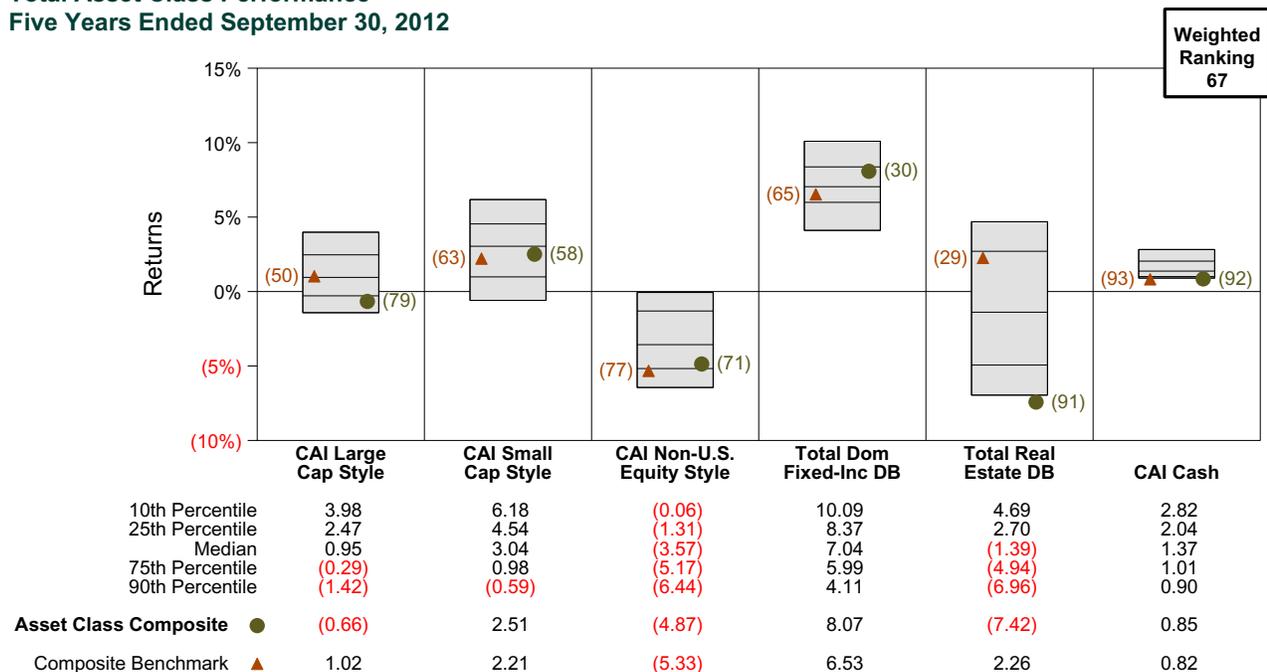
Asset Class Rankings

The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper right corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance One Year Ended September 30, 2012



Total Asset Class Performance Five Years Ended September 30, 2012



* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Infn-Linked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2012, with the distribution as of June 30, 2012. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2012			Inv. Return	June 30, 2012	
	Market Value	Percent	Net New Inv.		Market Value	Percent
Domestic Equity	\$229,395,178	9.35%	\$(280,123)	\$13,753,963	\$215,921,338	9.78%
Large Cap	\$168,674,684	6.88%	\$(124,983)	\$10,246,328	\$158,553,340	7.18%
Clifton Large Cap	33,188,906	1.35%	(53,176)	2,123,023	31,119,059	1.41%
L.A. Capital	51,637,907	2.11%	(26,514)	2,857,537	48,806,884	2.21%
L.A. Capital Enhanced	34,059,793	1.39%	(10,810)	1,727,859	32,342,743	1.47%
LSV Asset Management	49,788,079	2.03%	(34,484)	3,537,909	46,284,654	2.10%
Small Cap	\$60,720,494	2.48%	\$(155,139)	\$3,507,636	\$57,367,998	2.60%
Clifton Small Cap	30,956,255	1.26%	(122,062)	1,745,584	29,332,733	1.33%
Research Affiliates	29,764,239	1.21%	(33,077)	1,762,051	28,035,265	1.27%
International Equity	\$96,358,422	3.93%	\$(117,454)	\$7,304,730	\$89,171,145	4.04%
Capital Guardian Trust Co.	33,934,824	1.38%	(45,599)	2,492,403	31,488,021	1.43%
DFA Int'l Small Cap Value	9,755,495	0.40%	(15,125)	755,212	9,015,409	0.41%
LSV Asset Management	42,725,380	1.74%	(47,929)	3,444,675	39,328,634	1.78%
Vanguard	9,942,722	0.41%	(8,800)	612,440	9,339,081	0.42%
Domestic Fixed Income	\$817,387,986	33.33%	\$(376,386)	\$31,240,675	\$786,523,697	35.63%
Bank of North Dakota	112,610,039	4.59%	(16,600)	1,580,003	111,046,636	5.03%
Prudential	69,033,616	2.82%	(49,267)	2,273,553	66,809,329	3.03%
Wells Capital	293,513,463	11.97%	(153,657)	12,531,518	281,135,603	12.74%
Western Asset Management	214,735,483	8.76%	(94,453)	6,537,751	208,292,185	9.44%
Declaration	51,750,666	2.11%	(62,409)	1,659,256	50,153,819	2.27%
PIMCO DiSCO II	75,744,718	3.09%	0	6,658,594	69,086,124	3.13%
Inflation Protected	\$310,385,596	12.66%	\$(81,518)	\$6,405,137	\$304,061,977	13.78%
Western Asset Management	173,269,670	7.07%	(76,964)	3,623,365	169,723,269	7.69%
JP Morgan Infrastructure	63,157,500	2.58%	(401,773)	2,819,273	60,740,000	2.75%
Eastern Timber Opportunities	61,632,983	2.51%	0	0	61,632,983	2.79%
Credit Suisse Cust. Infra.	12,325,443	0.50%	397,219	(37,501)	11,965,725	0.54%
Real Estate	\$96,850,717	3.95%	\$(1,581,918)	\$1,580,919	\$96,851,717	4.39%
JP Morgan RE	96,850,717	3.95%	(1,581,918)	1,580,919	96,851,717	4.39%
Short Term Fixed Income	\$834,153,237	34.02%	\$151,433,029	\$6,512,092	\$676,208,116	30.64%
Prudential - Budget	90,705	0.00%	0	0	90,705	0.00%
JPM Short Term - Budget	145,868,558	5.95%	6,459,812	1,022,136	138,386,611	6.27%
Babson Short Term - Budget	140,484,426	5.73%	6,649,742	1,437,904	132,396,781	6.00%
Babson Bank Loan - Budget	6,326,870	0.26%	(205,518)	165,592	6,366,797	0.29%
Babson Short Term Legacy	271,526,072	11.07%	69,251,064	2,418,065	199,856,943	9.05%
JPM Short Term Legacy	269,856,605	11.01%	69,277,930	1,468,396	199,110,280	9.02%
Cash & Equivalents	\$67,588,289	2.76%	\$29,031,674	\$51,931	\$38,504,683	1.74%
Bank of ND - Money Mkt	67,588,289	2.76%	29,031,674	51,931	38,504,683	1.74%
Total Fund	\$2,452,119,424	100.0%	\$178,027,304	\$66,849,449	\$2,207,242,671	100.0%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended September 30, 2012. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Domestic Equity	6.37%	32.66%	13.29%	0.14%	8.04%
Large Cap	6.47%	32.22%	12.87%	(0.66%)	7.75%
Clifton Large Cap	6.83%	32.26%	14.54%	-	-
L.A. Capital	5.86%	33.02%	14.59%	3.53%	-
L.A. Capital Enhanced	5.34%	30.84%	13.24%	2.92%	-
LSV Asset Management	7.65%	32.33%	11.94%	(0.80%)	9.87%
Large Cap Benchmark (1)	6.31%	30.02%	13.15%	1.02%	8.00%
Small Cap	6.13%	33.88%	14.56%	2.51%	10.47%
Clifton Small Cap	5.97%	35.02%	15.12%	-	-
Research Affiliates	6.29%	32.70%	14.12%	3.10%	-
Russell 2000	5.25%	31.91%	12.99%	2.21%	10.17%
International Equity	8.20%	15.43%	3.16%	(4.87%)	8.13%
Capital Guardian Trust Co.	7.92%	17.92%	4.19%	(4.38%)	7.63%
DFA International Small Cap Value	8.38%	14.74%	3.02%	-	-
LSV Asset Management	8.77%	14.33%	1.62%	(6.53%)	-
Vanguard	6.56%	12.61%	4.14%	(3.48%)	-
MSCI EAFE Index (2)	6.92%	13.75%	1.73%	(5.33%)	7.23%
Domestic Fixed Income	3.97%	11.37%	10.14%	8.07%	6.54%
Bank of North Dakota	1.42%	4.67%	6.09%	6.51%	5.16%
Prudential	3.40%	11.05%	9.90%	9.09%	-
Wells Capital	4.46%	12.41%	10.82%	10.31%	8.35%
Western Asset Management	3.14%	9.72%	10.17%	7.42%	6.46%
Declaration	3.31%	10.42%	9.18%	(6.20%)	-
PIMCO DISCO II	9.64%	26.24%	-	-	-
BC Aggregate	1.58%	5.16%	6.19%	6.53%	5.32%
Insurance Inflation Protected Assets	2.11%	6.17%	4.61%	4.40%	-
Western Asset Management	2.14%	6.55%	5.46%	5.39%	-
JP Morgan Infrastructure	4.66%	7.20%	3.77%	-	-
Eastern Timber Opportunities	0.00%	3.93%	2.31%	-	-
Credit Suisse Cust. Infra.	(0.31%)	-	-	-	-
BC Global Inflation Linked (3)	3.20%	7.76%	6.71%	6.40%	-
Real Estate	1.63%	17.11%	14.24%	(7.42%)	-
JP Morgan RE	1.63%	17.11%	14.24%	(7.42%)	-
NCREIF Total Index	2.34%	11.00%	10.90%	2.26%	8.35%
Short Term Fixed Income	0.88%	2.73%	3.67%	-	-
JPM Short Term - Budget	0.72%	2.14%	-	-	-
Babson Short Term - Budget	1.05%	3.24%	-	-	-
Babson Bank Loan - Budget	2.65%	9.55%	-	-	-
Babson Short Term Legacy	1.05%	-	-	-	-
JPM Short Term Legacy	0.67%	-	-	-	-
BC Gov 1-3 Yr	0.26%	0.65%	1.49%	2.94%	2.92%
Cash & Equivalents	0.08%	0.26%	0.30%	0.85%	2.00%
Bank of ND - Money Mkt	0.08%	0.27%	0.30%	0.85%	2.00%
90 Day Treasury Bills	0.03%	0.07%	0.11%	0.72%	1.82%
Total Fund	2.91%	10.39%	7.90%	3.84%	6.47%
Policy Target	1.95%	7.44%	5.97%	4.17%	6.42%

* Current Quarter Target = 34.0% Barclays Gov 1-3 Yr, 32.5% Barclays Aggregate Index, 13.4% Barclays Gbl Inftn-Linked, 6.5% Russell 1000 Index, 4.6% MSCI EAFE Index, 3.6% NCREIF Total Index, 3.2% 3-month Treasury Bill and 2.2% Russell 2000 Index.

(1) The Large Cap Benchmark is comprised of the S&P 500 Index through 12/31/2011, and the Russell 1000 Index thereafter.

(2) International Equity target is MSCI EAFE through 9/30/2000, 50% Hedged EAFE through 3/31/2011, and MSCI EAFE again thereafter.

(3) Inflation Protected Benchmark is the BC US TIPS Index through 12/31/09 and the BC Global Inflation-Linked thereafter

Clifton Large Cap Period Ended September 30, 2012

Investment Philosophy

The Clifton Group utilizes equity futures to gain benchmark exposure in constructing the portfolio it believes provides the greatest likelihood of outperforming the index. In this construction the underlying cash portfolio is invested in a liquid, high quality short duration fixed income portfolio. Over market cycles excess return generated by the short duration portfolio, when added to the performance of futures is expected to allow the strategy to achieve 0.50% to 1.00% of gross excess annual performance.

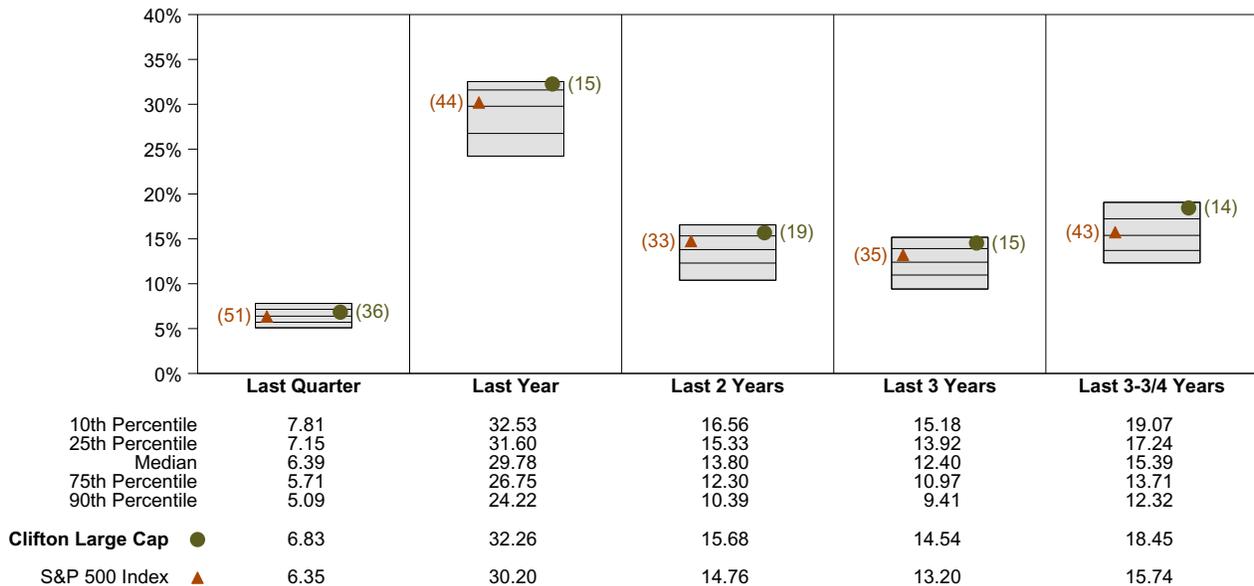
Quarterly Summary and Highlights

- Clifton Large Cap's portfolio posted a 6.83% return for the quarter placing it in the 36 percentile of the CAI Large Capitalization Style group for the quarter and in the 15 percentile for the last year.
- Clifton Large Cap's portfolio outperformed the S&P 500 Index by 0.48% for the quarter and outperformed the S&P 500 Index for the year by 2.06%.

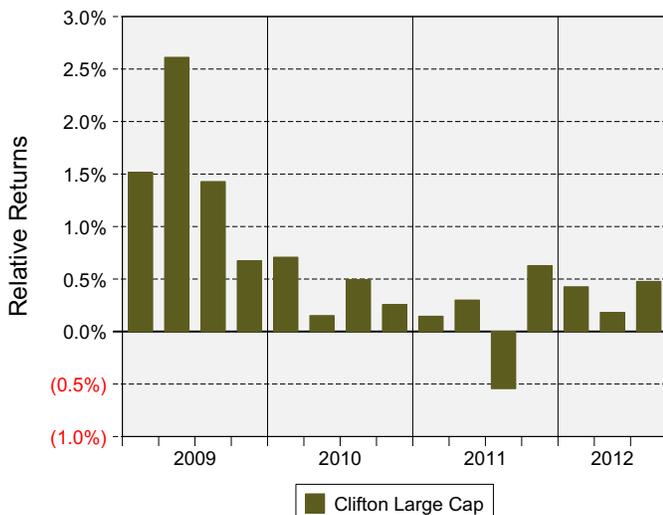
Quarterly Asset Growth

Beginning Market Value	\$31,119,059
Net New Investment	\$-53,176
Investment Gains/(Losses)	\$2,123,023
Ending Market Value	\$33,188,906

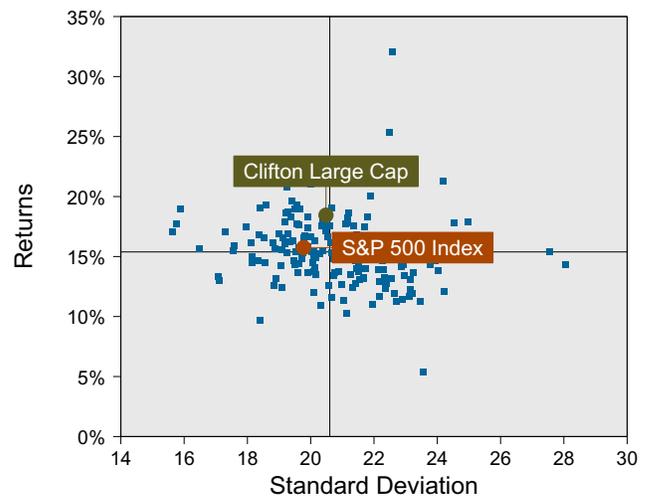
Performance vs CAI Large Capitalization Style (Gross)



Relative Return vs S&P 500 Index



CAI Large Capitalization Style (Gross) Annualized Three and Three-Quarter Year Risk vs Return



L.A. Capital Period Ended September 30, 2012

Investment Philosophy

The LA Capital Structured portfolio is a large growth portfolio benchmarked to the Russell 1000 Growth Index. It is an active assignment meaning that it targets a 2% alpha and constrains its risk budget (tracking error) to 4% relative to the benchmark. LA Capital believes that investment results are driven by Investor Preferences and thus recognize that when preferences shift a different posture related to that factor is warranted.

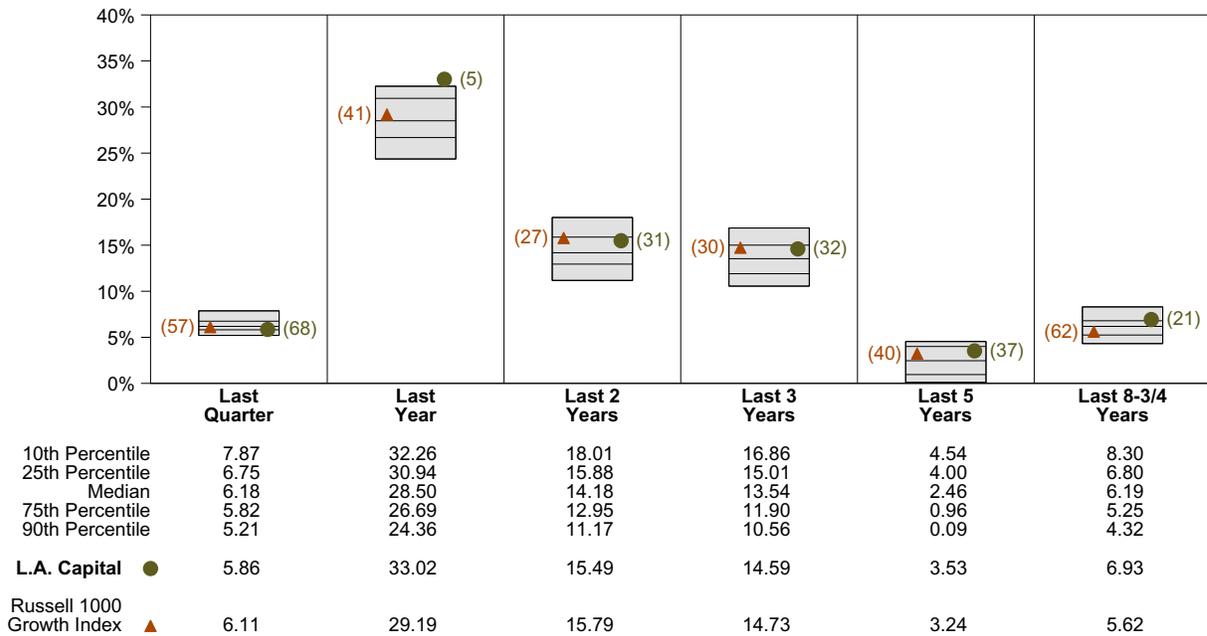
Quarterly Summary and Highlights

- L.A. Capital's portfolio posted a 5.86% return for the quarter placing it in the 68 percentile of the CAI Large Cap Growth Style group for the quarter and in the 5 percentile for the last year.
- L.A. Capital's portfolio underperformed the Russell 1000 Growth Index by 0.25% for the quarter and outperformed the Russell 1000 Growth Index for the year by 3.83%.

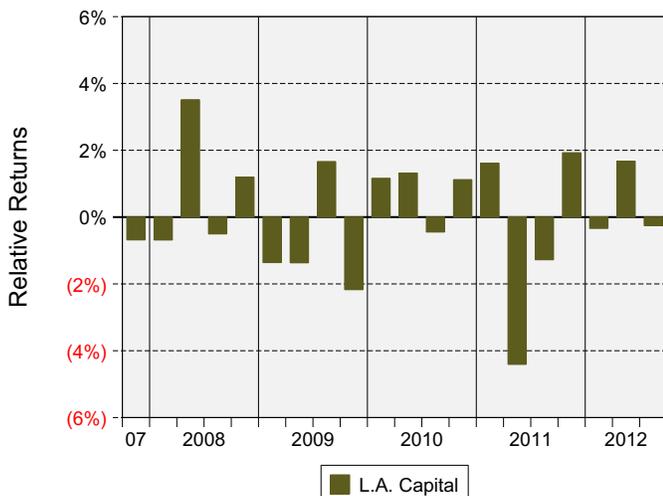
Quarterly Asset Growth

Beginning Market Value	\$48,806,884
Net New Investment	\$-26,514
Investment Gains/(Losses)	\$2,857,537
Ending Market Value	\$51,637,907

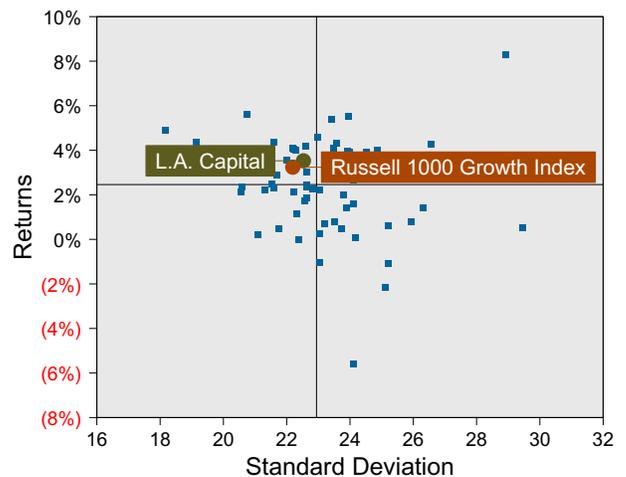
Performance vs CAI Large Cap Growth Style (Gross)



Relative Return vs Russell 1000 Growth Index



CAI Large Cap Growth Style (Gross) Annualized Five Year Risk vs Return



L.A. Capital Enhanced Period Ended September 30, 2012

Investment Philosophy

The LA Capital Enhanced portfolio is a large core portfolio benchmarked to the Russell 1000 Index. Characterized as an enhanced index assignment, its objective is to track the benchmark with lower variability. The pension portfolio began in August of 2000 and the insurance portfolio was initiated in April of 2004. Since October of 2006 a small portion of each of the two core accounts was allocated into the Large Cap Alpha Fund with intent to add incremental alpha to the assignment given that the information ratio was expected to be higher.

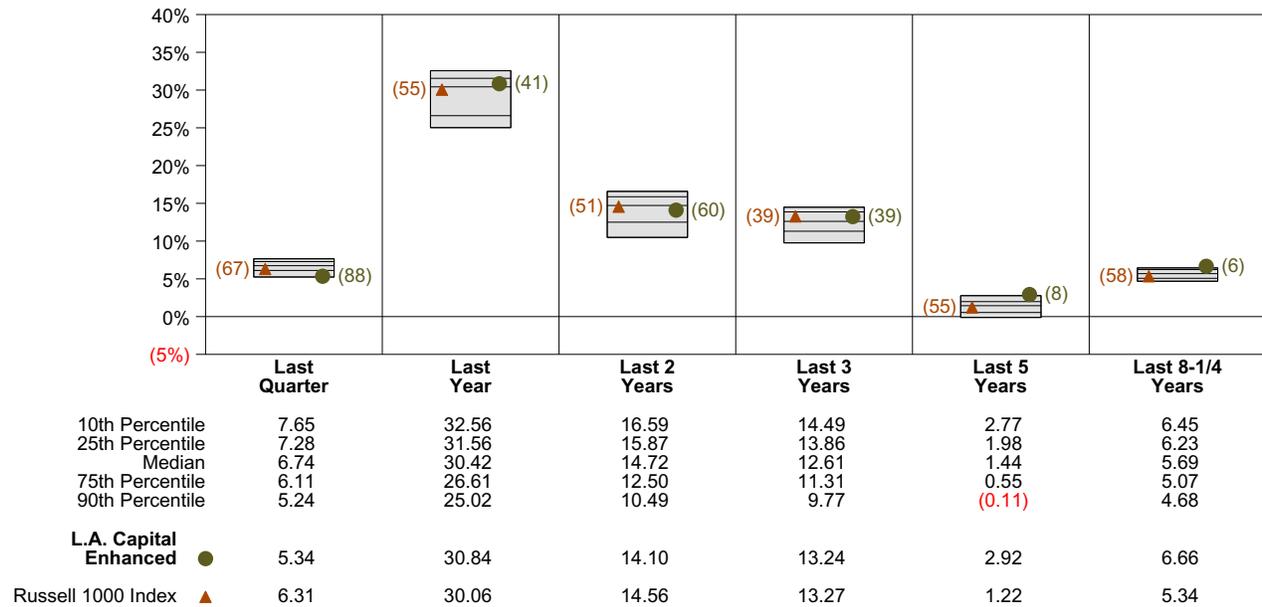
Quarterly Summary and Highlights

- L.A. Capital Enhanced's portfolio posted a 5.34% return for the quarter placing it in the 88 percentile of the CAI Large Cap Core Style group for the quarter and in the 41 percentile for the last year.
- L.A. Capital Enhanced's portfolio underperformed the Russell 1000 Index by 0.97% for the quarter and outperformed the Russell 1000 Index for the year by 0.78%.

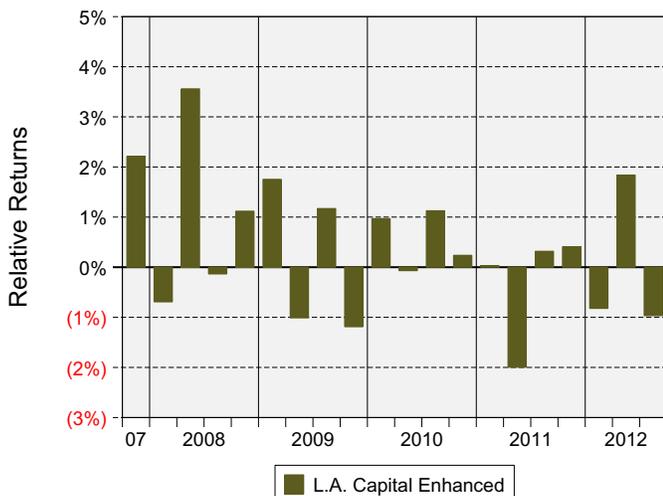
Quarterly Asset Growth

Beginning Market Value	\$32,342,743
Net New Investment	\$-10,810
Investment Gains/(Losses)	\$1,727,859
Ending Market Value	\$34,059,793

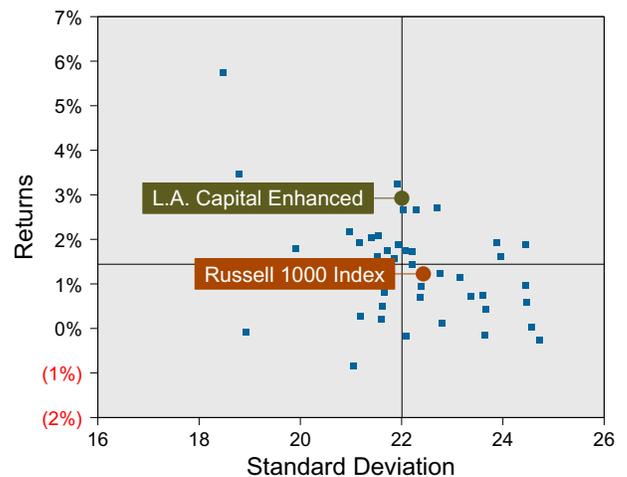
Performance vs CAI Large Cap Core Style (Gross)



Relative Return vs Russell 1000 Index



CAI Large Cap Core Style (Gross) Annualized Five Year Risk vs Return



LSV Asset Management

Period Ended September 30, 2012

Investment Philosophy

The objective of LSV Asset Management's Large Cap Value Equity (U.S.) strategy is to outperform the Russell 1000 Value by at least 200 basis points (gross of fees) per annum over a 3-5 year period with a tracking error of approximately 4%. Their stock selection process is a quantitative approach that ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 100 stocks in the most attractive securities possible within strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio is broadly diversified across industry groups and fully invested.

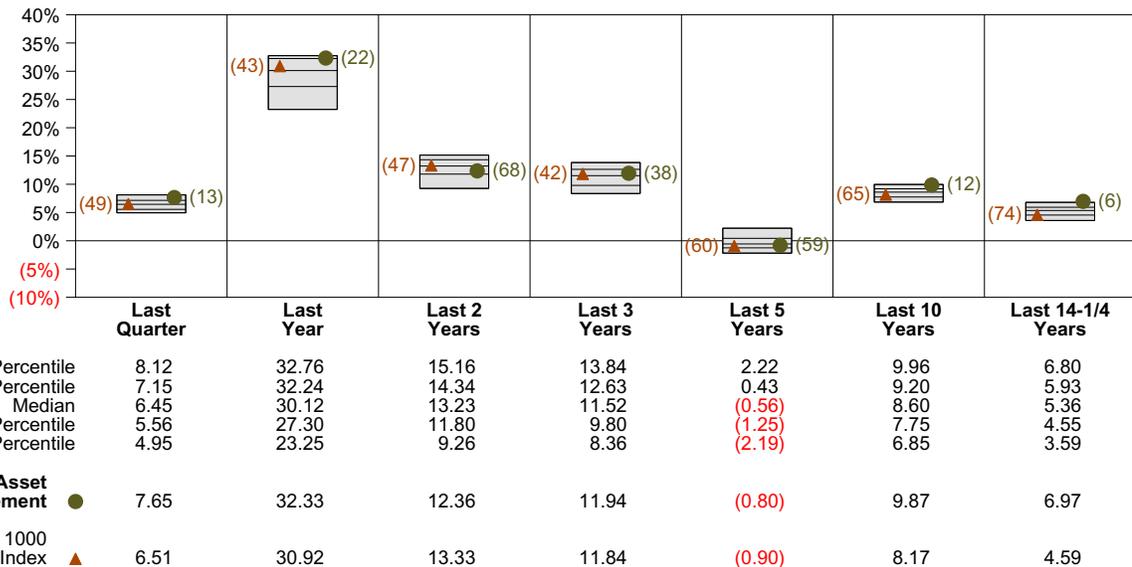
Quarterly Summary and Highlights

- LSV Asset Management's portfolio posted a 7.65% return for the quarter placing it in the 13 percentile of the CAI Large Cap Value Style group for the quarter and in the 22 percentile for the last year.
- LSV Asset Management's portfolio outperformed the Russell 1000 Value Index by 1.14% for the quarter and outperformed the Russell 1000 Value Index for the year by 1.42%.

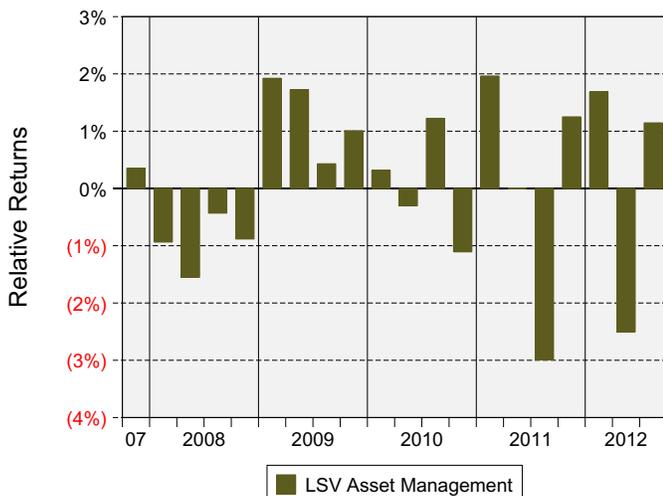
Quarterly Asset Growth

Beginning Market Value	\$46,284,654
Net New Investment	\$-34,484
Investment Gains/(Losses)	\$3,537,909
Ending Market Value	\$49,788,079

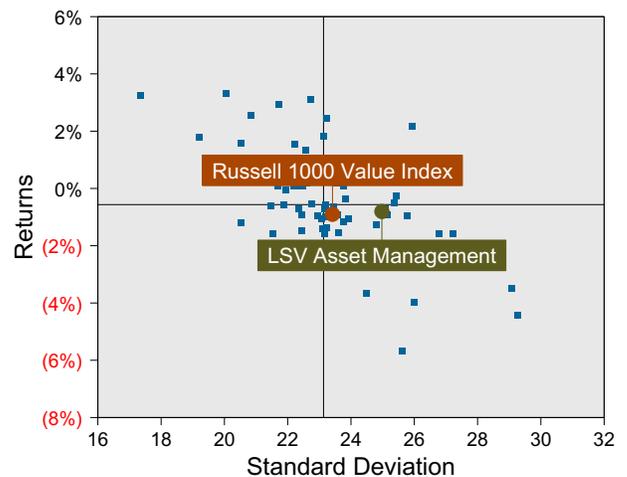
Performance vs CAI Large Cap Value Style (Gross)



Relative Return vs Russell 1000 Value Index



CAI Large Cap Value Style (Gross) Annualized Five Year Risk vs Return



Clifton Small Cap Period Ended September 30, 2012

Investment Philosophy

The Clifton Group utilizes equity futures to gain benchmark exposure in constructing the portfolio it believes provides the greatest likelihood of outperforming the index. In this construction the underlying cash portfolio is invested in a liquid, high quality short duration fixed income portfolio. Over market cycles excess return generated by the short duration portfolio, when added to the performance of futures is expected to allow the strategy to achieve 0.50% to 1.00% of gross excess annual performance.

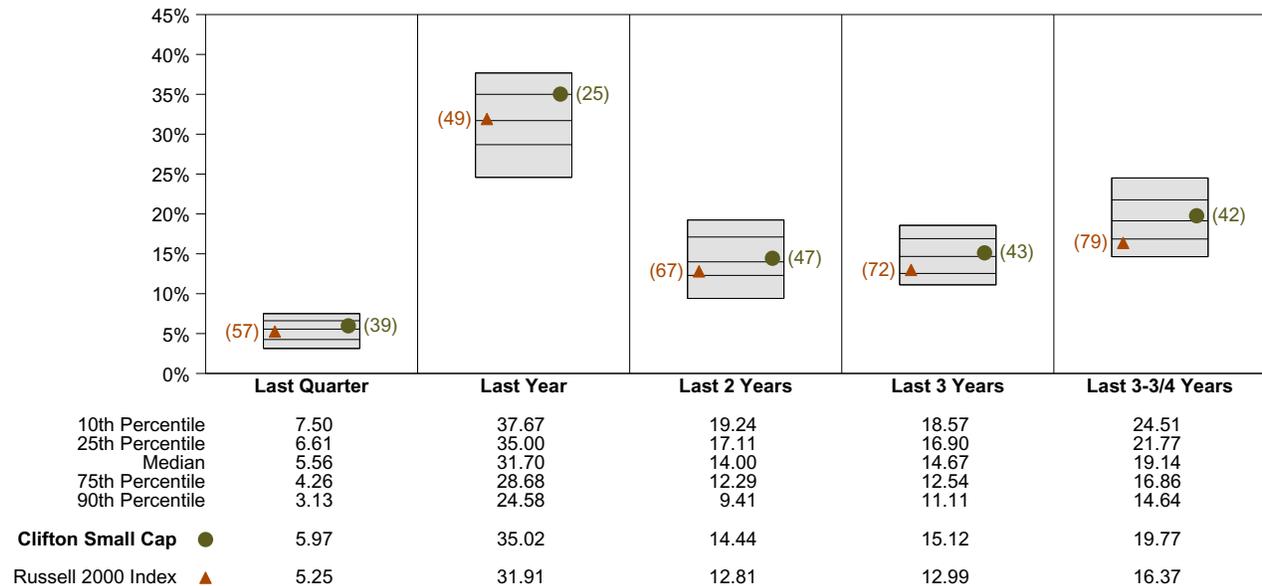
Quarterly Summary and Highlights

- Clifton Small Cap's portfolio posted a 5.97% return for the quarter placing it in the 39 percentile of the CAI Small Capitalization Style group for the quarter and in the 25 percentile for the last year.
- Clifton Small Cap's portfolio outperformed the Russell 2000 Index by 0.72% for the quarter and outperformed the Russell 2000 Index for the year by 3.12%.

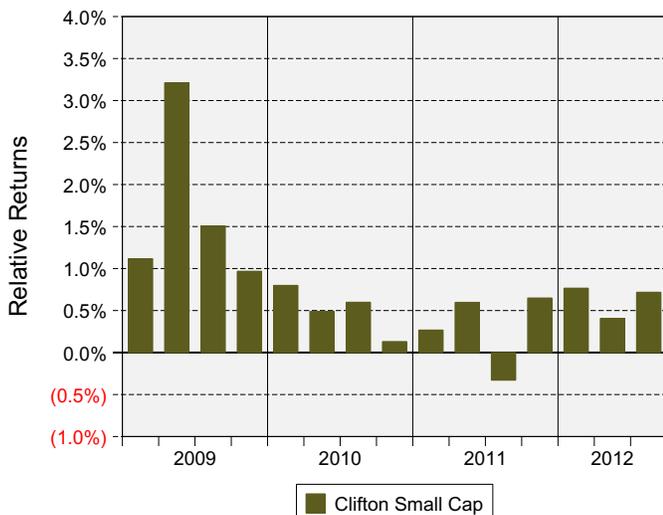
Quarterly Asset Growth

Beginning Market Value	\$29,332,733
Net New Investment	\$-122,062
Investment Gains/(Losses)	\$1,745,584
Ending Market Value	\$30,956,255

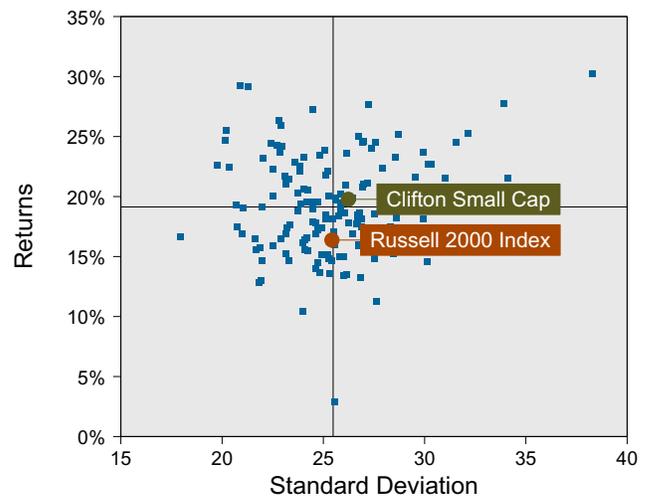
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Three and Three-Quarter Year Risk vs Return



Research Affiliates Period Ended September 30, 2012

Investment Philosophy

Small company value equity portfolio utilizing the index strategy and philosophy described as the Enhanced RAFI US Small strategy which relies on portfolio weights derived from firm fundamentals (free cash flow, book equity value, total sales and gross dividend), instead of market capitalization. Additionally, the enhanced portfolio strategy uses a quality of earnings screening and a financial distress screening to augment portfolio returns and reduce portfolio volatility.

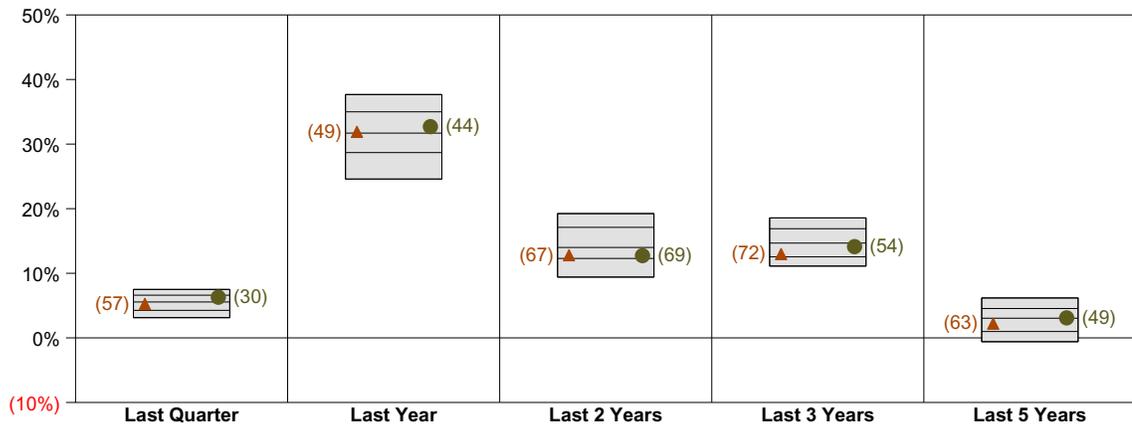
Quarterly Summary and Highlights

- Research Affiliates's portfolio posted a 6.29% return for the quarter placing it in the 30 percentile of the CAI Small Capitalization Style group for the quarter and in the 44 percentile for the last year.
- Research Affiliates's portfolio outperformed the Russell 2000 Index by 1.04% for the quarter and outperformed the Russell 2000 Index for the year by 0.79%.

Quarterly Asset Growth

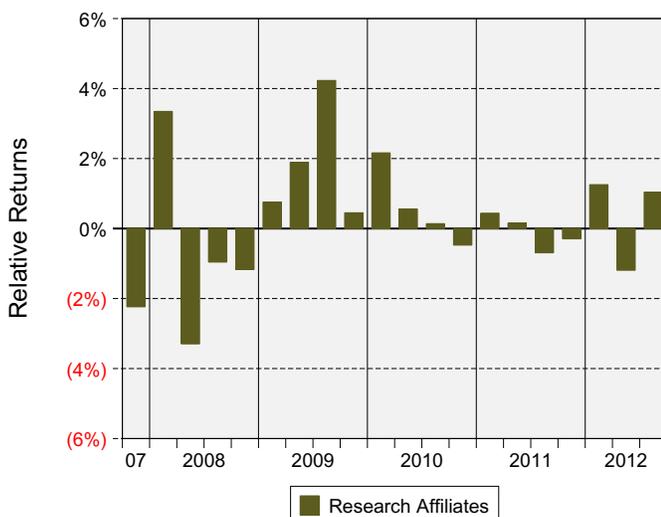
Beginning Market Value	\$28,035,265
Net New Investment	\$-33,077
Investment Gains/(Losses)	\$1,762,051
Ending Market Value	\$29,764,239

Performance vs CAI Small Capitalization Style (Gross)

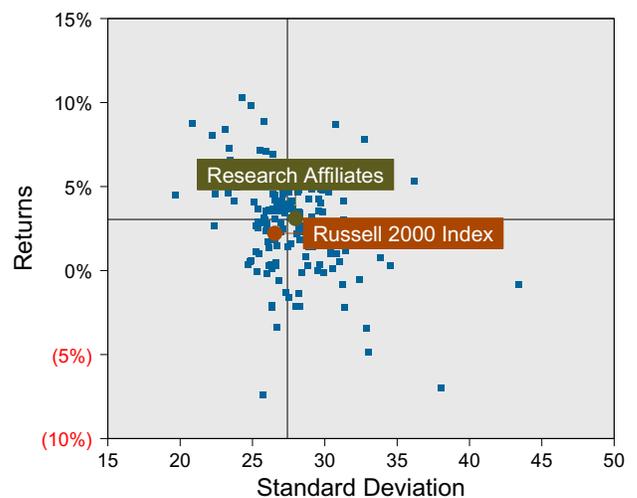


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	7.50	37.67	19.24	18.57	6.18
25th Percentile	6.61	35.00	17.11	16.90	4.54
Median	5.56	31.70	14.00	14.67	3.04
75th Percentile	4.26	28.68	12.29	12.54	0.98
90th Percentile	3.13	24.58	9.41	11.11	(0.59)
Research Affiliates	6.29	32.70	12.73	14.12	3.10
Russell 2000 Index	5.25	31.91	12.81	12.99	2.21

Relative Return vs Russell 2000 Index



CAI Small Capitalization Style (Gross) Annualized Five Year Risk vs Return



Capital Guardian Trust Company Period Ended September 30, 2012

Investment Philosophy

The Portfolio will invest primarily in equity or equity type securities of companies in developed countries excluding the U.S. These equity securities will be listed on a stock exchange or traded in another recognized market and include, but are not limited to, common and preferred stocks, securities convertible or exchangeable into common or preferred stock, warrants, rights and depository arrangements. **International Equity target is MSCI EAFE through 9/30/2000, 50% Hedged EAFE through 3/31/2011, and MSCI EAFE again thereafter.

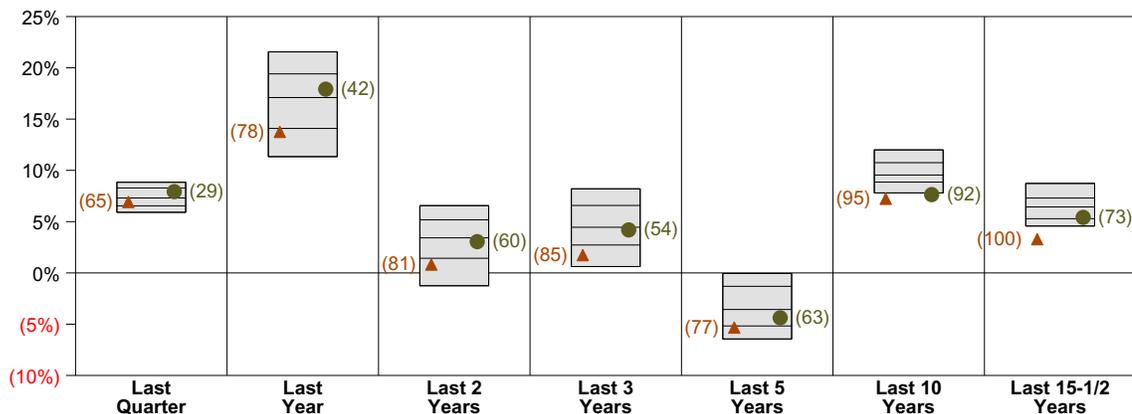
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 7.92% return for the quarter placing it in the 29 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 42 percentile for the last year.
- Capital Guardian's portfolio outperformed the MSCI EAFE Index by 1.00% for the quarter and outperformed the MSCI EAFE Index for the year by 4.16%.

Quarterly Asset Growth

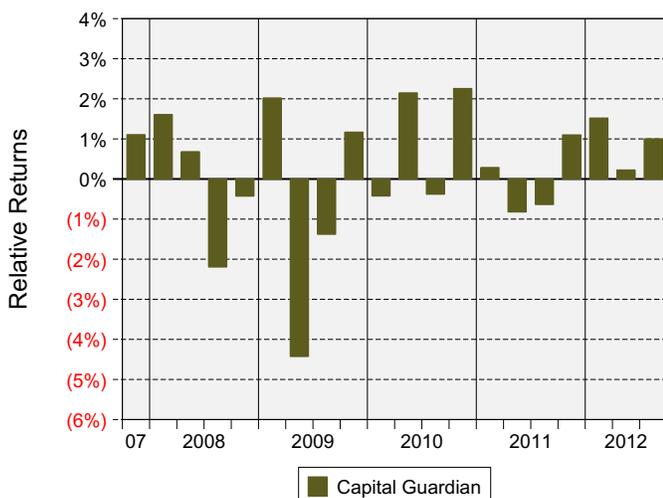
Beginning Market Value	\$31,488,021
Net New Investment	\$-45,599
Investment Gains/(Losses)	\$2,492,403
Ending Market Value	\$33,934,824

Performance vs CAI Non-U.S. Equity Style (Gross)

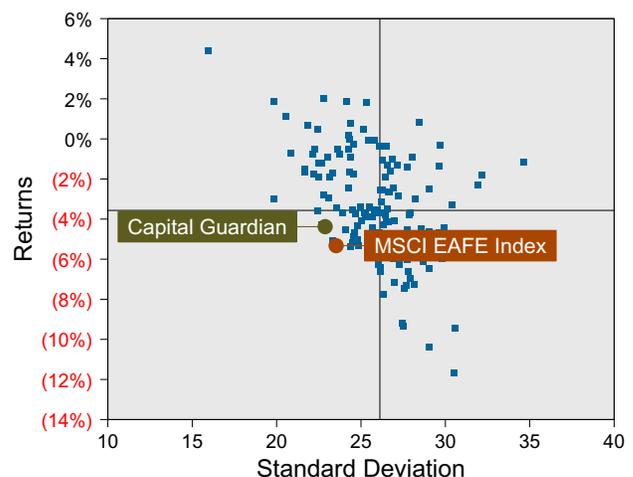


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-1/2 Years
10th Percentile	8.84	21.56	6.56	8.20	(0.06)	12.00	8.73
25th Percentile	8.28	19.41	5.18	6.58	(1.31)	10.75	7.30
Median	7.30	17.10	3.42	4.45	(3.57)	9.55	6.43
75th Percentile	6.54	14.09	1.43	2.72	(5.17)	8.85	5.29
90th Percentile	5.91	11.34	(1.25)	0.62	(6.44)	7.80	4.57
Capital Guardian ●	7.92	17.92	3.05	4.19	(4.38)	7.63	5.41
MSCI EAFE Index ▲	6.92	13.75	0.82	1.73	(5.33)	7.23	3.29

Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross) Annualized Five Year Risk vs Return



DFA International Small Value Period Ended September 30, 2012

Investment Philosophy

The International Small Cap Value Portfolio invests in the stocks of small, non-US developed markets companies that Dimensional believes to be value stocks at the time of purchase. Specifically, it looks at companies that fall within the smallest 8-10% of each country's market capitalization, and whose shares have a high book value in relation to their market value (BtM). It does not invest in emerging markets.

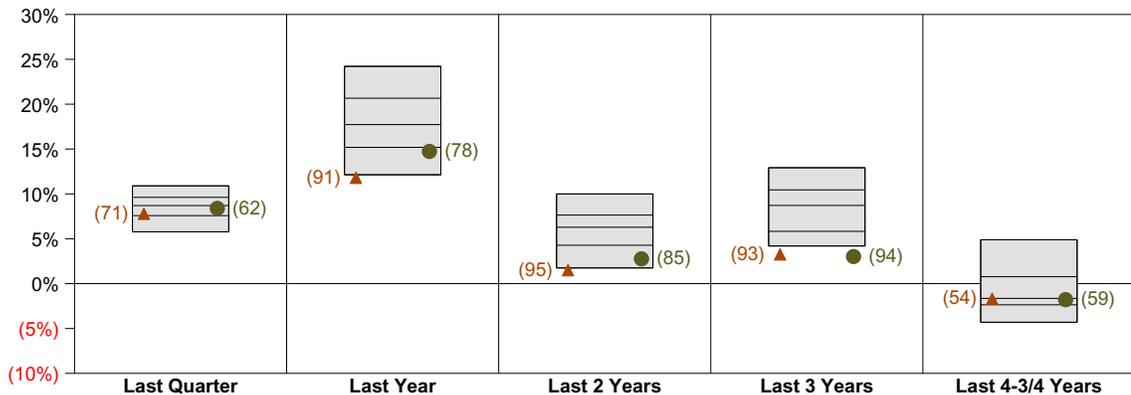
Quarterly Summary and Highlights

- DFA International Small Value's portfolio posted a 8.38% return for the quarter placing it in the 62 percentile of the CAI International Small Cap Style group for the quarter and in the 78 percentile for the last year.
- DFA International Small Value's portfolio outperformed the World ex US SC Va by 0.59% for the quarter and outperformed the World ex US SC Va for the year by 2.94%.

Quarterly Asset Growth

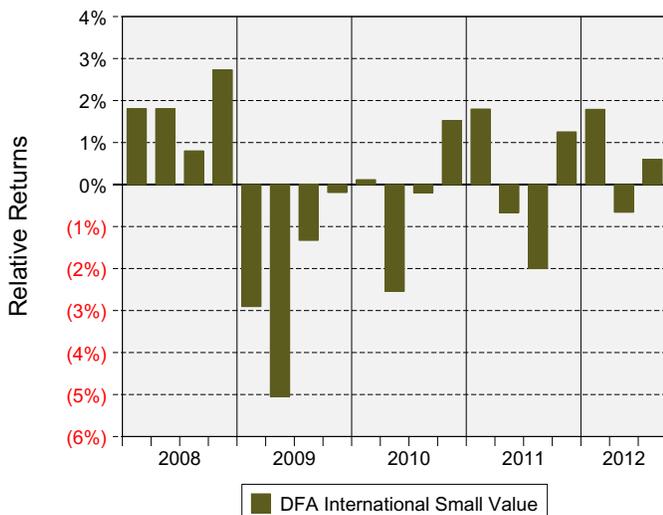
Beginning Market Value	\$9,015,409
Net New Investment	\$-15,125
Investment Gains/(Losses)	\$755,212
Ending Market Value	\$9,755,495

Performance vs CAI International Small Cap Style (Gross)

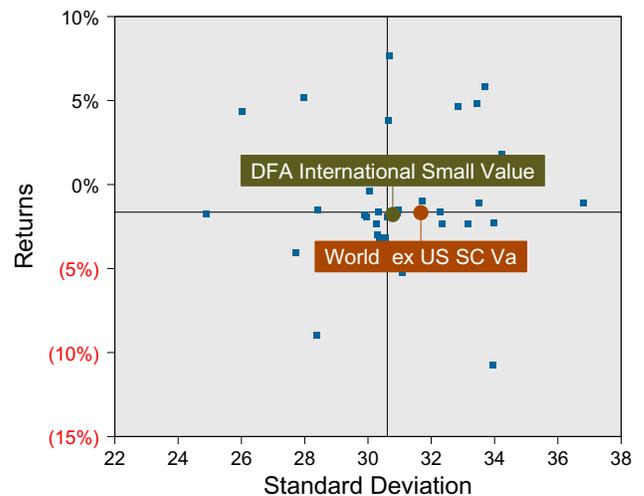


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4-3/4 Years
10th Percentile	10.90	24.22	9.99	12.92	4.89
25th Percentile	9.62	20.67	7.64	10.45	0.77
Median	8.70	17.73	6.29	8.72	(1.64)
75th Percentile	7.58	15.19	4.28	5.83	(2.36)
90th Percentile	5.78	12.13	1.75	4.20	(4.30)
DFA International Small Value	8.38	14.74	2.76	3.02	(1.78)
World ex US SC Va	7.79	11.79	1.50	3.26	(1.67)

Relative Return vs World ex US SC Va



CAI International Small Cap Style (Gross) Annualized Four and Three-Quarter Year Risk vs Return



LSV Asset Management Period Ended September 30, 2012

Investment Philosophy

The objective of LSV Asset Management's International Large Cap Value strategy is to outperform the MSCI EAFE Index by at least 250 basis points (gross of fees) per annum over an annualized 3-5 year period with a tracking error of approximately 5-6%. Their stock selection process is a quantitative approach that ranks a broad universe of stocks on a combination of value and momentum factors and seeks to invest approximately 150 stocks in the most attractive securities possible within strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio is broadly diversified across industry groups and fully invested. LSV weights countries at a neutral weight relative to the benchmark country weights. 50% of the portfolio is US dollar hedged. **International Equity target is MSCI EAFE through 9/30/2000, 50% Hedged EAFE through 3/31/2011, and MSCI EAFE again thereafter.

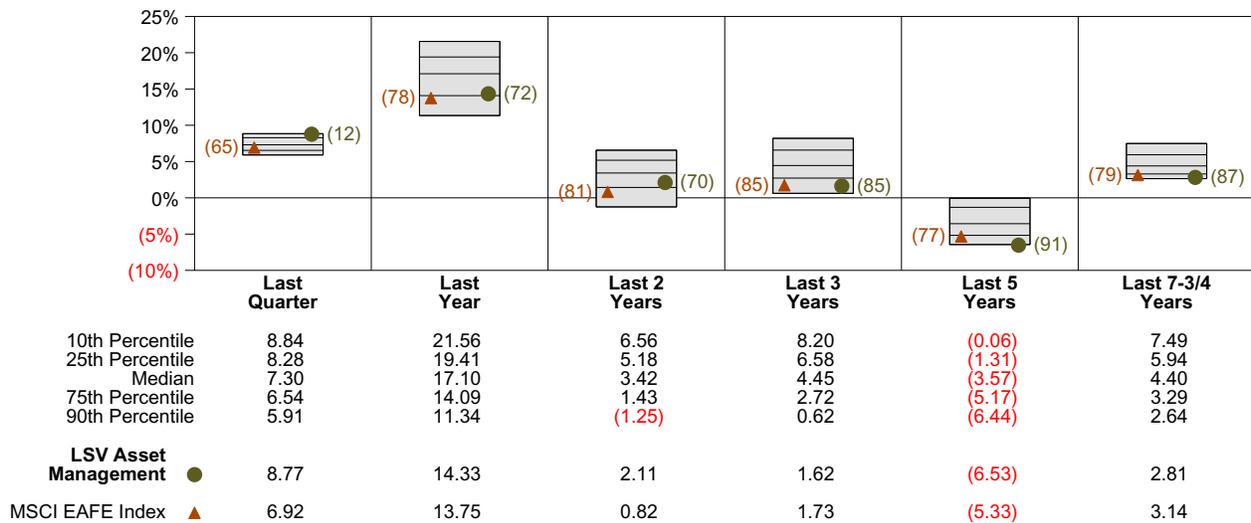
Quarterly Summary and Highlights

- LSV Asset Management's portfolio posted a 8.77% return for the quarter placing it in the 12 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 72 percentile for the last year.
- LSV Asset Management's portfolio outperformed the MSCI EAFE Index by 1.84% for the quarter and outperformed the MSCI EAFE Index for the year by 0.58%.

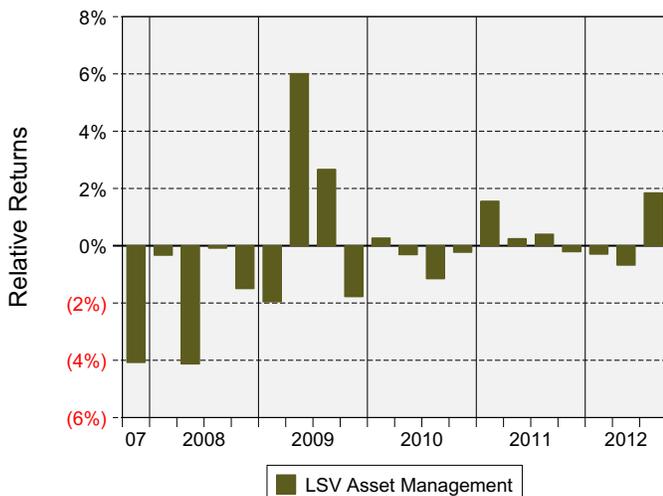
Quarterly Asset Growth

Beginning Market Value	\$39,328,634
Net New Investment	\$-47,929
Investment Gains/(Losses)	\$3,444,675
Ending Market Value	\$42,725,380

Performance vs CAI Non-U.S. Equity Style (Gross)



Relative Return vs MSCI EAFE Index



CAI Non-U.S. Equity Style (Gross) Annualized Five Year Risk vs Return



Vanguard

Period Ended September 30, 2012

Investment Philosophy

Vanguard International Explorer Fund invests primarily in the equity securities of small-capitalization companies located outside the United States that the advisor believes offer the potential for long-term capital appreciation. The advisor considers, among other things, whether a company is likely to have above-average earnings growth, whether the company's securities are attractively valued, and whether the company has any proprietary advantages.

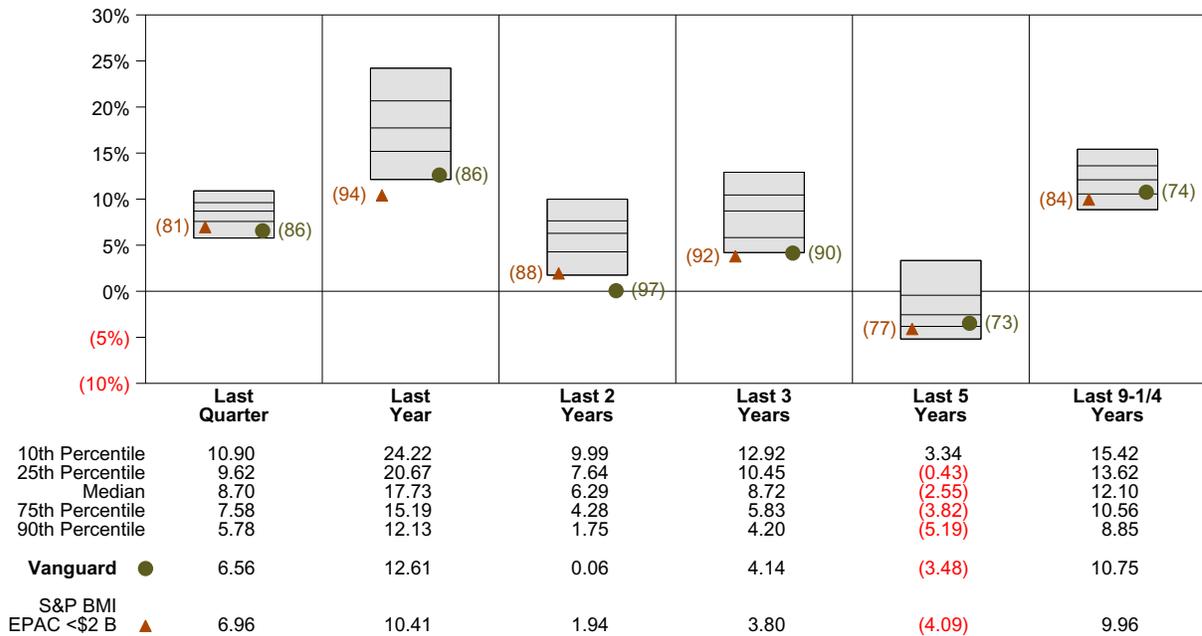
Quarterly Summary and Highlights

- Vanguard's portfolio posted a 6.56% return for the quarter placing it in the 86 percentile of the CAI International Small Cap Style group for the quarter and in the 86 percentile for the last year.
- Vanguard's portfolio underperformed the S&P BMI EPAC <\$2 B by 0.40% for the quarter and outperformed the S&P BMI EPAC <\$2 B for the year by 2.20%.

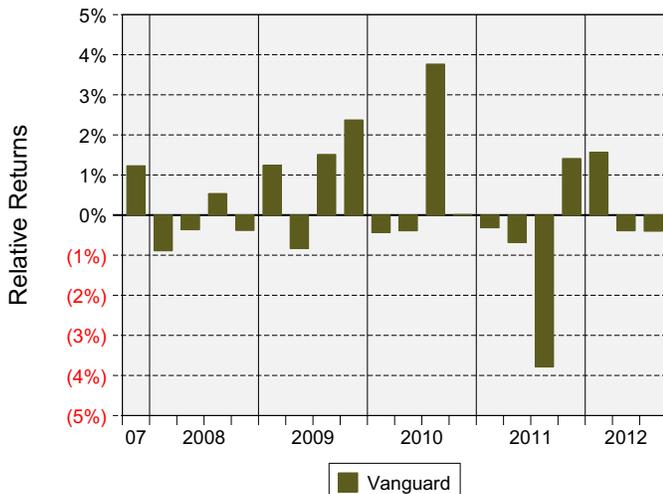
Quarterly Asset Growth

Beginning Market Value	\$9,339,081
Net New Investment	\$-8,800
Investment Gains/(Losses)	\$612,440
Ending Market Value	\$9,942,722

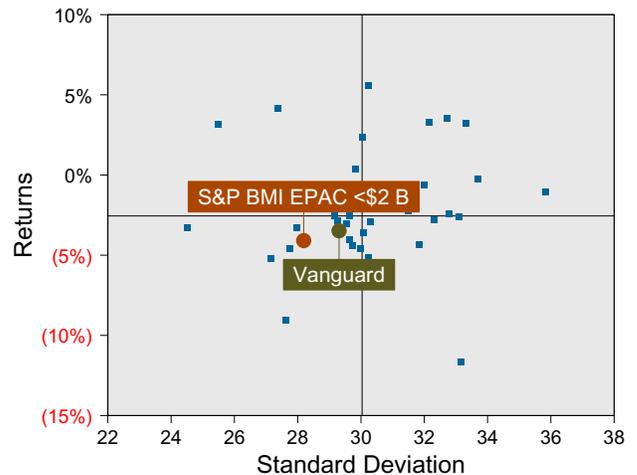
Performance vs CAI International Small Cap Style (Gross)



Relative Return vs S&P BMI EPAC <\$2 B



CAI International Small Cap Style (Gross) Annualized Five Year Risk vs Return



Bank of North Dakota Period Ended September 30, 2012

Investment Philosophy

The Bank of North Dakota (BND) uses a passive management style designed to replicate the Barclays Government/Corporate Bond Index. In order to accomplish this objective, BND utilizes optimization software that allows us to monitor several portfolio and individual security constraints (duration, yield, convexity, credit quality and issue size).

**Blended Benchmark consists of BC Gov/Credit Bond Ldx through 03/31/2004, BC Gov/Credit Index Intermediate through 06/30/2005, and BC Gov/Credit Bond Ldx again thereafter.

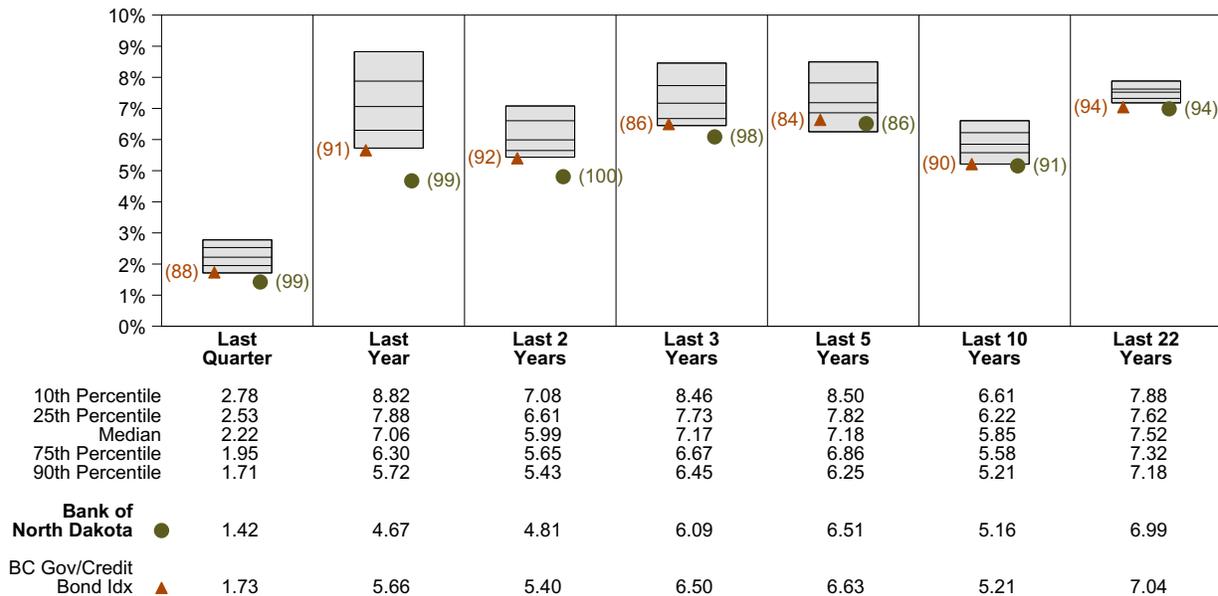
Quarterly Summary and Highlights

- Bank of North Dakota's portfolio posted a 1.42% return for the quarter placing it in the 99 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 99 percentile for the last year.
- Bank of North Dakota's portfolio underperformed the BC Gov/Credit Bond Ldx by 0.31% for the quarter and underperformed the BC Gov/Credit Bond Ldx for the year by 0.98%.

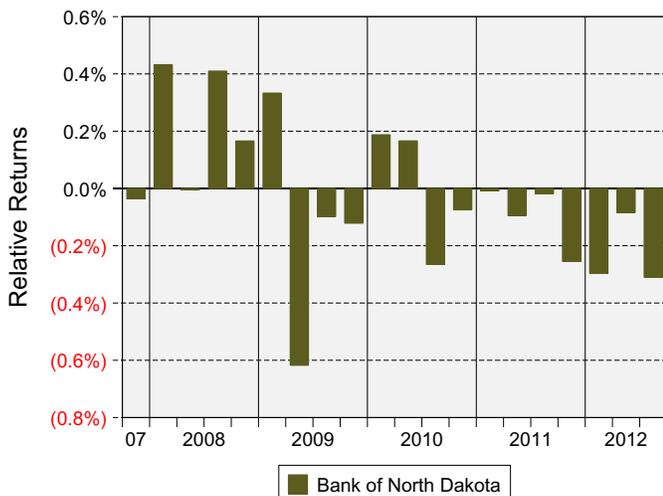
Quarterly Asset Growth

Beginning Market Value	\$111,046,636
Net New Investment	\$-16,600
Investment Gains/(Losses)	\$1,580,003
Ending Market Value	\$112,610,039

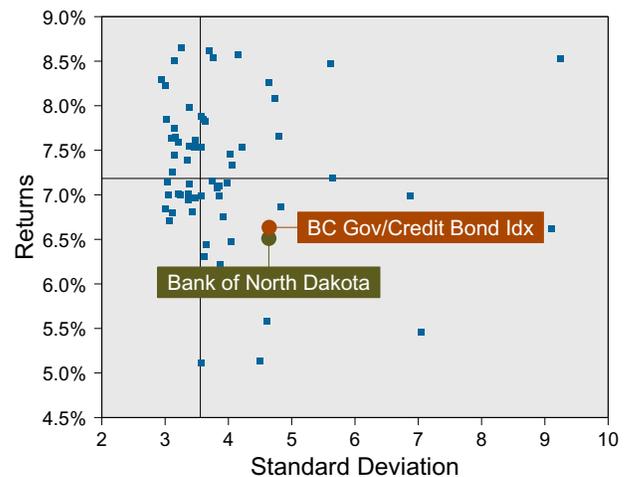
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs BC Gov/Credit Bond Ldx



CAI Core Bond Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



Prudential Period Ended September 30, 2012

Investment Philosophy

The core plus fixed income account is a multi-sector strategy that is diversified across a broad range of fixed income sectors, including Treasuries, agencies, mortgage-backed securities, structured product (asset-backed securities, commercial mortgage-backed securities), investment grade corporate bonds, high yield bonds, bank loans and international debt. The primary sources of excess return are sector allocation and security selection, with duration and yield curve less of a focus.

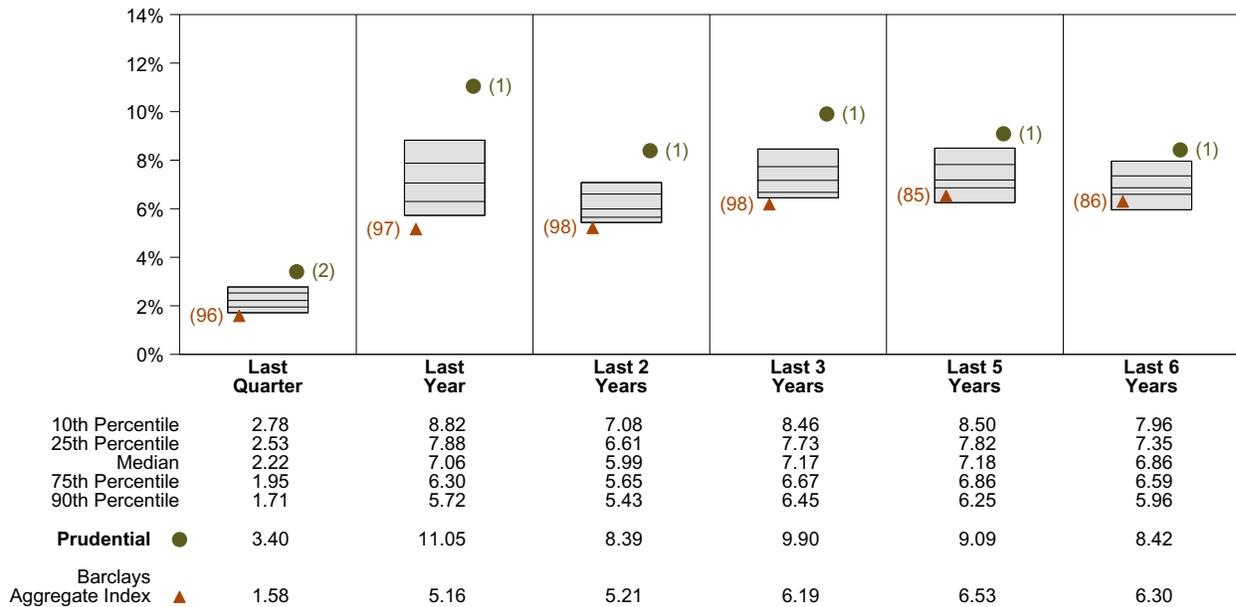
Quarterly Summary and Highlights

- Prudential's portfolio posted a 3.40% return for the quarter placing it in the 2 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 1 percentile for the last year.
- Prudential's portfolio outperformed the Barclays Aggregate Index by 1.82% for the quarter and outperformed the Barclays Aggregate Index for the year by 5.89%.

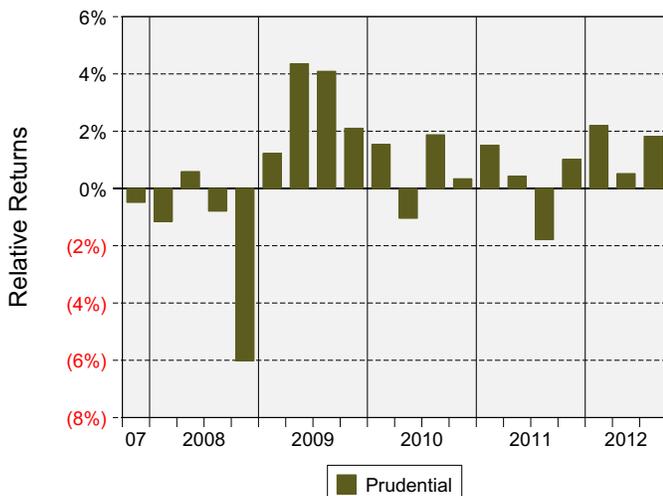
Quarterly Asset Growth

Beginning Market Value	\$66,809,329
Net New Investment	\$-49,267
Investment Gains/(Losses)	\$2,273,553
Ending Market Value	\$69,033,616

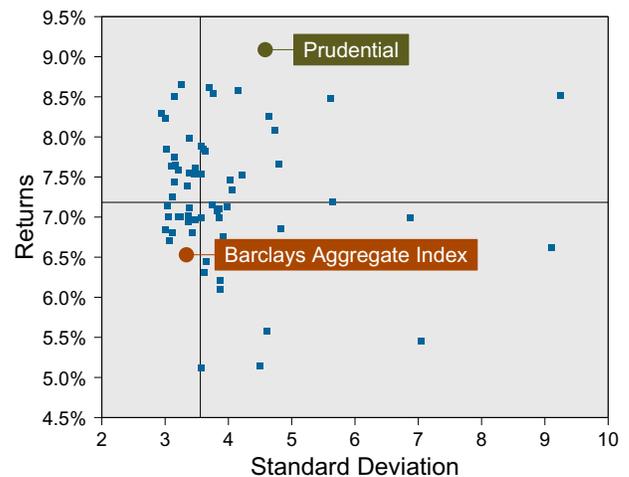
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Aggregate Index



CAI Core Bond Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



Wells Capital

Period Ended September 30, 2012

Investment Philosophy

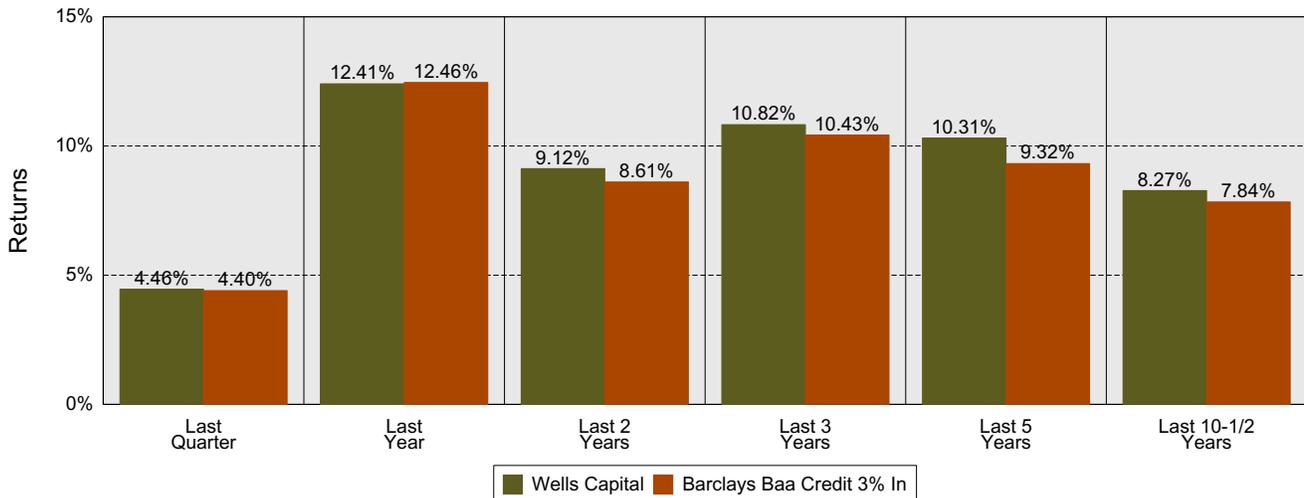
The Medium Quality Credit fixed income strategy is designed to maximize total return from the high-grade corporate bond market while maintaining a strategic allocation to the BBB portion of the high yield market. The investment process for this fund starts with a "top-down" strategy. Security selection is determined by in-depth credit research, holding that in-depth knowledge of industries, companies, and their management teams can help identify credit trends that can lead to investment opportunities. Furthermore, a disciplined relative value framework is applied to help determine the optimal position to invest within an industry and within an individual issuer's capital structure.

Quarterly Summary and Highlights

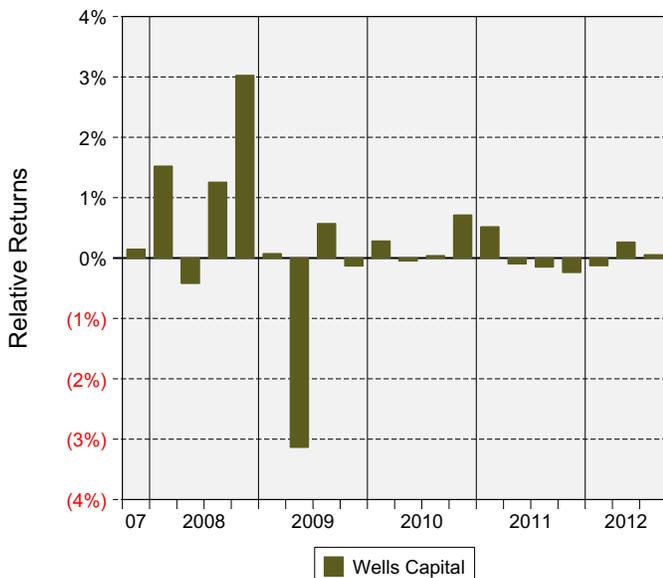
- Wells Capital's portfolio posted a 4.46% return for the quarter placing it in the 1 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 1 percentile for the last year.
- Wells Capital's portfolio outperformed the Barclays Baa Credit 3% In by 0.06% for the quarter and underperformed the Barclays Baa Credit 3% In for the year by 0.05%.

Quarterly Asset Growth

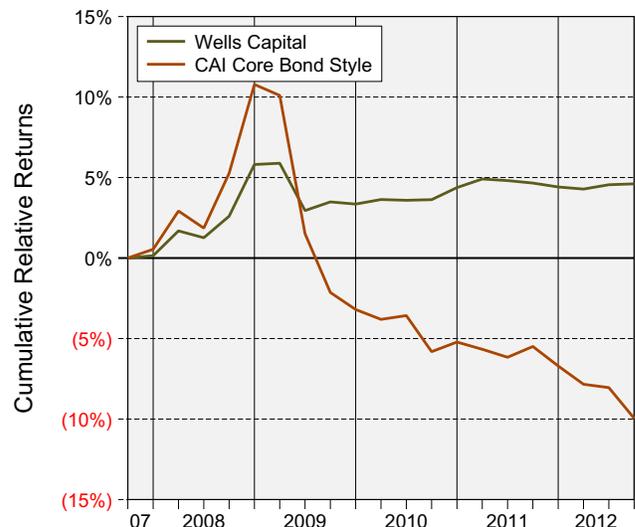
Beginning Market Value	\$281,135,603
Net New Investment	\$-153,657
Investment Gains/(Losses)	\$12,531,518
Ending Market Value	\$293,513,463



Relative Return vs Barclays Baa Credit 3% In



Cumulative Returns vs Barclays Baa Credit 3% In



Western Asset Management Company

Period Ended September 30, 2012

Investment Philosophy

Western Asset designs this portfolio using all major fixed-income sectors with a bias towards non-Treasuries, especially corporate, mortgage-backed and asset-backed securities. Value can be added through sector rotation, issue selection, duration and term structure weighting.

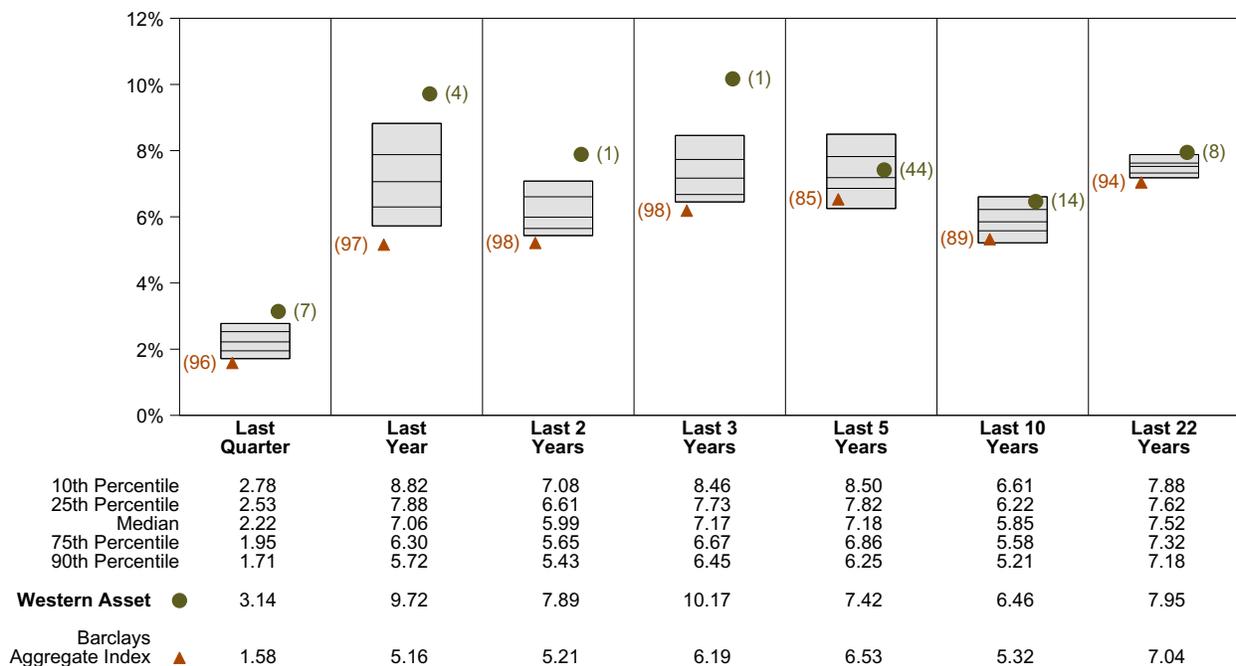
Quarterly Summary and Highlights

- Western Asset's portfolio posted a 3.14% return for the quarter placing it in the 7 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 4 percentile for the last year.
- Western Asset's portfolio outperformed the Barclays Aggregate Index by 1.55% for the quarter and outperformed the Barclays Aggregate Index for the year by 4.56%.

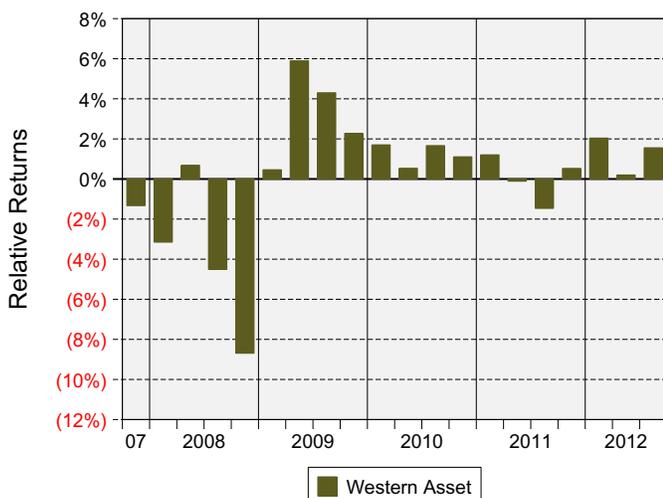
Quarterly Asset Growth

Beginning Market Value	\$208,292,185
Net New Investment	\$-94,453
Investment Gains/(Losses)	\$6,537,751
Ending Market Value	\$214,735,483

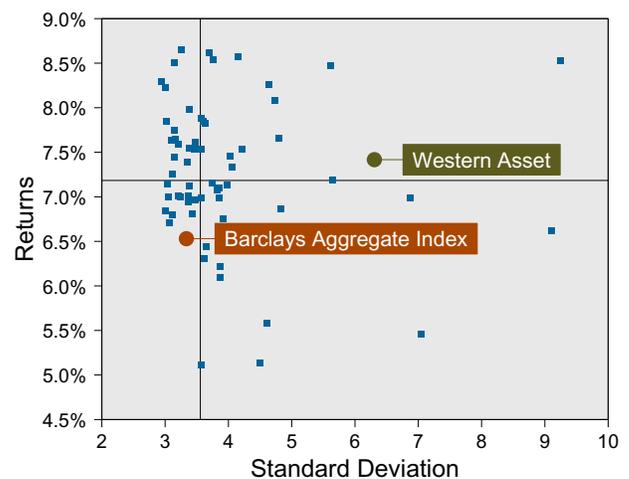
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Aggregate Index



CAI Core Bond Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



Declaration Period Ended September 30, 2012

Investment Philosophy

DMR assumed management of mortgage assets originally acquired by Brookfield (Hyperion). DMR will provide a fresh perspective on the holdings, some of which are credit impaired. The portfolio management services will include loan-level analysis on individual securities and portfolio level risk management of liquidity and volatility. Holdings include structured finance assets: agency and non-agency RMBS, CMBS, and ABS. DMR will seek to optimize the risk-return profile of the portfolio and will look to identify and execute re-investment opportunities with focus on lower volatility, par-based assets. The performance target of the portfolio is a gross total return of 1.25% above the return of the Benchmark over a full market cycle. The Benchmark is the Securitized Portion of Barclays U.S. Aggregate Index. Declaration took over management of this fund on April 1, 2010. Prior performance reflects Hyperion Brookfield.

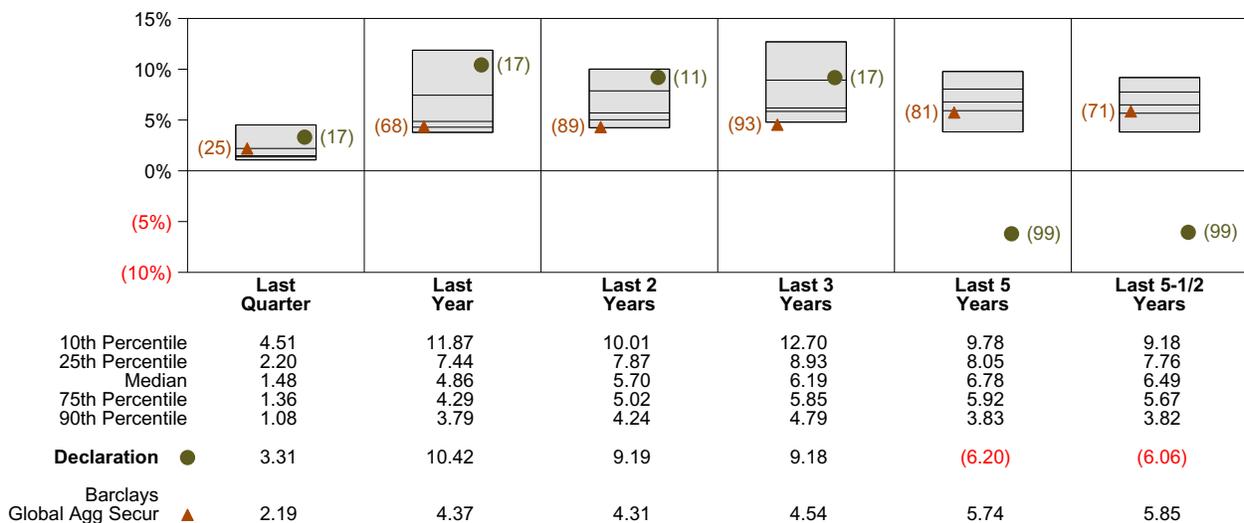
Quarterly Summary and Highlights

- Declaration's portfolio posted a 3.31% return for the quarter placing it in the 17 percentile of the CAI Mtg-Backed FI Style group for the quarter and in the 17 percentile for the last year.
- Declaration's portfolio outperformed the Barclays Global Agg Secur by 1.12% for the quarter and outperformed the Barclays Global Agg Secur for the year by 6.06%.

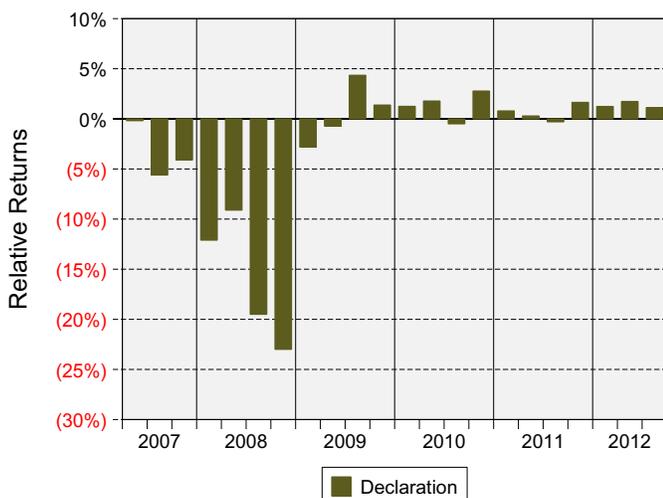
Quarterly Asset Growth

Beginning Market Value	\$50,153,819
Net New Investment	\$-62,409
Investment Gains/(Losses)	\$1,659,256
Ending Market Value	\$51,750,666

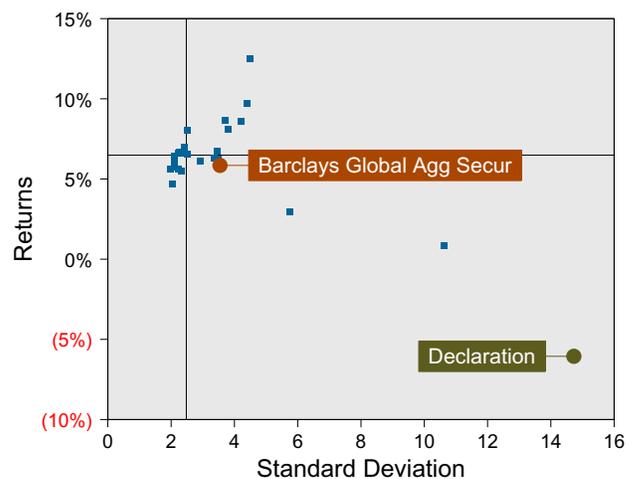
Performance vs CAI Mtg-Backed FI Style (Gross)



Relative Return vs Barclays Global Agg Secur



CAI Mtg-Backed FI Style (Gross) Annualized Five and One-Half Year Risk vs Return



PIMCO DiSCO II

Period Ended September 30, 2012

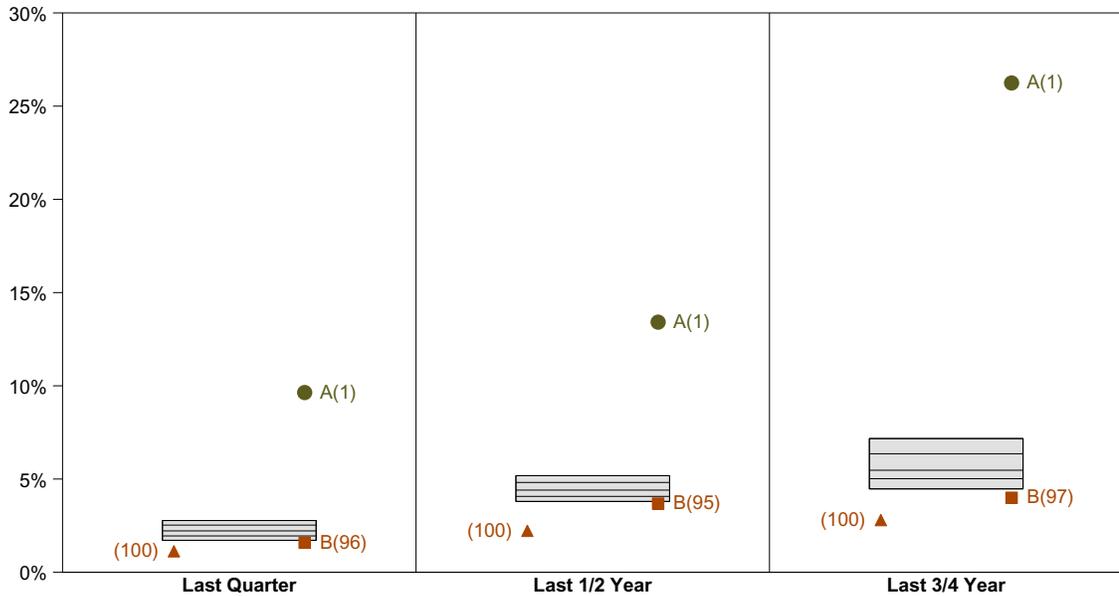
Quarterly Summary and Highlights

- PIMCO DiSCO II's portfolio posted a 9.64% return for the quarter placing it in the 1 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 1 percentile for the last three-quarter year.
- PIMCO DiSCO II's portfolio outperformed the Barclays Mortgage by 8.51% for the quarter and outperformed the Barclays Mortgage for the three-quarter year by 23.44%.

Quarterly Asset Growth

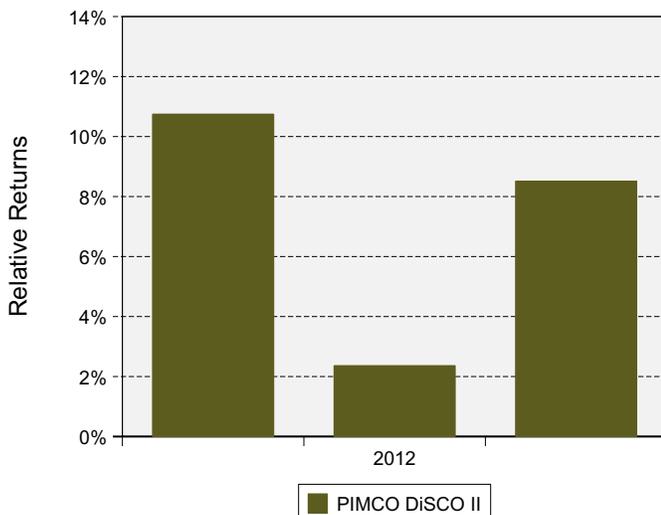
Beginning Market Value	\$69,086,124
Net New Investment	\$0
Investment Gains/(Losses)	\$6,658,594
Ending Market Value	\$75,744,718

Performance vs CAI Core Bond Fixed-Inc Style (Gross)

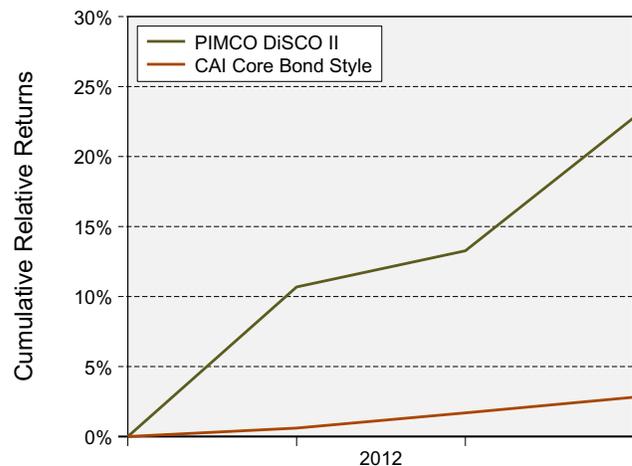


10th Percentile	2.78	5.18	7.17
25th Percentile	2.53	4.82	6.36
Median	2.22	4.41	5.47
75th Percentile	1.95	4.07	5.02
90th Percentile	1.71	3.80	4.47
PIMCO DiSCO II ● A	9.64	13.41	26.24
Barclays Aggregate Index ■ B	1.58	3.68	3.99
Barclays Mortgage ▲	1.13	2.22	2.80

Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Western Asset Management TIPS Period Ended September 30, 2012

Investment Philosophy

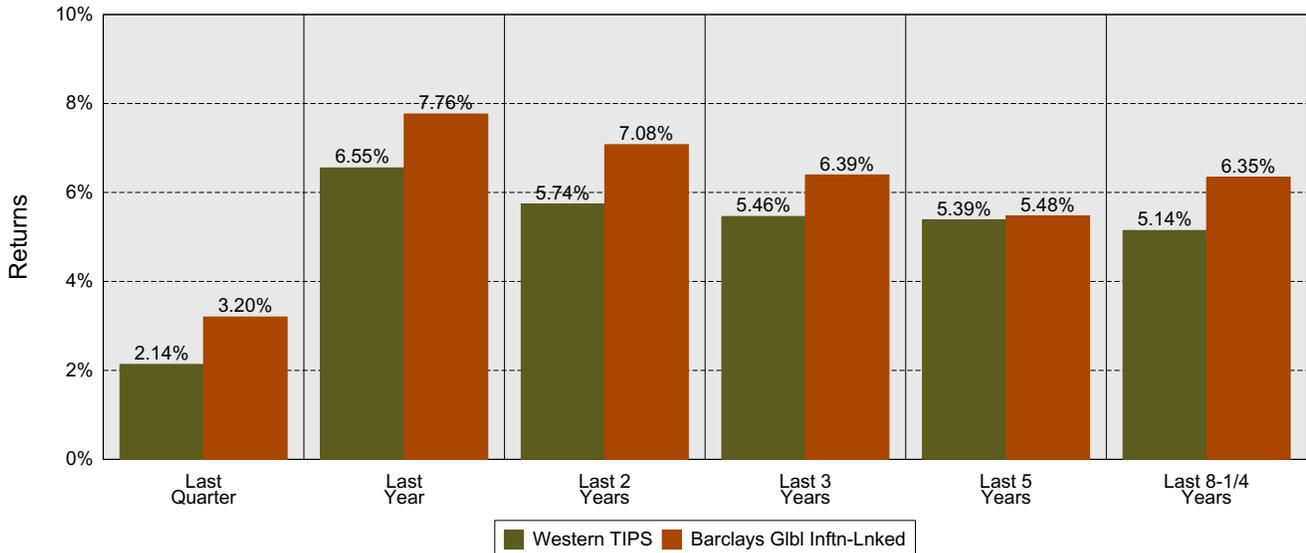
Western Asset's Global Inflation-Linked composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. Constructed primarily of inflation-indexed securities, these portfolios use diversified strategies in seeking to add value while minimizing risk. Value can be added through country selection, term structure, issue selection, duration management and currency management.

Quarterly Summary and Highlights

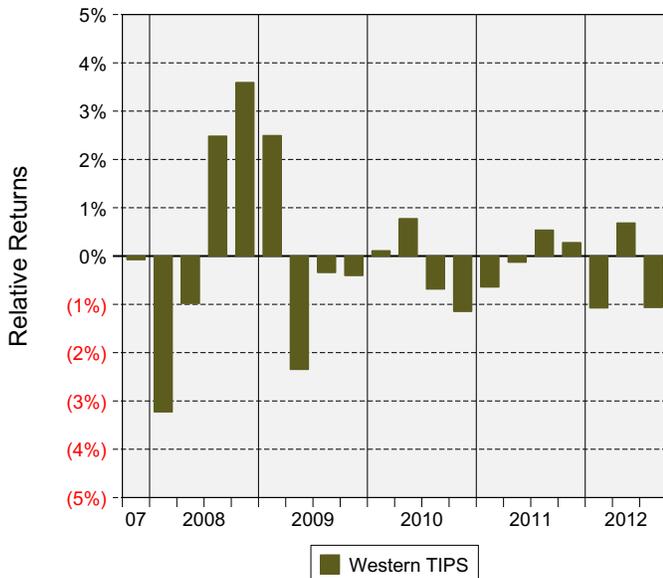
- Western TIPS's portfolio underperformed the Barclays Gbl Inftn-Lnked by 1.07% for the quarter and underperformed the Barclays Gbl Inftn-Lnked for the year by 1.21%.

Quarterly Asset Growth

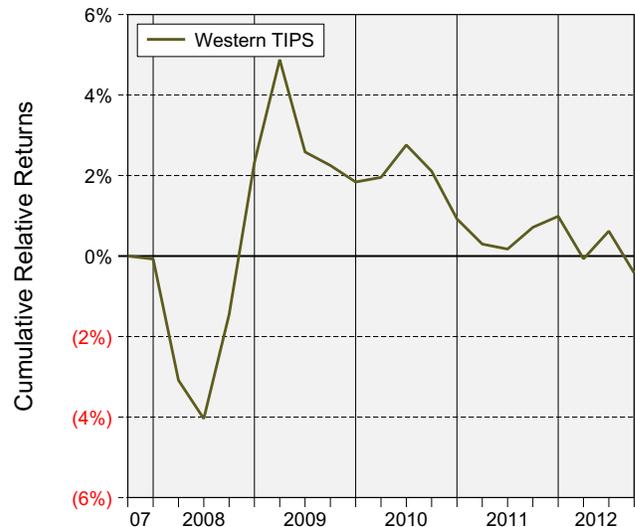
Beginning Market Value	\$169,723,269
Net New Investment	\$-76,964
Investment Gains/(Losses)	\$3,623,365
Ending Market Value	\$173,269,670



Relative Return vs Barclays Gbl Inftn-Lnked



Cumulative Returns vs Barclays Gbl Inftn-Lnked



JP Morgan Infrastructure Period Ended September 30, 2012

Investment Philosophy

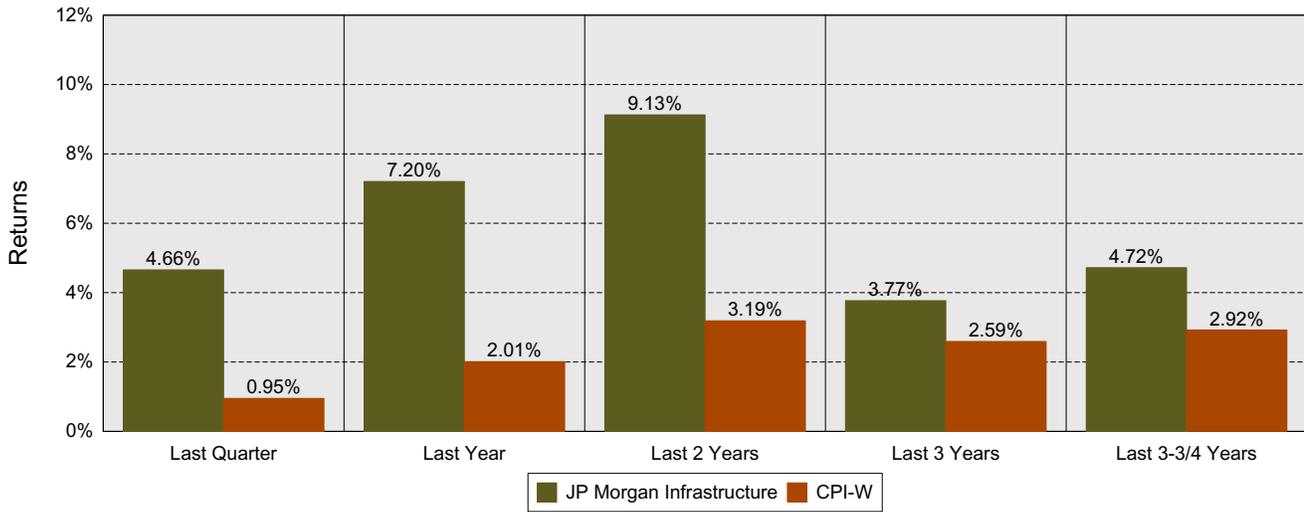
The only open-ended private commingled infrastructure fund in the U.S, the JPMorgan Infrastructure Investments Fund invests in stabilized assets in OECD countries with selected value-added opportunities, across infrastructure industry sub-sectors, including: toll roads, bridges and tunnels; oil and gas pipelines; electricity transmission and distribution facilities; contracted power generation assets; water distribution; waste-water collection and processing; railway lines and rapid rail links; and seaports and airports.

Quarterly Summary and Highlights

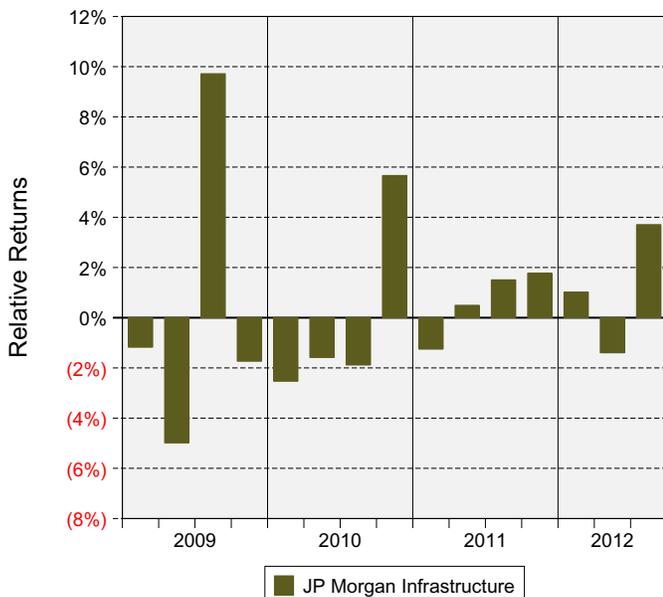
- JP Morgan Infrastructure's portfolio outperformed the CPI-W by 3.71% for the quarter and outperformed the CPI-W for the year by 5.19%.

Quarterly Asset Growth

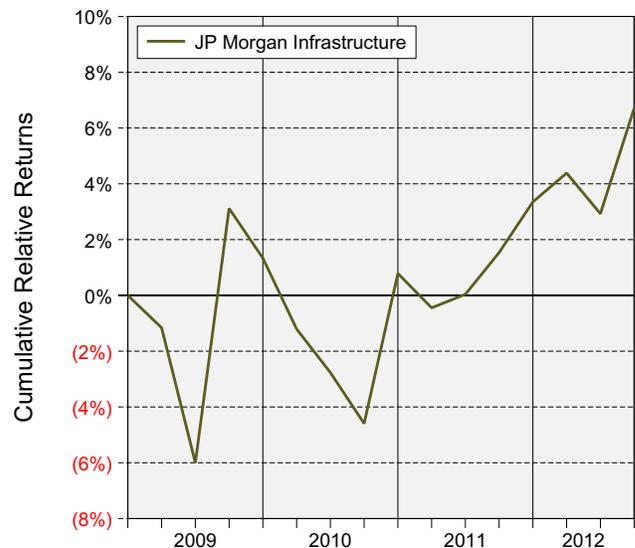
Beginning Market Value	\$60,740,000
Net New Investment	\$-401,773
Investment Gains/(Losses)	\$2,819,273
Ending Market Value	\$63,157,500



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



Eastern Timber Opportunities Period Ended September 30, 2012

Investment Philosophy

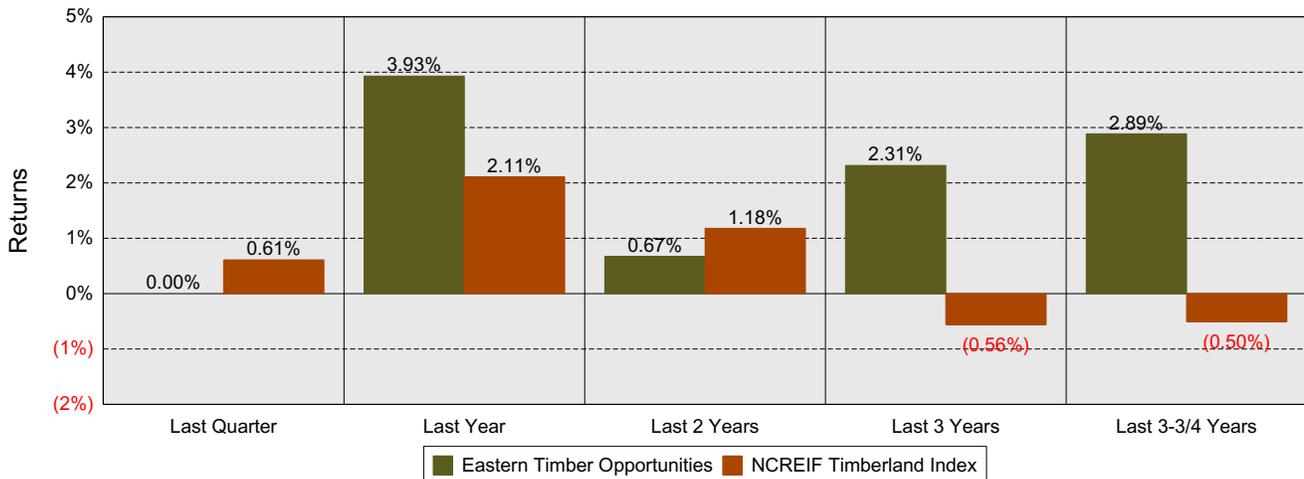
The investment objective of the Eastern Timberland Opportunities fund is to provide competitive timberland investment returns from Eastern US timberland investments by pursuing management strategies to increase timber production and land values through the investment term. TIR will maximize timber values within the portfolio with the application of intensive forest management techniques to accelerate the growth in timber volume and movement into higher value product categories. Additional value will be captured by realizing higher and better use opportunities for select timberland properties throughout the portfolio.

Quarterly Summary and Highlights

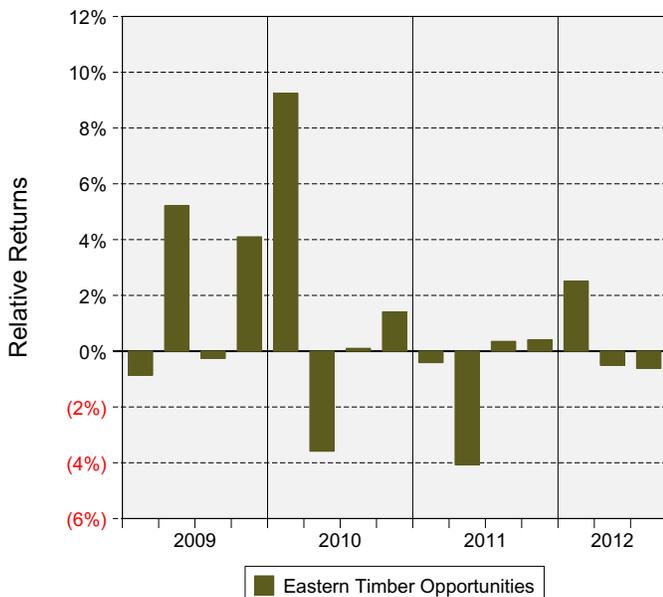
- Eastern Timber Opportunities's portfolio underperformed the NCREIF Timberland Index by 0.61% for the quarter and outperformed the NCREIF Timberland Index for the year by 1.82%.

Quarterly Asset Growth

Beginning Market Value	\$61,632,983
Net New Investment	\$0
Investment Gains/(Losses)	\$0
Ending Market Value	\$61,632,983



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



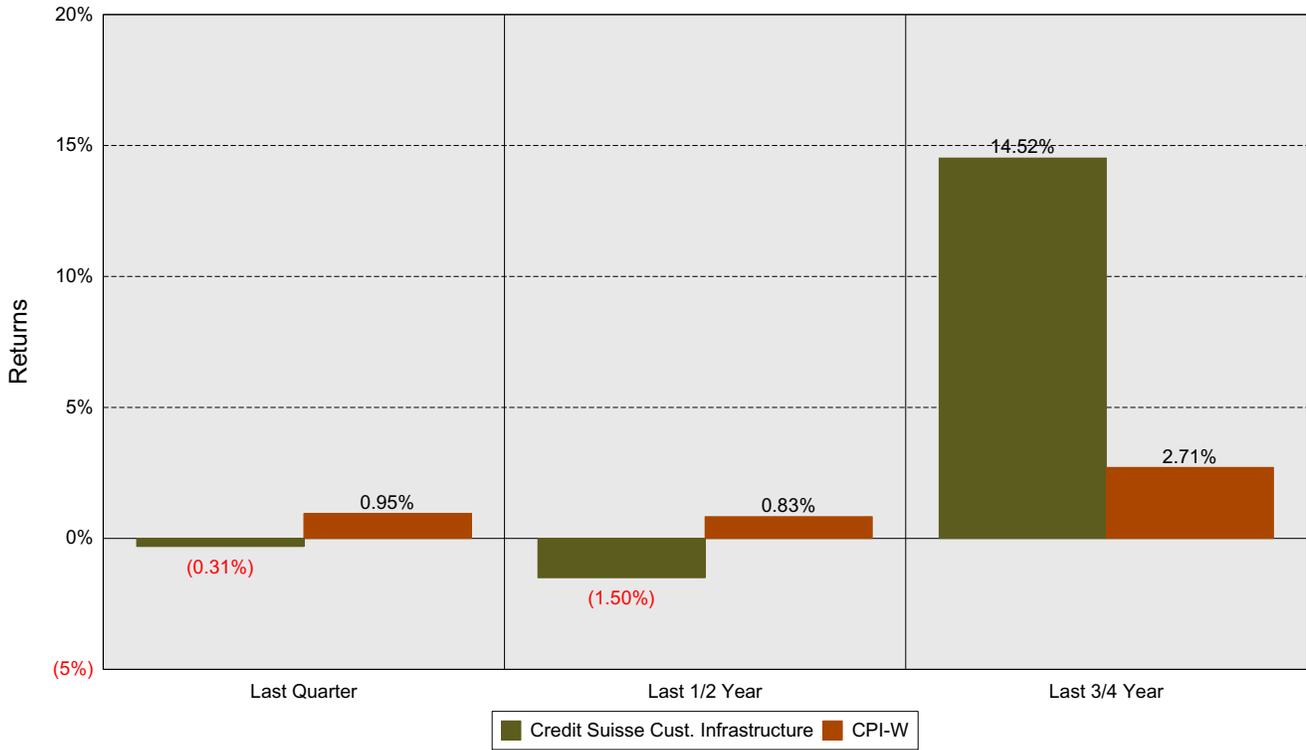
Credit Suisse Cust. Infrastructure Period Ended September 30, 2012

Quarterly Summary and Highlights

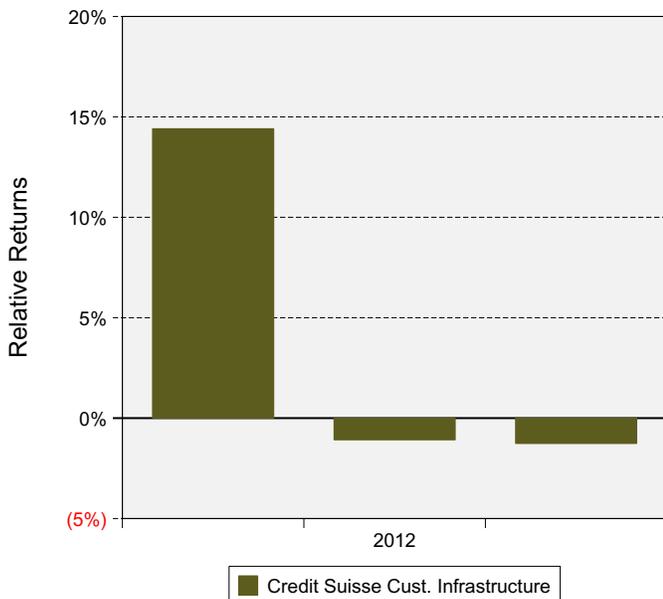
- Credit Suisse Cust. Infrastructure's portfolio underperformed the CPI-W by 1.26% for the quarter and outperformed the CPI-W for the three-quarter year by 11.81%.

Quarterly Asset Growth

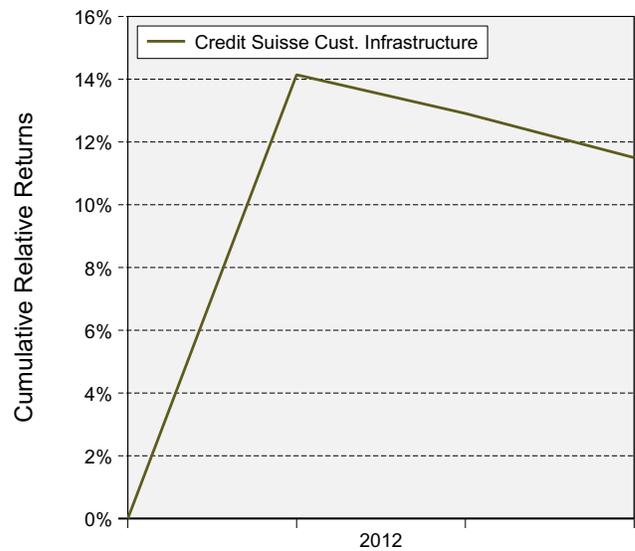
Beginning Market Value	\$11,965,725
Net New Investment	\$397,219
Investment Gains/(Losses)	\$-37,501
Ending Market Value	\$12,325,443



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



JP Morgan Real Estate Period Ended September 30, 2012

Investment Philosophy

The J.P. Morgan U.S. Real Estate Income and Growth Fund seeks to construct and opportunistically manage a portfolio of core direct real estate investments, complemented by other real estate and real estate-related assets. The Fund pursues a broadly diversified absolute-return strategy and pursues all property investments on an opportunistic basis. The majority of the Fund's investments will be in direct core properties in the office, industrial, retail and residential sectors.

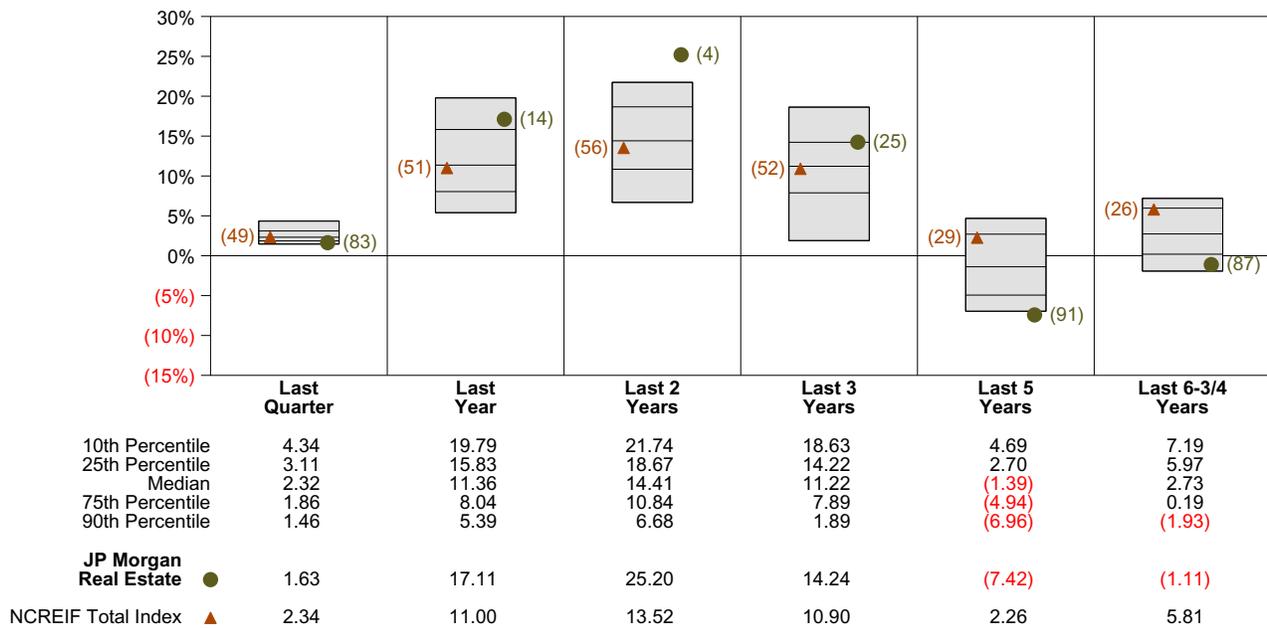
Quarterly Summary and Highlights

- JP Morgan Real Estate's portfolio posted a 1.63% return for the quarter placing it in the 83 percentile of the Total Real Estate DB group for the quarter and in the 14 percentile for the last year.
- JP Morgan Real Estate's portfolio underperformed the NCREIF Total Index by 0.71% for the quarter and outperformed the NCREIF Total Index for the year by 6.11%.

Quarterly Asset Growth

Beginning Market Value	\$96,851,717
Net New Investment	\$-1,581,918
Investment Gains/(Losses)	\$1,580,919
Ending Market Value	\$96,850,717

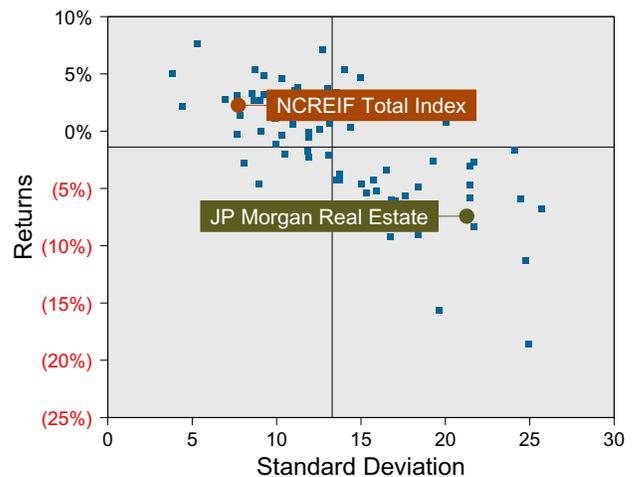
Performance vs Total Real Estate DB (Net)



Relative Return vs NCREIF Total Index



Total Real Estate DB (Net) Annualized Five Year Risk vs Return



JPM Short Term - Budget Period Ended September 30, 2012

Investment Philosophy

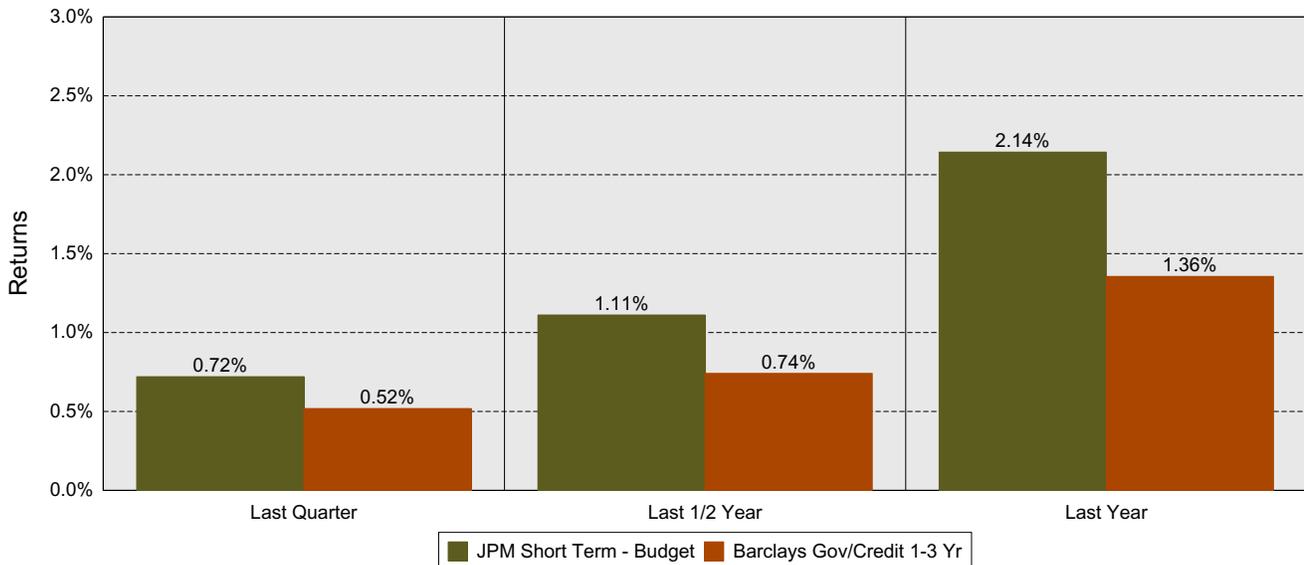
The investment objective of this account is to outperform the Barclays Capital 1-3 year Government/Credit Index while maintaining total return risk similar to that of the benchmark as measured over a market cycle. The weighted average effective duration of the portfolio will typically remain within +/- 30% of the benchmark.

Quarterly Summary and Highlights

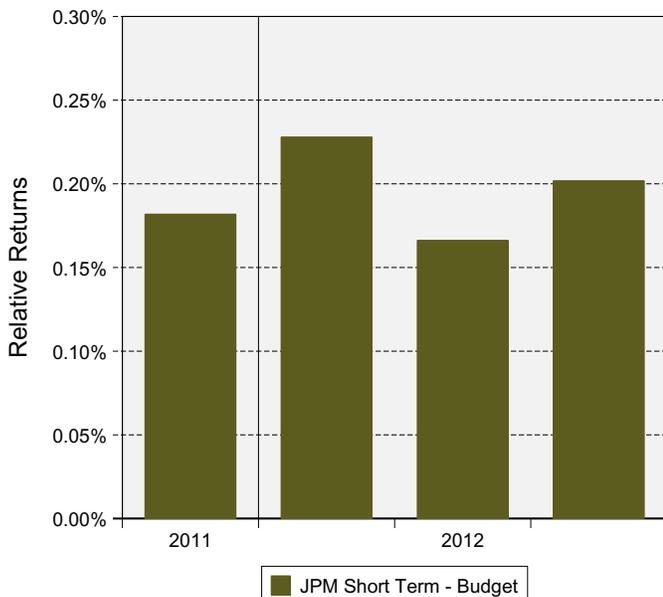
- JPM Short Term - Budget's portfolio outperformed the Barclays Gov/Credit 1-3 Yr by 0.20% for the quarter and outperformed the Barclays Gov/Credit 1-3 Yr for the year by 0.79%.

Quarterly Asset Growth

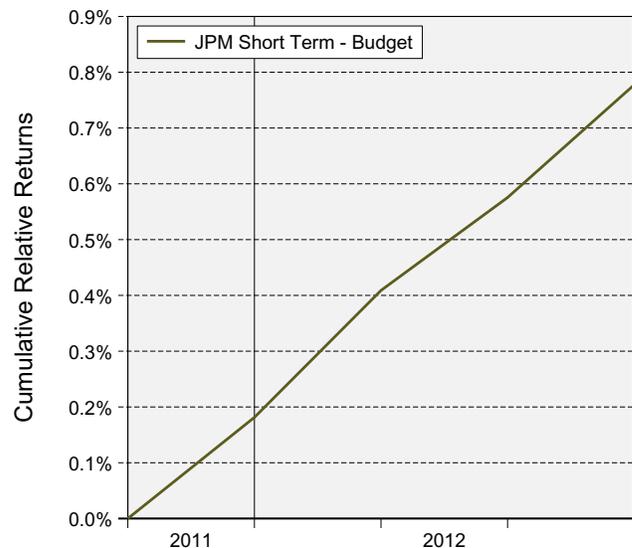
Beginning Market Value	\$138,386,611
Net New Investment	\$6,459,812
Investment Gains/(Losses)	\$1,022,136
Ending Market Value	\$145,868,558



Relative Return vs Barclays Gov/Credit 1-3 Yr



Cumulative Returns vs Barclays Gov/Credit 1-3 Yr



Babson Short Term - Budget Period Ended September 30, 2012

Investment Philosophy

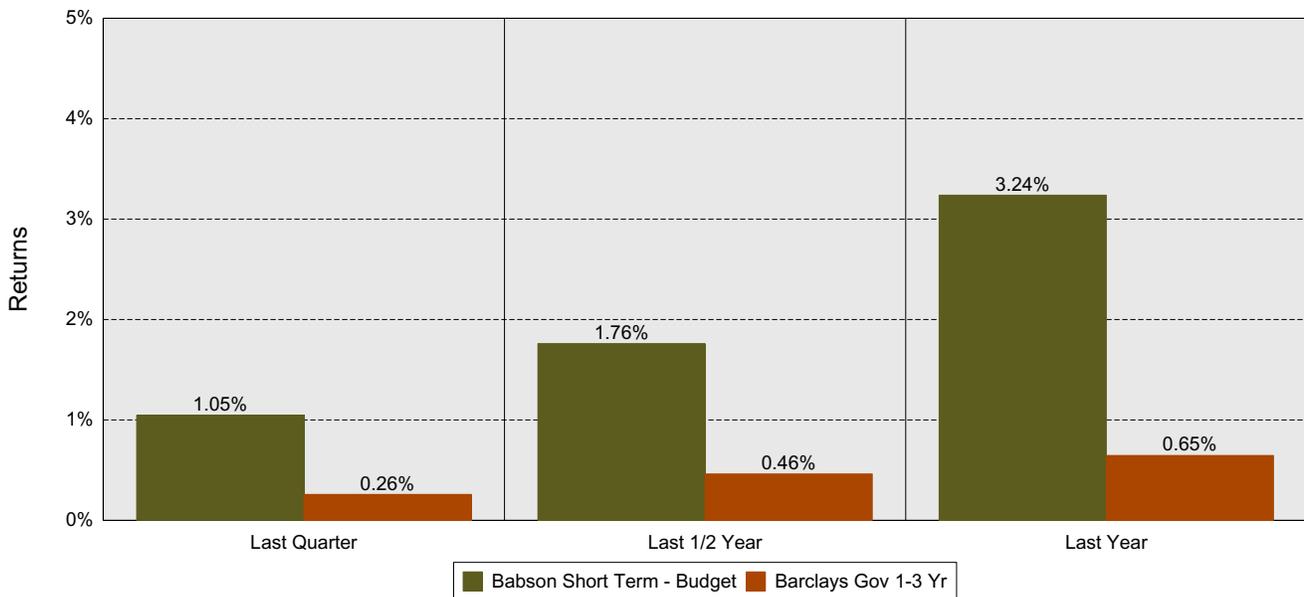
The investment objective of this account is to outperform the total return of the Barclays Capital 1-3 year US Government Index while minimizing fluctuations in capital value and providing sufficient liquidity to fund withdrawals.

Quarterly Summary and Highlights

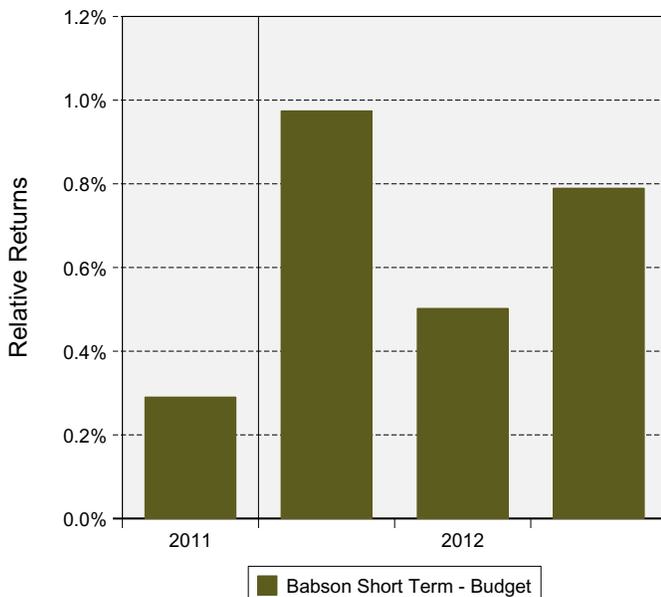
- Babson Short Term - Budget's portfolio outperformed the Barclays Gov 1-3 Yr by 0.79% for the quarter and outperformed the Barclays Gov 1-3 Yr for the year by 2.59%.

Quarterly Asset Growth

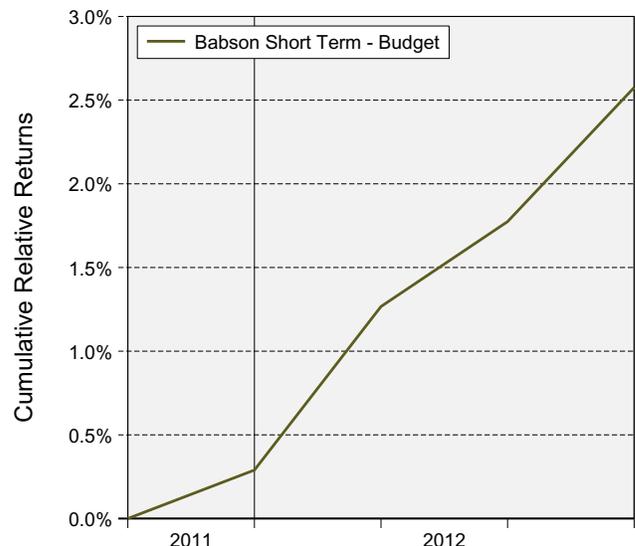
Beginning Market Value	\$132,396,781
Net New Investment	\$6,649,742
Investment Gains/(Losses)	\$1,437,904
Ending Market Value	\$140,484,426



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



Babson Bank Loan - Budget Period Ended September 30, 2012

Investment Philosophy

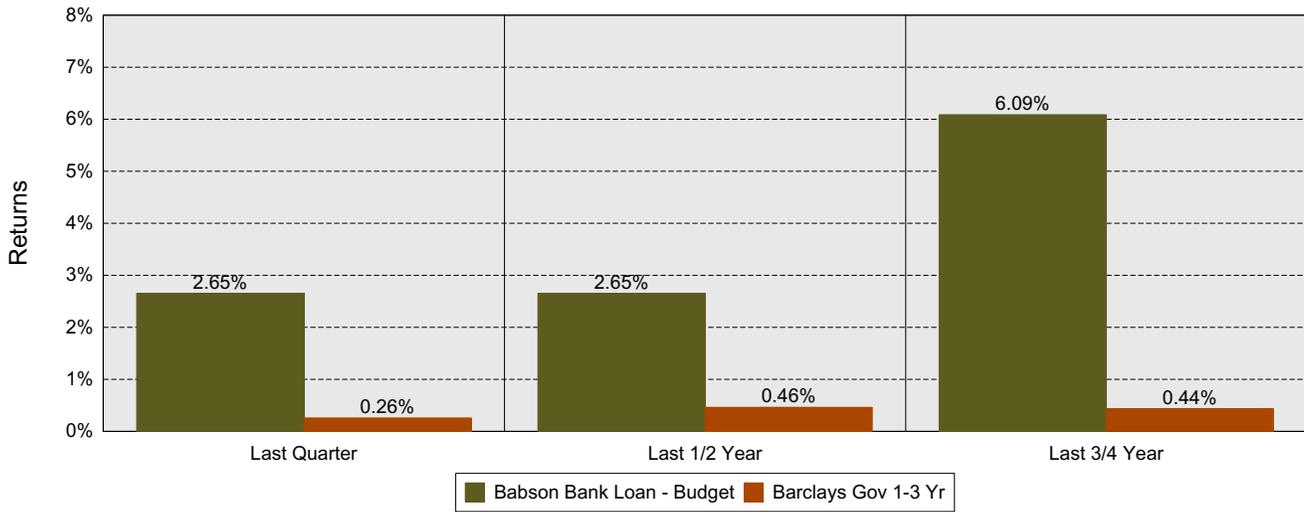
Babson takes a credit-focused approach to asset selection by fully underwriting each credit they are shown and formally presenting each investment opportunity to their investment committee. The firm seeks to determine where favorable value exists based on fundamental bottom-up analysis and assess this value on a relative basis to other investments. The team focuses on in-depth company and industry analysis, with particular attention paid to free cash flow generation, management team and capital structure.

Quarterly Summary and Highlights

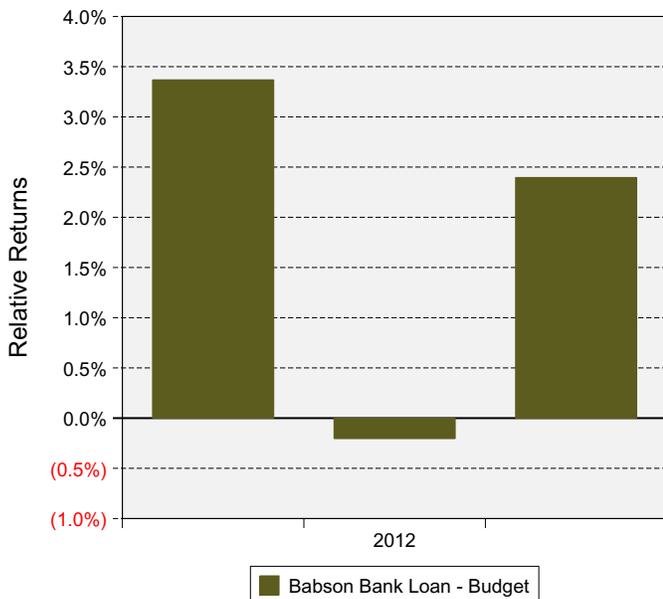
- Babson Bank Loan - Budget's portfolio outperformed the Barclays Gov 1-3 Yr by 2.40% for the quarter and outperformed the Barclays Gov 1-3 Yr for the three-quarter year by 5.65%.

Quarterly Asset Growth

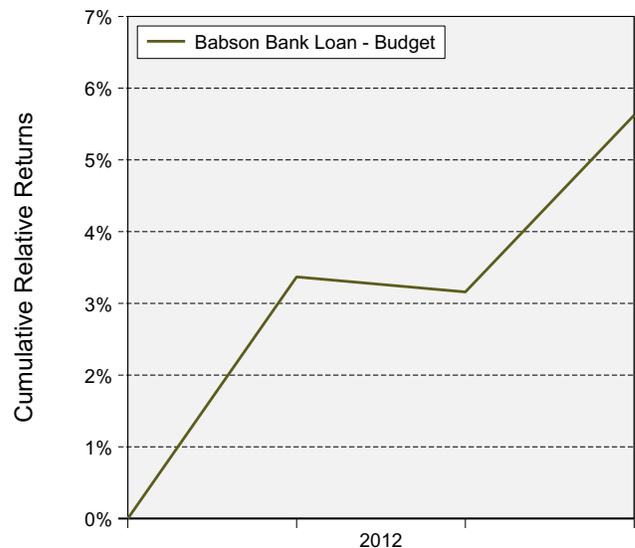
Beginning Market Value	\$6,366,797
Net New Investment	\$-205,518
Investment Gains/(Losses)	\$165,592
Ending Market Value	\$6,326,870



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



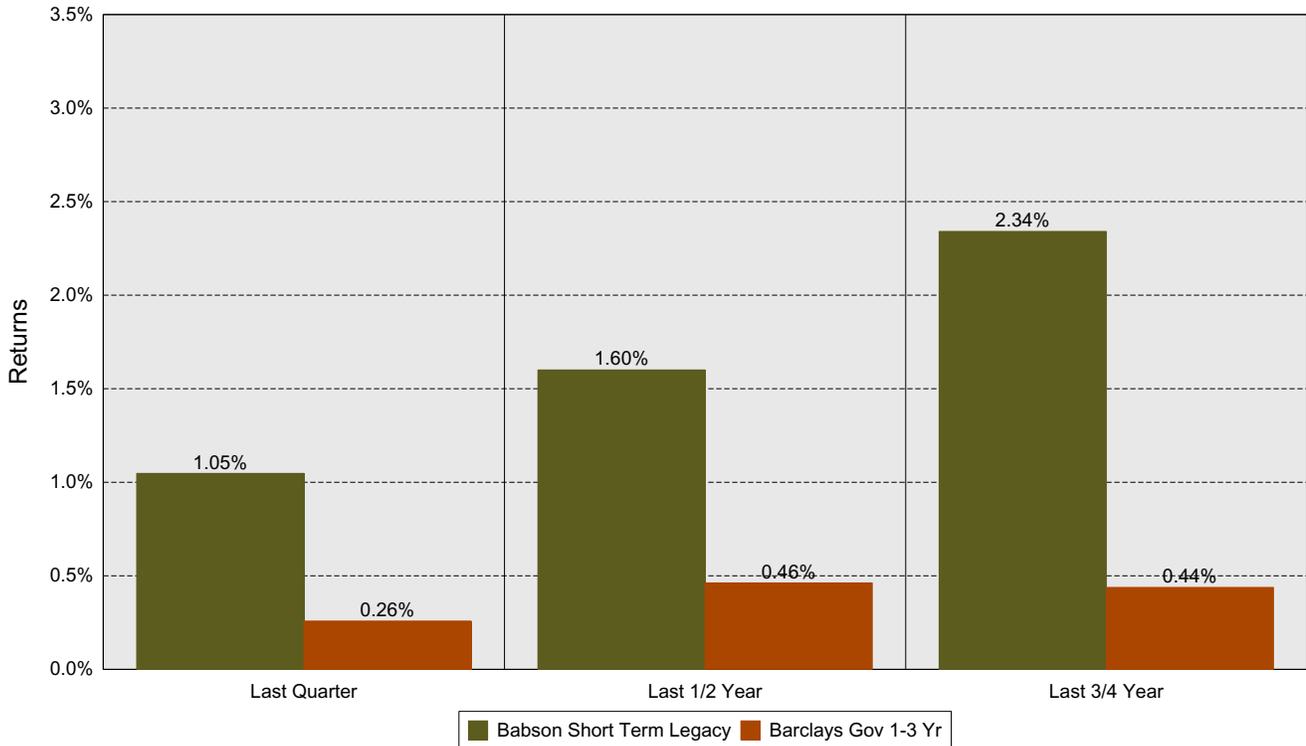
Babson Short Term Legacy Period Ended September 30, 2012

Quarterly Summary and Highlights

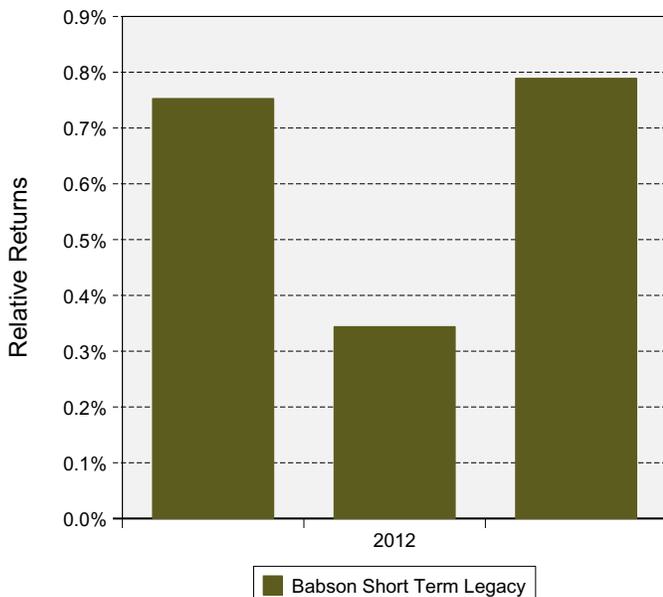
- Babson Short Term Legacy's portfolio outperformed the Barclays Gov 1-3 Yr by 0.79% for the quarter and outperformed the Barclays Gov 1-3 Yr for the three-quarter year by 1.90%.

Quarterly Asset Growth

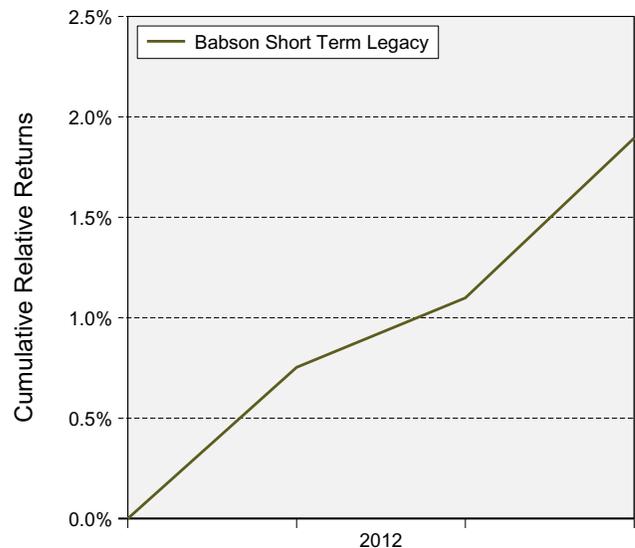
Beginning Market Value	\$199,856,943
Net New Investment	\$69,251,064
Investment Gains/(Losses)	\$2,418,065
Ending Market Value	\$271,526,072



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



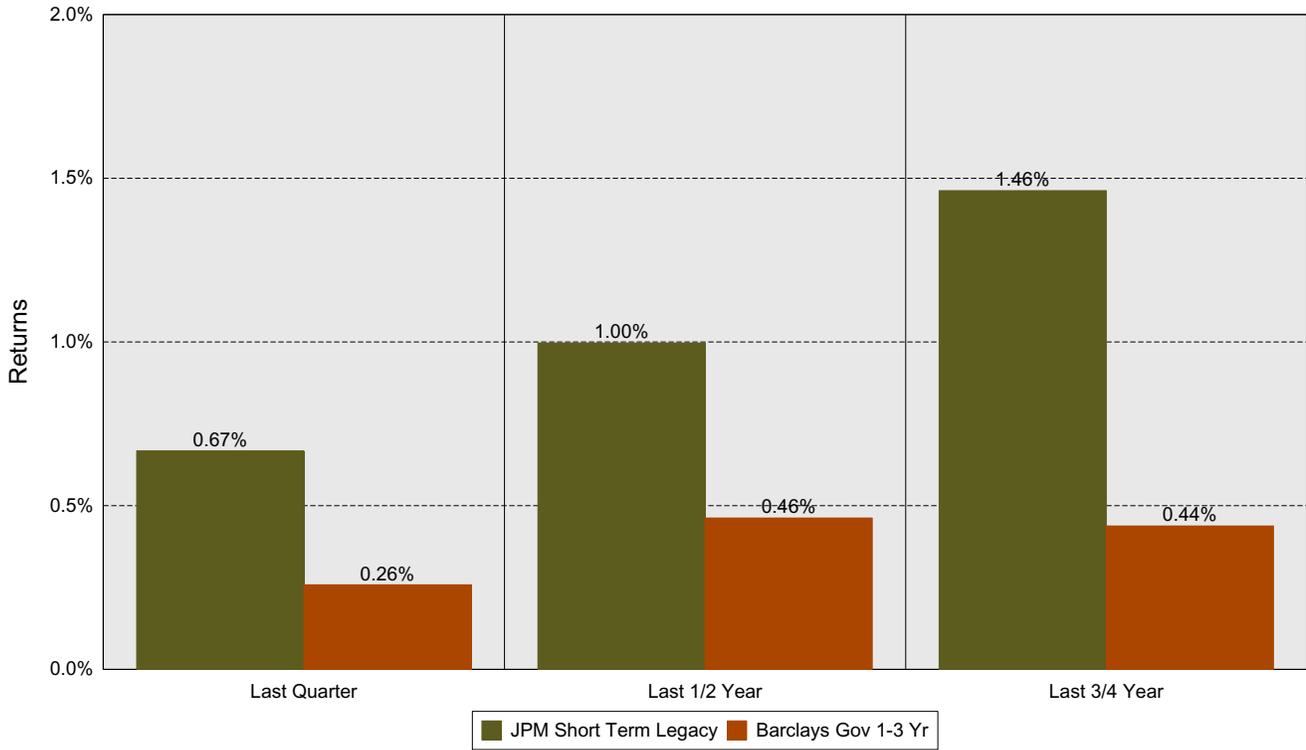
JPM Short Term Legacy Period Ended September 30, 2012

Quarterly Summary and Highlights

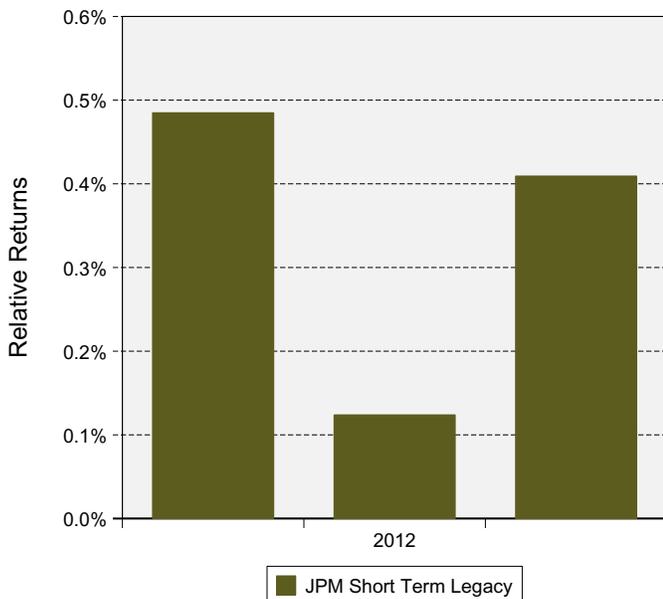
- JPM Short Term Legacy's portfolio outperformed the Barclays Gov 1-3 Yr by 0.41% for the quarter and outperformed the Barclays Gov 1-3 Yr for the three-quarter year by 1.02%.

Quarterly Asset Growth

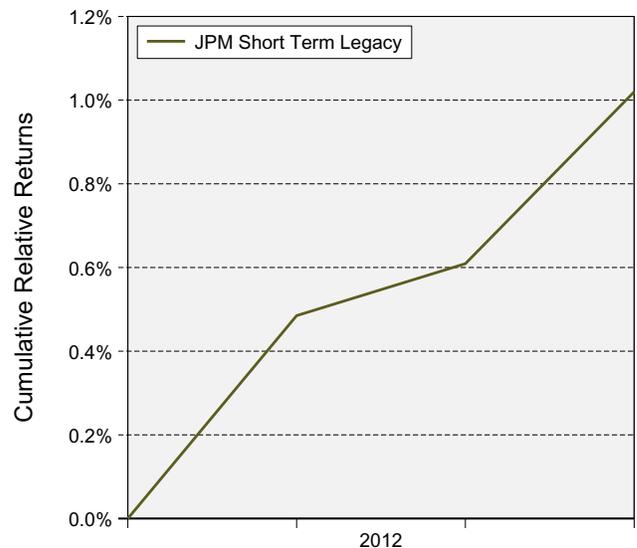
Beginning Market Value	\$199,110,280
Net New Investment	\$69,277,930
Investment Gains/(Losses)	\$1,468,396
Ending Market Value	\$269,856,605



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



Research and Educational Programs

The Callan Investments Institute provides research that keeps clients updated on the latest industry trends while helping them learn through carefully structured educational programs. Below are the Institute's recent publications – all of which can be found at www.callan.com/research.

White Papers



Ask The Expert – Investing in Farmland

After years of being relegated to the “Back 40,” farmland is now fertile ground for institutional real asset portfolios. Unprecedented interest in the asset class is hardly surprising. Farmland’s financial pastures seem to grow steadily greener with each passing quarter, despite instability in the economy at large. In this paper, Jamie Shen and Bill Howard sit down for a discussion about institutional investors’ increased appetite for farmland.



The Next Generation of Fee Disclosure: Getting Future DC Participant Disclosures Right

According to a recent survey conducted by the AARP, 71 percent of 401(k) plan participants think they pay no fees relating to their retirement accounts. A new set of federal disclosure rules is aimed at helping participants better understand plan costs. This Callan Spotlight Research is intended to help plan sponsors refine future disclosures, addressing frequently asked questions so as to remove ambiguity from the disclosure process going forward.



The Implications of Pension Funding Stabilization Legislation

On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act (MAP-21). This legislation is a comprehensive transportation bill that also includes pension-related provisions. In this spotlight research, we review the pension-related provisions of this legislation that are relevant for plan sponsors, and discuss the implications of adopting these provisions.



Inside Master Limited Partnerships – A Primer

Master limited partnerships (MLPs) are investment opportunities with different characteristics than standard publicly traded securities. In this primer, we introduce MLPs and examine the investable universe. We review some of the benefits and risks of MLP ownership for both institutional and retail investors, and address performance and benchmarking.

Quarterly Publications

Quarterly Data Package: Investment performance information gathered (for a variety of time periods) from Callan's proprietary database. This report allows you to compare the results of your own funds with our database.

Capital Market Review: A quarterly macro-economic indicator newsletter that provides thoughtful insights on the economy as well as recent performance in the equity, fixed income, alternatives, international, real estate, and other capital markets.

Private Markets Trends: A seasonal newsletter that discusses the market environment, recent events, performance and other issues involving private equity.

Hedge Fund Monitor: A quarterly newsletter that provides a current view of hedge fund industry trends and detailed quarterly performance commentary.

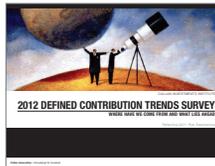
DC Observer & Callan DC Index™: A quarterly newsletter that offers Callan's observations on a variety of topics pertaining to the defined contribution industry. Each issue is updated with the latest Callan DC Index™ returns.

Surveys



2012 Investment Management Compensation Survey

Callan conducted this survey of investment management firms to report on compensation practices and trends in the U.S. institutional investment market from 2010 to 2011. This survey provides an update to Callan's 2007 Investment Management Compensation Survey, which captured compensation practices from 2005 to 2006.



2012 Defined Contribution Trends Survey:

Where Have We Come From and What Lies Ahead?

This survey shows that the defined contribution environment has been, and continues to be, dominated by a focus on plan fees. But while plan sponsors are prioritizing, monitoring, and evaluating plan fees for reasonableness, they do not always understand the fees themselves. Find out about this and much more, as the results from the survey incorporate responses from nearly 100 companies across the U.S.



2011 Investment Manager Fee Survey

We report on institutional investment management fee payment practices and trends. The survey includes published and actual fee data, and qualitative as well as quantitative observations from both fund sponsors and investment managers.

Events

Did you miss out on a Callan conference or workshop? If so, you can catch up on what you missed by reading our “Event Summaries” and downloading the actual presentation slides from our website. Our most recent programs:



Summary write-up and the presentation of our June 2012 Regional Workshop, **Plan Sponsor Roundtable – Shifting to an Institutional Approach to DC Investments**. This workshop featured Mark Kelliher from Deluxe Corporation, and Craig Stone from Utah Retirement System. These two DC plan experts discussed how they took their plan “institutional” by incorporating separate accounts, collective trusts, and unitized fund of funds. They also detail the pros and cons of these approaches.



The **2012 National Conference Summary** features a synopsis of our speakers: Sheila Bair, Ian Bremmer, David Laibson, 2012 Capital Markets Panel, and Tony LaRussa. The Summary also reviews our three workshops on: defined contribution, investment perceptions and myths, and international investing. Select PowerPoint presentations from the conference are also available on our website.

Upcoming Educational Programs

The 33rd National Conference

January 28 – 30, 2013 in San Francisco

Speakers include: Gordon Brown, Robert Zoellick, Sheena Iyengar, Riz Khan, and Neil deGrasse Tyson. Workshops on risk management, alternatives in DC plans, and strategically tactical investing.

Details will be sent to you via email and U.S. Mail in late October.

Our research can be found at www.callan.com/research or feel free to contact us for hard copies.

For more information about research or educational events, please contact Ray Combs or Gina Falsetto at institute@callan.com or 415-974-5060.

The Center for Investment Training Educational Sessions

This educational forum offers basic-to-intermediate level instruction on all components of the investment management process. Continuing education credits are available for The CFA Institute, IBCFP, and NASBA. The "Callan College" courses cover topics that are key to understanding your responsibilities, the roles of everyone involved in this process, how the process works, and how to incorporate these strategies and concepts into an investment program. Listed below are the different types of sessions Callan offers.

An Introduction to Investments

April 16-17, 2013 in San Francisco

October 22-23, 2013 in San Francisco

This one and one half day session is designed for individuals who have less than two years experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g., defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Standard Session

July 16-18, 2013 in Chicago

This is a two day session designed for individuals with more than two years experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement.

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management.

Tuition for the Standard "Callan College" session is \$2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsor or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income, and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information please contact Kathleen Cunnie, at 415.274.3029 or college@callan.com.

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Ask The Expert – Investing in Farmland

After years of being relegated to the “Back 40,” farmland is now fertile ground for institutional real asset portfolios. Unprecedented interest in the asset class is hardly surprising. Farmland’s financial pastures seem to grow steadily greener with each passing quarter, despite instability in the economy at large. In this paper, Jamie Shen and Bill Howard sit down for a discussion about institutional investors’ increased appetite for farmland.



The Next Generation of Fee Disclosure: Getting Future DC Participant Disclosures Right

According to a recent survey conducted by the AARP, 71 percent of 401(k) plan participants think they pay no fees relating to their retirement accounts. A new set of federal disclosure rules is aimed at helping participants better understand plan costs. This Callan Spotlight Research is intended to help plan sponsors refine future disclosures, addressing frequently asked questions so as to remove ambiguity from the disclosure process going forward.



The Implications of Pension Funding Stabilization Legislation

On July 6, 2012, President Obama signed into law the Moving Ahead for Progress in the 21st Century Act (MAP-21). This legislation is a comprehensive transportation bill that also includes pension-related provisions. In this spotlight research, we review the pension-related provisions of this legislation that are relevant for plan sponsors, and discuss the implications of adopting these provisions.



Inside Master Limited Partnerships – A Primer

Master limited partnerships (MLPs) are investment opportunities with different characteristics than standard publicly traded securities. In this primer, we introduce MLPs and examine the investable universe. We review some of the benefits and risks of MLP ownership for both institutional and retail investors, and address performance and benchmarking.

Quarterly Publications

Quarterly Data Package: Investment performance information gathered (for a variety of time periods) from Callan's proprietary database. This report allows you to compare the results of your own funds with our database.

Capital Market Review: A quarterly macro-economic indicator newsletter that provides thoughtful insights on the economy as well as recent performance in the equity, fixed income, alternatives, international, real estate, and other capital markets.

Private Markets Trends: A seasonal newsletter that discusses the market environment, recent events, performance and other issues involving private equity.

Hedge Fund Monitor: A quarterly newsletter that provides a current view of hedge fund industry trends and detailed quarterly performance commentary.

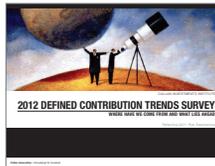
DC Observer & Callan DC Index™: A quarterly newsletter that offers Callan's observations on a variety of topics pertaining to the defined contribution industry. Each issue is updated with the latest Callan DC Index™ returns.

Surveys



2012 Investment Management Compensation Survey

Callan conducted this survey of investment management firms to report on compensation practices and trends in the U.S. institutional investment market from 2010 to 2011. This survey provides an update to Callan's 2007 Investment Management Compensation Survey, which captured compensation practices from 2005 to 2006.



2012 Defined Contribution Trends Survey:

Where Have We Come From and What Lies Ahead?

This survey shows that the defined contribution environment has been, and continues to be, dominated by a focus on plan fees. But while plan sponsors are prioritizing, monitoring, and evaluating plan fees for reasonableness, they do not always understand the fees themselves. Find out about this and much more, as the results from the survey incorporate responses from nearly 100 companies across the U.S.



2011 Investment Manager Fee Survey

We report on institutional investment management fee payment practices and trends. The survey includes published and actual fee data, and qualitative as well as quantitative observations from both fund sponsors and investment managers.

Events

Did you miss out on a Callan conference or workshop? If so, you can catch up on what you missed by reading our “Event Summaries” and downloading the actual presentation slides from our website. Our most recent programs:



Summary write-up and the presentation of our June 2012 Regional Workshop, **Plan Sponsor Roundtable – Shifting to an Institutional Approach to DC Investments**. This workshop featured Mark Kelliher from Deluxe Corporation, and Craig Stone from Utah Retirement System. These two DC plan experts discussed how they took their plan “institutional” by incorporating separate accounts, collective trusts, and unitized fund of funds. They also detail the pros and cons of these approaches.



The **2012 National Conference Summary** features a synopsis of our speakers: Sheila Bair, Ian Bremmer, David Laibson, 2012 Capital Markets Panel, and Tony LaRussa. The Summary also reviews our three workshops on: defined contribution, investment perceptions and myths, and international investing. Select PowerPoint presentations from the conference are also available on our website.

Upcoming Educational Programs

The 33rd National Conference

January 28 – 30, 2013 in San Francisco

Speakers include: Gordon Brown, Robert Zoellick, Sheena Iyengar, Riz Khan, and Neil deGrasse Tyson. Workshops on risk management, alternatives in DC plans, and strategically tactical investing.

Details will be sent to you via email and U.S. Mail in late October.

Our research can be found at www.callan.com/research or feel free to contact us for hard copies.

For more information about research or educational events, please contact Ray Combs or Gina Falsetto at institute@callan.com or 415-974-5060.

The Center for Investment Training Educational Sessions

This educational forum offers basic-to-intermediate level instruction on all components of the investment management process. Continuing education credits are available for The CFA Institute, IBCFP, and NASBA. The "Callan College" courses cover topics that are key to understanding your responsibilities, the roles of everyone involved in this process, how the process works, and how to incorporate these strategies and concepts into an investment program. Listed below are the different types of sessions Callan offers.

An Introduction to Investments

April 16-17, 2013 in San Francisco

October 22-23, 2013 in San Francisco

This one and one half day session is designed for individuals who have less than two years experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g., defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Standard Session

July 16-18, 2013 in Chicago

This is a two day session designed for individuals with more than two years experience with institutional asset management oversight and/or support responsibilities. The session will provide attendees with a thorough overview of prudent investment practices for both defined benefit and defined contribution funds. We cover the key concepts needed to successfully meet a fund's investment objectives.

The course work addresses the primary components of the investment management process: the role of the fiduciary; capital market theory; asset allocation; manager structure; investment policy statements; manager search; custody, securities lending, fees; and performance measurement.

This course is beneficial to anyone involved in the investment management process, including: trustees and staff members of public, corporate and Taft-Hartley retirement funds (defined benefit and/or defined contribution); trustees and staff members of endowment and foundation funds; representatives of family trusts; and investment management professionals and staff involved in client service, business development, consultant relations, and portfolio management.

Tuition for the Standard "Callan College" session is \$2,500 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsor or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income, and managing the RFP process. Instruction can be tailored to be basic or advanced.

For more information please contact Kathleen Cunnie, at 415.274.3029 or college@callan.com.