



ND STATE INVESTMENT BOARD MEETING

Friday, February 22, 2013, 8:30 a.m.
Workforce Safety & Insurance
1600 E Century, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

II. ACCEPTANCE OF MINUTES (January 25, 2013)

III. INVESTMENTS

A. Bank of North Dakota

B. Callan Associates

1. Pension Trust Review Quarter Ending 12-31-12 - Mr. Erlendson (enclosed)
2. Insurance Trust Review Quarter Ending 12-31-12 - Mr. Erlendson (enclosed)
3. Fee Study Results - Mr. Erlendson (enclosed)

IV. GOVERNANCE

A. Administration

1. Search Committee Update - Search Committee

V. LEGISLATIVE UPDATE - Mr. Schulz, Ms. Flanagan (enclosed)

VI. OTHER

Next Meetings:

SIB meeting - March 22, 2013, 8:30 a.m. - Workforce Safety & Insurance

SIB Audit Committee meeting - February 22, 2013, 1:00 p.m. - Workforce Safety & Insurance

VII. ADJOURNMENT

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JANUARY 25, 2013, BOARD MEETING**

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

BOARD MEMBER ABSENT: Adam Hamm, Insurance Commissioner

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

OTHERS PRESENT: Jan Murtha, Attorney General's Office
Thomas Pernice, Epoch
William Priest, Epoch
Bryan Reinhardt, PERS
Glen Ternes, Public Citizen
Jessica Torok, Public Citizen
Jeffrey Ulness, Epoch

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, January 25, 2013, at Workforce Safety & Insurance, 1600 E Century, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

MS. TERNES MOVED AND MR. GESSNER SECONDED TO ACCEPT THE JANUARY 25, 2013, AGENDA.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

MINUTES:

The minutes were considered from the November 16, 2012, meeting,

TREASURER SCHMIDT MOVED AND MR. SAGE SECONDED TO ACCEPT THE NOVEMBER 16, 2012, MINUTES AS WRITTEN.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

The minutes were considered from the December 13, 2012, meeting,

MS. TERNES MOVED AND MR. SANDAL SECONDED TO ACCEPT THE DECEMBER 13, 2012, MINUTES AS WRITTEN.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

INVESTMENTS:

Epoch - Representatives reviewed the acquisition of the firm's parent Epoch Holdings Corp. by Toronto-Dominion (TD) Bank Group. The acquisition is expected to close in the first half of 2013. Representatives also reviewed the firm's capital markets outlook, and the SIB's portfolio performance as of December 31, 2012.

The SIB recessed at 10:00 a.m. and reconvened at 10:20 a.m.

Bank of North Dakota (BND) - Lt. Governor Wrigley informed the SIB there have been continued discussions with BND representatives to review the transition of the Pension Trust assets from a Barclays Capital Government Index mandate to a Barclays Capital Long Treasury Index. The SIB and BND representatives have come to an agreement on the expected transition date of May 1, 2012. Both entities are in favor of a third party calculation of the dollar amount in question.

Lt. Governor Wrigley complimented staff and the SIB for their professionalism as everyone worked through the process.

RV Kuhns - Mr. Schulz stated RV Kuhns is expected to have a draft of the asset allocation study on the Legacy Fund completed by the end of January or the first week in February 2013. RV Kuhns and staff are hoping to have a final draft of the study to the Legacy and Budget Stabilization Fund Advisory Board before the Legislative crossover in February 2013.

EIG - Mr. Schulz informed the SIB, the TCW Group, EIG Global Energy Partners, and The Carlyle Group have come to an agreement under which EIG is now supportive of the acquisition of the TCW Group by investment funds affiliated with The Carlyle Group and TCW management. The acquisition is to close in the near future and was contingent on the Societe Generale's sale of the TCW Group to The Carlyle Group and TCW employees. Mr. Schulz had no concerns on the acquisition.

Social Investing - The SIB discussed HB1304 which relates to the divestiture of State investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996. Each of the SIB client's investment policy statements includes the following language, "Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a

similar time horizon and similar risk." The SIB discussed the costs and administrative time involved to implement and monitor the divestiture.

After discussion,

MR. SAGE MOVED AND COMMISSIONER GAEBE SECONDED THAT A NEUTRAL STANCE BE TAKEN BY THE SIB ON HB1304 AND THAT TESTIMONY TO THE LEGISLATIVE COMMITTEES INCLUDES FACTUAL INFORMATION, ADMINISTRATIVE TIME, AND COSTS OF IMPLEMENTATION.

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

NAYS: TREASURER SCHMIDT, MR. TOSO

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

GOVERNANCE:

Search Committee - Mr. Sandal updated the SIB on the ED/CIO search. Currently, 171 applications have been received from 28 states and six countries. Mr. Sandal stated the backgrounds and educational levels are diverse and of a high caliber. The job posting closes on January 31, 2013. Mr. Sandal is working on the evaluation criteria for the attributes above and beyond the minimums and requested the SIB if they have suggestions or comments, to provide those to him. Mr. Sandal also stated the Search Committee established the following tentative schedule; review applications received by mid February, decide how many applicants to interview by the end of February, and conduct interviews in March. The Search Committee is hoping to have an offer on the table by May 1, 2013.

Lt. Governor Wrigley stated Mr. Schulz has elected to not pursue the position and that he is doing a nice job in the interim. Lt Governor Wrigley also stated the SIB will do their best to select an individual that is a good fit with the staff.

Lt. Governor Wrigley thanked the individuals involved thus far for the progress made on the search process.

Audit Committee - Mr. Gessner reported on the SIB Audit Committee's November 16, 2012, meeting. The Audit Committee received CliftonLarsonAllen's audit report of the Retirement and Investment Office (RIO) for Fiscal Year 2012. CliftonLarsonAllen issued an unqualified opinion of the financial statements.

Mr. Gessner also noted RIO has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Governmental Financial Officer's Association (GFOA) for the past 14 consecutive years. Its 2011 Comprehensive Annual Financial Report (CAFR) was recognized for achieving the highest standards in state and local government accounting and financial reporting.

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO ACCEPT THE CLIFTONLARSONALLEN FINANCIAL AUDIT REPORT OF RIO FOR THE FISCAL YEAR ENDING 2012.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

LEGISLATIVE UPDATE -

Ms. Flanagan and Mr. Schulz reviewed the following bills with the SIB; HB 1022 - RIO Budget Bill, HB1143 - Relating to investment of the Legacy and Budget Stabilization Funds; HB 1167 - relating to the definition of earnings of the Legacy Fund, HB 1249 - relating to the membership of the State Investment Board, HB1304 - relating to the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996; and to provide an expiration date, HB1395 - relating to membership of the Legacy and Budget Stabilization Fund Advisory Board, SB2124 - provides for the legislative management to study methods to assure that the Legacy Fund provides the lasting benefits intended by the voters, and SB2150 - relating to restriction of per diem compensation for members of boards and commissions established by statute.

The SIB took no formal action on the bills, with the exception of HB1304 which they addressed earlier in the meeting, but will continue to monitor the bills.

MONITORING:

MR. GESSNER MOVED AND MR. SAGE SECONDED TO ACCEPT THE FOLLOWING MONITORING REPORTS FOR THE QUARTER ENDING DECEMBER 31, 2012; BUDGET AND FINANCIAL CONDITIONS, EXECUTIVE LIMITATIONS/STAFF RELATIONS, INVESTMENT PROGRAM, AND RETIREMENT PROGRAM.

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

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 11:35 a.m.

Lt. Governor Wrigley, Chair
State Investment Board

Bonnie Heit
Assistant to the Board



February 22, 2013

North Dakota State Investment Board

4th Quarter 2012 Market Update

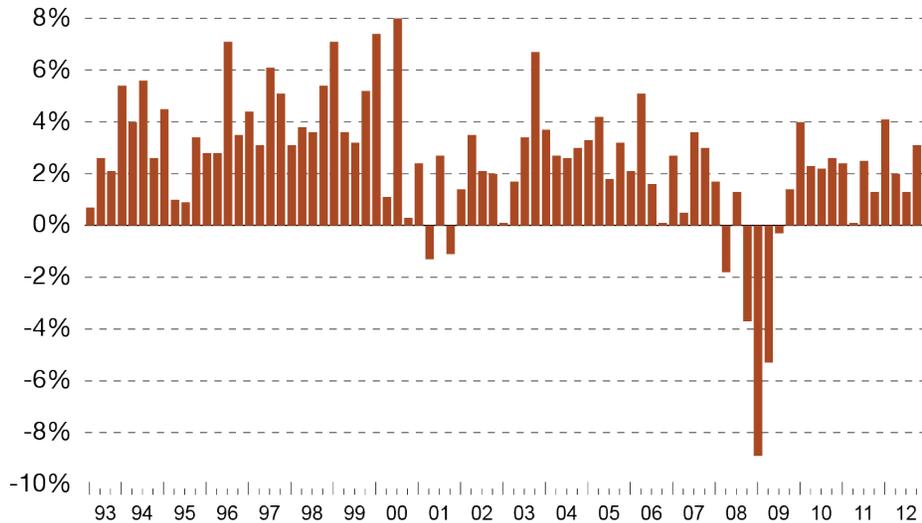
Paul Erlendson
Senior Vice President

U.S. Economy

Quarter Ending December 31, 2012

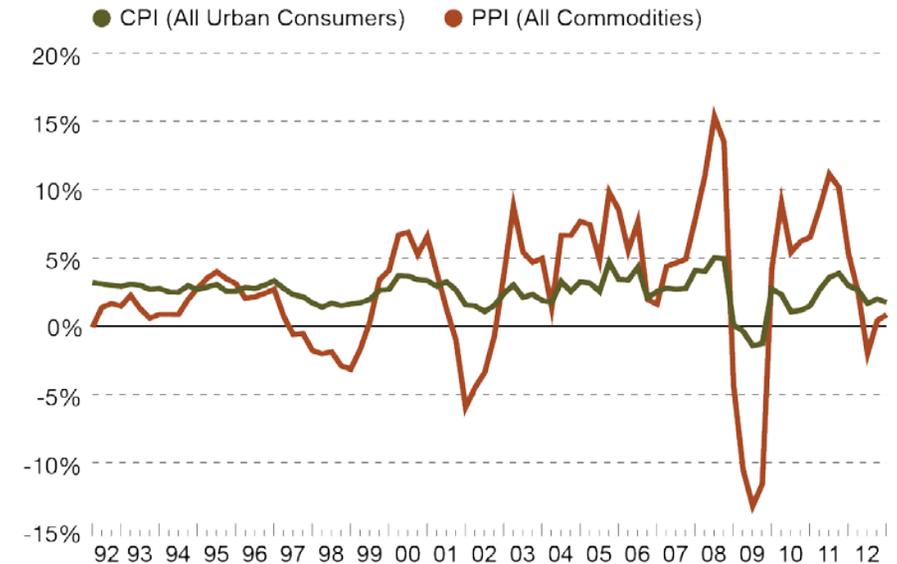
Quarterly Real GDP Growth*

(20 Years)



Source: U.S. Department of Labor

Inflation Year-Over-Year



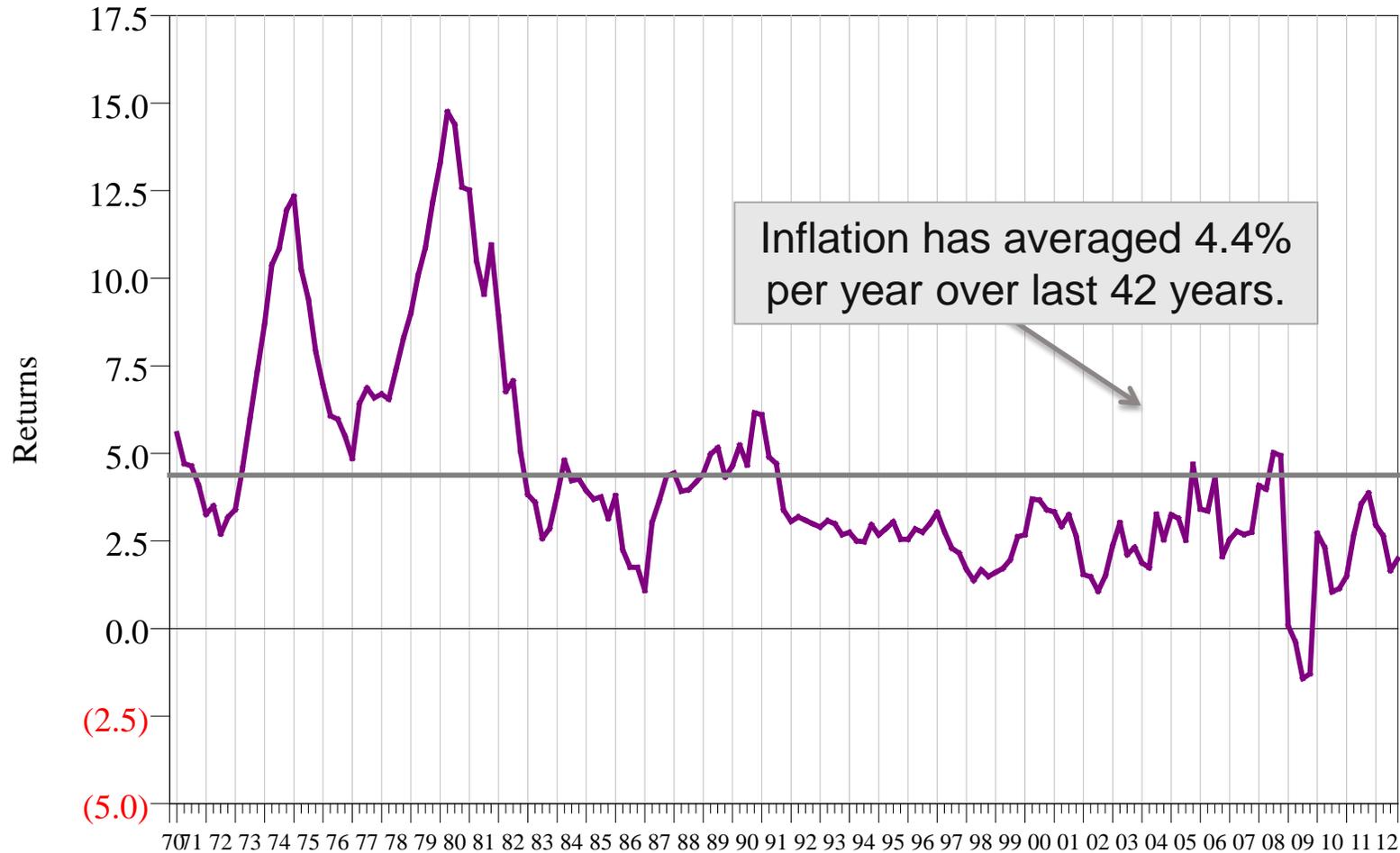
Source: Bureau of Labor Statistics

- The unemployment rate held steady at 7.8%.
- Fourth quarter annualized GDP fell 0.1%; full year GDP was 2.2% (2011 – 1.8%; 2010 – 2.4%).
- Headline CPI increased 1.7% over the trailing twelve-months; Core CPI up 1.9%.
- “QE3” announced in September. The US Federal Reserve Bank will purchase \$40 billion of mortgage-backed securities and \$45 billion of Treasuries per month until unemployment reaches 6.5% as long as expected inflation remains below 2.5%.

Inflation: pretty benign last 20 years

. . . but what about the future . . . ?!

Rolling One-Year Returns for CPI-U
for 42 Years Ended September 30, 2012

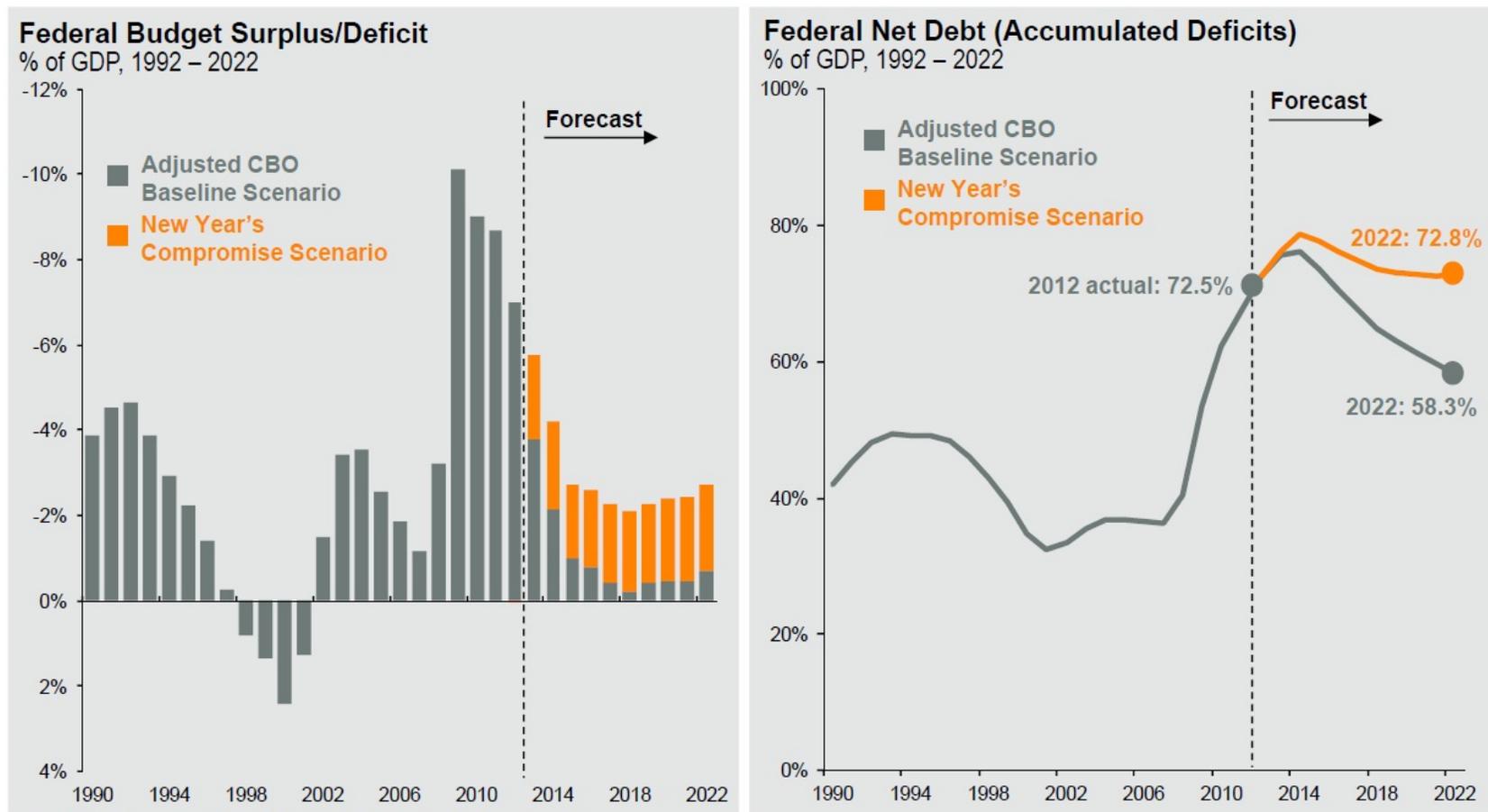


Fiscal Policy Events

Uncertainty, Delay, and Procrastination

- Fiscal Cliff Deal
 - Signed January 2nd
 - Increased tax rates on top 2% (\$400,000+/year), adding roughly \$60B/year in revenue
 - Extended unemployment insurance
 - Delayed “sequestration” for two more months
 - Allowed payroll tax cut to expire (raising taxes on wages by 2%)
- Debt Ceiling
 - Government officially hit debt ceiling of \$16,400,000,000,000 on December 31, 2012
 - Treasury Department was able to take “extraordinary measures” to fund the government until February/March
 - Debt ceiling effectively suspended until August
- Sequestration
 - Takes effect March 1
 - Discretionary budget cuts of approximately \$120B per year
 - Roughly 50% allocated to defense spending and 50% to other discretionary spending

Federal Deficit and Debt



Source: U.S. Treasury, BEA, CBO, J.P. Morgan Asset Management.

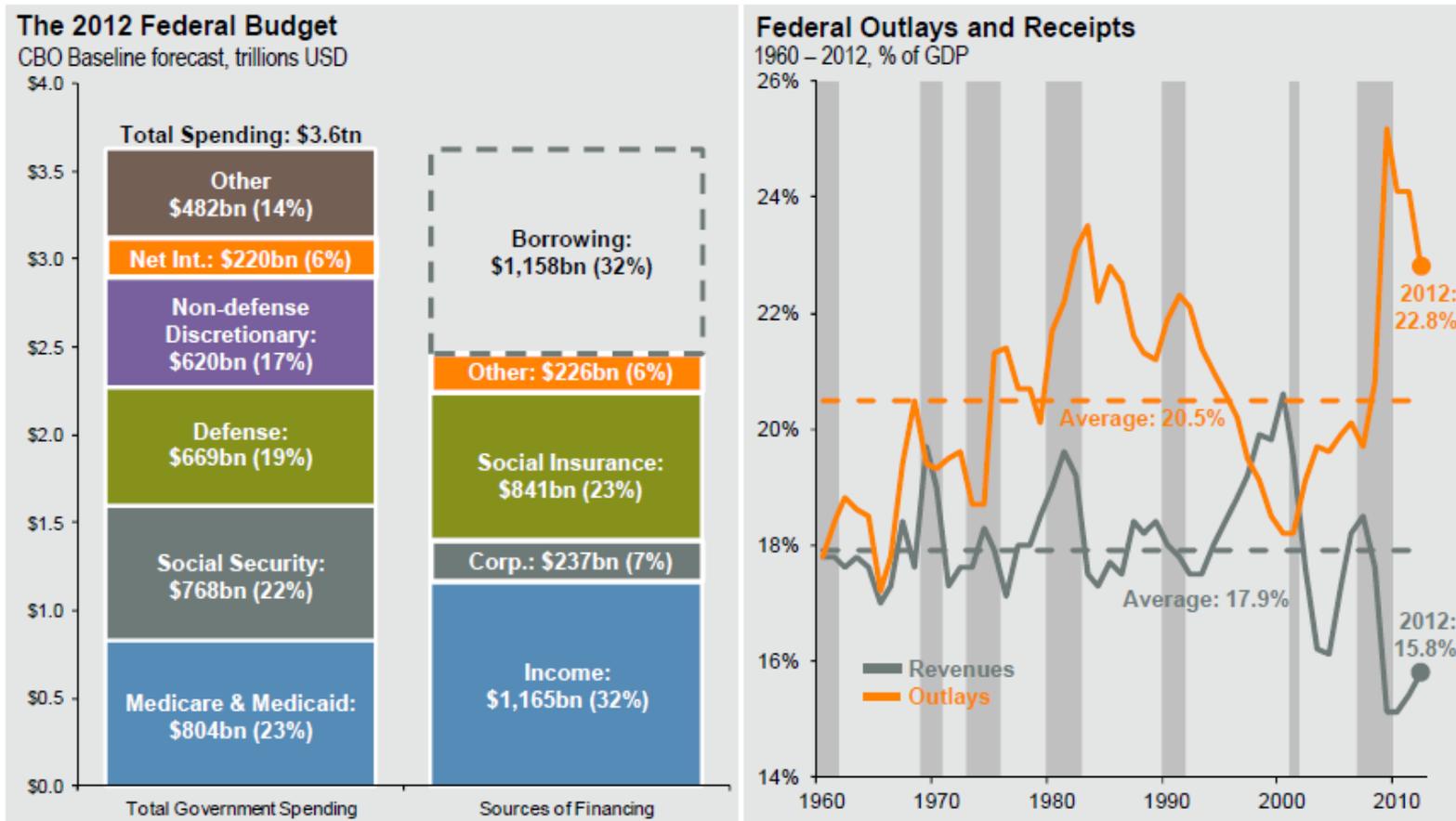
“New Year’s Compromise Scenario” is based on the American Taxpayer Relief Act, passed by Senate January 1, 2013

- Entitlements, such as Medicare and Social Security, account for 45% of Federal spending (\$1,572B)
- Low interest rates (yield on 10-year Treasury on 12/31/12 was 1.78%) have enabled the Federal Government to run up a large debt; interest payments currently account for only 6% of Federal spending (\$220B)

Source: JP Morgan

Federal Finance: Outlay and Revenues

Nearly one-third of Federal Gov't expenditures funded with borrowed money



Source: U.S. Treasury, BEA, OMB, CBO, J.P. Morgan Asset Management.
 2012 Federal Budget is based on the CBO's August 2012 Baseline Scenario.
 Note: Years shown are fiscal years (Oct. 1 through Sep. 30).
 Revenue breakout is based on 2012 tax revenue estimates from the Office of Management and Budget.
 Data are as of 12/31/12.

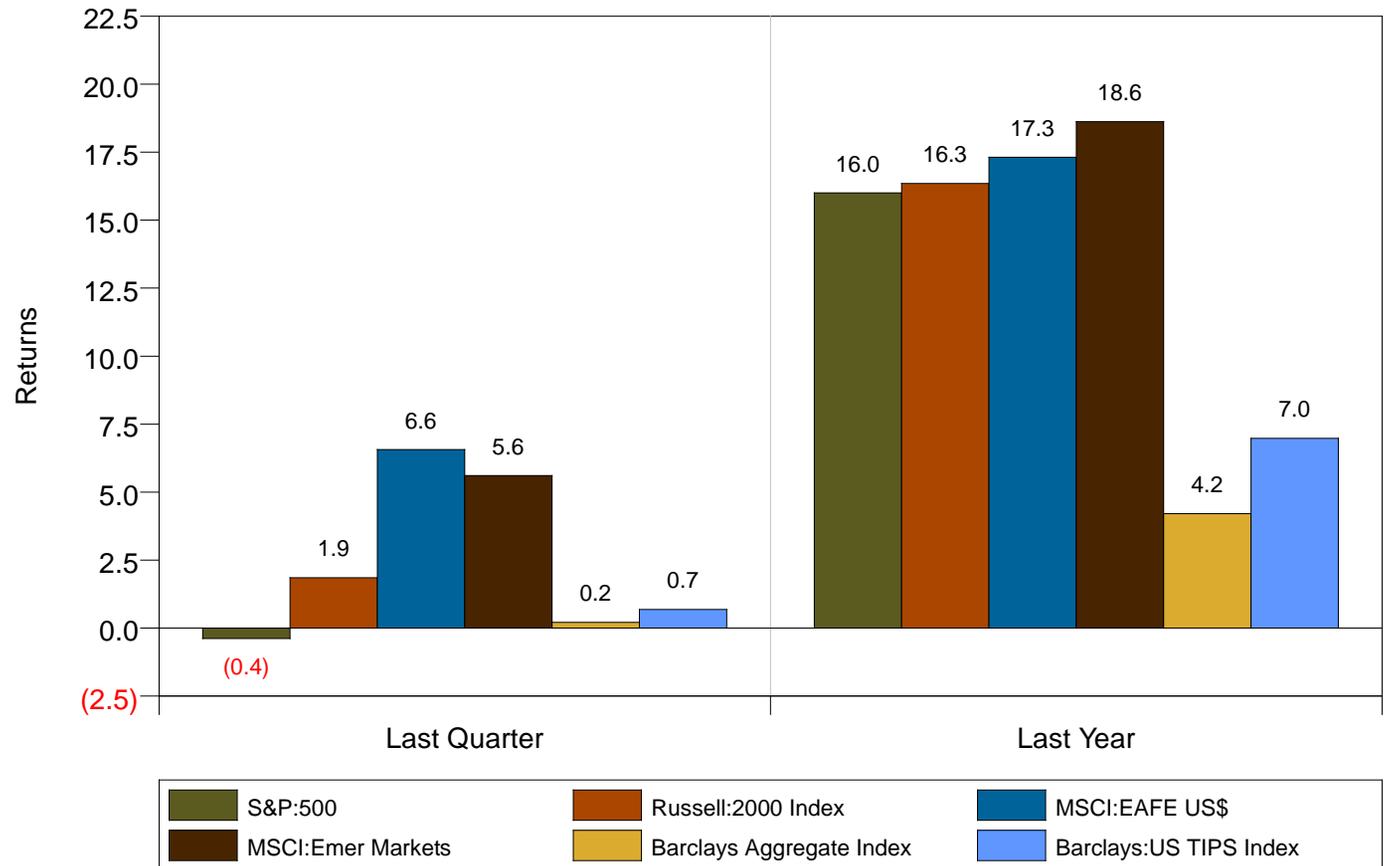
J.P.Morgan
Asset Management

Asset Class Performance

Periods Ending December 31, 2012

Returns for Various Periods
Current Quarter Ending December 31, 2012

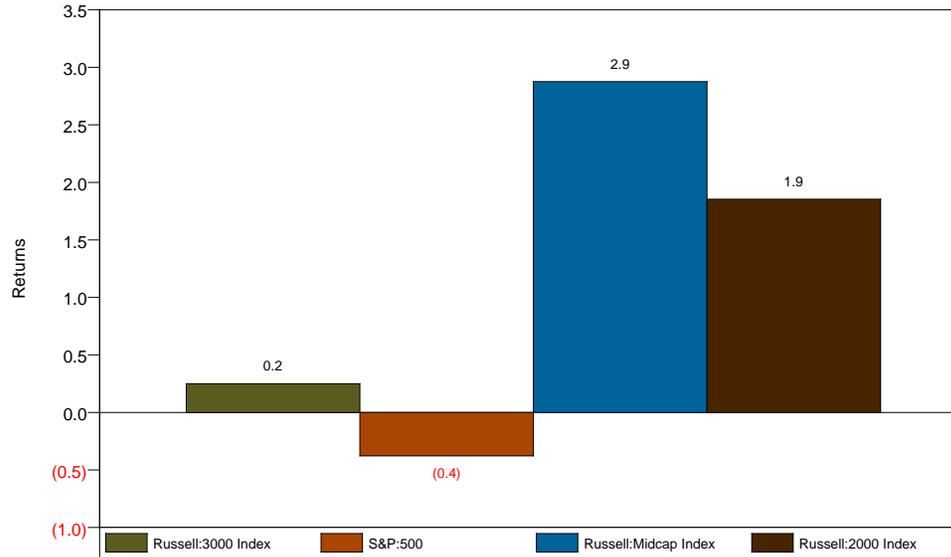
Update for the YTD as of 2/19/12:	
S&P 500:	7.66%
Russell 2000:	9.84
MSCI EAFE:	5.19
MSCI EM:	0.99
BC Aggregate:	-0.71
BC TIPS:	-1.27
T-Bills:	0.12



U.S. Equity Returns

Quarter Ending December 31, 2012

Returns Current Quarter Ending December 31, 2012



Economic Sector Exposure

(Russell 3000)

Economic Sector Quarterly Returns

(Russell 3000)

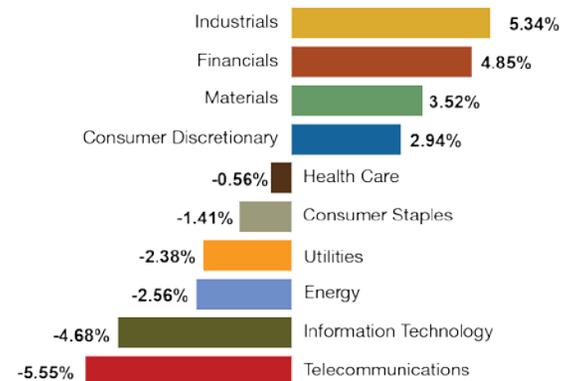
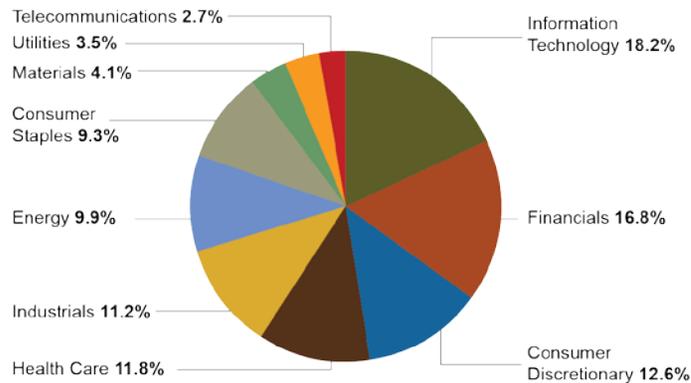
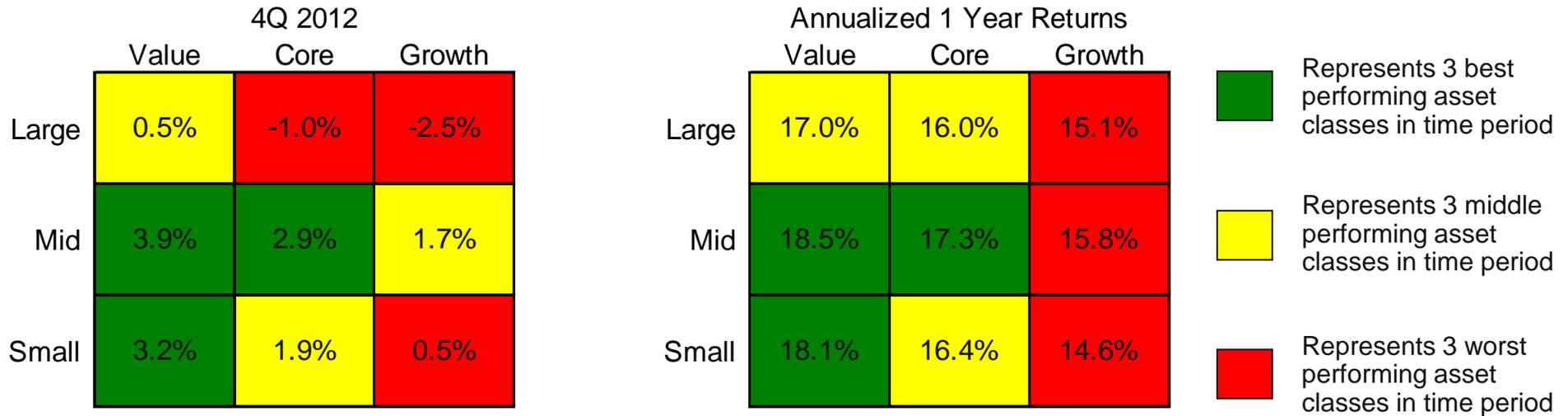


Chart may not sum to 100% due to rounding.
Source: Russell Investment Group

U.S. Equity Style Returns

Periods Ending December 31, 2012



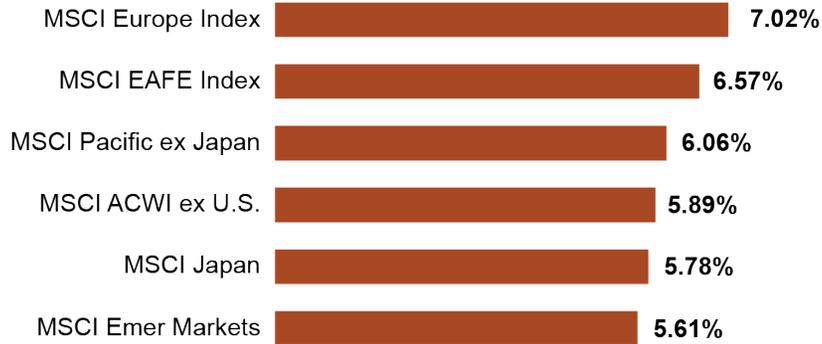
- Last Quarter: Value outperformed growth; mid caps outperformed large and small caps
- Last Year: Mid caps best, value led growth

Large Cap Core is represented by the Russell Top 200 Index, Large Cap Value is represented by the Russell Top 200 Value Index and Large Cap Growth is represented by the Russell Top 200 Growth Index. Mid Cap Core is represented by the Russell Mid Cap Index, Mid Cap Value is represented by the Russell Mid Cap Value Index and Mid Cap Growth is represented by the Russell Mid Cap Growth Index. Small Cap Core is represented by the Russell 2000 Index, Small Cap Value is represented by the Russell 2000 Value Index and Small Cap Growth is represented by the Russell 2000 Growth Index.

International Equity Returns

Quarter Ending December 31, 2012

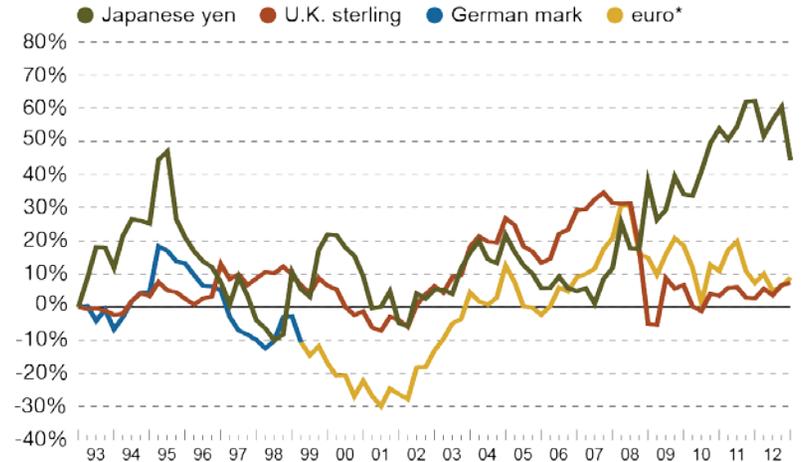
Regional Quarterly Performance (U.S. Dollar)



Source: MSCI Inc.

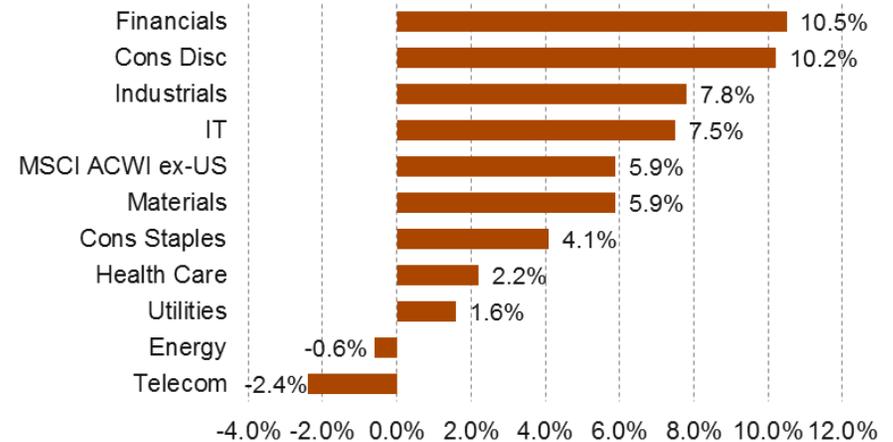
- Non-U.S. stocks (+5.9%) had a strong quarter, with little variance between the major regions
- The yen fell dramatically (-10%) while the sterling and euro gained versus the dollar
- All but two sectors of the MSCI ACWI ex-US Index rose. Exceptions: Telecom & Energy

Major Currencies' Cumulative Returns (vs. U.S. Dollar)



*euro returns from 1Q99
Source: MSCI Inc.

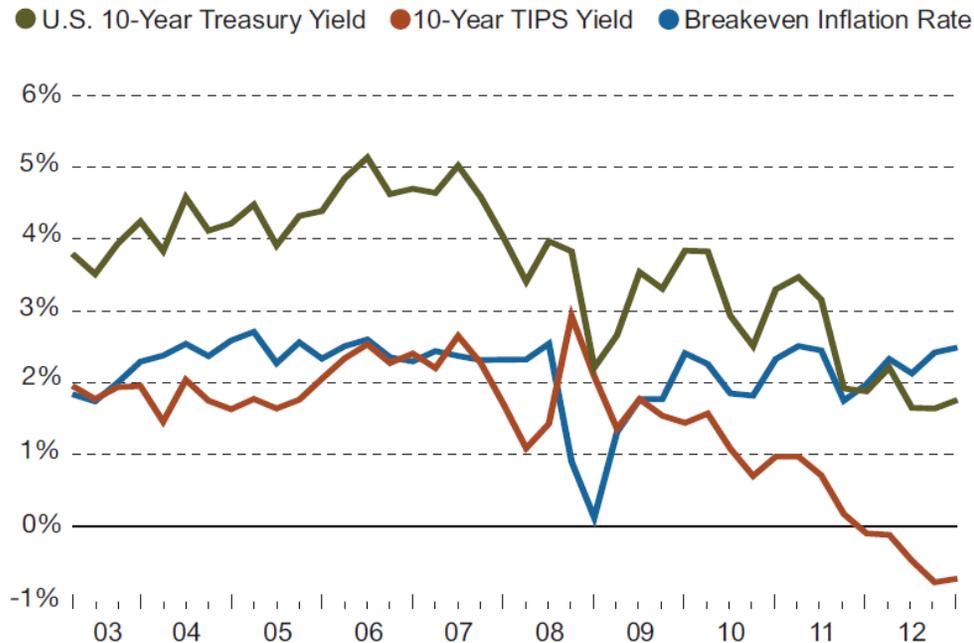
ACWI ex-U.S. Sector Returns



Yield Curve Changes

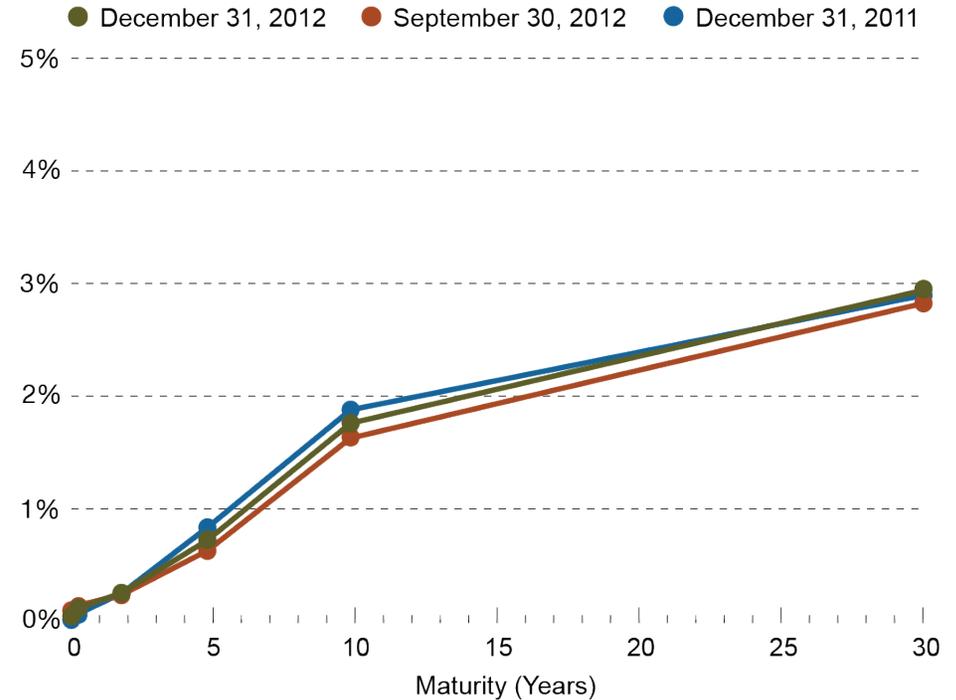
Periods Ending December 31, 2012

Historical 10-Year Yields



Source: Bloomberg

U.S. Treasury Yield Curves



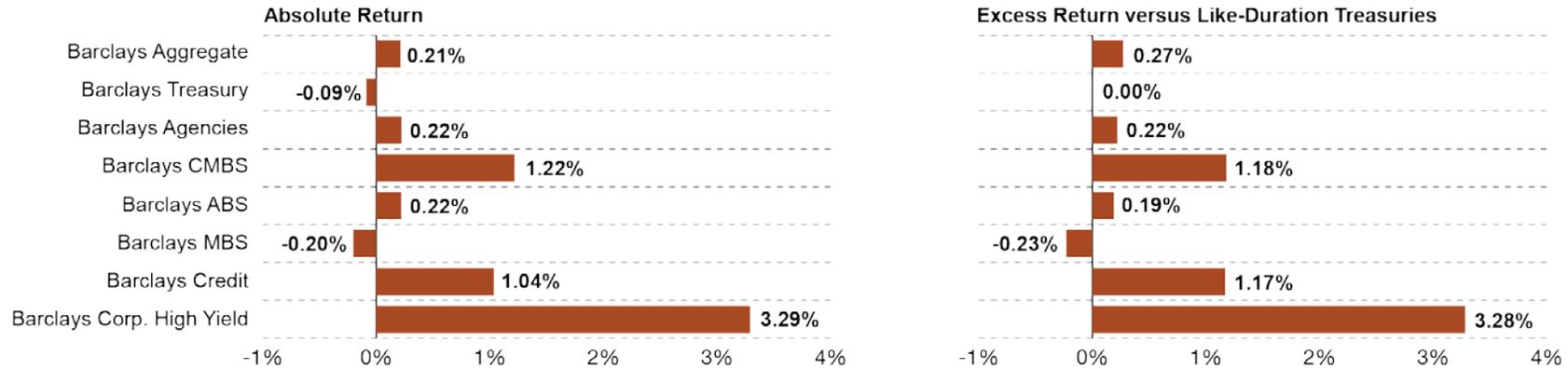
Source: Bloomberg

- Yield curve steepened modestly in the fourth calendar quarter of 2012, so bond prices fell
- The spread between 2-year and 30-year Treasuries increased 11 bps to 270 bps
- The 10-year breakeven inflation rate rose 7 basis points to 2.49%, highest since early 2011.
 - The “break-even” rate is how the bond market expresses its view of future inflation.

Bond Returns

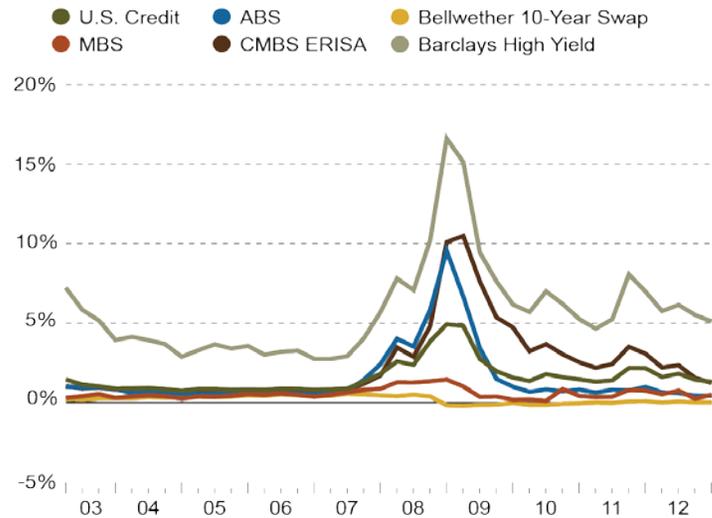
Quarter Ending December 31, 2012

Fixed Income Index Quarterly Returns



Source: Barclays

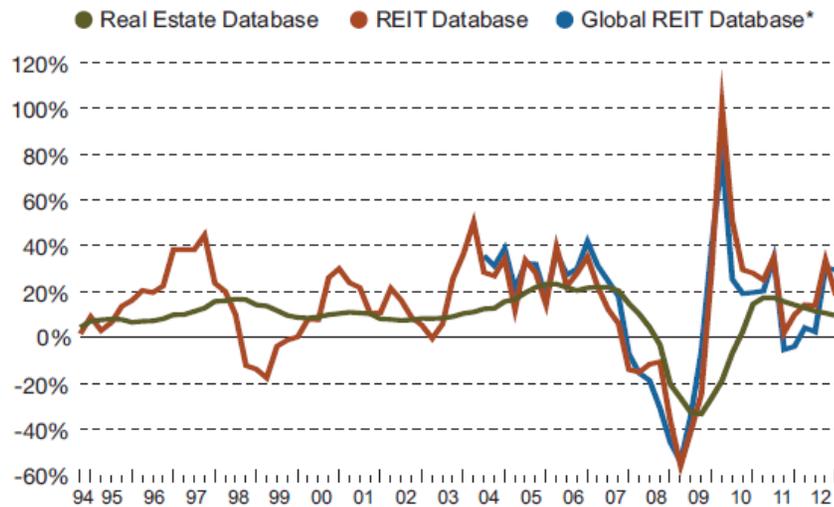
Effective Yield Over Treasuries



Source: Barclays

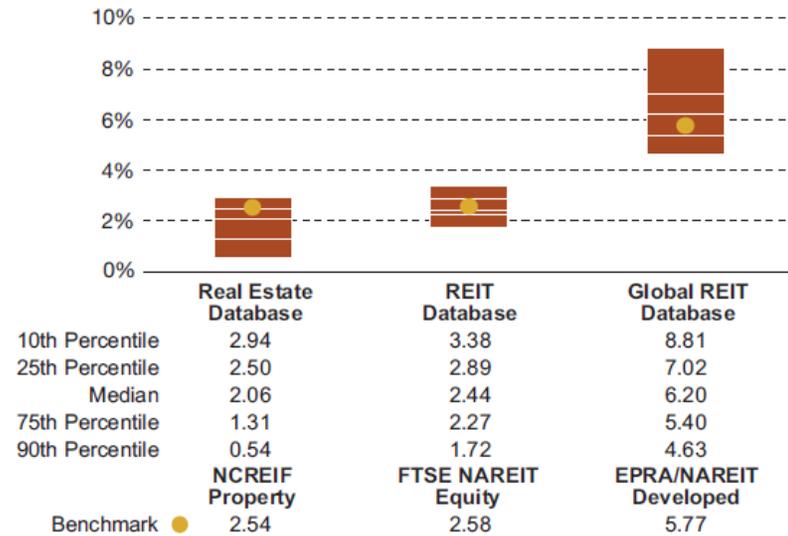
Direct Real Estate and REITS

Periods Ending December 31, 2012 Rolling One-Year Returns



*Global REIT returns from 2Q04
Source: Callan Associates Inc.

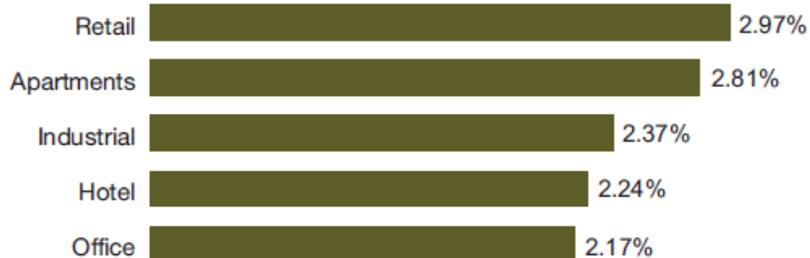
Callan Style Group Quarterly Returns



Sources: Callan Associates Inc., NAREIT, NCREIF, The FTSE Group

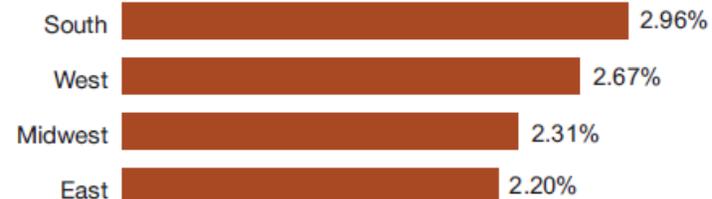
NCREIF All Equity Sector Quarterly Performance

Quarterly Returns by Property Type



Source: NCREIF

Quarterly Returns by Region



Private Equity

Private equity activity slowed a bit in the quarter ended December, 2012

Funds Closed 1/1/12 to 12/31/12

Strategy	No. of Funds	Amt (\$MM)	Percent
Venture Capital	154	20,273	13%
Buyouts	167	92,798	58%
Subordinated Debt	26	10,775	7%
Distressed Debt	25	21,510	13%
Other	22	10,465	7%
Fund-of-funds	32	4,618	3%
Totals	426	160,439	100%

Source: Private Equity Analyst

Mixed activity levels in Q4 2012: # of funds up; \$ volume down

- 107 new partnerships formed
- \$31.9 billion raised in new commitments for PE funds in Q4
- 25% drop in fund-raising versus totals achieved in 2012 Q3

Private Equity Performance Database

(Pooled Horizon IRRs Through June 30, 2012)

Strategy	3 Months	Year	3 Years	5 Years	10 Years	20 Years
All Venture	1.2	2.5	4.8	1.5	3.2	15.8
All Buyouts	-0.6	2.7	11.3	2.9	9.5	10.1
Mezzanine	2.0	10.5	6.7	3.3	6.8	8.0
All Private Equity	-0.1	3.5	10.1	3.0	8.1	11.1
S&P 500	-3.8	5.5	16.4	0.2	5.3	8.3

Private equity returns are net of fees.

Source: Thomson ONE



2013 – 2022
Capital Market Projections

The Economy and the Capital Markets

Callan's outlook and the basis for our capital market assumptions

- Inflation will likely drift higher, but not immediately. Painfully low interest rates will persist, now that the Fed has “guaranteed” low rates through 2013 and “expects” rates to remain low through 2015. We believe interest rates could begin to rise gradually after 2014.
- Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
- Stocks rallied in the summer of 2012, generating double-digit gains around the globe. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
- The housing market appears to have finally hit bottom (sound familiar?). Conditions have been aided by mortgage rates at or near all-time lows. The “shadow inventory” of homes – those on whom lenders have yet to foreclose -- still hangs over some segments of the housing market.
- The chance that we could see another leg down on housing prices remains one of the greatest risks to the economy. A further decline could result in a deleterious deflationary spiral. Oh my!
- The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is that **currency values are relative**: what other currency can take the dollar's place?

The path to rational long-term capital market outcomes is likely through an ugly short term period of rising interest rates, capital losses on fixed income, and volatile equity markets.

2013 Capital Market Expectations: Less Return, More Risk

Summary of Callan's Long-Term Capital Market Projections (2013 - 2022)

Asset Class	Index	PROJECTED RETURN			PROJECTED RISK		2012 - 2021	
		1-Year Arithmetic	10-Year Geometric*	Real	Standard Deviation	Projected Yield	10-Year Geometric*	Standard Deviation
Equities								
Broad Domestic Equity	Russell 3000	9.15%	7.65%	5.15%	18.95%	2.00%	7.75%	18.70%
Large Cap	S&P 500	8.90%	7.50%	5.00%	18.30%	2.20%	7.60%	18.00%
Small/Mid Cap	Russell 2500	10.15%	7.85%	5.35%	22.90%	1.20%	7.90%	23.00%
International Equity	MSCI EAFE	9.25%	7.50%	5.00%	20.10%	2.00%	7.60%	20.00%
Emerging Markets Equity	MSCI EMF	11.45%	7.95%	5.45%	27.75%	0.00%	8.00%	27.75%
Global ex-US Equity	MSCI ACWI ex-US	9.80%	7.85%	5.35%	21.25%	1.50%	7.90%	21.15%
Fixed Income								
Defensive	BC Govt 1-3	2.25%	2.25%	-0.25%	2.25%	2.25%	3.00%	2.50%
Domestic Fixed	BC Aggregate	2.55%	2.50%	0.00%	3.75%	2.55%	3.25%	4.25%
TIPS	BC TIPS	2.40%	2.30%	-0.20%	5.00%	2.40%	3.00%	5.60%
Long Duration	BC Long Govt/Credit	3.40%	2.70%	0.20%	12.00%	3.40%	3.45%	11.80%
High Yield	BC High Yield	5.70%	5.00%	2.50%	12.60%	5.70%	5.35%	12.50%
Non-US Fixed	Citi Non-US Govt	2.65%	2.25%	-0.25%	9.40%	2.65%	2.85%	9.50%
Emerging Markets Debt	JPM EMBI Global Div	4.75%	4.25%	1.75%	10.60%	4.75%	4.80%	10.75%
Other								
Real Estate	Callan Real Estate	7.55%	6.20%	3.70%	17.50%	5.00%	6.40%	16.95%
Private Equity	VE Post Venture Cap	13.00%	8.65%	6.15%	30.90%	0.00%	8.80%	30.60%
Hedge Funds	Callan Hedge FoF	5.50%	5.10%	2.60%	10.20%	0.00%	5.55%	10.00%
Commodities	DJ-UBS Commodity	4.75%	3.25%	0.75%	17.90%	2.75%	3.25%	17.90%
Cash Equivalents	90-Day T-Bill	2.00%	2.00%	-0.50%	0.90%	2.00%	2.75%	0.90%
Inflation	CPI-U	2.50%	2.50%		1.50%		2.50%	1.40%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

Source: Callan

Strategic Asset Allocation: ND Funds' Policy Estimates

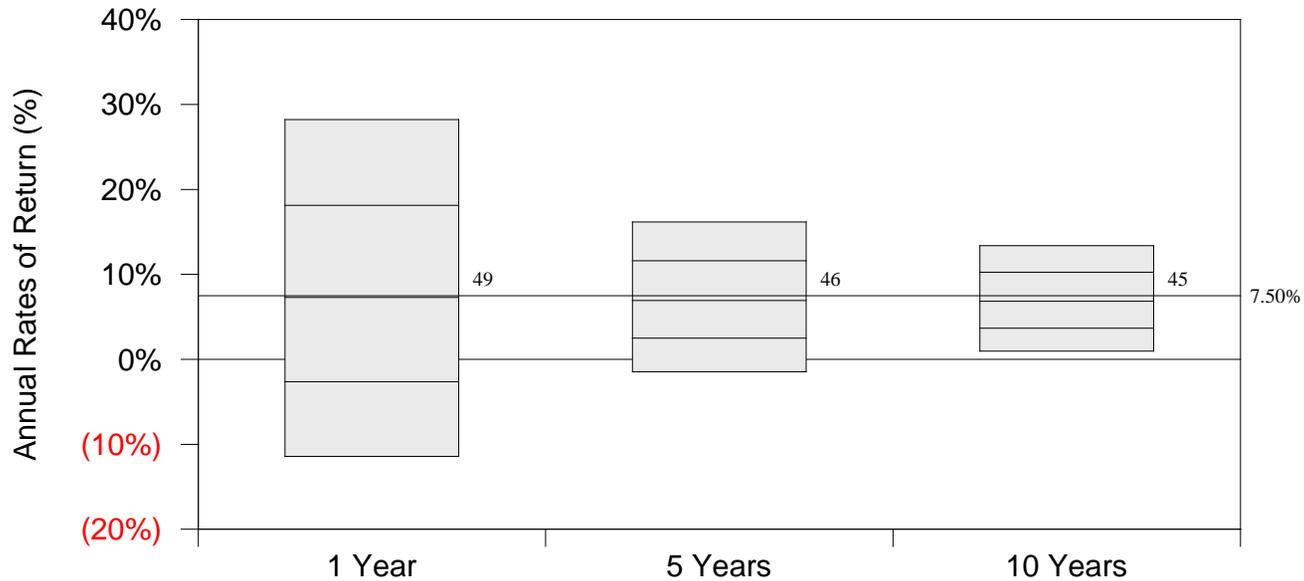
Return and risk based on Callan's 2013 – 2022 Projections

<u>Asset Classes</u>	<u>PERS</u>	<u>TFFR</u>	<u>WSI</u>
Broad Domestic Equity	31		
Large Cap		24	10
Small/mid Cap		7	3
International Equity	16	17	7
Emerging Market Equity	5	4	0
Domestic Fixed-Income	12	12	51
High Yield	5	5	0
Non-US Fixed-Income	5	5	0
TIPS	0	0	22
Real Estate	20	20	6
Private Equity	5	5	0
Cash	1	1	1
Total	100	100	100
10-year Geometric Return	6.94%	6.93%	4.08%
Projected Standard Deviation	14.62%	14.59%	5.05%
10-year Simulated Sharpe Ratio	0.34%	0.34%	0.41%

North Dakota PERS: multi-year projections

The uncertainty of outcomes narrows as time horizon lengthens

Range of Projected Rates of Return: PERS



	1 Year	5 Years	10 Years
10th Percentile	28.2%	16.2%	13.4%
25th Percentile	18.1%	11.6%	10.3%
Median	7.3%	6.9%	6.8%
75th Percentile	(2.6%)	2.5%	3.7%
90th Percentile	(11.4%)	(1.5%)	1.0%

Prob > 7.50%	49.4%	46.1%	44.5%
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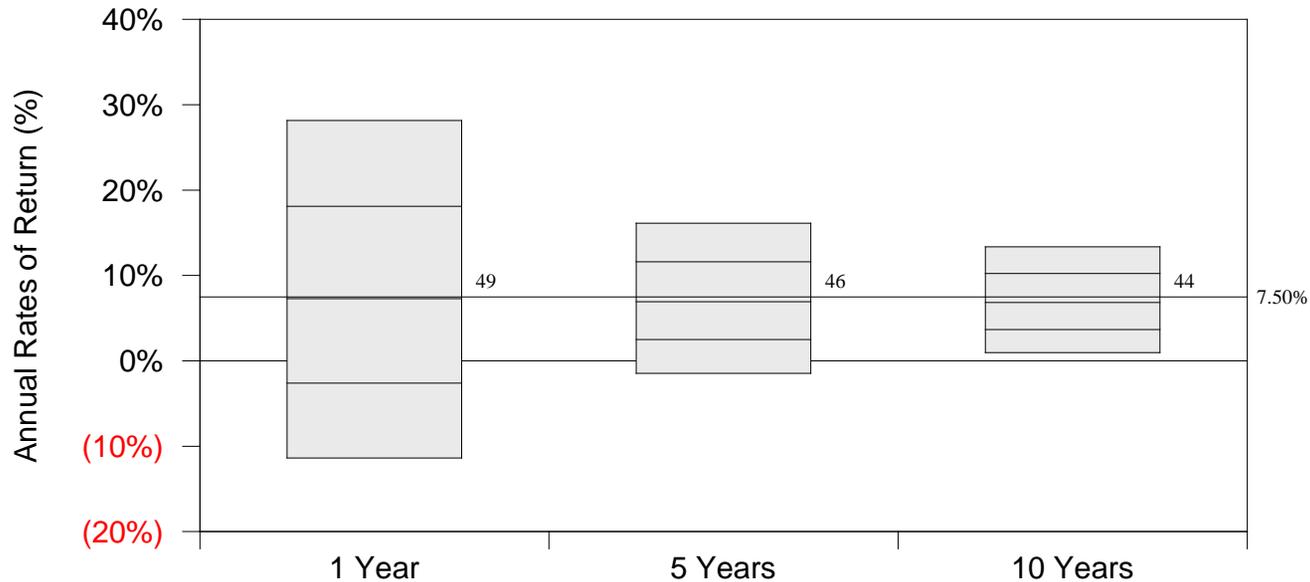
Prob > 8.00%	47.9%	43.6%	41.0%
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Source: Callan, 2013 – 2022 Capital Market Projections

North Dakota TFFR: multi-year projections

The uncertainty of outcomes narrows as time horizon lengthens

Range of Projected Rates of Return: TFFR



	1 Year	5 Years	10 Years
10th Percentile	28.2%	16.1%	13.4%
25th Percentile	18.1%	11.6%	10.2%
Median	7.3%	6.9%	6.8%
75th Percentile	(2.6%)	2.5%	3.7%
90th Percentile	(11.4%)	(1.5%)	1.0%

Prob > 7.50%	49.4%	46.0%	44.4%
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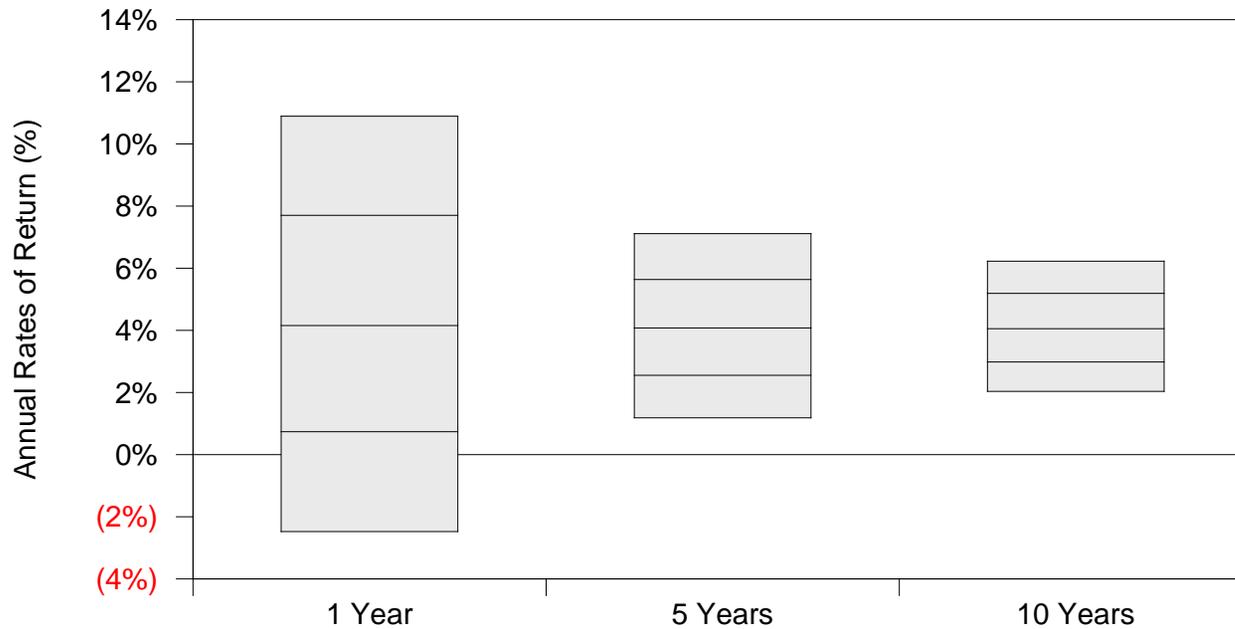
Prob > 8.00%	47.8%	43.6%	41.0%
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Source: Callan, 2013 – 2022 Capital Market Projections

North Dakota WSI: multi-year projections

The uncertainty of outcomes narrows as time horizon lengthens

Range of Projected Rates of Return: WSI



	1 Year	5 Years	10 Years
10th Percentile	10.9%	7.1%	6.2%
25th Percentile	7.7%	5.6%	5.2%
Median	4.2%	4.1%	4.1%
75th Percentile	0.7%	2.6%	3.0%
90th Percentile	(2.5%)	1.2%	2.0%

Source: Callan, 2013 – 2022 Capital Market Projections

Asset Allocation Viewed Through Another Lens

Lookee-lookee: economic growth and inflation scenarios

Investors seek diversification to scenarios like inflation, deflation, stagflation. They also want growth. Allocations are based on return drivers like inflation and growth (leverage and liquidity matter, too).

		Economic Growth	
Inflation	Low (Falling) Growth, <u>High (Rising) Inflation</u>	Inflation Linked Bonds (TIPS) Commodities Infrastructure	<u>High Growth, High Inflation</u> Real Assets (e.g. Real Estate, Timberland, Farmland, Energy)
	Low Growth, Low Inflation <u>(Deflation)</u>	Cash Government Bonds	<u>High Growth, Low Inflation</u> Corporate Debt Equity

What's an investor to do?
Absent perfect foresight, prudent investors diversify.

Long-Term Vision and Short-Term Reality

Are there any good choices?

- **Greatest danger: thy name is “risk”**

- Investors will take on additional risk to compensate for capital market returns that are likely to be well below historical averages. Callan does not believe investors are likely to be compensated for such risk taking in the shorter term.

- **Fixed income: a conundrum**

- No other investment offers the same degree of capital preservation in a flight to quality environment.
- Sadly, low current yields and the prospect of rising rates will (eventually) result in dismal returns.

- **Stocks: “best of a bad lot”**

- Lipstick, anyone? They’ve been beautiful lately, but stocks can turn ugly when risk is not in favor.

- **Other strategies: let’s manage risk**

- Successful active management may avail itself of opportunities and protect in a volatile environment.
- Global opportunities in equity, debt, high yields, and currency – rarely cheap, and not a sure thing.
- Absolute return strategies to hedge market risk, both long-only and hedged.



North Dakota Pension Trust

Asset allocation versus target as of December 31, 2012



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	1,065,378	27.5%	27.5%	0.0%	(1,297)
Domestic Fixed Income	704,240	18.2%	18.0%	0.2%	6,053
International Equity	703,439	18.1%	18.1%	0.0%	1,373
Int'l Fixed Income	203,783	5.3%	5.0%	0.3%	9,842
Global Real Estate	366,134	9.4%	9.7%	(0.3%)	(10,112)
World Equity	233,070	6.0%	6.0%	0.0%	341
Private Equity	215,031	5.5%	4.9%	0.6%	24,969
Timber	203,826	5.3%	4.9%	0.4%	13,764
Infrastructure	142,685	3.7%	4.9%	(1.2%)	(47,378)
Cash Equivalents	41,233	1.1%	1.0%	0.1%	2,445
Total	3,878,819	100.0%	100.0%		

- The newly defined asset allocation framework is beginning to take shape as the portfolio is restructured to conform with the new asset class definitions adopted by PERS and TFFR.
- “Percent Difference” (grey arrow) shows that RIO staff is running a tightly controlled rebalancing program, a remarkable feat given the number of asset classes & Plans within the Pension Trust.
- The Trust’s market value rose \$88.6 million during the quarter, ending 12/31/12 \$3.88 billion.
 - Net withdrawals amounted to nearly \$19.9 million during the fourth calendar quarter of 2012;
 - Investment gains totaled \$108.5 million during that same period.

Source: Pages 9 and 18, Callan’s December 31, 2012 Quarterly Review of NDSIB’s Pension Trust

North Dakota Pension Trust

Sources of relative performance versus benchmarks

Relative Attribution Effects for Quarter ended December 31, 2012

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	28%	28%	0.82%	0.52%	0.08%	(0.01%)	0.08%
Domestic Fixed Income	18%	18%	3.39%	1.07%	0.42%	(0.00%)	0.42%
Global Real Estate	10%	10%	2.57%	2.54%	0.00%	0.00%	0.00%
Timber	5%	5%	2.73%	5.92%	(0.17%)	0.01%	(0.15%)
Infrastructure	4%	5%	6.02%	(1.01%)	0.25%	0.04%	0.29%
International Equity	17%	18%	6.65%	6.36%	0.05%	(0.03%)	0.02%
International Fixed Inc.	5%	5%	1.20%	(1.04%)	0.12%	(0.01%)	0.11%
Private Equity	6%	5%	1.27%	1.27%	0.00%	(0.01%)	(0.01%)
World Equity	6%	6%	2.08%	2.49%	(0.02%)	0.00%	(0.02%)
Cash & Equivalents	1%	1%	0.03%	0.04%	(0.00%)	0.00%	0.00%

Total	2.87% = 2.13% + 0.73% + 0.01%	0.74%
--------------	--------------------------------------	--------------

- The Total Fund exceeded its benchmark by 0.74% during the fourth calendar quarter of 2012.
- Domestic Fixed Income (PIMCO DISCO II) and Infrastructure were biggest contributors.
- TIR's Springbank timber portfolio was the largest relative detractor to 2012Q4 Total Fund results.
- For the five-year period ended 12/31/12, Domestic Equity was the single largest source of underperformance for the Pension Pool, -0.32% versus +2.25%.
- Over the last three years, the Pension Trust has modestly exceeded target, 8.75% versus 8.44%.

Source: Pages 10, 13 and 21, Callan's December 31, 2012 Quarterly Review of NDSIB's Pension Trust



North Dakota Insurance Trust

Asset allocation versus target as of December 31, 2012



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Large Cap	165,294	6.2%	6.1%	0.1%	2,335
Small Cap	59,500	2.2%	2.1%	0.1%	3,399
International Equity	118,343	4.4%	4.3%	0.1%	3,470
Domestic Fixed Income	810,175	30.3%	30.6%	(0.3%)	(7,294)
Inflation Protected	326,173	12.2%	12.6%	(0.4%)	(10,432)
Short Term Fixed Income	1,017,283	38.1%	38.1%	0.0%	(545)
Cash & Equivalents	74,390	2.8%	2.8%	0.0%	(411)
Real Estate	100,307	3.8%	3.4%	0.4%	9,477
Total	2,671,465	100.0%	100.0%		

- The Insurance Trust's market value as of December 31, 2012 was \$2.671 billion.
 - Net contributions amounted to \$175.8 million during the fourth calendar quarter of 2012;
 - Investment gains totaled \$43.5 million during the second calendar quarter, with nearly half that amount (\$20.1 million) generated in the domestic fixed-income asset class.
- "Percent Difference" is the key category on this page. The 12/31/12 figures show rebalancing efforts are keeping the Insurance Trust's allocations very close to target weights, controlling risk.

Source: Page 9, Callan's December 31, 2012 Quarterly Review of NDSIB's Insurance Trust

North Dakota Insurance Trust

Sources of relative performance versus benchmarks

Relative Attribution Effects for Quarter ended December 31, 2012

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	6%	6%	0.42%	0.12%	0.02%	0.01%	0.02%
Small Cap	2%	2%	3.13%	1.85%	0.03%	0.01%	0.03%
Domestic Fixed Income	32%	31%	2.55%	0.21%	0.74%	0.00%	0.74%
Real Estate	4%	4%	4.49%	2.54%	0.08%	0.01%	0.09%
International Equity	4%	4%	6.63%	6.57%	0.00%	0.00%	0.01%
Inflation Protected	13%	13%	1.65%	2.70%	(0.13%)	(0.00%)	(0.14%)
Short Term Fixed Income	36%	37%	0.33%	0.07%	0.09%	0.01%	0.10%
Cash & Equivalents	3%	3%	0.08%	0.04%	0.00%	(0.00%)	(0.00%)
Total			1.72%	= 0.86%	+ 0.83%	+ 0.03%	0.86%

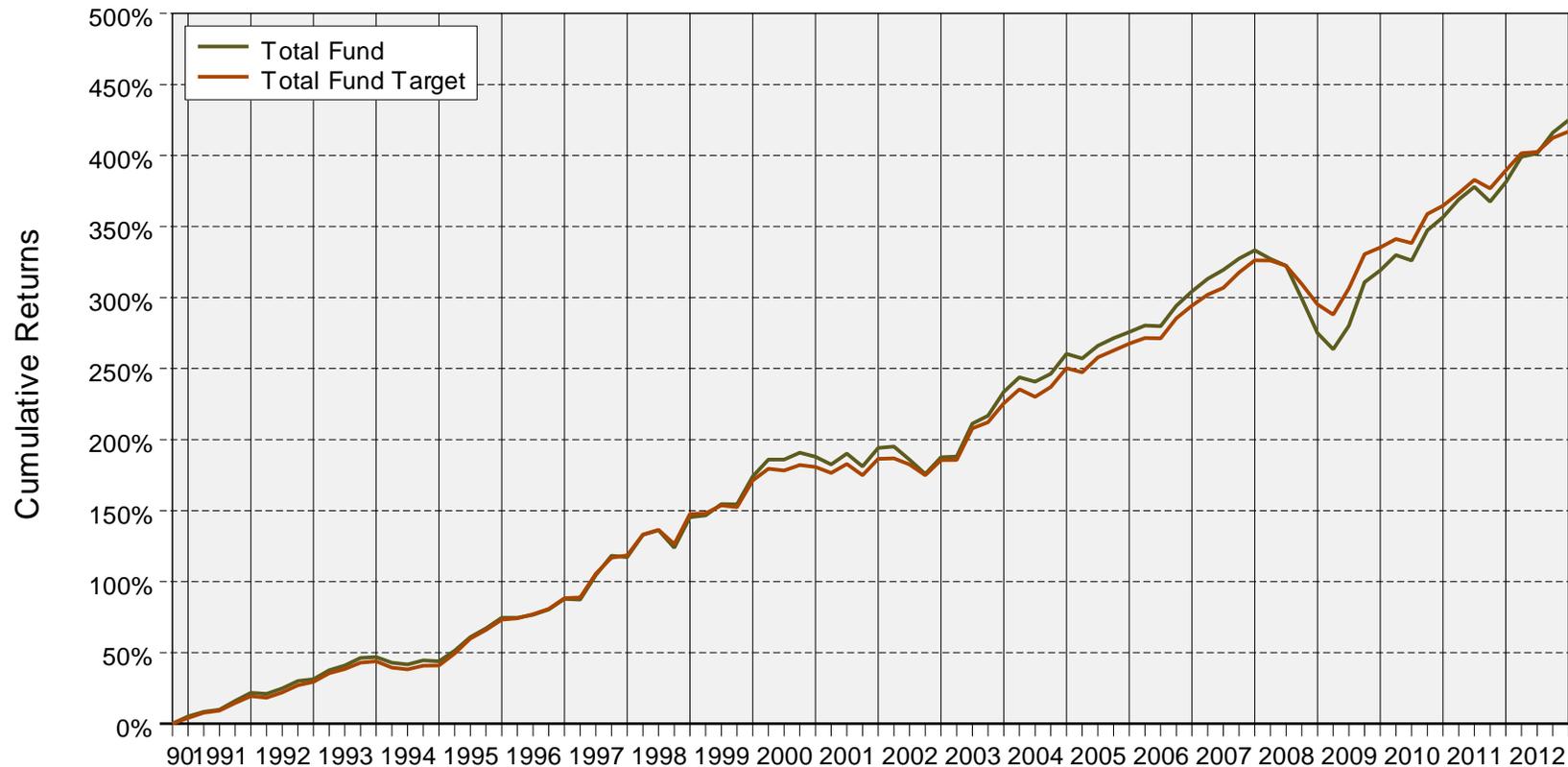
- The Total Fund doubled its benchmark (1.72% vs 0.86%) during the fourth calendar quarter, with seven of the eight major asset classes meeting or exceeding their respective benchmark's return.
- "Inflation Protected" assets – including TIPS, Timber, and Infrastructure – lagged the BC Global Inflation-linked Index. Biggest laggard in Q4 was Eastern Timber Opportunities' -3.95% return.
- Domestic Fixed-Income drove TF's great results; PIMCO DISCO II delivered Q4 return of +14.7%.
- The small measurement for "Asset Allocation" effect demonstrates effective rebalancing practices.

Source: Pages 10 and 17, Callan's December 31, 2012 Quarterly Review of NDSIB's Insurance Trust

The Insurance Trust's record over last 22-1/4 years

Cumulative returns are ahead of benchmark

Cumulative Returns Actual vs Target



- The Insurance Trust's returns matched or exceeded benchmark from 1990 through 2008 when the credit crisis hit the bond and equity portfolios. Since 12/08, Fund returns are above benchmark.
- Total Fund returns over the three-year period ended 12/31/12 exceed benchmark, 7.8% vs 5.9%.

Source: Page 17, Callan's December 31, 2012 Quarterly Review of NDSIB's Insurance Trust

INVESTMENT PERFORMANCE SUMMARY REPORT
PENSION TRUST FUNDS
December 31, 2012

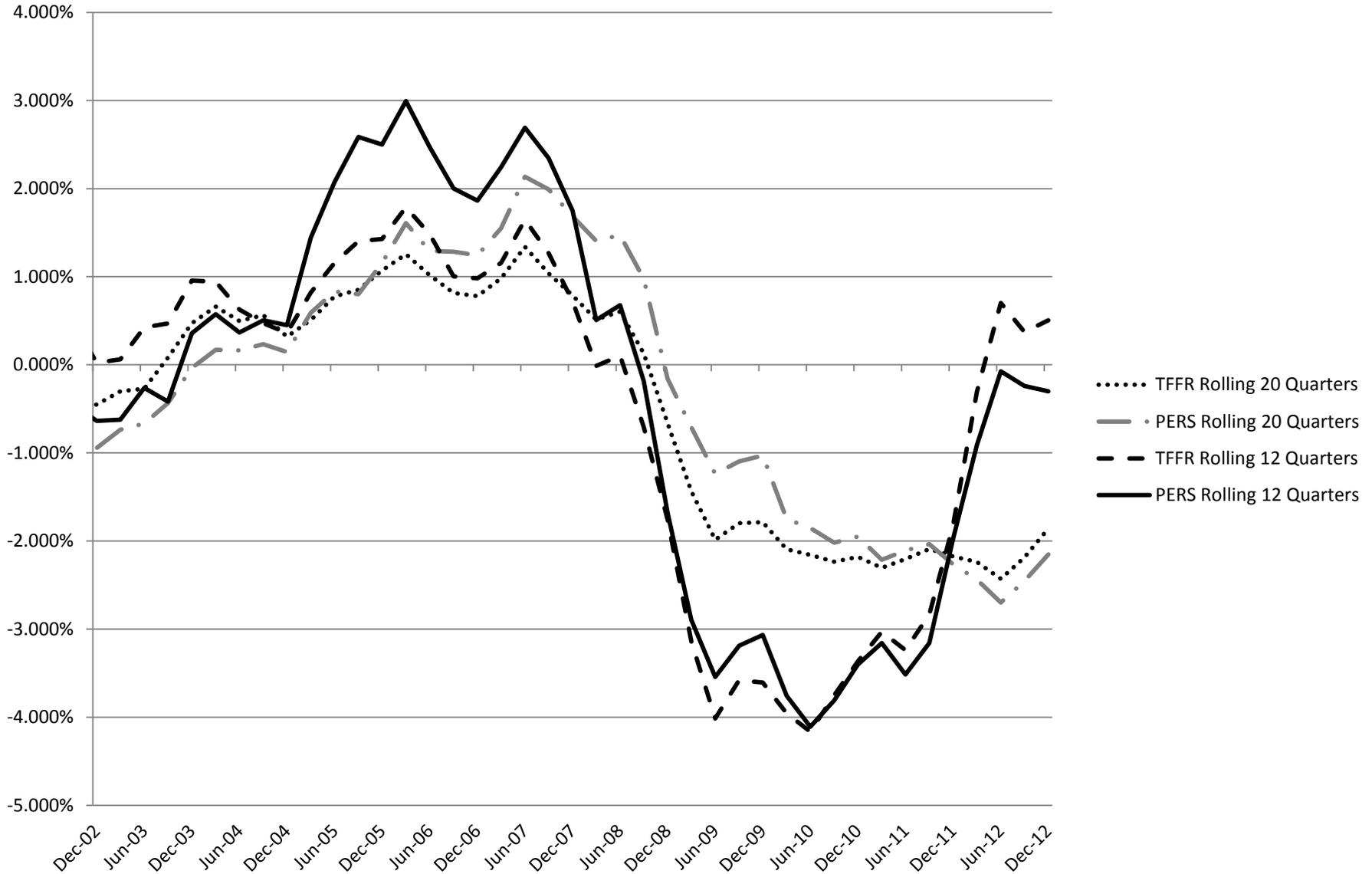
AGENDA ITEM III.B.1.

	Quarter Ended <u>12/31/2012</u>	Current FYTD <u>12/31/2012</u>	1 Yr Ended <u>12/31/2012</u>	3 Yrs Ended <u>12/31/2012</u>	5 Yrs Ended <u>12/31/2012</u>	Risk 5 Yrs Ended <u>12/31/2012</u>	Risk Adj Excess Return 5 Yrs Ended <u>12/31/2012</u>
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)							
Total Fund Return - Net	2.79%	7.35%	13.55%	8.28%	1.09%	14.99%	-2.20%
Policy Benchmark Return	2.16%	6.63%	12.46%	8.58%	3.24%	13.62%	
Attribution Analysis							
Asset Allocation	-0.02%	-0.02%	-0.17%				
Manager Selection	0.65%	0.75%	1.26%				
Total Relative Return	0.63%	0.72%	1.08%	-0.30%	-2.15%		
TEACHERS' FUND FOR RETIREMENT (TFFR)							
Total Fund Return - Net	2.80%	7.37%	13.63%	8.55%	0.31%	16.60%	-1.84%
Policy Benchmark Return	2.16%	6.63%	12.45%	8.04%	2.17%	15.30%	
Attribution Analysis							
Asset Allocation	-0.01%	0.01%	-0.12%				
Manager Selection	0.64%	0.73%	1.30%				
Total Relative Return	0.64%	0.74%	1.18%	0.51%	-1.86%		
CITY OF BISMARCK EMPLOYEES PENSION							
Total Fund Return - Net	2.96%	7.45%	13.32%	9.00%	2.47%	13.42%	-2.28%
Policy Benchmark Return	1.99%	6.12%	11.46%	8.77%	4.46%	11.48%	
Attribution Analysis							
Asset Allocation	-0.02%	-0.04%	-0.28%				
Manager Selection	1.00%	1.37%	2.14%				
Total Relative Return	0.98%	1.33%	1.86%	0.23%	-2.00%		
CITY OF BISMARCK POLICE PENSION							
Total Fund Return - Net	2.96%	7.59%	13.79%	9.02%	1.99%	14.32%	-2.29%
Policy Benchmark Return	2.13%	6.48%	12.22%	8.95%	4.09%	12.56%	
Attribution Analysis							
Asset Allocation	-0.03%	0.00%	-0.21%				
Manager Selection	0.86%	1.10%	1.78%				
Total Relative Return	0.83%	1.11%	1.57%	0.06%	-2.11%		
JOB SERVICE PENSION PLAN							
Total Fund Return - Net	2.54%	7.26%	13.82%	8.28%	3.60%	11.39%	-1.98%
Policy Benchmark Return	1.08%	4.98%	10.11%	8.18%	5.07%	9.50%	
Attribution Analysis							
Asset Allocation	-0.01%	-0.01%	-0.33%				
Manager Selection	1.47%	2.29%	4.04%				
Total Relative Return	1.46%	2.28%	3.72%	0.10%	-1.47%		

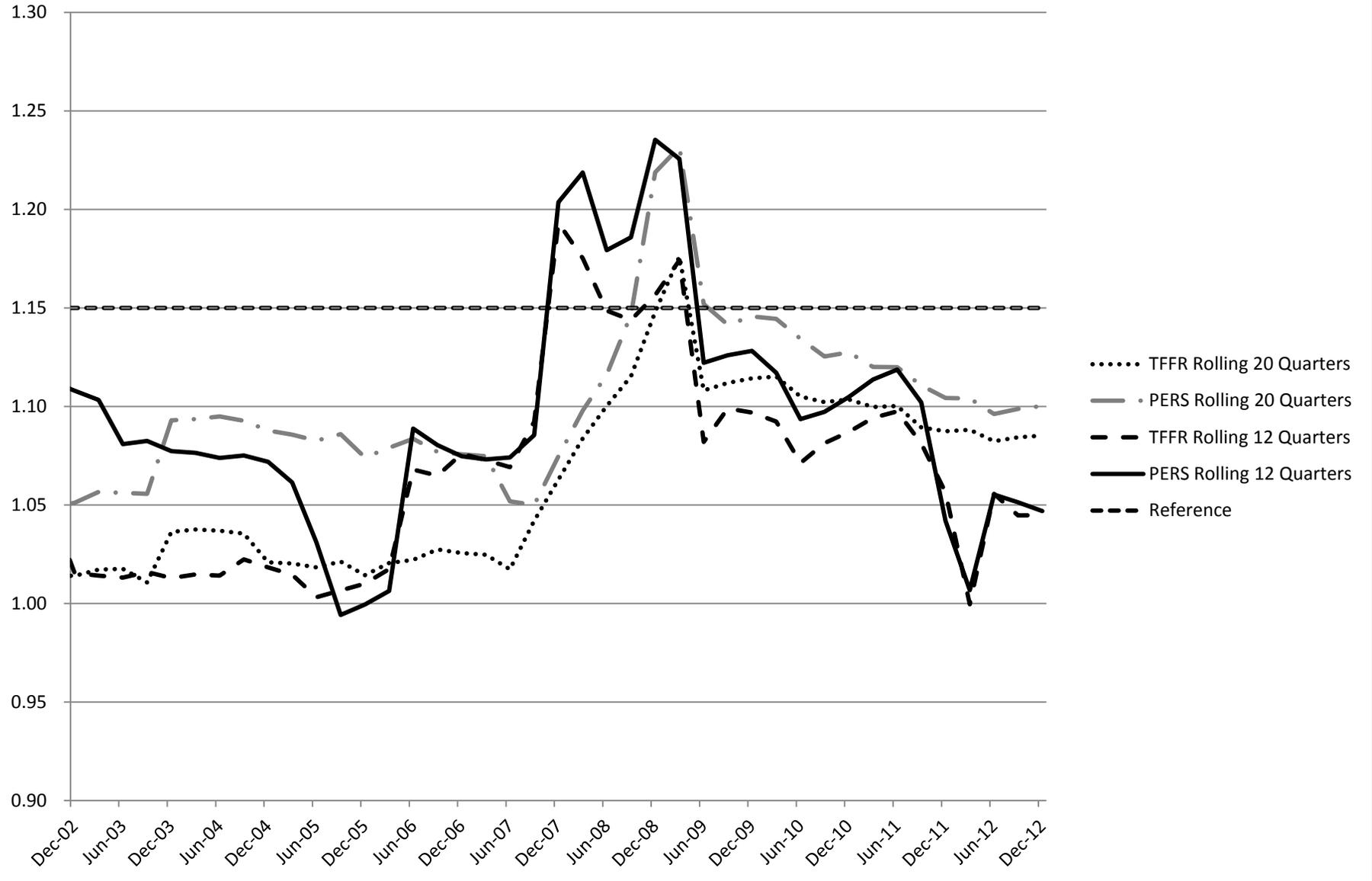
INVESTMENT PERFORMANCE SUMMARY REPORT
PENSION TRUST FUNDS
December 31, 2012

	Quarter Ended <u>12/31/2012</u>	Current FYTD <u>12/31/2012</u>	1 Yr Ended <u>12/31/2012</u>	3 Yrs Ended <u>12/31/2012</u>	5 Yrs Ended <u>12/31/2012</u>	Risk 5 Yrs Ended <u>12/31/2012</u>	Risk Adj Excess Return 5 Yrs Ended <u>12/31/2012</u>
CITY OF FARGO PENSION PLAN							
Total Fund Return - Net	2.53%	7.28%	13.99%	8.72%	1.39%	15.67%	N/A
Policy Benchmark Return	1.75%	6.25%	12.41%	8.85%	3.40%	13.71%	
Attribution Analysis							
Asset Allocation	0.00%	-0.01%	0.19%				
Manager Selection	0.78%	1.04%	1.39%				
Total Relative Return	0.78%	1.03%	1.58%	-0.12%	-2.01%		
CITY OF GRAND FORKS PENSION PLAN							
Total Fund Return - Net	2.54%	7.33%	14.12%	8.87%	N/A	N/A	N/A
Policy Benchmark Return	1.75%	6.25%	12.41%	8.85%			
Attribution Analysis							
Asset Allocation	-0.02%	-0.01%	0.27%				
Manager Selection	0.81%	1.08%	1.44%				
Total Relative Return	0.79%	1.07%	1.71%	0.03%			
GRAND FORKS PARK DISTRICT PENSION PLAN							
Total Fund Return - Net	2.37%	7.18%	13.88%	8.47%	N/A	N/A	N/A
Policy Benchmark Return	1.49%	5.93%	12.16%	8.54%			
Attribution Analysis							
Asset Allocation	-0.01%	-0.01%	-0.22%				
Manager Selection	0.89%	1.26%	1.94%				
Total Relative Return	0.88%	1.24%	1.73%	-0.06%			

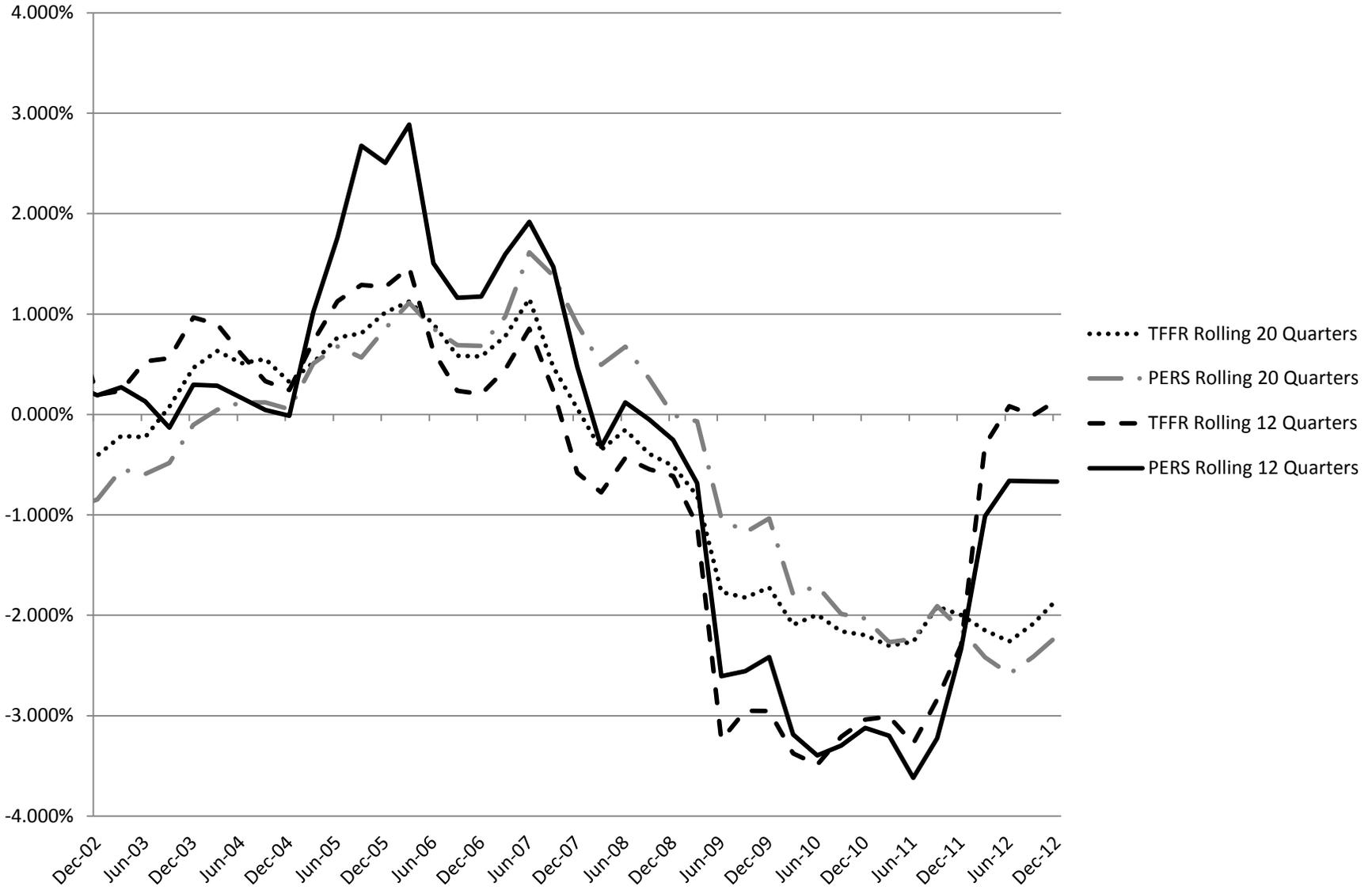
Excess Returns Relative to Policy Benchmarks 10 Years Ended 12/31/2012



Relative Standard Deviation Relative to Policy Benchmarks 10 Years Ended 12/31/2012



Risk Adjusted Excess Returns 10 Years Ended 12/31/2012



December 31, 2012



North Dakota State Investment Board Pension Funds

Investment Measurement Service
Quarterly Review

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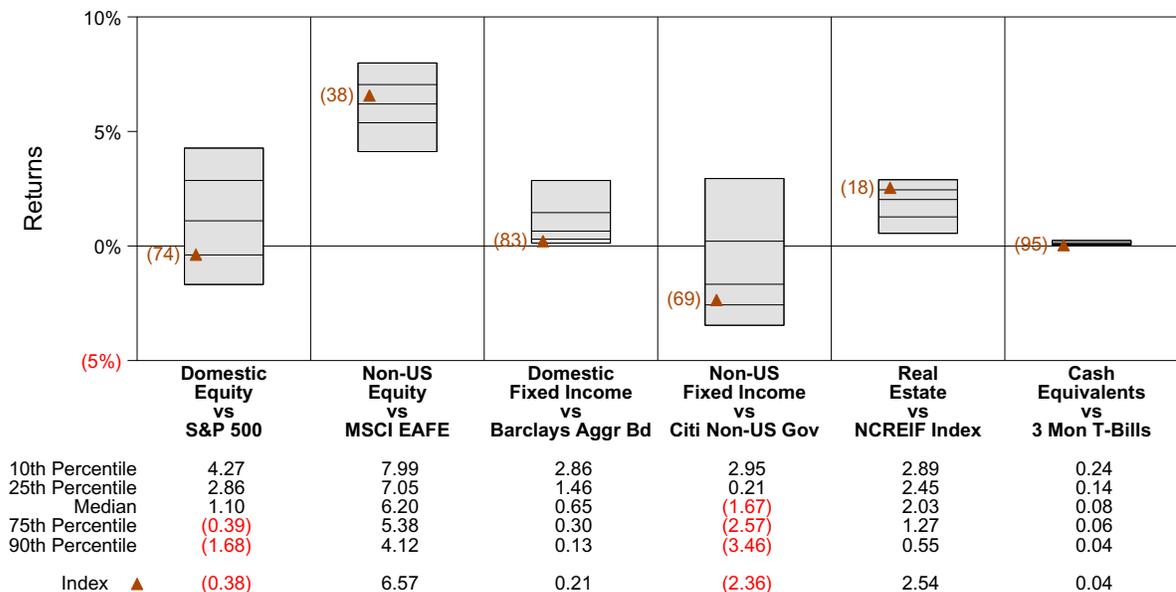
Market Overview

Active Management vs Index Returns

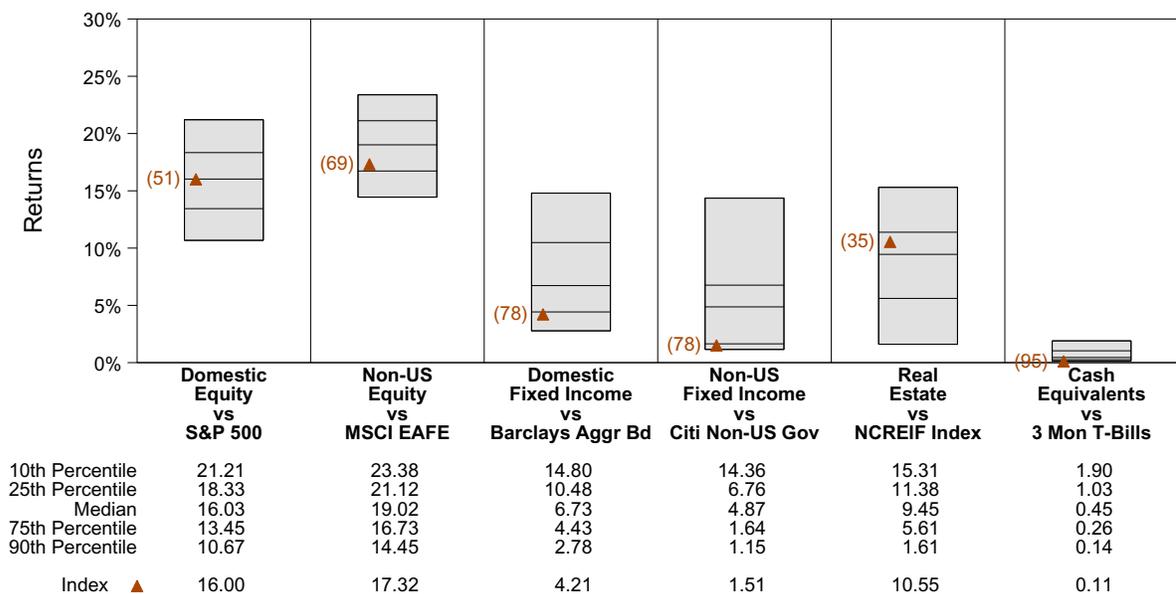
Market Overview

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 December 31, 2012



Range of Separate Account Manager Returns by Asset Class One Year Ended December 31, 2012



Domestic Equity Active Management Overview

Active vs. the Index

Following a strong third quarter, active managers and their respective indices eked out single-digit positive results for the fourth quarter with a few exceptions, namely mega and large cap stock indices where Apple (-25%) was a major driver of the weakness. Apple is the the largest stock in the S&P 500 Index and the Russell Top 50 with a 5% and nearly 10% weighting, respectively. The S&P 500 Index posted a -0.4% return for the quarter but gained 16% for the year, its best showing in 3 years.

Large Cap vs. Small Cap

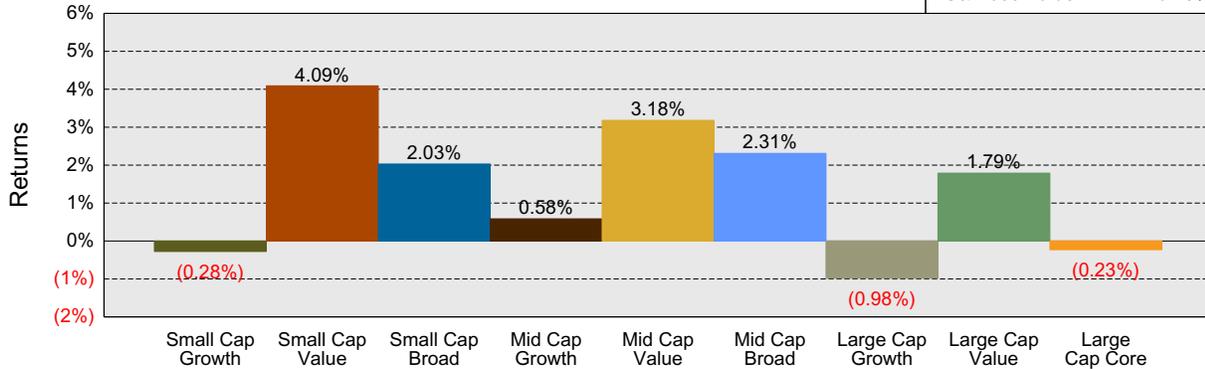
While large cap indices had negative returns for the fourth quarter, mid cap and small cap indices posted positive results in the 2-3% range with mid cap as the winner. The S&P 400 Index (mid cap) returned 3.61% vs 2.22% for the S&P 600 Index (small cap). On the active manager front, results were similar with mid cap and small cap managers outpacing their large cap brethren. Active small cap managers (median 2.03%) slightly underperformed mid cap managers (median 2.31%). Results for the one-year period ending December 31, 2012, were fairly tight across the market cap spectrum, particularly on the active manager front. Median returns for active managers for the year in small cap (median 16.3%), mid cap (median 16.3%), and large cap (median 15.89%) varied by a relatively small 40 bps. Across the indices, mid cap was the winner for the year with a strong 17.88% return, followed by small cap (+16.33%) and large cap (+16.00%).

Growth vs. Value

With respect to style, value led growth by a wide margin across the market capitalization spectrum for the quarter and the full year. The best return among the broad categories for the fourth quarter and year was mid cap value. Value outpaced growth by 200-400bps across the large, mid and small cap indices. Among active managers, small cap value, mid cap value, and large cap value managers beat their growth counterparts by roughly 200-400bps for the fourth quarter with the widest gap between small value and small growth. For the calendar year, results were similar with active value managers outpacing active growth managers across the board but with less disparity. The widest gap was among small cap with the median small cap value manager returning 18.14% vs. 14.30% for the median small cap growth manager.

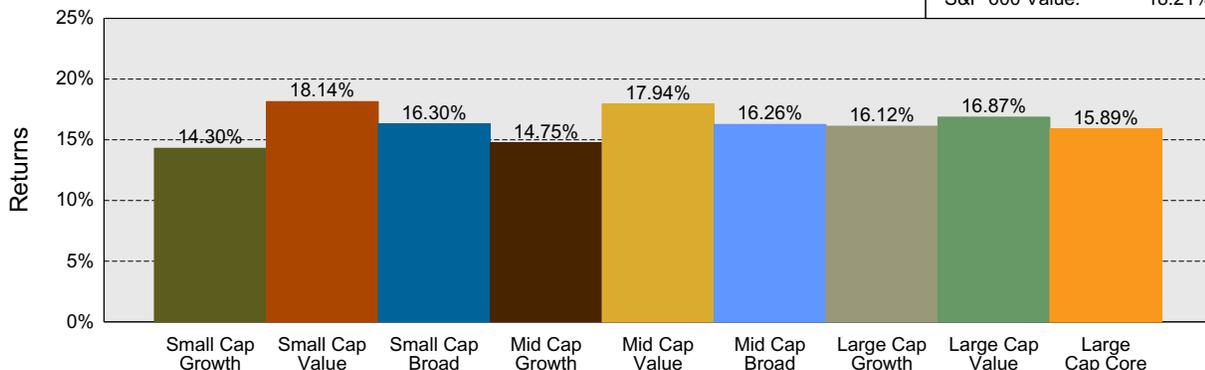
Separate Account Style Group Median Returns for Quarter Ended December 31, 2012

S&P 500:	(0.38%)
S&P 500 Growth:	(2.04%)
S&P 500 Value:	1.64%
S&P Mid Cap:	3.61%
S&P 600:	2.22%
S&P 600 Growth:	1.28%
S&P 600 Value:	3.19%



Separate Account Style Group Median Returns for One Year Ended December 31, 2012

S&P 500:	16.00%
S&P 500 Growth:	14.61%
S&P 500 Value:	17.68%
S&P Mid Cap:	17.88%
S&P 600:	16.33%
S&P 600 Growth:	14.56%
S&P 600 Value:	18.21%



Domestic Fixed Income Active Management Overview

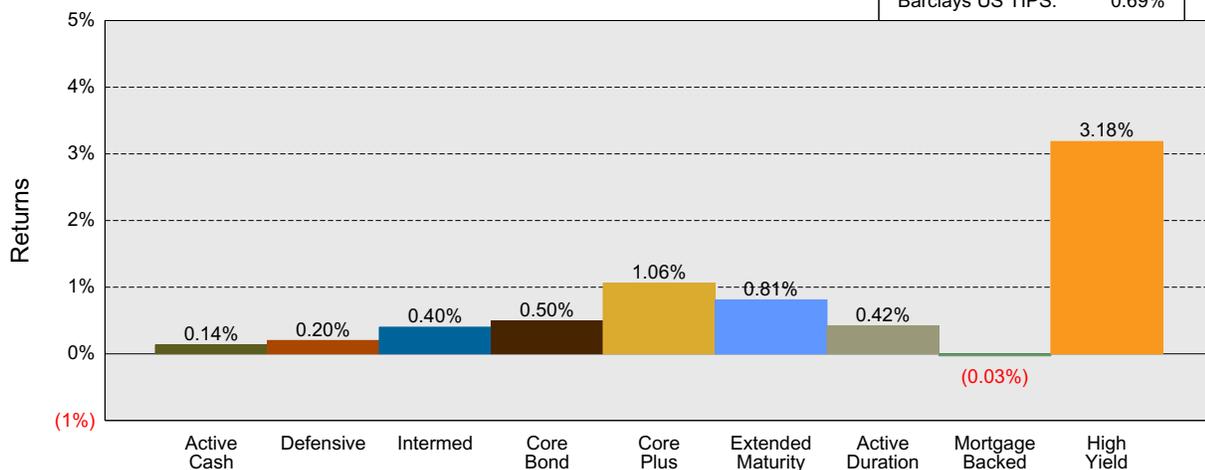
Active vs. Passive

Yields on US Treasuries rose in the 4th quarter, most notably in December as investors became less complacent about the Fed's commitment to keeping rates low. While the Fed announced that it would continue its quantitative easing programs, it also adopted quantitative thresholds noting that it would revisit its policies when unemployment falls to 6.5% or inflation rises above 2.5%. A dramatic last minute dodge of the highly publicized fiscal cliff spurred risk appetite in the final days of the quarter, drawing investors out of Treasuries and further pressuring yields. Both the 10-year and 30-year US Treasury yields rose 13 bps during the quarter, closing at 1.8% and 3.0%, respectively. Both delivered negative quarterly returns (10-year -0.2%; 30-year -1.2%). In spite of rising yields, the Barclays Aggregate Index eked out a 0.2% quarterly return bringing the 2012 return to 4.2%. A continued quest for yield made high yield the best performing domestic income sector for the quarter and the year. For the quarter ended December 31, 2012, the median core bond manager returned 0.50% (median core bond mutual fund posted 0.64%), outperforming the Barclays Aggregate. For the full year, the median core bond manager posted a 6.13% return, 1.9% ahead of the Index.

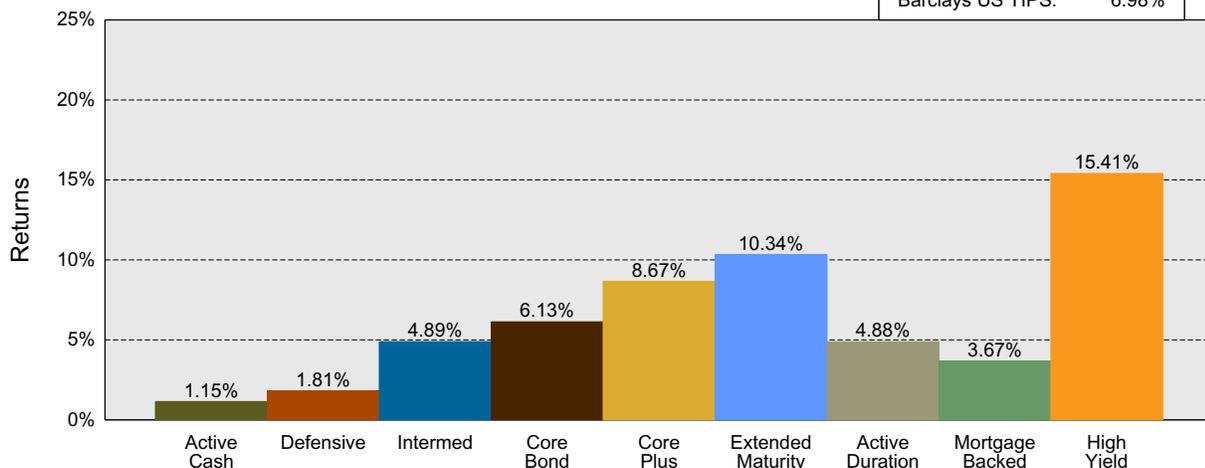
Intermediate vs. Long Duration

Longer duration managers outperformed intermediate duration managers in the 4th quarter, while longer duration mutual funds lagged their shorter-term brethren for the quarter given the heavier credit orientation of the longer duration separate account peer group. For the quarter, the median extended maturity strategy returned 0.81% while the median intermediate strategy eked out a 0.4% return. For 2012, the median extended maturity manager returned 10.34%.

Separate Account Style Group Median Returns for Quarter Ended December 31, 2012



Separate Account Style Group Median Returns for One Year Ended December 31, 2012



International Equity Active Management Overview

Active Management Overview

Foreign equities performed well in the 4th quarter, outpacing US equities for the second consecutive quarter. A slightly weaker US dollar versus the euro and investor optimism regarding Europe contributed to results while a slide in the Japanese yen was a modest detractor. The yen depreciated roughly 10% versus the dollar over the course of the quarter as the Bank of Japan extended its quantitative easing and investors anticipated additional monetary stimulus to bolster the economy. However, a nearly 18% return in local currency terms more than offset the slide in the yen and put Japan's return at 5.6% in \$US terms. The MSCI EAFE returned 6.6% (\$US) and +7.6% in local currency. Style returns were similar to those in the US as value outperformed growth (EAFE Value: +7.4%, EAFE Growth: +5.8%).

Europe

Europe was the top performing region for both the 4th quarter and the 2012 calendar year. For the quarter, the median active Europe-only mutual fund beat the index by roughly 20 basis points, and for the calendar year, active funds outpaced the MSCI Europe Index by nearly 400 basis points.

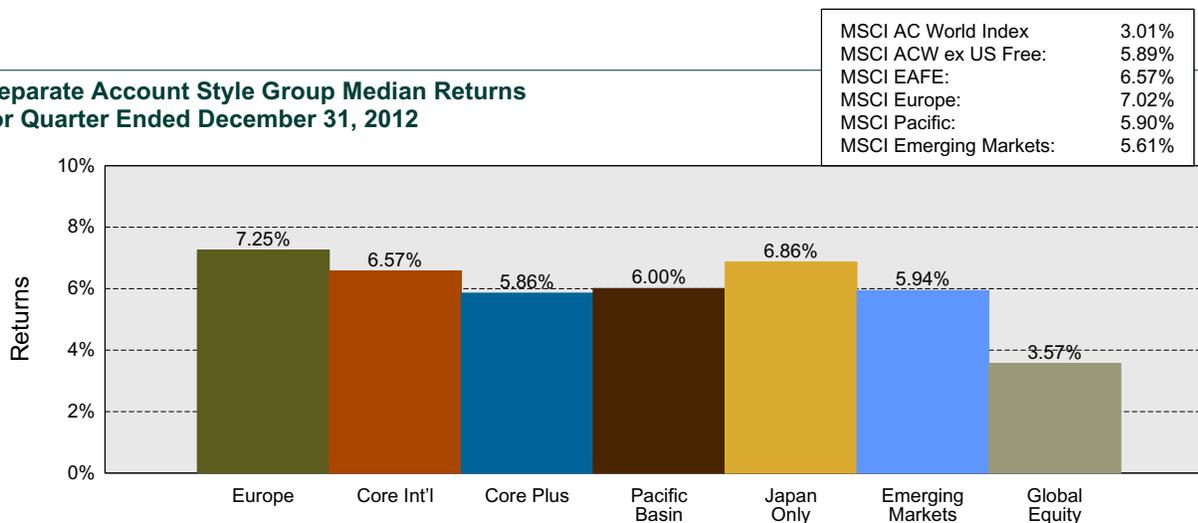
Pacific

The MSCI Pacific Index posted a 5.90% returns for the 4th quarter in US\$. The median active Pacific Basin mutual fund topped the index by 10 basis points. On the separate account side, Japan posted a strong 6.86% return for the median manager.

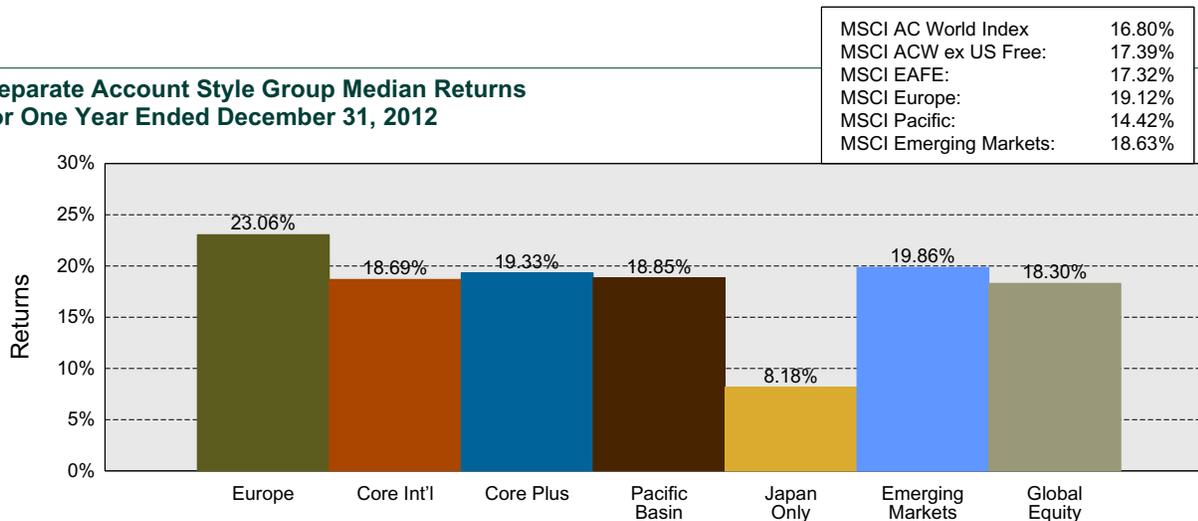
Emerging Markets

The MSCI EM Index returned 5.6% in \$US (+5.4% in local currency) in spite of very mixed movements in some of the underlying countries. Turkey was the top performer (+18.4%) bringing its 2012 return to 65% while Egypt (-10.8%) suffered from political turmoil. In spite of the setback, Egypt remains one of the strongest performers in 2012 with a nearly 50% return. Among the BRICs, China posted the top return (MSCI China: +12.9%) with Brazil (+3.6%), Russia (+2.5%) and India (+0.5%) posting more muted results.

**Separate Account Style Group Median Returns
for Quarter Ended December 31, 2012**



**Separate Account Style Group Median Returns
for One Year Ended December 31, 2012**



International Fixed Income Active Management Overview

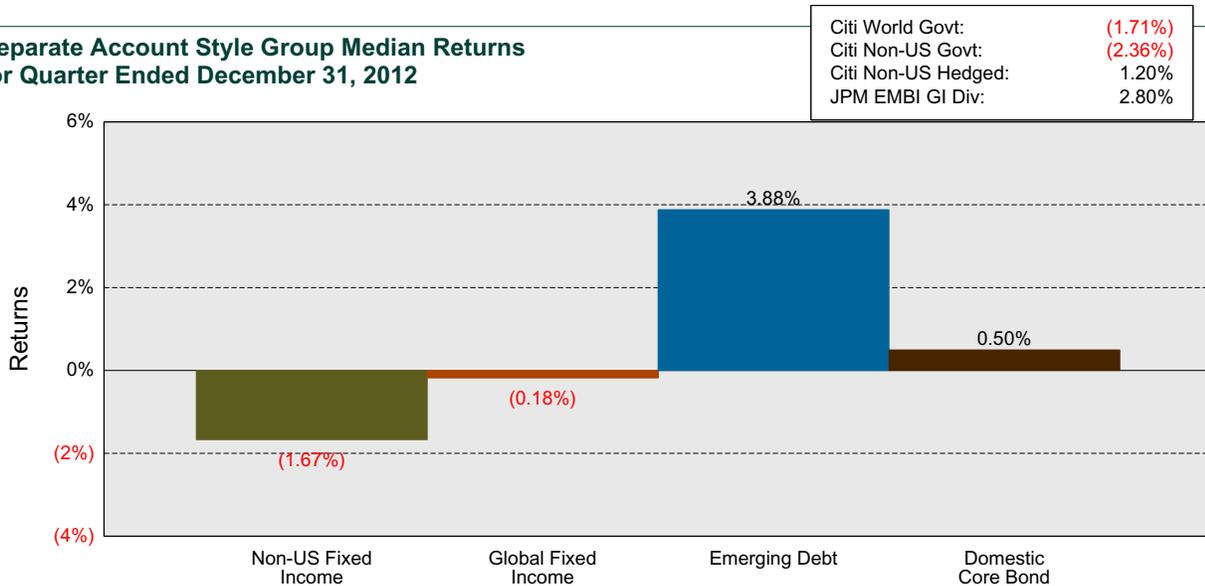
Active vs. the Index

Yields were flat or fell modestly in most developed markets outside the US with notable exceptions being sharp declines in Italy and Spain - those bond markets posted local returns of more than 5% for the quarter. The Citigroup World Government Bond Index returned 0.8% for the quarter on a hedged basis. The unhedged return was much worse (-1.7%) largely due to a slide in the Japanese yen versus the US dollar. The yen depreciated roughly 10% versus the dollar over the course of the quarter as the Bank of Japan extended its asset purchase program (its version of quantitative easing) and investors anticipated additional monetary stimulus to bolster the economy. Separately, emerging markets debt and currencies did well overall in the 4th quarter's risk-on environment. For the quarter ended December 31, 2012, the median Non-U.S. Fixed Income manager posted a return of -1.67% (+0.15% for the median mutual fund), slightly outperforming the unhedged Citigroup World Government Bond Index ex-U.S. Versus the hedged version of the Index, the median manager underperformed by 2.51%. For the full year, the median Non-U.S. Fixed Income manager gained 4.87% (+6.69% for the median mutual fund) versus 1.51% for the unhedged Index and 5.51% for the hedged version.

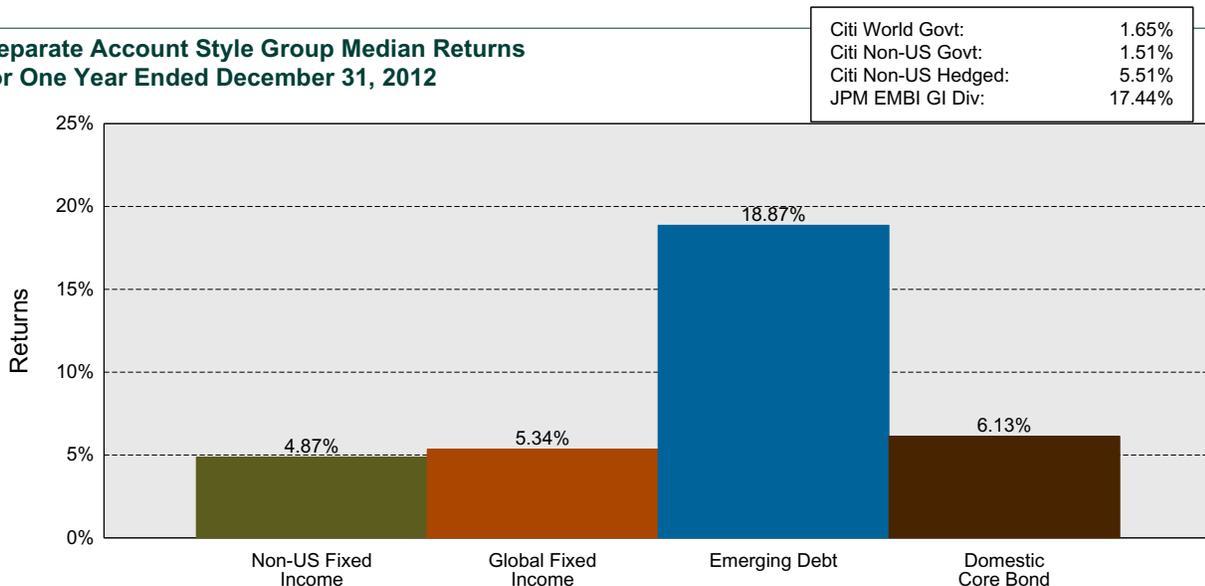
Emerging Markets

Emerging markets debt and currencies performed well in the risk-on environment in the 4th quarter. The median Emerging Markets Debt manager returned 3.88% for the quarter, outperforming the JPM EMBI Global Diversified Index by 1.08%. For the year, the median Emerging Markets Debt manager gained 18.87%, outperforming the Index by 1.43%.

Separate Account Style Group Median Returns for Quarter Ended December 31, 2012



Separate Account Style Group Median Returns for One Year Ended December 31, 2012



ASSET ALLOCATION AND PERFORMANCE

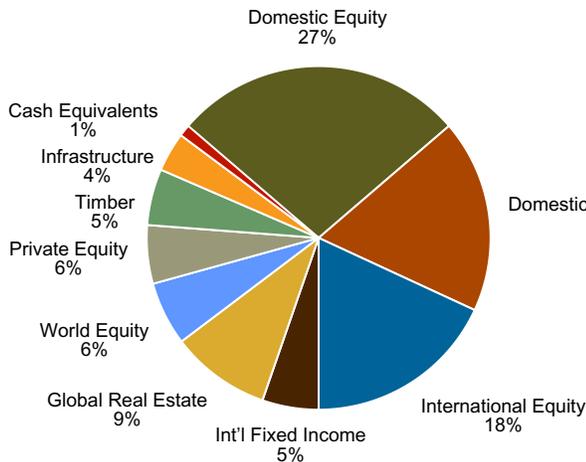
Asset Allocation and Performance

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.

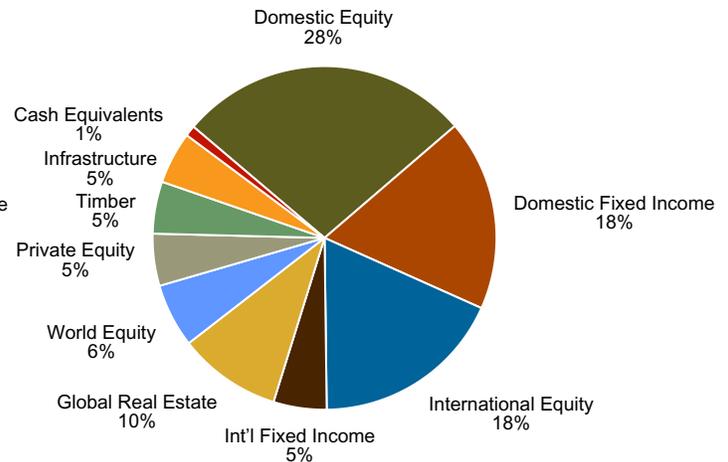
Actual vs Target Asset Allocation As of December 31, 2012

The top left chart shows the Fund's asset allocation as of December 31, 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.

Actual Asset Allocation

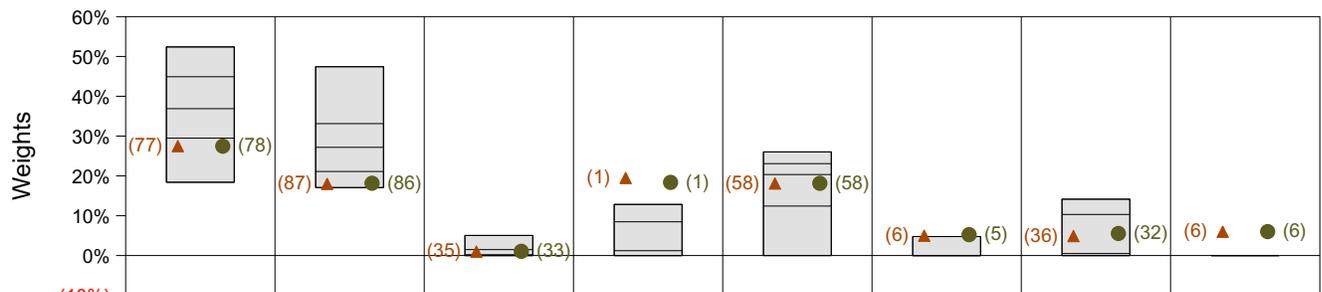


Target Asset Allocation



Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Domestic Equity	1,065,378	27.5%	27.5%	0.0%	(1,297)
Domestic Fixed Income	704,240	18.2%	18.0%	0.2%	6,053
International Equity	703,439	18.1%	18.1%	0.0%	1,373
Int'l Fixed Income	203,783	5.3%	5.0%	0.3%	9,842
Global Real Estate	366,134	9.4%	9.7%	(0.3%)	(10,112)
World Equity	233,070	6.0%	6.0%	0.0%	341
Private Equity	215,031	5.5%	4.9%	0.6%	24,969
Timber	203,826	5.3%	4.9%	0.4%	13,764
Infrastructure	142,685	3.7%	4.9%	(1.2%)	(47,378)
Cash Equivalents	41,233	1.1%	1.0%	0.1%	2,445
Total	3,878,819	100.0%	100.0%		

Asset Class Weights vs CAI Public Fund Sponsor Database



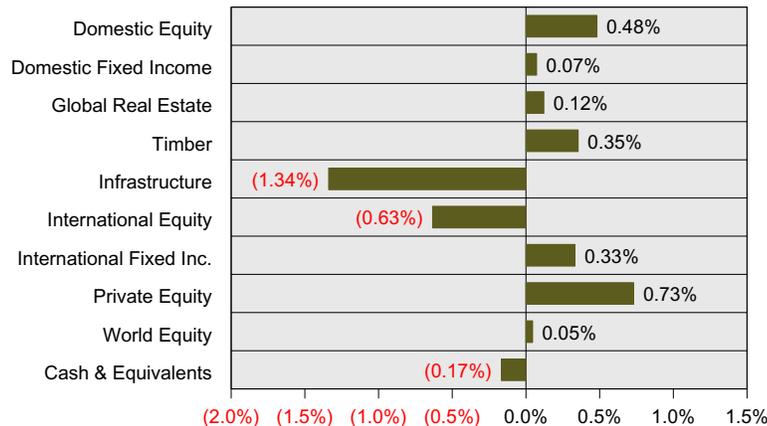
	Domestic Equity	Domestic Fixed Income	Cash Equivalents	Real Estate	International Equity	Int'l Fixed Income	Other Alternatives	World Equity
10th Percentile	52.39	47.42	5.05	12.84	26.03	4.77	14.16	0.00
25th Percentile	44.90	33.13	1.49	8.48	23.08	0.00	10.31	0.00
Median	36.89	27.18	0.21	1.22	20.34	0.00	0.50	0.00
75th Percentile	29.48	21.11	0.00	0.00	12.43	0.00	0.00	0.00
90th Percentile	18.40	17.07	0.00	0.00	0.00	0.00	0.00	0.00
Fund ●	27.47	18.16	1.06	18.37	18.14	5.25	5.54	6.01
Target ▲	27.50	18.00	1.00	19.50	18.10	5.00	4.90	6.00
% Group Invested	92.68%	97.56%	65.85%	51.22%	84.15%	21.95%	48.78%	8.54%

* 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.

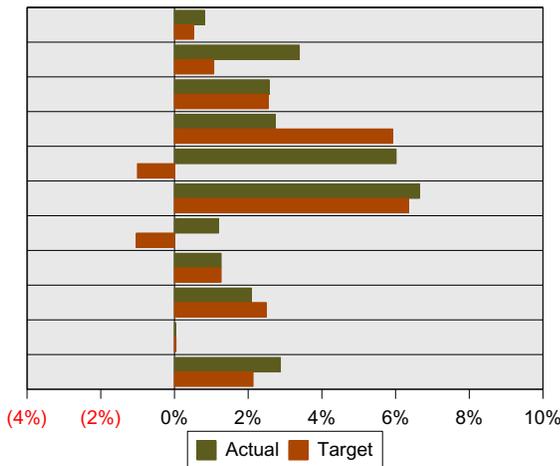
Quarterly Total Fund Relative Attribution - December 31, 2012

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.

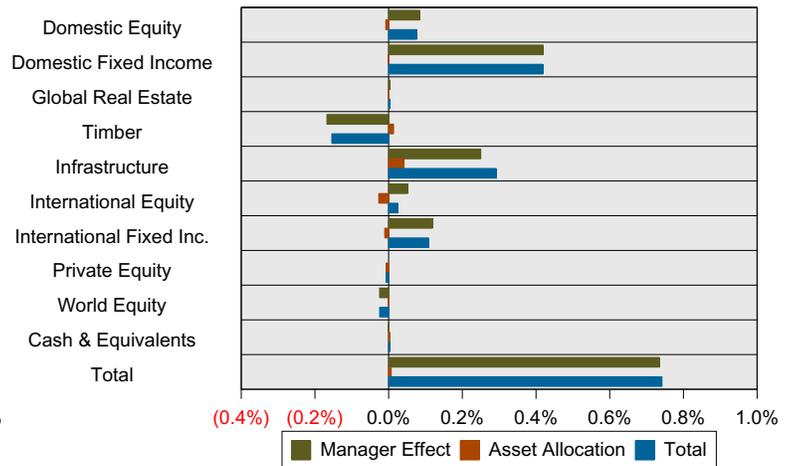
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended December 31, 2012

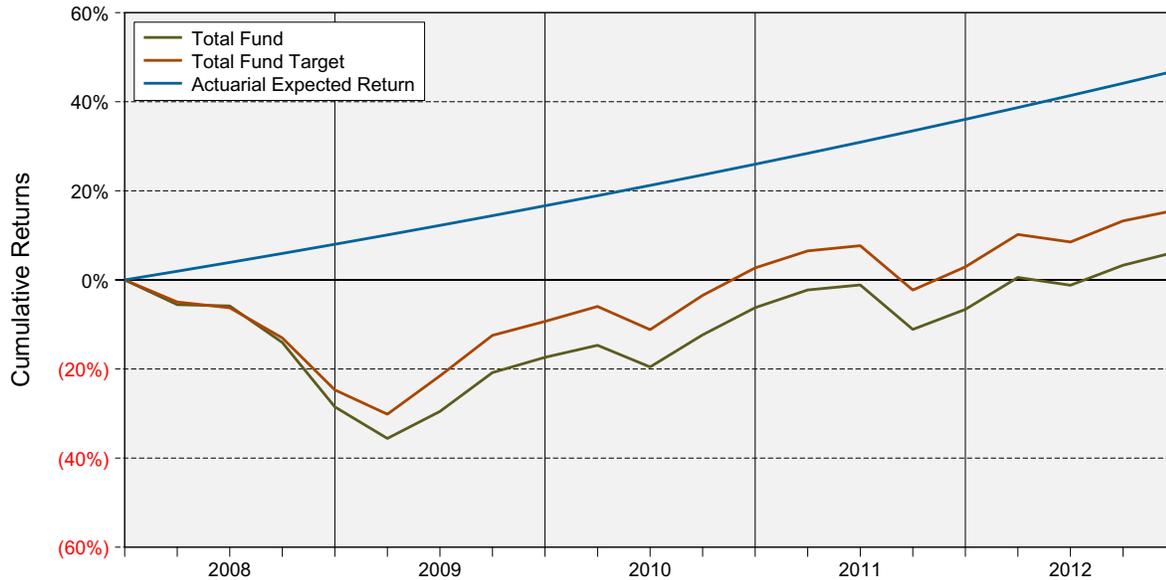
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	28%	28%	0.82%	0.52%	0.08%	(0.01%)	0.08%
Domestic Fixed Income	18%	18%	3.39%	1.07%	0.42%	(0.00%)	0.42%
Global Real Estate	10%	10%	2.57%	2.54%	0.00%	0.00%	0.00%
Timber	5%	5%	2.73%	5.92%	(0.17%)	0.01%	(0.15%)
Infrastructure	4%	5%	6.02%	(1.01%)	0.25%	0.04%	0.29%
International Equity	17%	18%	6.65%	6.36%	0.05%	(0.03%)	0.02%
International Fixed Inc.	5%	5%	1.20%	(1.04%)	0.12%	(0.01%)	0.11%
Private Equity	6%	5%	1.27%	1.27%	0.00%	(0.01%)	(0.01%)
World Equity	6%	6%	2.08%	2.49%	(0.02%)	0.00%	(0.02%)
Cash & Equivalents	1%	1%	0.03%	0.04%	(0.00%)	0.00%	0.00%
Total			2.87%	2.13%	+ 0.73%	+ 0.01%	0.74%

* 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.

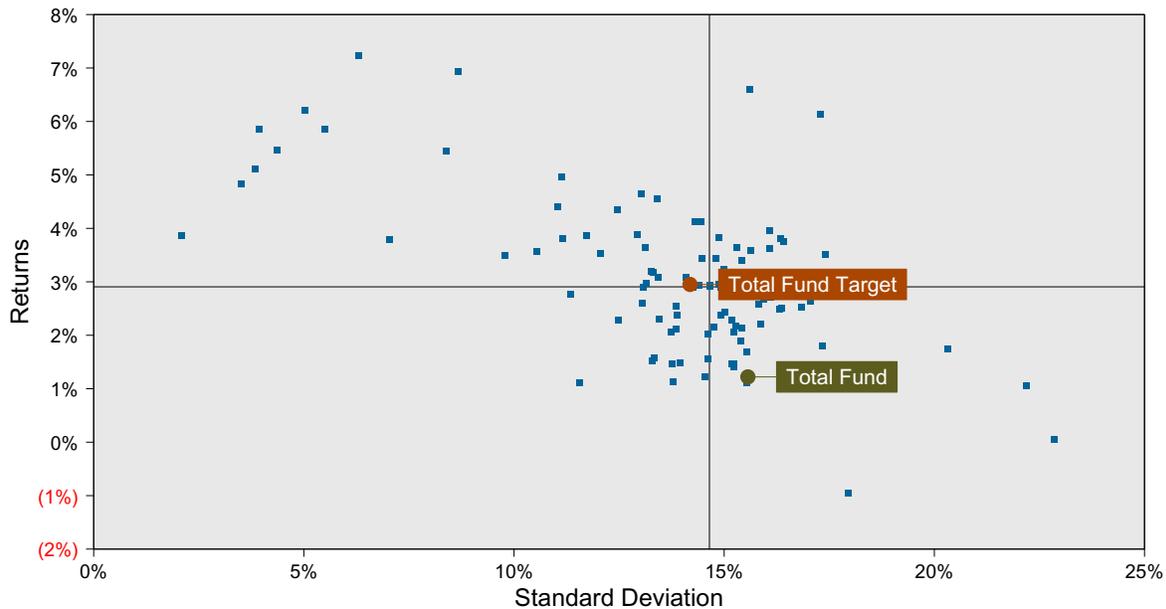
Cumulative Performance Relative to Target

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



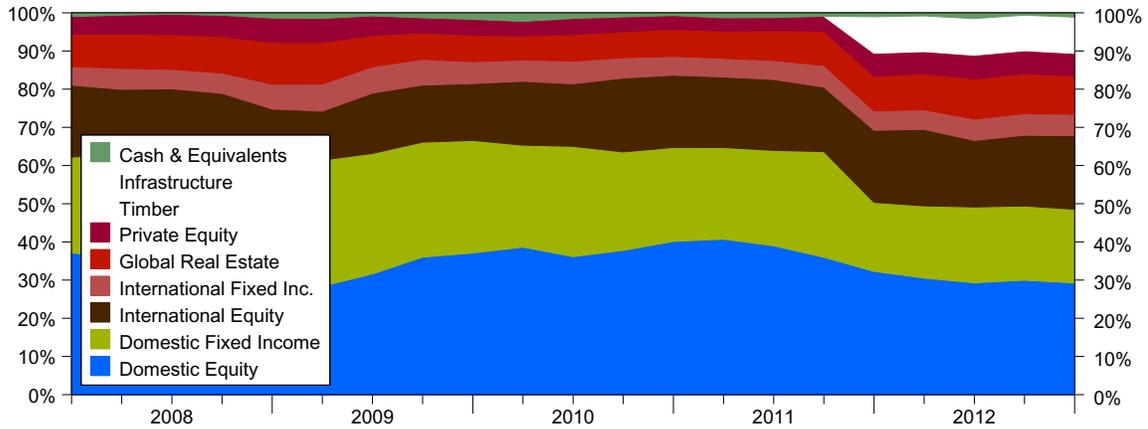
Squares represent membership of the CAI Public Fund Sponsor Database

* 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.

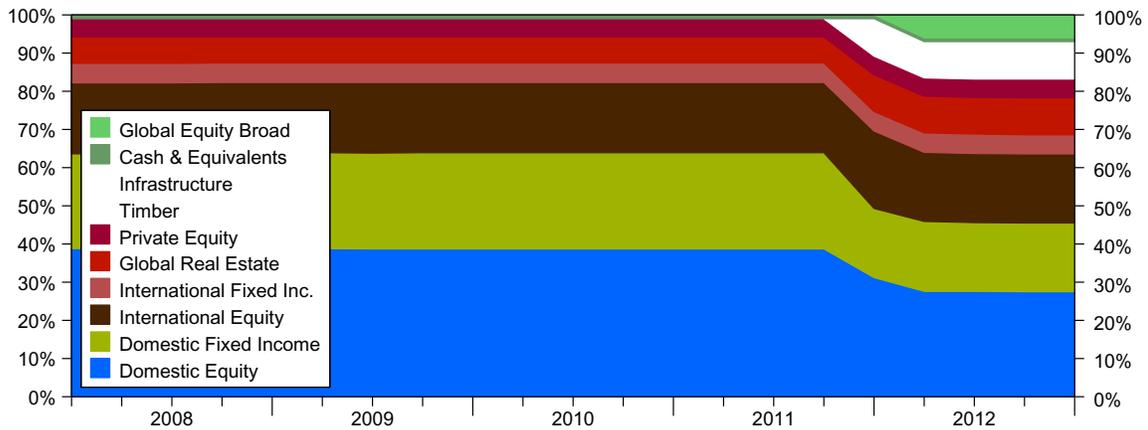
Actual vs Target Historical Asset Allocation

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.

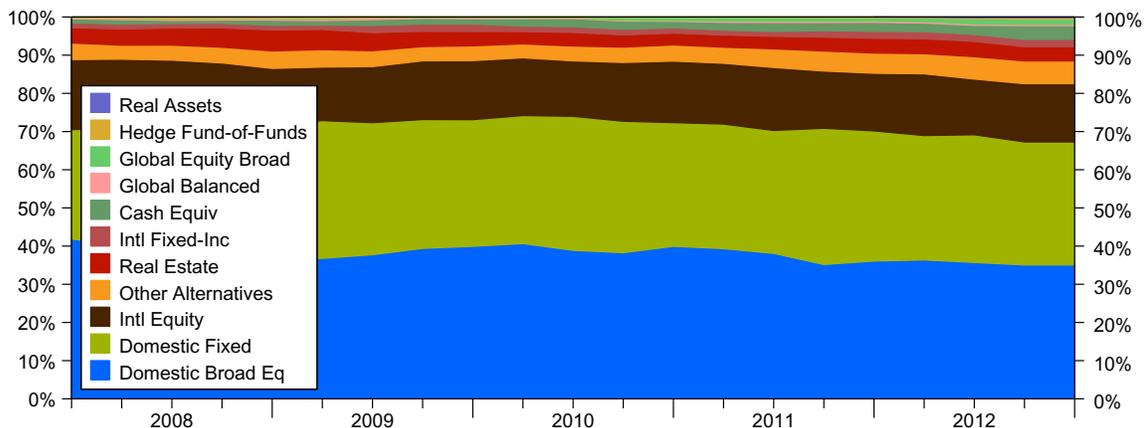
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average CAI Public Fund Sponsor Database Historical Asset Allocation

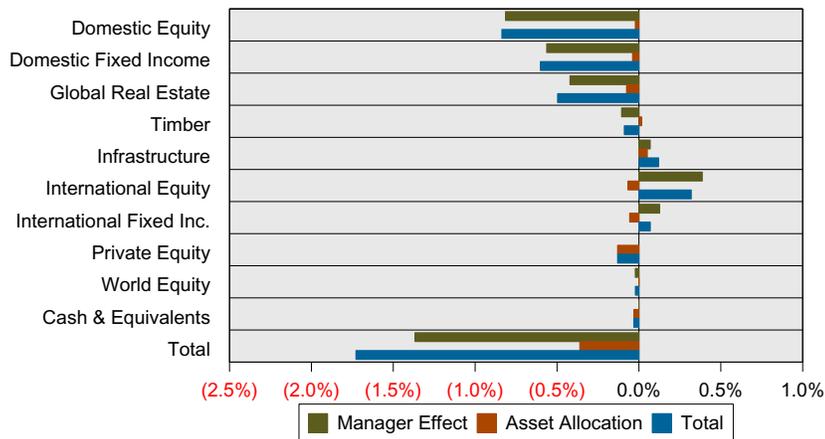


* Current Quarter Target = 21.2% Russell 1000 Index, 14.2% MSCI EAFE Index, 13.0% Barclays Aggregate Index, 9.7% NCREIF Total Index, 6.3% Russell 2000 Index, 6.0% MSCI World Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF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

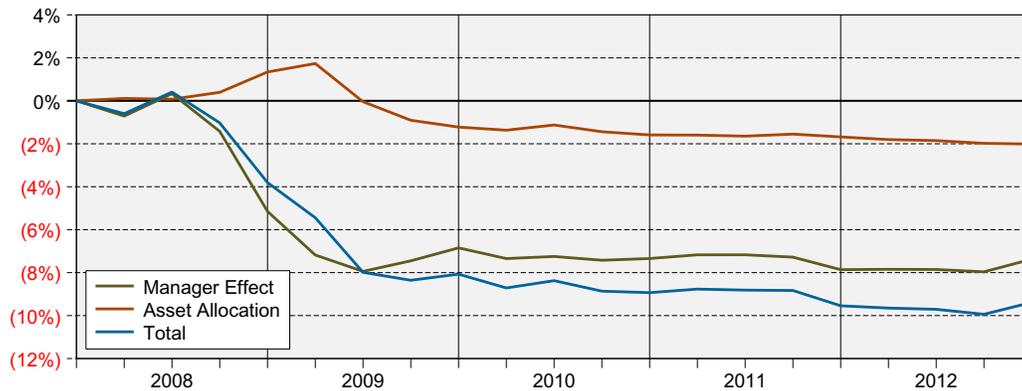
Cumulative Total Fund Relative Attribution - December 31, 2012

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

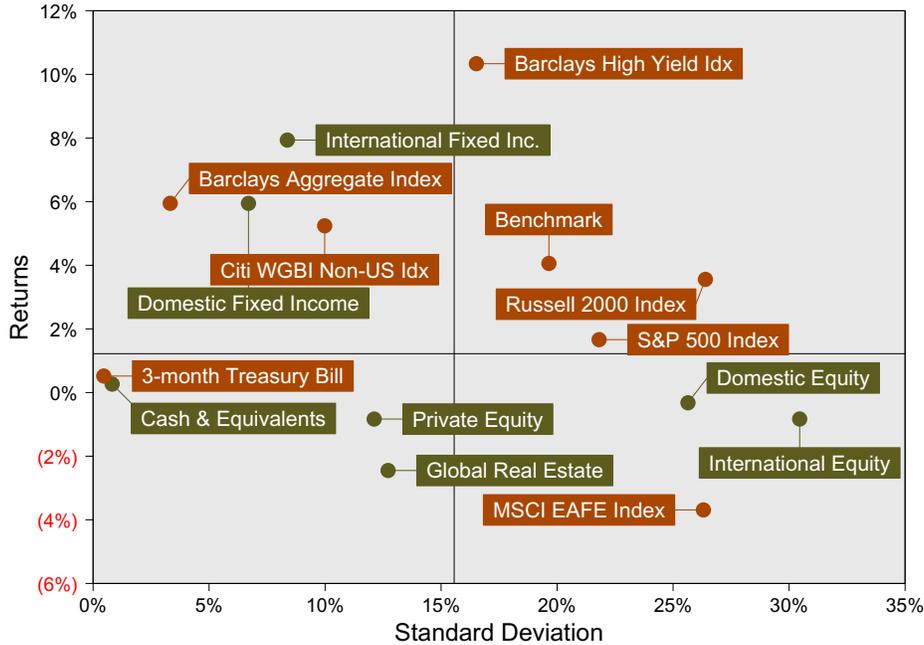
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	34%	36%	(0.32%)	2.25%	(0.81%)	(0.02%)	(0.84%)
Domestic Fixed Income	25%	23%	5.95%	7.40%	(0.56%)	(0.04%)	(0.60%)
Global Real Estate	8%	7%	(2.45%)	2.13%	(0.42%)	(0.08%)	(0.50%)
Timber	1%	1%	-	-	(0.11%)	0.02%	(0.09%)
Infrastructure	1%	1%	-	-	0.07%	0.05%	0.12%
International Equity	17%	18%	(0.83%)	(2.78%)	0.39%	(0.07%)	0.32%
International Fixed Inc.	6%	5%	7.93%	5.55%	0.13%	(0.06%)	0.07%
Private Equity	5%	5%	(0.83%)	(0.83%)	0.00%	(0.13%)	(0.13%)
World Equity	1%	1%	-	-	(0.02%)	0.00%	(0.02%)
Cash & Equivalents	1%	1%	0.27%	0.52%	(0.00%)	(0.03%)	(0.03%)
Total			1.22%	2.95%	(1.37%)	(0.36%)	(1.73%)

* 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.

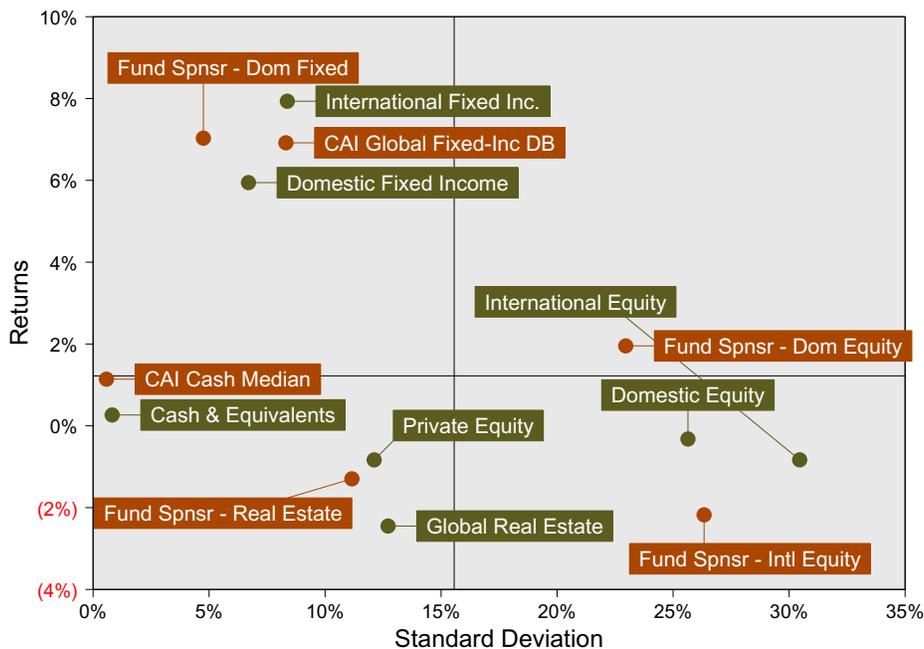
Asset Class Risk and Return

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



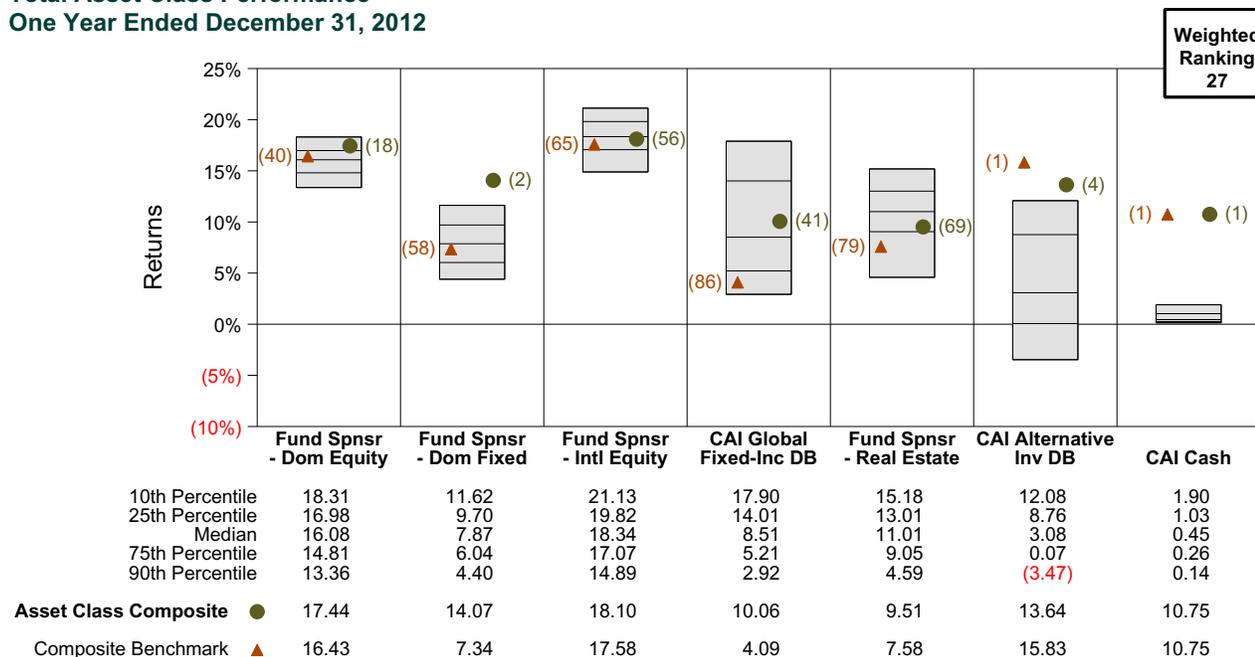
Five Year Annualized Risk vs Return Asset Classes vs Asset Class Median



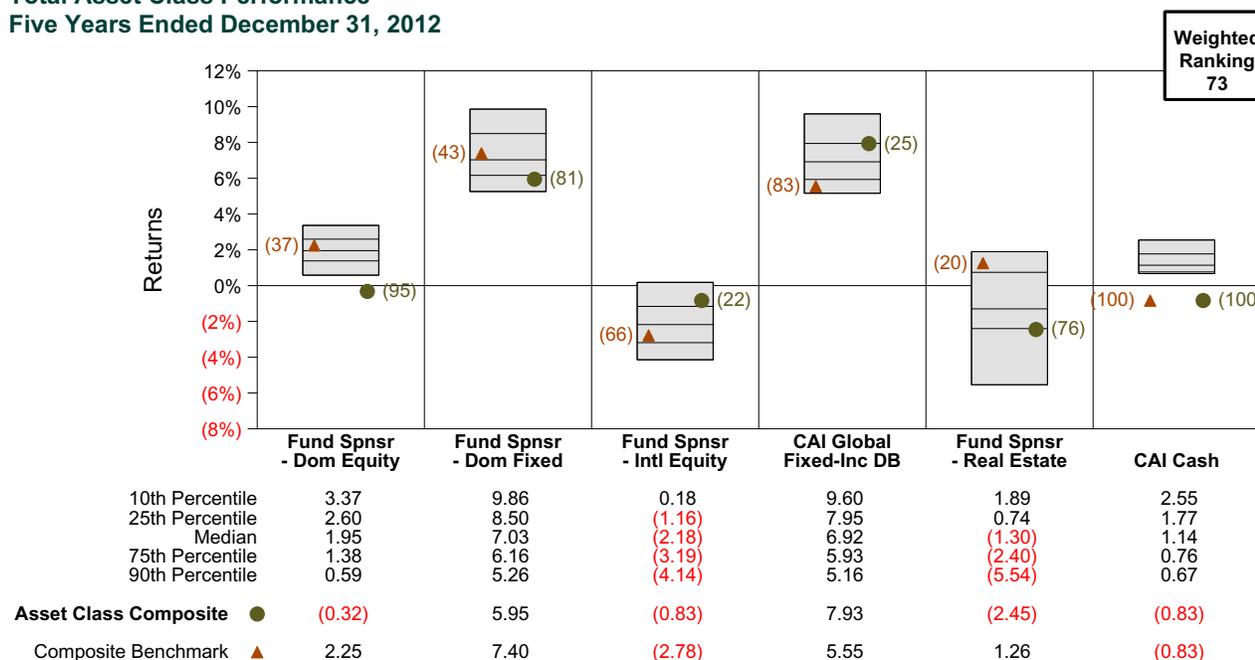
Asset Class Rankings

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 December 31, 2012



Total Asset Class Performance Five Years Ended December 31, 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 December 31, 2012, with the distribution as of September 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

	December 31, 2012		Net New Inv.	Inv. Return	September 30, 2012	
	Market Value	Percent			Market Value	Percent
GLOBAL EQUITY	\$2,216,917,714	57.15%	\$(14,191,646)	\$59,872,282	\$2,171,237,078	57.29%
Domestic Equity	\$1,065,378,066	27.47%	\$(10,450,291)	\$8,557,139	\$1,067,271,218	28.16%
Large Cap Domestic Equity	\$814,555,079	21.00%	\$(7,836,513)	\$2,657,341	\$819,734,251	21.63%
L.A. Capital	238,423,010	6.15%	(4,130,967)	(3,943,946)	246,497,923	6.50%
LACM Enhanced Index	162,285,227	4.18%	(3,152,913)	(681,039)	166,119,179	4.38%
LSV Asset Management	251,930,229	6.50%	(183,768)	8,159,190	243,954,806	6.44%
Northern Trust	80,950,647	2.09%	0	(660,453)	81,611,100	2.15%
Prudential Pru-Alpha Fund	-	-	(368,866)	1,318	367,548	0.01%
Clifton Enhanced S&P	80,965,966	2.09%	0	(217,728)	81,183,694	2.14%
Small Cap Domestic Equity	\$250,822,987	6.47%	\$(2,613,778)	\$5,899,797	\$247,536,967	6.53%
Callan	125,230,320	3.23%	(213,778)	2,654,909	122,789,189	3.24%
Clifton Enhanced Small Cap	124,784,105	3.22%	(2,400,000)	2,607,770	124,576,334	3.29%
SEI Investments	808,562	0.02%	0	637,118	171,444	0.00%
International Equity	\$703,438,982	18.14%	\$(668,102)	\$43,872,967	\$660,234,117	17.42%
Developed Int'l Equity	\$550,451,645	14.19%	\$(541,620)	\$35,446,325	\$515,546,940	13.60%
Capital Guardian Trust Co.	62,662,524	1.62%	(72,626)	3,595,627	59,139,523	1.56%
Clifton EAFE Index	199,764,561	5.15%	(41,431)	12,693,646	187,112,346	4.94%
DFA Int'l Small Cap	57,243,758	1.48%	(87,311)	4,675,514	52,655,555	1.39%
LSV	121,370,739	3.13%	(138,642)	7,779,701	113,729,679	3.00%
State Street - Country Selection	45,884,063	1.18%	(73,204)	3,559,589	42,397,677	1.12%
Wellington	63,525,999	1.64%	(128,406)	3,142,247	60,512,158	1.60%
Emerging Markets Equity	\$152,987,337	3.94%	\$(126,482)	\$8,426,642	\$144,687,177	3.82%
DFA	34,044,776	0.88%	(52,177)	2,442,311	31,654,642	0.84%
JP Morgan	41,485,384	1.07%	(74,306)	2,579,034	38,980,656	1.03%
PanAgora	17,031,346	0.44%	0	711,490	16,319,856	0.43%
UBS Global	40,926,089	1.06%	0	1,633,665	39,292,423	1.04%
NTGI Emerging Markets	19,499,741	0.50%	0	1,060,142	18,439,599	0.49%
World Equity	\$233,069,683	6.01%	\$(424,659)	\$4,750,034	\$228,744,308	6.04%
EPOCH Investment Partners (1)	180,083,595	4.64%	(332,047)	4,695,371	175,720,270	4.64%
Calamos Investments	52,986,088	1.37%	(92,613)	54,663	53,024,038	1.40%

(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 December 31, 2012, with the distribution as of September 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

	December 31, 2012		Net New Inv.	Inv. Return	September 30, 2012	
	Market Value	Percent			Market Value	Percent
Private Equity*	\$215,030,984	5.54%	\$(2,648,594)	\$2,692,142	\$214,987,435	5.67%
Brinson Partners Venture II	8,265	0.00%	0	7,133	1,131	0.00%
Brinson Partners Venture III	40,180	0.00%	0	(98)	40,278	0.00%
Adams Street Direct Co-Invest Fd	17,199,149	0.44%	(957,502)	(346,552)	18,503,203	0.49%
Adams Street Direct Fund 2010	771,979	0.02%	52,500	(6,706)	726,185	0.02%
Adams Street 1998 Partnership	117,963	0.00%	0	4,348	113,615	0.00%
Adams Street 1999 Partnership	1,121,820	0.03%	0	27,290	1,094,530	0.03%
Adams Street 2000 Partnership	3,604,491	0.09%	(500,541)	74,513	4,030,519	0.11%
Adams Street 2001 Partnership	4,483,815	0.12%	(315,972)	211,239	4,588,548	0.12%
Adams Street 2002 Partnership	2,447,211	0.06%	(361,195)	76,655	2,731,751	0.07%
Adams Street 2003 Partnership	821,186	0.02%	(68,952)	22,059	868,079	0.02%
Adams Street 2010 Partnership	2,580,909	0.07%	187,702	85,157	2,308,050	0.06%
Adams Street 2008 Fund	4,263,280	0.11%	217,378	71,930	3,973,972	0.10%
Adams Street Non-US 1999	462,334	0.01%	0	11,119	451,215	0.01%
Adams Street Non-US 2000	1,127,849	0.03%	(165,062)	(5,117)	1,298,028	0.03%
Adams Street Non-US 2001	747,784	0.02%	(113,483)	58,682	802,585	0.02%
Adams Street Non-US 2002	2,965,149	0.08%	(152,720)	125,758	2,992,111	0.08%
Adams Street Non-US 2003	1,903,201	0.05%	0	133,003	1,770,198	0.05%
Adams Street Non-US 2004	1,330,912	0.03%	0	16,604	1,314,308	0.03%
Adams Street Non-US 2010	1,151,032	0.03%	88,567	44,401	1,018,064	0.03%
Adams Street Non-US Emg 2010	270,221	0.01%	45,000	(3,980)	229,201	0.01%
Adams Street US 2010	2,580,909	0.07%	187,702	85,157	2,308,050	0.06%
Adams Street BVCF IV Fund	3,786,576	0.10%	0	(143,369)	3,929,945	0.10%
Coral Partners V	3,102	0.00%	0	0	3,102	0.00%
Coral Partner VI	4,459,467	0.11%	0	86,811	4,372,656	0.12%
Coral Partners Technology Fund	199,778	0.01%	0	0	199,778	0.01%
Hearthstone Advisors MSII	1	0.00%	0	(5,822)	5,823	0.00%
Hearthstone Advisors MSIII	1	0.00%	0	0	1	0.00%
CorsAir III	11,913,335	0.31%	217,385	(781,658)	12,477,608	0.33%
ND Investors	10,606,202	0.27%	50,000	(50,000)	10,606,202	0.28%
CorsAir IV	9,662,677	0.25%	(270,039)	(170,878)	10,103,594	0.27%
Capital International V	25,820,024	0.67%	1,687,065	(133,724)	24,266,683	0.64%
Capital International VI	6,561,504	0.17%	1,833,317	(210,160)	4,938,347	0.13%
TCW Energy Fund XIV	34,313,246	0.88%	(505,455)	(114,026)	34,932,727	0.92%
Lewis & Clark, LP	5,772,660	0.15%	(1,079,709)	()	6,852,369	0.18%
Lewis & Clark II	8,623,402	0.22%	241,856	0	8,381,546	0.22%
Quantum Energy Partners	9,390,173	0.24%	(182,994)	737,234	8,835,933	0.23%
Quantum Resources	10,197,926	0.26%	(1,447,996)	481,280	11,164,642	0.29%
Matlin Patterson I	12,787	0.00%	0	206	12,581	0.00%
Matlin Patterson II	1,684,651	0.04%	0	307	1,684,344	0.04%
Matlin Patterson III	24,604,742	0.63%	(1,147,744)	2,388,503	23,363,983	0.62%

*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 December 31, 2012, with the distribution as of September 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

	December 31, 2012		Net New Inv.	Inv. Return	September 30, 2012	
	Market Value	Percent			Market Value	Percent
GLOBAL FIXED INCOME	\$908,023,505	23.41%	\$(11,413,871)	\$25,529,605	\$893,907,771	23.59%
Domestic Fixed Income	\$704,240,150	18.16%	\$(11,170,242)	\$23,120,019	\$692,290,373	18.27%
Inv. Grade Fixed Income	\$516,139,173	13.31%	\$(10,119,598)	\$14,189,911	\$512,068,860	13.51%
Bank of North Dakota	48,506,112	1.25%	(7,445)	(307,065)	48,820,623	1.29%
PIMCO DiSCO II	98,700,427	2.54%	(466)	12,676,500	86,024,393	2.27%
Western Asset Management Co.	100,902,286	2.60%	(45,703)	(242,558)	101,190,547	2.67%
PIMCO Unconstrained	60,171,123	1.55%	(10,000,000)	471,163	69,699,961	1.84%
PIMCO MBS	149,445,888	3.85%	(65,983)	(63,218)	149,575,089	3.95%
Declaration Total Return	58,413,337	1.51%	0	1,655,090	56,758,247	1.50%
Below Inv. Grade Fixed Income	\$188,100,977	4.85%	\$(1,050,644)	\$8,930,108	\$180,221,514	4.76%
Goldman Sachs 2006 Offshore	4,271,226	0.11%	(79,510)	120,023	4,230,713	0.11%
Goldman Sachs Offshore V	10,773,515	0.28%	125,769	601,781	10,045,965	0.27%
Loomis Sayles	173,056,235	4.46%	(207,914)	7,319,315	165,944,835	4.38%
PIMCO Distressed Mortgage	1	0.00%	(888,988)	888,988	1	0.00%
Intl Fixed Income	\$203,783,355	5.25%	\$(243,629)	\$2,409,586	\$201,617,398	5.32%
UBS	98,223,389	2.53%	(137,823)	(837,278)	99,198,489	2.62%
Brandywine	105,559,966	2.72%	(105,806)	3,246,864	102,418,908	2.70%
GLOBAL REAL ASSETS	\$712,644,371	18.37%	\$(13,982,463)	\$23,123,603	\$703,503,231	18.56%
Global Real Estate	\$366,133,786	9.44%	\$(15,067,477)	\$9,531,812	\$371,669,451	9.81%
INVESCO Realty	129,488,783	3.34%	0	(132,213)	129,620,996	3.42%
INVESCO Real Estate Fund II	45,124,954	1.16%	(1,000,000)	3,931,223	42,193,731	1.11%
INVESCO Real Estate Fund III	20,426,542	0.53%	0	848,844	19,577,698	0.52%
INVESCO Asia RE Feeder	19,165,974	0.49%	0	1,430,809	17,735,165	0.47%
JP Morgan	119,347,296	3.08%	(274,365)	3,179,654	116,442,007	3.07%
JP Morgan Alternative Fd	5,837,272	0.15%	(12,052,930)	1,264,648	16,625,554	0.44%
JP Morgan China Property Fd	22,547,598	0.58%	(640,977)	384,906	22,803,669	0.60%
JP Morgan Greater European Opp Fd	4,195,368	0.11%	(1,099,204)	(1,376,059)	6,670,631	0.18%
Timber	\$203,826,030	5.25%	\$(26,354)	\$5,418,614	\$198,433,770	5.24%
TIR - Teredo	79,623,002	2.05%	0	5,186,507	74,436,495	1.96%
TIR - Springbank	124,203,028	3.20%	(26,354)	232,107	123,997,275	3.27%
Infrastructure	\$142,684,555	3.68%	\$1,111,369	\$8,173,177	\$133,400,009	3.52%
JP Morgan Asian Infrastructure	20,027,759	0.52%	(26,055)	3,610,706	16,443,108	0.43%
JP Morgan IIF	96,121,036	2.48%	(257,654)	4,072,676	92,306,014	2.44%
Credit Suisse Cust. Infrastructure	26,535,760	0.68%	1,395,078	489,795	24,650,887	0.65%
CASH & CASH EQUIVALENTS	\$41,233,497	1.06%	\$19,728,403	\$10,279	\$21,494,815	0.57%
Cash Account	41,233,497	1.06%	19,728,403	10,279	21,494,815	0.57%
Total Fund	\$3,878,819,087	100.0%	\$(19,859,577)	\$108,535,769	\$3,790,142,895	100.0%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 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 December 31, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
GLOBAL EQUITY	2.78%	16.57%	-	-	-
Wtd Avg Global Equity Bench	2.47%	16.33%	-	-	-
Domestic Equity	0.82%	17.44%	11.34%	(0.32%)	6.99%
Wtd Avg Domestic Equity Bench	0.52%	16.43%	11.36%	2.25%	7.83%
Large Cap Domestic Equity	0.34%	17.06%	10.49%	(1.86%)	5.79%
L.A. Capital	(1.61%)	16.20%	11.53%	3.23%	-
LACM Enhanced Index	(0.40%)	16.32%	11.22%	2.51%	8.19%
LSV Asset Management	3.35%	19.41%	10.92%	0.60%	9.19%
Northern Trust	(0.81%)	15.24%	11.16%	2.23%	7.06%
Clifton Enhanced S&P	(0.27%)	17.43%	-	-	-
Large Cap Benchmark (1)	0.12%	16.42%	11.01%	1.74%	7.14%
Small Cap Domestic Equity	2.42%	18.46%	14.24%	3.84%	10.18%
Callan	2.17%	17.35%	13.01%	3.69%	-
Clifton Enhanced Small Cap	2.15%	19.12%	14.14%	-	-
Russell 2000 Index	1.85%	16.35%	12.25%	3.56%	9.72%
International Equity	6.65%	18.10%	5.15%	(0.83%)	10.97%
Wtd Avg Int'l Equity Bench	6.36%	17.58%	3.52%	(2.78%)	9.95%
Developed Int'l Equity	6.88%	17.79%	3.62%	(1.66%)	8.51%
Capital Guardian Trust Co.	6.09%	19.88%	5.09%	(3.19%)	7.32%
Clifton EAFE Index	6.79%	14.98%	-	-	-
DFA Int'l Small Cap Value	8.89%	23.06%	6.63%	(0.01%)	-
LSV	6.85%	17.20%	3.00%	(4.15%)	-
State Street	8.40%	18.47%	3.21%	(4.23%)	6.81%
Wellington	5.20%	23.10%	9.95%	1.41%	12.16%
MSCI EAFE Index (2)	6.57%	17.32%	3.02%	(3.69%)	7.49%
Emerging Markets Equity	5.83%	19.33%	8.32%	0.91%	17.45%
DFA	7.73%	25.12%	8.41%	3.23%	-
JP Morgan	6.63%	18.41%	5.61%	0.36%	-
PanAgora	4.36%	21.95%	4.46%	(1.69%)	-
UBS Global	4.16%	17.59%	4.87%	(0.74%)	-
NTGI Emerging Markets	5.75%	-	-	-	-
MSCI Emerging Mkts Idx Net (3)	5.58%	18.23%	4.81%	(0.71%)	16.83%
World Equity	2.08%	13.64%	-	-	-
EPOCH Investment Partners	2.68%	15.01%	-	-	-
Calamos Investments	0.10%	-	-	-	-
MSCI World Index	2.49%	15.83%	6.93%	(1.18%)	7.51%

(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 December 31, 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 December 31, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Private Equity	1.27%	10.75%	9.02%	(0.83%)	5.11%
Brinson Partners Venture II	630.56%	630.56%	79.44%	64.20%	38.41%
Brinson Partners Venture III	(0.24%)	3.56%	17.91%	8.89%	25.81%
Adams Street Direct Co-Invest Fd	(1.87%)	4.39%	17.08%	(0.21%)	-
Adams Street Direct Fund 2010	(0.86%)	7.48%	-	-	-
Adams Street 1998 Partnership	3.83%	6.23%	(1.07%)	(8.70%)	3.18%
Adams Street 1999 Partnership	2.49%	9.42%	6.63%	(0.09%)	6.03%
Adams Street 2000 Partnership	1.97%	5.06%	12.96%	3.06%	9.03%
Adams Street 2001 Partnership	4.94%	11.67%	11.45%	3.17%	5.95%
Adams Street 2002 Partnership	2.98%	16.96%	17.81%	3.15%	8.36%
Adams Street 2003 Partnership	2.61%	3.31%	7.63%	(0.74%)	-
Adams Street 2010 Partnership	3.47%	11.54%	-	-	-
Adams Street 2008 Fund	1.73%	3.62%	4.72%	-	-
Adams Street Non-US 1999	2.46%	9.53%	17.42%	8.73%	20.80%
Adams Street Non-US 2000	(0.45%)	(8.56%)	8.58%	(0.03%)	12.54%
Adams Street Non-US 2001	8.52%	3.64%	1.86%	(8.61%)	2.28%
Adams Street Non-US 2002	4.43%	3.83%	10.38%	(2.92%)	13.93%
Adams Street Non-US 2003	7.51%	19.49%	14.92%	5.23%	-
Adams Street Non-US 2004	1.26%	(4.60%)	6.53%	(0.80%)	-
Adams Street Non-US 2010	4.05%	11.67%	-	-	-
Adams Street Non-US Emg 2010	(1.61%)	(16.92%)	-	-	-
Adams Street US 2010	3.47%	11.54%	-	-	-
Adams Street BVCF IV Fund	(3.65%)	29.64%	81.37%	39.32%	24.83%
Coral Partners V	0.00%	25.67%	57.12%	39.43%	12.02%
Coral Partner VI	1.99%	(13.00%)	(9.71%)	(21.80%)	(14.81%)
Coral Partners Technology Fund	0.00%	4.17%	(16.47%)	(13.91%)	(4.73%)
CorsAir III	(6.23%)	(1.12%)	1.45%	1.31%	-
ND Investors	(0.47%)	5.07%	1.03%	-	-
CorsAir IV	(1.74%)	(4.71%)	-	-	-
Capital International V	(0.54%)	(0.23%)	13.47%	4.10%	-
Capital International VI	(4.12%)	(16.60%)	-	-	-
TCW Energy Fund XIV	(0.33%)	2.00%	11.47%	13.12%	-
Lewis & Clark, LP	0.00%	6.01%	10.20%	4.78%	1.73%
Lewis & Clark II	0.00%	(3.26%)	(10.62%)	-	-
Quantum Energy Partners	8.29%	20.31%	20.76%	7.95%	-
Quantum Resources	4.33%	34.78%	16.73%	(45.61%)	-
Matlin Patterson I	1.64%	*****%	3145.93%	726.74%	201.73%
Matlin Patterson II	0.02%	(69.21%)	(55.94%)	(45.02%)	-
Matlin Patterson III	10.22%	175.43%	28.39%	11.90%	-

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 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 December 31, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
GLOBAL FIXED INCOME	2.89%	13.18%	-	-	-
Wtd Avg Global FI Bench	0.61%	6.67%	-	-	-
Domestic Fixed Income	3.39%	14.07%	8.12%	5.95%	8.27%
Wtd Avg Domestic FI Bench	1.07%	7.34%	7.73%	7.40%	6.72%
Inv. Grade Fixed Income	2.82%	11.13%	6.10%	5.33%	7.95%
Bank of North Dakota	(0.63%)	1.56%	5.71%	6.03%	5.21%
PIMCO DiSCO II	14.74%	45.76%	-	-	-
Western Asset Management Co.	(0.24%)	3.42%	7.95%	5.02%	5.07%
PIMCO Unconstrained	0.77%	-	-	-	-
PIMCO MBS	(0.04%)	-	-	-	-
Declaration Total Return	2.92%	-	-	-	-
BC Aggregate Index	0.21%	4.21%	6.19%	5.95%	5.18%
BC Mortgage Index	(0.20%)	2.59%	4.72%	5.67%	5.08%
Below Inv. Grade Fixed Income	4.98%	22.55%	14.13%	7.09%	8.73%
Goldman Sachs 2006 Offshore	2.92%	(6.57%)	15.41%	(1.77%)	-
Goldman Sachs Offshore V	6.04%	24.60%	14.77%	10.43%	-
Loomis Sayles	4.41%	22.65%	12.33%	9.81%	-
BC HY Corp 2% Issuer Cap	3.29%	15.78%	11.78%	10.45%	10.60%
Intl Fixed Income	1.20%	10.06%	8.94%	7.93%	8.40%
Wtd Avg Intl FI Bench	(1.04%)	4.09%	4.47%	5.55%	6.54%
UBS	(0.84%)	4.87%	4.44%	5.57%	6.54%
Brandywine	3.17%	15.20%	12.77%	9.78%	-
BC Global Aggregate ex US (1)	(1.04%)	4.09%	4.47%	5.55%	6.54%
GLOBAL REAL ASSETS	3.28%	6.60%	-	-	-
Wtd Avg Global Real Assets Bench	2.53%	7.62%	-	-	-
Global Real Estate	2.57%	9.51%	14.26%	(2.45%)	6.18%
INVESCO Realty	(0.10%)	6.28%	13.29%	(1.29%)	7.05%
INVESCO Real Estate Fund II	9.32%	23.17%	24.94%	(22.98%)	-
INVESCO Real Estate Fund III	4.34%	-	-	-	-
INVESCO Asia RE Feeder	8.07%	9.12%	(0.82%)	-	-
JP Morgan	2.74%	12.19%	15.02%	(1.25%)	7.22%
JP Morgan Alternative Fd	7.61%	38.49%	11.05%	(6.25%)	-
JP Morgan China Property Fd	1.74%	(6.73%)	2.61%	-	-
JP Morgan Greater European Opp Fd	(23.63%)	(100.00%)	*****%	-	-
NCREIF Total Index	2.54%	10.55%	12.63%	2.13%	8.44%
Timber	2.73%	(1.25%)	-	-	-
TIR - Teredo	6.97%	4.29%	7.38%	6.85%	11.11%
TIR - Springbank	0.19%	(4.53%)	(8.02%)	(1.23%)	-
NCREIF Timberland Index	5.92%	7.76%	3.00%	2.65%	8.17%
Infrastructure	6.02%	12.07%	-	-	-
JP Morgan Asian Infrastructure	21.99%	20.20%	7.99%	-	-
JP Morgan IIF	4.42%	10.67%	5.85%	2.35%	-
Credit Suisse Cust. Infrastructure	1.77%	16.55%	-	-	-
CPI-W	(1.01%)	1.68%	2.19%	1.88%	2.47%
CASH & CASH EQUIVALENTS	0.03%	0.09%	0.16%	0.27%	1.64%
Northern Trust	0.03%	0.09%	0.13%	0.25%	1.63%
3-month Treasury Bill	0.04%	0.11%	0.11%	0.52%	1.78%
Total Fund	2.87%	13.79%	8.75%	1.22%	8.00%
Target	2.13%	12.36%	8.44%	2.95%	8.09%

* 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 December 31, 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.

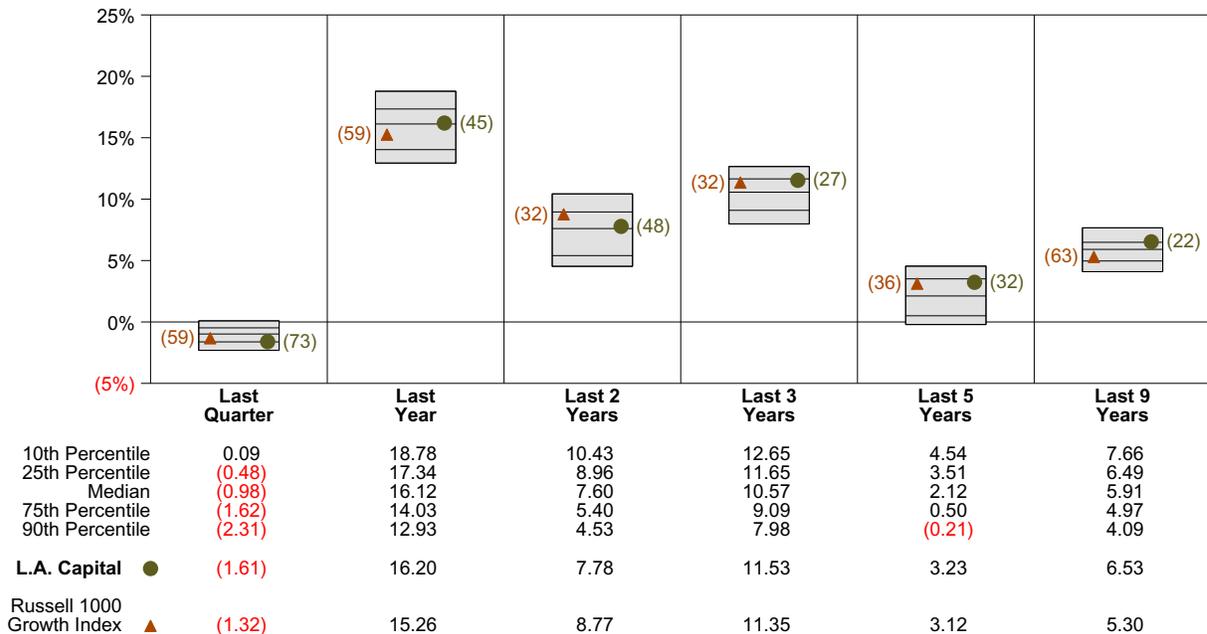
Quarterly Summary and Highlights

- L.A. Capital's portfolio posted a (1.61)% return for the quarter placing it in the 73 percentile of the CAI Large Cap Growth Style group for the quarter and in the 45 percentile for the last year.
- L.A. Capital's portfolio underperformed the Russell 1000 Growth Index by 0.29% for the quarter and outperformed the Russell 1000 Growth Index for the year by 0.94%.

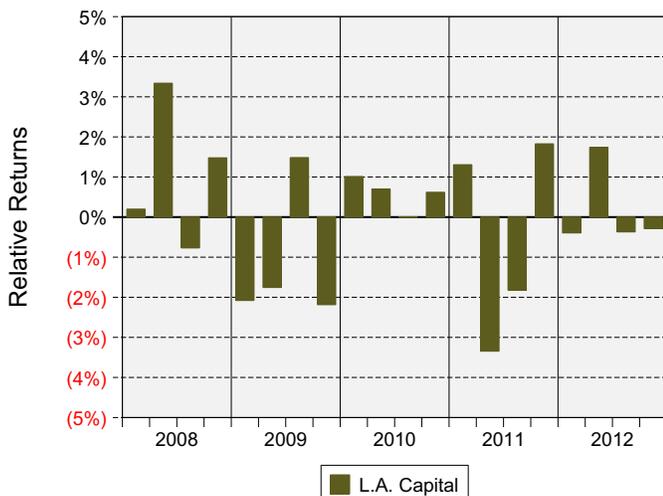
Quarterly Asset Growth

Beginning Market Value	\$246,497,923
Net New Investment	\$-4,130,967
Investment Gains/(Losses)	\$-3,943,946
Ending Market Value	\$238,423,010

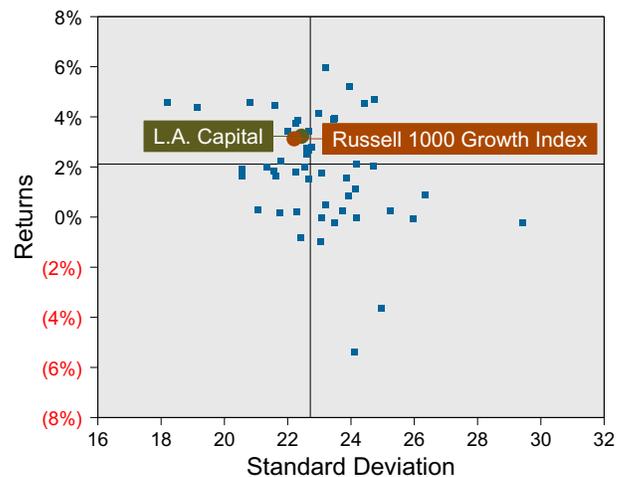
Performance vs CAI Large Cap Growth Style (Gross)



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 December 31, 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.

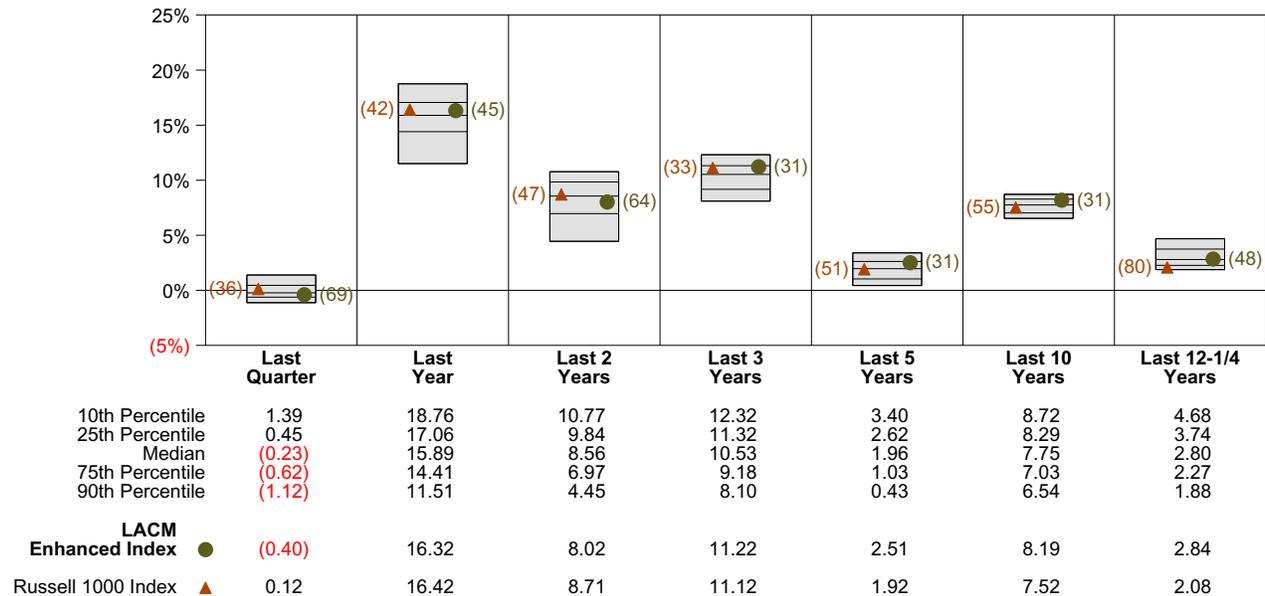
Quarterly Summary and Highlights

- LACM Enhanced Index's portfolio posted a (0.40)% return for the quarter placing it in the 69 percentile of the CAI Large Cap Core Style group for the quarter and in the 45 percentile for the last year.
- LACM Enhanced Index's portfolio underperformed the Russell 1000 Index by 0.52% for the quarter and underperformed the Russell 1000 Index for the year by 0.10%.

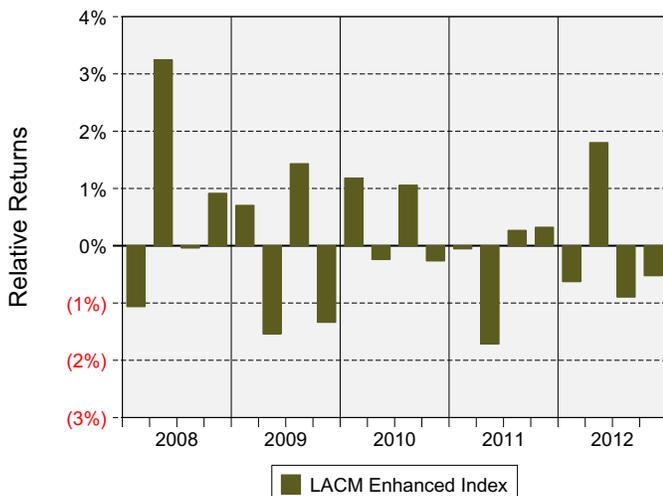
Quarterly Asset Growth

Beginning Market Value	\$166,119,179
Net New Investment	\$-3,152,913
Investment Gains/(Losses)	\$-681,039
Ending Market Value	\$162,285,227

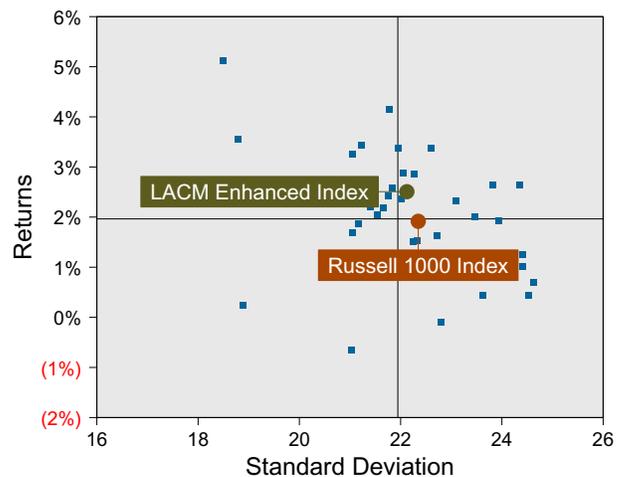
Performance vs CAI Large Cap Core Style (Gross)



Relative Return vs Russell 1000 Index



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



LSV Asset Management

Period Ended December 31, 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.

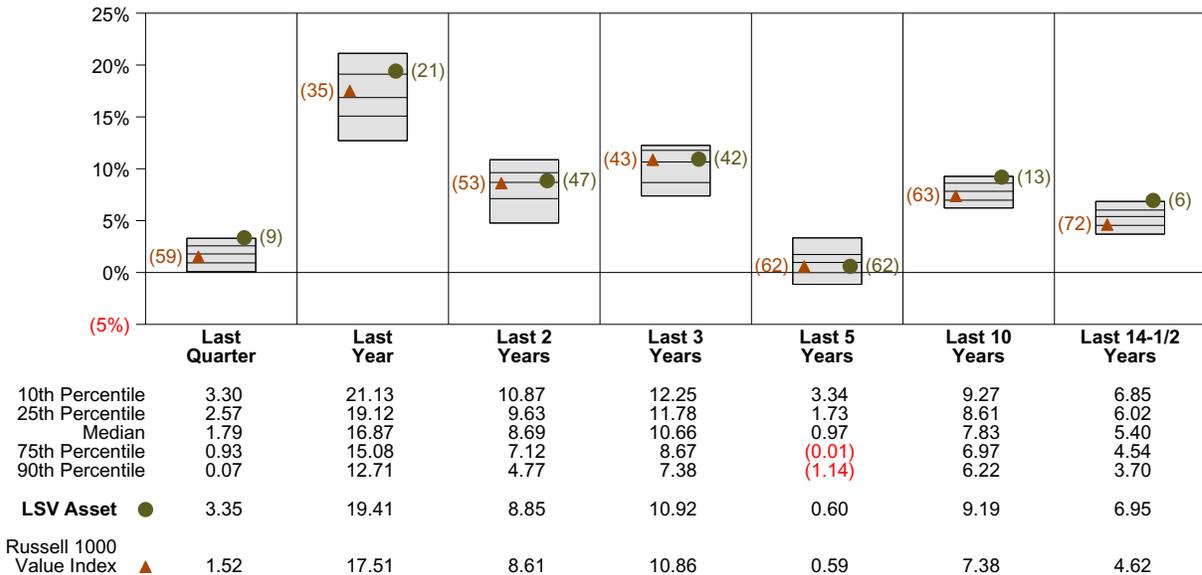
Quarterly Summary and Highlights

- LSV Asset's portfolio posted a 3.35% return for the quarter placing it in the 9 percentile of the CAI Large Cap Value Style group for the quarter and in the 21 percentile for the last year.
- LSV Asset's portfolio outperformed the Russell 1000 Value Index by 1.83% for the quarter and outperformed the Russell 1000 Value Index for the year by 1.91%.

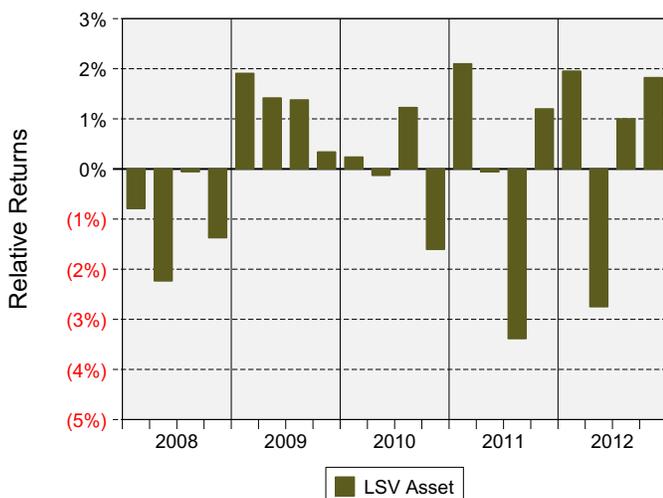
Quarterly Asset Growth

Beginning Market Value	\$243,954,806
Net New Investment	\$-183,768
Investment Gains/(Losses)	\$8,159,190
Ending Market Value	\$251,930,229

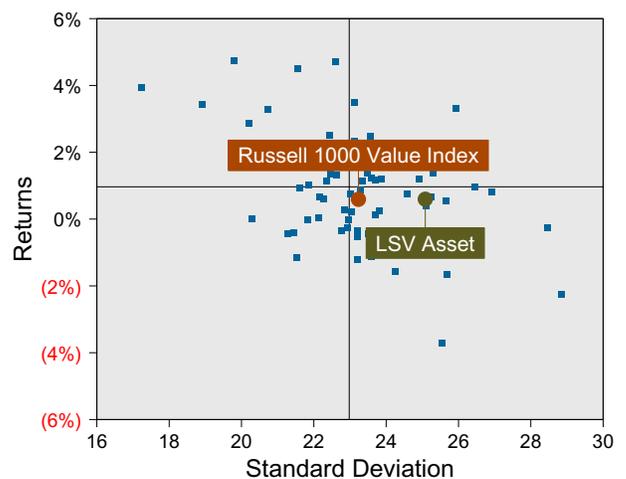
Performance vs CAI Large Cap Value Style (Gross)



Relative Return vs Russell 1000 Value Index



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



Northern Trust Period Ended December 31, 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.

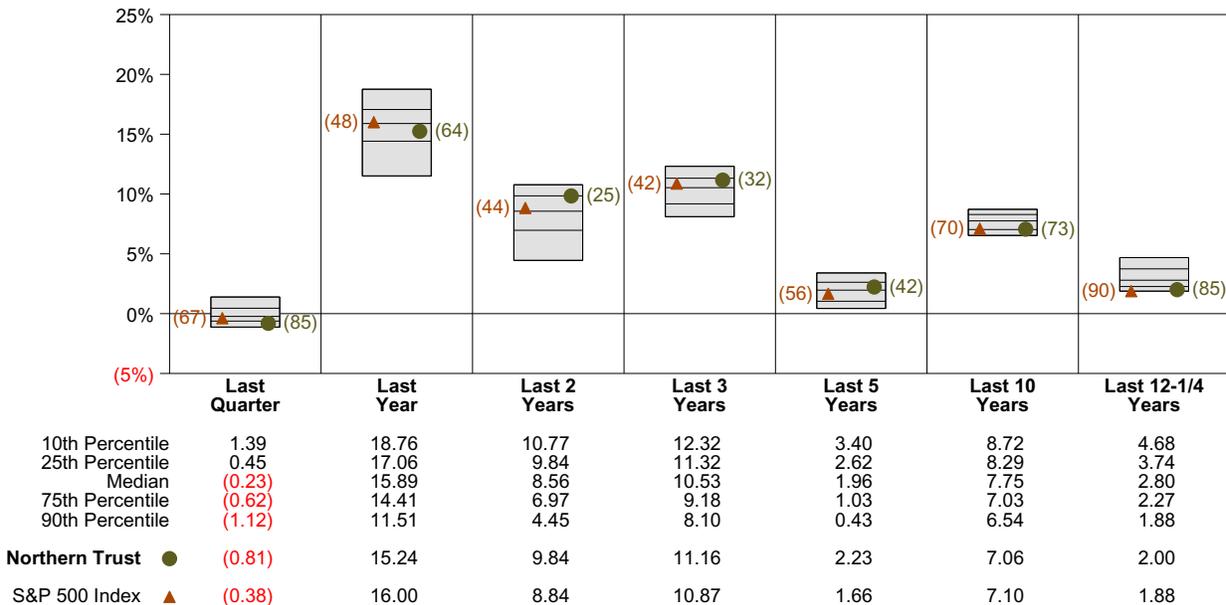
Quarterly Summary and Highlights

- Northern Trust's portfolio posted a (0.81)% return for the quarter placing it in the 85 percentile of the CAI Large Cap Core Style group for the quarter and in the 64 percentile for the last year.
- Northern Trust's portfolio underperformed the S&P 500 Index by 0.43% for the quarter and underperformed the S&P 500 Index for the year by 0.76%.

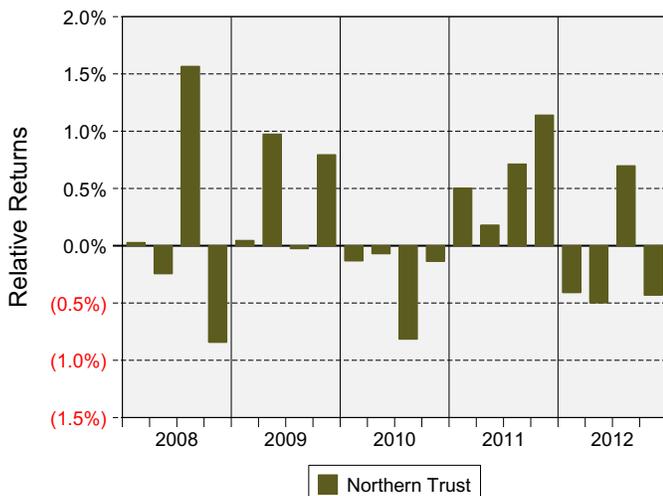
Quarterly Asset Growth

Beginning Market Value	\$81,611,100
Net New Investment	\$0
Investment Gains/(Losses)	\$-660,453
Ending Market Value	\$80,950,647

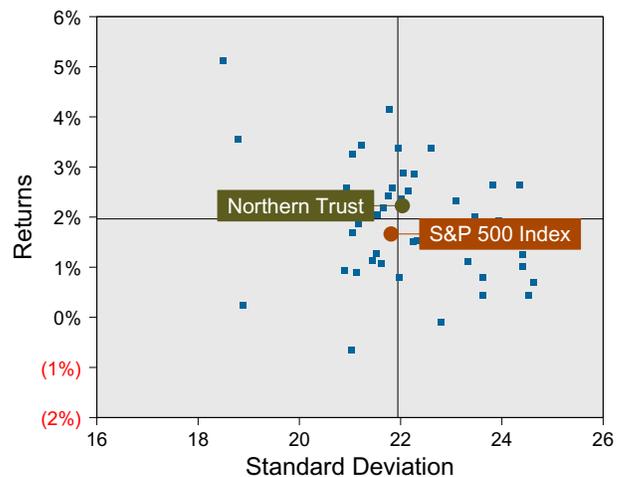
Performance vs CAI Large Cap Core Style (Gross)



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 December 31, 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

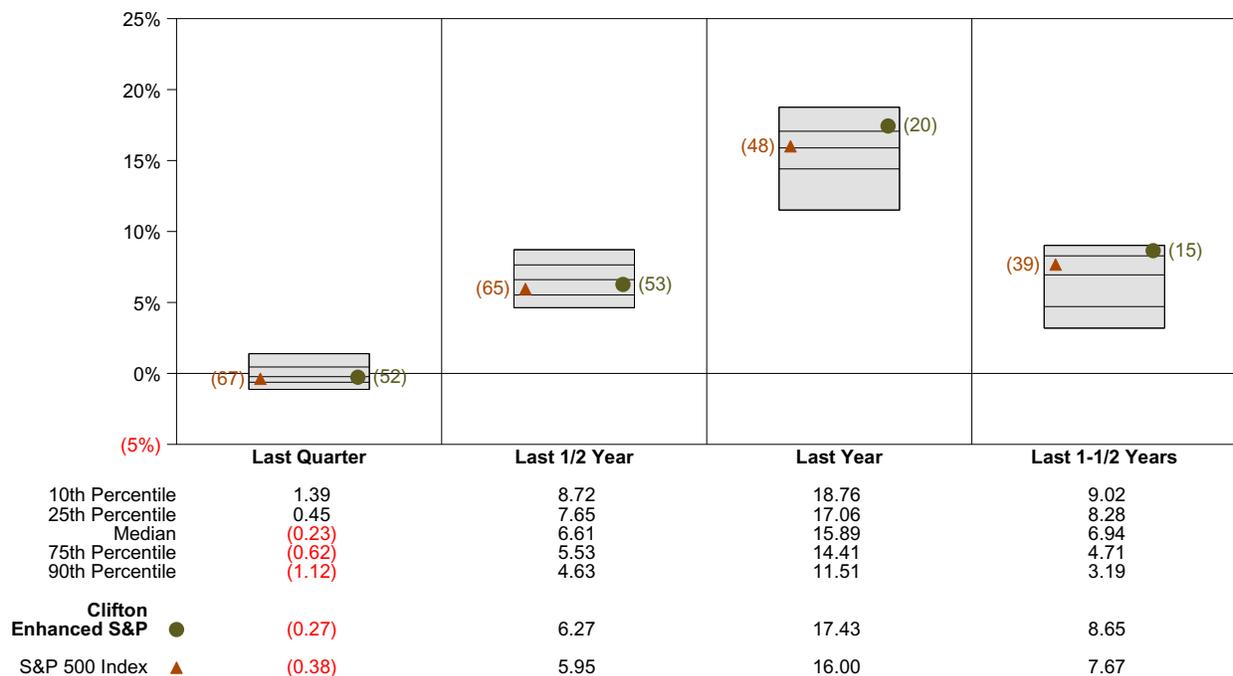
- Clifton Enhanced S&P's portfolio posted a (0.27)% return for the quarter placing it in the 52 percentile of the CAI Large Cap Core Style group for the quarter and in the 20 percentile for the last year.
- Clifton Enhanced S&P's portfolio outperformed the S&P 500 Index by 0.11% for the quarter and outperformed the S&P 500 Index for the year by 1.43%.

Quarterly Asset Growth

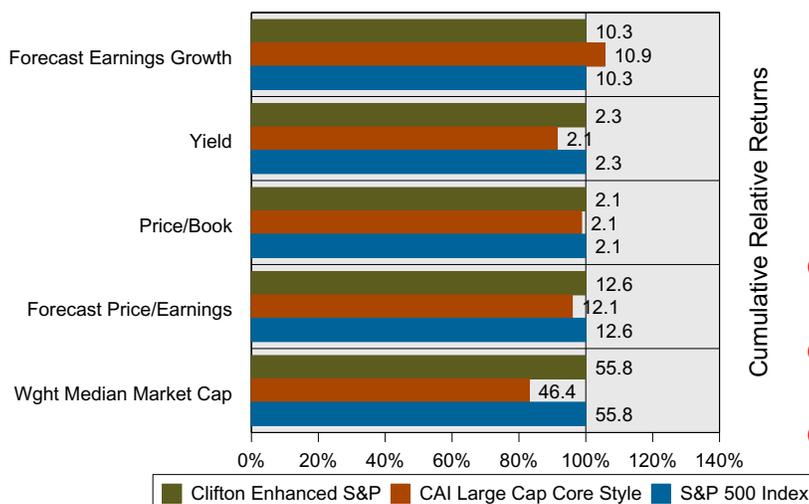
Beginning Market Value	\$81,183,694
Net New Investment	\$0
Investment Gains/(Losses)	\$-217,728
Ending Market Value	\$80,965,966

Percent Cash: 0.0%

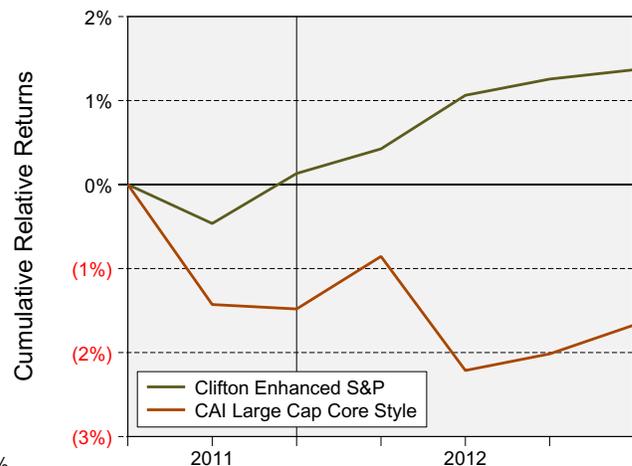
Performance vs CAI Large Cap Core Style (Gross)



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



Cumulative Returns vs S&P 500 Index



Callan

Period Ended December 31, 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).

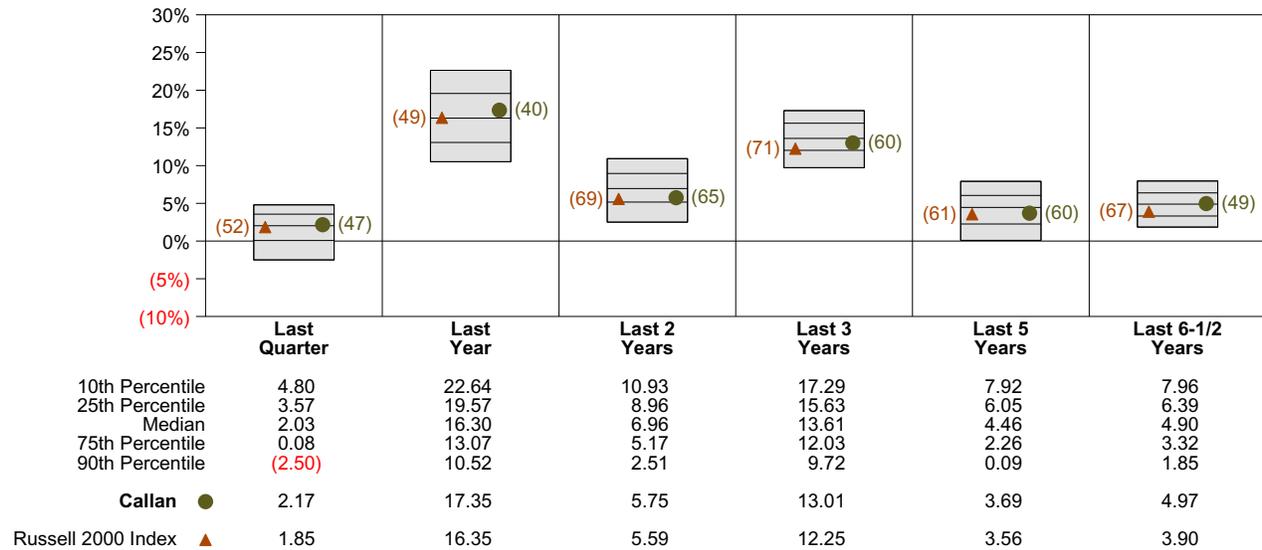
Quarterly Summary and Highlights

- Callan's portfolio posted a 2.17% return for the quarter placing it in the 47 percentile of the CAI Small Capitalization Style group for the quarter and in the 40 percentile for the last year.
- Callan's portfolio outperformed the Russell 2000 Index by 0.31% for the quarter and outperformed the Russell 2000 Index for the year by 1.00%.

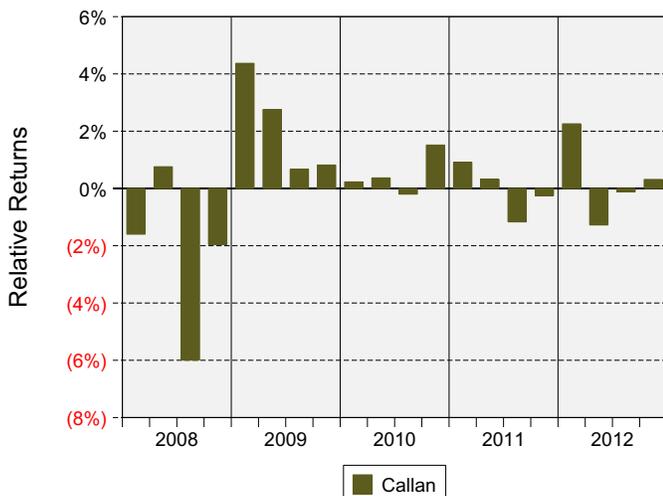
Quarterly Asset Growth

Beginning Market Value	\$122,789,189
Net New Investment	\$-213,778
Investment Gains/(Losses)	\$2,654,909
Ending Market Value	\$125,230,320

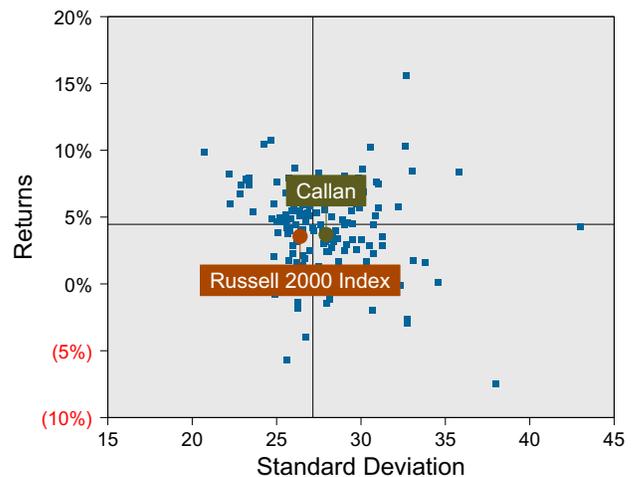
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



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



Clifton Enhanced Small Cap Period Ended December 31, 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.

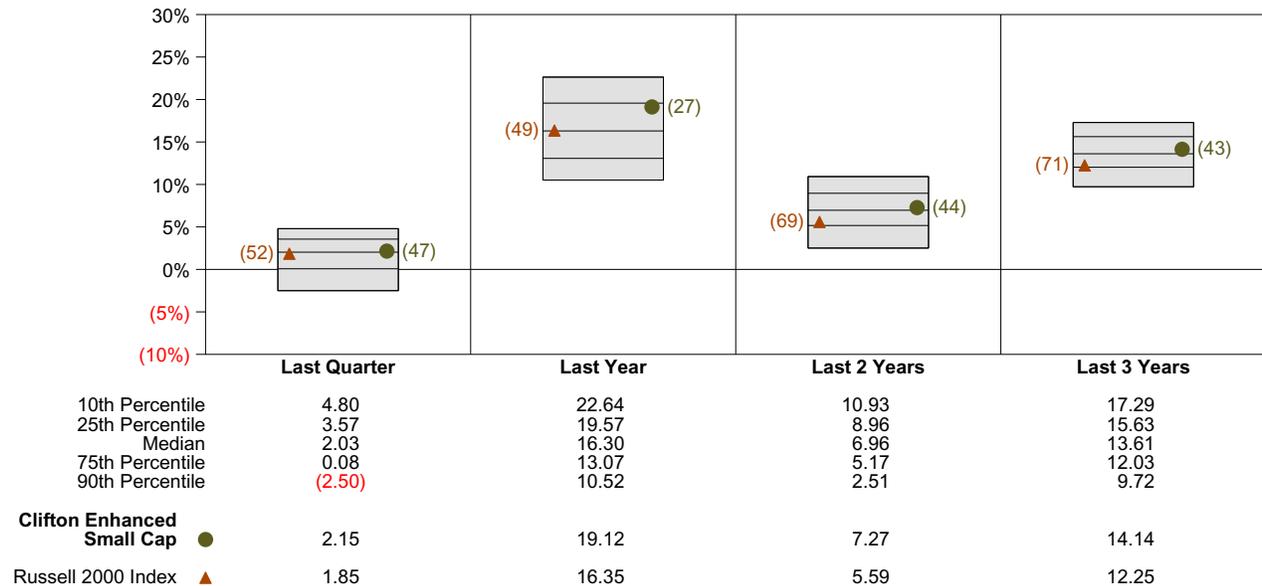
Quarterly Summary and Highlights

- Clifton Enhanced Small Cap's portfolio posted a 2.15% return for the quarter placing it in the 47 percentile of the CAI Small Capitalization Style group for the quarter and in the 27 percentile for the last year.
- Clifton Enhanced Small Cap's portfolio outperformed the Russell 2000 Index by 0.30% for the quarter and outperformed the Russell 2000 Index for the year by 2.77%.

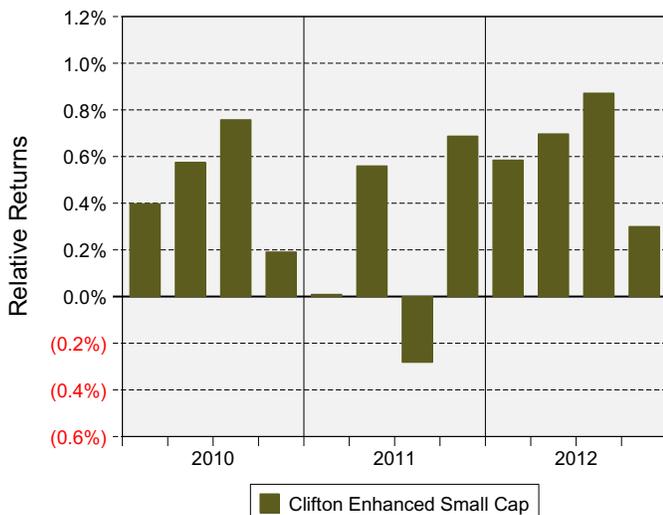
Quarterly Asset Growth

Beginning Market Value	\$124,576,334
Net New Investment	\$-2,400,000
Investment Gains/(Losses)	\$2,607,770
Ending Market Value	\$124,784,105

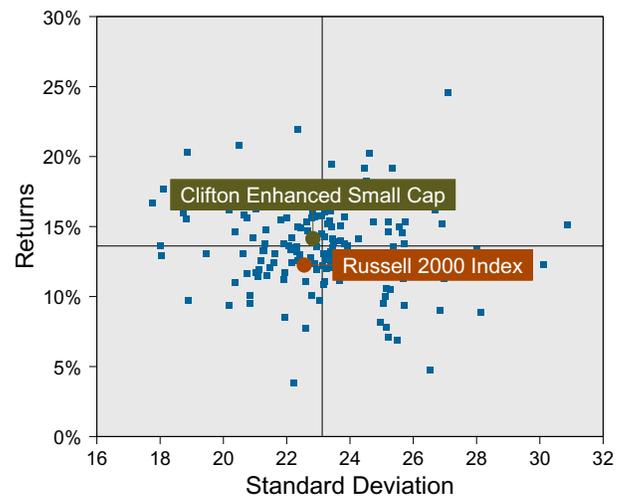
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



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



Capital Guardian Trust Company Period Ended December 31, 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.

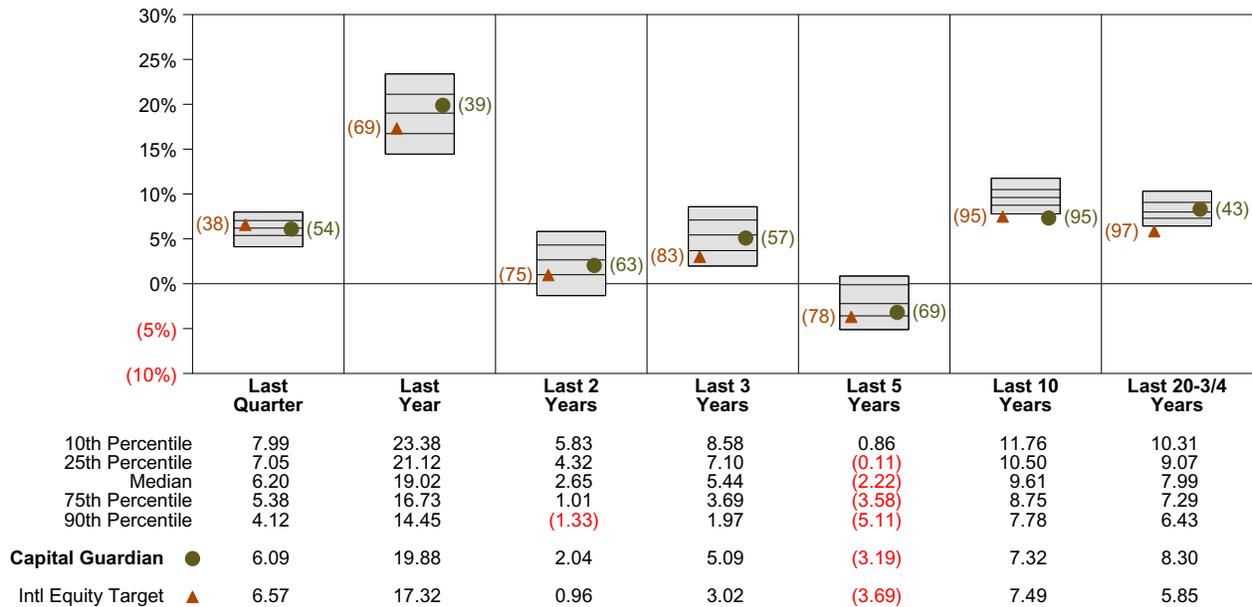
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 6.09% return for the quarter placing it in the 54 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 39 percentile for the last year.
- Capital Guardian's portfolio underperformed the Intl Equity Target by 0.48% for the quarter and outperformed the Intl Equity Target for the year by 2.57%.

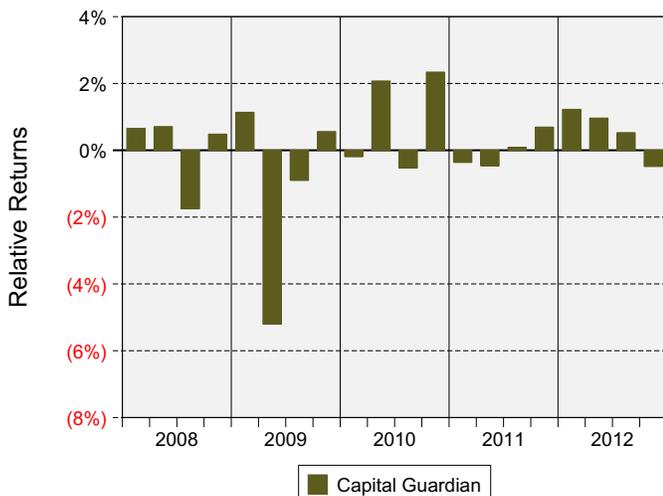
Quarterly Asset Growth

Beginning Market Value	\$59,139,523
Net New Investment	\$-72,626
Investment Gains/(Losses)	\$3,595,627
Ending Market Value	\$62,662,524

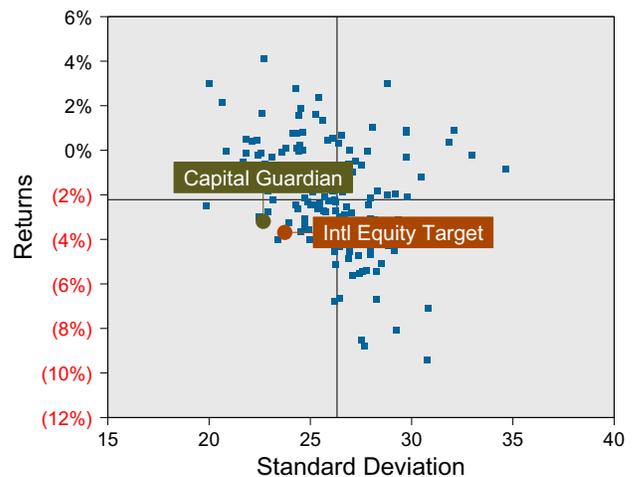
Performance vs CAI Non-U.S. Equity Style (Gross)



Relative Return vs Intl Equity Target



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



Clifton EAFE Index Period Ended December 31, 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.

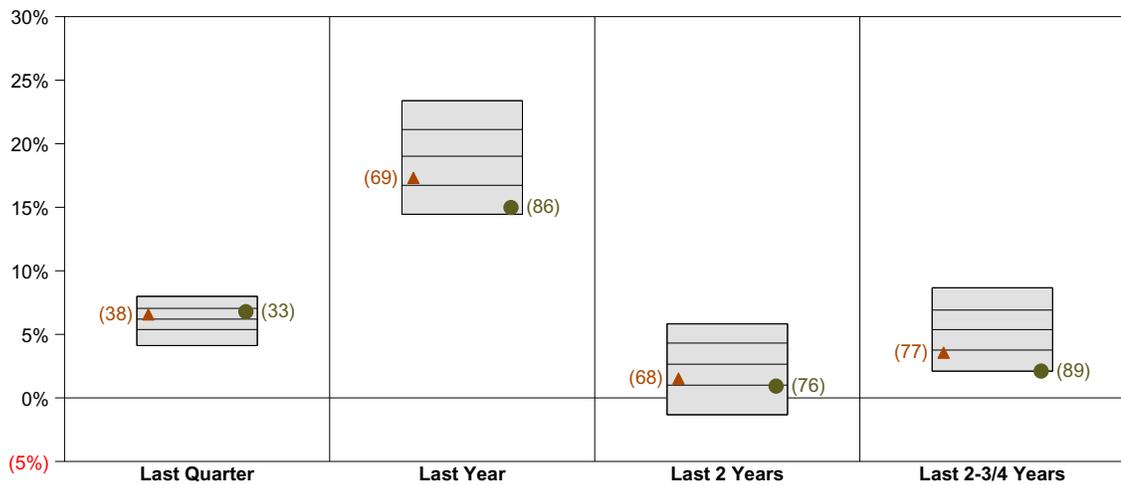
Quarterly Summary and Highlights

- Clifton EAFE Index's portfolio posted a 6.79% return for the quarter placing it in the 33rd percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 86th percentile for the last year.
- Clifton EAFE Index's portfolio outperformed the MSCI EAFE Index by 0.22% for the quarter and underperformed the MSCI EAFE Index for the year by 2.34%.

Quarterly Asset Growth

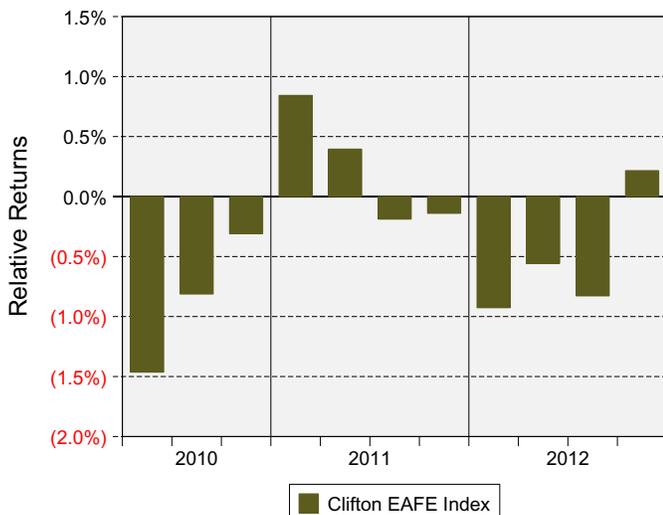
Beginning Market Value	\$187,112,346
Net New Investment	\$-41,431
Investment Gains/(Losses)	\$12,693,646
Ending Market Value	\$199,764,561

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

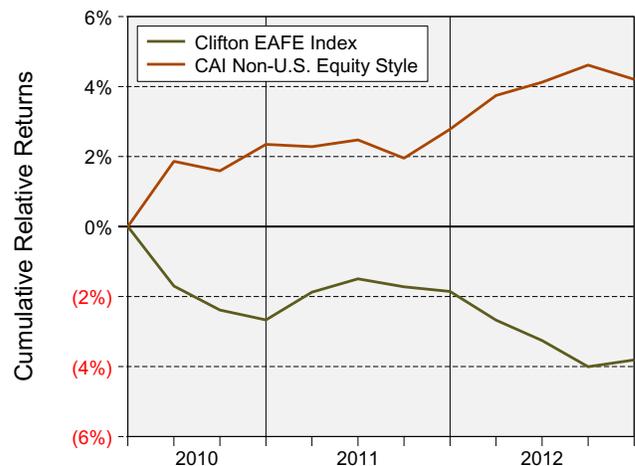


	Last Quarter	Last Year	Last 2 Years	Last 2-3/4 Years
10th Percentile	7.99	23.38	5.83	8.67
25th Percentile	7.05	21.12	4.32	6.91
Median	6.20	19.02	2.65	5.37
75th Percentile	5.38	16.73	1.01	3.76
90th Percentile	4.12	14.45	(1.33)	2.10
Clifton EAFE Index	6.79	14.98	0.93	2.11
MSCI EAFE Index	6.57	17.32	1.53	3.56

Relative Return vs MSCI EAFE Index



Cumulative Returns vs MSCI EAFE Index



DFA International Small Cap Value Fund

Period Ended December 31, 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.

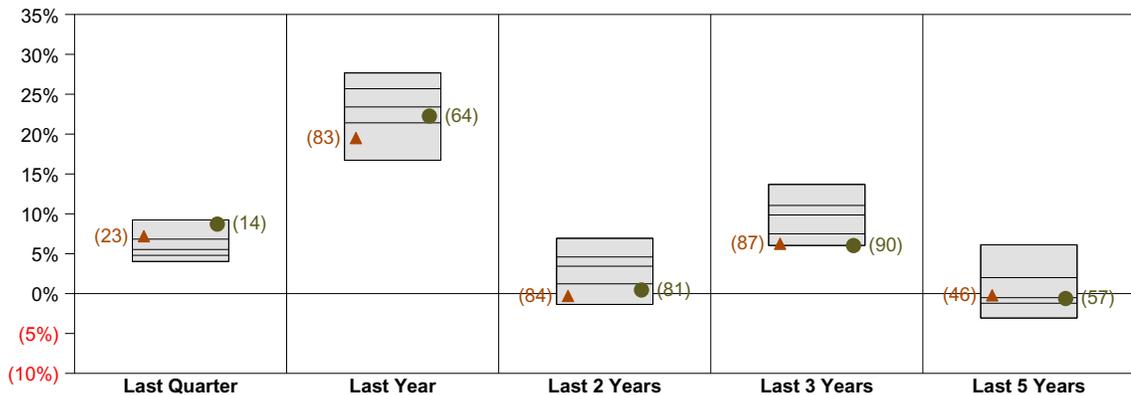
Quarterly Summary and Highlights

- DFA International Small Value's portfolio posted a 8.71% return for the quarter placing it in the 14 percentile of the CAI International Small Cap Style group for the quarter and in the 64 percentile for the last year.
- DFA International Small Value's portfolio outperformed the World ex US SC Va by 1.52% for the quarter and outperformed the World ex US SC Va for the year by 2.75%.

Quarterly Asset Growth

Beginning Market Value	\$52,655,555
Net New Investment	\$0
Investment Gains/(Losses)	\$4,588,204
Ending Market Value	\$57,243,758

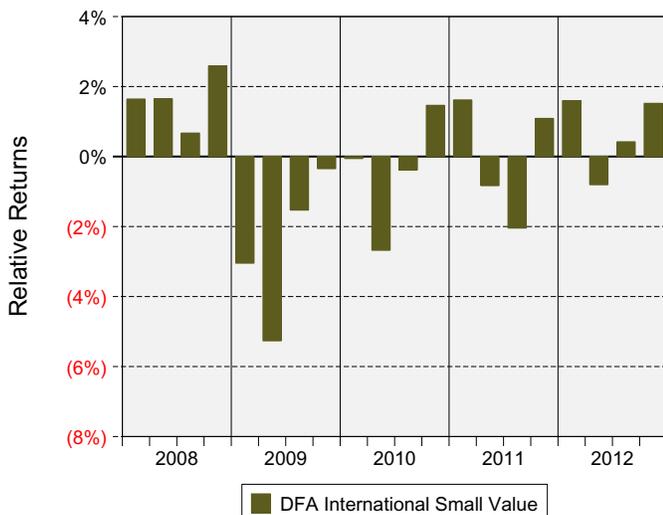
Performance vs CAI International Small Cap Style (Gross)



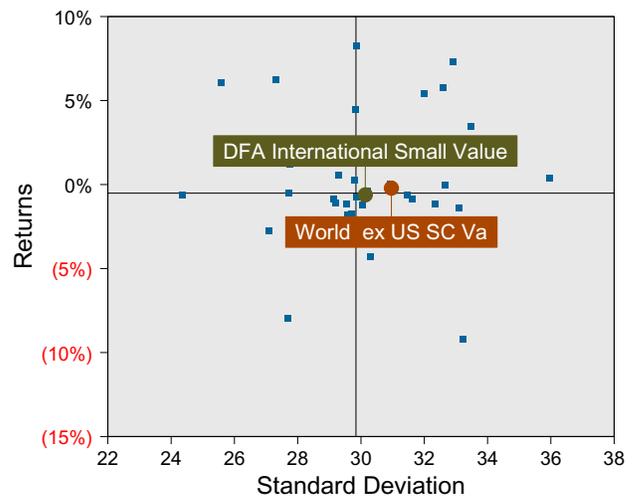
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	9.23	27.67	6.94	13.69	6.11
25th Percentile	6.83	25.69	4.59	11.05	2.00
Median	5.53	23.40	3.43	9.86	(0.51)
75th Percentile	4.80	21.41	1.23	7.50	(1.21)
90th Percentile	4.03	16.72	(1.36)	6.03	(3.06)

DFA International Small Value ●	8.71	22.26	0.45	6.02	(0.62)
World ex US SC Va ▲	7.20	19.51	(0.29)	6.25	(0.21)

Relative Return vs World ex US SC Va



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



LSV Asset

Period Ended December 31, 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.

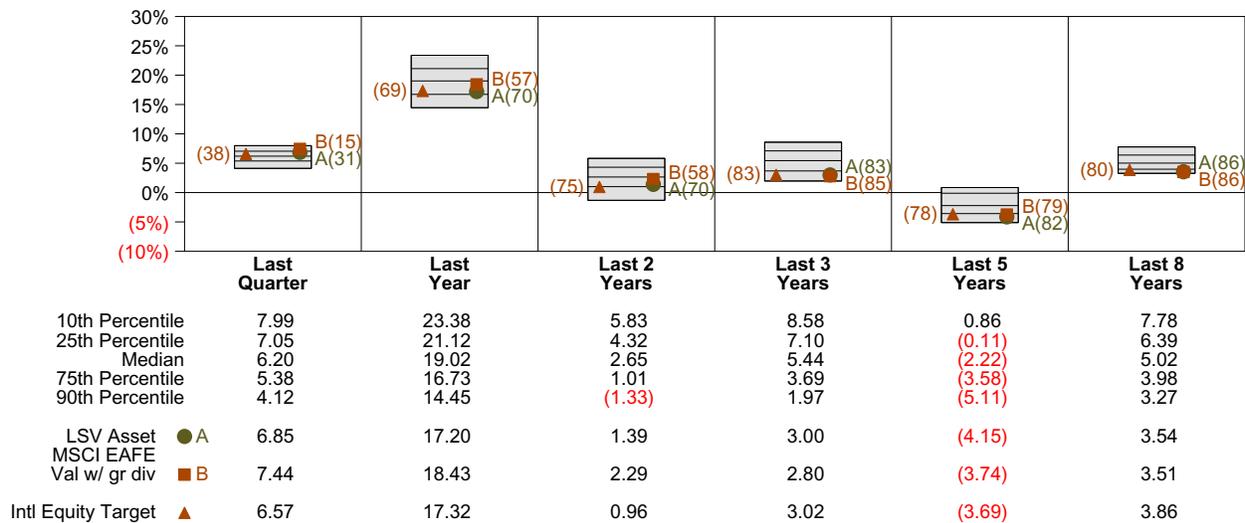
Quarterly Summary and Highlights

- LSV Asset's portfolio posted a 6.85% return for the quarter placing it in the 31 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 70 percentile for the last year.
- LSV Asset's portfolio outperformed the Intl Equity Target by 0.28% for the quarter and underperformed the Intl Equity Target for the year by 0.12%.

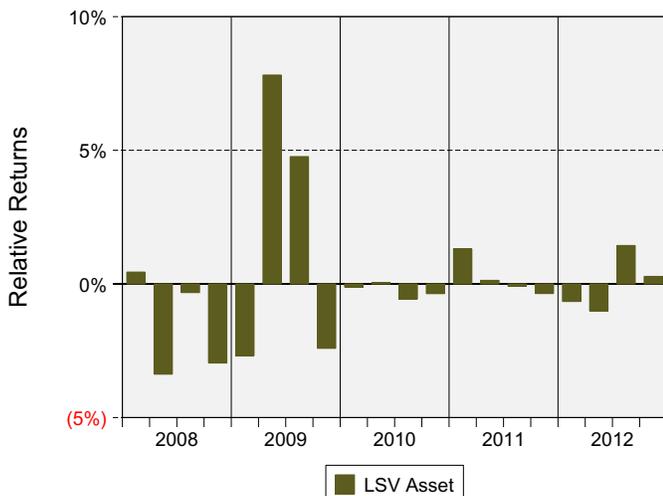
Quarterly Asset Growth

Beginning Market Value	\$113,729,679
Net New Investment	\$-138,642
Investment Gains/(Losses)	\$7,779,701
Ending Market Value	\$121,370,739

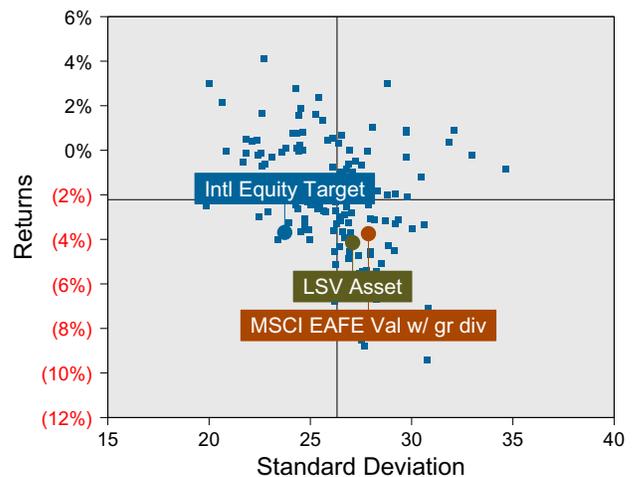
Performance vs CAI Non-U.S. Equity Style (Gross)



Relative Return vs Intl Equity Target



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



State Street Global Advisors Period Ended December 31, 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.

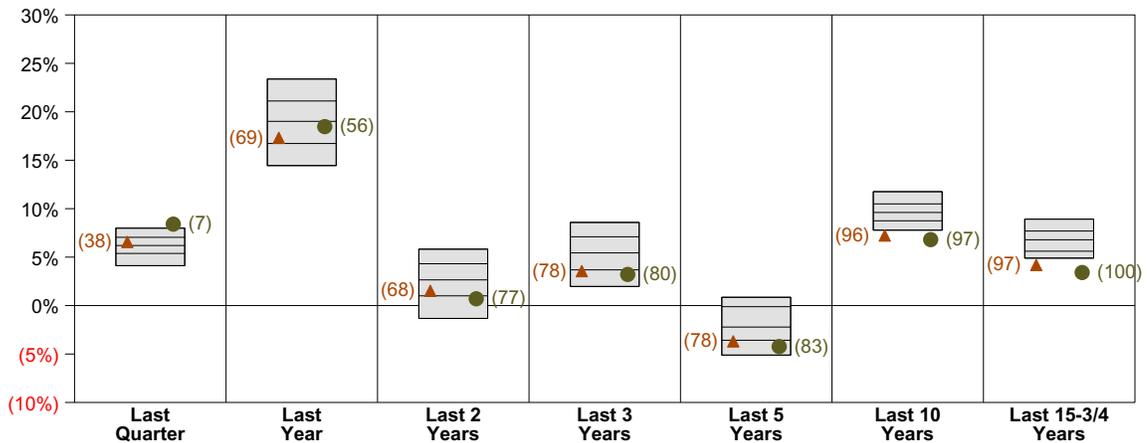
Quarterly Summary and Highlights

- State Street's portfolio posted a 8.40% return for the quarter placing it in the 7 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 56 percentile for the last year.
- State Street's portfolio outperformed the MSCI EAFE Index by 1.83% for the quarter and outperformed the MSCI EAFE Index for the year by 1.15%.

Quarterly Asset Growth

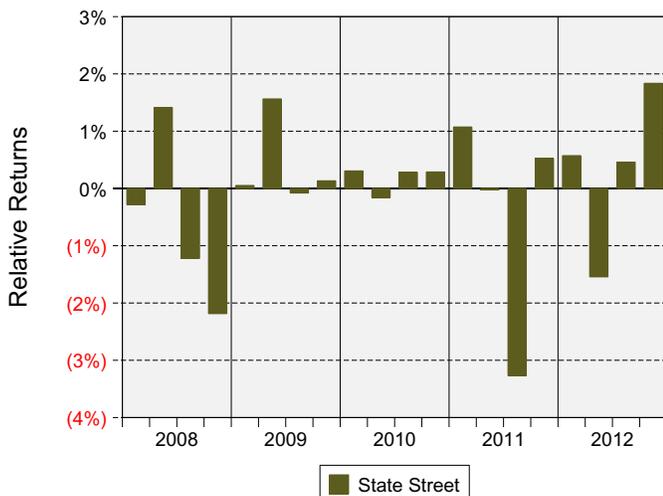
Beginning Market Value	\$42,397,677
Net New Investment	\$-73,204
Investment Gains/(Losses)	\$3,559,589
Ending Market Value	\$45,884,063

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

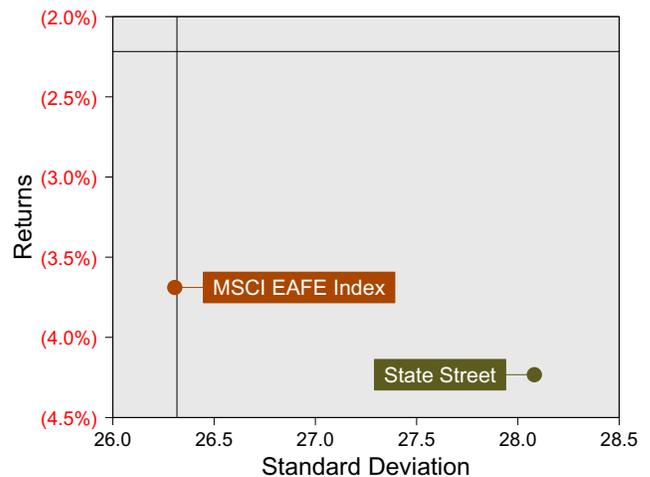


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-3/4 Years
10th Percentile	7.99	23.38	5.83	8.58	0.86	11.76	8.92
25th Percentile	7.05	21.12	4.32	7.10	(0.11)	10.50	7.69
Median	6.20	19.02	2.65	5.44	(2.22)	9.61	6.79
75th Percentile	5.38	16.73	1.01	3.69	(3.58)	8.75	5.61
90th Percentile	4.12	14.45	(1.33)	1.97	(5.11)	7.78	4.90
State Street ●	8.40	18.47	0.70	3.21	(4.23)	6.81	3.41
MSCI EAFE Index ▲	6.57	17.32	1.53	3.56	(3.69)	7.23	4.19

Relative Return vs MSCI EAFE Index



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



Wellington

Period Ended December 31, 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.

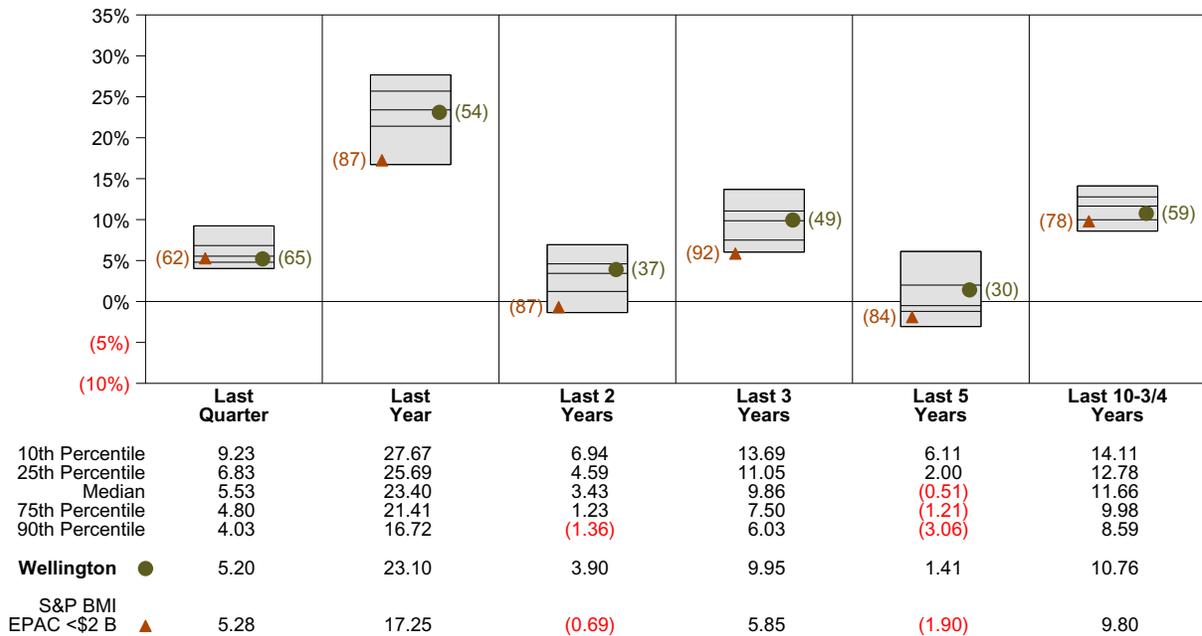
Quarterly Summary and Highlights

- Wellington's portfolio posted a 5.20% return for the quarter placing it in the 65 percentile of the CAI International Small Cap Style group for the quarter and in the 54 percentile for the last year.
- Wellington's portfolio underperformed the S&P BMI EPAC <\$2 B by 0.08% for the quarter and outperformed the S&P BMI EPAC <\$2 B for the year by 5.85%.

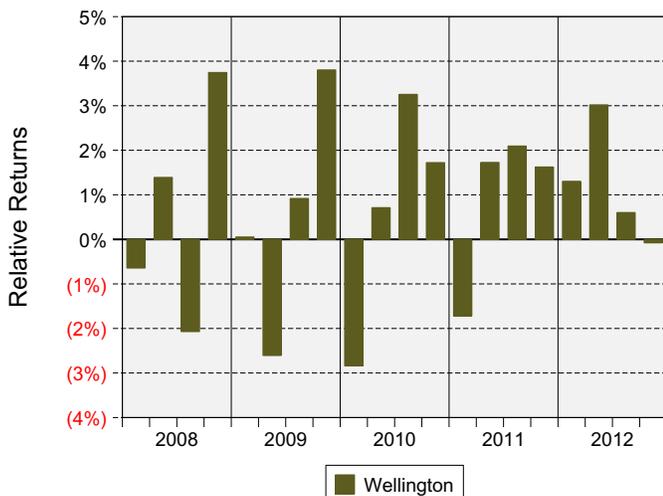
Quarterly Asset Growth

Beginning Market Value	\$60,512,158
Net New Investment	\$-128,406
Investment Gains/(Losses)	\$3,142,247
Ending Market Value	\$63,525,999

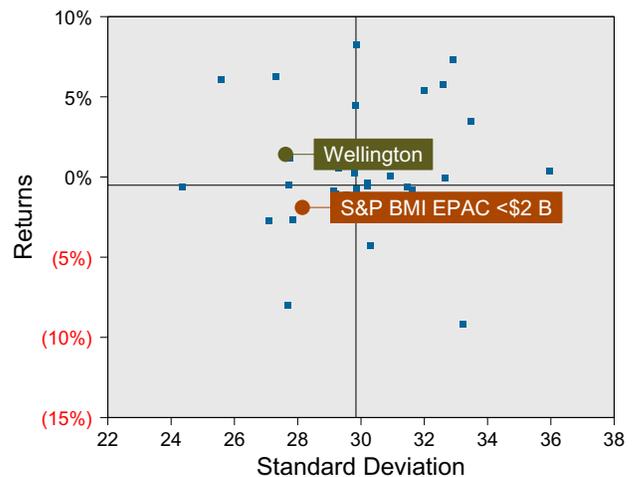
Performance vs CAI International Small Cap Style (Gross)



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 December 31, 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.

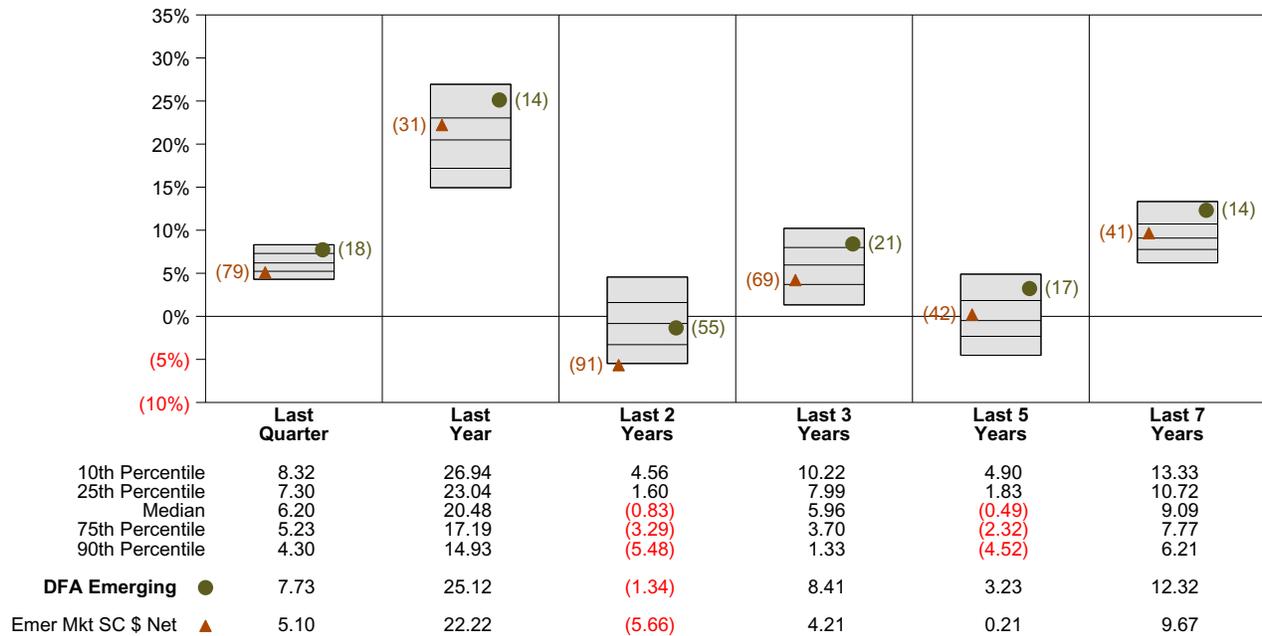
Quarterly Summary and Highlights

- DFA Emerging's portfolio posted a 7.73% return for the quarter placing it in the 18 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 14 percentile for the last year.
- DFA Emerging's portfolio outperformed the Emer Mkt SC \$ Net by 2.62% for the quarter and outperformed the Emer Mkt SC \$ Net for the year by 2.90%.

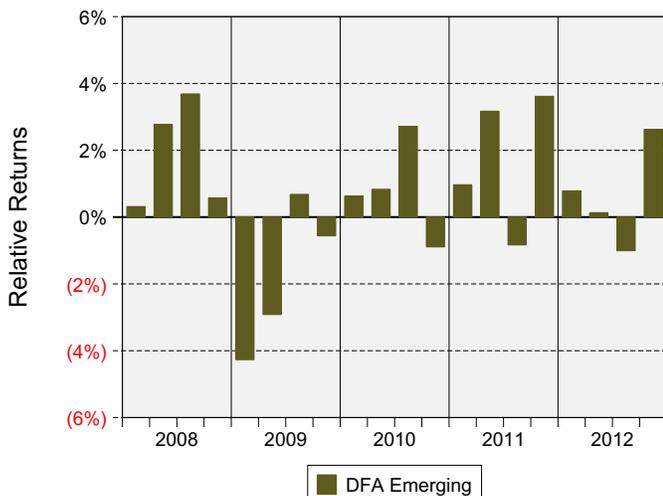
Quarterly Asset Growth

Beginning Market Value	\$31,654,642
Net New Investment	\$-52,177
Investment Gains/(Losses)	\$2,442,311
Ending Market Value	\$34,044,776

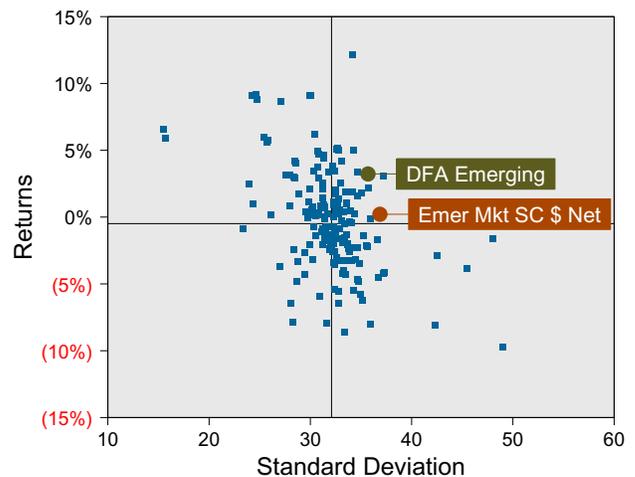
Performance vs CAI Emerging Markets Equity DB (Gross)



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 December 31, 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.

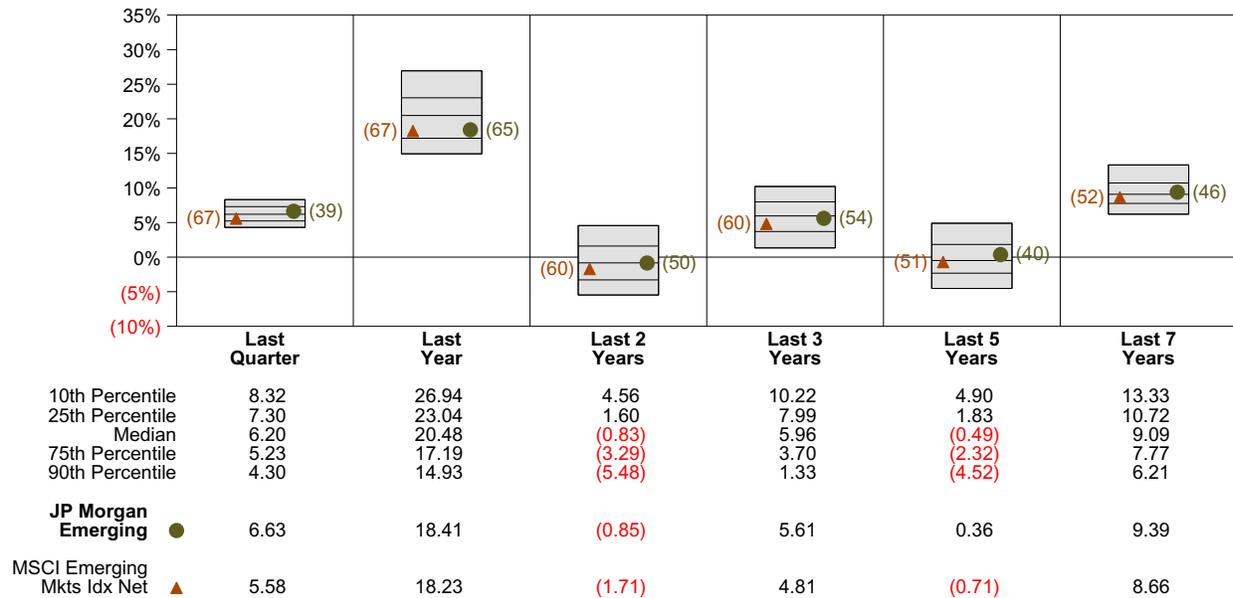
Quarterly Summary and Highlights

- JP Morgan Emerging's portfolio posted a 6.63% return for the quarter placing it in the 39 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 65 percentile for the last year.
- JP Morgan Emerging's portfolio outperformed the MSCI Emerging Mkts Idx Net by 1.05% for the quarter and outperformed the MSCI Emerging Mkts Idx Net for the year by 0.17%.

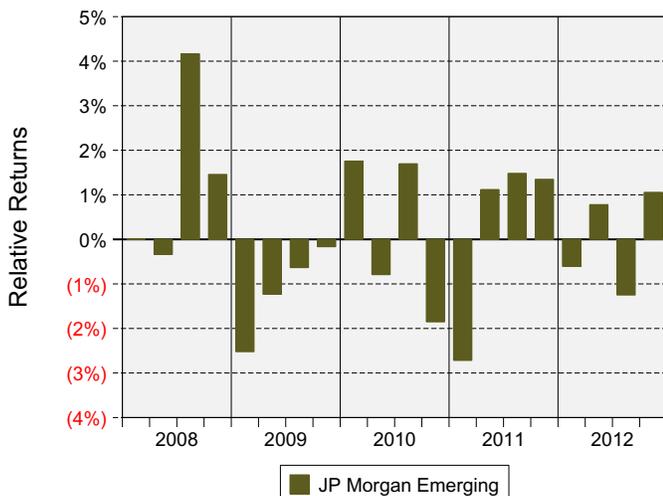
Quarterly Asset Growth

Beginning Market Value	\$38,980,656
Net New Investment	\$-74,306
Investment Gains/(Losses)	\$2,579,034
Ending Market Value	\$41,485,384

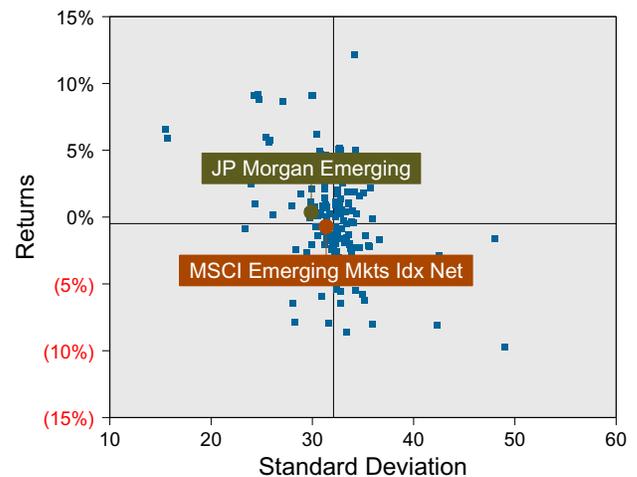
Performance vs CAI Emerging Markets Equity DB (Gross)



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 December 31, 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.

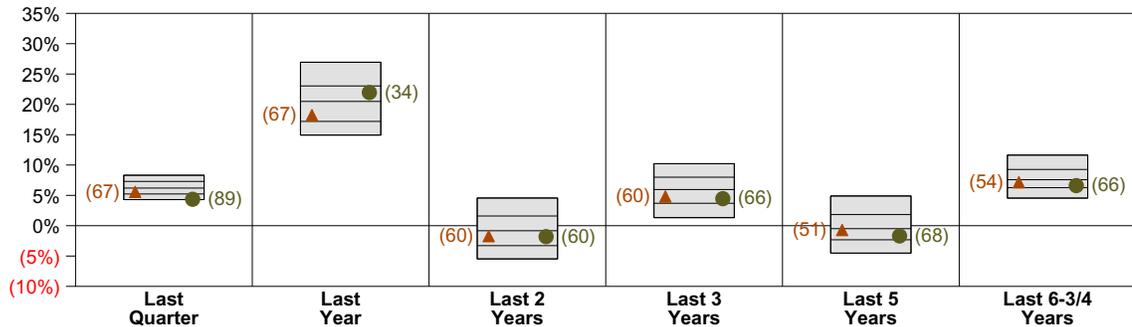
Quarterly Summary and Highlights

- PanAgora Emerging's portfolio posted a 4.36% return for the quarter placing it in the 89 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 34 percentile for the last year.
- PanAgora Emerging's portfolio underperformed the MSCI Emerging Mkts Idx Net by 1.22% for the quarter and outperformed the MSCI Emerging Mkts Idx Net for the year by 3.72%.

Quarterly Asset Growth

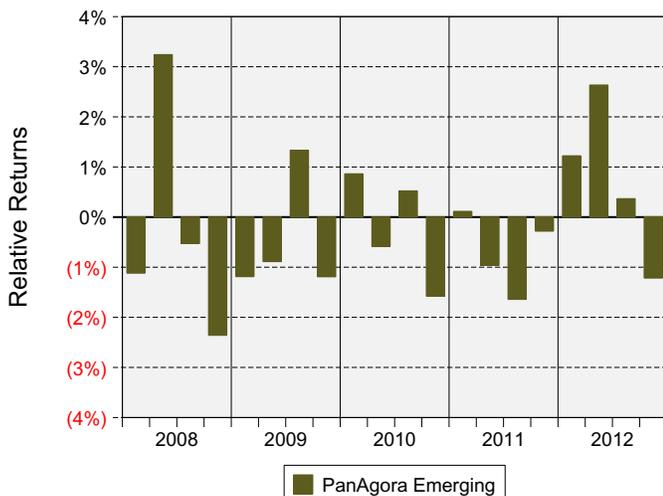
Beginning Market Value	\$16,319,856
Net New Investment	\$0
Investment Gains/(Losses)	\$711,490
Ending Market Value	\$17,031,346

Performance vs CAI Emerging Markets Equity DB (Gross)

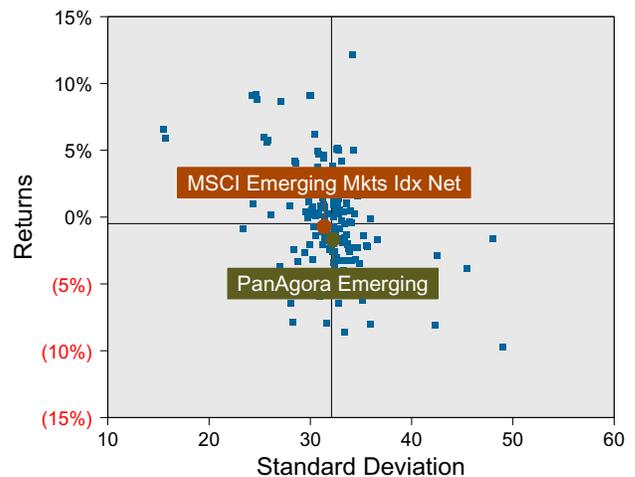


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 6-3/4 Years
10th Percentile	8.32	26.94	4.56	10.22	4.90	11.64
25th Percentile	7.30	23.04	1.60	7.99	1.83	9.27
Median	6.20	20.48	(0.83)	5.96	(0.49)	7.58
75th Percentile	5.23	17.19	(3.29)	3.70	(2.32)	6.26
90th Percentile	4.30	14.93	(5.48)	1.33	(4.52)	4.54
PanAgora Emerging ●	4.36	21.95	(1.80)	4.46	(1.69)	6.60
MSCI Emerging Mkts Idx Net ▲	5.58	18.23	(1.71)	4.81	(0.71)	7.16

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 December 31, 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.

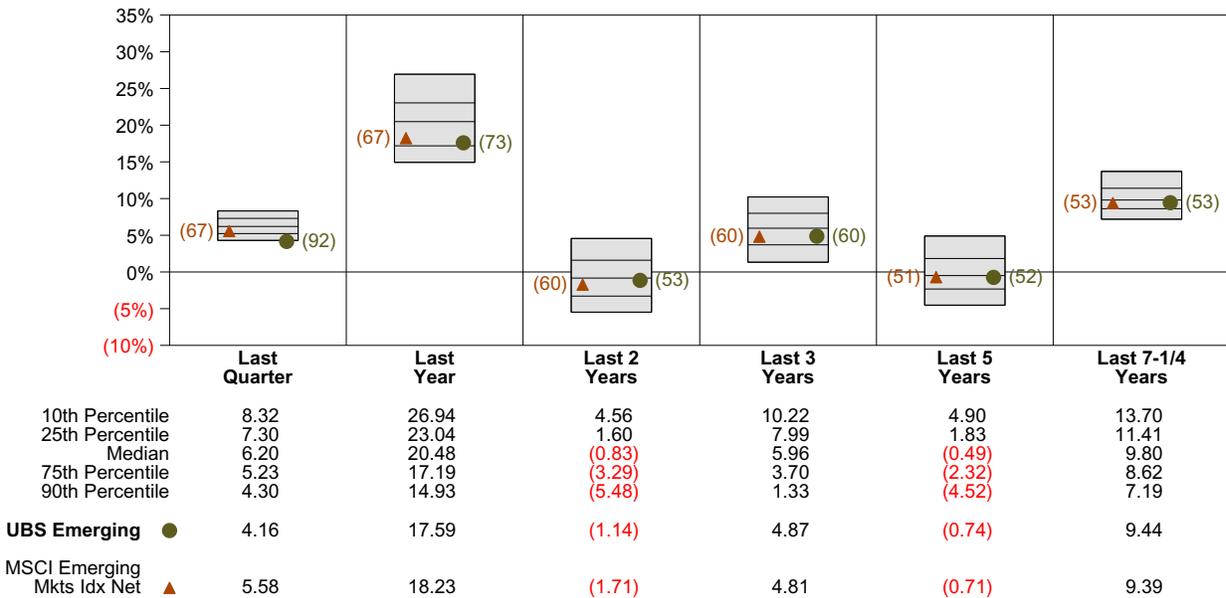
Quarterly Summary and Highlights

- UBS Emerging's portfolio posted a 4.16% return for the quarter placing it in the 92 percentile of the CAI Emerging Markets Equity DB group for the quarter and in the 73 percentile for the last year.
- UBS Emerging's portfolio underperformed the MSCI Emerging Mkts Idx Net by 1.42% for the quarter and underperformed the MSCI Emerging Mkts Idx Net for the year by 0.64%.

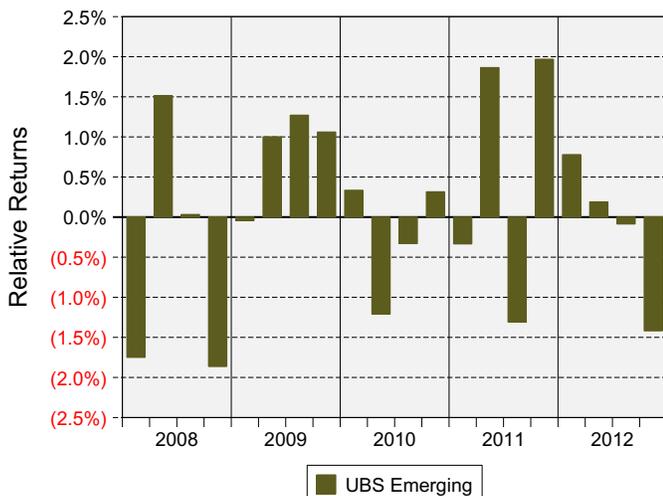
Quarterly Asset Growth

Beginning Market Value	\$39,292,423
Net New Investment	\$0
Investment Gains/(Losses)	\$1,633,665
Ending Market Value	\$40,926,089

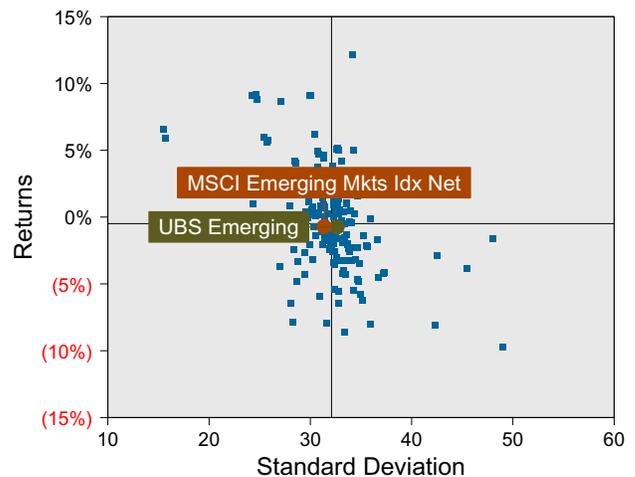
Performance vs CAI Emerging Markets Equity DB (Gross)



Relative Returns vs MSCI Emerging Mkts Idx Net



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



NTGI Emerging Markets Period Ended December 31, 2012

Investment Philosophy

Northern Trust believes that providing low cost market exposure is vital to investors in order to maximize investment returns over the long term. Our core objective is to replicate the benchmark characteristics while minimizing transaction costs and preserving wealth throughout the process. Our core principles: Discipline portfolio construction of portfolios using full replication and optimization where it allows for risk reduction, increased liquidity, and lower costs. Minimizing costs such as commissions, bid/ask spread, and market impact by utilizing sophisticated trading techniques. Multi-dimensional risk controls and careful oversight throughout our investment process.

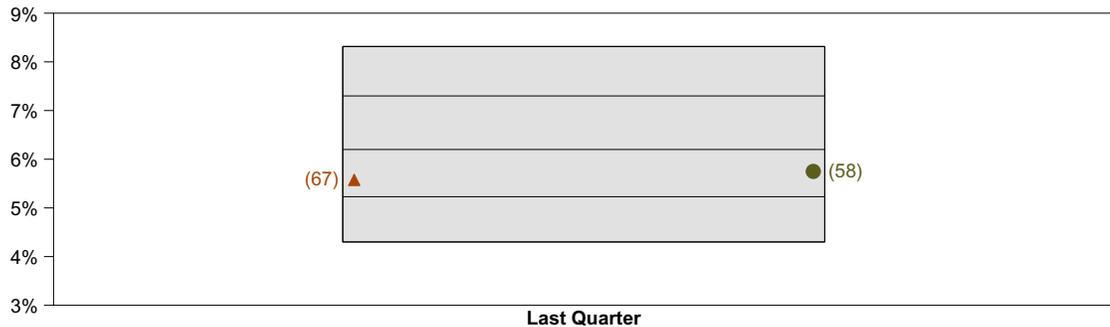
Quarterly Summary and Highlights

- NTGI Emerging Markets's portfolio posted a 5.75% return for the quarter placing it in the 58 percentile of the CAI Emerging Markets Equity DB group for the quarter.
- NTGI Emerging Markets's portfolio outperformed the MSCI Emerging Mkts Idx Net by 0.17% for the quarter.

Quarterly Asset Growth

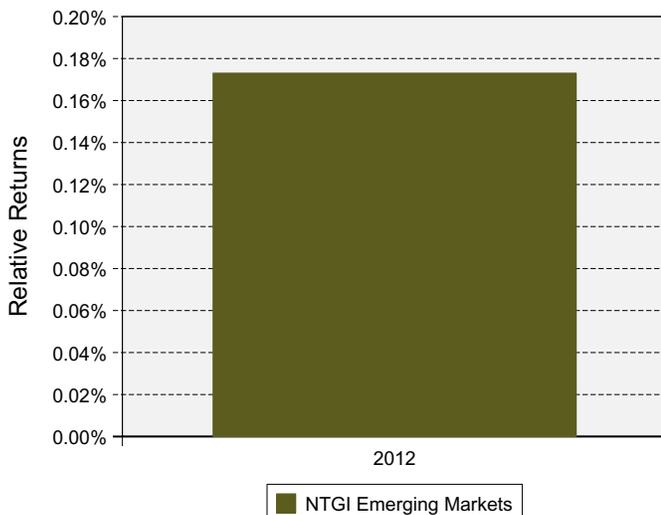
Beginning Market Value	\$18,439,599
Net New Investment	\$0
Investment Gains/(Losses)	\$1,060,142
Ending Market Value	\$19,499,741

Performance vs CAI Emerging Markets Equity DB (Gross)

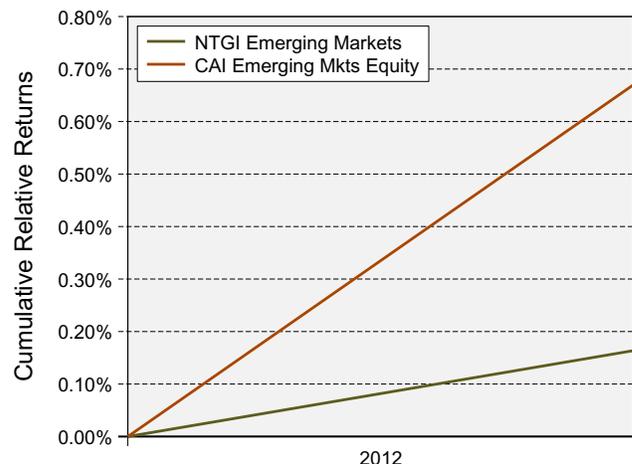


10th Percentile	8.32
25th Percentile	7.30
Median	6.20
75th Percentile	5.23
90th Percentile	4.30
NTGI Emerging Markets	5.75
MSCI Emerging Mkts Idx Net	5.58

Relative Returns vs MSCI Emerging Mkts Idx Net



Cumulative Returns vs MSCI Emerging Mkts Idx Net



EPOCH Investment Partners Period Ended December 31, 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.

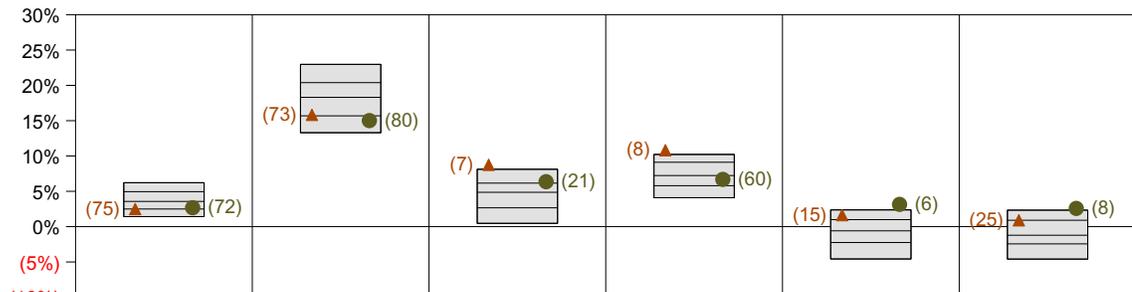
Quarterly Summary and Highlights

- EPOCH Investment Partners's portfolio posted a 2.68% return for the quarter placing it in the 72 percentile of the CAI Global Equity Broad Style group for the quarter and in the 80 percentile for the last year.
- EPOCH Investment Partners's portfolio outperformed the EPOCH Blended Benchmark by 0.19% for the quarter and underperformed the EPOCH Blended Benchmark for the year by 0.82%.

Quarterly Asset Growth

Beginning Market Value	\$175,720,270
Net New Investment	\$-332,047
Investment Gains/(Losses)	\$4,695,371
Ending Market Value	\$180,083,595

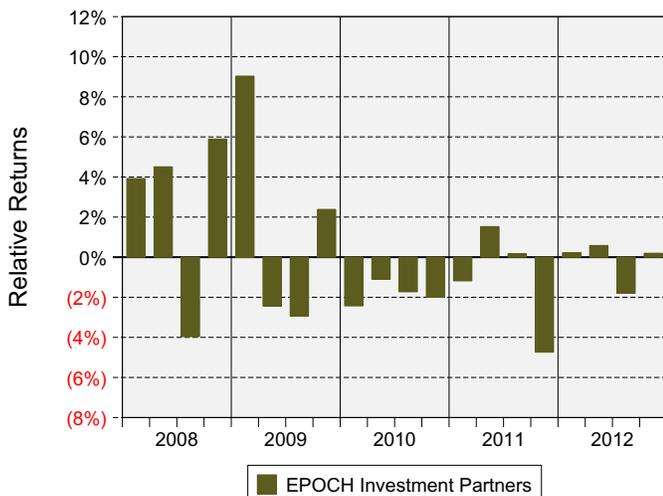
Performance vs CAI Global Equity Broad Style (Gross)



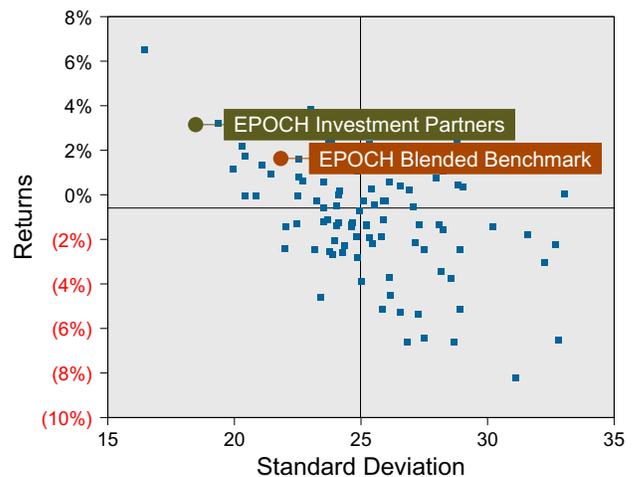
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-1/4 Years
10th Percentile	6.22	22.97	8.12	10.22	2.37	2.33
25th Percentile	4.95	20.39	6.16	9.11	0.99	0.90
Median	3.57	18.30	4.86	7.23	(0.59)	(1.22)
75th Percentile	2.50	15.69	2.66	5.80	(2.25)	(2.44)
90th Percentile	1.42	13.30	0.47	4.09	(4.58)	(4.60)

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-1/4 Years
EPOCH Investment Partners ●	2.68	15.01	6.36	6.69	3.15	2.58
EPOCH Blended Benchmark ▲	2.49	15.83	8.75	10.82	1.63	0.90

Relative Returns vs EPOCH Blended Benchmark



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



Calamos Investments

Period Ended December 31, 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

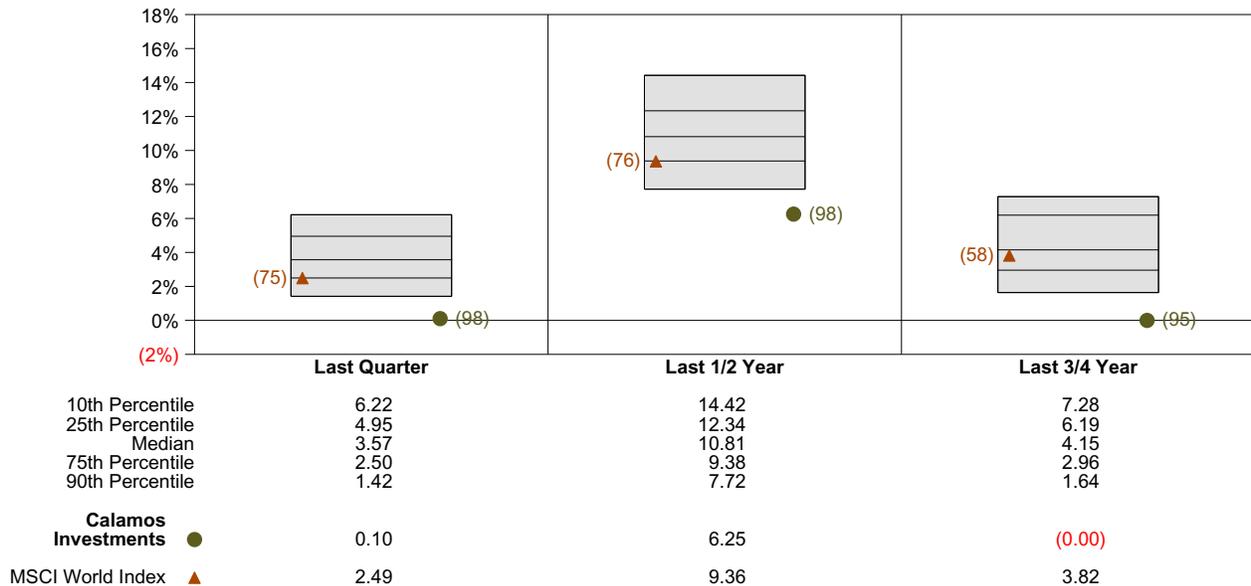
- Calamos Investments's portfolio posted a 0.10% return for the quarter placing it in the 98 percentile of the CAI Global Equity Broad Style group for the quarter and in the 95 percentile for the last three-quarter year.
- Calamos Investments's portfolio underperformed the MSCI World Index by 2.38% for the quarter and underperformed the MSCI World Index for the three-quarter year by 3.82%.

Quarterly Asset Growth

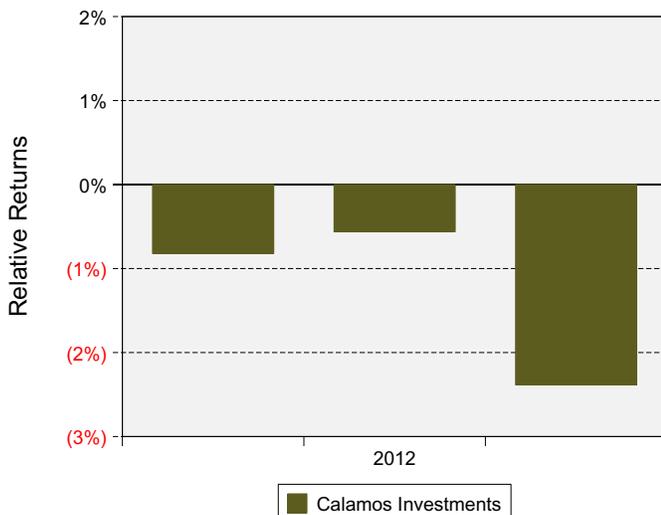
Beginning Market Value	\$53,024,038
Net New Investment	\$-92,613
Investment Gains/(Losses)	\$54,663
Ending Market Value	\$52,986,088

Percent Cash: (0.0)%

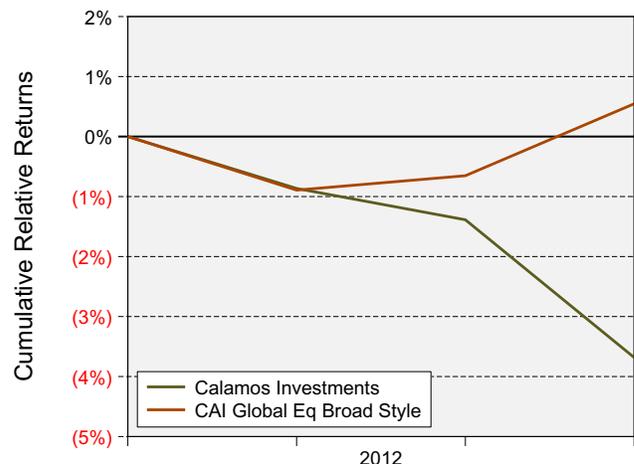
Performance vs CAI Global Equity Broad Style (Gross)



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 December 31, 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 December 31, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 23-3/4 Years
Private Equity	1.27%	10.75%	9.02%	(0.83%)	9.61%
Brinson Partners Venture II	630.56%	630.56%	79.44%	64.20%	27.92%
Brinson Partners Venture III	(0.24%)	3.56%	17.91%	8.89%	-
Adams Street Direct Co-Invest Fd	(1.87%)	4.39%	17.08%	(0.21%)	-
Adams Street Direct Fd 2010	(0.86%)	7.48%	-	-	-
Adams Street 1998 Partnership	3.83%	6.23%	(1.07%)	(8.70%)	-
Adams Street 1999 Partnership	2.49%	9.42%	6.63%	(0.09%)	-
Adams Street 2000 Partnership	1.97%	5.06%	12.96%	3.06%	-
Adams Street 2001 Partnership	4.94%	11.67%	11.45%	3.17%	-
Adams Street 2002 Partnership	2.98%	16.96%	17.81%	3.15%	-
Adams Street 2003 Partnership	2.61%	3.31%	7.63%	(0.74%)	-
Adams Street 2010 Partnership	3.47%	11.54%	-	-	-
Adams Street 2008 Fund	1.73%	3.62%	4.72%	-	-
Adams Street 1999 Non-US	2.46%	9.53%	17.42%	8.73%	-
Adams Street 2000 Non-US	(0.45%)	(8.56%)	8.58%	(0.03%)	-
Adams Street 2001 Non-US	8.52%	3.64%	1.86%	(8.61%)	-
Adams Street 2002 Non-US	4.43%	3.83%	10.38%	(2.92%)	-
Adams Street 2003 Non-US	7.51%	19.49%	14.92%	5.23%	-
Adams Street 2004 Non-US	1.26%	(4.60%)	6.53%	(0.80%)	-
Adams Street 2010 Non-US	4.05%	11.67%	-	-	-
Adams Street 2010 NonUS Em	(1.61%)	(16.92%)	-	-	-
Adams Street US 2010	3.47%	11.54%	-	-	-
Adams Street BVCF IV Fund	(3.65%)	29.64%	81.37%	39.32%	-
Coral Partners V	0.00%	25.67%	57.12%	39.43%	-
Coral Partner VI	1.99%	(13.00%)	(9.71%)	(21.80%)	-
Coral Partners Technology Fund	0.00%	4.17%	(16.47%)	(13.91%)	-
CorsAir III	(6.23%)	(1.12%)	1.45%	1.31%	-
ND Investors	(0.47%)	5.07%	1.03%	-	-
CorsAir IV	(1.74%)	(4.71%)	-	-	-
Capital International V	(0.54%)	(0.23%)	13.47%	4.10%	-
Capital International VI	(4.12%)	(16.60%)	-	-	-
TCW Energy Fund XIV	(0.33%)	2.00%	11.47%	13.12%	-
Lewis & Clark	0.00%	6.01%	10.20%	4.78%	-
Lewis & Clark II	0.00%	(3.26%)	(10.62%)	-	-
Quantum Energy Partners	8.29%	20.31%	20.76%	7.95%	-
Quantum Resources	4.33%	34.78%	16.73%	(45.61%)	-
Matlin Patterson I	1.64%	*****%	3145.93%	726.74%	-
Matlin Patterson II	0.02%	(69.21%)	(55.94%)	(45.02%)	-
Matlin Patterson III	10.22%	175.43%	28.39%	11.90%	-
Russell 1000 Index	0.12%	16.42%	11.12%	1.92%	9.37%
Russell 2000 Index	1.85%	16.35%	12.25%	3.56%	8.90%

Bank of North Dakota Period Ended December 31, 2012

Investment Philosophy

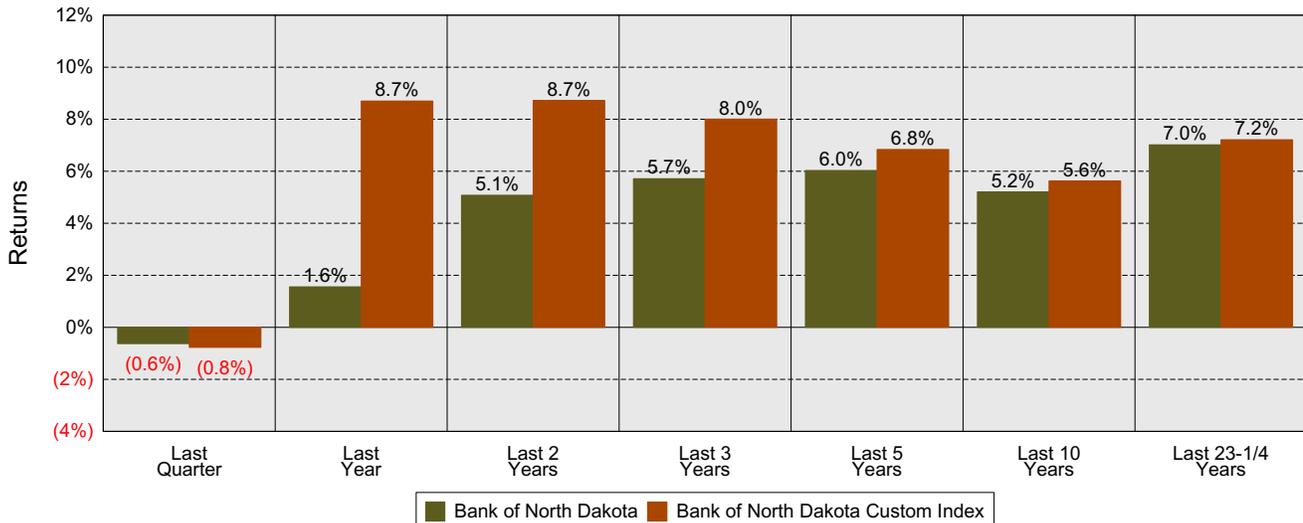
The Bank of North Dakota (BND) uses a passive management style designed to replicate the Barclays Government/Corporate Bond Index. In order to accomplish this objective, BND utilizes optimization software that allows us to monitor several portfolio and individual security constraints (duration, yield,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

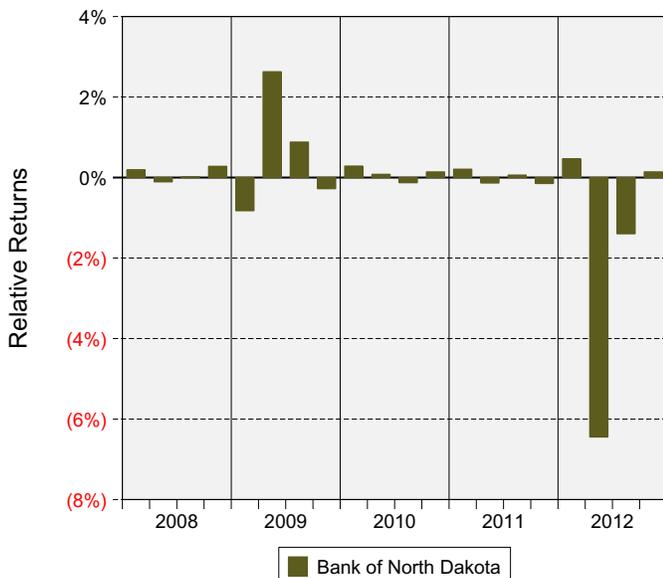
- Bank of North Dakota's portfolio outperformed the Bank of North Dakota Custom Index by 0.14% for the quarter and underperformed the Bank of North Dakota Custom Index for the year by 7.14%.

Quarterly Asset Growth

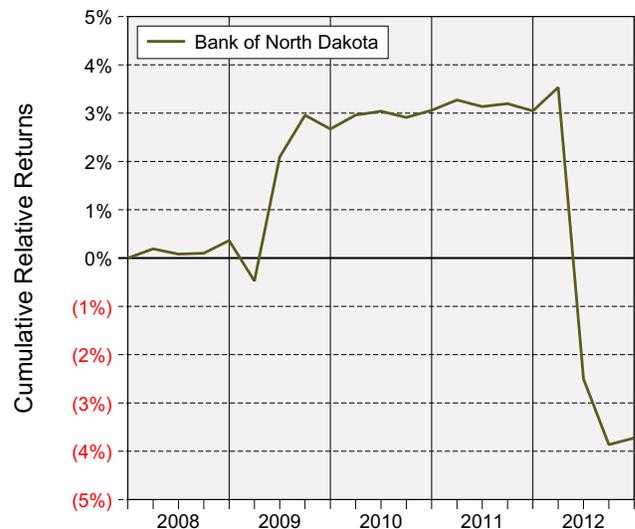
Beginning Market Value	\$48,820,623
Net New Investment	\$-7,445
Investment Gains/(Losses)	\$-307,065
Ending Market Value	\$48,506,112



Relative Returns vs Bank of North Dakota Custom Index



Cumulative Returns vs Bank of North Dakota Custom Index



PIMCO DiSCO II

Period Ended December 31, 2012

Investment Philosophy

The PIMCO Distressed Senior Credit Opportunities Fund is an opportunistic private-equity style Fund which seeks to provide investors enhanced returns principally through long-biased investments in undervalued senior and super senior structured credit securities that are expected to produce attractive levels of current income and that may also appreciate in value over the long term. The fund will look to capitalize on forced sales by liquidity constrained investors.

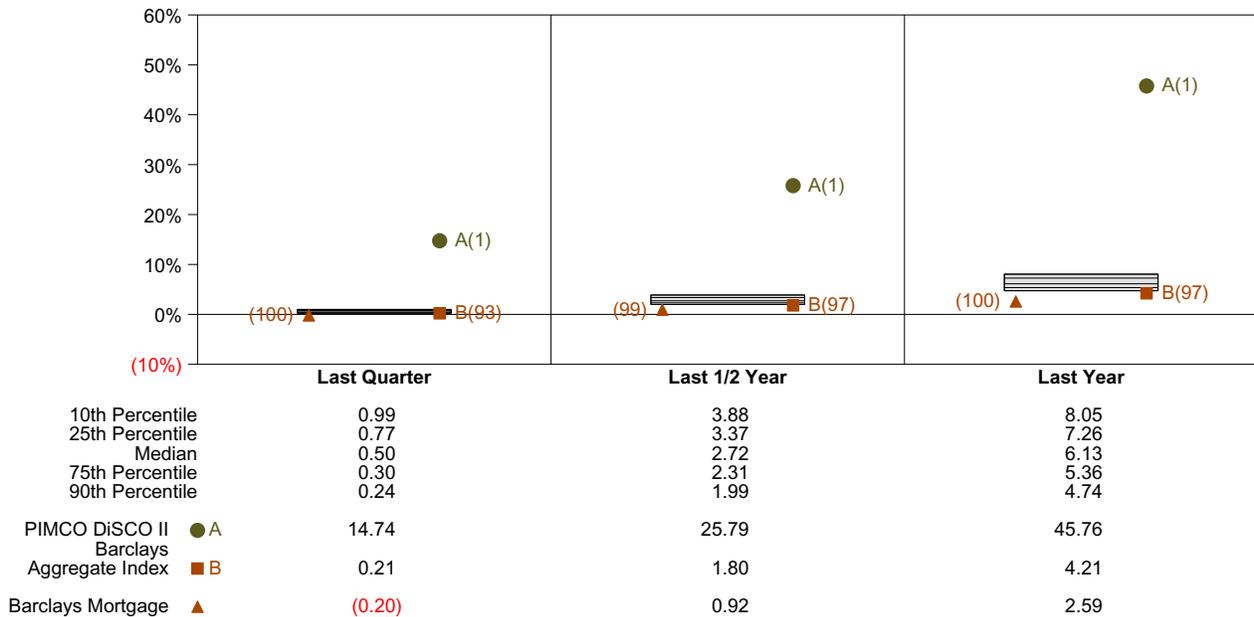
Quarterly Summary and Highlights

- PIMCO DiSCO II's portfolio posted a 14.74% 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.
- PIMCO DiSCO II's portfolio outperformed the Barclays Mortgage by 14.94% for the quarter and outperformed the Barclays Mortgage for the year by 43.16%.

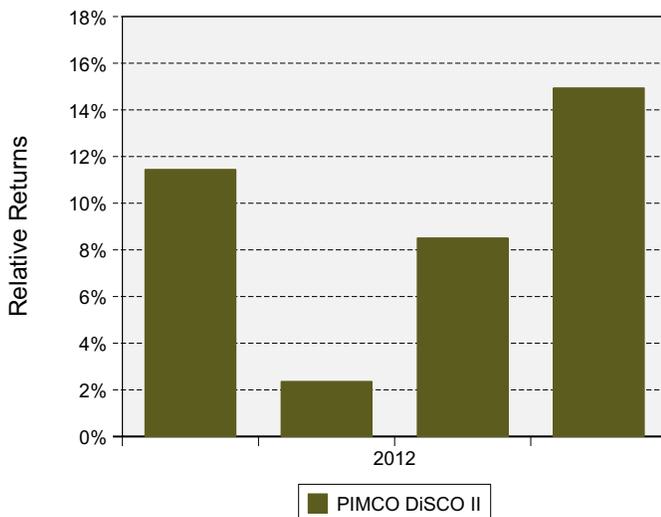
Quarterly Asset Growth

Beginning Market Value	\$86,024,393
Net New Investment	\$-466
Investment Gains/(Losses)	\$12,676,500
Ending Market Value	\$98,700,427

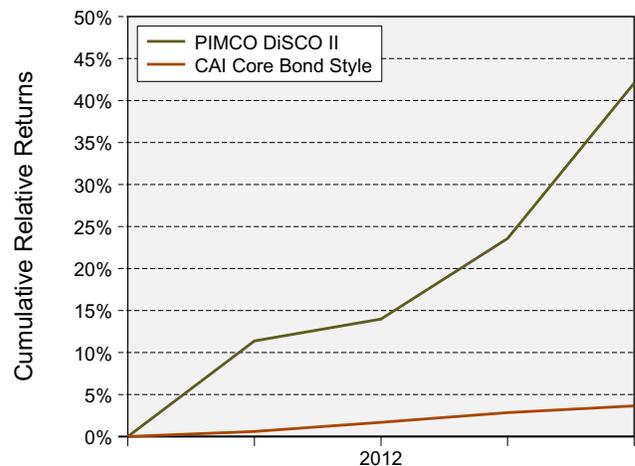
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Western Asset Management Company
Period Ended December 31, 2012

Investment Philosophy

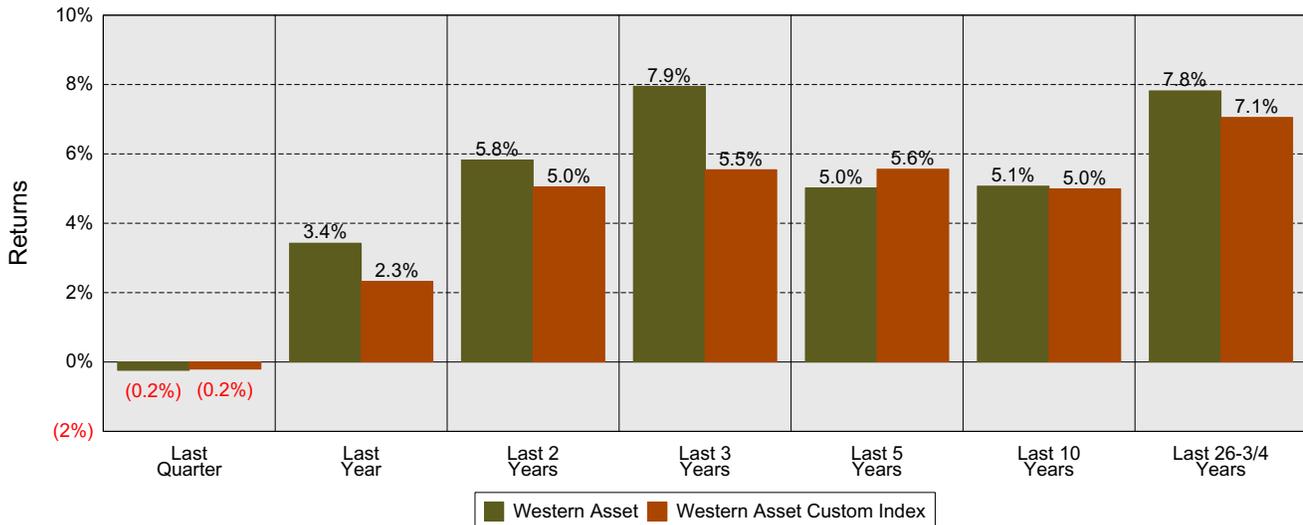
The investment objective for the Western Asset Mortgage-Backed Securities portfolio is to outperform the Barclays Capital US Mortgage Backed Securities Index over a three to five year market cycle. The portfolio is designed to hold high quality assets, with at least 90% of the portfolio rated AAA, or 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

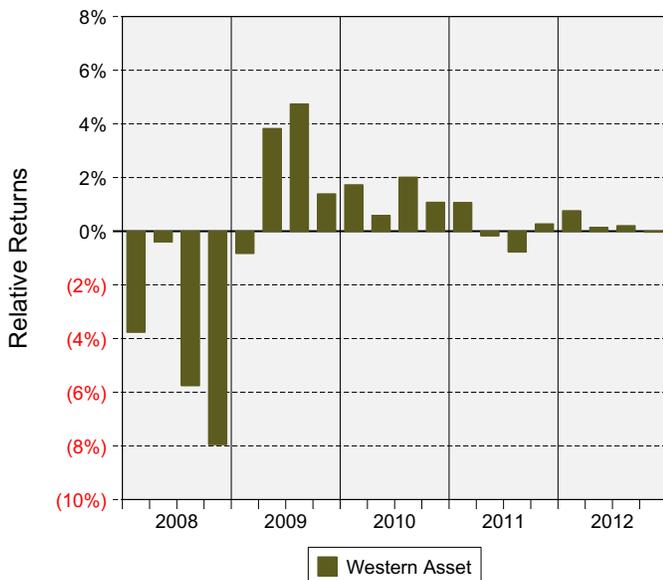
- Western Asset's portfolio underperformed the Western Asset Custom Index by 0.04% for the quarter and outperformed the Western Asset Custom Index for the year by 1.10%.

Quarterly Asset Growth

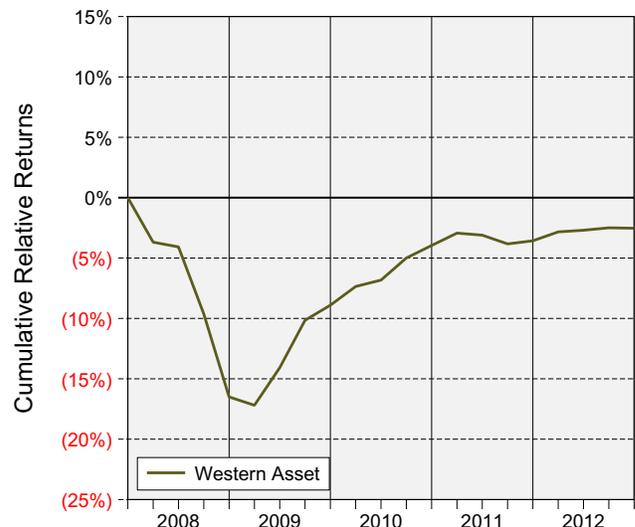
Beginning Market Value	\$101,190,547
Net New Investment	\$-45,703
Investment Gains/(Losses)	\$-242,558
Ending Market Value	\$100,902,286



Relative Returns vs Western Asset Custom Index



Cumulative Returns vs Western Asset Custom Index



PIMCO Unconstrained Period Ended December 31, 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

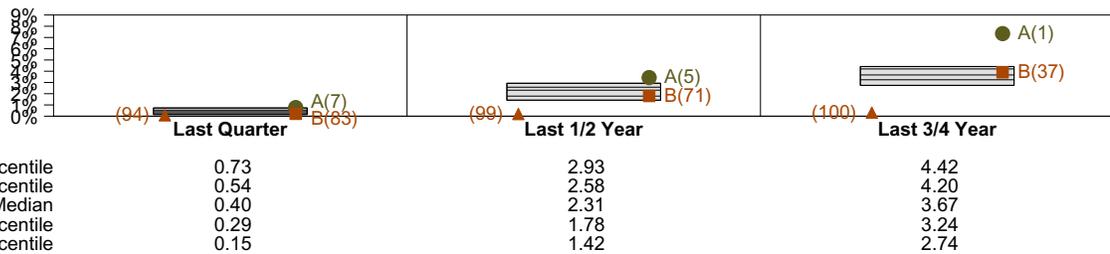
- PIMCO Unconstrained's portfolio posted a 0.77% return for the quarter placing it in the 7 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 1 percentile for the last three-quarter year.
- PIMCO Unconstrained's portfolio outperformed the Libor-3 Month by 0.68% for the quarter and outperformed the Libor-3 Month for the three-quarter year by 7.03%.

Quarterly Asset Growth

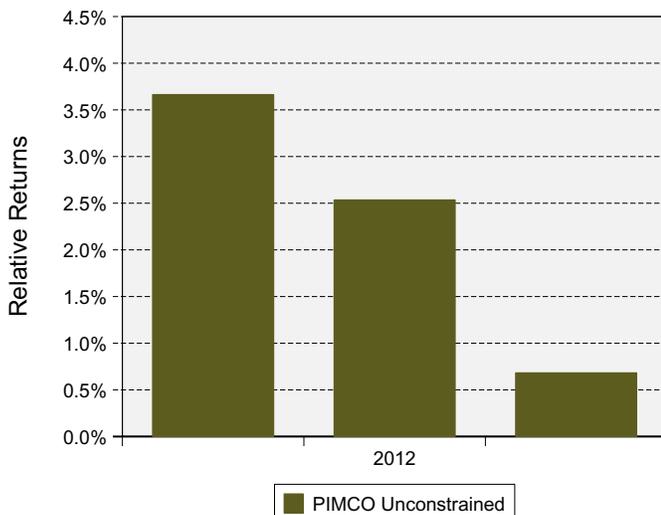
Beginning Market Value	\$69,699,961
Net New Investment	\$-10,000,000
Investment Gains/(Losses)	\$471,163
Ending Market Value	\$60,171,123

Percent Cash: 0.0%

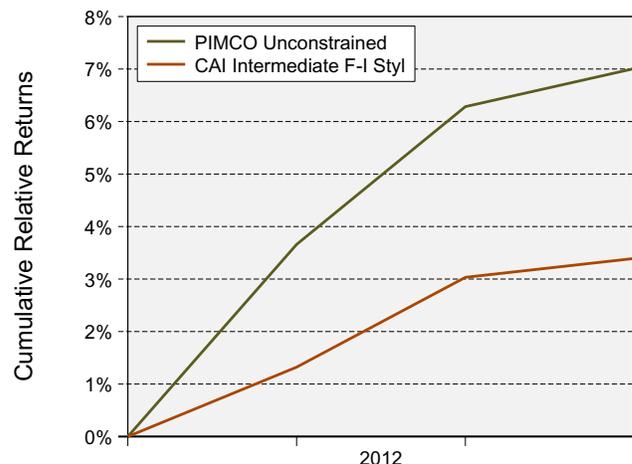
Performance vs CAI Intermediate Fixed-Inc Style (Gross)



Relative Return vs Libor-3 Month



Cumulative Returns vs Libor-3 Month



PIMCO MBS

Period Ended December 31, 2012

Investment Philosophy

The PIMCO Mortgage-Backed Securities Strategy is an actively managed bond portfolio that invests in high quality, short to intermediate duration mortgage-backed securities. The fund invests primarily in securities that are highly rated, such as US Government guaranteed Ginnie Mae securities and Agency-guaranteed Fannie Mae and Freddie Mac mortgage-backed securities.

Quarterly Summary and Highlights

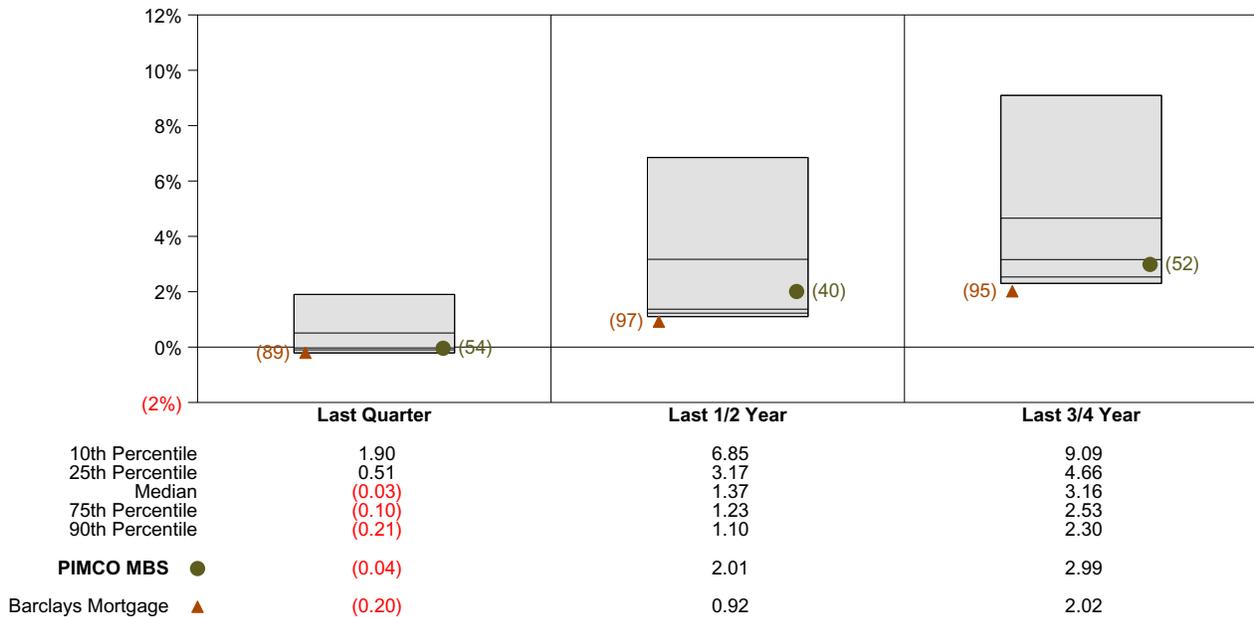
- PIMCO MBS's portfolio posted a (0.04)% return for the quarter placing it in the 54 percentile of the CAI Mtg-Backed FI Style group for the quarter and in the 52 percentile for the last three-quarter year.
- PIMCO MBS's portfolio outperformed the Barclays Mortgage by 0.16% for the quarter and outperformed the Barclays Mortgage for the three-quarter year by 0.97%.

Quarterly Asset Growth

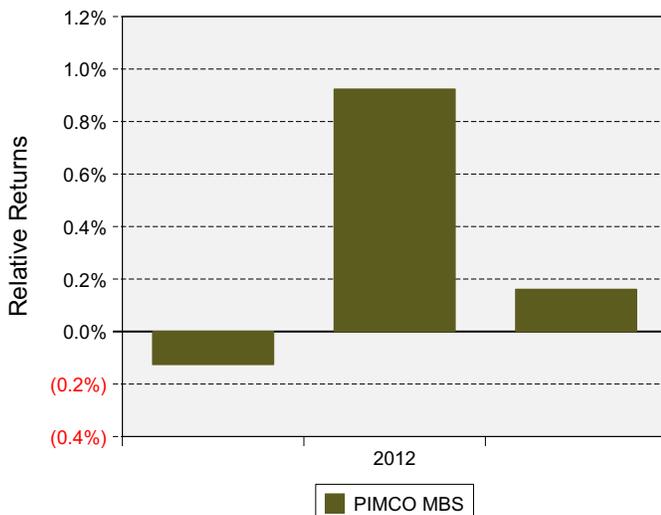
Beginning Market Value	\$149,575,089
Net New Investment	\$-65,983
Investment Gains/(Losses)	\$-63,218
Ending Market Value	\$149,445,888

Percent Cash: 0.0%

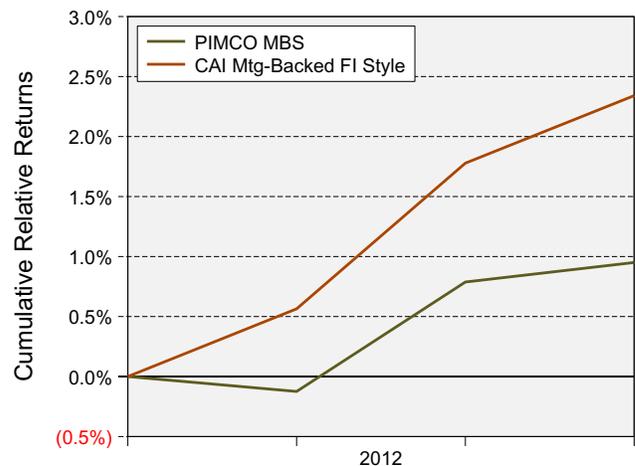
Performance vs CAI Mtg-Backed FI Style (Gross)



Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Declaration Total Return Period Ended December 31, 2012

Investment Philosophy

The Fund's portfolio holdings consist primarily of RMBS issued by private sector companies (Non-Agency RMBS) and government agencies (Agency MBS) and CMBS issued by private sector companies. Agency MBS includes securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Government National Mortgage Association (Ginnie Mae). Portfolio holdings may range from short tenure senior classes to stressed issues or subordinated securities with substantial risk of non-payment and correspondingly higher yields. Smaller portfolio allocations may include consumer asset-backed securities (ABS), or other structured credit securities and corporate bonds. As a diversification strategy and a potential hedge to credit risk, the Fund may invest in securities which tend to benefit from slow mortgage prepayments and economic growth, such as interest only (IO) MBS.

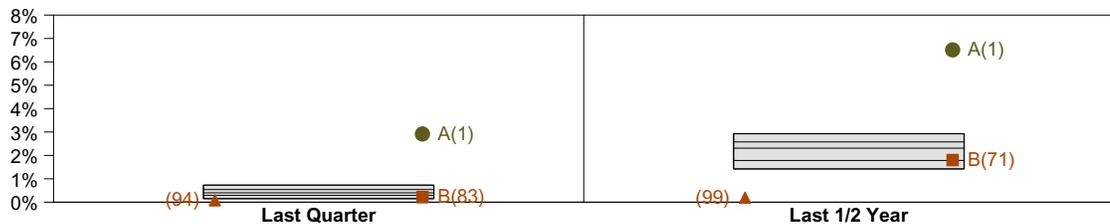
Quarterly Summary and Highlights

- Declaration Total Return's portfolio posted a 2.92% return for the quarter placing it in the 1 percentile of the CAI Intermediate Fixed-Inc Style group for the quarter and in the 1 percentile for the last one-half year.
- Declaration Total Return's portfolio outperformed the Libor-3 Month by 2.83% for the quarter and outperformed the Libor-3 Month for the one-half year by 6.32%.

Quarterly Asset Growth

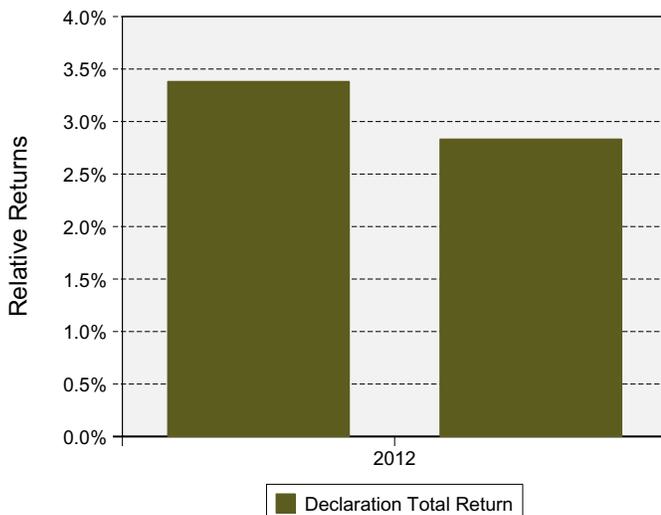
Beginning Market Value	\$56,758,247
Net New Investment	\$0
Investment Gains/(Losses)	\$1,655,090
Ending Market Value	\$58,413,337

Performance vs CAI Intermediate Fixed-Inc Style (Gross)

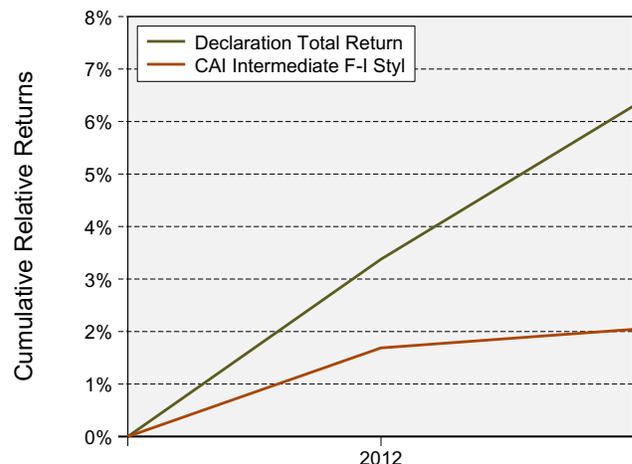


10th Percentile	0.73	2.93
25th Percentile	0.54	2.58
Median	0.40	2.31
75th Percentile	0.29	1.78
90th Percentile	0.15	1.42
Declaration Total Return	● A	2.92
Barclays Aggregate Index	■ B	0.21
Libor-3 Month	▲	0.08

Relative Return vs Libor-3 Month



Cumulative Returns vs Libor-3 Month



Goldman Sachs 2006 Offshore Period Ended December 31, 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 2.92% return for the quarter placing it in the 72 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 0.37% for the quarter and underperformed the Barclays HY Corp 2% Issue for the year by 22.34%.

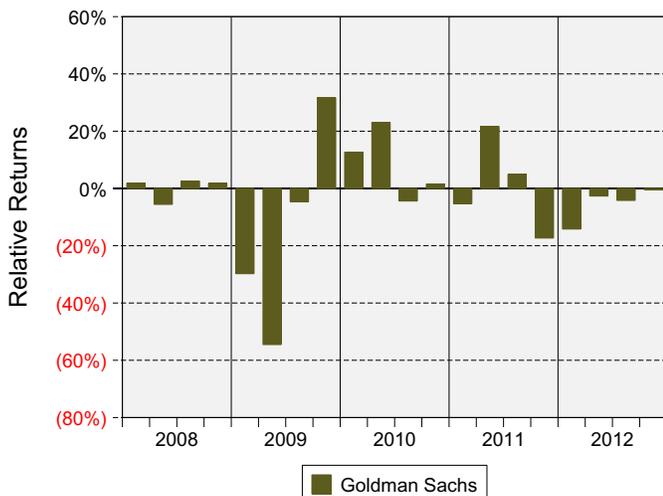
Quarterly Asset Growth

Beginning Market Value	\$4,230,713
Net New Investment	\$-79,510
Investment Gains/(Losses)	\$120,023
Ending Market Value	\$4,271,226

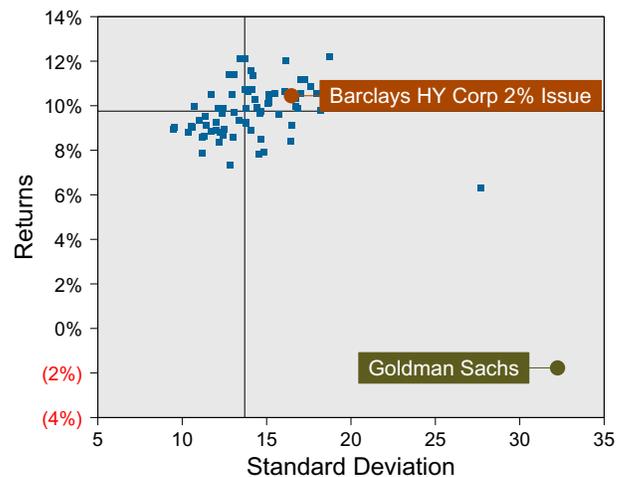
Performance vs CAI High Yield Fixed-Inc Style (Gross)



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 December 31, 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.

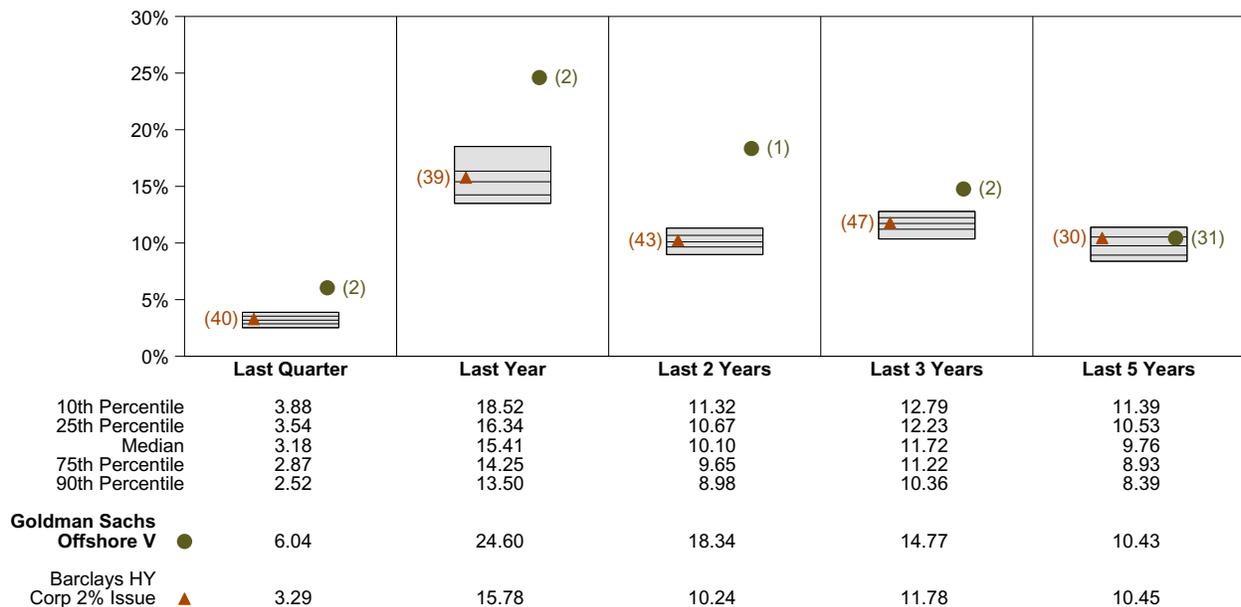
Quarterly Summary and Highlights

- Goldman Sachs Offshore V's portfolio posted a 6.04% 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 2 percentile for the last year.
- Goldman Sachs Offshore V's portfolio outperformed the Barclays HY Corp 2% Issue by 2.76% for the quarter and outperformed the Barclays HY Corp 2% Issue for the year by 8.83%.

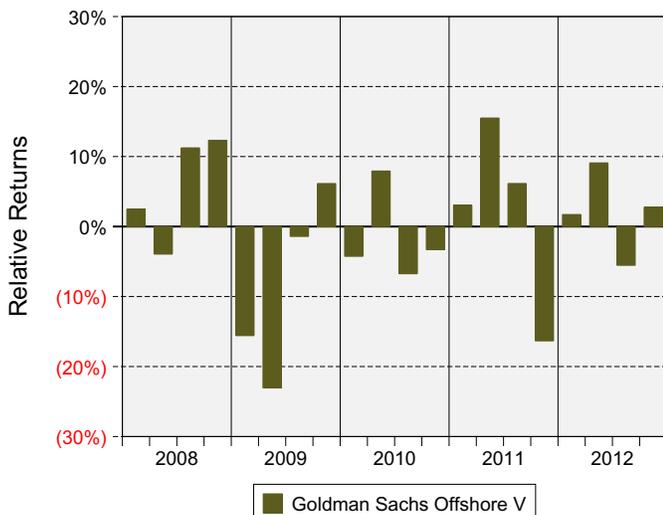
Quarterly Asset Growth

Beginning Market Value	\$10,045,965
Net New Investment	\$125,769
Investment Gains/(Losses)	\$601,781
Ending Market Value	\$10,773,515

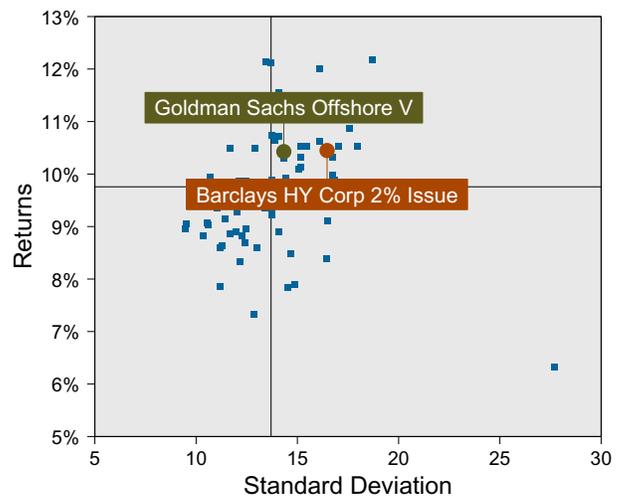
Performance vs CAI High Yield Fixed-Inc Style (Gross)



Relative Return vs Barclays HY Corp 2% Issue



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



Loomis Sayles

Period Ended December 31, 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.

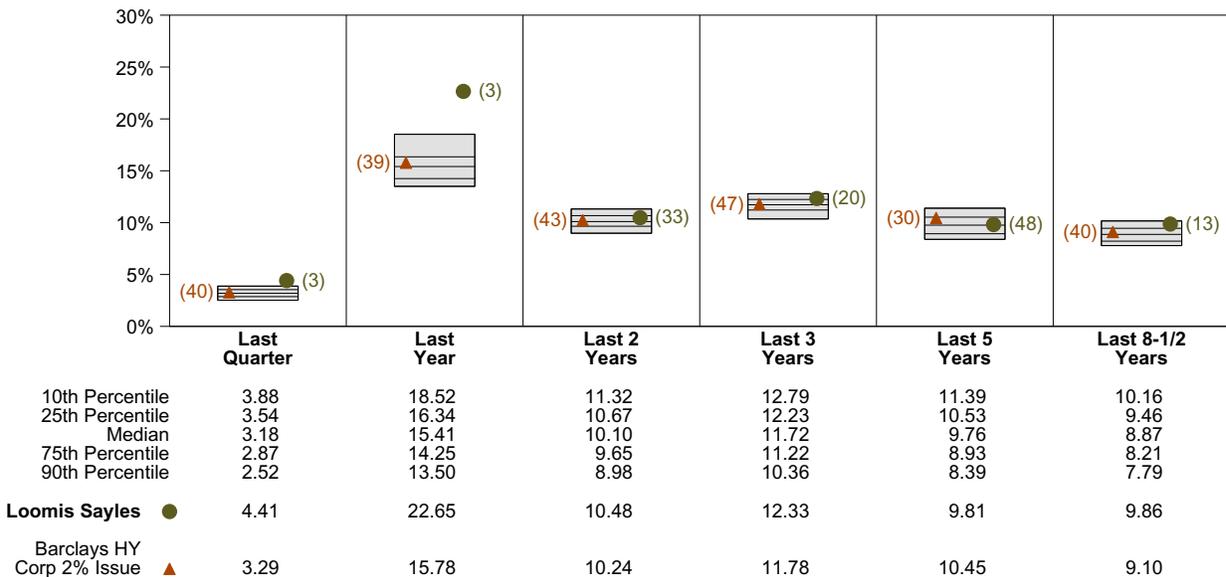
Quarterly Summary and Highlights

- Loomis Sayles's portfolio posted a 4.41% return for the quarter placing it in the 3 percentile of the CAI High Yield Fixed-Inc Style group for the quarter and in the 3 percentile for the last year.
- Loomis Sayles's portfolio outperformed the Barclays HY Corp 2% Issue by 1.13% for the quarter and outperformed the Barclays HY Corp 2% Issue for the year by 6.88%.

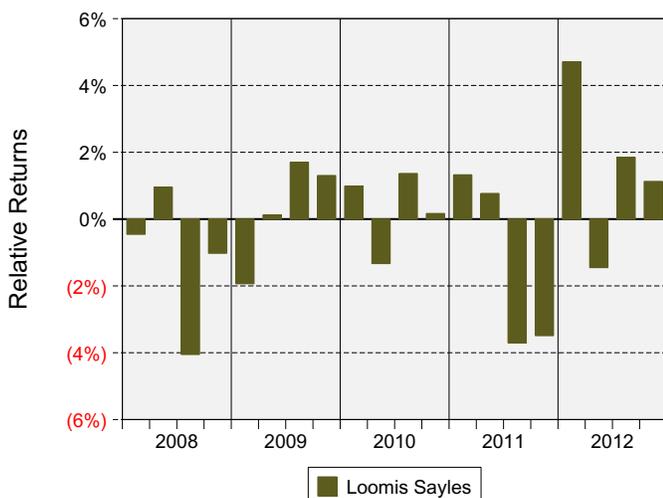
Quarterly Asset Growth

Beginning Market Value	\$165,944,835
Net New Investment	\$-207,914
Investment Gains/(Losses)	\$7,319,315
Ending Market Value	\$173,056,235

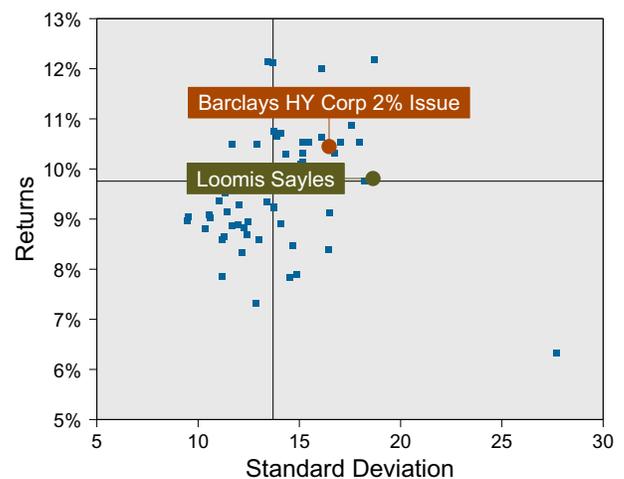
Performance vs CAI High Yield Fixed-Inc Style (Gross)



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 December 31, 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.

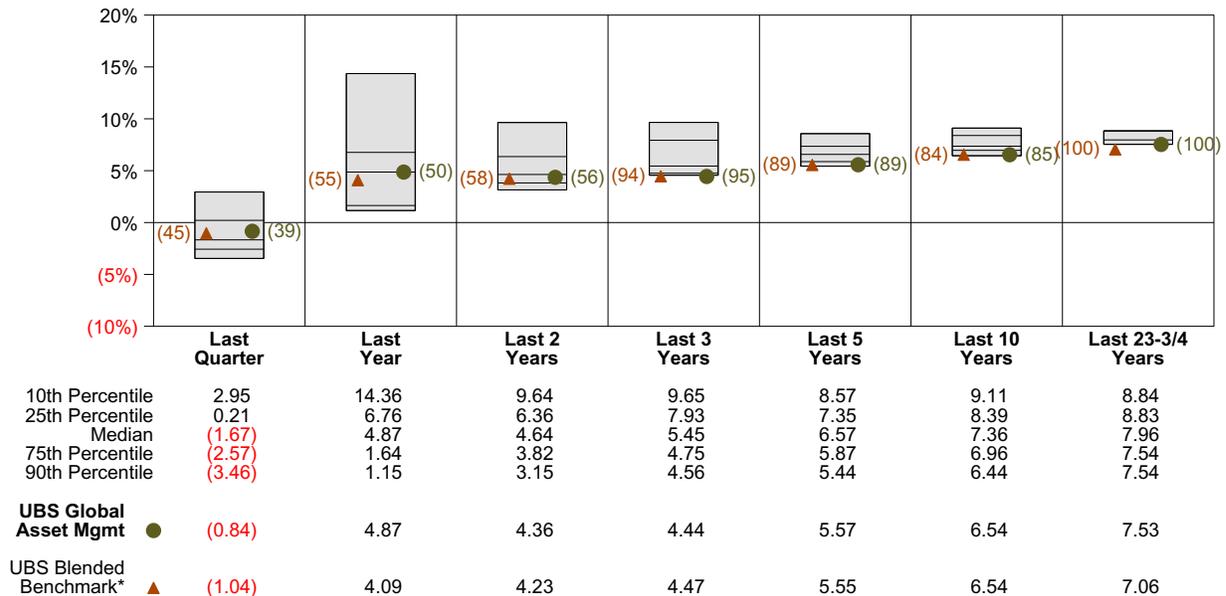
Quarterly Summary and Highlights

- UBS Global Asset Mgmt's portfolio posted a (0.84)% return for the quarter placing it in the 39 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 50 percentile for the last year.
- UBS Global Asset Mgmt's portfolio outperformed the UBS Blended Benchmark* by 0.19% for the quarter and outperformed the UBS Blended Benchmark* for the year by 0.78%.

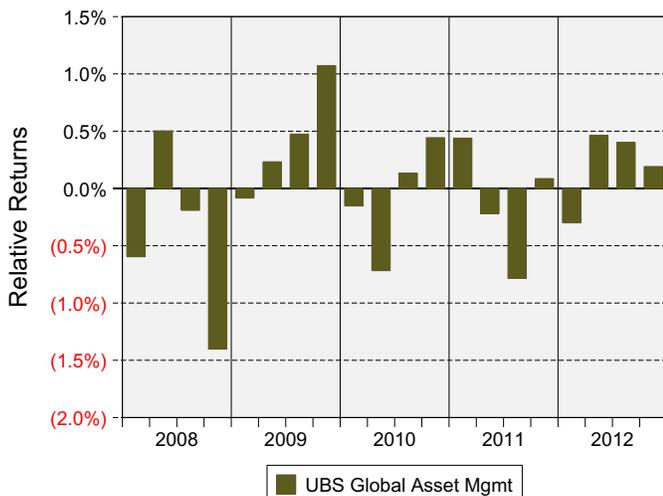
Quarterly Asset Growth

Beginning Market Value	\$99,198,489
Net New Investment	\$-137,823
Investment Gains/(Losses)	\$-837,278
Ending Market Value	\$98,223,389

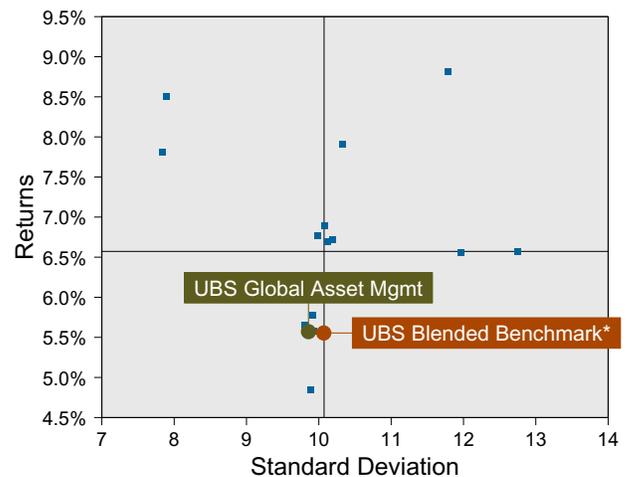
Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)



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 December 31, 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.

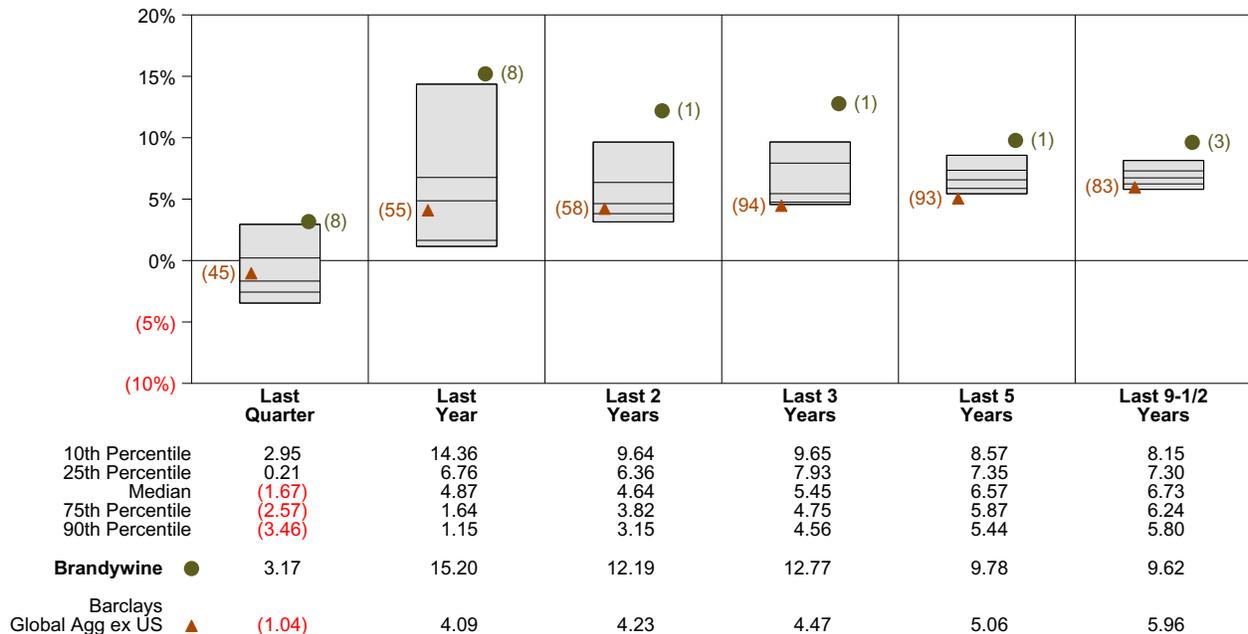
Quarterly Summary and Highlights

- Brandywine's portfolio posted a 3.17% return for the quarter placing it in the 8 percentile of the CAI Non-U.S. Fixed-Inc Style group for the quarter and in the 8 percentile for the last year.
- Brandywine's portfolio outperformed the Barclays Global Agg ex US by 4.21% for the quarter and outperformed the Barclays Global Agg ex US for the year by 11.11%.

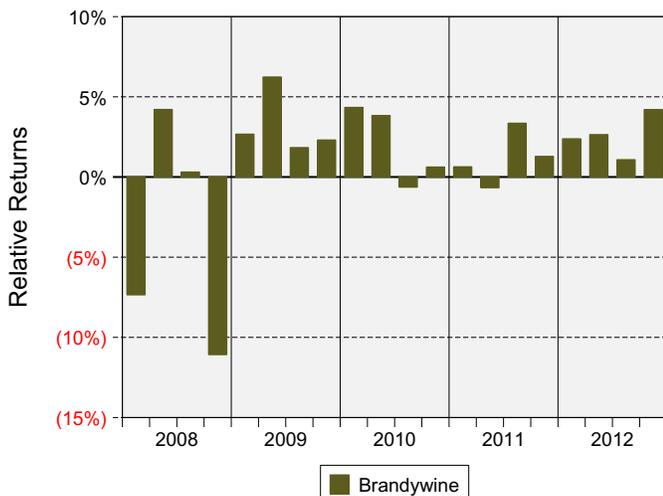
Quarterly Asset Growth

Beginning Market Value	\$102,418,908
Net New Investment	\$-105,806
Investment Gains/(Losses)	\$3,246,864
Ending Market Value	\$105,559,966

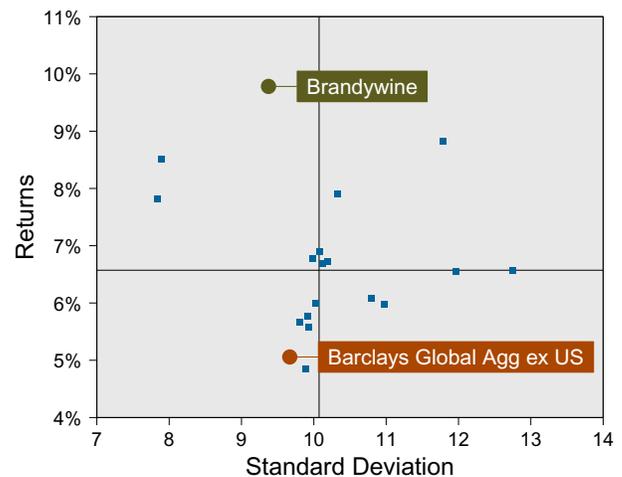
Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)



Relative Return vs Barclays Global Agg ex US



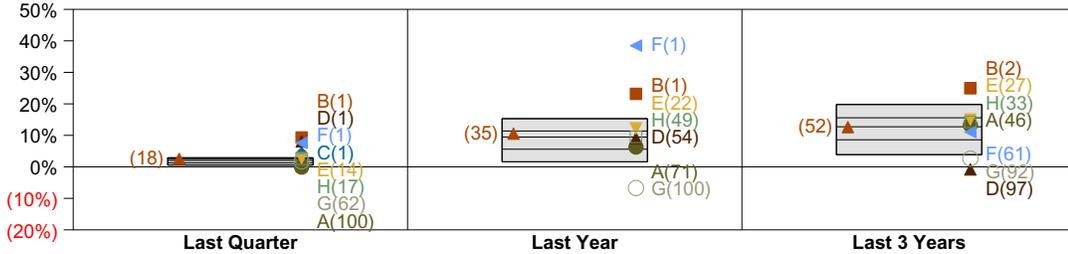
CAI Non-U.S. Fixed-Inc Style (Gross) Annualized Five Year Risk vs Return



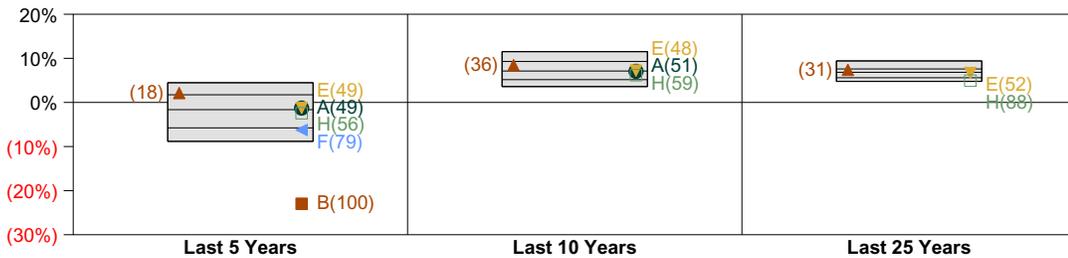
North Dakota State Investment Board Pension Funds Performance vs Total Real Estate DB Periods Ended December 31, 2012

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.



	Last Quarter	Last Year	Last 3 Years
10th Percentile	2.89	15.31	19.79
25th Percentile	2.45	11.38	15.58
Median	2.03	9.45	12.73
75th Percentile	1.27	5.61	8.60
90th Percentile	0.55	1.61	3.87
INVESCO Realty	(0.10)	6.28	13.29
INVESCO Real Estate II	9.32	23.17	24.94
INVESCO Real Estate III	4.34	-	-
INVESCO Asia	-	-	-
Real Estate	8.07	9.12	(0.82)
J.P. Morgan Investment	2.74	12.19	15.02
J.P. Morgan Alternative Fd	7.61	38.49	11.05
JP Morgan	-	-	-
Greater China Fund	1.74	(6.73)	2.61
Total Real Estate	2.57	9.51	14.26
NCREIF Total Index	2.54	10.55	12.63



	Last 5 Years	Last 10 Years	Last 25 Years
10th Percentile	4.47	11.52	9.41
25th Percentile	1.74	9.29	7.59
Median	(1.64)	7.12	6.83
75th Percentile	(5.77)	5.17	5.60
90th Percentile	(8.83)	3.59	4.77
INVESCO Realty	(1.29)	7.05	-
INVESCO Real Estate II	(22.98)	-	-
INVESCO Real Estate III	-	-	-
INVESCO Asia	-	-	-
Real Estate	-	-	-
J.P. Morgan Investment	(1.25)	7.22	6.68
J.P. Morgan Alternative Fd	(6.25)	-	-
JP Morgan	-	-	-
Greater China Fund	-	-	-
Total Real Estate	(2.45)	6.18	4.94
NCREIF Total Index	2.13	8.44	7.40

TIR - TEREDO

Period Ended December 31, 2012

Investment Philosophy

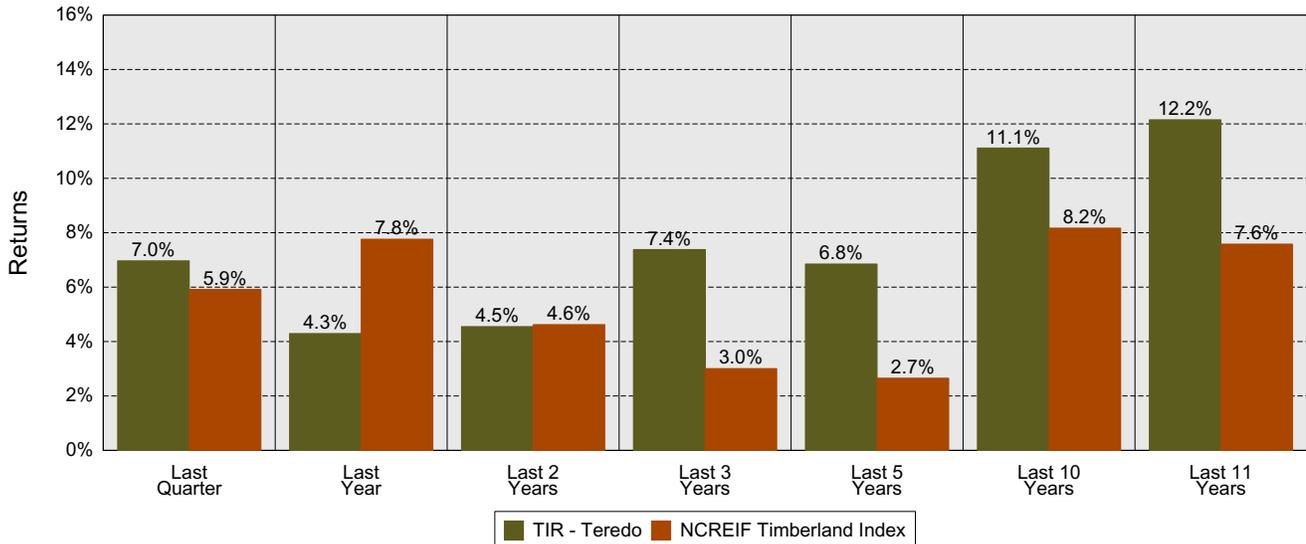
Teredo Timber LLC - The investment objective of Teredo is to provide competitive investment returns from increasing saw timber production through the 20 year term of the partnership. TIR's management strategy is to maximize saw timber volume by applying intensive forest management techniques which accelerate 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

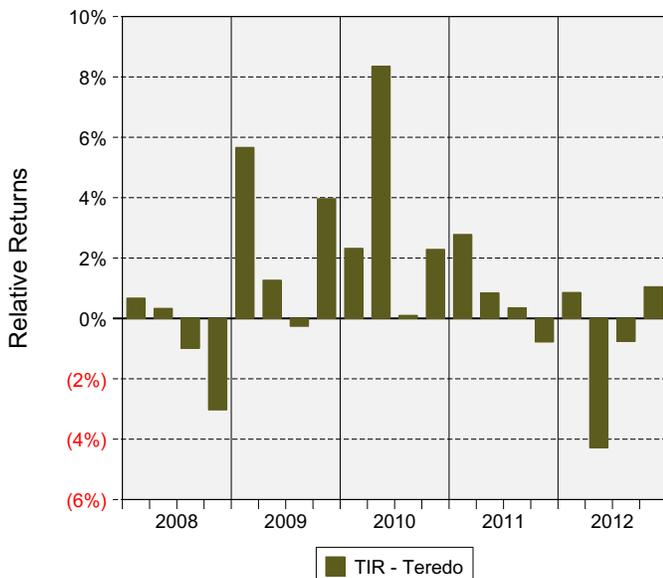
- TIR - Teredo's portfolio posted a 6.97% return for the quarter placing it in the 1 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 97 percentile for the last year.
- TIR - Teredo's portfolio outperformed the NCREIF Timberland Index by 1.05% for the quarter and underperformed the NCREIF Timberland Index for the year by 3.47%.

Quarterly Asset Growth

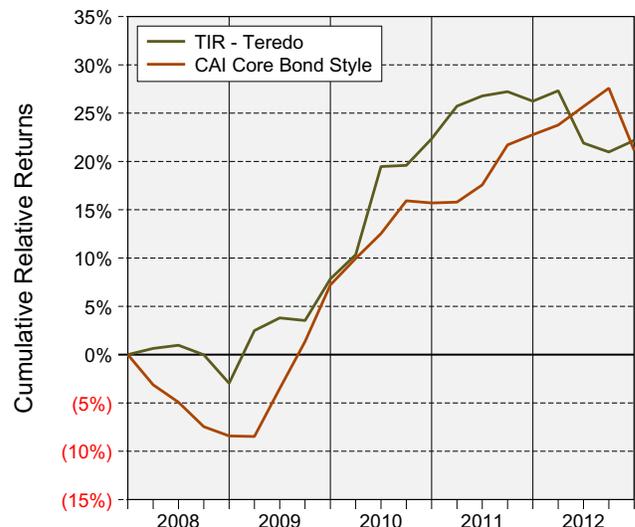
Beginning Market Value	\$74,436,495
Net New Investment	\$0
Investment Gains/(Losses)	\$5,186,507
Ending Market Value	\$79,623,002



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



TIR - SPRINGBANK

Period Ended December 31, 2012

Investment Philosophy

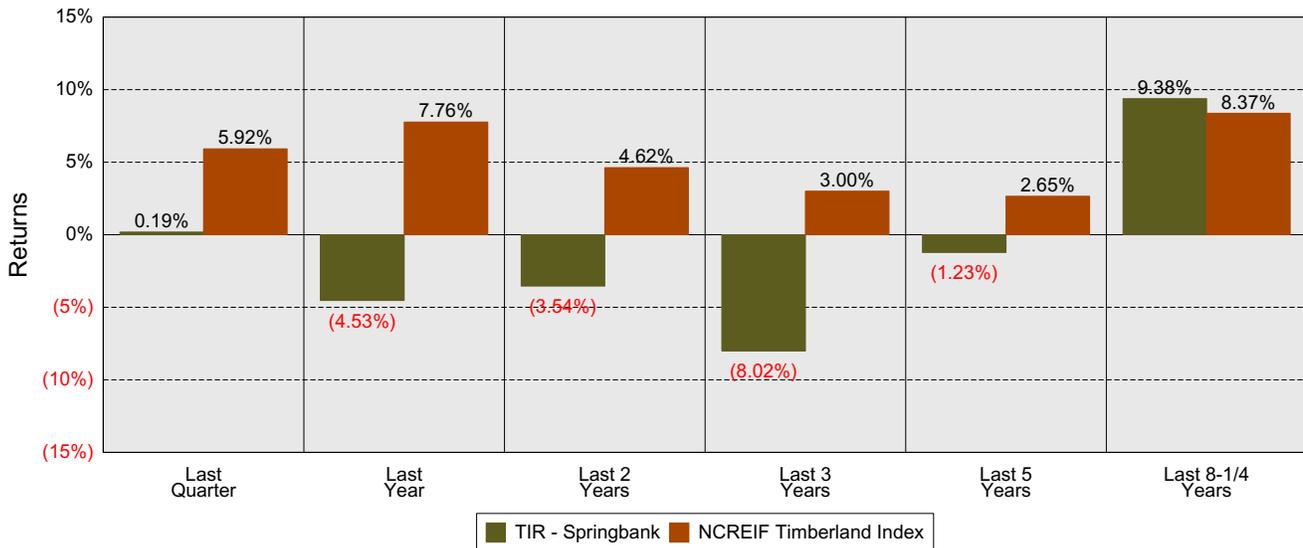
Springbank LLC - The investment objective of Springbank is to maximize long-term investment potential by means of the formation of a dedicated land management group, intensive timber management to increase timber production, the coordination of timber harvesting with land management activities and direct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

Quarterly Summary and Highlights

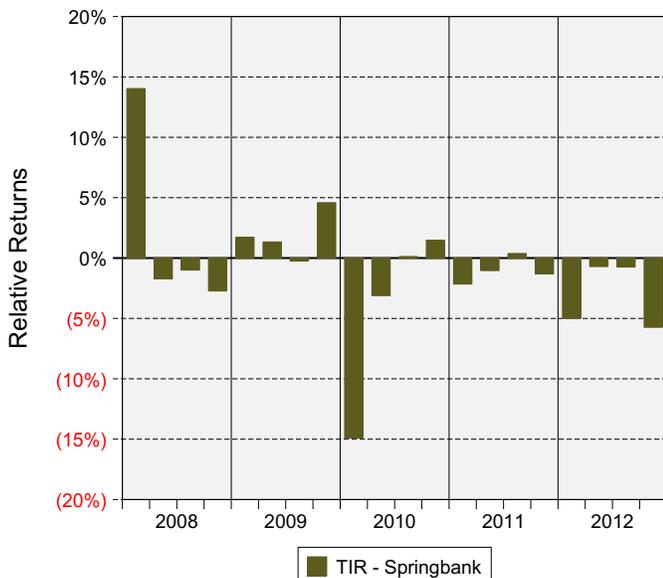
- TIR - Springbank's portfolio posted a 0.19% return for the quarter placing it in the 95 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 100 percentile for the last year.
- TIR - Springbank's portfolio underperformed the NCREIF Timberland Index by 5.73% for the quarter and underperformed the NCREIF Timberland Index for the year by 12.29%.

Quarterly Asset Growth

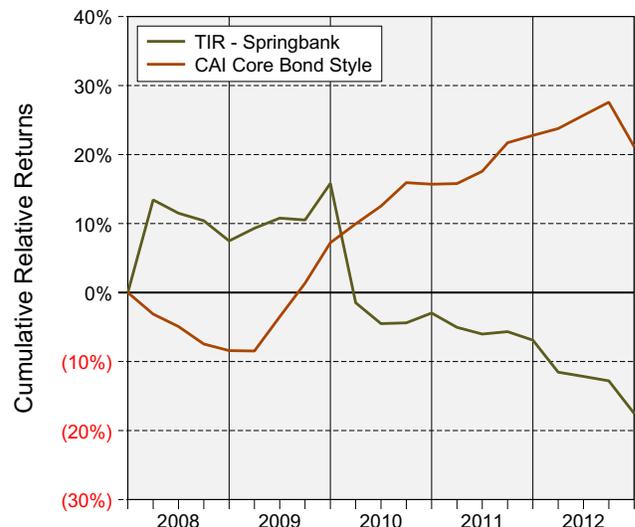
Beginning Market Value	\$123,997,275
Net New Investment	\$-26,354
Investment Gains/(Losses)	\$232,107
Ending Market Value	\$124,203,028



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



JP Morgan Asian Infrastructure Period Ended December 31, 2012

Investment Philosophy

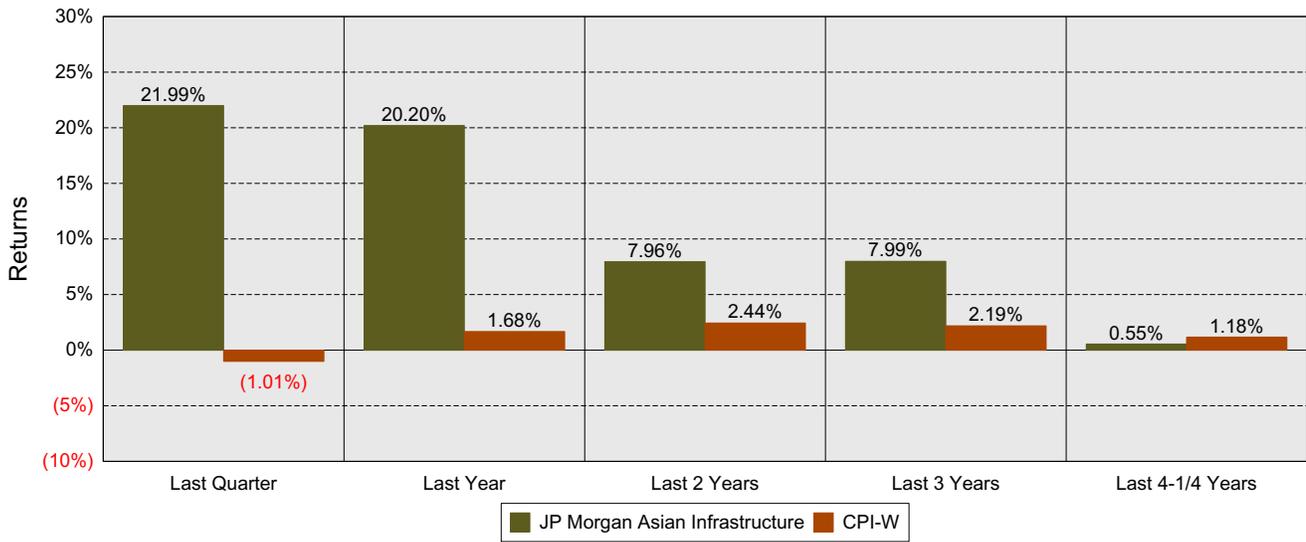
The JPMorgan Asian Infrastructure & Related Resources Opportunity (AIRRO) Fund seeks to invest in infrastructure and related resources opportunities across the greater Asia Pacific region. The Fund seeks to invest in a broad range of assets, including: core infrastructure, power both from conventional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

Quarterly Summary and Highlights

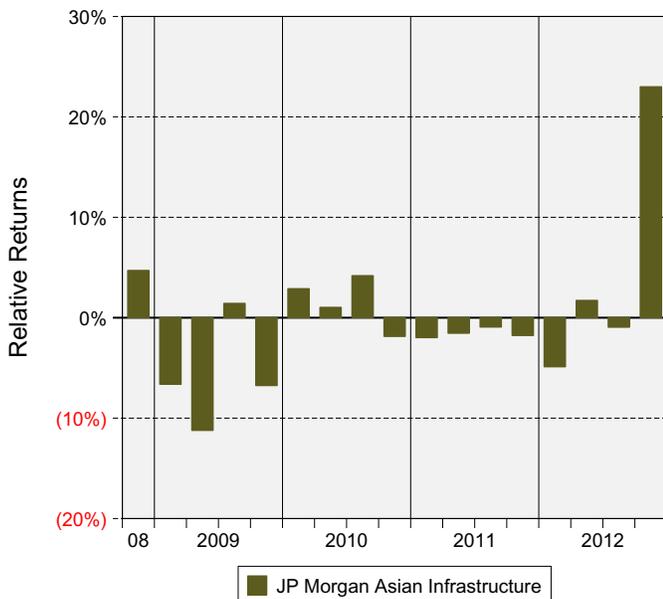
- JP Morgan Asian Infrastructure's portfolio outperformed the CPI-W by 23.00% for the quarter and outperformed the CPI-W for the year by 18.53%.

Quarterly Asset Growth

Beginning Market Value	\$16,443,108
Net New Investment	\$-26,055
Investment Gains/(Losses)	\$3,610,706
Ending Market Value	\$20,027,759



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



JP Morgan Infrastructure Fund Period Ended December 31, 2012

Investment Philosophy

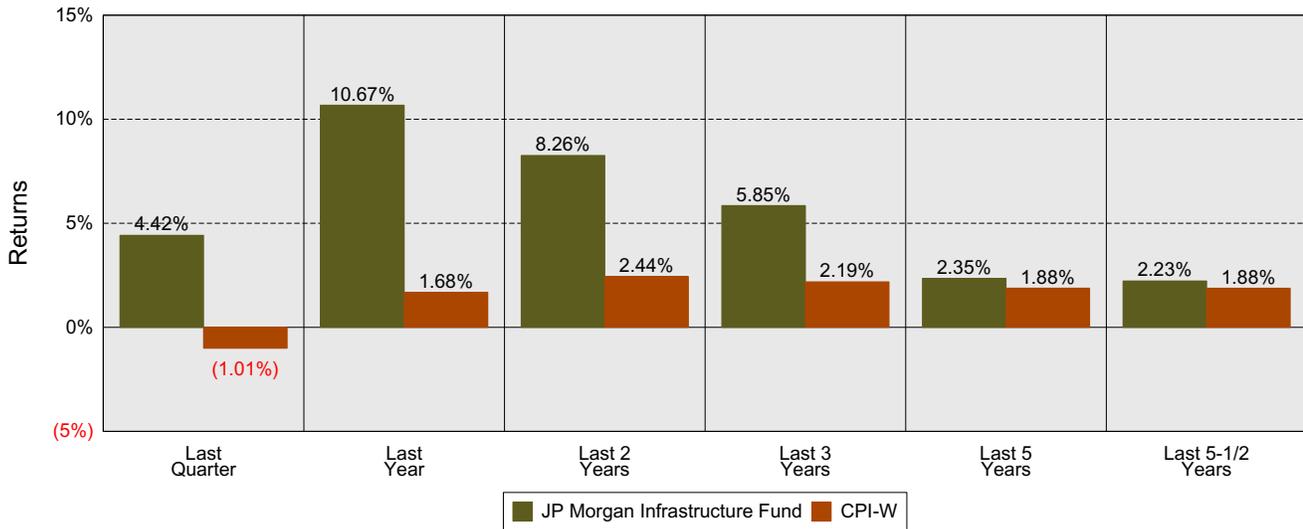
The only open-ended private commingled infrastructure fund in the U.S., the JPMorgan Infrastructure Investments Fund invests in stabilized assets in OECD countries with selected value-added opportunities, across infrastructure industry sub-sectors, including: toll roads, bridges and tunnels; oil and 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

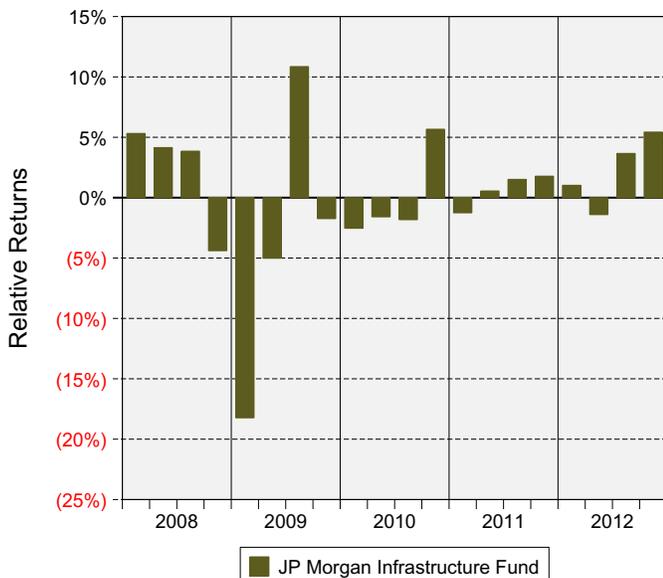
- JP Morgan Infrastructure Fund's portfolio outperformed the CPI-W by 5.43% for the quarter and outperformed the CPI-W for the year by 9.00%.

Quarterly Asset Growth

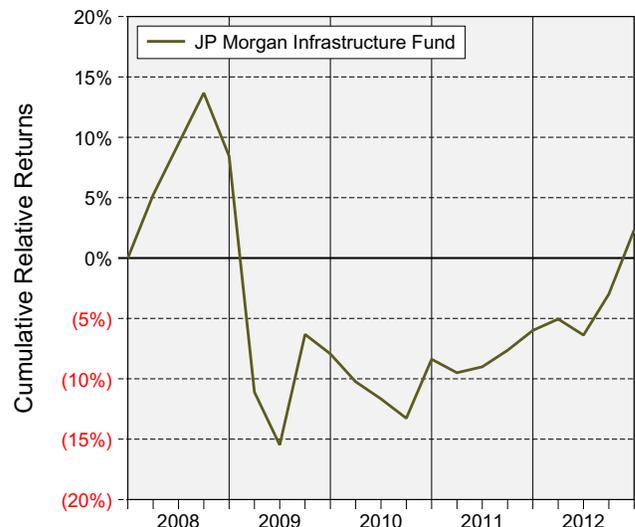
Beginning Market Value	\$92,306,014
Net New Investment	\$-257,654
Investment Gains/(Losses)	\$4,072,676
Ending Market Value	\$96,121,036



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



Credit Suisse Cust. Infrastructure Period Ended December 31, 2012

Investment Philosophy

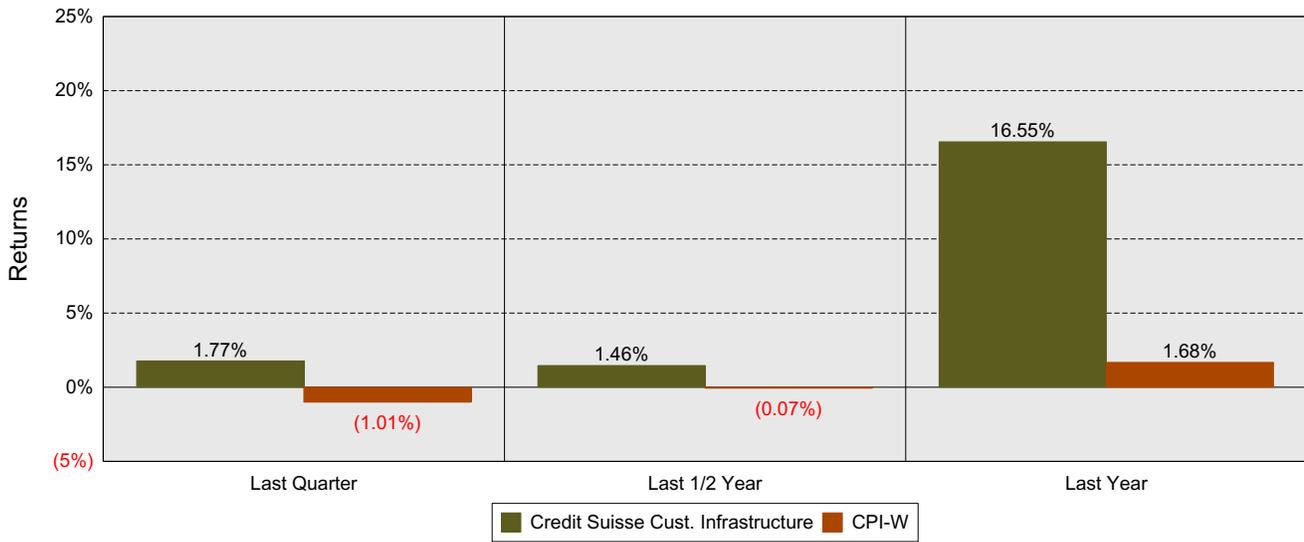
The Customized Infrastructure Strategies LP is a commingled fund focused on providing a comprehensive, diversified solution for investors looking to access the infrastructure asset class. The Fund seeks to generate stable, long-term yield and attractive risk-adjusted returns by investing in a diversified portfolio of primary core and core plus infrastructure funds (30%), co-investments (40%) and opportunistic secondary fund purchases (30%).

Quarterly Summary and Highlights

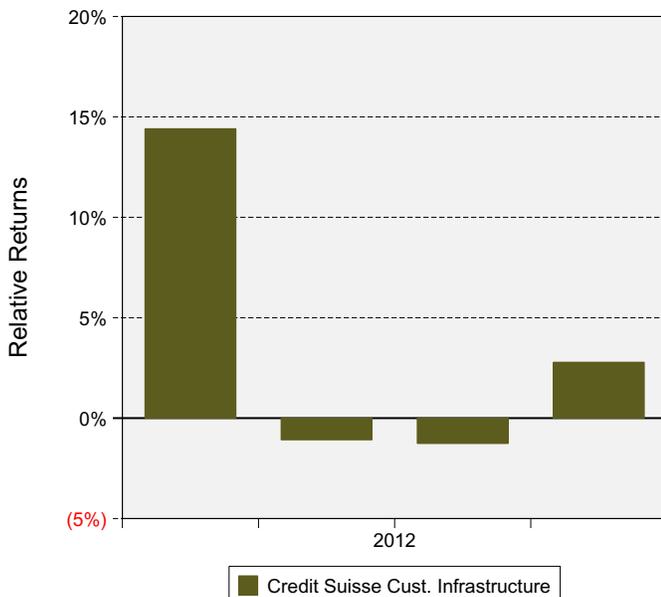
- Credit Suisse Cust. Infrastructure's portfolio outperformed the CPI-W by 2.78% for the quarter and outperformed the CPI-W for the year by 14.88%.

Quarterly Asset Growth

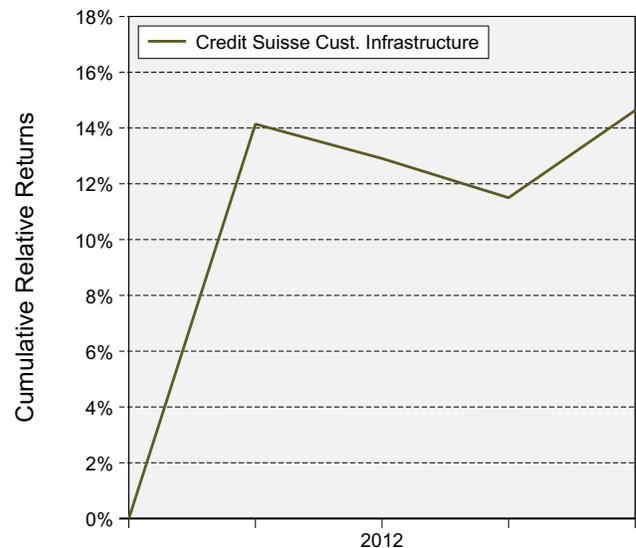
Beginning Market Value	\$24,650,887
Net New Investment	\$1,395,078
Investment Gains/(Losses)	\$489,795
Ending Market Value	\$26,535,760



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



Research and Educational Programs

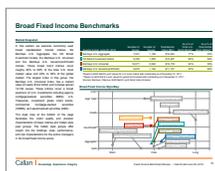
The Callan Investments Institute provides research that keeps clients updated on the latest industry trends while helping them learn through carefully structured educational programs. Below are the Institute's recent publications – all of which can be found at www.callan.com/research.

White Papers



Eight Things DC Plan Sponsors Should Consider for 2013

Many plan sponsors spent considerable time fulfilling the DOL's fee requirements, reacting to developments in the stable value environment, weighing the pros and cons of retirement income solutions, and evaluating the implications of peers' DC lawsuits—all while handling the usual responsibilities associated with their DC plans. With the year drawing to a close, plan sponsors may wish to take a moment to review all they have accomplished over the past 12 months—then create a to-do list for 2013. As we look forward to the next year, Callan offers eight action items which we believe should be on every DC plan sponsor's list of priorities.



Fixed Income Benchmark Review: Year Ended June 30, 2012

The Fixed Income Benchmark Review is designed to aid in portfolio monitoring and evaluation by helping readers assess the similarities and differences in coverage, performance, and characteristics of popular fixed income indices alongside comparable Callan Associates' manager style groups.



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.

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



2013 Defined Contribution Trends Survey

This annual survey reflects on 2012 and what to look ahead to in 2013. Key findings include: Plan sponsors register improvements in fiduciary awareness and activity; Signs of confusion remain when it comes to meeting the DOL's fee disclosure requirements; Adoption of auto features and Roth designated accounts appears to have plateaued; and Plan sponsors are getting a handle on revenue sharing.



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.



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 October 2012 Regional Workshop, **Time to Terminate? Considerations for Making a Manager Change**. Featured in this workshop were Bud Pellecchia, Millie Viqueira, and Kelly Cliff from Callan Associates discussing the potential consequences and challenges of terminating a manager from a fund.



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.

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.

June and October Regional Workshops

Topics, dates, and locations TBA

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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Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG’s Chief Investment Officer.

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
American Realty Advisors	Y	
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	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	
Bridgeway Capital Management	Y	

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Manager Name	Educational Services	Consulting Services
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
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
Crow Holdings Capital Partners, LLC	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	
Galliard Capital Management	Y	
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management	Y	Y

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Manager Name	Educational Services	Consulting Services
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.	Y	Y
Guggenheim Investments Asset Management (fka Security Global)	Y	
Harbor Capital		Y
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	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	
London Company (The)	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	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management	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	

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Manager Name	Educational Services	Consulting Services
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
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
Pantheon Ventures	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
Polen Capital Management	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
Robotti & Company Advisors, LLC	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

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Manager Name	Educational Services	Consulting Services
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	
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	
Tributory Capital Management	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
Vulcan Value Partners, LLC		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	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

**INVESTMENT PERFORMANCE SUMMARY REPORT
INSURANCE TRUST FUNDS
December 31, 2012**

AGENDA ITEM III.B.2.

	Quarter Ended 12/31/2012	Current FYTD 12/31/2012	1 Yr Ended 12/31/2012		3 Yrs Ended 12/31/2012	5 Yrs Ended 12/31/2012	Risk 5 Yrs Ended 12/31/2012	Risk Adj Excess Return 5 Yrs Ended 12/31/2012
WORKFORCE SAFETY & INSURANCE (WSI)								
Total Fund Return - Net	2.50%	6.46%	11.83%		9.08%	4.59%	7.34%	-1.22%
Policy Benchmark Return	1.38%	4.34%	7.96%	3.87%	7.41%	4.70%	5.33%	
Attribution Analysis				7.80%				
Asset Allocation	-0.02%	-0.08%	-0.16%					
Manager Selection	1.14%	2.20%	4.03%					
Total Relative Return	1.12%	2.11%	3.87%		1.67%	-0.11%		
FIRE & TORNADO FUND								
Total Fund Return - Net	2.30%	6.93%	13.03%		9.25%	4.86%	9.96%	-0.13%
Policy Benchmark Return	0.91%	4.01%	8.24%	4.79%	6.91%	4.00%	7.69%	
Attribution Analysis				8.23%				
Asset Allocation	0.01%	0.01%	-0.01%					
Manager Selection	1.38%	2.91%	4.80%					
Total Relative Return	1.38%	2.92%	4.79%		2.34%	0.86%		
STATE BONDING FUND								
Total Fund Return - Net	1.42%	3.90%	6.91%		5.78%	0.14%	6.28%	1.45%
Policy Benchmark Return	0.14%	1.02%	2.36%	4.55%	3.42%	-1.22%	4.84%	
Attribution Analysis				2.54%				
Asset Allocation	0.00%	0.19%	0.18%					
Manager Selection	1.29%	2.69%	4.37%					
Total Relative Return	1.29%	2.87%	4.55%		2.36%	1.36%		
INSURANCE REGULATORY TRUST FUND (IRTF)								
Total Fund Return - Net	1.77%	5.28%	9.69%		6.66%	3.67%	7.78%	0.38%
Policy Benchmark Return	0.85%	3.32%	6.56%	3.13%	5.06%	2.80%	6.56%	
Attribution Analysis				6.57%				
Asset Allocation	0.01%	0.03%	0.01%					
Manager Selection	0.90%	1.92%	3.12%					
Total Relative Return	0.92%	1.95%	3.13%		1.60%	0.87%		
PETROLEUM TANK RELEASE COMPENSATION FUND								
Total Fund Return - Net	1.30%	3.30%	6.04%		5.28%	-0.22%	6.04%	1.41%
Policy Benchmark Return	0.13%	0.94%	2.15%	3.89%	3.12%	-1.48%	4.79%	
Attribution Analysis				2.16%				
Asset Allocation	0.00%	0.00%	0.01%					
Manager Selection	1.17%	2.36%	3.88%					
Total Relative Return	1.17%	2.37%	3.89%		2.16%	1.26%		
STATE RISK MANAGEMENT FUND								
Total Fund Return - Net	1.94%	6.45%	13.20%		10.42%	5.88%	9.10%	-0.65%
Policy Benchmark Return	0.32%	3.16%	7.71%	5.49%	7.76%	5.02%	6.54%	
Attribution Analysis				7.72%				
Asset Allocation	-0.01%	-0.02%	0.01%					
Manager Selection	1.64%	3.30%	5.48%					
Total Relative Return	1.63%	3.28%	5.49%		2.66%	0.86%		

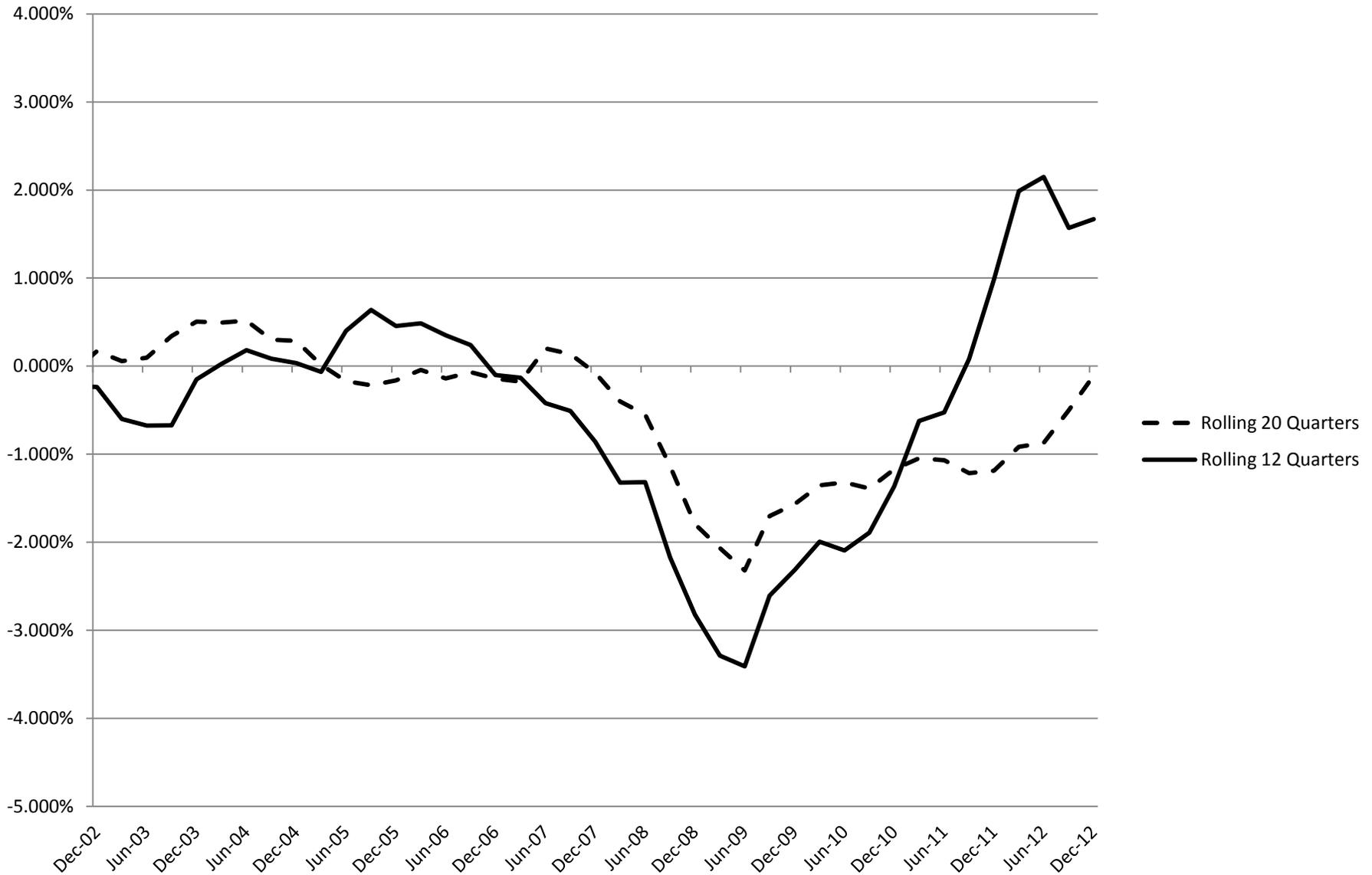
INVESTMENT PERFORMANCE SUMMARY REPORT
INSURANCE TRUST FUNDS
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STATE RISK MANAGEMENT WORKERS COMP FUND								
Total Fund Return - Net	1.86%	6.61%	13.83%		10.74%	5.58%	10.41%	-0.45%
Policy Benchmark Return	0.34%	3.54%	8.65%	5.18%	8.27%	4.91%	8.11%	
Attribution Analysis				8.64%				
Asset Allocation	-0.03%	-0.04%	-0.01%					
Manager Selection	1.55%	3.11%	5.19%					
Total Relative Return	1.52%	3.07%	5.18%		2.47%	0.67%		
ND ASSOCIATION OF COUNTIES FUND (NDACo)								
Total Fund Return - Net	2.29%	6.68%	12.34%		8.28%	2.86%	12.98%	0.30%
Policy Benchmark Return	0.89%	3.71%	7.50%	4.84%	6.00%	2.26%	11.33%	
Attribution Analysis				7.48%				
Asset Allocation	0.00%	0.00%	-0.02%					
Manager Selection	1.40%	2.96%	4.86%					
Total Relative Return	1.40%	2.97%	4.84%		2.28%	0.60%		
CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT								
Total Fund Return - Net	2.49%	7.21%	13.35%		9.69%	5.48%	9.38%	-0.40%
Policy Benchmark Return	0.90%	3.86%	7.84%	5.51%	6.94%	4.42%	6.61%	
Attribution Analysis				7.83%				
Asset Allocation	0.01%	0.01%	-0.01%					
Manager Selection	1.58%	3.34%	5.52%					
Total Relative Return	1.59%	3.35%	5.51%		2.75%	1.06%		
FARGODOME PERMANENT FUND								
Total Fund Return - Net	2.55%	7.80%	14.40%		10.06%	4.22%	12.89%	-0.49%
Policy Benchmark Return	1.58%	5.70%	10.86%	3.54%	8.50%	4.23%	11.23%	
Attribution Analysis				10.83%				
Asset Allocation	0.00%	0.00%	-0.03%					
Manager Selection	0.97%	2.10%	3.57%					
Total Relative Return	0.97%	2.09%	3.54%		1.56%	-0.01%		
CULTURAL ENDOWMENT FUND								
Total Fund Return - Net	2.26%	7.52%	15.10%		10.64%	3.56%	14.05%	-0.30%
Policy Benchmark Return	1.11%	5.27%	11.33%	3.77%	8.73%	3.50%	12.38%	
Attribution Analysis				11.31%				
Asset Allocation	0.00%	0.01%	-0.02%					
Manager Selection	1.14%	2.25%	3.79%					
Total Relative Return	1.15%	2.25%	3.77%		1.91%	0.06%		

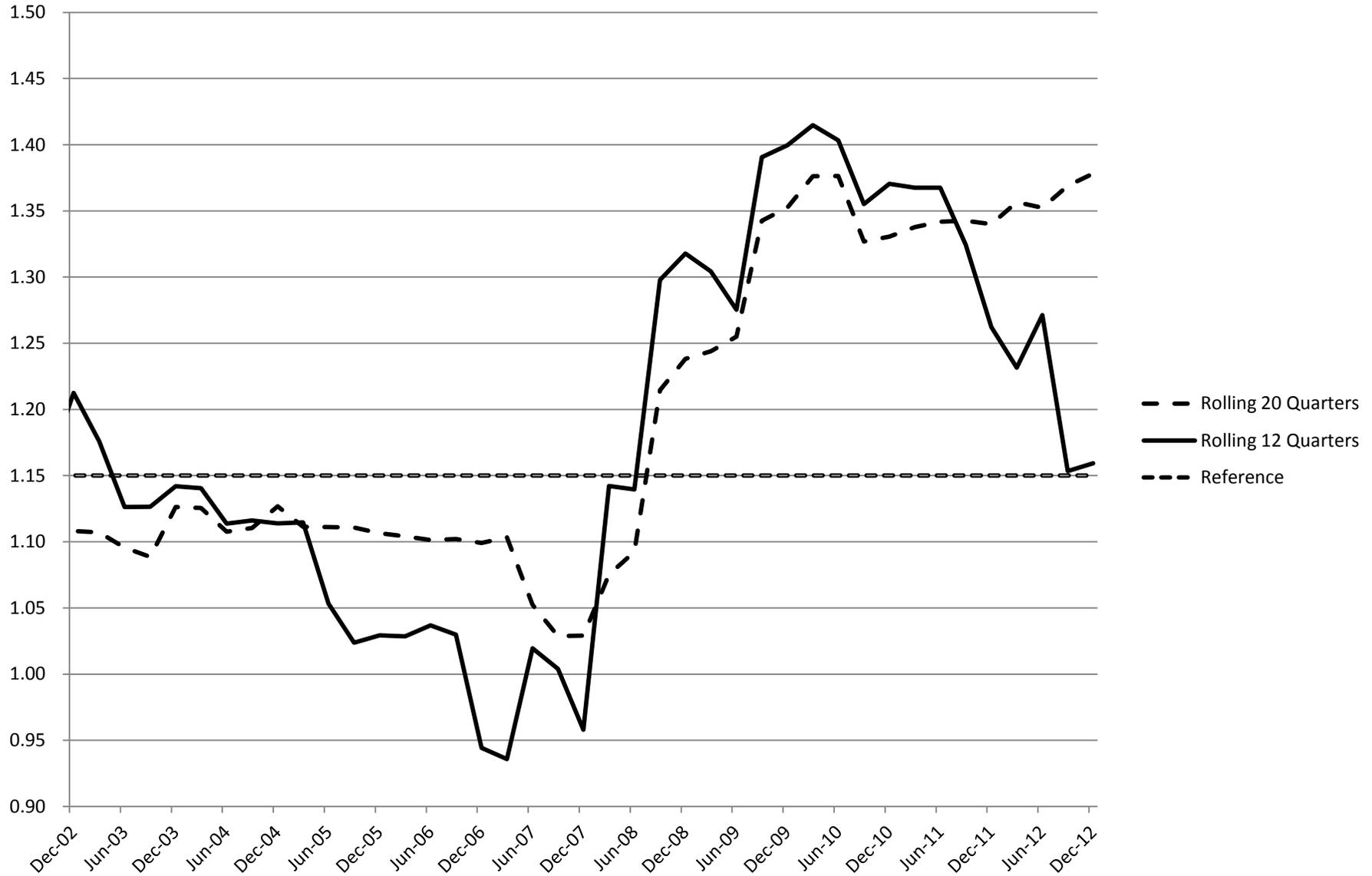
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INSURANCE TRUST FUNDS
December 31, 2012

	Quarter Ended 12/31/2012	Current FYTD 12/31/2012	1 Yr Ended 12/31/2012		3 Yrs Ended 12/31/2012	5 Yrs Ended 12/31/2012	Risk 5 Yrs Ended 12/31/2012	Risk Adj Excess Return 5 Yrs Ended 12/31/2012
PERS RETIREE HEALTH								
Total Fund Return - Net	1.54%	6.44%	13.34%		9.79%	3.58%	15.31%	0.44%
Policy Benchmark Return	1.21%	5.67%	11.76%		8.63%	2.97%	14.45%	
Attribution Analysis								
Asset Allocation								
Manager Selection								
Total Relative Return	0.33%	0.77%	1.58%		1.16%	0.61%		
PERS GROUP INSURANCE								
Total Fund Return - Net	0.08%	0.15%	0.30%		0.30%	0.67%	0.36%	0.19%
Policy Benchmark Return	0.04%	0.07%	1.10%		0.11%	0.52%	0.46%	
Attribution Analysis								
Asset Allocation								
Manager Selection								
Total Relative Return	0.04%	0.08%	-0.80%		0.19%	0.15%		
BUDGET STABILIZATION FUND								
Total Fund Return - Net	0.45%	1.34%	2.87%		2.95%	1.86%	4.18%	0.05%
Policy Benchmark Return	0.06%	0.26%	0.40%		0.26%	0.61%	0.45%	
Attribution Analysis								
Asset Allocation								
Manager Selection								
Total Relative Return	0.39%	1.08%	2.47%		2.69%	1.25%		
LEGACY FUND								
Total Fund Return - Net	0.30%	1.13%	2.13%		N/A	N/A	N/A	N/A
Policy Benchmark Return	0.07%	0.33%	0.51%	1.62%	N/A	N/A	N/A	
Attribution Analysis				0.50%				
Asset Allocation	0.00%	0.00%	-0.01%					
Manager Selection	0.23%	0.81%	1.63%					
Total Relative Return	0.23%	0.81%	1.62%					

WSI - Excess Returns Relative to Policy Benchmark 10 Years Ended 12/31/2012



WSI - Relative Standard Deviation Relative to Policy Benchmark 10 Years Ended 12/31/2012



WSI - Risk Adjusted Excess Returns 10 Years Ended 12/31/2012



December 31, 2012



**North Dakota State Investment
Board Insurance Trust**

**Investment Measurement Service
Quarterly Review**

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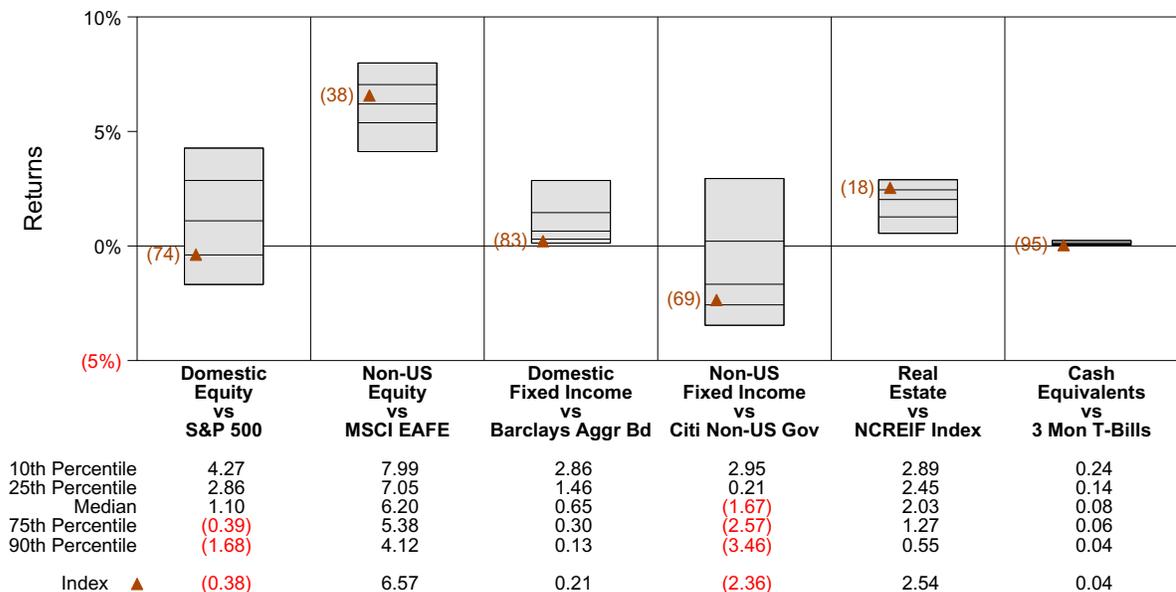
Market Overview

Active Management vs Index Returns

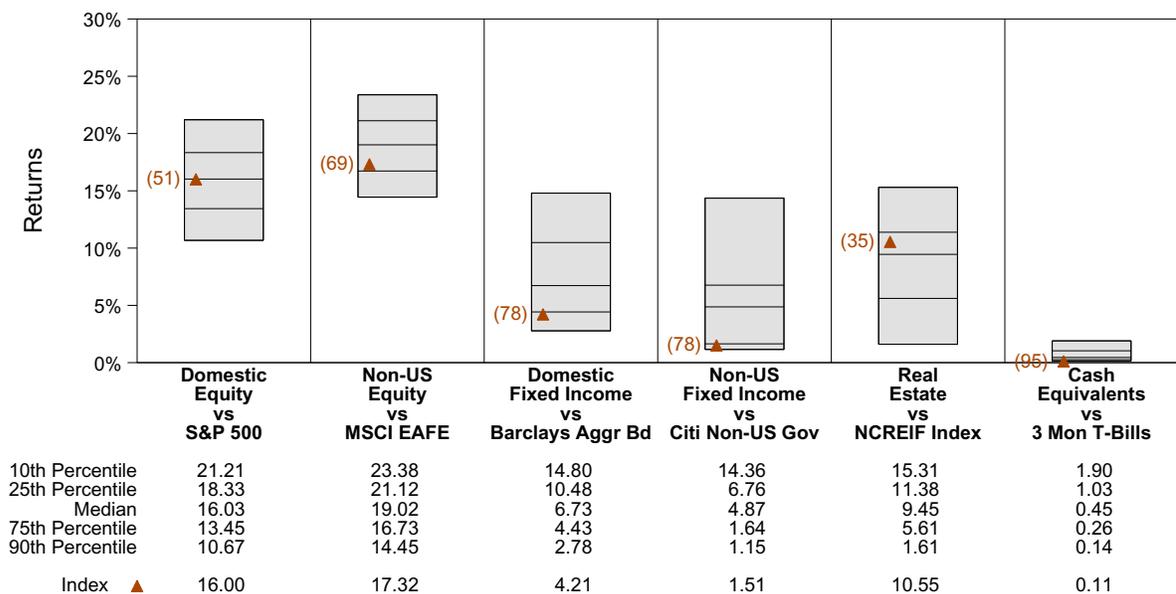
Market Overview

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 December 31, 2012



Range of Separate Account Manager Returns by Asset Class One Year Ended December 31, 2012



Domestic Equity Active Management Overview

Active vs. the Index

Following a strong third quarter, active managers and their respective indices eked out single-digit positive results for the fourth quarter with a few exceptions, namely mega and large cap stock indices where Apple (-25%) was a major driver of the weakness. Apple is the the largest stock in the S&P 500 Index and the Russell Top 50 with a 5% and nearly 10% weighting, respectively. The S&P 500 Index posted a -0.4% return for the quarter but gained 16% for the year, its best showing in 3 years.

Large Cap vs. Small Cap

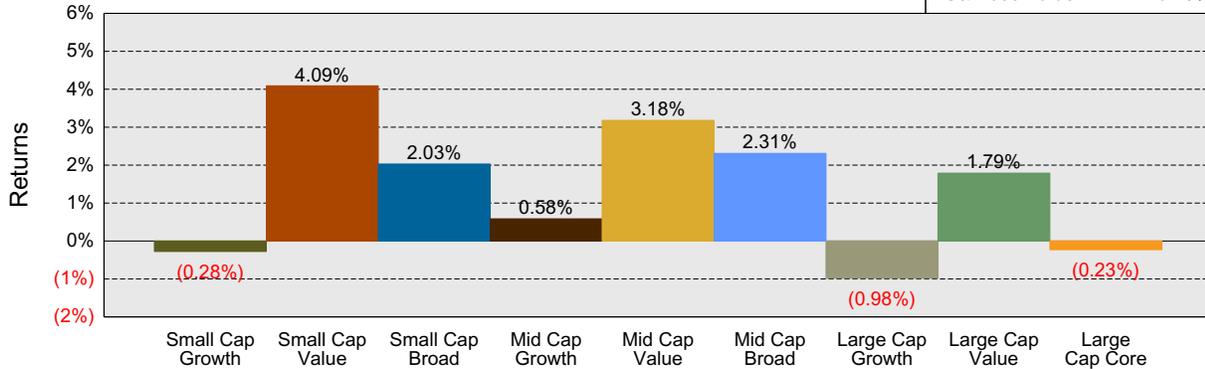
While large cap indices had negative returns for the fourth quarter, mid cap and small cap indices posted positive results in the 2-3% range with mid cap as the winner. The S&P 400 Index (mid cap) returned 3.61% vs 2.22% for the S&P 600 Index (small cap). On the active manager front, results were similar with mid cap and small cap managers outpacing their large cap brethren. Active small cap managers (median 2.03%) slightly underperformed mid cap managers (median 2.31%). Results for the one-year period ending December 31, 2012, were fairly tight across the market cap spectrum, particularly on the active manager front. Median returns for active managers for the year in small cap (median 16.3%), mid cap (median 16.3%), and large cap (median 15.89%) varied by a relatively small 40 bps. Across the indices, mid cap was the winner for the year with a strong 17.88% return, followed by small cap (+16.33%) and large cap (+16.00%).

Growth vs. Value

With respect to style, value led growth by a wide margin across the market capitalization spectrum for the quarter and the full year. The best return among the broad categories for the fourth quarter and year was mid cap value. Value outpaced growth by 200-400bps across the large, mid and small cap indices. Among active managers, small cap value, mid cap value, and large cap value managers beat their growth counterparts by roughly 200-400bps for the fourth quarter with the widest gap between small value and small growth. For the calendar year, results were similar with active value managers outpacing active growth managers across the board but with less disparity. The widest gap was among small cap with the median small cap value manager returning 18.14% vs. 14.30% for the median small cap growth manager.

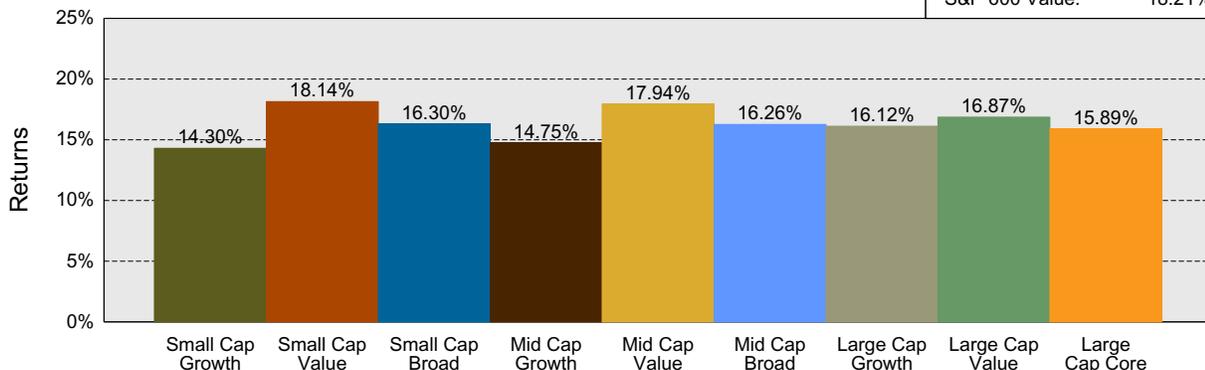
Separate Account Style Group Median Returns for Quarter Ended December 31, 2012

S&P 500:	(0.38%)
S&P 500 Growth:	(2.04%)
S&P 500 Value:	1.64%
S&P Mid Cap:	3.61%
S&P 600:	2.22%
S&P 600 Growth:	1.28%
S&P 600 Value:	3.19%



Separate Account Style Group Median Returns for One Year Ended December 31, 2012

S&P 500:	16.00%
S&P 500 Growth:	14.61%
S&P 500 Value:	17.68%
S&P Mid Cap:	17.88%
S&P 600:	16.33%
S&P 600 Growth:	14.56%
S&P 600 Value:	18.21%



Domestic Fixed Income Active Management Overview

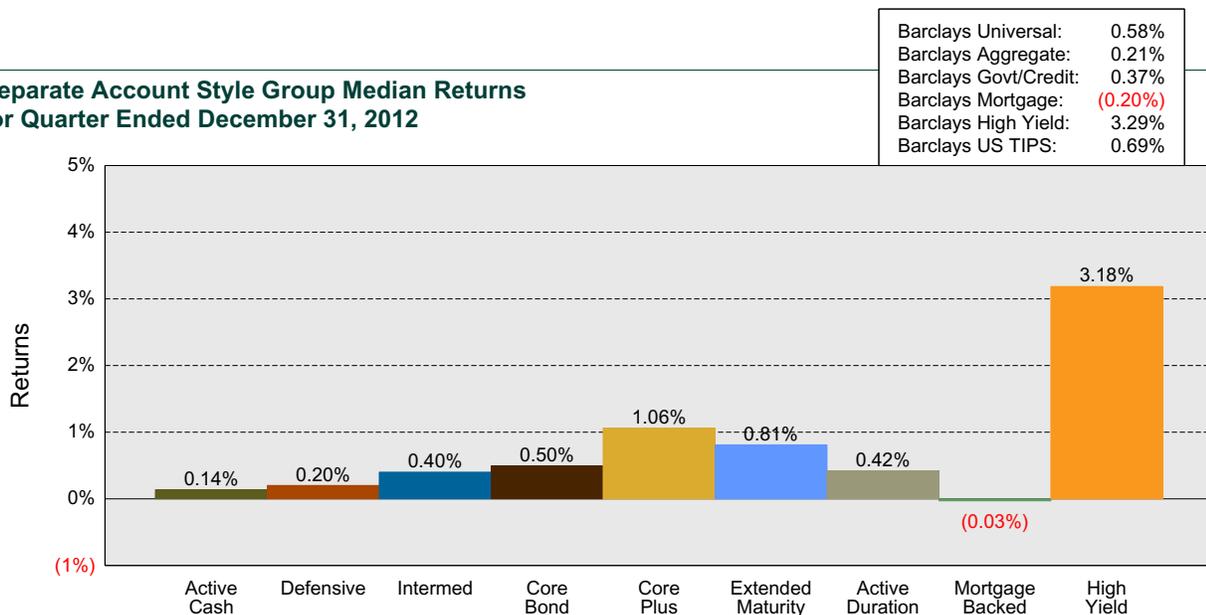
Active vs. Passive

Yields on US Treasuries rose in the 4th quarter, most notably in December as investors became less complacent about the Fed's commitment to keeping rates low. While the Fed announced that it would continue its quantitative easing programs, it also adopted quantitative thresholds noting that it would revisit its policies when unemployment falls to 6.5% or inflation rises above 2.5%. A dramatic last minute dodge of the highly publicized fiscal cliff spurred risk appetite in the final days of the quarter, drawing investors out of Treasuries and further pressuring yields. Both the 10-year and 30-year US Treasury yields rose 13 bps during the quarter, closing at 1.8% and 3.0%, respectively. Both delivered negative quarterly returns (10-year -0.2%; 30-year -1.2%). In spite of rising yields, the Barclays Aggregate Index eked out a 0.2% quarterly return bringing the 2012 return to 4.2%. A continued quest for yield made high yield the best performing domestic income sector for the quarter and the year. For the quarter ended December 31, 2012, the median core bond manager returned 0.50% (median core bond mutual fund posted 0.64%), outperforming the Barclays Aggregate. For the full year, the median core bond manager posted a 6.13% return, 1.9% ahead of the Index.

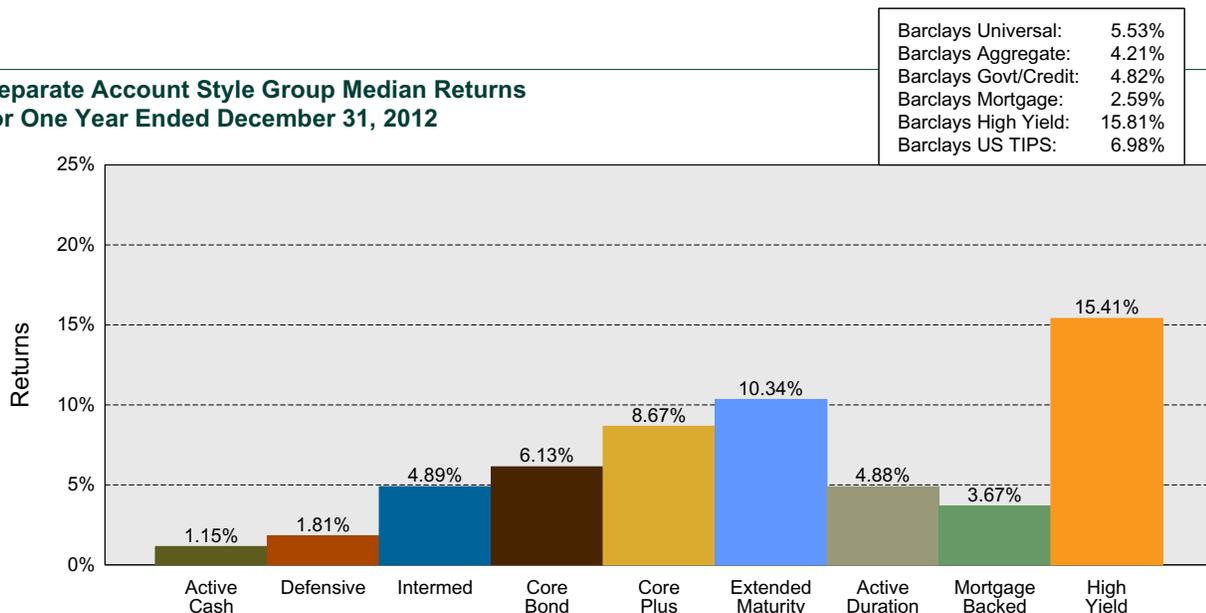
Intermediate vs. Long Duration

Longer duration managers outperformed intermediate duration managers in the 4th quarter, while longer duration mutual funds lagged their shorter-term brethren for the quarter given the heavier credit orientation of the longer duration separate account peer group. For the quarter, the median extended maturity strategy returned 0.81% while the median intermediate strategy eked out a 0.4% return. For 2012, the median extended maturity manager returned 10.34%.

Separate Account Style Group Median Returns
for Quarter Ended December 31, 2012



Separate Account Style Group Median Returns
for One Year Ended December 31, 2012



International Equity Active Management Overview

Active Management Overview

Foreign equities performed well in the 4th quarter, outpacing US equities for the second consecutive quarter. A slightly weaker US dollar versus the euro and investor optimism regarding Europe contributed to results while a slide in the Japanese yen was a modest detractor. The yen depreciated roughly 10% versus the dollar over the course of the quarter as the Bank of Japan extended its quantitative easing and investors anticipated additional monetary stimulus to bolster the economy. However, a nearly 18% return in local currency terms more than offset the slide in the yen and put Japan's return at 5.6% in \$US terms. The MSCI EAFE returned 6.6% (\$US) and +7.6% in local currency. Style returns were similar to those in the US as value outperformed growth (EAFE Value: +7.4%, EAFE Growth: +5.8%).

Europe

Europe was the top performing region for both the 4th quarter and the 2012 calendar year. For the quarter, the median active Europe-only mutual fund beat the index by roughly 20 basis points, and for the calendar year, active funds outpaced the MSCI Europe Index by nearly 400 basis points.

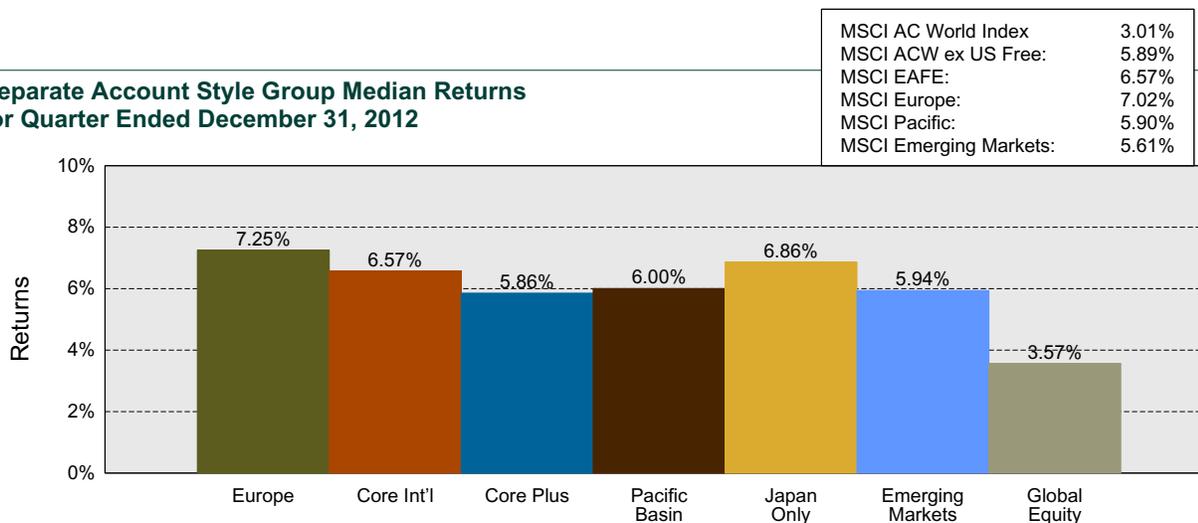
Pacific

The MSCI Pacific Index posted a 5.90% returns for the 4th quarter in US\$. The median active Pacific Basin mutual fund topped the index by 10 basis points. On the separate account side, Japan posted a strong 6.86% return for the median manager.

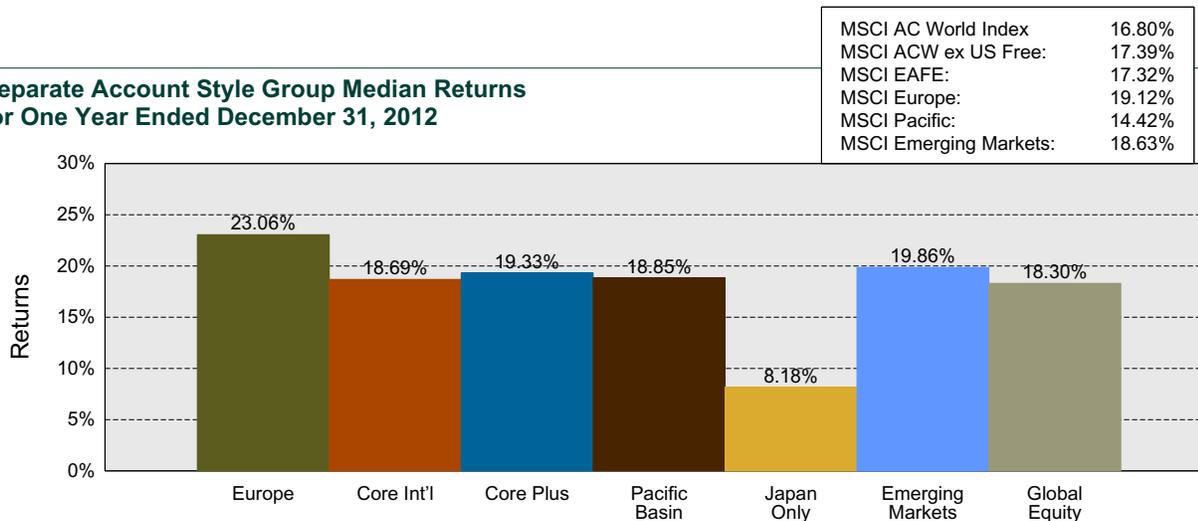
Emerging Markets

The MSCI EM Index returned 5.6% in \$US (+5.4% in local currency) in spite of very mixed movements in some of the underlying countries. Turkey was the top performer (+18.4%) bringing its 2012 return to 65% while Egypt (-10.8%) suffered from political turmoil. In spite of the setback, Egypt remains one of the strongest performers in 2012 with a nearly 50% return. Among the BRICs, China posted the top return (MSCI China: +12.9%) with Brazil (+3.6%), Russia (+2.5%) and India (+0.5%) posting more muted results.

**Separate Account Style Group Median Returns
for Quarter Ended December 31, 2012**



**Separate Account Style Group Median Returns
for One Year Ended December 31, 2012**



International Fixed Income Active Management Overview

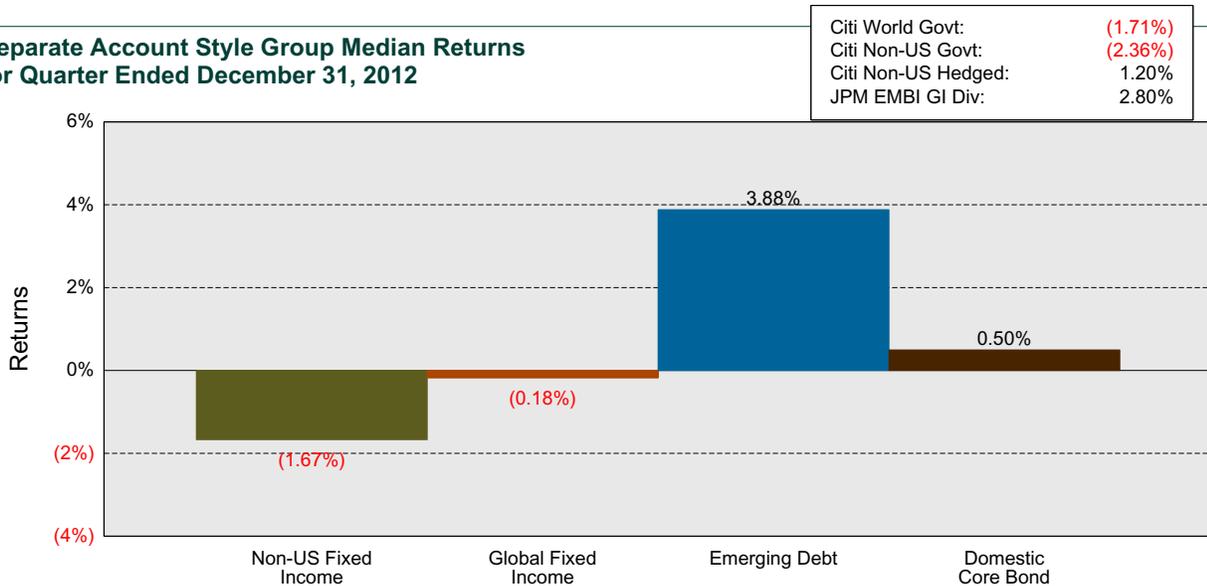
Active vs. the Index

Yields were flat or fell modestly in most developed markets outside the US with notable exceptions being sharp declines in Italy and Spain - those bond markets posted local returns of more than 5% for the quarter. The Citigroup World Government Bond Index returned 0.8% for the quarter on a hedged basis. The unhedged return was much worse (-1.7%) largely due to a slide in the Japanese yen versus the US dollar. The yen depreciated roughly 10% versus the dollar over the course of the quarter as the Bank of Japan extended its asset purchase program (its version of quantitative easing) and investors anticipated additional monetary stimulus to bolster the economy. Separately, emerging markets debt and currencies did well overall in the 4th quarter's risk-on environment. For the quarter ended December 31, 2012, the median Non-U.S. Fixed Income manager posted a return of -1.67% (+0.15% for the median mutual fund), slightly outperforming the unhedged Citigroup World Government Bond Index ex-U.S. Versus the hedged version of the Index, the median manager underperformed by 2.51%. For the full year, the median Non-U.S. Fixed Income manager gained 4.87% (+6.69% for the median mutual fund) versus 1.51% for the unhedged Index and 5.51% for the hedged version.

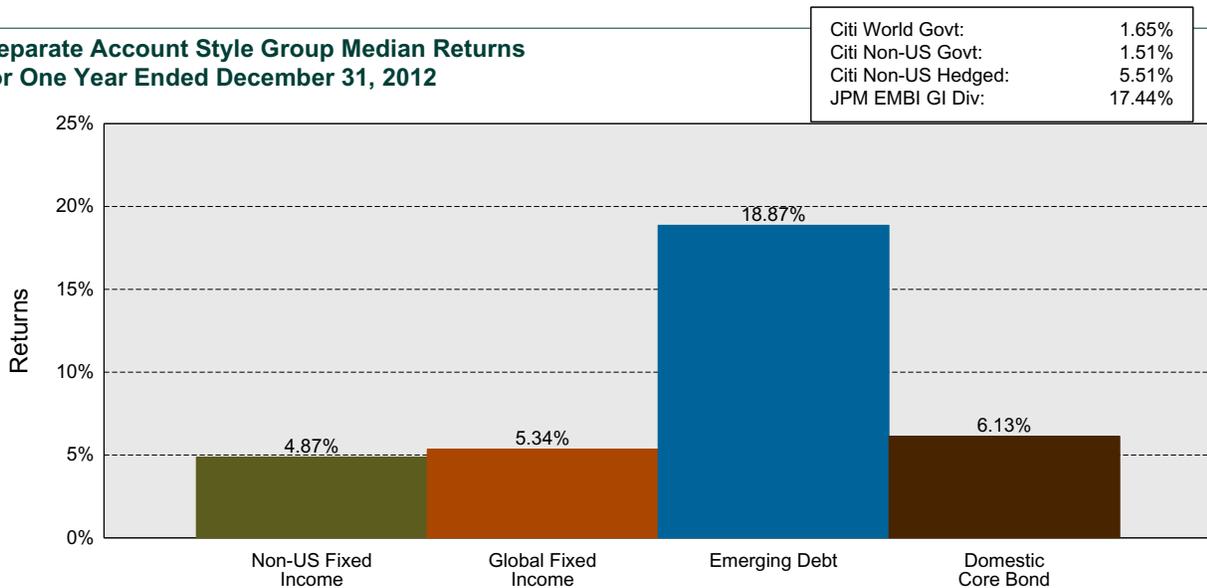
Emerging Markets

Emerging markets debt and currencies performed well in the risk-on environment in the 4th quarter. The median Emerging Markets Debt manager returned 3.88% for the quarter, outperforming the JPM EMBI Global Diversified Index by 1.08%. For the year, the median Emerging Markets Debt manager gained 18.87%, outperforming the Index by 1.43%.

**Separate Account Style Group Median Returns
for Quarter Ended December 31, 2012**



**Separate Account Style Group Median Returns
for One Year Ended December 31, 2012**



ASSET ALLOCATION AND PERFORMANCE

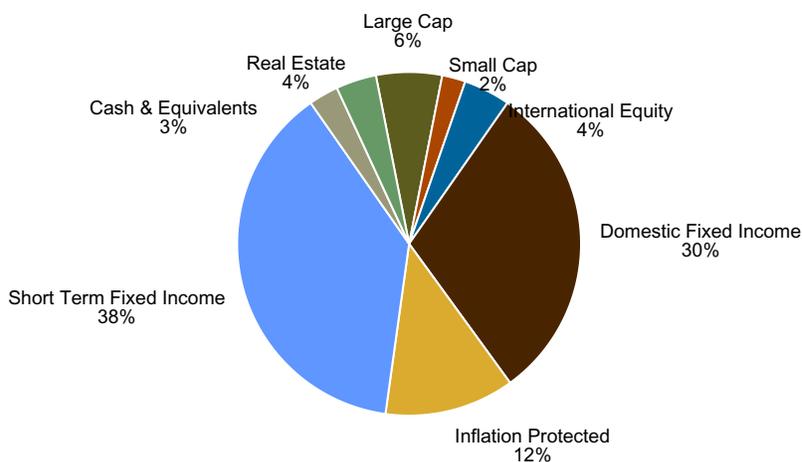
Asset Allocation and Performance

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.

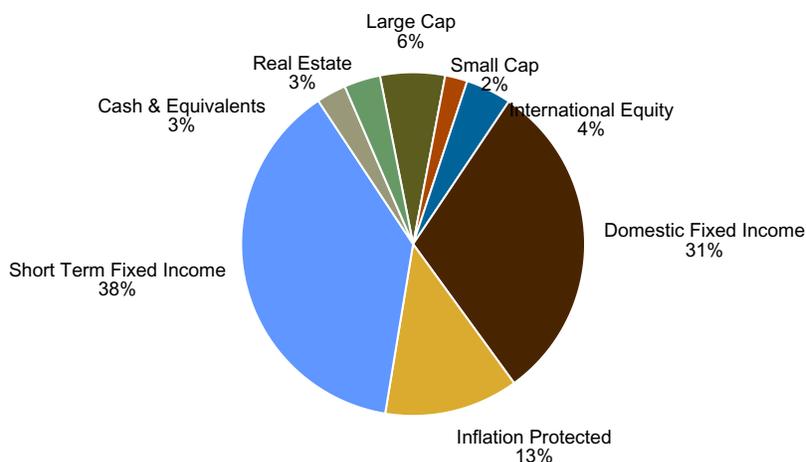
Actual vs Target Asset Allocation As of December 31, 2012

The first chart below shows the Fund's asset allocation as of December 31, 2012. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



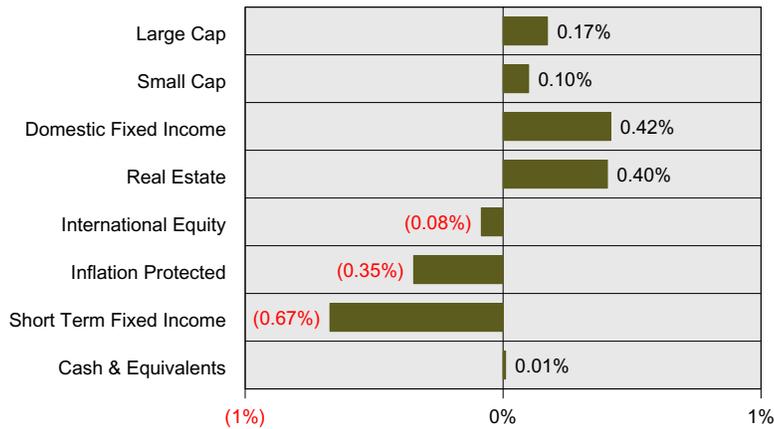
Asset Class	\$000s Actual	Percent Actual	Percent Target	Percent Difference	\$000s Difference
Large Cap	165,294	6.2%	6.1%	0.1%	2,335
Small Cap	59,500	2.2%	2.1%	0.1%	3,399
International Equity	118,343	4.4%	4.3%	0.1%	3,470
Domestic Fixed Income	810,175	30.3%	30.6%	(0.3%)	(7,294)
Inflation Protected	326,173	12.2%	12.6%	(0.4%)	(10,432)
Short Term Fixed Income	1,017,283	38.1%	38.1%	0.0%	(545)
Cash & Equivalents	74,390	2.8%	2.8%	0.0%	(411)
Real Estate	100,307	3.8%	3.4%	0.4%	9,477
Total	2,671,465	100.0%	100.0%		

* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Infn-Linked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

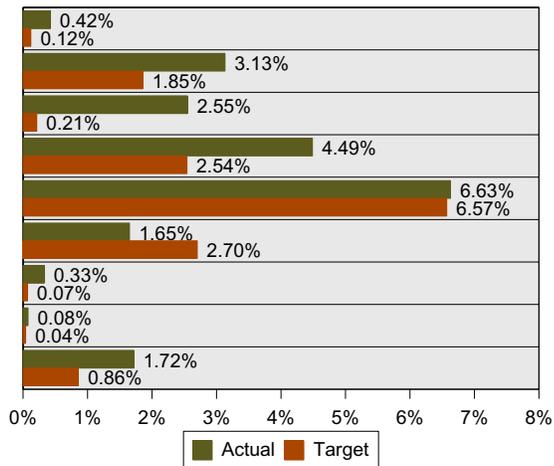
Quarterly Total Fund Relative Attribution - December 31, 2012

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.

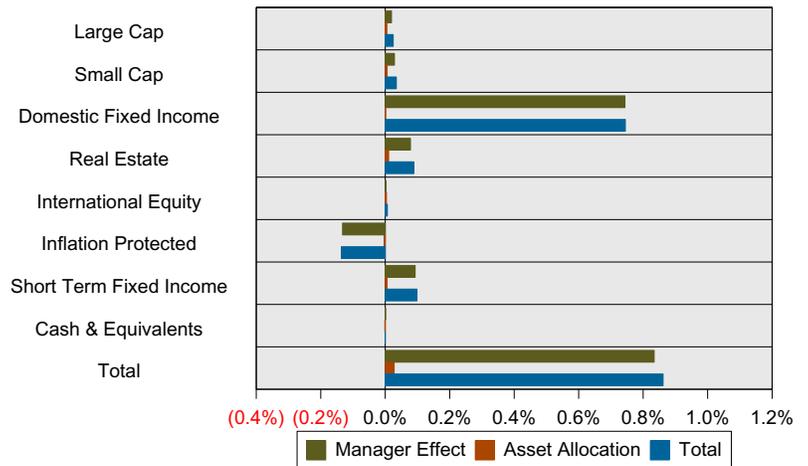
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended December 31, 2012

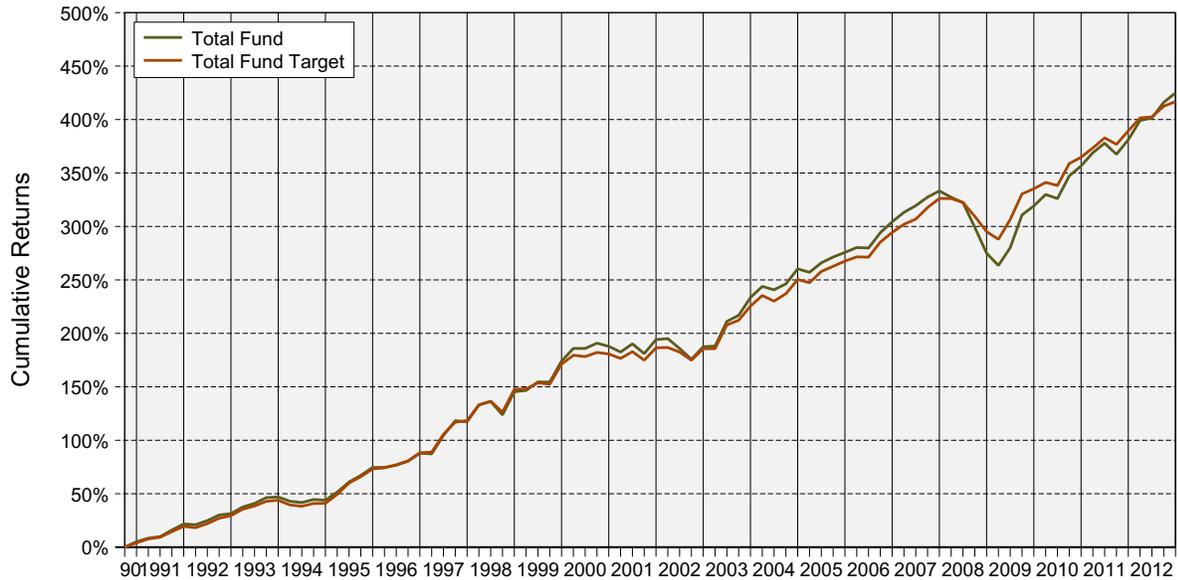
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	6%	6%	0.42%	0.12%	0.02%	0.01%	0.02%
Small Cap	2%	2%	3.13%	1.85%	0.03%	0.01%	0.03%
Domestic Fixed Income	32%	31%	2.55%	0.21%	0.74%	0.00%	0.74%
Real Estate	4%	4%	4.49%	2.54%	0.08%	0.01%	0.09%
International Equity	4%	4%	6.63%	6.57%	0.00%	0.00%	0.01%
Inflation Protected	13%	13%	1.65%	2.70%	(0.13%)	(0.00%)	(0.14%)
Short Term Fixed Income	36%	37%	0.33%	0.07%	0.09%	0.01%	0.10%
Cash & Equivalents	3%	3%	0.08%	0.04%	0.00%	(0.00%)	(0.00%)
Total			1.72%	0.86%	0.83%	0.03%	0.86%

* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Infn-Lnked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

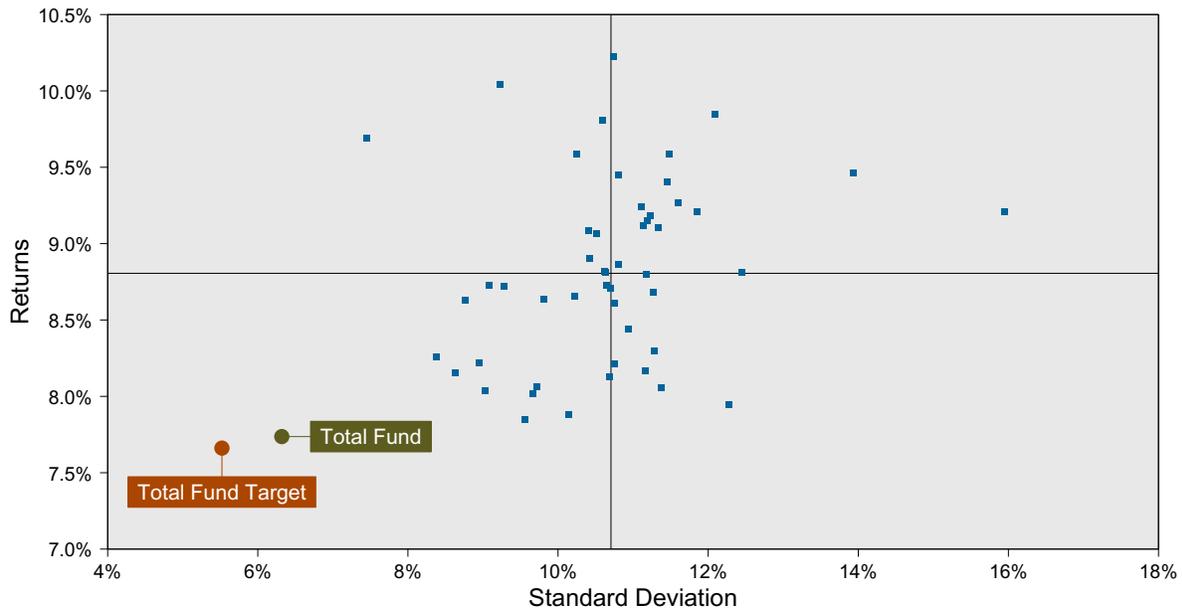
Cumulative Performance Relative to Target

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 and One-Quarter Year Annualized Risk vs Return



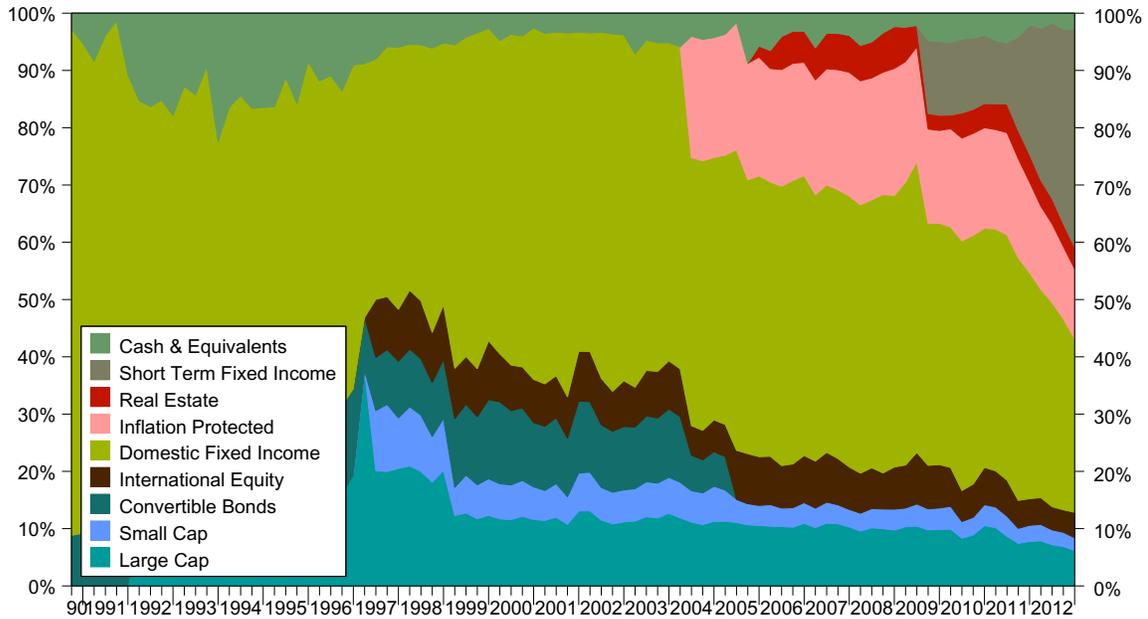
Squares represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Infn-Lnked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

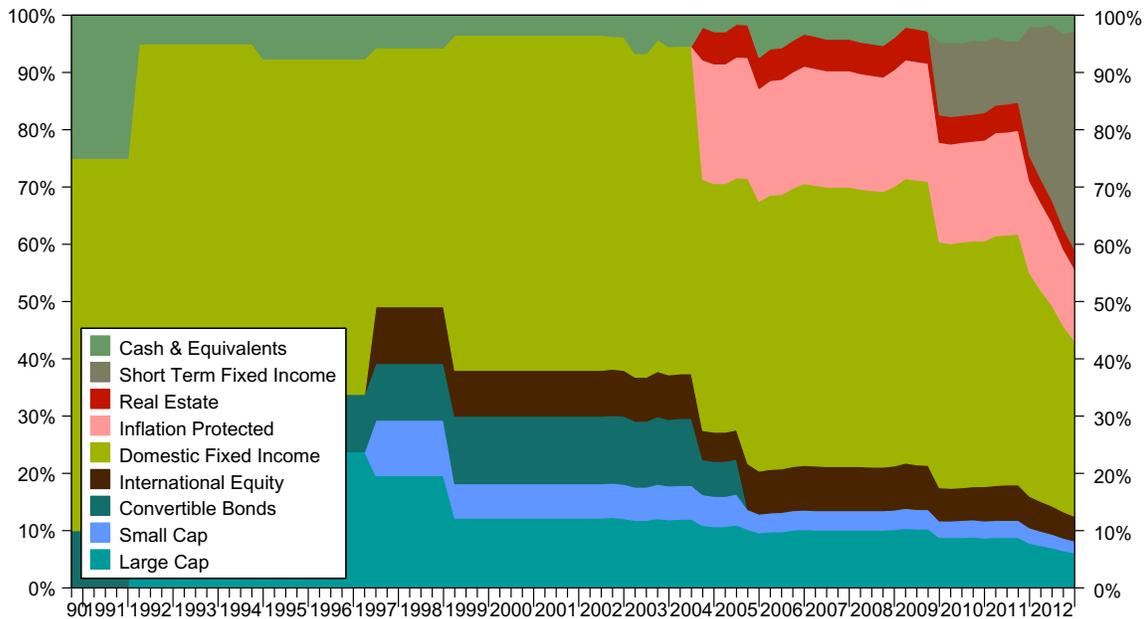
Actual vs Target Historical Asset Allocation

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

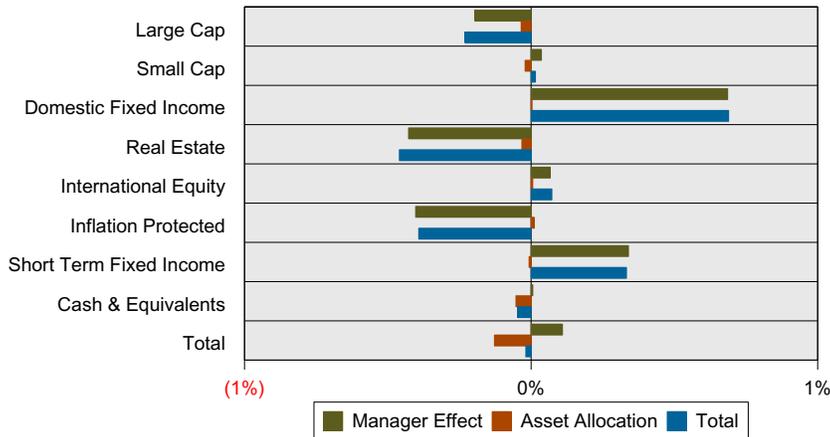


* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Inftn-Linkd, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

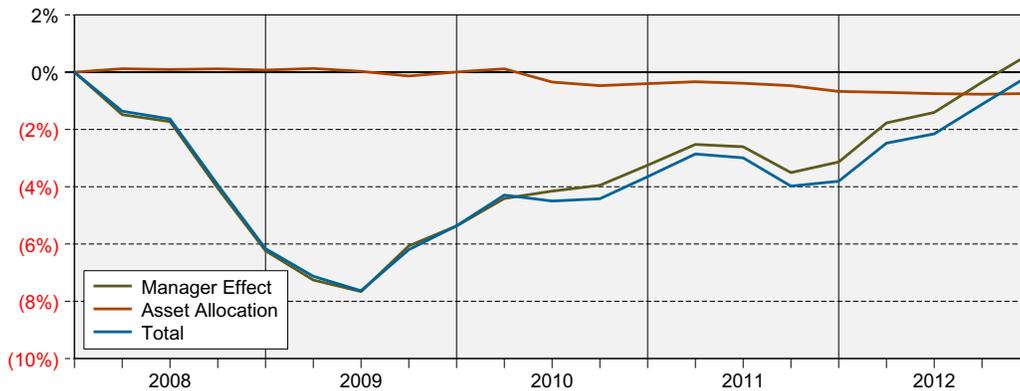
Cumulative Total Fund Relative Attribution - December 31, 2012

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

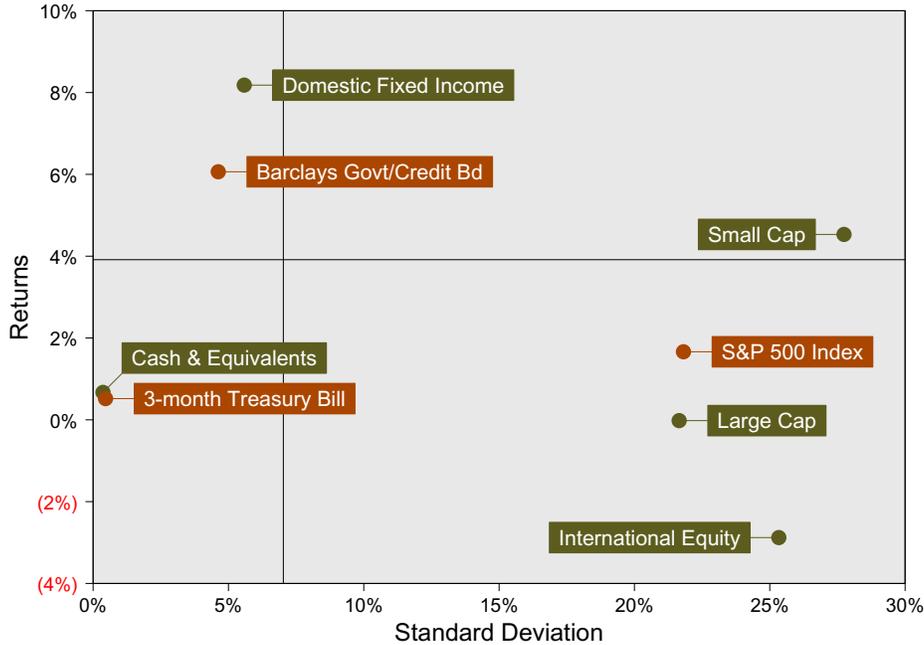
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Large Cap	9%	9%	(0.02%)	1.74%	(0.20%)	(0.03%)	(0.23%)
Small Cap	3%	3%	4.53%	3.56%	0.04%	(0.02%)	0.02%
Domestic Fixed Income	43%	43%	8.18%	5.95%	0.69%	0.00%	0.69%
Real Estate	4%	5%	(7.19%)	2.13%	(0.43%)	(0.03%)	(0.46%)
International Equity	6%	6%	(2.88%)	(3.69%)	0.07%	0.01%	0.07%
Inflation Protected	18%	18%	3.80%	5.94%	(0.40%)	0.01%	(0.39%)
Short Term Fixed Income	12%	12%	3.36%	1.28%	0.34%	(0.01%)	0.33%
Cash & Equivalents	4%	4%	0.67%	0.52%	0.01%	(0.05%)	(0.05%)
Total			3.91%	3.93%	0.11%	(0.13%)	(0.02%)

* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Infn-Lnked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

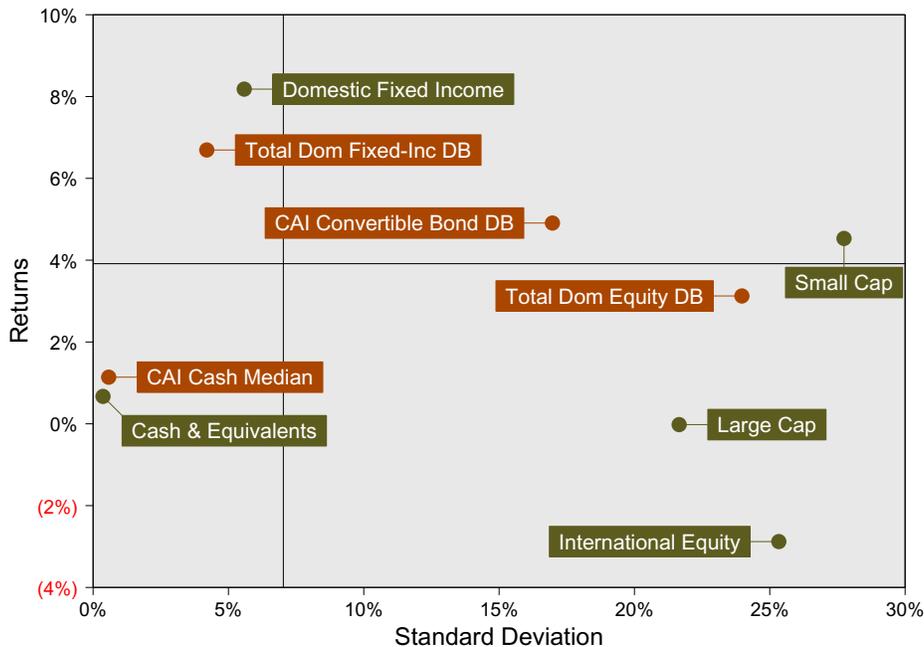
Asset Class Risk and Return

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



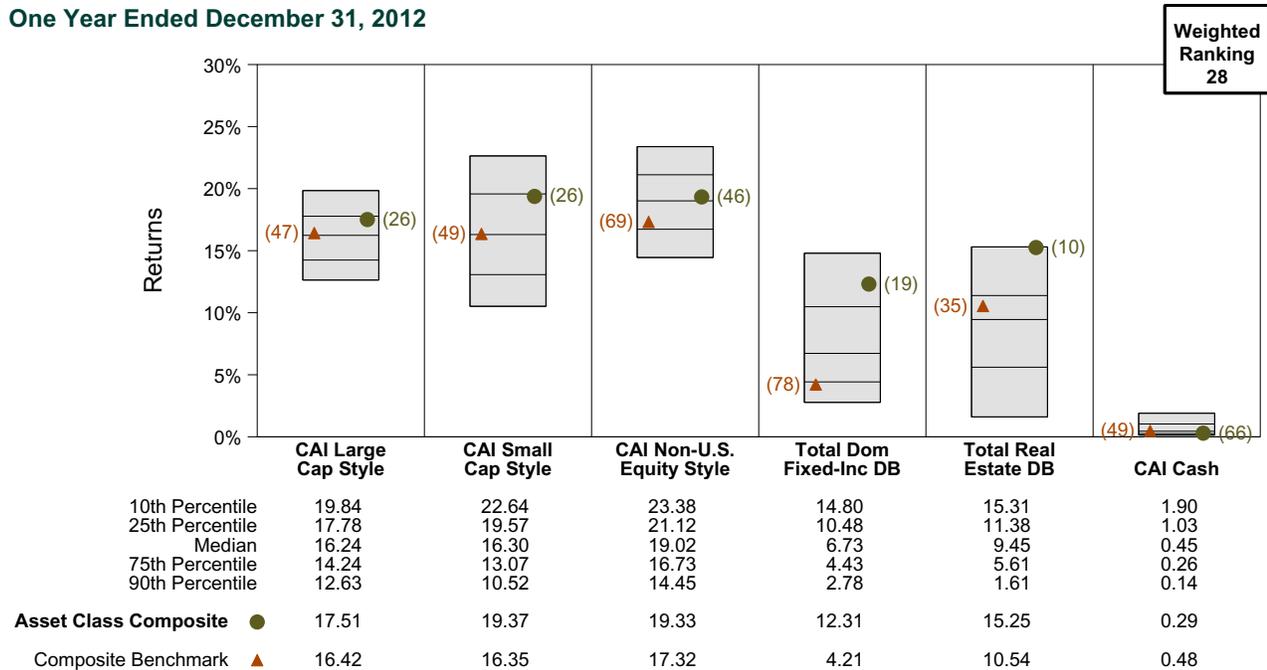
Five Year Annualized Risk vs Return Asset Classes vs Asset Class Median



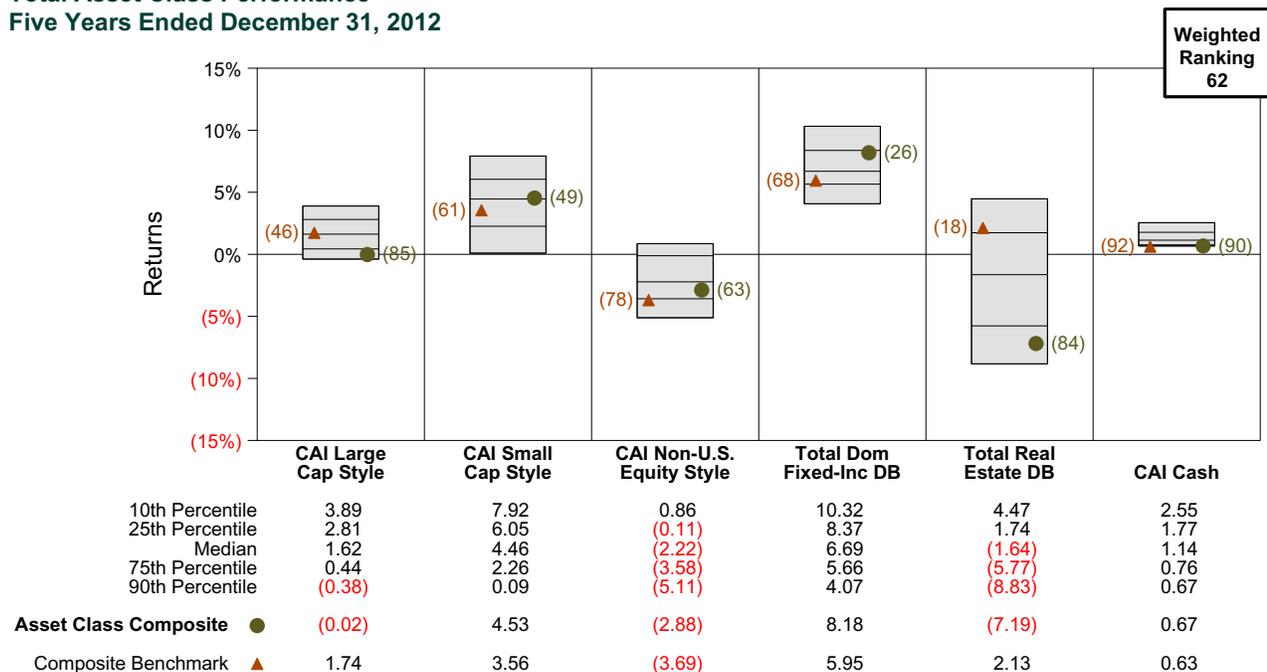
Asset Class Rankings

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 December 31, 2012



Total Asset Class Performance Five Years Ended December 31, 2012



* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Infn-Linked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% Russell 2000 Index.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2012, with the distribution as of September 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

	December 31, 2012			September 30, 2012		
	Market Value	Percent	Net New Inv.	Inv. Return	Market Value	Percent
Domestic Equity	\$224,794,629	8.41%	\$(7,109,751)	\$2,509,201	\$229,395,178	9.35%
Large Cap	\$165,294,386	6.19%	\$(4,076,168)	\$695,870	\$168,674,684	6.88%
Clifton Large Cap	33,115,302	1.24%	0	(73,603)	33,188,906	1.35%
L.A. Capital	48,787,685	1.83%	(2,027,438)	(822,784)	51,637,907	2.11%
L.A. Capital Enhanced	31,898,175	1.19%	(2,011,228)	(150,389)	34,059,793	1.39%
LSV Asset Management	51,493,223	1.93%	(37,502)	1,742,646	49,788,079	2.03%
Small Cap	\$59,500,243	2.23%	\$(3,033,583)	\$1,813,332	\$60,720,494	2.48%
Clifton Small Cap	28,597,938	1.07%	(3,000,000)	641,682	30,956,255	1.26%
Research Affiliates	30,902,306	1.16%	(33,583)	1,171,650	29,764,239	1.21%
International Equity	\$118,342,883	4.43%	\$14,884,473	\$7,099,989	\$96,358,422	3.93%
Capital Guardian Trust Co.	48,681,091	1.82%	11,952,865	2,793,401	33,934,824	1.38%
DFA Int'l Small Cap Value	10,605,552	0.40%	(16,176)	866,233	9,755,495	0.40%
LSV Asset Management	48,566,738	1.82%	2,947,784	2,893,573	42,725,380	1.74%
Vanguard	10,489,503	0.39%	0	546,781	9,942,722	0.41%
Domestic Fixed Income	\$810,174,709	30.33%	\$(27,388,212)	\$20,174,935	\$817,387,986	33.33%
Bank of North Dakota	112,782,998	4.22%	(16,891)	189,849	112,610,039	4.59%
Prudential	70,133,774	2.63%	(50,824)	1,150,982	69,033,616	2.82%
Wells Capital	278,764,000	10.43%	(20,159,459)	5,409,996	293,513,463	11.97%
Western Asset Management	209,509,812	7.84%	(7,096,987)	1,871,315	214,735,483	8.76%
Declaration	52,077,764	1.95%	(64,051)	391,148	51,750,666	2.11%
PIMCO DiSCO II	86,906,362	3.25%	0	11,161,644	75,744,718	3.09%
Inflation Protected	\$326,172,977	12.21%	\$10,442,860	\$5,344,521	\$310,385,596	12.66%
Western Asset Management	187,941,421	7.04%	9,921,568	4,750,183	173,269,670	7.07%
JP Morgan Infrastructure	65,767,809	2.46%	(176,236)	2,786,545	63,157,500	2.58%
Eastern Timber Opportunities	59,195,880	2.22%	0	(2,437,103)	61,632,983	2.51%
Credit Suisse Cust. Infra.	13,267,867	0.50%	697,529	244,896	12,325,443	0.50%
Real Estate	\$100,306,832	3.75%	\$(1,911,835)	\$5,367,950	\$96,850,717	3.95%
JP Morgan RE	60,306,832	2.26%	(41,911,835)	5,367,950	96,850,717	3.95%
INVESCO RE Insurance Fund	40,000,000	1.50%	40,000,000	0	-	-
Short Term Fixed Income	\$1,017,283,137	38.08%	\$180,151,145	\$2,978,755	\$834,153,237	34.02%
Prudential - Budget	-	-	(91,725)	1,021	90,705	0.00%
JPM Short Term - Budget	150,559,708	5.64%	4,500,000	191,150	145,868,558	5.95%
Babson Short Term - Budget	145,341,880	5.44%	4,143,912	713,542	140,484,426	5.73%
Babson Bank Loan - Budget	5,802,008	0.22%	(607,403)	82,540	6,326,870	0.26%
Babson Short Term Legacy	359,140,058	13.44%	86,057,602	1,556,384	271,526,072	11.07%
JPM Short Term Legacy	356,439,484	13.34%	86,148,760	434,118	269,856,605	11.01%
Cash & Equivalents	\$74,390,161	2.78%	\$6,740,389	\$61,484	\$67,588,289	2.76%
Bank of ND - Money Mkt	74,390,161	2.78%	6,740,389	61,484	67,588,289	2.76%
Total Fund	\$2,671,465,329	100.0%	\$175,809,070	\$43,536,835	\$2,452,119,424	100.0%

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended December 31, 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 December 31, 2012

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Domestic Equity	1.13%	17.99%	11.74%	1.11%	7.40%
Large Cap	0.42%	17.51%	10.99%	(0.02%)	7.03%
Clifton Large Cap	(0.22%)	17.37%	12.00%	-	-
L.A. Capital	(1.66%)	16.24%	11.84%	3.48%	-
L.A. Capital Enhanced	(0.47%)	16.01%	11.28%	3.04%	-
LSV Asset Management	3.50%	19.78%	11.33%	1.00%	9.55%
Large Cap Benchmark (1)	0.12%	16.42%	11.01%	1.74%	7.14%
Small Cap	3.13%	19.37%	14.01%	4.53%	10.26%
Clifton Small Cap	2.30%	18.95%	14.18%	-	-
Research Affiliates	3.94%	19.74%	13.98%	5.37%	-
Russell 2000	1.85%	16.35%	12.25%	3.56%	9.72%
International Equity	6.63%	19.33%	4.79%	(2.88%)	8.00%
Capital Guardian Trust Co.	6.92%	20.72%	5.23%	(2.88%)	7.58%
DFA International Small Cap Value	8.89%	23.06%	6.64%	(0.01%)	-
LSV Asset Management	6.36%	17.93%	3.44%	(4.13%)	-
Vanguard	5.50%	18.15%	5.45%	(1.49%)	-
MSCI EAFE Index (2)	6.57%	17.32%	3.02%	(3.69%)	7.49%
Domestic Fixed Income	2.55%	12.31%	10.41%	8.18%	6.51%
Bank of North Dakota	0.17%	3.89%	6.26%	5.91%	5.00%
Prudential	1.67%	10.54%	9.68%	8.91%	-
Wells Capital	1.97%	11.87%	10.84%	10.30%	8.08%
Western Asset Management	0.90%	8.91%	9.60%	7.25%	6.24%
Declaration	0.76%	9.22%	8.87%	(5.88%)	-
PIMCO DiSCO II	14.74%	44.84%	-	-	-
BC Aggregate	0.21%	4.21%	6.19%	5.95%	5.18%
Insurance Inflation Protected Assets	1.65%	5.99%	4.99%	3.80%	-
Western Asset Management	2.61%	6.39%	6.21%	5.06%	-
JP Morgan Infrastructure	4.42%	10.73%	5.83%	-	-
Eastern Timber Opportunities	(3.95%)	(1.09%)	1.10%	-	-
Credit Suisse Cust. Infra.	1.77%	16.55%	-	-	-
BC Global Inflation Linked (3)	2.70%	7.99%	7.04%	5.94%	-
Real Estate	4.49%	15.25%	15.92%	(7.19%)	-
JP Morgan RE	6.72%	17.72%	16.74%	(6.80%)	-
NCREIF Total Index	2.54%	10.55%	12.63%	2.13%	8.44%
Short Term Fixed Income	0.33%	2.49%	2.80%	-	-
JPM Short Term - Budget	0.13%	1.84%	-	-	-
Babson Short Term - Budget	0.50%	3.24%	-	-	-
Babson Bank Loan - Budget	1.38%	7.55%	-	-	-
CSFB Levered Loan Index	1.52%	8.74%	6.79%	4.68%	5.47%
Babson Short Term Legacy	0.51%	2.86%	-	-	-
JPM Short Term Legacy	0.14%	1.60%	-	-	-
BC Gov 1-3 Yr	0.07%	0.51%	1.49%	2.49%	2.83%
Cash & Equivalents	0.08%	0.29%	0.29%	0.67%	1.96%
Bank of ND - Money Mkt	0.08%	0.29%	0.30%	0.67%	1.96%
90 Day Treasury Bills	0.04%	0.11%	0.11%	0.52%	1.78%
Total Fund	1.72%	9.11%	7.79%	3.91%	6.20%
Policy Target	0.86%	5.59%	5.90%	3.93%	6.11%

* Current Quarter Target = 38.1% Barclays Gov 1-3 Yr, 30.6% Barclays Aggregate Index, 12.6% Barclays Gbl Inftn-Linked, 6.1% Russell 1000 Index, 4.3% MSCI EAFE Index, 3.4% NCREIF Total Index, 2.8% 3-month Treasury Bill and 2.1% 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 December 31, 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.

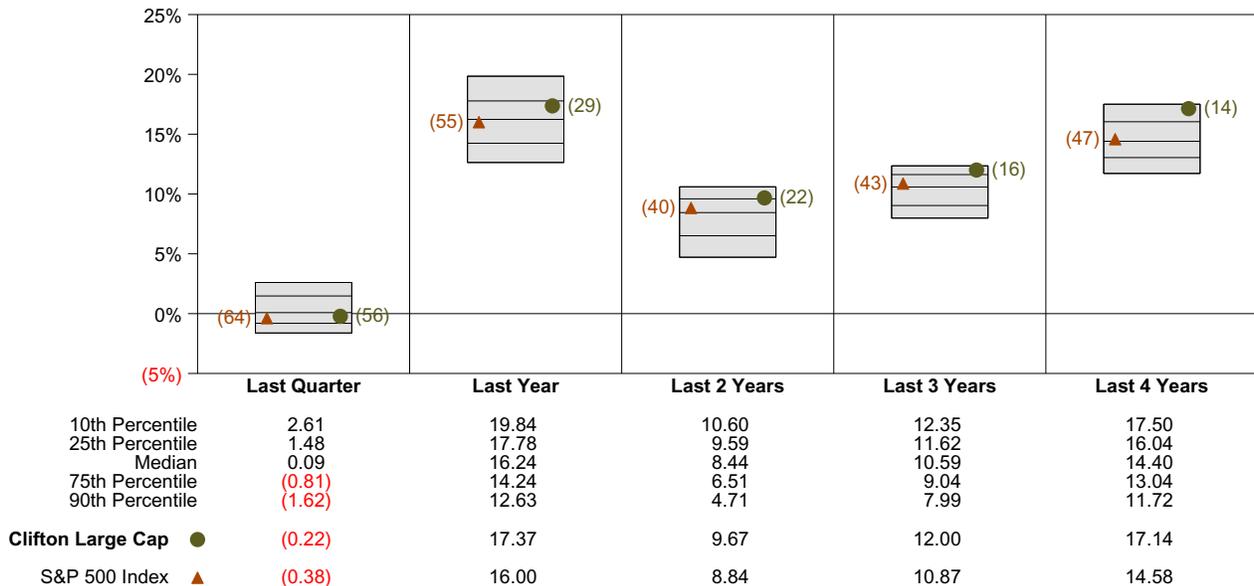
Quarterly Summary and Highlights

- Clifton Large Cap's portfolio posted a (0.22)% return for the quarter placing it in the 56 percentile of the CAI Large Capitalization Style group for the quarter and in the 29 percentile for the last year.
- Clifton Large Cap's portfolio outperformed the S&P 500 Index by 0.16% for the quarter and outperformed the S&P 500 Index for the year by 1.36%.

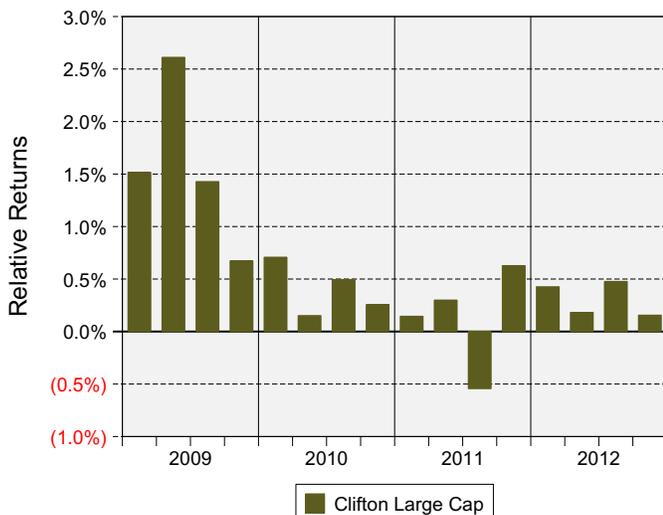
Quarterly Asset Growth

Beginning Market Value	\$33,188,906
Net New Investment	\$0
Investment Gains/(Losses)	\$-73,603
Ending Market Value	\$33,115,302

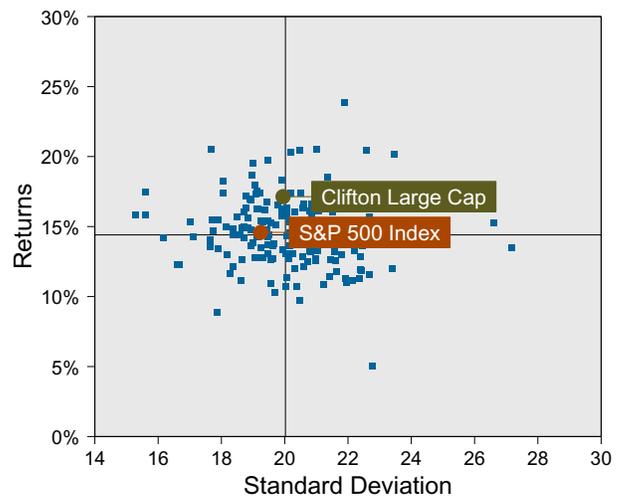
Performance vs CAI Large Capitalization Style (Gross)



Relative Return vs S&P 500 Index



CAI Large Capitalization Style (Gross) Annualized Four Year Risk vs Return



L.A. Capital Period Ended December 31, 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.

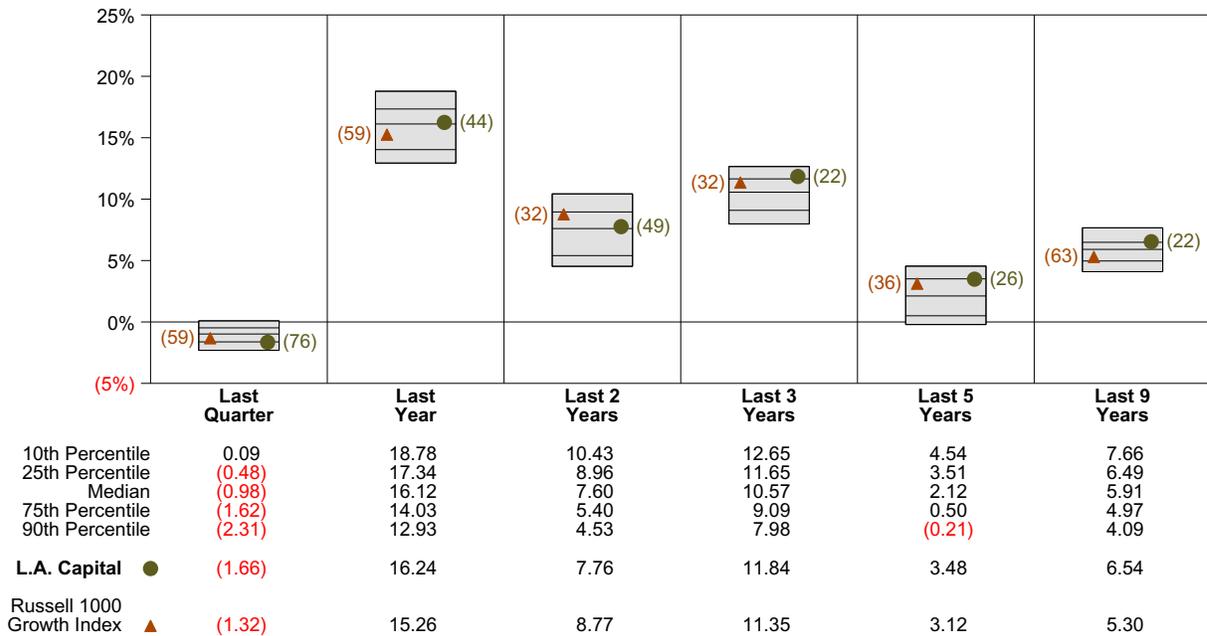
Quarterly Summary and Highlights

- L.A. Capital's portfolio posted a (1.66)% return for the quarter placing it in the 76 percentile of the CAI Large Cap Growth Style group for the quarter and in the 44 percentile for the last year.
- L.A. Capital's portfolio underperformed the Russell 1000 Growth Index by 0.34% for the quarter and outperformed the Russell 1000 Growth Index for the year by 0.99%.

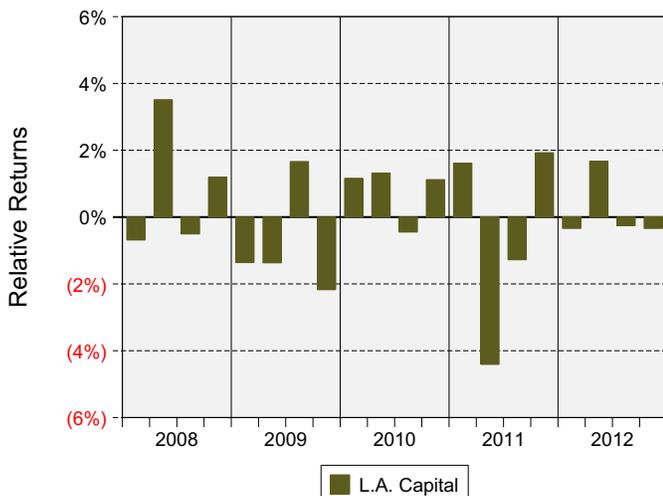
Quarterly Asset Growth

Beginning Market Value	\$51,637,907
Net New Investment	\$-2,027,438
Investment Gains/(Losses)	\$-822,784
Ending Market Value	\$48,787,685

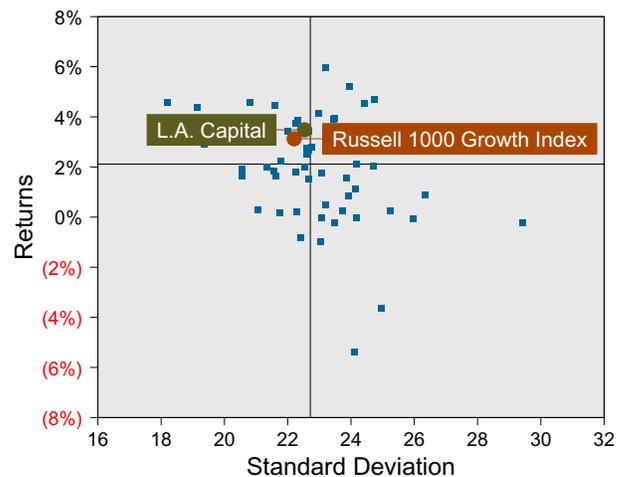
Performance vs CAI Large Cap Growth Style (Gross)



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 December 31, 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.

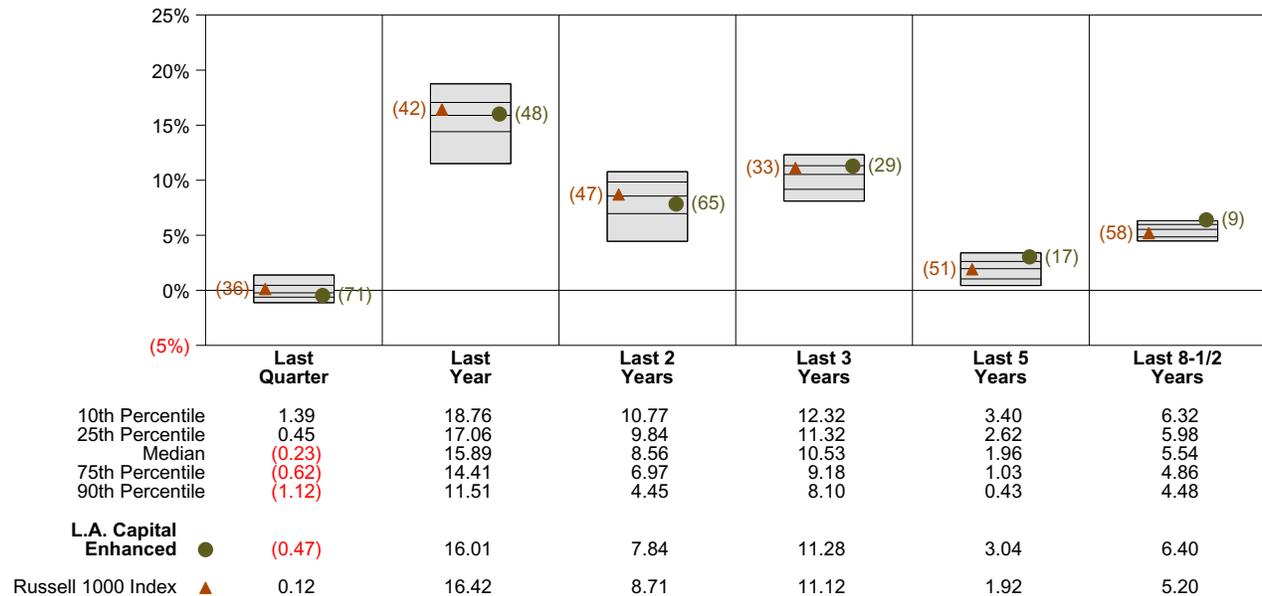
Quarterly Summary and Highlights

- L.A. Capital Enhanced's portfolio posted a (0.47)% return for the quarter placing it in the 71 percentile of the CAI Large Cap Core Style group for the quarter and in the 48 percentile for the last year.
- L.A. Capital Enhanced's portfolio underperformed the Russell 1000 Index by 0.59% for the quarter and underperformed the Russell 1000 Index for the year by 0.41%.

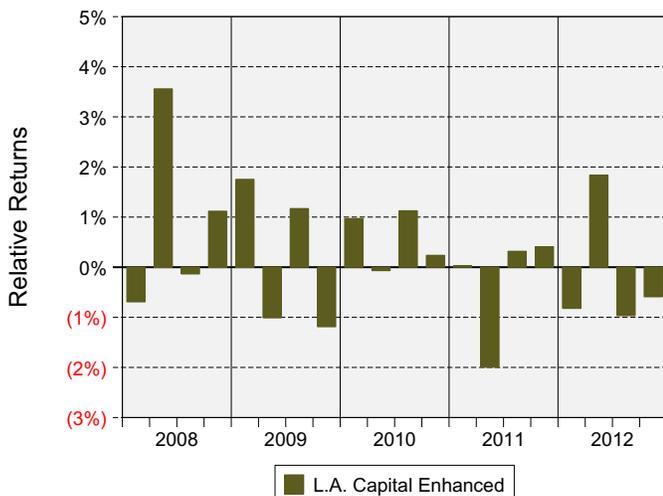
Quarterly Asset Growth

Beginning Market Value	\$34,059,793
Net New Investment	\$-2,011,228
Investment Gains/(Losses)	\$-150,389
Ending Market Value	\$31,898,175

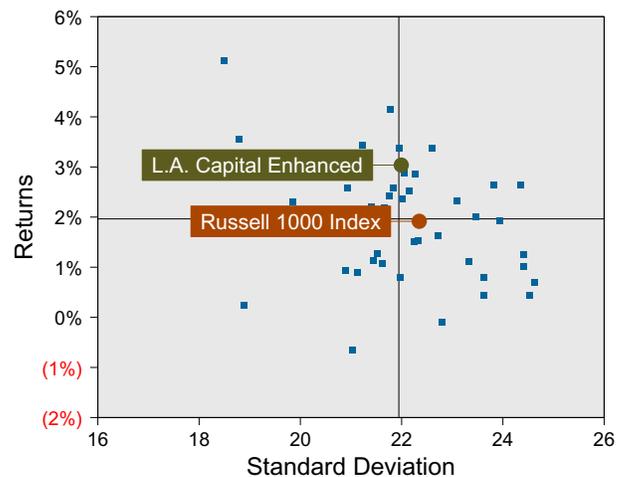
Performance vs CAI Large Cap Core Style (Gross)



Relative Return vs Russell 1000 Index



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



LSV Asset Management Period Ended December 31, 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.

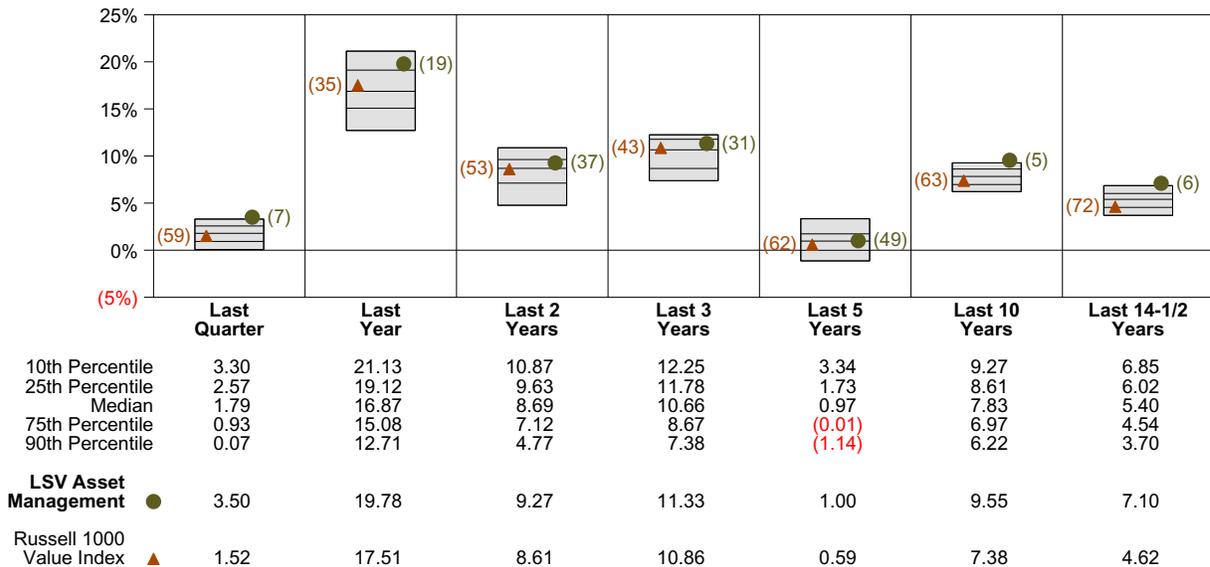
Quarterly Summary and Highlights

- LSV Asset Management's portfolio posted a 3.50% return for the quarter placing it in the 7 percentile of the CAI Large Cap Value Style group for the quarter and in the 19 percentile for the last year.
- LSV Asset Management's portfolio outperformed the Russell 1000 Value Index by 1.98% for the quarter and outperformed the Russell 1000 Value Index for the year by 2.27%.

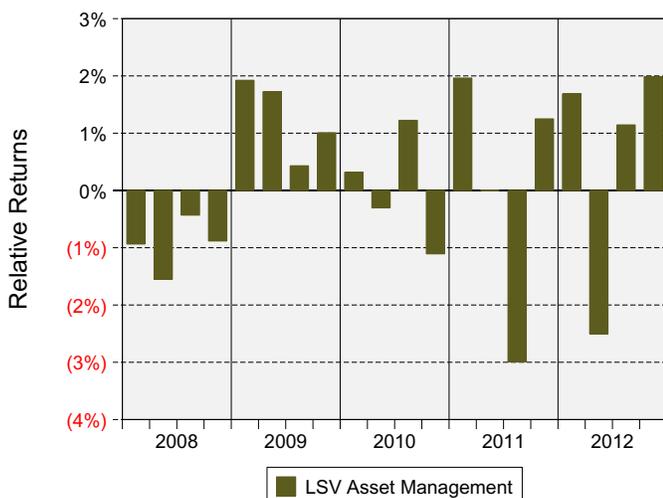
Quarterly Asset Growth

Beginning Market Value	\$49,788,079
Net New Investment	\$-37,502
Investment Gains/(Losses)	\$1,742,646
Ending Market Value	\$51,493,223

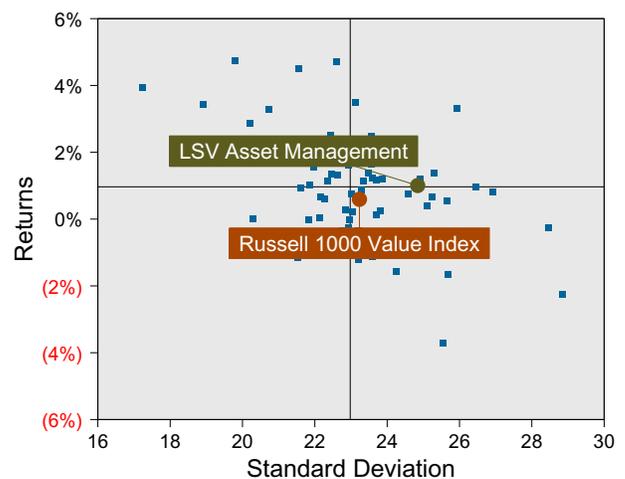
Performance vs CAI Large Cap Value Style (Gross)



Relative Return vs Russell 1000 Value Index



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



Clifton Small Cap Period Ended December 31, 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.

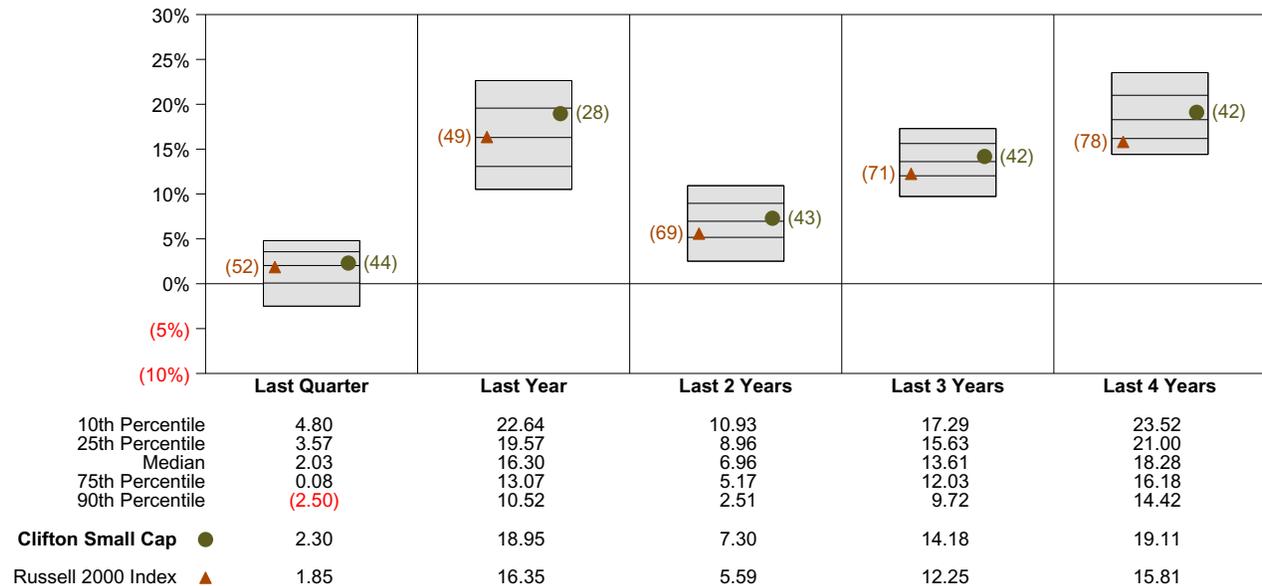
Quarterly Summary and Highlights

- Clifton Small Cap's portfolio posted a 2.30% return for the quarter placing it in the 44 percentile of the CAI Small Capitalization Style group for the quarter and in the 28 percentile for the last year.
- Clifton Small Cap's portfolio outperformed the Russell 2000 Index by 0.45% for the quarter and outperformed the Russell 2000 Index for the year by 2.61%.

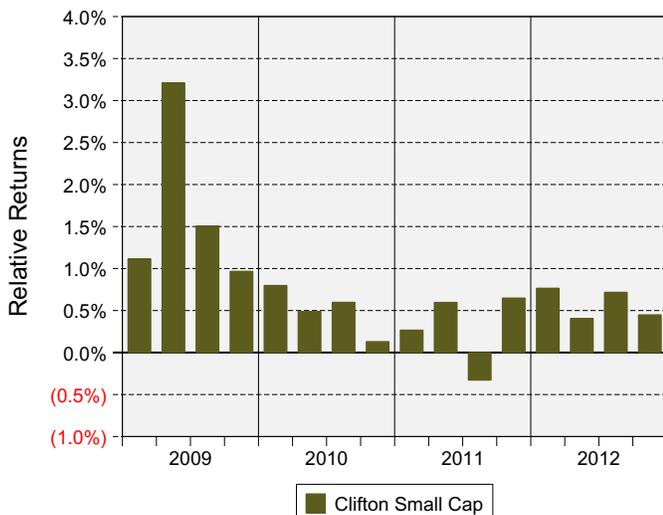
Quarterly Asset Growth

Beginning Market Value	\$30,956,255
Net New Investment	\$-3,000,000
Investment Gains/(Losses)	\$641,682
Ending Market Value	\$28,597,938

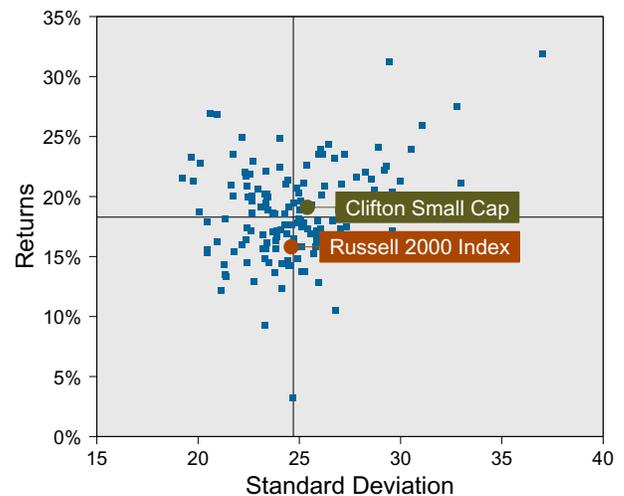
Performance vs CAI Small Capitalization Style (Gross)



Relative Return vs Russell 2000 Index



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



Research Affiliates Period Ended December 31, 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.

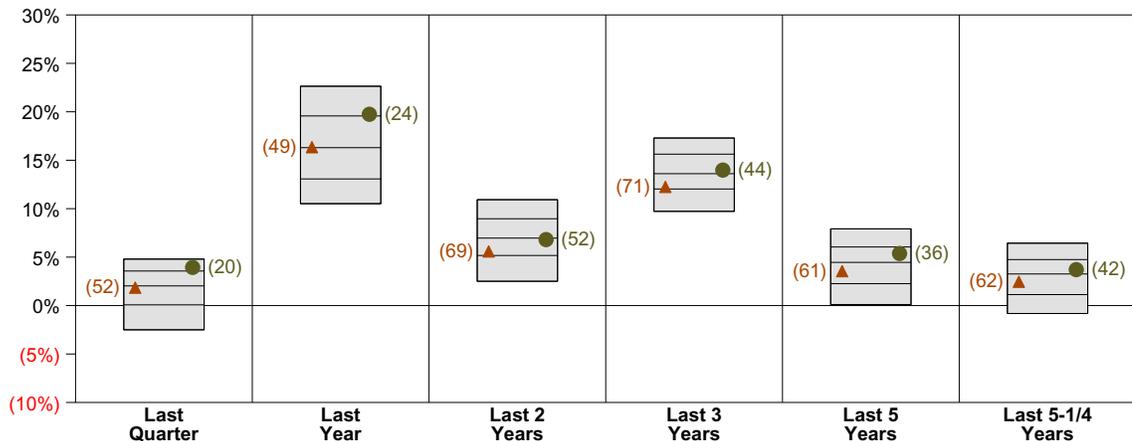
Quarterly Summary and Highlights

- Research Affiliates's portfolio posted a 3.94% return for the quarter placing it in the 20 percentile of the CAI Small Capitalization Style group for the quarter and in the 24 percentile for the last year.
- Research Affiliates's portfolio outperformed the Russell 2000 Index by 2.09% for the quarter and outperformed the Russell 2000 Index for the year by 3.39%.

Quarterly Asset Growth

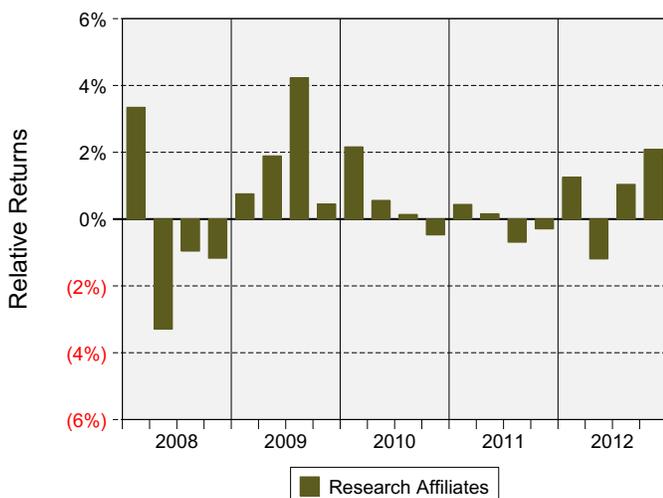
Beginning Market Value	\$29,764,239
Net New Investment	\$-33,583
Investment Gains/(Losses)	\$1,171,650
Ending Market Value	\$30,902,306

Performance vs CAI Small Capitalization Style (Gross)

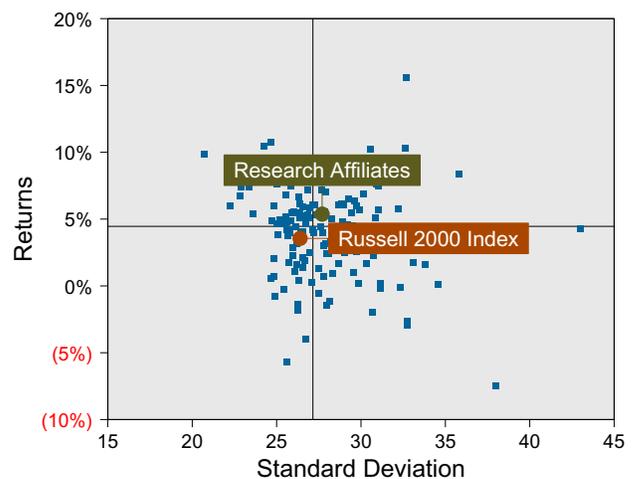


10th Percentile	4.80	22.64	10.93	17.29	7.92	6.44
25th Percentile	3.57	19.57	8.96	15.63	6.05	4.75
Median	2.03	16.30	6.96	13.61	4.46	3.26
75th Percentile	0.08	13.07	5.17	12.03	2.26	1.13
90th Percentile	(2.50)	10.52	2.51	9.72	0.09	(0.82)
Research Affiliates ●	3.94	19.74	6.81	13.98	5.37	3.71
Russell 2000 Index ▲	1.85	16.35	5.59	12.25	3.56	2.47

Relative Return vs Russell 2000 Index



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



Capital Guardian Trust Company Period Ended December 31, 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.

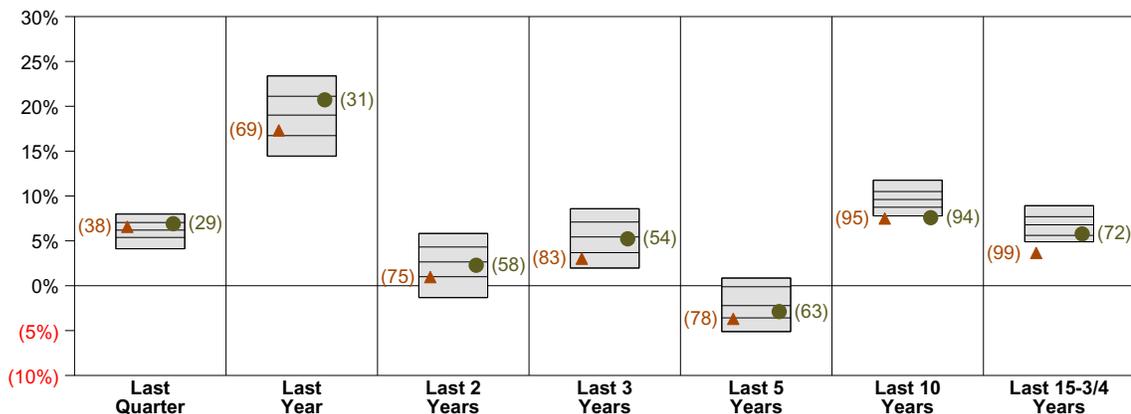
Quarterly Summary and Highlights

- Capital Guardian's portfolio posted a 6.92% 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 31 percentile for the last year.
- Capital Guardian's portfolio outperformed the MSCI EAFE Index by 0.35% for the quarter and outperformed the MSCI EAFE Index for the year by 3.40%.

Quarterly Asset Growth

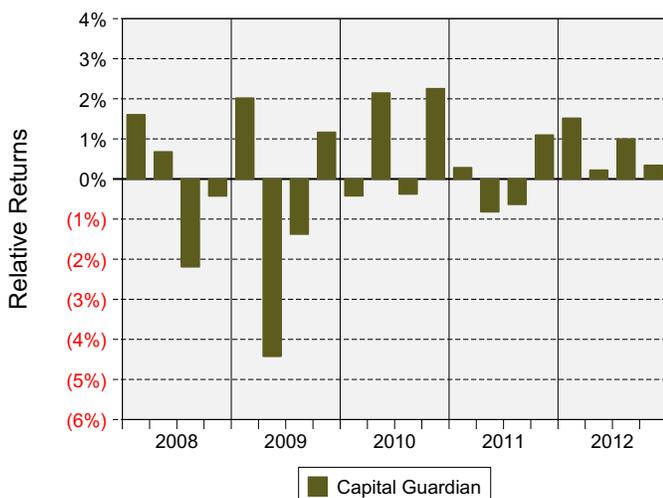
Beginning Market Value	\$33,934,824
Net New Investment	\$11,952,865
Investment Gains/(Losses)	\$2,793,401
Ending Market Value	\$48,681,091

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

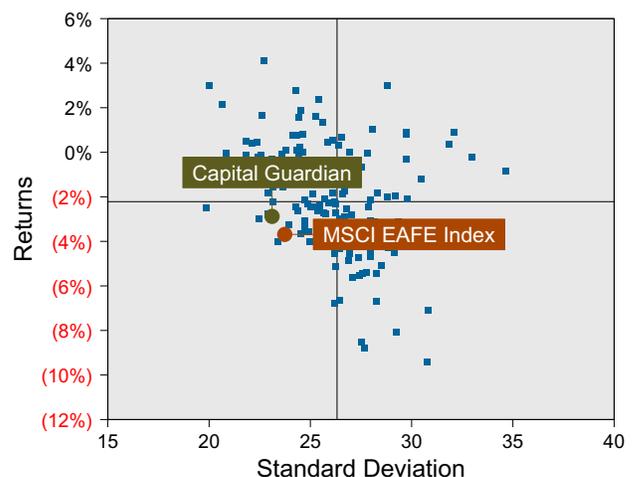


	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years	Last 15-3/4 Years
10th Percentile	7.99	23.38	5.83	8.58	0.86	11.76	8.92
25th Percentile	7.05	21.12	4.32	7.10	(0.11)	10.50	7.69
Median	6.20	19.02	2.65	5.44	(2.22)	9.61	6.79
75th Percentile	5.38	16.73	1.01	3.69	(3.58)	8.75	5.61
90th Percentile	4.12	14.45	(1.33)	1.97	(5.11)	7.78	4.90
Capital Guardian ●	6.92	20.72	2.28	5.23	(2.88)	7.58	5.77
MSCI EAFE Index ▲	6.57	17.32	0.96	3.02	(3.69)	7.49	3.65

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 December 31, 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.

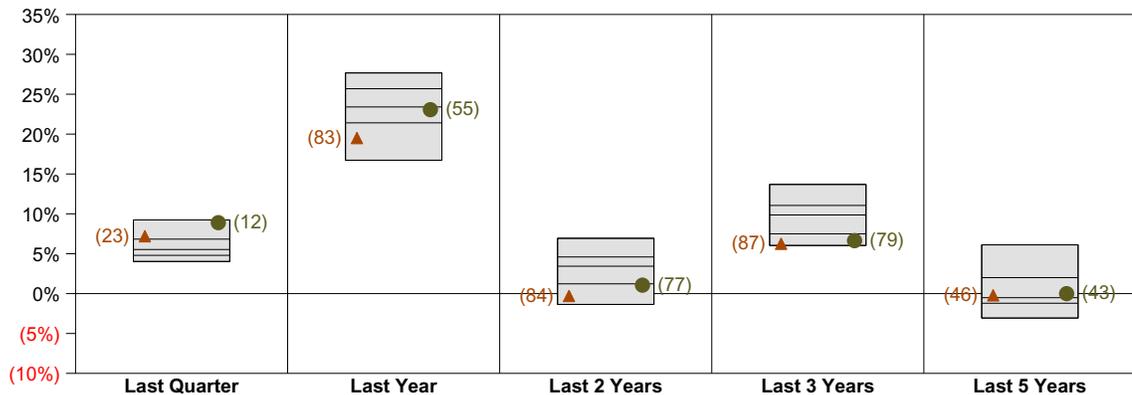
Quarterly Summary and Highlights

- DFA International Small Value's portfolio posted a 8.89% return for the quarter placing it in the 12 percentile of the CAI International Small Cap Style group for the quarter and in the 55 percentile for the last year.
- DFA International Small Value's portfolio outperformed the World ex US SC Va by 1.70% for the quarter and outperformed the World ex US SC Va for the year by 3.55%.

Quarterly Asset Growth

Beginning Market Value	\$9,755,495
Net New Investment	\$-16,176
Investment Gains/(Losses)	\$866,233
Ending Market Value	\$10,605,552

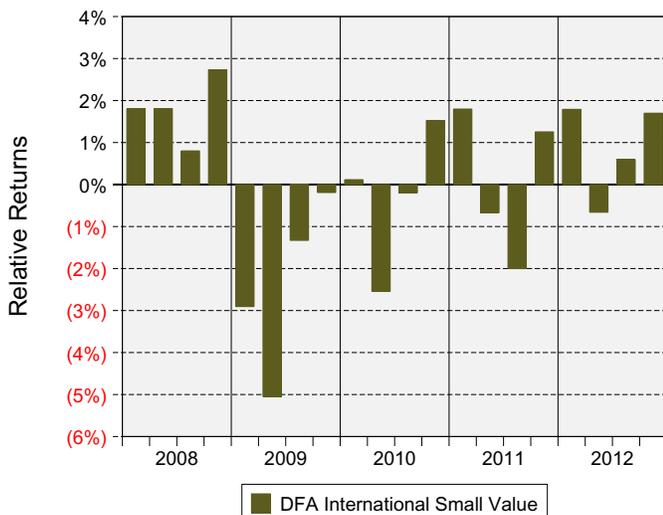
Performance vs CAI International Small Cap Style (Gross)



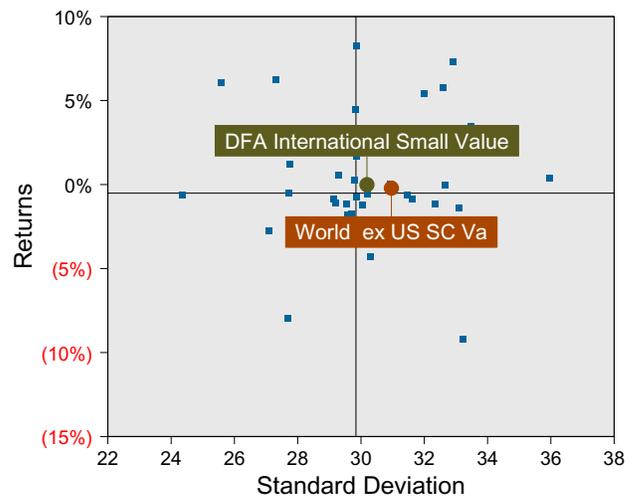
	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	9.23	27.67	6.94	13.69	6.11
25th Percentile	6.83	25.69	4.59	11.05	2.00
Median	5.53	23.40	3.43	9.86	(0.51)
75th Percentile	4.80	21.41	1.23	7.50	(1.21)
90th Percentile	4.03	16.72	(1.36)	6.03	(3.06)

DFA International Small Value ●	8.89	23.06	1.06	6.64	(0.01)
World ex US SC Va ▲	7.20	19.51	(0.29)	6.25	(0.21)

Relative Return vs World ex US SC Va



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



LSV Asset Management

Period Ended December 31, 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.

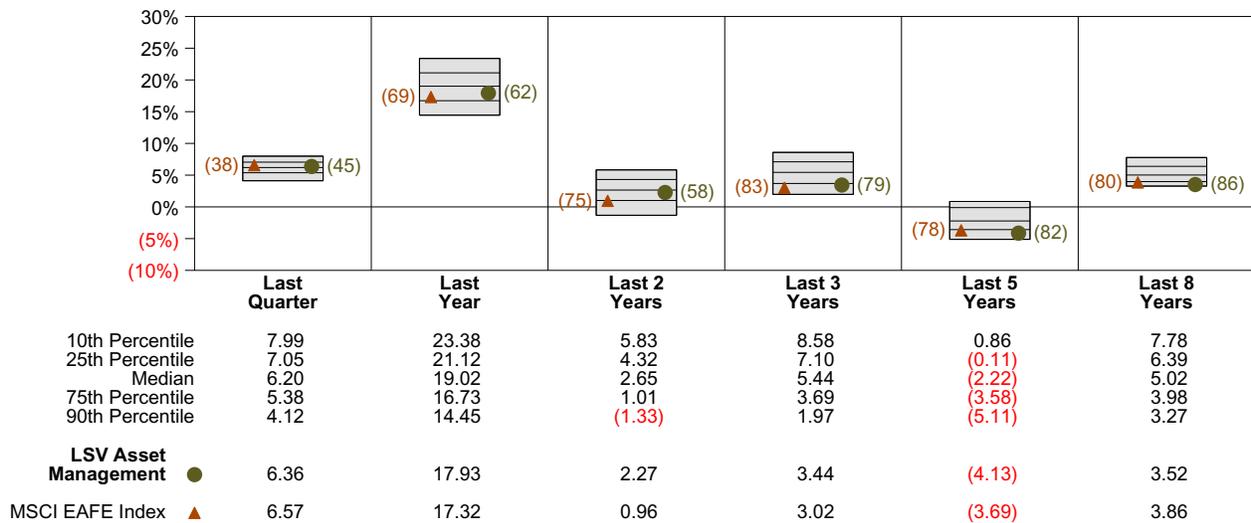
Quarterly Summary and Highlights

- LSV Asset Management's portfolio posted a 6.36% return for the quarter placing it in the 45 percentile of the CAI Non-U.S. Equity Style group for the quarter and in the 62 percentile for the last year.
- LSV Asset Management's portfolio underperformed the MSCI EAFE Index by 0.21% for the quarter and outperformed the MSCI EAFE Index for the year by 0.61%.

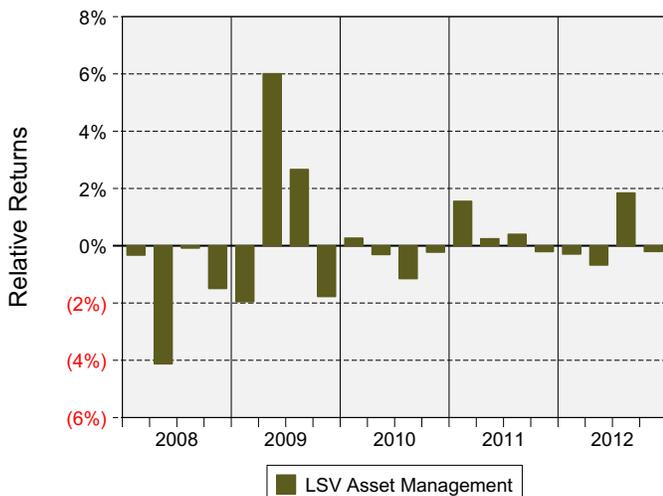
Quarterly Asset Growth

Beginning Market Value	\$42,725,380
Net New Investment	\$2,947,784
Investment Gains/(Losses)	\$2,893,573
Ending Market Value	\$48,566,738

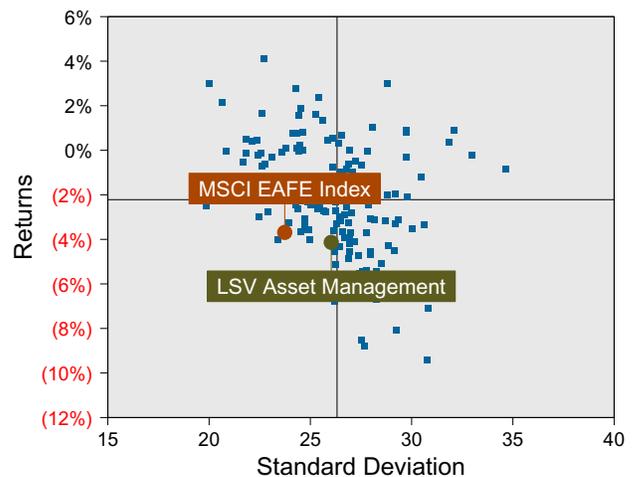
Performance vs CAI Non-U.S. Equity Style (Gross)



Relative Return vs MSCI EAFE Index



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



Vanguard

Period Ended December 31, 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.

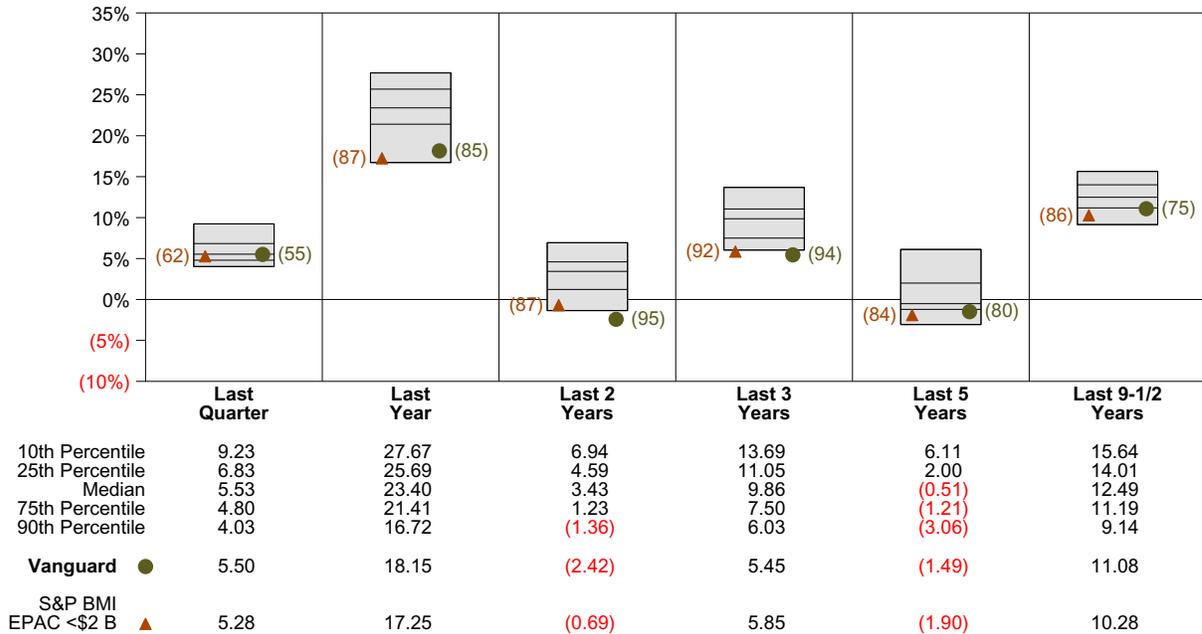
Quarterly Summary and Highlights

- Vanguard's portfolio posted a 5.50% return for the quarter placing it in the 55 percentile of the CAI International Small Cap Style group for the quarter and in the 85 percentile for the last year.
- Vanguard's portfolio outperformed the S&P BMI EPAC <\$2 B by 0.22% for the quarter and outperformed the S&P BMI EPAC <\$2 B for the year by 0.91%.

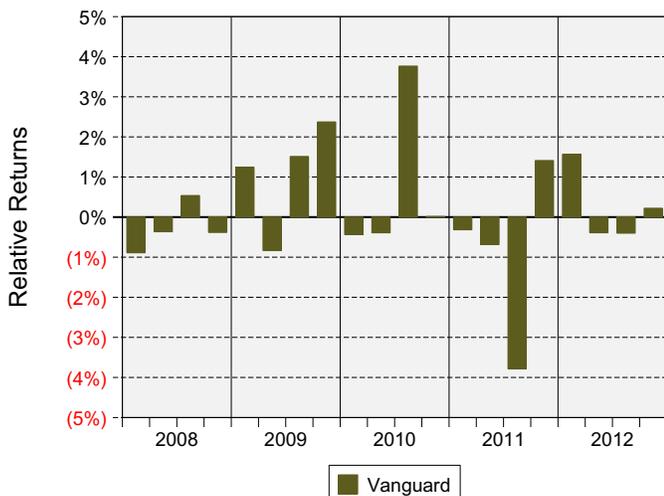
Quarterly Asset Growth

Beginning Market Value	\$9,942,722
Net New Investment	\$0
Investment Gains/(Losses)	\$546,781
Ending Market Value	\$10,489,503

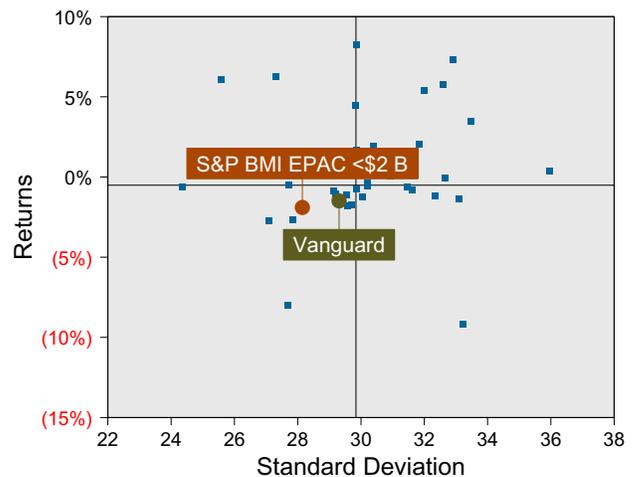
Performance vs CAI International Small Cap Style (Gross)



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 December 31, 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 Idx through 03/31/2004, BC Gov/Credit Index Intermediate through 06/30/2005, and BC Gov/Credit Bond Idx again thereafter.

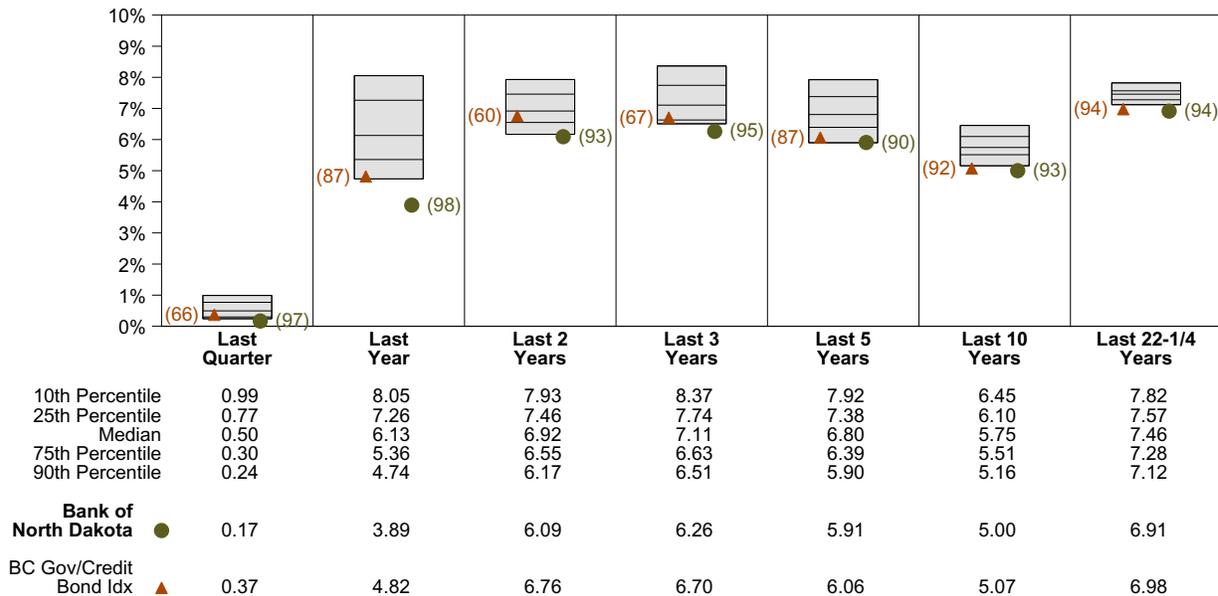
Quarterly Summary and Highlights

- Bank of North Dakota's portfolio posted a 0.17% return for the quarter placing it in the 97 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 98 percentile for the last year.
- Bank of North Dakota's portfolio underperformed the BC Gov/Credit Bond Idx by 0.20% for the quarter and underperformed the BC Gov/Credit Bond Idx for the year by 0.92%.

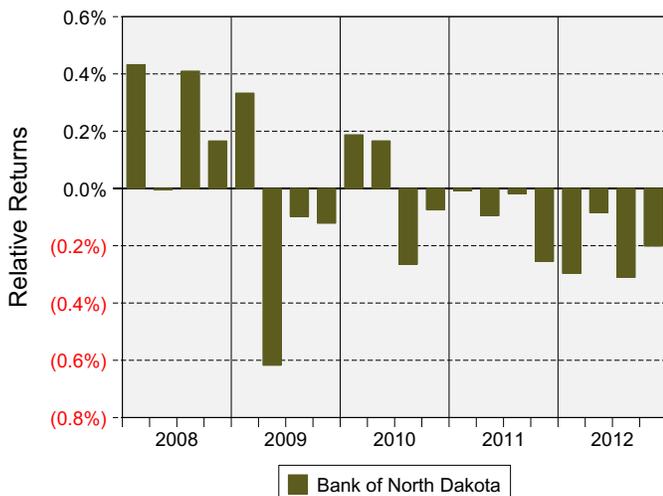
Quarterly Asset Growth

Beginning Market Value	\$112,610,039
Net New Investment	\$-16,891
Investment Gains/(Losses)	\$189,850
Ending Market Value	\$112,782,998

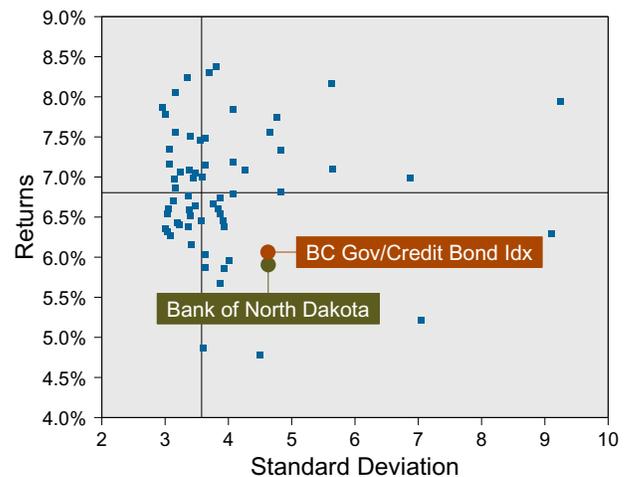
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs BC Gov/Credit Bond Idx



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



Prudential Period Ended December 31, 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.

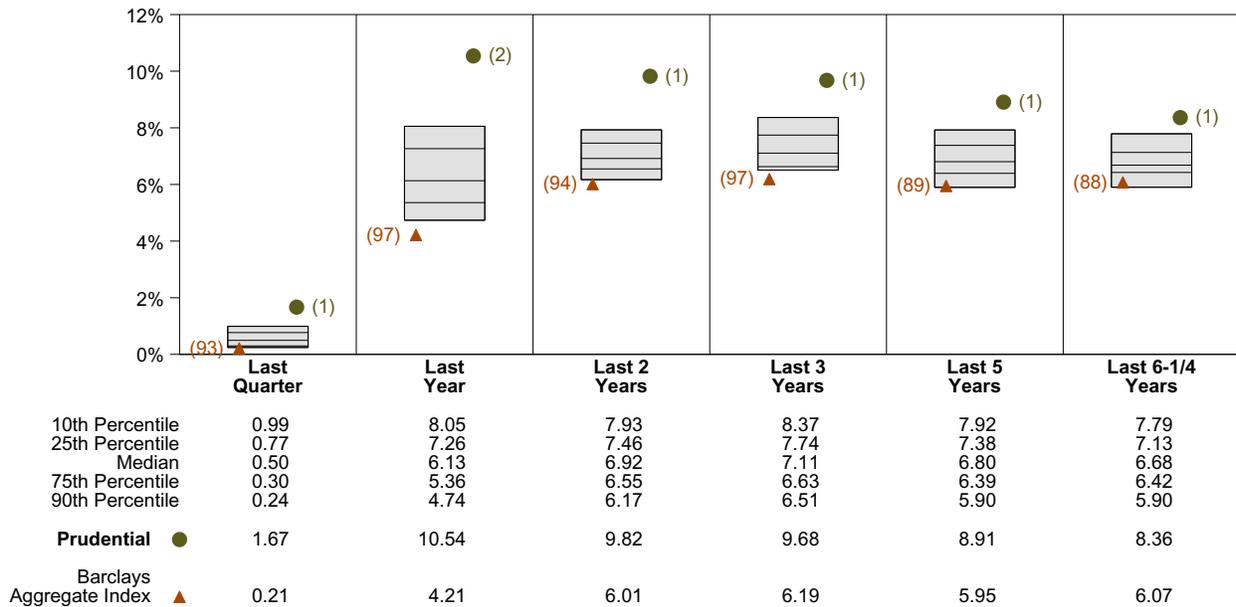
Quarterly Summary and Highlights

- Prudential's portfolio posted a 1.67% 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 2 percentile for the last year.
- Prudential's portfolio outperformed the Barclays Aggregate Index by 1.46% for the quarter and outperformed the Barclays Aggregate Index for the year by 6.32%.

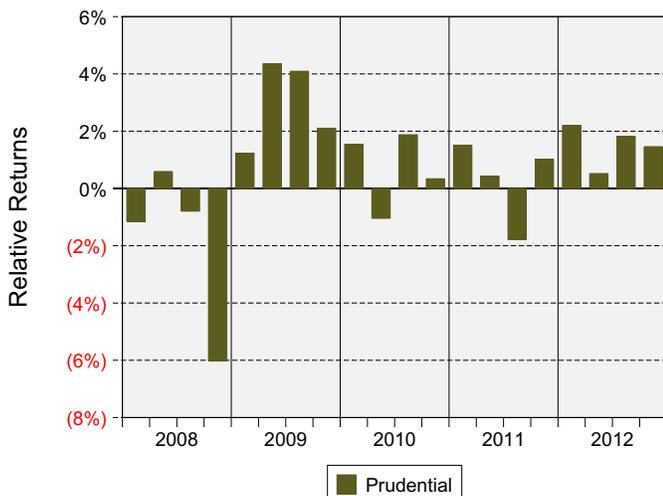
Quarterly Asset Growth

Beginning Market Value	\$69,033,616
Net New Investment	\$-50,824
Investment Gains/(Losses)	\$1,150,982
Ending Market Value	\$70,133,774

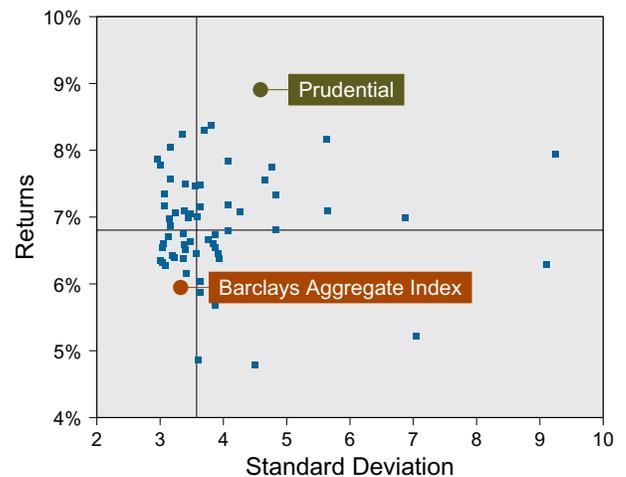
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Aggregate Index



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



Wells Capital Period Ended December 31, 2012

Investment Philosophy

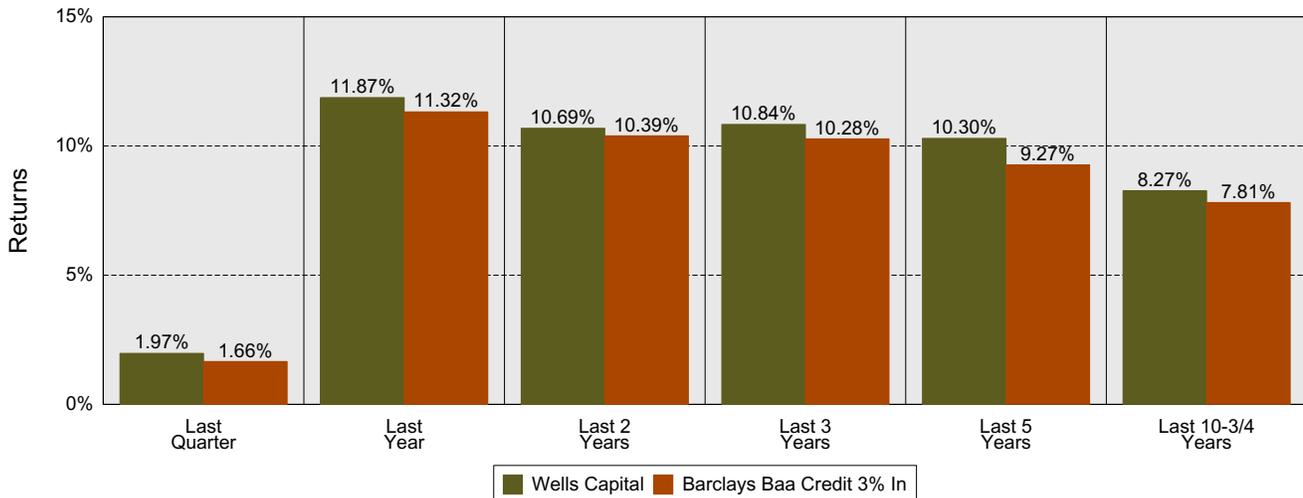
The Medium Quality Credit fixed income strategy is designed to maximize total return from the high-grade corporate bond market while maintaining a strategic allocation to the BBB portion of the high yield market. The investment process for this fund starts with a "top-down" strategy. Security selection 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

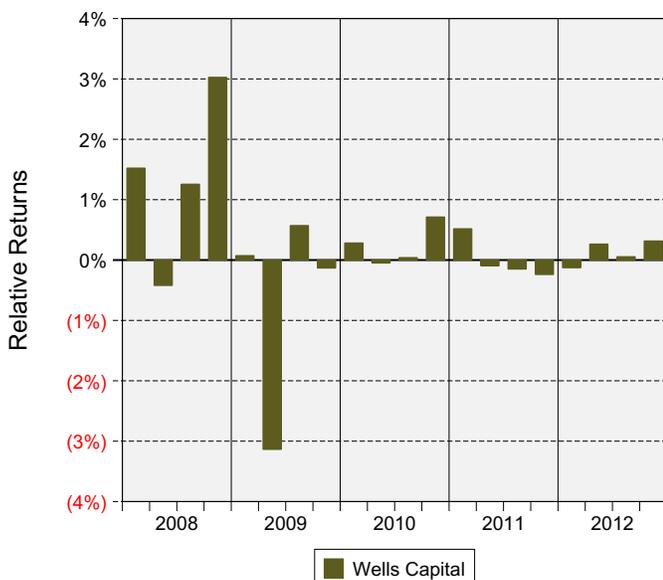
- Wells Capital's portfolio posted a 1.97% return for the quarter placing it in the 1 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 1 percentile for the last year.
- Wells Capital's portfolio outperformed the Barclays Baa Credit 3% In by 0.32% for the quarter and outperformed the Barclays Baa Credit 3% In for the year by 0.55%.

Quarterly Asset Growth

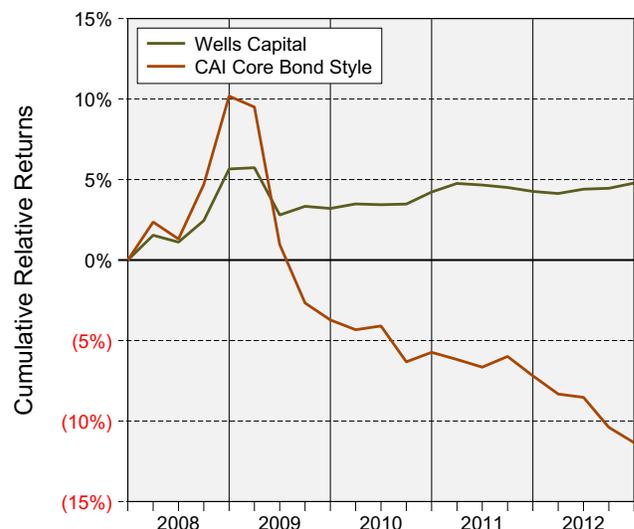
Beginning Market Value	\$293,513,463
Net New Investment	\$-20,159,459
Investment Gains/(Losses)	\$5,409,996
Ending Market Value	\$278,764,000



Relative Return vs Barclays Baa Credit 3% In



Cumulative Returns vs Barclays Baa Credit 3% In



Western Asset Management Company

Period Ended December 31, 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.

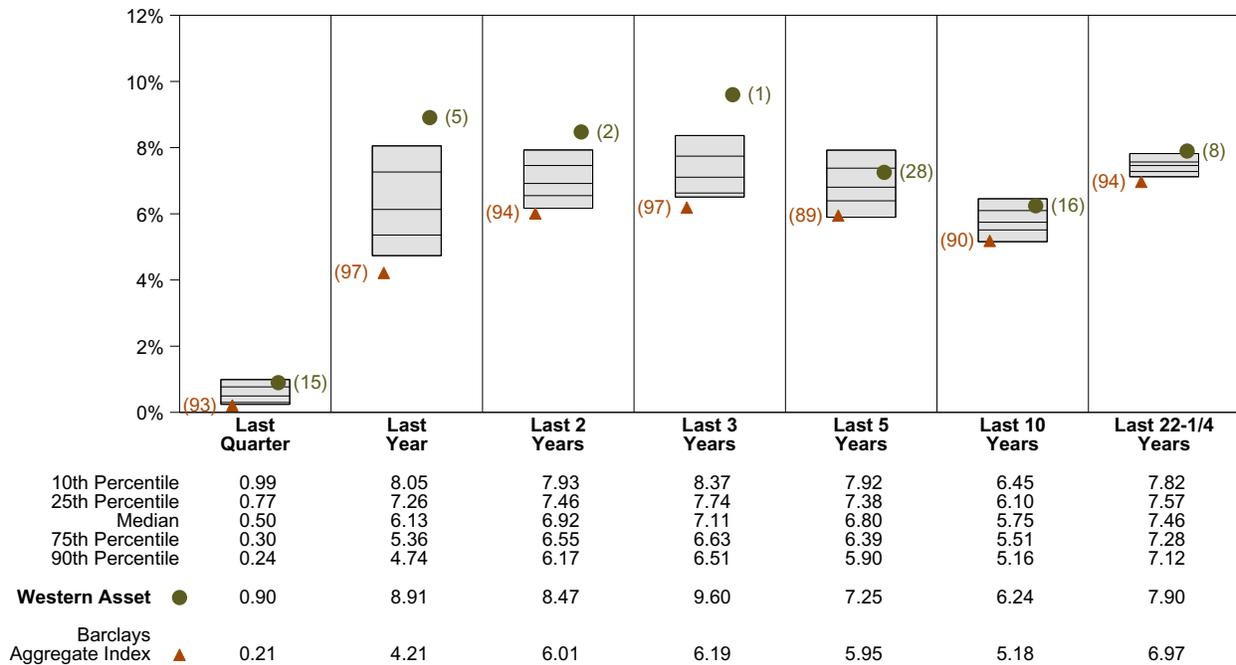
Quarterly Summary and Highlights

- Western Asset's portfolio posted a 0.90% return for the quarter placing it in the 15 percentile of the CAI Core Bond Fixed-Inc Style group for the quarter and in the 5 percentile for the last year.
- Western Asset's portfolio outperformed the Barclays Aggregate Index by 0.69% for the quarter and outperformed the Barclays Aggregate Index for the year by 4.69%.

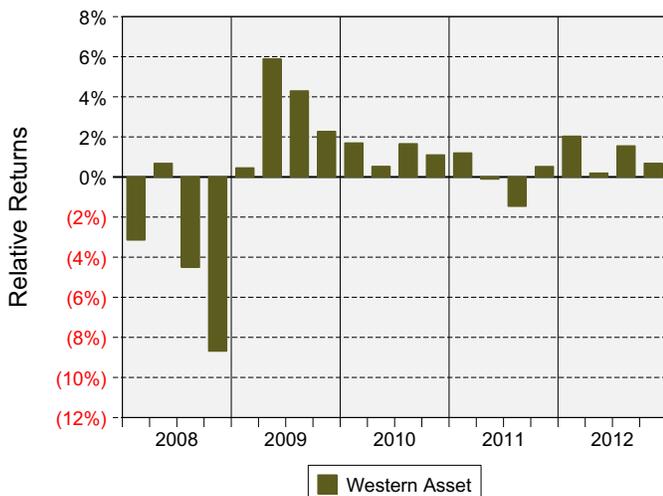
Quarterly Asset Growth

Beginning Market Value	\$214,735,483
Net New Investment	\$-7,096,987
Investment Gains/(Losses)	\$1,871,315
Ending Market Value	\$209,509,812

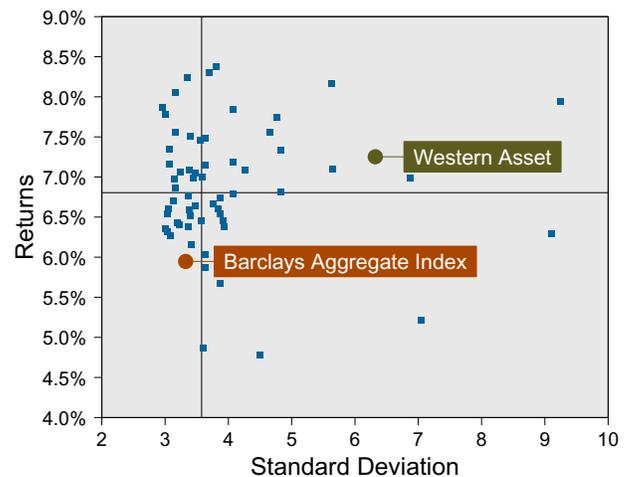
Performance vs CAI Core Bond Fixed-Inc Style (Gross)



Relative Return vs Barclays Aggregate Index



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



Declaration Period Ended December 31, 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.

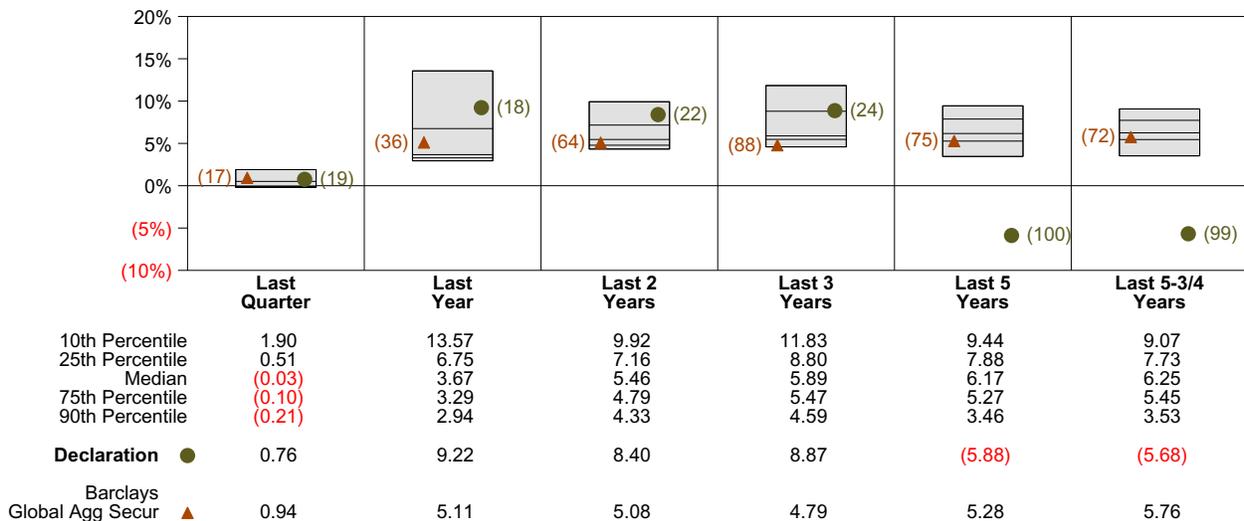
Quarterly Summary and Highlights

- Declaration's portfolio posted a 0.76% return for the quarter placing it in the 19 percentile of the CAI Mtg-Backed FI Style group for the quarter and in the 18 percentile for the last year.
- Declaration's portfolio underperformed the Barclays Global Agg Secur by 0.18% for the quarter and outperformed the Barclays Global Agg Secur for the year by 4.11%.

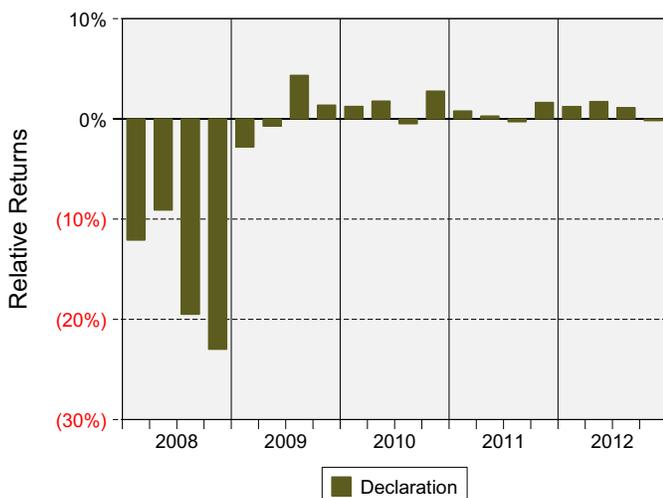
Quarterly Asset Growth

Beginning Market Value	\$51,750,666
Net New Investment	\$-64,051
Investment Gains/(Losses)	\$391,148
Ending Market Value	\$52,077,764

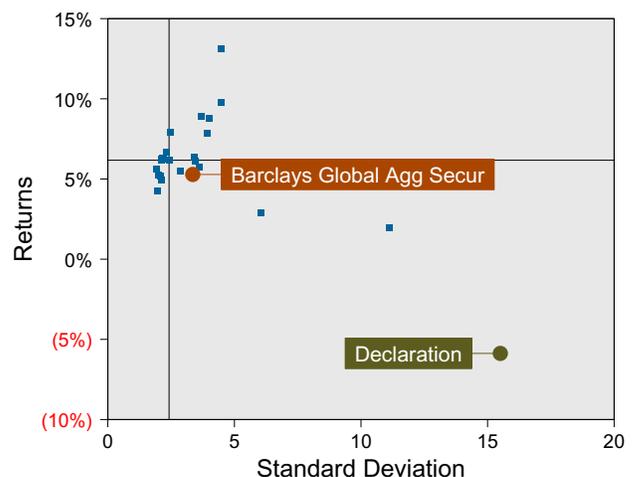
Performance vs CAI Mtg-Backed FI Style (Gross)



Relative Return vs Barclays Global Agg Secur



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



PIMCO DiSCO II

Period Ended December 31, 2012

Investment Philosophy

The PIMCO Distressed Senior Credit Opportunities Fund is an opportunistic private-equity style Fund which seeks to provide investors enhanced returns principally through long-biased investments in undervalued senior and super senior structured credit securities that are expected to produce attractive levels of current income and that may also appreciate in value over the long term. The fund will look to capitalize on forced sales by liquidity constrained investors.

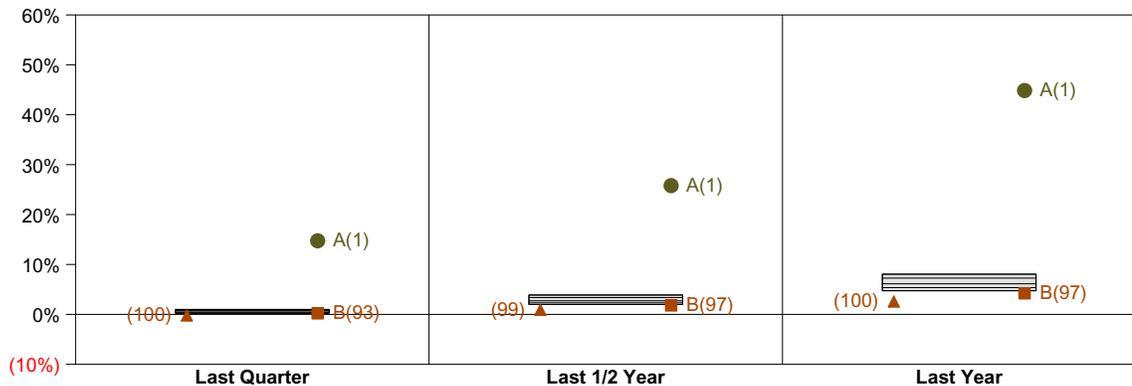
Quarterly Summary and Highlights

- PIMCO DiSCO II's portfolio posted a 14.74% 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.
- PIMCO DiSCO II's portfolio outperformed the Barclays Mortgage by 14.94% for the quarter and outperformed the Barclays Mortgage for the year by 42.25%.

Quarterly Asset Growth

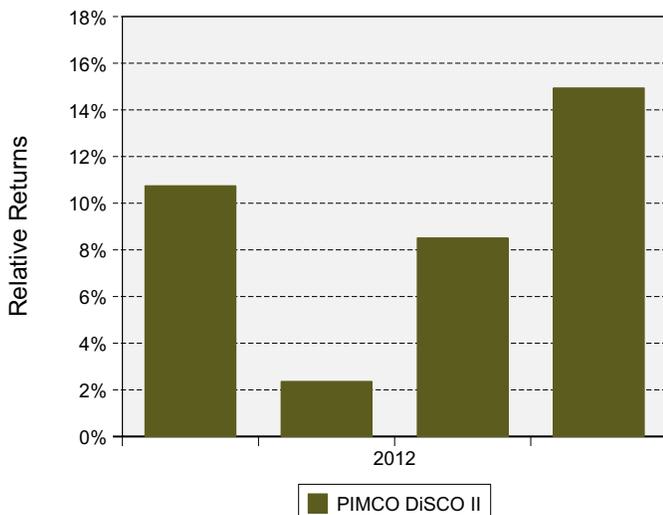
Beginning Market Value	\$75,744,718
Net New Investment	\$0
Investment Gains/(Losses)	\$11,161,644
Ending Market Value	\$86,906,362

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

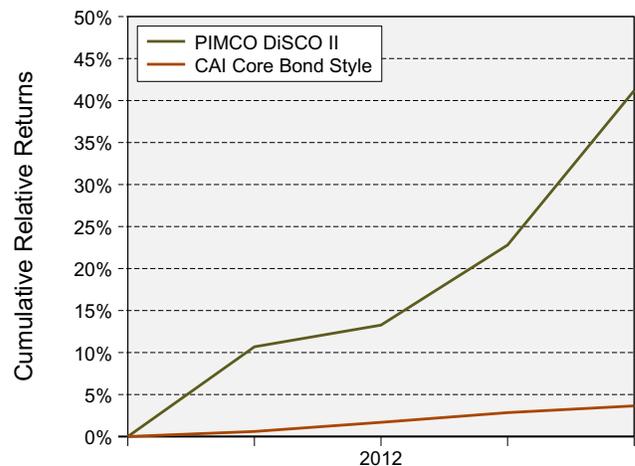


10th Percentile	0.99	3.88	8.05
25th Percentile	0.77	3.37	7.26
Median	0.50	2.72	6.13
75th Percentile	0.30	2.31	5.36
90th Percentile	0.24	1.99	4.74
PIMCO DiSCO II	14.74	25.79	44.84
Barclays Aggregate Index	0.21	1.80	4.21
Barclays Mortgage	(0.20)	0.92	2.59

Relative Return vs Barclays Mortgage



Cumulative Returns vs Barclays Mortgage



Western Asset Management TIPS Period Ended December 31, 2012

Investment Philosophy

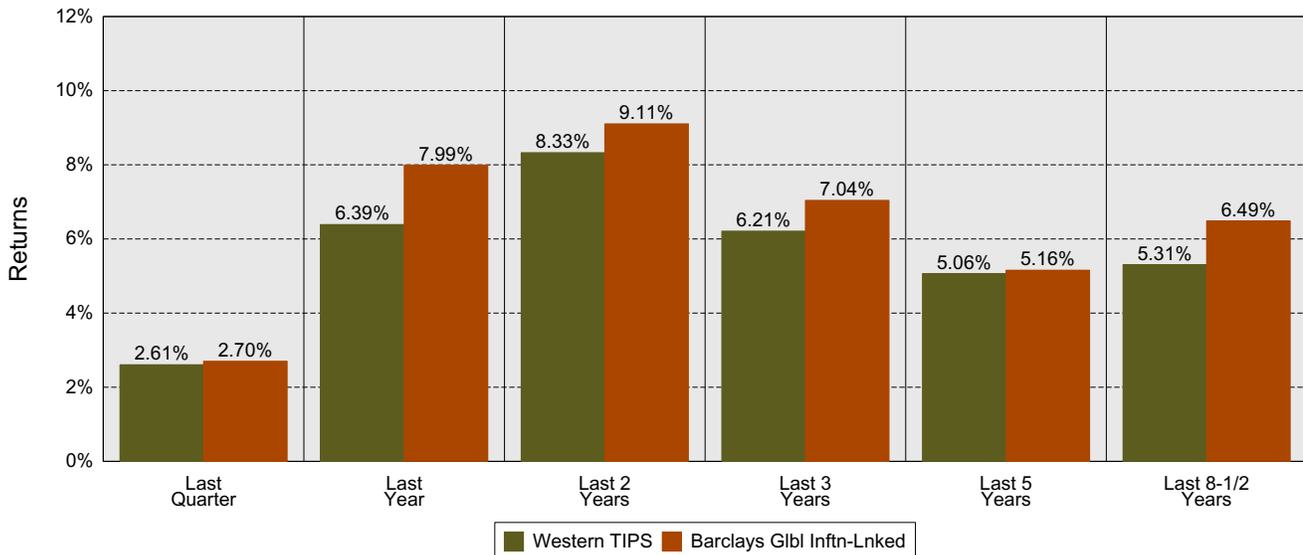
Western Asset's Global Inflation-Linked composite includes portfolios that employ an active, team-managed investment approach around a long-term, value-oriented investment philosophy. Constructed primarily of inflation-indexed securities, these portfolios use diversified strategies in seeking to add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

Quarterly Summary and Highlights

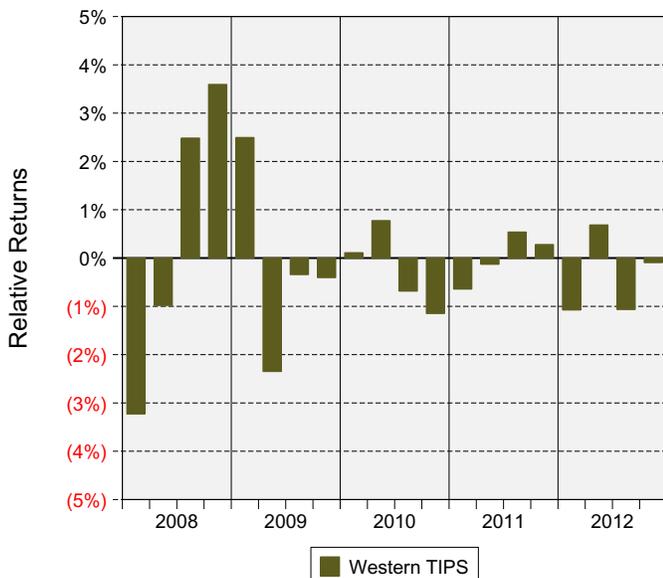
- Western TIPS's portfolio underperformed the Barclays Gbl Inftn-Lnked by 0.10% for the quarter and underperformed the Barclays Gbl Inftn-Lnked for the year by 1.60%.

Quarterly Asset Growth

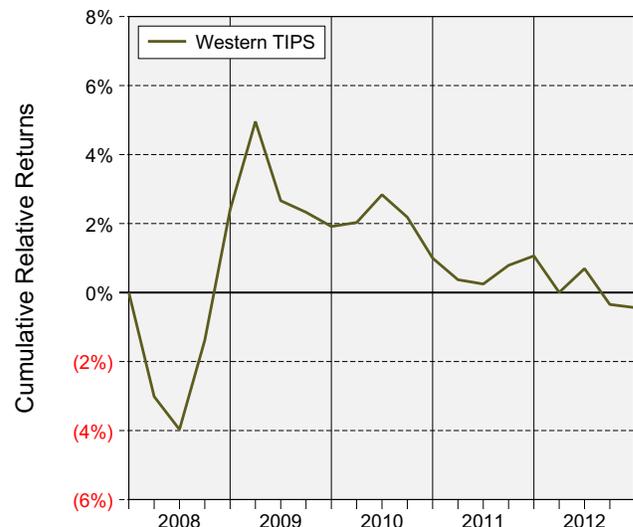
Beginning Market Value	\$173,269,670
Net New Investment	\$9,921,568
Investment Gains/(Losses)	\$4,750,183
Ending Market Value	\$187,941,421



Relative Return vs Barclays Gbl Inftn-Lnked



Cumulative Returns vs Barclays Gbl Inftn-Lnked



JP Morgan Infrastructure Period Ended December 31, 2012

Investment Philosophy

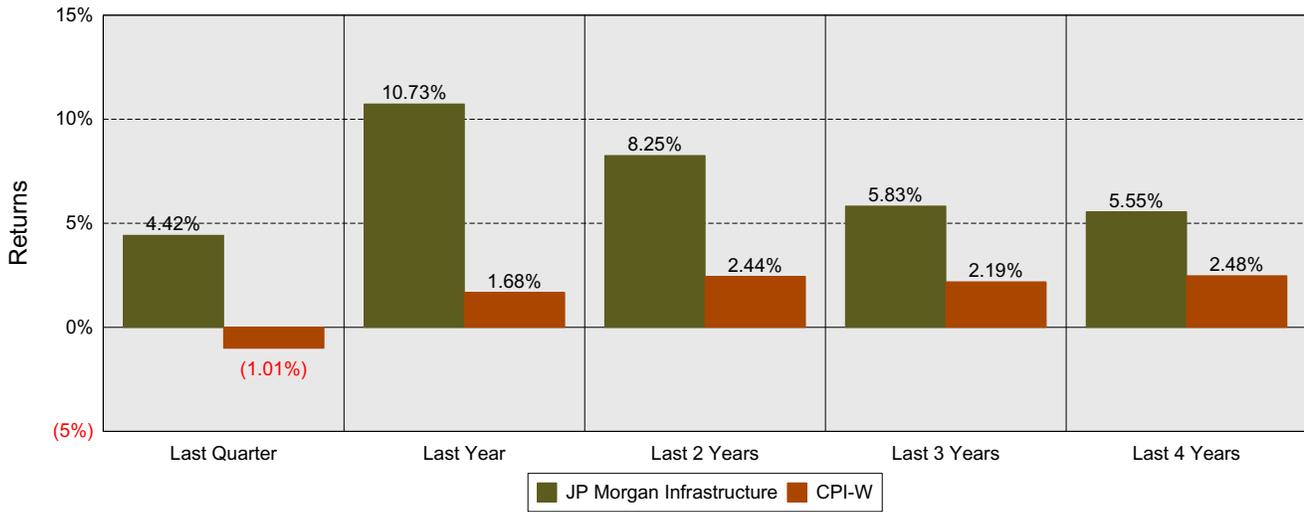
The only open-ended private commingled infrastructure fund in the U.S, the JPMorgan Infrastructure Investments Fund invests in stabilized assets in OECD countries with selected value-added opportunities, across infrastructure industry sub-sectors, including: toll roads, bridges and tunnels; oil and gas 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

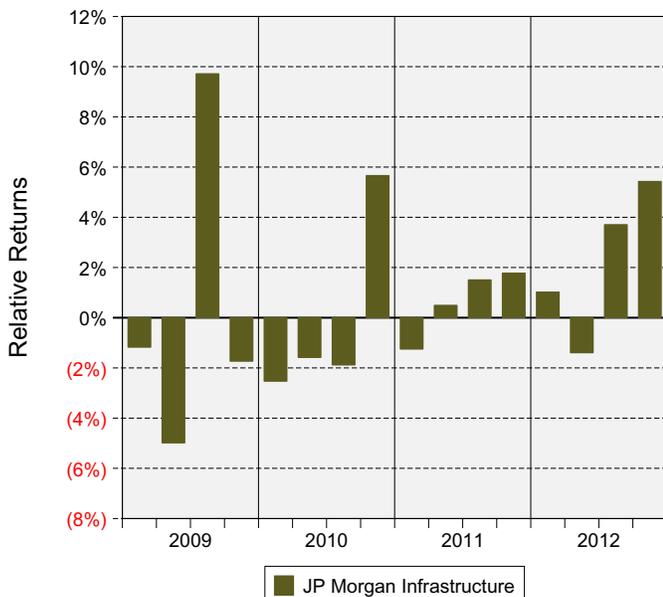
- JP Morgan Infrastructure's portfolio outperformed the CPI-W by 5.43% for the quarter and outperformed the CPI-W for the year by 9.05%.

Quarterly Asset Growth

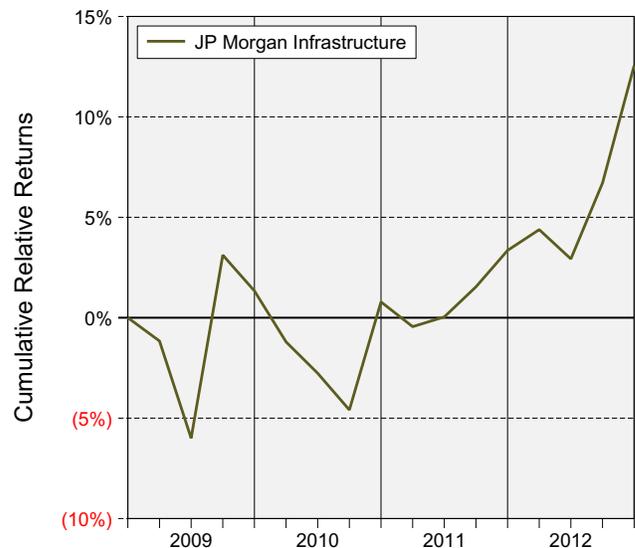
Beginning Market Value	\$63,157,500
Net New Investment	\$-176,236
Investment Gains/(Losses)	\$2,786,545
Ending Market Value	\$65,767,809



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



Eastern Timber Opportunities

Period Ended December 31, 2012

Investment Philosophy

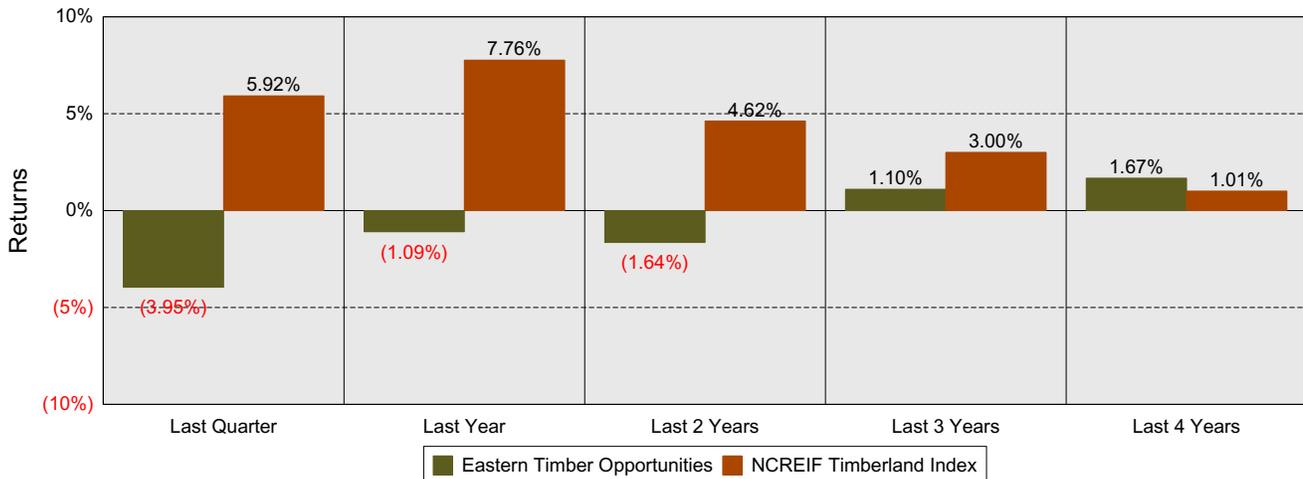
The investment objective of the Eastern Timberland Opportunities fund is to provide competitive timberland investment returns from Eastern US timberland investments by pursuing management strategies to increase timber production and land values through the investment term. TIR will maximize timber values 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

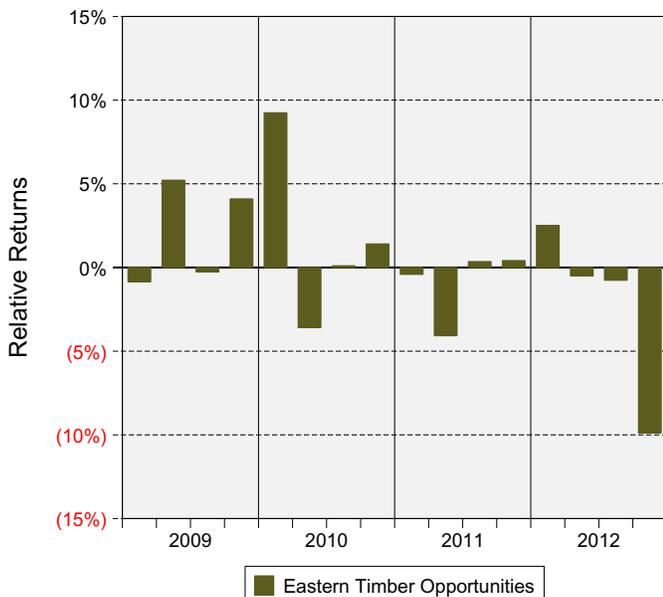
- Eastern Timber Opportunities's portfolio underperformed the NCREIF Timberland Index by 9.87% for the quarter and underperformed the NCREIF Timberland Index for the year by 8.85%.

Quarterly Asset Growth

Beginning Market Value	\$61,632,983
Net New Investment	\$0
Investment Gains/(Losses)	-\$2,437,103
Ending Market Value	\$59,195,880



Relative Return vs NCREIF Timberland Index



Cumulative Returns vs NCREIF Timberland Index



Credit Suisse Cust. Infrastructure Period Ended December 31, 2012

Investment Philosophy

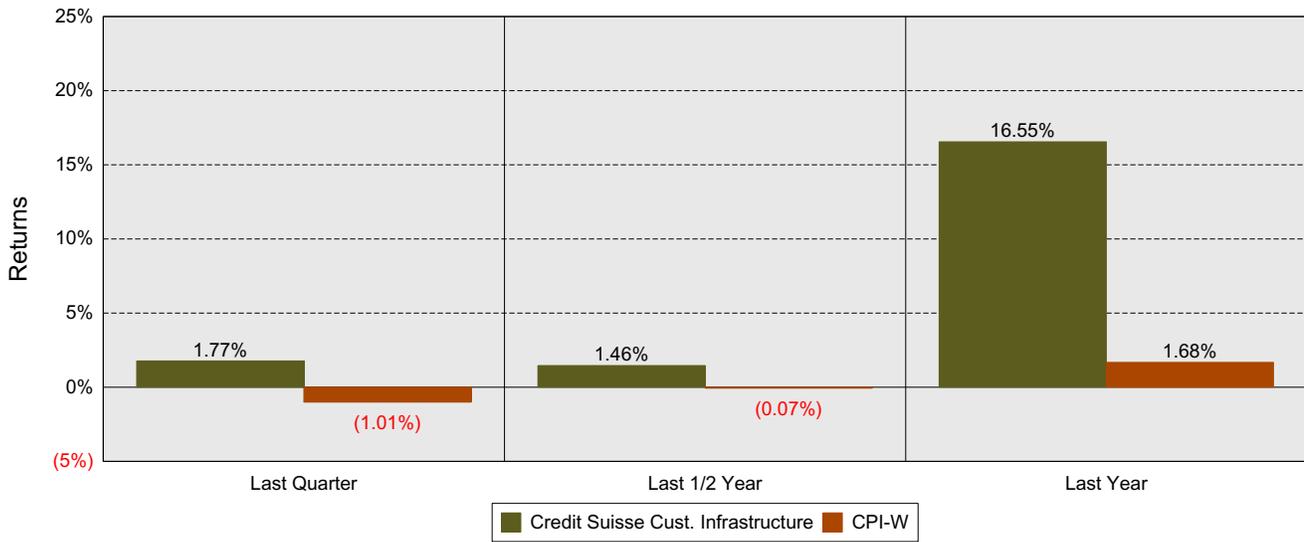
The Customized Infrastructure Strategies LP is a commingled fund focused on providing a comprehensive, diversified solution for investors looking to access the infrastructure asset class. The Fund seeks to generate stable, long-term yield and attractive risk-adjusted returns by investing in a diversified portfolio of primary core and core plus infrastructure funds (30%), co-investments (40%) and opportunistic secondary fund purchases (30%).

Quarterly Summary and Highlights

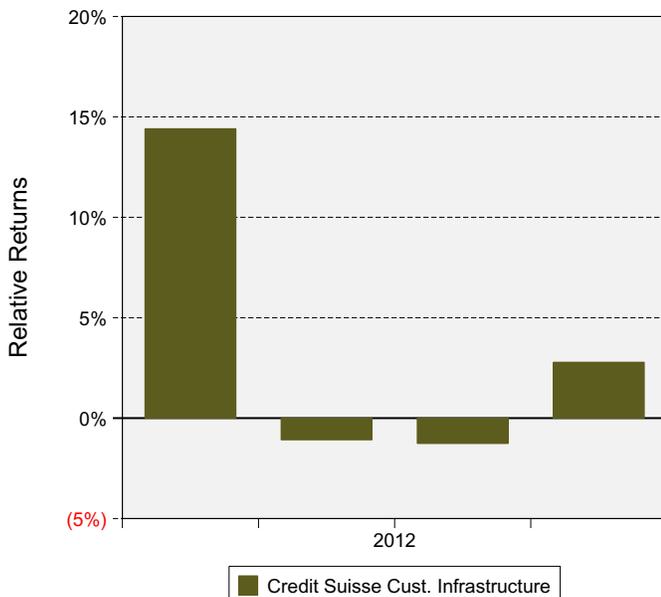
- Credit Suisse Cust. Infrastructure's portfolio outperformed the CPI-W by 2.78% for the quarter and outperformed the CPI-W for the year by 14.88%.

Quarterly Asset Growth

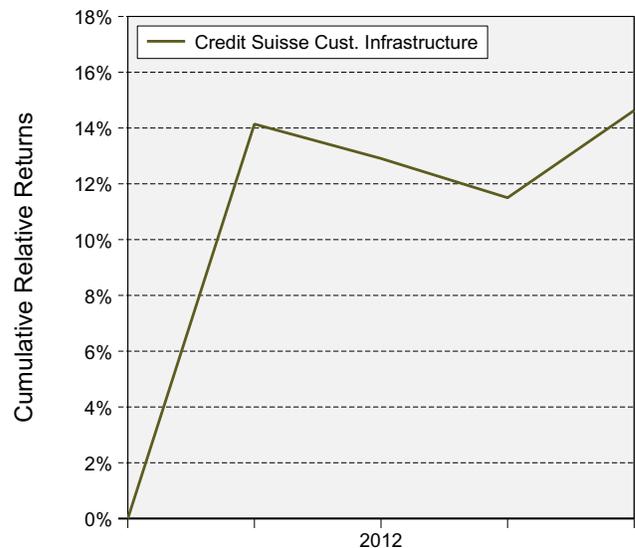
Beginning Market Value	\$12,325,443
Net New Investment	\$697,529
Investment Gains/(Losses)	\$244,896
Ending Market Value	\$13,267,867



Relative Return vs CPI-W



Cumulative Returns vs CPI-W



JP Morgan Real Estate Period Ended December 31, 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.

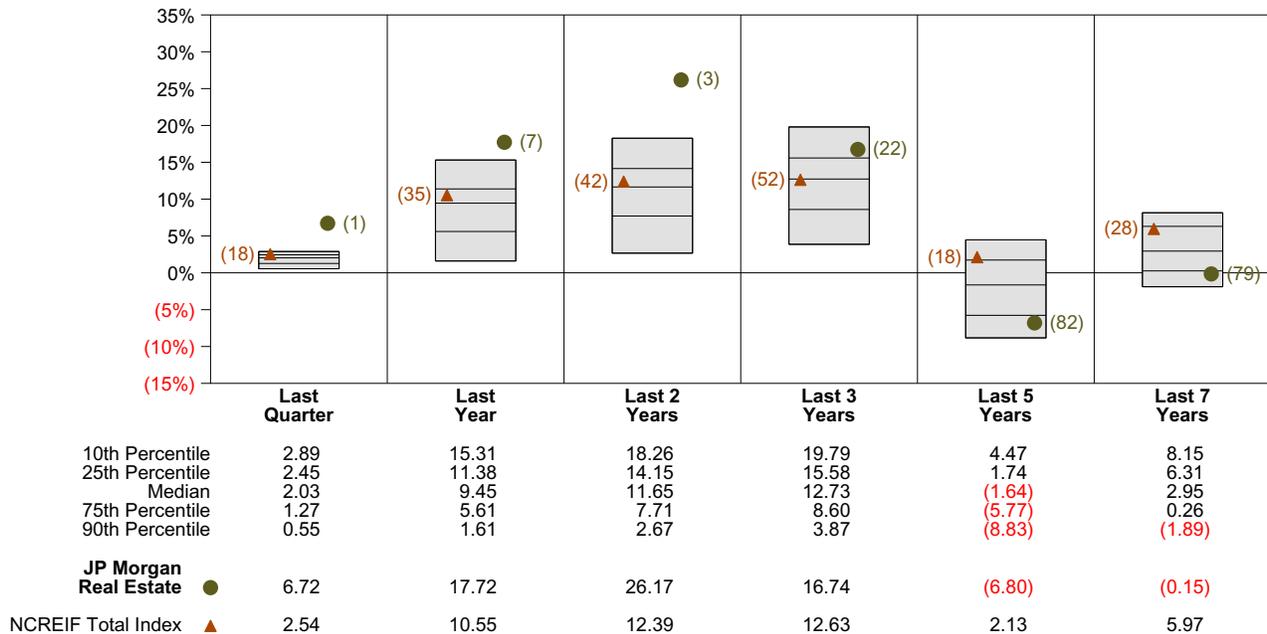
Quarterly Summary and Highlights

- JP Morgan Real Estate's portfolio posted a 6.72% return for the quarter placing it in the 1 percentile of the Total Real Estate DB group for the quarter and in the 7 percentile for the last year.
- JP Morgan Real Estate's portfolio outperformed the NCREIF Total Index by 4.18% for the quarter and outperformed the NCREIF Total Index for the year by 7.17%.

Quarterly Asset Growth

Beginning Market Value	\$96,850,717
Net New Investment	\$-41,911,835
Investment Gains/(Losses)	\$5,367,950
Ending Market Value	\$60,306,832

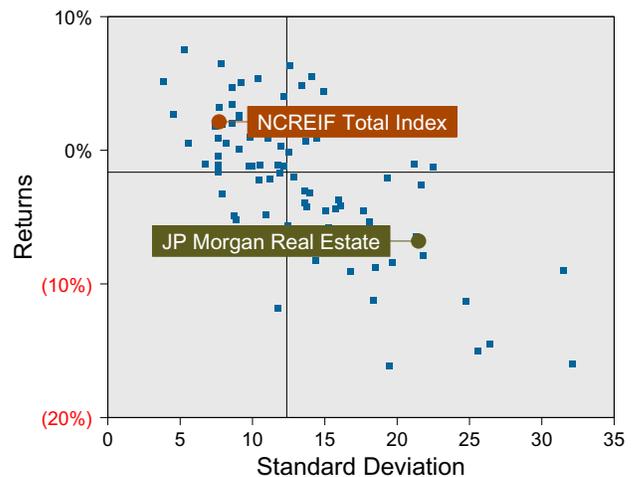
Performance vs Total Real Estate DB (Net)



Relative Return vs NCREIF Total Index



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



JP Morgan Short Term Bonds - Budget Stabilization Fund

Period Ended December 31, 2012

Investment Philosophy

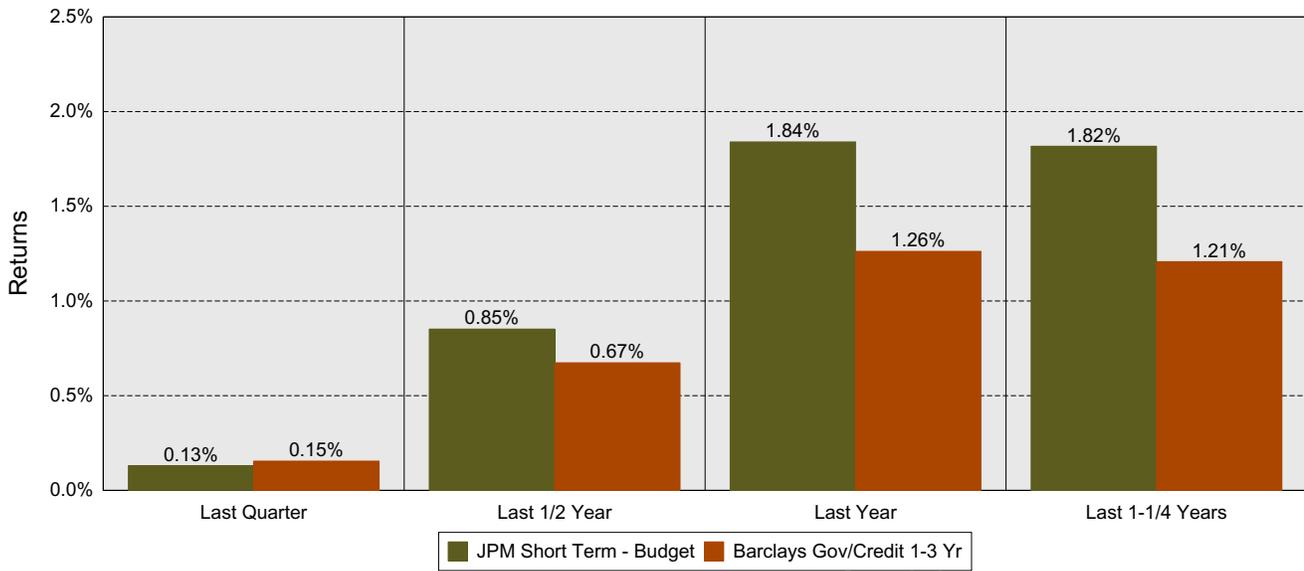
The investment objective of this account is to outperform the Barclays Capital 1-3 year Government/Credit Index while maintaining total return risk similar to that of the benchmark as measured over a market cycle. The weighted average effective duration of the portfolio will typically remain within +/-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

Quarterly Summary and Highlights

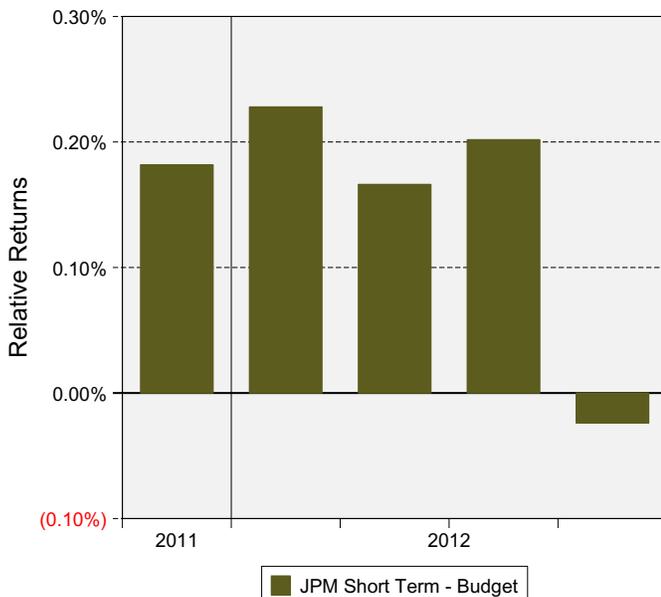
- JPM Short Term - Budget's portfolio underperformed the Barclays Gov/Credit 1-3 Yr by 0.02% for the quarter and outperformed the Barclays Gov/Credit 1-3 Yr for the year by 0.58%.

Quarterly Asset Growth

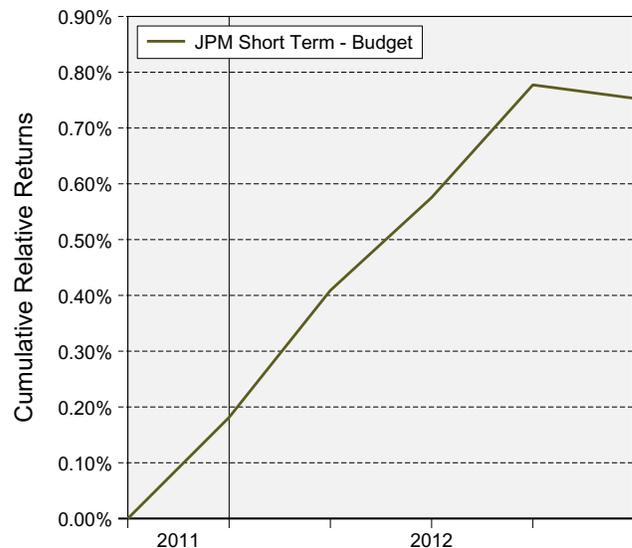
Beginning Market Value	\$145,868,558
Net New Investment	\$4,500,000
Investment Gains/(Losses)	\$191,150
Ending Market Value	\$150,559,708



Relative Return vs Barclays Gov/Credit 1-3 Yr



Cumulative Returns vs Barclays Gov/Credit 1-3 Yr



Babson Short Term Bonds - Budget Stabilization Fund

Period Ended December 31, 2012

Investment Philosophy

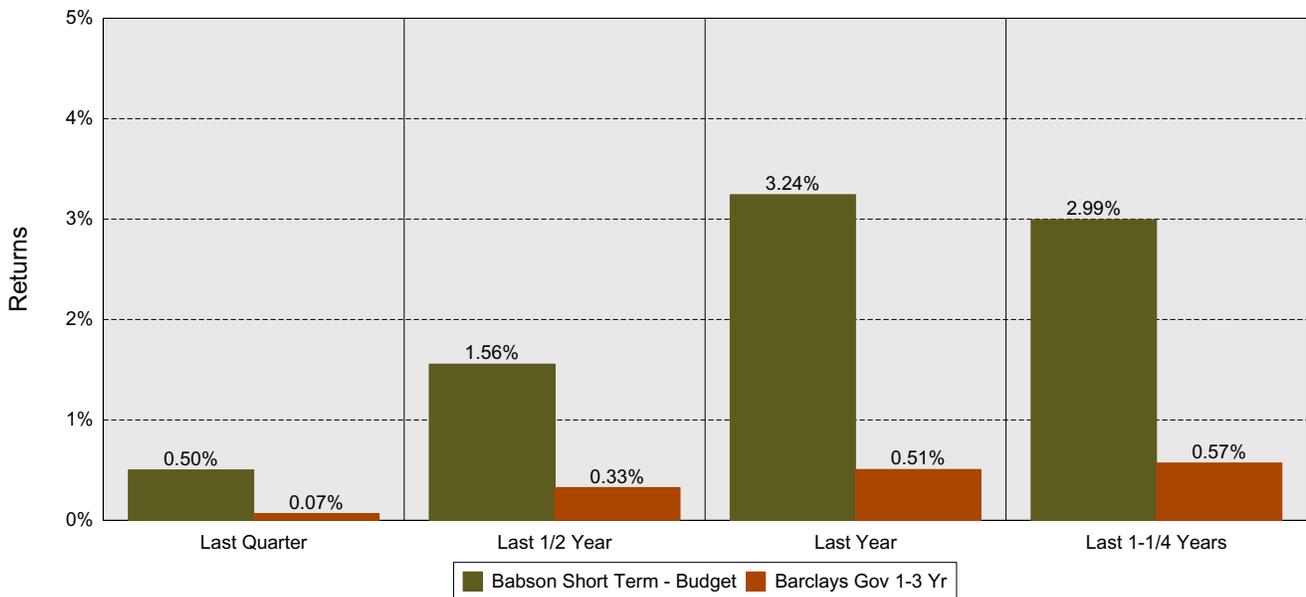
The investment objective of this account is to outperform the total return of the Barclays Capital 1-3 year US Government Index while minimizing fluctuations in capital value and providing sufficient liquidity to fund withdrawals.

Quarterly Summary and Highlights

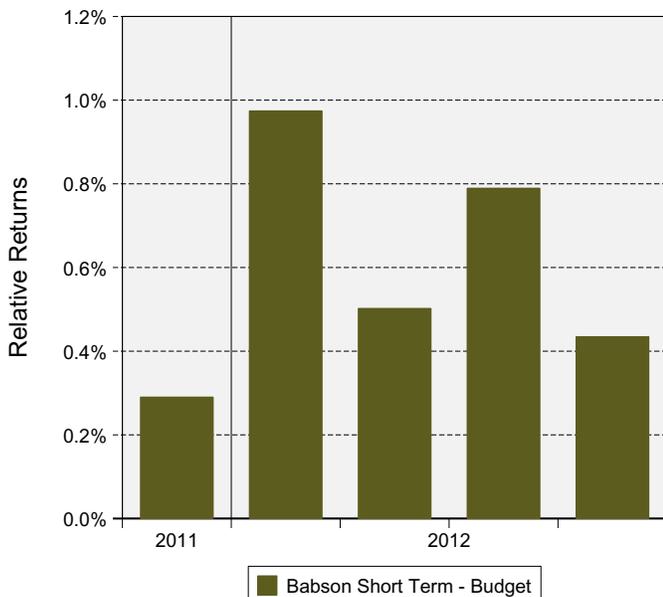
- Babson Short Term - Budget's portfolio outperformed the Barclays Gov 1-3 Yr by 0.43% for the quarter and outperformed the Barclays Gov 1-3 Yr for the year by 2.74%.

Quarterly Asset Growth

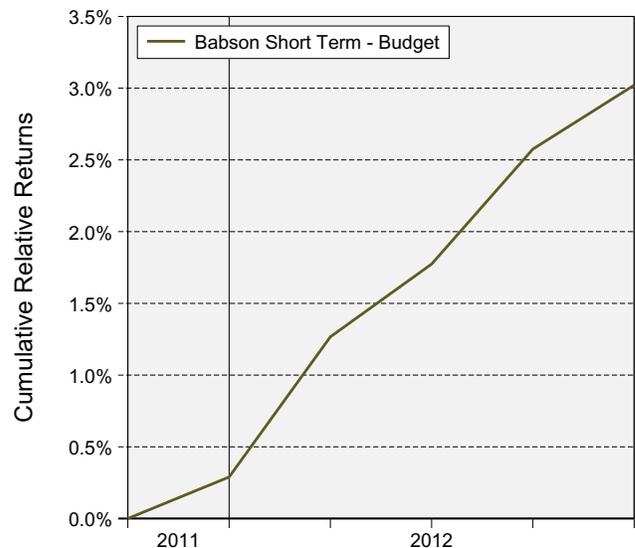
Beginning Market Value	\$140,484,426
Net New Investment	\$4,143,912
Investment Gains/(Losses)	\$713,542
Ending Market Value	\$145,341,880



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



Babson Bank Loans - Budget Stabilization Fund

Period Ended December 31, 2012

Investment Philosophy

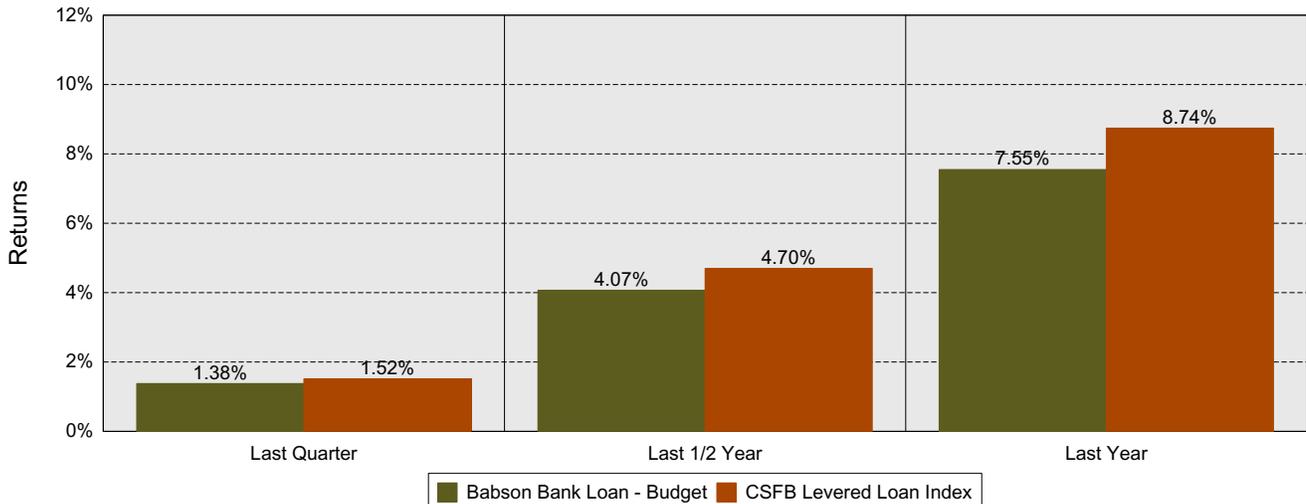
Babson takes a credit-focused approach to asset selection by fully underwriting each credit they are shown and formally presenting each investment opportunity to their investment committee. The firm seeks to determine where favorable value exists based on fundamental bottom-up analysis and assess this 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

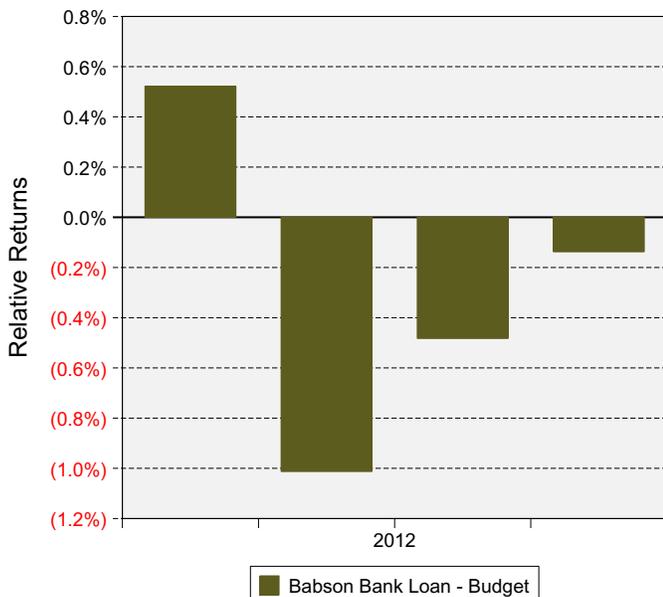
- Babson Bank Loan - Budget's portfolio underperformed the CSFB Levered Loan Index by 0.14% for the quarter and underperformed the CSFB Levered Loan Index for the year by 1.19%.

Quarterly Asset Growth

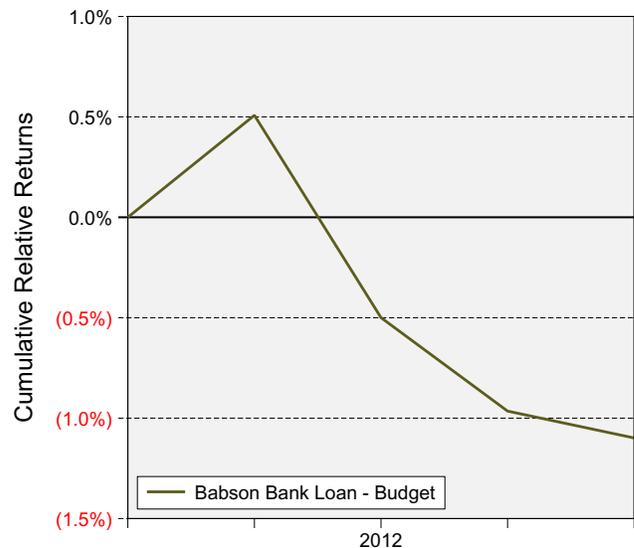
Beginning Market Value	\$6,326,870
Net New Investment	\$-607,403
Investment Gains/(Losses)	\$82,540
Ending Market Value	\$5,802,008



Relative Return vs CSFB Levered Loan Index



Cumulative Returns vs CSFB Levered Loan Index



JP Morgan Short Term Bonds - Legacy Fund

Period Ended December 31, 2012

Investment Philosophy

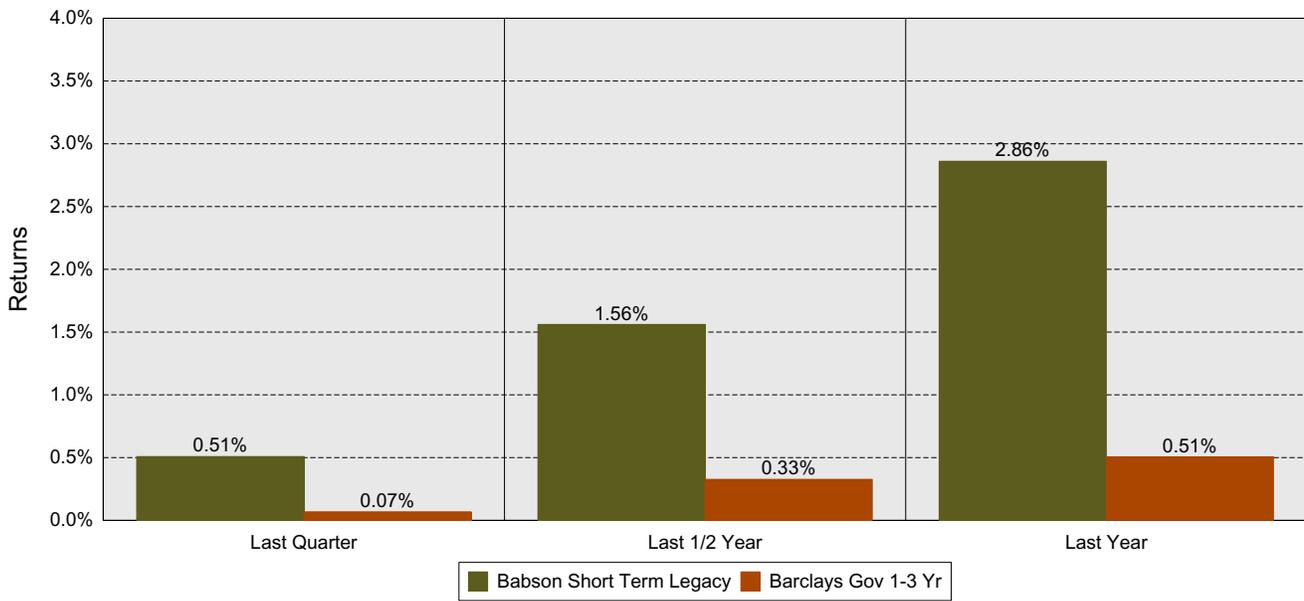
The investment objective of this account is to outperform the total return of the Barclays Capital 1-3 year US Government Index while minimizing fluctuations in capital value and providing sufficient liquidity to fund withdrawals.

Quarterly Summary and Highlights

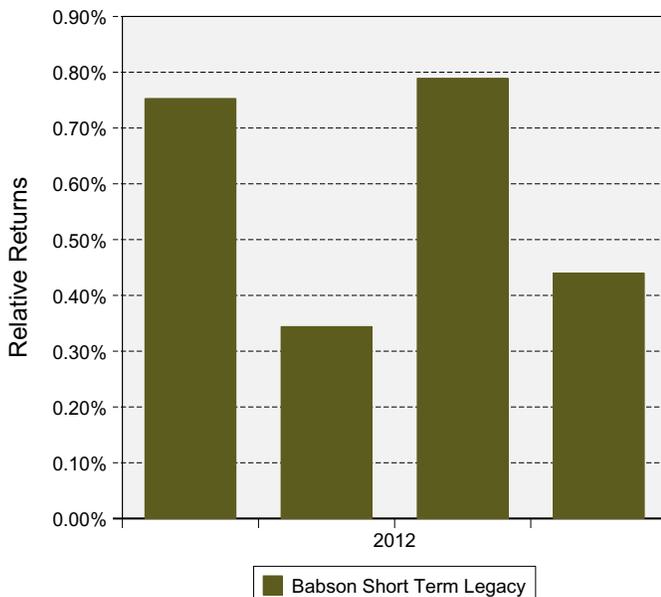
- Babson Short Term Legacy's portfolio outperformed the Barclays Gov 1-3 Yr by 0.44% for the quarter and outperformed the Barclays Gov 1-3 Yr for the year by 2.35%.

Quarterly Asset Growth

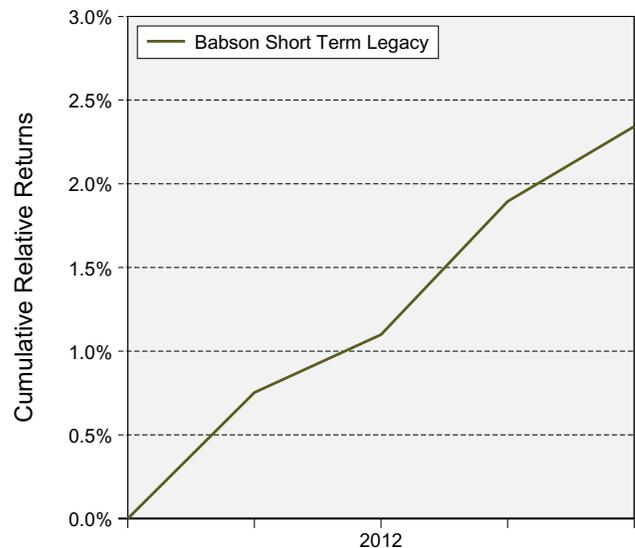
Beginning Market Value	\$271,526,072
Net New Investment	\$86,057,602
Investment Gains/(Losses)	\$1,556,384
Ending Market Value	\$359,140,058



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



Babson Short Term Bonds - Legacy Fund

Period Ended December 31, 2012

Investment Philosophy

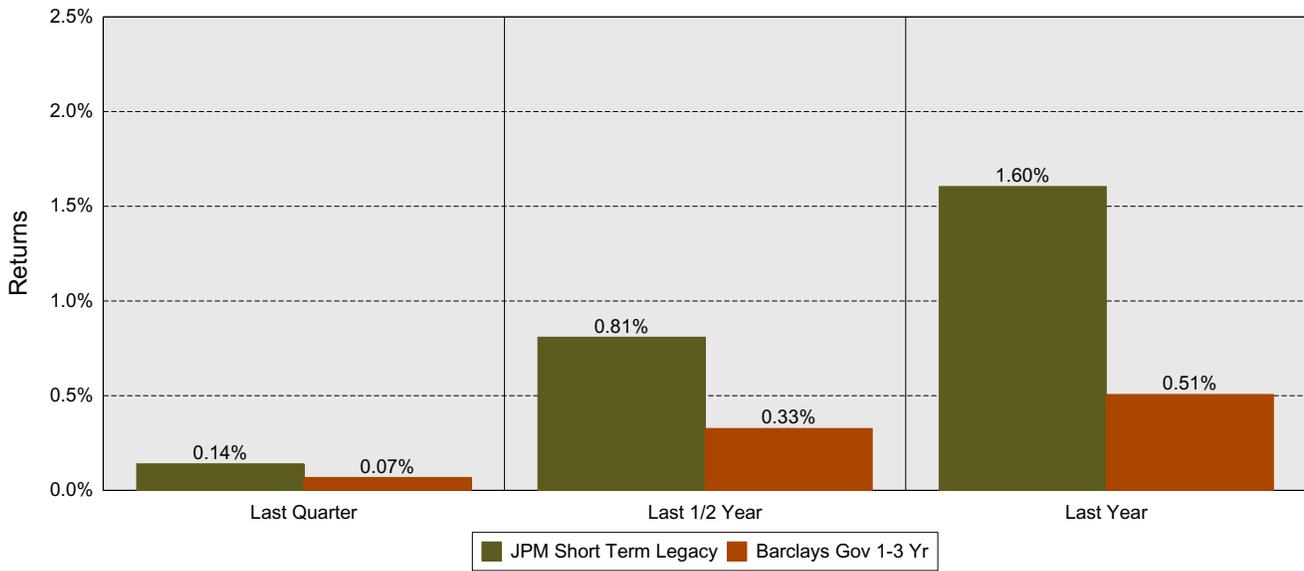
The investment objective of this account is to outperform the Barclays Capital 1-3 year Government/Credit Index while maintaining total return risk similar to that of the benchmark as measured over a market cycle. The weighted average effective duration of the portfolio will typically remain within +/-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

Quarterly Summary and Highlights

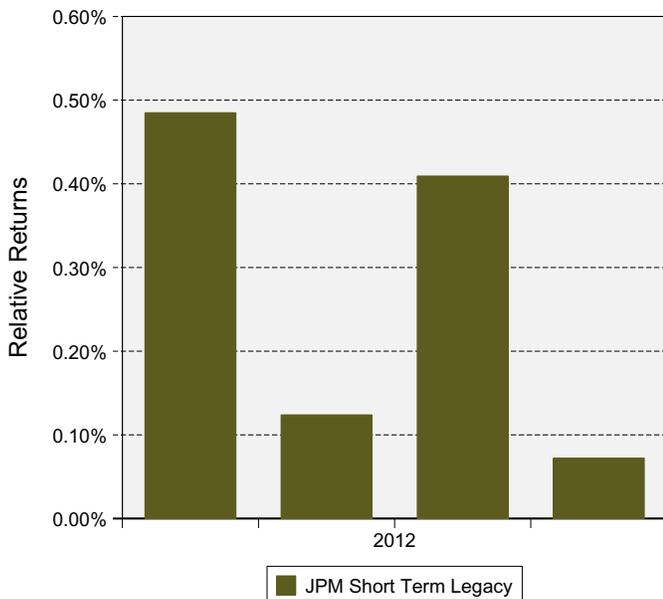
- JPM Short Term Legacy's portfolio outperformed the Barclays Gov 1-3 Yr by 0.07% for the quarter and outperformed the Barclays Gov 1-3 Yr for the year by 1.10%.

Quarterly Asset Growth

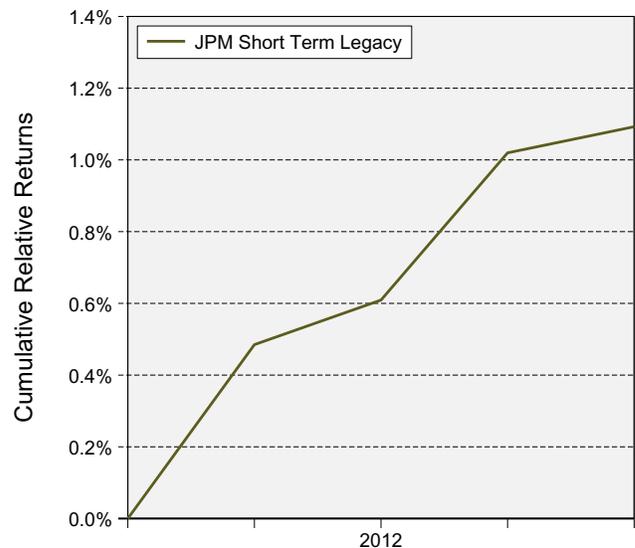
Beginning Market Value	\$269,856,605
Net New Investment	\$86,148,760
Investment Gains/(Losses)	\$434,118
Ending Market Value	\$356,439,484



Relative Return vs Barclays Gov 1-3 Yr



Cumulative Returns vs Barclays Gov 1-3 Yr



Research and Educational Programs

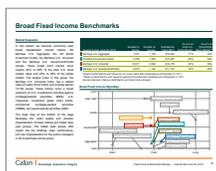
The Callan Investments Institute provides research that keeps clients updated on the latest industry trends while helping them learn through carefully structured educational programs. Below are the Institute's recent publications – all of which can be found at www.callan.com/research.

White Papers



Eight Things DC Plan Sponsors Should Consider for 2013

Many plan sponsors spent considerable time fulfilling the DOL's fee requirements, reacting to developments in the stable value environment, weighing the pros and cons of retirement income solutions, and evaluating the implications of peers' DC lawsuits—all while handling the usual responsibilities associated with their DC plans. With the year drawing to a close, plan sponsors may wish to take a moment to review all they have accomplished over the past 12 months—then create a to-do list for 2013. As we look forward to the next year, Callan offers eight action items which we believe should be on every DC plan sponsor's list of priorities.



Fixed Income Benchmark Review: Year Ended June 30, 2012

The Fixed Income Benchmark Review is designed to aid in portfolio monitoring and evaluation by helping readers assess the similarities and differences in coverage, performance, and characteristics of popular fixed income indices alongside comparable Callan Associates' manager style groups.



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.

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



2013 Defined Contribution Trends Survey

This annual survey reflects on 2012 and what to look ahead to in 2013. Key findings include: Plan sponsors register improvements in fiduciary awareness and activity; Signs of confusion remain when it comes to meeting the DOL's fee disclosure requirements; Adoption of auto features and Roth designated accounts appears to have plateaued; and Plan sponsors are getting a handle on revenue sharing.



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.



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 October 2012 Regional Workshop, **Time to Terminate? Considerations for Making a Manager Change**. Featured in this workshop were Bud Pellecchia, Millie Viqueira, and Kelly Cliff from Callan Associates discussing the potential consequences and challenges of terminating a manager from a fund.



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 Craige 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.

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.

June and October Regional Workshops

Topics, dates, and locations TBA

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.

Confidential – For Callan Client Use Only

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 12/31/12, 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.

Fund sponsor clients may request a copy of this list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled exclusively by Callan’s Compliance Department.

Clients should also be aware that Callan maintains an asset management division, the Trust Advisory Group (TAG). TAG specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary adviser to a series of Target Maturity Funds known as the Callan GlidePath® Funds. We are happy to provide clients with more specific information regarding TAG, including detail on the portfolios that it oversees. Per company policy these requests are handled by TAG’s Chief Investment Officer.

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
American Realty Advisors	Y	
Analytic Investors	Y	
Apollo Global Management	Y	
AQR Capital Management	Y	
Artio Global Management (fka, Julius Baer)	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	
Bridgeway Capital Management	Y	

List of Managers That Do Business with Callan Associates Inc. (continued)

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Manager Name	Educational Services	Consulting Services
Brown Brothers Harriman & Company	Y	
Cadence Capital Management	Y	
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
Crow Holdings Capital Partners, LLC	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	
Galliard Capital Management	Y	
GAM (USA) Inc.	Y	
GE Asset Management	Y	Y
Goldman Sachs Asset Management	Y	Y
Grand-Jean Capital Management	Y	Y

List of Managers That Do Business with Callan Associates Inc. (continued)

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Manager Name	Educational Services	Consulting Services
Grantham, Mayo, Van Otterloo & Co., LLC	Y	
Great Lakes Advisors, Inc.	Y	Y
Guggenheim Investments Asset Management (fka Security Global)	Y	
Harbor Capital		Y
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	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	
London Company (The)	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	
MacKay Shields LLC	Y	Y
Madison Square Investors	Y	
Man Investments	Y	
Manulife Asset Management	Y	
Marvin & Palmer Associates, Inc.	Y	
Mellon Capital Management	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	

List of Managers That Do Business with Callan Associates Inc. (continued)

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Manager Name	Educational Services	Consulting Services
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
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
Pantheon Ventures	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
Polen Capital Management	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
Robotti & Company Advisors, LLC	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

List of Managers That Do Business with Callan Associates Inc. (continued)

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Manager Name	Educational Services	Consulting Services
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	
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	
Tributory Capital Management	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
Vulcan Value Partners, LLC		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	
William Blair & Co., Inc.	Y	Y
Yellowstone Partners		Y

February 14, 2012



NDSIB Fee Analysis – Fiscal Year 2012

Pension Trust & Insurance Trust

Paul Erlendson
Senior Vice President

Bryan Summers
Assistant Vice President

Initial Notes and Comments

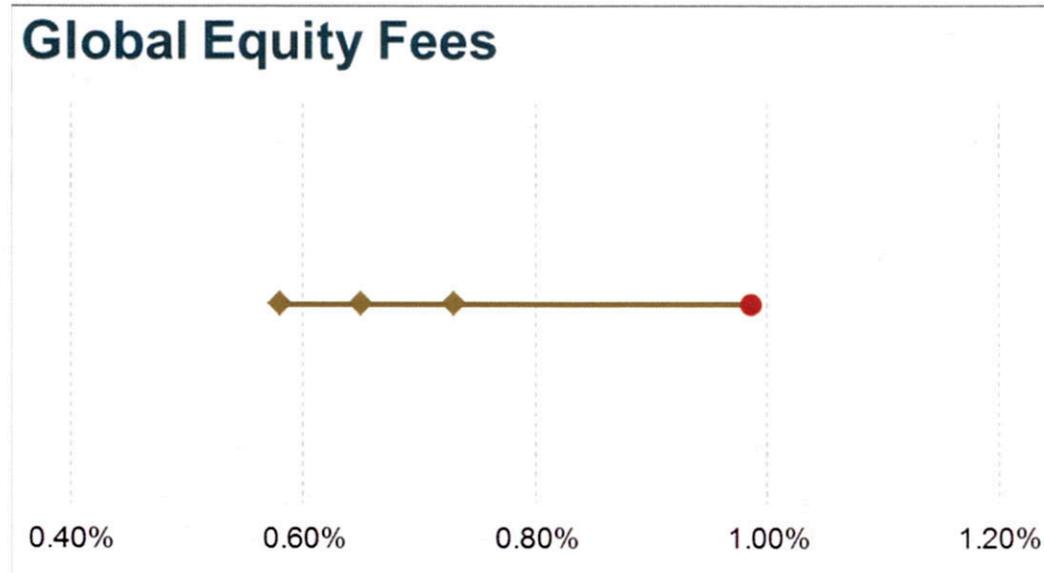
NDSIB – Pension Trust and Insurance Trust

- All market values, fee data, and other information is for the year ending 6/30/2012
- Fee information was provided by NDSIB
- Average account sizes are measured by using the balances at quarter end for each quarter in fiscal year 2012*
- Some funds charge fees based on commitment size rather than market value of assets under management. For these funds the fee percentage shown is measured against actual market value. To accomplish this we used the dollar amount of the fee for the 4 quarters ending 6/30/2012, and divided by the average market value of the portfolio for the 4 quarters ending 6/30/2012.
- The red dot on each of the fee charts represents NDSIB's weighted average fee for that particular asset class. The green diamonds represent industry fees for the 25th, median, and 75th percentiles.
- Industry fees represent *actual* fees charged when such data was available. Otherwise, *published* fees were used, which is noted.

* To avoid skewing the data adjustments were made when portfolios were either significantly funded or defunded at the beginning or end of a quarter.

Global Equity

Pension Trust



- North Dakota's average account size: \$101M
- Red circle is NDSIB Pension Trust's weighted average global equity management fee of 0.99%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M (published fees)

Investment Strategies – Global Equity

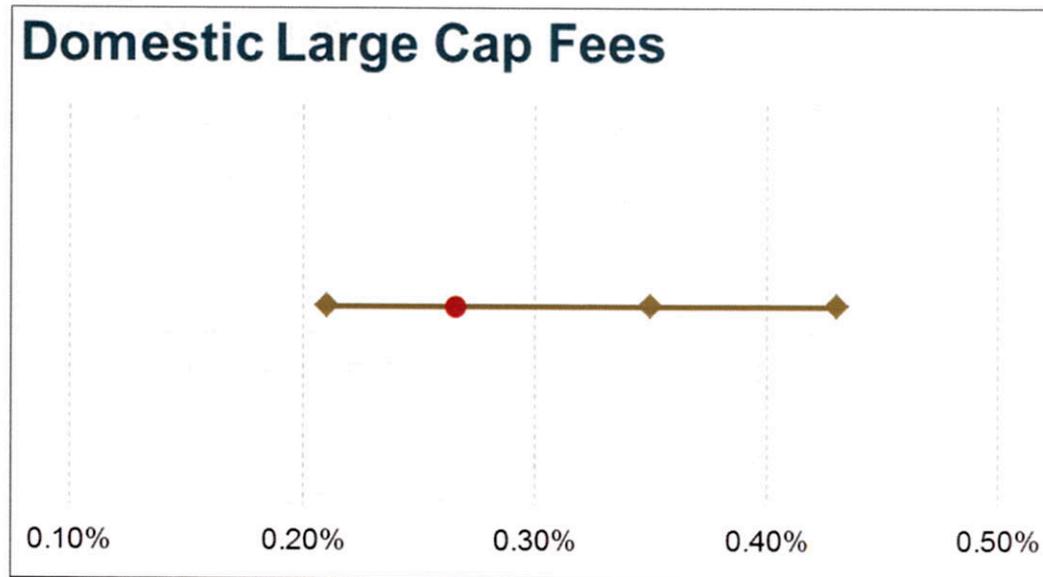
Pension Trust

Global Equity	
Conventional Strategies	Fee %
EPOCH Inv. Partners	1.02%
Calamos	0.73%
Weighted Average Fee	0.99%
<hr/>	
Industry Fee - 25 th Percentile	0.73%
Industry Fee - Median	0.65%
Industry Fee - 75 th Percentile	0.58%

- Epoch's mandate was changed on 1/1/12 from the Global Absolute Return strategy to the Global Choice strategy. This change resulted in a significant fee reduction. Going forward fees will be in the 70 to 80 basis point range.
- The Calamos mandate was changed from a convertible bond strategy to the Global Opportunity strategy on 3/1/12.

Domestic Large Cap Equity

Pension Trust



- North Dakota's average account size: \$139M
- Red circle is NDSIB Pension Trust's weighted average domestic large cap equity management fee of 0.27%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M

Investment Strategies – Large Cap Equity

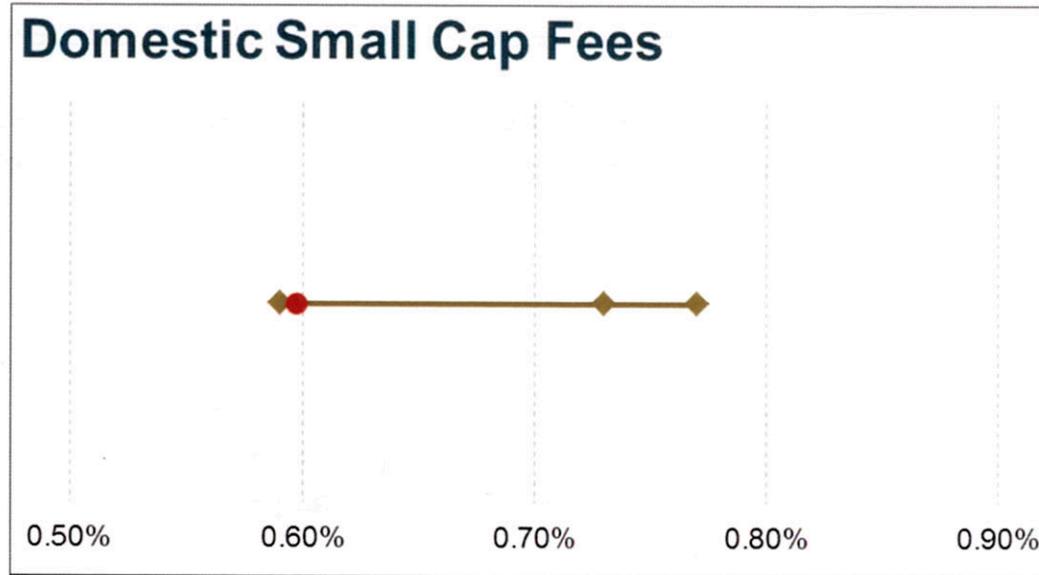
Pension Trust

Domestic Large Cap Equity	
Conventional Strategies	Fee %
L.A. Capital	0.22%
L.A. Capital Enhanced Index	0.21%
LSV Asset	0.30%
Northern Trust	0.41%
Clifton Enhanced S&P	0.26%
Weighted Average Fee	0.27%
Industry Fee - 25 th Percentile	0.43%
Industry Fee - Median	0.35%
Industry Fee - 75 th Percentile	0.21%
Other Strategies	Fee %
Prudential Pru-Alpha Fund	0.16%
Declaration Mgmt/Clifton TALF	1.78%

- Declaration Management/Clifton TALF matured in the third quarter of 2011.
- Clifton Enhanced Enhance S&P charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.
- Northern Trust charges no base management fee. The only fee charged is 25% of the excess return generated. Fees are calculated and paid quarterly.

Domestic Small Cap Equity

Pension Trust



- North Dakota's average account size: \$85M
- Red circle is NDSIB Pension Trust's weighted average domestic small cap equity management fee of 0.60%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$50M-\$100M

Investment Strategies – Small Cap Equity

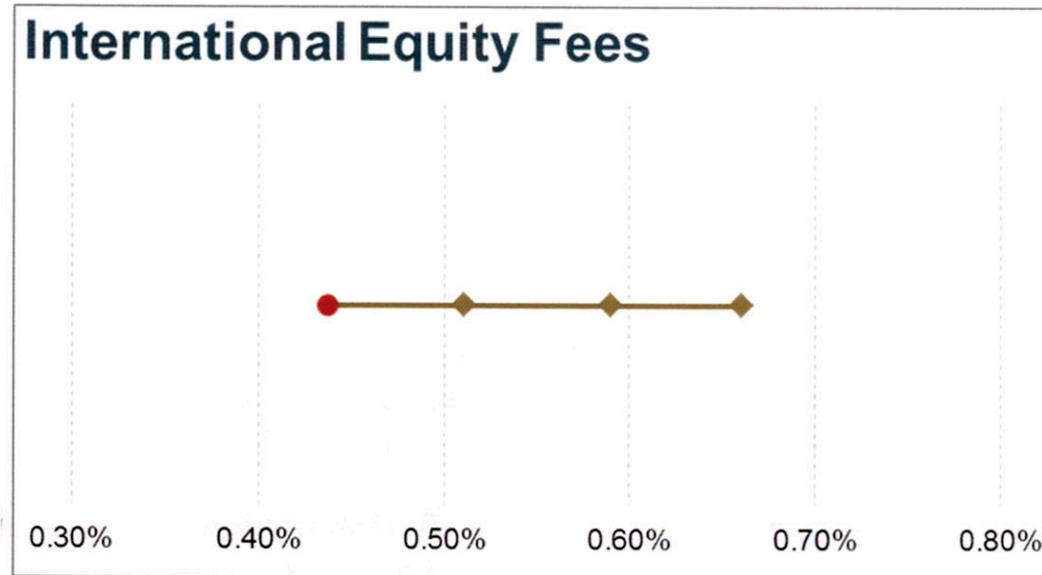
Pension Trust

Domestic Small Cap Equity	
Conventional Strategies	Fee %
Callan Diversified Alpha Group Trust	0.76%
SEI Composite	0.00%
Clifton Enhanced Small Cap	0.43%
Weighted Average Fee	0.60%
<hr/>	
Industry Fee - 25 th Percentile	0.77%
Industry Fee - Median	0.73%
Industry Fee - 75 th Percentile	0.59%

- Clifton Enhanced Small Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.
- SEI Composite had average quarterly assets under management of only \$791K for the fiscal year.

International Equity

Pension Trust



- North Dakota's average account size: \$81M
- Red circle is NDSIB Pension Trust's weighted average international equity management fee of 0.44%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$50M-\$100M

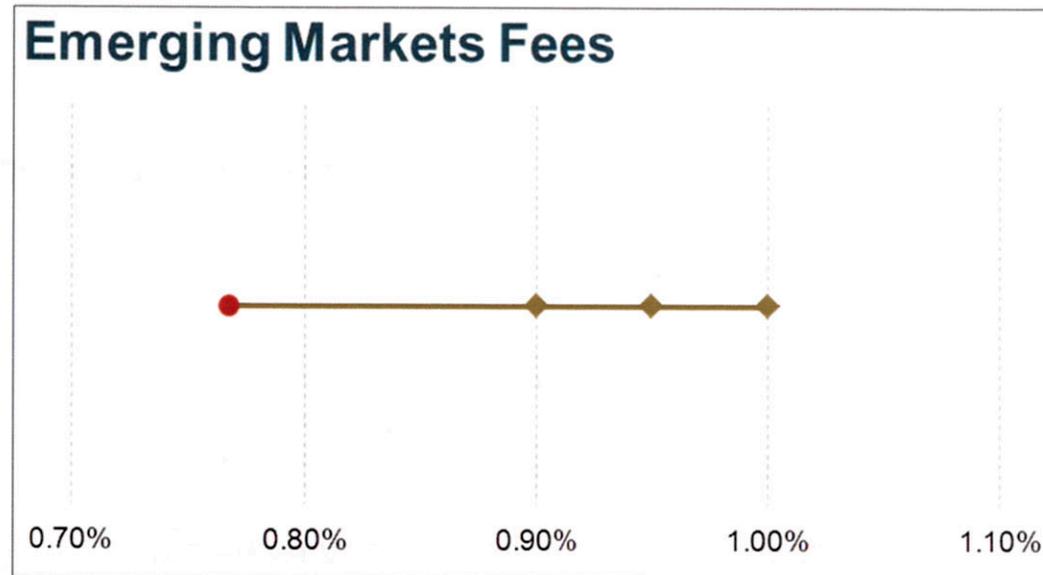
Investment Strategies – International Equity

Pension Trust

International Equity	
Conventional Strategies	Fee %
Capital Guardian Trust	0.54%
DFA International Small Cap Value	0.72%
LSV Asset	0.49%
State Street-Country Selection	0.74%
Wellington Intl SC Opp	0.91%
Clifton EAFE Index	0.09%
Weighted Average Fee	0.44%
<hr/>	
Industry Fee - 25 th Percentile	0.66%
Industry Fee - Median	0.59%
Industry Fee - 75 th Percentile	0.51%

Emerging Markets Equity

Pension Trust



- North Dakota's average account size: \$27M
- Red circle is NDSIB Pension Trust's weighted average emerging markets equity management fee of 0.77%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M (published fees)

Investment Strategies – Emerging Markets Equity

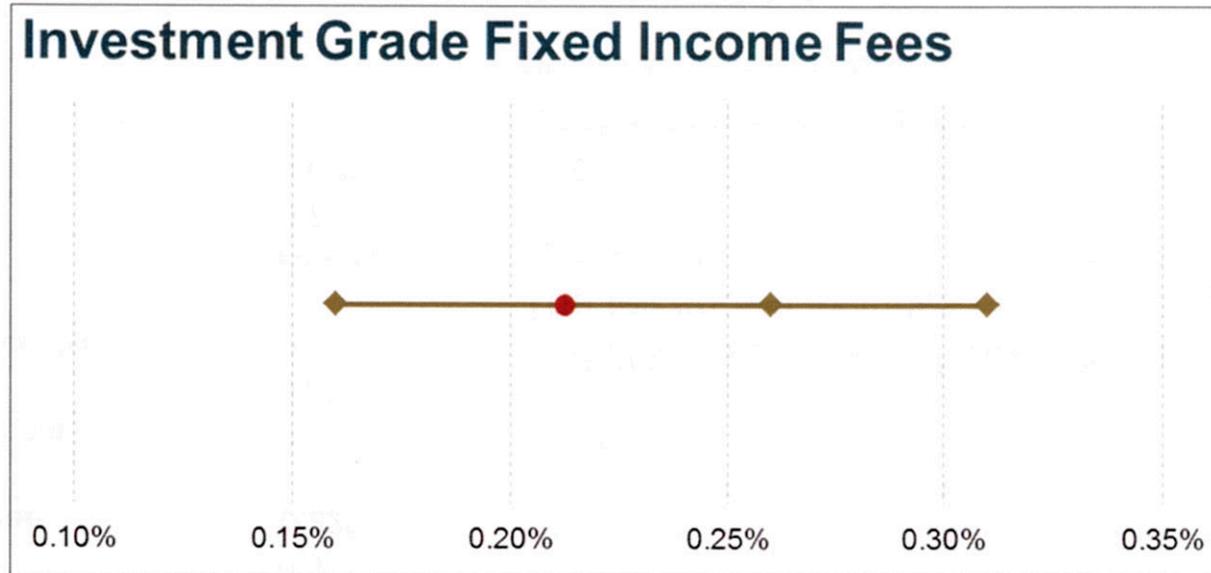
Pension Trust

Emerging Markets	
Conventional Strategies	Fee %
DFA Emerging	0.83%
JP Morgan Emerging	0.71%
PanAgora Emerging	0.82%
UBS Global Asset Emerging	0.76%
BlackFriars	0.73%
Weighted Average Fee	0.77%
<hr/>	
Industry Fee - 25 th Percentile	1.00%
Industry Fee - Median	0.95%
Industry Fee - 75 th Percentile	0.90%

- BlackFriars was liquidated in fiscal year 2012.

Investment Grade Fixed Income

Pension Trust



- North Dakota's average account size: \$46M
- Red circle is NDSIB Pension Trust's weighted average investment grade fixed income management fee of 0.22%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Investment Grade Fixed Income

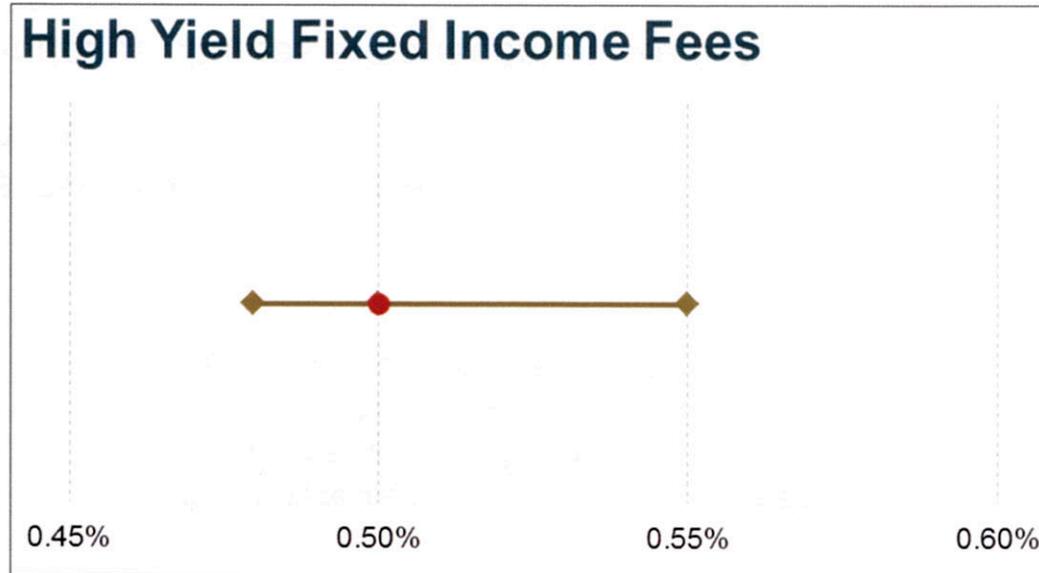
Pension Trust

Inv. Grade Fixed Income	
Conventional Strategies	Fee %
Bank of North Dakota	0.06%
Prudential PRIVEST	0.43%
SEI Fixed-Income	0.58%
Wells Capital	0.32%
Western Asset Management	0.18%
PIMCO MBS	0.18%
PIMCO Unconstrained	0.38%
Weighted Average Fee	0.22%
Industry Fee - 25 th Percentile	0.31%
Industry Fee - Median	0.26%
Industry Fee - 75 th Percentile	0.16%
Other Strategies	Fee %
Calamos Investments	0.72%
Declaration Total Return	0.60%
PIMCO DiSCO	1.30%
PIMCO DiSCO II	3.75%

- Calamos Investments was a convertible bond strategy. All of the funds in this mandate were used to fund the Calamos Global Opportunity (equity) strategy on March 1, 2012.
- PIMCO DiSCO did not earn performance based fees in fiscal year 2012. However, performance fees, which were accumulated over the life of the investment, were paid in the form of carried interest during the year. This investment matured in the fourth quarter of 2011.
- PIMCO DiSCO II was funded during the fiscal year. The fee shown includes both a management fee and carried interest earned during the fiscal year.
- The PIMCO MBS, PIMCO Unconstrained, and Declaration Total Return strategies were added to the portfolio during fiscal year 2012.
- Prudential Privest, SEI Fixed Income, and Well Capital were all liquidated during the fiscal year.

High Yield

Pension Trust



- North Dakota's average account size: \$147M
- Red circle is NDSIB Pension Trust's weighted average high yield fixed income management fee of 0.50%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M (published fees)

Investment Strategies – High Yield

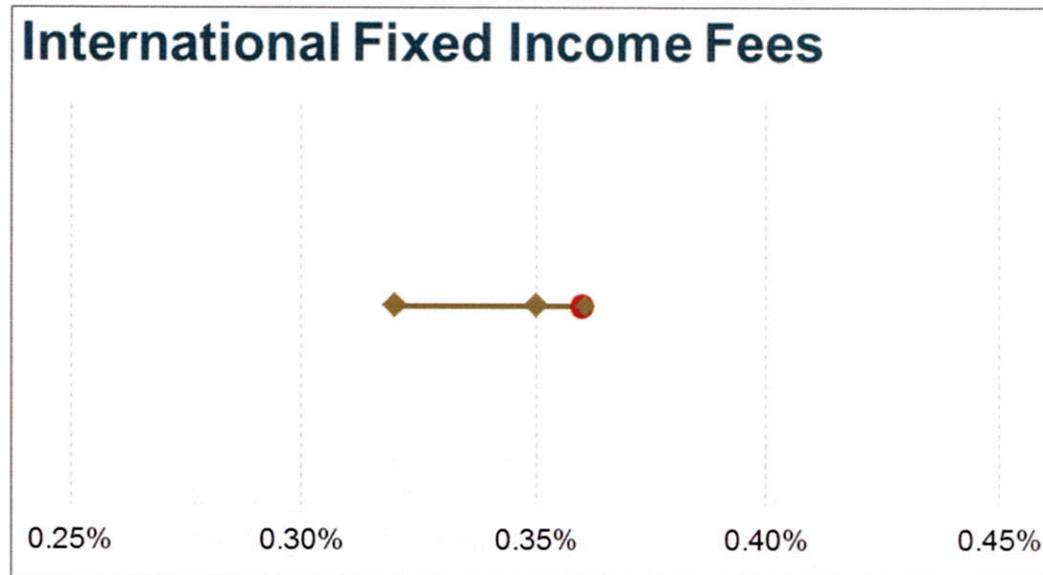
Pension Trust

High Yield	
Conventional Strategies	Fee %
Loomis Sayles	0.50%
Weighted Average Fee	0.50%
Industry Fee - 25 th Percentile	0.55%
Industry Fee - Median	0.50%
Industry Fee - 75 th Percentile	0.48%
Other Strategies	
	Fee %
Goldman Sachs 2006 Offshore	2.84%
Goldman Sachs V Offshore	4.60%
PIMCO Distressed Mortgage	1.51%

- Both Goldman Sachs investments charge a management fee of 1.5% based on commitments plus a performance based fee.
- PIMCO Distressed Mortgage charges a management fee based on commitments plus a performance based fee.

International Fixed Income

Pension Trust



- North Dakota's average account size: \$92M
- Red circle is NDSIB Pension Trust's weighted average international fixed income management fee of 0.36%
- Industry fees represent active management fee from Callan's Global Fixed Income Database as of December 31, 2011, using a mandate size of \$90M

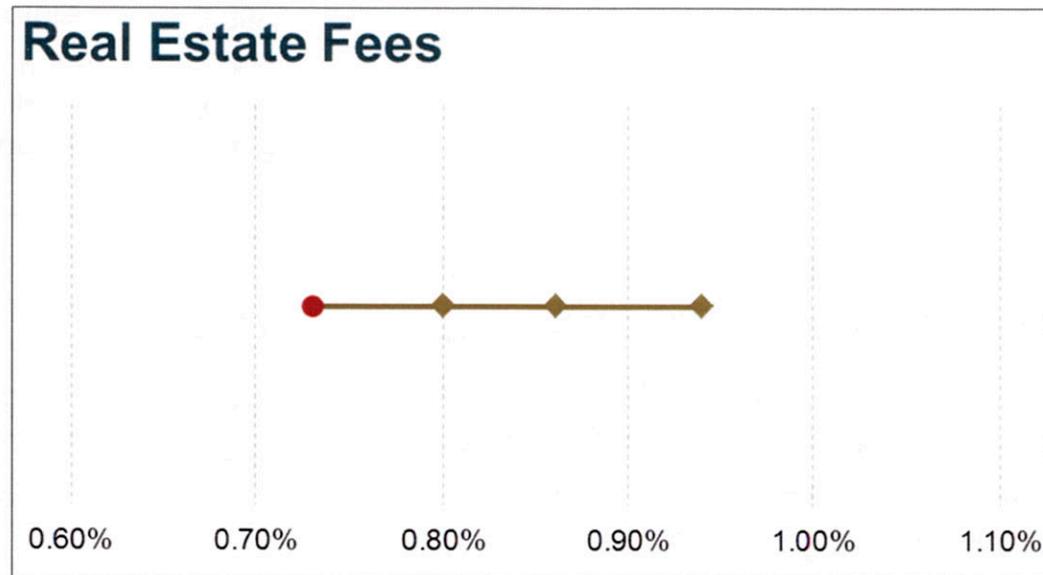
Investment Strategies – International Fixed Income

Pension Trust

International Fixed Income	
Conventional Strategies	Fee %
UBS Global Asset Management	0.30%
Brandywine	0.42%
Weighted Average Fee	0.36%
<hr/>	
Industry Fee - 25 th Percentile	0.36%
Industry Fee - Median	0.35%
Industry Fee - 75 th Percentile	0.32%

Real Estate

Pension Trust



- North Dakota's average account size: \$52M
- Red circle is NDSIB Pension Trust's weighted average real estate management fee of 0.73%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a core open-ended strategy and a size of \$50M-\$100M (published fees)

Investment Strategies – Real Estate

Pension Trust

Real Estate	
Conventional Strategies	Fee %
INVESCO Realty	0.43%
INVESCO Real Estate Fund II	0.80%
INVESCO Real Estate Fund III	1.05%
J.P. Morgan	0.98%
J.P. Morgan Alternative Property Fd.	0.32%
JP Morgan Greater China Fund	1.27%
Weighted Average Fee	0.73%
Industry Fee - 25 th Percentile	0.94%
Industry Fee - Median	0.86%
Industry Fee - 75 th Percentile	0.80%
Other Strategies - Timber	Fee %
TIR - Teredo	0.91%
TIR - Springbank	0.25%
Other Strategies - Infrastructure	Fee %
JP Morgan Asian Infrastructure	3.18%
JP Morgan Infrastructure Inv. Fund	1.29%
Credit Suisse Cust. Infrastructure	3.35%
Other Strategies - Real Estate	Fee %
INVESCO Asia RE Feeder	3.18%
JP Morgan Greater European Opp	20.24%

- JP Morgan Alternative Property Fund is currently being wound down – the manager has instituted significant fee discounts for the remaining life of the fund.
- JP Morgan Asian Infrastructure Fund charges fees based on commitments.
- INVESCO Asia RE Feeder Fund charges 1.5% based on commitments and was added during the fiscal year.
- JP Morgan Greater European Opportunity Fund charges 1.5% based on commitments (37M Euro commitment, average account balance for FY12 was approximately \$3M).
- The Credit Suisse Infrastructure portfolio charges fees based on commitments was added during the fiscal year.

Investment Strategies – Private Equity

Pension Trust

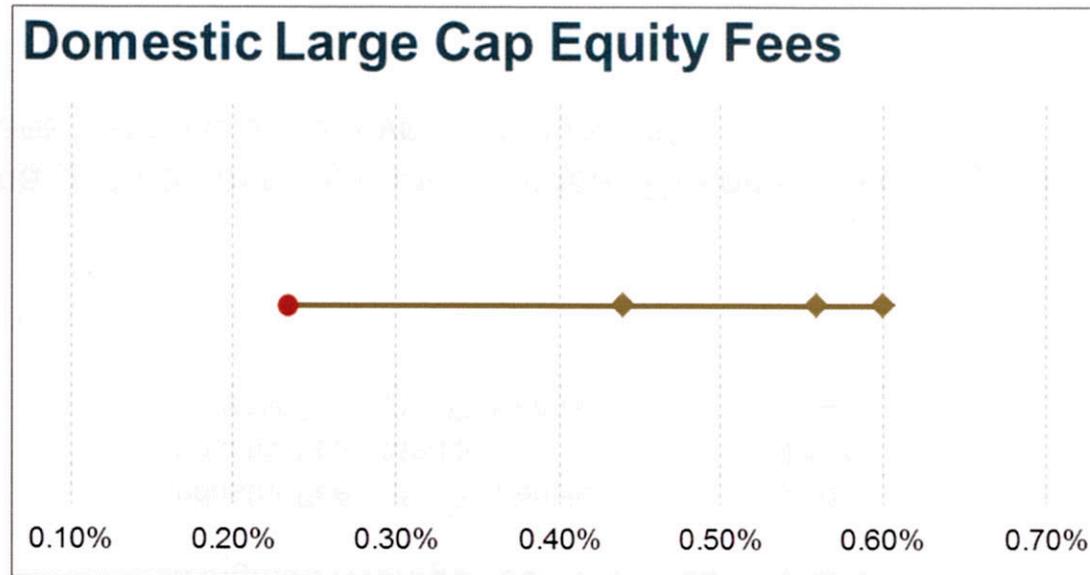
- At the end of fiscal year 2012 (which is the timeframe of this study) private equity accounted for 5.8% of Total Fund assets.
- As of June 30, 2012 only 6 of 39 funds in the private equity portfolio were new since the prior fee analysis was performed for fiscal year 2010.
- The fee study for fiscal year 2010 concluded that NDSIB was paying its private equity managers market rates for services provided.
- We found no evidence that management fees for NDSIB's private equity portfolio are above market levels or are out of line for industry standards.



Insurance Trust

Domestic Large Cap Equity

Insurance Trust



- North Dakota's average account size: \$37M
- Red circle is NDSIB Pension Trust's weighted average domestic large cap equity management fee of 0.23%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Domestic Large Cap Equity

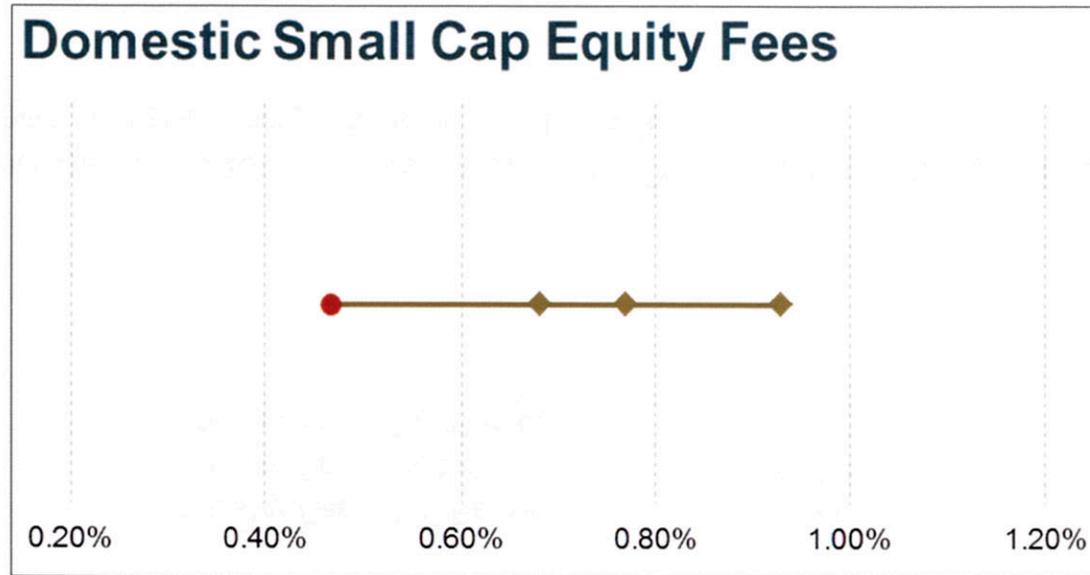
Insurance Trust

Domestic Large Cap Equity	
Conventional Strategies	Fee %
Clifton Large Cap	0.18%
L.A. Capital	0.22%
L.A. Capital Enhanced Alpha Fund	0.21%
LSV Asset	0.30%
Weighted Average Fee - Total Fee	0.23%
Industry Fee - 25 th Percentile	0.60%
Industry Fee - Median	0.56%
Industry Fee - 75 th Percentile	0.44%

- Clifton Large Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.

Domestic Small Cap Equity

Insurance Trust



- North Dakota's average account size: \$27M
- Red circle is NDSIB Pension Trust's weighted average domestic small cap equity management fee of 0.47%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$25M-\$50M

Investment Strategies – Domestic Small Cap Equity

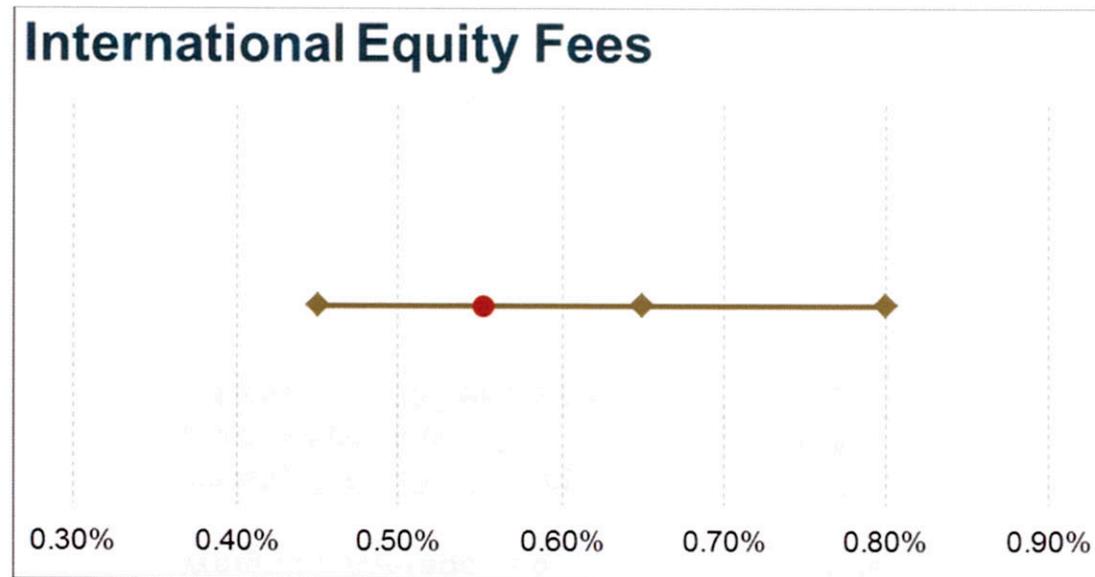
Insurance Trust

Domestic Small Cap Equity	
Conventional Strategies	Fee %
Clifton Small Cap	0.45%
Research Affiliates	0.49%
Weighted Average Fee	0.47%
<hr/>	
Industry Fee - 25 th Percentile	0.93%
Industry Fee - Median	0.77%
Industry Fee - 75 th Percentile	0.68%

- Clifton Small Cap charges no base management fee. The only fee charged is 35% of the excess return generated. Fees are paid once a year on June 30.

International Equity

Insurance Trust



- North Dakota's average account size: \$22M
- Red circle is NDSIB Pension Trust's weighted average international equity management fee of 0.55%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$1M-\$25M

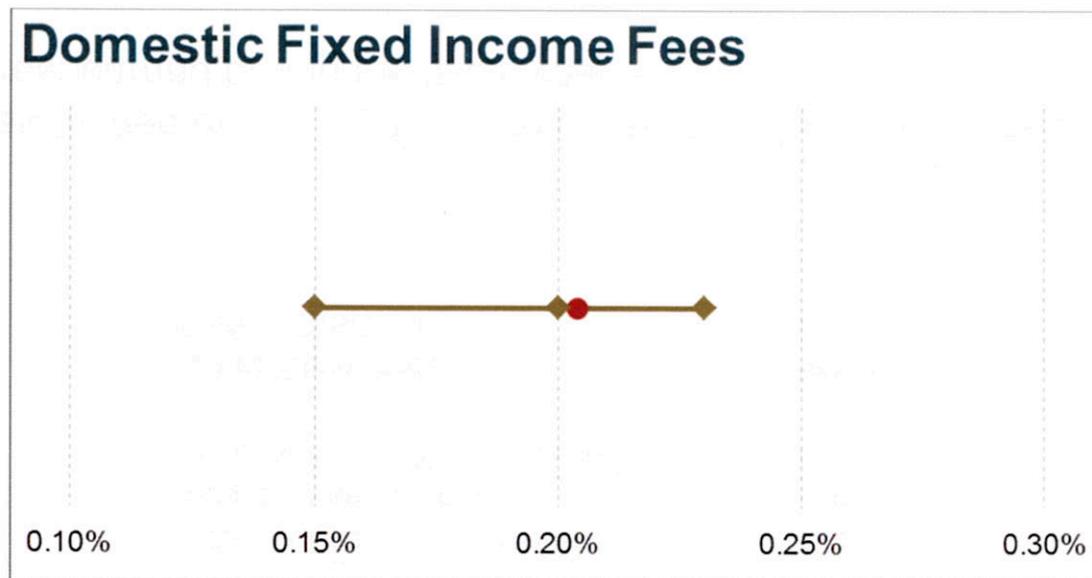
Investment Strategies – International Equity

Insurance Trust

International Equity	
Conventional Strategies	Fee %
Capital Guardian	0.61%
DFA International Small Cap Value	0.76%
LSV Asset	0.49%
Vanguard	0.42%
Weighted Average Fee	0.55%
<hr/>	
Industry Fee - 25 th Percentile	0.80%
Industry Fee - Median	0.65%
Industry Fee - 75 th Percentile	0.45%

Domestic Fixed Income

Insurance Trust



- North Dakota's average account size: \$140M
- Red circle is NDSIB Pension Trust's weighted average domestic fixed income management fee of 0.20%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a mandate size of \$100M-\$200M

Investment Strategies – Domestic Fixed Income

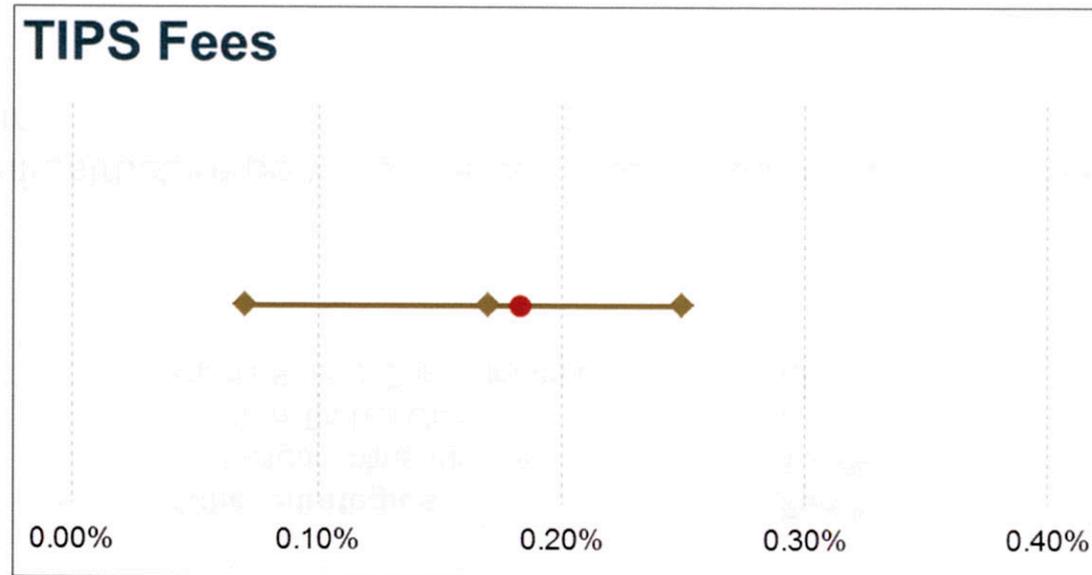
Insurance Trust

Domestic Fixed Income	
Conventional Strategies	Fee %
Bank of North Dakota	0.06%
Prudential	0.30%
Wells Capital	0.22%
Western Asset	0.18%
Declaration	0.50%
Weighted Average Fee	0.20%
Industry Fee - 25 th Percentile	0.23%
Industry Fee - Median	0.20%
Industry Fee - 75 th Percentile	0.15%
Other Strategies	Fee %
PIMCO DiSCO II	3.75%

- PIMCO DiSCO II was funded during the fiscal year. The fee shown includes both a management fee and carried interest earned during the fiscal year.

TIPS

Insurance Trust



- North Dakota's average account size: \$172M
- Red circle is NDSIB Pension Trust's weighted average TIPS management fee of 0.18%
- Industry fees are calculated from strategies in Callan's TIPS Database as of December 31, 2011, using a mandate size of \$175 million

Investment Strategies – TIPS

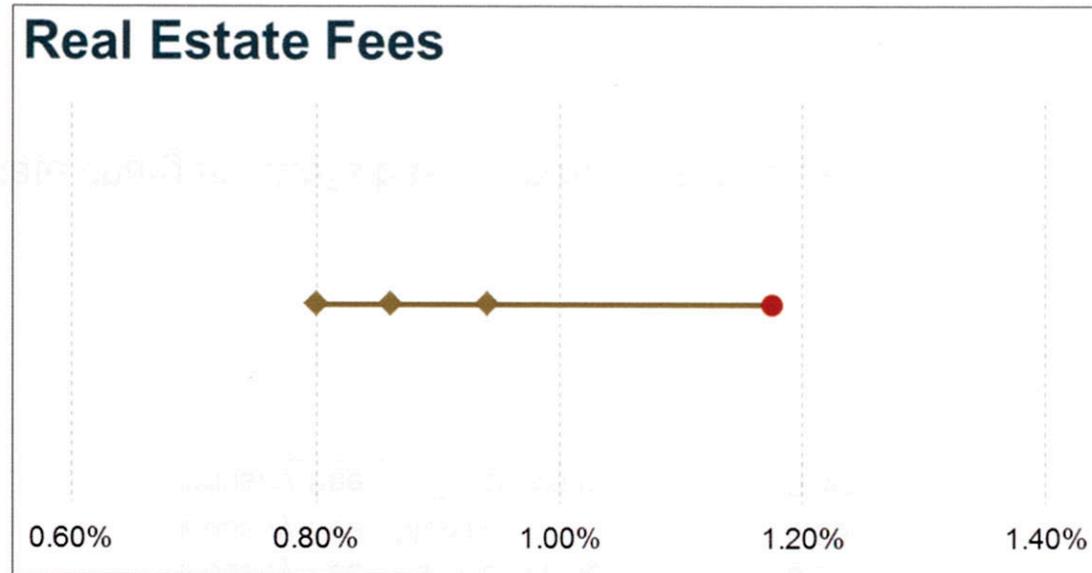
Insurance Trust

TIPS	
Conventional Strategies	Fee %
Western TIPS	0.18%
Weighted Average Fee	0.18%
Industry Fee - 25 th Percentile	0.25%
Industry Fee - Median	0.17%
Industry Fee - 75 th Percentile	0.07%
Other Strategies	Fee %
JP Morgan Infrastructure	1.29%
Eastern Timber Opps	0.84%
Credit Suisse Cust Infrastructure	10.20%

- The Credit Suisse Infrastructure portfolio charges fees based on commitments and was added during the fiscal year.

Real Estate

Insurance Trust



- North Dakota's average account size: \$91M
- Red circle is NDSIB Pension Trust's weighted average real estate management fee of 1.18%
- Industry fees represent active management fee from Callan's 2011 Investment Management Fee Survey, using a core open-ended strategy and a size of \$50M-\$100M (published fees)

Investment Strategies – Real Estate

Insurance Trust

Real Estate	
Conventional Strategies	Fee %
JP Morgan Real Estate	1.18%
Weighted Average Fee	1.18%
<hr/>	
Industry Fee - 25 th Percentile	0.94%
Industry Fee - Median	0.86%
Industry Fee - 75 th Percentile	0.80%

- JP Morgan Real Estate charges 1.25% based on net asset value.

Investment Strategies – Short Term Fixed Income & Cash

Insurance Trust

Short Term Fixed Income	
Conventional Strategies	Fee %
Prudential Enhanced Cash	0.14%
JPM Short Term Budget	0.12%
Babson Short Term	0.12%
Babson Bank Loan	0.17%
Babson Short Term Legacy	0.12%
JPM Short Term Legacy	0.08%
Weighted Average Fee	0.12%

Money Market	
Conventional Strategies	Fee %
Bank of ND - Money Market	0.00%
Weighted Average Fee - Total Fee	0.00%

- Fees for both short term fixed income and money market managers as a whole are reasonable.
- The Babson Bank Loan, Babson Short Term Legacy, JPM Short Term Budget, and JPM Short Term Legacy funds were added during the fiscal year.

**STATE INVESTMENT BOARD SEARCH COMMITTEE
MINUTES OF THE
FEBRUARY 12, 2013, TELECONFERENCE MEETING**

BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Lance Gaebe, Land Commissioner
Mike Sandal, PERS Board
Kelly Schmidt, State Treasurer
Bob Toso, TFFR Board

STAFF PRESENT: Bonnie Heit, Office Manager

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) Search Committee meeting to order at 11:10 a.m. on Tuesday, February 12, 2013.

The SIB Search Committee meeting was held for the purposes of discussing the evaluation criteria for the applications received for the position of ED/CIO of the Retirement and Investment Office (RIO).

Mr. Sandal updated the Search Committee on the status of the recruitment efforts. The position closed on January 31, 2013, and 205 applications were received. Human Resource Management Services (HRMS) has begun the process of screening the applications based on the criteria established for minimum qualifications and at this point have disqualified 25 applicants out of the 150 applications reviewed thus far. HRMS is expected to complete the screening the week of February 11, 2013.

Mr. Sandal also stated he and Treasurer Schmidt have been working on the appropriate evaluation criteria to rank the applications once HRMS has finished the initial screening. The SIB, PERS Board, TFFR Board, and SIB Search Committee were provided an opportunity to give their input. Treasurer Schmidt and Mr. Sandal also received input from RIO staff, Mr. Paul Erlendson, and Mr. John Geissinger. After taking into consideration the input received, the next evaluation criteria phase was broken down into three sections: education, financial experience, and administrative experience and the sections were weighted 25%, 45%, and 30% of the total value respectively.

The Search Committee discussed the next screening phase and the process of narrowing the field to an appropriate number for further consideration. The Search Committee will meet to discuss the next steps once HRMS has completed the initial screening.

ADJOURNMENT:

With no further issues to come before the Search Committee, Lt. Governor Wrigley adjourned the meeting at 11:30 a.m.

Lt. Governor Wrigley, Chair
State Investment Board

Bonnie Heit
Assistant to the Board

Legislative Bill Tracking Status Report As of February 21, 2013

1. HB1022 – RIO Budget Bill

1/08/2013 – Introduced, first reading, referred to Appropriations Committee

1/16/2013 10:00 am – Committee Hearing - House Appropriations-Government Operations

- Fay, Connie and Darren provided testimony to the committee. The tone was positive. The bill will be assigned to a sub-group who will follow-up with us on any further detail needed.

1/23/2013 2:30 pm - House Appropriations-Government Operations (follow-up)

- Fay provided general information on TFFR plan but there were no specific budget related questions.

2/15/2013 9:30 am – House Appropriations-Government Operations (additional discussion)

- Connie and Darren provided information regarding the fiscal note for HB1304 which had been discussed by the full Appropriations committee the day before and given a “Do pass” recommendation.
- Committee approved an amendment to add one additional FTE for an “Investment Analyst” position and related costs and then gave amended bill a “Do pass” recommendation.

2/20/2013 – Full Appropriations Committee gave amended bill a “Do pass” recommendation.

2. HB1143 – Relating to investment of the legacy and budget stabilization funds

WITHDRAWN - This bill would remove the “advisory” language from the Legacy and Budget Stabilization Fund Advisory Board, allowing that board to “direct” the investment of the two funds and allowing that board to “approve general types of securities for investment by the state investment board”.

1/10/2013 – Introduced, first reading, referred to Appropriations Committee.

1/17/2013 – Request return from committee and withdrawn from further consideration.

3. HB1167 – Relating to the definition of earnings of the legacy fund

This bill defines earnings for purposes of Title X, Section 26 of the state constitution as interest and dividends only, not capital gains. (The bill, as introduced, erroneously references Title IX rather than Title X.)

1/11/2013 – Introduced, first reading, referred to Finance and Taxation Committee.

1/21/2013 9:15 am – Committee Hearing - House Finance and Taxation

- Darren and Connie attended the hearing. Darren provided neutral testimony describing relationship between realized and unrealized capital gains. Amendment will be necessary to correct title reference. No questions were asked.

1/31/2013 – Reported back amended, “Do pass” (14-0)

- Amendment corrects title reference and replaces “capital gain” with “unrealized gains on investments”.

2/01/2013 – Amendment adopted, placed on calendar

2/04/2013 – Passed on House floor (91-0)

4. HB1249 – Relating to the membership of the state investment board.

This bill would provide for two additional members on the state investment board; one appointed by the majority leader of the senate and the other appointed by the majority leader of the house of representatives.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.

1/24/2013 8:00 am – Committee Hearing - House Government and Veterans Affairs

- Darren, Connie and Fay attended hearing. Darren provided clarification on questions asked of the bill sponsor and followed up with additional information about the SIB program at the request of the chairman.

1/30/2013 – Reported back amended, “Do pass” (12-1-1)

- Amendment changes appointment responsibility from majority leaders to chairman of legislative management.

1/31/2013 – Amendment adopted, placed on calendar

2/01/2013 – Re-referred to Appropriations Committee (fiscal note)

2/11/2013 – Reported back amended, “Do pass” 14-4

- Amendment sets compensation and expense reimbursement for legislative members to NDCC 54-35-10 (\$157) and indicates legislative council (not RIO) will pay those expenses.

2/12/2013 – Amendment adopted, placed on calendar

2/13/2013 – Passed on House Floor (63-27)

5. HB1304 – Relating to the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996; and to provide an expiration date

This bill would require certain restrictions, monitoring and reporting of “scrutinized companies” relating to the Iran Sanctions Act of 1996, within the state investment board portfolios.

1/14/2013 – Introduced, first reading, referred to Government and Veterans Affairs Committee.

2/07/2013 2:30 pm – Committee Hearing – House Government and Veterans Affairs

- Darren presented neutral testimony regarding costs and other considerations. Representatives for TFFR and PERS as well as Treasurer Schmidt presented testimony in opposition.

2/11/2013 – Reported back amended, “Do pass” (8-5)

- Amendment requires exclusive benefit rule be applied before any other provisions for any public employees retirement system fund.

2/12/2013 – Amendment adopted. Re-referred to Appropriations

2/15/2013 – Reported back, “Do pass” (20-2); placed on calendar

2/21/2013 – Passed on House Floor (84-9)

6. HB1395 – Relating to membership of the legacy and budget stabilization fund advisory board.

This bill would add two members to the advisory board, appointed by the chairman of the legislative management.

1/21/2013 – Introduced, first reading, referred to Political Subdivisions Committee
2/15/2013 10:00 am – Committee Hearing – House Political Subdivisions

7. SB2124 – Provides for the legislative management to study methods to assure that the legacy fund provides the lasting benefits intended by the voters

1/09/2013 – Introduced, first reading, referred to Industry, Business and Labor Committee
1/14/2013 11:00 am – Senate Industry, Business and Labor Committee

- Committee heard testimony from bill drafter and various interested parties and gave the bill a Do-pass recommendation (7-0).

1/15/2013 – Passed on Senate Floor (46-0)

8. SB2150 – Relating to restriction of per diem compensation for members of boards and commissions established by statute

FAILED - This bill would limit board member per diem compensation to the amount allowed for members of a committee of the legislative management and would not allow a “governmental employee” to receive both compensation for their employment and per diem compensation as a board member for the same day of service.

1/11/2013 – Introduced, first reading, referred to Political Subdivisions Committee.
1/24/2013 10:45 am – Committee Hearing - Senate Political Subdivisions

- Fay, Darren and Connie attended the hearing. Fay and Sparb Collins of PERS provided neutral testimony specific to TFFR and PERS board members.

1/25/2013 – Committee reported back “Do Not Pass” (3-2-1)

1/29/2013 – Failed on Senate Floor (0-44)

9. HCR3018 – Relating to transfer of a portion of the earnings of the legacy fund to the legacy scholarship fund.

This bill proposes a constitutional amendment to section 26 of article X regarding the legacy fund which would direct ten million dollars of the earnings of the legacy fund to a legacy scholarship fund for ND high school graduates who attend ND colleges and meet certain academic performance and other minimum standards.

1/25/2013 – Introduced, first reading, referred to House Finance and Taxation Committee
2/06/2013 10:15 am – Committee Hearing – House Finance and Taxation Committee
2/19/2013 – Reported back amended, “Do pass” (13-0-1)

- Amendment changes bill to a study of the most beneficial use of the earnings of the Legacy Fund (similar to SB2124)

2/20/2013 – Amendment adopted, placed on calendar